

MANDATUM LIFE INSURANCE BALTIC SE

INTERIM REPORT 1-2 Q/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: 30.06.2010

CEO: Imre Madison

Auditor: Ernst & Young Baltic AS

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I. Management report in the 1-2Q 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 second 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. Starting from 1st of May 2010 the members of the Supervisory Board are changed. 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 Janne Saarikko, Head of Mandatum Life Investment Management and Kaisa Aalto-Luoto, Mandatum Life Human Resources Manager is new members of Supervisory Board in place of Risto Honkanen and Petri Vieraankivi.

2. Business results of the Company

As at 30.06.2010, the Company serviced a total of 40,060 life insurance contracts. The biggest share of total insurance contracts in force consisted of unit-linked insurance contracts (total 26,824 contracts). As at 30.06.2010, the Company had 44,656 insured persons on its contracts portfolio in the Baltics.

The Company received payments totaled 529, 3 million Estonian kroons for the first six months of 2010, this represents 82 per cent and 238, 3 million of Estonian kroons increase on the figures for the six months of 2009.

As at 30.06.2010, the Company clients assets under management (AUM) amounted to 2187 million Estonian kroons, which are 328 million Estonian kroons and 17, 6% increase compared the figures as at 31.12.2009. The biggest share in AUM clients had unit-linked insurance contracts which form 1974 million Estonian kroons and 90, 3 per cent of clients' total AUM.

The Company's market share (based on contractual payments received) as at 30.06.2010 was 22, 8 per cent, which held the third position on life insurance market in the Baltics. The market share (based on contractual payments received) increased 8, 7 per cent in the first six months of 2010 in Baltics compared with the end of the second quarter of 2009. As at 30.06.2010, the market share by countries based on

contractual payments received was in Estonia 29, 7 per cent (2. position); in Latvia 25, 1 per cent (2. position) and in Lithuania 17, 9 per cent (2. position).

In 2010 in first six months the Company paid claims 225, 1 million Estonian kroons, which are 114, 4 million Estonian kroons more than in the first half year 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 first six months of 2010 was 8, 6 million Estonian kroons in Baltics. Investment income of the Company's own capital portfolio amounted to 2, 8 million Estonian kroons in the first half year of 2010.

As at 30.06.2010, the total size of investment portfolio (except investments related to unit-linked life insurance contracts) reached 413 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 30.06.2010 owner equity was at 149, 4 million Estonian kroons, of which 55 million Estonian kroons was share capital.

As at 30.06.2010 the total amount of assets included in the available solvency margin was 138, 1 million Estonian kroons, the required solvency margin was 34, 6 million Estonian kroons and the solvency surplus was 103, 5 million Estonian kroons.

The Company's operating expenses (which include acquisition expenses, administrative expenses and investment expenses) increased in the first half quarter of 2010 by 11, 7% in comparison with the same period in 2009 amounted to 39, 5 million Estonian kroons. Acquisition expenses accounted for 51% of all operational expenses in the first half year of 2010 in the Baltics.

In the first six months of 2010, Mandatum Life Insurance Baltic SE's profit for the period amounted to 16, 4 million Estonian kroons. Year before the Company made a profit 11, 2 million Estonian kroons.

The Company's balance sheet volume reached 2352 million Estonian kroons as at 30.06.2010, the increase was 342, 5 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 1974 million Estonian kroons.

3. Personnel of the Company

As at 30.06.2010 there were 108 employees working in the Company. Year before were working 112 employees. Salaries and wages (including payroll taxes) for the period amounted to 22, 5 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 3, 6 million Estonian kroons in the first six 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.

Starting from April 2010 the Company offers the wealth management solutions for high net worth individuals and corporates in all Baltic countries in cooperation with the parent company. Therefore is set up separate wealth management unit which include leading asset managers as well as back-office to support them.

The Company started to improve processes of customer relationship management (CRM) to ensure excellent customer service steadily.

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.

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.





Imre Madison
CEO

Tallinn, 13. August 2010

II. Signatures of the Management Board

The Company's Management Board has prepared on pages 7-13 Interim Report of the 1-2Q of 2010.

