

Pension Fennia 2007

The Board of Directors' Report and
Financial Statements 2007

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The Board of Directors' Report for the Year 2007

Changes in the investment environment

The world economy continued to grow strongly in the first half of 2007, supported especially by the growth in the developing markets and Europe. In the latter half of the year the economic outlook began to decline rapidly due to the problems in the US housing markets and especially their weakest parts. The problem was not just too loosely granted housing loans, but also leveraged investment instruments built on them; the risks related thereto were seriously underestimated. The economic growth in the USA in 2007 stood at around two per cent, while the figure for the euro zone was estimated to be at 2.5 per cent. In late 2007 the US economy is, however, estimated to have been close to recession. The global economic growth declined only slightly from 5 per cent in 2006 to 4.9 per cent in 2007.

The inflation rate has risen globally since mid-2007. The primary reason has been the rise of energy and food prices. The base inflation rate was also on the rise, which caused concern to the central banks.

The development of companies' performance was very good at the whole year's level, but signs of weakening began to emerge towards the end of the year particularly in industries depending on trade cycles. Nevertheless, the companies' performances and balance sheets are generally in good condition, which provides support for risk-bearing investments in an insecure economic situation.

The US Federal Reserve began to lower the central bank rate in September after the weakening of the economic situation and the financial markets and has reduced it by 2.25 percentage points by the end of January. The European Central Bank has kept the interest rates unchanged. In many developing countries the central banks have tightened their monetary policy due to inflation problems.

In capital markets equities provided a volatile and, compared with previous years, lower but positive yield in 2007. In Europe long-term interest rates rose strongly in early 2007, but as a result of the decline in the latter half the interest income was moderately positive due to coupon interest. For interest investments with a company risk the latter half of 2007 was particularly difficult. Income from European investments with good credit worthiness was slightly positive, but investments with a higher risk provided a loss for the year. In hedge fund investments the income from the well decentralised portfolio was near the income from the equities market.

Real estate investments produced in general a good yield; trading was lively and the return requirements remained at a relatively low level despite the rise of the interest rates. The strong growth trend of real estate funds continued and the demand for good items still exceeds their supply. Towards the end of the year the unstable situation in the financial markets also affected the

valuations of real estate investments in such a way that the return requirements of higher risk items increased and the trading volume decreased clearly.

The demand for **corporate loans** is increasingly linked to company deals and arrangements the number of which continued to rise on the market.

Changes in the operating environment

The private sector employee pension acts were combined into a single Employees Pensions Act (TyEL) at the beginning of 2007. The reformed Self-employed Persons' Pensions Act (YEL) also entered into force at the beginning of the year. As a result of the reforms the private sector pension market grew and competition increased considerably. The reform was a welcome one for Pension Fennia, as it allowed for offering overall solutions for the statutory pension provision of customer companies and entrepreneurs regardless of the line of business and the type of employer. The largest information system revamp in the history of Pension Fennia and various process changes related thereto that presented new expertise requirements to the personnel were linked to the reform. The change of the operating environment naturally also required preparing and proactivity in sales and marketing operations together with the partners.

On the basis of the amendments to the Act on Employment Pension Insurance Companies that entered into force on 1 January 2007, Pension Fennia's Articles of Association were modified to correspond to the amendment regarding e.g. the election procedure of operational elements and the duties of the Supervisory Board. Furthermore, Election Committee of the Supervisory Board was founded to prepare the election of members and fees of the Board of Directors and Supervisory Board. In connection with founding the Election Committee the Supervisory Board decided to suppress its Labour Committee.

An investment reform also entered into force at the beginning of 2007 the goal of which is to ease the pressure to raise the insurance premiums. In the reform the yield requirement of the earnings-related pension scheme was changed to depend partially on the average equity income received, and the company got a new part of the technical provisions that buffers the realised equity income. The higher yield expectations of equity investments should lead to higher total returns.

Amended at the same time, the new legislative cover and solvency provisions allow for classification of investments that were previously put in the highest risk category according to their real risk. The amendment has allowed, for example, increasing hedge fund investments which are included in alternative investments and bear a lower risk than equities. The cover and solvency provisions require that the Board of Directors defines the bases according to which the property is classified as per

The Board of Directors' Report

its real risk into property groups required by the provisions to calculate the solvency requirement and cover. After the amendment, all property can be used as cover for the technical provisions with certain limitations.

Reaching the goals

Pension Fennia reached a record result in the transfer rounds in 2007 as the TyEL market opened. The new market situation was clearly visible in the amount of the transfer business which was the biggest in the 2000s, measured by both TyEL premium income and the number of policies. The share of transferred policies received by Pension Fennia was nearly two-fold compared with its market share. Pension Fennia was also very successful compared with its competitors in the net results of the transfer rounds. The net profit as annual TyEL premium income was over € 25 million. The number of Pension Fennia's TyEL and YEL customers increased by a total of over 1,300 customers as the net result of the transfer rounds.

Some 3,700 TyEL policies and more than 4,300 YEL policies were gained through new customer prospecting. The said TyEL portfolio covers approx. 8,800 employees. Thanks to the strong local presence of Fennia Group and Local Insurance associations, the market share in new customer prospecting remained significantly higher than the relative market share, despite the strong distribution channels of the financial department stores formed in recent years.

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 satisfactorily in reaching that goal in 2007. **Return** on invested capital at fair values before operating expenses stood at 4.1 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** decreased by 4 per cent, from € 1,202 million to € 1,156 million, and was 22.7 per cent of technical provisions.

Development of operations

The common large-scale project of the whole earnings-related pension scheme for building a common earnings system by Arek Oy reached its key goals in the summer as the TyEL companies transferred the data of their own employment relation systems to the new earnings system and the system was taken into extensive production use. The biggest information system introduction in the history of the pension system was very successful.

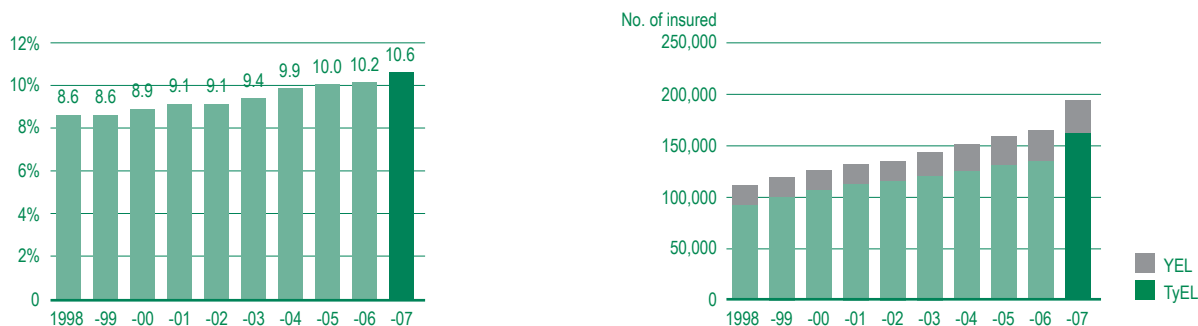
The number of customers using employers' Online service already exceeds 7,000, and the online services updated for the TyEL use were very well received. In January 2007, the utilisation rate of the Pension Fennia Online service was more than two-fold compared with previous years. The share of electronic communication rose to over 60 per cent of the total volume of annual, monthly and employment notifications under TyEL in 2007.

Pension Fennia continued to invest in improving customer relations and enhancing service processes in the long term. Especially the service models to new customers were developed further. The rapid growth of the customer base set challenges to ensuring good customer satisfaction; on the other hand, according to studies, the commitment of customers had clearly increased within a couple of years.

Marketing activities were characterised by close co-operation within Fennia Group and with Local Insurance Group. The strategic co-operation agreements made in autumn 2007 with the Finnish Savings Banks Group and Handelsbanken initiated projects aimed at creating new support processes and tools related thereto, the result of which will be completed in spring 2008.

The introduction of the customer system continued in early 2007 in the service for entrepreneur customers and occasional employers, and in the latter half of the year focused on the development of operating models in the area of sales, customer relations and marketing. In the next phase new information and tool services will be taken

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



for use by customer contact persons working all over Finland as part of general strengthening of the partner support. The goal is smoother experience of services in Pension Fennia and, consequently, increasing customer satisfaction.

The pension record to be introduced in 2008 will standardise the service and information levels of employees and self-employed persons insured within the Finnish statutory earnings-related pension scheme. The goal is to increase the awareness of the insured about the bases and accrual of their pension. At the same time, the obligation of the insured to check the correctness of the registered information concerning their employment and entrepreneurial history will gradually increase. Production and distribution of pension records and planning and development communication and service activities related thereto was one of the company's key internal projects within which it also co-operated with other actors of the earnings-related pension scheme.

The project aimed at reforming the currently used compensation system progressed both as the company's internal process, defining the vision of operations, and together with Varma and the Local Government Pensions Institution. The system calculation section was defined together in Tietoenator Esy; Pension Fennia has also committed itself to it and invested its own resources. Decisions on the implementation of the calculation section and the other parts of the project will be made during the year 2008. The new system will be introduced early in the next decade.

The implementation of the management of expertise process continued in 2007 in the areas of corporate customers and partner contacts, and it was started in communication. Corporate customer and partner contact functions introduced role-based expertise maps on the basis of which both function-specific and personal development plans were drawn up.

The supervisors club acts as a discussion forum for supervisors, the management and HR, and its goal is to strengthen the supervisor culture in Pension Fennia, increase the interaction between supervisors, implementation of common ways of working, and supporting the personal development of supervisors and informing about it. Club meetings also included separate info packages about current issues.

The goal reward system aims at ensuring that the reward system guides the employees to act in accordance with the company's strategy. The goal reward system was developed especially regarding the indicators used as the basis of the reward, and the indicators are based on those indicators which show the success of main processes. During the year, Pension Fennia followed the results of the indicators and, based on the experience gathered, the indicators will be developed further.

Insurance portfolio and premiums written

The development of the insurance portfolio exceeded expectations. At the year-end 2007, Pension Fennia was responsible for insuring 194,550 persons' pension provision. The number of TyEL basic insurances increased by about 1,300 policies to 20,200, and the number of insured totalled 162,940. At the end of 2007, the number of insured employment relationships was almost 27,000 higher than in the previous year. The number of YEL insured increased by about 1,700 entrepreneurs during the year and stood at 31,610 at the year-end.

Premiums written for the year 2007 stood at € 968.1 million. Of this amount, TyEL insurance accounted for € 860.6 million before deduction of credit losses and YEL insurances for € 111.6 million. Credit losses on premium receivables stood at € 4.1 million. The average premium of TyEL 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

In 2007, major steps were taken in the pension services to make the processes electronic. An electronic system for the management of work queues and documents was introduced in the old-age pension process and customer correspondence regarding payments was introduced at the beginning of April. All pension types were integrated into the electronic process in early November. The new system streamlined the processes. It will add efficiency e.g. to the overall management and follow-up of long, multi-stage processes and make the handling of documents considerably easier. Once the transition phase from the manual process to the electronic process has been passed, we believe that our operations will be further enhanced.

A total of 13,200 pension applications were handled during the year 2007, of which 7,000 were new pension applications. The total numbers increased slightly on the previous year. One reason for that is that the baby boom generation is retiring on pension. This is particularly visible in the number of old-age pension applications. The ageing of the working population has so far not showed in the number of disability pension applications. The number of rehabilitation applications increased by around 10 per cent on the previous year.

Pension Fennia paid pensions to 77,600 persons at year-end 2007. A total of € 675 million was paid out in pensions to 44 different countries.

The effect of staying at work on the pension provision was the key subject in the advisory work of the pension advisory services and customer information. Around 9,000 pension estimates were sent at request of customers; almost 75 per cent of them were estimates for old-age pension. In addition, pension estimates were sent

e.g. to self-employed persons, those approaching the flexible retirement age, and those with a supplementary insurance.

Measured by handling times, the operations were successful both for pension handling and pension estimates. Replies were sent within three days to 75 per cent of the requests for estimates.

The goal of Efekti well-being at work services is to ease up the starting of well-being at work activities and enhance practical actions in client companies. The services offer tools for the company's independent development of well-being at work. In addition, they have access to support from Pension Fennia's experts, for example, in matters related to starting up development or deepening the expertise. Pension Fennia also arranges company-specific training and joint training for SMEs. Services are offered particularly actively to companies whose own unemployment pensions affect the earnings-related pension contribution in accordance with the contribution category model. The need and usefulness of well-being at work activities and rehabilitation co-operation are the greatest in client companies that have a higher than normal risk ratio.

