Mutual Insurance Company Pension-Fennia

ANNUAL REPORT 2001

CONTENTS:

Managing director's review.............2
Pension Fennia's administration 31.12.2001..............4
The board of director's report for the year 2001............5
Income statement............14
Balance sheet............15
Accounting principles............17
Notes to the income statement............20
Notes to the balance sheet............24
Auditors' report............34
Statement by the supervisory board............35
Company analysis............35
Financial statement glossary............40
Personnel............41
Pension Fennia's advisory boards 31.12.2001...........42

Pension Fennia

MANAGING DIRECTOR'S REVIEW

The significant achievements of the year 2001 were the agreements made in December regarding sales co-operation with Local Insurance Group and OKO Bank Group. They support Pension Fennia's long-term goals to diversify its network of service outlets, as well as opening new opportunities for the company. Based on the experience from the first months, the sales co-operation has started out well, and clients have also given positive feedback.

During the time Pension Fennia has existed, the company's market share has grown annually. Now we are very close to the next ten; according to the recent estimates our market share for 2001 measured by premiums written is 9.9 per cent. We believe that the market share will continue to grow, because the service concept of Local Insurance Group has proved its vitality among small companies and entrepreneurs outside the big cities, and the co-operation with OKO Bank enhances Pension Fennia's opportunities to compete successfully even among larger-sized clients.

Pension Fennia's expectations about the co-operation focus on improved supply of services, as well as a wider variety of financing services. Especially our entrepreneur clients have already presented wishes that the co-operating companies would build a comprehensive and flexible financing service concept, allowing the entrepreneurs to focus on their core business.

Electronic services have become one of Pension Fennia's key future areas. Their development was commenced in 2001 with an extensive project spanning several years. The new partners will also open up new opportunities for electronic business.

Simplification of the earnings-related pension scheme

The significant changes made in the last decade regarding the content of pension provision within the earnings-related pension scheme and the implementation of the investment operations have offered a good guarantee that the earnings-related pension scheme can keep the pension commitments that it has made.

The most recent agreement on the development of the earnings-related pension scheme was made between the labour market organisations last autumn. The aim of the measures agreed upon is to keep people in working life for an average of three years longer than is now the case. That would have a significant effect on the future pension expenditure. For this part, I consider the agreement successful, and I believe that it will meet the goals set.

Another goal was to simplify our earnings-related pension scheme. In that respect, the result of the negotiations is seriously incomplete. It is highly desirable for the credibility of the system that the negotiating parties reach an agreement on a clear and sensible structure of pension provision as soon as possible. It is unacceptable, if even the pension provision experts are unable to say with certainty how the pension provision will be formed in the future.

Pension Fennia also supports the removal of any the factors that restrict healthy competition within the earnings-related pension scheme. The working party appointed to research the issue of competition has completed its work and selected a few factors affecting competition for further study. At this stage, I think that it is important to follow the proceedings of the further study and to try actively to influence the realisation of the central goals proposed by Pension Fennia for increasing competition within the system.

Satisfactory result in difficult investment environment

Poor stock market trends continued in 2001, which also affected Pension Fennia's total investment result. The income from bonds and the money market was, however, good considering the market situation. The real estate markets were stable.

Pension Fennia's result for the year 2001 can be considered satisfactory, considering the circumstances. In highly challenging market conditions, for instance, a positive rate of return on investments is a satisfactory achievement in my view.

The solvency of an employment pension company is measured by the solvency margin's ratio to technical provisions. Pension Fennia's solvency is at a secure level. As a long-term investor, we aim to utilise our solvency all the time as efficiently as possible. In practice, that means a premeditated increasing of risk, when permitted by the market conditions.

Pension Fennia's result for the year 2001 amounted to EUR 48.4 million at book value. This result consists of the insurance business result, EUR 19.0 million; the loading profit, EUR 3.9 million; and the investment result at book value, EUR 25.5 million.

Taking into account the changes in valuation differences in the company's assets, a total of EUR -183.6 million, the company's total result amounted to EUR -135.2 million.

The insurance portfolio and the premiums written have developed favourably. At the end of the year 2001, the total number of persons insured in Pension Fennia was 131,640. The total of TEL premiums written amounted to EUR 555.0 million, and YEL premiums written were EUR 57.8 million. Pension Fennia paid out EUR 481.6 million in pensions in 2001. At the end of the year, pension was paid to 68,300 persons.

Growth through combined expertise

Pension Fennia's goal is to grow and be solvent. For the clients, we want to be a competitive, efficiently managed and modern pension company that meets their expectations regarding services, as well as actively developing employment pension insurance and the investment of pension assets.

These goals are supported through development of co-operation with Fennia Group and our new partners. I believe that by combining our expertise, we will be able to develop new added value for our clients, in insurance services and risk management, as well as in client financing. The current financial year is clearly characterised by the start-up and development of this co-operation.

We at Pension Fennia have considered it to be of essential importance to develop our readiness to utilise new technology in the different sections of our service processes. These investments will continue, and they are necessary in order for us to be able to respond to the growing expectations of our clients.

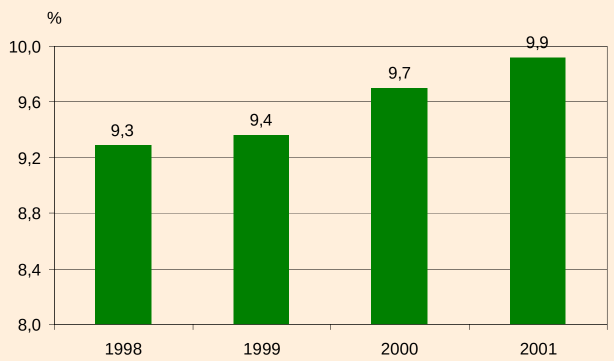
The ageing of the baby boom generation will also set increasingly higher expectations on the handling of pension provision and the services related thereto. In the future, we will have to pay more attention to ensure that both our mental and material resources are sufficient. According to studies, our statutory earnings-related pension scheme is gaining support among Finns. The support seems to increase as the population ages, and the same trend can be assumed to continue, if the system can reasonably keep the promises it has made.

Employment pension companies provide services in a relatively narrow sector, which creates special requirements and characteristics for their personnel policy and management system. Due to the nature of the business, the expectations concerning the expertise of the employees comprise different focuses, ranging from tight profit responsibility of hectic investment operations to the unhurried, personal service expected in pension matters of high importance to the client. At the same time, the insurance supervision authority and our interest groups that serve as guarantors of the earnings-related pension scheme require us to provide even higher-quality administration of pension provision and pension assets, with professional risk management.

The financing of pension provision plays a central role in keeping pension commitments. Pension Fennia aims to continue to be involved in the development work concerning the financing of pension provision and the investment of assets covering the pensions. By doing this, we want to ensure for our part that the earnings-related pension scheme continues to develop into an administratively efficient system that secures the pensions better, as well as providing even fairer financing methods from the point of view of clients and interest groups.

Development of Pension Fennia market share

TEL and YEL without credit losses and reinsurers' share



Finally, I wish to extend my gratitude for the past year to our clients and co-operation partners, and our personnel who are always enthusiastic about new challenges.

The first three years of Pension Fennia have clearly been a time of initiation. During those years, the foundation was created for the operations of the company, and Risto Kausto, the first Managing Director of Pension Fennia who left his post last summer, played a key role in that work. I should like to thank my predecessor for a job well done.

The Pension Fennia staff has solid expertise and experience in serving employment pension clients. Now is the time to utilise that expertise to further benefit our clients by developing a common expertise together with our co-operation partners.

20 March 2002

Lasse Heiniö, Managing Director

PENSION FENNIA'S ADMINISTRATION 31.12.2001

SUPERVISORY BOARD

Markku Koskenniemi
Tammerneon Oy
Tampere
Chairman

Eino Rajamäki
Seinäjoen Varaosakeskus Oy
Seinäjoki
Deputy Chairman

Heimo Aho
Managing Director
SKS-tekniikka Oy
Vantaa

Veikko Ampuja
Supervisor
Union of Technical
Employees TL
Helsinki

Kaj Ericsson
Managing Director
Harry Schauman Stiftelse
Vaasa

Henry Fagerström
Managing Director
Oy BTL East Ab
Helsinki

Ernst Gylfe
Managing Director
Helsingin Villakehräämö Oy
Helsinki

Tauno Jalonen
Managing Director
Suomen Yrittäjien Sypoint Oy
Helsinki

Pentti Jussila
Managing Director
Kuljetusliike I Lehtonen Oy
Rovaniemi

Sirpa Järvinen
Photographic laboratory worker
Union of Technical and Specialized Occupations TEKERI
Helsinki

Jorma Kielenniva
Managing Director
Novo Group plc
Helsinki

Nils Komi
Union Secretary
Union of Commercial
Employees
Helsinki

Auli Korhonen
Chairman
Textile and Garment Workers'
Union of Finland
Tampere

Mirja-Leena Kullberg
Managing Director
Grünstein Product Oy
Loviisa

Tapio Liinamaa
Managing Director
Härmän Kuntokeskus
Ylihärmä

Markku Markkula
Member of Parliament,
Chairman
The Finnish Association of
Graduate Engineers TEK
Helsinki

Pertti Nordman
Managing Director
RTK-Palvelu Oy
Rauma

Håkan Nystrand
Chairman
METO - Forestry Experts'
Association
Helsinki

Esa Ojala
Teho Filter Oy
Sievi

Björn Palm
Managing Director
Oy Backman-Trummer Ab
Vaasa

Vuokko Rehn
Chairman
the Central Association of
Women Entrepreneurs in
Finland
Mikkeli

Hannu Riihelä
Managing Director
Eiri Oy
Lahti

Heikki Rinta-Rahko
Managing Director
Kurikan Keskus-Optiikka Ky
Kurikka

Ensio Romo
Managing Director
Bestor Oy
Lahti

Lasse Savonen
Managing Director
AstraZeneca Oy
Kirkkonummi

Jukka Tikka
Managing Director
Länsi-Savo Oy
Mikkeli

Timo Vallittu
Chairman
Chemical Workers' Union
Helsinki

Kalevi Vuorisalo
Managing Director
Teknikum Oy
Vammala

THE BOARD OF DIRECTORS

Eero Lehti
Taloustutkimus Oy
Helsinki
Chairman

Jalo Paananen
Chairman of the Board
Eimo Corporation
Lahti
Deputy Chairman

Pertti Parmanne
Head of Department
The Central Organization of
Finnish Trade Unions SAK
Helsinki
Deputy Chairman

Lars-Erik Gästgivars
Oy Vallonia Ab
Mustasaari

Ilkka Joenpalo
Chairman
Union of Salaried Employees
Helsinki

Heikki Kauppi
Director
The Finnish Association of
Graduate Engineers TEK
Helsinki

Olavi Nieminen
Managing Director
Oy Finnsusp Ab
Lieto

Heikki Ropponen
Director
Emplors' Confederation of
Service Industries in Finland
Helsinki

Pekka Sairanen
Managing Director
Metsäpuu Oy
Loimaa

Lasse Heiniö
Managing Director
Mutual Insurance Company
Pension Fennia
Helsinki

DEPUTY MEMBERS

Kari Elo
Managing Director
Mutual Insurance Company
Fennia
Helsinki

Jorma Kallio
Chairman
Hotel and Restaurant
Workers' Union
Helsinki

Seppo Riski
Director
Confederation of Finnish
Industry and Employers
Helsinki

AUDITORS

Risto Järvinen
Supervisory Auditor
Authorised Public Accountant

Kristian Hallbäck
Auditor
Authorised Public Accountant

DEPUTY AUDITORS

Per-Olof Johansson
Authorised Public Accountant

Tomi Englund
Authorised Public Accountant

COMPANY MANAGEMENT

Lasse Heiniö
Managing Director
(as of 1 June 2001)

Tarkko Jousi
Deputy Managing Director,
substitute for the Managing
Director

Eero Eriksson
Director
Investments

Irmeli Heino
Director
Finance and Insurance
Technique

Risto Kausto
Managing Director
(until 31 May 2001)

Christer Klärich
Director
Personnel Administration of
Fennia Group
(until 31 May 2001)

Kaj Laaksonen
Director
Customer Relations, Major
Accounts

Helvi Leinonen
Director
Pension and Insurance
Services

Jukka Vainio
Director
Information Management,
Personnel Administration

Seppo Mattila
Medical Director
Appraisal and Rehabilitation,
Working Capacity
Maintenance

THE BOARD OF DIRECTORS' REPORT FOR THE YEAR 2001

The economic operating environment

The industrial recession grew deeper as of late 2000 nearly simultaneously all over the world. The reason behind that was the overheating of investments at the turn of the millennium, as a result of which the economic recession in the OECD countries became deeper than the one in the early 1990's. As a whole, the state of the economy was, however, better, and hence the fall was not, for instance in the United States, as steep compared with previous recessions. In late summer, the proportion of inventories to sales began to stabilise, and, for instance, in the United States there were signs of the fall slowing down. Consumer demand remained at a good level in both the US and Europe.

The rapid decrease in industrial operations was reacted on by means of monetary policy especially in the US. The Central Bank lowered the interest rates from January to August by a total of 4.0 percentage points. The European Central Bank also loosened its monetary policy in May. By the beginning of September, the European Central Bank had lowered the central bank rate by 0.5 percentage points. In Japan, the Central Bank kept the interest rates practically at zero and increased the liquidity of the money market by raising the central bank funding of the banks. Following the abatement of the economy, the market rates and oil price fell. Both of these had and still do have a stabilizing effect on economy.

Being a member of the EMU, Finland benefited from the interest rate cuts. The growth of the economy in 2001 was around one per cent as a change at annual level. Industrial production and exports in particular weakened, but consumer demand remained strong. Unemployment turned to increase towards the end of the year. Nevertheless, the economic situation was significantly better and the indebtedness of companies and households smaller than in the early 1990's.

The terrorist attack at the heart of the US business halted the emerging recovery. Increased insecurity was the direct consequence of those events. Companies swiftly cut expenses and investors re-priced the risks. Both the economic and political effects of the events abated quickly.

Monetary policy was loosened everywhere after the events. The central bank of the US, the Federal Reserve, lowered its rates by a further 1.75 percentage points during the rest of the year, and the European Central Bank by one percentage point. Furthermore, the economy of households and companies was supported in the United States by means of fiscal policy and tax reliefs. The economic operations of the US also obtained fairly notable support as the market rates fell, because the fall of the housing loan rates channelled a significant amount of money to households. As the progress of the economy abated, inflation and long-term interest rates also turned to decline.

