

# SE SAMPO LIFE INSURANCE BALTIC

## INTERIM REPORT 1Q/2010

Business name: SE SAMPO LIFE INSURANCE BALTIC

Commercial registry code: 10561490

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Beginning of financial year: 01.01.2010

End of financial year: 31.12.2010

CEO: Imre Madison

Auditor: Ernst & Young Baltic AS

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## I. Management report in the first quarter of 2010

SE Sampo Life Insurance Baltic (hereinafter referred to as the Company or Sampo Life) is a fully owned subsidiary of Mandatum Life Insurance Company Ltd.

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

Sampo Life core activities include the conclusion and administration of unit-linked life insurance contracts and contracts with life insurance coverage, as well as the administration of insurance contracts with guaranteed interest.

### 1. Management of the Company

The Company's Management Board had eight members at the end of the first 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 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. The acting Chairman of the Supervisory Board is Timo Laitinen, the Senior Vice President of Mandatum Life. Other members of the Supervisory Board were Risto Honkanen, the Senior Vice President of Mandatum Life, and Petri Vieraankivi, the Vice President of Mandatum Life. Starting from 1st of May 2010 the members of the Supervisory Board are changed. 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 31.03.2010, Sampo Life serviced a total of 40,567 life insurance contracts. The biggest share of total insurance contracts in force consisted of unit-linked insurance contracts (total 26,908 contracts).

As at 31.03.2010, Sampo Life had 45,100 insured persons on its contracts portfolio in the Baltics.

The Company received payments totaled 199,9 million Estonian kroons for the first three months of 2010, this represents 108% and 104 million of Estonian kroons increase on the figures for the first quarter of 2009.

As at 31.03.2010, Sampo Life's clients assets under management (AUM) amounted to 2,100 million Estonian kroons, which are 241 million Estonian kroons and 13% increase compared the figures as at 31.12.2009. The biggest share in AUM clients had unit-linked insurance contracts which form 1,808 million Estonian kroons and 86% of clients' total AUM.

Sampo Life's market share (based on contractual payments received) in the Baltics as at 31.03.2010 was 19,6%. Sampo Life's market share in its main business with unit-linked insurance was 32,3%, which held the leading position on the unit-linked insurance market in the Baltics. The market share (based on contractual payments received) increased 9,2% in the first three months of 2010 in Baltics compared with the end of the first quarter of 2009 and the market share in unit-linked insurance increased by 14,9%. As at 31.03.2010, the market share by countries based on contractual payments received and in unit-linked insurance were in Estonia accordingly 21,5% and 42,8%; in Latvia 17,4% and 46,8% and in Lithuania 19,4% and 26,7%.

In 2010 Sampo Life paid claims 55,8 million Estonian kroons, which are 10 million Estonian kroons less than in the first quarter 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 three months of 2010 was 6, 6 million Estonian kroons in Baltics. Investment income of the Company's own capital portfolio amounted to 3, 3 million Estonian kroons in the first quarter of 2010.

As at 31.03.2010, the total size of investment portfolio (except investments related to unit-linked life insurance contracts) reached 420 million Estonian kroons. Sampo Life's investment portfolio comprised mostly of bonds, unit of funds in bonds, commercial papers, term deposits and money market instruments.

As at 31.03.2010 owner equity was at 144,2 million Estonian kroons, of which 55 million Estonian kroons was share capital.

As at 31.03.2010 the total amount of assets included in the available solvency margin was 135,8 million Estonian kroons, the required solvency margin was 33,2 million Estonian kroons and the solvency surplus was 102,6 million Estonian kroons.

Sampo Life's operating expenses (which include acquisition expenses, administrative expenses and investment expenses) increased in the first quarter of 2010 by 9,2% in comparison with the same period in 2009 amounted to 18,8 million Estonian kroons. Acquisition expenses accounted for 49% of all operational expenses in the first quarter of 2010 in the Baltics.

In the first quarter of 2010, Sampo Life's profit for the period amounted to 11,2 million Estonian kroons. Year before the Company made a profit 4,8 million Estonian kroons.

