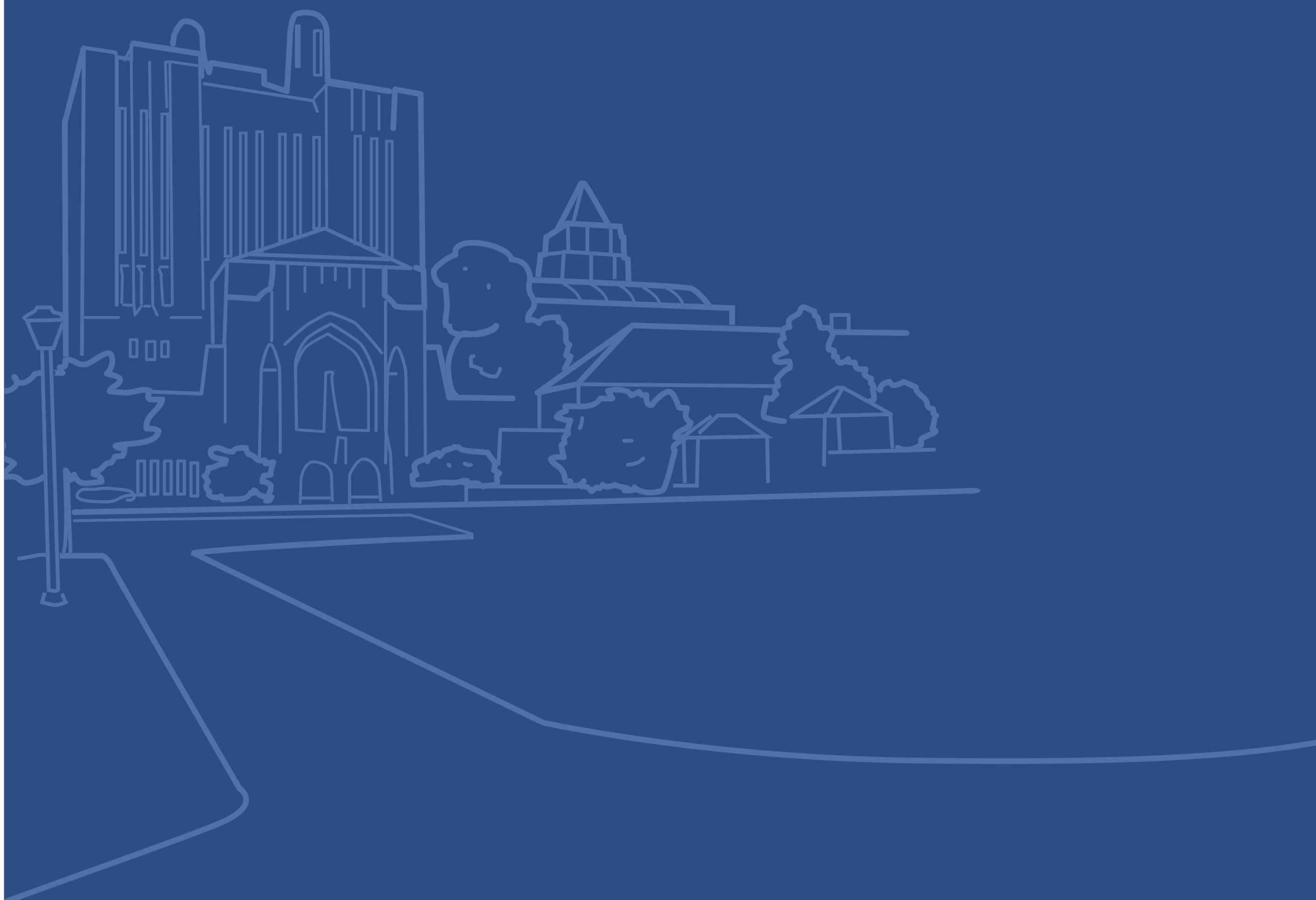
VER

VALTION ELÄKERAHASTO
STATENS PENSIONSFOND
THE STATE PENSION FUND

Annual Report 2010



2010

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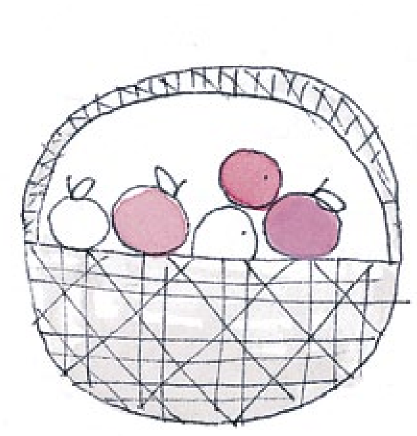
Responsible Pension Investor

The State Pension Fund

The State Pension Fund VER is a fund external to the State budget, established in 1990, whose proceeds the Finnish state uses to prepare for the financing of future pension liabilities and the balancing of pension costs. VER is an investment organisation with the task of managing and investing the assets allocated to it by the state. VER's investment portfolio's market value was EUR 13.9 billion at the end of 2010.

Employers and employees covered by the State Pension Scheme make pension contributions to VER. All state pensions are paid out from appropriations made for that purpose in the national budget.



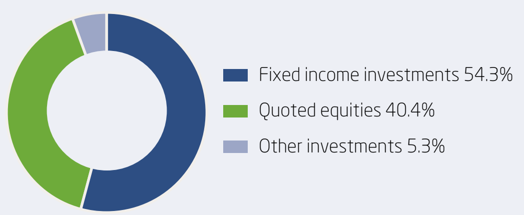
Mission

VER manages the assets entrusted to it for the long term. VER ensures that its investments are secure, deliver a high return, can be converted into cash, and are appropriately diversified and spread.

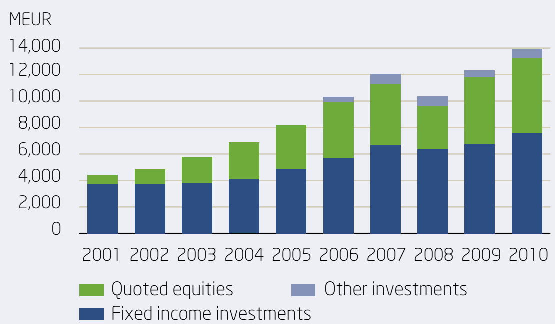
Vision

VER is a respected and successful pension investor, emphasising outstanding professional skills and ethics in all aspects of its operations.

Distribution of VER's investment portfolio on 31 Dec 2010



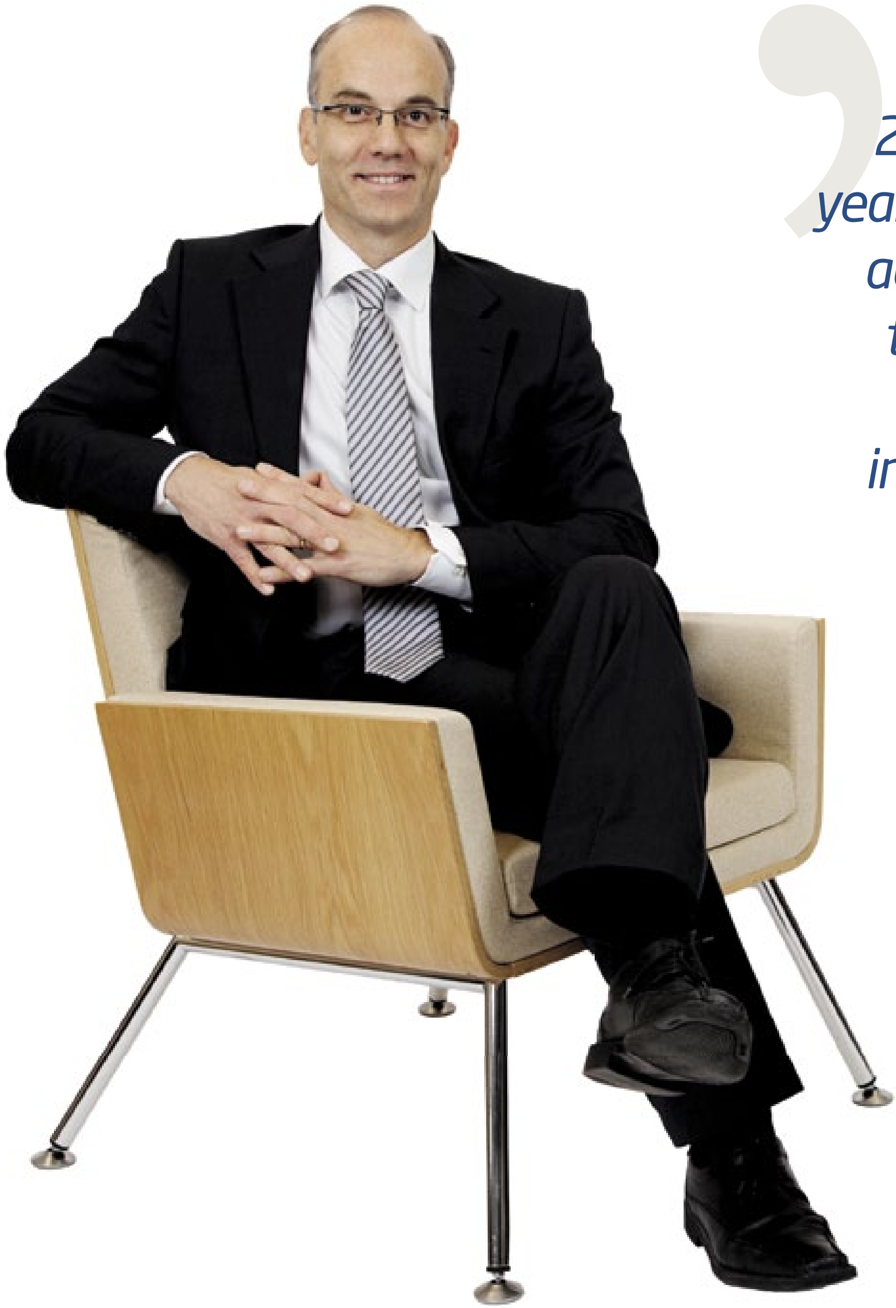
Development of VER's investments 2001-2010



