

Annual Report 2014



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Board of Directors' report

1.1.–31.12.2014

Life insurance industry in Finland in 2014

2014 was the third consecutive year of growth in the life insurance sector, with premiums written rising to an all-time high. The growth can be primarily explained by the increasing popularity of unit-linked savings and investment solutions. As a result of the positive development in premiums written, the sector's insurance savings also continued to grow strongly.

The life insurance sector's total premiums written increased 10 per cent from the previous year, to EUR 5,942 million (2013: 5,382, source: Federation of Finnish Financial Services). Unit-linked premiums written increased 13 per cent, reaching EUR 5,159 million (4,558), and their share of the entire sector's premium written was 87 per cent (85). Premiums written on with-profit insurance policies decreased 5 per cent to EUR 783 million (824).

Among the product groups, life insurance savings policies and capital redemption policies experienced the strongest growth in premiums written. Premiums written on life insurance savings policies grew 15 per cent to EUR 2,549 million (2,218), while premiums written on capital redemption policies grew 14 per cent from the comparison year, to EUR 2,248 million (1,965). Premiums written on pure life and disability insurance, excluding employees' group life insurance, totalled EUR 349 million (340).

Premiums written on unit-linked group pension insurance policies grew 9 per cent to EUR 105 million (96), while premiums written on with-profit policies decreased 5 per cent to EUR 174 million (182). All in all, premiums written on group pension insurance policies remained almost on a par with the 2013 level. Premiums written on individual pension insurance policies declined to EUR 477 million (539).

Insurance savings in the life insurance sector increased by 12 per cent during the year and amounted to EUR 42.9 billion (38.3). Unit-linked insurance savings grew 25 per cent to EUR 26.9 billion (21.5). Households accounted for a 74 per cent (72) share of the sector's insurance savings.

Operating result

Mandatum Life's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). The parent company's separate financial statements have been prepared in accordance with Finnish Accounting Standards. The profit shown in the consolidated financial statements differs from the parent company's profit mainly due to differences in the recognition principles for investment activities.

The Group's IFRS profit before taxes was EUR 163 million (153), and profit after taxes EUR 133 million (119). The Baltic subsidiary recorded a profit of EUR 0.2 million (-0.5). The parent company's profit for the year according to Finnish Accounting Standards was EUR 103 million (174).

The Group's IFRS solvency capital was EUR 1,463 million (1,403). The parent company's solvency margin, calculated in accordance with the Finnish Accounting Standards, was EUR 1,448 million (1,385), i.e. 5.3 times the required minimum. The

parent company's solvency ratio was 23 per cent (27.7). The decline in the company's solvency ratio mainly resulted from the strong increase in technical provisions, especially due to the group pension portfolio received from Suomi Mutual.

INCOME ANALYSIS

EUR million	2014	2013	change
Total premiums written (on own account)	1,105	1,063	42
Investment income and charges, revaluations and revaluation adjustments	539	568	-29
Other technical income	0	0	0
Claims paid	-881	-740	-141
Change in technical provisions before bonuses	-496	-638	142
Net operating expenses	-102	-96	-6
Technical result before bonuses	164	157	7
Other interest expenses	-7	-7	0
Other income and expenses	6	6	0
Operating profit	163	156	7
Customer bonuses	0	-3	3
Profit before extraordinary items, appropriations and taxes	163	153	10
Extraordinary income	0	0	0
Taxes	-29	-33	4
Profit for the financial year	133	119	14
Change in fair value reserve	16	101	-84
Profit at fair values	150	220	-70

Mandatum Life Group's consolidated balance sheet total was EUR 12,204 million (10,172), of which the share of capital and reserves was EUR 1,310 million (1,260). Capital and reserves include the investment fair value reserve, which, less the tax liability, amounted to EUR 508 million (492).

Gross premiums written

Mandatum Life Group's gross premiums written before reinsurers' share totalled EUR 1,110 million (1,068), and premiums written on its own account totalled EUR 1,105 million (1,063). Reinsurance assumed accounted for EUR 4 million (4) of the gross premiums written. The Group's direct insurance premiums written amounted to EUR 1,106 million (1,064).

Activities in Finland

Mandatum Life Group's core sales areas are unit-linked insurance policies and related wealth management, group pension and personal risk insurance policies as well as reward services and related consulting. During 2014, the company initiated fund business operations especially tailored to the needs of institutional customers, thereby helping to broaden the company's service offering to its customers.

DIRECT INSURANCE PREMIUMS WRITTEN

EUR million	2014	2013	change
Insurance contracts			
Unit-linked life insurance	372	331	41
Other life insurance	49	50	-1
Employees' group life insurance	12	12	0
Other group life insurance	9	8	1
Life insurance	443	401	42
Unit-linked individual pension insurance	76	81	-6
Other individual pension insurance	17	21	-4
Unit-linked group pension insurance	65	57	8
Other group pension insurance	57	64	-7
Pension insurance	215	223	-9
Insurance contracts total	658	624	33
Investment contracts			
Unit-linked capital redemption operations	448	440	8
Other capital redemption operations	1	0	1
Investment contracts total	449	440	9
Direct insurance premiums written	1,106	1,064	43

In addition to the core sales areas, the company has a significant insurance portfolio, in terms of which active customer relationship management, efficient management processes and risk management play key roles in the company's success. During 2014 Mandatum Life received from Suomi Mutual its with-profit group pension portfolio. The portfolio comprises approximately 2,300 policies and 34,000 members. The amount of transferred assets and liabilities was EUR 1,337 million. Following the transfer of the group pension insurance portfolio, the total technical provisions for Mandatum Life's insurance and savings policies exceeded EUR 10 billion at the end of 2014.

The parent company's direct insurance premiums written in Finland increased 3 per cent and amounted to EUR 1,066 million (1,032). Individual pension insurance and group pension insurance accounted for EUR 214 million (223), life insurance for EUR 414 million (378) and capital redemption policies recognised under investment contracts for EUR 438 million (430) of the premiums written.

Premiums written on unit-linked insurance policies reached an all-time high in the company's history. The parent company's direct insurance premiums written on unit-linked policies grew 5 per cent to EUR 923 million (880). In spite of the record-high unit-linked premiums written, the company's market share declined to 17.9 per cent (19.3), as unit-linked premiums written in the sector increased 13 per cent.

The positive development in premiums written on life insurance savings policies continued, with an 11 per cent increase to EUR 355 million (320) from the previous year. Premiums written on capital redemption policies grew 2 per cent to EUR 438 million (430). Premiums written on personal risk insurance policies remained on a par with the 2013 level, at EUR 46 million.

All in all, premiums written on group pension insurance policies grew one per cent to EUR 122 million (121), but premiums written on the core sales area of unit-linked group pension insurance policies increased 14 per cent to EUR

65 million (57). Premiums written on individual pension insurance policies declined 9 per cent to EUR 92 million (102).

In terms of premiums written, Mandatum Life was the market leader in Finland in the corporate segment, with a 39.5 per cent (40.7) market share. Mandatum Life's overall market share in direct business premium income declined to 17.9 per cent (19.2).

Net sales of Mandatum Life's subsidiary Innova, which offers personnel fund and pension services, totalled EUR 5 million (4).

Activities outside Finland

As in Finland, Mandatum Life's Baltic subsidiary focuses on unit-linked insurance and pure life and disability insurance.

The Baltic subsidiary's premiums written totalled EUR 40 million (32). Of the EUR 170 million in insurance savings under management, unit-linked insurance accounted for EUR 152 million.

In the Baltic countries, demand for risk insurance grew and capital at risk increased to EUR 575 million (535).

Luxembourg's supervisory authority granted Mandatum Life a licence to operate a special investment fund and a fund management company (Mandatum Life Fund Management S.A.). The company was established in autumn 2014, which is also when the operations were started up and the first two funds were introduced to the market. The fund is primarily targeted at institutional investors.

Investments

Mandatum Life's investment objective is to produce the highest possible return at an acceptable level of risk. Successful investments provide policyholders with good nominal returns and also improve the solvency margin and satisfy shareholders' return expectations.

The investment portfolio is diversified both geographically and by instrument type to increase returns and reduce risks.

The most significant event in 2014 was the drop in the interest rate level to close to zero, or even lower. The total return on the investment portfolio in 2014 was 4.6 per cent (7.1 in 2013). Demand for corporate bonds remained extremely strong and margins continued to shrink. The total return on the fixed-income portfolio was 1.6 per cent (3.3). With the United States as the engine, equity markets developed relatively strongly, and the overall return on equities for the year was 4.8 per cent (19.1). The poor development of Russia's stock markets pushed down the returns on the equity portfolio. The euro weakened strongly towards year-end, driving the result of the unhedged portion of the currency position clearly into positive territory.

At year-end, the parent company's investment portfolio at fair value amounted to EUR 6,644 million (5,452). Of all investments, 44 per cent was invested in Finland (38), 23 per cent in the rest of the euro zone (30) and 33 per cent elsewhere (32).

Interest rate risk investments account for 60 per cent (59) of the portfolio. At the end of December 2014, the duration of the fixed income portfolio was 1.8 years (1.8). Bonds made up

30 per cent (47), fixed-income funds 5 per cent (2) and money-market investments, including cash, 25 per cent (10) of the investment portfolio.

Share of listed equity investments of the investment portfolio was 26 per cent (26) at year-end. The figure includes direct equity investments, at 9 per cent (12) and investments in equity funds, at 15 per cent (14). In addition, investments in equity funds that carry equity risk and unlisted equities made up four per cent (4), and alternative investment funds 5 per cent (6) of the investment portfolio. A more detailed breakdown of equity and fixed income investments can be found in the note to the financial statements concerning risk management.

At year-end, the portfolio contained EUR 707 million (640) in private equity fund-type investments, which include, in addition to equity risk, land and building and interest rate risk. The outstanding fund commitments for these totalled EUR 367 million (377). Capital will be committed to these funds over several years as they make new investments. Of these commitments, EUR 25.0 million (27.4) concern investments covering unit-linked insurance, for which corresponding premiums written are also expected. In the allocation graph, the share of capital funds includes

Investments

31 Dec 2014

6,644 EUR million



31 Dec 2013

5,452 EUR million



NET INVESTMENT INCOME AT FAIR VALUE

EUR million	2014	2013	change
Guaranteed interest policies			
Interest	98	119	-22
Dividend income	89	87	2
Income from and charges arising from investments in land and buildings	5	2	3
Gains and losses on sale of investments	126	122	4
Value adjustments	-42	-33	-8
Exchange rate gains and losses	35	4	31
Investment management expenses and depreciation	-13	-12	-1
Revaluations	1	1	0
Other income and charges	-28	8	-36
Total	271	298	-27
Change in fair value reserve (before tax)	20	97	-77
Change in valuation differences off the balance sheet	-1	2	-3
Total net investment income at fair value	291	397	-106

only equity-risk capital funds, whereas capital fund-type investments that include a real estate and interest rate risk have been included in the lines corresponding to those risks.

Investments in land and buildings totalled 5 per cent (4) of the portfolio and consisted of 65 per cent (62) direct investments, and 35 per cent (38) indirect investments, i.e. fund units, and loan and equity investments.

Investments covering unit-linked insurance policies, shown as a separate balance sheet item, totalled EUR 5,282 million (4,623).

Mandatum Life Group's net investment gain in the income statement was EUR 539 million (568). Investments covering unit-linked insurance accounted for EUR 268 million (270) of the total gain.

Interest income for the year amounted to EUR 98 million (119). Of the EUR 89 million (87) in dividend income, 30 per cent (38) came from Finnish equities, 59 per cent (57) from profit shares of private equity funds and the remaining 11 per cent (5) from exchange-listed index funds and other foreign interests. The result includes net gains on disposals of EUR 126 million (122), of which EUR 55 million were realised on North American investments carrying equity risk, EUR 15 million on bonds of EU countries and EUR 27 million on exchange-listed equities, of which the gains on the two largest disposals, Fingrid and Fortum, accounted for 67 per cent. Exchange rate gains of EUR 35 million (4) include currency hedge gains and losses and exchange rate movements of bonds.

In accordance with the investment plan confirmed by the company's Board of Directors, standardised futures and option contracts as well as interest rate and credit risk swaps are actively used for hedging both the existing positions and the interest rate risk on the balance sheet, and for enhancing returns. Derivatives positions are tracked together with the underlying investments, and their risk exposures are calculated based on the prevailing market situation. Derivatives positions are structured so that the overall portfolio risk remains within the limits set by the Board.

Hedge accounting was applied during the financial year for hedging the fair value of foreign currency funds against foreign exchange risk. As a result of the hedging, EUR 74 million in profit (-18) was recognised under profit and loss instead of the fair value reserve.

Total losses from derivatives were EUR 171 million (29). These are included under the items 'Exchange rate gains and losses', 'Other income and expenses' and 'Interest income and expenses'. The losses consist of EUR -16 million (12) in interest rate derivatives and EUR -154 million (20) in foreign exchange derivatives, of which those held for hedging totalled EUR -74 million (18) and the remaining EUR -1 million (-3) in equity and credit risk derivatives.

The fair value reserve included in equity increased by EUR 20 million (97) in the financial year before taxes. Shares and funds accounted for EUR 62 million (139) of the change in fair value reserve, with Finnish equities accounting for EUR 24 million (68). Fixed income instruments accounted for EUR -42 million (-42) of the change in the fair value reserve, with the biggest change being attributable to the eurozone corporate bond market, at EUR -26 million. Permanent impairment losses of EUR 41 million (-33) were recognised in the fair value reserve, EUR 31 million of which came from Finnish listed equities, EUR 5 million from investment funds carrying Russia risk and the remainder from private equity funds.

Technical provisions and customer bonuses

Mandatum Life Group's technical provisions before reinsurers' share grew by EUR 1,833 million and amounted to EUR 10,377 million (8,544). Unit-linked policies accounted for EUR 5,312 million (4,617) of the technical provisions. With-profit technical provisions grew to EUR 5,065 million (3,927). The transfer of a group pension insurance portfolio from Suomi Mutual, which was completed on 30 December 2014, increased the with-profit technical provisions by a total of EUR 1,337 million. The technical provisions transferred from Suomi Mutual have been segregated from the rest of the insurance portfolio (segregated group pension insurance portfolio). The segregated group pension insurance portfolio includes an increase of EUR 241 million in the reserve for decreased discount rates, which lowers its discount rate for technical provisions to 1.0 per cent. The remainder of the with-profit technical provisions includes a total increase of EUR 135 million in the reserve for decreased discount rates.

The Baltic subsidiary's share of the technical provisions was EUR 170 million (159), of which unit-linked technical reserves accounted for EUR 153 million (142).

More detailed information on the distribution of and change in technical reserves is included in the note concerning risk management under the Notes to the Financial Statements.

Principle of fairness

According to Chapter 13 of the Finnish Insurance Companies Act, life insurers must follow the so-called principle of fairness with respect to policies which under the insurance contract give entitlement to bonuses granted on the basis of any surplus generated by insurance policies.

Mandatum Life endeavours to provide over the long term a total return, before expenses and taxes, on insurance savings related to with-profit policies which is at least equal to the yield on long-term fixed income investments regarded as having the lowest risk at the time concerned. According to the current interpretation, German bonds are viewed as the closest option for risk-free, long-term fixed-income investments. For the time being, however, the targeted level of total return corresponds to the yield of 5-year Finnish government bonds in the case of endowment policies and to the yield of 10-year Finnish government bonds in the case of pension insurance policies. The total return consists of the technical rate of interest and additional bonuses that are determined annually.

The Board of Directors of Mandatum Life Insurance Company Limited decides on the annual bonuses each year. The amount is influenced by the general interest rate level, the long-term success of the company's investment activities, the level of the guaranteed rate and the company's solvency, among other things. The company's website provides a more detailed description of the targeted bonus and an account of bonuses paid.

There are no regulations corresponding to the principle of fairness in Estonian, Latvian or Lithuanian legislation.

Claims incurred

Mandatum Life Group's claims incurred on its own account totalled EUR 876 million (731). The Baltic subsidiary's share of claims paid was EUR 28 million (25).

A total of EUR 882 million (741) was paid out by Mandatum Life Group on claims during the year, of which reinsurers covered EUR 2.8 million (3.1). Unit-linked policies accounted for EUR 485 million (345) of claims paid.

The parent company, Mandatum Life, made pension payments totalling EUR 319 million (319) to about 61,000 pensioners during the year. Group pension insurance accounted for 57 per cent (57) of this total. A total of close to 40,000 other claims were also paid out. Maturity benefits paid out on policies expiring at term amounted to EUR 14 million (20). Policy surrenders amounted to EUR 451 million (322), life insurance risk payouts totalled EUR 90 million (73), while payouts on reinsurance claims totalled EUR 1 million (1).

Operating expenses

Mandatum Life Group's operating expenses were EUR 102 million (96). The Baltic subsidiary's share of operating expenses was EUR 6 million (6), and Innova's share was EUR 5 million (4).

In 2014, Mandatum Life Group's expense ratio was 103.0 per cent (105.4). The Group's total expense ratio (which takes into account all income intended to cover operating expenses) was 84.2 per cent (86.2). The Group's operating expenses include acquisition costs of EUR 37 million (35).

Mandatum Life does not amortise insurance acquisition costs, and hence a policy's first-year result, i.e. the result for the acquisition year, is usually negative due to acquisition costs.

HR administration

Improving the efficiency of operations and developing competence to meet the needs of an evolving market were key themes for Mandatum Life in 2014. The company succeeded in achieving its efficiency targets by, among other things, centralising its operations. A Sales Support and Customer Experience unit was established to ensure consistent high-quality operations for all sales channels in both sales projects and campaigns.

Mandatum Life changed its corporate structure in 2014 by establishing two new subsidiaries – Mandatum Life Services Ltd. and Mandatum Life Investment Services Ltd., which started their operations on 1 May 2014. Following the change, 300 support service and investment management employees transferred to the new companies. Despite the change in corporate structure, Mandatum Life's objective remains the same: to promote a harmonised work culture and working as one team in accordance with our values. Common supervisor coaching programmes have been implemented to support a harmonised work culture.

At Mandatum Life, the personnel's competence is developed in key business areas to bring added value to customers. It is important for the company's success that our personnel are motivated and thriving. Personnel satisfaction is measured through the annual Great Place to Work survey. In the 2014 survey, Mandatum Life was ranked among the top 30 Finnish workplaces. Personnel satisfaction is at a good level and has even improved from last year. In a workplace atmosphere survey conducted in March 2014, overall satisfaction was at 80 per cent (76%). Overall, 88 per cent (81) of those surveyed regarded Mandatum Life as a very good workplace. The high response rate of 91% is also indicative of the level of personnel satisfaction.

Risk management

Mandatum Life's Board of Directors is responsible for the adequacy of the company's risk management and internal control. The Board annually approves the risk management plan, investment policy and other guidance on the organisation of risk management and internal control in the businesses operations. The contingency plan is part of the risk management plan.

The Managing Director of Mandatum Life has overall responsibility for the implementation of risk management in accordance with the Board's guidance. The business units are responsible for the identification, assessment, control and management of their operational risks.

Risks have been divided into main groups, which are insurance, market, operational, legal and compliance risks as well as business and reputational risks. Each main group has been appointed a responsible person in the Risk Management Committee, which meets regularly. The Committee is chaired by the Managing Director, and it also handles the risks related to the Baltic subsidiary.

The Financial Statements include a note on risks and risk management, explaining Mandatum Life Group's general risk management principles as well as its principal risks.

Corporate structure and ownership

Mandatum Life Insurance Company Limited is a fully owned subsidiary of Sampo plc.

Mandatum Life have fully owned subsidiaries an Estonian subsidiary, Mandatum Life Insurance Baltic SE with branches in Latvia and Lithuania, Mandatum Life Fund Management S.A. in Luxembourg, as well as domestic companies Innova Services Ltd, Mandatum Life Servives Ltd and Mandatum Life Investment Services Ltd

Mandatum Life Group also includes 23 (22) Finnish subsidiaries (housing and property companies) and the associated companies Niittymaa Oy (49 per cent holding) and SaKa Hallikiinteistöt Oy (48 per cent holding).

Significant post-balance sheet events

There are no significant post-balance sheet events.

Future outlook

The opportunities and challenges that the company will face in the near future will largely be similar to those faced in the recent years. The uncertainty related to the European economy and the increasingly low level of low-risk interest rates will continue to be the most significant challenges in terms of investment operations and the company's result.

In 2014, Mandatum Life's return on investments was moderate, clearly exceeding the requirements for technical provisions. The return on alternative investments, especially private equity funds, was very good. The return on fixed income investments remained low as a result of a duration that was kept low. In terms of the company's future outlook, the most significant challenge will lie in the exceptionally low level of low-risk market interest rates, coupled with a clearly higher guaranteed rate for insurance policies. The reinvestment risk related to fixed-income investments maturing during the next few years is considerable, owing to the low interest rate levels and the relatively low risk margins of corporate bonds. The solvency capital, the with-profit technical provisions that are

decreasing relatively strongly and the discount rate reserve, together with the transitional provisions of Solvency II, put the company in a good position to tolerate both low interest rate levels and short-term market fluctuations.

In the course of 2014, Mandatum Life took two significant strategic steps that are expected to improve the company's future outlook. The transfer of Suomi Mutual's group pension insurance portfolio is expected to have a positive earnings impact and will additionally bring major new customer potential to Mandatum Life in the form of more than 2,000 insurance policies and 30,000 insured. The other strategic step was to initiate fund business operations by establishing a fund management company in Luxembourg. Mandatum Life's wealth management services are available to customers primarily through insurance, but institutional investors now have the option to invest directly in Mandatum Life's funds. The establishment of fund business operations required changes to Mandatum Life's corporate structure. Therefore, in 2014, Mandatum Life established Mandatum Life Investment Services Ltd. to take care of unit-linked customer assets and Mandatum Life Services Ltd. to produce the services of the group. The new structure will help meet future changes in customer needs and the regulatory environment more clearly and cost-effectively.

Mandatum Life's unit-linked premiums written for 2014 were the highest ever. The increase in premiums written mainly resulted from the wealth management unit's successful sales and from Danske Bank's excellent sales in the private customer segment. The upward trend in premiums written on and sales of unit-linked products is a good starting point for 2015 to seek a level of unit-linked premiums written at least on a par with that of 2014. Reward-related services, especially personnel funds, which started to grow in 2014, are also expected to continue their growth over the next few years.

In addition to investment operations, the company's result is also affected by the risk result arising from insurance risks and by the expense result. The expense result continued on an upward trajectory as income increased and expenses remained below the targets set in the cost-efficiency programme. The expense result is expected to trend upward, but annual results may fluctuate especially in terms of fee income for unit-linked technical provisions due to the volatility of the investment markets. The risk result is expected to remain on a par with the previous years' level.

In terms of solvency regulation, 2015 will be a significant year. On 1 January 2016, the Solvency I regulations, which have been in force for a long time, will be replaced by the Solvency II regulations, which take companies' risk position better into account. The capital requirements set by the Solvency II regulations on certain risks, especially certain market risks, can be considered stringent. However, the transitional provisions, together with the downward trend of the with-profit portfolio, will give Mandatum Life time to adjust its balance sheet to better meet the requirements of the new solvency regulations. On the other hand, the entry into force of the new regulations and the finalisation of their contents will allow companies to develop new kinds of products that are better in line with Solvency II.

Corporate Governance

Mandatum Life's corporate governance is primarily determined on the basis of the Finnish Insurance Companies' Act and the Limited Liability Companies Act. More detailed provisions regarding the company's governance can be found in its Articles of Association and in the internal operating principles and guidelines approved by the Board of Directors.

The supreme authority over the company's business is exercised by the General Meeting of Shareholders. The Annual General Meeting was held on 18 March 2014 and the Extraordinary General Meeting was held on 7 May 2014.

In accordance with its Articles of Association, Mandatum Life's Board of Directors comprises no fewer than four and no more than seven members. In 2014, the Board had five members. Of the Board's members, the term of Kari Stadigh expired, and he was re-elected to serve until the 2017 Annual General Meeting.

The Board's composition is as follows: Group CEO Kari Stadigh (Chairman), Group CFO Peter Johansson (Vice Chairman) and members Patrick Lapveteläinen, Jorma Leinonen and Jarmo Salonen. The Board convened 13 times during the financial year.

