2013

KALEVA MUTUAL INSURANCE COMPANY

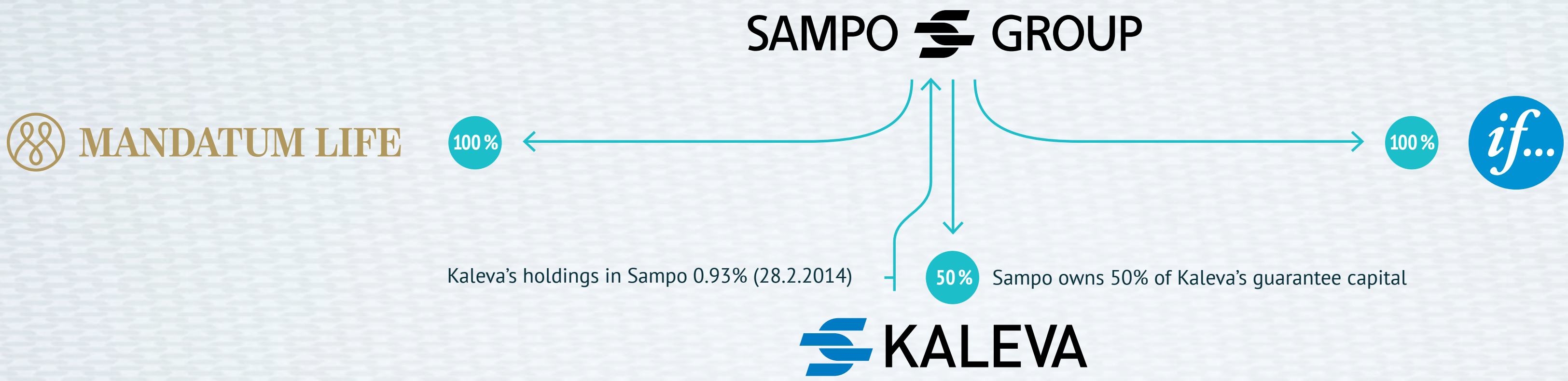
ANNUAL REPORT

140 years of Life

KALEVA

CONTENTS

SAMPO LIFE INSURANCE



Kaleva Mutual Insurance Company and Mandatum Life Insurance Company Limited (Mandatum Life) together manage Sampo's life insurance business in Finland. The companies handle the life or pension insurance cover of a total of around 700,000 Finns and nearly a quarter of the sector's combined insurance savings of EUR 38 billion.

Pure risk insurance and the life insurance offering for savings and investor customers are an essential element of Sampo Group's strategy. Sampo plc's subsidiary, Mandatum Life, offers comprehensive services for building up wealth, preparing for retirement, encouraging the commitment of a company's employees and managing life & health risks. In terms of sales, Mandatum Life's core product areas consist of unit-linked savings contracts and group pensions, as well as risk insurance.

In Finland, Mandatum Life relies on three sales channels: in-house corporate sales teams, wealth management focusing on high-net-worth individuals, and Danske Bank's network. In terms of corporate sales, Mandatum Life also works in close co-operation with If P&C Insurance Company Ltd.

Kaleva specialises in selling group life and accident insurance. The target groups are the members, as well as their families, of trade unions and employee organisations who have signed a co-operation agreement with Kaleva and If. Sales, management and claims for Group Sampo Primus (Ryhmäsampo Primus) life and accident insurance are handled by If. Affordable life and accident insurance for the whole family can also be purchased conveniently online through Kaleva's website, at www.henkivakuutuskuntoon.fi.

Nearly all of the members of If's and Kaleva's co-operation organisations use their organisation's extranet service (www.if.fi/"name of organisation"), where members can, via their organisation's web pages, become familiar with the benefits available to them.

Kaleva also bears responsibility for individual risk and savings insurance policies taken out prior to 1997, with Mandatum Life handling customer service and claims for the policies.

As a mutual company, Kaleva is not part of the Sampo Group, but it does co-operate closely with Mandatum Life and If.
Kaleva's web address is
www.kalevavakuutus.fi

KALEVA'S KEY FIGURES 2013

MEUR	Kaleva		Mandatum Life	
	2013	2012	2013	2012
Premiums written (on own account)	60	58	1,056	972
Net investment income	82	88	634	556
Claims paid (on own account)	-89	-77	-734	-704
Change in technical provisions before bonuses and change in equalisation provision	27	28	-641	-598
Operating expenses	-8	-8	-86	-86
Balance on technical account before bonuses and change in equalisation provision	72	89	229	140
Other income and expenses	0	0	0	0
Operating profit	72	89	229	140
Change in equalisation provision	-2	0	-1	-1
Bonuses	-111	-23	-3	-3
Profit before extraordinary items, appropriations and taxes	-41	66	226	136
Expense ratio, %	69.6	64.6	102	110
Average number of personnel	10	16	424	430
Technical provisions (on own account)	985	898	8,468	7,825
Balance sheet total	1,247	1,195	9,449	8,778
Valuation differences	274	216	633	584
Solvency margin	520	513	1,385	1,378
Solvency margin ratio, %	805.3	828.3	624	622
Solvency capital	536	527	1,397	1,389
Solvency capital as a percentage of technical provisions, with the equalisation provision and 75% of the technical provisions for unit-linked insurances deducted	55.3	59.6	27.7	27.8

CEO'S REVIEW

2013 was a fruitful year for Kaleva. Our investments yielded steady returns, and our solvency remained very strong. We sold a record 47,800 Group Sampo Primus life and accident insurance policies and acquired close to 27,000 new insured member households.

CEO'S REVIEW

In a nutshell, 2013 was a very good and productive year for Kaleva, both financially and operationally speaking:

- The company's solvency remained very strong
- The return on investments remained at a stable level
- We increased our customers' insurance savings twice during the year through bonuses
- We broke our previous sales records for Group Sampo Primus insurance policies

Kaleva is one of Finland's most solvent life insurance companies. At the end of 2013, our solvency ratio was 55.3 per cent and solvency capital amounted to EUR 536 million.

The company is very well positioned to withstand economic downshifts. Strong finances will give the company an excellent basis for the future, too.

Kaleva's investments yielded steady returns in 2013. The return on the investment portfolio, which focussed on Finnish equities and corporate bonds, grew to 9.4 per cent. Sampo plc, which enjoyed very strong share price development both in 2013 and the first half of 2014, continues to be the most significant of our equity investments.

Group Sampo Primus, sales 2008–2013
Total number of insurance policies for adults and children

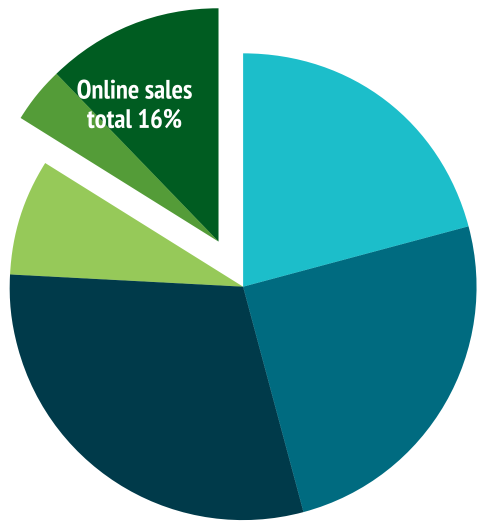
The greatest challenge facing investment operations continues to be the exceptionally low interest rate level. As corporate bonds mature, it is a challenge to reinvest assets at the current interest rate level. In future, the investment portfolio's flexibility in the face of rapid changes will become ever more important.

Robust finances and strong solvency guarantee our customers good benefits. In 2013, bonuses paid to our customers and the change in the provision for bonuses totalled EUR 111 million, as a result of which the book profit amounted to EUR -42 million. The total result at fair value stood at EUR 123 million.

2013 was an excellent year in terms of sales: we sold a record 47,800 Group Sampo Primus life and accident insurance policies and acquired close to 27,000 new insured members households. Our insurance solutions, tailored for the members of trade unions and employee organisations, are the most affordable on the market.

It has been especially pleasing to see that our customers have discovered the henkivakuutuskuntoon.fi online channel, where they can chart their life insurance needs and purchase the insurance cover they need.

We still have a long way to go in terms of shining a light on the importance of life insurance, as most Finnish adults still either do not have life insurance or they have insufficient life insurance cover.



Sales by channel %
(share of sales in €/2013)

If offices	21%
If customer service	25%
If franchising	30%
If telesales	8%
if.fi	4%
henkivakuutuskuntoon.fi	12%

CEO'S REVIEW

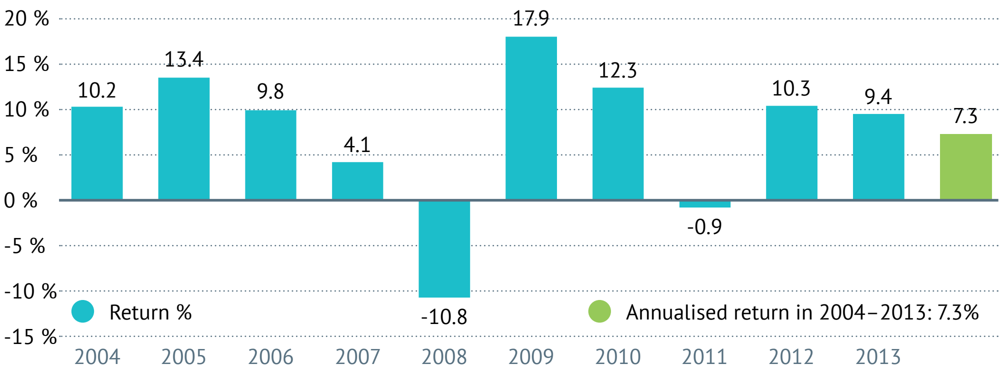
Changes in Kaleva's management and elected representatives

Kaleva received a new CEO for the second time within one year, when I took on the position in November and **Timo Vuorinen** transferred to new tasks at If P&C Insurance Company. My extensive background at Sampo's life and P&C insurance companies offers a good foundation for leading and developing Kaleva into a company that can serve our customers even better.

Another key change in the company's management was the appointment of a new chief actuary. As Chief Actuary, **Teemu Jokela** is responsible for ensuring the company's profitability and solvency.

Kaleva's representative elections were held in November. Fifteen new representatives, acting on behalf of roughly 240,000 policyholders for the next eight years, were elected to replace those whose terms expired. I extend warm congratulations to all of our new representatives and welcome you to Kaleva's 140 years of operations. The election results are posted on Kaleva's website at www.kalevavakuutus.fi. There, you will also find information about our company's other governing bodies.

Return on Kaleva's investment portfolio 2004–2013 (at fair value)



The change in CEO will not affect Kaleva's central and most important tasks. We will continue to look after the interests of our savings and investor customers and offer the members of our co-operation organisations affordable and high-quality personal insurance solutions and the best insurance and claims service in Finland.

The timely and high-quality insurance and claims services provided by our co-operation companies If P&C Insurance Company Ltd. and Mandatum Life Insurance Company are a very important element in Kaleva's successful operations. The expert investment services we procure from Sampo plc will enable the best possible return on our investments in the future, too.

140 years of insuring the lives of Finns

Founded in December 1874, Kaleva Mutual Insurance Company is the first and oldest life insurance company in Finland. Being part of the development of Finnish society and business life, the company has seen and felt the changes in life insurance and in insurance in general. We are celebrating Kaleva's 140th anniversary by working as hard as ever.

In 2014, we are focussing on, in particular, developing our online sales and service channels. We want to make the henkivakuutuskuntoon.fi channel the best, most versatile and easy-to-use personal insurance website in the markets, and serve our customers in all their personal insurance needs.

Our goal is also to safeguard our position as the most affordable life insurance company with the best value for money available in the market.

Thank you

I would like to express my warmest thanks to all of the contributors to Kaleva's operations – to our own personnel and to that of our co-operation companies alike. I also extend thanks to the members of Kaleva's Board of Directors and Supervisory Board and to the company's representatives. Above all, I would like to thank all of Kaleva's customers for the trust you have shown in our company.

Helsinki, March 2014

Paula Salonen
CEO

FINANCIAL STATEMENTS

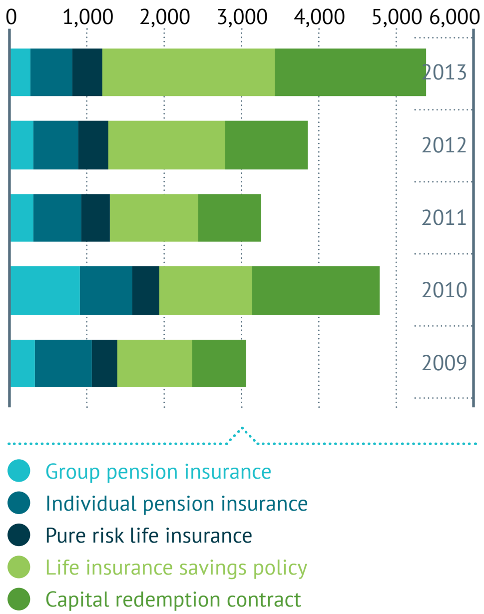
REPORT OF THE BOARD OF DIRECTORS 2013

DEVELOPMENT OF THE SECTOR IN FINLAND

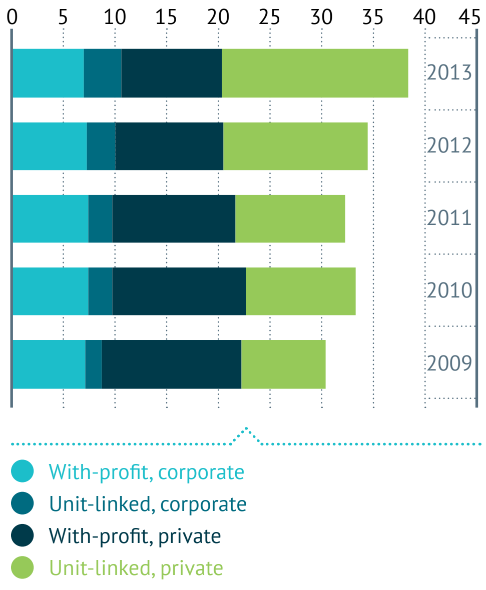
Measured in terms of premiums written, the life insurance sector grew substantially in 2013. According to the Federation of Finnish Financial Services' statistics, the total premiums written of life insurance companies operating in Finland increased 40 per cent from the previous year to EUR 5.4 billion (3.8 in 2012). Unit-linked premiums written increased 54 per cent in the sector, reaching EUR 4,558 million (2,952), and its share of the whole sector's premiums written rose to 85 per cent (77). Premiums written from with-profit insurance policies decreased 8 per cent to EUR 824 million (891).

Among the product areas, capital redemption policies experienced the strongest growth, with an increase in premiums written of 85 per cent to EUR 1,965 million (1,063). The growing popularity of investment and savings products was also reflected in premiums written on life insurance savings policies, which increased 47 per cent from the previous year and amounted to EUR 2,218 million (1,506). Premiums written on pure risk life insurance policies, excluding employees' group life insurance, totalled EUR 340 million (331). Premiums written on employees' group life insurance amounted to EUR 42 million (42).

Life insurance companies' direct insurance premiums written in Finland, MEUR



Life insurance savings, EUR bill. (The sector's Finnish business)



The new amendments that came into effect as of the beginning of 2013 weakened the terms pertaining to the right to deduct pension savings contributions in taxation, and premiums written on individual insurance policies continued to decline, totaling EUR 539 million (589). Premiums written on group pension insurance declined 11 per cent as a result of a 16 per cent decrease in with-profit premiums. Premiums written on unit-linked group pension insurance policies remained on a par with the previous year's level, at EUR 96 million.