In late November, the diminishing of risk also became more generally visible in the securities markets. Stock exchange rates had been on the rise since late September, though. At the end of the year, the key indexes showed the same figures as they had done in late summer, although measured by extensive indexes the whole year was clearly negative. Nevertheless, the companies' belief in the future began to improve, and the run-off of inventories has decelerated in early 2002.

Development of the statutory earnings-related pension scheme

An important milestone was achieved in the research on simplification of the legislation concerning earnings-related pension, as the central labour market organisations reached an agreement on 12 November 2001 regarding the reformation of the pension system and unemployment compensation and made an agreement in principle on the development of employment pensions in the private sector. The Finnish Government also stated that the abovementioned agreement in principle corresponds to its objectives. According to the agreement, the extensive employment pension reform is planned to be implemented as of the beginning of 2005. A long-term goal is to compile the regulations concerning private sector employment pensions under the same law. The changes are expected, for instance, to extend the average retirement age by two to three years and to adapt the employment pension system to the higher average lifetime.

The working party appointed by the Ministry of Social Affairs and Health to research the competitive situation within the employment pension system and its sub-groups have aimed to improve the opportunities for competition within the employment pensions system during the year 2001. In its memorandum submitted on 15 February 2002, the working party proposed further actions based on the suggestions for enhanced competition presented by researchers Markku Wallin and Lauri Koivusalo in their report. The most important proposition by the working party is facilitating the establishment of a new pension institution. It would happen by expanding the portfolio transfer proceedings in such a way that it would be possible to transfer part of the insurance portfolio from an employment pension company to a pension foundation or fund, and from a pension fund to a pension foundation. Regarding the common bases concerning all pension institutions, the working party proposed that the technical rate of interest, solvency and bonuses will be seen as a large, single entity in the further preparation. The working party also made propositions about the status of premium lending and preparation of common calculation bases. Propositions concerning exclusively employment pension companies included e.g. developing the cost equivalence of expense loading of the TEL premium, and increasing the optional transfer dates for insurances. Additionally, the working party proposed increasing information and transparency regarding the operation of employment institutions, as well as researching the co-operation between pension institutions and the externalisation of operations.

The amendments of the Insurance Companies Act concerning additional supervision of the insurance companies group became fully applicable for the year 2001. The Act on Supervision of Financing and Insurance Groups that became effective as of 1 February 2002 is also related to the supervision of insurance companies. The Act concerns groups of companies that comprise both financing and insurance companies. The Act clarifies the division of labour and authority between different authorities and aims to remove any dead zones in supervision. Employment pension companies are not included in this grouping, but some regulations on the obligation to report and the right of revision and information provision concern them.

Reaching the goals in the year 2001

Measured by premium income, Pension Fennia's market share increased from the previous year from 9.7 per cent to 9.9 per cent according to the preliminary data. The number of persons insured under Employees' Pensions Act TEL has increased by about 4.8 per cent from the end of the year 2000, and the number of persons insured under Self-Employed Persons' Pensions Act YEL has remained approximately unchanged. The goals set for transfer business were not reached. New business resulted in thousands of new employment relationships in the company. The sales organisation and the operating models have been developed during the financial year e.g. by establishing a unit for major accounts in Pension Fennia.

The employment pension markets are very much concentrated, and Pension Fennia has actively sought means to improve the competitive situation. The negotiations aimed at expanding the distribution channels led to the desired conclusion, as Pension Fennia made co-operation agreements with Local Insurance Mutual Company and OKO Bank Group Central Cooperative on 14 December 2001. In addition to Fennia's offices, the agreements opened up two new, national distribution channels. The goal is to improve the availability of services through OKO Bank Group and Local Insurance Group, as well as attracting new clients. Pension Fennia has agreed on sales co-operation with OKO Bank Group, and on sales and administration of insurances with Local Insurance Group the agreement also includes administration of insurances.

The key goal of investment operations is to use the solvency margin efficiently in all market situations. As the stock markets fell, the solvency margin weakened, thus notably limiting the increase of investment in shares. The second consecutive year of falling market prices decreased the share of equities from 24.6 per cent to 20.5 per cent. At the same time, the share of the bond portfolio has grown from 49.4 per cent to 54.2 per cent. The share of fixed-income funds rose from 2.8 per cent to 4.3 per cent, while the share of loans decreased from 7.3 per cent to 6.6 per cent. The market money portfolio was lightened by nearly half towards the end of the year and it now accounts for 2.6 per cent of investments. The share of real estate investments increased from 10.7 per cent to 11.8 per cent.

Investment income at current values calculated on invested capital stood at 0.2 per cent for the financial year due to the unfavourable development of the stock markets. The division and structure of assets are monitored and changed for more profitable investments within the limits allowed by the solvency margin.

The solvency margin at the closing of the accounts was 2.1-fold compared with the solvency limit, and thus remained within the target zone. The goal set for the solvency margin at the beginning of the year was 2.4 times the solvency limit. The absolute amount of the solvency margin, however, decreased due to the significant fall in the stock exchange rates from the previous year's EUR 713.4 million to EUR 550.2 million.

The transfer to bonus reserves fell somewhat short of its goal due to the weakened solvency. The bonus transfer was 0.25 per cent of the total payroll of the insured.

The sufficiency of expense loading and determination of premium in accordance with cost occurrence basis were discussed by the working party preparing the level of payments in the system. An increase was confirmed in the minimum payment of the expense loading. Developing the structure of the expense loading to correspond better to the expenses incurred in administration of insurances and pensions was left for the year 2002.

When the operations of Pension Fennia were commenced in the year 1998, the goal was to limit the operating expenses to a maximum of 90 per cent of the expense loading available within five years. The surplus was 13 per cent in the year 2000, and 17 per cent in 2001 of the expense loading available. It should be remembered, however, that the design and acquisition costs of new IT projects that will continue for years have been entered in the balance sheet, from which they will be transferred to operating expenses once the project has been taken into use. As at 31 December 2001, these activated expenses in the balance sheet totalled EUR 2.3 million.
Despite the tight cost budget, the operating expenses of Pension Fennia will grow in the future due to the IT and development projects that are necessary for the business. While the new agreements on distribution channels bring new clients and, consequently, more expense loading, they also mean significant investments in the operations of the whole company.

Administration and the development of the management system

During the year 2001, the sums denominated in Finnish markka in the Articles of Association were converted to euro, and at the same time, the nominal value of the guarantee share was abolished. A number of other amendments were also made in the Articles of Association; for instance, the number of the deputy members of the Board of Directors was increased by one, and the regulations concerning signing for the company were simplified.

Managing Director Risto Kausto retired as of the beginning of June, and the new Managing Director Lasse Heiniö, M.Sc., Fellow of the Actuarial Society of Finland, started on 1 June 2001. Tarkko Jousi, LL.Lic., started as the Deputy Managing Director.

The Annual General Meeting of Pension Fennia on 22 May 2001 elected Håkan Nystrand and Lasse Savonen as new members of the Supervisory Board. Risto Järvinen, Authorised Public Accountant, was elected as an auditor and the supervisory auditor; Kristian Hallbäck, Authorised Public Accountant, was elected as an auditor; Per-Olof Johansson, Authorised Public Accountant, was elected as a deputy auditor and the deputy supervisory auditor; and Tomi Englund, Authorised Public Accountant, was elected as a deputy auditor.

In its meeting on 26 April 2001, The Supervisory Board of Pension Fennia elected Lasse Heiniö as a member of the Board of Directors to replace Risto Kausto who resigned. In the meeting of the Supervisory Board on 27 November 2001, the members Lasse Heiniö and Olavi Nieminen whose term had expired were re-elected for the three-year term from 2002-2004. In the same meeting, Tarkko Jousi was elected as the new deputy member of the Board of Directors.

Following the change of the Managing Director, the management system has been reformed. Since the summer, Pension Fennia's management system has comprised the investment committee and the management group. The management group of information management is subordinate to the management group and prepares the propositions concerning information management for the management group.

The management group is a co-operative body that implements the overall control of the company in such a way that the goals set for the whole company are reached by following the jointly confirmed operating principles and strategies. The members are executives appointed by the Board of Directors, and each of them reports about the operations in their own area of responsibility to the management group, and, on the other hand, they give the assignments agreed on in the management group to their own units, as well as informing their unit about the activities of the management group. The management group prepares, among other things, matters related to the company's strategy, budget and organisation for the Board of Directors.

The investment committee prepares the proposed investment decisions, the investment plan, and the pertinent investment allocation and investment budget for the Board of Directors. The investment committee comprises of the Managing Director, the Deputy Managing Director, the investment directors and the financial director.

Development of operations

The company's operational planning, goal setting and follow-up of realisation have been enhanced by introducing an incentive reward system. The year under review was the second year that the incentive rewards were used. The incentive rewards are determined both according to the company's key results, and the realisation of the teams' and individuals' goals. The incentive reward system brings the company's strategic plans close to each Pension Fennia employee, and has thus increased the understanding on how the result of an employment pension company is determined and how it can be affected.

The electronic services are being extensively developed; from the point of view of Pension Fennia, of Fennia Group, and also as joint projects of all employment pension institutions. Pension Fennia's own development project has started out well. During the year 2001, the objectives of electronic business were defined and the first projects were initiated. At the initial stage, the company will invest a great deal in creating the technical platform for further projects. Visible results have, however, already been achieved in TEL notices; on-line reporting has been facilitated according to the clients' wishes. The goal of Fennia Group's joint project is, for instance, to improve the prerequisites for customer services in the field. The co-operation agreements made with Local Insurance Group and OKO Bank Group towards the end of the year will also create new needs for electronic services.

During the year 2001, the views of clients and personnel on the company's operations have been gathered e.g. through customer satisfaction and image surveys, and mappings of Fennia Group's brand work. The common image survey of employment pension companies was carried out for the third time. According to the survey, Pension Fennia's strengths include solid expertise and modern services. A key area of development is general recognition, the improving of which is the main goal of Fennia Group's common brand building during the year 2002.

Internal supervision and risk management

An amendment of the Insurance Companies Act became valid as of the beginning of the year 2001, according to which the Board of Directors of an insurance company must ensure that the company has sufficient internal supervision and sufficient risk management systems with respect to the quality and extent of its operations. Additionally, the Insurance Supervision Authority issued a regulation during the year on arranging risk management and internal supervision.

Pension Fennia started a development project of internal supervision and risk management involving all staff already in the previous operating year. During the project, the level of internal supervision was strengthened, and the Board of Directors of the company approved the risk management plan that specified the significant measures for the development of operations.

On 19 December 2000, the Board of Directors confirmed Pension Fennia’s insider guidelines that entered into force on 1 March 2001.

Internal supervision and risk management have been standardised as parts of Pension Fennia’s daily operations and annual operations planning process.

Insurance portfolio and premiums written

At the year-end 2001, Pension Fennia was responsible for insuring 131,640 persons’ pension provision. The number of TEL basic insurances was 14,760, and the number of insured 112,800. The number of TEL supplementary pension insurances stood at 130, with 2,400 persons insured. The number of YEL insured stood at 18,840 at year-end.

Premiums written for the year 2001 stood at EUR 612.8 million. Of this amount, TEL insurance accounted for EUR 557.8 million before deducting the credit losses and YEL insurances for EUR 59.9 million. Credit losses on premium receivables stood at EUR 4.9 million. The average premium of TEL insurance was 21.1 per cent of salaries, of which the employee’s share was 4.5 per cent. The YEL premium was 21 per cent of earnings.

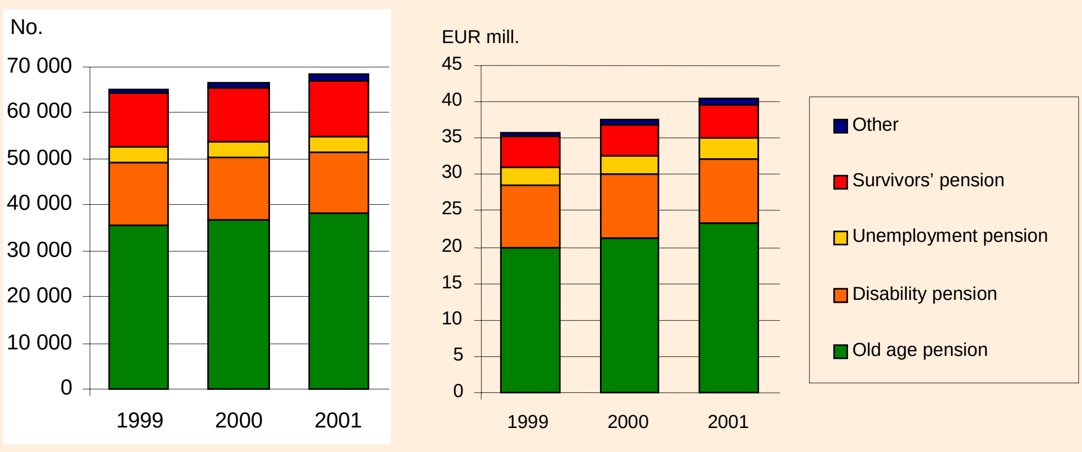
The number of open TEL premiums increased from the previous year’s EUR 10.4 million to EUR 14.9 million. Secured claims in bankruptcy and premium in debt recovery totalled around EUR 2 million, which was approximately the same as the previous year. The amount of YEL premiums that were open, in debt recovery or secured claims in bankruptcy decreased from EUR 14.4 million to EUR 13.7 million.

Pensions

A total of 10,414 pension applications were handled during the year 2001. In addition to the 6,250 new pension applications, this amount included, for instance, the renewal applications of fixed-term pension rights, the amendment applications of the degree of disability, the new integration of benefits, and changes of beneficiary.

The number of new pension applications increased slightly from the previous year. The number of part-time pension applications doubled during the last quarter of the year compared with the previous quarter. One reason for this was the lively public debate on the pressure to change the granting of part-time pension late in the year. The number of unemployment pension applications has also increased, as the persons within the sphere of influence of the new unemployment pension regulations have begun to retire after the period of daily allowance. The number of applications concerning rehabilitation opportunities is also on the increase.

THE NUMBER OF PENSIONERS AND PENSIONS PAID
31 Dec. 1999 – 31 Dec.2001



Pension Fennia paid pensions to 68,300 persons at the year-end 2001. The total value of pensions paid in 2001 stood at EUR 481.6 million. At the end of the year, approximately EUR 40.4 million was paid out in pensions per month. Pensions are paid to 35 different countries.

