

Fennia Life

Fennia Life Insurance Company Ltd
Financial Statements 2003



Customers confused about proposal on pension insurance taxation

In terms of premiums written, the life insurance market declined after several years of growth. While the total premiums written in the sector were more than 11 per cent lower than the previous year, Fennia Life's premiums written grew by 24 per cent, thereby increasing our market share to 2.1 per cent.

The year 2003 was characterised by a surprising public debate, heated at times, on the taxation of pension insurance. This had an effect on the sales of new individual pension insurance policies, particularly towards the latter part of the year. The proposed changes in taxation led policyholders to invest amounts in their existing insurance policies which were in excess of their pension plans.

Another factor that marked last year was the upturn of the stock market. The long decline came to an end already last spring, although in the autumn, prices reflected shareholder despair. The upswing had a positive effect on the sales of unit-linked pension insurances and savings policies, and our market share for these types of insurance increased, particularly in the corporate sector.

Increase in profitability compared with the previous year

As regards Fennia Life's business operations, special attention was given to profitability. According to our strategy, profitability is a more important indicator than market share. The return on investment in 2003 was slightly more than 20 per cent, which indicates an increase in profitability compared with the previous year.

Considering the circumstances, the profit target for 2003 was reached successfully. Operating profit amounted to EUR 4.1 million. Particular success was achieved in investment activities, which also had a considerable effect on the growth of the operating profit.

Increased wealth and concern for pension security create opportunities

Life insurance contributes to our security, and the premise is to assist people in managing future risks. People's concern about the sufficiency of statutory

pension cover and their increasing awareness of voluntary savings alternatives further enhance their interest in individual pension insurance. On the other hand, the proposed changes to taxation are likely to discourage demand.

Growing competition for a competent workforce creates demand for reward systems in companies, and group pension insurances can play a considerable role in these. The general increase in wealth, on the other hand, is likely to increase people's interest in savings policies.

Business environment changes

At the end of last year, the Government made a Decision in Principle according to which, instead of taxation of earned income, capital income taxation would be applied to individual pension insurance as of the beginning of 2005. This means that policyholders would be entitled to deduct insurance premiums at the tax rate for capital income. The maximum limit for savings, based on the person's pension, would be eliminated. The pension would likewise be subject to taxation according to the rate for capital income during retirement.

The Siva working group of the Ministry of Finance would, according to its final report, allow other types of long-term savings the same benefits as for individual pension insurance. The working group proposes that the present right of deduction for pension insurance premiums in taxation should be extended to also cover shares in investment funds, bank deposits and direct investment in securities through investment service suppliers and deposit banks.

Both reports recognise that the state should promote saving for retirement. However, the lack of regulations for the transition period diminishes people's confidence

in saving, which is crucial for both statutory and voluntary pensions. People should not be given reason to believe that their long-term contracts could change according to the whim of the government in power. The key objective of the earnings-related pension reform is to encourage people to stay in work longer. This objective will not be met, if people's confidence in total pension cover and the future existence of benefits is shaken.

In the next few years, we will develop and further intensify our co-operation with insurance brokerage and external asset management companies. We will also increasingly focus on Fennia's own distribution channel for life insurance products.

The operating environment now looks split: On one hand, the prerequisites for the growth of life insurance exist, but on the other hand, uncertainty factors prevalent in the sector may have a surprising effect. In view of this, we expect 2004 to bring a slight increase in premiums written. Key issues for the achievement of the targets are analysing and managing the consequences of the taxation reform and acquiring new partners, which is now possible as a result of the changing market.

I wish to extend my warmest thanks to Fennia Life's customers and partners, and to our personnel, for a successful year. We will continue our efforts to ensure that our products and services are of the level required for the best life insurance company in Finland.

Helsinki, April 7th, 2004

Antti Kuljukka

Managing Director

People's confidence in total pension cover must not be shaken

Contents

5	Board of Directors' Report
7	Profit and Loss Account
8	Balance Sheet
10	Parent Company Cash Flow Statement
11	Accounting Principles
14	Notes to the Accounts, Parent Company
23	Key Figures
24	Calculation Methods for the Key Figures
25	Board's Dividend Proposal, Auditors' Report

Board of Directors' Report

Fennia Life's result for the year 2003 was good, and the company's solvency improved. The company's market share of the total premium income in the life insurance sector rose to 2.1 per cent (1.5%).

