

# Life Insurance

Mandatum Life Group consists of Mandatum Life, a wholly-owned subsidiary of Sampo plc, operating in Finland, and its subsidiary Mandatum Life Insurance Baltic SE. Mandatum Life Insurance Baltic SE has the form of a European company and is headquartered in Estonia. It operates in the other Baltic countries through branches.

## Results Life Insurance, 2013

EURm	2013	2012	Change, %
Premiums written	1,063	977	9
Net income from investments	569	574	-1
Other operating income	4	3	23
Claims incurred	-731	-669	9
Change in liabilities for inv. and ins. contracts	-648	-642	1
Staff costs	-46	-42	9
Other operating expenses	-54	-58	-8
Finance costs	-7	-7	-9
Share of associate's profit	1	0	-
<b>Profit before taxes</b>	<b>153</b>	<b>136</b>	<b>12</b>
<b>Key Figures</b>	<b>2013</b>	<b>2012</b>	<b>Change</b>
Expense ratio, %	106.6	113.9	-7.3
Return on equity, %	18.3	28.5	-10.2
Average number of staff (FTE)	541	545	-4

By all key indicators, 2013 was a successful year for life insurance operations. Unit-linked premium income was at a record-high level and investment returns were good. Positive development was also achieved in operating expenses, and unit-linked technical provisions exceeded the technical provisions related to with profit products.

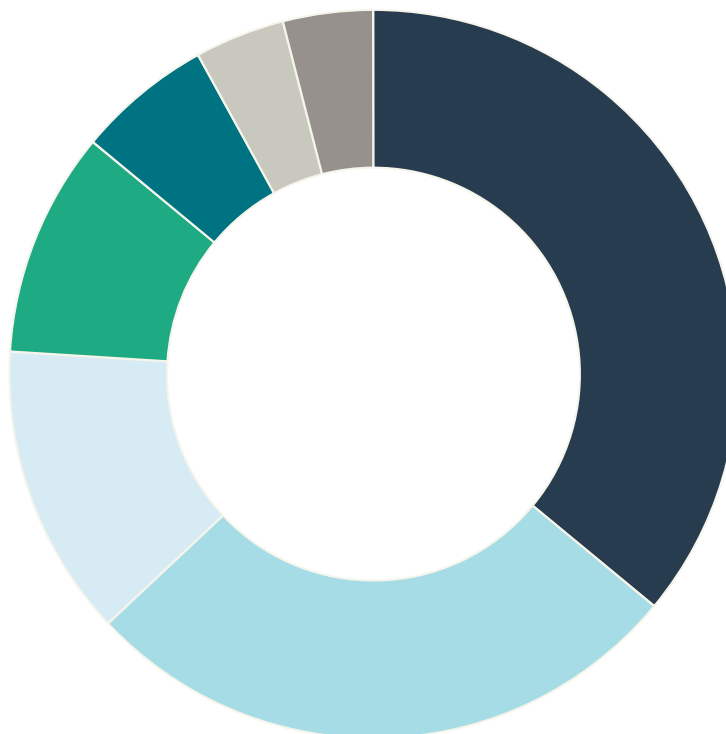
Profit before taxes in life insurance operations in 2013 increased by 12 per cent to EUR 153 million (136). The

total comprehensive income for the period reflecting the changes in market values of assets was EUR 220 million (286). Return on equity (RoE) amounted to 18.3 per cent (28.5).

Mandatum Life Group's investment assets, excluding the assets of EUR 4.6 billion (3.8) covering unit-linked liabilities, amounted to EUR 5.5 billion (5.5) at market values as at 31 December 2013.

## Investment Allocation

Life Insurance, 31 December 2013, total EUR 5.5 billion



Mark-to-market return on investments in 2013 was 7.1 per cent (9.4). At the end of December 2013 duration of fixed income assets was 1.8 years (1.8) and average maturity 2.2 years (2.1). Fixed income running yield was 3.7 per cent (4.8).

Net investment income, excluding income on unit-linked contracts, increased to EUR 299 million (280) boosted in particular by excellent yield on equity investments. Net income from unit-linked contracts was EUR 270 million (294). In 2013, fair value reserve increased by EUR 101 million to EUR 492 million.

Mandatum Life Group's solvency margin clearly exceeded Solvency I requirements and the solvency capital amounted to EUR 1,403 million (1,391) as at 31 December 2013. The solvency ratio was 27.6 per cent (27.7). Total technical reserves of Mandatum Life Group increased to EUR 8.5 billion (7.9). The unit-linked reserves reached EUR 4.6 billion (3.8) at the end of 2013, which corresponds to 54 per cent (48) of total technical reserves. With profit reserves decreased further during 2013 and amounted to EUR 3.9 billion (4.1), of which the reserves to lower the discount rate for with profit liabilities amount to EUR 146 million.

Majority of Mandatum Life's traditional policies carry a

guaranteed interest of 3.5 per cent. Individual policies sold in Finland before 1999 carry a guaranteed interest of 4.5 per cent. The discount rate for these policies has been lowered to 3.5 per cent and subsequently technical reserves have been supplemented with EUR 75 million (71). In addition, EUR 71 million has been reserved to lower the interest rate of all with profit liabilities to 2.25 per cent in 2014 and to 2.75 per cent in 2015. All in all, Mandatum Life has increased its technical reserves with EUR 146 million (118) due to low level of interest rates.

The various measures introduced during the last few quarters to improve the cost efficiency are beginning to show, and together with growing fee income, the expense result for life insurance segment increased to EUR 14 million (6). Risk result was excellent at EUR 24 million (19) in 2013. The expense result is expected to further improve during 2014 due to increased unit-linked savings and efficiency measures.

Mandatum Life Group's premium income on own account increased 10 per cent to EUR 1,063 million (977). Increase in the sales through the Danske Bank distribution channel and own channels explained the positive development. Premiums in the main focus area of unit-linked insurance increased to a new record

of EUR 909 million (810). Premium income from the Baltic countries was EUR 32 million (33).

Despite high premium income, Mandatum Life's unit-linked market share in Finland decreased to 19.3 per cent (26.2) due to the strong growth in overall life

insurance premium income in Finland. Mandatum Life's overall market share in Finland decreased to 19.2 per cent (24.5). Market share in the Baltic countries decreased to 10 per cent (11).