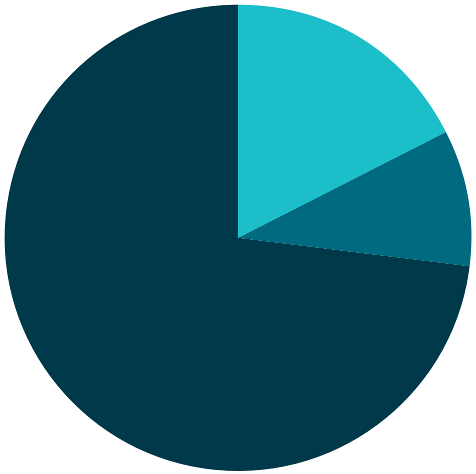
Premiums written on insurance policies sold to private persons grew 48 per cent to EUR 4,284 million (2,891). Premiums written on corporate insurance policies increased 15 per cent, amounting to EUR 1,098 million (952). Households' share of the total premiums written in the sector grew to 80 per cent (75).

Insurance savings in the life insurance sector increased 11 per cent during the year and amounted to EUR 38.3 billion (34.5). Unit-linked insurance savings grew 28 per cent to EUR 21.5 billion (16.8). Households accounted for a 72 per cent (71) share of the sector's insurance savings.

Structure of the Kaleva Group

On 31 December 2013, Kaleva Mutual Insurance Company comprised, in addition to the parent company, five Finnish housing and real estate companies as subsidiaries, as well as the associated company SaKa Hallikiinteistöt Oy.

REPORT OF THE BOARD OF DIRECTORS 2013



**Market share of premiums written in 2013
Pure risk life insurance for households
totaled MEUR 272**

Kaleva	17.7%
Mandatum Life	9.4%
Other	72.9%

OPERATING RESULT

Premiums written

Kaleva's gross premiums written in the year under review amounted to EUR 60.2 million (57.6), of which individual life insurance accounted for EUR 36.5 million (36.3) and policies other than employees' group life insurance for EUR 23.2 million (20.7). Continuous payments in 2013 amounted to EUR 54.8 million (48). All of Kaleva's premiums written are related to with-profit business or to pure risk life insurance policies.

Kaleva was the second largest risk insurer of households in the sector, with a 17.7 (16.3) per cent market share. In its main area of operations, i.e. providing group life insurance to members of trade unions and employee organisations, Kaleva is the clear market leader, with more than a 50 per cent market share. Sales of the company's group life and accident insurance policies, tailored to the members of the organisations, surpassed the previous record and amounted to 47,805 (42,700). The share of online sales of Group Sampo Primus has increased to already 16 per cent of total sales.

Investments

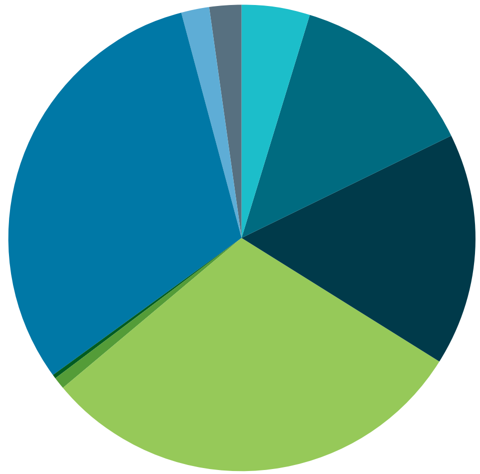
The market value of Kaleva's investment portfolio at the end of 2013 was EUR 1,454 million (1,374). The portfolio consisted of 60 per cent (60) fixed income investments, bonds and deposits; 31 per cent (35) equities, and 8 per cent (8) real estate, private equity fund and alternative investments. The allocation of the investment portfolio was in line with the target situation set in the investment plan.

At the close of the year under review, foreign investments made up 50 per cent (47) of Kaleva's investment portfolio; some 26 per cent (13) of those investments were in euro-zone countries. 24 per cent (27) of equity investments and 66 per cent (60) of fixed income investments were made in foreign investees. At year-end, non-euro investments stood at EUR 244 million (209). Of that figure, 58 per cent (87) was hedged against currency risks through forward contracts and option strategies.

Valuation differences on investments at the end of the financial year were EUR 274 million (216), of which EUR 242 million (180) were related to equities.

The duration of Kaleva's fixed income portfolio rose during the year from 1.7 years to 1.9 years. At the end of the year, the running yield on the fixed income portfolio was 2.5 per cent (3.1).

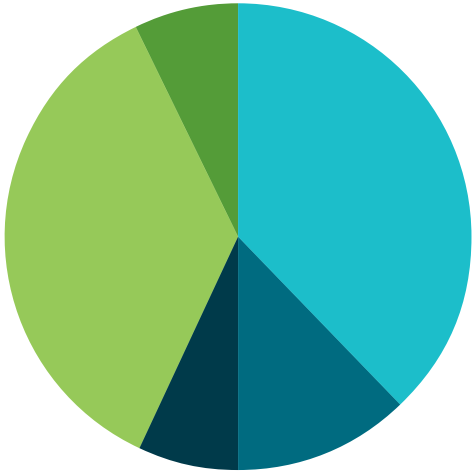
In the allocation of the fixed income portfolio, the number and share of credit risk investments declined as a result of the challenging reinvestment market situation. At the end



**Kaleva's investment portfolio
on 31 December 2013**

Real estate	5%
Money market investments	13%
Government bonds	16%
Corporate bonds	30%
Interest rate derivatives	1%
Policyholder loans	0%
Equities	31%
Private equity funds	2%
Alternative investments	2%

REPORT OF THE BOARD OF DIRECTORS 2013



Kaleva's technical provisions 31.12.2013

Private Optimi	38%
Corporate Optimi	12%
Traditional life insurance	7%
Provision for terminal bonuses	36%
Other technical provisions	7%

of 2013, these investments accounted for 50 per cent (69) of fixed income investments. The main focus of credit risk investments is still on Nordic corporate and bank bonds. Investments in government bonds grew considerably and amounted to EUR 250 million (22) at the end of the year. The investments consisted of bonds of the Netherlands, Germany, France and Finland. The weight of money market investments at the end of the year under review was 23 per cent (25%) of fixed income investments.

The fair value of Kaleva's direct real estate investments at the end of 2013 was EUR 42 million (42). In addition, EUR 9 million (13) was invested in real estate funds and EUR 17 million (15) in a real estate investment company's subordinated loan. The return on the entire real estate investment portfolio, including changes in value and capital gains, was 6.0 per cent (5.9).

At the end of 2013, Sampo plc, with a market value of EUR 186 million (139), was by far Kaleva's largest equity holding and largest single investment.

Net investment income on the profit and loss account was EUR 82.4 million (88.2). The investment income includes EUR 33.0 million (40.4) in capital gains, EUR 21.5 (20.3) million in dividend yields, and EUR 10.7 million (3.4) in value readjustments. Investment expenses in 2013 include impairments, depreciation and capital losses of EUR 8.7 million (15.0).

The return on Kaleva's investment portfolio calculated at fair value, was 9.4 (10.3) per cent. The average return on capital employed was also 9.4 per cent (9.9). Finnish and foreign equities had the strongest performance, at 26.3 per cent (17.2).

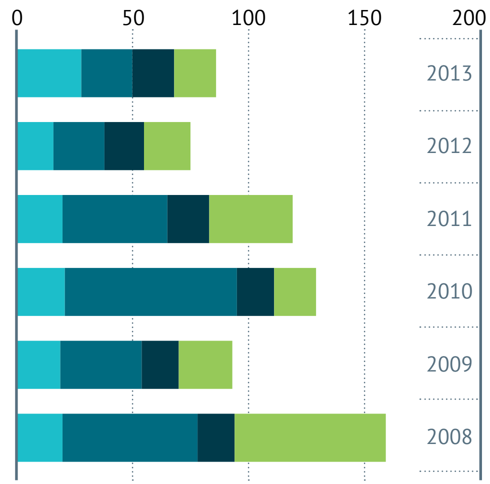
Technical provisions, customer bonuses

Kaleva's technical provisions at year-end totalled EUR 985 million (898), EUR 52 million (50) of which consisted of the provision for claims outstanding. The provision for claims outstanding included an equalisation provision of EUR 16 million (14). The technical provisions were calculated using the same 4.5 per cent interest rate as for insurance premiums.

Bonuses in the amount of EUR 357 million (276) have been set aside in the provision for unearned premiums for payment upon the expiry of the savings insurance policies.

Insurance savings were not granted customer bonuses for 2013. It is also unlikely that customer bonuses will be distributed in future. As a general rule, bonuses based on investment operations are granted through the terminal bonus system.

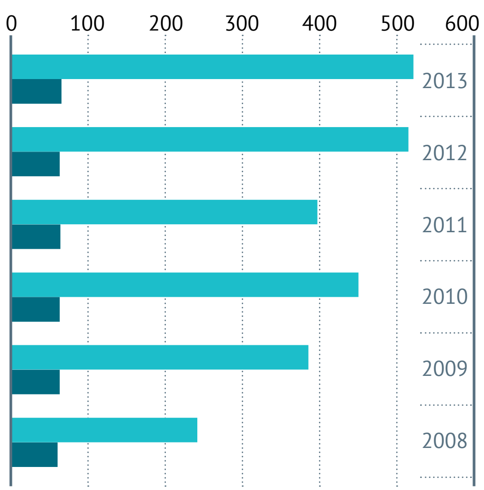
Kaleva's claims paid, MEUR



- Death benefits
- Savings amounts
- Sickness and disability benefits
- Surrenders

REPORT OF THE BOARD OF DIRECTORS 2013

Kaleva's solvency margin, MEUR



Solvency margin
Minimum amount of solvency margin

Claims incurred

Kaleva's claims incurred totaled EUR 91.6 million (79.8). Surrenders accounted for EUR 18.3 million (20.2) of claims paid.

Claims paid include bonuses according to the insurance savings bonus system and which are determined upon the expiry of the insurance, in the amount of EUR 20.9 million (17.6). EUR 11 million of the bonuses were paid for savings that matured in accordance with the contract. The bonus paid on the expiry of the insurance increased the amount of savings paid by an average of 96 per cent (97).

The risk result was good, with the exception of the negative result for medical expenses insurance. The ratio of actual claims expenditure to collected risk income in 2013 was roughly 79 per cent (78). Bonuses paid on death benefits increase the claims incurred, and discounts lower the risk income. Sickness and disability benefits were paid in the amount of EUR 18.1 million (17.2) and death benefits in the amount of EUR 27.6 million (15.8).

In 2013, in addition to implementing gender-equality measures, a 15 per cent increase was made to medical expenses insurance premiums. In 2014, insurance premiums under Group Sampo Primus for treatment expenses arising from accidents are being raised by 0 to 15 per cent, depending on the age of the insured.

Operating expenses, staff

Operating expenses entered in the profit and loss account amounted to EUR 8.3 million (7.6). A clearer picture of Kaleva's expenses development can be gained by adding the claims handling expenses entered under claims incurred to the figures above. According to that calculation, operating expenses amounted to EUR 10.8 million (9.9).

Converted to full-time employees, Kaleva employed an average of 10 people (16) in 2013.

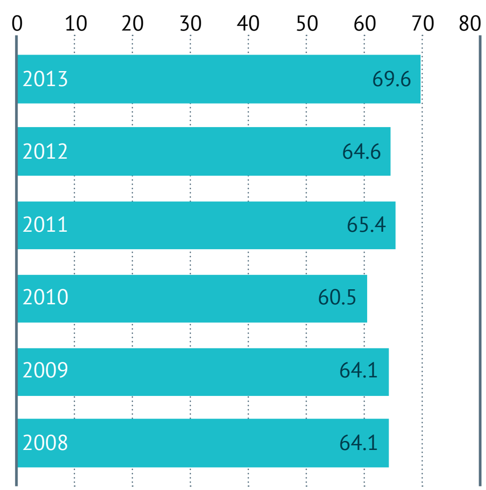
Cost items (loading income) collected on insurance policies were highly sufficient to cover operating expenses. The expense ratio was 69.6 per cent (64.6%) in the year under review. With the current extent of its business operations, Kaleva's expense result is expected to show a surplus also in the long term.

Result and solvency

The parent company's result for the financial year was EUR -41.6 million (65.5). Bonuses paid or set aside during the financial year lowered the parent company's result by EUR 111.1 million (-22.8). The total result at fair value stood at EUR 123 million (138).

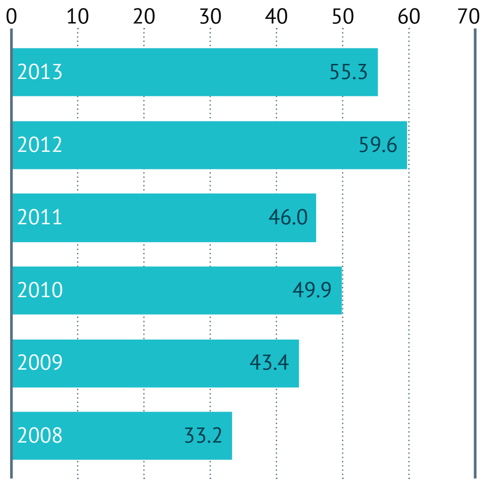
The parent company recognised depreciation according to plan in the financial statements, however within the maximum depreciation permitted under the Finnish Act on Taxation of Business Income. Depreciation totaled EUR 0.3 million. The depreciation difference and

Expense ratio, %



REPORT OF THE BOARD OF DIRECTORS 2013

Solvency capital as a percentage of technical provisions



also the total reserves in the financial statements amounted to EUR 2 million.

Kaleva's solvency remained strong during the year under review. The solvency margin amounted to EUR 520 million (513), which is more than eight times the required minimum. The company's solvency capital, i.e. the solvency margin plus the equalisation provision, stood at EUR 536 million (527). The solvency capital was thus 55.3 per cent (59.6) of the technical provisions on the company's own account, less the equalisation provision. At the end of 2013, in the early warning system for solvency position, Kaleva's solvency margin in the basic test was 4.5 times the required minimum and in the continuity test it was nearly 5 times the required minimum.

Kaleva's balance sheet total was EUR 1,247 million (1,195), and equity amounted to EUR 226 million (268.5).

Outlook

Kaleva's operations are focused on providing group life insurance to members of trade unions and employee organisations. Sales of Group Sampo Primus, a product tailored to the members of the organisations, are expected to remain brisk also in 2014. The share of online sales in particular is expected to grow considerably in the coming years.

> Kaleva's strong solvency position, cost-effective operating model and good investment portfolio should make it possible for the company to engage in successful business also in future.

Gender-neutral premium pricing entered into effect as of 21 December 2012 in all EU countries. The change seriously breaches one of the key principles of insurance operations, i.e. risk-based pricing. Premium pricing for Kaleva's Group Sampo Primus has also always taken into consideration the claims experience of the respective trade or employee organisation. On the basis of at least approximate vocation and age, Kaleva will also be able to offer the most affordable personal insurance in the sector to the members of its co-operation organisations.

The EU's new Solvency II directive will enter into force in 2016. Finland introduced some of the new directive's regulations on corporate governance already in 2014. The new solvency requirements to take effect in 2016 are not likely to cause problems for Kaleva. However, the detailed documentation and extremely broad scope of reporting to the authorities prescribed by Solvency II will require a lot of work within the company.

Kaleva's strong solvency position, cost-effective operating model and good investment portfolio should make it possible for the company to engage in successful business also in the future.