Sampo Life's balance sheet volume reached 2,262 million Estonian kroons as at 31.03.2010, the increase was 252 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 215 million Estonian kroons at the end of the first quarter of 2010; financial liabilities from insurance contracts formed 1,886 million Estonian kroons.

### **3. *Personnel of the Company***

As at 31.03.2010 there were 106 employees working in Sampo Life. Salaries and wages (including payroll taxes) for the period amounted to 10,5 million Estonian kroons. The Supervisory Board members were not remunerated. Sampo Life paid remuneration (including taxes) to members of the Management Board for carrying out their tasks which amounted to 1,76 million Estonian kroons in the first quarter of 2010.

### **4. *Sales and development activities***

The Company continues cooperation with Mandatum Life and offers 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.

Sampo Life improved customer service process i.e. the Company follows each client's risk profile, current experiences and goals in investing in the offers of investment solution. At the end of 2009 launched online sales tool E-Investor has received good feedback from the clients; in 2010 web environment will improve further.

The Company started to offer the wealth management solutions for high net worth individuals and corporates. These investment solutions are done to clients in cooperation with the parent company Mandatum Life.

It continues effective cooperation with Danske Bank. Other sales channels (brokers, independent agents, Sampo Group's property and casualty insurance company If P&C) have smaller share of sales result.

Is renewed the Company's web site [www.sampolife.ee](http://www.sampolife.ee)

## 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. May 2010

## II. Signatures of the Management Board

The Company's Management Board has prepared on pages 7-12 Interim Report of the first quarter of 2010.

Imre Madison	Chairman of the Management Board		19.05.2010
Paul Lukka	Member of the Management Board		19.05.2010

### III. Balance sheet

<i>in thousands of Estonian kroons</i>	<b>31.03.2010</b>	<b>31.12.2009</b>	<b>Notes</b>
<b>ASSETS</b>			
<b>Cash and cash equivalents</b>	43 284	147 366	
<b>Reinsurers' share of insurance liabilities</b>	675	1 014	
<b>Financial assets</b>			
Financial assets designated as being at fair value through profit and loss	2 192 595	1 839 735	
Financial assets designated as being at amortised cost, including:	15 306	12 123	
- Receivables related to insurance activities and other	10 077	7 270	
- Accrued income and prepaid expenses	5 229	4 853	
<b>Property, plant and equipment</b>	1 642	1 520	VII.2
<b>Intangible assets</b>	8 354	8 200	VII.3
<b>TOTAL ASSETS</b>	<b>2 261 856</b>	<b>2 009 958</b>	
<b>LIABILITIES AND OWNER'S EQUITY</b>			
Insurance payables	5 677	6 562	
Accrued expenses and deferred income	11 587	11 135	
Financial liabilities from insurance contracts	1 885 635	1 647 701	
Technical provision from insurance contracts	214 778	211 544	
<b>Total liabilities</b>	<b>2 117 677</b>	<b>1 876 942</b>	
Share capital	55 000	55 000	
Share premium	54 918	54 918	
Legal reserve	1 048	1 048	
Unrealised foreign exchange rate	8	9	
Retained profits	33 205	22 041	
<b>Total owner's equity</b>	<b>144 179</b>	<b>133 016</b>	
<b>TOTAL LIABILITIES AND OWNER'S EQUITY</b>	<b>2 261 856</b>	<b>2 009 958</b>	

