

# MANDATUM LIFE INSURANCE BALTIC SE

## INTERIM REPORT 1-3Q/2012

Business name: MANDATUM LIFE INSURANCE BALTIC SE

Commercial registry code: 10561490

Address: Viru väljak 2, 10111 Tallinn

Telephone: 6812 300

Fax: 6812 399

E-mail: [info@mandatumlife.ee](mailto:info@mandatumlife.ee)

Website: [www.mandatumlife.ee](http://www.mandatumlife.ee)

Beginning of reporting period: 01.01.2012

End of reporting period: 30.09.2012

CEO: Imre Madison

Auditor: Ernst & Young Baltic AS

## Contents

<b>I.</b>	<b>MANAGEMENT REPORT IN 1-3Q 2012 .....</b>	<b>3</b>
1.	MANAGEMENT OF THE COMPANY .....	3
2.	BUSINESS RESULTS OF THE COMPANY .....	3
3.	PERSONNEL OF THE COMPANY .....	4
4.	SALES AND DEVELOPMENT ACTIVITIES .....	4
5.	OTHER ACTIVITIES .....	4
<b>II.</b>	<b>SIGNATURES OF THE MANAGEMENT BOARD .....</b>	<b>5</b>
<b>III.</b>	<b>STATEMENT OF FINANCIAL POSITION .....</b>	<b>6</b>
<b>IV.</b>	<b>STATEMENT OF COMPREHENSIVE INCOME .....</b>	<b>7</b>
<b>V.</b>	<b>QUARTERLY STATEMENT OF COMPREHENSIVE INCOME .....</b>	<b>8</b>
<b>VI.</b>	<b>STATEMENT OF CASH-FLOWS .....</b>	<b>9</b>
<b>VII.</b>	<b>STATEMENT OF CHANGES IN OWNER'S EQUITY .....</b>	<b>10</b>
<b>VIII.</b>	<b>NOTES .....</b>	<b>11</b>
1.	BASIS OF PREPARATION .....	11
2.	PROPERTY, PLANT AND EQUIPMENT .....	11
3.	INTANGIBLE ASSETS .....	11
4.	RELATED PARTY DISCLOSURES .....	12

## I. Management report in 1-3Q 2012

Mandatum Life Insurance Baltic SE (hereinafter referred to as the Company) belongs to a Finnish financial group Sampo Group. The Company is a fully owned subsidiary of Mandatum Life Insurance Company Ltd.

The Company is domiciled within Estonia with its headquarters in Tallinn and it operates through branches in Latvia and Lithuania.

The Company's core activities include offering investment, wealth management and life insurance solutions to its private and corporate clients in the Baltic States.

### 1. Management of the Company

The Company's Management Board had eight members at the end of the third quarter of 2012. The acting Chairman of the Management Board and the CEO is Imre Madison. Other members of the Management Board are Tomas Stonys, responsible for sales management and Lithuanian Branch Manager; Uldis Mucinieks, responsible for client service and marketing, and Latvian Branch management, Ilona Stare, responsible for policy administration and IT management and head of back office of the Latvian Branch; Rasa Kasperaviciute, responsible for risk management and product development matters and head of back office of the Lithuanian Branch; Erkki Sadam, responsible for the Company's legal and procurement matters; Paul Lukka, responsible for investment and wealth management and Timo Pursiala, responsible for financial and business control matters.

The Company's Chief Actuary is Rasa Povilaviciute. The Company's Internal Auditor is Arlet Rebane

The Company's Supervisory Board had three members. Timo Laitinen, the Senior Vice President of Mandatum Life Insurance Company Ltd. is the acting Chairman of the Supervisory Board. The other members of the Supervisory Board are Jukka Pirskanen, Head of Investment Management of Mandatum Life Insurance Company Ltd.; and Timo Vuorinen, the Chairman of the Supervisory Board of If P&C.

