Pension Fennia

2006

Pension Fennia
Annual Report

Contents

Pension Fennia has published its Annual Report and financial statements as a separate publication.

Pension Fennia – an expert of earnings-related pension provision and well-being at work

- Pension Fennia is a mutual earnings-related pension insurance company owned by its customers
- TyEL pensions of employees and YEL pensions of self-employed persons accrue in Pension Fennia
- The company offers expert help to its customers in promotion of well-being at work

All employees and self-employed persons of the private sector can be insured in Pension Fennia. Almost every fifth new entrepreneur takes his or her statutory pension insurance in Pension Fennia. The company accrues the pensions of a total of over 135,000 employees and some 30,000 self-employed persons. Pension Fennia cares for the over € 5.5. billion pension assets trusted in its care profitably and securely.

In addition to insurance and pension services, promoting well-being at work is an important area of customer co-operation. Pension Fennia is an expert partner that offers advice in earnings-related pensions and services that help the employees to stay longer in working life. Our customers have at their disposal the Fennia Group and Local Insurance Group network of nearly 300 offices, telephone service, and versatile online services.

Year 2006 in brief

During the year, Pension Fennia prepared for the changes brought by the Employees Pensions Act (TyEL). The Act entered into force at the beginning of 2007; it **facilitates the handling of employment pension issues** in companies. During 2006, an amendment was also prepared that allows employment pension companies to consider investment objects more freely in accordance with the market situation.

Pension Fennia kept its strong market share among start-up companies and new entrepreneurs. Measured by the number of policies, Pension Fennia was the winner of the YEL transfer rounds. Around one fifth of new companies take an employment pension insurance in Pension Fennia. In TEL insurances, Pension Fennia was in second place in the transfer rounds. The customers have taken on the **easy-to-use Pension Fennia Online services**: more than half of the TEL annual notifications and employment notifications were received electronically. Pension Fennia revamped the service to better meet the needs of TyEL.

Pension Fennia's investment operations were successful. Return on investment stood at 8.3 per cent. **Real estate investment provided a particularly good yield**. Solvency margin rose by 16 per cent to € 1,202 million, and its ratio to the technical provisions rose to 25.7 per cent.

Pension Fennia reached its sales goals in 2006.
Measured by the number of policies, we received more self-employed persons' insurances than any other employment pension company. In the pension insurances of employees we were in second place of the transfer rounds.

Sales goals were reached

Our market share of new sales of YEL insurances was nearly 20 per cent, and the number of entrepreneur customers exceeded 30,000. Our share of YEL insurances has grown by far the most of all employment pension companies in recent years. This indicates that entrepreneurs have adopted Pension Fennia as their pension insurance company of choice.

The total result of pension companies is affected most by the development of investment income. The investment income for 2006 was good, although there was quite a lot of variation, especially in the equities market. The spirits were high in the early months of the year, until a downward move in the equities market in May. Thanks to the strong latter half, investment income for the year was, however, good at 8.3 per cent (2005: 11.9 per cent). The yield from real estate was excellent in historical comparison. The company's total result stood at € 148.3 million.

Our solvency margin continued to grow by 16 per cent on the previous year, so our solvency was further strengthened.

Handling of employment pension insurances became easier

The year 2006 was characterised in all pension companies by preparing for the changes brought by the Employees Pensions Act (TyEL) that entered into force at the beginning of the year. As of the beginning of 2007, TyEL replaced the former pension acts TEL, LEL and TaEL.

For our customers the new law means less work, as the employment pension provision of all employees can now be arranged through one familiar contact person.

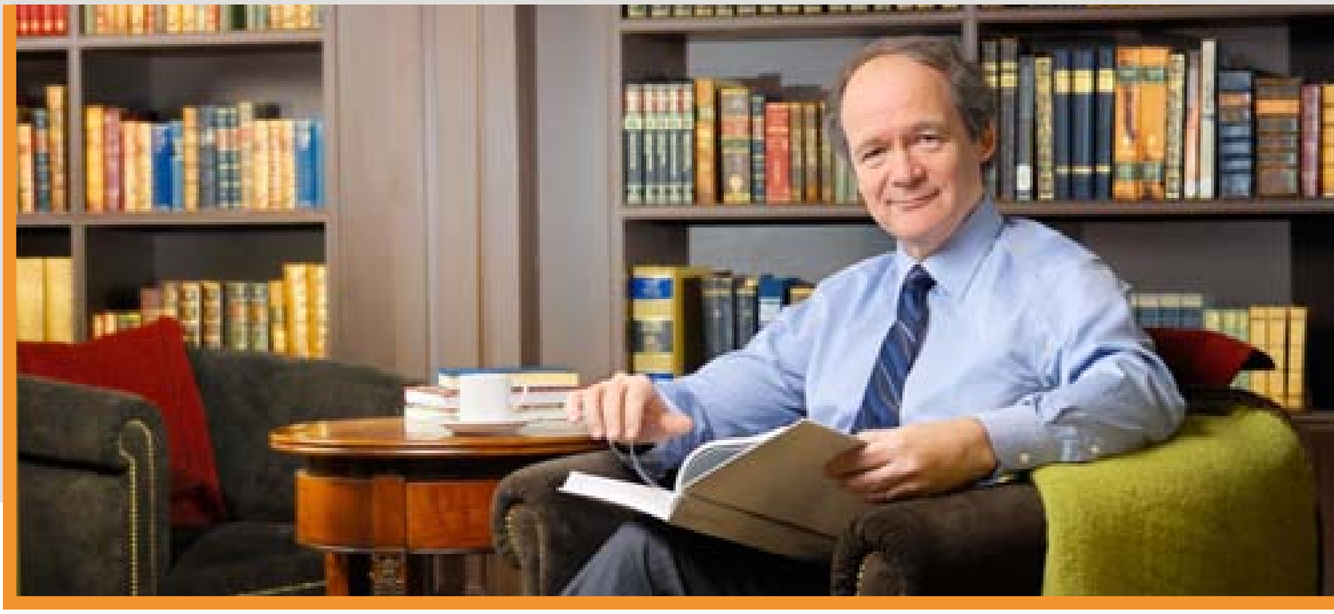
At the same time, the combining of the laws increases competition in the field. It is still too early to say how the market shares will possibly change as a result of the reform. Pension Fennia's operating model has, however, proved its strength, and I believe that we will be successful in the future, too.

The TyEL reform is an example of the fact that we have been able to implement necessary changes that have proved to be insurmountable in many other countries. At the same time we have held on to the core goals: ensuring the long-term financing of the system and meeting the social-political goals.

In addition to pension insurance expertise, good relationships with the labour market organisations are emphasised in managing a pension company. Pension Fennia's expertise is also appreciated in the work of the working group that prepares the future solutions of the earnings-related pension scheme.

Focus on coping at work

The ageing of the population generates a pressure to raise the employment pension premiums. Efforts have been made to relieve this by creating new marginal



terms for the investment operations of pension companies which allowed for freer consideration of investment objects in accordance with the market situation.

In the long term it is essential how economy and employment will develop in Finland. The working conditions also need to be developed in such a way that people can stay at work longer and keep motivated. Hence Pension Fennia also invests in the services for promoting well-being at work.

It is essential for the economic development of the whole of Finland how the change of generation succeeds in companies. The issue will be at hand especially in many small and medium-sized companies within a few years. Pension Fennia wants to facilitate its customers' work in connection with the change of generation, too. Hence we will think about our role in financing them in the near future.

Development of operations continues

We are living very interesting times in the employment pension industry. Pension Fennia will continue to co-operate closely with the other Fennia Group companies and the Local Insurance Group. We will develop our online services to better meet the insurance service needs of, for example, short-term employments. Continuous development of the expertise of our personnel is another key factor of our success. The last-mentioned is challenging, because many of our experts who personally know almost the entire history of the pension system will inevitably reach the retirement age. Hence we invest in transferring the tacit knowledge of these experts to their successors.

New kinds of products and opportunities keep coming up in the investment market. This creates pressures to the development of personnel expertise and systems, so that we can be involved in good projects around the world with confidence.

Thanks

Pension Fennia's strengths are skilled and entrepreneur-spirited personnel, the extensive network of our partners, and online services that represent the top of the industry. I believe that with these means we will reach our development goals and succeed in the future, too.

I would like to thank our customers, personnel and partners for good co-operation in 2006.

Helsinki, 17 April 2007

Lasse Heiniö
Managing Director

Top expertise for the customer's best

Services were reformed

All private sector employees can be insured in Pension Fennia under TyEL insurance in accordance with the Employees Pensions Act that entered into force at the beginning of 2007, and self-employed persons can be insured under YEL insurance. In addition to insurance and pension services, promoting well-being at work is an important area of co-operation.

Pension Fennia prepared in 2006 for the new TyEL act by training its personnel, replacing its systems and revamping its online services.

The TyEL insurances for employees and YEL insurances for self-employed persons offer, for example, an opportunity for rehabilitation if there is a threat of disability, disability pension if an illness is prolonged, and old-age pension flexibly at the time chosen by the insured at the age of 63–68 years. Part-time pension gives flexibility to working time.

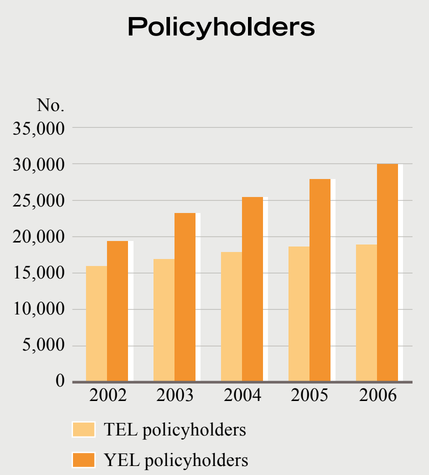
Pension accrues to most Finns according to the Employees Pensions Act TyEL. The pension accrues from annual earnings, and the accrual percentage rises with age. TyEL insurance is taken by the employer. Employees participate in the funding with their employment pension contribution that the employer collects and pays to the pension company as part of the TyEL premium.

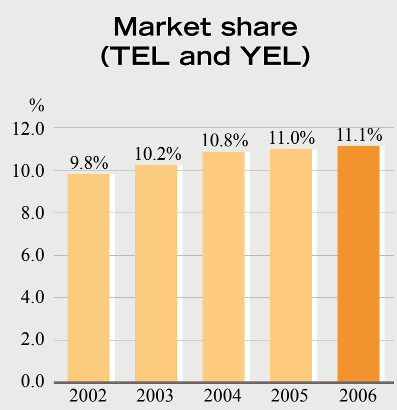
The old age pension of self-employed persons accrues on the basis of reported earnings under YEL insurance. YEL insurance also secures the livelihood of self-employed persons in case of illness, disability or death of the family bread-winner. The correct level of reported income is very important for the social security of self-employed persons, because it is used in calculating many allowances paid by the Social Insurance Institution, and too low reported YEL income may leave a self-employed person outside the unemployment benefits and part-time pension.

Customers trust in the insurance expert

According to several surveys, customers' trust and satisfaction with Pension Fennia's services is at the best level in the industry. We have received special thanks for expertise, willingness to serve, and keeping our promises. Pension Fennia's recognition is also on a clear rise.

In Pension Fennia the customers are always served and their issues are handled by insurance experts. Pension Fennia's almost 250 employment pension insurance experts ensure that the customers' insurance services are provided flexibly and with expertise, and that employees and self-employed persons get their accrued pension quickly and in the right amount.





The handling of insurance issues has been made as flexible as possible for the customers of Pension Fennia with an extensive service network and versatile online services. Customers can choose the form of service best suited to them: personal service, online service or telephone service.

Through an extensive network of nearly 300 service outlets we are strongly present in the everyday operations of corporate customers. We operate locally, near the customers together with our partners Fennia and Local Insurance Group. Overall pension provision is our key strength. The familiar contact person knows the company and the entrepreneur's situation, and sees to it that insurance cover is correctly proportioned.

Quick and secure online services

Versatile and flexible online solutions allow for easy and secure handling of insurance issues, without excessive paperwork. Pension Fennia Online service has continuously gained popularity. In 2006, well over half of the TEL annual notifications and employment notifications were sent electronically.

During 2006, the Employer's Online services were upgraded to meet the needs of TyEL. *Vakuuta Keikkatyö* service was set up for temporary employers in which temporary employers can arrange statutory pension provision for their employees online as self-service.

Pension Fennia also offers high-quality online services to the insured. In *Vakuutetun Eläke-Fennia Online* service, based on the *Työeläke.fi* service, the insured can check their list of gainful employment and keep up to date on their own pension provision. Pension Fennia's versatile online solutions are complemented by the Palkka.fi and TYVI services.

Working capacity helps to cope at work

Caring for the well-being of the employees supports the development of the company's business, because the working capacity and well-being of the employees affect directly the company's competitiveness and profitability, and in case of large employers also the level of pension insurance premiums. The good spirit of a company is communicated to customers as better customer service, and healthy and motivated personnel makes a good result. When a company succeeds in its well-being at work activities, the benefits are shown as reduced sickness and occupational accident costs and improved productivity.

Well-being at work is a competitive factor in the labour market: the best experts choose their job on the basis of a positive employer image. Well-being at work strengthens job satisfaction, and committed and happy personnel copes better and will stay longer in working life.

Insurance matters handled conveniently online

The well-being at work services provided by Pension Fennia are used to support extending the career and coping at work of personnel in client companies of all sizes and of self-employed persons, too. The development of the well-being at work activities originates from the company's own needs and is based on systematic activities.

Pension Fennia's versatile online tools give a good start for the development of well-being at work activities. The goal of the extensive information package is to help the customer to find the risks in well-being at work. The service also provides information, support and advice on reducing these risks. In addition, client companies have at their disposal tools for the different phases of well-being at work activities, such as the TYKY-STEP self-evaluation model for mapping the current situation. In 2006, the Efekti information package was expanded further, and a special website was opened for entrepreneur customers.

Pension Fennia's multi-professional team of experts, including well-being at work experts as well as vocational rehabilitation experts, helps to develop well-being at work in the client companies.

Flexible financing solutions for corporate clients

Pension Fennia offers a variety of financing alternatives for the investments and other financing needs of its client companies either alone or together with Fennia and other financiers.

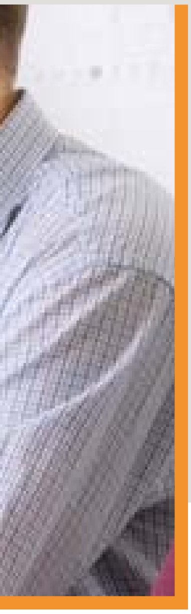
The main product of client financing is market-conditioned investment loan. As a new product Pension Fennia offers to profitable companies with established operations SME loans. In addition to those, we still grant traditional TyEL premium loans.

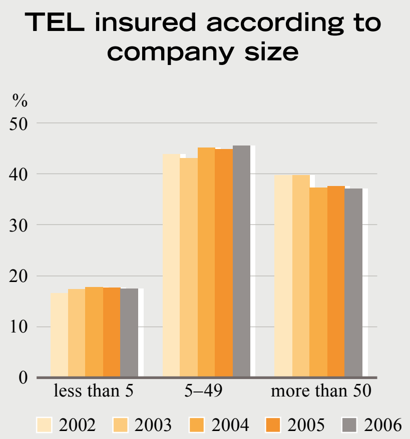
The loans can be granted at a variable or fixed rate. The reference rate is, as per the customer's choice, the daily quoted TyEL reference rate or Euribor, and in TyEL premium loans the TyEL loan interest.

Investment, pension and capital loans of client financing totalled over € 240 million at the end of 2006.

Business premises and residences

Pension Fennia invests part of the earnings-related pension funds in its care in office and business premises leased to companies, and in residences. The company owns approximately 1,900 residences





and around 200,000 m² of office and business premises, warehouses and other space. Pension Fennia is a secure and reliable partner in renting of both residences and business premises. The maintenance and renting of real estates has been outsourced to specialist company Newsec Oy.

An expert near you

Pension Fennia is an independent employment pension insurance company and is part of the Fennia Group together with Fennia Non-Life Insurance Company and Fennia Life Insurance Company. Our services are also available at the offices of Local Insurance Group around the country. Pension Fennia's own experts work in the Helsinki metropolitan area, as well as in Tampere, Turku, Vaasa, Oulu, Lahti and Kuopio.

Pension Fennia's premium income for 2006 stood at around € 890 million. Of this amount, TEL insurances accounted for € 790 million and YEL insurances for a little over € 100 million. We have grown with our customers: last year our market share was over 11 per cent, and the number of insured was over 165,000, of which a little over 135,000 were TEL insured and some 30,000 were YEL insured.

Pension Fennia has a particularly strong position among new entrepreneurs. Around one fifth of new entrepreneurs take their employment pension insurance in Pension Fennia.

Pension Fennia has a strong background as an employment pension company of SMEs and self-employed persons. Over 60 per cent of the employees insured in Pension Fennia work in a company that employs less than 50 people, and just under 40 per cent in a company that employs more than 50 people.

Pension decisions quickly and impartially

We create safety to the pension days

Offering correct and sufficient pension information to the insured, and the best service level of the industry for pension applicants and pensioners form the basis of Pension Fennia's operations.

Pension Fennia's mission is to create safety to the pension days. This is realised, for example, through vocational rehabilitation in situations where the working capacity has been lowered by an illness, and in pension decisions when ageing or permanently lowered working capacity no longer allow for continuing at work. The goal is to secure uninterrupted livelihood to the insured also after salary or entrepreneur income.

Raising the retirement age and extending the active working career have been made key objectives in Finland. Pension Fennia's operations are also aimed towards that goal.

The conditions for granting employment pension benefits are regulated precisely in the law. The key principle is that pension decisions need to be impartial and equal for the applicants. Through extensive co-operation the pension decision policy is kept identical in all employment pension companies.

The handling of pension applications bears comparison

Last year, Pension Fennia handled a total of 12,200 pension matters, of which 6,750 were new applications. The total numbers of applications remained almost the same compared with the previous year. However, there were some changes in individual types of pension. The growth of the number of old-age pension applications halted, although the number of applications was still clearly higher compared with the level preceding the amendment of 2005. The retirement age of Finns has already shown signs of rise in accordance with the goals.

The popularity of early old-age pension has clearly decreased after the pension reform of 2005. More and more people entitled to this pension continue at work at least to the age of 63. The number of disability pension applications increased by around 5 per cent. The number of rehabilitation applications was up by 10 per cent on the previous year.

At the end of last year, Pension Fennia paid pensions to over 75,600 pensioners in 40 different countries. In 2006, a total of € 631 million was paid out in pensions. Old-age pensions accounted for around two thirds of the pensions paid, and the second largest type of pension was disability pensions.

Pension Fennia follows the handling times of pension applications and compares them with the average handling times of the employment pension industry. In recent years, Pension Fennia's handling times have been clearly shorter than the average. The correctness of pension decisions is controlled in many ways; for example, by conducting blind studies on the uniformity of the decisions of expert physicians, and by monitoring the approval percentage of the appeals made on the decisions in the appeal bodies of the earnings-related pension scheme.

The number of pension decisions is expected to increase significantly within a few years, as the baby boom generation is approaching the retirement age. Pension Fennia is preparing for that by making its pension handling processes electronic, which will considerably speed up the handling of applications. In 2006, Pension Fennia piloted an electronic pension services process that allows for electronic job queues, documentation and process control in pension issues.

Diverse advice and preparation for changes

The year 2006 meant preparing for the TyEL reform in pension handling. Training related to TyEL and updating customer communication and information systems to the TyEL era were the key areas of development. Planning also commenced for the pension record to be introduced in 2008. As of the year 2008, a pension record will be sent annually to private sector employees and self-employed persons. It contains the details of all private sector employments and entrepreneurship that accumulate the pension, and it makes it possible to follow annually the development and one's employment pension and pension provision. With the introduction of the pension record the responsibility for checking old work history details will be gradually transferred from employment pension companies to the insured.

