

MANDATUM LIFE INSURANCE BAL TIC SE

INTERIM REPORT 1-2Q/2016

Business name: MANDATUM LIFE INSURANCE BAL TIC SE

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Beginning of reporting period: 01.01.2016

End of reporting period: 30.06.2016

CEO: Imre Madison

Auditor: Ernst & Young Baltic AS

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I. Management report in the 1-2Q 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.

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 second 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 second 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.

2. Business results of the Company

As at 30.06.2016, the Company serviced a total of 31,200 (as at 30.06.2015 32,257) life insurance contracts. The biggest share of total insurance contracts, 72% of all the insurance contracts in force at the end of the second quarter of 2016 consisted of unit-linked insurance contracts total of 22,373 (23,188) contracts. As at 30.06.2016, the Company had 40,448 (41,014) insured persons in its contracts portfolio in the Baltics.

The Company's received payments in the Baltics totalled 8,345 (14,356) thousand euros in the first half year of 2016.

As at 30.06.2016, the Company's client assets under management (AUM) amounted to 161,557 (as at 31.12.2015 173,112) thousand euros. The biggest share of AUM was formed by unit-linked insurance contracts, which formed 144,542 (156,089) thousand euros and 89% (90%) of clients' total AUM as at 30.06.2016.

The Company's total sum at risk valid as at 30.06.2016 was 645,507 (634,144) thousand euros.

The Company's market share (based on contractual payments received) of the second quarter of 2016 was 4.7% (as at 30.06.2015 7.6%). As at 30.06.2016, the market share by countries based on contractual payments received in Estonia was 4.6% (7.1%), in Latvia 5.5% (7.8%), and in Lithuania 4.4% (7.7%). 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 second quarter of 2016 was 7.9% (as at 30.06.2015 12%). As at 30.06.2016, the Company's market share by countries based on contractual payments received from unit-linked investment contracts in Estonia was 9% (13.7%), in Latvia 12.9% (15.4%) and in Lithuania 6.3% (10.7%).

In the first half of 2016 the Company paid claims in the amount of 15,417 (14,049) thousand euros. The majority of payouts 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 half of 2016 was positive, totalling to 788 (1,072) thousand euros. Investment income of the Company's own capital portfolio in the first half of 2016 was positive, amounting to 73 (156) thousand euros.

As at 30.06.2016, the total size of the investment portfolio (except investments related to unit-linked life insurance contracts) was 26,085 (26,719) thousand euros. At the end of the second quarter of 2016, Mandatum Life Insurance Baltic SE's investment portfolio mostly comprised of Nordic corporate bonds and money market instruments.

As at 30.06.2016, owner's equity was 10,128 (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 30.06.2016 Company's own funds amounted to 17,745 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 3,890 thousand euros, SCR coverage ratio (own funds in relation to Solvency Capital Requirements for own funds) was 128%. 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 480%.

The Company's total operating expenses (including commissions on reinsurance ceded) amounted to 3,128 (3,035) thousand euros in the first half of 2016.

In the first half of 2016, Mandatum Life Insurance Baltic SE's loss for the period amounted to 401 (profit 73) thousand euros. The Company's loss in the first half of 2016 was affected mainly by low income from investment activities.

The Company's balance sheet volume amounted to 172,441 (185,017) thousand euros as at 30.06.2016. Technical provisions from insurance contracts amounted to 13,450 (13,433) thousand euros at the end of the first half of 2016; financial liabilities from unit-linked insurance contracts and investment contracts were 144,542 (156,089) thousand euros and financial liabilities from insurance contracts formed 3,565 (3,591) thousand euros.

3. Personnel of the Company

As at 30.06.2016 there were 99 (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 1,793 (1,721) 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 151 (221) thousand euros.

4. Sales and development activities

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

In April-May Critical Illness customer public campaign was launched. Campaign message was 'Every Fifth' to communicate facts based statistics that every fifth citizen of Baltic countries in age below 65 years has one of the serious illnesses.

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, 30 August 2016

II. Signatures of the Management Board

The Company's Management Board has prepared the Interim Report of 1-2Q of 2016 on pages 7-14.

Imre Madison Chairman of the Management Board



30.08.2016

Erkki Sadam Member of the Management Board



30.08.2016

III. Statement of Comprehensive Income

in thousands of euros	1-6/ 2016	1-6/2015
Insurance premiums	1,713	1,678
Fee income	1,154	1,319
Net income from investments	788	1,072
Other income	6	0
Claims incurred	-851	-771
Change in value of financial liabilities from insurance contracts with guaranteed interest	-55	-60
Change in value of unit-linked financial liabilities and assets	-8	-1
Change in life insurance provision	-20	-119
Staff costs	-1,793	-1,721
Other operating expenses	-1,335	-1,314
Profit/loss before income tax	-401	83
Income tax	0	-10
Profit/loss for the period	-401	73
Total comprehensive income/loss for the period	-401	73

IV. Quarterly statement of Comprehensive Income

in thousands of euros	4-6/ 2016	4-6/2015
Insurance premiums	853	832
Fee income	593	734
Net income from investments	427	204
Other income	3	0
Claims incurred	-464	-387
Change in value of financial liabilities from insurance contracts with guaranteed interest	-29	-27
Change in value of unit-linked financial liabilities and assets	-8	-2
Change in life insurance provision	35	-51
Staff costs	-794	-769
Other operating expenses	-706	-658
Loss before income tax	-90	-124
Income tax	0	-10
Loss for the period	-90	-134
Total comprehensive loss for the period	-90	-134

