THE BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2013

The Board of Directors' report and Financial Statements

Governance

The Board of Directors' report for the year 2013

THE MERGER OF MUTUAL INSURANCE COMPANY PENSION FENNIA AND LOCALTAPIOLA MUTUAL PENSION INSURANCE COMPANY

In December 2012, the Board of Directors of the Mutual Insurance Company Pension Fennia and the Board of Directors of Tapiola Mutual Pension Insurance Company signed a letter of intent concerning the initiation of a plan to merge the companies' operations. In March 2013, the Boards of the two companies, Pension Fennia and, then, LocalTapiola Pension, approved the framework agreement and plan for the merger. It was decided that the company formed as a result of the merger would be headed up by Lasse Heiniö as Managing Director and Satu Huber as Deputy Managing Director and Acting Managing Director.

The framework agreement also confirmed the composition of the Board of Directors in the new company. The Board of Directors comprises representatives of the central labour market parties, as well as of the customers and interest groups of both companies. Harri Miettinen was elected as Chairman of the Board, and Ann Selin and Pekka Sairanen as Deputy Chairmen. The company's Supervisory Board was formed by combining the Supervisory Boards of both companies involved in the merger. Klaus Saarikallio was named as Chairman of the Supervisory Board, and Håkan Nystrand and Ilkka Brotherus as Deputy Chairmen.

The Extraordinary General Meetings of Pension Fennia and LocalTapiola Pension, held on 19 June 2013, approved the plan for the merger of Pension Fennia and LocalTapiola Pension. On 27 June 2013, the Financial Supervisory Authority approved the application for the merger of Pension Fennia and LocalTapiola Pension. As a result of the merger, Elo Mutual Pension Insurance Company launched its operations on 1 January 2014. Pension Fennia was dissolved on the effective date of the merger, 1 January 2014. During the implementation phase, until the end of 2013, Pension Fennia and LocalTapiola Pension operated as competing companies.

Elo insures altogether about 490,000 employees and self-employed persons. With approximately €3 billion in total premium income, the company's market share equalled about 24 per cent at the time of its launch. The value of the investment assets totals more than 18 billion euro. The company has 450 employees. The office facilities are located in the Tapiola district of Espoo, Finland. Elo will continue to work in close co-operation with LocalTapiola and Fennia, while equitably serving as the employment pension partner for both corporate groups.

INVESTMENT ENVIRONMENT

The International Monetary Fund (IMF) predicted that global economic growth would strengthen in 2013 as compared to the previous year, but the realised global growth remained lower than in 2012 and was, after the purchasing power parity adjustment, slightly less than 3 per cent. The United States' economic situation has seen the most positive development following the financial crisis, but even there, the closing of the gap related to the expansionary fiscal policies of the public sector gnawed at the economic growth, which remained at approximately 1.9 per cent. In the eurozone, the strong economy of Germany and the commitments of the European Central Banks to support problem states uplifted the outlooks toward the end of the year, but the growth in the eurozone was still negative for the whole year, at a level of -0.4 per cent. Economic development in Finland was even more negative at -1.1 per cent. The growth in developing economies fell clearly short of expectations, remaining at 4.5 per cent, and the difference between stable and weak economies became more pronounced.

As a result of subdued growth and the underutilisation of the production capacity, the rise in consumer prices in developed economies stood at only 1.2 per cent in 2013.

Toward the end of 2013, inflation dropped further within G10 countries, and particularly alarmingly within the eurozone. Inflation in developing countries stood close to what was expected, at a level of 6.2 per cent in 2013.

Within the financial markets, the key central banks of developed countries continued to keep their interest rates at a record low due to the capacity underutilisation. In Japan, the central bank upheld a strong monetary policy line for the entire year based on the expanding of the balance sheet of the central bank. The policy of the European Central Bank was to uphold faith in support measures. At the start of the summer, the US Federal Reserve sparked discourse about the reduction of expansive measures based on the increase of its own monetary supply. This resulted in a rapid rise of long-term reference rates in the US and Europe, and brought about quite a significant drop in returns on risk-bearing investments that had, up until then, been highly profitable. The US Federal Reserve managed, however, to calm the situation down quite quickly by emphasising the intention to keep its key short-term interest rates at a very low level for a long time to come. Due to improved growth outlooks and the measures of the central banks to support the markets, the end of the year was very favourable for risk-bearing investments.

CHANGES IN THE OPERATING ENVIRONMENT

In January 2013, Professors Nicolas Barr and Keith Ambachtsheer published their international expert assessment of the Finnish pension system. Both found the current state of the pension system to be good.

A working group of pension experts, chaired by Director General Jukka Pekkarinen, was appointed by the labour market parties to carry out a preparatory survey for the purposes of the pension reform planned to get underway at the start of 2017. The final report of the working group was completed in autumn 2013. The report evaluated the sustainability of the private-sector pension system from both financial and social perspectives. The report assessed the sustainability deficit of the public economy to be 4.6 per cent of the GDP. Of this figure, about 0.5 percentage points were derived from the private-sector pension system. The negotiations directed at the pension reform in 2017 will likely be completed during 2014.

In early 2013, a legislative amendment related to the solvency reform entered into effect. Accordingly, the equalisation provision reserved as a buffer for fluctuations of risk-bearing business and the solvency margin that described the genuine solvency and served as a buffer for the investment market movements were combined into a single concept, namely the solvency capital.

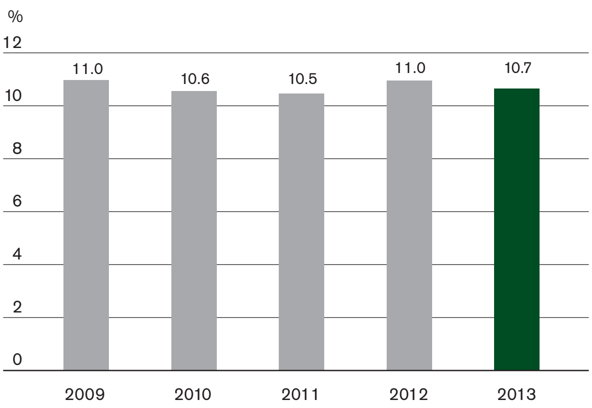
The solvency reform, which was initiated by the Ministry of Social Affairs and Health and was intended to redefine the capital requirements of pension companies, also continued during 2013. This work is anticipated to be completed during 2014. Additionally, the Ministry of Social Affairs and Health is currently preparing for legislative reforms for the employment pension industry in order to increase competition between pension companies and to develop their administration.

As of the start of 2014, the possibility to retire on early old-age pension was eliminated. Early old-age pension enabled an employee to retire at 62 years of age at a reduced pension rate. At the same time, the minimum age limit for part-time pension increased from 60 to 61 years of age.

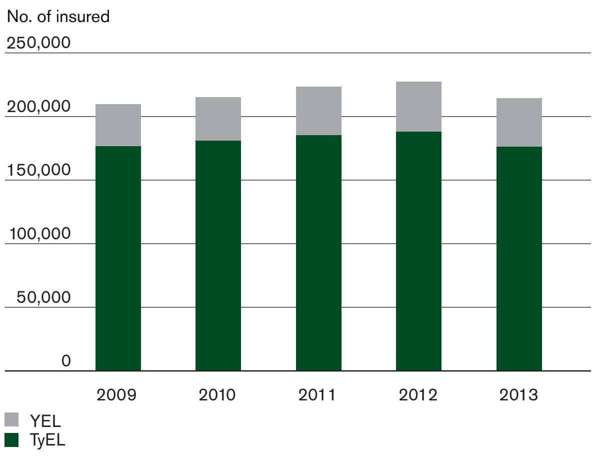
REACHING THE GOALS

The key goal of investment operations in 2013 was to secure solvency in any circumstances. Pension Fennia's investment income was among the highest in the pension

Pension Fennia's market share measured by premium income 31 Dec.



Pension Fennia's no. of insured 31 Dec.



insurance field. Return on invested capital, calculated at fair values and including operating expenses, the unallocated returns and expenses of investment operations and other interest items in the profit and loss account, stood at 9.4 per cent for the financial year.

Pension Fennia's solvency clearly improved during 2013 as compared to the situation on 31 December 2012. The solvency margin, calculated in accordance to the relevant legislation valid on 31 December 2012, was 1,395 million euro, and the solvency capital, calculated in accordance with the legislation valid on 1 January 2013, was 1,360 million euro. The solvency capital increased by 23 per cent from the start of the year to 1,667 million euro. The solvency ratio, i.e., the amount of solvency capital in proportion to the technical provisions used in the solvency calculation, increased from 21.7 per cent at the beginning of the year to 25.1 per cent at the end of the year. At the same time, the solvency position, i.e., the ratio of the solvency capital to the solvency limit, dropped from 2.7 to 2.4.

The expense loading surplus stood at 11.1 million euro, or 19.3 per cent of the loading profit. Pension Fennia's operating expenses mainly consist of two large items; personnel expenses and IT expenses.

During 2013, the co-operation of Pension Fennia as part of the Fennia Group was pronounced. The company retained its strong position as an employment pension insurer of self-employed persons and SMEs. The market share decreased by 0.3 percentage points. The overall result of transfer business met with a loss. The result of new business has remained at a good level. Altogether approximately 1,800 TyEL policies and 2,800 YEL policies were gained through new customer prospecting. The said TyEL portfolio covers some 3,800 employees.

The strong local presence of our co-operative partner has ensured that our market share in new customer prospecting has remained at a good level. The market share in new customer prospecting of TyEL policies was around 10.2 per cent and that of YEL policies around 11.7 per cent.

At the start of 2013, Pension Fennia negotiated with LocalTapiola on an agreement by which LocalTapiola would continue managing the employment pension matters for Pension Fennia's policyholders that are customers of LocalTapiola. For Pension Fennia's customers, this arrangement has had no direct impacts, as the employment pension insurance policies and their management continued to be handled as earlier.

MERGER PREPARATIONS

Immediately at the start of 2013, a steering group was established to help prepare for the upcoming merger between Pension Fennia and LocalTapiola Pension. At the start of the process, the steering group oversaw several projects related to the merger, such as those focusing on the plan of merger, the framework agreement, the premises, and ICT and communications. Due to issues governed by competition law, other projects, such as those dealing with the investment operations, and insurance and pension issues, got underway later in the merger process. The formation of Elo was an enormous endeavour for the entire personnel. The employees were informed regularly about the progress of the merger undertaking in general personnel bulletins.

Preparations for the merger in terms of the insurance and claims process were implemented under the theme of assured continuity. In practice, this meant efforts to minimize changes as the company moved from 2013 into 2014. Necessary changes were made in reporting and to online customer services. Production within the insurance and claims process were initially handled by two separate systems and two operational models. The bottom line was to ensure as few changes as possible from the customers' perspective.

The merger projects significantly tied up human resources, particularly in the Finance, Investment, HR and Independent Risk Management and Controller units, and called for arrangements regarding personnel and work duties in order to safeguard effective overall operations. Additionally, the resources of these units were reinforced with fixed-term employment positions and employees who were paid by the hour. All projects proceeded in accordance with the Day1 implementation plan, despite the tight schedule.

DEVELOPMENT OF OPERATIONS

In 2013, the customer process focused on close co-operation with the company's partner. The co-operative partner's extensive operating network combined with Pension Fennia's strong expertise in employment pension insuring has guaranteed comprehensive and knowledgeable service to customers. The development of telephone and online services has facilitated the easy and flexible handling of insurance matters. In addition to customer satisfaction, partner satisfaction was also surveyed and proved to be at an extremely good level.

Close co-operation has also facilitated the implementation of the merger project. At the beginning of the project, possible interruptions to customer and partner services were discussed as significant risks. In November 2013, a satisfaction survey was conducted in the field and the assessments of Pension Fennia's operations and co-operative capacities were, however, at a good level.

With the help of seamless co-operation, there were no significant interruptions in the customer services.

According to an industry-specific customer satisfaction survey conducted by Taloustutkimus Oy, Pension Fennia's corporate image and customer satisfaction remained at a good level. Approximately two-thirds (63%) of the respondents were familiar with Pension Fennia either through a current or earlier customer relationship or some other connection. In terms of recognisability, Pension Fennia ranked in second place among those within the industry. Measured by the overall satisfaction of customers, Pension Fennia placed third with a general rating of 8.14 (while the weighted average in the industry was 8.09). In terms of the various customer satisfaction factors, Pension Fennia received clearly the best ratings in the area of expertise. Furthermore, Pension Fennia stood out, in a positive way, for its ability to take the customer's needs into consideration. In terms of its expertise, accessibility and ability to keep promises, Pension Fennia was at the top of the industry. Pension Fennia is also strongly recommended by its customers.

The developmental focus for the insurance process was on increasing the electronic transactions, particularly the creation of an electronic insurance policy application. The use of the electronic application form was initiated for self-employed customers in April 2013, and for employers in September of the same year. Customers and partners have been satisfied with the level of usability, which has been expressed through feedback and a more rapid rise than expected in the degree of utilisation. In terms of new self-employed customers, in particular, more than 70 per cent of the new YEL policy applications were submitted electronically. Activity continuously increased on the employer side as well, and in November, new policy TyEL applications sent electronically represented approximately 70 per cent of all applications submitted. In terms of transfers, the share of electronic applications was, for YEL policies, higher than in new sales and, for TyEL, about half. Furthermore, the electronic application process decreased handling times and increased personnel satisfaction with the smooth flow of the process.

Continual development work was carried out within the pension process for the purpose of improving the quality of customer service and the efficiency of the pension process. Individual projects and ongoing development work both aim to ensure our customers receive consistent quality regardless of the service situation or time. The quality indicators show that we have succeeded well in this work.

The claims system reform, launched in 2012, continued according to plan throughout 2013, and significantly tied up personnel resources. At the same time, preparations were being made for the merger set for the start of 2014, including participation in many planning, implementation and testing projects. Despite these considerable additional challenges, we still managed to secure the functioning of our pension process and seamless customer service work.

Within the investment process, the development project concerning the securities system was completed, and the new system advanced into production at the start of 2013. At the same time, the Independent Risk Management and Controller unit introduced a data storage system, which is intended to improve and automate the reporting for the authorities, the management, the Board and the Investment unit. Within the investment process, the scenario models for investment assets and solvency were systematized and further developed for use in risk management and allocation processes.

At the start of 2013, Pension Fennia began building up a risk database for operational risks. Each process and unit reported on identified operational risks and related management procedures. The Independent Risk Management and Controller unit gathered the information into the shared risk database and, based on the information, prepared company-level summary reports for the use of the Executive Group, the Board of Directors, and the processes and units. The objective of the risk reporting has been to strengthen the organisation's risk management culture and risk awareness.

The goal of the HR unit has been to support Pension Fennia's operations and realisation of the strategy by means of personnel management, including the modern electronic work tools being used to improve and automate the HR work.

In addition to the basic HR work in 2013, the unit was occupied with the upcoming merger. During the autumn, in particular, the impacts of the merger were reflected in the extremely limited resources in certain parts of the organisation. The company responded to the demand by providing additional resources and making local agreements with personnel representatives on the possibility for 80 hours of extraordinary overtime work until the end of 2013. It was more challenging than earlier to support the personnel in maintaining their working capacity and taking even short leaves. To support working capacity, the employees and supervisors of the two companies were commonly provided with change management training. The feedback on the training indicated that it had been both necessary and helpful. On the basis of the feedback, group coaching was also launched for the supervisors at the end of the year.

INSURANCE PORTFOLIO AND PREMIUMS WRITTEN

At the end of 2013, the number of persons insured in Pension Fennia was 214,420. The number of TyEL insurance policies decreased by 1,220 for a total of 21,700 policies covering 177,020 individuals. At the end of 2013, the number of insured employment relationships was around 11,900 less than in the previous year. The number of YEL insured decreased by about 2,200 self-employed persons during the year and stood at 37,400 at the end of the year.

The average TyEL premium was 22.8 per cent of salaries/reported earnings. The employee's share of contribution was on average 5.45 per cent. Premiums written for the year 2013 stood at €1,326.3 million. Of this amount, TyEL insurances accounted for €1,152.1 million and YEL insurances for €184.8 million before deduction of credit losses. Credit losses on premium receivables stood at €10.6 million.

The amount of credit losses on TyEL premiums for 2013 totalled €9.1 million. Credit losses on YEL premiums stood at €1.5 million. Unpaid overdue premium receivables amounted to around €49.5 million on 31 December 2013. The amount of credit losses increased by €1.2 million and the amount of open insurance premiums decreased by €5.0 million from the previous year.

PENSIONS AND WORK WELLNESS

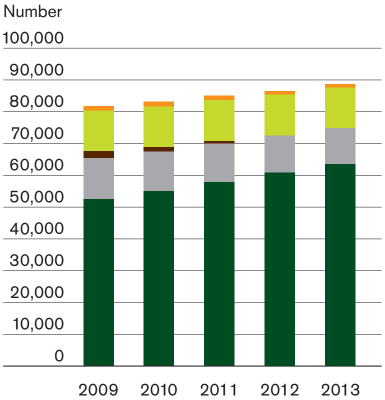
In 2013, Pension Fennia handled a total of around 18,000 pension matters, of which approximately 8,700 were new pension applications. The total number of new applications increased slightly from the previous year. The most significant growth, of nearly 10 per cent, involved the number of old-age pension applications. Those insured by Pension Fennia retired on old-age pension, on average, at the age of 63.5 years. The average age of retirement was the same as the previous year, and there was no significant increase in the number of those who worked alongside pension.

The number of rehabilitation applications increased from the previous year across the entire pension industry. Pension Fennia's share of rehabilitation applications was 7.5 per cent of the total number of applications of all pension providers. There has been an increase in social discourse and co-operation between employers and the occupational health care system for the purpose of implementing rehabilitation. This work appears, as hoped, in the long-term development in the number of applications.

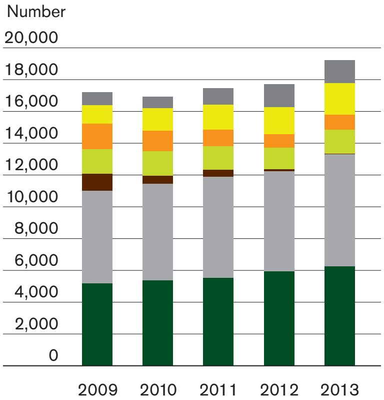
At the end of 2013, the number of pension recipients was nearly 88,500. In 2013, the amount of pensions paid out totalled €1,082.4 million. The timely payment of pension is, in terms of our customers' livelihood, essential, and we succeeded well in this area during 2013.

Pension Services sent pension records to some 116,500 insured persons during the summer. During 2013, the pension record was sent to all self-employed persons, as well as those employees born between January and April. In addition to information concerning employment in the private sector, the pension record detailed all employments within the public sector. The general economic situation is still reflected in Pension Services, as lay-offs and employment terminations have increased the need for the clarification of pension alternatives.

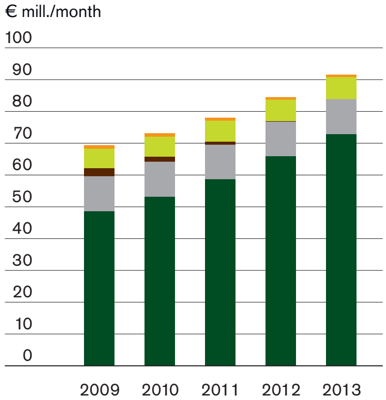
No. of pensioners 31 Dec.



No. of concluded cases (new applications and appeals) 31 Dec.



Pensions paid 31 Dec.



Disability pension
Old-age pension
Survivors' pension
Unemployment pension
Rehabilitation
Part-time pension
Other

Technical provisions, € mill.

	31 Dec. 2013	31 Dec. 2012
Premium reserve		
Future pensions	**3,478.7**	3,424.6
Provision for current bonuses	**21.9**	18.8
Provision for future bonuses	**97.8**	98.1
Provision linked to equity income	**164.6**	43.1
	3,763.0	3,584.6
Claims reserve		
Current pensions	**2,987.4**	2,810.5
Equalisation provision	**216.8**	225.7
	3,204.2	3,036.2
Total	**6,967.2**	**6,620.7**

Pension Fennia has offered its customers access to the Efekti service, the aim of which has been to support client companies in their efforts to promote work wellness and prevent disability risks. The Efekti service has provided different risk surveys, training and a comprehensive Efekti online service.

In 2013, altogether 16 Efekti training events were held for representatives of client companies under the themes of supervisory work, leadership and work development. The feedback from the training events has been excellent. As one of the available risk surveys, the Efekti work community survey has shown to be an effective tool for client companies to gather information about the work wellness of their personnel and related factors. Several dozen such surveys were conducted in 2013.

In terms of the services for major accounts, disability risk management continued, in 2013, to play a key role, requiring active co-operation between the company management, the customer's occupational health care and Pension Fennia's expert. The objective of the co-operation has been to create pro-active measures to uphold working capacity and find methods to extend the working careers of persons with impaired working capacity by means of vocational rehabilitation.

The use of the 'Achieving meaningful success' survey for self-employed persons, developed during 2012, was continued during 2013 with a targeted concept for co-operative partners. The survey involved subjective measurements of the working capacity of self-employed persons and their business success. Altogether 6 targeted surveys were conducted in 2013. A total of 668 persons responded to the surveys, and the results of each survey were compared to the broader response data gathered from 1,500 Pension Fennia self-employed customers in 2012. The surveys served as the foundation for many articles intended for specific target groups and presentations at events held by co-operative partners.

TECHNICAL PROVISIONS AND COVERING ASSETS

Pension Fennia's technical provisions stood at €6,967.2 million at the end of 2013. Technical provisions included €900.5 million of liabilities accrued from employee shares of contribution.

The claims reserve also includes an equalisation provision, which stood at €216.8 million at the end of 2013. The share of basic benefit accounted for €212.0 million. The equalisation provision was securing. The result of insurance business as a whole was negative in 2013.

The average return on equities of the pension system to be transferred to the technical provisions was around 19.9 per cent on 31 December 2013, and the amount of provision for bonuses linked to return on equities was around €164.6 million on 31 December 2013.

The assets covering technical provisions meet the requirements of the relevant decree and those of the Financial Supervisory Authority. Listed assets amounted to €8,356 million, or 19.8 per cent more than the technical provisions to be covered. Pension Fennia's open foreign exchange position, i.e., assets not hedged against exchange rate fluctuations, amounted to €782 million.

INVESTMENT OPERATIONS

The goal of investment operations has been to achieve, in the long term, as high real returns as possible, while keeping the risks at the level confirmed by the Board of Directors. Total investment income on invested capital stood at 9.4 per cent before operating expenses and unallocated income and costs of investment operations. The overall return on Pension Fennia's investments can be considered excellent within an economic environment that was weak and had insecure outlooks. The improvement in solvency also facilitated the increase in risk-taking in a controlled manner.

