Annual Report and
Financial Statements 2011

Fennia

Fennia's Annual Report and Financial Statements 2011

Contents

Success in sales and economic upswing increased Fennia's premiums written

Fennia Mutual Insurance Company's premiums written grew 8.3 per cent to EUR 359 million, thanks to good sales and a boost from the recovering economy. Compared to previous years, greater numbers of households, companies and self-employed customers showed confidence in our services and chose Fennia as their insurance company.

The company is very pleased with the growth in premiums written, which exceeded the targets. Fennia's profitability, on the other hand, was disappointing. The key theme for this year is boosting the profitability of our core business. We believe that a service strategy and profitability are compatible. We have made the right decisions and our direction is clear.

Last year we faced the second consecutive year of a high incidence of losses. An exceptional amount of compensation was paid for major losses, which weakened the combined ratio. Preventive risk management will play a significant role in the years ahead. We will continuously work to ensure that our customers' production and operations run smoothly and without disruptions.

The investment environment in 2011 was exceptional and difficult to predict. Fennia's return on investments at current values was 0.8 per cent, which, in light of the circumstances, can be considered satisfactory.

It is pleasing to know that Fennia's employees enjoy their work and that team spirit is at a good level. We believe that this also comes across to our customers when we meet with them. According to a personnel satisfaction survey, our personnel's overall satisfaction rate rose to 68.7 per cent from 66.6 per cent in the previous survey. Work motivation at Fennia is substantially higher than the average for expert organisations. Personnel at Fennia are also more likely to provide feedback, and they take part in developing operations in line with the company's values. The comment made by a salesperson while I was visiting the personnel has stayed with me: "We enjoy every day working as a team, and so we always succeed."

According to a study carried out by EPSI Rating, Finland now boasts the most satisfied insurance customers in the Nordic countries. On the basis of our customer feedback, Fennia is in the top three in terms of customer satisfaction among corporate and private customers. Our goal is to be number one.

We have also developed products and services on the basis of our customers' feedback and our observations. Among the obstacles to hiring staff, self-employed people cited the uncertainty in demand, the difficulties in laying people off, and the costs of labour, which may represent a considerable proportion of the overall production costs. The potential of recruitment to fail also seems like too great a risk to take. Because unsuccessful recruitment can be a major financial risk for entrepreneurs who run their business single-handedly, Fennia has introduced to the market a 'first employee insurance' intended for our customers and for members of the Federation of Finnish Enterprises. With this insurance we hope to lower the threshold for entrepreneurs to hire a permanent employee for the first time and contribute to the positive employment development of micro-enterprises.

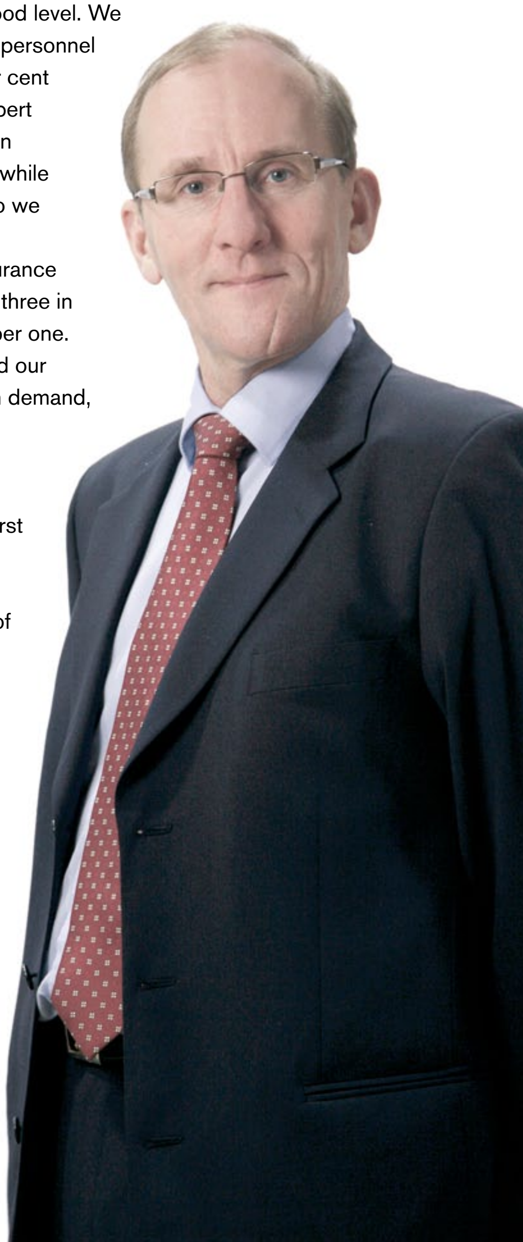
In addition, we included a short-term, half-year business cycle loan in our selection of customer financing options intended for members of the Federation of Finnish Enterprises and our customers.

We have witnessed so many success stories that we believe we can achieve good results through co-operation. Our message is that we promote entrepreneurship and we look after our customers.

We are guided by our principle of the customer is number one. We are determined to make every day a success so that you can sincerely recommend our services.

We extend our humble gratitude to our customers and personnel for the faith they have shown in us and for their good co-operation. We are in a wonderful position to build a future together.

Antti Kuljukka
Managing Director



Report of the Board of Directors 2011

Fennia Mutual Insurance Company's premiums written grew 8.3 per cent in 2011 as a result of good sales and the recovering economy. The company's balance on the technical account was considerably burdened by the supplementary provisions for outstanding claims resulting from the changes in the calculation bases for technical provisions. The challenging investment environment and negative balance on the technical account caused a significant decrease in the company's solvency capital.

INSURANCE BUSINESS

Premiums written for non-life insurance increased to EUR 359 million (EUR 332 million). Direct insurance premiums written were up more than eight per cent to EUR 359 million (EUR 331 million). Preliminary information indicates that the company's market share increased to approximately 9.9 per cent (9.6 per cent). Premiums written for reinsurance assumed was EUR 0.4 million (EUR 0.3 million). Credit losses decreased and were EUR 2 million (EUR 3 million).

Similar to the preceding year, there was a high number of losses in 2011. The violent storms at the end of December contributed to the increase in claims incurred. The changes in the calculation bases for technical provisions implemented at the end of the year increased claims incurred by EUR 52 million. Due to the low interest rate level, the company decided to lower the technical rate of interest used in the discounting of technical provisions to 3.0 per cent (3.5 per cent). Life expectancy continues to grow, which means the company had to increase the technical provisions on claims pertaining to annuities. The combined effect of the changes in the calculation bases for technical provisions increased the loss ratio and the combined ratio by 14.8 percentage points. The company's comparable loss ratio, excluding the one-off changes in the calculation bases for technical provisions, was 84.9 per cent (82.9 per cent).

Operating expenses rose to EUR 86 million (EUR 75 million), due to the efforts directed at sales and the increase in both development and maintenance expenses for IT systems and in depreciations. The expense ratio was 24.8 per cent (23.2 per cent). The company's combined ratio weakened substantially as a result of the changes in the calculation bases for technical provisions, and stood at 124.5 per cent. The company's comparable combined ratio was 109.7 per cent (106.0 per cent), claims accounting for 76.6 per cent (74.6 per cent) and operating expenses and claims handling expenses for 33.1 per cent (31.4 per cent).

Premiums written for statutory accident insurance (workers' compensation) grew 16.5 per cent to EUR 84 million (EUR 72 million). Signs of economic recovery could be seen in the form of more active business operations and resulted in a rise in premiums written. The changes in the calculation bases for technical provisions substantially weakened the loss ratio of this line, rising to 129 per cent. The comparable loss ratio of the line was 92 per cent (94 per cent). Premiums written for other accident and health insurances increased 12 per cent to EUR 29 million (EUR 26 million). The loss ratio of the line decreased to 112 per cent (97 per cent).

Premiums written for motor liability insurance grew 4 per cent to EUR 72 million (EUR 69 million). Excluding the change in the calculation bases for technical provisions, the comparable loss ratio of the line was 81 per cent (83 per cent). Premiums written for voluntary motor vehicle insurance rose slightly to EUR 60 million (EUR 58 million). The loss ratio for the line weakened to an unsatisfactory level and was 81 per cent (77 per cent).

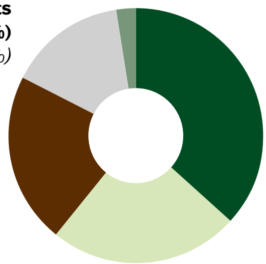
Premiums written for fire and other property insurance for companies increased four per cent and stood at EUR 41 million. In the private household segment, premiums written for fire and other property insurance rose five per cent to EUR 37 million. The loss ratios for both the company and private household segments weakened. The number of losses in the household segment grew strongly, and several medium-sized loss incidents were recorded in the corporate sector.

INVESTMENTS

The investment market in 2011 was challenging and, in light of the circumstances, the company's investment performance was satisfactory. The net investment income at current values amounted to EUR 10 million (EUR 83 million). Net investment income on invested capital was 0.8 per cent (6.8 per cent).

At year-end, Fennia's investment assets at current values (incl. accrued interest) stood at EUR 1,249 million (EUR 1,261 million). Bonds and long-term fund investments accounted for

FENNIA, PARENT COMPANY
INVESTMENT PORTFOLIO 31 DEC. 2011
EUR 1,249 MILLION (EUR 1,261 MILLION)



Return on investments 0.8% (6.8%)
** Rate of return by investment category*

37 per cent of the investment portfolio, and money market investments and deposits for 15 per cent. Shares, equity fund investments and private equity funds accounted for 22 per cent, real estate investments for 24 per cent and other investments for 2 per cent.

RESULT AND SOLVENCY

Fennia's operating loss was EUR 69 million (operating profit EUR 39 million). The change in the calculation bases for technical provisions burdened the balance on the technical account, increasing the operating loss by EUR 52 million.

As a result of an unfavourable development in claims and as a consequence of the one-off changes in the calculation bases, EUR 60 million was cancelled from the equalisation provision. At year-end, it stood at EUR 157 million (EUR 217 million). The company's solvency margin amounted to EUR 253 million (EUR 285 million), and solvency capital decreased substantially to EUR 410 million (EUR 502 million). The capital base, i.e. the solvency ratio in proportion to the premiums earned, decreased to 117.5 per cent (155.0 per cent).

ADMINISTRATION AND STAFF

During the year under review, the members of Fennia's Board of Directors were Eero Lehti (Chairman); Esko Penttilä (Vice Chairman); Jouko Kemppi, Managing Director; Lars Koski, Managing Director; Eva Liljeblom, Professor; Rauno Mattila; Antti Vaahto, Chairman of the Board; Juha Valkamo, Managing Director (until 9.11.2011); and Juhani Vesterinen, Chairman of the Board (until 31.12.2011). The deputy member of the Board of Directors was Lasse Heiniö.

The Board of Directors held a total of 13 meetings during the year under review. The attendance rate of the full members was 77 per cent and that of the deputy member 69 per cent.

Antti Kuljukka acted as Managing Director.

At the Annual General Meeting held on 18 April 2011, Managing Director Tauno Maksniemi, Managing Director Tapio Pitkänen and Managing Director Pekka Kuivalainen were appointed to the Supervisory Board as new members.

The company employed an average of 1,039 people (995) in 2011.

GROUP STRUCTURE

The consolidated financial statements of the Fennia Mutual Insurance Company include Fennia Life Insurance Company, in which the Company has a 60 per cent holding, on the basis of the sub-group financial statements. Mutual Insurance Company Pension Fennia, which belongs to the Fennia Group, owns 40 per cent of Fennia Life.

Finnish Loss Survey Ltd., in which the company has a 100 per cent holding, and eFennia Oy have also been included in the consolidated accounts. Fennia owns 20 per cent of the company and has 63.6 per cent of the voting rights.

A decision was made to broaden the Fennia Group's service offering by establishing an investment firm as a subsidiary of Fennia Life. The agreement to establish Fennia Asset Management Ltd. was signed on 7 February 2011. On 29 September 2011, the Financial Supervisory Authority granted the company a licence to operate as an investment service company.

At the end of 2011, the Group also included 26 real estate companies, 13 of which belonged to the Fennia Life sub-group. The associated undertaking Uudenmaan Pääomarahasto Oy was also consolidated to the Group.

CONSOLIDATED ACCOUNTS

The volume of the Group's life insurance operations grew strongly, but because of the difficult investment environment, operating profit decreased considerably. Fennia Life's solvency position, however, remained at a good level. Premiums written for life insurance increased 32 per cent to EUR 79 million (EUR 60 million). Claims paid grew to EUR 62 million (EUR 52 million). Operating expenses for life insurance were EUR 10 million (EUR 8 million). The expense ratio (of expense loading) weakened and was 113.4 per cent (105.2 per cent).

The Group's investment result at current values amounted to EUR -28 million (EUR 163 million), of which unit-linked insurances accounted for EUR -46 million (EUR 43 million). The Group's valuation difference was EUR 114 million (EUR 144 million).

The Group's operating loss was EUR 65 million (operating profit EUR 59 million), and non-restricted capital and reserves stood at EUR 195 million (EUR 200 million). The Group's solvency capital decreased notably to EUR 478 million (EUR 583 million).

RISK MANAGEMENT AND SOLVENCY MANAGEMENT

The risk management and solvency management principles that are approved by the Boards of Directors of the Group companies serve as the foundation for the Fennia Group's risk management and solvency management. In the Fennia Group, risk management means co-ordinated strategies, processes, principles and measures to identify, measure, monitor, manage and report risks faced by the Group and the Group companies. Solvency management, on the other hand, means strategies, processes, principles and measures to steer and determine the Group's and the Group companies' risk-bearing capacity, risk appetite, risk tolerance and restrictions of their essential risks.

