Annual Report and
Financial Statements 2007

Good result for Fennia Life

The life insurance market in Finland is changing. Life insurance savings policies' sales and premiums written, thanks to which the volume in the sector had reached approximately EUR 3 billion, fell considerably in 2007.

There are many reasons for this, not least of which is a change in client needs: Private households can choose from among a number of savings and investment tools – tools which have become ever more appealing due to long-lasting economic growth. Additionally, a life insurance company's opportunity to profitably offer competitive alternatives to other investment products is limited by the company's high solvency requirements. Despite the strong growth in premiums written in pension insurance, the volume of premiums written in the sector fell by more than 9 per cent.

Fennia Life has experienced a similar change, but one caused largely by the fact that high single premiums for pension insurance were lower in 2007 than in previous years. On the other hand, the share of insurance policies with annual premiums of Fennia Life's total premiums written increased dramatically, thereby maintaining the company's market position. Fennia Life has particularly focused on building complete personal insurance policies for entrepreneurs and companies through the various opportunities offered by life and pension insurance savings and risk insurance.

Fennia Life's result for 2007 was excellent. The greatest threat to the good result was the uncertainty surrounding the investment markets that began in the autumn. The uncertainty has continued to gain strength this year, too. The importance of a good result and of the transfers to the provision for future bonuses that have been carried out is highlighted, as 2008 promises to be a challenging year – particularly in terms of investment activities.

Fennia Life's personnel handled the challenges of 2007 very well, showing a sense of responsibility and being flexible when the situation called for it. I extend my humble thanks to all of our co-operation partners who have contributed to Fennia Life's progress. It has been a pleasure building up new enthusiasm for our life insurance business together with the Fennia Group.

This year marks Fennia's ten-year anniversary. That is still quite young for a life insurance company, since most contracts last for decades. Thank you to our clients for your lasting confidence in us!

Seppo Rinta
Managing Director

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Fennia Life's result for the year 2007 was good, and the company's solvency capital remained strong. On the basis of preliminary information, the company's market share, based on the premiums written, remains the same.

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 63.2 million (EUR 70.0 million). According to preliminary information, premiums written in the entire life insurance sector fell by almost 9 per cent. Of the company's total premium income, life insurance accounted for EUR 27.9 million (EUR 36.8 million) and pension insurance for EUR 35.2 million (EUR 33.2 million). Premium income on unit-linked insurance products was EUR 28.9 million (EUR 21.5 million), accounting for 46 per cent (31%) of total premium income. Premium income on regular premium contracts grew to EUR 51.2 million (EUR 46.3 million), accounting for 81 per cent (66%) of total premium income.

Claims paid decreased to EUR 55.2 million (EUR 74.0 million), with surrenders accounting for EUR 24.8 million (EUR 42.0 million). The repayment of benefits amounted to EUR 4.2 million (EUR 10.7 million). The surplus for the risk business developed positively.

Operating expenses were EUR 7.1 million (EUR 7.0 million). The expense ratio improved, and was 90.6 per cent (103.3%).

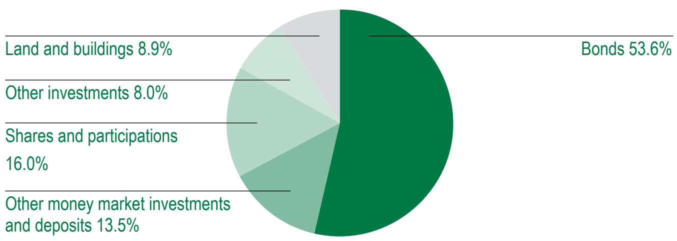
In addition to sales of new insurance policies, the company's technical provisions increased by EUR 58.7 million as a result of Fennia Life receiving the Henki-Skandia Insurance Company's entire insurance portfolio on 1 June 2007. The portfolio transfer increased the premiums written on individual pension insurance, in particular, and Fennia Life's profitability. The additional premium paid in conjunction with the portfolio transfer kept Fennia Life's solvency at a good level. The pension insurance surrenders of the policyholders who were affected by the portfolio transfer amounted to only EUR 2.2 million.

The total return on with-profit insurance savings varied between 3.6 and 4.5 per cent in 2007, depending on the line of insurance and quarter of the year. Client bonuses granted totalled EUR 2.9 million, of which EUR 1.7 million were funded from provisions for bonuses reserved earlier. A sum of EUR 5.0 million was reserved in technical provisions for future bonuses. A total of EUR 6.2 million (EUR 6.5 million) in client bonuses was recorded with an impact on the result. In addition, technical provisions were increased by EUR 10.0 million.

