

Mandatum Life in 2017

The positive investment year – the sixth in a row – created a foundation for a good result and solid solvency development. The strong result was reflected in an even higher solvency ratio and also enabled the payment of an extra dividend in September. The valuation of the insurance portfolio to be sold to Danske Bank was completed in June, further strengthening the company's solvency position and creating a solid foundation for dividend streams over the next few years.

Mandatum Life's premium income decreased from the previous year. A significant part of the sales channels' resources was employed for implementing several regulatory changes for the customers. Among the sales channels, Danske Bank's sales volumes clearly declined for a second consecutive year. Mandatum Life's own sales channels performed well during the year, even though the premium income fell short of the previous year's record level. Within the institutional segment, promising opening moves were made in Sweden.

Mandatum Life's investment returns exceeded the return requirement on technical provisions, especially due to the excellent return on equity investments. Despite a slight rise, low-risk, long-term interest rates remained at a low level, which means maturing fixed income investments continue to present a considerable re-investment risk, as in previous years. As a result of the low interest rate levels, the company continued to supplement the reserves for decreased discount rates. Consequently, the return requirement on technical provisions for 2018–2021 has been substantially lowered.

No changes took place in Mandatum Life's strategy and key focal areas during the year. The business areas focus on unit-linked and personal risk insurance. Existing customers, companies and their employees and institutions are at the heart of the customer strategy. Mandatum Life's private customer potential is largely based on the current insurance portfolio and the employees of corporate clients. In terms of wealth management, the co-investment approach was expanded to cover an even broader customer base and group of investment instruments. Co-investing strategy means that Mandatum Life invests in objects that are aligned with companies' and its partners' successful investment operations. The controlled winding down of the insurance

portfolio with particularly high guarantees continues to be one of the key strategic areas.

In 2017, Mandatum Life continued to invest in digitalization and an increasing number of the company's products are now available through mobile services. Digital services enable better customer satisfaction and more efficient processes and offer an effective way of reaching potential customers through corporate clients.

At the end of 2016, Mandatum Life announced that its long-standing distribution co-operation with Danske Bank would come to an end and that the company would exercise its right to sell the insurance portfolio, consisting of private customers' insurance policies generated through the co-operation, to Danske Bank. The portfolio transfer involves approximately 150,000 policies, unit-linked insurance savings of around EUR 3 billion and with-profit insurance savings of some EUR 0.2 billion. The valuation of the insurance portfolio was completed in June 2017. The portfolio transfer is expected to be completed by the end of 2018. Mandatum Life and Danske Bank have agreed on a transitional period during which fund management co-operation will be continued to ensure that the services offered to existing customers remain unchanged until the portfolio transfer. From customers' perspective, the services will remain unchanged during the transitional period.

At the end of the year, Mandatum Life merged its subsidiary operating in the Baltics with the parent company and Innova Services Ltd with Mandatum Life Services Ltd. The changes in the corporate structure will streamline administrative processes and enable stronger synergy benefits between the businesses in different countries.