

# Annual Report 2001

# *Securing Pensions*

# Contents



Cover illustration *Safety net* by Mika Launis  
The theme of the illustrations in this Annual Report is nets and networking.

## According to our vision

- *We secure employment pension cover*
- *We actively develop the statutory earnings-related pension scheme*
- *We invest pension assets profitably and securely*
- *We offer the highest-standard of know-how*

3	Varma-Sampo in brief
4	CEO'S review
6	Electronic services grow
10	Challenging year for investment operations
14	We bear a great social responsibility
16	Supporting well-being at work
17	International services are expanded
18	Advancing personnel expertise
20	Annual Accounts
42	Key figures
45	Supervisory Board
46	Board of Directors
48	Consultative Committees
50	Management
51	Key terminology
52	Contact information

### Reviews

– We anticipate a growing number of e-folder users and believe they will continue to extend their electronic ways of working. Creating the best possible foundations for that means maintaining the current pace of development, says Paavo Pitkänen in CEO's review.

For reviews on Varma-Sampo's e-services and investment activities, social responsibility and personnel as well as its services related to promotion of well-being at work and insuring overseas working, please turn to pages 4–19.



### Annual Accounts

In this Report the Annual Accounts for 2001 are presented in euro.

The official Annual Accounts are markka-denominated. The official Annual Accounts for 2001 are available at the parent company headquarters, address Annankatu 18, Helsinki.

Annual General Meeting will convene on 19 April 2002 at 1:00pm at the company's headquarters, address Annankatu 18, Helsinki.

For Annual Accounts, see pages 20–41.

### Administration

Labour market organisations are significantly involved in the administration of all Finnish employment pension companies. So half the members of the Varma-Sampo Supervisory Board and Board of Directors are proposed by the central organisations of employers and employees. As a part of the company's social responsibility, three different consultative committees convene at Varma-Sampo. Pages 45–50

### Key figures

To ease the comparison of their performance figures, the Finnish employment pension insurance companies have agreed to report in a uniform manner, key figures pertaining to the extent of the operations, solvency and results. Pages 42–44

### Key terminology

What is a bonus reserve? What about technical provisions? Key figures include several terms typical of employment pension companies alone. These terms are explained on page 51.



# Varma-Sampo in brief

*Varma-Sampo Mutual Pension Insurance Company is the largest employment pension insurer in Finland. Premiums written totalled EUR 2.4 billion in the year 2001 while pension payments stood at EUR 2.2 billion. The value of the company's investments stood at EUR 17.2 billion at the close of 2001. Varma-Sampo is responsible for the earnings-related pension cover of more than 700 000 people and co-operates in customer service with If P&C Insurance and Sampo.*

*Varma-Sampo ownership is divided as follows:*

- *Policyholders 76%*
- *Insured 21%*
- *Sampo Group (owner of guarantee capital) 3%*

## Highlights

	2001	2000
Premiums written, EUR mill.	2 404.2	2 206.9
Pension payments, EUR mill.	2 192.4	2 022.7
Technical provisions, EUR mill.	16 686.2	15 325.1
Solvency margin, EUR mill.	2 844.0	3 389.7
Solvency margin/ technical provisions*, %	19.5	25.9
Solvency margin/ solvency limit	2.4	2.9
Investment assets, EUR mill.	17 150.8	16 267.5
Investment income, EUR mill.	173.1	817.6
Yield on invested capital, %	1.0	5.3
Number of policyholders	62 000	62 000
Number of insured	438 000	430 000
Number of pensioners	272 000	263 000
Number of personnel	616	612

\* In accordance with solvency requirements

Figures concerning investments have been calculated at current values and as agreed by the pension insurance companies.

# CEO's review

## Steady growth

Varma-Sampo grew its insurance portfolio steadily in 2001 during a mild economic recession. The number of insured increased to around 438 000, showing a payroll rise of approximately seven per cent to EUR 10.7 billion. Yield on investments was EUR 173 million and can be considered a satisfactory result in difficult capital markets.

The summer will mark 40 years since Finland's Employees' Pensions Act TEL entered into force. Over the years, our statutory earnings-related pension scheme has



*Paavo Pitkänen was photographed in the Arabianranta district in Helsinki.*

proved to be strong and healthy. It stands up well to international comparison. Our primary role is to secure pensions and continuing to participate in the development of the pension system is an important contribution.

An important focus at Varma-Sampo in 2001 was electronic customer service development. By the year-end, more than 3 300 client companies had made an agreement to use the varma-sampo.fi folder service for employment pension administration. We also opened the first website service in the industry especially for insurance brokers.

Varma-Sampo anticipates a growing number of e-folder users. As we believe that our customers will further extend their electronic ways of working, we will continue to develop our electronic services. The theme of nets and networking runs throughout this Annual Report.

## Weaker capital markets

The yield on Varma-Sampo investments for 2001 stood at 1.0 per cent, adding value to our year-end investment portfolio of EUR 17.2 billion. Return on investments was especially hampered by falling equity values. Despite a negative yield of 14.0 per cent, our equities portfolio produced a better result compared with reference indexes,

Although solvency was a little lower than in the previous year, it remained solid and within the target zone set throughout 2001. All the necessary resources to continue our active and profit-seeking investment policy remain firmly in place.

### **Extensive social responsibility**

As a provider of statutory social security and the largest single investor in Finland, Varma-Sampo bears extensive social responsibility for clients and pension provision alike. We will continue in our proven resolution for good business and contribute sustainable development.

Well-being at work is important for the Finnish national age programme and tied into our perspective of social responsibility. Positive experience with the goal of extending the average retirement age is based in part on well-being. In the current year, approximately one in seven

people reaching the old age pension retirement limit of sixty-five years will retire, compared to one in nine the year before.

An ageing population makes personnel well-being an increasingly important success factor for all companies. At Varma-Sampo we see personnel well-being covering a wide range of activities. This is supported by our Evita service, which is aimed mainly at our major corporate clients, and the best possible management of employment pension costs.

### **Flexible retirement**

The reform of the statutory earnings-related pension scheme, agreed on by labour market organisations towards the end of last year, will increase citizens' freedom of choice. It rewards staying at work and also allows people of 63 years and over to retire with the full pension earned up to that point.

The goal of the reform is to adapt the statutory earnings-related pension scheme to the changed working conditions. It is also hoped to encourage people to continue at work for two or three years longer than is now the case. Achieving that goal would relieve pressure to raise employment pension premiums and stabilise the long-term financing of the system.

### **Service quality decisive**

High quality through efficiency is our in-house theme for this year, building on For the best service from 2001.

Varma-Sampo solvency and risk-bearing capacity are sound and we are well prepared to provide our clients with competitive services. Furthermore, our co-operation with Sampo and If Group, the biggest non-life insurer in the Nordic countries, offers even more comprehensive services for clients old and new.

### **With gratitude**

It is my pleasure to extend our thanks to all Varma-Sampo clients and the other members of our interest groups, both for successful co-operation and your confidence in us. I also thank each and every one of our staff. Based on our combined performance in 2001, we again succeeded in fulfilling our primary goal to secure pensions.

*Paavo Pitkänen*

# Electronic services grow

## **In co-operation with customers**

Varma-Sampo has vigorously developed its online services over the past three years. The company has worked closely with customers and other interest groups to produce electronic customer services.

The number of users has increased rapidly. For example, the number of varma-sampo.fi folder service users

grew by a factor of 2.5 in the year 2001 to stand at more than 3 300.

Online services available for customers now are based on expertise stemming from the application of IT in Varma-Sampo's own operations over several decades. There are both public information services and secure services for identified customers.

## **Public online services**

Services for customers and other interest groups at the public website are the first opportunities to be fulfilled by electronic media there. At the [www.varma-sampo.fi](http://www.varma-sampo.fi) address customers can, for instance, read about employment pension insurance and pension advice, the company's operations and its added-value services, as well as complete and print different insurance and pension documents.

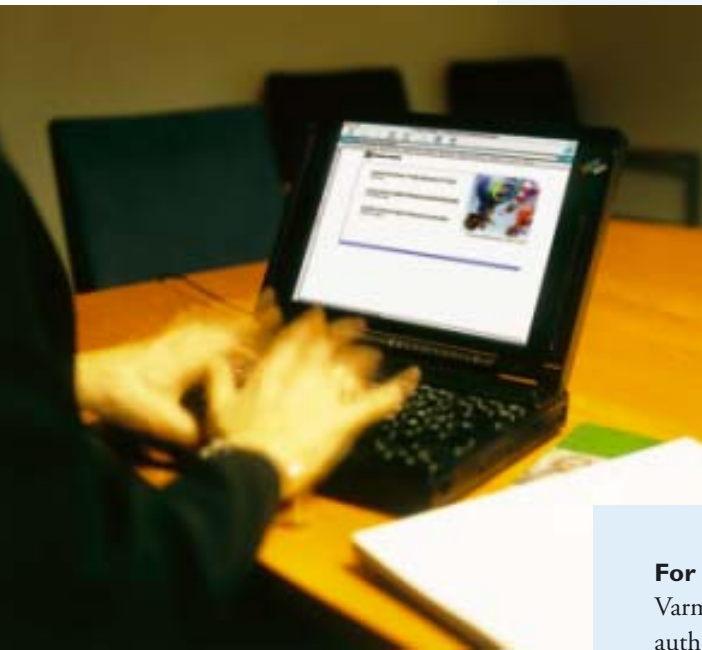
Varma-Sampo's public website in Finnish, Swedish and English was re-designed and its usability developed further during 2001. The reforms retained areas tailored by role for entrepreneurs, companies, those with TEL insurance, and pension applicants and pensioners (all pages appear in Finnish and in Swedish). The contents of the Evita service that deals with well-being at work were also updated. Other new information included pages on the company's transfer to euro and those concerning pension reform.

## **For identified customers**

Varma-Sampo applies state-of-the-art data security and authentication systems in services that require user verification. The structure of the services also takes into account the company's co-operation in insurance and pension services with, for instance, the Central Pension Security Institute and Social Insurance Institution.

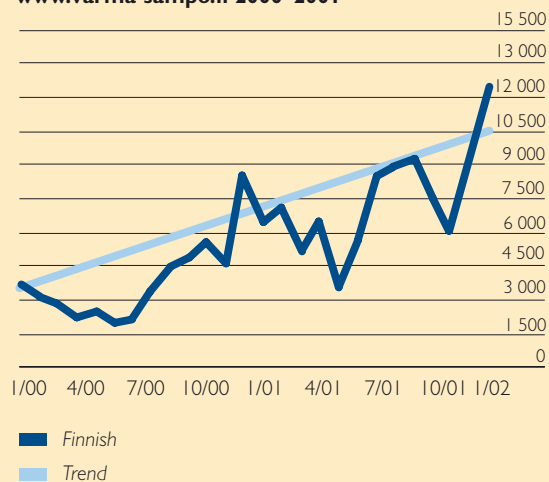
Varma-Sampo continuously tracks data security development, and especially that of electronic identification and authentication services, in order to extend the use of its electronic services. In addition to the [varma-sampo.fi](http://varma-sampo.fi) folder for insurance clients, the company opened [varma-sampo.fi](http://varma-sampo.fi) Brokernet for insurance brokers in 2001.

New electronic services are being planned e.g. for the insured. Their development has been slowed by the incomplete state of electronic identification and authentication systems for private individuals.

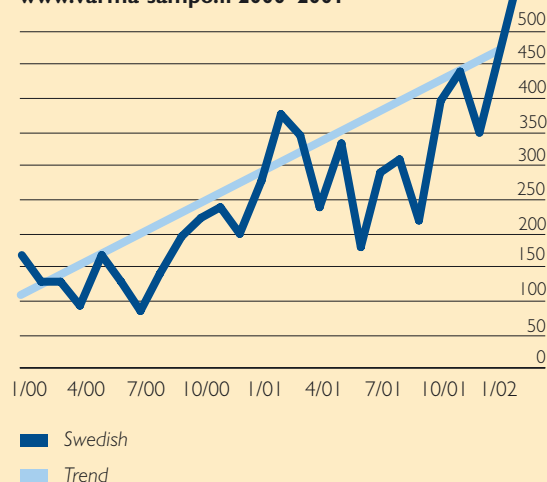




Hits at the Finnish-language section of www.varma-sampo.fi 2000–2001



Hits at the Swedish-language section of www.varma-sampo.fi 2000–2001



### varma-sampo.fi folder

The electronic varma-sampo.fi folder provides policyholders with an opportunity to handle their pension insurance issues as efficiently as possible. The service user can check up-to-date register details on his or her company, and order commissions concerning pensions, insurance and financial services. Various free-form messages between Varma-Sampo and the customer are also transferred securely through the e-folder service.

Two development versions of the e-folder service were released in 2001, in order to simplify logging on; improve printing and listing properties and more. New features include electronic file transfer and the group information page.

## Electronic services grow

### Positive feedback

Varma-Sampo is creating electronic solutions that customers and co-operation partners can utilise efficiently in their own networks. The direct debit service that was introduced for entrepreneurs in 2001 is just one example. The varma-sampo.fi folder is also suited to joint use by a client company and its accountant.

Varma-Sampo has received positive feedback on its electronic services from both customer satisfaction surveys and general Internet service studies.

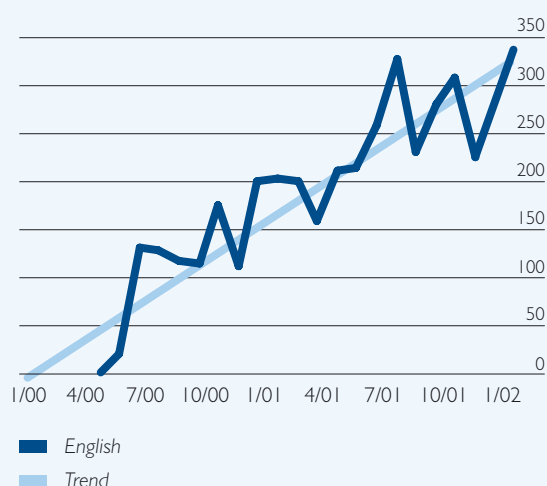
One more indication of increasing interest in an electronic way of working is the fact that at the TEL training days arranged for customers in the Autumn, the most popular presentations were those about electronic annual notifications and the e-folder service.

### Electronic in-house

Varma-Sampo also utilises electronic potential and networking extensively in its in-house operations. The goal is that the customer gets smooth, efficient and most importantly, swift and error-free service.



Hits at the English-language section of [www.varma-sampo.fi](http://www.varma-sampo.fi) 2000–2001



### Case Danisco

Danisco Finland handles its employment pension issues through varma-sampo.fi folder services. The international company produces food ingredients, sweeteners and sugar.

The use of the folder is divided between six people in the company. The file transfer function and group page added in Autumn 2001 are considered very useful by **Pertti Suominen**, Administrative Manager. – We can now get an up-to-date overview of our insurances quickly on the group page.

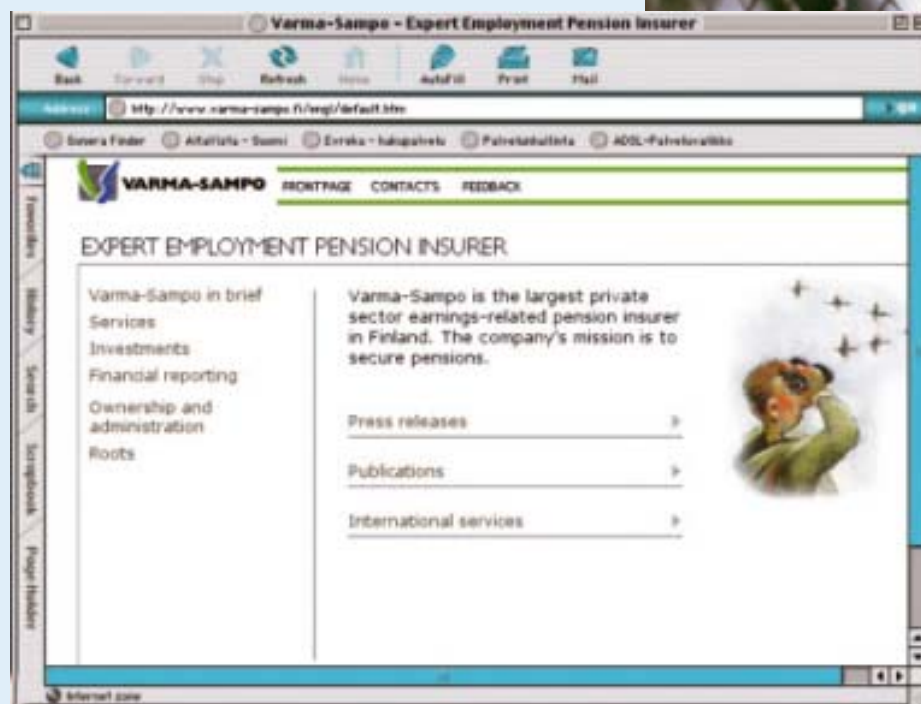
– We are happy to adopt services that have been developed to utilise our existing technology environment. The file transfer function in Varma-Sampo's folder service is a good example.

– The Varma-Sampo service package is a modern tool designed for professionals that meets requirements and is good for handling routine matters, Pertti Suominen says.

– Data security is reliable and the authentication measures are a success from the customer's point of view.



The english language section of www.varma-sampo.fi



# A challenging year for investment operations

## Investment strategy

Varma-Sampo administers a significant pension fund. Successful management of pension assets entrusted to the company requires experience and special expertise in many different fields. At year-end 2001, Varma-Sampo investments were valued at EUR 17.2 billion. Investment income for the year stood at around EUR 173 million.

## Investment risks under control

Varma-Sampo investments are efficiently divided into different types of asset, geographical areas, lines of business, and into companies in different stages of growth. The currency risk on fixed income and equities portfolios is very small, as more than 90 per cent of these investments are denominated in euro.

Varma-Sampo is a long-term investor. The company estimates that higher returns can be achieved by selecting types of asset with higher risk, such as equities and capital trust investments. A portion of the investments in each type of asset is placed in items whose value may vary, even substantially. The share of these investments, however, is limited at a small portion of the investment portfolio.

## Investment portfolio weights remain unchanged

Real economic development weakened during the operating year. The fear of an overheated economy in the early part of the year turned to recession towards the end of the year. Recovery measures were put into place, in the form of bringing down interest rates and through fiscal policy, but the effects were not yet visible in 2001.

The relative shares of different types of asset in Varma-Sampo's investment portfolio remained largely unchanged. The proportion of fixed income increased slightly, and the proportion of equities fell below 20 per cent. The number of investment commitments in capital trusts nearly doubled during the year. The relative proportion of real estate investments remained unchanged at 13 per cent.

