

Fennia Life

2008

The Board of Directors' Report
and Financial Statements

MANAGING DIRECTOR'S REVIEW

Who will turn on the lights?



We find ourselves in the maelstrom of an unprecedented financial crisis. The future is shrouded in fog and we seem to be in a long dark tunnel with no light to guide us.

By autumn 2008, life insurance companies, like everyone else, were forced to face the fact that no investment decision could prevent the impending investment losses. Even though Fennia Life's investment allocation has avoided risks, and even though the hedging of our investment portfolio was timed perfectly in 2008 and the proportion of equities was reduced significantly and at the right time, our investment income was negative. However, compared to the rest of the sector, Fennia Life's investment losses were among the lowest. For this I would like to extend my gratitude to the investment specialists at Fennia and our partners for making decisions that helped us avoid more significant losses.

The total return on technical interest rate-based insurance savings remained at a high level. Fennia Life's client bonuses were funded from provisions for bonuses reserved earlier. The collapse of share prices had a direct effect on the savings of customers with unit-linked insurances. In time, the resulting losses can be covered through disciplined and continuous saving. Now is not a good time to realise the losses. Client confidence in Fennia Life's operations remained high. I would like to express my appreciation to both new and old customers for their confidence in us.

The actual insurance operations were implemented in a sound and profitable manner. We were able to focus strongly on the development of the company's operating concepts and IT systems. Although our efforts will pose challenges for maintaining cost effectiveness due to future depreciations, they make it possible for us to conduct our business more flexibly and effectively than before.

Our working environment survey shows that Fennia

Life is considered a recommendable workplace, which treats its personnel equally and is clearly superior to other organisations in terms of its ability to co-operate and the opportunities that employees have to influence their workplace. A big thank you to all our personnel for a job well done!

A number of encouraging successes were achieved in sales during the year. Fennia's field organisation made significant progress in selected service areas. Similarly, Fennia Life's partner network of asset and fund management companies is stronger and more diverse today than ever before. Our partner network has also suffered from the tough times brought about by the financial crisis. I would like to thank all our partners for their co-operation.

The following years will be challenging. Achieving a sufficient investment income is made more difficult by unwillingness to take risks. The new Finnish Insurance Companies Act places its own demands on the development of risk management in the company even before the Solvency II regulations are fully implemented. The alternatives on offer for voluntary pension savings will change, and maintaining a sound dependency ratio in Finland will require changes in statutory systems and in working life in general. These changes will also require adaptability from life insurance companies. I believe that life insurance companies are up to the challenge: Our services will continue to be relevant for companies and individuals looking for personal risk insurance.

All of us are undoubtedly waiting to see a light at the end of the tunnel. Before that, even a single glimmer of light will give us confidence to take the next step. It is always darkest before the dawn.

Seppo Rinta
Managing Director

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Board of Directors' Report

Fennia Life's tenth operating year was bipartite. On the one hand, the collapse of the investment market led to a negative result for 2008 and the company's solvency to decrease. On the other hand, the company was able to improve the efficiency of its operations considerably and the number of voluntary pension insurances sold by Fennia's sales organisation increased significantly.

Fennia Life is jointly owned by Mutual Insurance Company Fennia (60%) and Mutual Insurance Company Pension-Fennia (40%).

Insurance operations

Fennia Life's premiums written totalled EUR 54.7 million (EUR 63.2 million). They decreased by 13 per cent whereas, according to preliminary information, premiums written in the entire life insurance sector fell by around 6 per cent. Life insurance savings policies' premiums written decreased in the sector by over 30 per cent and by over 40 per cent in Fennia Life. The market position in risk and pension insurance remained almost the same and the premiums written on risk life insurance increased. Of the company's total premium income, life insurance accounted for EUR 20.3 million (EUR 27.9 million) and pension insurance for EUR 34.4 million (EUR 35.2 million). Premium income on unit-linked insurances decreased and was EUR 16.8 million (EUR 28.9 million), accounting for 31 per cent (46%) of total premium income. Premium income on regular premium contracts was EUR 47 million (EUR 51.2 million), accounting for 86 per cent (81%) of

total premium income.

Claims paid increased to EUR 76.0 million (EUR 55.2 million), with surrenders accounting for EUR 35.6 million (EUR 24.8 million). The repayment of benefits amounted to EUR 9.7 million (EUR 4.2 million). The result for the risk business was close to the previous year's level of EUR 3 million.

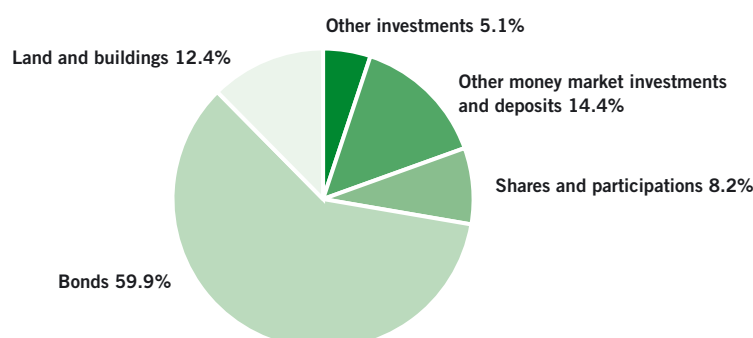
Operating expenses decreased to EUR 6.8 million (EUR 7.1 million). The expense ratio was 91.0 per cent (90.6%).

The total return on with-profit insurance savings varied between 4.2 and 4.8 per cent in 2008, depending on the line of insurance and quarter of the year. Client bonuses granted totalled EUR 4.6 million, of which EUR 4.4 million were funded from provisions for bonuses reserved earlier. A total of EUR 0.2 million (EUR 6.2 million) in client bonuses was recorded with an impact on the result.

