

elo 

2014

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# ELO IN BRIEF

**ELO MUTUAL PENSION INSURANCE COMPANY** is a customer-owned employment pension company that manages the statutory employment pension security for the employees in its client companies as well as for self-employed persons. We support the growth of our customers and believe that a healthy work community is a prerequisite for corporate growth.

We are a young company, but we have far-reaching traditions: we were established on 1 January 2014 through the merger of Pension Fennia and Local-Tapiola Pension. Elo is Finland's third largest earnings-related pension company and the largest insurer of self-employed persons. We are responsible for the future pensions of approximately 500,000 employees and self-employed persons, we provide current pensions for about 217,000 pension recipients, and we manage investment assets totalling nearly 20 billion euro.

Insured employees

**398,000**

Investment assets

**19.6** billion euro

Self-employed persons insured under YEL

**87,400**

Pension recipients

**217,000**

## SUMMARY OF KEY FIGURES

	2014	PRO FORMA 2013
<b>Company size</b>		
Premiums written, EUR million	3,022.9	2,929.0
Pensions and benefits paid to pensioners, EUR million	2,731.9	2,572.9
Pensions and other benefits paid, EUR million *)	3,057.0	2,910.4
Technical provisions, EUR million	17,078.6	16,203.5
Equalisation provision, EUR million	463.0	475.3
Investment assets at fair value, EUR million	19,615.8	18,595.5
TyEL payroll, EUR million	11,025.9	11,035.9
YEL earned income sum, EUR million	1,937.1	1,923.8
Number of TyEL policyholders	46,100	48,000
Number of TyEL insured	398,000	396,000
Number of YEL policyholders	87,400	89,400
Number of pensioners	217,000	214,000
Number of personnel (on average)	448	432
<b>Result</b>		
Loading profit, EUR million	31.8	28.1
Operating expenses as % of loading component	74.3%	77.5%
Solvency capital, EUR million	4,084.0	3,790.1
% of technical provisions	25.8%	25.1%
excl. equalisation provision	22.9%	22.0%
ratio to solvency limit	2.1	
excl. equalisation provision	1.9	
Net return on invested capital, %	6.2%	7.1%

\*) Claims paid in the profit and loss account excluding administrative costs of claims handling and working capacity maintenance activities.

For the year 2013, the figures reported are pro forma figures, the combined figures of Pension Fennia and LocalTapiola Pension.

# CREATED FOR THE CUSTOMER



Elo began operations at the start of 2014 when Pension Fennia was merged with LocalTapiola Pension. The name we chose for the new company ('elo' means life) encapsulates what we feel is most important at Elo: work, permanence, pension security and entrepreneurial activity. In line with the company's name, we are part of our customers' daily lives in their working careers and continuing in retirement. Elo is Finland's third largest employment pension company, managing the pension provision arrangements for almost 400,000 insured employees and nearly 90,000 self-employed persons, and paying pensions to approximately 217,000 pension recipients a month. We are also responsible for about EUR 20 billion in investment assets.

Elo was created through a merger that, in the context of the Finnish pension industry, was remarkable in both its scale and conception. It has also required a considerable amount of work to execute. These efforts have undoubtedly proven their worth, however. The merger was and is an excellent solution for our customers, and this was demonstrated right at the start, in the preparatory stage prior to the merger.

Elo's predecessor companies were among the most efficient in the employment pension industry. Now that their resources have been pooled, we are able to offer a more comprehensive range of services and, after completion of the transitional stage, we will also be able to offer more competitive premium discounts. The merger also boosts the effi-

ciency and reliability of the employment pension system, which will benefit the whole of Finnish society.

Elo's first year of operation was very successful overall. The new company's operations began according to plan, and – most importantly – we were able to serve our customers without disruption amidst all the changes taking place.

## **LONG-TERM RESPONSIBILITY FOR PENSION ASSETS**

We succeeded in our investment operations in 2014. The overall return on investments was 6.2 per cent. This is a good achievement given the challenging operating environment. Uncertainty on the investment markets increased substantially, especially in the latter part of the year. Overall growth in the global economy in 2014 fell short of expectations. The performance of the Finnish economy was particularly concerning, with negative growth for the third successive year.

The key goal in our investment operations is to achieve a good return in the long run, allowing us to meet our responsibility for financing future pensions. Our five-year real return was 3.4 per cent, and the ten-year real return was 3.2 per cent.

Elo's solvency in 2014 was at a secure level.

## **SUPPORTING CUSTOMERS' COMPETITIVENESS**

Elo's first year involved a considerable amount of work to integrate and build up the new company's operations in all areas. We also established the work-

ing procedures needed for our partnership with Fen-  
nia, LocalTapiola and Turva. With this comprehensive  
partner network in place we can serve our customers  
locally throughout Finland.

At Elo we aim to strengthen our customers' com-  
petitiveness by focusing on areas that support this,  
namely corporate financing and workplace wellbe-  
ing services. We developed our financing services  
during the year, particularly for small and medium-  
sized companies, which have experienced problems  
obtaining finance due to the tougher solvency rules  
of the banks. The loan product that we devised for  
small and medium-sized companies is a new alterna-  
tive for their financing needs.

Through close cooperation with our customers  
we have also improved our workplace wellbeing  
services. The aim is to establish new ways of  
improving the wellbeing of employees in our client  
companies and to reduce cases of incapacity for  
work.

As Finland's largest pension insurer for self-  
employed persons we aim to serve the social secu-  
rity needs of self-employed persons and to oversee  
their position. In the autumn we undertook a survey  
to assess the wellbeing of self-employed persons  
and the factors contributing to successful entrepre-  
neurial activity. The results revealed positive devel-  
opments but also a number of challenges – younger  
self-employed people in particular felt it difficult to  
reconcile work and non-work activities. At Elo we aim  
to encourage entrepreneurial activity and we feel it is  
important to find solutions to the challenges experi-  
enced by the self-employed. With this in mind we aim  
to make good use of the survey results in developing  
our services for self-employed persons.

### **PENSION REFORM LOOKS TO THE FUTURE**

The Finnish population is ageing and we are, on  
average, living longer. As society changes, our pen-  
sion system must also keep pace in order that pen-  
sion provision will be sufficient for future generations  
too.

**At Elo  
we aim to strengthen  
our customers'  
competitiveness by  
focusing on corporate  
financing and  
workplace wellbeing  
services.**

Pension reform has been the subject of negoti-  
ations involving the central labour market organisa-  
tions, and in the autumn these organisations reached  
agreement on proposals for changes in employment  
pension provision. The goals set for these chang-  
es, which are due to come into effect at the start of  
2017, are that people should remain in employment  
for longer and that the sustainability gap in public  
finances should be reduced.

The main changes proposed concern the age lim-  
its and accruals for the old-age pension. The solution  
negotiated encourages people to remain in employ-  
ment for longer, but it also incorporates arrange-  
ments that allow reduced working through a partial  
early old-age pension, and, in cases of exception-  
ally demanding work, allows individuals to retire early  
through a new career pension.

We firmly believe that these jointly agreed ar-  
rangements are well formulated and will enable the  
goals to be reached. It is especially pleasing that the

agreed package removes the pressure to raise pen-  
sion payments for years to come. The success of the  
pension reform will, of course, rely on there being suf-  
ficient employment available in Finland, and requires  
that Finns can maintain their working capacity and a  
desire to remain in employment.

Elo and the other employment pension companies  
are being informed and consulted during the drafting  
process for the new pension reform legislation. The  
pension reform will, in the next few years, require a  
considerable amount of work and financial input from  
Elo but also from the other parties in the pension pro-  
vision system. However, the reform of Finland's pen-  
sion provision system to incorporate these changes  
will definitely be a job worth doing!

### **TOWARDS THE NEW**

The current year, 2015, is again a time for establish-  
ing new systems at Elo. The major IT system changes  
following the merger are still ongoing this year. For  
our customers these changes will be evident in the  
form of a faster and better service.

The outlook for growth in the world economy in  
2015 indicates a slightly better year than 2014. The  
positive influence of the US economy – the strong-  
est performer among the world's economic regions  
– will be of great importance globally. Unfortunately,  
the outlook for the Finnish economy in 2015 is very  
subdued, and this will be reflected in our investment  
operations and in our customers' business.

The past year was my last full year as Managing  
Director. During my career I have seen many new be-  
ginnings and pension reforms, but I am especially  
pleased to have been involved in building Elo, this  
splendid new employment pension company.

I would like to thank all our customers, partners,  
personnel and other Elo stakeholders for their efforts  
in 2014. May the year ahead be a good one.

**Lasse Heiniö**  
Managing Director

# BOARD OF DIRECTORS' REPORT

Elo Mutual Pension Insurance Company was established on 1 January 2014, when Mutual Insurance Company Pension Fennia was merged with LocalTapiola Mutual Pension Insurance Company. The earlier years' figures used for comparison purposes in Elo's financial statements are the figures for LocalTapiola Mutual Pension Insurance Company.

## **ELO'S FIRST YEAR**

The year 2014 was a busy one for Elo. The launch of Elo's operations at the start of January proceeded well and accorded with the integration plan. The company's strategy and its objectives for 2014 were formulated by the Board of Directors during 2013 and approved at the first Board meeting of 2014, in January. The operation of pension payments, customer service, investment asset valuation and reporting, economic monitoring and the ICT environment and networks proceeded as planned, right from the start of the year.

The personnel transferred to the newly created Elo and its new offices, and in part also to new duties, while retaining the terms of their existing employment contracts. During 2014 Elo's insurance and pension services were still using the separate information systems of the predecessor companies, but the changes and implementation projects required for combining the insurance and pension systems are well under way.

A marketing campaign to boost awareness of Elo was carried out in the early part of 2014, and at the same time new partnership models were built with LocalTapiola, Fennia and Turva.

Created as the result of an integration process of considerable significance for Finland's employment pen-

sion industry and the entire financial sector, the new employment pension company Elo has got off to a great start, and the level of customer service has been maintained well despite the numerous changes made.

In establishing the operating culture at Elo, the aim has been to benefit from the strengths of each of the predecessor companies in parallel with creating a new way of working. Elo's first year has shown that joining forces in the interests of both customers and society at large can stimulate competition in the sector and give rise to a new kind of service culture for the employment pension industry via the nationwide service network provided by Elo and its partners.

## **ECONOMIC OPERATING ENVIRONMENT**

Growth in the global economy in 2014, at under 4 per cent, was significantly short of the original expectations. Lower than expected growth was experienced by Japan, among the OECD nations, and by Russia and Brazil, among the emerging economies, with all three seeing only a very low level of growth. Growth in the economy of the United States, too, was lacklustre in the early part of the year. However, US growth accelerated towards the end of the year, bringing the full-year growth figure to about 2.5 per cent. In the euro area, even given that expectations were already low, the actual growth was something of a disappointment, at less than one per cent. Particularly concerning was that Finland's total output was down for the third successive year. Growth in the country's economy is still fundamentally dependent on exports, and these have barely seen any growth in the last few years.

Underlying the poor performance of the global economy are a number of wide-ranging causes with an enduring impact. These include the problems for employment caused by globalisation and the technology-related structural transformation process, and the restraining effect on consumer demand due to the combination of very low nominal growth and over-indebtedness. Although the United States would appear to have moved on from the financial crisis to a relatively normal economic growth track, the state of the economy everywhere else still looks fragile. In 2014, the investment markets were again supported by the active role of the central banks.

## **FURTHER DEVELOPMENT OF FINLAND'S EMPLOYMENT PENSION SYSTEM**

Finns are living longer on average, and life expectancy is expected to continue rising. With this in mind, the labour market organisations undertook to negotiate a solution aimed at developing the country's system of pension provision so as to raise the average effective age of retirement to 62.4 by 2025 and ensure sufficient pensions and financing for them. The goals set for the pension reform were that people should remain in employment for longer and that the sustainability gap in public finances should be reduced.

The central labour market organisations involved in negotiating the content of the pension reform reached agreement on the proposals for reform of employment pension provision on 26 September 2014. Among the employees' central organisations, the Akava trade union confederation decided to remain outside the agreement. The main changes proposed concern the age limits and accruals for the old-age pension. Under the proposals,

two new pensions will be introduced: the career pension and the partial early old-age pension. Part-time pension will be discontinued, although those already receiving it will continue to do so. The pension reform also applies to self-employed persons.

The achievement of a solution demonstrated that the tripartite system adopted in employment pension scheme negotiations in Finland does enable agreements to be reached on important reforms. It will be possible to achieve the main goals set for the pension reform and at the same time to remove the forthcoming pressure to increase pension contributions. The solution reached is considered fair and just, because Finns are living longer and in better health. The lengthening lifespan acknowledged in the reform is split between work and retirement. The solution negotiated encourages people to remain in employment for longer, but it also incorporates arrangements that allow reduced working through the partial early old-age pension, and, in cases of exceptionally demanding work, allows individuals to retire early through the new career pension. The pension reform also includes changes in the financing regulations for authorised pension providers. For instance the proportion of liabilities that may be tied to equity investments will be raised to 20 per cent. The amount of equity assets among investments in the system will double as a consequence of this.

The details of the pension reform will become clearer as the legislation is drafted, and this is due to enter into force at the start of 2017. Elo and the other employment pension companies are being informed and consulted during the legislative drafting process, and the company is participating in the employment pension industry's various working groups that will promote and implement the pension reform. The pension reform will mean a considerable amount of work and financial input for Elo but also for the other parties in the pension provision system. The biggest costs concern changes in

information systems, personnel training and customer communications. In autumn 2014, Elo established a separate project for coordinating the pension reform. The focus during the first phase of the project is on communications and preparations to put the new legislation into effect. The aim is that Elo will be able to implement the pension reform efficiently and explain the changes clearly to customers.

In autumn 2014, it was also decided that the governance provisions applying to authorised pension providers should be brought up to date. An Act amending the Pension Insurance Companies Act came into force at the start of 2015. The aim of the amendments is to increase transparency and openness in the employment pension system and to reinforce confidence in the system. The amendments include provisions on employment pension company insiders, on the public register of securities that are held by insiders and on the official principles applying to ownership policy. In addition, the amendments also incorporate disqualification provisions concerning employment pension company board members and managing directors, provisions on significant business activities involving company management members and their related parties and the disclosure of these, and provisions on remuneration systems.

Furthermore, there is an act before Parliament which will fully revise the calculation of the solvency requirement for employment pension companies. Under this proposed statute the solvency calculation would take more detailed and comprehensive account of all the investment risks and insurance risks that are significant to the operations of authorised pension providers. The new solvency requirement is intended to be introduced at the start of 2017.

## RESULT AND SOLVENCY

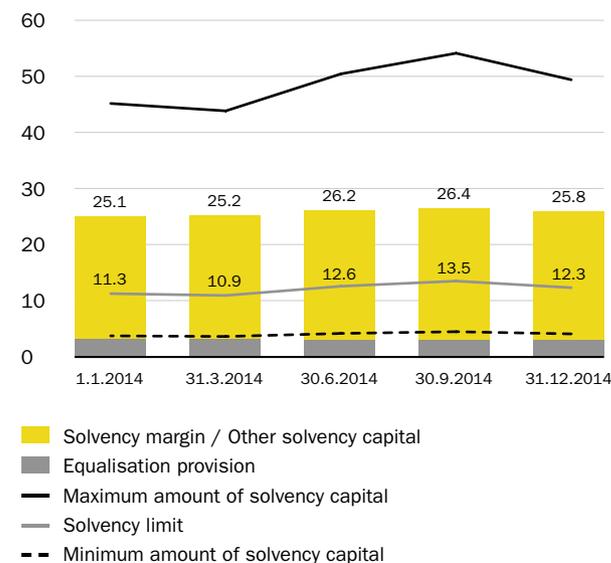
The amount of solvency capital grew during the year by EUR 293.9 million, reaching a total of EUR 4,084.0 mil-

lion by the year's end. Excluding the equalisation provision, the solvency capital was EUR 3,620.9 million. At the end of 2014, the ratio of solvency capital to the technical provisions used in the calculation of solvency was 25.8 per cent, up 0.7 percentage points since Elo commenced operations. The corresponding ratio without the equalisation provision was 22.9 per cent. Solvency capital exceeded the solvency limit by a factor of 2.1 at the end of the year. The minimum solvency capital was EUR 649.7 million. The solvency capital used in the client bonus calculation is before the equalisation provision and before transfer to the provision for current bonuses.

### SOLVENCY 2014

#### Solvency ratio and its limits

% of technical provisions



Net investment income at current value, including other interest items in the profit and loss account, amounted to EUR 1,163.8 million. The return credited in technical provisions for the same period was EUR 821.8 million, of which technical provisions linked to equity income accounted for EUR 150.7 million. The loading profit came to EUR 31.8 million. The insurance business surplus was EUR -11.3 million. Elo's combined total result at current value was EUR 362.5 million.

Based on the solvency capital and loading profit, a total of EUR 56.4 million was allocated to client bonuses at the end of the year. This represents 0.51 per cent of the policyholder payroll.

The technical provisions coverage satisfies the provisions of the Act on the Calculation of the Pension Provider's Solvency Limit and the Covering of the Technical Provisions, and the regulations set by the Financial Supervisory Authority, and it also takes into account the constraints set out in legislation in regard to assets acceptable for technical provisions coverage. Recorded cover totalled EUR 20,050 million, or 17.3 per cent above the technical provisions to be covered.

## INSURANCE BUSINESS

In 2014, the premiums written by Elo for insurance under the Employees' Pensions Act (TyEL insurance) totalled EUR 2,600.0 million, and the TyEL policyholders' payroll amounted to EUR 11,025.9 million. The premiums written for insurance under the Self-Employed Persons' Pensions Act (YEL insurance) was EUR 420.7 million, and the YEL confirmed income was EUR 1,937.1 million. EUR 21.0 million was entered as credit losses on insurance premiums in 2014.

Elo is the market leader both in TyEL and YEL pension insurance in Finland in terms of the number of policies. At the end of 2014, Elo administered 46,103 TyEL and 87,350 YEL insurance policies.

The total number of self-employed persons and employees insured by Elo at the end of the year was 485,429, or almost half a million.

Policyholders are free to transfer their pension cover to another pension insurance company if they wish, and may do so up to four times a year (only after waiting one year since the most recent transfer). As a proportion of annual premiums written, these transfers account for about 3.8 per cent in the case of TyEL insurance and 5.5 per cent in the case of YEL insurance. The balance of the insurance policy transfers to and from Elo during the year was a slight net loss.

As with its predecessor companies, Elo has developed its electronic services, and the uptake of these has been growing, which is encouraging. This policy management system, jointly selected for Elo and introduced in 2013, enables the processes of granting and administering policies to be performed more quickly and improves the quality of customer service. The proportion of customers' annual statements sent electronically in 2014 was more than 90 per cent, and more than 70 per cent of TyEL and YEL insurance applications were received electronically.

Following the merger, the creation in 2014 of a new operating culture and common rules and practices for Elo's insurance services required a systematic, project-based approach to developing the company's operations and considerable commitment from the personnel in regard to achieving the common goals.

During the year, insurance policies continued to be managed using the separate information systems of the predecessor companies. Under the integration plan, however, the company will change over to common TyEL and YEL insurance management systems after spring 2015, once the calculation of final premiums and technical provisions has been completed.

## PENSION SERVICES

One of the key tasks when launching Elo's operations was to secure the continuity of service for pension recipients of both predecessor companies. Elo's first pensions were paid accurately and promptly to all customers. Payment of pensions during the company's first year of operation proceeded smoothly and without disruptions.

Each month, approximately 217,000 pension payments are made by Elo, amounting to a monthly total of about EUR 227.7 million. Elo's total pension and claims expenditure in 2014 was EUR 2,731.9 million. EUR 2,194.6 million was paid in old-age pensions and EUR 329.4 million in disability pensions.

Pensions paid		
Type of pension	No.	EUR mill.
Old-age pension	160,663	2,195
Disability pension	25,558	329
Survivors' pension	29,259	187
Part-time pension	1,963	21
<b>Total</b>	<b>217,443</b>	<b>2,732</b>

Pension processing and pension decisions were also handled quickly and to a high standard. The number of pension decisions issued in 2014 was 26,000. This was consistent with the number of pension decisions made by the predecessor companies in 2013. Despite the merger process and the additional work it involved, Elo was already able to exceed, by a significant margin, the industry average for the speed of processing pension and rehabilitation applications during its first year of operation. On average, decisions were issued to pension applicants in 2014 about 7 days – or 15 per cent – faster than the average in the private sector employment pension industry.

## Processing period (in days) for all pension types, Jan–Dec 2014

Type of pension	Decisions issued, no.	Elo	Average	Comparison with industry average
Disability pension	10,754	45	57	-12
Vocational rehabilitation	1,739	27	32	-5
Part-time pension	417	46	57	-11
Old-age pension	8,200	45	49	-4
Survivors' pension	1,965	19	19	0

The feedback received from customers about the pension services was extremely positive. More than 80 per cent of the respondents to Elo's customer satisfaction survey rated the service as very good. Besides quick service, very favourable feedback was also given for the attitude and expertise of the personnel. The majority of inquiries about pension applications are still received over the phone. The speed of the phone service was very high, and about 95 per cent of calls were answered in less than five seconds.

Elo also offers a wide range of easy-to-use electronic services for the insured and for pension recipients, and the use of these services is growing all the time. Particularly popular with customers are the electronic services for obtaining pension estimates, ordering pension certificates and applying for old-age pensions. It is also possible to obtain personal pension records electronically.

Preserving a high standard in pension services has been a key strategic choice in the integration plan. The introduction of a new pensions processing system is in its final stages, and its completion will mean that pension services too can be transferred to a single system. This will require considerable work during 2015, because at the same time Elo is also preparing for the introduction of the pension reform at the start of 2017.

The demand for workplace wellbeing services among Elo's customers was high. In 2014, Elo began setting

up workplace wellbeing projects with about 155 companies. The feedback received from customers was very good, almost without exception.

## TECHNICAL PROVISIONS

At the end of 2014, Elo's technical provisions totalled EUR 17,078.6 million. The technical provisions included approximately EUR 2,226.4 million accrued from employee contributions.

### Technical provisions

EUR mill.	31.12.2014
<b>Premium reserve</b>	
Future pension	8,211.8
Provision for current bonuses	56.6
Provision for future bonuses	756.1
Provision for bonuses linked to equity income	527.8
	9,552.3
<b>Provision for claims outstanding</b>	
Pensions begun and clearing reserve	7,063.3
Equalisation provision	463.0
	7,526.3
<b>Total</b>	<b>17,078.6</b>

The provision for claims outstanding also includes the equalisation provision, which stood at EUR 463.0 million at the end of the year. The basic benefit accounted for EUR 452.6 million of this. The equalisation provision was sufficient. The insurance business surplus for 2014 was negative overall. The bonuses to be paid to TyEL policyholders have been reserved in the provision for current bonuses.

On 31 December 2014, the pension system's average equity income for transfer to technical provisions was about 9.62 per cent, and the provision linked to equity income was approximately EUR 527.8 million.

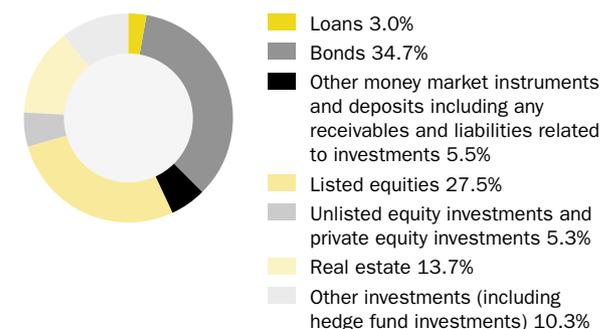
The required return, amounting to a total of EUR 821.8 million, has been credited in technical provisions. Net investment income was EUR 342.0 million greater than the required return, and there was an increase in the level of euro-denominated solvency capital.

## INVESTMENT OPERATIONS

In 2014, Elo's investment operations focused strongly on starting up the new investment organisation and taking charge of the combined investment assets from the merger, highlighting the company's solvency. Although the performance of the global economy fell short of expectations, the returns on Elo's investments grew favourably and consistently in all asset classes throughout the year in what was a challenging operating environment. In some of the asset classes the results obtained were excellent. The overall return on investments rose to 6.2 per cent.

The fixed-income portfolio was adjusted in the early months to bring it into line with Elo's investment strategy. Key areas of activity during the year included diversifying government bonds to include regions outside the euro

### INVESTMENT DISTRIBUTION 31.12.2014



area and preparing for an increase in interest rates. The return on corporate bonds was again good in 2014, and these bonds performed well in Europe, in particular. This was attributable in part to investors' growing confidence in the actions of the European Central Bank, and to the improved economic circumstances of countries in southern Europe. In the second half of the year, the geopolitical tensions and plunging oil prices added to uncertainty and reduced the returns on higher risk corporate bonds. The return on fixed-income investments in 2014, at 3.8 per cent, was good in relation to expectations and the historically low level of interest rates.

Elo also adjusted and improved its equity portfolio to match the company's equity strategy. An exceptional amount of trading was undertaken during the first quarter of the year, and Elo divested certain holdings from its equity and fund portfolios in order to concentrate these overly diversified portfolios. Starting in the spring, investments were increased in the US and emerging markets. European equity investments were correspondingly reduced. The year proved to be challenging for active portfolio management based on company selection, and so the proportion of index investments was increased among equity investments. The best returns among equity investments were from those made in the United States and in emerging Asian economies. The return on equity investments rose to a good level, 9.8 per cent. The return on listed equities was 8.0 per cent.

From the very start of the year, the focus in hedge fund investments was on asset managers and investment strategies of key importance to Elo's own investment strategy, without neglecting the need for efficient diversification. A good return of 7.2 per cent for the full year was achieved with Elo's hedge fund investment strategy.

In private equity fund investments the combining and management of the fund portfolios proceeded successfully. The portfolio was expanded in accordance with the

targets set, and investment decisions were made for ten funds in total. The return on the portfolio rose to a record high of 18.9 per cent. This high return was due to the funds' successful buying and selling decisions and the positive performance of companies owned by the funds. The portfolio return was also partly attributable to the weakening of the euro against other major currencies.

Corporate financing was developed actively during 2014. Elo's corporate financing resources were significantly reinforced with the merger, as this brought together the financing functions of the two predecessor companies. Elo offers companies both equity and debt financing. Cooperation with the LocalTapiola and Fennia distribution channels for Elo's corporate financing was organised and begun right at the start of the year. Network cooperation was also developed with various finance providers and private equity investors. In Elo's corporate financing, the focus was especially on financing services offered to different customer segments. A new debt instrument was developed for small and medium-sized companies, and the product development work for this and its launch were carried out in collaboration with Finnvera. The loans returned 3.1 per cent, and investments in unlisted companies returned 26.0 per cent.