### 2. Business results of the Company

As at 30.09.2012, the Company serviced a total of 35 172 life insurance contracts in the Baltic countries. The biggest share, 69% of total insurance contracts in force at the end of the third quarter of 2012 consisted of unit-linked insurance contracts (total of 24 151 contracts). As at 30.09.2012, the Company had 39 013 insured persons in its contracts portfolio in the Baltics.

The Company's received payments totalled 21 238 898 euros in the first three quarters of 2012.

As at 30.09.2012, the Company's client assets under management (AUM) amounted to 147 479 656 euros. The biggest share of AUM was formed by unit-linked insurance contracts which formed 128 300 627 euros and 87% of the Company's clients' total AUM in the Baltic countries.

The Company's market share in the Baltic life insurance market (based on contractual payments received) in the first three quarters of 2012 was 10.8%. As at 31.09.2012, the market share by countries based on contractual payments received in Estonia was 15.2%, in Latvia 9.6% and in Lithuania 9.4%.

The Company's market share (based on contractual payments received from unit-linked investment contracts) of the first three quarters of 2012 was 18.3%. As at 30.09.2012, the Company's market share by countries based on contractual payments received from unit-linked investment contracts in Estonia was 32.3%, in Latvia 28.1% and in Lithuania 13.1%.

In the first three quarters of 2012, the Company paid claims in the amount of 15 144 227 euros. The majority of pay-outs were expiries, partial surrenders and surrenders of unit-linked insurance contracts.

As for the management of investments (technical provision and the Company's own capital portfolios) the Company cooperates with Sampo plc. Net income from investment activities (net of investment expenses) in the Baltic countries in the first three quarters of 2012 was positive, totalling to 979 713 euros. Investment income of the Company's own capital portfolio in the first three quarters of 2012 was positive, amounting to 481 288 euros.

As at 30.09.2012, the total size of the investment portfolio (except investments related to unit-linked life insurance contracts) reached 28.85 million euros. At the end of the first three quarters of 2012, Mandatum Life Insurance Baltic SE's investment portfolio mostly comprised of corporate bonds.

As at 30.09.2012, owner's equity was 11 029 269 euros, of which 3 515 600 euros was formed by share capital.

As at 30.09.2012 the total amount of assets included in the available solvency margin was 10 209 519 euros, the required solvency margin was 2 418 667 euros and the solvency surplus was 7 790 852 euros.

The Company's operating expenses (which include acquisition expenses, administrative expenses and investment expenses) amounted to 4 133 682 euros in the first three quarters of 2012. Acquisition expenses accounted for 53% of all operational expenses in the first three quarters of 2012 in the Baltic countries.

In the first three quarters of 2012, Mandatum Life Insurance Baltic SE's profit for the period amounted to 842 166 euros. The Company's profit was in the first three quarters of 2012 was mostly influenced by positive income from net investment activities and profit from sales of life insurance.

The Company's balance sheet volume reached 159 696 961 euros as at 30.09.2012. Technical provisions from insurance contracts amounted to 14 414 405 euros at the end of the first three quarters of 2012; financial liabilities from investment contracts were 27 057 185 euros and financial liabilities from insurance contracts formed 106 065 927 euros.

### *3. Personnel of the Company*

As at 30.09.2012 there were 114 employees working in the Company. Salaries and wages (including payroll taxes) for the period amounted to 2 388 thousands of euros. The Supervisory Board members were not remunerated. The Company paid remuneration (including taxes) to members of the Management Board for carrying out their tasks which amounted to 413 thousands of euros.

### *4. Sales and Development Activities*

In the first three quarters of 2012, the Company's main sales channel was its own sales team. The Company also continued its sales related cooperation with Danske Bank in Estonian and Lithuania, with If P&C in all three Baltic countries and insurance brokers in Latvia and Lithuania.

The Company continued its sales of unit-linked life insurance and term life insurance products through different client campaigns in which the Company offered its potential and existing clients additional discounts; these campaign offers were introduced to potential new clients in both print and online media, through radio and TV advertising.

