

MANDATUM LIFE INSURANCE BAL TIC SE

INTERIM REPORT 1-3Q/2016

Business name: MANDATUM LIFE INSURANCE BAL TIC SE

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Beginning of reporting period: 01.01.2016

End of reporting period: 30.09.2016

CEO: Imre Madison

Auditor: Ernst & Young Baltic AS

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I. Management report in the 1-3Q of 2016

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. (hereinafter referred to as Mandatum Life Finland).

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

The Company's main business lines are unit-linked insurance, term life insurance and accident or critical illness related insurance riders. Other main lines of business include the management of life insurance contracts with guaranteed interest.

1. Management of the Company

The Company's Management Board had five members at the end of the third quarter of 2016. The chairman of the Management Board and the CEO is Imre Madison. Other members of the Management Board are Erkki Sadam, responsible for the Company's legal, compliance and procurement matters; Ilona Stare, Latvian Branch Manager; Rasa Kasperaviciute, responsible back-office administration and risk management, and Timo Pursiala, responsible for business control matters and investment management.

The Company's Chief Actuary is Rasa Povilaviciute. The Company's Internal Auditor is Arlet Rebane. The Lithuanian Branch Manager is Dormantas Zajancauskas.

The Company's Supervisory Board had three members at the end of the third quarter of 2016. Timo Laitinen, the Senior Vice President of Mandatum Life Finland, is the acting Chairman of the Supervisory Board. The other members of the Supervisory Board are Jukka Pirskanen, the Executive Vice President of Mandatum Life Finland, and Paula Salonen, the CEO of Kaleva, a Finnish life insurance company.

The Company's sole shareholder decided to remove Timo Laitinen from Company's Supervisory Board with expiry term of authority 30.09.2016 and to appoint Sanna Rajaniemi, the Senior Vice President of Mandatum Life Finland, Client and Insurance Services, to the Company's Chairman of the Supervisory Board position effective from 01.10.2016.

The Company's sole shareholder decided to remove Paula Salonen and Jukka Pirskanen from Company's Supervisory Board with expiry term of authority 31.10.2016 and to appoint new members to the Company's Supervisory Board effective from 01.11.2016 - Anna Berglind, Vice President of Mandatum Life Finland, Human resources; Niina Riihelä, Vice President of Mandatum Life Finland, Marketing and Communications; Nina Laine, Director of Mandatum Life Finland, Services, Insurance and Claims; Carolus Reincke, Senior Investment Manager of Mandatum Life Finland.

2. Business results of the Company

As at 30.09.2016, the Company serviced a total of 30,984 (as at 30.09.2015 32,017) life insurance contracts. The biggest share of total insurance contracts, 72% of all the insurance contracts in force at the end of the third quarter of 2016 consisted of unit-linked insurance contracts total of 22,264 (23,060) contracts. As at 30.09.2016, the Company had 40,241 (40,858) insured persons in its contracts portfolio in the Baltics.

The Company's received payments in the Baltics totalled 12,395 (20,191) thousand euros in the first nine months of 2016.

As at 30.09.2016, the Company's client assets under management (AUM) amounted to 164,694 (as at 31.12.2015 173,112) thousand euros. The biggest share of AUM was formed by unit-linked insurance contracts, which formed 147,637 (156,089) thousand euros and 90% (90%) of clients' total AUM as at 30.09.2016.

The Company's total sum at risk valid as at 30.09.2016 was 650,523 (634,144) thousand euros.

The Company's market share (based on contractual payments received) of the third quarter of 2016 was 4.5% (as at 30.09.2015 7.3%). As at 30.09.2016, the market share by countries based on contractual payments received in Estonia was 4.4% (6.8%), in Latvia 4.6% (7%), and in Lithuania 4.5% (7.5%). Since 2006, the Company no longer concludes new

savings insurance contracts with guaranteed interest nor does it provide the opportunity for the clients of second pension pillar to make annuity payments.

