

MANDATUM LIFE INSURANCE BAL TIC SE

INTERIM REPORT 1-4Q/2016

Business name: MANDATUM LIFE INSURANCE BAL TIC SE

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Beginning of reporting period: 01.01.2016

End of reporting period: 31.12.2016

CEO: Rasa Kasperaviciute

Auditor: Ernst & Young Baltic AS

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I. Management report in the 1-4Q 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 consisted of five members during 2016. The Chairman of the Management Board and the CEO was Imre Madison. Other members of the Management Board were Erkki Sadam, responsible for the Company's legal, compliance and procurement matters; Iiona Stare, Latvian Branch Manager; Rasa Kasperaviciute, responsible for the Company's back-office administration and risk management, and Timo Pursiala, responsible for the Company's business control and investment management matters.

The Company's Supervisory Board decided to recall Imre Madison from Company's Management Board. The Management Board member's authorization rights were valid until 31.12.2016. The Company's Supervisory Board decided to appoint Piret Ühtegi and Dormantas Zajancauskas as new members of the Management Board as of 01.01.2017. Rasa Kasperaviciute was appointed as the Chairman of the Management Board and the CEO as of 01.01.2017.

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, was the acting Chairman of the Supervisory Board. The other members of the Supervisory Board were 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 on 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 on 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.

The Company's Chief Actuary is Rasa Povilaviciute. The Company's Internal Auditor is Arlet Rebane and the Risk Manager is Airi Heinapuu. The Lithuanian Branch Manager is Dormantas Zajancauskas.

2. Business results of the Company

As of 31.12.2016, the Company serviced a total of 31,051 (as of 31.12.2015 31,857) life insurance contracts. The biggest share of total insurance contracts, 72% of all the insurance contracts in force at the end of the fourth quarter of 2016 consisted of unit-linked insurance contracts total of 22,477 (22,970) contracts. As of 31.12.2016, the Company had 40,335 (40,660) insured persons in its contracts portfolio in the Baltics.

The Company's received payments in the Baltics totalled 29,543 (33,599) thousand euros in 2016.

As of 31.12.2016, the Company's client assets under management (AUM) amounted to 177,907 (173,113) thousand euros. The biggest share of AUM was formed by unit-linked insurance contracts, which formed 161,050 (156,089) thousand euros and 91% (90%) of clients' total AUM as of 31.12.2016.

The Company's total sum at risk valid as of 31.12.2016 was 665,417 (634,144) thousand euros.

The Company's market share (based on contractual payments received) as of 31.12.2016 was 6.8% (8.2%). As of 31.12.2016, the market share by countries based on contractual payments received in Estonia was 5.9% (7.2%), in Latvia

6.2% (7.2%), and in Lithuania 7.4% (9.0%). 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) as of 31.12.2016 was 11.4% (12.8%). As of 31.12.2016, the Company's market share by countries based on contractual payments received from unit-linked investment contracts in Estonia was 12.3% (14.1%), in Latvia 13.0% (14.4%) and in Lithuania 10.7% (12.1%).

In 2016 the Company paid claims in the amount of 26,910 (26,900) 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 2016 was positive, totalling to 1,812 (1,768) thousand euros. Investment income of the Company's own capital portfolio in 2016 was 219 (181) thousand euros.

As of 31.12.2016, the total size of the investment portfolio (except investments related to unit-linked life insurance contracts) was 25,700 (26,719) thousand euros. At the end of 2016, Mandatum Life Insurance Baltic SE's investment portfolio mostly comprised of Nordic corporate bonds and money market instruments.

As of 31.12.2016, owner's equity was 9,655 (10,529) 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 6,554 (6,113) thousand euros in 2016.

In 2016, Mandatum Life Insurance Baltic SE's loss for the period amounted to 873 (227) thousand euros.

The Company's balance sheet volume amounted to 188,567 (185,017) thousand euros as of 31.12.2016. Technical provisions from insurance contracts amounted to 13,309 (13,433) thousand euros at the end of year 2016; financial liabilities from unit-linked insurance contracts and investment contracts were 161,050 (156,089) thousand euros and financial liabilities from insurance contracts formed 3,548 (3,591) thousand euros.

