2015

KALEVA MUTUAL INSURANCE COMPANY

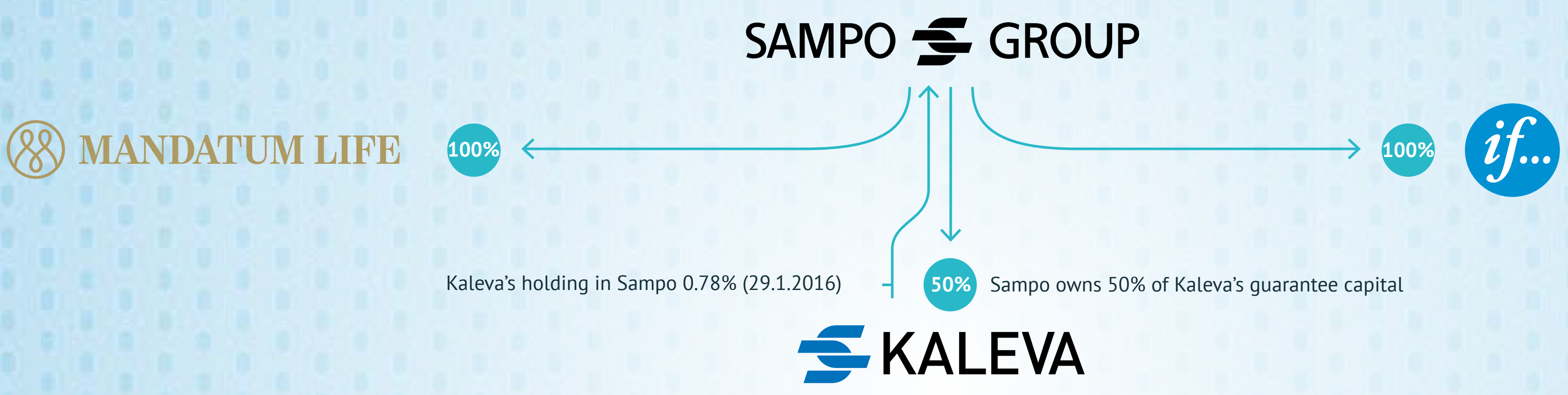
ANNUAL REPORT

140 years of Life

KALEVA

CONTENTS

SAMPO GROUP LIFE INSURANCE



Kaleva Mutual Insurance Company and Mandatum Life Insurance Company Limited (Mandatum Life) together manage Sampo Group's life insurance business in Finland. The companies handle the life or pension insurance cover of a total of around 700,000 Finns and just over one fifth of the sector's combined insurance savings of EUR 47 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. The members of roughly 90 organisations and their families are covered by the co-operation agreement and the group-specific benefits that come with it. Sales, management and claims for Primus life and accident insurance granted by Kaleva are handled by If. Primus offers the best price/quality ratio for this type of insurance. Affordable life and accident insurance for the whole family can also be purchased conveniently through Kaleva's online store 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/organisation), where members can, via their organisation's web pages, learn about the benefits available to them.

Kaleva also bears responsibility for individual risk and life insurance savings 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.

For more information about Kaleva's operations, please visit www.kalevavakuutus.fi.

KALEVA'S KEY FIGURES 2015

MEUR	Kaleva 2015	Kaleva 2014	Mandatum Life 2015	Mandatum Life 2014
Premiums written (on own account)	63	61	1,133	1,093
Net investment income	99	45	549	489
Claims paid (on own account)	-206	-133	-993	-875
Change in technical provisions before bonuses and change in equalisation provision	160	79	-511	-490
Operating expenses	-8	-9	-93	-91
Balance on technical account before bonuses and change in equalisation provision	108	43	85	126
Other income and expenses	0	0	0	0
Operating profit	108	43	85	126
Change in equalisation provision	16	-1	12	0
Bonuses	-100	-38	24	0
Profit before extraordinary items, appropriations and taxes	25	5	121	125
Expense ratio, %	60	68	96	100*)
Average number of personnel	10	11	93	203
Technical provisions (on own account)	868	945	10,780	10,296
Balance sheet total	1,153	1,220	11,790	11,510
Valuation differences	350	318	832	723
Solvency margin	617	563	1,535	1,448
Solvency margin ratio, %	995	882	570	535
Solvency capital	617	580	1,535	1,460
Solvency capital as a percentage of technical provisions, with the equalisation provision and 75% of the technical provisions for unit-linked insurances deducted	71.1	62.4	23.8	23.0

*) During 2014, Mandatum Life changed its corporate structure by establishing two new subsidiaries. In connection with the change, 300 employees were transferred to the employ of the new companies.

CEO´S REVIEW

For Kaleva, 2015 proved, once again, to be a year of consistent performance. This was confirmed by, among other things, the 9.3 per cent return on the investment portfolio, 71 per cent solvency ratio and EUR 617 million in solvency capital. Our market share in pure risk life insurance for households rose to 18.6 per cent in euros and our renewed henkivakuutuskuntoon.fi online store drew a warm response from our customers.

CEO'S REVIEW

For Kaleva, 2015 proved to be a year of consistent performance, despite the challenging economic situation. Our key performance indicators look promising and also give us a strong foundation for 2016:

- The company's solvency remained at an extremely high level.
- Our investment performance was excellent.
- We increased our customers' insurance savings through a substantial bonus, which was increased twice during 2015, in addition to the 4.5% technical rate of interest.
- The market share of our life insurance continued to grow.

Solvency and investment operations

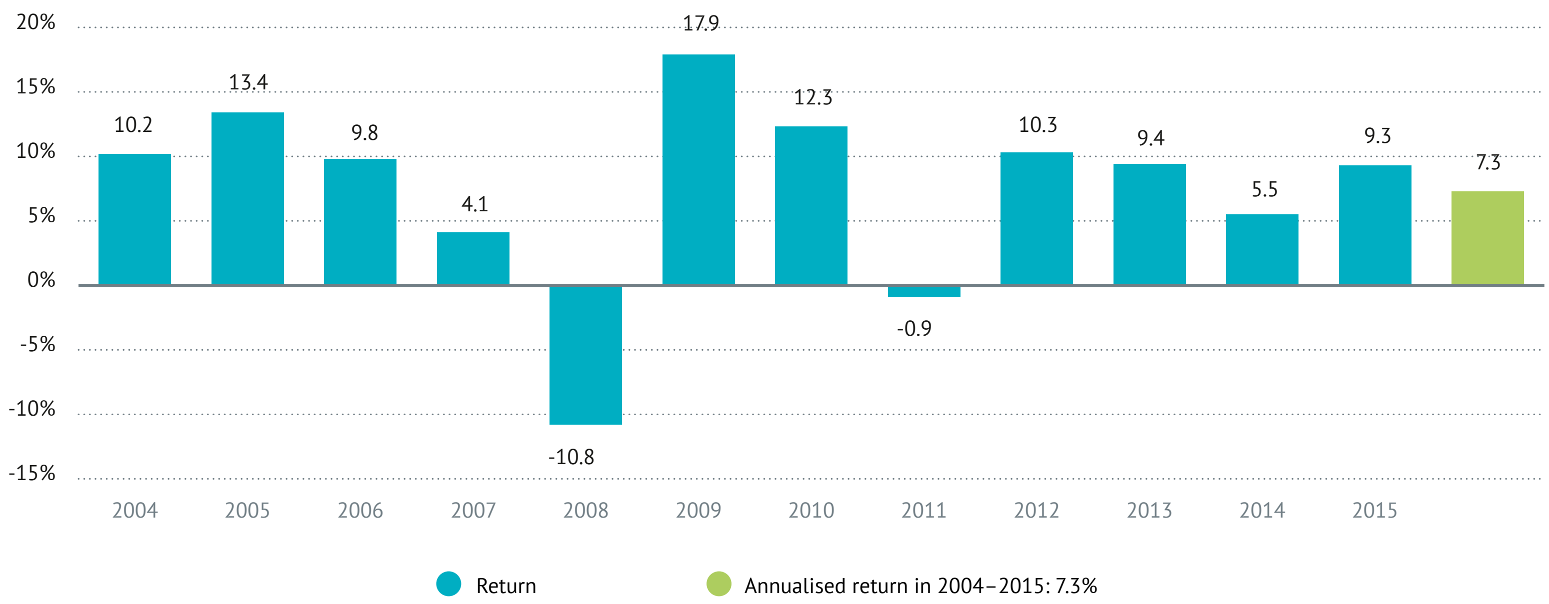
At the end of 2015, Kaleva's solvency ratio was approximately 71 per cent and solvency capital amounted to some EUR 617 million.

Kaleva is one of Finland's most solvent life insurance companies, and it is very well positioned to withstand the unfortunately still-continuing economic downshifts. Strong finances will give the company an excellent basis for the future, too.

Kaleva's investment performance was excellent. The return on the investment portfolio, which focusses predominantly on Finnish and Nordic equities and corporate bonds, grew to 9.3 per cent. Sampo plc, which enjoyed very strong share price development, continues to be the most significant of our equity investments. Kaleva's shares in Sampo will also result in a considerable dividend payout to Kaleva: Sampo's Board of Directors has proposed a dividend payout of EUR 2.15 per share for 2015, which translates to approximately EUR 9.4 million in dividends for Kaleva.

The excellent investment performance has called for top expertise and fast reaction times from Sampo's investment unit, which also manages Kaleva's investment portfolio.

Return on Kaleva's investment portfolio 2004–2015 (at fair value)



CEO'S REVIEW

This is also reflected in the changes to investment allocations that have taken place throughout the year. Keeping the investment portfolio and the allocation and risks of investments in line with the investment policy approved by Kaleva's Board of Directors, and yet still flexible to react to rapid changes, will be even more important in future.

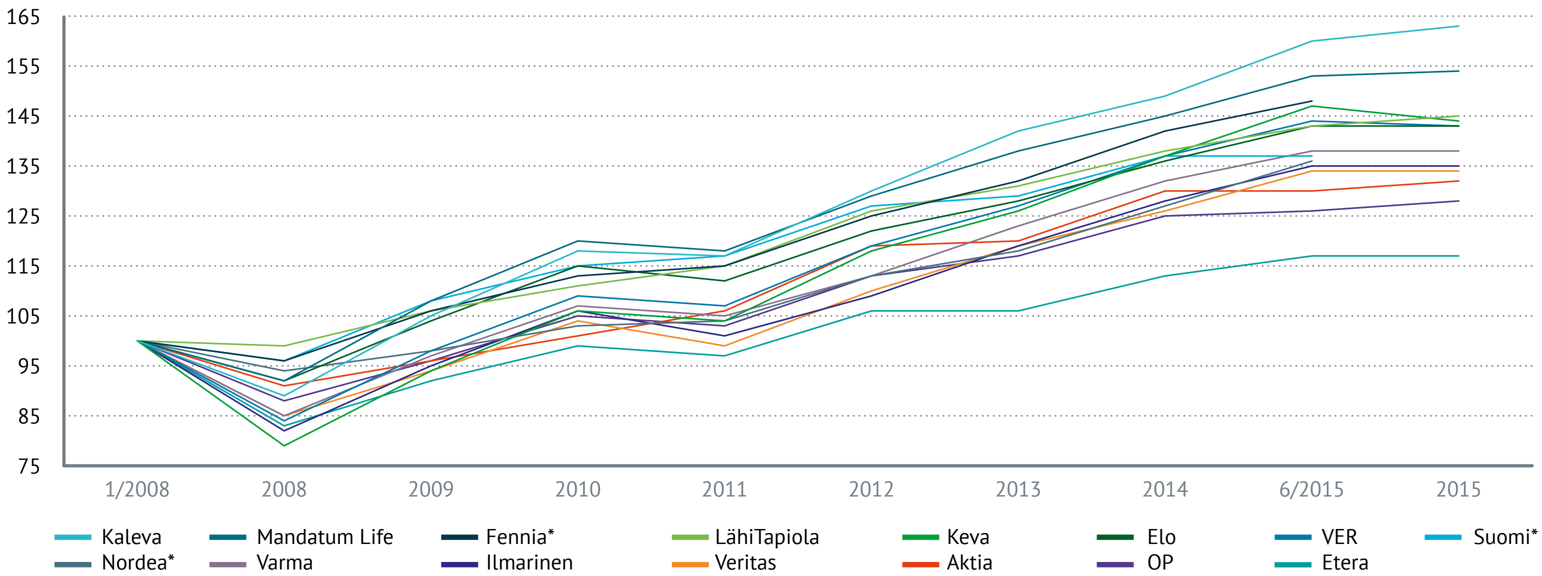
Healthy finances and strong solvency also guarantee our customers good benefits. In 2015, bonuses paid to our customers and the change in the provision for bonuses totalled close to EUR 100 million.