The steering of the risk management system is based on a three-defence-line model, which is described in more detail in the note concerning risk management. A risk management committee has been set up for the Group's insurance companies to prepare, steer and co-ordinate tasks related to risk and solvency management and to communicate information.

Insurance operations are based on taking insurance risks, diversifying the risks within the insurance portfolio and managing them. The most significant insurance risks relate to risk selection, sales steering and risk pricing, i.e. they involve a loss risk resulting from the costs arising from future claims (incl. operating expenses) exceeding the insurance contributions received. Insurance risks also include major loss risks, such as disaster risks and the risk inherent in the adequacy of reinsurance covers.

The most important instruments for managing insurance risks relate to risk selection, pricing, insurance terms and conditions and the acquisition of reinsurance cover. In calculating the technical provisions, different quantitative methods are used, the management of which plays a key role in the management of the technical provision risk. In addition to the methods used, the sufficiency and quality of the available information and its management essentially affect the nature of the technical provision risk.

Investment activities are based on the investment plans approved by the Boards of Directors, which determine, among other things, the allocation of investments and the rights and responsibilities of those involved in investment activities. The companies' risk-bearing capacity is taken into account in determining investment allocation.

Market risk refers to a risk of loss resulting, either directly or indirectly, from fluctuations in the level and volatility of the values of financial market variables, such as interest rates, equities, real estate, exchange rates and credit margins. Investment operations and their management play a special role in managing market risks. The most significant risks are related to a decline in the value of investments and the poor matching of the investments with the nature of the technical provisions. The main instruments for managing market risks are related to the selection of investment instruments, diversification of the investment portfolio and risk limitation.

The objective of managing operational risks is to reduce the probability of unexpected losses. Operational risks are defined as a risk of loss caused by inadequate or failed internal processes, personnel, systems or external factors. Legal risks are included in operational risks. The most efficient risk management measures are targeted at the most serious operational risks.

OUTLOOK FOR THE CURRENT YEAR

The most pessimistic predictions of the breakup of the euro area and the ensuing major depression in Europe have tapered off or at least have been deferred, since the euro-zone countries approved the second rescue loan for Greece. Uncertainty will continue, however, for the rest of the year. It is exceptionally difficult to predict the outcome of investment activities.

The central theme of this year for Fennia is improving the profitability of our core business. To that end, the company is engaging in increasingly active insurance loss prevention measures.

The company will continue to set in motion agreed development projects. The goal of the projects is to improve our services and increase customer satisfaction, thereby enabling the realisation of the targets that have been set according to the company's strategy.

Profit and Loss Account 1 Jan. 2011–31 Dec. 2011

	Group		Parent Company		Notes
EUR 1,000	2011	2010	2011	2010	
TECHNICAL ACCOUNT					2
Non-life insurance					
Premiums earned					
Premiums written	359,102	331,548	359,102	331,548	1
Reinsurers' share	-4,932	-5,230	-4,932	-5,230	
	354,169	326,318	354,169	326,318	
Total change in the provision for unearned premiums	-5,404	-2,113	-5,404	-2,113	
Premiums earned in total	348,766	324,206	348,766	324,206	
Other technical underwriting income		12,584		12,584	
Claims incurred					
Claims paid	-277,225	-257,769	-277,225	-257,769	
Reinsurers' share	1,056	1,427	1,056	1,427	
	-276,169	-256,341	-276,169	-256,341	
Total change in the provision for outstanding claims	-83,918	-25,343	-83,918	-25,343	
Reinsurers' share	489	-441	489	-441	
	-83,429	-25,783	-83,429	-25,783	
Claims incurred in total	-359,598	-282,125	-359,598	-282,125	
Net operating expenses	-86,486	-75,149	-86,486	-75,149	4
Other technical underwriting expenses		-6,424		-6,424	
Balance on technical account before the change in equalisation provision	-97,319	-26,908	-97,319	-26,908	
Change in equalisation provision	60,323	-491	60,323	-491	
Balance on technical account	-36,996	-27,400	-36,996	-27,400	

EUR 1,000	Group 2011	Group 2010	Parent Company 2011	Parent Company 2010	Notes
TECHNICAL ACCOUNT					
Life Insurance					
Premiums written					
Premiums written	79,461	60,165			
Reinsurers' share	-760	-528			
Premiums written in total	78,701	59,637			
Share of net investment income	-26,973	81,361			
Gross claims incurred					
Claims paid	-61,790	-51,686			
Reinsurers' share		438			
	-61,790	-51,248			
Change in the provision for outstanding claims	-6,264	-7,594			
Claims incurred in total	-68,054	-58,842			
Change in the provision for unearned premiums	30,655	-58,595			
Net operating expenses	-9,754	-8,180			
Balance on technical account	4,575	15,381			

EUR 1,000	Group 2011	Group 2010	Parent Company 2011	Parent Company 2010	Notes
NON-TECHNICAL ACCOUNT					
Balance on technical account, non-life insurance	-36,996	-27,400			
Balance on technical account, life insurance	4,575	15,381			
Investment income	134,989	163,103	86,870	97,448	6
Revaluations on investments	1,923	30,061			
Investment charges	-115,850	-45,274	-58,996	-31,691	6
Revaluation adjustments on investments	-19,206	-762			
	1,856	147,127	27,874	65,757	
Transfer of part of net investment income	26,973	-81,361			
Other income					
Other	4,817	1,200	62	18	
Other charges					
Other	-4,638	-1,042	128	-243	
Share of associated undertakings' profits	115	537			
Tax on profit on ordinary activities					
Tax for the financial year	-1,505	-10,556		-9,796	
Tax from previous periods	150	63	145	69	
Deferred tax	748	-564			
	-606	-11,057	145	-9,727	
Loss/profit on ordinary activities after tax	-3,905	43,387	-8,786	28,405	
Minority interests	-1,437	-5,960			
Appropriations					
Change in depreciation difference			209	74	
Loss/profit for the financial year	-5,342	37,427	-8,577	28,479	

Balance Sheet 31 Dec. 2011

EUR 1,000	Group 2011	Group 2010	Parent Company 2011	Parent Company 2010	Notes
ASSETS					
Intangible assets					
Other long-term liabilities	26,775	16,987	21,951	15,606	13
Advance payments	12,255	12,460	12,159	9,603	13
	39,030	29,447	34,110	25,209	
Investments					7
Investments in land and buildings					
Land and buildings	309,655	310,331	116,174	117,521	8
Loans from affiliated undertakings			115,978	120,999	8
Loans to associated undertakings	1,541	1,391			
	311,195	311,722	232,153	238,520	
Investments in affiliated and associated undertakings					
Equities and holdings in affiliated undertakings			25,982	25,982	9
Equities and holdings in associated undertakings	3,272	3,231			9
	3,272	3,231	25,982	25,982	
Other investments					
Equities and holdings	661,679	609,615	408,421	368,687	12
Debt securities	695,064	742,756	448,031	479,848	
Loans guaranteed by mortgages	21,054	3,939	4,481	3,939	
Other loans	24,787	16,325	21,735	16,325	10
Deposits	6,734	1,200	-	-	
	1,409,318	1,373,836	882,669	868,799	
Deposits with ceding undertakings	46	26	46	26	
Investments in total	1,723,831	1,688,816	1,140,849	1,133,327	
Investments covering unit-linked insurances	270,305	300,154			
Debtors					
Arising out of direct insurance operations					
Policyholders	61,185	56,447	60,458	56,022	
Arising from reinsurance operations	747	1,563	747	1,125	
Other debtors	62,521	36,917	66,924	30,797	
Deferred tax receivables	339	282			
	124,792	95,210	128,130	87,944	

EUR 1,000	Group 2011	Group 2010	Parent Company 2011	Parent Company 2010	Notes
Other assets					
Tangible assets					
Equipment	7,971	8,062	7,290	7,342	13
Stocks	318	314	306	302	
	8,289	8,376	7,596	7,644	
Cash at bank and in hand	18,679	64,914	10,954	47,032	
	26,968	73,290	18,549	54,676	
Prepayments and accrued income					
Interest and rents	13,268	16,972	8,667	11,658	
Other	10,378	6,038	7,796	4,036	
	23,647	23,010	16,463	15,695	
	2,208,573	2,209,927	1,338,102	1,316,851	

Balance Sheet 31 Dec. 2011

EUR 1,000	Group 2011	Group 2010	Parent Company 2011	Parent Company 2010	Notes
LIABILITIES					
Capital and reserves					16
Initial fund	4,339	4,339	4,339	4,339	
Guarantee capital	3,364	3,364	3,364	3,364	
Revaluation reserve	885	885	885	885	
Security reserve	186,173	157,694	186,173	157,694	
At the disposal of the Board	59	59	59	59	
Profit brought forward	13,943	4,996			
Loss/profit for the financial year	-5,342	37,427	-8,577	28,479	
	203,420	208,763	186,242	194,819	
Appropriations					
Accumulated depreciation difference			1,941	2,149	
Minority interests	28,661	28,324			
Consolidation difference	426	851			
Technical provisions					
Non-life insurance: Provision for unearned premiums	109,688	104,284	109,688	104,284	
Life-insurance: Provision for unearned premiums	398,166	399,553			
Non-life insurance: Claims outstanding	812,567	728,649	812,567	728,649	
Reinsurers' share	-2,593	-2,105	-2,593	-2,105	
	809,973	726,544	809,973	726,544	
Life insurance: Claims outstanding	141,379	134,743			
Equalisation provision, non-life insurance	156,899	217,222	156,899	217,222	
Technical provisions in total	1,616,105	1,582,346	1,076,560	1,048,050	
Technical provisions for unit-linked insurances	271,955	301,595			
Creditors					
Arising out of reinsurance operations	1,379	1,415	1,019	1,160	
Other creditors	55,959	47,374	52,993	43,380	
Deferred tax	8,179	8,876			
	65,517	57,665	54,012	44,540	
Accruals and deferred income	22,489	30,384	19,348	27,292	
	2,208,573	2,209,927	1,338,102	1,316,851	

Parent Company Cash Flow Statement

EUR 1,000	2011	2010
INDIRECT CASH FLOW STATEMENT		
Cash flow from business operations		
Loss/profit on ordinary activities after tax	-8,786	28,405
Adjustments		
Change in technical provisions	28,510	15,804
Value adjustments and revaluations on investments	11,418	-2,538
Depreciation according to plan	10,575	8,826
Other	-5,914	-18,341
Cash flow before change in net working capital	35,802	32,155
Change in net working capital:		
Increase/decrease in non-interest-earning receivables	-12,267	7,459
Increase in non-interest-earning payables	7,909	5,788
Cash flow from business operations before financial items and taxes	31,444	45,402
Interest paid on other financial expenses from operations	-428	-355
Taxes	-10,561	-3,545
Cash flow from business operations	20,456	41,502
Cash flow from capital expenditures		
Capital expenditure on investments (excl. funds)	-45,400	-34,244
Capital gain from investments (excl. funds)	6,197	28,424
Investments and income from the sale of tangible and intangible assets and other assets (net)	-17,330	-12,458
Cash flow from capital expenditures	-56,534	-18,278
Change in funds	-36,078	23,224
Funds on 1 Jan.	47,032	23,808
Funds on 31 Dec.	10,954	47,032
	-36,078	23,224

Accounting Principles

The Financial Statements have been compiled in accordance with the decisions, instructions and regulations of the Finnish Accounting Act, Companies Act, Insurance Companies Act, and the authorities responsible for monitoring insurance companies.

BOOK VALUE OF INVESTMENTS

Buildings and structures are presented in the Balance Sheet at the lower of acquisition cost less the planned depreciation or current value. Real estate shares and land and water areas are presented at the lower of acquisition cost or current value. Planned depreciation is made on revaluations entered as income arising from buildings.

Stocks and shares in the nature of investments are presented at the lower of acquisition cost or current value. Stocks and shares in the nature of fixed assets are entered at the lower of acquisition cost or current value, if the value adjustment is considered permanent. The acquisition cost is calculated using the average price.

Debt securities are entered in the Balance Sheet at acquisition cost. The acquisition cost is calculated using the average price. The difference between their par value and acquisition cost is accrued as interest income, or interest payable, over the life of the debt security instrument, and entered as an increase or decrease in their acquisition cost. Changes in value arising from the variation in interest rates are not entered. Value adjustments relating to the issuer's creditworthiness are entered at profit or loss.

Loan receivables and deposits are presented in the Balance Sheet at nominal value or at a permanently lower likely realisable value.

Value adjustments that have been made earlier are readjusted to the value of investments, with an impact on the result, in those cases where the current value exceeds the book value.

Derivative contracts are mainly used for hedging investment portfolios. In accounting terms, however, they are treated as non-hedging instruments. The profits and losses resulting from the termination or expiry of contracts are entered as income or expenses for the financial year. The negative difference between the current value of the derivative contracts treated as non-hedging and a higher book value/contract rate is entered as an expense. Unrealised income is not entered.

Investments covering the unit-linked insurances are valued at their current value.

BOOK VALUE OF ASSETS OTHER THAN INVESTMENTS

Other long-term expenses which have been capitalised are basic renovation expenses for real estate and planning expenses for IT systems. Those expenses, as well as equipment, are entered in the Balance Sheet at acquisition cost less planned depreciation.

Premium receivables are presented in the Balance Sheet at probable value and other receivables at their par value or at a probable value permanently lower than this. Receivables that, on the basis of experience from previous years, are likely to expire have been deducted from the par value of premium receivables, resulting in their probable value. Receivables that are likely to remain unsettled are entered as a credit loss.

DEPRECIATION ACCORDING TO PLAN

Depreciation according to plan is calculated as a straight-line depreciation on the acquisition cost based on the estimated economic life of the asset. The average estimated depreciation times are as follows:

Computer software	3–7 years
Planning expenses for IT systems	5–7 years
Other long-term liabilities	5–10 years
Business and industrial premises and offices	20–75 years
Components in buildings	10–20 years
Vehicles and computer hardware	3–5 years
Office machinery and equipment	7 years

REVALUATIONS ON INVESTMENTS

Revaluations and revaluation adjustments on investments in the nature of investment assets and on investments covering unit-linked insurances are entered with impact on the result.