Pension Fennia's pension advisory services help the insured in questions related to pension provision. Last year, the most common questions were about the effect of continuing at work on the level of pension and about the pension reform. Pension advisory services sent out around 9,000 pension estimates by request of customers, of which some 6,000 were old-age pension estimates. In addition, pension estimates were sent to self-employed persons, those approaching the flexible retirement age, selected age groups, and those with supplementary insurance, totalling around 42,000.

Good return on investments

The task of employment pension companies is to invest pension assets trusted in its care profitably and securely. In order to reach sufficient return, assets need to be invested in objects that provide a higher yield than e.g. interest income in the long term. These investment objects always bear a greater risk. Pension assets are secured by decentralising the investments i.e. ensuring that there are as many sources of income as possible and that they are as independent of each other as possible.

The investment operations of employment pension companies are regulated by e.g. solvency regulations whose purpose is to ensure that the company is able to take care of its pension liabilities, or pay the pensions accrued to employees and self-employed persons even in difficult circumstances. Each type of investment assets requires a certain amount of solvency margin. The higher risk an asset type involves, the larger solvency margin is required.

The solvency of a company is expressed as a ratio in which the amount of the solvency margin is compared to the amount of the company's technical provisions. Good solvency allows for a riskier investment distribution which will provide a better yield in the long term and enables bigger client bonuses.

The general regulations ensure the security of the investment operations in all employment pension companies, but at the same time make the investment portfolios of different companies rather similar. The goal set for the whole pension system is to increase the weight of equities investment in the long term, which would generate higher yield and help to curb the pressure to raise the employment pension premiums.

Excellent return on real estate

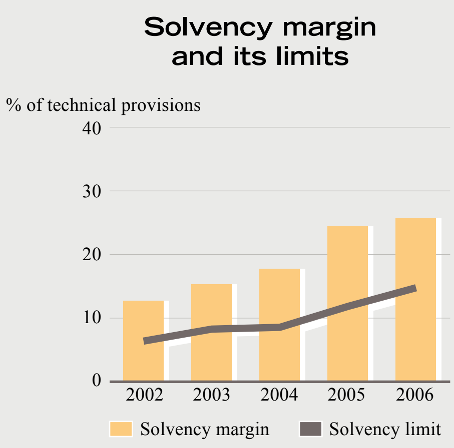
The goal of Pension Fennia's investment operations is to utilise the solvency margin efficiently in order to achieve the best investment yield in all market situations. Pension Fennia reached this goal well in 2006, although the returns fell behind from the previous year.

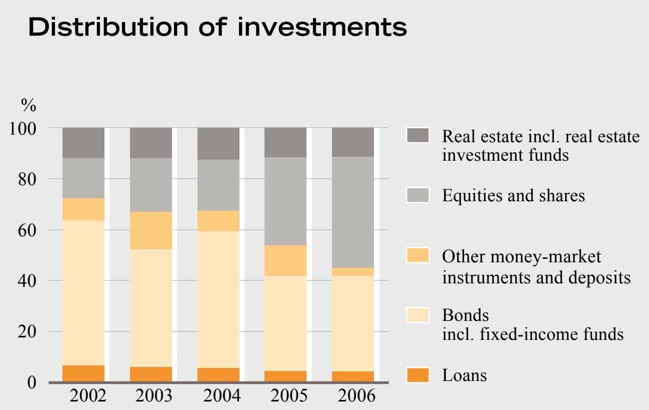
Return on investments at fair values before operating expenses for 2006 stood at 8.3 per cent (2005: 11.9%). The amount of the solvency margin increased by 16 per cent to € 1,202 million (€ 1,040 million). The ratio of the solvency margin to technical provisions rose to 25.7 per cent (24.4%).

Return on real estate in particular was excellent in 2006. The return calculated on invested capital stood at 15.0 per cent (8.0%). Real estate investments were not increased significantly in 2006 due to the high price level of real estates. Real estate investments totalled € 644.5 million at the year-end (€ 603.6 million).

The development of the equities market and the result of equities investments were good in 2006 despite the major fall of the equities prices in May. Pension Fennia's total portfolio income on invested capital for 2006 was 13.9 per cent (28.8%). The equities portfolio includes listed and unlisted equities as well as derivatives, hedge funds and capital funds.

Investments in listed equities and shares yielded 15.8 per cent (33.6%). The best yield was received from equities investments in Finland, the other Nordic





countries and developing markets. Around one third of Pension Fennia's equities were Finnish at the year-end. Capital funds yielded 26.8 per cent. Return on hedge funds was around 6.4 per cent.

The return on fixed-income investments was modest in 2006. Both short and long interest rates rose in the first half of the year. After June, long interest rates turned down, but short interest rates continued to rise. The return on bond investments including derivatives and fixed-income funds on invested capital stood at 2 per cent (4.9%).

Pension Fennia increased the share of equities investments and hedge funds by decreasing the fixed-income investments. As for hedge funds, the company invests particularly in funds where the risk management processes are very advanced.

The return on the money market portfolio for 2006 was 2.9 per cent (2.2%). Investment, pension and capital loans totalled € 243.1 million at the year-end.

Controlled risk-taking

Pension Fennia aims at the best possible risk/return ratio by diversifying the investments in different asset classes. The goal is not to let the undesired development of any individual investment decline the total yield of the investment portfolio. Hence Pension Fennia's investments have been diversified as efficiently as possible.

The price risk of equities investments is decreased by diversifying the equities investments geographically, to different parts of the market, different investment types and funds. The interest rate risk is decreased by investments with various durations. In order to decrease the liquidity risk, the money-market portfolio is kept sufficiently large, and a part of other investments is also kept in sufficiently liquid items. The credit risk is managed by diversifying the investments in different lines of business and different credit classes, and different countries. Direct exchange rate risks are mainly hedged. The risks of loans to companies are decreased by company analyses, customer follow-up and collateral follow-up. Real estate investments are diversified geographically, by line of business, by schedule and type of use in order to reduce the risk.

In the prevalent market situation nearly all risk-taking has been profitable, as the equities prices have risen, the prices of credit risks have come down, and the real estate prices have increased. It has been harder and harder to find the benefits of decentralisation.

The follow-up and risk management of diversified investment portfolio is very demanding. Pension Fennia invests continuously in such expertise.

The goal is to improve the solvency position

The outlook for 2007 is cautiously positive. The world economy and economic growth in Finland are expected to remain at a good level, but to weaken somewhat from 2006.

Pension Fennia's goal is to further improve its solvency position in 2007.

Durable employment pension provision

Pension Fennia's corporate responsibility is based on the company's responsibility to the policyholders and insured. Responsibility means above all taking care of the sustainability of the employment pension provision, and efficient and high-quality implementation of pension provision. The importance of corporate responsibility is also emphasised in investment operations which have been guided by the corporate responsibility guidelines for years.

Pension Fennia is actively involved in working groups planning the future of the earnings-related pension scheme. Through our contribution we aim at making the pension expenses to develop steadily and be predictable, and keep the division of costs just between different generations and among those at work.

Pension Fennia realises its social responsibility by following good and responsible ways of working. The company has valid instructions on good administrative practice and corporate governance the purpose of which is to increase and ensure the transparency of the operations. Pension Fennia complies with the corporate governance instructions as applicable, which is described in more detail in the financial statements for 2006.

Labour market organisations play a key role in the development and maintenance of the earnings-related pension scheme. Representatives of labour market organisations are also present in Pension Fennia's Board of Directors, Supervisory Board and two consultative committees. Client companies have their representatives in Pension Fennia's administration, too.

We operate in open and active interaction with the Federation of Finnish Enterprises, the Family Business Network Finland and the Central Association of Women Entrepreneurs in Finland. The goal is to develop the operations of different parties and at the same time have a positive effect on entrepreneurship and its social prerequisites. In several years we have been involved in arranging the Entrepreneur of the Year competition the goal of which is to support and encourage growth companies.

Investments in training

Pension Fennia employs around 250 employment pension experts. The key focal areas of our personnel strategy are expertise, encouraging leadership, and the pleasure of working. The personnel strategy has been purposefully implemented in practice.

According to a personnel survey carried out at the turn of the year, Pension Fennia employees have a very positive attitude towards their job. The results have clearly improved in recent years. Information flows better than in Finnish companies with mostly clerical employees in general, attention is paid to the working environment, and the training opportunities are good. Questions concerning rewards also provided positive feedback.

Last year, Pension Fennia prepared for TyEL, which entered into force at the beginning of 2007, with a major training project that was implemented with in-house resources. Almost half of the staff participated in the TyEL training project. Practical implementation of the managing of expertise process continued, this time in insurance technique and pensions handling. Role-based expertise maps were introduced in both divisions, and both division-specific and personal development plans were drawn up on the basis of them.

Supervisor training tailored to Pension Fennia management and supervisors ended in spring 2006. The results of the training were measured using the so-called 360 assessment before and after the training. It was observed that supervisor work had improved significantly in all areas. Supervisor training will continue e.g. through Supervisor Club activities.

Regarding the goal reward system, the company focused on developing the indicators used as the basis of the reward. The goal is to ensure that rewarding guides to operations in accordance with the company's strategy.

Pension Fennia key figures

Key figures, EUR million	2006	2005	2004	2003	2002
Premiums written	889.3	808.5	747.4	679.1	630.3
Pensions paid and other compensations [1]	710.4	662.7	613.8	569.5	532.0
Net investment income at fair values	433.1	548.7	312.0	262.7	62.1
Yield on invested capital, %	8.2	11.8	7.4	6.7	1.6
Turnover	1,261.7	1,114.2	983.4	887.8	666.1
Total operating expenses	49.3 [2]	38.3	34.3	29.6	26.8
% of turnover	3.9	3.4	3.5	3.3	4.0
% of TEL payroll and YEL reported earnings [3]	1.0	0.8	0.8	0.7	0.7
Total result	148.3	360.5	155.7	141.1	-83.4
Technical provisions	5,269.7	4,772.5	4,364.9	4,027.6	3,741.0
Solvency margin	1,202.4	1,040.4	696.7	560.1	437.5
% of technical provisions	25.7	24.4	17.7	15.3	12.7
Ratio to the solvency limit	1.7	2.1	2.1	1.9	2.0
Equalisation provision	256.6	270.1	263.9	251.0	239.3
Pension assets	5,861.3	5,298.8	4,641.3	4,223.2	3,877.7
Transfer to client bonuses, % of TEL payroll [4]	0.20	0.33	0.24	0.15	0.17
Paid client bonuses, % of TEL payroll	0.33	0.24	0.15	0.18	0.62
TEL payroll	3,636.2	3,316.9	3,069.2	2,857.9	2,671.1
YEL reported earnings	517.4	465.2	410.8	366.5	312.9
No. of TEL policyholders	18,900	18,640	17,860	16,900	15,920
No. of TEL insured	135,450	131,820	125,660	120,660	115,460
No. of YEL policyholders	29,930	27,890	25,380	23,220	19,380
No. of pensioners	75,660	74,140	72,590	71,590	70,040

[1] Claims paid in the profit and loss account excluding administrative costs of claims handling and working capacity maintenance activities.
[2] Includes € 8.1 million of immediately written-off building costs of activated IT applications resulting from the change of calculation principles.
[3] Calculation of the ratio includes operating expenses covered with expense loading of the premium.
[4] Does not include supplement to the provision for current bonuses.

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Pension Fennia

The Board of Directors' Report and Financial Statements 2006

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The Board of Directors' Report

Economic development

The world economy continued to develop very positively in 2006: the global growth rate accelerated from 4.4 per cent in the previous year to 4.9 per cent. The economic growth in the United States was feared to decline significantly towards the end of the year, but with support from the oil price and lowered long interest rates the economic growth was estimated to stand at around 3 per cent. Economic growth in Japan remained at the 2 per cent level, and the growth in the euro zone clearly picked up last year and was almost 3 per cent. However, the growth was still fastest in the developing countries especially in Asia and near our home market in the Baltic States. The economic development of the export-driven Nordic countries was at a strong level, especially compared with the rest of Europe, at over 4 per cent. Finland's exceptional growth figure of 5.6 per cent is explained by the low starting level caused by the strikes in 2005.

The inflation rate continued to slow down globally in 2006, ending up under 3 per cent. The reason for that is probably the fierce international competition in the production of consumer goods, especially as the developing markets are gaining a larger market share. Even the rapid rise in the prices of oil and metals could not trigger a rise in the base inflation.

Central banks continued to raise the interest rates. The US central bank rates that were rising in the previous year were up from 4.25 per cent to 5.25 per cent. In Europe the raising of interest rates did not commence until the end of 2004, and during last year they rose by one percentage point to 3.5 per cent.

In the environment of good growth and low inflation the risk-bearing investment objects, equities and corporate bonds provided good returns. A significant corrective period occurred in the middle of the year, when the markets feared that the inflation would rise so high that central banks would have to slow down the economic growth with significant raises of interest rates. Although the worst scenarios were not realised, the return on government bonds remained very modest.

Development of the statutory earnings-related pension scheme

Employees Pensions Act (TyEL) entered into force at the beginning of 2007. Employers can now handle the statutory pension insuring in one company. For the insured, the new law means clearer defining of rights, but also new obligations, as they have to check their accrued pension provision in the pension extract. The information systems and calculation techniques of the statutory earnings-related pension scheme were prepared for the TyEL era in 2006. The reformed Self-employed Persons' Pensions Act (YEL) also entered into force at the beginning of 2007.

The determination bases of the TyEL insurance premium for 2007 were prepared during 2006. The insurance premium level was not adjusted for 2007, but it was agreed that the premium for 2008 will be raised by 0.2 percentage points. It was also agreed that the temporary lowering of the disability loading of the premium will be continued. Many changes were introduced in the calculation of the insurance premium. The insurance premium for large-scale employers is now independent of age, if the disability risk of the company's employees is at an average level. When the older employees' higher share of premium is taken into account, the employer's share of the premiums of over 53-year-old employees is lower than that of the premiums of younger employees.

The premium development in the coming years was a topic of lively discussion. According to the forecast of the Finnish Centre for Pensions, the insurance premium must be raised when the baby-boom generation retires. The need for increase is around 5–6 percentage points. The need for increase can be reduced e.g. if the rate of return of pension assets is increased.

A major legislative reform concerning employment pension insurance companies was prepared on the basis of the work by Matti Louekoski, and it was passed by Parliament in December. The amendments, which concern the administration of employment pension companies, reform of solvency requirements and investment of employment pension assets, entered into force on 1 January 2007. Part of the amendments involve a transition period during which the changes must be implemented. The most important task for 2007 is to change the Articles of Association to correspond with the amendments regarding e.g. the election of operational elements and the duties of the Supervisory Board, in addition to which an election committee of the Supervisory Board must be set up to prepare the election of members of the Board of Directors and the Supervisory Board and their remunerations.

The amendment of the Companies Act entered into force on 1 September 2006. According to the implementing act of the Companies Act, however, the regulations of the old Companies Act will be applied to employment pension insurance companies. The reform of the Insurance Companies Act is currently in progress.

Reaching the goals in the year 2006

Pension Fennia's *market share* among start-up companies and self-employed persons remained at a level of 20 per cent, which meant more than 2,300 new TEL and more than 4,000 new YEL customers in 2006. Measured by the number of YEL policies, Pension Fennia was number one in the four annual transfer rounds, second by the number of TEL policies, and also came in the second place measured by TEL premium income. The net increase of Pension Fennia's TEL and YEL customers as a result of the transfer rounds was almost 750 customers.

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. Pension Fennia succeeded well in reaching that goal in 2006. *Return* on invested capital at fair values before operating expenses stood at 8.3 per cent for the financial year. The amount of *solvency margin* was 1.7 times the solvency limit at the closing of accounts. Solvency margin grew by 16 per cent, from € 1,040 million to € 1,202 million, and was 25.7 per cent of technical provisions.

Development of operations

Pension Fennia continued to invest in improving customer relations and enhancing service processes. Special attention was paid to the smooth running of services to new customers by developing the service models. A new customer information system was introduced towards the end of the year, and from the turn of the year it also has a key role in serving a new customer group consisting of temporary employers. Marketing co-operation with the Fennia Group and Local Insurance Group was successfully developed.

The number of Pension Fennia Online customer relations increased by nearly one thousand in 2006, and the share of electronic communication clearly exceeded 50 per cent of the total volume of TEL annual and employment notifications for the first time. Almost 200,000 notifications were received completely or partially based on automation.

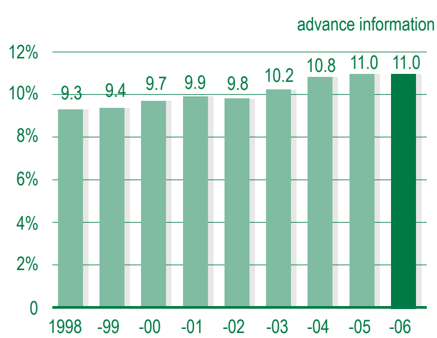
In electronic communication Pension Fennia's key development projects were linked to TyEL which entered into force at the turn of the year 2006–2007. The notification and insurance premium services of the Pension Fennia Online service for employers were completely reformed, and the scope of Palkka.fi and TYVI services was expanded. The *Vakuuta keikkatyö* service built by Pension Fennia allows for temporary employers to handle all TyEL matters online as self service.

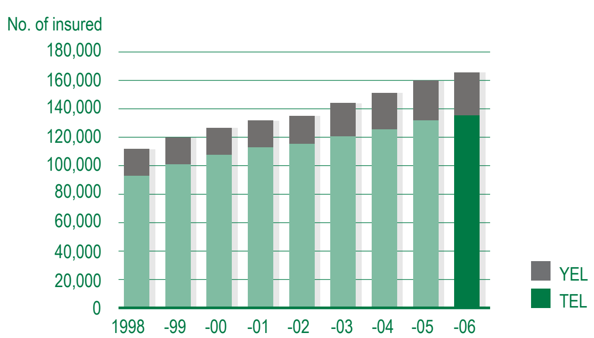
As a result of a business re-organisation implemented at the beginning of 2006, TietoEnator acquired an 80 per cent share of Esy Oy that provides basic information systems for pension insurance companies. The productivity and economics of the operations of TietoEnator Esy Oy were developed significantly during the year. Pension Fennia benefited from the contributions agreed on in the re-organisation e.g. through reduced hourly rates.

The extensive system work resulting from the TyEL reform concerning the common earnings system (Arek Oy) and the basic system interfaces related thereto reached their peak during 2006. Despite the majority of the work taking place in 2006, the changes related to the turn of the year 2007 were successfully implemented.

The reform of the compensation system was prepared together with Varma and the Local Government Pensions Institution. Pension Fennia is involved in the preparation of the project and has committed itself to the definition of the calculation service loading related thereto. Decisions on the other

Pension Fennia's market share measured by premium income and those insured in Pension Fennia 31 Dec.





parts of this large-scale project will not be made until 2007.

Pension Fennia prepared for TyEL, which entered into force at the beginning of 2007, with a large training project implemented in-house. A total of 111 people participated in the TyEL training project. The implementation of the management of expertise process continued in 2006 in the areas of insurance technique and pensions handling. Both functions introduced role-based expertise maps on the basis of which function-specific and personal development plans were drawn up.

The two-year renewing leadership training tailored for the Pension Fennia management and supervisors ended in May 2006. The effect of the training was measured with a 360 evaluation before and after the training. The supervisory work was found to have improved significantly in all areas. At the end of the year, the Supervisor Club started with the goal to strengthen the supervisor culture in Pension Fennia.

The goal reward system focused on developing the indicators used as the basis of the reward. The goal was to ensure that the reward system guides the employees to act in accordance with the company's strategy.

Insurance portfolio and premiums written

At the year-end 2006, Pension Fennia was responsible for insuring 165,370 persons' pension provision. The number of TEL basic insurances increased by about 300 policies to 18,900, and the number of insured totalled 135,450. At the end of 2006, the number of insured employment relationships was almost 4,000 higher than in the previous year. The number of YEL insured increased by about 2,000 entrepreneurs during the year and stood at 29,930 at the year-end.

Premiums written for the year 2006 stood at € 889.3 million. Of this amount, TEL insurance accounted for € 791.7 million before deduction of credit losses and YEL insurances for € 102.3 million. Credit losses on premium receivables stood at € 4.7 million. The average premium of TEL insurance was 21.0 per cent of salaries, of which the employee's share was on average 4.5 per cent. The YEL premium was on average 21.0 per cent of reported earnings.