The book profit amounted to approximately EUR 24.5 million. The profit excluding bonuses, change in the equalisation provision and taxes, and taking the change in off-balance-sheet valuation differences into account was approximately EUR 140 million.

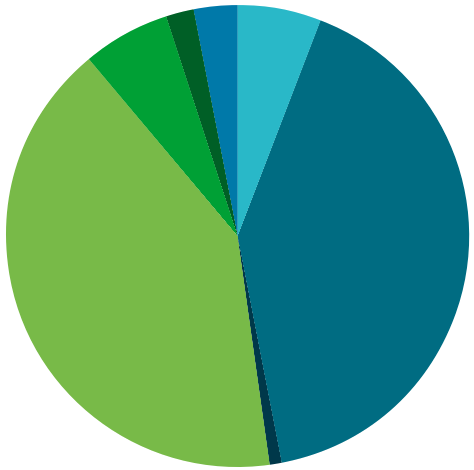
Policyholders and customers

In 2015, a record number of savings and investment insurance policies that were taken

Net investment income at fair value (indexed, 2008–2015)



*Total result for Fennia, Suomi and Nordea for 2015 is not yet available



Allocation of investment portfolio 31.12.2015 MEUR 1,429

Money Market Securities and Cash	6%
Credit Bonds, Funds and Loans	41%
Trading Derivatives	1%
Equity	41%
Real Estate	6%
Private Equity	2%
Alternative	3%
Policy Loans	0%
Government Bonds	0%

CEO'S REVIEW

out by our customers in the 1990s matured. We paid altogether EUR 162 million in insurance savings to our customers, of which bonuses made up some EUR 67 million. Our customers were quite pleased with the return they received on Kaleva's insurance. Between 2003 and 2015, Kaleva has paid supplementary bonuses determined upon the expiry of savings insurance policies (so-called terminal bonuses) in an amount of nearly half a billion euros.

We paid a total of about EUR 43 million in death benefits and other claims. In these very serious and unfortunate situations, insurance cover has truly proven its worth.

Last year was also good in terms of sales. We sold approximately 33,000 Primus life and accident insurance policies Kaleva's market share as a life insurer continued to grow and is currently 18.6%. Measured in premiums written on death cover policies, we are the second largest life insurance company.

Unfortunately, due to the fierce competition also in the personal insurance market, even though we acquired many new customers, we also lost some to competing companies.

In late-2015, we launched Selviytymisturva, a free-of-charge bonus worth EUR 2,000 for all new Primus insured.

Particularly delightful was the warm reaction of our customers to the launch of the completely revamped henkivakuutuskuntoon.fi online store in the early part of the year. Already thousands of families have charted their personal insurance needs and purchased insurance through the service. About 20% of our sales take place through the online store. We will focus our efforts even more on this channel in future.

At the end of 2015, Kaleva had a total of close to 250,000 policyholders, i.e. customer-owners, and more than 400,000 insured.

Partners

Perhaps the largest change in Kaleva's operations took place towards the end of the year when the co-operation of Sampo Group companies, Mandatum Life Insurance Company, If P&C Insurance Company Ltd and Kaleva with employee organisations was transferred from If back to Kaleva, where it was more than 20 years ago. Kaleva has excellent prerequisites for managing the organisational co-operation, after all, the company's governing bodies, Supervisory Board and elected representatives of the customer-owners also include a high number of representatives of different organisations.

The personal insurance solutions tailored by Kaleva as member benefits for its co-operation organisations are still the most affordable on the market. The biggest deductions even exceed 70 per cent.

Surveyed facts

People take out considerably less personal insurance in Finland than they do property insurance. Only about one third of working aged people have life insurance cover, in particular, and even those with life insurance often have insufficient cover in terms of their household's needs. Our goal has been to increase awareness of life insurance through both marketing and the media. I personally intend to continue the discourse surrounding

CEO'S REVIEW

the topic, particularly with our organisation partners.

Last year, we had a survey carried out on Finns' preparedness for death. We particularly looked into how Finnish families had prepared for financial risks if a spouse's income and input into the family's life were lost. The study showed precisely what we suspected beforehand: 52% of Finns were not prepared in any way with the preparation measures we listed. Only 10% of respondents had drawn up a will.

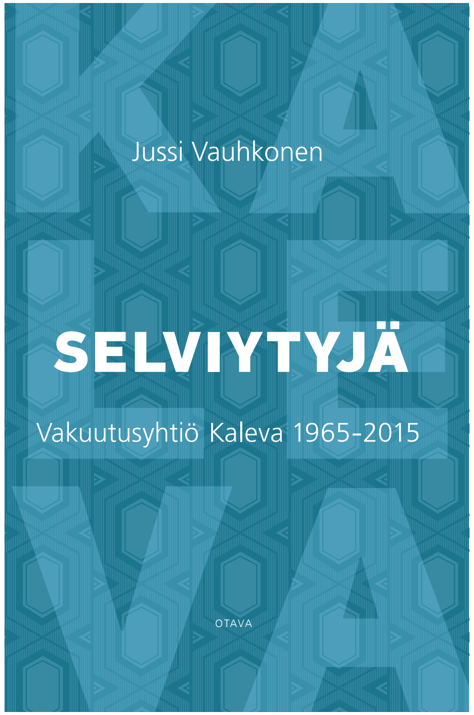
History project

Kaleva's history project, which the company's long-term CEO, Matti Rantanen, took on in 2013, was completed in the autumn. The project culminated in the book "Selviytyjä" written by the historian Jussi Vauhkonen, which takes a detailed look into Kaleva's history from 1965 to modern times.

Although Kaleva is the book's protagonist, it also describes the major changes that have taken place in Finland's financial markets over the past decades. The book is a fascinating read for anyone interested in recent history.

I would like to take this opportunity to thank Jussi Vauhkonen and Matti Rantanen in particular, but also all of the people involved in the writing of the book who shared their memories and knowledge in the numerous interviews conducted for the publication.

The book can be ordered from tarja.kuisma-nen@mandatumlife.fi



Kaleva in 2016: More than 140 years of insuring the lives of Finns

The current year will not bring changes to Kaleva's long-term strategy: We will continue to look after the interests of our savings and investor customers and, together with Mandatum Life and If P&C Insurance Company, offer the members of our co-operation organisations affordable and high-quality personal insurance solutions and the best insurance and claims service in Finland. We will focus our sales and marketing activities to an even greater extent on our co-operation organisations and on developing and expanding our online sales.

Sales of our co-operation company If's Primus insurance and the timely and high-quality insurance and claims services provided by If and Mandatum Life are very important elements in Kaleva's successful operations. The expert investment services we procure from Sampo plc will enable the best possible return on our investment portfolio in future, too. All of these partners deserve a big thank you for 2015.

With regards to administration, the main task in 2016 is to ensure that the Solvency II framework, i.e. the new solvency and risk management provisions and regulations that entered into force at the beginning of the year, are implemented in a way that conforms with the Financial Supervisory Authority's requirements. The new regulatory framework will introduce a substantial amount of new official monitoring and reporting obligations. Especially the collaboration between the actuarial function and the corresponding organisation at Mandatum Life will bring considerable benefits and expertise to Kaleva in terms of processing these matters.

Thank you for 2015

Warm thanks are due to everyone – both our personnel and our co-operation companies – who took part in Kaleva's operations in 2015.

Thank you also to the members of Kaleva's Board of Directors and Supervisory Board and representatives.

Above all, I would like to thank all of Kaleva's co-operation organisations for the trust you have shown in our company.

Helsinki, March 2016

Paula Salonen
CEO

FINANCIAL STATEMENTS 2015

REPORT OF THE BOARD OF DIRECTORS 2015

DEVELOPMENT OF THE SECTOR IN FINLAND

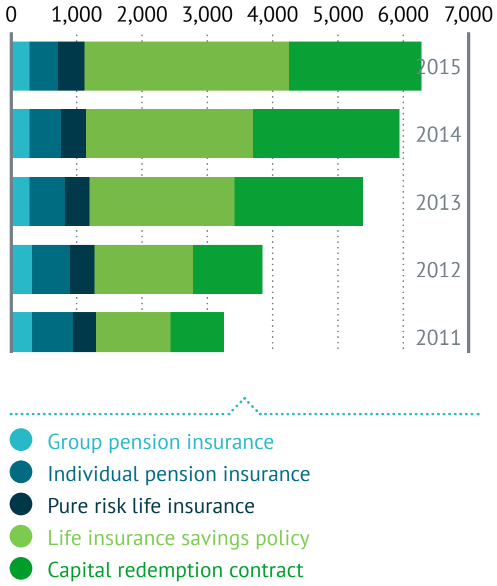
Premiums written in the life insurance sector grew 6 per cent from the previous year, to EUR 6,275 million (2014: 5,942; source: Federation of Finnish Financial Services). Unit-linked premiums written increased 13 per cent, reaching EUR 5,505 million (5,159), and their share of the whole sector's premiums written rose to 88 per cent (87). Premiums written on with-profit insurance policies decreased 3 per cent to EUR 770 million (783).

Insurance savings in the life insurance sector increased 9 per cent during the year and amounted to EUR 46.6 billion (42.9). Unit-linked insurance savings grew 31 per cent to EUR 31.4 billion (26.9). Households accounted for a 75 per cent (74) share of the sector's insurance savings.

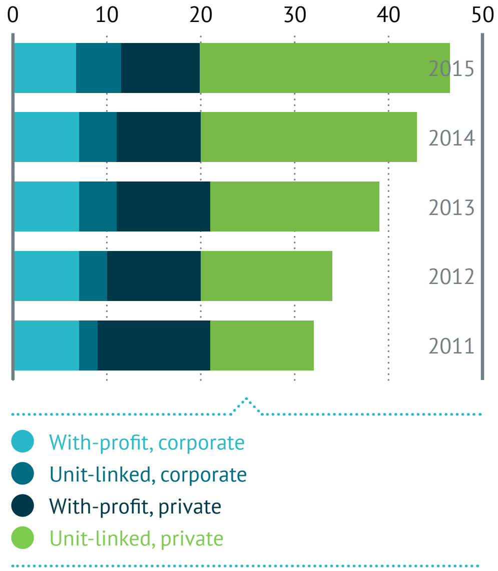
Structure of the Kaleva Group

On 31 December 2015, Kaleva Mutual Insurance Company comprised, in addition to the parent company, five Finnish housing and real estate companies as subsidiaries.