VER 2006–2010

	2006	2007	2008	2009	2010
Total investments (MEUR)	10,306	12,051	10,359	12,318	13,937
Fixed-income investments (MEUR)	5,722	6,707	6,400	6,765	7,574
Fixed-income investments (%)	56%	56%	62%	55%	54%
Equity investments (MEUR)	4,163	4,584	3,183	5,024	5,632
Equity investments (%)	40%	38%	31%	41%	40%
Other investments (MEUR)	420	760	777	529	731
Other investments (%)	4%	6%	7%	4%	5%
Income from investment operations (%)	7.0	1.8	-15.8	16.4	11.7
Fixed-income investments	0.1	1.8	4.4	8.0	3.9
Equity investments	17.4	0.7	-42.8	38.7	23.6
Other investments	6.7	9.5	-11.2	-14.7	8.6
Operating expenses (% of average capital)	0.04	0.04	0.04	0.05	0.05
Personnel	14	16	18	19	19
Income from pension contributions (MEUR)	1,491	1,542	1,597	1,640	1,622
Net premiums (MEUR)	1,496	1,544	271	216	154
Transfer to state budget (MEUR)	0,1	3,5	1,331	1,427	1,473
Balance sheet total (MEUR)	9,185	11,165	11,503	12,049	12,763
Pension liability (MEUR)	79,300	82,700	85,600	88,400	90,600
Funding rate percentage*	13%	15%	12%	14%	15%

* Investments / pension liability



2010 was a successful year for VER's investment activities. We exceeded the benchmark indices for equity and fixed-income investments for the third year in a row already.

Excellent Return on Investments in Difficult Circumstances

2010 was a successful year for VER. Our total return was good and our equity and fixed-income investments yielded clear excess returns in comparison with the benchmark indices. In addition to this, VER's long-term returns have exceeded the average cost of the government debt. With the help of VER, the state is actively preparing for its increasing pension expenditures, and VER's successful investment activities have certainly created added economic value for the state.

The year 2010 was a year of crisis for government bonds. Traditionally, government bonds have been considered to be a risk-free investment option. This belief changed during 2010, when both the Greek and Irish governments had a serious crisis of confidence. Investors could no longer trust in the ability of these economies to deal with their obligations. Investors demanded extra return from risk assets, which in turn resulted in interests in government bonds differing throughout Europe.

VER made many changes in its government bond portfolio in 2010. At the end of the year, VER did not hold any Greek, Irish, Portuguese or Spanish government bonds. Should confidence in these countries be restored, we could reconsider investing in their bonds.

Since the beginning of 2010, university personnel have gradually been transferred to private pension systems. At first, the change only applied to a fraction of the personnel. The transfer will reduce VER's pension contribution income over the next few years. However, in the very long term, the state's pension liability will be reduced. According to current estimates, VER's net premium income – premium income, budget transfers deducted – will turn negative from 2013 onward. Reaching the intended 25 per cent funding ratio is estimated to be delayed for some years. The state's pension expenditure will continue to grow in the future until the estimated peak year of 2030.

In 2010, we took time to outline VER's investment beliefs together with our investment organisation. These investment beliefs help us in communicating our shared principles as an organisation, while at the same time we can communicate these beliefs beyond the organisation.

VER's investment beliefs are based on our core conceptions, such as that a long-term investor can benefit from risk premiums, diversification reduces portfolio fluctuation, and markets are efficient for the most part. In our investment management, we look for excess return from multiple sources, strive to operate cost-effectively, and utilise our own strengths as well as the expertise of our professional personnel. International comparisons of pension managers have shown that organisations with explicit investment beliefs are the most successful.

In 2010, VER became a member of the ICPM, International Centre for Pension Management. ICPM promotes research in pension investment and pension scheme development. We want to be at the forefront of developing investment activities, taking our own activities as our starting point. Every pension investor operates within their own mandate, therefore it is often challenging, if not difficult, to compare pension managers. Nevertheless, developing pension investment in accordance with the best international practices should yield good results.

VER was established in 1990 in order to prepare for the state's pension expenditure. The fund operated within the State Treasury for the first ten years of its existence, and started to operate as an independent organisation in the year 2000. VER has been successful in carrying out its task. We celebrated our first 20 years of operation in 2010 with a jubilee seminar with Keith Ambachtsheer, an esteemed consultant in pension schemes and pension investment, as the keynote speaker. In addition, we published the history of VER which depicted the organisation's journey from its establishment through its various stages of operation.

In spite of the challenging investment markets, we reached a considerable 11.7 per cent return last year. Our excess return in comparison with the equity and fixed income benchmark indices was 1.4 per cent. Our average return for a ten-year period has been 5.5 per cent, which has exceeded the funding cost of the state's net debt, 4.1 per cent on average. Our real return has been 3.9 per cent on average. VER has succeeded in the challenging environment during and after the recent financial crisis. The value of our investment portfolio is higher than before the crisis. We have been able to benefit from the market fluctuations with a long-term investment strategy. This would not have been possible without our skilled staff, to whom many thanks!

Timo Löyttyniemi
Managing Director
State Pension Fund

Key Events in 2010

- VER's investment operations yielded good returns: the portfolio as a whole returned 11.7 per cent; with fixed income investments returning 3.9 per cent and quoted equity investments 23.6 per cent. Other investments recovered from the financial crisis and yielded a return of 8.6 per cent.
- As a consequence of changes in Finland's Universities Act, some university staff were transferred from state employment to the private pension system on 1 January 2010. Therefore VER's pension contribution income was slightly reduced.
- The state's pension liability at the end of the year in 2010 was EUR 90.6 billion. The pension liability will continue to increase for few years but will begin to decline in the early 2020's.
- To celebrate its first 20 years of operation, VER published the history of VER. The book depicts VER's journey from an accounting reserve managed by the State Treasury into a significant investor.
- The State Treasury processed the granting and paying of state pensions until the end of 2010. Matters concerning the state employee pensions and the people processing them were transferred from the State Treasury to Keva on 1 January 2011.

As an independent portfolio investor, VER has successfully balanced the financing of the State's pension expenditure throughout its 20 years of operation.

Stronger Economic Growth Despite the Credit Crisis

The global economy has continued to recover from the recent deep financial crisis and the following downturn in the economy. There has been a certain duality to the recovery: emerging economies have experienced relatively strong growth, while in advanced economies the pace has been more moderate. However, there are also differences among the advanced economies. Good examples in the eurozone are Germany with a nearly 4 per cent GDP growth while Spain is close to having zero growth. China has had to cool down its overheated economy by raising interest rates and bank reserve ratios.

To date, growth has mainly been based on stimulative fiscal and monetary policy. The prospects for the global economy have improved, but long-term effects and the sustainability of economic growth without further supporting measures remains uncertain. As the crisis in Greece culminated into a credit crisis in various countries, the worst indebted countries are under enormous pressure to balance their budgets. Getting control of the generated debts will take several years.

Many countries have been preparing for a phased discontinuation of recovery measures. Some countries have started by either reducing market liquidity or raising the interest rate of their central banks. With regard to fiscal policy, this means expenditure cuts and tax increases. Economic policy will place even more emphasis on securing the long-term sustainability of public economies. Governments will try to avoid future crises by tightening up regulation.

The greatest individual risks to economic growth include permanently high unemployment, another drop in the housing market which has been recovering well, accelerating inflation, and national debts getting out of hand. Increased unemployment has made consumers more careful and may slow down the recovery of consumer spending. In the United States, consumer spending is a significant factor in economic growth, because it makes up roughly 70 per cent of the entire GDP. Housing market developments contribute considerably to consumer asset formation and therefore have a great effect on consumer spending. Accumulated national debt will raise interest rates and thereby also debt servicing costs in the country in question. All in all, the global economy is still very fragile, and national credit crises, especially in Europe, have increased uncertainty in the market.

VER's investment portfolio

At the end of 2010, VER's investment portfolio had a market value of EUR 13.9 billion (EUR 12.3 billion in 2009). At year end, 54.3 per cent of investments were in fixed-income instruments, 40.4 per cent in quoted equities, and 5.2 per cent in other investments.

The total return of the investment portfolio for 2010 was 11.7 per cent (16.4 per cent). The return is calculated in accordance with the recommendations of a working group on calculating return, set up by the Financial Supervisory Authority FIVA and the Finnish Pension alliance Tela, with investment costs of MEUR 6.4 (MEUR 6.0) excluded.

