

MANDATUM LIFE INSURANCE BALTIC SE

INTERIM REPORT 1-2Q/2012

Business name: MANDATUM LIFE INSURANCE BALTIC SE

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Beginning of reporting period: 01.01.2012

End of reporting period: 30.06.2012

CEO: Imre Madison

Auditor: Ernst & Young Baltic AS

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I. Management report in the 1-2Q of 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 and wealth management solutions through unit-linked life insurance.

1. Management of the Company

The Company's Management Board had eight members at the end of the second 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 marketing and client service matters and Latvian Branch Manager; Ilona Stare, responsible for policy administration and IT management and Latvian Operational Director; 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; 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 AS.

2. Business results of the Company

As at 30.06.2012, the Company serviced a total of 35 687 life insurance contracts. The biggest share of total insurance contracts, 69% of all the insurance contracts in force at the end of the second quarter of 2012 consisted of unit-linked insurance contracts (total of 24 506 contracts). As at 30.06.2012, the Company had 39 542 insured persons in its contracts portfolio in the Baltics.

The Company's received payments in the Baltics totalled 13 026 727 euros in the first six months of 2012.

As at 30.06.2012, the Company's client assets under management (AUM) amounted to 140 331 485 euros. The biggest share of AUM was formed by unit-linked insurance contracts, which formed 121 137 933 euros and 86% of clients' total AUM as at 30.06.2012.

The Company's market shares in Baltic market (based on contractual payments received) of the first six months of 2012 was 10.1%. As at 30.06.2012, the market share by countries based on contractual payments received in Estonia was 12.0%, in Latvia 7.4%, and in Lithuania 10.2%.

The Company's market share (based on contractual payments received from unit-linked investment contracts) of the first half of 2012 was 16.9%. As at 30.06.2012, the Company's market share by countries based on contractual payments received from unit-linked investment contracts in Estonia was 25.8%, in Latvia 21.1% and in Lithuania 14.3%.

In the first half of 2012 the Company paid claims in the amount of 10 229 804 euros. The majority of payouts 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 6 months of 2012 was positive, totalling to 568 368 euros. Investment income of the Company's own capital portfolio in the first half of 2012 was positive, amounting to 268 907 euros.

As at 30.06.2012, the total size of the investment portfolio (except investments related to unit-linked life insurance contracts) reached 28.36 million euros. At the end of the first half of 2012, Mandatum Life Insurance Baltic SE's investment portfolio mostly comprised of corporate bonds.

As at 30.06.2012, owner's equity was 10 638 435 euros, of which 3 515 600 euros was formed by share capital.

As at 30.06.2012 the total amount of assets included in the available solvency margin was 9 794 385 euros, the required solvency margin was 2 358 564 euros and the solvency surplus was 7 435 822 euros.

The Company's operating expenses (which include acquisition expenses, administrative expenses and investment expenses) in the first six months of 2012 amounted to 2 766 190 euros. Acquisition expenses accounted for 52% of all operational expenses in the first half of 2012 in the Baltic countries.

In the first half of 2012, Mandatum Life Insurance Baltic SE's profit for the period amounted to 451 331 euros. The main reason for the profit in the first six months of 2012 was positive net income from investment activities and profit from sales of life insurance cover.

The Company's balance sheet volume amounted to 151 636 683 euros as at 30.06.2012. Technical provisions from insurance contracts amounted to 14 357 745 euros at the end of the second quarter of 2012; financial liabilities from investment contracts were 23 249 978 euros and financial liabilities from insurance contracts formed 102 723 762 euros.

3. Personnel of the Company

As at 30.06.2012 there were 117 employees working in the Company. Salaries and wages (including payroll taxes) for the period amounted to 1 600 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 286 thousand euros.

4. Sales and development activities

In the first half of 2012, the Company's main sales channel was its own sales team.

In addition the Company continued sales-related cooperation with Danske Bank in Estonia and Lithuania, If P&C in all Baltic states and with insurance brokers in Latvia and Lithuania.