In 2007, the development of the Efekti services was based on the different needs of different-sized customers. The goal is to create a service package in which large, medium-sized and small companies and entrepreneurs can easily access the well-being at work services best suited to their needs. During the year, Pension Fennia published Yrittäjä-Step, developed together with the Finnish Institute of Occupational Health, which helps entrepreneurs to find the necessary steps for supporting their own well-being at work and which will be used as the basis of discussions in well-being at work events arranged together with entrepreneur organisations.

Technical provisions and covering assets

Pension Fennia's technical provisions stood at € 5,652.5 million at the end of the year 2007. Technical provisions included € 492.0 million of liabilities accrued from employees' share of premium.

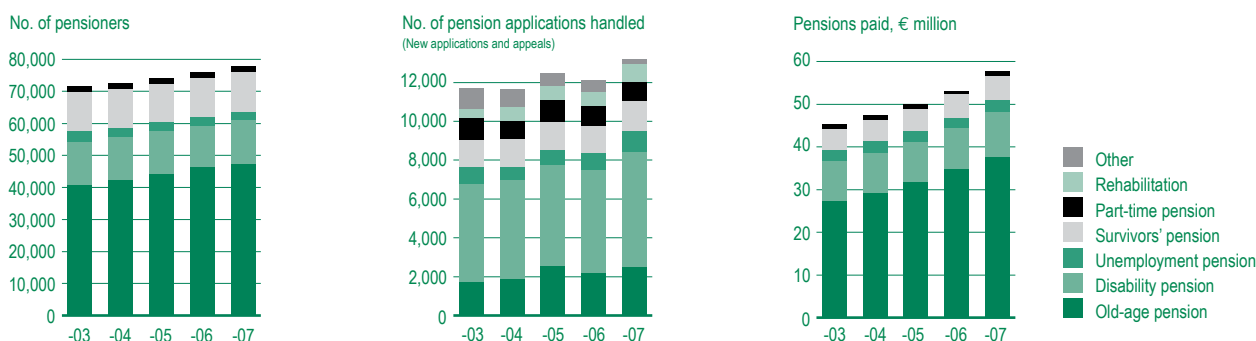
Technical provisions, € mill.	31 Dec. 2007	31 Dec. 2006
Premium reserve		
Future pensions	3,008.5	2,858.0
Provision for current bonuses	15.3	7.4
Provision for future bonuses	539.9	583.0
Provision linked to equity income	1.1	-
	3,564.8	3,448.5
Claims reserve		
Current pensions	1,827.6	1,564.5
Equalisation provision	260.1	256.6
	2,087.7	1,821.2
Total	5,652.5	5,269.7

Claims reserve also includes equalisation provision which stood at € 260.1 million at the end of 2007, of which basic benefit accounted for € 253.7 million. The amount of the equalisation provision is securing. In 2007 the temporary lowering of the disability payment was continued, 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 old-age pension, unemployment pension and premium loss businesses were positive.

In 2007, the financial performance of Pension Fennia is for the first time affected by the calculation of the yield requirement partially on the basis of the average return on equities, which was brought on by the investment reform. The average return on equities of the pension system to be transferred to the technical provisions as per 31 December 2007 was around 1.77 per cent, and around € 1.1 million will be transferred to provision linked to equity income on the basis thereof.

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 € 6,300 million, or 11.6 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 € 427 million.

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



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 were satisfactory in the year 2007. Total **investment income on invested capital** stood at 4.1 per cent before operating expenses and unallocated income and costs of investment operations. The technical rate of interest stood at 5.5 per cent until 30 June 2007 and at 6.0 per cent for the rest of the year.

The **net return on investment operations in the profit and loss account** stood at € 234.6 million. Capital gains were obtained in equity, fixed-income and real estate investments; the total gain amounted to € 256.7 million. Value adjustments of € 158.4 million were made in equities and shares, € 15.4 million in bonds, and € 1.5 million in real estate. Value readjustments on equities, bonds and real estate stood at € 20.8 million. Valuation differences decreased by € 1.6 million during the financial year. The **net return on investment operations at fair values** stood at € 233.0 million.

In the table below equities also include hedge funds and capital funds. Derivatives are included in each asset category.

Investment assets at fair values	31 Dec. 2007		31 Dec. 2006	
	€ mill.	%	€ mill.	%
Equities and shares	2,848.1	47.0	2,453.5	43.6
Loans	235.7	3.9	241.1	4.3
Money-market instruments	2,282.0	37.6	2,296.8	40.8
Bonds	1,496.9	24.7	1,671.5	29.7
Fixed-income funds	350.1	5.8	441.0	7.8
Other	435.0	7.2	184.4	3.3
Real estate	698.2	11.5	638.5	11.4
Total	6,064.1*	100.0	5,635.8	100.0

* Includes € 31.3 million derivatives outside the balance sheet.

In the **equities market** the year was challenging. The best yield was received from Finland and developing markets. Investments in listed equities and shares for 2007 yielded 3.7 per cent and those in unlisted equities and shares yielded 24.4 per cent. During the year, derivatives were used to administer the equity risk, which decreased the return on equities. Private equity funds yielded 42.4 per cent. As the fixed-income expectation was low, assets were allocated to hedge funds in 2007. The expected yield of hedge funds was higher than that of fixed-income investments, but lower and more stable than that of equity investments. Hedge funds accounted for 13 per cent of the investment allocation at the year-end. Yield from hedge funds, protected from exchange rate fluctuations, was 3.8 per cent.

In the first half of 2007, the rising trend of **interests rates** was very strong. The trend turned at the beginning of July, and the interest rates kept falling for the rest of the year except for December. Long interest rates rose slightly more than short interest rates, but the rise was fairly steady. In the second half the short interest rates of government loans, however fell more than long interest rates. Consequently the interest rate curve steepened between two and ten years by 0.3 percentage points. The interest for two-year government loans rose a total of 0.07 percentage points to 3.96 per cent and the ten-year interest rose by 0.35 percentage points to 4.35 per cent in 2007.

In spring the duration of Pension Fennia's fixed-income portfolio was clearly shorter than the market duration, but after the summer the duration was increased again. The return on the longest bonds was negative, while shorter loans yielded a positive return. Investments in bonds of developing countries provided a good yield.

Credit risk margins increased clearly in 2007; for example the margins of corporate loans to companies with good credit worthiness more than doubled during the year. Due to the increase of margins the return on bond investments with a credit risk was poor.

The return on capital employed in bond investments, including derivatives and fixed-income funds, was 0.5 per cent. The return on the money market portfolio was 4.2 per cent. The modified duration of the bond portfolio on 31 December 2007 was 5.9 years, and the average credit rating was A.

The European **real estate investment markets** continued to be lively, but towards the end of the year the demand focused increasingly on lower risk prime objects. As a result of the considerable rise of the risk margins of lenders, the buyers that operate mainly with borrowed money disappeared from the market almost completely. The required return in prime objects continued to fall, but in risk-bearing objects they were already on the rise. In Finland the year was similar to the previous one in terms of real estate deals, but for the first time the majority of the deals were made by international investors.

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 are underway and will soon start in the Helsinki metropolitan area in the near future which, once completed, will keep the amount of vacant spaces at a high level. Rent levels were relatively stable, although residential rents started to rise clearly after a long period of stability.

Pension Fennia's real estate investments increased by around € 59.7 million during the year. Sales totalled around € 61.3 million. The largest deal was the selling

of seven office buildings to a fund managed by Teesland. Construction projects underway include a share of stage 3 of the shopping centre Sello in Espoo, an office building at Televisiokatu 4 in Helsinki, and two care homes for the elderly in Turku and Ulvila, respectively. Indirect real estate investments in European funds and listed and unlisted companies were increased so that they amounted to € 84.3 million at the year-end. The return on real estate investments calculated on invested capital stood at 11.1 per cent, compared with 15.0 per cent in the previous year. Real estate investments totalled € 698.2 million at the year-end.

The demand for **corporate financing** loans was lively. The demand for direct equity instruments increased in growth companies and company acquisition arrangements as part of companies' financing solutions. In summer 2007, the Board of Directors confirmed the strategy for equity instrument investments. In accordance with the strategy, the company granted fairly small equity instrument loans and made equity instrument investments in Finnish capital investment funds and an unlisted company. Investment, pension and capital loans totalled € 235.7 million at the year-end. Advance credit losses of € 0.4 million net were entered for the loans in the financial year. Return on capital employed after the above-mentioned credit losses was 4.3 per cent. The amount of unarranged loans stood at € 1.7 million at the year-end.

Total operating expenses and personnel

Total operating expenses for 2007 were € 43.4 million. Operating expenses covered with expense loading stood at € 35.0 million and operating expenses covered from the investment income at € 5.9 million. € 0.7 million of operating expenses related to working capacity maintenance were paid from the disability loading of the premium. Total operating expenses included € 1.9 million of statutory charges which are covered with a separate share of premium. Expense loading totalled € 41.0 million for the year and other income € 0.5 million. Loading profit stood at € 6.6 million.

The company employed an average of 247 persons in the year 2007. At the year-end 2007, 246 people were permanently employed, and 20 had a fixed-term employment relationship. 9 people were on maternity or child care leave, 7 on part-time pension and 2 on partial disability pension. A total of 13 new employees were hired or fixed-term employments made permanent. 26 employment relationships ended, 5 of them due to retirement and 4 due to transfer of business.

Result and solvency

The **book net returns** on investment operations, € 234.6 million, fell € 37.7 million short of the interest paid on the technical provisions for the same period, € 272.4 million. The valuation differences decreased by € 1.6 million. The **result of investment operations** at fair values including

other interest items of the profit and loss account was after € -34.8 million. **Loading profit** was € 6.6 million. The **profit on insurance business** stood at € 3.8 million. The combined **total result** of Pension Fennia was € -24.4 million.

Provision for future bonuses was cleared by € 43.1 million. Of that amount, € 15.3 was used on premium discounts and € 27.8 million on complementing the required interest paid on the technical provisions.

The **solvency margin** at the year-end amounted to € 1,156 million, or 22.7 per cent of the technical provisions. Valuation differences accounted for € 590.1 million of the solvency margin. Provision for future bonuses stood at € 539.9 million at the year-end.

The profit and loss account shows a surplus of € 1,636,361.34.

Internal supervision and risk management

Pension Fennia Board of Directors has approved a **risk management plan** related to the steering of the company. 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 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, information systems, processes, safety and legal affairs.

Risk management is described in more detail in the notes to the financial statements and on the company's website.

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 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 2007, the Annual General Meeting of Pension Fennia re-elected Seppo Matikainen and Jukka Tikka and elected Marja Rantanen as a new member to the Supervisory Board at the suggestion of central employer organisations, and re-elected Matti Putkonen and Håkan Nystrand and elected Anneli Myllärinen as a new member at the suggestion of central employee organisations. In addition, the following persons were re-elected to the Supervisory Board: Pentti Jussila, Markku Koskenniemi and Lasse Savonen, and Taisto Lehti was elected as a new member. In addition, Jari Kostamo was elected as a new member until the close of the Annual General Meeting of 2009.

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 Ulla Nykky, Authorised Public Accountant, were elected deputy auditors.

In its meeting on 27 November 2007, the Supervisory Board of Pension Fennia re-elected Board members Olavi Nieminen and Ralf Wickström, and deputy member Reija Lilja. The Board of Directors elected from among

themselves Eero Lehti the Chairman, Pertti Parmanne the First Deputy Chairman and Seppo Riski the Second Deputy Chairman for the year 2008. In its meeting on 17 April 2007, the Supervisory Board decided to elect Harri Kainulainen and Heimo Aho Deputy Chairmen of the Supervisory Board for the term that started after the Annual General Meeting and ended on 31 December 2007. Markku Koskenniemi was elected as the Chairman of the Supervisory Board, Marjaana Valkonen the First Deputy Chairman of the Supervisory Board, and Heimo Aho as the Second Deputy Chairman of the Supervisory Board for the calendar year 2008.