The required rate of return on technical provisions is determined on the basis of the discount rate (3%) used in the calculation of the technical provisions, supplementary coefficient for pension liabilities, and the average equity income of pension institutions. The supplementary coefficient was 0.71 per cent for the period from 1 January – 31 March 2013, 0.98 per cent for the period from 1 April – 30 June 2013, 1.20 per cent for the period from 1 July – 30 September 2013, and 0.85 per cent for the period from 1 October – 31 December 2013.
The technical rate of interest is still determined semi-annually on the basis of the average solvency of employment pension institutions. In 2013, the technical rate of interest stood at 4.00 per cent until 30 June 2013 and at 4.75 per cent from 1 July to December 2013.

The net return on investment operations in the profit and loss account stood at €385.2 million. Capital losses generated in equity, fixed-income, real estate and other investments amounted to €48.8 million and capital gains to €248.6 million. Value re-adjustments on equities, bonds, real estate and other investments stood at €65.4 million. Value adjustments on equities, bonds, real estate and other investments stood at €87.2 million. Valuation differences increased by €316.4 million during the financial year. The net return on investment operations at fair values stood at €704.3 million.

The returns in the equities markets were good from the very start of the year. Equity risk was increased gradually by a total of 10 percentage points, and equities accounted for 32 per cent of all investments at the end of the year. In 2013, the yield on listed equities was the highest for all investment classes, at 22.1 per cent. The good return was the result of the market activity as well as successful equity decisions.

Due to the rise in long-term interest rates, the return on low-risk investments, primarily state bonds, was occasionally even negative during the course of the year, despite the relatively low interest rate risk of the investment portfolio. State bond investments, however, achieved upwards of a 0.5 per cent return by the end of the year. Despite the higher interest rate level, the return on corporate bonds was nearly 3 per cent in the low-to-medium risk investments and over 8 per cent in the high-risk investments as a result of reduced margins and good running yields.

The yield of hedge funds stood at 9.0 per cent in 2013. Of the hedge funds, the best return came from funds whose investment strategies were able to benefit from the special characteristics of the US market's equities and different credit-risk sectors at a moderate risk level.

The real estate investment market was calm, although the underutilisation of office facilities further increased and the decrease in the volume of sales placed pressure on rental levels. The volume of real estate sales hit a historical low due to the fact that the investment market was divided. Investors were more intent on finding low-risk prime investment objects, but the market only offered high-risk real estate investments.

As a result of great demand, the yield requirements of the investors dropped further for the best investments, which was reflected in Pension Fennia's real estate portfolio as greater than usual changes in value for residential flats and large shopping centres. In contrast, the value of office properties, in particular, dropped to a certain extent.

Investment distribution 2013

Investment assets at fair values	31 Dec. 2013		Return	31 Dec. 2012		Return
(includes accumulated interest)	€ mill. 1)	%	%	€ mill.	%	%
Fixed-income investments	**3,319.4**	**40.7**	**1.6**	**3,888.3**	**51.9**	**9.0**
Loans	271.4	3.3	3.5	397.7	5.3	2.9
Bonds	2,315.5	28.4	1.7	3,078.6	41.1	11.0
Bonds of OECD/EEA public corporations	541.1	6.6	0.9	737.2	9.8	5.3
Bonds of other corporations	1,774.4	21.8	1.9	2,341.5	31.2	13.3
Other money-market instruments and deposits, which include receivables and debts directed at the investments	732.4	9.0	0.3	412.0	5.5	1.2
Equities	**2,576.3**	**31.6**	**20.3**	**1,625.6**	**21.7**	**15.8**
Listed equities	2,333.7	28.6	22.1	1,360.9	18.2	16.7
Private equity investments	172.4	2.1	10.7	161.0	2.1	10.8
Unlisted equities	70.2	0.9	1.6	103.7	1.4	10.7
Real estate investments	**1,342.0**	**16.5**	**14.9**	**1,147.6**	**15.3**	**12.5**
Direct real estate investments	1,124.8	13.8	16.2	931.8	12.4	14.8
Real estate investment funds and joint investment companies	217.1	2.7	9.0	215.8	2.9	5.4
Other investments	**914.8**	**11.2**	**9.1**	**833.8**	**11.1**	**6.3**
Hedge fund investments	893.0	11.0	9.0	826.6	11.0	8.6
Other investments	21.7	0.3	10.7	7.2	0.0	-41.9
Total investments	**8,152.4**	**100.0**	**9.4**	**7,495.2**	**100.0**	**10.3**

1) Includes derivatives totalling €16.0 million that are not contained in the balance sheet.

The largest investments included the tower hotel being built in Tampere, and the construction of two residential properties in the Pitäjämäki area of Helsinki, and the medical centre in Kampin Huippu Business Center in Helsinki. As a result of these investments and revaluations, the share of real estate investments of the overall allocation increased to about 16.5 per cent.

The development of Pension Fennia's indirect real estate investments within the EU continued steadily and the return was satisfactory.

The return on real estate investments calculated on invested capital stood at 14.9 per cent. The real estate portfolio was evaluated in its entirety during 2013 by an external authority, and on the basis of the evaluations, the value of the real estate assets increased in net by altogether about €98 million. The biggest reason for the value increase was that the Pension Fennia real estate investment strategy worked well in the current market that favours low-risk real estate investments. Although the value of office properties decreased, the values of residential flats and large shopping centres continued to rise. Additionally, the change in the valuation principles for rental flats, intended to correspond to the practices in the industry in general, increased the aforementioned rise in value by €38 million.

The amount of corporate financing loans was approximately €271 million at the end of the year. The overall return on loans was good, at 3.5 per cent. Credit losses were minimal.

TOTAL OPERATING EXPENSES AND PERSONNEL

Total operating expenses for 2013 amounted to €65.7 million. Operating expenses that were covered using expense loading stood at €46.4 million and operating expenses covered by investment income at €13.3 million. A total of €2.3 million of operating expenses related to working capacity maintenance were paid from the disability loading of the premiums. Total operating expenses included €3.7 million in statutory charges, which are covered with a separate share of premium. The increase in operating expenses in 2013 was caused primarily by the integration costs related to the implementation of the merger.

Personnel costs accounted for 38 per cent of the costs of insurance business and investment operations. Expense loading totalled € 57.6 million for the year. Loading profit stood at €11.1 million, and 80.7 per cent of the expense loading was spent on the operating expenses of the insurance business.

The company employed an average of 249 persons in the year 2013. At the end of 2013, there were 252 people that were permanently employed, but 3 of those employments were terminated at the end of the year. On the final day of December, there were 23 people in fixed-term employment relationships, but the fixed-term agreement ended on 31 December 2013 for 11 of them. Altogether 9 people were on maternity or child care leave, 1 on part-time pension and 2 on partial disability pension. Altogether 9 new employees were hired and 2 fixed-term employments were made permanent. Altogether 17 employment relationships ended, 5 of them due to retirement.

The conversion and development projects related to the merger bound a considerable amount of resources from different parts of the organisation during 2013. In order to cover the need for resources due to, for example, projects and child care leaves, the company hired fixed-term personnel as necessary. It is considered highly important to ensure that employees have an opportunity to recover when multiple projects are underway simultaneously.

RESULT AND SOLVENCY

The book net returns on investment operations, including such interest items of the profit and loss account that are not entered under investment income, amounted to €387.9 million. The interest paid on technical provisions for the same period stood at €255.6 million. The amount required for technical provisions linked to return on equities, including the estimate error from the previous year, was €121 million. Therefore, the book result of investment operations was €11,2 million. Valuation differences increased by €316.4 million. The result of investment operations at fair values, including other interest items of the profit and loss account, was €327.7 million. The loading profit was €11.1 million. The loss on insurance business stood at €-8.2 million. The combined total result of Pension Fennia was €330.5 million.

The provision for future bonuses decreased by €0.3 million. Altogether €21.8 million was transferred to be used on premium discounts.

The solvency capital at the end of the year amounted to €1,667.1 million or 25.1 per cent of the technical provisions. Valuation differences accounted for €1,317.1 million of the solvency capital. The minimum amount of solvency capital is €469.1 million.

PENSION FENNIA'S CAPITAL AND RESERVES AND SURPLUS

On 31 December 2013, Pension Fennia's capital and reserves consisted of restricted capital and reserves that included an initial fund of €5,045,637.79, and non-restricted capital and reserves that included a contingency fund of €635,750.36, a contingency reserve of

€29,091,990.32, and retained earnings amounting to €1,841,728.24.

In accordance with the decision made at the Extraordinary General Meeting on 19 June 2013, Pension Fennia's guarantee capital of €1,681,879.26 was paid to Fennia Mutual Insurance Company, after which the company no longer had a guarantee capital. By a further decision made at the same meeting, the initial fund was increased by a sum equivalent to the repayment of the guarantee capital by transferring a corresponding amount from the contingency reserve to the initial fund, and making the necessary amendments to the Articles of Association.

The surplus for the financial year totalled €1,605,655.18.

PRINCIPLES OF REWARDING

The Board of Directors of Pension Fennia has approved the valid salary and reward policy. The Appointment and Remuneration Committee has annually outlined the principles of rewarding to be applied in Pension Fennia for the entire personnel. Pension Fennia has had a goal reward system that concerns the majority of the personnel, an incentive reward system for the Executive Group, an incentive reward system for the extended Executive Group, the Independent Risk Management and Controller unit and a part of the investment organisation, and a result reward system concerning the sales staff. The members of the Board of Directors have not been included in any of Pension Fennia's reward systems.

The Appointment and Remuneration Committee has prepared the incentive indicators applicable to the Executive Group, the principles for the goal reward system, as well as the rewards to be paid to the Executive Group and realisation of the indicators used as the basis of goal rewards for approval by the Board of Directors. As for other personnel groups, the Managing Director has approved the reward indicators and rewards to be paid in accordance with the policy outlined by the Appointment and Remuneration Committee.

The majority of the personnel (75%) was covered by the goal reward system approved by the Board of Directors. The goal reward was comprised of two parts, the company's performance (30% of the reward) and the share based on the achievement of goals set for processes (70% of the reward). The amount of possible maximum reward for 2013 was 10 per cent of the annual salary. The key figures describing the development of the operations and efficiency of the main processes have been set to serve as indicators, and these indicators were applied as different combinations to all those covered by the system. The indicators have mainly been the same from one year to another to allow for the observation of the development of operations and an increase in efficiency.

In the Executive Group, personal goals derived from the company's strategic goals have been set for each director. In addition, the individual goals of each director have been taken into account and the management work was evaluated for the purposes of the reward. In the Investment unit, the portfolio managers have had an incentive reward system based on the strategic goals of the investment operations and asset type/team-specific and personal goals. The Independent Risk Management and Controller unit personnel have also had their own incentive reward system, the goals of which derived from the goals set by the Board of Directors for the unit's director, the goals of the units and personal goals.

The maximum amount of reward has been confirmed for all those covered by the incentive reward systems, and part of the rewards have been paid in the year following their determination and the rest over the next three years. The Board of Directors has reserved the opportunity to not pay the rewards. In the incentive reward system, half of the maximum reward has been paid once the set goals were achieved. Incentive rewards have also been limited by taking into account the risk position of the company's solvency and the company's financial standing. In the result reward system of the sales organisation, the rewards have been determined on the basis of the achievement of the set sales goals.

INTERNAL SUPERVISION AND RISK MANAGEMENT

The Board of Directors has been obliged to evaluate the state of the company's internal supervision on an annual basis. This evaluation was based on the report drawn up by Internal Auditing. As for the year 2013, the Board of Directors evaluated that internal supervision had been appropriately arranged. The Board of Directors was assisted by the Audit Committee, whose tasks included e.g. monitoring the company's financial position, financial reporting, and the sufficiency and appropriateness of internal supervision and risk management.

The Board of Directors has approved the overall risk management plan for the company, including the significant risks related to investment operations and relevant management procedures. The risk management process has been integrated into operational planning, and a key task of the process has been to ensure the realisation of the company's strategic goals and other important functions related to operations. An intermediate report drawn up by the Independent Risk Management and Controller unit has been submitted to the Audit Committee on the progress of the measures in accordance with the risk management plan. The Board has received the final report on the realised risk management measures. In terms of investment operations in 2013, the Board has received the monthly evaluations drawn up by the Independent Risk Management and Controller unit concerning the most significant changes in the investment risks and solvency, as well as more comprehensive quarterly evaluations concerning the risk figures for the company's solvency.

The members of the Executive Group have been responsible for ensuring, in their own sectors, that internal supervision is implemented and that the risk management processes are appropriate. Each unit and process has drawn up a risk management plan for their own operations under the co-ordination of the Independent Risk Management and Controller unit. The most important operational risks have been related to, for example, human-factor risks, information systems, processes, safety and legal affairs. The risk management plans for operations have been based on a method in which the risks related to operations were identified, their effect was assessed, the risk management measures were determined, and the means of supervision were agreed on to monitor the measures.

The solvency capital is used to prepare for investment operation risks. The key figures used in the follow-up and evaluation of the total risk position of investment operations include the ratio of solvency capital to technical provisions, to the solvency limit in accordance with the statutes, and to the solvency limit calculated by means of internal scenario models. Solvency capital, solvency position and the risk key figures of different asset categories were continuously monitored.

Insurance business risks are related to the sufficiency of the insurance premium and technical provisions in the short and long term. The risk management of insurance business is based on premium bases and bases for technical provisions that meet the security requirements, which are the same for all companies. The company has prepared for fluctuations in insurance business primarily with the equalisation provision included in the technical provisions. According to legislative stipulations, the company had an actuary appointed whose task was to see inside the company, for example, that the actuarial methods were appropriate.

Risk management is described in more detail in the notes to the financial statements.

INTERNAL AND EXTERNAL AUDITING

Internal Auditing carries out independent and objective evaluation, securing and consultation services, the purpose of which is to create added value for the organisation and enhance its operations. Pension Fennia's Internal Auditing has supported the organisation in reaching its goals by offering a systematic approach for the evaluation and development of the efficiency of the organisation's risk management, supervision, management and administration processes. Internal Auditing has annually drawn up an operating plan for approval by the Board of Directors. Observations were reported to the Executive Group and Audit Committee, and a report was drawn up annually for the Board of Directors. Internal Auditing has also provided the Board of Directors with an evaluation of the state of internal supervision on an annual basis.

External auditing of operations has been carried out by the auditors elected by the Annual General Meeting. In addition, the company's operations were supervised by the Financial Supervisory Authority.

ADMINISTRATION

On 22 April 2013, the Annual General Meeting of Pension Fennia re-elected Managing Director Heikki Nikku and Managing Director Jukka Tikka to the Supervisory Board upon the proposal of the central employer organisations. In addition, Managing Director Ville Laine and Managing Director Terhi Penttilä were also elected as new members. Upon the proposal of the central employee organisations, Communications Manager Timo Korpijärvi, Chairman Håkan Nystrand and Director Markku Palokangas were re-elected. Additionally, Managing Director Pertti Karjalainen, Chairman of the Board Taisto Lehti and Managing Director Kyösti Pöyry were also re-elected to the Supervisory Board. Managing Director Antti Peltonen, Managing Director Pertti Kauppinen, Chief Financial Officer Kalle Kujanpää, Managing Director Reijo Mesimäki, Managing Director Tapio Kuittinen and Chief Financial Officer Ansu Saarela were elected as new members to the Supervisory Board. During 2013, Kari Happonen, Pertti Porokari and Pertti Kauppinen resigned from the Supervisory Board.

The Annual General Meeting on 22 April 2013 elected Ulla Nykky and Pekka Hietala, both Authorised Public Accountants, as auditors of the company, and Jenni Smedberg and Pasi Hirvonen, both Authorised Public Accountants, as deputy auditors.

At its meeting on 19 March 2013, the Supervisory Board elected Jorma Turunen, CEO of the Federation of Finnish Technology Industries, as an ordinary member of the Board of Directors to take the place of Jukka Ahtela, and Antti Kuljukka, Managing Director of Fennia Mutual Insurance Company, as a deputy member of the Board of Directors. During 2013, deputy member Nikolas Elomaa resigned from the Board of Directors.

In 2013, Pekka Sairanen, Managing Director of Domus Group Ltd, served as Chairman of the Board of Directors;

Timo Vallittu, Chairman of Industrial Union TEAM, as First Deputy Chairman; and Heimo J. Aho, Chairman of the Board of Directors of SKS Group Oy, as Second Deputy Chairman.

The Appointment and Remuneration Committee of the Board of Directors was formed by the Chairman and Deputy Chairmen of the Board in 2013. Members of the Audit Committee of the Board of Directors in 2013 were Director Heikki Kauppi, Director Jukka Ahtela and Chairman of the Board Olavi Nieminen. As of 22 April 2013, Director Jussi Mustonen was elected to replace Ahtela as a member of the Audit Committee.

In 2013, Chairman of the Board Taisto Lehti served as Chairman of the Supervisory Board, First Deputy Chairman Jaana Ylitalo as First Deputy Chairman, and Managing Director Klaus Saarikallio as Second Deputy Chairman.

Members nominated by the policyholders to the Election Committee in 2013 were Eero Lehti from the Board of Directors of Pension Fennia, and Taisto Lehti and Klaus Saarikallio from the Supervisory Board. Members nominated by the insured to the Election Committee were Chairman Antti Rinne from the Board of Directors of Pension Fennia, and, from the Supervisory Board, Jaana Ylitalo and Chaiman Pertti Porokari, until 22 April 2013. Taisto Lehti was elected the Chairman of the Election Committee and Jaana Ylitalo was elected the Deputy Chairman for 2013.

The Board of Directors convened 12 times during the year, and the participation percentage was 98.3. The General Meeting met twice during the year. The Supervisory Board and the Election Committee of the Supervisory Board convened twice each.

During 2013, the Executive Group comprised the following persons: Lasse Heiniö, Managing Director; Matti Carpén, Deputy Managing Director responsible for customer, insurance and pension processes and information management; Eeva Grannenfelt, Director, Investment unit; Irmeli Heino, Director, Finance and HR unit; Mikko Karpoja, Director, Actuarial Services and Internal Auditing; Sarianne Kirvesmäki, Director, Independent Risk Management and Controller unit; and Mika Ahonen, Director, Legal Affairs, Strategic Planning and Communications. The Executive Group convened in an extended form in connection with planning rounds or when otherwise summoned. In addition to the above-mentioned members, the extended Executive Group in 2013 included Directors of Sales Kaj Laaksonen and Tom Kurten; Aaro Mutikainen, Director of Information Management; Timo Stenius, Director, Customer Finance and Real Estates; and Jyrki Varjonen, Acting Medical Director.

In 2013, the Investment Committee included the Managing Director as Chairman along with Eeva Grannenfelt, Timo Stenius, and Sarianne Kirvesmäki as members.

Pension Fennia gives a separate report about its corporate governance in connection with the financial statements and the Board of Directors' report.

PENSION FENNIA AND THE PENSION FENNIA GROUP

Until the end of 2013, Pension Fennia was a mutual insurance company, and the power of decision at the Annual General Meeting was exercised by policyholders, the insured and the guarantee capital owners as prescribed in the Articles of Association until such a time as the guarantee capital was paid off. The policyholders held about 80 per cent and the insured about 20 per cent of the votes.

At the end of the year in 2013, Pension Fennia Group included 44 housing and real estate companies as subsidiaries. The Group included the affiliated group Probus Holding Oy, in which Pension Fennia held 70.5 per cent of the shares and votes.

Of its associated undertakings, Pension Fennia owned 40 per cent of the shares and votes of Tyvene Oy, 49.1 per cent of the shares and votes of Avara Oy and 49.1 per cent of the shares and votes of Amblus Holding Oy.

SIGNIFICANT EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

As of 1 January 2014, Mutual Insurance Company Pension Fennia and LocalTapiola Mutual Pension Insurance Company merged to form a new employment pension company under the name Elo Mutual Pension Insurance Company. Pension Fennia was dissolved on the effective date of the merger, 1 January 2014.

The Pension Fennia Board of Directors wishes to thank all personnel and the operative management for a job well done in the financial year 2013.

Profit and loss account

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Technical account				
Premiums written	1,326,312	1,355,019	1,326,312	1,355,019
Investment income	618,743	565,272	598,530	564,676
Claims incurred				
Claims paid	-1,327,143	-1,259,542	-1,327,143	-1,259,542
Change in claims paid	-168,054	-149,889	-168,054	-149,889
	-1,495,196	-1,409,431	-1,495,196	-1,409,431
Change in premium reserve	-178,446	-213,586	-178,446	-213,586
Operating expenses	-37,237	-31,561	-37,237	-31,561
Investment expenses	-243,987	-265,634	-213,377	-263,774
Balance on technical account/margin	**-9,812**	**79**	**585**	**1,343**
Non-technical account				
Other income	1,633	2	1,633	2
Share of the result of associated undertakings	2,431	2,695		
Profit from operations	-5,748	2,776		
Appropriations				
Change in depreciation difference			29	-54
Income taxes				
Taxes from this and earlier financial years	-1,422	-17	-642	-7
Deferred taxes	-84	50		
Minority interest in the result for the financial year	-1,298	-75		
Profit/loss for the financial year	**-8,552**	**2,733**	**1,606**	**1,285**

Balance sheet

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
ASSETS				
Intangible assets				
Intangible rights	1,620	1,628	940	1,543
Incomplete acquisitions			617	
	1,620	1,628	1,557	1,543
Investments				
Investments in land and buildings				
Land and buildings	759,952	730,683	324,146	318,335
Loan receivables from group companies			436,819	450,950
Loan receivables from real estates	63,876	60,347		
	823,829	791,030	760,965	769,285
Investments in group companies and participating interests				
Shares and participations in associated undertakings	11,221	39,904	2,728	19,379
	11,221	39,904	2,728	19,379
Other investments				
Equities and shares	3,793,300	3,451,226	3,792,386	3,450,312
Money-market instruments	1,779,942	1,843,376	1,779,942	1,843,376
Loans guaranteed by mortgages	117,753	170,681	119,334	170,681
Other loan receivables	81,713	127,924	80,133	127,924
Other investments	2,104	2,100		
	5,774,813	5,595,307	5,771,794	5,592,293
	6,609,863	6,426,241	6,535,487	6,380,956
Debtors				
Direct insurance business				
Policyholders	100,055	107,261	100,055	107,261
Other debtors				
Receivables from own real estate companies			61,713	14,024
Receivables from partner companies	40	2	40	2
Other debtors	89,656	125,239	82,143	116,570
	89,697	125,241	143,896	130,596
Other assets				
Tangible assets				
Furniture and fixtures	1,881	2,314	1,881	2,314
Other tangible assets	360	348	360	348
Incomplete acquisitions	418		418	
	2,659	2,662	2,659	2,662
Money in hand and cash at bank	230,428	50,425	219,511	40,387
	233,087	53,087	222,170	43,049

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
Prepayments and accrued income				
Accrued interest and rent	29,418	37,123	29,920	37,348
Other prepayments and accrued income	28,072	16,976	25,246	14,383
	57,490	54,099	55,166	51,731
Total assets	7,091,812	6,767,557	7,058,331	6,715,137

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
LIABILITIES				
Capital and reserves				
Initial fund	5,046	3,364	5,046	3,364
Guarantee capital		1,682		1,682
Revaluation reserve	84	84		
Other reserves	30,274	30,463	29,728	30,145
Profit/loss brought forward	-6,161	-7,387	236	231
Profit/loss for the financial year	-8,552	2,733	1,606	1,285
	20,690	30,939	36,615	36,706
Minority interest	31,432	35,887		
Accrued appropriations				
Depreciation difference			291	319
Technical provisions				
Premium reserve	3,763,004	3,584,558	3,763,004	3,584,558
Claims reserve	3,204,239	3,036,185	3,204,239	3,036,185
	6,967,243	6,620,743	6,967,243	6,620,743
Provisions	7,577	8,402		
Creditors				
Direct insurance business	4,549	3,909	4,549	3,909
Calculated tax debt	216	382		
Other creditors	46,343	51,624	38,795	41,631
	51,108	55,915	43,344	45,540
Accruals and deferred income	13,761	15,670	10,838	11,828
Total liabilities	7,091,812	6,767,557	7,058,331	6,715,137

Accounting principles 2013

The financial statements have been drawn up in accordance with the Accounting Act and Accounting Decree, the Limited Liability Companies Act, the Act on Employment Pension Insurance Companies and the Insurance Companies Act. The financial statements have complied with the statutes of the Ministry of Social Affairs and Health on the financial statements and consolidated financial statements of insurance companies, as well as the regulations and guidelines issued by the Ministry of Social Affairs and Health and the Financial Supervisory Authority.