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



Life insurance savings (The sector's Finnish business)



OPERATING RESULT

Premiums written

Kaleva's gross premiums written in the year under review amounted to EUR 63.6 million (61.4), of which individual life insurance policies accounted for EUR 34.9 million (34.6) and policies other than employees' group life insurance for EUR 28.5 million (25.9). Continuous payments amounted to EUR 59.1 million (56.2). All of Kaleva's premiums written are related to with-profit business or to pure risk life insurance policies.

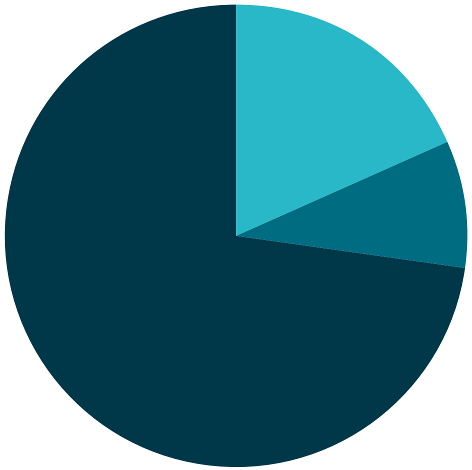
Kaleva was the second largest pure risk insurer of households in the sector, with an 18.6 (18.3) per cent market share. In its main area of operations, i.e. providing group insurance benefits to members of trade unions and employee organisations, Kaleva is the clear market leader. Sales of the Primus group life and accident insurance tailored to members of the organisations totalled some 33,000 policies. The share of online sales of Primus has developed favourably and now accounts for approximately 20% of total sales in euros.

Investments

The market value of Kaleva's investment portfolio at the end of 2015 was EUR 1,429 million (1,372). The portfolio consisted of 47 per cent (54) fixed income investments, bonds and deposits; 41 per cent (37) equities, and 11 per cent (8) real estate, and 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 57 per cent (47) of Kaleva's investment portfolio; some 15 per cent (19) of those investments were in euro-zone countries. Thirty-seven per cent (36) of equity investments and 79 per cent (58) of fixed income investments were made in foreign investees. At year-end, non-euro investments stood at EUR 415 million (365). Of that figure, 75 per cent (74) was hedged against currency risks through forward contracts and option strategies.

REPORT OF THE BOARD OF DIRECTORS 2015



**Market share of premiums written in 2015
Pure risk life insurance for households
total MEUR 287**

Kaleva	18.6%
Mandatum Life	8.7%
Other	72.8%

Valuation differences on investments at the end of the financial year were EUR 350 million (318), of which EUR 324 million (283) were related to equities.

The duration of Kaleva's fixed income portfolio rose during the year to 1.9 years (1.7 years). The running yield on the fixed income portfolio rose to 3.2 per cent (2.4).

In the fixed income portfolio, the number and share of credit risk investments grew significantly. At the end of 2015, these investments accounted for 87 per cent (51) of fixed income investments. The main focus of credit risk investments has been kept on Nordic corporate and bank bonds. All government bonds were sold during the year (EUR 95 million at the end of 2014). The amount of money-market investments and their share decreased considerably and, at the end of 2015, their share of fixed income investments came to 13 per cent (37).

The fair value of Kaleva's direct real estate investments at the end of 2015 was EUR 56 million (42). In addition, EUR 8 million (6) was invested in real estate funds and EUR 18 million (17) 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 14.7 per cent (1.2).

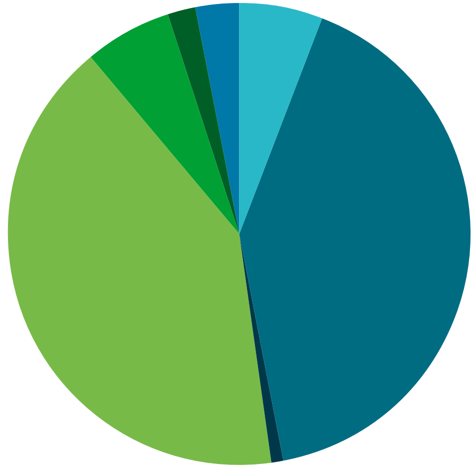
At the end of 2015, Sampo plc, with a market value of EUR 205 million (194), was by far Kaleva's largest equity holding and largest single investment.

Net investment income on the profit and loss account was EUR 99.4 million (45.0). The investment income includes EUR 79.5 million (15.8) in capital gains, EUR 26.4 (25.8) million in dividend yields, and EUR 9.5 million (7.8) in value readjustments. Investment expenses in 2015 include impairments, depreciation and capital losses of EUR 18.0 million (14.5).

The return on Kaleva's investment portfolio calculated at fair value, was 9.3 (5.5) per cent. The average return on capital employed was also 9.3 per cent (5.5). Finnish and foreign equities had the strongest performance, at 21.1 per cent (11.8).

Technical provisions, customer bonuses

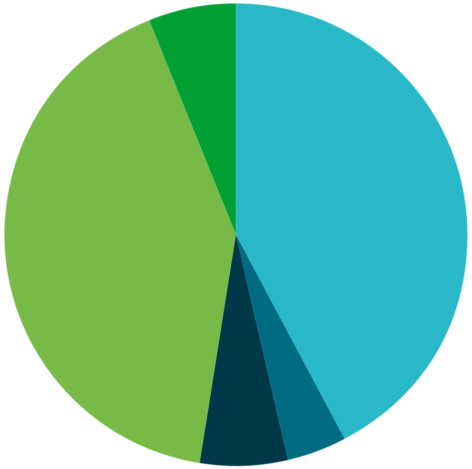
Kaleva's technical provisions at year-end totalled EUR 868 million (945), EUR 41 million (58) of which consisted of the provision for claims outstanding. The EUR 16 million



**Kaleva's investment portfolio on
31 December 2015**

Money Market Securities and Cash	6%
Credit Bonds, Funds and Loans	41%
Trading Derivatives	1%
Equity	41%
Real Estate	6%
Private Equity	2%
Alternative	3%
Policy Loans	0%

REPORT OF THE BOARD OF DIRECTORS 2015



Kaleva's technical provisions on 31 December 2015

Private Optimi	42%
Business Optimi	4%
Traditional life insurance	6%
Provision for terminal bonuses	41%
Other technical provisions	6%

equalisation provision included in the provision for claims outstanding was dissolved during 2015. The technical provisions were calculated using the same 4.5 per cent interest rate as for insurance premiums.

Bonuses in the amount of EUR 355 million (339) 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 2015. 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.

Claims incurred

Kaleva's claims incurred totaled EUR 205.9 million (132.6). Surrenders accounted for EUR 26.6 million (55.9) 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 73.5 million (46.2). Approximately EUR 57 million of the bonuses were paid for savings that matured in accordance with the contract. The bonus paid upon the expiry of the insurance increased the amount of savings paid by an average of 73 per cent (99).

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 premium income in 2015 was roughly 74 per cent (77). 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 17.6 million (17.4) and death benefits in the amount of EUR 25.3 million (17.5).

Medical expenses insurance premiums were increased by a maximum of 15 per cent in 2015.

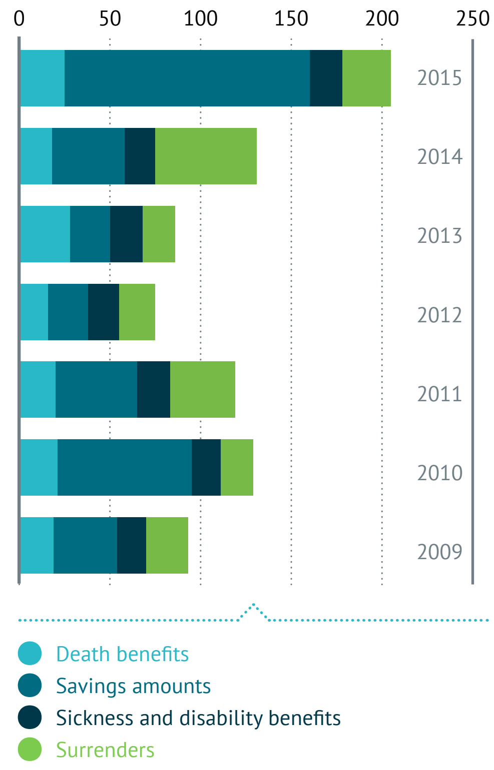
Operating expenses, staff

Operating expenses entered in the profit and loss account amounted to EUR 8.4 million (9.3). 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 10.2 million (10.9).

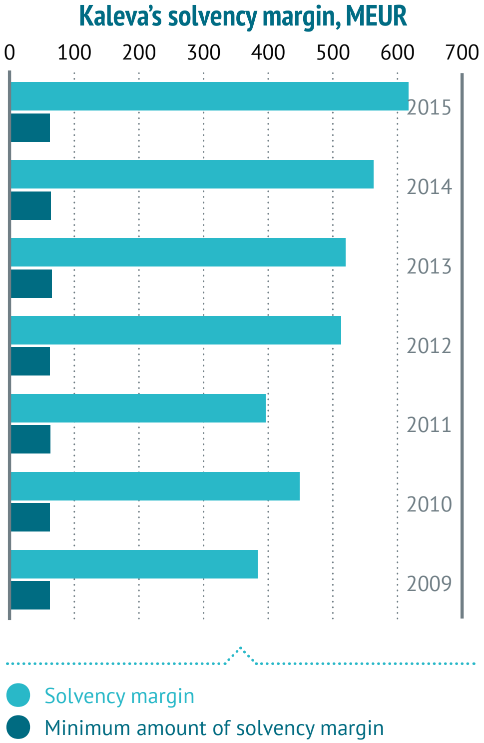
Converted to full-time employees, Kaleva employed an average of 10 people (11) in 2015.

Cost items collected on insurance policies were highly sufficient to cover operating expenses. The expense ratio was 60.2 per cent

Kaleva's claims paid, MEUR



REPORT OF THE BOARD OF DIRECTORS 2015



(68.1%) 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 24.5 million (4.3). Bonuses paid or set aside during the financial year lowered the parent company's result by EUR 99.7 million (37.7). The total result at fair value stood at EUR 140 million (82).

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 0.2 million. The depreciation difference and also the total reserves in the financial statements amounted to EUR 2 million.

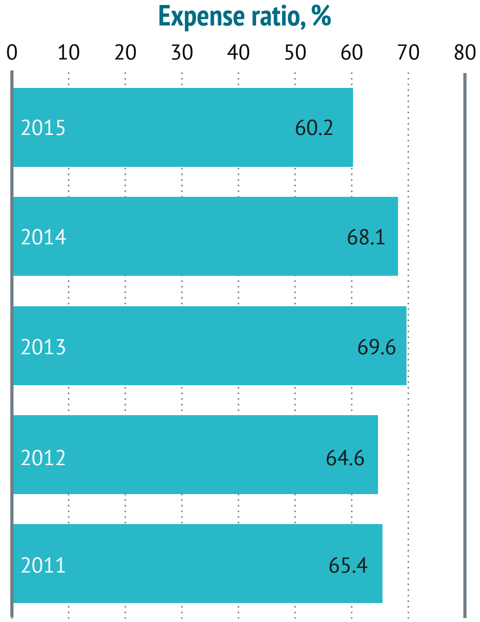
Kaleva's solvency remained strong during the year under review. The solvency margin amounted to EUR 617 million (563), which is close to ten times the required minimum. The company's solvency capital, i.e. the solvency margin plus the equalisation provision, stood at EUR 617 million (580). The solvency capital was thus 71.1 per cent (62.4) of the technical provisions on the company's own account, less the equalisation provision. At the end of 2015, in the early warning system for solvency position, Kaleva's solvency margin in the basic test was more than three times the required minimum and in the continuity test it was nearly five times the required minimum.

