

MANDATUM LIFE INSURANCE BALTIC SE

INTERIM REPORT 1Q/2013

Business name: MANDATUM LIFE INSURANCE BALTIC SE

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Beginning of reporting period: 01.01.2013

End of reporting period: 31.03.2013

CEO: Imre Madison

Auditor: Ernst & Young Baltic AS

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I. Management report in the 1Q of 2013

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 through unit-linked life insurance to private and corporate customers in the Baltic states.

1. Management of the Company

The Company's Management Board had six members at the end of the first quarter of 2013. Other members of the Management Board are Tomas Stonys, responsible for sales management and Lithuanian Branch Manager; Ilona Stare, responsible for policy administration and IT management and Latvian Branch Manager; Rasa Kasperaviciute, responsible for risk management and product development matters and Lithuanian Operational Director; Erkki Sadam, responsible for the Company's legal and procurement matters, and Timo Pursiala, responsible for financial and business control matters. Paul Lukka, responsible for investment and wealth management, left the Company on 1 February 2013.

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 Timo Vuorinen, the Chairman of the Supervisory Board of If P&C AS, and Jukka Pirskanen, Head of Investment Management of Mandatum Life Insurance Company Ltd.

2. Business results of the Company

As at 31.03.2013, the Company serviced a total of 34 141 life insurance contracts. The biggest share of total insurance contracts, 69% of all the insurance contracts in force at the end of the first quarter of 2013 consisted of unit-linked insurance contracts (total of 23 622 contracts). As at 31.03.2013, the Company had 37 691 insured persons in its contracts portfolio in the Baltics.

The Company's received payments in the Baltics totalled 6 863 thousand euros in the first quarter of 2013.

As at 31.03.2013, the Company's client assets under management (AUM) amounted to 154 490 thousand euros. The biggest share of AUM was formed by unit-linked insurance contracts, which formed 141 213 thousand euros and 91% of clients' total AUM as at 31.03.2013.

The Company's market share (based on contractual payments received) of the first quarter of 2013 was 9.8%. As at 31.03.2013, the market share by countries based on contractual payments received in Estonia was 9.0%, in Latvia 8.2%, and in Lithuania 10.7%. Since 2006, the Company no longer concludes new savings insurance contracts with guaranteed interest nor does it provide the opportunity for the clients of second pension pillar to make annuity payments.

The Company's market share (based on contractual payments received from unit-linked investment contracts) of the first quarter of 2013 was 16.7%. As at 31.03.2013, the Company's market share by countries based on contractual payments received from unit-linked investment contracts in Estonia was 16.8%, in Latvia 25.5% and in Lithuania 15.2%.

In the first quarter of 2013 the Company paid claims in the amount of 7 157 thousand euros. The majority of pay-outs were expiries, partial surrenders and surrenders of unit-linked insurance contracts.

As for the management of investments (technical provision and the Company's own capital portfolios), the Company cooperates with Sampo plc. Net income from investment activities (net of investment expenses) in the Baltic countries in the first quarter of 2013 was positive, totalling to 150 thousand euros. Investment income of the Company's own capital portfolio in the first quarter of 2013 was positive, amounting to 67 thousand euros.

As at 31.03.2013, the total size of the investment portfolio (except investments related to unit-linked life insurance contracts) reached 27 301 thousand euros. At the end of the first quarter of 2013, Mandatum Life Insurance Baltic SE's investment portfolio mostly comprised of Nordic corporate bonds.

As at 31.03.2013, owner's equity was 10 907 thousand euros, of which 3 515 thousand euros was formed by share capital.

As at 31.03.2013 the total amount of assets included in the available solvency margin was 10 097 thousand euros, the required solvency margin was 2 419 thousand euros and the solvency surplus was 7 678 thousand euros.

The Company's operating expenses (which include acquisition expenses, administrative expenses and investment expenses) in the first quarter of 2013 amounted to 1 488 thousand euros. Acquisition expenses accounted for 55% of all operational expenses in the first quarter of 2013 in the Baltic countries.

In the first quarter of 2013, Mandatum Life Insurance Baltic SE's loss for the period amounted to 176 thousand euros. The main reason for the loss in the first quarter of 2013 was the increase of operational expenses and negative net income from investment activities that remained below the guaranteed interest rate promised for the policyholder.

The Company's balance sheet volume amounted to 166 074 thousand euros as at 31.03.2013. Technical provisions from insurance contracts amounted to 13 277 thousand euros at the end of the first quarter of 2013; financial liabilities from investment contracts were 29 904 thousand euros and financial liabilities from insurance contracts formed 111 309 thousand euros.