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 grew by 24 per cent, which is in contrast with the total premiums written in the sector, which decreased from the previous year. The company's premiums written before reinsurers' share grew to EUR 60.3 million (EUR 48.6 million), life insurance accounting for EUR 30.2 million (EUR 22.4 million) and pension insurance for EUR 30.0 million (EUR 26.3 million). Premium income on unit-linked insurance products was EUR 19.5 million (EUR 13.2 million), accounting for 32 per cent (27%) of total premium income. In particular, there was growth in unit-linked savings insurances, and the premiums written for them increased to EUR 13.4 million (EUR 8.6 million). The development of the premiums written for individual pension insurance was positive, although sales for the latter part of the year decreased as a result of uncertainty of future changes in legislation and the related transition regulations concerning the taxation of individual pension insurance and retirement age.

Claims paid totalled EUR 15.3 million (EUR 14.5 million) and the repayment of benefits was EUR 4.0 million (EUR 0.7 million). Surrenders fell to EUR 3.3 million (EUR 6.3 million). The surplus for the risk business was EUR 1.8 million, compared with EUR 1.7 million in the previous year.

Operating expenses grew from the previous year to EUR 5.6 million (EUR 4.9 million). The expense ratio remained at the previous year's level of 141 per cent (142%).

The total operating expenses exceeded the share included in premiums for them by EUR 1.6 million (EUR 1.5 million).

The total return on with-profit insurance savings varied between 4.1 and 5.0 per cent in 2003, depending on the line of insurance and quarter of the year. Client bonuses granted totalled EUR 1.9 million, of which EUR 1.1 million were funded from provisions for bonuses reserved earlier. A total of EUR 0.8 million (EUR 0.7 million) was recorded in client bonuses with an impact on the result.

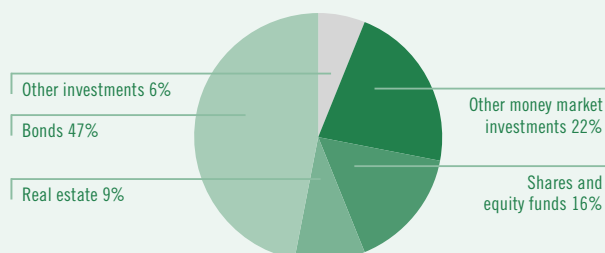
Investments

The fall in the stock market turned into a rise in March 2003, which had a positive effect on investment income and the company's result. The net investment result of the Fennia Life Group on the profit and loss account rose to EUR 30.3 million (EUR 1.6 million). The share of net investment income accounted for by insurance products other than unit-linked insurances was EUR 18.0 million (EUR 12.2 million). Unit-linked insurances accounted for a net income of EUR 12.4 million (EUR -10.6 million).

Cash investment income decreased from the previous year. Net interest income amounted to EUR 9.2 million (EUR 11.2 million) and net income from investments in land and buildings was EUR 2.4 million (EUR 1.6 million). Income from dividends was EUR 2.7 million, which is almost on the level of the previous year.

The total amount of value adjustments and re-adjustments impacting the result rose to EUR 16.0 million, compared with EUR -14.2 million in the previous year. Net gains on realisation of investments grew to EUR 8.1 million (EUR 2.0 million). The impact on net income of value adjustments and re-adjustments, and revaluations and revaluation adjustments, was EUR 8.6 million (EUR -15.6 million). Planned depreciation of land and buildings totalled EUR 0.6 million.

Investment portfolio at current values
Dec. 31, 2003



Investment assets increased as a result of the positive cash flow in insurance business and the recovery of the stock market. At year-end, the Fennia Life Group's investment portfolio (excluding unit-linked insurances) stood at EUR 426 million (EUR 377 million) at current values. Bonds and long-term fixed income fund investments accounted for 47 per cent of the investment portfolio, and money market investments and deposits for 22 per cent. Shares and equity funds accounted for 16 per cent, and hedge funds and capital trusts totalled 6 per cent of the portfolio. Real estate investments accounted for 9 per cent of the total investments. The valuation difference between the current and book values of investments grew to EUR 12.4 million (EUR 7.2 million). In addition to the investment portfolio, the Group had EUR 103 million (EUR 73 million) in assets covering unit-linked insurances.