The staff's elected representative at the Board of Directors' meetings was Katja Korelin, Specialist, and his deputy was Matti Lepistö, Liaison Manager. The staff representative is not a member of the Board of Directors.

Petri Niemisvirta was the company's Managing Director and Jukka Kurki was the Deputy Managing Director.

The Auditors elected by the Annual General Meeting were Ernst & Young Oy, Authorised Public Accountants, with Heikki Ilkka, APA, and Kristina Sandin, APA, as the auditors with principal responsibility. The Deputy Auditors were Eva Bruun, APA, and Terhi Mäkinen, APA.

The Board of Directors' proposal for the distribution of profit

Mandatum Life's profit in accordance with the Finnish Accounting Standards was EUR 102,585,758.22 and distributable funds were EUR 565,896,362.03. The Board of Directors proposes to the Annual General Meeting that EUR 100,000,000 of the profit for the financial year be distributed as dividend and the rest be transferred to the profit and loss account.

Consolidated Comprehensive Income Statement

EUR million	Note	1-12/2014	1-12/2013
Insurance premiums	1	1,104.8	1,063.1
Net income from investments	2	539.8	569.4
Other operating income		5.4	4.3
Claims incurred	3	-876.4	-731.3
Change in liabilities for insurance and investment contracts	4	-498.6	-647.7
Staff costs	5	-46.3	-46.0
Other operating expenses	6	-59.5	-53.9
Finance costs	7	-6.9	-6.6
Share of associates' profit/loss		0.5	1.4
Profit before taxes		162.8	152.7
Taxes	19	-29.5	-33.5
Profit for the period		133.4	119.2
Other comprehensive income for the period	20-21		
Items reclassifiable to profit or loss			
Exchange differences		0.0	0.0
Available-for-sale financial assets		20.2	96.9
Cash flow hedges		0.0	-0.3
Income tax relating to components of other comprehensive income		-4.0	4.0
Other comprehensive income for the period, items reclassifiable to profit or loss net of tax, total		16.2	100.6
Total comprehensive income for the year		149.5	219.8

Consolidated Balance Sheet

EUR million	Note	12/2014	12/2013
Assets			
Property, plant and equipment	8	4.6	5.1
Investment property	9	176.8	105.2
Intangible assets	10	6.8	8.5
Investments in associates	11	0.4	1.4
Financial assets	12-16	5,664.9	5,122.3
Investments related to unit-linked insurance and investment contracts	17	5,281.8	4,622.9
Reinsurers' share of insurance liabilities	24	2.6	2.8
Other assets	22	208.0	81.3
Cash and cash equivalents	23	858.5	222.1
Total assets		12,204.3	10,171.6
Liabilities			
Liabilities for insurance and investment contracts	24	5,064.9	3,927.5
Liabilities for unit-linked insurance and investment contracts	25	5,312.0	4,616.6
Financial liabilities	13, 26	185.5	110.8
Tax liabilities	18	123.1	128.0
Other liabilities	28	209.0	128.8
Total liabilities		10,894.6	8,911.6
Equity			
Share capital	30	40.4	40.4
Reserves		637.2	621.1
Retained earnings		632.1	598.6
Equity attributable to owners of the parent		1,309.7	1,260.1
Non-controlling interests		0.0	0.0
Total equity		1,309.7	1,260.1
Total equity and liabilities		12,204.3	10,171.6

Statement of Changes in Equity

EUR million	Share capital	Share premium account	Legal reserve	Retained earnings	Translation of foreign operations	Available-for-sale financial assets*)	Cash flow hedges**)	Total
Equity at 1 Jan 2013	40.4	98.9	30.1	579.7	-0.2	391.2	0.2	1,140.3
Changes in equity								
Transfers between equity			0.0	-0.1		0.1		0.0
Dividends				-100.0				-100.0
Total comprehensive income for the year				119.2	0.0	100.8	-0.2	219.8
Equity at 31 Dec 2013	40.4	98.9	30.1	598.8	-0.2	492.1	0.0	1,260.1
Changes in equity								
Transfers between equity				0.1		-0.1		0.0
Dividends				-100.0				-100.0
Total comprehensive income for the year				133.4	0.0	16.2		149.5
Equity at 31 Dec 2014	40.4	98.9	30.1	632.3	-0.2	508.2	0.0	1,309.7

*) The amount recognised in equity from available-for-sale financial assets for the period totalled EURm 30.2 (166.8). The amount transferred to p/l amounted to EURm 20.2 (96.6).

***) The amount recognised in equity from cash flow hedges for the period terminate.

The amount included in the translation, available-for-sale and cash flow hedge reserves represent other comprehensive income for each component, net of tax.

Statement of Cash Flows

EUR million	2014	2013
Operating activities		
Profit before taxes	162.8	152.7
Adjustments:		
Depreciation and amortisation	5.3	6.4
Unrealised gains and losses arising from valuation	-127.5	-180.6
Realised gains and losses on investments	-125.6	-149.5
Change in liabilities for insurance and investment contracts	496.1	640.8
Other adjustments	26.1	23.6
Adjustments total	274.3	340.7
Change (+/-) in assets of operating activities		
Investments *)	412.3	-258.3
Other assets	-55.1	65.2
Total	357.2	-193.1
Change (+/-) in liabilities of operating activities		
Financial liabilities	0.0	-0.6
Other liabilities	5.0	-85.9
Paid taxes	-58.6	-45.1
Total	-53.6	-131.6
Net cash from operating activities	740.7	168.8
Investing activities		
Investment in group and associated undertakings	-4.1	-
Net investment in equipment and intangible assets	-0.2	-0.6
Net cash from investing activities	-4.3	-0.6
Financing activities		
Dividends paid	-100.0	-100.0
Net cash from financing activities	-100.0	-100.0
Total cash flows	636.4	68.2
Cash and cash equivalents at 1 January	222.1	153.9
Cash and cash equivalents at 31 December	858.5	222.1
Net increase in cash and cash equivalents	636.4	68.2
Additional information to the statement of cash flows:		
Interest income received	200.0	196.7
Interest expense paid	-25.7	-27.3
Dividend income received	54.8	42.7

*) Investments include investment property, financial assets and investments related to unit-linked insurance and investment contracts.

The items of the statement of cash flows cannot be directly concluded from the balance sheets due to e.g. exchange rate differences.

Cash and cash equivalents include cash at bank and in hand EURm 389.1 (178.6) and short-term deposits (max. 3 months) EURm 469.4 (43.5).

Notes to the accounts

Summary of significant accounting policies

Mandatum Life Group has prepared the consolidated financial statements for 2014 in compliance with the International Financial Reporting Standards (IFRSs). In preparing the financial statements, Mandatum Life has applied all the standards and interpretations relating to its business, adopted by the commission of the EU and effective at 31 December, 2014.

During the financial year, Mandatum Life adopted the following amended standard relating to its business.

IFRS 10 Consolidated Financial Statements (effective for annual periods beginning on 1 Jan 2013 or latest on 1 Jan 2014) defines closer the concept of control as the crucial factor for consolidation. The new standard has no material impact on the Group's financial statements reporting.

IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on 1 Jan 2013 or latest on 1 Jan 2014) includes requirements for disclosures regarding different involvements in other entities, such as associates and unconsolidated entities. The new standard has no material impact on the Group's disclosures.

Revised *IAS 27 Consolidated and Separate Financial Statements* (effective for annual periods beginning on 1 Jan 2013 or latest on 1 Jan 2014) includes the requirements for separate financial statements to the extent they have not been included in the new IFRS 10. The adoption of the revised standard has no material impact on the Group's financial statements reporting.

Revised *IAS 28 Investments in Associates* (effective for annual periods beginning on 1 Jan 2013 or latest on 1 Jan 2014) includes the requirements for using the equity method accounting for investments in associates and joint ventures. The adoption of the revised standard has no material impact on the Group's financial statements reporting.

The amendment to *IAS 32 Financial Instruments*: presentation (effective for annual periods beginning on 1 Jan 2014 or after) specifies the presentation of situations when financial assets and liabilities are offset. The adoption of the amendment has no material impact on the Group's financial statements.

In preparing the notes to the consolidated financial statements, attention has also been paid to the Finnish accounting and company legislation and applicable regulatory requirements. Some of the risk management disclosures are presented in the Group's financial statements' Risk Management section.

The financial statements have been prepared under the historical cost convention, with the exception of financial assets and liabilities at fair value through p/l, financial assets available-for-sale, hedged items in fair value hedges and share-based payments settled in equity instruments measured at fair value.

The consolidated financial statements are presented in millions of euros to one decimal place, unless otherwise stated.

The Board of Directors of Mandatum Life accepted the financial statements for issue on 10 February 2015.

Consolidation

Subsidiaries

The consolidated financial statements combine the financial statements of Mandatum Life and all its subsidiaries. Entities qualify as subsidiaries if the Group has the controlling power. The Group exercises control if its shareholding is more than 50 per cent of the voting rights or it otherwise has the power to exercise control over the financial and operating policies of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group, and cease to be consolidated from the date that control ceases.

The acquisition method of accounting is used for the purchase of subsidiaries. The cost of an acquisition is allocated to the identifiable assets, liabilities and contingent liabilities, which are measured at the fair value of the date of the acquisition. Possible non-controlling interest of the acquired entity is measured either at fair value or at proportionate interest in the acquiree's net assets. The acquisition-specific choice affects both the amount of recognised goodwill and non-controlling interest. The excess of the aggregate of consideration transferred, non-controlling interest and possibly previously held equity interest in the acquiree, over the Group's share of the fair value of the identifiable net assets acquired, is recognised as goodwill.

The accounting policies used throughout the Group for the purposes of consolidation are consistent with respect to similar business activities and other events taking place in similar conditions. All intra-group transactions and balances are eliminated upon consolidation.

Associates

Associates are entities in which the Group has significant influence, but no control over the financial management and operating policy decisions. Unless otherwise demonstrated, this is generally presumed when the Group holds in excess of 20 per cent, but no more than 50 per cent, of the voting rights of an entity. Investments in associates are treated by the equity method of accounting, in which the investment is initially recorded at cost and increased (or decreased) each year by the Group's share of the post-acquisition net income (or loss), or other movements reflected directly in the equity of the associate. If the Group's share of the associate's loss exceeds the carrying amount of the investment, the investment is carried at zero value, and the loss in excess is consolidated only if the Group is committed to fulfilling the obligations of the associate. Goodwill arising on the acquisition is included in the cost of the investment. Unrealised gains (losses) on transactions are eliminated to the extent of the Group's interest in the entity.

The share of associates' profit or loss, equivalent to the Group's holding, is presented as a separate line in the income statement.

If there is any indication that the value of the investment may be impaired, the carrying amount is tested by comparing it with its recoverable amount. The recoverable amount is

the higher of its value in use or its fair value less costs to sell. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to its recoverable amount by recognising an impairment loss in the profit/loss. If the recoverable amount later increases and is greater than the carrying amount, the impairment loss is reversed through profit and loss.

Foreign currency translation

The consolidated financial statements are presented in euro, which is the functional and reporting currency of the Group and the parent company. Items included in the financial statements of each of the Group entities are measured using their functional currency, being the currency of the primary economic environment in which the entity operates. Foreign currency transactions are translated into the appropriate functional currency using the exchange rates prevailing at the dates of transactions or the average rate for a month. The balance sheet items denominated in foreign currencies are translated into the functional currency at the rate prevailing at the balance sheet date.

Exchange differences arising from translation of transactions and monetary balance sheet items denominated in foreign currencies into functional currency are recognised as translation gains and losses in profit or loss. Exchange differences arising from equities classified as available-for-sale financial assets are included directly in the fair value reserve in equity.

The income statements of Group entities whose functional currency is other than euro are translated into euro at the average rate for the period, and the balance sheets at the rates prevailing at the balance sheet date. The resulting exchange differences are included in equity and their change in other comprehensive income. When a subsidiary is divested entirely or partially, the cumulative exchange differences are included in the income statement under sales gains or losses.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as if they were assets and liabilities of the foreign entity. Exchange differences resulting from the translation of these items at the exchange rate of the balance sheet date are included in equity, and their change in other comprehensive income.

Exchange differences that existed at the Group's IFRS transition date, 1 January 2004, are deemed to be zero, in accordance with the exemption permitted by IFRS 1.

Segment reporting

Mandatum Life Group's segmentation is based on the division by the product group of domestic business and the other geographical organisational structure. The reported segments are "Unit linked contracts" (Finland), the segregated portfolio (Finland), other businesses (Finland) and the Baltic countries.

The investment risks vary by a product group. The segment results are reported to the management of the company as a part of management reporting.

Return on investments covering unit linked contracts and commissions received from fund management companies have been allocated to the segment "Unit linked contracts" (Finland). In addition, a balance sheet item "available for sale financial assets" corresponding to the required minimum solvency margin has been allocated to this segment. In the Profit and Loss Account, a technical revenue equal to

a six months Euribor has been calculated on the item in question, which has respectively been deducted from the net investment profits received from the segment other businesses (Finland). Allocation of operational expenses and tangible and intangible assets has been carried out through internal cost accounting.

The primary segmentation comprises a substantial part of the geographical division, since operations in the Baltic countries compose one separate business segment. In connection with the expansion of the foreign operations shall also the division by country be expanded. Inter-segment transactions, assets and liabilities are eliminated in the consolidated financial statements on a line-by-line basis.

In the inter-segment and inter-company pricing, for both domestic and cross border transactions, market-based prices are applied. The pricing is based on the code of conduct on Transfer Pricing Documentation in the EU and OECD guidelines.

Interest and dividends

Interest income and expenses are recognised in the income statement using the effective interest rate method. This method recognises income and expenses on the instrument evenly in proportion to the amount outstanding over the period to maturity. Dividends on equity securities are recognised as revenue when the right to receive payment is established.

Fees and commissions

The fees and transaction costs of financial instruments measured at fair value through profit or loss are recognised in profit or loss when the instrument is initially recognised.

The acquisition costs are treated as fee and commission expense under 'Other operating expenses'.

Other fees and commissions paid for investment activities are included in 'Net income from investments'.

Insurance premiums

Liabilities arising from insurance and investment contracts count as long-term liabilities. Therefore the insurance premium and related claims are usually not recognised in the same accounting period. Depending on the type of insurance, premiums are primarily recognised in premiums written when the premium has been paid. In group pension insurance, a part of the premiums is recognised already when charged.

The change in the provisions for unearned premiums is presented as an expense under 'Change in insurance and investment contract liabilities'.

Financial assets and liabilities

Based on the measurement practice, financial assets and liabilities are classified in the following categories upon the initial recognition: financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets, financial liabilities at fair value through profit or loss, and other liabilities.

According to the Group's risk management policy, investments are managed at fair value in order to have the most realistic and real-time picture of investments, and they are reported to the Group key management at fair value.

Investments comprise debt and equity securities. They are mainly classified as financial assets available-for-sale.

IFRS 4 Insurance Contracts provides that insurance contracts with a discretionary participation feature are measured in accordance with national valuation principles (except for the equalisation reserve) rather than at fair value. These contracts and investments made to cover shareholders' equity are managed in their entirety and are classified mainly as available-for-sale financial assets.

Financial assets designated as at fair value through profit or loss are investments related to unit-linked insurance, presented separately in the balance sheet. The corresponding liabilities are also presented separately. In addition, investments classified as the financial assets of foreign subsidiaries, and financial instruments in which embedded derivatives have not been separated from the host contract have been designated as at fair value through profit or loss.

Recognition and derecognition

Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets are recognised and derecognised on the trade date, which is the date on which the Group commits to purchase or sell the asset. Loans and receivables are recognised when cash is advanced.

Financial assets and liabilities are offset and the net amount is presented in the balance sheet only when the Group has a legally enforceable right to set off the recognised amounts and it intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expire.

Financial assets and financial liabilities at fair value through profit or loss

In Mandatum Life Group, financial assets and liabilities at fair value through profit or loss comprise derivatives held for trading, and financial assets designated as at fair value through profit or loss.

Financial derivative instruments held for trading

Derivative instruments that are not designated as hedges and do not meet the requirements for hedge accounting are classified as derivatives for trading purposes.

Financial derivatives held for trading are initially recognised at fair value. Derivative instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Derivative instruments are recognised at fair value, and gains and losses arising from changes in fair value together with realised gains and losses are recognised in the income statement.

Financial assets designated as at fair value through profit or loss

Financial assets designated as at fair value through profit or loss are assets which, at inception, are irrevocably designated as such. They are initially recognised at their fair value. Gains

and losses arising from changes in fair value, or realised on disposal, together with the related interest income and dividends, are recognised in the income statement.

Loans and receivables

Loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the short term. The category also comprises cash.

Loans and receivables are initially recognised at their fair value, added by transaction costs directly attributable to the acquisition of the asset. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial investments that are designated as available for sale and are not categorised into any other category. Available-for-sale financial assets comprise debt and equity securities.

Available-for-sale financial assets are initially recognised at fair value, including direct and incremental transaction costs. They are subsequently remeasured at fair value, and the changes in fair value are recorded in other comprehensive income and presented in the fair value reserve, taking the tax effect into account. Interest income and dividends are recognised in profit or loss. When the available-for-sale assets are sold, the cumulative change in the fair value is transferred from equity and recognised together with realised gains or losses in profit or loss. The cumulative change in the fair value is also transferred to profit or loss when the assets are impaired and the impairment loss is recognised. Exchange differences due to available-for-sale monetary balance sheet items are always recognised directly in profit or loss.

Other financial liabilities

Other financial liabilities comprise debt securities in issue and other financial liabilities.

Other financial liabilities are recognised when the consideration is received and measured to amortised cost, using the effective interest rate method.

If debt securities issued are redeemed before maturity, they are derecognised and the difference between the carrying amount and the consideration paid at redemption is recognised in profit or loss.

Fair value

The fair value of financial instruments is determined primarily by using quoted prices in active markets. Instruments are measured either at the bid price or at the last trade price, if the instrument is a share listed. The financial derivatives are also measured at the last trade price. If the financial instrument has a counter-item that will offset its market risk, the mid-price may be used to that extent. If a published price quotation does not exist for a financial instrument in its entirety, but active markets exist for its component parts, the fair value is determined on the basis of the relevant market prices of the component parts.

If a market for a financial instrument is not active, or the instrument is not quoted, the fair value is established by using

generally accepted valuation techniques including recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

If the fair value of a financial asset cannot be determined, historical cost is deemed to be a sufficient approximation of fair value. The amount of such assets in the Group balance sheet is immaterial.

Impairment of financial assets

Mandatum Life assesses at the end of each reporting period whether there is any objective evidence that a financial asset, other than those at fair value through p/l, may be impaired. A financial asset is impaired and impairment losses are incurred, if there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset, and if that event has an impact, that can be reliably estimated, on the estimated future cash flows of the financial asset.

Financial assets carried at amortised cost

There is objective evidence of impairment, if an issuer or debtor e.g. encounters significant financial difficulties that will lead to insolvency and to estimation that the customer will probably not be able to meet the obligations to the Group. Objective evidence is first assessed for financial assets that are individually significant, and individually and collectively for financial assets not individually significant.

When there is objective evidence of impairment of a financial asset carried at amortised cost, the amount of the loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the receivable's original effective interest rate. The difference is recognised as an impairment loss in profit or loss. The impairment is assessed individually.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can objectively be related to an event occurring after the impairment was recognised (e.g. the default status is removed), the previously recognised impairment loss shall be reversed through profit or loss.

Available-for-sale financial assets

Whether there is objective evidence of an impairment of available-for-sale financial assets, is evaluated in a separate assessment, which is done if the credit rating of an issuer has declined or the entity is placed on watchlist, or there is a significant or prolonged decline in the fair value of an equity instrument below its original acquisition cost.

The decision on whether the impairment is significant or prolonged requires an assessment of the management. The assessment is done case by case and with consideration paid not only to qualitative criteria but also historical changes in the value of an equity as well as time period during which the fair value of an equity security has been lower than the acquisition cost. In Mandatum Life Group, the impairment is normally assessed to be significant, if the fair value of a listed equity or participation decreases below the average acquisition cost by 20 per cent and prolonged, when the fair value has been lower than the acquisition cost for over 12 months.

As there are no quoted prices available in active markets for unquoted equities and participations, the aim is to

determine their fair value with the help of generally accepted valuation techniques available in the markets. The most significant share of unquoted equities and participations comprise the private equity and venture capital investments. They are measured in accordance with the generally accepted common practice, International Private Equity and Venture Capital Guidelines (IPEV).

The significance and prolongation of the impairment in the last-mentioned cases is assessed case by case, taking into consideration special factors and circumstances related to the investment. Mandatum Life invests in private equity and venture capital in order to keep them to the end of their life cycle, so the typical lifetime is 10–12 years. In general, a justifiable assessment of a potential impairment may only be done towards the end of the life cycle. However, if additionally there is a well-founded reason to believe that an amount equivalent to the acquisition cost will not be recovered when selling the investment, an impairment loss is recognised.

In the case of debt securities, the amount of the impairment loss is assessed as the difference between the acquisition cost, adjusted with capital amortisations and accruals, and the fair value at the review time, reduced by previously in profit or loss recognised impairment losses.

When assessed that there is objective evidence of impairment in debt or equity securities classified as financial assets available-for-sale, the cumulative loss recognised in other comprehensive income is transferred from equity and recognised in profit or loss as an impairment loss.

If, in a subsequent period, the fair value of a debt security increases and the increase can objectively be related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed by recognising the amount in profit or loss.

If the fair value of an equity security increases after the impairment loss was recognised in profit or loss, the increase shall be recognised in other comprehensive income. If the value keeps decreasing below the acquisition cost, an impairment loss is recognised through profit or loss.

Derivative financial instruments and hedge accounting

Derivative financial instruments are classified as those held for trading and those held for hedging, including interest rate derivatives, foreign exchange derivatives, equity derivatives and commodity derivatives. Derivative instruments are measured initially at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Derivatives held for trading

Derivative instruments that are not designated as hedges and embedded derivatives separated from a host contract are treated as held for trading. They are measured at fair value and the change in fair value, together with realised gains and losses and interest income and expenses, is recognised in profit or loss.

If derivatives are used for hedging, but they do not qualify for hedge accounting as required by IAS 39, they are treated as held for trading.

Hedge accounting

The Mandatum Life Group may hedge its operations against interest rate risks, currency risks and price risks through

fair value hedging and cash flow hedging. Cash flow hedging is used as a protection against the variability of the future cash flows, while fair value hedging is used to protect against changes in the fair value of recognised assets or liabilities.

Hedge accounting applies to hedges that are effective in relation to the hedged risk and meet the hedge accounting requirements of IAS 39. The hedging relationship between the hedging instrument and the hedged item, as well as the risk management objective and strategy for undertaking the hedge, are documented at the inception of the hedge. In addition, the effectiveness of a hedge is assessed both at inception and on an ongoing basis, to ensure that it is highly effective throughout the period for which it was designated. Hedges are regarded as highly effective in offsetting changes in fair value or the cash flows attributable to a hedged risk within a range of 80–125 per cent.

Cash flow hedging

Cash flow hedging is used to hedge the interest cash flows of individual floating rate debt securities or other floating rate assets or liabilities. The hedging instruments used include interest rate swaps, interest rate and cross currency swaps. Derivative instruments which are designated as hedges and are effective as such are measured at fair value. The effective part of the change in fair value is recognised in other comprehensive income. The remaining ineffective part is recognised in profit or loss.

The cumulative change in fair value is transferred from equity and recognised in profit or loss in the same period that the hedged cash flows affect profit or loss.

When a hedging instrument expires, is sold, terminated, or the hedge no longer meets the criteria for hedge accounting, the cumulative change in fair value remains in equity until the hedged cash flows affect profit or loss.

During the financial year cash flow hedging has not been applied.

Fair value hedging

In accordance with the Group's risk management principles, fair value hedging is used to hedge changes in fair values resulting from changes in price, interest rate or exchange rate levels. The hedging instruments used include foreign exchange forwards, interest rate swaps, interest rate and cross currency swaps and options, approved by the managements of the Group companies.