Kaleva's balance sheet total was EUR 1,153 million (1,220), and equity amounted to EUR 253 million (230).

Outlook

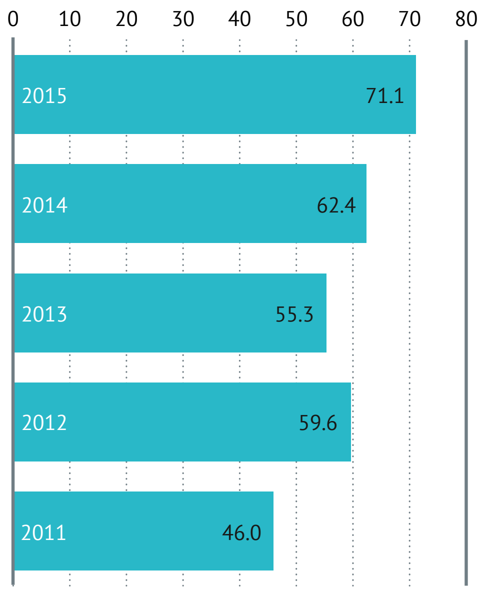
Kaleva's operations are focused on providing group insurance benefits to members of trade unions and employee organisations. Sales of Primus, a product tailored to the members of the organisations, are expected to remain brisk also in 2016. The share of online sales in particular is expected to grow considerably in the coming years.

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 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



REPORT OF THE BOARD OF DIRECTORS 2015

Solvency capital as a percentage of technical provisions, %



the sector to the members of its co-operation organisations.

The EU's new Solvency II framework will enter into force in 2016. Finland introduced some of the new regulations on corporate governance already in 2014. The new solvency requirements to take effect in 2016 will not 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 future.

Risk management

Kaleva's risks consist of market risks, credit risks, underwriting risks, risks related to various internal processes, i.e. operational risks, legal and compliance risks, reputation and business risks, and regulatory 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, for instance, in the regulations of the Financial Supervisory Authority.

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.

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.

Corporate Governance

Kaleva's Annual General Meeting on 21 April 2015 confirmed the number of Supervisory Board members at 24. The following Supervisory Board members whose terms were due to expire were re-elected: **Johanna Ikäheimo, Hannu-Matti Järvinen, Jukka Mattila, Merja Merasto, Antti Palola** and **Petri Vanhala**. New members elected to the Supervisory Board were **Hanna-Leena Hemming, Timo Korpijärvi, Heidi Nieminen, Pasi Pesonen** and **Pekka Piispanen**.

The term of office for Heidi Nieminen and Timo Korpijärvi will last until the close of the 2016 Annual General Meeting. The term of office for all the other elected members will last until the close of the 2018 Annual General Meeting.

The Deputy Chairman of the Board of Directors, **Risto Murto**, announced that he would resign from the company's Board

REPORT OF THE BOARD OF DIRECTORS 2015

as of 18 March 2015. At its meeting on 18 March 2015, the Supervisory Board elected, as of 19 March 2015, in place of Risto Murto for his remaining term, as a new member of the Board of Directors, Varma Mutual Pension Insurance Company's CIO **Pekka Pajamo**. **Ville-Veikko Laukkanen** was elected Deputy Chairman of the Board as of 19 March 2015.

At its meeting on 21 October 2015, the Supervisory Board elected **Lauri Lyly** as its Chairman and Antti Palola as Deputy Chairman until the election to be held after the next Annual General Meeting. At the same meeting, the Supervisory Board decided that the number of members on the Board of Directors would be five. Members of the Board **Eero O. Kasanen** and Pekka Pajamo, whose terms had expired, were re-elected for the three-year term of 2016–2018.

Acting as members of the Board of Directors for the entire year under review were CEO **Petri Niemisvirta** serving as Chairman; Senior Vice President Ville-Veikko Laukkanen serving as a member and Deputy Chairman as of 19 March 2015; and other members, Professor Eero O. Kasanen and CEO Timo Vuorinen. Risto Murto held the position of Deputy Chairman of the Board between 1 January 2015 and 18 March 2015. Pekka Pajamo, CIO, was a new member of the Board as of 19 March 2015.

Paula Salonen was the company's CEO in 2015.

THE BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFITS

Kaleva Mutual Insurance Company's distributable equity in the financial statements amounted to EUR 244,660,405.41. The Board of Directors proposes that the profit of EUR 24,546,264.37 for the financial year be transferred to 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	243,678,095.05
Other funds	EUR	142,310.36
Total reserves	EUR	252,397,989.66

PROFIT AND LOSS ACCOUNT

EUR 1,000	2015	2014
TECHNICAL ACCOUNT		
Premiums written		
Premiums written	63,593	61,422
Reinsurers' share	-142	-124
	63,451	61,298
Investment income	173,564	106,389
Claims incurred		
Claims paid	-205,927	-132,558
Change in the provision for outstanding claims	16,641	-5,338
	-189,286	-137,896
Change in the provision for unearned premiums	59,771	45,431
Operating expenses	-8,368	-9,287
Investment expenses	-74,206	-61,431
Balance on technical account	**24,926**	**4,504**
NON-TECHNICAL ACCOUNT		
Other income	0	114
Other expenses	0	0
Appropriations		
Change in depreciation difference	46	36
Income taxes	-426	-320
Profit/loss for the financial year	**24,546**	**4,335**

BALANCE SHEET

EUR 1,000	2015	2014
ASSETS		
INTANGIBLE ASSETS		
Intangible rights	0	2
Other long-term expenses	529	108
	529	**110**
INVESTMENTS		
Real estate investments		
Real estate and real estate shares	27,959	16,672
Loans to Group companies	11,825	11,680
	39,785	28,352
Investments in Group companies and associated undertakings		
Associated undertakings		
Shares and participations	0	4
Loan receivables	0	15,918
	0	15,922
Other investments		
Shares and participations	434,902	377,014
Debt securities	603,613	599,145
Other loan receivables	49	161
Deposits	0	33,578
	1,038,564	1,009,898
	1,078,349	**1,054,172**
RECEIVABLES		
From reinsurance operations	0	1,025
Other receivables	9,714	14,181
	9,714	**15,206**
OTHER ASSETS		
Tangible assets		
Equipment and machinery	3	12
Other tangible assets	52	52
	55	64
Cash at bank and in hand	56,977	142,660
	57,032	**142,724**
PREPAYMENTS AND ACCRUED INCOME		
Accrued interest and rent	7,415	7,861
Other prepayments and accrued income	319	4
	7,733	**7,865**
	1,153,357	**1,220,077**

EUR 1,000	2015	2014
LIABILITIES		
EQUITY		
Guarantee capital	8,409	8,409
Initial fund	168	168
Other funds		
Contingency fund	219,972	216,477
At the disposal of the Board	142	142
Profit for the financial year	24,546	4,335
	253,238	**229,532**
ACCUMULATED APPROPRIATIONS		
Depreciation difference	1,841	1,887
	1,841	**1,887**
TECHNICAL PROVISIONS		
Provision for unearned premiums	827,105	886,876
Provision for claims outstanding	41,179	57,820
	868,284	**944,697**
LIABILITIES		
From direct insurance operations	117	100
From reinsurance operations	116	106
Other liabilities	23,516	35,480
	23,748	**35,686**
ACCRUALS AND DEFERRED INCOME	**6,246**	**8,276**
	1,153,357	**1,220,077**

CASH FLOW STATEMENT

EUR 1,000	2015	2014
CASH FLOW FROM OPERATIONS		
Profit (loss) on ordinary operations /profit (loss) before extraordinary items	24,926	4,618
Adjustments		
Changes in technical provisions	-76,413	-40,093
Impairments and revaluations on investments	-566	4,228
Unrealised exchange rate gains/losses	-927	-2,677
Depreciation according to plan	208	225
Other adjustments	-68,100	-12,118
Cash flow before change in working capital	-120,871	-45,816
Change in working capital		
Increase (-) / decrease (+) in non-interest-bearing short-term receivables	4,971	-1,256
Increase (-) / decrease (+) in non-interest-bearing short-term liabilities	-15,443	10,422
Cash flow from business operations before financial items and taxes	-131,343	-36,650
Interest paid on other financial expenses from operations	-2,546	-1,490
Direct taxes paid	-426	-320
Cash flow before extraordinary items	-134,315	-38,460
CASH FLOW FROM OPERATIONS	**-134,315**	**-38,460**
CASH FLOW FROM INVESTMENTS		
Capital expenditure on investments (excl. financial resources)	-480,713	-448,061
Capital gains from investments (excl. financial resources)	497,039	611,960
Investments and gains on intangible, tangible and other assets (net)	-432	-97
CASH FLOW FROM INVESTMENTS	**15,894**	**163,802**
CASH FLOW FROM FINANCING		
Dividends paid/Interest paid on guarantee capital and other profit distribution	-840	-840
CASH FLOW FROM FINANCING	**-840**	**-840**
CHANGE IN FINANCIAL RESOURCES	**-119,261**	**124,502**
Financial resources, 1 Jan.	176,238	51,736
Financial resources, 31 Dec.	56,977	176,238
	-119,261	**124,502**

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, sections 3 and 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 fair value. Buildings and structures are presented at acquisition cost less the planned depreciation or the lower fair 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 fair 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 fair 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 fair value exceeds the book value. Shares and participations in the nature of fixed assets are entered at their acquisition cost or the lower fair 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 with their acquisition cost as the counterpart. 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 fair value on the balance sheet date. The negative difference between the fair 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.

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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	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

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 of 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.

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.

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

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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 2016 and the possible maximum amount in connection with surrenders as of 1 January 2016.

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.

Kaleva's provision for outstanding claims included an equalisation provision of EUR 16.4 million on 31 December 2014. The new EU-wide Solvency II framework entered into force on 1 January 2016 and does not include the equalisation provision. According to the Finnish Insurance Companies Act, Finnish life insurance companies are required to dissolve their equalisation provisions at the latest on 31 December 2025. Kaleva dissolved its equalisation provision during the 2015 financial period.

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 a 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.

> 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.

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.

