

elo



**YEAR**

2015



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# ELO – THE PREFERRED EMPLOYMENT PENSION COMPANY

ELO

**ELO MUTUAL PENSION INSURANCE COMPANY** is a customer-owned employment pension company that manages the statutory employment pension security for employees in its client companies as well as for self-employed persons. Our business serves to support growth among our customers and we believe that wellbeing in the workplace is a prerequisite for such growth.

We are Finland's most popular employment pension company: one in three companies and over 40% of self-employed persons in Finland have selected Elo to manage their employment pensions. 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 EUR 20.5 billion.

We are a young company, but we incorporate a long tradition: Elo began operations on 1 January 2014 when Pension Fennia was merged with LocalTapiola Pension.

## SELF-EMPLOYED PERSONS INSURED



SUMMARY OF KEY FIGURES	2015	2014
<b>Company size</b>		
Premiums written, EUR million	3,157.1	3,022.9
Pensions and benefits paid to pensioners, EUR million	2,857.6	2,731.9
Pensions and other benefits paid, EUR million *)	3,146.8	3,057.0
Technical provisions, EUR million	17,849.7	17,078.6
Equalisation provision, EUR million	461.6	463.0
Investment assets at fair value, EUR million	20,513.6	19,615.8
TyEL payroll, EUR million	11,258.1	11,025.9
YEL earned income sum, EUR million	1,888.0	1,937.1
Number of TyEL policyholders	46,000	46,100
Number of TyEL insured	398,200	398,100
Number of YEL policyholders	85,100	87,400
Number of pensioners	216,800	217,400
Personnel (average work contribution)	458	448
<b>Result</b>		
Loading profit, EUR million	36.2	31.8
Operating expenses as % of loading component	71.4	74.3
Solvency capital, EUR million	4,042.1	4,084.0
% of technical provisions	24.1	25.8
excl. equalisation provision	21.4	22.9
ratio to solvency limit	2.0	2.1
excl. equalisation provision	1.8	1.9
Net investment income on capital employed, %	5.0	6.2

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

## INVESTMENT ASSETS

20.5  
billion euro

## INSURED EMPLOYEES

iii 398,200

## PENSION RECIPIENTS

ii 216,800

# WE MADE ELO EVEN BETTER FOR OUR CUSTOMERS

Elo's second year of operation, 2015, was a success in many ways. We performed our core task – managing pension provision – efficiently and we retained our strong market position. In what was globally a difficult year for investment, we were able to secure our solvency and we achieved a stable return on our pension assets.

I took up the duties of Chief Executive Officer at the start of June, succeeding Lasse Heiniö, who had led Elo during its initial period. I was glad to see that we have succeeded well in building the new company, and in some areas we have even exceeded expectations.

Elo is Finland's most popular employment pension company: with employment pension insurance taken out by 46,000 employers and the pension insurance of 85,100 self-employed persons, we are the market leader in the number of TyEL and YEL insurance policies. Altogether, we are responsible for the pension provision of almost 500,000 employees and self-employed persons. This represents a great show of trust from our customers, and we take this very seriously.

During the year, we brought to completion the IT system projects that were put in place following the merger. Now we can concentrate more effectively on developing our services. Managing our core task and providing a seamless service to customers are naturally the priorities of our work, and this remained so throughout the internal reorganisation as well. For example, we were able to further speed up to the process of handling pension applications, which means that also in 2015 pension applicants received a decision from Elo considerably quicker on average than is the case in other

employment pension companies. It is important for us that our customers should not have to experience an interruption in income when they retire.

Despite the disruptive effects of major IT system projects in 2015, our operations were cost-effective, which guarantees competitive premium discounts for our customers. Elo's competitiveness will further improve in the future, when the full benefits of the merger begin to be felt.

## **GLOOMY YEAR FOR THE ECONOMY**

The year was eventful and challenging for the economy, globally and in Finland. Growth in the global economy remained lower than anticipated, at about 3 per cent. Among the major economies the euro area and Japan saw a slight recovery compared with the previous year's figures.

Unfortunately, the Finnish economy did not experience the rise that was seen in the rest of the euro area. Our economic problems stem from the dominance in manufacturing of sectors that focus on investment goods and production goods, and from the weak competitiveness of exports and the contraction in trade with Russia. The economy has for years now been below par in all the main production sectors – manufacturing, construction and services. Indeed, a key talking point all year was how the situation can be turned around so that growth and new jobs can be found for Finland.

The considerable uncertainty surrounding economic growth expectations was reflected in investment mar-

ket returns, which remained modest worldwide in nearly all asset classes. Elo's overall return on investments reached 5.0 per cent. By the end of the year, Elo's investment assets had increased to EUR 20.5 billion.

As an employment pension company our sights extend decades ahead. In our investment operations, what is more important than individual years is the need to ensure a good long-term return that will enable us to finance future pensions. Our five-year average real return was 3.0 per cent, and the ten-year average real return 3.0 per cent.

Elo's solvency in 2015 was at a good level.

## **COMPETITIVENESS THROUGH WELLBEING AT WORK**

The current economic conditions are also challenging for many of our client companies. We aim to strengthen our customers' competitiveness by focusing on areas that support this, namely corporate financing and workplace wellbeing services.

During 2015 Elo's development work focused particularly on our workplace wellbeing services for helping client companies to develop and safeguard the working capacity and functional ability of their personnel. Our workplace wellbeing services are very significant for our client companies and also for society as a whole. Sickness absences and incapacity for work together represent an annual cost of billions of euros to the private sector in Finland. Elo alone paid disability pensions of more than EUR 300 million in 2015.

We have set up a new online workplace wellbeing service for our customers, which enables us to offer valuable support particularly to many small and medium-sized companies.

The Financial Supervisory Authority carried out an inspection of employment pension companies' wellbeing at work activities and of the financing of related projects by the employment pension companies in 2015, and on that basis it reviewed its guidance on operations to manage disability risk as of March 2016. Clear rules on disability risk management will be welcome, in our view.

### **EQUIPPED FOR THE FUTURE**

The pension reform bills were approved in January 2016. The aim of these legislative changes, which are due to come into effect at the start of 2017, is that people should remain in employment for longer and that the sustainability gap in public finances should be reduced. In the coming years, the changes brought by the pension reform will represent a major project for us at Elo and for the entire employment pension sector, both in terms of work input and financially. Elo was involved in the preparatory work for the legislative amendments and we have begun the IT system renewal required for the changes. The work is continuing in 2016. Our aim at Elo is to ensure that the changes are implemented as conveniently as possible for our customers, which is why we are also focusing on informing our customers about the pension reform.

We aim to meet the requirements of the changing operating environment. To this end, we have made an assessment of the effects of digitalisation on Elo and its business. Elo's activities are guided to a significant extent by the experience of its customers, and this will be the case even more emphatically in a digital environment. Our goal is to provide the best customer



## **OUR GOAL IS TO PROVIDE THE BEST CUSTOMER EXPERIENCE IN THE SECTOR, IN CONJUNCTION WITH OUR PARTNERS.**

experience in the sector, in conjunction with our partners, Fennia, LocalTapiola and Turva.

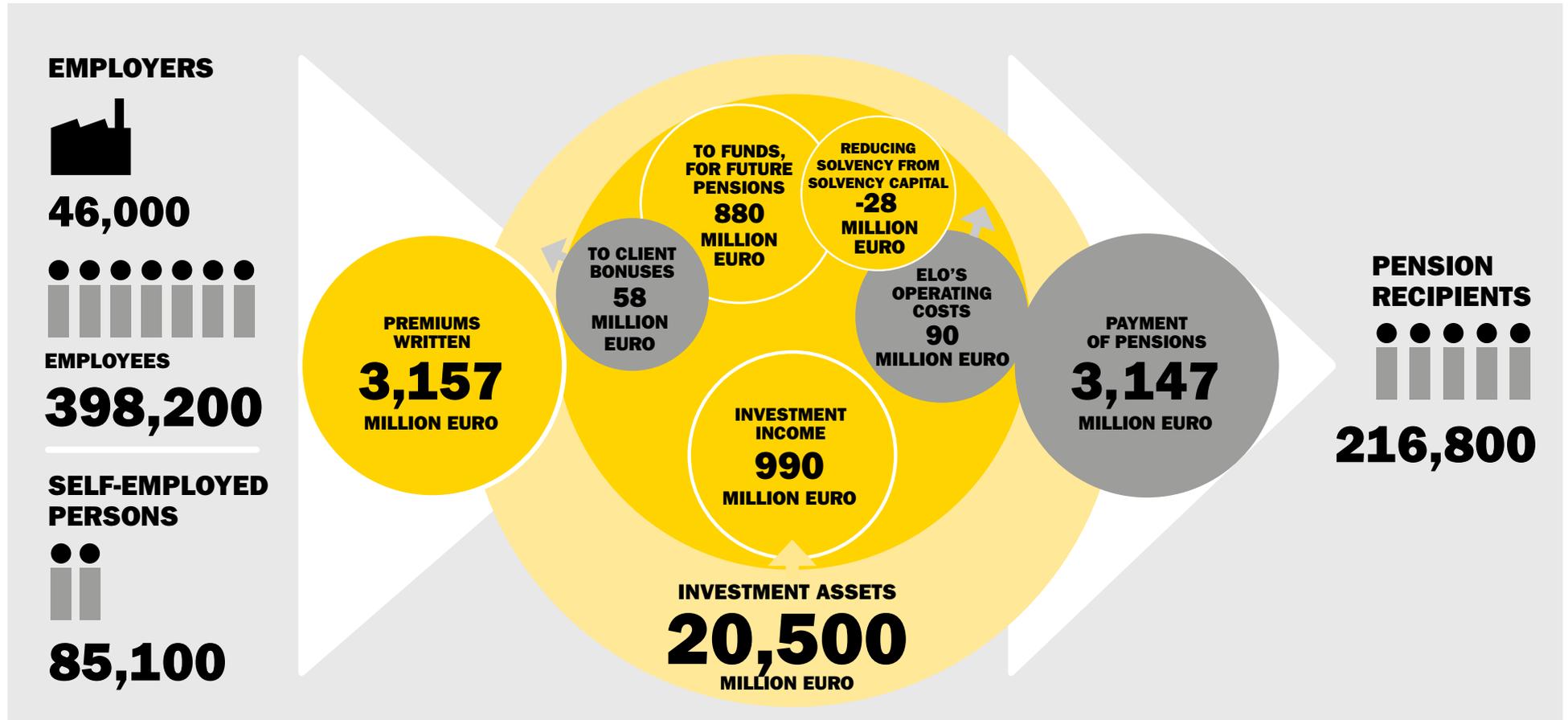
The outlook for the economy in 2016 is in many ways contradictory. On the investment markets the year started in an exceptionally uncertain mood. The Finnish economy started to grow slightly at the end of 2015, but no significant improvement in the outlook is yet in sight. The health of the Finnish economy is based on the vitality of the country's business activities. At Elo we do our best to support the growth and success of our customers.

I would like to thank all of our customers, partners, personnel and other Elo stakeholders for 2015. Together, let's make 2016 a good year!

**Satu Huber**  
Chief Executive Officer



# ILLUSTRATED SUMMARY OF ELO'S OPERATIONS IN 2015



We insure employees of client companies that have taken out employment pension insurance with Elo as well as self-employed persons.

We make sure that future pensions can be paid by investing pension assets in a profitable and secure manner.

An employment pension provides income security when an employee or self-employed person retires. Pension recipients receive their pensions from Elo on time and without error.

# TAX FOOTPRINT SHOWS AMOUNT OF TAXES BENEFITING SOCIETY AS A RESULT OF ELO'S BUSINESS

Tax payments are an indication of the company's social responsibility and economic impact on society. By publishing its tax footprint, Elo is providing information about the taxes it pays in connection with its various operations.

Tax footprint reporting is voluntary for companies and there are no fixed formats or models for the calculation or presentation. Elo's tax footprint reporting is based on the company's financial statements information.

Taxes paid on investment operations are made up of tax at source collected by the country of domicile of the party paying the investment income, property taxes on directly owned real estate, and non-deductible indirect taxes on expenses related to ownership of real estate investments and on operating expenses of investment operations.

Insurance operations are a service not subject to value added tax, and so the indirect taxes included in operating expenses are not deductible for Elo. In

2015, Elo paid value added tax totalling EUR 9.0 million on its own purchases.

Elo employs a significant number of people. The employer's prepayments of withholding tax and social security contributions on paid salaries and other remuneration are included in Elo's tax footprint. In 2015, the withholding taxes paid on the earnings of Elo's personnel totalled EUR 10.8 million.

As an employment pension company, Elo's main task is to safeguard and pay pensions. In 2015, Elo paid a total of EUR 2,857.6 million in pensions, of

TAXATION OF INVESTMENT OPERATIONS					
EUR million	Net return before taxes	Taxes paid	Refunds received	Net return after taxes	Taxes, total
Interest income	122.1			122.1	
Dividend income	247.3	7.1	3.4	243.6	3.7
Real estate income	70.8	0.4		70.3	0.4
Other investment income and expenses <sup>1)</sup>	-167.1	3.8		-170.9	3.8
Value adjustments in bookkeeping	593.3			593.3	
Change in valuation differences	131.6			131.6	
<b>Investment income, total</b>	<b>997.9</b>	<b>11.3</b>	<b>3.4</b>	<b>990.1<sup>2)</sup></b>	<b>7.9</b>

1) Includes e.g. interest items in the profit and loss account that are not entered under investment income.

2) Net investment income at current value

TAXATION OF OTHER OPERATING ACTIVITIES		
EUR million	Tax base	Taxes paid
Wages and salaries of personnel	30.5	10.8
Other operating expenses	72.7	9.0
Pensions paid	2,857.6	559.4

# RESPONSIBILITY FOR EACH CUSTOMER IS AT THE CORE OF OUR STRATEGY

The reason for our very existence as a company is to engage in statutory employment pension insurance, which is part of social security. We manage the employment pension provision of client company employees and self-employed persons in a responsible, reliable and transparent manner. We also manage the pension assets of our customers in a profitable and secure manner. Our customers are policyholders, insured persons and pension recipients.

## INFLUENTIAL FORCE IN THE FINNISH EMPLOYMENT PENSIONS SECTOR

We act in a responsible and competent manner and engage with different stakeholder groups in the renewal and reform of the employment pension sector.

Our services support our client companies, which enables us to contribute to growth, employment and workplace wellbeing in the Finnish economy.

## SOLVENT AND RESPONSIBLE INVESTOR

The aim of Elo's investment operations is to obtain a good long-term return on pension assets, in relation to the risk level, to support the financing of pensions.

We pay competitive premium client bonuses to our customers.

## COMPETITIVE AND EFFICIENT

We operate efficiently and competitively in order that we can generate added value for our customers.

We are competitive in all customer segments: Elo is the preferred choice for self-employed persons and small and medium-sized companies, and an attractive alternative for large companies.

## EXPERT PARTNER IN PENSIONS

The customer is the starting point for everything we do.

Together with a comprehensive and robust network of partners, we operate close to our customers and offer a convenient and high-quality service.

## OUR MISSION TAKING CARE OF OUR CUSTOMERS' PENSIONS

## OUR HUMAN RESOURCES VISION

We value an open working culture along with cooperation, trust and profitability. We are a respected and desirable employer and we enable everyone to experience success and wellbeing in their work.

# BOARD OF DIRECTORS' REPORT

## **ECONOMIC OPERATING ENVIRONMENT**

Global economic growth remained lower than anticipated in 2015, at about 3 per cent. The growth rate of global consumer prices decreased to about 1.5 per cent, owing mostly to the drop in the price of oil. Of the largest economic regions, growth picked up in the euro zone and Japan from the previous year, but remains at a rather low level. US economic growth remained at the previous year's level, but growth in the emerging economies and commodity-dependent developed economies weakened considerably. Unfortunately, the Finnish economy, which is reliant on exports and in particular investment goods, did not join the other EU countries on their growth path.

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 by technology-related structural changes, and the effect on consumer demand due to the combination of very low nominal growth and over-indebtedness. Moreover, China, which has stimulated its economy through debt since the financial crisis, has created an over-capacity which is slowing down industrial production worldwide. The price of crude oil further declined by about 30 per cent in 2015, weakening economies that are dependent on oil and other raw materials and commodities. The lower price of energy unexpectedly failed to stimulate private consumption in developed countries, instead raising savings rates.

Following the financial crisis, the US is close to being back on a relatively normal growth track. The US Federal Reserve continued to normalise its monetary policy with a minor rate hike in December. Elsewhere, economies

were still rather fragile, requiring central banks to continue stimulating the investment markets in 2015.

The emerging markets, in particular, have faced difficulties in a low economic growth environment, which was evident in the sharp depreciation of their currencies. Weakening their currencies' exchange rate against other currencies appears to be a key means of stimulus for many national economies, which may result in unexpected imbalances in the global economy and the investment markets.

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

Finns are living longer on average, and the average life expectancy is expected to continue rising. In 2014, the labour market organisations negotiated 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 pension reform was ratified in the Finnish Parliament on 20 November 2015.

The key goals set for the reform were that people should remain in employment for longer and that the sustainability gap in public finances should be reduced. Among other things, the reform will gradually raise the retirement age and introduce two new types of pension: the partial early old-age pension and the career pension. 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 part-time pension will be discontinued.

Elo, like the other pension insurance companies, was involved in the process of drafting the law and in the industry's working groups. The pension reform as a whole constitutes a significant investment, both in terms of the amount of work involved and financially, for the entire pension system, including Elo. The biggest costs will arise from the updating of information systems. Investments will also be made in training staff and informing customers. Elo's aim is to implement the pension reform efficiently and explain the changes clearly to customers.

Implementation of the changes associated with the pension reform was begun in information systems in 2015. Additionally, Elo's electronic services were renewed, enabling customers to receive, from summer 2015 onwards, old-age pension estimates that accord with the legislation entering into force in 2017.

The pension reform also includes changes in the financing regulations for authorised pension providers, which increase the proportion of liabilities that can be invested in equities, for instance.

Elo prepared for changes in the solvency calculation during 2015. The solvency requirement and the principles for determining it will change as of the beginning of 2017. For example, the information requirements for the solvency limit will change and the amount of the provision tied to equity income is set to grow. The solvency capital will decrease in 2016, when insurance premiums will be lowered temporarily. In addition, the changes to the mortality basis will be partially financed from solvency. Solvency declined in 2015 partly due to the transfer of the equalisation provision of TEL supplementary benefits to the distribution system.

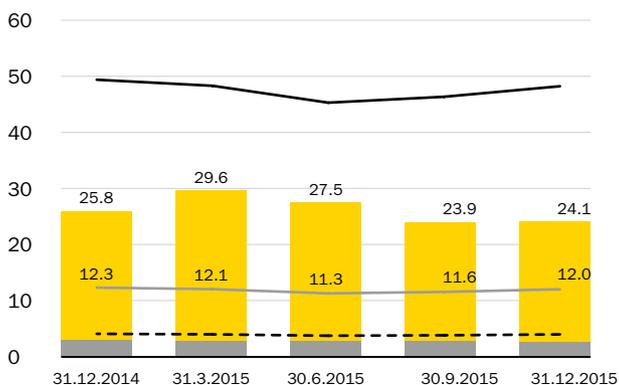
## RESULT AND SOLVENCY

The amount of solvency capital decreased during the year by EUR 41.8 million, amounting to EUR 4,042.1 million (EUR 4,084.0 million) by the year's end. Excluding the equalisation provision, the solvency capital was EUR 3,591.1 million (EUR 3,620.9 million). The ratio of solvency capital to the technical provisions used in the solvency calculation was 24.1 per cent (25.8 per cent) at the end of 2015. The ratio before the equalisation provision was 21.4 per cent (22.9 per cent). Solvency capital exceeded the solvency limit by

### SOLVENCY IN 2015

#### Solvency ratio and its limits

% of technical provisions



- Solvency margin/other solvency capital
- Equalisation provision
- Maximum amount of solvency capital
- Solvency limit
- - Minimum amount of solvency capital

a factor of 2.0 (2.1) at the end of the year. The minimum solvency capital was EUR 672.2 million (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.

Net investment income at current value, including other interest items in the profit and loss account, amounted to EUR 990.1 million (EUR 1,163.8 million). The return credited in technical provisions for the same period was EUR 994.8 million (EUR 821.8 million), of which technical provisions linked to equity income accounted for EUR 207.7 million (EUR 150.7 million). The 2015 result of investment operations at current value was thus EUR -4.8 million (EUR 342.0 million). The loading profit was EUR 36.2 million (EUR 31.8 million). The insurance business surplus was EUR -1.5 million (EUR -11.3 million). Elo's combined total result at current value was EUR 29.9 million (EUR 362.5 million).

Based on the solvency capital and loading profit, a total of EUR 58.2 million (EUR 56.4 million) was allocated to client bonuses at the end of 2015. This represents 0.52 per cent (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 20,963 million (EUR 20,050 million), or 17.4 per cent (17.3 per cent) above the technical provisions to be covered.

## INSURANCE BUSINESS

Elo is the market leader both in TyEL and YEL pension insurance in terms of the number of policies. At the end of 2015, Elo administered 46,015 (46,103) TyEL and 85,054 (87,350) YEL insurance policies. The total number of self-employed persons and employees insured by Elo at the end of the year was 483,271 (485,429), or almost half a million.

In 2015, the premiums written by Elo for insurance under the Employees' Pensions Act (TyEL insurance) totalled EUR 2,727.1 million (EUR 2,600.0 million), and the TyEL policyholders' payroll amounted to EUR 11,258.1 million (EUR 11,025.9 million). The premiums written for insurance under the Self-Employed Persons' Pensions Act (YEL insurance) was EUR 428.3 million (EUR 420.7 million), and the YEL confirmed income was EUR 1,888.0 million (EUR 1,937.1 million). EUR 19.3 million (EUR 21.0 million) was entered as credit losses on insurance premiums in 2015.