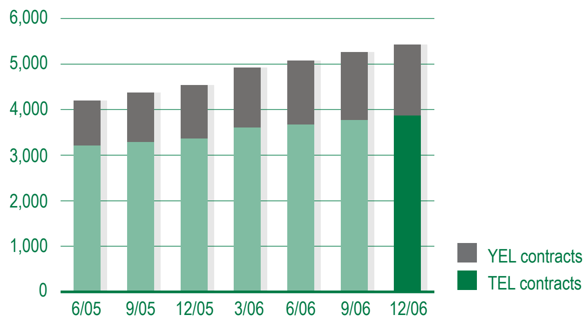
Pensions and well-being at work

A total of 12,200 pension applications were handled during the year 2006, of which 6,750 were new pension applications. The total numbers remained almost the same as in the previous year, although there were some changes in different types of pension. The growth of the number of old-age pension applications has stopped, but the numbers are still significantly higher compared with the level preceding the amendment of 2005. The popularity of early old-age pension seems to have decreased significantly as a result of the amendment, and more and more people entitled to this pension continue at work at least to the age of 63. The number of disability pension applications increased by around 5 per cent, and the number of rehabilitation applications has increased by about 10 per cent compared with the previous year.

Pension Fennia paid pensions to 75,660 persons at year-end 2006. A total of € 631 million was paid out in pensions to 40 different countries.

The pension reform and the effect of staying at work on the pension provision were the key subjects in the advisory work of the pension advisory services and customer information. Around 9,000 pension estimates were sent at request of customers; some 6,000 of them were estimates for old-age pension. In addition, pension estimates were sent to self-employed persons, those approaching the flexible retirement age, selected age groups, and those with a supplementary insurance, totalling around 42,000.

Online customer relationships



Efekti well-being at work services support well-being at work in customer companies. The growing needs of customers were responded to by increasing expert resources and developing new tools. The customer services development project improved the quality and efficiency of the Efekti services, and allowed for serving a larger number of customers. Networking with external service providers also continued. In addition, we are working in close co-operation with the Finnish Workplace Development Programme (Tykes) of the Ministry of Labour.

In 2006, we produced new well-being at work tools for the use of our customers and developed our online services, such as the Efekti information package on Pension Fennia's website. We also opened a website for our entrepreneur customers. The purpose of the activities was to respond to our customers' individual challenges in the development of well-being at work. The multi-professional group of experts which, in addition to well-being at work experts, includes e.g. experts of vocational rehabilitation, is developing well-being at work in our customer companies.

Technical provisions and covering assets

Pension Fennia's technical provisions stood at € 5,269.7 million at the end of the year 2006. Technical provisions included € 432.4 million of liabilities accrued from employees' share of premium.

The assets covering technical provisions meet the requirements of the Statute on Gross Margin and those of the Insurance Supervision Authority. Listed margin amounted to € 5,592.7 million, or 6.2 per cent more than the technical provisions to be covered. Pension Fennia's open foreign exchange position, or assets not hedged against exchange rate fluctuations amounted to € 521 million.

Technical provisions, € mill.	31 Dec. 2006	31 Dec. 2005
Premium reserve		
Future pensions	2,858.0	2,684.4
Provision for current bonuses	7.4	11.0
Provision for future bonuses	583.0	496.4
	3,448.5	3,191.8
Claims reserve		
Current pensions	1,564.5	1,310.5
Equalisation provision	256.6	270.1
	1,821.2	1,580.6
Total	5,269.7	4,772.5

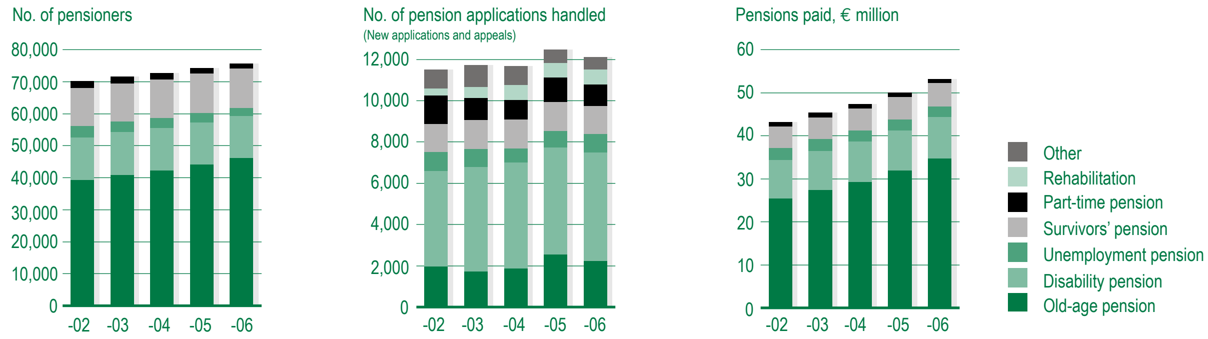
Claims reserve also includes equalisation provision which stood at € 256.6 million at the end of 2006, of which basic benefit accounted for € 250.2 million. The amount of the equalisation provision is securing. In 2006 it was possible to continue the temporary lowering of the disability payment, which together with the updating of the provision coefficients reduced the amount of the disability loading of the equalisation provision from the previous year. The unemployment and old-age pension business yielded a zero result, and premium loss business was slightly positive. The amount of the new unemployment pensions liabilities commenced in 2006 remained at the level of 2005, and the amount of unemployment pension liabilities decreased despite the growing age class.

Investment operations

The goal of investment operations is to achieve as high real returns in the long term as possible, keeping the solvency margin in efficient use and the risks at the level confirmed by the Board of Directors. This ensures the yield requirement of technical provisions, sufficient level of solvency margin, and the bonuses paid to the customers.

Pension Fennia's investment operations succeeded well in the year 2006. Total *investment*

No. of pensioners and pension applications handled and pensions paid (€ million) 31 Dec.



income on invested capital stood at 8.3 per cent before operating expenses and unallocated income and costs of investment operations. The technical rate of interest stood at 6.00 per cent until 1 July 2006 and at 6.5 per cent for the rest of the year.

Investment assets at fair values	31 Dec. 2006 € mill.	%	31 Dec. 2005 € mill.	%
Equities and shares	2,453.5	43.5	1,795.8	34.6
Loans	241.1	4.3	244.4	4.7
Money-market instruments	2,296.8	40.8	2,545.9	49.1
Bonds	1,671.5	29.7	1,558.3	30.0
Fixed-income funds	441.0	7.8	368.5	7.1
Other	184.4	3.3	619.1	11.9
Real estate	644.3	11.4	603.5	11.6
Total	5,635.8*	100.0	5,189.6	100

* Includes € 17.2 million derivatives outside the balance sheet.

The *net return on investment operations in the profit and loss account* stood at € 367.7 million. Capital gains were obtained in equity, fixed-income and real estate investments; the total gain amounted to € 257.6 million. Value adjustments of € 43 million were made in equities and shares, € 8.8 million in bonds, and € 9.3 million in real estate. Value readjustments on equities, bonds and real estate stood at € 10.4 million. Valuation differences increased by € 65.4 million during the financial year. The *net return on investment operations at fair values* stood at € 433.1 million.

In the equities market the first half or the year was challenging. A strong second half, however, made it a good year for equities. The best yield was received from equities investments in Finland, the other Nordic countries and developing markets, while US and Japanese equities provided the weakest yields. Pension Fennia's total portfolio income on invested capital for 2006 was 13.9 per cent. The equities portfolio includes listed and unlisted equities as well as derivates, hedge funds and capital funds.

Investments in listed equities and shares yielded 15.8 per cent. During the year, derivatives were used to administer the equity risk, which decreased the return on equities. Private equity funds yielded 26.8 per cent.

As the fixed-income expectation was low, assets were allocated to hedge funds in 2006. The expected yield of hedge funds is the same as that of fixed-income investments, but lower and more stable than that of equity investments. Hedge funds accounted for 8.9 per cent of the investment allocation. Yield from hedge funds, protected from exchange rate fluctuations, was as expected, at around 6.4 per cent.

The year 2006 was challenging for fixed-income investments. Both short and long interest rates rose in the first half of the year. After June, long interest rates turned down, but short interest rates continued to rise. In spring the duration was clearly shorter than the market duration, but in the second half of the year investments in long interest rates provided a better yield, and it was profitable to increase the interest rate risk.

The weight of loans with credit rating AAA accounted for about 35 per cent of the fixed-income investments. The proportion of corporate loans was decreased further. The return on government loans was slightly negative, but bond investments with a credit risk gave a good yield. Investments in loans in developing markets and corporate loans with a credit rating below the investment class yielded very well. Investments in convertible bonds were increased, and they also provided a very good yield.

The return on capital employed in bond investments, including derivatives and fixed-income funds, was 1.98 per cent. The return on the money market portfolio was 2.90 per cent. The modified duration of the bond portfolio on 31 December 2006 was 5.15 years, and the average credit rating was A.

The demand for *real estate* investments remained higher than supply in both Finland and the whole of Europe. The required return continued to fall, which increased the real estate prices. In more and more deals the buyer was an international real estate fund, and the year broke a record in real estate business in Finland with a volume of over € 5 billion.

In the rental market the underutilisation rate of residences and business premises was low, but remained high in terms of office space. Office rental was characterised by the users moving to newer or more efficient premises. A large number of new office projects will start in the Helsinki metropolitan area in the near future which, once completed, will keep the amount of vacant spaces at a high level.

Pension Fennia's real estate investments increased by around € 40.8 million during the year. Sales totalled around € 53.7 million. The majority of these were sales to Finnish real estate funds in which Pension Fennia made investments of around € 8.6 million. Indirect real estate investments in European funds were not increased, and they remained almost at the previous year's level at € 9.6 million. The return on real estate investments calculated on invested capital stood at 15.1 per cent, compared with 8.0 per cent in the previous year. Real estate investments totalled € 644.3 million at the year-end.

The demand for *client financing* loans increased somewhat. Equity instruments as part of companies' financing solutions have increased. Investment, pension and capital loans totalled € 241.1 million at the year-end. The amount of unarranged loans decreased from € 4.3 million in the previous year to € 0.9 million. No value adjustments were made in loans in the financial year, and no credit losses were incurred. Return on capital employed was 4.2. per cent.

Total operating expenses and personnel

The calculation principles of operating expenses were amended in 2006 in such a way that other long-term expenditures related to system projects are entered as annual expenses. The total effect of the change in the calculation principles on operating expenses is € 8.1 million.

Total operating expenses for 2006 were € 49.3 million, including one-off depreciations, operating expenses of well-being at work activities and the judicial administration charge. Operating expenses covered with expense loading, including one-off depreciation, stood at € 42.4 million. Operating expenses covered from the investment income stood at € 6.4 million. € 0.5 million of operating expenses related to working capacity maintenance were paid from the disability loading of the premium. Expense loading included in the premium for covering operating expenses totalled € 39.6 million for the year and other income € 0.7 million. After a one-off depreciation loading profit stood at € -1.9 million. Loading profit before the change of calculation principles was € 6.2 million, which equals 15.4 per cent loading profit.

The company employed an average of 245 persons in the year 2006. At the year-end 2006, 250 people were permanently employed, and 7 had a fixed-term employment relationship. 8 people were on maternity or child care leave, and 9 people were on a permanent part-time employment; 7 of these were on part-time pension and 2 on partial disability pension. A total of 20 new employees were hired or fixed-term employments made permanent. 15 employment relationships ended, 5 of them due to retirement.

Result and solvency

The *book net returns* on investment operations, € 367.7 million, exceeded the required return, € 271.3 million, by € 96.4 million. The valuation differences of investments increased by € 65.4 million. Therefore the *result of investment operations* after the required return compensated on technical provisions was € 163.2 million. The *loss on insurance business* stood at € -13.1 million. *Loading profit* was € 6.2 million before one-off depreciations and € -1.9 after them. The combined *total result* of Pension Fennia was € 148.3 million.

A total of € 86.7 million was transferred from the total result to the provision for future bonuses and € 7.4 million to be returned to customers as reduced insurance premiums. In addition, 10 per cent of the supplement made from the provision for future bonuses to the provision for current bonuses in 2005 was returned.

The *solvency margin* at the year-end amounted to € 1,202.4 million, or 25.7 per cent of the technical provisions. Valuation differences accounted for € 591.7 million of the solvency margin. Provision for future bonuses stood at € 583.0 million at the year-end.

The profit and loss account shows a surplus of € 2,355,418.85.

Internal supervision, risk management, internal and external auditing

Pension Fennia Board of Directors has approved a *risk management plan* that covers all operations. The risk management process has been integrated into operations planning, and a key task of the risk management process is to ensure the realisation of the company's strategic goals and other important projects related to operations. The Board has followed the progress of measures in accordance with the risk management plan during the year. The Board has also assessed the appropriateness of internal supervision.

The line directors acting as members of the Executive Group are responsible for ensuring in their own fields that internal supervision is implemented and that the line-specific risk management processes are appropriate. The Executive Group follows the progress of actions, combined effects of central risks, and their relationship to the company's risk-bearing capacity.

As part of the investment plan the Board of Directors confirms the *principles of internal supervision and risk management concerning investment operations* and approves the principles for the use of derivatives. Identifying, assessing and measuring the risks related to investment operations as well as administrative measures are included in the risk management plan for investment operations.

Solvency margin is used for preparing for *investment risks*. The key figures used in the follow-up and evaluation of the total risk position of investment operations are the ratio of solvency margin to technical provisions and to the solvency limit in accordance with the statutes. Solvency margin, solvency position and the risk key figures of different asset classes are continuously followed.

Insurance business risks are related to the sufficiency of insurance premium and technical provisions in the short and long term. The risk management of insurance business is based on premium bases and bases for technical provisions that meet the security requirements, which are the same for all companies. The company has prepared for *fluctuations of insurance business* with the *equalisation provision* included in the technical provisions. According to stipulations, the company has appointed an actuary whose task inside the company is to see, for example, that the actuarial methods are appropriate.

The *operational risks* related to business have been identified in connection with the drawing up of the risk management plans, and their administrative measures have been recorded in the risk management plans of functions. The most important operational risks are related to, for example, life and health risks, dangerous work combinations, defective skills, management, legal affairs, information systems and safety.

Risk management is described in more detail in the notes to the financial statements.

Internal and external auditing

The task of Pension Fennia's internal auditing is to evaluate the sufficiency, appropriateness and efficiency of internal supervision. Internal auditing annually draws up an operating plan that is approved by the Board of Directors. Observations are reported to the Executive Group, and a report is annually drawn up for the Board of Directors. Internal auditing has provided the Executive Group and the Board of Directors with an evaluation of internal supervision on an annual basis.

External auditing of operations is carried out by the authorised auditors elected by the Annual General Meeting, in addition to which the company's operations are supervised by the Insurance Supervision Authority.

Administration

On 26 April 2006, the Annual General Meeting of Pension Fennia re-elected Heimo Aho and elected Klaus Saarikallio as a new member to the Supervisory Board at the suggestion of central employer organisations, and re-elected Anssi Vuorio and elected Tuula A. Paunonen as a new member at the suggestion of central employee organisations. In addition, the following persons were re-elected to the Supervisory Board: Kaj Ericsson, Tapio Juusela, Lasse Murto, Heikki Rinta-Rahko and Antti Tiitola, and Pertti Hakala and Stefan Wentjärvi were elected as new members. Antti Tiitola resigned from the Supervisory Board on 5 December 2006.

The Annual General Meeting elected Per-Olof Johansson, Authorised Public Accountant, auditor and the supervisory auditor and Marja Tikka, Authorised Public Accountant, auditor and the deputy supervisory auditor. Tuija Korpelainen, Authorised Public Accountant, and Arto Tenhula, Authorised Public Accountant, were elected deputy auditors.

In its meeting on 27 November 2006, the Supervisory Board of Pension Fennia re-elected Board members Eero Lehti, Pertti Parmanne, Seppo Riski and Ernst Gylfe, and deputy members Rauno Mattila and Timo Vallittu. In addition, Ralf Wickström was elected as a new member, and Antti Kuljukka and Reija Lilja were elected as new deputy members. Due to the amendment concerning employment pension insurance companies that entered into force on 1 January 2007 Managing Director Lasse Heiniö and Deputy Managing Director Tarkko Jousi resigned from the Board of Directors on 31 December 2006.

Eero Lehti was elected Chairman of the Board for the year 2007, and Pertti Parmanne and Seppo Riski were elected Deputy Chairmen. Markku Koskenniemi was elected Chairman of the Supervisory Board, and Harri Kainulainen and Eino Rajamäki were elected Deputy Chairmen.

The Board of Directors convened 10 times during the year, and the participation percentage was 97. The Supervisory Board convened twice and the shareholder's general meeting once.

Pension Fennia and the group

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

At year-end 2006, Pension Fennia group included 52 housing and real estate companies as subsidiaries. In addition, Pension Fennia group included Feva-kiinteistöt Oy. Pension Fennia owns 40 per cent of its associated undertaking Insurance Company Fennia Life.

Significant events after the close of the financial year

The company's result has developed favourably in early 2007. Return on listed equities in the current year has been 4.8 per cent (21 February 2007). Diversification of the assets into equities, interest instruments, real estate and hedge funds has been successful. Pension Fennia's solvency margin stood at € 1,297.6 million or 27.4 per cent of the technical provisions on 21 February 2007. The ratio of the solvency margin to the solvency limit was 2.03.

Seven office buildings were sold early in the year in an international tender competition for € 77.1 million to Teesland IOG Nordic A/S.

Pension Fennia's organisation was rearranged as of 1 January 2007 in accordance with the decision of the Board of Directors. The operations related to investments were combined into Investment Line. The former Customer Services, Pension Services and IT Services were combined into Customer Line. Actuarial Services and Risk Management were combined into Actuaries and Risk Management Unit. The Finance Line and Human Resources and Internal Services were combined into one unit.

The Executive Group comprised the following persons on 1 January 2007: Lasse Heiniö, Managing Director; Tarkko Jousi, Deputy Managing Director; Eeva Grannenfelt, Director, Investments; Matti Carpén, Director, Customer Relations; Irmeli Heino, Director, Finance and Human Resources; and Mikko Karpoja, Director, Actuarial Services and Risk Management. The Executive Group convenes in an extended form in connection with planning rounds or when otherwise summoned. In addition to the abovementioned, the extended Executive Group includes Sakari Kalske, Director of the IT Services and Development unit; Timo Stenius, Director, Customer Finance and Real Estates; and Seppo Mattila, Medical Director. The Investment Committee includes the Managing Director as the Chairman, and Tarkko Jousi, Eeva Grannenfelt, Timo Stenius and Irmeli Heino as members.

Future outlook

The economic growth is anticipated to remain at a good level, but to weaken somewhat globally from 2006. The inflation expectations are moderate. The expectations on the return on asset items are cautiously positive for the year 2007.

The most important risks that affect the investment income are the faster than anticipated weakening of the world economy, major uncontrollable adjustments related to the imbalance of the world economy, and possible political conflicts.

The pension reform has proceeded to implementation. The main goal of the reform is to delay the average retirement age by 2–3 years. The key tools for reaching the goal are the life expectancy coefficient and increased pension accrual after the age of 63. The fixed retirement age of 65 years was abolished in connection with the pension reform. It is possible to retire flexibly between 63 and 68 years. The amount earned by the time of retirement is paid as earnings-related pension. After the age of 63 the accrual of pension speeds up considerably. Because the effects of the reform cannot be observed until after several years, experiences from the new system and its overall effects will be seen after the turn of the decade.

The realised reforms are significant achievements even in international comparison. In order to ensure sustainable financing in terms of sufficiency of pension provision and the bearing capacity of the national economy, the development work needs to be continued. The next 10 years will be decisive in preparing for the future pension expenditure, as the baby-boom generation will gradually retire.

