



2017

.....
KALEVA MUTUAL INSURANCE COMPANY

ANNUAL REPORT
.....



CEO'S REVIEW



Kaleva continues to look after the Finnish people. Each working day, around 100 new Kaleva insurance policies are purchased, and Kaleva processes more than 300 claims and pays about 400,000 euros in claims. With its technical rate of interest, Kaleva increases its customers' savings on average by 100,000 euros every day. Kaleva has kept up this work since 1874 and continues to do so, making it a lifelong partner for its customers.

In 2017, Kaleva

- Increased demand for life insurances
- Had strong solvency
- Added significant bonuses to our customers' technical rate of interest-bearing insurance savings
- Improved our customers' and partners' satisfaction in our co-operation

Get ready in time

Every Finnish family lives differently. However, a sudden reduction in any family's income can disrupt the way things are usually run. Many families have found themselves in a situation where their available funds have fallen drastically because of sickness, accident or death of an income-earning family member. Not only do the family members have to reorganise their lives and perhaps deal with grief, but they must also decide what to let go: leisure activities, travel, vehicles or – in the worst-case scenario – even their home.

But how many of us are prepared for this eventuality? Not many, it turns out. Only one in three two-adult households has considered the financial arrangements in the case of a partner's death. Even a large amount of family debt will not significantly change this figure. The annual number of deaths among

working-age people in Finland is nearly 10,000, and one in five adults will experience a serious illness during the active years of their life. In a significant number of households, people are getting on with their daily lives without thinking of the consequences of these risks.

A family of four is sitting at a table, eating pizza. The father is on the right, the mother is on the left, and two children are in the middle. They are all smiling and looking at the camera. The table is set with plates of pizza, glasses, and a small candle.

*Suomen edullisin
henkivakuutus*
**MAKSAA VAIN
PIZZAN KUUSSA**
henkivakuutuskuntoon.fi

The logo for if... insurance, featuring the letters 'if...' in a stylized font inside a blue circle.

One of Kaleva's key objectives is to keep spreading the word, proactively and ever more clearly, about the need to get ready. As families always have so many other important things to discuss, this topic gets pushed aside, or the necessary measures are postponed. People may also be mistaken about some facts regarding readiness and insurance. Surprisingly often, people are unaware of the true extent of life insurance coverage, and estimate the premium to be much higher than it really is, compared to the actual content and price of the policy. A life insurance policy is affordable – your monthly payment will be about the same as you would pay for a mug of hot chocolate in a resort cafe after a day's skiing.

For Kaleva's communications, our 'Varaudu ajoissa' online service is an important channel that is reaching a growing audience, currently roughly 150,000 readers annually. Dedicated to life and everything it throws our way, this service is available at henkivakuutuskuntoon.fi. Use of electronic channels for purchasing Kaleva's insurance policies increased by 13% on the previous year. Sales of pure life insurances increased

by 9% across all sales channels. With 225,000 policies, our insurances are looking after a significant number of people in Finland. In total, our policies cover pure life insurance risk with over 8 billion euros.

Stability for all life stages

In addition to life insurances, at roughly 450 million euros Kaleva's customers have significant insurance savings. Kaleva pays an annual technical rate of interest of 4.5% on these savings, plus a bonus determined on the basis of the investment operations result. This is the so-called terminal bonus, paid to the customer when the policy expires. The customer-specific amount will depend on the insurance, premiums, surrenders and the timing of these. Kaleva paid out nearly 26 million euros in terminal bonuses for savings insurance policies that expired in 2017.

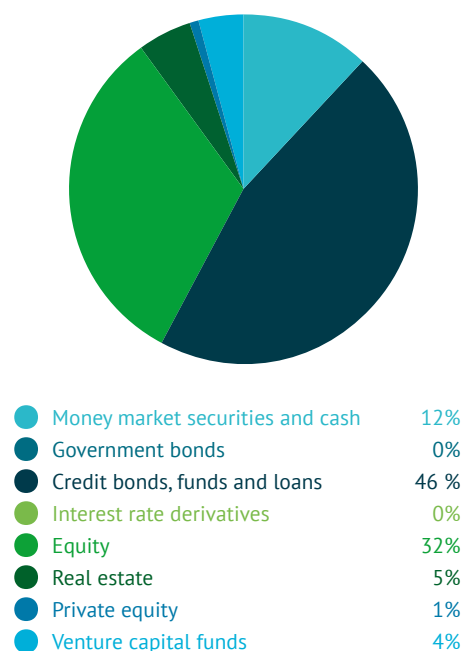
The sale of these so-called old insurance portfolio policies ended in 1997. Due to the extremely low interest rate level on the market along with stricter solvency regulation, the old portfolio was closed to new saving premiums, insurance covers and additional policyholders in 2017. With this measure, we will ensure the prudent management of our customers' existing insurance covers and accumulated insurance savings until their expiry.