Management of working capacity

Management of working capacity means the comprehensive development of companies and appreciation of employees. The permanence of labour, more sensible age policy and development of expertise are being sought in order to secure the success of companies. A good corporate culture results in well-being at work and appreciates the employees. It unites meaningfulness and smooth flow of work. The result provides a competitive advantage. As the quality factors of working life improve, premature retiring will decrease.

Pension Fennia developed its services for well-being at work during the year 2001. Keys for the development of well-being at work were built on our website at www.Elake-Fennia.fi/efekti. They include a wide variety of information about working capacity and rehabilitation, and an operating model for planning working capacity management. Its form allows flexible application. Alongside the website, our expert support has provided tailored, company-specific services. The working capacity experts have been involved in a number of start-up phases of well-being at work projects and in further processing of plans. Pension Fennia's Efekti training programme has created information bridges between the companies' working groups and the experts of well-being at work.

The development of well-being at work is continuously expanding at the national level and in the EU. Pension Fennia has provided its client companies with an opportunity for reliable long-term co-operation.

The money available for working capacity management, the administration part of the unemployment risk, stood at around EUR 0.9 million in the year 2001. This amount was used in full for arranging training and other early-stage rehabilitation and for paying rehabilitation costs and rehabilitation compensations.

Investment operations

The key goal of investment operations is the efficient diversification of assets, in accordance with the risk-bearing capacity allowed by the solvency margin, between and inside different types of property in order to obtain positive returns. Pension Fennia has aimed to reach that goal by searching for a risk-theoretical distribution of assets that gives the best yield at the selected risk level. Transferring to an optimal distribution is restricted most, however, by the solvency margin available.

The most significant changes of all assets took place between equities and interest investments. The proportion of equities decreased by 4 percentage points, and the share of bonds and fixed-income funds of total assets grew by 6.3 percentage points. The diversification of securities abroad was continued. The weight of Finland was also decreased in equity investments, and assets were mainly invested in Europe and the United States. The investments table shows the amounts and percentages of asset classes on 31 December 2000 and 31 December 2001.

The net return on investment operations in the income statement stood at EUR 190.3 million, and it included EUR 2.1 million of avoir fiscal tax credit on dividends. Capital gains were reached in equity, interest and real estate investments; the net total amounting to EUR 103.3 million. Revaluation stood at EUR 2.9 million, value adjustments at EUR 83.5 million, and value readjustments at EUR 2.7 million. As a result of the fall of the stock exchange rates, the valuation differences decreased by EUR 183.6 million during the financial year.

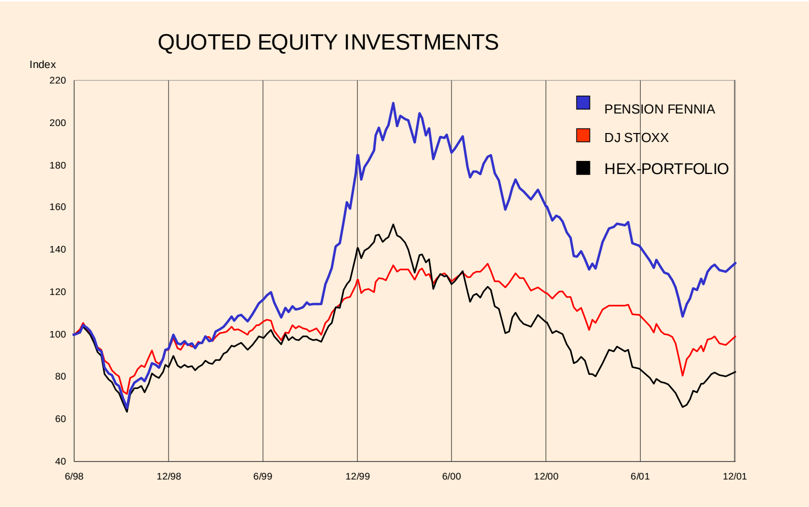
Investments	Current values, 31 Dec. 2001		Current values, 31 Dec. 2000	
	EUR mill.	%	EUR mill.	%
Equities and shares	897	24.8%	966	27.4%
Equities	743	20.5%	866	24.6%
Fixed-income funds	154	4.3%	100	2.8%
Loans	239	6.6%	257	7.3%
Fixed Income instruments	2,058	56.8%	1,919	54.5%
Bonds	1,964	54.2%	1,739	49.4%
Other	94	2.6%	180	5.1%
Real estate	427	11.8%	378	10.7%
Total	3,621	100.0%	3,521	100.0%

For stock markets, the year was the second in a row with negative growth. The HEX Portfolio index that reflects the Finnish markets fell by 22 per cent from the beginning of the year, and the Stoxx50 index that reflects the European markets fell by about 18 per cent. The most successful lines of business were the defensive pharmaceutical and consumer goods sectors. The telecommunications and electronics industry, as well as the banking and financing sector continued to fall most steeply. Towards the end of the year, the cyclical sectors of metal forestry industries produced a good yield.

The return on invested capital of Pension Fennia's whole equities portfolio for the year 2001, including derivatives and fixed-income funds was –14.7 per cent, and excluding fixed-income funds it stood at –17.3 per cent.

The starting point of equity investments is still diversification of investments both geographically and by line of business. The equity strategy is based on dividing the investments into index-like investments and such investments that can significantly deviate from the comparison indexes describing the development of stock exchange rates. Foreign asset management was increased in a controlled way according to the strategy.

The last year was good for interest investments. Long-term interest rates varied substantially throughout the year and rose almost to the previous year's level towards the end of the year. Following the fall of central bank rates, short-term interest rates fell by around 1.5 percentage points during the year.

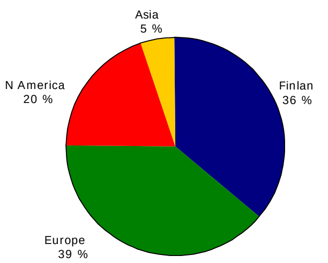


The return on corporate loans was higher than the corresponding return on government bonds, taking value adjustments into account. Bonds were diversified especially in the euro currency area and the United States, and in bonds with good credit rating. The average credit rating of the bond portfolio is AA2. Government bonds accounted for 43 per cent of the bond portfolio. The return on bond investments on invested capital, including derivatives, was 5.6 per cent, and including fixed-income funds 5.5 per cent.

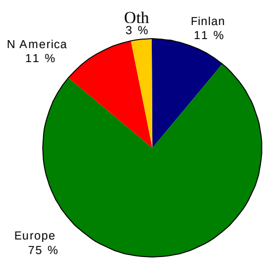
The return on the market money portfolio was very good, around 5 per cent, because the portfolio included a relatively large amount of commercial papers invested at a high yield early in the year.

A large amount of new buildings was completed in the real estate market. As the growth of the IT business slowed down, the intensive rise of rents also ground to a halt. The utilisation rate of premises remained at a good level, however. The most significant new real estate investments were the Leppävaara shopping centre, of which Pension Fennia owns a quarter, and Tapiolan Vesiputoustalo.

Geographical distribution of quoted shares 31 Dec. 2001



Geographical distribution of bonds 31 Dec. 2001



The return on real estate investments calculated on invested capital stood at 7.4 per cent, compared with 7.8 per cent in the previous year. The result was hampered by the Leppävaara shopping centre as a major project under construction, and lower capital gains compared with the previous year. Real estate investments totalled EUR 427.3 million at the year-end.

Client financing focused on financing solutions for the SME sector. Pension Fennia bought the loan portfolio of Yrittäjäin Fennia on 30 April 2001. It included 363 loans amounting to a total of EUR 15,291,570.17. The loans have Fennia's guarantee insurance. Premium loans and other loans totalled EUR 238.6 million at the year-end. The amount of un-arranged loans increased from EUR 1.5 million in the previous year to EUR 3.3 million. Exceptionally large credit losses, EUR 1 million, were entered due to bankruptcies and non-securing guarantees during the financial year.

Total operating expenses

Total operating expenses for the year 2001 stood at EUR 23.5 million, of which investment operations accounted for EUR 4.5 million. Total operating expenses included EUR 1.1 million of fixed asset depreciation, of which investment operations accounted for EUR 0.4 million. Expense loading included in the premium for covering operating expenses totalled EUR 22.1

million for the year. EUR 0.2 million of compensation from the sale of the YEL administration system and EUR 0.5 million of increases in accordance with sections 15 and 17 of TEL have been entered under other returns. These returns were used to cover the insurance business expenses for EUR 19.0 million. Loading profit, including sales income, stood at EUR 3.9 million. EUR 0.2 million of operating expenses related to working capacity maintenance were paid from the disability loading of the premium.

The company employed an average of 215 persons in the year 2001. At the year-end 2001, 215 people were permanently employed, and 4 had a fixed-term employment relationship. 8 people were on maternity, home care or study leave, and 9 people were on part-time pension. The increase in permanent staff from the end of the previous year was 16 persons. Starting the major accounts services in Pension Fennia increased the number of staff by 7, other increases have taken place evenly throughout the company.

Technical provisions and covering assets

Pension Fennia's technical provisions stood at EUR 3,638.3 million at the end of the year 2001. Technical provisions included EUR 226.1 million of liabilities accrued from employees' share of premium.

The assets covering technical provisions meet the requirements of the Statute on Gross Margin and those of the Insurance Supervision Authority. Listed margin amounted to EUR 3,746.3 million. Pension Fennia's open foreign exchange position, or assets not hedged against exchange rate fluctuations amounted to EUR 221.2 million.

TECHNICAL PROVISIONS, EUR mill.	31 Dec. 2001	31 Dec. 2000
Provision for unearned premiums	1,942.2	1,797.9
Future pensions	22.1	34.0
Provision for current bonuses	426.8	398.8
Provision for future bonuses	2,391.2	2,230.7
Provisions fro claims outstanding		
Current pensions	1,024.1	907.2
Equalisation provision	223.0	204.0
	1,247.1	1,111.2
Total	3,638.3	3.341.9

ASSETS COVERING THE TECHNICAL PROVISIONS AT CURRENT VALUES 31 Dec. 2001	EUR mill.	Per cent of the technical provisions to be covered
1. Debt obligations that can cover the full amount of the technical provisions	1,693	46.4%
2. Debt obligations that can cover a maximum of one half of the gross amount of the technical provisions	590	16.2%
3. Equities, shares, obligations and debt obligations that can cover a maximum of one half of the gross amount of the technical provisions	872	23.9%
4. Real estates etc. that can cover 40% of the gross amount of the technical provisions	421	11.5%
5. Real estates etc. and debt obligations with real estate etc. as security, that can cover 70% of the gross amount of the technical provisions	110	3.0%
6. Other assets that can cover at most 25% of the gross amount of the technical provisions	8	0.2%
7. Other items approved by the Ministry regarding statutory pension insurance	53	1.5%
8. Other items approved by the Ministry for a fixed period of time	0	0.0%
Total assets covering the technical provisions	3,746	102.7%

Solvency and its effect on bonuses given on premiums

The solvency margin at the year-end amounted to EUR 550.2 million, or 17.3 per cent of the technical provisions. Valuation differences accounted for EUR 105.5 million of the solvency margin. Provision for future bonuses stood at EUR 426.8 at the year-end. The solvency margin was within the target zone, 2.1-fold compared with the solvency limit.

The upper and lower limits set for bonus transfers in the calculation bases are determined by the ratio of the solvency margin and the solvency limit, and the factors affecting the amount of transfer determined in the calculation bases. The bonus transfer level was 0.25 per cent of the payroll of the insured.

Total result and profit for the financial year

The book net returns on investment operations, EUR 191.0 million, exceeded the required return, EUR 165.5 million, by EUR 25.5 million. The valuation differences of investments decreased by EUR 183.6 million. Therefore the result of investment operations after the required return compensated on technical provisions is
EUR -158.1 million. The profit on risk premiums collected stood at EUR 19.0 million, and loading profit was EUR 3.8 million. The combined total result of Pension Fennia was
EUR –135.2 million.

EUR 28.1 million was transferred to provision for future bonuses and EUR 6.3 million to provision for current bonuses to be returned as reduced premium to TEL policyholders. The statutory dissolution of provision for credit losses was EUR 6.5 million.

The income statement shows a surplus of EUR 1,247,023.19.

Pension Fennia and the group

Pension Fennia is a mutual insurance company, and decisions at the Annual General Meeting are made by policyholders, entrepreneurs, the insured and the guarantee capital owner. The policyholders and entrepreneurs hold about 80 per cent of the votes and the insured about 20 per cent.

At the year-end 2001, Pension Fennia group included 63 housing and real estate companies as subsidiaries and associated undertakings. Additionally, Pension Fennia group includes the real estate service company Kiinteistö-Fennia Oy, of whose shares Pension Fennia owns 70 per cent, and, as an associated undertaking, Insurance Company Fennia Life.

Kiinteistö-Fennia Oy is Pension Fennia's subsidiary and provides operative real estate services, such as leasing, building, maintenance and administration services, for its owners. The year 2001 was still a time of boom in the rent market, although there were signs of increasing under-utilisation of premises on the market. In the rent market, Pension Fennia managed to improve the contract portfolio and to keep the under-utilisation rate at a very low level. The company invested vigorously in keeping up the real estate portfolio and lifespan planning, as well as completing a number of development projects. During the operating year, Kiinteistö-Fennia joined the energy saving agreement KRESS of the real estate business, the goal of which is to cut discharges in Finland as part of the Kioto Protocol.

The Board of Directors' proposal on the disposal of profit

The Board of Directors proposes that the EUR 1,247,023.19 surplus for the financial year be disposed as follows: EUR 16,818.79 be reserved for the public good or similar purpose, EUR 1,223,567.17 be transferred to the contingency reserve, and EUR 6,637.23 be retained on the profit and loss account. Pension Fennia group's distributable assets for the financial year amount to EUR –1,624,677.56, due to which no interest is paid on the guarantee capital for the year 2001.

Significant events after the close of the financial year

Pension Fennia's solvency margin stood at EUR 542.3 million, or 16.8 per cent of the technical provisions as at 28 February 2002. The proportion of the solvency margin to the solvency limit was 2.1. The development of the stock market during early 2002 has been variable. Due to further diversification of equities and positive market development, the return on quoted shares as per 7 March 2002 stood at around 3.5 per cent. The amount of share owning has not been significantly increased during the current year. There have been no significant changes in the bond portfolio during the current year. Feva-kiinteistöt Oy, whose share capital is wholly-owned by Pension Fennia, was established in 2002. With the loan taken from the parent company, the company has acquired real estates that have been leased on long-term agreements.