Revaluations on investments in the nature of fixed assets and their reversals are entered in the revaluation reserve under restricted capital and reserves. Planned depreciation is made on revaluations entered as income arising from buildings.

CURRENT VALUE OF INVESTMENTS

The current values of the real estate are defined annually by site, on the basis of calculations made by the company's own experts. Prudent valuation has been used in the Financial Statements. External assessments on the current values of the real estate have been made in cases where there has been a need to verify the correct level of prudent valuation. In such cases, the assessments are carried out by a Finnish company specialising in real estate assessments in addition to its other operations.

Shares and participations in a life insurance company that is a subsidiary are valued at the cautiously estimated market price, which is based on the subsidiary's net asset value.

Quoted securities and securities that are otherwise subject to public trading are valued at the last bid price in continuous trading on the Balance Sheet date or, if this is not available, at the latest trading price. Unquoted securities are valued at the estimated market price, the undepreciated portion of acquisition cost or a value based on net asset value. Private equity investment funds are valued at acquisition cost or at the estimated current value of the fund reported by the administrative company.

Derivative contracts are valued at their current value on the date of closing the accounts. The possible maximum loss on non-hedging derivatives is deducted from the solvency margin.

Receivables are valued at the lower of par value or probable value.

FOREIGN CURRENCY ITEMS

Transactions in foreign currency are entered at the exchange rate of the transaction date. In the annual closing of the accounts, currency-denominated receivables and liabilities and current values of investments have been translated into euro using the European Central Bank's rate on the date of closing the accounts.

Exchange rate gains and losses arising during the financial period and the closing of the accounts are entered as adjustments to the income and expenses concerned or as investment income and charges, if they are related to financing operations. Currency conversion differences on the technical account have not been transferred to the investment income/ charges on the profit and loss account. This has no impact on the profit and loss account, giving a true and fair view of the results.

STAFF PENSION SCHEMES

Pension insurance cover has been arranged for the staff of the Group companies by means of TyEL insurance with Mutual Insurance Company Pension Fennia. Pension insurance premiums are entered in the profit and loss account on the accrual basis.

APPROPRIATIONS AND TREATMENT OF DEFERRED TAX

Finnish legislation allows certain optional untaxed reserves and depreciation above plan to be made in the final accounts. In the final accounts of the Group companies, deferred tax is not deducted from appropriations, revaluations transferred to reserves and valuation differences on investments. Revaluations entered as income are taxable income. Deferred tax receivables arising from timing differences between accounting and taxation are not entered in the annual accounts of the Group companies, and the Group companies have no corresponding deferred tax liabilities. The deferred tax liabilities and deferred tax receivables resulting from consolidation measures, as well as revaluations transferred to reserves and timing differences are entered in the consolidated accounts.

In the consolidated accounts, optional reserves and the depreciation difference are divided into the change in deferred tax and share of profit/loss for the financial year, and deferred tax and share of capital and reserves. The rate of tax used is 24.5 per cent (26 per cent).

CHANGE IN THE ACCOUNTING PRINCIPLES CONCERNING NON-LIFE INSURANCE IN THE ANNUAL ACCOUNTS 2010

An amendment to legislation concerning the 'collective guarantee item' came into force at the end of 2010. Non-life insurance companies had to prepare for possible joint liability in statutory accident insurance and motor liability insurance by establishing a special collective guarantee item in their balance sheets. As a result of the amendment the stipulation requiring advance preparation through the collective guarantee item was rescinded, and non-life insurance companies are no longer required to include a collective guarantee item in their balance sheets.

As stipulated in the amendment, the sums corresponding to the item at the end of 2009 were entered as income in the 2010 Profit and Loss Account under Other technical underwriting income. The collective guarantee amount for accident insurance accumulated by 31 December 2010 was entered as an expense in the 2010 Profit and Loss Account under Other technical underwriting expenses and in the Balance Sheet in the Pay-as-you-go balance. The collective guarantee amount for motor liability insurance accumulated by 31 December 2010 was entered in the 2010 Profit and Loss Account as Change in equalisation provision and in the Balance Sheet in Equalisation provision.

NON-LIFE INSURANCE: CLAIMS OUTSTANDING

Claims outstanding include the claims payable by the company after the financial year, arising from major losses and other insured events that have occurred during or before the financial year.

Due to the low interest rate level, the company decided to lower the technical rate of interest used in the discounting of technical provisions to 3.0 per cent. The provision for outstanding claims pertaining to annuities is calculated by discounting, applying an interest rate of 3.0 per cent (3.5 per cent). Discounting is not applied to other parts of the provision for outstanding claims.

The mortality model used by Finnish insurance companies was updated in 2011 as a result of the observed increase in life expectancy. Due to the change, the company increased the provision for claims outstanding on pension provisions. This had a substantial impact on the technical provisions of statutory accident and motor liability insurance and negligible significance to voluntary accident and general liability insurance.

The provision for claims outstanding also includes the equalisation provision, which must be shown separately in the Balance Sheet. The equalisation provision is a buffer for years when large numbers of losses occur. The amount of the equalisation provision is determined on the calculation bases prescribed for the company by the Finnish Financial Supervisory Authority.

TECHNICAL PROVISIONS IN LIFE INSURANCE

The calculation of technical provisions complies with the provisions and instructions of the Insurance Companies Act, the Ministry of Social Affairs and Health and the Financial Supervisory Authority.

No technical rate of interest is applied to unit-linked insurances. For other insurances, the technical provisions are calculated separately for each insurance and the technical rate of interest applied varies as follows:

- In individual life and pension insurance, including capital redemption insurance, the interest rate applied is 4.5 per cent for contracts that have commenced before 1 January 1999 and 3.5 per cent for contracts that have commenced after this, and 2.5 per cent for contracts that have commenced after 1 March 2003. In some redemption contracts, the interest rate applied is 2 per cent or 1 per cent.
- In insurance for unregistered supplementary group pension, the interest rate is 3.5 per cent. For technical provisions accrued before 1 January 1999 the impact of the change in the interest rate (from 4.25 per cent to 3.5 per cent) has been capitalised under the technical provisions and will be written off through straight-line depreciation over a period of 15 years. The technical rate of interest for group pension insurance beginning after 1 January 2011 is 2 per cent.
- In order to fulfil the 4.5 and 3.5 per cent interest rate requirement for pension and savings insurance policies, the technical provisions have been supplemented both during the reporting year and in previous financial statements. The supplementary provision for the guaranteed interest rate on 31 December 2011 was approximately EUR 24.1 million. By cancelling the supplementary provision for the guaranteed interest rate, the annual calculated interest requirement for these contracts in the near future will be 3.2 percent.

Deferred acquisition costs have been deducted from the premium reserve in individual pension insurance for contracts that have commenced before 1 January 2010. The amortisation period of this zillmerisation is insurance-specific and at maximum 7 years. The zillmerisation has been planned in such a manner that the future expense loading will suffice to cover related amortisation.

PRINCIPLE OF FAIRNESS

According to Chapter 13, Section 2 of the Insurance Companies Act, a so-called Principle of Fairness must be observed in life insurance with respect to such policies which, according to the insurance contract, entitle to bonuses and rebates granted on the basis of any surplus yielded by the policies. This principle requires that a reasonable part of the surplus has to be returned to these policies as bonuses, in so far as the solvency requirements do not prevent it.

Fennia Life aims at giving a long-term gross return on policyholders' with-profit insurance savings that is at minimum based on the risk-free interest rate. The duration of the insurance and surrender right are taken into account in distributing bonuses. The yield to be distributed to clients is determined based on the company's long-term net income on investments. The total interest rate consists of the technical interest rate and additional interest rate on the insurance contract in question. The level of technical interest for the contract is taken into account in the amount of additional interest to be paid on the insurance. When the company's net income from investments is low, the level of distributed bonuses is reduced. Thus the total interest rate of insurance policies with lower technical interest rates may remain below the highest technical interest rate. When the net income from investments is high, insurance policies with lower technical interest rates may be credited a higher total interest rate than insurance policies with higher technical interest rates.

The aim is to retain continuity in the level of bonuses paid, as a result of which the surplus from returns on investments can be accrued as distributable bonuses for the group of insured in question for the coming years. The company's aim is to achieve competitive bonuses in comparison with other insurance companies and other low-risk forms of investment.

The level of bonuses is limited by the owners' requirements for return on capital, as well as the company's solvency target. The solvency goal is set in such a way that all the solvency limits set by legislation are exceeded and so that the company is able to take risks in its investment operations to the extent that the investment plan requires in order to achieve the annual targeted return.

Fennia Life's Board of Directors confirms the amount of additional interest rate on a quarterly basis, in advance. The amount of future bonuses can, however, be changed during the course of a quarter if necessitated by the company's solvency or the general market situation.

The Principle of Fairness can be applied in risk life insurances, on the part of death cover, to specified insurance groups in the form of increased compensation.

Bonus targets are not binding and are not part of the insurance contract between the company and the policyholder. The bonus targets are in force until further notice and the company reserves the right to alter the bonus targets.

IMPLEMENTING THE PRINCIPLE OF FAIRNESS IN 2011

Fennia Life's bonuses in 2011 correspond to the targets set for the company's principle of fairness. The yield to be distributed to insurance policies is determined based on the company's long-term net income on investments. The aim is to retain continuity in the level of bonuses paid, as a result of which the surplus from returns on investments can be accrued as distributable bonuses for the group of insured in question for the coming years. The company's investment returns in 2011 were low. By cancelling the provision for bonuses and the supplementary provision for the guaranteed interest rate reserved in previous years, we were, however, able to credit not just the technical interest rate, but also additional interest on insurance policies in 2011. The risk-free interest rate has remained low for both short-term and long-term government bonds since 2009. The total interest credited by Fennia Life has clearly exceeded the risk-free interest rate of the corresponding investment period from 2009 to 2011. The duration of the insurance and surrender right have been taken into account in distributing bonuses. For that reason, the total interest credited on pension insurance has been slightly higher than the interest credited on savings insurance. The table below indicates the total interest credited by Fennia Life in 2011:

TOTAL INTEREST ON WITH-PROFIT POLICIES IN 2011

Technical interest rate	Individual savings insurance	Individual pension insurance	Group pension insurance	Capital redemption policy
4.50%	4.50%	4.50%		
3.50%	3.65%	3.95%	3.95%	3.50%
2.50%	3.63%	3.95%		3.43%
2.00%			3.95%	3.43%
1.00%				3.43%

CONSOLIDATED ACCOUNTS

Fennia's consolidated accounts include the Parent Company and all the subsidiaries in which the Parent Company either directly or indirectly holds more than half of the voting rights. Fennia Life Insurance Company Ltd belongs to the Fennia Group as a subsidiary. Fennia Life and its subsidiaries are combined with the Group's consolidated accounts on the basis of the consolidated accounts of the Fennia Life sub-group. Fennia Asset Management, established in 2011 (wholly owned by Fennia Life), is a new subsidiary. Finnish Loss Survey Ltd. (SVT) (100 per cent ownership) and eFennia Oy (20 per cent ownership, voting rights 63.6 per cent) are subsidiaries of Fennia. The other subsidiaries included in the consolidated accounts are real estate companies. At the end of 2011, the Group had 26 real estate companies, 13 of which belonged to the Fennia Life sub-group.

The consolidated accounts have been drawn up as combinations of the profit and loss accounts, balance sheets and notes of the Parent Company and the subsidiaries. Amounts due to or from Group companies, internal gains and losses, profit distribution and mutual share ownership have been eliminated. Minority interests in results and in capital and reserves are presented as separate items. Mutual share ownership is eliminated using the acquisition method. The consolidation difference is entered under the fixed asset items concerned and depreciated according to their depreciation plan. The unallocated part of goodwill on consolidation has been written off.

In the accounts of the real estate subsidiaries, the revaluations at the time of acquisition have been reversed, as they have affected the acquisition price of the shares.

The companies in which the Group holds 20–50 per cent of the voting rights have been included in the consolidated accounts as associated undertakings using the equity method of accounting. However, holdings (20–50 per cent) in mutual real estate undertakings and property companies are not included. This has no significant impact on the Group's results and capital and reserves.