Policyholders are free to transfer their pension cover to another pension insurance company on four dates every year, as long as they have waited one year since the previous transfer. The balance of transfers in 2015 was net positive for Elo, as a total of 79 (-381) new TyEL and 348 (-215) new YEL insurance policies were gained. The premiums written for TyEL insurance policies grew by EUR 1.9 million (EUR -5.8 million). During the year, Elo gained 5,078 (5,781) TyEL and 7,987 (7,996) YEL insurance policies through new customer prospecting.

During 2015, the IT system projects related to the merger were completed in Elo's insurance process when the switch was made from separate to joint policy management systems at the beginning of June. Following the completion of the IT system projects, the insurance services focused

in the autumn on developing Elo's joint procedures and customer service by introducing a customer service coaching programme, among other measures.

The conversion of the policy management systems was accompanied by the introduction of Elo's new online insurance service for customers. Elo continued to develop its electronic services, which allow for quicker and easier service, throughout the report year. The proportion of customers' annual notifications sent electronically in 2015 clearly surpassed 90 per cent, and more than 70 per cent of TyEL and YEL insurance applications were received electronically.

## PENSION SERVICES

The number of pension decisions issued on the basis of an application in 2015 was 22,700 (23,100).

Each month, approximately 216,800 (217,400) pension payments were made by Elo, amounting to a monthly total of about EUR 238.1 million (EUR 227.7 million). Old-age and disability pensions are the two largest items in claims expenditure. A total of EUR 2,331.9 million (EUR 2,194.6 million) was paid in old-age pensions and EUR 321.1 million (EUR 329.4 million) in disability pensions.

### Pensions paid 2015

Type of pension	no.	EUR million
Old-age pension	162,535	2,332
Disability pension	24,723	321
Survivors' pension	28,140	188
Part-time pension	1,371	16
<b>Total</b>	<b>216,769</b>	<b>2,858</b>

The pension decision process was quick and of a high standard. On average, decisions were issued to pension applicants in 2015 about 17 days (7 days), or 30 per cent (15 per cent), faster than the average for the other employment pension companies. Elo managed to successfully speed up its decision process, as decisions were issued 4.9 per cent faster in 2015 than in 2014. The high quality

of the decisions is evidenced by the fact that 83 per cent (82 per cent) of appeals to the Pension Appeal Court were rejected, meaning that the decision issued by Elo remained unchanged following the appeal made against it. On average, the corresponding figure for the private sector was a couple of percentage points lower, or 81 (80). A total of 85 per cent (84 per cent) of the respondents to the pension services customer satisfaction survey rated the service they received as very good.

### Pension application processing periods 2015 (days)

Type of pension	Decisions issued, no.		Comparison with industry average	
	Elo	Average		
Disability pension	10,362	46	70	-24
Vocational rehabilitation	1,593	23	33	-10
Part-time pension	477	39	57	-18
Old-age pension	8,443	38	50	-12
Survivors' pension	1,824	14	21	-7

The response time to customer calls at Elo was very short, on average about 8 seconds, and the call response rate was 99.7 per cent. Elo's diverse electronic services are increasingly used for handling pension issues. Of all the preliminary pension calculations provided to customers, 69 per cent (65 per cent) were given electronically. Online pension applications also increased by 37 per cent over the previous year, and pension recipients' use of the electronic services grew by 28 per cent.

Elo developed its vocational rehabilitation process and service models during 2015. The work focused on providing more resources for successful rehabilitation and on more efficient cooperation with various partners.

In 2015, Elo completed a number of large IT system projects, as it switched to joint systems after its merger. The switch to a single pension payment system was successfully made towards the end of the year. Elo's new claims system

project was also brought to completion, and in 2016 the single pension claims system will be used exclusively.

During 2015, Elo prepared for the pension reform set to enter into force in 2017. The reform will bring about major changes to IT systems, which Elo began implementing in 2015. Moreover, Elo was involved in the preparatory work for the legislative amendments, actively communicating the changes resulting from the pension reform to its customers. Elo's electronic services were renewed, enabling customers to receive, from summer 2015 onwards, old-age pension estimates that accord with the legislation entering into force in 2017.

## DISABILITY RISK MANAGEMENT

Elo provides its client companies with workplace wellbeing services that support the companies' development efforts to promote employees' wellbeing and extend their careers. Preventive measures aim at lowering the companies' disability risk.

In 2015, workplace wellbeing projects were carried out with about 550 client companies. Elo arranged 36 workplace wellbeing training events that were available for all customers, with around 800 representatives of client companies participating in them.

Workplace wellbeing services were developed vigorously in 2015. Customers were offered a new training programme that provides tools for enhancing the different areas of workplace wellbeing and an online service that is particularly aimed at small and medium-sized enterprises.

During 2015, the Financial Supervisory Authority carried out an inspection of employment pension companies' workplace wellbeing activities and the financing of related projects by the pension companies. Elo's workplace wellbeing operations were assessed in the inspection and found to be compliant with the Financial Supervisory Authority's guidelines. Based on the inspection, the Financial Supervisory Authority issued revised guidelines for the pension insur-

ance companies' disability risk management operations, to be applied as of March 2016.

## TECHNICAL PROVISIONS

At the end of 2015, Elo's technical provisions totalled EUR 17,849.7 million (EUR 17,078.6 million). The technical provisions included approximately EUR 2,360.8 million (EUR 2,226.4 million) accrued from employee contributions.

Technical provisions	
EUR million	31 Dec. 2015
<b>Premium reserve</b>	
Future pensions	8,459.0
Provision for current bonuses	58.3
Provision for future bonuses	597.5
Provision linked to equity income	739.2
	9,854.0
<b>Provision for claims outstanding</b>	
Current pensions and clearing reserve	7,534.1
Equalisation provision	461.6
	7,995.6
<b>Total</b>	<b>17,849.7</b>

The provision for claims outstanding also includes the equalisation provision for TyEL insurance operations, which stood at EUR 451.0 million (EUR 452.6 million) at the end of 2015. The equalisation provision was sufficient. The insurance business surplus for 2015 was negative overall. The bonuses to be paid to TyEL policyholders have been reserved in the provision for current bonuses.

On 31 December 2015, the pension system's average equity income for transfer to technical provisions was about 12.32 per cent (9.62 per cent), and the provision linked to equity income was approximately EUR 739.2 million (EUR 527.8 million). The required return, amounting to a total of EUR 994.8 million (EUR 821.8 million), has been credited in technical provisions. Net investment income at current

value was EUR 4.8 million below the required return, as a result of which there was a decrease in the level of euro-denominated solvency capital.

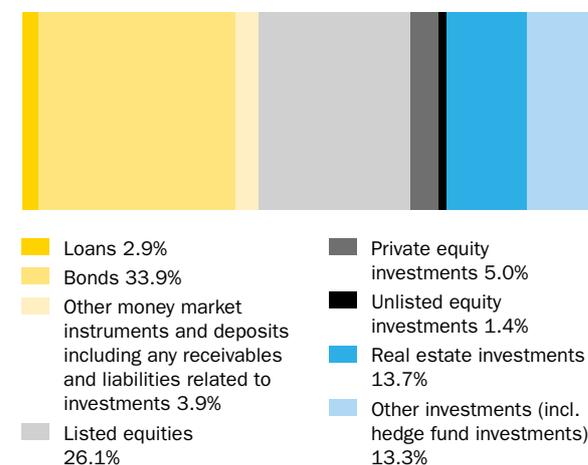
## INVESTMENT OPERATIONS

The returns of global investment markets remained modest in almost all asset classes in 2015. The steep decline in the price of oil and other commodities was also reflected in equity and corporate bond market returns. Artificially low interest rates, however, continue to support the investment market, but the gradual normalisation of monetary policy in the US and elsewhere will affect the pricing of risky asset classes. The slowdown in China's economic growth and the turbulence on the Chinese equity market in late spring also spread to other equity and commodity markets.

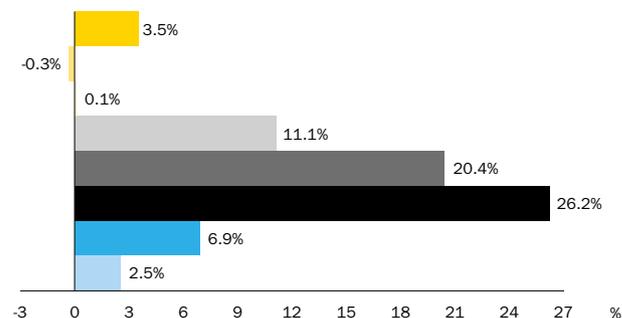
The overall return on Elo's investment portfolio in 2015 was 5.0 per cent (6.2 per cent). Elo made successful allocation decisions in terms of risk exposure in its investment portfolio by reducing credit risk investments and managing the weight of equity investments in various equity markets. The returns of various asset classes were also on a good level in relation to market returns. Investments in equities and bonds, in particular, are diversified globally. Around a third of Elo's investments are in Finnish assets.

The return from the equity markets fluctuated heavily during the year. The strong equity rally at the start of the year was followed by a sharp decline in the autumn and a recovery in the final months of the year. At the end of 2015, the prices of equities in Western equity markets were above the long-term average. Central banks' stimulus measures and a lack of alternatives helped to support pricing. The increased risk related to emerging equity markets reduced the pricing of these markets and returns were mainly negative. Corporate earnings forecasts were further downgraded. Exchange rate fluctuations had an unexpectedly large effect on returns from equities. The

## ASSET ALLOCATION 31.12.2015



## INVESTMENT INCOME 2015



weakening of the euro increased the returns of investments denominated in dollars in particular.

Elo's equity investments performed well. The regional and also industry- and company-specific weights proved successful considering the prevailing market conditions.

Elo's equities yielded a return of 13.0 per cent (9.8 per cent), and listed equities a return of 11.1 per cent (8.0 per cent). As several private equity funds took advantage of the brisk M&A market, returns on private equity investments reached an excellent level of 20.4 per cent (18.9 per cent). Moreover, with the rise in company valuations, Elo's unlisted equities generated a healthy return of 26.2 per cent (26.0 per cent). The values of real investments, in particular, continued to rise.

Low interest rates, robust equity markets and new central bank stimulus buoyed the credit risk markets until the summer. Slowing growth in China and the challenges faced by the oil and mining industries, however, began to weigh on the markets in the second half of the year. Elo reduced the weight of credit risk investments on its balance sheet already in the spring. A relatively high weight for Europe was maintained in the corporate bond portfolio. The distribution of Elo's government bond investments was again directed outside the euro area, especially to the United States, as a result of negative interest rates and weakened return expectations. The weight of emerging markets' fixed income investments was increased moderately as return expectations improved. Elo's fixed income investments achieved a zero return in 2015.

The returns of hedge funds across the world were lower than usual in 2015, owing to the difficult operating environment. Elo's hedge fund investments yielded 1.6 per cent (7.2 per cent), which is a fairly good return, considering the negative performance of hedge fund indexes, the overall low returns from the investment market and the zero interest rate environment. The weight of hedge fund investments was increased by about 3 percentage points in 2015.

The real estate market remained vibrant and the transaction volume reached the level of the peak years before the financial crisis. The prices of the best real estate in particular continued to rise as competition among purchasers was even tougher than before. However, the low occupancy rate of business premises declined further, and sup-

ply already meets demand in rental properties. Investment returns in Finland were burdened somewhat by value adjustments. During the year, several rental housing projects were started, and Hotel Lilla Roberts was completed in Helsinki. Direct real estate investments returned 5.3 per cent (4.7 per cent) and real estate investment funds 13.1 per cent (8.6 per cent). Returns on Elo's property investments in Finland were at the previous year's level, totalling 5.7 per cent (5.4 per cent). Returns on international investments were excellent, amounting to 18.1 per cent (13.0 per cent).

Corporate demand for financing was still lower than normal, mostly due to businesses' weak investment appetite. On the other hand, the loan product devised by Elo's corporate financing together with Finnvera for small and medium-sized companies was well-received. The yield on loans was 3.5 per cent (3.1 per cent), which is a good level in the present low interest rate environment.

## **RISK MANAGEMENT AND RISK MONITORING**

The second year of Elo's operations was successful in terms of risk management. The integration projects were completed successfully and solvency remained strong.

For employment pension companies, the most significant risk is related to the management of solvency, where the realisation of investment risks has the biggest individual impact. In order to prevent the solvency ratio from deteriorating, the company must achieve returns that exceed the return requirement for the technical provisions. The risk level of investments is primarily regulated by a framework of solvency rules set by the authorities, under which Elo's Board of Directors authorises its investment function to operate. The Board of Directors sets the company's risk appetite and general goals for sufficiency, diversification and liquidity through the company's investment plan. The investment plan defines the annual targets with regard to risk and return for the investment function, as well as the authorisations for risk taking within the framework authorised by the Board of Directors.

Elo employs a solvency management model developed by the company. Solvency is analysed using the internal models and scenario and stress tests available to the company. The solvency management model sets a risk exposure level that accounts for the prevailing market conditions, investment views and solvency. The solvency management model incorporates roles for the Board of Directors and the management, and for the investment, reporting and monitoring functions.

Elo's solvency ratio weakened slightly during 2015, despite the positive returns on its investments. The solvency ratio and the risk taking opportunities were still at a good level at the end of the year. Investment risks remained moderate in relation to the risk tolerance, and the overall risk was at around the same level as in the previous financial statements. The equity risk was reduced after the price rally in the spring and increased in late summer. The equity risk at the end of the year was unchanged from that at the start of the year. The credit risk was reduced somewhat during the year.

According to a preliminary estimate, the most significant operational risks in 2015 concerned the major ICT projects, which were executed successfully. Other risks estimated to be significant included factors related to the personnel's competence requirements and the adequacy and allocation of resources. The ICT and personnel risks also posed additional challenges for the company's processes, which approached Elo's target following the integration of the systems. During 2015, the company also prepared its contingency plan and participated in the financial sector's joint FATO 2015 contingency exercise.

The risk management operating models were mostly established by 2015, with risk monitoring functions producing reports and monitoring risks in accordance with standard practices. Elo also launched IT system projects in 2015 which, once complete, will support the development of risk management and reporting.

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 2015 amounted to EUR 126.3 million (EUR 128.3 million). Operating expenses covered by the expense loading totalled EUR 90.3 million (EUR 92.2 million), and operating expenses covered by investment income came to EUR 22.4 million (EUR 22.4 million). Operating expenses of EUR 5.5 million (EUR 4.6 million) related to working capacity maintenance were paid from the disability loading of the premium. Total operating expenses included EUR 8.0 million (EUR 9.1 million) in statutory charges, which are covered by a separate share of the premium.

Personnel costs accounted for 29.6 per cent of the total operating expenses. The expense loading totalled EUR 126.5 million (EUR 124.1 million) for the full year. The loading profit was EUR 36.2 million (EUR 31.8 million). Elo used 71.4 per cent (74.3 per cent) of the premium expense loading for operating expenses.

## PERSONNEL

Elo had an average of 501 (501) employees in 2015 and the average amount of work performed was 458 (448) man-years. Of the total employees, 89 per cent (90 per cent) were employed on a permanent basis and 11 per cent (10 per cent) on a fixed-term basis. The average age of the employees was 44 (44). Women accounted for 68.5 per cent (69 per cent) of the employees and men for 31.5 per cent (31 per cent).

The focus of Elo's personnel work during its second year of operation remained on strengthening the corporate culture and integrating operating methods and management practices. Professional competence, which is one of the focus areas of Elo's personnel strategy, was reinforced by systematically analysing competence, establishing an inter-

nal trainer network, supporting management work and promoting internal mobility.

Elo conducted its third personnel survey in autumn 2015. The PeoplePower index, which indicates the personnel's commitment and the prerequisites for it, further improved. In autumn 2015, the PeoplePower index was 67.8, compared with 66.1 a year earlier and 61.6 in the first survey. The development of the workplace atmosphere reached its interim target, which was set at the same level as the norm for employees in specialist roles in Finland.

The aim of remuneration is to facilitate achievement of the company's strategic goals. Remuneration systems are used to enhance profitability of work and the skills and commitment of the personnel. 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 views remuneration as an integrated whole, where monetary remuneration is supplemented with comprehensive personnel benefits and immaterial remuneration, such as development opportunities.

In 2015, the performance bonus system for personnel covered 77 per cent of all employees, while the performance bonus system for the investment management members and the investment unit covered 9 per cent, the performance bonus system for management 5 per cent, the performance bonus system for sales 5 per cent, and the performance bonus system for independent risk management and reporting 4 per cent of the personnel. Employees can be covered by one performance bonus system at a time. The performance bonuses are usually paid once a year, after the actual results for predetermined targets have been ascertained.

Elo's remuneration statement gives more detailed information on the remuneration system at Elo and the criteria involved. The statement is available (in Finnish) on Elo's website at [www.elo.fi](http://www.elo.fi).

## CORPORATE GOVERNANCE

Elo's Board of Directors comprises representatives of the central labour market organisations and representatives of the customers and stakeholders. The Board of Directors comprises 16 ordinary members and four deputy members. In 2015, Pekka Sairanen was Chairman of the Board, and Ann Selin and Heimo J. Aho were Deputy Chairmen. The other Board members were 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 and Sinikka Näätsaari (as of 24 November 2015). The deputy Board members were Antti Aho, Jukka Ihanus (as of 24 November 2015), Jouko Liimatainen and Daniela Yrjö-Koskinen.

In 2015, the Board's Appointment and Remuneration Committee comprised Pekka Sairanen, Ann Selin and Heimo J. Aho. The Board's Audit Committee members were Jari Karlson, Heikki Kauppi and Jussi Mustonen.

The members of Elo's Supervisory Board are elected by the Annual General Meeting. The Supervisory Board consists of 54 members. In 2015, Klaus Saarikallio served as Chairman of the Supervisory Board, and Håkan Nystrand and Ilkka Brotherus as Deputy Chairmen.

During 2015, the Election Committee of the Supervisory Board included Ilkka Brotherus, Klaus Saarikallio and Jouko Vehmas as members who had been nominated by the policyholders. The Election Committee members who had been nominated by the insured were Håkan Nystrand, Mika Varjonen and Jaana Ylitalo. Klaus Saarikallio was Chairman of the Election Committee, and Håkan Nystrand was Deputy Chairman.

Elo's Chief Executive Officer was Lasse Heiniö until 31 May 2015. Satu Huber, who had served as Deputy CEO until that date, took up her duties as Chief Executive Officer of Elo on 1 June 2015.

In addition to Satu Huber, Elo's Executive Group in 2015 comprised Mika Ahonen (Legal Affairs, Planning and Com-

munications, 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), Keijo Kouvonen (Insurance Policies and Pensions) and Hiikka Malinen (Human Resources, as of 1 June 2015).

Elo's Annual General Meeting on 21 April 2015 re-elected Mia Harkko, Johanna Heikkilä, Sauli Huikuri, Timo Jaakkola, Jussi Järventaus, Olavi Kaukonen, Timo Lepistö, Otto Mikkonen, Pekka Rantamäki, Ansu Saarela, Klaus Saarikallio, Pentti Virtanen, Janne Ylinen and Jaana Ylitalo to the Supervisory Board from among those members whose term was due to expire. In addition, Heikki Kyntäjä, Veli-Matti Kunttonen, Katariina Poskiparta, Antti Ylikorkkala, Kustaa Piha, Maija Hjelt and Marko Piirainen were elected as new members to the Supervisory Board.

On 24 November 2015, Elo's Supervisory Board elected Sinikka Näätsaari to replace Timo Vallittu as an ordinary member of the Board of Directors and Jukka Ihanus to replace Katja Veirto as a deputy member.

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.

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 2015, Elo's capital and reserves consisted of restricted capital and reserves that included an initial fund of EUR 6,693,879.47 (EUR 6,693,879.47), and non-restricted capital and reserves that included a contingency fund of EUR 63,700,086.16 (EUR 60,760,058.84), a contingency reserve of EUR 29,091,990.32 (EUR 29,091,990.32), and retained earnings amounting to EUR 1,841,728.24 (EUR 1,841,728.24). Elo has no guarantee capital.

The surplus for the financial year totalled EUR 5,700.30 (EUR 2,940,027.32).

The Board of Directors proposes that the financial year surplus of EUR 5,700.30 be transferred to the contingency fund.

### **ELO GROUP**

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

At the end of 2015, the parent company Elo's Group included 113 (115) housing and real estate companies as subsidiaries. Additionally, the Elo Group also included the affiliated group of the real estate investment company Probus Holding Ltd, in which Elo held 79.47 per cent of the shares and votes. The group also includes 10 associate companies, the most significant of which were Avara Ltd and Amplus Holding Ltd.

### **FUTURE OUTLOOK**

The economic outlook for 2016 is, in many ways, contradictory. Consumer demand among households in developed economies will continue to maintain economic growth, supporting the manufacturing of production goods. However, there are problems particularly in China and in many other emerging economies, where new models are being sought for growth, which has been based on investments in heavy industry. The industrial overcapacity in these economies and the new, competing sources of supply in the oil market are slowing global growth in investments.

The lower price of energy should boost household demand and the profits of the manufacturing industry, but tangible effects have so far been lacking. The Finnish economy returned to a slight growth track in late 2015. The US Federal Reserve raised its federal funds rate at the end of 2015 on account of the slightly improved economic outlook. However, monetary policy across the globe is likely to remain expansionary and support the investment market if economic growth does not live up to expectations.

The early-year difficulties in the investment market have shown that market valuations were high relative to the fundamentals of the economy as a result of extensive central bank stimulus measures. Volatility in the developed countries caused uncertainty in the global economy and the investment market.