VER's Shareholder Policy

According to the principles of its shareholder policy, VER operates as an independent portfolio investor. VER is a long-term investor and a major shareholder in a number of companies. The companies must ensure increasing the value of their shares in the long term.

VER can best promote the success of these companies by being a responsible shareholder, who keeps track of their operations as well as their success. In 2010 VER participated in general meetings of about twenty Finnish companies. By attending the General Meetings and using its vote, VER can influence matters that are important for the companies and owners.

VER personnel are not involved in the management of listed companies in which the fund has holdings.

Responsible Investment Promotes Sustainable Development

Through its investment activities, VER strives to comply with the objectives of responsible investment as recommended by the Finnish Pension Alliance TELA and promoted by the UN principles for responsible investment. Issues related to environmental responsibility are a key factor in making real estate investment decisions.

When selecting potential investments, VER uses sustainable development indices as a basis for comparing choices. VER's investment decisions are primarily based on expected returns. However, given a case where two companies are equal in this respect, the one that is listed in a sustainable development index will be selected in the portfolio.

Risk Management

The identification, assessment, limitation, and control of risks are key factors in investment operations.

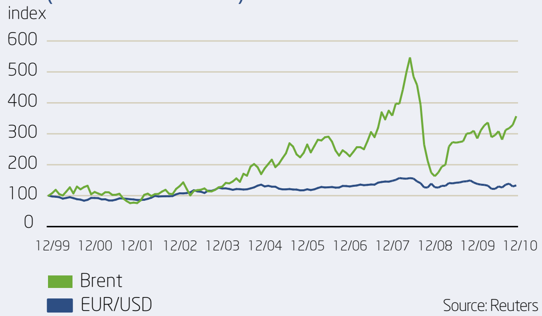
It is the task of risk management to ensure that any risks realised do not cause substantial financial losses, endanger the continuity of operations, or weaken the confidence of stakeholders.

The comprehensive risk management plan applied by VER specifies the most important operational risks, risk management objectives and measures, the limits of risk exposure, responsibilities, indicators, and control principles. In setting of the limits for risk exposure, VER's risk-taking and risk-bearing capacity are taken into account. The risk management plan also takes into consideration outsourced operations.

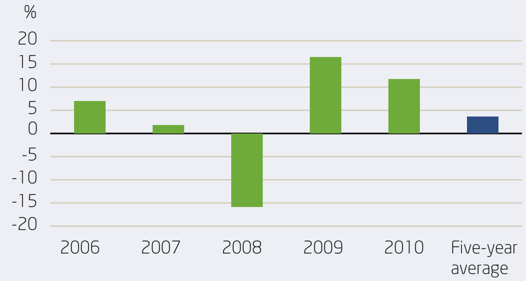
A risk survey was carried out jointly with PwC between 2004 and 2010.

With successful long-term investments, VER has established itself as one of the top pension investors in terms of return on investment.

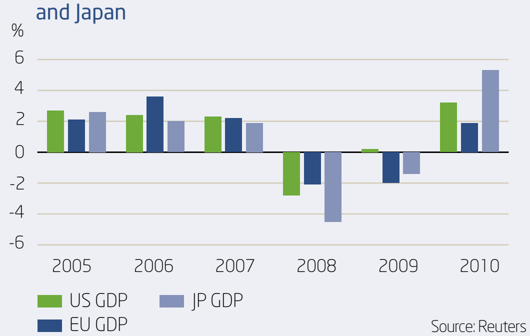
Brent and euro/dollar exchange rate development (31 Dec 1999 = 100)



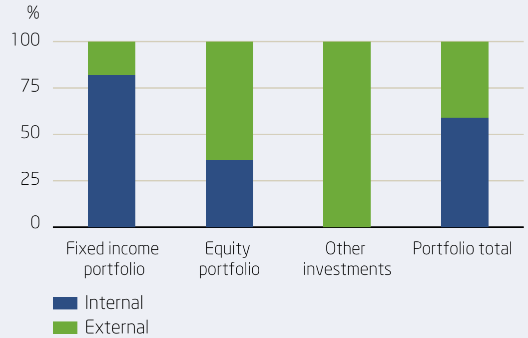
Return on VER's investment portfolio



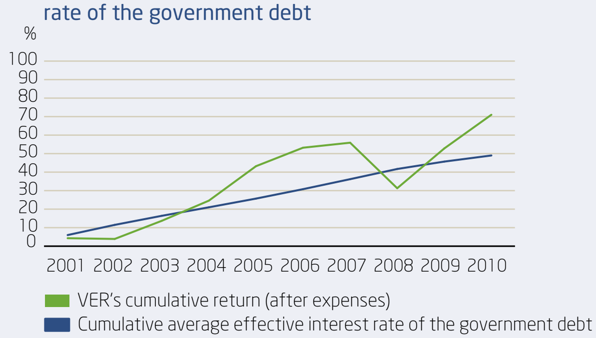
GDP development in the United States, the eurozone and Japan



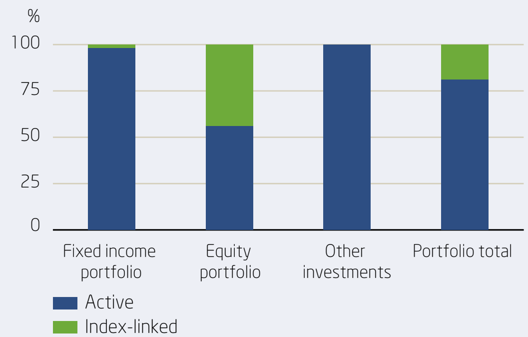
External and internal portfolio management, 31 Dec 2010



VER returns on investment vs. average effective interest rate of the government debt



Active, index-linked portfolio management, 31 Dec 2010



Volatile Fixed-Income Markets

The period from January to September in 2010 was very profitable for fixed-income investments. However, rising interest rates in the last quarter eroded a significant part of the returns, which makes 2010 only a moderately satisfactory year for fixed-income investment returns. Interest rates fluctuated significantly within the year; for example, the low point for German government 10-year bond yield was 2.1 per cent and the high point, 3.1 per cent. Yield curves remained steep early in 2010, changed into slightly flatter from May onwards, and started to steepen again towards the end of the year.

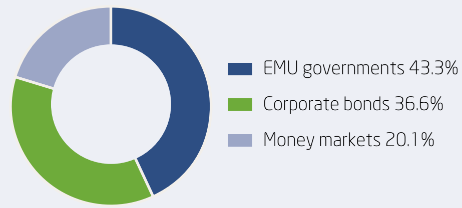
Interest rate spreads between the EMU countries widened since March and April, when market mistrust in the most indebted countries started to grow. Greece suffered the most and Greece's ineligibility for market funding resulted in need of a EUR 110 billion emergency package in early May. The interest rate of the Greek government bonds was, at the highest, 9.5 percent point higher than that of the German government bonds. In July, the spread started to tighten in nearly all most indebted countries, until in October the spread started to widen and continued to do so for the rest of the year.

VER primarily focuses its own direct investments on government debt, corporate bonds with a investment grade rating and money market investments. Other investments are done through funds. Direct fixed-income investments totalled to 84.6 per cent of the fixed-income portfolio. At the end of the year, the number of fixed-income investments totalled to 256 bonds and shares in 23 funds.

By market value, the fixed-income portfolio grew from EUR 6.8 billion at the beginning of the year to EUR 7.6 billion at the end. VER's fixed-income portfolio return was 3.9 per cent (as compared with 8.0 per cent in 2009). High Yield Funds, emerging markets bond funds, and government bonds in the core eurozone countries yielded the highest returns over the period.

The allocations of the fixed-income portfolio were adjusted in moderation in the fiscal year. However, major changes were made within the fixed-income portfolio. In the EMU portfolio investments in the most indebted governments' bonds were reduced, and the assets were invested in countries with higher credit ratings. The fixed-income portfolio duration was kept within a relatively small range, yet managed actively during the period. Allocation to the corporate bond portfolio was kept slightly overweight, even though some investments matured.

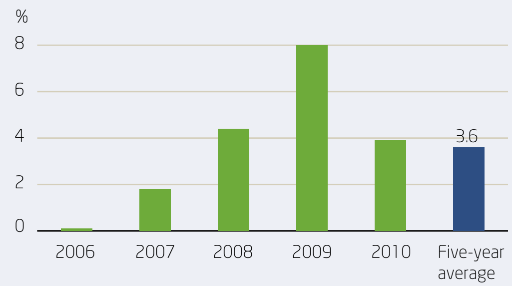
Fixed-income investments by sector 31 Dec 2010



Interest rates

Source: Reuters

Return on fixed-income investments



Healthy Returns from Equity Investments

The equity market was characterised by nervousness throughout 2010 up until the last quarter. The trend was mainly upward in early 2010, and by mid-April return on equity investments was already quite good. Due to the escalation of the financial crisis in Greece, the stock market experienced a dramatic downturn later in the spring.

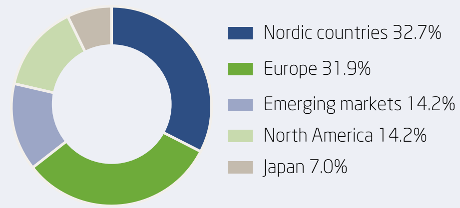
Financial markets did not calm down until mid-May after an unparalleled intervention by the authorities. Subsequently, the equity market fluctuated through the summer, until the stockmarket started to climb again late in the summer. The upward trend continued for the entire autumn and remained untouched even by the escalation of the Irish financial crisis. For the year as a whole, equities yielded good returns.

