

Fennia

Fennia Mutual Insurance Company
Financial Statements 2003



Favourable development in premiums written and investment income

The year 2003 was in many respects a good one for Fennia. Premiums written totalled EUR 243.1 million, which means an increase of 4.2 per cent compared with the previous year. Growth was better than the average for the sector and the market share improved slightly, standing at 9.1 per cent at year end. The growth in premiums written was based on clearly improved sales and the growth in the clientele, particularly in our most important customer group, small and medium-sized companies. The return of investment income to a good level was also gratifying.

Positive improvement in investment income

The positive development of the investment market, especially in the second half of the year, improved the investment result, which rose to a good level. The operating profit of the company improved to EUR 7 million and the profit for the financial year was EUR 8 million. The investment result was good, considering the company's relatively cautious investment policy, which primarily aims at ensuring the maintenance and improvement of solvency. Fennia has not aimed to seek maximum return on investment at maximum risk.

Major losses and changes in reserves lowered insurance business result

Fennia's insurance business result declined from the previous year, and the combined ratio was 113 per cent. This was due to two exceptionally

major losses in the year under review that increased claims paid. In addition, the company made further allocations for liabilities relating to annuities totalling EUR 6.7 million. Consequently Fennia's insurance business result was not satisfactory.

The situation for the various product lines, both in terms of pricing and losses, is good, however. The trend is in the right direction and in accordance with the company's long-term objectives. Fennia's expense ratio remained on the level of the previous year, and is still highly competitive compared with other Finnish non-life insurance companies. The company's solvency ratio remained good, standing at 140 per cent at year end.

Our operating profit improved to EUR 7 million

Fennia invests in customers

In 2003 Fennia continued to develop its operations in accordance with the policies adopted during the previous

year. Similarly, the organisation and key resources have become honed ready to meet new challenges. Customer-focus plays a central role in all aspects of developing Fennia. This naturally entails the provision of a high standard of service to existing customers and comprehensive management of their risks.

In accordance with its strategy, Fennia, in co-operation with customers, aims to make sure that risks materialise as seldom as possible. Although the company has worked towards this end for more than a hundred years, a great deal still remains to be done.

For Fennia, it is not enough to simply serve existing customers successfully. The company also needs new ones. Our core customers – small and medium-sized companies – will be facing numerous changes of ownership in the next few years on account of the retirement of the so-called baby-boom generation born in the 1940's and 1950's. Fennia is ready to assist customers in issues relating to ownership arrangements, and at the same time the company wants to ensure that the new owners become customers, too. As far as customer satisfaction is concerned, the degree shown by Fennia's customers is the highest in the industry. We want to extend this satisfaction to those companies and households not yet included among our clientele.

Fennia has continued the development of sales co-operation with the OKO Bank Group. Co-operation has gone smoothly and the aim is to boost it further by increasing the efficiency of the operating concept. Fennia aims to be specifically an insurance company in the future, too, and to manage co-operation within banking through a sales co-operation agreement with the OKO Bank Group.

Development of operations

Fennia's corporate image has improved among households as well as companies. Our customers are extremely satisfied with the service we provide. This is naturally a good starting point for continued

development of our operations. We will continue focusing on customer-centred activities. In the procurement of new customers we are moving from a reactive to a proactive approach. In addition to being an esteemed company, our goal is to be a growing one.

Our company is continuously involved in the development of safety work and the prevention of loss and damage. We also want to be within easy reach, and this is why we are investing in a multi-channel service. We are developing our web, telephone and contact person service in such a way as to ensure that customers find it easy to contact us at all times.

Future prospects

Prospects for 2004 are distinctly brighter than for the previous year. According to forecasts, Finland's GNP in the current year is expected to grow by around 3 per cent, which is double the rate for the previous year.

The employment situation is expected to remain at the present level. Share prices are also expected to develop positively at the beginning of the year. This trend rests on a rather weak

Brighter prospects than for the previous year

foundation, though. Development is being undermined by the weakening dollar, the US's large current account deficit and presidential elections in the autumn, bird flu and SARS. Each of these factors could halt the recent positive development in the global economy.

As far as Fennia is concerned, the domestic competitive situation has remained good. The desire of competitors to improve their result and key figures has contributed to healthier competition, and created good opportunities for Fennia. The company is performing well and we are well placed to defend and improve our position.

Helsinki, April 7th, 2004

Hannu Ketola

Managing Director

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Board Of Directors' Report

The operating profit of the Fennia Mutual Insurance Company grew to EUR 7 million (EUR 4 million) in 2003. The results of its insurance operations weakened, but the company's solvency remained solid, thanks to the good investment result.

Insurance operations

The premiums written for non-life insurance amounted to EUR 245 million (EUR 235 million), direct insurance accounting for EUR 243 million (EUR 233 million). Preliminary information indicates that the company's share rose to 9.1 per cent (8.9 %) of the Finnish market, the growth of direct insurance premiums written reaching 4.3 per cent, while the average growth in the sector was approximately two per cent. The balance on technical account fell to EUR -31 million (EUR -8 million). The result was weakened by numerous major losses and the strengthening of the claims provision basis. As a result, the company's loss ratio grew to 92 per cent (83%). Credit losses decreased somewhat from the previous year, amounting to EUR 2 million.

The premiums written for statutory workers' compensation insurance grew to EUR 61 million (EUR 60 million). Our profitability remained good and the loss ratio was 91 per cent (93%). The premiums written for other accident and health insurance increased by

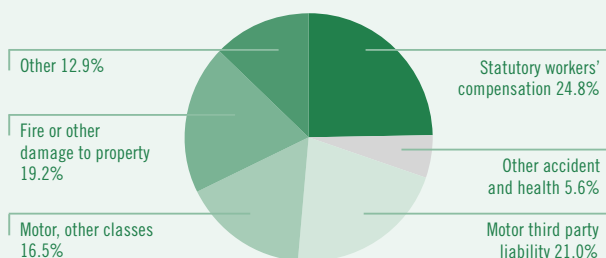
5 per cent to EUR 14 million. The loss ratio weakened considerably, standing at 110 per cent (72%). Of this weakening 25 percentage points are due to the change in the claims provision basis.

The premiums written for motor third party liability insurance grew by almost 4 per cent to EUR 51 million (EUR 50 million). The profitability of this insurance line weakened substantially, and the loss ratio was unsatisfactory, 100 per cent (84%). The premiums written for voluntary motor vehicle insurance grew by almost 5 per cent to EUR 41 million (EUR 39 million). The profitability of this insurance line improved, and the loss ratio was 72 per cent (75%).

