

MANDATUM LIFE INSURANCE BALTIC SE

INTERIM REPORT 1Q/2011

Business name: MANDATUM LIFE INSURANCE BALTIC SE

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Beginning of reporting period: 01.01.2011

End of reporting period: 31.03.2011

CEO: Imre Madison

Auditor: Ernst & Young Baltic AS

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I. Management report in the 1Q of 2011

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 first quarter of 2011. The acting Chairman of the Management Board and the CEO is Imre Madison. Other members of the Management Board are Uldis Mucinieks, responsible for sales management and Latvian Branch Manager; Rytis Ambrazevicius, responsible for marketing and client service matters and Lithuanian Branch Manager; Ilona Stare, responsible for policy administration and IT management; Rasa Kasperaviciute, responsible for risk management and product development matters; 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 Airi Viiart. 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 Kaisa Aalto-Luoto, Human Resources Manager of Mandatum Life Insurance Company Ltd, and Jukka Pirskanen, Head of Investment Management of Mandatum Life Insurance Company Ltd.

2. Business results of the Company

As at 31.03.2011, the Company serviced a total of 38 879 life insurance contracts. The biggest share of total insurance contracts in force at the end of the first quarter of 2011 consisted of unit-linked insurance contracts (total of 26 484 contracts). As at 31.03.2011, the Company had 42 060 insured persons in its contracts portfolio in the Baltics.

The Company's received payments totalled 11 840 595 euros in the first quarter of 2011; this represents a decrease by 7% and 936 101 euros on the figures of the first quarter of 2010.

As at 31.03.2011, the Company's client assets under management (AUM) amounted to 166 140 026 euros, which is an increase of 0.7% and 1 228 707 euros compared to the figures as at 31.12.2010. The biggest share of AUM was formed by unit-linked insurance contracts, which formed 146 835 318 euros and 88% of clients' total AUM.

The Company's market share (based on contractual payments received) of the first quarter of 2011 was 17.1%, which held the third position on the Baltic life insurance market. The market share in the Baltics (based on contractual payments received) decreased by 2.6% in 2011 compared with the end of the first quarter of 2010. As at 31.03.2011, the market share by countries based on contractual payments received in Estonia was 25.7%, in Latvia 10.2%, and in Lithuania 15.3%.

The Company's market share (based on contractual payments received from unit-linked investment contracts) of the first quarter of 2011 was 27.3%, which held the leading position on the Baltic unit-linked insurance market. In comparison with the end of the first quarter of 2010, the Company's market share based on contractual payments received from unit-linked investment contracts decreased by 5.1%. As at

31.03.2011, the Company's market share by countries based on contractual payments received from unit-linked investment contracts in Estonia was 51%, in Latvia 25.5% and in Lithuania 20.4%.

In the first quarter of 2011 the Company paid claims in the amount of 7 188 062 euros, which is 3 622 851 euros more than in the first quarter of 2010. 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), starting from 10 January 2011 the Company cooperates with Sampo plc. Up to then, the investment portfolio assets of the Company were managed by Danske Capital AS. Net income from investment activities (net of investment expenses) in the Baltic countries in the first quarter of 2011 was negative, totalling to -34 660 euros. Investment income of the Company's own capital portfolio in the first quarter of 2011 was negative, amounting to -9498 euros.

As at 31.03.2011, the total size of the investment portfolio (except investments related to unit-linked life insurance contracts) reached 26.97 million euros. At the end of the first quarter of 2011, Mandatum Life Insurance Baltic SE's investment portfolio mostly comprised of money market instruments.

As at 31.03.2011, owner's equity was 9 987 971 euros, of which 3 515 141 euros was formed by share capital.

As at 31.03.2011 the total amount of assets included in the available solvency margin was 9 195 797 euros, the required solvency margin was 2 415 635 euros and the solvency surplus was 6 780 162 euros.

The Company's operating expenses (which include acquisition expenses, administrative expenses and investment expenses) increased in the first quarter of 2011 by 17.9% in comparison with the same period of 2010, amounting to 1 419 396 euros. Acquisition expenses accounted for 52.5% of all operational expenses in the first quarter of 2011 in the Baltic countries.

In the first quarter of 2011, Mandatum Life Insurance Baltic SE's profit for the period amounted to 37 904 euros. In the same period of the previous year, the Company made a profit of 713 458 euros. The main reason for the decrease in profit in comparison with the first quarter of 2010 was lower net income from investment activities.

The Company's balance sheet volume reached 177 003 361 euros as at 31.03.2011; the increase was 1 235 926 euros in comparison with the end of 2010. Technical provisions from insurance contracts amounted to 13 985 302 euros at the end of the first quarter of 2011; financial liabilities from investment contracts were 18 419 185 euros and financial liabilities from insurance contracts formed 133 735 539 euros.

3. Personnel of the Company

As at 31.03.2011 there were 115 employees working in the Company. The number of employees increased by 9 employees compared with last year. Salaries and wages (including payroll taxes) for the period amounted to 731 851 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 110 791 euros.

4. Sales and development activities

In the first quarter of 2011, the Company's main sales channel was its own sales team.