VER's portfolio of quoted shares and fund units performed well in 2010. The annual return was 23.6 (38.7) per cent. Emerging markets and the Nordic countries, especially the Swedish shares, yielded the best returns. Small companies yielded good returns as they did in the previous year.

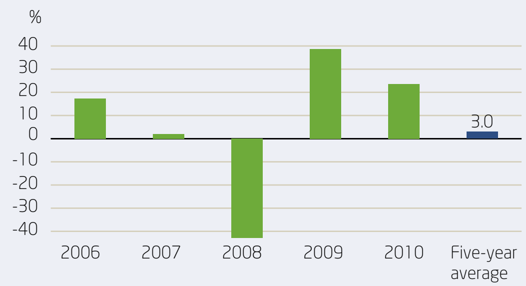
Equities allocation was successful in 2010. Equity risk was substantially reduced early in the year and increased over the summer. In the last quarter, the equities share was steadily reduced as the market continued to enjoy positive developments. VER sold shares and fund units worth a net total of approximately EUR 440 million in 2010. The difference is remarkable compared to 2009, when VER was a large net buyer in the equities market. Equity weighting was 40 per cent at the end of 2010.

The risk level of the equity portfolio was slightly lower than the market risk, achieving a beta value of 0.95 in 2010. At the end of the year, 64 per cent of the VER equities portfolio was invested in funds and 36 per cent were managed as direct investments. At that time, VER had direct equity investments in 160 companies and holdings in 60 funds.

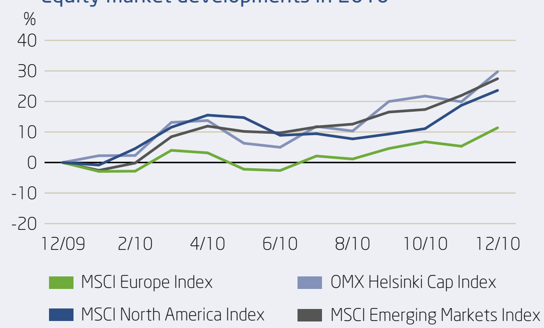
Geographic distribution of the equity portfolio 31 Dec 2010



Return on equity investments



Equity market developments in 2010



Source: Reuters

Increasing Returns from Other Investments

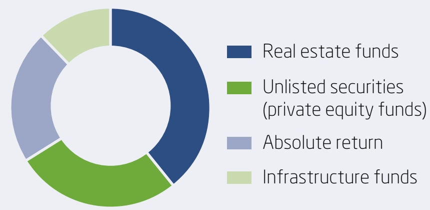
For other investments, the year 2010 marked a return to positive income development. All asset classes had clearly positive returns. The key reasons for improved returns in Private Equity investments were the positive developments in the economy and the equity market, which stayed strong through to the end of the year. Investments in real estate and infrastructure funds also benefited from the stabilised economy, and values were rising in most European markets.

Even though the market sentiment in private equity and real estate investment was clearly more positive in 2010 than in the two previous years, there were not many new funds launched. The fact that investors were still cautious and the amount of uninvested capital, especially in private equity funds have influenced the willingness to launch new funds in the market. Instead, the number of realised transactions in both asset classes increased significantly in comparison with the previous year. Investors remained interested in absolute return funds, which resulted in a positive flow of capital in to the funds.

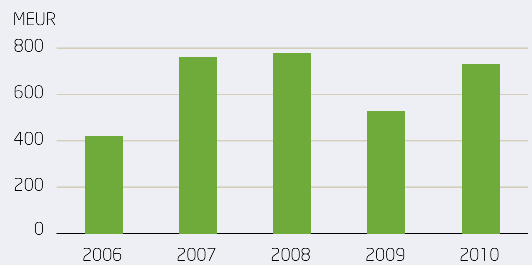
Other investments at VER include real estate funds, private equity and infrastructure funds, and absolute return funds. The share of other investments in the VER portfolio increased from the previous end-of-the-year 4.3 per cent to 5.2 per cent, with a 7.0 per cent neutral allocation. The market value of the portfolio was EUR 731.4 million (529.4). The value of uncalled commitments was EUR 315.9 million (285.4). Of total invested assets, indirect real estate investments accounted for 39 per cent of which listed real estate investments were 2 per cent. Private equity investments accounted for 27 per cent, infrastructure funds for 12 per cent. Absolute return funds accounted for 22 per cent of invested assets.

Other investments yielded a total return of 8.6 (–14.7) per cent. Private equity investments returned 17.8 (-17.0) per cent, infrastructure investments 9.4 (-12.5) per cent, real-estate investments 6.2 (-28.5) per cent, and absolute return funds 6.1 (8.0) per cent.

Distribution of other investments 31 Dec 2010



Market value of other investments, 2006–2010



General Investment Principles

Funding Target

According to the State Pension Act, VER's funding target is 25 per cent of the state's pension liability. VER is to accumulate assets until this target is met. At the end of 2010, the fund's market value was EUR 13.9 billion (12.3), making the funding ratio 15 (14) per cent. Reaching the funding target is affected by investment income, pension contribution income, and transfers to the state budget.

Principles Governing Investments

VER must ensure that its investments are secure, deliver a high return, can be converted into cash, and are appropriately diversified. Investments have been diversified in a similar way to other employment pension schemes.

VER as a Buffer Fund

The pensions of the state pension scheme are paid from State budget appropriations. VER does not pay out pensions but annually transfers to the state budget a sum that is equivalent to 40 per cent of the state's annual pension cost (2009). The remaining assets are left in the fund. VER is a so-called buffer fund, which means that, unlike TyEL pension companies, it does not have any pension liabilities to cover individually. Therefore, VER is not subject to regulations governing solvency.

As a long-term investor, VER makes investment decisions on the basis of its required return and the yield potential of prospective investments, taking risk levels into account. Risks are allocated through investment in various investment categories, markets, industries, instruments, and companies, as well as in bonds issued by different governments and of different maturities. The interest rate instruments and share instruments are liquid. The real estate, private equity, infrastructure, and absolute return funds classed as 'other investments' are of a longer-term nature.

VER operates as an independent portfolio investor. It does not intervene or otherwise participate in the administration of the companies in which it has holdings, but it does maintain dialogue with their management. VER representatives may attend companies' general meetings. The best way for VER to promote the success of companies in which it has holdings is to be a responsible shareholder. VER strives to comply with the principles of responsible investment approved by the Finnish

Fixed-income portfolio benchmark indices:

	Weighting
EFFAS Euro Government Index	15.0%
Euro Government Composite Index	15.0%
BarCap Euro Government Inflation-Linked Bond Index	15.0%
BarCap Euro Aggregate Ex Treasury Index	35.0%
JP Morgan Cash Index 3 Month Index	20.0%

Quoted equity portfolio benchmark indices:

	Weighting
OMX Helsinki Cap Index	21.0%
OMX Stockholm Benchmark Cap Index	9.0%
MSCI Europe Index	24.5%
MSCI Europe Value Index	10.5%
MSCI North America Index	15.0%
MSCI Japan Index	7.5%
MSCI Emerging Markets Index	7.5%
MSCI AC Far East Ex Japan Index	5.0%

Other investments' benchmark indices:

	Weighting
INREV Index	47.0%
EVCA Index	25.0%
Dow Jones Credit Suisse AllHedge Index	28.0%

Pension Alliance TELA, which are based on principles of sustainable development and responsible shareholding and on the United Nations Global Compact. In its direct investments, VER uses negative screening in addition to financial principles. Also VER invests in companies belonging to significant sustainable development indices.

Investment in the Long Term

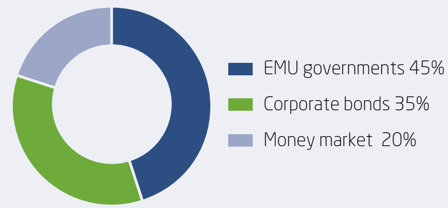
Since no solvency requirement is imposed on the fund, the characteristics of its investment operations are determined by the expected return and the choice of risk level. The crucial factor affecting long-term returns is achievement of an overall allocation that optimises the risk-to-return ratio.

The return and profit targets set for the fund in the operation guidelines issued by the Ministry of Finance are as follows:

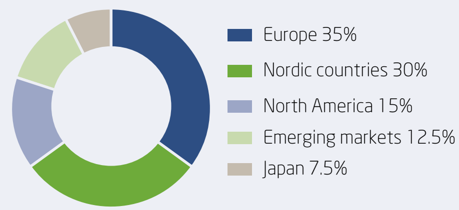
- Long-term target return
  In the long term, VER's investment activities must produce a higher return than an investment alternative that would be risk-free from the state's point of view. A risk-free alternative refers to the cost of the state's net debt, including the cost of derivative contracts made as part of debt management. Net debt refers to the difference between the state's budgeted debt and cash reserves.

- Operational target return
  The return on VER's investment activities, when adjusted for risk, must exceed the return of the benchmark index specified in the fund's investment plan.

