



# VERITAS PENSION INSURANCE ANNUAL ACCOUNTS 2014

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## Board of Directors' Report 2014

More and more small and medium-sized companies chose Veritas as their earnings-related pension insurer in 2014. The number of employers who took out a TyEL policy and the number of employees insured under a TyEL policy increased as well. This development was strongly influenced by Veritas's co-operation agreements with Aktia Pankki Oyj, Folksam Vahinkovakuutus, Pohjantähti Mutual Insurance Company and Handelsbanken. Despite the positive development of the TyEL customer base, the TyEL payroll decreased slightly.

The YEL income insured by Veritas increased in spite of the fact that the number of YEL insured entrepreneurs decreased from the previous year. Insurance coverage for self-employed persons is one of Veritas's focus areas, and our customer advisors are trained to emphasise the mutual dependence of an entrepreneur's YEL income on the one hand and his welfare benefits on the other. The average YEL income has increased.

Veritas aims to provide the best service in the industry to small and medium-sized companies and self-employed persons. In February, we introduced a revamped online service for companies. The upgrade process for our pension benefit processing IT system continued throughout the year.

Veritas's investments yielded well during 2014. Despite the low growth expectations, the stock market developed positively in 2014, thanks to the liquidity-boosting measures carried out by the central banks. The interest income was particularly good in respect of the prevailing interest rates.

### Development of the sector

In autumn 2014, the labour market organisations – the Confederation of Finnish Industries (EK), Local Government Employers (KT), SAK and STTK – agreed on a pension reform which will come into force at the beginning of 2017. The goal of the reform is to guarantee the sustainability of the system by extending careers and increasing the retirement age. The bill will be delivered to the parliament after the parliamentary elections in spring 2015.

During 2014, the Ministry of Social Affairs and Health has been preparing legislation concerning the administration of earnings-related pension insurance institutions. Starting from 2015, the companies shall, amongst other things, maintain a public insider register in which the CEO, deputy CEO, Board members and deputy members, auditors, as well as persons who can influence investment decisions or are regularly informed of such decisions, are obligated to disclose their holdings and trading in securities. Veritas published the holdings of the members of the Management Group on its website in spring 2014.

The corporate governance principles were also tightened. From the start of 2015, the earnings-related pension insurance companies have been obligated to maintain a public list of their Board members' and CEOs' memberships in other companies' Boards and their positions of trust. Veritas has maintained such lists of

the positions of the members of the Board of Directors and the Management Group for a few years now.

On 20 May 2014, the Supreme Court ruled that the names of insurance physicians are public information as they are deemed to wield public authority. Veritas started to publish the names of the physicians on its website a few years ago.

The Ministry has also been preparing a reform of the pension insurance companies' solvency regulation. The new rules are based on experiences from the financial crisis of 2008, amongst other things. The aim is for the mandatory capital requirement to better correspond to the economic risks involved in the business. The amended solvency regulation is set to come into force on 1 January 2017.

### Financial statements

#### Insurance operations

Veritas's total premium income increased by 3.9 per cent in 2014. TyEL premium income was 3.8 per cent higher than in 2013 while the YEL premium income increased by 4.2 per cent.

#### Premium income

The average TyEL contribution in 2014 was 23.6 per cent of the payroll. Employees' earnings-related pension contributions are age-dependent and totalled 5.55 (5.15 in 2013) per cent of the salary or wages for those under 53 years of age. For persons aged 53 or over, the contribution was 7.05 (6.5) per cent.

The YEL pension contributions are also age-dependent. The YEL contribution was 23.3 (22.5) per cent for those under the age of 53 and 24.8 (23.85) per cent for those who had turned 53.

Both TyEL and YEL insurance contributions increased by 0.8 per cent compared to 2013.

In 2014, Veritas's total premium income increased compared with the previous year. The TyEL premium income increased by 3.8 (-1.4) per cent and totalled EUR 410.3 (395.3) million. The YEL premium income increased by 4.2 (0.7) per cent and totalled EUR 59.9 (57.5) million.

Of the above-mentioned premium income, EUR 0.4 (0.4) million came from additional contributions under the Employees Pensions Act. The Parliament has approved legislation according to which the supplementary pension system will be discontinued at the end of 2016. The amendment entered into force as of 1 January 2014.

Credit loss on premiums due increased and came to EUR 4.8 (5.9) million.



**Pensions paid**

In 2014, Veritas paid out pensions and other compensation to a total of EUR 459.9 (436.4) million. The amount includes handling costs to a total of EUR 4.5 (4.0) million and EUR 0.5 (0.4) million in expenses for occupational health activities.

Statutory TyEL pensions amounted to EUR 398.0 (378.2) million and YEL pensions to EUR 56.8 (53.8) million.

**Technical provisions**

Veritas's total technical provisions equalled EUR 2,195.2 (2,137.8) million on 31 December 2014. The unearned premium reserve was EUR 1,184.9 (1,176.2) million and the outstanding claims reserve was EUR 1,010.3 (961.6) million.

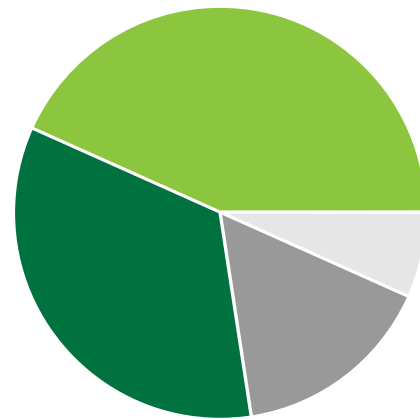
The compounding requirements for technical provisions are determined in such a way that 10 per cent of the compounding is tied to the average return on listed equities of pension insurers. Compounding on the rest of the technical provisions is dependent on the average solvency of pension institutions. These requirements are determined by adding a supplementary coefficient to the 3 per cent discount rate.