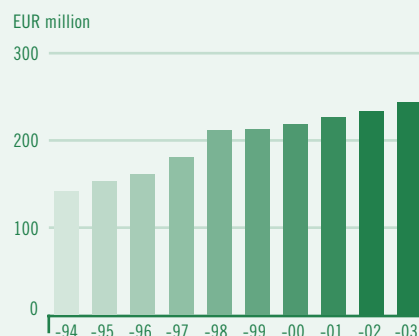
The premiums written for fire and other damage to property insurance for companies increased by 8 per cent to EUR 29 million (EUR 26 million). Profitability remained weak on account of the numerous losses. In the private household segment premiums written totalled EUR 24 million; growth was slightly less than 3 per cent. The loss ratio of this line improved from the previous year.

The total operating expenses grew by slightly more than 4 per cent to EUR 63 million (EUR 61 million). Operating expenses on the profit and loss account were EUR 48 million (EUR 46 million). Fennia's expense ratio weakened to 20.9 per cent (20.5%).

Premiums written by insurance class 2003



Premiums written



The combined ratio of Fennia's non-life insurance decreased substantially, amounting to 113 per cent (103%), mainly due to the numerous major losses and the strengthening of the claims provision basis.

Investments

With the recovery of the stock market, investment income and the company's result developed favourably. Fennia's net investment result on the profit and loss account rose to EUR 39 million (EUR 12 million).

Cash investment income decreased from the previous year. Net interest income amounted to EUR 20 million (EUR 22 million) and net income from investments in land and buildings was EUR 5 million. Income from dividends decreased somewhat from the previous year, amounting to EUR 3 million.

The total amount of value adjustments impacting the result rose to EUR 13 million, compared with EUR -18 million the previous year. Net gains on realisation of investments grew to EUR 17 million (EUR 1 million). The impact of value adjustments and readjustments on net income was EUR -2 million (EUR -17 million). Planned depreciation of land and buildings totalled EUR 2 million.

At year end, Fennia's investment portfolio at current values stood at EUR 837 million (EUR 793 million). Bonds and long-term fixed income fund investments accounted for 44 per cent of the investment portfolio, and money-market investments and deposits for 19 per cent. Shares and equity fund investments/and equity funds accounted for 14 per cent, and hedge funds and capital trusts

totalled 6 per cent of the portfolio. Real estate investments accounted for 15 per cent of the total investments. The valuation difference between the current and book values of investments grew to EUR 55 million (EUR 54 million).

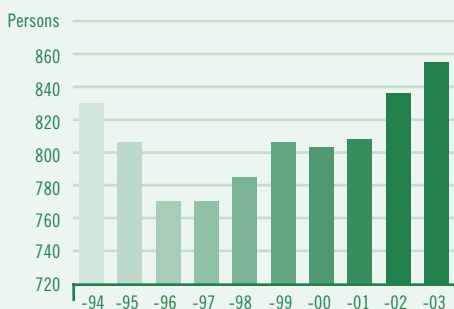
The efficiency of Fennia securities investment activities was improved by outsourcing fixed-income instrument and equity portfolio management as of November 1, 2003 to Opstock Oy. The Fennia Group divested its entire holding in Kiinteistö-Fennia Oy to Tallberg Toimitilajohto Oy. Ownership was transferred on December 1, 2003, at which point the companies' operations merged. In this context, long-term agreements on the management, maintenance and renting services of the Fennia Group's real estate were concluded with Tallberg Toimitilajohto Oy.

Result for the financial year and solvency

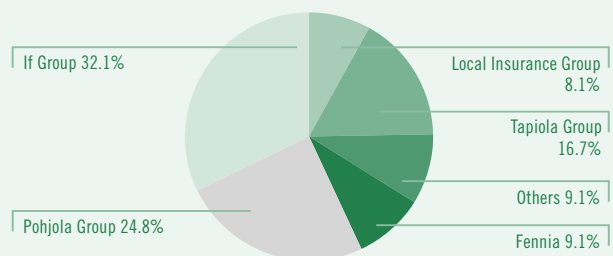
Fennia's operating profit rose to EUR 7 million (EUR 4 million). The operating profit was weakened EUR -6 million by the change in the claims provision basis. The result for the financial year was EUR 8 million (EUR -17 million).

The equalisation provision fell by EUR one million to EUR 156 million (EUR 157 million). The solvency margin was EUR 168 million (EUR 159 million) and the solvency capital totalled EUR 324 million (EUR 316 million). The solvency ratio, which describes the company's solvency, was 140 per cent, remaining on the level of the previous year, which can be considered comparatively solid.

Number of staff



Market shares in non-life insurance 2003, domestic direct insurance



Administration and staff

During the year under review, the composition of the Fennia Board of Directors was as follows: Eero Lehti, President, Taloustutkimus Oy (Chairman); Jalo Paananen, Chairman of the Board, Eimo Oyj (Vice Chairman); Ernst Gylfe, Chairman of the Board, Helsingin Villakehräämö; Jussi Järventaus, Managing Director, Federation of Finnish Enterprises; Lasse Koski, Managing Director, Laihia Malt Ltd; Eva Liljebloom, Professor, Swedish School of Economics and Business Administration; Erkki Moisander, Managing Director, Advisory House Oy; Esko Penttilä, Chairman of the Board, Matkapojat Oy (Vice Chairman as of January 1, 2004) and Antti Vaahto, Managing Director, Vaahto Group PLC. The Supervisory Board in its meeting of December 16, 2003 appointed Rauno Mattila, Trafotek Oy and Matti Pörhö, Managing Director, Pörhön Autoliike Oy members of the Board of Directors from January 1, 2004 to replace Jalo Paananen and Jussi Järventaus, who resigned from the Board. Deputy members of the Board of Directors during the year under review were Markku Alava, Deputy Managing Director (until October 15, 2003); Lasse Heiniö, Managing Director and Hannu Ketola, Managing Director. Hannu Ketola has acted as the company's Managing Director.

The Annual General Meeting convened on April 29, 2003 appointed Maria Planting, Chairman of the Board, E. Ahlström Oy and Matti Pörhö, Managing Director, as new members of the Supervisory Board starting January 1, 2004. As Matti Pörhö has been appointed to the

Board of Directors, he will not take up membership of the Supervisory Board.

The company's long-term Deputy Managing Director Markku Alava retired on October 1, 2003 and resigned from deputy membership of the Board of Directors on October 15, 2003.

The company employed on average 855 people (836) in 2003.

Group structure

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

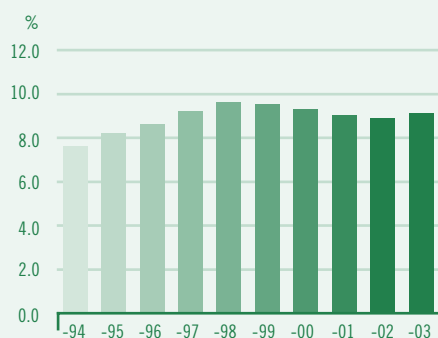
The consolidated financial statements also include eFennia Oy. Fennia divested 40 per cent of its 100 per cent holding in eFennia to Novo Group Oyj. The arrangement became effective on August 1, 2003.

