

MANDATUM LIFE INSURANCE BAL TIC SE

INTERIM REPORT 1-2Q/2017

Business name: MANDATUM LIFE INSURANCE BAL TIC SE

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Beginning of reporting period: 01.01.2017

End of reporting period: 30.06.2017

CEO: Rasa Kasperaviciute

Auditor: Ernst & Young Baltic AS

Contents

I.	MANAGEMENT REPORT IN THE 1-2Q OF 2017	3
1.	MANAGEMENT OF THE COMPANY.....	3
2.	BUSINESS RESULTS OF THE COMPANY	3
3.	PERSONNEL OF THE COMPANY	4
4.	SALES AND DEVELOPMENT ACTIVITIES.....	4
5.	OTHER ACTIVITIES.....	4
II.	SIGNATURES OF THE MANAGEMENT BOARD	5
III.	STATEMENT OF COMPREHENSIVE INCOME.....	6
IV.	QUARTERLY STATEMENT OF COMPREHENSIVE INCOME	7
V.	STATEMENT OF FINANCIAL POSITION.....	8
VI.	STATEMENT OF CASH FLOWS	9
VII.	STATEMENT OF CHANGES IN EQUITY	10
VIII.	NOTES.....	11
1.	BASIS OF PREPARATION	11
2.	PROPERTY, PLANT AND EQUIPMENT.....	11
3.	INTANGIBLE ASSETS	11
4.	RELATED PARTY DISCLOSURES.....	12

I. Management report in the 1-2Q of 2017

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 six members at the end of the second quarter of 2017. The chairman of the Management Board and the CEO is Rasa Kasperaviciute. Other members of the Management Board are Erkki Sadam, responsible for the Company's legal, compliance and procurement matters; Piret Ühtegi, Estonian Country manager; Ilona Stare, Latvian Branch Manager; Dormantas Zajancauskas, Lithuanian Branch Manager; and Timo Pursiala, responsible for business control and investment management matters.

The Company's Supervisory Board had six members at the end of the second quarter of 2017. Sanna Rajaniemi, the Senior Vice President of Mandatum Life Finland, Client and Insurance Services, is the acting Chairman of the Supervisory Board. The other members of the Supervisory Board are Anna Berglind, Vice President of Mandatum Life Finland, Human resources; Niina Riihela, 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 and Ville Porkka, Sales Director of Mandatum Life Finland.

The Company's Chief Actuary is Rasa Povilaviciute. The Company's Internal Auditor is Arlet Rebane.

2. Business results of the Company

As at 30.06.2017, the Company serviced a total of 30,385 (as at 31.12.2016 31,051) life insurance contracts. The biggest share of total insurance contracts, 73% of all the insurance contracts in force at the end of the second quarter of 2017 consisted of unit-linked insurance contracts total of 22,279 (22,477) contracts. As at 30.06.2017, the Company had 39,631 (40,335) insured persons in its contracts portfolio in the Baltics.

The Company's received payments in the Baltics totalled 10,379 (8,345 in the first half of 2016) thousand euros in the first half of 2017.

As at 30.06.2017, the Company's client assets under management (AUM) amounted to 179,086 (as at 31.12.2016 177,907) thousand euros. The biggest share of AUM was formed by unit-linked insurance contracts, which formed 162,686 (161,050) thousand euros and 91% (91%) of clients' total AUM as at 30.06.2017.

The Company's total sum at risk valid as at 30.06.2017 was 662,880 (665,417) thousand euros.

The Company's market share (based on contractual payments received) of the first half of 2017 was 5.2% (first half of 2016 4.7%). As at 30.06.2017, the market share by countries based on contractual payments received in Estonia was 6.5% (4.6%), in Latvia 4.7% (5.5%), and in Lithuania 4.9% (4.4%). 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 first half of 2017 was 8.9% (first half of 2016 7.9%). As at 30.06.2017, the Company's market share by countries based on contractual payments received from unit-linked investment contracts in Estonia was 13.8% (9.0%), in Latvia 10.0% (12.9%) and in Lithuania 7.3% (6.3%).

In the first half of 2017 the Company paid claims in the amount of 11,510 (15,417) 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 (net of investment expenses) in the Baltic countries in the first half of 2017 was positive, totalling to 905 (788) thousand euros. Investment income of the Company's own capital portfolio in the first half of 2017 was positive, amounting to 82 (73) thousand euros.

As at 30.06.2017, the total size of the investment portfolio (except investments related to unit-linked life insurance contracts) was 25,083 (26,085) thousand euros. At the end of the first half of 2017, Mandatum Life Insurance Baltic SE's investment portfolio mostly comprised of Nordic corporate bonds and money market instruments.

As at 30.06.2017, owner's equity was 9,787 (9,655) thousand euros, of which 3,516 (3,516) thousand euros was formed by share capital.

The Company's total operating expenses (including commissions on reinsurance ceded) amounted to 2,939 (3,128) thousand euros in the first half of 2017.