Risk management

Kaleva's risks consist of underwriting risks, market risks, counterparty risks, risks related to various internal processes, i.e. operational risks, legal and compliance risks as well as reputation and business risks.

The company's Board of Directors annually approves a risk management plan that covers all of the company's risks; the scope of the plan is laid down in, for instance, the regulations of the Financial Supervisory Authority. Closely related to the risk management plan is the continuity plan created to ensure the continuity of operations; the plan is maintained and tested regularly. The continuity plan also includes a contingency plan for exceptional situations.

The financial statements include a note on risks and risk management, explaining Kaleva's general risk management principles, risk management responsibilities and control, organisation as well as processes and risks.

REPORT OF THE BOARD OF DIRECTORS 2013

Corporate Governance

Kaleva's Annual General Meeting on 21 May 2013 confirmed the number of members of the Supervisory Board as 24. Of the members whose terms expired, the following were re-elected to the Supervisory Board:**Matti Bergendahl**, **Tarja Lankila**, **Kari Sairo** and **Erkki Solja**. The new members elected to the Supervisory Board were: **Eila Annala**, Managing Director of PlusTerveys Oy; **Arto Nuutila**, VP of Customer Concepts and Business Intelligence for Suomen Osuuskauppojen Keskuskunta; **Jorma Tilander** Executive Director of The Association of Finnish Lawyers; and **Esa Vilkuna**, Chairman of the Finnish Post and Logistics Union (PAU).

The term of office for all those elected is three years, i.e. until the close of the 2016 Annual General Meeting. Arto Nuutila and **Pertti Porokari** have since announced their resignation as members of the Supervisory Board. The number of Supervisory Board members at the end of 2013 was thus 22.

At its meeting on 29 October 2013, the Supervisory Board elected **Lauri Lyly** as its chairman and **Antti Palola** as vice chairman until the election to be held after the next Annual General Meeting.

The Supervisory Board decided that the number of members on the Board of Directors would be six. **Kari Stadigh** and **Ville-Veikko Laukkanen**, whose terms had expired, were re-elected for the three-year term of 2014–2016.

Acting as members of the Board of Directors for the entire year under review were Group CEO Kari Stadigh, serving as chairman; CEO **Risto Murto**, serving as vice chairman; and other members, Professor **Eero O. Kasanen**, Senior Vice President Ville-Veikko Laukkanen and Managing Director **Petri Niemisvirta**. Member of the Board of Directors **Paula Salonen** resigned from the Board on 4 November 2013.

Kaleva's CEO, Timo Vuorinen, resigned from his position effective 18 November 2013. At its meeting held 4 November 2013, the Board of Directors appointed Paula Salonen (LL.M) as Kaleva's new CEO, effective 18 November 2013.

THE BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFITS

Kaleva Mutual Insurance Company's distributable equity in the financial statements amounted to EUR 217,459,526.23 The Board of Directors proposes that the loss of EUR 41,623,436.64 for the financial year be covered by the contingency fund. The Board additionally proposes that EUR 840,000 in interest be paid on the guarantee capital.

If the proposal is approved, the company's reserves will be as follows:

Guarantee capital	EUR	8,409,396.32
Initial fund	EUR	168,187.93
Contingency fund	EUR	217,317,215.87
Other funds	EUR	142,310.36
Total reserves	EUR	225,197,110.48

PROFIT AND LOSS ACCOUNT

EUR 1,000	2013	2012
TECHNICAL ACCOUNT		
Premiums written		
Premiums written	60,169	57,574
Reinsurers' share	-189	-170
	59,980	57,403
Investment income	127,994	128,079
Claims incurred		
Claims paid	-89,037	-77,303
Reinsurers' share		27
	-89,037	-77,275
Change in the provision for outstanding claims	-2,551	-2,588
Reinsurers' share		27
	-2,551	-2,561
	-91,588	-79,836
Change in provision for unearned premiums	-83,742	7,480
Operating expenses	-8,252	-7,617
Investment expenses	-45,584	-39,887
Balance on technical account	**-41,193**	**65,622**
NON-TECHNICAL ACCOUNT		
Other expenses	0	0
Appropriations		
Change in depreciation difference	30	-15
	30	-15
Income taxes	-461	-142
Profit/loss for the financial year	**-41,623**	**65,465**

BALANCE SHEET

EUR 1,000	2013	2012
ASSETS		
INTANGIBLE ASSETS		
Intangible rights	5	19
Other long-term expenses	25	86
	31	**105**
INVESTMENTS		
Real estate investments		
Real estate and real estate shares	16,862	17,288
Loans to Group companies	12,300	12,920
	29,161	30,207
Investments in Group companies and associated undertakings		
Associated undertakings		
Shares and participations	4	4
Loan receivables	15,918	14,343
	15,922	14,347
Other investments		
Shares and participations	328,396	369,565
Debt securities	806,231	734,126
Other loan receivables	288	348
Deposits		10,000
	1,134,915	1,114,039
	1,179,998	**1,158,593**
RECEIVABLES		
From reinsurance operations	130	120
Other receivables	5,133	3,730
	5,263	**3,850**
OTHER ASSETS		
Tangible assets		
Equipment and machinery	29	50
Other tangible assets	52	52
	81	102
Cash at bank and in hand	51,736	20,322
	51,818	**20,424**
PREPAYMENTS AND ACCRUED INCOME		
Accrued interest and rent	10,270	11,833
Other prepayments and accrued income	95	415
	10,365	**12,247**
	1,247,474	**1,195,220**

EUR 1,000	2013	2012
LIABILITIES		
EQUITY		
Guarantee capital	8,409	8,409
Initial fund	168	168
Other funds		
Contingency fund	258,941	194,316
At the disposal of the Board	142	172
Profit for the financial year	-41,623	65,465
	226,037	**268,531**
Accumulated appropriations		
Depreciation difference	1,923	1,953
	1,923	**1,953**
TECHNICAL PROVISIONS		
Provision for unearned premiums	932,307	848,565
Provision for claims outstanding	52,482	49,931
	984,789	**898,496**
LIABILITIES		
From direct insurance operations	98	90
From reinsurance operations	106	96
Other liabilities	31,211	24,335
	31,415	**24,521**
ACCRUALS AND DEFERRED INCOME	**3,309**	**1,719**
	1,247,474	**1,195,220**

CASH FLOW STATEMENT

EUR 1,000	2013	2012
CASH FLOW FROM OPERATIONS		
Profit (loss) on ordinary operations /profit (loss) before extraordinary items	-41,193	65,621
Adjustments		
Changes in technical provisions	86,294	-4,918
Impairments and revaluations on investments	-3,783	3,432
Unrealised exchange rate gains/losses	-3,478	3,318
Depreciation according to plan	287	335
Other adjustments	-29,395	-36,448
Cash flow before change in working capital	8,732	31,339
Change in working capital		
Increase (-) / decrease (+) in non-interest-bearing short-term receivables	1,235	-993
Increase (-) / decrease (+) in non-interest-bearing short-term liabilities	2,554	-6,761
Cash flow from business operations before financial items and taxes	12,522	23,585
Interest paid on other financial expenses from operations	-2,274	-3,708
Direct taxes paid	-461	-142
Cash flow before extraordinary items	9,787	19,735
CASH FLOW FROM OPERATIONS	**9,787**	**19,735**
CASH FLOW FROM INVESTMENTS		
Capital expenditure on investments (excl. financial resources)	-745,728	-536,020
Capital gains from investments (excl. financial resources)	758,225	538,119
Investments and gains on intangible, tangible and other assets (net)		-39
CASH FLOW FROM INVESTMENTS	**12,497**	**2,060**
CASH FLOW FROM FINANCING		
Dividends paid/Interest paid on guarantee capital and other profit distribution	-870	-870
CASH FLOW FROM FINANCING	**-870**	**-870**
CHANGE IN FINANCIAL RESOURCES	**21,414**	**20,926**
Financial resources, 1 Jan.	30,322	9,397
Financial resources, 31 Dec.	51,736	30,322
	21,414	**20,926**

The items in the cash flow statement cannot be derived directly from the balance sheets due to, among other things, exchange rate movements.

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ACCOUNTING PRINCIPLES

The financial statements have been compiled in compliance with the Insurance Companies Act, the Ministry of Social Affairs and Health's decree on the financial statements and consolidated accounts of insurance companies, and the Financial Supervisory Authority's regulations and guidelines. The financial statements comply with the regulations of the Limited Liabilities Act and the Accounting Act, and with the Accounting Decree insofar as is provided for in the Insurance Companies Act and the Ministry of Social Affairs and Health's decree.

Consolidated accounts and consolidation of associated undertakings

Kaleva Mutual Insurance Company's subsidiaries and associated undertakings are not included in the consolidated accounts by virtue of Chapter 6, Section 12 of the Accounting Act, which states that consolidation is not required if it is not necessary to provide a true and fair view of the group's operational result and financial position. Therefore, since the consolidated accounts do not differ from the parent company's financial statements, the company has not drawn up a separate consolidated balance sheet and profit and loss account or notes on the group's accounts and a consolidated cash flow statement since 2012. Notes on the accounts of subsidiaries and associated undertakings are in accordance with Chapter 4, Section 3 of the Accounting Decree.

Foreign currency items

Foreign currency receivables, investments and liabilities in the nature of receivables have been translated into euro using the average rate of the European Central Bank on the balance sheet date. Other investments have been valued at the currency rate at the time of the acquisition or at the lower closing rate on the balance sheet date, with the exception of shares in the nature of investment assets, in the valuation of which the impact of the exchange rate and the market value have not been presented as separate items. Exchange rate differences in receivables and investments are presented in investment items under other income and expenses from other investments.

Valuation and allocation

The acquisition cost includes purchase- and manufacturing-related variable costs.

Intangible assets and equipment are entered in the balance sheet at acquisition cost less planned depreciation. Other long-term expenses that have been capitalised are, among other things, in-house-designed computer systems and renovations carried out on leased premises.

Real estate shares are entered in the balance sheet at acquisition cost or the lower current value. Buildings and structures are presented at acquisition cost less the planned depreciation or the lower current value. Previously recorded impairments on investments are re-adjusted to no more than the original acquisition cost and entered through profit or loss if the current value increases. Impairments in real estate investments in the nature of fixed assets are entered based on their materiality and permanency. The book value of certain properties and real estate shares contains revaluations made in previous years.

Stocks and shares in the nature of investment assets are presented at acquisition cost or the lower current value. The acquisition cost is calculated using the average price. Previously recorded impairments are readjusted to the value of the shares and participations where the current value exceeds the book value. Shares and participations in the nature of fixed assets are entered at their acquisition cost or the lower current value, if the impairment is considered permanent.

Debt securities consist of bonds and other money market instruments. They are entered in the balance sheet mainly at acquisition cost. The difference between the nominal value and acquisition cost of debt securities is allocated to interest income as a counterpart to their acquisition cost. Interest income is allocated using the effective interest method over the remaining life of the contract. With this method, interest income is evenly allocated over the remaining life of the financial instrument in relation to the instrument's balance sheet equity. The amortised acquisition cost is lowered only through impairments caused by other than fluctuations in the general interest rate level, and impairments are readjusted if the fair value of the debt security later rises above the reduced acquisition cost to no more than the original acquisition cost.

Receivables and investments in the nature of receivables are presented at their nominal value or at the lower fair value. Credit losses related to the capital of investments in the nature of receivables are treated as impairments.

Derivative contracts are valued at their current value on the balance sheet date. The

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negative difference between the current value of the derivative contracts treated in the accounts as non-hedging and a higher book value/contract rate is entered as an expense. A positive difference is only taken into account in the solvency margin calculation. The maximum derivative losses that are unhedged either in book value or in terms of balance sheet risk are deducted from the solvency margin. The maximum loss is calculated using the Value-at-Risk method. Maximum currency derivative losses made for operative hedging purposes are not deducted from the solvency margin to the extent that the fair values of their delta-adjusted underlying assets correspond to the fair values of the currency-denominated cash investments on the balance sheet date.

Revaluations of investments in the nature of investment assets, and adjustments thereof, are recognised through profit or loss and presented on their own line under 'Net investment income'. Revaluations of investments in the nature of fixed assets and their reversals are entered in the revaluation reserve under restricted equity.

The difference between the book value of the investments and the acquisition cost presented in the notes consists of revaluations and the accrual of shares of associated undertakings according to the equity method.

Depreciation

The straight-line depreciation method for planned depreciation is applied to intangible assets and buildings as well as their components, furniture and fixtures, based on estimated economic useful life. If, at the balance sheet date, the estimate differs from a previous estimate, the amortisation period is correspondingly adjusted.

Depreciation according to plan corresponding to the average economic useful life of the buildings is made annually for revaluations entered as income for buildings belonging to real estate in the nature of investment assets.

Fair values

The fair value used for financial instruments with reliable markets is the public trading bid price at the closing date or, in the absence of such, the latest closing price. If a public quotation for the financial instrument as a whole does not exist, but functioning markets for its various parts exist, the fair value is defined on the basis of the market prices of those parts. The fair value of other financial instruments and deposits can be defined using generally accepted valuation methods, and if a reliable fair value cannot be defined using these methods, the fair value can be considered the probable selling price or the amortised or remaining acquisition cost.

Depreciation	Years
Intangible rights	5
Goodwill	5–10
Goodwill and negative goodwill on consolidation	3–10
Other long-term expenses	3–10
Residential, office and business premises	40–60
Industrial premises and warehouses	30–50
Components in buildings	10–15
Computer hardware and vehicles	3–5
Other equipment	10

Other insurance company shares that do not have a market value are valued at the cautiously estimated probable selling price or, in the absence of such, the net asset value. Shares of group companies are valued at their net asset value or remaining acquisition cost and those of associated companies are valued using the equity method or the net asset value.

Loan receivables and deposits with ceding undertakings are valued at par value or the lower probable value.

The fair values of real estate and real estate shares are determined item by item as prescribed by the Financial Supervisory Authority's regulations and based on the opinions of the company's own and external experts, on a case-by-case basis.

Expenses by function

Internal operating expenses and depreciation on capitalised IT systems and equipment are entered in the profit and loss account according to function. Some of these are allocated directly to the functions, some on the basis of annual working time surveys. Thus, the proportional share of the functions varies annually. Function-specific expenses are presented in the profit and loss account under operating expenses (insurance policy acquisition costs, management expenses, and administrative expenses), claims paid (claims administrative charges), investment expenses (costs arising from the administration of real estate and other investment activities).

Other income and expenses

In addition to the depreciation on goodwill and goodwill on consolidation, as well as the deduction of the negative consolidation difference, the item 'Other income and expenses' also includes items that have a clear connection to the group's core operations.

Taxes and appropriations

Income taxes

Direct taxes in the profit and loss account are entered on an accrual basis.

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Deferred tax

The company has no significant differences arising from temporary timing differences between accounting and taxation.

Accumulated appropriations

On the basis of Finnish regulations on accounting and taxation, companies are allowed to include certain voluntary provisions with a tax effect and depreciation above plan in their financial accounts. Voluntary provisions and the difference between the depreciation according to plan and the deductible permitted in corporate taxation are entered in the profit and loss account under the item 'appropriations', and the accumulated difference is entered in the balance sheet under the item 'accumulated appropriations'. Appropriations and their accumulations are presented without deducting the deferred tax liability arising from them.

Technical provisions

Technical provisions are divided into the provision for unearned premiums and the provision for outstanding claims according to whether the insured event occurred before or after the balance sheet date. Most of the provisions are discounted. The discount rate used to calculate the technical provisions is in compliance with the calculation bases approved by the company's Board of Directors and fulfils the requirements of the Ministry of Social Affairs and Health's decree 610/2008.