The efficiency of Fennia Life's securities investment activities was improved by outsourcing fixed-income instrument and equity portfolio management as of November 1, 2003 to Asset Management and Private Banking of Evli Bank Plc. Long-term agreements on the management, maintenance and renting services of the Fennia Group's real estate were concluded with Tallberg Toimitilajohd Oy, and operations according to them were started on December 1, 2003.

Result and solvency

The Parent Company's profit for the financial year rose to EUR 4.6 million (EUR 0.8 million in 2002). The operating profit of the Group was EUR 5.3 million (EUR 1.5 million) and the profit for the financial year EUR 4.1 million (EUR 0.5 million).

The Parent Company's solvency margin rose to EUR 54.6 million (EUR 45.2 million). The solvency margin was more than three times its minimum amount. The Parent Company's solvency capital was EUR 57.1 million (EUR 47.3 million). The solvency ratio rose to 14.3 per cent (13.2%).

Administration and staff

Until the Annual General Meeting that convened on March 27, 2003, the members of Fennia Life's Board of Directors were: Director Jussi Järventaus (Chairman), President Eero Lehti (Vice Chairman), Managing Director Antti Vaahto, Managing Director Lasse Heiniö and Managing Director Hannu Ketola, and from March 27, 2003 President Eero Lehti (Chairman), Chairman of the Board Ernst Gylfe (Vice Chairman), Managing Director Antti Vaahto, Managing Director Lasse Heiniö and Managing Director Hannu Ketola.

Deputy members of the Board of Directors during the year under review were Markku Alava, Deputy Managing Director (until September 30, 2003); Managing Director Elmar Paananen (from November 27, 2003) and Director Eeva Grannenfelt (whole year). Antti Kuljukka has acted as Managing Director.

The company employed on average 23 people (22) in 2003.

Group structure

At year-end, the Fennia Life Group included the following six real estate companies wholly-owned by the company: Kiinteistö Oy Espoon Niittyrinne 1, Kiinteistö Oy Helsingin Navigatortalo, Kiinteistö Oy Malminkaari 9, Kiinteistö Oy Teohypo, Kiinteistö Oy Tevi, and Kiinteistö Oy Kalevankatu 9 in Helsinki, which was acquired during the financial year.

Risk management

The Fennia Life Group's risk management is based on the Fennia Group's risk management plan, which is discussed annually by the Boards of Directors. The status of internal control is assessed by means of internal audits that 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 development of the stock market has been positive during the early part of the year. The status of the global economy has improved from the previous year. Experts do not agree, though, on whether the positive development of the market will continue. Consequently, this year will set considerable challenges for investment operations.

The current year can be considered "a transition year" in life insurance, because the decision on taxation of individual pension insurance will not be made until early in the summer. As a result, sales of new pension insurances have almost completely come to a standstill.

The need to secure the future in terms of life and pension insurances has not ended, however. As soon as the issue of taxation is settled, the sales of insurances are likely to increase to the level of previous years.