Investments

The net investment income at current value amounted to EUR 26.9 million (EUR 25.2 million). Net investment income on invested capital was 4.6 per cent (4.9%). At year-end, Fennia Life's investment assets at current values (incl. accrued interests) stood at EUR 632 million (EUR 550 million). Bonds and long-term fund investments accounted for 54 per cent of the investment portfolio, and money market investments and deposits for 13 per cent. Shares, equity fund investments and capital trusts accounted for 16 per cent, real estate investments for 9 per cent and other investments for 8 per cent of the portfolio.

Investment portfolio at current values Dec. 31, 2007



In addition, the company had EUR 226 million (EUR 207 million) in assets covering unit-linked insurances, with net investment income amounting to EUR 8.3 million (EUR 30.2 million).

Result and solvency

The Parent Company's operating profit was EUR 26.1 million (EUR 14.1 million). The Group's operating profit was EUR 25.6 million (EUR 14.4 million).

The Parent Company's solvency margin grew to EUR 91.3 million (EUR 89.2 million). The solvency margin was more than three times its minimum amount. The Parent Company's solvency capital was EUR 95.3 million (EUR 92.7 million). The solvency ratio was 16.1 per cent (18.2%).

Administration and staff

During the year under review, the members of Fennia Life's Board of Directors were: Eero Lehti, President (Chairman); Ernst Gylfe, Chairman of the Board (Vice Chairman); Pekka Sairanen, Managing Director; Antti Vaahto, Managing Director; Lasse Heiniö, Managing Director and Antti Kuljukka, Managing Director. The deputy members of the Board of Directors were Elmar Paananen, Managing Director and Eeva Grannenfelt, Director. Seppo Rinta has acted as Managing Director.

The Board of Directors held a total of eleven meetings during the year under review. The attendance rate of the full members was 68 per cent and that of the deputy members 86 per cent.

The Company employed an average of 27 people (26) in 2007.

Group structure

At year-end, the Fennia Life Group included the following eleven real estate companies wholly-owned by the company: Kiinteistö Oy Espoon Niittyrinne 1, Kiinteistö Oy Kaakkurin Liikekeskus, Kiinteistö Oy Kalevankatu 9, Kiinteistö Oy Teohypo, Kiinteistö Oy Sellukatu 5, Kiinteistö Oy Vaajakosken Varaslahdentie 6; acquired during the financial year were Kiinteistö Oy Pirkkalan Tuottotie 2, Kiinteistö Oy Nevametsä located in Hollola, Kiinteistö Oy Vasaraperän Liikekeskus located in Oulu, Kiinteistö Oy Koivuhaanportti 1–5 located in Vantaa, and Kiinteistö Oy Tuusulan Pakkasraitti 2 A. The following real estate companies were sold during the year: Kiinteistö Oy Helsingin Navigatortalo, Kiinteistö Oy Malminkaari 9, Kiinteistö Oy Tevi and Kiinteistö Oy Vaajakosken Haapaniementie 1.

Risk management

Fennia Life'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 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 current financial year is challenging in many ways.

The exceptionally productive period that has lasted for several years in the investment market ended after the first half of the last financial year. Economic growth is expected to slow down, and the significant risks for the outlook for the future relate to the development of interest rates and equity prices. 2008 will be a very challenging investment year.

The weakening of the economy could lead to a drop in the level of corporate insurance. On the other hand, the strong basic demand could remain unchanged, if there is no downturn in Finnish employment. As part of the Fennia Group's personal insurance business, the development of Fennia Life's premiums written and sales to new customers could, therefore, continue favourably.

The changing Finnish Insurance Companies Act places new demands on and provides opportunities for life insurance companies, as solvency monitoring models and the preconditions placed on insurance change.