Changes in the fair value of derivative instruments that are documented as fair value hedges and are effective in relation to the hedged risk are recognised in profit or loss. In addition, the hedged assets and liabilities are measured at fair value during the period for which the hedge was designated, with changes in fair value recognised in profit or loss.

Securities lending

Securities lent to counterparties are retained in the balance sheet. Conversely, securities borrowed are not recognised in the balance sheet, unless these are sold to third parties, in which case the purchase is recorded as a trading asset and the obligation to return the securities as a trading liability at fair value through profit or loss.

Leases

Group as lessee

Operating leases

Assets in which the lessor retains substantially all the risks and rewards of ownership are classified as operating leases and they are included in the lessor's balance sheet. Payments made on operating leases are recognised on a straight-line basis over the lease term as rental expenses in profit or loss.

Group as lessor

Operating leases

Leases in which assets are leased out and the Group retains substantially all the risks and rewards of ownership are classified as operating leases. They are included in 'Investment property' in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment, and the impairment losses are recognised on the same basis as for these items. Rental income on assets held as operating leases is recognised on a straight-line basis over the lease term in profit or loss.

Intangible assets

Other intangible assets

IT software and other intangible assets, whether procured externally or internally generated, are recognised in the balance sheet as intangible assets with finite useful lives, if it is probable that the expected future economic benefits that are attributable to the assets will flow to the Group and the cost of the assets can be measured reliably. The cost of internally generated intangible assets is determined as the sum of all costs directly attributable to the assets. Research costs are recognised as expenses in profit or loss as they are incurred. Costs arising from development of new IT software or from significant improvement of existing software are recognised only to the extent they meet the above-mentioned requirements for being recognised as assets in the balance sheet.

Intangible assets with finite useful lives are measured at historical cost less accumulated amortisation and impairment losses. Intangible assets are amortised on a straight-line basis over the estimated useful life of the asset. The estimated useful lives by asset class are as follows:

IT software	4–10 years
Other intangible assets	3–10 years

Property, plant and equipment

Property, plant and equipment comprise properties occupied for Mandatum Life's own activities, office equipment, fixtures and fittings, and furniture. Classification of properties as those occupied for own activities and those for investment activities is based on the square metres in use. If the proportion of a property in Mandatum Life's use is no more than 10 per cent, the property is classified as an investment property.

Property, plant and equipment are measured at historical cost less accumulated depreciation and impairment losses. Improvement costs are added to the carrying amount of a property when it is probable that the future economic benefits that are attributable to the asset will flow to the entity. Costs for repairs and maintenance are recognised as expenses in the period in which they were incurred.

Items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful life. In most cases, the residual value is estimated at zero. Land is not depreciated. Estimates of useful life are reviewed at financial year-ends and the useful life is adjusted if the estimates change significantly. The estimated useful lives by asset class are as follows:

Residential, business premises and offices	20–60 years
Industrial buildings and warehouses	30–60 years
Components of buildings	10–15 years
IT equipment and motor vehicles	3–5 years
Other equipment	3–10 years

Depreciation of property, plant or equipment will be discontinued, if the asset in question is classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Impairment of intangible assets and property, plant and equipment

At each reporting date the Group assesses whether there is any indication that an intangible asset or an item of property, plant or equipment may be impaired. If any such indication exists, the Group will estimate the recoverable amount of the asset.

In addition, goodwill, intangible assets not yet available for use and intangible assets with an indefinite useful life will be tested for impairment annually, independent of any indication of impairment. For impairment testing the goodwill is allocated to the cash-generating units of the Group from the date of acquisition. In the test the carrying amount of the cash-generating unit, including the goodwill, is compared with its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The value in use is calculated by estimating future net cash flows expected to be derived from an asset or a cash-generating unit, and by discounting them to their present value using a pre-tax discount rate. If the carrying amount of an asset is higher than its recoverable amount, an impairment loss is recognised in profit or loss. In conjunction with this, the impaired asset's useful life will be re-determined.

If there is any indication that an impairment loss recognised for an asset in prior periods may no longer exist or may have decreased, the recoverable amount of the asset will be estimated. If the recoverable amount of the asset exceeds the carrying amount, the impairment loss is reversed, but no more than to the carrying amount which it would have been without recognition of the impairment loss. Impairment losses recognised for goodwill are not reversed.

Investment property

Investment property is held to earn rentals and for capital appreciation. The Group applies the cost model to investment property in the same way as it applies to property, plant and equipment. The depreciation periods and methods and the impairment principles are also the same as those applied to corresponding property occupied for own activities.

The fair value of investment property is estimated using a method based on estimates of future cash flows and a comparison method based on information from actual sales in the market. The fair value of investment property is presented in the Notes.

The valuation takes into account the characteristics of the property with respect to location, condition, lease situation and comparable market information regarding rents, yield requirements and unit prices. During the financial year, the valuations were conducted by the Group's internal resources.

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the Group can reliably estimate the amount of the obligation. If it is expected that some or all of the expenditure required to settle the provision will be reimbursed by another party, the reimbursement will be treated as a separate asset only when it is virtually certain that the Group will receive it.

Insurance and investment contracts

Insurance contracts are treated, in accordance with IFRS 4, either as insurance or investment contracts. Under the standard, insurance contracts are classified as insurance contracts if significant insurance risk is transferred between the policyholder and the insurer. If the risk transferred on the basis of the contract is essentially financial risk rather than significant insurance risk, the contract is classified as an investment contract. Classification of a contract as an insurance contract or investment contract determines the measurement principle applied to it.

Mandatum Life treats the liabilities arising from contracts in the first phase of the standard according to national accounting standards, except for the equalisation reserve and its changes which are reported in equity and profit or loss, in accordance with the IFRS.

To the group pension portfolio received from Suomi Mutual the IFRS 4.30 shadow accounting apply. The unrealised gains or losses in equity are divided between the insurer and policyholders according to the agreement.

The risks involved in insurance and investment contracts are widely elaborated in the Group's financial statements' Risk Management section.

Reinsurance contracts

A reinsurance contract is a contract which meets the IFRS 4 requirements for insurance contracts and on the basis of which the Mandatum Life Group (the cedant) may receive

compensation from another insurer (the reinsurer), if it becomes liable for paying compensation based on other insurance contracts it has issued. Such compensation received on the basis of reinsurance contracts is included in the balance sheet under 'Reinsurers' share of insurance liabilities' and 'Other assets'. The former item includes the reinsurers' share of the provisions for unearned premiums and claims outstanding in the Group's reinsured insurance contracts, while the latter includes short-term receivables from reinsurers.

When the Group itself has to pay compensation to another insurer on the basis of a reinsurance contract, the liability is recognised in the item 'Other liabilities'.

Receivables and liabilities related to reinsurance are measured uniformly with the cedant's receivables and liabilities. Reinsurance receivables are tested annually for impairment. Impairment losses are recognised through profit or loss, if there is objective evidence indicating that the Group (as the cedant) will not receive all amounts of money it is entitled to on a contractual basis.

Classification of insurance contracts

Policies issued are classified as either insurance contracts or investment contracts. Insurance contracts are contracts that carry significant insurance risk or contracts in which the policyholder has the right to change the contract by increasing the risk. As capital redemption contracts do not carry insurance risk, these contracts are classified as investment contracts.

The discretionary participation feature (DPF) of a contract is a contractual right held by a policyholder to receive additional benefits, as a supplement to the guaranteed minimum benefits. The supplements are bonuses based on the reserves of policies credited to the policy reserve, additional benefits in the case of death, or lowering of insurance premiums. In Mandatum Life, the principle of fairness specifies the application of this feature. In unit-linked contracts the policyholder carries the investment risk by choosing the investment funds linked to the contracts.

Measurement of insurance and investment contracts

National accounting standards are applied to all insurance contracts and to investment contracts with DPF, with the exception of the equalisation provision and changes in it.

All contracts, except unit-linked contracts and the assumed reinsurance, include DPF. In those unit-linked contracts which are not insurance contracts, the policyholder has the possibility to transfer the return on savings from unit-linked schemes to guaranteed interest with DPF. Thus, these contracts are also measured as contracts with DPF.

The surrender right, guaranteed interest and the unbundling of the insurance component from the deposit component and similar features are not separated and measured separately.

Insurance and investment contract liabilities and reinsurance assets

Liabilities arising from insurance and investment contracts consist of provisions for unearned premiums and outstanding claims. In the life insurance business, various methods are applied in calculating liabilities which involve

assumptions on matters such as mortality, morbidity, the yield level of investments, future operating expenses and the settlement of claims.

Changes in the liabilities of reinsurance have been calculated at variable rates of exchange.

In direct insurance, the insurance liability is calculated by policy, while in reinsurance it is calculated on the basis of the reports of the ceding company or the company's own bases of calculation.

The interest rate used in discounting liabilities is, at most, the maximum rate accepted by the authorities in each country. The guaranteed interest used in the direct insurance premium basis varies on the basis of the starting date of the insurance from zero to 4.5 per cent. The interest rate used in discounting liabilities is the same or lower than that used in premium calculation. Most of the liabilities of the accrued benefits of pension business with DPF are discounted by an interest rate of 3.5 per cent, also being the highest discount rate used. In addition, Mandatum Life has for the year 2015 lowered the maximum rate to 2.0% and for the year 2016 to 3.0%. From Suomi Mutual on the 30th December 2014 received group pension liabilities of the accrued benefits are discounted by 1 per cent.

Due to the difference in the discount rate of liabilities and the guaranteed interest of 4.5% and 3.5%, supplementary provisions for guaranteed interest have been added to technical provisions. In the subsidiary, Mandatum Life Insurance Baltic, the discount rate varies by country between 2.0–4.0 per cent and the average guaranteed interest rate between 2.0–4.0 per cent.

Mortality assumptions have an essential effect on the amount of liability, particularly in group pension insurance, the liability of which accounts for about 41 per cent of the technical provisions of the Finnish life company. A so-called cohort mortality model is used in calculating the group pension insurance liability, incorporating the insured person's birth year in addition to his or her age and sex. The cohort mortality model assumes that life expectancy increases by one year over a ten-year period.

For unit-linked contracts, all the liabilities and the assets covering the unit-linked insurance are matched. Both the liabilities and the assets have been presented in the Notes to the financial statements. In calculating the provision for claims outstanding of direct insurance, discounting is applied only in connection with the liabilities of pensions whose payment has commenced. The liabilities of assumed reinsurance are based on the reports of the ceding company and on an estimate of claims which have not yet been settled. The assets covering the unit-linked liabilities include debt securities issued by the Group companies. These have not been eliminated. Elimination would lead to misleading information, as the policy holders carry the investment risk related to these investments, and to a mismatch between the unit-linked liabilities and assets covering them.

The provision for claims outstanding is intended to cover the anticipated future payments of all claims incurred. The provision for claims outstanding includes claim payments plus all costs of claim settlements.

The amounts of short- and long-term liabilities in technical provisions are determined annually. The Group's financial statements' Risk Management section elaborates on the change of technical provisions and their forecast annual maturities.

Liability adequacy test

A liability adequacy test is applied to all portfolios, company by company, and the need for augmentation is checked, company by company, on the basis of the adequacy of the whole technical provisions. The test includes all the expected contractual cash flows for non-unit-linked liabilities. The expected contractual cash flows include expected premiums, claims, bonuses and expenses. The claims have been estimated including surrenders and other insurance transactions based on historical data. The amounts of claims include the guaranteed interest and an estimation of future bonuses. The present values of the cash flows have been discounted to the balance sheet date by using a swap rate curve.

For the unit-linked business, the present values of the insurance risk and expense results are calculated correspondingly. If the aggregate amount of the liability for the unit-linked and other business presumes an augmentation, the liability is increased by the amount shown by the test and recognised in profit or loss.

Principle of fairness

According to Chapter 13, Section 2 of the Finnish Insurance Companies' Act, the Principle of Fairness must be observed in life insurance and investment contracts with a discretionary participation feature. If the solvency requirements do not prevent it, a reasonable part of the surplus has to be returned to these policies as bonuses.

Mandatum Life aims at giving a total return before charges and taxes on policyholders' savings in contracts with DPF that is at least the yield of those long term bonds, which are considered to have lowest risk. At the moment we consider German government bonds to be the most risk free long term bonds available. Nevertheless, Finnish government bonds are used as target levels at the moment. The total return consists of the guaranteed interest rate and bonuses determined annually. Continuity is pursued in the level of bonuses. The aim is to maintain the company's solvency status on such a level that it neither limits the giving of bonuses to policyholders nor the distribution of profit to shareholders. The principle is explained in detail on the company's website.

The legislation of Estonia, Latvia and Lithuania respectively does not contain provisions corresponding to the Principle of Fairness.

Employee benefits

Post-employment benefits

Post-employment benefits include pensions and life insurance.

Mandatum Life has defined contribution plans. The most significant defined contribution plan is that arranged through the Employees' Pensions Act (TyEL) in Finland.

In defined contribution plans, the Group pays fixed contributions to a pension insurance company and has no legal or constructive obligation to pay further contributions. The obligations arising from a defined contribution plan are recognised as an expense in the period that the obligation relates to.

The Group also has certain voluntary defined benefit plans. These are intra-Group, included in the insurance liabilities of Mandatum Life and have no material significance.

Termination benefits

An obligation based on termination of employment is recognised as a liability when the Group is verifiably committed to terminate the employment of one or more persons before the normal retirement date or to grant benefits payable upon termination as a result of an offer to promote voluntary redundancy. As no economic benefit is expected to flow to the employer from these benefits in the future, they are recognised immediately as an expense. Obligations maturing more than 12 months later than the balance sheet date are discounted. The benefits payable upon termination at Sampo are the monetary and pension packages related to redundancy.

Share-based payments

During the financial year, Sampo had three valid share-based incentive schemes settled in cash (the long-term incentive schemes 2011 I and 2014 I for executives and specialists). The Board has authorised the Nomination and Compensation Committee of the Board, or the CEO, to decide who will be included in the scheme, as well as the number of calculated bonus units granted for each individual used in determining the amount of the performance-related bonus. In Mandatum Life Group, a little less than 20 persons included in the schemes at the end of year 2014. Schemes have been measured at fair value at the grant date and at every reporting date thereafter.

In the schemes settled in cash, the valuation is recognised as a liability and changes recognised through profit or loss.

The fair value of schemes has been determined using the Black-Scholes-pricing model. The fair value of the market-based part of the incentive takes into consideration the model's forecast concerning the number of bonus units to be paid as an incentive. The effects of non-market based terms are not included in the fair value of the incentive; instead, they are taken into account in the number of those share options that are expected to be exercised during the vesting period. In this respect, the Group will update the assumption on the estimated final number of bonus units at every interim or annual balance sheet date.

Income taxes

Item Tax expenses in the income statement comprise current and deferred tax. Tax expenses are recognised through profit or loss, except for items recognised directly in equity or other comprehensive income, in which case the tax effect will also be recognised those items. Current tax is calculated based on the valid tax rate of each country. Tax is adjusted by any tax related to previous periods.

Deferred tax is calculated on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax is not recognised on non-deductible goodwill impairment, and nor is it recognised on the undistributed profits of subsidiaries to the extent that it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated by using the enacted tax rates prior to the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that future taxable income will be available against which a temporary difference can be utilised.

Equity

Dividends are recognised in equity in the period when they are approved by the Annual General Meeting.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term deposits (3 months).

Mandatum Life presents cash flows from operating activities using the indirect method in which the profit (loss) before taxation is adjusted for the effects of transactions of a non-cash nature, deferrals and accruals, and income and expense associated with investing or financing cash flows.

In the cash flow statement, interest received and paid is presented in cash flows from operating activities. In addition, the dividends received are included in cash flows from operating activities. Dividends paid are presented in cash flows from financing.

Accounting policies requiring management judgement and key sources of estimation uncertainties

Preparation of the accounts in accordance with the IFRS requires management estimates and assumptions that affect the revenue, expenses, assets, liabilities and contingent liabilities presented in the financial statements. Judgement is needed also in the application of accounting policies. The estimates made are based on the best information available at the balance sheet date. The estimation is based on historical experiences and most probable assumptions concerning the future at the balance sheet date. The actual outcome may deviate from results based on estimates and assumptions. Any changes in the estimates will be recognised in the financial year during which the estimate is reviewed and in all subsequent periods.

Mandatum Life's main assumptions concerning the future and the key uncertainties related to balance sheet estimates are related, for example, to assumptions used in actuarial calculations, determination of fair values of non-quoted financial assets and liabilities and investment property and determination of the impairment of financial assets and intangible assets. From Mandatum Life's perspective, accounting policies concerning these areas require most significant use of estimates and assumptions.

Actuarial assumptions

The actuarial assumptions applied to life insurance liabilities are discussed in more detail under 'Insurance and investment contract liabilities and reinsurance assets'.

Determination of fair value

The fair value of any non-quoted financial assets is determined using valuation methods that are generally accepted in the market. These methods are discussed in more detail above under 'Fair value'.

Fair values of investment property have been determined internally during the financial year on the basis of comparative information derived from the market. They include management assumptions concerning market return requirements and the discount rate applied.

Application of new or revised IFRS standards and interpretations

The Group will apply the following new or amended standards and interpretations related to the Group's business in later financial years when they become effective, or if the effective date is other than the beginning of the financial year, during the financial year following the effective date. Unless stated otherwise, the new standards or amendments were not approved by EU at the balance sheet date.

The revised IAS 19 Pension Benefits (effective for annual periods beginning on 1 July 2014 or after) clarifies the accounting method when an employee or a third party is expected to make contributions to the defined benefit plan. The adoption of the revised standard will not have a material impact on the Group's financial statements reporting.

The amendments to the standards IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures specify instructions when assets are sold or equity invested between an investor and its associate or joint venture. The changes will not have a material impact on the Group's financial statements reporting.

IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on 1 July 2014 or after). The new standard will supersede IAS 18 and IAS 11 and related interpretations. The central criterion for revenue recognition is the passing of control. The adoption of the new standard will not have a material impact on the Group's financial statements reporting, other than possibly in the number of the disclosed notes.

The amendments to IFRS 9 Financial Instruments (effective for annual periods beginning on 1 Jan or after) supersede IAS 39 Financial Instruments: Recognition and Measurement. The new standard changes the classification and measurement of financial assets and includes a new impairment model based on expected credit losses. The hedge accounting will continue to have three different hedging relationships. The adoption of the new standard will have an impact on the Group's financial statements; the effects are under valuation in the Group.

Segment Information

Mandatum Life group's segmentation is based on the division by the product group of domestic business and the other geographical organisation structure. The reported segments are "Unit linked contracts" (Finland), on the 30th of December 2014 received with-profit group pension portfolio, other contracts (Finland) and the Baltic countries.

The investment risks vary by a product group. The segment results are reported to the management of the company as a part of management reporting. The primary segmentation comprises a substantial parts of the geographical division, since operations in the Baltic countries compose on separate business segment. In connection with the expansion of the foreign operations shall also the division by country be expanded. Inter-segment transactions, assets and liabilities are eliminated in the consolidated financial statements on a line-by-line basis. Segment information has been produced in accordance with the accounting policies adopted for preparing and presenting the consolidated financial statements.

CONSOLIDATED INCOME STATEMENT BY BUSINESS SEGMENT FOR YEAR ENDED 31 DECEMBER 2014

EUR million	Unit-linked contracts (Finland)	Segregated portfolio (Finland)*	Other contracts (Finland)	Baltic countries	Elimination	Group
Insurance premiums	951.4	0.0	141.5	40.0	-28.1	1,104.8
Net income from investments	284.1	0.0	255.2	4.7	-4.3	539.8
Other operating income		0.0	5.4	0.0		5.4
Claims incurred	-480.4	0.0	-389.9	-27.7	21.6	-876.4
Change in liabilities for insurance and investment contracts ¹⁾	-676.3	0.2	183.1	-11.1	5.5	-498.6
Staff costs	-23.0	0.0	-20.1	-3.2		-46.3
Other operating expenses	-36.6	-0.2	-20.3	-2.5		-59.5
Finance costs			-6.9			-6.9
Share of associates' profit/loss			0.5			0.5
Profit before taxes	19.4	0.0	148.5	0.2	-5.3	162.8
Taxes	-4.6	0.0	-24.8	0.0	0.0	-29.5
Profit for the year	14.8	0.0	123.7	0.2	-5.3	133.4
Other comprehensive income for the year						
Exchange differences						0.0
Available-for-sale financial assets						20.2
Cash flow hedges						0.0
Income tax relating to components of other comprehensive income						-4.0
Other comprehensive income for the year, net of tax						16.2
TOTAL COMPREHENSIVE INCOME FOR THE YEAR						149.5
Profit attributable to						
Owners of the parent company						133.4
Non-controlling interests						0.0
Total comprehensive income attributable to						
Owners of the parent company						149.5
Non-controlling interests						0.0

*Segregated portfolio note 38

¹⁾ In the domestic segment the transition of liabilities between unit-linked and other contracts has been recognized. For the unit linked segment the transition results in a increase of EURm 13.0 (EURm 5.3 in 2013) in the item 'Change in liabilities for insurance and investment contracts'.

CONSOLIDATED INCOME STATEMENT BY BUSINESS SEGMENT FOR YEAR ENDED 31 DECEMBER 2013

EUR million	Unit-linked contracts (Finland)	Other contracts (Finland)	Baltic countries	Elimination	Group
Insurance premiums	904.4	151.6	31.6	-24.4	1,063.1
Net income from investments	287.4	278.8	5.4	-2.2	569.4
Other operating income		4.3	0.0		4.3
Claims incurred	-340.7	-384.5	-24.4	18.2	-731.3
Change in liabilities for insurance and investment contracts ¹⁾	-779.4	130.3	-7.0	8.4	-647.7
Staff costs	-25.4	-17.2	-3.5		-46.0
Other operating expenses	-32.3	-19.0	-2.6		-53.9
Finance costs		-6.6			-6.6
Share of associates' profit/loss		1.4			1.4
Profit before taxes	14.0	139.2	-0.5	0.0	152.7
Taxes	-3.4	-30.1	0.0	0.0	-33.5
Profit for the year	10.6	109.1	-0.5	0.0	119.2
Other comprehensive income for the year					
Exchange differences					0.0
Available-for-sale financial assets					96.9
Cash flow hedges					-0.3
Income tax relating to components of other comprehensive income					4.0
Other comprehensive income for the year, net of tax					100.6
Total comprehensive income for the year					219.8
Profit attributable to					
Owners of the parent company					119.2
Non-controlling interests					0.0
Total comprehensive income attributable to					
Owners of the parent company					219.8
Non-controlling interests					0.0

¹⁾ In the domestic segment the transition of liabilities between unit-linked and other contracts has been recognized. For the unit linked segment the transition results in a decrease of EURm 5.3 (EURm 10,5 in 2012) in the item 'Change in liabilities for insurance and investment contracts'.