NOTES

EUR 1,000	2015	2014
1 PREMIUMS WRITTEN		
Direct business		
Finland	63,552	60,356
Reinsurance	40	1,066
Premiums written before reinsurer's share	**63,593**	**61,422**
DIRECT INSURANCE PREMIUMS WRITTEN		
Life insurance		
Other individual life insurance	34,864	34,574
Other accident and health insurance	11,992	11,079
Employees' group life insurance	177	-165
Other group life insurance	16,520	14,867
	63,552	60,356
Continuous insurance premiums	59,110	56,197
Single premiums	4,442	4,159
	63,552	60,356
Premiums from with-profit policies	63,376	60,520
2 CLAIMS PAID		
Direct business		
Life insurance	199,337	126,162
Other accident and health insurance	6,590	6,396
Total claims paid	205,927	132,558
Surrenders	26,622	55,986
Savings amounts	134,545	40,073
Other	44,761	36,499
Total claims paid	205,927	132,558
3 BONUSES		
Bonuses paid on risk insurance and change in the provision for bonuses	-26,138	8,476
Terminal bonuses paid	-73,529	-46,163
Impact of bonuses on life insurance policies reserved and paid for during the period on the balance on the technical result	-99,668	-37,687

EUR 1,000	2015	2014
4 TOTAL OPERATING EXPENSES BY FUNCTION		
OPERATING EXPENSES IN THE PROFIT AND LOSS ACCOUNT		
Insurance policy acquisition costs		
Direct business commissions	1,421	1,704
Other insurance policy acquisition costs	2,760	2,954
	4,182	4,658
Insurance policy management expenses	2,296	2,727
Administrative expenses	1,883	1,893
Commissions on reinsurance ceded and profit sharing (-)	8	8
	8,368	9,287
TOTAL OPERATING EXPENSES BY FUNCTION		
Claims administrative charges	1,798	1,654
Operating expenses	8,368	9,287
Investment management charges	3,641	3,087
	13,807	14,027

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EUR 1,000	2015	2014
5 BREAKDOWN OF NET INVESTMENT INCOME		
INVESTMENT INCOME		
Income from investments in participating interests		
Interest	1,243	1,277
	1,243	1,277
Returns on investments in real estate		
Dividend yields from Group companies	192	0
Interest income from Group companies	727	812
Other income from other than Group companies	4,390	4,231
	5,309	5,043
Returns on other investments		
Dividend yields	26,362	25,818
Interest income from Group companies	0	2
Interest income from other than Group companies	25,666	24,266
Other income from other than Group companies	26,002	26,304
	78,030	76,390
Total	**84,582**	**82,710**
Value readjustments	9,483	7,842
Capital gains	79,500	15,837
Investment income, total	**173,564**	**106,389**
INVESTMENT EXPENSES		
Expenses on real estate	-3,677	-3,773
Expenses from other investments	-50,026	-41,679
Interest expenses and other borrowing costs to Group companies	0	0
Interest expenses and other borrowing costs to other than Group companies	-2,528	-1,460
Total	**-56,231**	**-46,912**
Impairment and depreciation		
Impairment	-8,917	-12,070
Planned depreciation on buildings	-187	-190
	-9,104	-12,259
Capital loss	-8,871	-2,259
Investment expenses, total	**-74,206**	**-61,431**
Net investment income before revaluations and value adjustments	**99,358**	**44,958**
NET INVESTMENT INCOME IN THE PROFIT AND LOSS ACCOUNT	**99,358**	**44,958**
Income and expenses from investments include		
Exchange rate differences in investments	-9,892	-17,142

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EUR 1,000	2015 Remaining acquisition cost	2015 Book value	2015 Fair value	2014 Remaining acquisition cost	2014 Book value	2014 Fair value
6. INVESTMENTS AT FAIR VALUE AND VALUATION DIFFERENCES						
REAL ESTATE INVESTMENTS						
Real estate	17,205	18,434	19,300	5,924	7,153	8,350
Real estate shares in Group companies	9,113	9,519	24,326	9,113	9,519	21,443
Other real estate shares	7	7	300	0	0	300
Loans to Group companies	11,825	11,825	11,825	11,680	11,680	11,680
	38,150	39,785	55,752	26,717	28,352	41,773
INVESTMENTS IN PARTICIPATING INTERESTS						
Shares and participations	0	0	0	4	4	4
Subordinated loans	0	0	0	15,918	15,918	15,942
	0	0	0	15,922	15,922	15,946
OTHER INVESTMENTS						
Shares and participations	434,902	434,902	758,852	377,014	377,014	659,719
Debt securities	603,613	603,613	613,981	599,145	599,145	620,852
Other loan receivables	49	49	49	161	161	161
Deposits	0	0	0	33,578	33,578	33,651
	1,038,564	1,038,564	1,372,882	1,009,898	1,009,898	1,314,383
	1,076,714	**1,078,349**	**1,428,634**	**1,052,537**	**1,054,172**	**1,372,102**
The remaining acquisition cost of debt securities includes:						
the difference between the nominal value and acquisition cost, released (+) or charged (–) to interest income	2,302			1,620		
Book value includes: revaluations entered as income		1,635			1,635	
Valuation difference (difference between fair value and book value)			**350,285**			**317,930**

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

FINNISH SHARES

Equity	Domicile	Number	Holding, %	Book value EUR 1,000	Fair value EUR 1,000
Alma Media Corporation	Finland	1,573,002	1.91	4,306	4,719
Amer Sports Corporation	Finland	870,000	0.73	8,184	23,464
Asiakastieto Group Plc	Finland	370,907	2.46	5,439	5,556
Comptel Corporation	Finland	8,724,980	8.05	13,865	15,967
F-Secure Corporation	Finland	1,836,073	1.16	3,965	4,737
Retro Life Assurance Company Ltd.	Finland	9,576	13.68	563	563
Kemira Oyj	Finland	463,837	0.30	3,353	5,047
Kone Corporation	Finland	290,000	0.06	8,808	11,359
Lassila & Tikanoja Plc	Finland	200,000	0.52	3,128	3,624
Metso Corporation	Finland	550,000	0.37	9,599	11,358
Nokia Corporation	Finland	500,000	0.01	3,298	3,298
Nokian Tyres Plc	Finland	250,000	0.19	6,216	8,275
Norvestia Oyj	Finland	189,700	1.24	1,134	1,516
Okmetic Oyj	Finland	212,700	1.23	983	1,540
Oriola-KD Corporation	Finland	1,477,942	0.81	4,052	6,362
Outotec Oyj	Finland	550,000	0.30	1,870	1,870
Sampo Plc	Finland	4,370,870	0.78	15,405	205,431
Stora Enso Oyj	Finland	150,000	0.02	1,041	1,259
Tecnotree Corporation	Finland	5,500,000	4.49	561	561
Teleste Corporation	Finland	824,641	4.34	4,106	8,081
Tikkurila Oyj	Finland	650,000	1.47	8,927	10,472
UPM-Kymmene Corporation	Finland	790,000	0.15	6,766	13,612
Vaisala Oyj	Finland	190,800	1.05	3,098	4,568
Valmet Corporation	Finland	599,659	0.40	3,299	5,337
Wärtsilä Oyj	Finland	143,751	0.07	4,242	6,059
YIT Corporation	Finland	1,134,000	0.89	5,936	5,936
TOTAL FINNISH SHARES				**132,145**	**370,597**

FOREIGN SHARES

Equity	Domicile	Number	Holding, %	Book value EUR 1,000	Fair value EUR 1,000
ABB Ltd	Switzerland	50,000	0.00	795	831
Atea ASA	Norway	264,850	0.25	2,027	2,027
Atlas Copco AB	Sweden	50,000	0.01	1,082	1,134
BASF SE	Germany	16,475	0.00	1,165	1,165
Bayerische Motoren Werke AG	Germany	21,139	0.00	1,770	2,064
Borregaard ASA	Norway	200,000	0.20	648	1,029
British American Tobacco PLC	United Kingdom	30,539	0.00	1,501	1,569
Deutsche Post AG	Germany	49,738	0.00	1,229	1,291
GlaxoSmithKline PLC	United Kingdom	63,000	0.00	1,116	1,179
Hugo Boss AG	Germany	8,918	0.01	683	683
JM AB	Sweden	75,000	0.10	1,765	2,062
Kuehne + Nagel International AG	Switzerland	12,131	0.01	1,486	1,543
LVMH Moet Hennessy Louis Vuitton SA	France	5,913	0.00	857	857
Nestle SA	Switzerland	28,092	0.00	1,880	1,933
Orkla ASA	Norway	225,000	0.02	1,513	1,642
Osram Licht AG	Austria	13,500	0.01	524	524
Roche Holding AG	Switzerland	7,393	0.00	1,827	1,886
Rolls-Royce Holdings PLC	United Kingdom	79,306	0.00	621	621
Royal Dutch Shell PLC	United Kingdom	71,000	0.00	1,498	1,498
SABMiller PLC	United Kingdom	22,761	0.00	1,011	1,262
Sandvik AB	Sweden	110,000	0.01	886	886
SAP AG	Germany	23,725	0.00	1,478	1,741
Schneider Electric SA	France	29,443	0.01	1,548	1,548
Swedish Match AB	Sweden	60,000	0.03	1,520	1,960
Syngenta AG	Switzerland	3,650	0.00	1,125	1,322
Trelleborg AB	Sweden	64,000	0.03	1,008	1,148
Unilever NV	Netherlands	39,797	0.00	1,485	1,596
Volvo AB	Sweden	100,000	0.01	861	861
TOTAL FOREIGN SHARES				**34,908**	**37,861**

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Fund share	Domicile	Book value EUR 1,000	Fair value EUR 1,000
FINNISH FUND SHARES			
Fourton Odysseus	Finland	5,068	9,669
Fourton Stamina Non-Ucits	Finland	6,085	7,051
TOTAL FINNISH FUND SHARES		**11,152**	**16,720**

Fund share	Domicile	Book value EUR 1,000	Fair value EUR 1,000
FOREIGN FUND SHARES			
Allianz RCM Europe Equity Growth W	Luxembourg	7,737	15,098
Comgest Growth Asia Ex Japan USD I Acc Class	Ireland	3,061	7,307
DJ STOXX 600 OPT Healthcare	Ireland	1,978	4,574
Investec GSF-Asia Pacific-I	United Kingdom	14,341	16,879
Ishares Core S&P 500 Index Fund	United States	44,199	66,280
Ishares SMI CH	Switzerland	6,837	6,837
LUX Mandatum Life European Small & Mid Cap Equity Fund	Luxembourg	9,959	9,959
LUX Mandatum Life Global Brands Equity Fund	Luxembourg	9,815	9,815
LUX Mandatum Life Nordic High Yield Total Return Fund	Luxembourg	17,873	17,873
MFS European Value Fund Z	Luxembourg	10,000	21,635
MFS MER-Europe SM COS-I1EUR	Luxembourg	4,000	7,100
The Forest Company Limited	United Kingdom	1,390	1,390
TOTAL FOREIGN FUND SHARES		**131,188**	**184,747**

Private equity fund	Domicile	Book value EUR 1,000	Fair value EUR 1,000
FINNISH PRIVATE EQUITY FUNDS			
Amanda III Eastern Private Equity L.P.	Finland	1,857	2,098
Amanda IV West L.P.	Finland	4,766	5,737
Amanda V East L.P.	Finland	1,204	1,204
Capman Real Estate I Ky	Finland	7,790	7,790
MB Equity Fund IV Ky	Finland	1,643	2,139
TOTAL FINNISH PRIVATE EQUITY FUNDS		**17,260**	**18,968**