Kaleva guides such measures through its bonus policy, which ensures that any surplus assets are fairly refunded among the customers, between the insurance premiums and the insurance savings that have contributed to the assets. In practice, the refunds will be seen in the discounts decided at the end of 2017 for the 2018 insurance premiums and in the increased terminal bonuses paid to insurance savings. This is a portfolio with a long horizon; its oldest insurance policy was taken in 1938 and the longest policy term will expire in 2087.

Solvency, investment operations and financial result

The Kaleva's long business horizon requires an ability to withstand the economic and

Allocation of investment portfolio
31 Dec 2017 MEUR 1,415

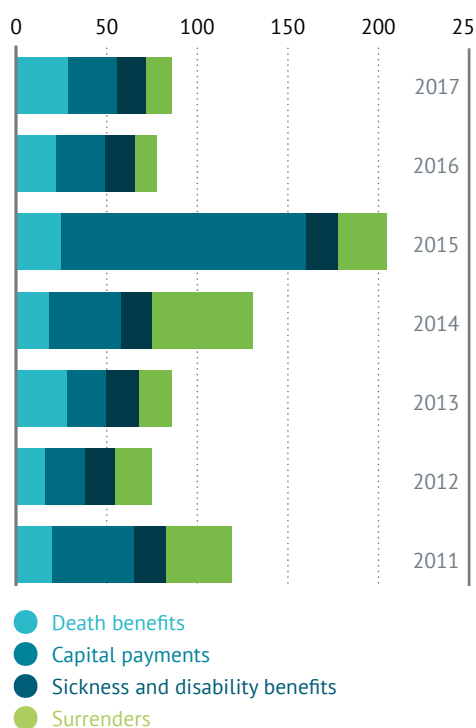


investment market fluctuations in its operating environment. Kaleva is among the most solvent of life insurance companies in Finland, and its solvency remained strong in 2017. The company's solvency is roughly four times the required minimum.

The return on Kaleva's investments was 6.2% in 2017. It was sufficient to cover the 4.5% technical rate of interest on savings insurance policies. At the end of 2017, Kaleva's investment portfolio amounted to around 1.6 billion euros. Throughout the year, the investment market was influenced by the low interest rate level. Due to matured fixed income investments and sale of shares, the share of cash in the investment portfolio increased. Owing to the investment portfolio structure, our ability to sustain market fluctuations is good and we can respond flexibly to any reinvestment opportunities. Kaleva's investment operations are guided by the investment policy adopted by the Board of Directors, which was revised in 2017 with the updated bonus policy mentioned above.

Kaleva's book profit was slightly below 8 million euros. Operations were efficient with a low expense ratio (61%). The result of insurance operations was also good, the ratio of actual claims expenditure to collected risk premium income being 72%.

Kaleva's paid claims, MEUR



Collaboration and governance

Our co-operation partners include employee organisations. We sell Kaleva's life insurances to their members and their families, realising these sales and customer management in partnership with If. Policies can also be purchased through Kaleva's online store at henkivaikutuskuntoon.fi. This streamlined collaboration model enables us to offer organisation members the most affordable life insurances in Finland (FINE – the Finnish Financial Ombudsman Bureau: Basic information about life insurance, 2016). The organisational discounts are substantial, even more than 70%.

Kaleva's other customer and administrative services are realised by Mandatum Life Insurance Company, and investment services by Sampo plc's investment unit.

Kaleva takes the form of a mutual insurance company. Its shareholders are the policyholders and the owners of the guarantee capital. The decision-making authority of the policyholder-shareholders is exercised at the Annual General Meeting

by their elected representatives. The representative body is comprised of 30 elected representatives, and the terms of 15 representatives expire every four years. They are elected to continue or a new representative is chosen to replace them in elections that Kaleva's policyholder-shareholders can participate in.