At the end of 2003, the Group also included 14 real estate companies, six of which belonged to the Fennia Life sub-group.

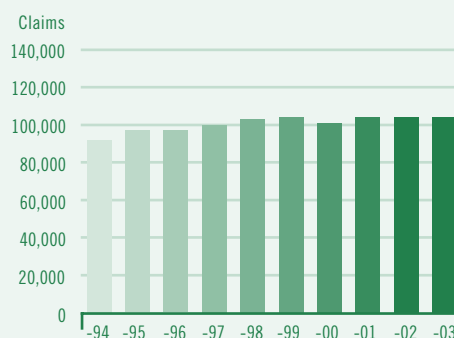
Consolidated accounts

The development of the Group's life insurance business was good. Life insurance premiums written grew by 24 per cent to EUR 60 million (EUR 49 million).

Market share



Number of claims



Preliminary information indicates that the company's market share rose to 2.1 per cent (1.5%). Claims paid totalled EUR 15 million, which is almost on the level of the previous year, and the repayment of benefits was EUR 4 million (EUR 1 million). Surrenders fell to EUR 3 million (EUR 6 million). Operating expenses for life insurance were EUR 6 million (EUR 5 million). The expense ratio was 139 per cent (141%).

The Group's investment result was good. The investment result at book value amounted to EUR 68 million (EUR 13 million). The total amount of value adjustments impacting the result rose to EUR 28 million (EUR -33 million), net gains on realisation of investments accounting for EUR 25 million (EUR 3 million). The Group's valuation difference grew to EUR 54 million (EUR 45 million).

The Group's operating profit rose to EUR 13 million (EUR 5 million). The result for the financial year was EUR 10 million (EUR -17 million). The Group's non-restricted capital and reserves stood at EUR 104 million (EUR 93 million).

The Group's solvency capital was EUR 343 million (EUR 321 million), and the level of solvency remained solid.

Risk management

Risk management in the Fennia Group is based on the risk management plan, which is discussed annually by the Boards of Directors. Internal audits, independent of business activities, assess the status of internal control.

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 company's ability to carry risks is taken into account in determining investment allocation.

Outlook

The economic environment for the year is distinctly more positive than was the case the previous year. Although there are a number of uncertainties regarding the global economy, the outlook, at least for the early part of the year, is positive.

For the insurance business the prospects are fairly good. The need of competitors to improve their performance has kept prices at a reasonable level and improved the industry's ability to achieve results. The insurance business result in the current year will be weakened by a number of one-off changes. Firstly, the change in the mortality model, which applies to motor third party liability insurance and statutory workers' compensation insurance, will entail an increase of some EUR 9 million in the provision for outstanding claims. Secondly, the reduction of the technical interest rate from the present 4 per cent will have to be assessed separately. Furthermore, the realisation of full cost-correlation compensation for medical treatment from the beginning of 2005 will increase the price levels of traffic insurance and statutory workers' compensation insurance.

In terms of the investment result, the positive share performance looks as if it will continue, at least during the early part of the year. The trend for the end of the year will be affected by a number of factors, such as the price of the dollar, the growth of the US public debt and the presidential elections in the autumn in the USA.

Profit and Loss Account

EUR 1,000	Group 2003	Group 2002	Parent Company 2003	Parent Company 2002	Notes
Technical Account					2
Non-life insurance					
Premiums earned					
Premiums written	245,409	235,500	245,409	235,500	1
Reinsurers' share	-9,823	-7,801	-9,823	-7,801	
	235,586	227,699	235,586	227,699	
Change in the provision for unearned premiums	-3,618	-1,627	-3,618	-1,627	
Premiums earned in total	231,968	226,071	231,968	226,071	
Claims incurred					
Claims paid	-189,275	-174,097	-189,275	-174,097	
Reinsurers' share	9,944	6,000	9,944	6,000	
	-179,331	-168,096	-179,331	-168,096	
Change in the provision for outstanding claims	-32,656	-16,626	-32,656	-16,626	
Reinsurers' share	-1,808	-2,236	-1,808	-2,236	
	-34,464	-18,862	-34,464	-18,862	
Claims incurred in total	-213,795	-186,958	-213,795	-186,958	
Change in collective guarantee item	-384	-370	-384	-370	
Net operating expenses	-48,366	-46,440	-48,366	-46,440	5
Balance on technical account before the change in equalisation provision	-30,578	-7,697	-30,578	-7,697	
Change in equalisation provision	626	-21,082	626	-21,082	
Balance on technical account	-29,952	-28,779	-29,952	-28,779	

EUR 1,000	Group 2003	Group 2002	Parent Company 2003	Parent Company 2002	Notes
Technical Account					
Life insurance					
Premiums written					
Premiums written	60,265	48,630			
Reinsurers' share	-223	-92			
Premiums written in total	60,042	48,537			
Share of net investment income	30,344	1,589			
Claims incurred					
Claims paid	-15,306	-14,453			
Change in the provision for outstanding claims	-10,401	-13,010			
Claims incurred in total	-25,707	-27,463			
Change in the provision for unearned premiums					
Change in the provision for unearned premiums	-54,793	-17,223			
Reinsurers' share		-42			
Change in the provision for unearned premiums in total	-54,793	-17,264			
Net operating expenses	-5,547	-4,824			
Balance on technical account	4,338	575			

EUR 1,000	Group 2003	Group 2002	Parent Company 2003	Parent Company 2002	Notes
Non-Technical Account					
Balance on technical account, non-life insurance	-29,952	-28,779	-29,952	-28,779	
Balance on technical account, life insurance	4,338	575			
Investment income	98,546	90,780	61,729	59,175	4
Revaluations on investments	5,374	1,160			
Investment charges	-35,182	-77,722	-23,228	-47,478	4
Revaluation adjustments on investments	-114	-1,285			
	68,624	12,934	38,502	11,698	
Transfer of part of net investment income	-30,344	-1,589			
Other income					
Decrease in negative consolidation difference	20	76			
Other	556	433	49	47	
	576	509	49	47	
Other charges					
Depreciation on consolidation difference	-96	-67			
Other	-1,031	-783	-529	-495	
	-1,127	-849	-529	-495	
Share of associated undertakings' loss/profit	-141	4			
Tax on profit on ordinary activities					
Tax for the financial year	-233	-361	-141	-83	
Tax from previous periods	94	376	61	106	
Deferred tax	130	116			
	-9	131	-80	24	
Profit/loss on ordinary activities after tax	11,964	-17,065	7,991	-17,505	
Appropriations					
Change in depreciation difference			458	427	
Minority interest in the loss/profit for the financial year	-1,649	-197			
Profit/loss for the financial year	10,315	-17,262	8,448	-17,078	