In 2014, the requirement tied to the return on equity was 9.62 per cent and the supplementary coefficient was 1.04 per cent during the period between 1 January and 31 March 2014, 1.22 per cent between 1 April and 30 June 2014, 1.61 per cent during 1 June to 30 September 2014 and 1.87 per cent during the final quarter. The technical rate of interest, used, among other things, for the compounding of contributions, was 4.5 per cent during the first half of 2014 and 5.0 per cent during the period between 1 July to 31 December 2014.

**Investment markets**

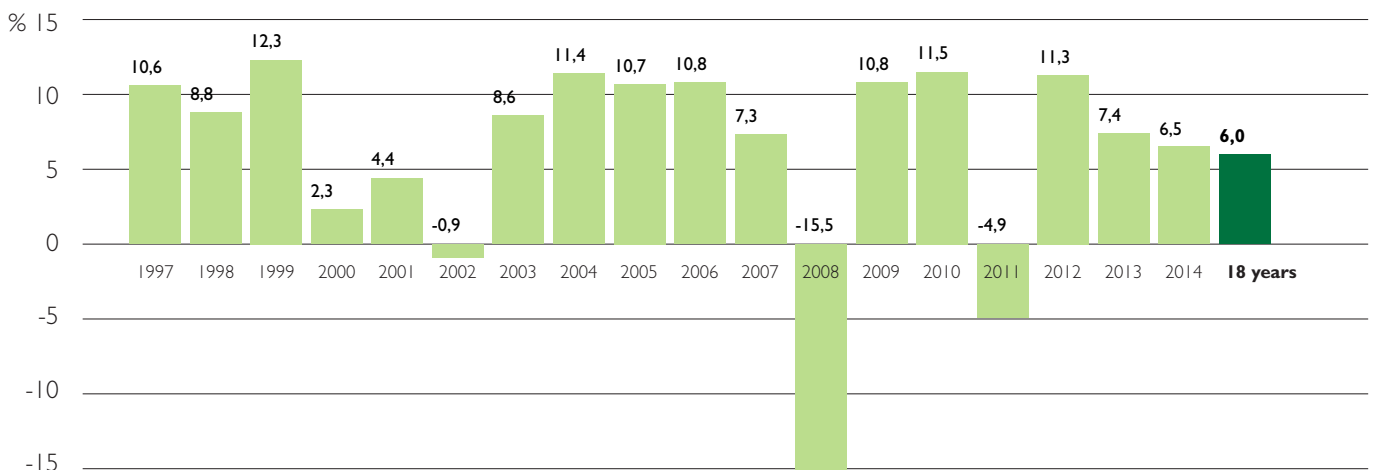
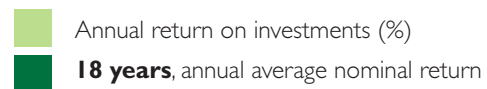
Net income on invested capital was 6.5 (7.4) per cent during 2014. The fixed-income investments yielded 5.3 (1.5) per cent, which was particularly good, given the expectations. The interest rate levels dropped close to zero both in the US and Europe, which is why the expected return is very low.

**Investment allocation**



Fixed-income investments	EUR 1,119.4 million	43.2%
Equity investments	EUR 893.9 million	34.5%
Real estate investments	EUR 418.4 million	16.1%
Other investments	EUR 168.0 million	6.5%

**Annual return on investments**





Development was positive in the equity market after the central banks succeeded in their effort to increase risk tolerance. Listed equities yielded 9.0 (18.3) per cent and the entire share portfolio a total of 9.1 (16.7) per cent.

Veritas's annual nominal average return on investments has been at 6.0 per cent (real return of 4.2 per cent) since 1997. During the last ten years, the nominal average return has been 5.2 per cent (real return 3.3 per cent).

At the turn of the year, the market value of Veritas's investment portfolio was EUR 2,599.7 (2,446.6) million including cash in bank and in hand as well as investment receivables and liabilities.

In 2012, Veritas signed the UN's Principles for Responsible Investment (UNPRI). The first public reporting according to the principles takes place in spring 2015.

#### Solvency and total profit

Veritas's total profit came to EUR 61.7 (52.1) million. The total profit includes the investment income, EUR 51.2 (57.2) million, the underwriting profit, EUR 8.8 (-6.8) million, and the loading profit, EUR 1.7 (1.6) million.

The solvency capital amounted to EUR 595.9 (541.1) million at the end of 2014. The solvency ratio rose to 28.9 (27.6) per cent while the solvency position increased to 2.2 (2.1).

EUR 6.1 (5.6) million were transferred to client bonuses, which is 0.4 per cent of the insured payroll.

#### Operating expenses and expense ratio

An effective cost structure benefits the customers as half of the loading profit is paid to the customers as client bonuses.

Expense loading of the insurance contribution used on operating expenses remained at last year's level and was EUR 16.7 (16.7) million. Loading profit increased by 0.8 per cent to EUR 18.5 (18.3) million.

Operating expenses totalled 90.6 (91.0) per cent of the expense loading in the premium income.

#### Group

At the end of 2014, the Group consisted of the parent company Veritas Pension Insurance and 33 wholly-owned and 3 jointly-owned limited liability housing and real estate companies. No subsidiaries were acquired nor sold during the year.

## Customers

#### Employees and self-employed persons insured under TyEL and YEL

At the end of 2014, Veritas insured 53,817 (53,339) employees under a total of 6,931 (6,791) Employees Pensions Act (TyEL) policies. While the number of TyEL customers rose, the insured TyEL payroll decreased by 0.2 per cent to EUR 1,597.3 (1,601.1) million.

The number of Self-Employed Persons Pensions Act (YEL) policies declined by 1.2 per cent to 10,739 (10,870) while average earnings rose by 2.4 per cent. The insured YEL income increased to EUR 255.1 (252.1) million.