Investments

The company's net investment income at current value amounted to EUR -26.8 million (EUR 26.9 million). Net investment income on invested capital was -4.4 per cent (4.6%). At year-end, Fennia Life's investment assets at current values (incl. accrued interests) stood at EUR 573 million (EUR 632 million). Bonds and long-term fund investments accounted for 60 per cent of the investment portfolio, and money market investments and deposits for 14 per cent. Shares, equity fund investments and capital trusts accounted for 8 per cent, real estate investments for 12 per cent and other investments for 5 per cent of the portfolio.

Investment portfolio at current values 31 Dec. 2008



In addition, the company had EUR 154 million (EUR 226 million) in assets covering unit-linked insurances, with net investment income amounting to EUR -70.1 million (EUR 8.3 million).

Result and solvency

The Parent Company's operating loss was EUR 25.6 million (operating profit EUR 26.1 million). The Group's operating loss was EUR 25.9 million (operating profit EUR 25.6 million).

As a result of the financial crisis, the Parent Company's solvency margin decreased to EUR 47.8 million (EUR 91.3 million), yet it easily exceeds the minimum requirements set for it. The company's solvency capital decreased to EUR 52.5 million (EUR 95.3 million). The solvency ratio was 9.4 per cent (16.1%).

Administration and staff

During the year under review, the members of Fennia Life's Board of Directors were: Eero Lehti, President (Chairman); Pekka Sairanen, Managing Director (Vice Chairman) until 16 December 2008; Antti Vaahto, Managing Director; Lasse Heiniö, Managing Director; Antti Kuljukka, Managing Director and Matti Ruohonen, Ph.D., starting 4 April 2008. The deputy members of the Board of Directors were Elmar Paananen, Managing Director until 31 August 2008 and Eeva Grannenfelt, Director. Seppo Rinta has acted as Managing Director.

The Board of Directors held a total of nine meetings during the year under review. The attendance rate of the full members was 83 per cent and that of the deputy members 94 per cent.

The Company employed an average of 29 people (27) in 2008.

Group structure

At year-end, the Fennia Life Group included the following twelve real estate companies wholly-owned by the company: Kiinteistö Oy Espoon Niittyrinne 1, Kiinteistö Oy Kaakkurin Liikekeskus, Kiinteistö Oy Kalevankatu 9, Kiinteistö Oy Koivuhaanportti 1–5, Kiinteistö Oy Nevametsä, Kiinteistö Oy Pirkkalan Tuottotie, Kiinteistö Oy

Sellukatu 5, Kiinteistö Oy Teohypo, Kiinteistö Oy Tuusulan Pakkasraitti 2 A, Kiinteistö Oy Vaajakosken Varaslahdentie 6 and Kiinteistö Oy Vasaraperän Liikekeskus and Kiinteistö Oy Mikkelin Hallituskatu 1, acquired during the year under review. In addition, associated undertaking HF-Asunnot Oy was consolidated to the Group.

Risk management

Fennia Life's risk management is based on the Fennia Group's risk management plan, which is reviewed annually by the Boards of Directors. The status of internal control is assessed by internal audits, which are independent of business activities.

Investment activities are based on the investment plan approved by the Board of Directors, which determines, among other things, the allocation of investments and the rights and responsibilities of those who work in investment activities in practice. The company's ability to carry risks is taken into account in determining the allocation of investments.

Outlook

The uncertainty in the investment market and the downturn in the real economy will affect Fennia Life's operations negatively in 2009. Improvements in investment activities may not occur until 2010, which means that special consideration should be employed when granting additional interest.

Government measures in the present economising tax environment may cause unforeseeable changes especially in the demand for pension insurances. Also anticipating the demand for other life insurance products is difficult, but it is likely that premiums written will not exceed the 2008 level. It is important for the company to look after existing contracts and pay general attention to the importance of basic life insurance coverage.

Recent developments

Fennia Life's Board of Directors has decided to apply for additional capitalisation from the shareholders in order to ensure a return on investments according to investment objectives.

Profit and Loss Account

EUR 1,000	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007	Notes
Technical Account					
Premiums written					
Premiums written	54,719	63,157	54,719	63,157	1
Reinsurers' share	-512	-457	-512	-457	
	54,207	62,699	54,207	62,699	
Investment income					
Investment income	42,233	56,055	41,330	55,887	3. 4
Revaluations on investments	1,181	9,298	1,181	9,298	3. 4
Other technical income	-	8,000	-	8,000	
Claims incurred					
Claims paid	-75,966	-55,181	-75,966	-55,181	2
Total change in the provision for outstanding claims	-11,842	-16,421	-11,842	-16,421	
Portfolio transfer	-	542	-	542	
	-11,842	-15,879	-11,842	-15,879	
Claims incurred in total	-87,808	-71,060	-87,808	-71,060	
Change in the provision for unearned premiums					
Total change in the provision for unearned premiums	98,065	-81,651	98,065	-81,651	
Portfolio transfer	-	58,198	-	58,198	
	98,065	-23,453	98,065	-23,453	
Net operating expenses					
Net operating expenses	-6,801	-7,055	-6,801	-7,055	5
Investment charges					
Investment charges	-104,092	-19,796	-102,913	-19,085	3. 4
Revaluation adjustments on investments					
Revaluation adjustments on investments	-23,745	-5,956	-23,745	-5,956	3. 4
Balance on technical account	-26,760	8,733	-26,483	9,277	
Non-Technical Account					
Other charges					
Other	-62	-9	-	-9	
Share of associated undertakings' loss					
Share of associated undertakings' loss	-15	-	-	-	
Tax on profit on ordinary activities					
Tax for the financial year	-	-2,333	-	-2,292	
Tax from previous periods	189	271	119	231	
Deferred tax	86	-	-	-	
	275	-2,063	119	-2,061	
Appropriations					
Change in depreciation difference	-	-	15	19	
Profit/loss for the financial year	-26,562	6,662	-26,350	7,226	

