Pension Fennia's Financial Statements 2002

Contents

The Board of Directors' Report for the Year 2002

The economic operating environment

The year 2002 was the second year of slow economic growth in a row in the euro currency area and other key economies. According to the preliminary information, the growth of economy in the euro currency area was less than one per cent, which is even slower than the growth in 2001 (1.5 per cent). The development of the largest economy in the area, Germany, was particularly poor. In Finland, the economic growth was around 1.5 per cent.

Investments continued to decrease for the second consecutive year. Increased unemployment rate restrained the growth of private consumption. The growth of investments was also subdued in the United States, but as a result of low interest level and tax abatements private consumption remained at a good level. The financial position of the public sector weakened significantly in several countries of the euro currency area. Despite the growth of the public sector debts, the current account of the euro currency area showed a clear surplus, whereas the current account deficit in the US increased to record-high figures. In the US, companies amortised their debts, but the debts of the public sector and private consumers continued to grow.

The increase rate of consumer prices slowed down during the first half of the year, but turned to the rise again towards the end of the year. Although the inflation rate was since July slightly faster than the objective of the European Central Bank, ECB lowered the central bank rate by 50 interest points. The central bank of the US, the Federal Reserve, lowered its central bank rate to 1.25 per cent which is the lowest level since the Second World War.

In addition to weak economic growth, the year was characterised, particularly in the US, by obscurities in reporting practices of companies and by major bankruptcies and increasing geopolitical risks towards the end of the year. As a result of these factors, share prices continued to fall for the third consecutive year, margins of corporate bonds widened and the interest rates fell.

Development of the statutory earnings-related pension scheme

Central labour market organisations, excluding Akava the Confederation of Unions for Academic Professionals in Finland, made an agreement on 5 September 2002 that complements the agreement on the development of employment pensions in the private sector made on 12 November 2001. On the basis of these agreements, the Government prepared a proposal for a reform that was passed by the Parliament in February 2003. One of the key goals of the pension agreement is to simplify the pension acts, and hence the purpose is to prepare a completely new, uniform employment pensions act for the private sector. The Parliament also passed the amendment of the Self-Employed Persons' Pensions Act, according to which entrepreneurs are allowed to complement their pension provision flexibly with an extra payment within certain limits.

Research into the competitive situation within the statutory earnings-related pension scheme continued during the year. Researcher Jukka Rantala submitted his proposal to the Ministry of Social Affairs and Health concerning e.g. the determination of the technical interest rate in the future. The Parliament also passed a government bill the goal of which is to facilitate establishing a new pension institution. In the future, employers can transfer their accrued fund and part of the solvency margin from an employment pension company to a pension foundation to be established, under the provisions of the law.

The status of key figures that employment pension companies have been publishing for several years was made official in a decree on financial statements given by the Ministry of Social Affairs and Health. Now the obligation to publish concerns all employment pension institutions. The goal is to increase transparency and financial information about the operations of pension institutions.

Reaching the goals in the year 2002

The co-operation agreements made with Local Insurance Mutual Company and OKO Bank Group Central Cooperative on 14 December 2001 opened up the national service networks of the new partners for use by Pension Fennia customers in addition to Fennia offices. The goal is to create a co-operation model based on partnership.

The co-operation has started well, and the customers have been interested in the new model. The success of the co-operation is well indicated by the transfer round result of the year 2002 in which Pension Fennia was the best of the employment pension companies measured by premium income. The number of new TEL and YEL customers totalled over 3,500.

According to preliminary information, Pension Fennia's *market share* measured by premium income stood at 9.8 per cent, or slightly short of the goal of 10 per cent. Successful new acquisition was not able to fully replace the losses of transfer business in 2001. In addition to partnership, service was improved by hiring new account managers in Southern and Northern Finland and by developing versatile online tools for use by the service network.

The key goal of *investment operations* is to use the solvency margin efficiently in order to reach the best return on investment in all market situations. Investment income was satisfactory considering the operating environment. Return on invested capital at current values stood at 1.6 per cent for the financial year, while in the previous year it was 0.2 per cent.

The *solvency margin* at the closing of the accounts was twice the solvency limit. The absolute amount of the solvency margin decreased from EUR 550.2 million to EUR 437.5 million. This was due to the falling share prices and the transfer from provision for future bonuses to technical provisions called for by meeting the required rate of return on technical provisions. Despite the decrease of the solvency margin, the amount of the solvency margin secures well the risks incurred in investment operations.

The transfer to *bonus reserves* was 0.2 per cent of the total payroll of the insured.

The goals set for savings in *operating expenses* were met, and the expenses were below the expense loading included in the insurance premium by EUR 2.4 million, which equals 10.0 per cent savings. Activated IT system expenses related to insurance business totalled EUR 3.4 million in the balance sheet on 31 December 2002.

Administration and the development of the management system

The Annual General Meeting of Pension Fennia on 18 April 2002 elected Harri Kainulainen, Managing Director, and Mikael Silvennoinen, Managing Director, as new members of the Supervisory Board. Furthermore, the AGM elected Eero Lehti as the Chairman of the Board of Directors, and Pertti Parmanne and Jalo Paananen as Deputy Chairmen. Per-Olof Johansson, Authorised Public Accountant, was elected auditor and the supervisory auditor; Marja Tikka, Authorised Public Accountant, was elected auditor and the deputy supervisory auditor; and Tuija Korpelainen, Authorised Public Accountant, and Arto Tenhula, Authorised Public Accountant, were elected deputy auditors.

In its meeting on 19 November 2002, the Supervisory Board of Pension Fennia re-elected Board members Ilkka Joenpalo, Heikki Kauppi, Heikki Ropponen and Pekka Sairanen, whose term had expired, for the three-year term from 2003-2005. Hannu Ketola was elected deputy member of the Board of Directors to replace Kari Elo who resigned.

The *internal supervision and risk management* followed by Pension Fennia are parts of the company's management and administration process, and their task is to promote profitability, efficiency and appropriateness of operations, keep up the reliability and consistency of operational information, ensure compliance with laws, regulations and agreements, as well as securing the company's assets.

According to the law, responsibility for supervision and risk management principally lies with the Board of Directors of the company. As for internal supervision, line managers report to the Managing Director who in turn is responsible to the Board of Directors. The responsibility chain of internal supervision goes through the entire organisation so that each Pension Fennia employee is responsible for his or her area of responsibility to his or her supervisor.

The execution of internal supervision and risk management in Pension Fennia is based on continuous development of the company's *management system*. The management system comprises of the company's operational line organisation as well as the management group and the investment committee. In addition, the information management and information security groups are subordinate to the management group.

In connection with the company's operational planning process, Pension Fennia annually draws up a risk management plan covering all operations and approved by the Board of Directors that takes into account the strategic, operational, financial, insurance and damage risks directed at the company's operations. The administration procedures of strategic, operational and financial risks related to investment operations and decision-making authorisations for investment operations are included in the investment plan approved by the Board of Directors of the company. Risk management of insurance business is carried out using calculation bases that fulfil the securing requirements, as well as insurance technique analyses. Operational risks are managed through development of the management system, reporting, forms of operation and processes, by continuously training the personnel, and by securing the sufficiency of resources in the long term.

Pension Fennia has its own internal supervision whose task is to evaluate the sufficiency, appropriateness and efficiency of internal supervision, as well as to co-ordinate the company's risk management process.

Development of operations

The development of electronic services and tools continued vigorously on the basis of the business strategy for electronic services drawn up in 2001. An enhanced version of the Online service for facilitating employers' notifications traffic was introduced, and the technical solution is also new. This created a good basis for future development work.

The tyoelake.fi website, jointly developed by the insurance field for the insured, was opened to facilitate finding the information. It is also possible to check one's gainful employment recorded in the register through Pension Fennia's website. Identification is done with an electronic ID card, electronic Kela card or online banking codes.

The Sefekti desktop was created to facilitate the customer service provided by co-operation partners. Electronic ways of working will also change the work of Pension Fennia employees in coming years. We have prepared for expanding online use with online support services. The handling of routines in insurance administration and processing of pension applications will be enhanced with electronic tools, and time will be released for customer service.

The company's operational planning, goal-setting and follow-up of realisation are supported through an *incentive reward system*. The year under review was the third 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 aims at bringing the company's strategic plans close to each Pension Fennia employee, and thus increases the understanding on how the result of an employment pension company is determined and how it can be affected.

Insurance portfolio and premiums written

At the year-end 2002, Pension Fennia was responsible for insuring 134,840 persons' pension provision. The number of TEL basic insurances was 15,920, and the number of insured 115,460. The number of YEL insured stood at 19,380 at year-end.

Premiums written for the year 2002 stood at EUR 630.3 million. Of this amount, TEL insurance accounted for EUR 571.8 million before deduction of credit losses and YEL insurances for EUR 63.4 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 4.4 per cent. The YEL premium was 21.1 per cent of earnings.

Pensions and well-being at work

A total of 11,190 pension applications were handled during the year 2002 of which 6,800 were new pension applications. The total number of new pension applications has increased by almost 10 per cent. The numbers of part-time pension and disability pension applications grew most. Part-time pension applications increased by 44 per cent and disability pension applications by around 15 per cent. The flood of part-time pension applications intensified towards the end of last year, probably due to the general uncertainty about the effects of the legal reform on the right to retire on pension. The reason for increase in the number of disability pension applications was most likely due to the fact that the baby boom generation is approaching retirement age. A clear decrease was only observed in the number of unemployment pension applications.