3. Personnel of the Company

As of 31.12.2016 there were 97 (96) 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 3,435 (3,351) 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 421 (374) 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 September 2016, the Company launched the first part of functionalities in term life online sales portal which will be further developed in 2017. Also new websites were launched in all countries in December 2016.

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 Tallinn, 27 February 2017

II. Signatures of the Management Board


The Company's Management Board has prepared the Interim Report of 1-4Q of 2016 on pages 7-14.

Rasa Kasperaviciute Chairman of the Management Board



27.02.2017

Erkki Sadam Member of the Management Board



27.02.2017

III. Statement of Comprehensive Income

in thousands of euros	1-12/2016	1-12/2015
Insurance premiums	3,412	3,351
Fee income	2,436	2,726
Net income from investments	1,812	1,768
Other income	13	0
Claims incurred	-1,961	-1,796
Change in value of financial liabilities from insurance contracts with guaranteed interest	-113	-118
Change in value of unit-linked financial liabilities and assets	-41	-38
Change in life insurance provision	149	62
Staff costs	-3,435	-3,351
Other operating expenses	-3,119	-2,762
Profit/loss before income tax	-847	-158
Income tax	-26	-69
Profit/loss for the period	-873	-227
Total comprehensive income/loss for the period	-873	-227

IV. Quarterly statement of Comprehensive Income

in thousands of euros	10-12/ 2016	10-12/ 2015
Insurance premiums	863	853
Fee income	725	783
Net income from investments	384	539
Other income	5	0
Claims incurred	-658	-607
Change in value of financial liabilities from insurance contracts with guaranteed interest	-31	-29
Change in value of unit-linked financial liabilities and assets	-29	-33
Change in life insurance provision	171	156
Staff costs	-912	-825
Other operating expenses	-1,140	-804
Profit/Loss before income tax	-622	33
Income tax	-26	-59
Profit/Loss for the period	-648	-26
Total comprehensive income/loss for the period	-648	-26

V. Statement of financial position

in thousands of euros	31.12.2016	31.12.2015	Notes
Assets			
Property, plant and equipment	1	5	VIII.2
Intangible assets	786	780	VIII.3
Deferred tax assets	77	77	
Financial assets	23,985	24,926	
Investments related to unit-linked insurance and investment contracts	161,050	156,089	
Reinsurers' share of insurance liabilities	47	48	
Other assets	769	802	
Cash and cash equivalents	1,852	2,290	
Total assets	188,567	185,017	
Liabilities			
Financial liabilities for with-profit insurance contracts	3,548	3,591	
Financial liabilities for unit-linked insurance and investment contracts	161,050	156,089	
Technical provision for insurance contracts	13,309	13,433	
Other liabilities	1,005	1,375	
Total liabilities	178,912	174,488	
Share capital	3,516	3,516	
Share premium	3,509	3,509	
Legal reserve	271	271	
Retained earnings	2,359	3,233	
Total equity	9,655	10,529	
Total equity and liabilities	188,567	185,017	

VI. Statement of cash flows

in thousands of euros	2016	2015	Notes
Cash flow from operating activities			
Gross premiums received	3,926	3,791	
Fees received	34	41	
Financial liability inflow	25,117	30,316	
Paid claims and claims handling expenses related to pay-outs	-2,181	-1,944	
Financial liability outflow	-24,856	-25,066	
Inflow from reinsurance	308	292	
Reinsurance payments	-493	-502	
Expenses	-6,264	-6,020	
Other income	-25	0	
Paid income tax	-36	-27	
Purchases of investments	-32,202	-39,926	
Proceeds from the sale of investments	34,644	38,880	
Interest received	629	660	
Dividends received	3	3	
Received investment fee income	1,175	1,349	
Net cash provided by operating activities	-221	1,847	
Cash flow from investing activities			
Purchases of tangible and intangible assets	-217	-256	VIII.3
Net cash provided by investing activities	-217	-256	
TOTAL CASH FLOW, net	-438	1,591	
Cash and cash equivalents at the beginning of the period	2,290	699	
Change in cash and cash equivalents	-438	1,591	
Cash and cash equivalents at the end of the period	1,852	2,290	