At the onset of 2016, Elo's investment assets had a moderate risk exposure. With the prevailing uncertainty and extremely low yields, the overall return on Elo's investment portfolio in 2016 will most likely be fairly modest, as it was in 2015. However, this year may offer attractive investment opportunities for long-term investors in the equity and corporate bond markets, among others.

Elo's third year of operation has started in a situation where all major integration projects have been completed. Elo now serves its customers through single systems and a uniform operating model, thanks to which the benefits of the merger will begin to be realised during the current year.

Elo will introduce a new pension processing system in 2016. The system's user training and piloting have already begun, and by the end of the year Elo will have in place a system for its pension services that guarantees consistent quality and enables a higher degree of automation. As routine tasks are digitalised, Elo's experts will have more time for tasks that require expertise and for customer service.

To this end, we are conducting an assessment of the effects of digitalisation on Elo and its business. Elo's activities are guided to a significant extent by the experience of its customers, and this will be the case even more emphatically in a digital environment. Elo will make decisions on how to proceed in this matter during spring 2016. Elo's goal is to provide the best customer experience in the sector, in conjunction with its partners.

The Elo Board of Directors would like to thank the company's personnel and management for all their good work during 2015.

# 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 Act on the Calculation of the Pension Provider's Solvency Limit and the Covering of the Technical Provisions, 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.

## 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 2015, 113 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 differ-

ence 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 non-restricted capital and reserves is minor.

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. The TyEL management fees received by the company will be further specified during 2016.

## 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 2015 financial year.

The recording practices concerning real estate investment items on the balance sheet and the returns corresponding to them have been revised, due to which the comparative figures in the notes concerning the balance sheet, profit and loss account, current value of investments and valuation difference, net investment income, and collateral and contingent liabilities have been adjusted to reflect the revised practices.

### 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.

The recording practices concerning shares and holdings and financial market instruments on the balance sheet have been revised, due to which the comparative figures in the notes concerning the balance sheet and current value of investments have been adjusted to reflect the revised practices.

### Financial market instruments

Financial instruments include bonds and money market instruments. The balance sheet value of financial instruments is their acquisition cost, calculated using the average price. The acquisition cost is adjusted by the amortised difference between the nominal value and the acquisition value. The difference between the nominal value and the acquisition value is amortised as a decrease or increase in interest income over the maturity of the financial 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. Elo used equity, fixed income, credit risk, commodity, volatility and foreign currency derivatives during the financial year.

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 expenditure	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 INVESTMENT

#### 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 a few separate buildings and also new buildings completed and sites undergoing modernisation in 2015. The evaluations of all real estate

investments were made on the valuation date 31 December 2015.

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 amortised 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. Some members of personnel are provided with a supplementary pension benefit, which is determined on the basis of when the employment relationship started, its duration and the employment history. Some of the investment directors have been provided a supplementary pension benefit through a voluntary pension arrangement. The retirement age of the Chief Executive Officer is 64. The Chief Executive Officer has supplementary pension insurance with an annual pension accrual of 0.2 per cent.

## 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, with the exception of the share of TEL supplementary insurance.

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

The change in premium reserve from 2014 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.

## 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 primarily against changes in the insurance business and the rest is intended for covering investment risks. 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 for 2014 had to be changed during the preparation of the financial statements. The information for the division of YEL costs was further adjusted in 2015, which led to an additional payment that was made in November 2015. The procedure concerned the calculation of the total premium income.

# PROFIT AND LOSS ACCOUNT

EUR 1,000	Parent company 2015	Parent company 2014	Group 2015	Group 2014
<b>Technical account</b>				
Premiums written	3,157,104	3,022,886	3,157,104	3,022,886
Investment income	2,615,269	2,024,887	2,628,634	2,090,757
Claims incurred				
Claims paid	-3,177,980	-3,084,357	-3,177,980	-3,084,357
Change in provision for claims outstanding	-469,338		-469,338	
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	-301,714		-301,714	
Merger		3,763,004		3,763,004
Change in premium reserve after merger		-4,297,569		-4,297,569
Operating expenses	-72,677	-78,512	-72,677	-78,512
Investment management expenses	-1,748,848	-1,002,669	-1,765,998	-1,037,687
<b>Balance on technical account</b>	1,815	7,098	-1,969	37,952
<b>Non-technical account</b>				
Other income	1,984	952	1,533	592
Other expenses	-19	-17	-19	-17
Share of the profit/loss of associate companies			2,965	2,057
Accumulated appropriations				
Change in depreciation difference	-110	-327		
Income taxes				
Taxes from this and earlier financial years	-3,664	-4,768	-4,876	-10,322
Deferred tax			106	-2,945
Profit (loss) from ordinary activities	6	2,940	-2,260	27,318
Minority interest as a part of the profit for the financial year			-83	-9,354
<b>Profit for the financial year</b>	6	2,940	-2,343	17,964

# BALANCE SHEET

EUR 1,000	Parent company 2015	Parent company 2014	Group 2015	Group 2014
<b>ASSETS</b>				
<b>Intangible assets</b>				
Intangible rights	9,501	11,807	9,564	11,870
Other long-term expenditure	20,254	10,181	20,254	10,181
Projects in progress	1,130	5,911	1,130	5,911
	30,885	27,899	30,948	27,962
<b>Investments</b>				
Real estate investments				
Real estate investments and shares in real estate	713,445	733,313	1,489,792	1,543,957
Loans to Group companies	674,640	695,035		
Loans to real estate companies			69,555	70,805
	1,388,085	1,428,347	1,559,347	1,614,763
Investments in Group companies and participating interests				
Shares and holdings in Group companies	32,881	23,857		
Shares and holdings in participating interests	4,834	11,653	16,966	20,883
Loans to Group companies	124,337	130,115		
	162,052	165,626	16,966	20,883
Other investments				
Shares and holdings	9,502,673	8,524,690	9,508,552	8,530,212
Financial market instruments	5,546,656	5,537,403	5,546,656	5,537,403
Loans guaranteed by mortgages	136,643	130,709	136,643	130,709
Other loans	419,020	416,281	419,020	416,281
Other investments			2,113	2,109
	15,604,993	14,609,083	15,612,984	14,616,714
	17,155,130	16,203,056	17,189,298	16,252,359
<b>Debtors</b>				
Arising out of direct insurance operations				
Policy holders	184,556	180,092	184,556	180,092
Other debtors				
Other debtors	364,004	414,139	358,946	402,714
Deferred tax assets			3,270	3,580
	548,560	594,231	546,771	586,386
<b>Other assets</b>				
Tangible assets				
Machinery and equipment	4,513	4,833	4,513	4,833
Other tangible assets	385	387	385	387
	4,898	5,220	4,898	5,220
Cash at bank and in hand	459,836	493,535	480,431	527,778
	464,734	498,755	485,329	532,998
<b>Prepayments and accrued income</b>				
Accrued interest and rent	62,576	80,702	62,189	80,263
Other prepayments and accrued income	38,396	39,235	40,595	42,267
	100,973	119,938	102,784	122,530
<b>Total assets</b>	<b>18,300,281</b>	<b>17,443,880</b>	<b>18,355,131</b>	<b>17,522,235</b>

# BALANCE SHEET

EUR 1,000	Parent company 2015	Parent company 2014	Group 2015	Group 2014
<b>LIABILITIES</b>				
<b>Capital and reserves</b>				
Initial fund	6,694	6,694	6,694	6,694
Construction fund			86	86
Redemption reserve			88	233
Revaluation reserve			185	185
Other reserves	92,792	89,852	93,020	90,168
Profit/loss brought forward	1,842	1,842	-12,127	-27,141
Profit/loss for the financial year	6	2,940	-2,343	17,964
	101,333	101,328	85,603	88,188
<b>Minority interest</b>			57,515	70,119
<b>Accrued appropriations</b>				
Depreciation difference	727	617		
<b>Group reserve</b>			869	1,322
<b>Technical provisions</b>				
Premium reserve	9,854,005	9,552,291	9,854,005	9,552,291
Provision for claims outstanding	7,995,649	7,526,311	7,995,649	7,526,311
	17,849,654	17,078,602	17,849,654	17,078,602
<b>Mandatory provisions</b>	22	9	4,139	6,586
<b>Creditors</b>				
Arising out of direct insurance operations	12,726	12,211	12,726	12,211
Deferred tax liabilities			5,633	6,023
Other creditors	278,274	131,630	278,478	131,580
	291,000	143,842	296,837	149,814
<b>Accruals and deferred income</b>	57,544	119,483	60,514	127,605
<b>Total liabilities</b>	18,300,281	17,443,880	18,355,131	17,522,235

# CASH FLOW STATEMENT

EUR 1,000	Parent company 2015	Parent company 2014	Group 2015	Group 2014
<b>Cash flow from operations</b>				
Profit/loss from ordinary activities before extraordinary items	1,815	7,098	-1,969	37,952
Adjustments				
Changes in technical provisions	771,052	7,842,379	771,052	7,842,379
Merger		-6,967,243		-6,967,243
Value adjustments and revaluation of investments	163,815	121,591	204,038	152,351
Depreciation according to plan	8,736	5,949	8,736	5,949
Sales gains and losses	-757,116	-968,069	-759,066	-968,071
Cash flow before change in working capital	188,303	41,705	222,792	103,317
Change in working capital:				
Non-interest-bearing short-term receivables increase (-)/decrease(+)	64,637	-454,579	59,050	-445,275
Merger		299,117		247,241
Non-interest-bearing short-term debt increase(-)/decrease(+)	85,233	190,966	77,874	168,173
Merger		-54,182		-72,230
Cash flow from operations before financial items and taxes	338,173	23,027	359,716	1,226
Direct taxes paid	-3,664	-4,768	-4,876	-10,322
Cash flow from other business items	1,965	936	1,514	575
Cash flow from operations	336,474	19,195	356,354	-8,521
<b>Cash flow from investing activities</b>				
Investments in assets	-358,772	-6,452,663	-392,301	-6,497,583
Merger		6,535,487		6,609,613
Investments in tangible and intangible assets as well as other assets and capital gains	-11,400	-24,682	-11,400	-21,178
Merger		4,216		4,280
Cash flow from investing activities	-370,173	62,358	-403,701	95,131
<b>Cash flow from financing activities</b>				
Reduction in capital and reserves		-127		-127
Cash flow from financing activities		-127		-127
<b>Change in cash and cash equivalents</b>	-33,699	81,427	-47,347	86,484
<b>Cash and cash equivalents at the start of the year</b>	493,535	192,598	527,778	210,866
Merger		219,511		230,428
<b>Cash and cash equivalents at the end of the year</b>	459,836	493,535	480,431	527,778

# NOTES TO THE PROFIT AND LOSS ACCOUNT

EUR 1,000	Parent company 2015	Parent company 2014	Group 2015	Group 2014
<b>PREMIUMS WRITTEN</b>				
Direct insurance				
TyEL pension insurance				
Employer's contribution	2,035,857	1,951,430	2,035,857	1,951,430
Employee's contribution	691,245	648,598	691,245	648,598
	2,727,103	2,600,027	2,727,103	2,600,027
TEL supplementary pension insurance	1,707	2,159	1,707	2,159
YEL minimum coverage insurance	428,294	420,699	428,294	420,699
Premiums written	3,157,104	3,022,886	3,157,104	3,022,886
Items deducted from premiums written				
Credit losses on insurance premiums				
TyEL / TEL supplementary insurance	15,066	16,537	15,066	16,537
YEL	4,275	4,451	4,275	4,451
	19,341	20,988	19,341	20,988
<b>CLAIMS PAID</b>				
Direct insurance				
Paid to pensioners				
TyEL basic insurance	2,463,452	2,353,662	2,463,452	2,353,662
TEL supplementary pension insurance	31,039	31,338	31,039	31,338
YEL minimum coverage insurance	361,344	345,170	361,344	345,170
YEL supplementary pension cover	1,750	1,739	1,750	1,739
	2,857,585	2,731,909	2,857,585	2,731,909
Paid/refunded clearing of PAYG pensions				
TyEL pensions	394,317	391,069	394,317	391,069
YEL pensions (*)	88,389	83,382	88,389	83,382
Share of the Unemployment Insurance Fund insurance contribution and division of the costs of pension components accrued on the basis of unsalaried periods	-156,566	-119,378	-156,566	-119,378
Government contribution of YEL	-36,475	-29,678	-36,475	-29,678
Government contribution of VEKL	-463	-335	-463	-335
	289,202	325,060	289,202	325,060
	3,146,787	3,056,969	3,146,787	3,056,969
Claims administration costs	25,672	22,756	25,672	22,756
Working capacity maintenance expenses	5,522	4,632	5,522	4,632
Total claims paid	3,177,980	3,084,357	3,177,980	3,084,357

(\*) The year 2015 includes retroactive adjustment of the YEL pay-as-you-go (PAYG) pensions.

EUR 1,000	Parent company 2015	Parent company 2014	Group 2015	Group 2014
<b>NET INVESTMENT INCOME</b>				
<b>Investment income</b>				
Income from investments in Group companies				
Dividend income	6,354			
Interest income	3,209	4,437		
	9,563	4,437		
Income from investments in associated companies				
Dividend income	684	601	-61	-1,343
	684	601	-61	-1,343
Income from real estate investments				
Interest income				
From Group companies	17,345	21,775		
Others	234	222	1,437	5,423
Other income				
Others	166,384	160,601	203,437	250,469
	183,964	182,598	204,874	255,892
Income from other investments				
Dividend income	240,246	190,795	238,501	187,712
Interest income	143,169	157,817	145,709	160,723
Other income	899,107	297,956	899,126	297,089
	1,282,522	646,568	1,283,336	645,524
Total	1,476,732	834,203	1,488,148	900,072
Value readjustments	75,299	99,865	75,299	99,865
Gains on realisation	1,063,238	1,090,819	1,065,187	1,090,821
Total	2,615,269	2,024,887	2,628,634	2,090,757
<b>Investment expenses</b>				
Costs from real estate investments	-101,405	-98,606	-78,735	-71,368
Costs from other investments	-1,060,360	-540,743	-1,060,365	-572,659
Interest costs and expenses from other liabilities	-41,848	-19,115	-41,848	-19,115
	-1,203,613	-658,464	-1,180,948	-663,141
Value adjustments and depreciation				
Value adjustments	-235,995	-219,024	-238,705	-221,036
Planned depreciation on buildings	-3,118	-2,432	-40,223	-30,760
	-239,114	-221,456	-278,929	-251,796
Losses on realisation	-306,122	-122,749	-306,122	-122,749
Total	-1,748,848	-1,002,669	-1,765,998	-1,037,687
<b>Net investment income before revaluations and their adjustments</b>	866,420	1,022,217	862,636	1,053,071
<b>Net investment income in the profit and loss account</b>	866,420	1,022,217	862,636	1,053,071

EUR 1,000	Parent company 2015	Parent company 2014	Group 2015	Group 2014
<b>PROFIT AND LOSS ACCOUNT ITEM OPERATING EXPENSES</b>				
Insurance policy acquisition costs				
Direct insurance remunerations	7,905	7,714	7,905	7,714
Other insurance policy acquisition costs	11,011	11,408	11,011	11,408
	18,915	19,122	18,915	19,122
Insurance management costs	34,954	35,416	34,954	35,416
Administration costs				
Statutory charges				
The Finnish Centre for Pensions' share of costs	7,035	7,940	7,035	7,940
Judicial administration charge	690	757	690	757
Supervisory fee of the Financial Supervisory Authority	309	373	309	373
	8,034	9,069	8,034	9,069
Other administration costs	10,773	14,905	10,773	14,905
Total	72,677	78,512	72,677	78,512
<b>TOTAL OPERATING EXPENSES BY OPERATION</b>				
Claims paid				
Expenses related to claims administration	25,672	22,756	25,672	22,756
Working capacity maintenance expenses	5,522	4,632	5,522	4,632
	31,193	27,388	31,193	27,388
Operating expenses	72,677	78,512	72,677	78,512
Investment expenses				
Costs from real estate investments	5,366	5,490	5,369	5,546
Costs from other investments	17,050	16,914	17,050	16,914
	22,416	22,404	22,420	22,460
Other expenses	19	17	19	17
Total	126,305	128,321	126,309	128,377

EUR 1,000	Parent company 2015	Parent company 2014	Group 2015	Group 2014
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#### NOTES CONCERNING PERSONNEL AND MEMBERS OF CORPORATE BODIES

##### Personnel expenses

Salaries and bonuses	30,488	30,912	30,488	30,969
Pension expenses	5,446	5,632	5,446	5,632
Other social security expenses	1,510	1,748	1,510	1,748
Total	37,444	38,293	37,444	38,349

##### Salaries and bonuses of the management

Chief Executive Officer and Deputy Chief Executive Officer	906	1,182	906	1,182
Board members and deputy Board members	424	547	441	581
Supervisory Board	79	103	79	103
Total	1,409	1,832	1,426	1,866

The Chief Executive Officer was Lasse Heiniö from 1 Jan 2015 to 31 May 2015. The salary and bonuses paid to Heiniö while CEO totalled EUR 275,503.60. From 1 Jun 2015 to 31 Dec 2015 Lasse Heiniö served as an advisor to the Board of Directors. His salaries and bonuses for the entire year came to EUR 505,541.80.

The Chief Executive Officer was Satu Huber from 1 Jun 2015 to 31 Dec 2015. The salary and bonuses paid to Huber while CEO totalled EUR 206,867.06. During 1 Jan 2015 to 31 May 2015 Satu Huber was the Deputy Chief Executive Officer. Huber's salary and bonuses for the entire year were EUR 421,991.26.

The Chief Executive Officer is entitled to retire at the age of 64. The Chief Executive Officer has a supplementary pension insurance inherited from Elo's predecessor company with an annual pension accrual of 0.2 per cent. The cost of the supplementary pension insurance for 2015 was EUR 17,060.93.

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	422	413	422	413
Sales personnel	25	26	25	26
Real estate personnel	10	8	10	8

##### Fees paid to the auditors

Fees paid to Ernst & Young Oy				
Audit	263	186	289	250
Tax consultation	30	54	30	55
Other services	57	122	59	131

# NOTES TO THE BALANCE SHEET

EUR 1,000	Remaining acquisition cost 2015	Book value 2015	Current value 2015	Remaining acquisition cost 2014	Book value 2014	Current value 2014
<b>INVESTMENTS AT CURRENT VALUE AND VALUATION DIFFERENCES, PARENT COMPANY</b>						
Real estate investments						
Real estate	55,254	55,254	73,491	56,494	56,494	73,203
Real estate shares in Group companies	479,656	492,202	865,107	495,771	509,503	873,252
Other real estate shares	163,130	165,989	339,947	164,457	167,316	348,948
Loan receivables from Group companies	674,640	674,640	674,640	695,035	695,035	695,035
Investments in Group companies						
Shares and holdings	32,881	32,881	93,807	23,857	23,857	64,788
Loans to Group companies	124,337	124,337	124,337	130,115	130,115	130,115
Investments in participating interests						
Shares and holdings	4,834	4,834	6,774	11,653	11,653	22,461
Other investments						
Shares and holdings	9,502,673	9,502,673	11,579,304	8,524,690	8,524,690	10,393,404
Financial market instruments	5,546,656	5,546,656	5,691,341	5,537,403	5,537,403	5,789,162
Loans guaranteed by mortgages	136,643	136,643	136,643	130,709	130,709	130,709
Other loans	419,020	419,020	419,020	416,281	416,281	416,281
	17,139,724	17,155,130	20,004,411	16,186,466	16,203,056	18,937,359
The remaining acquisition cost of financial market instruments includes:						
amortised difference between the nominal value and acquisition cost released (+) or charged (-) to interest income	-39,043			-37,506		
Book value comprises						
Revaluations released as income	15,405			16,591		
Valuation difference (difference between current value and book value)						
			2,849,282			2,734,303
Valuation difference of non-hedging derivatives						
			73,133			56,509

EUR 1,000	<b>Remaining acquisition cost 2015</b>	<b>Book value 2015</b>	<b>Current value 2015</b>	<b>Remaining acquisition cost 2014</b>	<b>Book value 2014</b>	<b>Current value 2014</b>
<b>INVESTMENTS AT CURRENT VALUE AND VALUATION DIFFERENCES, GROUP</b>						
Real estate investments						
Real estate	1,284,181	1,296,727	1,739,769	1,338,966	1,352,698	1,734,499
Real estate shares in participating interests	209	209	209	207	207	112
Other real estate shares	189,997	192,856	366,926	188,193	191,053	372,684
Receivables from real estate companies	69,555	69,555	69,555	70,805	70,805	70,805
Investments in participating interests						
Shares and holdings	16,966	16,966	18,989	20,883	20,883	22,379
Other investments						
Shares and holdings	9,508,552	9,508,552	11,585,183	8,530,212	8,530,212	10,398,925
Financial market instruments	5,546,656	5,546,656	5,691,341	5,537,403	5,537,403	5,789,162
Loans guaranteed by mortgages	136,643	136,643	136,643	130,709	130,709	130,709
Other loans	419,020	419,020	419,020	416,281	416,281	416,281
Other investments	2,113	2,113	2,113	2,109	2,109	2,109
	17,173,893	17,189,298	20,029,748	16,235,768	16,252,359	18,937,666
The remaining acquisition cost of financial market instruments includes:						
amortised difference between the nominal value and acquisition cost released (+) or charged (-) to interest income	-39,043			-37,506		
Book value comprises						
Revaluations released as income	15,405			16,591		
Valuation difference (difference between current value and book value )						
			2,840,450			2,685,307
Valuation difference of non-hedging derivatives						
			73,133			56,509