Elo's real estate investments had a busy year. Procedures and processes were developed and a record number of leases were signed or renewed for commercial and office facilities. A considerable number of construction projects were in progress and a lot of real estate investments were sold too. The rental market for business premises was challenging. The difficulties of tenants were evident in the low occupancy rate of offices in particular, and in the drop in rents for commercial premises especially in areas other than the Helsinki region or Tampere. As a consequence, the current value of Elo's real estate fell slightly, affecting the return on direct real

estate investments, which was 4.7 per cent. International indirect real estate investments gave a healthy return. The best returns were obtained in the rapidly improved property markets of the United Kingdom and the United States.

The currency risk concerning Elo's foreign currency denominated investments was actively managed throughout the year. The considerable strengthening of the US dollar was used to good effect, boosting Elo's investment income.

## **RISK MANAGEMENT AND RISK MONITORING**

The first year of Elo's operations was particularly successful in terms of risk management. The significant risks for 2014 that were identified in advance were the potential failure of the new organisation, the new operating models or the ICT system modifications. However, in the event, Elo's operations were begun very successfully overall.

The solvency risks for an employment pension company are to a great extent associated with the result of investment operations. At the start of the year, Elo's Board of Directors approved an investment plan for the company that specified the general goals for sufficiency, diversification and liquidity in regard to investments and the principles for managing solvency. Elo's solvency management model became fully established during the year. It incorporates roles for the Board of Directors and the management, and for the investment, reporting and monitoring functions. Elo's analysis tools were also developed further. Solvency is reviewed regularly in a number of ways: using official solvency risk figures, using the risk figures based on the company's own models, and using scenario and stress tests. Elo's solvency improved during 2014 as a result of the good level of investment income. No significant changes occurred in the overall risk of investments or in the risk structure of the investment portfolio. Equity risk grew a little dur-

ing the year, although equity and credit-risk investments were reduced slightly in the last quarter. The overall risk at the end of the year was unchanged from that at the start of the year.

With careful pre-planning and with the risk management procedures followed in the merger, the establishment of the new company proceeded in all areas without any notable disruptions to services or operations. In managing the numerous ICT projects in such a major integration process, it was essential that project management of individual projects was systematic and that the company's project portfolio was managed successfully. For the personnel, the process of merging the two companies meant a considerable amount of work and stress. However, there was no significant increase in sickness absences and the results of the personnel survey indicate that employee satisfaction increased during the course of the year.

The company's risk management practices were built up during the year. The Board of Directors approved the company's risk management policy and plan at the first meeting of the Elo Board of Directors in January 2014. In June, a status report on risks and risk management was presented to the Board and the Audit Committee. The company's risk management is arranged on the basis of the Solvency II regulatory framework for the insurance industry, under three different levels ('lines of defence'), in which reporting and oversight are carried out by monitoring functions that are independent of the business units. Elo's governance system also includes three regularly convening risk management working groups: the risk management coordination group, the solvency and investment risk management coordination group and the security group. The company's continuity plans were confirmed at the end of 2014.

Elo's risk management is described in more detail in the appendix entitled "Risk management at Elo", attached to this report.

## **TOTAL OPERATING EXPENSES**

Total operating expenses for 2014 amounted to EUR 128.3 million. Operating expenses covered by the expense loading totalled EUR 92.2 million, and operating expenses covered by investment income came to EUR 22.4 million. Operating expenses of EUR 4.6 million related to working capacity maintenance were paid from the disability loading of the premium. Total operating expenses included EUR 9.1 million in statutory charges, which are covered by a separate share of the premium.

Personnel costs accounted for 30.4 per cent of the total operating expenses. The expense loading totalled EUR 122.5 million for the full year. The loading profit was EUR 31.8 million. Elo used 74.3 per cent of the premium expense loading for operating expenses.

## **PERSONNEL AND REMUNERATION**

At the end of 2014, Elo employed a total of 501 people, of whom 90 per cent were employed on a permanent basis and 10 per cent on a fixed-term basis. The average age of the employees was about 44. Women accounted for 69 per cent of the employees and men for 31 per cent. The educational background of the company's employees is diverse due to the range of different jobs.

The aim of the human resources work in Elo's first year of operation was primarily to ensure the wellbeing of employees during the integration process taking place. The work input of Elo's personnel is the most critical factor determining the successful achievement of the company's strategic goals. Elo's personnel strategy was created as a collaborative exercise involving supervisors, the HR department and senior management. The main focus areas in the personnel strategy were professional competence, strong leadership, motivated employees and proactive HR planning.

## **Professional competence**

The aim is to ensure that the business competence of the personnel is wide-ranging and of a high standard. We aim to have the best expertise in the industry and to perform our work so well that customers do not hesitate to recommend us. During the company's first year of operation, the focus was on ensuring a broad range of expertise by assembling appropriate job descriptions, making sure these are sufficiently diverse and by rotating tasks. To enhance professional skills, attention was given to enabling internal mobility of employees and to sharing of skills through on-the-job learning. Skills development during the first year of operation was secured through personal performance appraisals and personal and unit-based development plans.

## **Strong leadership**

The aim for management and supervisory work was that it should be effective and fair at all times. The integration of two companies presented particular challenges in terms of managing the changes taking place. Supervisors were supported through various training sessions and HR partnering.

The supervisor training included a tailored course for Elo supervisors, consisting of 8 sessions.

## **Motivated personnel**

It was important to establish a new corporate culture to ensure that the benefits of the merger can be realised in the manner intended. Elo's corporate culture is based on three cornerstones: Elo's business is my business, Openness and trust, and Customer and partner orientation. These are intended to guide operations and act as a solid basis for the new corporate culture.

Job satisfaction among employees was surveyed twice during the first year of operation. Measured using the PeoplePower index, overall satisfaction increased during the year, thanks to all the development work car-

ried out. At the end of the year the index was at about the same level as that for the reference group, which comprises employees in specialist roles in Finland.

Cooperation between Elo and its occupational healthcare provider was developed during the year to support the wellbeing of employees amid the changes taking place at the company. The occupational healthcare provider began meeting supervisors, and during the year it conducted 17 occupational health meetings on various matters, including challenging cases concerning working capacity of employees. In addition, the occupational healthcare provider was actively involved in the Occupational Safety and Health Committee. Teleworking was used widely in the various units in order to increase efficiency and support employee wellbeing.

The work of the fire and emergencies team was launched in the spring with training in fire safety and fire extinguishing. The fire and emergencies team is made up of 35 employees. Building evacuation training for the entire personnel was organised on a unit and team basis.

### **Proactive HR planning**

The aim of HR planning is to ensure that the composition and number of personnel and their skills meet the needs of the strategy. The resource needs were met primarily through the company's internal arrangements. Employees were also encouraged to make use of the opportunities for internal transfers and to pursue further cooperation between units. In cases of retirement, attention was also given to ensuring the transfer of expertise and reorganising of tasks.

The resource situation varied from one unit to the other during the year, with most units experiencing pressure on resources, mainly due to the projects in progress for building the new company. The projects will continue to commit personnel resources in the next few years.

### **Remuneration at Elo**

Elo's Board of Directors confirmed the company's remuneration policy at the start of the year. The aim of remuneration is to facilitate achievement of the company's strategic goals. Remuneration systems are used to enhance the cost-effectiveness of work and the skills and commitment of the personnel. In accordance with the company's remuneration policy, a Hay job evaluation system for specialist duties was assembled for Elo.

The forms of monetary remuneration at Elo over and above basic salaries are the performance bonus system defined on a uniform basis for the different personnel groups, and the separate 'one-off' bonuses.

Elo's performance bonus system covers all employees of the company who are not part of a separate remuneration system. The performance bonus comprises two parts: the company's achievement of its targets (50% of the bonus) and the achievement of targets set for processes (50% of the bonus). The maximum performance bonus is equivalent to 10 per cent of annual salary.

Management remuneration is based on Elo's strategic goals and elements contributing to its financial performance. For every management member there are confirmed weightings for particular goals that have been set, and these weightings indicate the relative importance of the different goals. The maximum bonus varies according to the area of responsibility but is between 4 and 10 months' pay.

The performance bonus system goals for the investment management members and the investment unit are the strategic goals for investment together with asset class-specific or team-specific goals and personal goals. In 2015, the maximum performance bonus is between 2 and 10 months' pay, depending on the area of responsibility. Due to the risk-taking involved in investment allocation, the amount of the bonus in investment operations is limited.

The performance bonus system goals for independent risk control and reporting are derived from the company-specific goals set by the Board, the development goals for risk management and personal goals. The remuneration system's goals and indicators are independent of the financial result of the entity being monitored. The maximum performance bonus varies by area of responsibility but is between 2 and 4 months' pay.

In sales, the bonuses given under the performance bonus system are determined on the basis of the extent to which regional and personal sales targets are achieved.

Elo's remuneration statement gives more detailed information on the remuneration system at Elo and the criteria involved. The latest version of the document can be browsed on Elo's website at [www.elo.fi](http://www.elo.fi).

### **CORPORATE GOVERNANCE**

The composition of the governing bodies of Elo was confirmed in the merger framework agreement approved in March 2013 by the Board of Directors of LocalTapiola Mutual Pension Insurance Company and the Board of Directors of Mutual Insurance Company Pension Fennia.

Elo's Board of Directors comprises representatives of the social partners and representatives of the customers and stakeholders of both predecessor companies. The Board of Directors comprises 16 ordinary members and 4 deputy members. In 2014, Harri Miettinen was chairman of the Board, and Ann Selin and Pekka Sairanen were deputy chairmen. The Board's Appointment and Remuneration Committee comprised Harri Miettinen, Ann Selin and Pekka Sairanen. The Board's Audit Committee members were Jari Karlson, Heikki Kauppi and Jussi Mustonen.

The company's Supervisory Board was formed by combining the supervisory boards of the two merging companies. The members of Elo's Supervisory Board are elected by the Annual General Meeting. In 2014, the

Supervisory Board had 56 members and was chaired by Klaus Saarikallio, with Håkan Nystrand and Ilkka Brotherus as deputy chairmen.

The Supervisory Board's Election Committee members in 2014 were Klaus Saarikallio, Jouko Vehmas and Ilkka Brotherus, who were nominated by policyholders, and Jaana Ylitalo, Håkan Nystrand and Mika Varjonen, who were nominated by the insured. Klaus Saarikallio was chairman of the Election Committee, and Håkan Nystrand was deputy chairman.

In accordance with the framework agreement, Lasse Heiniö took up his duties as Elo Managing Director, and Satu Huber her duties as Deputy Managing Director, on 1 January 2014. On 8 January 2014, the Board of Directors appointed the members of the company's Executive Group and other management. In addition to Heiniö and Huber, the Executive Group in 2014 comprised Keijo Kouvonon (Insurance Policies and Pensions), Matti Carpén (Customer Relations and Customer Channels, ICT), Hanna Hiidenpalo (Investments), Mika Ahonen (Legal Affairs, Planning and Communications, Compliance), Mikko Karpoja (Actuarial Services, Appointed Actuary), Erja Ketko (Risk and Business Control) and Sarianne Kirvesmäki (Finance and Investment Risk Supervision).

On 23 April 2014, Elo's Annual General Meeting elected Olli Vormisto, Markku Holm and Vesa Aallosvirta as new members of the Supervisory Board. Among those members whose term was due to expire, the following were re-elected: Antti Hakala, Maria Hanho, Kaarlo Julkunen, Tero Jussila, Pekka Kampman, Ismo Kokko, Tapio Kuittinen, Kalle Kujanpää, Reijo Mesimäki, Timo Mäki-Ullakko, Terhi Penttilä, Kimmo Simberg, Keijo Tarnanen, Hannu Tarsaranta, Jouko Vehmas and Katja Veirto.

On 18 November 2014, Elo's Supervisory Board elected Jorma Malinen to replace Antti Rinne, and Antti Neimala to replace Timo Lindholm. Elected as deputy members to the Board of Directors were Antti Aho,

replacing Mikko Merivirta, and Katja Veirto, replacing Janne Metsämäki, with effect from 1 January 2015.

The Annual General Meeting appointed the firm of authorised public accountants Ernst & Young Oy as Elo's auditor, with Ulla Nykky, APA, as the auditor with principal responsibility.

On 10 November 2014, the Financial Supervisory Authority issued a supervisory letter concerning the operations of Elo's predecessor company LocalTapiola Mutual Pension Insurance Company, in which it drew attention to procedures found in the operations of that company which require action to remedy. The criticisms focused mainly on deficiencies in complying with the principles of reliable governance. In its letter, the Financial Supervisory Authority also invited the chairman of Elo's Board of Directors and the company's Managing Director to a meeting to go through the principles of reliable governance. The meeting took place in December. In addition to the meeting, the letter also required that Elo's Board of Directors supply the Financial Supervisory Authority by 31 December 2014 with an explanation of the concrete measures taken by the Board as a result of the contents of the letter. Elo's Board of Directors submitted its reply within the stated period. The Board is taking the measures required by the Financial Supervisory Authority, and these have been planned and timetabled. In its subsequent reply, the Financial Supervisory Authority declared that the information provided was sufficient.

Elo will issue a separate corporate governance statement in connection with the publication of its financial statements and the Board of Directors' report.

### **ELO'S CAPITAL AND RESERVES AND SURPLUS**

On 31 December 2014, Elo's capital and reserves consisted of restricted capital and reserves that included an initial fund of EUR 6,693,879.47, and nonrestricted

capital and reserves that included a contingency fund of EUR 60,760,058.84, a contingency reserve of EUR 29,091,990.32, and retained earnings amounting to EUR 1,841,728.24. Elo has no guarantee capital.

The surplus for the financial year totalled EUR 2,940,027.32.

The Board of Directors proposes that the financial year surplus of EUR 2,940,027.32 be transferred to the contingency fund.

### **ELO GROUP**

Elo is a mutual insurance company whose voting right at Annual General Meetings is exercised by policyholders and the insured.

At the end of 2014, the Elo Group included the parent company, subsidiaries Elkes Oy (100% ownership) and Tapra Ky (100% ownership), and 115 housing and real estate corporations, all subsidiaries of Elo. Elkes Oy and Tapra Ky have no operating activities. The Elo Group also included the affiliated group Probus Holding Ltd, in which Elo held 70.5 per cent of the shares and votes. Elo's holdings in its associate companies were as follows: 40.0 per cent of the shares and votes in Tyvene Oy, 49.1 per cent of the shares and votes in Avara Oy, 49.1 per cent of the shares and votes in Amblus Holding Oy, 33.3 per cent of the shares and votes in Vakuutusneuvonta Aura Oy, 33.3 per cent of the shares and votes in Vakuutusneuvonta Pohja Oy, 25.0 per cent of the shares and votes in Suomen Metsäsijoitus Oy, 49.0 per cent of the shares and votes in Exilion Capital Oy, 33.33 per cent of the shares and votes in Glasnost Oy, 50 per cent of the shares and votes in Kampintorni Oy and 50 per cent of the shares and votes in Pohjayhtymä Oy.

### **FUTURE OUTLOOK**

The outlook for growth in the world economy in 2015 indicates a slightly better year than 2014. The positive

influence of the US economy – the strongest performer among the world’s economic regions – will be of great importance globally. US economic policy, particularly a major monetary policy stimulus, should be well suited for supporting growth. The dramatic fall in oil prices after last summer, by over 50 per cent, has been a major contributor to accelerating growth in the global economy. However, the growth impact of the huge oil price changes has differed greatly between oil producing and oil importing countries. Other factors pushing growth in these economies in dissimilar directions are in evidence too, especially in the euro area and also among emerging economies. This divergence is also evident in the differences of economic policy and large fluctuations in foreign currency markets.

The most significant risks for economic growth are the structural problems present in many emerging economies and China’s attempts to adjust its growth model. The expected tightening of monetary policy in the United States may also slow growth in the emerging economies, because the availability and terms of financing for them often follow developments in the US financial markets. In Japan, growth appears to be very fragile again and is reliant on monetary policy stimulus measures. The euro area’s internal structural problems also present a risk and the active role of the European Central Bank will

be essential for economic growth in Europe in the short term. At the start of 2015, expectations of growth in the global economy are in the region of about 3 percentage points. The outlook for the Finnish economy in 2015 is unfortunately very subdued, even weaker perhaps than the average for the euro area.

The investment outlook for 2015 is reasonably good as growth prospects for the euro area pick up. For most of the global economy, however, growth is dependent on economic policies and is susceptible to disturbance factors. The uncertainty on the investment markets and the volatility associated with this are expected to worsen further.

Euro area interest rates have sunk to a historically low level. The value of investments carrying a greater corporate risk is high in historical terms, though they are exposed to market corrections, for example if there is a change in the outlook for growth or inflation. The prevailing interest rate level and expectations of changes in that level together form the basis for pricing of all asset classes. The longer term return expectations for the investment markets in recent years seem modest compared with actual returns.

Elo’s operations began very smoothly right from the very start. The company was able to focus simultaneously on customer service and developing its opera-

tions, while also firmly proceeding with its system projects in the integration process. During 2015, the policy management systems will be combined, which will raise the level of automation in operations and make the service more efficient. The retirement allowance management system will be renewed at the end of 2015 and into 2016, after which all the projects important for integration will have been completed. Once the integration of the insurance and pension systems is complete, it will no longer be necessary to maintain separate systems. This will allow significant cost benefits and will guarantee a uniform service model for policyholders, the insured and pension applicants.

The Elo Board of Directors would like to thank the company’s personnel and management for all their good work during 2014.

# ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Accounting Act and Decree, the Limited Liability Companies Act, the Pension Insurance Companies Act and the Insurance Companies Act. The financial statements comply with the Ministry of Social Affairs and Health decree on the financial statements and consolidated financial statements of insurance companies, the calculation bases adopted by the Ministry of Social Affairs and Health and the regulations and guidelines issued by the Ministry of Social Affairs and Health and the Financial Supervisory Authority.

The accounting practices have been harmonised in accordance with Elo's procedures.

## CONSOLIDATED FINANCIAL STATEMENTS

Elo's consolidated financial statements include the subsidiaries in which the Group's share of votes is more than 50 per cent. In 2014, Elkes Oy, Tapra Ky, 115 housing and real estate corporations (names given in the notes) and the Probus Holding Ltd group were consolidated with the Elo Group as subsidiaries.

The consolidated financial statements have been prepared in accordance with the accounting principles observed by the parent company as combinations of the parent company's and the subsidiaries' profit and loss accounts and balance sheets. Intra-group income and expenses, profit distribution, receivables, liabilities and cross-holdings have been eliminated. Subsidiaries acquired during the financial year are consolidated as of their time of acquisition, and divested subsidiaries are consolidated until their time of sale.

Minority interests in the financial result and in the capital and reserves have been reported as separate items.

Intra-group cross-holdings have been eliminated using the acquisition method. The resulting consolidation difference has been allocated to the subsidiaries' assets within the limits allowed by their current values. The consolidation difference is depreciated in accordance with the planned depreciation of the related asset. Revaluations of group shares in earlier financial years are reported in the consolidated balance sheet as revaluations of real estate owned by the subsidiary.

Associate companies, that is, companies in which the Group holds 20 to 50 per cent of the votes, have been consolidated in the consolidated financial statements using the equity method. The housing and real estate corporations that are associate companies have not been included in the consolidated financial statements because their impact on the consolidated result and nonrestricted capital and reserves is minor. Also, Garantia Insurance Company Ltd has not been included in Elo's consolidated financial statements because Elo's holding in it was temporary. Elo held 22.9 per cent of Garantia's shares and votes. A binding offer to buy Garantia was made in December 2014 and the deal will be completed in 2015.

Copies of the consolidated financial statements are available at Revontulentie 7, Espoo.

## PREMIUM INCOME

TyEL (Employees' Pensions Act) premium income is determined by the total TyEL payroll and the contribution percentage. The provisional premium based on the

payroll estimate and collected during the financial year has been adjusted in the financial statements using the adjustment premium estimate. The premium income for the financial year also includes the difference between the estimated and actual adjustment payments for the previous year.

The YEL premium income is determined according to self-employed persons' confirmed income and contribution percentage.

Calculation-based premium income has been converted to accrual-based premium income.

## CLAIMS INCURRED

Claims incurred consist of pensions paid to pension recipients, rehabilitation costs, clearing of PAYG pensions, operating expenses from working capacity maintenance and claims handling, and the change in the provision for claims outstanding.

## BOOK VALUE OF INVESTMENTS

### Real estate investments

Buildings and structures are reported in the balance sheet at the lower of acquisition cost less planned depreciation and current value.

The value adjustments and readjustments made on real estate are entered in the profit and loss account. Value readjustments with effect on profit have been made on divested real estate before entering capital gains. No revaluations were made on the book values of real estate in the 2014 financial year.

## Shares and holdings

Shares and holdings have been entered in the balance sheet at the lower of acquisition cost and current value. The amount corresponding to the increase in value from value readjustment of shares and holdings carried out in previous years has been entered in the profit and loss account at acquisition cost. Shares and holdings have been recorded using the average price principle.

## Financial market instruments

Financial market instruments include bonds and money market instruments. The balance sheet value of financial market instruments is their acquisition cost, calculated using the average price. The acquisition cost is adjusted by the amortized difference between the nominal value and the acquisition value. The difference between the nominal value and the acquisition value is amortized as a decrease or increase in interest income over the maturity of the financial market instrument. The amount of matching entries included under acquisition cost is presented in the notes to the balance sheet.

Value adjustments due to changes in interest rates and other temporary value adjustments have not been entered. Value adjustments due to other reasons have been entered.

## Loans, other receivables and deposits

Loans, other receivables and deposits have been valued at the lower of their nominal value and probable value.

## Derivative contracts

Elo uses derivatives to reduce investment risk and for hedging, increasing market risk and enhancing the efficiency of investment operations.

Profit and loss from the termination or expiration of contracts during the financial year have been entered under income or expenses for the year.

**Hedging calculation** is applied only to derivative contracts that meet the requirements set in the guidelines of the Financial Supervisory Authority. Derivative contracts to which hedge calculation has been applied have been valued together with the hedged item. Derivative contracts made for hedging purposes are valued together with the hedged balance sheet item. If no change in value is entered on the hedged balance sheet item, no entry is made on the hedging contract under profit and loss unless its negative value change exceeds the positive value change of the hedged balance sheet item. If a readjustment is entered on the hedged item, the entire value change of the derivative used is entered as an expense.

The unrealised loss from derivative contracts made for purposes other than hedging is entered as an expense in the profit and loss account in its entirety. Unrealised profits are not entered under income.

## PREMIUM RECEIVABLES

**Premium receivables** consist of the adjustment premium estimate and overdue insurance premiums unpaid at the close of the financial year. Overdue insurance premiums that have been deemed disqualified for payment or that are receivables from companies that have been declared bankrupt are entered as credit losses. In addition, reduced receivables from confirmed business restructuring have also been entered under credit losses. Credit losses have been entered on major business restructuring that is incomplete at the turn of the year on the basis of appraisal.

Credit losses on YEL premium receivables are primarily entered due to expiration.

Premium receivables are entered in the balance sheet at the lower of their nominal value and their probable value.

## DEPRECIATION AND CALCULATION PRINCIPLES – GENERAL

The acquisition cost of depreciable assets has been capitalised and is entered as depreciation according to plan under expenses during its useful economic life. Revaluations on depreciable assets entered as income have also been depreciated according to plan.

Software licences presented as intangible rights, and other long-term costs associated with software system projects have been capitalised and entered as depreciation according to plan under expenses during their useful economic life.

**Straight-line depreciation** is carried out on the original acquisition cost according to the following useful economic lives:

• Residential, office and commercial premises	50 yrs
• Industrial property and warehouses	40 yrs
• Hotels	50 yrs
• Intangible rights	5 yrs
• Motor vehicles	5 yrs
• Computer hardware	3 yrs
• Furniture	10 yrs
• Office machines	3 yrs
• Other long-term expenses	3–10 yrs

Depreciation of the original acquisition cost is calculated using reducing balance depreciation:

• Technical equipment in buildings, machinery and equipment	20%
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## CURRENT VALUE OF INVESTMENTS

### Real estate investments

The values of direct real estate investments have been assessed in their entirety by an independent authorised property valuator, with the exception of new buildings completed in 2014 and a site that is undergoing modernisation. The evaluations of all real estate

investments have been made on the valuation date 31 December 2014.

Business premises have been valued using the income approach and applying a 10-year cash flow method. Properties undergoing modernisation and new buildings have been valued using the cost value method. Plots and associated project plans have been valued together, taking into account the value of building rights and work in progress capitalised in bookkeeping. Residential properties (owned directly by the parent or subsidiary) have been valued both on a cash-flow basis using the income approach and the comparable sales method, taking overall value adjustment into account so that the market value is determined as an average of the values derived from these methods. The market value of a residential property may not exceed the market value determined using the comparable sales method.

### **Shares and holdings**

The trade quotation used as the current value of listed shares and such securities for which there is an existing market is the closing rate determined by the closing auction of the equity in question. If a share is not traded in the closing auction, the closing rate is the last actual trade quotation.

The current value of non-listed shares and holdings is the probable transfer price, acquisition price or net asset value.

Fixed asset shares have been valued in the balance sheet at their acquisition cost as this is considered to correspond to their current value.

In the case of equity and fixed income funds, quotations are primarily based on the value of the fund unit indicated by the fund management company in a public price monitoring system.

In the case of private equity funds, the acquisition cost or the current value estimate of the fund indicated

by the fund management company has been used as the current value.

The current value used for hedge funds is the market value based on the fund valuation received from the fund's custodian.

### **Financial market instruments**

The current value of financial market instruments – bonds and money market instruments – is based primarily on market prices. If no market price is available or if the current value of the investment cannot be reliably determined, valuations issued by external parties are used or the current value is calculated using commonly accepted models for calculating market prices or the amortized acquisition price is used as the current value.

### **Derivative contracts**

The current value of derivative contracts is primarily the closing rate based on the closing auction or the latest price quotation. The current values of derivative contracts, liabilities and collateral received and given on derivative trades are presented in the notes.

When calculating the gross margin, solvency capital and solvency requirement, foreign currency derivatives have been considered as derivatives decreasing investment risk.

### **FOREIGN-CURRENCY DENOMINATED RECEIVABLES AND DEBT**

Foreign-currency denominated receivables and debt have been converted into euros at the exchange rate quoted by the European Central Bank on the closing date.

For other investments, the lower of the acquisition date exchange rate and the closing date exchange rate has been used, adjusted by the change in the market price of the security. Where the closing date value is

lower than the original acquisition price, a value readjustment has been made.