Profit and Loss Account

EUR thousand	Group 2007	Group 2006	Parent Company 2007	Parent Company 2006	Notes
Technical Account					
Premiums written					
Premiums written	63,157	70,000	63,157	70,000	1
Reinsurers' share	-457	-251	-457	-251	
	62,700	69,750	62,700	69,750	
Investment income	56,055	47,776	55,887	47,083	3, 4
Revaluations on investments	9,298	21,305	9,298	21,305	3, 4
Other technical income	8,000	-	8,000	-	
Claims incurred					
Claims paid	-55,181	-74,041	-55,181	-74,041	2
Total change in the provision for outstanding claims	-16,421	-15,008	-16,421	-15,008	
Portfolio transfer	542	-	542	-	
	-15,879	-15,008	-15,879	-15,008	
Claims incurred in total	-71,060	-89,049	-71,060	-89,049	
Change in the provision for unearned premiums					
Total change in the provision for unearned premiums	-81,651	-22,843	-81,651	-22,843	
Portfolio transfer	58,198	-	58,198	-	
	-23,453	-22,843	-23,453	-22,843	
Net operating expenses	-7,055	-6,984	-7,055	-6,984	5
Investment charges	-19,796	-12,261	-19,085	-11,857	3, 4
Revaluation adjustments on investments	-5,956	-346	-5,956	-346	3, 4
Balance on technical account	8,733	7,347	9,277	7,059	
Non-Technical Account					
Other charges					
Other	-9	-20	-9	-46	
Tax on profit on ordinary activities					
Tax for the financial year	-2,333	-1,682	-2,292	-1,682	
Tax from previous periods	271	334	231	334	
Deferred tax		-5			
	-2,062	-1,353	-2,061	-1,348	
Profit on ordinary activities			7,207	5,665	
Appropriations					
Change in depreciation difference			19	-17	
Profit for the financial year	6,662	5,974	7,226	5,647	

Balance Sheet

EUR thousand	Group 2007	Group 2006	Parent Company 2007	Parent Company 2006	Notes
ASSETS					
Intangible assets					
Other long-term expenses	1,167	941	1,167	941	10
Investments					
Investments in land and buildings					6
Land and buildings	62,293	49,333	47,737	41,728	7
Loan receivables	90	-	90	-	
Other investments					
Equities and holdings	201,608	167,693	201,608	167,421	9
Debt securities	347,564	304,766	347,564	304,466	
Deposits with credit institutions	9,780	6,930	9,780	6,930	
	558,952	479,388	558,952	478,817	
Investments in total	621,335	528,721	606,778	520,545	
Investments covering unit-linked insurances	225,588	207,093	225,588	207,093	8
Debtors					
Arising out of direct insurance operations					
Policyholders	352	322	352	322	
Other debtors	17,523	3,161	17,576	3,363	
	17,875	3,484	17,928	3,686	
Other assets					
Tangible assets					
Equipment	210	292	210	292	10
Other tangible assets	12	12	12	12	
	222	304	222	304	
Cash at bank and in hand	4,183	2,225	4,119	2,218	
	4,405	2,529	4,340	2,522	
Prepayments and accrued income					
Interest and rents	5,687	4,794	5,687	4,794	
Other	1,546	990	1,546	986	
	7,233	5,784	7,233	5,780	
Total assetts	877,603	748,551	863,035	740,566	

EUR thousand	Group 2007	Group 2006	Parent Company 2007	Parent Company 2006	Notes
LIABILITIES					
Capital and reserves					11
Subscribed capital	27,751	27,751	27,751	27,751	
Premium fund	10,723	10,723	10,723	10,723	
At the disposal of the Board	8	8	8	8	
Profit brought forward	27,488	21,514	27,271	21,624	
Profit for the financial year	6,662	5,974	7,226	5,647	
	73,633	65,971	72,980	65,754	
Appropriations					
Accumulated depreciation difference			38	57	
Technical provisions					
Provision for unearned premiums	430,625	368,314	430,625	368,314	
Claims outstanding	110,039	93,618	110,039	93,618	
	540,664	461,932	540,664	461,932	
Technical provisions for unit-linked insurances					
Technical provisions	226,976	207,636	226,976	207,636	14
Creditors					
Arising out of reinsurance operations	214	246	214	246	
Deferred tax	15	15			
Other creditors	36,060	10,180	21,124	2,370	12
	36,289	10,441	21,338	2,616	
Accruals and deferred income	1,041	2,571	1,039	2,571	
Total liabilities	877,603	748,551	863,035	740,566	