Private equity fund	Domicile	Book value EUR 1,000	Fair value EUR 1,000
FOREIGN PRIVATE EQUITY FUNDS			
Apollo Offshore Energy Opportunity Fund Limited	United Kingdom	7,479	7,479
Avenue Energy Opportunities Fund L.P.	United States	5,343	5,343
Broad Street Loan Partners 2013 Europe L.P.	United Kingdom	4,198	4,837
Broad Street Real Estate Credit Partners II Treaty Fund, L.P.	United Kingdom	3,747	4,062
Capman Buyout VIII Fund A L.P.	United Kingdom	574	574
EQT Credit (No.2) L.P.	United Kingdom	10,341	11,592
EQT V (No.1) L.P.	United Kingdom	1,338	1,415
EQT VI (No.1) L.P.	United Kingdom	3,967	4,954
Highbridge Liquid Loan Opportunities Fund, L.P	United Kingdom	16,856	21,695
Highbridge Specialty Fund III	United Kingdom	13,294	16,290
M&G Debt Opportunities Fund II	Ireland	8,550	8,869
M&G Debt Opportunities Fund III	Ireland	2,467	2,467
Nordic Mezzanine Fund II Limited Partnership	United Kingdom	678	678
Nordic Mezzanine Fund III Limited Partnership	United Kingdom	2,149	2,500
Oaktree Real Estate Debt Fund (Cayman), L.P.	United Kingdom	1,160	1,358
Vencap Syndication Trust 121202 Class Fund	United Kingdom	739	2,914
TOTAL FOREIGN PRIVATE EQUITY FUNDS		**82,880**	**97,026**
OTHER INVESTMENTS IN SHARES AND PARTICIPATIONS		**25,370**	**32,932**
OTHER INVESTMENTS IN SHARES AND PARTICIPATIONS, TOTAL		**434,902**	**758,852**

NOTES

EUR 1,000	1.1.-31.12.2015
8 STATEMENT OF CHANGES IN EQUITY	
Guarantee capital 1.1–31.12.2015	8,409
Initial fund 1.1–31.12.2015	168
Contingency fund 1.1	216,477
To interest on guarantee capital	-840
Transfer to profit/loss brought forward	4,335
Contingency fund 31.12	219,972
At the disposal of the Board	
Reserves under the Articles of Association 1 Jan.	142
At the disposal of the Board, 31 Dec.	142
Profit brought forward 1 Jan.	4,335
To interest on guarantee capital	-840
Contingency fund	-3,495
Profit brought forward 31 Dec.	0
Profit/Loss for the financial year	24,546
TOTAL	**253,238**
DISTRIBUTABLE PROFIT	
Profit for the financial year	24,546
Contingency fund	219,972
At the disposal of the Board	142
TOTAL DISTRIBUTABLE PROFITS	**244,660**

Number	2015	2014
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 buy convertible bonds.

EUR 1,000	2015	2014
10 LIABILITIES		
LEASING AND RENT LIABILITIES		
Amount payable in 2015	2	3

EUR 1,000	2015	2014
ASSETS PLEDGED AS SECURITY FOR DERIVATIVES, BOOK VALUE		
Cash 1)	11,400	21,500
1) The cash assets, EUR 11.4 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 liabilities". The cash assets, EUR 0.0 million (2.7), received 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	59,903	56,202
The funds' remaining commitments + the maximum derivative losses (56,373 + 3,530)		
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	30	34
Co-operation companies	1,309	1,031
VAT group total	1,338	1,065

DERIVATIVES	2015		2014	
Non-hedging	Fair value*	Underlying asset	Fair value*	Underlying asset
Interest rate derivatives				
Interest rate swaps, non-hedging	13,220	649,099	16,595	364,731
Currency derivatives				
Forward contracts, open	3,460	357,147	303	270,198
Forward contracts, closed	308	33,069		
Option contracts				
Purchased			4	21,847
Written	3	2,717		
	16,990	1,042,033	16,902	656,776

* 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	2015	2014	2013	2012	2011
11 KEY FIGURES					
Solvency margin					
Equity after the deduction of the proposed distribution of profits	252,398	228,692	225,197	267,691	203,096
Accumulated appropriations	1,841	1,887	1,923	1,953	1,938
Valuation difference between fair values on assets and book values of balance sheet items	350,285	317,930	274,274	215,718	174,439
Other commitments not included in the balance sheet	13,152	14,892	18,671	28,214	16,400
Intangible assets and other items	-529	-110	-31	-105	-238
Solvency margin	617,147	563,290	520,035	513,470	395,634
Solvency margin required under the Finnish Insurance Companies Act, Chapter 11, Section 9	62,037	63,885	64,576	61,990	63,175
The equalisation provision for years with heavy losses included in the balance on technical account	0	16,409	15,640	13,746	13,709
OTHER KEY FIGURES					
Premiums written	63,593	61,422	60,169	57,574	57,028
Expense ratio as a percentage of expense loading	60.2%	68.1%	69.6%	64.6%	65.4%
Expense ratio as a percentage of the balance sheet total	0.8%	0.9%	0.9%	0.9%	0.9%
Net investment income on capital employed	9.3%	5.5%	9.4%	9.9%	-1.0%
Solvency capital as a percentage of technical provisions	71.1%	62.4%	55.3%	59.6%	46.0%
Return on assets at fair value, %	10.6%	6.9%	10.0%	12.7%	0.6%
Average number of personnel during the financial year	10	11	10	16	19
Solvency margin in the currency of the financial statements	617,147	563,290	520,035	513,470	395,634
Equalisation provision in the currency of the financial statements	0	16,409	15,640	13,746	13,709
Solvency capital	617,147	579,699	535,675	527,216	409,343
Performance analysis for insurance company					
Premiums written	63,451	61,298	59,980	57,403	56,856
Investment income and charges, revaluations and revaluation adjustments and changes in value	99,358	44,958	82,409	88,192	52,725
Claims paid	-205,927	-132,558	-89,037	-77,275	-120,993
Change in technical provisions before bonuses (customer bonuses) and change in equalisation provision	159,671	78,549	26,659	27,829	61,484
Operating expenses	-8,368	-9,287	-8,252	-7,617	-7,538
Balance on technical account before bonuses (customer bonuses) and change in equalisation provision	**108,185**	**42,961**	**71,760**	**88,532**	**42,534**
Other income and expenses	0	114	0	0	-2
Operating profit/loss	**108,185**	**43,074**	**71,760**	**88,532**	**42,532**
Change in equalisation provision	16,409	-769	-1,894	-37	-771
Bonuses (customer benefits)	-99,668	-37,687	-111,059	-22,874	-25,785
Profit/loss before appropriations and taxes	**24,926**	**4,618**	**-41,193**	**65,621**	**15,975**
Appropriations	46	36	30	-15	-19
Income tax and other direct taxes	-426	-320	-461	-142	-89
Profit/loss for the financial year	**24,546**	**4,335**	**-41,623**	**65,465**	**15,867**
TOTAL RESULT					
Operating profit/loss, i.e. profit or loss before the change in equalisation provision, bonuses (customer benefits), extraordinary items, appropriations and taxes	108,185	43,074	71,760	88,532	42,532
+/- Change in off-balance-sheet valuation differences, and in the fair value reserve and revaluation reserve	32,136	38,836	51,104	49,443	-66,227
Total result	**140,321**	**81,910**	**122,864**	**137,975**	**-23,695**

INVESTMENT ALLOCATION AT FAIR VALUES

	Basic distribution				Risk breakdown			
	2015		2014		2015		2014	
Fixed-income investments, total	**721,158**	**48.2%**	**862,991**	**56.4%**	**721,158**	**48.2%**	**862,991**	**56.4%**
Loan receivables	49	0.0%	161	0.0%	49	0.0%	161	0.0%
Bonds	631,706	42.2%	552,029	36.1%	1,279,860	85.5%	701,978	45.9%
Other debt securities and deposits	89,403	6.0%	310,802	20.3%	-558,752	-37.3%	160,853	10.5%
Equity investments, total	**656,518**	**43.8%**	**592,811**	**38.7%**	**656,123**	**43.8%**	**592,451**	**38.7%**
Listed equities	538,627	36.0%	498,689	32.6%	538,232	35.9%	498,330	32.6%
Private equity investments	38,866	2.6%	27,644	1.8%	38,866	2.6%	27,644	1.8%
Unlisted equities	79,025	5.3%	66,477	4.3%	79,025	5.3%	66,477	4.3%
Real estate investments, total	**82,539**	**5.5%**	**50,314**	**3.3%**	**82,539**	**5.5%**	**50,314**	**3.3%**
Direct real estate investments	57,100	3.8%	43,950	2.9%	57,100	3.8%	43,950	2.9%
Real estate funds and co-investments	25,439	1.7%	6,364	0.4%	25,439	1.7%	6,364	0.4%
Other investments	**37,474**	**2.5%**	**23,833**	**1.6%**	**37,474**	**2.5%**		**0.0%**
Other investments	37,474	2.5%	23,833	1.6%	37,474	2.5%		
Investments, total	**1,497,688**	**100.0%**	**1,529,949**	**100.0%**	**1,497,293**	**100.0%**	**1,505,756**	**98.4%**
Effect of derivatives					395	0.0%	24,192	1.6%
Total investments at fair value					**1,497,688**	**100.0%**	**1,529,949**	**100.0%**
Modified duration of the bond portfolio	2.4							

NET INVESTMENT INCOME ON CAPITAL EMPLOYED

Return EUR /% on capital employed	Net return on investments at fair values 2015	Capital employed 2015	Return on capital employed, % 2015	2014	2013	2012	2011
Fixed-income investments, total	**21,273**	**742,452**	**2.9%**	**4.3%**	**1.7%**		
Loan receivables	6	115	4.3%	6.6%	5.7%	5.5%	7.0%
Bonds	18,385	596,100	3.4%	5.4%	2.4%	9.3%	4.9%
Other debt securities and deposits	2,882	146,236	1.8%	0.5%	0.2%	1.4%	1.5%
Equity investments, total	**98,175**	**640,929**	**16.8%**	**8.0%**	**25.2%**	**15.0%**	**-10.6%**
Listed equities	78,791	531,087	16.1%	7.0%	10.2%	-	-
Private equity investments	4,067	34,058	14.2%	18.3%	9.0%	-	-
Unlisted equities	15,317	75,784	23.1%	11.0%	52.2%	-	-
Real estate investments, total	**11,593**	**70,655**	**14.7%**	**-0.9%**	**6.0%**	**6.5%**	**3.1%**
Direct real estate investments	3,800	47,269	7.6%	4.5%	5.5%	-	-
Real estate funds and co-investments	7,793	23,386	30.2%	-27.2%	7.0%	-	-
Other investments	**4,131**	**32,143**	**15.4%**	**11.3%**	**17.2%**	**9.5%**	**0.0%**
Other investments	4,131	32,143	15.4%	11.3%	17.2%		
Investments, total	**135,172**	**1,486,179**	**9.6%**	**5.7%**	**9.6%**	**10.0%**	**-0.8%**
Unallocated income, charges and operating expenses	-3,669						
Net investment income at fair value	**131,503**		**9.3%**	**5.5%**	**9.4%**	**9.9%**	**-1.0%**

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 2015. The financial statements comprise the balance sheet, the profit and loss account, cash flow statement and notes.

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, 4 March 2016

Ernst & Young Oy
Authorised public accounting firm

Tomi Englund
Authorised public accountant

RISK MANAGEMENT NOTES

1. Kaleva's risk management principles 31 December 2015

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 Plc and 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 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.

Each employee bears responsibility for risk-management matters – risk management, internal auditing, the compliance function and the actuarial function must be informed of matters that are important in terms of managing their tasks.

1.3. Classification of risks

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

Market and credit risks and solvency are monitored by Kaleva's Investment Committee. Other risks are monitored by Kaleva's Risk Management Committee. In addition, the company's chief actuary takes part in Mandatum Life's Insurance Risks Committee and Operational Risk Committee.