CONSOLIDATED FINANCIAL STATEMENTS

Those subsidiaries in which Pension Fennia holds more than half of the votes have been consolidated in the consolidated financial statements. In 2013, a total of 44 real estate subsidiaries and Probus Holding Oy group were consolidated with the Pension Fennia Group.

The consolidated financial statements have been compiled in accordance with the accounting principles applied in the parent company by combining the profit and loss accounts and balance sheets of the parent company and its subsidiaries. Intra-group income and charges, profit distribution, receivables, debts, and cross-shareholdings have been eliminated. Any subsidiaries that were acquired during the financial year have been added to the consolidated financial statements as of the date of acquisition. No subsidiaries were sold during the financial year. Minority interests in the profit or loss for the financial year and in capital and reserves are shown as separate items.

Intra-group cross-shareholdings have been eliminated using the acquisition method. The resulting consolidation difference has been allocated to the subsidiaries' asset items proportionately at fair values. The consolidation difference has been depreciated in accordance with the planned depreciations of the corresponding asset item. Previous revaluations in group shares have been shown in the consolidated balance sheet as a revaluation of real estate owned by a subsidiary.

Pension Fennia's associated undertakings Tyvene Oy, Avara Oy and Amplus Holding Oy have been consolidated into the consolidated financial statements using the equity method. Housing and real estate companies, or associated undertakings in the form of real estate funds have not been consolidated into the consolidated financial statements since their effect on group profit and non-restricted capital and reserves is minimal.

Copies of the consolidated financial statements are available from the offices located at Revontulentie 7, Espoo, Finland.

PREMIUMS WRITTEN

The TyEL premium income is determined according to the total TyEL payroll and the payment percentage of the insured. The advance premium based on the payroll estimate and collected during the financial year has been adjusted using the adjustment premium estimate in the financial statements. The differences caused by the estimated and realised adjustment payments of the previous year have also been entered in the premiums for the financial year.

The YEL premium income has been determined according to the reported income and payment percentage of self-employed persons.

CLAIMS INCURRED

Claims incurred consist of the pensions paid to the pensioners, rehabilitation costs, the clearing of PAYG pensions, operating expenses of claims handling, and the change in the provision for claims.

VALUATION OF INVESTMENTS AND RECEIVABLES IN THE BALANCE SHEET AND DETERMINATION OF THE FAIR VALUES OF INVESTMENTS

Investments in land and buildings have been entered at the acquisition cost less depreciation plus revaluation, or at fair value, whichever was lower. Direct real estate investments have been valued, in their entirety, by an external authorised real estate assessor. The estimates have been made on all real estate investments with 13 September 2013 as the valuation date.

Office properties have been valued using the income capitalisation approach by applying the 10-year cash flow method.

Properties under renovation and new buildings have been valued using the cost method. Lots and project plans made for them have been valued as an entity taking into consideration the value of permitted building volume and any incomplete work to be capitalised in the bookkeeping. Residential properties (directly owned and direct ownerships within a subsidiary) have been valued by both the income capitalisation approach using the cash flow method and the comparable sales method with an overall value adjustment so that market value was determined as an average of the values gained from these methods. The market value of a residential property cannot exceed the market value assigned using the comparable sales method.

The value adjustments made on real estate have been entered in the profit and loss account under value adjustments. Value readjustments with effect on profit have been made on the sold real estate before entering the capital gain. No revaluations on book values of real estate have been made in the financial year 2013.

Equities and shares have been entered in the balance sheet at the acquisition cost or fair value, whichever was lower. Previous value adjustments on equities and shares have been entered in the profit and loss account as value readjustments in cases where the fair value exceeds the book value, with the maximum value being, however, the amount of the previous value adjustment. Equities and shares have been entered in the books using the average price principle.

Securities given as a loan have been included in the balance sheet. The information about securities given as a loan is presented in the notes to the balance sheet.

The trade quotation used as the fair value of listed equities and securities for which there is a market has been the closing rate determined on the basis of the closing auction of the equity in question. If the equity was not traded at the closing auction, the closing rate was the last realised trade quotation. For equity funds, quotations have been based on the value of the fund share provided by the fund management company for the public price monitoring system.

Fixed asset shares have been valued in the balance sheet at the acquisition cost, which was considered to correspond to their fair value.

The fair value of private equity investment funds has been the acquisition cost or the value that the management company has given as the fair value of the fund.

The fair value of unlisted equities and shares has been the probable transfer price or the acquisition cost.

Financial market instruments include bonds and money-market instruments. The balance sheet value of financial market instruments is the acquisition cost, adjusted with the matched difference between the nominal value and the acquisition cost. The difference between the nominal value and the acquisition cost is matched as a deduction or addition in interest income over the maturity of the financial market instrument. The amount of matching entries entered under acquisitions has been presented in the notes to the balance sheet. Value changes caused by fluctuations in the interest rate or other temporary changes have not been entered. Value adjustments made for other reasons have been entered.

The fair value of moneymarket instruments is based primarily on market prices. If the market price is available or there is no reliable way to determine the fair value of an investment, the value is determined by means of the valuations issued by external authorities, calculations of the fair value using generally accepted accounting models for market price, or the allocated acquisition cost.

Foreign currency denominated receivables and debts have been converted into euro at the exchange rate quoted by the European Central Bank on the closing date of the accounts. For other investments, the exchange rate of either the acquisition date or the closing date has been used, whichever was lower. If the fair value on the closing date of the accounts was lower than the original acquisition cost, the values of the investments have been adjusted.

Allocated exchange rate differences have been treated as adjustments of the relevant income and expenses.

The unallocated rate differences that have arisen during the financial year have been entered under other income and expenses from investment operations.

Loans, other receivables and deposits have been valued at the nominal value or probable value, whichever was lower.

Derivative contracts have been used by Pension Fennia to pursue additional income, to change allocation, to enhance portfolio management, and for hedging purposes.

Hedging calculation is only applied to those derivative contracts that meet the requirements set in the guidelines of the Financial Supervisory Authority. Derivative contracts for hedging purposes have been valued together with the hedged item. If no change in value has been entered in the profit and loss account for the hedged balance sheet item, no entry was recorded in the profit and loss account for the hedging contract either, unless the negative value change exceeded the positive value change in the hedging contract. When a value re-adjustment has been entered for the hedged item, the value change of the derivative used was entered in its entirety as an expense. The income and expenses resulting from a derivative contract have been principally entered in the same profit and loss account item as the income and expenses from the hedged balance sheet item or position. In practice, the derivatives have been treated in accounting as non-hedging, even though they have been used for operative hedging.

The unrealised losses from derivative contracts other than those used for hedging have been entered in the profit and loss account as expenses. Unrealised profit has not been entered as income. The profits and losses resulting from the termination or expiration of contracts during the financial year have been entered as income or expenses for the financial year.

In calculating the assets covering the technical provision, solvency capital (referred to as solvency margin in previous years), and the solvency requirements, foreign currency derivatives have been handled as derivatives that decrease the investment risk. In the calculation, those equity and credit risk derivatives and interest derivatives, to which a hedging calculation was not applied, have not been handled as derivatives that decrease the investment risk. Regarding the counterparty risk, the rules on limiting risk concentration presented in the guidelines of the Financial Supervisory Authority have been followed.

Premium receivables consist of the adjustment premium estimate and the insurance premiums due and unpaid at the close of the financial year. The due insurance premiums that have been stated disqualified for payment, as well as receivables from companies that have been declared bankrupt have been entered as credit losses. Furthermore, reduced receivables from confirmed business restructuring have been entered in credit losses. In addition, credit losses have been entered from major business restructuring incomplete at the turn of the year on the basis of appraisal.

In the TyEL premium system, premium receivables have been grouped according to the strongest collection procedure of the insurance as follows: bankruptcy, debt recovery, debt restructuring and other.

Credit losses from YEL premium receivables have been principally entered due to expiration.

PROVISIONS AND TAX LIABILITIES

No calculated tax liabilities have been presented on valuation differences of investments, which have been shown in the notes. The revaluations entered as income have been taxable income. In the consolidated financial statements, the accrued depreciation difference and voluntary provisions have been divided into the change in calculated tax liabilities and the result for the financial year, as well as into calculated tax liabilities, and capital and reserves.

DEPRECIATION AND CALCULATION PRINCIPLES

The acquisition cost of depreciable assets has been capitalised and entered as depreciation according to plan under expenses during its economic useful life. Revaluations on depreciable assets entered as income have also been depreciated according to plan. Software licenses have been shown as intangible rights. Other long-term expenses related to system projects have been entered as annual expenses in accordance with section 5:5a of the Accounting Act.

The straight-line depreciation on the original acquisition cost according to the following economic useful lives:

Residential, office and business premises	50 years
Industrial premises and warehouses	40 years
Intangible rights	5 years
Motor vehicles	5 years
Computer hardware and software	4 years
Furniture and fixtures	10 years
Office machines	7 years
Other long-term expenses	5 years

Depreciations on the original acquisition cost calculated as a reducing balance method of depreciation:

Technical equipment in buildings	20%

A fixed asset, whose economic useful life has ended during 2013 was fully depreciated on 31 December 2013. A fixed asset with an economic useful life beginning on 1 January 2014 has been capitalised under incomplete acquisitions and the depreciation calculation will begin upon the commencement of the economic useful life.

The maximum depreciation allowed under the Act on the Taxation of Business Profits has been made in the case of some buildings.

OPERATING EXPENSES

The operating expenses of the company have been divided into different functions according to the regulations of the Financial Supervisory Authority as shown in the notes. Statutory payments have been included in the administrative costs.

DIRECT TAXES AND SURPLUS FOR THE FINANCIAL YEAR

The deferred tax determined on the basis of the taxable income for the financial year has not been realised due to the available confirmed losses and corporate tax credit. The deferred tax liability has not been entered in the balance sheet.

Pension Fennia's surplus for the financial year has been determined according to the calculation bases applied for by Pension Fennia and confirmed by the Ministry of Social Affairs and Health.

PENSION ARRANGEMENTS

The statutory pension provision for the personnel has been arranged through TyEL insurance. Supplementary pension provision has been arranged for part of the personnel through TEL supplementary pension insurance policies and for investment directors through an optional pension arrangement. The Managing Director has been entitled to retire on old age pension at the age of 60 years on the basis of the TEL supplementary pension insurance or a corresponding supplementary pension arrangement. The paid pension premiums have been entered on an accrual basis.

In accordance with the decision of the Board of Directors, a one-off payment would be made in the form of supplementary pension within TEL supplementary cover for those directors appointed by the Board of Directors before 1 January 2011 whose target pension in accordance with their employment contract has not been fulfilled at the time of their retirement. Furthermore, a pension rule has been applied to the same group that compensates any decrease in the statutory supplementary pension due to increase of the basic pension if they work beyond the retirement age. A provision has been made for future payments in these financial statements. The amount of the provision has been reviewed annually.

The members of the operational elements have been insured in accordance with section 8 of the Employees Pensions Act on the basis of which pension accrues from the position of trust and TyEL contribution is paid for the fee for the position of trust.

TECHNICAL PROVISIONS

The liability resulting from insurance contracts has been entered as technical provisions, which were comprised of the premium and claims reserves. The technical provisions have been calculated according to the calculation bases confirmed by the Ministry of Social Affairs and Health. The premium reserve includes the provision for future bonuses which is included in the solvency capital and a part of the technical provisions that depends on the equity income. In the balance sheet, the technical provisions have been presented in this form. In calculating the technical provisions for solvency, the provision for future bonuses, the provision for unearned premiums under the Self-employed Persons' Pensions Act and the equalisation provision have been deducted from the liabilities.

SOLVENCY CAPITAL

The solvency capital of the employment pension insurance company has been calculated by subtracting the company's liabilities and other comparable obligations from its assets. The provision for future bonuses, the technical provision for YEL basic insurance, and the equalisation provision have been subtracted, however, from the technical provisions of the employment pension insurance company.

Notes to the profit and loss account

EUR 1,000	2013	2012
PREMIUMS WRITTEN		
Direct insurance		
TyEL basic insurance		
Employer contribution	867,064	888,336
Employee contribution	275,214	281,521
	1,142,277	1,169,857
TEL supplementary pension insurance	749	1,142
YEL minimum coverage insurance	183,286	184,020
Total premiums written	1,326,312	1,355,019
Items deducted from premiums written		
Credit loss on premiums		
TyEL / TEL supplementary insurance	9,076	7,969
YEL	1,483	1,346
	10,559	9,316
CLAIMS PAID		
Direct insurance		
Paid to pensioners		
TyEL basic insurance	920,626	851,651
TEL supplementary pension insurance	15,130	15,596
YEL minimum coverage insurance	145,995	134,991
YEL supplementary insurance	674	641
	1,082,425	1,002,879
Paid/refunded clearing of PAYG pensions		
TyEL pensions	243,621	237,447
YEL pensions	45,447	49,313
Proportion of the insurance premiums of the Unemployment Insurance Fund and the division of costs for pension elements accrued on the basis of unsalaried periods	-46,469	-40,410
Government contribution of YEL	-13,183	-5,606
Compensation under the Act for parents receiving child home care allowance to care for a child aged less than 3 years at home and for students for periods of study (VEKL)	108	62
	229,523	240,806
	1,311,949	1,243,685
Claims administration costs	12,862	13,759
Working capacity maintenance expenses	2,332	2,097
Total claims paid	1,327,143	1,259,542

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
NET INVESTMENT INCOME				
Investment income				
Income from investments in group companies				
Dividend income			102	293
Other income			10,849	
Income from real estate investments				
Interest income				
From group companies			10,100	9,882
Others	11,954	1,661	37	17
Other income	107,969	72,380	64,132	63,415
	119,923	74,041	74,269	73,314
Income from other investments				
Dividend income	44,209	32,604	44,209	32,604
Interest income	71,169	86,515	71,169	86,515
Other income	84,008	76,535	83,942	76,519
	199,386	195,654	199,320	195,638
Total	319,309	269,695	284,541	269,245
Value readjustments	65,361	42,801	65,361	42,801
Gains on realisation	234,073	252,775	248,628	252,630
Total	618,743	565,272	598,530	564,676
Investment expenses				
Costs on real estate investments	-25,344	-29,038	-34,515	-41,277
Costs on other investments	-63,932	-62,744	-40,062	-58,429
Interest costs and expenses on other liabilities	-2,799	-3,584	-2,799	-3,584
	-92,075	-95,367	-77,377	-103,291
Value adjustments and depreciation				
Value adjustments	-87,476	-60,011	-85,781	-58,644
Planned depreciation on buildings	-15,639	-9,777	-1,422	-1,365
	-103,115	-69,788	-87,203	-60,009
Losses on realisation	-48,797	-100,479	-48,797	-100,474
Total	-243,987	-265,634	-213,377	-263,774
Net investment income in the profit and loss account	374,755	299,638	385,153	300,902

EUR 1,000	2013	2012
PROFIT AND LOSS ACCOUNT ITEM OPERATING EXPENSES		
Insurance policy acquisition costs		
Direct insurance remunerations	2,138	2,417
Other insurance policy acquisition costs	7,419	7,452
	9,557	9,869

EUR 1,000	2013	2012
Insurance management costs	12,803	12,146
Administration costs		
The Finnish Centre for Pensions' share of costs	3,176	2,662
Judicial administration charge	335	269
Supervisory fee of the Financial Supervision Authority	142	141
	3,653	3,072
Other administration costs	11,224	6,474
Total	37,237	31,561

TOTAL OPERATING EXPENSES BY OPERATION

	2013	2012
Claims paid		
Expenses related to claims administration	12,862	13,759
Working capacity maintenance expenses	2,332	2,097
	15,194	15,857
Operating expenses	37,237	31,561
Investment expenses		
Costs on real estate investments	2,681	2,267
Costs on other investments	10,619	9,904
	13,300	12,172
Total	65,731	59,589

NOTES CONCERNING PERSONNEL AND MEMBERS OF THE OPERATIONAL ELEMENTS

Personnel expenses	2013	2012
Salaries and bonuses	18,886	17,294
Pension expenses	3,431	3,216
Other social security expenses	1,156	990
Total	23,473	21,500

Salaries and bonuses of the management	2013	2012
Managing Director	445	413
Board of Directors	263	214
Supervisory Board	62	71
Total	770	698

Managing Director Lasse Heiniö's salary amounted to €408,907 and fringe benefits to €36,469. The Managing Director has been entitled to retire at the age of 60 on the basis of a supplementary pension arrangement in accordance with TEL or other corresponding system. No pension commitments, money loans or guarantees have been granted to members of the Supervisory Board and the Board of Directors.

Fees paid to the auditors	2013	2012
Fees paid to Ernst & Young Oy		
Audit	102	114
Tax consultation	49	4
Other services	311	30
Average number of personnel during the financial year		
Office personnel	212	216
Sales personnel	27	27
Real estate personnel	10	9

Notes to the balance sheet

EUR 1,000	Remaining acquisition cost 2013	Book value 2013	Fair value 2013	Remaining acquisition cost 2012	Book value 2012	Fair value 2012
INVESTMENTS AT FAIR VALUE AND VALUATION DIFFERENCES, PARENT COMPANY						
Investments in land and buildings						
Land and buildings	50,856	50,856	65,483	53,449	53,449	64,802
Land and buildings in group companies	176,608	189,500	372,029	167,166	180,057	290,977
Other land and buildings	80,930	83,789	259,987	81,970	84,829	208,994
Loan receivables from group companies	436,819	436,819	436,819	450,950	450,950	450,950
Investments in participating interests						
Shares and participations	2,728	2,728	6,595	19,379	19,379	43,978
Other investments						
Equities and shares	3,792,386	3,792,386	4,651,793	3,450,312	3,450,312	4,038,437
Money-market instruments	1,779,942	1,779,942	1,846,253	1,843,376	1,843,376	1,960,513
Loans guaranteed by mortgages	117,753	117,753	117,753	170,681	170,681	170,681
Other loans	81,713	81,713	81,713	127,924	127,924	127,924
	6,519,737	6,535,487	7,838,426	6,365,206	6,380,956	7,357,257
The remaining acquisition cost of money-market instruments includes						
The difference between the nominal value and acquisition cost, released or charged to interest income	-799			-125		
Book value includes revaluations entered as income	15,751			15,751		
Valuation difference (difference between fair value and book value)			1,302,939			976,300

EUR 1,000	2013	2012
LOAN RECEIVABLES		
Loan receivables itemised by guarantee, parent company		
Bank guarantee	40,134	61,894
Guarantee insurance	14,900	19,257
Insurance policy	7	23
Other guarantee	13,625	18,045
The remaining acquisition cost	68,665	99,220
Non-guarantee remaining acquisition cost total	13,048	28,704

EUR 1,000	2013	2012
Total pension loan receivables, parent company		
Other loans guaranteed by mortgages	642	718
Other loan receivables	42,575	64,221
The remaining acquisition cost	43,217	64,939
Loans to related parties, parent company		
Loans to group companies	436,819	450,950
The loan periods of group companies are 10–20 years. The loans have mostly fixed interest. Securities for loans consist of letters of pledge and real estate mortgages.		
Other loans to related parties	19,366	28,783
The loan periods of loans to other related parties are 5-10 years. The interests of loans are bound to the technical rate of interest, TyEL reference rates, TyEL loan interest and Euribor 360. Loans are granted in accordance with the normal grounds for loan approval as stipulated in Pension Fennia's investment plan.		

