

MANDATUM LIFE INSURANCE BALTIC SE

INTERIM REPORT 1-4Q/2010

Business name: MANDATUM LIFE INSURANCE BALTIC SE

Commercial registry code: 10561490

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Beginning of reporting period: 01.01.2010

End of reporting period: 31.12.2010

CEO: Imre Madison

Auditor: Ernst & Young Baltic AS

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I. Management report in the 1-4Q of 2010

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's new legal name is Mandatum Life Insurance Baltic SE starting from 1 July 2010, when the exchange 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 did not change with the exchange of name.

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 fourth 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 the new member of the Supervisory Board replacing Janne Saarikko. Kaisa Aalto-Luoto, Mandatum Life Human Resources Manager is the third member of the Supervisory Board.

2. Business results of the Company

As at 31.12.2010, the Company serviced a total of 39,342 life insurance contracts. The biggest share of total insurance contracts in force consisted of unit-linked insurance contracts (total 26,676 contracts). As at 31.12.2010, the Company had 43,661 insured persons in its contracts portfolio in the Baltics.

The Company's received payments totalled 945.5 million Estonian kroons in 2010; this represents an increase of 42% and 280.8 million Estonian kroons on the figures in 2009.

As at 31.12.2010, the Company's client assets under management (AUM) amounted to 2580 million Estonian kroons, which is an increase of 39% and 721 million Estonian kroons compared to the figures as at 31.12.2009. The biggest share of AUM was formed by unit-linked insurance contracts, which formed 2364 million Estonian kroons and 92% of clients' total AUM.

The Company's market share (based on contractual payments received) as at 31.12.2010 was 19.5%, which held the third position on the Baltic life insurance market. The market share in the Baltics (based on contractual payments received) increased by 4.3% in 2010 compared with the year 2009. As at 31.12.2010, the market share by countries based on contractual payments received in Estonia was 29.6% (2nd position); in Latvia 17.9% (3rd position), and in Lithuania 15.2% (4th position).

In 2010 the Company paid claims in the amount of 413.6 million Estonian kroons, which is 173.3 million Estonian kroons more than in the year 2009. The majority of pay-outs were 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 continued its partnership with Danske Capital AS until the end of 2010. Net income from investment activities (net of investment expenses) in 2010 totalled to 5.8 million Estonian kroons in the Baltics. In relation to the 2.7% annual return of the Company's technical provisions investment portfolio, the Management Board decided not to pay any additional bonuses into guaranteed interest life insurance contracts for 2010 in any Baltic countries. The guaranteed interest rate for respective insurance contracts in the Company is between 2.5 and 4% depending on the country. Investment income of the Company's own capital portfolio amounted to 3.4 million Estonian kroons in 2010.

As at 31.12.2010, the total size of the investment portfolio (except investments related to unit-linked life insurance contracts) reached 417 million Estonian kroons. Mandatum Life Insurance Baltic SE's investment portfolio comprised mostly of money market instruments. Since 10th of January 2011, the asset manager of the Company's technical provisions and owner's equity investment portfolios is Sampo Group.

As at 31.12.2010, owner's equity was at 155.7 million Estonian kroons, of which 55 million Estonian kroons was formed by share capital.

As at 31.12.2010 the total amount of assets included in the available solvency margin was 143.4 million Estonian kroons, the required solvency margin was 37.7 million Estonian kroons and the solvency surplus was 105.7 million Estonian kroons.

The Company's operating expenses (which include acquisition expenses, administrative expenses and investment expenses) increased in 2010 by 6.6% in comparison with the year 2009, amounting to 82.8 million Estonian kroons. Acquisition expenses accounted for 52% of all operational expenses in 2010 in the Baltics.

In 2010, Mandatum Life Insurance Baltic SE's profit for the period amounted to 22.7 million Estonian kroons. In the previous year, the Company made a profit of 20.5 million Estonian kroons.

The Company's balance sheet volume reached 2750 million Estonian kroons as at 31.12.2010; the increase was 740 million Estonian kroons in comparison with the end of 2009. This increase was mainly based on the growth of received payments and the fair value in financial assets. Technical provision from insurance contracts amounted to 216 million Estonian kroons at the end of 2010; financial liabilities from insurance contracts formed 2364 million Estonian kroons.

3. Personnel of the Company

As at 31.12.2010 there were 111 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 45.8 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 7.4 million Estonian kroons in 2010.

4. Sales and development activities

In 2010 the Company continues cooperation with the parent company Mandatum Life Finland and offers investment and wealth management solutions for private and corporate clients in the Baltics. The share of contracts concluded by own sales teams has increased significantly in the total number of contracts; also the client assets under management and the amount of received payments from contracts concluded by own sales team has increased.

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

The prioritized development activity of the Company's Estonian branch in 4Q was preparation for the Euro conversion. In Latvia, the main focus was on final preparation for introducing the new main IT-system at

the beginning of 2011. In all Baltic States, the Company has started development work of a common CRM process in order to manage client relations more sufficiently.