The Company continued active sales of unit-linked insurance contracts and term life insurance contracts conducting clients' campaigns, providing additional discounts to existing and new clients.

5. Other activities

The Company continues preparations in order to fulfill the Solvency 2 requirements of the EU insurance sector, which take force for insurance undertakings on 1 January 2014.

According to action plan the Company continues run-up for taking to use *unisex* insurance rates (i.e. when calculating insurance premiums gender is not more taken into account), which will enter into force for European Union insurance undertakings on 21 December 2012.

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, 24 August 2012

II. Signatures of the Management Board

The Company's Management Board has prepared the Interim Report of the 1-2Q of 2012 on pages 6-12.

Imre Madison Chairman of the Management Board

24.08.2012

Paul Lukka Member of the Management Board

24.08.2012

III. Statement of financial position

in thousands of euros	30.06.2012	31.12.2011	Notes
Assets			
Cash and cash equivalents	66	727	
Reinsurers' share of insurance liabilities	49	37	
Financial assets			
- Financial instruments	149 891	144 732	
- Receivables related to insurance activities and other	193	388	
Accrued income and prepaid expenses	482	434	
Property, plant and equipment	111	139	VIII.2
Intangible assets	844	867	VIII.3
Total assets	151 636	147 324	
Liabilities and owner's equity			
Insurance payables	163	139	
Accrued expenses and deferred income	503	460	
Financial liabilities from insurance contracts	102 724	106 730	
Financial liabilities from investment contracts	23 250	15 406	
Technical provision from insurance contracts	14 358	14 402	
Total liabilities	140 998	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	3 398	2 959	
Total owner's equity	10 638	10 187	
Total liabilities and owner's equity	151 636	147 324	

IV. Statement of Comprehensive Income

in thousands of euros	1-6/2012	1-6/2011
Gross premiums	1 908	1 987
Reinsurers' share of gross premiums	-214	-153
Net premiums	1 694	1 834
Investment income	387	311
Fair value gains and losses	537	-43
Realised gains and losses	-15	-13
Net income from investments	909	255
Fee income	1 111	1 406
Reinsurance commission income	89	-30
Other income	590	800
Total income	1 790	2 176
Paid insurance claims net of reinsurance and claims handling expenses related to out-payments	-1 165	-752
Increase of insurance technical provisions net of reinsurance	58	-361
Net insurance claims and the change of technical provisions	-1 107	-1 113
Change in value of unit-linked financial liabilities and assets	2	6
Change in value of financial liabilities from insurance contracts with guaranteed interest	-71	-69
Acquisition expenses	-1 436	-1 562
Administrative expenses	-1 257	-1 273
Investment expenses	-72	-141
Expenses	-2 765	-2 976
Profit/loss before income tax	452	113
Income tax expenses	0	0
Profit/loss for the period	452	113
Other comprehensive income		
Exchange differences	-1	0
Total comprehensive income for the period	451	113

V. Quarterly Statement of Comprehensive Income

<i>in thousands of euros</i>	4-6/ 2012	4-6/ 2011
Gross premiums	957	997
Reinsurers' share of gross premiums	-107	33
Net premiums	850	1 030
Investment income	204	168
Fair value gains and losses	-43	60
Realised gains and losses	4	0
Net income from investments	165	228
Fee income	539	681
Reinsurance commission income	27	-48
Other income	294	414
Total revenue	860	1 047
Paid insurance claims net of reinsurance and claims handling expenses related to out-payments	-525	-438
Increase of insurance technical provisions net of reinsurance	-39	-203
Net insurance claims and the change of technical provisions	-564	-641
Change in value of unit-linked financial liabilities and assets	-3	3
Change in value of financial liabilities from insurance contracts with guaranteed interest	-37	-35
Acquisition expenses	-751	-818
Administrative expenses	-625	-669
Investment expenses	-37	-70
Expenses	-1 413	-1 557
Profit/loss before income tax	-142	75
Income tax expenses	0	0
Profit/loss for the period	-142	75
Other comprehensive income		
Exchange differences	0	0
Total comprehensive income for the period	-142	75