1 000 euroa	2013	2012
DERIVATIVES		
Non-hedging derivatives		
Other receivables		
Derivatives, book value	2,330	8,554
Other liabilities		
Derivatives, book value	416	291
Derivatives, changes in value	411	2,365
Other prepayments and accrued income and accruals and deferred income		
Derivatives	88	2,621
SHARES AND PARTICIPATIONS IN PARTICIPATING INTERESTS		
Shares and participations		
Original acquisition cost, 1 Jan.	19,379	49,013
Increase		2,458
Decrease	-16,651	-32,092
Transfers		
Remaining acquisition cost, 31 Dec.	2,728	19,379

SHARES AND PARTICIPATIONS	Holding of all shares, %	votes, %	Book value
Tyvene Oy	40.0	40.0	3
Avara Oy	49.1	49.1	267
Amplus Holding Oy	49.1	49.1	2,458
Total shares and participations			2,728

EUR 1,000	Shares, %	Book value 31 Dec. 2013	Market value 31 Dec. 2013

OTHER INVESTMENTS, PARENT COMPANY

Finnish non-listed equities and shares			
3Step IT Group Ltd	17.31	7,841	16,736
Aina-Group Plc	14.89	4,912	4,912
Anvia Group Plc		1	1
Arek Ltd	4.41	618	618
Exilion Capital Ltd	24.00	31	31
Garantia Insurance Company Ltd	18.00	5,748	7,473
Meri-Teijo Golf Ltd	0.09	2	2
Midinvest Ltd	8.38	350	350
Mitron Group Ltd	16.44	1,500	1,500
Oy Nordgolf Ab	0.12	13	13
Oy Sea-Golf Ab	0.10	2	2
Oy Wedeco Ab	8.89	956	1,442
Pickala Golf Oy Ab	0.07	27	27
Sato Corporation	5.41	17,921	34,243
Teknikum-Yhtiöt Ltd	19.60	2,470	2,470
ThermiSol Ltd	10.00	100	100
Vierumäki Golf Ltd	0.31	12	12
Total Finnish non-listed equities and shares		42,502	69,931

Finnish listed equities and shares			
Amer Sports Corporation	0.33	4,460	5,972
Aspo Plc	0.47	874	874
Atria Plc	0.66	976	976
Cargotec Corporation	0.15	1,822	2,195
Caverion Corporation	0.27	965	2,986
Citycon Plc	0.41	4,057	4,608
Componenta Plc	0.65	311	311
Cramo Plc	0.34	1,766	2,227
Electrobit Group	0.38	901	1,330
Elisa Corporation	0.29	7,491	9,495
Finnair Plc	1.01	3,601	3,601
Fiskars Corporation	0.36	3,922	5,806
Fortum Corporation	0.39	55,044	57,806
F-Secure Corporation	1.24	3,454	3,684
HKScan Corporation	0.23	426	426
Huhtamäki Group	0.29	3,916	5,910
Ilkka-Yhtymä Group	1.36	1,012	1,012
Kesko Corporation	0.34	5,777	6,164
Kone Corporation	0.43	43,170	63,698
Konecranes Plc	0.19	2,612	3,103
Lassila & Tikanoja Plc	0.52	2,087	3,046
Metsä Board Plc	1.36	1,539	1,539
Metso Corporation	0.58	20,715	22,941
Neste Oil Corporation	0.58	19,237	21,312
Nokia Corporation	0.33	62,146	72,537
Nokia Tyres Plc	0.47	17,381	21,778
Oriola Corporation	1.07	4,181	4,214
Orion Corporation	0.33	7,432	9,430
Outokumpu Corporation	0.46	3,904	3,904
Outotec Corporation	0.33	4,665	4,665
PKC Group Plc	0.48	1,578	2,760
Pohjola Pankki Plc	0.26	5,706	9,503
Pöyry Plc	0.92	2,240	2,240
Raisio Plc	0.76	2,799	5,506
Ramirent Group	0.24	1,951	2,411
Rapala VMC Corporation	0.39	806	806
Rautaruukki Corporation	0.42	4,018	4,018
Restamax Plc	1.91	1,189	1,189
Sampo Plc	0.32	37,502	63,082
Sanoma Corporation	0.04	415	415
Solteq Plc	13.33	2,200	2,920
Soprano Plc	6.45	460	1,090
Sponda Plc	0.34	2,770	2,770
Stora Enso Group	0.38	17,094	17,094
Technopolis Plc	0.83	3,495	3,835
Tieto Corporation	0.28	2,897	3,362
Tulikivi Corporation	9.04	1,500	1,545
UPM-Kymmene Corporation	0.65	35,004	42,373
Uponor Plc	0.23	1,610	2,363
Vaahto Group Plc	0.47	14	14
Vacon Plc	0.57	3,196	5,105
Valmet Corporation	0.58	4,441	4,077
Wartsilä Corporation	0.56	31,040	39,490
YIT Corporation	0.26	3,298	3,408
Total Finnish listed equities and shares		457,065	568,929

Foreign listed equities			
ABB Ltd	0.006	1,349	2,495
Alfa Laval AB	0.021	964	1,676
AP Moeller - Maersk A/S	0.021	3,023	3,669
Assa Abloy AB	0.018	1,005	2,493
Atlas Copco AB	0.035	2,934	5,837
Autoliv Inc.	0.018	953	1,136
Boliden AB	0.029	858	889
BW LPG Ltd	0.018	140	173
Danske Bank A/S	0.010	1,510	1,751
Det Norske Oljeselskap ASA	0.025	279	279
DNB ASA	0.010	1,521	2,206
Electrolux AB	0.027	1,482	1,522
Elekta AB	0.007	278	278
Getinge AB	0.007	364	404
Hennes & Mauritz AB	0.021	6,282	10,218
Investor AB	0.026	1,957	2,998
iShares DAX DE	0.566	76,632	94,391
iShares EURO STOXX 50 DE	0.872	38,843	42,066
iShares MSCI AC Far East ex-Japan	1.679	30,851	31,034
iShares STOXX Europe 50 DE	9.272	39,406	41,090
iShares V PLC - iShares MSCI Japan Monthly EUR Hedged	2.387	61,730	77,560
Klovern AB Pref	0.007	184	203
Lundin Petroleum AB	0.057	2,482	2,548
Lyxor UCITS ETF Global Quality Income EUR	10.294	17,878	17,878
Marine Harvest ASA	0.039	949	1,426
Matas A/S	0.049	330	402
Meda AB	0.033	888	921
Modern Times Group AB	0.032	726	752
Nordea Bank AB	0.090	28,475	35,555
Norwegian Air Shuttle AS	0.099	788	788

EUR 1,000	Shares, %	Book value 31 Dec. 2013	Market value 31 Dec. 2013
Novo Nordisk A/S	0.002	3,688	5,997
Petroleum Geo-Services ASA	0.101	1,880	1,880
Polarcus Ltd	0.197	545	561
Royal Caribbean Cruises Ltd	0.009	489	687
Sandvik AB	0.025	3,013	3,174
Seadrill Ltd	0.006	877	888
Skandinaviska Enskilda Banken AB	0.023	2,023	4,786
Skanska AB	0.008	337	445
SKF AB	0.030	1,583	2,380
SPDR S&P 500 ETF Trust	0.151	162,622	190,837
SSAB AB, A shares	0.021	278	278
Statoil ASA	0.008	4,131	4,394
Storebrand ASA	0.068	1,220	1,393
Subsea 7 S.A.	0.018	858	858
Swedbank AB	0.025	3,371	5,721
Svenska Cellulosa AB	0.022	1,552	3,017
Svenska Handelsbanken AB	0.019	2,499	4,280
Telefonaktiebolaget LM Ericsson	0.024	6,311	6,380
Telenor ASA	0.008	1,428	1,988
TeliaSonera AB	0.063	14,234	16,391
Volvo AB	0.026	3,533	4,004
Yara International ASA	0.016	1,420	1,420
Total foreign listed equities		542,953	646,394

EUR 1,000	Book value 31 Dec. 2013	Market value 31 Dec. 2013
Private equity funds		
Aboa Venture II Ky	16	16
Access Capital LP II B	409	409
Aloitusrahasto Vera Oy	500	500
Amanda III Eastern Private Equity Ky	6,728	7,763
Armada Mezzanine Fund III Ky	1,811	2,407
Auda Capital IV Co-Investement Fund LP (USD)	1,306	1,541
Auda Capital IV (Cayman) LP (USD)	2,029	3,558
Conor Technology Fund I Ky	896	899
Crown Opportunities Fund Ky	16,500	23,444
European Fund Investments UK	40	40
Finnmezzanine III Ky	1,364	1,606
Finnventure Rahasto V Ky	105	419
Hermes GPE Global Secondary Feeder LP	12,589	15,123
Hermes GPE Global Secondary LP	15,101	15,144
Industri Kapital 2000 Ltd	751	751
Industri Kapital 2007 Ltd	14,952	16,451
Intera Fund I Ky	1,282	3,162
Intera Fund II Ky	2,043	2,043
Inveni Secondaries Fund I Ky	276	276
Inveni Secondaries Fund I Follow-on Ky	1	124
Inveni Secondaries II Ky	409	409
Inveni Secondaries Fund III Ky	104	104
Inveni Secondaries Fund II Follow-on Ky	221	221
Kasvurahastojen Rahasto Ky	1,703	1,703
Macquarie European Infrastructure Fund II	4,461	5,000
MB Equity Fund III	9	484
MB Equity Fund IV Ky	1,365	1,365
Mediatonic Fund I Ky	393	393
Midinvest Fund II Ky	480	480
Nordic Capital VII Ltd	22,798	29,425
Nordic Mezzanine Fund II LP	1,280	1,467
Nordic Mezzanine Fund III LP	3,866	3,919
Palvelurahasto I Ky	372	372
Partners Group Direct Mezzanine 2011 S.C.A. SICAR	8,573	9,224
Partners Group Secondary 2011 (EUR) LP Inc	6,060	8,205
Power Fund II Ky	3,442	3,442
Profita Fund II Ky	5	5
Profita Fund III Ky	1,530	1,530
Promotion Equity I Ky	511	511
Sentica Kasvurahasto II Ky	761	761
Sentica Terveysteknologia I Ky	270	270
Teknoventure rahasto II Ky	488	660
Teknoventure rahasto III Ky	928	1,343
Terveysrahasto Oy	222	3,486
Total private equity funds	138,951	172,352

EUR 1,000	Book value 31 Dec. 2013	Market value 31 Dec. 2013
Equity funds		
Aberdeen Global - Asia Pacific Equity Fund	20,277	25,599
Aberdeen Global - Asian Smaller Companies Fund	19,441	27,660
Fullerton Lux Funds - Asian Small Cap Equities	26,290	26,290
UBNordic	1,500	1,658
CapMan Public Market Fund FCP - SIF CA1	3,718	9,670
Aurejarvi Northern Europe	700	823
PYN - Elite	10,044	12,025
Evli Europe	45,242	52,233
FAST - Europe Fund	41,721	58,406
FAST - Japan Fund	25,090	25,662
Fidelity Active Strategy - Emerging Markets Fund	49,371	53,384
Fidelity Funds - European Dynamic Growth Fund	50,252	56,265
Fondita European Small Cap	9,293	14,270
Fondita Nordic Micro Cap	25,063	48,081
Fourton Hannibal non-UCITS	5,031	5,975
Fourton Odysseus	8,240	13,911
Fourton Stamina	8,743	15,376
GAM Star Fund PLC - China Equity	34,548	40,546
Handelsbanken Latinamerikafond	17,280	20,902
Heptagon Fund PLC - Yacktman US Equity Fund	39,156	54,924
eQ Frontier Markets (formerly ICECAPITAL)	4,484	5,826
Nordea Pro Stable Return	50,000	51,663
Nomura Funds Ireland - Japan Strategic Value Fund	17,237	27,839
Allianz RCM Europe Equity Growth	39,927	60,533
Saastopankki Maailma Osake	12,450	18,738
Sands Capital Funds PLC - Sands Capital Global Growth Fund	41,698	55,599
Sands Capital Fund PLC - US Select Growth Fund	43,642	58,882
Seligson & Co Prosperity Russia	35,119	39,896
T Rowe Price Funds SICAV - US Large-Cap Growth Equity Fund	39,368	55,826
T Rowe Price Funds SICAV - US Smaller Companies Equity Fund	36,787	55,250
T Rowe Price Funds SICAV - US Large-Cap Value Equity Fund	40,113	50,742
William Blair SICAV - Global Leaders Fund (Growth Fund) Class I	43,947	57,405
Total equity funds	845,774	1,101,862
Fixed-income funds		
Aktia Inflation Bond+	16,977	21,765
Alcentra European Loan Fund Class II-A-EUR-01/2013 (EUR)	11,868	12,599
Alcentra European Loan Fund Class II-A-EUR-09/2013 (EUR)	9,731	10,329
Ares Enhanced Credit Opportunities Offshore Fund Ltd, Class A (USD)	10,529	10,529
Aviva Investors Sicav - Global High Yield Bond Fund	28,389	34,035
Babson Capital Global Investment Funds PLC - European Loan Fund	40,289	41,418
Babson Capital Global Umbrella Fund PLC - Global Senior Secured Bond Fund	20,000	20,981

EUR 1,000	Book value 31 Dec. 2013	Market value 31 Dec. 2013
BlackRock Global Funds - Global High Yield Bond Fund	25,681	30,198
BlueBay Emerging Market Select Bond Fund	44,061	47,603
BlueBay Funds - BlueBay Investment Grade Absolute Return Bond Fund	40,106	41,577
BlueBay Global Diversified Corporate Bond Fund II EUR	75,678	103,348
BlueBay Investment Grade Bond Fund	42,827	48,335
Evli European High Yield	19,671	25,043
Fidelity Funds - European High Yield Fund	58,039	64,932
FIM Real Fund	10,108	11,619
GAM Star Fund PLC - Absolute Return Bond	9,963	9,963
Goldman Sachs Global High Yield Portfolio	9,942	11,404
Highland Restoration Capital Partners Offshore L.P. -Class	3,554	6,088
HSBC Global Investment Funds - Euro High Yield Bond	10,170	10,513
HSBC Global Investment Funds - Global Emerging Markets Local Debt Fund	8,921	8,921
Julius Baer Multibond - Local Emerging Bond Fund	32,766	32,766
Muzinich - BondYield ESG Fund	31,965	36,794
Nomura Funds Ireland - Nomura US High Yield Bond Fund	25,000	26,652
Nordea 1 SICAV - European High Yield Bond Fund	43,301	55,309
Nordea 1 SICAV - US High Yield Bond Fund	27,835	34,041
OCM European Credit Opportunities Fund (Cayman) Ltd (EUR)	125	125
PIMCO Global Investors Series PLC - Diversified Income Duration Hedged Fund	56,639	58,608
Pioneer Funds - Euro High Yield	20,000	20,923
Schroder International Selection Fund - Emerging Markets Debt Absolute Return	30,000	32,120
Schroder International Selection Fund - Euro Corporate Bond	15,542	17,037
Specialist Investor Funds PLC - M&G European Loan Fund	20,434	20,562
Stone Harbor Investment Funds PLC - Emerging Market Debt Fund	24,847	26,094
Wellington Management Portfolios Dublin PLC - Emerging Local Debt Portfolio	6,887	6,887
Wellington Management Portfolios Dublin PLC - US$ Core High Yield Bond Portfolio	20,724	23,793
Total fixed-income funds	852,567	965,689
Real estate investment funds		
Archstone German Residential Fund	14,923	14,923
Capman Hotels RE I Ky	17,426	17,426
DOF Development Fund CV	65	103
EPI Russia I Ky	5,273	5,273
Exilion Real Estate I Ky	70,500	71,049
Henderson Central London Office	11,344	13,804
Icecapital Housing Fund I	12,120	13,014
ING Dutch Office Fund II NV	12,343	12,343
ING Property Fund Central and Eastern Europe	5,958	5,958

EUR 1,000	Book value 31 Dec. 2013	Market value 31 Dec. 2013
ProLogis European Properties Fund II	5,281	5,281
Sponda Fund I Ky	10,058	10,058
Real Estate Debt and Secondaries	1,449	1,642
Tishman Speyer European Strategic Office Fund Scots Feeder L.P.	5,257	5,257
Tishman Speyer European Core Fund	7,274	7,274
UK Shopping Centre Feeder Fund	14,891	14,891
Vital Scandinavian Property Fund	11,957	12,505
UB Aasia REIT Plus K	10,000	11,935
Total real estate investment funds	**216,119**	**222,734**
Hedge funds		
Blue Mountain Credit Alternatives Fund Ltd. Q2 - Eligible 01/2012 Rolled-13 (USD)	24,380	30,696
Bluebay Value Recovery Fund (USD)	51	51
Brevan Howard Fund Limited - Class E US	27,487	36,337
Canyon Value Realization Fund (Cayman), Ltd - Class B (USD)	23,202	26,574
Capula Global Relative Value Fund Ltd Class C (USD)	24,466	41,656
D.E. Shaw Oculus International Fund (USD)	13,034	29,251
Davidson Kempner International Ltd - class C - 01Jul08 (USD)	14,741	24,354
DB Platinum IV DBX Systematic Alpha Index Fund	30,000	31,296
Deephaven Global Multi-Strategy (Market Neutral) Fund Ltd - Class A1 - Series 09/1996	58	77
Drake Global Opportunities Fund, Series 1, Class C	115	115
Elliot International Ltd Class B Common Shares (USD)	39,881	49,583
Eton Park Overseas Fund Ltd Class S (USD)	7,076	9,513
Farringdon Alpha One (EUR)	15,000	24,260
Front Capital - Strategia Erikoissijoitusrahasto A3 (EUR)	3,100	3,152
GAM Star Fund PLC - Global Rates	28,115	28,115
Glenview Capital Partners Ltd, Series E58 (USD)	13,815	19,746
GLG Investments VI PLC - GLG European Equity Alternative	30,000	34,803
Goldentree Offshore Ltd (USD) C-R -Series 98	19,918	24,599
GSO Special Situations Overseas Fund	28,856	36,551
Highbridge Multi-Strategy Holdings, Ltd- Class B	219	380
Highland Crusader Fund II Ltd Class D (USD)	959	959
Indus Asia Pacific Fund Ltd Class A (USD)	14,749	18,767
Kepos Alpha Fund	29,004	30,279
King Street Capital Ltd	12,237	20,198
Northern Star- Global Dynamic Opportunities 10+ Fund	10,000	10,506
MAN AHL Evolution Fund	29,004	32,423
Marathon Special Opportunity Fund Ltd	25,350	29,990
MP Securitized Credit Fund Ltd, Class H, Series 01/2013 (USD)	31,622	37,175
OZ Overseas Fund II / E Prime Shares	11,579	20,196
Paulson Gold Fund Ltd Class BR Series 05-13.00	1,079	1,079

EUR 1,000	Book value 31 Dec. 2013	Market value 31 Dec. 2013
Pershing Square Holdings Ltd. USD, Privare Shares Non-Restricted, Series 1	27,191	29,799
Samlyn Offshore Ltd	14,877	26,782
Shepherd Select Asset Ltd	456	518
Silver Point Capital Offshore Fund, Ltd	14,910	30,245
Standard Life Investment Global SICAV - Global Absolute Return Strategies Fund	45,000	51,019
TPG-AXON Partners (Offshore) Ltd	654	816
Treesdale Fixed Income Fund Ltd, Class B - Series 1	797	797
Wexford Offshore Spectrum Fund	3,363	3,367
Vicis Capital Fund (International) - Class A - Series 114 (USD)	1,855	1,855
Viking Global Equities III Ltd, Class H/1R (USD)	39,348	50,710
Winton Futures Fund Ltd - Lead Series Class B (USD)	4,351	8,979
York Investment Limited (USD) Class C	14,546	24,651
Total hedge funds	**676,446**	**882,222**
Other funds		
AIM Insurance Strategies Fund Class B	18,801	20,471
AIM Insurance Strategies Fund Side Pocket Class B	1,208	1,209
Total other funds	**20,009**	**21,681**
Total of other investments	**3,792,386**	**4,651,793**

Holdings with a book value of over EUR 1,000 have been specified.

EUR 1,000	Parent company 2013	Parent company 2012
COLLATERALS AND CONTINGENT LIABILITIES		
Collaterals given on own behalf		
Pledges given as security for derivatives trade		2,434
Liabilities resulting from derivative contracts		
Non-hedging derivatives		
Interest rate derivatives		
Option contracts		
Bought options		
Nominal value of underlying instruments		75,792
Fair value of contracts		195
Set options		
Nominal value of underlying instruments		37,896
Fair value of contracts		-83
Open future contracts		
Sold futures		
Nominal value of underlying instruments		127,738
Fair value of contracts		-1,207

The market value does not include the transferred interest for the financial year.

EUR 1,000	Parent company 2013	Parent company 2012
Currency derivatives		
Open forward and future contracts		
Nominal value of underlying instruments	863,617	741,570
Fair value of contracts	13,456	21,358
Closed forward and future contracts		
Nominal value of underlying instruments		20,756
Fair value of contracts		350
Open option contracts		
Bought options		
Nominal value of underlying instruments	170,424	45,970
Market value of contracts	2,778	1,021
Set options		
Nominal value of underlying instruments	68,085	46,174
Fair value of contracts	-218	-205
Share derivatives		
Option contracts		
Bought options		
Nominal value of underlying instruments		318,705
Fair value of contracts		9,364

EUR 1,000	Parent company 2013	Parent company 2012
Collaterals received in a transfer in accordance with the Act on Financial Collateral		
Collaterals for derivatives trade	12,046	12,312
Investment commitments		
Capital trusts	100,115	118,062
Fund investments	3,112	2,240
Real estate investment funds	14,589	1,111
Leasing and rent liabilities		
Leasing liabilities in the current financial year	4	39
Leasing liabilities in the future financial years		6
Other contingent liabilities		
Liability for the VAT debt of the tax liability group in accordance with Value Added Tax Act, Section 188	7,175	5,941
Adjustment liability for real estate investment VAT deductions of the VAT group	149,667	
Restitution liability for VAT deduction from new buildings and renovation of real estates	2,877	3,281
TECHNICAL PROVISIONS		
Premium reserve		
Future pensions	3,478,678	3,424,568
Provision for future bonuses	97,821	98,136
Provision for current bonuses	21,910	18,798
Provision linked to equity income	164,595	43,056
Total premium reserve	3,763,004	3,584,558
Claims reserve		
Current pensions	2,987,420	2,810,452
Equalisation amount	216,818	225,734
Total claims reserve	3,204,239	3,036,185
Total technical provisions	6,967,243	6,620,743
SOLVENCY CAPITAL		
Capital and reserves after the proposed distribution of profit	36,615	36,706
Accrued appropriations	291	319
Valuation difference between fair values of assets and book values of balance sheet items	1,317,125	1,000,713
Provision for future bonuses	97,821	98,136
Deferred acquisition costs and intangible assets	-1,557	-1,543
Other items		
Equalisation provision	216,818	
Share of the clearing reserve paralleled with the solvency margin		260,265
	1,667,114	1,394,597

EUR 1,000	Parent company 2013	Parent company 2012
Solvency margin required under the Act on Employment Pension Insurance Companies, Section 17	234,560	
Equalisation provision included in the technical provisions for years with plenty of contingencies		124,927
Solvency margin in accordance with section 16 of the Act on Employment Pension Insurance Companies presented in such a way that it does not include the share of clearing reserve paralleled with the solvency margin		1,134,332
The minimum amount of solvency margin for an employment pension company presented without the temporary discounts in accordance with Act 853/2008 for the years 2008–2010		348,657

EUR 1,000	Group 2013	Group 2012	Parent company 2013	Parent company 2012
CAPITAL AND RESERVES				
Guarantee capital		1,682		1,682
Initial fund	5,046	3,364	5,046	3,364
Construction reserve	86	86		
Revaluation reserve	84	84		
Loan amortisation reserve	233	233		
Non-restricted reserves	30,145	28,605	30,145	28,605
Transfer from retained earnings	-189	1,540	-417	1,540
Profit/loss from previous years	-4,654	-5,822	1,516	1,796
Used during the financial year	-1,508	-1,565	-1,280	-1,565
Profit from the financial year	-8,552	2,733	1,606	1,285
Total capital and reserves	20,690	30,939	36,615	36,706
Capital and reserves after proposed profit distribution				
Holders of guarantee capital				
Guarantee capital		1,682		1,682
Share of policyholders after proposed distribution	20,690	29,257	36,615	35,024
Total	20,690	30,939	36,615	36,706
Distribution profits				
Profit/loss for the financial year			1,606	1,285
Other distributable reserves				
Non-restricted reserves			29,728	30,145
Accumulated profit			236	231
Total distributable profits			31,569	31,661

Internal supervision and risk management

ORGANISATION AND RESPONSIBILITIES OF RISK MANAGEMENT

The Board of Directors bore overall responsibility for arranging risk management and for the annual evaluation of the state of internal supervision. The Board of Directors approved the risk management principles (risk management policy) and the risk management plan related to the steering of the company for 2013, including significant risks related to investment operations, and followed the progress of the management measures presented therein on the basis of the reports it received as well as the final report submitted by the Director of the Independent Risk Management and Controller unit. Additionally, the Director of the Independent Risk Management and Controller unit provided the Audit Committee with an interim report on the progress of the management measures. The Board of Directors also determined the company's risk-taking willingness. The Board of Directors was assisted by the Audit Committee, whose tasks included e.g. monitoring the company's financial position, financial reporting, the sufficiency and appropriateness of internal supervision and risk management, and handling the plans and reports of Internal Audit.