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

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

### **OPERATING EXPENSES AND DEPRECIATION BY OPERATION**

The company's operating expenses have been allocated in accordance with the regulations of the Financial Supervisory Authority as indicated in the notes. Depreciation of equipment and long-term costs are included in the profit and loss account of the relevant operation. Claims administration and working capacity maintenance expenses have been included under claims paid in the profit and loss account. Investment management expenses and planned depreciation expenses from buildings have been included in investment management expenses. Expenses from acquiring, processing and managing insurance have been presented as operating expenses. Statutory charges have been included in administrative expenses.

### **DIRECT TAXES**

Direct taxes from the financial year and previous financial years have been entered in the profit and loss account on an accrual basis.

### **PROVISIONS AND TAX LIABILITIES**

Deferred tax liabilities have not been presented on valuation differences of investments, which are presented in the notes. Revaluations entered as income are taxable income. In the consolidated financial statements, accrued depreciation difference and voluntary provisions have been divided into change in deferred tax liabilities

and result for the financial year, and into deferred tax liabilities and capital and reserves.

## **OTHER LIABILITIES**

Other liabilities than technical provisions are entered at nominal value in the balance sheet.

## **PENSION ARRANGEMENTS**

Statutory pension provision for personnel has been arranged through TyEL insurance. Supplementary pension provision has been provided to some members of personnel. Generally, the annual pension accrual from the supplementary provision is 0.2 per cent of the annual income used as the basis for the TyEL pension. The supplementary pension is available to all employees who are eligible for the supplementary cover after five years of service. Employees of the Elo Mutual Pension Insurance Company (previously LocalTapiola Mutual Pension Insurance Company) whose employment relationship started before 1 January 2013 are eligible for the supplementary pension. The supplementary pension is accrued over the entire time of service. For some of the employees transferred from Pension Fennia in the merger, the supplementary pension benefit has been provided through a supplementary TEL pension insurance and some of the investment directors have been provided a supplementary pension benefit through a voluntary pension arrangement. The Managing Director has been entitled to retire at the age of 60 on the basis of the supplementary pension arrangement in accordance with TEL or another corresponding supplementary pension system. Pension premiums paid have been entered on an accrual basis.

## **TECHNICAL PROVISIONS**

Liability resulting from insurance contracts has been entered as technical provisions. Technical provisions are calculated in accordance with calculation principles

approved by the Ministry of Social Affairs and Health. Technical provisions comprise the premium reserve and the provision for claims outstanding.

The premium reserve comprises the provision for future pensions, provision for current bonuses, which includes the amount reserved for bonuses granted to policyholders, and the provision for future bonuses, which is included in the solvency capital. The premium reserve also includes a provision linked to equity income, the amount of which depends on the average return of pension providers' equity investments.

The provision for claims outstanding comprises the provision for current pensions, the clearing reserve and the equalisation provision, which is included in the solvency capital.

When calculating the technical provisions for solvency, the provision for future bonuses and the premium reserve under the Self-Employed Persons' Pensions Act have been deducted from liabilities.

The change in premium reserve has been presented in the profit and loss account in such a way that the premium reserve on 31 December 2013 of Pension Fennia, which was merged into Elo, has been entered under contribution from merger and the difference between the premium reserves of Elo on 31 December 2014 and LocalTapiola Mutual Pension Insurance Company on 31 December 2013 has been entered under the item change in premium reserve after merger. Hence the change in premium reserve corresponds to the increase in Elo's reserve in 2014 and the share from Pension Fennia is entered directly into the balance sheet. The provision for claims outstanding has been presented similarly. Corresponding terms are also used in the performance analysis under the key indicators.

## **SOLVENCY CAPITAL**

The **solvency capital** is the amount by which the company's assets at current value exceed its liabilities. The

equalisation provision included in the solvency capital acts as a buffer against changes in the insurance business and the rest is intended for covering risk. The solvency capital less the equalisation provision comprises the company's capital and reserves, the difference between the current and the book values of its assets, the provision for future bonuses included in its technical provisions and any depreciation difference less intangible assets in the balance sheet.

## **PROFIT FOR THE YEAR**

Elo's profit for the financial year is determined in accordance with calculation principles sought by Elo and approved in advance by the Ministry of Social Affairs and Health.

## **KEY INDICATORS AND ANALYSIS**

The key performance indicators and analyses have been calculated and presented in accordance with the Financial Supervisory Authority's regulations on notes to the financial statements.

The definitions and calculation methods of the most important indicators are presented in the notes in the Guide to key figures.

## **POSSIBLE CORRECTION RELATED TO YEL DIVISION OF COSTS**

The procedure based on the accounting policy used to determine the estimated receivable/debt for the division of YEL costs in the financial statements had to be changed during the preparation of the financial statements. The procedure in question was used in one of the predecessor companies for many years. It has not been possible in these financial statements to assess errors arising in previous years. The total premium income for the year is required in order to assess the receivable/debt for the division of costs. The procedure concerned the calculation of the total premium income.

# PROFIT AND LOSS ACCOUNT

EUR 1,000	Parent company 2014	Parent company 2013	Group 2014	Group 2013
<b>Technical account</b>				
Premiums written	3,022,886	1,602,705	3,022,886	1,602,705
Investment income	2,024,887	1,312,637	2,090,757	1,296,269
Claims incurred				
Claims paid	-3,084,357	-1,611,912	-3,084,357	-1,611,912
Change in provision for claims outstanding		-217,453		-217,453
Merger	3,204,239		3,204,239	
Change in provision for claims outstanding after merger	-3,544,810		-3,544,810	
Change in premium reserve		-174,677		-174,677
Merger	3,763,004		3,763,004	
Change in premium reserve after merger	-4,297,569		-4,297,569	
Operating expenses	-78,512	-43,419	-78,512	-43,420
Investment management expenses	-1,002,669	-861,742	-1,037,687	-845,871
<b>Balance on technical account</b>	7,098	6,139	37,952	5,641
<b>Non-technical account</b>				
Other income	952	92	592	92
Other expenses	-17	-328	-17	-328
Share of the profit/loss of associate companies			2,057	107
Accumulated appropriations				
Change in depreciation difference	-327	0		
Income taxes				
Taxes from this and earlier financial years	-4,768	-3,275	-10,322	-3,275
Deferred tax			-2,945	-170
Profit (loss) from ordinary activities			27,318	2,068
Minority interest as a part of the profit for the financial year			-9,354	69
<b>Profit for the financial year</b>	2,940	2,628	17,964	2,137

# BALANCE SHEET

EUR 1,000	Parent company 2014	Parent company 2013	Group 2014	Group 2013
<b>ASSETS</b>				
<b>Intangible assets</b>				
Intangible rights	11,807	1,446	11,870	3,566
Other long-term expenditure	16,092	10,104	16,092	11,550
	27,899	11,550	27,962	15,116
<b>Investments</b>				
Real estate investments				
Real estate and shares in real estate	757,235	373,077	1,543,957	821,378
Loans to Group companies	825,150	391,314	70,805	
	1,582,385	764,392	1,614,763	821,378
Investments in Group companies and participating interests				
Shares and holdings in Group companies	17	17		
Shares and holdings in participating interests	11,571	4,065	20,883	4,183
	11,588	4,082	20,883	4,183
Other investments				
Shares and holdings	8,600,917	4,301,612	8,606,439	4,306,219
Debt securities	5,461,176	3,414,016	5,461,176	3,414,016
Loans guaranteed by mortgages	130,709	124,727	130,709	79,727
Other loans	416,281	295,086	416,281	295,086
Other investments			2,109	
	14,609,083	8,135,441	14,616,714	8,095,048
	16,203,056	8,903,915	16,252,359	8,920,608
<b>Debtors</b>				
Arising out of direct insurance operations				
Policyholders	180,092	62,520	180,092	62,520
Other debtors				
Other debtors			402,714	108,087
Deferred tax assets	414,139	108,009	3,580	1,252
	594,231	170,529	586,386	171,859
<b>Other assets</b>				
Tangible assets				
Machinery and equipment	4,833	2,740	4,833	2,740
Other tangible assets	387	97	387	97
	5,220	2,837	5,220	2,837
Cash at bank and in hand	493,535	192,598	527,778	210,866
	498,755	195,434	532,998	213,703
<b>Prepayments and accrued income</b>				
Accrued interest and rent	80,702	59,398	80,263	59,687
Other prepayments and accrued income	39,235	29,663	42,267	29,830
	119,938	89,061	122,530	89,516
<b>Total assets</b>	17,443,880	9,370,489	17,522,235	9,410,803

# BALANCE SHEET

EUR 1,000	Parent company 2014	Parent company 2013	Group 2014	Group 2013
<b>LIABILITIES</b>				
<b>Capital and reserves</b>				
Initial fund	6,694	1,648	6,694	1,648
Construction fund			86	
Redemption reserve			233	
Revaluation reserve			185	101
Other reserves	89,852	57,622	90,168	57,711
Profit brought forward	1,842		-27,141	-11,936
Profit for the financial year	2,940	2,628	17,964	2,137
	101,328	61,899	88,188	49,660
<b>Minority interest</b>			70,119	12,401
<b>Accumulated appropriations</b>				
Depreciation difference	617	0		
<b>Group reserve</b>			1,322	1,782
<b>Technical provisions</b>				
Premium reserve	9,552,291	5,254,722	9,552,291	5,254,722
Provision for claims outstanding	7,526,311	3,981,501	7,526,311	3,981,501
	17,078,602	9,236,223	17,078,602	9,236,223
<b>Mandatory provisions</b>	9	9	6,586	9
<b>Creditors</b>				
Arising out of direct insurance operations	12,211	3,444	12,211	3,444
Deferred tax liabilities			6,023	927
Other creditors	131,630	60,321	131,580	97,116
	143,842	63,766	149,814	101,488
<b>Accruals and deferred income</b>	119,483	8,593	127,605	9,240
<b>Total liabilities</b>	17,443,880	9,370,489	17,522,235	9,410,803

# CASH FLOW STATEMENT

EUR 1,000	Parent company 2014	Parent company 2013	Group 2014	Group 2013
<b>Cash flow from operations</b>				
Profit (loss) from ordinary activities before extraordinary items	7,098	6,139	37,952	5,113
Adjustments				
Changes in technical provisions	7,842,379	392,130	7,842,379	392,130
Merger	-6,967,243		-6,967,243	
Value adjustments and revaluation of investments	121,591	16,307	152,351	16,223
Depreciation according to plan	5,949	3,110	5,949	21,432
Sales gains and losses	-968,069	-126,566	-968,071	-126,566
Cash flow before change in working capital	41,705	291,119	103,317	308,332
Change in working capital:				
Change in non-interest-bearing short-term receivables	-454,579	53,323	-445,275	54,855
Merger	299,117		247,241	
Change in non-interest-bearing short-term debts	190,966	-18,930	168,173	-18,738
Merger	-54,182		-72,230	
Cash flow from operations before financial items and taxes	23,027	325,513	1,226	344,449
Direct taxes paid	-4,768	-3,275	-10,322	-3,275
Cash flow from other business items	936	-235	575	
Cash flow from operations	19,195	322,002	-8,521	341,174
<b>Cash flow from investing activities</b>				
Investments in assets and capital gains	-6,452,663	-354,013	-6,497,583	-368,433
Merger	6,535,487		6,609,613	
Investments in tangible and intangible assets as well as other assets and capital gains	-24,682	-7,450	-21,178	-8,299
Merger	4,216		4,280	
Cash flow from investing activities	62,358	-361,462	95,131	-376,732
<b>Cash flow from financing activities</b>				
Reduction in capital and reserves	-127		-127	
Interest on and repayments of guarantee capital		-854		-10
Cash flow from financing activities	-127	-854	-127	-10
<b>Change in cash and cash equivalents</b>	81,427	-40,314	86,484	-35,568
<b>Cash and cash equivalents at the start of the year</b>	192,598	232,912	210,866	246,434
Merger proportion	219,511		230,428	
<b>Cash and cash equivalents at the end of the year</b>	493,535	192,598	527,778	210,866

# NOTES TO THE PROFIT AND LOSS ACCOUNT

EUR 1,000	Parent company 2014	Parent company 2013	Group 2014	Group 2013
<b>PREMIUMS WRITTEN</b>				
Direct insurance				
TyEL pension insurance				
Employer's contribution	1,951,430	1,049,511	1,951,430	1,049,511
Employee's contribution	648,598	329,951	648,598	329,951
	2,600,027	1,379,462	2,600,027	1,379,462
TEL supplementary pension insurance	2,159	1,067	2,159	1,067
YEL minimum coverage insurance	420,699	222,176	420,699	222,176
Premiums written	3,022,886	1,602,705	3,022,886	1,602,705
Items deducted from premiums written				
Credit losses on insurance premiums				
TyEL / TEL supplementary insurance	16,537	10,434	16,537	10,434
YEL	4,451	2,331	4,451	2,331
	20,988	12,765	20,988	12,765
<b>CLAIMS PAID</b>				
Direct insurance				
Paid to pensioners				
TyEL basic insurance	2,353,662	1,296,738	2,353,662	1,296,738
TEL supplementary pension insurance	31,338	15,956	31,338	15,956
YEL minimum coverage insurance	345,170	176,663	345,170	176,663
YEL supplementary pension cover	1,739	1,046	1,739	1,046
	2,731,909	1,490,403	2,731,909	1,490,403
Paid/refunded clearing of PAYG pensions				
TyEL pensions	391,069	136,903	391,069	136,903
YEL pensions (*)	83,382	44,301	83,382	44,301
Share of the Unemployment Insurance Fund insurance contribution and division of the costs of pension components accrued on the basis of unsalaried periods	-119,378	-57,611	-119,378	-57,611
Government contribution of YEL	-29,678	-15,351	-29,678	-15,351
Government 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)	-335	-144	-335	-144
	325,060	108,097	325,060	108,097
	3,056,969	1,598,499	3,056,969	1,598,499
Claims administration costs	22,756	11,315	22,756	11,315
Working capacity maintenance expenses	4,632	2,098	4,632	2,098
Total claims paid	3,084,357	1,611,912	3,084,357	1,611,912

(\*) Includes an estimate of the YEL pay-as-you-go (PAYG) pensions. The final amount pay-as-you-go (PAYG) pensions may be adjusted due to corrections.

EUR 1,000	Parent company 2014	Parent company 2013	Group 2014	Group 2013
<b>NET INVESTMENT INCOME</b>				
<b>Investment income</b>				
Income from investments in Group companies				
Dividend income	601	75	-1,343	-180
Income from real estate investments				
Interest income				
From Group companies	26,212	24,456		
Others	222	431	5,423	177
Other income				
Others	160,601	87,717	250,469	95,598
	187,635	112,679	254,548	95,595
Income from other investments				
Dividend income	190,795	95,083	187,712	95,084
Interest income	157,817	212,554	160,723	212,812
Other income	297,956	42,453	297,089	42,453
	646,568	350,091	645,524	350,349
Total	834,203	462,770	900,072	445,944
Value readjustments	99,865	87,463	99,865	87,921
Gains on realisation	1,090,819	762,404	1,090,821	762,404
Total	2,024,887	1,312,637	2,090,757	1,296,269
<b>Investment expenses</b>				
Costs from real estate investments	-98,606	-81,368	-71,368	-46,042
Costs from other investments	-540,743	-39,424	-572,659	-50,915
Interest costs and expenses from other liabilities	-19,114	0		
From Group companies				
Others	0	-464	-19,115	-464
	-658,464	-121,256	-663,141	-97,421
Value adjustments and depreciation				
Value adjustments	-219,024	-103,770	-221,036	-104,493
Planned depreciation on buildings	-2,432	-878	-30,760	-17,433
	-221,456	-104,648	-251,796	-121,927
Losses on realisation	-122,749	-635,838	-122,749	-635,838
Total	-1,002,669	-861,742	-1,037,687	-855,185
<b>Net investment income before revaluations and their adjustments</b>	1,022,217	450,895	1,053,071	441,084
<b>Net investment income in the profit and loss account</b>	1,022,217	450,895	1,053,071	441,084

EUR 1,000	Parent company 2014	Parent company 2013	Group 2014	Group 2013
<b>PROFIT AND LOSS ACCOUNT ITEM OPERATING EXPENSES</b>				
Insurance policy acquisition costs				
Direct insurance remunerations	7,714	707	7,714	707
Other insurance policy acquisition costs	11,408	12,248	11,408	12,248
	19,122	12,955	19,122	12,955
Insurance management costs	35,416	16,858	35,416	16,858
Administration costs				
Statutory charges				
The Finnish Centre for Pensions' share of costs	7,940	3,851	7,940	3,851
Judicial administration charge	757	401	757	401
Supervisory fee of the Financial Supervisory Authority	373	187	373	187
	9,069	4,439	9,069	4,439
Other administration costs	14,905	9,168	14,905	9,169
Total	78,512	43,419	78,512	43,420
<b>TOTAL OPERATING EXPENSES BY OPERATION</b>				
Claims paid				
Expenses related to claims administration	22,756	11,315	22,756	11,315
Working capacity maintenance expenses	4,632	2,098	4,632	2,098
	27,388	13,413	27,388	13,413
Operating expenses	78,512	43,419	78,512	43,420
Investment expenses				
Costs from real estate investments	5,490	2,052	5,546	3,590
Costs from other investments	16,914	9,314	16,914	9,314
	22,404	11,366	22,460	12,904
Other expenses	17	328	17	328
Total	128,321	68,525	128,377	70,065

EUR 1,000	Parent company 2014	Parent company 2013	Group 2014	Group 2013
<b>NOTES CONCERNING PERSONNEL AND MEMBERS OF CORPORATE BODIES</b>				
<b>Personnel expenses</b>				
Salaries and bonuses	30,912	12,021	30,969	12,021
Pension expenses	5,632	2,679	5,632	2,679
Other social security expenses	1,748	623	1,748	623
Total	38,293	15,324	38,349	15,324
<b>Salaries and bonuses of the management</b>				
Managing Director and Deputy Managing Director	1,182	685	1,182	685
Board members and deputy Board members	547	167	581	167
Supervisory Board	103	45	103	45
Total	1,832	897	1,866	897

The salary and bonuses paid to Managing Director Lasse Heiniö totalled EUR 454,654.62. The Managing Director has been entitled to retire at the age of 60 on the basis of the supplementary pension arrangement in accordance with TEL or another corresponding system.

No pension commitments, money loans or guarantees have been given to members of the Supervisory Board and the Board of Directors.

**Average number of personnel during the financial year**

Office personnel	413	183	413	183
Sales personnel	26	-	26	-
Real estate personnel	8	-	8	-

**Fees paid to the auditors**

Fees paid to Ernst & Young Oy				
Audit	186		250	
Tax consultation	54		55	
Other services	122		131	
Fees paid to PricewaterhouseCoopers Oy				
Audit	29	80	29	80
Tax consultation	20	45	20	45
Other services		19		19

# NOTES TO THE BALANCE SHEET

EUR 1,000	Remaining acquisition cost 2014	Book value 2014	Current value 2014	Remaining acquisition cost 2013	Book value 2013	Current value 2013
<b>INVESTMENTS AT CURRENT VALUE AND VALUATION DIFFERENCES, PARENT COMPANY</b>						
Real estate investments						
Real estate	56,494	56,494	73,203	6,032	6,032	6,900
Real estate shares in Group companies	519,611	533,343	938,023	263,837	264,677	455,879
Other real estate shares	164,539	167,398	349,030	102,369	102,369	120,736
Loan receivables from Group companies	825,150	825,150	825,150	391,314	391,314	391,314
Investments in Group companies						
Shares and holdings	17	17	17	17	17	17
Investments in participating interests						
Shares and holdings	11,571	11,571	22,379	4,065	4,065	4,065
Other investments						
Shares and holdings	8,600,917	8,600,917	10,469,631	4,301,612	4,301,612	5,342,913
Financial market instruments	5,461,176	5,461,176	5,712,935	3,414,016	3,414,016	3,455,961
Loans guaranteed by mortgages	130,709	130,709	130,709	124,727	124,727	124,727
Other loans	416,281	416,281	416,281	295,086	295,086	295,086
	16,186,466	16,203,056	18,937,359	8,903,075	8,903,915	10,197,598
The remaining acquisition cost of financial market instruments includes:						
amortised difference between nominal value and acquisition cost released (+) or charged (-) to interest income	-37,506			-25,735		
Book value comprises						
Revaluations released as income	16,591			840		
Valuation difference (difference between current value and book value )						
			2,734,303			1,293,683
Valuation difference of non-hedging derivatives						
			56,509			28,330

EUR 1,000	Remaining acquisition cost 2014	Book value 2014	Current value 2014	Remaining acquisition cost 2013	Book value 2013	Current value 2013
<b>INVESTMENTS AT CURRENT VALUE AND VALUATION DIFFERENCES, GROUP</b>						
Real estate investments						
Real estate	1,338,966	1,352,698	1,734,499	713,901	718,926	945,234
Real estate shares in participating interests	207	207	112	1,442	1,442	1,353
Other real estate shares	188,193	191,053	372,684	101,010	101,010	117,074
Receivables from real estate companies	70,805	70,805	70,805			
Investments in participating interests						
Shares and holdings	20,883	20,883	22,379	4,183	4,183	4,183
Other investments						
Shares and holdings	8,606,439	8,606,439	10,475,152	4,306,219	4,306,219	5,347,520
Financial market instruments	5,461,176	5,461,176	5,712,935	3,414,016	3,414,016	3,455,961
Loans guaranteed by mortgages	130,709	130,709	130,709	79,727	79,727	79,727
Other loans	416,281	416,281	416,281	295,086	295,086	295,086
Other investments	2,109	2,109	2,109			
	16,235,768	16,252,359	18,937,666	8,915,584	8,920,608	10,246,137
The remaining acquisition cost of financial market instruments includes:						
amortised difference between nominal value and acquisition cost released (+) or charged (-) to interest income	-37,506					
Book value comprises						
Revaluations released as income	16,591			5,025		
Valuation difference (difference between current value and book value)						
			2,685,307			1,325,528
Valuation difference of non-hedging derivatives						
			56,509			28,330

EUR 1,000	Parent company 2014	Parent company 2013	Group 2014	Group 2013
<b>DERIVATIVES</b>				
<b>Non-hedging derivatives</b>				
Other debtors				
Derivatives, book value	87,749	0	87,749	
Other liabilities				
Derivatives, book value	64,073	0	64,073	
Derivatives, changes in value	34,133	0	34,133	
Other prepayments and accrued income, accruals and deferred income				
Derivatives	-97,868	-3,621	-97,868	-3,621

EUR 1,000	Parent company Real estate and real estate shares 2014	Parent company Loan receivables from Group companies 2014	Group Real estate and real estate shares 2014	Group Loan receivables from real estate companies 2014
<b>REAL ESTATE INVESTMENTS</b>				
<b>Changes in real estate investments</b>				
Acquisition cost, 1 Jan.	431,802	391,314	1,060,183	
Merger	381,339	436,819	967,393	63,876
Increase	115,285	98,111	314,243	11,409
Decrease	-34,524	-101,094	-302,800	-4,480
Transfers between items	6,369		22,759	
Acquisition cost, 31 Dec.	900,270	825,150	2,061,778	70,805
Accumulated depreciation on 1 Jan.	0		-163,363	
Merger	-12,545		-169,085	
Accumulated depreciation related to deductions and transfers	-4,059		-11,960	
Depreciation for the financial year	-2,432		-34,079	
Accumulated depreciation on 31 Dec.	-19,035		-378,487	
Value adjustments, 1 Jan.	-61,874		-82,776	
Merger	-60,399		-63,958	
Value adjustments during financial year	-19,858		-19,844	
Value readjustments	1,541		1,541	
Value adjustments, Dec 31	-140,590		-165,038	
Revaluations, 1 Jan.	840		101	
Merger	15,751		25,602	
Revaluations, 31 Dec.	16,591		25,703	
Book value, 31 Dec.	757,235	825,150	1,543,957	70,805

EUR 1,000

Parent company 2014

Group 2014

**REAL ESTATE AND SHARES IN REAL ESTATE OCCUPIED FOR OWN ACTIVITIES**

Remaining acquisition cost	15,090	15,090
Book value	15,090	15,090
Current value	15,135	15,135

EUR 1,000

Parent company 2014

Group 2014

**SHARES AND HOLDINGS IN GROUP COMPANIES****Shares and holdings**

Acquisition cost, 1 Jan.	17	
Acquisition cost, 31 Dec.	17	

**SHARES AND HOLDINGS IN PARTICIPATING INTERESTS****Shares and holdings**

Acquisition cost, 1 Jan.	4,065	4,183
Merger	2,728	11,221
Increase	6,850	7,743
Decrease	-2,072	-2,264
Acquisition cost, 31 Dec.	11,571	20,883

EUR 1,000

<b>Name</b>	<b>Domicile</b>	<b>Holding</b>	<b>Capital and reserves 31.12.2014</b>	<b>Profit/loss for the accounting period 31.12.2014</b>
<b>SHARES AND HOLDINGS IN GROUP COMPANIES, PARENT COMPANY</b>				
Elkes Oy	Espoo	100%	8	-1
Tapra	Espoo	100%	8	-1
<b>SHARES AND HOLDINGS IN PARTICIPATING INTERESTS, PARENT COMPANY</b>				
Exilion Capital Oy	Helsinki	49%	160	12
Suomen Metsäsijoitus Oy	Espoo	25%	8,667	611
Vakuutusneuvonta Aura	Espoo	33%	11	
Vakuutusneuvonta Pohja	Espoo	33%	11	
Vakuutusosakeyhtiö Garantia	Espoo	23%	29,806	4,218
Tyvene Oy	Helsinki	40%	7	2
Avara Oy	Helsinki	49%	553	251
Amplus Holding Oy	Helsinki	49%	42,478	3,568
<b>SHARES AND HOLDINGS IN PARTICIPATING INTERESTS, GROUP</b>				
Exilion Capital Oy	Helsinki	49%	160	12
Suomen Metsäsijoitus Oy	Espoo	25%	8,667	611
Vakuutusneuvonta Aura	Espoo	33%	11	
Vakuutusneuvonta Pohja	Espoo	33%	11	
Vakuutusosakeyhtiö Garantia	Espoo	23%	29,806	4,218
Tyvene Oy	Helsinki	40%	7	2
Avara Oy	Helsinki	49%	553	251
Amplus Holding Oy	Helsinki	49%	42,478	3,568