Imre Madison	Chairman of the Management Board		19.08.2010
Paul Lukka	Member of the Management Board		19.08.2010

III. Balance sheet

<i>in thousands of Estonian kroons</i>	30.06.2010	31.12.2009	Notes
ASSETS			
Cash and cash equivalents	59 887	147 366	
Reinsurers' share of insurance liabilities	1 572	1 014	
Financial assets			
Financial assets designated as being at fair value through profit and loss	2 268 855	1 839 735	
Financial assets designated as being at amortised cost, including:	9 358	12 123	
- Receivables related to insurance activities and other	2 819	7 270	
- Accrued income and prepaid expenses	6 539	4 853	
Property, plant and equipment	1 504	1 520	VIII.2
Intangible assets	11 293	8 200	VIII.3
TOTAL ASSETS	2 352 469	2 009 958	
LIABILITIES AND OWNER'S EQUITY			
Insurance payables	7 676	6 562	
Accrued expenses and deferred income	8 579	11 135	
Financial liabilities from insurance contracts	1 974 467	1 647 701	
Technical provision from insurance contracts	212 340	211 544	
Total liabilities	2 203 062	1 876 942	
Share capital	55 000	55 000	
Share premium	54 918	54 918	
Legal reserve	2 071	1 048	
Unrealized foreign exchange	8	9	
Retained profits	37 410	22 041	
Total owner's equity	149 407	133 016	
TOTAL LIABILITIES AND OWNER'S EQUITY	2 352 469	2 009 958	

IV. Comprehensive Income Statement

<i>in thousands of Estonian kroons</i>	1-6/ 2010	1-6/ 2009
Gross premiums	32 206	34 701
Reinsurers' share of gross premiums	-5 765	-5 988
Net premiums	26 441	28 712
Investment income	4 450	10 705
Fair value gains and losses	4 056	3 334
Realised gains and losses	2 041	-380
Net income from investments	10 547	13 659
Fee income	23 910	20 826
Other income	8 562	4 723
Other revenue	32 472	25 549
Paid insurance claims net of reinsurance and claims handling expenses related to out-payments	-13 163	-16 130
Increase of insurance technical provisions net of reinsurance	-352	-2 842
Net insurance claims and the change of technical provisions	-13 515	-18 972
Change in value of unit-linked financial liabilities and assets	1 075	-2 314
Change in value of financial liabilities from insurance contracts with guaranteed interest	-1 148	-105
Acquisition expenses	-20 099	-18 025
Administrative expenses	-17 448	-15 634
Investment expenses	-1 933	-1 697
Expenses	-39 480	-35 357
Profit/loss before income tax	16 392	11 172
Income tax expenses	0	0
Profit/loss for the period	16 392	11 172
Other comprehensive income		
Exchange differences	-1	24
Total comprehensive income for the period	16 391	11 196

V. Quarterly Comprehensive Income Statement

<i>in thousands of Estonian kroons</i>	4-6/ 2010	4-6/ 2009
Gross premiums	16 133	17 321
Reinsurers' share of gross premiums	-2 992	-2 929
Net premiums	13 141	14 393
Investment income	1 941	4 904
Fair value gains and losses	-1 374	1 792
Realised gains and losses	-932	-374
Net income from investments	-365	6 322
Fee income	12 292	11 015
Other income	4 731	2 460
Other revenue	17 023	13 475
Paid insurance claims net of reinsurance and claims handling expenses related to out-payments	-6 712	-8 299
Increase of insurance technical provisions net of reinsurance	3 272	-1 280
Net insurance claims and the change of technical provisions	-3 440	-9 580
Change in value of unit-linked financial liabilities and assets	99	-1 063
Change in value of financial liabilities from insurance contracts with guaranteed interest	-581	951
Acquisition expenses	-10 787	-9 415
Administrative expenses	-8 913	-7 766
Investment expenses	-951	-934
Expenses	-20 650	-18 115
Profit/loss before income tax	5 227	6 384
Income tax expenses	0	0
Profit/loss for the period	5 227	6 384
Other comprehensive income		
Exchange differences	1	0
Total comprehensive income for the period	5 228	6 384