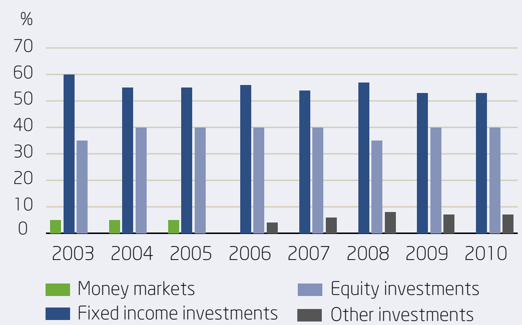
Neutral allocation of fixed income investments at the end of 2010



Neutral allocation of equity investments at the end of 2010



Neutral basic allocation of the investment portfolio



Risk Limits and Neutral Basic Allocation

The risk limits set by the operation guidelines issued on 13 November 2007 by the Ministry of Finance are as follows:

- fixed-income investments must account for at least 45 per cent
- equity investments may not exceed 45 per cent
- other investments may not exceed 12 per cent of the investment portfolio

Neutral basic allocation is determined in annual investment plans. The goal is to create a portfolio that yields the best possible return in the long run at the risk level set by the Board. The neutral basic allocation is continuously monitored, and it can be adjusted according to market changes by decisions made by the Board, within the given risk limits. Changes to the neutral allocation require adjustments to VER's investment strategy.

An expected return is calculated for the portfolio annually, based on the prevailing interest rates and the risk premiums for different asset categories. A general risk premium of 3.5 per cent was used for the equity market in the calculations for 2010, making the portfolio's long-term expected return, according to the neutral allocation, 6.2 per cent. The portfolio's expected risk level is also revised each year on the basis of the asset categories' volatility and correlations.

Co-operation

The goal of VER is to be a respected and successful pension investor, emphasising outstanding professional skills and ethics throughout its operations. VER works toward this objective not only by conducting successful investment activities but also by co-operating with various stakeholder groups. To this end, VER actively builds a cooperation network involving the management of companies in which it invests, public authorities, Finnish and foreign providers of investor and brokerage services, and other European pension investors.

Overall Assessment of Operations

The success of investment activities is analysed on a long-term basis, primarily by considering the portfolio from an overall perspective. The performance of fixed-income and equity portfolios, as well as other investment portfolios, is monitored separately. Relative returns are assessed by comparing returns with benchmark indices listed in the investment plan. If necessary, VER may liquidate losses from its investments, should the prospects for a certain investment suddenly change.

The international GIPS standard is applied for the calculation of the fund's returns. It unifies the different methods of return and risk calculation and renders the figures comparable. Clarity and transparency are emphasised throughout the fund's operations. The responsibilities and roles of personnel responsible for investment activities are clearly defined, improving the controllability of investment activities.

VER'S INVESTMENT BELIEFS

VER's investing activities are based on certain underlying conceptions about the investment market, the investment process, and the organisation of investing. Because investment beliefs can – and will – change over time, they are reviewed from time to time. Shared beliefs clarify the investment decision process and guide our operations toward successful value-adding investments.

Investment beliefs in the autumn of 2010:

1. Utilising risk premiums enables strategic success.
2. Diversification reduces portfolio fluctuation.
3. Markets are for the most part effective.
4. Long-term investment offers clear benefits.
5. Excess returns come from multiple sources.
6. Organising investments is based on cost-efficiency and utilising our own strengths.
7. Professional personnel and successful selection of outside managers enable success.
8. Operations and investment beliefs are under constant review.

The State Pension Scheme

In 2010, the Finnish State Pension Act covered roughly 170,000 people, of whom 100,000 were state employees. The state pension scheme was executed by the State Treasury. The pension expenditure was EUR 3.7 billion and there were 280,000 pensioners.

VER Balances the Financing of Pension Expenditure

The state uses the State Pension Fund to prepare for the financing of future pensions and particularly to balance the upcoming pension expenditure of the baby boom generation.

The State Pension Scheme as Part of the Finnish Employment Pension Scheme

Thanks to the pension reform made in 2005, the state pension cover, originally slightly better than the basic cover under the Employees Pensions Act, is on a par with the municipal and private sectors. The pension reform also introduced a career model for state pensions, where a pension accrues on the annual earnings and accrual rate. Pension is accrued for work performed between the ages of 18 and 68 and an increased accrual rate, known as super accrual, encourages 63-year-olds to continue working. Integration of pensions was abolished, which means that the maximum pension accumulation limit of 60–66 per cent no longer exists. The pension reform also means that the life expectancy factor, which is used to prepare for longer life expectancy, will affect the amount of a pension.

The State and the State Pension Fund

Through the State Pension Fund, the state prepares for financing pensions that are payable in the future, and to even out on a year-to-year basis pension expenditure, which will increase in the next few years with the ageing of the baby boom generation. The state is responsible for being able to pay the accrued pension

amount in the future. With VER's activity, the state is aiming at a 25 per cent degree of funding in proportion to pension liability.

The VER investment activities are directed by the Board of Directors, appointed by the Ministry of Finance, which includes representatives from both the employers and the employees.

VER manages the assets entrusted to it and makes all investment decisions in accordance with the investment plan, authorisations and limits confirmed by the Board of Directors. Some of VER's assets are being transferred to the state budget. The transfer has been justified by the fact that all state pensions are paid out from budget appropriations, and therefore some of the pension fund's assets can be used for payment of pensions.

The transfer of funds to the state budget has been a crucial factor in regulating VER's growth. The State Pension Act specifies the transferable amount, which is 40 per cent of annual state pension expenditure. By the end of 2010, a total of almost EUR 19 billion in VER assets had been transferred to the state budget. In accordance with parliamentary decisions, the transfers of VER assets to the state budget were substantially reduced in 2006 and 2007 raising the funding of pensions above previous levels.

Pension Costs in Relation to Payroll

The proportion of the State's pension expenditure in relation to state payroll will continue to have a sharp growth until the beginning of the 2030's. In 2010, the proportion of pension expenditure to payroll was approximately 56 per cent; it is expected to reach its peak in 2031 at over 84 per cent of the payroll. After this peak, the proportion will slowly reduce up until the end of the 2040's. After the mid-2070's, pension expenditure is expected to stabilise at around 33 per cent of payroll.

Calculated in euros (at the 2009 value), pension expenditure will peak in 2032 (at approximately EUR 4.9 billion). The number of employees covered by the state pension scheme (VaEL) is expected to fall sharply by the mid-2040's, which will also reduce pension expenditure.

The new Universities Act will particularly reduce the number of VaEL employees, as only employees born before 1980 will remain within the scope of the state pension scheme. In 2010, the number of university employees covered by the VaEL scheme was reduced by 8,700, and the number will continue to decrease until Finnish uni-

versities no longer employ people covered by the state pension scheme. The impact of the Universities Act will not become a significantly visible factor in state pension expenditure savings until the mid-2040s. As the state payroll decreased, VER's pension contribution income was reduced slightly already in 2010. The pension contribution income of VER is reduced by a fall in VaEL payroll in universities, local governments and state-aided institutions and by lower growth in the state payroll arising from the government productivity programme. According to an estimate by the State Treasury, VER's pension income growth will continue to slow down until the late 2040s, after which it will achieve steady growth according to the earnings index.

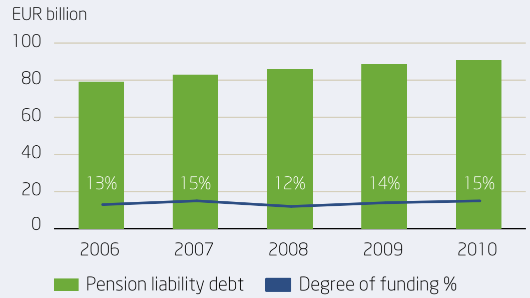
State's Pension Liability

Pension liability refers to the sum of money and its future return on investment that, calculated at a certain point in time, would cover the future pensions earned by the time of calculation. The liability includes all paid-up pensions (pensions deriving from finished state employment relationships), also for former state employees, who have become employees of local governments or private companies or have left state employment due to incorporation of state institutions. Therefore, pension liability always involves an assumption regarding the return on investments. The state's pension liability indicates the cost of the pensions promised by the state to its current and previous employees, at the time of calculation.

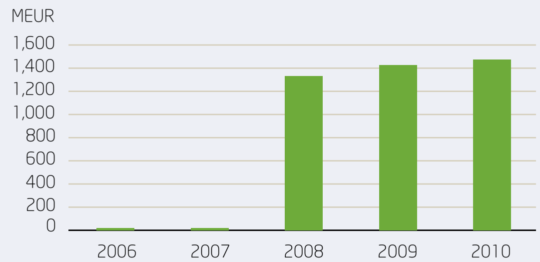
In addition to expected returns, the pension liability calculation includes other assumptions related, for instance, to changes in life expectancy and retirement age, and to how many people are expected to take disability pensions in the future. To calculate pension liability, it is essential to know the accurate sum of pensions accrued until the time of calculation. Because the employed population accrues a pension each year, new people retire, and people entitled to receive pension die, the pension liability sum is not a constant but is recalculated annually.

The pension liability figure consists of a provision for earned premiums and a provision for unearned premiums. The former refers to the amounts to be paid to people who have already retired – i.e., the capital value of old-age, family, disability, unemployment, and part-time pensions that have already started being paid out. The latter refers to the capital value of pensions accrued by the time of calculation that have not yet begun to be paid out.