1.4. Risk management documentation

Documentation related to risk management complies with the regulations of the Insurance Companies Act and EIOPA. The documentation does not focus solely on the company's risk management plan. Official risk management requirements are documented in, among other things, the general description of corporate governance, the internal control policy, the investment plan, the chief actuary's report for the investment plan, the reinsurance plan, the ORSA assessment (company's risk and solvency assessment), the underwriting policy, the reporting policy, the liquidity management principles and the product development policy. These official requirements include, for example, operational principles on capital management, risk management, insurance risks, reinsurance risks, asset and liability management, liquidity risks, investment 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. The Investment Committee

RISK MANAGEMENT NOTES

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 355 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 altogether more than EUR 950 million for managing market risks; this amount represents over 60% of the market value of investments.

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 2015, the overall risk was some EUR 287 million less than the originally quoted figure.

As of 2016, the above-mentioned calculation will be carried out using the Solvency II principles.

A sensitivity analysis of the fair value of the assets in various market risk scenarios is presented in the table below. 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 2015.

The possible future loss caused to the company by Kaleva's non-hedging derivatives should be, with a 99 per cent probability, under EUR 15 million over a ten-day period. At the end of 2015, the maximum loss calculated as described above was EUR 3.5 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.

31 Dec. 2015	Interest		Equity	Other investments
MEUR	1% level movement downwards	1% level movement upwards	20% down	20% down
2014	7	-11	-114	-24
2015	29	-26	-124	-32

The legislation in force in 2015 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 Solvency II regulations, is also sensitive to balance sheet market risks.

The 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.

RISK MANAGEMENT NOTES

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.

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 2015, Kaleva's solvency position was green according to all monitoring framework criteria, i.e. above the highest monitoring limit.

Solvency I:
Solvency margin EUR 617 million,
995% of the minimum.

Solvency capital EUR 617 million,
solvency ratio 71.1%.

Early warning system for solvency position (31 Dec. 2015):

Extended solvency margin in the basic test EUR 691 million, 374% of the minimum.

Extended solvency margin in the continuity test EUR 380 million, 481% of the minimum.

The framework described above became compliant with Solvency II as of 1 January 2016. Under Solvency II investment assets are valued market-consistently and the goal is to value technical provisions market-consistently – the amount of technical provisions is calculated based on interest rate curves prescribed by authorities. Kaleva applies the standard model in its Solvency II calculations, in which the amount of own funds is stressed through the application of various shocks prescribed by authorities (such as equity shocks, interest rate shocks, longevity shocks etc.). The objective is to set a level for the Solvency II solvency requirement at which, when the own funds are equal to the solvency requirement, the own funds would be sufficient to cover the insured benefits with a likelihood of 99.5% over a one-year period.

Kaleva has calculated a preliminary estimate of its solvency in accordance with Solvency II in the situation on 31 December 2015: according to the preliminary estimate the solvency requirement would equal EUR 120 million and own funds would be EUR 425 million, calculated using the standard formula. Kaleva does not apply the transitional provisions related to technical provisions in its calculations. In calculating the equity risk, Kaleva applies the transitional provisions for the capital requirement on shares under Solvency II (transitional provision in force until 2023). The solvency requirement without the transitional provision on shares would be around EUR 130 million.

Solvency II is not applicable legislation in the situation on 31 December 2015.

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.

The combined total of Kaleva's assets covering the technical provisions on 31 December 2015 amounted to EUR 1,162 million, i.e. 134 per cent of the technical provisions. Assets that are not eligible to cover technical provisions totaled EUR 320 million.

Finnish national regulations governing assets held to cover technical provisions will be discontinued as of 2016 as a result of Solvency II.

2.4 Allocation of the investment portfolio

The fair value of Kaleva's investment assets at the end of 2015 was EUR 1,429 million.

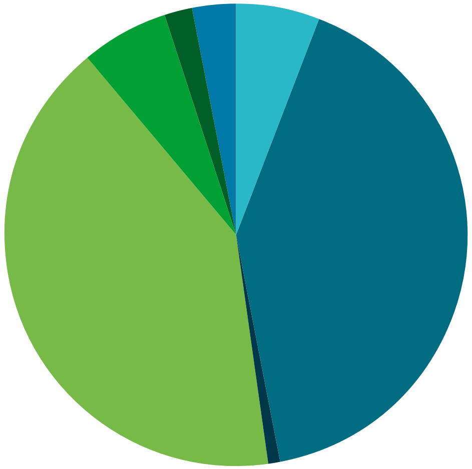
The return on investments in 2015 was 9.3 per cent at fair value. The average return on capital employed was also 9.3 per cent. The duration of Kaleva's fixed income portfolio was 1.9 years.

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

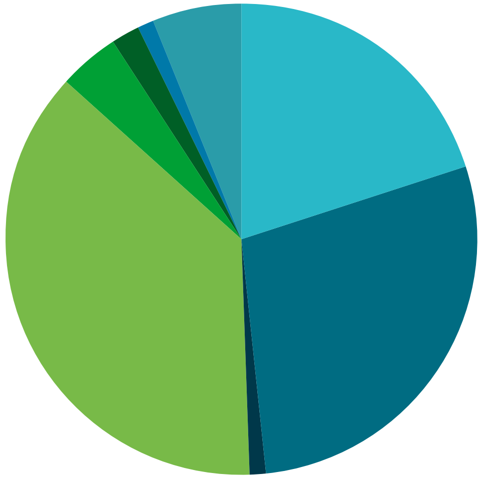
RISK MANAGEMENT NOTES

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



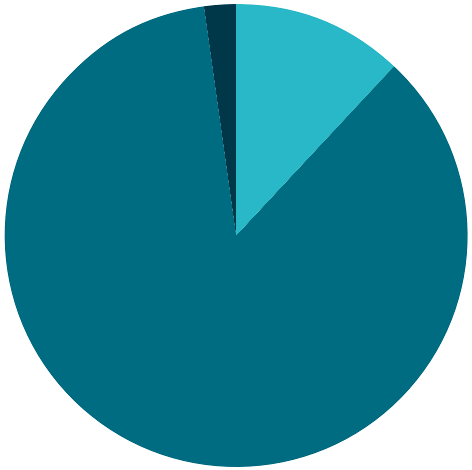
Allocation of investment portfolio 31.12.2015 MEUR 1,429

Money Market Securities and Cash	6%
Credit Bonds, Funds and Loans	41%
Trading Derivatives	1%
Equity	41%
Real Estate	6%
Private Equity	2%
Alternative	3%
Policy Loans	0%
Government Bonds	0%



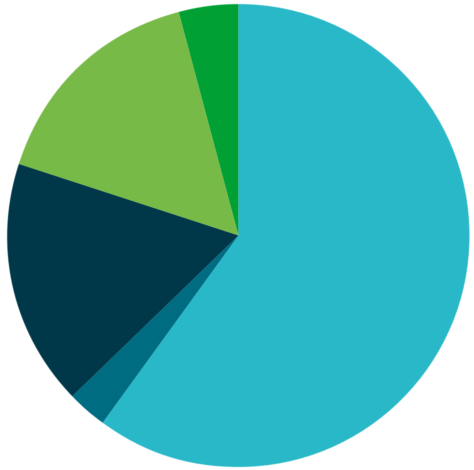
Allocation of investment portfolio 31.12.2014 MEUR 1,372

Money Market Securities and Cash	20%
Credit Bonds, Funds and Loans	28%
Trading Derivatives	1%
Equity	37%
Real Estate	4%
Private Equity	2%
Alternative	1%
Government Bonds	6%
Policy Loans	0%



Allocation of fixed income investments 31.12.2015 MEUR 720

Money Market Securities and Cash	12%
Credit Bonds, Funds and Loans	86%
Trading Derivatives	2%
Policy Loans	0%



Allocation of equity investments 31.12.2015 MEUR 618

Finland*	60%
Scandinavia	3%
Europe	17%
North America	16%
East Asia	4%
Eastern Europe	0%
Latin America	0%

*Incl. Fixed asset shares

RISK MANAGEMENT NOTES

of achieving a return that is within the limits of the investment plan in relation to a situation where the currency risk is fully hedged. The table below presents the open currency position of Kaleva's technical provisions and investments (in EUR million) per 31 Dec. 2015.

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 defaults 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 increased from the previous year. The pie chart shows the distribution of Kaleva's fixed income investments according to credit rating. The goal is to limit and control credit risks through detailed issuer and counterparty limits.

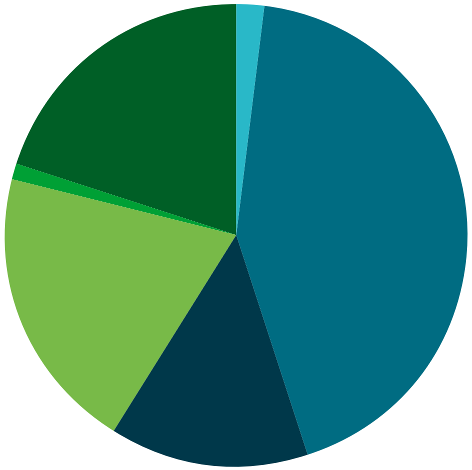
Default risks related to derivatives are limited by concluding transactions only on stock exchanges (or on other regulated marketplaces) or with counterparties that have been deemed creditworthy (OTC derivatives). Default risks are controlled through derivative trade framework agreements (ISDA agreements) 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

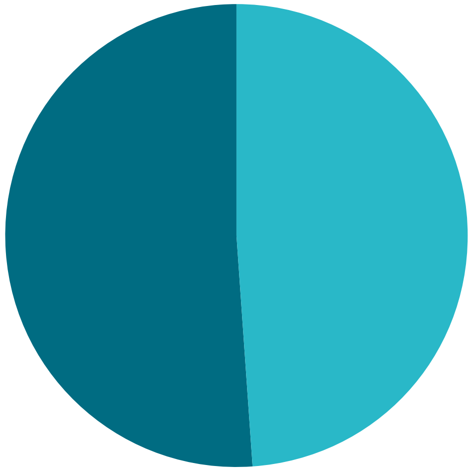
4.1 Premium pricing and underwriting

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 in-



Fixed income investments by credit rating

AAA	2%
AA+ - A-	43%
BBB+ – BBB-	14%
BB+ - B-	20%
CCC+ - D	1%
NR	20 %



Fixed income investments by sector

Banks	49%
Companies	51%

Exchange rate risk, net position	USD	JPY	GBP	SEK	NOK	CHF	DKK	Other
Technical provisions	0	0	0	0	0	0	0	0
Investments	274	0	48	19	23	28	3	21
Derivatives	-214	0	-41	-3	-19	-28	0	-8
Net position, total	**60**	**0**	**7**	**16**	**4**	**0**	**3**	**13**

RISK MANAGEMENT NOTES

Investments by asset class, sector and credit rating

31 Dec. 2015	AAA	AA+ – AA-	A+ – A-	BBB+ – BBB-	BB+ – C	D	Unclassified	Fixed income investments, total	Equities	Other	Counterparty risk	TOTAL
Asset-Backed Securities	–	–	–	–	–	–	–	–	–	–	–	–
Basic Industry	–	–	–	–	25	–	3	29	37	–	–	66
Capital Goods	–	–	–	–	9	–	11	21	53	–	–	74
Consumer Products	–	11	10	–	15	–	9	45	56	–	–	100
Covered Bonds	15	–	–	–	–	–	–	15	–	–	–	15
Energy	–	10	–	6	2	–	9	28	2	–	–	30
Financial Institutions	–	112	161	32	23	–	18	346	3	–	1	350
Governments	–	–	–	–	–	–	–	–	–	–	–	–
Government Guaranteed	–	–	–	–	–	–	–	–	–	–	–	–
Health Care	–	–	3	7	12	–	4	26	11	–	–	37
Insurance	–	–	–	11	–	–	0	11	206	–	–	218
Media	–	–	–	–	4	–	6	10	5	–	–	15
Packaging	–	–	–	–	9	–	7	16	–	–	–	16
Public Sector, other	–	–	–	–	–	–	–	–	–	–	–	–
Real Estate	–	–	–	–	–	–	15	15	–	75	–	90
Services	–	–	–	–	23	–	6	28	11	–	–	39
Technology and Electronics	–	–	–	–	2	–	–	2	45	–	–	47
Telecommunications	–	–	–	3	8	–	5	16	2	–	–	17
Transportation	–	–	–	–	2	–	5	7	4	–	–	10
Utilities	–	–	–	38	7	–	5	50	–	–	–	50
Others	–	–	–	–	2	–	3	6	0	8	–	14
Funds	–	–	–	–	–	–	38	38	182	77	–	298
TOTAL	**15**	**133**	**174**	**97**	**144**	**–**	**144**	**708**	**618**	**160**	**1**	**1,487**

RISK MANAGEMENT NOTES

surance terms and conditions, prudent underwriting, risk and cost equivalent premium rating, reinsurance and by limiting the sums insured.