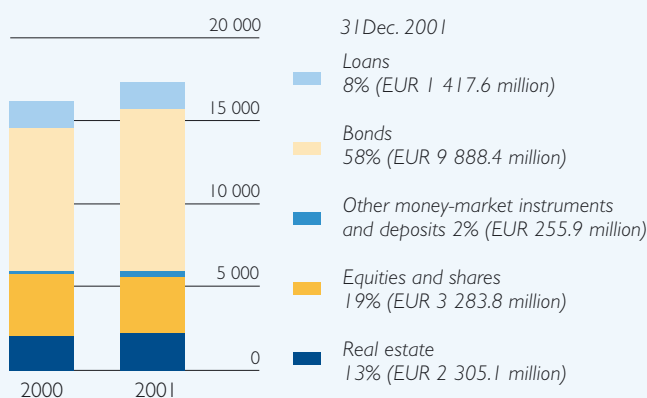
## Fixed income

There was considerable fluctuation in fixed income investments in the year 2001. In the United States, interest rates were cut to their lowest level in 40 years. The interest rate level kept falling throughout most of the year, but finally steadied at the same level as early 2001. Interest rates in mid-term investments rose slightly over the year. Demand for bonds continued to be modest. A large number of corporate bonds was issued in the Euromarket.

Varma-Sampo increased the proportion of corporate bonds in its portfolio throughout the year. At the year-end they accounted for more than one third of bonds. Interest rate differentials between new investments and government bonds remained substantial throughout the year.

In the loan portfolio, the demand for promissory note loans was still fairly modest. The amount of TEL premium loans remained almost unchanged, but the number of investment loans increased. The majority of the loans were bound to the TEL reference rate of interest, and were granted with a guarantee. The proportion of loans with real security increased somewhat.

Investment assets, EUR million



Foreign investments accounted for 62.1% of investment assets.  
Fixed income and equity investments were 93.3% euro-denominated.

## Equities

The return on stock market investments was low for the second year in a row. The valuations of stocks in so-called new economy firms collapsed. Varma-Sampo's equities portfolio yielded a higher return than the reference indexes, but the return on investments was still clearly negative. The differences in return by line of business were significant.

Varma-Sampo continued to diversify its investment portfolio. A better balance of investments was reflected in less price volatility compared with the markets. The share of IT business in the portfolio was halved, and that of the consumer goods sector increased by around 50 per cent. At the year-end, Finnish equity investments still accounted for 60 per cent of the portfolio.

Investment commitments in capital trusts accounted for around 2.7 per cent and net private equity investments around one per cent of the total investment portfolio at the end of the year. Private equity investments have been made in 32 trusts. A quarter of the commitments are in Finnish trusts.



## Investment income

EUR million	Investment income 2001	Invested capital * 2001	Yield on invested capital	
			2001, %	2000, %
Loans	65.2	1 347.0	4.8	4.8
Bonds	470.2	9 468.2	5.0	6.5
Other money-market instruments and deposits	13.8	429.0	3.2	3.8
Equities and shares	-509.0	3 627.1	-14.0	2.4
Real estate	138.7	2 181.8	6.4	6.4
Total investments	178.9	17 053.1	1.0	5.4
Unallocated costs and operating expenses	-5.8			
Total	173.1	17 053.1	1.0	5.3

\* Calculated using time and money weighted return, MWR

## Comparison indexes 2001

Equities	Change, %	Fixed income	Change, %
HEX Portfolio	-22.3	Salomon Euro Government	6.1
HEX All-Share	-32.4	Merrill Lynch Euro Corporate	6.9
Dow Jones Stoxx600	-17.0	Euro High Yield	-14.0
S&P500	-13.0	Global High Yield	3.5
Nasdaq	-21.1	US High Yield Master II	4.5
Topix	-19.6		

## A challenging year for investment operations

### Real estate

Construction continued to be lively in the real estate markets, but fewer new projects were started in the latter half of the year as against the first half. The increase in rent levels halted, but rents remained at an historically high level.

Varma-Sampo made new real estate investments of around EUR 219 million. Income from sales during the year stood at around EUR 43 million. The majority of new investments was in new building projects.

### Varma-Sampo's largest construction projects in 2001

- Kiinteistö Oy Hämeentie 135, Helsinki. Renovation of part of Arabia's industrial premises into commercial and office premises, EUR 37 million.
- Kiinteistö Oy Pharma City, Turku. Product development centre for biotechnology companies, EUR 32.8 million.
- Euromarket shopping centre, Lahti, EUR 29.4 million.
- Kiinteistö Oy Sinihelmi, Espoo, office building, EUR 13.5 million.
- Asunto Oy Värehtehtaanpolku, Vantaa, EUR 8.8 million. (largest residential project)

### Varma-Sampo Group largest equity investments at 31 Dec. 2001

	% of equity portfolio
Sampo plc	17.9 *
Nokia Group	5.0
Stora Enso plc	3.7
UPM-Kymmene Corporation	2.8
Vodafone Group Plc	2.1

Total equity portfolio EUR 3 283.8 million.

\* holding 12.8% as at 31 January 2002



### **Corporate governance is increasingly important**

Varma-Sampo invests knowing its social responsibility. In support of its operating policy, the company drew up new internal guidelines for investment operations in 2001. These take into account the company strategies, putting the interests of long-term shareholders first when selecting new investment objects.

The company must also maintain appropriate relationships with, for instance, personnel, customers and suppliers. Operations must be carried out in an ethical manner, maintaining awareness of a responsibility to society and the environment. With respect to these issues, Varma-Sampo conducts international co-operation with other large pension asset investors.

Varma-Sampo believes that well-managed and properly administered companies have sound prerequisites for achieving higher returns. The company also stands on the idea that a long-term owner should adopt an active rather than passive role in bearing its responsibility.

### **Case Sponsor Capital**

Varma-Sampo private equity investments aim at high returns and efficient diversification of risk. There is co-operation with many private equity investors and one of these is Sponsor Capital Oy.

– We specialise in management buyouts, says **Matti Suutarinen**, Managing Director of Sponsor Capital Oy.

– We invest the assets of Finnish institutions in medium-sized companies with IPO potential after 3 to 5 years of active growth. We aim at a high rate of return through significant and sustainable added value in these companies.

Sponsor Capital selects companies with independent and competent management, operating in a business that offers an attractive growth and profit outlook. Operating policy also includes focusing on just a small number of investments.

The company doubled its investment capital in January 2002 when it established a new capital fund, Sponsor Fund II, with EUR 107 million. Varma-Sampo has also invested assets in the fund.

## **GLOSSARY**

### **Bond**

Contract document promising to repay money borrowed by a company or the government at a certain date, and paying a fixed interest at regular intervals.

### **Corporate bond**

Loan stock officially issued by a company to raise capital, usually against the security of some of its assets.

### **Government bond**

Bonds issued by the central government of a country.

### **Corporate governance**

Organising business operations with reference to interest groups; the management and supervision system of a company.

### **Euromarkets**

The international market for lending or borrowing in euro-currencies, i.e. any currency used for trade within Europe but outside its country of origin.

### **Private equity**

Private equity provides equity capital to unlisted companies. It can be used to develop new products and technologies, to expand working capital, to make acquisitions, or to strengthen a company's balance sheet. It can also resolve ownership and management issues.

Source:

Dictionary of Banking and Finance

# We bear a great social responsibility

## Securing pensions

Varma-Sampo's mission is to secure pensions. Success is promoted by our core values – achievement, co-operation and development. Varma-Sampo takes care of employment pension cover, actively develops the statutory earnings-related pension scheme, invests pension assets profitably and securely, and provides high-quality expertise.

## A mutual company

Varma-Sampo is a mutual company. In the Annual General Meeting policyholders and the insured have the right to vote in proportion with insurance premiums. Varma-Sampo was the first Finnish pension company to grant the insured the right to vote, from 1998.

According to law, half of the members of both the Board of Directors and Supervisory Board of an employment pension company are named by labour market organisations. The extensive representation of labour market organisations further emphasises the company's social responsibility.

Day-to-day operations are built on legislation and applying its interpretation, and require fast, efficient and faultless operation.

## Responsibility for pension assets

As the biggest private sector employment pension insurer in Finland Varma-Sampo bears a great social responsibility. The company pays out pensions to more than 270 000 pensioners and is responsible for the future earnings-related pension cover of nearly 440 000 insured. Including the family members of pensioners and the insured Varma-Sampo secures the livelihood of nearly one million Finns.

## Pension decisions are about livelihood

A pension decision concerns the livelihood of an applicant and must always be made carefully on the basis of laws and other regulations.

Varma-Sampo pension decision activities are based on sound administrative practices. According to these, decisions must be made impartially and in such a way that judicially similar cases result in similar decisions. In making a pension decision, no other purposes can be advanced than those included in the decision-maker's scope of activities and included in the objectives of the applicable law or other regulation.

## Public debate

Pension decision-making has been publicly criticised, and at times quite strongly so. One particular reason is that in economically difficult times, unemployment pension has been used in personnel policy in a way that is in conflict with the goal of extending retirement age.

The public debate has sometimes ignored the extensive socio-economic considerations linked to disability pension decisions, and focused entirely on the medical aspects of the issue.

## Carefully and quickly

Varma-Sampo continuously tracks the time taken to make pension decisions. The goal is to make the decision within a set target period, and any deviations are examined. If decision handling is delayed, for instance due to an extraordinary workload, the customer will be informed as soon as possible.

Any person who is dissatisfied with his or her pension decision can appeal through a two-step process of appeal that is free of charge for the appellant.

## Disability pension issues

Disability pension can be granted to a person who, due to illness, handicap, disorder or injury, is unable to work at a job in line with his or her previous employment history. According to law, the following issues must be examined while making the decision: "the employee's remaining capability to acquire earned income in a job available that he or she can reasonably be expected to do, given his or her education, previous employment, age, living conditions, and other issues comparable with these".

A disability pension decision is made in the light of extensive socio-economic consideration. Decisions are guided by Pensions Board and Insurance Court policy. Making decisions that are as just as possible requires, among other things, that people in a similar situation be granted a similar decision.

The role of the doctor who provides a statement in disability pension decisions has occasionally aroused public discussion. For example, the incorrect impression exists that an insurance doctor sitting behind a desk has sole responsibility for the decision on a submitted pension application.



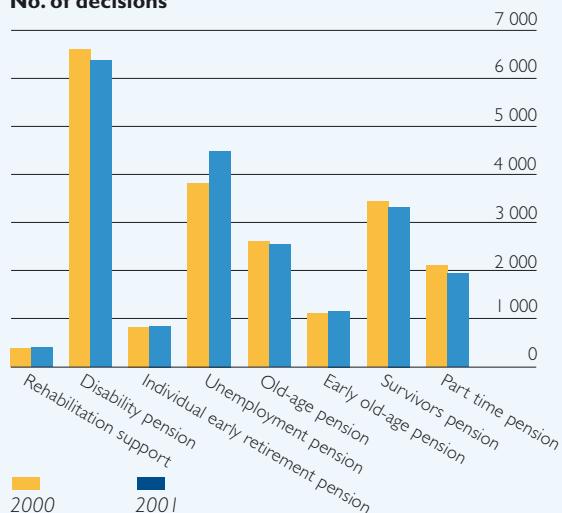
### Varma-Sampo pensioners <sup>\*)</sup>

31 Dec.	2001	2000
Old age pension	142 000	136 000
Survivor pensions	48 000	47 000
Disability pension	43 000	43 000
Unemployment pension	17 000	15 000
Early old age pension	10 000	10 000
Individual early retirement pension	6 000	7 000
Part-time pension	6 000	5 000
<b>Total</b>	<b>272 000</b>	<b>263 000</b>

<sup>\*)</sup> Those receiving YEL pension 28 000

<sup>\*)</sup> Those receiving TEL/YEL additional pension 29 000

**New pension decisions handled at Varma-Sampo, No. of decisions**



### Pension decisions always made by an expert group

A great number of issues besides the purely medical must be taken into account when assessing entitlement to a disability pension. The pension decision is made by a working group that includes specialists from other fields such as insurance law, in addition to the medical experts.

The entire decision process is based on written documentation. This ensures the equivalent handling of all applications and their ability to be checked afterwards. All working phases of the process are documented, and by request, the applicant will receive information about the documents related to their decision.

### Profitably and securely

Varma-Sampo is the largest investor in Finland. The investment assets entrusted to the company totalled EUR 17.2 billion at year-end 2001. Investment income significantly affects the employment pension premium and especially so in the long term.

Varma-Sampo is a dynamic long-term investor. In order to spread and minimise risk, the company has vigorously diversified its investment portfolio into, for instance, equities, bonds and other securities, in different lines of business – both in Finland and internationally.

According to its investment strategy, Varma-Sampo invests in a profitable and secure way, aware of its social responsibility and that to its customers. The goal is to invest in companies whose operating principles include following the legislation in force, respecting human values, being

aware of their social responsibility and that for well-being at their workplace. They must also be in the practice of taking matters of environmental protection into account.



### Ethical principles

Varma-Sampo was the first employment pension company to introduce ethical principles in its investment operations, from 1999 onwards. The Board of Directors has further approved the corporate governance guidelines applied in investment operations. So Varma-Sampo aims to track the administration of companies it has invested in as well as that of potential investment objects, examining the company's ownership, stage of development and line of business.

Varma-Sampo expects companies it has invested in to create added value on the investment. The commitment of management and key personnel that encourages this can be assured using appropriate incentive schemes. Varma-Sampo also emphasises that its company investment objects must have, or create and maintain sustainable relationships with employees, customers and other interest groups.

Varma-Sampo also exercises its voting rights as a shareholder in listed and other limited liability companies, where its ownership amounts to a significant share of the total votes in the company, usually at least one per cent.

# Supporting well-being at work

## Well-being at work is a broad concept

Job satisfaction and coping at work is influenced by the atmosphere of the working community and in the workplace. Well-being at work is also a factor of the society around us.

## Expert services

The continuously expanding field of well-being at work is creating new challenges for corporate management. Although many companies have already done a great deal to improve well-being in their working environment, action has often been taken in separate projects. Addressing the situation as a whole is a complex process, and demand for concrete tools to develop comprehensive solutions is on the rise.

Varma-Sampo offers an expert service known as Evita. It is designed for management in client companies to use in planning the development of well-being at work together with employees. Evita takes an active stance in helping to integrate well-being as an element of daily company routines and builds positive partnership.

## Evita Evaluation

Varma-Sampo developed Evita Evaluation during the year 2001. It is a tool particularly suited to large companies that helps create a realistic overall picture of well-being at work.

Evita experts draw up a report and recommend measures to be taken after discussions and evaluation. The report helps management prioritise areas important to the company's future success.

Evita Evaluation was carried out in around 30 client companies last year, and the feedback has been positive.



## Stress and exhaustion

Varma-Sampo published a new guidebook in Finland towards the end of the year to address this issue. It looks for instance at the important role work plays in our lives and the challenges involved in returning to work following a period of sick leave. The guidebook is available in Finnish and Swedish.

## And on the Internet

The Evita pages at [www.varma-sampo.fi](http://www.varma-sampo.fi) provide information about, among other things, the benefits of well-being at work for the company, the employee and the national economy. There is advice on how to start promoting well-being at work and on activities to follow it up.

## EAP pilot

The general condition and ability of the individual to cope at work is an increasingly important issue for all employers. Varma-Sampo is part of the national Employee Assistance Programme (EAP) started up in Finland in 2001.

EAP is a personnel support programme originating in North America. It aims to help people with difficulties in their private life that may affect behaviour and contribution at work. Problems may stem from areas such as health, family issues, economic situation and emotional state.

## Meeting the challenge of age management

In 2002, Varma-Sampo is working with its client companies to map the new challenges presented by age management. The goal is to identify factors that affect coping at work for people close to retirement. The results of the study will be utilised as background information in developing new services.

## Case Isku

A key objective of Evita is to focus on how people close to retirement cope in working life. In 2001, Evita experts operated with furniture company Isku.

– Our goal was to discover what helps people cope and continue in their closing years at work, says **Jukka Anttonen**, Director.

Those employees participating in the study felt that the most important aspects were that management and supervisors value their work, that there is a positive atmosphere in the working community, and work arrangements are flexible to taking the ageing process into account.

# International services are expanded

## Social security arranged

Varma-Sampo invested in 2001 in perhaps the most demanding and costly aspect of placing staff overseas.

Social security systems are different in all countries, and the cover they provide varies by assignment. In most cases, the assigned worker is legally required to make social security contributions, knowing there will be no benefit entitlement. Even where there is some degree of cover, the benefits rarely match the Finnish level.

## Comprehensive Finnish security

Remaining within the scope of Finland's domestic system is usually the best solution if available. Potential varies depending on whether or not Finland has an arrangement with the target country, and if it is an EU/EEA member.

A company that sends a member of staff to work overseas needs a great deal of information about the many details involved. This information is available at Varma-Sampo.

## Overseas assignment is a big step

When a company is considering sending a member of staff to work overseas, it should first examine carefully whether it is an absolute necessity. The costs incurred may be many times greater than those of employing locally.

However, overseas assignment is often the best way for a company to get something done the way it wants in the target country. Furthermore, the experience is likely to produce fresh know-how.

## Moving needs real organization

Once the decision to assign overseas assignment has been taken, an often complex process begins. Issues related to the job itself tend to be smaller than those involved in actually moving abroad, working there and making practical housing arrangements.

Challenges vary from country to country and there are many specific aspects to consider. Common examples include the duration of the assignment, is the employee moving with a family and school-aged children, and dealing with housing abroad and in Finland.

## Case Silta

Varma-Sampo international services expanded at the beginning of 2002, as Silta Oy, a participating interest, extended its operations to cover overseas assignments.

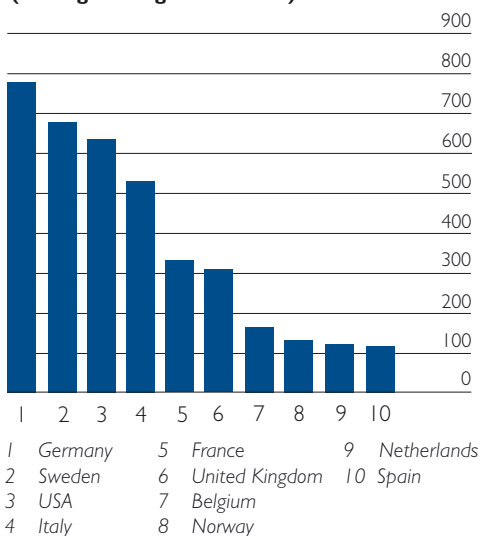
Varma-Sampo will continue to handle social security and complementary insurances as it has, while Silta focuses more on other aspects.