Parent Company Cash Flow Statement

EUR thousand	2007	2006
Cash flow from business operations		
Profit on ordinary activities	7,207	5,665
Adjustments:		
Change in technical provisions	98,072	37,851
Value adjustments and revaluations on investments	3,121	-19,082
Depreciation according to plan	346	324
Other	-16,941	-12,465
Cash flow before change in net working capital	91,805	12,293
Change in net working capital		
Decrease/increase in non-interest-earning receivables	-1,199	224
Increase in non-interest-earning payables	36,435	1,183
Cash flow from business operations before financial items and taxes	127,041	13,700
Interest paid on other financial expenses from operations	-10	-10
Taxes	-4,026	-181
Cash flow from business operations	123,005	13,509
Cash flow from capital expenditures		
Capital expenditure on investments (excl. funds)	-139,626	-25,200
Capital gain from investments (excl. funds)	19,012	13,823
Investments and income from the sale of tangible and intangible assets and other assets (net)	-490	-631
Cash flow from capital expenditures	-121,104	-12,008
Change in funds	1,901	1,501
Funds on 1 Jan.	2,218	717
Funds on 31 Dec.	4,119	2,218
	1,901	1,501

Accounting Principles

The financial statements have been compiled in accordance with the Finnish Accounting Act, Companies Act and Insurance Companies Act and with the 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.

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. At the date of closing the accounts there are no derivative contracts in force.

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

Book value of assets other 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	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.

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.

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 euros 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 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 Group companies in accordance with the principle of prudence, and the Group companies have no corresponding deferred tax liabilities.

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%.

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 Supervision 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% for contracts that have commenced before 1 January 1999 and 3.5% for contracts that have commenced after this, and 2.5% for contracts that have commenced after 1 March 2003. For some of the redemption contracts, the interest rate applied is 2%.
- In insurance for unregistered supplementary group pension, the interest rate is 3.5%. 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, resulting in a return requirement for these contracts of approximately 3.6%.

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 policyholders 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 aims at giving a total return (before deduction of operating expenses) on policyholders' with-profit insurance savings which is at least 0.25–1.0% higher than a riskless interest rate with corresponding maturity. The total return consists of the technical 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.

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 eleven (10 in 2006) 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.

Notes to the accounts, parent company

EUR thousand	2007	2006
1. Premiums written		
Direct insurance		
Finland	63,122	69,974
Reinsurance	35	27
Gross premiums written before reinsurers' share	63,157	70,000
Items deducted from premiums written		
Credit loss on outstanding premiums	10	12
Direct insurance premiums written		
Life Insurance		
Unit-linked individual life insurance	9,697	10,100
Other individual life insurance	7,664	13,844
Other capital redemption policy	1,100	4,300
Employees' group life insurance	5,716	5,111
Other group life insurance	3,752	3,455
	27,929	36,810
Pension insurance		
Unit-linked individual pension insurance	9,564	5,221
Other individual pension insurance	9,145	10,909
Unit-linked group pension insurance	9,613	6,166
Other group pension insurance	6,870	10,868
	35,193	33,164
	63,122	69,974
Regular premiums	51,211	46,333
Single premiums	11,911	23,640
	63,122	69,974
Premiums from with-profit policies	34,248	48,487
Premiums from unit-linked insurance	28,874	21,486
	63,122	69,974
2. Claims paid		
Direct insurance		
Life Insurance	31,745	57,504
Pension insurance	23,413	16,531
	55,157	74,034
Reinsurance	23	6
Claims paid in total	55,181	74,041
Of which:		
Surrenders	24,762	42,009
Repayment of benefits	4,172	10,660
Other	26,223	21,366
	55,157	74,034
Share of unit-linked insurances of claims paid	10,156	36,971
Life insurance: bonuses and rebates		
Impact of bonuses and rebates attached to life insurance policies on the balance on technical account	16,214	6,523

EUR thousand	2007	2006
3. Net investment income		
Investment income		
Income from investments in land and buildings		
Other income	3,774	4,346
Income from other investments		
Dividend income	8,029	9,762
Interest income	13,955	10,529
Other income	2,655	2,306
	24,639	22,598
Total	28,413	26,943
Value readjustments	1,043	826
Gains on realisation of investments	26,431	19,314
Total	55,887	47,083
Investment charges		
Charges arising from investments in land and buildings		
To affiliated undertakings	-1,660	-1,643
To other undertakings	-366	-146
	-2,025	-1,789
Charges arising from other investments	-2,124	-1,864
Interest and other expenses on liabilities	-10	-10
Total	-4,159	-3,663
Value adjustments and depreciations		
Value adjustments on investments	-7,506	-2,703
Losses on realisation of investments	-7,419	-5,491
Total	-19,085	-11,857
Net investment income before revaluations and revaluation adjustments	36,803	35,226
Revaluations on investments	9,298	21,305
Revaluation adjustments on investments	-5,956	-346
	3,342	20,959
Net investment income on the Profit and Loss Account	40,145	56,185