Future outlook

Pension Fennia has set a goal to be growing and solvent and, from the point of view of clients, a competitive, efficiently managed and modern pension company. The goal is to meet the clients' expectations regarding services, as well as actively developing employment pension insurance and the investment of pension assets. The distribution channel agreements with OKO Bank Group and Local Insurance Group will open up significant new opportunities for reaching these goals.

In order to generate growth, the company will invest in developing co-operation with different distribution channel partners. By combining the expertise of the partner network, it will be possible to develop new added value for clients in the future, in the fields of insurance services and risk management, as well as client financing. In fact, the new financial year is clearly characterised by initiating and developing this co-operation.

The statutory earnings-related pension scheme is facing great challenges. The significant changes in the content of pension provision made in the last decade and reforms of investment operations have created a good basis for ensuring that the statutory earnings-related pension scheme will be able to keep the pension commitments it has made.

The pension provision reform agreed on last year aims to create circumstances and a legislative framework under which staying at work would be extended on average by approximately three years, which would have a significant effect on the future pension expenditure. For this part, the agreement will probably meet the goals set for it.

Another important goal in the agreement negotiations was strengthening the connection between pension contributions and benefits. Regarding this matter, the negotiations are seriously incomplete. It is desirable that the different parties will reach an agreement on a clear and sensible structure of pension provision well before the year 2005.

The ageing of the baby boom generation will also set increasingly higher expectations on the handling of pension provision and the services related thereto. According to studies, our statutory earnings-related pension scheme is gaining support among Finns. Because the support seems to increase as the population ages, the same trend can be assumed to continue, if the system can reasonably keep the promises it has made.

Pension Fennia also stands for removing the factors that restrict healthy competition within the earnings-related pension scheme. As the working party appointed to research the issue of competition has completed its work and selected a few factors affecting competition for further study, it is important to follow the development and to try actively to influence the realisation of the central goals proposed by Pension Fennia for increasing competition within the system.

Pension Fennia has considered it to be of essential importance to develop its readiness to utilise new technology in the different sections of its service processes. These investments will continue, and they are necessary in order for the company to be able to respond to the growing expectations of clients. The nearing retirement of the baby boom generation also requires developing the operations and investing more in the automation of service processes and in improving their quality.

Employment pension companies provide services in a relatively narrow sector. This creates special requirements and characteristics for their personnel policy and management system. The requirements and expectations range from tight profit responsibility of the sometimes hectic investment operations to the unhurried, personal service expected of pension services in matters of high importance to the retiring client.

The financing of pension provision plays a central role in keeping pension commitments. Pension Fennia aims to continue to be involved in the development work concerning the financing of pension provision and the investment of assets covering the pensions. By doing this, we want to ensure that the earnings-related pension scheme continues to develop into an administratively efficient system that secures the pensions better, as well as providing even fairer financing methods from the point of view of clients and interest groups.

The Pension Fennia Board of Directors wishes to thank all personnel and the operative management for a job well done in the financial year 2001.

INCOME STATEMENT

INCOME STATEMENT 1 Jan. 2001 - 31 Dec. 2001

	Parent company		Group	
1000 EUR	2001	2000	2001	2000
Technical account				
Premiums written	612 799	539 769	612 799	539 769
Investment income	355 758	416 439	352 751	413 289
Revaluations on investments	2 859		2 859	
Claims incurred				
Claims paid	-486 440	-438 172	-486 440	-438 172
Change in claims reserve	-135 858	-119 823	-135 858	-119 823
	-622 297	-557 995	-622 297	-557 995
Change in premium reserve	-160 480	-239 944	-160 480	-239 944
Change in uncovered liabilities				
Obligatory uncovered liabilities		-5 838		-5 838
Statutory charges	-900	-538	-900	-538
Operating expenses	-14 871	-12 744	-14 563	-12 488
Investment expenses	-168 321	-135 756	-169 677	-135 047
Other technical underwriting expenses	-7 783	-6 301	-7 783	-6 301
Balance on technical account/margin	-3 235	-2 909	-7 290	-5 093
Non-technical account				
Other income	216		216	
Appropriations				
Change in depreciation difference	-100	-38		
Change in optional reserves	6 464	6 464		
	6 364	6 426		
Income taxes				
Taxes for the financial year and previous financial years	-2 098	-2 160	-2 109	-2 160
Calculated tax			1 821	1 913
	-2 098	-2 160	-289	-247
Share of loss of associated undertakings			-5 724	4 295
Minority interest in the profit for the financial year			-346	-326
Profit/loss for the financial year	1 247	1 357	-12 740	-719

BALANCE SHEET

	Parent company		Group	
1000 EUR	2001	2000	2001	2000
ASSETS				
Intangible assets				
Intangible rights	993	138	993	138
Other long-term expenses	2 363	636	2 363	636
	3 356	774	3 356	774
Investments				
Investments in land and buildings				
Land and buildings	260 505	216 956	378 256	343 490
Loan receivables from group companies	126 167	125 362		
	386 673	342 318	378 256	343 490
Investments in group companies and participating interests				
Shares and participations in group companies	16 710	16 711		
Shares and participations in participating companies			14 904	21 302
Other investments				
Equities and shares	811 459	726 977	812 045	727 564
Fixed income instruments	2 052 650	1 884 519	2 052 650	1 884 519
Loans guaranteed by mortgages	87 680	107 175	87 680	107 175
Other loan receivables	150 908	149 868	156 947	149 868
Deposits	9 700	3 364	9 700	3 364
	3 112 396	2 871 902	3 119 022	2 872 489
	3 515 779	3 230 932	3 512 182	3 237 281
Debtors				
Direct insurance business				
Policyholders	49 542	32 226	49 542	32 226
Other debtors				
Receivables from group companies	2	35		
Receivables from associated undertakings				33
Receivables from own real estate compan	2 509	1 508		
Receivables from partner companies	219	188	219	188
Portfolio transfer receivable	17 245	25 394	17 245	25 394
Other debtors	41 759	34 524	41 801	34 595
	111 274	93 875	108 806	92 437
Other assets				
Tangible assets				
Furniture and fixtures	2 449	2 201	2 613	2 314
Other tangible assets	385	343	385	343
	2 834	2 545	2 998	2 657
Money and cash at bank	4 650	4 293	5 003	4 420
	7 483	6 838	8 001	7 077
Prepayments and accrued income				
Accrued interest and rent	68 546	56 278	68 546	56 278
Other prepayments and accrued income	1 940	30 362	2 167	30 838
	70 486	86 640	70 713	87 116
	3 708 378	3 419 058	3 703 057	3 424 685

	Parent company		Grou
1000	2001	2000	2001
LIABILITIES			
Capital and reserves			
Initial fund	3 364	3 364	3 364
Guarantee capital	1 682	1 682	1 682
Revaluation reserve			415
	5 046	5 046	5 461
Other reserves	14 651	13 406	14 651
Profit/loss brought forward	44	40	-1 371
Profit/loss for the financial year	1 247	1 357	-12 740
	15 942	14 804	540
	20 988	19 849	6 000
Minority interest			10 180
Accrued appropriations			
Depreciation difference	270	170	
Optional reserves	0	6 464	
	270	6 634	
Technical provisions			
Premium reserve	2 391 153	2 230 673	2 391 153
Claims reserve	1 247 114	1 111 256	1 247 114
	3 638 267	3 341 930	3 638 267
Creditors			
Direct insurance business	1 398	1 380	1 398
Loans from financial institutions	18	24	18
Calculated tax debt			884
Other creditors	21 243	37 678	19 525
	22 660	39 082	21 826
Accruals and deferred income	26 194	11 563	26 784
	3 708 378	3 419 058	3 703 057

ACCOUNTING PRINCIPLES 2001

In addition to the Accounting Act and Accounting Decree, the bookkeeping and financial statements of an employment pension company are regulated by the Companies Act and the Insurance Companies Act. Orders relating to the matter are also found in the Act on Employment Pension Insurance Companies, the statutes of the Ministry of Social Affairs and Health on financial statements and consolidated financial statements of an insurance company, as well as in the regulations and guidelines issued by the Ministry of Social Affairs and Health and the Insurance Supervision Authority.

Consolidated financial statements

Those subsidiaries in which Pension Fennia holds more than half of the votes have been consolidated in the consolidated financial statements. The companies comprised in the consolidated financial statements and changes in the group structure are presented in the notes to the financial statements.

The consolidated financial statements have been compiled as combinations of the income statements and balance sheets of the parent company and its subsidiaries. Intra-group income and charges, profit distribution, amounts due to or from group companies and cross-shareholdings have been eliminated. Subsidiaries acquired during the year have been consolidated as from the day of acquisition. The sold subsidiaries have been consolidated until the day of transfer. Minority interests in the profit or loss for the financial year and in capital and reserves are shown as separate items.

Intra-group cross-shareholdings have been eliminated using the acquisition method. The resulting consolidation difference is allocated to the subsidiaries' asset items within the limits permitted by their current values. The consolidation difference is depreciated according to plan like the corresponding asset items. In some items, value adjustment write-offs have been made in addition to the planned depreciation for the financial year. Previous revaluations in group shares are shown in the consolidated balance sheet as a revaluation of real estate owned by a subsidiary.

Associated undertakings

Insurance Company Fennia Life, Pension Fennia's 40 per cent owned associated undertaking, has been consolidated in the consolidated financial statements using the equity method. Housing and real estate companies have not been treated as associated undertakings in the consolidated financial statements, because their effect on group profit and non-restricted capital and reserves is minimal. The associated undertaking SisuAxels Oy, of which Pension Fennia owns 26.2 per cent, has not been consolidated in the consolidated financial statements, because it is not necessary in order to provide a true and fair view of the consolidated result of operations or the financial position.

Premiums written

The TEL premium income is determined according to the total TEL payroll of the insured. The advance premium based on the payroll estimate and collected during the financial year has been adjusted using the adjustment premium estimate in the financial statements. The differences caused by the estimated and realised adjustment payments of the previous year are also entered in the premiums for the financial year.

The YEL premium income is determined according to the entrepreneur's reported income.

Claims incurred

Claims incurred consist of the pensions paid to the pensioners, rehabilitation costs, clearing of PAYG pensions, operating expenses of claims handling, and the change in the provision for claims.

Valuation of investments and receivables in the balance sheet and determining the current values

Investments in land and buildings are entered at the lower of acquisition cost less depreciation, plus revaluation or current value. The current values of land and buildings and real estate shares are determined by item in the manner required by the Insurance Supervision Authority. Statements of both the company's own and external experts have served as the basis for determining the current values. The current values of Arava (state-subsidised) real estate whose Arava loan will end in 2002, at the latest, have been derived from market prices in accordance with the regulations and guidelines issued by the Ministry of

Social Affairs and Health. The net realisable price in accordance with the Act on Housing Production has been used as the current value of Arava real estate to be released after the year 2002.

The value adjustments made on real estate are entered in the income statement under value adjustments. Value readjustments with effect on profit have been made on the sold real estate before entering the capital gain. In compliance with the principle of prudence, revaluation with effect on profit has been made on one real estate investment in the year 2001.

Equities and shares are entered in the balance sheet at the lower of acquisition cost or current value. Previous value adjustments on equities are entered in the income statement as value readjustments for the part that the current value exceeds the book value. Equities are valued using the average price principle. The valuation of fixed asset shares entered under investments differs from other equities. Fixed asset shares are valued in the balance sheet at the acquisition cost, because that is considered to correspond to their current value. The last available closing prices of the financial year are used as current values for listed equities and shares. The current value of other shares is the acquisition cost or the probable net realisable value.

Money-market instruments include bonds and money-market instruments. The balance sheet value of money-market instruments is the acquisition cost, adjusted with the difference between the nominal value and the acquisition cost. The difference between the nominal value and the acquisition cost is matched as a deduction or addition in interest income over the maturity of the debt instrument. The amount of matching entries entered under acquisitions is presented in the notes to the balance sheet.

Foreign currency denominated receivables have been converted into Finnish currency at the average rate quoted by the European Central Bank average rate quoted on 28 December. **Foreign currency denominated other investments** are entered at the rate of the acquisition date. The rates quoted on 28 December have been used to calculate the current values. If the current value on the date of closing the accounts is lower than the acquisition cost, the values of the investments have been adjusted. The unallocated rate differences that have arisen during the financial year are entered under other income and expenses from investments, and allocated rate differences have been handled as adjustments of the relevant income and expenses.

Loans, other receivables and deposits are valued at the lower of nominal value or probable value.

Premium receivables consist of the adjustment premium estimate and the due insurance premiums unpaid at the close of the financial year. The due insurance premiums that have been stated disqualified for payment, as well as receivables from companies that have been declared bankrupt are entered as credit losses.

Derivative contracts have been used by Pension Fennia for both hedging purposes and other purposes. The number of derivative contracts has been small in proportion to the total amount of investments.

Derivative contracts for hedging purposes are valued together with the hedged item. If no change in value has been entered in the income statement for the hedged balance sheet item, no entry has been recorded in the income statement for the hedging contract, unless the negative value change exceeds the positive value change in the hedging contract. When a value readjustment has been entered for the hedged item, the value change of the derivative used is entered in its entirety as an expense. The income and expenses resulting from a derivative contract are principally entered in the same income statement item as the income and expenses from the hedged balance sheet item or position.

The negative value changes of other derivative contracts are entered in the income statement. The profits and losses resulting from the termination or expiration of contracts during the financial year are entered as income or expenses for the financial year.

In calculating the contribution margin, capital and reserves, and the solvency requirements, those derivatives that have a specific hedging target are handled as hedging derivatives. Regarding the counterpart risk, the rules on limiting risk concentration presented in the regulations and guidelines of the Insurance Supervision Authority have been followed.

The option share of **index-bound loans** is entered in other receivables and valued at the lower of acquisition cost or probable current value. A zero coupon bond is entered in the acquisition estimate, adjusted with the matched difference between the nominal value and the acquisition value. The financial year's proportion of the matching is entered as interest income.

Provisions and tax liabilities

No calculated tax liabilities are presented on valuation differences of investments which are shown in the notes. The revaluations entered as income are taxable income. In the consolidated financial statements, the accrued depreciation difference and voluntary provisions are divided into calculated change in tax liabilities and result for the financial year, as well as into calculated tax liabilities and capital and reserves. The tax base was 29 per cent in the year 2001.