The provision for unearned premiums is calculated in direct insurance business for each policy and in reinsurance based on the ceding company's declaration. The provision for unearned premiums in direct business is discounted by the 4.5 per cent technical rate of interest used in the premium bases. Zillmerisation has not been used in calculating the provision for unearned premiums. The provision for bonuses determined upon the expiry of a savings insurance policy is entered as an estimate of the amount to be paid in connection with the savings sums and deaths in 2014 and the possible maximum amount in connection with surrenders as of 1 January 2014.

When calculating the provision for claims outstanding, discounting is used only for the provision for claims outstanding for current pensions. The provision for unearned premiums for current pensions in direct business is discounted by the 4.5 per cent technical rate of interest used in the premium bases. The provision for claims outstanding on reinsurance assumed is based on the ceding company's declaration and estimate of the amount of unpaid claims incurred.

> The company is committed to keeping its solvency at a level that does not restrict the payment of bonuses to policyholders or the interest paid to holders of the guarantee capital.

Principle of fairness in life insurance

According to Chapter 13, Section 2 of the Finnish Insurance Companies Act, life insurance must follow the so-called fairness principle with respect to policies that, under the insurance contract, give entitlement to bonuses granted on the basis of possible surplus generated by the insurance policies. If the solvency requirements do not prevent it, a reasonable proportion of the surplus must be refunded to the insurance policies in the form of a bonus.

Kaleva's bonus system applies to both pure risk and life insurance savings business. The surplus from pure risk life insurance business is refunded to the policyholders in the form of increased death benefits and premium discounts. In addition to the technical rate of interest, investment returns are credited to life insurance savings policies as annually decided customer bonuses while the insurance is valid and as supplementary bonuses after the insurance expires.

The company is committed to keeping its solvency at a level that does not restrict the payment of bonuses to policyholders or the interest paid to the holders of the guarantee capital.

Pension arrangements

Statutory pension cover has been arranged for Kaleva's staff under the Employees Pensions Act (TyEL insurance). In addition, the company has supplementary pension security arrangements that are handled by an insurance company. Pension insurance premiums are entered in the profit and loss account on the accrual basis.

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EUR 1,000	2013	2012
1 PREMIUMS WRITTEN		
Direct business		
Finland	60,025	57,423
Reinsurance	144	150
Premiums written before reinsurer's share	**60,169**	**57,574**
DIRECT INSURANCE PREMIUMS WRITTEN		
Life insurance		
Other individual life insurance	36,455	36,322
Other accident and health insurance	10,104	9,261
Employees' group life insurance	331	416
Other group life insurance	13,135	11,424
	60,025	57,423
Continuous insurance premiums	54,758	47,987
Single premiums	5,267	9,437
	60,025	57,423
Premiums from with-profit policies	59,694	57,008
2 CLAIMS PAID		
Direct business		
Life insurance	82,734	71,333
Other accident and health insurance	6,303	5,970
Total claims paid	89,037	77,303
Surrenders	18,283	20,193
Savings amounts	22,555	21,973
Other	48,198	35,137
Total claims paid	89,037	77,303
3 BONUSES		
Bonuses paid on risk insurance and change in the provision for bonuses	-90,179	-5,306
Terminal bonuses paid	-20,880	-17,568
Impact of bonuses on life insurance policies reserved and paid for during the period on the balance on the technical result	-111,059	-22,874

EUR 1,000	2013	2012
4 TOTAL OPERATING EXPENSES BY FUNCTION		
OPERATING EXPENSES IN THE PROFIT AND LOSS ACCOUNT		
Insurance policy acquisition costs		
Direct business commissions	1,711	1,526
Other insurance policy acquisition costs	1,896	1,625
	3,607	3,151
Insurance policy management expenses	3,615	3,366
Administrative expenses	1,024	1,103
Commissions on reinsurance ceded and profit sharing (-)	6	-3
	8,252	7,617
TOTAL OPERATING EXPENSES BY FUNCTION		
Claims administrative charges	2,594	2,282
Operating expenses	8,247	7,619
Investment management charges	2,663	2,493
	13,504	12,394

NOTES

EUR 1,000	2013	2012
5 BREAKDOWN OF NET INVESTMENT INCOME		
INVESTMENT INCOME		
Income from investments in participating interests		
Interest	2,251	1,055
	2,251	1,055
Returns on investments in real estate		
Interest income from Group companies	854	817
Other income from other than Group companies	4,160	3,839
	5,014	4,656
Returns on other investments		
Dividend yields	21,509	20,310
Interest income from Group companies	2	7
Interest income from other than Group companies	27,074	36,283
Other income from other than Group companies	28,445	21,939
	77,031	78,539
Total	**84,296**	**84,250**
Value readjustments	10,715	3,402
Capital gains	32,983	40,427
Investment income, total	**127,994**	**128,079**
INVESTMENT EXPENSES		
Expenses on real estate	-3,797	-3,740
Expenses from other investments	-31,075	-17,714
Interest expenses and other borrowing costs to Group companies	0	0
Interest expenses and other borrowing costs to other than Group companies	-1,966	-3,464
Total	**-36,838**	**-24,918**
Impairment and depreciation		
Impairment	-6,932	-6,575
Planned depreciation on buildings	-192	-190
	-7,124	-6,765
Capital loss	-1,622	-8,205
Investment expenses, total	**-45,584**	**-39,887**
Net investment income before revaluations and value adjustments	**82,409**	**88,192**
NET INVESTMENT INCOME IN THE PROFIT AND LOSS ACCOUNT	**82,409**	**88,192**
Income and expenses from investments include		
Exchange rate differences in investments	425	-88

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EUR 1,000	2013 Remaining acquisition cost	2013 Book value	2013 Current value	2012 Remaining acquisition cost	2012 Book value	2012 Current value
6. INVESTMENTS AT FAIR VALUE AND VALUATION DIFFERENCES						
REAL ESTATE INVESTMENTS						
Real estate	6,114	7,343	8,650	6,305	7,534	8,700
Real estate shares in Group companies	9,113	9,519	20,572	9,113	9,519	19,577
Other real estate shares	0	0	300	235	235	675
Loans to Group companies	12,300	12,300	12,300	12,920	12,920	12,920
	27,526	29,161	41,822	28,572	30,207	41,872
INVESTMENTS IN PARTICIPATING INTERESTS						
Shares and participations	4	4	4	4	4	4
Subordinated loans	15,918	15,918	15,941	14,343	14,343	14,355
	15,922	15,922	15,945	14,347	14,347	14,359
OTHER INVESTMENTS						
Shares and participations	328,396	328,396	570,617	369,565	369,565	549,408
Debt securities	806,231	806,231	825,601	734,126	734,126	758,307
Other loan receivables	288	288	288	348	348	348
Deposits				10,000	10,000	10,017
	1,134,915	1,134,915	1,396,506	1,114,039	1,114,039	1,318,080
	1,178,363	**1,179,998**	**1,454,272**	**1,156,958**	**1,158,593**	**1,374,311**
The remaining acquisition cost of debt securities includes:						
the difference between the nominal value and acquisition cost, released (+) or charged (–) to interest income	1,322			3,529		
Book value includes: revaluations entered as income		1,635			1,635	
Valuation difference (difference between fair value and book value)			**274,274**			**215,718**

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7 SHARES IN OTHER COMPANIES AND PARTICIPATIONS IN OTHER INVESTMENTS HELD BY THE COMPANY

DOMESTIC SHARES AND PARTICIPATIONS

Equity	Domicile	Number	Holding, %	Book value EUR 1,000	Fair value EUR 1,000
Alma Media Corporation	Finland	1,675,000	2.22%	4,953	5,008
Amer Sports Corporation	Finland	950,000	0.80%	8,476	14,364
Comptel Corporation	Finland	8,724,980	8.15%	4,188	4,188
Finnlines Plc	Finland	130,000	0.25%	975	975
Fortum Corporation	Finland	1,305,692	0.15%	21,714	21,714
F-Secure Corporation	Finland	2,036,000	1.28%	3,807	3,807
Retro Life Assurance Company Ltd.	Finland	9,576	13.68%	754	1,060
Kemira Oyj	Finland	603,337	0.39%	4,362	7,337
Lassila & Tikanoja Plc	Finland	120,000	0.31%	1,742	1,828
Metso Corporation	Finland	550,000	0.37%	9,599	13,101
Nokia Corporation	Finland	500,000	0.01%	2,910	2,910
Nokian Tyres Plc	Finland	393,348	0.30%	9,645	13,716
Norvestia Oyj B	Finland	189,700	1.32%	1,134	1,337
Okmetic Oyj	Finland	212,700	1.23%	983	1,025
Oriola-KD Corporation B	Finland	1,000,000	0.96%	2,550	2,550
Outokumpu Oyj	Finland	6,300,000	0.30%	2,562	2,562
Pöyry Plc	Finland	798,500	1.34%	3,251	3,251
Sampo Plc	Finland	5,200,000	0.93%	18,359	185,748
Tecnotree Corporation	Finland	6,000,000	4.89%	1,260	1,260
Teleste Corporation	Finland	824,641	4.38%	3,505	3,505
Tikkurila Oyj	Finland	650,000	1.47%	8,927	12,935
UPM-Kymmene Corporation	Finland	1,673,491	0.32%	14,333	20,550
Vaisala Oyj A	Finland	190,800	1.29%	3,098	4,428
Valmet Corporation	Finland	550,000	0.37%	2,902	3,960
Wärtsilä Corporation	Finland	188,853	0.10%	5,290	6,755
YIT Corporation	Finland	1,100,000	0.86%	8,324	11,176

FOREIGN SHARES AND PARTICIPATIONS

Equity	Domicile	Number	Holding, %	Book value EUR 1,000	Fair value EUR 1,000
ABB Ltd	Switzerland	95,000	0.00%	1,459	1,823
Apple Inc.	United States	7,380	0.00%	2,605	3,001
Atea ASA	Norway	214,850	0.21%	1,535	1,535
Autoliv Inc	Sweden	30,000	0.03%	1,377	2,005
Boliden AB	Sweden	75,000	0.03%	833	833
Borregaard ASA	Norway	200,000	0.20%	648	722
ConocoPhillips	United States	18,600	0.00%	953	953
Deere & Co	United States	18,800	0.01%	1,219	1,245
Hoegh LNG Holdings Ltd	United Kingdom	127,500	0.18%	729	729
LyondellBasell Industries NV	Netherlands	17,100	0.00%	977	995
Nederman Holding AB	Sweden	88,959	0.76%	861	1,908
Odfjell Drilling Ltd	Norway	125,000	0.06%	543	543
Pfizer Inc.	United States	38,200	0.00%	835	848
Seagate Technology PLC	Ireland	18,000	0.01%	583	733
Skanska AB	Sweden	100,000	0.03%	1,382	1,483
Tele2 AB	Sweden	100,000	0.02%	822	822
TGS Nopec Geophysical Co ASA	Norway	50,000	0.05%	960	960
US Bancorp	United States	25,700	0.00%	657	753
Veidekke ASA	Norway	154,000	0.12%	809	899
Yara International ASA	Norway	25,000	0.01%	780	780
EQUITIES, TOTAL				**170,172**	**374,622**

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Investment fund	Domicile	Number	Book value EUR 1,000	Fair value EUR 1,000
FINNISH INVESTMENT FUNDS				
Danske Invest Russia Fund G	Finland	1,275,477	1,621	3,332
Fourton Odysseus	Finland	37,089	4,950	8,901

Investment fund	Domicile	Number	Book value EUR 1,000	Fair value EUR 1,000
FOREIGN INVESTMENT FUNDS				
Aberdeen Global Asia Pac Equity Fund	Luxembourg	282,176	10,667	14,357
Allianz RCM Europe Equity Growth W	Luxembourg	5,955	7,444	11,223
Comgest Panda	Luxembourg	2,480	3,061	4,677
DJ STOXX 600 OPT HEALTHCARE	Ireland	19,000	1,978	3,260
Henderson Gartmore Latin America R	United Kingdom	143,911	2,116	2,116
Investec GSF-Asia Pacific -I	United Kingdom	1,222,496	18,661	19,227
Ishares Core S&P 500 Index Fund	United States	57,960	4,769	7,801
MFS European Value Fund Z	Luxembourg	110,865	10,000	16,091
MFS MER-Europe SM COS-I1EUR	Luxembourg	21,109	4,000	5,034
Prosperity Russia Domestic Fund	United Kingdom	10,000,000	6,388	6,388
The Forest Company Limited	United Kingdom	257,326	1,393	1,663
INVESTMENT FUNDS, TOTAL			**77,048**	**104,069**

Private equity fund	Domicile	Book value EUR 1,000	Fair value EUR 1,000
FINNISH EQUITY FUNDS			
Amanda III Eastern Private Equity L.P.	Finland	2,018	2,329
Amanda IV West L.P.	Finland	4,701	4,701
Amanda V East L.P.	Finland	932	972
Capman Real Estate I Ky	Finland	7,460	8,737
Mandatum Private Equity Fund I L.P.	Finland	2,437	2,444
MB Equity Fund IV Ky	Finland	518	644

Private equity fund	Domicile	Number	Book value EUR 1,000	Fair value EUR 1,000
FOREIGN PRIVATE EQUITY FUNDS				
Access Capital LP II B	United Kingdom	880,434	511	511
Access Capital LP II C	United Kingdom	635,892	636	654
Capman Buyout VIII Fund A L.P.	United Kingdom	1,397,622	1,398	1,659
EQT Credit (No.1) L.P.	United Kingdom	9,971,033	9,971	14,242
EQT Credit (No.2) L.P.	United Kingdom	4,569,152	4,569	5,044
EQT IV (No. 1) L.P.	United Kingdom	1,876,053	1,415	1,415
EQT V (No.1) L.P.	United Kingdom	1,298,700	1,207	1,207
EQT VI (No.1) L.P.	United Kingdom	1,965,046	1,673	1,673
Gilde Buy-Out Fund III	United Kingdom	2,494,485	2,494	2,761
Goldman Sachs LPartn I Offs B, L.P.	United Kingdom	1,143,529	855	2,190
Goldman Sachs LPartn I Offs Inv Fund L.P.	United Kingdom	6,478,594	4,839	4,839
Goldman Sachs RE Mezzanine Partners L.P.	United States	1,787,154	976	976
Highbridge Liquid Loan Opp Fund, L.P	United Kingdom	22,073,958	15,459	16,725
Highbridge Specialty Fund III	United Kingdom	9,852,937	7,339	7,339
Nordic Mezzanine Fund II Ltd Partnership	United Kingdom	1,089,892	885	885
Nordic Mezzanine Fund III Ltd Partnership	United Kingdom	2,010,197	1,959	1,959
Oaktree RE Debt Fund (Cayman), L.P.	United Kingdom	1,810,000	1,311	1,311
Vencap Syndication Trust 121202 Class Fund	United Kingdom	1,033,986	826	1,952
PRIVATE EQUITY FUNDS, TOTAL			**76,391**	**87,170**
OTHER INVESTMENTS IN SHARES AND PARTICIPATIONS			**4,789**	**4,760**
OTHER INVESTMENTS IN SHARES AND PARTICIPATIONS, TOTAL			**328,396**	**570,617**

Associated undertakings	Domicile	Number	Share-holding, %	Book value EUR 1,000	Fair value EUR 1,000
SHARES IN OTHER COMPANIES AND PARTICIPATIONS IN ASSOCIATED UNDERTAKINGS HELD BY THE COMPANY					
SaKa Hallikiinteistöt Oy	Finland	480	48.00%	4	4
INVESTMENTS IN ASSOCIATED UNDERTAKINGS, TOTAL				**4**	**4**

NOTES

EUR 1,000	1.1–31.12.2013
8 STATEMENT OF CHANGES IN EQUITY	
Guarantee capital 1.1–31.12.2013	8,409
Initial fund 1.1–31.12.2013	168
Contingency fund 1.1	194,316
To interest on guarantee capital	-840
Transfer from profit/loss brought forward	65,465
Contingency fund 31.12	258,941
At the disposal of the Board	
Reserves under the Articles of Association 1 Jan.	172
Deductions	-30
At the disposal of the Board, 31 Dec.	142
Profit brought forward 1 Jan.	
Transfer to profit/loss brought forward	65,465
To interest on guarantee capital	-840
Contingency fund	-64,625
Profit brought forward 31 Dec.	0
Profit/Loss for the financial year	-41,623
TOTAL	**226,037**
DISTRIBUTABLE PROFIT	
Profit for the financial year	-41,623
Contingency fund	258,941
At the disposal of the Board	142
Loss brought forward	0
TOTAL DISTRIBUTABLE PROFITS	**217,460**

Number	2013	2012
9 BREAKDOWN OF GUARANTEE CAPITAL		
Number of shares (number, three votes/5,000 shares)	50,000	50,000
Nominal value/share (EUR)	168	168

The company's Board of Directors is not authorised to raise the guarantee capital, grant option rights or to buy convertible bonds.