CONSOLIDATED BALANCE SHEET BY BUSINESS SEGMENT AT 31 DECEMBER 2014

EUR million	Unit-linked contracts (Finland)	Segregated portfolio (Finland)*	Other contracts (Finland)	Baltic countries	Elimination	Group
Assets						
Property, plant and equipment	0.4		4.1	0.0		4.6
Investment property		17.6	159.1			176.8
Intangible assets	3.4		2.8	0.7		6.8
Investments in associates			0.4			0.4
Financial assets	39.6	1,213.8	4,385.3	26.3		5,664.9
Investments related to unit-linked insurance and investment contracts	5,230.9		-27.7	152.9	-74.4	5,281.8
Reinsurers' share of insurance liabilities			2.5	0.1		2.6
Other assets		11.6	304.4	0.8	-108.9	208.0
Cash and cash equivalents		94.8	762.9	0.7		858.5
Total assets	5,274.3	1,337.8	5,593.8	181.5	-183.2	12,204.3
Liabilities						
Liabilities for insurance and investment contracts		1,228.0	3,819.5	174		5,064.9
Liabilities for unit-linked insurance and investment contracts	5,239.3		-5.5	152.6	-74.4	5,312.0
Financial liabilities			185.5			185.5
Tax liabilities			123.1			123.1
Other liabilities	22.5	109.8	184.7	0.8	-108.9	209.0
Total liabilities	5,261.7	1,337.8	4,307.4	170.8	-183.2	10,894.6
Equity						
Share capital						40.4
Reserves						637.2
Retained earnings						632.1
Equity attributable to parent company's equityholders						1,309.7
Non-controlling interests						0.0
Total equity						1,309.7
Total equity and liabilities						12,204.3

*Segregated portfolio note 38

CONSOLIDATED BALANCE SHEET BY BUSINESS SEGMENT AT 31 DECEMBER 2013

EUR million	Unit-linked contracts (Finland)	Other contracts (Finland)	Baltic countries	Elimination	Group
Assets					
Property, plant and equipment	0.7	4.3	0.0		5.1
Investment property		105.2			105.2
Intangible assets	4.5	3.3	0.8		8.5
Investments in associates		1.4			1.4
Financial assets	35.6	5,060.2	26.5		5,122.3
Investments related to unit-linked insurance and investment contracts	4,555.1	0.0	142.1	-74.4	4,622.9
Reinsurers' share of insurance liabilities		2.7	0.1		2.8
Other assets		80.5	0.8		81.3
Cash and cash equivalents		221.8	0.3		222.1
Total assets	4,595.9	5,479.5	170.6	-74.4	10,171.6
Liabilities					
Liabilities for insurance and investment contracts		3,909.7	17.8		3,927.5
Liabilities for unit-linked insurance and investment contracts	4,549.4	0.0	141.5	-74.4	4,616.6
Financial liabilities		110.8			110.8
Tax liabilities		128.0			128.0
Other liabilities	3.1	124.9	0.7		128.8
Total liabilities	4,552.6	4,273.3	160.0	-74.4	8,911.6
Equity					
Share capital					40.4
Reserves					621.1
Retained earnings					598.6
Equity attributable to parent company's equityholders					1,260.1
Non-controlling interests					0.0
Total equity					1,260.1
Total equity and liabilities					10,171.6

Risk Management Notes

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Risk management

1. Risk management principles

Risk is an essential and inherent element of Mandatum Life's business activities and operating environment. The purpose of the risk management process is to identify the different risks affecting the business. The risk management process also ensures that different risks can be assessed, limited and controlled.

The key objectives for the risk management process are to ensure capital adequacy in relation to the risks inherent in business activities, to limit fluctuations in financial results, to guarantee efficient and continued business processes under all circumstances and to limit the risks of all operations to a level accepted by Mandatum Life's Board of Directors.

Mandatum Life Insurance Company Ltd is a wholly owned subsidiary of Sampo plc. Mandatum Life and its subsidiaries follows the risk management principles defined by the Sampo Group where the characteristics of a life insurance company have been taken into account. Similar principles are also used in Mandatum Life Insurance Baltic SE. Figures and tables in this risk management disclosure mainly cover the parent company.

1.1 Risk management governance

Mandatum Life's Board of Directors is responsible for the adequacy of the company's risk management and internal control. Mandatum Life's Board annually approves the Risk Management Plan, Investment Policy and other guidance on the organization of risk management and internal control in the business operations.

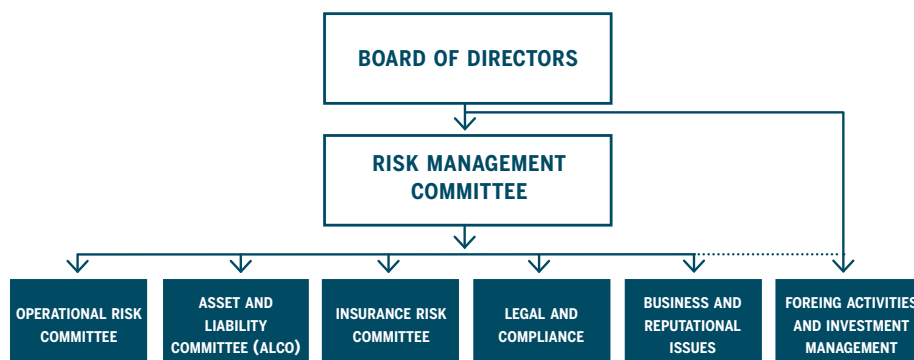
The managing director of Mandatum Life has the overall responsibility for the implementation of risk management in accordance with the Board's guidance. Line organizations are responsible for the identification, assessment, control and management of their operational risks.

- The Risk Management Committee (RMC) coordinates and monitors all risks in Mandatum Life. The Committee is chaired by the Managing Director. Risks are divided into main groups which are insurance, market, operational, legal and compliance risks as well as business and reputational risks. Risks related to the Baltic subsidiary

are also included. Each risk area has a responsible person in the Committee.

- Mandatum Life has two ALCOs, of which the other controls the segregated assets and liabilities (segregated group pension portfolio and segregated assets) and the other controls the rest of Mandatum Life's with profit assets and liabilities. The ALCOs control that the investment activities are conducted within the limits defined in the Investment Policy approved by the Board and monitors the adequacy of liquidity, profitability and solvency capital in relation to the risks in the balance sheet. The ALCOs prepare proposals of Investment Policy to the Board of Directors and report to the Board.
- The Insurance Risk Committee is responsible for maintaining the Underwriting Policy and monitoring the functioning of the risk selection and claims processes. The Committee also reports all deviations from the Underwriting Policy to the RMC. The Insurance Risk Committee is chaired by the Chief Actuary who is responsible for ensuring that the principles for pricing policies and for the calculation of technical provisions are adequate and in line with the risk selection and claims processes. The Board approves the insurance policy pricing and the central principles for the calculation of technical provisions. In addition, the Board defines the maximum amount of risk to be retained on the company's own account and approves the reinsurance policy annually.
- The Operational Risk Committee (ORC) analyzes and handles operational risks, e.g. in relation to new products and services, changes in processes and risks as well as realized operational risk incidents. Significant observations are reported to the Risk Management Committee and to the Board of Directors quarterly. ORC is also responsible for maintaining and updating the continuity and preparedness plans as well as the Internal Control Policy.
- The Legal and Compliance Unit is taking care of legal and compliance matters. Head of the Unit is responsible organization of the unit and acts as a Compliance Officer and a member of the Risk Management Committee.

Figure 1-1: Risk management organization



- Managing director is responsible for business and reputation risk issues and he is also the Chairman of the Risk Management Committee.
- The Baltic subsidiary has its own risk management procedures. Mandatum Life Investment Services Ltd and Fund Management S.A. have their own Risk Management Policies and responsible persons. Subsidiaries report all major incidents also to Mandatum Life's Risk Management Committee.

In addition the above mentioned committees and units, the Internal Audit with its audit recommendations has a role to ensure that adequate internal controls are in place and provides Internal Audit's annual review to the Board of Directors

2. Risks related to Mandatum Life's business activities

The main risks of Mandatum Life Group are insurance risks and market risks of assets and liabilities. Operational and business risks are inherent in all business operations.

Life insurance business carries and manages risks originating from insurance events and liabilities. There are random fluctuations in the frequency and size of insurance events. The major part of life insurance business risks and result arises from investment assets. Return on assets should cover, in the long term, at least the guaranteed interest rate, bonuses based on the principle of fairness and the shareholders' return expectations. Other profit elements are generated from carrying insurance risk and expense risk. The insurance risk result is the assumed claims in premium calculations less the actual claims. It is managed, for example, through careful risk selection and reinsurance. The expense result is the expense charges from policies less the actual expenses. It is managed by continuously monitoring expenses, by improving efficiency and by using an expense charge structure that provides income through the policy's whole life cycle.

3. Capital management

The goal of capital management is to ensure the adequacy of available capital in relation to risks arising from the company's business activities and business environment. The current capital adequacy is assessed by comparing the amount of available capital to the amount of capital required to bear the risks arising from the current business activities.

3.1 Regulatory capital

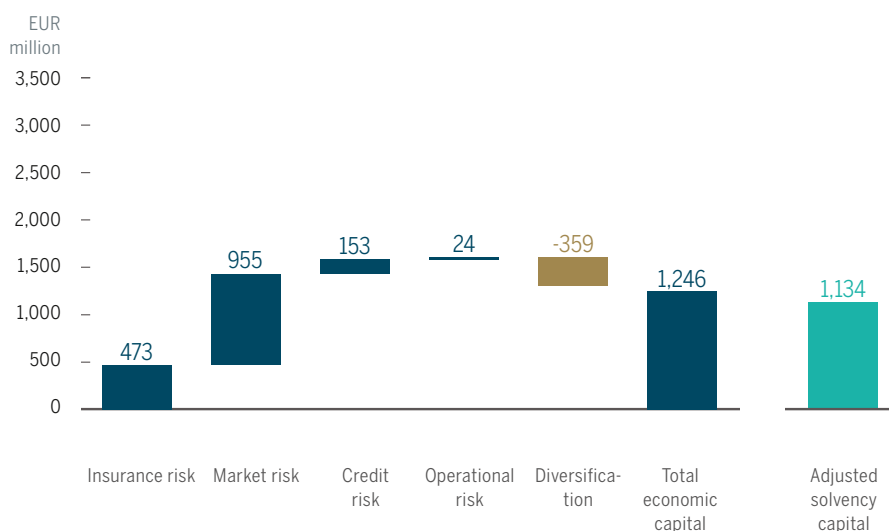
Life insurance is a highly regulated business with formal rules for minimum capital and capital structure. The supervisors of Mandatum Life Group are the Financial Supervisory Authority in Finland and local supervisors in the Baltic countries.

Solvency capital and minimum requirement for solvency capital, the measures defined in the EU directives, are reported to the supervisory authorities quarterly. In addition, extended solvency capital and the related solvency requirement, as defined in the early warning solvency rules, are reported in Finland quarterly. Early warning solvency rules have been effective in the Finnish Insurance Companies Act as of October 2008. The purpose of the early warning solvency rules is to provide a more accurate view on the actual risks of an insurance company than the requirements of the EU directives.

The solvency margin of Mandatum Life Group's parent company was EUR 1,447 million (1,385), while the corresponding regulatory minimum requirement was EUR 271 million (222). The corresponding regulatory minimum was increased because of the transferred segregated group pension portfolio requirement. The early warning solvency requirements were also clearly fulfilled. The solvency margin of the Baltic subsidiary was EUR 10.1 million (9.8) and minimum requirement EUR 3.7 million (3.7).

The new solvency rules that will be in force 1st of January 2016 change the requirements. Mandatum Life will use the regulatory standard model including transitional measures for external Solvency II calculations. The solvency margin of Mandatum Life calculated using the standard model and transitional measures exceed the own funds.

Figure 3-1: Breakdown of economic capital and adjusted solvency capital on 31 December 2014



3.2 Economic capital

Economic capital is an internal measure of Sampo Group which describes the capital required to bear different kinds of risks. Economic capital is defined as the amount of capital required on the Group level to protect the economic solvency over a one year time horizon with a 99.5 per cent confidence level. Economic capital is mainly a Group level measure in Sampo Group, but it is used also in Mandatum Life. However, a situation where the economic capital requirement is not met does not automatically result in immediate corrective measures in Mandatum Life, as long as the capital position of Sampo Group is adequate and Mandatum Life has access to additional capital if needed or correspondingly, balance sheet's risk level – through which the amount of economic capital – could be quickly reduced to a lower level.

Economic capital covers market, credit, insurance and operational risks. Economic capital does not only reflect the capital needed for the different kinds of risks, but also their mutual diversification effect. This gives a more realistic view of the overall capital needs as it is very unlikely that all risks will materialize simultaneously.

Calculations of economic capital requirements in Mandatum Life are based on a total balance sheet approach, which means that values and risks of assets and liabilities are recognized as market consistently as possible. Market consistent value of liabilities is estimated by using stochastic simulation. Where applicable, the approach for the calculation and the most critical parameters are similar to what was used in the fourth Quantitative Impact Study (QIS 4) in Solvency II.

Economic capital is compared with adjusted solvency capital, which is normal solvency capital plus the difference between market consistent value of liabilities, in which a risk margin is added, and book value of liabilities. On 31 December 2014 the adjusted solvency capital of Mandatum Life Group was EUR 1.134 million (1,492) and the corresponding economic capital was EUR 1,246 million (1,085). When examining the economic capital, the weakening of the company's solvency position during the year was the result of a dramatic decline in interest rates.

Roughly 75 per cent of the economic capital consists of market and credit risks. Market risks consist mainly of interest rate and equity risk. The most crucial insurance risks are longevity risk and surrender risk.

4. Market risks and market risk management and control

Market risks refer to fluctuations in the company's financial results or solvency caused by changes in market values of financial assets and liabilities as well as technical provisions. Market risks are examined from both an ALM as well as an investment portfolio risk perspectives.

In Mandatum Life, the approach to market risk management is based on an analysis of technical provisions' expected cash flows, interest level and current solvency position. A common feature for all with-profit technical provisions is the guaranteed rate and bonuses. The cash flows of Mandatum Life's technical provisions are relatively well predictable because in most of the company's with-profit policies, surrenders and extra-investments are not possible.

Mandatum Life's market risks arise mainly from equity investments and interest rate risk related to fixed income assets and insurance liabilities with a guaranteed interest

Figure 4–1: Allocation of investments

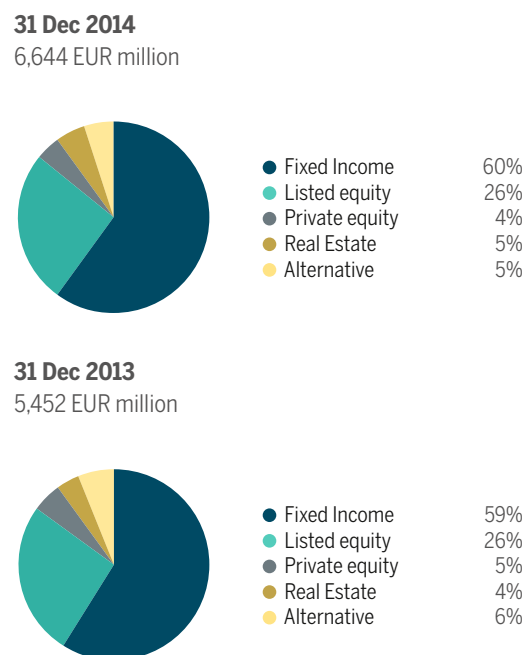


Figure 4–2: Investments 31 Dec 2014

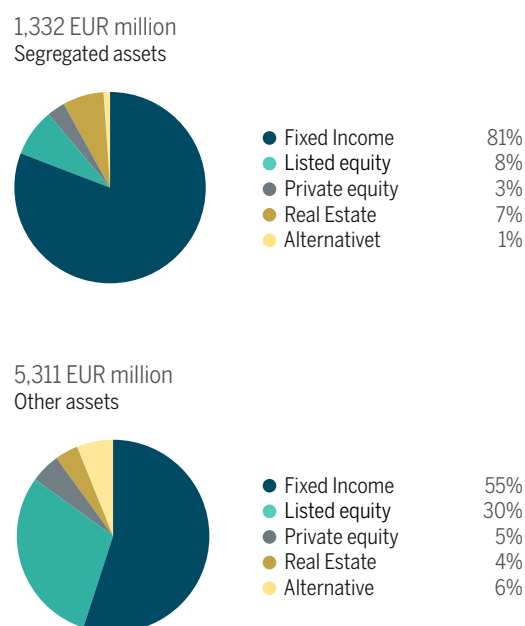


Table 4–3: Sensitivity analysis of investments

EUR million	Interest Rate		Equity	Other Financial Investments
	1% parallel shift down	1% parallel shift up	20% fall in prices	20% fall in prices
Year 2013	52	-66	-290	-148
Year 2014	9	-34	-340	-186

rate. The most significant interest rate risk in the life insurance business is that fixed income investments will not, over a long period of time, generate a return at least equal to the guaranteed interest rate of technical provisions. The probability of this risk increases when market interest rates fall and stay at a low level. The duration gap between balance sheet's technical provisions and fixed income investments are constantly monitored and managed.

Mandatum Life has prepared for low interest rates on the liability side by e.g. reducing the minimum guaranteed interest rate in new contracts and by supplementing the technical provisions by applying a lower discount rate. In addition, existing contracts have been changed to accommodate improved management of reinvestment risk.

The Board of Directors of Mandatum Life approves annually the Investment Policies for both segregated assets and other assets regarding the company's investment risks. These policies set principles and limits for investment portfolio activities.

The Investment Policy for segregated assets defines the risk bearing capacity and the corresponding control levels. Since the future bonus reserves of the segregated group pension portfolio is the first buffer against possible investment losses, also the risk bearing capacity is based on the amount of future bonus reserve. Different control levels are based on fixed stress scenarios of assets.

The Investment Policy for other investment assets defines the control levels for maximum acceptable risk and respective measures to manage the risk, which are based on the company level solvency and on both Solvency I and Solvency II type of approaches.

In the Solvency I type of approach, control levels are set above the Solvency I using a VaR-analysis of the investment assets. In the Solvency II type of approach, control levels are set also based on other confidence levels in addition to the 99.5 per cent level used in Sampo Group. The general objective of these control levels and respective guidelines is to maintain the required solvency and to ensure that investments are sufficient and eligible for covering technical provisions.

Sampo plc's investment organization makes the day-to-day investment decisions based on principles set in Mandatum Life's Investment Policy. However, the most significant investment decisions are made by the Board. The ALCO regularly monitors that limits and principles defined in the Investment Policy are followed and reports on investment risks to the Board.

The investment organization and Mandatum Life have a thorough understanding of Nordic markets and issuers and, consequently, the company's direct investments are mainly made into Nordic securities. When investing in non-Nordic securities, funds or other third party managed investment solutions are mainly used. These investments are primarily used as a tool in tactical asset allocation when seeking return and secondarily in order to increase diversification. One of the objectives of the investment activities is to ensure sufficient diversification between and inside each asset class.

In 2014 the net investment return of Mandatum Life was 4.6 per cent (7.1). The proportion of listed equities was 26 per cent while proportion of fixed income increased by 1 percentage point to 60 per cent.

On the 30th of December, 2014 Mandatum Life received from Suomi Mutual its with-profit group pension portfolio. Amount of transferred assets and liabilities were EUR 1,337 million. While this portfolio has its own Investment Policy

Figure 4-4: Mandatum Life's allocation of equity investments

31 Dec 2014, 1 698 EUR million

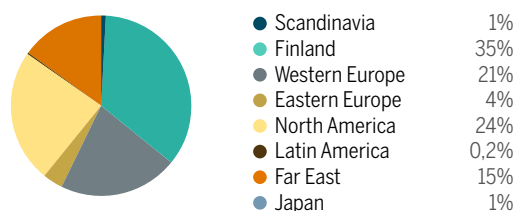


Table 4-5: Fixed income investments by type of instruments 31 Dec 2014

	% of Fixed Income Portfolio	Average Maturity
Money Market Securities and Cash	42.0%	0.4
Government Bonds	11.0%	2.4
Covered Bonds	2.0%	2.6
Investment Grade Bonds and Loans	11.0%	2.1
High Yield Bonds and Loans	28.0%	3.5
Asset Backed Securities	0.0%	0.0
Subordinated / T2 -type	1.0%	3.3
Subordinated / T1 -type	4.0%	3.3
Interest Rate Derivatives	-1.0%	0.0
Policy Loans	0.0%	1.8
Total	100.0%	1.9

and profit sharing agreement the portfolio is segregated. (Segregated group pension portfolio and segregated assets). Figure 4-1 shows the total investments including the segregated assets in the figure 4-2 the investments are shown separately.

The values of financial assets and liabilities are subject to changes in the underlying market variables. Table 4-3 shows the sensitivity analysis of the fair values of financial assets and financial liabilities to different market risk scenarios. The effects represent the instantaneous effects of a one-off change in the underlying market variable on the fair values on 31 December 2014. In addition, a parallel 10 per cent decrease in the value of all currencies against euro would decrease the company's equity, before taxes, by EUR 59 million.

4.1 Equity risks

Equity price risk is the risk of losses due to changes in share prices. At year end Mandatum Life's listed equity investment amounted to EUR 1,698 million (1,422 million in 2013).

Mandatum Life's equity portfolio is actively managed. The positions and risks in equity portfolio and the related derivatives may not exceed the limits set in the Investment Policy. The Nordic equity portfolio is managed mainly by Sampo Group's Investment Management unit while the equity investments outside the Nordic area are mainly managed mainly through external asset managers. Figure 4-4 presents the geographical allocation of listed equity investments.

Section 4.5 contains a list of the ten largest equity investments while breakdown of direct listed equity investments by industries is shown in section 5.

4.2 Risks related to fixed income investments

Mandatum Life's risks related to fixed income investments include interest rate risk related to changes in market interest rates as well as spread risk arising from changes in the credit spreads of fixed income investments resulting in changes in the values of respective investments.

The most significant interest rate risk in the life insurance business is that fixed income investments will not, over a long period of time, generate a return at least equal to the guaranteed interest rate of technical provisions. The probability of this risk increases when market interest rates fall and remain at a low level. Solvency position improves in short term according to Solvency I when interest rates fall, but at the same time solvency position deteriorates in early warning system and in economic capital. According to Mandatum Life's Investment Policy, the interest rate risk and inflation risk of technical provisions must be taken into account when defining the composition of investment assets. Mandatum Life's duration gap between technical provisions and fixed income investments is constantly monitored and managed. Control levels based on internal capital model are used to manage and ensure adequate capital in different market situations.

The average duration of Mandatum Life's technical provisions (excluding unit-linked technical provisions) was 10.0 years at the year-end. The duration of fixed income investments including hedging derivatives was 1.8 years (1.8) at the year-end.

When it comes to technical provisions, Mandatum Life has prepared for low interest rates on the liability side by e.g. reducing the guaranteed interest rate in new contracts and increasing the reserve for policies with higher guaranteed interest rates. In addition, existing contracts have been changed to accommodate improved management of reinvestment risk and the technical provisions have been supplemented by the reserve for decreased discount rate. More information about the reserve can be found in insurance risks section.

Majority of the company's fixed income investments are made in debt instruments issued by corporations. This increases the risk arising from increased credit spreads which, in turn, lead to value alterations. Table 4-5 illustrates the breakdown of the fixed income investments by type of instruments as well as their average maturity. The maturity measures the company's spread risk exposure better than the duration. This is true especially when it comes to floating interest rate investments. Table 5-1 shows the breakdown of investment assets by instruments based on division of industry and credit rating.

Table 4-5 presents the breakdown of Mandatum Life's fixed income investments by type of instruments. At the end of 2014, the proportion of short-term fixed income

Table 4-6: Transaction risk position, 31 Dec 2014

Transaction risk position, EUR million	USD	JPY	GBP	SEK	NOK	CHF	DKK	LTL	Other	Net total
Technical provisions	0	0	0	-2	0	0	0	0	0	-2
Investments	1,326	23	270	51	10	115	324	3	248	2,370
Derivatives	-952	-31	-239	-32	1	-125	-306	0	-95	-1,779
Total transaction risk, net position	374	-8	30	17	11	-10	18	3	153	589

Table 4-7: Concentration of market and credit risks in individual counterparties by asset class 31 Dec 2014

EUR million Counterparty (per business area)	Total fair value, EURm	% of total investment assets	Cash & short- term fixed income	Long-term fixed in- come, total	Long-term fi- xed income: Government guaranteed	Long-term fixed income: Covered bonds	Long-term fi- xed income: Senior bonds	Long-term fixed income: Tier 1 and Tier 2	Equities	Uncollateralized derivatives
Skandinaviska Enskilda Banken	519	8%	437	476	82	0	30	52	0	0
Nordea Bank	408	6%	405	97	4	0	1	3	0	0
Svenska Handelsbanken	349	5%	324	106	25	0	21	4	0	0
Danske Bank	318	5%	265	64	52	0	30	22	0	0
OP-Pohjola	206	3%	179	21	27	0	17	10	0	0
Germany	168	3%	0	139	168	0	168	0	0	0
Netherlands	138	2%	0	26	138	0	138	0	0	0
UPM-Kymmene	136	2%	0	23	6	0	6	0	130	0
Eksportfinans	106	2%	0	100	106	0	106	0	0	0
Amer Sports	92	1%	0	100	10	0	10	0	82	0
Total top 10 exposures	2,440	37%	1,610	1,150	618	0	527	91	212	0
Other	4,204	63%								
Total investment assets	6,644	100%								

Table 4–8: Ten largest direct listed equity investments 31 Dec 2014

Top 10 equity investments	Total fair value, EUR million	% of total direct listed equity investments
UPM-Kymmene Plc	130	20%
Amer Sports Plc	82	13%
Wärtsilä Plc	44	7%
Metso Plc	37	6%
Lassila & Tikanoja Plc	33	5%
Nokian Renkaat Plc	26	4%
Tikkurila Plc	23	4%
Comptel Plc	20	3%
YIT Plc	18	3%
Vaisala Plc	17	3%
Total top 10 exposures	430	68%
Other direct listed equity investments	206	32%
Total direct listed equity investments	637	100%

Table 4–9: Ten largest high yield and non-rated fixed income investments 31 Dec 2014

Top 10 high yield and not rated fixed income investments	Rating	Total fair value, EUR million	% of total fixed income investment assets
Eksportfinans ASA	BB-	106	3%
Stora Enso Plc	BB	80	2%
Neste Oil Plc	NR	50	1%
Sponda Plc	NR	31	1%
Sanoma Plc	NR	28	1%
Nassa Midco AS	B	25	1%
Charger Opco BV	BB-	23	1%
Uponor Plc	NR	22	1%
Matterhorn Mobile	B+	21	1%
Liberty Global INC	NR	21	1%
Total top 10 exposures		407	12%
Other direct fixed income investments		2,975	88%
Total direct fixed income investments		3,381	100%

investments increased to 42.0 per cent (17.0) of the fixed income portfolio. The proportion of government bonds decreased to 11.0 per cent (22.4 per cent at the end of 2013). Also the proportion of investment grade bonds decreased to 11.0 per cent (20.0 per cent on 31 December 2013).