EUR thousand	2007	2006
4. Share of unit-linked insurance of net investment income on the Profit and Loss Account		
Investment income	8,071	11,511
Investment charges	-1,690	-2,514
Net investment income before revaluations and revaluation adjustments and value adjustments and readjustments	6,380	8,997
Revaluations on investments	9,298	21,305
Revaluation adjustments on investments	-5,956	-346
Value adjustments on investments	-1,717	-514
Value readjustments	254	805
Net investment income on the Profit and Loss Account	8,260	30,247
5. Operating expenses		
Operating expenses in Profit and Loss Account		
Policy acquisition costs		
Direct insurance commissions	1,231	1,777
Other policy acquisition costs	1,573	1,531
	2,804	3,308
Policy management expenses	2,884	1,874
Administrative expenses	1,497	1,812
Commissions on reinsurance ceded	-129	-9
Total	7,055	6,984
Total operating expenses by activity		
Claims paid	170	150
Net operating expenses	7,055	6,984
Investment charges	869	546
Total	8,094	7,680
Depreciation according to plan by activity		
Claims paid	11	10
Net operating expenses	300	284
Investment charges	36	29
Total	346	324
Staff expenses, personnel and executives		
Staff expenses		
Salaries and commissions	1,742	1,226
Pension expenses	298	223
Other social expenses	144	110
Total	2,184	1,560
Executives' salaries and commissions		
Board of Directors, Managing Director and substitute for the Managing Director	237	225
No loans have been granted to the Manageing 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	21	20
Sales personnel	6	6
	27	26

EUR thousand	Investments, 31 Dec. 2007 Remaining acquisition cost	Book value	Current value	Investments 31 Dec. 2006 Remaining acquisition cost	Book value	Current value
6. Current value and valuation difference on investments						
Investments in land and buildings						
Real estate shares in affiliated undertakings	46,158	46,158	47,424	41,448	41,448	42,139
Other real estate shares	1,579	1,579	1,579	280	280	280
Loan receivables	90	90	90	-	-	-
Other investments						
Equities and holdings	201,608	201,608	221,258	167,421	167,421	192,987
Debt securities	347,564	347,564	346,067	304,466	304,466	302,583
Deposits with credit institutions	9,780	9,780	9,780	6,930	6,930	6,930
	606,778	606,778	626,197	520,545	520,545	544,919
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 (-)	-37			-5,329		
Valuation difference (difference between current value and book value)			19 419			24 374

EUR thousand	Land and buildings and real estate shares
7. Changes in investments in land and buildings	
Acquisition cost, 1 Jan.	46,353
Increase	25,276
Decrease	-22,551
Acquisition cost, 31 Dec.	49,079
Value adjustments, 1 Jan.	-4,625
Accumulated decreases	3,284
Value adjustments, 31 Dec.	-1,342
Book value, 31 Dec.	47,737
Debtors	
Other debtors	
Affiliated undertakings	953

EUR thousand	2007 Original acquisition cost	2007 Current value	2006 Original acquisition cost	2006 Current value
8. Investments covering unit-linked insurances, 31 Dec. 2007				
Equities and holdings	187,569	219,234	161,048	202,382
Debt securities	1,633	1,667	467	523
Cash at bank and in hand	4,687	4,687	4,188	4,188
Total	193,890	225,588	165,703	207,093
Investments pertaining to unit-linked insurances corresponding to technical provisions	193,890	225,588	165,703	207,093
Cash at bank and in hand, and other debtors include net insurance premiums that have not yet been invested		2,785		1,916

EUR thousand	Holding %	Book value 31 Dec. 2007	Current value 31 Dec. 2007
9. Shares in other companies and other investments			
Domestic shares			
Fortum Corporation	0.005	640	1,263
Kemira Oyj	0.028	504	504
Metso Oyj	0.012	632	634
Neste Oil Oyj	0.017	1,044	1,060
Nokia Oyj	0.002	976	1,739
Muut		12,182	13,512
		15,977	18,712
Foreign shares			
TeliaSonera AB		701	920
Others		509	693
		1,210	1,613