Balance Sheet

EUR 1,000	Group 2003	Group 2002	Parent Company 2003	Parent Company 2002	Notes
ASSETS					
Intangible assets					
Consolidation difference		266			
Other long-term expenses	1,902	1,530	1,065	925	13
	1,902	1,796	1,065	925	
Investment					7
Investment in land and buildings					
Land and buildings	136,703	134,120	96,229	98,860	8
Loans to affiliated undertakings			3,428	1,688	8
	136,703	134,120	99,657	100,548	
Investments in affiliated and associated undertakings					
Shares and participations in affiliated undertakings			26,167	26,955	9
Associated undertakings	478	679	422	438	9
	478	679	26,589	27,394	
Other investments					
Shares	387,651	257,353	270,956	173,093	12
Debt securities	627,520	678,815	370,723	427,824	
Other loans	10,492	9,192	10,492	9,192	10
Deposits with credit institutions	7,590	5,350	3,600	1,450	
	1,033,253	950,710	655,771	611,558	
Deposits with ceding undertakings	126	140	126	140	
	1,170,559	1,085,649	782,142	739,640	
Investments covering unit-linked insurances	103,211	73,086			
Debtors					
Arising out of direct insurance operations					
Policyholders	45,130	43,324	44,893	43,132	
Arising out of reinsurance operations	5,356	1,324	5,356	1,324	
Other debtors	9,318	9,531	9,023	8,169	
	59,803	54,179	59,271	52,625	
Other assets					
Tangible assets					
Equipment	5,655	6,126	4,872	5,307	13
Stocks	796	684	782	671	
	6,451	6,810	5,654	5,978	
Cash at bank and in hand	4,360	5,925	2,534	3,792	
	10,811	12,735	8,188	9,770	
Prepayments and accrued income					
Interest and rents	11,097	15,587	7,425	10,204	
Other	9,627	8,846	7,604	7,403	
	20,724	24,433	15,028	17,607	
Total assets	1,367,010	1,251,878	865,695	820,567	

EUR 1,000	Group 2003	Group 2002	Parent Company 2003	Parent Company 2002	Notes
LIABILITIES					
Capital and reserves					15
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	93,139	110,217	93,139	110,217	
At the disposal of the Board	46	46	46	46	
Profit brought forward	453	637			
Profit/loss for the financial year	10,315	-17,262	8,448	-17,078	
	112,541	102,225	110,221	101,772	
Appropriations					
Accumulated depreciation difference			3,538	3,996	
Optional reserves			332	332	
			3,870	4,328	
Minority interest	17,805	15,336			
Negative consolidation difference		20			
Technical provisions					
Non-life insurance: Provision for unearned premiums	79,499	75,881	79,499	75,881	
Life-insurance: Provision for unearned premiums	328,798	304,477			
Non-life insurance: Claims outstanding	489,484	456,828	489,484	456,828	
Reinsurers' share	-2,533	-4,341	-2,533	-4,341	
	486,951	452,487	486,951	452,487	
Life-insurance: Claims outstanding	47,778	37,377			
Equalisation provision, non-life insurance	156,178	156,803	156,178	156,803	
Collective guarantee item, non-life insurance	9,993	9,609	9,993	9,609	
Technical provisions in total	1,109,197	1,036,634	732,620	694,780	
Technical provisions for unit-linked insurances	104,011	73,539			
Creditors					
Arising out of reinsurance operations	1,823	1,977	1,614	1,812	
Other creditors	9,935	10,825	7,431	8,282	
Deferred tax	1,154	1,284			
	12,912	14,086	9,045	10,094	
Accruals and deferred income	10,545	10,037	9,939	9,592	
Total liabilities	1,367,010	1,251,878	865,695	820,567	

Parent Company Cash Flow Statement

EUR 1,000	2003	2002
Cash flow from business operations		
Profit/loss on ordinary activities	7,991	-17,505
Adjustments		
Change in technical provisions	37,840	41,941
Value adjustments and revaluations on investments	2,288	16,918
Depreciation according to plan	4,270	4,321
Other	-16,814	-772
Cash flow before change in net working capital	35,575	44,902
Change in net working capital:		
Increase/decrease in non-interest-earning receivables	-4,172	501
Increase in non-interest-earning payables	156	3,174
Cash flow from business operations before financial items and taxes	31,560	48,578
Interest paid for other financial expenses from operations	-163	-198
Taxes	-80	24
Cash flow from business operations	31,317	48,403
Cash flow from capital expenditures		
Capital expenditure on investments (excl. funds)	-47,703	-53,261
Capital gain from investments (excl. funds)	17,056	946
Investments and income from the sale of tangible and intangible assets and other assets (net)	-1,930	-2,137
Cash flow from capital expenditures	-32,576	-54,451
Cash flow from financing		
Interest paid on guarantee capital and other profit distribution		-21
Cash flow from financing		-21
Change in funds	-1,259	-6,068
Funds at Jan. 1	3,792	9,861
Funds at Dec. 31	2,534	3,792
	-1,259	-6,068

Accounting principles

The financial statements have been compiled in accordance with the Finnish Accounting Act, Companies Act and Insurance Companies Act as well as decisions, instructions and regulations of the Ministry of Social Affairs and Health and the Insurance Supervision Authority.

Book value of investments

The variable expenses arising from acquisition are included in acquisition costs.

Buildings and structures are presented in the balance sheet at the lower of acquisition cost less 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 presented in the balance sheet at the lower of acquisition cost or current value. The difference between par value and acquisition cost is accrued as interest income, or interest payable, over the life of the debt security instrument, and as increase or decrease of their acquisition cost. The acquisition cost is calculated using the average price.

Value adjustments that have been made earlier are readjusted to the original acquisition cost and entered with the impact on the result if the current value increases.

Derivative contracts are valued at their current value on the date of closing the accounts. The difference between the current value of a hedging derivative contract and a lower book value is entered as income. However, the maximum amount entered may not exceed the amount

of the hedged balance sheet item entered as an expense. Loss exceeding the value of the hedged item is, however, entered in full as an expense. The difference between the current value of derivative contracts not concluded for hedging purposes and a higher book value is entered as an expense. The possible valuation gain that is still unrealised at the date of closing the accounts is not entered.

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

Book value of other assets than investments

Intangible assets and equipment are presented in the balance sheet at acquisition cost less planned depreciation. The variable expenses arising from acquisition are included in acquisition costs.

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.

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:

Intangible assets (computer software)	3–5 years
Consolidation difference	5 years
Negative consolidation difference	10 years
Other long-term liabilities	10 years
Business and industrial premises and offices	30–40 years
Components in buildings	10–15 years
Vehicles and computer hardware	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 real estate are defined by site. The current values of a significant part of real estate are assessed every few years. The assessments are carried out by a Finnish company specialising in real estate assessment in addition to its other operations. The current values of the real estate are defined on the basis of the assessments of each site. The current value of other real estate is determined annually by the Group's own experts mainly on the basis of regional market value statistics.

Shares and participations in a life-insurance company which is a subsidiary are valued at the cautiously estimated market price.