The Company's market share (based on contractual payments received from unit-linked investment contracts) of the third quarter of 2016 was 7.5% (as at 30.09.2015 11.6%). As at 30.09.2016, the Company's market share by countries based on contractual payments received from unit-linked investment contracts in Estonia was 8.2% (13.3%), in Latvia 10.4% (14.3%) and in Lithuania 6.6% (10.5%).

In the first nine months of 2016 the Company paid claims in the amount of 20,519 (19,923) thousand euros. The majority of pay-outs from contracts were made from unit-linked AUM.

As for the management of investments (technical provision and the Company's own capital portfolios), the Company cooperates with Sampo plc. Net income from investment activities, including fees received from asset managers for intermediation of fund units and expenses in the Baltic countries in the first nine months of 2016 was positive, totalling to 1428 (1229) thousand euros. Investment income of the Company's own capital portfolio in the first nine months of 2016 was 191 (156) thousand euros.

As at 30.09.2016, the total size of the investment portfolio (except investments related to unit-linked life insurance contracts) was 26,299 (26,719) thousand euros. At the end of the third quarter of 2016, Mandatum Life Insurance Baltic SE's investment portfolio mostly comprised of Nordic corporate bonds and money market instruments.

As at 30.09.2016, owner's equity was 10,304 (10,529) thousand euros, of which 3,516 (3,516) thousand euros was formed by share capital.

As of 1 January 2016 the Company applies Solvency II rules in regulatory solvency calculations. In calculations of solvency requirements and eligible own funds, the standard model was used. As at 30.09.2016 Company's own funds amounted to 17,367 thousand euros and Solvency Capital Requirement (SCR) amounted to 13,855 thousand euros (due to allowed SII simplifications calculated at the year-end 2015). Solvency surplus was 3,512 thousand euros, SCR coverage ratio (own funds in relation to Solvency Capital Requirements for own funds) was 125%. Minimum requirements for solvency capital (MCR) was 3,700 thousand euros, MCR coverage ratio (own funds in relation to minimum requirements for own funds) was 469%.

The Company's total operating expenses (including commissions on reinsurance ceded) amounted to 4,502 (4,484) thousand euros in the first nine months of 2016.

In the first nine months of 2016, Mandatum Life Insurance Baltic SE's loss for the period amounted to 225 (201) thousand euros. The Company's loss in the first nine months of 2016 was affected mainly by low income from investment activities and slightly declined fee income levels.

The Company's balance sheet volume amounted to 175,616 (185,017) thousand euros as at 30.09.2016. Technical provisions from insurance contracts amounted to 13,471 (13,433) thousand euros at the end of the third quarter of 2016; financial liabilities from unit-linked insurance contracts and investment contracts were 147,637 (156,089) thousand euros and financial liabilities from insurance contracts formed 3,586 (3,591) thousand euros.

3. Personnel of the Company

As at 30.09.2016 there were 100 (93) employees working in the Company. Number of employees was increasing after Company established in Q1 contact centre services for its Estonian, Lithuanian and Finnish customers and hired a team of phone sales professionals. Salaries and wages (including payroll taxes) in total for the period amounted to 2,523 (2,526) thousand euros. The Supervisory Board members were not remunerated. The Company paid remuneration (including payroll taxes) to members of the Management Board for carrying out their tasks which amounted to 221 (301) thousand euros.

4. Sales and development activities

In the first nine months of 2016, the Company's main sales channels were its own sales team, tied agents and insurance brokers.

In September unit-linked insurance public campaign was launched in all Baltic countries and it continued till the end of October. Campaign focused on unit-linked single payment investments from 3 thousand euros, targeted customer segment was mass-affluent customer who's assets are losing its value when kept on banking account. Company had an attractive special offer to all customers who concluded new unit-linked contract with min single payment 3 thousand euros.

5. *Other activities*

The Company's external auditor was Ernst & Young Baltic AS.

The Company's reinsurer was Mandatum Life Insurance Company Ltd.

The Company's investment risk and operational risk management is performed regularly via the Company's Baltic risk management committees.

The Company belongs to the Estonian, Latvian and Lithuanian Insurance Associations and is the founding member of the Estonian Service Industry Association.