Table 7–4 in the insurance risk section shows the maturity and average durations of Mandatum Life's insurance and investment contracts.

4.3 Currency risks

Mandatum Life's parent company's technical provisions are denominated in Euros, and currency risk therefore arises from investments in other currencies than Euro. Mandatum Life's currency strategy is based on active management of the currency position. The objective is to achieve positive return relative to a situation where the open currency risk exposure is fully hedged, considering the limits imposed by the investment policy. The Table 4–6 below shows the net currency exposures (net assets) after the effect of derivatives has been taken into account on 31 December 2014.

4.4 Other market risks

In addition to interest rate, equity, and currency risks, Mandatum Life's investment assets are exposed to real estate, private equity funds, biometric, alternative investments and commodity related market risks. Mandatum Life's Investment Policy sets limits for maximum allocations into these markets and products. On 31 December 2014 the share of the above mentioned investments was 14 per cent of Mandatum Life's total investment portfolio.

Private equity funds and alternative investments are managed by external asset managers. The private equity fund portfolio is diversified both according to fund type and geographical areas. Alternative investments are placed both directly into individual funds and into funds of funds in order to attain sufficient diversification between funds and investment styles.

The real estate portfolio in Mandatum Life is managed by Sampo Group's real estate management unit. The portfolio includes direct investments in properties as well as indirect investments in real estate funds and shares and debt instruments in real estate companies in accordance with

Table 5–1: Investment exposures according to asset classes, sectors and fixed income investments according to rating, 31 Dec 2014

EUR million	Fixed income							Fixed income total	Listed Equities	Other	Counter-party risk	Total	Change 31 Dec 2013
	AAA	AA+ – AA–	A+ – A–	BBB+ – BBB–	BB+ – C	D	Not rated						
Basic Industry	0	0	0	1	157	0	62	220	199	0	0	420	-49
Capital Goods	0	0	1	1	30	0	42	75	141	0	0	215	-2
Consumer Products	0	0	6	4	108	0	56	175	117	0	0	292	27
Energy	0	1	0	16	0	0	50	67	2	0	0	68	-12
Financial Institutions	2	967	902	22	228	0	0	2,121	28	23	0	2,172	1,033
Governments	334	32	0	21	0	0	0	387	0	0	0	387	-340
Government Guaranteed	0	4	0	0	0	0	0	4	0	0	0	4	4
Health Care	0	0	1	0	47	0	25	73	17	0	0	91	36
Insurance	0	0	1	25	0	0	11	37	5	23	0	65	8
Media	0	0	0	0	13	0	28	40	0	0	0	40	1
Public Sector, Other	0	2	0	0	0	0	0	2	0	0	0	2	2
Real Estate	0	0	0	1	0	0	55	55	0	255	0	311	110
Services	0	0	0	1	88	0	16	105	39	0	0	144	21
Technology and Electronics	1	0	0	1	2	0	1	4	88	1	0	93	-6
Telecommunications	0	0	8	12	52	0	15	88	1	0	0	89	-56
Transportation	0	0	0	0	11	0	7	18	1	0	0	19	-25
Utilities	0	0	54	56	1	0	0	111	0	0	0	111	-87
Others	0	0	0	0	6	0	10	16	0	15	0	31	6
Asset-Backed Securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Covered Bonds	23	58	13	0	0	0	0	93	0	0	0	93	-32
Funds	7	0	95	50	24	0	147	323	1,061	632	0	2,017	582
Total	367	1,065	1,082	212	767	0	523	4,016	1,698	951	0	6,664	1,222
Change 31 Dec 2013	156	83	517	-131	118	0	43	786	250	190	-5	1,222	

the decided allocation. The main risks related to property investments are limited by diversifying holdings both geographically and by type of property.

4.5 Risk concentrations of the investment operations

Mandatum Life's Investment Policy sets limits for investments in individual companies. For example, the requirements for the assets covering technical provisions and the credit ratings of investments are taken into account when setting these limits. Risk concentrations are monitored continuously. The Table 4–6 shows Mandatum Life's market and credit risk concentrations in individual counterparties by asset class.

Table 4–8 illustrates ten largest equity investments separately and their proportion of the total direct equity investments. In addition to the Finnish direct equity investments, the company invests into foreign equities mainly through investment funds and ETF funds. Investments made through equity funds and ETFs constitute 62 per cent of the total equity investments. Furthermore, largest exposures of high-yield and non-rated fixed income investments are broken down in Figure 4–9.

5. Credit risks

Credit risk is the risk of loss, or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, derivative counterparties and any other debtors. Credit risks arise from investments as well as insurance and re-insurance contracts.

In Mandatum Life, credit risk can materialize as market value losses when credit spreads are changing unfavourably (spread risk) or as credit losses when issuers of credit instruments or counterparties of financial derivatives or reinsurance transactions are failing to meet their financial obligations (default risk). The role of credit risk with current asset allocation is remarkable from both risk exposures and risk management point of view.

In addition to the credit risks associated with investment assets, credit risks arise from reinsurance contracts. Credit risks related to reinsurers arise through reinsurance receivables and through the reinsurers' portion of technical provisions. In Mandatum Life credit risks related to reinsurance are relatively low compared to the credit risks associated with investment assets.

Investments in fixed income instruments in financial sector comprise the largest industry concentration inside Mandatum Life's investment portfolio.

5.1 Credit risk management

The selection of direct debt investments is based primarily on 'bond-picking' and secondarily on top-down allocation. This investment style may lead into situation where portfolio is not as diversified as the finance theory suggests but includes thoroughly analysed investments with risk-return-ratios in focus. Critical success factors of making fixed income investments are considered to be the following:

Table 6–1: Cash flows according to contractual maturity

EUR million	CARRYING AMOUNT TOTAL			CASH FLOWS						
	Carrying amount total	Carrying amount without contractual maturity	Carrying amount with contractual maturity	2015	2016	2017	2018	2019	2020-2029	2030-
Financial assets	6,592	3,162	3,429	1,620	539	408	293	146	511	15
of which interest rate swaps	0	0	0	0	0	0	0	0	0	0
Financial liabilities	275	0	275	-72	-6	-4	-4	-4	-50	-239
of which interest rate swaps	19	0	19	-1	-1	0	0	0	0	-27
Net technical provisions	4,640	0	4,640	-504	-440	-425	-388	-359	-2,452	-1,903

- 1) Potential investments must be understood thoroughly. Hence, the creditworthiness of the issuer or counterparty is assessed together with collaterals and other structural details of instruments. Although external credit ratings by rating agencies are used to support the internal assessment, own internal assessment is always the most important factor in decision making.
- 2) When the details of an instrument are understood and the related earnings potential and risks are considered to be in balance, investment transaction shall be executable in a short notice regardless of instrument type. This puts pressure on credit limit structures and procedures that must be at the same time (i) flexible enough to facilitate fast decision making regardless of instrument type, (ii) well-structured to ensure that investment opportunities are assessed prudently, taking into account the specific features and risks of all investment types and (iii) they must restrict the maximum exposure of single name risk to the level that is in balance with the company's risk appetite. During the last years, credit limit structures and procedures have been in focus when developing the companies' Investment Policies.
- 3) Credit exposure accumulations over single names and products are monitored regularly at company level and at Group level to identify unwanted concentrations. Credit exposures are reported, for instance, by sectors and asset classes and within fixed income by ratings. Individual issuers' and counterparties' credit ratings are monitored continuously.

Derivatives' counterparty risk is managed and mitigated by bilateral ISDA and CSA agreements.

6. Liquidity risk

Liquidity risk is the risk that Mandatum Life would be unable to realize investments and other assets in order to settle its financial obligations when they fall due.

A relatively small part of liabilities can be surrendered and it is therefore possible to forecast short-term cash flows related to claims payments in a reliable manner. In addition, the assets are liquid and thus, liquidity risk is currently not significant to Mandatum Life.

7. Insurance risks

Insurance risks in the life insurance business encompass biometric risks, discount rate risk in technical provisions and other life insurance risks, that is, surrender risk, lapse risk and expense risk. This chapter presents the development of these life insurance risks during 2014. In addition, the life insurance risk management principles are presented.

On the 30th of December, 2014 Mandatum Life received from Suomi Mutual its with-profit group pension portfolio. Portfolio comprises approximately 2,300 policies and 34,000 members. Amount of transferred assets and liabilities were EUR 1,337 million. Technical provisions include longevity reserve (EUR 87 million) and expense reserve (EUR 22 million). Due to the special features of the received portfolio, rest of the technical provisions (EUR 1,228 million) and related assets have been segregated (segregated group pension portfolio or segregated assets) from the rest of Mandatum Life's balance sheet. Unless otherwise stated the technical provision information and insurance risk descriptions at the end of 2014 include the segregated group pension portfolio. The segregated group pension portfolio did not have an effect on the 2014 risk result.

Table 7–1: Claim ratios of parent company after reinsurance

EUR million	2014			2013		
	Risk income	Claim expense	Claim ratio	Risk income	Claim expense	Claim ratio
Life insurance	45.3	27.5	61%	47.4	27.1	57%
Mortality	27.2	16.5	61%	29.8	16.1	54%
Morbidity and disability	18.1	11.0	61%	17.6	11.0	62%
Pension	63.1	58.5	93%	57.5	55.5	97%
Individual pension	9.6	10.2	107%	9.1	9.8	108%
Group pension	53.5	48.3	90%	48.4	45.7	94%
Mortality (longevity)	49.4	45.6	92%	43.9	43.3	99%
Disability	4.1	2.7	66%	4.5	2.4	52%
Total	108.4	86.0	79%	104.8	82.6	79%

7.1 Biometric risks

Biometric risks in life insurance refer mainly to the risk that the company has to pay more mortality, disability or morbidity benefits than expected or the company has to keep paying pension payments to the pension policy holders for a longer time (longevity risk) than expected when pricing the policies. The specific case in which a single event or series of single events of major magnitude leads to a significant deviation in actual benefits and payments from the total expected payments is called catastrophe risk.

Long duration of policies and restriction of Mandatum Life's right to increase tariffs increases biometric risks. If the premiums turn out to be inaccurate and pricing cannot be changed afterwards, technical provisions have to be supplemented with an amount corresponding to the expected losses.

Table 7-1 shows the insurance risk result in Mandatum Life's Finnish life insurance policies. The ratio of the actual claims costs to the assumed was 79 per cent in 2014 (79). Sensitivity of the insurance risk result can also be assessed on the basis of the information in the Table 7-1. For example

the increase of mortality by 100 per cent would increase the amount of benefit payments from EUR 16 million to approximately EUR 32 million.

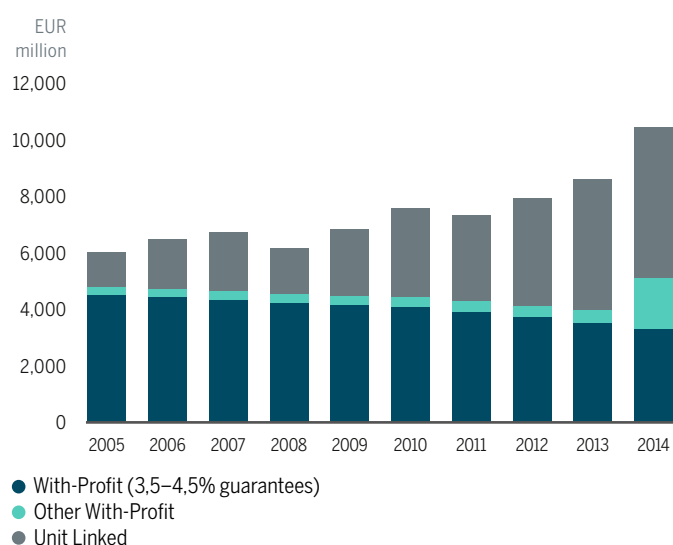
Longevity risk is the most critical biometric risk in Mandatum Life. Most of the longevity risk arises from the with profit group pension portfolio. With profit group pension policies have mostly been closed for new members for years and due to this the average age of members is relatively high, i.e. for the segregated group pension portfolio around 67 years and for the other group pension portfolios around 69 years. In the unit-linked group pension and individual pension portfolio the longevity risk is less significant because most of these policies are fixed term annuities including death cover compensating the longevity risk.

The annual longevity risk result and longevity trend is analyzed regularly. For the segregated group pension portfolio the assumed life expectancy related to the technical provisions was revised in 2014 and for the other group pension portfolios in 2002 and 2007. In total these changes increased the 2014 technical provision by EUR 108 million (EUR 23 million in 2013) including EUR 87 million

Table 7-2: Analysis of the change in technical provisions

EUR million	Liability 2013	Premiums	Claims paid	Expense charges	Guaranteed interest	Bonuses	Other	Liability 2014	Share %
MANDATUM LIFE parent company									
Unit linked liabilities total	4,475	923	-459	-57	0	0	277	5,159	50
Individual pension insurance	1,014	76	-10	-14	0	0	83	1,149	11
Individual life	1,530	346	-159	-16	0	0	125	1,826	18
Capital redemption operations	1,489	437	-287	-21	0	0	58	1,677	16
Group pension	442	65	-4	-7	0	0	10	507	5
With Profit and other liabilities total	3,910	146	-395	-35	131	0	1,205	5,047	49
Group pension	2,311	57	-188	-7	77	0	-3	2,248	22
Guaranteed rate 3.5%	2,190	36	-175	-5	74	0	-11	2,109	20
Guaranteed rate 2.5%, 1.5% or 0.0%	121	21	-13	-2	3	0	8	139	1
Group pension insurance, segregated portfolio	0	0	0	0	0	0	1,228	1,228	12
Basic liabilities, guaranteed rate 3.5%	0	0	0	0	0	0	805	805	8
Reserve for decreased discount rate (3.5% -> 1.0%)	0	0	0	0	0	0	241	241	2
Future bonus reserves	0	0	0	0	0	0	181	181	2
Individual pension insurance	1,141	17	-162	-6	45	0	3	1,038	10
Guaranteed rate 4.5%	945	11	-134	-5	40	0	-21	836	8
Guaranteed rate 3.5%	153	4	-18	-1	5	0	7	150	1
Guaranteed rate 2.5% or 0.0%	43	2	-11	0	1	0	17	52	1
Individual life insurance	233	32	-29	-10	8	0	-16	218	2
Guaranteed rate 4.5%	68	5	-6	-1	3	0	-3	67	1
Guaranteed rate 3.5%	109	12	-13	-3	4	0	-8	100	1
Guaranteed rate 2.5% or 0.0%	56	15	-11	-6	1	0	-5	51	0
Capital redemption operations	4	1	0	0	0	0	0	4	0
Guaranteed rate 3.5%	0	0	0	0	0	0	0	0	0
Guaranteed rate 2.5% or 0.0%	4	1	0	0	0	0	0	4	0
Future bonus reserves	0	0	0	0	0	0	0	0	0
Reserve for decreased discount rate	146	0	0	0	0	0	-11	135	1
Longevity reserve	23	0	0	0	0	0	85	108	1
Assumed reinsurance	6	4	-1	0	0	0	-6	2	0
Other liabilities	45	35	-14	-12	0	0	11	66	1
MANDATUM LIFE parent company total	8,385	1,070	-854	-92	131	0	1,567	10,207	98
Subsidiary Mandatum Life Insurance Baltic SE	159	41	-28	-3	1	0	1	170	2
Unit linked liabilities	142	37	-26	-2	0	0	2	153	1
Other liabilities	18	3	-2	-1	1	0	-1	17	0
MANDATUM LIFE group total	8,544	1,110	-882	-95	131	0	1,568	10,377	100

Figure 7-3: Development of with-profit and unit-linked technical provisions



longevity reserve for segregated group pension portfolio. The cumulative longevity risk result has been positive since these revisions. The longevity risk result of group pension for the year 2014 was EUR 3.8 million (EUR 0.6 million in 2013). The segregated group pension portfolio did not yet have an effect on the 2014 risk result.

Mortality risk result in life insurance is positive. A possible pandemic is seen as the most significant risk that could adversely affect the mortality risk result.

The insurance risk result of other biometric risks has been profitable in total, although the different risk results differ considerably. In a longer term, disability and morbidity risks are mitigated by the company's right to raise insurance premiums for existing policies in case the claims experience deteriorates.

The insurance portfolio of Mandatum Life is relatively well diversified and does not include major concentration risks. To further mitigate the effects of possible risk concentrations, Mandatum Life has the catastrophe reinsurance in place.

In addition to the biometric risks described above, Mandatum Life is exposed to other risks such as discount rate risk, lapse risk and surrender risk which are described in the following chapters.

Table 7-4: Maturity of business

EUR million	Duration	2015-2016	2017-2018	2019-2023	2024-2028	2029-2033	2034-2038	2039-
MANDATUM LIFE parent company								
Unit linked liabilities total	8.8	902	804	1 405	921	742	325	388
Individual pension insurance	11.8	88	134	280	236	191	139	166
Individual life	8.1	365	295	502	323	272	105	88
Capital redemption operations	6.8	417	325	496	268	212	33	55
Group pension	12.0	33	50	127	95	69	49	80
With Profit and other liabilities total	10.0	1,032	832	1,585	1,115	787	541	805
Group pension	11.2	371	347	728	551	411	300	472
Guaranteed rate 3.5%	11.2	349	333	701	530	394	287	448
Guaranteed rate 2.5%, 1.5% or 0.0%	11.3	22	15	27	20	16	13	24
Group pension insurance, segregated portfolio	11.1	175	164	358	287	218	155	210
Individual pension insurance	7.1	274	245	385	201	103	48	66
Guaranteed rate 4.5%	7.2	221	195	320	171	84	37	56
Guaranteed rate 3.5%	6.9	39	38	49	25	16	8	7
Guaranteed rate 2.5% or 0.0%	5.9	14	13	16	5	3	2	2
Individual life insurance	9.3	58	49	68	46	33	24	36
Guaranteed rate 4.5%	8.6	22	15	22	14	11	8	9
Guaranteed rate 3.5%	10.8	21	19	33	23	17	13	24
Guaranteed rate 2.5% or 0.0%	6.8	15	15	13	8	5	3	3
Capital redemption operations	8.7	0	0	2	1	0	0	0
Guaranteed rate 3.5%	0.0	0	0	0	0	0	0	0
Guaranteed rate 2.5% or 0.0%	8.7	0	0	2	1	0	0	0
Future bonus reserves	1.0	0	0	0	0	0	0	0
Reserve for decreased discount rate	3.9	81	12	20	11	6	2	3
Longevity reserve	11.8	11	10	23	19	16	12	17
Assumed reinsurance	0.5	2	0	0	0	0	0	0
Other liabilities	0.9	60	3	2	0	0	0	0
MANDATUM LIFE parent company total	9.4	1,934	1,635	2,991	2,036	1,530	866	1,193
Subsidiary Mandatum Life Insurance Baltic SE		16	22	35	20	35	17	49
Unit linked liabilities		12	18	28	18	34	16	49
Other liabilities		3	4	6	2	1	0	0
MANDATUM LIFE group total		1,950	1,658	3,025	2,056	1,565	883	1,243

7.2 Discount rate risk in liabilities

Discount rate risk in technical provisions is the main risk affecting the adequacy of technical provisions. The guaranteed interest rate in policies is fixed for the whole policy period. Thus, if market interest rates and expected investment returns fall, technical provisions may have to be supplemented.

The guaranteed interest for the policies of segregated group pension portfolio is mainly 3.5 per cent. The technical provision corresponding this portfolio has been supplemented with a discount rate reserve of EUR 241 million, resulting in a discount rate of 1.0 per cent for the technical provision. Reserve for future bonuses has important role in risk management of segregated group pension portfolio. The reserve amounts to EUR 181 million and approximately EUR 150 million of it can be used to cover possible investment losses or to finance possible changes in discount rate of segregated technical provisions.

In most of the other with profit policies, the guaranteed interest rate is 3.5 per cent. In individual policies sold in Finland before 1999, the guaranteed interest rate is 4.5 per cent, which is also the statutory maximum discount rate of these policies. With respect to these policies, the maximum discount rate used when discounting technical provisions has been decreased to 3.5 per cent. As a result, technical provisions have been supplemented with EUR 69 million in 2014 (EUR 75 million in 2013). In addition, EUR 50 million has been reserved to lower the interest rate of with profit liabilities to 2.0 per cent in 2015 and EUR 17 million for the year 2016 to lower the interest rate of with profit liabilities to 3.0 per cent, i.e. Mandatum Life has set up an extra reserve of EUR 135 million as part of technical provisions.

The provisions related to each product type and guaranteed interest rates are shown in Table 7-2. The table also shows the change in each category during 2014.

Unit linked business has been Mandatum Life's main focus area since year 2001. Since that the trend of unit linked technical provisions have been upward and annual average change in technical provisions has been an increase of 25 per cent per annum. Due to the nature of unit linked business, volatility between years is relatively high.

In contrast, the trend of with profit technical provisions has been downward since 2005 if the impact of the the segregated group pension portfolio on the technical provisions in 2014 is excluded. Especially the parts of technical provisions with the highest 4.5 per cent and 3.5 per cent guarantees have decreased. Technical provisions with highest guarantees fell by EUR 203 million. Taking into account all transferred group pension liabilities (EUR 1,337 million) from Suomi Mutual, with profit technical provisions increased to EUR 5,065 million (EUR 3,927 million in 2013). The development of the structure and amount of Mandatum Life's technical provisions is shown in the figure Development of With Profit and Unit-linked Technical Provisions, Mandatum Life.

The development of the structure and amount of Mandatum Life's technical provisions is shown in Figure 7-3.

Table 7-4 shows the expected maturity and duration of insurance and investment contracts. The sensitivity of technical provisions to changes in discount rates can be assessed on the basis of the durations shown in the table.

7.3 Other insurance risks

The most significant other risks arise from the uncertainty related to the behavior of policyholders. The policyholders have the right to cease paying premiums (lapse risk) and the possibility to interrupt their policies (surrender risk). Being able to keep lapse and surrender rates at a low level are crucial success factors especially for the expense result of unit-linked business. From ALM point of view surrender and lapse risks are less significant because in Mandatum Life, approximately 90 per cent of with-profit policies are pension policies in which surrender is possible only in exceptional cases. For ALM risk, surrender risk is therefore only relevant in individual life and capital redemption policies of which the related technical provisions amounts to only 4 per cent (EUR 222 million) of the total with-profit liabilities. Furthermore, the supplements to technical provisions are not paid out at surrender which also reduces the surrender risk related to the with-profit policies.