Profit and Loss Account

EUR 1,000	Group 2003	Group 2002	Parent Company 2003	Parent Company 2002	Notes
Technical Account					
Premiums written					
Premiums written	60,265	48,630	60,265	48,630	1
Reinsurers' share	-223	-92	-223	-92	
	60,042	48,537	60,042	48,537	
Investment income	36,778	31,322	36,579	30,798	3, 4
Revaluations on investments	5,374	1,160	5,374	1,160	3, 4
Claims incurred					
Claims paid	-15,308	-14,455	-15,308	-14,455	2
Change in the provision for outstanding claims	-10,401	-13,010	-10,401	-13,010	
	-25,709	-27,465	-25,709	-27,465	
Change in the provision for unearned premiums					
Change in the provision for unearned premiums	-54,793	-17,223	-54,793	-17,223	
Reinsurers' share	-	-42	-	-42	
	-54,793	-17,264	-54,793	-17,264	
Net operating expenses	-5,611	-4,888	-5,611	-4,888	5
Investment charges	-11,706	-29,608	-11,099	-28,777	3, 4
Revaluation adjustments on investments	-114	-1,285	-114	-1,285	3, 4
Balance on technical account	4,259	509	4,668	816	
Non-Technical Account					
Other income					
Decrease in negative consolidation difference	20	75			
Other charges					
Other	-12	-23	-28	-23	
Depreciation on consolidation difference	-96	-67			
	-108	-90	-28	-23	
Tax on profit on ordinary activities					
Tax for the financial year	-103	-269	-103	-269	
Tax from previous periods	33	269	33	269	
	-70	1	-70	1	
Profit on ordinary activities after tax			4,571	794	
Appropriations					
Change in depreciation difference			-1	1	
Profit for the financial year	4,102	495	4,570	795	

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	498	544	498	544	10
	498	810	498	544	
Investments					6
Investment in land and buildings					
Land and buildings	37,663	32,107	36,932	33,366	7
Other investments					
Shares	116,695	84,268	116,691	84,265	9
Debt securities	255,589	249,417	254,691	248,369	
Deposits with credit institutions	3,990	3,900	3,990	3,900	
	376,274	337,585	375,372	336,534	
Investments in total	413,937	369,692	412,304	369,900	
Investments covering unit-linked insurances	103,211	73,086	103,211	73,086	8
Debtors					
Arising out of direct insurance operations					
Policyholders	237	192	237	192	
Other debtors	1,554	2,681	1,761	2,872	
	1,791	2,874	1,998	3,064	
Other assets					10
Tangible assets					
Equipment	270	313	270	313	
Other tangible assets	14	13	14	13	
	284	326	284	326	
Cash at bank and in hand	1,798	2,023	1,761	1,998	
	2,081	2,349	2,044	2,324	
Prepayments and accrued income					
Interest and rents	3,672	5,383	3,672	5,383	
Other	1,921	1,399	1,920	1,393	
	5,593	6,782	5,592	6,776	
Total assets	527,112	455,593	525,647	455,694	

EUR 1,000	Group 2003	Group 2002	Parent Company 2003	Parent Company 2002	Notes
LIABILITIES					
Capital and reserves					11
Subscribed capital	27,751	27,751	27,751	27,751	
Premium fund	10,723	13,876	10,723	13,876	
At the disposal of the Board	8	8	8	8	
Loss brought forward	-212	-3,860	-	-3,948	
Profit for the financial year	4,102	495	4,570	795	
	42,372	38,270	43,053	38,483	
Negative consolidation difference	-	20			
Appropriations					
Accumulated depreciation difference			25	24	
Technical provisions					
Provision for unearned premiums	328,798	304,477	328,798	304,477	
Provision for outstanding claims	47,778	37,377	47,778	37,377	
	376,577	341,854	376,577	341,854	
Technical provisions for unit-linked insurances					
Technical provisions	104,011	73,539	104,011	73,539	
Creditors					
Arising out of reinsurance operations	209	165	209	165	
Deferred tax	7	7			
Other creditors	3,497	1,428	1,334	1,320	12
	3,713	1,600	1,543	1,485	
Accruals and deferred income	439	310	439	309	
Total liabilities	527,112	455,593	525,647	455,694	

Cash Flow Statement

EUR 1,000	2003	2002
Cash flow from business operations		
Profit on ordinary activities	4,571	794
Adjustments		
Change in technical provisions	65,194	30,274
Value adjustments and revaluations on investments	-8,258	16,036
Depreciation according to plan	292	246
Other	-8,003	-1,953
Cash flow before change in net working capital	53,796	45,396
Change in net working capital		
Decrease/increase in non-interest-earning receivables	1,086	-271
Decrease/increase in non-interest-earning payables	34	-149
Cash flow from business operations before financial items and taxes	54,916	44,976
Interest paid for other financial expenses from operations	-15	-9
Taxes	-70	1
Cash flow from business operations	54,831	44,968
Cash flow from capital expenditures		
Capital expenditure on investments (excl. funds)	-62,953	-54,221
Capital gain from investments (excl. funds)	8,088	1,962
Investments and income from the sale of tangible and intangible assets and other assets (net)	-203	-267
Cash flow from capital expenditures	-55,068	-52,526
Change in funds	-237	-7,558
Funds at Jan. 1	1,998	9,556
Funds at Dec. 31	1,761	1,998
	-237	-7,558