– We concentrate on arrangements like salary assessment, taxation, housing and moving, schools for children, language and cultural training, and so on, explains **Markku Sivonen**, Director of Silta.

The goal of this co-operation is to have a single service provider that allows client companies to outsource this time-consuming work. Varma-Sampo has the opportunity to utilise Silta services beyond social security and complementary insurances to meet the needs of its own clients.

– Companies can buy information about their overseas services from us or let us handle one or more specific assignments. In fact we are ready to take on all of a client's overseas assignment tasks, continues Mr. Sivonen.

Applications concerning assigned workers (10 largest target countries)



Source: Central Pension Security Institute

# Advancing personnel expertise

## Number of personnel

Varma-Sampo employed an average of 618 people in the year 2001. At the year-end, the personnel including permanent staff and those on a fixed-term contract, numbered 616 in the company and 872 in Varma-Sampo Group. A total of 76 per cent of the parent company staff is female.

## A broad spread of expertise

Varma-Sampo provides customer services for policyholders, the insured and pensioners. Its extensive investment operations accumulate pension assets, while the company also assists customers in issues related to well-being at work and insuring overseas workers.

The company employs professionals that specialise in areas such as actuarial mathematics and law, employment pension insurance, and social insurance in general. Administrative skills, financial administration and information technology expertise are also there. Doctors specialising in different fields of medicine make their important contribution.

## The personnel vision that guides development

Varma-Sampo strives for superior expertise. The company guides internal development by understanding its customers' operations and basing continuous development of customer service on that knowledge. Our goal is to operate efficiently with a flexible organisation, leaning on a broad range of staff know-how and co-operation skills.

So it is even more important to pay a great deal of attention to personnel well-being. As a matter of course, we aim to give everybody the opportunity for continuous development. Measures in place to reflect our personnel vision include rewarding top performance.

## High quality through efficiency

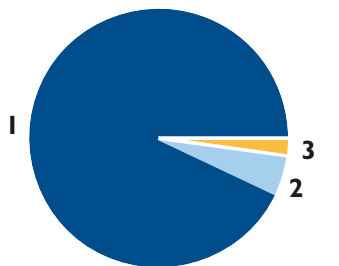
Over recent years, Varma-Sampo has given shape to its operations by setting common goals for the whole organisation. High quality through efficiency is the theme for this year that builds on For the best service in 2001.

Quality thinking is further supported through payment by results. Individual employee targets for 2002 have been agreed in such a way that personal development also advances the company goal of High quality through efficiency. Objectives are agreed upon for every employee each year and linked to our core values of achievement, co-operation and development.

Good customer service combined with efficiency is a challenging goal for the whole personnel. Growing success will require attending to matters such as service attitude, cost-efficiency, swift action and a zero error policy. Smooth co-operation is needed across all levels of the organisation and different units, which backs up the contribution of individuals.

*E-services information content at Varma-Sampo is produced by experts in different fields. Project Manager Tarja Lehtonen presents user statistics to a group of content providers.*

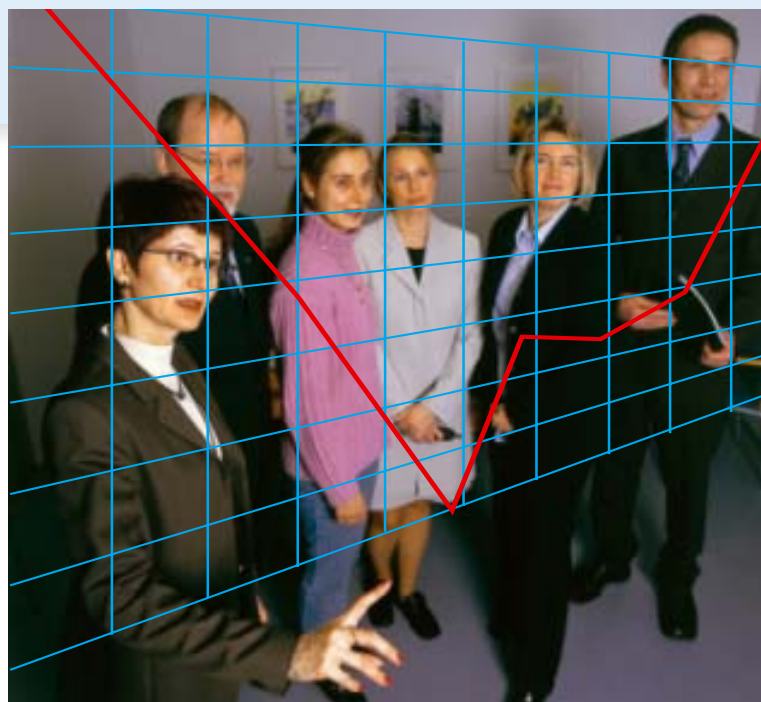
Personnel numbers  
as at 31 Dec. 2001



- 1 In permanent employment 631
- 2 On long leave of absence -30
- 3 Fixed-term employment 15

Total 616

9 employees on an hourly basis  
55 part-time employees, included in permanent employment



# Annual Accounts

## Electronic business

Varma-Sampo invests in producing electronic customer services and the e-folder for insurance customers has received particularly positive feedback. We also launched the first Finnish online service for insurance brokers in order to make our co-operation easier.

Internet services provided by the company must be familiar territory for its personnel, too. Their knowledge of content and how to navigate it effectively for maximum usability is essential, in order to assist customers in getting the most from Varma-Sampo e-services. Our internal way of working further encourages extensive Internet and intranet utilisation in all communications, as well as in specific applications such as electronic archiving and data transmission.

## Quality every day

Quality thinking is intrinsically in line with both Varma-Sampo internal operations and the company's customer services. Varma-Sampo applied the assessment tools of the Finnish quality prize system to help develop its operations in 2001. The company now uses EFQM criteria (European Foundation for Quality Management) for ever more accurate measurement of its level of achievement and development towards excellence.

20 Board of Directors' Report 2001

25 Profit and loss account

26 Balance sheet

28 Statement of source and application of funds

29 Notes to the Annual Accounts

39 Distribution of profit

40 Auditors' report

41 Statement by the Supervisory Board

On pages 20–23, the figures for 1997 presented in the graphs are those of Pension Sampo. Pro forma figures are used for 1998 in the five-year time series presented here, to the extent that it has been possible to calculate them.

## Annual Accounts

In this section, the key parts of Varma-Sampo's Annual Accounts for 2001 are presented in euro.

## Official Annual Accounts

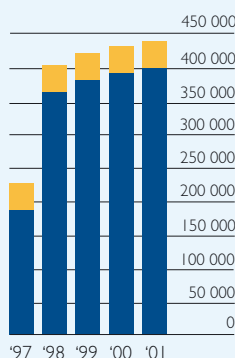
The official Annual Accounts are markka-denominated. The Annual Accounts for 2001 are available at the parent company headquarters, address Annankatu 18, Helsinki.

## Annual General Meeting

The Annual General Meeting will convene on 19 April 2002 at 1:00 pm at the company headquarters, address Annankatu 18, Helsinki.

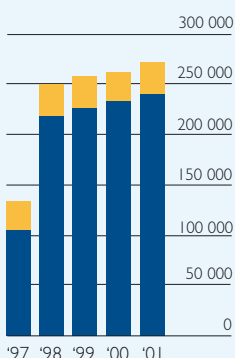
# Board of Directors' Report 2001

Insured persons



YEL  
TEL

Pensioners



YEL  
TEL

## Trends in the economic operating environment

Economic growth slowed rapidly around the world after several years of intensive expansion. The outlook weakened in Finland, too. In Spring last year, around four per cent growth was anticipated for 2001, but that estimate fell to around half a per cent near the end of the year. The international recession meant the value of Finnish exports declined; industrial production decreased somewhat, and the frequency of investments and fall in unemployment slowed.

The US and European Central Banks loosened the monetary policy during the year and cut interest rates at a fast pace. Consequently, both nominal and real interest rates were at an exceptionally low level at the year-end. Stock exchange rates fell and fluctuated intensely for the second year in succession. Helsinki Stock Exchange share values fell on average by one third, mainly due to the heavy weighting of the IT sector. Interest rates on long-term bonds fell in early 2001, but returned to approximately their original levels towards the end of the year. Uncertainty about the recovery of the US and European economies sustained unrest. The growth outlook for the near future was modest.

## Statutory earnings-related pension scheme

The average premium of employees' pension insurance was 21.1 per cent of salaries (21.5 per cent). The employee's share stood at 4.5 per cent (4.7 per cent). The premium under Self-Employed Persons' Pensions Act YEL was 21.0 per cent of confirmed earnings. The calculated interest rate stood at 5.75 per cent, and as of the beginning of 2002, stands at 5.25 per cent.

Legal amendments concerning abolishing the system of registered additional benefits came into effect as of the beginning of 2001, and the insurance premium discount for new entrepreneurs as well as the minimum income limit for the Self-Employed Persons' Pensions Act YEL were altered.

Published in the Spring, the Finnish national age programme follow-up report states that the employment of the elderly has improved in Finland, and people are staying longer in working life. That supports the recommendation by the Ministry of Social Affairs and Health, according to which people should enter working life earlier than at present, continue to work two to three years longer, and retire flexibly. Although development is moving in the right direction, delaying the labour market exit age as per the goals of the government programme requires current actions to continue, in order to promote the elderly employ-

ees' staying at work.

The working party considering the entrepreneurs' pension system proposed, for instance, that the regulations concerning YEL insurance obligation be repealed, excluding the situation in which entrepreneurial activities would no longer accrue more pension.

The central labour market organisations agreed on a proposition in November to develop private sector employment pensions. The aim is for legislation to enter into force on 1 January 2005. Goals include the adaptation of the statutory earnings-related pension scheme to correspond with the changed working conditions and longer lifetime, to support and reward both continuing and coping at work, to delay the average retirement age, and to create prerequisites for combining and simplifying the pension laws concerning private sector employees. If realised, the proposed reform would be the most significant since the employment pension laws were enacted in 1961. The proposition is that retiring on old age pension would take place flexibly between the ages of 62 and 68, work done at over 63 years would attract a so-called incentive accrual of 4.5 per cent per year, some early retirement pension systems would gradually be abolished, the age limit of early old age pension would rise and the age limit for part-time pension would be returned to 58 years. As of the beginning of 2005, wages as the basis for pension would be calculated separately for each employment relationship, taking into account either the last 10 years of employment as at present, or alternatively considering all working years. The system of one calculation model would be introduced by the year 2011 in a way to be decided on later. The preparation of the pension reform continues in different working parties.

The Finnish Government announced to Parliament that it would propose the integration of around 130 000 pensioners' employment pension be revised. This will affect pensioners whose employment pension was cut earlier, due to the integration of the national pension, and for whom the basic level of national pension was progressively abolished during the years 1996–2000. The payment of compensations will commence in 2003.

The working party appointed to research the issue of increasing the competition within the statutory earnings-related pension scheme submitted its report in February 2002. The working party proposed, for instance, that pension liabilities and working capital related thereto could be transferred to a new pension institution, by mutual agreement between the customer and pension institution, and that it would be possible to change one's employment pension company quarterly.

It was decided on 31 December 2001 that the technical provisions of basic insurance under Employees' Pensions Act TEL would be complemented by around EUR 1.5 billion. This is to take into account prolonged lifetimes by transferring the same amount from the clearing reserve to the old age pension reserve.

The premium loans to be granted as of March 2002 will have a 0.3 per cent interest rate margin, but granting loans will no longer reduce client bonuses. Nevertheless, the interest is always at least 4.0 per cent.

### Financial review

The profitability or financial position of an employment pension company cannot be assessed alone on the basis of the profit and loss account, balance sheet, or statement of source and application of funds. The analysis of performance must compare: returns on investments at current values to the yield requirement on technical provisions; operating expenses to administrative costs included in insurance payments; and claims expenditure to corresponding premium income.

Varma-Sampo solvency is indicated by the solvency margin that stood at EUR 2 844.0 million (EUR 3 389.7 million) at the end of 2001, with 19.5 per cent (25.9 per cent) of technical provisions based on solvency requirements. The solvency margin requirements depend on the degree of risk-bearing inherent in a company's investments. The solvency margin at the year-end was 2.4 times (2.9 times), compared with the solvency limit, and remained throughout the year within the target zone as per solvency requirements. The solvency margin comprises capital and reserves of EUR 42.9 million (EUR 38.5 million), an accrual of closing entries (untaxed reserves) of EUR 4.0 million (EUR 16.2 million), the unallocated insurance reserve of EUR 2 037.9 million (EUR 2 111.9 million), and valuation differences of EUR 759.2 million (EUR 1 223.1 million).

Return on investments at current values stood at EUR 173.1 million (EUR 817.6 million), or 1.0 per cent (5.3 per cent). This fell short of the requirement for technical provisions by EUR 566.2 million (in the year 2000 the yield requirement was exceeded by EUR 179.1 million), and this was the main reason for the fall in the solvency margin. Operating expenses were lower than the administrative costs included in insurance payments, and the loading profit stood at EUR 16.0 million (EUR 9.8 million). Claims expenditure was lower than the corresponding premium income, and the insurance business surplus was estimated at EUR 47.4 million (EUR 70.0 million). The company's total result amounted to EUR

–502.8 million (EUR 258.8 million). The book result of the profit and loss account, amounting to EUR 5.4 million, is determined by calculation bases confirmed by the Finnish Ministry of Social Affairs and Health.

The clearing reserve for covering insurance business risks increased by EUR 41.0 million to EUR 760.9 million (EUR 719.8 million).

A total of EUR 42.0 million (EUR 69.0 million), the maximum amount allowed by the calculation bases, was transferred to the bonus reserve. The bonus transfer is around 0.4 per cent (0.7 per cent) of the total payroll of the insured.

The result on the consolidated profit and loss account at EUR –62.1 million, was EUR 67.5 million lower than the parent company result. That was mainly due to the handling of the result of Sampo Insurance Company plc, consolidated as a participating interest in the annual accounts for the year 2000. After the termination of the participating interest relationship, part of the result of Sampo plc was entered in the consolidated annual accounts under a different year than in the parent company's annual accounts.

### Insurance business

The company's premiums written stood at EUR 2 404.2 million (EUR 2 206.9 million), of which basic insurance under the Employees' Pensions Act TEL accounted for EUR 2 277.9 million. A higher rate of employment, together with a rise in income levels, increased the company's payroll for the year 2001 by around 7 per cent over the previous year. Premium income from the Self-Employed Persons' Pensions Act YEL stood at EUR 105.7 million (EUR 97.2 million). Companies that use an insurance broker contributed 11 per cent of the premiums written.

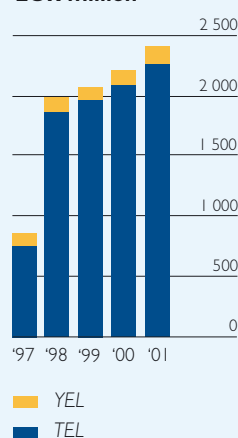
The total value of pensions paid in 2001 stood at EUR 2 192.4 million (EUR 2 022.7 million). Some 20 700 (20 500) new pension applications were handled during the year.

Varma-Sampo was responsible for insuring around 438 000 persons' pension provision at year-end 2001 (430 000). At the year-end, Varma-Sampo paid statutory pensions under the Employees' Pensions Act TEL and the Self-Employed Persons' Pensions Act YEL to 272 000 persons (263 000).

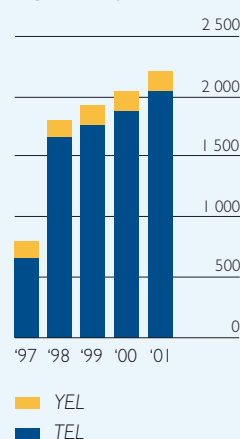
As a part of its well-being at work services, Varma-Sampo was actively involved in many client companies' training events, projects and studies related to working capacity maintenance and well-being at work.

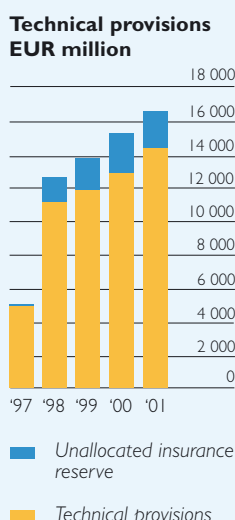
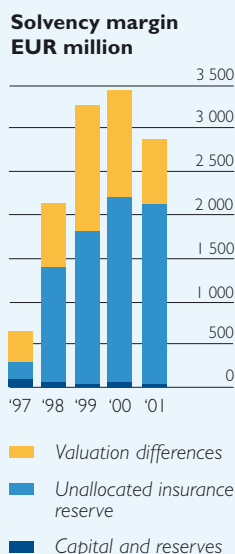
Varma-Sampo strengthened its employment pension services for both Finns working overseas and foreigners working in Finland in order to ensure

Premiums written  
EUR million



Pension paid  
EUR million





watertight pension cover.

**Technical provisions**

Technical provisions grew by EUR 1 361.2 million to EUR 16 686.2 million during the year. A bonus reserve of EUR 107.5 million (EUR 127.2 million) and an unallocated insurance reserve of EUR 2 037.9 million (EUR 2 111.9 million) are included in technical provisions. The equalisation reserve stood at EUR 760.9 million (EUR 719.8 million). Assets valued at EUR 17 443.0 million that form the cover for technical provisions are intended for funding present and future pensions.

The transfer of Leonia pension fund's pension responsibility to Varma-Sampo at the beginning of July 2001 increased the company's technical provisions by EUR 351.8 million, the number of the insured by around 4 200, and the number of pensioners by around 2 600. During the year, Varma-Sampo received a total of EUR 358.2 million in liabilities from four pension funds.

**Investment operations**

All figures for investment activities are presented at current values. The loan portfolio and bonds include transferable interests.

Varma-Sampo investments stood at EUR 17 150.8 million (EUR 16 267.5 million) at the year-end. Investment income stood at EUR 173.1 million (EUR 817.6 million), or 1.0 per cent (5.3 per cent).

Following its investment plan, Varma-Sampo continued to diversify risk mainly within types of asset in 2001.

The loan portfolio amounted to EUR 1 417.6 million (EUR 1 468.8 million) or 8 per cent (9 per cent) of investment assets at year-end 2001. Loans with guarantee made up 76 per cent of the total. A total of around EUR 269 million of new loans was drawn during the year. The loan portfolio yielded a return of EUR 65.2 million (EUR 70.8 million), or 4.8 per cent (4.8 per cent).