VI. Statement of Cash-flows

in thousands of euros	1-6/ 2012	1-6/ 2011	Notes
Cash flow from operating activities			
Premiums received	1 910	1 986	
Financial liability inflow	11 115	26 089	
Paid claims and claims handling expenses related to pay-outs	-1 205	-790	
Financial liability outflow	-9 154	-13 378	
Reinsurance payments	36	-9	
Expenses	-2 606	-2 809	
Other revenue and other expenses	581	759	
Purchases of shares and investment fund units	-120 493	-128 376	
Proceeds from the sale of shares and investment fund units	119 599	116 182	
Purchases of bonds and other fixed income securities	-13 132	-23 776	
Proceeds from the sale of bonds and other fixed income securities	12 316	17 784	
Proceeds on term deposits	0	239	
Interest received	503	573	
Dividends received	3	3	
Investment expenses	-72	-141	
Net cash provided by operating activities	-599	-5 664	
Cash flow from investing activities			
Purchases of tangible and intangible assets	-63	-111	VIII.2/VIII.3
Net cash provided by investing activities	-63	-111	
Total cash flow, net	-662	-5 775	
Cash and cash equivalents at the beginning of the period	727	6 501	
Change in cash and cash equivalents	-662	-5 775	
Foreign currency translation effects	1	0	
Cash and cash equivalents at the end of the period	66	726	

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
As at 31.12.2010	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
As at 31.12.2011	3 516	3 509	204	-1	2 959	10 187
Profit for the period	0	0	0	0	452	452
Other comprehensive income	0	0	0	-1	0	-1
Comprehensive profit for the year 2012	0	0	0	-1	452	451
Increase of legal reserve	0	0	13	0	-13	0
As at 30.06.2012	3 516	3 509	217	-2	3 398	10 638

VIII. Notes

1. *Basis of preparation*

Mandatum Life Insurance Baltic SE's Interim Report of the first half of 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. 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
Depreciation charges	0	-28	-28
As at 30.06.2012	383	-272	111

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	63	0	63
Depreciation charges	0	-86	-86
As at 31.03.2012	1 584	-740	844

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 June 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 286 thousand euros in the 1-2Q 2012 pursuant to service contracts. The Supervisory Board received no separate remuneration or severance pay.

ASSETS in thousands of euros	30.06.2012	31.12.2011
Cash and cash equivalents		
Nordea Bank (associated company to Sampo plc)	0	26
Reinsurers' share of insurance liabilities		
Mandatum Life Insurance Company Ltd (parent company)	156	238
Financial assets		
Financial assets designated as being at fair value through p/l		
Mandatum Life Insurance Company Ltd (parent company)	56 822	49 150
Sampo plc (controlling undertaking of the parent company)	520	507
Other receivables		
Mandatum Life Insurance Company Ltd (parent company)	6	58
Accrued income and prepaid expenses		
Mandatum Life Insurance Company Ltd (parent company)	102	94
If P&C Insurance Company Ltd (a consolidation group enterprise)	6	13
LIABILITIES in thousands of euros	30.06.2012	31.12.2011
Insurance payables		
Mandatum Life Insurance Company Ltd (parent company)	122	94
Accrued expenses and deferred income		
Mandatum Life Insurance Company Ltd (parent company)	0	4
INCOME STATEMENT in thousands of euros	1-6/ 2012	1-6/ 2011
Ceded premiums		
Mandatum Life Insurance Company Ltd (parent company)	214	153
Reinsurance commissions		
Mandatum Life Insurance Company Ltd (parent company)	89	-30
Other income		
Mandatum Life Insurance Company Ltd (parent company)	247	344
Reinsurers' share in claims paid and in change provisions		
Mandatum Life Insurance Company Ltd (parent company)	52	10
Expenses		
Transport expenses		
If P&C Insurance Company Ltd (a consolidation group enterprise)	8	5
Nordea Bank (associated company to Sampo plc)	14	12
Other expenses		
If P&C Insurance Company Ltd (a consolidation group enterprise)	15	8
Mandatum Life Insurance Company Ltd (parent company)	2	62