Balance Sheet

EUR 1,000	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007	Notes
ASSETS					
Intangible assets					
Other long-term expenses	1,283	878	1,283	878	
Advance payments	2,219	289	2,219	289	
	3,502	1,167	3,502	1,167	10
Investments					
Investments in land and buildings					
Land and buildings	67,540	62,293	52,049	47,737	7
Loan receivables	195	90	195	90	
	67,735	62,383	52,244	47,827	
Other investments					
Equities and holdings	150,716	201,608	150,716	201,608	9
Debt securities	351,122	347,564	351,122	347,564	
Deposits with credit institutions	5,610	9,780	5,610	9,780	
	507,448	558,952	507,448	558,952	
Investments in total	575,183	621,335	559,691	606,778	6
Investments covering unit-linked insurances	154,148	225,588	154,148	225,588	8
Debtors					
Arising out of direct insurance operations					
Policyholders	334	352	334	352	
Other debtors	4,360	17,523	6,508	17,576	
	4,694	17,875	6,842	17,928	
Other assets					
Tangible assets					
Equipment	306	210	306	210	10
Other tangible assets	12	12	12	12	
	318	222	318	222	
Cash at bank and in hand	1,124	4,183	1,122	4,119	
	1,442	4,405	1,440	4,340	
Prepayments and accrued income					
Interest and rents	5,254	5,687	5,254	5,687	
Other	1,541	1,546	1,466	1,546	
	6,795	7,233	6,720	7,233	
Total assets	745,765	877,603	732,344	863,035	

EUR 1,000	Group 2008	Group 2007	Parent Company 2008	Parent Company 2007	Notes
LIABILITIES					
Capital and reserves					
Subscribed capital	27,751	27,751	27,751	27,751	11
Premium fund	10,723	10,723	10,723	10,723	
At the disposal of the Board	8	8	8	8	
Profit/loss brought forward	29,645	27,488	34,497	27,271	
Profit/loss for the financial year	-26,562	6,662	-26,350	7,226	
	41,565	72,633	46,630	72,980	
Appropriations					
Accumulated depreciation difference			23	38	
Technical provisions					
Provision for unearned premiums	404,539	430,625	404,539	430,625	
Claims outstanding	121,297	110,039	121,297	110,039	
	525,836	540,664	525,836	540,664	
Technical provisions for unit-linked insurances					
Technical provisions	155,581	226,976	155,581	226,976	14
Creditors					
Arising out of reinsurance operations	264	214	264	214	
Deferred tax	4,434	15			
Other creditors	16,964	36,060	2,890	21,124	12
	21,661	36,289	3,154	21,338	
Accruals and deferred income					
	1,121	1,041	1,120	1,039	
Total liabilities	745,765	877,603	732,344	863,035	

Parent Company Cash Flow Statement

EUR 1,000	2008	2007
Cash flow from business operations		
Profit on ordinary activities before extraordinary items	-26,365	7,207
Adjustments:		
Change in technical provisions	-86,223	98,072
Value adjustments and revaluations on investments	93,545	3,121
Depreciation according to plan	365	346
Other	15,840	-16,941
Cash flow before change in net working capital	-2,838	91,805
Change in net working capital		
Decrease/increase in non-interest-earning receivables	-3,898	-1,199
Increase in non-interest-earning payables	372	36,435
Cash flow from business operations before financial items and taxes	-6,364	127,041
Interest paid on other financial expenses from operations	-7	-10
Taxes	182	-4,026
Cash flow from business operations	-6,189	123,005
Cash flow from capital expenditures		
Capital expenditure on investments (excl. funds)	21,702	-139,626
Capital gain from investments (excl. funds)	-15,714	19,012
Investments and income from the sale of tangible and intangible assets and other assets (net)	-2,796	-490
Cash flow from capital expenditures	3,192	-121,104
Change in funds	-2,997	1,901
Funds on 1 Jan.	4,119	2,218
Funds on 31 Dec.	1,122	4,119
	-2,997	1,901

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.

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 difference between par value and acquisition cost is accrued as interest income, or interest payable, over the life of the money market instrument, and is entered as an increase or decrease of their acquisition cost. The acquisition cost is calculated using the average price. Changes in value arising from the variation in interest rates are not entered. The value adjustments connected to the issuer's creditworthiness are entered as profit or loss.

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 mainly used for hedging investment portfolios. In accounting terms, however, they are handled 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 non-hedging derivative contracts 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 other assets than investments

Intangible assets and equipment are entered 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 rights (computer software)	5 years
Other long-term expenses	10 years
Business and industrial premises and offices	20–50 years
Components in buildings	10–15 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.

Current value of investments

The current values of real estate are assessed regularly 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. Due to the market situation, prudent valuation has been used in the Financial Statements.

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.

Derivative contracts are valued at their current value on the date of closing the accounts. The non-hedging derivatives' possible maximum loss 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 average 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.

Staff pension schemes

Pension insurance cover has been arranged for the staff by means of TyEL 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

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 presented in the final accounts of the Group companies in accordance with the principle of prudence, and the Group companies have no corresponding deferred tax liabilities. Deferred tax liabilities resulting from consolidation measures are entered in the consolidated accounts.

In the consolidated accounts, the depreciation difference is 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 26 per cent.

Technical provisions

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 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.
- 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% 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.
- In order to lower the technical interest rate requirement for individual pension insurance contracts that have commenced before 1 January 1999, technical provisions were increased by EUR 10 million in 2007, resulting in a return requirement for these contracts of approximately 3.6 per cent.

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

According to the Insurance Companies Act, Chapter 13, Section 2, 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.

Fennia Life's Principle of Fairness and bonus objectives were adjusted beginning 1 January 2009. The present

market situation, continuity in the level of bonuses as well as the company's solvency goal and the goal for return on capital and reserves, as specified by the shareholders, are considered in the new objectives. In addition, the rules for distributing bonuses are clarified between the different lines of insurance and the undertaken technical interest rate.