Depreciation

The acquisition cost of depreciable assets is capitalised. The acquisition cost is entered as depreciation according to plan under expenses during its economic useful life. In addition to the acquisition cost, depreciation is entered in revaluations on depreciable assets. Software licenses are shown as intangible rights, and software design and programming costs as other long-term expenses. The straight-line depreciation on the original acquisition cost is applied using the following economic useful lives:

Residential, office and business premises, hotels	50 years
Industrial premises and warehouses	40 years
Technical equipment in buildings	10 years
Intangible rights	5 years
Motor vehicles	5 years
Computer hardware and software	4 years
Furniture and fixtures	10 years
Office machines	7 years
Other long-term expenses	5 years

The maximum depreciation allowed under the Act on the Taxation of Business Profits has been made in the case of buildings acquired before the year 1981.

Operating expenses

The operating expenses of the company have been divided into different functions according to the instructions issued by the Insurance Supervision Authority as shown in the notes. As of the year 2000, new long-term software design and programming costs made by ESY have been entered in other long-term expenses.

Direct taxes and surplus for the financial year

The tax determined according to the result for the financial year is entered on an accrual basis as taxes for the financial year. The withholding tax credit related to foreign dividends received and the avoir fiscal tax credit related to Finnish dividends received is entered under investment income. The withholding tax paid for foreign dividends and withholding tax credit, as well as avoir fiscal tax credit related to Finnish dividends are not entered in an amount exceeding the income tax for the financial year. The withholding tax paid for the dividends from foreign shares has been used as an income tax deduction before the avoir fiscal tax credit. Pension Fennia's surplus for the financial year is determined according to the calculation bases applied for by Pension Fennia and confirmed by the Ministry of Social Affairs and Health.

Pension arrangements

The statutory pension provision for the personnel is arranged through TEL insurance. Supplementary pension provision is arranged for part of the personnel through TEL supplementary pension insurance. The Managing Director and the Deputy Managing Director are entitled to retire on old age pension at the age of 60 years on the basis of the TEL supplementary pension insurance. Pension premiums are entered on an accrual basis.

Technical provisions

The liability resulting from insurance contracts is entered as technical provisions. It comprises the premium and claims reserves. The technical provisions are calculated according to the calculation bases confirmed by the Ministry of Social Affairs and Health. The premium reserve includes the provision for future bonuses which is included in the solvency margin.

Solvency margin

The solvency margin of an insurance company consists of the difference between assets and liabilities at current values. In this case, the provision for future bonuses is not included in the technical provisions. The solvency margin and capital and reserves must meet the requirements prescribed in the Act on Employment Pension Insurance Companies.

NOTES TO THE INCOME STATEMENT

NOTES TO THE INCOME STATEMENT	Parent company		Grou
1000 EUR	2001	2000	2001
PREMIUMS WRITTEN			
Direct insurance			
TEL basic insurance			
Employer contribution	434 587	369 102	434 587
Employee contribution	118 556	104 529	118 556
Additional premium collected			
to amortise uncovered liabilities		9 065	
	553 143	482 696	553 143
TEL supplementary pension insurance	2 576	2 273	2 576
YEL minimum coverage			
insurance	57 704	55 469	57 704
YEL supplementary pension insurance	48	30	48
Transition premium to			
the State Pension Fund	-673	-698	-673
Total Premiums written	612 799	539 769	612 799
Items deducted from premiums written			
Credit loss on premiums			
TEL	2 753	4 535	2 753
YEL	2 150	1 017	2 150
	4 903	5 552	4 903
CLAIMS PAID			
Direct insurance			
Paid to pensioners			
TEL basic insurance	396 483	367 910	396 483
TEL supplementary pension insurance	16 123	15 850	16 123
YEL minimum coverage			
insurance	68 365	63 906	68 365
YEL supplementary insurance	624	605	624
	481 595	448 272	481 595
Paid/refunded clearing of PAYG pensions			
TEL pensions	13 514	-1 338	13 514
YEL pensions	-9 172	-9 134	-9 172
	4 343	-10 472	4 343
Paid/refunded joint liability claims	-3 815	-3 632	-3 815
	482 123	434 167	482 123
Claims administration costs	4 112	3 767	4 112
Working capacity maintenance expenses	205	238	205
Total claims paid	486 440	438 172	486 440

1000 EUR	Parent company 2001	Parent company 2000	Grou 2001
NET INVESTMENT INCOME			
Investment income			
Income from investments in group companies			
Dividend income	948		
Income from real estate investments			
Interest income			
From group companies	6 916	5 936	
Others	55	15	964
Other income	36 764	32 522	40 419
	44 683	38 473	41 383
Income from other investments			
Dividend income	20 035	24 951	20 310
Interest income	123 260	112 612	123 182
Other income	11 003	5 283	11 003
	154 298	142 846	154 494
Total	198 981	181 318	195 877
Value readjustments	2 696	2 814	2 696
Gains on realisation	154 081	230 654	154 178
Total	355 758	414 786	352 751
Investment expenses			
Costs on real estate investments	-21 247	-18 054	-14 337
Costs on other investments	-10 629	-9 832	-10 629
Interest costs and expenses on other liabilities	-2 175	-1 921	-2 175
	-34 050	-29 806	-27 140
Value adjustments and depreciation			
Value adjustments	-82 895	-66 393	-82 185
Planned depreciation on buildings	-565	-483	-9 532
	-83 460	-66 877	-91 717
Losses on realisation	-50 810	-37 420	-50 820
Total	-168 321	-134 103	-169 677
Net investment income before revaluations and their adjustment	187 438	280 683	183 075
Revaluation on investments	2 859		2 859
Net investment income in the income statement	190 297	280 683	185 934

1000 EUR	Parent company 2001	Parent company 2000	Grou 2001
INCOME STATEMENT ITEM OPERATING EXPENSES			
Insurance policy acquisition costs			
Direct insurance remunerations	455	494	455
Other insurance policy acquisition costs	5 113	3 816	5 113
	5 567	4 310	5 567
Insurance management costs	5 149	4 964	5 149
Administration costs	4 154	3 470	3 846
Total	14 871	12 744	14 563
TOTAL OPERATING EXPENSES BY OPERATION			
Claims paid			
Expenses related to claims administration	4 112	3 767	4 112
Working capacity maintenance expenses	205	238	205
	4 317	4 005	4 317
Operating expenses	14 871	12 744	14 563
Investment expenses			
Costs on real estate investments	1 079	878	2 290
Costs on other investments	3 466	2 566	3 466
	4 545	3 444	5 756
Total	23 733	20 193	24 636
PERSONNEL EXPENSES			
Salaries and bonuses	8 608	7 275	9 300
Pension expenses	2 211	1 707	2 359
Other social security expenses	768	555	852
Total	11 586	9 537	12 510
SALARIES AND BONUSES OF THE MANAGEMENT			
Managing Director and Deputy Managing Director	403	335	403
The Supervisory Board and its deputy members	44	45	44
The Board of Directors and its deputy members	98	94	98
	545	474	545

There are no pension commitments for members of the Supervisory Board and the Board of Directors, except the Managing Director who is entitled to retire at age 60. No money loans or guarantees have been granted to members of the Supervisory Board and the Board of Directors.

AVERAGE NUMBER OF PERSONNEL DURING THE FINANCIAL YEAR			
Office personnel	194	190	194
Sales personnel	18	10	18
Real estate personnel	3	3	24

1000 EUR

CHANGES IN TANGIBLE AND INTANGIBLE ASSETS	Intangible rights	Other long-term expenses	Machines and equipment
Acquisition cost, 1 Jan.	254	704	3 726
Fully depreciated in the previous year			-543
Increase	1 132	1 925	962
Decrease		-3	-192
Acquisition cost, 31 Dec.	1 385	2 625	3 953
Accumulated depreciation 1 Jan.	-116	-68	-1 525
Fully depreciated in the previous year			543
Accumulated depreciation on decrease			94
Depreciation for the financial year	-277	-194	-616
Accumulated depreciation, 31 Dec.	-393	-262	-1 504
Book value, 31 Dec.	993	2 363	2 449

1000 EUR

CHANGES IN TANGIBLE AND INTANGIBLE ASSETS	Intangible rights	Other long-term expenses	Machines and equipment
Acquisition cost, 1 Jan.	254	704	3 867
Fully depreciated in the previous year			-543
Increase	1 132	1 925	1 054
Decrease		-3	-207
Acquisition cost, 31 Dec.	1 385	2 625	4 170
Accumulated depreciation 1 Jan.	-116	-68	-1 553
Fully depreciated in the previous year			543
Accumulated depreciation on decrease			98
Depreciation for the financial year	-277	-194	-644
Accumulated depreciation, 31 Dec.	-393	-262	-1 557
Book value, 31 Dec.	993	2 363	2 613

NOTES TO THE BALANCE SHEET

NOTES TO THE BALANCE SHEET

INVESTMENTS AT CURRENT VALUE AND VALUATION DIFFERENCES Par

1000 EUR	Remaining acquisition cost 2001	Book value 2001	Current value 2001	Remaining acquisition cost 2000	Book value 2000
Investments in land and buildings					
Land and buildings	24 941	26 502	28 139	22 443	24 004
Real estate shares in group companies	119 132	141 257	175 833	101 137	123 262
Other real estate shares	89 887	92 746	96 210	69 689	69 689
Loan receivables from group companies	126 167	126 167	126 167	125 362	125 362
Investments in group companies					
Shares and participations	16 710	16 710	16 710	16 711	16 711
Other investments					
Equities and shares	807 935	811 459	880 598	725 725	726 977
Fixed income instruments	2 052 650	2 052 650	2 046 789	1 884 519	1 884 519
Loans guaranteed by mortgages	87 680	87 680	87 680	107 175	107 175
Other loans	150 908	150 908	150 908	149 868	149 868
Deposits	9 700	9 700	9 700	3 364	3 364
Option share of an index-bound loan	1 118	1 118	1 539	3 403	3 403
	3 486 828	3 516 896	3 620 273	3 209 396	3 234 335
The remaining acquisition cost of money-market instruments includes					
The difference between the nominal value and acquisition cost, released or charged to interest income	-4 046			-12 266	
Income from index-bound loans	2 250			1 928	
Book value includes					
Revaluations entered as income	30 069			24 938	
Valuation difference (difference between current value and book value)			103 377		

NOTES TO THE BALANCE SHEET
INVESTMENTS AT CURRENT VALUE AND VALUATION DIFFERENCES **Group**

1000 EUR	Remaining acquisition cost 2001	Book value 2001	Current value 2001	Remaining acquisition cost 2000	Book value 2000	Current value 2000
Investments in land and buildings						
Land and buildings	261 823	285 509	334 020	250 114	273 800	315 056
Other real estate shares	89 887	92 746	96 210	69 689	69 689	72 623
Debtors, real estate companies	1	1	1	1	1	1
Investments in group companies						
Shares and participations	14 904	14 904	14 904	21 302	21 302	21 302
Other investments						
Equities and shares	808 522	812 045	881 185	726 312	727 564	950 128
Fixed income instruments	2 052 650	2 052 650	2 046 789	1 884 519	1 884 519	1 911 290
Loans guaranteed by mortgages	87 680	87 680	87 680	107 175	107 175	107 175
Other loans	156 947	156 947	156 947	149 868	149 868	149 868
Deposits	9 700	9 700	9 700	3 364	3 364	3 364
Option share of an index-bound loan	1 118	1 118	1 539	3 403	3 403	4 324
	3 483 231	3 513 299	3 628 974	3 215 746	3 240 684	3 535 131
The remaining acquisition cost of money-market instruments includes						
The difference between the nominal value and acquisition cost, released or charged to interest income	-4 046			-12 266		
Income from index-bound loans	2 250			1 928		
Book value includes						
Revaluations entered as income	30 069			24 938		
Valuation difference (difference between current value and book value)			115 674			294 447

	Parent company	
1000 EUR	2001	2000
SHARES AND PARTICIPATIONS IN GROUP COMPANIES		
Shares and participations		
Original acquisition cost, 1 Jan.	16 711	10 093
Increase		6 559
Transfers		59
The remaining acquisition cost, 31 Dec.	16 711	16 711

Shares and participations	**Holding of all shares, %**	**votes, %**	**Book value**	**Current value**
Kiinteistö-Fennia Oy	70,0	70,0	59	59
Insurance Company Fennia Life	40,0	40,0	16 651	16 651

	Parent company	
1000 EUR	2001	2000
OTHER LOAN RECEIVABLES ITEMISED BY GUARANTEE		
Bank guarantee	60 122	72 026
Guarantee insurance	51 522	53 144
Insurance policy	773	780
Real estate share	21 822	7 177
Other guarantee	16 669	16 741
The remaining acquisition cost	150 908	149 868
TOTAL PENSION LOAN RECEIVABLES		
Other loans guaranteed by mortgages	24 916	31 795
Other loan receivables	81 931	99 441
The remaining acquisition cost	106 847	131 235
PORTFOLIO TRANSFER RECEIVABLES		
Joint liability receivables	3 961	12 110
Receivables from special receivership's estate	13 284	13 284
Total portfolio transfer receivables	17 245	25 394

		Parent company		Group
1000 EUR		**2001**		**2001**
CAPITAL AND RESERVES				
Guarantee capital		1 682		1 682
Initial reserve		3 364		3 364
Revaluation reserve		0		415
		5 046		5 461
Non-restricted reserves		13 406		13 406
Profit for the previous financial year		1 245		1 245
		14 651		14 651
Profit/loss brought forward		1 397		-18
Used during the financial year		-1 353		-1 353
Profit for the financial year		1 247		-12 740
		1 291		-14 111
Total capital and reserves		20 988		6 000
GUARANTEE CAPITAL	**Number**	**Book value**	**Number**	**Book value**
Mutual Insurance Company Fennia	10	1 682	10	1 682
CAPITAL AND RESERVES AFTER PROPOSED PROFIT DISTRIBUTION				
Holders of guarantee capital:				
Guarantee capital		1 682		1 682
Proposed distribution to holders of guarantee capital		0		0
Policyholders after proposed distribution		19 306		4 319
Total		20 988		6 000
DISTRIBUTABLE PROFITS				
Profit for the financial year		1 247		-12 740
Other distributable reserves				
Other reserves		14 651		14 651
Accumulated profit		44		-1 371
Capital and reserves of accumulated appropriations				-2 164
Total distributable profits		15 942		-1 625