GROUP COMPANIES 31 DEC. 2011

The following subsidiaries are included in the consolidated financial statements

eFennia Oy
Emmelia Oy
Finnish Loss Survey Ltd.
Asunto Oy Espoon Myllynkivi
Asunto Oy Helsingin Vattuniemenkuja 8
Asunto Oy Helsingin Viikinportti
Asunto Oy Keravan Jaakonkulma
Asunto Oy Oulun Alppilan Ruusu
Kiinteistö Oy Eagle Lahti
Kiinteistö Oy Joensuun Metropol
Kiinteistö Oy Ornant
Kiinteistö Oy Ruosilantie 4-6
Kiinteistö Oy Ruosilantie 11
Kiinteistö Oy Tampereen Rautatienkatu 21
Kiinteistö Oy Televisiokatu 1
Kiinteistö Oy Televisiokatu 3

Fennia Life Insurance Company

new subsidiaries

Fennia Asset Management Ltd.
Kiinteistö Oy Konalan Ristipellontie 25

subsidiaries

Asunto Oy Jyväskylän Jontikka
Asunto Oy Tampereen Vuoreksen Puistokatu 76
Kiinteistö Oy Espoon Niittyrinne 1
Kiinteistö Oy Kaakkurin Liikekeskus
Kiinteistö Oy Kalevankatu 9
Kiinteistö Oy Koivuhaanportti 1-5
Kiinteistö Oy Mikkelin Hallituskatu 1
Kiinteistö Oy Sellukatu 5
Kiinteistö Oy Teohypo
Kiinteistö Oy Vaajakosken Varaslahdentie 6
Kiinteistö Oy Vasaramestari
Kiinteistö Oy Vasaraperän Liikekeskus

Associated undertakings included in the consolidated financial statements

Uudenmaan Pääomarahasto Oy

Notes to the Accounts, Parent Company

NOTES TO THE PROFIT AND LOSS ACCOUNT AND BALANCE SHEET

EUR 1,000	2011	2010
1. PREMIUMS WRITTEN		
Non-life insurance		
Direct insurance		
Finland	358,659	331,170
Reinsurance	442	378
Gross premiums written before reinsurers' share	359,102	331,548

2. BALANCE ON TECHNICAL ACCOUNT BY GROUP OF INSURANCE CLASS, PARENT COMPANY

Group of insurance class EUR 1,000	Year	Premiums written before reinsurers' share	Premiums earned before reinsurers' share	Claims incurred before reinsurers' share	Operating expenses before reinsurers' commissions and profit participation	Reinsurance balance	Balance on technical account before the change in collective item and equalisation provision
Statutory accident insurance	2011	83,810	82,600	-106,245	-10,685	-230	-34,561
(workers' compensation)	2010	71,927	71,977	-67,031	-9,160	-422	-4,636
	2009	81,955	81,964	-56,645	-8,694	-416	16,209
Non-statutory accident	2011	29,262	28,046	-31,409	-9,243	-93	-12,699
and health	2010	26,174	25,158	-24,430	-7,760	-82	-7,114
	2009	23,674	22,638	-25,489	-7,247	-80	-10,179
Motor	2011	72,052	71,512	-78,400	-19,897	-452	-27,238
liability	2010	69,254	69,015	-57,308	-17,553	-326	-6,171
	2009	69,198	69,647	-55,254	-16,938	-1,405	-3,949
Motor, other classes	2011	59,807	59,216	-47,649	-16,549	-202	-5,185
	2010	58,034	58,577	-44,677	-14,556	-185	-841
	2009	59,151	59,515	-42,784	-14,116	532	3,147
Fire and other	2011	71,071	69,910	-65,958	-19,734	-1,678	-17,459
damage to property	2010	65,975	65,322	-66,264	-17,072	-2,183	-20,198
	2009	65,097	65,038	-54,335	-16,506	-1,535	-7,338
General liability	2011	21,987	21,336	-18,161	-4,438	3	-1,261
	2010	19,221	18,756	-12,905	-3,647	-95	2,108
	2009	19,429	19,275	-8,411	-3,471	-305	7,088
Other	2011	20,670	20,641	-13,090	-5,890	-593	1,068
	2010	20,585	20,277	-10,380	-5,356	-818	3,723
	2009	20,096	20,193	-13,043	-5,062	-928	1,160
DIRECT INSURANCE	2011	358,659	353,260	-360,912	-86,437	-3,246	-97,335
TOTAL	2010	331,170	329,083	-282,996	-75,104	-4,112	-33,129
	2009	338,599	338,270	-255,959	-72,035	-4,136	6,139
Reinsurance	2011	442	438	-231	-191	16	
	2010	378	353	-115	-178	1	61
	2009	1,570	1,544	-1,293	-204	-99	-52
TOTAL	2011	359,102	353,698	-361,143	-86,628	-3,246	-97,319
	2010	331,548	329,436	-283,111	-75,282	-4,111	-33,068
	2009	340,169	339,814	-257,252	-72,239	-4,236	6,087
Change in collective provision	2009						-426
Technical underwriting income and expenses	2010						6,159
Change in equalisation	2011						60,323
provision	2010						-491
	2009						-31,819
BALANCE ON	2011						-36,996
TECHNICAL ACCOUNT	2010						-27,400
	2009						-26,158

EUR 1,000	2011	2010
3. ITEMS DEDUCTED FROM PREMIUMS WRITTEN		
Credit loss on outstanding premiums	1,978	2,521
Pay-as-you-go premiums	24,779	21,907
Premium tax	55,454	52,069
Fire brigade charge	781	739
Traffic safety charge	672	689
Industrial safety charge	1,531	1,247
	85,194	79,172

EUR 1,000	2011	2010
4. OPERATING EXPENSES		
Total operating expenses by activity		
Claims paid	28,883	26,837
Net operating expenses	86,486	75,149
Investment charges	3,012	2,296
Other charges	-129	246
Total	118,252	104,528
Depreciation according to plan by activity		
Claims paid	2,394	2,617
Net operating expenses	5,890	3,943
Investment charges	194	171
Other costs		
Total	8,477	6,732
Operating expenses in Profit and Loss Account		
Policy acquisition costs		
Direct insurance commissions	5,872	4,236
Commissions on reinsurance assumed and profit sharing	71	58
Other policy acquisition costs	34,880	30,979
Total	40,824	35,272
Policy management expenses	29,023	24,729
Administrative expenses	16,781	15,280
Commissions on reinsurance ceded and profit sharing	-142	-133
Total	86,486	75,149

EUR 1,000	2011	2010
5. STAFF EXPENSES, PERSONNEL AND EXECUTIVES		
Staff expenses		
Salaries and commissions	50,227	46,508
Pension expenses	9,095	8,259
Other social expenses	4,727	4,068
Total	64,049	58,835
Executives' salaries and commissions		
Managing Director and substitute for the Managing Director	643	678
Board of Directors	155	148
Supervisory Board	151	147
Total	949	973

The age of retirement of the Managing Director is defined according to TyEL.

Average number of personnel during the financial year		
Office personnel	568	547
Sales personnel	471	448
Total	1,039	995
Auditors' commissions		
Audit	42	42
Tax consulting	9	14
Other services	1	1
Total	52	56

EUR 1,000	2011	2010
6. NET INVESTMENT INCOME		
Investment income		
Income from investments in affiliated undertakings		
Dividend income	108	120
Income from investments in land and buildings		
Interest income		
From affiliated undertakings	3,863	3,056
From other undertakings		
Other income		
From affiliated undertakings	487	232
From other undertakings	18,544	16,629
	22,894	19,917
Income from other investments		
Dividend income	7,538	5,257
Interest income	20,339	23,595
Other income	1,736	1,588
	29,613	30,440
Total	52,615	50,477
Value readjustments	1,214	4,455
Gains on realisation of investments	33,042	42,515
TOTAL	86,870	97,448
Investment charges		
Charges arising from investments in land and buildings		
To affiliated undertakings	-9,992	-7,933
To other undertakings	-3,642	-3,164
	-13,634	-11,097
Charges arising from other investments	-3,360	-2,136
Interest and other expenses on liabilities		
To affiliated undertakings		
To other undertakings	-427	-355
	-428	-355
Total	-17,422	-13,588
Value adjustments and depreciations		
Value adjustments on investments	-12,631	-1,917
Planned depreciation on buildings	-2,098	-2,094
	-14,729	-4,012
Losses on realisation of investments	-26,845	-14,092
TOTAL	-58,996	-31,691
Net investment income on the Profit and Loss Account	27,874	65,757

EUR 1,000	Investments 31 Dec. 2011 Remaining acquisition cost	Investments 31 Dec. 2011 Book value	Investments 31 Dec. 2011 Current value	Investments 31 Dec. 2010 Remaining acquisition cost	Investments 31 Dec. 2010 Book value	Investments 31 Dec. 2010 Current value
7. CURRENT VALUE AND VALUATION DIFFERENCE ON INVESTMENTS						
Investments in land and buildings						
Real estate	22,902	34,664	70,977	23,674	35,889	63,654
Real estate shares in affiliated undertakings	69,143	69,143	77,687	70,652	70,652	76,416
Real estate shares in associated undertakings	8,041	8,091	10,652	7,108	7,158	9,338
Other real estate shares	4,006	4,275	5,375	3,529	3,822	4,988
Loans from affiliated undertakings	115,978	115,978	115,978	120,999	120,999	120,999
Investments in affiliated undertakings						
Equities and holdings	25,982	25,982	38,626	25,982	25,982	38,626
Other investments						
Equities and holdings	408,421	408,421	439,126	368,687	368,687	430,604
Debt securities	448,031	448,031	455,323	479,848	479,848	485,035
Loans guaranteed by mortgages	4,481	4,481	4,481	3,939	3,939	3,939
Other loans	21,735	21,735	21,735	16,325	16,325	16,325
Deposits with ceding undertakings	46	46	46	26	26	26
	1,128,768	1,140,849	1,240,008	1,120,769	1,133,327	1,249,949
The remaining acquisition cost of debt securities comprises the difference between the amount repayable at maturity and purchase price, which has been released to interest income (+) or charged to interest income (-)	-2,213			-3,420		
Book value comprises						
Revaluations entered as income		11,096			11,573	
Other revaluations		986			986	
		12,082			12,558	
Valuation difference (difference between current value and book value)			99,158			116,623
Valuation difference on non-hedging derivatives			-			11

EUR 1,000	Changes in investments in land and buildings 1 Jan. 2011–31 Dec. 2011 Land and buildings and real estate shares	Investment loans in affiliated undertakings
8. INVESTMENTS IN LAND AND BUILDINGS		
Acquisition cost, 1 Jan.	133,830	120,999
Increase	3,469	11,665
Decrease	-2,694	-16,686
Acquisition cost, 31 Dec.	134,605	115,978
Accumulated depreciation, 1 Jan.	-33,563	
Accumulated depreciation related to decreases and transfers	-	
Depreciation for the financial year	-2,098	
Accumulated depreciation, 31 Dec.	-35,661	
Value adjustments, 1 Jan.	-4,281	
Impairments related to decreases and transfers	-	
Reversed impairment	-	
Value adjustments, 31 Dec.	-4,281	
Revaluations, 1 Jan.	21,535	
Decrease	-24	
Revaluations, 31 Dec.	21,511	
Book value, 31 Dec.	116,174	115,978
Land and buildings and real estate shares occupied for own activities:		
Remaining acquisition cost	14,854	
Book value	15,348	
Current value	19,882	

EUR 1,000

9. INVESTMENTS IN AFFILIATED UNDERTAKINGS

	Changes in investments in affiliated undertakings 1 Jan. 2011–31 Dec. 2011
Acquisition cost, 1 Jan. / 31 Dec.	25,982
Book value, 31 Dec.	25,982

EUR 1,000	2011	2010
10. OTHER INVESTMENTS		
Other loans by security		
Other security	21,735	16,325
11. DEBTORS		
Other debtors		
Affiliated undertakings	6,676	983

EUR 1,000	Holding %	Book value 31 Dec. 2011	Current value 31 Dec. 2011
12. EQUITIES AND HOLDINGS IN OTHER COMPANIES			
Other investments			
Domestic equities and holdings			
Aloitusrahasto Vera Oy	0,6791	500	500
Cargotec Oyj, series B	0,0262	330	330
Elisa Oyj	0,0112	289	301
Mutual Insurance Company Pension-Fennia		1 689	1 689
Fortum Oyj	0,0215	3 143	3 143
Holiday Club Resorts Oy	1,9466	1 000	1 000
Kemira Oyj	0,0698	993	993
Kesko Oyj, series B	0,0280	482	482
Kone Oyj, series B	0,0097	820	864
Konecranes Oyj	0,1048	961	961
Kytäjä Golf Oy	5,0000	960	960
Metso Oyj	0,0177	759	759
Nokia Oyj	0,0087	1 222	1 222
Nokian Renkaat Oyj	0,0181	582	582
Outokumpu Oyj, series A	0,0397	366	366
Outotec Oyj	0,0285	428	473
Panostaja Oyj	6,7048	3 365	3 365
Sampo Oyj, series A	0,0119	1 271	1 271
Stora Enso Oyj, series R	0,0206	583	583
Terveysrahasto Oy, B share	3,2201	536	569
UPM-Kymmene Oyj	0,0113	502	502
Uudenmaan Pääomarahasto Oy	13,7094	2 000	2 000
Wärtsilä Oyj Abp	0,0137	576	603
YIT Oyj	0,0123	193	193

EUR 1,000	Holding %	Book value 31 Dec. 2011	Current value 31 Dec. 2011
Foreign equities and holdings			
Neatherlands			
Koninklije KPN NV (Royal)	0.0023	462	462
Spain			
Telefonica S.A.	0.0013	870	870
Great Britain			
Royal Dutch Shell Plc	0.0014	1,017	1,424
Norway			
Fred Olsen Energy ASA	0.0394	671	671
StatoilHydro ASA	0.0025	1,000	1,057
France			
France Telecom SA	0.0013	400	400
GDF Suez	0.0018	843	843
Sanofi-Aventis	0.0008	506	567
Sweden			
K III Sweden AB-C	3.0800	915	931
Nordea Bank AB FRD	0.0064	1,528	1,546
TeliaSonera AB	0.0022	488	488
Switzerland			
Novartis AG	0.0005	506	574

EUR 1,000	Holding %	Book value 31 Dec. 2011	Current value 31 Dec. 2011
Unit trusts			
Aberdeen Asia Pacific Fund A2		700	1,392
Aberdeen Indirect Property Partners		1,172	1,172
Aktia America B		2,549	2,719
Aktia Emerging Market Local Currency Bond+ D		8,325	9,053
Aktia Emerging Market Local Currency T-Bill		2,002	2,013
Aviva Investors SICAV-Global High Yield Bond I		5,000	5,012
BGF European Fund A2		7,063	7,063
Bluebay Emerging Market Corporate Bond Fund		12,500	13,071
Bluebay Emerging Market Local Currency Bond I USD		21,390	21,820
Bluebay Emerging Markets Bond Fund R		7,356	10,477
Bluebay High Yield Bond Fund R		15,962	23,076
CRM US Equity Opportunities - Class S USD		12,423	12,423
Eaton Vance Emerald PPA Emerging Markets Equity Fund		14,263	14,263
Enter Select		8,370	8,370
EPI Baltic I Oy		484	484
eQ Emerging Dividend Units		2,000	2,163
Evli European High Yield B		8,000	8,052
Fidelity Active Strategy - Emerging Markets Fund		3,996	3,996
Fidelity Active Strategy - Europe Fund		2,100	2,503
Fidelity China Focus		985	1,155
FIM Brazil		1,250	1,979
Fondita Nordic Micro Cap B		2,951	2,951
Fourton Odysseus		2,027	2,433
GS Global Emerging Markets Debt Portfolio		5,908	10,469
Handelsbanken Europe Selective A I		1,540	1,540
Handelsbanken Nordic Selective A I		1,947	1,947