In its meeting on 17 April 2007, the Supervisory Board decided to found an Election Committee. Members suggested by the policyholders to the Election Committee were from the Board of Directors of Pension Fennia Eero Lehti, and from the Supervisory Board Heimo Aho and Markku Koskenniemi. Members suggested by the insured to the Election Committee were from the Board of Directors of Pension Fennia Antti Rinne, and from the Supervisory Board Markku Markkula and Marjaana Valkonen. Markku Koskenniemi was elected the Chairman of the Election Committee and Marjaana Valkonen was elected the Deputy Chairman. In its meeting on 21 November 2007, the Supervisory Board re-elected the above-mentioned persons as members of the Election Committee for the calendar year 2008. Markku Koskenniemi continues as the Chairman of the Election Committee and Marjaana Valkonen as the Deputy Chairman.

The Board of Directors convened 10 times during the year, and the participation percent-age was 98. The Supervisory Board convened twice and the shareholder's general meeting once.

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.

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 2007, Pension Fennia group included 47 housing and real estate companies as subsidiaries. In addition, Pension Fennia group included HF-Asunnot Oy of which it holds 55 per cent. Pension Fennia owns 40 per cent of its associated undertaking Insurance Company Fennia Life.

Significant events after the close of the financial year

Investment operations produced a negative result early in the year due to e.g. the fall of the share prices and the increased credit risk margins. On the other hand, the company decreased the weight of equities at the end of last year, which dampens the effect of the equities market. Pension Fennia's solvency margin is still at a securing level.

Future outlook

There are major uncertainties involved in the world economy and consequently in the economic growth of Finland in 2008. The growth is expected to fall globally from 4.9 per cent to 4.1 per cent. Current changes in the finance and investment sector aimed at e.g. decreasing the risk and their effects on real economies are particularly difficult to anticipate. On the other hand, global growth power has spread over a larger area as the developing markets have strengthened and it may dampen the difficulties in the Western markets. Inflation expectations are moderate. The development of the inflation rate is still somewhat worrying, but the slowing down of the growth is expected to keep the price pressure ultimately moderate. The expectations on the return on asset items are uncertain, but cautiously positive for the year 2008.

The labour market organisations have agreed that the average TyEL contribution for 2008 will be increased by 0.2 percentage points. The temporary discount given in connection with the insurance premium will be continued and its final part is allocated to the years 2008 and 2009.

The Consultative Committee of Corporate issues of the Finnish Pension Alliance TELA and the Federation of Finnish Financial Services have investigated the possibility of broader company-specific pricing. It was stated in their report that there are no actual grounds for the fact that,

for example, the expense loading of the earnings-related pension premium collected for covering the costs and client bonuses are determined in the same way for all parts in all pension companies. The companies wish more freedom and a company-specific approach for these. Such a change would mean a major change in principle compared with the present system. Although the reform includes risks, it is also a welcome opening towards freer competition. When the efficiency generated by competition increases, it should also show in the benefits to the customers.

Government proposal concerning the reform of the Insurance Companies Act was submitted to the Parliament on 15 February 2008. The reform will include amendments due to the new Companies Act and certain other amendments suggested by the working group that has been preparing the new Insurance Companies Act. The new Companies Act and the proposal for a new Insurance Companies Act on the basis of it will also result in changes in the Act on Employment Pension Companies. The amendments will probably enter into force on 1 July 2008. After the amendment has entered into force the Companies Act that entered into force on 1 September 2006 will be applied to insurance companies.

The working group that focused on the combining of Financial Supervision Authority and Insurance Supervision Authority submitted their report on 12 February 2008. The working group proposes that a new supervisory authority for finance and insurance business be founded to replace the current authorities. The new supervisory authority would be located in the premises of the Bank of Finland. The Parliamentary Supervisory Council and the Board and Director General of the new supervision authority would form the governing body of the new organisation. The duties of the new supervisory authority would be essentially the same as those of the two existing supervisory authorities and its supervision costs would be covered mainly by operational fees and supervision fees.

The development of the competitive conditions of the earnings-related pension scheme has been recorded in the government programme, and it is probable that changes related to enhancing competitiveness will be carried out gradually in the future. After having submitted his report on the competitive conditions of the earnings-related pension scheme to the Minister of Social Affairs and Health in January 2007, Erkki Rajaniemi was commissioned to draw up a proposal on the special questions related to the competition between different forms of pension institutions.

The Pension Fennia Board of Directors wishes to thank all personnel and the operative management for a job well done in the financial year 2007.

Profit and Loss Account

EUR 1 000	Group 2007	Group 2006	Parent company 2007	Parent company 2006	Notes
Technical account					
Premiums written	968,078	889,333	968,078	889,333	1
Investment income	735,987	749,974	740,984	755,605	3
Revaluations on investments					
Claims incurred					
Claims paid	-789,546	-718,844	-789,546	-718,844	2
Change in claims paid					
Total change	-266,500	-240,537	-266,500	-240,537	
Portfolio transfer					
	-1,056,046	-959,381	-1,056,046	-959,381	
Change in premium reserve					
Total change	-116,292	-256,655	-116,292	-256,655	
Portfolio transfer					
Operating expenses	-28,790	-38,731	-28,790	-38,731	5
Investment expenses	-502,230	-383,128	-506,346	-387,883	4
Other technical underwriting expenses					
Balance on technical account/margin	708	1,412	1,589	2,288	
Non-technical account					
Other income	18	1		1	
Appropriations					
Change in depreciation difference			48	67	
Change in optional reserves					
Income taxes					
Taxes for the financial year and previous financial years		-31			
Calculated tax	179	-337			
	179	-369			
Share of result of associated undertakings	2,663	2,390			
Minority interest in the result for the financial year	-274	-232			
Profit/loss for the financial year	3,842	3,665	1,636	2,355	

Balance Sheet

EUR 1,000	Group 2007	Group 2006	Parent company 2007	Parent company 2006	Notes
ASSETS					
Intangible assets					
Intangible rights	348	445	348	445	
Other long-term expenses	18	67	18	67	
	365	512	365	512	
Investments					
Investments in land and buildings					
Land and buildings	429,762	454,704	274,498	271,444	6
Loan receivables from group companies			218,884	232,120	
	429,762	454,704	493,382	503,564	
Investments in group companies and participating interests					
Shares and participations in group companies				8	7
Shares and participations in associated companies	28,849	26,182	16,651	16,651	8
	28,849	26,182	16,651	16,659	
Other investments					
Equities and shares	2,760,542	2,479,634	2,759,260	2,478,283	9
Money-market instruments	1,909,862	1,799,239	1,909,862	1,799,239	
Loans guaranteed by mortgages	167,592	135,120	167,592	135,120	
Other loan receivables	125,801	141,388	68,109	105,988	
Deposits	55,100	3,000	55,100	3,000	
	5,018,897	4,558,382	4,959,922	4,521,631	
	5,477,508	5,039,267	5,469,955	5,041,853	
Debtors					
Direct insurance business					
Policyholders	68,646	70,040	68,646	70,040	
Other debtors					
Receivables from participating interests			3		
Receivables from associated undertakings	3				
Receivables from own real estate companies			5,035	3,562	
Receivables from partner companies	9	613	9	613	
Other debtors	121,336	172,811	120,624	172,811	
	121,347	173,424	125,670	176,985	
Other assets					
Tangible assets					
Furniture and fixtures	2,088	2,235	2,088	2,235	
Other tangible assets	353	353	353	353	
	2,441	2,588	2,441	2,588	
Money and cash at bank	9,441	5,283	9,154	5,160	
	11,882	7,871	11,595	7,748	
Prepayments and accrued income					
Accrued interest and rent	46,468	40,833	46,468	40,833	
Other prepayments and accrued income	9,106	4,304	8,705	3,341	
	55,573	45,138	55,172	44,174	
Total assets	5,735,322	5,336,252	5,731,404	5,341,313	

EUR 1,000	Group 2007	Group 2006	Parent company 2007	Parent company 2006	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	84			
	5,130	5,130	5,046	5,046	
Other reserves	23,518	20,985	23,255	20,955	
Profit/loss brought forward	-12,661	-14,017	150	104	
Profit/loss for the financial year	3,842	3,665	1,636	2,355	
	14,699	10,634	25,041	23,414	
	19,828	15,763	30,086	28,460	11
Minority interest	12,350	7,136			
Accrued appropriations					
Depreciation difference			143	191	
Optional reserves			143	191	
Technical provisions					
Premium reserve	3,564,765	3,448,474	3,564,765	3,448,474	
Claims reserve	2,087,685	1,821,185	2,087,685	1,821,185	
	5,652,450	5,269,659	5,652,450	5,269,659	10
Creditors					
Direct insurance business	4,323	2,620	4,323	2,620	
Loans from financial institutions					
Calculated tax debt	828	1,095			
Other creditors	33,773	27,982	33,175	28,651	
	38,924	31,697	37,498	31,272	
Accruals and deferred income	11,769	11,997	11,226	11,731	
Total liabilities	5,735,322	5,336,252	5,731,404	5,341,313	

The financial statements have been drawn up in accordance with the Accounting Act and Accounting Decree, which regulate the bookkeeping and financial statements of earnings-related pension companies, the Companies Act and the Insurance Companies Act. The financial statements are in compliance with the regulations of 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 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 2007, Pension Fennia group comprised as subsidiaries 47 real estate companies.

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.

Due to short-time holding, a proportion of the profit of the subsidiary HF-Asunnot Oy has been consolidated in accordance with the group's holding.

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 TyEL premium income is determined according to the total TyEL 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 2007.

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 31 December.

Foreign currency de-nominated other investments are entered at the rate of the acquisition date. The rates quoted on 31 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 TyEL premium system premium receivables are grouped according to the strongest collection procedure of the insurance as follows: bankruptcy, debt recovery, debt restructuring and other.

Credit losses from YEL premium receivables are principally entered due to expiration.

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, foreign currency derivatives and those interest and currency swap agreements to which hedging calculation is applied in the books are handled as derivatives that decrease the investment risk. Those equity and credit risk derivatives and interest derivatives to which hedging calculation is applied have not been handled in the calculation of the contribution margin and the solvency requirements as derivatives that decrease the investment risk. Regarding them the maximum loss provision has also been deducted from the solvency margin. Regarding the counterpart risk, the rules on limiting risk concentration presented in the regulations and guidelines of the Insurance Supervision Authority have been followed.

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.

Depreciation according to plan differs essentially from the depreciation of the previous financial year, because a single, retroactive write-down was made on other long-term expenditure in the financial year 2006.

Due to increase in the maintenance and development needs of system projects and shortening of the lifecycle of investments the calculation principles were changed in such a way that other long-term expenses related to system projects are entered as annual expenses in accordance with Section 5:5a of the Accounting Act.

The total effect of the change of calculation principles on the profit and loss account for 2006 was € 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. Statutory payments have been included in the administrative costs.

Direct taxes and surplus for the financial year

The deferred tax receivable determined on the basis of the taxable income for the financial year is € -2,450,608.39. Deferred tax receivable has not been entered in the balance sheet, because it cannot be utilised later.

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 TyEL insurance. Supplementary pension provision is arranged for part of the personnel through TEL supplementary pension insurance and for investment directors through voluntary pension arrangement. 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. Furthermore, a pension rule is applied to the same group that compensates any decrease in the statutory supplementary pension due to increase of the basic pension if they work beyond the retirement age. 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 and as a new element a part of the technical provisions that depends on the equity income.

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 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 derivatives that decrease the investment risk.