EUR 1,000	Parent company 2015	Parent company 2014	Group 2015	Group 2014
<b>DERIVATIVES</b>				
<b>Non-hedging derivatives</b>				
Other debtors				
Derivatives, book value	90,003	87,749	90,003	87,749
Other liabilities				
Derivatives, book value	107,069	64,073	107,069	64,073
Derivatives, changes in value	38,530	34,133	38,530	34,133
Other prepayments and accrued income, accruals and deferred income				
Derivatives	-33,822	-97,868	-33,822	-97,868

EUR 1,000	Parent company Real estate and real estate shares 2015	Parent company Loan receivables from Group companies 2015	Group Real estate and real estate shares 2015	Group Loan receivables from real estate companies 2015
<b>REAL ESTATE INVESTMENTS</b>				
<b>Changes in real estate investments</b>				
Acquisition cost, 1 Jan.	900,270	825,150	2,061,778	70,805
Increase	18,736	173,267	54,565	
Decrease	-17,722	-323,777	-72,736	-1,250
Transfers between items	-32,963			
Acquisition cost, 31 Dec.	868,321	674,640	2,043,608	69,555
Accumulated depreciation on 1 Jan.	-19,035		-378,487	
Accumulated depreciation related to deductions and transfers			10,110	
Depreciation for the financial year	-2,783		-42,969	
Accumulated depreciation on 31 Dec.	-21,818		-411,346	
Value adjustments, 1 Jan.	-140,590		-165,038	
Value adjustments of deductions and transfers			5,921	
Value adjustments during financial year	-21,048		-21,046	
Value readjustments	11,990		11,990	
Value adjustments, 31 Dec.	-149,649		-168,173	
Revaluations, 1 Jan.	16,591		25,703	
Revaluations, 31 Dec.	16,591		25,703	
Book value on 31 Dec.	713,445	674,640	1,489,792	69,555

EUR 1,000	Parent company 2015	Group 2015
<b>REAL ESTATE AND SHARES IN REAL ESTATE OCCUPIED FOR OWN ACTIVITIES</b>		
Remaining acquisition cost	15,237	15,237
Book value	15,237	15,237
Current value	15,287	15,287

EUR 1,000	Parent company 2015	Group 2015
<b>SHARES AND HOLDINGS IN GROUP COMPANIES, PARENT COMPANY</b>		
<b>Shares and holdings</b>		
Acquisition cost, 1 Jan.	23,857	
Increase	9,040	
Decrease	-17	
Acquisition cost, 31 Dec.	32,881	

EUR 1,000	Parent company 2015	Group 2015
<b>SHARES AND HOLDINGS IN PARTICIPATING INTERESTS</b>		
<b>Shares and holdings</b>		
Acquisition cost, 1 Jan.	11,653	20,883
Increase		2,944
Decrease	-6,819	-6,861
Acquisition cost, 31 Dec.	4,834	16,966

EUR 1,000

<b>Name</b>	<b>Domicile</b>	<b>Holding</b>	<b>Capital and reserves 31.12.2015</b>	<b>Profit/loss for the accounting period 31.12.2015</b>
<b>SHARES AND HOLDINGS IN GROUP COMPANIES, PARENT COMPANY</b>				
Probus Holding Ltd	Helsinki	79.47%	14,674	53
<b>SHARES AND HOLDINGS IN PARTICIPATING INTERESTS, PARENT COMPANY</b>				
Exilion Capital Oy	Helsinki	49.00%	187	22
Suomen Metsäsijoitus Oy	Espoo	25.00%	8,502	452
Vakuutusneuvonta Aura Oy	Espoo	33.33%	11	
Vakuutusneuvonta Pohja Oy	Espoo	33.33%	11	
Tyvene Oy	Helsinki	40.00%	572	564
Avara Oy	Helsinki	49.12%	597	44
Amplus Holding Oy	Helsinki	49.12%	4,152	3
Glasnost Oy	Espoo	33.30%	1,306	-2
Pohja-yhtymä Oy	Espoo	27.30%	3,632	23
<b>SHARES AND HOLDINGS IN PARTICIPATING INTERESTS, GROUP</b>				
<b>Shares and holdings</b>				
Exilion Capital Oy	Helsinki	49.00%	187	22
Suomen Metsäsijoitus Oy	Espoo	25.00%	8,502	452
Vakuutusneuvonta Aura Oy	Espoo	33.33%	11	
Vakuutusneuvonta Pohja Oy	Espoo	33.33%	11	
Tyvene Oy	Helsinki	40.00%	572	564
Avara Oy	Helsinki	49.12%	597	44
Amplus Holding Oy	Helsinki	49.12%	4,152	3
<b>Real estate shares</b>				
Glasnost Oy	Espoo	33.30%	1,306	-2
Pohja-yhtymä Oy	Espoo	27.30%	3,632	23
Kampintorni Oy	Espoo	50.00%	60	-3

EUR 1,000

	<b>Proportion of all shares, %</b>	<b>Book value 31.12.2015</b>	<b>Market value 31.12.2015</b>	<b>Country of domicile</b>
<b>OTHER INVESTMENTS, PARENT COMPANY</b>				
<b>Finnish and foreign unlisted shares and holdings</b>				
3Step IT Group Oy	17.31	6,199	15,094	Finland
Aina Group Oyj A	14.89	3,388	3,388	Finland
Aina Group Oyj K	14.89	121	121	Finland
Anvia Oyj	0.00	1	2	Finland
Arek Oy	12.13	19	19	Finland
Fingrid Oyj	4.51	34	250	Finland
Futurice Oy	19.02	4,838	4,838	Finland
Joukahainen Oy	16.97	1	1	Finland
Kauppa keskus Hansa GP Oy	16.50	8	8	Finland
Turva Mutual Insurance Company	6.63	702	702	Finland
Keski-Pohjanmaan Kirjapaino A	3.31	306	417	Finland
Keski-Pohjanmaan Kirjapaino K	3.31	9	12	Finland
Kestopalkki LPJ Oy	0.93	6	6	Finland
Kotkamills Group Oy A	9.58	958	958	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	1,405	4,308	Finland
Meri-Teijo Golf Oy	0.09	2	2	Finland
Midinvest Oy	7.93	673	698	Finland
Oy G.W.Sohlberg Ab	0.21	28	28	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	1,556	Finland
Rederiaktiebolaget Eckerö	0.64	248	513	Finland
Sato Oyj	12.89	39,918	104,222	Finland
Seligson & Co Oyj	11.76	1,009	2,185	Finland
S-Pankki Oyj	1.50	5,832	5,832	Finland
Finland Power Networks TopCo B.V.	7.50	12,878	39,918	Netherlands
TA-Yhtymä Oy B	14.53	566	566	Finland
Teknikum-Yhtiöt Oy	19.60	2,470	2,935	Finland
ThermiSol Oy	10.00	100	100	Finland
Vierumäki Golf Oy	0.31	12	12	Finland
<b>Finnish and foreign unlisted shares and holdings total</b>		<b>82,780</b>	<b>188,873</b>	

EUR 1,000

	Proportion of all shares, %	Book value 31.12.2015	Market value 31.12.2015	Country of domicile
<b>Finnish listed shares and holdings</b>				
Alma Media Oyj	2.25	5,443	5,558	Finland
Amer Sports Oyj	1.94	20,071	62,058	Finland
Asiakastieto Group Oyj	1.13	2,508	2,547	Finland
Aspo Oyj	0.19	419	450	Finland
Atria Plc	0.66	1,143	1,143	Finland
Bittium Oyj	1.40	901	3,505	Finland
Caverion Corp	1.69	10,719	19,139	Finland
Citycon Oyj	0.11	2,289	2,400	Finland
Componenta Oyj	5.04	3,357	3,357	Finland
Elisa Oyj	0.29	7,491	17,151	Finland
Fit Biotech Oy	2.76	609	609	Finland
Fortum Oyj	0.51	63,266	63,266	Finland
F-Secure Corporation	4.89	15,369	20,047	Finland
HKScan Corporation	2.30	4,354	4,354	Finland
Ilkka-Yhtymä Oyj II	1.96	852	852	Finland
Ilkka-Yhtymä Oyj I	2.16	230	230	Finland
Ixonos Plc	0.43	101	101	Finland
Kesko Corporation	1.31	19,288	29,035	Finland
Kone Corporation	0.52	45,624	92,050	Finland
Kotipizza Oyj	4.93	1,566	1,936	Finland
Lassila & Tikanoja plc	3.17	15,170	22,271	Finland
Lemminkäinen Corporation	0.25	815	815	Finland
Metso Corporation	0.72	22,294	22,294	Finland
M-real Oyj	0.17	1,951	3,632	Finland
Neste Corporation	0.48	15,838	33,739	Finland
Nokia Corporation	0.26	76,892	93,187	Finland
Orion Corporation A	0.75	4,073	9,320	Finland
Orion Corporation B	0.55	14,404	17,903	Finland
Outokumpu Oyj	1.16	13,168	13,168	Finland
Outotec Oyj	0.17	1,047	1,047	Finland
Pihlajalinna Plc	2.22	5,527	8,107	Finland
Pöyry Plc	3.87	8,732	8,732	Finland
Raisio Plc	1.29	4,744	7,250	Finland
Rapala VMC Corporation	0.40	735	735	Finland
Restamax Plc	1.66	1,249	1,361	Finland
Sampo plc	0.35	54,589	91,650	Finland
Siili Solutions Plc	1.39	196	672	Finland
Solteq Oyj	11.24	2,200	3,560	Finland
Soprano Oyj	9.83	745	745	Finland
Suominen Corporation	5.60	11,197	17,513	Finland
Technopolis Plc	0.09	363	373	Finland
Tieto Corporation	0.55	7,942	10,151	Finland

EUR 1,000	Proportion of all shares, %	Book value 31.12.2015	Market value 31.12.2015	Country of domicile
Tulikivi Corporation	9.03	791	791	Finland
UPM-Kymmene Corporation	0.86	51,756	79,258	Finland
Uutechnic Group Oyj	0.05	12	12	Finland
Wärtsilä Corporation	0.81	43,219	67,233	Finland
Wulff Group Plc	5.30	469	469	Finland
YIT Corporation	2.62	17,461	17,461	Finland
<b>Finnish listed shares and holdings total</b>		<b>583,177</b>	<b>863,236</b>	

EUR 1,000	Proportion of all shares, %	Book value 31.12.2015	Market value 31.12.2015	Country of domicile
<b>Foreign listed equities</b>				
Adidas AG	0.07	9,154	13,981	Germany
Allianz SE	0.02	15,368	16,846	Germany
Amadeus IT Holding SA	0.17	21,524	30,717	Spain
APERAM	0.86	16,457	22,135	Luxembourg
Atlas Copco AB	0.13	19,442	24,946	Sweden
Attendo AB	3.75	32,584	46,031	Sweden
AXA SA	0.04	17,069	22,707	France
BASF SE	0.03	12,373	17,680	Germany
Bayer AG	0.02	17,219	17,219	Germany
Bayerische Motoren Werke AG	0.03	19,526	19,526	Germany
BNP Paribas SA	0.03	20,026	21,414	France
CaixaBank	0.05	9,642	9,642	Spain
Daimler AG	0.04	26,219	32,242	Germany
Danske Bank A/S	0.07	17,372	17,372	Denmark
Deutsche Lufthansa AG	0.21	13,792	13,910	Germany
Deutsche Post AG	0.04	14,016	14,016	Germany
Elekta AB	0.54	15,445	15,692	Sweden
Gemalto NV	0.17	8,313	8,313	Netherlands
Gjensidige Forsikring ASA	0.16	12,087	12,134	Norway
Heineken NV	0.05	19,068	22,056	Netherlands
Hennes & Mauritz AB	0.06	18,340	28,272	Sweden
ING Groep NV	0.06	28,342	31,125	Netherlands
Intertek Group Plc	0.26	14,566	16,080	United Kingdom
Intesa Sanpaolo SpA	0.03	9,578	12,352	Italy
Land Securities Group Plc	0.03	3,207	3,207	United Kingdom
Lloyds Banking Group Plc	0.04	20,618	31,858	United Kingdom
L'Oreal SA	0.02	8,245	18,636	France
Nestle SA	0.02	21,844	36,467	Switzerland
Nordea Bank AB	0.13	46,352	54,908	Sweden
Novartis AG	0.01	19,037	20,028	Switzerland

EUR 1,000	Proportion of all shares, %	Book value 31.12.2015	Market value 31.12.2015	Country of domicile
Novo Nordisk A/S	0.02	8,732	24,114	Denmark
Novozymes A/S	0.14	5,470	15,505	Denmark
Nuance Communications Inc	0.49	18,919	27,404	USA
Partners Group Holding AG	0.26	6,848	23,339	Switzerland
Pershing Square Holdings Ltd	1.39	48,191	61,974	Cayman Islands
Reckitt Benckiser Group Plc	0.04	19,940	25,160	United Kingdom
Roche Holding AG	0.01	14,064	26,275	Switzerland
Shire Ltd	0.04	13,169	16,002	Ireland
Siemens AG	0.02	12,943	12,943	Germany
Storebrand ASA	1.11	18,197	18,197	Norway
Swatch Group AG/The	0.08	8,404	8,404	Switzerland
Svenska Handelsbanken AB	0.06	7,071	14,743	Sweden
Swiss Prime Site AG	0.05	2,057	2,174	Switzerland
Symrise AG	0.23	6,740	18,399	Germany
Synchronoss Technologies Inc	0.58	8,252	8,252	USA
TAG Immobilien AG	0.15	2,000	2,300	Germany
Telefonica SA	0.06	28,165	28,165	Spain
TeliaSonera AB	0.10	20,482	20,482	Sweden
Unilever NV	0.04	24,687	30,079	Netherlands
Vinci SA	0.08	20,339	27,122	France
Vodafone Group Plc	0.04	30,057	30,340	United Kingdom
WPP Group Plc	0.11	28,125	30,879	United Kingdom
<b>Foreign listed equities total</b>		<b>879,675</b>	<b>1,123,762</b>	

EUR 1,000	Proportion of all shares, %	Book value 31.12.2015	Market value 31.12.2015	Country of domicile
<b>Equity funds</b>				
Aberdeen Global SICAV Asia Pacific Equity A2/C	0.02	43,794	49,091	Luxembourg
Allianz Europe Equity Growth W EUR	0.00	41,507	81,432	Luxembourg
Capman Public Market Fund FCP-SIF CA1	36.03	170	1,075	Luxembourg
Conventum Lyrical Fund - Class I	0.07	41,188	71,801	Luxembourg
db x-trackers MSCI EM Asia Index UCITS ETF 1C	0.35	62,358	62,358	Luxembourg
db x-trackers Stoxx Europe 600 UCITS ETF (DR) 1C	0.23	191,978	211,374	Luxembourg
eQ Kehittyvät Markkinat Osinko 1 K	0.16	41,931	43,361	Finland
Evli Eurooppa B	0.10	62,000	88,931	Finland
Fidelity Fast Emerging Markets I Acc USD	0.04	60,345	71,058	Luxembourg
FIM Kehittyvät Markkinat Pienemmät Yhtiöt A	1.88	11,594	12,844	Finland
Fondita Nordic Micro Cap B	0.09	25,858	75,542	Finland
Fourton Odysseus A	0.11	31,293	53,582	Finland
Fourton Stamina A	0.08	31,287	60,725	Finland
Fullerton Asian Small Cap Equities Class I Acc USD	1.91	47,490	52,052	Luxembourg

EUR 1,000	Proportion of all shares, %	Book value 31.12.2015	Market value 31.12.2015	Country of domicile
GAM Star China Equity USD Ordinary Class (Acc)	0.14	29,454	40,187	Ireland
GMO Global Real Return UCITS fund Class A EUR	0.09	95,349	95,349	Ireland
Henderson Gartmore Pan European Fund I EUR Acc	0.44	50,036	50,164	Luxembourg
iShares China Large-Cap ETF (USD)	0.03	47,001	47,001	USA
iShares Core DAX UCITS ETF (De)	0.01	49,384	49,384	Germany
iShares Core MSCI Emerging Markets ETF USD	2.09	70,552	70,552	USA
iShares Core S&P 500 ETF (USD)	0.33	170,040	209,819	USA
iShares MSCI India ETF (USD)	0.07	66,163	66,938	USA
iShares MSCI Japan EUR Hedged UCITS ETF (EUR)	0.05	60,679	63,140	Ireland
iShares MSCI Philippines ETF (USD)	0.26	19,369	19,369	USA
iShares Russell 2000 ETF (JPY)	0.21	49,136	49,136	USA
iShares STOXX Europe 600 UCITS ETF (DE)	0.11	245,774	255,533	Germany
Kempen (Lux) Global High Dividend I	0.01	38,904	61,195	Luxembourg
LähiTapiola Hyvinvointi A	0.55	20,058	31,066	Finland
LähiTapiola USA A	0.98	17,300	32,002	Finland
Mirae Asset Asia Sector Leader Equity I EUR	1.05	45,689	45,689	Luxembourg
Montanaro European Smaller Companies EUR Acc	0.97	34,616	55,337	Ireland
Nomura Fund Ireland - Japan Strategic Value Class I EUR Hedged	0.00	54,717	62,121	Ireland
Nordea 1 - Emerging Stars Equity Fund BI-EUR	0.05	68,612	68,612	Luxembourg
Nordea 1 - Global Stable Equity Fund Unhedged BI-EUR	0.16	60,979	64,213	Luxembourg
PFS Somerset Emerging Markets Dividend Growth Fund EUR B Acc	3.44	50,999	57,000	United Kingdom
PowerShares QQQ (MXN) ETF	0.48	170,005	182,375	USA
Sands Capital US Select Growth Fund CI A USD Acc	1.07	34,697	62,397	Ireland
SSgA Enhanced Emerging Markets Equity Fund I EUR	0.55	68,304	68,735	Luxembourg
T. Rowe Price Funds SICAV - US Large-Cap Value Equity I USD	0.44	32,498	53,783	Luxembourg
T. Rowe Price Funds SICAV - US Large-Cap Growth Equity I USD	0.15	30,614	63,229	Luxembourg
T. Rowe Price Funds SICAV - US Smaller Companies Equity I USD	0.24	38,746	71,892	Luxembourg
Trigon New Europe Fund C	1.21	13,790	15,410	Estonia
UB Aasia REIT Plus K	0.21	10,000	15,613	Finland
Vanguard Emerging Markets Stock Index (Ins) EUR	0.02	125,858	128,491	Ireland
Vanguard S&P 500 Index Fund ETF Class (USD)	0.00	187,466	201,748	USA
Winton Global Equity Fund Class Z USD	0.05	40,098	69,103	Ireland
<b>Equity funds total</b>		<b>2,789,681</b>	<b>3,361,810</b>	

EUR 1,000	Proportion of all shares, %	Book value 31.12.2015	Market value 31.12.2015	Country of domicile
<b>Fixed income funds</b>				
Aberdeen Global - Select Emerging Markets Bond Fund Acc A2 USD	0.03	15,145	17,123	Luxembourg
Aktia Emerging Market Local Currency Bond+ D	7.51	45,251	50,052	Finland
Ashmore SICAV Emerging Markets Local Currency Bond Fund Ins USD Income	0.04	52,985	52,985	Luxembourg
Aviva Investors SICAV Global High Yield Bond Fund I	0.01	61,096	64,007	Luxembourg

EUR 1,000	Proportion of all shares, %	Book value 31.12.2015	Market value 31.12.2015	Country of domicile
Babson Capital European Loan Fund B EUR	0.01	40,289	45,075	Ireland
Babson Capital Global Loan Fund Tranche A USD Acc	0.00	21,686	33,476	Ireland
Babson Capital Global Loan Fund Tranche B USD Acc	0.00	15,451	19,266	Ireland
Babson Capital Global Senior Secured Bond D EUR	0.09	20,000	22,151	Ireland
BlackRock Global Funds - Emerging Markets Bond X2 USD	0.24	55,512	58,591	Luxembourg
BlackRock Global Funds - Emerging Markets Corporate Bond X2 USD	2.77	22,531	29,335	Luxembourg
BlackRock Global Funds - Emerging Markets Local Currency Bond X2 EUR	2.30	81,695	81,695	Luxembourg
BlackRock Global Funds - Global High Yield Bond Hedged X2 EUR	0.17	50,479	59,345	Luxembourg
BlackRock Strategic Funds - Emerging Markets Flexi Dynamic Bond X2 USD	0.23	73,940	73,940	Luxembourg
BlueBay Global Diversified Corporate Bond Fund Base Class H	0.17	34,635	48,193	Luxembourg
BlueBay Global Unconstrained High Yield Fund H EUR	0.04	37,709	39,882	Luxembourg
BlueBay Investment Grade Absolute Return Bond Fund - I - EUR	0.01	50,395	50,982	Luxembourg
BlueBay Investment Grade Bond I Fund	0.00	15,755	17,763	Luxembourg
Capital Group Emerging Market Debt Fund LUX A7 USD	0.28	19,143	19,804	Luxembourg
Clareant European Loan Fund Class IIA EUR	0.00	52,195	57,893	Luxembourg
Evli High Yield Yrityslaina B	0.02	40,039	47,495	Finland
Fidelity European High Yield Fund A-ACC-EUR	0.03	19,910	22,908	Luxembourg
GMO Emerging Country Debt Investment Fund	0.03	21,965	21,965	Ireland
HSBC Global Investment Funds -Global Emerging Markets Bond X Cap	0.03	31,461	40,704	Luxembourg
iShares Core Euro Corporate Bond UCITS ETF (EUR)	0.00	1,264	1,264	Ireland
iShares Euro High Yield Corporate Bond UCITS ETF	0.00	1,027	1,027	Ireland
iShares iBoxx \$ Investment Grade Corporate Bond ETF	0.00	1,037	1,047	USA
iShares iBoxx USD High Yield Corporate Bond ETF	0.00	740	740	USA
Julius Baer Multibond Local Emerging Bond Fund C EUR	0.01	67,625	67,625	Luxembourg
M&G European Loan Fund C EUR	0.01	21,908	21,908	Ireland
Muzinich Bondyield ESG Fund Institutional Hedged EUR Acc	0.22	28,017	34,737	Ireland
Neuberger Berman Emerging Market Debt- Local Currency Fund- USD I2 Acc Class	1.16	40,138	40,138	Ireland
Neuberger Berman Emerging Markets Debt -Hard Currency Fund- EUR I2 Acc Class	1.35	29,290	29,290	Ireland
Neuberger Berman Emerging Markets Debt -Local Currency Fund- EUR I2 Unhedged Acc Class	0.55	27,304	27,304	Ireland
Nomura Funds - US High Yield Bond I - EUR	0.01	25,000	26,083	Ireland
Nordea 1 SICAV European High Yield Bond Fund X EUR	0.03	28,330	40,237	Luxembourg
Nordea 1 SICAV US Corporate Bond Fund - HX - EUR	0.09	33,792	33,792	Luxembourg
Nordea 1 SICAV US High Yield Bond Fund - HX - EUR	0.22	27,835	32,096	Luxembourg
Pictet Emerging Local Currency Debt Z EUR	0.01	36,022	36,022	Luxembourg
Pimco Diversified Duration Hedged Fund Inst EUR (Hgd) Acc	0.39	46,299	46,299	Ireland
Pimco Emerging Local Bond Fund Inst EUR (Unhgd) Acc	0.09	24,773	24,773	Ireland
Pimco Emerging Markets Corporate Bond Fund Inst EUR (Hgd) Acc	0.17	11,412	12,950	Ireland
Pimco Global High Yield Bond Fund Institution Acc	0.03	18,437	18,521	Ireland
Schroder International Euro Corporate Bond Fund I Acc	0.03	40,376	41,394	Luxembourg
Schroder International Selection Fund Emerging Markets Debt Absolute Return I EUR Hgd Acc	0.07	76,661	76,661	Luxembourg
T. Rowe Price Funds SICAV - Global High Yield Bond I USD	0.13	33,905	42,803	Luxembourg
Wellington US\$ Core High Yield Bond Portfolio EUR S Acc HC	0.71	25,724	28,365	Ireland
<b>Fixed income funds total</b>		<b>1,526,182</b>	<b>1,659,710</b>	