Bonds accounted for EUR 9 888.4 million (EUR 8 947.8 million), or 58 per cent (55 per cent) of investment assets at the year-end. Domestic public corporations accounted for EUR 305.7 million (EUR 1 138.1 million) of the bonds, other domestic loans EUR 290.9 million (EUR 408.5 million), overseas public corporation loans EUR 5 959.0 million (EUR 5 101.0 million), and other overseas, mainly corporate loans, EUR 3 332.8 million (EUR 2 300.1 million). The proportion of corporate loans was increased and at the close of 2001 accounted for more than one-third of the company's bond portfolio, marketable on the secondary market. As in the previous year, bonds were 98 per cent euro denominated. The average

risk-weighted credit rating of the bond portfolio was A+. The average term of the bond portfolio was 5.2 years at the end of 2001, as in the year before. The return on bond investments stood at EUR 470.2 million (EUR 531.8 million), or 5.0 per cent (6.5 per cent), while the return on the Salomon Euro Government index stood at 6.1 per cent.

Other money-market instruments and deposits totalled EUR 255.9 million (EUR 216.2 million), or 2 per cent (1 per cent) of investment assets at the year-end, resulting in a return of EUR 13.8 million (EUR 18.8 million), or 3.2 per cent (3.8 per cent).

Most international stock exchange indexes continued to fall in 2001 for the second year in a row. The HEX All-Share Index fell by 32 per cent, HEX Portfolio Index by 22 per cent and Dow Jones Stoxx 600 Index by 17 per cent. The share decline was particularly significant in the so-called new economy sector.

Equities and shares owned by Varma-Sampo stood at EUR 3 283.8 million (EUR 3 482.1 million) at the year-end, or 19 per cent (21 per cent) of the investment portfolio. The decrease in the relative proportion of equities was mainly due to falling stock exchange rates. The value of the overseas equity portfolio stood at EUR 1 365.8 million (EUR 925.9 million), or 42 per cent (27 per cent) of equity investments at the year-end. A total of EUR 168.0 million (EUR 116.6 million) was invested in capital trusts. Unutilised investment commitments to capital trusts amounted to EUR 269.9 million at the year-end. The return on investments in shares was EUR -509.0 million (EUR 74.9 million), or -14.0 per cent (2.4 per cent).

Varma-Sampo Group owned 12.5 per cent (13.1 per cent) of the share capital of Sampo plc at the year-end. This dropped to 8.9 per cent in January 2002, when Varma-Sampo sold Sampo shares to the value of EUR 173 million.

In April 2001, Varma-Sampo sold its holding in Sampo Life Insurance Company Ltd (20.1 per cent of the share capital) to Sampo plc for EUR 185 million.

Varma-Sampo invested EUR 174 million in shares of the Swedish company IfP&C Insurance Holding AB on 2 January 2002. As a result of this restructuring in the Nordic insurance business, the share capital of Sampo Insurance Company plc and Sampo Industrial Insurance Ltd were transferred to If Group ownership on the same day. Ownership of IfP&C Insurance Holding AB was divided as follows: Sampo 38.05 per cent, Storebrand 22.47 per cent, Skandia 19.36 per cent, Varma-Sampo 10.06 per cent, and Skandia Life



10.06 per cent. Together Varma-Sampo and Sampo hold 50 per cent of the votes in If.

Varma-Sampo's real estate portfolio stood at EUR 2 305.1 million (EUR 2 152.7 million) at the year-end, or 13 per cent (13 per cent) of the investment portfolio. Varma-Sampo invested EUR 224.9 million in real estate during the year, selling EUR 52.8 million, so the net investment totalled EUR 172.1 million. The largest real estate investments were Valimotie 9–11 in Helsinki and PharmaCity in Turku, Finland; each valued at around EUR 33 million. The largest item sold was the WeeGee building in Espoo near Helsinki. At the year-end, the total real estate area owned by Varma-Sampo Group amounted to some 1.9 million square metres (1.8 million square metres). The real estate portfolio was divided according to invested capital as follows: office space 28 per cent, business premises 26 per cent, residential flats 19 per cent, industrial facilities 13 per cent, hydropower plants 8 per cent, and other premises 6 per cent.

The return on real estate investments was EUR 138.7 million (EUR 130.1 million), or 6.4 per cent (6.4 per cent). The net return in accordance with the KTI index (Institute for Real Estate Economics) used by real estate investors, including premises for the company's own use, stood at 6.9 per cent (6.7 per cent). The under-utilisation rate of real estates was only 1.6 per cent at the year-end. Varma-Sampo aims to raise the yield level of real estates further, by continuing to sell items with a poor yield or unsatisfactory value increase expectations, by ensuring sufficient yield on new items, and by developing the current real estate portfolio.

During the year, Varma-Sampo used different, mainly standardised interest, currency and stock derivatives listed in the stock exchange for both hedging and increasing returns, in accordance with the principles confirmed by the Board of Directors.

### Total operating expenses

Total operating expenses, including depreciation on fixtures and fittings, rose by five per cent on the previous year to EUR 67.3 million (EUR 64.0 million). Personnel and information management expenses, related to the insurance portfolio and pensions, increased to approximately 81 per cent (80 per cent) of operating expenses. Other elements of operating expenses decreased. The rise in information management expenses was primarily due to the restructuring of pension systems, expansion of the client-specific e-folder service, and euro conversion.

Of the administrative costs included in the

premium, 79 per cent (85 per cent) was allocated to operating expenses funded from these costs. Operating expenses related to investment operations that are covered by the return on investments, amounted to EUR 8.8 million (EUR 7.9 million). The administrative costs of working capacity maintenance funded from disability costs included in the premium stood at EUR 1.3 million

### Introduction of euro

The introduction of the euro currency caused no problems at Varma-Sampo. During the year 2001, the euro was used to some degree, for instance, in investment operations, insurance premiums, and employment relationship salary reports. The statutory earnings-related pension scheme switched completely to euro at the beginning of 2002, following the schedule agreed on in the industry, according to which e.g. data in the employment relationship registers were converted to euro just before the turn of the year. This ensured the faultless operation and accuracy of information systems. Varma-Sampo official Annual Accounts on 31 December 2001 were drawn up in Finnish markka.

### Electronic services

Varma-Sampo continued to invest vigorously in the building and introduction of electronic services in 2001, the goal being to create solutions that customers and co-operation partners can efficiently utilise in their own operations. During the year, the company received positive feedback on its electronic services from both customer satisfaction surveys and general Internet service quality studies. At the annual TEL training days in November 2001, the most popular presentations were those made about electronic annual notifications and the e-folder service.

### Personnel

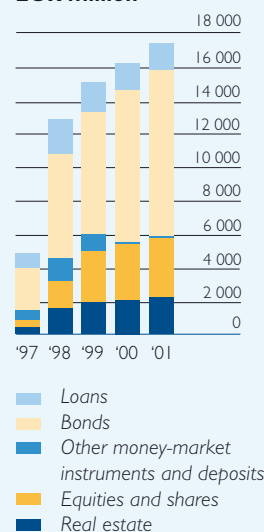
Varma-Sampo's internal corporate image continued to improve among all staff according to a survey carried out in September. The results were also notably better than the Finnish reference level.

Varma-Sampo Group personnel, excluding temporary employment relationships, totalled 772 (811) at the year-end, of which 616 (612) worked in the parent company.

### Risk management

The Insurance Supervision Authority gave an order in the year 2001 on the arrangement of internal supervision and risk management. According to the order, risk supervision and reporting must be handled independently of the risk-bearing function, and goals must be set for internal supervision, the implementation of which is controlled.

Investment assets  
EUR million



Varma-Sampo Board of Directors verified the risk management plan concerning the company's operations. In Autumn 2001, the separate departments charted the risks related to their operations, as well as risk management tools and controls. Arrangements for risk management are described in more detail in the notes.

### **Associated undertakings and participating interests**

At the year-end, Varma-Sampo Group comprised, sub-groups included, a total of 261 subsidiaries and 93 participating interests, mainly real estate firms.

Varma-Sampo Board of Directors approved a plan on 3 December 2001 to merge the company's wholly owned subsidiary Unsa Ltd into the parent company. Unsa Ltd owns 8.5 per cent of the shares of Sampo plc and 20 per cent of the guarantee capital of Kaleva Mutual Insurance Company. A decision on whether or not to proceed will be made at this year's Varma-Sampo Annual General Meeting.

Silta Oy, a participating interest, was established at the beginning of May 2001 by expanding the line of

business of Varma-Sampo subsidiary, Pensionservice Ltd, and adding functions and services from Novo Group plc and the State Treasury. Silta Oy provides services for payroll computation and pension calculation, personnel fund management, personnel reporting, the development of know-how and working capacity maintenance, as well as expatriate services related to international employment relationships. The ownership of the share capital is divided as follows: Novo Group plc 44.9 per cent, Varma-Sampo 39.1 per cent, the Finnish State 10.2 per cent, and Sampo plc 5.8 per cent. Silta Oy owns the whole share capital of Rahastopalvelu RP Oy, previously a Varma-Sampo participating interest. In January 2002, Varma-Sampo sold its shares in SV Benefic Oy, a participating interest, to Silta Oy.

During 2001, Varma-Sampo ownership in Esy Oy increased by 4 percentage points to 70 per cent and in Octel Oy by 2.7 per cent to 50 per cent.

### **Annual General Meeting and administration**

Decisions at the Annual General Meeting are made in proportion to insurance payments. This means

by policyholders with around 76 per cent of the votes, the insured holding some 21 per cent and the guarantee capital owner, Sampo Group, with around 3 per cent of the votes.

The Annual General Meeting on 30 March 2001 re-elected the following Supervisory Board members, whose terms were due to expire: Hans Olof Danielsson, Stig Gustavson, Markku von Hertzen, Jukka Härmälä, Jyrki Juusela, Lauri Lyly, Pentti Nieminen, Pekka Paasikivi and Antti Piippo, and Antti Norrlin was elected to replace Raimo O. Honkanen whose term had expired, each for the term ending at the Annual General Meeting of 2004. Furthermore, Ari Heiniö resigned and Hannu Penttilä was elected to replace him for the term ending in 2002, and Björn Mattsson resigned and Eero Aittola was elected to replace him for the term ending in 2003. Mauri Palvi, Authorised Public Accountant, and Mikael Leskinen, Authorised Public Accountant, were elected as auditors, and KPMG Wideri Oy Ab and Paula Pasanen, Authorised Public Accountant, as Deputy Auditors. The Supervisory Board elected Matti Honkala as its Chairman, and Jukka Härmälä and Pekka Paasikivi as Deputy Chairmen, on 29 May 2001. Jorma Vaajoki resigned from the Supervisory Board as of 30 November 2001.

On 4 December 2001, the Supervisory Board re-elected members Georg Ehrnrooth, Markku Jokinen, Erkki Kangasniemi and Mikko Kivimäki, whose terms were due to expire, and deputy members Mikko Ketonen, Janne Metsämäki and Timo Poranen for the term running from 1 January 2002 to 31 December 2004.

At the request of the Board of Directors, Managing Director Paavo Pitkänen agreed in Summer 2001 to continue in his position after his agreed retirement age at 60 years old, until he is 62 in Summer 2004. It was agreed that the retirement of Mr. Pitkänen would next be discussed in 2003.

### **Future outlook**

The development of capital markets has a crucial effect on Varma-Sampo financial performance and solvency. A gradual up-turn is anticipated, although there are significant uncertainty factors in the global outlook.

Varma-Sampo solvency and risk-bearing capacity remain strong at the beginning of 2002. The diversification of investments will be further intensified to reduce any risk caused by market fluctuations. Varma-Sampo seeks new, long-term income and growth opportunities for the assets of current and future pensioners, through its careful and enterprising selection of investment targets. The beginning of the year 2002 has also been challenging in the capital markets.

### **Varma-Sampo Group as at 21 Feb. 2002**

#### **Associated undertakings**

- Unsa Oy (100%)
- Vasa-Sijoituskiinteistöt Oy (100%)
- Esy Oy (70.0%)
- around 260 real-estate firms

#### **Participating interests**

- Octel Oy (50.0%)
- Kiinteistövarma Oy (49.6%)
- Silta Oy (39.1%)
- around 90 real-estate firms

# Profit and loss account

I Jan. – 31 Dec., EUR million	PARENT COMPANY		GROUP	
	2001	2000	2001	2000
<b>Technical account</b>				
Premiums written	2 404.2	2 207.0	2 404.2	2 207.0
Investment income	1 327.2	1 668.1	1 303.6	1 614.6
Claims incurred				
Claims paid	-1 963.6	-1 810.8	-1 963.6	-1 810.8
Change in claims reserve	-616.1	-517.1	-616.1	-517.1
Liability transfer	96.0	21.1	96.0	21.1
	-2 483.8	-2 306.8	-2 483.8	-2 306.8
Change in premium reserve				
Total change	-745.1	-880.0	-745.1	-880.0
Liability transfer	262.3	39.3	262.3	39.3
	-482.7	-840.7	-482.7	-840.7
Change in uncovered provision				
Obligatory uncovered provisions				
Total change		-31.0		-31.0
Liability transfer		-0.1		-0.1
		-31.1		-31.1
Statutory charges	-3.2	-1.9	-3.2	-1.9
Net operating expenses	-44.3	-43.6	-44.3	-43.6
Investment charges	-680.1	-601.5	-683.5	-615.8
Other technical underwriting expenses	-32.2	-27.4	-32.2	-27.4
<b>Technical underwriting result</b>	<b>5.1</b>	<b>22.0</b>	<b>-21.9</b>	<b>-45.6</b>
<b>Non-technical underwriting result</b>				
Share of participating interests' profit after tax			0.8	170.9
Direct taxes on ordinary activities				
Taxes for the financial year	-8.4	-10.2	-41.6	-9.3
Taxes from previous financial years				13.6
	-8.4	-10.2	-41.6	4.2
<b>Profit/loss on ordinary activities</b>	<b>-3.3</b>	<b>11.8</b>	<b>-62.7</b>	<b>129.5</b>
Appropriations				
Change in depreciation difference	0.1	1.8		
Change in optional reserves	12.1	12.1		
	12.2	13.9		
Income taxes				
Taxes for the financial year	-3.5	-4.0		
Minority interest in the result for the financial year			0.6	0.7
<b>Profit for the financial year</b>	<b>5.4</b>	<b>21.7</b>	<b>-62.1</b>	<b>130.2</b>

# Balance sheet

31 Dec., EUR million	PARENT COMPANY		GROUP	
	2001	2000	2001	2000
<b>ASSETS</b>				
<b>Intangible assets</b>				
Other expenses with long-term effects	1.7	1.7	1.7	1.7
<b>Investments</b>				
Investments in land and buildings				
Land and buildings	1 251.8	1 174.5	2 030.8	1 913.2
Loans to associated undertakings	842.7	790.7	1.0	2.0
	2 094.5	1 965.2	2 031.8	1 915.2
Investments in associated undertakings				
Shares and participations in associated undertakings	189.5	189.6	0.8	1.0
Loans to associated undertakings	66.7	140.5	2.7	2.4
Shares and participations in participating interests	3.3	42.6	3.4	663.7
	259.4	372.6	7.0	667.1
Other financial investments				
Equities and shares	2 600.9	2 315.5	3 029.4	2 244.0
Money-market instruments	9 715.9	8 655.1	9 715.9	8 684.6
Loans guaranteed by mortgages	225.0	174.9	225.0	174.9
Other loans	1 127.4	1 162.9	1 128.5	1 134.2
Deposits	84.0	50.6	84.0	50.6
	13 753.1	12 359.0	14 182.8	12 288.3
	16 107.0	14 696.8	16 221.6	14 870.6
<b>Uncovered liabilities</b>				
Direct insurance operations				
Policyholders	104.3	70.5	104.3	70.5
Other debtors				
Receivables, portfolio transfer	71.7	104.1	71.7	104.1
Other debtors	199.4	158.5	205.0	24.9
	375.4	333.1	381.0	199.5
<b>Other assets</b>				
Tangible assets				
Furniture and fixtures	6.3	7.0	6.3	7.0
Other tangible assets	0.5	0.5	0.5	0.5
	6.8	7.5	6.8	7.5
Liquid assets	26.0	59.4	33.1	73.2
	32.8	66.9	39.9	80.7
<b>Pre-payment and accrued income</b>				
Accrued interest and rent	276.1	298.9	271.7	292.2
Other pre-payments and accrued income	32.8	86.5	33.3	222.5
	308.9	385.4	304.9	514.7
<b>TOTAL ASSETS</b>	<b>16 825.8</b>	<b>15 483.9</b>	<b>16 949.1</b>	<b>15 667.2</b>

31 Dec., EUR million	PARENT COMPANY		GROUP	
	2001	2000	2001	2000
<b>LIABILITIES</b>				
<b>Capital and reserves</b>				
Guarantee capital	11.9	11.9	11.9	11.9
Other reserves	26.4	5.5	26.4	5.5
Profit brought forward	0.1		174.6	66.1
Profit for the financial year	5.4	21.7	-62.1	130.2
	43.7	39.2	150.8	213.7
<b>Accrued appropriations</b>				
Depreciation difference	4.0	4.1		
Optional reserves		12.1		
	4.0	16.2		
<b>Minority interest</b>				
			22.1	28.8
<b>Technical provisions</b>				
Premium reserve	11 100.9	10 355.8	11 100.9	10 355.8
Claims reserve	5 585.4	4 969.2	5 585.4	4 969.2
	16 686.3	15 325.1	16 686.3	15 325.1
<b>Creditors</b>				
Direct insurance operations	7.8	11.6	7.8	11.6
Other creditors	70.2	82.8	66.9	77.0
	78.0	94.4	74.7	88.6
<b>Accruals and deferred income</b>				
	13.8	9.0	15.2	10.9
<b>TOTAL LIABILITIES</b>	<b>16 825.8</b>	<b>15 483.9</b>	<b>16 949.1</b>	<b>15 667.2</b>

# Statement of source and application of funds

I Jan. – 31 Dec., EUR million	PARENT COMPANY		GROUP	
	2001	2000	2001	2000
<b>Operational cash-flow</b>				
Gain (loss) on ordinary activities	5.1	22.0	-21.9	-45.6
Adjustment items				
Changes in technical provisions	1 361.2	1 397.1	1 361.2	1 397.1
Unrealised losses and gains on investments	306.2	343.3	306.2	345.4
Increase/decrease in obligatory uncovered liabilities		31.0		31.0
Depreciation	13.6	14.7	59.8	61.9
Taxes on ordinary activities	-11.9	-14.2	-41.6	4.2
Change in short-term debts	-168.8	-700.3	-158.5	-676.2
Cash-flow before change in working capital	1 505.3	1 093.6	1 505.2	1 117.7
Change in working capital				
Change in short-term receivables	34.2	59.9	28.2	62.4
Change in short-term debts	-11.7	-7.2	-9.6	-9.6
<b>Total operational cash-flow</b>	<b>1 527.8</b>	<b>1 146.2</b>	<b>1 523.8</b>	<b>1 170.5</b>
<b>Investment cash-flow</b>				
Net investments and gains on disposals	-1 561.2	-1 096.4	-1 563.8	-1 119.1
Investments and gains on intangible, tangible and other assets	0.7	0.2	0.7	0.2
<b>Total investment cash-flow</b>	<b>1 560.4</b>	<b>-1 096.2</b>	<b>-1 563.1</b>	<b>-1 118.9</b>
<b>Financing cash-flow</b>				
Interest paid on guarantee capital and other profit distribution	-0.8	-0.8	-0.8	-0.8
<b>Total financing cash-flow</b>	<b>-0.8</b>	<b>-0.8</b>	<b>-0.8</b>	<b>-0.8</b>
<b>Change in liquid assets</b>	<b>-33.5</b>	<b>49.2</b>	<b>-40.1</b>	<b>50.8</b>
Liquid assets, 1 Jan.	59.4	10.3	73.2	22.5
Liquid assets, 31 Dec.	26.0	59.4	33.1	73.2

# Notes to the Annual Accounts

## Accounting principles

The bookkeeping and annual accounts of an insurance company are regulated by the Finnish Act on Employment Pension Insurance Companies, Insurance Companies Act, Accounting Act, Companies Act, and the instructions, regulations and guidelines issued by the Insurance Supervision Authority of the Ministry of Social Affairs and Health. The Annual Accounts have been drawn up in accordance with these guidelines.