EUR 1,000	Holding %	Book value 31 Dec. 2011	Current value 31 Dec. 2011
ICECAPITAL European Stock Index B		1,783	1,783
ICECAPITAL Global Utilities & Energy B		1,500	2,883
iShares MSCI Bric Index Fund		905	905
iShares Russell 2000 Value Fund ETF		1,722	1,722
iShares STOXX Europe 600 (DE) ETF		6,091	6,160
Jo Hambro European Select Values EUR		5,900	6,082
JPM Emerging Markets Equity A (acc)-USD		6,181	6,181
JPM US Select 130/30 A acc-USD		6,589	7,631
Kauppakeskuskiinteistöt FEA Ky		14,492	14,492
Limited Life Credit Opportunity AX EUR		10,000	10,624
Muzinich Funds - Americayield Fund Hedged Acc		986	1,122
Muzinich Short Duration High Yield Fund I		39,205	39,839
Odin Finland II		3,071	3,071
OP-High Yield A		10,000	10,072
Powershares India Portfolio		2,003	2,003
Schroder ISF US Small & Mid-Cap Equity		2,427	3,150
SEB European Equity Small Caps		3,378	3,378
SEB Gyllenberg Money Manager B		3,663	3,700
SEB Gyllenberg Money Manager Plus BI		11,645	12,949
Seligson & Co Money Market Fund A		42	42
Seligson Emerging Markets Fund I A (Institution)		771	771
Sponda Fund I Ky		5,584	5,584
SPYDR Standard & Poors 500 Index Ser.1 Standard		14,526	15,009
Stone Harbor High Yield Bond Fund I - EUR A		3,568	3,991
Vanguard MSCI Emerging Markets ETF		10,408	10,408
William Blair US All Cap Growth Fund D		11,935	12,355
XACT OMX 30 Index Fund		4,744	4,744
XACT OMX Stockholm BI ETF		3,251	3,251
Capital trusts			
Access Capital LP			1,601
Auda Capital III L.P.		1,148	1,148
Duke Street Capital VI LP		2,397	2,397
Euro Choice IV GB Limited		1,310	1,310
Fennia Avainrahasto Ky		2,320	2,320
MB Equity Fund III Ky		970	1,264
MB Equity Fund IV Ky		699	701
Mediatonic Fund I Ky		351	351
Nexit Infocom 2000 Fund Limited Partnership		257	257
Partners Group European Buyout		3,064	3,064
Partners Group European Mezzanine		2,784	2,907
Permira Europe II LP2		553	553
Permira Europe IV LP2		1,354	1,420
Selected Mezzanine Funds I Ky		3,750	3,914
Selected Private Equity Funds I Ky		2,263	2,263
Teknoventure Rahasto III Ky		1,354	1,740
The First European Fund Investments UK Ltd Partnership		682	682
The Triton Fund I L.P.		352	352
The Triton Fund II L.P.		1,332	1,332
The Triton Fund III L.P.		4,126	4,126
Other		5,962	6,381
		408,421	439,126

EUR 1,000	Other long-term expenses	Advance payments	Equip-ment	Total
13. CHANGES IN INTANGIBLE AND TANGIBLE ASSETS				
Acquisition cost, 1 Jan. 2011	33,311	9,603	15,386	58,300
Fully depreciated in the previous year	-355		-217	-572
Increase	12,563	11,353	2,341	26,257
Decrease	-	-8,797	-836	-9,633
Acquisition cost, Dec. 31 2011	45,519	12,159	16,674	74,352
Accumulated depreciation, 1 Jan. 2011	-17,705		-8,043	-25,749
Fully depreciated in the previous year	355		217	572
Accumulated depreciation related to decreases and transfers	-		702	702
Depreciation for the financial year	-6,217		-2,260	-8,477
Accumulated depreciation, 31 Dec. 2011	-23,568		-9,384	-32,952
Book value, 31 Dec. 2011	21,951	12,159	7,290	41,400

EUR 1,000	2011	2010
14. KEY FIGURES PERTAINING TO SOLVENCY		
Solvency margin		
Capital and reserves after proposed profit distribution	186,242	194,819
Appropriations	1,941	2,149
Valuation difference between current value and Balance Sheet book value of assets	99,158	116,633
Capitalised intangibles	-34,110	-25,209
Other items	-461	-3,158
	252,769	285,235
Minimum solvency margin required under the Finnish Insurance Companies Act, Chapter 11, Section 7	71,515	67,366
Equalisation provision for years with large numbers of losses included in technical provisions	156,899	217,222
Equalisation provision to its full value (%)	40%	60%
Solvency ratio (%)		
Solvency margin and equalisation provision to premiums earned from the preceding 12 months		
- for the year 2011	117%	
- for the year 2010	155%	
- for the year 2009	138%	
- for the year 2008	101%	
- for the year 2007	126%	
15. CREDITORS		
Other creditors		
Affiliated undertakings	1,134	830

EUR 1,000	2011
16. CAPITAL AND RESERVES	
Restricted	
Initial fund, 1 Jan. / 31 Dec.	4,339
Guarantee capital, 1 Jan. / 31 Dec.	3,364
Revaluation reserve, 1 Jan. / 31 Dec.	885
Restricted in total	8,587
Non-restricted	
Security reserve, 1 Jan. 2010	157,694
Transfer from profit brought forward	28,479
Security reserve, 31 Dec. 2010	186,173
At the disposal of the Board, 1 Jan. / 31 Dec.	59
Profit brought forward	28,479
Profit brought forward	-
Transfer to security reserve	-28,479
Profit brought forward	-
Profit for the financial year	-8,577
Non-restricted in total	177,654
Capital and reserves in total	186,242
Revaluation reserve, 31 Dec. 2011	
Revaluations on investments	458
Revaluations on fixed assets	426
	885
Distributable profit, 31 Dec. 2011	
Profit/loss for the financial year	-8,577
Security reserve	186,173
At the disposal of the Board	59
	177,654

EUR 1,000	2011	2010
17. GUARANTEE AND LIABILITY COMMITMENTS		
Own liabilities		
Liabilities from derivative contracts		
Interest rate derivatives		
Forward and futures contracts		
Value of underlying instrument	13,729	100,213
Current value	-173	-163
Currency derivatives		
Forward and futures contracts		
Value of underlying instrument	-	12,943
Current value	-	11
Negative valuation differences on non-hedging derivative contracts are charged against the profit.		
Securities given as collateral for derivatives trade	2,006	2,503
Leasing and leasehold commitments	4,090	4,499
Assets pledged as collateral	181	180
Other liabilities		
As regards group registering for VAT taxation, the company is responsible for the value-added tax payable by the group jointly with the other members of the value-added tax liability group of Varma Mutual Pension Insurance Company		
Affiliated undertakings	-152	222
Other undertakings	6,233	-5,671
Adjustment liability of real estate investment VAT according to Section 120	77	151
Investment commitments		
Commitment to invest in equity funds	33,402	40,135

18. LOANS TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS

The company has granted a total of EUR 6,950,000 in loans to related parties.
The company has no liabilities or contingent liabilities to related parties.
The company has no related party transactions conducted according to other than standard business practices.

Notes concerning the Group

Copies of Fennia's Consolidated Financial Statements are available at the company's headquarters, Televisiokatu 1, Helsinki.

GROUP ANALYSIS OF RESULTS (EUR million)

	2007	2008	2009	2010	2011
Non-life insurance					
Premiums earned	317	335	334	324	349
Claims incurred	-290	-284	-256	-282	-360
Net operating expenses	-65	-68	-72	-75	-86
Other technical underwriting income (net)	0	0	0	6	0
Balance on technical account before rebates and change in equalisation provision	**-39**	**-19**	**6**	**-27**	**-97**
Investment income (net),					
revaluations	49	-12	62	66	29
Other income (net)	1	1	1	0	1
Share of associated undertakings' profit	0	0	0	1	0
Operating profit/loss	**11**	**-30**	**68**	**40**	**-67**
Change in equalisation provision	13	-3	-32	0	60
Non-life insurance profit/loss before extraordinary items	**24**	**-34**	**37**	**39**	**-7**
Life insurance					
Premiums written	63	54	70	60	79
Investment income (net),					
revaluations and revaluation adjustments on investments	40	-84	91	81	-27
Claims paid	-55	-76	-53	-51	-62
Change in technical provision before bonuses					
and rebates and change in equalisation provision	-32	87	-84	-62	23
Net operating expenses	-7	-7	-7	-8	-10
Other technical income	8				
Technical underwriting result rebates and change in equalisation provision	**16**	**-25**	**16**	**20**	**3**
Other income (net)	0	0	0	0	-1
Operating profit/loss	**16**	**-25**	**16**	**20**	**2**
Change in equalisation provision	-1	-1	0	-1	-1
Bonuses and rebates	-6	0	-4	-4	2
Life insurance profit/loss before extraordinary items	**9**	**-26**	**12**	**15**	**4**
Extraordinary income	-	-	-	-	-
Extraordinary charges	-	-	-	-	-
Profit/loss before appropriations and tax	**33**	**-60**	**48**	**54**	**-3**
Income tax and other direct tax	-8	-1	-3	-11	-1
Minority interests	-3	10	-5	-6	-1
Group's profit/loss for the financial year	**22**	**-50**	**41**	**37**	**-5**

Key Figures

		2007	2008	2009	2010	2011
Group Key Figures *						
Turnover EUR million		486	309	567	540	442
Premiums written	EUR million	393	401	410	392	439
Operating profit/loss	EUR million	27	-55	84	59	-65
Profit/loss before extraordinary items.						
untaxed reserves and tax	EUR million	33	-60	48	54	-3
Total result	EUR million	15	-87	172	75	-95
Solvency capital	EUR million	451	362	529	583	478
Average number of personnel		990	1 038	1 067	1 087	1 238
Non-life Insurance Key Figures						
Premiums written	EUR million	330	347	340	332	359
Loss ratio	%	91.7	85.0	76.6	87.0	103.1
Loss ratio excl. unwinding of discount.	%	87.8	81.0	72.5	82.9	99.7
Expense ratio	%	20.4	20.4	21.6	23.2	24.8
Combined ratio	%	112.1	105.4	98.2	110.2	127.9
Combined ratio excl. unwinding of discount.	%	108.3	101.4	94.1	106.0	124.5
Operating profit/loss	EUR million*	11	-30	68	40	-67
Total result	EUR million	9	-62	129	56	-87
Return on assets.	%	1.8	-4.1	11.2	5.0	-5.2
Net investment income at current values	EUR million	48.2	-43.5	123.3	82.9	10.4
income on invested capital.	%	4.3	-3.8	11.5	6.8	0.8
Solvency margin	EUR million	218	153	246	285	253
Equalisation provision	EUR million	182	185	217	217	157
Solvency capital	EUR million	400	338	462	502	410
of technical provisions	%	51.9	42.1	56.7	60.5	44.5
Solvency ratio	%	126.3	101.1	138.5	155.0	117.5
Average number of personnel		910	954	986	995	1 039
Life Insurance Key Figures						
Premiums written	EUR million	63	55	70	60	79
Expense ratio (of expense loading)	%*	89.6	90.0	99.1	105.2	113.4
Operating profit/loss	EUR million*	16	-25	16	20	2
Total result	EUR million	11	-38	43	24	-9
Return on assets	%	6.4	-3.5	11.0	7.6	1.9
Net investment income at current value	EUR million	27	-27	60	43	7
income on invested capital	%	4.6	-4.4	10.7	7.2	1.1
Solvency margin	EUR million	91	48	88	106	98
Equalisation provision	EUR million	4	5	5	6	6
Solvency capital	EUR million	95	52	93	112	105
Solvency ratio	%	16.1	9.4	16.0	18.5	17.4
Average number of personnel		27	29	31	42	47

*Key figures according to the consolidated accounts

INVESTMENT PORTFOLIO AT CURRENT VALUES	2011 EUR million	%	2010 EUR million	%	2009 EUR million	%	2008 EUR million	%	2007 EUR million	%
Loans [1]	27.9	2.2	20.3	1.6	10.7	0.9	4.8	0.5	18.4	1.7
Bonds [1, 2]	459.7	36.8	586.0	46.5	655.4	55.6	556.1	52.2	605.6	55.4
**includes fixed-income funds*	166.7	13.4	150.4	11.9	164.6	14.0	107.4	10.1	96.8	8.8
Other money market investments and deposits [1, 2, 3]	187.5	15.0	72.2	5.7	70.7	6.0	201.9	18.9	112.5	10.3
**includes fixed-income funds*	18.7	1.5	21.1	1.7	49.8	4.2	57.0	5.3	39.8	3.6
Shares Equities and holdings	270.5	21.7	269.5	21.4	173.5	14.7	109.8	10.3	171.7	15.7
Investments in land and buildings [4]	302.4	24.2	297.4	23.6	249.6	21.2	152.6	14.3	109.0	10.0
**includes unit trusts and UCITS*	21.7	1.7	22.0	1.7	21.6	1.8	22.0	2.1	12.3	1.1
Other investments	0.5	0.0	15.4	1.2	19.6	1.7	40.6	3.8	76.6	7.0
Investments in total	**1 248.5**	**100.0**	**1 260.7**	**100.0**	**1 179.5**	**100.0**	**1 065.8**	**100.0**	**1 093.8**	**100.0**
Modified duration of the bond portfolio	**4.10**		**3.34**		**2.79**		**3.83**		**4.01**	

1) Includes accrued interests.
2) Of fixed-income funds. long-term funds are included in bonds and short-term funds are included in other money market investments.
3) Includes deposits included in Investments in the Balance Sheet.
4) Includes investments in those unit trusts and comparable.