Pension Fennia paid pensions to 70,040 persons at the year-end 2002. The total value of pensions paid in 2002 stood at EUR 513.9 million.

Pension Fennia developed its services for well-being at work during the year 2002. Our website at www.elakefennia.fi/efekti includes a wide variety of information about working capacity and vocational rehabilitation, and an operating model for planning working capacity management. Our expert support has provided tailored, company-specific services alongside the website. Pension Fennia's working capacity experts have been involved in starting up client companies' well-being at work projects, further processing of plans and training events.

Technical provisions and covering assets

Pension Fennia's technical provisions stood at EUR 3,741.0 million at the end of the year 2002. Technical provisions included EUR 255.4 million of liabilities accrued from employees' share of premium.

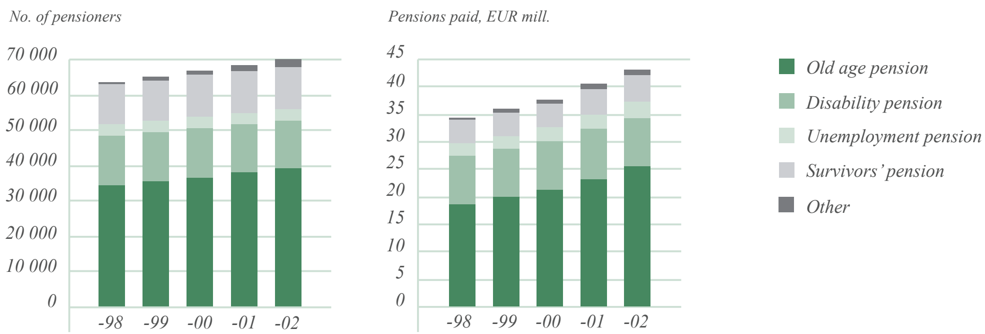
Technical provisions, EUR mill.	**Dec. 31, 2002**	**Dec. 31, 2001**
Premium reserve		
Future pensions	2,205.9	1,942.2
Provision for current bonuses	5.0	22.1
Provision for future bonuses	285.6	426.8
	2,496.6	2,391.2
Claims reserve		
Current pensions	1,005.2	1,024.1
Equalisation provision	239.3	223.0
	1,244.5	1,247.1
Total	3,741.0	3,638.3

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 3,863.7 million. Pension Fennia's open foreign exchange position, or assets not hedged against exchange rate fluctuations amounted to EUR 129.2 million.

Investment operations

Pension Fennia's investment operations were satisfactory in the year 2002, considering the weak operating environment. The key goal of the company's 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. Total investment income on invested capital stood at 1.6 per cent. The technical rate of interest stood at 5.25 per cent in 2002.

Number of pensioners and Pensions paid Dec. 31, 2002



As a result of the unfavourable development of the stock markets, the solvency margin declined, and the risk inherent in shares was decreased during the year by selling shares and using hedging derivatives. The third consecutive year of falling share prices combined with share sales cut the proportion of equities and shares from 20.5 per cent to 15.7 per cent. The proportion of fixed-income investments in turn increased from 61.1 per cent to 65.8 per cent. The proportion of loans decreased from 6.6 per cent to 6.3 per cent, and that of real estate grew from 11.8 per cent to 12.2 per cent.

The investments table shows the percentage and amount in euro of different asset types on 31 December 2001 and 31 December 2002.

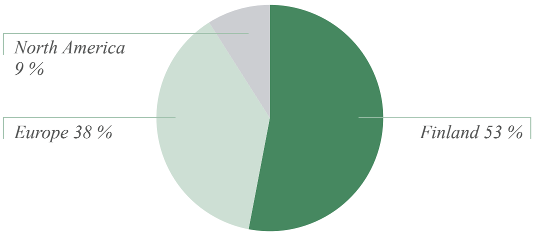
Investments	**Current values Dec. 31, 2002**		**Current values Dec. 31, 2001**	
	EUR mill.	**%**	**EUR mill.**	**%**
Equities and shares	592.3	15.7	897.3	24.8
Equities	592.3	15.7	743.3	20.5
Fixed-income funds	-	-	154.0	4.3
Loans	237.5	6.3	238.5	6.6
Money-market instruments	2,483.9	65.8	2,058.3	56.8
Bonds	2,158.8	57.2	1,964.2	54.2
Other	325.1	8.6	94.1	2.6
Real estate	459.9	12.2	427.2	11.8
Total	3,773.6	100.0	3,621.4	100.0

The net return on investment operations in the income statement stood at EUR 31.9 million, and it included EUR 1.4 million of avoir fiscal tax credit on dividends. Capital losses were incurred in equity, fixed-income and real estate investments; the total loss amounted to EUR 16.2 million. Value adjustments of EUR 88.4 million were made in equities and shares, EUR 2.2 million in private equity funds, EUR 1.9 million in capital loans, EUR 7.1 million in bonds, and EUR 9.7 million in real estate. Value readjustments stood at EUR 1.1 million. Planned depreciations of EUR 0.6 million were made on real estate. Valuation differences increased by EUR 31.2 million during the financial year.

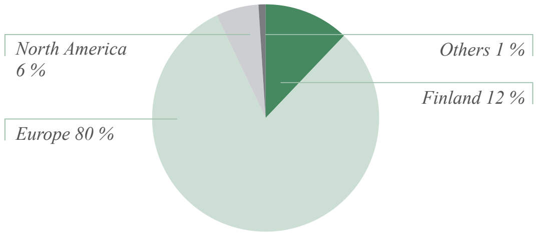
The HEX Portfolio index that reflects the Finnish markets fell by 16.7 per cent from the beginning of the year, and the Stoxx index that reflects the European markets fell by about 32.5 per cent. The most successful lines of business were foodstuffs and energy production, while insurance and technology took the steepest fall. The S&P500 index that reflects the US markets fell by 35.6 per cent calculated in euro, and MSCI Asia Pacific that reflects the Asian markets fell by 24.7 per cent calculated in euro.

The return on invested capital of Pension Fennia's whole equities portfolio for the year 2002, including derivatives, fixed-income funds and alternative investments was –18.5 per cent, and excluding fixed-income funds it stood at –19.1 per cent. The return on listed shares stood at –25.5 per cent excluding fixed-income funds.

Geographical distribution of quoted shares Dec. 31, 2002



Geographical distribution of bonds Dec. 31, 2002



The starting point of equity investments is still diversification of investments geographically, by line of business and by investment type. 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. In addition to active company selections, foreign asset management was increased in different geographical areas, the United States, East Europe and Asia, and in different investment types, such as book-entry securities and growth shares, as well as small companies. The use of share derivatives and currency hedging was also increased.

The proportion of so-called alternative investments included in equity investments increased in 2002. No new significant commitments were made in private equity investments; the growth results from increase in so-called hedge fund investments. The objective of hedge funds is to produce a positive yield in all market conditions.

The last year was good for *fixed-income investments*. Long-term interest rates fell by 0.5-1.0 percentage points, short maturities fell most. Following the fall of central bank rates, short-term interest rates fell, too. The return on corporate bonds was weaker than that on government bonds.

The average credit rating of the bond portfolio was AA2. Government bonds accounted on average for 60 per cent of the bond portfolio. Fixed-income investments aim at seeking returns through correctly timed interest risk and sector choices.

The return on bond investments calculated on invested capital, including derivatives and fixed-income funds, was 8.4 per cent. The return on the market money portfolio was around 3.7 per cent.

Real estate market declined especially in terms of office space. The under-utilisation rate was on the increase and the rents were falling. On the other hand, demand for business premises remained strong. The most important new real estate investments were a share of the Leppävaara shopping centre that owns Kauppakeskus Sello in Espoo, and the office space bought in Kamppi, Helsinki near the end of the year.

The return on real estate investments calculated on invested capital stood at 4.3 per cent, compared with 7.4 per cent in the previous year. The result was hampered by the large projects under construction and the value adjustments made. Real estate investments totalled EUR 459.9 million at the year-end.

Premium loans and other loans of *client financing* totalled EUR 237.7 million at the year-end. The amount of unarranged loans increased from EUR 3.3 million in the previous year to EUR 4.8 million. Value adjustments amounting to EUR 2.0 million were entered due to bankruptcies and non-securing guarantees during the financial year.

Total operating expenses and personnel

Total operating expenses for the year 2002 stood at EUR 26.6 million, of which investment operations accounted for EUR 5.0 million. Total operating expenses included EUR 1.5 million of fixed asset depreciation, of which investment operations accounted for EUR 0.5 million. Expense loading included in the premium for covering operating expenses totalled EUR 23.4 million for the year, and other returns totalled EUR 0.5 million. Loading profit stood at EUR 2.4 million.

EUR 0.3 million of operating expenses related to working capacity maintenance were paid from the disability loading of the premium.

The company employed an average of 218 persons in the year 2002. At the year-end 2001, 221 people were permanently employed, and 9 had a fixed-term employment relationship. 9 people were on maternity, home care or study leave, and 7 people were on part-time pension.

Result and solvency

The *book net returns* on investment operations, EUR 30.5 million, fell short of the required return, EUR 165.2 million, by EUR 134.6 million. The valuation differences of investments increased by EUR 31.2 million. Therefore the *result of investment operations* after the required return compensated on technical provisions is EUR –103.4 million. The profit on insurance business stood at EUR 17.6 million, and loading profit was EUR 2.4 million. The combined total result of Pension Fennia was EUR –83.4 million.