The company is also exposed to expense risk, which is a risk that the future operating expenses exceed the level that was anticipated when pricing the insurances. Policy terms and tariffs cannot usually be changed materially during the lifetime of the policies, which increases the expense risk. The main challenge is to keep the expenses related to insurance administrative processes and complex IT-infrastructure at an efficient level through the contract period of policies. In 2014 Mandatum Life Group's expense result was EUR 19.6 million (15.3). Mandatum Life does not defer insurance acquisition costs.

7.4 Insurance risk management and control

Biometric risks of life insurance policies are managed by careful risk selection, by pricing that reflects the risks and costs, by setting upper limits for the protection granted and by reinsurance.

Risk selection is a part of the day-to-day business routines in Mandatum Life. Mandatum Life's Underwriting Policy sets principles for risk selection and limits for insured sums. The Board approves the Underwriting policy, pricing guidelines and the central principles for the calculation of technical provisions.

Reinsurance is used to limit the amount of individual mortality and disability risks. The Board of Directors annually determines the maximum amount of risk to be retained for the company's own account, which for Mandatum Life is EUR 1.5 million per insured. To mitigate the effects of possible catastrophes, Mandatum Life participates in the catastrophe reinsurance taken jointly by Finnish life insurance companies.

The risk result is actively monitored and analyzed thoroughly annually. Mandatum Life measures the efficiency of risk selection and adequacy of tariffs by collecting information about the actual claims expenditure for each product line and each type of risk, and by comparing it to the claims expenditure assumed in insurance premiums of every risk cover.

Technical provisions are analyzed and the possible supplement needs are assessed regularly. Assumptions related to technical provisions are reviewed annually. Adequacy of technical provisions is tested quarterly. Tariffs for new policies are set, and the underwriting policy

and assumptions used in calculating technical provisions are updated based on the analysis related to technical provisions and risk result. Tariffs and prices, as well as the reinsurance principles and reserving principles are reviewed and approved annually by the Board of Directors of Mandatum Life.

8. Operational risks

Operational risk refers to the risk of loss resulting from inadequate or failed processes or systems, from personnel and systems or from external events. This definition includes legal risk but excludes risks resulting from strategic decisions. The risks may realize as a consequence of:

- internal misconduct;
- external misconduct;
- insufficient human resources management;
- insufficiencies in operating policies as far as customers, products or business activities are concerned;
- damage to physical property;
- interruption of activities and system failures; and
- defects in the operating process.

Operational risk may materialize as additional expenses, compensations for caused damages, non-compliance with rules and regulations, loss of reputation, false information on risk position and consecutive losses, and interruption of business activities.

8.1 Goal of operational risk management and risk governance

The goal of operational risk management in Mandatum Life is to ensure the adequacy, effectiveness and quality of operations, as well as to ensure that all operations are conducted in compliance with laws and regulations. In addition, the goal is to ensure the continuity of operations even in exceptional circumstances.

Business units are responsible for the identification, assessment, monitoring and management of their own operational risks. Operational Risk Committee (ORC) monitors and coordinates central issues regarding operational risks, such as policies and recommendations. The Committee ensures that risks are identified and business units have organized internal control and risk management in a proper way. The Committee also analyses deviations from operational risk management policies and monitors operational risks identified in the self-assessments as well as the occurred incidents. The committee meets at least three times a year. Significant observations on operational risks are submitted to the Risk Management Committee and Board of Directors.

8.2 Operational risk identification and management

Operational risks are identified through several different sources and methods:

- *Self-assessment* process is used to map and evaluate the major operational risks and their probabilities and significance, including an evaluation of internal controls and sufficiency of instructions. Self-assessment is conducted annually.

- *Analysis of incidents.* Realized operational risks and near misses reported by the business units are collected and analyzed by ORC. Each business unit is responsible for reporting the occurred incidents and near misses to the ORC.
- *Macro analysis* is conducted prior to the annual strategy process where the key trends in Mandatum Life's business environment are identified, including a macro level business analysis of operational risks. External events are monitored continuously and the company reacts to those as soon as possible.

The most significant operational risks for Mandatum Life identified in the operational risk self-assessment process include, among others, the following: changes in the external operating environment, IT, especially aging IT systems, manual phases in processes, loss of key personnel, miss-selling and false information to customers.

In order to limit operational risks, Mandatum Life has approved a number of policies including e.g. Security Policies, Continuity Plans, Acquisition and Outsourcing Policy, Complaints Handling Policy and a number of other policies related to ongoing operative activities. Deviations against different policies are followed up independently in each business unit and reported to ORC.

Internal control system in processes aims at preventing and identifying negative incidents and minimizing their impact. In addition, would there be an operational risk event or near misses, this must be analyzed and reported to ORC.

9 Risk management outlook

Mandatum Life continuously develop its risk management and risk management processes. This work is based on internal needs and regulatory requirements of Solvency II. The Solvency II regulation is confirmed to enter into force on 1 January 2016. During 2015 the risk management outlook will concentrate on developing the company's preparedness of the Solvency II regulation.

In terms of balance sheet management, the greatest challenges in the near future will be related to an exceptionally low interest rate level and the resulting exceptionally challenging re-investment risk. The Solvency II requirements include transitional provisions concerning the equity risk capital requirements and the determination of with-profit technical provisions. The transitional provisions will give Mandatum Life time to adjust the market risk level in its balance sheet to reflect the new solvency requirements, if necessary.

Notes to the Income Statement

1 INSURANCE PREMIUMS

1.1. PREMIUMS FROM INSURANCE CONTRACTS

EUR million	2014	2013
Insurance contracts		
Insurance contracts	657.5	624.1
Reinsurance contracts	3.6	4.4
Insurance contracts total, gross	661.1	628.5
Reinsurers' share	-5.1	-5.0
Insurance contracts total, net	656.0	623.5
Investment contracts	448.8	439.6
Total premiums¹⁾	1,104.8	1,063.1

¹⁾ The change in unearned premiums is presented in note 4 "The change in insurance and investment liabilities".

1.2. SPECIFICATION OF PREMIUMS

EUR million	2014	2013
Premiums from insurance contracts		
Premiums from contracts with discretionary participation feature	143.0	153.4
Premiums from unit-linked contracts	512.9	469.2
Premiums from other contracts	1.7	1.4
Total	657.5	624.1
Assumed reinsurance	3.6	4.4
Premiums from investment contracts		
Premiums from contracts with discretionary participation feature	1.1	0.1
Premiums from unit-linked contracts	447.7	439.5
Total	448.8	439.6
Insurance and investment contracts, total	1,109.9	1,068.1
Reinsurers' share	-5.1	-5.0
Total premiums	1,104.8	1,063.1

1.3. DIRECT INSURANCE PREMIUMS BY GEOGRAPHICAL SEGMENTS

EUR million	2014	2013
Finland	1,065.9	1,031.7
Baltic countries	40.5	32.0
Total	1,106.3	1,063.7

1.4. SINGLE AND REGULAR PREMIUMS FROM DIRECT INSURANCE

EUR million	2014	2013
Regular premiums, insurance contracts	282.3	291.0
Single premiums, insurance contracts	375.3	333.2
Single premiums, investment contracts	448.8	439.6
Total	1,106.3	1,063.7

1.5. DIRECT INSURANCE PREMIUMS BY LINE OF BUSINESS

EUR million	2014	2013
Premiums from insurance contracts		
Life insurance		
Unit-linked individual life insurance	372.3	330.9
Other individual life insurance	49.3	50.0
Employees' group life insurance	12.4	12.1
Other group life insurance	9.0	7.7
	443.0	400.9
Pension insurance		
Unit-linked individual pension insurance	75.7	81.3
Other individual pension insurance	16.9	20.9
Unit-linked group pension insurance	65.0	57.0
Other group pension insurance	57.1	64.1
	214.6	223.3
Total	657.5	624.1
Premiums from investment contracts		
Capital redemption operations		
Unit-linked capital redemption operations	447.7	439.5
Other capital redemption operations	1.1	0.1
Total	448.8	439.6
Total premiums from insurance- and investment contracts	1,106.3	1,063.7

2 NET INCOME FROM INVESTMENTS

EUR million	2014	2013
Financial assets		
Derivative financial instruments		
Gains/losses	-97.0	6.3
Financial assets designated as at fair value through p/l		
Debt securities		
Interest income	0.7	1.1
Gains/losses	1.2	0.4
Equity securities		
Gains/losses	0.1	0.3
Dividend income	0.0	0.0
Total	1.9	1.8
Investments related to unit-linked contracts		
Debt securities		
Interest income	58.0	45.7
Gains/losses	-9.8	-26.6
Equity securities		
Gains/losses	212.5	210.0
Dividend income	19.5	12.8
Loans and receivables		
Interest income	3.5	-0.5
Other financial assets		
Gains/losses	-16.3	28.9
Total	267.3	270.1
Loans and receivables		
Interest income	1.7	0.7
Gains/losses	42.0	-5.0
Total	43.7	-4.3
Financial assets available-for-sale		
Debt securities		
Interest income	97.9	114.8
Gains/losses	49.0	1.6
Equity securities		
Gains/losses	107.5	111.3
Impairment losses	-41.5	-33.1
Dividend income	89.2	87.1
Total	302.0	281.7
Total financial assets	518.0	555.7
Other assets		
Investment properties		
Gains/losses	3.2	0.6
Impairment losses	0.0	0.0
Other	5.2	1.9
Total other assets	8.4	2.5

EUR million	2014	2013
Net fee income		
Asset management	-14.0	-13.5
Fee income	27.4	24.6
Total	13.4	11.1
Total	539.8	569.4

Included in gains/losses from loans and receivables is a net gain of EURm 30.3 from previous years arrangements.

Included in gains/losses from financial assets available-for-sale is a net gain of EURm 10.0 (69.9) transferred from the fair value reserve.

Other income and expenses comprise rental income, maintenance expenses and depreciation of investment property.

All the income and expenses arising from investments are included in Net income from investments. Gains/losses include realised gains/losses on sales, unrealised and realised changes in fair values and exchange differences. Unrealised fair value changes for financial assets available-for-sale are recorded in other comprehensive income and presented in the fair value reserve in equity.

The changes in the fair value reserve are disclosed in the Statement of changes in equity.

3 CLAIMS INCURRED

All claims included.

EUR million	Claims paid		Change in provision for claims outstanding		Claims incurred	
	2014	2013	2014	2013	2014	2013
Insurance contracts						
Life insurance						
Contracts with discretionary participation feature (DPF)	-44.9	-50.1	0.8	-0.2	-44.1	-50.3
Other contracts	-0.3	-0.4	-11.8	0.0	-12.1	-0.4
Unit-linked contracts	-177.4	-160.3	0.3	0.4	-177.2	-159.9
Total	-222.6	-210.7	-10.7	0.2	-233.3	-210.5
Pension insurance						
Contracts with discretionary participation feature (DPF)	-350.4	-344.2	34.8	24.0	-315.6	-320.1
Unit-linked contracts	-13.2	-12.5	-22.6	-16.4	-35.8	-28.9
Total	-363.6	-356.7	12.1	7.7	-351.4	-349.0
Assumed reinsurance	-1.1	-1.1	1.3	-0.5	0.2	-1.6
Insurance contracts total, gross	-587.3	-568.4	2.7	7.3	-584.6	-561.1
Reinsurers' share	2.8	3.1	-0.2	-0.7	2.6	2.4
Insurance contracts total, net	-584.6	-565.3	2.5	6.7	-582.0	-558.7
Investment contracts						
Capital redemption policies						
Contracts with discretionary participation feature (DPF)	-0.2	-0.7	-	-	-0.2	-0.7
Unit-linked contracts	-294.2	-171.9	-	-	-294.2	-171.9
Investment contracts, total	-294.4	-172.6	-	-	-294.4	-172.6
Life insurance, total	-879.0	-737.9	2.5	6.7	-876.4	-731.3

CLAIMS PAID BY TYPE OF BENEFIT

EUR million	2014	2013
Insurance contracts		
Life insurance		
Surrender benefits	-8.3	-10.0
Death benefits	-21.3	-21.1
Maturity benefits	-5.0	-9.4
Loss adjustment expenses	0.0	0.0
Other	-10.5	-9.9
Total	-45.2	-50.4
Life insurance, unit-linked		
Surrender benefits	-114.0	-115.0
Death benefits	-50.0	-33.5
Maturity benefits	-13.4	-11.8
Loss adjustment expenses	0.0	0.0
Total	-177.4	-160.3
Pension insurance		
Pension payments	-319.1	-319.0
Surrender benefits	-25.3	-20.0
Death benefits	-5.9	-5.2
Loss adjustment expenses	0.0	0.0
Total	-350.4	-344.2
Pension insurance, unit-linked		
Pension payments	-0.2	-
Surrender benefits	-9.6	-8.7
Death benefits	-3.3	-3.8
Other	-0.1	0.0
Total	-13.2	-12.5
Assumed reinsurance	-1.1	-1.2
Insurance contracts total, gross	-587.3	-568.5
Reinsurers' share	2.8	3.2
Insurance contracts total, net	-584.6	-565.3
Investment contracts		
Capital redemption policy, with-profit		
Surrender benefits	-0.2	-0.4
Loss adjustment expenses	0.0	-0.3
Total	-0.2	-0.7
Capital redemption policy, unit-linked		
Surrender benefits	-316.0	-169.6
Loss adjustment expenses	21.6	-2.3
Total	-294.4	-171.9
Investment contracts total, gross	-294.6	-172.6
Claims paid total, gross	-881.9	-741.1
Claims paid total, net	-879.1	-737.9

4 CHANGE IN LIABILITIES FOR INSURANCE AND INVESTMENT CONTRACTS

EUR million	2014	2013
Insurance contracts		
Life-insurance		
Contracts with discretionary participation feature (DPF)	16.9	18.6
Other contracts	0.0	0.0
Unit-linked contracts	-292.2	-231.6
Total	-275.3	-213.0
Pension insurance		
Contracts with discretionary participation feature (DPF)	143.7	102.5
Unit-linked contracts	-177.2	-182.6
Total	-33.5	-80.1
Assumed reinsurance	2.4	-3.0
Insurance contracts total, gross	-306.4	-296.1
Reinsurers' share	0.0	0.0
Insurance contracts total, net	-306.4	-296.1
Investment contracts		
Capital redemption policy		
Contracts with discretionary participation feature (DPF)	-4.4	1.8
Unit-linked contracts	-187.8	-353.5
Investment contracts, total	-192.2	-351.6
Change in liabilities for insurance and investment contracts in total, gross	-498.6	-647.7

5 STAFF COSTS

EUR million	2014	2013
Staff costs		
Wages and salaries	-33.4	-32.9
Cash-settled share-based payments	-4.0	-5.4
Pension costs - defined contribution plans	-5.0	-5.0
Other social security costs	-3.8	-2.7
Total	-46.3	-46.0

More information on share-based payments in note 32 Incentive schemes.

6 OTHER OPERATING EXPENSES

EUR million	2014	2013
IT costs	-14.0	-12.3
Other staff costs	-1.6	-1.5
Marketing expenses	-2.9	-3.0
Depreciation and amortisation	-2.4	-3.2
Rental expenses	-3.5	-2.7
Direct insurance commissions	-10.3	-10.3
Commissions of reinsurance assumed	-2.1	0.1
Commissions on reinsurance ceded	1.8	1.8
Other	-24.5	-22.6
Total	-59.5	-53.9

Item Other includes e.g. expenses related to communication, external services and other administrative expenses.

OPERATING EXPENSES BY ACTIVITY

EUR million	2014	2013
Policy acquisition costs for insurance- and investment contracts		
Direct insurance commissions	-10.3	-10.3
Commission on reinsurance assumed	-2.1	0.1
Other acquisition costs	-26.0	-26.6
Policy management expenses on insurance and investment contracts	-42.4	-39.2
Administrative expenses	-17.5	-17.5
Commission on reinsurance ceded	1.8	1.8
Investment management expenses	-1.1	-1.1
Claims settlement expenses	-2.4	-2.6
Other expenses	-5.1	-4.3
Total	-105.1	-99.9

7 FINANCIAL ASSETS AND LIABILITIES

The financial assets in the table include balance sheet items Financial assets excluding Investments related to unit-linked contracts.

Financial assets and liabilities have been categorised in accordance with IAS 39.9. In the table are also included interest income and expenses, realised and unrealised gains and losses recognised in P/L, impairment losses and dividend income arising from those assets and liabilities.

Accrued interest income and expenses are not included in financial assets or financial liabilities. Accrued interest income was 30.0 EURm (36.0) and accrued interest expenses 8.0 EURm (7.1).

FINANCIAL ASSETS

EUR million	2014				
	Carrying amount	Interest inc./exp.	Gains/losses	Impairment losses	Dividend income
Financial assets at fair value through p/l					
Derivative financial instruments	3.1	-2.5	-94.6		
Financial assets designated as at fair value through p/l	48.5	0.7	1.3		0.0
Loans and receivables	26.7	1.7	42.0		
Financial assets available-for-sale	5,586.6	97.9	156.5	-41.5	89.2
Financial assets total	5,664.9	97.8	105.2	-41.5	89.2

FINANCIAL LIABILITIES

EUR million	Carrying amount	Interest inc./exp.	2014		
			Gains/losses	Impairment losses	Dividend income
Financial liabilities at fair value through p/l					
Derivative financial instruments	85.5				
Other financial liabilities	100.0	-6.9			
Financial liabilities total	185.5	-6.9			

FINANCIAL ASSETS

EUR million	Carrying amount	Interest inc./exp.	2013		
			Gains/losses	Impairment losses	Dividend income
Financial assets at fair value through p/l					
Derivative financial instruments	32.8	2.8	3.6		
Financial assets designated as at fair value through p/l	47.8	1.1	0.7		0.0
Loans and receivables	18.8	0.7	-5.0		
Financial assets available-for-sale	5,022.9	114.8	112.9	-33.1	87.1
Financial assets total	5,122.3	119.4	112.2	-33.1	87.1

FINANCIAL LIABILITIES

EUR million	Carrying amount	Interest inc./exp.	2013		
			Gains/losses	Impairment losses	Dividend income
Financial liabilities at fair value through p/l					
Derivative financial instruments	10.8				
Other financial liabilities	100.0	-6.6			
Financial liabilities total	110.8	-6.6			

Notes to the Balance Sheet

8 PROPERTY, PLANT AND EQUIPMENT

EUR million	2014			2013		
	Land and buildings	Equipment	Total	Land and buildings	Equipment	Total
At 1 Jan.						
Cost	4.3	7.6	11.9	4.3	7.5	11.8
Accumulated depreciation	-0.6	-6.2	-6.7	-0.6	-5.8	-6.4
Net carrying amount	3.7	1.4	5.1	3.7	1.7	5.4
Opening net carrying amount	3.7	1.4	5.1	3.7	1.7	5.4
Additions	0.0	0.1	0.1	0.0	0.1	0.1
Depreciation	-0.1	-0.5	-0.6	0.0	-0.3	-0.3
Closing net carrying amount	3.7	0.9	4.6	3.7	1.4	5.1
At 31 Dec.						
Cost	4.3	7.6	11.9	4.3	7.6	11.9
Accumulated depreciation	-0.6	-6.7	-7.3	-0.6	-6.2	-6.7
Net carrying amount	3.7	0.9	4.6	3.7	1.4	5.1

Equipment comprise IT equipment and furniture.

9 INVESTMENT PROPERTY

EUR million	2014	2013
At 1 Jan.		
Cost	170.3	155.0
Accumulated depreciation	-47.0	-44.1
Accumulated impairment losses	-18.1	-17.5
Net carrying amount	105.2	93.4
Opening net carrying amount	105.2	93.4
Additions	74.4	17.2
Disposals	0.0	-1.9
Depreciation	-2.9	-2.9
Impairment losses	0.0	-0.7
Closing net carrying amount	176.7	105.2
At 31 Dec.		
Cost	244.7	170.3
Accumulated depreciation	-49.9	-47.0
Accumulated impairment losses	-18.1	-18.1
Net carrying amount	176.7	105.2
Rental income from investment property	17.2	13.4
Property rented out under operating lease		
Non-cancellable minimum rental		
- not later than one year	10.2	6.1
- later than one year and not later than five years	6.3	13.6
- later than five years	0.0	2.0
Total	16.5	21.6
Variable rents recognised as income during the financial period	0.0	0.1

EUR million	2014	2013
Expenses arising from investment property		
- direct operating expenses arising from investment property generating rental income during the period	-8.3	-6.9
- direct operating expenses arising from investment property not generating rental income during the period	-1.4	-1.8
Total	-9.6	-8.7
Fair value of investment property at 31 Dec.	195.7	125.3

Fair values for the investment property are entirely determined by the Group based on the market evidence.

The premises in investment property for different segments are leased on market-based, irrevocable contracts. The lengths of the contracts vary from those for the time being to those for several years.

10 INTANGIBLE ASSETS

EUR million	2014	2013
At 1 Jan.		
Cost	42.9	42.4
Accumulated amortisation	-34.4	-31.3
Net carrying amount	8.5	11.0
Opening net carrying amount	8.5	11.0
Additions	0.2	0.6
Amortisation	-1.9	-3.1
Closing net carrying amount	6.8	8.5
At 31 Dec.		
Cost	43.1	42.9
Accumulated amortisation	-36.3	-34.4
Net carrying amount	6.8	8.5

Intangible assets comprise mainly IT software.

Depreciation and impairment losses are included in the income statement item Other operating expenses.

11 INVESTMENTS IN ASSOCIATES

ASSOCIATES THAT HAVE BEEN ACCOUNTED FOR BY THE EQUITY METHOD AT 31 DEC. 2014

Name	Carrying amount	Fair value	Interest held %	Assets/ liabilities	Revenue	Profit/loss
Niittymaa Oy*	0,0	0,0	49,0	0,0/0,0	0,0	0,0
SaKa Hallikiinteistöt Oy	0,0	0,0	48,0	138,0/137,3	13,5	0,5

* Reporting period 07/2014-12/2014

ASSOCIATES THAT HAVE BEEN ACCOUNTED FOR BY THE EQUITY METHOD AT 31 DEC. 2013

Name	Carrying amount	Fair value	Interest held %	Assets/ liabilities	Revenue	Profit/loss
Niittymaa Oy*	0,0	0,0	49,0	3,9/1,2	0,0	2,7
SaKa Hallikiinteistöt Oy	0,0	0,0	48,0	136,9/136,7	11,6	0,2

* Reporting period 07/2013-12/2013

CHANGES IN INVESTMENTS IN ASSOCIATES

EUR million	2014	2013
At beginning of year	1.4	0.0
Change	-1.4	-
Share of loss/profit	0.4	1.4
At end of year	0.4	1.4

12 FINANCIAL ASSETS

Group's financial assets comprise investments in derivatives, financial assets designated as at fair value through p/l, loans and receivables and available-for-sale financial assets.

The Group uses derivative instruments for trading and for hedging purposes. The derivatives used are foreign exchange, interest rate and equity derivatives. Fair value hedging applies.

EUR million	2014	2013
Derivative financial instruments	3.1	32.8
Financial assets designated as at fair value through p/l	48.5	47.8
Loans and receivables	26.7	18.8
Financial assets available-for-sale	5,586.6	5,022.9
Total	5,664.9	5,122.3

DERIVATIVE FINANCIAL INSTRUMENTS

	Contract notional amount	2014 Fair value		Contract notional amount	2013 Fair value	
		Assets	Liabilities		Assets	Liabilities
Derivatives held for trading						
Interest rate derivatives						
Interest rate swaps	1,442.8	0.0	18.6	5,978.0	24.8	7.4
Credit risk swaps	576.6	0.0	1.4	507.6	0.0	2.2
Total interest rate derivatives	2,019.4	0.0	19.9	6,485.6	24.8	9.6
Exchange traded derivatives						
Interest futures	1,184.3	1.4	14.4	955.0	6.9	1.1
Interest options, bought and sold	193.0	1.6	0.9	0.0	0.0	0.0
Total exchange traded derivatives	1,377.4	3.1	15.3	955.0	6.9	1.1
Equity derivatives						
Equity and equity index options	0.8	0.0	0.1	0.8	0.0	0.0
Total derivatives held for trading	3,397.5	3.1	35.4	7,441.3	31.7	10.8

	Contract notional amount	2014 Fair value		Contract notional amount	2013 Fair value	
		Assets	Liabilities		Assets	Liabilities
Derivatives held for hedging						
Fair value hedges						
Currency forwards	583.5	0.0	50.2	501.5	1.1	0.0
Interest rate swaps	0.0	0.0	0.0	0.0	0.0	0.0
Total	583.5	0.0	50.2	501.5	1.1	0.0
Cash flow hedges						
Interest rate swaps	-	-	-	0.0	-	-
Total derivatives held for hedging	583.5	0.0	50.2	501.5	1.1	0.0
Total derivatives	3,981.0	3.1	85.5	7,942.8	32.8	10.8

Fair value hedges

Fair value hedging is used to hedge a proportion of foreign exchange in available-for-sale financial assets. The interest elements of forward contracts have been excluded from hedging relationships in foreign exchange hedges.