Quoted securities and securities that are otherwise subject to public trading are valued at the latest available closing price or, if this is not available, at buying rate. Unquoted securities are valued at the estimated market price, the undepreciated portion of acquisition cost or a value based on net asset value.

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 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

A pension insurance cover has been arranged for the staff of the Group companies by means of TEL insurance with the 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

The Finnish legislation allows certain optional untaxed reserves and depreciation above plan to be made in the final accounts. In the final accounts of Group companies, deferred tax is not deducted from appropriations, revaluations transferred to reserves and valuation differences on investments. Unrealised gains entered as income are taxable income. Deferred tax receivables arising from timing differences between accounting and taxation are not presented in the final accounts of Group companies in accordance with the principle of prudence, and the Group companies have no corresponding deferred tax liabilities.

In the consolidated accounts, optional reserves and 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 29%.

Provision for outstanding claims in non-life insurance

The provision for outstanding claims pertaining to annuities is calculated applying the interest rate of 4%. Discounting is not applied to other parts of provision for outstanding claims.

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 Insurance Supervision Authority.

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

- In individual life and pension insurance, including capital redemption insurance, the interest rate applied is 4.5% for contracts that have commenced before January 1, 1999 and 3.5% for contracts that have commenced after this, and 2.5% for contracts that have commenced after March 1, 2003.
- In insurance for unregistered supplementary group pension the interest rate is 3.5%. For technical provisions accrued before January 1, 1999 the impact of the change in the interest rate (from 4.25% to 3.5%) has been capitalised under the technical provisions and will be written off through straight-lined depreciation over a period of 15 years.

Deferred acquisition costs have been deducted from the premium reserve in individual life and pension insurance. 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 in life insurance

According to the Insurance Companies Act, Chapter 13, Section 3, 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, if the solvency requirements do not prevent it. The Principle of Fairness determines how valuation differences should be divided between the shareholders and the policyholders without entitling any of the individual persons belonging to these groups to the valuation differences in question.

Fennia Life aims at giving a total return (before deduction of operating expenses) on policyholders' with-profit insurance savings which on average is 0.25–1.0% higher than a riskless interest rate with corresponding maturity. The total return consists of the guaranteed interest and additional interest on the contract in question (client bonuses). According to law, continuity should be pursued for the level of the total return.

Fennia Life aims to maintain the company's solvency ratio at a level that in the long term allows the company to take investment risks so as to achieve the level of total return mentioned above. This solvency goal entails that more funds are tied up in the company than there are liabilities towards customers. Of this surplus (solvency margin), the restricted and non-restricted capital are considered to belong to the shareholders. Of the valuation differences, some 74% (EUR 8.9 million) are considered to belong to the shareholders and some 26% (EUR 3.1 million) to the policyholders at the end of 2003.

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 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. eFennia Oy is a subsidiary in which Fennia has a 60% holding. The other subsidiaries included in the consolidated accounts are real estate companies. At the end of 2003, the Group included 14 real estate companies, six of which belonged to the Fennia Life sub-group.

The planned depreciations made in the accounts of the real estate subsidiaries differ from those made in the accounts of the Parent Company in terms of depreciation times. In the subsidiaries the depreciation time for buildings is 30–75 years and for building components 10–20 years.

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 intra-group cross-shareholdings have been eliminated. Minority interests in results and in capital and reserves are presented as separate items. Intra-group cross-shareholdings are eliminated by using the acquisition method. The consolidation difference is entered under the concerned fixed asset items and depreciated according to their depreciation plan. The unallocated part is entered under consolidation difference and depreciated over its useful economic life, on average, in five years. The goodwill on consolidation has been written off during the financial year. The insignificant negative goodwill on consolidation is entered as income during the financial year.

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% of the voting rights have been included in the consolidated accounts as associated undertakings by using the equity method of accounting. However, holdings (20–50%) 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.

Notes to the Accounts, Parent Company

Notes to the Profit and Loss Account and Balance Sheet
EUR 1,000

2003 2002

1. Premiums written

Non-life insurance		
Direct insurance		
Finland	243,074	233,164
Reinsurance	2,335	2,335
Gross premiums written	245,409	235,500

2. Balance on technical account by group of insurance class

Group of insurance class	Year	Premium written before reinsurers' share	Gross premiums earned before reinsurers' share	Gross claims incurred before reinsurers' share	Gross operating expenses before reinsurance commissions and profit participation	Reinsurance balance	Balance on technical account before the change in collective guarantee item and equalisation provision
EUR 1,000							
Statutory workers' compensation	2003	60,957	60,928	-55,677	-7,179	-106	-2,034
	2002	60,324	60,262	-56,138	-5,060	-24	-960
	2001	60,033	60,478	-53,274	-4,875	-13	2,314
Non-statutory accident and health	2003	13,703	13,406	-14,767	-4,976	-74	-6,410
	2002	13,060	12,855	-9,290	-5,213	-40	-1,687
	2001	12,891	12,741	-11,781	-4,968	-62	-4,069
Motor third party liability	2003	51,414	50,613	-50,811	-9,774	-1,121	-11,093
	2002	49,625	50,753	-42,374	-9,338	-151	-1,110
	2001	48,826	48,761	-41,254	-8,811		-1,305
Motor, other classes	2003	40,515	39,847	-28,714	-7,619		3,513
	2002	38,685	37,770	-28,390	-7,410	-2	1,968
	2001	37,618	37,347	-27,206	-6,874	-18	3,248
Fire and other damage to property	2003	47,072	46,147	-51,483	-12,729	926	-17,139
	2002	43,919	43,243	-40,336	-13,222	-1,244	-11,560
	2001	41,812	41,556	-41,131	-12,568	3,806	-8,338
Third party liability	2003	14,886	14,319	-8,594	-2,312	-279	3,134
	2002	14,232	13,805	-7,499	-2,443	-556	3,307
	2001	12,722	12,048	-6,197	-2,336	-815	2,700
Miscellaneous	2003	14,528	14,203	-10,147	-3,776	-642	-362
	2002	13,320	13,109	-5,713	-3,830	-1,568	1,999
	2001	12,724	12,585	-9,476	-3,707	506	-92
Direct insurance in total	2003	243,074	239,463	-220,193	-48,365	-1,295	-30,390
	2002	233,164	231,797	-189,740	-46,516	-3,586	-8,044
	2001	226,627	225,515	-190,321	-44,140	3,404	-5,542
Reinsurance	2003	2,335	2,328	-1,738	-391	-2	197
	2002	2,335	2,076	-983	-373	-3	717
	2001	2,179	1,920	-1,873	-303	-13	-270
Total	2003	245,409	241,791	-221,931	-48,756	-1,297	-30,193
	2002	235,500	233,872	-190,723	-46,888	-3,589	-7,327
	2001	228,806	227,435	-192,194	-44,443	3,390	-5,812
Change in collective guarantee item	2003						-384
	2002						-370
	2001						-355
Change in equalisation provision	2003						626
	2002						-21,082
	2001						-20,409
Balance on technical account	2003						-29,952
	2002						-28,779
	2001						-26,576