VII. Statement of changes in equity

in thousands of euros	Share capital	Share premium	Legal reserve	Retained earnings	Total equity
As of 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 of 31.12.2015	3,516	3,509	271	3,233	10,529
Loss for period	0	0	0	-874	-874
Total comprehensive loss for the period	0	0	0	-874	-874
As of 31.12.2016	3,516	3,509	271	2,359	9,655

VIII. Notes

1. *Basis of preparation*

Mandatum Life Insurance Baltic SE's Interim Report of 1-4 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 of 31.12.2014	357	-341	16
Write-offs	-97	97	0
Depreciation charges	0	-11	-11
As of 31.12.2015	260	-255	5
Write-offs	-13	13	0
Depreciation charges	0	-4	-4
As of 31.12.2016	247	-246	1

Equipment comprises of office equipment and furniture.

3. *Intangible assets*

in thousands of euros	Acquisition cost	Accumulated depreciation	Carrying value
As of 31.12.2014	1,804	-1,114	690
Additions	256	0	256
Write-offs	-17	17	0
Depreciation charges	0	-166	-166
As of 31.12.2015	2,043	-1,263	780
Additions	217	0	217
Depreciation charges	0	-211	-211
As of 30.09.2016	2,260	-1,474	786

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 of 31.12.2016, 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 421 (374) thousand euros in 2016 pursuant to service contracts. The Supervisory Board received no separate remuneration or severance pay.

ASSETS in thousands of euros	31.12.2016	31.12.2015
Financial assets designated at fair value through profit or loss		
Mandatum Life Insurance Company Limited (parent company)	81,931	83,481
Other receivables		
Mandatum Life Insurance Company Limited (parent company)	41	28
Accrued income and prepaid expenses		
If P&C Insurance Company Ltd (subsidiary of Sampo plc)	10	15
Mandatum Life Insurance Company Limited (parent company)	118	130
Reinsurers' share of insurance liabilities and receivables		
Mandatum Life Insurance Company Limited (parent company)	282	280
Cash and cash equivalents		
Nordea Bank Finland Plc (associated company to Sampo plc)	3,138	2,248
LIABILITIES in thousands of euros	31.12.2016	31.12.2015
Insurance and other payables		
Mandatum Life Insurance Company Limited (parent company)	160	159
Accrued expenses and deferred income		
Sampo plc (ultimate parent company)	16	13
If P&C Insurance Company Ltd (subsidiary of Sampo plc)	-1	0
Nordea Bank Finland Plc (associated company to Sampo plc)	2	0
STATEMENT OF COMPREHENSIVE INCOME in thousands of euros	2016	2015
Premiums ceded to reinsurers		
Mandatum Life Insurance Company Limited (parent company)	490	476
Fee income		
Mandatum Life Insurance Company Limited (parent company)	543	592
Reinsurers' share in claims paid and in the change of provisions		
Mandatum Life Insurance Company Limited (parent company)	117	81
Other income		
Mandatum Life Insurance Company Limited (parent company)	12	0
Operating expenses		
Direct insurance commissions		
If P&C Insurance Company Ltd (subsidiary of Sampo plc)	2	4
Commissions on reinsurance ceded		

Mandatum Life Insurance Company Limited (parent company)	-190	-202
Transport expenses		
If P&C Insurance Company Ltd (subsidiary of Sampo plc)	10	10
Nordea Bank Finland Plc (associated company to Sampo plc)	12	14
Other expenses		
Mandatum Life Insurance Company Ltd (parent company)	76	71
If P&C Insurance Company Ltd (subsidiary of Sampo plc)	30	30
Nordea Bank Finland Plc (associated company to Sampo plc)	35	58
Sampo plc (ultimate parent company)	23	65
Change in financial assets designated at fair value through profit or loss		
Mandatum Life Insurance Company Ltd (parent company)	-2,551	-1,829