NET INVESTMENT INCOME	2011 EUR million	2010 EUR million	2009 EUR million	2008 EUR million	2007 EUR million
Direct net income	**35.2**	**36.9**	**36.4**	**39.3**	**43.1**
Loan receivables	1.9	1.0	0.4	0.4	0.4
Bonds	15.9	22.0	20.9	22.5	21.2
Other money market investments and deposits	2.4	0.5	5.5	6.7	4.4
Shares Equities and holdings	6.9	4.2	1.5	2.1	9.8
Investments in land and buildings	10.8	10.7	9.1	9.1	6.9
Other investments	0.1	0.1	0.1	-0.4	1.9
Sundry income. charges and operating expenses	-2.8	-1.6	-1.2	-1.1	-1.4
Changes in value in the accounts [1]	**-7.3**	**28.9**	**26.9**	**-51.0**	**6.2**
Shares Equities and holdings	-16.4	11.5	9.1	-26.9	11.6
Bonds	7.6	18.8	23.0	-19.4	-9.0
Investments in land and buildings	0.8	-1.1	-7.0	-4.9	3.9
Other investments	0.7	-0.3	1.7	0.2	-0.4
Net investment income at book value	**27.9**	**65.8**	**63.2**	**-11.7**	**49.3**
Change in valuation differences [2]	**-17.5**	**17.1**	**60.1**	**-31.8**	**-1.1**
Shares Equities and holdings	-16.9	21.2	7.4	-29.5	-2.0
Bonds	-10.4	-6.8	51.2	-3.7	-2.6
Investments in land and buildings	11.6	4.7	1.8	8.6	-1.9
Other investments	-1.9	-2.0	-0.3	-7.2	5.4
Net investment income at current values	**10.4**	**82.9**	**123.3**	**-43.5**	**48.2**
Share of net investment income accounted for by derivatives	-0.9	-12.3	-0.5	-0.8	1.0

1) Gains and losses on realisation of investments and other changes in value in the accounts
2) Off-balance sheet changes in value

NET INVESTMENT INCOME ON INVESTED CAPITAL 1 JAN. 2011–31 DEC. 2011

	Net investment net income current values [1) EUR million 2011	Invested capital [2) EUR million 2011	Yield. % on invested capital 2011	2010	2009	2008	2007
Loan receivables	1.7	23.4	7.4	6.5	7.5	9.1	2.1
Bonds [3)	13.0	537.8	2.4	5.1	16.4	-0.1	1.8
*of which fixed-income funds	1.6	183.6	0.9	11.4	40.4	-18.7	2.2
Other money market investments and deposits [3)	2.7	157.2	1.7	1.8	3.8	4.6	3.9
*of which fixed-income funds	0.3	24.0	0.0	1.8	5.8	2.5	3.6
Equities and holdings	-26.4	271.8	-9.7	18.7	15.6	-32.6	10.6
Investments in land and buildings [4)	23.3	295.0	7.9	5.5	2.1	9.7	8.7
*of which unit trusts and UCITS	0.7	21.7	0.0	6.6	-11.1	-16.1	8.8
Other investments	-1.3	8.4	-14.9	-11.4	4.3	-16.2	7.3
Investments in total	**13.2**	**1 293.7**	**1.0**	**7.0**	**11.6**	**-3.7**	**4.5**
Sundry income, charges and operating expenses	-2.8						
Net investment income at current values	**10.4**	**1 293.7**	**0.8**	**6.8**	**11.5**	**-3.8**	**4.3**

1) Net investment income at current values = Changes in the market values between the end and beginning of the review period – cash flows.
Cash flow is the difference between purchases/costs and sales/income.

2) Invested capital = Market value at the beginning of the review period + daily/monthly time-weighted cash flows.

3) Includes income from fixed-income funds recorded in the investments in question.

4) Includes income from unit trusts and UCITS recorded in investements in real estate.

Calculation Methods for the Key Figures

KEY FIGURES

Turnover =

Non-life insurance turnover
+ premiums earned before reinsurers' share
+ net investment income on the profit and loss account
+ other income

Life insurance turnover
+ premiums written before reinsurers' share
+ net investment income on the profit and loss account
+ other income

Total result = operating profit (loss) +/- change in off-balance sheet valuation differences

Return on assets at current values (%) =

+/- operating profit or loss
+ financial expenses
+ unwinding of discount
+/- change in valuation differences on investments

+ balance sheet total
- technical provisions for unit-linked insurances
+/- valuation differences on investments

The divisor of the key figure is calculated as an average of values on the Balance Sheet for the current and previous financial period.

In life insurance, 'unwinding of discount' refers to the technical interest credited to insurances during the year plus/minus any changes in the supplementary liability of the interest.

In non-life insurance, 'unwinding of discount' refers to the effect of the process of unwinding the discounted claims outstanding on the claims incurred, when discounting the capital value of pension liabilities. The rate is calculated by multiplying the discounted provision for claims outstanding at the beginning of the year by the effective technical rate of interest at the end of the previous year.

Net investment income on invested capital at current values (%)
Net investment income at current values in relation to invested capital is calculated by type of investment and for the total amount of investments with reference to cash flows during the period.

Average number of employees = Average number of employees at the end of each calendar month.

NON-LIFE INSURANCE

Premiums written = premiums written before reinsurers' share

Loss ratio % =
claims incurred
premiums earned

Loss ratio (excl. unwinding of discount) % =
claims incurred (excl. unwinding of discount) %
premiums earned

Expense ratio % =
operating expenses
premiums earned

Key figures are calculated after reinsurers' share.

Combined ratio % = loss ratio + expense ratio

Combined ratio (excl. unwinding of discount) % =
loss ratio (excl. unwinding of discount) + expense ratio

Solvency margin see calculation in the Notes

Solvency capital = solvency margin + equalisation provision + minority interest

Solvency capital, % of technical provisions =
solvency capital
+ technical provisions
- equalisation provision

Technical provisions are calculated after reinsurers' share.

Solvency ratio % =
solvency capital
premiums earned

Premiums earned are calculated for the previous twelve months after reinsurers' share.

LIFE INSURANCE

Premiums written = premiums written before reinsurers' share

Expense ratio (% of expense loading) =
+ operating expenses before change in deferred acquisition costs
+ claims settlement expenses
expense loading

Solvency margin see calculation in the Notes

Solvency capital = solvency margin + equalisation provision + minority interest

Solvency ratio (%) =
solvency capital
+ technical provisions
- equalisation provision
- 75% of technical provisions for unit-linked insurances

Technical provisions are calculated after reinsurers' share.

Risks and Risk and Solvency Management

1 RISK AND SOLVENCY MANAGEMENT IN GENERAL

The risk and solvency management framework of the Fennia Group, which includes Fennia Mutual Insurance Company (hereinafter Fennia) and its subsidiaries Fennia Life Insurance Company (hereinafter Fennia Life) and Fennia Asset Management Ltd (hereinafter Fennia Asset Management), is described in the policy documents approved by the Group companies' Boards of Directors. The most central of these documents is the risk and solvency management policy which lays down the general principles for managing both risks and solvency in the Group.

In the Fennia Group, risk management means co-ordinated strategies, processes, principles and measures to identify, measure, monitor, manage and report risks faced by the Group and the Group companies. Solvency management, on the other hand, means strategies, processes, principles and measures to steer and determine the Group's and the Group companies' risk-bearing capacity, risk appetite, risk tolerance and restrictions of their essential risks.

2 ORGANISATION OF RISK AND SOLVENCY MANAGEMENT

Fennia's Board of Directors, in its capacity as the Board of Directors of the Group's parent company, is the supreme decision-making body within the Group and bears the responsibility for risk and solvency management and for its integration into the Group's reliable governance system. It is the responsibility of Fennia's Board of Directors to ensure that the special characteristics of the subsidiaries belonging to the Group and the intra-Group connections (including internal transactions, double capital, transferability of capital and use of capital in general) are taken into consideration appropriately.

The Board of Directors of Fennia Life has the primary responsibility to see to it that the company consistently abides by the Group's risk and solvency management policy. It is responsible for ensuring that the company has a governance system in place which is adequately organised with regard to the quality, scope and complexity of the operations, including internal control and a risk management system.

The Board of Directors of Fennia Asset Management is responsible for ensuring that the company abides by the Fennia Group's risk management policy to the extent where the company's special characteristics do not require deviations from it.

Other subsidiaries abide by the Fennia Group's risk and solvency management policy where applicable.

A risk management committee has been set up for the Group's insurance companies to prepare, steer and co-ordinate tasks related to risk and solvency management and to communicate information. The primary task of this risk management committee is to support Fennia's and Fennia Life's Managing Directors in issues related to risk and solvency management. The committee is chaired by Fennia's Managing Director, and Fennia Life's Managing Director is a member the committee.

A separate risk management committee has been set up for Fennia Asset Management. It is chaired by the Managing Director of Fennia Asset Management.

The steering of the risk management system is based on a three-defence-line model.

1. The first defence line has the primary responsibility for daily risk management and reporting in accordance with the agreed policy.
2. The second defence line is the owner of the risk management framework and is responsible for, among other things, the interpretation, development and planning of and reporting on risk and solvency management, and supports, monitors and assesses the implementation of the risk and solvency management processes in the business areas and support functions (first defence line).
3. The third defence line is in charge of ensuring the effectiveness and efficiency of internal control and risk and solvency management.

In the three-defence-line model, responsibility for risk and solvency management is allocated as follows between the various operators:

- Managing Director
  Assisted by Management, the Managing Director bears the overall responsibility for the appropriate preparation and implementation of risk and solvency management in accordance with the Board of Directors' decisions.

- Business areas and support functions
  Each business area and support function is primarily responsible for daily risk management and reporting in accordance with the agreed policy, monitors the overall risk profile of their own area (supported by the second defence line) and ensures that operations in their area comply with the Group's binding risk and solvency management documentation.

- Actuarial function
  The responsible actuary is in charge of the Actuarial function and sees to it that the actuarial methods applied in pricing and in calculating technical provisions are appropriate. The responsible actuary also determines the level of technical provisions. The Actuarial function has a role as an operator of both the first and second defence lines. The Actuarial function participates in the efficient implementation of the risk management system, in the creation of risk management methods in particular, but also in the implementation of the company's own risk and solvency assessment.

- Risk Management function
  The Risk Management function has the primary responsibility for the tasks of the second defence line. The Risk Management function and its processes have been integrated into the Fennia Group's organisation to ensure their independence from the operational activities, which means that the function is free from influences that might compromise the objective, equal and independent performance of its tasks.

The following five co-ordination teams have been set up under the Risk Management function, through which it carries out part of its tasks:

- Co-ordination team for insurance risks;
- Co-ordination team for financial market risks;
- Co-ordination team for operational risks;
- Co-ordination team for risks inherent in quantitative methods; and
- Co-ordination team for risks inherent in the business environment.

  The main tasks of these co-ordination teams include the processing of the strategies, processes and reporting procedures that are needed to continually identify, measure, monitor, manage and report risks and their interrelations.

- Compliance function
  The Compliance function, which belongs to the second defence line, is responsible for ensuring that operations comply with applicable laws, decrees and administrative regulations, financial sector self-regulation and the Fennia Group's internal guidelines, and that customer relationships are managed according to the concluded insurance and other contracts and appropriate procedures. The function also has the task of promoting compliance through proactive legal advice.

- Internal audit
  The tasks of the third defence line are the responsibility of an entirely independent internal audit.

3 RISK MANAGEMENT

Risk refers to an uncertain event and its consequence, which can be a threat or an opportunity for the company.

Within the Group, the whole made up of risk management strategies and processes is divided into the following sub-areas:

1. Risk identification
   The business areas and support functions of the first defence line identify and assess the risks that threaten their operations and objectives, in the context of both the annual planning process and daily operational activities. Risk identification and assessment is co-ordinated by the co-ordination teams working under the risk management committee and the Risk Management function.

2. Risk measurement
   During the risk management process, the severity of the risks and their interdependencies are evaluated to the extent possible. The objective of risk measurement is to create commensurable indicators for different risks and to

improve the comparability of risks. Risk measurement and comparison are necessary as they allow the targeting of risk management measures on the risks that are most essential for the operations. Risk measurement is based on the Value-at-Risk method. Risk severity and dependency measurement and the methods used in measurement are the responsibility of the Risk Management function, which also co-ordinates them.

3. Risk monitoring
   The Group carries out quantitative risk monitoring, consisting of various risk indicators, and qualitative risk monitoring, which includes, among other things, monitoring, assessment and possible testing out of management measures that have been planned and decided upon. The first defence line ensures that appropriate risk monitoring is in place and that sufficient information on risks is obtained for their management. The first defence line monitors the management measures that it has planned and decided upon and assesses their effectiveness. The second defence line, the Risk Management function in particular, carries out independent quantitative and qualitative risk monitoring such that the first defence line can draw on this monitoring as well as possible.

4. Risk management
   During the management process, the risks are prioritised and management measures are planned to control or limit the risks. The first defence line, as the risk owner, carries out appropriate risk management and plans the management measures. The second defence line, the Risk Management function in particular, supports, monitors and assesses the management actions undertaken by the first defence line, but, in order to ensure independence, does not participate in making operational decisions. The management instruments used in the various risk areas are described in more detail in sections 3.1 – 3.10.