## Consolidated accounts

Those subsidiaries in which the Group holds more than 50 per cent of the votes have been consolidated in the consolidated accounts, with the exception of Esy Oy and Unsa Ltd, which have been consolidated using the equity method. The parent company has 221 real estate companies as subsidiaries. In addition, the subsidiary Vasa-Sijoituskiinteistöt Oy has 35 real estate subsidiaries and the subsidiary El-Sam Asunnot Oy has five. The companies comprised in Varma-Sampo's consolidated accounts are listed in the notes to the accounts.

The consolidated accounts have been compiled as combinations of the profit and loss accounts and balance sheets of the parent company and its subsidiaries, from which intra-group income and charges, profit distribution, amounts due to or from Group companies and cross-shareholdings have been eliminated. Subsidiaries acquired during the year are consolidated as from the day of acquisition. Minority interests in the profit or loss for the financial year and in capital and reserves are shown as separate items.

Intra-group cross-shareholdings have been eliminated using the acquisition method. The resulting consolidation difference is allocated to subsidiaries' asset items within the limits permitted by their current values, and depreciated in accordance with the depreciation plans of these asset items. In addition to the planned depreciation for the financial year, value adjustment write-offs have been made in the case of some real estate objects. Revaluations on Group shares are shown in the consolidated balance sheet as a revaluation of real estate owned by a subsidiary. No such adjustments were made in the year 2001.

Copies of the consolidated accounts are available at the parent company headquarters, address Annankatu 18, 00120 Helsinki.

## Investments in participating interests

Companies intended for long-term holding in which the Group holds 20–50 per cent of votes are included in the consolidated accounts using the equity method. Housing and real estate companies have not been treated as participating interests, however. Since the expenses arising from these companies are covered by the maintenance charges collected from their owners, their non-inclusion has a minimal effect on Group profit and non-restricted capital and reserves.

At the closing of the accounts, the Group owned 20.1 per cent of Sampo Life Insurance Company. The entire holding

was sold in April 2001.

The field of activity of subsidiary Pensionservice Ltd. was expanded during the financial year. As a result of the entry of new shareholders, the Group's holding in Silta Oy (formerly Pensionservice Ltd.) declined from 84.6 per cent to 39.1 per cent.

Investments in participating interests are presented in the notes to the balance sheet.

## Valuation and matching of investments and their current values

Investments in land and buildings are entered at the lower of acquisition cost less depreciation, plus revaluation or current value. The probable current value of hydropower plants has been determined using repurchase option prices based on long-term real-yield leaseback arrangements. The sellers of hydropower plants have a repurchase right at these prices once the lease period ends. The current values of land and buildings and real estate shares are determined per item in the manner required by the Insurance Supervision Authority, mainly on the basis of opinions submitted by the company's own experts. The current value of investments in land and buildings is estimated annually. The current values of Arava (state-subsidised) real estate have been derived from market prices in accordance with a circular from the Ministry of Social Affairs and Health. No real estate revaluations have been entered for the year 2001. The value adjustments made are entered in the profit and loss account under value adjustments.

Equities and shares are entered at the lower of acquisition cost or current value. Previous value adjustments on securities are entered in the profit and loss account as value readjustments in respect of the value appreciation. A value depreciation was entered simultaneously. The last available closing prices at the balance sheet date are used as current values for listed securities. The current value of other shares is the purchase price or the probable net realisable value. Investments in capital trusts are entered in the balance sheet at acquisition cost or, if current value is lower at the time of closing, at current value.

Money-market instruments are entered in the balance sheet at acquisition cost, adjusted with the difference between the acquisition cost and the nominal value. The allocation is entered as a deduction or addition in interest income over the maturity of the debt instrument. The amount of allocations entered under acquisition cost is shown in the notes to the balance sheet. Changes in value due to interest rate fluctuations are not entered.

Derivative contracts for hedging purposes are valued together with the hedged item. If no change in value has been entered in the profit and loss account for the hedged balance sheet item, no entry has been recorded in the profit and loss account for the hedging contract, unless the negative value change exceeds the positive value change in the hedging contract. When

a value readjustment has been entered for the hedged item, the value change of the derivative used is entered in its entirety as an expense. Resulting income and expenses are entered as adjustments in value adjustments and re-adjustments. The negative value changes of other derivative contracts are entered in the profit and loss account. The profits and losses resulting from the termination or expiration of contracts are entered as income or expenses for the financial year. Income and expenses from interest rate derivatives are entered under interest income.

Loaned securities are presented in the notes to the balance sheet. The borrower is a clearing company that has provided a guarantee for the loan.

Premium receivables, loans, other receivables and deposits are valued at the lower of nominal value or probable value.

Foreign currency denominated investments are entered at the rate of the day of transaction, and the European Central Bank average rate quoted on 28 December is used as the current value. If the current value on the date of closing the accounts is lower than the acquisition cost, the values of the investments have been adjusted.

The current value and valuation difference of investments are shown in the notes to the balance sheet.

### Depreciation

The acquisition cost of depreciable investments is capitalised and entered as depreciation under expenses during its economic useful life. Revaluation of buildings entered as income is also depreciated according to plan. In some items, value adjustment write-offs have been included. The straight-line depreciation method is applied using the following economic useful lives:

Residential, office and business premises, hotels	40–60 years
Industrial premises and warehouses	25–50 years
Hydropower plant buildings	70 years
Hydropower plant machinery and equipment	30 years
Technical equipment in buildings	10 years
Computer hardware and software	3 years
Motor vehicles	5 years
Furniture and fixtures	10 years
Office machines	7 years
Furniture and fixtures	3 years
Other long-term expenses	5–10 years

The maximum depreciation allowed under the Act on the Taxation of Business Profits has been made in the case of some buildings.

As a general rule, the depreciation period of the buildings of Vasa-Sijoituskiinteistöt Oy Group is 30 years and, if the useful life is less than 20 years, a 7 per cent net expenditure write-off has been applied as the depreciation plan.

### Profit for the year, capital and reserves, and key figures for investments

In an employment pension company, the parent company's profit after taxes in the profit and loss account, is determined by calculation bases confirmed by the Finnish Ministry of Social Affairs and Health. The division of the parent company's capital and reserves between the insurance portfolio and the owners of the guarantee capital is presented in the notes to the accounts.

The return percentages on investments at current values, presented in the Board of Directors' Report, have been calculated from the parent company's figures using the time- and asset-weighted formula mutually agreed upon by employment pension companies.

### Taxes

Tax complying with the tax calculation of the tax form is entered as tax for the financial year on an accrual basis. The avoifiscal tax credit related to dividends received is entered under investment income and presented in the investment income analysis in the notes. Dividends and avoifiscal tax credit are recorded for the financial year in which the dividend distribution was decided. The tax credit is not, however, entered in an amount exceeding the income tax for the financial year.

Imputed tax liability or claim has not been calculated for the accrual of closing account transfers or other temporary differences between book value and taxable value, because the company's net result is determined by calculation bases confirmed by the Finnish Ministry of Social Affairs and Health. Neither has the imputed tax liability or claim been calculated in the mutual real estate companies owned by the Group, because they are not significant for the company in question or the Group. Closing account transfers and valuation differences shown in the notes to the accounts will be entered as income only against expense entries.

### Operating expenses and depreciation by function

In the profit and loss account, the net operating expenses from operations related to the maintenance of compensation and working capacity are included in claims paid, and expenses related to investment management are included in investment charges. The expenses of insurance operations and administration are presented as net operating expenses.

### Pension arrangements

The statutory and supplementary pension coverage for the personnel is arranged through TEL insurance. The Managing Director and his deputy are entitled to retire at the age of 60 as separately agreed. It has, however, been agreed with regard to the Managing Director that his retirement will be discussed in the Board of Directors in 2003, when the possibility of his continuing after the age of 62 years old will be decided on. Pension premiums are entered on an accrual basis.



## Notes to the balance sheet

### INVESTMENTS, PARENT COMPANY INVESTMENTS AT CURRENT VALUE AND VALUATION DIFFERENCES

31 Dec., EUR million	Remaining acquisition cost 2001	Book value 2001	Current value 2001	Remaining acquisition cost 2000	Book value 2000	Current value 2000
Investments in land and buildings						
Land and buildings	456.8	474.8	543.5	450.4	468.4	528.5
Shares in associated undertakings	667.0	675.2	815.6	597.3	605.5	725.0
Other real estate shares	65.9	65.9	71.9	64.7	64.7	71.2
Shares in real estate investment companies	35.9	35.9	37.4	35.9	35.9	37.4
Loans to associated undertakings	780.2	780.2	780.2	738.9	738.9	738.9
Debtors, real estate companies	62.5	62.5	62.5	51.8	51.8	51.8
Investments in associated undertakings						
Shares and participations	189.5	189.5	359.5	189.6	189.6	416.0
Loans	66.7	66.7	66.7	140.5	140.5	140.5
Investments in participating interests						
Shares and participations	3.3	3.3	3.3	42.6	42.6	142.5
Other financial investments						
Equities and shares	2 600.9	2 600.9	2 921.1	2 315.5	2 315.5	2 923.6
Money-market instruments	9 715.9	9 715.9	9 769.8	8 684.6	8 684.6	8 787.5
Loans guaranteed by mortgages	225.0	225.0	225.0	174.9	174.9	174.9
Other loans	1 127.4	1 127.4	1 127.4	1 133.3	1 133.3	1 133.3
Deposits	84.0	84.0	84.0	50.6	50.6	50.6
	16 080.7	16 107.0	16 867.8	14 670.5	14 696.8	15 921.6
The remaining acquisition cost of money-market instruments includes:						
- the difference between the nominal value and acquisition cost, released or charged to interest income	-10.8			-46.7		
- income from index-bound loans	4.9			3.6		
	-5.9			-43.1		
Book value includes						
Other revaluations		26.3			26.3	
Valuation difference (difference between current value and book value)			760.8			1 224.8

## INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND PARTICIPATING INTERESTS, PARENT COMPANY

31 Dec., EUR million

2001

### Shares and participations in associated undertakings

Acquisition cost, 1 Jan.	189.6
Decrease	-0.2
Acquisition cost, 31 Dec.	189.4

### Loans to associated undertakings

Acquisition cost, 1 Jan.	140.5
Increase	1.0
Decrease	-74.8
Acquisition cost, 31 Dec.	66.7

### Shares and participations in participating interests

Acquisition cost, 1 Jan.	42.6
Increase	1.4
Decrease	-40.7
Acquisition cost, 31 Dec.	3.3

### Shares and participations in associated undertakings

31 Dec., 2001	Domicile	Shares, %	Votes, %	Book value EUR million
Esy Oy	Helsinki	70.0	70.0	1.0
Unsa Oy	Helsinki	100.0	100.0	188.4
				189.4

### Shares and participations in participating interests

31 Dec., 2001	Domicile	Shares, %	Votes, %	Book value EUR million
Kiinteistövarma Oy	Helsinki	49.6	49.6	0.1
Silta Oy	Helsinki	39.1	39.1	1.3
Octel Oy	Helsinki	50.0	50.0	1.9
SV Benefic Oy	Helsinki	28.0	28.0	0.1
				3.3

## OTHER INVESTMENTS, PARENT COMPANY

Equities and shares				Equities and shares			
31 Dec. 2001	Shares, %	Book value EUR mill.	Current value EUR mill.	31 Dec. 2001	Shares, %	Book value EUR mill.	Current value EUR mill.
<b>Domestic companies, listed</b>				<b>Domestic companies, unlisted</b>			
Aldata Solution Oyj	3.89	5.3	5.3	Tekla Corporation	3.43	2.6	2.6
Alma Media Corporation 1	1.77	5.2	5.2	Teleste Corporation	4.67	9.9	9.9
Alma Media Corporation 2	2.82	7.1	7.1	Tietoerator Corporation	2.40	59.6	59.6
Amer Group Plc A	2.89	17.5	20.6	UPM-Kymmene Corporation A	0.97	60.9	93.9
Aspo Plc	5.69	1.6	3.1	Uponor Oyj	5.45	28.4	39.1
Aspocomp Group Oyj	5.53	6.8	6.8	Vaisala Oyj A	4.46	14.3	21.0
AvestaPolarit Oyj Abp	0.75	10.4	11.2	Wärtsilä Corporation A	1.70	20.8	20.8
Belton-Yhtiöt Oyj	3.17	1.0	1.0	Wärtsilä Corporation B	1.88	23.2	23.2
CapMan Plc group B	1.16	0.8	1.9	YIT Corporation	7.36	28.5	29.2
Comptel Plc	1.02	3.4	3.4	Other		1.1	1.2
Elisa Communications Corporation	3.08	57.8	57.8	Total		1 136.8	1 426.0
Evox Rifa Group Oyj	4.96	0.5	0.5	<b>Foreign companies, listed</b>			
Exel Oyj	4.88	1.8	2.5	A. Ahlström Corporation	3.87	1.0	1.4
Finnlines Plc	3.53	16.2	16.2	Ahlstrom Corporation B	3.87	19.5	22.1
Fiskars Corporation K	1.68	7.5	7.5	Ahlström Capital Oy	3.87	4.7	5.3
Fiskars Corporation A	2.58	12.2	12.2	Aktia Sparbank Abp	1.04	0.8	0.8
Fortum Corporation	0.81	31.4	32.6	Fingrid Oyj B	12.48	14.0	14.0
Hackman Oyj Abp A	4.18	2.4	2.4	Garantia Insurance Company	17.13	7.1	7.1
Hartwall Oyj Abp A	0.40	5.6	6.1	Helsinki Exchanges Group Ltd	1.85	2.3	2.3
Huhtamäki Oyj	2.72	22.1	24.4	ICL Invia Oyj	1.14	1.7	1.7
Instrumentarium Corporation	2.97	26.6	33.6	Jyväskylä-Helmi Oy	16.00	8.7	8.7
J.W. Suominen Group Oyj	4.26	4.0	4.0	Kaleva Mutual Insurance Company	30.00	2.6	2.6
Jaakko Pöyry Group Oyj	4.35	8.0	9.7	Nordben Life and Pension			
Jippii Group Oyj	2.53	0.6	0.6	Insurance Company Ltd	10.00	0.8	0.8
JOT Automation Group Plc	2.60	2.2	2.2	Otava-Kuvalehdet Oy	14.73	8.8	11.8
KCI Konecranes International Abp	2.45	10.5	10.5	Setec Oy	9.93	2.2	6.0
Kemira Oyj	4.07	33.2	33.2	Tornator Oy	7.73	6.7	6.7
Kesko Corporation B	1.46	13.6	13.6	Other		0.5	0.5
Lassila & Tikanoja Plc	4.26	10.4	12.1	Total		81.4	91.9
Lemminkäinen Corporation	2.59	3.9	5.7	<b>Foreign companies, unlisted</b>			
Metso Corporation	3.23	52.0	52.0	A T & T Wireless Group	0.02	6.5	6.5
Metsä Tissue Corporation	2.41	6.0	6.4	ABB Ltd	0.24	8.5	7.7
M-real Corporation A	1.34	16.7	16.7	ABN-Amro Holdings NV	0.02	4.4	4.4
Nokia Corporation	0.12	60.6	171.0	Akzo Nobel N.V.	0.15	20.1	21.5
Nokian Tyres Ltd	3.72	11.4	13.8	Alcatel SA	0.02	5.3	5.3
Novo Group Plc	2.71	2.4	2.4	Allianz AG	0.01	5.3	5.3
Okmetic Oyj	0.65	0.5	0.5	Amgen Inc.	0.02	10.4	10.4
Orion Corporation A	2.60	35.0	35.0	AOL Time Warner Inc.	0.01	18.0	18.2
Orion Corporation B	0.06	0.8	0.8	Autoliv Inc.	0.39	7.8	7.0
Outokumpu Oyj A	1.74	25.7	25.7	Aventis-Xetra SA	0.02	12.7	12.7
Partek Corporation	2.48	11.0	11.0	AXA SA	0.01	5.6	5.6
Perlos Corporation	2.34	14.3	14.3	Banco Santander Central Hispano S.A.	0.01	5.0	5.0
Ramirent Oyj	0.92	0.6	0.6	BASF AG	0.06	13.8	13.8
Rautaruukki Corporation	4.11	23.4	23.4	BG Group Plc	0.02	3.1	3.2
Raute Plc	9.96	3.2	3.2	BNP Paribas SA	0.02	10.1	11.1
Sampo plc	3.96	130.5	193.5	BOC Group Plc	0.14	11.9	12.2
Sanoma-WSOY Oyj B	0.39	6.1	6.1	BT Group Plc	0.00	1.6	1.6
Sonera Corporation	0.48	30.2	30.2	Cable & Wireless Plc	0.04	6.6	6.5
Sponda Oyj	0.18	0.6	0.7	Cap Gemini SA	0.08	8.6	8.6
SSH Communications Security Oyj	2.87	2.4	2.4	Carrefour SA	0.06	25.3	25.3
Stockmann plc A	0.99	7.0	7.0	Casino Guichard Perrachon SA	0.10	7.8	7.8
Stonesoft Corporation	4.14	4.9	4.9	Celltech Group Plc	0.28	10.7	10.9
Stora Enso Oyj A	0.98	89.6	126.7	Compass Group plc	0.12	21.6	22.2
Tamfelt Oyj Abp Etu	2.48	5.8	5.8	Cortefiel S.A.	1.27	6.4	6.4
Tamfelt Oyj Abp Kanta	3.63	8.4	8.4	Danisco A/S	0.65	14.0	15.2
Tamro Corporation	1.52	5.1	6.2	Electrolux AB	0.41	22.5	24.8
Tecnomen Holding Oyj	2.89	2.0	2.0	Elsevier NV	0.18	17.6	17.6
Tecnomen Corporation	1.67	1.7	1.7				