The Managing Director was responsible for organising and supervising of risk management, and for the content of the risk management plan concerning the company's key risks drawn up for the approval of the Board of Directors. He was supported in these tasks by the Executive Group, Investment Committee, the Director of the Independent Risk Management and Controller unit, and the risk management co-ordination group.

The administration of Pension Fennia was handled by:

- The Executive Group, whose task it was to support the Managing Director in steering the company.
- The Investment Committee, whose task it was to support the Managing Director in making investment decisions. A Working Committee also operated under the Investment Committee.
- Management groups for the customer, investment, insurance and pension processes, whose task it was to guide the operational activities related to these processes.
- Management groups for the support units, whose task was to guide the operational activities of their own areas of responsibility and to support the main processes. The support functions are represented in the management groups of the main processes.

Organisation of risk management at Pension Fennia:

- Risk management fell within the scope of responsibility of Sarianne Kirvesmäki. Sarianne Kirvesmäki was responsible for the activities of the Independent Risk Management and Controller unit, which further oversees the Investment Risk Supervisory unit, the Operational Risk Supervisory unit, and the Controller and Analysis unit.
- The Director of the Independent Risk Management and Controller unit saw to it that the company's risk management co-ordination and risk supervision were implemented in accordance with official regulations and the risk management policy approved by the Board of Directors.
- The Risk management coordination group supported the Director of the Independent Risk Management and Controller unit in the drawing up and developing of the risk management principles, risk management plans, SWOT analyses, the principles of risk surveys and risk reporting. The group held expertise in strategic, insurance technique, operational and investment risks.
- The Operational Risk Supervisory unit coordinated and facilitated the operational risk surveys of the different

units, drew up unitspecific presentations and summaries and prepared a comprehensive risk management plan for the entire company, and reported on these to the Executive Group and Audit Committee. Furthermore, the unit was responsible for the development of risk management practices and methods, as well as the development of the tools used for operational risk identification, assessment, measurement, management and follow-up, and the development of risk reporting.
- The Investment Risk Supervisory unit independently assessed, measured and supervised the financial risks using, among other methods, a scenario model to clarify the future development of the solvency, the real risk position and risk sources, ways to stay within the risk budget and solvency stress tests, and reports on these to the Board and operational management. Additionally, the Investment Risk Supervisory unit maintained, developed and prepared the principles of investment risk management for approval by the Board, and drew up methods for use in risk assessment and measuring.
- The Controller and Analysis unit independently assessed, measured and supervised financial risks concerning the total risk position (solvency, allocation, investment income and expenses, margin, limits) and asset category-specific risks, and reports on them to the Board of Directors and operational management.
- Risk supervision was managed independently by different units, such as the Independent Risk Management and Controller unit, financial management, insurance technique, and the actuary unit.
- Internal Auditing carried out independent and objective evaluation, securing and consultation services, the purpose of which was to create added value for the organisation and enhance its operations.
- The Management group of project and information management was responsible for, among other things, monitoring the risks related to development projects.
- The Security group was responsible for developing different areas of overall security and supervising the implementation of agreed tasks. The security group operated under the Risk management co-ordination group.
- Compliance activities were organised through the Legal Affairs unit.
- The actuary was responsible for ensuring, eg., the appropriateness of actuarial methods within the company.

Acting as members of the Executive Group, the owners of the main processes and directors of the support units were responsible for supervising the implementation of internal supervision and appropriateness of the risk management process in their own operations and processes. The responsibility also involved the continuous measuring and monitoring of the risks taken inside each process or unit. The processes and units draw up risk management plans as defined in the company's risk management policy and report on their implementation to the Director of the Independent Risk Management and Controller unit.

RISK MANAGEMENT PROCESS

Pension Fennia's risk management process in 2013 was comprehensive and as consistent as possible for all units and processes. The risk management process was comprised of four stages: 1) identification of risks, 2) assessment of risks, 3) planning and implementation of risk management measures, and 4) follow-up and reporting of risk management (that is, the implemented risk management measures).

The main processes and support units compiled identified risks related to the operational activities every six months in the risk survey meetings of the main processes and support units that are coordinated by the Operational Risk Supervisory unit. Pension Fennia no longer conducted the six-month risk survey during autumn 2013, but rather, the autumn risk survey was utilised to identify the risks related to the operational activities of the new Elo company that started up on 1 January 2014 as the result of the merger between Pension Fennia and LocalTapiola Pension. Pension Fennia's risk survey assessed the likelihood and impacts of the identified risks, risk trends and the current level of risk management, and drew up management measures with the appointed persons in charge. The risk management plan of the Investment unit was updated in connection with the drafting of the investment plan. At that time, the Investment unit identified the risks related to the investment operations, such as market risks, credit risks and liquidity risks. The operational risks related to the activities of the Investment unit were identified, in part, in connection with the preparation of the risk management plan of the Investment unit and partly within the risk survey of the investment unit. Risks related to IT projects were identified in connection with each individual project already during the planning phase, and they were monitored and managed by the owner and steering groups for the entire life cycle of the project in question.

Pension Fennia's risk management policy handled the goals of risk management and the principles applied to reach those goals, determined the responsibilities of risk management, the risk management process and the company's risk-bearing capacity and risk-taking willingness, and how the risks were reported to the Board of Directors and inside the organisation.

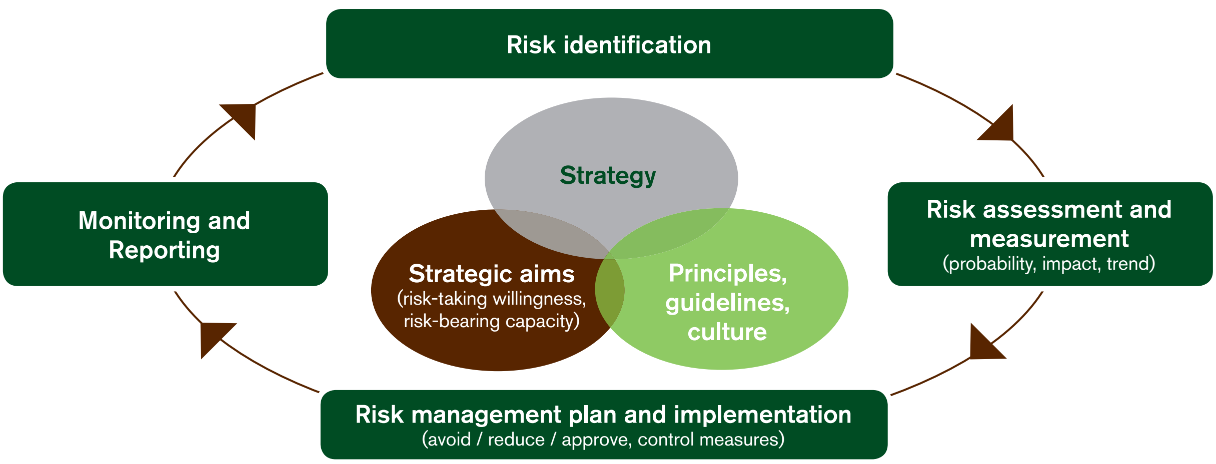
Pension Fennia's strategic risks for 2013 were mapped and updated in connection with the company's strategic planning. The planning round started with an analysis of the environment and an update of the future scenarios. For the purpose of risk mapping, the risk management co-ordination group produced a SWOT analysis for the Executive Group to consider, and evaluated the likelihood and impacts of risks, risk trends and the current level of risk management. The drafting and implementation of the management measures related to strategic risks were the responsibility of the company's Executive Group. At this point, development and prevention measures for managing the risks were also drawn up. The risk management plan was integrated with the company's strategic planning.

The risk management plan dealt with the strategic goals of insurance business and investment operations, the risks related thereto, and the risk management measures implemented to manage them. The plan also handled insurance technical risks, risks related to market share and the development of operating expenses, operational risks, and external threats, and the risk management measures implemented to manage them. Strategic goals related to insurance business were set for the market share, efficiency and personnel. The strategic goals and risks of investment operations were related to solvency and yield.

FOLLOW-UP AND REPORTING

The realisation of risk management in the company in 2013 was monitored, for instance, through a report drawn up twice during the year by the Independent Risk Management and Controller unit, as well as through the monthly electronic report of the Board of Directors and the Managing Director's review. The Director of the unit reported via the interim report to the Executive Group and Audit Committee about the realisation of the risk management plan during the first months of the year. In the final report, the Director of the unit reported about the realisation of the risk management measures for the entire year to the Executive Group, Audit Committee and the Board of Directors.

On the basis of the reports received by them, the Executive Group, Investment Committee and Board of Directors tracked development regarding strategic risks, risks related to the market share and development of operating costs, key investment risks and SWOT. Furthermore, the Investment Committee followed financial risks and, among other things, the major risk concentra-



tions more closely. Strategic risks were reported to the Board of Directors monthly in the Managing Director's review.

The key figures in the assessment and follow-up of the total risk position of investment operations, namely the solvency capital in euros, the solvency ratio, the solvency position and the return on invested capital, were calculated by the Independent Risk Management and Controller unit, which is separate from the unit that takes the investment risk. The unit reported on the company's total risk position and risk-bearing capacity to the Board of Directors monthly and to the operational management weekly, and, if necessary, even on a daily basis. The reported figures were part of the review of the Managing Director and the Chief Investment Officer. Quarterly, the Director of the Independent Risk Management and Controller unit produced a comprehensive survey on the company's total risk position, including the development of the solvency capital and supervisory limits, solvency stress tests and sensitivity analyses, as well as evaluations concerning the future development of the solvency using the company's scenario models.

The Actuary reported the result of the insurance business to the Board of Directors and Executive Group twice a year. The applicable calculation bases were reported to the Board of Directors and Executive Group once during the year.

The monthly report given to the Executive Group contained information on the company's key figures, including the number of insurance policies sold in terms of euro amounts and employment relationships, the operating costs, the utilisation rate of online services, the telephone service, pension applications and their handling times, as well as various personnel information. A more detailed analysis on the development of the operating costs and administration cost surplus was provided to the Executive Group 3-4 times a year. Part of the monthly report was presented to the Board of Directors monthly in connection with the review of the Managing Director.

RISK-BEARING CAPACITY AND RISK-TAKING WILLINGNESS

The solvency capital was used to prepare for the pension company's investment operation risks. The solvency capital needs to be large enough, so that it can, with sufficient probability, cover the expected fluctuations of the value and return of asset items covering the technical provisions. The need for the solvency capital depends directly on the risk content and insurance risks of the investment assets. Pension Fennia's solvency capital was €1,667 million at the end of 2013. The solvency capital increased by €307 million from the beginning of 2013, and stood at a securing level.

The most important key figures in terms of evaluating the pension company's total risk position and the risk-bearing capacity were the amount of the solvency capital in proportion to the technical provisions (solvency ratio) and the amount of the solvency capital in proportion to the solvency limit in accordance with regulations (solvency position). Pension Fennia's Board of Directors confirmed the risk-taking willingness of the company's investment operations in 2013 by setting primary and secondary aims for the company's investment operations. The Managing Director determined more precisely the targeted risk position for solvency for any given time.

In accordance with legislation that entered into force on 1 January 2013, the solvency capital is comprised of the equalisation provision and the funds available to be used as the buffer for investments. The equalisation provision included in the solvency capital is used to cover losses from insurance business. Items within the solvency capital other than the equalisation provision are intended primarily to cover losses in areas other than those in insurance business. The secondary measure is to use the funds of the other buffer. At the start of 2013, changes concerning the calculation of the solvency limit also entered into effect. As regards the calculation of the solvency limit, the insurance risk is taken into consideration as well as the investment risk and the correlation between the two.

The company has prepared for insurance business risks using the equalisation provision and clearing reserve included in the technical provisions. The equalisation provision served as a buffer against company-specific insurance technical risks while the clearing reserve buffered against the uncertainty factors related to the pensions for which the system is jointly responsible, and their financing. The clearing reserve has a system-specific lower limit but no company-specific lower limit. The equalisation provision has a company-specific upper and lower limit. At the end of 2013, the company's equalisation provision stood at around €217 million. The lower limit for the equalisation provision was €74.7 million. The equalisation provision was securing.

RISKS RELATED TO INVESTMENT OPERATIONS AND THEIR MANAGEMENT AND REPORTING

The selection of the investment strategy was regulated by e.g. the market yield and volatility expectations and interdependencies for various asset categories, the company's amount solvency capital and its solvency position, as well as the requirements concerning the covering of liabilities and the related claims of interest. Optimal return-to-risk ratio was pursued through versatile decentralisation both between and within asset categories. Furthermore, the aim was to anticipate the effects of events related to investment operations that were improbable but detrimental if realised. Pension Fennia guarded itself from those risks through systematic risk adjustment and derivative protection.

Asset category-specific risks were managed by monitoring the over- and underweight positions in relation to the comparison index which reflects the decentralisation within the asset category in question. Part of the price risk of equities was transferred to the responsibility of the system. For that purpose, a buffer was set up in the form of a unit-linked provision for bonuses; it buffered the equity risk by the amount that equals 10 per cent of the technical provisions. The unit-linked provision for bonuses may amount to a maximum of 5 per cent of the technical provisions and a minimum of -10 per cent of the technical provisions.

The price risk of equity investments was managed by decentralising the investments geographically, by line of business, by company, and to different investment types and funds. The price risk of the equities portfolio could also be limited with protective equity and equity index derivatives. The interest rate risk was managed by following and changing the duration and maturity distribution of investments by utilising cash investments and derivatives. Credit risk was managed by decentralising investments across different lines of business and credit classes, and geographically. In case of bonds, credit risk was managed by limiting both individual investments by credit class and the combined share of a specific credit class

Investment risk distribution and risk figures 2013

	Market value		Risk distribution		Return	Volatility
	€ mill.	%	€ mill.	%	%	%
Fixed-income investments	**3,319.4**	**40.7**	**3,319.4**	**40.7**	**1.6**	
Loans	271.4	3.3	271.4	3.3	3.5	
Bonds	2,315.5	28.4	2,315.5	28.4	1.7	3.5
Bonds of OECD/EEA public corporations	541.1	6.6	541.1	6.6	0.9	
Bonds of other corporations	1,774.4	21.8	1,774.4	21.8	1.9	
Other money-market instruments and deposits, which include receivables and debts directed at the investments	732.4	9.0	732.4	9.0	0.3	
Equity investments	**2,576.3**	**31.6**	**2,576.3**	**31.6**	**20.3**	
Listed equities	2,333.7	28.6	2,333.7	28.6	22.1	10.0
Private equity investments	172.4	2.1	172.4	2.1	10.7	
Unlisted equities	70.2	0.9	70.2	0.9	1.6	
Real estate investments	**1,342.0**	**16.5**	**1,342.0**	**16.5**	**14.9**	
Direct real estate investments	1,124.8	13.8	1,124.8	13.8	16.2	
Real estate funds and joint investment companies	217.1	2.7	217.1	2.7	9.0	
Other investments	**914.8**	**11.2**	**914.8**	**11.2**	**9.1**	
Hedge fund investments	893.0	11.0	893.0	11.0	9.0	2.9
Commodity investments	-	-	-	-		
Other investments	21.7	0.3	21.7	0.3	10.7	
Total investments	**8,152.4**	**100.0**	**8,152.4**	**100.0**	**9.4**	**3.6**
Effect of derivatives	-	-	0.0	0.0	-	-
Total	**8,152.4**	**100.0**	**8,152.4**	**100.0**	**9.4**	**3.6**

Market value includes accrued interest.
Risk distribution = calculated according to the risk (adjusted with derivatives).
Return = return on invested capital calculated with a time and money-weighted formula (adapted Dietz).
Volatility = annualised mean deviation calculated from two years' monthly return.
The modified duration of bonds is 3.6 years.

within the bond portfolio and by using credit derivatives. Liquidity risk was managed by keeping a sufficient part of investments in liquid items. In the fixed-income portfolio, the aim was to optimise the return/risk ratio of the investments while taking the liquidity of the loans into account. As for direct exchange rate risk, the type of exchange rate risk the company was willing to take was separately estimated by asset category. Exchange rate risk was managed by following the currency position and hedging degree by asset category and by currency. Company analyses, customer monitoring and the follow-up of loan securities were carried out in connection with corporate financing loans. In real estate investments, attention was paid to geographical diversification, division of rent income by line of business, timing of acquisitions, and division of types of use. Asset category-specific risks were also managed by using derivatives. The counterparty risk of standardised derivatives was managed through name-specific limitations. The counterparty risk of non-standardised derivatives was managed by using standard agreements and security measures approved by ISDA. Individual risk concentrations were limited by the solvency capital act. Operational risks of investment operations were linked, for example, to the valuation of some investments and the delayed availability of market values, and the operational processes of the investment process.

The company's Actuary drew up a report on the requirements set by the nature and yield requirement of the technical provisions and for the maintaining of solvency and liquidity; the report is used by the Board of Directors for the purpose of handling risk management and arranging investment operations. The investment plan included a statement by the Actuary on whether the company's investment plan met the requirements set by the nature of the technical provisions for the company's investment operations. The Independent Risk Management and Controller unit drew up an estimate of the risks inherent in the investments and the company's risk-bearing capacity in the short and long term for the use of the Board of Directors to draft the company's investment plan and the risk management plan for investment operations and their semi-annual updating.

For the purpose of making allocation decisions, and monitoring and evaluating the company's total risk position in 2013, both solvency position and solvency ratio were used, and in addition to them, the VaR (Value-at-Risk) figure calculated by the Investment Risk Supervisory unit using an internal model both for the total of investment assets and by taking into account the share of the equities risk under the responsibility of the earnings-related pension scheme. Additionally, the Investment Risk Supervisory unit carried out stress tests and sensitivity analyses for the company's solvency.

In 2013, the use of the scenario model to support strategic planning and risk management became further established within the Investment unit and investment risk supervision. Additionally, the Investment Risk Supervisory unit used the scenario model to develop risk reporting on investment risks and solvency for the use of the Executive Group and the Board of Directors. The scenario model is based on realised financial key figures and their correlations, to which the solvency framework for the Finnish private-sector earnings-related pension system is implemented, taking the special actuarial features of the system into consideration. The foundation for the scenario model is a comprehensive analysis of historical/observed variables for the purpose of creating logically possible and essential scenarios. The point of the scenario model has been to facilitate the logical examination of risks and to evaluate their impacts on the solvency. The Investment Risk Supervisory unit operating under the Independent Risk Management and Controller unit reported on the risk figures based on the scenario model to the members of the Investment Committee and directors responsible for various asset categories on a weekly basis or as needed. The unit drew up a broader monthly report on the solvency and related risk figures.

The Controller and Analysis unit operating under the Independent Risk Management and Controller unit reports about asset category-specific risks and returns, including derivatives, on a monthly basis to the Board of Directors and on a weekly basis to the portfolio managers and members of the Investment Committee. The development of realised returns compared with the company's yield requirement was monitored weekly. The Investment unit followed the development of risks and returns on a daily basis. Additionally, the Controller and Analysis unit reported daily to the portfolio managers on the monitoring of derivative positions, derivative yields, risk figures, and derivative limits. In 2013, the asset category-specific reporting by the Controller and Analysis unit was particularly developed in terms of fixed-income investments.

In addition to the hedging of assets, derivatives were used to make allocation changes. The principles on the use of derivatives approved by the Board of Directors for

2013 described by asset category those types of derivatives and derivative strategies that could have been used. The effect of derivatives was presented in the income and risk figures and risk-adjusted asset distribution reported to the Executive Group and Board of Directors. New derivative agreements were also regularly reported. At the start of 2013, the Board of Directors was given a report for approval on the overall effect of the grounds applied in 2012 to the solvency limit.

Investment decisions were prepared and implemented in the Investment unit. The Independent Risk Management and Controller unit provided the market valuation of investment assets, reports to support operations, and official reports on yields, solvency, profit margins and limit monitoring. Grounds based on the real risk of investments for 2013, as approved by the Board of Directors of Pension Fennia, were applied in the solvency rating of investments. Rating in accordance with risk was made on the basis of the realised volatility and correlations, taking into account the effect of possible extreme observations. In addition, any incomplete yield history and liquidity were taken into account in the rating, unless it was taken into account in volatility and correlation. At the beginning of 2013, a report on the application of the rating grounds and its effect on the company's solvency position in 2012 was submitted to the Board of Directors of the company for approval.

RISKS RELATED TO INSURING AND THEIR MANAGEMENT

The key insurance risks are created by the deviations of forecasts used in determining the insurance premiums from the realised costs, especially in terms of new pensions granted and other similar costs. In determining the bases for technical provisions, the key insurance risks are acquired through the difference between the realised and forecasted duration of pensions in the long term. The bases for premiums and technical provisions that meet the securing requirements are the same for all employment pension companies, and they are ratified by the Ministry of Social Affairs and Health. The common bases include a risk that an individual company's result may, in theory, be systematically poorer when compared with the other companies e.g. if the division of industries represented by the policyholders deviates significantly from the portfolios of other pension companies. The structure of the insurance portfolio may also lead to a similar situation regarding the expense loading of the common premium.

Pension institutions jointly prepare and apply for the bases of the insurance premium, technical provisions and technical rate of interest. Pension Fennia participated in the preparation of the calculation bases under the supervision of the Actuary and together with the insurance technique unit. Co-operation between employment pension institutions is compulsory according to the law.

The law also stipulates the common technical rate of interest which is determined partially according to the average solvency margin level in the industry and to the average equities yield. A fixed 3 per cent interest rate is used in the discounting of the technical provisions. The company's solvency capital in proportion to the average of the system must be monitored carefully, because a long-lasting essential deviation below the industry average may become a risk. Pension institutions are mutually jointly responsible for the pensions of a bankrupt pension institution. The amount of the solvency capital in proportion to minimum amounts in accordance with the regulations must also be monitored carefully.