Erkki Rajaniemi submitted his report on the competitive conditions of the earnings-related pension scheme to the Minister of Social Affairs and Health on 11 January 2007. According to the report, the objectives of decentralised implementation and competition of employment earnings-related pension provision should be reconciled in such a way that the competition would benefit the policyholders more than it currently does. This would also promote the position of the insured and curb the need to increase the employment pension premium. The legislation should encourage and, where necessary, obligate the pension institutions to operate more efficiently. Possible further actions will be taken after a round of statements on the report.

The working group appointed by the Ministry of Social Affairs and Health submitted its report on the Insurance Companies Act to the Ministry of Social Affairs and Health on 29 November 2006. The working group proposes that a whole new Insurance Companies Act be passed due to the regulations of the new Companies Act. The basic idea of the proposal still is that the Companies Act should be applied to insurance companies, unless there is a reason to deviate from the regulations due to the special nature of the insurance business. At the same time, amendments have been prepared for the Act on Employment Pension Insurance Companies which will be presented to Parliament separately at a later date.

The Pension Fennia Board of Directors wishes to thank all personnel and the operative management for a job well done in the financial year 2006.

Profit and Loss Account

EUR 1,000	Group 2006	Group 2005	Parent company 2006	Parent company 2005	Notes
Technical account					
Premiums written	889,333	808,462	889,333	808,462	1
Investment income	749,974	476,926	755,605	483,595	3
Revaluations on investments					
Claims incurred					
Claims paid	-718,844	-669,475	-718,844	-669,475	2
Change in claims paid					
Total change	-240,537	-100,945	-240,537	-100,945	
Portfolio transfer		-217		-217	
	-959,381	-770,637	-959,381	-770,637	
Change in premium reserve					
Total change	-256,655	-306,641	-256,655	-306,641	
Portfolio transfer		-115		-115	
Statutory charges	-4,301	-3,623	-4,301	-3,623	
Operating expenses	-34,430	-25,123	-34,430	-25,123	5
Investment expenses	-383,128	-180,595	-387,883	-184,793	4
Other technical underwriting expenses					
Balance on technical account/margin	1,412	-1,347	2,288	1,124	
Non-technical account					
Other income	1	455	1	455	
Appropriations					
Change in depreciation difference			67	-8	
Change in optional reserves					
Income taxes					
Taxes for the financial year and previous financial years	-31	98			
Calculated tax	-337	29			
	-369	127			
Share of result of associated undertakings	2,390	3,371			
Minority interest in the result for the financial year	-232	-230			
Profit/loss for the financial year	3,665	2,837	2,355	1,570	

Balance Sheet

EUR 1,000	Group 2006	Group 2005	Parent company 2006	Parent company 2005	Notes
ASSETS					
Intangible assets					
Intangible rights	445	266	445	266	
Other long-term expenses	67	7 250	67	7 250	
	512	7 516	512	7 516	
Investments					
Investments in land and buildings					
Land and buildings	454,704	476,575	271,444	278,856	6
Loan receivables from group companies			232,120	237,302,	
	454,704	476,575	503,564	516,158	
Investments in group companies and participating interests					
Shares and participations in group companies			8	8	7
Shares and participations in associated companies	26,182	23,792	16,651	16,651	8
	26,182	23,792	16,659	16,659	
Other investments					
Equities and shares	2,479,634	1,754,092	2,478,283	1,752,741	9
Money-market instruments	1,799,239	2,118,421	1,799,239	2,118,421	
Loans guaranteed by mortgages	135,120	150,072	135,120	150,072	
Other loan receivables	141,388	129,917	105,988	94,304	
Deposits	3,000	16,300	3,000	16,300	
	4,558,382	4,168,802	4,521,631	4,131,838,	
	5,039,267	4,669,169	5,041,853	4,664,654	
Debtors					
Direct insurance business					
Policyholders	70,040	54,579	70,040	54,579	
Other debtors					
Receivables from participating interests				3	
Receivables from associated undertakings		3			
Receivables from own real estate companies			3,562	11,831	
Receivables from partner companies	613	31	613	31	
Other debtors	172,811	71,079	172,811	71,079	
	173,424	71,112	176,985	82,944	
Other assets					
Tangible assets					
Furniture and fixtures	2,235	2,468	2,235	2,468	
Other tangible assets	353	353	353	353	
	2,588	2,822	2,588	2,822	
Money and cash at bank	5,283	4,621	5,160	4,379	
	7,871	7,442	7,748	7,201	
Prepayments and accrued income					
Accrued interest and rent	40,833	41,609	40,833	41,609	
Other prepayments and accrued income	4,304	3,069	3,341	2,415	
	45,138	44,677	44,174	44,024	
Total assets	5,336,252	4,854,497	5,341,313	4,860,918	

EUR 1,000	Group 2006	Group 2005	Parent company 2006	Parent company 2005	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	84	336			
	5,130	5,382	5,046	5,046	
Other reserves	20,985	19,445	20,955	19,415	
Profit/loss brought forward	-14,017	-15,294	104	94	
Profit/loss for the financial year	3,665	2,837	2,355	1,570	
	10,634	6,988	23,414	21,079	
	15,763	12,370	28,460	26,124	11
Minority interest	7,136	7,348			
Accrued appropriations					
Depreciation difference			191	258	
Optional reserves					
			191	258	
Technical provisions					
Premium reserve	3,448,474	3,191,819	3,448,474	3,191,819	
Claims reserve	1,821,185	1,580,648	1,821,185	1,580,648	
	5,269,659	4,772,468	5,269,659	4,772,468	10
Obligatory provisions					
Obligatory provisions					
Creditors					
Direct insurance business	2,620	2,087	2,620	2,087	
Loans from financial institutions					
Calculated tax debt	1,095	758			
Other creditors	27,982	25,851	28,651	26,882	
	31,697	28,695	31,272	28,969	
Accruals and deferred income	11,997	33,616	11,731	33,099	
Total liabilities	5,336,252	4,854,497	5,341,313	4,860,918	

Accounting Principles

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 insurance companies, 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 2006, Pension Fennia group comprised as subsidiaries 52 real estate companies and Feva Kiinteistöt Oy.

The consolidated financial statements have been compiled as combinations of the profit and loss accounts 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. 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 fair values. The consolidation difference is depreciated in accordance with the planned depreciations of the corresponding asset item. 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. 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 and the payment percentage 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 self-employed person's reported income and payment percentage.

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 fair values

Investments in land and buildings are entered at the lower of acquisition cost less depreciation, plus revaluation or fair value. The fair values of land and buildings and real estate shares are determined by item in the manner required by the Insurance Supervision Authority. Statements of an external, authorised real estate assessor have mainly served as the basis for determining the fair values.

The value adjustments made on real estate are entered in the profit and loss account under value adjustments. Value readjustments with effect on profit have been made on the sold real estate before entering the capital gain. No revaluations on book values of real estate were made in the financial year 2006.

Equities and shares are entered in the balance sheet at the lower of acquisition cost or fair value. Previous value adjustments on equities are entered in the profit and loss account as value readjustments for the part that the fair value exceeds the book value, but not in amount exceeding the value adjustments made earlier. Equities and shares are entered in the books 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 fair value. The last available closing prices of the financial year are used as fair values for listed equities and shares. The fair value of unlisted equities and shares is the acquisition cost or the probable net realisable value. The fair value used for Fennia Life is the market value calculated by an external assessor.

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 rate quoted by the European Central Bank on 29 December. *Foreign currency denominated other investments* are entered at the rate of the acquisition date. The rates quoted on 29 December have been used to calculate the fair values. If the fair 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. Furthermore, reduced receivables from confirmed business restructuring are entered in credit losses.

In the TEL premium system premium receivables are grouped according to the strongest collection procedure of the insurance as follows: bankruptcy, debt recovery, debt restructuring and other.

Derivative contracts have been used by Pension Fennia for targeting at additional income, for allocation changes, enhancing portfolio management, and hedging purposes.

Hedging calculation is only applied to those derivative contracts that meet the requirements set in the regulations and guidelines of the Insurance Supervision Authority. Derivative contracts for hedging purposes are valued together with the hedged item. If no change in value has been entered in the profit and loss account for the hedged balance sheet item, no entry has been recorded in the profit and loss account 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 profit and loss account 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 profit and loss account. 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. Furthermore, in calculating the cover for technical provisions, such foreign currency derivatives that fulfil the definition of the regulations and guidelines of the Insurance Supervision Authority on operationally hedging foreign currency derivatives are entered 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 fair value. A zero coupon bond is entered in the acquisition estimate, adjusted with the matched difference between the nominal value and the acquisition value. The financial year's proportion of the matching is entered as interest income.

Provisions and tax liabilities

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

Depreciation and calculation principles

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

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

The calculation principles of depreciable assets have been changed so that other long-term expenses related to system projects have been and will be entered in the future as annual expenses in accordance with Section 5:5a of the Accounting Act. In the financial statements of 2006 the change comprises a one-off retroactive write-down for previously capitalised system projects. The change of calculation principles does not concern planning of and consultation for plug-in software.

The need for changing the calculation principles and giving up capitalisation became obvious, when calculations and surveys showed that the maintenance and development need of system projects will increase in the near future, and the lifespan of investments will become shorter.

The change of calculation principles has been recorded in the profit and loss account in accordance with the regulations and guidelines issued by the Insurance Supervision Authority. The total effect of the change of calculation principles on the profit and loss account is € 8,059,547.84.

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.

Direct taxes and surplus for the financial year

The deferred tax determined on the basis of the result for the financial year is € 145,986.83. Deferred tax receivable has not been entered in the balance sheet, because the company has unused corporation tax credit and losses confirmed in taxation.

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. In accordance with the decision of the Board of Directors, supplementary pension to TEL supplementary cover will be bought as one-off payment to those directors appointed by the Board of Directors whose target pension in accordance with their employment contract is not fulfilled at the time of their retirement. A provision has been made for future payments in these financial statements. The amount of the provision is adjusted annually.

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 fair 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. The deduction does not concern operationally hedging foreign currency derivatives.

Notes

Notes to the Profit and Loss Account

EUR 1,000	Group 2006	Group 2005	Parent company 2006	Parent company 2005
1. Premiums written				
Direct insurance				
TEL basic insurance				
Employer contribution	616,991	552,897	616,991	552,897
Employee contribution	169,167	159,443	169,167	159,443
	786,158	712,340	786,158	712,340
TEL supplementary pension insurance	2,278	2,498	2,278	2,498
YEL minimum coverage insurance	100,819	93,535	100,819	93,535
YEL supplementary pension insurance	78	89	78	89
Total premiums written	889,333	808,462	889,333	808,462
Items deducted from premiums written				
Credit loss on premiums				
TEL	3,291	5,155	3,291	5,155
YEL	1,373	1,299	1,373	1,299
	4,664	6,455	4,664	6,455
2. Claims paid				
Direct insurance				
Paid to pensioners				
TEL basic insurance	527,727	496,846	527,727	496,846
TEL supplementary pension insurance	15,762	15,861	15,762	15,861
YEL minimum coverage insurance	87,153	82,678	87,153	82,678
YEL supplementary insurance	609	584	609	584
	631,250	595,969	631,250	595,969
Paid/refunded clearing of PAYG pensions				
TEL pensions	96,280	84,762	96,280	84,762
YEL pensions	20,257	16,617	20,257	16,617
Proportion of the insurance premiums of the unemployment insurance fund	-28,929	-26,552	-28,929	-26,552
Government contribution of YEL	-8,447	-8,060	-8,447	-8,060
	79,161	66,768	79,161	66,768
Paid/refunded joint liability claims				
	710,412	662,737	710,412	662,737
Claims administration costs	7,964	6,370	7,964	6,370
Working capacity maintenance expenses	469	368	469	368
Total claims paid	718,844	669,475	718,844	669,475

Notes to the Profit and Loss Account

EUR 1,000	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Net investment income				
3. Investment income				
Income from investments in group companies				
Dividend income			99	476
Income from real estate investments				
Interest income				
From group companies			11,464	11,321
Others	2,134	2,027	31	29
Other income	58,716	52,526	56,058	48,959
	60,850	54,553	67,552	60,308
Income from other investments				
Dividend income	53,014	35,124	53,014	35,124
Interest income	88,421	97,918	89,217	98,898
Other income	48,901	35,151	48,901	35,151
	190,336	168,193	191,132	169,173
Total	251,185	222,746	258,783	229,957
Value readjustments	10,446	21,355	10,446	21,355
Gains on realisation	488,342	232,826	486,375	232,283
Total	749,974	476,926	755,605	483,595
4. Investment expenses				
Costs on real estate investments	-23,101	-18,929	-36,021	-31,873
Costs on other investments	-24,881	-49,721	-26,273	-51,044
Interest costs and expenses on other liabilities	-8,611	-9,330	-8,611	-9,330
	-56,594	-77,980	-70,905	-92,248
Value adjustments and depreciation				
Value adjustments	-67,442	-13,920	-66,557	-13,028
Planned depreciation on buildings	-9,546	-10,070	-885	-892
	-76,988	-23,990	-67,442	-13,920
Losses on realisation	-249,546	-78,626	-249,536	-78,626
Total	-383,128	-180,595	-387,883	-184,793
Net investment income before revaluations and their adjustment	366,846	296,331	367,722	298,802
Revaluation on investments				
Net investment income in the profit and loss account	366,846	296,331	367,722	298,802

EUR 1,000	Group 2006	Group 2005	Parent company 2006	Parent company 2005
5. Profit and loss account item operating expenses				
Insurance policy acquisition costs				
Direct insurance remunerations	303	355	303	355
Other insurance policy acquisition costs	10,013	7,570	10,013	7,570
	10,316	7,925	10,316	7,925,
Insurance management costs	17,363	10,716	17,363	10,716
Administration costs	6,752	6,483	6,752	6,483
Total	34,430	25,123	34,430	25,123
Total operating expenses by operation				
Claims paid				
Expenses related to claims administration	7,964	6,370	7,964	6,370
Working capacity maintenance expenses	457	351	457	351
	8,421	6,721	8,421	6,721
Operating expenses	34,430	25,123	34,430	25,123
Investment expenses				
Costs on real estate investments	1,391	1,324	1,391	1,324
Costs on other investments	5,012	5,154	5,012	5,154
	6,403	6,478	6,403	6,478
Total	49,254	38,322	49,254	38,322
Personnel expenses				
Salaries and bonuses	12,758	12,274	12,758	12,274
Pension expenses	3,218	2,641	3,218	2,641
Other social security expenses	1,068	1,037	1,068	1,037
Total	17,044	15,951	17,044	15,951
Salaries and bonuses of the management				
Managing Director and Deputy Managing Director	526	436	526	436
Board of Directors	129	171	129	171
Supervisory Board	57	81	57	81
Total	713	689	713	689

Managing Director Lasse Heiniö's salary amounted to € 274,300 and fringe benefits to € 24,900.
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 the age of 60 on the basis of a supplementary pension arrangement in accordance with TEL or other corresponding system.
No money loans or guarantees have been granted to members of the Supervisory Board and the Board of Directors.

Fees Paid to the Auditors

In 2006, Ernst & Young Oy was paid € 111,000 for auditing the accounts of Pension Fennia and the real estates owned by it. The fees paid for consultation amounted to € 21,600.

Average Number of Personnel During the Financial Year

	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Office personnel	221		221	
Sales personnel	18		18	
Real estate personnel	6		6	

Notes to the Balance Sheet

EUR 1,000	Remaining acquisition cost 2006	Book value 2006	Fair value 2006	Remaining acquisition cost 2005	Book value 2005	Fair value 2005
6. Investments at fair value and valuation differences, parent company						
Investments in land and buildings						
Land and buildings	24,505	26,066	32,244	22,724	24,285	29 880
Land and buildings in group companies	136,947	149,839	209,186	143,681	159,432	218 845
Other land and buildings	92,680	95,539	145,279	92,279	95,139	97,590
Loan receivables from group companies	232,120	232,120	232,120	237,302	237,302	237,302
Investments in group companies						
Shares and participations	8	8	8	8	8	8
Investments in participating interests						
Shares and participations	16,651	16,651	35,200	16,651	16,651	35,200
Other investments						
Equities and shares	2,478,278	2,478,283	2,919,352	1,752,735	1,752,741	2,142,901
Money-market instruments	1,799,239	1,799,239	1,798,834	2,105,363	2,105,363	2,151,312
Loans guaranteed by mortgages	135,120	135,120	135,120	150,072	150,072	150,072
Other loans	105,988	105,988	105,988	94,304	94,304	94,304
Deposits	3,000	3,000	3,000	16,300	16,300	16,300
Option share of an index-bound loan				13 058	13 058	13 211
	5,024,535	5,041,853	5,616,331	4,644,477	4,664,654	5,186,924
The remaining acquisition cost of money-market instruments includes						
The difference between the nominal value and acquisition cost, released or charged to interest income	-5,717			-7,824		
Income from index-bound loans				4,833		
Book value includes						
revaluations entered as income	17,318			20,177		
Valuation difference (difference between fair value and book value)			574,478			522,270

EUR 1,000	Group 2006	Group 2005	Parent company 2006	Parent company 2005
Other loan receivables itemised by guarantee				
Bank guarantee	14,963	22,857	14,963	22,857
Guarantee insurance	37,144	45 067	37,144	45,067
Insurance policy	1,377	4,488	1,377	4,488
Real estate share	1,998	3,610	1,998	3,610
Other guarantee	45,710	12,937	45,710	12,937
The remaining acquisition cost	101,192	88,958	101,192	88,958
Non-guarantee remaining acquisition cost total	1,669		1,669	
Total pension loan receivables				
Other loans guaranteed by mortgages	2,833	3,936	2,833	3,936
Other loan receivables	13,637	24,876	13,637	24,876
The remaining acquisition cost	16,470	28,812	16,470	28,812
Receivables from group companies				
Other receivables				

7. Shares and participations in group companies, parent company

Shares and participations				
Original acquisition cost, 1 Jan.			8	8
Increase				
Transfers				
The remaining acquisition cost, 31 Dec.			8	8

Shares and participations	Holding of all shares, %	Holding of all votes, %	Book value
Feva Kiinteistöt Oy	100.0	100.0	8
Total shares and participations			8

8. Shares and participations in participating interests

Shares and participations				
Original acquisition cost, 1 Jan.			16,651	16,651
Increase				
Transfers				
The remaining acquisition cost, 31 Dec.			16,651	16,651

Shares and participations	Holding of all shares, %	Holding of all votes, %	Book value
Fennia Life Insurance Company	40.0	40.0	16,651
Total shares and participations			16,651

EUR 1,000	Shares, %	Book value 31 Dec. 2006	Market value 31 Dec. 2006
9. Other investments, parent company			
Finnish equities and shares			
AffectoGenimap Plc	3.53	1,840	2,082
Aina Group Oyj	14.89	8,300	8,300
Alma Media Oyj	0.45	2,190	3,092
Amanda Capital Plc	2.35	959	1,835
Amer Sports Corporation	0.25	2,853	2,980
Arek Oy	4.00	280	280
Cargotec Corporation	0.18	2,781	4,215
Cramo Plc	0.56	2,395	3,213
Elcoteq Group	0.43	880	880
Electrobit Group	0.39	1,030	1,030
Elisa Corporation	0.35	9,521	12,125
Esy Oy	4.00	188	188
Etteplan Oyj	4.62	2,004	3,117
Exilion Capital Oy	25.00	15	15
Fibrogen Europe Oy	0.68	482	482
Finnair Plc	0.39	4,138	4,344
Finnlines Plc	0.42	2,737	2,924
Fiskars Corporation	0.12	430	1,121
F-Secure Corporation	0.89	4,180	4,212
Fortum Corporation	0.31	42,613	59,403
Honkarakenne Oyj	4.41	744	837
Huhtamäki Oyj	0.52	7,382	8,184
Ilkka-Yhtymä Group	10.69	3,326	5,180
Imatra Region Development Company	0.35	8	8
International Security Technology Oy	11.46	568	568
IWS International Oy	2.44	244	244
KCI Konecranes International Abp	0.33	2,696	4,460
Kemira Oyj	0.34	6,408	7,187
Kesko Corporation	0.85	6,432	10,726
Kone Corporation	0.36	8,312	16,763
Larox Corporation	2.41	1,193	1,559
Lassila & Tikanoja Plc	0.31	1,828	2,599
M-Real Corporation	0.78	11,548	12,215
Metso Corporation	0.42	12,777	22,859
Midinvest Oy	10.87	505	505
Neste Oil Oyj	0.39	22,183	22,800
Nethawk Oy	1.78	1,707	1,707
Nokia Corporation	0.10	64,249	65,941
Nokian Tyres Plc	0.36	5,630	6,751
OP Bank Group	0.30	5,869	6,152
Orion Corporation	0.25	7,166	9,109
Outokumpu Oyj	0.37	11,272	20,043
Outokumpu Technology Oyj	0.48	2,500	4,540
PKC Group Oyj	0.84	1,591	1,838
Raisio Plc	0.61	1,790	1,790
Ramirent Group	0.40	2,111	4,888
Rapala VMC Corporation	1.56	3,307	3,714
Rautaruukki Corporation	0.39	10,503	16,537
Rocla Oyj	1.17	521	536
Sampo plc	0.49	35,560	55,770
SanomaWSOY Corporation	0.85	25,101	29,810
Satama Interactive Oyj	2.45	986	1,000
Sisu Axels Oy	9.74	842	842
Stockmann Plc	0.39	4,827	7,838
Stora Enso Oyj	0.39	35,642	36,765
Talentum Group	4.41	6,416	6,416
Tamfelt Oyj	0.22	506	639
Team Botnia Oy	0.93	2	2
Teleste Corporation	1.27	1,802	2,559
TietoEnator Corporation	0.23	4,289	4,289