Equities and shares	Shares, %	Book value EUR mill.	Current value EUR mill.
31 Dec. 2001			
Eni S.p.A.	0.02	13.7	13.7
Excel Plc	0.42	15.7	16.1
GlaxoSmithKline plc	0.01	16.4	16.9
Havas Advertising SA	0.45	11.2	11.2
Heidelberger Druckmaschinen AG	0.17	6.1	6.1
Infineon Technologies AG	0.02	3.5	3.5
Kingfisher Plc	0.25	20.8	21.1
Koninklijke Ahold NV	0.08	23.7	24.8
Koninklijke Numico NV	0.36	14.9	14.9
Koninklijke Philips Electronics N.V.	0.05	19.9	19.9
Logica Plc	0.08	4.0	3.9
Merck & Co. . Inc.	0.00	6.0	6.0
MMO2	0.00	0.5	0.6
Nestle SA	0.03	24.3	25.4
Nextel Communications Inc. A	0.03	2.5	2.5
Nordea AB FDR	0.06	9.8	10.1
Novo Nordisk A/S B	0.04	6.0	6.2
Pearson Plc	0.12	12.8	12.9
Pfizer Inc.	0.00	7.8	7.9
Pharmacia Corporation	0.03	21.9	21.3
Pinault-Printemps-Redoute SA	0.03	5.8	5.8
Qiagen NV	0.09	2.8	2.8
Sainsbury (J) plc	0.14	15.1	15.7
Sandvik AB	0.31	19.9	19.4
Schering-Plough Corp.	0.01	4.1	4.3
Serono SA (BR)	0.05	5.8	6.0
Shire Pharmaceuticals Group Plc	0.17	11.3	11.6
Skandinaviska Enskilda Banken	0.12	9.3	8.4
SkyePharma plc	0.41	2.2	2.2
STMicroelectronics NV	0.07	22.2	22.2
Suez Lyonnais Des Eaux SA	0.04	15.1	15.1
Swatch Group	0.32	10.7	11.1
Svenska Cellulosa AB	0.24	10.7	13.9
TDC A/S	0.05	4.0	4.1
Telecom Italia Mobile SpA	0.02	11.6	11.6
Telecom Italia SpA	0.00	1.2	1.2
Telefonica S.A.	0.03	19.0	19.0
Telenor ASA	0.11	9.4	9.5
Tesco plc	0.07	18.2	19.1
TNT Post Groep NV	0.20	23.1	23.7
Total Fina SA	0.01	14.2	14.4
UBS AG	0.02	11.0	11.6
Unilever NV CVA	0.08	23.9	28.2
Vendex KBB N.V.	0.74	8.9	8.9
Verenigde Nederlandse Uitgeversbedrijven NV	0.19	15.2	15.2
Vinci S.A.	0.11	5.9	5.9
Vivendi Environnement SA	0.04	5.5	5.5
Vivendi Universal SA	0.03	18.1	18.1
Vodafone Group Plc	0.03	68.5	68.9
Vodafone Group Plc EUR	0.00	3.2	3.5
Volvo AB B	0.12	10.6	9.9
Other		0.4	0.4
Total		939.5	959.3

Equities and shares	Shares, %	Book value EUR mill.	Current value EUR mill.
31 Dec. 2001			
<b>EQUITY TRUSTS</b>			
Alfred Berg Small Cap Europe B		11.8	11.8
Evli Emerging Technologies B		1.4	1.4
Evli European Smaller Companies B		5.0	5.3
Evli Nordic Smaller Companies A		2.1	2.1
Gyllenberg European Index A		80.0	80.0
Gyllenberg Small Firm B		0.3	0.8
Mandatum Global A		101.7	101.7
Sampo Aasia Osake Kasvu		2.1	2.1
Sampo BioLife Kasvu		2.8	2.8
Sampo Japani Osake Kasvu		57.4	57.4
SEB LUX (F) Teknologifond		8.0	8.0
Seligson & Co APS Far East		2.0	2.4
		274.7	275.8
<b>CAPITAL TRUSTS</b>			
Abingworth Bioventures III B L.P.		3.4	3.4
Access Capital Fund LP II A		0.9	0.9
Access Capital Fund LP II B		0.9	0.9
Access Capital Fund LP II C		2.6	2.6
Access Capital LP		2.7	2.7
Behrman Capital III L.P.		3.7	3.7
Bio Fund Ventures I Ky		1.8	1.8
Bio Fund Ventures II Ky		3.2	3.2
EQT Finland B.V.		1.3	1.3
EQT Northern Europe UK No. 1		14.8	14.8
EQT Scandinavia II B.V.		10.5	9.8
Eqvitec Technology Fund II Ky		0.8	0.8
Fenno Rahasto Ky		6.1	6.1
Finnmezzanine Rahasto I		2.2	2.2
Finnventure rahasto III		2.0	2.0
Finnventure rahasto V Ky		5.9	5.9
Forenvia Venture I Ky		0.5	0.5
Garantia PK-lainarahasto II		0.3	0.3
Gilde Buy-Out Fund II SV-capital		6.9	6.9
Industri Kapital 1994 LP I-IV		5.7	5.7
Industri Kapital 1997 LP I,IV		30.0	30.0
Industri Kapital 2000 LP I-IV		20.5	20.5
Industrial Devel. & Inv. Equity KB		2.4	2.3
MB Equity Fund II		5.9	5.9
MB Mezzanine Fund II		4.8	4.8
Merlin Biosciences Fund LP		2.1	2.1
Nokia Venture Partners II LP		3.1	3.1
Nordic Mezzanine Limited		2.3	2.3
Permira Europe II LP2 (Schroder Ventures)		5.9	5.9
Promotion Capital I Ky		0.4	0.4
Sponsor Fund I Ky		3.2	3.2
Telecomia Venture I Ky		0.4	0.4
Warburg Pincus Private Equity VIII. L.P.		10.3	10.4
WD Power Investment		1.1	1.1
		168.5	168.0
		2 600.9	2 921.0

31 Dec., EUR million	PARENT COMPANY		GROUP	
	2001	2000	2001	2000
<b>LOAN RECEIVABLES ITEMISED BY GUARANTEE</b>				
Bank guarantee	521.9	597.1	521.9	597.1
Guarantee insurance	529.8	474.1	529.8	474.1
Other guarantees	75.7	91.6	76.8	63.0
	<b>1 127.4</b>	<b>1 162.9</b>	<b>1 128.5</b>	<b>1 134.2</b>
<b>TOTAL PENSION LOAN RECEIVABLES</b>				
Loans to associated undertakings	1.1	0.5	1.1	0.5
Other loans guaranteed by mortgages	182.4	131.6	182.4	131.6
Other loan receivables	992.8	1 056.9	992.8	1 056.9
	<b>1 176.4</b>	<b>1 189.0</b>	<b>1 176.4</b>	<b>1 189.0</b>
<b>RECEIVABLES, PORTFOLIO TRANSFERS</b>				
Joint liability receivables	18.4	50.6	18.4	50.6
Receivables from special receivership's estate	53.3	53.5	53.3	53.5
	<b>71.7</b>	<b>104.1</b>	<b>71.7</b>	<b>104.1</b>
<b>TECHNICAL PROVISIONS</b>				
Premium reserve				
Future pensions	8 955.4	8 116.8	8 955.4	8 116.8
Unallocated insurance reserve	2 037.9	2 111.9	2 037.9	2 111.9
Bonus reserve	107.5	127.2	107.5	127.2
Total premium reserve	<b>11 100.9</b>	<b>10 355.8</b>	<b>11 100.9</b>	<b>10 355.8</b>
Claims reserve				
Current pensions	4 824.5	4 249.4	4 824.5	4 249.4
Equalisation amount	760.9	719.8	760.9	719.8
Total claims reserve	<b>5 585.4</b>	<b>4 969.2</b>	<b>5 585.4</b>	<b>4 969.2</b>
Total technical provisions	<b>16 686.3</b>	<b>15 325.1</b>	<b>16 686.3</b>	<b>15 325.1</b>
<b>ADDITIONAL BENEFITS OF STATUTORY PENSION INSURANCE</b>				
Bonus reserve 1 Jan.	127.2	116.6	127.2	116.6
Client bonuses paid during financial year	-61.7	-58.4	-61.7	-58.4
Transfer to bonus reserve	42.0	69.0	42.0	69.0
Bonus reserve 31 Dec.	<b>107.5</b>	<b>127.2</b>	<b>107.5</b>	<b>127.2</b>
<b>SOLVENCY MARGIN</b>				
Capital and reserves	43.7	39.2		
Interest on guarantee capital proposed for distribution	-0.8	-0.8		
Accrued appropriations	4.0	16.2		
Valuation difference between current values on assets and book values of balance sheet items	760.8	1 224.8		
Unallocated insurance reserve	2 037.9	2 111.9		
Intangible assets	-1.7	-1.7		
	<b>2 843.9</b>	<b>3 389.6</b>		
Solvency margin required under the Act on Employment Pension Insurance Companies, Section 17	<b>779.2</b>	<b>768.6</b>		

31 Dec., EUR million	PARENT COMPANY 2001		GROUP 2001	
<b>CAPITAL AND RESERVES</b>				
Guarantee capital		11.9		11.9
Other reserves, 1 Jan.	5.5		5.5	
Profit for the 2000 financial year	<u>20.9</u>	26.4	<u>20.9</u>	26.4
Other profit brought forward	21.7		196.3	
Security reserve	-20.9		-20.9	
Distributed interest on guarantee capital	-0.8		-0.8	
The Board of Directors' expense account	-0.1		-0.1	
Profit for financial year	5.4	5.4	-62.1	112.5
		43.7		138.8
				150.8

#### GUARANTEE CAPITAL

	Number	Book value
Sampo Life Insurance Company Limited	14	2.4
Sampo plc	57	5.6

#### CAPITAL AND RESERVES AFTER PROPOSED PROFIT DISTRIBUTION

Holders of guarantee capital	
Guarantee capital	11.9
Proposed distribution to holders of guarantee capital	0.8
Policyholders	31.0
	<u>43.7</u>

#### DISTRIBUTABLE FUNDS

Profit for financial year		5.4		-62.1
Other capital and reserves				
Other reserves	26.4		26.4	
Profit brought forward	0.1	26.4	174.6	
Optional reserves and depreciation difference			-15.8	185.2
Total distributable funds		31.8		123.0

## Other notes to the Annual Accounts

### LIABILITIES

31 Dec., EUR million		2001	2000
<b>Derivative contracts</b>			
<b>Interest rate derivatives</b>			
Closed			
Forward and future contracts	underlying instrument	1 300.0	
	current value	-21.7	
<b>Interest rate and currency swaps</b>			
Open			
Interest rate and currency swaps	underlying instrument	54.4	54.4
	current value	0.9	3.3
<b>Currency derivatives</b>			
Open			
Currency futures contracts	underlying instrument		52.8
	current value		2.3
<b>Share derivatives</b>			
Open			
Option contracts			
Bought	underlying instrument value		
	of warrants	1.0	
	current value of warrants	0.1	
Valuation principles:			
The current value of interest rate and currency swaps is calculated as net present value of future cash-flow.			
The current value of open forward and future contracts is the market price.			
The current value of closed forward and future contracts is the gain realised thereof.			
The current value of warrants received without consideration is their market price.			
Of open contracts, only interest rate and currency swaps are hedging, others are non-hedging.			
A profit of EUR 1.3 million from hedging currency forward contracts, and a loss of EUR 17.9 million from ended and closed, non-hedging interest rate and share derivatives used during the financial year was entered in the result.			
<b>Loaned securities</b>			
Number		4 334 640	
Remaining acquisition cost		56.3	
Current value		104.5	
Loaned equities are Finnish listed shares.			
All loans are for a fixed term of one year and can be cancelled at any time.			
<b>Investment commitments</b>			
Commitments to subscribe to shares in capital trusts		270.8	176.5
<b>Total amount associated with collective registration for value added taxation</b>			
Deduction from new buildings and renovation of real estates in 1996–2000/1995–1999		10.2	8.7
<b>Total amount associated with collective registration for value-added taxation</b>			
Associated undertakings		3.8	2.8
Participating interests		0.1	0.3
Other		1.0	0.6
		4.9	3.7

## RISK MANAGEMENT

The Insurance Companies Act states that an insurance company must run sufficient internal supervision and risk management systems in relation to its size. The Insurance Supervision Authority proscribes that the Board of Directors takes full responsibility for doing so. The Board must first determine what internal supervision comprises; second, ensure that it is in fact organised; third, make an annual assessment that it is arranged appropriately, and take corrective measures if necessary; fourth, verify common guidelines for internal supervision in the whole group and ensure that they are followed throughout the group; and fifth, approve a risk management plan every year that covers all operations and determines risk management goals for the different organisational functions, sets risk-taking limits, and defines responsibilities, indicators and supervision principles.

At Varma-Sampo, the Board ensures that the appropriate supervisor takes responsibility for his or her area. Each must arrange, maintain and test internal supervision and risk management, and ensure compliance with law and the authorities' orders.

Each division is in turn responsible for seeing that verified strategies, plans, internal rules, and the decisions of the Board and other bodies are followed. Risk limits of and the indicators used are defined separately in each function.

In order to manage any risk that may damage the company, matters such as the following are highlighted: careful decision preparation; the utilisation of experts; insuring and sharing risk; appropriate job descriptions and risk approval routines; spreading operations and tasks; concrete control; IT security and management; personnel training; effective planning and quality processes; and that different backup systems are in place. Risk management aims to ensure that realisation of risks such as loss-of-profit, information, personal risk, property, investment or others will not cause significant financial loss, endanger the continuity of operations or trust in the company.

The results of risk charting carried out by departments in 2001 are being analysed, and work on the related risk management measures continues. A separate risk management committee tracks and guides the organisation of risk management in the different departments of the company.

The most substantial risk regarding the company's result and solvency lies in investment markets, and equities in particular. Risk management of investments requires the definition of risk-taking policy and the acceptable level of risk within the frame confirmed by the Board of Directors; the continuous measurement of risks using selected methods, as well as comparison with the acceptable level, and reporting.

The preparatory, decision-making, and implementing investment function, and the function that supervises investment risks and draws up reports (Financial Administration) have been separated from each other. With further reference to investment risks, the investment risk manager identifies and measures specific risks for different types of investment; draws up scenario and sensitivity analyses relating to the Varma-Sampo result and the company's solvency; supervises compliance with the risk limits, authority and allocation defined for different types of investment by the Board of Directors; and reports regularly.

The total risk of Varma-Sampo investments is measured using the VaR (Value at Risk) model. On a one-month horizon at a reliability level of 97.5 per cent, the figure stood at around EUR 437 million at year-end 2001. This figure describes, measured as a 97.5 per cent probability, the biggest possible decrease in the value of the company's investment portfolio, in a normal market situation over a period of one month. Furthermore, internal revision evaluates internal supervision of revision targets.



# Distribution of profit

The Board of Directors proposes that the EUR 5 380 530.35 profit for the year shown in the balance sheet be disposed as follows:

to be transferred to the security reserve (optional reserve)	EUR 4 490 617.64
to be paid as interest on guarantee capital	EUR 806 040.64
to be transferred to the Board of Directors' expense account	EUR 67 275.17
to be carried over on the profit and loss account	EUR 16 596.90

Helsinki, 21 February 2002

Georg Ehrnrooth

Mikko Kivimäki	Mikko Mäenpää	Markku Hyvärinen
Markku Jokinen	Erkki Kangasniemi	Lasse Laatonen
Jarmo Lähteenmäki	Arto Ojala	Paavo Pitkänen <i>Managing Director</i>
Kari O. Sohlberg	Björn Wahlroos	Pasi Mustonen <i>Chief Actuary</i>

# Auditors' report

## **To the owners of Varma-Sampo Mutual Pension Insurance Company**

We have audited the accounting records, Annual Accounts and administration of Varma-Sampo Mutual Pension Insurance Company for the financial year from 1 January to 31 December 2001. The Annual Accounts, prepared by the Board of Directors and the Managing Director, include the Board of Directors' report, consolidated and parent company profit and loss accounts, balance sheets and notes to the Annual Accounts. Based on our audit we express an opinion on these Annual Accounts and on the pension insurance company's administration.

A supervisory auditor's report dated 6 March 2002 has been issued on the supervisory audit carried out under the supervision of Mauri Palvi, Authorised Public Accountant.

We have conducted the audit in accordance with Finnish Generally Accepted Auditing Standards. Those standards require that we plan and perform the audit in order to obtain reasonable assurance about whether the Annual Accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Annual Accounts, assessing the overall accounting principles used and significant estimates made by the management, as well as evaluating the overall annual account presentation. The purpose of our audit of administration has been to examine that the Supervisory Board, the Board of Directors and the Managing Director have legally complied with the rules of the Insurance Companies Act and the Act on Employment Pension Insurance Companies.

In our opinion, the Annual Accounts have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of annual accounts in Finland. The Annual Accounts give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company result of operations, as well as of the financial position. The Annual Accounts can be adopted and the members of the Supervisory Board, the Board of Directors and the Managing Director of the pension insurance company can be discharged from liability for the period audited by us. The proposal made by the Board of Directors on the distribution of profit is in compliance with the Finnish Insurance Companies Act.

Helsinki, 11 March 2002

Mauri Palvi  
*Authorised Public Accountant*

Mikael Leskinen  
*Authorised Public Accountant*

# Statement by the Supervisory Board

The Supervisory Board has received the Annual Accounts for Varma-Sampo Mutual Pension Insurance Company for the financial year 2001, together with the consolidated accounts and Auditors' report concerning these.

The Supervisory Board states to the Annual General Meeting that it has found no cause for criticism concerning the Annual Accounts, consolidated accounts or Auditors' report.

