

MANDATUM LIFE INSURANCE BAL TIC SE

INTERIM REPORT 1Q/2017

Business name: MANDATUM LIFE INSURANCE BAL TIC SE

Commercial registry code: 10561490

Address: Viru väljak 2, 10111 Tallinn

Telephone: 6812 300

Fax: 6812 399

E-mail: info@mandatumlife.ee

Website: www.mandatumlife.ee

Beginning of reporting period: 01.01.2017

End of reporting period: 31.03.2017

CEO: Rasa Kasperaviciute

Auditor: Ernst & Young Baltic AS

Contents

I.	MANAGEMENT REPORT IN THE 1Q 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.	STATEMENT OF FINANCIAL POSITION.....	7
V.	STATEMENT OF CASH FLOWS	8
VI.	STATEMENT OF CHANGES IN EQUITY	9
VII.	NOTES.....	10
1.	BASIS OF PREPARATION	10
2.	PROPERTY, PLANT AND EQUIPMENT.....	10
3.	INTANGIBLE ASSETS	10
4.	RELATED PARTY DISCLOSURES.....	11

I. Management report in the 1Q 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 first 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 first 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 31.03.2017, the Company serviced a total of 30,693 (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 first quarter of 2017 consisted of unit-linked insurance contracts total of 22,344 (22,477) contracts. As at 31.03.2017, the Company had 39,934 (40,335) insured persons in its contracts portfolio in the Baltics.

The Company's received payments in the Baltics totalled 4,694 (2016 in the first quarter 4,135) thousand euros in the first quarter of 2017.

As at 31.03.2017, the Company's client assets under management (AUM) increased to 180,848 (as at 31.12.2016 177,907) thousand euros. The biggest share of AUM was formed by unit-linked insurance contracts, which formed 164,160 (161,050) thousand euros and 91% (91%) of clients' total AUM as at 31.03.2017.

The Company's total sum at risk valid as at 31.03.2017 was 660,741 (665,417) thousand euros.

The Company's market share (based on contractual payments received) of the first quarter of 2017 was 5.0% (4.7%). As at 31.03.2017, the market share by countries based on contractual payments received in Estonia was 6.6% (4.3%), in Latvia 4.6% (7.2%), and in Lithuania 4.5% (3.9%). 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 quarter of 2017 was 8.4% (first quarter of 2016 8.0%). As at 31.03.2017, the Company's market share by countries based on contractual payments received from unit-linked investment contracts in Estonia was 13.1% (7.6%), in Latvia 10.6% (16.9%) and in Lithuania 6.6% (5.6%).

In the first quarter of 2017 the Company paid claims in the amount of 5,931 (8,843) 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 quarter of 2017 was positive, totalling to 477 (361) thousand euros. Investment income of the Company's own capital portfolio in the first quarter of 2017 was positive, amounting to 61 (27) thousand euros.

As at 31.03.2017, the total size of the investment portfolio (except investments related to unit-linked life insurance contracts) was 25,354 (25,700) thousand euros. At the end of the first quarter of 2017, Mandatum Life Insurance Baltic SE's investment portfolio mostly comprised of Nordic corporate bonds and money market instruments.

As at 31.03.2017, owner's equity was 9,625 (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 1,515 (1,628) thousand euros in the first quarter of 2017.

In the first quarter of 2017, Mandatum Life Insurance Baltic SE's loss for the period amounted to 30 (loss 311) thousand euros.

The Company's balance sheet volume amounted to 191,438 (188,567) thousand euros as at 31.03.2017. Technical provisions from insurance contracts amounted to 13,123 (13,309) thousand euros at the end of the first quarter of 2017; financial liabilities from unit-linked insurance contracts and investment contracts were 164,160 (161,050) thousand euros and financial liabilities from insurance contracts formed 3,565 (3,548) thousand euros.

3. Personnel of the Company

As at 31.03.2017 there were 94 (103) employees working in the Company. Salaries and wages (including payroll taxes) for the period amounted to 883 (999) 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 95 (75) 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.

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 May 2017

II. Signatures of the Management Board

The Company's Management Board has prepared the Interim Report of 1Q of 2017 on pages 6-12.

Rasa Kasperaviciute	Chairman of the Management Board		18.05.2017
---------------------	----------------------------------	--	------------

Erkki Sadam	Member of the Management Board		18.05.2017
-------------	--------------------------------	--	------------

III. Statement of Comprehensive Income

in thousands of euros	1-3/ 2017	1-3/2016
Insurance premiums	844	860
Fee income	600	561
Net income from investments	477	361
Other income	4	2
Claims incurred	-567	-386
Change in value of financial liabilities from insurance contracts with guaranteed interest	-27	-26
Change in value of unit-linked financial liabilities and assets	2	0
Change in life insurance provision	152	-55
Staff costs	-883	-999
Other operating expenses	-632	-629
Profit/loss before income tax	-30	-311
Income tax	0	0
Profit/loss for the reporting period	-30	-311
Total comprehensive income/loss for the reporting period	-30	-311