In the first half of 2017, Mandatum Life Insurance Baltic SE's profit for the period amounted to 132 (loss 401 in the first half of 2016) thousand euros.

The Company's balance sheet volume amounted to 189,643 (188,567) thousand euros as at 30.06.2017. Technical provisions from insurance contracts amounted to 12,919 (13,309) thousand euros at the end of the first half of 2017; financial liabilities from unit-linked insurance contracts and investment contracts were 162,686 (161,050) thousand euros and financial liabilities from insurance contracts formed 3,481 (3,548) thousand euros.

3. Personnel of the Company

As at 30.06.2017 there were 94 (99) employees working in the Company. Salaries and wages (including payroll taxes) for the period amounted to 1,630 (1,793) thousand euros. 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 184 (151) thousand euros.

4. Sales and development activities

The Company's sales distribution is based on a multi-channel strategy, including the Company's own sales unit and external sales channels i.e. brokers and tied agents.

The Company's own sales team focuses on fulfilling the needs that affluent clients and high net worth individuals, entrepreneurs and corporate customers have in relation to investment, wealth management, regular saving and life insurance risk solutions.

The importance of other sales channels such as insurance brokers, If P&C and other tied agent networks varies from country to country.

In the second quarter of 2017 the Company renewed its unit linked product – new product Terms and conditions and pricelists were developed and will be applied to new sales in all countries.

In May public investment campaign was launched in all Baltic countries and it continued in June. The first part of the campaign was concentrating to brand message in order to enhance the credibility. The second phase was attracting affluent customers and high net worth individuals with tactical campaign by collecting leads with message to invest in European small and medium companies.

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.



Rasa Kasperaviciute
Chairman of the Management Board

In Vilnius, 18 August 2017

II. Signatures of the Management Board

The Company's Management Board has prepared the Interim Report of 1-2Q of 2017 on pages 6-13.

Rasa Kasperaviciute Chairman of the Management Board



28.08.2017

Erkki Sadam Member of the Management Board



28.08.2017

III. Statement of Comprehensive Income

in thousands of euros	1-6/ 2017	1-6/ 2016
Insurance premiums	1,692	1,713
Fee income	1,232	1,154
Net income from investments	905	788
Other income	7	6
Claims incurred	-1,100	-851
Change in value of financial liabilities from insurance contracts with guaranteed interest	-53	-55
Change in value of unit-linked financial liabilities and assets	4	-8
Change in life insurance provision	384	-20
Staff costs	-1,630	-1,793
Other operating expenses	-1,309	-1,335
Profit/loss before income tax	132	-401
Income tax	0	0
Profit/loss for the reporting period	132	-401
Total comprehensive income/loss for the reporting period	132	-401

IV. Quarterly statement of Comprehensive Income

in thousands of euros	4-6/ 2017	4-6/ 2016
Insurance premiums	848	853
Fee income	632	593
Net income from investments	428	427
Other income	3	3
Claims incurred	-533	-464
Change in value of financial liabilities from insurance contracts with guaranteed interest	-26	-29
Change in value of unit-linked financial liabilities and assets	2	-8
Change in life insurance provision	232	35
Staff costs	-747	-794
Other operating expenses	-677	-706
Profit/loss before income tax	162	-90
Income tax	0	0
Profit/loss for the period	162	-90
Total comprehensive profit/loss for the period	162	-90

V. Statement of financial position

in thousands of euros	30.06.2017	31.12.2016	Notes
Assets			
Property, plant and equipment	1	1	VIII.2
Intangible assets	759	786	VIII.3
Deferred tax assets	77	77	
Financial assets	23,438	23,985	
Investments related to unit-linked insurance and investment contracts	162,686	161,050	
Reinsurers' share of insurance liabilities	53	47	
Other assets	1,115	769	
Cash and cash equivalents	1,514	1,852	
Total assets	189,643	188,567	
Liabilities			
Financial liabilities for with-profit insurance contracts	3,481	3,548	
Financial liabilities for unit-linked insurance and investment contracts	162,686	161,050	
Technical provision for insurance contracts	12,919	13,309	
Other liabilities	770	1,005	
Total liabilities	179,856	178,912	
Share capital	3,516	3,516	
Share premium	3,509	3,509	
Legal reserve	271	271	
Retained earnings	2,491	2,359	
Total equity	9,787	9,655	
Total equity and liabilities	189,643	188,567	