	Parent company	
1000 EUR	**2001**	**2000**
LIABILITIES		
OPEN DERIVATIVE CONTRACTS		
I INTEREST RATE DERIVATIVES		
Forward and future contracts		
Nominal value of underlying instruments		40 000
Current value of contracts		-189
Interest rate swaps		
Nominal value	42 694	21 494
Current value	1 611	1 393
The market value does not include the transferred interest rate of the financial year.		
II CURRENCY DERIVATIVES		
Forward and future contracts		
Nominal value of underlying instruments	72 960	78 464
Current value of contracts	-1 357	2 534
Closed forward and future contracts		
Nominal value of underlying instruments	68 081	
Current value of contracts	959	
III SHARE DERIVATIVES		
Option contracts		
Bought options		
Nominal value of underlying instruments	15 478	21 334
Current value of contracts	2 034	4 687
Set options		
Nominal value of underlying instruments	5 421	5 553
Current value of contracts	-496	-363
The contracts for which the position is closed are not included in the above figures.		
INVESTMENT COMMITMENTS		
Capital trusts	62 542	65 071
OTHER CONTINGENT LIABILITIES		
Liability for the VAT debt of the tax liability group in accordance with Value Added Tax Act, Section 18	4 881	3 666
Restitution liability for VAT deduction from new buildings and renovation of real estates	490	486

OTHER INVESTMENTS

1000 EUR	shares %	votes %	Book value 31 Dec. 2001	Parent company Current value 31 Dec. 2001
Finnish equities and shares				
Aldata Solution Oyj	0,49	0,49	665	665
Alma Media Corporation	0,67	0,67	857	857
Amer Group Plc	0,30	0,30	1 606	2 140
Avesta Polarit Oyj Abp	0,24	0,24	2 932	3 587
Basware Corporation	1,07	1,07	444	444
Biotie Therapies Corporation	0,81	0,81	608	608
Capman Plc	2,25	2,25	3 233	3 233
Comptel Plc	0,34	0,34	1 123	1 123
Eimo Corporation	0,81	0,81	1 086	1 086
Elisa Communications Corporation	0,24	0,24	4 576	4 576
Etteplan Oyj	2,31	2,31	565	565
Exel Oyj	3,07	3,07	1 596	1 596
Finnair Plc	0,24	0,24	757	757
Finnlines Plc	0,29	0,29	1 220	1 337
Fiskars Corporation	0,47	0,47	669	1 572
Fortum Corporation	0,26	0,26	9 348	10 442
F-Secure Corporation	0,21	0,21	363	363
Hartwall Oyj Abp	0,32	0,32	1 937	4 329
Huhtamäki Oyj	0,55	0,55	4 836	4 967
Instrumentarium Corporation	0,34	0,34	2 282	3 864
Iocore Plc	1,06	1,06	105	105
Jaakko Pöyry Oyj	0,49	0,49	1 082	1 082
JOT Automation Group Plc	0,38	0,38	326	326
KCI Konecranes International Plc	0,50	0,50	1 882	2 142
Kemira Oyj	0,25	0,25	1 870	1 995
Kesko Corporation	0,57	0,57	3 423	3 423
Kone Corporation	0,31	0,31	1 870	4 235
Kyro Corporation	0,09	0,09	183	200
Lassila & Tikanoja Plc	0,28	0,28	577	802
Liinos Plc	0,71	0,71	205	205
Lännen Tehtaat Plc	0,67	0,67	477	477
Metso Corporation	0,30	0,30	4 828	4 828
Metsä Tissue Corporation	0,66	0,66	1 748	1 748
M-Real Corporation	0,17	0,17	1 700	1 700
Nokia Corporation	0,03	0,03	24 480	43 086
Nokian Tyres Plc	0,21	0,21	501	792
Novo Group Plc	1,42	1,42	1 258	1 258
Okmetic Oyj	1,04	1,04	840	840
OKO Bank Corporation	0,33	0,33	1 506	1 614
Olvi Plc	1,04	1,04	369	396
Orion Corporation	0,17	0,17	1 921	2 251
Outokumpu Oyj	0,17	0,17	2 473	2 537
Partek Corporation	0,36	0,36	1 617	1 617
Perlos Corporation	0,38	0,38	2 331	2 331
PKC Group Oyj	1,23	1,23	377	377
Pohjola Group Insurance Corporation	0,33	0,33	2 755	2 755
Proha Plc	0,74	0,74	148	148
Raisio Group Plc	0,15	0,15	183	183
Rakentajain Konevuokraamo Oyj	2,21	2,21	959	1 320
Rapala Normark Group	0,86	0,86	1 048	1 048
Rautaruukki Corporation	0,36	0,36	2 076	2 076
Rocla Oyj	0,33	0,33	78	84
Sampo	0,26	0,26	12 310	12 563
Sanoma-WSOY Oyj	0,34	0,34	3 681	4 508
Sonera Corporation	0,24	0,24	15 222	15 222
SSH Communications Security Oyj	0,29	0,29	242	242
Stockmann plc	0,68	0,68	1 885	2 403

OTHER INVESTMENTS

1000 EUR	shares %	votes %	Book value 31 Dec. 2001	Parent company Current value 31 Dec. 2001
Stonesoft Corporation	0,29	0,29	346	346
Stora Enso Oyj	0,17	0,17	15 273	18 005
Sysopen Plc	2,27	2,27	1 031	1 031
Technopolis Plc	0,46	0,46	154	170
Tecnomen Holdings Oyj	0,30	0,30	306	306
Tekla Corporation	1,80	1,80	1 385	1 385
Teleste Corporation	0,50	0,50	1 062	1 062
Tietoenator Corporation	0,29	0,29	5 495	7 191
Tieto-X Oyj	0,97	0,97	282	296
Tulikivi Oyj	2,21	2,21	423	654
UPM-Kymmene Corporation	0,17	0,17	12 662	16 111
Uponor Oyj	0,28	0,28	1 539	1 976
Vaahto Group Oyj	3,75	3,75	425	425
Vacon Plc	0,33	0,33	446	473
Vaisala Oyj	0,32	0,32	928	1 216
Wärtsilä Corporation	0,39	0,39	3 252	3 560
YIT Corporation	0,27	0,27	1 006	1 077
Fibrogen Europe Corporation	1,15	0,00	947	947
ICL Invia Oyj	1,14	1,14	3 101	3 101
Imatra Region Development Company	0,35	0,35	8	8
International Security Technology Oy	4,44	4,44	660	660
IWS International Oy	1,65	1,65	889	889
Metorex International Oy	1,67	1,67	73	73
Midinvest Oy	10,90	10,90	505	505
Nethawk Oy	0,09	0,09	3 418	3 418
Sisu Axels Oy	26,20	26,20	842	842
Team Botnia Oy	0,93	0,93	2	2
Esy Oy	19,00	19,00	288	288
Octel Oy	9,09	9,09	336	336
Garantia Insurance Company	3,66	3,66	1 521	1 521
Vaasan Puhelin Oy	0,00	0,00	1	1
Euro equities				
Aegon NV, the Netherlands	0,0025		1 064	1 064
Allianz Ag, Germany	0,0051		3 245	3 245
Assicurazioni Generali Spa, Italy	0,0072		2 870	2 870
Axa Sa, France	0,0057		2 316	2 316
Banco Bilbao Vizcaya, Spain	0,0047		2 085	2 085
Banco de Santander, Spain	0,0058		2 541	2 541
Bayer AG, Germany	0,0055		1 432	1 432
BNP Paribas, France	0,0081		3 284	3 618
Carrefour Supermarche Sa, France	0,0067		2 803	2 803
Daimlerchrysler AG, Germany	0,0032		1 547	1 547
Deutsche Bank Ag, Germany	0,0066		2 805	3 255
Deutsche Telekom Ag NPV, Germany	0,0023		1 872	1 872
Eni-Ente Nazionale Idrocarburi, Italy	0,0036		1 994	2 006
Ing Group NV, the Netherlands	0,0059		3 205	3 351
Koninklijke Philips, the Netherlands	0,0073		3 106	3 106
L'Oreal, France	0,0023		1 144	1 214
Munchener Ruckvers NPV, Germany	0,0032		1 738	1 738
Royal Dutch Petroleum, the Netherlands	0,0093		10 781	11 124
Siemens AG, Germany	0,0060		3 978	3 978
STMicroelectronics NV, the Netherlands	0,0041		1 334	1 334
Suez SA, France	0,0073		2 550	2 550
Telefonica SA, Spain	0,0064		4 508	4 508
Total Fina SA, France	0,0057		5 634	6 416
Unilever NV, the Netherlands	0,0026		829	988
Vivendi Universal, France	0,0063		4 182	4 182

OTHER INVESTMENTS

1000 EUR	shares %	votes %	Book value 31 Dec. 2001	Parent company Current value 31 Dec. 2001
Foreign equities				
Astrazeneca, Great Britain	0,0003		4 037	4 073
Barclays Ord GBP1, Great Britain	0,0004		3 464	4 300
BP Amoco, Great Britain	0,0003		9 697	10 143
British Telecommunications Plc, Great Britain	0,0003		1 775	1 864
CGNU Plc, Great Britain	0,0003		1 346	1 389
Credit Suisse Group, Switzerland	0,0029		1 311	1 623
Diageo Ord, Great Britain	0,0003		1 927	2 387
Ericsson LM-B, Sweden	0,0051		2 312	2 312
Glaxosmithkline Ord, Great Britain	0,0004		11 061	11 609
HSBC Holdings GBP, Great Britain	0,0003		6 083	6 424
Lloyds Tsb Plc, Great Britain	0,0003		2 902	3 126
Nestle Sa Regd, Switzerland	0,0067		5 231	6 159
Nordea Fdr, Sweden	0,0443		6 311	7 910
Novartis Ag Regd, Switzerland	0,0061		6 022	6 393
NTT Docomo Inc, Japan	0,0007		1 001	1 001
Prudential Plc, Great Britain	0,0003		1 478	1 504
Roche Hldgs Ag Genusscheine Npv, Switzerland	0,0051		2 614	2 797
Royal BK Scot, Great Britain	0,0004		3 979	4 671
Skandia Försäkrings Ab, Sweden	0,0391		3 197	3 268
SPDR Trust series, the United States	0,1964		65 144	65 885
Swiss Re, Switzerland	0,0031		1 126	1 126
UBS Ag, Switzerland	0,0072		4 552	5 142
Vodafone Group Plc, Great Britain	0,0004		12 939	13 468
Zurich Financial Services AG, Switzerland	0,0536		1 148	1 182
Capital trusts				
Aboa Venture II Ky			478	478
Access Capital LP			4 515	4 515
Access Capital LP II A			563	563
Access Capital LP II B			188	188
Bio Fund Ventures I Ky			1 747	1 747
Bio Fund Ventures II Ky			4 370	4 370
Bio Fund Ventures III Ky			431	431
Ecvitec Technology Funde II Ky			397	397
Etelä-Pohjanmaan Rahasto Ky			70	70
European Fund Investments UK			1 394	1 394
Finnmezzanine Rahasto I Ky			777	777
Finnmezzanine Rahasto II Ky			1 505	1 505
Finnmezzanine Rahasto III Ky			1 664	1 664
Finnventure Rahasto III Ky			980	980
Finnventure Rahasto V Ky			7 020	7 020
Forenvia Venture Rahasto I Ky			622	622
Garantia Pk-Lainarahasto Ky I			177	177
Garantia Pk-Lainarahasto Ky II			252	252
GrowHow Rahasto I Ky			16	16
Helmet Sme Ventures Ky			868	868
Industri Kapital 2000 Limited			6 834	6 834
Kareliaventure Rahasto Ky			69	69
Lapin Rahasto I Ky			48	48
Metal Fund Ky			88	88
Midinvest Fund I Ky			123	123
Nordic Capital IV Ltd			4 967	5 037
Nordic Mezzanine Fund I Ky			2 315	2 315
Profita Fund I Ky			741	741
Profita Fund II Ky			980	980
Promotion Capital I Ky			545	545
Savon Kasvurahasto I Ky			399	399

OTHER INVESTMENTS

1000 EUR	shares %	votes %	Book value 31 Dec. 2001	Parent company Current value 31 Dec. 2001
Fixed-income funds				
ABN Amro Euro Kredit Fund			50 000	52 611
JPM Global Exchance Fixed Income			50 000	54 459
Mandatum Neutral			20 086	21 663
Mandatum Omega A			25 000	25 248
Equity funds				
Avenir B Kasvu			3 000	3 000
BGI Denmark Index			472	516
BGI Emu Equity Index Fund			21 629	21 629
BGI Norway Index			274	296
BGI S&P 500 Index			22 278	24 110
BGI Sweden Index			1 329	1 443
BGI Switzerland Index			4 104	4 434
BGI UK Index			14 064	15 102
CAF Asian Renais Inst			25 448	26 271
Carnegie Medical			8 008	10 095
Carnegie Worldwide			10 005	10 461
FIM Mondo Kasvurahasto			3 095	3 095
Fondita Nordic Small Cap			3 940	4 148
Hedge + Allternative Inv. Certi.			10 132	10 239
Mandatum Global			23 444	23 444
NIMF European Equity Fund			9 772	9 772
PTF Small Cap Europe			7 614	7 614
PW Tactical Allocation Fund			4 314	4 936
The Carnegie Global Healthcare			10 000	10 035
Guarantee capital				
Mutual Insurance Company Fennia			3 364	3 364
			811 459	880 598

		Parent company
1000 EUR	2001	2000
TECHNICAL PROVISIONS		
Premium reserve		
Future pensions	1 942 197	1 797 892
Provision for future bonuses	426 835	398 746
Provision for current bonuses	22 121	34 035
Total premium reserve	2 391 153	2 230 673
Claims reserve		
Current pensions	1 024 064	907 227
Equalisation amount	223 050	204 029
Total claims reserve	1 247 114	1 111 256
Total technical provisions	3 638 267	3 341 930
BONUSES		
Provision for current bonuses, 1 Jan.	34 035	34 622
Client bonuses paid during the financial year	-18 252	-13 076
Transfer to provision for current bonuses	6 337	12 489
Provision for current bonuses, 31 Dec.	22 121	34 035

		Parent company
1000 EUR	**2001**	**2000**
SOLVENCY MARGIN		
Capital and reserves after the proposed distribution of profit	20 988	19 758
Share capital or equivalent funds, profit brought forward, revaluation reserve and central administration account	0	0
Accrued appropriations	270	6 634
Valuation difference between current values of assets and book values of balance sheet items	105 461	289 050
Provision for future bonuses	426 835	398 746
Subordinated loans	0	0
Commitments excluded in the balance sheet	0	0
Deferred acquisition costs and intangible assets	-3 356	-774
Other items	0	0
	550 198	713 414
Solvency margin required under the Act on Employment Pension Insurance Companies, Section 17	173 829	178 146
Solvency ratio, %	17,29	24,57
the realised solvency margin/technical provisions used in calculating solvency		
Solvency limit, %	8,19	9,20
Lower limit of the target zone, % 2 x solvency limit	16,39	18,40
Upper limit of the target zone, % 4 x solvency limit	32,78	36,81

Helsinki, 11 March 2002

THE BOARD OF DIRECTORS

Eero Lehti

Jalo Paananen

Lasse Heiniö
Managing Director

Pertti Parmanne

Lars-Erik Gästgivars

Ilkka Joenpalo

Heikki Kauppi

Olavi Nieminen

Heikki Ropponen

Pekka Sairanen

Mikko Karpoja
Fellow of the Actuarial Society of Finland, Actuary in accordance with Chapter 18, Section 8 of the Insurance Companies Act

AUDITORS' REPORT

To the Shareholders of Mutual Insurance Company Pension Fennia

We have audited the accounting records, the financial statements, and the administration of Mutual Insurance Company Pension Fennia for the financial year 1 January – 31 December 2001. 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 Risto Järvinen, Authorised Public Accountant, has been responsible for scrutinising the accounts and administration during and following the financial year and has submitted a separate report thereon.