Notes

Notes to the profit and loss account

EUR 1,000	Group 2007	Group 2006	Parent company 2007	Parent company 2006
1. Premiums written				
Direct insurance				
TyEL basic insurance				
Employer contribution	671,790	616,991	671,790	616,991
Employee contribution	184,005	169,167	184,005	169,167
	855,794	786,158	855,794	786,158
TEL supplementary pension insurance	1,881	2,278	1,881	2,278
YEL minimum coverage insurance	110,386	100,819	110,386	100,819
YEL supplementary pension insurance	17	78	17	78
Total premiums written	968,078	889,333	968,078	889,333
Items deducted from premiums written				
Credit loss on premiums				
TyEL	2,891	3,291	2,891	3,291
YEL	1,234	1,373	1,234	1,373
	4,125	4,664	4,125	4,664
2. Claims paid				
Direct insurance				
Paid to pensioners				
TyEL basic insurance	566,373	527,727	566,373	527,727
TEL supplementary pension insurance	15,682	15,762	15,682	15,762
YEL minimum coverage insurance	92,271	87,153	92,271	87,153
YEL supplementary insurance	606	609	606	609
	674,932	631,250	674,932	631,250
Paid/refunded clearing of PAYG pensions				
TyEL pensions	117,837	96,277	117,837	96,277
YEL pensions	21,174	20,257	21,174	20,257
Proportion of the insurance premiums of the Unemployment Insurance Fund and the division of costs for pension elements accrued on the basis of unsalaried periods				
Government contribution of YEL	-26,615	-28,927	-26,615	-28,927
Compensation under the Act for parents receiving child home care allowance to care for a child aged less than 3 years at home and for students for periods of study (VEKL)	1		1	
	105,872	79,161	105,872	79,161
	780,803	710,412	780,803	710,412
Claims administration costs	8,077	7,964	8,077	7,964
Working capacity maintenance expenses	665	469	665	469
Total claims paid	789,546	718,844	789,546	718,844

Notes to the profit and loss account

EUR 1,000	Group 2007	Group 2006	Parent company 2007	Parent company 2006
Net investment income				
3. Investment income				
Income from investments in group companies				
Dividend income			909	99
Income from real estate investments				
Interest income				
From group companies			11,088	11,464
Others	2,734	2,134	46	31
Other income	54,771	58,716	52,235	56,058
	57,505	60,850	63,370	67,552
Income from other investments				
Dividend income	61,090	53,014	61,090	53,014
Interest income	94,257	88,421	94,257	89,217
Other income	79,990	48,901	79,990	48,901
	235,337	190,336	235,337	191,132
Total	292,843	251,185	299,616	258,783
Value readjustments	20,794	10,446	20,794	10,446
Gains on realisation	422,350	488,342	420,574	486,375
Total	735,987	749,974	740,984	755,605
4. Investment expenses				
Costs on real estate investments	-24,325	-23,101	-35,900	-36,021
Costs on other investments	-47,324	-24,881	-48,736	-26,273
Interest costs and expenses on other liabilities	-8,551	-8,611	-8,551	-8,611
	-80,199	-56,594	-93,186	-70,905
Value adjustments and depreciation				
Value adjustments	-177,521	-67,442	-175,639	-66,557
Planned depreciation on buildings	-7,861	-9,546	-872	-885
	-185,382	-76,988	-176,511	-67,442
Losses on realisation	-236,649	-249,546	-236,649	-249,536
Total	-502,230	-383,128	-506,346	-387,883
Net investment income before revaluations and their adjustment	233,758	366,846	234,639	367,722
Revaluation on investments				
Net investment income in the profit and loss account	233,758	366,846	234,639	367,722

EUR 1,000	Group 2007	Group 2006	Parent company 2007	Parent company 2006
5. Profit and loss account item operating expenses				
Insurance policy acquisition costs				
Direct insurance remunerations	2,279	1,328	2,279	1,328
Other insurance policy acquisition costs	7,463	8,988	7,463	8,988
	9,742	10,316	9,742	10,316
Insurance management costs				
	11,585	17,363	11,585	17,363
Administration costs				
The Finnish Centre for Pensions' share of costs	3,633	4,301	3,633	4,301
Judicial administration charge	283	258	283	258
Supervisory fee of the Insurance Supervision Authority	153	141	153	141
Other items	-2,153		-2,153	
	1,917	4,700	1,917	4,700
Other administration costs	5,547	6,353	5,547	6,353
Total	28,790	38,731	28,790	38,731
Total operating expenses by operation				
Claims paid				
Expenses related to claims administration	8,077	7,964	8,077	7,964
Working capacity maintenance expenses	653	457	653	457
	8,731	8,421	8,731	8,421
Operating expenses	28,790	38,731	28,790	38,731
Investment expenses				
Costs on real estate investments	1,412	1,391	1,412	1,391
Costs on other investments	4,447	5,012	4,447	5,012
	5,859	6,403	5,859	6,403
Total	43,380	53,555	43,380	53,555
Personnel expenses				
Salaries and bonuses	13,263	12,758	13,263	12,758
Pension expenses	2,607	3,218	2,607	3,218
Other social security expenses	905	1,068	905	1,068
Total	16,775	17,044	16,775	17,044
Salaries and bonuses of the management				
Managing Director and Deputy Managing Director	523	526	523	526
Board of Directors	169	129	169	129
Supervisory Board	67	57	67	57
Total	758	713	758	713

Managing Director Lasse Heiniö's salary amounted to € 260,200 and fringe benefits to € 27,000.

There are no pension commitments for members of the Supervisory Board and the Board of Directors.

The Managing Director and his deputy 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 2007, Ernst & Young Oy was paid € 135,900 for auditing the accounts of Pension Fennia and the real estates owned by it. The fees paid for consultation amounted to € 18,000.

Average number of personnel during the financial year

Office personnel	222	222
Sales personnel	19	19
Real estate personnel	6	6

Notes to the balance sheet

EUR 1,000	Remaining acquisition cost 2007	Book value 2007	Fair value 2007	Remaining acquisition cost 2006	Book value 2006	Fair value 2006
6. Investments at fair value and valuation differences, parent company						
Investments in land and buildings						
Land and buildings	33,991	35,552	42,714	24,505	26,066	32,244
Land and buildings in group companies	136,010	148,901	208,883	136,947	149,839	209,186
Other land and buildings	87,185	90,044	139,343	92,680	95,539	145,279
Loan receivables from group companies	218,884	218,884	218,884	232,120	232,120	232,120
Investments in group companies						
Shares and participations				8	8	8
Investments in participating interests						
Shares and participations	16,651	16,651	48,180	16,651	16,651	35,200
Other investments						
Equities and shares	2,759,254	2,759,260	3,205,736	2,478,278	2,478,283	2,919,352
Money-market instruments	1,909,862	1,909,862	1,874,214	1,799,239	1,799,239	1,798,834
Loans guaranteed by mortgages	167,592	167,592	167,592	135,120	135,120	135,120
Other loans	68,109	68,109	68,109	105,988	105,988	105,988
Deposits	55,100	55,100	55,101	3,000	3,000	3,000
Option share of an index-bound loan						
	5,452,638	5,469,955	6,028,756	5,024,535	5,041,853	5,616,331
The remaining acquisition cost of money-market instruments includes						
The difference between the nominal value and acquisition cost, released or charged to interest income						
	-5,683			-5,717		
Income from index-bound loans						
Book value includes						
Revaluations entered as income	17,318			17,318		
Valuation difference (difference between fair value and book value)						
			558,801			574,478

EUR 1,000	Group 2007	Group 2006	Parent company 2007	Parent company 2006
Other loan receivables itemised by guarantee				
Bank guarantee	10,510	14,963	10,510	14,963
Guarantee insurance	39,424	38,151	39,424	38,151
Insurance policy	1,443	1,377	1,443	1,377
Real estate share	1,234	1,998	1,234	1,998
Other guarantee	12,501	45,710	12,501	45,710
The remaining acquisition cost	65,112	102,199	65,112	102,199
Non-guarantee remaining acquisition cost total	2,997	3,789	2,997	3,789
Total pension loan receivables				
Other loans guaranteed by mortgages	1,956	2,833	1,956	2,833
Other loan receivables	9,020	13,637	9,020	13,637
The remaining acquisition cost	10,977	16,470	10,977	16,470
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				
Decrease			-8	
The remaining acquisition cost, 31 Dec.				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, %	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. 2007	Market value 31 Dec. 2007
9. Other investments, parent company			
Finnish non-listed equities and shares			
3Step IT Group Oy	17.50	10,184	11,088
Aina-Group Oyj	14.89	8,300	10,964
Arek Oy	4.00	560	560
Esy Oy	4.00	188	188
Exilion Capital Oy	0.25	33	33
Fibrogen Europe	0.41	482	482
Garantia Insurance Company Ltd	18.00	9,312	9,312
Imatra Region Development Company	0.35	8	8
International Security Technology Oy	14.47	905	905
IWS International Oy	1.97	122	122
Midinvest Oy	8.38	505	612
Nethawk Oy	1.72	784	784
Sisu Axels Oy	10.32	842	842
Team Botnia Oy	0.93	2	2
Turun Puhelin Oy	0.00		
Vaasan Puhelin Oy	0.00	1	1
Wedeco Oy	8.89	956	956
YH-Suomi Oy	18.30	11,048	11,048

EUR 1,000	Shares, %	Book value 31 Dec. 2007	Market value 31 Dec. 2007
Finnish listed equities and shares			
AffectoGenimap Plc	2.79	1,840	2,538
Almamedia Oyj	0.38	2,584	3,326
Amanda Capital Plc	0.88	359	676
Amer Sports Corporation	0.32	3,811	4,253
Aspo Plc	0.30	515	515
Cargotec Corporation	0.37	6,330	6,330
Cramo Plc	0.49	2,598	2,598
Elcoteq SE	0.91	812	812
Electrobit Group	0.39	820	820
Elisa Corporation	0.41	12,155	14,280
Etteplan Oyj	1.59	710	1,504
Finnair Plc	0.63	6,516	6,516
Fiskars Corporation	0.70	6,323	7,165
Fortum Corporation	0.25	38,106	69,323
Glaston Corporation	1.00	2,198	2,198
Honkarakenne Oyj	0.24	41	45
Huhtamäki Oyj	0.44	3,726	3,726
Ilkka-Yhtymä Group	4.58	3,500	5,154
Kemira Oyj	0.51	9,144	9,144
Kesko Corporation	0.37	12,734	13,699
Kone Corporation	0.42	12,370	22,048
Konecranes Plc	0.41	4,775	5,895
Lassila & Tikanoja Plc	0.26	1,770	2,270
Lännen Tehtaat plc	1.74	1,781	1,781
Metso Corporation	0.46	18,334	24,265
M-Real Corporation	0.71	7,546	7,546
Neste Oil Corporation	0.48	29,324	29,994
Nokia Corporation	0.10	58,499	102,102
Nokian Tyres Plc	0.21	3,313	6,157
OP Bank Group	0.29	5,971	6,143
Oriola-KD Corporation	1.77	7,500	7,500
Orion Corporation	0.39	7,314	8,809
Outokumpu Oyj	0.22	6,589	8,378
Outokumpu Technology Oyj	0.40	4,272	6,392
PKC Group Oyj	0.97	1,505	1,505
Pöyry Plc	0.51	5,170	5,193
Raisio Plc	0.77	1,500	1,500
Ramirent Group	0.51	5,818	6,177
Rapala VMC Corporation	1.62	3,452	3,469
Rautaruukki Corporation	0.36	9,584	14,840

EUR 1,000	Shares, %	Book value 31 Dec. 2007	Market value 31 Dec. 2007
Rocla Oyj	0.70	333	333
Ruukki Group Plc	0.52	3,440	4,218
Sampo plc	0.50	39,876	52,432
SanomaWSOY Corporation	0.62	18,105	20,023
SRV Group Plc	0.95	1,757	1,757
Stockmann Plc	0.57	9,206	9,491
Stora Enso Oyj	0.37	30,042	30,042
Suomen Terveystalo Oyj	1.47	1,940	1,940
Talentum Group	4.41	5,363	5,363
Technopolis Plc	0.51	1,306	1,306
Teleste Corporation	1.24	1,476	1,476
TietoEnator Corporation	0.42	4,808	4,808
Trainers' House Plc	2.43	986	1,200
UPM-Kymmene Corporation	0.45	32,094	32,094
Uponor Oyj	0.41	5,166	5,166
Vaaho Group Plc Oyj	0.63	198	209
Vacon Oyj	1.21	4,690	5,180
Wärtsilä Corporation	0.42	11,644	20,836
YIT Corporation	0.39	7,393	7,495