EUR 1,000	Proportion of all shares, %	Book value 31.12.2014	Market value 31.12.2014	Country of domicile
<b>OTHER INVESTMENTS, PARENT COMPANY</b>				
<b>Finnish unlisted shares and holdings</b>				
3Step IT Group Oy	17.31	7,278	16,173	Finland
Aina Group Oyj A	14.89	4,260	4,260	Finland
Aina Group Oyj K	14.89	152	152	Finland
Anvia Plc	0.00	1	2	Finland
Arek Oy	12.13	1,700	1,700	Finland
Certeum Oy	3.43	6,850	6,850	Finland
Fingrid Oyj	4.51	5,046	31,875	Finland
Futurice Oy	19.02	4,838	4,838	Finland
Turva Mutual Insurance Company	6.63	702	702	Finland
Keski-Pohjanmaan Kirjapaino A	3.31	306	359	Finland
Keski-Pohjanmaan Kirjapaino K	3.31	9	11	Finland
Kestopalkki LPJ Oy	2.21	6	6	Finland
Kustannus Oy Demari	4.73	25	113	Finland
Lalli Oy	4.48	24	24	Finland
Lapuan Yrittäjähotelli Oy	0.32	2	2	Finland
Liguirix Topco Holding Oy	19.95	1,391	2,524	Finland
Meri-Teijo Golf Oy	0.09	2	2	Finland
Midinvest Oy	8.61	466	818	Finland
Mitron Group Oy	16.13	1,500	1,825	Finland
Oy G.W.Sohlberg Ab	0.21	25	25	Finland
Oy NordGolf Ab	0.12	13	13	Finland
Oy Pickala Golf Ab	0.07	27	27	Finland
Oy Sea-Golf Ab	0.10	2	2	Finland
Oy Wedeco Ab	8.89	956	1,473	Finland
Rederiaktiebolaget Eckero	0.64	248	513	Finland
Sato Corporation	12.89	42,680	91,005	Finland
Seligson & Co Oyj	11.81	1,017	1,959	Finland
S-Bank Ltd	1.50	5,832	5,832	Finland
Startex Oy	4.50	34	34	Finland
Suomi Power Networks SHL 8,17 %	7.50	76,227	76,227	Netherlands
Suomi Power Networks TopCo B.V.	7.50	12,878	12,878	Netherlands
TA-Yhtymä Oy B	14.53	566	566	Finland
Teknikum-Yhtiöt Oy	19.60	2,470	2,470	Finland
ThermiSol Oy	10.00	20	20	Finland
Tieto-Tapiola Oy	9.49	110	110	Finland
Vierumäki Golf Oy	0.31	12	12	Finland
<b>Finnish unlisted shares and holdings total</b>		<b>177,673</b>	<b>265,401</b>	

EUR 1,000	Proportion of all shares, %	Book value 31.12.2014	Market value 31.12.2014	Country of domicile
<b>Finnish listed shares and holdings</b>				
Alma Media Corporation	2.45	5,095	5,095	Finland
Amer-Sports Corporation	2.58	26,691	49,144	Finland
Aspo Plc	0.19	341	341	Finland
Atria Yhtymä Oyj	0.66	836	836	Finland
Caverion Corp	1.07	3,852	8,941	Finland
Componenta Corporation	5.04	3,504	3,504	Finland
Elektrobit Corp	0.38	901	1,680	Finland
Elisa Corporation	0.29	7,491	11,147	Finland
Fortum Corporation	0.52	69,243	83,036	Finland
F-Secure Corporation	4.89	15,369	17,483	Finland
HKScan Corporation A	2.30	3,737	3,737	Finland
Ilkka-Yhtymä Oyj	1.96	802	802	Finland
Ilkka-Yhtymä Oyj 1	2.16	279	279	Finland
Kesko Corporation B	1.75	25,653	36,004	Finland
Kone Corporation B	0.68	55,056	114,973	Finland
Lassila & Tikanoja plc	1.58	4,377	9,297	Finland
Lemminkäinen Corporation	0.25	563	563	Finland
Metso Corporation	0.91	33,934	33,934	Finland
Metsä Board B	0.17	1,802	2,184	Finland
Neste Oil Oyj	0.58	19,237	29,751	Finland
Nokia Oyj	0.51	103,047	125,296	Finland
Nokian Tyres plc	1.09	28,446	29,421	Finland
Orion Corporation	0.72	4,073	7,329	Finland
Orion Corporation B	0.50	9,558	10,308	Finland
Outotec Oyj	1.59	12,776	12,776	Finland
Pöyry PLC	3.87	6,145	6,145	Finland
Raisio Plc	0.96	2,799	5,292	Finland
Rapala VMC Corporation	0.40	730	730	Finland
Restamax Plc	1.66	950	950	Finland
Sampo plc A	0.49	72,776	105,979	Finland
Siili Solutions Plc	1.49	196	383	Finland
Solteq Oyj	13.34	2,200	2,660	Finland
Soprano Oyj	9.83	960	1,132	Finland
Suominen Corporation	5.70	11,338	11,440	Finland
Tieto Corporation	0.28	2,897	4,399	Finland
Tulikivi Corporation	9.03	886	886	Finland
UPM-Kymmene Corporation	1.24	72,731	90,028	Finland
Vahto Group Plc Oyj	0.47	6	6	Finland
Wulff Group Plc	5.30	345	345	Finland
Wärtsilä Corporation B	1.09	57,986	79,376	Finland
YIT Corporation	2.62	14,242	14,242	Finland
<b>Finnish listed shares and holdings total</b>		<b>683,849</b>	<b>921,852</b>	

EUR 1,000	Proportion of all shares, %	Book value 31.12.2014	Market value 31.12.2014	Country of domicile
<b>Foreign listed equities</b>				
Adidas AG	0.11	13,829	13,829	Germany
Amadeus IT Holding SA	0.20	25,087	29,115	Spain
Antofagasta Plc	0.40	37,726	37,726	United Kingdom
Atlas Copco AB	0.17	26,163	33,598	Sweden
Axa Sa	0.05	20,862	21,126	France
BASF SE	0.03	14,848	20,964	Germany
BNP Paribas	0.04	26,269	27,093	France
CaixaBank	0.04	10,903	10,903	Spain
Daimler Ag	0.04	30,155	32,968	Germany
Deutsche Bank Ag-Registered	0.04	12,493	12,493	Germany
Deutsche Lufthansa AG	0.23	14,452	14,452	Germany
E.ON Ag	0.11	30,270	31,555	Germany
Evonik Industries AG	0.09	10,850	10,850	Germany
FibroGen Inc	0.17	576	2,166	USA
Gemalto NV	0.57	33,965	33,965	Netherlands
Getinge Ab B	0.22	6,431	9,464	Sweden
Golar LNG Ltd	0.77	21,628	21,628	Bermuda
Heineken Nv	0.03	9,432	9,432	Netherlands
Hennes & Mauritz Ab B	0.07	21,173	35,704	Sweden
Indivior Plc	0.04	440	575	United Kingdom
ING Groep Nv -CVA	0.06	27,075	27,075	Netherlands
Intesa Sanpaolo SpA	0.03	10,314	10,899	Italy
Lloyds Tsb Group Plc	0.04	19,685	31,150	United Kingdom
Loreal Sa	0.04	16,490	33,432	France
Nestle Sa	0.02	25,553	37,616	Switzerland
Nordea Bank AB	0.18	57,160	68,890	Sweden
Novartis Ag	0.01	23,987	24,193	Switzerland
Novo-Nordisk A/S B	0.03	15,524	27,969	Denmark
Novozymes A/S B	0.29	11,878	26,520	Denmark
Nuance Communications Inc	0.62	23,507	23,507	USA
Partners Group Ag	0.49	12,717	31,300	Switzerland
Pershing Square Holdings Ltd.	1.39	48,191	65,831	Cayman Islands
Petroleum Geo-Services Asa	1.71	17,419	17,419	Norway
Reckitt Benckiser Group Plc	0.04	19,046	20,067	United Kingdom
Roche Holding Ag	0.02	16,688	29,181	Switzerland
Shire Ltd	0.03	9,816	11,639	Ireland
Siemens Ag	0.03	21,750	21,750	Germany
Sika Ag -Bearer	0.23	7,445	12,209	Switzerland
Standard Chartered Plc	0.05	16,073	16,073	United Kingdom

EUR 1,000	Proportion of all shares, %	Book value 31.12.2014	Market value 31.12.2014	Country of domicile
Statoil Asa	0.01	6,094	6,094	Norway
Storebrand Asa	1.56	22,606	22,606	Norway
Svenska Handelsbanken A	0.11	12,374	27,320	Sweden
Symrise Ag	0.35	10,110	22,559	Germany
Syngenta AG	0.05	14,145	15,968	Switzerland
Telefonica Sa	0.06	30,105	30,873	Spain
Thermo Fisher Scientific	0.05	6,432	19,091	USA
Unilever Nv -CVA	0.05	25,951	26,112	Netherlands
Vinci SA	0.08	20,913	21,572	France
Vodafone Group Plc	0.03	20,153	20,153	United Kingdom
<b>Foreign listed equities total</b>		936,751	1,158,674	

EUR 1,000	Proportion of all shares, %	Book value 31.12.2014	Market value 31.12.2014	Country of domicile
<b>Equity funds</b>				
Aberdeen GI-Asia Pac Eq-A2	0.01	53,623	63,485	Luxembourg
Aberdeen GI-Asia Sm Co Fd-A2	0.02	20,400	32,020	Luxembourg
Allianz Eurp Eqy Grwth-W	0.00	40,604	67,485	Luxembourg
CapMan Public Market Fund FCP-SIF CA1	11.54	97	6,156	Luxembourg
Conventum-Lyrical Fund-I	0.06	41,188	68,749	Luxembourg
DB X-Trackers S&P 500 Equal Weight Ucits Etf (DR)	11.77	35,129	39,016	Ireland
DB X-Trackers Stoxx Europe 600	33.71	360,626	360,626	Luxembourg
EQ Emerging Dividend-1K	0.15	56,698	62,666	Finland
Evli Eurooppa B	0.17	60,999	73,213	Finland
Fast Emerging Markets-IA\$	0.04	51,172	60,141	Luxembourg
Fast-Europe Fund-I Acceur	0.02	41,721	62,484	Luxembourg
FIM Kehittyvät Markkinat Pienemmät Yhtiöt	3.61	11,403	12,077	Finland
FlIrtn-Asia S Cap Eq-I USD A	2.00	58,197	58,197	Luxembourg
Fondita Nordic Micro Cap B	0.15	34,566	78,204	Finland
Fourton Odysseus	0.10	36,329	57,425	Finland
Fourton Stamina	0.09	35,712	60,812	Finland
GAM Star China Equity USD Acc	0.14	50,155	59,226	Ireland
GMO Global Real Return U-A	0.06	50,000	50,746	Ireland
Heptagon Yacktman US Eqty-I	0.03	39,985	68,732	Ireland
Ishares Core Msci Emerging Markets Etf	2.00	71,038	72,244	USA
Ishares Core S&P 500 Etf	0.31	155,160	178,909	USA
Ishares Msci JPN Month EU HD	0.81	30,223	30,223	Ireland
Ishares Stoxx Europe 600 DE	5.85	120,296	120,731	Germany

EUR 1,000	Proportion of all shares, %	Book value 31.12.2014	Market value 31.12.2014	Country of domicile
Kempen Orange Glb High DVD-I	0.01	54,424	79,454	Luxembourg
LähiTapiola Hyvinvointi A	0.63	20,058	25,734	Finland
LähiTapiola USA A	1.04	17,300	28,210	Finland
Montanaro European Sm Co-A	1.09	45,000	56,723	Ireland
Nomura Japan Strategic Value	18.69	54,717	56,652	Ireland
Nordea 1 - Emerging Stars Equity	17.24	60,000	60,630	Luxembourg
Nordea Pro Stable Return-Gro	5.27	50,000	59,817	Finland
Sands Cap-US Sel Grw-A\$ Acc	61.45	45,842	72,189	Ireland
Skagen Kon-Tiki	0.01	50,475	55,202	Norway
Somerset Em DVD GR A-Eur-Acc	5.11	50,845	57,334	United Kingdom
Spdr S&P 500 Index Trust Series 1	0.13	232,348	334,356	USA
SSGA Enhanced Emerg Markets Equity Fund I EUR	0.42	68,112	72,044	Luxembourg
T. Rowe Price-US Lg Cp GRW-I	0.16	41,356	69,194	Luxembourg
T. Rowe Price-US Lg Cp VAL-I	0.50	42,090	65,631	Luxembourg
T. Rowe Price-US Sml Co Eq-I	0.21	41,311	69,897	Luxembourg
Trigon New Europe Value Fund	1.37	13,553	14,785	Estonia
UB Asia REIT Plus-Acc	0.00	10,000	14,912	Finland
Vanguard S&P 500 Etf	0.30	68,861	71,381	USA
Vanguard-Emr mk St In-Eurins	0.02	196,988	212,342	Ireland
Winton Global Equity Fund Class Z	0.06	40,098	65,118	Ireland
<b>Equity funds total</b>		2,658,700	3,285,169	

EUR 1,000	Proportion of all shares, %	Book value 31.12.2014	Market value 31.12.2014	Country of domicile
<b>Fixed income funds</b>				
Aberdeen GL-SL Emmk Bd-A2	0.02	14,960	15,920	Luxembourg
Aktia Emerging Market Local Currency Bond+D	4.66	30,193	37,930	Finland
Alcentra European Loan Fund Class II-A-01/2013	0.00	22,195	23,774	Luxembourg
Alcentra European Loan Fund Class II-A-02/2014	0.00	30,000	30,907	Luxembourg
Ashmore Em Local Bond	0.02	32,635	32,635	Luxembourg
Ashmore Em Mkts Liq Inv PT DC12	0.15	40,737	42,426	Guernsey
Aviva Inv-Glb HY Bnd-lheur	0.01	16,057	19,799	Luxembourg
Bab-Guf-Gb Sen Sec Bd-Deur-Acc	0.11	20,000	21,476	Ireland
Babson Cap Europn Ln-B EUR-A	0.01	40,289	42,914	Ireland
Babson Global Loan Fund Tranche A	0.01	21,686	29,989	Ireland
Babson Global Loan Fund Tranche B	0.00	15,451	17,273	Ireland
BGF-Emerging Mkt Bd-USDX	0.08	10,885	12,518	Luxembourg
BGF-Global High Yield Bd=D2	0.11	30,479	41,872	Luxembourg

EUR 1,000	<b>Proportion of all shares, %</b>	<b>Book value 31.12.2014</b>	<b>Market value 31.12.2014</b>	<b>Country of domicile</b>
Blackrock GI-Emk Cor Bd-X2US	2.75	22,531	26,006	Luxembourg
BlueBay Emerging Market Select Bond Fund	0.01	22,983	35,139	Luxembourg
BlueBay Global Unconstrained High Yield Fund	0.04	37,393	41,089	Luxembourg
Bluebay In Gr Abs Ret Bd-Ieur	0.01	50,288	51,713	Luxembourg
Bluebay-GI Div Corp Bd-B2EUR	0.15	75,889	108,375	Luxembourg
Bluebay-Inv Grade Bd Fd-Ieur	0.00	62,827	71,987	Luxembourg
Capital International Emerging Market Debt A7	0.84	62,394	63,375	Luxembourg
Evli European High Yield B	0.01	19,850	26,363	Finland
Fidelity Frnds-EUR HI YI-A Ac	0.03	19,721	22,515	Luxembourg
HSBC Gif-Glb Emer Mkt Bd-X	18.09	66,287	77,265	Luxembourg
HSBC Gif-Glb Emmk Lcl Dd-X	20.72	13,521	13,866	Luxembourg
JB Local Emerging Bnd Fd-C-A	0.00	20,000	21,009	Luxembourg
JB Local Emerging Bond Fnd-C	0.00	27,617	28,575	Luxembourg
Muzinich-Bondyield ESG Fn-A	0.27	31,965	39,623	Ireland
Nomura-US High Yld Bd-Ieurh	20.64	25,000	27,438	Ireland
Nordea 1 Eur Hgh Yld-X-EUR	52.51	28,330	38,575	Luxembourg
Nordea 1-US High Yld Bd-Hxeur	12.45	27,835	34,404	Luxembourg
PGIS-Diversified Income-Ieurha	0.29	56,639	56,886	Ireland
Pictet-Emerg Local Ccy-Zeur	0.00	21,929	23,183	Luxembourg
Pimco Emerging Markets Corporate Bond Fund	0.10	11,412	13,651	Ireland
Pimco-Emer Local Bd-Eurins Uhg	0.05	26,009	26,638	Ireland
Schroder Intl Euro Corp-Iac	0.05	55,542	59,809	Luxembourg
Schroder Isf Em Dbt A R-Iaceur	0.05	80,000	81,052	Luxembourg
Specialist-M&G European L-Ceur	0.01	21,008	21,008	Ireland
Stone Harbor-Em Mkt Debt-Ieura	0.01	44,847	46,741	Ireland
T. Rowe Price-Glb Hyld Bnd-I	0.12	33,859	39,576	Luxembourg
Wellington USD Core Hi Yd-Sh	0.58	20,724	24,460	Ireland
<b>Fixed income funds total</b>		<b>1,311,964</b>	<b>1,489,758</b>	

EUR 1,000

	<b>Book value</b> <b>31.12.2014</b>	<b>Market value</b> <b>31.12.2014</b>	<b>Country</b> <b>of domicile</b>
<b>Private equity funds</b>			
Advent International GPE VII	11,736	14,722	USA
Altor Fund II (No. 1) Limited Partnership	3,096	3,344	Jersey
Altor Fund III (No. 2) Limited Partnership	11,000	14,028	Jersey
Amanda III Eastern Private Equity Ky	6,934	8,107	Finland
American Securities Partners VI, L.P.	20,236	30,715	USA
Apax Europe VII - B, L.P.	23,264	25,484	United Kingdom
Apax VIII - A L.P.	12,611	13,262	Guernsey
Armada Mezzanine Fund III Ky	1,100	2,052	Finland
Auda Capital IV (Cayman) LP (USD)	1,482	3,302	Cayman Islands
Auda Capital IV Co-Investment Fund LP (USD)	1,297	1,751	Cayman Islands
AXA LBO Fund IV Supplementary FCPR	2,594	4,638	France
AXA LBO Fund V Core	15,954	15,954	France
AXA Secondary Fund III-1 L.P.	75	888	Jersey
AXA Secondary Fund IV L.P.	2,415	9,945	Jersey
AXA Secondary Fund V L.P.	21,271	39,016	United Kingdom
Berkshire Fund VIII-A L.P.	11,347	11,978	USA
Bowmark Capital Partners IV, L.P.	8,365	9,781	United Kingdom
Bowmark Capital Partners V, L.P.	2,849	2,849	United Kingdom
Bridgepoint Europe III, L.P.	4,481	4,481	United Kingdom
Bridgepoint Europe IV F L.P.	9,779	11,367	United Kingdom
Capvis Equity III L.P.	9,821	9,821	Jersey
Capvis Equity IV L.P.	5,893	5,893	Jersey
Capvis III Co-Investors Arena L.P.	10,000	10,000	Jersey
Charterhouse Capital Partners VIII LP No. 1.2	3,058	3,058	United Kingdom
Conor Technology Fund I Ky	906	906	Finland
Crown Opportunities Fund Ky	15,513	26,106	Finland
Danske Private Equity Partners V (USD - A) K/S	2,104	2,104	Denmark
Dover Street VIII L.P.	17,144	24,319	USA
European Fund Investments II Limited Partnership	510	547	United Kingdom
Finnmezzanine Rahasto III A Ky	348	980	Finland
FSN Capital IV L.P.	5,718	5,718	Jersey
Gresham 4A	2,565	2,565	United Kingdom
Hermes GPE Global Secondary Feeder I LP	12,342	16,684	United Kingdom
Hermes GPE Global Secondary Feeder II LP	15,385	17,541	United Kingdom
HgCapital 7E L.P.	8,154	8,154	United Kingdom
Indigo Capital V L.P.	5,550	5,550	United Kingdom
Industri Kapital 2000 Limited Partnership XI	650	650	United Kingdom
Industri Kapital 2004 Limited Partnership I	829	829	United Kingdom
Industri Kapital 2007 Limited Partnership	25,725	30,902	United Kingdom
Industrie & Finance Investissements 2 FCPR	6,849	6,849	France
Intera Fund I Ky	1,408	3,841	Finland

EUR 1,000	<b>Book value 31.12.2014</b>	<b>Market value 31.12.2014</b>	<b>Country of domicile</b>
Intera Fund II Ky	10,642	10,885	Finland
Inveni Secondaries Fund II Ky	846	846	Finland
Kasvurahastojen Rahasto Ky	4,384	4,505	Finland
Levine Leichtman Capital Partners V, L.P	7,463	8,082	USA
Lindsay Goldberg III L.P	34,150	41,411	USA
LT Fund Investments	12,375	12,375	Luxembourg
Macquarie European Infrastructure Fund II	4,423	5,371	United Kingdom
MB Equity Fund IV Ky	6,332	9,207	Finland
Nexit Infocom II L.P	7,762	7,762	Guernsey
Nordic Capital VII Alpha, L.P	22,884	29,990	Jersey
Nordic Mezzanine Fund II Limited Partnership	1,500	1,659	Finland
Nordic Mezzanine Fund III Limited Partnership	12,597	14,060	Finland
Palvelurahasto I Ky	541	541	Finland
Partners Group Direct Mezzanine 2011 S.C.A. SICAR	13,112	14,370	Luxembourg
Partners Group Secondary 2004 L.P	770	770	USA
Partners Group Secondary 2011 (EUR) L.P Inc	13,704	19,004	Luxembourg
Partners Group U.S. Venture 2004, L.P	4,893	5,308	USA
Platinum Equity Capital Partners III, L.P	6,812	11,303	USA
Portobello Capital II L.P	863	4,751	Guernsey
Power Fund II Ky	1,800	1,800	Finland
Profita Fund III Ky	965	965	Finland
Sentica Buyout IV	1,611	1,611	Finland
Sentica Kasvurahasto II Ky	821	821	Finland
Teknoventure rahasto III Ky	982	982	Finland
The Fourth Cinven Fund (No. 4) Limited Partnership	9,931	9,931	United Kingdom
Top Tier Venture Capital III, L.P	5,729	6,529	USA
Top Tier Venture Capital IV, L.P	6,146	9,418	USA
TPG Partners VI, LP	27,687	37,679	USA
TuuliTapiola Ky	9,960	9,960	Finland
Vista Equity Partners Fund IV, L.P	24,808	34,056	USA
Vista Equity Partners Fund V-A	16,470	16,478	Cayman Islands
<b>Private equity funds total</b>	<b>595,318</b>	<b>751,898</b>	
<b>Other private equity funds</b>	<b>10,457</b>	<b>14,774</b>	

EUR 1,000	<b>Book value</b> <b>31.12.2014</b>	<b>Market value</b> <b>31.12.2014</b>	<b>Country</b> <b>of domicile</b>
<b>Real estate funds</b>			
Aberdeen European Shopping Property Fund SICAV	10,752	10,752	Luxembourg
Aberdeen Property Funds SICAV Pan-Nordic	10,369	10,369	Luxembourg
BlackRock Europe Property Fund III	11,716	11,716	United Kingdom
Capman Hotels RE Ky	18,762	19,000	Finland
CBRE Dutch Office Fund II BV	10,187	10,187	Netherlands
CBRE European Industrial Fund CV	22,179	22,179	Netherlands
CBRE Office Fund The Netherlands	1,276	1,276	Netherlands
CBRE Property Fund Central and Eastern Europe	6,001	6,001	Netherlands
Das Timberland Fund II	8,470	8,470	Luxembourg
DOF Development Fund CV	65	103	Luxembourg
EPI Russia I Ky	2,800	2,800	Finland
European Added Value Fund, L.P	4,065	4,065	United Kingdom
Exilion Real Estate I Ky	93,719	99,178	Finland
Henderson Central London Office Fund II LP	7,582	14,502	United Kingdom
Icecapital Housing Fund I Ky	594	2,980	Finland
ICG-Longbow UK Real Estate Debt Investments III S.a.r.l.	27,949	29,058	Luxembourg
LähiTapiola Asuntorahasto Prime Ky	24,246	24,246	Finland
NIAM Nordic Core-Plus	9,133	9,645	Luxembourg
Nordika Fastigheter AB	7,159	12,102	Sweden
Nordika II Fastigheter AB	1,029	1,029	Sweden
PBW II Real Estate Fund S.A.	6,511	6,511	Luxembourg
Prologis European Properties Fund II FCP-FIS	6,705	6,705	Luxembourg
Real Estate Debt & Secondaries Ky	10,856	12,570	Finland
Rockspring PanEuropean Limited Partnership	7,115	7,115	United Kingdom
Rockspring Peripheral Europe Limited Partnership	615	738	United Kingdom
Russian and Baltics Retail Properties Ky	11,160	11,160	Finland
Scandinavian Property Fund - Unleveraged	12,598	12,598	Luxembourg
Standard Life Investments UK Shopping Centre Feeder Fund Limited Partnership	17,956	17,956	Jersey
Tapiola KR I Ky	30,254	30,254	Finland
Tapiola KR III Ky	41,779	41,779	Finland
Tapiola KR IV Ky	14,833	21,436	Finland
The Archstone German Fund FCP-FIS	552	552	Luxembourg
Tishman Speyer European Core Fund FCP-SIF	7,719	7,719	Luxembourg
Tishman Speyer European European Strategic Office Fund Scots Feeder L.P	4,468	4,468	United Kingdom
UK Property Income Fund	18,048	25,237	United Kingdom
UK Property Income Fund II	18,046	18,977	United Kingdom
<b>Real estate funds total</b>	<b>487,271</b>	<b>525,436</b>	