5. Risk reporting
   The materialisation of risks and their effects as well as near-miss situations shall be reported within the Group without undue delay according to the agreed reporting channels. As a general rule, the business areas and support functions report to the relevant co-ordination team under the Risk Management function, through which the Risk Management function gathers information on risks, among other things. The Risk Management function reports the risks to the risk management committees and the relevant Boards of Directors as part of the regular reporting of the function. In extremely serious and urgent matters, the business areas and support functions can report directly to the Managing Director, who informs the Risk Management function and, where necessary, the Board of Directors. Similarly, in extremely serious and urgent matters, the Risk Management function can report directly to the Managing Director or the Board of Directors.

These risk management strategies and processes are applied to all of the risk areas of the holistic risk map created to facilitate risk management, which are:
- insurance risks,
- market risks,
- counterparty risks,
- operational risks,
- risks inherent in quantitative methods,
- concentration risks,
- liquidity risks,
- strategic risks,
- reputation risks and
- group risks.

3.1 Insurance risks

Insurance risks are related to the insurance company's core business, insurance.

The most significant insurance risks relate to risk selection, sales steering and risk pricing, i.e. they involve a loss risk resulting from the costs arising from future claims (incl. operating expenses) exceeding the insurance contributions received. Insurance risks also include major loss risks (e.g. disaster risks) and the risk inherent in the adequacy of reinsurance covers.

The insurance risks also include a loss risk arising from an unfavourable change in the value of the technical provisions, i.e. the technical provision risk. Technical provisions risks relate to the uncertainty of the assumptions made when calculating the technical provisions and to unfavourable deviations of the estimated claim amounts, operating expenses and their cash flows from the actual expenses.

The actuarial risk factors included in the technical provisions risk are, among other things, biometric risks (mortality, longevity, disability and similar risks) and different expiry risks, such as the surrender risk in life insurance.

The technical provisions also involve market risks, such as inflation risk and discount rate risk.

Insurance operations are based on taking insurance risks, diversifying the risks within the insurance portfolio and managing them. The most important instruments for managing the risk inherent in unearned premiums relate to risk selection, pricing, insurance terms and conditions and the acquisition of reinsurance cover.

Risk selection provides guidance to sales and ensures the profitability of insurance operations. Risk selection is managed by statistical study of previous losses, which also provide the basis for pricing. The risk selection guidelines specify the types of risks that are insured and the maximum permitted sums insured.

The objective of insurance risk pricing is to achieve the desired risk matching: the bigger the risk, the higher the price and vice versa. The pricing requires accurate and adequate information and sufficient knowledge about the insured target. Only this makes it possible to appropriately apply different risk analyses and determine a sufficient level of insurance premium.

Insurance terms and conditions are an essential tool for controlling insurance risks. They determine, for example, the scope of the insurance cover and the restrictions on compensable damages. In managing insurance risk, it is important to exclude undesired risks or to limit them by way of agreements to a desired level.

In certain non-life insurance lines, such as statutory accident insurance and motor liability insurance, specific legislation applies, which determines the scope of the insurance cover, preventing any alterations to the insurance terms and conditions in this respect. Certain provisions applicable to statutory accident insurance and motor liability insurance also restrict the insurance company's liability. In claims pertaining to annuities, the inflation risk and the long-term compensation risks related to medical expenses have been transferred to the pay-as-you-go pool under the joint responsibility of the companies operating in the insurance sector.

In calculating the technical provisions, different quantitative methods are used, the management of which plays a key role in the management of the technical provision risk. In addition to the methods used, the sufficiency and quality of the available information and its management essentially affect the nature of the technical provision risk.

In life insurance, legislation restricts the right of a life insurance company to increase premiums or to alter the insurance terms and conditions. Thereby the duration of the contracts affects the biometric risks inherent in the technical provision risk. If the assumptions made turn out to be insufficient and the insurance premiums cannot be adjusted, the technical provisions must be supplemented by an amount equalling the expected loss.

Reinsurance is used to hedge against and manage major losses and loss events. In managing major loss risks, it is important for the structure of the outward reinsurance and the portion remaining under the company's responsibility to be dimensioned according to the solvency and the insurance liabilities to ensure efficient risk transfer.

The use of reinsurance implies ancillary risks, such as reinsurance availability, price and counterparty risks. In non-life insurance, the reinsurance risk and the related counterparty risk are reduced by only accepting companies with a sufficiently high financial strength rating as reinsurers. Moreover, limits are set on the maximum share of a single reinsurer in any reinsurance programme. In life insurance operations, the use of outward reinsurance is minor and therefore concentrated on a few counterparties

QUANTITATIVE DATA ON RISK VARIABLES FOR TECHNICAL PROVISIONS IN NON-LIFE INSURANCE FINANCIAL STATEMENTS

	Impact of change on Fennia's solvency capital	
Discount interest	Decrease of 0.1 percentage point	EUR -4 million
Inflation risk	Increase of 1%	EUR -6 million
Mortality	Average age increase of 1 yr	EUR -10 million

3.2 Market risks

Market risk refers to a risk of loss resulting, either directly or indirectly, from fluctuations in the level and volatility of the values of financial market variables, such as interest rates, equities, real estate, exchange rates and credit margins.

Investment operations and their management play a special role in managing market risks. The most significant risks are related to a decline in the value of investments and the poor matching of the investments with the nature of the technical provisions (ALM risk).

The main instruments for managing market risks are related to the selection of investment instruments, diversification of the investment portfolio and risk limitation.

A prerequisite for managing market risks is to invest assets in property and instruments with risks that can be identified, measured, monitored, managed and reported. In addition, predetermined measures are taken concerning new assets and investment instruments prior to their acquisition to ensure that the new assets or investment instruments are manageable and suitable with regard to the business and risk management.

A sufficiently broad diversification of investments is used to achieve optimal diversification benefits, risk-adjusted returns and asset and liability matching.

A key instrument for managing market risks is the use of risk budgeting in solvency management. Allocation restrictions are used to ensure that investment assets have been allocated broadly enough over different asset classes. In addition, more detailed restrictions are determined to ensure sufficiently broad diversification also within asset classes.

QUANTITATIVE DATA ON RISK VARIABLES IN FENNIA'S INVESTMENT PORTFOLIO

	Impact of change on Fennia's solvency capital	
Fixed income investments	Interest rate +1% point	EUR -18 million
Equity investments	Change in value -20%	EUR -46 million
Real estate investments	Change in value -10%	EUR -30 million

QUANTITATIVE DATA ON RISK VARIABLES IN FENNIA LIFE'S INVESTMENT PORTFOLIO

	Impact of change on Fennia's solvency capital	
Fixed income investments	Interest rate +1% point	EUR -11 million
Equity investments	Change in value -20%	EUR -18 million
Real estate investments	Change in value -10%	EUR -12 million

3.3 Counterparty risks

The counterparty risk takes into account possible losses resulting from the unexpected insolvency of the insurance company's counterparties.

As with market risks, a prerequisite for managing counterparty risks is to ensure that the counterparties and related risks can be identified, measured, monitored, managed and reported.

A counterparty risk mainly arises (because credit margin risk is treated as market risk) from

- the other party to a derivative contract, in which case only the possible positive market value of the contract is exposed to the risk;
- outstanding reinsurance receivables and the reinsurers' portion of the claims outstanding;
- receivables from insurance customers and
- customer financing.

In managing the derivative contract counterparty risk, the counterparty risk is assessed prior to concluding a contract with the counterparty. The ratings given by credit rating agencies are a primary tool used in assessing the creditworthiness of issuers and counterparties. To limit the counterparty risk, a minimum level has been determined for creditworthiness and limits have been set on maximum liability per counterparty.

In managing the counterparty risk in reinsurance operations, the counterparty risk has been limited by setting requirements on, among other things, the credit ratings of reinsurers and the maximum amount of liability per reinsurer. As with the derivative contract counterparty risk, the ratings given by credit rating agencies are used as a tool in assessing the creditworthiness of reinsurers.

Counterparty risks also arise from receivables from insurance customers. The counterparty risk arising from premium receivables from customers is usually extremely small, because the non-payment of insurance premiums leads to the cancellation or reduction of the insurance cover.

The objective of managing the customer financing counterparty risk is to limit the negative impacts of counterparty risks arising from customer and other liabilities on profit and loss to an acceptable level. The credit process plays a key role in managing the customer financing counterparty risk. The primary objective of credit process management is to ensure the reliability of the counterparty. In this assessment, the risks are assessed, after which the counterparty is classified according to an in-house developed model. Customer financing counterparty risks are reduced by determining customer-specific security and covenant terms and conditions.

3.4 Operational risks

Operational risks within the Fennia Group refer to a risk of loss resulting from:

- inadequate or failed internal processes
- personnel
- systems
- external factors.

Legal risks are included in the operational risks. Risks arising from strategic decisions and reputation risks have been excluded from operational risks.

The objective of managing operational risks is to reduce the probability of unexpected losses, i.e. to minimise risks. The most efficient risk management measures are targeted at the most serious operational risks. The most serious operational risks are risks which are unlikely to materialise but when they do, they have a major impact on operations.

The Fennia Group's operational risk management framework is based on collecting data on operational risks from various sources, which include, for example, internal audits, risk indicators, scenario-based estimates, internal damage and loss data and near miss situations. The scenario-based estimates in particular play a key role in the proactive assessment of operational risks. The business areas and support functions hold primary responsibility for collecting data on operational risks and reporting it to the Risk Management function.

On the basis of the data collected from various sources, a risk profile is created for the operational risks and the necessary reports are produced for the Board of Directors and other internal purposes. In the longer term, systematic risk assessment improves the level of risk management and helps business areas and support functions to understand and manage operational risks.

Preparedness and contingency plans have been drawn up for the most important business areas to ensure that key functions can be continued in the event of a crisis.

Within the Fennia Group, operational risks are divided into the following categories:

- internal malpractices
- personnel risks
- legal risks
- problems and business interruption losses related to information, telecommunications and telephone systems
- risks related to customers, products and business practices
- risks related to processes
- risks related to the activities of external operators.

3.5 Risks inherent in quantitative methods

A quantitative method refers to the creation of numerical estimates by applying statistical, economical, financial or other mathematical theories and methods. Quantitative methods also include methods which aim to produce a numerical outcome and which are partly or fully based on subjective expert appraisal.

A quantitative method can be erroneous and/or misleading and lead to unreliable reporting and incorrect conclusions and thus incorrect measures undertaken by Management.

Quantitative method risks are included in operational risks, but due to their special nature and importance and to facilitate their handling, these risks are identified, measured, monitored, managed and reported as a risk area in its own right.

In the management of risks inherent in quantitative methods, attention is paid to risks which relate to

- mathematical theory,
- the quality of information,
- estimation and parametrisation,
- documentation,
- validation,
- personnel,
- information systems and
- processes.

A guiding principle in managing the risks inherent in quantitative methods is efficient questioning of the methods and processes. This means that an independent and expert party should critically analyse and assess the methods and processes.

The management of risks inherent in quantitative methods is based on the structure, mathematical theory and logic of each method being well documented and supported as much as possible by scientific research and/or best practices of the insurance sector. In order to be able to identify a method's strengths and weaknesses, it is important that the mathematical real-world simplifications, numerical methods and approximations and the use of subjective expert appraisal are analysed and documented with sufficient accuracy. The owner and developers of the method must ensure that the various elements of the method function as desired, are suited to the intended purpose and that the method is mathematically correct and the estimated parameters are statistically reliable.

Managing the quality of the data is just as important as managing the structure, theory or logic of the method. Reliability can only be achieved through high-quality data.

The validation of a quantitative method comprises processes and procedures which aim to verify that the method is appropriate and reliable and functions in the desired manner. Validation is used to identify possible weaknesses and limitations of the method as well as problems related to its use, and to assess and manage their impacts.

3.6 Concentration risks

Concentration risk refers to all kinds of risk concentrations involving losses which may be high enough to jeopardise the insurance company's solvency or financial position. Concentration risks most often arise from investment operations, but they may also arise from insurance operations and from the combination of these.

The management of investment, market and counterparty risks is based on diversification, which basically prevents any significant concentration risks. An exception to this rule is the so called strategic holdings which may lead to major concentration risks.

Insurance operations are based on risk diversification within the insurance portfolio in order not to put too much weight on a single insurance target under the company's responsibility. This risk is managed through, among other things, risk selection guidelines and reinsurance.

Especially in customer financing within investments operations, the investment and insurance operations are assessed from a holistic perspective prior to granting credit in order to be able to assess the joint risk concentrations.

3.7 Liquidity risk

Liquidity risk refers to a risk of not being able to meet future payment obligations or of only being able to meet them through special measures.

Liquidity risk is divided into short and long term risk. Short term liquidity risk refers to risks that are related to asset and liability cash flows lasting less than 4 months (cash management risks). Long term liquidity risk refers to asset and liability matching risks spanning several years, even decades into the future.

Long term liquidity risk is managed by maintaining a sufficient liquidity reserve and by liquidity planning. Liquidity reserve is managed by, among other things, the following principles:

- A minimum allocation is given to money market investments;
- Convertibility into cash is required of equity and fixed income investments;
- Money market investments are diversified and counterparty limits are set for them;
- The amount of non-liquid investments in the portfolio is limited;
- Liquidity conditions are included in significant reinsurance contracts where necessary.

When planning liquidity, daily forecasts are created on outgoing payments for the next four months. The objective of short term liquidity risk management is to ensure that there will be no need to realise investments other than money market investments and that there will be no need to use or realise the short term liquidity reserve built up by asset managers.

Long term liquidity risk is monitored and reported as a separate risk; however, it is not managed as a separate risk, but instead its management is integrated in the management of interest rate risk.