Imre Madison
Chairman of the Management Board

In Tallinn, 21 November 2016

II. Signatures of the Management Board

The Company's Management Board has prepared the Interim Report of 1-3Q of 2016 on pages 7-14.

Imre Madison Chairman of the Management Board



28.11 2016

Erkki Sadam Member of the Management Board



28.11.2016

III. Statement of Comprehensive Income

in thousands of euros	1-9/ 2016	1-9/2015
Insurance premiums	2,549	2,498
Fee income	1,711	1,943
Net income from investments	1,428	1,229
Other income	8	0
Claims incurred	-1,303	-1,189
Change in value of financial liabilities from insurance contracts with guaranteed interest	-82	-89
Change in value of unit-linked financial liabilities and assets	-12	-5
Change in life insurance provision	-22	-94
Staff costs	-2,523	-2,526
Other operating expenses	-1,979	-1,958
Profit/loss before income tax	-225	-191
Income tax	0	-10
Profit/loss for the period	-225	-201
Total comprehensive income/loss for the period	-225	-201

IV. Quarterly statement of Comprehensive Income

in thousands of euros	7-9/ 2016	7-9/2015
Insurance premiums	836	820
Fee income	557	624
Net income from investments	640	157
Other income	2	0
Claims incurred	-452	-418
Change in value of financial liabilities from insurance contracts with guaranteed interest	-27	-29
Change in value of unit-linked financial liabilities and assets	-4	-4
Change in life insurance provision	-2	25
Staff costs	-730	-805
Other operating expenses	-644	-644
Loss before income tax	176	-274
Income tax	0	0
Loss for the period	176	-274
Total comprehensive loss for the period	176	-274

V. Statement of financial position

in thousands of euros	30.09.2016	31.12.2015	Notes
Assets			
Property, plant and equipment	1	5	VIII.2
Intangible assets	796	780	VIII.3
Deferred tax assets	77	77	
Financial assets	25,000	24,926	
Investments related to unit-linked insurance and investment contracts	147,637	156,089	
Reinsurers' share of insurance liabilities	45	48	
Other assets	741	802	
Cash and cash equivalents	1,319	2,290	
Total assets	175,616	185,017	
Liabilities			
Financial liabilities for with-profit insurance contracts	3,586	3,591	
Financial liabilities for unit-linked insurance and investment contracts	147,637	156,089	
Technical provision for insurance contracts	13,471	13,433	
Other liabilities	618	1,375	
Total liabilities	165,312	174,488	
Share capital	3,516	3,516	
Share premium	3,509	3,509	
Legal reserve	271	271	
Retained earnings	3,008	3,233	
Total equity	10,304	10,529	
Total equity and liabilities	175,616	185,017	

VI. Statement of cash flows

in thousands of euros	1-9/2016	1-9/2015	Notes
Cash flow from operating activities			
Gross premiums received	2,950	2,829	
Fees received	31	39	
Financial liability inflow	8,918	17,346	
Paid claims and claims handling expenses related to pay-outs	-1,465	-1,319	
Financial liability outflow	-19,148	-18,692	
Inflow from reinsurance	195	179	
Reinsurance payments	-314	-312	
Expenses	-4,551	-4,450	
Other income	-14	0	
Paid income tax	-14	-22	
Purchases of investments	-12,808	-24,804	
Proceeds from the sale of investments	24,042	27,998	
Interest received	513	507	
Dividends received	3	3	
Received fee income	861	1,003	
Net cash provided by operating activities	-801	305	
Cash flow from investing activities			
Purchases of tangible and intangible assets	-170	-158	VIII.3
Net cash provided by investing activities	-170	-158	
TOTAL CASH FLOW, net	-971	147	
Cash and cash equivalents at the beginning of the period	2,290	699	
Change in cash and cash equivalents	-971	147	
Cash and cash equivalents at the end of the period	1,319	846	

VII. Statement of changes in equity

in thousands of euros	Share capital	Share premium	Legal reserve	Retained earnings	Total equity
As at 31.12.2014	3,516	3,509	262	3,469	10,756
Loss for the year 2015	0	0	0	-227	-227
Total comprehensive loss for the year 2015	0	0	0	-227	-227
Increase of legal reserve	0	0	9	-9	0
As at 31.12.2015	3,516	3,509	271	3,233	10,529
Loss for period	0	0	0	-225	-225
Total comprehensive loss for the period	0	0	0	-225	-225
As at 30.09.2016	3,516	3,509	271	3,008	10,304

VIII. Notes

1. Basis of preparation

Mandatum Life Insurance Baltic SE's Interim Report of 1-3 Quarters 2016 is prepared in accordance with IAS 34 "Interim Financial Reporting".