2017 was another election year. We launched the election as planned, but unfortunately had to suspend the process as a mistake was found to have been made in the running of the election. This was an internal mistake within the company and was related to the procedure for checking the eligibility of electors. It was not a question of fraud but a human mistake. We immediately took action to implement a re-election, and Kaleva's Election Committee confirmed the election of the new representatives at its meeting on 1 March 2018.

We apologise for the inconvenience this mistake has caused. As Kaleva is committed to working in a fair and transparent manner, holding a re-election was the right choice for all parties involved.

A good year

For Kaleva, 2017 was again a good year, with a solid result and strong solvency. Our partnerships are working well, and continue to provide our customers with new services. As digitalisation presses on globally, Kaleva is keeping up its efforts to meet the expectations of our current and new customers for customer service, buying and communications.

I would like to thank Kaleva's customers, partners, governors and employees for their excellent co-operation. It truly is my pleasure to work with such an interesting group of people.

Helsinki, March 2018

Timo Laitinen
CEO



Read our Annual Report in full on a mobile device using a QR reader app.

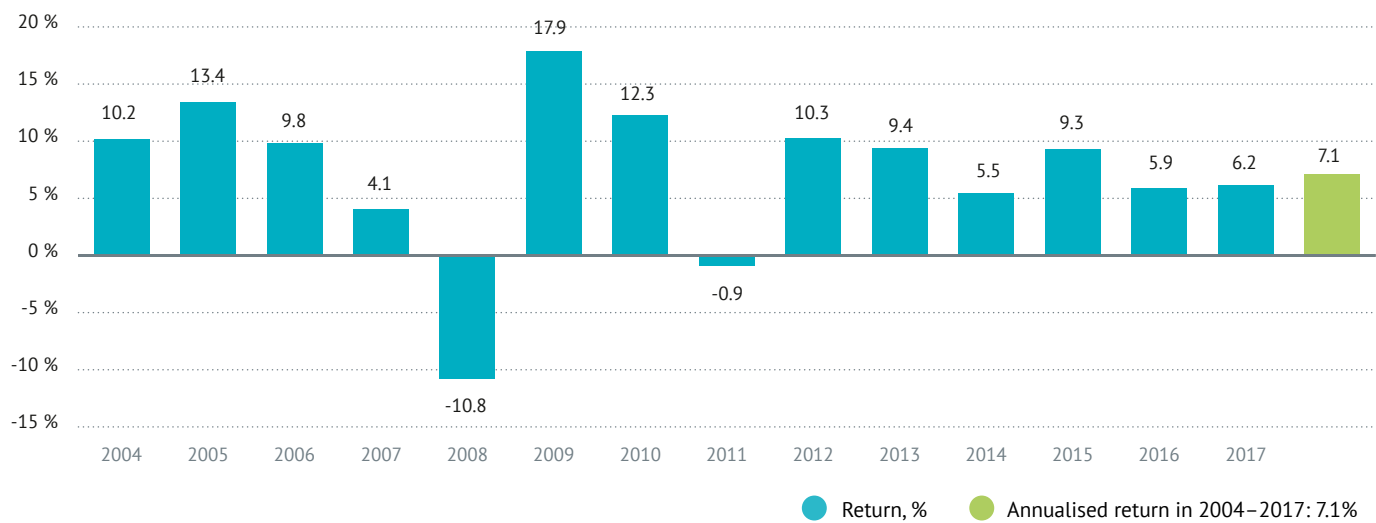


From left: Marketing Manager Niina Juurakko, Chief Actuary Teemu Jokela, Director of Marketing Minna Mikkonen, CEO Timo Laitinen, Customer Account Manager Marja-Liisa Sillanpää and Customer Account Manager Hannu Stark.

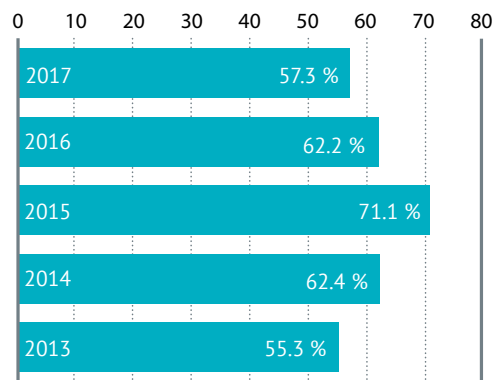
Kaleva's key figures 2017

EUR million	Kaleva	
	2017	2016
Premiums written (on own account)	60	65
Net investment income	112	124
Claims paid (on own account)	-87	-80
Change in technical provisions before bonuses and change in equalisation provision	44	-63
Operating expenses	-8	-8
Balance on technical account before bonuses and change in equalisation provision	120	37
Other income and expenses	0	0
Operating profit	120	37
Change in equalisation provision	0	0
Bonuses	-112	-26
Profit before extraordinary items, appropriations and taxes	8	11
Expense ratio, %	61	58
Average number of personnel	9	11
Technical provisions (on own account)	1,026	957
Balance sheet total	1,321	1,237
Valuation differences	306	322