VI. Statement of cash flows

in thousands of euros	1-6/ 2017	1-6/ 2016	Notes
Cash flow from operating activities			
Gross premiums received	1,942	1,987	
Fees received	32	30	
Financial liability inflow	8,429	5,831	
Paid claims and claims handling expenses related to pay-outs	-1,224	-966	
Financial liability outflow	-10,348	-14,515	
Inflow from reinsurance	150	137	
Reinsurance payments	-151	-141	
Expenses	-3,179	-3,133	
Other income and other expenses	31	-23	
Paid income tax	-4	-14	
Purchases of investments	-19,152	-9,883	
Proceeds from the sale of investments	22,228	17,871	
Interest received	440	418	
Dividends received	2	3	
Received fee income	535	594	
Net cash provided by operating activities	-269	-1,804	
Cash flow from investing activities			
Purchases of tangible and intangible assets	-69	-126	VIII.2VIII.3
Net cash provided by investing activities	-69	-126	
TOTAL CASH FLOW, net	-338	-1,930	
Cash and cash equivalents at the beginning of the period	1,852	2,290	
Change in cash and cash equivalents	-338	-1,930	
Cash and cash equivalents at the end of the period	1,514	360	

VII. Statement of changes in equity

in thousands of euros	Share capital	Share premium	Legal reserve	Retained earnings	Total equity
As at 31.12.2015	3,516	3,509	271	3,233	10,529
Loss for the year 2016	0	0	0	-874	-874
Total comprehensive loss for the reporting period	0	0	0	-874	-874
As at 31.12.2016	3,516	3,509	271	2,359	9,655
Profit for the reporting period	0	0	0	132	132
Total comprehensive profit for the reporting period	0	0	0	132	132
As at 30.06.2017	3,516	3,509	271	2,491	9,787

VIII. Notes

1. *Basis of preparation*

Mandatum Life Insurance Baltic SE's Interim Report of 1-2 Quarters 2017 is prepared in accordance with IAS 34 "Interim Financial Reporting".

The Company's Annual Accounts for 2016 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 2016. 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 31.12.2015	260	-255	5
Write-offs	-13	13	0
Depreciation charges	0	-4	-4
As at 31.12.2016	247	-246	1
Depreciation charges	0	0	0
As at 30.06.2017	247	-246	1

Equipment comprises of office equipment and furniture.

3. *Intangible assets*

in thousands of euros	Acquisition cost	Accumulated depreciation	Carrying value
As at 31.12.2015	2,043	-1,263	780
Additions	217	0	217
Depreciation charges	0	-211	-211
As at 31.12.2016	2,260	-1,474	786
Additions	69	0	69
Depreciation charges	0	-96	-96
As at 30.06.2017	2,329	-1,570	759

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 30.06.2017, Sampo plc held approximately 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 184 (151) thousand euros in the 1-2Q 2017 pursuant to service contracts. The Supervisory Board received no separate remuneration or severance pay.

ASSETS in thousands of euros	30.06.2017	31.12.2016
Financial assets designated at fair value through profit or loss		
Mandatum Life Insurance Company Limited (parent company)	89,139	81,931
Other receivables		
Mandatum Life Insurance Company Limited (parent company)	346	41
Accrued income and prepaid expenses		
If P&C Insurance Company Ltd (subsidiary of Sampo plc)	14	10
Mandatum Life Insurance Company Limited (parent company)	258	118
Reinsurers' share of insurance liabilities and receivables		
Mandatum Life Insurance Company Limited (parent company)	189	282
Cash and cash equivalents		
Nordea Bank Finland Plc (associated company to Sampo plc)	2,627	3,138
LIABILITIES in thousands of euros	30.06.2017	31.12.2016
Insurance and other payables		
Mandatum Life Insurance Company Limited (parent company)	162	160
Accrued expenses and deferred income		
Sampo plc (ultimate parent company)	13	16
If P&C Insurance Company Ltd (subsidiary of Sampo plc)	0	-1
Nordea Bank Finland Plc (associated company to Sampo plc)	2	2
STATEMENT OF COMPREHENSIVE INCOME in thousands of euros	1-6/2017	1-6/2016
Premiums ceded to reinsurers		
Mandatum Life Insurance Company Limited (parent company)	251	240
Fee income		
Mandatum Life Insurance Company Limited (parent company)	312	271
Reinsurers' share in claims paid and in the change of provisions		
Mandatum Life Insurance Company Limited (parent company)	55	48
Other income		
Mandatum Life Insurance Company Limited (parent company)	7	5
Operating expenses		
Direct insurance commissions		
If P&C Insurance Company Ltd (subsidiary of Sampo plc)	0	2
Commissions on reinsurance ceded		
Mandatum Life Insurance Company Limited (parent company)	-100	-99
Transport expenses		

If P&C Insurance Company Ltd (subsidiary of Sampo plc)	4	5
Nordea Bank Finland Plc (associated company to Sampo plc)	5	7
Other expenses		
Mandatum Life Insurance Company Ltd (parent company)	35	38
If P&C Insurance Company Ltd (subsidiary of Sampo plc)	16	15
Nordea Bank Finland Plc (associated company to Sampo plc)	24	14
Sampo plc (ultimate parent company)	41	28
Change in financial assets designated at fair value through profit or loss		
Mandatum Life Insurance Company Ltd (parent company)	1,785	-2,946