EUR 1,000	Shares, %	Book value 31 Dec. 2007	Market value 31 Dec. 2007
Foreign listed equities			
A P Moller - Maersk A/S	0.009	1,405	1,459
ABB Ltd	0.010	2,869	4,703
Adidas AG	0.049	3,606	5,093
Alfa Laval Ab	0.094	2,339	4,048
Allianz AG	0.002	1,220	1,480
Assa Abloy Ab	0.072	3,436	3,436
AstraZeneca Plc	0.011	4,544	4,544
AstraZeneca Plc	0.003	1,467	1,467
Atlas Copco Ab	0.060	4,408	5,110
Axa SA	0.002	1,233	1,233
Barclays Plc	0.008	3,780	3,780
Bayer AG	0.026	6,628	12,158
Cie Generale De Geophysique-Veritas			
(CGG-Veritas)	0.073	3,151	3,900
Danske Bank A/S	0.009	1,607	1,607
Deutsche Bank AG	0.006	2,293	2,684
Dow Jones Euro Stoxx 50 EX fund	1.128	43,700	46,757
Ekspress Grupp AS	0.527	468	468
Ericsson LM	0.027	7,074	7,074
FLSmidth & Co A/S	0.094	3,149	3,499
Fred Olsen Energy ASA	0.045	1,042	1,126
Genmab A/S	0.112	2,072	2,072
GlaxoSmithKline Plc	0.005	4,883	4,883
Hennes & Mauritz Ab	0.034	9,166	10,419
Hexagon Ab	0.036	935	1,315
Husqvarna Ab	0.070	1,626	1,626
Infineon Technologies AG	0.053	3,232	3,232
Investor Ab	0.055	3,667	3,892
iShares MSCI Brazil Index Fund	0.323	15,624	16,446
iShares MSCI Emerging Markets			
Index Fund	0.089	16,846	16,846
iShares Russell 1000 Growth			
Index Fund	0.439	46,120	46,449
JM Ab	0.225	2,807	2,807
Koninklijke Philips Electronics NV	0.009	2,699	2,952
Modern Times Group MTG Ab	0.096	1,495	2,410
Nordea Bank Ab	0.065	17,212	19,968
Nordea Bank AB	0.040	10,663	11,839
Norsk Hydro ASA	0.013	1,203	1,609
Orkla ASA	0.029	2,597	3,968
Petroleum Geo-Services ASA	0.058	1,757	2,081
PPR Group SA	0.040	5,720	5,720

EUR 1,000	Shares, %	Book value 31 Dec. 2007	Market value 31 Dec. 2007
RaySearch Laboratories Ab	0.419	385	609
Royal Bank of Scotland Group Plc	0.006	3,905	3,905
Sandvik Ab	0.036	4,799	5,067
Sanofi-Aventis SA	0.009	7,558	7,558
SAP AG	0.018	7,817	7,817
Schibsted ASA	0.116	2,367	2,367
Sectra Ab	0.497	1,071	1,071
Siemens AG	0.013	7,561	12,799
Skandinaviska Enskilda Banken Ab	0.038	4,382	4,382
Skanska Ab	0.050	2,578	2,584
SKF Ab	0.067	3,131	3,131
Software AG	0.228	2,478	3,912
SPDR Trust series 1	0.087	50,973	53,137
SSAB Svenska Stal Ab	0.026	836	1,165
StatoilHydro ASA	0.012	7,559	8,275
Swedbank Ab	0.029	2,907	2,907
Svenska Cellulosa Ab	0.030	2,120	2,183
Svenska Handelsbanken Ab	0.033	4,400	4,495
TELE2 Ab	0.049	2,743	2,743
Telenor ASA	0.009	1,795	2,446
TeliaSonera Ab	0.082	18,435	23,680
TeliaSonera AB	0.035	8,803	10,092
TGS Nopec Geophysical Company ASA	0.075	717	750
Total SA	0.007	8,764	9,775
Unibail-Rodamco SA	0.070	8,995	8,995
Unilever NV	0.017	5,999	7,545
Vivendi SA	0.015	4,817	5,648
Volvo Ab	0.048	5,447	8,044
Yara International ASA	0.034	1,974	3,160
Capital trusts			
Aboa Venture II Ky		265	265
Access Capital LP		2,172	4,660
Access Capital LP II A		2,059	5,194
Access Capital LP II B		1,489	1,568
Amanda III Eastern Private Equity Ky		1,920	2,050
Auda Capital IV Co-Investment Fund LP		888	983
Auda Capital IV(Cayman)LP		2,720	2,721
Bio Fund Ventures I Jatkoisjoitusrahasto Ky		293	581
Bio Fund Ventures I Ky		504	504
Bio Fund Ventures II Jatkoisjoitusrahasto Ky		673	673
Bio Fund Ventures II Ky		1,540	1,540
Bio Fund Ventures III Ky		2,279	2,279
Conor Technology Fund I Ky		228	228
Ecвитеc Technology Funde II Ky		2,712	2,712
Etelä-Pohjanmaan Rahasto Ky		53	152
European Fund Investments UK		2,099	2,131
Finnmezzanine III Ky		2,986	4,052
Finnmezzanine Rahasto II Ky		294	294
Finnventure Rahasto III Ky		3	67
Finnventure Rahasto V Ky		374	3,319
Forenvia Venture I Ky		57	67
GrowHow Rahasto I Ky		888	1,049
Helmet SME Ventures Ky		639	639
Industri Kapital 2000 Ltd		2,922	5,037
Industri Kapital 2007 Ltd		2,600	2,600
Intera Fund I Ky		35	35
Kareliaventure Rahasto Ky		36	36
Lapin Rahasto I Ky		160	160
Macquarie European Infrastructure Fund II		2,868	3,020
MB Equity Fund III		2,026	2,637
MB Equity Fund IV Ky		420	420
Metal Fund Ky		36	36

EUR 1,000	Shares, %	Book value 31 Dec. 2007	Market value 31 Dec. 2007
Midinvest Fund I Ky			2,592
Midinvest Fund II Ky		707	707
Nordic Capital IV Ltd			1,859
Nordic Mezzanine Fund II LP		1,036	1,699
Power Fund II Ky		21	21
Profita Fund I Ky		62	518
Profita Fund II Ky		1,016	2,499
Profita Fund III Ky		438	438
Promotion Capital I Ky		203	203
Promotion Equity I Ky		1,106	1,622
Savon Kasvurahasto I Ky		193	492
Sentica Kasvurahasto II Ky		39	1,840
Sentica Terveysteknologia I Ky		283	283
SFK 99 Rahasto Ky		57	57
Teknoventure rahasto II Ky		1,082	1,436
Teknoventure rahasto III Ky		7	7
Terveysrahasto Oy		972	972
Equity funds			
Aberdeen Global - Asia Pacific Fund		20,277	31,909
ABN AMRO China Equity Fund		5,593	10,734
ABN AMRO Eastern Europe Equity Fund		19,857	26,990
ABN AMRO Latin American Equity Fund I		14,210	30,048
AXA Rosenberg Equity Alpha Trust - Japan Equity Alpha Fund		19,037	22,995
AXA Rosenberg Equity Alpha Trust - Pacific ex Japan		7,390	13,518
AXA Rosenberg Equity Alpha Trust - Pan-European Equity Alpha Fund		57,839	60,238
Celeres Aasia REIT Plus K		4,850	4,850
Celeres HR Suomi		2,005	4,121
East Capital Lux - Russian Fund		42,500	43,826
eQ Eurooppa Monityyli		24,596	28,871
Evl Greater Russia B Sijoitusrahasto		11,150	20,268
Fidelity Active Strategy Sicav - Europe Fund		40,748	46,209
Fidelity Asian Special Situations		27,050	32,830
Fidelity European Dynamic Growth Fund		8,994	13,097
Fidelity South East Asia Fund		30,440	31,524
FIM Emerging Europe Sijoitusrahasto		9,693	9,693
FIM India Sijoitusrahasto		6,854	10,861
FIM Russia Small Cap		5,000	6,239
Fondita Nordic Micro Cap B		3,000	3,289
Fondita Nordic Small Cap B		5,940	17,058
Fourton Hannibal rahasto		4,627	4,627
Fourton Odysseus rahasto		8,178	10,267
Fourton Stamina rahasto		8,634	10,938
ICECAPITAL European Property Fund		382	535
ICECAPITAL Global Infrastructure Fund		7,531	8,085
JPMorgan Funds - Europe Strategic Growth Fund		67,636	67,636
JPMorgan Funds - Europe Strategic Value I Fund		18,220	18,220
JPMorgan Investment Funds - US Select Equity Fund		43,745	43,834
PW Tactical Allocation Fund Y		3,940	3,940
PYN Populus erikoissijoitusrahasto		4,865	4,865
SA Fund tranche 1		5,150	10,266
Sampo Kestävä Arvo Osake Kasvu-osuus		5,016	5,236
State Street Actions Japon Fund		28,940	28,940
T. Rowe Price -US large cap growth eq fund		43,977	50,643
T. Rowe Price -US large cap value eq		14,835	19,292
T. Rowe Price -US sml co eq		4,775	8,002
Trigon New Europe Top Pick-3		19,149	19,149
UBGlobe		1,426	1,426

EUR 1,000	Shares, %	Book value 31 Dec. 2007	Market value 31 Dec. 2007
Fixed-income funds			
Aktia Inflation Bond+		49,866	49,866
Alcentra European Credit Fund		40,894	40,988
Ares Enhanced Credit Opportunities Offshore Fund Ltd		9,473	9,475
BlueBay Emerging Market Bond Fund		24,100	27,147
BlueBay Emerging Markets Local Currency Fund		25,381	31,602
CypressTree Leveraged Alternative Income Fund		10,963	10,963
GLG Investments plc - Global Convertible UCITS		19,527	19,527
ING (L) Renta Fund Emerging Markets Debt Hard Currency ING (L) Renta Fund Emerging Markets Debt Local I Hedged CAP		20,000	20,881
OCM European Credit Opportunities Fund (Cayman) Ltd		11,850	11,850
OCM Opportunities Fund VII		2,305	2,305
OP-Solid		10,721	10,798
Petercam L Fund		21,226	28,539
Stone Tower Offshore Credit Fund		9,216	9,218
Syinvest Engros Emerging Market Local Currency Bonds		11,184	12,474
UBAM - Emerging Market Bond Fund		30,000	30,593
UBAM - Local Currency Emerging Market Bond		30,000	32,736
Real estate investment funds			
Archstone German Fund		7,229	7,229
EPI Russia I Ky		5,475	5,475
Exilion Real Estate I Ky		12,000	12,000
ICECAPITAL Housing Fund I Ky		5,556	5,556
ING DOF Development Fund CV		29	52
Ing Dutch Office Fund II BV		9,708	10,485
Ing Property Fund Central and Eastern Europe		5,093	5,093
Prologis European Properties Fund II		1,334	1,334
SPONDA Kiinteistörahasto I Ky		10,722	10,722
Tishman Speyer European Core Fund A		8,708	8,708
Tishman Speyer European Strategic Office Fund Scots Feeder L.P.		6,134	9,057
UK Shopping Centre Feeder Fund Limited Partnership		8,637	8,637
Hedge funds			
Amber Fund (Cayman) Ltd.		12,227	13,789
AQR Absolute Return Offshore Fund Ltd.		12,530	12,532
Aspect Diversified Fund		686	741
Aspect Diversified Fund		10,000	11,045
Auda Global Feeder Fund		10,207	11,530
Blackstone Fifth Avenue Offshore Fund Ltd.		25,474	35,549
Blackstone Global Park Avenue Fund L.P.		33,965	34,049
Blackstone Kailix Offshore Fund Ltd.		13,468	13,468
Bluebay Value Recovery Fund Ltd.		8,155	8,932
Canyon Value Realization Fund		1,532	1,818
Capula Global Relative Value Fund Ltd.		13,586	13,993
Carnegie Fund III - Worldwide Long-Short Fund		5,000	7,802
Cheyne Balanced CSO Fund Inc		12,227	12,792
Cheyne Special Situations Fund Inc.		14,081	14,081
CQS Capital Structure Arbitrage Feeder Fund Ltd.		8,152	8,656
CQS Asia Feeder Fund Ltd.		9,209	10,056
CQS Convertible and Quantitative Strategies Feeder Fund Ltd Class 2A		9,235	9,335
CQS Convertible and Quantitative Strategies Feeder Fund Ltd.		4,618	4,668
D.E.Shaw Oculus International Fund		14,679	18,411
DB Platinum IV - Croci Alpha Pairs Sectors Fund		10,000	10,899
Deephaven Market Neutral Fund Ltd.		13,586	13,941
DKR Soundshore Oasis Fund Ltd.		10,190	11,386