EUR 1,000	<b>Book value</b> <b>31.12.2014</b>	<b>Market value</b> <b>31.12.2014</b>	<b>Country</b> <b>of domicile</b>
<b>Hedge fund investments</b>			
Aim Insurance Strategies Fund	20,016	23,598	Ireland
Aleutian Fund Ltd	19,962	21,032	Cayman Islands
Anchorage Capital Partners Offshore Ltd Class D	20,027	20,859	Cayman Islands
Black Diamond Relative Value D	51,852	61,267	Cayman Islands
Blue Mountain Credit Alt Fund Ltd.	75,707	92,406	Cayman Islands
Brevan Howard Fund Limited Class E EUR	67,404	69,970	Cayman Islands
Canyon Value Realization Fund Class B	43,522	54,442	Cayman Islands
Capula Global Relative Value Fund Ltd Class E	97,860	108,993	Cayman Islands
Davidson Kempner International - class C	14,741	28,999	British Virgin Islands
Deephaven Global MS - Class A1 - Series 09/96	9	12	British Virgin Islands
Drake Global Opportunities Fund	108	108	Cayman Islands
Elliot International Ltd Class B Common Shares	39,933	60,405	Cayman Islands
Eton Park Overseas Fund Ltd	2,535	2,774	Cayman Islands
Field Street Offshore Fund Class A1	80,204	92,171	Cayman Islands
GLG Investments VI Plc - GLG European Equity Alter	30,000	32,622	Ireland
Goldentree Offshore Ltd	27,163	30,803	Cayman Islands
Graham Discretionary Enhanced Vol SP Series B CI	64,503	77,059	British Virgin Islands
GSO Special Situations	833	1,152	Cayman Islands
Highbridge Multi-Strategy, Class B	20	58	Cayman Islands
Highland Crusader Fund II Ltd, Class D	1,086	1,086	USA
Highland Restoration Capital Offshore L.P	3,554	7,907	USA
Hudson Bay International Fund Ltd.	49,783	53,963	Ireland
IPM Global TAA Fund Class C	60,173	67,062	Cayman Islands
Kepos Alpha Fund	41,001	56,067	Cayman Islands
King Street Capital Ltd	50,775	51,892	British Virgin Islands
KLS Diversified Fund Ltd	41,326	42,033	Cayman Islands
MAN AHL(Cayman) SPC class A1 Evolution EUR	52,490	64,390	Cayman Islands
Marathon Special Opportunity Fund Ltd	25,742	33,401	Cayman Islands
Millennium International Ltd Class EE	80,798	104,190	Cayman Islands
Moore Macro Managers Fund Ltd Class B	70,000	84,213	USA
OCM European Credit Opportunities Fund Ltd	123	123	Luxembourg
OxAM Quant Fund Ltd	30,000	32,673	Cayman Islands
OZ Overseas EUR Fund, Ltd	78,662	88,689	Cayman Islands
Pelagus Capital Fund - Class B Euro	19,972	20,479	Cayman Islands
Pharo Macro Fund Class B	71,798	75,843	Cayman Islands
Pine River Fund Ltd Class A	80,490	97,275	USA
Prologue Feeder Fund Ltd Class B	30,064	30,533	Cayman Islands
Samlyn Offshore Ltd	40,274	64,160	Cayman Islands
Shepherd Investments International Ltd	241	274	British Virgin Islands

EUR 1,000	<b>Book value 31.12.2014</b>	<b>Market value 31.12.2014</b>	<b>Country of domicile</b>
Shepherd Select Asset Fund Ltd.	145	181	British Virgin Islands
Silver Point Capital Offshore	31,110	35,324	Cayman Islands
TPG-Axon Partners (Offshore) Ltd.	482	590	Cayman Islands
Treesdale Fixed Income Fund Ltd	680	760	USA
Two Sigma Absolute Return Cayman Fund Class A1	71,201	86,581	Cayman Islands
Wexford Offshore Spectrum	3,593	4,074	Cayman Islands
Vicis Capital Fund (Int.)-Class A	1,357	1,357	Cayman Islands
Viking Global Equities III Ltd	54,464	65,412	Cayman Islands
Winton Futures Fund Class C EUR Lead Series	91,153	107,405	British Virgin Islands
<b>Hedge fund investments total</b>	<b>1,738,934</b>	<b>2,056,668</b>	
<b>Total</b>	<b>8,600,917</b>	<b>10,469,631</b>	

EUR 1,000	<b>Book value 31.12.2014</b>	<b>Market value 31.12.2014</b>	<b>Country of domicile</b>
<b>OTHER INVESTMENTS, SUBSIDIARIES</b>			
<b>Finnish unlisted shares and holdings</b>			
Soittokunnanpolun Pysäköinti Oy	414	414	Finland
Herttoniemen Pysäköinti Oy	9	9	Finland
Ruukinpuiston Pysäköinti Oy	134	134	Finland
Nelikkokujan autopaikoitus Oy	355	355	Finland
Rooppi Oy	1	1	Finland
Asunto Oy Turun Laivurinkatu 1	1	1	Finland
Pähkinähoito	1	1	Finland
Chydenia Carpark Oy	257	257	Finland
Jätkäsaaren jätteen putkikeräys Oy	945	945	Finland
Vaneritorin Parkki Oy	83	83	Finland
Stella Park	2,777	2,777	Finland
Stella Business Park Oy	1	1	Finland
Kiinteistö Oy Uusi Maapohja	109	109	Finland
Kiinteistö Oy Plaza 2 Park	432	432	Finland
Other shares	2	2	Finland
<b>Total</b>	<b>5,522</b>	<b>5,522</b>	
<b>Other investments, total</b>	<b>8,606,439</b>	<b>10,475,152</b>	

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

EUR 1,000	Parent company 2014	Parent company 2013	Group 2014	Group 2013
<b>LOAN RECEIVABLES</b>				
<b>Loan receivables itemised by guarantee</b>				
Bank guarantee	91,606	39,113	91,606	39,113
Guarantee insurance	69,235	72,813	69,235	72,813
Insurance policy	6		6	
Other guarantee	144,711	117,499	144,711	117,499
Remaining acquisition cost	305,558	229,425	305,558	229,425
Non-guarantee remaining acquisition cost, total	110,723	65,660	110,723	65,660
<b>Total pension loan receivables</b>				
Other loans guaranteed by mortgages	620	47	620	47
Other loans	216,627	177,126	216,627	177,126
Remaining acquisition cost, total	217,247	177,173	217,247	177,173
<b>Loans to related parties</b>				
Loans granted to Group companies and associate companies	835,507	391,314	835,507	391,314
The original loan period is no more than 20 years.				
The loans have either fixed interest or are linked to the market rate.				
Securities for loans consist of mortgages on property or mortgages on an installation on the property of a third party, unless the loan is a subordinated loan.				
Other loans to related parties	94,431		94,431	
The original loan period is no more than 10 years. The interest basis of the loans is the TyEL loan interest rate and the Euribor rate.				

EUR 1,000	Parent company Intangible rights 2014	Parent company Machinery and equipment 2014	Parent company Other tangible assets 2014	Group Intangible rights 2014	Group Machinery and equipment 2014	Group Other tangible assets 2014
<b>CHANGES IN TANGIBLE AND INTANGIBLE ASSETS</b>						
Acquisition cost, 1 Jan.	24,679	6,356	97	24,679	6,356	97
Merger	3,105	3,449	360	3,168	3,449	360
Items written off in the previous year	-1,237	-673		-1,237	-673	
Increase	19,766	1,314		19,766	1,314	
Decrease		-690	-70		-690	-70
Transfers between items	-6,369	418		-6,369	418	
Acquisition cost, 31 Dec.	39,945	10,175	387	40,008	10,175	387
Accumulated depreciations on 1 Jan.	-10,820	-3,616		-10,820	-3,616	
Share of accumulated depreciation resulting from merger	-1,550	-1,568		-1,550	-1,568	
Items written off in the previous year	1,237	673		1,237	673	
Accumulated depreciation related to deductions and transfers	4,059	327		4,059	327	
Depreciation for the financial year	-4,972	-1,157		-4,972	-1,157	
Accumulated depreciation, 31 Dec.	-12,045	-5,342		-12,045	-5,342	
Book value on 31 Dec.	27,899	4,833	387	27,962	4,833	387

EUR 1,000	Parent company 2014	Parent company 2013	Group 2014	Group 2013
<b>CAPITAL AND RESERVES</b>				
Initial fund	1,648	1,648	1,648	1,648
Merger	5,046		5,046	
Construction fund				
Merger			86	
Revaluation reserve			101	101
Merger			84	
Loan amortisation reserve				
Merger			233	
Other reserves	57,622	56,373	57,711	56,461
Merger	29,728		29,955	
Reduction in capital and reserves	-127		-126	
Transfer from retained earnings	2,628	1,250	2,628	1,250
Profit brought forward	2,628	2,103	-9,799	-9,833
Merger	1,842		-14,713	
Used during the financial year	-2,628	-2,103	-2,628	-2,103
Profit/loss for the financial year	2,940	2,628	17,964	2,137
Total capital and reserves	101,328	61,899	88,188	49,660
<b>Distribution of capital and reserves after proposed profit distribution</b>				
Policyholders' share after proposed distribution	101,328	61,899	88,188	49,660
Total	101,328	61,899	88,188	49,660
<b>Distributable profits</b>				
Profit for the financial year	2,940	2,628		
Other distributable reserves				
Other reserves	89,852	57,622		
Accumulated profit	1,842			
Total distributable profits	94,634	60,251		

EUR 1,000	Parent company 2014	Parent company 2013
<b>TECHNICAL PROVISIONS</b>		
Premium reserve		
Future pensions	8,211,842	4,520,496
Provision for future bonuses	756,076	494,738
Provision for current bonuses	56,566	29,300
Provision linked to equity income	527,807	210,188
Total premium reserve	9,552,291	5,254,722
Provision for claims outstanding		
Current pensions	7,063,264	3,722,977
Equalisation provision	463,047	258,523
Total provision for claims outstanding	7,526,311	3,981,501
Total technical provisions	17,078,602	9,236,223

EUR 1,000

Parent company 2014

Parent company 2013

Group 2014

Group 2013

**COLLATERAL AND CONTINGENT LIABILITIES****Collateral given on own behalf**

Pledges given as a security for derivatives trade	38,020	70	38,020	70
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**Liabilities resulting from derivative contracts****Non-hedging derivatives****Interest rate derivatives**

## Option contracts

## Options bought

Value of underlying instruments	205,306	0	205,306	0
Current value of contracts	438	0	438	0

## Options sold

Value of underlying instruments	205,306	0	205,306	0
Current value of contracts	-293	0	-293	0

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

**Foreign currency derivatives**

## Forward and future contracts

Value of underlying instruments	3,530,032	1,793,627	3,530,032	1,793,627
Current value of open contracts	-79,435	24,701	-79,435	24,701
Current value of closed contracts	4,877	0	4,877	0

## Open stock option contracts

## Options bought

Value of underlying instruments	1,083,881	0	1,083,881	0
Current value of contracts	39,757	0	39,757	0

## Options sold

Value of underlying instruments	1,995,750	0	1,995,750	0
Current value of contracts	-24,217	0	-24,217	0

**Equity-linked derivatives**

## Forward and future contracts, open

Value of underlying instruments	40,349	0	40,349	0
Current value	-4,131	0	-4,131	0

## Option contracts

## Options bought

Value of underlying instruments	1,993,703	0	1,993,703	0
Current value of contracts	80,289	0	80,289	0

## Options sold

Value of underlying instruments	417,164	0	417,164	0
Current value of contracts	-34,156	0	-34,156	0

**Open total return swap contracts**

Value of underlying instruments	138,397	90,000	138,397	90,000
Current value of contracts	-720	8	-720	8

EUR 1,000	Parent company 2014	Parent company 2013	Group 2014	Group 2013
<b>Other derivatives</b>				
Open forward and future contracts				
Value of underlying instruments	-18,411		-18,411	
Current value	-92		-92	
Collateral received				
Collateral for derivatives trade	0	29,350	0	29,350
<b>Investment commitments</b>				
Private equity funds	726,220	438,165	726,324	438,165
Fund investments	115,376	107,775	115,376	107,775
Real estate investment funds	189,089	181,567	189,089	181,567
<b>Leasing and rent liabilities</b>				
Leasing liabilities in the current financial year	0	1	0	1
<b>Other contingent liabilities</b>				
Liability for the VAT debt of the tax liability group in accordance with the Value Added Tax Act, section 188	117,369	1,030	117,369	-120
Restitution liability for VAT deduction from new buildings and renovation of real estates	3,096	404	34,280	46,809
<b>Mortgages issued in exchange for right of lease</b>				
Mortgaged debentures			343	0
<b>Other security</b>				
Deposits			299	0
<b>Other liabilities</b>				
Surety obligations on behalf of Group companies			630	0
Redemption liabilities based on partial ownership agreements			86	0
Subscription obligations			0	727,507

EUR 1,000	Parent company 2014	Parent company 2013
<b>SOLVENCY CAPITAL, PARENT COMPANY</b>		
Capital and reserves after the proposed distribution of profit	101,328	61,899
Accrued appropriations	617	
Valuation difference between current values of assets and book values of balance sheet items	2,790,811	1,322,013
Provision for future bonuses	756,076	494,738
Deferred acquisition costs and intangible assets	-27,899	-14,176
Other items		
Equalisation provision	463,047	258,523
	4,083,980	2,122,997
Minimum capital requirement under the Act on Employment Pension Insurance Companies, section 17	649,741	364,541

# GROUP STRUCTURE ON 31.12.2014

## The Group comprises the following subsidiaries:

Asunto Oy Espoon Punakaneli  
Asunto Oy Espoon Viirikuja 1  
Asunto Oy Helsingin Aleksis Kiven katu 11  
Asunto Oy Helsingin Linnankoskenkatu 4  
Asunto Oy Helsingin Puuskakuja 23  
Asunto Oy Helsingin Puuskarinne 7  
Asunto Oy Jyväskylän Schaumanin Puistotie 19  
Asunto Oy Jyväskylän Suuruspääntie 8  
Asunto Oy Järvenpään Kartanontie 15  
Asunto Oy Kotkan Kirkkokatu 4  
Asunto Oy Lahden Purserinsaari  
Asunto Oy Lappeenrannan Pikisaarenranta  
Asunto Oy Oulun Hallituskatu 25  
Asunto Oy Rovaniemen Lapintapiola  
Asunto Oy Tampereen Lapinniemen Majakka  
Asunto Oy Tapiolan Caritas, Oulu  
Asunto Oy Turun Itäinen Rantakatu 68  
Asunto Oy Turun Purserinpuisto  
Asunto Oy Vantaan Kulonpohja  
Asunto Oy Vantaan Martinteeri  
Kiinteistö Oy Liiketalo Lanterna  
Kiinteistö Oy Dynamo  
Kiinteistö Oy Espoon Jänismäki  
Kiinteistö Oy Espoon Revontulentie 7  
Kiinteistö Oy Espoon Swing Plus A  
Kiinteistö Oy Espoon Swing Plus C  
Kiinteistö Oy F-Medi II  
Kiinteistö Oy FMO Tapiola  
Kiinteistö Oy Hauki  
Kiinteistö Oy Helsingin Erottajankulma  
Kiinteistö Oy Helsinki-Vantaa Logistics Center 1  
Kiinteistö Oy Hertsikka

Kiinteistö Oy Jyväskylän Kolmikulma  
Kiinteistö Oy Järvenkynns  
Kiinteistö Oy Kaartinkaupungin Helmi  
Kiinteistö Oy Kasarmintorin Kauppakeskus  
Kiinteistö Oy Kokkolan Rantakatu 2–4  
Kiinteistö Oy Kokkolan Rantakatu 6  
Kiinteistö Oy Kouvolan Kauppalankatu 13  
Kiinteistö Oy Kouvolan Mikko  
Kiinteistö Oy Kouvolan Tapiola  
Kiinteistö Oy Kuopion Kauppakatu 26–30  
Kiinteistö Oy Kuparitalo 1  
Kiinteistö Oy Kytälän Keskus  
Kiinteistö Oy Mäntsälän Keskustie 1  
Kiinteistö Oy Oulun Cinematori  
Kiinteistö Oy Oulun Hotellitori  
Kiinteistö Oy Oulun Kirkkokatu 21  
Kiinteistö Oy Oulun Mielikintie 8  
Kiinteistö Oy Pendoliino  
Kiinteistö Oy Plaza Alto  
Kiinteistö Oy Quartetto E  
Kiinteistö Oy Rauman Hakunintie 12  
Kiinteistö Oy Rauman Hakunintie 26  
Kiinteistö Oy Robert Huberin tie 7  
Kiinteistö Oy Sanomala II  
Kiinteistö Oy Stella Nova  
Kiinteistö Oy Stella Solaris  
Kiinteistö Oy Tapiolankynns  
Kiinteistö Oy Turun Ovakonkatu 2  
Kiinteistö Oy Valimontie 27  
Kiinteistö Oy Vantaan Avia  
Kiinteistö Oy Vantaan Hakintie 7  
Kiinteistö Oy Vantaan Rajatorpantie 8  
Kiinteistö Oy Verkko

Business Park Mankkaa 2 Oy  
Business Park Mankkaa Oy Tornio 1  
Dynamo Business Park Oy  
Lappeenrannan Kulmatalo Oy  
Possesif Oy  
Simonkentän Hotelliikiinteistö Oy  
Asunto Oy Asematie 13  
Asunto Oy Bulevardi 32  
Asunto Oy Espoon Kalaonntie 3  
Asunto Oy Espoon Nelikkokuja 5  
Asunto Oy Espoon Puistopiha  
Asunto Oy Espoon Ratsukatu 4  
Asunto Oy Helsingin Henrikintie 5  
Asunto Oy Helsingin Kerttulipuisto  
Asunto Oy Helsingin Kokkokalliontie 1  
Asunto Oy Helsingin Kokkokalliontie 3  
Asunto Oy Helsingin Kokkokalliontie 5  
Asunto Oy Helsingin Kokkokalliontie 9  
Asunto Oy Helsingin Konalantie 7  
Asunto Oy Helsingin Konalantie 9  
Asunto Oy Helsingin Yliskyläntie 2  
Asunto Oy Järvenpään Sahankaari 13  
Asunto Oy Keravan Lintulammenkatu 5 A  
Asunto Oy Keravan Palokorvenkatu 9  
Asunto Oy Pitäjänmäentie 35  
Asunto Oy Slottsveden Helsinki  
Asunto Oy Vantaan Lähettilääntie 1  
Asunto Oy Vantaan Neilikkatie 15  
Kiinteistö Oy Annankatu 32  
Kiinteistö Oy Espoon Tietäjätie 14  
Kiinteistö Oy Haapaniemenkatu 5  
Kiinteistö Oy Helsingin Paperitie 7  
Kiinteistö Oy Joensuun Torikatu 29

Kiinteistö Oy Kampinmäki  
Kiinteistö Oy Keravan Terveyslähde  
Kiinteistö Oy Lentokonehuolto  
Kiinteistö Oy Linnanrakentajantie 4  
Kiinteistö Oy Martinsillantie 2 a  
Kiinteistö Oy Pitkäsillanranta 3  
Kiinteistö Oy Pitäjänmäen Karvaamokuja 2 c  
Kiinteistö Oy Punkaharjun Valtionhotelli  
Kiinteistö Oy St. Erik  
Kiinteistö Oy Tampereen Tornihotelli  
Kiinteistö Oy Tullintori  
Kiinteistö Oy Vantaan Tuupakankuja 1  
Kiinteistö Oy Vantaanportin Maamerkki  
Kiinteistö Oy Vantaanportin Seisake  
Novoparkki Oy  
Kampintalo Oy  
Kokkokallion Pysäköinti Oy  
Elkes Oy  
Tapra Ky  
Probus Holding Oy  
Avara Anterius Oy  
Avara Aptus Oy  
Avara Artus Oy  
Avara Domus Oy  
Avara Orientis Oy  
Avara Probus Oy  
Avara Sedes Oy  
Asunto Oy Helsingin Hiekkalaituri  
Asunto Oy Kuopion Lakeissuontie 5  
Asunto Oy Sodankylän Kaivola  
Asunto Oy Vuohelmi Helsinki  
Kiinteistö Oy Levin Kätänkiisa  
Kiinteistö Oy Ollinrinne

# RISK MANAGEMENT AT ELO

## RISK MANAGEMENT AS PART OF INTERNAL CONTROL

Risk management forms a part of the company's internal control. Elo's risk management is arranged so as to comply with official regulations and to achieve the best European practices in risk management. Through risk management, we are able to ensure the continuity of our operations and to support the company in achieving its business objectives and in enhancing its competitive edge.

In accordance with Elo's principles, risk management must be comprehensive and must apply to all risk categories and all parts of the organisation. The risk management processes must also be systematic and continuous. A comprehensive risk management process includes the following stages: identification, measurement and assessment of risks; measures to change risk position and prepare for risks; and oversight, monitoring and reporting of risks.

Risk management must especially cover risks that are related to managing assets and liabilities, investments, solvency, concentration risk, operational risks, strategic risks, reputation risk, the combined effect of individual risks, and external risks.

Risk bearing capacity is the amount of risk a company can take on to achieve its strategy and business objectives. Risk bearing capacity is primarily represented by the company's solvency, on the basis of which the company prepares for investment risks and the technical risks for which the company is responsible. The company's risk bearing capacity is also affected by the quality of the company's management system and risk management. High quality and reliable governance, internal con-

trol and risk management will increase the company's risk bearing capacity. In 2014, with Elo's operations just starting, its risk bearing capacity can be assessed as having been slightly diminished because its business processes were not yet fully established.

Risk appetite is the amount of risk a company is willing to take on in order to achieve its business objec-

tives. Risk taking in its various forms takes place within the limits set by the Board of Directors and is determined in such a way that it does not endanger the company's operations or stability. The most important decision regarding the company's risk appetite is related to the risk position of the company's investments and its solvency management.



## ORGANISATION OF RISK MANAGEMENT

The responsibilities of the company's risk management and the duties of the various parties are described at Elo using the three levels ('lines of defence') of risk management.

The Board of Directors decides upon the company's strategy and business objectives. Elo's Board of Directors has overall responsibility for arranging risk management. The Board of Directors confirms the general principles, distribution of responsibility and key policies related to risk management. The Board of Directors con-

firms the aims and limitations regarding risks in greater detail annually in the risk management plan, and regarding investments in the investment plan. Aims, measures and limits concerning risks may also be contained in business plans. Risk management matters are also discussed in the Audit Committee of the Board of Directors.

The Board of Directors regularly monitors the state of the company's risk management and any developments regarding key risks. Solvency and investment risks are reported to the Board of Directors regularly and in a

standardized manner on a monthly basis. A slightly broader report is prepared every quarter, and the situation regarding risks and the risk management plan is reported semi-annually.

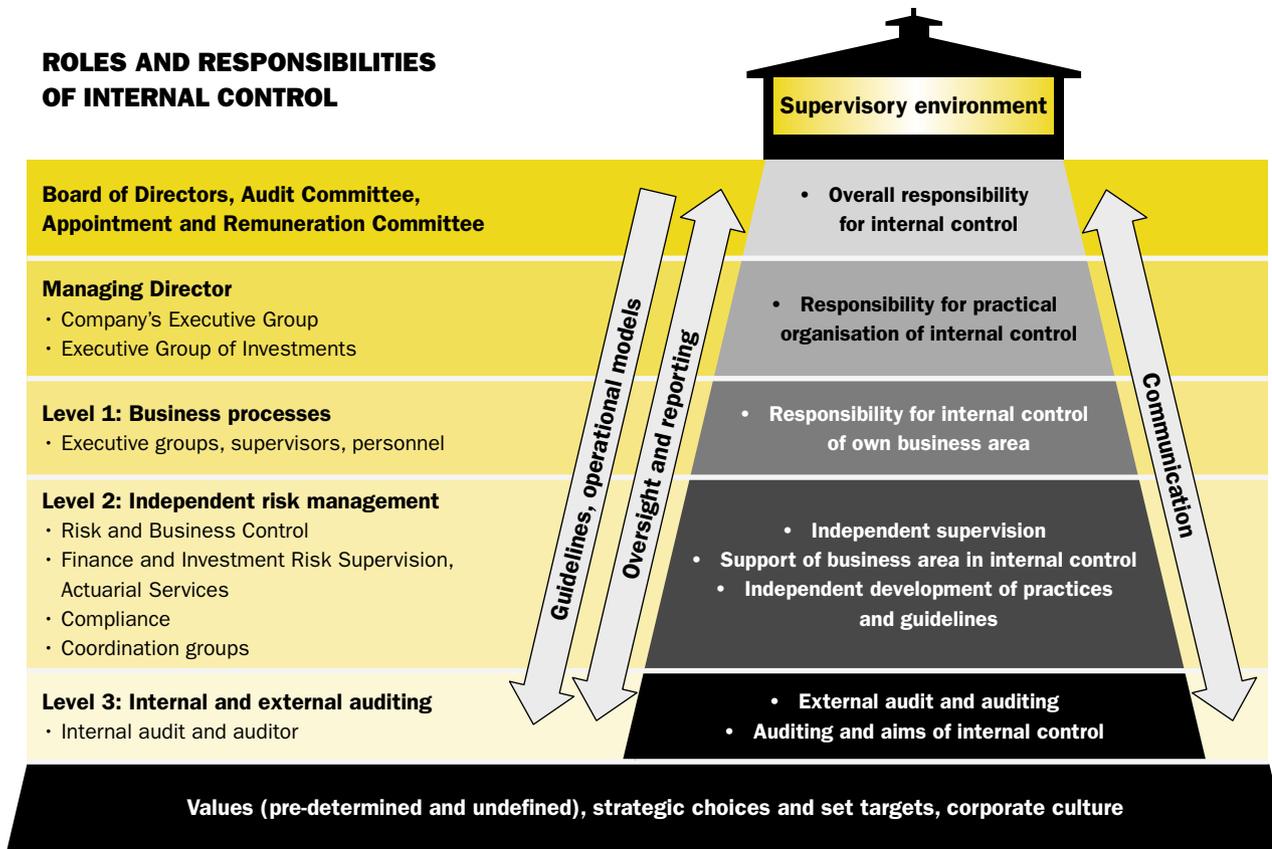
The company's Managing Director is responsible to the Board of Directors for the company's operations, including the company's risks and arranging risk management.

At the first level of risk management, the heads of the businesses are responsible to the Managing Director for the business risks and operational risks of the operations in their area of responsibility, and for the implementation of necessary risk management measures, compliance with the company's risk management policy, with the risk management plan and with risk management guidelines, and for risk oversight within their business area.

The second level of risk management comprises independent risk monitoring functions. The Risk and Business Control unit functions as the company's centralised, independent risk monitoring unit. It assesses the state of the company's risks and risk management as a whole, supports risk management development work, and prepares the company's risk management plan for approval by the Board of Directors. Some areas also have separate entities that take care of independent monitoring: for solvency and investment risks, oversight and reporting are carried out in the Finance and Investment Risk Supervision unit. The Actuarial Services unit monitors technical risks and contributes to solvency supervision. The Compliance unit – which operates in conjunction with the legal department – supports and monitors business in relation to compliance with official regulations (acts, decrees, regulations, guidelines).

The third level consists of the internal and external audit. The internal audit assesses the adequacy and efficiency of risk management processes by giving recommendations for improving these and advising on their

## ROLES AND RESPONSIBILITIES OF INTERNAL CONTROL



development. The audit assesses the adequacy of the risk management process from the point of view of the reliability of the financial statements.