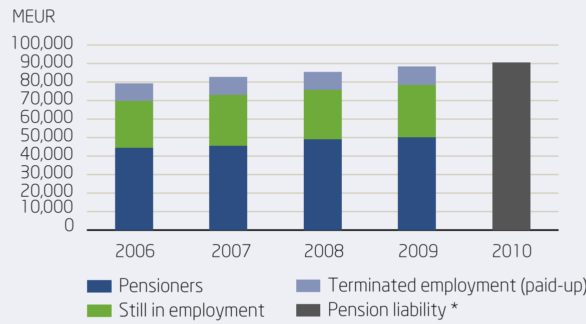
Pension liability debt and degree of funding



Asset transfer from VER to the state budget



The state pension liability 2006-2010



* The state pension liability in 2010 is calculated on the basis of retrospective individual pension liability of 2009

Source: State Treasury

Calculation of Pension Liability

For the purposes of the financial statements of the state and of the State Pension Fund, pension liability is calculated according to the full funding principle following (where applicable) the calculation instructions provided to pension funds by the Financial Supervisory Authority and the calculation principles concerning registered supplementary pension benefits set forth in the Employees Pensions Act as well as and the provisions of the State Pension Act. The basis lies in mathematical models and calculation principles that are generally accepted in the insurance field.

Pension liability is calculated individually for every person who has, at some point in his or her employment history, accrued a Finnish state pension, whether retired, employed under the State Pension Act, or no longer employed but not yet retired. The calculation is done according to the so-called prospective method, in which the capital value of each person's pension accrued to date under the State Pension Act is calculated by discounting pensions to be paid in the future to their current value. The mortality and new disability assumptions used in the Employees Pensions Act are applied in the calculation.

The discount rate used is 2.7 per cent, which is considered to be a real rate of interest that will exceed future income level changes and index increases in pensions.

The State Treasury calculates the state's pension liability. At the end of 2010, the state pension scheme's pension liability was EUR 90.6 billion (at the end of 2009 it was EUR 88.4 billion). While the pension liability will continue to grow in real terms in the coming years, it will begin to decline in the early 2020's and continue to do so until the mid-2050's. This decline will be due to the decreasing proportion of accumulated pensions thanks to increases in payroll, and to the fact that, as the baby boom generation retires, the current pension liability will begin to be defused in the form of paid-out pensions.

The state pension liabilities calculated according to the IFRS were EUR 102 billion (EUR 93 billion on 31 December 2010). Pension liability according to IFRS is influenced by the applied discount rate and its fluctuations. The applied discount rate is the nominal interest 20-year corporate loans with AA credit rating: 4.528 per cent on 31 December 2010 (4.996 per cent in 2009).

State Pension Liability on 31 December 2009 (MEUR)

	Current liability	Future liability			Total
		Old-age	Disability	Survivors'	(MEUR)
Active	0	24,571	1,454	2,433	28,459
Vested pension	0	8,144	743	1,047	9,935
Pensioners					
Old-age pensions	36,204	0	0	3,766	39,970
Disability pensions	1,050	3,143	0	337	4,529
Unemployment pensions	55	825	0	82	962
Part-time pensions	112	797	0	102	1,011
Survivors' pensions	3,535	0	0	0	3,535
Total	40,955	4,765	0	4,287	50,007
Total	40,955	37,480	2,198	7,768	88,400

Source: State Treasury

PENSION LIABILITY

What is pension liability?

Pension liability refers to the sum of money and its future return on investment that, calculated at a certain point in time, would cover the future pensions earned at the time of calculation. Therefore, pension liability always involves an assumption regarding the return on investments. The state's pension liability indicates the cost of the pensions promised by the state to its current and previous employees, at the time of calculation.

In addition to expected returns, the pension liability calculation includes other selected assumptions related, for instance, to changes in life expectancy and retirement age, and to how many people are expected to take disability pensions in the future.

To calculate pension liability, it is essential to know the accurate sum of pensions accrued until the time of calculation. Because the employed population accrue pensions each year, new people retire, and people entitled to receive pensions die, the pension liability sum is not constant but is recalculated annually.

What makes the state's pension liability sum so large?

The number of people entitled to pension has been, and still is, large and therefore it takes a large sum of money to pay their pensions.

How large is the pension liability of the entire Finnish pension scheme?

According to the the estimated value of accumulated employee pension was EUR 610.3 billion with 2.5% real interest rate on 31 December 2009 (4/2009 report by the Finnish Centre for Pensions (Statutory pensions. Long-term projections 2009 Kalle Elo, Tapio Klaavo, Ismo Risku and Hannu Sihvonen) .

What is the role of VER?

External to the State budget, the State Pension Fund is responsible for investing the state's pension assets. The State Pension Fund was founded as a buffer fund to balance the effects of state pension expenditure to the national economy. In particular, the purpose of funding was to prepare for the retirement of the baby boomers and the increasing pension expenditure.

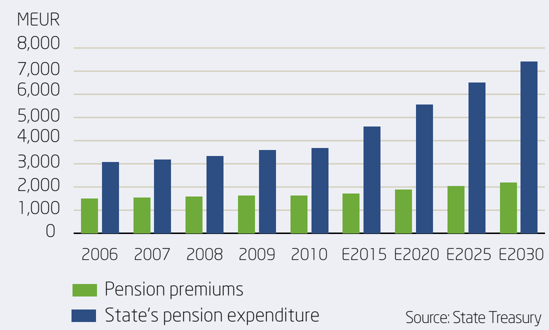
What is the degree of funding in pension liability?

= VER's assets on 31 December 2010 / MEUR 90,600. The degree of funding is 15 per cent.

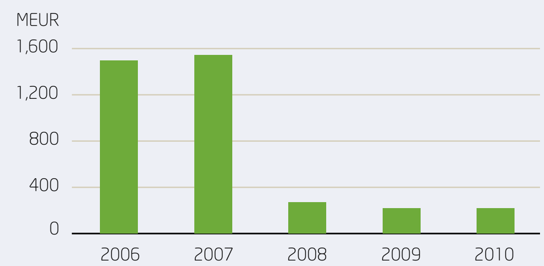
In the end, who is responsible for pensions?

The State's pension expenditure belongs to statutory expenses and therefore defrayed by the State. Employment pension institutions are (jointly) responsible for the employee pensions (TyEL).

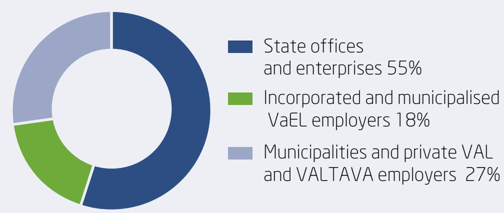
VER's pension premiums and the state's pension expenditure



VER's net premiums, five years



VaEL pension liability distribution between employer types on 31 Dec 2009.



Source: State Treasury

State Pension Fund

1989
- The State Pension Fund is established within the State Treasury.
- The funding target is set for the year 2010.

1991
- Pension contributions from state offices, institutions and enterprises are directed to VER

1993
- The pension contributions of state employees are directed to VER.
- Investment activities expand.
- Transfer of funds to the budget is restricted (to three thirds of total pension expenditure).
- A Board of Directors is appointed to bear responsibility for the fund's investment activities.

1999
- Municipalities start paying teachers' pension contributions to VER.

2000
- The budget transfer is reduced to a third of annual pension expenditure until the end of 2006 (subsequent to this, a half).
- The funding target is set at 1.5 times the total of state wages and salaries, a minimum of 20 per cent of the state pension liability in 2010.
- Designated staff is hired for the fund.
- Investment activities are extended to include equity investments.

2003
- Timo Löyttyniemi DSc (Econ) is appointed as the Fund's first full-time Managing Director.

2005
- The funding target is set at 25 per cent of the state's pension liability.
- The annual transfer from VER to the state budget is prescribed as equalling 40 per cent of annual pension expenditure until the set funding ratio is achieved. Subsequently, the transferred amount will be specified annually in the state budget.

2006
- The Ministry of Finance's controlling role in VER is defined more precisely, and the Ministry is granted the right to issue general regulations concerning VER's administration, finances and investment policies.
- VER's managing committee is reorganised as a Board of Directors with tasks prescribed by law.
- The duties of VER's auditors are included in law.
- Asset transfers from VER to the state budget are reduced for 2006 and 2007.
- The Ministry of Finance issues the first operation guidelines in November.

2007
- In March and November, the Ministry of Finance further specifies the operation guidelines issued in 2006.

2008
- Global financial crisis begins.

2009
- Minister Antti Tanskanen is appointed as Chairman of the Board of Directors.
- Reform of the Universities Act gradually transfers university employees to private pension schemes.

2010
- VER celebrates its first 20 years of operation.

20 Years of VER

VER celebrated its first 20 years of operation in 27 April 2010 with a jubilee seminar with CEO Keith Ambachtsheer from Canada as the keynote speaker. Ambachtsheer has been named one of the 30 most influential persons in pension governance and investment. His long career of research, writing and consultancy has deeply influenced pension scheme de-sign in Canada and around the world. Ambachtsheer shared his views on the pension funds of the future:

”There are five defining characteristics of pension funds that are most likely to do well: the organisation should be free from conflicts and only serve the pensioners' interests. Organisations should be well governed. Thirdly, the funds should have realis-tic investment beliefs and perceptions of risk. Pension funds should have the sufficient scale in order to compete on global investment markets. Fifthly, the pension funds of the future must be attractive enough and be able to pay competitive compensation to recruit the best.”