EUR 1,000	Shares, %	Book value 31 Dec. 2007	Market value 31 Dec. 2007
Drake Global Opportunities Fund Ltd.		6,647	6,648
Farrington Alpha One		15,000	15,672
Finisterre Sovereign Debt Fund		5,000	5,771
FrontPoint Multi-Strategy Fund		4,076	5,221
FrontPoint Multi-Strategy Fund		4,076	5,542
FrontPoint Multi-Strategy Fund		4,076	5,253
FrontPoint Multi-Strategy Fund		4,076	5,259
GLG Global Utilities Fund		13,670	13,670
GLG Market Neutral Fund - Convertible		20,101	27,023
GLG Multi-Strategy Fund SICAV		15,000	16,011
Goldentree Offshore Ltd.		12,227	13,834
HALCYON Offshore fund Ltd		851	992
Highbridge Asia Opportunities		1,189	1,356
Highbridge Capital Corporation		13,586	13,760
Highland Crusader Fund II Ltd		8,455	8,457
HVB Alternative Program Tapestry Fund		16,983	19,913
HVB Alternative Program Tapestry Fund Vintage		8,152	9,467
Ikos Financial Fund		1,206	1,207
Lansdowne Macro Fund Ltd		7,000	8,533
LIM Asia Arbitrage Fund Inc		1,602	1,666
Man AHL Alpha PLC		8,831	10,531
Man Global Strategies Investment Strategies Ltd		866	866
Marathon Overseas Fund		1,904	1,978
Melchior Japan Fund Ltd.		8,530	8,526
Navesink Investments Ltd		850	892
NWI Explorer Global Fund, Ltd.		8,831	9,369
Opstock Equity Hedge		10,000	10,653
Orn Event Fund Ltd		352	367
OZ Overseas Fund II		14,265	16,551
Paulson Advantage Ltd		13,586	22,502
Pequot Corporate Opportunities Fund Inc		1,351	1,351
Polygon Global Opportunities Fund Class		12,338	12,341
PSAM WorldArb Fund Ltd		1,202	1,355
R2 Alpha Strategies PLC - R2 Crystal Fund		32,001	33,512
RAB Diversified Commodities Fund Ltd.		14,032	14,032
SEB Alternative Investment - Institutional Portfolio		20,000	20,304
Selectinvest Arbitrage & Relative Value Ltd		8,152	9,632
Shepherd Investments International Ltd		2,049	2,308
Sloane Robinson Global Fund		1,024	1,426
Swiss Capital Long/Short Equity Fund		4,076	5,048
Taconic Opportunity Offshore Fund Ltd.		11	12
Taconic Opportunity Offshore Fund Ltd.		6	9
Taconic Opportunity Offshore Fund Ltd.		5	6
Taconic Opportunity Offshore Fund Ltd.		2	2
Taconic Opportunity Offshore Fund Ltd.		1	2
Taconic Opportunity Offshore Fund Ltd.		654	800
Temujin International Fund Ltd		8,831	8,897
Temujin International Fund Ltd		1,291	1,296
The Black Mesa Fund Ltd.		10,190	10,214
The Bluebay Emerging Market Total Return Fund Ltd.		4,121	4,813
The Bluebay Global Credit Fund Ltd.		4,122	4,276
Threadneedle European Crescendo Fund Ltd		1,575	1,708
Tisbury Europe Fund Ltd		14,486	14,486
Treesdale Fixed Income Fund Ltd.		8,659	8,659
UBP Selectinvest ARV Ltd.		17,662	18,542
Vicis Capital Fund (International)		19,020	21,105
Winton Futures Fund Ltd		4,076	5,678
Guarantee capital			
Mutual Insurance Company Fennia		3,364	3,364
Other investments total			
		2,759,260	3,205,736

EUR 1,000	Parent company 2007	Parent company 2006
Liabilities		
Liabilities resulting from derivative contracts		
Non-hedging derivatives		
I Interest rate derivatives		
Option contracts		
Bought options		
Nominal value of underlying instruments	22,900	467,000
Fair value of contracts	690	4,410
Set options		
Nominal value of underlying instruments	113,900	579,500
Fair value of contracts	-3,460	-2,940
Swaptions		
Set swaptions		
Nominal value of underlying instruments	50,000	
Fair value of contracts	-768	
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	726,262	470,097
Fair value of contracts	23,959	10,205
Closed forward and future contracts		
Nominal value of underlying instruments	18,190	37,358
Fair value of contracts	226	698
Open option contracts		
Bought options		
Nominal value of underlying instruments	33,965	129,081
Market value of contracts	738	1,816
Set options		
Nominal value of underlying instruments	67,930	258,162
Fair value of contracts	-511	-1,422
III Share derivatives		
Forward and future contracts		
Nominal value of underlying instruments		20,785
Fair value of contracts		105
Option contracts		
Bought options		
Nominal value of underlying instruments	233,750	1,136,650
Fair value of contracts	4,934	5,099
Sold options		
Nominal value of underlying instruments	495,000	855,000
Fair value of contracts	-2,602	-2,524
IV Credit risk derivatives		
Bought hedging		
Nominal value of underlying instruments	150,000	
Fair value of contracts	895	
Sold hedging		
Nominal value of underlying instruments	25,000	
Fair value of contracts	-35	

EUR 1,000	Parent company 2007	Parent company 2006
Hedging derivatives		
I Interest rate derivatives		
Interest rate swaps		
Nominal value	13,586	15,186
Fair value	1,037	964
II Currency derivatives		
Open currency exchange contracts		
Nominal value of underlying instruments	45,513	50,873
Fair value of contracts	8,873	3,289
Investment commitments		
Capital trusts	112,416	40,182
Real estate investment funds	28,890	15,883
Leasing and rent liabilities		
Leasing liabilities in the current financial year	50	243
Leasing liabilities in the future financial years	5	487
Other contingent liabilities		
Liability for the VAT debt of the tax liability group in accordance with Value Added Tax Act, Section 188	-553	706
Restitution liability for VAT deduction from new buildings and renovation of real estates	307	339
10. Technical provisions		
Premium reserve		
Future pensions	3,008,499	2,857,985
Provision for future bonuses	539,934	583,044
Provision for current bonuses	15,277	7,445
Provision linked to equity income	1,055	
Total premium reserve	3,564,765	3,448,474
Claims reserve		
Current pensions	1,827,596	1,564,546
Equalisation amount	260,088	256,639
Total claims reserve	2,087,685	1,821,185
Total technical provisions	5,652,450	5,269,659
Solvency margin		
Capital and reserves after the proposed distribution of profit	30,086	28,460
Accrued appropriations	143	191
Valuation difference between fair values of assets and book values of balance sheet items	590,065	591,669
Provision for future bonuses	539,934	583,044
Deferred acquisition costs and intangible assets	-365	-512
Other items	-3,604	-457
	1,156,259	1,202,395
Solvency margin required under the Act on Employment Pension Insurance Companies, Section 17	463,180	459,634
Equalisation provision included in the technical provisions for years with plenty of contingencies	260,088	256,639

EUR 1,000	Guarantee capital	Other reserves	Accumulated profits	Total
11. Capital and reserves, parent company				
31 Dec 2006	1,682	24,318	2,460	28,460
Transfer to contingency reserve		2,300	-2,300	
Distributed as interest on guarantee capital				
Transfer to the Board's expense account			-10	-10
Profit for the financial year			1,636	1,636
31 Dec 2007	1,682	26,618	1,786	30,086

	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		
Proposed distribution to holders of guarantee capital			
Policyholders after proposed distribution	28,404		
Total	30,086		

Distributable profits

Profit for the financial year		1,636	
Other distributable reserves	23,255		
Other reserves	150	23,404	
Accumulated profit			
Total distributable profits		25,041	

EUR 1,000	Guarantee capital	Other reserves	Accumulated profits	Total
12. Capital and reserves, group				
31 Dec 2006	1,682	24,433	-10,351	15,763
Transfer to contingency reserve		2,300	-2,300	
Loan amortisation reserve		233		233
Distributed as interest on guarantee capital				
Transfer to the Board's expense account			-10	-10
Profit for the financial year			3,842	3,842
31 Dec 2007	1,682	26,965	-8,819	19,828

	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		
Proposed distribution to holders of guarantee capital			
Policyholders after proposed distribution	18,146		
Total	19,828		

Distributable profits

Profit for the financial year		3,842	
Other distributable reserves			
Other reserves	23,255		
Accumulated profit	-12,661	10,593	
Capital and reserves of accumulated appropriations		5	
Total distributable profits		14,441	

Disposal of profit

The Board of Directors proposes that the € 1,636,361.34 surplus for the financial year be disposed as follows:

to be transferred to the contingency reserve	EUR 1,600,000.00
to be transferred to the Board's expense account	EUR 10,000.00
to be retained on the profit and loss account	EUR 26,361.34

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. Pension Fennia's internal supervision and risk management were re-organised at the beginning of 2007. The management of the company is responsible for internal supervision and risk management related to the steering of the company. The units (lines) that take the risk are responsible for internal supervision, risk management and risk supervision regarding their own operations. No separate organisation was formed for independent risk supervision, but the work done by different organisations forms the risk supervision function. The duties of independent risk supervision include e.g. reporting by the Finance Line as well as tasks of the risk management function (Actuaries and Risk Management unit), the most important of which are the co-ordination of the company's risk management plan and reporting about the plan and the risk management of the lines. 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** related to the steering of the company. In addition, each line must draw up their own risk management plan. 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 risk management plan for investment operations and risk management and approves the principles for the use of derivatives**. The investment plan includes confirmed limits and restrictions concerning

investments 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 steering group for investment operations and investment units 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. Furthermore, 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 € 1,156 million at the end of 2007.

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 but no company-specific lower limit. The equalisation provision has company-specific lower and upper limits. At the end of 2007, 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 corporate financing loans. In **real**

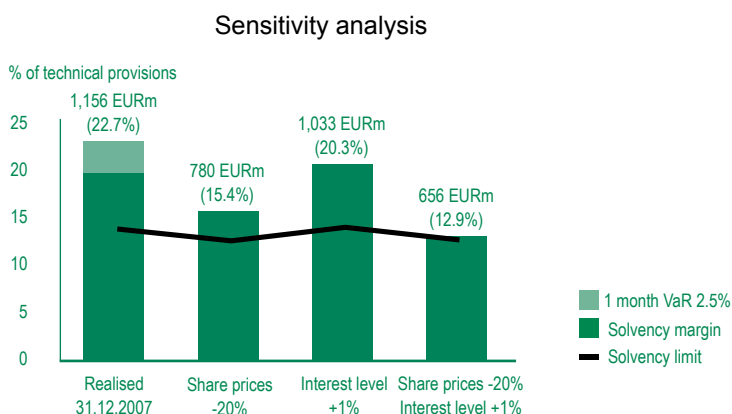
estate investments, attention is paid to geographical distribution, division of rent income by line of business, timing of acquisitions, and division of types of use.

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 their fulfilling in 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, and stress tests 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 how a change in share prices or interest level would affect the company's solvency. The results of stress test calculations as at 31 December 2007 have been compiled in the graph. In addition, the graph shows VaR of the same day, 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. A report on the total effect of applying



the grounds of the use of derivative agreements on the solvency limit is annually given to the Board of Directors of the company.

Investment decisions are prepared and implemented in the investment line. The market valuation of investment assets and reporting to support operations are the responsibility of investment administration which is part of the investment line. The official yield, solvency and profit margin reporting and limit monitoring is produced in the financial line. Grounds approved by the Board of Directors of Pension Fennia are applied in the solvency rating of investments. The effect of applying the grounds on the company's solvency are followed weekly. A report on the application of the rating grounds and its effect on the company's solvency position is annually given to the Board of Directors of the company for approval.

Risks related to insuring and their management

The key insurance risks are created in estimates of contingencies and other costs 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 poorer compared

with the other companies due to e.g. different portfolio structure of the insured, for example, if the division of industries of the insured companies compared deviates significantly from the average division. 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. Co-operation between employment pension companies is compulsory according to the law.

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 partially 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.

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

Risk distribution of investments and risk figures 2007

	Market value € mill.	Risk distribution € mill.	Return %	Volatility %
Fixed-income investments	2,560.6	2,584.1	1.3%	
Loans	237.7	237.7	4.3%	
Bonds	1,884.1	2,169.6	0.5%	2.1%
Other money-market instruments and deposits	438.8	176.9	4.2%	
Equity investments	2,076.7	2,053.2	5.5%	
Listed equities	1,919.4	1,895.9	3.7%	11.6%
Private equity investments	69.0	69.0	42.4%	
Unlisted equity investments	88.4	88.4	24.4%	
Real estate	698.2	698.2	11.1%	
Direct real estate investments	613.9	613.9	11.0%	
Real estate investment funds and joint investment companies	84.4	84.4	11.9%	
Other investments	770.8	770.8	3.8%	
Hedge fund investments	770.8	770.8	3.8%	4.4%
Total investments	6,106.3	6,106.3	4.0%	4.8%

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 5.88 years.

contribution of the TEL premium since the year 2002. Discounts will continue in 2008. The company's disability pension business result **for 2007 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 that formed the basis of the financial statements liabilities on 31 December 2006 were divided into insurance premium and claims reserves as shown below. The equalisation provision stood at € 257 million on 31 December 2006, and its lower limit was around € 62 million and upper limit € 623 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 administrative cost in connection with TyEL and YEL premiums to cover operating costs. The share of insurance premium depending on the number of disability pension decisions is also included in the administrative cost. 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.