In order to implement risk management, there are risk management coordination groups operating in the company in the areas of comprehensive risk management, solvency, investment risk management and security.

## CLASSIFICATION OF RISK MANAGEMENT AND GENERAL PRINCIPLES

Risks are divided into three categories in Elo's risk management planning and documentation:

- Strategic risks
- Financial risks
- Operational risks.

Strategic risks include risks related to strategic choices, changes in market position, competitive situation or client behaviour, and general financial performance. Depending on the situation, financial or operational risk may turn into strategic risk. Financial risks are primarily related to solvency and the risks of investment operations, risk concentrations, the company's operating expenses, liquidity and risks associated with insurance operations. Operational risks refer to risks that are caused by processes, people, ICT systems or external factors. Legal and compliance risks are also considered in conjunction with operational risks.

In accordance with the risk management principles, the aim at Elo is to have a corporate culture in which internal control and risk management are an integral part of operations, the management system and day-to-day decision making. The company's corporate culture, which is based on openness and trust, also supports risk management. The aim under all circumstances is to secure the company's solvency and liquidity.

## FINANCIAL RISKS

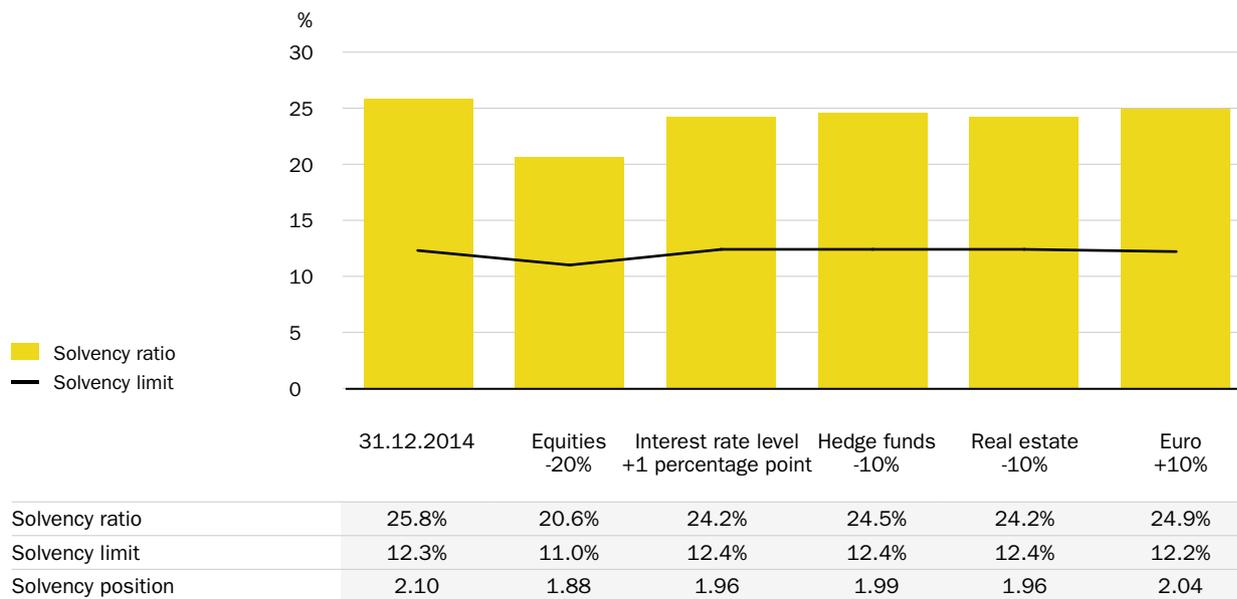
### Solvency

For employment pension companies, the risk with the most substantial impact is the risk of a significant reduction in solvency, typically caused by the realisation of investment risks. Elo aims to achieve profitable investment operations and to ensure its solvency. Investment operations are guided by principles included in the investment plan. The risks of investment operations are analysed within the context of a solvency framework set by the authorities and the company's internal risk models. The riskiness of investments affects the amount of solvency capital required. Investment operations are

also restricted by the limits set for coverage, the return requirement on technical provisions and the requirement to secure liquidity.

Solvency capital is used as a buffer against fluctuations in the employment pension company's investment assets and in insurance operations. The management of investment risks is based on securing the company's solvency with sufficient probability. Solvency capital must be abundant enough that it can be used to cover expected variations in the values and returns of assets that cover technical provisions. Overall risk is set at a level where the ratio of the solvency capital to the solvency requirement remains sufficient even if risks are realised.

## SOLVENCY SENSITIVITY ANALYSIS



The purpose of the solvency capital equalisation provision is to cover any losses from insurance operations, while the purpose of other solvency responsibilities – primarily the provision for future bonuses and investment valuation items – is to serve as a buffer in case of any losses from investment operations. If the investment income exceeds the return requirement on technical provisions, the amount by which it does so will be added to the solvency capital. If the investment income is less than the return requirement, then the accumulated solvency capital will be reduced by an equivalent amount.

Elo Mutual Pension Insurance Company's solvency is monitored using a solvency framework set by the authorities. The solvency capital, solvency ratio and solvency position are reported as key solvency figures. Requirements set by the authorities concerning the covering of liabilities are aimed at ensuring the diversification of investment risks and preventing concentration risk from arising.

The solvency situation is also monitored with models developed by the company, which are intended to describe the actual investment risks better than the framework set by the authorities. The models are used to carry out solvency sensitivity analyses, monitor the development of risk figures and evaluate future solvency by making use of various economic scenarios.

The scenario model used at Elo that supports risk management and solvency management is based on actual financial key figures and the relationships between these. The solvency framework of the Finnish private sector employment pension system is incorporated in the model, and the model also strives to take into account the system's special technical characteristics. The basis for the scenario model is a comprehensive analysis of observed historical variables with which the aim is to create possible and relevant scenarios that affect solvency.

Elo's solvency capital was EUR 4,084.0 million at the end of 2014, and this represented 25.8 per cent of the technical provisions used in the solvency calculation. The solvency limit was 12.3 per cent of the technical provisions used in the solvency calculation. The solvency capital exceeded the solvency limit by a factor of 2.1.

## INVESTMENT RISKS

The management of risks associated with investment activities is a part of Elo's core processes and an essential part of the investment strategy. Risk limits and risk diversification targets in line with the company's investment policy and investment aims are set in such a way that the company's solvency would not be endangered

### Distribution of and return on investment activity 2014

	Basic distribution		Risk distribution		Return	Volatility
	EUR million	%	EUR million	%	%	%
<b>Fixed-income investments</b>	<b>8,467.3</b>	<b>43.2</b>	<b>8,303.3</b>	<b>42.3</b>	<b>3.8</b>	
Loans	589.7	3.0	589.7	3.0	3.1	
Bonds	6,806.6	34.7	6,806.6	34.7	4.5	2.5
Bonds of public corporations	3,736.1	19.0	3,736.1	19.0	3.2	
Bonds of other corporations	3,070.5	15.7	3,070.5	15.7	5.9	
Other financial market instruments and deposits, which include receivables and liabilities related to the investments	1,071.0	5.5	907.0	4.6	0.2	
<b>Equity investments</b>	<b>6,447.1</b>	<b>32.9</b>	<b>6,928.4</b>	<b>35.3</b>	<b>9.8</b>	
Listed equities	5,399.0	27.5	5,880.3	30.0	8.0	7.0
Private equity investments	766.7	3.9	766.7	3.9	18.9	
Unlisted equities	281.5	1.4	281.5	1.4	26.0	
<b>Real estate investments</b>	<b>2,686.4</b>	<b>13.7</b>	<b>2,686.4</b>	<b>13.7</b>	<b>5.4</b>	
Direct real estate investments	2,154.6	11.0	2,154.6	11.0	4.7	
Real estate funds and joint investment companies	531.8	2.7	531.8	2.7	8.6	
<b>Other investments</b>	<b>2,015.0</b>	<b>10.3</b>	<b>1,996.7</b>	<b>10.2</b>	<b>7.1</b>	
Hedge fund investments	2,015.9	10.3	2,015.9	10.3	7.2	2.4
Commodity investments	0.3	0.0	-6.6	0.0	-	
Other investments	-1.2	0.0	-12.7	-0.1	-	
<b>Total investments</b>	<b>19,615.8</b>	<b>100.0</b>	<b>19,914.8</b>	<b>101.5</b>	<b>6.2</b>	<b>2.6</b>
Effect of derivatives			-299.0	-1.5		
<b>Total</b>	<b>19,615.8</b>	<b>100.0</b>	<b>19,615.8</b>	<b>100.0</b>		

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 returns.

The modified duration of bonds is 3.5 years.

under any circumstances with an acceptable probability. The investment distribution and other return and risk targets and limitations are specified in the investment plan confirmed annually by the Board of Directors.

Elo uses its own internal analysis tool to support its investment category decisions and optimal asset class planning. This tool takes into consideration expected returns, dispersions and asset class correlations. The overall solvency of the employment pension industry is also taken into account. The so-called strategic allocation thus calculated describes the distribution of investment categories that is likely to generate the best return permitted by the company's solvency in the long term.

Key risk factors for investment operations include market risks, credit and counterparty risks, liquidity risks and operational risks. Market risk refers to the possibility of losses from investments as a result of changes in market prices or volatility. Market risks include equity risk, interest risk, currency risk, commodity risk and the risk caused by changes in real estate values.

Equity investments' market risk refers to changes in share prices in the markets. This so-called systematic equity risk is created as a result of changes in the economic situation and sudden market disturbances. Risk that is independent of the markets, and for example caused by an individual company or industry is called unsystematic risk. The unsystematic equity risk can be reduced by diversifying investments across a range of investment objects, industries and geographical regions. Risk associated with equities can be limited by using hedging equity and equity index derivatives.

Interest risk refers to the impact of changes in the general interest rate level and credit risk margins on fixed income investments. Interest risk is managed by changing the distribution of investments on the yield curve within the framework of investment limits with both cash investments and derivatives. Credit risk is managed by diversifying investments across different

industries and credit classes, and geographically. The credit risk of bonds is managed by limiting both individual investments by credit class and the combined share of a specific credit class within the bond portfolio. In order to manage the counterparty risk of OTC derivatives, Elo uses standard agreements approved by the International Swaps and Derivatives Association (ISDA) and limits the amount of open counterparty risk with security measures.

### Insurance risks

The insurance premium and technical provisions include a component for business under the company's responsibility and a component for business under the joint responsibility of pension providers.

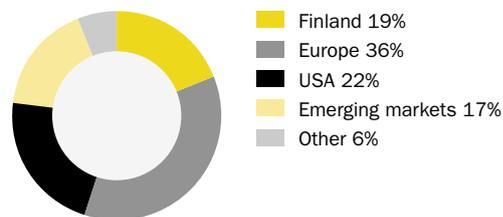
The key insurance risks are created by the deviations of forecasts used in determining the insurance premiums from the realised costs, especially in terms of new pensions granted and other similar costs. In determining the bases for technical provisions, the key insurance risks are acquired through the 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. Their appropriateness is assessed using a calculation basis division set by the Finnish Pension Alliance TELA, and by the division's sub-groups. The law requires companies to cooperate in developing the calculation bases. Each company analyses the sufficiency of the risk bases annually. 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.

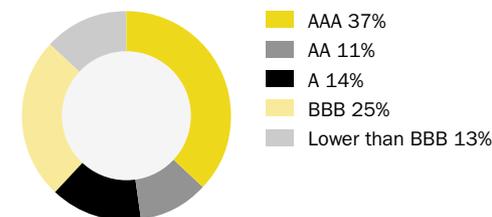
Employment pension companies jointly prepare and apply for the bases of the insurance premium, technical provisions and required return. Elo participated in the preparation of the calculation bases under the supervision of an actuary. Cooperation between authorised pension providers is compulsory by law.

The majority of Elo's insurance business under the company's responsibility for 2014 consisted of pension insurance under the Employees' Pensions Act (TyEL).

### GEOGRAPHICAL DISTRIBUTION OF INVESTMENTS IN LISTED EQUITIES



### CREDIT RATING DISTRIBUTION OF BONDS



The company also offered supplementary Employees' Pensions Act (TEL) coverage and Self-Employed Persons' Pensions Act (YEL) coverage.

#### **TyEL pension insurance**

The risks involved in TyEL pension insurance concern old-age pensions, disability pensions and credit losses on premiums. For survivors' pensions and part-time pensions, there is no liability for the company.

The risk involved in old-age pensions lies in the insured and pension recipients living beyond the life expectancy used as a calculation basis. However, the risk is significantly reduced by the fact that there is joint and several liability for changes in calculation bases related to general longevity, and these are covered by the clearing reserve.

For disability pensions, the risk concerns the sufficiency of premiums for covering the costs of pension cases. If the premium rate of disability pensions increases, the next calculation basis will be adjusted upwards. A risk deviating from the average is, however, the company's responsibility. Pricing based on premium categories is used for major employers. Here, the company's risk lies in the fact that the figures used as the basis for pricing date back several years and do not show the actual disability risk for the policyholder. There is an additional risk of the policyholder transferring to another company when the premium category rises, which means that the provisions remaining in the company must be sufficient to cover future disability expenses.

The last unemployment pensions terminated in 2014.

Credit losses on premiums are the company's responsibility. The premium includes a premium loss component to cover this risk. Here, too, the company's risk lies in how well the premium loss component corresponds to the actual risk.

All of the above-mentioned losses are primarily paid from the company's equalisation provision. As the equalisation provision is well above its lower limit, technical risks do not pose a threat to the company's operations in the short term. In addition, there is no need for the company to reinsure any risks.

The company has no influence over the old-age pensions or unemployment pensions already granted, but it can encourage activities promoting workplace wellbeing. The aim is to pay attention to preventive maintenance of working capacity, so that there would be no need to grant disability pensions. The company seeks to avoid credit losses on premiums, although it cannot refuse to issue a policy that has been legitimately applied for. As regards existing policies, the company tries to reduce credit losses through efficient collection of premiums.

#### **Supplementary TEL insurance**

Supplementary TEL coverage is similar to TyEL pension insurance in terms of technical risks. The difference is that for survivors' pension insurance the company has partial responsibility. Funeral allowance can also be insured. Major employers have no deductibles. Business in this line is much slower than in the TyEL pension insurance, and losses are mainly paid from the equalisation provision. Supplements to the mortality basis are also paid from the equalisation provision. Supplementary TEL coverage will end on 31 December 2016, after which the future benefits of insurance policies will be converted into vested rights and financing will be transferred to the distribution system.

#### **Basic YEL insurance**

Elo has responsibility for basic YEL insurance only with respect to the operational part. There is joint responsibility for this business, and the state of Finland bears the ultimate responsibility for the payment of pensions.

#### **Supplementary YEL insurance**

In supplementary YEL insurance, the company also has an operational responsibility, and the financing is arranged through the distribution system.

#### **Clearing reserve with joint responsibility**

The non-funded share of the pension expenditure is the joint responsibility of the pension providers. The share of the pooled pension expenditure that is being paid during any year is financed with the pooled component of the TYEL pension payment and the clearing reserve for the same year. The annual pension expenditure is buffered with the clearing reserve included in the company's technical provisions. The risk associated with the financing of pensions with joint responsibility is carried by the insured and policyholders, and these pensions do not therefore cause risks from a financing point of view to an individual authorised pension provider. However, the company has an operational responsibility for pensions with joint responsibility.

The insurance and claims operations themselves are subject to operational risks.

#### **Other financial risks**

Liquidity risk refers to the weakening of the company's own ability to meet commitments and the insufficiency of liquid funds to cover expenses. Liquidity risk management is based on forecasting incoming and outgoing payments with various time frames, and taking the liquidity requirement into account in the structure of the investments in the investment portfolio. Liquidity management is made easier if the forecasting of monthly pension payments is at an accurate level.

Model risk has to do with models used in decision-making, which are very simplified descriptions of reality. Model risk is managed by testing results with various data and assumptions, and by systematically evaluating models in order to obtain a sufficiently in-depth and

broad understanding of the structures and assumptions of the models.

The company's efficiency and operating expenses are subject to an operating expenses management risk. The management of operating expenses is included in the management of the company's operations and in the monitoring of these in both projects and day-to-day business.

Concentration risk may arise from widespread operations with a single counterparty or from investments in a single industry. The risk is managed by limiting concentrations through the use of investment diversification objectives, for example.

### **Operational risks**

Operational risk refers to risk caused by defective operations. At Elo, operational risks are classified by cause into process, personnel and information system risks, and risks caused by external factors. Legal risks, reputation risk and compliance matters are also dealt with under operational risks.

It is not possible or practical to protect against all operational risks. The aim is to create a comprehensive and systematic risk management system with which the probabilities or effects of operational risks are reduced.

Elo's most substantial operational risks are related to information systems. Paying pensions accurately and on time and securing investment operations and solvency are examples of critical processes for an employment pension company, and they require information systems to operate without disruptions. In 2014 Elo's extensive information system projects related to the integration process substantially raised the operational risk associated with information systems. Risks were managed using project management methods such as careful planning and testing of projects. Prior identification of the risks of the systems in use is part of the risk survey operation. Deviations are monitored and dealt with immediately. During Elo's first year of operations,

extensive information system projects proceeded successfully as a whole, and no substantial risks were realised. Information system risks are monitored regularly in a project and information management coordination group that includes representatives from each of Elo's processes and units.

The personnel and fluidity of processes also carry substantial operational risks. Significant risks identified in advance and associated with the commencement of Elo's operations were as follows: the heavy workload of the personnel, factors related to corporate culture, and the use of processes that were not yet fully established. A particular focus on supervisor work is one example of the management measures used. Substantial risks in the personnel and process area were not realised.

Reputation risk was realised in the autumn of 2014 when several media reported that the Financial Supervisory Authority was investigating the administrative procedures of LocalTapiola Mutual Pension Insurance Company, which is one of Elo's two predecessor companies. The reporting was based on a letter written by the Financial Supervisory Authority that had been labelled confidential and that the media gained access to.

In 2014, the risk management operating models and risk assessments were harmonised in Elo's operational risk management, and measures were taken to ensure that recording any deviations that occur is a part of every employee's day-to-day operations. A continuity plan was also drawn up for Elo to ensure the continuity of operations in cases of disturbances to business operations and in unexpected special situations. The aim is to create conditions for managing special situations and for the most controlled and smooth recovery possible. Continuity management is particularly aimed at ensuring that citizens' livelihoods are secured, in other words that pensions are paid and financed under all circumstances.

The key processes of operational risk management include risk surveys (prior identification and assessment

of risks) and the monitoring of deviations (actual cases or close calls). In the biannual risk surveys facilitated by independent risk monitoring, each business identifies the operational risks associated with its own activities, assesses their impact, and defines adequate control and management measures whose implementation is monitored regularly. The entry of deviations is monitored regularly in the management groups for the processes. The results of risk surveys and deviation monitoring are utilised in the planning of process and unit operations and in the preparation of the company's risk management plan.

### **Strategic risks**

Elo's strategic risks are assessed in conjunction with the company's planning of operations (strategic or annual planning) and the associated risk management planning. The identification of strategic risks and the planning of risk management methods are based on the management experience of the company management. Elo's most substantial strategic risks in 2014 were connected with the integration process, the related ICT projects, cooperation with partners, and investment operations and solvency management.

### **Outsourced operations**

Elo is responsible to its clients for the risks of services obtained from elsewhere, just as it is for the risks of the services it produces itself. The key external service providers are ICT providers (Otso and Tieto, for example) and strategic distribution channel partners (LocalTapiola and Fennia). Risk management regarding services purchased from elsewhere takes into account the clarity and transparency of the purchaser-provider model, clear agreement of responsibilities and service contents, and ensuring the provision of services. In outsourcing, the outsourcing principles approved by Elo's Board of Directors are complied with.

# BOARD OF DIRECTORS' PROPOSAL ON THE DISPOSAL OF PROFIT

The Board of Directors proposes that the financial year surplus of EUR 2,940,027.32 be transferred to the contingency fund. Elo has no guarantee capital.

## SIGNATURES FOR THE BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 2014

Espoo 16 March 2015

BOARD OF DIRECTORS

Pekka Sairanen

Ann Selin

Heimo J. Aho

Eeva-Liisa Inkeroinen

Jari Karlson

Heikki Kauppi

Antti Kuljukka

Reija Lilja

Outi Lähteenmäki-Lindman

Jorma Malinen

Harri Miettinen

Erkki Moisander

Jussi Mustonen

Antti Neimala

Olavi Nieminen

Timo Vallittu

Lasse Heiniö  
Managing Director

Mikko Karpaja  
Fellow of the Actuarial Society of Finland,  
Actuary in accordance with Chapter 18, Section 8  
of the Insurance Companies Act

# KEY FIGURES

## KEY FIGURES FOR FINANCIAL DEVELOPMENT

Elo Mutual Pension Insurance Company was established on 1 January 2014, when Pension Fennia was merged with LocalTapiola Pension. The earlier years' figures used for comparison purposes in Elo's key figures are those for LocalTapiola Pension. The concepts in the key figure tables are the same as in the profit and loss account and balance sheet, unless otherwise specified. As each of the figures is rounded, they will not necessarily add up to the final sum given.

Summary of key figures	2014	2013	2012	2011	2010
Premiums written, EUR million	3,022.9	1,602.7	1,561.6	1,490.5	1,425.7
Pensions paid to pension recipients, EUR million *)	2,731.9	1,490.4	1,384.7	1,275.5	1,189.6
Pensions paid and other compensations, EUR million <sup>1)</sup>	3,057.0	1,598.5	1,486.6	1,415.6	1,333.8
Net investment income at current value, EUR million <sup>7)</sup>	1,163.8	544.3	828.7	-291.0	915.6
Net return on invested capital, % <sup>7)</sup>	6.2%	5.4%	9.1%	-3.1%	10.7%
Turnover, EUR million	4,067.0	2,066.5	1,924.9	1,735.8	1,839.5
Total operating expenses, EUR million	128.3	68.5	61.6	64.2	67.5
% of turnover	3.2%	3.3%	3.2%	3.7%	3.7%
Operating expenses covered by expense loading					
% of TyEL payroll and YEL confirmed income	0.7%	0.7%	0.7%	0.7%	0.8%
Total result, EUR million	362.5	70.2	464.1	-521.2	575.4
Technical provisions, EUR million	17,078.6	9,236.2	8,844.1	8,471.1	8,219.1
Solvency capital, EUR million <sup>2)</sup>	4,084.0	2,123.0	2,147.7	1,687.5	2,175.4
% of technical provisions <sup>3)</sup>	25.8%	25.1%	27.0%	22.3%	29.6%
Excl. temp. chngs in legislation/equalis. provision	22.9%	22.0%	21.9%	17.4%	24.4%
Ratio to the solvency limit	2.1	1.9	2.7	3.6	3.0
Excl. temp. chngs in legislation/equalis. provision	1.9	1.7	2.2	2.8	2.4
Equalisation provision, EUR million	463.0	258.5	268.6	277.5	322.8
Pension assets, EUR million <sup>4)</sup>	19,869.4	10,558.2	10,071.5	9,230.9	9,506.4
Transfer to client bonuses, % of TyEL payroll <sup>5)</sup>	0.51%	0.48%	0.47%	0.36%	0.44%
TyEL payroll, EUR million	11,025.9	6,054.2	5,932.2	5,856.2	5,804.4
YEL confirmed income, EUR million	1,937.1	1,050.5	999.4	947.7	869.4
No. of TyEL insurance policies <sup>6)</sup>	46,103	26,265	25,314	25,635	25,940
No. of TyEL insured <sup>7)</sup>	398,079	219,133	211,726	211,971	219,018
No. of YEL insurance policies	87,350	51,953	50,997	49,375	47,285
No. of pension recipients	217,443	125,266	122,729	120,671	117,955

\*) Pensions and other compensation paid to pension recipients.

- 1) Claims paid as shown in the profit and loss account excluding claims handling and working capacity maintenance expenses.
- 2) Solvency ratio up to and including 2012 calculated in accordance with the provisions in force at the time. (the corresponding principle applies also to other solvency key figures).

3) Ratio calculated as percentage of the technical provisions used in the calculation of the solvency limit.

- 4) Technical provisions + valuation difference.
- 5) Rounded to two decimal places.
- 6) Policies of employers who have entered into insurance contracts.
- 7) Comparison periods have been converted to correspond to current calculation practice.

## INVESTMENT DISTRIBUTION AT CURRENT VALUE

	Basic distribution				Risk distribution <sup>8)</sup>					
	31.12.2014		31.12.2013		31.12.2014		31.12.2013	31.12.2012	31.12.2011	31.12.2010
	EUR million	%	EUR million	%	EUR million	% <sup>10)</sup>				
<b>Fixed-income investments, total</b>	<b>8,467.3</b>	<b>43.2</b>	<b>4,631.5</b>	<b>44.3</b>	<b>8,303.3</b>	<b>42.3</b>	<b>44.3</b>	<b>51.5</b>	<b>58.8</b>	<b>51.2</b>
Loans <sup>1)</sup>	589.7	3.0	305.6	2.9	589.7	3.0	2.9	3.3	2.9	4.1
Bonds	6,806.6	34.7	3,768.8	36.1	6,806.6	34.7	36.1	44.6	41.8	43.5
Other money market instruments and deposits <sup>1), 2)</sup>	1,071.0	5.5	557.1	5.3	907.0	4.6	5.3	3.6	14.2	4.4
<b>Equity investments, total</b>	<b>6,447.1</b>	<b>32.9</b>	<b>3,552.5</b>	<b>34.0</b>	<b>6,928.4</b>	<b>35.3</b>	<b>34.9</b>	<b>30.7</b>	<b>21.9</b>	<b>34.7</b>
Listed equities <sup>3)</sup>	5,399.0	27.5	3,039.7	29.1	5,880.3	30.0	30.0	26.2	18.1	32.1
Private equity investments <sup>4)</sup>	766.7	3.9	430.6	4.1	766.7	3.9	4.1	3.7	3.2	2.1
Unlisted equities <sup>5)</sup>	281.5	1.4	82.2	0.8	281.5	1.4	0.8	0.8	0.6	0.6
<b>Real estate investments, total</b>	<b>2,686.4</b>	<b>13.7</b>	<b>1,378.4</b>	<b>13.2</b>	<b>2,686.4</b>	<b>13.7</b>	<b>13.2</b>	<b>12.6</b>	<b>12.9</b>	<b>11.3</b>
Direct real estate investments	2,154.6	11.0	1,073.8	10.3	2,154.6	11.0	10.3	10.1	10.6	9.6
Real estate funds and joint investment companies	531.8	2.7	304.6	2.9	531.8	2.7	2.9	2.5	2.3	1.7
<b>Other investments</b>	<b>2,015.0</b>	<b>10.3</b>	<b>880.7</b>	<b>8.4</b>	<b>1,996.7</b>	<b>10.2</b>	<b>8.4</b>	<b>6.6</b>	<b>3.6</b>	<b>2.7</b>
Hedge fund investments <sup>6)</sup>	2,015.9	10.3	880.7	8.4	2,015.9	10.3	8.4	6.9	3.3	0.9
Commodity investments	0.3	0.0	0.0	0.0	-6.6	0.0	0.0	-0.3	0.0	0.0
Other investments <sup>7)</sup>	-1.2	0.0	0.0	0.0	-12.7	-0.1	0.0	0.0	0.3	1.9
<b>Investments, total</b>	<b>19,615.8</b>	<b>100.0</b>	<b>10,443.1</b>	<b>100.0</b>	<b>19,914.8</b>	<b>101.5</b>	<b>100.9</b>	<b>101.4</b>	<b>97.3</b>	<b>100.8</b>
Effect of derivatives <sup>9)</sup>					-299.0	-1.5	-0.9	-1.4	2.7	-0.8
<b>Investments at current value, total</b>	<b>19,615.8</b>	<b>100.0</b>	<b>10,443.1</b>	<b>100.0</b>	<b>19,615.8</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Modified duration of bond portfolio	3.5									

1) Includes accrued interest.