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 entered in the balance sheet 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 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 securities, 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 re-adjusted 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)	5 years
Consolidation difference	5 years
Negative consolidation difference	10 years
Other long-term liabilities	10 years
Business and industrial premises and offices	30–50 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.

Current value of investments

The current values 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.

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.

Staff pension schemes

A pension insurance cover has been arranged for the staff 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, 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 29%.

Technical provisions

The calculation of technical provisions complies with the provisions and instructions of the Insurance Companies Act and 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

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 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 six 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 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.

Notes to the Accounts, Parent Company

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

2003

2002

1. Premiums written

Direct insurance		
Finland	60,260	48,627
Reinsurance	5	2
Gross premiums written before reinsurers' share	60,265	48,630

Direct insurance premiums written

Life insurance		
Unit-linked individual life insurance	13,413	8,592
Other individual life insurance	7,120	7,433
Other capital redemption policy	7,240	4,215
Other group life insurance	2,447	2,131
	30,219	22,371
Pension insurance		
Unit-linked individual pension insurance	4,552	3,507
Other individual pension insurance	15,548	14,319
Unit-linked group pension insurance	1,554	1,104
Other group pension insurance	8,386	7,327
	30,041	26,256
	60,260	48,627
Regular premiums	37,136	31,889
Single premiums	23,124	16,738
	60,260	48,627
Premiums from with-profit policies	40,741	35,425
Premiums from unit-linked insurance	19,519	13,203
	60,260	48,627

2. Claims paid

Direct insurance		
Life insurance	7,847	8,623
Pension insurance	7,460	5,825
	15,307	14,447
Reinsurance	1	8
Claims paid in total	15,308	14,455
Of which:		
Surrenders	3,286	6,285
Repayment of benefits	4,008	701
Other	8,013	7,462
	15,307	14,447
Share of unit-linked insurances of claims paid	948	1,786
Life insurance: bonuses and rebates Impact of bonuses and rebates attached to life insurance policies on the balance on technical account	801	736

EUR 1,000	2003	2002
3. Net investment income		
Investment income		
Income from investments in land and buildings		
Other income	3,285	2,571
Income from other investments		
Dividend income	2,699	2,768
Interest income	9,267	11,155
Other income	2,729	1,029
	14,695	14,953
Total	17,981	17,523
Value readjustments	7,469	157
Gains on realisation of investments	11,130	13,118
Total	36,579	30,798
Investment charges		
Charges arising from investments in land and buildings		
To affiliated undertakings	-704	-483
To other undertakings	-128	-234
	-832	-718
Charges arising from other investments	-2,739	-826
Interest and other expenses on liabilities	-15	-9
Total	-3,586	-1,553
Value adjustments and depreciations		
Value adjustments on investments	-4,470	-16,068
Losses on realisation of investments	-3,042	-11,156
Total	-11,099	-28,777
Net investment income before revaluations and revaluation adjustments	25,480	2,021
Revaluations on investments	5,374	1,160
Revaluation adjustments on investments	-114	-1,285
	5,260	-125
Net investment income on the Profit and Loss Account	30,740	1,896