EUR 1,000	2003	2002
3. Items deducted from premiums written		
Credit loss on outstanding premiums	2,060	2,178
Premium tax	35,134	33,597
Fire brigade charge	541	504
Traffic safety charge	541	501
Industrial safety charge	1,060	1,055
Government medical treatment fees	5,160	5,468
	44,496	43,303
4. Net investment income		
Investment income		
Income from investments in associated undertakings		
Dividend income	56	
Income from investments in land and buildings		
Interest income		
From affiliated undertakings	99	21
Other income		
From affiliated undertakings	67	66
From other undertakings	9,924	9,859
Total	10,090	9,946
Income from other investments		
Dividend income	2,729	3,075
Interest income	19,670	21,783
Other income	4,090	2,591
Total	26,489	27,449
Total	36,635	37,395
Value readjustments	2,292	92
Gains on realisation of investments	22,803	21,688
Investment income in total	61,729	59,175
Investment charges		
Charges arising from investments in land and buildings		
To affiliated undertakings	-1,017	-638
To other undertakings	-3,661	-4,142
Total	-4,678	-4,780
Charges arising from other investments	-5,904	-2,557
Interest and other expenses on liabilities		
To other undertakings	-163	-198
Total	-163	-198
Total	-10,745	-7,536
Value adjustments and depreciations		
Value adjustments on investments	-4,580	-17,010
Planned depreciation on buildings	-2,157	-2,191
Total	-6,737	-19,201
Losses on realisation of investments	-5,746	-20,741
Investment charges in total	-23,228	-47,478
Net investment income on the profit and loss account	38,502	11,698

EUR 1,000	2003	2002
5. Operating expenses		
Total operating expenses by activity		
Claims paid	12,941	12,481
Operating expenses	48,366	46,440
Investment charges	1,642	1,578
Other charges	454	355
Total	63,403	60,854
Depreciation according to plan by activity		
Claims paid	420	427
Operating expenses	1,629	1,628
Investment charges	64	76
Total	2,113	2,130
Profit and loss account item operating expenses		
Policy acquisition costs		
Direct insurance commissions	1,464	1,110
Commissions on reinsurance assumed and profit participations	271	253
Other policy acquisition costs	22,132	21,011
Total	23,868	22,373
Policy management expenses	11,849	10,951
Administrative expenses	13,040	13,564
Commissions on reinsurance ceded and profit participations	-390	-448
Total	48,366	46,440
6. Staff expenses, personnel and executives		
Staff expenses		
Salaries and commissions	30,229	28,658
Pension expenses	4,840	4,540
Other social expenses	2,768	2,694
Total	37,837	35,893
Executives' salaries and commissions		
Managing Director and Deputy to Managing Director	368	314
Board of Directors	102	123
Supervisory Board	89	35
Total	559	472
Under certain conditions, the Managing Director can retire at the age of 60 by means of a voluntary pension insurance.		
Average number of personnel during the financial year		
Office personnel	350	343
Sales personnel	505	493
Total	855	836

EUR 1,000	Investments Dec. 31, 2003			Investments Dec. 31, 2002		
	Remaining acquisition cost	Book value	Current value	Remaining acquisition cost	Book value	Current value
7. Current value and valuation difference on investments						
Investment in land and buildings						
Land and buildings	39,436	54,821	72,125	40,884	56,721	70,080
Real estate shares in affiliated undertakings	31,389	31,389	32,554	31,895	31,895	33,155
Real estate shares in associated undertakings	3,645	3,695	5,857	3,645	3,695	5,857
Other real estate shares	5,957	6,324	8,386	6,180	6,547	8,776
Loans to affiliated undertakings	3,428	3,428	3,428	1,688	1,688	1,688
Investments in affiliated undertakings						
Shares and participations	26,167	26,167	40,648	26,955	26,955	41,436
Investments in associated undertakings						
Shares and participations	422	422	422	438	438	438
Other investments						
Shares and participations	270,956	270,956	284,146	173,093	173,093	182,754
Debt securities	370,723	370,723	375,383	427,824	427,824	438,310
Other loans	10,492	10,492	10,492	9,192	9,192	9,192
Deposits with credit institutions	3,600	3,600	3,600	1,450	1,450	1,450
Deposits with ceding undertakings	126	126	126	140	140	140
	766,340	782,142	837,164	723,385	739,640	793,275
The remaining acquisition cost of debt securities comprises that difference between the amount repayable at maturity and purchase price, which has been released to interest income (+) or charged to interest income (-)	-5,400			-6,450		
Book value comprises						
Unrealised gains entered as income		14,809			15,262	
Other revaluations		993			993	
		15,802			16,255	
Valuation difference (difference between current value and book value)			55,022			53,635

EUR 1,000	Land and buildings and real estate shares	Loans to affiliated undertakings
8. Investment in land and buildings		
Acquisition cost, Jan. 1	108,815	1,688
Increase	351	2,100
Decrease	-934	-360
Transfers between items	43	
Acquisition cost, Dec. 31	108,274	3,428
Accumulated depreciation, Jan. 1	-25,818	
Depreciation for the financial year	-2,157	
Accumulated depreciation, Dec. 31	-27,974	
Value adjustments, Jan. 1	-5,747	
Accumulated depreciation related to decreases and transfers	67	
Value adjustments, Dec. 31	-5,679	
Revaluations, Jan. 1	21,609	
Revaluations, Dec. 31	21,609	
Book value, Dec. 31	96,229	3,428

Land and buildings and real estate shares occupied for own activities:

Remaining acquisition cost	17,447
Book value	19,043
Current value	21,159

EUR 1,000	Shares and participations in affiliated undertakings	Shares and participations in associated undertakings
9. Investments in affiliated and associated undertakings		
Acquisition cost Jan. 1	26,955	438
Decrease	-788	-17
Acquisition cost Dec. 31	26,167	422
Book value Dec. 31	26,167	422

EUR 1,000	2003	2002
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10. Other investments