EUR thousand	Book value 31 Dec. 2007	Current value 31 Dec. 2007
Unit trusts		
Aberdeen Indirect Property Partners	1,064	1,064
Aktia Inflation Bond+ D	1,000	1,026
Alken European Opportunity R	5,958	5,958
Auda Global Feeder Class B	4,004	4,717
Avenir B	2,000	2,935
AXA Rosenberg US Equity Alpha B - EUR	1,458	1,458
Blue White Alternative Beta A	3,000	3,085
Brevan Howard Fund Class B	1,200	1,466
Carlson Equity Asian Small Cap	827	958
Cognis I Fund Class B Series 1	1,000	1,073
CQS Capital Structure Arbitrage Feeder Fund A	938	938
EPI Baltic I Oy	523	523
eQ Arvonkasvattajat 2 K	1,000	2,394
eQ Clean Energy 1 K	1,000	1,047
eQ Eurooppa Monityyli 2 K	1,007	1,290
eQ Pikkujättiläiset 2 K	1,100	2,846
eQ Suomiliiga 1 K	881	881

EUR thousand	Book value 31 Dec. 2007	Current value 31 Dec. 2007
Evli Corporate Bond A	12,371	12,537
Evli Emerging Markets Debt B	16,027	16,538
Evli Europe Quant Index A	4,810	6,521
Evli European High Yield A	20,123	20,191
Evli European Investment Grade A	2,985	2,985
Evli Global Infrastructure A	2,680	2,680
Evli Greater Russia A	1,243	2,449
Evli Japan Quant Index A	1,787	1,787
Evli Nordic Dividend B	803	906
Evli Ruble Debt A	6,203	6,490
Evli Sustainable Climate A	1,300	1,351
Evli Tavoitekorko B	9,402	9,820
Evli Tavoiteobligaatio B	2,000	2,078
Evli USA Quant Index A	8,550	8,550
Fairfield Investors (Euro) Ltd	2,136	2,819
Fourton Odysseus	1,020	1,635
GLG EuropeanLong-Short Fund I	800	961
Goldman Sachs Glogal High Yield - Euro Hedge Class	2,965	2,965
ICECAPITAL Euro Floating Rate B	2,000	2,090
ICECAPITAL Global Utilities & Energy B	1,100	2,550
Invesco Asia Infrastruct - A - USD	2,501	2,560
Invesco Pan European Structured Eq-A	4,183	4,183
JF India Equity A - USD	1,595	1,650
JP Morgan US Select Equity A USD Acc	2,371	2,371
Kauppakeskuskiinteistöt FEA Ky	4,717	4,717
MLIIF World Mining Fund A - EUR	2,209	2,209
Nordea Korkosalkku Kasvu	1,000	1,011
O'Connor Market Neutral Long/Short M1	1,200	1,462
Peloton Multi-Strategy Fund Euro Class	801	1,030
Resolution Argonaut European Alpha A	4,511	4,819
SAM Smart Energy Fund B - €	1,553	1,660
SAM Sustainable Enhanced Europe C	3,768	3,768
SEB Alt. Inv.- SEB Institutional Portfolio Class I	1,969	1,969
SEB Alt. Inv.- SEB Institutional Portfolio Class P	1,000	1,034
SEB Hedge Fund of Funds Moderate (€) Sarja I	4,519	5,845
Seligson & Co Rahamarkkinarahasto A	1,265	1,401
Sponda Kiinteistörahasto I Ky	934	934
State Street Active Asie	1,384	1,676
State Street Japan Equity	2,942	2,942
Tisbury Europe Fund	1,022	1,022
UBS Neutral Alpha Strategies (Euro) Ltd - Class B Series 1	3,000	3,395
	176,711	193,223
Capital trusts		
Access Capital LP	612	612
Auda Capital III LP	555	555
Duke Street Capital IV LP	850	850
The Triton Fund II L.P.	880	880
The First European Fund Investments UK Ltd Partnership	1,050	1,050
Nexit Infocom 2000 Fund Limited Partnership	1,061	1,061
Permira Europe II LP2	952	952
Others	1,750	1,750
	7,710	7,710

EUR thousand	Intangible rights and other long-term expenses	Advance payments	Equipment	Total
10. Aineettomien ja aineellisten hyödykkeiden muutokset				
Acquisition cost, 1 Jan. 2007	1,600	-	435	2,035
Fully depreciated in the previous financial year	-165	-	-23	-188
Increase	205	289	58	552
Decrease	-	-	-74	-74
Acquisition cost, 31 Dec. 2007	1,639	289	396	2,324
Accumulated depreciation 1 Jan. 2007	-659	-	-143	-802
Fully depreciated in the previous financial year	165	-	23	188
Accumulated depreciation related to decreases and transfers	-	-	12	12
Depreciation for the financial year	-267	-	-79	-346
Accumulated depreciation, 31 Dec. 2007	-761	-	-187	-948
Book value, 31 Dec. 2007	878	289	210	1,377