Fluctuations of the insurance business result have been prepared for with the equalisation provision included in the technical provisions. The positive results accrued to the disability and unemployment loading of the equalisation provision have been used, through a variety of different techniques, to lower the TyEL premium since the year 2002. Solutions offered by experts on work wellness for the purpose of promoting working capacity and reducing disability expenses aim at affecting the pension expenditure.

RISKS RELATED TO THE ACQUISITION AND HANDLING OF INSURANCES AND THEIR MANAGEMENT

Key risks related to the customer base are market, customer and partner risks. When realised negatively, the risks have a declining effect on the growth goals and the market share.

The company prepared for changes in the market and the operating environment by means of marketing activities and by developing the technical readiness. Technical readiness aimed to facilitate the sales and handling of insurances. The co-operation agreement signed with LocalTapiola concerned the management of the employment pension insurance portfolio that had earlier come through the Local Insurance Group. In terms of insurance policy sales, the emphasis shifted to intensifying the co-operation with Fennia and Säästöpankki banks. During the year in review, analyses were carried out on the customer base to serve as the basis for future management models. Customer interface operations have been strengthened through customer segment-specific measures and service models.

For the online services, the net bank authentication system was taken into use for the identification of YEL customers. Additionally, the online YEL and TyEL applications were updated, and the electronic process accelerated the handling of applications.

Pension Fennia had its own development programme geared toward reaching the key strategic goals. The development targets had been itemised into separate projects that complied with the project steering procedure. The project programme was drawn up in such a way that, if required, it could be adapted to the available resources. The persons responsible for the company's business operations were closely committed to development project steering.

MANAGEMENT OF OPERATIONAL RISKS RELATED TO BUSINESS

In 2013, the members of the Executive Group were responsible for drawing up risk management plans for their own areas of responsibility and for the risk identification, assessment and management measures used as the basis of the plans. The Operational Risk Supervisory unit within the Independent Risk Management and Controller unit coordinated and facilitated the unit-specific risk surveys carried out biannually and monitored the implementation of management measures. In the second risk survey conducted in 2013, the risks related to the operational activities of Elo, which began its operations on 1 January 2014, were identified. The risk surveys of the main processes and support units were based on the result cards and operating plans of the main processes and support units. The probability of realisation and effect of the identified operational risks of the processes and units were evaluated, and the risk maps for each process and unit were drawn up on the basis of the evaluation. Furthermore, the risk trend or projected direction (declining, steady, increasing) for the risks during the coming financial year were also evaluated. The overall risk estimation was based on the trend and anticipated value. The most important risks and measures for managing them were recorded in the risk management plans of the units. Within the risk surveys, the level of the current risk management was evaluated using a scale with a rating of good, fair and poor, and any additional measures necessary for the management of risks were recorded. The key operational risks were related to, e.g., person risks, system and process risks, and legal risks.

At the start of 2013, Pension Fennia began building up a risk database for operational risks. Each process and unit reported on identified operational risks and related management procedures. The Independent Risk Management and Controller unit gathered the information into the shared risk database and, based on the information, prepared company-level summary reports for the use of the Executive Group, the Board of Directors, and the processes and units. The objective of the risk reporting has been to strengthen the organisation's risk management culture and risk awareness.

Operational risk management was administered, for example, by separating operations and job duties so that dangerous work combinations were not created. The administration of user rights helped to ensure that each employee had up-to-date rights needed for the performance of their tasks. Rights that allow for dangerous work combinations were monitored once they had been defined within the system. The supervisors checked the rights of their employees every six months.

As for person risks, an efficient system of substitutes was developed. Process risks were administered, e.g., by maintaining working instructions and process descriptions and by arranging regular meetings among those who participate in the processes. Special attention was paid to the smoothness of the processes in the entire organisation. The development of the steering model was ongoing. Attention was paid to the development of expertise and securing the continuity of operations both within the processes and in the development projects of the company's HR function. Working capacity maintenance activities were checked annually in accordance with the action plan for occupational safety and well-being at work. Reward systems were used to support the reaching of goals.

Legal risks were managed as part of the company's corporate compliance policy. In accordance with the action model, the company had appointed persons in charge of compliance issues for each business process and support unit. These persons supervised the business processes and reported about any deviations observed concerning legal risks (including, e.g., external regulation and compliance with internal procedural instructions and contract risks) to those responsible for the business processes and the company's top management. The Legal Affairs unit participated in the co-ordination and supervision of the compliance policy. If necessary, the company used external expert services for the management and determining of legal risks when the task required special expertise.

OUTSOURCED OPERATIONS

Since the company's own personnel resources were limited, and it was not possible to prepare its own personnel for the continuous changes regarding the competence requirements caused by the rapidly developing environment, parts of the production of basic services were outsourced. Such functions included e.g. operating centre services (Tieto), system work services (Tieto Esy and Arek), work station support services (TeliaSonera), office equipment environment (Xerox), and telephone systems (Merlin and TeliaSonera Finland).

The providers of outsourced services were selected with emphasis on their trustworthiness and reliability of delivery. The outsourcing agreements have been drawn up in compliance with the best current practices, including e.g. sanctioned quality level agreements. Contacts were continuously maintained with the service providers and any deviations in the services were acted on.

The concentration of the information technology service providers can be considered a risk for a balanced information technology market. Pension Fennia aimed at decreasing this risk by decentralising key services to several different providers.

OVERALL SECURITY AND SECURING THE CONTINUATION OF BUSINESS OPERATIONS

The company continuously paid attention to the functioning of information systems, the level of data security, securing the continuation of operations and the development of overall security. The operating of the information and telephone systems was a critical factor in customer service, and it was strengthened through close co-operation with partners. The introduction and utilisation of new systems as well as the commitment of the company's partners to new operating models were also essential.

The continuity planning of business operations and preparations for exceptional circumstances were part of the management of operational risks. The continuity planning of business operations means preparing for interruptions of business in such a way that the company is able to continue operations and limit losses in cases of different disturbances to the business operations. Such disturbances include, for instance, damage or intentional actions concerning personnel, premises, information systems or telecommunication; water damage, fire or interruptions in the supply of e.g. electricity, heat or water. The continuity plans of the units were updated in 2013 under the coordination of the IT security manager.

The duties of the risk management co-ordination group operating in the company included, for instance, independent supervision of operational risks, and development of management principles and reporting. The duties of the security team included the evaluation of the status of different aspects of security, creation of development activities, follow-up of development projects, and continuous evaluation of security risks as part of the company's general risk management. The security team met regularly at the start of the year, but in late autumn, its activities were already focused on ensuring the different security areas and management of security risks for Elo beginning its operations on 1 January 2014.

Signatures for the Board of Directors' report and Financial Statements

Helsinki 3 March 2014

BOARD OF DIRECTORS

Pekka Sairanen

Timo Vallittu	Heimo J. Aho	Heikki Kauppi
Eero Lehti	Reija Lilja	Jussi Mustonen
Olavi Nieminen	Antti Rinne	Jorma Turunen

Lasse Heiniö
Managing Director

Key figures for financial development

The terms used in the key figures tables are the same as those in the profit and loss account and the balance sheet, unless otherwise stated. The figures have been rounded to the nearest five; thus the figures do not necessarily sum up to the total given.

KEY FIGURES	2013	2012	2011	2010	2009
Premiums written, € million	1,326.3	1,355.0	1,198.2	1,126.2	1,096.3
Pensions paid and other compensations, € million [1]	1,311.9	1,243.7	1,122.4	1,031.6	979.5
Net investment income at fair values, € million	704.3	705.1	-107.9	620.7	558.5
Yield on invested capital, %	9.4	10.3	-1.6	10.0	9.9
Turnover, € million	1,723.7	1,665.2	1,235.4	1,518.4	1,434.3
Total operating expenses, € million	65.7	59.6	56.6	54.0	51.7
% of turnover	3.8	3.6	4.6	3.6	3.6
Operating costs covered with expense loading of ins. premium, € million	46.4	42.2	40.6	39.4	38.2
% of TyEL payroll and YEL reported earnings	0.8	0.7	0.7	0.7	0.7
Total result, € million	330.5	414.1	-268.5	344.3	236.7
Technical provisions, € million	6,967.2	6,620.7	6,257.3	6,200.6	5,768.6
Solvency capital, € milion [2]	1,667.1	1,394.6	975.9	1,225.6	907.4
% of technical provisions [3]	25.1	22.3	16.5	21.4	16.8
Ratio to the solvency limit	2.4	2.8	2.6	2.8	2.7
Equalisation provision, € million	216.8	225.7	236.2	261.0	236.6
Pension assets, € million [4]	8,284.4	7,621.5	6,857.5	6,934.9	6,278.0
Transfer to client bonuses, % of TyEL payroll	0.44	0.37	0.28	0.35	0.27
Paid client bonuses, % of TyEL payroll	0.37	0.27	0.35	0.27	0.14
TyEL payroll, € million	4,981.7	5,041.4	4,745.5	4,590.0	4,491.7
YEL reported earnings, € million	873.3	879.3	805.8	683.8	646.3
No. of TyEL policyholders [5]	21,700	22,930	23,620	22,950	22,500
No. of TyEL insured	177,020	188,920	185,660	181,520	176,900
No. of YEL policyholders	37,400	39,600	39,320	34,720	33,580
No. of pensioners	88,500	86,370	84,850	82,980	81,600

1) Claims paid in the profit and loss account excluding administrative costs of claims handling and working capacity maintenance activities.
2) For the years 2009–2012, solvency margin including the item from the clearing reserve paralleled with the solvency margin.
3) Ratio calculated as percentage of the technical provisions used in the calculation of the solvency limit. In 2009–2012, the item paralleled with the solvency margin has been deducted from the technical provisions.
4) Technical provision + valuation differences.
5) Insurances of employers that have made an insurance contract.

INVESTMENT DISTRIBUTION AT FAIR VALUES

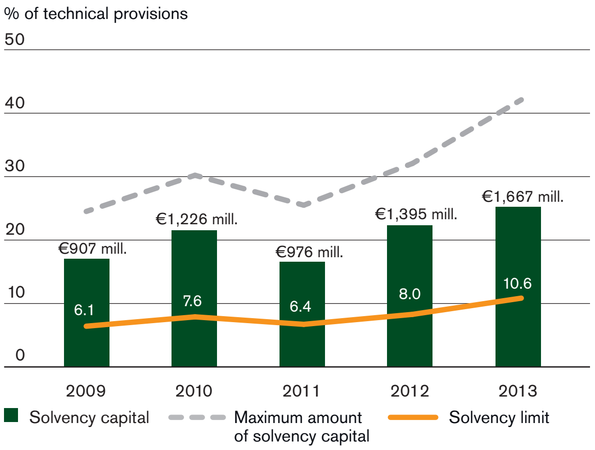
	Basic distribution				Risk distribution					
	2013		2012		2013		2012	2011	2010	2009
	€ mill.	%	€ mill.	%	€ mill.	%	%	%	%	%
Fixed-income investments	**3,319.4**	**40.7**	**3,888.3**	**51.9**	**3,319.4**	**40.7**	**49.2**	**55.9**	**50.4**	**55.4**
Loans	271.4	3.3	397.7	5.3	271.4	3.3	5.3	5.8	6.6	8.0
Bonds	2,315.5	28.4	3,078.6	41.1	2,315.5	28.4	38.4	39.3	34.2	42.4
Other money-market instruments and deposits, including receivables and debts related to investments	732.4	9.0	412.0	5.5	732.4	9.0	5.5	10.9	9.6	5.1
Equity investments	**2,576.3**	**31.6**	**1,625.6**	**21.7**	**2,576.3**	**31.6**	**22.8**	**20.7**	**24.7**	**18.7**
Listed equities	2,333.7	28.6	1,360.9	18.2	2,333.7	28.6	19.3	17.5	21.8	15.9
Private equity investments	172.4	2.1	161.0	2.1	172.4	2.1	2.1	1.7	1.4	1.1
Unlisted equities	70.2	0.9	103.7	1.4	70.2	0.9	1.4	1.5	1.5	1.7
Real estate investments	**1,342.0**	**16.5**	**1,147.6**	**15.3**	**1,342.0**	**16.5**	**15.3**	**13.3**	**11.7**	**12.2**
Direct real estate investments	1,124.8	13.8	931.8	12.4	1,124.8	13.8	12.4	10.0	9.6	10.5
Real estate investment funds and joint investment companies	217.1	2.7	215.8	2.9	217.1	2.7	2.9	3.3	2.1	1.7
Other investments	**914.8**	**11.2**	**833.8**	**11.1**	**914.8**	**11.2**	**11.1**	**11.2**	**9.5**	**10.5**
Hedge fund investments	893.0	11.0	826.6	11.0	893.0	11.0	11.0	10.9	9.5	10.5
Other investments	21.7	0.3	7.2	0.1	21.7	0.3	0.1	0.3	-	-
Effect of derivatives					0.0	0.0	1.6	-1.2	3.7	3.2
Total investments	**8,152.4**	**100.0**	**7,495.2**	**100.0**	**8,152.4**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

NET INVESTMENT INCOME AT FAIR VALUES

	Net investment income at fair values, € mill.	Invested capital, € mill.	Return on invested capital, %	Yield on invested capital, %			
	2013	2013	2013	2012	2011	2010	2009
Fixed-income investments	**56.3**	**3,524.4**	**1.6**	**9.0**	**3.3**	**5.0**	**5.7**
Loans	11.7	331.4	3.5	2.9	3.5	3.4	3.6
Bonds	42.5	2,522.9	1.7	11.0	3.8	5.8	6.8
Other money-market instruments and deposits, including receivables and debts related to investments	2.1	670.0	0.3	1.2	1.6	1.0	2.3
Equity investments	**403.9**	**1,988.4**	**20.3**	**15.8**	**-15.5**	**22.5**	**33.7**
Listed equities	385.5	1,748.3	22.1	16.7	-18.4	24.8	44.3
Private equity investments	17.0	158.8	10.7	10.8	5.4	7.0	-18.8
Unlisted equities	1.3	81.3	1.6	10.7	7.4	5.2	11.9
Real estate investments	**174.3**	**1,168.4**	**14.9**	**12.5**	**9.2**	**8.2**	**3.3**
Direct real estate investments	155.5	959.0	16.2	14.8	8.4	7.1	6.9
Real estate investment funds and joint investment companies	18.7	209.3	9.0	5.4	12.1	14.0	-14.2
Other investments	**76.5**	**843.5**	**9.1**	**6.3**	**-2.7**	**9.4**	**16.4**
Hedge fund investments	74.6	826.1	9.0	8.6	-3.3	9.4	16.4
Other investments	1.9	17.4	10.7	-41.9	40.6	-	-
Total investments	**710.9**	**7,524.6**	**9.4**	**10.5**	**-1.4**	**9.9**	**10.2**
Unallocated income, costs and operating expenses from investment operations [1]	-6.6		-0.1	-0.1	-0.2	0.1	-0.3
Net investment income at fair values	**704.3**		**9.4**	**10.3**	**-1.6**	**10.0**	**9.9**
Modified duration of bond portfolio	**3.6**						

1) Also includes, e.g., such interest items of the profit and loss account which are not entered under investment income and for 2010, also the correction related to the PAYG pool.

Solvency capital and its limits



Solvency capital and its limits

(as percentage of the technical provision used in the calculation of the solvency limit)

	2013	2012	2011	2010	2009
Solvency limit	10.6	8.0	6.4	7.6	6.1
Minimum amount of solvency capital 1)	42.4	32.2	25.5	30.3	24.5
Solvency capital before equlisation provision 2)	21.9				
Solvency capital 3)	25.1	22.3	16.5	21.4	16.8

1) Maximum amount of solvency margin in years 2009–2012.
2) Reported as of 2013.
3) In years 2009–2012 solvency margin, calculated separately according to the relevant legislation for each year.

LOADING PROFIT, € mill.	2013	2012	2011	2010	2009
Administration costs in insurance premium	52.7	53.7	50.1	48.7	47.0
Share of premium available to cover operating expenses resulting from claims decisions	2.6	2.2	2.1	1.9	1.7
Other income	2.3	0.6	0.6	0.6	0.7
Operating expenses by operation 1)	46.4	42.2	40.6	39.4	38.2
Loading profit	**11.1**	**14.3**	**12.2**	**11.8**	**11.2**
Operating expenses/loading profit, %	**80.7%**	**74.7%**	**76.9%**	**76.9%**	**77.4%**

1) Does not include the judicial administration charge or insurance supervision fee, which were €0.5 million in 2013.

PERFORMANCE ANALYSIS, € mill.	2013	2012	2011	2010	2009
Sources of surplus					
Insurance business surplus	**-8.3**	**-10.2**	**-24.1**	**24.7**	**-20.9**
Investment surplus at fair values	**327.7**	**410.0**	**-256.6**	**307.8**	**246.4**
+ Net investment income at fair values 1)	704.3	705.1	-107.9	620.7	570.9
- Yield requirement on technical provision	-376.7	-295.1	-148.7	-312.9	-324.5
Loading profit	**11.1**	**14.3**	**12.2**	**11.8**	**11.2**
Total surplus	**330.5**	**414.1**	**-268.5**	**344.3**	**236.7**
Distribution of surplus					
Change in solvency	**308.8**	**395.3**	**-281.7**	**328.5**	**224.5**
Change in equalisation provision	-8.9	-10.5	-24.9	24.4	-21.5
Change in provision for future bonuses	-0.3	4.0	-124.5	77.9	-8.3
Change in valuation differences	316.4	400.5	-134.0	224.8	253.4
Change in accrual of closing entries	0.0	0.1	0.1	0.1	0.0
Profit for the financial year	1.6	1.3	1.6	1.3	1.0
Transfer to client bonuses	**21.8**	**18.8**	**13.2**	**15.9**	**12.1**
Total	**330.5**	**414.1**	**-268.5**	**344.3**	**236.7**

1) Includes such interest items that are not entered under investment income and, in 2010, also a correction related to the PAYG pool.

ACTIVITIES TO MAINTAIN WORKING CAPACITY	2013	2012	2011	2010	2009
Premium income; disability risk management, € million	1.4	1.4	1.4	1.3	1.1
Claims incurred; management expenses for working capacity maintenance, € million	2.3	2.1	1.9	1.8	1.4
Management expenses for working capacity maintenance/ Disability risk management, %	**165.0**	**148.5**	**138.7**	**135.6**	**125.5**

Guide to key figures

By virtue of the supervision release issued on 19 December 2013 by the Financial Supervisory Authority, the calculation of the key figures has been carried out in compliance with the Regulations and Instructions 14/2012, including the table “investment distribution at fair values” that entered into force on 1 January 2014.

Clearing reserve is a part of the technical provisions used to buffer the collectively paid pension expenditure and the insurance premium collected for its funding.

Client bonus reduces a contract employer’s TyEL premium.

Equalisation provision serves as a buffer against insurance business fluctuations and is part of the technical provisions. The annual profit on insurance business is added to the equalisation provision and the loss is covered by it.

Insurance business surplus for the pensions within the scope of the company’s responsibility is calculated by subtracting the pension expenditure under the company’s responsibility from the profit on the equalisation provision and the premium’s risk elements.

Invested capital is calculated by adding to the market value, at the beginning of the financial period, the cash flow for the period weighted with the relative proportion of the whole period remaining from the event date to the end of the period. Money in hand and cash at bank, as well as trading price receivables and liabilities should be taken into account when calculating the invested capital.

Investment distribution at fair values includes derivatives allocated to the specified asset items. The balance sheet item Money in hand and cash at bank, as well as trading price receivables and liabilities, and derivative securities are included in the item Other money market instruments and deposits.

Loading profit is calculated as follows: **expense loading**, collected to cover the operating expenses of the insurance business, plus any other income, less operating expenses covered by the expense loading. The share of the insurance premium that depends on the number of disability pension decisions is also included in the expense loading. Statutory payments are not included when calculating the loading profit. Investment management expenses are covered by the investment income and the working capacity maintenance expenses from the disability loading.

Net investment income at fair values is calculated on asset classes corresponding to the investment distribution. Derivatives are taken into account according to their type by asset category. In addition, net investment income takes into account the unallocated income and expenses entered under investment income, as well as operating expenses.

Pension assets = the technical provision in the balance sheet + valuation difference of investments.

Pensions paid includes payments made to pensioners.

Performance analysis describes the sources and distribution of the surplus. The surplus comprises the insurance business surplus, the loading profit and the investment surplus at fair values. The surplus is used for the change of solvency, the transfer to client bonuses and the possible supplementing of the provision for current bonuses. The change of solvency comprises the changes in equalisation provision, the provision for future bonuses, accrued valuation differences and financial statement transfers, and the transfer to the profit of the financial year.

Premiums written comprise TyEL and YEL premium income less credit losses.

Provision for current bonuses comprises assets that have been transferred to be used for client bonuses granted to policyholders.

Provision for future bonuses is a part of the company’s solvency capital (listed as solvency margin in previous years) and serves as a buffer against investment return fluctuations. Part of the total result is transferred to the provision for future bonuses.

Provision linked to equity income is a part of the premium reserve that serves as a buffer for part of the equity investments. This share of the technical provisions changes according to how equity income is realised in the pension system on average.

Required rate of return on technical provisions is determined on the basis of the discount rate (3%) used in the calculation of the technical provisions, the supplementary coefficient for pension liabilities, the requirement for the technical rate of interest and the average equity income of pension institutions.

Requirements for solvency capital are based on the scrutinising of theoretical risks. The central quantity in the scrutinising of solvency is the solvency limit. The riskier the company’s investment distribution, the higher the solvency limit and the larger solvency capital it requires. The solvency limit is also affected by insurance risk. The indicators of solvency are the proportion of solvency capital to the technical provisions and the proportion of solvency capital to the solvency limit. The minimum amount of solvency capital is two thirds of the solvency limit. If the amount of the solvency capital exceeds the quadruple amount of the solvency limit (upper limit of the target zone) on a second year in a row, the company shall make an extra transfer to client bonuses.

Result of investment operations at fair values is calculated by subtracting the required rate of return on technical provisions from the net investment income at fair values.

Risk distribution refers to the total value of the delta-adjusted values of the underlying instruments for cash investments and derivatives. Delta-adjusted = the underlying instrument of a future or terminal or an option multiplied by option delta, i.e., the risk effect of derivatives. The risk distribution shows separately the effect of derivatives on the difference between the risk and basic distribution. Following the adjustment, the final sum of the risk distribution will equal that of the basic distribution. Risk distribution is also referred to by the abbreviation ‘risk-adjusted’.

Solvency capital (the key figure used to indicate solvency as of 1 January 2013) is comprised of the solvency margin and equalisation provision. The solvency capital is used to cover losses so that the investment losses are covered by the solvency margin component and the losses from insurance business are primarily covered by the equalisation provision component. The secondary measure is to use the other buffer’s funds.