2) Includes cash at bank and in hand and purchase price claims and obligations.

3) Includes also mixed funds if these cannot be allocated elsewhere.

4) Includes private equity funds and mezzanine funds and also infrastructure investments.

5) Includes also unlisted real estate investment companies.

6) Includes all types of hedge fund investments regardless of the strategy of the fund.

7) Includes items that cannot be included in other investment classes.

8) Risk distribution can be shown from reference periods as the knowledge accumulates (not with retroactive effect).

If the figures are shown from reference periods and the periods are not completely comparable, this must be stated.

9) Includes the effect of derivatives on the difference between the risk distribution and the basic distribution. The effect of derivatives can be +/-.

After the adjustment, the final sum of the risk distribution will equal that of the basic distribution.

10) The proportion is calculated by using the total amount of the line "Total investments at current value" as the divisor.

## NET INVESTMENT INCOME ON INVESTED CAPITAL

	Net investment income at market value <sup>8)</sup>	Invested capital <sup>9)</sup>	Return on invested capital, %				
		31.12.2014		31.12.2013	31.12.2012	31.12.2011	31.12.2010
Return EUR / % on invested capital	EUR million	EUR million	%	%	%	%	%
<b>Fixed-income investments, total</b>	<b>305.0</b>	<b>8,026.6</b>	<b>3.8</b>	<b>0.2</b>	<b>7.4</b>	<b>2.5</b>	<b>6.5</b>
Loans <sup>1)</sup>	18.8	596.2	3.1	3.0	2.9	3.1	3.3
Bonds	283.6	6,322.6	4.5	0.0	8.9	2.9	6.9
Other money market instruments and deposits <sup>1), 2)</sup>	2.6	1,107.8	0.2	-0.1	0.9	0.5	1.5
<b>Equity investments, total</b>	<b>600.0</b>	<b>6,114.5</b>	<b>9.8</b>	<b>14.1</b>	<b>16.3</b>	<b>-14.8</b>	<b>22.2</b>
Listed equities <sup>3)</sup>	423.1	5,261.3	8.0	14.7	16.9	-17.5	23.0
Private equity investments <sup>4)</sup>	120.6	636.5	18.9	10.7	11.7	16.8	12.8
Unlisted equities and shares <sup>5)</sup>	56.3	216.7	26.0	9.8	18.2	7.1	9.5
<b>Real estate investments, total</b>	<b>148.3</b>	<b>2,726.4</b>	<b>5.4</b>	<b>4.2</b>	<b>4.5</b>	<b>6.0</b>	<b>5.5</b>
Direct real estate investments	103.3	2,199.6	4.7	3.8	5.2	6.0	6.9
Real estate funds and joint investment companies	45.1	526.8	8.6	5.4	1.1	6.1	-1.3
<b>Other investments</b>	<b>130.7</b>	<b>1,833.0</b>	<b>7.1</b>	<b>5.5</b>	<b>1.7</b>	<b>-4.3</b>	<b>-5.9</b>
Hedge fund investments <sup>6)</sup>	132.3	1,834.6	7.2	5.0	3.1	4.6	-4.7
Commodity investments	0.9	-0.1	-	-	-	-	-
Other investments <sup>7)</sup>	-2.4	-1.6	-	-	-	-	-
<b>Investments, total</b>	<b>1,184.0</b>	<b>18,700.5</b>	<b>6.3</b>	<b>5.5</b>	<b>9.0</b>	<b>-3.0</b>	<b>10.8</b>
Unallocated return, costs and operating expenses	-20.2	18,700.5	-0.1	-0.1	-0.1	-0.1	-0.1
<b>Net investment income at current value</b>	<b>1,163.8</b>	<b>18,700.5</b>	<b>6.2</b>	<b>5.4</b>	<b>9.0</b>	<b>-3.1</b>	<b>10.8</b>

1) Includes accrued interest.

2) Includes cash at bank and in hand and purchase price claims and obligations.

3) Includes also mixed funds if these cannot be allocated elsewhere.

4) Includes private equity funds and mezzanine funds and also infrastructure investments.

5) Includes also unlisted real estate investment companies.

6) Includes all types of hedge fund investments regardless of the strategy of the fund.

7) Includes items that cannot be included in other investment classes.

8) Change in market values at the end and beginning of the reporting period – cash flows during the period.

Cash refers to the difference between sales/returns and purchases/expenses.

9) Capital employed = Market value at the beginning of the period + daily/monthly time-weighted cash flows.

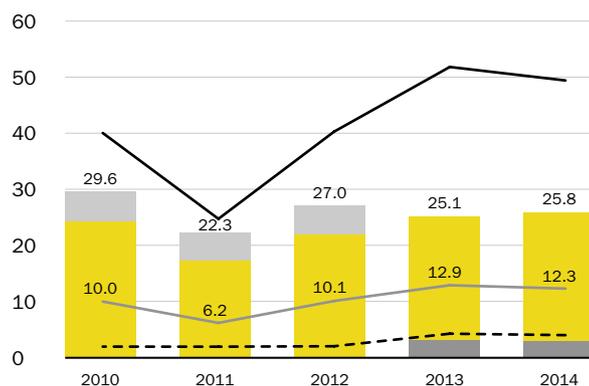
## LOADING PROFIT

EUR million	2014	2013	2012	2011	2010
Expense loading	117.7	64.6	61.7	60.1	61.4
Share of premium available to cover operating expenses resulting from claims decisions	5.4	3.0	2.9	3.0	2.5
Other income	1.0	0.1	0.2	0.1	0.1
Expense loading, total	124.1	67.6	64.8	63.1	64.0
Operating expenses by operation <sup>1)</sup>	-92.2	-50.3	-46.3	-48.5	-51.9
Other expenses	0.0	-0.3	-0.6	-0.1	-0.3
Operating expenses, total	-92.2	-50.6	-46.9	-48.6	-52.2
<b>Loading profit</b>	<b>31.8</b>	<b>17.0</b>	<b>17.9</b>	<b>14.6</b>	<b>11.8</b>
<b>Operating expenses/loading profit, %</b>	<b>74.3%</b>	<b>74.9%</b>	<b>72.3%</b>	<b>76.9%</b>	<b>81.6%</b>

1) Does not include operating expenses for investment activities and working capacity maintenance and statutory charges.

## SOLVENCY CAPITAL AND ITS LIMITS

% of technical provisions



- EMU-buffer
- Solvency margin / Other solvency capital
- Equalisation provision
- Maximum amount of solvency capital
- Solvency limit
- - Minimum amount of solvency capital

Solvency ratio up to and including 2012 calculated in accordance with the provisions in force at the time. For the 2010–2013 period, the figures reported for Elo are those of LocalTapiola Pension.

## SOLVENCY CAPITAL AND ITS LIMITS

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

%	2014	2013	2012	2011	2010
Solvency limit	12.3	12.9	10.1	6.2	10.0
Maximum amount of solvency capital <sup>1)</sup>	49.3	51.7	40.2	24.7	39.9
Solvency capital before equalisation provision <sup>2)</sup>	22.9	22.0			
Solvency capital (solvency ratio) <sup>3)</sup>	25.8	25.1	27.0	22.3	29.6

- 1) Maximum solvency margin up to and including 2012.
- 2) Reported from 2013 onwards.
- 3) Solvency margin up to and including 2012 calculated in accordance with the provisions in force at the time. (the corresponding principle also applies to other solvency key figures).

## PERFORMANCE ANALYSIS

EUR million	2014	2013	2012	2011	2010
<b>Creation of result</b>					
Insurance business surplus/shortfall	<b>-11.3</b>	<b>-9.5</b>	<b>-7.9</b>	<b>-44.7</b>	<b>38.6</b>
Result of investment operations at current value	<b>342.0</b>	<b>62.7</b>	<b>454.1</b>	<b>-491.0</b>	<b>525.0</b>
+ Net investment income at current value <sup>1)</sup>	1,163.8	544.3	828.7	-291.0	915.6
– Return requirement on technical provisions	-821.8	-481.6	-374.6	-200.0	-390.6
Loading profit	<b>31.8</b>	<b>17.0</b>	<b>17.9</b>	<b>14.6</b>	<b>11.8</b>
<b>Total result</b>	<b>362.5</b>	<b>70.2</b>	<b>464.1</b>	<b>-521.2</b>	<b>575.4</b>
<b>Usage of result</b>					
For change in solvency	<b>306.2</b>	<b>40.9</b>	<b>436.3</b>	<b>-542.4</b>	<b>550.1</b>
For change in equalisation provision	-12.3	-10.1	-8.8	-45.3	38.3
merger	-216.8				
change in equalisation provision after merger	204.5				
For change in provision for future bonuses	163.5	-46.3	-24.5	27.8	-10.7
merger	-97.8				
change in provision for future bonuses after merger	261.3				
For change in valuation differences	151.7	94.6	467.5	-527.5	520.3
merger	-1,317.1				
change in valuation differences after merger	1,468.8				
For accumulated appropriations	0.3	0.0	0.0	0.0	0.0
For profit for the financial year	2.9	2.6	2.1	2.6	2.1
For transfer to client bonuses	56.4	29.3	27.8	21.2	25.3
For supplementing provision for current bonuses					
<b>Total</b>	<b>362.5</b>	<b>70.2</b>	<b>464.1</b>	<b>-521.2</b>	<b>575.4</b>

1) Includes other fixed income items.

## WORKING CAPACITY MAINTENANCE

EUR million	2014	2013	2012	2011	2010
Premiums written; disability risk management	3.1	1.7	1.7	1.7	1.6
Claims incurred; working capacity maintenance expenses	4.8	2.1	1.8	2.0	2.2
<b>Working capacity maintenance expenses / disability risk management, %</b>	<b>154%</b>	<b>124%</b>	<b>109%</b>	<b>113%</b>	<b>133%</b>

# GUIDE TO KEY FIGURES

Elo Mutual Pension Insurance Company was established on 1 January 2014, when Pension Fennia was merged with LocalTapiola Pension. The earlier years' figures used for comparison purposes in the profit and loss account, balance sheet and key figures are those for LocalTapiola Pension.

## Claims paid =

- + Pensions paid to pension recipients
- + Paid/refunded clearing of PAYG pensions
- + Share of the Unemployment Insurance Fund insurance contribution and division of the costs of pension components accrued on the basis of unsalaried periods
- + Claims handling expenses
- + Working capacity maintenance expenses.

**Client bonus** reduces a contract employer's TyEL pension insurance premium.

**Equalisation provision** serves as a buffer against insurance business fluctuations and is a part of the technical provisions. Positive returns from insurance operations generated annually are added to the equalisation provision, and losses are covered by the equalisation provision.

**Insurance business surplus** for the pensions within the company's responsibility is calculated by subtracting the pension expenditure under the company's responsibility from the profit of the equalisation provision and the premium's risk elements. The insurance business surplus is added to the equalisation provision.

## Loading profit =

- + Expense loading
- + Share of premium available to cover operating expenses resulting from claims decisions
- + Other income
- Operating expenses for each operation, excluding operating expenses for investment activities and working capacity maintenance and statutory charges
- Other expenses.

Loading profit is transferred to solvency capital in so far as it is not used for client bonuses.

Investment management expenses are covered by investment income, and working capacity maintenance expenses are covered by the disability loading.

**Net investment income on capital employed (at current value)** is calculated for each type of investment and for the whole investment portfolio, taking into account daily or monthly time-weighted cash flows. The return for the financial period is calculated using a so-called modified Dietz formula (a time- and money-weighted formula) such that capital employed is calculated by adding the cash flows during the period to the market value at the start of the period, weighted by the relative share of the length of the entire period that remains from the transaction date or from the middle of the transaction month to the end of the period. When calculating capital employed, cash in hand and at banks is taken into account, as well as purchase price receivables and liabilities.

**Numbers of insurance policies, insurance policyholders and pension recipients** are as at the time of closing the accounts. In the case of TyEL policyholders whose information is submitted monthly to the pension insurance company, the calculation concerns the number of persons who have had earnings during the last month. However, each person is only calculated once. For survivors' pension, the number of pension recipients will always be one, regardless of the number of beneficiaries.

**Performance analysis** describes the sources and use of the surplus. The surplus comprises the insurance business surplus, the loading profit and the result of investment operations at current value. The surplus is used for the change of solvency and for transfer to client bonuses. The change of solvency comprises the changes in the equalisation provision, in the provision for future bonuses, in accrued valuation differences and in accumulated appropriations, and the transfer to the profit for the financial year.

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

**Provision for future bonuses** is part of the company's solvency capital, 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 provi-

sions changes depending on how equity income is realised in the pension system on average.

### **Report on investment distribution at current value**

**Basic distribution** refers to the combined market value of cash investments and derivatives.

**Risk distribution** refers to the combined total of the delta-adjusted values of the underlying assets of cash investments and derivatives (the underlying assets of futures or forward contracts, or of options multiplied by the delta of the option, i.e. the risk effect of derivatives). The risk distribution shows on a separate line the effect of derivatives on the difference between the risk distribution and the basic distribution. After 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.”

**Result of investment operations at current value** is calculated by subtracting the return requirement on technical provisions from the net investment income at current value. Net investment income at current value is obtained by adding together the net investment income in the profit and loss account and the change in valuation differences.

**Return requirement 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 authorised pension providers.

**Requirements for solvency capital** are based on the examination of theoretical risks. The main variable in the examination of solvency is the **solvency limit**. The riskier a company's investment distribution, the higher its solvency limit and the more solvency capital it requires. The solvency limit is also affected by insurance risk. The indicators of **solvency** are the ratio of solvency capital to the technical provisions and the ratio of solvency capital to the solvency limit. The minimum amount of solvency capital is one third of the solvency limit. If the amount of solvency capital is more than four times the solvency limit (target zone upper limit) for a second consecutive year, the company must make an additional transfer to client bonuses.

**Statutory charges** comprise the share of costs of the Finnish Centre for Pensions, the judicial administration charge of the Pension Appeal Board and the supervision charge of the Financial Supervisory Authority.

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

**Total operating expenses** comprise the operating expenses for each business, which consist of the operating expenses for investment operations and working capacity maintenance, and statutory charges and other expenses.

**Total result** comprises the insurance business surplus, the loading profit and the result of investment operations at current value.

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

**Valuation difference** is the difference between the current value and book value of investments.

**Working capacity maintenance** is an employee wellbeing service provided by the pension company to its clients and is concerned with coping at work and helping people to remain in employment for longer before retiring. It can include various forms of consulting, mentoring and tools. Authorised pension providers must report the amount of working capacity maintenance expenses recorded in claims incurred and the amount of disability risk management included in the premium income for the financial year, along with the ratio of these items.

# AUDITOR'S REPORT

## **TO THE ANNUAL GENERAL MEETING OF ELO MUTUAL PENSION INSURANCE COMPANY**

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Elo Mutual Pension Insurance Company for the financial period 1.1.–31.12.2014. 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.

## **RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR**

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors 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 financial statements, on the consolidated financial state-

ments and on the report of the Board of Directors 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 financial statements and the report of the Board of Directors 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 financial statements and the report of the Board of Directors. 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 financial statements and report of the Board of Directors 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 financial statements and the report of the Board of Directors.

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 financial statements and the report of the Board of Directors 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 financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 24 March 2015

Ernst & Young Oy  
Authorized Public Accountant Firm

Ulla Nykky  
Authorized Public Accountant



# CORPORATE GOVERNANCE STATEMENT

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4. Managing Director and Executive Group
5. Internal supervision and risk management
6. Description of the main characteristics of the internal supervision and risk management systems related to the financial reporting process
7. Deviation from the recommendations

**Elo's Corporate Governance Statement for the financial period covering 1 January–31 December 2014 is based on Recommendation 54 of the Finnish Corporate Governance Code for listed companies and is issued separately from the Board of Directors' report. Elo complies with the parts of the Governance Code that are applicable to the operations of pension companies. Deviation from the recommendations of the Governance Code is presented at the end of the Statement. The Corporate Governance Code for listed companies is available on the website of the Securities Market Association at [www.cgfinland.fi](http://www.cgfinland.fi).**

## 1. GENERAL MEETING

The highest power of decision at Elo is exercised by the owners in their Annual General Meeting. The policyholders have the right to vote in the Annual General Meeting. In addition, an elected representative of the insured under each TyEL basic insurance policy has the right to vote.

The Annual General Meeting decides on the number of the members of the Supervisory Board and the auditors, elects the members of the Supervisory Board and the auditors, and makes decisions concerning the confirmation of the financial statements and the use of the profit shown in the balance sheet. The Annual General Meeting decides on the granting of 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 decides on the remunerations of the members of the Supervisory Board and the auditors, as well as any other matters mentioned in the notice of the meeting.

Elo's Annual General Meeting was held on 23 April 2014.

## 2. SUPERVISORY BOARD

A pension insurance company shall have a Supervisory Board as stipulated by the Act on Pension Insurance Companies (TVYL).

The Supervisory Board supervises the company's administration by the Board of Directors and the Managing Director. The Supervisory Board also decides on the number of members on the Board of Directors and elects Board members and deputy members as well as the members of the Election Committee. It also issues decisions on the remunerations payable to the Board of Directors and Election Committee. The Supervisory Board cannot be given duties other than those mentioned in the law.

Elo's Supervisory Board has 56 members who are elected by the Annual General Meeting. The term of each member of the Supervisory Board is three years. One third of the members are scheduled to resign each year. Half of the members are elected from among candidates put forth by major central organisations representing employers and employees. There shall be an equal number of members elected from among those nominated by the employers and employees.

The Supervisory Board elects, from among themselves, for one calendar year at a time, a Chairman and Deputy Chairmen, one of whom shall be a person proposed by the representatives of the insured.

Elo's Supervisory Board convened twice in 2014, on 25 March and 18 November. An average of 78 per cent of the members of the Supervisory

ry Board attended the meetings. The composition of Elo's Supervisory Board is presented on page 73 of the Annual Report. The members' attendance in the meetings of the Supervisory Board and Election Committee and the remunerations paid to them are specified in Elo's salary and remuneration report, available at [www.elo.fi](http://www.elo.fi) – About Elo – Governance (in Finnish).

The members of the Supervisory Board and their spouses and other persons under their guardianship, and companies under their control are considered as belonging to Elo's related parties. Transactions with related parties are handled in accordance with the relevant related-party guidelines. Significant transactions to be carried out with Elo's management and related parties will always be decided on by Elo's Board of Directors. Any transactions carried out with related parties shall be reported on Elo's website.

### 2.1. ELECTION COMMITTEE

The task of the Election Committee elected by Elo's Supervisory Board is to prepare proposals concerning the election and remuneration of the members of the Supervisory Board and the Board of Directors.

Either the Chairman or Deputy Chairman of the Election Committee shall be elected from among the candidates nominated by those Supervisory Board members who represent the insured.

During 2014, the six-member Election Committee included, as members proposed by the policyholders, Ilkka Brotherus, Klaus Saarikallio and Jouko Vehmas, all from the Supervisory Board. The members proposed by the insured for the Election Committee included Håkan Nystrand, Mika Var-

jonen and Jaana Ylitalo, all from the Supervisory Board. Klaus Saarikallio served as Chairman of the Election Committee and Håkan Nystrand as Deputy Chairman.

The Election Committee convened twice in 2014, on 11 February and 14 October. An average of 90 per cent of the members of the Election Committee attended its meetings.

### 3. BOARD OF DIRECTORS

The general task of the Board of Directors is to oversee the governance of the company and proper arrangement of the company operations, and to ensure that the supervision of accounting and asset management is appropriately arranged. In accordance with the Act on Pension Insurance Companies (TVYL), the Board of Directors shall, together with the Managing Director, manage the company in a professional manner, and in compliance with sound and prudent business practices and corporate governance principles.

The tasks of Elo's Board of Directors are specified in the Articles of Association and the rules of procedure of the Board of Directors. Elo's Board of Directors' tasks include the following:

- To appoint and give notice to the Managing Director, the Deputy Managing Director, the members of the company's Executive Group, the members of the Executive Group of Investments, the Director of Internal Auditing and the Medical Director and to decide on the terms and remunerations related to their employment relationship.
- To decide on the general structure of the company's organisation.

- To approve the company's strategy and budget and oversee their implementation.
- To approve the company's personnel strategy and remuneration policies and the principles for the bonus system for personnel, as well as to assess and oversee their implementation.
- To approve the investment plan and oversee its implementation.
- To approve the risk management policy and plan, and oversee their implementation.
- To approve the auditing plan for internal auditing on an annual basis.
- To assess the state of the company's internal supervision on an annual basis.
- To approve the financial statements.
- To decide on the convening of the Annual General Meeting.

Elo's Board of Directors comprises representatives of the central labour market parties, as well as of the customers and interest groups. The Board of Directors comprises sixteen ordinary members and four deputy members. The Supervisory Board elects the members and deputy members of the Board of Directors for a term of three calendar years. Half of the members of the Board of Directors are elected from among candidates put forth by major employer and employee organisations. There shall be an equal number of members elected from among those nominated by the employers and employees.

The Board of Directors elects, from among themselves, for one calendar year at a time, a Chairman and Deputy Chairmen, one of whom is a person that has been proposed by the representatives of the insured. The Chairman and both Deputy Chair-

men of the Board of Directors are the presiding officers of the Board.

The Board of Directors is assisted in its tasks by the Audit Committee and the Appointment and Remuneration Committee.

Elo's Board of Directors convened 13 times in 2014. An average of 86 per cent of the members of the Board of Directors attended the meetings. The composition of Elo's Board of Directors is presented on pages 70–72 of the Annual Report. The members' attendance in the meetings of the Board of Directors and its committees, and the remunerations paid to them are specified in Elo's salary and remuneration report, available at [www.elo.fi](http://www.elo.fi) – About Elo – Governance (in Finnish).

The members of the Supervisory Board and their spouses and other persons under their guardianship, and companies under their control are considered as belonging to Elo's related parties. Transactions with related parties are handled in accordance with the relevant related-party guidelines. Significant transactions to be carried out with Elo's management and related parties will always be decided on by Elo's Board of Directors. Any transactions carried out with related parties shall be reported on Elo's website.

### **3.1. AUDIT COMMITTEE**

The task of the Audit Committee is to monitor the company's financial reporting, internal supervision, the sufficiency and appropriateness of risk management, and the operations of Internal Auditing. The Committee also monitors the work of the auditors and prepares the proposal for the election of the auditors.

The Board of Directors elects, from among themselves, for one year at a time, the members of the Audit Committee and confirms its rules of procedure. Among the members of the Committee, one shall be elected from the members representing employee organisations, one from the members representing employer organisations, and one from the other members of the Board of Directors.

In 2014, Elo's Audit Committee comprised Jarl Karlson (Chairman), Heikki Kauppi and Jussi Mustonen. The Audit Committee convened 4 times and the members' attendance rate at these meetings was 100 per cent.

### **3.2. APPOINTMENT AND REMUNERATION COMMITTEE**

The task of the Appointment and Remuneration Committee is to assist the Board of Directors in preparing and developing matters related to the salary and reward systems as well as to the appointment and remuneration of the company's top management.

The Committee is comprised of the presiding officers of Elo's Board of Directors. In 2014, the members of the Appointment and Remuneration Committee included Harri Miettinen (Chairman), Ann Selin and Pekka Sairanen. The Committee convened 6 times during the year and the meetings had an average of 94 per cent attendance rate.

### **4. MANAGING DIRECTOR AND EXECUTIVE GROUP**

The Managing Director heads up the company's current administration according to the guidelines

and instructions issued by the Board of Directors. The Acting Managing Director serves as the Managing Director when the Managing Director is prevented from attending to his duties. The Board of Directors appoints the Managing Director and Acting Managing Director

The Managing Director leads the company in a professional manner, and in compliance with sound and prudent business practices and the corporate governance principles. The Managing Director shall see to it that the company's accounting is in compliance with the law and that asset management is arranged in a reliable manner.

Elo's Managing Director is Lasse Heiniö, Master of Science, Fellow of the Actuarial Society of Finland (b. 1951). The Deputy Managing Director is Satu Huber, M.Sc. (Econ.) (b. 1958), who also serves as Acting Managing Director. More detailed information about the Managing Director and Acting Managing Director is presented on page 74 of the Annual Report.

The Executive Group, consisting of directors appointed by the Board of Directors, assists the Managing Director in the company's operative management and planning of operations. The Executive Group is involved in preparing for the Board of Directors, for example, the matters related to the company's strategy, budgeting and organisation.

In addition to the Managing Director and Acting Managing Director, Elo's Executive Group consists of Mika Ahonen (Legal Affairs, Planning and Communications, Compliance), Matti Carpén (Customer Relations and Customer Channels, ICT), Hanna Hiidenpalo (Chief Investment Officer), Mikko Karpoja (Actuarial Services, Appointed Actuary), Erja

Ketko (Risk and Business Control), Sarianne Kirvesmäki (Finance and Investment Risk Supervision) and Keijo Kouvonen (Insurance Policies and Pensions). The members of the Executive Group are presented in more detail on page 74 of the Annual Report.

The objective of Elo's investment activities is to ensure the profitable and secure investment of employment pension funds. The Executive Group of Investments oversees the realisation of this task. The Executive Group of Investments at Elo includes Lasse Heiniö (Chairman), Eeva Grannfelt, Hanna Hiidenpalo, Satu Huber, Erja Ketko, Sarianne Kirvesmäki, Jonna Ryhänen and Timo Stenius.