According to the co-insurance agreement between Veritas and the Pensions-Alandia insurance company, Veritas is responsible for half of the TyEL and YEL policies granted by Pensions-Alandia. Pensions-Alandia's entire insurance portfolio on 31 December 2014 consisted of 10,298 (10,790) TyEL-insured employees and 1,286 (1,286) YEL-insured entrepreneurs.

In February 2014, Veritas launched a revamped online service for TyEL and YEL customers. The web site offers customers insurance services as well as materials and tools to promote well-being at work.

#### Pensions and other benefits

During the reporting year, Veritas granted 1,930 (2,506) new pensions.

	2014	2013
Old-age pensions	1,355	1,785
Disability pensions	327	411
Part-time pensions	44	86
Survivors' pensions	204	224

A total of 28,678 (28,424) people received pensions from Veritas. Of these, 21,754 (21,109) received old-age pensions, 3,620 (3,926) disability pensions, 242 (337) part-time pensions, and 3,057 (3,051) survivors' pensions. No unemployment pensions were paid.

Veritas is upgrading its compensation processing IT system between 2012 and 2015. The improvement project was originally being carried out together with Varma Mutual Pension Insurance Company and Mutual Insurance Company Fennia. Ilmarinen Mutual Pension Insurance Company joined the project in 2013. Elo Mutual Pension Insurance Company joined the project in spring 2014 and Etera Mutual Pension Insurance Company in December 2014.



## Well-being at work

In order to promote longer careers and lower the disability pension risk, Veritas offers its TyEL customers tools, support and advice related to well-being at work.

The guiding principle of Veritas's occupational well-being concept is that well-being at work is an essential and integral part of the operation of the customer companies. The customer companies must have the tools and know-how required for developing well-being in the workplace.

In 2014, Veritas organised 49 courses for well-being at work. A total of 551 people attended the courses, and all participants received the Centre for Occupational Safety's Well-being at Work Card. In the autumn we started a new type of training based on a series of seminars on well-being at work. Fourteen companies attended the seminars.

Veritas's tools for the promotion of well-being at work are available to our customers on the VerNet online service. In 2014, the tools gained more popularity as the online materials were opened in spring for a wider user base.

During the reporting year, there were altogether 116 customer-specific projects related to well-being at work.

The earnings-related pension system supports TyEL customers' activities for well-being at work. YEL customers have been offered, through the customer service, an opportunity to promote well-being at work by attending a seminar on the subject of occupational well-being and entrepreneur's security. Self-employed people in Turku and Kokkola were offered an opportunity to participate in a lifestyle survey.

## Personnel

During 2014, the average number of full-time employees was 142 (138). Eleven new employees were recruited, one person retired and three left the company. Of all the employees, 59 per cent spoke Finnish and 41 per cent spoke Swedish as their first language and the majority, 75 per cent, were women.

The annual personnel survey was conducted in spring: 97.9 per cent of the employees gave answers. Both job satisfaction and employee commitment improved from the previous year and were at a very good level.

Veritas Pension Insurance has an incentive system in place that covers the entire personnel. The incentive system is aimed at clarifying the correlation between the strategic targets and each employee's work input, amongst other things.

## Administration

### Corporate governance

Veritas's administration and management are based on legislation concerning the governance of earnings-related pension companies, insurance companies and limited companies as well as on the company's Articles of Association.

In addition to these, Veritas also abides by the Finnish Corporate Governance Code that is administered by the Securities Market Association. As the company is an unlisted limited company and the act concerning earnings-related pension companies sets its own requirements for operating principles, Veritas departs from certain sections of the Code's recommendations.

### Board of Directors

The Board of Directors is responsible for the professional management of Veritas Pension Insurance and the various operating principles as well as the appropriate organisation of the operations.

The composition of Veritas's Board of Directors during the term of office 1 January and 31 December 2014:

Kaj-Gustaf Bergh, President  
(Confederation of Finnish Industries EK)  
Stig-Erik Herrgård, President  
Eivor Huldén, Director  
Markus Jussila, President  
Olli Koski, Chief Economist (SAK)  
Hannu Louhi, Director of Group  
(Confederation of Finnish Industries EK)  
Anders Nordman, President  
Lotta Savinko, Director for Lobbying and Negotiation (AKAVA)  
Ralf Sund, Chief Economist (STTK) (Deputy Chairman)  
Kjell Sundström, President (Chairman of the Board)  
Peter Wetterstein, Professor  
Johan Åström, Advisor (Confederation of Finnish Industries EK).

Deputy members were Piia Alvesalo, Advisor (Confederation of Finnish Industries EK) and Stefan Mutanen, President. Joonas Rahkola, Economist (SAK) resigned his position as deputy member on 9 June 2014.

Kjell Sundström was re-elected as the Board's Chairman in January and Ralf Sund was elected as Vice-Chairman. The Board of Directors met 11 times during 2014. The Chairman of the company's Supervisory Board has the right to participate in Board meetings and Peter Boström made use of this right four times. The company's President also has the right to take part in Board meetings. Jan-Erik Stenman, Master of Laws, LL.M., has been President of Veritas since 2004. Kaisa Forsström, Master of Laws, is the Company Lawyer and has been Deputy to the President since 2012.



The composition of the Board of Directors changed at the beginning of 2015 as Kjell Sundström, Eivor Huldén, Anders Nordman, Peter Wetterstein and Johan Åström left the Board. They were replaced by Ulla Achrén, Administrative Director; Henrik Karlsson, Asset Manager; Stefan Mutanen, President; Lasse Svens, President; and Antti Tanskanen, Advisor (Confederation of Finnish Industries EK). Jörgen Grandell, Director; and Minna Tanska, Lawyer (FFC), are new deputy members of the Board as of 1 January 2015. Lasse Svens was elected Chairman of the Board at a Board meeting in January 2015.