3.8 Strategic risks

Strategic risks refer to risks which are related to the insurance company's strategy and result from incorrect business decisions, incorrect or failed implementation of business decisions or the inability to adjust business operations to changing conditions or to take the desired future state into consideration.

Strategy refers to a series of long term plans and measures used by the insurance company to move from the current state into the desired future state.

Strategic risks entail many different dimensions, and they have been divided into the following groups:

- Strategic macrorisks, which are related for example to changes in demographic, social security and culture trends, changes in regulation, authority supervision and policy and changes in climate and geopolitical trends.

- Sector-specific strategic risks relate to changes in competition in the insurance or financial sector and in the demand of policyholders or investors.

- Strategic risks inherent in internal operations can be, for example, expansion risks, risks related to internal development and to the availability of additional capitalisation.

The basis for the management of strategic risks is to identify the strategic risks of the Group and each subsidiary, to observe various weak signals and to assess how different events, trends and scenarios will affect the sustainability of operations and the development of the financial position in both the short and long term.

3.9 Reputation risk

Reputation risk refers to a risk of damage to the Fennia brand or the public image of a single company belonging to the Fennia Group. Reputation risks can also result from partners, if their values and/or operating principles differ from those of the Fennia Group.

Reputation risks usually are a consequence of other materialised risks or events, such as the materialisation of operational risks.

The starting point for the management of reputation risks is to identify the possible events that can negatively affect the Group's or a Group company's reputation. Reputation risk differs in nature from other risks in that reputation risk events can be real or they can, either fully or partly, have no basis in reality (for example a baseless rumour). Reputation risks are often preventable or at least the effect of the events can usually be reduced.

The management of reputation risk is based on good overall knowledge and understanding of the business and its restrictions. Reputation risk cannot be managed as a separate risk area, it is rather an extension of the management of operational risks. Once the risks affecting reputation risk have been identified, various risk-reducing measures, reporting procedures and internal communications can be required within the organisation.

Successful reputation risk management is also based on clear and well-thought-out external communications. It is important for the message to be correct and communicated to the right recipient by the right emitter.

Reputation risk management also involves compliance with laws, regulations and provisions and operating in accordance with the requirements set by authorities. The public image and reliability of an insurance company may significantly suffer from non-compliance with laws, regulations and provisions and requirements set by authorities.

3.10 Group risks

Group risks refer to risks arising from Fennia and its subsidiaries operating in the form of a Group. Group risks can be divided into the following groups:

- transaction risks ;
- contagion risks;
- conflict of interest risks;
- concentration risks and
- risks related to administration.

Transaction risks refer to risks that relate to intra-Group transactions, for example appropriate pricing.

Contagion risks include situations in which the problems faced or the risks taken by one company spread to the other Group companies or to the whole Group. This group also includes risks relating to a loss of moral (moral hazard risks), referring to situations in which an excessive risk intentionally and immorally taken by one company and the resulting loss are transferred to be borne by the parent company or the other subsidiaries either in part or in full.

Conflict of interest risks arise when the interests of the subsidiaries, the parent company and/or the entire Group collide.

Concentration risks arise if a single counterparty becomes too significant on the Group level, even though the risk remains within the permitted limits for single companies.

Risks related to administration result from the fact that some of the operations are organised on the Group level and some on the level of individual companies. The differences in the companies' administrative systems can lead to co-ordination challenges and additional risks.

The management of group risks is based on a clear Group structure. In complicated ownership patterns, group risks become more important. In addition, appropriate group risk management is based on planning and monitoring business on the level of both the individual companies and the Group. That is the only way to ensure and monitor the development of the group objectives and their achievement.

The management of group risks is also based on consistent and transparent definition and implementation of the internal control system and particularly the risk management and compliance system and related reporting procedures within the Group. The roles and responsibilities of the various bodies must also be clear and identified from the Group's perspective.

4 SOLVENCY MANAGEMENT

Risk bearing capacity refers to the company's assets that are available for covering losses. Risk appetite refers to the degree of risk the company is willing to take to achieve its business targets; in other words, the extent to which the company is ready to tie its own assets to risk-taking. Risk tolerance refers to the extent to which the company's assets are allowed to fluctuate when seeking to achieve the business targets.

The objective of risk and solvency management within the Group is to support the achievement of business goals and the continuity of business operations. This is done by ensuring that the risks taken are correctly proportioned in relation to risk bearing capacity, risk appetite and risk tolerance and by creating conditions for trouble-free operations even in the case of unexpected losses by identifying the threats and opportunities that affect the implementation of the business strategy and the achievement of other targets.

General risk appetite and risk tolerance are managed by setting indicators and target limits for the most significant risks and combined risks (risk budgeting). The set risk-specific restrictions must efficiently limit the Fennia Group's risk profile to keep solvency and risk-taking under control and within the permitted limits.

5 PREPARATION FOR SOLVENCY II

Preparation for Solvency II within the Group in risk and solvency management has reached a stage where the documentation meeting the requirements of the future regulation has essentially been drawn up and the central principles guiding the operations have been laid down. The next step will be the integration of the adopted principles into the organisation's daily operations.

In 2011, the Group responded to future Solvency II challenges, apart from drawing up essential principle documents concerning risk and solvency management, by setting up a Group-level Risk Management function which is independent of the operational business activities according to Solvency II. During 2011, the decision was also made to implement, as of 1 January 2012, a risk management system steering model according to Solvency II to clarify the role and structure of the Risk Management function within the Group.

During 2012 and 2013, the objective is to make the transition in practice towards the future Solvency II risk and solvency management system and market-consistent measurement gradually so that the risk management system will achieve full Solvency II compliance by 31 December 2013. The Group's Risk Management function and the risk management co-ordination teams operating under its supervision will play a key role in co-ordinating this change process.

Board of Directors' Proposal on the Disposal of Profit

Fennia's distributable profits were EUR 177,654,328.72. The company's loss for the financial year was EUR 8,577,483.30. The Board of Directors proposes that the loss for the financial year be covered by reducing the security reserve and that no interest on guarantee capital be paid.

Helsinki, 5 March 2012

Eero Lehti	Jouko Kemppi	Antti Kuljukka Managing Director
Lars Koski	Eva Liljeblom	Timo Salli
Paul Stucki	Antti Vaahto	

Auditor's Report

This document is an English translation of the Finnish auditor's report.
Only the Finnish version of the report is legally binding.

TO THE ANNUAL GENERAL MEETING OF FENNIA MUTUAL INSURANCE COMPANY

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Fennia Mutual Insurance Company for the year ended 31 December, 2011. The financial statements comprise the consolidated balance sheet, income statement and cash flow statement and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Insurance Companies Act, the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 15 March 2012

KPMG OY AB

Jaakko Nyman	Mikko Haavisto
Authorized Public Accountant	Authorized Public Accountant

Statement of the Supervisory Board

The Supervisory Board of Fennia Mutual Insurance Company has examined the Company's Financial Statements for the year 2011 and the Consolidated Financial Statements as well as the Auditors' Report. We have no objections concerning them.

The Supervisory Board proposes that the Annual General Meeting to be convened on 16 April 2012 approve the Financial Statements and the Consolidated Financial Statements and adopt the proposal of the Board of Directors for the allocation of the result for the financial year.

Helsinki, 26 March 2012

On behalf of the Supervisory Board

Mikael Ahlbäck
Chairman of the Supervisory Board

Fennia's Board of Directors and Management 1 Jan. 2012

BOARD OF DIRECTORS

Chairman

Eero Lehti
Commercial Counsellor
(Finnish honorary title)
Chairman of the Board
Taloustutkimus Oy
Kerava

Board Members

Jouko Kemppi
Chairman of the Board
Kemppi Oy
Lahti

Lars Koski
Managing Director
Laihian Mallas Oy
Laihia

Eva Liljeblom
Professor, Rector
Hanken School of Economics
Helsinki

Matti Pörhö
Commercial Counsellor
(Finnish honorary title), CEO
Pörhön Autoliike Oy
Oulu

Timo Salli
Managing Director
Katsa Oy
Tampere

Paul Stucki
Managing Director
Orfer Oy
Orimattila

Antti Vaahto
Chairman of the Board
Adversum Oy
Lahti

Deputy Member

Lasse Heiniö
Managing Director
Pension Fennia
Helsinki

Secretary to the Board

Heimo Äikäs
General Counsel
Fennia
Helsinki

AUDITORS
KPMG OY AB

Auditors:

Jaakko Nyman
Authorised Public Accountant

Mikko Haavisto
Authorised Public Accountant

Deputy Auditors:

Eija Kauppi-Hakkarainen
Authorised Public Accountant

Tiia Kataja
Authorised Public Accountant

MANAGEMENT

Antti Kuljukka
Managing Director

Kimmo Kilpinen
Deputy Managing Director
Substitute for the Managing
Director
Customer Relations

Eero Eriksson
Deputy Managing Director
Investments and Customer
Financing

Timo Ahvonen
Development Director

Eliisa Anttila
Communications Director

Matti Heiskanen
Acting HR Director

Pasi Karppi
IT Management Director

Arto Kämppi
Marketing Director
Timo Parkkisenniemi
Director
Insurance and Claims

Sirkku Rahkola
Finances Director
Heimo Äikäs
General Counsel

Risto Heimo
Appointed Actuary

PHYSICIANS

Mikael Hedenborg
Doctor of Medical Science
Specialist in Occupational
Health
Chief Physician

Pekka Paavolainen
Professor
Doctor of Medical Science
Specialist in Orthopaedics and
Traumatology

Mika Paavola
Doctor of Medical Science
Specialist in Orthopaedics and
Traumatology

Lauri Keso
Doctor of Medical Science
Specialist in Internal Medicine
and Rheumatology

Juha Liira
Doctor of Medical Science
Specialist in Occupational
Health and Medicine

Heikki Österman
Licentiate of Medicine
Specialist in Orthopaedics and
Traumatology

SUPERVISORY BOARD

Chairman

Mikael Ahlbäck
Managing Director
Rani Plast Oy Ab
Teerijärvi

Vice Chairmen

Jukka Tikka
Managing Director
Länsi-Savo Oy
Mikkeli

Janne Ylinen
Managing Director
Halpa-Halli Oy
Kokkola

Board Members

Antti Aho
Chairman of the Board
Lääkärikeskus-Yhtymä
Helsinki

Juhani Enkovaara
Managing Director
Cofko Oy
Helsinki

Jarmo Halonen
Managing Director
Elecster Oyj
Toijala

Björn Hartman
Managing Director
Hartman Rauta Oy
Vaasa

Nanna Hietala
Administrative Director
MSK-Group Oy
Ylihärmä

Jouko Hälikkä
Customer Manager
Yrittäjäin Fennian
Kenttä Ry
Helsinki

Ilkka Jalonen
Managing Director
LänsiAuto Oy
Espoo

Juha Järvi
Development Manager
Jykes Oy
Jyväskylä

Marianne Kaasalainen
Managing Director
Oy Patrol Trading Ab
Espoo

Tom Kaisla
Managing Director
Eilakaisla Oy
Helsinki

Jouko Kauhanen
Chairman of the Board
Actiw Oy
Naarajärvi

Hannu Kekäläinen
Chairman of the Board
Check Point Finland Oy
Piikkiö

Johanna Koskelainen
Managing Director
Kymppi-Eristys Oy
Oulu

Matti Koskenkorva
Chairman of the Board
Panostaja Oyj
Tampere

Pekka Kuivalainen
Managing Director
Pisla Oy
Viitasaari

Seppo Kukkola
Engineering Counsellor
(Finnish honorary title)
Managing Director
Kukkola Yhtiöt Oy
Rovaniemi

Heikki Kääriäinen
Managing Director
Linja-autoliitto ry
Helsinki

Jyrki Laakkonen
Managing Director
Kauppahuone
Laakkonen Oy
Joensuu

Maunu Lehtimäki
Managing Director
Evli Pankki Oyj
Helsinki

Pekka Lillbacka
Managing Director
Lillbacka Powerco Oy
Härmä

Markus Lindblom
Managing Director
RTV-Yhtymä Oy
Riihimäki

Vesa Luhtanen
Managing Director
L-Fashion Group Oy
Lahti

Hannu Löytönen
Industrial Counsellor
(Finnish honorary title)
Managing Director
Betset Oy
Kyyjärvi

Tauno Maksniemi
Managing Director
RTK-Palvelu Oy
Helsinki

Pekka Niemi
Managing Director
Sunborn Oy
Turku

Martti Paunu
Managing Director
Väinö Paunu Oy
Tampere

Tapio Pitkänen
Managing Director
Finndomo Oy
Vantaa

Maria Planting
Chairman of the Board
E. Ahlström Oy
Helsinki

Ari Rinta-Jouppi
Managing Director
Rinta-Joupin
Autoliike Oy
Tervajoki

Meliina Ruokonen
Chairman of the Board
Aarikka Oy
Helsinki

Ali U. Saadetdin
Chairman of the Board
Solteq Oyj
Tampere

Seppo Saajos
Chairman of the Board
Saajos Group
Lohja

Juhani Saario
Chairman of the Board
Lahden Autokori Oy
Lahti

Pertti J. Siikarla
Managing Director
Faktatieto Oy
Helsinki

Mikko Sillanpää
Chairman of the Board
Oy Kart Ab
Espoo

Kaj Ström
Chairman of the Board
Motoral Oy
Helsinki

Hannu Teiskonen
Chairman of the Board
HT Laser Oy
Keuruu

Markus Tötterman
Chairman of the Board
Oy Arwidson Ab
Tuusula

Heikki Vauhkonen
Managing Director
Tulikivi Corporation
Helsinki

Rauno Vennola
Managing Director
Terra-Team Oy
Espoo

Jarkko Wuorinen
Managing Director
Ahlman & Wuorinen
Development AWD Oy
Savonlinna

Jens Österberg
Managing Director
Oy Petsmo
Products Ab
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