

MANDATUM LIFE INSURANCE BALTIC SE

INTERIM REPORT 1-3Q/2010

Business name: MANDATUM LIFE INSURANCE BALTIC SE

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Beginning of reporting period: 01.01.2010

End of reporting period: 30.09.2010

CEO: Imre Madison

Auditor: Ernst & Young Baltic AS

Contents

I.	MANAGEMENT REPORT IN THE 1-3Q OF 2010	3
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.....	5
II.	SIGNATURES OF THE MANAGEMENT BOARD	6
III.	BALANCE SHEET.....	7
IV.	COMPREHENSIVE INCOME STATEMENT	8
V.	QUARTERLY COMPREHENSIVE INCOME STATEMENT.....	9
VI.	STATEMENT OF CASH-FLOWS.....	10
VII.	STATEMENT OF CHANGES IN OWNER'S EQUITY.....	11
VIII.	NOTES.....	12
1.	BASIS OF PREPARATION.....	12
2.	PROPERTY, PLANT AND EQUIPMENT	12
3.	INTANGIBLE ASSETS	12
4.	TRANSACTIONS WITH ASSOCIATED PARTIES	12

I. Management report in the 1-3Q of 2010

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

The Company's new legal name is Mandatum Life Insurance Baltic SE from 1 July 2010, when the change of name was registered in the Commercial Register of Tallinn. Up to 1 July 2010 the Company's legal name was SE Sampo Life Insurance Baltic. The commercial registry code of the Company does not change with the exchange of name.

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

The Company's core activities include the solutions of investment and wealth management through unit-linked life insurance.

1. Management of the Company

The Company's Management Board had eight members at the end of the third quarter of 2010. 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 continues as the acting Chairman of the Supervisory Board. According to the decision of the sole shareholder from 1 October 2010 Jukka Pirskanen, Head of Mandatum Life Investment Management is new member of Supervisory Board in place of Janne Saarikko. Kaisa Aalto-Luoto, Mandatum Life Human Resources Manager is the third member of Supervisory Board.

2. Business results of the Company

As at 30.09.2010, the Company serviced a total of 40,028 life insurance contracts. The biggest share of total insurance contracts in force consisted of unit-linked insurance contracts (total 27,069 contracts). As at 30.09.2010, the Company had 44,701 insured persons on its contracts portfolio in the Baltics.

The number of new contracts were affected by the change of the Estonian Income Tax Act (tax relief of 12+ year contracts was removed) in connection with the number of new unit linked insurance contracts concluded in July 2010 was significantly higher compared to July's of previous year.

The Company received payments totaled 703, 9 million Estonian kroons for the first nine months of 2010, this represents 54 per cent and 246, 9 million of Estonian kroons increase on the figures for the nine months of 2009.

As at 30.09.2010, the Company clients assets under management (AUM) amounted to 2348 million Estonian kroons, which are 489 million Estonian kroons and 26, 3% increase compared the figures as at 31.12.2009. The biggest share in AUM clients had unit-linked insurance contracts which form 2136 million Estonian kroons and 91 per cent of clients' total AUM.

The Company's market share (based on contractual payments received) as at 30.09.2010 was 20, 8 per cent, which held the third position on life insurance market in the Baltics. The market share (based on contractual payments received) increased 5, 9 per cent in the first nine months of 2010 in Baltics compared with the end of the third quarter of 2009. As at 30.09.2010, the market share by countries based on contractual payments received was in Estonia 29, 8 per cent (2. position); in Latvia 21, 2 per cent (2. position) and in Lithuania 15, 8 per cent (4. position).

In 2010 in first nine months the Company paid claims 304, 9 million Estonian kroons, which are 118, 7 million Estonian kroons more than in the nine months of 2009. The majority of out-payments were partial surrenders and surrenders made from unit-linked insurance.

As for the management of investments (technical provision and the Company's own capital portfolios) the Company continued its partnership with Danske Capital AS. Net income from investment activities (net of investment expenses) in the nine months of 2010 was 8, 9 million Estonian kroons in Baltics. Investment income of the Company's own capital portfolio amounted to 4, 9 million Estonian kroons in the nine months of 2010.

As at 30.09.2010, the total size of investment portfolio (except investments related to unit-linked life insurance contracts) reached 422 million Estonian kroons. Mandatum Life Insurance Baltic SE's investment portfolio comprised mostly of bonds, unit of funds in bonds, commercial papers, term deposits and money market instruments.