EUR 1,000	2013	2012
10 LIABILITIES		
ASSETS PLEDGED AS SECURITY FOR DERIVATIVES, BOOK VALUE		
Cash 1)	21,500	21,500
1) The cash assets, EUR 21.5 million (21.5), provided as security in the transfer according to the Act on Financial Collateral Arrangements, are included in the balance sheet item "Other receivables".		
INVESTMENT COMMITMENTS		
Private equity funds	60,103	50,600
AMOUNT OF JOINT LIABILITY ASSOCIATED WITH GROUP REGISTRATION FOR VALUE ADDED TAX		
Kaleva Mutual Insurance Company belongs to If P&C Insurance Company's value added tax group. Group members are jointly liable for the value-added tax payable by the group.		
Group companies	49	47
Co-operation companies	498	480
VAT group total	547	527

DERIVATIVES	2013		2012	
Non-hedging	Fair value*	Underlying asset	Fair value*	Underlying asset
Interest rate derivatives				
Interest rate swap contracts, non-hedging	20,515	1,750,000	25,331	250,000
Currency derivatives				
Forward contracts, open	1,206	196,074	3,843	112,027
Forward contracts, closed		13,667		169,058
Option contracts, locked		18,093		
	21,721	1,977,834	29,174	531,085

* The fair values of option contracts include both premiums received and paid.
Negative valuation differences in non-hedging derivative contracts are entered as a cost (fair value = 0).
Positive valuation differences in hedging derivative contracts are entered as income to the extent where the hedged contract is entered as a cost (fair value = 0).

The company has no other contingent liabilities as referred to in Chapter 10, Section 8, subsection 3 of the Insurance Companies Act.

EUR 1,000	2013	2012	2011	2010	2009
11 KEY FIGURES					
Solvency margin					
Equity after the deduction of the proposed distribution of profits	225,197	267,691	203,096	188,078	193,571
Accumulated appropriations	1,923	1,953	1,938	1,919	2,046
Valuation difference between fair values on assets and book values of balance sheet items	274,274	215,718	174,439	241,989	170,776
Other commitments not included	18,671	28,214	16,400	17,187	18,306
Intangible assets and other items	-31	-105	-238	-428	-842
Solvency margin	520,035	513,470	395,634	448,745	383,857
Solvency margin required under the Finnish Insurance Companies Act, Chapter 11, Section 9	64,576	61,990	63,175	62,249	61,995
The equalisation provision for years with heavy losses included in the balance on technical account	15,640	13,746	13,709	12,938	13,131
OTHER KEY FIGURES					
Premiums written	60,169	57,574	57,028	56,522	59,757
Expense ratio as a percentage of expense loading	69.6%	64.6%	65.4%	60.5%	64.1%
Expense ratio as a percentage of the balance sheet total	0.9%	0.9%	0.9%	0.8%	0.9%
Net investment income on capital employed	9.4%	9.9%	-1.0%	11.8%	16.7%
Solvency capital as a percentage of technical provisions	55.3%	59.6%	46.0%	49.9%	43.4%
Return on assets at fair value, %	10.0%	12.7%	0.6	13.2%	17.3%
Average number of personnel during the financial year	10	16	19	20	24
Solvency margin in the currency of the financial statements	520,035	513,470	395,634	448,745	383,857
Equalisation provision in the currency of the financial statements	15,640	13,746	13,709	12,938	13,131
Solvency capital	535,675	527,216	409,343	461,683	396,989
Performance analysis for insurance company					
Premiums written	59,980	57,403	56,856	56,287	59,574
Investment income and charges, revaluations and revaluation adjustments and changes in value	82,409	88,192	52,725	87,785	118,696
Claims paid	-89,037	-77,275	-120,993	-131,220	-95,511
Change in technical provisions before bonuses (customer bonuses) and change in equalisation provision	26,659	27,829	61,484	75,143	28,356
Operating expenses	-8,252	-7,617	-7,538	-7,151	-7,576
Balance on technical account before bonuses (customer bonuses) and change in equalisation provision	**71,760**	**88,532**	**42,534**	**80,844**	**103,539**
Other income and expenses	0	0	-2	-2	-404
Operating profit/loss	**71,760**	**88,532**	**42,532**	**80,843**	**103,135**
Change in equalisation provision	-1,894	-37	-771	193	32,007
Bonuses (customer benefits)	-111,059	-22,874	-25,785	-85,553	-83,551
Profit/loss before appropriations and taxes	**-41,193**	**65,621**	**15,975**	**-4,517**	**51,591**
Appropriations	30	-15	-19	127	11
Income tax and other direct taxes	-461	-142	-89	-42	-21
Profit/loss for the financial year	**-41,623**	**65,465**	**15,867**	**-4,432**	**51,581**
TOTAL RESULT					
Operating profit/loss, i.e. profit or loss before the change in equalisation provision, bonuses (customer benefits), extraordinary items, appropriations and taxes	71,760	88,532	42,532	80,843	103,134
+/- Change in off-balance-sheet valuation differences, and in the fair value reserve and revaluation reserve	51,104	49,443	-66,227	71,393	82,995
Total result	**122,864**	**137,975**	**-23,695**	**152,236**	**186,130**

NOTES

INVESTMENT ALLOCATION AT FAIR VALUES

	Basic distribution				Risk breakdown			
EUR 1,000	**2013**		**2012**		**2013**		**2012**	
Fixed-income investments, total	**928,044**	**60.7%**	**863,177**	**60.2%**	**930,000**	**60.8%**	**865,396**	**60.3%**
Loan receivables	288	0.0%	357	0.0%	288	0.0%	357	0.0%
Bonds	721,937	47.2%	649,859	45.3%	1,578,421	103.2%	687,863	48.0%
Other debt securities and deposits	205,818	13.5%	212,960	14.8%	-648,709	-42.4%	177,176	12.4%
Equity investments, total	**508,011**	**33.2%**	**483,841**	**33.7%**	**508,011**	**33.2%**	**483,841**	**33.7%**
Listed equities	436,472	28.5%	421,654	29.4%	436,472	28.5%	421,654	29.4%
Private equity investments	27,187	1.8%	31,628	2.2%	27,187	1.8%	31,628	2.2%
Unlisted equities	44,351	2.9%	30,559	2.1%	44,351	2.9%	30,559	2.1%
Real estate investments, total	**69,628**	**4.6%**	**71,785**	**5.0%**	**69,628**	**4.6%**	**71,785**	**5.0%**
Direct real estate investments	43,750	2.9%	43,375	3.0%	43,750	2.9%	43,375	3.0%
Real estate funds	25,878	1.7%	28,410	2.0%	25,878	1.7%	28,410	2.0%
Other investments	**23,833**	**1.6%**	**15,684**	**1.1%**			**15,684**	**1.1%**
Hedge funds			15,684	1.1%			15,684	1.1%
Other investments	23,833	1.6%						
Investments, total	**1,529,515**	**100.0%**	**1,434,487**	**100.0%**	**1,507,639**	**98.6%**	**1,436,706**	**100.2%**
Effect of derivatives					21,876	1.4%	**-2,220**	**-0.2%**
Total investments at fair value					**1,529,515**	**100.0%**	**1,434,487**	**100.0%**
Modified duration of the bond portfolio	2.4							

NOTES

NET INVESTMENT INCOME ON CAPITAL EMPLOYED

Return EUR 1,000/% on capital employed	Net return on investments at fair values 2013	Capital employed 2013	Return on capital employed, % 2013	Return on capital employed, % 2012	2011	2010	2009
Fixed-income investments, total	**15,152**	**902,856**	**1.7%**				
Loan receivables	20	316	5.7%	5.5%	7.0%	6.9%	7.1%
Bonds	14,608	607,836	2.4%	9.3%	4.9%	7.9%	14.1%
Other debt securities and deposits	524	294,704	0.2%	1.4%	1.5%	0.9%	3.2%
Equity investments, total	**114,114**	**507,521**	**25.2%**	**15.0%**	**-10.6%**	**24.7%**	**35.8%**
Listed equities	91,456	437,585	10.2%	-	-	-	-
Private equity investments	3,226	31,002	9.0%	-	-	-	-
Unlisted equities	19,432	38,934	52.2%	-	-	-	-
Real estate investments, total	**3,879**	**68,272**	**6.0%**	**6.5%**	**3.1%**	**8.7%**	**1.8%**
Direct real estate investments	2,255	43,579	5.5%	-	-	-	-
Real estate funds	1,624	24,693	7.0%	-	-	-	-
Other investments	**3,287**	**20,390**	**17.2%**	**9.5%**	**0.0%**	**14,555.2%**	**126,461.1%**
Other investments	3,287	20,390	17.2%				
Investments, total	**136,432**	**1,499,039**	**9.6%**	**10.0%**	**-0.8%**	**12.0%**	**16.9%**
Unallocated income, charges and operating expenses	-3,337						
Net investment income at current value	**133,096**		**9.4%**	**9.9%**	**-1.0%**	**11.8%**	**16.7%**

CALCULATION METHODS FOR THE KEY FIGURES

PREMIUMS WRITTEN
Before reinsurers' share

EXPENSE RATIO AS A PERCENTAGE OF EXPENSE LOADING
(Operating expenses + claims settlement expenses)/expense loading

EXPENSE RATIO AS A PERCENTAGE OF THE BALANCE SHEET TOTAL
(Operating expenses + claims settlement expenses)/opening balance sheet total

NET INVESTMENT INCOME ON CAPITAL EMPLOYED
The return on investments at fair value in relation to capital employed is calculated using the modified Dietz formula, whereby the capital employed is calculated by taking the fair value at the start of the period and adding to it each period's cash flows, weighted by the relative time remaining from the transaction date or middle of the transaction month to the end of the period.

RETURN ON ASSETS AT FAIR VALUE, %
(Operating profit + interest and expenses on liabilities + technical rate of interest
+ revaluations/reversals entered in the revaluation reserve + change in valuation differences on investments)
(balance sheet total + valuation gains/losses) (in which the denominator is the average at the beginning and end of the year)

SOLVENCY CAPITAL AS A PERCENTAGE OF TECHNICAL PROVISIONS
Ratio of solvency capital to technical provisions on the company's own account
less the equalisation provision and 75% of the technical provisions for unit-linked insurances

SOLVENCY MARGIN IN THE CURRENCY OF THE FINANCIAL STATEMENTS
Equity after the proposed distribution of profits
+ accumulated appropriations +/- valuation differences on investments
+/- deferred tax liabilities + subordinated loans - intangibles
commodities +/- other items provided for by law

SOLVENCY CAPITAL IN THE CURRENCY OF THE FINANCIAL STATEMENTS
Solvency margin + equalisation provision

AUDITORS' REPORT

To Kaleva Mutual Insurance Company's shareholders

We have audited the accounting records, the financial statements, the Report of the Board of Directors and the corporate governance of Kaleva Mutual Insurance Company for the financial year 1 January–31 December 2013. The financial statements comprise the balance sheet, the profit and loss account, cash flow statement and notes.

The responsibility of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the preparation of the financial statements and the Report of the Board of Directors, and for ensuring that they provide accurate and sufficient information in accordance with the effective regulations and provisions governing the preparation of 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 CEO is responsible for ensuring that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Responsibility of the auditor

Our responsibility is to express an opinion on the financial statements and the Report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the principles of professional ethics. We performed this audit in accordance with good auditing practice in Finland. Good auditing practices require us to plan and perform the audit in order to obtain reasonable certainty as to whether the financial statements or Report of the Board of Directors contain any material misstatements and whether the members of the Supervisory Board and the Board of Directors or the CEO are guilty of an act or of negligence that may make the company liable for damages or whether they have violated the Limited Liability Companies Act, the Insurance Companies Act or the articles of association.

The audit includes procedures to obtain audit evidence concerning the figures included in the financial statements and the Report of the Board of Directors and other facts presented therein. The procedures selected depend on the auditor's judgement, including the assessment of the risks of a material misstatement, whether due to fraud or error. When assessing these risks, the auditor takes into account the internal control that is relevant in the company for the drawing up of financial statements and a Report of the Board of Directors that provide accurate and sufficient information. The auditor assesses the internal control to be able to plan auditing procedures that are appropriate with regard to the circumstances but not for the purpose of expressing an opinion on the efficiency of the company's internal control. The audit also includes an assessment of the appropriateness of the accounting principles applied, the reasonableness of the accounting assessments made by the management and the general 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 provide accurate and sufficient information about the company's financial performance and financial position in accordance with the regulations governing the preparation of 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, 13 March 2014

Heikki Ilkka	**Kristina Sandin**
Authorised public accountant	Authorised public accountant

RISK MANAGEMENT NOTES

1. Kaleva's risk management principles 31 December 2013

1.1 General principles of risk management

Risks are an essential and inherent part of Kaleva's operating environment and business. The objective of risk management is to identify the various risks that the business is exposed to as successfully as possible. The risk management process also aims to ensure that various risks can be assessed, limited and controlled. The goal is to limit the risks to a level approved by Kaleva's Board of Directors, on behalf of all of the company's functions.

Quantitative limits have been set for risks. Compliance with the control limits and procedures for risk management are monitored continuously. If the limits are exceeded or any deviations from the risk management procedures occur, these must be assessed and reported without delay.

Kaleva is a co-operation partner of the Sampo Group and works in close co-operation with Sampo's subsidiary, Mandatum Life Insurance Company Ltd. (Mandatum Life), and If P&C Insurance Company (If). For that reason, Kaleva applies, where applicable, the Sampo Group's risk management principles, which also take into account the special characteristics of the insurance business.

1.2 Risk management responsibilities and control

Kaleva's Board of Directors is responsible for the adequacy of the company's risk management and internal control. The Board annually approves the risk management plan, the reinsurance plan, the investment plan and other guidance on the organisation of risk management and internal control in the company's various business functions. The Board of Directors also annually approves the internal auditing plan; the auditing activities focus especially on operational risks and target to selected product areas and processes.

Kaleva's CEO holds overall responsibility for implementing risk management in accordance with the Board of Directors' guidelines. This also applies to the company's outsourced functions. The business areas are responsible for the identification, assessment, monitoring and management of their operational risks.

1.3. Classification of risks

Kaleva's risks consist of market risks, credit risks, underwriting risks, operational risks, legal and compliance risks, as well as reputation and business risks.