3. Personnel of the Company

As at 31.03.2013 there were 118 employees working in the Company. Salaries and wages (including payroll taxes) for the period amounted to 838 thousand euros. The Supervisory Board members were not remunerated. The Company paid remuneration (including taxes) to members of the Management Board for carrying out their tasks which amounted to 107 thousand euros.

4. Sales and development activities

In the first quarter of 2013, the Company's main sales channel was its own sales team. Additionally, sales-related cooperation was continued with Danske Bank in Estonia and Lithuania, with If P&C in all three Baltic countries and with insurance brokers in Latvia and Lithuania. Starting from the beginning of 2013 the Company started active cooperation with a new sales channel in Lithuania – the sales network of insurance agents.

In the first quarter of 2013, the Company continued active sales of unit-linked and term life insurance products via different client campaigns in TV, radio, print media and online media to promote the Company's special discounts and offers to its potential and existing customers.

The new life insurance product Traditional Life Insurance that was launched at the end of 2012 was the most successful product sold in Estonia in the first quarter of 2013. This was certainly due to active sales and marketing support but due to highly competitive price level. Depending on the age of the policyholder, reasonable insurance cover can be obtained for less than 1 euro per month.

5. *Other activities*

The Company's external auditor was Ernst & Young Baltic AS.

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

The Company's investment risk and operational risk management is performed regularly via the Company's Baltic risk management committees.

The Company belongs to the Estonian, Latvian and Lithuanian Insurance Associations and is the founding member of the Estonian Service Industry Association.



Imre Madison
Chairman of the Management Board

In Tallinn, 29 May 2013

II. Signatures of the Management Board

The Company's Management Board has prepared the Interim Report of 1Q of 2013 on pages 7-12.

Imre Madison Chairman of the Management Board



29.05.2013

Erkki Sadam Member of the Management Board



29.05.2013

III. Statement of financial position

in thousands of euros	31.03.2013	31.12.2012	Notes
Assets			
Cash and cash equivalents	371	306	
Deferred tax assets	104	104	
Reinsurers' share of insurance liabilities	67	56	
Financial assets			
- Financial instruments	163 955	162 726	
- Receivables related to insurance activities and other	161	339	
Accrued income and prepaid expenses	533	492	
Property, plant and equipment	74	86	VII.2
Intangible assets	809	837	VII.3
Total assets	166 074	164 946	
Liabilities and owner's equity			
Insurance payables	142	276	
Accrued expenses and deferred income	535	557	
Financial liabilities for insurance contracts	111 309	111 544	
Financial liabilities for investment contracts	29 904	27 964	
Technical provision for insurance contracts	13 277	13 522	
Total liabilities	155 167	153 863	
Share capital	3 516	3 516	
Share premium	3 509	3 509	
Legal reserve	262	217	
Unrealised foreign exchange rate	-1	0	
Retained profits	3 621	3 841	
Total owner's equity	10 907	11 083	
Total liabilities and owner's equity	166 074	164 946	

IV. Statement of Comprehensive Income

in thousands of euros	1-3/2013	1-3/2012
Gross premiums	889	951
Premiums ceded to reinsurers	-105	-107
Net premiums	784	844
Investment income	171	183
Fair value gains and losses	30	579
Realised gains and losses	-18	-19
Net income from investments	183	743
Fee income	537	572
Reinsurance commission income	39	62
Other income	321	296
Total other revenue	897	930
Paid insurance claims net of reinsurance and claims handling expenses related to pay-outs	-760	-638
Increase of insurance technical provisions net of reinsurance	242	96
Net insurance claims and change of technical provisions	-518	-542
Change in value of unit-linked financial liabilities and assets	1	5
Change in value of financial liabilities from insurance contracts with guaranteed interest	-35	-34
Acquisition expenses	-821	-686
Administrative expenses	-634	-632
Investment expenses	-33	-35
Total expenses	-1 488	-1 353
Profit before income tax	-176	593
Income tax	0	0
Profit/loss for the financial year	-176	593
Other comprehensive income		
Exchange differences	0	0
Total comprehensive income for the financial year	-176	593

V. Statement of cash flows

in thousands of euros	1-3/2013	1-3/2012	Notes
Cash flow from operating activities			
Premiums received	893	958	
Financial liability inflow	5 842	4 513	
Paid claims and claims handling expenses related to pay-outs	-780	-659	
Financial liability outflow	-6 449	-4 141	
Reinsurance payments	80	107	
Expenses	-1 471	-1 334	
Other revenue and other expenses	329	263	
Purchases of shares and investment fund units	-8 170	-6 809	
Proceeds from the sale of shares and investment fund units	9 019	7 034	
Purchases of bonds and other fixed income securities	-2 668	-10 932	
Proceeds from the sale of bonds and other fixed income securities	3 205	10 271	
Interest received	287	279	
Investment expenses	-33	-35	
Net cash provided by operating activities	84	-485	
Cash flow from investing activities			
Purchases of tangible and intangible assets	-19	-50	VII.2VII.3
Net cash provided by investing activities	-19	-50	
TOTAL CASH FLOW	65	-535	
Cash and cash equivalents at the beginning of the period	306	727	
Change in cash and cash equivalents	65	-535	
Cash and cash equivalents at the end of the period	371	192	