EUR 1,000

	<b>Book value</b> <b>31.12.2015</b>	<b>Market value</b> <b>31.12.2015</b>	<b>Country of</b> <b>domicile</b>
<b>Private equity funds</b>			
Advent International GPE VII	13,658	16,969	USA
Aino Holdingyhtiö Ky	18,678	18,678	Finland
Altor Fund II (No. 1) Limited Partnership	2,721	2,721	Jersey
Altor Fund III (No. 2) Limited Partnership	8,954	9,730	Jersey
Altor Fund IV (No. 2) AB	2,290	2,290	Sweden
Amanda III Eastern Private Equity Ky	6,189	6,993	Finland
American Securities Partners VI, L.P.	26,126	45,446	USA
Apax Europe VII - B, L.P.	18,128	18,128	United Kingdom
Apax VIII - A L.P.	34,368	40,802	Guernsey
Armada Mezzanine Fund III Ky	941	2,109	Finland
Armada Mezzanine Fund IV L.P.	4,530	4,870	Finland
Auda Capital IV (Cayman) LP (USD)	993	2,902	Cayman Islands
Auda Capital IV Co-Investment Fund LP (USD)	970	1,214	Cayman Islands
AXA LBO Fund IV Supplementary FCPR	1,212	4,257	France
AXA LBO Fund V Core	22,856	24,414	France
AXA Secondary Fund III-1 L.P.	75	802	Jersey
AXA Secondary Fund V L.P.	15,300	43,181	United Kingdom
AXA Secondary Fund VII L.P.	3,833	4,526	United Kingdom
Berkshire Fund VIII-A L.P.	17,032	20,198	USA
Bowmark Capital Partners IV, L.P.	6,859	9,309	United Kingdom
Bowmark Capital Partners V, L.P.	5,529	5,529	United Kingdom
Bridgepoint Europe III, L.P.	5,033	5,052	United Kingdom
Bridgepoint Europe IV F L.P.	7,816	10,272	United Kingdom
Capvis Equity III L.P.	8,717	8,717	Jersey
Capvis Equity IV L.P.	9,129	10,019	Jersey
Capvis III Co-Investors Arena L.P.	10,000	10,891	Jersey
Charterhouse Capital Partners VIII LP No. 1.2	2,133	2,133	United Kingdom
Conor Technology Fund I Ky	944	969	Finland
Crown Opportunities Fund Ky	7,206	19,909	Finland
Danske Private Equity Partners V (USD - A) K/S	3,586	4,279	Denmark
Danske Private Equity Partners V New (USD - A) K/S	1,247	1,646	Denmark
Dasos FS Partnership SCSp	9,506	9,506	Luxembourg
Dasos Timberland Fund II	17,116	17,116	Luxembourg
Dover Street VIII L.P.	22,153	33,243	USA
Finnmezzanine Rahasto III A Ky	273	579	Finland
First State Investments European Diversified Infrastructure FCP-SIF	11,678	12,609	Luxembourg
FSN Capital IV L.P.	14,212	15,753	Jersey
GHO Capital Fund I L.P.	16,611	16,611	United Kingdom
Gresham 4A	1,540	1,540	United Kingdom
Hermes GPE Global Secondary Feeder I LP	9,946	15,050	United Kingdom
Hermes GPE Global Secondary Feeder II LP	12,866	15,823	United Kingdom
HgCapital 7E L.P.	15,438	16,291	United Kingdom

EUR 1,000	<b>Book value 31.12.2015</b>	<b>Market value 31.12.2015</b>	<b>Country of domicile</b>
ICG Senior Debt Partners II	7,966	7,968	Luxembourg
Indigo Capital V L.P	3,753	3,753	United Kingdom
Industri Kapital 2004 Limited Partnership I	862	862	United Kingdom
Industri Kapital 2007 Limited Partnership	8,939	12,178	United Kingdom
Industrie & Finance Investissements 2 FCPR	4,978	5,004	France
Intera Fund II Ky	10,954	16,184	Finland
Kasvurahastojen Rahasto II Ky	880	952	Finland
Kasvurahastojen Rahasto Ky	5,460	7,130	Finland
Levine Leichtman Capital Partners V, L.P	19,389	19,555	USA
Lexington Capital Partners VIII	6,709	8,753	USA
Lindsay Goldberg III L.P	28,882	37,993	USA
Lindsay Goldberg IV L.P	3,304	3,304	USA
LT Fund Investments	31,000	31,801	Luxembourg
Macquarie European Infrastructure Fund II	4,283	6,058	United Kingdom
MB Equity Fund IV Ky	15,331	21,458	Finland
Nexit Infocom II L.P	6,147	7,606	Guernsey
Nordic Capital VII Alpha, L.P	24,480	32,985	Jersey
Nordic Mezzanine Fund II Limited Partnership	1,580	1,712	United Kingdom
Nordic Mezzanine Fund III Limited Partnership	11,296	13,419	United Kingdom
Palvelurahasto I Ky	789	789	Finland
Partners Group Direct Mezzanine 2011 S.C.A. SICAR	13,964	17,842	Luxembourg
Partners Group Secondary 2004 L.P	537	537	USA
Partners Group Secondary 2011 (EUR) L.P Inc	14,412	22,334	Guernsey
Partners Group U.S. Venture 2004, L.P	4,394	5,606	USA
Platinum Equity Capital Partners III, L.P	11,153	14,003	USA
Power Fund II Ky	1,710	1,710	Finland
Profita Fund III Ky	750	750	Finland
Sentica Buyout IV	4,802	5,614	Finland
Sentica Kasvurahasto II Ky	752	752	Finland
Sponsor Fund IV	2,797	2,797	Finland
Teknoventure rahasto III Ky	865	1,002	Finland
The Fourth Cinven Fund (No. 4) Limited Partnership	8,648	8,648	United Kingdom
Top Tier Venture Capital III, L.P	5,028	6,409	USA
Top Tier Venture Capital IV, L.P	5,815	12,262	USA
TPG Partners VI, LP	23,759	34,002	USA
TPG Partners VII, L.P	1,474	1,510	USA
TuuliTapiola Ky	10,953	10,953	Finland
Waterland Private Equity Fund VI	933	933	Netherlands
Vista Equity Partners Fund IV, L.P	21,915	38,895	USA
Vista Equity Partners Fund V-A	37,434	42,570	Cayman Islands
<b>Private equity funds total</b>	<b>767,469</b>	<b>1,000,751</b>	
<b>Other private equity funds</b>	<b>9,414</b>	<b>16,777</b>	

EUR 1,000

	<b>Book value</b> <b>31.12.2015</b>	<b>Market value</b> <b>31.12.2015</b>	<b>Country of</b> <b>domicile</b>
<b>Real estate investment funds</b>			
Aberdeen European Shopping Property Fund SICAV	3,948	3,948	Luxembourg
Aberdeen Property Funds SICAV Pan-Nordic	9,342	9,342	Luxembourg
BlackRock Europe Property Fund III	3,066	3,066	United Kingdom
Capman Hotels RE Ky	18,172	19,319	Finland
CBRE Dutch Office Fund II BV	11,650	11,650	Netherlands
CBRE European Industrial Fund CV	23,698	23,698	Netherlands
CBRE Office Fund The Netherlands	1,001	1,001	Netherlands
CBRE Property Fund Central and Eastern Europe	6,306	6,306	Netherlands
DOF Development Fund CV	65	104	Luxembourg
EPI Russia I Ky	2,800	2,800	Finland
Erikoissijoitusrahasto Fennica Toimitilat I	6,000	6,000	Finland
European Added Value Fund, L.P.	3,740	3,740	United Kingdom
Exilion Real Estate I Ky	93,719	102,955	Finland
Henderson Central London Office Fund II LP	1,801	12,268	United Kingdom
ICG-Longbow United Kingdom Real Estate Debt Investments III S.a.r.l.	27,949	31,301	Luxembourg
Kauppakeskus Hansa Ky	14,315	16,226	Finland
LähiTapiola Asuntorahasto Prime Ky	24,947	24,947	Finland
Morgan Stanley Prime Property Fund	53,808	57,366	USA
NIAM Nordic Core-Plus	13,238	14,193	Luxembourg
Nordika Fastigheter AB	1,534	15,487	Sweden
Nordika II Fastigheter AB	10,860	14,393	Sweden
PBW II Real Estate Fund S.A.	6,717	6,717	Luxembourg
Prologis European Properties Fund II FCP-FIS	8,270	8,270	Luxembourg
Real Estate Debt & Secondaries Ky	14,003	15,698	Finland
Rockspring Peripheral Europe Limited Partnership	214	814	United Kingdom
Russian and Baltics Retail Properties Ky	9,970	9,970	Finland
Scandinavian Property Fund - Unleveraged	11,937	11,937	Luxembourg
Sentinel Real Estate Fund, LP	49,403	53,557	USA
Standard Life Investments United Kingdom Shopping Centre Feeder Fund Limited Partnership	19,707	19,851	Jersey
Tapiola KR I Ky	30,511	30,511	Finland
Tapiola KR III Ky	51,537	52,237	Finland
Tapiola KR IV Ky	14,747	22,073	Finland
Tishman Speyer European Core Fund FCP-SIF	8,068	8,068	Luxembourg
Tishman Speyer European Strategic Office Fund Scots Feeder L.P.	4,328	6,251	United Kingdom
United Kingdom Property Income Fund II	19,547	23,063	United Kingdom
<b>Real estate investment funds total</b>	<b>580,918</b>	<b>651,017</b>	

EUR 1,000

	<b>Book value</b> <b>31.12.2015</b>	<b>Market value</b> <b>31.12.2015</b>	<b>Country of</b> <b>domicile</b>
<b>Hedge fund investments</b>			
AHL Dimension (Cayman) Ltd Class A USD	60,693	66,630	Cayman Islands
AIM Insurance Strategies Fund Class B	20,021	25,831	Ireland
Aleutian Fund Ltd Class A Unrestricted	81,023	86,820	Cayman Islands
Anchorage Capital Partners Offshore Ltd Class D	50,276	54,869	Cayman Islands
Black Diamond Relative Value Ltd Series D Unrestricted	51,852	65,495	Cayman Islands
Blue Mountain Credit Alternatives Fund Ltd	75,707	103,429	Cayman Islands
Brevan Howard Fund Limited Class E	87,189	87,941	Cayman Islands
Canyon Value Realization Fund (Cayman) Ltd Class B	46,547	58,832	Cayman Islands
Capula Global Relative Value Fund Ltd Class E	118,460	138,920	Cayman Islands
Davidson Kempner International (BVI) Ltd Class C	45,456	67,567	British Virgin Islands
Deephaven Global Multi-Strategy Fund Ltd	9	14	British Virgin Islands
Drake Global Opportunities Fund Ltd Class C	109	109	Cayman Islands
Elliot International Ltd Class B	39,933	69,000	Cayman Islands
Eton Park Overseas Fund Ltd	1,660	1,660	Cayman Islands
Field Street Offshore Fund Ltd Class A2	107,050	107,745	Cayman Islands
GoldenTree Offshore Fund Ltd. Class C	57,913	67,169	Cayman Islands
Graham Global Investment Fund II SPC Ltd. Discretionary Enhanced Vol Series B	64,503	85,627	British Virgin Islands
GSO Special Situations Overseas Fund Ltd.	455	677	Cayman Islands
HBK Multi-Strategy Offshore Fund Ltd. Class A	57,839	57,839	Cayman Islands
High Restoration Capital Partners Offshore L.P.	3,339	8,132	USA
Highland Crusader Fund II Ltd.	1,029	1,029	USA
Hudson Bay International Fund Ltd. Class A	68,563	77,823	Ireland
IPM Systematic Macro Fund Class C EUR	80,300	89,974	Cayman Islands
Kepos Alpha Fund Ltd. Class A	61,346	77,032	Cayman Islands
King Street Capital Ltd. Class A	50,164	50,493	British Virgin Islands
KLS Diversified Fund Ltd.	80,074	84,497	Cayman Islands
Man AHL (Cayman) SPC Class A1 Evolution EUR	52,490	66,621	Cayman Islands
Man AHL Evolution Frontier Limited A EUR	20,000	20,420	Cayman Islands
Man GLG European Equity Alternative IN EUR	30,000	34,878	Ireland
Marathon Special Opportunity Fund Ltd	25,737	32,916	Cayman Islands
Marshall Wace Market Neutral TOPS Fund Class B EUR	65,000	69,483	Ireland
Millennium International Ltd. Class EE	82,464	117,540	Cayman Islands
Moore Macro Managers Fund Ltd Class B	110,000	127,840	USA
Oaktree European Credit Opportunities Fund (Cayman) Ltd.	57	57	Luxembourg
OxAM Quant Fund Limited Series A	52,657	54,366	Cayman Islands
Pharo Macro Fund Ltd. Class B	74,033	78,652	Cayman Islands
Pine River Fund Ltd. Class A	85,438	105,508	USA
Samlyn Offshore Ltd. Class AS	82,492	83,830	Cayman Islands
Shepherd Investments International Ltd	237	297	British Virgin Islands

EUR 1,000	<b>Book value 31.12.2015</b>	<b>Market value 31.12.2015</b>	<b>Country of domicile</b>
Shepherd Select Asset Fund Ltd. Class A	145	231	British Virgin Islands
Silver Point Capital Offshore Fund Ltd.	31,042	39,192	Cayman Islands
TPG-AXON Partners (Offshore) Ltd.	385	513	Cayman Islands
Treesdale Fixed Income Fund Ltd. Class B	540	709	USA
Two Sigma Absolute Return Cayman Fund Ltd. Class A1	94,828	137,666	Cayman Islands
Wexford Offshore Spectrum Fund	3,301	4,922	Cayman Islands
Vicis Capital Fund (Int.) Class A	92	92	Cayman Islands
Viking Global Equities III Ltd. Class H	54,464	78,977	Cayman Islands
Winton Futures Fund Ltd. Class C	106,464	123,507	British Virgin Islands
<b>Hedge fund investments total</b>	<b>2,283,377</b>	<b>2,713,369</b>	
<b>Total</b>	<b>9,502,673</b>	<b>11,579,304</b>	

EUR 1,000	<b>Book value 31.12.2015</b>	<b>Market value 31.12.2015</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	360	360	Finland
Chydenia Carpark Oy	257	257	Finland
Jätkäsaaren jätteen putkikeräys Oy	945	945	Finland
Vaneritorin Parkki Oy	83	83	Finland
Stella Park	1,415	1,415	Finland
Stella Business Park Oy	1,363	1,363	Finland
Kiinteistö Oy Uusi Maapohja	109	109	Finland
Kiinteistö Oy Plaza 2 Park	432	432	Finland
Other shares	2	2	Finland
<b>Finnish unlisted shares and holdings total</b>	<b>5,878</b>	<b>5,878</b>	
<b>Other investments, total</b>	<b>9,508,552</b>	<b>11,585,183</b>	

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

EUR 1,000	Parent company 2015	Parent company 2014	Group 2015	Group 2014
<b>LOAN RECEIVABLES</b>				
<b>Loan receivables itemised by guarantee</b>				
Bank guarantee	82,719	91,606	82,719	91,606
Guarantee insurance	51,327	69,235	51,327	69,235
Insurance policy	6	6	6	6
Other guarantee	111,977	144,711	111,977	144,711
Remaining acquisition cost	246,029	305,558	246,029	305,558
Non-guarantee remaining acquisition cost, total	172,991	110,723	172,991	110,723
<b>Total pension loan receivables</b>				
Other loans guaranteed by mortgages	361	620	361	620
Other loans	193,331	216,627	193,331	216,627
Remaining acquisition cost, total	193,692	217,247	193,692	217,247
<b>Loans to related parties</b>				
Loans granted to Group companies and associated undertakings	808,926	835,507	808,926	835,507
The original loan period of loans is no more than 20 years.				
The loans have either fixed interest or are linked the market rate.				
Securities for loans consist of mortgages on property or mortgages on an installation on the property of a third party, unless a subordinated loan is in question.				
Other loans to related parties	80,088	94,431	80,088	94,431

The original loan period of loans 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 and other long-term expenditure 2015	Parent company Projects in progress in other long-term expenditure 2015	Parent company Machinery and equipment 2015	Parent company Other tangible assets 2015	Group Intangible rights and other long-term expenditure 2015	Group Projects in progress in other long-term expenditure 2015	Group Machinery and equipment 2015	Group Other tangible assets 2015
<b>CHANGES IN TANGIBLE AND INTANGIBLE ASSETS</b>								
Acquisition cost, 1 Jan.	34,033	5,911	10,175	387	34,096	5,911	10,175	387
Items written off in the previous year	-6,423		-430		-6,423		-430	
Increase	9,515	1,130	1,152		9,515	1,130	1,152	
Decrease			-671	-2			-671	-2
Transfers between items	5,911	-5,911	-3,334		5,911	-5,911	-3,334	
Acquisition cost, 31 Dec.	43,037	1,130	6,892	385	43,100	1,130	6,892	385
Accumulated depreciations on 1 Jan.	-12,045		-5,342		-12,045		-5,342	
Items written off in the previous year	6,423		430		6,423		430	
Accumulated depreciation related to deductions and transfers			3,657				3,657	
Depreciation for the financial year	-7,659		-1,124		-7,659		-1,124	
Accumulated depreciation on 31 Dec.	-13,281		-2,379		-13,281		-2,379	
Book value on 31 Dec.	29,756	1,130	4,513	385	29,818	1,130	4,513	385

EUR 1,000	Parent company 2015	Parent company 2014	Group 2015	Group 2014
<b>CAPITAL AND RESERVES</b>				
Initial fund	6,694	1,648	6,694	1,648
Merger		5,046		5,046
Construction fund			86	
Merger				86
Revaluation reserve			185	101
Merger				84
Loan amortisation reserve			233	
Merger				233
Loan amortisation reserve decrease			-233	
Transfer from other reserves			88	
Other reserves	89,852	57,622	90,168	57,711
Merger		29,728		29,955
Transfer to loan amortisation reserve			-88	
Reduction in capital and reserves		-127		-126
Transfer from retained earnings	2,940	2,628	2,940	2,628
Profit brought forward	4,782	2,628	-9,177	-9,799
Merger		1,842		-14,713
Used during the financial year	-2,940	-2,628	-2,950	-2,628
Profit for the financial year	6	2,940	-2,343	17,964
Total capital and reserves	101,333	101,328	85,603	88,188
<b>Distribution of capital and reserves after proposed profit distribution</b>				
Policyholders' share after proposed distribution	101,333	101,328	85,603	88,188
Total	101,333	101,328	85,603	88,188
<b>Distributable profits</b>				
Profit for the year	6	2,940		
Other distributable reserves				
Other reserves	92,792	89,852		
Accumulated profit	1,842	1,842		
Total distributable profits	94,640	94,634		

EUR 1,000	Parent company 2015	Parent company 2014	Group 2015	Group 2014
<b>TECHNICAL PROVISIONS</b>				
Premium reserve				
Future pensions	8,458,974	8,211,842	8,458,974	8,211,842
Provision for future bonuses	597,539	756,076	597,539	756,076
Provision for current bonuses	58,321	56,566	58,321	56,566
Provision linked to equity income	739,172	527,807	739,172	527,807
Total premium reserve	9,854,005	9,552,291	9,854,005	9,552,291
Provision for claims outstanding				
Current pensions	7,534,077	7,063,264	7,534,077	7,063,264
Equalisation provision	461,571	463,047	461,571	463,047
Total provision for claims outstanding	7,995,649	7,526,311	7,995,649	7,526,311
Total technical provisions	17,849,654	17,078,602	17,849,654	17,078,602