5. Other activities

In 4Q of 2010, the Company participated in the Quantitative Impact Study (QIS) 5 calculations related to the Solvency 2 preparations of the EU insurance sector. The Company was audited as part of a cross-border audit "Business Contingency" conducted in Sampo Group entities by Finnish and Estonian Financial Supervisory Boards; the audit concentrated on the Company's critical business functions in possible crises situation. According to the final estimation presented in the audit report, the Company is well prepared to manage the above-mentioned risks.

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 working groups in the Baltics.

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

Imre Madison
CEO

Tallinn, 22 February 2011

II. Signatures of the Management Board

The Company's Management Board has prepared the Interim Report of the 1-4Q of 2010 on pages 7-13.

Imre Madison	Chairman of the Management Board	28.02.2011
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Erkki Sadam	Member of the Management Board	28.02.2011
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III. Balance sheet

<i>in thousands of Estonian kroons</i>	31.12.2010	31.12.2009	Notes
ASSETS			
Cash and cash equivalents	101 724	129 348	
Reinsurers' share of insurance liabilities	1 165	1 014	
Financial assets			
Financial assets designated as being at fair value through profit and loss	2 618 942	1 857 753	
Financial assets designated as being at amortised cost, including:	14 176	12 123	
- Receivables related to insurance activities and other	6 992	7 270	
- Accrued income and prepaid expenses	7 184	4 853	
Property, plant and equipment	1 877	1 520	VIII.2
Intangible assets	12 279	8 200	VIII.3
TOTAL ASSETS	2 750 163	2 009 958	
LIABILITIES AND OWNER'S EQUITY			
Insurance payables	4 552	6 562	
Accrued expenses and deferred income	9 624	11 135	
Financial liabilities from insurance contracts	2 353 907	1 647 701	
Technical provision from insurance contracts	216 395	211 544	
Total liabilities	2 594 478	1 876 942	
Share capital	55 000	55 000	
Share premium	54 918	54 918	
Legal reserve	2 071	1 048	
Unrealized foreign exchange	13	9	
Retained profits	43 683	22 041	
Total owner's equity	155 685	133 016	
TOTAL LIABILITIES AND OWNER'S EQUITY	2 750 163	2 009 958	

IV. Comprehensive Income Statement

<i>in thousands of Estonian kroons</i>	1-12/ 2010	1-12/ 2009
Gross premiums	64 354	68 069
Reinsurers' share of gross premiums	-11 512	-11 750
Net premiums	52 842	56 319
Investment income	8 162	18 285
Fair value gains and losses	2 957	10 250
Realised gains and losses	1 589	264
Net income from investments	12 708	28 799
Fee income	46 593	42 520
Other income	23 222	15 398
Other revenue	69 915	57 918
Paid insurance claims net of reinsurance and claims handling expenses related to out-payments	-24 055	-32 639
Increase of insurance technical provisions net of reinsurance	-5 049	-8 320
Net insurance claims and the change of technical provisions	-29 104	-40 959
Change in value of unit-linked financial liabilities and assets	1 280	-822
Change in value of financial liabilities from insurance contracts with guaranteed interest	-2 180	-3 156
Acquisition expenses	-43 368	-37 792
Administrative expenses	-35 936	-36 207
Investment expenses	-3 493	-3 647
Expenses	-82 797	-77 646
Profit/loss before income tax	22 665	20 452
Income tax expenses	0	0
Profit/loss for the period	22 665	20 452
Other comprehensive income		
Exchange differences	4	24
Total comprehensive income for the period	22 669	20 476

V. Quarterly Comprehensive Income Statement

<i>in thousands of Estonian kroons</i>	10-12/ 2010	10-12/ 2009
Gross premiums	16 428	16 699
Reinsurers' share of gross premiums	-2 932	-3 007
Net premiums	13 496	13 663
Investment income	2 192	3 389
Fair value gains and losses	-5 453	2 340
Realised gains and losses	-477	8
Net income from investments	-3 739	5 736
Fee income	12 158	11 405
Other income	10 029	7 630
Other revenue	22 186	19 035
Paid insurance claims net of reinsurance and claims handling expenses related to out-payments	-5 704	-7 901
Increase of insurance technical provisions net of reinsurance	-4 442	-3 585
Net insurance claims and the change of technical provisions	-10 146	-11 486
Change in value of unit-linked financial liabilities and assets	210	3 168
Change in value of financial liabilities from insurance contracts with guaranteed interest	-597	-3 599
Acquisition expenses	-12 589	-10 994
Administrative expenses	-10 494	-12 788
Investment expenses	-890	-1 346
Expenses	-23 974	-25 128
Profit/loss before income tax	-2 564	1 390
Income tax expenses	0	0
Profit/loss for the period	-2 564	1 390
Other comprehensive income		
Exchange differences	2	24
Total comprehensive income for the period	-2 562	1 413