In the underwriting for individual risk insurance policies, the guidelines drawn up and maintained by the reinsurer 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 2015 was roughly 74 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.

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. In 2015, a deductible-linked increase in the price of medical expenses insurance was made.

The only insurance product sold by Kaleva is Primus, a group life and accident insurance intended for the members of trade unions and employee organisations. The product's pricing 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. All organisation-specific discounts were updated for 2015, taking into account both the impact of the discontinuation of the 'If multi-line' discount in 2015 and the possible change in the discount rate caused by each organisation's accident history.

A general increase in life expectancy is a clear trend 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.

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.

> 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.

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.

Because of the company's strong solvency, Kaleva does not have separate disaster protection in the event of a major disaster, other than its employees' group life insurance pool.

Kaleva dissolved its equalisation provision during the 2015 financial period due to the Solveny II regulations.

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 discontinue them altogether.

Disasters do not pose a threat to Kaleva's solvency. Following the tsunami in the Indian Ocean in 2004 which claimed the lives of 179 Finns, the resulting claims expenses for Kaleva amounted to 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

RISK MANAGEMENT NOTES

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 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 on reasonable terms. 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 targeted 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.

Besides illness and more deaths, a serious pandemic is also highly likely to have other financial repercussions. It can be assumed that, simultaneously on the investment markets, the value of practically 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 just under EUR 600 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 456 million in insurance savings, some EUR 12 million is due to mature in 2016. 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 2015, roughly EUR 212 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 15 years.

4.4. Expense risk

Insurance operations also involve an expense risk, meaning the cost items (loading income) collected on insurance policies are 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 the payment of their 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 internal processes, systems, people or outside events. Risks are divided into at least the following 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's Risk Management Committee 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 pro-

RISK MANAGEMENT NOTES

vide guidance and recommendations. The Risk Management Committee is also in charge 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 December 2015. The outsourced operations (Mandatum, If and Sampo) draw up their own continuity plans, which take Kaleva's business into account.

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 of the Financial Supervisory Authority. The risk management plan currently in effect was approved by Kaleva's Board in February 2015.

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. Most 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. Regulatory risks

The insurance sector has faced considerable new regulations in recent years, and it will continue to do so in the near future. If these new regulations are not implemented correctly, the company could be exposed to compliance risks (section 6). It is also possible that the company's operating environment changes to such an extent that the company operates at a loss (section 7).

The increase in regulation will increase the company's operating expenses. Although the upcoming Solvency II regulations highlight risk management and its importance to the company's operations, it will also create considerable costs and administrative work (e.g. more than 60 new reports). Kaleva's collaboration with Mandatum Life on Solvency II matters will minimise both these costs and administrative work.

9. ORSA

Kaleva carried out the Own Risk and Solvency Assessment (ORSA) on its situation on 30 September 2015, in compliance with the requirements laid down in the Insurance Companies Act. According to the assessment, the company's chosen business strategy does not involve risks that would threaten the company's solvency.

10. Risk management outlook

For several years, Kaleva has been preparing for the entry into force of Solvency II on 1 January 2016. On its website, Kaleva has issued an estimate of its Solvency II solvency position on 30 September 2015. The company's solvency position will remain strong also within the new framework. Solvency II's requirements of extremely detailed reporting will result in a lot of work during 2016.

Risk management and risk management methods are continuously developed within the company.

The exceptionally low interest rate level continues to present a major challenge to investment operations. Euro-zone interest rates will remain extremely low for a long while yet. Kaleva's fixed income portfolio contains a very high number of corporate bonds, the assets of which, once matured, will be very challenging to reinvest.

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
Realia Group Oy

Aija Bärlund
MBA
Oy Aija Bärlund Ab

Hanna-Leena Hemming
Executive Director
Suomen Ekonomit

Johanna Ikäheimo
Chairman of the Board
Lappset Group Oy

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

Timo Korpijärvi
Financial Manager
Finnish Metalworkers' Union

Teemu Lehtinen
CEO
Taxpayers Association of Finland

Jukka Mattila
Director of Economy
Service Union United (PAM)

Merja Merasto
President
The Finnish Nurses Association

Tarja Munukka
Director
Trade Union Pro

Heidi Nieminen
Chairman
Finnish Post and Logistics Union (PAU)

Pasi Pentikäinen
CEO
Pentik Oy

Pasi Pesonen
Director
Trade Union of Education (OAJ)

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

Pekka Piispanen
Director
Akava ry

Ismo Riitala
Managing Director
K-Plus Oy

Erkki Solja
CEO
Kiilto Oy

Jorma Tilander
Executive Director
Association of Finnish Lawyers

Petri Vanhala
President
Finnish Paperworkers' Union

Mikko Wikstedt
Bachelor of Science (B.Sc.)

STATEMENT OF THE SUPERVISORY BOARD

Kaleva Mutual Insurance Company's Report of the Board of Directors, financial statements, and Auditors' Report for 2015 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, 9 March 2016

On behalf of the Supervisory Board

Lauri Lyly
President

AUDITORS

Regular auditor

Ernst & Young Oy
Authorised public accounting firm

Tomi Englund
Authorised public accountant

BOARD OF DIRECTORS

Timo Vuorinen, 51
CEO
If P&C Insurance Company Ltd

Deputy Chairman
Ville-Veikko Laukkanen, 45
Senior Vice-President
Varma Mutual Pension Insurance Company Varma

Chairman
Petri Niemisvirta, 46
CEO
Mandatum Life Insurance Company Ltd.

Pekka Pajamo, 53
Senior Vice-President
Varma Mutual Pension Insurance Company Varma

Eero O. Kasanen, 63
Professor

KALEVA'S ELECTED REPRESENTATIVES

(YEAR IN WHICH TERM EXPIRES IN PARENTHESES)

Esko Ahonen (2017)
Municipal Manager
Alajärvi

Eero Broman (2021)
CEO
Joensuu

Outi Ervasti (2021)
Deputy Director, lecturer
Oulu

Sari Essayah (2021)
Member of Parliament
Lapinlahti

Helena Haapio (2017)
LL.M.
Helsinki

Minna Karhunen (2017)
Director General
Karkkila

Jyrki Kasvi (2021)
Member of Parliament
Espoo

Mikko Kautonen (2017)
Graphic designer
Lahti

Kati Kiljunen (2021)
Executive Director
Pori

Johanna Koivuniemi (2017)
Head 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)
Early childhood education administrator
Tampere

Lasse Lindholm (2017)
Key Account Manager
Turku

Salla Luomanmäki (2021)
Executive Director
Helsinki

Sallamaari Muhonen (2021)
Communications consultant
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)
Entrepreneur
Turku

Reijo Salmi (2017)
Collective bargaining representative
Tampere

Eero Seppänen (2021)
Special Education Teacher
Sipoo

Janne Seurujärvi (2017)
Deputy Managing Director
Ivalo

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)
Member of Parliament
Seinäjoki

OWNERS OF KALEVA'S GUARANTEE CAPITAL

31 Dec. 2015	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 250,000 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.

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 savings insurance 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 customer bonuses 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. Eighty 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. 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

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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.

The supplementary bonus is 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

As the table suggests, surplus assets linked to savings insurance policies grew, for example, in 2012 and 2013, but decreased in 2001, 2008 and 2011 as a consequence of unfavourable stock-market development.

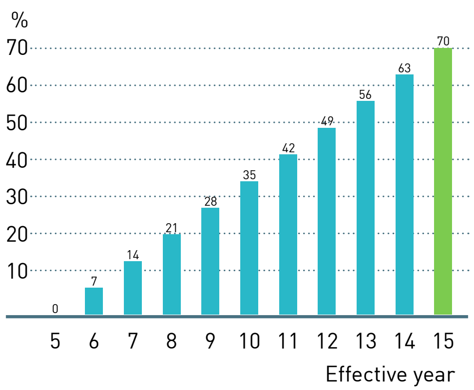
The table furthest down shows the dependency of the bonus to be paid in surrenders on the period of validity of the insurance policy.

Return on Kaleva's investments and bonuses granted, 1994–2015:

	Return on investments*	Bonuses 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%
2014	5.5%	4.5%
2015	9.3%	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



In 2015, the supplementary bonus was raised on the basis of Kaleva's investment performance on 13 March and 19 August.

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 savings insurance policies also include risk cover, meaning 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 increasing the death benefit.

In the table below, under "Claims paid on individual life insurance policies without bonuses (MEUR)", 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. In the table below under the heading "Supplementary bonuses and death benefit increases (MEUR)", the line "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 line "Death benefit increases" contains the amount of bonuses paid in the event of death (distribution of surplus from risk insurance policies).

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Realisation of targets

MEUR	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Claims paid on individual life insurance policies without bonuses													
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	20.1	77.7
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	32.1	16.7
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	6.6	10.2
Total	109.0	106.2	81.7	234.8	104.1	95.2	52.6	64.3	60.6	34.1	39.8	58.8	104.6
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	19.9	56.8
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	23.8	9.9
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	2.5	6.9
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	2.2	1.6
Total	20.2	24.4	24.2	101.2	46.6	43.0	19.8	42.2	35.2	19.1	22.9	48.4	75.2
Customer bonuses	13.3	13.6	5.3	3.7	3.4	0.0	3.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	31.7	36.0	27.5	102.8	48.1	43.0	22.8	42.2	35.2	19.1	22.9	48.4	75.2

PERCENTAGE	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Average increase in claims paid due to the supplementary bonus and the increases in death benefits													
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%	99.0 %	73.1 %
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%	74.1%	59.3%
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%	71.2%	83.3%
Total	18.5%	23.0%	29.6%	43.1%	44.8%	45.2%	37.6%	65.6%	58.1%	56.0%	57.5%	82.3%	71.9%
Customer bonuses	1.5%	1.5%	0.5%	0.5%	0.5%	0.0%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

[1] Includes full surrenders leading to the expiry of the insurance policy as well as partial surrenders in which the insurance does not expire.


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140 years of Life