In his opening words, VER's Chairman of the Board of Directors Antti Tanskanen pointed out that VER is – both in its administration and guidance – a unique fund in Finland. Tanskanen commended the division of tasks between the Ministry of Finance and the fund.

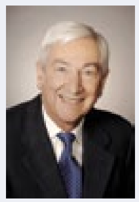
Managing Director Timo Löyttyniemi recapped the history of the government pension scheme and VER. Löyttyniemi reminded the audience that VER was founded in 1990 to prepare for future pension expenditure and to operate as a balancing buffer fund. The year 2030 will mark the peak of the government's pension expenditure, and VER will facilitate their payment.

The future of the Finnish pension scheme was brought up, both by Director-General Outi Antila from the Ministry of Social Affairs and Health, and Chief Director Seija Ilmakunnas from the Government Institute for Economic Research. Antila was concerned about early retirement due to disability in Finland and the fact that these people rarely return to work. People retiring because of depression are on average 49 years of age. According to Antila, people could be rehabilitated back to work, and she would highlight the remaining ability to work rather than disability to work.

Chief Director Seija Ilmakunnas from the Government Institute for Economic Research reminded the audience that pension schemes are a vital part of the Finnish success story and that Finland is one of the winners in the globalised world. According to Ilmakunnas, the realised reforms to the pension scheme are a good indicator of an adaptable system, which is significant to the entire national economy.

”Expenditure has been curbed for nearly 20 years. The savings gained through these reforms are tangible: roughly five per cent of our gross national product. Each and every part of the system was equally combed through, so the savings concern both the beneficiaries and the payers,” Ilmakunnas said.

Longer life expectancy puts pressure on the system. Every other baby girl to be born this year is expected to live over 100 years old. Ilmakunnas suggested that the reform policies should include restraining the raise in expenditure so that the citizens can trust in an adequate pension security also in the future. In addition to longer ca-reers, she would pay more attention to re-employment opportunities for the elderly who have been laid off.



Keith Ambachtsheer has been a participant in the pensions and investments industry since 1969. He founded his own firm KPA Advisory Services in 1985. Through it, he provides strategic advice to a global clientele in person, and through the monthly Ambachtsheer Letter. He is the author of three best-selling books, and has been a regular contributor to industry publications since the 1970s. He is the Publisher and Editor of the new Rotman International Journal of Pension Management, which launched in October 2008.

In 1991, Keith co-founded CEM Benchmarking which now benchmarks the organizational performance of some 400 major pension funds around the world. More recently, he played a major role in founding the Rotman International Centre for Pension Management (Rotman ICPM). He was appointed Director of Rotman ICPM and Adjunct Professor of Finance at the Rotman School of Management, University of Toronto in April 2005. Rotman ICPM is currently supported by 25 Research Partners from nine different countries.

His research, writing and advice have influenced pension design, policy, and organizational structure in Canada and elsewhere. He has won a number of awards, including most recently the James Vertin Award from the CFA Institute for his contributions "of enduring value" to investment theory and practice. In 2007, he was honoured with the Outstanding Industry Contribution Award by Investments and Pensions Europe. In 2003, he was named 'One of the 30 Most Influential People in Pensions and Investments' by Pensions and Investments in the USA.

VER's Organisation

Board of Directors, 1 March 2009–28 February 2012

Chairman **Antti Tanskanen**
Year of birth: 1946
Education: Doctor of Economics

Vice Chairman
Director General **Teuvo Metsäpelto**
Office for the Government as Employer
Year of birth: 1949
Education: Licentiate in Laws

Budget Counsellor **Helena Tarkka**
Ministry of Finance, Budget Department
Year of birth: 1955
Education: Master of Political Science, Associate in Laws

Permanent Secretary **Tiina Astola**
Ministry of Justice
Year of birth: 1953
Education: Licentiate in Laws, Master of Laws trained on the bench

Director of Public Sector Negotiating Commission
Risto Kangas
Organisation for Public Sector Professionals JUKO ry
Year of birth: 1954
Education: Comprehensive school teacher

President **Antti Palola**
Federation of Salaried Employees Pardia
Year of birth: 1959
Education: Sea captain

Head of Personnel **Pirjo Mäkinen**
Union for the Public and Welfare Sectors JHL ry
Year of birth: 1955
Education: Master of Science

Deputy Members:

Councellor **Veikko Liuksia**
Office for the Government as Employer
Year of birth: 1947
Education: Master of Laws

Counsellor **Raine Vairimaa**
Ministry of Finance, Budget Department
Year of birth: 1948
Education: Licentiate in Laws,
Master of Laws trained on the bench

Deputy Director General
Marja-Leena Rinkineva
Ministry Employment and the Economy
Year of birth: 1964
Education: Licentiate in Laws,
Master of Laws trained on the bench

Chief of Negotiations **Markku Nieminen**
Organisation for Public Sector Professionals JUKO ry
Year of birth: 1953
Education: Master of Laws trained on the bench

Chief of Negotiations **Seppo Väänänen**
Confederation of Salaried Employees Pardia ry
Year of birth: 1948
Education: Master of Education

Department Head **Mika Hämäläinen**
Union for the Public and Welfare Sectors JHL ry
Year of birth: 1959
Education: Master of Laws trained on the bench


Antti Palola
Helena Tarkka
Teuvo Metsäpelto
Antti Tanskanen
Tiina Astola
Pirjo Mäkinen
Risto Kangas

The State Pension Fund is administered by the Board of Directors and the Managing Director, assisted by a management team. The Ministry of Finance appoints the Board of Directors, which is liable for the fund, manages the fund's investments, decides on investment policies, and approves the annual investment plan.The Board's term of office is three years. The Board consists of a Chairman, a Vice Chairman, and a maximum of five Members. A personal Deputy is appointed for each Member.

The current Board of Directors, which started its term on 1 March 2009, is chaired by Minister Antti Tanskanen, Doctor of Economics. The Board convened ten times in 2010.

The Board of Directors appoints the Fund's Consultative Committee that is made up of seven members. The members are external investment and finance professionals. The Consultative Committee assesses the fund's investment plan, monitors its realisation, and reports to the Board of Directors. The Consultative Committee convened nine times in 2010.

VER's Management Team is made up of five people and the Managing Director. The Management Team meets regularly.

Investment Consultative Committee 31 December 2010

Chairman
Eva Liljeblom, Rector, Hanken School of Economics

Vice Chairman
Vesa Puttonen, Professor, Aalto University

Topi Piela, Managing Director, Umo Capital Oyj

Timo Hukka, Investment Director, Suomi-yhtiö

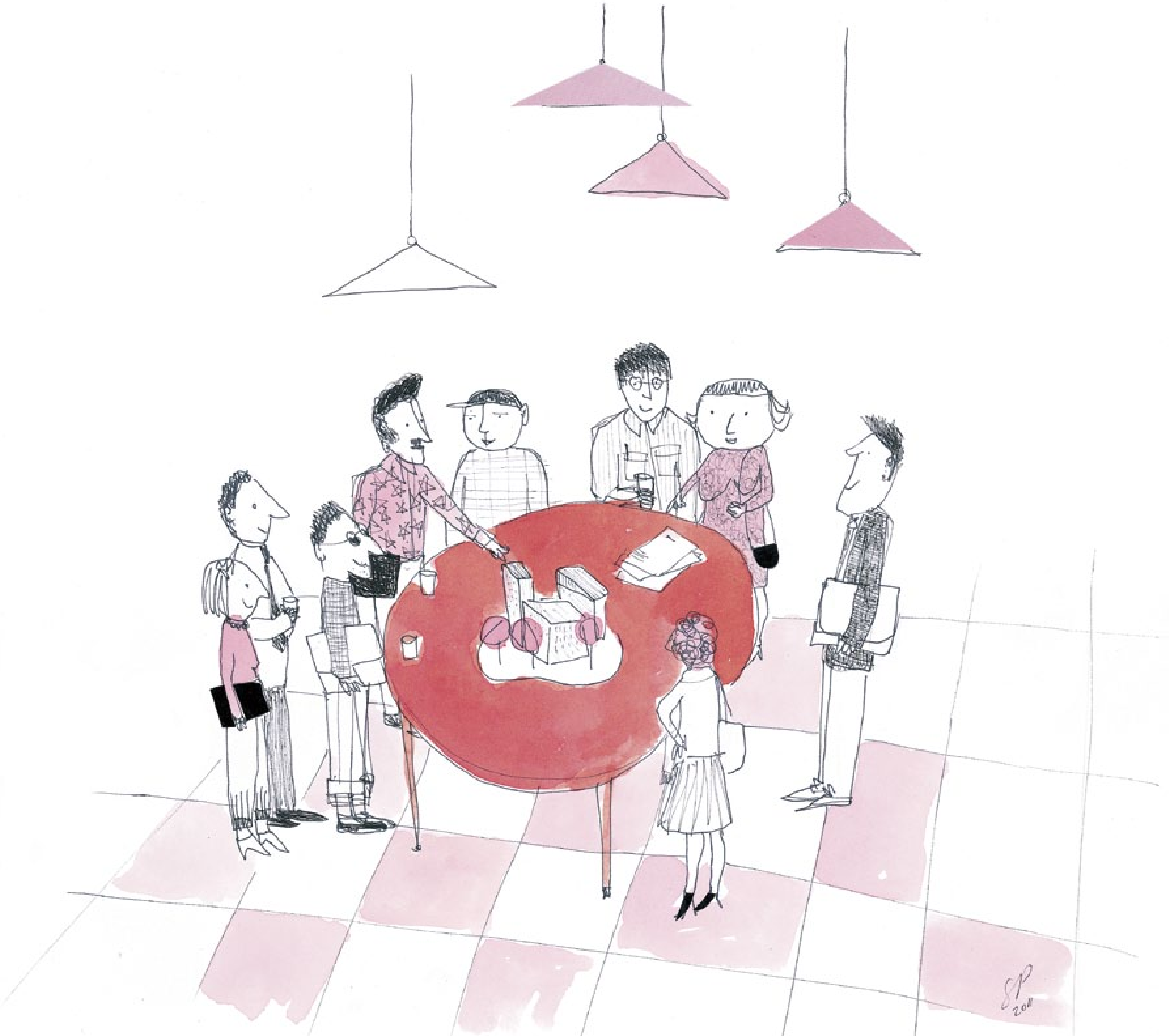
Liisa Jauri, Director, Nordea

Erik Valtonen, CIO, AP3

Hanna Kaleva, Director, Institute for Real Estate Economics

The Management Team

Jan Lundberg, Timo Löyttyniemi, Seija Kettunen, Maarit Säynevirta, Tiina Tarma, Jukka Järvinen