Solvency margin (the figure used until 31 December 2012 to indicate solvency) is the excess of company assets over liabilities at fair values. Liabilities include technical provision excluding provision for future bonuses. The solvency margin comprises the company’s capital and reserves, difference between fair value and book value of assets, the provision for future bonuses, depreciation difference less intangible assets, and the temporary EMU buffer resulting from the financial crisis.

Statutory payments comprise the share of costs of the Finnish Centre for Pensions, which acts as the central body of the system, the judicial administration charge of the Pension Appeal Court and the supervision charge of the Financial Supervisory Authority.

Technical provisions or the company’s liability resulting from insurance contracts comprises the premium and claims reserves. Technical provisions are also referred to as pension liability. The premium reserve is an estimate of the current value of the pension payments based on future occurrences of the insured events for which the company is responsible. The claims reserve is an estimate of the current value of the future compensations of contingencies that have already commenced. In addition, the provisions for current and future bonuses and provisions linked to equity income are included in the premium reserve, and the equalisation provision and clearing reserve are included in the claims reserve. When calculating the technical provisions for solvency, the provision for future bonuses, provision for unearned premium under the Self-employed Persons’ Pensions Act (YEL) and the equalisation provision shall be deducted from the liabilities.

Technical provisions to be covered are calculated by adding debts to the pay-as-you-go (PAYG) pool and policyholders to the technical provisions in the financial statements.

Total operating expenses comprise the operating expenses of insurance business, investment operations and working capacity maintenance as well as statutory charges.

Total result comprises the profit on insurance business, loading profit and result of investment operations at fair values.

Turnover = premiums written before credit losses and reinsurers’ share + book net investment income + other returns.

Valuation difference is the difference between the fair value and book value of investments.

Auditor's Report

TO THE SHAREHOLDERS MEETING OF MUTUAL INSURANCE COMPANY PENSION-FENNIA

We have audited the bookkeeping, the final accounts and the administration of Mutual Insurance Company Pension-Fennia for the financial period 1.1.–31.12.2013. The final accounts comprise the financial statements and the report of the Board of Directors. The financial statements comprise the consolidated balance sheet, income statement and cash flow statement and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

THE RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the final accounts that give a true and fair view in accordance with the laws and regulations governing the preparation of the final accounts in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the final accounts based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the final accounts are free from material misstatement, and whether the members of the Supervisory Board as well as of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act, the Employee Pension Insurance Companies Act, the Insurance Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the final accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of final accounts that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the final accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the final accounts give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the final accounts in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 18 March 2014

Ulla Nykky
Authorized Public Accountant

Pekka Hietala
Authorized Public Accountant

Corporate Governance Statement 2013

This Corporate Governance Statement has been drawn up in accordance with Recommendation 54 of the Finnish Corporate Governance Code 2010 and is published in connection with the Board of Directors' report as a separate report.

As of 1 January 2014, Pension Fennia and LocalTapiola Mutual Pension Insurance Company merged to form a new employment pension company under the name Elo Mutual Pension Insurance Company. Until 31 December 2013, Pension Fennia was an employment pension insurance company, as intended by the Act on Pension Insurance Companies. In addition to the aforementioned act, its administration and supervision were governed by the Insurance Companies Act and the Limited Liability Companies Act, as well as statutes, regulations and instructions given by virtue thereof. The company's administrative bodies were the General Meeting, the Supervisory Board, the Board of Directors and the Managing Director. The labour market organisations played a key role in passing the employment pension acts in the early 1960s, and they have statutory representation in the administration of employment pension companies as financiers of the earnings-related pension scheme.

The Board of Directors of Pension Fennia approved the guidelines concerning the company's corporate governance and good administrative practice on 25 August 2004. The instructions were originally based on the corporate governance recommendations for listed companies which entered into force on 1 July 2004. The Board of Directors of Pension Fennia most recently approved changes to the said instructions on 26 January 2009 due to the amended Finnish Corporate Governance Code that entered into force on 1 January 2009. On the basis of amendments to the Finnish Corporate Governance Code that entered into force on 1 October 2010, Pension Fennia published a report on salaries and fees that was available on the company's website until 31 December 2013. The Finnish Corporate Governance Code can be viewed online at www.cgfinland.fi.

In the legislation concerning insurance companies, including employment pension insurance companies, a requirement has been set for the management of the company to manage the company in accordance with the principles of reliable administration. These principles are formed in practical business life e.g. alongside the development of the corporate governance recommendations. Employment pension insurance companies which exercise significant public and financial power are required to apply the recommendations as broadly as allowed by the legislation. The framework of norms for employment pension insurance companies is, however, very different compared with the framework of norms for listed companies. The purpose and "ownership" of employment pension insurance companies also differ significantly from those of listed companies. In so far as the framework of norms is the same, the recommendations can be followed as they are, provided that they are not contrary to the purpose of operations of employment pension insurance companies or unless otherwise determined by mutuality. As an employment pension insurance company, Pension Fennia has aimed to build its own corporate governance on the basis of special legislation, complying with the recommendations as applicable. The end of the report contains separate arguments for deviations from the recommendations.

OWNERS

Pension Fennia was a mutual insurance company until 31 December 2013. Pension Fennia was owned by policyholders who have had a valid insurance in the company in accordance with the Employees' Pensions Act (TyEL) or Self-employed Persons' Pensions Act (YEL). Furthermore, its owners have included the insured covered by each policy under the Employees' Pensions Act, and the owners of the guarantee capital. In accordance with the decision made at the Extraordinary General Meeting on 19 June 2013, Pension Fennia's guarantee capital was paid to Fennia Mutual Insurance Company, after which the company no longer had guarantee capital.

GENERAL MEETING

The highest power of decision has been exercised by the owners in their General Meeting. The right to vote at the Annual General Meeting has been held by the policyholders and the owners of the guarantee capital up until the repayment of the guarantee capital. In addition, an elected representative of the insured under each TyEL policy has had the right to vote. Detailed information on the determination and division of the voting rights was included in Pension Fennia's Articles of Association.

The Annual General Meeting has elected the members of the Supervisory Board and the auditors, and made decisions concerning the confirmation of the financial statements and the use of the profit shown in the balance sheet. The Annual General Meeting has decided whether to grant a discharge from liability to the members of the Board of Directors and the Supervisory Board and the Managing Director. In addition, the Annual General Meeting has decided on the fees for the members of the Supervisory Board and the auditors, as well as other matters mentioned in the notice of the meeting.

The Annual General Meeting has been held annually by the end of May at a time determined by the Board of Directors. An Extraordinary General Meeting was held, if considered necessary by the Board of Directors or Supervisory Board.

Before the General Meeting, owners were given the information required by law as well as information in accordance with the industry practice as decided by the Board of Directors when preparing the notice of the meeting. The notice of the Annual General Meeting was published no later than two weeks before the meeting in at least two newspapers published in Helsinki, one of which was in Swedish, and on the company's website.

Pension Fennia's Annual General Meeting was most recently held on 22 April 2013. An Extraordinary General Meeting was held on 19 June 2013.

SUPERVISORY BOARD

Pension Fennia has had a Supervisory Board in accordance with the Act on Employment Pension Insurance Companies.

The Annual General Meeting has elected 28 members to the Supervisory Board for three years at a time, so that a maximum of ten members resigned each year. Seven members have been elected from among candidates nominated by major employer organisations and seven from among candidates named by major employee organisations. The Supervisory Board have elected from among themselves, for one calendar year at a time, a Chairman and Deputy Chairman, one of whom has been a person proposed by the representatives of the insured. The Supervisory Board has had the possibility to elect more than one Deputy Chairmen in which case one of the Deputy Chairmen has been elected the First Deputy Chairman. If the person proposed by the representatives of the insured was not elected the Chairman of the Supervisory Board, he or she has been elected the First Deputy Chairman. The members of the Supervisory Board of Pension Fennia in 2013 are introduced at the page 59.

The rules of procedure of the Supervisory Board described the composition of the Supervisory Board, its duties, and the matters related to arranging a meeting of the Supervisory Board. The Supervisory Board has supervised the company's administration under the Board of Directors and the Managing Director. The duties of the Supervisory Board are listed in the law and in the Articles of Association. The Supervisory Board may not be given duties other than those mentioned in the law.

The Supervisory Board convened twice in 2013. On average, a total of 83 per cent of the members participated in the meetings. According to a decision of the Annual General Meeting, the annual fees paid to the members of the Supervisory Board were as follows: Chairman €4,500, Deputy Chairman €3,000, and members €1,800. The meeting fee was €400 per meeting.

ELECTION COMMITTEE OF THE SUPERVISORY BOARD

The Supervisory Board has elected, for one calendar year at a time, the Election Committee of the Supervisory Board, which included four members from the Supervisory Board and two members from the Board of Directors. Half of the members were elected from among persons proposed by the policyholders and half from among those proposed by the representatives of the insured in the Supervisory Board. The Supervisory Board has elected a Chairman and Deputy Chairman for the Election Committee from among the members, and one of them has been a person proposed by the representatives of the insured. The Supervisory Board has decided on the fee to be paid to the members of the Election Committee.

The task of the Election Committee has been to prepare a proposal on the election and fees of the members of the Supervisory Board for the Annual General Meeting, and a proposal on the election and fees of the members of the Board of Directors for the Supervisory Board. More detailed orders on the Election Committee are given in the Articles of Association.

The Election Committee convened twice in 2013. On average, a total of 92 per cent of the members participated in the meetings. According to a decision of the Supervisory Board, the meeting fees paid were €500 per meeting to the Chairman, €400 per meeting to the Deputy Chairman, and €300 per meeting to members.

BOARD OF DIRECTORS

The election procedure and composition of the Board of Directors was based on legislation. Pension Fennia's Board of Directors has comprised ten ordinary members and four deputy members. The Supervisory Board has elected the members and deputy members of the Board of Directors for three years at a time so that a maximum of four ordinary members resigned annually. Three ordinary members and one deputy member of the Board of Directors have been elected from among candidates proposed by major employer organisations and three ordinary members and one deputy member from among those proposed by major employee organisations. The Board of Directors has elected from among themselves, for one calendar year at a time, a Chairman and Deputy Chairman, one of whom has been a person proposed by the representatives of the insured. The Board of Directors has had the possibility to elect more than one Deputy Chairmen, in which case one of the Deputy Chairmen has been elected the First Deputy Chairman. If the person put forth by the representatives of the insured was not elected as Chairman of the Board of Directors, that person has then been elected to be the First Deputy Chairman.

The composition of the Board of Directors and eligibility of the members are prescribed by law. According to the law, members of the Board of Directors must be individuals with a good reputation who have sufficient knowledge of the employment pension insurance business. There must also be good knowledge of investment operations among the Board of Directors. In addition, the law sets special eligibility requirements which limit the connections of the members of the Board of Directors to other companies. The Chairman of the Board of Directors and two thirds of the other members of the Board of Directors shall be persons who are not in the service of the company or other financial institutions listed in the law, as an employee, as a managing director or member of an administrative body. The company shall submit to the Financial Supervisory Authority a report on the eligibility of the Board members (reliability and suitability) and on the fulfilment of the statutory requirements that limit engagement. The members of the Board of Directors of Pension Fennia in 2013 are introduced at the page 58.

The Board of Directors has convened regularly once a month by invitation of the Chairman and has constituted a quorum when more than half of the members were present. The Board of Directors, together with the Managing Director, has managed the company with professional skill, and in compliance with sound and prudent business practices and corporate governance principles. The management of the company has promoted the interests of the company by due diligence. The Board of Directors' general task has been to oversee the company's administration and the appropriate arrangement of operations. The Board of Directors has seen to it that the supervision of accounting and asset management was appropriately arranged. In principle, the Board of Directors has been responsible for all the tasks that were not directed to other bodies of the company or that did not belong to the authority of other administrative bodies due to their nature.

The rules of procedure of the Board of Directors have outlined and guided the practical work of the Board of Directors. The rules of procedure have outlined the key tasks, operating principles and meeting practices of the Board of Directors, the reports and reviews to be handled in the meetings of the Board of Directors, and the tasks and compositions of the committees.

The Articles of Association and the rules of procedure of the Board of Directors have listed the tasks of the Board of Directors in addition to those mentioned above. These included:

- To appoint and give notice to the Managing Director and his deputy, the Deputy Managing Director, the Actuary, the directors and the deputy directors
- To decide on the convening of the General Meeting of owners
- To decide on the company's goals and strategy
- To decide on the general structure of the company's organisation
- To draw up the financial statements and the Board of Directors' report
- To decide on the company's investment plan and the powers of decision related thereto
- To decide on the company's investment operations for the part that has not been delegated
- To ensure that the company has sufficient internal supervision and risk management systems with consideration for the nature and extent of its operations
- To approve the risk management plan concerning all operations of the company
- To assess annually whether the company's internal supervision is appropriately arranged
- To decide on the reward systems of the personnel
- To decide to confirm the rules of the company's advisory committees, election of members and remuneration to the members.

The Board of Directors has evaluated its own operations and ways of working once a year with the goal of developing and improving the work of the Board of Directors.

Pension Fennia's Board of Directors convened 12 times in 2013, and 98.3 per cent of the members participated in the meetings. In accordance with the decision of the Supervisory Board, the annual remuneration to the members of the Board of Directors was as follows: Chairman €20,000, Deputy Chairmen €16,000, ordinary members €10,000 and deputy members €7,000. The meeting fee was €500 per meeting to the Chairman, Deputy Chairmen, ordinary members and deputy members of the Board.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has been assisted by the Appointment and Remuneration Committee and the Audit Committee. The committees have made proposals and have reported to the Board of Directors about tasks appointed to them. The committees have held no power of decision. The tasks of the committees have been determined in the rules of procedure of the Board of Directors.

Appointment and Remuneration Committee

The Appointment and Remuneration Committee has been formed in accordance with the rules of procedure of the Board of Directors, of the Chairman and Deputy Chairmen of the Board of Directors, who have been elected by the Board of Directors from among themselves for one calendar year at a time.

The task of the committee has been to appoint the Managing Director and his deputy and to prepare, plan and develop matters related to the remuneration and appointment of directors appointed by the Board of Directors. The proposals of the Appointment and Remuneration Committee have been submitted to the Board of Directors for decision.

In 2013, the Appointment and Remuneration Committee was chaired by Pekka Sairanen, Chairman of the Board of Directors of Pension Fennia, and the members included Deputy Chairmen of the Board of Directors Timo Vallittu and Heimo J. Aho. The Appointment and Remuneration Committee convened five times, and 100 per cent of the members participated in the meetings. In accordance with the decision of the Supervisory Board, the meeting fee for the Appointment and Remuneration Committee was €500 per meeting to the Chairman and Deputy Chairmen of the Board.

Audit Committee

The Audit Committee has comprised, in accordance with the rules of procedure of the Board of Directors, three members of the Board of Directors elected from among themselves; one of whom has been elected from the members representing employer organisations, one from members representing employee organisations and one from other members of the Board of Directors. The Chairman or a Deputy Chairman could not have been elected to the committee. The Board of Directors has appointed the Chairman of the committee.

The task of the Audit Committee has been to monitor the company's financial situation, financial reporting, the sufficiency and appropriateness of internal supervision and risk management, and to handle the plans and reports of Internal Auditing. The committee has reported to the Board of Directors.

In 2013, members of the Audit Committee of the Board of Directors were Director Heikki Kauppi, Director Jukka Ahtela and Chairman of the Board Olavi Nieminen. As of 22 April 2013, Director Jussi Mustonen replaced Ahtela as a member of the Audit Committee. The Audit Committee convened eight times, and 96 per cent of the members participated in the meetings. In accordance with the decision of the Supervisory Board, the meeting fee for the Audit Committee was €500 per meeting to the members of the Committee.

AUDITORS

In 2013, the Annual General Meeting of Pension Fennia elected Ulla Nykky, Authorised Public Accountant, and Pekka Hietala, Authorised Public Accountant, as auditors of the company, and Jenni Smedberg, Authorised Public Accountant, and Pasi Hirvonen, Authorised Public Accountant, as deputy auditors. The company paid to Ernst & Young Oy a total of €102,052.00 as auditing fees and €359,473.61 as a fee for services not related to auditing.

MANAGEMENT

Managing Director and acting Managing Director

The Managing Director and acting Managing Director have been appointed by the Board of Directors. The Managing Director has been assigned to take care of the company's administration according to the advice and instructions by the Board of Directors. The Managing Director has seen to it that the company's accounting has been in compliance with the law and that asset management has been arranged in a reliable manner. The Managing Director has provided the Board of Directors and its members with the information necessary for the handling of the duties of the Board of Directors. The task of the acting Managing Director has been to act as the Managing Director when the Managing Director has been prevented from attending to his duties.

According to the law, the Managing Director shall be a person with a good reputation, and he or she shall have a good knowledge of employment pension operations, investment operations and business management. The Managing Director must not be a member of the company's Supervisory Board or Board of Directors. In addition, the law contains some other special requirements concerning the Managing Director.

Until the end of 2013, the Managing Director of Pension Fennia was Lasse Heiniö, Master of Science, Fellow of the Actuarial Society of Finland (born 1951). Mr. Heiniö is a member of the Board of the Finnish Pension Alliance TELA, and a member of the Board of AEIP (the European Association of Paritarian Institutions). He was appointed to serve as the Managing Director of Pension Fennia from 1 June 2001. The company has not had an acting Managing Director.

Executive Group and Investment Committee
The Executive Group that consists of directors appointed by the Board of Directors has assisted the Managing Director in the company's operative management and planning of operations. The Executive Group has been involved in preparing for the Board of Directors, for example, the matters related to the company's strategy, budgeting and organisation.

The Investment Committee has handled the important investment matters to be decided on by the Managing Director and prepared the investment proposals and the investment plan to be decided on by the Board of Directors.

DESCRIPTION OF THE MAIN CHARACTERISTICS OF THE INTERNAL SUPERVISION AND RISK MANAGEMENT SYSTEMS RELATED TO THE FINANCIAL REPORTING PROCESS

Pension Fennia's financial reports have been drawn up in accordance with the Accounting Act and Decree that regulate the accounting and financial statements of employment pension insurance companies, the Limited Liability Companies Act and the Insurance Companies Act. Financial reporting has been done in compliance with the regulations of the Act on Employment Pension Insurance Companies, the statutes of the Ministry of Social Affairs and Health on financial statements and consolidated financial statements of insurance companies, as well as the regulations and guidelines issued by the Ministry of Social Affairs and Health and the Financial Supervisory Authority.

Pension Fennia has published financial statements required by the regulations and guidelines of the Financial Supervisory Authority, and a six-month interim report. In addition, Pension Fennia has published a performance review for the first and third quarters of the year.

The most important key figures in terms of evaluating Pension Fennia's total risk position and the risk-bearing capacity have been the amount of the solvency capital in proportion to the technical provisions (solvency ratio) and the amount of the solvency capital in proportion to the solvency limit in accordance with regulations (solvency position). Other key items for financial reporting have included the yield requirement concerning the technical provisions, valuation of investments, and investment income at fair values.

The Board of Directors of Pension Fennia have had overall responsibility for arranging internal supervision and risk management, and for the annual evaluation of the state of internal supervision. This evaluation has been based on the report drawn up by the company's Internal Auditing. The Board of Directors has approved the company's risk management policy, including the general principles of risk management. The Board of Directors has approved, on an annual basis, the risk management plan for the company, including the most significant risks related to investment operations, and monitored the progress of management measures presented therein through the reports and final report it received. The Investment Committee has discussed and approved the risk management plan of the Investment unit.

The Board of Directors has approved annually, as part of the investment plan, the bases for classification in accordance with the real risk as referred to in the Act on the calculation of the pension provider's solvency limit and the covering of the technical provisions (1114/2006). The Independent Risk Management and Controller unit has followed weekly the solvency limits based on the legal classification in accordance with the real risk, and has reported thereon to the Board of Directors every six months as part of the official reporting. The classification criteria have also been checked at six-month intervals, and the results have been reported via the Investment Committee to the Board of Directors. The classifications of new investments have been reported to the Investment Committee monthly or as necessary.

The Independent Risk Management and Controller unit has reported on the implementation of the company's risk management plan every six months to the company's Audit Committee and Executive Group, as well as annually to the Board of Directors.

Systematic assessment, measurement, supervision and reporting of risks has been carried out by a party independent of the investment unit in terms of the total risk position (solvency, allocation, investment income and expenses, gross margin, limits) and, in terms of asset category-specific returns and risks, by the Independent Risk Management and Controller unit. The Board of Directors has usually received monthly reports about the goal and realisation of the investment operations, result, yield contributions, investment allocation, solvency and margin position, risks, asset category-specific risks, derivatives and their degree of utilisation, and compliance. The biggest risk concentrations have been reported to the Board of Directors quarterly. The management has received weekly, or if necessary, even daily, reports about the investment income, solvency and its sensitivity, and other key figures. The asset category-specific risks and returns, including derivatives, have been reported on weekly to the portfolio managers and members of the Investment Committee. In addition, derivative positions and certain risk figures have been reported daily to the portfolio managers. The aim has been to ensure the correctness of the reports through regular balancing routines, good professional skills, and close co-operation and flow of information between the Independent Risk Management and Controller unit and the Investment unit. The correctness of the technical provisions used in the calculation of the solvency limit has been ensured by the insurance technique unit and the Actuary. During the course of the year, the technical provisions have been estimated in the Independent Risk Management and Controller unit, and their correctness has been ensured through close co-operation with the insurance technique unit and the Actuary. The investment values used in the financial statements have been determined in accordance with the Accounting Principles. As for unlisted equities, private equity funds, real estate funds and real estate properties, the Independent Risk Management and Controller unit has ensured that the market values have been priced in accordance with the agreed principles. The Independent Risk Management and Controller unit has run a regular balancing routine to ensure the correctness of the market values and credit ratings of the securities system. There is a temporal delay related to the determination of the market values, but its effect was minimal.

Pension Fennia's Investment Committee has monitored the financial and operational risks of investment operations. The Independent Risk Management and Controller unit has been responsible for providing the Investment Committee with risk reports concerning solvency capital, solvency, gross margin, returns and allocation, as well as asset category-specific operational risk reports for various capital market instruments, and asset category analyses. The Real Estate Investment unit has been responsible for risk reporting concerning real estate, and the Corporate Financing unit for risk reporting concerning loans.

Since 2009, the company has had a compliance function which is integrated into the organisation in such a way that persons responsible for the measures required by the compliance activities and any related reporting were appointed to different parts of the organisation.

The company's business accounting for the financial year has been implemented using the matching principle, and the information in the general ledger accounting has been in line with the partial accounting systems. During the financial year, the balancing have been done monthly. The company has had up-to-date process descriptions and working instructions on financial reporting. The work procedures have been reformed by decreasing manual processes, automating processes, and building the balancing files.