V. Statement of financial position

in thousands of euros	30.06.2016	31.12.2015	Notes
Assets			
Property, plant and equipment	2	5	VIII.2
Intangible assets	805	780	VIII.3
Deferred tax assets	77	77	
Financial assets	25,828	24,926	
Investments related to unit-linked insurance and investment contracts	144,542	156,089	
Reinsurers' share of insurance liabilities	51	48	
Other assets	776	802	
Cash and cash equivalents	360	2,290	
Total assets	172,441	185,017	
Liabilities			
Financial liabilities for with-profit insurance contracts	3,565	3,591	
Financial liabilities for unit-linked insurance and investment contracts	144,542	156,089	
Technical provision for insurance contracts	13,450	13,433	
Other liabilities	756	1,375	
Total liabilities	162,313	174,488	
Share capital	3,516	3,516	
Share premium	3,509	3,509	
Legal reserve	271	271	
Retained earnings	2,832	3,233	
Total equity	10,128	10,529	
Total equity and liabilities	172,441	185,017	

VI. Statement of cash flows

in thousands of euros	1-2/2016	1-2/2015	Notes
Cash flow from operating activities			
Gross premiums received	1,987	1,899	
Fees received	30	39	
Financial liability inflow	5,831	12,442	
Paid claims and claims handling expenses related to pay-outs	-966	-880	
Financial liability outflow	-14,515	-13,230	
Inflow from reinsurance	137	153	
Reinsurance payments	-141	-174	
Expenses	-3,133	-3,089	
Other income	-23	12	
Paid income tax	-14	-22	
Purchases of investments	-9,883	-20,067	
Proceeds from the sale of investments	17,871	21,400	
Interest received	418	416	
Dividends received	3	3	
Received fee income	594	640	
Net cash provided by operating activities	-1,804	-458	
Cash flow from investing activities			
Purchases of tangible and intangible assets	-126	-85	VIII.3
Net cash provided by investing activities	-126	-85	
TOTAL CASH FLOW, net	-1,930	-543	
Cash and cash equivalents at the beginning of the period	2,290	699	
Change in cash and cash equivalents	-1,930	-543	
Cash and cash equivalents at the end of the period	360	156	

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	-401	-401
Total comprehensive loss for the period	0	0	0	-401	-401
As at 30.06.2016	3,516	3,509	271	2,832	10,128

VIII. Notes

1. Basis of preparation

Mandatum Life Insurance Baltic SE's Interim Report of 1-2 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	-3	-3
As at 30.06.2016	260	-258	2

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	126	0	126
Depreciation charges	0	-101	-101
As at 30.06.2016	2,169	-1,364	805

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 30.06.2016, Sampo plc held 21.2% 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 151 (221) thousand euros in the 1-2Q 2016 pursuant to service contracts. The Supervisory Board received no separate remuneration or severance pay.

ASSETS in thousands of euros	30.06.2016	31.12.2015
Financial assets designated at fair value through profit or loss		
Mandatum Life Insurance Company Limited (parent company)	75,299	83,481
Other receivables		
Mandatum Life Insurance Company Limited (parent company)	105	28
Accrued income and prepaid expenses		
If P&C Insurance Company Ltd (subsidiary of Sampo plc)	17	15
Mandatum Life Insurance Company Limited (parent company)	151	130
Reinsurers' share of insurance liabilities and receivables		
Mandatum Life Insurance Company Limited (parent company)	183	280
Cash and cash equivalents		
Nordea Bank Finland Plc (associated company to Sampo plc)	1,845	2,248
LIABILITIES in thousands of euros	30.06.2016	31.12.2015
Insurance and other payables		
Mandatum Life Insurance Company Limited (parent company)	153	159
Accrued expenses and deferred income		
Sampo plc (ultimate parent company)	14	13
STATEMENT OF COMPREHENSIVE INCOME in thousands of euros	1-6/2016	1-6/2015
Premiums ceded to reinsurers		
Mandatum Life Insurance Company Limited (parent company)	240	234
Fee income		
Mandatum Life Insurance Company Limited (parent company)	271	287
Reinsurers' share in claims paid and in the change of provisions		
Mandatum Life Insurance Company Limited (parent company)	48	44
Other income		
Mandatum Life Insurance Company Limited (parent company)	5	0
Operating expenses		
Direct insurance commissions		
If P&C Insurance Company Ltd (subsidiary of Sampo plc)	2	0
Commissions on reinsurance ceded		
Mandatum Life Insurance Company Limited (parent company)	-99	-105
Transport expenses		
If P&C Insurance Company Ltd (subsidiary of Sampo plc)	5	5

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Nordea Bank Finland Plc (associated company to Sampo plc)	7	7
Other expenses		
Mandatum Life Insurance Company Ltd (parent company)	38	35
If P&C Insurance Company Ltd (subsidiary of Sampo plc)	15	16
Nordea Bank Finland Plc (associated company to Sampo plc)	14	4
Sampo plc (ultimate parent company)	28	34
Change in financial assets designated at fair value through profit or loss		
Mandatum Life Insurance Company Ltd (parent company)	-2,946	1,582