As at 30.09.2010 owner equity was at 158, 2 million Estonian kroons, of which 55 million Estonian kroons was share capital.

As at 30.09.2010 the total amount of assets included in the available solvency margin was 146, 4 million Estonian kroons, the required solvency margin was 35, 9 million Estonian kroons and the solvency surplus was 110, 5 million Estonian kroons.

The Company's operating expenses (which include acquisition expenses, administrative expenses and investment expenses) increased in the nine months of 2010 by 12% in comparison with the same period in 2009 amounted to 58, 8 million Estonian kroons. Acquisition expenses accounted for 52% of all operational expenses in the nine months of 2010 in the Baltics.

In the nine months of 2010, Mandatum Life Insurance Baltic SE's profit for the period amounted to 25, 2 million Estonian kroons. Year before the Company made a profit 19, 1 million Estonian kroons.

The Company's balance sheet volume reached 2523 million Estonian kroons as at 30.09.2010, the increase was 513 million Estonian kroons in comparison with the end of 2009. This increase was mainly based on the growth of received payments and on the growth of fair value in financial assets. Technical provision from insurance contracts amounted to 212 million Estonian kroons at the end of the second quarter of 2010; financial liabilities from insurance contracts formed 2136 million Estonian kroons.

3. Personnel of the Company

As at 30.09.2010 there were 105 employees working in the Company. The number of employees didn't increase compared with the same period last year. Salaries and wages (including payroll taxes) for the period amounted to 33, 8 million Estonian kroons. 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 5, 6 million Estonian kroons in the first nine months of 2010.

4. Sales and development activities

The Company continues cooperation with Mandatum Life and offers investment and wealth management solutions for private clients and corporates in the Baltics. The share of contracts concluded by own sales teams has increased significant in total number of contracts; increased also the client assets under management and the amount of received payments from contracts concluded by own sales team.

The Company follows in the offers of investment solution and in further management of investments each client's risk profile, current experiences and goals in investing.

From 2010 the third quarter the Company has integrated IT systems of Baltic's to common network.

5. Other activities

The external auditor 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 the working groups in the Baltics.

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




Imre Madison
CEO

Tallinn, 18. November 2010

II. Signatures of the Management Board

The Company's Management Board has prepared on pages 7-13 Interim Report of the 1-3Q of 2010.

Imre Madison Chairman of the Management Board  26.11.2010

Paul Lukka Member of the Management Board  26.11.2010

III. Balance sheet

<i>in thousands of Estonian kroons</i>	30.09.2010	31.12.2009	Notes
ASSETS			
Cash and cash equivalents	24 268	147 366	
Reinsurers' share of insurance liabilities	963	1 014	
Financial assets			
Financial assets designated as being at fair value through profit and loss	2 471 914	1 839 735	
Financial assets designated as being at amortised cost, including:	11 688	12 123	
- Receivables related to insurance activities and other	4 572	7 270	
- Accrued income and prepaid expenses	7 116	4 853	
Property, plant and equipment	2 037	1 520	VIII.2
Intangible assets	11 859	8 200	VIII.3
TOTAL ASSETS	2 522 729	2 009 958	
LIABILITIES AND OWNER'S EQUITY			
Insurance payables	8 494	6 562	
Accrued expenses and deferred income	7 791	11 135	
Financial liabilities from insurance contracts	2 136 347	1 647 701	
Technical provision from insurance contracts	211 850	211 544	
Total liabilities	2 364 482	1 876 942	
Share capital	55 000	55 000	
Share premium	54 918	54 918	
Legal reserve	2 071	1 048	
Unrealized foreign exchange	11	9	
Retained profits	46 247	22 041	
Total owner's equity	158 247	133 016	
TOTAL LIABILITIES AND OWNER'S EQUITY	2 522 729	2 009 958	

IV. Comprehensive Income Statement

<i>in thousands of Estonian kroons</i>	1-9/ 2010	1-9/ 2009
Gross premiums	47 927	51 400
Reinsurers' share of gross premiums	-8 580	-8 744
Net premiums	39 347	42 656
Investment income	5 970	14 896
Fair value gains and losses	8 410	7 910
Realised gains and losses	2 066	256
Net income from investments	16 446	23 062
Fee income	34 435	31 115
Other income	13 295	7 768
Other revenue	47 730	38 883
Paid insurance claims net of reinsurance and claims handling expenses related to out-payments	-18 350	-24 738
Increase of insurance technical provisions net of reinsurance	-608	-4 736
Net insurance claims and the change of technical provisions	-18 958	-29 474
Change in value of unit-linked financial liabilities and assets	1 070	-3 990
Change in value of financial liabilities from insurance contracts with guaranteed interest	-1 583	444
Acquisition expenses	-30 778	-26 799
Administrative expenses	-25 442	-23 419
Investment expenses	-2 603	-2 301
Expenses	-58 823	-52 519
Profit/loss before income tax	25 229	19 062
Income tax expenses	0	0
Profit/loss for the period	25 229	19 062
Other comprehensive income		
Exchange differences	2	24
Total comprehensive income for the period	25 231	19 086