EUR 1,000	Shares, %	Book value 31 Dec. 2006	Market value 31 Dec. 2006
Turun Puhelin Oy	0.00		
UPM-Kymmene Corporation	0.39	35,629	38,762
Uponor Oyj	0.22	2,995	4,657
Vaahto Group Plc Oyj	0.63	162	162
Vaasan Puhelin Oy	0.00	1	1
Vacon Oyj	0.06	1,684	2,219
Garantia Insurance Company	18.00	9,312	9,312
Wärtsilä Corporation	0.50	10,609	19,524
YIT Corporation	0.50	8,693	13,408
Foreign non-euro zone equities denominated in euro			
Sweden			
Nordea Bank AB (Publ)	0.044	10,208	14,064
TeliaSonera AB (Oy)	0.071	15,668	20,691
Estonia			
Tallink Group Ltd	0.119	1,022	1,022
Foreign euro zone equities denominated in euro			
Netherlands			
Koninklijke Philips Electronic N.V.	0.009	2,699	2,857
France			
Axa SA	0.008	4,908	5,214
Vivendi Universal SA	0.016	4,817	5,330
Total SA	0.006	7,565	8,198
Sanofi-Aventis SA	0.009	8,176	8,394
Germany			
Adidas-Salomon AG	0.049	3,606	3,771
Allianz AG	0.009	4,881	6,202
Bayer AG	0.026	6,628	7,944
Deutsche Bank AG	0.012	4,967	6,612
Dow Jones Euro Stoxx 50 EX fund	1.072	35,614	38,499
Medion AG	0.496	1,889	1,889
SAP AG	0.009	4,775	4,831
Siemens AG	0.013	7,561	8,915
Software AG	0.231	2,478	3,883
Foreign equities not denominated in euro			
Ireland			
iShares FTSE 100 etf	1.068	22,505	23,692
Great Britain			
AstraZeneca Group Plc	0.010	6,161	6,293
Barclays Plc	0.008	5,022	5,979
GlaxoSmithKline Plc	0.005	5,482	5,604
Royal Bank of Scotland Group Plc	0.007	5,029	6,381
Norway			
Cermaq ASA	0.066	628	672
Ekornes ASA	0.272	1,635	1,736
Expert ASA	0.109	349	441
Norsk Hydro ASA	0.008	1,814	2,349
Norske Skogindustrier ASA	0.054	1,164	1,351
Orkla ASA	0.024	1,818	2,143
Pan Fish ASA	0.014	346	346
Petroleum Geo-Services ASA	0.025	633	814
Schibsted ASA	0.045	707	812
Statoil ASA	0.002	977	1,003

EUR 1,000	Shares, %	Book value 31 Dec. 2006	Market value 31 Dec. 2006
Tandberg Television ASA	0.186	907	1,424
Telenor ASA	0.012	2,240	2,847
TGS Nopec Geophysical Company ASA	0.075	1,071	1,253
Sweden			
ABB Ltd	0.007	1,154	1,901
Addtech AB	0.240	480	776
Alfa Laval AB	0.081	1,700	3,076
Assa Abloy AB	0.072	3,607	4,120
Atlas Copco AB	0.055	5,442	5,852
AstraZeneca Plc (Swedish ADR)	0.010	6,250	6,346
BE Group AB	0.100	343	390
D Carnegie & Co AB	0.144	1,571	1,632
Elekta AB	0.133	1,652	1,915
Eniro AB	0.049	849	901
Hemtex AB	0.338	608	1,468
Hennes & Mauritz AB	0.022	5,283	6,124
Holmen AB	0.040	658	824
Husqvarna AB	0.035	1,033	1,184
Intrum Justitia AB	0.327	1,935	2,503
Investor AB	0.066	4,507	5,575
Lindex AB	0.364	2,368	2,427
Ericsson LM AB	0.011	4,541	4,894
Lindab International AB	0.114	1,095	1,297
Modern Times Group AB	0.063	775	1,593
Nordea Bank AB (Publ) Sweden	0.026	6,441	8,169
New Wave Group AB	0.096	317	355
Nobia AB	0.086	1,363	1,457
Observer AB	0.443	1,232	1,413
Q-Med AB	0.050	515	590
RaySearch Laboratories AB	1.113	1,038	1,327
Rezidor Hotel Group AB	0.133	1,138	1,305
Retail and Brands AB	0.217	659	890
Sandvik AB	0.030	3,494	3,852
Svenska Cellulosa AB	0.020	1,326	1,582
Skandinaviska Enskilda Banken AB	0.023	2,922	3,609
Sectra AB	0.499	1,249	1,476
Securitas Direct AB	0.057	390	480
Securitas Systems AB	0.063	609	674
Svenska Handelsbanken AB	0.011	1,545	1,603
Skanska AB	0.051	2,334	2,987
SKF AB	0.022	1,078	1,259
SSAB Svenska Stal AB	0.062	1,529	2,157
Swedbank AB	0.025	2,887	3,587
Tele2 AB	0.038	1,225	1,659
Teleca AB	0.208	384	401
TeliaSonera AB	0.016	3,381	4,667
Trelleborg AB	0.049	560	726
Transcom Worldwide S.A.	0.826	2,125	2,622
Volvo AB	0.034	4,458	5,215
Switzerland			
Adecco SA	0.084	5,690	8,134
XMTCH on SMI (r)	0.325	6,349	6,795
Denmark			
Danske Bank A/S	0.013	2,627	2,693
GN Store Nord A/S	0.117	2,798	2,800
A P Moller - Maersk A/S	0.027	3,983	4,281
RTX Telecom A/S	0.848	729	730
United States			
iShares MSCI Japan Index Fund	0.314	31,912	33,124

EUR 1,000	Shares, %	Book value 31 Dec. 2006	Market value 31 Dec. 2006
iShares FTSE/XINHUA China 25 index Fund	0.153	4,773	6,770
SPDR Trust series 1	0.016	72,315	77,961
Capital trusts denominated in euro			
Aboa Venture II Ky		255	255
Access Capital LP II A		4,084	4,084
Access Capital LP II B		1,464	1,464
Access Capital LP		3,746	3,746
Amanda III Eastern Private Equity Ky		1,507	1,507
Bio Fund Ventures I Ky		963	963
Bio Fund Ventures I Jatkosijoitusrahasto Ky		291	291
Bio Fund Ventures II Ky		3,720	3,720
Bio Fund Ventures II Jatkosijoitusrahasto Ky		679	679
Bio Fund Ventures III Ky		2,535	2,535
Ecvitec Technology Funde II Ky		2,732	2,732
Etelä-Pohjanmaan Rahasto Ky		135	135
European Fund Investments UK		2,261	2,312
Finnmezzanine Rahasto II Ky		298	298
Finnmezzanine III Ky		5,733	6,531
Finnventure Rahasto III Ky		4	67
Finnventure Rahasto V Ky		707	3,398
Forenvia Venture I Ky		67	67
GrowHow Rahasto I Ky		1,461	1,687
Helmet SME Ventures Ky		808	808
Industri Kapital 2000 Ltd		4,242	6,367
Kareliaventure Rahasto Ky		38	38
Lapin Rahasto I Ky		195	195
MB Equity Fund III		1,820	2,478
Metal Fund Ky		45	45
Midinvest Fund I Ky		858	3,475
Midinvest Fund II Ky		224	224
Nordic Mezzanine Fund I Ky			27
Nordic Mezzanine Fund II LP		1,021	1,611
Profita Fund II Ky		1,616	3,555
Profita Fund I Ky		344	802
Promotion Capital I Ky		594	594
Promotion Equity I Ky		1,058	1,129
Savon Kasvurahasto I Ky		358	400
Sentica Kasvurahasto II Ky		1,679	1,976
SFK 99 Rahasto Ky		310	310
Teknoventure rahasto II Ky		1,046	1,190
Capital trusts not denominated in euro			
Auda Capital IV Co-Investement Fund LP		1,781	1,782
Nordic Capital IV Ltd		112	3,295
Equity funds			
Aberdeen Int Plc - Asia Pacific Fund		38,741	61,130
Aberdeen Int Plc - Asian Smaller Companies Fund		17,174	24,951
ABN AMRO China Equity Fund		14,051	19,865
ABN AMRO Eastern Europe Equity Fund		17,206	22,449
ABN AMRO Latin American Equity Fund I		10,501	19,000
AIG - Japan New Horizon - Y		35,776	36,342
AQR Absolute Return Fund Class A, 08/06		11,390	11,572
AQR Absolute Return Fund Class A, 10/06		4,556	4,599
Aspect Diversified Fund - Class A		765	766
Auda Global Feeder Fund		10,098	11,318
AXA Rosenberg Equity Alpha Trust - Japan Equity Alpha Fund		31,399	43,192
AXA Rosenberg Equity Alpha Trust -Pacific ex Japan		8,240	11,398
AXA Rosenberg Equity Alpha Trust - Pan-European Equity Alpha Fund		62,000	65,510

EUR 1,000	Shares, %	Book value 31 Dec. 2006	Market value 31 Dec. 2006
Blackstone Fifth Avenue Offshore Fund Ltd		28,474	35,117
Bluebay Emerging Market Total Return Fund		4,556	4,840
Bluebay Global Credit Fund		4,531	4,532
Bluebay Value Recovery Fund		9,112	9,586
Canyon Value Realization Fund - Class A		1,712	1,890
Carnegie Fund III - Worldwide Lond-Short Fund		5,000	6,773
Celeres HR Suomi		2,005	3,789
Cheyne Balanced Credit Fund Inc.,. Class A		13,667	14,427
CQS Capital Structure Arbitrage			
Feeder Fund Ltd Class A		9,112	9,461
D.E.Shaw Oculus International Fund		5,018	6,434
Elite erikoissijoitusrahasto B		2,141	3,450
eQ Monityyli Eurooppa		24,472	28,059
Evli Greater Russia B Sijoitusrahasto		8,134	16,825
Fidelity Active Strategy Sicav - Europe Fund		20,748	22,438
Fidelity European Mid Cap Fund		15,928	23,020
FIM India Sijoitusrahasto		10,000	10,332
FIM Russia Sijoitusrahasto		6,875	10,072
FIM Russia Small Cap		5,000	5,087
Fondita Nordic Micro Cap B		3,000	3,490
Fondita Nordic Small Cap B		5,940	17,469
Fourton Odysseus rahasto		4,376	6,695
Fourton Stamina rahasto		4,844	6,998
GLG Multi-Strategy Fund SICAV		14,850	14,850
Goldentree Offshore Ltd Series C/12		4,556	4,808
Goldentree Offshore Ltd Series C/6		9,112	10,013
Halcyon Offshore Event Driven Strategies - Class B		951	1,031
ICECAPITAL European Property Fund		382	779
ICECAPITAL Global Infrastructure Fund		7,481	7,481
Ikos Financial Fund		1,320	1,320
JPMorgan Fleming Fund -			
Europe Strategic Growth Fund		39,822	45,631
JPMorgan Fleming Fund -			
Europe Strategic ValueFund		40,000	45,471
JPMorgan Funds - US Dynamic Fund		73,652	79,938
Lansdowne Macro Fund Ltd - Euro Shares		6,846	6,846
Man AHL Alpha PLC		1,333	1,345
Marathon Overseas Fund		2,103	2,170
Navesink Investments Ltd		950	1,006
Nordea European Equity Hedge		15,000	16,305
Odey Japan & General Inc		1,795	1,796
Opstock Equity Hedge		10,000	10,522
Orn Event Fund Ltd Class I Series 4 (EUR)		1,515	1,515
OZ Overseas Fund II / E Prime Shares		15,945	16,829
PSAM WorldArb Fund Ltd (USD)		1,340	1,451
PW Tactical Allocation Fund Y		4,289	4,421
R2 Alpha Strategies PLC - R2 Crystal Fund -			
Euro Class 1		10,000	10,612
R2 Alpha Strategies PLC, I-Fund		20,000	21,589
SA Fund tranche 1		5,150	11,298
Sampo Kestävä Arvo Osake Kasvu-osuus		4,992	4,992
Seligson & Co Russian Prosperity Fund Euro		26,403	34,217
Shepherd Investments			
International Ltd Class A Series 2		2,279	2,407
Sloane Robinson Global Fund Asia - Class B		953	1,014
Sloane Robinson Global Fund Asia - Class B s.II		191	209
Swiss Capital Long/Short Equity Fund		4,556	5,197
T. Rowe Price -US large cap growth eq fund		26,310	31,153
T. Rowe Price -US large cap value eq		25,297	32,637
T. Rowe Price -US sml co eq		5,145	9,110
Taconic Opportunity Offshore Fund Ltd. Class A		753	815
Taconic Opportunity Offshore Fund Ltd. SP-			
A SERIES 1-NR		7	8
Threadneedle European Crescendo Fund Ltd		1,727	1,768
Trafalgar Advanced Fund - Class A1		1,283	1,284
UBS Global Alpha Strategies			
(Feeder)- EUR class B - Series 1		30,000	33,668
Ventus USD Standard Leverage Fund - Class B		1,331	1,535
Fixed-income funds			
ABN AMRO Global Emerging			
Markets Bond Fund I sarja		25,006	27,537
Aktia Inflation Bond+ s. D		49,180	49,180
Alcentra European Credit Fund		40,000	41,364
BlueBay Emerging Market Bond Fund		24,047	26,810
BlueBay Emerging Markets Local Currency Fund		25,372	27,861
BlueBay High Yield Bond Fund I-			
Base Performance Class		25,000	25,271
Convertible Fund - Convertible International		20,000	22,700
Finisterre Sovereign Debt Fund EUR,			
Class C - Series 1		5,000	5,497
FrontPoint Multi-Strategy Fund		4,556	5,043
FrontPoint Multi-Strategy Fund Series A			
ltd Class A 08/2006		4,556	4,753
FrontPoint Multi-Strategy Fund Uusi		4,556	4,785
FrontPoint Multi-Strategy Fund Uusi 03/2006		4,556	4,779
GLG Investments plc - Global Convertible UCITS s.N		30,000	34,708
GLG Market Neutral Fund - Convertible		20,101	24,527
HVB Alternative Program Tapestry Fund		18,983	20,582
HVB Alternative Program Tapestry Fund Vintage		9,112	9,480
ING (L) Renta Fund Emerging Markets Debt			
Julius Baer Global Convertible Bonds		30,256	30,573
Lehman Brothers Diversified			
Arbitrage Fund - Class B-3		10,000	11,084
Oaktree SICAV I - OCM Euro			
High Yield Credit Fund		11,938	12,264
Oaktree SICAV II - Global Convertible			
Securities Fund		34,897	36,028
Oaktree SICAV II - Non-US Convertible			
Securities Fund		13,035	16,937
OP-Solid s.A		74,843	74,843
PAM (L) Bonds Higher Yield -C		31,743	42,663
Patrimoine Invest CAAM Invest VAR 20 €-I		17,000	18,231
RMF Umbrella Sicav - RMF Convertibles Japan		9,719	9,719
Sydinvest Engros Emerging Market Bond		31,157	33,895
Sydinvest Engros Emerging Market			
Local Currency Bonds		11,184	11,548
UBAM - Emerging Market Bond (Euro) fund, class I		15,000	15,164
UBAM - Local Currency Emerging Market Bond		25,000	25,923
UBP Selectinvest Arbitrage & Relative Value Ltd (G)		9,112	10,054
Winton Futures Fund Ltd - Lead Series Class B		4,556	5,414
Real estate investment funds			
Icecapital Housing Fund I		3,151	3,151
Sponda Kiinteistörahasto I Ky		5,462	5,462
Tishman Speyer European Strategic Office			
Fund Scots Feeder L.P.		8,473	8,826
YH-Suomi Oy		5,002	5,002
Guarantee capital			
Mutual Insurance Company Fennia		3,364	3,364
Other investments total		2,478,283	2,919,352

EUR 1,000	Parent company 2006	Parent company 2005
Liabilities		
Liabilities resulting from derivative contracts		
I Interest rate derivatives		
Option contracts		
Bought options		
Nominal value of underlying instruments	467,000	650,000
Fair value of contracts	4,410	340
Set options		
Nominal value of underlying instruments	579,500	1,000,000
Fair value of contracts	-2,940	-790
Interest rate swaps		
Nominal value	15,186	36,953
Fair value	964	1,742
The market value does not include the transferred interest for the financial year.		
II Currency derivatives		
Forward and future contracts		
Nominal value of underlying instruments	470,097	204,628
Fair value of contracts	10,205	-4,014
Closed forward and future contracts		
Nominal value of underlying instruments	37,358	
Fair value of contracts	698	
Open option contracts		
Bought options		
Nominal value of underlying instruments	129,081	148,786
Market value of contracts	1,816	905
Set options		
Nominal value of underlying instruments	258,162	297,572
Fair value of contracts	-1,422	-1,696
Open currency exchange contracts		
Nominal value of underlying instruments	50,873	56,794
Fair value of contracts	3,289	-2,904
III Share derivatives		
Forward and future contracts		
Nominal value of underlying instruments	20,785	97,401
Fair value of contracts	105	794
Option contracts		
Bought options		
Nominal value of underlying instruments	1,136,650	393,682
Fair value of contracts	5,099	3,723
Sold options		
Nominal value of underlying instruments	855,000	644,207
Fair value of contracts	-2,524	-3,993

EUR 1,000	Parent company 2006	Parent company 2005
Investment commitments		
Capital trusts	40,182	24,179
Real estate investment funds	15,883	3,420
Leasing and rent liabilities		
Leasing liabilities in the current financial year	243	304
Leasing liabilities in the future financial years	487	84
Other contingent liabilities		
Liability for the VAT debt of the tax liability group		
in accordance with Value Added Tax Act, Section 188	706	4,268
Restitution liability for VAT deduction from		
new buildings and renovation of real estates	339	716
Pledged assets / Land use contract	468	

10. Technical provisions

Premium reserve		
Future pensions	2,857,985	2,684,428
Provision for future bonuses	583,044	496,368
Provision for current bonuses	7,445	11,024
Total premium reserve	3,448,474	3,191,819
Claims reserve		
Current pensions	1,564,546	1,310,547
Equalisation amount	256,639	270,102
Total claims reserve	1,821,185	1,580,648
Total technical provisions	5,269,659	4,772,468

Bonuses

Provision for current bonuses, 1 Jan.	11,024	7,364
Client bonuses paid during the financial year	-11,025	-7,329
Transfer to provision for current bonuses	7,446	10,988
Provision for current bonuses, 31 Dec.	7,445	11,024

Solvency margin

Capital and reserves after the proposed		
distribution of profit	28,460	26,124
Share capital or equivalent funds, profit brought forward,		
revaluation reserve and central administration account		
Accrued appropriations	191	258
Valuation difference between fair values of		
assets and book values of balance sheet items	591,669	526,290
Provision for future bonuses	583,044	496,368
Subordinated loans		
Commitments excluded in the balance sheet		
Deferred acquisition costs and intangible assets	-512	-7,516
Other items	-457	-1,157
	1,202,395	1,040,367
Solvency margin required under the Act on Employment Pension Insurance Companies, Section 17	459,634	336,488

EUR 1,000	Parent company 2006	Parent company 2005
Solvency ratio, %	25.72	24.40
The realised solvency margin/technical provisions used in calculating solvency		
Solvency limit, %	14.75	11.84
Lower limit of the target zone, %		
2 x solvency limit	29.50	23.68
Upper limit of the target zone, %		
4 x solvency limit	58.99	47.35

EUR 1,000	Group 2006	Parent company 2006
11. Capital and reserves		
Guarantee capital	1,682	1,682
Initial reserve	3,364	3,364
Construction reserve	30	
Revaluation reserve	84	
Non-restricted reserves	19,415	19,415
Profit from the year 2005	1,540	1,540
Profit/loss brought forward	-12,457	1,664
Used during the financial year	-1,560	-1,560
Profit for the financial year	3,665	2,355
Total capital and reserves	15,763	28,460

	Number	Nominal value	Book-value
Guarantee capital			
Mutual Insurance Company Fennia	10	1,682	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	14,081		26,778
Total	15,763		28,460
Distributable profits			
Profit for the financial year	3,665		2,355
Other distributable reserves			
Other reserves	20,955		20,955
Accumulated profit	-14,017		104
Capital and reserves of accumulated appropriations	-741		
Total distributable profits	9,863		23,414

Disposal of profit

The Board of Directors proposes that the € 2,355,418.84 surplus for the financial year be disposed as follows:

to be transferred to the contingency reserve	EUR	2,300,000.00
to be transferred to the Board's expense account	EUR	10,000.00
to be retained on the profit and loss account	EUR	45,418.84

Internal supervision and risk management

The task of *internal supervision and risk management* is to promote the profitability, efficiency and appropriateness of Pension Fennia's operations, keep up the reliability and integrity of financial and operational information, ensure compliance with laws, regulations and agreements, as well as securing the company's assets. The organisation, implementation and operational evaluation of Pension Fennia's internal supervision and risk management are based on the internationally most used frameworks i.e. the COSOERM and CobiT models. The Board of Directors of Pension Fennia annually evaluates the status of internal supervision and risk management. The abovementioned evaluation is based on the self-evaluation by line carried out inside the company and on a statement by internal audit.