EUR 1,000	2003	2002
4. Share of unit-linked insurance of net investment income on the profit and loss account		
Investment income	2,725	2,949
Investment charges	-1,080	-3,287
Net investment income before revaluations and revaluation adjustments and value adjustments and readjustments	1,645	-338
Revaluations on investments	5,374	1,160
Revaluation adjustments on investments	-114	-1,285
Value adjustments on investments	-185	-10,234
Value readjustments	5,651	104
Net investment income on the profit and loss account	12,370	-10,594
5. Operating expenses		
Profit and loss account item operating expenses		
Policy acquisition costs		
Direct insurance commissions	1,728	1,307
Other policy acquisition costs	1,636	1,473
	3,363	2,780
Policy management expenses	861	945
Administrative expenses	1,387	1,163
Total	5,611	4,888
Total operating expenses by activity		
Claims paid	61	61
Operating expenses	5,611	4,888
Investment charges	240	286
Total	5,913	5,234
Depreciation according to plan by activity		
Claims paid	9	7
Operating expenses	279	235
Investment charges	4	3
Total	292	246
Staff expenses, personnel and executives		
Staff expenses		
Salaries and commissions	1,078	
Pension expenses	189	
Other social expenses	102	
Total	1,369	
Executives' salaries and commissions		
Board of Directors and Managing Director	178	
Average number of personnel during the financial year		
Office personnel	18	
Sales personnel	5	
	23	

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
6. Current value and valuation difference on investments						
Investment in land and buildings						
Real estate shares in affiliated undertakings	36,630	36,630	37,184	33,064	33,064	33,276
Other real estate shares	303	303	303	303	303	303
Other investments						
Shares and participations	116,691	116,691	125,316	84,265	84,265	87,520
Debt securities	254,691	254,691	257,491	243,414	248,369	252,143
Deposits with credit institutions	3,990	3,990	3,990	3,900	3,900	3,900
	412,304	412,304	424,284	364,945	369,900	377,142

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 (-)

-3,197

-4,955

Valuation difference

(difference between current value and book value)

11,980

7,242

EUR 1,000

Land and buildings
and real estate shares

7. Changes in investments in land and buildings 2003

Acquisition cost, Jan. 1	33,608
Increase	4,637
Decrease	-
Acquisition cost, Dec. 31	38,245
Value adjustments, Jan. 1	-242
Value adjustments during the financial year	-1,071
Value adjustments, Dec. 31	-1,312
Book value, Dec. 31	36,932

EUR 1,000	2003 Original acquisition cost	2003 Current value	2002 Original acquisition cost	2002 Current value
-----------	--------------------------------------	--------------------------	--------------------------------------	--------------------------

8. Investments covering unit-linked insurances, Dec. 31, 2003

Shares	104,078	103,002	86,589	72,816
Cash at bank and in hand	209	209	269	269
Total	104,287	103,211	86,858	73,086

Investments pertaining to unit-linked insurances, corresponding to technical provisions

104,287

103,211

86,858

73,086

Cash at bank and in hand, and other debtors include net insurance premiums that have not yet been invested

1,649

704

EUR 1,000	Holding %	Book value Dec. 31, 2003	Current value Dec. 31, 2003
9. Shares in other companies and other investments			
Domestic shares			
Amer Group Plc, Series A	0.070	549	586
Finnair Group	0.231	752	1,038
Kesko Corporation, Series B	0.130	846	1,069
Raisio Group Plc, Series V	0.555	753	893
YIT Corporation	0.170	800	1,399
Other companies		1,486	1,643
		5,186	6,627
Foreign shares			
Netherlands			
Fortis	0.003	576	589
Reed Elsevier NV	0.008	596	596
		1,172	1,185
UK			
Kelda Group Plc	0.031	759	799
Lloyds TSB Group Plc	0.002	782	782
United Utilities plc	0.017	670	670
Vodafone Group Plc	0.001	605	690
AstraZeneca Group Plc	0.001	602	629
		3,417	3,569
Italy			
Telecom Italia Mobile SpA	0.002	581	581
Spain			
Banco Popular Español	0.006	600	686
Norway			
Statoil ASA	0.004	703	800
Sweden			
Elekta Ab B SHS	0.163	502	772
Föreningssparbanken AB	0.012	800	954
Getinge Industrier AB-B shs	0.059	553	851
Hennes & Mauritz AB (H&M)	0.004	584	584
Skandia Försäkrings AB	0.024	721	721
Svenska Cellulosa AB-B SHS	0.008	503	505
		3,664	4,387
Germany			
Adidas-Salomon AG	0.017	589	713
Other companies		2,665	2,791
		13,391	14,712