We have conducted the audit in accordance with good auditing practice. This means that the accounts and the accounting principles, contents and mode of presentation have been examined to an extent sufficient to establish that the essential parts of the financial statements have been correctly drawn up. The purpose of the audit of administration has been to examine the compliance of the operations of the Supervisory Board, the Board of Directors and the Managing Director with the provisions of the Act on Employment Pension Insurance Companies, the Insurance Companies Act and the Finnish Companies Act.

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, and of their financial position. We recommend that the financial statements, including the consolidated financial statements, be adopted and the Supervisory Board, the Board of Directors and Managing Director of the parent company be released from liability for the period audited by us. The proposal by the Board of Directors on the disposal of the surplus is in compliance with the Insurance Companies Act.

Helsinki, 21 March 2002

Risto Järvinen,
Authorised Public Accountant

Kristian Hallbäck,
Authorised Public Accountant

STATEMENT BY THE SUPERVISORY BOARD

The Supervisory Board of Mutual Insurance Company Pension Fennia has handled the company's financial statements, consolidated financial statements and the auditors' report for the year 2001. The Supervisory Board has found no cause for criticism concerning them.

The Supervisory Board proposes to the Annual General Meeting that the financial statements and the consolidated financial statements be confirmed, and the Board of Directors' proposal for the disposal of the surplus for the financial year be accepted.

Helsinki, 4 March 2002

On behalf of the Supervisory Board

Markku Koskenniemi
Chairman of the Supervisory Board

AUTHORISED FINANCIAL STATEMENTS

The authorised financial statements and consolidated financial statements have been drawn up and audited in Finnish markka. They can be viewed at the head office of Pension Fennia, address Kansakoulukuja 1, Helsinki.

COMPANY ANALYSIS 2001

The most important key figures that reflect the state of the company are investment income, loading profit and the amount of solvency margin in proportion to solvency requirements. Pro forma figures are used for the year 1998 which provide a picture of Pension Fennia as it would have been, if it had operated in its current extent throughout the year. From the year 1999 on, figures have been rounded to the nearest five; thus the figures do not necessarily sum up to the total given.

The table on page 36 presents the central key figures describing the extent of Pension Fennia operations.

Investment operations

The table describing investment result shows how Pension Fennia net investment income met the minimum yield requirement, i.e. compared with the interest paid on technical provisions and, in the previous years, also the interest transferred to support the solvency margin.

Net investment income after taxes stood at EUR 188.2 million in the income statement, and, additionally, other items of the income statement included EUR 2.8 million of interest income. After the yield requirement of technical provisions, EUR 165.5 million, they showed a surplus of EUR 25.5 million. As a result of falling share prices, valuation differences decreased by EUR 183.6 million during the financial year. Revaluations on real estate in the year 2001 amounted to EUR 2.9 million. Value adjustments totalled EUR 83.5 million and value readjustments totalled EUR 2.7 million.

Rates of return on investments are calculated according to investment allocation for each asset item by weighing the invested capital with investment months. Investment income is formed by the net income in accordance with the profit and loss account of the investment period plus the change in valuation differences. Invested capital includes the accrued interest that has not fallen due.

The table on page 37 shows the distribution of completed real estate investments into different types of premises and their net return for the Pension Fennia group.

VOLUME KEY FIGURES	2001	2000	1999	1998 pro forma
Premiums written, EUR million				
TEL	555,0	484,3	446,7	402,5
YEL	57,8	55,5	53,2	50,6
TEL payroll, EUR million	2 574,6	2 282,2	2 075,8	1 887,1
YEL earnings, EUR million	300,4	286,7	283,6	270,0
Number of insured				
TEL	112 800	107 600	101 000	92 900
YEL	18 840	18 750	18 690	18 560
Number of policies				
TEL	14 760	14 730	14 780	14 450
YEL	18 840	18 750	18 690	18 560
Pensions paid, EUR million				
TEL	412,6	383,8	365,4	349,2
YEL	69,0	64,5	61,8	58,9
Number of pensioners				
TEL	56 550	55 224	54 129	52 947
YEL	11 750	11 396	11 091	10 690
Turnover, EUR million	973,7	960,1	757,9	675,9
Net investment income, EUR million [1]	188,2	278,5	191,5	165,8
Change in valuation differences, EUR million	-183,6	-244,2	240,7	102,1
Yield on invested capital, % [2]	0,2	1,1	14,8	10,1 [3]
Total operating expenses, EUR million [4]	23,5	20,0	20,0	19,7
Technical provisions, EUR million	3 638,3	3 341,9	2 982,2	2 718,4
Balance sheet total, EUR million	3 708,4	3 419,1	3 039,0	2 806,0
Balance sheet assets at current values, EUR million	3 813,8	3 708,1	3 572,4	3 098,5
Solvency margin, EUR million	550,2	713,4	830,5	489,9
Percentage of the technical provisions	17,3	24,6	31,2	19,7
Ration to solvency limit	2,1	2,7	2,9	2,9
Number of personnel	215	199	200	196

[1] After tax at book value.
[2] Includes unallocated costs, operating expenses and other income.
[3] For 1998, the rate of return has been calculated on the average of current values at beginning and end of year, and the capital does not include accrued interests.
[4] Excluding administrative costs of working capacity maintenance.

The total yield on Pension Fennia completed real estate portfolio for the year 2001 calculated in accordance with the index of the Institute for Real Estate Economies KTI was 6.3 per cent. The total yield comprises net return (8.4 per cent) and return on changes in value (-2.0 per cent).

The sufficiency of the administration costs in premium and the management expense ratio of the investments

The assets required for the management of pension provision are collected in the administration cost included in the premium. The basis for the premium is the same for all companies, but the amount of the administration costs in the premium depends on the total payroll of insurances. These administration costs in the premium cover claims settlement expenses, insurance policy acquisition costs, policy management and general administrative expenses, including depreciation. Administration costs from investments are covered from investment income.

Other income includes premium increases charged from clients due to neglected insurance notifications, and the compensation from the sale of the YEL administration system. The positive development of the administration costs in the premium results from tight expense budgeting, as well as the change made in Pension Fennia’s entry practice in the year 2000, according to which the costs from building IT systems are capitalised in the balance sheet and transferred to operating expenses after the system has been taken into use.

Solvency and development of client bonuses

The solvency of employment pension companies is measured by the solvency margin and its ratio to the solvency limit which is determined according to the risk-bearing of the company’s investments. The solvency margin consists of the capital and reserves, the difference between current values and book value of assets, the provision for future bonuses, and the depreciation difference.

INVESTMENT INCOME, EUR million	2001	2000	1999	1998 pro forma
Direct net income	**162,6**	**157,0**	**136,9**	**137,7**
Loans	13,1	13,1	14,1	19,3
Bonds	97,4	85,6	80,2	80,6
Other money-market instruments and deposits	8,3	12,6	5,6	8,1
Equities and shares	19,2	22,8	11,3	8,6
Real estate	23,7	21,3	19,7	18,0
Unallocated income, costs and operating expenses [1]	1,0	1,6	6,1	3,2
Changes in book value [2]	**28,3**	**124,6**	**61,9**	**32,3**
Equities and shares	-10,0	120,4	46,1	25,7
Bonds	39,0	1,6	16,1	16,8
Real estate	0,3	2,7	-0,3	-10,3
Other investments	-1,0	-0,2	0,0	0,0
Net investment income at book value	**191,0**	**281,6**	**198,8**	**170,0**
Change in valuation differences	**-183,6**	**-244,2**	**240,7**	**102,1**
Equities and shares	-155,2	-269,6	373,4	43,6
Bonds	-33,1	21,3	-135,4	65,8
Real estate	4,8	3,7	2,7	-7,2
Other investments	-0,1	0,3	0,0	0,0
Total investment income	**7,4**	**37,3**	**439,5**	**272,1**
Yield requirement on the technical provisions	**-165,5**	**-143,8**	**-128,3**	**-130,7**
Investment result at book value	**25,5**	**137,8**	**70,5**	**39,4**
Investment result at current values	**-158,1**	**-106,4**	**311,2**	**141,4**

[1] Also includes the interest included in insurance business

[2] Realisation gains and losses and other changes in book value

INVESTMENT ALLOCATION	2001		2000		1999		1998 pro forma	
	EUR mill.	**%**	**EUR mill.**	**%**	**EUR mill.**	**%**	**EUR mill.**	**%**
Loans	**242,5**	**6,6**	**261,5**	**7,3**	**276,3**	**8,0**	**307,9**	**10,4**
Bonds	**2 024,0**	**54,8**	**1 788,5**	**49,9**	**1 514,6**	**43,9**	**1 613,9**	**54,7**
Other money-market instruments and deposits [1]	**99,8**	**2,7**	**185,7**	**5,2**	**240,6**	**7,0**	**228,9**	**7,8**
equities and shares	**897,3**	**24,3**	**968,1**	**27,0**	**1 024,1**	**29,7**	**424,3**	**14,4**
of which fixed-income funds	154,0	4,2	99,9	2,8	-		-	
Real estate	**427,3**	**11,6**	**378,2**	**10,6**	**392,4**	**11,4**	**374,9**	**12,7**
Total investments	**3 690,9**	**100,0**	**3 582,0**	**100,0**	**3 448,0**	**100,0**	**2 949,9**	**100,0**

[1] Includes money and cash at bank.

INVESTMENT INCOME	Total investment yield 2001 EUR mill.	Invested capital 2001 EUR mill.	Yield on invested capital, % 2001	Yield on invested capital, % 2000	Yield on invested capital, % 1999	Yield on invested capital, % 1998 [2]
Loans	12,0	249,5	4,8	5,0	5,0	5,5
Bonds	103,3	1 850,2	5,6	6,9	-2,2	12,1
including fixed-income funds	109,0	1 970,5	5,5	6,9	-	-
Other money-market instruments and deposits	8,3	164,4	5,0	4,4	3,0	2,5
Equities and shares	-146,0	996,8	-14,7	-12,2	93,0	20,9
excluding fixed-income funds	-151,7	876,4	-17,3	-13,1	-	-
Real estate [1]	28,8	388,5	7,4	7,8	6,0	0,2
Allocated investment income	**6,4**	**3 649,5**	**0,2**	**1,0**	**14,6**	**10,1**
Unallocated costs and operating expenses from investment	-3,1		-0,1	-0,1	-0,1	
Other income	4,1		0,1	0,1	0,3	
Total	**7,4**		**0,2**	1,1	14,8	

[1] Income from real estate = parent company income from fixed assets and investments; included state interest subsidy in 2001 (EUR 0.6 million).

[2] For 1998, the rate of return has been calculated on the average of current values at beginning and end of year, and the capital does not include accrued interests.

PERFORMANCE ANALYSIS, EUR mill.	2001		2000		1999		1998 pro forma	
Sources of surplus								
Insurance business surplus		19,0		19,8		36,0		29,8
Investment surplus at current values								
Investment surplus at book value	25,5		137,9		70,5		39,5	
Change in valuation differences	-183,6	-158,1	-244,2	-106,4	240,7	311,3	102,1	842,0
Loading profit		3,9		2,5		0,7		-0,8
Total surplus		-135,2		-84,1		347,8		170,5
Distribution of surplus and change in reserves								
Change in solvency (+ / -)								
Equalisation provision		19,0		19,8		36,0		29,8
Solvency margin		-160,6		-116,4		294,1		124,8
Transfer to client bonuses		6,3		12,5		17,7		15,8
Proposed distribution of profit		0,0		0,0		0,0		0,2
Total		-135,2		-84,1		347,8		170,5

There are fixed lower and upper limits for client bonus transfers that depend on the ratio between the company's solvency margin and solvency limit. The weakened solvency status from the situation on 31 December 2000 is shown in lower client bonus transfers compared to the previous year.

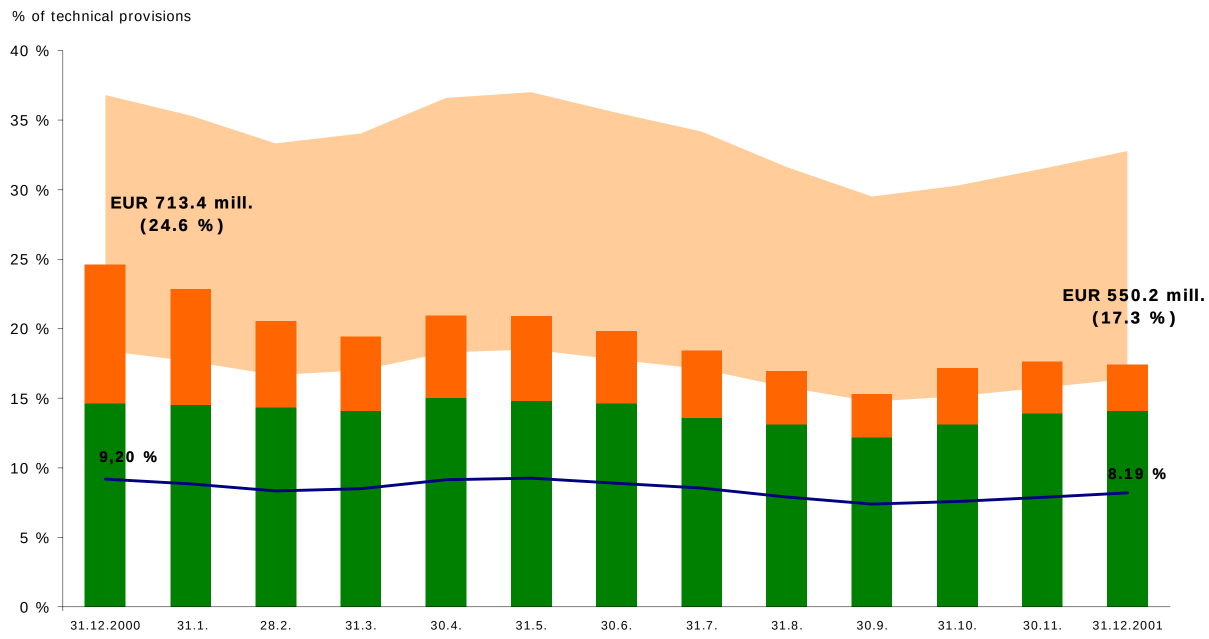
The tables on previous page show the variation in the company's solvency during the financial year, and the development of solvency from 1998-2001.