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.

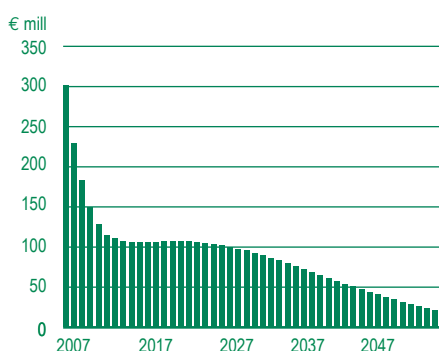
The company prepares for changes in the market and the operating environment both with marketing activities and by developing the technical readiness. Technical readiness aims at facilitating the sales and handling of insurances. Co-operation with the partners is further strengthened by ensuring the 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.

Pension Fennia is also driving through its own development programme whose key goals are to support the company's strategic goals. 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 persons responsible for the company's business operations have been closely committed to project steering.

31 Dec. 2006

Premium reserve	
TEL basic insurance	2,807.4
TEL supplementary pension insurance	34.9
Supplementary insurance reserve	590.5
Total	3,432.7
YEL basic insurance	11.7
YEL supplementary pension insurance	3.0
Total	14.8
Total premium reserve	3,447.5
Claims reserve	
TEL basic insurance	
Current pensions	1,516.1
Equalisation provision	251.2
Total	1,767.3
TEL supplementary insurance	
Current pensions	43.2
Equalisation provision	6.2
Total	49.4
TEL total	1,816.8
YEL basic insurance	0
YEL supplementary pension insurance	3.3
YEL total	3.3
Total claims reserve	1,820.1

Dissolution of liabilities into pensions



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 out-sourced. 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.

The major system amendments caused by the reformed TyEL legislation were successfully introduced during 2007 along with Arek's earnings system and the company's in-house system work related thereto. The company's own long-term project to make work steering and document process of pension handling electronic was completed for extensive use towards the end of the year. Now that these tasks, demanding in terms of management, have been completed, the focus of the management of information system risks lies especially in the active supervision and management of service and cost level of information systems purchased from outside. An integral part of this is the reforming of the IT processes according to the CobIT framework.

From the point of view of supplier management the key operational and financial risks lie in Arek Oy, Tietoenator Esy Oy and the operational services supplier Tietoenator Pension Insurance. As for Arek and Tietoenator Esy, the risks are managed through strong commitment to the management of the companies also at the level of Board work. In operational services, the special focus will lie in the new competitive bidding of services and renewal of agreements in accordance with the current business goals during the year 2008.

The biggest challenge of system development work is the purchase of a new compensation system. The risks related to the purchase are managed by introducing tried and tested technology, decentralising purchases to different suppliers, and maintaining several options for future progress.

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 lines. The key operational risks are related to, for example, **person risks, system and process risks and legal risks**. 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.

Attention has been paid to development of expertise and securing the continuity of operations both inside the lines 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.

System and process risks are related e.g. to the operational reliability of systems and management of costs and benefits. They are administered e.g. by maintaining working instructions and process descriptions, and through budget tracking of projects. Legal risks are administered either by in-house lawyers or experts hired from outside the company.

The operating of the current information and telephone systems is a critical factor in customer service and their operating is strengthened through close co-operation. The introduction and utilisation of new systems and committing partners to new operating models is also in a key position.

The company has a **security team** whose tasks include overall management of the company's security issues. It involves creating policies and instructions related to security, following their implementation, evaluating and ensuring the level of areas concerning security, internal supervision and risk management, and drawing up of development activities. In addition, the security team is responsible for security training and monitoring of activities in accordance with laws, other norms, regulations and agreements concerning security, and amendments thereto.

In 2007, the security team e.g. prepared Pension Fennia's data security policy, updated its operating instructions, handled the updating of the preparation plans, controlled the investigation of certain threatening situations with customers, drew up a rejoinder for the usage authorisation inspection, and co-ordinated the implementation of activities in accordance with the rejoinder.

Key figures 2007

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	2007	2006	2005	2004	2003
Premiums written, € mill.	968.1	889.3	808.5	747.4	679.1
Pensions paid and other compensations, € mill. ¹⁾	780.8	710.4	662.7	613.8	569.5
Net investment income at fair values, € mill.	237.5	434.6	551.0	311.0	266.5
Yield on invested capital, %	4.0	8.2	11.9	7.3	6.8
Turnover, € mill.	1,206.8	1,261.7	1,114.2	983.4	887.8
Total operating expenses, € mill.	43.4	53.6 ²⁾	41.9	38.0	32.2
% of turnover	3.6	4.2	3.8	3.9	3.6
Operating costs covered with expense loading of ins. premium, € mill.	35.4	42.4 ²⁾	31.5	28.1	24.0
% of TyEL payroll and YEL reported earnings	0.8	1.0	0.8	0.8	0.7
Total result, € mill.	-24.4	148.3	360.5	155.7	141.1
Technical provisions, € mill.	5,652.5	5,269.7	4,772.5	4,364.9	4,027.6
Solvency margin, € mill.	1,156.3	1,202.4	1,040.4	696.7	560.1
% of technical provisions ³⁾	22.7	25.7	24.4	17.7	15.3
Ratio to the solvency limit	1.7	1.7	2.1	2.1	1.9
Equalisation provision, € mill.	260.1	256.6	270.1	263.9	251.0
Pension assets, € mill. ⁴⁾	6,242.5	5,861.3	5,298.8	4,641.3	4,223.2
Transfer to client bonuses, % of TyEL payroll	0.38	0.20	0.33	0.24	0.15
Paid client bonuses, % of TyEL payroll	0.20	0.33	0.24	0.15	0.18
TyEL payroll, € mill.	4,047.1	3,636.2	3,316.9	3,069.2	2,857.9
YEL reported earnings, € mill.	565.6	517.4	465.2	410.8	366.5
No. of TyEL policyholders ⁵⁾	20,250	18,900	18,640	17,860	16,900
No. of TyEL insured ⁶⁾	162,940	135,450	131,820	125,660	120,660
No. of YEL policyholders	31,610	29,930	27,890	25,380	23,220
No. of pensioners	77,610	75,660	74,140	72,590	71,590

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⁾ Ratio calculated as percentage of the technical provisions used in the calculation of the solvency limit.

⁴⁾ Technical provisions + valuation differences.

⁵⁾ Insurances of employers that have made an insurance contract.

⁶⁾ From the year 2007 the number of policies to which earnings from work used as the basis of pension has been paid during the financial year.

Investment distribution

Investment distribution
(includes accumulated interest)

	2007		2006		2005		2004		2003	
	€ mill.	%	€ mill.	%	€ mill.	%	€ mill.	%	€ mill.	%
Loans	237.7	3.9	243.1	4.3	246.9	4.7	260.0	5.7	259.1	6.2
Bonds	1,884.1	30.9	2,146.7	37.8	1,960.6	37.5	2,460.8	53.9	1,933.6	46.4
of which fixed-income funds	350.1		441.0		368.5		394.7		92.5	
Other money-market instruments and deposits	438.8	7.2	186.2	3.3	621.6	11.9	368.7	8.1	612.4	14.7
Equities and shares	2,847.5	46.6	2,457.8	43.3	1,795.2	34.3	909.5	19.9	866.9	20.8
Real estate	698.2	11.4	638.7	11.3	603.6	11.5	568.7	12.5	495.6	11.9
of which real estate investment funds	84.3		17.4		9.1		3.9		-	
Total investments	6,106.3		5,672.4		5,227.9		4,567.7		4,167.5	
Bond portfolio modified duration	5.88									

Investment income specification and result, € mill.	2007	2006	2005	2004	2003
Direct net income	136.9	167.7	147.4	153.5	149.0
Loans	9.9	10.3	10.3	10.8	11.7
Bonds	58.6	66.6	76.5	89.6	90.6
Other money-market instruments and deposits	12.0	15.6	6.2	6.6	11.0
Equities and shares	29.2	48.0	30.0	26.6	11.8
Real estate	29.7	31.2	27.7	25.0	23.5
Unallocated income, costs and operating expenses ¹⁾	-2.5	-4.0	-3.4	-5.1	0.4
Changes in book value ²⁾	102.2	201.5	153.7	76.6	58.6
Equities and shares	69.5	177.8	106.3	51.5	17.9
Bonds	1.6	16.2	43.0	27.1	45.1
Real estate	31.0	7.1	4.6	0.7	-4.2
Other investments	0.1	0.3	-0.1	-2.8	-0.1
Net investment income at book value	239.1	369.2	301.1	230.1	207.6
Change in valuation differences	-1.6	65.4	249.9	80.9	58.9
Equities and shares	45.3	63.2	248.9	20.1	80.0
Bonds	-51.5	-45.9	-11.1	54.3	-27.6
Real estate	4.5	47.8	12.8	6.8	6.7
Other investments	0.1	0.2	-0.7	-0.3	-0.3
Net investment income at fair values	237.5	434.6	551.0	311.0	266.5
Yield requirement on the technical provisions	-272.4	-271.3	-199.8	-172.7	-141.3
Investment result at book value	-33.2	97.9	101.3	57.4	66.3
Investment result at fair values	-34.8	163.2	351.2	138.3	125.2
Proportion of derivatives in net investment income	41.0	25.1	-46.6		

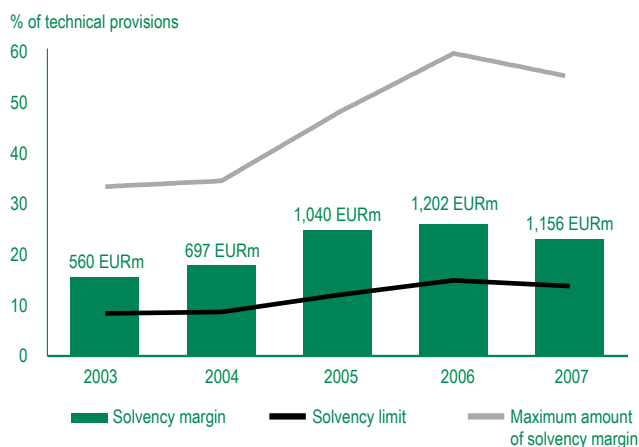
¹⁾ Includes such profit and loss account items that are not entered under investment income.

²⁾ Realisation gains and losses and other changes in book value.

Net investment income at fair values 1 Jan - 31 Dec 2007	Net investment income at fair values, € mill. 2007	Invested capital, € mill. 2007	Yield on invested capital, 2007	Yield on invested capital, %			
				2006	2005	2004	2003
Loans	9.9	229.1	4.3	4.2	3.8	3.5	4.5
Bonds	8.8	1,912.7	0.5	2.0	4.9	7.5	5.2
of which fixed-income funds	2.3	396.9	0.6	6.6	10.3	11.4	14.8
Other money-market instruments and deposits	12.2	288.3	4.2	2.9	2.2	2.2	2.6
Equities and shares	144.0	2,856.6	5.0	13.9	28.8	10.5	16.4
Real estate	65.2	589.4	11.1	15.0	8.0	6.4	5.6
of which real estate investment funds	5.2	43.4	11.9	-13.5	8.0	36.6	-
Total investments	240.0	5,876.2	4.1	8.3	11.9	7.5	6.8
Unallocated income, costs and operating expenses from investment operations ¹⁾	-2.5		0.0	-0.1	-0.1	-0.1	0.0
Net investment income at fair values	237.5		4.0	8.2	11.9	7.3	6.8

¹⁾ Includes such profit and loss account items that are not entered under investment income.