Provision for future bonuses was dissolved by EUR 141.2 million, of which EUR 132.2 million went to fulfilling the required return on technical provisions, EUR 4.5 million to complementing the provision for current bonuses, and EUR 4.5 million will be returned to the customers as reduced premiums. Complementation to the provision for bonuses will be transferred back to the provision for future bonuses within the next 10 years by limiting the maximal bonus transfer. In the financial statements for the year 2002, the level of *bonus transfer* was 0.2 per cent of payroll.

The solvency margin at the year-end amounted to EUR 437.5 million, or 12.7 per cent of the technical provisions. Valuation differences accounted for EUR 136.7 million of the solvency margin. Provision for future bonuses stood at EUR 285.6 at the year-end. The solvency margin was twice the solvency limit.

The income statement shows a surplus of EUR 1,216,804.

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 2002, Pension Fennia group included 68 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. Feva-kiinteistöt Oy, whose share capital is wholly-owned by Pension Fennia, was established in 2002.

Kiinteistö-Fennia Oy provides operative real estate services, such as leasing, building, maintenance and administration services, for its owners.

Significant events after the close of the financial year

In January 2003, Pension Fennia bought office premises of about 2,500 square metres in Kamppi, Helsinki that are closely connected to the buildings bought in 2002 and form a total office space of some 18,000 square metres in the Kampinkeskus complex. Furthermore, the Board of Directors approved the starting of building the second phase of Kauppakeskus Sello shopping centre in Leppävaara together with the Local Government Pensions Institution and LEL Employment Pension Fund.

Pension Fennia's solvency margin stood at EUR 429.0 million, or 12.4 per cent of the technical provisions as at 28 February 2003. The proportion of the solvency margin to the solvency limit was 2.1.

Future outlook

The start of the year 2003 has been characterised by uncertainty and weak economic development. The results of companies for the last quarter of 2002 were as expected especially in the United States, but estimates of the development in early 2003 were qualified. Geopolitical uncertainty prevails widely. Delay in finding a solution to the Iraqi situation and different views on solution alternatives as well as the threat of terrorism have increased the risks this year. Interest rates have continued to fall, the price of gold and oil has risen, dollar has weakened further, and the most important stock indexes are negative. The longer the uncertainty of the geopolitical situation will last, the greater the effects on real economics. The economic growth for 2003 is estimated to be weak in the euro currency area and modest in Finland.

Solvency has declined due to exceptionally weak operating environment during the last three years, but remains at a secure level.

Solvency margin was increased in 1996-1999, so that pension institutions could invest their funds in higher-risk targets, mainly equities, in order to get higher returns. The persisting difficult investment environment has significantly weakened the opportunities to invest in equities. On the basis of the experiences gathered, new means for accumulating solvency margin or changes in determination principles of the required return compensated on technical provisions should be pondered at the system level.

In order to create growth, the company will continue to invest in developing its co-operation with partners. By combining the know-how of the partnership network, it will be possible to create new added value to customers in insurance services and risk management, as well as client financing.

The reform of employment pension provision was agreed on during 2001-2002, and the legal reforms related thereto were passed in February 2003. The objective of the reform is to extend staying at work by about three years, which would have a significant effect on the future pension expenditure and, consequently, to future development of premiums. The Finnish statutory earnings-related pension scheme is a partly funded system in which the presently working generation pays for a large proportion of the pension provision of those on pension at the moment. Fairness between different generations requires that future generations will not have to pay significantly more for the pension provision of those on pension then than at present. Hence one of the future challenges is to follow all development trends that can secure maintaining this fairness.

Alongside the implementation of the employment pension reforms that will enter into force in 2005, new development work has already been started. The goal is to make a new, uniform employment pension act that would be more comprehensible for both employers and pension applicants. Research is also underway concerning the possibilities to create a common IT system in the field.

The reform projects in preparation during 2002, e.g. the pension agreement and the competition research, also affect the financing of the earnings-related pension scheme. Pension Fennia aims at contributing to the development work concerning financing and investing of assets covering the pensions. By doing this we want to ensure that the earnings-related pension scheme will become even fairer also from the point of view of different customer and interest groups. The objective is to secure fair pension provision of all beneficiaries.

The Pension Fennia Board of Directors wishes to thank all personnel and the operative management for a job well done in the financial year 2002.

Income Statement

EUR 1,000	Group 2002	Group 2001	Parent company 2002	Parent company 2001	Notes
Technical account					
Premiums written	630,317	612,799	630,317	612,799	1
Investment income	310,551	352,751	308,939	355,758	3
Revaluations on investments		2,859		2,859	
Claims incurred					
Claims paid	-536,843	-486,440	-536,843	-486,440	2
Change in claims reserve	2,660	-135,858	2,660	-135,858	
	-534,183	-622,297	-534,183	-622,297	
Change in premium reserve	-105,435	-160,480	-105,435	-160,480	
Statutory charges	-968	-900	-968	-900	
Operating expenses	-16,625	-14,563	-16,924	-14,871	4
Investment expenses	-280,716	-169,677	-276,646	-168,321	3
Other technical underwriting expenses	-2,425	-7,783	-2,425	-7,783	
Balance on technical account/margin	515	-7,290	2,674	-3,235	
Non-technical account					
Other income	1	216	1	216	
Appropriations					
Change in depreciation difference			-53	-100	
Change in optional reserves				6,464	
			-53	6,364	
Income taxes					
Taxes for the financial year and previous financial years	-1,412	-2,109	-1,405	-2,098	
Calculated tax	149	1,821			
	-1,263	-289	-1,405	-2,098	
Share of result of associated undertakings	198	-5,724			
Minority interest in the result for the financial year	-361	-346			
Profit/loss for the financial year	-188	-12,740	1,217	1,247	

Balance Sheet

EUR 1,000	Group 2002	Group 2001	Parent company 2002	Parent company 2001	Notes
ASSETS					
Intangible assets					
Intangible rights	909	993	909	993	
Other long-term expenses	5,230	2,363	5,230	2,363	
	6,139	3,356	6,139	3,356	
Investments					
Investments in land and buildings					
Land and buildings	404,664	378,256	266,050	260,505	5
Loan receivables from group companies			152,177	126,167	
	404,664	378,256	418,228	386,673	
Investments in group companies and participating interests					
Shares and participations in group companies			16,717	16,710	7
Shares and participations in associated undertakings	15,101	14,904			
	15,101	14,904	16,717	16,710	
Other investments					8
Equities and shares	552,552	812,045	551,610	811,459	
Money-market instruments	2,394,904	2,052,650	2,394,904	2,052,650	
Loans guaranteed by mortgages	89,371	87,680	89,371	87,680	
Other loan receivables	155,658	156,947	148,084	150,908	
Deposits	18,100	9,700	18,100	9,700	
	3,210,586	3,119,022	3,202,069	3,112,396	
	3,630,351	3,512,182	3,637,014	3,515,779	
Debtors					
Direct insurance business					
Policyholders	44,422	49,542	44,422	49,542	
Other debtors					
Receivables from group companies			47	2	
Receivables from associated undertakings	40				
Receivables from own real estate companies			3,222	2,509	
Receivables from partner companies	390	219	373	219	
Portfolio transfer receivable	10,603	17,245	10,603	17,245	6
Other debtors	79,608	41,801	79,580	41,759	
	135,064	108,806	93,826	61,733	
Other assets					
Tangible assets					
Furniture and fixtures	2,737	2,613	2,590	2,449	
Other tangible assets	398	385	398	385	
	3,135	2,998	2,988	2,834	
Money and cash at bank	5,212	5,003	3,383	4,650	
	8,346	8,001	6,371	7,483	
Prepayments and accrued income					
Accrued interest and rent	64,195	68,546	64,195	68,546	
Other prepayments and accrued income	3,691	2,167	990	1,940	
	67,887	70,713	65,185	70,486	
Assets total	3,847,787	3,703,057	3,852,958	3,708,378	

EUR 1,000	Group 2002	Group 2001	Parent company 2002	Parent company 2001	Notes
LIABILITIES					
Capital and reserves					
Initial fund	3,364	3,364	3,364	3,364	
Guarantee capital	1,682	1,682	1,682	1,682	
Revaluation reserve	344	415			
	5,390	5,461	5,046	5,046	
Other reserves	15,905	14,651	15,875	14,651	
Profit/loss brought forward	-15,352	-1,371	51	44	
Profit/loss for the financial year	-188	-12,740	1,217	1,247	
	365	540	17,142	15,942	
	5,755	6,000	22,188	20,988	10
Minority interest	10,856	10,180			
Accrued appropriations					
Depreciation difference			323	270	
Optional reserves					
			323	270	
Technical provisions					
Premium reserve	2,496,588	2,391,153	2,496,588	2,391,153	
Claims reserve	1,244,454	1,247,114	1,244,454	1,247,114	
	3,741,042	3,638,267	3,741,042	3,638,267	9
Obligatory provisions					
Obligatory provisions	305				
Creditors					
Direct insurance business	1,748	1,398	1,748	1,398	
Loans from financial institutions	13	18	13	18	
Calculated tax debt	1,148	884			
Other creditors	52,119	19,525	53,622	21,243	
	55,028	21,826	55,383	22,660	
Accruals and deferred income	34,801	26,784	34,022	26,194	
Liabilities total	3,847,787	3,703,057	3 852 958	3,708,378	

Accounting Principles 2002

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. In 2002, Pension Fennia group comprised as subsidiaries 68 real estate companies, Kiinteistö-Fennia Oy and Feva Kiinteistöt Oy.