In offering investment solutions and in further management of investments, the Company follows each client's risk profile, and their experience and goals in investing.

In the first quarter of 2011, three investment seminars directed at potential clients were held in Estonia and one in Latvia. In Latvia the Company introduced a new main IT-system. The preparation for implementing common CRM-processes in all Baltic countries was finished. The Company continued to expand its wealth management unit in the Baltic countries and hired additional wealth managers.

The Company has started developing its risk product portfolio in order to provide our clients with wider opportunities of life insurance cover.

5. *Other activities*

The Company continues preparations in order to fulfil the Solvency 2 requirements of the EU insurance sector starting from the year 2013. For this purpose, the Company has purchased insurance software that supports the calculation of future cash flows of the Company.

In the Estonian unit, the Estonian Financial Supervision Authority conducted an on-the-spot inspection “Concluding insurance contracts, including meeting the requirements of the insurer’s notification obligation”. According to the final estimations presented in the inspection report, the Company has organized its work in the particular field in such a manner that it meets the Financial Supervision Authority’s requirements. The suggestions made by the Financial Supervision Authority will be implemented by the Company in the course of 2011.

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, 22 May 2011

II. Signatures of the Management Board

The Company's Management Board has prepared the Interim Report of the 1Q of 2011 on pages 7-12.

Imre Madison	Chairman of the Management Board	27.05.2011
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Erkki Sadam	Member of the Management Board	27.05.2011
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III. Statement of financial position

<i>in euros</i>	31.03.2011	31.12.2010	Notes
ASSETS			
Cash and cash equivalents	256 563	6 501 373	
Reinsurers' share of insurance liabilities	83 659	74 477	
Financial assets			
-Financial assets designated as being at fair value through profit and loss	174 483 828	167 380 869	
- Receivables related to insurance activities and other	755 105	446 892	
Accrued income and prepaid expenses	518 829	459 128	
Property, plant and equipment	112 973	119 932	VII.2
Intangible assets	792 405	784 764	VII.3
TOTAL ASSETS	177 003 362	175 767 435	

LIABILITIES AND OWNER'S EQUITY

Insurance payables	231 692	290 946	
Accrued expenses and deferred income	643 673	615 103	
Financial liabilities from insurance contracts	133 735 539	136 937 968	
Financial liabilities from investment contracts	18 419 185	14 143 196	
Technical provision from insurance contracts	13 985 302	13 830 155	
Total liabilities	167 015 391	165 817 368	
Share capital	3 515 141	3 515 141	
Share premium	3 509 881	3 509 881	
Legal reserve	204 792	132 366	
Unrealized foreign exchange	594	827	
Retained profits	2 757 563	2 791 852	
Total owner's equity	9 987 971	9 950 067	
TOTAL LIABILITIES AND OWNER'S EQUITY	177 003 362	175 767 435	

IV. Statement of Comprehensive Income

<i>in euros</i>	1-3/ 2011	1-3/ 2010
Gross premiums	990 602	1 027 251
Reinsurers' share of gross premiums	-18 294	-177 222
Net premiums	804 308	850 029
Investment income	143 348	160 352
Fair value gains and losses	-103 187	346 986
Realised gains and losses	-13 375	190 009
Net income from investments	26 786	697 347
Fee income	725 293	742 508
Reinsurance commission income	18 152	15 916
Other income	386 182	228 928
Other revenue	1 129 627	987 352
Paid insurance claims net of reinsurance and claims handling expenses related to out-payments	-313 337	-412 301
Increase of insurance technical provisions net of reinsurance	-158 115	-231 623
Net insurance claims and the change of technical provisions	-471 452	-643 924
Change in value of unit-linked financial liabilities and assets	2 145	62 424
Change in value of financial liabilities from insurance contracts with guaranteed interest	-33 881	-36 297
Acquisition expenses	-744 559	-595 143
Administrative expenses	-603 893	-545 465
Investment expenses	-70 944	-62 793
Expenses	-1 419 396	-1 203 401
Profit/loss before income tax	38 137	713 530
Income tax expenses	0	0
Profit/loss for the period	38 137	713 530
Other comprehensive income		
Exchange differences	-233	-72
Total comprehensive income for the period	37 904	713 458

V. Statement of Cash-flows

<i>in euros</i>	1-3/ 2011	1-3/ 2010	Notes
Cash flow from operating activities			
Premiums received	993 252	1 021 119	
Financial liability inflow	10 782 786	11 669 591	
Paid claims and claims handling expenses related to pay-outs	-345 532	-436 642	
Financial liability outflow	-6 908 647	-3 191 544	
Reinsurance payments	132 369	122 754	
Expenses	-1 308 696	-1 057 201	
Other revenue and other expenses	341 678	197 565	
Purchases of shares and investment fund units	-75 919 861	-61 172 122	
Proceeds from the sale of shares and investment fund units	72 179 415	45 034 268	
Purchases of bonds and other fixed income securities	-15 302 406	-1 171 856	
Proceeds from the sale of bonds and other fixed income securities	8 614 776	2 221 163	
Investments in term deposits	0	-2 335 393	
Proceeds on term deposits	238 691	2 318 560	
Interest received	361 958	217 823	
Investment expenses	-70 944	-42 932	
Net cash provided by operating activities	-6 211 161	-6 604 847	
Cash flow from investing activities			
Purchases of tangible and intangible assets	-33 743	-47 489	VII.2VII.3
Net cash provided by investing activities	-33 743	-47 489	
TOTAL CASH FLOW, net	-6 244 904	-6 652 336	
Cash and cash equivalents at the beginning of the period	6 501 373	9 418 436	
Change in cash and cash equivalents	-6 244 904	-6 652 336	
Foreign currency translation effects	94	282	
Cash and cash equivalents at the end of the period	256 563	2 766 382	