EUR 1,000	Parent company 2015	Parent company 2014	Group 2015	Group 2014
<b>COLLATERAL AND CONTINGENT LIABILITIES</b>				
<b>Collateral given on own behalf</b>				
Pledges given as a security for derivatives trade	88,496	38,020	88,496	38,020
<b>Liabilities resulting from derivative contracts</b>				
<b>Non-hedging derivatives</b>				
<b>Interest rate derivatives</b>				
Option contracts				
Options bought				
Value of underlying instruments	458,419	205,306	458,419	205,306
Current value of contracts	11	438	11	438
Options sold				
Value of underlying instruments		205,306		205,306
Current value of contracts		-293		-293
<b>Foreign currency derivatives</b>				
Forward contracts, open				
Value of underlying instruments	6,261,796	3,530,032	6,261,796	3,530,032
Current value of open contracts	8,158	-79,435	8,158	-79,435
Current value of closed contracts	3,147	4,877	3,147	4,877
Open stock option contracts				
Options bought				
Value of underlying instruments	255,625	1,083,881	255,625	1,083,881
Current value of contracts	744	39,757	744	39,757
Options sold				
Value of underlying instruments	182,600	1,995,750	182,600	1,995,750
Current value of contracts	-554	-24,217	-554	-24,217
<b>Equity-linked derivatives</b>				
Forward and future contracts, open				
Value of underlying instruments	436,790	40,349	436,790	40,349
Current value	-5,672	-4,131	-5,672	-4,131
Option contracts				
Options bought				
Value of underlying instruments	5,263,425	1,993,703	5,263,425	1,993,703
Current value of contracts	93,056	80,289	93,056	80,289
Options sold				
Value of underlying instruments	2,715,126	417,164	2,715,126	417,164
Current value of contracts	-76,400	-34,156	-76,400	-34,156
<b>Open total return swap contracts</b>				
Value of underlying instruments		138,397		138,397
Current value of contracts		-720		-720

EUR 1,000	Parent company 2015	Parent company 2014	Group 2015	Group 2014
<b>Other derivatives</b>				
Open forward and future contracts				
Value of underlying instruments	752	-18,411	752	-18,411
Current value of contracts	447	-92	447	-92
<b>Open return swap contracts</b>				
Value of underlying instruments	284,308		284,308	
Current value of contracts	-693		-693	
<b>Collateral received</b>				
Collateral for derivatives trade	43,600		43,600	
<b>Investment commitments</b>				
Private equity funds	1,122,181	726,324	1,122,181	726,324
Fund investments	565	115,376	565	115,376
Real estate investment funds	136,956	189,089	136,956	189,089
<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	3,146	4,313	3,146	4,313
Liability for the VAT debt of the tax liability group in accordance with the Value Added Tax Act, Section 120	53,322	46,798	53,322	46,798
<b>Mortgages issued in exchange for right of lease</b>				
Mortgaged debentures			343	343
<b>Other security</b>				
Deposits			299	299
<b>Other liabilities</b>				
Redemption liabilities based on partial ownership agreements				86

EUR 1,000	Parent company 2015	Parent company 2014
<b>SOLVENCY CAPITAL, PARENT COMPANY</b>		
Capital and reserves after the proposed distribution of profit	101,333	101,328
Accrued appropriations	727	617
Valuation difference between current values of assets and book values of balance sheet items	2,922,414	2,790,811
Provision for future bonuses	597,539	756,076
Deferred acquisition costs and intangible assets	-30,885	-27,899
Equalisation provision	451,016	463,047
	4,042,145	4,083,980
Minimum capital requirement under the Act on Employment Pension Insurance Companies, Section 17	672,187	649,741

# GROUP STRUCTURE ON 31.12.2015

## The Group comprises the following subsidiaries:

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 Punakaneli

Asunto Oy Espoon Ratsukatu 4

Asunto Oy Espoon Viirikuja 1

Asunto Oy Helsingin Aleksis Kiven katu 11

Asunto Oy Helsingin Henrikintie 5

Asunto Oy Helsingin Kerttulinpuisto

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 Linnankoskenkatu 4

Asunto Oy Helsingin Puuskakuja 23

Asunto Oy Helsingin Puuskarinne 7

Asunto Oy Helsingin Yliskyläntie 2

Asunto Oy Jyväskylän Schaumanin Puistotie 19

Asunto Oy Jyväskylän Suuruspäntie 8

Asunto Oy Järvenpään Kartanontie 15

Asunto Oy Järvenpään Paja

Asunto Oy Järvenpään Sahankaari 13

Asunto Oy Keravan Lintulammenkatu 5 A

Asunto Oy Keravan Palokorvenkatu 9

Asunto Oy Kotkan Kirkkokatu 4

Asunto Oy Lahden Purserinsaari

Asunto Oy Lappeenrannan Pikisaarenranta

Asunto Oy Oulun Hallituskatu 25

Asunto Oy Pitäjänmäentie 35

Asunto Oy Rovaniemen Lapintapiola

Asunto Oy Slottsveden Helsinki

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 Lähettilääntie 1

Asunto Oy Vantaan Martinteen

Asunto Oy Vantaan Neilikkatie 15

Asunto Oy Vantaan Tikkurilan Verso

Business Park Mankkaa 2 Oy

Business Park Mankkaa Oy Tornii

Dynamo Business Park Oy

Kampintalo Oy

Kiinteistö Oy Annankatu 32

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 Espoon Tietäjätie 14

Kiinteistö Oy FMO Tapiola

Kiinteistö Oy Haapaniemenkatu 5

Kiinteistö Oy Hauki

Kiinteistö Oy Helsingin Erottajankulma

Kiinteistö Oy Helsingin Paperitie 7

Kiinteistö Oy Helsinki-Vantaa Logistics Center 1

Kiinteistö Oy Hertsikka

Kiinteistö Oy Joensuun Torikatu 29

Kiinteistö Oy Jyväskylän Kolmikulma

Kiinteistö Oy Järvenkynnys

Kiinteistö Oy Kaartinkaupungin Helmi

Kiinteistö Oy Kampinmäki

Kiinteistö Oy Kasarmintorin Kauppakeskus

Kiinteistö Oy Keravan Terveyslähde

Kiinteistö Oy Kokkolan Rantakatu 2–4

Kiinteistö Oy Kokkolan Rantakatu 6

Kiinteistö Oy Kouvolan Kauppalanenkatu 13

Kiinteistö Oy Kouvolan Mikko

Kiinteistö Oy Kouvolan Tapiola

Kiinteistö Oy Kuopion Kauppakatu 26–30

Kiinteistö Oy Kuperitalo 1

Kiinteistö Oy Kyttälän Keskus

Kiinteistö Oy Liiketalo Lanterna

Kiinteistö Oy Linnanrakentajantie 4

Kiinteistö Oy Martinsillantie 2 a

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 Pitkäsillanranta 3

Kiinteistö Oy Pitäjänmäen Karvaamokuja 2c

Kiinteistö Oy Plaza Alto

Kiinteistö Oy Punkaharjun Valtionhotelli

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 Tampereen Tornihotelli

Kiinteistö Oy Tapiolankynnys

Kiinteistö Oy Tullintori

Kiinteistö Oy Turun Ovakonkatu 2

Kiinteistö Oy Valimontie 27

Kiinteistö Oy Vantaan Hakintie 7

Kiinteistö Oy Vantaan Rajatorpantie 8

Kiinteistö Oy Vantaan Tuupakankuja 1

Kiinteistö Oy Vantaanportin Maamerkki

Kiinteistö Oy Vantaanportin Seisake

Kiinteistö Oy Verkko

Kokkokallion Pysäköinti Oy

Lappeenrannan Kulmatalo Oy

Novoparkki Oy

Possesif Oy

Simonkentän Hotellikiinteistö Oy

Probus Holding Oy

Asunto Oy Helsingin Hiekkalaituri

Asunto Oy Kuopion Lakeissuontie 5

Asunto Oy Sodankylän Kaivola

Asunto Oy Vuohelmi Helsinki

Avara Anterius Oy

Avara Aptus Oy

Avara Artus Oy

Avara Domus Oy

Avara Orientis Oy

Avara Probus Oy

Avara Sedes Oy

Kiinteistö Oy Levin Kätkänkiisa

Kiinteistö Oy Ollinrinne

# ELO'S RISK MANAGEMENT

## 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 carried by the company. 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 govern-

ance, internal control and risk management will increase the company's risk bearing capacity.

Risk appetite is the amount of risk a company is willing to take on in order to achieve its business objectives. 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 confirms 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 in a standardized manner on a monthly basis and in slightly more detail on a quarterly

basis. The overall risk and risk management situation is reported semi-annually.

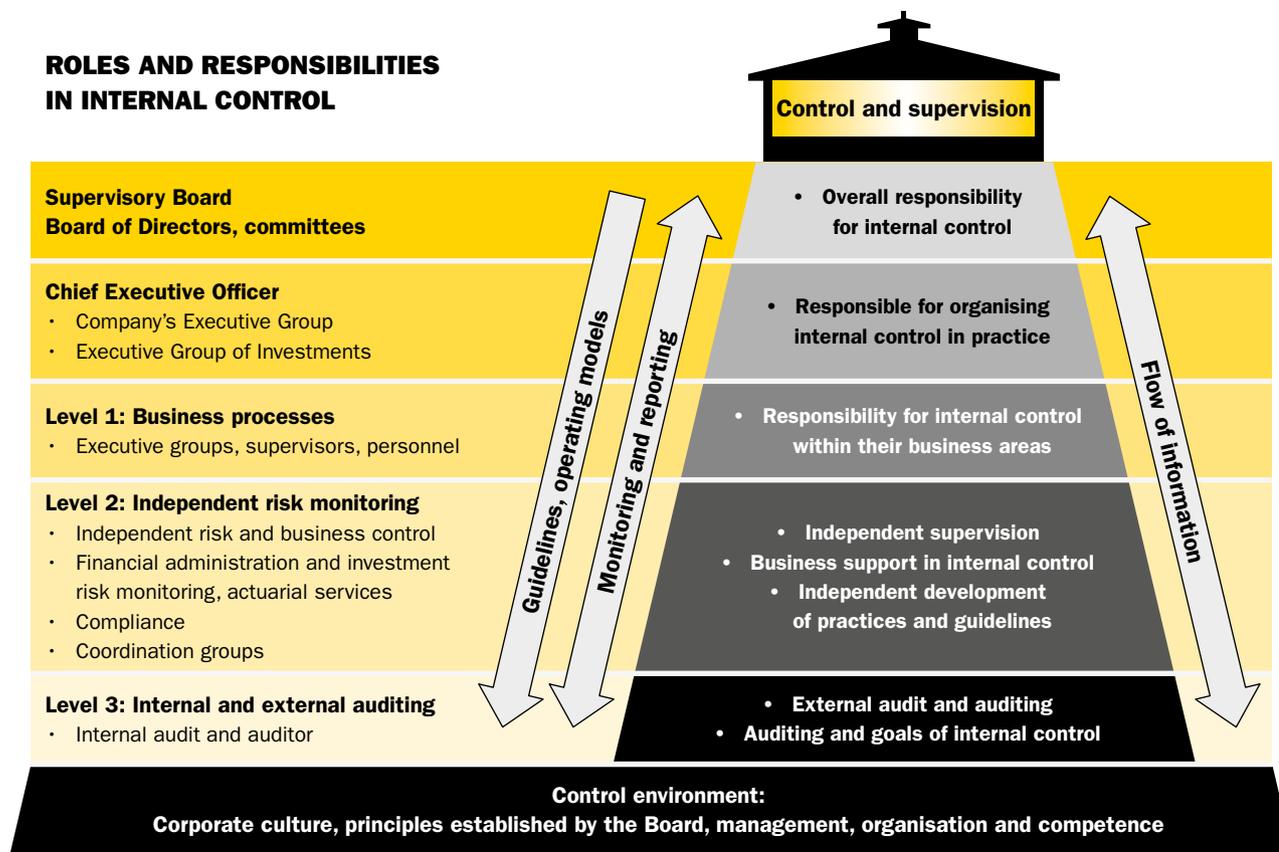
The company's Chief Executive Officer is responsible to the Board of Directors for the company's operations, including the company's risks and arranging risk management.

At the first level of risk management, the heads of the businesses are responsible to the Chief Executive Officer for the business risks and operational risks 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. An independent risk monitoring 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 monitoring 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 development. The audit assesses the adequacy of the risk management process from the point of view of the reliability of the financial statements.

## ROLES AND RESPONSIBILITIES IN INTERNAL CONTROL



To implement risk management in the company, there are risk management coordination groups 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, Elo's aim is 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.

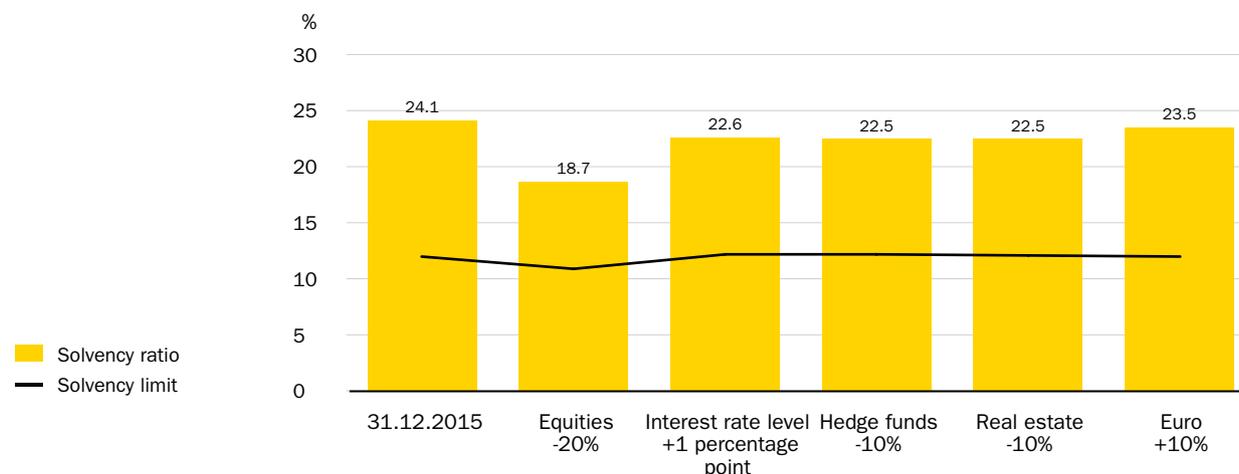
Solvency capital is used as a buffer against fluctuations in the employment pension company's investment assets and in insurance operations. The management of investment risks is based on securing the company's solvency with sufficient probability. Solvency capital must be abundant enough that it can 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.

The purpose of the solvency capital equalisation provision is to cover any losses from insurance operations. 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'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

## SOLVENCY SENSITIVITY ANALYSIS



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 4,042.1 million at the end of 2015, and this represented 24.1 per cent of the technical provisions used in the solvency calculation. The solvency limit was 12.0 per cent of the technical provisions used in the solvency calculation. The solvency capital exceeded the solvency limit by a factor of 2.0.

## 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 strategy and investment aims are set in such a way that the company's solvency would not be endangered under any circumstances with an acceptable level of security. An investment distribution target and authority granted to investment operations to deviate from the target are specified in the investment plan confirmed annually by the Board of Directors. The

investment plan defines risk appetite and general security, diversification and liquidity targets and limits.

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. We monitor markets and the investment environment continually and always consider our risk-taking potential when determining risk appetite.

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

## Asset allocation and investment income 2015

	Basic allocation		Risk allocation		Return	Volatility
	EUR mill.	%	EUR mill.	%	%	%
<b>Fixed-income investments</b>	<b>8,326.4</b>	<b>40.6</b>	<b>8,018.9</b>	<b>39.1</b>	<b>0.0</b>	
Loans	585.1	2.9	585.1	2.9	3.5	
Bonds	6,947.2	33.9	6,947.2	33.9	-0.3	2.7
Bonds of public corporations	4,132.2	20.1	4,132.2	20.1	-0.4	
Bonds of other corporations	2,815.1	13.7	2,815.1	13.7	-0.2	
Other financial market instruments and deposits, which include receivables and liabilities related to the investments	794.1	3.9	486.5	2.4	0.1	
<b>Equity investments</b>	<b>6,659.3</b>	<b>32.5</b>	<b>7,358.6</b>	<b>35.9</b>	<b>13.0</b>	
Listed equities	5,360.2	26.1	6,059.5	29.5	11.1	13.3
Private equity investments	1,019.0	5.0	1,019.0	5.0	20.4	
Unlisted equities	280.0	1.4	280.0	1.4	26.2	
<b>Real estate investments</b>	<b>2,806.8</b>	<b>13.7</b>	<b>2,806.8</b>	<b>13.7</b>	<b>6.9</b>	
Direct real estate investments	2,149.6	10.5	2,149.6	10.5	5.3	
Real estate funds and joint investment companies	657.2	3.2	657.2	3.2	13.1	
<b>Other investments</b>	<b>2,721.1</b>	<b>13.3</b>	<b>3,006.4</b>	<b>14.7</b>	<b>2.5</b>	
Hedge fund investments	2,721.1	13.3	2,721.1	13.3	1.6	2.6
Commodity investments	0.0	0.0	0.0	0.0	-	
Other investments	0.0	0.0	285.3	1.4	-	
<b>Total investments</b>	<b>20,513.6</b>	<b>100.0</b>	<b>21,190.7</b>	<b>103.3</b>	<b>5.0</b>	<b>4.0</b>
Effect of derivatives			-677.1	-3.3		
<b>Total</b>	<b>20,513.6</b>	<b>100.0</b>	<b>20,513.6</b>	<b>100.0</b>		

The modified duration of bonds is 3.8 years.

The total rate of return includes returns, costs and operating expenses not assigned to investment classes.

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.

A party that is independent of investment operations continuously monitors the risks of Elo's investments. Market risks are managed regularly with stress tests and return calculations on the basis of various scenarios and with maximum loss calculations. Limits and authorizations are also set on investments to ensure sufficient diversification and liquidity of the investment assets.

### 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.

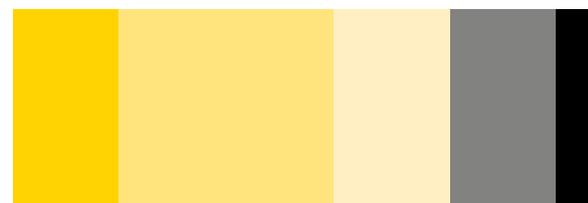
The key insurance risks are created by the deviations of forecasts used in determining the insurance premiums from the realised costs, especially in terms of new pensions granted and other similar costs. In determining the bases for technical provisions, the key insurance risks are acquired through the 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 principle, be systematically poorer than that of the other companies if, for example, 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 participates in the preparation of the calculation bases under the supervision of an actuary. Cooperation between authorised pension providers is compulsory by law.

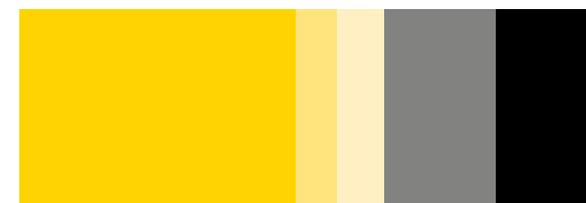
The majority of Elo's insurance business under the company's responsibility for 2015 consisted of pension insurance under the Employees' Pensions Act (TyEL). The company also offered supplementary Employees' Pensions Act

### GEOGRAPHICAL ASSET ALLOCATION IN LISTED EQUITIES 31.12.2015



- Finland 18.0%
- Europe 37.4%
- USA 20.0%
- Emerging markets 17.8%
- Others 6.8%

### CREDIT RATING DISTRIBUTION OF BONDS 31.12.2015



- AAA 47.2%
- AA 7.2%
- A 8.3%
- BBB 19.2%
- lower than BBB 18.1%

(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, carried at 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.

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 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.

#### **TEL supplementary pension 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 financing of pensions with joint responsibility does not present a risk for individual pension providers, but instead this risk is carried by the insured and policyholders. 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 disruption. In 2015 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. The company's 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 manage-

ment coordination group that includes representatives from each of Elo's processes and units.

In 2015, matters associated with personnel competence requirements and with the sufficiency and allocation of resources were also deemed significant operational risks. The information system and personnel risks posed an additional challenge to processes which were nearing Elo's targeted state thanks to the integration of the information systems. A particular focus on supervisor work is one example of the management measures used. No significant personnel or process risks were realised.

Elo's risk management models and meeting practices became established in 2015, as did the registration and monitoring of operational risk deviations. In 2015, Elo's continuity management was significantly improved with recovery plans for the most critical information systems and the Elo contingency plan. 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 semi-annual risk surveys facilitated by independent risk monitoring, each business identifies the operational risks associated with its activities, assesses its impact and defines adequate control and management measures, the implementation of which is monitored regularly. The recording of deviations is monitored regularly by process management groups and the Risk Management Coordination Group. The results of risk surveys and devia-

tion 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 2015 were associated 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 5,700.30 be transferred to the contingency fund. Elo has no guarantee capital.