In 2014, the Board of Directors had three preparatory committees. The Nomination and Compensation Committee prepares nominations and payroll matters for the Board to discuss. The Audit Committee handles issues concerning the company's financial position and financial reporting as well as internal control. The Investment and Risk Committee participates in the preparation of the investment and risk management plan.

The composition of the committees in 2014:

#### **The Investment and Risk Committee**

Kjell Sundström  
Olli Koski  
Kaj-Gustaf Bergh

#### **The Nomination and Compensation Committee and the Audit Committee**

Kjell Sundström  
Ralf Sund  
Johan Åström

The Investment and Risk Committee met four times during 2014, the Audit Committee met five times and the Nomination and Compensation Committee met three times.

#### **Supervisory Board**

Veritas's Supervisory Board meets twice annually. The task of the Supervisory Board is to elect the company's Board of Directors and to monitor the company's administration, which the Board and company's President are responsible for. Peter Boström was Chairman of the Supervisory Board and Leila Kurki, Senior Advisor (STTK), was Vice-Chairman.

The Supervisory Board's Election Committee prepares nomination and compensation matters for the Supervisory Board and Annual General Meeting. The Committee's members were Peter Boström, Chairman, Leila Kurki, Vice-Chairman, and Johan Åström, Expert.

#### **Treasury shares**

Veritas did not purchase any of its treasury shares during the year. At the end of 2014, the company had one treasury share in its possession.

#### **Internal control, risk management and internal auditing**

The goal of Veritas Pension Insurance is for the entire organisation to be covered by good internal control. Good internal control enables the Board of Directors, management and employees to, with any reasonable degree of certainty, ensure that operations are effective and appropriate, that financial reporting is carried out reliably and that the appropriate laws and regulations and the internal rules are complied with.

Risk management at Veritas Pension Insurance is based on a risk management plan that is annually approved by the company's Board. The risk management plan covers the company's entire operations. The principles and framework for the investment function are defined in an annual investment plan approved by the Board. Risk management is described in more detail in the risk management notes to the financial statements.

The company's compliance function supports the internal control by ensuring that operations comply with all appropriate laws and regulations.

The core task of internal auditing is to ensure that the company's risk management, control and administration processes are effective and function according to the set targets and the established operating models. The framework for the internal audit function is determined by the Board of Directors in the form of an annual internal audit plan.

#### **Outlook**

Preparations for the implementation of the pension reform, which was agreed in autumn 2014, are under way, and the bill will be delivered to the Parliament after the parliamentary elections in spring 2015. The aim of the pension reform is to extend careers through measures such as increasing the retirement age. The reform will also mean an increased demand for customer advisory services. Accordingly, from spring 2015 Veritas has been organising customer meetings to discuss the pension reform and has also focused on increasing customers' awareness of the matter.

For an individual employee it is very important to make a long and continuous career. From the beginning of 2015, pension insurance companies have had an obligation to automatically determine if a pension applicant is entitled to vocational rehabilitation if the applicant's application for disability pension is denied. To increase transparency, customers shall be given more detailed reasoning when their applications are rejected.



The Parliament is set to discuss the new solvency regulation concerning pension insurance companies before the election break in spring. The amended solvency regulation is set to come into force on 1 January 2017.

In 2015, the Financial Supervisory Authority will make an assessment as to how the sector has organised its operations to promote well-being at work. Preparations are ongoing for renewing the provisions for the funding of occupational health care.

Very low and even negative market interest rates mean that the investment of regulated pension funds will be challenging. The expected return is low, which forces all long-term investors to turn to more risky investments for better returns. Our main objective is to secure the pension funds, which is why we must balance the risk and yield very carefully in the future.

In 2015, the economic growth will be moderate at best. The challenging economic situation and negative growth in 2014 have halted the growth of the payroll, which will be reflected in the premium income development in 2015. Accordingly, the growth target for 2015 will be modest.

Veritas aims to be the best earnings-related pension insurance company for small and medium-sized companies and entrepreneurs. Together with our network of partners we will be able to provide insurance and financial services specifically tailored to our target group. Meticulous counselling and wise investment decisions help us to safeguard the pensions of our customers.



## Profit and Loss Account

Parent company · 1 000 €	1.1–31.12.2014	1.1–31.12.2013
<b>Technical account</b>		
<b>Premiums earned</b>		
Premiums written	470 229	452 773
<b>Investment income</b>	<b>169 308</b>	<b>176 494</b>
<b>Claims incurred</b>		
Claims paid	-459 862	-436 378
Change in provision for outstanding claims	-48 732	-51 712
<b>Claims incurred total</b>	<b>-508 594</b>	<b>-488 090</b>
<b>Change in provision for unearned premiums</b>		
Change in provision for unearned premiums	-8 686	-27 328
<b>Operating expenses</b>	<b>-13 658</b>	<b>-13 973</b>
<b>Investment expenses</b>	<b>-107 350</b>	<b>-98 598</b>
<b>Technical result</b>	<b>1 249</b>	<b>1 279</b>
<b>Non-technical account</b>		
<b>Direct taxes</b>		
Taxes for the accounting period and from previous periods	-142	-310
<b>Result on ordinary activities after taxes</b>	<b>1 107</b>	<b>969</b>
<b>Appropriations</b>		
Change in accelerated depreciation	-60	-8
<b>Result for the accounting period</b>	<b>1 047</b>	<b>961</b>