	Book value Dec. 31, 2003	Current value Dec. 31, 2003
Capital trusts		
Access Capital LP	2,277	2,277
SFK 99-Rahasto Ky	1,663	1,663
Auda Capital III L.P.	652	652
Duke Street Capital IV LP	855	855
Bio Fund Ventures II Ky	812	812
Finnventure Rahasto V Ky	1,881	1,881
The Triton Fund (No.2) L.P.	1,104	1,104
The First European Fund Investments UK Ltd Partnership	1,135	1,135
Nexit Infocom 2000 Fund Limited Partnership	891	891
Permira Europe II LP2	2,915	2,915
Others	354	354
	14,538	14,538
Unit trusts		
Erikoissijoitusrahasto 3C Alpha	514	573
Erikoissijoitusrahasto Alfred Berg Finland HPI B/100	1,795	2,143
Erikoissijoitusrahasto Avenir B	2,000	2,062
AXA Rosenberg Pan-European Small Cap Alpha Fund A Acc	1,475	1,478
AXA Rosenberg Pan European Equity Alpha Fund A Acc	1,475	1,490
Erikoissijoitusrahasto eQ Arvonkasvattajat A	1,000	1,299
Erikoissijoitusrahasto eQ Pikkujätiläiset	1,100	1,410
Erikoissijoitusrahasto Evli Europe Quant Index B	5,430	5,499
Sijoitusrahasto Evli Corporate Bond B	6,287	6,947
Sijoitusrahasto Evli European High Yield B	5,000	5,011
Erikoissijoitusrahasto Evli USA Quant Index B	5,000	5,000
Fairfield Investors (Euro) Ltd	2,042	2,347
JPMorgan Fleming Asia Equity A -USD	810	897
JPMorgan Fleming Europe Strategic Value Fund A	2,370	2,391
JPMorgan Fleming India A	1,729	2,516
FF European Growth Fund	3,650	3,671
FIM Russia sijoitusrahasto	975	1,520
Sijoitusrahasto ICECAPITAL Euro Investment Grade B	5,000	5,256
Sijoitusrahasto ICECAPITAL Global Utilities & Energy B	1,100	1,142
Opstock Euro Index A shares	6,316	6,316
Seligson & Co Euro-area 50 A index fund	6,047	6,307
Seligson & Co Euro Corporate Bond index fund A	7,531	8,706
Seligson & Co Rahamarkkinarahasto A/10	9,923	10,065
SPY Standard & Poors Depository 500 Index Series 1	3,822	3,822
Others	1,185	1,571
	83,576	89,439

	Intangible rights and other long-term expenses	Equipment	Total
10. Changes in intangible and tangible assets			
Acquisition cost Jan. 1, 2003	906	522	1,428
Increase	146	65	211
Decrease	-	-57	-57
Acquisition cost Dec. 31, 2003	1,052	530	1,582
Accumulated depreciation Jan. 1, 2003	-362	-209	-571
Accumulated depreciation related to decreases and transfers	-	48	48
Depreciation for the financial year	-193	-99	-292
Accumulated depreciation Dec. 31, 2003	-555	-260	-815
Book value Dec. 31, 2003	498	270	768

1 000 €	2003	2002
11. Capital and reserves		
Restricted		
Subscribed capital Jan. 1 / Dec. 31	27,751	
Premium fund Jan. 1, 2003	13,876	
Transfer from loss brought forward	-3,152	
Premium fund Dec. 31, 2003	10,723	
Restricted in total	38,474	
Non-restricted		
At the disposal of the Board Jan. 1 / Dec. 31	8	
Loss brought forward Jan. 1, 2003	-3,948	
Profit for the financial year 2002	795	
Transfer to premium fund	3,152	
Loss/profit brought forward Dec. 31, 2003	-	
Profit for the financial year	4,570	
Non-restricted in total	4,579	
Capital and reserves in total	43,053	
Distributable profit Dec. 31, 2003		
Profit for the financial year	4,570	
At the disposal of the Board	8	
Distributable profit in total	4,579	
12. Creditors		
Other creditors		
Affiliated undertakings	664	
Other commitments		
Commitment to invest in equity funds	7,051	
13. Premium reserve		
Deferred acquisition costs have been deducted from the premium reserve (zilmerisation)		
Life insurance	503	348
Pension insurance	1,073	965
	1,576	1,314
14. Technical provisions for unit-linked insurances		
Provision for unearned premiums	104,011	73,539