## SIGNATURES FOR THE BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 2015

Espoo 14 March 2016

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

Sinikka Näätäsaari

Satu Huber  
Chief Executive Officer

Mikko Karpoja  
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 Mutual Insurance Company Pension Fennia was merged with LocalTapiola Mutual Pension Insurance Company. The figures for 2011–2013 used for comparison purposes in Elo's key figures are those for LocalTapiola Mutual Pension Insurance Company. 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	2015	2014	2013	2012	2011
Premiums written, EUR million	3,157.1	3,022.9	1,602.7	1,561.6	1,490.5
Pensions paid to pension recipients, EUR million <sup>*)</sup>	2,857.6	2,731.9	1,490.4	1,384.7	1,275.5
Pensions paid and other compensations <sup>1)</sup>	3,146.8	3,057.0	1,598.5	1,486.6	1,415.6
Net investment income at current value, EUR million <sup>7)</sup>	990.1	1,163.8	544.3	828.7	-291.0
Net investment income on invested capital, % <sup>7)</sup>	5.0%	6.2%	5.4%	9.1%	-3.1%
Turnover, EUR million	4,041.2	4,067.0	2,066.5	1,924.9	1,735.8
Total operating expenses, EUR million	126.3	128.3	68.5	61.6	64.2
% of turnover	3.1%	3.2%	3.3%	3.2%	3.7%
Operating expenses covered by expense loading					
% of TyEL payroll and YEL reported earnings	0.7%	0.7%	0.7%	0.7%	0.7%
Total result, EUR million	29.9	362.5	70.2	464.1	-521.2
Technical provisions, EUR million	17,849.7	17,078.6	9,236.2	8,844.1	8,471.1
Solvency capital, EUR million <sup>2)</sup>	4,042.1	4,084.0	2,123.0	2,147.7	1,687.5
% of technical provisions <sup>3)</sup>	24.1%	25.8%	25.1%	27.0%	22.3%
Excl. temporary changes in legislation/equalisation provision	21.4%	22.9%	22.0%	21.9%	17.4%
Ratio to the solvency limit	2.0	2.1	1.9	2.7	3.6
Excl. temporary changes in legislation/equalisation provision	1.8	1.9	1.7	2.2	2.8
Equalisation provision, EUR million	461.6	463.0	258.5	268.6	277.5
Pension assets, EUR million <sup>4)</sup>	20,772.1	19,869.4	10,558.2	10,071.5	9,230.9
Transfer to client bonuses, % of TyEL payroll <sup>5)</sup>	0.52%	0.51%	0.48%	0.47%	0.36%
TyEL payroll, EUR million	11,258.1	11,025.9	6,054.2	5,932.2	5,856.2
YEL confirmed income, EUR million	1,888.0	1,937.1	1,050.5	999.4	947.7
No. of TyEL insurance policies <sup>6)</sup>	46,015	46,103	26,265	25,314	25,635
No. of TyEL insured <sup>7)</sup>	398,217	398,079	219,133	211,726	211,971
No. of YEL insurance policies	85,054	87,350	51,953	50,997	49,375
No. of pension recipients	216,769	217,443	125,266	122,729	120,671

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

- 1) Claims paid as shown in the income statement without expense loading components available for claims and working ability maintenance.
- 2) Solvency margin 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 that have made an insurance contract.
- 7) Comparison periods have been converted to correspond to current calculation practice.

## ASSET ALLOCATION AT CURRENT VALUE

	Basic allocation				Risk allocation <sup>8)</sup>					
	31.12.2015		31.12.2014		31.12.2015		31.12.2014	31.12.2013	31.12.2012	31.12.2011
	EUR million	%	EUR million	%	EUR million	% <sup>10)</sup>				
<b>Fixed-income investments, total</b>	<b>8,326.4</b>	<b>40.6</b>	<b>8,467.3</b>	<b>43.2</b>	<b>8,018.9</b>	<b>39.1</b>	<b>42.3</b>	<b>44.3</b>	<b>51.5</b>	<b>58.8</b>
Loans <sup>1)</sup>	585.1	2.9	589.7	3.0	585.1	2.9	3.0	2.9	3.3	2.9
Bonds	6,947.2	33.9	6,806.6	34.7	6,947.2	33.9	34.7	36.1	44.6	41.8
Other money market instruments and deposits <sup>1), 2)</sup>	794.1	3.9	1,071.0	5.5	486.5	2.4	4.6	5.3	3.6	14.2
<b>Equity investments, total</b>	<b>6,659.3</b>	<b>32.5</b>	<b>6,447.1</b>	<b>32.9</b>	<b>7,358.6</b>	<b>35.9</b>	<b>35.3</b>	<b>34.9</b>	<b>30.7</b>	<b>21.9</b>
Listed equities and shares <sup>3)</sup>	5,360.2	26.1	5,399.0	27.5	6,059.5	29.5	30.0	30.0	26.2	18.1
Private equity investments <sup>4)</sup>	1,019.0	5.0	766.7	3.9	1,019.0	5.0	3.9	4.1	3.7	3.2
Unlisted equities and shares <sup>5)</sup>	280.0	1.4	281.5	1.4	280.0	1.4	1.4	0.8	0.8	0.6
<b>Real estate investments, total</b>	<b>2,806.8</b>	<b>13.7</b>	<b>2,686.4</b>	<b>13.7</b>	<b>2,806.8</b>	<b>13.7</b>	<b>13.7</b>	<b>13.2</b>	<b>12.6</b>	<b>12.9</b>
Direct real estate investments	2,149.6	10.5	2,154.6	11.0	2,149.6	10.5	11.0	10.3	10.1	10.6
Real estate funds and joint investment companies	657.2	3.2	531.8	2.7	657.2	3.2	2.7	2.9	2.5	2.3
<b>Other investments</b>	<b>2,721.1</b>	<b>13.3</b>	<b>2,015.0</b>	<b>10.3</b>	<b>3,006.4</b>	<b>14.7</b>	<b>10.2</b>	<b>8.4</b>	<b>6.6</b>	<b>3.6</b>
Hedge fund investments <sup>6)</sup>	2,721.1	13.3	2,015.9	10.3	2,721.1	13.3	10.3	8.4	6.9	3.3
Commodity investments	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	-0.3	0.0
Other investments <sup>7)</sup>	0.0	0.0	-1.2	0.0	285.3	1.4	-0.1	0.0	0.0	0.3
<b>Investments, total</b>	<b>20,513.6</b>	<b>100.0</b>	<b>19,615.8</b>	<b>100.0</b>	<b>21,190.7</b>	<b>103.3</b>	<b>101.5</b>	<b>100.9</b>	<b>101.4</b>	<b>97.3</b>
Effect of derivatives <sup>9)</sup>					-677.1	-3.3	-1.5	-0.9	-1.4	2.7
<b>Investments at current value, total</b>	<b>20,513.6</b>	<b>100.0</b>	<b>19,615.8</b>	<b>100.0</b>	<b>20,513.6</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	3.8									

1) Includes accrued interest.

2) Includes cash at bank and in hand and purchase price receivables and liabilities.

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

If the numbers 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 "Investments at current value, total" as the divisor.

## NET INVESTMENT INCOME ON CAPITAL EMPLOYED

	Net investment income at market value <sup>8)</sup>	Capital employed <sup>9)</sup> 31.12.2015	Return on capital employed	Return on capital employed 31.12.2014	Return on capital employed 31.12.2013	Return on capital employed 31.12.2012	Return on capital employed 31.12.2011
Return EUR / % on capital employed	EUR million	EUR million	%	%	%	%	%
<b>Fixed-income investments, total</b>	<b>-1.2</b>	<b>8,774.2</b>	<b>0.0</b>	<b>3.8</b>	<b>0.2</b>	<b>7.4</b>	<b>2.5</b>
Loans <sup>1)</sup>	19.8	568.5	3.5	3.1	3.0	2.9	3.1
Bonds	-21.9	7,054.1	-0.3	4.5	0.0	8.9	2.9
Other money market instruments and deposits <sup>1), 2)</sup>	0.9	1,151.5	0.1	0.2	-0.1	0.9	0.5
<b>Equity investments, total</b>	<b>763.8</b>	<b>5,864.6</b>	<b>13.0</b>	<b>9.8</b>	<b>14.1</b>	<b>16.3</b>	<b>-14.8</b>
Listed equities and shares <sup>3)</sup>	531.2	4,796.5	11.1	8.0	14.7	16.9	-17.5
Private equity investments <sup>4)</sup>	165.2	811.1	20.4	18.9	10.7	11.7	16.8
Unlisted equities and shares <sup>5)</sup>	67.3	257.0	26.2	26.0	9.8	18.2	7.1
<b>Real estate investments, total</b>	<b>185.9</b>	<b>2,682.1</b>	<b>6.9</b>	<b>5.4</b>	<b>4.2</b>	<b>4.5</b>	<b>6.0</b>
Direct real estate investments	113.3	2,129.2	5.3	4.7	3.8	5.2	6.0
Real estate funds and joint investment companies	72.6	552.9	13.1	8.6	5.4	1.1	6.1
<b>Other investments</b>	<b>60.4</b>	<b>2,458.0</b>	<b>2.5</b>	<b>7.1</b>	<b>5.5</b>	<b>1.7</b>	<b>-4.3</b>
Hedge fund investments <sup>6)</sup>	39.1	2,464.0	1.6	7.2	5.0	3.1	4.6
Commodity investments	6.8	0.8	-	-	-	-	-
Other investments <sup>7)</sup>	14.6	-6.8	-	-	-	-	-
<b>Investments, total</b>	<b>1,008.8</b>	<b>19,778.8</b>	<b>5.1</b>	<b>6.3</b>	<b>5.5</b>	<b>9.0</b>	<b>-3.0</b>
Unallocated return, costs and operating expenses	-18.8	19,778.8	-0.1	-0.1	-0.1	-0.1	-0.1
<b>Net investment income at current value</b>	<b>990.1</b>	<b>19,778.8</b>	<b>5.0</b>	<b>6.3</b>	<b>5.4</b>	<b>9.0</b>	<b>-3.1</b>

1) Includes accrued interest.

2) Includes cash at bank and in hand and purchase price receivables and liabilities.

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 flows refer 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.

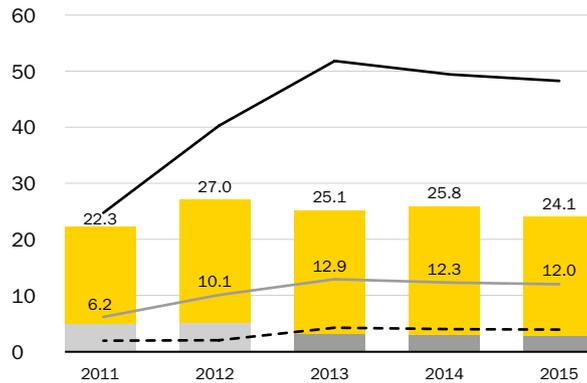
## LOADING PROFIT

EUR million	2015	2014	2013	2012	2011
Expense loading	118.9	117.7	64.6	61.7	60.1
Share of premium available to cover operating expenses resulting from claims decisions	5.7	5.4	3.0	2.9	3.0
Other income	2.0	1.0	0.1	0.2	0.1
Loading profit, total	126.5	124.1	67.6	64.8	63.1
Operating expenses by operation <sup>1)</sup>	-90.3	-92.2	-50.3	-46.3	-48.5
Other expenses	0.0	0.0	-0.3	-0.6	-0.1
Operating expenses, total	-90.3	-92.2	-50.6	-46.9	-48.6
<b>Loading profit</b>	<b>36.2</b>	<b>31.8</b>	<b>17.0</b>	<b>17.9</b>	<b>14.6</b>
<b>Operating expenses/loading profit, %</b>	<b>71.4%</b>	<b>74.3%</b>	<b>74.9%</b>	<b>72.3%</b>	<b>76.9%</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



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

## SOLVENCY CAPITAL AND ITS LIMITS

as a percentage of the technical provisions used in the calculation of the solvency limit

%	2015	2014	2013	2012	2011
Solvency limit	12.0	12.3	12.9	10.1	6.2
Maximum amount of solvency capital <sup>1)</sup>	48.1	49.3	51.7	40.2	24.7
Solvency capital before equalisation provision <sup>2)</sup>	21.4	22.9	22.0		
Solvency ratio <sup>3)</sup>	24.1	25.8	25.1	27.0	22.3

- 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 applies also to other solvency key figures).

## PERFORMANCE ANALYSIS

EUR million	2015	2014	2013	2012	2011
<b>Creation of result</b>					
Insurance business surplus/shortfall	-1.5	-11.3	-9.5	-7.9	-44.7
Result of investment operations at current value	-4.8	342.0	62.7	454.1	-491.0
+ Net investment income at current value <sup>1)</sup>	990.1	1,163.8	544.3	828.7	-291.0
- Return requirement on technical provisions	-994.8	-821.8	-481.6	-374.6	-200.0
Loading profit	36.2	31.8	17.0	17.9	14.6
<b>Total result</b>	<b>29.9</b>	<b>362.5</b>	<b>70.2</b>	<b>464.1</b>	<b>-521.2</b>
<b>Usage of result</b>					
For change in solvency	-28.4	306.2	40.9	436.3	-542.4
For change in equalisation provision included in solvency capital	-1.6	-12.3	-10.1	-8.8	-45.3
For change in provision for future bonuses	-158.5	163.5	-46.3	-24.5	27.8
For change in valuation differences	131.6	151.7	94.6	467.5	-527.5
For accumulated appropriations	0.1	0.3	0.0	0.0	0.0
For profit for the financial year	0.0	2.9	2.6	2.1	2.6
For change in equalisation provision included in TEL supplementary pension system	0.2				
For transfer to client bonuses	58.2	56.4	29.3	27.8	21.2
For supplementing provision for current bonuses					
<b>Total</b>	<b>29.9</b>	<b>362.5</b>	<b>70.2</b>	<b>464.1</b>	<b>-521.2</b>

1) Includes other fixed income items.

For 2014, the contribution from the merger and the change after the merger have been accounted for in change in equalisation provision included in solvency capital, change in provision for future bonuses and change in valuation differences.

## WORKING CAPACITY MAINTENANCE

EUR million	2015	2014	2013	2012	2011
Premiums written; disability risk management	3.2	3.1	1.7	1.7	1.7
Claims incurred; working capacity maintenance expenses	5.5	4.8	2.1	1.8	2.0
<b>Working capacity maintenance expenses / disability risk management, %</b>	<b>174%</b>	<b>154%</b>	<b>124%</b>	<b>109%</b>	<b>113%</b>

# GUIDE TO KEY FIGURES

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 figures for 2011–2013 used for comparison purposes in Elo's key figures are those for LocalTapiola Mutual Pension Insurance Company.

## 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 provisions changes

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

### Report on asset allocation at current value

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

**Risk allocation** 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.–31.12.2015. 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 statements 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, 21 March 2016

Ernst & Young Oy  
Authorized Public Accountant Firm

Ulla Nykky  
Authorized Public Accountant

# CORPORATE GOVERNANCE STATEMENT

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5. Chief Executive Officer and Executive Group
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7. Description of the main characteristics of the internal control and risk management systems related to the financial reporting process

**Elo's Corporate Governance Statement for the financial period 1 January – 31 December 2015 is based on Recommendation 54 of the Finnish Corporate Governance Code 2010 and is issued separately from the Board of Directors' report. The Corporate Governance Statement does not yet reflect the changes introduced in the revised Corporate Governance Code published in 2015. Elo complies with the parts of the Corporate Governance Code that are applicable to the operations of employment pension companies. Deviations from the recommendations of the Corporate Governance Code are presented in the early part of this Corporate Governance Statement. The Finnish Corporate Governance Code is available on the website of the Securities Market Association, at [www.cgfinland.fi](http://www.cgfinland.fi).**

## 1. DEVIATIONS FROM THE RECOMMENDATIONS OF THE FINNISH CORPORATE GOVERNANCE CODE

**Recommendation 1:** The notice of the Annual General Meeting of Elo is published within the time frame referred to in the Articles of Association.

**Recommendations 4, 8 and 11–12:** In accordance with the Pension Insurance Companies Act, the Board of Directors is elected by the Supervisory Board, and this is done in compliance with the election procedure outlined in the Act and in the Articles of Association.

**Recommendation 10:** In accordance with 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 on its committees and the evaluation of the independence of these members are based on provisions in the law (Pension Insurance Companies Act). The composition of the Board of Directors and the eligibility criteria for membership are prescribed by law. Members of the Board of Directors of Elo may be persons who serve in the operational management or administration of Elo's major client companies. This is because Elo is a mutual company. The Chief Executive Officer of Elo may not be on the Board of Directors.

**Recommendations 16, 35, 38 and 42–47:** These recommendations are complied with, except for the case of share-based remuneration, as a mutual pension insurance company has no shares.

**Recommendation 40:** This recommendation is complied with, except for the case of remuneration paid for work in

the Board of Directors and committees, which, in accordance with the Pension Insurance Companies Act, is decided on by the Supervisory Board.

**Recommendation 51:** Elo follows the provisions on insider administration in employment pension companies as laid down in the Pension Insurance Companies Act.

**Recommendation 55:** This recommendation is complied with where applicable to a pension insurance company, with the exceptions mentioned above.

## 2. GENERAL MEETING

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

The General Meeting decides on the number of Supervisory Board members and the number of 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 General Meeting decides on the granting of discharge from liability to the members of the Board of Directors, the members of the Supervisory Board and the Chief Executive Officer. In addition, the General Meeting decides on the remuneration 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 21 April 2015.

### 3. SUPERVISORY BOARD

In accordance with the Pension Insurance Companies Act, a pension insurance company must have a Supervisory Board.

The Supervisory Board supervises the company's administration by the Board of Directors and the Chief Executive Officer. The Supervisory Board decides on the number of members of the Board of Directors and elects the members and deputy members of the Board of Directors as well as the members of the Election Committee. It also issues decisions on the remuneration payable to the Board of Directors and the Election Committee. The Supervisory Board cannot be given duties other than those mentioned in the law. The rules of procedure of the Supervisory Board describe its composition, duties and meeting practices.

Elo's Supervisory Board has 54 members, and these are elected by the Annual General Meeting. The term of a Supervisory Board member is three years. The term of one third of the members expires each year. Half of the Supervisory Board members are elected from among candidates nominated by the central labour market organisations representing employers and employees. There must be an equal number of members from among those nominated by the employers and by the employees.

The Supervisory Board elects a Chairman and Deputy Chairmen from among its members each year. One of these must be a person nominated by representatives of the insured.

Elo's Supervisory Board convened twice in 2015, on 26 March and 24 November. An average of 76 per cent of the Supervisory Board members attended the meetings. The members of Elo's Supervisory Board are listed on page 73 of the Annual Report. The members' attendance at the meetings of the Supervisory Board and the Election Committee and the remuneration paid for this are specified in Elo's remuneration report at [www.elo.fi](http://www.elo.fi) (in Finnish).

The Supervisory Board members, their spouses, persons under the members' guardianship and controlled companies

are considered to be related parties of Elo. Transactions with related parties are handled in accordance with the related-party guidelines. Significant transactions 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 are reported on Elo's website.

#### 3.1. ELECTION COMMITTEE

Elo has an Election Committee appointed by the Supervisory Board, and its duty 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 must be elected from among the candidates nominated by those Supervisory Board members who represent the insured.

During 2015, the six-member Election Committee included Ilkka Brotherus, Klaus Saarikallio and Jouko Vehmas, all from Elo's Supervisory Board, as members who had been nominated by the policyholders. The Election Committee members who had been nominated by the insured were Håkan Nystrand, Mika Varjonen and Jaana Ylitalo, all from Elo's Supervisory Board. Klaus Saarikallio was Chairman of the Election Committee, and Håkan Nystrand was Deputy Chairman.

Elo's Election Committee convened twice in 2015, on 10 February and 6 October. Members' attendance at the Election Committee meetings was an average of 83 per cent.

### 4. BOARD OF DIRECTORS

The duty of Elo's Board of Directors is to see to the governance of the company and proper arrangement of the company's operations, and to ensure that the supervision of accounting and asset management is appropriately arranged. In accordance with the Pension Insurance Companies Act, the Board of Directors and the Chief Executive Officer must together manage the company in a professional manner and

in compliance with sound and prudent business practices and reliable governance principles.

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

- to appoint and dismiss the Chief Executive Officer, the Deputy Chief Executive Officer, the members of the company's Executive Group, the members of the Executive Group of investments, the Chief Audit Executive and the Medical Director, and to decide on the terms and remuneration of their employment relationships
- 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 policy and the principles for the performance bonus system for personnel, and 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 control on an annual basis
- to approve the financial statements
- to decide on the convening of General Meetings
- to confirm the written operating principles required by the Pension Insurance Companies Act.

Elo's Board of Directors comprises representatives of the central labour market organisations and representatives of the customers and stakeholders. The Board of Directors comprises 16 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 forward by the central employer and employee organisations. There must be an equal number of members from among those nominated by the employers and by the employees.

The Board of Directors elects a Chairman and Deputy Chairmen for a term of one calendar year at a time from among its members. One of these must be a person nominated by representatives of the insured. The Chairman and both Deputy Chairmen of the Board of Directors constitute 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 11 times in 2015. An average of 83.5 per cent of the members of the Board of Directors attended the meetings. The members of Elo's Board of Directors are listed on pages 70–72 of the Annual Report. The members' attendance at the meetings of the Board of Directors and its Election Committee and the remuneration paid for this are specified in Elo's remuneration report at [www.elo.fi](http://www.elo.fi) (in Finnish).

The members of the Board of Directors, their spouses, persons under the members' guardianship and controlled companies are considered to be related parties of Elo. Transactions with related parties are handled in accordance with the related-party guidelines. Significant transactions 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 are reported on Elo's website.

#### **4.1. AUDIT COMMITTEE**

The task of the Audit Committee is to monitor the company's financial reporting, internal control, 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 appointment of auditors.

The members of the Audit Committee are elected by the Board of Directors from among its members for one year at a time, and the Board also confirms the Committee's rules of procedure. One of the members of the Committee must be a representative of the central employee organisations, one a representative of the central employer organisations and one must be from among the other members of the Board of Directors.

In 2015, Elo's Audit Committee comprised Jari Karlson (Chairman), Heikki Kauppi and Jussi Mustonen. The Audit Committee convened four times and the members' attendance rate at these meetings was 100 per cent.