The Supervisory Board recommends that the Board of Directors' proposal for the distribution of the profit for the financial year be accepted.

Helsinki, 18 March 2002

For the Supervisory Board

Matti Honkala  
*Chairman of the Supervisory Board*

# Key figures

The profitability or financial position of an employment pension company cannot be assessed alone on the basis of the profit and loss account or balance sheet. Because of that and to ease the comparison between them, employment pension companies have agreed on a uniform manner in which to present key figures. This provides comprehensive information about the

extent of the company's operations, result and solvency.

Varma-Sampo commenced operations at their current extent on 1 July 1998. As a result, pro forma figures are used for 1998 as far as it has been possible to calculate them. The figures for 1997 are those of Sampo Pension.

## VOLUME

	2001	2000	1999	1998	1997
Premiums written, EUR mill.	2 404.2	2 206.9	2 075.4	1 984.6	866.2
Turnover, EUR mill.	3 741.2	3 890.4	3 136.4	2 775.1	1 236.3
Number of TEL insured persons	401 500	394 000	383 000	368 000	189 900
Number of TEL insurance policies	26 000	26 000	26 000	26 000	23 000
Number of YEL insurance policies	36 300	36 300	36 000	35 000	34 000
Pension payments, EUR mill.	2 192.4	2 022.7	1 915.7	1 799.6	790.5
TEL payroll, EUR mill.	10 695.9	9 933.9	9 352.6	8 832.4	3 929.9
YEL payroll, EUR mill.	546.9	514.0	505.0	480.0	439.7
Technical provisions, EUR mill.	16 686.2	15 325.1	13 928.0	12 741.1	5 225.1
Balance sheet total at current values, EUR mill.	17 586.6	16 708.8	15 546.8	13 813.3	5 716.0

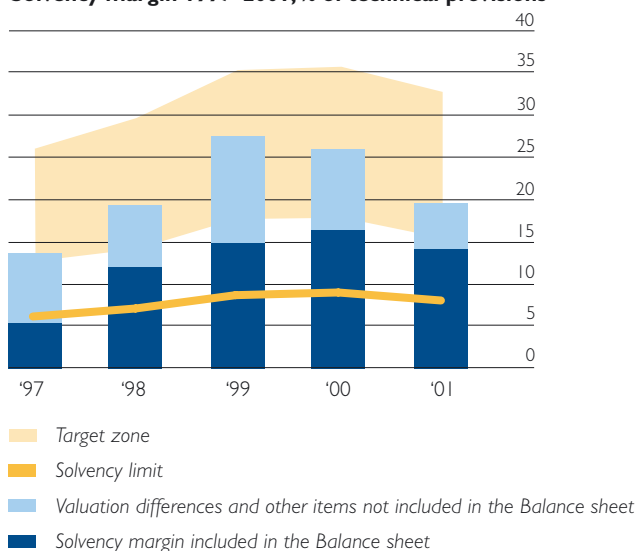
## INVESTMENT INCOME, SOLVENCY AND CLIENT BONUSES

	2001	2000	1999	1998	1997
Investment income at current values, EUR mill.	173,1	817,6	1 524,0	1 114,7	355,9
Yield on invested capital, %	1,0	5,3	11,7		
Solvency margin, EUR mill.	2 844,0 <sup>1)</sup>	3 389,7	3 262,1	2 110,8	624,6
Solvency margin/ technical provisions <sup>2)</sup> , %	19,5	25,9	27,3	18,9	13,3
Solvency margin/ solvency limit	2,4	2,9	3,1	2,7	2,2
Equalisation reserve, EUR mill.	760,9	719,8	644,5	539,9	205,5
Transfer to client bonuses, EUR mill.	42,0	69,0	50,5	50,5	26,1
Transfer to client bonuses/ TEL payroll, %	0,39	0,69	0,54	0,57	0,66

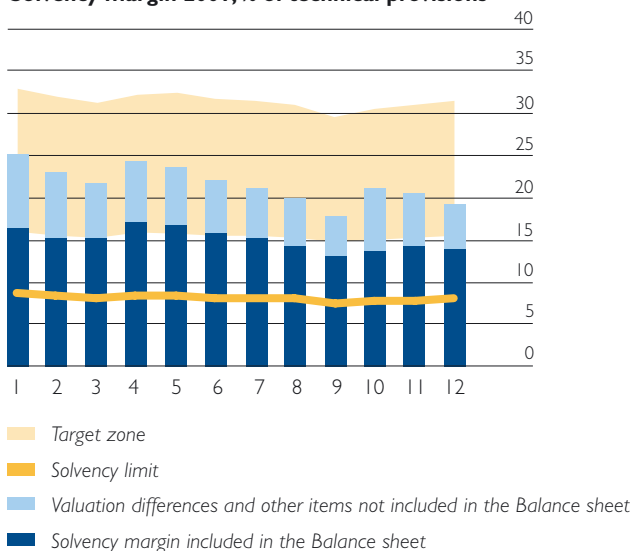
<sup>1)</sup> Includes EUR 41 million of unallocated insurance reserve received as liability transfer

<sup>2)</sup> In accordance with solvency requirements

Solvency margin 1997–2001, % of technical provisions



Solvency margin 2001, % of technical provisions



## PERFORMANCE ANALYSIS

EUR million	2001	2000	1999	1998	1997
<b>Sources of profit</b>					
Insurance business surplus	47.4	70.0	81.4	111.0	48.3
Investment surplus at current values					
Book value	-102.2	414.2	273.3	81.2	68.5
Change in valuation differences	-464.0	-566.2	-235.1	179.1	702.7
Loading profit	16.0	9.8	13.3	8.4	4.0
<b>Total surplus</b>	<b>-502.8</b>	<b>258.8</b>	<b>1 070.7</b>	<b>681.3</b>	<b>177.9</b>
<b>Distribution of profit, change in reserves</b>					
To increase solvency					
Equalisation reserve	<sup>1)</sup> 41.0	70.0	81.4	111.0	48.3
Solvency margin	-586.7	119.1	938.2	519.9	103.6
Transfer to bonus reserve	42.0	69.0	50.5	50.5	26.1
Proposed distribution of profit	0.8	0.8	0.7	0.0	0.0
<b>Total</b>	<b>-502.8</b>	<b>258.8</b>	<b>1 070.7</b>	<b>681.3</b>	<b>177.9</b>

<sup>1)</sup> Clearing reserve of additional pension insurance under TEL exceeded its upper limit by approximately EUR 6 million.

## INVESTMENT YIELD SPECIFICATION AND SURPLUS

EUR million	2001	2000	1999	1998	1997
<b>Direct income</b>					
Loans	65.2	70.7	82.2	105.5	56.2
Bonds	488.8	428.3	319.9	350.0	145.8
Other money-market instruments and deposits	13.8	18.8	40.5	34.6	20.2
Equities and shares	115.3	99.0	62.1	36.3	11.3
Real estate	112.8	102.3	93.0	82.9	18.3
Other	0.0	0.0			
Unallocated costs and operating expenses from investment activities <sup>1)</sup>	9.1	805.1	4.7	723.8	25.4
			623.1	24.9	634.2
					29.6
					281.4
<b>Changes in book value <sup>2)</sup></b>					
Equities and shares	-180.1	348.7	287.3	33.0	39.9
Bonds	30.2	1.8	4.4	13.3	10.9
Real estate	-3.2	-8.2	-60.9	-21.7	-3.9
Other	0.0	-153.2	342.4	230.8	24.6
					46.9
<b>Net investment income in bookkeeping</b>	<b>652.0</b>	<b>1 066.2</b>	<b>853.9</b>	<b>664.8</b>	<b>328.3</b>
<b>Change in valuation differences</b>					
Equities and shares	-444.2	-372.9	1 117.8		
Bonds	-48.8	101.6	-433.6		
Real estate	29.1	35.8	19.3		
Other	0.0	-464.0	0.3	-235.1	-0.8
			702.7	480.7	57.2
<b>Total yield on investment</b>	<b>188.0</b>	<b>831.1</b>	<b>1 556.6</b>	<b>1 145.5</b>	<b>385.5</b>
<b>Required return on technical provisions</b>	<b>754.2</b>	<b>651.9</b>	<b>580.6</b>	<b>583.6</b>	<b>259.9</b>
<b>Investment surplus, book value</b>	<b>-102.2</b>	<b>414.2</b>	<b>273.3</b>	<b>81.2</b>	<b>68.5</b>
<b>Investment surplus, current value</b>	<b>-566.2</b>	<b>179.1</b>	<b>976.0</b>	<b>561.9</b>	<b>125.6</b>

<sup>1)</sup> includes e.g. such items in the profit and loss account not entered in investment income

<sup>2)</sup> sales gains and losses and other changes in book value

## INVESTMENT INCOME

EUR million	Total yield 2001	Invested capital 2001	Yield on invested capital, %		
			2001	2000	1999
Loans	65.2	1 347.0	4.8	4.8	4.9
Bonds	470.2	9 468.2	5.0	6.5	-1.7
Other money-market instruments and deposits	13.8	429.2	3.2	3.8	3.1
Equities and shares	-509.0	3 627.1	-14.0	2.4	86.8
Real estate	138.7	2 181.8	6.4 <sup>1)</sup>	6.4	2.6
<b>Total investments</b>	<b>178.9</b>	<b>17 053.3</b>	<b>1.0</b>	<b>5.4</b>	<b>11.8</b>
Unallocated costs and operating expenses from investment activities	-5.8				
<b>Total yield on investment</b>	<b>173.1</b>	<b>17 053.3</b>	<b>1.0</b>	<b>5.3</b>	<b>11.7</b>

1) Return in accordance with KTI index (Institute for Real Estate Economies) 6.7%

Yield on invested capital has been calculated using time and money weighted return = MWR.

## INVESTMENT ALLOCATION

31 Dec.	2001		2000		1999		1998		1997	
	EUR mill.	%	EUR mill.	%	EUR mill.	%	EUR mill.	%	EUR mill.	%
Loans <sup>1)</sup>	1 417.6	8.3	1 468.8	9.0	1 624.1	10.8	1 881.8	14.6	763.2	15.2
Bonds <sup>1)</sup>	9 888.4	57.7	8 947.8	55.0	7 172.4	47.7	6 138.9	47.6	2 507.5	50.0
Other money-market instruments and deposits <sup>1) 2)</sup>	255.9	1.5	216.1	1.3	997.4	6.6	1 315.9	10.2	493.9	9.9
Equities and shares	3 283.8	19.1	3 482.1	21.4	3 168.6	21.1	1 608.6	12.5	437.2	8.7
Real estate <sup>3)</sup>	2 305.1	13.4	2 152.7	13.2	2 062.9	13.7	1 940.6	15.1	811.9	16.2
<b>Total investments</b>	<b>17 150.8</b>	<b>100.0</b>	<b>16 267.5</b>	<b>100.0</b>	<b>15 025.4</b>	<b>100.0</b>	<b>12 885.8</b>	<b>100.0</b>	<b>5 013.7</b>	<b>100.0</b>

<sup>1)</sup> accrued interest included

<sup>2)</sup> liquid assets included

<sup>3)</sup> capital asset real estate included

## LOADING PROFIT

EUR million	2001	2000	1999	1998	1997
Administrative costs of premium	73.9	65.3	61.4	56.7	32.1
Other income	0.7	0.7	0.5	0.5	0.5
Operating expenses by function <sup>1)</sup>	-58.6	-56.2	-48.6	-48.8	-28.6
<b>Loading profit</b>	<b>16.0</b>	<b>9.8</b>	<b>13.3</b>	<b>8.4</b>	<b>4.0</b>
Administrative costs/ Administrative costs of premium, %	79	85	79	85	88

<sup>1)</sup> excluding costs for working capacity maintenance, and as of 1998 costs of investment operations

# Supervisory Board

Varma-Sampo Supervisory Board comprises 28 members, elected by the Annual General Meeting for a period of three years, so that a maximum of 10 members resigns each year. Seven members of the Board are representatives of major employer organisations and seven represent major employee organisations.

The Supervisory Board elects a Chairman and at least one Deputy Chairman annually. Varma-Sampo Supervisory Board had two Deputy Chairmen in 2001.

The Supervisory Board oversees the company's administration by the Board of Directors and the Managing Director. Moreover, it elects the members and deputy

members of the Board, as well as the Chairman and Deputy Chairmen.

The Supervisory Board submits its statement to the Annual General Meeting, concerning the parent company and Group Annual Accounts and the Auditors' report. In addition, the Supervisory Board confirms the principles of the company's investment plan on an annual basis, and decides on any major reductions or expansions in the company's operations or on significant operational changes. The Supervisory Board also advises the Board of Directors in all matters of significant importance.

The Varma-Sampo Supervisory Board convened on three occasions in 2001.

## Supervisory Board as at 21 February 2002

Chairman (as of 29 May 2001)

**Matti Honkala**, born 1945  
President and CEO,  
Kesko Corporation  
Term expires 2002

Chairman (until 29 March 2001)

**Ari Heiniö**, born 1945  
Term ended 29 March 2001

Deputy Chairman

**Jukka Härmälä**, born 1946  
CEO, Stora Enso Oyj  
Term expires 2004

Deputy Chairman (as of 29 May 2001)

**Pekka Paasikivi**, born 1944  
Chairman, Oras Ltd  
Term expires 2004

Deputy Chairman

(until 30 March 2001)  
**Raimo O. Honkanen**, born 1934  
Term ended 30 March 2001

**Pekka Ahmavaara**, born 1944

Vice President, The Central Organization of Finnish Trade Unions SAK  
Term expires 2003

**Eero Aittola**, born 1942

Term expires 2003

**Seppo Berg**, born 1943

Head of Administration and Finance,  
Finnish Metalworkers' Union  
Term expires 2002

**Hans Olof Danielsson**, born 1942

President, Oy Karl Fazer Ab  
Term expires 2004

**Erkki Etola**, born 1945

Managing Director,  
Oy Etola Ab and Oy Etra Ab  
Term expires 2002

**Stig Gustavson**, born 1945

President and CEO,  
KCI Konecranes International Plc  
Term expires 2004

**Matti Hellsten**, born 1943

Chairman, Finnish Federation of  
Special Service and Clerical Employees  
Term expires 2003

**Markku von Hertzen**, born 1948

Managing Director, Finnish Association of Graduates in Economics and Business Administration  
Term expires 2004

**Erkki Isokangas**, born 1946

Managing Director, Saarioinen Oy  
Term expires 2003

**Jyrki Juusela**, born 1943

President & CEO, Outokumpu Oyj  
Term expires 2004

**Seppo Koskinen**, born 1946

Chief shop steward, Paroc Oy Ab  
Term expires 2003

**Jan-Henrik Kulp**, born 1943

Executive Vice President,  
Senior Financial Advisor,  
UPM-Kymmene Corporation  
Term expires 2002

**Matti Kyytsönen**, born 1949

Managing Director, ISS Suomi Oy  
Term expires 2002

**Jere Lahti**, born 1943

Chairman and CEO,  
SOK Corporation  
Term expires 2003

**Lauri Lyly**, born 1953

Chairman,  
Finnish Electrical Workers' Union  
Term expires 2004

**Björn Mattsson**, born 1941

Term ended 22 March 2001

**Pentti Nieminen**, born 1941

Managing Director, Linkosuo Oy  
Term expires 2004

**Antti Norrlin**, born 1963

Group President,  
Koiviston Auto Corporation  
Term expires 2004

**Hannu Penttilä**, born 1953

Managing Director, Stockmann plc  
Term expires 2002

**Antti Piippo**, born 1947

Founder and Principal Shareholder,  
Elcoteq Network Corporation  
Term expires 2004

**Juha Rantanen**, born 1952

President & CEO, Ahlstrom Oyj  
Term expires 2002

**Antti Remes**, born 1947

President, Tradeka Group Ltd  
Term expires 2003

**Helena Rissanen**, born 1949

2nd President,  
Union of Salaried Employees TU  
Term expires 2002

**Hannu Roine**, born 1942

Group President, Isku Oy  
Term expires 2003

**Christoffer Taxell**, born 1948

President & CEO, Partek Corporation  
Term expires 2003

**Jorma Vaajoki**, born 1949

Term ended 29 November 2001

# Board of Directors

Varma-Sampo Board of Directors comprises 12 members and three deputy members. Board members and deputy members, the Chairman and at least one Deputy Chairman are elected by the Supervisory Board. Members of the Board of Directors are elected for a period of three calendar years, so that four members' terms expire each year. Three Board members and one deputy member are elected from among the candidates suggested by major employer organisations; correspondingly, three members and one deputy member are representatives of major employee organisations.

The Board of Directors is responsible for the company's administration and operational organisation in an appropriate manner. The Board appoints the Managing Director, the Chief Actuary and the Senior Physician. The Board may also appoint a deputy to the Managing Director as well as Executive Vice-Presidents and Directors.

Varma-Sampo's Board convened on thirteen occasions in 2001.

## Board of Directors as at 21 February 2002



Chairman  
**Georg Ehrnrooth**, born 1940  
term expires 2004  
Member of the Boards of Wärtsilä Corporation, Sampo plc, Oy Karl Fazer Ab, Sandvik AB and Nokia Corporation; Chairman of the Board of Assa Abloy AB; Vice Chairman of the Board of Rautaruukki Corporation.



Deputy Chairman  
**Mikko Kivimäki**, born 1939  
President & CEO,  
Rautaruukki Corporation  
Term expires 2004  
Member of the Board of Rautaruukki Corporation; Deputy Chairman of the Board of Metso Corporation; member of the Boards of the Confederation of Finnish Industry and Employers and of YIT Corporation; member of the Board and labour issues committee of the Federation of Finnish Metal, Engineering and Electro-technical Industries; Chairman of the Board of the Finnish Maritime Administration.



Deputy Chairman  
**Mikko Mäenpää**, born 1954  
President, Finnish Confederation of Salaried Employees STTK  
Term expires 2003  
Chairman of the Supervisory Board of the Unemployment Insurance Fund; member of the Supervisory Board of the Education and Redundancy Payments Fund; member of the Economic Council.



**Markku Jokinen**, born 1949  
Managing Director, Sievin Jalkine Oy  
Term expires 2004  
Member of the Council of Representatives and, the Small and Medium Enterprise Council, of the Confederation of Finnish Industry and Employers; Chairman of the Section of Clothing and Footwear of the National Board of Economic Defence; Chairman of the Boards of the Finnish Employers' General Group, Sievi AB, Sievi GmbH and Kiinteistö Oy Sievin Hirvi-  
pojat; member of the Boards of the Association of Finnish Shoe and Leather Industries, Sievin Jalkine Oy, Sievi Marketing Oy and Kiinteistö Oy Kenkäkangas; deputy member of the Sievi municipal government; member of the Supervisory Board of Sievin Osuuspankki.