Fennia Life aims at giving a long-term gross return according to at least a riskless interest rate on policyholders' with-profit insurance savings. The duration of the insurance and the 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 contract in question. The level of technical interest rate for the contract is taken into account in the amount of additional interest rate 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 shareholders' requirements for return on capital, as well as the company's solvency goal. The solvency goal is set so that all of 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 annually targeted return.

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

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

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

Consolidated accounts

Fennia Life's consolidated accounts include all the subsidiaries in which the Parent Company either directly or indirectly holds more than half of the voting rights. The twelve (11 in 2007) subsidiaries included in the consolidated accounts are all real estate companies.

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. Intra-group cross-shareholdings are eliminated by 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.

HF-Asunnot Oy, in which the Group holds 40% of the voting rights, has been included in the consolidated accounts as an associated undertaking by using the equity method of accounting.

Notes to the Profit and Loss Account and Balance Sheet

EUR 1,000	2008	2007
1. Premiums written		
Direct insurance		
Finland	54,706	63,122
Reinsurance	13	35
Gross premiums written before reinsurers' share	54,719	63,157
Items deducted from premiums written		
Credit loss on outstanding premiums	10	10
Direct insurance premiums written		
Life insurance		
Unit-linked individual life insurance	6,220	9,697
Other individual life insurance	6,282	7,664
Other capital redemption policy	20	1,100
Employees' group life insurance	4,195	5,716
Other group life insurance	3,572	3,752
	20,289	27,929
Pension insurance		
Unit-linked individual pension insurance	6,798	9,564
Other individual pension insurance	11,778	9,145
Unit-linked group pension insurance	3,814	9,613
Other group pension insurance	12,027	6,870
	34,417	35,193
	54,706	63,122
Regular premiums	47,022	51,211
Single premiums	7,684	11,911
	54,706	63,122
Premiums from with-profit policies	37,874	34,248
Premiums from unit-linked insurance	16,832	28,874
	54,706	63,122

EUR 1,000	2008	2007
2. Claims paid		
Direct insurance		
Life insurance	50,841	31,745
Pension insurance	25,125	23,413
	75,966	55,157
Reinsurance	-	23
Claims paid in total	75,966	55,181
Of which:		
Surrenders	35,643	24,762
Repayment of benefits	9,703	4,172
Other	30,620	26,223
	75,966	55,157
Share of unit-linked insurances of claims paid	16,429	10,156
Life insurance: bonuses and rebates		
Impact of bonuses and rebates attached to life insurance policies on the balance on technical account	214	16,214
Change in provisions for future bonuses for the financial year	-4,448	3,263

The bonuses credited to insurances during 2008 totalled EUR 4,661,738, which met the bonus objectives for the financial year. This was achieved by using provisions for bonuses accumulated during previous years. No funds were reserved in provisions for future bonuses during 2008.

EUR 1,000	2008	2007
3. Net investment income		
Investment income		
Income from investments in land and buildings		
Interest income	2	
Other income	5,730	3,774
Income from other investments		
Dividend income	6,660	8,029
Interest income	16,294	13,955
Other income	1,091	2,655
	24,045	24,639
Total	29,777	28,413
Value readjustments	764	1,043
Gains on realisation of investments	10,789	26,431
Total	41,330	55,887
Investment charges		
Charges arising from investments in land and buildings		
To affiliated undertakings	-2,727	-1,660
To other undertakings	-441	-366
	-3,169	-2,025
Charges arising from other investments	-1,490	-2,124
Interest and other expenses on liabilities	-7	-10
Total	-4,666	-4,159
Value adjustments and depreciations		
Value adjustments on investments	-71,745	-7,506
Losses on realisation of investments	-26,503	-7,419
Total	-102,913	-19,085
Net investment income before revaluations and revaluation adjustments	-61,583	36,803
Revaluations on investments	1,181	9,298
Revaluation adjustments on investments	-23,745	-5,956
	-22,564	3,342
Net investment income on the Profit and Loss Account	-84,147	40,145

EUR 1,000	2008	2007
4. Share of unit-linked insurance of net investment income on the Profit and Loss Account		
Investment income	3,461	8,071
Investment charges	-12,623	-1,690
Net investment income before revaluations and revaluation adjustments and value adjustments and readjustments	-9,162	6,380
Revaluations on investments	1,181	9,298
Revaluation adjustments on investments	-23,745	-5,956
Value adjustments on investments	-38,347	-1,717
Value readjustments	2	254
Net investment income on the Profit and Loss Account	-70,071	8,260

EUR 1,000	2008	2007
5. Operating expenses		
Operating expenses in Profit and Loss Account		
Policy acquisition costs		
Direct insurance commissions	753	1,231
Other policy acquisition costs	1,728	1,573
Total policy acquisition costs	2,481	2,804
Policy management expenses	1,969	2,884
Administrative expenses	2,437	1,497
Commissions on reinsurance ceded	-86	-129
Total	6,801	7,055
Total operating expenses by activity		
Claims paid	188	170
Net operating expenses	6,801	7,055
Investment charges	952	869
Total	7,940	8,094
Depreciation according to plan by activity		
Claims paid	10	11
Net operating expenses	293	300
Investment charges	63	36
Total	365	346
Staff expenses, personnel and executives		
Staff expenses		
Salaries and commissions	1,682	1,742
Pension expenses	298	298
Other social expenses	151	144
Total	2,131	2,184
Executives' salaries and commissions		
Board of Directors, Managing Director and substitute for the Managing Director	174	237
No loans have been granted to the Managing Director or to the Board of Directors. There are no guarantee or liability commitments affecting the Managing Director or the Board of Directors. The age of retirement of the Managing Director is 63.		
Average number of personnel during the financial year		
Office personnel	23	21
Sales personnel	6	6
	29	27

EUR 1,000	2008	2007
Auditors' commissions		
Audit	38	
Tax consulting	14	
Other commissions	2	
	54	
Related party transactions		
The related parties include Mutual Insurance Company Pension-Fennia and eFennia.		
The transactions have been conducted according to standard business practices.		