#### **4.2. 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 remuneration systems and the appointment and remuneration of the company's senior management.

The Appointment and Remuneration Committee is composed of the presiding officers of Elo's Board of Directors. In 2015, the Committee's members were Pekka Sairanen (Chairman), Ann Selin and Heimo J. Aho. To ensure continuity and the transfer of knowledge, the Chairman of the Board of Directors in 2014, Board member Harri Miettinen, attended the meetings of the Appointment and Remuneration Committee/presiding officers in 2015. The Committee convened nine times and the members' attendance rate at these meetings was 100 per cent.

### **5. CHIEF EXECUTIVE OFFICER AND EXECUTIVE GROUP**

The Chief Executive Officer manages the company's administration in accordance with the guidelines and instructions issued by the Board of Directors. The Chief Executive Officer is appointed by the Board of Directors.

The Chief Executive Officer leads the company in a professional manner and in compliance with sound and prudent business practices and reliable governance principles. The Chief Executive Officer ensures that the company's accounting is in compliance with the law and that asset management is arranged in a reliable manner.

Elo's Chief Executive Officer is Satu Huber M.Sc. (Econ.) (born 1958). The CEO during the period 1 January – 31 May 2015 was Lasse Heiniö M.Sc., Fellow of the Actuarial Society of Finland (born 1951), and during the same period Satu Huber served as the Deputy CEO. More detailed information about the Chief Executive Officer is presented on page 74 of the Annual Report.

The Executive Group, consisting of directors appointed by the Board of Directors, assists the Chief Executive Officer in the company's operational management and in the planning of operations. The Executive Group is involved in, for example, the preparation of matters for the Board of Directors concerning the company's strategy, budgeting and organisation.

In addition to the Chief Executive Officer, Elo's Executive Group comprises 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), Keijo Kouvonen (Insurance Policies and Pensions) and Hilikka Malinen (Human Resources). The members of the Executive Group are presented on page 74 of the Annual Report.

The objective of Elo's investment activities is to ensure the profitable and secure investment of employee pension assets. The implementation of this objective is overseen by Elo's Executive Group of investments. The Executive Group of investments comprises Satu Huber (Chairman), Hanna Hiidenpalo, Erja Ketko, Sarianne Kirvesmäki, Jonna Ryhänen and Timo Stenius.

The remuneration of the Chief Executive Officer and of members of the Executive Groups is decided by the Board of Directors. Information about this is given in Elo's remuneration report.

The members of the Executive Groups, their spouses, persons under the members' guardianship and controlled companies are considered to be related parties of Elo. Transactions with related parties are handled in accordance with the related-party guidelines. Significant transactions 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 are reported on Elo's website.

## **6. INTERNAL CONTROL AND RISK MANAGEMENT**

The Board of Directors bears overall responsibility for arranging internal control and risk management and for the annual evaluation of the state of internal control. The Board of Directors must regularly assess the administrative system, the written operating principles (including the principles of internal control and risk management) and the continuity plan. The Board of Directors approves the principles of internal control, the general principles of risk management, the division of responsibilities and key policies (risk management policy) and, annually, the risk management plan for guiding the company, and it also monitors progress with the administrative measures presented in the plan. The Audit Committee assists the Board of Directors.

The Chief Executive Officer is responsible to the Board of Directors for the arrangement of internal control and risk management, the preparation 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 the monitoring of risk management. To support the Chief Executive Officer in these tasks, independent supervision is 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 are responsible, within the scope of their respective duties,

for internal control, implementation of risk management measures and compliance with company's risk management policies and practices. The business functions participate in the drafting of the company's risk management plan and in continuity planning. Internal auditing assists the company's management and Board of Directors in reaching the objectives by assessing the sufficiency and effectiveness of the administrative, risk management and supervision processes, by issuing recommendations for improving these and by advising on their development.

Elo has an internal control coordination group that prepares and coordinates matters for the purpose of strengthening good governance and internal control. The group comprises the Chief Executive Officer and representatives of the second and third levels ('lines of defence') of risk management. The group prepares, analyses and processes matters that deviate from normal business operations.

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

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

Elo's financial reports have been drawn up in accordance with the Accounting Act, the Limited Liability Companies Act, the Insurance Companies Act and the Pension Insurance Companies Act, which regulate the accounting, financial statements and reporting of pension insurance companies,

as well as in accordance with the Act on the Calculation of the Pension Provider's Solvency Border and the Covering of the Technical Provisions, the Decree of the Ministry of Social Affairs and Health concerning the financial statements and consolidated financial statements of insurance companies, 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, it also publishes an interim report covering the first six months. Additionally, Elo publishes more concise interim reports for the first and third quarters of the year, focusing on investment operations and solvency.

The financial reporting produced for the Board of Directors, the management, public authorities and the general public is the responsibility of the Finance and Investment Risk Supervision unit, which is independent of the functions that are 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 at least once a month on the solvency key figures and stress tests, the generation and use of the overall result, the investments and returns at market values and by risk categories, the objectives and outcomes 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 monthly report on the overall risk position and solvency risk figures 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 receive reports on the solvency situation several times each week in accordance with the instructions issued by the au-

thorities and the company's own models. Other key figures on 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 daily the risk limits under the investment plan and the compliance with these limits.

The most important key figures in 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 that accords with regulations (solvency position). The calculation of key figures for the solvency capital and solvency is described in the accounting policies and in the guide to key figures. Other items of key importance in financial reporting are the yield requirement concerning the technical provisions, valuation of investments and the result of investment operations at fair values.

The accuracy of the technical provisions used in the systems, in the financial statements and in the calculation of the solvency limit is ensured by the Actuarial Services unit and the company's 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 cooperation with Actuarial Services and the Appointed Actuary. In the financial statements, the percentage change in the TyEL payroll is an estimate based on portfolio extracts from the Arek earnings records and on analyses by 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 are calculated for each year once all the annual calculations are completed.

The investment values used in the financial statements are determined in accordance with the accounting policies. With regard to unlisted equities, private equity funds, real estate funds and real estate, the Finance and Investment Risk Supervision unit ensures that the market values are priced in accordance with the agreed principles. The Finance and 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 in the determination of the market values, but its effect is minimal.

The company's business accounting for the financial year is performed 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 carried out monthly. The accuracy of the financial reports is ensured through regular balancing routines between different source systems and the data storage system, and through work instructions, process descriptions, good professional competence and close cooperation and fluent communication 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 examined 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, a risk management plan is drawn up for each risk and the plan's implementation monitored. The near-miss cases and the realised risks within the reporting and supervision processes, as well as in accounting and transactions, are reported in the deviation reports concerning compliance and operational risks. In addition, the Risk and Business Control unit coordinates the updating of the Finance and Investment Risk Supervision unit's continuity plan each year.

# BOARD OF DIRECTORS

Chairman  
**PEKKA SAIRANEN**  
 Born 1957, M.Sc. (Econ.)  
 Director, Domus Group Ltd

*Member of the SME Committee of the Confederation of Finnish Industries EK; member of the Board the Confederation of Finnish Construction Industries; Chairman of the Board of Puusepänteollisuus association; member of the Board of the Finnish Forest Industries Federation; Deputy Chairman of the Board of the Association for Finnish Work; member of the family business council of the Finnish Family Firms Association; member of the Board of the Economic Information Office; member of the Board of the Turku Chamber of Commerce; member of the Council of the Finland Chamber of Commerce*



First Deputy Chairman  
**ANN SELIN**  
 Born 1960, eMBA  
 President, Service Union United PAM

*Member of the Board of VVO Group plc; member of the Executive Board and Steering Committee of the Central Organisation of Finnish Trade Unions SAK; Chairman of the Supervisory Board of the Unemployment Insurance Fund; member of the Supervisory Board of The Education Fund; Board Chairman and work committee member of UNI Global Union; member of the Board of UNI Europa*



Second Deputy Chairman  
**HEIMO J. AHO**  
 Born 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 and Chairman of the Election Committee of the Confederation of Finnish Industries EK; Chairman of Nordea Advisory Board; member of the council of the Finnish Family Firms Association; member of the Board of the support association of the Foundation for Economic Education; Chairman of the Board of Linturantasäätiö; member of the Council and Election Committee of the Helsinki Region Chamber of Commerce; member of the Council of the Finland Chamber of Commerce; Chairman of the Council of the HSE Foundation of the Aalto University School of Business; Chairman of the Industry Council of Technology Academy Finland*



**EEVA-LIISA INKEROINEN**  
 Born 1963, LL.M.  
 Director, Member of the Management Group,  
 Federation of Finnish Technology Industries

*Member of the Council 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**  
 Born 1961, M.Sc. (Econ.)  
 Chief Financial Officer, Orion Corporation

*Member of the Board of Polttimo Ltd; member of the Board of the Finnish Foundation of Veterinary Research*



**HEIKKI KAUPPI**  
 Born 1955, M.Sc. (Eng.), MBA  
 Director, Academic Engineers and Architects in Finland - TEK

*Member of the Board of the Confederation of Unions for Professional and Managerial Staff in Finland (Akava); Chairman of the Board of the Federation of Professional and Managerial Staff (YTN); Chairman of Akava's pension policy working group; member of the Board of Industrial Employees TP*



**ANTTI KULJUKKA**  
 Born 1961, M.Soc.Sc., eMBA  
 Managing Director, Fennia Mutual Insurance Company

*Member of the Board of Fennia Life Insurance Company Ltd; member of the Board of the Federation of Finnish Financial Services; member of the Council of the Helsinki Region Chamber of Commerce; member of the finance unit of the Cadet and Officer Corps Association; member of the Council of HelsinkiMissio; Chairman of the Finnish Motor Insurers' Centre; member of the Board of Jääkärisäätiö; Deputy Chairman of the Council of Suunnistussäätiö*



**REIJA LILJA**  
 Born 1954, Ph.D.  
 Docent, School of Business, Aalto University

# BOARD OF DIRECTORS

## OUTI LÄHTEENMÄKI-LINDMAN

Born 1965, LL.M. trained on the bench  
Senior Vice President, Outsourcing Division,  
Client Solutions, Accountor

*Member of the Board of Tiltoimistojen Työnantajyhdistys*



## JORMA MALINEN

Born 1959, Automation Designer  
President, Trade Union Pro

*Member of the Board of Trade Union Pro; member of the Board and work committee of the Finnish Confederation of Professionals STTK; Chairman of the Supervisory Board of Turva Mutual Insurance Company; member of the Supervisory Board of the Unemployment Insurance Fund; Chairman of the Board of Levin Matkailukeskus Oy; member of the Board of Majvik Oy; Chairman of the Board of STTK-Lomat Oy; member of the Board of Kustavin Matkailu Oy; member of the Board of VVO Group plc; Chairman of the Board of Industrial Employees TP; member of the Board of the Labour Institute for Economic Research*



## HARRI MIETTINEN

Born 1962, M.Sc. (Econ.)  
Director, SOK Corporation, Field Division

*Deputy Chairman of the research committee of the Confederation of Finnish Industries EK*



## ERKKI MOISANDER

Born 1953, M.Sc.  
CEO, LocalTapiola Group

*Deputy Chairman of the Board of the Federation of Finnish Financial Services; member of the Advisory Board for Cooperative Business; member of the Council of the Helsinki Region Chamber of Commerce; member of the Board of Eurapco*



## JUSSI MUSTONEN

Born 1955, Licentiate of Social Sciences  
Director, Confederation of Finnish Industries EK

*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; member of the Council of the Association for Finnish Work*



## ANTTI NEIMALA

Born 1963, LL.M. trained on the bench  
Deputy Managing Director, Federation  
of Finnish Enterprises

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



## OLAVI NIEMINEN

Born 1952, Optician  
Chairman of the Board, Piiliset by Finnsusp Oy

*Deputy Chairman of the Board of Ocuspecto Oy; Chairman of the Labour Market Committee of the Federation of Finnish Enterprises; member of the family business council of the Finnish Family Firms Association; member of the Advisory Board of the Southwest Finland Centre for Economic Development, Transport and the Environment; Chairman of the advisory board of Turku Apprenticeship Office*



## SINIKKA NÄÄTSAARI

Born 1961, M.Soc.Sc.  
Head of Unit, Social Affairs, Central Organisation of  
Finnish Trade Unions (SAK)

*Member of the Board of the Finnish Centre for Pensions; member of the Board of the Federation of Accident Insurance Institutions; member of Vantaa City Executive Board*

Board member since 24 November 2015.

**TIMO VALLITTU** until 24 November 2015

# BOARD OF DIRECTORS

## DEPUTY MEMBERS

### ANTTI AHO

Born 1969, M.Sc. (Econ.)  
Managing Director, Aava Terveyspalvelut Oy

*Chairman of the Board of Lääkärikeskus Aava Oy; Chairman of the Board of Medimagneetti Oy; Chairman of the Board of Uudenmaan Seniorikodit Oy; Chairman of the Board of United Laboratories Ltd; Deputy 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; member of the Board of Aho Group Oy; member of the Board of Syöpäsairaala Docrates Oy; member of the Board of Pikkujättilä Medical Centre for Children and Youth; member of the Board of United Medix Laboratories Ltd; member of the Supervisory Board of Fennia Mutual Insurance Company*



### JUKKA IHANUS

Born 1977, Master of Laws  
Director, Finnish Confederation of Salaried Employees (STTK)

*Deputy member of the Board of the Finnish Centre for Pensions; member of the Board of Ylioppilaiden terveydenhoitosäätiö; Chairman of the Board of The Education Fund*

Deputy Board member since 24 November 2015.



### JOUKO LIIMATAINEN

Born 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

Born 1971, M.Sc. (Econ.)  
Managing Director, Novita Oy

*Member of the Board of Novita Oy; member of the Board of TMA Tekstiili ja Muotialat ry; member of the Board of Suomen Tekstiili & Muoti ry*



**KATJA VEIRTO**, until 24 November 2015

# SUPERVISORY BOARD

## Chairman:

**KLAUS SAARIKALLIO**, born 1955  
Member of the Board, Normek Oy

## First Deputy Chairman

**HÅKAN NYSTRAND**, born 1955  
Chairman, METO Forestry Experts' Association

## Second Deputy Chairman

**ILKKA BROTHÉRUS**, born 1951  
Managing Director, Sinituote Oy

## Members:

**VESA AALLOSVRTA**, born 1961  
Organisational Manager, Finnish Metalworkers' Union

**ANTTI HAKALA**, born 1967  
Director, Trade Union Pro

**MARIA HANHO**, born 1982  
Managing Director, Vaissi Oy

**MIA HARKKO**, born 1971  
Chief Shop Steward, Kymen Seudun Osuuskauppa

**JOHANNA HEIKKILÄ**, born 1962  
HR Director, Apetit Plc

**MAIJA HJELT**, born 1970 (from 21 April 2015)  
Senior Vice President, Finance, Veikkaus Oy

**MARKKU HOLM**, born 1953  
Managing Director, RTV-Yhtymä Oy

**SAULI HUIKURI**, born 1958  
CEO, Joutsen Media Oy

**IRENE HÄMÄLÄINEN**, born 1956  
Senior specialist, Industrial Union TEAM

**TIMO JAAKKOLA**, born 1953  
President and CEO, Nestor Cables Oy

**KARLO JULKUNEN**, born 1955  
Second Deputy Chairman, Service Union United PAM

**MERJA JUSELIUS**, born 1958  
System Designer, Personnel Representative,  
Elo Mutual Pension Insurance Company

**TERO JUSSILA**, born 1958  
CFO, Maintpartner Group Oy

**JUSSI JÄRVENTAUS**, born 1951  
Managing Director, The Federation of Finnish Enterprises

**ESKO JÄÄSKELÄINEN**, born 1956  
Managing Director, Suur-Seutu Cooperative Society SSO

**PEKKA KAMPMAN**, born 1962  
Project Manager, Y-Foundation

**OLAVI KAUKONEN**, born 1956  
Managing Director, A-Clinic Foundation

**ANTTI KEMPPI**, born 1978  
Managing Director, Kempinvest Oy

**ISMO KOKKO**, born 1971  
Director (Collective Bargaining), Union of Professional Engineers in Finland

**MARKKU KOSKINEN**, born 1962  
Managing Director, Koskisen Oy

**TAPIO KUITTINEN**, born 1959  
Managing Director, Ideal Keittiöt Oy

**KALLE KUJANPÄÄ**, born 1969  
CFO, Finn-Power Corporation

**VELI-MATTI KUNTONEN**, born 1965  
(from 21 April 2015)  
Chairman, Finnish Foodworkers' Union SEL

**HEIKKI KYNTÄJÄ**, born 1952 (from 21 April 2015)  
CFO, Atria Group

**VILLE LAINE**, born 1970  
Managing Director, Lojer Oy

**TIMO LEHTINEN**, born 1964  
CFO, YIT Corporation

**TIMO LEPISTÖ**, born 1959  
CEO, Nordic Morning Plc

**OTTO MIKKONEN**, born 1949  
Industrial Counsellor

**TIMO MÄKI-ULLAKKO**, born 1963  
CEO, Pirkanmaa Cooperative Society

**HEIKKI NIKKU**, born 1956  
President, CGI Nordic

**MARKKU PALOKANGAS**, born 1957  
Director, Trade Union Pro

**ANTTI PELTONEN**, born 1954  
Managing Director, Kolster Oy Ab

**TERHI PENTTILÄ**, born 1972  
Managing Director, Länsilinjat Oy

**KUSTAA PIHA**, born 1978 (from 21 April 2015)  
CEO, Med Group Oy

**MARKO PIIRAINEN**, born 1975  
(from 21 April 2015)  
Chairman, Transport Workers' Union AKT

**KATARIINA POSKIPARTA**, born 1961  
(from 21 April 2015)  
Managing Director, Finnish Student Health Service

**KYÖSTI PÖYRY**, born 1952  
Managing Director, Paperinkeräys Oy

**PEKKA RANTAMÄKI**, born 1953  
CEO, Teknos Group Oy

**ANSU SAARELA**, born 1978  
CFO, Bauhaus & Co Ky

**ANTTI SAHI**, born 1956  
Secretary General, Central Union of Agricultural Producers and Forest Owners MTK

**KIMMO SIMBERG**, born 1959  
CEO, Etelä-Pohjanmaan Osuuskauppa

**KEJO TARNANEN**, born 1972  
Attorney, The Trade Union for the Public and Welfare Sectors JHL

**MAIJA TERVONEN**, born 1952

**JUKKA TIKKA**, born 1953  
Chairman of the Board, Länsi-Savo Oy

**MIKA VARJONEN**, born 1974  
Executive Director, Tradenomiliitto TRAL

**JOUKO VEHMAS**, born 1956  
Commercial Counsellor, Kymen Seudun Osuuskauppa

**PENTTI VIRTANEN**, born 1964  
Managing Director, FSP Finnish Steel Painting Oy

**OLLI VORMISTO**, born 1967  
Managing Director, Osuuskauppa Hämeenmaa

**ANTTI YLIKORKALA**, born 1974  
(from 21 April 2015)  
Vice President, Attendo Terveyspalvelut

**JANNE YLINEN**, born 1975  
Managing Director, Kokkolan Halpa-Halli Oy

**JAANA YLITALO**, born 1969  
Collective Bargaining Director, Service Union United PAM

**TOM KAISLA** (until 21 April 2015)  
**TAUNO MAKSNIEMI** (until 21 April 2015)  
**TUULA A. PAUNONEN** (until 21 April 2015)  
**HANNU TARSARANTA** (until 21 April 2015)

# EXECUTIVE GROUP

## SATU HUBER

Chief Executive Officer  
Born 1958, M.Sc. (Econ.)

*Member of the Board of YIT Corporation; member of the Board of The Finnish Pension Alliance TELA; member of the Councils of the Helsinki Region Chamber of Commerce and the Finland Chamber of Commerce; member of the Boards 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 Trilateral Commission; member of the Strategic Committee of Agence France Tresor; Curator of Student Union of Hanken School of Economics; member of the Advisory Board of the Hanken Centre for Corporate Governance*

CEO from 1 June 2015



## MIKA AHONEN

Director, Legal Affairs, Planning  
and Communications, 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 Ltd; member of the Board of Arek Oy; member of the Board of LTC-Otso Oy*



## 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 Board of the Church Pension Fund; member of the Board of The Finnish Medical Foundation; member of the Financial Committee of Aalto University Student Union; member of the Investment Committee of Aalto University Foundation; member of the Investment Committee of the Diabetes Research Foundation*



## MIKKO KARPOJA

Director, Actuarial Services,  
Appointed Actuary  
Born 1962, M.Soc.Sc., Fellow of the  
Actuarial Society of Finland



## ERJA KETKO

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



## SARIENNE KIRVESMÄKI

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



## KEIJO KOUVONEN

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 Turva Mutual Insurance Company; Chairman of the Insurance Pool of the National Emergency Supply Agency*



## HILKKA MALINEN

Director, Human Resources  
Born 1963, M.A. (Educ.)

*Deputy Chairman of the Personnel Development Committee and member of the Labour Market Committee of the Federation of Finnish Financial Services; member of the Training, Education and Labour Affairs Committee of the Helsinki Region Chamber of Commerce*

Executive Group member since 1 June 2015

## EXECUTIVE GROUP OF INVESTMENTS

Chief Executive Officer Satu Huber  
(Chairman)  
Director Hanna Hiidenpalo  
Director Jonna Ryhänen  
Director Timo Stenius  
Director Erja Ketko  
Director Sarianne Kirvesmäki

# MEDICAL INSURANCE SPECIALISTS

**MAARIT GOCKEL**, Medical Director  
M.D., Ph.D., Specialist in Psychiatry, 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., 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**  
Authorised public accountants Ernst & Young Oy,  
Appointed Auditor Ulla Nykky, Authorised Public Accountant