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 financial year have been consolidated as from the day of acquisition. The subsidiaries sold during the financial year 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 in accordance with the planned depreciations of the corresponding asset item. In some real estate companies, 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.

Copies of the consolidated financial statements are available at the parent company head office, address Kansakoulukuja 1, 00100 Helsinki.

Investments in participating interests

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. Fennia Life's market value has been estimated by using a cautiously estimated transfer price that equals the solvency margin in accordance with adapted solvency calculation plus a cautious estimate of how much it would cost to acquire a corresponding insurance portfolio on the market. 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.

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 net realisable price in accordance with the Act on Housing Production has been used as the current value of Arava (state-subsidised) 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. No revaluation on book values of real estate were made in the financial year 2002.

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. 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. Cautiously estimated net realisable values are used as market values of unlisted insurance company shares. The current value of other unlisted 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 on 31 December. *Foreign currency denominated other investments* are entered at the rate of the acquisition date. The rates quoted on 31 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 and are handled as hedging in the books 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.

Net investment income at current values

Net investment income at current values in relation to invested capital is calculated by investment type and for the total amount of investments, taking into account the cash flows from securities time-weighted daily and from loans time-weighted monthly.

The income for the year is calculated by using a time and money-weighted formula so that the invested capital is calculated by adding to the market value at the beginning of the financial year the cash flow during the year weighted with the relative proportion of the duration of the whole year that is left from the event date or from halfway of the event month to the end of the year.

Investment surplus at current values

Investment surplus at current values is the net investment income less the required yield on technical provisions.

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 2002.

Depreciation

The acquisition cost of depreciable assets is capitalised and entered as depreciation according to plan under expenses during its economic useful life. Revaluations on depreciable assets entered as income are also depreciated according to plan. 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 and 10 years

The maximum depreciation allowed under the Act on the Taxation of Business Profits has been made in the case of some buildings.

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. The division of acquisition costs of insurances were adjusted in 2002, and a similar change has been made in the operating expenses of 2001.

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.

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 his deputy 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. For non-hedging derivatives, the possible maximum loss that equals loss at probability of 2.5 per cent during one day has been deducted from the solvency margin.

Notes to the Accounts

Notes to the Income Statement and Balance Sheet

EUR 1,000	Group 2002	Group 2001	Parent company 2002	Parent company 2001
1. Premiums written				
Direct insurance				
TEL basic insurance				
Employer contribution	447,644	434,587	447,644	434,587
Employee contribution	118,819	118,556	118,819	118,556
	566,464	553,143	566,464	553,143
TEL supplementary pension insurance	2,619	2,576	2,619	2,576
YEL minimum coverage insurance	61,796	57,704	61,796	57,704
YEL supplementary pension insurance	46	48	46	48
Transition premium to the State Pension Fund	-609	-673	-609	-673
Total Premiums written	630,317	612,799	630,317	612,799
Items deducted from premiums written				
Credit loss on premiums				
TEL	3,329	2,753	3,329	2,753
YEL	1,531	2,150	1,531	2,150
	4,860	4,903	4,860	4,903
2. Claims paid				
Direct insurance				
Paid to pensioners				
TEL basic insurance	424,275	396,483	424,275	396,483
TEL supplementary pension insurance	16,298	16,123	16,298	16,123
YEL minimum coverage insurance	72,668	68,365	72,668	68,365
YEL supplementary insurance	642	624	642	624
	513,883	481,595	513,883	481,595
Paid/refunded clearing of PAYG pensions				
TEL pensions	30,299	13,514	30,299	13,514
YEL pensions	-10,988	-9,172	-10,988	-9,172
	19,311	4,343	19,311	4,343
Paid/refunded joint liability claims	-1,219	-3,815	-1,219	-3,815
	531,975	482,123	531,975	482,123
Claims administration costs	4,603	4,112	4,603	4,112
Working capacity maintenance expenses	265	205	265	205
Total claims paid	536,843	486,440	536,843	486,440

EUR 1,000	Group 2002	Group 2001	Parent company 2002	Parent company 2001
3. Net investment income				
Investment income				
Income from investments in group companies				
Dividend income			93	948
Income from real estate investments				
Interest income				
From group companies			6,554	6,916
Others	652	964	26	55
Other income	42,934	40,419	37,378	36,764
	43,585	41,383	43,958	43,735
Income from other investments				
Dividend income	17,245	20,310	17,152	20,035
Interest income	125,381	123,182	126,338	123,260
Other income	19,149	11,003	19,149	11,003
	161,775	154,494	162,639	154,298
Total	205,361	195,877	206,690	198,981
Value readjustments	1,111	2,696	1,111	2,696
Gains on realisation	104,080	154,178	101,138	154,081
Total	310,551	352,751	308,939	355,758
Investment expenses				
Costs on real estate investments	-16,366	-14,337	-22,770	-21,247
Costs on other investments	-24,018	-10,629	-24,018	-10,629
Interest costs and expenses on other liabilities	-2,287	-2,175	-2,287	-2,175
	-42,671	-27,140	-49,075	-34,050
Value adjustments and depreciation				
Value adjustments	-111,905	-82,185	-111,264	-82,895
Planned depreciation on buildings	-10,474	-9,532	-641	-565
	-122,379	-91,717	-111,905	-83,460
Losses on realisation	-115,557	-50,820	-115,557	-50,810
Total	-280,608	-169,677	-276,537	-168,321
Net investment income before revaluations and their adjustment	29,943	183,075	32,401	187,438
Revaluation on investments	-108	2,859	-108	2,859
Net investment income in the income statement	29,835	185,934	32,293	190,297

EUR 1,000	Group 2002	Group 2001	Parent company 2002	Parent company 2001
4. Income statement item operating expenses				
Insurance policy acquisition costs				
Direct insurance remunerations	466	455	466	455
Other insurance policy acquisition costs	5,499	4,660	5,499	4,660
	5,965	5,115	5,965	5,115
Insurance management costs	6,246	5,602	6,246	5,602
Administration costs	4,414	3,846	4,713	4,154
Total	16,625	14,563	16,924	14,871
Total operating expenses by operation				
Claims paid				
Expenses related to claims administration	4,603	4,112	4,603	4,112
Working capacity maintenance expenses	265	205	265	205
	4,869	4,317	4,869	4,317
Operating expenses	16,625	14,563	16,924	14,871
Investment expenses				
Costs on real estate investments	2,159	2,290	698	1,079
Costs on other investments	4,342	3,466	4,342	3,466
	6,501	5,756	5,040	4,545
Total	27,995	24,636	26,833	23,733
Personnel expenses				
Salaries and bonuses	9,865	9,300	9,000	8,608
Pension expenses	2,005	2,359	1,840	2,211
Other social security expenses	849	852	760	768
Total	12,719	12,510	11,600	11,586
Salaries and bonuses of the management				
Managing Director and Deputy Managing Director	521	488	422	403
The Supervisory Board and its deputy members	44	44	44	44
The Board of Directors and its deputy members	93	98	93	98
Total	658	631	560	545

There are no pension commitments for members of the Supervisory Board and the Board of Directors, except the Managing Director and his deputy who are 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	Group 2002	Group 2001	Parent company 2002	Parent company 2001
Office personnel	195	190	195	194
Sales personnel	19	10	19	18
Real estate personnel	28	22	4	3

EUR 1,000	Remaining acquisition cost 2002	Book value 2002	Current value 2002	Remaining acquisition cost 2001	Book value 2001	Current value 2001
5. Investments at current value and valuation differences, Parent company						
Investments in land and buildings						
Land and buildings	24,274	25,835	28,639	24,941	26,502	28,139
Land and building in group companies	129,497	151,622	187,457	119,132	141,257	175,833
Other land and buildings	85,733	88,593	91,894	89,887	92,746	96,210
Loan receivables from group companies	152,177	152,177	152,177	126,167	126,167	126,167
Investments in group companies						
Shares and participations	16,717	16,717	26,371	16,710	16,710	16,710
Other investments						
Equities and shares	551,564	551,610	563,353	807,935	811,459	880,598
Money-market instruments	2,383,507	2,383,507	2,448,151	2,052,650	2,052,650	2 046,789
Loans guaranteed by mortgages	89,371	89,371	89,371	87,680	87,680	87,680
Other loans	148,084	148,084	148,084	150,908	150,908	150,908
Deposits	18,100	18,100	18,100	9,700	9,700	9,700
Option share of an index-bound loan	11,243	11,243	11,992	1,118	1,118	1,539
	3,610,268	3,636,860	3,765,589	3,486,828	3,516,896	3,620,273
The remaining acquisition cost of money-market instruments includes						
The difference between the nominal value and acquisition cost, released or charged to interest income	-2,182			-4,046		
Income from index-bound loans	3,018			2,250		
Book value includes						
Revaluations entered as income	26,592			30,069		
Valuation difference (difference between current value and book value)			128,729			103,377

EUR 1,000	Group 2002	Group 2001	Parent company 2002	Parent company 2001
Other loan receivables itemised by guarantee				
Bank guarantee	47,924	60,122	47,924	60,122
Guarantee insurance	49,161	51,522	49,161	51,522
Insurance policy	537	773	537	773
Real estate share	19,907	21,822	19,907	21,822
Other guarantee	30,554	16,669	30,554	16,669
The remaining acquisition cost	148,084	150,908	148,084	150,908
Total pension loan receivables				
Other loans guaranteed by mortgages	18,508	24,916	18,508	24,916
Other loan receivables	65,965	81,931	65,965	81,931
The remaining acquisition cost	84,473	106,847	84,473	106,847