The Board of Directors of Pension Fennia has approved a *risk management plan that covers all operations*. The Board of Directors is assisted by the Audit Committee that helps the Board in supervisory duties related to the company's financial reporting, risks, internal supervision system, and the tasks of internal audit and the auditors. The risk management plan is based on a procedure in which the risks related to operations are identified, their effect is estimated, the means of risk management are defined, and the supervisory measures for monitoring the operations are agreed upon. The risk management process is integrated into operational planning, and a key task of the process is to ensure the realisation of the company's strategic goals and other key tasks related to operations. The Board of Directors annually receives a report independent of the risk-taking parties on the progress of measures in accordance with the risk management plan.

As part of the investment plan the Board of Directors confirms *the principles of internal supervision concerning investment operations and risk management and approves the principles for the use of derivatives*. The investment plan includes confirmed limits for different instruments and the decision-making power. Solvency margin, solvency position and the key risk figures of different asset categories are continuously followed. The investment committee, the preparatory meeting for the investment committee and capital markets are supported in the company by the *financial risk group* whose task is to develop tools for measuring the risks, and the *securities process group* which supports the operations of investment processes across lines.

Line directors are in their own field of operations responsible for ensuring that internal supervision is implemented and that line-specific risk management processes are appropriate. The Executive Group follows the progress of measures, joint effect of key risks, and their relationship to the company's risk-bearing capacity. Pension Fennia has organised a *project management system* whose tasks include e.g. following the risks related to development projects. In addition, the company has a *security group* whose task is to develop different areas of overall security and supervise the implementation of the agreed tasks.

According to chapter 18, section 8 of the Insurance Companies Act, an employment pension company shall have an Actuary whose task inside the company is, among other things, to take care of the *appropriateness of the actuarial methods*.

Risk-bearing capacity and risk-taking willingness

Solvency margin is used for preparing for *investment operation risks*, and it needs to be large enough, so that it can at sufficient probability cover the expected fluctuations of the values and yield of asset items covering the technical provisions. The need for solvency margin depends directly on the risk content of the investment assets. Pension Fennia's solvency margin stood at € 1,202 million at the end of 2006.

The most important key figures in evaluating the company's *total risk position* and the *risk-bearing capacity* are the amount of solvency margin in proportion to the technical provisions (solvency ratio) and the amount of solvency margin in proportion to the solvency limit in accordance with the regulations (solvency position). The Board of Directors has confirmed the *risk-taking willingness* for the company's investment operations by setting a control limit for the solvency position within which the risk-taking is regulated.

The company has prepared for *insurance business risks* with *equalisation provision and clearing reserve* included in the technical provisions. The equalisation provision buffers company-specific insurance technique risks while the clearing reserve buffers the insecurity factors related to the pensions for which the system is jointly responsible, and their financing.

The clearing reserve has a system-specific lower limit and the equalisation provision has a company-specific lower and upper limits. At the end of 2006, the company's equalisation provision stood at around € 260 million which is a securing amount.

Risks related to investment operations and their management

The selection of the investment strategy is regulated by the amount of the company's solvency margin, solvency position, profit margin, and the interest rate required for the liabilities. *Optimal return-risk ratio is targeted* through versatile decentralisation both between and inside asset categories.

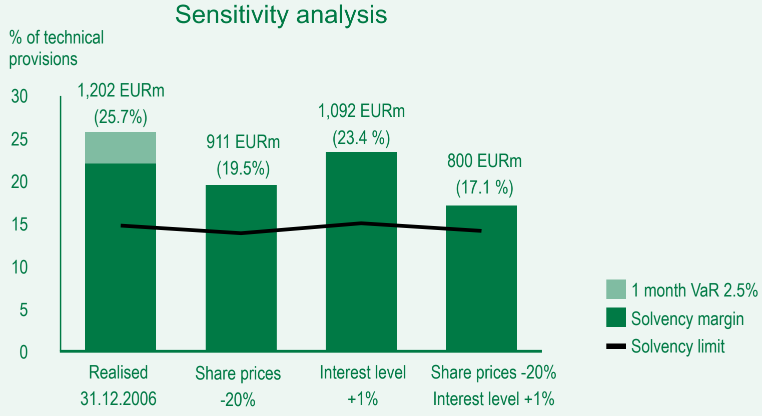
Risks by asset category are managed by following over- and under-weight proportioned to the comparison index which reflects the decentralisation inside the asset category. The *price risk of equity investments* is managed by decentralising the investments geographically, to different parts of markets, different investment types and funds. The *interest rate risk* is managed by following and changing the duration of investments. *Liquidity risk* is managed by keeping the money-market portfolio big enough and by placing a sufficient proportion of investments in other asset categories in liquid items. *Credit risk* is managed by decentralising investments to different lines of business and credit classes, and geographically. Protection against *direct currency risk* is mainly achieved and the risk managed by following the currency position and hedging degree by asset category and by currency. Asset category-specific risks are also managed by using derivatives. Company analyses, customer monitoring and follow-up of loan securities are carried out in connection with *client loans*. In *real estate investments*, attention is paid to geographical distribution, division of rent income by line of business, timing of acquisitions, and division of types of use.

The company's Actuary gives a report on the requirements of the technical provisions to investment operations for the investment plan, and a statement on the investment plan. For the risk management plan, an estimate of the risks inherent in the investments and the company's risk-bearing capacity in the short and long term is also drawn up for the Board of Directors.

In addition to solvency position and solvency ratio, VaR (Value-at-Risk) calculation, optimisation of the investment portfolio, sensitivity analysis on the sufficiency of the solvency margin, and stress test of solvency are used in making allocation decisions and following the company's total risk position. In addition, the development of realised returns compared with the company's yield requirement is monitored. The investment unit follows the development of risk and income on a daily basis. Asset category-specific risk and income, including derivatives, are reported monthly to the Board of Directors and weekly to the portfolio managers and members of the investment committee.

Stress tests estimate the biggest possible change in share prices or the basket without going below the

Sensitivity analysis



control limit confirmed by the Board of Directors, and sensitivity analyses estimate how a change in share prices or interest level would affect the total risk position. The sensitivity analysis includes VaR (1 month, 2.5%) figure as at 31 December 2006. It expresses the amount of loss in euro, and the probability that the loss exceeds that sum is 2.5 per cent in one month.

In addition to hedging of assets, derivatives are used for making allocation changes. The *principles on the use of derivatives* describe by asset category those types of derivatives and derivative strategies that may be used. The effect of derivatives is presented in the income and risk figures and asset distribution reported to the Board of Directors. New derivative agreements are also regularly reported.

Investment decisions are prepared and implemented in investment sections. The market valuation of investment assets and reporting to support operations are the responsibility of securities administration which is part of the investment section. The official yield, solvency and profit margin reporting and limit monitoring is produced in the financial section.

Risks related to insuring and their management

The key insurance risks are created in estimates of contingencies used in determining the premium, and in estimates on the life expectancy in the long term used in determining the bases for technical provisions. The bases for premium and technical provisions that meet the securing requirements are the same to all employment pension companies and they are confirmed by the Ministry of Social Affairs and Health. The common bases include a risk that an individual company's result may in theory be systematically worse compared with the other companies due to, for example, different age structure of the insured or different division of industries of the insured companies compared with the other companies. The structure of the insurance portfolio may also lead to a similar situation regarding the expense loading of the common premium.

Pension institutions prepare and apply for the bases for the insurance premium, technical provisions and technical rate of interest together. Pension Fennia participates in the preparation of the calculation bases under supervision of their Actuary together with the insurance technique unit.

The law also stipulates about the common technical rate of interest which is determined according to the average solvency margin level in the industry and as of 2007 to a small extent according to the average equities yield. The company's solvency margin in proportion to the average of the system must be followed carefully, because a long-lasting essential deviation below the industry average may become a risk for reaching the yield target. Pension institutions are jointly responsible for the pension liabilities of a bankrupt pension institution.

Risk distribution of investments and risk figures on 31 Dec. 2006

	Market value € mill.	Risk distribution € mill.	Return %	Volatility %
Fixed-income investments	2,575.9	2,523.2	2.4%	
Loans	243.1	243.1	4.2%	
Bonds	2,146.7	2,104.5	2.0%	2.4%
Other money-market instruments and deposits	186.2	175.6	2.9%	
Equity investments	1,954.2	2,006.8	15.6%	
Listed equities	1,826.4	1,879.1	15.8%	11.9%
Private equity sijoitukset	66.8	66.8	26.8%	
Private equity investments	61.0	61.0	-2.7%	
Real estate	644.5	644.5	15.0%	
Direct real estate investments	621.3	621.3	15.8%	
Real estate investment funds and joint investment companies	23.2	23.2	-13.5%	
Other investments	497.8	497.8	6.4%	
Hedge fund investments	497.8	497.8	6.4%	4.3%
Total investments	5,672.4	5,672.4	8.2%	4.4%

Market value includes accrued interest. Risk distribution = calculated according to the risk (adjusted with derivatives). Return = return on invested capital calculated with a time and money-weighted formula (adapted Dietz). Volatility = annualised mean deviation calculated from two years' monthly return. The modified duration of bonds is 5.15 years. The figures have not been audited.

Fluctuations of the insurance business result have been prepared for with the *equalisation provision* included in the technical provisions. The positive results accrued to the unemployment loading of the equalisation provision have been used to lower the unemployment contribution of the TEL premium since the year 2002. Discounts will continue in 2007. The company's insurance business result *for 2006 will be negative*. Solutions offered by expert support of well-being at work for promoting working capacity and reducing the disability expenses aim at affecting the pension expenditure.

Pension Fennia's technical provisions on 31 December 2005 were divided into insurance premium and claims reserves as follows. The equalisation provision stood at € 270 million on 31 December 2005, and its lower limit was around € 60 million and upper limit € 580 million. The diagrams also show the temporal dissolution of the technical provisions of TEL basic insurance into pensions to be paid.

The companies have no choice of risk, because the system is statutory. In its active insurance sales, Pension Fennia avoids companies with disruptions in payments. The amount of credit losses can also be affected through efficient collection and follow-up of payment disruptions. Because the level of pension provision must be secured in all situations, the equalisation provision includes a part that the company uses to prepare for unpaid premiums.

The company charges an expense loading in connection with TEL and YEL premiums to cover operating costs. If the administrative cost is not sufficient for all operating expenses, part of the costs must be covered with investment income, and consequently the company's result declines. Due to a change in the calculation principles in 2006, a single entry (approx. € 8.1 million) was included in calculating the loading profit, as a result of which the operating expenses show a deficit. Other long-term expenditure related to system projects will be entered as annual expenses in the future.

Risks related to the acquisition and handling of insurances and their management

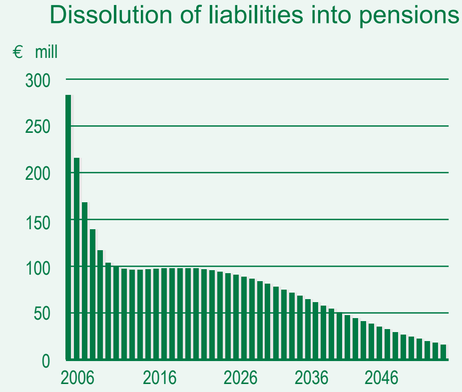
Key risks related to the customer base are market, customer and partner risks. When realised, the risks have a declining effect on the growth goals and the market share in the employment pension market.

The company prepares for changes in the market and the operating environment both with marketing activities and by developing the technical readiness. Technical readiness aims at facilitating the sales and handling of insurances. Co-operation with the partners is further strengthened by ensuring the right emphasis on different customer segments from the point of view of all. Operations in the customer interface have been strengthened through customer segment-specific measures and service models.

The limitation regulations that will change with the new TyEL legislation will significantly increase

	31 Dec. 2005
Premium reserve	
TEL basic insurance	2,615.7
TEL supplementary pension insurance	35.3
Supplementary insurance reserve	507.4
Total	3,158.5
YEL basic insurance	12.4
YEL supplementary pension insurance	3.1
Total	15.5
Total premium reserve	3,174.0
Claims reserve	
TEL basic insurance	
Current pensions	1,300.8
Equalisation provision	264.4
Total	1,565.3
TEL supplementary insurance	
Current pensions	42.8
Equalisation provision	6.3
Total	49.0
TEL total	1,614.3
YEL basic insurance	0
YEL supplementary pension insurance	3.3
YEL total	3.3
Total claims reserve	1,617.6

Dissolution of liabilities into pensions



the liability to inform and investigate. Cost-efficient arranging of work in such a way that the service level and quality remain is a major challenge. The company has set up an internal project reaching across operational borders to make preparations. Arek Oy has been responsible for building a new common earnings system for the actors. The aim has been to implement the system using as cost-efficient solutions as possible. In order to ensure cost-efficient development and maintenance operations of the basic information systems with the pension insurance operations, a co-operation agreement was made with TietoEnator Corporation. TietoEnator Esy will be responsible for the other work on the basic information systems needed by Pension Fennia.

Another challenge of the system development work is the progress of the new claims system project and the electronic pensions handling projects. The project for electronic pensions handling is followed with particular care, because delay would cause a risk in managing the growing amount of work.

Pension Fennia is also driving through its own development programme whose key goals are to support the growth goals in accordance with the company's strategy. The project programme has been drawn up in such a way that, if required, it can be adapted to the available resources. The company uses a project control method which concerns all key projects of the company. The goal is to ensure the sensible use of the company's personnel resources and take care of directing the development activities in accordance with the company's strategy.

Risks related to outsourced operations and their management

Because the company's own personnel resources are scarce, and it is not possible to prepare its own personnel for the continuous changes of the competence requirements caused by the rapidly developing environment, carefully selected parts of the production of basic services have been outsourced. Selection criteria have included trustworthiness and reliability of delivery. The agreements have been drawn up in compliance with the best current practices, including e.g. sanctioned quality level agreements. In order to ensure the price and quality level of purchased services, the services have been decentralised.

Management of operational risks related to business

The operational risks related to business have been identified while drawing up risk management plans, and their administration measures have been recorded in the risk management plans of functions. The key operational risks are related to, for example, person risks, dangerous work combinations, insufficient skills, leadership, legal issues, information systems and privacy protection. In investment operations the effect of operational risks is emphasised more, as the investment operations become more diverse, fast-paced and international.

Operational risks are administered, for example, by separating operations and job descriptions so that *dangerous work combinations are not created*. As for person risks, an efficient *system of substitutes* has been developed. Work instructions and process descriptions are maintained. Legal risks are managed either by company lawyers or experts hired from outside. The *functioning* of the current information and telephone *systems* is a critical factor in customer service, and their functioning is ensured through close co-operation. The introduction and utilisation of new systems and committing partners to the new operating models is also important.

The entire management has participated in the *management development programme*. Both legislative and IT expertise have been increased through versatile long-term *training*, both internal and external. Attention has been paid to *development of expertise* and securing the continuity of operations both inside each line and by participating in the development projects on the responsibility of the company's HR function. Working capacity maintenance activities are checked annually according to the operating plan for occupational safety and well-being at work. The *reward system* for supporting the reaching of goals has been improved.

The company has a *security team* whose tasks comprise assessing the state of different areas of security, development activities and continuous evaluation as part of the company's general risk management. Pension Fennia's security team co-ordinates the drawing up of a company-level preparation plan, including continuity and readiness plans and a pandemia plan.

Key figures

The terms used in the key figures tables are the same as those in the profit and loss account and the balance sheet, unless otherwise stated. The figures have been rounded to the nearest five; thus the figures do not necessarily sum up to the total given.

Key figures	2006	2005	2004	2003	2002
Premiums written, € mill.	889.3	808.5	747.4	679.1	630.3
Pensions paid and other compensations, € mill. [1]	710.4	662.7	613.8	569.5	532.0
Net investment income at fair values, € mill.	433.1	548.7	312.0	262.7	62.1
yield on invested capital, %	8.2	11.8	7.4	6.7	1.6
Turnover, € mill.	1,261.7	1,114.2	983.4	887.8	666.1
Total operating expenses, € mill.	49.3 [2]	38.3	34.3	29.6	26.8
% of turnover	3.9	3.4	3.5	3.3	4.0
% of TEL payroll and YEL reported earnings [3]	1.0	0.8	0.8	0.7	0.7
Total result, € mill.	148.3	360.5	155.7	141.1	-83.4
Technical provisions, € mill.	5,269.7	4,772.5	4,364.9	4,027.6	3,741.0
Solvency margin, € mill.	1,202.4	1,040.4	696.7	560.1	437.5
% of technical provisions	25.7	24.4	17.7	15.3	12.7
ratio to the solvency limit	1.7	2.1	2.1	1.9	2.0
Equalisation provision, € mill.	256.6	270.1	263.9	251.0	239.3
Pension assets, € mill.	5,861.3	5,298.8	4,641.3	4,223.2	3,877.7
Transfer to client bonuses, % of TEL payroll [4]	0.20	0.33	0.24	0.15	0.17
Paid client bonuses, % of TEL payroll	0.33	0.24	0.15	0.18	0.62
TEL payroll, € mill.	3,636.2	3,316.9	3,069.2	2,857.9	2,671.1
YEL reported earnings, € mill.	517.4	465.2	410.8	366.5	312.9
No. of TEL policyholders	18,900	18,640	17,860	16,900	15,920
No. of TEL insured	135,450	131,820	125,660	120,660	115,460
No. of YEL policyholders	29,930	27,890	25,380	23,220	19,380
No. of pensioners	75,660	74,140	72,590	71,590	70,040

1) Claims paid in the profit and loss account excluding administrative costs of claims handling and working capacity maintenance activities.