As from 21.12.2012, the Company will implement new unified unisex life insurance tariffs for men and women in new concluded life insurance contracts.

### *5. Other activities*

The external auditor of the Company is Ernst & Young Baltic AS.

The Company's reinsurer is Mandatum Life Insurance Company Ltd.

The Company's investment and operational risk management takes place through working groups across the Baltic countries.

The Company is the member of the Insurance Association in Estonia, Latvia and Lithuania, and the founding member of Chamber of Service Economy.





Imre Madison  
CEO

Tallinn, 28 November 2012

## II. Signatures of the Management Board

The Company's Management Board has prepared the Interim Report of 1-3Q of 2012 on pages 6-12.

Imre Madison	Chairman of the Management Board		30.11.2012
Erkki Sadam	Member of the Management Board		30.11.2012

### III. Statement of financial position

In thousands of euros	30.09.2012	31.12.2011	Notes
<b>Assets</b>			
Cash and cash equivalents	999	727	
Reinsurers' share of insurance liabilities	58	37	
Financial assets			
- Financial instruments	157 053	144 732	
- Receivables related to insurance activities and other	214	388	
Accrued income and prepaid expenses	454	434	
Property, plant and equipment	98	139	
Intangible assets	820	867	
<b>Total assets</b>	<b>159 696</b>	<b>147 324</b>	
<b>Liabilities and owner's equity</b>			
Insurance payables	155	139	
Accrued expenses and deferred income	479	460	
Financial liabilities from insurance contracts	106 066	106 730	
Financial liabilities from investment contracts	27 057	15 406	
Technical provision from insurance contracts	14 414	14 402	
Financial liabilities from investment transactions	496	0	
Total liabilities	148 667	137 137	
Share capital	3 516	3 516	
Share premium	3 509	3 509	
Legal reserve	217	204	
Unrealized foreign exchange	-2	-1	
Retained profits	3 789	2 959	
Total owner's equity	11 029	10 187	
<b>Total liabilities and owner's equity</b>	<b>159 696</b>	<b>147 324</b>	

## IV. Statement of Comprehensive Income

in thousands of euros	1-9/2012	1-9/2011
Gross premiums	2 845	2 976
Reinsurers' share of gross premiums	-320	-234
<b>Net premiums</b>	<b>2 525</b>	<b>2 742</b>
Investment income	582	498
Fair value gains and losses	998	-199
Realised gains and losses	-14	-14
<b>Net income from investments</b>	<b>1 566</b>	<b>285</b>
Fee income	1 639	2 015
Reinsurance commission income	134	-26
Other income	892	1 169
<b>Total income</b>	<b>2 665</b>	<b>3 158</b>
Paid insurance claims net of reinsurance and claims handling expenses related to out-payments	-1 640	-1 117
Increase of insurance technical provisions net of reinsurance	-17	-623
<b>Net insurance claims and the change of technical provisions</b>	<b>-1 657</b>	<b>-1 740</b>
<b>Change in value of unit-linked financial liabilities and assets</b>	<b>-17</b>	<b>-7</b>
<b>Change in value of financial liabilities from insurance contracts with guaranteed interest</b>	<b>-105</b>	<b>-106</b>
Acquisition expenses	-2 183	-2 258
Administrative expenses	-1 847	-1 770
Investment expenses	-104	-199
<b>Expenses</b>	<b>-4 134</b>	<b>-4 227</b>
<b>Profit/loss before income tax</b>	<b>843</b>	<b>105</b>
Income tax expenses	0	0
<b>Profit/loss for the period</b>	<b>843</b>	<b>105</b>
Other comprehensive income		
Exchange differences	-1	-1
<b>Total comprehensive income for the period</b>	<b>842</b>	<b>104</b>