Other loans by security		
Other security	10,492	9,192
	10,492	9,192

11. Debtors

Other debtors		
Affiliated undertakings	947	901

EUR 1,000	Holding %	Book value Dec. 31, 2003	Current value Dec. 31, 2003
12. Shares and participations in other companies			
Other investments			
Domestic shares and participations			
Mutual Insurance Company Pension-Fennia		1,689	1,689
Fortum Corporation	0.0130	900	900
Kesko Corporation, Series B	0.1024	655	845
Nokia Corporation	0.0015	960	960
Sampo plc, Series A	0.0139	631	631
YIT Corporation	0.2713	1,171	2,227
Foreign shares, listed			
Netherlands			
Reed Elsevier NV	0.0082	596	596
Spain			
Banco Popular Español	0.0053	501	572
UK			
AstraZeneca PLC	0.0008	504	525
Kelda Group PLC	0.0493	1,183	1,264
Lloyds TSB Group plc	0.0036	1,271	1,271
United Utilities PLC	0.0416	1,629	1,629
Norway			
Statoil ASA	0.0053	905	1,031
Sweden			
FöreningsSparbanken AB	0.0160	1,101	1,312
Getinge AB, Series B	0.0828	770	1,185
Skandia Försäkrings AB	0.0314	926	926
SSAB Svenskt Stål AB, Series A	0.1570	1,499	1,656
Svenska Cellulosa AB, Series B	0.0241	1,510	1,515
TeliaSonera AB	0.0037	659	704
Unit trusts			
Erikoissijoitusrahasto 3C Alpha		1,028	1,146
Absolute Alpha Fund PCC Ltd			
European Equity Performance Series (Euro)		3,000	3,112
Erikoissijoitusrahasto Alfred Berg Finland HPI B/100		1,965	2,326
Erikoissijoitusrahasto Avenir B		3,000	3,565
Barclays Global Investors Index Selection - Europe			
Ex UK Index Sub-Fund		15,000	15,112
Erikoissijoitusrahasto eQ Arvonkasvattajat A		1,000	1,299
Erikoissijoitusrahasto eQ Pikkujätiläiset		1,933	2,637
Fairfield Investors (Euro) Limited A		3,062	3,521
JPMorgan Fleming Funds - India Fund A - USD		1,387	1,794
JPMorgan Fleming Funds - UK Equity Fund A - GBP		1,300	1,330
FIM Russia Sijoitusrahasto		1,007	1,450
Sijoitusrahasto ICECAPITAL Global Utilities & Energy B		1,500	1,557
Nektar		2,861	4,112
OP-Cash Manager - sijoitusrahasto B		32,500	32,596
OP-Cash Treasury - sijoitusrahasto B		32,480	32,578
OP-Euro Osake-Sijoitusrahasto B		500	505
OP-Euro-sijoitusrahasto B		20,801	20,857
OP-Euro Yrityslaina -sijoitusrahasto A		10,300	11,829
OP-Euro Yrityslaina -sijoitusrahasto B		22,500	22,504

EUR 1,000	Holding %	Book value Dec. 31, 2003	Current value Dec. 31, 2003
Opstock Euro Index -sijoitusrahasto A		6,903	6,903
Sijoitusrahasto Seligson & Co Euro-area			
50-indeksirahasto A		7,020	7,020
Sijoitusrahasto Seligson & Co Euro			
Corporate Bond-indeksirahasto A		15,063	17,412
Erikoissijoitusrahasto Seligson & Co Prosperity Russia A		1,003	1,347
Seligson & Co Rahamarkkinarahasto A/10		19,826	20,044
SPY Standard & Poors Depository 500 Index Series 1		4,198	4,198
Zenit		1,970	2,400
Capital trusts			
Finnventure Rahasto IV Ky		2,015	2,015
Finnventure Rahasto V Ky		2,813	2,813
Forenvia Venture I Ky		577	577
MB Equity Fund II Ky		1,279	1,279
Eqvitec Teknologiarahasto I Ky		1,737	1,737
Access Capital LP		4,554	4,554
Auda Capital III L.P.		2,073	2,073
Duke Street Capital IV LP		1,709	1,709
Bio Fund Ventures II Ky		1,625	1,625
The Triton Fund (No.2) L.P.		2,208	2,208
The First European Fund			
Investments UK Ltd Partnership		2,269	2,269
Nexit Infocom 2000 Fund			
Limited Partnership		891	891
Permira Europe II LP2		4,372	4,372
Other shares and participations		10,669	11,427
		270,956	284,146

EUR 1,000	Intangible rights	Other long-term expenses	Equip- ment	Total
13.Changes in intangible and tangible assets				
Acquisition cost Jan. 1	143	1,868	10,457	12,468
Fully depreciated in the previous financial year	-143	-15		-158
Increase		507	1,546	2,053
Decrease			-977	-977
Acquisition cost Dec. 31		2,360	11,026	13,386
Accumulated depreciation Jan. 1	-143	-943	-5,150	-6,236
Fully depreciated in the previous financial year	143	15		158
Accumulated depreciation related to decreases and transfers			742	742
Depreciation for the financial year		-367	-1,746	-2,113
Accumulated depreciation Dec. 31		-1,295	-6,154	-7,449
Book value Dec. 31		1,065	4,872	5,937

EUR 1,000 2003 2002

14.Key figures pertaining to solvency

Solvency margin		
Capital and reserves after proposed profit distribution	110,221	101,772
Accumulated appropriations	3,870	4,328
Valuation difference between current value and balance sheet book value of assets	55,022	53,635
Capitalised intangibles	-1,065	-925
	168,048	158,810
 Minimum solvency margin required under the Finnish Insurance Companies Act, Chapter 11, Section 2	 44,874	 44,873
 Equalisation provision for years with large numbers of losses included in technical provisions	 156,178	 156,803
 Equalisation provision to its full value (%)	 57%	 59%
 Solvency ratio (%)		
Solvency margin and equalisation provision to premiums earned from the preceding 12 months		
- for the year 2003	140%	
- for the year 2002	140%	
- for the year 2001	134%	
- for the year 2000	153%	
- for the year 1999	183%	

EUR 1,000	2003	2002
15. Capital and reserves		
Restricted		
Initial fund Jan. 1 / Dec. 31	4,339	
Guarantee capital Jan. 1 / Dec. 31	3,364	
Revaluation reserve Jan. 1 / Dec. 31	885	
Restricted in total	8,587	
Non-restricted		
Security reserve Jan. 1, 2003	110,217	
Loss for the financial year 2002 covered	-17,078	
Security reserve Dec. 31, 2003	93,139	
At the disposal of the Board Jan. 1 / Dec. 31	46	
Loss brought forward	-17,078	
Covered from the security reserve	17,078	
Loss brought forward		
Profit for the financial year	8,448	
Non-restricted in total	101,633	
Capital and reserves in total	110,221	
Revaluation reserve Dec. 31, 2003		
Revaluations on investments	260	
Revaluations on fixed assets	625	
	885	
Distributable profit Dec. 31, 2003		
Profit for the financial year	8,448	
Security reserve	93,139	
At the disposal of the Board	46	
	101,633	
16. Creditors		
Other creditors		
Affiliated undertakings	452	509
Associated undertakings		19
17. Guarantee and liability commitments		
Own liabilities		
Leasehold commitments	3,548	2,653
Other liabilities		
As regards VAT group registration, 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	217	304
Other undertakings	3,911	7,008
Investment liabilities		
Commitment to invest in equity funds	17,941	19,630