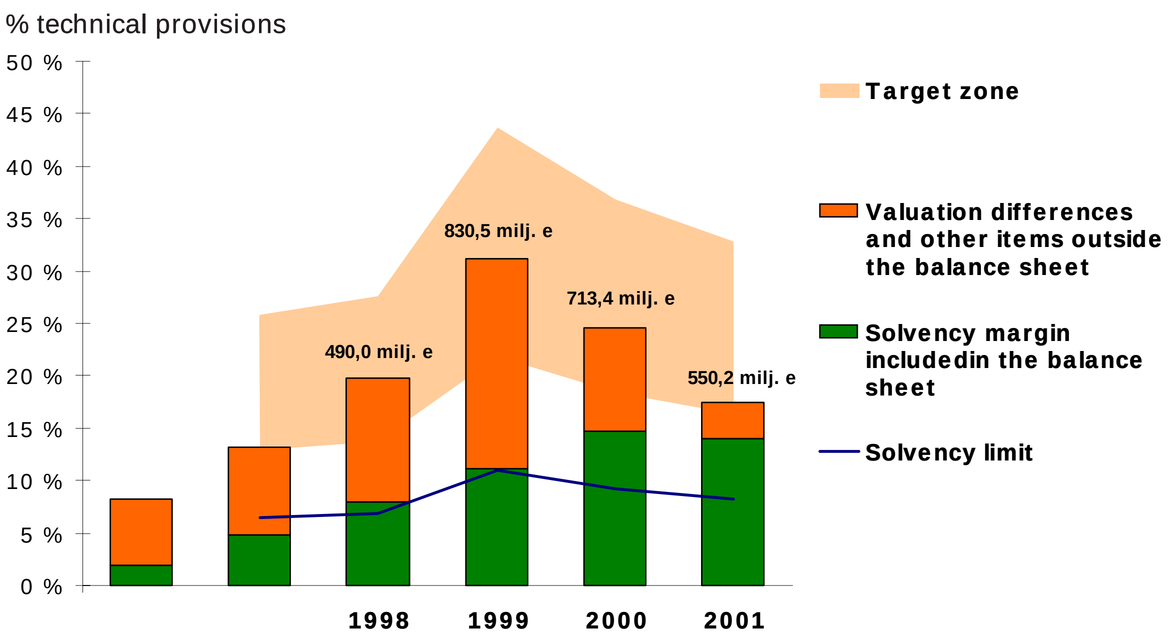
Performance analysis for the financial year

Performance analysis gathers together the sources of surplus, i.e. investment income including changes in valuation differences, loading profit, risk business surplus and distribution of surplus.

The risk business result is directly affected by the structure of the insurance portfolio, and the result indicates how well insurance premiums have covered the costs resulting from contingencies. Pension Fennia risk business result for the year 2001 stood at EUR 19.0 million.

The solvency of the company was strengthened by transferring EUR 26.1 million to provision for future bonuses and EUR 6.3 million to client bonuses i.e. provision for current bonuses.





FINANCIAL STATEMENT GLOSSARY

Adjusted solvency
The purpose of adjusted solvency is to provide an idea of an insurance company's solvency, taking into account its ownership in other insurance companies less cross-financing with other companies in the same insurance companies group.

Asset allocation
Investments classified into asset items at current values, including the accrued interest, money and cash at bank. Investment classification into different groups equals official accounting.

Assets covering technical provisions
The company's assets are divided into eight groups based on the solvency of investments. Each group has been determined a maximum share that it can cover of the technical provisions. The assets covering technical provisions are normally valued at current values.

Capital value
Capital value is the sum of pension items amounting to one euro that will fall due in the future. Calculation of the capital value takes into account the remaining lifetime, mortality rate and prevalence rate, and a 3% interest is paid on the accrued remaining capital.

Client bonus
The bonus determined by the mutual proportion of the company's solvency margin and solvency ratio which is granted to TEL policyholders as a reduction of the insurance premium.

Equalisation provision
The equalisation provision serves as a buffer against insurance business fluctuations. The annual profit on risk premium collected is added to the equalisation provision and the loss is covered from the equalisation provision.

Invested capital
Investments valued at market value at the beginning of the period plus cash flow weighted with monthly weights. Investments also include interest income from investments plus money and cash in bank.

Investment income
Investment income is calculated on investment classes corresponding with asset allocation, using time- and money-weighted returns (MWR).

Investment surplus
Investment surplus is calculated as follows: book value of investment surplus plus change in valuation differences of assets.

Investment surplus, book value
The book value of investment surplus is calculated as follows: net return on investment plus interest items that are included in other items in the income statement less the required rate of return on technical provisions. The net return on investment assets includes value adjustments entered as income.

Loading profit
Loading profit is calculated as follows: expense loading, collected for covering operating expenses, less operating expenses, excluding investment management expenses.

Profit on risk premiums collected
The profit on risk premiums collected indicates the profit on the insurance business on the company's responsibility. It is calculated by subtracting the funded compensations paid from the insurance premiums collected for covering the risk.

Provision for current bonuses
Assets are transferred to the provision for current bonuses to be used for client bonuses granted to policyholders.

Provision for future bonuses
The provision for future bonuses is a part of the company's solvency margin and serves as a buffer against investment yield fluctuations.

Required rate of return on technical provisions
The required rate of return on technical provisions is the minimum interest paid on technical provisions. It is determined by the so-called technical rate of interest that is confirmed by the Finnish Ministry of Social Affairs and Health.

Solvency
The follow-up of adequacy of an employment pension company's solvency is based on the scrutinising of theoretical risks. The central quantity is the solvency limit. It is used to define three different solvency zones: target zone, zone of limited distribution of profit, and crisis zone. The lower limit of the target zone is twice and the upper limit four times the solvency limit. The solvency limit and the zones are defined as percentages of the company's technical provisions. The riskier the company's asset allocation, the higher the solvency limit.

Solvency margin
The solvency margin is the excess of company assets over liabilities at current values. The provision for future bonuses is not included in liabilities in this case.

Statutory payments
Pension-Fennia's share of the expenses of the Central Pension Security Institute.

Technical provisions
The company's liability resulting from insurance contracts comprises the premium and claims reserves. The premium reserve is an estimate of the capital value of the pension payments based on future occurrences of the insured events less the capital value of the expected income. The claims reserve in the financial statements contains the future compensations of contingencies that have already happened. The provisions for current and future bonuses are included in the premium reserve, and the equalisation provision is included in the claims reserve.

Technical provisions to be covered
In addition to the technical provisions in the financial statements, the technical provisions to be covered include liabilities in respect of pooled pension expenditure and policyholders. The basic insurance in accordance with the Self-Employed Person's Pensions Act does not at the moment contain any provisions to be covered.

Turnover
Turnover equals premiums written before credit losses and reinsurers' share + return on investment + other returns + revaluations entered as income realised in connection with sales.

Valuation difference
The difference between the current value and book value of assets.

PERSONNEL

In autumn 2001, the personnel strategy work involving select personnel representatives was commenced. In connection with that, the personnel vision will be specified and the strategic goals linked to the vision will be defined. The key point of the vision is the solid expertise that the clients expect from their employment pension company, and Pension Fennia's personnel policy supports that aspect as effectively as possible. The personnel strategy is planned to be introduced for approval by the Board of Directors of Pension Fennia in spring 2002.

Stronger client contacts

Pension Fennia employed 215 people as at 31 December 2001. The annual average number of staff was the same.

During the year 2001, 20 new employees were recruited. Additionally, six fixed-term posts were turned permanent. In client contacts, the management services of major accounts were strengthened, and the related transfer of staff increased the number of Pension Fennia personnel by eight people. Otherwise, the number of personnel has increased steadily in the whole company. Ten employees resigned. Staff turnover was 4.1 per cent.

Approximately 26 per cent of Pension Fennia staff have a university degree and 31 per cent have a vocational degree. Of new clerical employees, 37 per cent have a university degree and 42 per cent have a vocational degree.

The average age of new employees was 37.7 years, and the average age of all personnel was 44.4 years at the end of 2001. 31 per cent of staff are male and 69 per cent female.

Pension Fennia employees have an average of 17 years working experience in the insurance business. 39 per cent of staff have been in the industry for more than 20 years, and 31 per cent for 11-20 years.

The co-operation agreements made in December will raise the number of Pension Fennia service outlets from the previous 60 to nearly one thousand. Consequently, the need for different support services and client contact persons, as well as personnel trainers will increase. Pension Fennia's personnel plans are prepared for further growth of the number of personnel, first in client contacts, then later in insurance and pension services.

New skills through training

During the year 2001, Pension Fennia employees participated in training provided by both Fennia Group's Fennia Akatemia and external trainers. The investments in training rose from the previous year. A total of EUR 356,862 was spent in training, which means EUR 1,660 per employee.

Around EUR 11,800 was spent to support personnel well-being in the year 2001.

The incentive remuneration trial that was started in the year 2000 continued in 2001. Incentive remunerations are determined according to both the company-specific result and the results of a team or an individual. A total of EUR 194,177, excluding social expenses, was paid in incentive remunerations on the basis of the previous year's results.

Kiinteistö-Fennia personnel

Fennia Group's real estate services have been concentrated to Kiinteistö-Fennia, which employed a permanent staff of 21 people as at 31 December 2001. The average age of staff was 42.5 years. Kiinteistö-Fennia belongs to the same group as Pension Fennia and buys the personnel administration services from Pension Fennia.

PENSION FENNIA'S ADVISORY BOARDS 31.12.2001

PENSIONS ADVISORY BOARD

Jukka Vainio
Director
Pension Fennia
Helsinki
Chairman

Jukka Karhu
Adviser
Employers' Confederation
of Services Industries in Finland
Helsinki

Pekka Kähkönen
Director
The Finnish Association of
Graduate Engineers TEK
Helsinki

Raimo Kärnä
Industrial Safety Officer
The Finnish Metalworkers' Union
Helsinki

Hannu Saimanen
Director
Wood and Allied Workers'
Unemployment Fund
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Lawyer
Finnish Confederation
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Helsinki

Markus Äimälä
Master of Laws
The Confederation of Finnish
Industry and Employers
Helsinki

Seppo Mattila
Medical Director
Pension Fennia
Helsinki
Specialist member

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Keski-Uusimaa Oy
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Taiju Eerikäinen
Nurse
A-Clinic Foundation
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Warehouse employee
Kokkolan Halpa-Halli Oy
Kokkola

Esa Ikkelä
Project Manager
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Jyväskylä

Helena Joenkoski
Product assembler
Kemppi Oy
Lahti

Toivo Juntunen
Purchasing Manager
Kemppi Oy
Lahti

Seppo Kurki
Printing house foreman
Uusimaa Oy
Porvoo

Maija Levonpää
Woodwork employee
Metsäpuu Oy
Loimaa

Tuija Linna
Delivery Supervisor
Schenker-BTL Oy
Helsinki

Mauri Nevalainen
Head of Department
Kemppi Oy
Lahti

Heli Mäkinen
Baker
Primulan Leipomot Oy
Helsinki

Raimo Paavola
Articulated truck driver
Suomen Kiitoautot Oy
Helsinki

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Stonework employee
Mittakivi Oy
Juuka

Johanna Rajala
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H&M Hennes&Mauritz Oy
Turku

Kalevi Saarinen
Production Manager
Mariodos Oy
Virkkala

Ritva Sorkamo
Director of Outsourcing
Services
Novo Group plc
Vaasa

Vuokko Toivola
Inspector
Pola Oy
Lappeenranta

Arvi Tuomarmäki
Electrician
Hella Lighting Finland Oy
Salo

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Managing Director
Ehon Leipomo Oy
Helsinki
Chairman

Seppo Suuriniemi
Managing Director
Vammalan Konepaja Oy
Vammala
Deputy Chairman

Rabbe Grönblom
Chairman of the Board
Kotipizza Oyj
Vaasa

Jarmo Halonen
Managing Director
Elecster Oyj
Toijala

Björn Hartman
Division Director
Oy C.J. Hartman Ab
Vaasa

Timo Hietala
Managing Director
TH-Laite Oy
Rovaniemi

Reijo Jokela
Managing Director
Suomen Broiler Oy
Masku

Tuomo Järvinen
Chairman of the Board
Esski Oy
Hollola

Kari Kaarnalahti
Chairman of the Board
SKS-Tekniikka Oy
Vantaa

Jouko Karttunen
Managing Director
Tiliaktiiva Oy
Helsinki

Pasi Lohikko
Managing Director
Tunturi Oy Ltd.
Turku

Martti Paunu
Managing Director
Väinö Paunu Oy
Tampere

Arto Pohto
Financial Director
Lillbacka Oy
Kauhava

Heikki Rinta-Rahko
Managing Director
Kurikan Keskus-Optiikka Ky
Kurikka

Pertti J. Siikarla
Managing Director
Yrittäjien Oikeussuoja Oy
Helsinki

Kaj Ström
Managing Director
Oy Motoral Ab
Helsinki

Esko Torssonen
Deputy Managing Director
Suomen Kiitoautot Oy
Kuopio

Jaakko Valkamo
Chairman of the Board
Oy Primula Ab
Helsinki

Lennart Varjo
Managing Director
Hella Lighting Finland Oy
Salo

Reijo Vauhkonen
Tulikivi Group
Juuka

Arvo Viinonen
Chairman of the Board
Kojaltek Oy
Oulu

Olli Vilppunen
Managing Director
LSK Electrics Oy
Lahti

Pertti Vuorio
Managing Director
Salon Seudun Puhelin Oy
Salo