VI. Statement of Cash-flows

<i>in thousands of Estonian kroons</i>	1-6/ 2010	1-6/ 2009	Notes
Cash flow from operating activities			
Premiums received	32 082	34 516	
Financial liability inflow	495 570	255 626	
Paid claims and claims handling expenses related to pay-outs	-13 733	-17 223	
Financial liability outflow	-190 560	-104 272	
Reinsurance payments	1 500	-818	
Expenses	-39 769	-33 531	
Other revenue and other expenses	6 965	4 251	
Purchases of shares and investment fund units	-2 388 268	-1 305 501	
Proceeds from the sale of shares and investment fund units	1 960 523	1 108 631	
Purchases of bonds and other fixed income securities	-58 745	-88 631	
Proceeds from the sale of bonds and other fixed income securities	78 086	120 476	
Investments in term deposits	-169 957	-308 789	
Proceeds on term deposits	198 237	225 397	
Interest received	6 468	9 455	
Dividends received	80	37	
Investment expenses	-1 933	-1 697	
Net cash provided by operating activities	-83 454	-102 072	
Cash flow from investing activities			
Purchases of tangible and intangible assets	-4 029	-2 897	VIII.2VIII.3
Net cash provided by investing activities	-4 029	-2 897	
TOTAL CASH FLOW, net	-87 483	-104 969	
Cash and cash equivalents at the beginning of the period	147 366	130 490	
Change in cash and cash equivalents	-87 483	-104 969	
Foreign currency translation effects	4	22	
Cash and cash equivalents at the end of the period	59 887	25 543	

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	-1	0	-1
Profit for the period	0	0	0	0	16 392	16 392
As at 30.06.2010	55 000	54 918	2 071	8	37 410	149 407

VIII. Notes

1. Basis of preparation

Mandatum Life Insurance Baltic SE's Interim Report of the first six 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	327	0	327
Foreign exchange adjustments	0	-10	-10
Depreciation charges	0	-333	-333
As at 30.06.2010	4 161	-2 657	1 504

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	3 702	0	3 702
Foreign exchange adjustments	0	-14	-14
Depreciation charges	0	-596	-596
As at 30.06.2010	19 218	-7 925	11 293

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 June 2010 approximately 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 3, 6 million Estonian kroons in the first six 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>	30.06.2010	31.12.2009
Cash and cash equivalents		
Nordea Bank (associated company to Sampo plc)	892	26
Reinsurers' share of insurance liabilities		
Mandatum Life Insurance Company Ltd (parent company)	1 572	1 014
Financial assets		
Financial assets designated as being at fair value through p/l		
Mandatum Life Insurance Company Ltd (parent company)*	704 445	346 366
Other receivables		
If P&C Insurance Company Ltd (a consolidation group enterprise)	3	2
Mandatum Life Insurance Company Ltd (parent company)	1 786	4 927
Accrued income and prepaid expenses		
Mandatum Life Insurance Company Ltd (parent company)	1 209	559
If P&C Insurance Company Ltd (a consolidation group enterprise)	126	80
Sampo plc (ultimate parent company)	0	222
LIABILITIES <i>in thousands of Estonian kroons</i>	30.06.2010	31.12.2009
Insurance payables		
Mandatum Life Insurance Company Ltd (parent company)	5 886	3 007
Accrued expenses and deferred income		
If P&C Insurance Company Ltd (a consolidation group enterprise)	11	15
INCOME STATEMENT <i>in thousands of Estonian kroons</i>	1-6/ 2010	1-6/ 2009
Ceded premiums		
Mandatum Life Insurance Company Ltd (parent company)	5 765	5 988
Reinsurance commissions		
Mandatum Life Insurance Company Ltd (parent company)	480	820
Other income		
If P&C Insurance Company Ltd (a consolidation group enterprise)	5	10
Mandatum Life Insurance Company Ltd (parent company)	2 142	124
Reinsurers' share in claims paid and in change provisions		
Mandatum Life Insurance Company Ltd (parent company)	1 124	767
Expenses		
Commissions fees to brokers		
If P&C Insurance Company Ltd (a consolidation group enterprise)	3	6
Transport expenses		
If P&C Insurance Company Ltd (a consolidation group enterprise)	105	87
Nordea Bank (associated company to Sampo plc)	77	0
Other expenses		
If P&C Insurance Company Ltd (a consolidation group enterprise)	565	589
Sampo plc (ultimate parent company)	305	178
Mandatum Life Insurance Company Ltd (parent company)	496	0

*Mandatum Life Insurance Baltic SE offers Mandatum Life Finland investment baskets 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.