6. Portfolio transfer receivables

Joint liability receivables	930	3,961	930	3,961
Receivables from special receivership's estate	9,673	13,284	9,673	13,284
Total portfolio transfer receivables	10,603	17,245	10,603	17,245

EUR 1,000	2002	2001

7. Shares and participations in group companies, Parent company

Shares and participations		
Original acquisition cost, Jan. 1	16,710	16,711
Increase	8	
Transfers	-1	-1
The remaining acquisition cost, Dec. 31	16,717	16,710

Shares and participations	Holding of all shares, %	Holding of all votes, %	Book value
Feva Kiinteistöt Oy	100.0	100.0	8
Kiinteistö-Fennia Oy	70.0	70.0	59
Insurance Company Fennia Life	40.0	40.0	16,651
			16,717

EUR 1,000	Holdings %	Book value Dec. 31, 2002	Market value Dec. 31, 2002
8. Other investments, Parent company			
Finnish equities and shares			
Aldata Solution Oyj	0.18	107	107
Alma Media 1	0.29	862	862
Amer Group Plc	0.29	1,933	2,436
Basware Corporation	0.99	381	381
Capman Plc	0.12	129	129
Comptel Plc	0.19	201	201
Electrobit Group	0.09	155	155
Eimo Corporation	0.58	371	371
Elisa Communications Corp.	0.20	1,601	1,601
Elcoteq Network Corporation	0.26	353	535
Etteplan Oyj	1.41	243	243
Exel Oyj	0.99	334	334
Finnair Plc	0.28	881	881
Fiskars Corporation	0.25	609	1,061
Finnlines Plc	0.18	736	736
F-Secure Corporation	0.41	442	442
Fortum Corporation	0.26	11,362	13,995
Honkarakenne Oyj	2.99	391	391
Huhtamäki Oyj	0.31	3,013	3,013
Instrumentarium Corporation	0.37	4,251	6,759
Jaakko Pöyry Group Oyj	0.22	459	459
KCI Konecranes International	0.39	1,308	1,308
Kesko Corporation	0.30	3,133	3,271
Kone Corporation	0.30	3,679	4,663
Kemira Oyj	0.31	2,523	2,523
Kyro Corporation	0.30	748	748
Lassila & Tikanoja Plc	0.20	478	491
Lännen Tehtaat Plc	0.71	445	445
Metso Corporation	0.28	3,954	3,954
M-Real Corporation	0.29	4,100	4,100
Metsä Tissue Corporation	0.38	1,054	1,200
Nokia Corporation	0.03	19,193	19,193
Nokia Tyres Plc	0.39	1,288	1,409
Novo Group Plc	0.25	240	240
OKO Bank Corporation	0.22	1,089	1,156
Olvi Plc	1.07	414	438
Orion Corporation	0.30	4,075	4,331
Orion Corporation B	0.44		
Outokumpu Oyj	1.11	4,350	4,350
PKC Group Oyj	0.22	82	82
Pohjola Group Insurance Corporation	0.32	2,434	2,434
PKC Group Oyj	0.30	946	946
Raisio Group Plc	0.45	799	799
Rak.Konevuokraamo Oyj	0.09	41	62
Rapala Normark Group	0.22	330	372
Rocla Oyj	0.19	46	48
Rautaruukki Oyj	0.23	1,083	1,083
Sampo Plc	0.27	11,009	11,009
Scanfil Plc	0.17	342	342
Sponda	0.13	559	559
Stonesoft Corporation	0.17	55	55
SSH Communications	0.14	30	30
Stora Enso Oyj	0.19	17,362	17,362
Stockmann Plc	0.37	2,264	2,592
SanomaWSOY Oyj	0.28	3,747	3,799
Sysopen Plc	0.49	146	146
Tamro Group	0.17	716	754
Talentum Oyj	0.67	386	386
Technopolis Plc	0.33	148	161
Teleste Corporation	0.58	245	245
Tecnomen Holdings Oyj	0.20	61	61
Tietoenator Corporation	0.26	2,801	2,801
Tieto-X Oyj	0.31	45	45
Tekla Corporation	0.43	155	155
Uponor Oyj	0.16	1,049	1,182
UPM-Kymmene Corporation	0.22	17,519	17,519
Vacon Plc	0.17	190	190

EUR 1,000	Holdings %	Book value Dec. 31, 2002	Market value Dec. 31, 2002
Vaisala Oyj	0.22	869	869
Vaahto Group Oyj	3.58	311	311
Wärtsilä Corporation	0.28	1,973	1,973
YIT Corporation	0.27	1,209	1,336
Esy Oy	19.00	288	288
Fibrogen Europe	1.15	947	947
Imatra Region Development Company	0.35	8	8
International Security Technology Oy	4.44	220	220
IWS International Oy	2.59	589	589
Metorex International Oy	0.09	2	2
Midinvest Oy	10.90	505	505
Nethawk Oy	2.07	3,418	3,418
Octel Oy	9.09	336	336
Sisu Axels Oy	26.20	842	842
Team Botnia Oy	0.93	2	2
Garantia Insurance Company	3.66	1,521	1,521
Vaasan Puhelin Oy	0.00	1	1
Euro equities			
Netherlands			
ABN AMRO Holding NV	0.005	1,168	1,169
Aegon NV	0.003	490	490
Ahold Koninklijke NV	0.004	424	424
Akzo Nobel NA	0.006	544	544
ING Group NV	0.003	952	952
Koninklijke Philips Electronic	0.005	1,136	1,136
Royal Dutch Petroleum Company	0.005	4,216	4,216
STMicroelectronics N.V.	0.003	560	560
Unilever NV	0.006	2,049	2,049
VNU N.V.	0.011	646	646
Belgium			
Fortis	0.005	1,016	1,016
Spain			
Acerinox, S.A.	0.023	478	525
Banco Bilbao Vizcaya Argentari	0.004	1,295	1,295
Banco Santander Central Hisp	0.005	1,472	1,472
Industria de Diseno Textil, S.A.	0.004	535	608
Telefonica SA	0.003	1,220	1,220
Italy			
Assicurazioni Generali	0.002	568	568
ENI-Ente Nazionale Idrocarburi	0.003	1,466	1,523
Telecom Italia Spa	0.003	962	962
TIM SPA	0.002	783	783
France			
Arcelor	0.013	785	785
Aventis SA	0.003	1,290	1,290
Axa	0.002	495	495
BNP Paribas	0.004	1,495	1,495
Carrefour Supermarche	0.004	1,167	1,167
Groupe Danone	0.004	618	641
Lafarge SA	0.008	790	790
L'OREAL	0.003	1,306	1,306
LVMH SA	0.004	803	803
Sanofi-Synthelabo SA	0.001	524	524
Schneider Electric SA	0.007	812	812
Suez SA	0.004	662	662
TotalFinaElf SA	0.003	2,926	2,926
Vivendi Universal	0.002	308	308

EUR 1,000	Holdings %	Book value Dec. 31, 2002	Market value Dec. 31, 2002
Sweden			
Nordea AB FDR	0.045	5,724	5,724
TeliaSonera AB	0.095	15,524	15,524
Germany			
Allianz AG	0.002	517	517
Basf AG	0.005	1,082	1,082
Bayer AG	0.006	859	859
Bayrische Motoren Werke AG	0.004	723	723
DaimlerChrysler AG	0.002	558	558
Deutsche Bank AG	0.005	1,185	1,185
Deutsche Telekom	0.002	1,005	1,005
E.ON AG	0.004	1,192	1,192
Muenchener Rueckversicherungs	0.002	479	479
RWE AG	0.004	519	519
Salzgitter AG	0.068	252	252
SAP AG	0.002	453	453
Siemens AG	0.003	1,260	1,260
ThyssenKrupp Ag	0.014	746	746
Volkswagen AG	0.007	660	660
Foreign equities			
Great Britain			
AstraZeneca Plc	0.002	1,365	1,365
AVIVA Plc	0.003	443	443
BAA plc	0.009	752	752
BAE Systems Plc	0.003	191	191
Barclays Plc	0.004	1,628	1,628
BP Amoco Plc	0.003	4,331	4,331
British Telecommunications Plc	0.004	1,164	1,164
Cadbury Schweppes Plc	0.004	535	535
Centrica Plc	0.009	1,004	1,004
Compass Group Plc	0,007	721	761
Diageo Plc	0.003	1,069	1,069
GlaxoSmithKline plc	0.003	3,225	3,225
HBOS plc	0.004	1,359	1,359
HSBC Holdings Plc	0.003	3,272	3,272
Invensys Plc	0.009	244	244
Lloyds TSB Group Plc	0.004	1,604	1,604
Marks & Spencer Group Plc	0.008	847	847
Pearson Plc	0.008	530	530
Prudential Plc	0.004	574	574
Reckitt Benckiser Plc	0.007	902	926
Reuters Group plc	0.004	164	164
Rio Tinto Plc	0.004	839	839
Royal Bank of Scotland Group Plc	0.003	2,107	2,173
Six Continents Plc	0.011	710	710
Tesco Plc	0.006	1,214	1,214
Vodafone Group Plc	0.003	3,654	3,654
WPP Group Plc	0.005	382	401
Sweden			
Ericsson LM-B	0.001	66	67
Modern Times Group B aktie	0.043	169	169
Switzerland			
Adecco SA Reg	0.009	628	634
Credit Suisse Group	0.004	953	1,012
Nestle SA	0.003	2,595	2,724
Novartis AG	0.003	2,886	3,022
Roche Holding AG	0.004	1,478	1,592
Swiss Re	0.003	557	562
UBS AG	0.004	2,059	2,221
Zurich Financial Services AG	0.002	283	296