6. Current value and valuation difference on investments

EUR 1,000	Investments, 31 Dec. 2008			Investments, 31 Dec. 2007		
	Remaining acquisition cost	Book value	Current value	Remaining acquisition cost	Book value	Current value
Investments in land and buildings						
Real estate shares in affiliated undertakings	50,470	50,470	52,750	46,158	46,158	47,424
Real estate shares in associated undertakings	4	4	4	4	4	4
Other real estate shares	1,575	1,575	1,575	1,575	1,575	1,575
Loan receivables	195	195	195	90	90	90
Other investments						
Equities and holdings	150,716	150,716	155,377	201,608	201,608	221,258
Debt securities	351,122	351,122	350,336	347,564	347,564	346,067
Deposits with credit institutions	5,610	5,610	5,610	9,780	9,780	9,780
	559,691	559,691	565,847	606,778	606,778	626,197
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 (-)						
				-6,061		-37
Valuation difference						
(difference between current value and book value)			6,156			19,419
Valuation difference of non-hedging derivatives						
			514			-

7. Changes in investments in land and buildings

EUR 1,000	Land and buildings and real estate shares
Acquisition cost, 1 Jan.	49,079
Increase	4,528
Acquisition cost, 31 Dec.	53,607
Value adjustments, 1 Jan.	-1,342
Value adjustments during the financial year	-216
Value adjustments, 31 Dec.	-1,558
Book value, 31 Dec.	52,049
Debtors	
Other debtors	
Affiliated undertakings	2,915

8. Investments covering unit-linked insurances, 31 Dec. 2008

EUR 1,000	2008		2007	
	Original acquisition cost	Current value	Original acquisition cost	Current value
Equities and holdings	183,423	147,287	187,569	219,234
Debt securities	3,709	3,496	1,633	1,667
Cash at bank and in hand	3,362	3,366	4,687	4,687
Total	190,494	154,148	193,890	225,588
Investments pertaining to unit-linked insurances corresponding to technical provisions	190,494	154,148	193,890	225,588
Cash at bank and in hand, and other debtors include net insurance premiums that have not yet been invested		1,472		2,785

9. Shares in other companies and other investments

EUR 1,0000	Holding %	Book value 31 Dec. 2008	Current value 31 Dec. 2008
Domestic shares			
Uudenmaan Pääomarahasto Oy	12.39	1,429	1,429
Avara Suomi Oyj	6.58	3,500	3,500
Other		3,519	3,612
		8,448	8,541
Foreign shares			
Other		252	252
		252	252
Unit trusts			
Aberdeen Indirect Property Partners		1,136	1,136
Aktia Inflation Bond+ D		1,000	1,078
Alken European Opportunity R		1,995	1,995
Avenir B		1,174	1,561
AXA Rosenberg US Equity Alpha B - EUR		725	725
BGF World Healthscience Fund - € A2		1,324	1,324
Brevan Howard Fund Class B		1,200	1,772
Cognis I Fund Class B Series 1		745	745
CQS Capital Structure Arbitrage Feeder Fund A		812	812
EPI Baltic I Oy		561	561
eQ Arvonkasvattajat 2 (Kasvu)		1,000	1,168
eQ Eurooppa Osinko 1 K (Kasvu)		659	659
eQ Pikkujättiläiset 2 (Kasvu)		1,100	1,178
Evli Alpha Bond B		1,889	1,889
Evli Corporate Bond A		10,756	10,756
Evli Emerging Markets Debt A		2,000	2,046
Evli Emerging Markets Debt B		9,911	9,911
Evli Eur. High Yield A		16,565	16,565
Evli Eur. Inv. Grade A		2,685	2,685
Evli Europe Quant Index A		1,998	1,998
Evli Global Infrastructure A		1,088	1,088
Evli Japan Quant Index A		1,768	1,768
Evli Ruble Debt A		592	592
Evli Tavoitekorko B (Kasvu)		9,007	9,007
Evli USA Quant Index A		3,162	3,162
FIM Euro High Yield		3,070	3,070
FIM Korko Optimaattori K		995	995
Fourton Odysseus		1,021	1,089
GLG EuropeanLong-Short Fund I		800	807
ICECAPITAL Euro FI R B		2,708	2,708
ICECAPITAL Global U & E B		1,100	1,679
Ignis Argonaut European Alpha A		1,868	1,868
Invesco Asia Infrastruct - A - USD		848	848
Invesco Pan European Structured Eq-A		1,083	1,083
JPM US Select Equity A-€		1,069	1,095

EUR 1,0000	Book value 31 Dec. 2008	Current value 31 Dec. 2008
Kauppakeskuskiinteistöt FEA Ky	13,936	13,936
O'Connor Market Neutral Long/Short M1	1,200	1,582
OP-High Yield A	6,438	6,438
SAM Sustainable Enhanced Europe C	1,365	1,365
SEB Hedge Fund of Funds Moderate (€) Sarja I	4,533	4,979
Seligson & Co Rahamarkkinarahasto A	9,920	10,202
Sponda Kiinteistörahasto I Ky	996	996
Taaleritehdas Rupla Osake A	199	199
UBS Neutral Alpha Strategies (Euro) Ltd - Class B Series 1	3,000	3,124
Other	2,319	2,364
	133,325	136,613