The exact technical provisions have been calculated annually. During the course of the year, the development of the technical provisions has been anticipated using portfolio extracts from the employment register, forecasts issued by the Finnish Centre for Pensions, and insurance technical analyses.

The operational risks related to Pension Fennia's financial reporting have been regularly surveyed. The significance of the effects of identified risks and the probability of their realisation have been estimated separately for each risk.

The company has had an Internal Auditing unit operating under the Managing Director and reporting directly to the Board of Directors. The organisational position, areas of duties, responsibility and authority of Internal Auditing have been determined in the guidelines approved by the Board of Directors. The Board of Directors of Pension Fennia has annually approved the operating plan of Internal Auditing.

SPECIFICATION OF DEVIATION FROM THE RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE

Pension Fennia has followed the Finnish Corporate Governance Code 2010 for listed companies as applicable to an employment pension insurance company. Deviation from the recommendations of the Corporate Governance Code has mainly been based on legislation concerning employment pension companies. Pension Fennia has deviated from the recommendations of the Corporate Governance Code as follows:

- Recommendation 1:
  According to the Articles of Association, the notice of the general meeting of Pension Fennia has been published two weeks before the general meeting in at least two newspapers based in Helsinki, one of which was in Swedish.

- Recommendations 4, 8, 11 and 12:
  According to the Act on Employment Pension Companies, the members of the Board of Directors have not been elected at the general meeting of owners, but the election has been performed by the Supervisory Board applying methods stipulated by the Articles of Association. There are specific stipulations in the Act and the relevant Articles of Association concerning the composition of the Board of Directors of an employment pension company. The proposal by the Election Committee on the election of the members of the

Supervisory Board has been presented in the notice of the General Meeting. There are also specific orders in the Act and the Articles of Association concerning the composition of the Supervisory Board which have been explained in the notice of the General Meeting.

- Recommendation 10:
  According to the Articles of Association of Pension Fennia, the term of the members of the Board of Directors has been three years. The purpose of the company's operations and the statutory nature of the election procedure of the members of the Board of Directors has supported having a term longer than one year. The Chairman and Deputy Chairmen of the Board of Directors have been elected for one calendar year at a time.

- Recommendations 9, 14, 15, 26, 29 and 32:
  The number of independent members of the Board of Directors of an employment pension insurance company and its committees, and the evaluation of their independence are based on law. The composition of the Board of Directors of an employment pension insurance company and the eligibility of the members are prescribed in the law. In addition, the law sets special eligibility requirements which limit the connections of the members of the Board of Directors to other companies. Pension Fennia has been obliged to provide the Financial Supervision Authority with a report in accordance with the stipulations on the eligibility of a member of the Board of Directors (reliability and suitability) and that the requirements concerning engagements set in the law have been met. Members of the Board of Directors of Pension Fennia may have included such persons who have acted in the operational management or administration of Pension Fennia's major client companies. This has been related to the mutual company form of Pension Fennia. More detailed information on the members of the administrative bodies has been provided separately.

- Recommendations 30 and 33:
  The tasks of the Appointment and Remuneration Committee of the Board of Directors have been determined in the rules of procedure of the Board of Directors, and the tasks have not included preparation of the appointment and remuneration matters concerning the members of the Board of Directors; that task has belonged, pursuant to the law, to the company's Election Committee.

- Recommendations 16, 35, 38 and 41:
  The shareholding of a member of the Board of Directors and communities under his or her control or those of the Managing Director and the Executive Group may not have been disclosed, because a mutual employment pension insurance company does not have shares.

- Recommendation 40:
  The remuneration and fees paid for work in the Board of Directors and committees and their determination bases have not been decided on by the General Meeting, but the decision has been made, pursuant to the law, by the Supervisory Board to which the Election Committee has made a proposal on the matter.

- Recommendations 42, 44–46:
  These could not have been followed regarding share-based remuneration, because a mutual employment pension insurance company does not have shares.

- Recommendation 51:
  Pension Fennia has followed the recommendation on insiders as applicable to a mutual employment pension insurance company.

- Recommendation 55:
  The recommendation on presenting information has been followed with the above-mentioned exceptions as applicable to an employment pension insurance company.

BOARD OF DIRECTORS

Chairman:

Pekka Sairanen
Born 1957, M.Sc. (Econ. & Bus. Adm.)
Managing Director, Domus Group Ltd
Member of the SME Committee of the Confederation of Finnish Industries EK, member of the Board of the Finnish Association of Construction Product Industries RTT, Chairman of Puusepänteollisuus ry association, member of the Board of the Finnish Forest Industries Federation MT, Deputy Chairman of the Board of the Association for Finnish Work, member of the family business delegation of the Finnish Family Firms Association, member of the Board of the Economic Information Office, member of the Board of the Turku Chamber of Commerce
Member since 1 July 1998
Term expires on 31 December 2014

Deputy Chairmen:

Timo Vallittu
Born 1953, elementary school
Chairman, Industrial Union TEAM
Member of the Board of the Central Organization of Finnish Trade Unions SAK, member of the Supervisory Board of Finnvera Plc
Representative of employee organisations
Member since 1 January 2004
Term expires on 31 December 2015

Heimo J. Aho
Born 1949, B.Sc. (Econ. & Bus. Adm.)
Chairman of the Board, SKS Group Oy and subsidiaries of SKS Group
Member of the Board of Elfving Oy, member of the SME Committee of the Confederation of Finnish Industries EK, member of the Election Committee and delegation of the Confederation of Finnish Industries EK, Chairman of the consultative committee of Nordea, member of the delegation of the Finnish Family Firms Association, member of the Board of the support association of the Foundation for Economic Education, Chairman of the Linturantasäätiö foundation, member of the delegation of the Helsinki Region Chamber of Commerce, member of the delegation of the Central Chamber of Commerce, Chairman of the Helsinki School of Economics Foundation, Chairman of the Industry Council of Technology Academy Finland (TAF)
Representative of the employer organisations
Member since 31 March 2009
Term expires on 31 December 2015

Other representatives of the labour market organisations:

Heikki Kauppi
Born 1955, M.Sc. (Eng.), MBA
Director, Academic Engineers and Architects in Finland - TEK
Member of the Board of the Confederation of Unions for Academic Professionals in Finland (AKAVA), Deputy Chairman of the Board of YTN, Chairman of the AKAVA's working group on pension policies
Representative of employee organisations
Member since 1 July 1998
Term expires on 31 December 2014

Jussi Mustonen
Born 1955, Licentiate of Social Sciences
Director, Confederation of Finnish Industries EK
Member of the Information Committee on Cost and Income Developments, member of the Board of Etlatieto Oy, member of the Board of EK-Tieto Oy, member of the Board of the Taxpayers' Association of Finland
Representative of employer organisations
Member since 1 January 2012
Term expires on 31 December 2014

Antti Rinne
Born 1962, Master of Laws
Chairman, Trade Union Pro
Deputy Chairman of the Finnish Confederation of Salaried Employees (STTK), member of the Board of the STTK, member of the Labour Committee of the Board of the STTK, Chairman of the Board of the Unemployment Fund Pro, Deputy Chairman of the Council of Finnish Industrial Unions (TP), member of the Board of VVO-yhtymä Oyj
Representative of employee organisations
Member since 1 January 2006
Term expires on 31 December 2014

Jorma Turunen
Born 1956, M.Sc. (Eng.), eMBA
CEO, Federation of Finnish Technology Industries (TT)
Member of the Supervisory Board of Suomen Messut Cooperative, member of the Board of Sulava Oy, member of the Board of the Technology Industries of Finland Centennial Foundation
Representative of employer organisations
Member since 19 March 2013
Term expires on 31 December 2015

Jukka Ahtela
(until 18 March 2013)

Other members of the Board of Directors:

Eero Lehti
Born 1944, Master of Social Sciences, Doctor Honoris Causa (University of Vaasa), Member of Parliament
Chairman of the Board of Taloustutkimus Oy, Chairman of the Board of Fennia Asset Management Ltd, Chairman of the Board of Eilakaisla Oy, member of the Board of the Finnish Funding Agency for Technology and Innovation TEKES, member of the Board of Biohit Oyj, Chairman of the Board of Keravan Energia Oy, Chairman of the Board of Etelä-Suomen Energia Oy, Chairman of the Board of Research Insight Finland Oy
Member since 1 July 1998
Term expires 31 December 2015

Reija Lilja
Born 1954, Ph.D., The London School of Economics and Political Science (Economics)
Research Director, Labour Institute for Economic Research
Docent at the Department of Economics in the Aalto University School of Economics, member of the Communications Administration Advisory Board
Member since 1 January 2007
Term expired 31 December 2013

Olavi Nieminen
Born 1952, Optician
Chairman of the Board, Piiloset by Finnsusp Oy
Chairman of the Labour Market Committee of the Federation of Finnish Enterprises, member of the Board and Chairman of the Wholesale Committee of the Finnish Association of Optometry, member of the family business delegation of the Finnish Family Firms Association, member of the Advisory Committee of the ELY Centre of Southwest Finland, Chairman of the Consultative Committee of apprenticeship training in the City of Turku
Member since 1 July 1998
Term expired 31 December 2013

Deputy members:

Antti Kuljukka
Born 1961, Master of Social Sciences, eMBA
Managing Director, Fennia Mutual Insurance Company
Member of the Board of Fennia Life, member of the Board of the Federation of Finnish Financial Services, member of the delegation of the Helsinki Region Chamber of Commerce, member of the economic section of Kadettikunta association, member of the delegation of HelsinkiMissio, Chairman of the Finnish Motor Insurers' Centre, member of the Board of Jääkärisäätiö, Deputy Chairman of the delegation of the Suunnistussäätiö orienteering foundation
Member since 19 March 2013
Term expires 31 December 2015

Mikko Merivirta
Born 1963, Law Student
Chairman of the Board, Cafetering Oy
Member of the Board of the Confederation of Finnish Industries EK, member of the representation of EK, member of the committee on laws of the EK, member of the SME Committee of EK, member of the Supervisory Board of the Unemployment Insurance Fund, Chairman of the Finnish Hospitality Association MaRa
Representative of employer organisations

Member since 1 January 2013
Term expires on 31 December 2015

Daniela Yrjö-Koskinen
Born 1971, M.Sc. (Econ. & Bus. Adm.)
Managing Director, Novita Oy
Member of the Board of Novita Oy, member of the Board of TMA Tekstiili ja Muotialat ry, member of the Board of the Federation of Finnish Textile and Clothing Industries FINATEX
Member since 1 January 2013
Term expires 31 December 2015

Nikolas Elomaa (until 31 August 2013)

SUPERVISORY BOARD

Chairman:

Taisto Lehti, born 1945
Chairman of the Board
Oy Odensö Ab

Deputy Chairmen:

Jaana Ylitalo, born 1969
First Deputy Chairman
Service Union United PAM

Klaus Saarikallio, born 1955
Managing Director
Normek Oy

Representatives of employer organisations:

Tero Jussila, born 1958
CFO
Maintpartner Group Oy

Ville Laine, born 1970
Managing Director
Lojer Oy

Heikki Nikku, born 1956
Senior Vice-President
CGI Suomi Oy

Terhi Penttilä, born 1972
Managing Director
Länsilinjat Oy

Jukka Tikka, born 1953
Chairman of the Board
Länsi-Savo Oy

Pentti Virtanen, born 1964
President
FSP Finnish Steel Painting Oy

Representatives of employee organisations:

Timo Korpijärvi, born 1962
Communications Manager
The Finnish Metalworkers' Union

Håkan Nystrand, born 1955
Chairman
METO Forestry Experts' Association

Markku Palokangas, born 1957
Director of Industrial Sector
Trade Union Pro

Tuula A. Paunonen, born 1955
Chief Accountant
Länsi-Savo Oy

Pertti Porokari, born 1964
(until 22 April 2013)
Chairman
Union of Professional Engineers in Finland UIL

Katja Veirto, born 1972
Head of Unit, Social Affairs
Central Organisation of Finnish Trade Unions - SAK

Other members of the Supervisory Board:

Jussi Järventaus, born 1951
Managing Director
Federation of Finnish Enterprises

Pertti Karjalainen, born 1969
Managing Director
Attendo Finland Oy

Olavi Kaukonen, born 1956
Managing Director
A-Clinic Foundation

Pertti Kauppinen, born 1952
(22 April – 1 September 2013)
Managing Director
Espotel Oy

Tapio Kuittinen, born 1959
Managing Director
Tiger Stores Oy

Kalle Kujanpää, born 1969
CFO
Finn-Power Oy

Tauno Maksniemi, born 1959
Managing Director
RTK-Palvelu Oy

Reijo Mesimäki, born 1960
Managing Director
TNS Gallup Oy

Antti Peltonen, born 1954
Managing Director
Kolster Oy Ab

Kyösti Pöyry, born 1952
Managing Director
Paperinkeräys Oy

Pekka Rantamäki, born 1953
CEO
Teknos Group Oyj

Ansu Saarela, born 1978
CFO
Bauhaus & Co Ky

Janne Ylinen, born 1975
Managing Director
Kokkolan Halpa-Halli Oy

AUDITORS

Auditors:

Pekka Hietala
Authorised Public Accountant

Ulla Nykky
Authorised Public Accountant

Deputy Auditors:

Pasi Hirvonen
Authorised Public Accountant

Jenni Smedberg
Authorised Public Accountant

EXECUTIVE GROUP

Lasse Heiniö
Managing Director
Born 1951, Master of Science, Fellow of the Actuarial Society of Finland
Member of the Board of the Finnish Pension Alliance TELA, member of the Board of AEIP (the European Association of Paritarian Institutions)
Member of the Executive Group since 1998

Matti Carpén
Deputy Managing Director
Customer relations, Insurance policies, Pensions and Information Management
Born 1960, M.Sc. (Eng.)
Member of the Board of Tieto Esy Oy, member of the Board of Arek Oy, Chairman of the financial committee of the Academic Engineers and Architects in Finland (TEK), Chairman of the financial committee of Aalto University Student Union
Member of the Executive Group since 2004

Mika Ahonen
Director, Legal Affairs, Planning and Communications
Born 1967, Master of Laws
Member of the Executive Group since 2008

Eeva Grannenfelt
Director, Investments
Born 1958, M.Sc. (Econ. & Bus. Adm.), CEFA
Member of the Board of SEB Sijoitusrahasto Suomi Oy, member of the Board of Nanten Oy, member of the Board of AinaCom Oy, member of the Board of Aina Group Oyj, member of the Board of Foundation for Economics Students in Helsinki, member of the investment committee of the Diabetes Research Foundation, member of the invest-

ment committee of the Student Union of the University of Helsinki, member of the investment committee of the University of the Arts Helsinki
Member of the Executive Group since 2002

Irmeli Heino
Director, Finance and HR
Born 1951, M.Sc.
Member of the Executive Group since 1998

Mikko Karpoja
Director, Actuarial Services and Internal Auditing
Born 1962, Master of Social Sciences, Fellow of the Actuarial Society of Finland
Member of the Executive Group since 2007

Sarianne Kirvesmäki
Director, Independent Risk Management and Controller unit
Born 1966, B.Sc., MBA
Member of the Executive Group since 2013

Extended Executive Group, which in addition to the abovementioned includes:

Tom Kurtén
Born 1960, Certificate in Law
Director of Sales, Client Company and Partner Contacts

Kaj Laaksonen
Born 1949, M.Sc. (Eng.), BBA
Director, Major accounts and Broker Contacts
Member of the Board of HAAGA-HELIA University of Applied Sciences, member of the Board of Helmi Business & Travel College

Aaro Mutikainen
Born 1962, M.Sc. (Agr. & For.), MBA
Director of Information Management
Deputy member of the Board of Tieto Esy Oy

Timo Stenius
Born 1956, M.Sc. (Eng.)
Director, Real estate investments, Private equity funds and Corporate financing
Member of the Board of Amplus Oy, member of the Board of Probus Holding Oy, member of the Board of Exilion Oy, Chairman of the Board of Tyvene Oy, member of the Board of KTI Oy, Chairman of the Board of RAKLI ry.

Jyrki Varjonen
Born 1967, Lic.Med. Specialist in Psychiatry
Acting Medical Director, Pension Decisions

CONSULTANT PHYSICIANS

Timo Honkanen
Consultant Physician
Lic.Med., Specialist in Internal Medicine, special qualification in insurance medicine

Liisamari Krüger
Consultant Physician
Lic.Med., Specialist in Physiatry

Tapio Ropponen
Consultant Physician
Lic.Med., M.Soc.Sc., Occupational Health Physician, special qualification in insurance medicine

Jyrki Varjonen
Acting Medical Director
Lic.Med., Specialist in Psychiatry

CHIEF ACTUARY

Mikko Karpoja
Master of Social Sciences,
Fellow of the Actuarial Society of Finland

CONSULTATIVE COMMITTEES

PENSIONS ADVISORY BOARD:

Chairman
Jyrki Varjonen
Acting Medical Director
Pension Fennia

Timo Honkanen
Consultant Physician
Pension Fennia
Specialist member

Inka Douglas
Lawyer
Finnish Confederation of Salaried Employees STTK

Ralf Forsèn
Master of Laws
Academic Engineers and Architects in Finland TEK

Mika Poikolainen
Occupational Safety Secretary
The Finnish Metalworkers' Union

Mikko Räsänen
Senior Advisor
Confederation of Finnish Industries EK

Riina Simonen
Social Secretary
Wood and Allied Workers Union

Markus Äimälä
Master of Laws
Confederation of Finnish Industries EK

CONSULTATIVE COMMITTEE OF THE INSURED:

Chairman
Jukka Mandelin
Personnel Advisor
Kemppi Oy

Esa Henriksson
Bus driver
Länsilinjat Oy

Maarit Huuhka
Accountant
Laitilan Tilikiinteistö Oy

Miia Jauhiainen
Salesperson
H&M Hennes & Mauritz Oy

Jarkko Jokinen
Tester
Kemppi Oy

Juha Järvenpää
Account manager
Vattenfall Verkko Oy

Elina Kassinen
Buyer
Maintpartner Oy

Jari Kauppinen
Production technician
Hella Lighting Finland Oy

Lassi Kirjavainen
Mason
Tulikivi Oyj

Markku Manninen
Social therapist
A-Clinic Espoo

Päivi Murto-Koivisto
X-ray technician
Aava Medical Centre

Eija Mäkelä
Food industry employee
Juustoportti Food Oy

Jari Nevalainen
Expert
CGI Suomi

Jaana Niittyviita
Glazer
Tulikivi Oyj

Harri Nikulainen
Sales Manager
Libris Oy

Matti Perttula
Warehouse employee
Teknos Oy

Helena Saarinen
Pricing foreman
Libris Oy

Jari Salminen
Chemist
Teknos Oy

Kai Välitalo
Glass warehouse employee
Domus Yhtiöt Oy

CONSULTATIVE COMMITTEE OF MAJOR ACCOUNTS:

Chairman
Antti Aho
Managing Director
Aava Medical Centre

Deputy Chairman
Virpi Holmqvist (until 31 October 2013)
CFO
Attendo Finland Oy

Raimo Anjala
CFO
Teknos Group Oy

Leif Enberg
Chairman of the Board
Oy Mapromec Ab

Kimmo Fischer (until 30 April 2013)
Managing Director
Sito Oy

Tony Friis (as of 1 May 2013)
Area Manager
Dressmann Oy

Jarmo Halonen
Managing Director
Elecster Oyj

Repe Harmanen
CEO
Solteq Oyj

Marjut Haverinen (as of 1 May 2013)
CFO
Raskone Oy

Nanna Hietala
CFO
MSK Group Oy

Markku Holm
Managing Director
RTV-Yhtymä

Tauno Jalonen
Chairman of the Board
Helmi Liiketalousopisto Oy

Reijo Jokela
Managing Director
Suomen Broiler Oy

Erkki Kaijasilta
Chairman of the Board
T-Drill Oy

Jouko Karttunen
Managing Director
Tiliaktiiva Oy

Pertti Kauppinen (until 30 April 2013)
Managing Director
Espotel Oy

Kimmo Kedonpää
Managing Director
Pipelife Finland Oy

Antti Kemppi
Member of the Board
Kemppi Oy

Esko Keskinen
Director
Teknologiateollisuus ry

Kalle Kujanpää (until 30 April 2013)
CFO
Finn-Power Oy

Aarni Kuorikoski (as of 1 May 2013)
CEO
Blue Media Oy

Timo Leinonen (until 30 April 2013)
CFO
Ixonos Oyj

Kimmo Mannila (until 30 April 2013)
Country Manager
Dressmann Oy

Juha Martikainen
Managing Director
Teknikum Oy

Ulla Matsi-Koistinen
Member of the Board
Taloustutkimus Oy

Reijo Mesimäki (until 30 April 2013)
Managing Director
TNS-Gallup Oy

Martti Paunu
Managing Director
Väinö Paunu Oy

Antti Peltonen (until 30 April 2013)
CEO
Oy Kolster Ab

Heikki Pesu
CEO
Are Oy

Markus Pikka (as of 1 May 2013)
Managing Director
Proffice Finland Oy

Aki Puska
Deputy Managing Director
Rinta-Joupin Autoliike Oy

Sampo Päällysaho
Managing Director
Clas Ohlson Oy

Antti Rantalainen
Chairman of the Board
Rantalainen Oy IA International

Juha Rostedt
Managing Director
Canncolor Oy

Ansu Saarela (until 30 April 2013)
CFO
Bauhaus Oy

Merja Saurus (as of 1 November 2013)
CFO
Attendo Finland Oy

Pentti J. Siikarla
Managing Director
Yrittäjien Oikeussuoja Oy

Antero Sirkka (as of 1 May 2013)
Managing Director
Kiitokori Oy

Kaj Ström
Chairman of the Board
Oy Motoral Ab

Kimmo Suupohja
Managing Director
Hella Lighting Finland Oy

Seppo Suuriniemi
Chairman of the Board
Lojer Oy

Mikael Swanljung
hallituksen puheenjohtaja
Picnic Finland Oy

Matti Toivanen (as of 1 May 2013)
Managing Director
Oy Kuehne + Nagel Ltd

Esko Torssonen (until 30 April 2013)
Managing Director
Suomen Kiitoautot Oy

Visa Vainiola (until 30 April 2013)
Managing Director
Proffice Finland Oy

Heikki Vauhkonen
CEO
Tulikivi Oyj

Göran Weber
Managing Director
Selecta Oy

Ari Viinikkala (as of 1 May 2013)
CEO
Vaahto Group PLC Oyj

Olli Vilppunen
Managing Director
LSK Electrics Oy

Pension Fennia and LocalTapiola Mutual Pension Insurance Company have joined forces to form a new employment pension company. As of the start of 2014, we will jointly be known as the Elo Mutual Pension Insurance Company.
www.elo.fi