## V. Quarterly Statement of Comprehensive Income

in thousands of euros	7-9/2012	7-9/2011
Gross premiums	937	988
Reinsurers' share of gross premiums	-106	-81
<b>Net premiums</b>	<b>831</b>	<b>907</b>
Investment income	194	187
Fair value gains and losses	461	-156
<b>Net income from investments</b>	<b>655</b>	<b>31</b>
Fee income	528	609
Reinsurance commission income	45	-44
Other income	302	782
<b>Total income</b>	<b>875</b>	<b>1 347</b>
Paid insurance claims net of reinsurance and claims handling expenses related to out-payments	-475	-364
Increase of insurance technical provisions net of reinsurance	-75	-263
<b>Net insurance claims and the change of technical provisions</b>	<b>-550</b>	<b>-627</b>
<b>Change in value of unit-linked financial liabilities and assets</b>	<b>-19</b>	<b>-12</b>
<b>Change in value of financial liabilities from insurance contracts with guaranteed interest</b>	<b>-34</b>	<b>-38</b>
Acquisition expenses	-745	-696
Administrative expenses	-590	-497
Investment expenses	-32	-58
<b>Expenses</b>	<b>-1 367</b>	<b>-1 251</b>
<b>Profit/loss before income tax</b>	<b>391</b>	<b>357</b>
Income tax expenses	0	0
<b>Profit/loss for the period</b>	<b>391</b>	<b>357</b>
Other comprehensive income		
Exchange differences	0	0
<b>Total comprehensive income for the period</b>	<b>391</b>	<b>357</b>



## VI. Statement of Cash-flows

in thousands of euros	1-9/2012	1-9/2011	Notes
Cash flow from operating activities			
Premiums received	2 849	2 976	
Financial liability inflow	18 398	31 047	
Paid claims and claims handling expenses related to pay-outs	-1 686	-1 162	
Financial liability outflow	-13 655	-27 719	
Reinsurance payments	-62	15	
Expenses	-3 824	-4 105	
Other revenue and other expenses	850	1	
		116	
Purchases of shares and investment fund units	-178 294	-187 760	
Proceeds from the sale of shares and investment fund units	175 550	185 043	
Purchases of bonds and other fixed income securities	-14 076	-33 582	
Proceeds from the sale of bonds and other fixed income securities	13 866	27 534	
Proceeds on term deposits	0	239	
Interest received	541	741	
Dividends received	3	3	
Investment expenses	-104	-199	
Net cash provided by operating activities	<b>356</b>	<b>-5 814</b>	
Cash flow from investing activities			
Purchases of tangible and intangible assets	-85	-233	
Net cash provided by investing activities	<b>-85</b>	<b>-233</b>	
<b>TOTAL NET CASH FLOW</b>	<b>271</b>	<b>-6 047</b>	
Cash and cash equivalents at the beginning of the period	727	6 501	
Change in cash and cash equivalents	271	-6 047	
Foreign currency translation effects	1	0	
Cash and cash equivalents at the end of the period	999	454	

## VII. Statement of changes in owner's equity

In thousands of euros	Share capital	Share premium	Legal reserve	Unrealised foreign exchange rate	Retained earnings	Total equity
<b>As at 31.12.2010</b>	3 515	3 510	132	1	2 792	9 950
Fund emission	1	-1	0	0	0	0
Profit for the year 2011	0	0	0	0	239	239
Other comprehensive income	0	0	0	-2	0	-2
Comprehensive profit for the year 2011	0	0	0	-2	239	237
Increase of legal reserve	0	0	72	0	-72	0
<b>As at 31.12.2011</b>	3 516	3 509	204	-1	2 959	10 187
Profit for the period	0	0	0	0	843	843
Other comprehensive income	0	0	0	-1	0	-1
Comprehensive profit for the year 2012	0	0	0	-1	843	842
Increase of legal reserve	0	0	13	0	-13	0
<b>As at 30.09.2012</b>	<b>3 516</b>	<b>3 509</b>	<b>217</b>	<b>-2</b>	<b>3 789</b>	<b>11 029</b>

## VIII. Notes

### 1. Basis of preparation

Mandatum Life Insurance Baltic SE's Interim Report of 1<sup>st</sup> to 3<sup>rd</sup> Quarter 2012 is prepared in accordance with IAS 34 "Interim Financial Reporting".