VI. Statement of Cash-flows

<i>in thousands of Estonian kroons</i>	1-12/ 2010	1-12/ 2009	Notes
Cash flow from operating activities			
Premiums received	64 378	68 362	
Financial liability inflow	858 042	596 761	
Paid claims and claims handling expenses related to pay-outs	-25 729	-35 134	
Financial liability outflow	-360 258	-211 077	
Reinsurance payments	-4 666	-4 484	
Expenses	-79 109	-68 894	
Other revenue and other expenses	16 094	9 653	
Purchases of shares and investment fund units	-3 736 689	-2 822 722	
Proceeds from the sale of shares and investment fund units	3 343 145	2 379 286	
Purchases of bonds and other fixed income securities	-267 893	-107 304	
Proceeds from the sale of bonds and other fixed income securities	112 800	155 017	
Investments in term deposits	-185 901	-535 381	
Proceeds on term deposits	238 754	563 455	
Interest received	9 285	19 846	
Dividends received	80	37	
Investment expenses	-3 493	-3 647	
Net cash provided by operating activities	-21 160	3 774	
Cash flow from investing activities			
Purchases of tangible and intangible assets	-6 463	-4 911	VIII.2VIII.3
Net cash provided by investing activities	-6 463	-4 911	
TOTAL CASH FLOW, net	-27 623	-1 137	
Cash and cash equivalents at the beginning of the period	129 348	130 490	
Change in cash and cash equivalents	-27 623	-1 137	
Foreign currency translation effects	-1	-5	
Cash and cash equivalents at the end of the period	101 724	129 348	

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 31.12.2008	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	4	0	4
Profit for the period	0	0	0	0	22 665	22665
As at 31.12.2010	55 000	54 918	2 071	13	43 683	155 685

VIII. Notes

1. Basis of preparation

Mandatum Life Insurance Baltic SE's Interim Report of 2010 is prepared in accordance with IAS 34 "Interim Financial Reporting".

The Company's Annual Accounts for 2009 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 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 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	1 109	0	1 109
Foreign exchange adjustments	0	-17	-17
Depreciation charges	0	-735	-735
As at 31.12.2010	4 943	-3 066	1 877

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	5 356	0	5 356
Foreign exchange adjustments	-1	0	-1
Depreciation charges	0	-1 276	-1 276
As at 31.12.2010	20 870	-8 591	12 279

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 December 2010, Sampo plc held more than 20% of the share capital; Nordea Bank is accounted for as an associated company. Members of the Management Board received a total of 7,352 million Estonian kroons in the 2010 pursuant to service contracts. The Supervisory Board received no separate remuneration or severance pay.

ASSETS <i>in thousands of Estonian kroons</i>	31.12.2010	31.12.2009
Cash and cash equivalents		
Nordea Bank (associated company to Sampo plc)	3 340	0
Reinsurers' share of insurance liabilities		
Mandatum Life Insurance Company Ltd (parent company)	6 170	5 942
Financial assets		
Financial assets designated as being at fair value through p/l		
Mandatum Life Insurance Company Ltd (parent company)*	967 283	346 366
Other receivables		
If P&C Insurance Company Ltd (a consolidation group enterprise)	56	2
Accrued income and prepaid expenses		
Mandatum Life Insurance Company Ltd (parent company)	1 173	559
If P&C Insurance Company Ltd (a consolidation group enterprise)	206	80
Sampo plc (ultimate parent company)	0	222
LIABILITIES <i>in thousands of Estonian kroons</i>	31.12.2010	31.12.2009
Insurance payables		
Mandatum Life Insurance Company Ltd (parent company)	2 932	3 007
Accrued expenses and deferred income		
If P&C Insurance Company Ltd (a consolidation group enterprise)	9	15
Mandatum Life Insurance Company Ltd (parent company)	121	0
INCOME STATEMENT <i>in thousands of Estonian kroons</i>	1-12/ 2010	1-12/ 2009
Ceded premiums		
Mandatum Life Insurance Company Ltd (parent company)	11 512	11 750
Reinsurance commissions		
Mandatum Life Insurance Company Ltd (parent company)	5 324	5 484
Other income		
If P&C Insurance Company Ltd (a consolidation group enterprise)	11	24
Mandatum Life Insurance Company Ltd (parent company)	5 706	1 265
Reinsurers' share in claims paid and in change provisions		
Mandatum Life Insurance Company Ltd (parent company)	1 825	2 560
Expenses		
Commissions fees to brokers		
If P&C Insurance Company Ltd (a consolidation group enterprise)	10	10
Transport expenses		
If P&C Insurance Company Ltd (a consolidation group enterprise)	146	181
Nordea Bank (associated company to Sampo plc)	271	0
Other expenses		
If P&C Insurance Company Ltd (a consolidation group enterprise)	1 110	1 138
Sampo plc (ultimate parent company)	457	567
Nordea Bank (associated company to Sampo plc)	6	0
Mandatum Life Insurance Company Ltd (parent company)	940	418

*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 client assets into the capital redemption policy which is linked to the Mandatum Life Finland baskets and wealth management solutions.