VI. Statement of changes in owner's equity

in thousands of euros	Share capital	Share premium	Legal reserve	Unrealised foreign exchange rate	Retained earnings	Total equity
As at 31.12.2011	3 516	3 509	204	-1	2 959	10 187
Profit for the financial year 2012	0	0	0	0	895	895
Other comprehensive income	0	0	0	1	0	1
Total comprehensive income for the year 2012	0	0	0	1	895	896
Increase of legal reserve	0	0	13	0	-13	0
As at 31.12.2012	3 516	3 509	217	0	3 841	11 083
Profit for the financial year	0	0	0	0	-176	-176
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income for the year 2012	0	0	0	0	-176	-176
Increase of legal reserve	0	0	45	0	-45	0
As at 31.03.2013	3 516	3 509	262	-1	3 621	10 907

VII. Notes

1. *Basis of preparation*

Mandatum Life Insurance Baltic SE's Interim Report of 1st Quarter 2013 is prepared in accordance with IAS 34 "Interim Financial Reporting".

The Company's Annual Accounts for 2012 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 2012. The annual financial statements are available on our website at www.mandatumlife.ee. The accounting principles are therefore not described in this Interim Report.

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

2. *Property, plant and equipment*

in thousands of euros	Acquisition cost	Accumulated depreciation	Carrying value
As at 31.12.2011	383	-244	139
Depreciation charges	0	-53	-53
As at 31.12.2012	383	-297	86
Additions	0	0	0
Write-offs	-2	2	0
Depreciation charges	0	-12	-12
As at 31.03.2013	381	-307	74

Equipment comprises of IT, office equipment and furniture.

3. *Intangible assets*

in thousands of euros	Acquisition cost	Accumulated depreciation	Carrying value
As at 31.12.2011	1521	-654	867
Additions	146	0	146
Write-offs	-32	32	0
Depreciation charges	0	-176	-176
As at 31.12.2012	1 635	-798	837
Additions	19	0	19
Foreign exchange adjustments	-5	1	-4
Write-offs	0	-43	-43
As at 31.03.2012	1 649	-840	809

4. *Related party disclosures*

The associated parties are considered to be the parent company Mandatum Life Insurance Company Ltd, other Sampo Group's companies, and members of the Management and the Supervisory Board. As at 31.03.2013, Sampo plc held 21.2% of Nordea Bank's share capital, therefore Nordea Bank is considered as an associated company to Sampo plc.

Members of the Management Board received a total of 107 thousand euros in the 1Q 2013 pursuant to service contracts. The Supervisory Board received no separate remuneration or severance pay.

ASSETS in thousands of euros	31.03.2013	31.12.2012
Cash and cash equivalents		
Nordea Bank Finland Plc (associated company to Sampo plc)	1	14
Reinsurers' share of insurance liabilities		
Mandatum Life Insurance Company Limited (parent company)	124	241
Financial assets		
Financial assets designated as being at fair value through p/l		
Mandatum Life Insurance Company Limited (parent company)	68 387	66 057
Other receivables		
Mandatum Life Insurance Company Limited (parent company)	18	56
Accrued income and prepaid expenses		
If P&C Insurance Company Ltd (a consolidation group enterprise)	5	5
Mandatum Life Insurance Company Limited (parent company)	187	171
LIABILITIES in thousands of euros	31.03.2013	31.12.2012
Insurance payables		
Mandatum Life Insurance Company Limited (parent company)	105	107
Accrued expenses and deferred income		
If P&C Insurance Company Ltd (a consolidation group enterprise)	2	2
INCOME STATEMENT in thousands of euros	1-3/2013	1-3/2012
Ceded premiums		
Mandatum Life Insurance Company Limited (parent company)	105	107
Reinsurance commissions		
Mandatum Life Insurance Company Limited (parent company)	39	62
Other income		
Mandatum Life Insurance Company Limited (parent company)	133	118
Reinsurers' share in claims paid and in change provisions		
Mandatum Life Insurance Company Limited (parent company)	31	42
Expenses		
Transport expenses		
If P&C Insurance Company Ltd (a consolidation group enterprise)	3	4
Nordea Bank Finland Plc (associated company to Sampo plc)	5	7
Other expenses		
Mandatum Life Insurance Company Ltd (parent company)	18	1
If P&C Insurance Company Ltd (a consolidation group enterprise)	11	7