2) Includes € 8.1 million of immediately written-off building costs of activated IT applications resulting from the change of calculation principles.

3) Calculation of the ratio includes operating expenses covered with expense loading of the premium.

4) Does not include supplement to the provision for current bonuses.

Investment distribution

Investment distribution (includes accumulated interest)	2006		2005		2004		2003		2002	
	€ mill.	%	€ mill.	%	€ mill.	%	€ mill.	%	€ mill.	%
Loans	243.1	4.3	246.9	4.7	260.0	5.7	259.1	6.2	259.2	6.8
Bonds	2,146.7	37.8	1,960.6	37.5	2,460.8	53.9	1,933.6	46.4	2,195.5	57.2
of which fixed-income funds	441.0		368.5		394.7		92.5		-	
Other money-market instruments and deposits	186.2	3.3	621.6	11.9	368.7	8.1	612.4	14.7	328.1	8.6
Equities and shares	2,452.0	43.2	1,795.2	34.3	909.5	19.9	866.9	20.8	592.3	15.4
Real estate	644.5	11.4	603.6	11.5	568.7	12.5	495.6	11.9	459.9	12.0
of which real estate investment funds	23.2		9.1		3.9		-		-	
Total investments	5,672.4		5,227.9		4,567.7		4,167.5		3,835.1	
Bond portfolio modified duration	5.15									

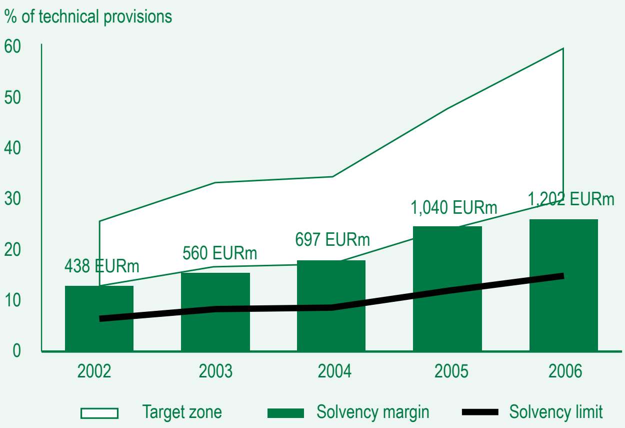
Investment income specification and result, € mill.	2006	2005	2004	2003	2002
Direct net income	166.3	145.1	154.5	145.2	157.9
Loans	10.3	10.3	10.8	11.7	12.5
Bonds	66.6	76.5	89.6	90.6	98.3
Other money-market instruments and deposits	15.6	6.2	6.6	11.0	10.0
Equities and shares	48.0	30.0	26.6	11.8	15.8
Real estate	31.2	27.7	25.0	23.5	21.8
Unallocated income, costs and operating expenses	-5.5	-5.7	-4.0	-3.4	-0.6
Changes in book value [1]	201.5	153.7	76.6	58.6	-127.0
Equities and shares	177.8	106.3	51.5	17.9	-118.1
Bonds	16.2	43.0	27.1	45.1	-0.6
Real estate	7.1	4.6	0.7	-4.2	-6.3
Other investments	0.3	-0.1	-2.8	-0.1	-2.0
Net investment income at book value	367.7	298.8	231.1	203.8	30.9
Change in valuation differences	65.4	249.9	80.9	58.9	31.2
Equities and shares	63.2	248.9	20.1	80.0	-45.2
Bonds	-45.9	-11.1	54.3	-27.6	73.7
Real estate	47.8	12.8	6.8	6.7	2.3
Other investments	0.2	-0.7	-0.3	-0.3	0.4
Net investment income at fair values	433.1	548.7	312.0	262.7	62.1
Other interest items [2]	1.5	2.3	-1.0	3.8	-0.4
Yield requirement on the technical provisions	-271.3	-199.8	-172.7	-141.3	-165.2
Investment result at book value	97.9	101.3	57.4	66.3	-134.6
Investment result at fair values	163.2	351.2	138.3	125.2	-103.4
Proportion of derivatives in net investment income	25.1				

[1] Realisation gains and losses and other changes in book value.

[2] Includes such profit and loss account items that are not entered under investment income.

Net investment income at fair values 1 Jan–31 Dec 2006	Net investment income at fair values, € mill. 2006	Invested capital, € mill. 2006	Yield on invested capital, % 2006	Yield on invested capital, % 2005	2004	2003	2002
Loans	10.6	251.2	4.2	3.8	3.5	4.5	4.5
Bonds	37.0	1,866.3	2.0	4.9	7.5	5.2	8.4
of which fixed-income funds	27.6	417.5	6.6	10.3	11.4	14.8	-
Other money-market instruments and deposits	15.8	546.5	2.9	2.2	2.2	2.6	3.7
Equities and shares	289.0	2 074.4	13.9	28.8	10.5	16.4	-19.1
Real estate	86.1	573.6	15.0	8.0	6.4	5.6	4.3
of which real estate investment funds	-2.1	15.8	-13.5	8.0	36.6	-	-
Total investments	438.6	5 312.1	8.3	11.9	7.5	6.8	1.7
Unallocated income costs and operating expenses from investment operations	-5.5		-0.1	-0.1	-0.1	-0.1	0.0
Net investment income at fair values	433.1		8.2	11.8	7.4	6.7	1.6

Solvency margin and its limits



Solvency margin and its limits, %

(as percentage of the technical provisions used in the calculation of the solvency limit)

	2006	2005	2004	2003	2002
Solvency limit	14,7	11,8	8,5	8,2	6,4
Lower limit of the target zone	29,5	23,7	17,1	16,5	12,7
Upper limit of the target zone	59,0	47,4	34,1	33,0	25,5
Solvency margin	25,7	24,4	17,7	15,3	12,7

Loading profit, € mill.	2006	2005	2004	2003	2002
Administration costs in insurance premium	39.6	33.4	32.0	27.2	23.4
Other income	0.7	1.1	0.6	0.9	0.5
Operating expenses by operation before the change of calculation principles	34.3	31.5	28.1	24.0	21.5
Loading profit [1]	6.2	3.1	4.5	4.1	2.4
Operating exp./loading profit, % [1]	84.6%	91.2%	86.1%	85.5%	90.0%
Change of calculation principles	8.1				
Total operating expenses	42.4				
Loading profit [1]	-1.9				
Operating exp./loading profit, % [1]	104.6%				

[1] Does not include the judicial administration charge which was € 0.3 mill. for 2006

Performance analysis, € mill.	2006	2005	2004	2003	2002
Sources of surplus					
Insurance business surplus	-13.1	6.3	12.9	11.9	17.6
Investment surplus at fair values	163.2	351.2	138.3	125.2	-103.4
+ Net investment income at fair values	433.1	548.7	312.0	262.7	62.1
+ Other interest items [1]	1.5	2.3	-1.0	3.8	-0.4
- Yield requirement on technical provisions	-271.3	-199.8	-172.7	-141.3	-165.2
Loading profit before the change of calculation principles	6.2	3.1	4.5	4.1	2.4
Change of calculation principles	-8.1				
Total surplus	148.3	360.5	155.7	141.1	-83.4
Distribution of surplus					
Change in solvency	140.9	349.5	148.5	137.0	-92.5
Change in equalisation provision	-13.5	6.2	12.9	11.7	16.2
Change in solvency margin	154.3	343.3	135.5	125.3	-108.7
Change in provision for future bonuses	86.7	91.8	53.4	65.4	-141.2
Change in valuation differences	65.4	249.9	80.9	58.9	31.2
Change in accrual of closing entries	-0.1	0.0	-0.1	0.0	0.1
Profit for the financial year	2.4	1.6	1.4	1.0	1.2
Transfer to client bonuses	7.4	11.0	7.3	4.2	4.5
Complementing provision for current bonuses	-	-	-	-	4.5
Total	148.3	360.5	155.7	141.1	-83.4

[1] Includes such interest items that are not entered under investment income.

On 31 December 2006, there was € 2.7 million of supplement to the provision of current bonuses paid in 2002 left to be amortised.

Guide to key figures

Client bonus is granted to TEL policyholders as a reduction of the insurance premium.

Equalisation provision serves as a buffer against insurance business fluctuations and is part of the technical provisions. The annual profit on insurance business is added to the equalisation provision and the loss is covered from the equalisation provision.

Invested capital is calculated by adding to the market value, at the beginning of the period, the cash flow for the period weighted with the relative proportion of the whole period which is left from the event date to the end of the period.

Investment distribution at fair values includes derivatives allocated to the asset item below. Investments do not include acquisition price receivables and liabilities.

Investment surplus at book value is calculated as follows: net return on investment and book value adjustment plus the interest items that are included in other items in the profit and loss account less the required rate of return on technical provisions.

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

Loading profit is calculated as follows: **expense loading**, collected for covering operating expenses, plus any other income, less operating expenses covered from the loading profit. However, the judicial administration charge of the Pension Appeal Court is not included in calculating the loading profit. Investment management expenses are covered from the investment income and the working capacity maintenance expenses from the disability loading.

Net investment income at fair values is calculated on investment classes corresponding to asset distribution, time- and money-weighted. Derivatives are taken into account according to their nature by asset class. In addition, net investment income takes into account the unallocated income and expenses entered under investment income, as well as operating expenses.

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

Pensions paid includes payments made to pensioners.

Performance analysis describes the sources and distribution of surplus. The surplus comprises insurance business surplus, loading profit and investment surplus at fair values. The surplus is used for the change of solvency which consists of the change in the equalisation provision and solvency margin, and for transfer to client bonuses.

Premiums written comprise TEL and YEL premium income less credit losses.

Profit on insurance business for the pensions on the company's responsibility is calculated by subtracting the pension expenditure on the company's responsibility from the profit on equalisation provision and the premium's risk elements.

Provision for current bonuses comprises assets that have been transferred to be used for client bonuses granted to policyholders.

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

Required rate of return on technical provisions is determined with the discount rate (3%) used in the calculation of technical provisions and the supplement co-efficient of pension liabilities, and from 1 January 2007 partly on the basis of average equity income of pension institutions.

Solvency margin is the excess of company assets over liabilities at fair values. Liabilities include technical provision excluding provision for future bonuses. The solvency margin comprises the company's capital and reserves, difference between fair value and book value of assets, provision for future bonuses, and depreciation difference less intangible assets and maximum loss from non-hedging derivatives.

Solvency requirements are based on the scrutinising of theoretical risks in investment assets. The central quantity in the scrutinising of solvency is the **solvency limit**. The riskier the company's asset distribution, the higher the solvency limit and the larger solvency margin it requires. The indicators of **solvency** are the proportion of solvency margin to the technical provisions and the proportion of solvency margin to the solvency limit. From 1 January 2007 the minimum amount of solvency margin is 3.33 per cent of the technical provisions, and if the amount of the solvency margin exceeds the quadruple amount of the solvency limit (upper limit of the target zone) on a second year in a row, the company shall make an extra transfer to client bonuses.

Statutory payments comprise the costs of the Finnish Centre for Pensions which acts as the central body of the system.

Technical provisions or the company's liability resulting from insurance contracts comprises the premium and claims reserves. Technical provisions are also referred to as pension liability. The premium reserve is an estimate of the current value of the pension payments based on future occurrences of the insured events for which the company is responsible. The claims reserve is an estimate of the current value of the future compensations of contingencies that have already commenced. In addition, the provisions for current and future bonuses and provisions linked to equity income are included in the premium reserve, and the equalisation provision is included in the claims reserve.

Total operating expenses comprise operating expenses of insurance business, investment operations and working capacity maintenance.

Total result comprises the profit on insurance, loading profit and result of investment operations at fair values.

Turnover = premiums written before credit losses and reinsurers' share + book net investment income + other returns.

Valuation difference is the difference between the fair value and book value of assets.

The Board of Directors' proposal on the disposal of profit

The Board of Directors proposes that the € 2,355,418.84 surplus for the financial year be disposed as follows: € 10,000 be reserved for the public good or similar purpose, € 2,300,000.00 be transferred to the contingency reserve, and € 45,418.84 be retained in the profit and loss account. Pension Fennia group's distributable assets for the financial year amount to € 9,862,664.31. No interest is paid on the guarantee capital for the year 2006.

Helsinki, 8 March 2007

BOARD OF DIRECTORS

Eero Lehti

Pertti Parmanne	Seppo Riski	Ernst Gylfe
Heikki Kauppi	Olavi Nieminen	Antti Rinne
Heikki Ropponen	Pekka Sairanen	Ralf Wickström

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

Auditor's Report

To the Shareholders of Mutual Insurance Company Pension Fennia

We have audited the accounting records, the financial statements, the Board of Directors' Report and the administration of Mutual Insurance Company Pension Fennia for the financial year 1 January – 31 December 2006. The Board of Directors and the Managing Director have prepared the Board of Directors' report and the financial statements, which include consolidated and parent company balance sheet, profit and loss account, statement of source and application of funds, and notes to the financial statements. Based on our audit we submit the following statement on the financial statements, the Board of Directors' Report and the administration of the 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. 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.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements and the Board of Directors' Report. The financial statements and the Board of Directors' Report give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company result of operations, and of their financial position. The Board of Directors' Report is consistent with the financial statements. 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 discharged 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, 20 March 2007

Per-Olof Johansson
Authorised Public Accountant

Marja Tikka
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 2006, 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 adopted, and the Board of Directors' proposal for the disposal of the surplus for the financial year be accepted.

Helsinki 17 April 2007

On behalf of the Supervisory Board

Markku Koskenniemi
Chairman of the Supervisory Board

Official financial statements

The company's official financial statements and consolidated financial statements can be viewed at Pension Fennia's head office, address Kansakoulukuja 1, 00100 Helsinki.

Corporate governance

Pension Fennia is an employment pension insurance company, and in addition to the Act on Employment Pension Insurance Companies its administration and supervision are governed by the Insurance Companies Act and the Companies Act, as well as statutes, regulations and instructions given by virtue thereof. The company's operational elements are the Annual General Meeting, the Supervisory Board, the Board of Directors and the Managing Director. When the employment pension acts were passed in the early 1960s, the labour market organisations played a key role, and they still have statutory representation in the administration of employment pension companies. The Board of Directors of Pension Fennia approved the instructions concerning the company's corporate governance and good administrative practice on 25 August 2004. The instructions are based on the corporate governance regulations for listed companies which are followed either as such or as applicable to a TyEL company. The Board of Directors of Pension Fennia approved on 1 February 2007 changes to the said instructions due to the amendments to the Act on Employment Pension Insurance Companies that entered into force on 1 January 2007.

Owners

Pension Fennia is a mutual insurance company whose owners are the policyholders with a valid insurance in the company in accordance with the Employees' Pensions Act or Self-employed Persons' Pensions Act. Furthermore, owners are the insured covered by each policy under the Employees' Pensions Act as a collective group, and owners of the guarantee capital.

Annual General Meeting

The absolute power of decision in Pension Fennia is exercised by the owners in the shareholder's meeting. In the Annual General Meeting the policyholders and owners of the guarantee capital are entitled to vote. In addition, an elected representative of the insured under each TEL policy has the right to vote.

Detailed information on the division of the voting rights can be found in Pension Fennia's Articles of Association that can be viewed on the company's website at www.elake-fennia.fi.

The Annual General Meeting elects the members of the Supervisory Board and the auditors, and decides on confirming the profit and loss account and balance sheet. The Annual General Meeting decides on granting discharge from liability to the members of the Board of Directors and the Supervisory Board and the Managing Director, as well as deciding on other matters mentioned in the notice of the meeting.

The notice of the Annual General Meeting shall be published no later than two weeks before the meeting in at least two newspapers published in Helsinki, one of which shall be Swedish-speaking, and on the company's website at www.elake-fennia.fi.

Pension Fennia's Annual General Meeting was lastly held on 26 April 2006.

Supervisory Board

Pension Fennia has a Supervisory Board in accordance with the Act on Employment Pension Insurance Companies.

The Annual General Meeting elects 28 members to the Supervisory Board for three years at a time, so that a maximum of ten members resign each year. Seven members are elected from among candidates named by major employer organisations and seven from among candidates named by major employee organisations. The Supervisory Board elects a Chairman and one or more Deputy Chairmen from among themselves.

The operating procedure of the Supervisory Board describes the composition of the Supervisory Board, its duties, the issues related to arranging a meeting of the Supervisory Board, as well as the composition and tasks of the Labour Committee.

The Supervisory Board supervises the company's administration by the Board of Directors and the Managing Director. The duties of the Supervisory Board are listed in the law and in the Articles of Association.

The Supervisory Board convened twice in 2006. On average 82 per cent of the members participated in the meetings. According to a decision of the Annual General Meeting, the annual fees paid to the members of the Supervisory Board were as follows: Chairman € 2,862.33, Deputy Chairmen € 1,799.18, and members € 1,472.05. Meeting fee was € 300 per meeting.

Labour Committee of the Supervisory Board

The Supervisory Board is assisted by an annually elected Labour Committee that comprises of the

Chairman of the Supervisory Board, two Deputy Chairmen and four other members. Two of the members of the Labour Committee shall represent employer organisations and two shall represent employee organisations. The tasks of the Labour Committee are listed in the operating procedure of the Supervisory Board.

The following persons were elected to the Labour Committee of the Supervisory Board for the year 2006: Markku Koskenniemi (Chairman of the Supervisory Board), Eino Rajamäki (Deputy Chairman of the Supervisory Board) and Harri Kainulainen (Deputy Chairman of the Supervisory Board). Employer organisations were represented by Lars Gästgivars and Tapio Liinamaa, and employee organisations were represented by Tuovi Orpana and Marjaana Valkonen.

Board of Directors

Pension Fennia Board of Directors comprises of ten ordinary members and four deputy members. The Supervisory Board elects the members and deputy members of the Board of Directors for three years at a time so that a maximum of four ordinary members resign annually. Three ordinary members and one deputy member of the Board of Directors are elected from among candidates suggested by major employer organisations and three ordinary members and one deputy member from among those suggested by major employee organisations. The Supervisory Board elects the Chairman of the Board of Directors and one or more Deputy Chairmen for one calendar year at a time.

According to the law, members of the Board of Directors must be people with a good reputation who have sufficient knowledge of the employment pension insurance business. There must also be good knowledge of investment operations in the Board of Directors.

The Board of Directors convenes by invitation of the Chairman usually once a month and constitutes a quorum when more than half of the members are present.

The Board of Directors is assisted by the Appointment and Remuneration Committee and Audit Committee. The committees make proposals and report to the Board of Directors about tasks appointed to them. The committees hold no power of decision.

The Board of Directors shall manage the company with professional skill and according to cautious business principles together with the Managing Director. The Board of Directors' general task is to take care of the company's administration and appropriate arrangement of operations. In principle, the Board of Directors is responsible for all the tasks that are not directed to other operational elements of the company or that do not belong to the authority of other operational elements due to their nature.

The operating procedure of the Board of Directors describes and instructs practical working of the Board of Directors. The operating procedure describes the meeting practices of the Board of Directors, tasks and compositions of the committees, and the reports and reviews to be handled in the meetings of the Board of Directors.

The Articles of Association and the operating procedure of the Board of Directors list the tasks of the Board of Directors in addition to those mentioned above. These include:

- To appoint and give notice to the Managing Director and Deputy Managing Director, Actuary, directors and deputy directors
- To decide on convening the shareholders' general meeting
- To decide on the company's goals and strategy
- To decide on the general structure of the company's organisation
- To draw up the financial statements
- To decide on the company's investment plan and the power of decision related thereto
- To decide on the company's investment operations for the part that has not been delegated
- To approve the risk management plan concerning all operations of the company

- To assess annually whether the company's internal supervision is appropriately arranged
- To decide on reward systems of the personnel
- To decide on confirming the rules of the company's consultative committees, election of members and remuneration to the members.

The Board of Directors evaluates its own operations and ways of working once a year with the goal to develop and improve the work of the Board of Directors.