## Balance Sheet · Assets

Parent company · 1 000 €	31.12.2014	31.12.2013
<b>Intangible assets</b>		
Intangible rights	4 307	228
Other capitalized expenditure	2	12
Advanced payments	9	4 137
	<b>4 317</b>	<b>4 377</b>
<b>Investments</b>		
Investments in real estate		
Real estate and shares in real estate	160 633	157 876
Loans to Group companies	117 637	125 792
	<b>278 269</b>	<b>283 668</b>
Other investments		
Stocks and shares	1 394 713	1 317 022
Debt securities	406 059	383 543
Loan receivables guaranteed by mortgages	7 659	10 912
Other loan receivables	8 122	15 376
	<b>1 816 552</b>	<b>1 726 853</b>
<b>Investments total</b>	<b>2 094 822</b>	<b>2 010 521</b>
<b>Debtors</b>		
Arising out of direct insurance operations		
Policyholders	42 882	36 856
Intermediaries	321	820
	<b>43 203</b>	<b>37 676</b>
Other debtors	541	5 141
	<b>43 744</b>	<b>42 817</b>
<b>Other assets</b>		
Tangible assets		
Furniture and fixtures	513	457
Other tangible assets	1 798	1 798
	<b>2 312</b>	<b>2 256</b>
Cash at banks and in hand	72 089	81 508
	<b>74 401</b>	<b>83 764</b>
<b>Accrued income</b>		
Interests and rents	5 928	7 857
Other accrued income	26 696	28 699
	<b>32 625</b>	<b>36 556</b>
<b>Total assets</b>	<b>2 249 908</b>	<b>2 178 035</b>



## Balance Sheet · Liabilities

Parent company · 1 000 €	31.12.2014	31.12.2013
<b>Capital and reserves</b>		
Share capital	14 272	14 272
Share premium fund	372	372
Non-restricted funds	2 928	2 605
Result for the accounting period	1 047	961
	<b>18 619</b>	<b>18 211</b>
<b>Accumulated appropriations</b>		
Depreciation difference	1 778	1 718
<b>Technical provisions</b>		
Provisions for unearned premiums - statutory pension insurance	1 184 901	1 176 215
Provision for outstanding claims - statutory pension insurance	1 010 325	961 593
<b>Technical provisions total</b>	<b>2 195 227</b>	<b>2 137 809</b>
<b>Creditors</b>		
Direct insurance creditors	743	226
Other creditors	19 965	8 811
	<b>20 707</b>	<b>9 037</b>
<b>Accrued liabilities and deferred income</b>	<b>13 577</b>	<b>11 261</b>
<b>Total liabilities</b>	<b>2 249 908</b>	<b>2 178 035</b>



## Notes to the Profit and Loss Account

Parent company · 1 000 €	2014	2013
<b>Premiums written - statutory employment pension insurance</b>		
Direct insurance		
Basic insurance under the Employees Pensions Act (TyEL)		
Employer contribution	307 650	299 789
Employee contribution	102 279	95 094
Additional pension insurance under the Employees Pensions Act (TEL)	353	381
Minimum cover under the Self-employed Persons' Pensions Act (YEL)	59 947	57 509
Premiums written	<b>470 229</b>	<b>452 773</b>
<b>Credit loss on premiums due (-)</b>		
Employees Pensions Act (TyEL)	4 115	5 238
Self-employed Persons' Pensions Act (YEL)	643	693
	<b>4 758</b>	<b>5 930</b>
<b>Claims paid - statutory pension insurance</b>		
Direct insurance		
Paid to pensioners		
Basic insurance under the Employees Pensions Act (TyEL)	320 552	300 235
Additional pension insurance under the Employees Pensions Act (TEL)	3 895	3 850
Minimum cover under the Self-employed Persons' Pensions Act (YEL)	59 071	55 344
Additional pension insurance under the Self-employed Persons' Pensions Act (YEL)	1 098	1 055
	<b>384 617</b>	<b>360 484</b>
Remuneration paid / received for liability distribution		
Pensions paid under the Employees Pensions Act (TyEL)	92 415	90 161
Pensions paid under the Self-employed Persons' Pension Act (YEL)	706	1 461
Share of the unemployment insurance fund insurance contribution	-18 818	-16 026
Self-employed Persons' Pension Act (YEL) state share	-4 076	-4 027
State compensation pursuant to VEKL	-29	-20
	<b>70 198</b>	<b>71 550</b>
Direct insurance total	<b>454 814</b>	<b>432 034</b>
Payout management expenses	4 503	3 965
Working capacity maintenance expenses	544	378
Total claims paid	<b>459 862</b>	<b>436 378</b>



## Notes to the Balance Sheet

Investments 31.12.2014 Parent company · 1000 €	Residual acquisition cost	Book value	Current value
<b>Current value of investments and valuation difference</b>			
Real estate investments			
Real estate	13 266	13 266	15 701
Shares in group companies	131 092	131 856	213 701
Shares in participating interests	11 993	11 993	14 080
Other shares in real estate	3 444	3 444	4 692
Acquisition costs of leasehold on real estate	74	74	74
Loans to group companies	117 637	117 637	117 637
Other investments			
Shares and holdings	1 394 713	1 394 713	1 742 702
Debt securities	407 254	406 059	418 296
Loans guaranteed by mortgages	7 659	7 659	7 659
Other loan receivables	8 122	8 122	8 122
	<b>2 095 254</b>	<b>2 094 822</b>	<b>2 542 664</b>
The remaining acquisition cost of debt securities includes the difference (+/-) between the nominal value and acquisition price which is allocated to interest income (+) or deducted from it (-)	-1 195		
The book value consists of			
Revaluations entered as income		132	
Other revaluations		632	
		<b>763</b>	
Difference between the current and book values			<b>447 843</b>