Net gains/losses from exchange derivatives designated as fair value hedges amounted to EURm -74 (18). Net gains/losses from hedged risks in fair value hedges of available for sale financial assets amounted to EURm 74 (-18).

Cash flow hedges

Cash flow hedges for future interest payments terminated during 2013.

OTHER FINANCIAL ASSETS

EUR million	2014	2013
Financial assets designated as at fair value through p/l		
Debt securities		
Issued by public bodies	0.6	10.8
Certificates of deposit issued by banks	3.7	35.4
Other debt securities	42.5	-
Total debt securities	46.8	46.2
Equity securities		
Listed	1.7	1.6
Unlisted	-	-
Total	1.7	1.6
Total financial assets designated as at fair value through p/l	48.5	47.8
Loans and receivables		
Deposits with ceding undertakings	0.0	0.6
Loans	26.7	18.2
Total loans and receivables	26.7	18.8
Financial assets available-for-sale		
Debt securities		
Issued by public bodies	387.9	726.5
Issued by banks	889.0	632.3
Other debt securities	1,618.6	1,548.2
Total debt securities	2,895.5	2,907.0
Equity securities		
Listed	1,852.1	1,379.3
Unlisted	839.1	736.6
Total	2,691.1	2,115.9
Total financial assets available-for-sale	5,586.6	5,022.9
Life insurance, total financial assets	5,664.9	5,122.3

Financial assets available-for-sale for life insurance include impairment losses EURm 41 (-33).

Financial assets available for sale / debt securities: Debt securities available for sale include EURm 1,963 (2,553) investments in bonds and investments in money market instruments EURm 932 (354).

Financial assets available for sale /shares and participations: Listed equity securities include EURm 632 (641) quoted shares. Unlisted equity securities include EURm 708 (640) investments in capital trusts.

13 FAIR VALUES

EUR million	2014		2013	
	Fair value	Carrying amount	Fair value	Carrying amount
Financial assets, group				
Financial assets	5,664.9	5,664.9	5,122.3	5,122.3
Investments related to unit-linked contracts	5,281.8	5,281.8	4,622.9	4,622.9
Other assets	68.3	68.3	7.8	7.8
Cash and cash equivalents	858.5	858.5	222.1	222.1
Total	11,873.4	11,873.4	9,975.1	9,975.1
Financial liabilities, group				
Financial liabilities	185.5	185.5	110.8	110.8
Other liabilities	89.9	89.9	25.8	25.8
Total	275.4	275.4	136.6	136.6

In the table above are presented fair values and carrying amounts of financial assets and liabilities. The detailed measurement bases of financial assets and liabilities are disclosed in Group Accounting policies.

The fair value of investment securities is assessed using quoted prices in active markets. If published price quotations are not available, the fair value is assessed using discounting method. Values for the discount rates are taken from the market's yield curve.

The fair value of the derivative instruments is assessed using quoted market prices in active markets, discounting method or option pricing models.

The fair value of loans and other financial instruments which have no quoted price in active markets is based on discounted cash flows, using quoted market rates. The market's yield curve is adjusted by other components of the instrument, e.g. by credit risk.

The fair value for short-term non-interest-bearing receivables and payables is their carrying amount.

Disclosed fair values are "clean" fair values, i.e. less interest accruals.

14 DETERMINATION AND HIERARCHY OF FAIR VALUES

A large majority of Mandatum Life Group's financial assets are valued at fair value. The valuation is based on either published price quotations or valuation techniques based on market observable inputs, where available. For a limited amount of assets the value needs to be determined using other techniques.

The financial instruments measured at fair value have been classified into three hierarchy levels in the notes, depending on e.g. if the market for the instrument is active, or if the inputs used in the valuation technique are observable.

On level 1, the measurement of the instrument is based on quoted prices in active markets for identical assets or liabilities.

On level 2, inputs for the measurement of the instrument include also other than quoted prices observable for the asset or liability, either directly or indirectly by using valuation techniques.

In level 3, the measurement is based on other inputs rather than observable market data.

FINANCIAL ASSETS 31.12.2014

EUR million	Level 1	Level 2	Level 3	Total
Derivative financial instruments				
Interest rate swaps	-	0.0	-	0.0
Foreign exchange derivatives	-	3.1	-	3.1
Equity derivatives	-	0.0	-	0.0
	0.0	3.1	0.0	3.1
Financial assets designated at fair value through profit or loss				
Equity securities	1.7	-	-	1.7
Debt securities	19.4	27.4	-	46.8
	21.0	27.4	0.0	48.5
Financial assets related to unit-linked insurance				
Equity securities	449.2	7.7	15.5	472.5
Debt securities	542.8	667.7	23.8	1,234.3
Mutual funds	2,464.3	896.2	56.6	3,417.2
Derivative financial instruments	0.0	9.1	-	9.1
	3,456.4	1,580.8	95.9	5,133.0
Financial assets available-for-sale				
Equity securities	631.7	-	42.6	674.3
Debt securities	1,507.9	1,340.6	46.9	2,895.5
Mutual funds	1,215.4	83.4	718.0	2,016.8
	3,355.0	1,424.0	807.5	5,586.6
Total financial assets measured at fair value	6,832.5	3,035.3	903.4	10,771.2

FINANCIAL LIABILITIES 31.12.2014

EUR million	Level 1	Level 2	Level 3	Total
Derivative financial instruments				
Interest rate swaps	-	-18.6	-	-18.6
Other interest rate derivatives	-	-1.4	-	-1.4
Foreign exchange derivatives	-	-65.5	-	-65.5
Equity derivatives	-	-0.1	-	-0.1
Total financial liabilities measured at fair value	0.0	-85.5	-	-85.5

FINANCIAL ASSETS 31.12.2013

EUR million	Level 1	Level 2	Level 3	Total
Derivative financial instruments				
Interest rate swaps	-	24.8	-	24.8
Foreign exchange derivatives	-	8.0	-	8.0
Equity derivatives	-	-	-	0.0
	0.0	32.8	0.0	32.8
Financial assets designated at fair value through profit or loss				
Equity securities	1.6	-	-	1.6
Debt securities	-	46.2	-	46.2
	1.6	46.2	0.0	47.8
Financial assets related to unit-linked insurance				
Equity securities	323.8	2.0	13.5	339.3
Debt securities	14.0	1,068.7	18.8	1,101.5
Derivative financial instruments	2,097.8	810.5	64.4	2,972.7
Mutual funds	0.0	26.3	-	26.3
	2,435.6	1,907.5	96.7	4,439.8
Financial assets available-for-sale				
Equity securities	640.9	-	40.0	680.9
Debt securities	726.5	2,143.3	37.2	2,907.0
Mutual funds	657.7	117.2	660.2	1,435.0
	2,025.1	2,260.5	737.4	5,022.9
Total financial assets measured at fair value	4,462.3	4,247.0	834.1	9,543.3

FINANCIAL LIABILITIES 31.12.2013

EUR million	Level 1	Level 2	Level 3	Total
Derivative financial instruments				
Interest rate swaps	-	-7.4	-	-7.4
Other interest rate derivatives	-	-2.2	-	-2.2
Foreign exchange derivatives	-	-1.1	-	-1.1
Equity derivatives	-	0.0	-	0.0
Total financial liabilities measured at fair value	0.0	-10.8	-	-10.8

SENSITIVITY ANALYSIS OF FAIR VALUES

10 percentage point depreciation of all other currencies against EUR would result in an effect recognised in profit/loss of EURm 35 and in an effect recognised directly in equity of EURm -94.

The sensitivity analysis of the Group's fair values of financial assets and liabilities in different market risk scenarios is presented below. The effects represent the instantaneous effects of a one-off change in the underlying market variable on the fair values on 31 Dec. 2014.

The sensitivity analysis includes the effects of derivative positions. All sensitivities are calculated before taxes.

EUR million	Interest rate		Equity	Other financial investments
	1% parallel shift down	1% parallel shift up	20% fall in prices	20% fall in prices
Effect recognised in profit/loss	-64	37	0	-4
Effect recognised directly in equity	73	-71	-340	-181
Total effect	9	-34	-340	-185

15 MOVEMENTS IN LEVEL 3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

FINANCIAL ASSETS 2014

EUR million	At 1. Jan.	Total gains/losses in income statement	Total gains/losses recorded in other comprehensive income	Purchases	Sales	Transfers between levels 1 and 2	At 31 Dec.	Gains/losses included in p/l for financial assets
Financial assets designated at fair value through profit or loss								
Debt securities	-	-	-	-	-	-	-	-
Financial assets related to unit-linked insurance								
Equity securities	13.9	1.5	-	3.0	-2.9	0.0	15.5	1.2
Debt securities	18.8	-1.2	-	17.5	-1.3	-10.1	23.8	0.1
Mutual funds	63.9	0.4	-	30.0	-20.0	-17.8	56.6	1.2
	96.7	0.8	0.0	50.6	-24.2	-27.9	95.9	2.4
Financial assets available-for-sale								
Equity securities	40.0	11.7	-0.7	15.1	-22.2	-1.2	42.6	-2.3
Debt securities	37.2	0.0	0.0	9.7	0.0	-	46.9	0.0
Mutual funds	660.2	31.0	38.2	210.8	-222.1	-	718.0	61.2
	737.4	42.7	37.5	235.6	-244.3	-1.2	807.5	58.8
Total financial assets measured at fair value	834.1	43.4	37.5	286.1	-268.6	-29.1	903.4	61.2

FINANCIAL LIABILITIES 2014

EUR million	Realised gains	Fair value gains and losses	Total
Total gains or losses included in profit or loss for the financial year	43.4	37.5	80.9
Total gains or losses included in profit and loss for assets held at the end of the financial year	23.8	37.5	61.2

FINANCIAL ASSETS 2013

EUR million	At 1. Jan.	Total gains/ losses in income statement	Total gains/losses recorded in other comprehensive income	Purchases	Sales	Transfers between levels 1 and 2	At 31 Dec.	Gains/losses included in p/l for financial assets
Financial assets designated at fair value through profit or loss								
Debt securities	-	-	-	-	-	-	-	-
Financial assets related to unit-linked insurance								
Equity securities	13.9	-0.6	-	5.0	-4.3	0.0	13.9	-0.5
Debt securities	17.3	1.0	-	2.0	-1.5	-	18.8	0.8
Mutual funds	49.7	3.6	-	24.0	-13.3	0.0	63.9	3.4
	80.9	4.0	0.0	30.9	-19.1	0.0	96.7	3.7
Financial assets available-for-sale								
Equity securities	34.7	-4.7	1.6	8.6	-0.2	-	40.0	-3.1
Debt securities	59.9	8.7	-15.4	3.7	-19.7	-	37.2	-15.4
Mutual funds	773.2	-23.8	45.7	132.9	-267.9	-	660.2	18.9
	867.8	-19.8	31.9	145.2	-287.8	0.0	737.4	0.3
Total financial assets measured at fair value	948.7	-15.8	31.9	176.1	-306.9	0.0	834.1	4.0

FINANCIAL LIABILITIES 2013

EUR million	Realised gains	Fair value gains and losses	Total
Total gains or losses included in profit or loss for the financial year	-15.8	31.9	16.1
Total gains or losses included in profit and loss for assets held at the end of the financial year	-27.8	31.9	4.0

16 ENSITIVITY ANALYSIS OF LEVEL 3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

EUR million	2014		2013	
	Carrying amount	Effect of reasonably possible alternative assumptions (+ / -)	Carrying amount	Effect of reasonably possible alternative assumptions (+ / -)
Financial assets				
Financial assets related to unit-linked insurance and investment contracts				
Equity securities	15.5	-	13.9	-
Debt securities	23.8		18.8	
Mutual funds	56.6		63.9	
Total	95.9	0.0	96.7	0.0
Financial assets available-for-sale				
Equity securities	42.6	-8.5	40.0	-8.0
Debt securities	46.9	-1.3	37.2	-1.3
Mutual funds	718.0	-143.6	660.2	-132.0
Total	807.5	-153.4	737.4	-141.3
Total financial assests measured at fair value	903.4	-153.4	834.1	-141.3

The value of financial assets regarding the debt security instruments has been tested by assuming a rise of 1 per cent unit in interest rate level in all maturities. For other financial assets, the prices were assumed to go down by 20%. The Mandatum Life Group bears no investment risks related to unit-linked insurance, so a change in assumptions regarding these assets does not affect profit or loss. On the basis of the these alternative assumptions, a possible change in interest levels would cause descent of EURm 1.3 (1.3) for the debt instruments, and EURm 152.1 (140.0) valuation loss for other instruments in the Group's other comprehensive income. The reasonably possible effect, proportionate to the Group's equity, would thus be 11.6% (11.2).

17 INVESTMENTS RELATED TO UNIT-LINKED INSURANCE CONTRACTS

EUR million	2014	2013
Financial assets designated at fair value through p/l		
Debt securities		
Issued by public bodies	63.7	46.9
Certificates of deposit issued by banks	0.0	222.9
Other debt securities	1,170.6	831.7
Total	1,234.3	1,101.5
Equity securities		
Listed	3,768.3	3,289.6
Unlisted	121.4	22.5
Total	3,889.7	3,312.0
Loans and other receivables	148.7	183.0
Other financial asset	9.1	26.3
Investment related to unit-linked contracts, total	5,281.8	4,622.9

The historical cost of the equity securities related to unit-linked contracts was EURm 3,248.0 (2,646.0) and that of the debt securities EURm 1,246 (1,089).

18 DEFERRED TAX ASSETS AND LIABILITIES

CHANGES IN DEFERRED TAX DURING THE FINANCIAL PERIOD 2014

EUR million	1. Jan	Recognised in comprehensive income statement	Recognised in equity	31. Dec
Deferred tax assets				
Losses from previous years	2.5	-0.3	0.4	2.5
Changes in fair values	0.0			0.0
Pension liabilities	0.0			0.0
Other deductible temporary differences	2.6	14.9		17.4
Total	5.0	14.6	0.4	20.0
Netting of deferred taxes				-20.0
Deferred tax assets in the balance sheet				0.0
Deferred tax liabilities				
Depreciation differences and untaxed reserves	5.2	-0.5	4.0	8.8
Changes in fair values	127.7	6.6	0.0	134.3
Other taxable temporary differences	0.0			0.0
Total	132.9	6.1	4.0	143.1
Netting of deferred taxes				-20.0
Total deferred tax liabilities in the balance sheet				123.1

CHANGES IN DEFERRED TAX DURING THE FINANCIAL PERIOD 2013

EUR million	1. Jan	Recognised in comprehensive income statement	Recognised in equity	31. Dec
Deferred tax assets				
Losses from previous years	3.3	-0.8		2.5
Changes in fair values	0.0			0.0
Pension liabilities	0.0			0.0
Other deductible temporary differences	1.5	1.1		2.6
Total	4.8	0.2	0.0	5.0
Netting of deferred taxes				-4.9
Deferred tax assets in the balance sheet				0.1
Deferred tax liabilities				
Depreciation differences and untaxed reserves	6.2	-0.7	-0.3	5.2
Changes in fair values	151.6	-20.2	-3.7	127.7
Other taxable temporary differences	0.0			0.0
Total	157.8	-20.9	-4.0	132.9
Netting of deferred taxes				-4.9
Total deferred tax liabilities in the balance sheet				128.0

EURm 3.0 of deferred tax asset has not been recognised on unused tax losses. First losses will expire in 2021.

19 TAXES

EUR million	2014	2013
Profit before tax	162.8	152.7
Tax calculated at parent company's tax rate	32.6	37.4
Different tax rates on overseas earnings	0.0	0.1
Income not subject to tax	-2.5	-3.1
Expenses not allowable for tax purposes	0.1	0.0
Consolidation procedures and eliminations	-1.0	2.5
Changes in tax rates	0.0	-3.6
Tax from previous years	0.3	0.1
Total	29.5	33.5

20 COMPONENTS OF OTHER COMPREHENSIVE INCOME

EUR million	2014	2013
Other comprehensive income items reclassifiable to profit or loss		
Exchange differences	0.0	0.0
Available-for-sale financial assets		
Gains/losses arising during the year	20.2	96.9
Cash flow hedges		
Gains/losses arising during the year	0.0	-0.3
Income tax relating to components of other comprehensive income	-4.0	4.0
Total items reclassifiable to profit or loss, net of tax	16.2	100.6

21 TAX EFFECTS RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

EUR million	2014			2013		
	Before-tax amount	Tax	Net-of-tax amount	Before-tax amount	Tax	Net-of-tax amount
Exchange differences	0.0	-	0.0	0.0	-	0.0
Available-for-sale financial assets	20.2	-4.0	16.2	96.9	-19.4	77.5
Cash flow hedges	0.0	0.0	0.0	-0.3	0.1	-0.3
Changes in tax rates		0.0	0.0		23.3	23.3
Total	20.2	-4.0	16.2	96.7	4.0	100.6

22 OTHER ASSETS

EUR million	2014	2013
Interests	30.0	36.0
Receivables from policyholders	2.9	3.1
Assets arising from reinsurance operations	1.4	1.3
Settlement receivables	68.3	7.8
Taxes	0.0	0.1
Assets pledged for trading in derivatives	72.2	5.8
Other	33.3	27.3
Other assets, total	208.0	81.3

Item Other comprise e.g. receivables pensions paid in advance and receivables from co-operations companies.

23 CASH AND CASH EQUIVALENTS

EUR million	2014	2013
Cash at bank and in hand	389.1	178.6
Short-term deposits (max 3 months)	469.4	43.5
Total	858.5	222.1

24 LIABILITIES FROM INSURANCE AND INVESTMENT CONTRACTS

CHANGE IN LIABILITIES ARISING FROM OTHER THAN UNIT-LINKED INSURANCE AND INVESTMENT CONTRACTS

EUR million	Insurance contracts	Investment contracts	Total
At 1 Jan. 2014	3,923.7	3.8	3,927.5
Premiums	148.2	1.1	149.3
Claims paid	-396.6	-0.2	-396.8
Expense charge	-35.7	0.0	-35.7
Guaranteed interest	131.4	0.0	131.4
Bonuses	0.4	0.0	0.4
Transferred portfolio	1,337.0	0.0	1,337.0
Other	-47.8	-0.3	-48.1
At 31 Dec. 2014	5,060.6	4.3	5,064.9
Reinsurers' share	-2.6	0.0	-2.6
Net liability at 31 Dec. 2014	5,058.0	4.3	5,062.4

EUR million	Insurance contracts	Investment contracts	Total
At 1 Jan. 2013	4,065.2	5.6	4,070.8
Premiums	159.3	0.1	159.3
Claims paid	-395.7	-0.7	-396.4
Expense charge	-36.6	0.0	-36.7
Guaranteed interest	139.3	0.1	139.4
Bonuses	2.9	0.0	2.9
Other	-10.7	-1.2	-11.9
At 31 Dec. 2013	3,923.7	3.8	3,927.5
Reinsurers' share	-2.8	0.0	-2.8
Net liability at 31 Dec. 2013	3,920.9	3.8	3,924.7

CHANGE IN LIABILITIES ARISING FROM UNIT-LINKED INSURANCE AND INVESTMENT CONTRACTS

EUR million	Insurance contracts	Investment contracts	Total
At 1 Jan. 2014	3,094.7	1,521.9	4,616.6
Premiums	512.9	447.7	960.6
Claims paid	-190.6	-294.2	-484.8
Expense charge	-38.9	-20.8	-59.7
Other	220.3	59.1	279.4
At 31 Dec. 2014	3,598.4	1,713.7	5,312.0

EUR million	Insurance contracts	Investment contracts	Total
At 1 Jan. 2013	2,664.6	1,168.5	3,833.1
Premiums	469.2	439.5	908.7
Claims paid	-172.8	-171.9	-344.6
Expense charge	-35.7	-18.4	-54.1
Other	169.4	104.2	273.6
At 31 Dec. 2013	3,094.7	1,521.9	4,616.6

The liabilities at 1 Jan. and at 31 Dec. include the future bonus reserves and the effect of the reserve for the decreased discount rate. The calculation is based on items before reinsurers' share. A more detailed specification of changes in insurance liabilities is presented in Group's Risk Management.

EUR million	2014	2013
Liabilities for contracts with discretionary participation feature (DPF)		
Provision for unearned premiums	2,625.1	1,968.7
Provision for claims outstanding	2,433.8	1,948.5
Liabilities for contracts without discretionary participation feature (DPF)		
Provision for unearned premiums	0.0	0.2
Provision for claims outstanding	0.0	0.8
Total	5,058.8	3,918.2
Assumed reinsurance		
Provision for unearned premiums	1.3	3.7
Provision for claims outstanding	0.5	1.8
Total	1.7	5.5
Insurance contracts total		
Provision for unearned premiums	2,626.3	1,972.6
Provision for claims outstanding	2,434.2	1,951.0
Total	5,060.6	3,923.7
Investment contracts		
Liabilities for contracts with discretionary participation feature (DPF)		
Provision for unearned premiums	4.3	3.8
Liabilities for insurance and investment contracts total		
Provision for unearned premiums	2,630.7	1,976.4
Provision for claims outstanding	2,434.2	1,951.0
Life insurance total	5,064.9	3,927.5
Reinsurers' share		
Provision for unearned premiums	0.0	0.0
Provision for claims outstanding	-2.6	-2.8
Total	-2.6	-2.8

Investment contracts do not include a provision for claims outstanding.

Liability adequacy test does not give rise to supplementary claims.

Exemption allowed in IFRS 4 Insurance contracts has been applied to investment contracts with DPF or contracts with a right to trade-off for an investment contract with DPF. These investment contracts have been valued like insurance contracts.

25 LIABILITIES FROM UNIT-LINKED INSURANCE AND INVESTMENT CONTRACTS

EUR million	2014	2013
Unit-linked insurance contracts	3,598.5	3,094.7
Unit-linked investment contracts	1,713.5	1,521.9
Total	5,312.0	4,616.6

26 FINANCIAL LIABILITIES

The financial liabilities include derivatives, debt securities and other financial liabilities.

EUR million	2014	2013
Derivative financial instruments (note 15)	85.5	10.8
Subordinated debt securities		
Subordinated loans	100.0	100.0
Life insurance, total	185.5	110.8

Mandatum Life issued in 2002 EURm 100 Capital Notes. The loan is perpetual and pays floating rate interest. The interest is payable only from distributable capital. The loan is repayable only with the consent of the Insurance Supervisory Authority and at the earliest on 2012 or any interest payment date after that. The loans is wholly subscribed by Sampo Plc.

27 EMPLOYEE BENEFITS

Employee benefits

In addition to statutory retirement pension insurance, the Group has certain voluntary defined benefit plans. The voluntary defined benefit plans are intra-Group and included in the insurance liabilities of Mandatum Life. The amount is negligible and they have no material impact on the Group profit or loss or equity.

Other short-term employee benefits

There are other short-term staff incentive schemes in the Group, the terms of which vary each year. Benefits are recognised in the profit or loss for the year they arise from. An estimated amount of these profit-sharing bonuses for 2014 is EURm 5.1.

28 OTHER LIABILITIES

EUR million	2014	2013
Interests	8.0	7.1
Tax liabilities	22.7	17.5
Liabilities arising out of direct insurance operations	6.6	5.6
Liabilities arising out of reinsurance operations	4.2	4.8
Settlement liabilities	89.9	25.8
Guarantees received	34.7	31.1
Other liabilities	42.9	36.8
Total	209.0	128.8

Item Guarantees received comprise assets accepted as guarantees required in derivative trading and securities lending.