EUR 1,0000	Book value 31 Dec. 2008	Current value 31 Dec. 2008
Capital trusts		
Access Capital LP	197	1,241
Auda Capital III L.P.	850	850
Duke Street Capital VI LP	1,044	1,044
The Triton Fund II L.P.	1,053	1,053
The First European Fund Investments UK Ltd Partnership	767	767
Nexit Infocom 2000 Fund Limited Partnership	730	730
Permira Europe II LP2	817	817
Partners Group European Buyout	1,097	1,097
Other	2,134	2,371
	8,690	9,971

10. Changes in intangible and tangible assets, Parent Company

EUR 1,000	Intangible rights and other long-term expenses	Advance payments	Equipment	Total
Acquisition cost, 1 Jan. 2008	1,639	289	396	2,324
Fully depreciated in the previous financial year	-175	-	-10	-185
Increase	688	1,930	242	2,860
Decrease	-	-	-82	-82
Acquisition cost, 31 Dec. 2008	2,152	2,219	546	4,918
Accumulated depreciation, 1 Jan 2008	-761	-	-187	-948
Fully depreciated in the previous financial year	175	-	10	185
Accumulated depreciation related to decreases and transfers	-	-	18	18
Depreciation for the financial year	-283	-	-82	-365
Accumulated depreciation, 31 Dec. 2008	-869	-	-241	-1,110
Book value, 31 Dec. 2008	1,283	2,219	306	3,808

11. Capital and reserves

EUR 1,000	2008
Restricted	
Subscribed capital, 1 Jan. / 31 Dec.	27,751
Premium Fund, 1 Jan. / 31 Dec.	10,723
Restricted in total	38,474
Non-restricted	
At the disposal of the Board, 1 Jan. / 31 Dec.	8
Profit brought forward, 1 Jan. 2008	27,271
Profit for the financial year 2007	7,226
Profit brought forward, 31 Dec. 2008	34,497
Loss for the financial year	-26,350
Non-restricted in total	8,156
Capital and reserves in total	46,630
Distributable profit, 31 Dec. 2008	
Loss for the financial year	-26,350
At the disposal of the Board	8
Profit brought forward	34,497
Distributable profit in total	8,156

EUR 1,000	2008	2007
12. Creditors		
Other creditors		
Affiliated undertakings	516	1,732
13. Provision for unearned premiums		
Deferred acquisition costs have been deducted from the premium reserve (zillmerisation)		
Life insurance	52	136
Pension insurance	654	657
	706	794
14. Technical provisions for unit-linked insurances		
Provision for unearned premiums	154,996	226,976
Provision for claims outstanding	584	-
	155,581	226,976

EUR 1,000	2008	2007
15. Guarantee and liability commitments		
Value-added tax 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	130	9
Other undertakings	9,639	-562
Investment commitments		
Commitment to invest in equity funds	18,674	26,933
	Current value	Value of underlying instrument
Currency derivatives	193	8,623
Forward and futures contracts	193	8,623
Equity derivatives	1,709	43,568
Option contracts	1,709	43,568
Acquired	2,359	21,784
Issued	-650	21,784
16. Key figures pertaining to solvency		
	2008	2007
Solvency margin		
Capital and reserves after proposed profit distribution	46,630	72,980
Optional reserves and accumulated depreciation difference	23	38
Valuation difference between current value and Balance Sheet book value of assets	6,670	19,419
Intangible assets not entered as expenses	-3,502	-1,167
Other items	-2,055	-
Solvency margin in total	47,765	91,270
Equalisation provision for years with large numbers of losses included in technical provisions	4,719	4,033
Solvency capital	52,484	95,302
Solvency margin required under the Finnish Insurance Companies Act, Chapter 11, Section 12	28,090	29,665
Solvency capital to technical provisions less equalisation provision and 75% of provisions relating to unit-linked insurances	9,4%	16,1%

Key Figures

	2008	2007	2006	2005	2004
Analysis of Results, EUR 1,000					
Premiums written	54,207	62,699	69,750	63,369	68,400
Investment income (net), revaluations and revaluation adjustments on investments	-84,423	37,402	56,474	65,225	37,115
Claims paid	-75,966	-55,181	-74,041	-32,809	-18,535
Change in technical provisions before bonuses and rebates and change in equalisation provision	87,123	-22,500	-30,759	-72,837	-71,372
Net operating expenses	-6,801	-7,055	-6,984	-6,121	-5,220
Other technical income		8,000			
Technical underwriting result before bonuses and rebates and change in equalisation provision	-25,860	23,365	14,439	16,827	10,388
Other income (net)	-77	2,191	-20	-16	-11
Operating profit/loss	-25,937	25,556	14,419	16,811	10,377
Change in equalisation provision	-686	-618	-569	-272	-70
Bonuses and rebates	-214	-16,214	-6,523	-5,485	-1,095
Profit/loss before untaxed reserves and tax	-26,837	8,724	7,327	11,054	9,212
Taxes	275	-2,063	-1,353	-2,625	-16
Group's profit/loss for the financial year	-26,562	6,662	5,974	8,429	9,196
Gross premiums written (EUR 1,000)	54,719	63,157	70,000	63,584	68,631
Expense ratio of expense loading	91.0%	90.6%	103.3%	100.8%	114.3%
Expense ratio of balance sheet total	0.9%	1.1%	1.1%	1.1%	
Solvency margin (EUR 1,000)	47,765	91,270	89,244	84,607	65,670
Minimum solvency margin (EUR 1,000)	28,090	29,665	25,969	24,497	19,179
Solvency capital (EUR 1,000)	52,484	95,302	92,659	87,454	68,245
Solvency ratio	9.4%	16.1%	18.2%	18.1%	15.5%
Total result (EUR 1,000)	-38,333	21,145	13,370	27,453	
Return on assets	-3.5%	6.4%	5.5%	8.6%	

The key figures have been calculated on the basis of the Parent Company's figures, excluding the analysis of results.