## Notes to the Balance Sheet

Parent company · 1 000 €	2014	2013
<b>Changes in equity</b>		
<b>Share capital</b>		
Share capital I.I.	14 272	14 272
31.12. Number of shares 52 615	<b>14 272</b>	<b>14 272</b>
<b>Share premium account</b>		
Share premium account I.I.	372	372
31.12.	<b>372</b>	<b>372</b>
<b>Other equity</b>		
Contingency fund I.I.	2 554	2 236
Transferred from profits from previous years	320	319
31.12.	<b>2 874</b>	<b>2 554</b>
Non-restricted reserve to be used by the Board of Directors I.I.	51	37
Transferred from profits from previous years	10	15
Used for generally beneficial purposes	-7	-1
31.12.	<b>54</b>	<b>51</b>
Profit for the previous year	961	965
Transferred to the contingency fund	-320	-319
Dividends to shareholders	-631	-631
Transferred to the Board's non-restricted reserve	-10	-15
Result for the year	1 047	961
31.12.	<b>1 047</b>	<b>961</b>
<b>Total other equity 31.12.</b>	<b>3 975</b>	<b>3 566</b>
<b>Total equity 31.12.</b>	<b>18 619</b>	<b>18 211</b>
The company has 1 redeemed own share on 31.12.2014.		
<b>Profit available for distribution 31.12.</b>		
Non-restricted equity, total 31.12.	3 975	3 566
Distributable earnings, total 31.12.	<b>3 975</b>	<b>3 566</b>
<b>Key figures pertaining to solvency</b>		
<b>Solvency capital (31.12.2014)</b>		
Capital and reserves after proposed profit distribution	17 872	17 519
Voluntary provisions and accelerated depreciations	1 778	1 718
Valuation difference between current value and book value of assets on the balance sheet	447 843	351 499
Unallocated additional benefits provision	8 513	58 590
Equalisation provision	124 250	116 197
Intangible assets (-)	-4 317	-4 377
	<b>595 937</b>	<b>541 144</b>
<b>Minimum solvency capital required under the Employee Pension Insurance Companies Act (TVYL), sector 17</b>	<b>89 207</b>	<b>86 090</b>



## Key Figures and Analyses

Parent company · M €	2014	2013	2012	2011	2010
<b>Key figures in brief</b>					
Premiums written	470,2	452,8	458,2	423,6	380,4
Pension payments made <sup>1)</sup>	454,8	432,0	402,8	370,5	336,0
Net investment income at fair value	159,4	169,2	229,5	-102,4	214,4
ROCE, %	6,5 %	7,4 %	11,3 %	-4,9 %	11,5 %
Turnover	536,9	536,6	569,8	425,2	519,6
Total operating expenses	23,3	22,3	22,4	22,3	21,4
% of turnover	4,3 %	4,2 %	3,9 %	5,2 %	4,1 %
Total operating expenses less investment management charges and work capacity maintenance costs, % from Employees Pension Act (TyEL) and Self-Employed Persons Pensions' Act (YEL) payroll	0,8 %	0,9 %	0,8 %	0,8 %	0,9 %
Total profit	61,7	52,1	149,9	-155,1	143,2
Technical provisions	2 195,2	2 137,8	2 058,8	1 914,4	1 882,7
Solvency capital <sup>2)</sup>	595,9	541,1	452,7	310,8	459,1
% of technical provisions <sup>3)</sup>	28,9 %	27,6 %	24,1 %	17,7 %	27,3 %
in relation to solvency limit	2,2	2,1	2,4	2,3	2,4
Equalisation provision	124,2	116,2	124,2	119,4	130,1
Pension assets <sup>4)</sup>	2 643,1	2 489,3	2 320,1	2 055,0	2 124,4
Transfer to bonuses and rebates	6,1	5,6	4,8	3,4	5,2
% of Employees Pensions Act (TyEL) payroll	0,35 %	0,32 %	0,27 %	0,20 %	0,33 %
Employees Pensions Act (TyEL) payroll	1 597,3	1 601,1	1 618,4	1 525,3	1 429,2
Self-Employed Persons' Pensions Act (YEL) payroll	255,1	252,1	249,4	240,9	226,9
Employees Pensions Act (TyEL) policies <sup>5)</sup>	6 931	6 791	6 991	7 193	7 538
Insured under Employees Pensions Act (TyEL)	53 817	53 339	54 331	55 181	56 635
Self-Employed Persons Pensions Act (YEL) policies	10 739	10 870	11 290	11 671	11 727
Pension recipients	28 673	28 424	27 581	27 000	26 141

- 1) Payments made and recorded in the income statement, without management charges and work capacity maintenance expenses
- 2) Until year 2012 solvency capital was calculated according to the regulations in force at the time (other solvency key figures follows same principles)
- 3) The ratio was calculated as a percentage of the technical provisions used in calculating the solvency border
- 4) Technical provisions + differences between current and book value
- 5) Insurance policies of employers that have concluded insurance contracts



## Key Figures and Analyses

Parent company · M €	2014	2013	2012	2011	2010
<b>Performance analysis</b>					
<i>Sources of profit</i>					
Underwriting result	8,8	-6,8	6,0	-8,5	16,5
Investment result at current value	51,2	57,2	142,1	-148,6	124,6
+ Net investment income at current value + other interest items	159,4	169,2	229,5	-102,4	214,4
- Yield requirement on technical provisions	-108,2	-112,0	-87,4	-46,2	-89,8
Loading profit	1,7	1,6	1,8	2,0	2,2
Profits, total	61,7	52,1	149,9	-155,1	143,2
<i>Disposal of profits</i>					
Increase/ decrease solvency (+/-)	55,1	45,4	144,3	-160,6	137,6
Equalisation provision (+/-)	7,7	-6,1	3,3	-11,8	16,0
Change in provision for future bonuses	-50,1	-39,6	19,2	-48,7	40,8
Change in difference between current and book value	96,3	90,1	120,8	-101,1	79,7
Change in accumulated appropriations	0,1	0,0	0,0	-0,2	-0,0
Profit for the financial year	1,0	1,0	1,0	1,2	1,0
Transfer to bonuses and rebates	5,4	4,9	4,2	3,0	4,6
Transfer to bonuses and rebates (coassurance)	1,2	1,7	1,4	2,5	1,1
Total	61,7	52,1	149,9	-155,1	143,2
<b>Solvency</b>					
<i>Solvency capital and limits</i>					
(% of the technical provisions used in calculating the solvency border)					
Solvency border	13,0 %	13,2 %	10,1 %	7,8 %	11,4 %
Maximum amount of solvency capital <sup>1)</sup>	52,0 %	52,7 %	40,3 %	31,2 %	45,7 %
Solvency capital <sup>2)</sup>	22,9 %	21,7 %	-	-	-
Solvency capital (solvency ratio) <sup>3)</sup>	28,9 %	27,6 %	24,1 %	17,7 %	27,3 %