Item Other includes e.g. liabilities arising from withholding taxes and social security costs, liabilities to creditors and insurance premium advances.

29 CONTINGENT LIABILITIES AND COMMITMENTS

EUR million	2014	2013
Off-balance sheet items		
Fund commitments	383.8	390.7
Acquisition of IT-software	2.0	3.0
Total	385.8	393.7
Assets pledged as security for derivative contracts		
Cash	72.2	5.8
The pledged assets are included in the balance sheet item Other assets.		
Lended securities		
Domestic shares		
Remaining acquisition cost	23.4	14.4
Fair value	18.7	4.1

Security lendings can be interrupted at any time and they are secured.

COMMITMENTS FOR NON-CANCELLABLE OPERATING LEASES

EUR million	2014	2013
Minimum lease payments		
not later than one year	1.9	1.9
later than one year and not later than five years	8.1	8.1
over five years	8.0	8.8
Total	18.0	18.8
Total of sublease payments expected to be received under non-cancellable operating sub-leases	0.3	0.8
Lease and sublease payments recognised as an expense in the period		
- minimum lease payments	-3.5	-2.7
- sublease payments	0.1	0.2
Total	-3.4	-2.5

The Group had at the end of 2014 premises a total of 9,559 m² (9,705) taken as a lessee. The contracts have been made mainly for 3 to 10 years. The Group has subleased 318 m² (776) of these premises.

30 EQUITY AND RESERVES

Equity

The number of shares at 31 Dec. 2013 was 239 998 (239 998). There was no change in the company's share capital of EURm 40.4 during the financial year. At the end of the financial year 2012, the mother company or other Group companies held no shares in the parent company.

Reserves and retained earnings

Share premium reserve The reserve include the issue price of shares to an extent it was not recorded in share capital by an express decision. There was no change in the share premium reserve EURm 98.9 during the financial year 2013.

Legal reserve EURm 30.1 comprises the amounts that has been transferred from the distributable equity on the basis of the decision of the AGM.

Other components of equity include fair value changes of financial assets available for sale and derivatives used in cash flow hedges, and exchange differences.

Changes in the reserves and retained earnings are presented in the Group's statement of changes in equity

31 RELATED PARTY DISCLOSURES

KEY MANAGEMENT PERSONNEL

The key management personnel in Mandatum Life consists of the members of the Board of Directors of Mandatum Life Insurance Company Limited and Mandatum Life's Executive Committee.

EUR million	2014	2013
Key management compensation		
Short-term employee benefits	1.9	1.9
Post employment benefits	0.5	0.4
Other long-term benefits	2.6	2.8
Total	5.0	5.1

Short-term employee benefits comprise salaries and other short-term benefits, including profit-sharing bonuses accounted for for the year, and social security costs.

Post employment benefits include pension benefits under the Employees' Pensions Act (TyEL) in Finland and voluntary supplementary pension benefits.

Other long-term benefits consist of the benefits under long-term incentive schemes accounted for the year. The benefits are determined by terms on Group level. Mandatum Life pays the benefits allocated to its key management. (note 32)

Related party transactions of the key management

The related party transactions of the key management are not material nor does the key management have any loans from the Group companies.

ASSOCIATES

EUR million	2014	2013
Outstanding balances with related parties		
Debt securities, available for sale	37.1	37.2
Other assets	3.0	3.3

32 INCENTIVE SCHEMES

LONG-TERM INCENTIVE SCHEMES 2011 I - 2014 I

The Board of Directors for Sampo plc has decided on the long-term incentive schemes 2011 I and 2014 I for the management and experts of the Sampo Group. The Board has authorised the CEO, to decide who will be included in the scheme, as well as the number of calculated bonus units granted for each individual used in determining the amount of the performance-related bonus. In Mandatum Life Group, a little less than 20 persons included in the schemes at the end of year 2014.

The amount of the performance-related bonus is based on the value performance of Sampo's A share and on the insurance margin (IM) and, also on Sampo's return on the risk adjusted capital (RORAC). The value of one calculated bonus unit is the trade-weighted average price of Sampo's A-share at the time period specified in the terms of the scheme, and reduced by the starting price adjusted with the dividends per share distributed up to the payment date. The pre-dividend starting prices vary between eur 18.37–38.26. The maximum value of one bonus unit varies between eur 33.37–57.26, reduced by the dividend-adjusted starting price. In the schemes, the bonus depends on two benchmarks. If the IM is 6 per cent or more hole bonus, and if the IM is between 4–5.99 per cent, half of the bonus will be paid out. In addition, the return on the risk adjusted capital is taken into account, if the return is, in the minimum, a riskless return + 2 per cent but less than riskless return + 4 percent, the payout is 50 per cent. If the return stays below these benchmarks, no RORAC-based bonus will be paid out.

Each plan has three performance periods and bonuses are settled in cash in three installments. The employee shall authorise Sampo plc to acquire the Sampo A shares for him/her, with 60 per cent of the amount of bonus received. The shares are subject to transfer restrictions for three years from the day of payout. A premature payment of the bonuses may occur in the event of changes in the group structure or in the case of employment termination on specifically determined bases. The fair value of the incentive schemes is estimated by using the Black-Scholes pricing model.

	2011 I	2011 I/2	2014 I
Terms approved *)	14.9.2011	14.9.2011	17.9.2014
Granted (1,000) 31 Dec. 2012	392	-	
Granted (1,000) 31 Dec. 2013	392	10	
Granted (1,000) 31 Dec. 2014	392	10	599
End of performance period I 30%	Q2-2014	Q2-2015	Q2-2017
End of performance period II 35%	Q2-2015	Q2-2016	Q2-2018
End of performance period III 35%	Q2-2016	Q2-2017	Q2-2019
Payment I 30%	9-2014	9-2015	9-2017
Payment II 35%	9-2015	9-2016	9-2018
Payment III 35%	9-2016	9-2017	9-2019
Price of Sampo A at terms approval date *)	18.10	18.10	37.22
Starting price **)	18.37	24.07	38.26
Dividend-adjusted starting price at 31 Dec. 2014	14.17	21.07	38.26
Sampo A - closing price 31 Dec. 2014	38.82		
Total intrinsic value, meur	5.9	0.1	0.2
Liability, total meur	6.1		
Total cost for the financial period, meur	4.0		
*) Grant dates vary			
**) Trade-weighted average for ten trading days from the approval of terms			

33 AUDITORS' FEES

EUR million	2014	2013
Auditing fees	-0.3	-0.3
Other fees	-0.3	-0.1
Total	-0.6	-0.4

34 LEGAL PROCEEDINGS

There are legal proceedings against Mandatum Life outstanding on 31 December 2014, arising in the ordinary course of business. Professional advice indicates that it is unlikely that any significant losses will arise.

35 EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors proposes to the Annual General Meeting that 100 million euros dividend will be paid.

36 INVESTMENTS IN SUBSIDIARIES

Name	Country	Holding %	Voting rights %
Asunto Oy Nastolan Niinitie 50	Finland	100.00	100.00
Asunto Oy Nastolan Niinitie 52	Finland	100.00	100.00
Asunto Oy Nastolan Upon Asunnot Oy	Finland	100.00	100.00
Asunto Oy Vantaan Raivionsuonmäki 6	Finland	100.00	100.00
Hervannan Vuokratontit Oy	Finland	100.00	100.00
Kiinteistö Oy Aapelinkatu 6	Finland	100.00	100.00
Kiinteistö Oy Ahti Business Park	Finland	100.00	100.00
Kiinteistö Oy Hyvinkään Sampotalo	Finland	81.37	81.37
Kiinteistö Oy Hämeenlinnan Karhulinna	Finland	100.00	100.00
Kiinteistö Oy Galaxy	Finland	100.00	100.00
Kiinteistö Oy Panuntie 4	Finland	100.00	100.00
Kiinteistö Oy Helsingin Ratamestarinkatu 7a	Finland	100.00	100.00
Kiinteistö Oy Helsingin Ratamestarinkatu 7b	Finland	100.00	100.00
Kiinteistö Oy Jäkälävaara	Finland	100.00	100.00
Kiinteistö Oy Järvenpään Asemakatu 4	Finland	100.00	100.00
Kiinteistö Oy Kaupintie 5	Finland	100.00	100.00
Kiinteistö Oy Leppävaaran Säästötammi	Finland	100.00	100.00
Kiinteistö Oy Matinkatu 8	Finland	100.00	100.00
Kiinteistö Oy Niittymaanpolku	Finland	100.00	100.00
Kiinteistö Oy Oulun Torikatu 21-23	Finland	100.00	100.00
Kiinteistö Oy Rautalaani	Finland	100.00	100.00
Kiinteistö Oy Satomaininki	Finland	100.00	100.00
Kiinteistö Oy Tampereen Hatanpäänvaltie 18	Finland	100.00	100.00
Innova Services Ltd	Finland	100.00	100.00
Mandatum Life Services Ltd	Finland	100.00	100.00
Mandatum Life Investment Services Ltd	Finland	100.00	100.00
Mandatum Life Fund Management S.A.	Luxembourg	100.00	100.00
Mandatum Life Insurance Baltic SE	Estonia	100.00	100.00

37 INVESTMENTS IN SHARES AND PARTICIPATIONS OTHER THAN SUBSIDIARIES AND ASSOCIATES

LISTED COMPANIES

EUR million	Country	No. of shares	Holding %	Carrying amount/ Fair value
Amer Sports Plc	Finland	5,099,120	4.30%	81.9
Comptel Plc	Finland	20,532,625	19.11%	20.2
eQ Plc	Finland	2,053,296	5.59%	8.2
F-Secure Plc	Finland	6,674,081	4.20%	15.0
Kemira plc	Finland	1,279,880	0.82%	12.7
Lassila & Tikanoja Plc	Finland	2,181,238	5.62%	33.0
Metso Plc	Finland	1,487,381	0.99%	37.0
Nokia Plc	Finland	1,767,892	0.05%	11.6
Nokian Renkaat plc	Finland	1,286,546	0.96%	26.1
Norvestia Plc B	Finland	1,789,538	12.41%	13.2
Oriola-KD Plc B	Finland	3,000,000	2.88%	10.4
Outotec Plc	Finland	1,482,939	0.81%	6.5
Poyry Plc	Finland	2,075,287	3.47%	5.5
Suominen Plc	Finland	13,570,000	5.47%	11.0
Teleste Plc	Finland	1,679,200	8.84%	8.8
Tikkurila Plc	Finland	1,577,079	3.58%	22.9
UPM-Kymmene Plc	Finland	9,531,219	1.79%	129.8
Vaisala Plc A	Finland	629,250	4.24%	13.8
Valmet Corp	Finland	1,500,307	1.00%	15.3
Wartsila Plc	Finland	1,197,064	0.61%	44.4
Yit Plc	Finland	4,286,675	3.37%	18.3
Total				545.7
Other listed companies	Finland			27.8
Listed companies total				573.5
Unit trusts				
Danske Invest Emerging Asia Fund G	Finland			25.1
Erikoissijoitusrahasto Taaleritehdas Parkki A	Finland			5.5
EVLI EUROPE-B	Finland			7.4
FIM EMERGING YIELD - ACC	Finland			7.9
FONDITA NORDIC MICRO CAP-B	Finland			5.9
FONDITA NORDIC SMALL CAP-B	Finland			5.8
Fourton Odysseus	Finland			43.1
FOURTON STAMINA NON-UCITS	Finland			20.2
KJK Fund SICAV-SIF Baltic States B1 C	Finland			12.3
OP-EMD Local CurrencyA Kasvu	Finland			23.6
OP-Euro A	Finland			13.6
OP-Eurooppa Pienyhtiöt A	Finland			5.3
OP-KEHITTYVA AASIA	Finland			5.2
OP-KORKOTUOTTO II A	Finland			19.0
OP-OBLIGAATIO TUOTTO-A	Finland			50.7
OP-Reaalikorko A Kasvu	Finland			7.5
OP-Yrityslaina A	Finland			11.1
TAALERITEHDAS ARVO MARK OS-A	Finland			9.0
Total				278.3

Capital trusts		
Amanda III Eastern Private Equity L.P.	Finland	16.0
Amanda IV West L.P.	Finland	23.9
CapMan Hotels RE Ky	Finland	9.5
CapMan RE II Ky	Finland	5.9
Capman Real Estate I Ky	Finland	8.8
Capman Real Estate II Ky	Finland	7.9
Mandatum Private Equity Fund I L.P.	Finland	6.3
Sponsor Fund III Ky	Finland	6.2
Total		84.5
Other shares and participations		62.4
Domestic shares and participations in total		998.7

EUR million	Country	No. of shares	Holding %	Carrying amount/ Fair value
Other companies				
BenCo Insurance Holding B.V.	Netherlands	389,329.00	6.49%	6.3
Cummins Inc	U.S.	43,600.00	0.02%	5.2
El du Pont de Nemours & Co	U.S.	82,400.00	0.01%	5.0
Gap Inc/The	U.S.	176,000.00	0.04%	6.1
Pension Corporation Group Limited	Guernsey	8,706,965.00	1.39%	8.8
Foreign unit trusts				
Prosperity Cub Fund	Guernsey			33.8
Comgest Growth Asia Ex Japan USD I Acc Class	Guernsey			52.5
DJ STOXX 600 OPT Healthcare	Ireland			27.8
HERMES ASIA EX-JP E-F-A EURO	Ireland			31.3
IRIDIAN-US EQUITY FUND-I	Ireland			42.8
NOMURA FDS IR-JP STR V-I JPY	Ireland			11.2
PIMCO GIS-Emerging Markets Bond Fund	Ireland			21.1
PIMCO-Global Investment Grade Credit	Ireland			22.5
Aberdeen Global Asia Pacific Equity Fund	Luxembourg			51.8
Allianz RCM Europe Equity Growth W	Luxembourg			63.3
Danske Invest Europe High Dividend I	Luxembourg			53.0
DB X-Trackers DAX UCITS ETF	Luxembourg			52.8
FIDELITY FDS-JPN AGGRE-IJPY	Luxembourg			5.6
FIDELITY-ASIAN HI YLD-A USD	Luxembourg			14.3
LUX Mandatum Life Nordic High Yield Total Return Fund SICAV-SIF G EUR Share Class	Luxembourg			14.2
MFS MER-EUROPE SM COS-I1EUR	Luxembourg			14.4
UBS LUX-CHINA OPPORTUNITY BA	Luxembourg			6.0
UNIDEUTSCHLAND XS	Germany			21.0
ASHMORE-EMKT COR DB-I -ACC	Great Britain			9.6
Investec Emerging Markets Currency I Acc USD	Great Britain			10.4
INVESTEC GSF-ASIA PACIFIC-I	Great Britain			67.4
ISHARES CORE S&P 500 INDEX FUND	U.S.			286.5
MFS European Value Fund Z	Luxembourg			47.5
Prosperity Russia Domestic Fund	Guernsey			13.6
The Forest Company Limited	Guernsey			10.3
SPDR S&P INSURANCE ETF	U.S.			16.5

Foreign capital trusts		
Avenue Special Situations Fund VI (C-Feeder), L.P.	Cayman Islands	20.2
Financial Credit Investment I, L.P.	Cayman Islands	11.4
Fortress Credit Opportunities Fund II (C) L.P.	Cayman Islands	51.6
Fortress Credit Opportunities Fund III (C) L.P.	Cayman Islands	32.1
Fortress Life Settlement Fund (C) L.P.	Cayman Islands	6.1
Goldman Sachs Loan Partners I Offshore B, L.P.	Cayman Islands	9.2
Highbridge Liquid Loan Opportunities Fund, L.P.	Cayman Islands	48.0
Highbridge Specialty Fund III	Cayman Islands	34.3
Lunar Capital Partners III L.P.	Cayman Islands	9.0
Mount Kellett Capital Partners (Cayman), L.P.	Cayman Islands	25.4
Mount Kellett Capital Partners (Cayman) II, L.P.	Cayman Islands	22.1
Petershill II Offshore LP	Cayman Islands	12.4
Petershill Offshore LP	Cayman Islands	22.1
Russia Partners II, L.P.	Cayman Islands	7.9
Victory Park Capital Fund II (Cayman), L.P.	Cayman Islands	19.4
Capman Buyout IX Fund A L.P.	Guernsey	8.5
EQT Credit (No.1) L.P.	Guernsey	16.6
EQT Credit (No.2) L.P.	Guernsey	19.9
EQT IV ISS Co-investment L.P.	Guernsey	9.9
EQT V (No.1) L.P.	Guernsey	7.5
EQT VI (No.1) L.P.	Guernsey	22.8
Gilde Buy-Out Fund III	Guernsey	5.9
Permira IV L.P. 2	Guernsey	5.9
M&G Debt Opportunities Fund II	Ireland	12.6
Activa Capital Fund II FCPR	France	8.2
Verdane Capital VII K/S	Denmark	14.1
Broad Street Loan Partners 2013 Europe L.P.	Great Britain	15.3
M&G Debt Opportunities Fund	Great Britain	22.2
HRJ Global Buy-out III (Asia) L.P.	U.S.	5.8
Other shares and participations		155.2
Foreign shares and participations in total		1,694.1
Shares and participations in total		2,692.8

Holdings exceeding EUR 5 million and holdings in listed companies exceeding five per cent specified.
The table does not include investments covering unit linked insurance and investment contracts.

38 BUSINESS COMBINATIONS

TRANSFERRED PORTFOLIO

On the 30th of December 2014 Mandatum Life received from Suomi Mutual its with-profit group pension portfolio. The portfolio comprises approximately 2,300 policies and 34,000 members.

Amount of transferred assets and liabilities were EUR 1,337 million This segregated portfolio is reported as a new segment.

All the costs totally Eur 1.4 million related to this are included in other operating expenses

BALANCE SHEET EFFECT ON THE 30TH OF DECEMBER 2014, EUR MILLION

Assets		Assets	
Investment property	49.1	Liabilities for insurance and investment contracts	1,337.0
Financial assets	1,187.5		
Other assets	0.9		
Cash and cash equivalents	99.5		
	1,337.0		1,337.0

Key figures

EUR million	2014 IFRS	2013 IFRS	2012 IFRS	2011 IFRS	2010 IFRS
Premium income	1,109.9	1,068.1	982.6	854.3	1,117.0
Expense ratio, % of load income	103.0%	105.4%	112.7%	107.5%	110.4%
Expense ratio, % of total balance sheet	1.0%	1.1%	1.3%	1.1%	1.2%
Net investment income at fair value, time weighted %	4.6%	7.4%	9.4%	-1.4%	11.1%
Return on assets at fair values, %	4.8%	7.6%	9.7%	-0.8%	11.1%
Solvency margin, %	22.9%	27.6%	27.7%	20.9%	25.8%
Market share in Finland, %	17.9%	19.2%	24.5%	24.9%	22.0%
Average number of staff	509	541	545	521	470

SOLVENCY CAPITAL

EUR million	2014	2013	2012	2011	2010
Capital and reserves	1,309.7	1,260.1	1,140.3	854.5	1,069.8
Proposed profit distribution	-100.0	-100.0	0.0	0.0	0.0
Valuation difference off balance sheet	19.7	20.7	18.8	16.0	16.5
Subordinated loans	100.0	100.0	100.0	100.0	100.0
Intangible assets	-6.8	-8.5	-11.0	-12.0	-11.8
Deferred tax liabilities in solvency capital	140.4	129.2	143.2	90.0	164.6
Solvency capital	1,463.0	1,401.4	1,391.3	1,048.6	1,339.1

TOTAL RESULT

EUR million	2014	2013	2012	2011	2010
Operating profit	163.0	155.7	139.2	143.7	125.0
Change in fair value reserve (before tax)	20.2	96.6	234.9	-306.2	305.9
Change in valuation differences off balance sheet	-0.9	1.9	2.7	-0.5	0.8
Total result	182.3	254.2	376.8	-163.1	431.7

RETURN ON INVESTMENTS AT FAIR VALUES

Return on invested capital, %	2014	2013	2012	2011	2010
Interest bearing investments total	4.0%	2.7%	-	-	-
Loans	2.0%	1.3%	1.7%	2.2%	1.5%
Bonds	4.2%	3.6%	10.1%	4.1%	7.3%
Other financial instruments	1.7%	0.1%	1.4%	1.6%	0.9%
Equity investments total	3.7%	17.6%	10.1%	-9.9%	20.7%
Listed equity	0.6%	11.0%	-	-	-
Capital investments	25.0%	18.7%	-	-	-
Unlisted equity	3.9%	-0.4%	-	-	-
Land and buildings	2.9%	5.0%	8.5%	6.0%	4.0%
Direct real estate investments	5.5%	3.6%	-	-	-
Other real estate investments	-12.0%	8.2%	-	-	-
Other investments	18.7%	8.1%	8.3%	3.5%	0.0%
Total investments	4.6%	7.1%	9.3%	-1.1%	10.8%
Income, expenses and operating expenses not allocated to instrument types					
Net investment income at fair values	5.4%	7.1%	9.5%	-1.0%	10.8%

Portfolio total return is 7.4% (2013: 7.4 % 2012: 9.4% 2011: -1.4% and 2010: 11.1%), calculated by using modified Dietz method (time-weighted daily returns).

INVESTMENT PORTFOLIO AT FAIR VALUES

EUR million	Basic allocation		Risk adjusted allocation	
	2014	2013	2014	2013
Interest bearing investments total	4,060.3	3,269.1	3,485.1	2,763.7
Loans	10.9	18.2	10.9	18.2
Bonds	2,340.7	2,700.2	1,966.4	4,508.3
Other financial instruments	1,708.7	550.7	1,507.9	-1,762.8
Equity investments total	1,921.4	1,663.5	1,921.4	1,663.5
Listed equity	1,570.4	1,424.1	1,570.4	1,424.1
Capital investments	247.3	199.3	247.3	199.3
Unlisted equity	103.7	40.0	103.7	40.0
Land and buildings	247.4	179.3	247.4	179.3
Direct real estate investmenst	195.7	114.8	195.7	114.8
Other real estate investments	51.7	64.5	51.7	64.5
Other investments	345.2	345.2	345.2	345.2
Total investments	6,574.3	5,457.0	5,999.1	4,951.6

Calculation of key figures

Premium income

Premium income before reinsurers' share

Expense ratio, % of load income

$$\frac{\text{(Operating expenses before change in deferred acquisition costs + claims settlement expenses)}}{\text{Load income}} \times 100$$

According to the calculation basis load income is an item meant to cover the operating expenses. All expense loading components are included in load income. Operating expenses do not include reinsurance commissions.

Expense ratio, % of total balance sheet

$$\frac{\text{(Operating expenses before change in deferred acquisition costs + claims settlement expenses)}}{\text{Balance sheet at 1 Jan}} \times 100$$

Return on investments at fair values

Investment income at fair values in proportion to invested capital is calculated using the so-called modified Dietz method, under which invested capital is calculated by adding to the opening fair value the cash flows in the period, weighted by the relative share of the length of whole period that remains from the transaction date or from the middle of the transaction month to the end of the period.

Return on assets, % (at fair values)

$$\frac{\begin{aligned} &\text{Operating profit} \\ &+ \text{interest and expenses on liabilities} \\ &+ \text{guaranteed interest on technical provisions} \\ &+ \text{change in fair value reserve before tax} \\ &+ \text{change in valuation differences on investments, off balance sheet} \end{aligned}}{\begin{aligned} &\text{balance sheet total} \\ &- \text{liabilities for unit-linked insurance and investment contracts} \\ &+ \text{valuation differences on investments, off balance sheet} \end{aligned}} \times 100$$

(average at 1 Jan, and 31 Dec. in the denominator)

Solvency margin, %, IFRS

Solvency capital to the liabilities of insurance- and investment contracts less 75% of the liabilities of unit linked insurance- and investment contracts (%).

Market share

$$\frac{\text{Gross premiums written}}{\text{gross premiums written by all life insurance companies}}$$

Auditor's report

To the Annual General Meeting of Mandatum Life Insurance Company Limited

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Mandatum Life Insurance Company Limited for the financial period 1 Jan - 31 Dec 2014. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act, the Insurance Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in

the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, February 24, 2015

Ernst & Young Oy
Authorized Public Accountant Firm

Heikki Ilkka
Authorized Public Accountant

Kristina Sandin
Authorized Public Accountant

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