Investment portfolio at current values

EUR 1,000	2008		2007		2006		2005	
	EUR	%	EUR	%	EUR	%	EUR	%
Loan receivables	195	0.0		0.0		0.0		0.0
Bonds ^{1), 2)}	343,210	59.9	338,604	53.6	305,069	55.6	295,539	56.6
* includes fixed-income funds	58,735	10.3	67,911	10.7	54,326	9.9	47,546	9.1
Other money market investments and deposits ^{1), 2), 3)}	82,311	14.4	85,162	13.5	66,155	12.0	77,623	14.9
* includes fixed-income funds	19,209	3.4	11,221	1.8	18,032	3.3	16,541	3.2
Equities and holdings	47,032	8.2	101,135	16.0	92,534	16.8	85,763	16.4
Investments in land and buildings ⁴⁾	70,959	12.4	56,331	8.9	43,956	8.0	39,096	7.5
* includes unit trusts and UCITS	16,630	2.9	7,239	1.1	1,537	0.3	606	0.1
Other investments	29,057	5.1	50,874	8.0	41,991	7.6	23,847	4.6
Investments in total	572,764	100.0	632,105	100.0	549,704	100.0	521,867	100.0
Modified duration of the bond portfolio	3.41		4.13		4.22		4.09	

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 UCITS that invest in real estate and real estate undertakings.

Net investment income

EUR 1,000	2008 EUR	2007 EUR	2006 EUR	2005 EUR
Direct net income	27,532	22,497	20,968	15,202
Loan receivables	6			
Bonds	15,798	12,878	10,751	10,545
Other money market investments and deposits	2,920	2,431	1,836	1,123
Equities and holdings	6,963	5,049	6,046	2,550
Investments in land and buildings	3,096	1,938	2,451	2,238
Other investments	-283	1,082	325	-863
Sundry income, charges and operating expenses	-970	-880	-441	-390
Changes in value in the accounts ¹⁾	-41,608	9,388	4,970	12,050
Equities and holdings	-18,125	10,408	6,066	8
Bonds	-17,819	-4,893	-707	3,738
Investments in land and buildings	-4,123	3,864	-389	-159
Other investments	-1,540	9		322
Net investment income at book value	-14,076	31,885	25,938	27,252
Change in valuation differences ²⁾	-12,749	-4,955	-734	10,643
Equities and holdings	-9,845	-6,451	2,981	10,066
Bonds	710	-1,306	-5,325	-1,177
Investments in land and buildings	1,015	574	302	152
Other investments	-4,629	2,228	1,307	1,602
Net investment income at current values	-26,825	26,930	25,204	37,895
Share of net investment income accounted for by derivatives	4,030	670	398	-2,658

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.–31 Dec. 2008

EUR 1,000	Net investment income at current value ¹⁾	Invested capital ²⁾	Yield, % on invested capital			
	EUR 2008	EUR 2008	2008	2007	2006	2005
Loan receivables	6	119	5.4	0.0	0.0	0.0
Bonds ³⁾	-1,281	346,497	-0.4	2.1	1.6	4.7
* of which fixed-income funds	-13,683	65,041	-21.0	0.8	6.3	11.0
Other money market investments and deposits ³⁾	3,186	80,974	3.9	3.9	2.9	2.1
* of which fixed-income funds	-206	20,040	-1.0	3.1	3.0	2.2
Equities and holdings	-21,060	83,975	-25.1	9.0	17.8	31.7
Real estate ⁴⁾	-13	60,370	0.0	21.2	5.9	6.6
* of which unit trusts and UCITS	-3,479	12,660	-27.5	3.7	2.7	3.7
Other investments	-6,695	40,668	-16.5	6.2	5.2	4.6
Investments in total	-25,855	612,604	-4.2	4.8	5.0	8.1
Sundry income, charges and operating expenses	-970					
Net investment income at current value	-26,825	612,604	-4.4	4.6	4.9	8.0

¹⁾ Net investment income at current value = Changes in the market values between the end and beginning of the review period – cash flows during the period.
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 investments in real estate.

Calculation Methods for the Key Figures

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

Expense ratio (% of balance sheet total) =

+ total operating expenses
 opening balance sheet total

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

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.

Return on assets at current values (%) =

+/- operating profit or loss
 + financial expenses
 + technical rate of interest expenses (technical interest credited to insurances during the year)
 +/- 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.

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.

Risks and Risk Management

Risk management as an element of internal control refers to the identification, assessment, limitation and supervision of the risks arising from and inherently related to the business. The aim of risk management is to ensure that the objectives set out in the strategy and action plans are achieved and to make sure that the risks taken by the company are in proportion to the risk-bearing capacity.

Risk management in the company is based on the Fennia Group's risk management plan, which is reviewed annually by the Board of Directors. The Fennia Group's executive team for risk management co-ordinates and steers risk management maintenance and development. Internal audits, which are independent of business activities, are used to monitor and assess the adequacy of internal control and risk management.

Insurance risks

The main risk pertaining to technical provisions in life insurance is the interest rate risk related to the guaranteed technical interest rate. The technical provisions also include a surrender risk, which is most significant in insurance based on technical interest. In pension policies, surrenders are only possible in exceptional cases, and therefore the risk relating to surrenders is highest in savings policies and capital redemption contracts. This risk is reduced by sanctions included in the first years of the contracts.

Of the technical risks relating to life insurance, the most significant are death and disability. These risks are limited by risk selection and by defining upper limits for the cover to be granted. Risk and cost equivalent rating is of crucial importance. Major single claims are limited by means of reinsurance. Of the technical risks relating to pension insurance, the most significant is the longevity risk.