V. Quarterly Comprehensive Income Statement

<i>in thousands of Estonian kroons</i>	7-9/ 2010	7-9/ 2009
Gross premiums	15 721	16 699
Reinsurers' share of gross premiums	-2 815	-2 755
Net premiums	12 906	13 944
Investment income	1 520	4 191
Fair value gains and losses	4 354	4 576
Realised gains and losses	25	637
Net income from investments	5 899	9 404
Fee income	10 525	10 289
Other income	4 731	3 045
Other revenue	15 256	13 334
Paid insurance claims net of reinsurance and claims handling expenses related to out-payments	-5 187	-8 608
Increase of insurance technical provisions net of reinsurance	-255	-1 894
Net insurance claims and the change of technical provisions	-5 442	-10 502
Change in value of unit-linked financial liabilities and assets	-5	-1 675
Change in value of financial liabilities from insurance contracts with guaranteed interest	-434	548
Acquisition expenses	-10 679	-8 774
Administrative expenses	-7 995	-7 784
Investment expenses	-669	-604
Expenses	-19 343	-17 162
Profit/loss before income tax	8 837	7 891
Income tax expenses	0	0
Profit/loss for the period	8 837	7 891
Other comprehensive income		
Exchange differences	2	0
Total comprehensive income for the period	8 839	7 891

VI. Statement of Cash-flows

<i>in thousands of Estonian kroons</i>	1-9/ 2010	1-9/ 2009	Notes
Cash flow from operating activities			
Premiums received	47 944	51 327	
Financial liability inflow	653 585	405 831	
Paid claims and claims handling expenses related to pay-outs	-19 637	-26 594	
Financial liability outflow	-259 735	-162 355	
Reinsurance payments	255	-2 736	
Expenses	-58 112	-51 016	
Other revenue and other expenses	10 172	5 991	
Purchases of shares and investment fund units	-3 035 566	-2 034 976	
Proceeds from the sale of shares and investment fund units	2 534 285	1 724 774	
Purchases of bonds and other fixed income securities	-111 800	-107 053	
Proceeds from the sale of bonds and other fixed income securities	93 889	150 750	
Investments in term deposits	-189 159	-335 409	
Proceeds on term deposits	211 316	364 184	
Interest received	7 656	16 314	
Dividends received	80	37	
Investment expenses	-2 603	-2 301	
Net cash provided by operating activities	-117 430	-3 232	
Cash flow from investing activities			
Purchases of tangible and intangible assets	-5 669	-4 197	VIII.2VIII.3
Net cash provided by investing activities	-5 669	-4 197	
TOTAL CASH FLOW, net	-123 099	-7 429	
Cash and cash equivalents at the beginning of the period	147 366	130 490	
Change in cash and cash equivalents	-123 099	-7 429	
Foreign currency translation effects	1	0	
Cash and cash equivalents at the end of the period	24 268	123 060	

VII. Statement of changes in owner's equity

<i>in thousands of Estonian kroons</i>	Share capital	Share premium	Legal reserve	Unrealised foreign exchange rate	Retained earnings	Total equity
As at 31.12.2007	55 000	54 918	365	0	13 669	123 952
Currency translation adjustments	0	0	0	-15	0	-15
Loss for the year 2008	0	0	0	0	-11 397	-11 397
Total income and expenses for the year	0	0	0	-15	-11 397	-11 412
Increase of legal reserve	0	0	683	0	-683	0
As at 31.12.2008	55 000	54 918	1 048	-15	1 589	112 540
Other comprehensive income	0	0	0	24	0	24
Profit for the year 2009	0	0	0	0	20 452	20 452
As at 31.12.2009	55 000	54 918	1 048	9	22 041	133 016
Increase of legal reserve	0	0	1 023	0	-1 023	0
Other comprehensive income	0	0	0	2	0	2
Profit for the period	0	0	0	0	25 229	25 229
As at 30.09.2010	55 000	54 918	2 071	11	46 247	158 247

VIII. Notes

1. Basis of preparation

Mandatum Life Insurance Baltic SE's Interim Report of the first nine months of 2010 is prepared in accordance with IAS 34 „Interim Financial Reporting“.