The Company's Annual Accounts for 2015 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 2015. 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 euros, unless stated otherwise.

2. Property, plant and equipment

in thousands of euros	Acquisition cost	Accumulated depreciation	Carrying value
As at 31.12.2014	357	-341	16
Write-offs	-97	97	0
Depreciation charges	0	-11	-11
As at 31.12.2015	260	-255	5
Depreciation charges	0	-4	-4
As at 30.09.2016	260	-259	1

Equipment comprises of office equipment and furniture.

3. Intangible assets

in thousands of euros	Acquisition cost	Accumulated depreciation	Carrying value
As at 31.12.2014	1,804	-1,114	690
Additions	256	0	256
Write-offs	-17	17	0
Depreciation charges	0	-166	-166
As at 31.12.2015	2,043	-1,263	780
Additions	170	0	170
Depreciation charges	0	-154	-154
As at 30.09.2016	2,213	-1,417	796

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 30.09.2016, Sampo plc held 21.3% of the share capital of Nordea, therefore Nordea Bank is considered as an associated company to Sampo plc.

Members of the Management Board received a total of 221 (301) thousand euros in the 1-3Q 2016 pursuant to service contracts. The Supervisory Board received no separate remuneration or severance pay.

ASSETS in thousands of euros	30.09.2016	31.12.2015
Financial assets designated at fair value through profit or loss		
Mandatum Life Insurance Company Limited (parent company)	77,192	83,481
Other receivables		
Mandatum Life Insurance Company Limited (parent company)	24	28
Accrued income and prepaid expenses		
If P&C Insurance Company Ltd (subsidiary of Sampo plc)	13	15
Mandatum Life Insurance Company Limited (parent company)	158	130
Reinsurers' share of insurance liabilities and receivables		
Mandatum Life Insurance Company Limited (parent company)	227	280
Cash and cash equivalents		
Nordea Bank Finland Plc (associated company to Sampo plc)	1,755	2,248
LIABILITIES in thousands of euros	30.09.2016	31.12.2015
Insurance and other payables		
Mandatum Life Insurance Company Limited (parent company)	124	159
Accrued expenses and deferred income		
Sampo plc (ultimate parent company)	13	13
STATEMENT OF COMPREHENSIVE INCOME in thousands of euros	1-9/2016	1-9/2015
Premiums ceded to reinsurers		
Mandatum Life Insurance Company Limited (parent company)	365	355
Fee income		
Mandatum Life Insurance Company Limited (parent company)	405	442
Reinsurers' share in claims paid and in the change of provisions		
Mandatum Life Insurance Company Limited (parent company)	83	54
Other income		
Mandatum Life Insurance Company Limited (parent company)	8	0
Operating expenses		
Direct insurance commissions		
If P&C Insurance Company Ltd (subsidiary of Sampo plc)	2	3
Commissions on reinsurance ceded		
Mandatum Life Insurance Company Limited (parent company)	-143	-154
Transport expenses		
If P&C Insurance Company Ltd (subsidiary of Sampo plc)	7	7

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Nordea Bank Finland Plc (associated company to Sampo plc)	10	10
Other expenses		
Mandatum Life Insurance Company Ltd (parent company)	57	53
If P&C Insurance Company Ltd (subsidiary of Sampo plc)	22	23
Nordea Bank Finland Plc (associated company to Sampo plc)	23	51
Sampo plc (ultimate parent company)	48	49
Change in financial assets designated at fair value through profit or loss		
Mandatum Life Insurance Company Ltd (parent company)	-151	-3,090