EUR thousand	2007	2006
11. Capital and reserves		
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. 2007	21,624	
Profit for the financial year 2006	5,647	
Profit brought forward, 31 Dec. 2007	27,271	
Profit for the financial year	7,226	
Non-restricted in total	34,505	
Capital and reserves in total	72,980	
Distributable profit, 31 Dec. 2007		
Profit for the financial year	7,226	
Profit brought forward	27,271	
At the disposal of the Board	8	
Distributable profit in total	34,505	
12. Creditors		
Other creditors		
Affiliated undertakings	1,732	504

EUR thousand	2007	2006
13. Provision for unearned premiums		
Deferred acquisition costs have been deducted		
from the premium reserve (zillmerisation)		
Life Insurance	136	334
Pension insurance	657	663
	794	997
14. Technical provisions for unit-linked insurances		
Provision for unearned premium	226,976	207,636
15. Other liabilities		
As regards VAT group registering, 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	9	91
Other undertakings	-562	615
16. Investment commitments		
Commitment to invest in equity funds	26,933	28,611
17. Key figures pertaining to solvency		
Solvency margin		
Capital and reserves after proposed profit distribution	72,980	65,754
Optional reserves and accumulated depreciation difference	38	57
Valuation difference between current value and		
Balance Sheet book value of assets	19,419	24,374
Intangible assets not entered as expenses	-1,167	-941
Solvency margin in total	91,270	89,244
Equalisation provision for years with large numbers of losses		
included in technical provisions	4,033	3,415
Solvency capital	95,302	92,659
Solvency margin required under the Finnish Insurance Companies Act, Chapter 11, Section 4	29,665	25,969
Solvency capital to technical provisions less equalisation provision and		
75% of provisions relating to unit-linked insurances	16.1%	18.2%

Key Figures

Analysis of Results, EUR thousand	2007	2006	2005	2004	2003
Premiums written	62,699	69,750	63,369	68,400	60,042
Investment income (net), revaluations and revaluation adjustments on investments	39,601	56,474	65,225	37,115	30,332
Claims paid	-55,181	-74,041	-32,809	-18,535	-15,308
Change in technical provisions before bonuses and rebates and change in equalisation provision	-22,500	-30,759	-72,837	-71,372	-64,003
Net operating expenses	-7,055	-6,984	-6,121	-5,220	-5,611
Other technical income	8,000	-	-	-	-
Technical underwriting result before bonuses and rebates and change in equalisation provision	25,565	14,439	16,827	10,388	5,450
Other income (net)	-9	-20	-16	-11	-88
Operating profit/loss	25,556	14,419	16,811	10,377	5,363
Change in equalisation provision	-618	-569	-272	-70	-390
Bonuses and rebates	-16,214	-6,523	-5,485	-1,095	-801
Profit before untaxed reserves and tax	8,724	7,327	11,054	9,212	4,173
Taxes	-2,063	-1,353	-2,625	-16	-70
Group's profit for the financial year	6,662	5,974	8,429	9,196	4,102
Gross premiums written (EUR thousand)	63,157	70,000	63,584	68,631	60,265
Expense ratio of expense loading	90.6%	103.3%	100.8%	114.3%	140.8%
Expense ratio of balance sheet total	1.0%	1.0%	1.0%		
Solvency margin (EUR thousand)	91,270	89,244	84,607	65,670	54,560
Minimum solvency margin (EUR thousand)	29,665	25,969	24,497	19,179	17,295
Solvency capital (EUR thousand)	95,302	92,659	87,454	68,245	57,065
Solvency ratio	16.1%	18.2%	18.1%	15.5%	14.3%
Total result	21,145	13,370	27,433		
Return on assets	6.4%	5.5%	8.6%		

The key figures have been calculated for the Parent Company, excluding the analysis of results.