Actuarial assumptions and models

The technical interest rate used in the calculation of technical provisions with guaranteed return varies between 2.0 and 4.5 per cent, and the average rate for all technical provisions with guaranteed return is approximately 3.3 per cent. The mortality assumptions applied in life and pension insurance are those generally applied in the industry. Investment risks relating to insurance

The company's investment operations are aimed at achieving the highest possible returns at acceptable

levels of risk, so as to ensure that the company exceeds the required solvency ratio and that its investment assets are sufficient and structurally appropriate to cover the technical provisions. The biggest risks threatening investment performance are decreases in the value of investments, and returns that fall below the level required by the technical provisions. To limit these risks, the investment portfolio is diversified as much as possible. The Board of Directors of the company annually approves the company's investment plan, which defines the target allocation of the investment portfolio and the minimum and maximum limits by asset class, the organisation of investment operations and executive and decision-making powers.

Quantitative data on risk variables affecting the investment portfolio

		Impact of change on Fennia Life's solvency capital
Fixed income investments	Interest rate + 1 percentage point	EUR -12 million
Equity investments	Change in value -20%	EUR -3 million
Real estate investments	Change in value -10%	EUR -7 million

Market risk

Market risks consist of the impacts of interest rates, currency and equity prices, volatilities, or the impacts of other changes in market prices on the companies' result and financial strength. The market risk affecting the entire portfolio is assessed and measured using risk factors derived from the long-term volatility of each investment grade.

The monitoring of market risk is divided into interest, equity, property, capital fund and hedge fund risks. Currency and credit risks are quantified and taken into account separately when setting the level of the overall risk. The interest rate risk affecting fixed-income portfolios is monitored by the modified duration method.

When determining the risk level, the requirements set by technical provisions for investment allocation and yield are taken into account. To predict investment market trends, calculations are made on the basis of various scenarios. The main method used in market risk management is investment allocation reporting, including the associated

key figures and the value change risk/risk-bearing capacity ratio.

Credit risk

In securities investments, the credit risk consists of the borrower's ability to meet their liabilities. Credit risk is usually determined by the borrower's creditworthiness rating. The risk of a fall in the credit rating constitutes part of the credit risk. In investment securities, the credit risk often affects bonds and money-market instruments by issuer and as a so-called counterparty risk, for example, in derivative commitments. The credit risks affecting a loan portfolio are identified and measured on the basis of credit rating and degree of diversification. The credit risk is managed by limits on the degree of portfolio diversification, credit rating and choice of instrument, and, in the case of commercial papers, by borrower-specific limitations.

Liquidity risk

A liquidity risk implies that the company is unable to meet its payment obligations. The risk may arise from the company's inability to anticipate liquidity needs or its

inability to sell invested assets within the required time frame.

The company's liquidity requirements are taken into account when building up the investment portfolio.

Operational risk

Operational risks are defined as losses attributable to inadequate or ineffective internal processes, personnel or IT systems. Potential losses may also be due to changes in the operating or juridical environment.

The persons responsible for the company's business operations review the risks in conjunction with annual operational planning, by conducting risk analyses for each function. This review is followed by an assessment of the impacts of the risks on the business and risk materialisation probabilities.

All operations are conducted in compliance with the legislation currently in force, and with the regulations and guidelines issued by authorities. A business contingency plan is drawn up for the company to ensure that key functions can be continued in the event of a crisis.

Board of Directors' Proposal on the Allocation of the Result

The distributable capital and reserves of the Fennia Life Group stood at EUR 3,059,381.42 and that of the Parent Company at EUR 8,155,795.81.

The Parent Company's loss for the financial year was EUR 26,349,600.93. The Board of Directors proposes that no dividend be paid and that the loss for the financial year be transferred to the profit and loss account.

Helsinki, 9 March 2009

Eero Lehti

Matti Ruuhonen

Eeva Grannenfelt

Lasse Heiniö

Antti Kuljukka

Seppo Rinta
Managing Director

Auditors' Report

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

To the Annual General Meeting of Fennia Life Insurance Company Ltd

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Fennia Life Insurance Company Ltd for the year ended on 31 December, 2008. The financial statements comprise the consolidated balance sheet, income statement, 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.

The responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements and the report of the Board of Directors 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 perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 and the Managing Director of the Parent Company have complied with the rules of the Insurance Companies Act.

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 of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances. 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.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Statement

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, 19 March 2009

KPMG OY AB

Nils Blummé, KHT
Authorized Public Accountant

Sirpa Eriksson, KHT
Authorized Public Accountant

Management 1 Jan. 2009

BOARD OF DIRECTORS

Chairman:

Eero Lehti

Commercial Counsellor
(Finnish honorary title)
Chairman of the Board
Taloustutkimus Oy
Helsinki

Vice Chairman:

Matti Ruohonen

Ph.D., Actuary appointed by
the Ministry of Social Affairs
and Health
Turku

Board Members:

Lasse Heiniö

Managing Director
Pension Fennia
Helsinki

Antti Kuljukka

Managing Director
Fennia
Helsinki

Antti Vaahto

Managing Director
Vaahto Group PLC Oyj
Hollola

Deputy member:

Eeva Grannenfelt

Director
Pension Fennia
Helsinki

Secretary to the Board:

Heimo Äikäs

General Counsel
Fennia
Helsinki

AUDITORS

KPMG Oy Ab

Nils Blummé

Authorised Public Accountant

Sirpa Eriksson

Authorised Public Accountant

Deputy Auditors:

Riitta Pyykkö

Authorised Public Accountant

Jari Nurmi

Authorised Public Accountant

PHYSICIANS

Lauri Keso

Doctor of Medical Science,
Specialist in Internal Medicine and
Rheumatology

Juha Liira

Doctor of Medical Science,
Specialist in Occupational Health and
Medicine

MANAGEMENT

Seppo Rinta

Managing Director

Eero Eriksson

Investment Director

Ari Koskinen

Customer Service Director

Päivi Ojala

Actuaries Director

Aarni Pursiainen

Securities Director

Kari Wilén

Sales and Marketing Director



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