IV. Statement of financial position

in thousands of euros	31.03.2017	31.12.2016	Notes
Assets			
Property, plant and equipment	1	1	VII.2
Intangible assets	758	786	VII.3
Deferred tax assets	77	77	
Financial assets	20,833	23,985	
Investments related to unit-linked insurance and investment contracts	164,160	161,050	
Reinsurers' share of insurance liabilities	50	47	
Other assets	642	769	
Cash and cash equivalents	4,917	1,852	
Total assets	191,438	188,567	
Liabilities			
Financial liabilities for with-profit insurance contracts	3,565	3,548	
Financial liabilities for unit-linked insurance and investment contracts	164,160	161,050	
Technical provision for insurance contracts	13,123	13,309	
Other liabilities	965	1,005	
Total liabilities	181,813	178,912	
Share capital	3,516	3,516	
Share premium	3,509	3,509	
Legal reserve	271	271	
Retained earnings	2,329	2,359	
Total equity	9,625	9,655	
Total equity and liabilities	191,438	188,567	

V. Statement of cash flows

in thousands of euros	1-3/2017	1-3/2016	Notes
Cash flow from operating activities			
Gross premiums received	975	974	
Fees received	4	3	
Financial liability inflow	3,740	2,632	
Paid claims and claims handling expenses related to pay-outs	-674	-423	
Financial liability outflow	-5,289	-8,453	
Inflow from reinsurance	75	73	
Expenses	-1,760	-1,740	
Other income	11	-22	
Purchases of investments	-5,693	-4,920	
Proceeds from the sale of investments	11,163	10,230	
Interest received	260	249	
Received fee income	272	283	
Net cash provided by operating activities	3,084	-1,114	
Cash flow from investing activities			
Purchases of tangible and intangible assets	-19	-64	VII.2VII.3
Net cash provided by investing activities	-19	-64	
TOTAL CASH FLOW, net	3,065	-1,178	
Cash and cash equivalents at the beginning of the period	1,852	2,290	
Change in cash and cash equivalents	3,065	-1,178	
Cash and cash equivalents at the end of the period	4,917	1,112	

VI. 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
Loss for the reporting period	0	0	0	-30	-30
Total comprehensive loss for the reporting period	0	0	0	-30	-30
As at 31.03.2017	3,516	3,509	271	2,329	9,625

VII. Notes

1. Basis of preparation

Mandatum Life Insurance Baltic SE's Interim Report of 1st Quarter 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 31.03.2017	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	19	0	19
Depreciation charges	0	-47	-47
As at 31.03.2017	2,279	-1,521	758

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 31.03.2017, 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 95 (75) thousand euros in the 1Q 2017 pursuant to service contracts. The Supervisory Board received no separate remuneration or severance pay.

ASSETS in thousands of euros	31.03.2017	31.12.2016
Financial assets designated at fair value through profit or loss		
Mandatum Life Insurance Company Limited (parent company)	85,845	81,931
Other receivables		
Mandatum Life Insurance Company Limited (parent company)	50	41
Accrued income and prepaid expenses		
If P&C Insurance Company Ltd (subsidiary of Sampo plc)	19	10
Mandatum Life Insurance Company Limited (parent company)	126	118
Sampo plc (ultimate parent company)	4	0
Reinsurers' share of insurance liabilities and receivables		
Mandatum Life Insurance Company Limited (parent company)	127	282
Cash and cash equivalents		
Nordea Bank Finland Plc (associated company to Sampo plc)	2,827	3,138
LIABILITIES in thousands of euros	31.03.2017	31.12.2016
Insurance and other payables		
Mandatum Life Insurance Company Limited (parent company)	126	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)	1	2
STATEMENT OF COMPREHENSIVE INCOME in thousands of euros	1-3/2017	1-3/2016
Premiums ceded to reinsurers		
Mandatum Life Insurance Company Limited (parent company)	126	123
Fee income		
Mandatum Life Insurance Company Limited (parent company)	119	136
Reinsurers' share in claims paid and in the change of provisions		
Mandatum Life Insurance Company Limited (parent company)	32	24
Other income		
Mandatum Life Insurance Company Limited (parent company)	3	2
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)	-47	-46

Transport expenses

If P&C Insurance Company Ltd (subsidiary of Sampo plc)	2	2
Nordea Bank Finland Plc (associated company to Sampo plc)	3	3

Other expenses

Mandatum Life Insurance Company Ltd (parent company)	2	20
If P&C Insurance Company Ltd (subsidiary of Sampo plc)	8	8
Nordea Bank Finland Plc (associated company to Sampo plc)	6	6
Sampo plc (ultimate parent company)	21	13

Change in financial assets designated at fair value through profit or loss

Mandatum Life Insurance Company Ltd (parent company)	2,734	-3,662
--	-------	--------