The Company's Annual Accounts for 2011 have been prepared in accordance with International Financial Reporting Standards (IFRS). In preparing the interim financial statements, the same accounting policies and management estimates of computation are applied as in the financial statements for 2011. The annual financial statements are available on our website at [www.mandatumlife.ee](http://www.mandatumlife.ee). The accounting principles are therefore not described in this Interim Report.

All amounts in the notes are presented in thousands of euros, unless stated otherwise.

### 2. Property, plant and equipment

in thousands of euros	Acquisition cost	Accumulated depreciation	Carrying value
As at 31.12.2010	316	-196	120
Additions	69	0	69
Foreign exchange adjustments	1	-1	0
Write-offs	-3	3	0
Depreciation charges	0	-50	-50
As at 31.12.2011	383	-244	139
Additions	0	0	0
Depreciation charges	0	-41	-41
As at 30.09.2012	383	-285	98

Equipment comprises IT, office equipment and furniture.

### 3. Intangible assets

in thousands of euros	Acquisition cost	Accumulated depreciation	Carrying value
As at 31.12.2010	1334	-549	785
Additions	206	0	206
Foreign exchange adjustments	10	-1	9
Write-offs	-29	29	0
Depreciation charges	0	-133	-133
As at 31.12.2011	1521	-654	867
Additions	85	0	85
Depreciation charges	0	-131	-131
As at 30.09.2012	1 605	-785	820

#### 4. *Related party disclosures*

The associated parties are considered to be the parent company Mandatum Life Insurance Company Ltd, other Sampo Group's companies, and members of the Management and the Supervisory Board. As at 30 September 2012, Sampo plc held 21.25% of Nordea Bank's share capital, therefore Nordea Bank is considered as an associated company to Sampo plc.

Members of the Management Board received a total of 413 thousand euros in the 1-3Q 2012 pursuant to service contracts. The Supervisory Board received no separate remuneration or severance pay.

<b>.ASSETS</b> <i>in thousands of euros</i>	30.09.2012	31.12.2011
Cash and cash equivalents		
Nordea Bank Finland Plc (associated company to Sampo plc)	0	26
Reinsurers' share of insurance liabilities		
Mandatum Life Insurance Company Limited (parent company)	193	238
Financial assets		
Financial assets designated as being at fair value through p/l		
Mandatum Life Insurance Company Ltd (parent company)	60 712	49 150
Sampo plc (controlling undertaking of the parent company)	512	507
Other receivables		
Mandatum Life Insurance Company Ltd (parent company)	9	58
Accrued income and prepaid expenses		
If P&C Insurance Company Ltd (a consolidation group enterprise)	7	13
Mandatum Life Insurance Company Ltd (parent company)	157	94
<b>LIABILITIES</b> <i>in thousands of euros</i>	30.09.2012	31.12.2011
Insurance payables		
Mandatum Life Insurance Company Ltd (parent company)	106	94
Accrued expenses and deferred income		
Mandatum Life Insurance Company Ltd (parent company)	3	4
<b>INCOME STATEMENT</b> <i>in thousands of euros</i>	1-9/2012	1-9/2011
Ceded premiums		
Mandatum Life Insurance Company Ltd (parent company)	320	234
Reinsurance commissions		
Mandatum Life Insurance Company Ltd (parent company)	134	-26
Other income		
Mandatum Life Insurance Company Ltd (parent company)	361	523
Reinsurers' share in claims paid and in change provisions		
Mandatum Life Insurance Company Ltd (parent company)	67	39
Expenses		
Transport expenses		
If P&C Insurance Company Ltd (a consolidation group enterprise)	12	7
Nordea Bank Finland Plc (associated company to Sampo plc)	21	19
Other expenses		
Mandatum Life Insurance Company Ltd (parent company)	18	78
If P&C Insurance Company Ltd (a consolidation group enterprise)	22	12