## IV. Comprehensive Income Statement

<i>in thousands of Estonian kroons</i>	<b>IQ 2010</b>	<b>IQ 2009</b>
Gross premiums	16 073	17 379
Reinsurers' share of gross premiums	-2 773	-3 060
<b>Net premiums</b>	<b>13 300</b>	<b>14 320</b>
Investment income	2 509	5 800
Fair value gains and losses	5 429	1 541
Realised gains and losses	2 973	-6
<b>Net income from investments</b>	<b>10 911</b>	<b>7 335</b>
Fee income	11 617	9 811
Other income	3 831	2 263
<b>Other revenue</b>	<b>15 448</b>	<b>12 074</b>
Paid insurance claims net of reinsurance and claims handling expenses related to out-payments	-6 451	-7 830
Increase of insurance technical provisions net of reinsurance	-3 624	-1 562
<b>Net insurance claims and the change of technical provisions</b>	<b>-10 075</b>	<b>-9 392</b>
<b>Change in value of unit-linked financial liabilities and assets</b>	<b>977</b>	<b>-1 252</b>
<b>Change in value of financial liabilities from insurance contracts with guaranteed interest</b>	<b>-568</b>	<b>-1 056</b>
Acquisition expenses	-9 312	-8 610
Administrative expenses	-8 535	-7 868
Investment expenses	-982	-764
<b>Expenses</b>	<b>-18 829</b>	<b>-17 241</b>
<b>Profit/loss before income tax</b>	<b>11 164</b>	<b>4 788</b>
Income tax expenses	0	0
<b>Profit/loss for the period</b>	<b>11 164</b>	<b>4 788</b>
<b>Other comprehensive income</b>		
Exchange differences	-1	24
<b>Total comprehensive income for the period</b>	<b>11 163</b>	<b>4 812</b>

## V. Statement of Cash-flows

<i>in thousands of Estonian kroons</i>	<b>IQ 2010</b>	<b>IQ 2009</b>	<b>Notes</b>
<b>Cash flow from operating activities</b>			
Premiums received	15 977	17 379	
Financial liability inflow	182 589	76 365	
Paid claims and claims handling expenses related to pay-outs	-6 832	-8 281	
Financial liability outflow	-49 937	-58 392	
Reinsurance payments	1 921	-247	
Expenses	-16 542	-14 600	
Other revenue and other expenses	3 091	2 937	
Purchases of shares and investment fund units	-957 136	-348 989	
Proceeds from the sale of shares and investment fund units	704 633	346 378	
Purchases of bonds and other fixed income securities	-18 336	-76 418	
Proceeds from the sale of bonds and other fixed income securities	34 754	48 370	
Investments in term deposits	-36 540	-131 681	
Proceeds on term deposits	36 279	114 185	
Interest received	3 408	6 443	
Investment expenses	-672	-764	
<b>Net cash provided by operating activities</b>	<b>-103 343</b>	<b>-27 313</b>	
<b>Cash flow from investing activities</b>			
Purchases of tangible and intangible assets	-743	-1 259	VII.2VIL.3
<b>Net cash provided by investing activities</b>	<b>-743</b>	<b>-1 259</b>	
<b>TOTAL CASH FLOW, net</b>	<b>-104 086</b>	<b>-28 572</b>	
Cash and cash equivalents at the beginning of the period	147 366	130 490	
Change in cash and cash equivalents	-104 086	-28 572	
Foreign currency translation effects	4	-5	
Cash and cash equivalents at the end of the period	43 284	101 913	

## VI. 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
<b>As at 31.12.2007</b>	<b>55 000</b>	<b>54 918</b>	<b>365</b>	<b>0</b>	<b>13 669</b>	<b>123 952</b>
Currency translation adjustments	0	0	0	-15	0	-15
Loss for the year 2008	0	0	0	0	-11 397	-11 397
<b>Total income and expenses for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-15</b>	<b>-11 397</b>	<b>-11 412</b>
Increase of legal reserve	0	0	683	0	-683	0
<b>As at 31.12.2008</b>	<b>55 000</b>	<b>54 918</b>	<b>1 048</b>	<b>-15</b>	<b>1 589</b>	<b>112 540</b>
Other comprehensive income	0	0	0	24	0	24
Profit for the year 2009	0	0	0	0	20 452	20 452
<b>As at 31.12.2009</b>	<b>55 000</b>	<b>54 918</b>	<b>1 048</b>	<b>9</b>	<b>22 041</b>	<b>133 016</b>
Other comprehensive income	0	0	0	-1	0	-1
<b>Profit for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11 164</b>	<b>11 164</b>
<b>As at 31.03.2010</b>	<b>55 000</b>	<b>54 918</b>	<b>1 048</b>	<b>8</b>	<b>33 205</b>	<b>144 179</b>