Kaleva's Investment Committee monitors market risks and the company's solvency, the Insurance Risks Committee (together with Mandatum Life) monitors insurance risks, and the Operational Risk Committee (together with Mandatum Life) monitors operational risks.

2. Market risks

Market risks refer to losses or a weakening financial position leading to direct or indirect changes in the market values of assets and liabilities.

Kaleva's long-term investment objective is to achieve adequate results at an acceptable level of risk in order to cover the minimum return in guaranteed-return policies. In addition, whenever possible, the company strives to give its customers reasonable supplementary returns.

Market risks are managed by diversifying investments by instruments, sectors and across different markets. No limits have been set on the duration risk between the technical provisions and fixed income investments. Fixed income investments are primarily made according to the interest rate outlook. The currency distribution of investments and technical provisions is monitored and managed continuously.

Kaleva's Board of Directors annually confirms an investment plan, which lays down the target distribution for the investment portfolio, the variation range by instrument, the organisation of the investment function, and decision-making and authorisation power. The investment plan also includes guidelines on the use of derivatives. An investment committee appointed by the Board oversees compliance with the principles laid down in the investment plan and reports on the investment operations to the Board of Directors.

Kaleva's market risks mainly involve equity investments and the interest rate risk related to fixed-income investments and to the technical provisions of guaranteed-return policies. The most significant interest rate risk for life insurance operations is that a guaranteed long-term minimum return on the corresponding technical provisions cannot be achieved through fixed income investments.

Efforts are made to reduce market risks also through significant buffer items included in technical provisions. Roughly EUR 357 million in a provision for bonuses can be used not only for paying bonuses, but also to cover the losses caused by calculation bases. Taking solvency capital into consideration, Kaleva has, among other things, a total buffer of nearly EUR 900 million for managing market risks; this amount represents well over half of the market value of investments.

RISK MANAGEMENT NOTES

2.1 Market risk of assets

The market risk of assets is monitored using various sensitivity analyses. Calculation of the long-term value-change risk employs fixed dispersion figures by asset class that are confirmed annually by the company's Board of Directors. When calculating the overall asset risk, it is assumed that all submarkets decline simultaneously by their dispersion figures. The overall risk, which includes the open currency risk as a separate risk category, cannot exceed the difference between the company's solvency margin and its minimum amount. At the close of 2013, the overall risk was some EUR 236 million less than the originally quoted figure.

A sensitivity analysis of the fair value of the assets in various market risk scenarios is presented in the table. The effects describe the impact of a sudden change taking place within a specified market variable on the fair value of the financial instruments on 31 December 2013.

The possible future loss caused to the company by Kaleva's non-hedging derivatives should be, with a 99 per cent probability, under EUR 20 million over a ten-day period. At the end of 2013, the maximum loss calculated as described above was EUR 3.1 million, which was deducted from the solvency margin.

2.2 Management of the balance sheet market risk

The solvency requirements for insurance companies, based on legislation and other regulations, also define the framework conditions for Kaleva's investment operations. Managing the balance sheet market risk is a central aspect of the company's solvency management.

Currently, the legislation in force provides two regulatory frameworks for the company's solvency:

- monitoring based on the minimum solvency margin requirement according to EU regulations (Solvency I), which only takes balance sheet market risks into account to a certain extent; and
- an early warning system for solvency position; the system, based on Finnish legislation and adapted from the upcoming Solvency II regulations, is also sensitive to balance sheet market risks.

An early warning system for solvency position, which entered into effect in October 2008, entails continuity and basic tests. In the basic test, an item referred to as the risk margin is added to the technical provisions (excluding bonuses) which have been discounted using a risk-free interest rate. In the continuity test, the expected value of the market-consistent capital value of the bonuses to be granted in the future is added to the technical provisions.

In the basic test, Kaleva's solvency is weakened by the high technical rate of interest on savings insurance. In the continuity test, Kaleva's solvency is weakened, but stabilised, by the bonus policy on the company's run-off-type savings insurance.

In Kaleva's risk management model, the limits concerning the minimum capitalisation in the above-mentioned frameworks are supplemented by internal monitoring limits that describe the company's view on the acceptable risk level. When capital falls below the monitoring limits, the company takes predetermined measures to lower the market risk.

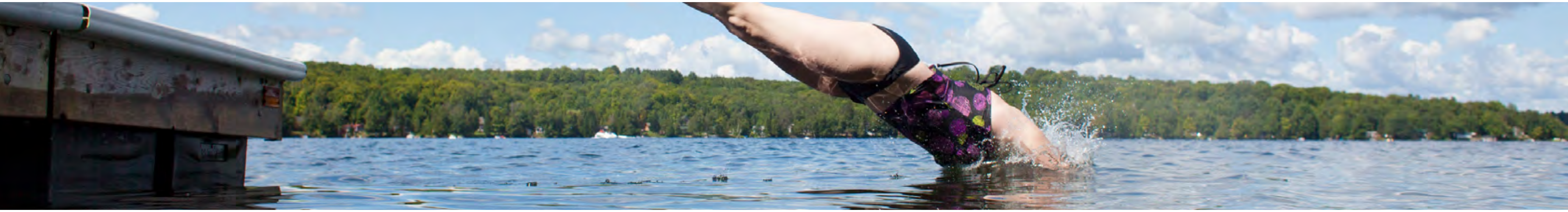
Internal limits are used to ensure that the company has, under all circumstances and with a sufficiently high probability, enough time to lower the risks before the solvency margin falls below the minimum requirements prescribed by legislation.

The monitoring model, called the traffic light model, is built as follows: the Solvency I framework is supplemented by adding three limits above the minimum solvency margin; the levels of the limits take into consideration the investment asset risks using the Value-At-Risk method. Also in the Solvency II framework, the lower limits of the continuity and basic tests are supplemented by three monitoring limits evaluated at a higher confidence level.

Sensitivity analyses of investments 31 Dec. 2013

31 Dec. 2013	Interest		Equity	Other investments
	1% level movement downwards	1% level movement upwards	20% down	20% down
MEUR	27	-28	-96	-24

RISK MANAGEMENT NOTES



The traffic light model is the Board's key tool for managing market risks. When solvency is above the upper monitoring limit (green light), investment operations can be managed normally within the framework of the investment plan. When solvency falls below the second and third limit (yellow light), monitoring is stepped up, reporting by the Board is increased and the Board's role in investment operations is increased. When the fourth limit is reached (red light), plans and reports prescribed by legislation must be drawn up for the controlling authority (Financial Supervisory Authority). The traffic light model is described in detail in Kaleva's investment plan.

The Board of Directors regularly receives information about the market risk situation according to the traffic light model. The company's Chief Actuary oversees the reporting. At the end of 2013, Kaleva's solvency position was green according to all monitoring framework criteria, i.e. above the highest monitoring limit.

Solvency I:
Solvency margin EUR 520 million, 805% of the minimum.

Solvency capital EUR 536 million, solvency ratio 55.3%.

Early warning system for solvency position (31 Dec. 2013):
Extended solvency margin in the basic test EUR 690 million, 452% of the minimum.

Extended solvency margin in the continuity test EUR 281 million, 488% of the minimum.

2.3 Assets covering the technical provisions

Kaleva's investment operations must also ensure that the assets covering the technical provisions continuously meet the requirements laid down in the Insurance Companies Act (18.7.2008/251).

At the end of 2013, Kaleva's solvency position was green according to all monitoring framework criteria, i.e. above the highest monitoring limit.

The combined total of Kaleva's assets covering the technical provisions on 31 December 2013 amounted to EUR 1,378 million, i.e. 140 per cent of the technical provisions. Assets that are not eligible to cover technical provisions totaled EUR 138 million.

2.4 Allocation of the investment portfolio

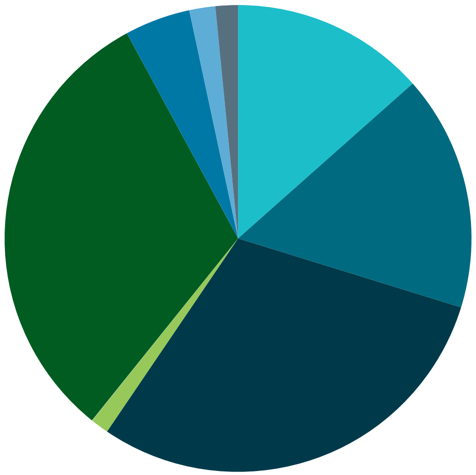
The return on Kaleva's investments in 2013 was 9.4 per cent at fair value. The average return on capital employed was also 9.4 per cent. The duration of Kaleva's fixed income portfolio was 1.9 years. The following page contains a presentation of the allocation of Kaleva's investment portfolio from various perspectives.

2.5 Exchange rate risks

The with-profit technical provisions arising from Kaleva's direct insurance business consist entirely of euro-denominated commitments. For that reason, the company is exposed to currency risks when investing outside the euro zone. Kaleva's currency strategy is based on active control of the currency position, with the goal of generating absolute added value within the limits of the investment plan in relation to a situation where the currency risk related to currency-denominated investments is fully hedged. The table on page 36 presents the open currency position of Kaleva's technical provisions and investments (in EUR million) as of 31 Dec. 2013.

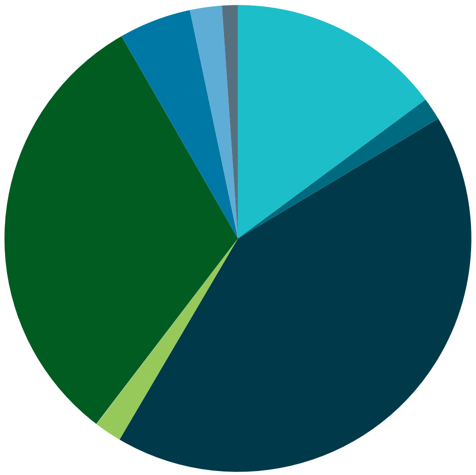
RISK MANAGEMENT NOTES

THE CHARTS BELOW CONTAIN A PRESENTATION OF THE ALLOCATION OF KALEVA'S INVESTMENT PORTFOLIO FROM VARIOUS PERSPECTIVES.



Allocation of investment portfolio 31.12.2013 MEUR 1,454

Money-market investments and cash assets	13%
Government bonds	16%
Corporate bonds, funds and loans	30%
Interest rate derivatives	1%
Policyholder loans	0.02%
Equities	31%
Real estate	5%
Private equity	2%
Risk funds	2%

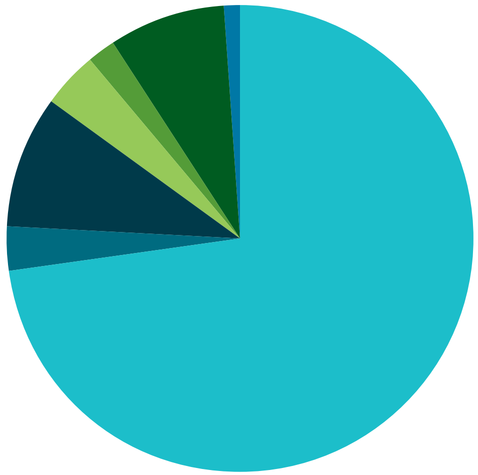


Allocation of investment portfolio 31.12.2012 MEUR 1,374

Money-market investments and cash assets	15%
Government bonds	2%
Corporate bonds, funds and loans	42%
Interest rate derivatives	2%
Policyholder loans	0.02%
Equities	31%
Real estate	5%
Private equity	2%
Risk funds	1%

Allocation of fixed income investments 31.12.2013 MEUR 930

Money-market investments and cash assets	22%
Government bonds	27%
Corporate bonds, funds and loans	49%
Interest rate derivatives	2%
Policyholder loans	0.03%



Allocation of equity investments 31.12.2013 MEUR 479

Finland*	73%
Scandinavia	3%
Europe	9%
North America	4%
Eastern Europe	2%
East Asia	8%

*Incl. Fixed asset shares

RISK MANAGEMENT NOTES

3. Credit risks

Credit risks are related to possible losses or a weakening financial position caused by changes in the creditworthiness of securities issuers, derivative counterparties or other debtors. Credit risks arise from both investments and insurance and reinsurance contracts.

Credit risks can be realised as a drop in market value as credit margins develop unfavourably (spread risk) or as credit losses if the issuer of a debt instrument or the counterparty of a derivative contract or reinsurance contract is not able to fulfill their financial obligations (default risk).

The default risk related to bonds has decreased from the previous year. The credit rating of Kaleva's fixed income investments is presented in the charts to the right. The goal is to limit and control credit risks through detailed issuer and counterparty limits.

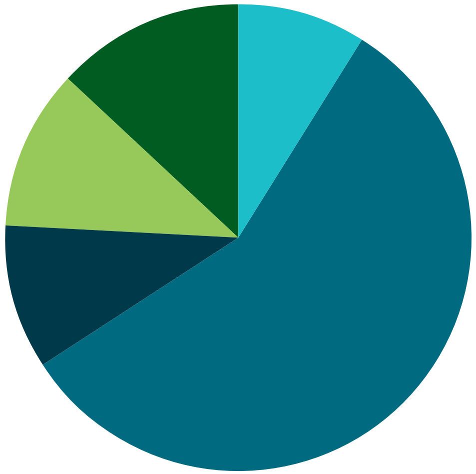
Default risks related to derivatives are limited by concluding transactions only with counterparties that have been evaluated in stock exchanges (or by other regulated marketplaces) or which have been deemed creditworthy (OTC derivatives). Default risks are controlled through derivative trade framework agreements (ISDA agreements) entered into with counterparties and through possible collateral arrangements (CSA documents) linked to them. Maximum limits have been set for derivative trade counterparty banks based on their credit rating.

Kaleva's default risk related to reinsurance is low, as the company uses reinsurance to a limited extent.

4. Insurance risks

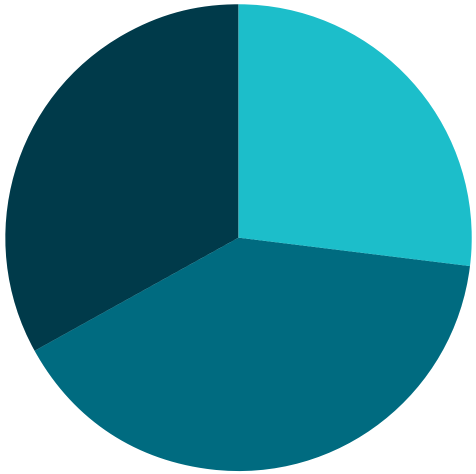
4.1 Premium pricing and underwriting

Of the insurance risks belonging to life insurance, the most significant are those related to mortality, disability and morbidity. At Kaleva, these risks are traditionally limited through insurance terms and conditions, prudent underwriting, risk and cost equivalent premium rating, reinsurance and by limiting the sums insured.



Fixed income investments by credit rating

AAA	9%
AA+ – A-	57%
BBB+ – BBB-	10%
BB+ – B-	11%
CCC+ – D	0%
NR	13 %



Fixed income investments by sector

Government	27%
Bank	40%
Corporate	33%

Exchange rate risk, net position	USD	JPY	GBP	SEK	NOK	CHF	DKK	LTL	LVL	Other
Technical provisions	0	0	0	0	0	0	0	0	0	0
Investments	122	0	49	14	9	13	3	0	0	34
Derivatives	-88	0	-43	11	18	-12	0	0	0	-16
Net position, total	**34**	**0**	**6**	**25**	**27**	**1**	**3**	**0**	**0**	**19**

RISK MANAGEMENT NOTES

In the underwriting for individual risk insurance policies, the guidelines drawn up and maintained by the reinsurer Retro Life Assurance Company are primarily used. In setting the price of insurance premiums, the starting point is, above all, the sustainability of the premiums. Rating has been based both on the mortality and disability functions generally used in the sector and on the company's own rather comprehensive statistics. The fairness of premium pricing has been monitored using annual risk assumption analyses. The ratio of actual claims expenditure to collected risk income in 2013 was roughly 79 per cent. Bonuses paid on death benefits increase the claims incurred, and discounts lower the risk income.