EUR 1,000	Holdings %	Book value Dec. 31, 2002	Market value Dec. 31, 2002
United States			
iShares S&P Europe 350 Index Fund	0.939	3,848	3,848
SPDR Trust series 1	0.074	27,680	27,680
Capital trusts			
Aboa Venture II Ky		542	542
Access Capital LP		4,315	4,315
Access Capital LP II A		563	563
Access Capital LP II B		188	188
Bio Fund Ventures I Ky		1,459	1,459
Bio Fund Ventures II Ky		4,493	4,493
Bio Fund Ventures III Ky		1,006	1,006
Ecvitec Technology Funde II Ky		894	894
Etelä-Pohjanmaan Rahasto Ky		158	158
European Fund Investments UK		1,850	1,850
Finnmezzanine III Ky		3,798	3,798
Finnmezzanine Rahasto I Ky		591	591
Finnmezzanine Rahasto II Ky		1,432	1,432
Finnventure Rahasto III Ky		732	732
Finnventure Rahasto V Ky		10,260	10,260
Forenvia Venture I Ky		608	608
Garantia PK-lainarahasto I Ky		177	177
Garantia PK-lainarahasto II Ky		63	63
GrowHow Rahasto I Ky		102	102
Helmet SME Ventures Ky		1,060	1,060
Industri Kapital 2000 Ltd		8,167	8,167
Kareliaventure Rahasto Ky		82	82
Lapin Rahasto I Ky		59	59
Metal Fund Ky		256	256
Midinvest Fund I Ky		300	300
Nordic Capital IV Ltd		4,842	4,967
Nordic Mezzanine Fund I Ky		2,209	2,209
Profita Fund I Ky		575	575
Profita Fund II Ky		1,864	1,864
Promotion Capital I Ky		695	695
Savon Kasvurahasto I Ky		408	408
SFK 99 Rahasto Ky		3,224	3,224
Teknoventure rahasto II Ky		124	124
Telecomia Venture I		461	461
Fixed-income funds			
Mandatum Omega Kasvurahasto		44,085	45,254
Equity funds			
3c Alpha		5,013	5,155
3c Gamma		3,939	3,939
ABN AMRO Eastern Europe Equity Fund		9,843	9,843
Avenir B Kasvu		18,013	18,558
BGI Denmark index		100	100
BGI EMU Equity Index B		4,014	4,014
BGI Norway Index		62	62
BGI S&P 500 Index		7,308	7,308
BGI Sweden Index		225	225
BGI Switzerland Index		1,004	1,004
BGI UK Index		3,464	3,464
CAF Asian Renais Inst		22,949	22,949
Carnegie Medical		6	6
Carnegie Worldwide		4,647	4,647
FIM Mondo Kasvurahasto		2,190	2,190
Fondita Nordic Small Cap B		3,098	3,098
PW Tactical Allocation Fund Y		3,291	3,291
T. Rowe Price -US bl ch eq-I		22,462	22,462
T. Rowe Price -US large cap value eq		23,243	23,243
T. Rowe Price -US sml co eq		6,490	6,490
Guarantee capital			
Mutual Insurance Company Fennia		3,364	3,364
		551,610	563,353

EUR 1,000	Parent company 2002	Parent company 2001
Liabilities		
Open derivative contracts		
I Interest rate derivatives		
Interest rate swaps		
Nominal value	39,071	42,694
Current value	4,634	1,611
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	76,666	72,960
Current value of contracts	3,312	-1,357
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	6,479	15,478
Current value of contracts	277	2,034
Set options		
Nominal value of underlying instruments		5,421
Current value of contracts		-496
The contracts for which the position is closed are not included in the above figures.		
Investment commitments		
Capital trusts	45,822	62,542
Other contingent liabilities		
Liability for the VAT debt of the tax liability group in accordance with Value Added Tax Act, Section 188	7,312	4,881
Restitution liability for VAT deduction from new buildings and renovation of real estates		490

EUR 1,000	Parent company 2002	Parent company 2001
9. Technical provisions		
Premium reserve		
Future pensions	2,205,910	1,942,197
Provision for future bonuses	285,631	426,835
Provision for current bonuses	5,046	22,121
Total premium reserve	2,496,588	2,391,153
Claims reserve		
Current pensions	1,005,171	1 024,064
Equalisation amount	239,282	223,050
Total claims reserve	1,244,454	1,247,114
Total technical provisions	3,741,042	3,638,267
Bonuses		
Provision for current bonuses, Jan. 1	22,121	34,035
Client bonuses paid during the financial year	-26,149	-18,252
Transfer to provision for current bonuses	9,075	6,337
Provision for current bonuses, Dec. 31	5,046	22,121
Solvency margin		
Capital and reserves after the proposed distribution of profit	22,188	20,988
Share capital or equivalent funds, profit brought forward, revaluation reserve and central administration account		
Accrued appropriations	323	270
Valuation difference between current values of assets and book values of balance sheet items	136,675	105,461
Provision for future bonuses	285,631	426,835
Subordinated loans		
Commitments excluded in the balance sheet		
Deferred acquisition costs and intangible assets	-6,139	-3,356
Other items	-1,153	
	437,525	550,198
Solvency margin required under the Act on Employment Pension Insurance Companies, Section 17	145,709	173,829
Solvency ratio, % The realised solvency margin/technical provisions used in calculating solvency	12.75	17.29
Solvency limit, %	6.37	8.19
Lower limit of the target zone, % 2 x solvency limit	12.73	16.39
Upper limit of the target zone, % 4 x solvency limit	25.47	32.78

EUR 1,000	Number	Group 2002	Number	Parent company 2002
10. Capital and reserves				
Guarantee capital		1,682		1,682
Initial reserve		3,364		3,364
Construction reserve		30		
Revaluation reserve		344		
		5,420		5,046
Non-restricted reserves		14,651		14,651
Profit from the year 2001		1,224		1,224
		15,875		15,875
Profit/loss brought forward		-14,111		1,291
Used during the financial year		-1,240		-1,240
Profit for the financial year		-188		1,217
		-15,540		1,268
Total capital and reserves		5,755		22,188
Guarantee capital				
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				
Policyholders after proposed distribution		4,073		20,506
Total		5,755		22,188
Distributable profits				
Profit for the financial year		-188		1,217
Other distributable reserves				
Other reserves		15,875		15,875
Accumulated profit		-15,352		51
Capital and reserves of accumulated appropriations		-1,827		
Total distributable profits		-1,492		17,142

Key Figures of Financial Development

Key figures, EUR mill.	2002	2001	2000	1999	1998 pro forma
Premiums written	630.3	612.8	539.8	499.9	453.1
Pensions paid	513.9	481.6	448.3	427.2	408.0
Net investment income at current values	61.7	7.4	37.3	439.5	272.1
Yield on invested capital, %	1.6	0.2	1.1	14.8	10.1[1]
Turnover	944.0	973.7	960.1	757.9	675.9
Total result	-83.4	-135.3	-84.2	347.8	170.5
Total operating expenses	26.8	23.7	20.2	20.2	19.9
% of turnover	2.8	2.4	2.1	2.7	2.9
% of TEL payroll and YEL reported earnings[2]	0.7	0.7	0.6	0.7	0.8
Number of personnel	221	215	199	200	196
Solvency margin	437.5	550.2	713.4	830.5	489.9
% of technical provisions	12.7	17.3	24.6	31.2	19.7
Ratio to the solvency limit	2.0	2.1	2.7	2.9	2.9
Technical provisions	3,741.0	3,638.3	3,341.9	2,982.2	2,718.5
Equalisation provision	239.3	223.0	204.0	184.3	148.3
Pension assets	3,877.7	3,743.7	3,631.0	3,515.5	3,011.0
Transfer to client bonuses, % of TEL payroll[3]	0.2	0.2	0.5	0.9	0.8
Paid client bonuses, % of TEL payroll	0.6	0.8	0.6	0.4	0.2
TEL payroll	2,671.1	2,574.6	2,282.2	2,075.8	1,887.0
YEL reported earnings	312.9	300.4	286.7	283.6	270.0
No. of TEL policyholders	15,920	14,760	14,730	14,780	14,450
No. of TEL insured	115,460	112,800	107,600	101,000	92,900
No. of YEL policyholders	19,380	18,840	18,750	18,690	18,560
No. of pensioners	70,040	68,300	66,620	65,220	63,637

1) 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.
2) Calculation of the ratio includes total operating expenses without administration costs from investment operations and working capacity maintenance activities.
3) Does not include supplement to the provision for current bonuses.

Premiums written includes TEL and YEL premium income less credit losses. Pensions paid includes the payments made to the pensioners. Investment income, total surplus and solvency margin are analysed later on. Total surplus comprises of investment surplus and insurance business surplus and loading profit. Turnover equals premiums written before credit losses and reinsurers' share plus investment income in accordance with the income statement, revaluations and other returns less unrealised gains/losses. Equalisation provision serves as a buffer against insurance business fluctuations. Pension assets comprise of the technical provisions in the balance sheet and valuation differences of assets.

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.