Pension Fennia Board of Directors convened ten times in 2006. On average 97 per cent of the members participated in the meetings. In accordance with a decision by the Supervisory Board, the annual remuneration to members not employed by the company was as follows: Chairman € 12,000, Deputy Chairmen € 8,000, ordinary members € 7,000 and deputy members € 4,000. The meeting fee was € 400 per meeting to the Chairman of the Board, € 375 to the Deputy Chairmen, and € 350 to members and deputy members of the Board.

Committees of the Board of Directors

Appointment and Remuneration Committee

The Appointment and Remuneration Committee and Audit Committee make proposals to the Board of Directors on tasks ordered for them. The committees do not have power of decision.

The Appointment and Remuneration Committee is formed by the Chairman and Deputy Chairmen of the Board of Directors. The task of the committee is to appoint the Managing Director and his deputy and to prepare, plan and develop the remuneration and appointment issues of directors appointed by the Board of Directors. The proposals of the Appointment and Remuneration Committee are decided on by the Board of Directors.

In 2006, the Appointment and Remuneration Committee was chaired by Eero Lehti, Chairman of the Board of Directors of Pension Fennia, and the members were Deputy Chairmen of the Board of Directors Pertti Parmanne and Seppo Riski. The Appointment and Remuneration Committee convened three times.

Audit Committee

The Audit Committee comprises of three members of the Board of Directors elected from among themselves; one of them is elected from the members representing employer organisations and one from members representing employee organisations and one from other members of the Board of Directors. The Board of Directors appoints the Chairman of the committee. The task of the Audit Committee is to monitor the company's financial situation, financial reporting, the sufficiency and appropriateness of internal supervision and risk management, and to handle the plans and reports of internal auditing. The committee reports to the Board of Directors.

In 2006, the Audit Committee was chaired by Heikki Ropponen, and the members were Heikki Kauppi and Olavi Nieminen. The Audit Committee convened five times.

Management

Managing Director and his deputy

The Managing Director and his deputy are appointed by the Board of Directors. The Managing Director takes care of the company's current administration according to the advice and instructions by the Board of Directors. The Managing Director's deputy acts as the Managing Director, when the Managing Director is prevented from attending to his duties. The Managing Director of Pension Fennia is Lasse Heiniö, and his deputy is Deputy Managing Director Tarkko Jousi.

Executive Group and Investment Committee

The Executive Group that consists of directors appointed by the Board of Directors and a personnel representative assists the Managing Director in the company's operative management and planning of operations. The Executive Group is involved in preparing for the Board of Directors, for example, the issues related to the company's strategy, budgeting and organisation.

The Investment Committee handles the important investment issues to be decided on by the Managing Director and prepares the investment proposals and the investment plan to be decided on by the Board of Directors.

Internal supervision and risk management, internal auditing

Internal supervision aims at ensuring among other things

- the reaching of the goals and objectives set, as well as economical and efficient use of the resources
- reliability and correctness of financial and other management information
- compliance with the laws, stipulations and instructions, as well as compliance with the decisions of the operational elements, internal plans, rules and ways of working.

The Board of Directors of Pension Fennia evaluates annually whether internal supervision in the company has been properly arranged. The evaluation by the Board of Directors is based on the written report which has been drawn up by internal auditing in accordance with the internationally most used framework for internal supervision and risk management (The Committee of Sponsoring Organizations of The Treadway Commission). The evaluation is carried out in all operations of the company. Furthermore, the Board of Directors hears an external auditor annually about the state of internal supervision.

Risk management is part of internal supervision, and it means identifying, evaluation, limiting and supervision of risks resulting from and essentially linked to business operations. The Board of Directors of Pension Fennia approves the risk management plan that covers all operations of the company. The Board of Directors and management of Pension Fennia bear the primary responsibility for arranging internal supervision and risk management. In addition, each line director of Pension Fennia is responsible for the implementation of internal supervision and risk management in their own operations.

Pension Fennia's key risks are related to investment operations, insurance technique risks, and operative risks. The Board of Directors annually approves the risk management plan in connection with approving the company's investment plan.

Pension Fennia's internal auditing evaluates the company's internal supervision and risk management. Internal auditing comprises independent and objective evaluation, assurance and consultation operations. Internal auditing is administratively subordinate to the Managing Director. The Board of Directors of Pension Fennia annually approves the operating plan of internal auditing.

Instructions on good insurance practice

Pension Fennia Board of Directors approved the instructions on good insurance practice on 20 December 2005. The instructions apply to the principles followed in business transactions and contractual relationships between Pension Fennia and the policyholders.

Anti-bribery principles

In autumn 2005, Pension Fennia reformed and simplified the instructions on giving and receiving different gifts, and providing and receiving different travels as well as food and drink, with special attention on anti-bribery. The instructions concern all personnel, and their purpose is to ensure that the employees of the company or persons acting otherwise on behalf of the company do not offer, demand or take in any unlawful benefits while acting with the authorities or other companies. The instructions outline what Pension Fennia considers ordinary and acceptable contacts to other companies and the authorities.

The compliance with the instructions is controlled as part of the company's internal supervision. In addition to consequences in accordance with the law, the instructions define sanctions for violating the instructions in force.

Board of Directors 1 January 2007

Chairman:

Eero Lehti [1)]
Born 1944, Master of Social Sciences
Chairman of the Board
Taloustutkimus Oy
Chairman of the Board of Fennia, Chairman of the Board of Fennia Life, Chairman of the Federation of Finnish Enterprises, member of the Board of Talentum Group, Chairman of the Board of Eilakaisla Oy, member of the Economic Council, member of the Board of the National Technology Agency of Finland TEKES, member of the European Economic and Social Committee.
Term began 1 July 1998
Term expires 31 December 2009

Deputy Chairmen:

Pertti Parmanne [1)]
Born 1946, Master of Social Sciences
Director, Central Organization of Finnish Trade Unions
Chairman of the Board of Social Insurance Institution, Deputy Chairman of the Board of the Unemployment Insurance Fund, Deputy Chairman of the Labour Institute for Economic Research, member of the economic committee of the Evangelical Lutheran Church.
Term began 1 July 1998
Term expires 31 December 2009

Seppo Riski [1)]
Born 1943, Master of Laws, Senior Lawyer
Director, Industrial Relations, Confederation of Finnish Industries EK
Member of the Representatives of the Finnish Centre for Pensions, member of the ILO Consultative Committee, member of the Supervisory Board of the Education Payments Fund, member of the Council for Labour Affairs, Chairman of the Board of the Unemployment Insurance Fund.
Representative of employer organisations
Deputy member 1998–2003
Ordinary member from 1 January 2004
Term expires 31 December 2009

Other representatives of the labour market organisations:

Ernst Gylfe
Born 1944, Engineer
Chairman of the Board, Novita Oy
Member of the Board of Fennia, Deputy Chairman of the Board of Fennia Life, member of the Board of Julius Tallberg-Kiinteistöt Oyj.
Representative of employer organisations
Term began 1 January 2004
Term expires 31 December 2009

Heikki Kauppi [2)]
Born 1955, M.Sc. (Eng.)
Director, the Finnish Association of Graduate Engineers TEK
Deputy Chairman of the Board of the Confederation of Unions for Academic Professionals in Finland, Deputy Chairman of the Board of YTN.
Representative of employee organisations
Term began 1 July 1998
Term expires 31 December 2008

Antti Rinne
Born 1962, Master of Laws
Chairman, Union of Salaried Employees TU
Deputy Chairman of the Finnish Confederation of Salaried Employees, member of the Board of the Finnish Confederation of Salaried Employees, member of the Labour Committee of the Board of the Finnish Confederation of Salaried Employees.
Representative of employee organisations
Term began 1 January 2006
Term expires 31 December 2008

Heikki Ropponen [2)]
Born 1948, Master of Laws, M.Sc. (Econ. & Bus. Adm.)
Deputy Managing Director, Federation of Finnish Trade
Member of the Representatives of the Finnish Centre for Pensions, member of the Supervisory Board of Finnvera plc, Chairman of Helsingin Kauppiaitten yhdistys association, member of the Training Board of the Finnish Employers' Management Development Institute, member of the Supervisory Board of the Education Payments Fund.
Representative of employer organisations
Term began 1 July 1998
Term expires 31 December 2008

Other members of the Board of Directors:

Olavi Nieminen [2)]
Born 1952, Optician
Managing Director, Piiloset by Finnsusp Oy
Chairman of the Labour Market Committee of the Federation of Finnish Enterprises, Chairman of Suomen Optisen Alan Tukkukauppiaat association
Term began 1 July 1998
Term expires 31 December 2007

Pekka Sairanen
Born 1957, M.Sc. (Econ. & Bus. Adm.)
Managing Director, Domus Yhtiöt Oy
Member of the SME Committee of the Confederation of Finnish Industries EK, member of Enterprise Policy Group, Deputy Chairman of Rakennustuoteteollisuus RTT, Chairman of Puusepänteollisuus ry., member of the Board of the Confederation of Finnish Construction Industries, Chairman of the Board of the Association for Finnish Work.
Term began 1 July 1998
Term expires 31 December 2008

Ralf Wickström
Born 1949, Commercial Institute, diploma in insurance
Chairman of the Board, Federation of the Local Insurance Group
Chairman of the Board of Local Insurance Mutual Company.
Term began 1 January 2007
Term expires 31 December 2007

Deputy members:

Antti Kuljukka
Born 1961, Master of Social Sciences, eMBA
Managing Director, Fennia Mutual Insurance Company
Member of the Board of the Federation of Finnish Financial Services, member of the Board of Suomen Vakuutusyhdistys association, member of the economic section of Kadettikunta association.
Term began 1 January 2007
Term expires 31 December 2009

Reija Lilja
Born 1954, Ph.D., The London School of Economics and Political Science (Economics)
Research Director, Labour Institute for Economic Research
Docent at the Department of Economics in the Helsinki School of Economics, member of the Board of Taxpayers' Association of Finland.
Term began 1 January 2007
Term expires 31 December 2007

Rauno Mattila
Born 1946, Electronics Technician
Trafotek Oy
Member of the Board of Fennia, member of the Board of Family Business Network Finland, member of the Board of Technology Industries of Finland, member of the Supervisory Board of Finpro.
Representative of employer organisations
Term began 1 January 2004
Term expires 31 December 2009

Timo Vallittu
Born 1953, elementary school
Chairman, Chemical Workers' Union
Member of the Board of the Central Organization of Finnish Trade Unions, member of the Town Council of Hyvinkää.
Representative of employee organisations
Term began 1 January 2004
Term expires 31 December 2009

[1] Member of the Appointment and Remuneration Committee
[2] Member of the Audit Committee

Supervisory Board 1 January 2007

Chairman:
Markku Koskenniemi, born 1942 [1]
Chairman of the Board
Tammerneon Oy

Deputy Chairmen:
Harri Kainulainen, born 1947 [1]
Managing Director
Federation of the Local Insurance Group

Eino Rajamäki, born 1939 [1]
Chairman of the Board
Seinäjoen Varaosakeskus Oy

Representatives of employer organisations:
Heimo Aho, born. 1949 [1]
Chairman of the Board
SKS-tekniikka Oy

Lars Gästgivars, born 1946 [1]
Oy Vallonia Ab

Jyrki Kaskinen, born 1961
Managing Director
Raskone Oy

Seppo Matikainen, born 1947
Managing Director
WM-data Oy

Klaus Saarikallio, born 1955
Managing Director
Normek Oy

Jukka Tikka, born 1953
Managing Director
Länsi-Savo Oy

Kalevi Vuorisalo, born 1945
Managing Director
Teknikum Oy

Representatives of employee organisations:
Markku Markkula, born 1950
Director
TKK Dipoli

Håkan Nystrand, born 1955
Chairman
METO – Forestry Experts' Association

Tuovi Orpana, born 1954 [1]
Negotiations Manager
Union of Salaried Employees TU

Tuula A. Paunonen, born 1955
Shop Steward
Länsi-Savo Oy

Matti Putkonen, born 1950
Communication Manager
The Finnish Metalworkers' Union

Marjaana Valkonen, born 1952 [1]
Director
Central Organization of Finnish Trade Unions

Anssi Vuorio, 1965
1st deputy Chairman
Service Union United PAM

Other members of the Supervisory Board:
Kaj Ericsson, born 1943
Managing Director
Harry Schaumans Stiftelse

Pertti Hakala, born 1949
Chairman of the Board
Printal Oy

Tauno Jalonen, born 1945
Managing Director
Suomen Yrittäjien Sypoint Oy

Pentti Jussila, born 1949
Managing Director
Kuljetusliike Ilmari Lehtonen Oy

Tapio Juusela, born 1947
Managing Director
RTK-Palvelu Oy

Mirja-Leena Kullberg, born 1962
Managing Director
Artek Oy

Lasse Murto, born 1943
Managing Director
A-Clinic Foundation

Heikki Rinta-Rahko, born 1949
Managing Director
Kurikan Keskus-Optiikka Ky

Lasse Savonen, born 1951
Managing Director
AstraZeneca Oy

Stefan Wentjärvi, born 1967
Managing Director
Blue1 Oy

[1] Labour Committee of the Supervisory Board

Auditors

1 January 2007

Auditor and supervisory auditor:
Per-Olof Johansson
Authorised Public Accountant

Auditor and deputy to supervisory auditor:
Marja Tikka
Authorised Public Accountant

Deputy auditors:
Tuija Korpelainen
Authorised Public Accountant

Arto Tenhula
Authorised Public Accountant

Management 1 January 2007

Executive Group:
Lasse Heiniö [1]
Managing Director
Born 1951, Master of Science, Fellow of the Actuarial Society of Finland
Deputy member of the Board of Fennia, member of the Board of Fennia Life, member of the Board of the Finnish Pension Alliance TELA, member of the Board of AEIP.

Tarkko Jousi [1]
Deputy Managing Director, Managing Director's deputy
Born 1947, Licentiate of Laws, Senior Lawyer
Corporate administration, legal affairs, communication and planning

Matti Carpén
Customer Sector Director
Born 1960, Master of Science (Eng.)
Member of the Board of Aina Group Oyj.

Eeva Grannenfelt [1]
Investment Sector Director
Born 1958, Master of Science (Econ. & Bus.Adm.), CEFA
Investment Sector
Deputy member of the Board of Fennia Life

Irmeli Heino [1]
Finance and HR unit Director
Born 1951, Master of Science

Mikko Karpoja
Actuarial Services and Risk Management Director
Born 1962, M.Sc., Fellow of the Actuarial Society of Finland

Extended Executive Group which in addition to the abovementioned includes:
Sakari Kalske
IT Services and Development Director
Born 1964, Bachelor of Social Services
Member of the Board of Arek Oy, member of the Board of TietoEnator Esy Oy

Seppo Mattila
Medical Director
Born 1943, D.Med.Sc., Specialist in Internal Medicine, special qualifications in insurance medicine
Pension Decisions and Well-being at Work Services
Member of the Board of the Finnish Centre for Pensions.

Timo Stenius [1]
Investment Director: Customer Finance and Real Estates
Born 1956, Master of Science (Eng.)

[1] Member of the Investment Committee

Consultant Physicians:
Seppo Mattila
Medical Director
D.Med.Sc., Specialist in Internal Medicine, special qualifications in insurance medicine

Hans Fredriksson
Deputy Medical Director
D.Med.Sc., Specialist in General Practice, Occupational Health Care and Psychiatry, special qualifications in insurance medicine

Timo Honkanen
Consultant Physician
Lic.Med., Specialist in Internal Medicine, special qualifications in insurance medicine

Tapio Ropponen
Consultant Physician
Lic.Med., M.Soc.Sc., Occupational Health Care Doctor, special qualifications in insurance medicine

Responsible Actuary:
Mikko Karpoja
M.Soc.Sc.
Fellow of the Actuarial Society of Finland

Consultative committees 1 January 2007

PENSIONS ADVISORY BOARD:

Chairman:
Seppo Mattila
Medical Director
Pension Fennia

Deputy Chairman:
Hans Fredriksson
Deputy Medical Director
Pension Fennia
Specialist member

Juri Aaltonen
Lawyer
Finnish Confederation of Salaried Employees

Ralf Forsèn
Master of Laws
The Finnish Association of Graduate Engineers TEK

Mikko Räsänen
Senior Advisor
Employers' Confederation of Services Industries in Finland

Hannu Saimanen
Director
Wood and Allied Workers' Unemployment Fund

Kari Vilkman
Occupational Safety Officer
The Finnish Metalworkers' Union

Markus Äimälä
Master of Laws
The Confederation of Finnish Industries EK

CONSULTATIVE COMMITTEE OF THE INSURED:

Chairman:
Arvi Tuomarmäki
Electrician
Hella Lighting Finland Oy

Senja Hakola
Airworthiness Engineer
Blue1 Oy

Sinikka Hyyppä
Warehouse employee
Kokkolan Halpa-Halli Oy

Esa Ikkelä
Project Manager
Are Oy

Jarkko Jokinen
Tester
Kemppi Oy

Saija Kavén
Ward nurse
Vantaan Vinkki

Minna Kettunen
Saleswoman
H&M Hennes & Mauritz Oy

Lassi Tapio Kirjavainen
Stonework employee
Tulikivi Corporation

Saila Lehtomäki
Regional Sales Manager
Kemppi Oy

Maija Levonpää
Woodwork employee
Domus Yhtiöt Oy

Jouko Malinen
Senior Systems Analyst
WM-data Oy

Jukka Mandelin
Personnel advisor
Kemppi Oy

Marja Mielonen
Dressmaker
Pola Oy

Heli Mäkinen
Baker
Primulan Leipomot Oy

Kirsi Palvanen
Payroll calculator
Foxconn Oy

Raimo Rautanen
Lorry driver
Suomen Kiitoautot Oy

Seppo Rosendahl
Supervisor
Uusimaa Oy

Helena Saarinen
Printing plant employee
Libris Oy

Kauko Kalervo Sarha
Social therapist
A-Clinic Turku

CONSULTATIVE COMMITTEE
OF MAJOR ACCOUNTS:

Chairman:
Juhani Enkovaara
Managing Director
Eho Oy

Deputy Chairman:
Antti Aho
Chairman of the Board
Helsingin Lääkärikeskus Oy

Marja Aarnio
Managing Director
Esperi Oy

Vesa Alhoranta
CFO
Selecta Oy

Raimo Anjala
Managing Director
Teknos Group Oy

Leif Enberg
Chairman of the Board
Oy Mapromec Ab

Rabbe Grönblom
Chairman of the Board
Kotipizza Oyj

Jarmo Halonen
Managing Director
Elecster Oyj

Björn Hartman
Managing Director
Oy C.J. Hartman Ab

Ismo Heikkonen
Managing Director
Turvatiimi Oyj

Eero Holma
Managing Director
Oy Viktor Ek Ab

Pekka Hongisto
Managing Director
Matkahuolto Oy Ab

Reijo Jokela
Managing Director
Suomen Broiler Oy

Tuomo Järvinen
Chairman of the Board
Esski Oy

Erkki Kaijasilta
Managing Director
T-Drill Oy

Jouko Karttunen
Managing Director
Tiliaktiiva Oy

Esko Keskinen
Director
Technology Industries of Finland

Björn Kolster
Chairman of the Board
Oy Kolster Ab

Kalle Kujanpää
CFO
MSK Group Oy

David Lindström
Deputy Managing Director
Blue1 Oy

Ulla Matsi-Koistinen
CFO
Taloustutkimus Oy

Jussi Muikku
Managing Director
Rocla Oyj

Kari Onniselkä
Managing Director
Talent Partners Oy

Martti Paunu
Managing Director
Väinö Paunu Oy

Jussi Piipponen
Managing Director
Are Oy

Lauri Ranki
Managing Director
Dunlop Hiflex Oy

Olavi Rantala
Managing Director
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Managing Director
Canncolor Oy

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Managing Director
Yrittäjien Oikeussuoja Oy

Harri Sjöholm
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Proffice Finland Oy

Kaj Ström
Managing Director
Oy Motoral Ab

Petri Suuperko
Managing Director
Lujatalo Oy

Seppo Suuriniemi
Chairman of the Board
Lojer Oy

Antti Tiitola
Managing Director
Lidl Suomi Ky

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Suomen Kiitoautot Oy

Juha Valkamo
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