EUR thousand	2007, EUR	2007, %	2006, EUR	2006, %	2005, EUR	2005, %
Investment portfolio at current values						
Bonds [1), 2)]	338,604	53.6	305,069	55.6	295,539	56.6
* includes fixed-income funds	67,911	10.7	54,326	9.9	47,546	9.1
Other money market investments and deposits [1), 2), 3)]	85,162	13.5	66,155	12.0	77,623	14.9
* includes fixed-income funds	11,221	1.8	18,032	3.3	16,541	3.2
Shares and participations	101,135	16.0	92,534	16.8	85,763	16.4
Investments in land and buildings [4)]	56,331	8.9	43,956	8.0	39,096	7.5
* includes unit trusts and UCITS	7,239	1.1	1,537	0.3	606	0.1
Other investments	50,874	8.0	41,991	7.6	23,847	4.6
Investments in total	632,105	100.0	549,704	100.0	521,867	100.0
Modified duration of the bond portfolio	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

EUR thousand	2007	2006	2005
Net investment income			
Direct net income	22,497	20,968	15,202
Bonds	12,878	10,751	10,545
Other money market investments and deposits	2,431	1,836	1,123
Equities and holdings	5,049	6,046	2,550
Investments in land and buildings	1,938	2,451	2,238
Other investments	1,082	325	-863
Sundry income, charges and operating expenses	-880	-441	-390
Changes in value in the accounts [1]	9,388	4,970	12,050
Equities and holdings	10,408	6,066	8
Bonds	-4,893	-707	3,738
Investments in land and buildings	3,864	-389	-159
Other investments	9	-	322
Net investment income at book value	31,855	25,938	27,252
Change in valuation differences [2]	-4,955	-734	10,643
Equities and holdings	-6,451	2,981	10,066
Bonds	-1,306	-5,325	-1,177
Investments in land and buildings	574	302	152
Other investments	2,228	1,307	1,602
Net investment income at current values	26,930	25,204	37,895
Share of net investment income accounted for by derivatives	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

EUR thousand	Net investment income at current value [1], EUR 2007	Invested capital [2], EUR 2007	Yield, % on invested capital 2007	2006	2005
Net investment income on invested capital 1 Jan.–31 Dec.2007					
Bonds [3]	7,028	334,671	2.1	1.6	4.7
* of which fixed-income funds	447	56,908	0.8	6.3	11.0
Other money market investments and deposits [3]	2,886	73,921	3.9	2.9	2.1
* of which fixed-income funds	488	15,483	3.1	3.0	2.2
Equities and holdings	8,633	95,518	9.0	17.8	31.7
Real estate [4]	6,377	30,056	21.2	5.9	6.6
* of which unit trusts and UCITS	123	3,314	3.7	2.7	3.7
Other investments	2,886	46,768	6.2	5.2	4.6
Investments in total	27,811	580,934	4.8	5.0	8.1
Sundry income, charges and operating expenses	-880				
Net investment income at current value	26,930	580,934	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 the 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)

+ operating expenses before change in deferred acquisition costs
+ claims settlement 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 the 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.

The annual average number of employees is calculated on the basis of the 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 discussed 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 insurance 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%, and the average rate for all technical provisions with guaranteed return is approximately 3.4%. 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 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 -18 million
Equity investments	Change in value -20%	EUR -19 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 Disposal of Profit

The distributable capital and reserves of the Fennia Life Group stood at EUR 34,115,361.91 and that of the Parent Company at EUR 34,505,396.74.

The Parent Company’s profit for the financial year was EUR 7,226,025.34. 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, 6 March 2008

Eero Lehti	Ernst Gylfe	Lasse Heiniö
Antti Kuljukka	Pekka Sairanen	Antti Vaahto

Seppo Rinta
Managing Director

Auditors’ Report

To the Shareholders of Fennia Life Insurance Company Ltd

We have audited the accounting records, the financial statements, the Board of Directors’ Report and the administration of Fennia Life Insurance Company Ltd for the financial period 1 January–31 December 2007. The Board of Directors and the Managing Director have prepared the financial statements, which include the Board of Directors’ Report, consolidated and parent company income statements, balance sheets, cash flow statement and notes to the financial statements. Based on our audit we submit the following statement on the financial statements, the Board of Directors’ Report and the administration of the parent company.

The undersigned, Nils Blummé, has scrutinised the accounts and administration during the financial year and at 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 and the principles employed in the preparation of the Board of Directors’ Report, to an extent sufficient to give us reasonable assurance that the financial statements and the Board of Directors’ Report 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 of the parent company have legally complied with the rules of the Insurance Companies Act and the Finnish Companies Act.

In our opinion, the financial statements and the Board of Directors’ Report have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements and Board of Directors’ Report. The financial statements and the Board of Directors’ Report 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 Board of Directors’ Report is consistent with the financial statements. 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, 19 March 2008

KPMG OY AB

Nils Blummé
Authorised Public Accountant

Marja Tikka
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