Investment operations

Investment distribution (Includes accumulated interest)	2002		2001		2000		1999		1998 pro forma	
	EUR mill.	%	EUR mill.	%	EUR mill.	%	EUR mill.	%	EUR mill.	%
Loans	240.5	6.3	242.4	6.6	261.5	7.3	276,3	8.0	307.9	10.4
Bonds	2,214.2	57.7	2,024.0	54.9	1,788.5	50.0	1 514,6	43.9	1,613.9	54.8
Other moneymarket instruments and deposits	328.1	8.6	95.1	2.6	181.4	5.1	239,0	6.9	225.7	7.7
Equities and shares	592.3	15.4	897.3	24.3	968.1	27.1	1 024,1	29.7	424.3	14.4
Real estate	459.9	12.0	427.3	11.6	378.2	10.6	392,4	11.4	374.9	12.7
Total investments	3,835.1	100.0	3,686.1	100.0	3,577.7	100.0	3 446,4	100.0	2,946.7	100.0

The Investment income specification and result table shows how Pension Fennia's net investment income in the Income Statement and calculated at current values 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.

Investment income specification and result, EUR mill.	2002	2001	2000	1999	1998 pro forma
Direct net income	157.5	162.6	157.0	136.9	137.7
Loans	12.5	13.1	13.1	14.1	19.3
Bonds	98.3	97.4	85.6	80.2	80.6
Other money-market instruments and deposits	10.0	8.3	12.6	5.6	8.1
Equities and shares	15.8	19.2	22.8	11.3	8.6
Real estate	21.8	23.7	21.3	19.7	18.0
Other investments					
Unallocated income, costs and operating expenses [1]	-1.0	1.0	1.6	6.1	3.2
Changes in book value [2]	-127.0	28.3	124.6	61.9	32.3
Equities and shares	-118.1	-10.0	120.4	46.1	25.7
Bonds	-0.6	39.0	1.6	16.1	16.8
Real estate	-6.3	0.3	2.7	-0.3	-10.3
Other investments	-2.0	-1.0	-0.2	0.0	0.0
Net investment income at book value	30.5	191.0	281.6	198.8	170.0
Change in valuation differences	31.2	-183.6	-244.2	240.7	102.1
Equities and shares	-45.2	-155.2	-269.6	373.4	43.6
Bonds	73.7	-33.1	21.3	-135.4	65.8
Real estate	2.3	4.8	3.7	2.7	-7.2
Other investments	0.4	-0.1	0.3	0.0	0.0
Net investment income at current values	61.7	7.4	37.3	439.5	272.1
Yield requirement on the technical provisions	-165.2	-165.5	-143.8	-128.3	-130.7
Investment result at book value	-134.6	25.5	137.8	70.5	39.4
Investment result at current values	-103.4	-158.1	-106.4	311.2	141.4

[1] Includes e.g. such income statement items that are not entered under investment income.
[2] Realisation gains and losses and other changes in book value.

Rates of return on investments are calculated according to investment distribution for each asset item. The invested capital is calculated by adding to the market value at the beginning of the financial year the cash flow during the year weighted with the relative proportion of the duration of the whole year that is left from the event date to the end of the year. Investment income is formed by the net income in accordance with the income statement of the investment period plus the change in valuation differences. Invested capital includes the accrued interest that has not fallen due.

Net investment income at current values 1 Jan. – 31 Dec. 2002	Net investment income at current values 2002, EUR mill.	Invested capital 2002, EUR mill.	Yield on invested capital 2002, %	Yield on invested capital, % 2001	2000	1999	1998 [3]
Loans	10.4	233.1	4.5	4.8	5.0	5.0	5.5
Bonds	171.4	2,025.5	8.5	5.6	6.9	-2.2	12.1
including fixed-income funds	172.2	2,048.3	8.4	5.5	6.9	-	-
Other money-market instruments and deposits	10.6	285.0	3.7	5.0	4.4	3.0	2.5
Equities and shares	-147.5	798.7	-18.5 [1]	-14.7	-12.2	93.0	20.9
excluding fixed-income funds	-148.2	775.9	-19.1	-17.3	-13.1	-	-
Real estate	17.8	413.2	4.3	7.4	7.8	6.0	0.2
Total investments	62.7	3,755.5	1.7	0.2	1.0	14.6	10.1
Unallocated income, costs and operating expenses from investment operations [2]	-1.0		0.0	0.0	0.0	0.2	
Net investment income at current values	61.7		1.6	0.2	1.1	14.8	

[1] The current value used for shares of Fennia Life on 31 Dec. 2002 is the cautiously estimated transfer price. Return on equities without Fennia Life -19.7% and total yield 1.4%.
[2] Includes e.g. such interest items of the income statement that are not entered under investment 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.

The sufficiency of the administration costs in premium and total operating expenses

The assets required for the management of pension provision are collected in the administration cost included in the premium. These administration costs in the premium cover claims settlement expenses, insurance policy acquisition costs, policy management and general administrative expenses, including depreciation. Other income includes, for instance, premium increases charged from clients due to neglected insurance notifications.

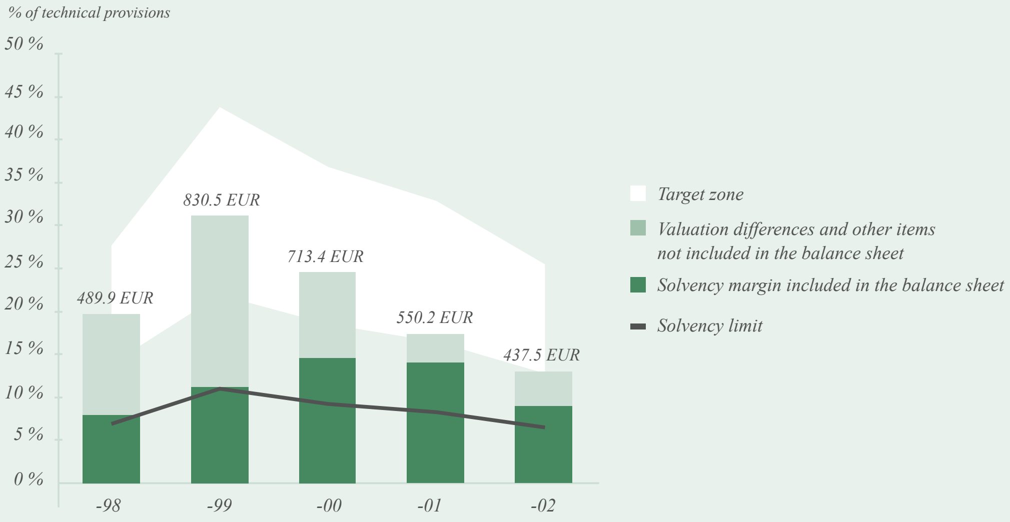
Administration costs from investments are covered from investment income. Pension Fennia has followed the efficiency of the administration of investment operations with the ratio of operating expenses of investment operations and invested capital. This figure is for guidance only, as it does not include, for instance, administration costs of funds that have cut the returns of the funds.

Loading profit and total operating expenses, EUR mill.	**2002**	**2001**	**2000**	**1999**	**1998 pro forma**
Insurance business					
Administration costs in insurance premium	23.4	22.1	18.6	17.6	15.8
Operating expenses by operation	21.5	19.0	16.5	17.3	17.0
Other income and costs	0.5	0.7	0.5	0.4	0.3
Loading profit	2.4	3.9	2.5	0.7	-0.8
Operating expenses/loading profit, %	90.0	83.1	86.8	96.2	105.4
Investment					
Operating expenses from investment	5.0	4.5	3.4	2.7	2.7
% of invested capital	0.13	0.12	0.10	0.09	0.10
Operating expenses from working capacity maintenance	0.3	0.2	0.2	0.2	0.2
Total operating expenses	26.8	23.7	20.2	20.2	19.9

Solvency

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 and the technical provisions used in calculating the solvency. The solvency margin consists of the capital and reserves, the difference between current values and book values of assets, the provision for future bonuses, and the depreciation difference less intangible assets and maximum loss from non-hedging derivatives.

Solvency margin and its limits	**2002**	**2001**	**2000**	**1999**	**1998 pro forma**
Solvency margin, EUR mill.	437.5	550.2	713.4	830.5	489.9
- Solvency margin included in the balance sheet, EUR mill.	302.0	444.7	424.4	297.2	197.3
- Valuation differences and other items not included in the balance sheet, EUR mill	135.5	105.5	289.1	533.3	292.6
Solvency margin, % of technical provisions	12.7	17.3	24.6	31.2	19.7
- Solvency margin included in the balance sheet, %	8.8	14.0	14.6	11.2	7.9
- Valuation differences and other items not included in the balance sheet, %	3.9	3.3	10.0	20.0	11.8
Solvency limit, % of technical provisions	6.4	8.2	9.2	10.9	6.9
Lower limit of the target zone, % of technical provisions	12.7	16.4	18.4	21.9	13.8
Upper limit of the target zone, % of technical provisions	25.5	32.8	36.8	43.7	27.6
Solvency margin to solvency limit ratio	2.0	2.1	2.7	2.9	2.9



Performance analysis for the financial year

Performance analysis gathers together the sources of surplus, i.e. investment income at current values, loading profit, insurance business result and distribution of surplus.

The insurance 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. The annually realised positive result from insurance under TEL is entered in the equalisation provision, and the negative result is covered from the equalisation provision. In 2002, the equalisation provision in accordance with TEL supplementary cover exceeded its upper limit and the surplus was transferred to the solvency margin. Similarly, the result of supplementary pension insurance under YEL is included in the change of the solvency margin.