Key Figures

Group analysis of results

EUR million	1999	2000	2001	2002	2003
Non-Life Insurance					
Premiums earned	200	209	217	226	232
Claims incurred	-178	-203	-180	-187	-214
Net operating expenses	-41	-42	-43	-46	-48
Other technical underwriting income (net)	0	0	0	0	0
Balance on technical account before the change in equalisation provision	-20	-37	-6	-8	-31
Investment income (net)	44	122	18	11	38
Other income (net)	0	0	0	0	0
Share of associated undertakings	0	0	0	0	0
Operating profit/loss	24	85	12	3	7
Change in equalisation provision	-14	2	-20	-21	1
Revaluations and revaluation adjustments on investments					
Non-life insurance profit/loss before extraordinary items	10	88	-8	-18	8
Life Insurance					
Premiums written	42	80	71	49	60
Investment income (net), revaluations and revaluation adjustments on investments	8	24	-5	2	30
Claims paid	-9	-10	-9	-14	-15
Change in technical provisions before bonuses and rebates and change in equalisation provision	-37	-74	-66	-29	-64
Net operating expenses	-3	-5	-5	-5	-6
Other technical underwriting income (net)					
Technical underwriting result before bonuses and rebates and change in equalisation provision	1	16	-14	2	6
Other income (net)	0	2	0	0	0
Operating profit/loss	2	18	-14	2	5
Change in equalisation provision	0	0	0	0	0
Bonuses and rebates	0	-2	0	-1	-1
Life insurance profit/loss before extraordinary items	1	15	-14	1	4
Extraordinary income		0			
Extraordinary charges					
Profit/loss before appropriations and tax	11	103	-23	-17	12
Income tax and other direct tax	-3	-31	0	0	0
Minority interests	0	-4	6	0	-2
Group's profit/loss for the financial year	7	69	-17	-17	10

Key Figures

EUR million	1999	2000	2001	2002	2003
Group Key Figures					
Turnover	365	561	443	373	406
Premiums written	256	302	300	284	306
Operating profit/loss of turnover, %	7.1	18.3	-0.4	1.3	3.1
Profit/loss before extraordinary items, untaxed reserves and tax of turnover, %	4.8	-0.7	-5.1	-4.6	2.9
Solvency capital	413	364	310	321	343
Average number of personnel	822	822	843	876	901
Non-Life Insurance Key Figures					
Turnover	296	418	327	293	304
Premiums written	214	222	229	235	245
Loss ratio, %	89.2	97.4	82.9	82.7	92.2
Expense ratio, %	20.6	20.2	19.8	20.5	20.9
Combined ratio, %	109.8	117.6	102.7	103.2	113.0
Solvency margin	249	203	156	159	168
Equalisation provision	118	115	136	157	156
Solvency capital	366	319	292	316	324
of technical provisions, %	84.7	64.5	56.5	58.7	56.2
Solvency ratio, %	183.2	152.7	134.4	139.6	139.8
Average number of personnel	806	803	808	836	855
Life Insurance Key Figures					
Turnover	68	144	116	80	102
Premiums written	42	80	71	49	60
Expense ratio, %	127	177	159	141	139
Solvency margin	62	68	45	45	55
Solvency capital	64	70	46	47	57
Solvency ratio, %	26.9	24.8	14.1	13.2	14.3
Average number of personnel	16	19	21	22	23

Figures for Fennia Life for 1999 from the period Oct. 1, 1998–Dec. 31, 1999

Calculation Methods for the Key Figures

The key figures have been calculated in accordance with the guidelines issued by the Insurance Supervision Authority, which comply with the exemption (Sep. 17, 2002, no. 1686) granted by the Accounting Board.

Turnover

Non-life insurance

+ premiums earned before reinsurers' share
+ investment income + other income + revaluations entered as income, realised in connection with sales

Life insurance

+ premiums written before reinsurers' share
+ investment income and revaluations and revaluation adjustments + other income

Group

+ non-life insurance turnover + life insurance turnover

Premiums written

+ premiums written before reinsurers' share

Loss ratio % (non-life insurance)

claims incurred/premiums earned

Expense ratio % (non-life insurance)

operating expenses/premiums earned

Combined ratio % (non-life insurance)

loss ratio + expense ratio

Expense ratio % (life insurance)

(operating expenses before the change in deferred acquisition costs + claims settlement expenses)
/ load income

Solvency margin

see calculation in the Notes

Solvency capital

solvency margin + equalisation provision + minority interest

Solvency capital, % of technical provisions (non-life insurance)

solvency capital / (technical provisions - equalisation provision)

Solvency ratio % (life insurance)

solvency capital / (technical provisions - equalisation provision)
- 75% of technical provisions of unit-linked insurances

Solvency ratio % (non-life insurance)

solvency capital / premiums earned from 12 months

Board's Dividend Proposal

The distributable capital and reserves of the Fennia Group stood at EUR 101,146,298.62 and that of the Parent Company EUR 101,633,323.42.

The Parent Company's profit for the financial year was EUR 8,448,498.23. The Board of Directors proposes that no interest on guarantee capital be paid and that the profit for the financial year be transferred to the security reserve.

Helsinki, March 9th, 2004

Eero Lehti

Esko Penttilä

Hannu Ketola
Managing Director

Ernst Gylfe

Lasse Koski

Eva Liljeblom

Rauno Mattila

Erkki Moisander

Matti Pörhö

Antti Vaahto

Auditors' Report

To the Owners of Fennia Mutual Insurance Company

We have audited the accounting records, the financial statements, and the administration of Fennia Mutual Insurance Company for the financial year January 1–December 31, 2003. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, were prepared by the Board of Directors and the Managing Director. Based on our audit we submit the following statement on the financial statements and the administration of the company.

The undersigned Kalervo Virtanen has scrutinised the accounts and administration during the financial year and after the end of the year, and submitted a separate report thereon.

We have conducted the audit in accordance with Finnish Generally Accepted Auditing Standards. We have audited the accounting records, and the financial statements, the disclosures and the presentation of information, including the accounting principles to an extent sufficient to give us reasonable assurance that the financial statements are free of material misstatement. The purpose of the audit of administration has been to examine that the actions of the Supervisory Board, the Board of Directors and the Managing Director have legally complied with the rules of the Insurance Companies Act and the Finnish Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company result of operations, as well as of the financial position. The financial statements, including the consolidated financial statements, may be adopted and the Supervisory Board, the Board of Directors and the Managing Director of the parent company may be discharged from liability for the period audited by us. The proposal made by the Board of Directors regarding the disposition of distributable profit is in compliance with the Insurance Companies Act.

Helsinki, March 23rd, 2004

Marja Tikka
Authorised Public Accountant

Kalervo Virtanen
Authorised 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 2003 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 April 27, 2004 adopt the financial statements and the consolidated financial statements as well as the proposal of the Board of Directors for the disposal of the surplus for the financial year.

Helsinki, April 1st, 2004

On behalf of the Supervisory Board

Eino Rajamäki
Chairman of the Supervisory Board



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