The premium rating of products for sale and the contents of insurance terms and conditions have also been assessed on the basis of the analyses. In disability and medical expenses insurance, the company also has the possibility to raise the premiums of existing policies as the claims ratio falls. The company has made use of this possibility, and will use it in future, too.

Particularly in medical expenses insurance, claims expenditure has exceeded inflation as measured by the cost-of-living index and led to a need for additional increases in insurance premiums.

The only insurance product sold by Kaleva is Group Sampo Primus, a group life and accident insurance intended for the members of trade unions and employee organisations. Pricing for the product is based on an organisation-specific discount that can be adjusted both ways in accordance with the loss development of each organisation. Since gender can no longer be used to set premium rates, organisation membership and the approximate professional group it points to will become increasingly important factors in determining prices. Switching to organisation-specific pricing will require a sufficient amount of historical data measured in terms of insured years.

There is a clear trend of a general increase in life expectancy in the Western world. The risk this causes in Kaleva's insurance portfolio is minimal, as Kaleva does not offer pension insurance.

Kaleva's insurance portfolio is relatively well-diversified and does not contain significant risk concentrations. The catastrophe reinsurance taken out by the company reduces the impact of possible risk concentrations.

Following a decision by the European Court of Justice on 1 March 2011, gender-based factors can no longer be considered in premium pricing; this decision has an impact on the pricing of Kaleva's products. The possibility to use gender-based statistics to determine insurance premiums and benefits, per a 2004 EU gender equality directive, ended on 21 December 2012. The decision had significant repercussions, as gender has been an essential factor in insurance premium pricing and benefits throughout the sector and for Kaleva.

In practice, gender-neutral pricing breaks the traditional correlation that exists between insurance premiums and risks. Gender-neutral premiums and benefits will also have to be adjusted in the majority of old insurance contracts covering private persons. The only exception is the existing death cover policies, where raising insurance premiums without a substantial increase in the underlying mortality is not possible under the current legislation.

4.2 Disasters and pandemics

Reinsurance policies serve to limit especially single mortality and permanent disability risks. The company's Board of Directors annually decides on the maximum risk level on its account. In the case of a single sum payable on death and a single risk sum payable in the event of disability, sums above the limit of EUR 1.5 million are reinsured.

In the event of a disaster, Kaleva, along with other Finnish life insurance companies, has taken out foreign catastrophe insurance, which expires in spring 2014. The cover would insure Kaleva to a maximum of EUR 10 million in the event of a disaster. Losses caused by a disaster or pandemic would, when realised, cut into the equalisation provision, which amounted to EUR 16 million at the end of 2013.

With a substantial rise in mortality, the company would have the opportunity to lower the bonuses paid in addition to the sums payable on death according to the insurance contract or to terminate them altogether.

Disasters do not represent a threat to Kaleva's solvency. In the wake of the 2004 tsunami in the Indian Ocean, 179 Finns died, which resulted in claims expenses for Kaleva of only EUR 0.6 million. In 1994, the cruise ferry MS Estonia sank in the Baltic Sea, taking the lives of 852 people. Following the accident, a scenario to determine the impact of the drowning of 1,000 Finns on Kaleva's claims expenditure was simulated. Such an incident would

RISK MANAGEMENT NOTES

increase, with more than a 99 per cent probability, Kaleva's claims expenditure by less than EUR 5 million.

Reinsurance cover in the event of a pandemic is not available with reasonable conditions. There are also no reliable mortality forecasts in the event of a pandemic. The impacts of a pandemic within Kaleva's insurance portfolio can be illustrated using the same assumptions that the Ministry of Social Affairs and Health used in its 2006 publication of a national preparedness plan for an influenza pandemic. Without vaccinations, the scenario used in the calculation, which concerned targeting vaccinations, would mean an increase in mortality of 0.2 percentage points among Kaleva's group of insured persons. This would increase claims expenditure by roughly EUR 16 million, for which there is a sufficient equalisation provision.

Besides illness and more deaths, a serious pandemic is also highly likely to have other financial repercussions. It can be assumed that, along with a simultaneous decline in the risk-free interest rate, the value of all risky asset classes would decline globally, which would lower solvency capital.

4.3 Interest rate risk related to technical provisions

The greatest risks in Kaleva's life insurance savings policies are, considering the underlying interest rate level, a high fixed technical rate of interest and, for many insurance policies, the right to pay additional premiums. The latter risk was mitigated considerably when, in 2004, the limits on premiums towards Optimi insurance took effect. After the limit was introduced, the theoretical maximum amount of future additional premiums is in the region of EUR 700 million. If necessary, the insurance terms and conditions allow for new limits to Optimi additional premiums.

All of the savings policies included in Kaleva's technical provisions are guaranteed-return policies with a technical rate of interest of 4.5 per cent. Of the total of EUR 557 million in insurance savings, EUR 22 million is due to mature in 2014. For the expiring savings insurance policies, only the risk cover component linked to them can be continued.

The technical provisions in the financial statements are discounted using a technical rate of interest of 4.5 per cent, which is higher than the risk-free interest rate. A high technical rate of interest will burden the company in future. In the calculation carried out for the early warning system for solvency position, the savings insurances' guaranteed technical provisions discounted with the interest rate curve based on the swap rate was, on 31 December 2013, roughly EUR 157 million higher than the 4.5 per cent discounted technical provisions in the financial statements. According to the calculation, the duration of the savings insurances' guaranteed technical provisions discounted with the risk-free interest rate was 13 years.

> The greatest risks in Kaleva's life insurance savings policies are, considering the underlying interest rate level, a high fixed technical rate of interest and, for many insurance policies, the right to pay additional premiums.

4.4. Expense risk

Insurance operations also involve an expense risk, meaning the cost items (expense loading) collected on insurance policies is not sufficient to cover the necessary operating expenses, either in the short or long term. The expense risk in Kaleva's insurance operations is well under control, as the so-called expense ratio (operating expenses in relation to expense loading) is stabilised at the 60–70 per cent level. Cost pressures also have not been postponed by spreading the acquisition costs of insurance policies or zillmerising the technical provisions.

4.5 Other insurance risks

Customers have the right to interrupt their payment of insurance premiums (lapse risk) or they may terminate their insurance contract early (surrender risk). Some of the company's insurance policies are premium-free, so in the event of surrender, the customer loses these future rights. The surrender risk is also reduced by the fact that the bonus the customer receives when the insurance ends (the terminal bonus) is calculated, in the event of surrender, at a lower rate than if the insurance had ended when the savings amount was paid out.

5. Operational risks

Operational risks refer to the risk of a loss caused by insufficient or non-functioning

RISK MANAGEMENT NOTES

internal processes, systems, people or outside events. Risks are divided into eight classes: internal malpractices, outside malpractices, HR deficiencies, deficiencies in operating practices vis-à-vis customers, products or engaging in business, damage to physical property, interruption of operations and system failures, deficiencies in operating processes and changes in the outside operating environment.

The operational risk is realised, for example, as costs, claims, loss of reputation, erroneous position, risk and results data or interruption of operations. Operational risk management enhances the effectiveness and productivity of the entire company's internal process management and reduces profit fluctuations. Co-ordinated management of operational risks gives the company's management an overall picture of how risks are managed and realised, and, through analyses of risk indicators and the outside operating environment, of changes in risk position.

Kaleva and Mandatum Life have a joint operational risk committee that includes representatives of all key functions. The group convenes at least four times a year. Its task is to, among other things, co-ordinate operational risk management, monitor operational risks identified using self-assessment methods, go over realised operational risks and provide guidance and recommendations. The committee also looks after the maintenance of continuity and preparedness plans.

The internal audit focuses particularly on operational risks and managing these by carrying out annual detailed analyses on processes and elements thereof agreed on in advance. The audits also involve Kaleva's outsourced services. The audit reports, which are also processed by the company's Board of Directors, present observed deficiencies and necessary improvement proposals.

Kaleva's continuity plan is tested and updated regularly. The latest update was carried out in late 2013, and the continuity plan will be updated again in 2014. The company's Board of Directors annually approves a risk management plan that covers all of the company's risks; the scope of the plan is established in the regulations the Financial Supervisory Authority. The risk management plan currently in effect was approved by Kaleva's Board in March 2013.

6. Legal and compliance risks

Legal and compliance risks refer to the risk of the company not complying with some aspects of the legislation in effect, with regulatory requirements, with insurance terms and conditions or with the company's internal guidelines. Deficiencies and errors in insurance terms and conditions and other customer documents are considered a part of operational risks.

The CEO, together with the company's chief legal officer and Mandatum Life's legal affairs unit, oversees compliance with the above-mentioned regulations and guidelines at Kaleva. The legal affairs unit monitors the regulations, guidelines and recommendations of the law and the authorities. The chief legal officer ensures that the company's internal guidelines are updated pursuant to official decisions, etc.

7. Business and reputation risks

Reputation risks arise when an error, deficiency or misleading data in customer information or other public information or the company's operations harm or could cause considerable harm to customers' and co-operation partners' trust in the company. Many of the single risk factors affecting the occurrence of reputation risks are part of operational risks.

Business risks refer to risks related to Kaleva's operating environment which could, if realised, compromise or prevent the company's chosen strategy from being realised or weaken the company's profitability and solvency. Unexpected changes in the operating environment could be related to general economic development, the institutional environment (legislation, etc.), technological innovations and changes in the competitive landscape.

The management of business and reputation risks is the responsibility of, above all, the CEO.

8. Risk management outlook

Risk management and risk management methods are continuously developed within the company, taking into account the Solvency II requirements.

The exceptionally low interest rate level continues to burden investment operations. Changes in short-term interest rates in the euro zone are not expected for some time. The prolonged decline in the margins of risky corporate bonds has persisted. Kaleva's fixed income portfolio contains a high number of corporate bonds, the assets of which, once matured, will be very challenging to reinvest in the current interest rate environment.

CORPORATE GOVERNANCE

SUPERVISORY BOARD

Chairman

Lauri Lyly
Chairman
Central Organisation
of Finnish Trade Unions (SAK)

Deputy Chairman

Antti Palola
Chairman
Finnish Confederation of Salaried Employees (STTK)

Members

Eila Annala
CEO
PlusTerveys Oy

Matti Apunen
Director
Finnish Business and Policy Forum EVA

Matti Bergendahl
CEO
Mehiläinen Oy

Jarmo Hietanen
Finnish Association of Business School Graduates

Johanna Ikäheimo
Chairman of the Board
Lappset Group Oy

Hannu-Matti Järvinen
Deputy Chairman
Academic Engineers and Architects in Finland (TEK)

Pekka Kaipainen
Trade Union Pro

Heikki Kääpä
CEO
Kääpä Oy

Teemu Lehtinen
CEO
Taxpayers Association of Finland

Olli Luukkainen
President
Trade Union of Education (OAJ)

Jukka Mattila
Director of Economy
Service Union United (PAM)

Merja Merasto
President
The Finnish Nurses Association

Tarja Munukka
Director
Trade Union Pro

Maija Pihlajamäki
President
The Federation of Public and Private Sector Employees (Jyty)

Kari Sairo
Financial Manager
Finnish Metalworkers' Union

Erkki Solja
CEO
Kiilto Oy

Jorma Terentjeff
Chairman of the Board
Avanti Management Oy

Jorma Tilander
Executive Director
Association of Finnish Lawyers

Petri Vanhala
President
Finnish Paperworkers' Union

Esa Vilkuna
President
Finnish Post and Logistics Union (PAU)

STATEMENT OF THE SUPERVISORY BOARD

Kaleva Mutual Insurance Company's Report of the Board of Directors, financial statements, and Auditors' Report for 2013 have been presented to the Supervisory Board. The Supervisory Board, which had no comments concerning the presented documents, submits the Report of the Board of Directors, the financial statements and the Auditors' Report to the Annual General Meeting and proposes that the Report of the Board of Directors and the financial statements be approved and that the Board's proposal on the disposal of profit be approved.

Helsinki, 21 March 2014

On behalf of the Supervisory Board

Lauri Lyly
Chairman

AUDITORS

Regular auditors

Heikki Ilkka, Authorized Public Accountant
Kristina Sandin, Authorized Public Accountant

Deputy Auditors

Eva Bruun, Authorized Public Accountant
Terhi Mäkinen, Authorized Public Accountant

BOARD OF DIRECTORS

Eero O. Kasanen, 61
Professor

Deputy Chairman
Risto Murto, 50
CEO
Varma Mutual Pension Insurance Company

Chairman
Kari Stadigh, 58
Group CEO
Sampo Plc

Ville-Veikko Laukkanen, 43
Senior Vice-President
Varma Mutual Pension Insurance Company

Petri Niemisvirta, 44
Managing Director
Mandatum Life Insurance Company Ltd.

KALEVA'S ELECTED REPRESENTATIVES

(YEAR IN WHICH TERM EXPIRES IN PARENTHESES)

Esko Ahonen (2017)
Municipal Manager
Evijärvi

Eero Broman (2021)
CEO
Joensuu

Outi Ervasti (2021)
Deputy Director
Oulu

Sari Essayah (2021)
Member of European Parliament
Lapinlahti

Helena Haapio (2017)
LL.M.
Helsinki

Minna Karhunen (2017)
Development Director
Karkkila

Jyrki Kasvi (2021)
R&D Director
Espoo

Mikko Kautonen (2017)
Graphic designer
Lahti

Kati Kiljunen (2021)
Engineering graduate
Pori

Johanna Koivuniemi (2017)
Public Health Nurse
Kauhajoki

Anne Kolehmainen (2017)
Headmaster
Jyväskylä

Jukka Laiterä (2021)
Corporate management consultant
Turku

Janne Laulumaa (2021)
Electronics employee,
Chief shop steward
Raisio

Anne Liimola (2021)
President
Tampere

Lasse Lindholm (2017)
Key Account Manager
Turku

Salla Luomanmäki (2021)
Executive Director
Helsinki

Sallamaari Muhonen (2021)
freelancer
Helsinki

Petteri Nokkala (2021)
CEO
Muurame

Birgit Palm (2017)
Teacher
Kuopio

Anne Panttila (2021)
Director of Finance and HR
Vantaa

Katja Porvari (2021)
Laboratory Manager
Oulu

Kari Ruonti (2021)
self-employed
Turku

Reijo Salmi (2017)
Organisation Manager
Tampere

Janne Seurujärvi (2017)
Director, Business Development
Ivalo

Eero Seppänen (2021)
Special Education Teacher
Sipoo

Pirjo Sirviö (2017)
Clinical Study Coordinator
Oulu

Marja Suni (2017)
M.Sc. (Econ.)
Lappeenranta

Satu Tietari (2017)
Executive Director
Säkylä

Tapani Tölli (2017)
Member of Parliament
Tyrnävä

Harry Wallin (2017)
Engine Driver
Seinäjoki

OWNERS OF KALEVA'S GUARANTEE CAPITAL

31 Dec. 2013	Shares	%	Votes*
Sampo Plc	15,000	30	9
Varma Mutual Pension Insurance Company	15,000	30	9
Osakevarma Oy	10,000	20	6
Mandatum Life Insurance Company Ltd	5,000	10	3
If P&C Insurance Company Ltd.	5,000	10	3
Total	**50,000**	**100**	**30**

*before voting rights were cut, 3 votes/5,000 shares

Representatives who represent roughly 240,000 policyholder-shareholders in the Annual General Meeting have a total of 30 votes. Owners of the guarantee capital have a total of 30 votes prior to voting rights being cut in accordance with chapter 5, section 9 of the Insurance Companies Act.