VI. Statement of changes in owner's equity

<i>In euros</i>	Share capital	Share premium	Legal reserve	Unrealised foreign exchange rate	Retained earnings	Total equity
As at 31.12.2009	3 515 141	3 509 881	67 009	572	1 408 682	8 501 285
Increase of legal reserve	0	0	65 357	0	-65 357	0
Other comprehensive income	0	0	0	255	0	255
Profit for the year 2010	0	0	0	0	1 448 527	1 448 527
As at 31.12.2010	3 515 141	3 509 881	132 366	827	2 791 852	9 950 067
Increase of legal reserve	0	0	72 426	0	-72 426	0
Other comprehensive income	0	0	0	-233	0	-233
Profit for the period	0	0	0	0	38 137	38 137
As at 31.03.2011	3 515 141	3 509 881	204 792	594	2 757 563	9 987 971

VII. Notes

1. Basis of preparation

Mandatum Life Insurance Baltic SE's Interim Report of 1st Quarter 2011 is prepared in accordance with IAS 34 "Interim Financial Reporting".

The Company's Annual Accounts for 2010 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 2010. 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 euros, unless stated otherwise.

2. Property, plant and equipment

<i>in euros</i>	Acquisition cost	Accumulated depreciation	Carrying value
As at 31.12.2010	315 884	-195 952	119 932
Additions	4 645	0	4 645
Foreign exchange adjustments	0	-298	-298
Depreciation charges	0	-11 306	-11 306
As at 31.03.2011	320 529	-207 556	112 973

Equipment comprises IT, office equipment and furniture.

3. Intangible assets

<i>in euros</i>	Acquisition cost	Accumulated depreciation	Carrying value
As at 31.12.2010	1 333 821	-549 057	784 764
Additions	29 098	0	29 098
Foreign exchange adjustments	0	-2	-2
Depreciation charges	0	-21 455	-21 455
As at 31.03.2011	1 362 919	-570 514	792 405

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 March 2011, Sampo plc held 21.3% 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 111 thousand euros in the 1Q 2011 pursuant to service contracts. The Supervisory Board received no separate remuneration or severance pay.

ASSETS <i>in euros</i>	31.03.2011	31.12.2010
Cash and cash equivalents		
Nordea Bank (associated company to Sampo plc)	40 283	213 471
Reinsurers' share of insurance liabilities		
Mandatum Life Insurance Company Ltd (parent company)	133 985	394 304
Financial assets		
Financial assets designated as being at fair value through p/l		
Mandatum Life Insurance Company Ltd (parent company)	64 845 203	61 820 683
Other receivables		
If P&C Insurance Company Ltd (a consolidation group enterprise)	157	3 587
Mandatum Life Insurance Company Ltd (parent company)	5 890	0
Accrued income and prepaid expenses		
Mandatum Life Insurance Company Ltd (parent company)	213 161	74 968
If P&C Insurance Company Ltd (a consolidation group enterprise)	22 701	13 196
LIABILITIES <i>in euros</i>	31.03.2011	31.12.2010
Insurance payables		
Mandatum Life Insurance Company Ltd (parent company)	186 193	187 378
Accrued expenses and deferred income		
If P&C Insurance Company Ltd (a consolidation group enterprise)	2 278	602
Mandatum Life Insurance Company Ltd (parent company)	0	7 728
INCOME STATEMENT <i>in euros</i>	1-3/ 2011	1-3/ 2010
Ceded premiums		
Mandatum Life Insurance Company Ltd (parent company)	186 294	177 222
Reinsurance commissions		
Mandatum Life Insurance Company Ltd (parent company)	18 152	15 916
Other income		
If P&C Insurance Company Ltd (a consolidation group enterprise)	180	144
Mandatum Life Insurance Company Ltd (parent company)	152 366	46 901
Reinsurers' share in claims paid and in change provisions		
Mandatum Life Insurance Company Ltd (parent company)	41 692	2 626
Expenses		
Commissions fees to brokers		
If P&C Insurance Company Ltd (a consolidation group enterprise)	86	132
Transport expenses		
If P&C Insurance Company Ltd (a consolidation group enterprise)	2 842	1 023
Nordea Bank (associated company to Sampo plc)	5 943	0
Other expenses		
If P&C Insurance Company Ltd (a consolidation group enterprise)	3 743	12 745
Sampo plc (ultimate parent company)	23 657	14 180
Mandatum Life Insurance Company Ltd (parent company)	15 690	0