1) Maximum solvency capital until year 2012

2) Reported since year 2013

3) Until year 2012 solvency capital was calculated according to the regulations in force at the time (other solvency key figures follows same principles)



## Investment Allocation at Fair Value

Parent company	Market value				Risk position									
	31.12.2014		31.12.2013		31.12.2014		31.12.2013		31.12.2012		31.12.2011		31.12.2010	
	M €	%	M €	%	M €	%	M €	%	M €	%	M €	%	M €	%
<b>Fixed-income investments</b>	<b>1 119,4</b>	<b>43,1</b>	<b>1 085,1</b>	<b>44,4</b>	<b>1 119,4</b>	<b>43,1</b>	<b>1 023,8</b>	<b>41,8</b>	<b>1 105,0</b>	<b>48,6</b>	<b>985,5</b>	<b>49,0</b>	<b>875,1</b>	<b>41,9</b>
Loan receivables <sup>1)</sup>	15,9	0,6	26,4	1,1	15,9	0,6	26,4	1,1	34,0	1,5	38,0	1,9	35,4	1,7
Bonds	1 037,5	39,9	980,0	40,1	1 037,5	39,9	918,6	37,5	989,5	43,5	840,5	41,8	781,5	37,5
Other money market instruments and deposits <sup>1) 2)</sup>	66,0	2,5	78,8	3,2	66,0	2,5	78,8	3,2	81,4	3,6	107,1	5,3	58,2	2,8
<b>Equity investments</b>	<b>893,9</b>	<b>34,4</b>	<b>886,3</b>	<b>36,2</b>	<b>893,9</b>	<b>34,4</b>	<b>886,3</b>	<b>36,2</b>	<b>678,2</b>	<b>29,8</b>	<b>528,0</b>	<b>26,2</b>	<b>790,3</b>	<b>37,9</b>
Listed equities	726,7	28,0	758,4	31,0	726,7	28,0	758,4	31,0	573,8	25,2	471,2	23,4	746,5	35,8
Private equity <sup>3)</sup>	107,3	4,1	80,4	3,3	107,3	4,1	80,4	3,3	61,5	2,7	36,3	1,8	27,2	1,3
Unlisted equities <sup>4)</sup>	59,9	2,3	47,5	1,9	59,9	2,3	47,5	1,9	43,0	1,9	20,5	1,0	16,6	0,8
<b>Real estate investments</b>	<b>418,4</b>	<b>16,1</b>	<b>426,9</b>	<b>17,4</b>	<b>418,4</b>	<b>16,1</b>	<b>426,9</b>	<b>17,4</b>	<b>367,0</b>	<b>16,1</b>	<b>358,1</b>	<b>17,8</b>	<b>354,0</b>	<b>17,0</b>
Direct real estates	365,9	14,1	366,1	15,0	365,9	14,1	366,1	15,0	305,6	13,4	305,9	15,2	305,5	14,6
Real estate funds	52,5	2,0	60,8	2,5	52,5	2,0	60,8	2,5	61,4	2,7	52,2	2,6	48,5	2,3
<b>Other investments</b>	<b>168,0</b>	<b>6,5</b>	<b>48,4</b>	<b>2,0</b>	<b>168,0</b>	<b>6,5</b>	<b>48,4</b>	<b>2,0</b>	<b>59,9</b>	<b>2,6</b>	<b>49,2</b>	<b>2,4</b>	<b>61,8</b>	<b>3,0</b>
Hedge funds <sup>5)</sup>	112,1	4,3	0,0	0,0	112,1	4,3	0,0	0,0	9,9	0,4	12,8	0,6	61,8	3,0
Commodities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	2,9	0,1	0,0	0,0	0,0	0,0
Other investments <sup>6)</sup>	55,9	2,1	48,4	2,0	55,9	2,1	48,4	2,0	47,1	2,1	36,4	1,8	0,0	0,0
<b>Total investments</b>	<b>2 599,7</b>	<b>100,0</b>	<b>2 446,6</b>	<b>100,0</b>	<b>2 599,7</b>	<b>100,0</b>	<b>2 385,3</b>	<b>97,5</b>	<b>2 210,2</b>	<b>97,1</b>	<b>1 920,8</b>	<b>95,5</b>	<b>2 081,1</b>	<b>99,8</b>
Effect of derivatives <sup>7)</sup>					0,0	0,0	61,4	2,5	64,9	2,9	91,1	4,5	4,9	0,2
<b>Investment allocation at fair value</b>					<b>2 599,7</b>	<b>100,0</b>	<b>2 446,6</b>	<b>100,0</b>	<b>2 275,0</b>	<b>100,0</b>	<b>2 011,9</b>	<b>100,0</b>	<b>2 086,0</b>	<b>100,0</b>
<b>Modified duration of bond investments</b>	<b>4,0</b>													

1) Includes accrued interest

2) Includes cash and bank balance and receivables & debt relating to trading in securities

3) Includes private equity funds and mezzanine funds

4) Includes unlisted real estate investment companies

5) Includes all types of hedge fund units despite of the fund's strategy

6) Includes items that cannot be allocated to other investment groups

7) Includes the effect of derivatives on the difference between risk position and market value.