## VII. Notes

### 1. Basis of preparation

SE Sampo Life Insurance Baltic's Interim Report of the first quarter 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.sampolife.ee](http://www.sampolife.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
<b>As at 31.12.2009</b>	<b>3 834</b>	<b>-2 314</b>	<b>1 520</b>
Additions	292	0	292
Foreign exchange adjustments	0	-5	-5
Depreciation charges	0	-165	-165
<b>As at 31.03.2010</b>	<b>4 126</b>	<b>-2 484</b>	<b>1 642</b>

Equipment comprises IT, office equipment and furniture.

### 3. Intangible assets

<i>in thousands of Estonian kroons</i>	Acquisition cost	Accumulated depreciation	Carrying value
<b>As at 31.12.2009</b>	<b>15 515</b>	<b>-7 315</b>	<b>8 200</b>
Additions	451	0	451
Depreciation charges	0	-297	-297
<b>As at 31.03.2010</b>	<b>15 966</b>	<b>-7 612</b>	<b>8 354</b>

### 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. Members of the Management Board received a total of 1,76 million Estonian kroons in the first quarter of 2010 pursuant to service contracts. The Supervisory Board received no separate remuneration or severance pay.

<b>ASSETS</b> <i>in thousands of Estonian kroons</i>	<b>31.03.2010</b>	<b>31.12.2009</b>
<b>Reinsurers' share of insurance liabilities</b>		
Mandatum Life Insurance Company Ltd (parent company)	675	1 014
<b>Financial assets</b>		
Financial assets designated as being at fair value through p/l		
Mandatum Life Insurance Company Ltd (parent company)*	456 097	346 366
Other receivables		
If P&C Insurance Company Ltd (a consolidation group enterprise)	1	2
Mandatum Life Insurance Company Ltd (parent company)	1 390	4 927
Accrued income and prepaid expenses		
Mandatum Life Insurance Company Ltd (parent company)	662	559
If P&C Insurance Company Ltd (a consolidation group enterprise)	100	80
Sampo plc (ultimate parent company)	0	222
<b>LIABILITIES</b> <i>in thousands of Estonian kroons</i>	<b>31.03.2010</b>	<b>31.12.2009</b>
<b>Insurance payables</b>		
Mandatum Life Insurance Company Ltd (parent company)	3 371	3 007
<b>Accrued expenses and deferred income</b>		
If P&C Insurance Company Ltd (a consolidation group enterprise)	7	15
<b>INCOME STATEMENT</b> <i>in thousands of Estonian kroons</i>	<b>I Q 2010</b>	<b>I Q 2009</b>
<b>Ceded premiums</b>		
Mandatum Life Insurance Company Ltd (parent company)	2 773	3 060
<b>Reinsurance commissions</b>		
Mandatum Life Insurance Company Ltd (parent company)	249	423
<b>Other income</b>		
If P&C Insurance Company Ltd (a consolidation group enterprise)	2	5
Mandatum Life Insurance Company Ltd (parent company)	734	77
<b>Reinsurers' share in claims paid and in change provisions</b>		
Mandatum Life Insurance Company Ltd (parent company)	41	355
<b>Expenses</b>		
Commissions fees to brokers		
If P&C Insurance Company Ltd (a consolidation group enterprise)	2	5
Transport expenses		
If P&C Insurance Company Ltd (a consolidation group enterprise)	16	43
Other expenses		
If P&C Insurance Company Ltd (a consolidation group enterprise)	199	329
Sampo plc (ultimate parent company)	222	202

\*Sampo Life offers Mandatum Life investment baskets to its own unit-linked policies according to the capital redemption policy between SE Sampo Life and Mandatum Life Ltd. Sampo Life invests customer assets into the capital redemption policy which is linked to the Mandatum Life baskets.