**Erkki Kangasniemi**, born 1945  
President, The Trade Union of Education in Finland, OAJ  
Term expires 2004  
1st Vice-President of the Confederation of Unions for Academic Professionals in Finland; President of the Finnish Negotiation Organisation for Academic Professionals in the Public Sector; member of the Supervisory Boards of Kaleva Mutual Insurance Company, the Education and Redundancy Payments Fund and Okopankki Oyj; member of the Board of the VVO Group.



**Lasse Laatonen**, born 1950  
Director, the Confederation of Finnish Industry and Employers  
Term expires 2003  
Member of the Boards of the Central Pension Security Institute, LEL Employment Pension Fund and the Federation of Accident Insurance Institutions; Vice Chairman of the Board of the Social Insurance Institution; deputy member of the labour affairs council of the Ministry of Labour.



**Jarmo Lähteenmäki**, born 1957  
Chairman,  
Finnish Paperworkers' Union  
Term expires 2002  
Member of the Supervisory Boards of OKOBANK Osuuspankkien Keskuspankki Oyj and Okopankki Oyj; Vice Chairman of the Supervisory Board of the Finnish Education and Redundancy Payments Fund; member of the Board of the Central Organization of Finnish Trade Unions.





**Arto Ojala**, born 1944  
 Director General, Employers' Confederation of Service Industries in Finland  
 Term expires 2002  
 Member of the Board of the association sponsoring the Finnish Business and Policy Studies; member of the Executive Board of the Centre for Finnish Business and Policy Studies; member of the Board and Executive Board of the Finnish Employers Management Development Institute; member of the Management Board of ProHST; member of the Economic Council and the Council for labour affairs; member of the Management Board of the Unemployment Insurance Fund; Chairman of the Board of The Taxpayers' Association of Finland; member of UNICE Executive Committee.



**Kari O. Sohlberg**, born 1940  
 Term expires 2002  
 Chairman of the Boards of Perlos Corporation, the Finnish Fair Corporation and ADR-Haanpää Oy; member of the Board of G. W. Sohlberg Corporation.



**Björn Wahlroos**, born 1952  
 President & CEO, Sampo plc  
 Term expires 2002  
 Member of the Board of Sampo plc.



**Paavo Pitkänen**, born 1942  
 President & CEO, Varma-Sampo Mutual Pension Insurance Company  
 Term expires 2003  
 Member of the Boards of Partek Corporation, Stora Enso Oyj, Wärtsilä Corporation and Sampo plc; Vice Chairman of the Supervisory Board of Alma Media Corporation; Chairman of the Board of The Finnish Pension Alliance TELA; Vice Chairman of the Board and Management Board of the Federation of Finnish Insurance Companies.



**Markku Hyvärinen**, born 1948  
 Executive Vice-President, Varma-Sampo Mutual Pension Insurance Company  
 Term expires 2003  
 Member of the Board of If P&C Insurance Holding Ltd (publ); Vice Chairman of the Board of Kaleva Mutual Insurance Company; Chairman of the Supervisory Board of Finnair Oyj.

Deputy members:



**Mikko Ketonen**, born 1945  
 Chairman of the Board, TS-Yhtymä Oy  
 Term expires 2004  
 Swedish Consul in Turku; member of the Central Chamber of Commerce of Finland; Chairman of Turku School of Economics Support Foundation; 2nd Vice Chairman of the Turku Chamber of Commerce.



**Janne Metsämäki**, born 1960  
 Legal Adviser, The Central Organization of Finnish Trade Unions  
 Term expires 2004  
 Member of the Management Board of the Finnish Unemployment Insurance Fund; member of the Boards of The Finnish Work Environment Fund and LEL Employment Pension Fund; deputy member of the Board of the Finnish Central Pension Security Institute.



**Timo Poranen**, born 1943  
 President, Finnish Forest Industries Federation  
 Term expires 2004  
 Member of the Boards of the Finnish Employers Management Development Institute, KCI Konecranes International Plc, the Helsinki University of Technology and Wood Focus Oy; member of the Supervisory Boards of OKOBANK Osuuspankkien Keskuspankki Oyj and the Finnish Fair Corporation; Chairman of the Association Directors' Committee of the CEPI; member of the Board of the Finnish chapter of the International Chamber of Commerce; member of the delegation of the Finnish-Swedish Chamber of Commerce; Chairman of the Management Board of the Finnish Rail Administration.

Secretary

**Tuula Kallio**, born 1961  
 Legal Counsel, Varma-Sampo Mutual Pension Insurance Company

# Consultative committees

As a part of our social responsibility, three different consultative committees convene at Varma-Sampo; of the insured, of self-employed persons and employers, and for pension affairs.

**The Consultative Committee for Pension Affairs** is a co-operation body between Varma-Sampo and labour market organisations. Its function is to make recommendations to the company on issues regarding disability pensions and individual early retirement pensions, based on employment pension law. The committee has eight members appointed by the Board of Directors, two of whom represent Varma-Sampo, i.e. the Chairman and Vice Chairman. In addition, there are three other Varma-Sampo representatives participating in the committee's work.

## *Chairman*

**Markku Hyvärinen**, Executive Vice-President,  
Varma-Sampo Mutual Pension Insurance Company

## *Vice Chairman*

**Sakari Tola**, Senior Physician,  
Varma-Sampo Mutual Pension Insurance Company

**Lasse Laatonen**, Director,  
the Confederation of Finnish Industry and Employers

**Sinikka Näätsaari**, Secretary for Social Affairs,  
Central Organisation of Finnish Trade Unions

**Artturi Pennanen**, Secretary General,  
Paperworkers' Union

**Veikko Simpanen**, Secretary of Social Policy Affairs,  
Finnish Confederation of Salaried Employees

**Anja Uljas**, Head of R&D,  
Finnish Association of Graduates in Economics and  
Business Administration

**Riitta Wärn**, Senior Adviser,  
Employers' Confederation of Services Industries in Finland

## *Members participating in committee work:*

**Ilkka Kohonen**, Director,  
Varma-Sampo Mutual Pension Insurance Company

**Marja Korpilahti**, Department Manager,  
Varma-Sampo Mutual Pension Insurance Company

**Osmo Rinne**, Director,  
Varma-Sampo Mutual Pension Insurance Company

**The Consultative Committee of the Insured** is a consultative body that acts as an intermediary between Varma-Sampo and the insured (TEL). Its objective is to further co-operation and communication between the company and employees insured by the company. One of its functions is to provide relevant information on working conditions and changes therein. Varma-Sampo, for its part, provides the committee with the necessary information on its operations, and about current issues, in the field of employment pension insurance. The committee's 28 members represent companies or organisations insured at Varma-Sampo. They are appointed by the Board of Directors, based on the proposals of major central employee organisations.

## *Chairman*

**Seppo Räikkönen**, Imatra Steel Oy Ab  
Finnish Confederation of Salaried Employees

## *Vice Chairman*

**Vesa Hirvonen**, Outokumpu Oyj  
Confederation of Unions for Academic Professionals  
in Finland

## *Representatives of the Central Organization of Finnish Trade Unions*

**Markku Björn**, Sokos Hotels Oy

**Erkki Flink**, Vapo Oy

**Ellen Helo**, Tradeka Group Oy

**Risto Kärkkäinen**, UPM-Kymmene Corporation

**Arja Launamo**, Fazer Suklaa Oy

**Eero Nokelainen**, Metsä Tissue Corporation

**Eero Pennanen**, Assa Abloy Oy

**Erkki Ruotsalainen**, Imatra Steel Oy Ab

**Seppo Räsänen**, Savon Sanomat Oy

**Venho Takkinen**, Koiviston Auto Oy

**Kari Ylikauppila**, Fortum Corporation

**Simo Virolainen**, Honkarakenne Oyj

## *Representatives of the Finnish Confederation of Salaried Employees*

**Jaana Hyväri**, Diacor Terveyspalvelut Oy

**Pirkko Kalttonen**, Stora Enso Oyj

**Matti Kangas**, TietoEnator Corporation

**Tarja Nyman**, Fazer Leipomot Oy, Oululainen

Esko Paunonen, Andritz-Ahlstrom Oy

Sirkka Schenk, Matkahuolto Oy

Leo Suokas, UPM-Kymmene Corporation

Pekka Teinilä, TS-Yhtymä Oy

Ulla Väisänen, If P&C Insurance Company Ltd

*Representatives of the Confederation of Unions for Academic Professionals in Finland*

Kari Halme, Stora Enso Oyj

Jouko Horttanainen, UPM-Kymmene Corporation

Kristiina Inberg-Rauhanen, Kesko Corporation

Kauko Koskinen, Jaakko Pöyry Group Oyj

Heikki Salo, ABB Industry Oy

**The Consultative Committee of Self-employed Persons and Employers** is a joint consultative body that acts as an intermediary between Varma-Sampo and companies, as well as self-employed persons and entrepreneurs, with insurance policies in Varma-Sampo. Its objective is to further co-operation and communication between Varma-Sampo and its policyholders. The committee comprises a maximum of 38 members, appointed by the company's Board of Directors, from among the representatives of employers and self-employed persons insured by the company. The committee convenes at the request of the Chairman or Varma-Sampo's Managing Director.

*Chairman*

Jorma Takanen, President & CEO, Scanfil Oy

*Vice Chairman*

Kaija Ward, Chairman, Eurokangas Oy

Harri Broman, Managing Director, Broman Group Oy

Matti Copeland, Managing Director, Aura Capital Oy

Tom Hakalax, Managing Director, PKC Group Oyj

Kim Hanslin, Managing Director, Tiimari Oyj

Jukka Hyryläinen, Managing Director, Katko Oy Konerauta

Antero Ikkäheimo, Chairman, Lappset Group Oy

Martti Jalonen, Managing Director, Länsiauto Oy and Auto-Jalonen Oy

Jari Kokkonen, President, University Pharmacy

Timo U. Korhonen, Managing Director, NCC Finland Oy

Martti Lappalainen, Managing Director, Suur-Savon Sähkö Oy

Matti Lappalainen, Managing Director, Vaasan & Vaasan Oy

Jussi Länsiö, Managing Director, Hartwall Plc

Timo Miettinen, Chairman, Ensto Capital Oy

Kalervo Nieminen, Managing Director, Nostokonepalvelu Oy

Jari Ollila, Managing Director, Purso Oy

Jukka Ottela, Managing Director, Esan Kirjapaino Oy

Simo Parhankangas, Managing Director, Flextronics Holding Finland Oy

Antti Reenpää, Managing Director, Otava Kustannusosakeyhtiö

Tuomo Räsänen, Managing Director, Carel Capital Oy

Mauri Saarelainen, President, Honkarakenne Oyj

Seppo Saarelainen, Managing Director, Betonimestarit Oy

Teuvo Salminen, Executive Vice President and Deputy CEO, Jaakko Pöyry Group Oyj

Ralf Sandström, Managing Director, Restel Oy

Juha Silvanto, Managing Director, Steveco Oy

Saara Sinivuori, Managing Director, Aleksin Ravintolat Oy

Erkki Solja, Managing Director, Kiilto Oy

Heikki Takamäki, Retailer, Heikki Takamäki Oy / Rauta-Otra Nekala

Reino Uusitalo, Managing Director, Pyroll Oy

John Eric Westö, Administrative Director, Finnish National Opera

Jorma Wiitakorpi, President & CEO, Patria Industries Oyj

Juha Vine, Chairman, Groveswing Oy and Solepex Oy

Tapani Vuorela, Director for the Foundation, The Deaconess Institute in Helsinki

Antti Värtelä, Managing Director, Falck Security Oy

Heikki Väänänen, Chairman, Karelia-Parketti Oy

Pertti Yliniemi, Chairman, Olostunturi Oy

# Management

Managing Director  
**Paavo Pitkänen\***, born 1942  
 President & CEO

Deputy to Managing Director  
**Markku Hyvärinen\***, born 1948  
 Executive Vice-President,  
 Pension Services

**Matti Niemi\***, born 1947  
 Executive Vice-President,  
 Major Accounts

**Sakari Aaltonen\***, born 1952  
 Administration

**Ilkka Kohonen\***, born 1945  
 Pension Services

**Jorma Leinonen\***, born 1946  
 Investments  
 (as of 1 February 2002)

**Jouko Oksanen\***, born 1951  
 Finance

**Hannu Tarvonen\***, born 1952  
 Client Relations and Insurance Services

\* Member of the Executive Group

Hilkka Vainio acted as  
 Employee Representative in 2001.  
 As of 1 January 2002  
 Employee Representative has been  
 Merja Haikonen.

Chief Actuary  
**Pasi Mustonen**, born 1964

Senior Physician  
**Sakari Tola**, born 1946

## Auditors

Supervisory Auditor  
**Mauri Palvi**, born 1951  
 Authorised Public Accountant

**Mikael Leskinen**, born 1949  
 Authorised Public Accountant

Deputy Auditors

KPMG Wideri Oy Ab

**Paula Pasanen**, born 1955  
 Authorised Public Accountant



Paavo Pitkänen



Markku Hyvärinen



Matti Niemi



Sakari Aaltonen



Ilkka Kohonen



Jorma Leinonen



Jouko Oksanen



Hannu Tarvonen



Merja Haikonen

## Other executives

**Ari Anttonen**, born 1962  
 Major Accounts, Client Relations

**Ralf Joutsenlahti**, born 1953  
 Corporate Client Relations

**Jorma Kuokkanen**, born 1953  
 Real Estate,  
 Client Financing and Collection

**Petri Kuusisto**, born 1964  
 Capital Markets

**Taisto Lassila**, born 1940  
 Actuaries

**Veikko Loukola**, born 1943  
 Insurance Services

**Heikki Malin**, born 1944  
 Public Affairs

**Irmeli Otava-Keskinen**, born 1950  
 Information Management

**Erkki Rajaniemi**, born 1959  
 Legal Affairs

**Osmo Rinne**, born 1938  
 Projects

**Jukka Ruuth**, born 1962  
 Internal Auditing

**Jari Salminen**, born 1956  
 Specialist Services

**Marja-Terttu Verho**, born 1947  
 Communications

# Key terminology

## **Bonus reserve**

Part of the premium reserve to which portions of the investment surplus and loading profit have been transferred, on the basis of the company's solvency status, for the payment of future client bonuses.

## **Client bonus**

Rebate payable to policyholders out of the bonus reserve.

## **Equalisation reserve**

The amount of the claims reserve accumulated from the pure premium result and used to equalise any fluctuations in the pure premium result.

## **Expense loading**

Premium component covering the total operating expenses of a pension insurance company, excluding investment management expenses and those for the promotion of working capacity.

## **Insurance premium result**

The underwriting result is the difference between the insurance premium and claims expenditure. A positive insurance premium result accumulates the equalisation reserve and a negative result shrinks the reserve.

## **Investment surplus**

Net investment return at book value, inclusive of the change in valuation differences and interest income entered under other items in the profit and loss account, less the required rate of return on technical provisions.

## **Loading profit**

Expense loading less total operating expenses, excluding investment management expenses and those for the promotion of working capacity. Operational efficiency is measured using a percentage that reflects the expense loading usage rate. The lower the usage rate, the higher the efficiency of operations.

## **Receivables, portfolio transfers**

A deficiency in the technical provisions margin arising from the bankruptcy of Pension Kansa. This represents payments towards joint liability, and claims on the special receiver-ship's estate.

## **Required rate of return on technical provisions**

The required rate of return on investments constituting the technical provisions margin. This so-called calculated rate of interest is confirmed annually by the Finnish Ministry of Social Affairs and Health at the request of the pension insurance companies. The rate stood at 5.75 per cent for the year 2001.

## **Solvency margin**

Net insurance company assets i.e. the excess of assets at current values over liabilities. The solvency margin comprises capital and reserves, the valuation difference and the unallocated insurance reserve.

## **Solvency requirements**

Solvency requirements, or the minimum solvency margin, are calculated on the risks inherent in the investments that make up the technical provisions margin. Solvency requirements are generally calculated in proportion to the technical provisions. The central quantity is represented by the solvency limit, in relation to which are determined the minimum level of the solvency margin, and the target zone. The minimum level of the solvency margin is two-thirds of the solvency limit. The lower limit of the target zone is twice and the upper limit four times, the solvency limit.

## **Technical provisions**

Technical provisions comprise the premium and claims reserves. The premium reserve represents the capital value accumulated by the end of the financial year, of the funded components of pensions in respect of future contingencies. The premium reserve also includes the bonus reserve and unallocated insurance reserve. The claims reserve is the capital value of the funded components of future pensions in respect of contingencies that have already occurred. The claims reserve also comprises the equalisation reserve.

## **Technical provisions to be covered**

Technical provisions plus liabilities in respect of pooled pension expenditure and policyholders, less the premium reserve for self-employed persons' pension insurance.

## **Turnover**

Premiums written before the deduction of credit losses and the reinsurers' share, plus the investment income, other returns and realised valuation gains entered into the profit and loss account.

## **Unallocated insurance reserve**

Part of the premium reserve that is included in the company's solvency margin and contributes to solvency per se. The remaining investment surplus and loading profit are transferred to the unallocated insurance reserve (see Bonus reserve), which serves as a buffer against investment value fluctuations.

## **Valuation difference**

The difference between the current and book values of assets included in the solvency margin. Changes in valuation differences are added to the company's income from investment operations.

# Contact information

Varma-Sampo Mutual Pension Insurance Company  
P.O. Box 1  
FIN-00098 Varma-Sampo, FINLAND

Visiting address and domicile:  
Annankatu 18, Helsinki, Finland  
Business ID 0533297-9

Switchboard +358 10 515 13  
Telefax +358 10 514 4752

Personal e-mail addresses are of the form [firstname.lastname@varma-sampo.fi](mailto:firstname.lastname@varma-sampo.fi)

#### International services

<i>international@varma-sampo.fi</i>	+358 10 514 6759
	+358 10 514 4823
	+358 10 514 6838
	+358 10 514 6895

Communications	+358 10 514 5033
<i>information@varma-sampo.fi</i>	

[www.varma-sampo.fi](http://www.varma-sampo.fi)

Design	Graphic Design Studio Oy Ab
Photographs	Kaius Hedenström and Tuomas Pietinen
Printed by	Frenckellin Kirjapaino Oy
Papers	Oriënt Feutre Jasmin 300 g (cover) Galerie Art Silk 150 g (inside)

[www.varma-sampo.fi](http://www.varma-sampo.fi)