140-YEAR-OLD KALEVA FOCUSES ON THE INTERNET

In November 2013, the Finnish Financial Ombudsman Bureau (FINE) released a price comparison study on pure risk life insurance. We were not surprised to see that Kaleva's Group Sampo Primus life insurance was by far the lowest priced in the study. And you, our customers, also took note, as we once again achieved record sales figures.

Even more delightful is that our online store, Henkivakuutuskuntoon.fi, has been a smashing success. Our online sales have already grown to 16 per cent of our total sales. We know that people want to buy both life and accident insurance through the internet. Our vision is to be recognised by our customers as offering the best online experience in the market. We are working hard to achieve that vision, and this year already we will find out how we are doing after we launch new digital services for our customers.

Already 140 years old – but what is Kaleva?

This year, Kaleva celebrates 140 years of operations. We are Finland's oldest life insurance company. Still, for many, Kaleva is not well known. There is a reason for that. For years we have been engaged in close and fruitful co-operation with Sampo's subsidiary If. If is our only distribution channel, in addition to our online store. For that reason, we believe it makes sense to manage both our sales and marketing under the If brand. Did you know that the high-profile campaigns "The most affordable life insurance in Finland" and "Children's accident insurance for €2 a month" offer Kaleva's products?

If is Finland's most trusted insurance brand, offering our customers top-notch customer and claims service. Our goal is to offer, together with If, the members of organisations that have signed a co-operation agreement with us, as well as the members' families, the best possible service in all customer interactions, regardless of the channel.

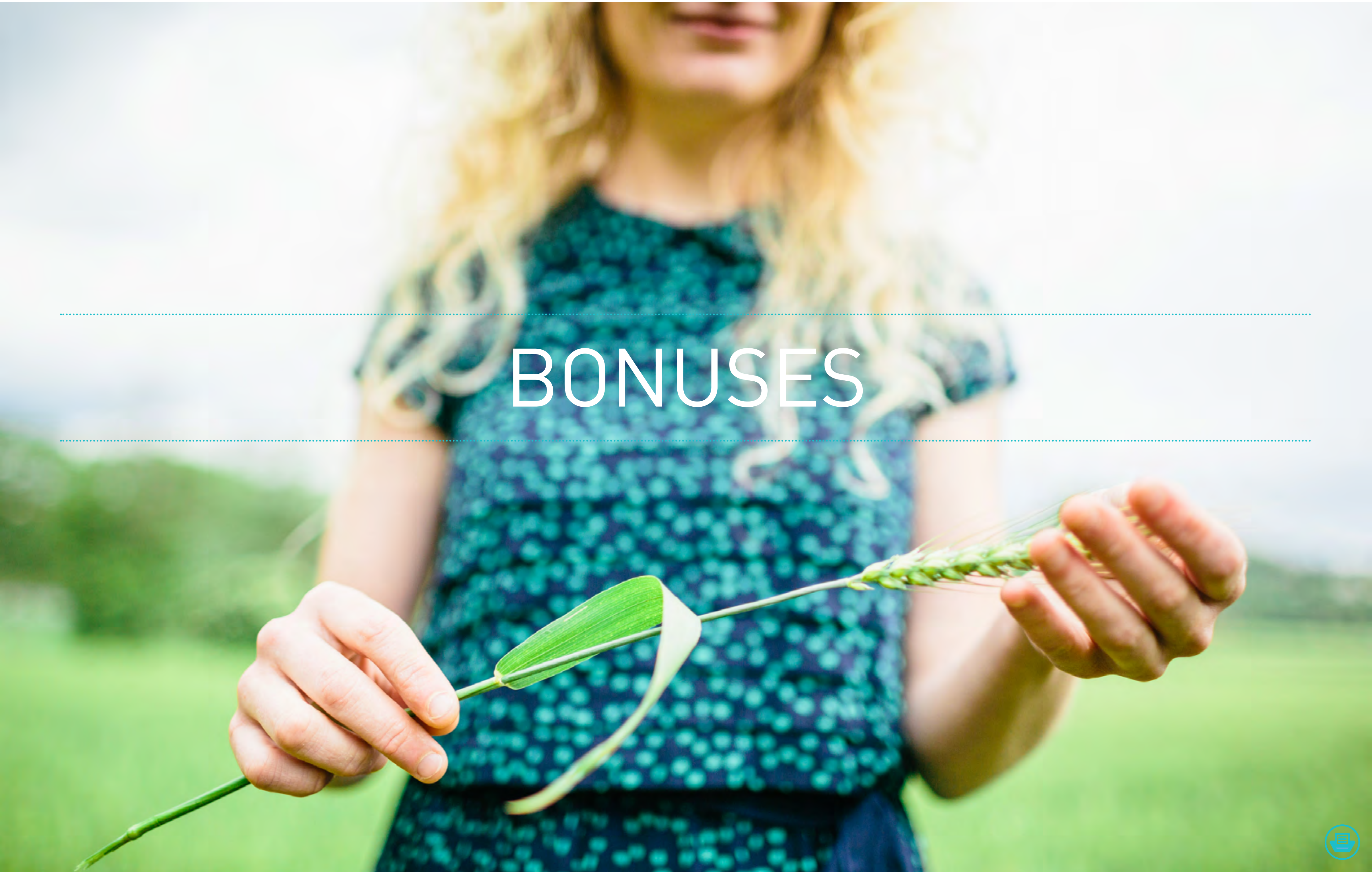
Primus – for members only

Group Sampo Primus is a unique life and accident insurance plan in terms of price/quality. The name of the product also reflects that. Only the members of our co-operation organisations enjoy Primus membership benefits. An insurance discount of as much as 60 per cent is clearly a monetary benefit that really should not be ignored. Learn more about the benefits of membership at henkivakuutuskuntoon.fi.

Transformation

Our sales have already made a major shift to the internet, and growth expectations for our online store are high. In addition to our sales, we also decided to publish our Annual Report online this year. We hope that you enjoy reading the report on our renewed website. Last year, we conducted our representative elections the traditional way, via post. It remains to be seen whether the next elections, four years from now, will be online, just like our customers are.

Minna Mikkanen, Marketing Director



BONUSES

KALEVA'S BOARD-APPROVED TARGETS PERTAINING TO THE DISTRIBUTION OF SAVINGS INSURANCE BONUSES AS OF 1 JAN 2003

General

The following principles are intended to provide a clear explanation of the central grounds for how the bonuses applied to savings insurance policies are determined. The precise mathematical calculation model also includes various annual matchings applied to the entire portfolio, as well as product-specific differences between calculation parameters.

Kaleva retains the right to change the principles and the details of the system at any time.

These targets pertaining to the distribution of bonuses are not part of the insurance contract.

Targets pertaining to the distribution of savings insurance bonuses

The objective of Kaleva's bonus system is to distribute the surplus generated by the insurance as bonuses credited to the insurance policies as equitably as possible, reasonably taking into account both the total amount of the bonuses credited to the insurance policies and, in terms of how they are to be distributed, the amount of the surplus generated by these insurances and how the surplus is formed. The bonuses must not jeopardise the fulfilment of the legal solvency requirements or the continuity of the bonus level.

The bonuses on savings insurance policies are made up of two parts: the annual customer bonus and a supplementary bonus determined upon the expiry of the insurance.

A life insurance savings policy in this respect means insurance that pays out a savings sum upon expiry of the policy. Those Optimi insurance policies whose main purpose has been solely to maintain risk cover, on the basis of the premiums paid, are not considered insurance savings policies.

Customer bonus

Kaleva's Board of Directors decides annually on the amount of the customer bonus, which is added to the policy's insurance savings and is brought to the attention of the policyholder in a letter sent out every year. Kaleva may stop granting the customer bonus temporarily or permanently, but it cannot withdraw customer bonuses that have already been granted.

Supplementary bonus

In addition to the assets covering the insurance savings and the solvency margin required for savings insurance, the company has substantial surplus assets related to savings insurance. According to the Insurance Companies Act, a reasonable proportion of this surplus must be refunded to those who take out savings insurance policies. For the purposes of refunding this surplus, a supplementary bonus determined at the expiry of the policy has been developed alongside the annual customer bonus. The goal is to distribute the supplementary bonus among the insurance policies in accordance with the principle of accrued rights. The principle of accrued rights eliminates the possibility of speculating on additional premiums and surrenders.

The amount of the supplementary bonus depends not just on the company's solvency, but also on the insurance assets in the year in question, and on the technical rate of interest, the customer bonuses and the company's capital returns. The bonus and return history has been followed up on since 1993, after which time most of the company's surplus wealth was created.

The calculated share of the insurance assets is calculated for each savings insurance policy from 1993 or from a later year in which the insurance was granted. The calculated share of the assets grows or shrinks annually according to the return on the company's investments (up to 2004, return on total assets). Insurance premiums paid during the year or partial surrenders of savings are taken into consideration in the calculation.

The insurance savings and the minimum solvency margin linked to the insurance are deducted from the assets that are calculated as described above. 80 per cent of the difference achieved through this calculation is paid as a supplementary bonus when the insurance expires, upon the death of the insured or on the agreed date when the savings are paid out.

KALEVA'S BOARD-APPROVED TARGETS PERTAINING TO THE DISTRIBUTION OF SAVINGS INSURANCE BONUSES AS OF 1 JAN 2003

The amount to be granted in connection with a full surrender is 70 per cent, if the insurance has been valid for at least 15 years. For every year short of that, the bonus is reduced by 7 percentage points. In connection with partial surrenders, no supplementary bonus is paid.

In accordance with the calculation bases, the supplementary bonus can be raised or lowered at any point. The supplementary bonus is, however, adjusted at least once a year

and determined on the grounds of the payment date of the benefit.

Kaleva can, at any point, change the grounds for granting the supplementary bonus.

Other

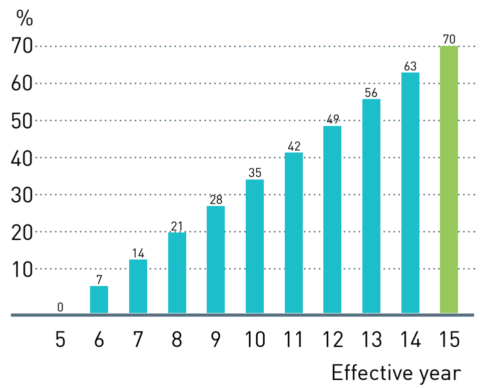
From the table it can be deduced that surplus assets linked to life insurance savings policies grew, for example, in 2012 and 2013, but decreased in 2001, 2008 and 2011 as a consequence of unfavourable stock-market development.

Return on Kaleva's investments and returns granted, 1993–2013:

	Return on investments*	Returns granted
1993	13.6%	8.0%
1994	0.9%	8.0%
1995	8.8%	7.7%
1996	11.8%	7.2%
1997	15.6%	6.5%
1998	14.7%	6.5%
1999	21.9%	9.0%
2000	18.8%	8.0%
2001	-0.7%	7.5%
2002	0.1%	7.0%
2003	10.3%	6.0%
2004	10.2%	6.0%
2005	13.4%	5.0%
2006	9.8%	5.0%
2007	4.1%	5.0%
2008	-10.8%	4.5%
2009	16.7%	5.0%
2010	11.8%	4.5%
2011	-1.0%	4.5%
2012	9.9%	4.5%
2013	9.4%	4.5%

* Until 2004, return on assets; from 2005 on, net return on capital employed at fair value.

Distributable share of surplus assets in a surrender



This table shows the dependency of the bonus to be paid in surrenders on the period of validity of the insurance policy.

In 2013, the supplementary bonus was raised on the basis of Kaleva's investment performance on 14 March and 11 December.

Starting in 2004, limits were set on making additional investments in existing insurance due to the decline in the general interest rate level.

Bonuses on risk insurance policies

Most life insurance savings policies also include risk cover, meaning the the death benefit without bonuses exceeds the amount of the insurance savings. The surplus from risk insurance policies is distributed in individual life insurance policies by raising the death benefit.

In the table on the next page, under "Claims paid without bonuses on individual life insurance policies", the line "On policies terminated due to the death of the insured" contains the combined sum, without bonuses in the event of death, of both insurance savings and risk cover. Under the heading "Supplementary bonuses and death benefit increases" in the table on the following page, the row "On policies terminated due to the death of the insured" contains the amount of supplementary bonuses paid in the event of death (distribution of surplus from savings insurance policies) and the row "Death benefit increases" contains the amount of bonuses paid in the event of death (distribution of surplus from risk insurance policies).

KALEVA'S BOARD-APPROVED TARGETS PERTAINING TO THE DISTRIBUTION OF SAVINGS INSURANCE BONUSES AS OF 1 JAN 2003

Realisation of targets

MEUR	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Claims paid without bonuses on individual life insurance policies											
On policies that expired at term	42.6	45.9	51.2	190.6	61.0	29.8	22.3	40.5	24.7	11.1	11.2
On insurance policy surrenders[1]	54.8	37.9	21.8	34.2	32.2	55.2	20.0	14.4	27.0	15.8	14.4
On policies terminated due to the death of the insured	11.6	22.4	8.7	10.0	10.9	10.2	10,3	9.4	8.9	7.2	14.2
Total	109.0	106.2	81.7	234.8	104,1	95.2	52.6	64.3	60.6	34.1	39.8
Bonuses											
Supplementary bonuses and death benefit increases											
On policies that expired at term	15.0	17.1	18.8	92.6	35.6	28.6	13.0	33.6	20.3	10.8	10.7
On insurance policy surrenders	2.5	1.9	1.8	3.3	4.8	9.8	2.8	3.7	9.4	4.3	3.8
On policies terminated due to the death of the insured	0.9	3.4	1.6	3.2	4.3	2.6	2.3	3.5	3.5	2.4	6.3
Death benefit increases	1.8	2.0	2.0	2.1	1.9	2.0	1.7	1.4	2.0	1.6	2.1
Total	20.2	24.4	24.2	101.2	46.6	43.0	19.8	42.2	35.2	19.1	22.9
Customer bonuses	13.3	13.6	5.3	3.7	3.4	0.0	3.0	0.0	0.0	0.0	0.0
Total	33.5	38.0	29.5	104.9	50.0	43.0	22.8	42.2	35.2	19.1	22.9

PERCENTAGE	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Average impact of increases in the supplementary bonus and death benefit on claims paid.											
On policies that expired at term	35.2 %	37.3%	36.7%	48.6%	58.4%	96.0%	58.3%	83.0%	82.2%	97.3 %	95.5%
On insurance policy surrenders	4.6%	5.0%	8.3%	9.6%	14.9%	17.8%	14.0%	25.7 %	34.8%	27.2%	26.4%
On policies terminated due to the death of the insured	23.3%	24.1%	41.4%	53.0%	56.9%	45.1%	38.8%	52.1%	61.8%	55.6%	59.2%
Total	18.5%	23.0%	29.6%	43.1%	44.8%	45.2%	37.6%	65.6%	58.1%	56.0%	57.5%
Customer bonuses	1.5%	1.5%	0.5%	0.5%	0.5%	0.0%	0.5%	0.0%	0.0%	0.0%	0.0%

[1] Includes full surrenders leading to the termination of the insurance policy as well as partial surrenders in which the insurance is not terminated.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