The remunerations of the Managing Director and persons in the management groups are decided on by the Board of Directors. Information about this is presented in Elo's salary and remuneration report.

The members of the Supervisory Board and their spouses and other persons under their guardianship, and companies under their control are considered as belonging to Elo's related parties. Transactions with related parties are handled in accordance with the relevant related-party guidelines. Significant transactions to be carried out with Elo's management and related parties will always be decided on by Elo's Board of Directors. Any transactions carried out with related parties shall be reported on Elo's website.

## **5. INTERNAL SUPERVISION AND RISK MANAGEMENT**

The Board of Directors bears overall responsibility for arranging risk management and for the annu-

al evaluation of the state of internal supervision. The Board of Directors shall regularly assess the administrative system, written operational principles and continuity plans. The Board of Directors approves the general risk management principles, division of responsibilities and key policies (risk management policy) as well as the annual risk management plan related to the steering of the company, and monitors the progress of the administrative measures presented in the plan. The Audit Committee assists the Board of Directors in this task.

Reporting to the Board of Directors, the Managing Director bears the responsibility for arranging risk management and for the preparing of the content of the risk management plan concerning the company's key risks, drawn up for the approval of the Board of Directors, and for the monitoring of risk management. The Managing Director is supported in these tasks through independent supervision provided by the Risk and Business Control, Finance and Investment Risk Supervision, Actuarial Services and Compliance functions.

The directors of the business functions and support units bear the responsibility for the internal supervision, the implementation of risk management measures, and compliance with the company's risk management policies and operational methods within their own areas of responsibility, respectively. The business functions participate in the drafting of the company's risk management plan and the related continuity planning. Internal Auditing assists the company management and Board of Directors to reach their objectives by assessing the sufficiency and effectiveness of the administrative, risk management and supervision

processes, by issuing recommendations for their improvement, and by consulting on their development.

The Compliance function is part of Elo's internal supervision, the foundation of which is compliance with regulations issued by the authorities and the best practices for internal supervision in general. The Compliance activities are also part of Elo's risk management, with the aim of supporting business operations, particularly as regards the management of legal risks and compliance risks, and to monitor and report on these to the Audit Committee and management. In addition to supervising compliance with regulations, Elo's compliance officer bears the responsibility for, among other things, Elo's insider and related party issues and the avoidance of conflict of interest situations.

The Act on Pension Companies (354/1997; TVYL) was amended on 1 January 2015. During 2014, Elo prepared new operational principles and guidelines, as required by the new legislation and in compliance with the new disclosure obligations.

The requirements of the legislation regarding the arrangement of internal supervision and internal auditing are described above. The Board of Directors of Elo has confirmed the continuity plan required by law, and the written operational principles concerning outsourcing and conflict of interest situations, and has also confirmed the principles of corporate governance, which are published on the company's website. Elo's salary and remuneration report describes the expediency of the reward system for the purpose of achieving the company's objectives. The positions of trust held by Elo's Board of Directors and management, securities possessed by insiders and any possible

transactions with the management and those considered to be related parties are listed and presented on Elo's website.

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

Elo's financial reports have been drawn up in accordance with the Accounting Act, Limited Liability Companies Act, Insurance Companies Act, and Act on Pension Insurance Companies that regulate the accounting, financial statements and reporting of pension insurance companies, as well as in accordance with the Act on the calculation of a pension provider's solvency limit and on the covering of the technical provision, the Decree of the Ministry of Social Affairs and Health concerning the financial statements of insurance companies and corporations, the Accounting Decree, the calculation bases confirmed by the Ministry of Social Affairs and Health, and the regulations and guidelines issued by the Financial Supervisory Authority.

The Board of Directors has approved the company's risk management policy and plan, in which the financial risk reporting has been taken into consideration.

Elo publishes the preliminary information about its financial statements and the official financial statements on its website. Mid-year, Elo also publishes its six-month interim review. Additionally, Elo publishes more concise interim reports for the first and third quarters of the year, with a focus on investment operations and solvency.

Financial reporting produced for the Board of Directors, management, authorities and the public is

the responsibility of the Finance and Investment Risk Supervision unit, which is independent of the functions subject to reporting. Independent reporting on operating expenses is carried out by the Risk and Business Control unit.

The Finance and Investment Risk Supervision unit reports to the Board of Directors, no less than on a monthly basis, on the key figures and stress tests related to the company's solvency, the generation and use of the overall result, the investments and returns at market values and by risk categories, the objectives and realisation of investment activities, and the risk limits as set in the investment plan and compliance with these limits. Furthermore, the Board of Directors is provided with a broader quarterly report on the overall risk position and solvency calculated on the basis of the company's own models.

The solvency situation is monitored daily by the Finance and Investment Risk Supervision unit, and the management receives reports on the solvency situation several times each week in accordance with the instructions issued by the authorities and the company's own models. Other key figures reflecting the company's result and investment activities are reported to the management on a weekly basis. The asset category-specific risks and returns, including derivatives, are reported weekly to the portfolio managers and members of the Executive Group of Investments. The investment systems maintain daily position information, so it is also possible to report on a daily basis if necessary. The Finance and Investment Risk Supervision unit also monitors, on a daily basis, the risk limits and compliance in accordance with the investment plan.

The most important key figures in terms of evaluating Elo's total risk position and risk-bearing capacity are the amount of the solvency capital in relation to the technical provisions (solvency ratio) and the amount of the solvency capital in relation to the solvency limit in accordance with regulations (solvency position). The calculation of the key figures in terms of the solvency capital and solvency is described in the accounting policies and key figure guide included in the financial statements. Other key items for financial reporting are the yield requirement concerning the technical provisions, valuation of investments, and investment result at fair values.

The accuracy of the technical provisions used in the systems, the financial statements and the calculation of the solvency limit is ensured by the Actuarial Services unit and the Appointed Actuary. The mid-year evaluation of the technical provisions is conducted by the Finance and Investment Risk Supervision unit, and its accuracy is ensured by means of work instructions, balancing routines and close co-operation with Actuarial Services and the Appointed Actuary. In the financial statements, the change in the TyEL payroll is an estimate based on portfolio extracts from the Arek earnings records and on the analyses of Actuarial Services. During the course of the year, the change in payroll is estimated on the basis of forecasts issued by the Finnish Centre for Pensions and Elo's own analyses. The payroll estimate affects the TyEL premium income and technical provisions, but it has little effect on the company's overall result. The exact technical provisions for each year are calculated once all the annual calculations are completed.

The investment values used in the financial statements are determined in accordance with the accounting policies presented in the financial statements. As for unlisted equities, private equity funds and real estate funds, the Finance and Investment Risk Supervision unit ensures that the market values are priced in accordance with the agreed principles. The Finance and Investment Risk Supervision unit has a regular balancing routine to ensure the accuracy of the market values and credit ratings of the investment systems. There is a temporal delay related to the determination of the market values, but its effect is minimal.

The company's business accounting for the financial year is implemented using the matching principle, and the information in the general ledger accounting is balanced with the partial accounting systems. During the financial year, the balancing is done monthly. The accuracy of the financial reports is safeguarded with regular balancing routines between different source systems and the data storage system, and with proper work instructions, good professional competence and close co-operation and flow of information between the Finance and Investment Risk Supervision unit and the Investment unit.

Operational risks related to financial reporting, investment risk supervision, accounting and transactions are surveyed every six months in risk survey meetings coordinated by the Risk and Business Control unit. The significance of the effects of identified risks and the probability of their realisation are estimated separately for each risk and a risk management plan for each risk is drawn up and monitored in terms of its implementation. The near miss cases and realised risks within the re-

porting and supervision processes, as well as in accounting and transactions are reported in the deviation reports related to compliance and operational risks.

## **7. DEVIATION FROM THE RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE**

**Recommendation 1:** In accordance with the Articles of Association, the notice of the Annual General Meeting of Elo is published at least two weeks before the Annual General Meeting.

**Recommendations 4, 8 and 11-12:** In accordance with the Act on Pension Insurance Companies (TVYL), the Board of Directors is elected by the Supervisory Board in accordance with the election procedure outlined in the relevant legislation and the Articles of Association.

**Recommendation 10:** According to the Articles of Association, the term of the members of Elo's Board of Directors is three years.

**Recommendations 14-15, 26, 29 and 32:** The number of independent members on the Board of Directors and its committees, and the evaluation of their independence are based on law (TVYL). The composition of the Board of Directors and the eligibility criteria of the members are prescribed by law. Members of the Board of Directors of Elo may include such persons who act in the operational management or administration of Elo's major client companies. This is attributed to the fact that Elo is a mutual company. The Managing Director of Elo may not be on the Board of Directors.

**Recommendations 16, 35, 38, 42-47:** Compliance, except as concerns share-based remuneration. A mutual pension insurance company has no shares.

**Recommendation 40:** Compliance, except as concerns the remuneration paid for work in the Board of Directors and committees, which, in accordance with TVYL, are decided on by the Supervisory Board.

**Recommendation 51:** Elo follows the Guidelines for Insiders (issued by the Helsinki Stock Exchange) where applicable to a pension insurance company. As of 1 January 2015, regulations concerning the insider administration of pension insurance companies have been added to the law (TVYL).

**Recommendation 55:** Compliance where applicable to a pension insurance company with the exceptions mentioned above.

# BOARD OF DIRECTORS



Chairman  
**HARRI MIETTINEN**  
b. 1962  
M.Sc. (Econ.)

Executive Vice President, member of SOK (Suomen Osuuskauppojen Keskuskunta) Corporation's Corporate Management Team  
SOK Customer Relationships and Information

*Member of the Business Transformation Committee of the Confederation of Finnish Industries EK*



First Deputy Chairman  
**ANN SELIN**  
b. 1960  
eMBA

President, Service Union United PAM

*Member of the Board of VVO-Yhtymä Oyj, member of the Board and Executive Committee of the Central Organisation of Finnish Trade Unions SAK, member of the Supervisory Board of the Unemployment Insurance Fund, member of the Supervisory Board of the Education Fund, Deputy Chairman of UNI Global Union, member of the Board and Executive Committee of UNI Europa*



Second Deputy Chairman  
**PEKKA SAIRANEN**  
b. 1957  
M.Sc. (Econ.)

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 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*



**HEIMO J. AHO**  
b. 1949  
B.Sc. (Econ.),  
Commercial  
Counsellor

Chairman of the Board, SKS Group Oy and subsidiaries of SKS Group

*Member of the Election Committee of the Confederation of Finnish Industries EK, Chairman of the Election Committee of the Finnish Commerce Federation, member of the Board of Elfving Oy, member of the SME Committee 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)*



**EEVA-LIISA  
INKEROINEN**  
b. 1963  
LL.M.

Director, Member of the Management Group, Federation of Finnish Technology Industries (TT)

*Member of the delegation of the Central Archives for Finnish Business Records, member of the Representatives of the Finnish Centre for Pensions, member of the Board of the Unemployment Insurance Fund*



**JARI KARLSON**  
b. 1961  
M.Sc. (Econ.)

Chief Financial Officer, Orion Corporation

*Member of the Board of Polttimo Oy, member of the Board of the Finnish Foundation of Veterinary Research*



**HEIKKI KAUPPI**  
b. 1955  
M.Sc. (Eng.), MBA

Director, Academic Engineers and Architects in Finland - TEK

*Deputy Chairman of the Board of the Confederation of Unions for Academic Professionals in Finland (Akava), Deputy Chairman of the Board of YTN, Chairman of Akava's working group on pension policies*



**ANTTI KULJUKKA**  
b. 1961  
M.Soc.Sc., 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*



# BOARD OF DIRECTORS

**REIJA LILJA**  
b. 1954  
Ph.D.



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*

**OUTI LÄHTEENMÄKI-LINDMAN**  
b. 1965  
LL.M. trained on the bench



Regional Director (Finland) and Director (Group Legal Affairs), member of the Executive Group, Accountor Group

*Deputy Chairman of the Board of the association of Accounting companies as employers (Tilitoimistojen työnantajajhdists)*

**JORMA MALINEN**  
b. 1959  
Automation Designer



President, Trade Union Pro

*Member of the Board of the Finnish Confederation of Salaried Employees (STTK), member of the Supervisory Board of the Unemployment Insurance Fund, Chairman of the Board of the Levi Tourist Office, member of the Board of Majvik Oy, member of the Board of Meyer Turku Oy, Chairman of the Board of STTK-Lomat Oy*

Member of the Board of Directors as of 18 November 2014

**ERKKI MOISANDER**  
b. 1953  
M.Sc.



CEO, LocalTapiola Group

*Member of the Board of the Federation of Finnish Financial Services, member of the Advisory Board for Cooperative Business, member of the delegation of the Helsinki Region Chamber of Commerce, member of the Board of Eurapco*

**JUSSI MUSTONEN**  
b. 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*

**ANTTI NEIMALA**  
b. 1963  
LL.M. trained on the bench



Deputy Managing Director, Federation of Finnish Enterprises

*Member of the Board of the Taxpayers' Association of Finland*

Member of the Board of Directors as of 18 November 2014

**OLAVI NIEMINEN**  
b. 1952  
Optician



Chairman of the Board, Piiliset by Finnsusp Oy

*Chairman of the Labour Market Committee of the Federation of Finnish Enterprises, Deputy Chairman of the Board and member 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 South-west Finland, Chairman of the Consultative Committee of apprenticeship training in the City of Turku*

**TIMO VALLITTU**  
b. 1953  
Elementary school



Chairman, Industrial Union TEAM

*Member of the Board of the Central Organisation of Finnish Trade Unions SAK, member of the Supervisory Board of Finnvera*

**TIMO LINDHOLM** until 18 November 2014

**ANTTI RINNE** until 24 May 2014



DEPUTY MEMBERS:

# BOARD OF DIRECTORS



**ANTTI AHO**  
b. 1969  
M.Sc. (Econ)

Managing Director, Aava Medical Centre, Aava Terveyspalvelut Oy

*Chairman of the Board of Orto-Lääkärit Lääkäriasema Oy, Chairman of the Board of Medimagneetti Oy, Chairman of the Board of GrowMedical Oy, Chairman of the Board of Uudenmaan Seniorikodit Oy, Chairman of the Board of Yhtyneet Laboratoriot Oy (United Laboratories Ltd), Vice Chairman of the Board of Kiinteistö Oy Luna, member of the Board of Kliinisen Kemian Tutkimussäätiö, member of the Board of Kiinteistö Oy Vega, member of the Board of Lääkäripalveluyritykset association, member of the Board of Aho Group Oy, member of the Board of Docrates Oy, member of the Board of Pikkujätti Medical Centre for Children and Youth, member of the Board of Yhtyneet Medix Laboratoriot Oy (United Medix Laboratories Ltd), Deputy Chairman of the Board of Medicity Oy, member of the Supervisory Board of Fennia Mutual Insurance Company*

Deputy Member of the Board as of 18 November 2014



**JOUKO LIIMATAINEN**  
b. 1954  
M.Sc. (Econ)

Vice Managing Director, Scandic Hotels Oy

*Member of the Board of Scandic Hotels Oy, member of the Energy and Climate Committee of the Confederation of Finnish Industries EK, deputy member of the Board of the Finnish Hospitality Association MaRa*



**DANIELA YRJÖ-KOSKINEN**  
b. 1971  
M.Sc. (Econ)

Managing Director, Novita Oy

*Member of the Board of Novita Oy, member of the Board of TMA Tekstiili ja Muotialat association, member of the Board of the Federation of Finnish Textile and Clothing Industries FINATEX*

**JANNE METSÄMÄKI**  
b. 1960  
LL.M.

Director, Policy Development, Central Organisation of Finnish Trade Unions SAK

**MIKKO MERIVIRTA** member until 24 September 2014

# SUPERVISORY BOARD

- Chairman  
**KLAUS SAARIKALLIO**, b. 1955  
Member of the Board, Normek Oy
- First Deputy Chairman  
**HÅKAN NYSTRAND**, b. 1955  
Chairman, METO Forestry Experts' Association
- Second Deputy Chairman  
**ILKKA BROTHERUS**, b. 1951  
Managing Director, Sinituote Oy
- Members:  
**VESA AALLOS VIRTA**, b. 1961 (as of 23 April 2014)  
Organisational Manager, Finnish Metalworkers' Union
- ANTTI HAKALA**, b. 1967  
Director, Trade Union Pro
- MARIA HANHO**, b. 1982  
Managing Director, Vaissi Oy
- MIA HARKKO**, b. 1971  
Salesperson, Chief Shop Steward, Kymen Seudun Osuuskauppa
- JOHANNA HEIKKILÄ**, b. 1962  
HR Director, Apetit Oyj
- MARKKU HOLM**, b. 1953 (as of 23 April 2014)  
Managing Director, RTV-Yhtymä Oy
- SAULI HUIKURI**, b. 1958  
CEO, Joutsen Media Oy
- IRENE HÄMÄLÄINEN**, b. 1956  
Director of Negotiations, Industrial Union TEAM
- TIMO JAAKKOLA**, b. 1953  
President and CEO, Nestor Cables Oy
- KAARLO JULKUNEN**, b. 1955  
Second Deputy Chairman, Service Union United PAM
- MERJA JUSELIUS**, b. 1958  
System Designer, Personnel Representative, Elo Mutual Pension Insurance Company
- TERO JUSSILA**, b. 1958  
CFO, Maintpartner Group Oy
- JUSSI JÄRVENTAUS**, b. 1951  
Managing Director, The Federation of Finnish Enterprises
- ESKO JÄÄSKELÄINEN**, b. 1956  
Managing Director, Suur-Seutu Cooperative Society SSO
- TOM KAISLA**, b. 1974  
Entrepreneur, CEO, Eilakaisla Oy
- PEKKA KAMPMAN**, b. 1962  
Project Manager, Y-Foundation
- PERTTI KARJALAINEN**, b. 1969  
Managing Director, Attendo Finland Oy
- OLAVI KAUKONEN**, b. 1956  
Managing Director, A-Clinic Foundation
- ANTTI KEMPPI**, b. 1978  
Managing Director, Kempinvest Oy
- ISMO KOKKO**, b. 1971  
Director (Collective Bargaining), Union of Professional Engineers in Finland
- MARKKU KOSKINEN**, b. 1962  
Managing Director, Koskisen Oy
- TAPIO KUITTINEN**, b. 1959  
Managing Director, Ideal Keittiöt Oy
- KALLE KUJANPÄÄ**, b. 1969  
CFO, Finn-Power Corporation
- VILLE LAINE**, b. 1970  
Managing Director, Lojer Oy
- TIMO LEHTINEN**, b. 1964  
CFO, YIT Oyj
- TIMO LEPISTÖ**, b. 1959  
CEO, Nordic Morning Oyj
- TAUNO MAKSNIEMI**, b. 1959  
CEO, G4S Suomi Oy
- OTTO MIKKONEN**, b. 1949  
Industrial Counsellor
- TIMO MÄKI-ULLAKKO**, b. 1963  
CEO, Pirkanmaa Cooperative Society
- HEIKKI NIKKU**, b. 1956  
Managing Director, CGI Suomi Oy
- MARKKU PALOKANGAS**, b. 1957  
Director, Trade Union Pro
- TUULA A. PAUNONEN**, b. 1955  
Chief Accountant, Shop Steward, Länsi-Savo Oy
- ANTTI PELTONEN**, b. 1954  
Managing Director, Kolster Oy Ab
- TERHI PENTTILÄ**, b. 1972  
Managing Director, Länsilinjat Oy
- KYÖSTI PÖYRY**, b. 1952  
Managing Director, Paperinkeräys Oy
- PEKKA RANTAMÄKI**, b. 1953  
CEO, Teknos Group Oy
- ANSU SAARELA**, b. 1978  
CFO, Bauhaus & Co Ky
- ANTTI SAHI**, b. 1956  
Secretary General, Central Union of Agricultural Producers and Forest Owners MTK
- KIMMO SIMBERG**, b. 1959  
CEO, Etelä-Pohjanmaan Osuuskauppa
- KEIJO TARNANEN**, b. 1972  
Attorney, The Trade Union for the Public and Welfare Sectors JHL
- HANNU TARSARANTA**, b. 1962
- MAIJA TERVONEN**, b. 1952
- JUKKA TIKKA**, b. 1953  
Chairman of the Board, Länsi-Savo Oy
- MIKA VARJONEN**, b. 1974  
Executive Director, Tradenomiliitto TRAL
- JOUKO VEHMAS**, b. 1956  
Managing Director, Commercial Counsellor, Kymen Seudun Osuuskauppa
- KATJA VEIRTO**, b. 1972  
Manager for Pension Policy, Central Organisation of Finnish Trade Unions SAK
- PENTTI VIRTANEN**, b. 1964  
Managing Director, FSP Finnish Steel Painting Oy
- OLLI VORMISTO**, b. 1967 (as of 23 April 2014)  
Managing Director, Osuuskauppa Hämeenmaa
- JANNE YLINEN**, b. 1975  
Managing Director, Kokkolan Halpa-Halli Oy
- JAANA YLITALO**, b. 1969  
First Deputy Chairman, Service Union United PAM
- HARRI KOPONEN** (until 16 January 2014)  
**TIMO KORPIJÄRVI** (until 16 January 2014)  
**REIJO MESIMÄKI** (until 11 December 2014)  
**JUKKA MÄNNISTÖ** (until 20 May 2014)  
**JUHA RUOHOLA** (until 17 June 2014)

# EXECUTIVE GROUP



**LASSE HEINIÖ**  
Managing Director  
Born 1951, M.Sc., Fellow of the Actuarial Society of Finland

*Member of the Board of the Finnish Centre for Pensions, Member of the Board of the Finnish Pension Alliance TELA, member of the Board of AEIP (the European Association of Paritarian Institutions)*



**SATU HUBER**  
Deputy Managing Director  
Born 1958, M.Sc. (Econ.)

*Member of the Board of YIT Oyj, member of the Board of the Finnish Business and Policy Forum EVA and the Research Institute of the Finnish Economy ETLA, member of the Supervisory Board of the Finnish Cultural Foundation, member of the National Emergency Supply Council, member of the Trilateral Commission, member of the Strategic Committee of Agence France Trésor, Curator of the Student Union of Hanken School of Economics, member of the Hanken Centre for Corporate Governance Advisory Board*



**MIKA AHONEN**  
Director, Legal Affairs, Planning, Communications and Compliance  
Born 1967, LL.M.

**MATTI CARPÉN**  
Director, Customer Relations and Customer Channels, ICT  
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 Aalto University Student Union*



**HANNA HIIDENPALO**  
Director, Chief Investment Officer  
Born 1966, M.Sc. (Econ.)

*Member of the Board and Chairman of the Financial Committee of the Finnish Cultural Foundation, member of the Board of Lindström Invest Oy, member of the Investment Committee for the Aalto University Foundation, member of the Board of the Church Pension Fund under the Central Church Fund, member of the Financial Committee of the Aalto University Student Union, member of the Investment Committee of the Diabetes Research Foundation*



**MIKKO KARPOJA**  
Director, Actuarial Services, Appointed Actuary  
Born 1962, M.Sos.Sc., Fellow of the Actuarial Society of Finland



**ERJA KETKO**  
Director, Risk and Business Control  
Born 1967, M.Sc. (Econ.), Forester

*Member of the Board of LocalTapiola Real Estate Ltd*



**SARIANNE KIRVESMÄKI**  
Director, Finance and Investment Risk Supervision  
Born 1966, B.Sc., MBA



**KEIJO KOUVONON**  
Director, Insurance Policies and Pensions  
Born 1953, M.Sc.

*Member of the Representatives of the Finnish Centre for Pensions, member of the Supervisory Board of Mutual Insurance Company Turva, member of the Board of Tieto-Tapiola Oy, Chairman of the Insurance Pool of the National Emergency Supply Agency*

## **EXECUTIVE GROUP OF INVESTMENTS**

Lasse Heiniö, Managing Director (Chairman)  
Satu Huber, Deputy Managing Director  
Hanna Hiidenpalo, Director  
Jonna Ryhänen, Director  
Eeva Grannenfelt, Director  
Timo Stenius, Director  
Erja Ketko, Director  
Sarianne Kirvesmäki, Director

# MEDICAL INSURANCE SPECIALISTS

**MAARIT GOCKEL**, Medical Director  
M.D., Ph.D., Specialist in Physiatry, special competence  
in pain management, rehabilitation and insurance medicine

**JYRKI VARJONEN**, Senior Physician  
Lic.Med., Specialist in Psychiatry, special competence  
in insurance medicine

**LOTTA AUTIO**, Medical insurance specialist  
Lic.Med., Specialist in Occupational Health

**HANNELE HEILÄ**, Medical insurance specialist  
M.D., Ph.D., Specialist in Psychiatry, special competence  
in psychotherapy and insurance medicine, Psychotherapist  
(upper special level training)

**TIMO HONKANEN**, Medical insurance specialist  
Lic.Med., Specialist in Internal Medicine, special competence  
in insurance medicine

**KIMMO KUOPPASALMI**, Medical insurance specialist  
M.D., Ph.D., Specialist in Psychiatry, Docent, Specialist in sports  
medicine, competence to serve as a Professor of Psychiatry

**MIKKO NYKÄNEN**, Medical insurance specialist  
Lic.Med., Specialist in Occupational Health, special competence  
in insurance medicine

**RAUNI PIETILÄ**, Medical insurance specialist  
Lic.Med., Specialist in Occupational Health

**TAPIO ROPPONEN**, Medical insurance specialist  
Lic.Med., M.Soc.Sc., Specialist in Occupational Health,  
special competence in insurance medicine

**JUHANI RÄMÖ**, Medical insurance specialist  
M.D., Ph.D., Docent in Surgery, Specialist in surgery and thoracic  
and vascular surgery, special competence in insurance medicine

**TUULA RÖNKKÖ-KUIVALAINEN**, Medical insurance specialist  
Lic.Med., Specialist in Psychiatry, Psychotherapist (advanced  
special level training), psychotherapy instructor and special  
competence in psychotherapy

**HANNU VANHANEN**, Medical insurance specialist  
M.D., Ph.D., Docent in Internal Medicine, special competence  
in insurance medicine

## AUDITOR

**AUDITOR**  
KHT audit firm of Ernst & Young Oy,  
Appointed Auditor Ulla Nykky, Authorised Public Accountant



**Elo Mutual Pension Insurance Company**

**Visiting address:** Revontulentie 7, 02100 Espoo

**Postal address:** FI-00041 ELO

**Telephone:** + 358 20 703 50

**Fax:** + 358 20 703 5100

**[www.elo.fi](http://www.elo.fi)**