Return on Kaleva's investment portfolio 2004–2017 (at fair value)

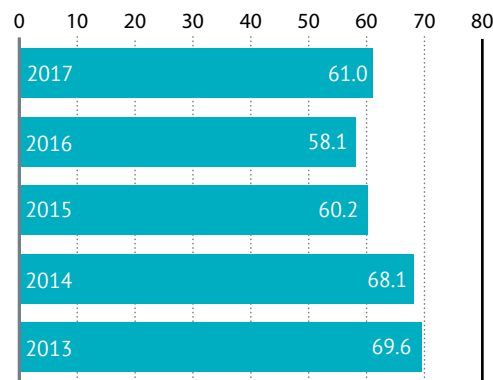


Solvency ratio, %



Solvency ratio has not been officially calculated since 1 January 2016

Expense ratio, %



SUPERVISORY BOARD

Chairman

Antti Palola

Chairman
The Finnish Confederation
of Professionals (STTK)

Deputy Chairman

Pekka Piispanen

Director
Akava

Members

Eila Annala

CEO
PlusTerveys Oy

Matti Apunen

Director
Finnish Business and
Policy Forum EVA

Matti Bergendahl

CEO
Realia Group Oy

Aija Bärlund

MBA
Oy Aija Bärlund Ab

Tommi Grönholm

Director, Organisational Affairs
Union of Professional
Engineers in Finland

Hanna-Leena Hemming

Johanna Ikäheimo

Chairman of the Board
Lappset Group Oy

Hannu-Matti Järvinen

President of the Council
Academic Engineers and
Architects in Finland (TEK)

Timo Korpijärvi

Financial Manager
Industrial Union

Teemu Lehtinen

CEO
Taxpayers Association
of Finland

Jukka Mattila

CFO
Service Union United (PAM)

Merja Merasto

Tarja Munukka

Director
Trade Union Pro

Heidi Nieminen

Chairman
Finnish Post and Logistics
Union (PAU)

Pasi Pentikäinen

CEO
Pentik Oy

Pasi Pesonen

Organisation Director
Trade Union of Education (OAJ)

Maija Pihlajamäki

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

Matti Rihko

Jan Saarinen

Financial Manager
The Trade Union for
the Public and Welfare
Sectors (JHL)

Saana Siekkinen

Organisation Director
The Central Organisation
of Finnish Trade Unions
(SAK)

Erkki Solja

CEO
Kiilto Oy

Jore Tilander

Executive Director
Union of Finnish Lawyers

Petri Vanhala

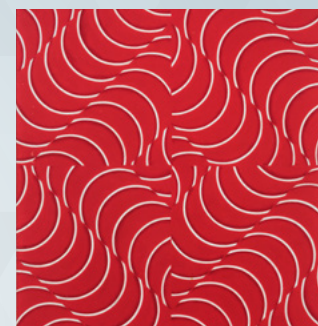
President
The Finnish Paper
Workers' Union

BOARD OF DIRECTORS



Members of the Board from left: **Timo Harju**, 42, Country Director, Personal Customers, If Vahinkovakuutus Oyj, Finland Branch; **Pekka Pajamo**, 55, Senior Vice-President, Varma Mutual Pension Insurance Company; Chairman of the Board **Petri Niemisvirta**, 48, CEO, Mandatum Life Insurance Company Limited; Vice-Chairman of the Board **Ville-Veikko Laukkanen**, 47, Senior Vice-President, Varma Mutual Pension Insurance Company; **Eero O. Kasanen**, 65, Professor and Secretary of the Board **Timo Vuokila**, 52, Vice President, Legal Affairs, Mandatum Life Insurance Company Limited.

In December 2017, Kaleva held the
Sprit of Art Exhibition together with
Mandatum Life.



Juhana Blomstedt
Red Abstraction (1969)



Helene Schjerfbeck
Girl Crocheting (1904)