The company's solvency was dissolved from the provision for future bonuses by EUR 132.2 million to meet the required rate of interest on technical provisions, by EUR 4.5 million to be transferred to client bonuses, and additionally, the provisions for current bonuses was complemented by EUR 4.5 million.

Performance analysis, EUR mill.	**2002**	**2001**	**2000**	**1999**	**1998 pro forma**
Sources of surplus					
Insurance business surplus	17.6	19.0	19.7	35.9	29.8
Investment surplus at current values	-103.4	-158.1	-106.4	311.2	141.4
+ Net investment income at current values	61.7	7.4	37.3	439.5	272.1
- Yield requirement on technical provisions	-165.2	-165.5	-143.8	-128.3	-130.7
Loading profit	2.4	3.9	2.5	0.7	-0.8
Total surplus	-83.4	-135.3	-84.2	347.8	170.5
Distribution of surplus					
Change in solvency	-92.5	-141.6	-96.6	330.1	154.6
Change in equalisation provision	16.2	19.0	19.8	36.0	29.8
Change in solvency margin	-108.7	-160.6	-116.4	294.1	124.8
Change in provision for future bonuses	-141.2	28.1	132.9	59.0	28.2
Change in valuation differences	31.2	-183.6	-244.2	240.7	102.1
Change in accrual of closing entries	0.1	-6.4	-6.4	-6.4	-6.2
Profit for the financial year	1.2	1.2	1.4	0.8	0.7
Transfer to client bonuses	4.5	6.3	12.5	17.7	15.7
Complementing provision for current bonuses	4.5	-	-	-	-
Total	-83.4	-135.3	-84.2	347.8	170.5

Reader's Guide to Key Figures

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.

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 insurance business 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 investment period weights. Investments also include interest income from investments.

Investment income Investment income is calculated on investment classes corresponding with asset distribution, time- and money-weighted. Derivatives are taken into account according to their nature by asset class.

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.

Pension assets Pension assets equals the technical provisions in the balance sheet + valuation differences of assets.

Profit on insurance premiums collected The profit on insurance 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. The lower limit of the target zone is twice and the upper limit four times the solvency limit. The solvency limit and the limits of the target zone are defined as percentages of the company's technical provisions. The riskier the company's asset distribution, 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 expenditures and policyholders. The basic insurance in accordance with the Self-Employed Persons' Pensions Act does not at the moment contain any provisions to be covered.

Turnover Turnover equals premiums written before credit losses and reinsurers' share + investment income in accordance with the income statement + revaluations – unrealised gains/losses + other returns.

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

The Board of Directors' Proposal on the Disposal of Profit

The Board of Directors proposes that the EUR 1,216,804 surplus for the financial year be disposed as follows: EUR 20,000 be reserved for the public good or similar purpose, EUR 1,180,000 be transferred to the contingency reserve, and EUR 16,804 be retained on the profit and loss account. Pension Fennia group's distributable assets for the financial year amount to EUR -1,492,367.70, due to which no interest is paid on the guarantee capital for the year 2002.

Helsinki, 11 March 2003

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, SHV
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 2002. 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 Per-Olof Johansson, Authorised Public Accountant, has been responsible for scrutinising the accounts and administration during the financial year and after the end of the 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 Companies Act.

The financial statements have been prepared in accordance with the 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, can be adopted and the Supervisory Board, the Board of Directors and Managing Director of the parent company can 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 2003

Per-Olof Johansson	Marja Tikka
Authorised Public Accountant	Authorised Public Accountant

Statement by the Supervisory Board

The Supervisory Board of Mutual Insurance Company Pension Fennia has handled the company's financial statements and consolidated financial statements for the year 2002, and the auditors' report. 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 9 April 2003

On behalf of the Supervisory Board

Markku Koskenniemi
Chairman of the Supervisory Board

Authorised Financial Statements
The authorised financial statements and consolidated financial statements can be viewed at the head office of Pension Fennia, address Kansakoulukuja 1, Helsinki.

Administrative Organs 31 December 2002

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 Schenker 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 Special-ized Occupations TEKERI
Helsinki

Harri Kainulainen
Managing Director
Local Insurance Mutual Company
Espoo

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
Brand Manager
Nanso 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

Vuokko Rehn
Entrepreneur
Mikkelin Autotarvike Ky
Mikkeli

Hannu Riihelä
Managing Director
Eiri Oy
Lahti

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

Lasse Savonen
Managing Director
AstraZeneca Oy
Kirkkonummi

Mikael Silvennoinen
President
OKO Bank Group
Helsinki

Jukka Tikka
Managing Director
Länsi-Savo Oy
Mikkeli

Timo Vallittu
Chairman
Chemical Workers' Union
Helsinki

Kalevi Vuorisalo
Managing Director
Teknikum Oy
Vammala

PENSIONS ADVISORY BOARD

Jukka Vainio
Director
Pension Fennia
Helsinki
Chairman

Pekka Kähkönen
Director
The Finnish Association of Graduate Engineers TEK
Helsinki

Raimo Kärnä
Industrial Safety Officer
The Finnish Metalworkers' Union
Helsinki

Vesa Rantahulvari
Agent
Employers' Confederation of Services Industries in Finland
Helsinki

Hannu Saimanen
Director
Wood and Allied Workers' Unemployment Fund
Helsinki

Markku Salomaa
Lawyer
Finnish Confederation of Salaried Employees
Helsinki

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

Seppo Mattila
Medical Director
Pension Fennia
Helsinki
Specialist member

THE CONSULTATIVE COMMITTEE OF THE INSURED

Jouko Malinen
Senior Systems Analyst
Novo Group plc
Helsinki
Chairman

Tom Roth
Supervisor
Suomen Turistiauto Oy
Helsinki
Deputy Chairman

Pertti Asikanius
Office Manager
Keski-Uusimaa Oy
Sipoo

Taiju Eerikäinen
Nurse
A-Clinic Foundation
Helsinki

Senja Hakola
Airworthiness Engineer
Air Botnia Oy
Espoo

Sinikka Hyyppä
Warehouse employee
Kokkolan Halpa-Halli Oy
Kokkola

Esa Ikkelä
Project Manager
Are Oy
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
Assembler
Metsäpuu Oy
Loimaa

Tuija Linna
Delivery Supervisor
Schenker Oy
Helsinki

Mauri Nevalainen
Head of Department
Kemppi Oy
Lahti

Heli Mäkinen
Baker
Primulan Leipomot Oy
Helsinki

Juhani Parmonen
Stonework employee
Mittakivi Oy
Juuka

Johanna Rajala
Salesperson
H&M Hennes&Mauritz Oy
Turku

Raimo Rautanen
Lorry driver
Suomen Kiitoautot Oy
Myrskylä

Kalevi Saarinen
Production Manager
Mariodos Oy
Virkkala

Vuokko Toivola
Production Inspector
Pola Oy
Lappeenranta

Arvi Tuomarmäki
Electrician
Hella Lighting Finland Oy
Salo

THE CONSULTATIVE COMMITTEE OF MAJOR ACCOUNTS

Juhani Enkovaara
Managing Director
Eho Oy
Helsinki
Chairman

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

Juhani Aho
Chairman of the Board
Helsingin Lääkärikeskus
Helsinki

Jack Björklund
Financial Director
Oy Schenker East Ab
Helsinki

Kari Blomberg
Managing Director
Rocla Oyj
Järvenpää

Christer Boije
Deputy Director
Nordic Investment Bank
Helsinki

Göran Cedercreutz
Managing Director
Victor Ek Oy Ab
Helsinki

Rabbe Grönblom
Chairman of the Board
Kotipizza Oyj
Vaasa

Jarmo Halonen
Managing Director
Elecster Oyj
Toijala

Björn Hartman
Managing 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

Aimo Kaarresalo
Managing Director
Suomen Turistiauto Oy
Helsinki

Jouko Karttunen
Managing Director
Tiliaktiiva Oy
Helsinki

Jyrki Kaskinen
Managing Director
Raskone Oy
Vantaa

Björn Kolster
Chairman of the Board
Kolster Oy Ab
Helsinki

Heikki Lamminaho
Managing Director
Are Oy
Helsinki

Pasi Lohikko
Managing Director
Tunturi Oy Ltd
Turku

Ulla Matsi-Koistinen
Financial Director
Taloustutkimus Oy
Helsinki

Lasse Murto
Managing Director
A-Clinic Foundation
Helsinki

Martti Paunu
Managing Director
Väinö Paunu Oy
Tampere

Arto Pohto
Managing Director
Lillbacka Oy
Kauhava

Klaus Saarikallio
Managing Director
Normek Oy
Vantaa

J. Pertti Siikarla
Managing Director
Yrittäjien Oikeussuoja Oy
Helsinki

Kaj Ström
Managing Director
Motoral Oy Ab
Helsinki

Seppo Suuriniemi
Managing Director
Vammalan Konepaja Oy
Vammala

Antti Tiitola
Managing Director
Lidl Suomi Ky
Espoo

Esko Torssonen
Deputy Managing Director
Suomen Kiitoautot Oy
Joensuu

Juha Valkamo
Managing Director
Primula Oy Ab
Helsinki

Lennart Varjo
Managing Director
Hella Lighting Finland Oy
Salo

Reijo Vauhkonen
Tulikivi Corporation
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

Pension Fennia

Mutual Insurance Company Pension Fennia
Kansakoulukuja 1
FIN-00100 HELSINKI
Postal address FIN-00041 PENSION FENNIA
Telephone +358 10 5031
Fax +358 10 503 7680
www.elake-fennia.fi