The effect may be positive or negative (+/-). After the correction of the effect of derivatives the risk position and the market value equals.





## Net Investment Income at Fair Value

Parent company	Net investment income at fair value <sup>7)</sup>	Capital employed <sup>8)</sup>	ROCE %	ROCE %					
				1.1–31.12.2014		1.1–31.12.2013	1.1–31.12.2012	1.1–31.12.2011	1.1–31.12.2010
				M €	M €	%	%	%	%
<b>Fixed-income investments</b>	<b>61,0</b>	<b>1 149,0</b>	<b>5,3 %</b>	<b>1,5 %</b>	<b>11,7 %</b>	<b>3,0 %</b>	<b>6,2 %</b>		
Loan receivables <sup>1)</sup>	0,7	21,8	3,3 %	2,8 %	3,6 %	3,1 %	3,4 %		
Bonds	60,0	1 014,9	5,9 %	1,6 %	12,5 %	3,3 %	6,7 %		
Other money market instrument and deposits <sup>1) 2)</sup>	0,3	112,3	0,2 %	0,4 %	0,8 %	0,8 %	0,5 %		
<b>Equity investments</b>	<b>74,6</b>	<b>816,3</b>	<b>9,1 %</b>	<b>16,7 %</b>	<b>13,9 %</b>	<b>-19,7 %</b>	<b>23,8 %</b>		
Listed equities	61,5	676,2	9,0 %	18,3 %	15,4 %	-21,2 %	24,6 %		
Private equities <sup>3)</sup>	8,2	91,1	9,1 %	7,0 %	7,0 %	2,3 %	12,2 %		
Unlisted equities <sup>4)</sup>	4,8	49,0	9,9 %	8,9 %	1,7 %	3,8 %	9,5 %		
<b>Real estate investments</b>	<b>23,4</b>	<b>414,6</b>	<b>5,7 %</b>	<b>5,9 %</b>	<b>7,9 %</b>	<b>7,6 %</b>	<b>7,5 %</b>		
Direct real estates	19,5	357,2	5,5 %	5,8 %	6,7 %	7,8 %	7,3 %		
Real estate funds	3,9	57,4	6,7 %	5,9 %	13,6 %	6,7 %	8,8 %		
<b>Other investments</b>	<b>2,7</b>	<b>83,9</b>	<b>3,2 %</b>	<b>8,4 %</b>	<b>3,6 %</b>	<b>-3,7 %</b>	<b>-6,4 %</b>		
Hedge funds <sup>5)</sup>	0,2	33,4	0,5 %	-5,3 %	-7,1 %	-15,3 %	-6,4 %		
Commodities	-	-	-	-	-9,8 %	-	-		
Other investments <sup>6)</sup>	2,5	50,5	4,9 %	9,8 %	7,6 %	14,0 %	-		
<b>Total investments</b>	<b>161,7</b>	<b>2 463,8</b>	<b>6,6 %</b>	<b>7,5 %</b>	<b>11,4 %</b>	<b>-4,8 %</b>	<b>11,7 %</b>		
Unallocated income, costs and operating expenses	-2,4		-0,1 %	-0,1 %	-0,1 %	-0,2 %	-0,2 %		
<b>Net investment income at fair value, total</b>	<b>159,4</b>		<b>6,5 %</b>	<b>7,4 %</b>	<b>11,3 %</b>	<b>-4,9 %</b>	<b>11,5 %</b>		

- 1) Includes accrued interest
- 2) Includes cash and bank balance and receivables & debt relating to trading in securities
- 3) Includes private equity funds and mezzanine funds
- 4) Includes unlisted real estate investment companies
- 5) Includes all types of hedge fund units despite of the fund's strategy
- 6) Includes items that cannot be allocated to other investment groups
- 7) Change in market value between the beginning and the end of the reporting period less cash flows during the period.  
Cash flow = difference between sales/revenues and purchases/costs
- 8) Capital employed = market value in the beginning of the accounting period + daily/monthly time weighted cash flows



## Key Figures and Analyses

Parent company · M €	2014	2013	2012	2011	2010
<b>Loading profit</b>					
Expense loading components	17,6	17,4	17,4	16,9	16,5
Premium components available to be used to cover operating expenses resulting from claims settlements	0,7	0,7	0,6	0,6	0,6
Other income	0,2	0,2	0,2	0,2	0,5
<b>Total loading profit</b>	<b>18,5</b>	<b>18,3</b>	<b>18,2</b>	<b>17,7</b>	<b>17,6</b>
Activity-based operating expenses <sup>1)</sup>	-16,7	-16,7	-16,4	-15,7	-15,4
Other expenses	0,0	0,0	0,0	0,0	0,0
<b>Total operating expenses</b>	<b>-16,7</b>	<b>-16,7</b>	<b>-16,4</b>	<b>-15,7</b>	<b>-15,4</b>
Loading profit, total	<b>1,7</b>	<b>1,6</b>	<b>1,8</b>	<b>2,0</b>	<b>2,2</b>
Operating expenses as a percentage of loading profit	<b>90,6 %</b>	<b>91,0 %</b>	<b>89,9 %</b>	<b>88,7 %</b>	<b>87,4 %</b>
1) Excluding operating expenses related to investments and working capacity maintenance and statutory charges					
<b>Expenses for maintenance of working capacity</b>					
Premiums written; the administrative cost component of the disability risk	0,5	0,5	0,5	0,5	0,5
Claims incurred; expenses for maintenance of working capacity	0,5	0,4	0,5	0,5	0,4
Expenses for maintenance of working capacity / the administrative cost component of the disability risk, %	<b>106,9 %</b>	<b>73,3 %</b>	<b>92,3 %</b>	<b>96,2 %</b>	<b>97,6 %</b>