The Company's 2009 Annual Accounts 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 2009. The annual financial statements are available on website at www.mandatumlife.ee. Therefore the accounting principles are not described in this Interim Report.

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

2. Property, plant and equipment

<i>in thousands of Estonian kroons</i>	Acquisition cost	Accumulated depreciation	Carrying value
As at 31.12.2009	3 834	-2 314	1 520
Additions	1 063	0	1 063
Foreign exchange adjustments	0	-13	-13
Depreciation charges	0	-533	-533
As at 30.09.2010	4 897	-2 860	2 037

Equipment comprises IT, office equipment and furniture.

3. Intangible assets

<i>in thousands of Estonian kroons</i>	Acquisition cost	Accumulated depreciation	Carrying value
As at 31.12.2009	15 515	-7 315	8 200
Additions	4 606	0	4 606
Foreign exchange adjustments	0	-14	-14
Depreciation charges	0	-933	-933
As at 30.09.2010	20 121	-8 262	11 859

4. Transactions with associated parties

As the associated parties are accounted the parent company Mandatum Life Insurance Company Ltd, other Sampo Group's companies, the members of the Management and Supervisory Board. As Sampo plc held on 30 September 2010 more than 20 per cent of the share capital, Nordea Bank is accounted for as an associated company. Members of the Management Board received a total of 5, 6 million Estonian kroons in the first nine months of 2010 pursuant to service contracts. The Supervisory Board received no separate remuneration or severance pay.

ASSETS <i>in thousands of Estonian kroons</i>	30.09.2010	31.12.2009
Cash and cash equivalents		
Nordea Bank (associated company to Sampo plc)	64	26
Reinsurers' share of insurance liabilities		
Mandatum Life Insurance Company Ltd (parent company)	963	1 014
Financial assets		
Financial assets designated as being at fair value through p/l		
Mandatum Life Insurance Company Ltd (parent company)*	857 262	346 366
Other receivables		
If P&C Insurance Company Ltd (a consolidation group enterprise)	4	2
Mandatum Life Insurance Company Ltd (parent company)	2 641	4 927
Accrued income and prepaid expenses		
Mandatum Life Insurance Company Ltd (parent company)	1 972	559
If P&C Insurance Company Ltd (a consolidation group enterprise)	89	80
Sampo plc (ultimate parent company)	0	222
LIABILITIES <i>in thousands of Estonian kroons</i>	30.09.2010	31.12.2009
Insurance payables		
Mandatum Life Insurance Company Ltd (parent company)	7 381	3 007
Accrued expenses and deferred income		
If P&C Insurance Company Ltd (a consolidation group enterprise)	15	15
Mandatum Life Insurance Company Ltd (parent company)	79	0
INCOME STATEMENT <i>in thousands of Estonian kroons</i>	1-9/ 2010	1-9/ 2009
Ceded premiums		
Mandatum Life Insurance Company Ltd (parent company)	8 580	8 744
Reinsurance commissions		
Mandatum Life Insurance Company Ltd (parent company)	707	1 145
Other income		
If P&C Insurance Company Ltd (a consolidation group enterprise)	8	23
Mandatum Life Insurance Company Ltd (parent company)	3 562	682
Reinsurers' share in claims paid and in change provisions		
Mandatum Life Insurance Company Ltd (parent company)	1 235	2 126
Expenses		
Commissions fees to brokers		
If P&C Insurance Company Ltd (a consolidation group enterprise)	6	7
Transport expenses		
If P&C Insurance Company Ltd (a consolidation group enterprise)	137	122
Nordea Bank (associated company to Sampo plc)	171	0
Other expenses		
If P&C Insurance Company Ltd (a consolidation group enterprise)	889	807
Sampo plc (ultimate parent company)	305	178
Nordea Bank (associated company to Sampo plc)		0
Mandatum Life Insurance Company Ltd (parent company)	702	0

*Mandatum Life Insurance Baltic SE offers Mandatum Life Finland investment baskets and wealth management solutions to its own unit-linked policies according to the capital redemption policy between the Company and Mandatum Life Ltd. The Company invests customer assets into the capital redemption policy which is linked to the Mandatum Life Finland baskets and wealth management solutions.