Profit and loss statement

	1 Jan–31 Dec 2010		1 Jan–31 Dec 2009	
OPERATING INCOME				
Other operating income				
Sales gains on equities and shares	255,033,766.82		37,184,851.89	
Pension contributions from State offices and institutions	743,763,047.09		941,076,474.15	
Other pension contribution income	554,666,342.32		384,018,435.84	
Employees' pension contributions	323,125,636.23		314,772,917.26	
Disability insurance contribution income	5,371,566.00	1,881,960,358.46	2,701,070.00	1,679,753,749.14
OPERATING EXPENSES				
Materials. supplies and goods				
Purchases during the period	80,586.36		84,542.01	
Personnel expenses	2,302,982.81		2,076,368.24	
Rents	257,974.42		237,785.33	
Outsourced services	3,376,750.03		3,231,395.38	
Other expenses				
Other expenses	289,990.54		267,765.64	
Sales losses on equities and shares	38,250,744.78		82,044,147.84	
Depreciation	64,355.60	-44,623,384.54	62,943.50	-88,004,947.94
SURPLUS I		1,837,336,973.92		1,591,748,801.20
FINANCIAL INCOME AND EXPENSES				
Financial income	346,111,895.25		392,337,945.49	
Financial expenses	-13,025,652.92	333,086,242.33	-34,343,989.40	357,993,956.09
SURPLUS II		2,170,423,216.25		1,949,742,757.29
INCOME AND EXPENSES FROM TRANSFERS				
Income				
Transfer fees		25,073,470.83		13,824,937.01
SURPLUS III		2,195,496,687.08		1,963,567,694.30
SURPLUS/DEFICIT FOR THE PERIOD		2,195,496,687.08		1,963,567,694.30

Balance sheet

ASSETS	31 Dec 2010		31 Dec 2009	
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS				
INTANGIBLE ASSETS				
Other long-term expenditure		86,518.34		114,578.36
TANGIBLE ASSETS				
Machinery and equipment	8,740.36		21,082.82	
Furniture and fittings	67,954.77	76,695.13	91,907.89	112,990.71
SECURITIES HELD AS FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS				
Purchases of bonds denominated in euros	4,802,599,112.04		4,469,566,076.24	
Other long-term investments denominated in euros	4,467,057,567.56		4,298,401,870.37	
Other long-term investments denominated in foreign currency	1,990,259,349.43	11,259,916,029.03	1,899,887,188.35	10,667,855,134.96
TOTAL FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS		11,260,079,242.50		10,668,082,704.03
LONG-TERM RECEIVABLES				
Long-term receivables		236,213.31		1,092,101.00
CURRENT RECEIVABLES				
Accrued credits and deferred charges	215,446,459.96		224,753 327.60	
Other current receivables	7,830,846.83		1,434,615.52	
Advance payments	23.74	223,277,330.53	12,839.69	226,200,782.81
FINANCIAL SECURITIES AND OTHER SHORT-TERM INVESTMENTS				
Purchases of bonds denominated in euros		1,152,858,822.31		983,627,857.81
CASH, BANK DEPOSITS AND OTHER FINANCIAL ASSETS				
Joint account receivable from the State	4,379,540.29		4,007,162.72	
Other bank accounts	122,630,068.28	127,009,608.57	165,890,538.81	169,897,701.53
TOTAL INVENTORIES AND FINANCIAL ASSETS		1,503,381,974.72		1,380,818,443.15
TOTAL ASSETS		12,763,461,217.22		12,048,901,147.18

EQUITY AND LIABILITIES	31 Dec 2010		31 Dec 2009	
EQUITY				
Fund capital	-16,424,831,950.49		-14,998,271,461.16	
Accrued changes in capital	28,463,795,431.21		26,500,227,736.91	
Budget transfers	-1,472,690,958.88		-1,426,560,489.33	
Surplus/deficit for the period	2,195,496,687.08	12,761,769,208.92	1,963,567,694.30	12,038,963,480.72
LIABILITIES				
CURRENT				
Accounts payable	355,605.51		289,028.79	
Items to be rendered forward	36,550.31		32,298.57	
Accrued charges and deferred credits	1,246,134.01		9,566,781.25	
Other current liabilities	53,718.47	1,692,008.30	49,557.85	9,937,666.46
TOTAL LIABILITIES		1,692,008.30		9,937,666.46
TOTAL EQUITY AND LIABILITIES		12,763,461,217.22		12,048,901,147.18

Portfolio composition and returns 2001–2010

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	Cumulative 2001–2010	Mean value 2001–2010	Mean value 2006–2010
Portfolio composition (year end)													
Assets (MEUR)	13,937.1	12,318.0	10,359.4	12,050.9	10,305.6	8,200.6	6,867.1	5,795.0	4,840.6	4,426.9			
Allocation %	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%			
Fixed income	54.3%	54.9%	61.8%	55.7%	55.5%	59.1%	59.9%	65.9%	78.0%	84.8%			
Quoted equities	40.4%	40.8%	30.7%	38.0%	40.4%	39.6%	40.1%	34.1%	22.0%	15.2%			
Other investments	5.2%	4.3%	7.5%	6.3%	4.1%	1.3%	0.0%	0.0%	0.0%	0.0 %			
Returns and expenses %													
Returns (MWR)	11.7%	16.5%	-15.7%	1.8%	7.0%	15.0%	9.6%	9.5%	-0.4%	4.3%	71.3%	5.5%	3.6%
Fixed-income investments	3.9%	8.0%	4.4%	1.8%	0.1%	5.4%	7.0%	4.0%	7.2%	5.2%			
Quoted equities	23.6%	38.7%	-42.8%	0.7%	17.4%	31.5%	14.4%	20.7%	-23.7%	-11.5%			
Other investments	8.6%	-14.7%	-11.2%	9.5%	6.7%	2.2%	-	-	-	-			
Operating expense (of average assets)	0.05%	0.05%	0.04%	0.04%	0.05%	0.05%	0.05%	0.05%	0.04%	0.02%			
Return after expenses	11.7%	16.4%	-15.8%	1.8%	7.0%	14.9%	9.6%	9.4%	-0.4%	4.3%	70.6%	5.5%	3.6%
Excess return*	n/a	-0.2%	0.0%	0.0%	-0.1%	0.2%	0.0%	0.1%	-2.4%	-0.1%			
Excess return (excluding Other investments)	1.4 %	0.6 %	1.1 %	n/a	n/a	n/a	n/a	n/a	n/a	n/a			
Risk Ratios													
Volatility**	5.0%	8.3%	10.2%	3.5%	4.1%	4.5%	3.3%	3.6%	3.7%	2.7%			
Volatility (index)**	5.0%	9.2%	11.7%	3.6%	4.0%	4.5%	3.4%	3.7%	3.3%	3.3%			
Jensen Alfa**	1.8%	3.2%	-0.1%	-0.2%	0.2%	1.5%	0.7%	1.1%	-2.3%	-0.2%			
Tracking Error**	0.3%	1.3%	0.8%	0.3%	0.7%	0.5%	0.4%	0.6%	0.9%	1.0%			
Beta**	1.0	0.8	0.8	0.9	0.9	0.9	0.9	0.9	1.0	0.7			
Sharpe Ratio**	2.2	1.9	neg	neg	1.0	2.9	2.2	1.9	neg	neg			
Sharpe Ratio (index)**	1.9	1.6	neg	neg	1.0	2.8	2.2	1.8	neg	neg			
Information Ratio**	4.5	0.5	1.3	-0.4	-0.1	0.5	0.0	0.3	-2.7	-0.1			
Government mean effective interest rate* %**	2.5%	2.8%	4.1%	4.1%	4.1%	3.9%	3.9%	4.4%	5.2%	6.0%	49.4%	4.1%	3.5%

*) Excess return for the year under review announced in spring 2011 after the completion of benchmark indices.
**) Excluding Other investments, with the available values, otherwise value for the whole portfolio.
***) Government mean effective interest rate and return on investments are calculated using different standards and do not compare directly.

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