EUR 1,000	2003	2002
15. Other liabilities		
As regards group registering for VAT taxation, the company is responsible for the value added tax payable by the group jointly with the other members of the value-added tax liability group of Varma Mutual Pension Insurance Company		
Affiliated undertakings	55	45
Other undertakings	4,074	7,267
16. Key figures pertaining to solvency		
Solvency margin		
Capital and reserves after proposed profit distribution	43,053	38,483
Optional reserves and accumulated depreciation difference	25	24
Valuation difference between current value and Balance Sheet book value of assets	11,980	7,242
Intangible assets not entered as expenses	-498	-544
Solvency margin in total	54,560	45,205
Equalisation provision for years with large numbers of losses included in technical provisions	2,505	2,115
Solvency capital	57,065	47,320
Solvency margin required under the Finnish Insurance Companies Act, Chapter 11, Section 2	17,295	15,417
Solvency capital to technical provisions less equalisation provision and 75% of provisions relating to unit-linked insurances	14%	13%

Key Figures

Group: Analysis of results EUR 1,000	2003	2002	2001	2000	1999
Premiums written	60,042	48,537	71,346	80,211	42,154
Investment income (net), revaluations and revaluation adjustments on investments	30,332	1,588	-5,443	24,174	8,380
Claims paid	-15,308	-14,455	-8,633	-9,656	-9,000
Change in technical provisions before bonuses and rebates and change in equalisation provision	-64,094	-29,239	-65,943	-74,127	-37,019
Net operating expenses	-5,611	-4,888	-4,933	-4,891	-3,100
Balance on technical account before bonuses and rebates and change in equalisation provision	5,360	1,544	-13,605	15,711	1,416
Other income (net)	-88	-15	-69	1,794	215
Operating profit/loss	5,272	1,530	-13,674	17,505	1,632
Change in equalisation provision	-299	-299	-153	-213	-149
Bonuses and rebates	-801	-736	-396	-1,907	-319
Profit before appropriations and tax	4,172	494	-14,224	15,385	1,163
Taxes	-70	1	-85	-4 648	-277
Profit/loss for the financial year	4,102	495	-14,309	10,737	886

Key Figures, EUR 1,000

Group's turnover	102,320	79,902	116,169	143,586	68,358
Gross premiums written	60,265	48,630	71,518	80,479	42,308
Expense ratio, %	141	142	161	179	129
Solvency margin	54,560	45,205	44,573	67,961	62,463
Minimum solvency margin	17,295	15,417	13,931	11,903	10,121
Solvency capital	57,065	47,320	46,388	69,623	63,912
Solvency ratio, %	14.3	13.2	14.1	24.8	27

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

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

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

Premiums written

premiums written before reinsurers' share

Expense ratio (%)

(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 ratio (%)

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

Board's Dividend Proposal

The distributable capital and reserves of the Fennia Life Group stood at EUR 3,880,328.77 and that of the Parent Company EUR 4,578,669.34.

The Parent Company's profit for the financial year was EUR 4,570,259.94. The Board of Directors proposes that no dividend be paid and that the profit for the financial year be transferred to the profit or loss account.

Helsinki, March 1st, 2004

Eero Lehti

Hannu Ketola

Ernst Gylfe

Antti Kuljukka
Managing Director

Antti Vaahto

Lasse Heiniö

Auditors' Report

To the Shareholders of Fennia Life Insurance Company Ltd

We have audited the accounting records, the financial statements and the administration of Fennia Life Insurance Company Ltd for the financial period 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 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 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 23th, 2004

Marja Tikka

Authorised Public Accountant

Kalervo Virtanen

Authorised Public Accountant



Fennia Life Insurance Company Ltd

Asemamiehenkatu 3

00520 HELSINKI

Postal address: 00017 FENNIA

Tel: +358 10 5031

Fax: +358 10 503 7900

www.fennia.fi