Solvency margin and its limits



Solvency margin and its limits, %

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

	2007	2006	2005	2004	2003
Solvency limit	13.6	14.7	11.8	8.5	8.2
Maximum amount of solvency margin	54.5	59.0	47.4	34.1	33.0
Solvency margin	22.7	25.7	24.4	17.7	15.3

Loading profit, € mill.	2007	2006	2005	2004	2003
Administration costs in insurance premium	39.2	39.6	33.4	32.0	27.2
Share of premium available to cover operating expenses resulting from compensation decisions	1.8				
Other income	0.5	0.7	1.1	0.6	0.9
Operating expenses by operation before the change of calculation principles ¹⁾	35.0	34.1	31.5	28.1	24.0
Loading profit	6.6	6.2	3.1	4.5	4.1
Operating exp./loading profit, %	84.1%	84.0%	91.2%	86.1%	85.5%
Change of calculation principles		8.1			
Total operating expenses ¹⁾	35.0	42.1			
Loading profit	6.6	-1.9			
Operating exp./loading profit, %	84.1%	104.6%			

¹⁾ Does not include the judicial administration charge or insurance supervision fee which were € 0.4 mill. for 2007.

Performance analysis, € mill.	2007	2006	2005	2004	2003
Sources of surplus					
Insurance business surplus	3.8	-13.1	6.3	12.9	11.9
Investment surplus at fair values	-34.8	163.2	351.2	138.3	125.2
+ Net investment income at fair values ¹⁾	237.5	434.6	551.0	311.0	266.5
- Yield requirement on technical provisions	-272.4	-271.3	-199.8	-172.7	-141.3
Loading profit before the change of calculation principles	6.6	6.2	3.1	4.5	4.1
Change of calculation principles	0.0	-8.1			
Total surplus	-24.4	148.3	360.5	155.7	141.1
Distribution of surplus					
Change in solvency	-39.7	140.9	349.5	148.5	137.0
Change in equalisation provision	3.4	-13.5	6.2	12.9	11.7
Change in solvency margin	-43.1	154.3	343.3	135.5	125.3
Change in provision for future bonuses	-43.1	86.7	91.8	53.4	65.4
Change in valuation differences	-1.6	65.4	249.9	80.9	58.9
Change in accrual of closing entries	0.0	-0.1	0.0	-0.1	0.0
Profit for the financial year	1.6	2.4	1.6	1.4	1.0
Transfer to client bonuses	15.3	7.4	11.0	7.3	4.2
Total	-24.4	148.3	360.5	155.7	141.1

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

Guide to key figures

Client bonus reduces a contract employer's TyEL 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. The share of insurance premium depending on the number of disability pension decisions is also included in the expense loading. Statutory payments are 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. 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 TyEL 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.

Provision linked to equity income is a part of premium reserve that serves as a buffer for part of the equity investments. This share of the technical provisions changes according to how equity income is realised in the pension system on average.

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. 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 share of costs of the Finnish Centre for Pensions which acts as the central body of the system, the judicial administration charge of the Pension Appeal Court, supervision charge of the Insurance Supervision Authority, and in other items exceptionally the income gained from the sale of Garantia's shares.

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.

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

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 € 1,636,361.34 surplus for the financial year be disposed as follows: € 10,000 be reserved for the public good or similar purpose, € 1,600,000.00 be transferred to the contingency reserve, and € 26,361.34 be retained in the profit and loss account. No interest is paid on the guarantee capital for the year 2007.

Helsinki, 6 March 2008

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 2007. 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 Finnish standards on auditing. Those standards require that the accounts, accounting principles, content and presentation have been audited to sufficient extent to assure that the financial statements do not contain any essential mistakes or defects. 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, 18 March 2008

Per-Olof Johansson
Authorised Public Accountant

Marja Tikka
Authorised Public Accountant

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 most recently approved on 28 August 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, and amendments made to the Articles of Association.

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, 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 2007.

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 from among themselves a Chairman and a Deputy Chairmen one of whom shall be a person suggested by the representatives of the insured. The Supervisory Board may elect more than one Deputy Chairmen in which case one of the Deputy Chairmen shall be elected the First Deputy Chairman. If the person suggested by the representatives of the insured is not elected the Chairman of the Supervisory Board, he or she shall be elected the First Deputy Chairman.

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

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 2007. On average 87 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 € 4,000, Deputy Chairmen € 2,600, and members € 1,800. Meeting fee was € 300 per meeting which was increased to € 400 by a decision of the General Meeting on 26 April 2007.

Election Committee of the Supervisory Board

The Supervisory Board elects for a calendar year at a time the Election Committee of the Supervisory Board which includes four members of the Supervisory Board and two members of the Board of Directors. Half of the members are elected from among persons suggested by the policyholders and half from among those suggested by the representatives of the insured in the Supervisory Board. The Supervisory Board elects a Chairman and Deputy Chairman for the Election Committee from among the members, and one of them shall be a person suggested by the representatives of the insured. The Supervisory Board decides on the fee paid to the members of the Election Committee. The task of the Election Committee is to prepare a proposal on the election and fees of the members of the Supervisory Board for the Annual General Meeting, and a proposal on the election and fees of the members of the Board of Directors for the Supervisory Board. More detailed orders on the Election Committee are given in the Articles of Association.

The Election Committee was founded at the meeting of the Supervisory Board on 17 April 2007. Members suggested by the policyholders to the Election Committee were from the Board of Directors of Pension Fennia Eero Lehti, Chairman of the Board, and from the Supervisory Board Heimo Aho, Chairman of the Board, and Markku Koskenniemi, Chairman of the Board. Members suggested by the insured to the Election Committee were from the Board of Directors of Pension Fennia Antti Rinne, Chairman, and from the Supervisory Board Markku Markkula, Director, and Marjaana Valkonen, Director. Markku Koskenniemi was elected the Chairman of the Election Committee and Marjaana Valkonen was elected the Deputy Chairman. The term of the Election Committee commenced after the Annual General Meeting held on 26 April 2007.

In connection with the founding of the Election committee a decision was made to suppress the Labour Committee of the Supervisory Board. The Labour committee convened once in 2007. The members of the Labour committee in 2007 were 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 Heimo Aho, 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 Board of Directors elects for one calendar year at a time the Chairman of the Board of Directors and a Deputy Chairman one of whom shall be a person suggested by the representatives of the insured. The Board of Directors may elect more than one Deputy Chairmen in which case one of the Deputy Chairmen shall be elected the First Deputy Chairman. If the person suggested by the representatives of the insured is not elected the Chairman of the Board of Directors, he or she shall be elected the First Deputy Chairman.

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 2007. On average 98 per cent of the members participated in the meetings. In accordance with a decision by the Supervisory Board, the annual remuneration to the members of the Board of Directors was as follows: Chairman € 17,000, Deputy Chairmen € 13,000, ordinary members € 8,000 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 2007, 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 five 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 2007, 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 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 2008

Chairman:

Eero Lehti

Born 1944, Master of Social Sciences, Doctor Honoris Causa (University of Vaasa)
Taloustutkimus Oy
Member of Parliament

Chairman of the Board of Fennia, Chairman of the Board of Fennia Life, Chairman of the Federation of Finnish Enterprises, Chairman of the Board of Taloustutkimus Oy, Chairman of the Board of Suomen Lehtiyhtymä Oy, 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 Finnish Funding Agency for Technology and Innovation TEKES.

Term began 1 July 1998

Term expires 31 December 2009

Deputy Chairmen:

Pertti Parmanne

Born 1946, Master of Social Sciences

Director, Central Organization of Finnish Trade Unions

Chairman of the Board of Social Insurance Institution until 31 Dec 2007, Deputy Chairman of the Board of the Unemployment Insurance Fund until 31 Dec 2007, Deputy Chairman of the Labour Institute for Economic Research until 12 April 2007, member of the economic committee of the Evangelical Lutheran Church, member of the committee of responsible investing of the Evangelical Lutheran Church from 1 Feb 2008.

Representative of employee organisations

Term began 1 July 1998

Term expires 31 December 2009

Seppo Riski

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, Chairman (2007) and Deputy Chairman (2008) of the Supervisory Board of the Education Payments Fund, member of the Council for Labour Affairs, Chairman (2007) and Deputy Chairman (2008) 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

Deputy Chairman of the Board of Fennia Life.

Representative of employer organisations

Term began 1 January 2004

Term expires 31 December 2009

Heikki Kauppi

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

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 Board of the Institute of Marketing, 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

Born 1952, Optician

Chairman of the Board, Piiliset by Finnsusp Oy

Chairman of the Labour Market Committee of the Federation of Finnish Enterprises, Chairman of Suomen Optisen Alan Tukkukauppiat association.

Term began 1 July 1998

Term expires 31 December 2010

Pekka Sairanen

Born 1957, M.Sc. (Econ. & Bus. Adm.)

Chairman of the Board, 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 2010

Deputy members:

Antti Kuljukka

Born 1961, Master of Social Sciences, eMBA
Managing Director, Fennia Mutual Insurance Company
Member of the Board of Fennia Life, member of the Board of the Federation of Finnish Financial Services, member of the Board of Federation of Finnish Enterprises, member of the delegation of the Helsinki Region Chamber of Commerce, 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 1991–, member of the Board of Taxpayers' Association of Finland 2001–, member of the high level follow-up group of the equal wage programme at the Misnity of Social Affairs and Health 2007–, member of the editorial committee of Kansantaloudellinen aikakauskirja 2007–.
Term began 1 January 2007
Term expires 31 December 2010

Rauno Mattila

Born 1946
Trafotek Oy and Teknopower Oy
Chairman of the Board of Trafotek Oy and Teknopower Oy, member of the Board of Fennia, member of the Board of Family Business Network Finland.
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

Supervisory Board 1 January 2008

Chairman:

Markku Koskenniemi, born 1942

Chairman of the Board
Tammerneon Oy

Deputy Chairmen:

Marjaana Valkonen, born 1952

Director
Central Organization of Finnish Trade Unions

Heimo Aho, born 1949

Chairman of the Board
SKS Group Oy

Representatives of employer organisations:

Jyrki Kaskinen, born 1961

Managing Director
Raskone Oy

Seppo Matikainen, born 1947

Managing Director
WM-data Oy

Marja Rantanen, born 1943

Managing Director
Lahden Lounaspörssi 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 Yhtiöt Oy

Representatives of employee organisations:

Markku Markkula, born 1950

Director
TKK Dipoli

Anneli Myllärinen, born 1952

Member of the Board
Union of Salaried Employees TU

Håkan Nystrand, born 1955

Chairman
METO – Forestry Experts' Association

Tuula A. Paunonen, born 1955

Chief Accountant
Länsi-Savo Oy

Matti Putkonen, born 1950

Communication Manager
The Finnish Metalworkers' Union

Anssi Vuorio, born 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 I Lehtonen Oy

Tapio Juusela, born 1947
Managing Director
RTK-Palvelu Oy

Harri Kainulainen, born 1947
Federation of the Local Insurance Group

Jari Kostamo, born 1957
Managing Director
MDC Group Oy

Mirja-Leena Kullberg, born 1962
Managing Director
Artek Oy Ab

Taisto Lehti, born 1954
Chairman of the Board
Oy Odensö Ab

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

Auditors 1 January 2008

Auditor and supervisory auditor:

Per-Olof Johansson
Authorised Public Accountant

Auditor and deputy supervisory auditor:

Marja Tikka
Authorised Public Accountant

Deputy auditors:

Tuija Korpelainen
Authorised Public Accountant

Ulla Nykky
Authorised Public Accountant

Management 1 January 2008

Executive Group:

Lasse Heiniö
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
Member of the Executive Group since 1998

Tarkko Jousi
Deputy Managing Director, Managing Director's deputy
Born 1947, Licentiate of Laws, Senior Lawyer
Member of the Executive Group since 1998

Matti Carpén
Director, Customer Relations
Born 1960, Master of Science (Eng.)
Member of the Board of Aina Group Oyj
Member of the Executive Group since 2004

Eeva Grannenfelt
Director, Chief Investment Officer
Born 1958, Master of Science (Econ. & Bus. Adm.), CEFA
Deputy member of the Board of Fennia Life
Member of the Executive Group since 2002

Irmeli Heino
Director, Finance and HR unit
Born 1951, Master of Science
Member of the Executive Group since 1998

Mikko Karpoja
Director, Actuarial Services and Risk Management
Born 1962, M.Sc., Fellow of the Actuarial Society of Finland
Member of the Executive Group since 2007

Extended Executive Group which in addition to the abovementioned includes:

Sakari Kalske
Born 1964, Bachelor of Social Services
Director, IT Services and Development
Member of the Board of Arek Oy, member of the Board of TietoEnator Esy Oy

Seppo Mattila
Born 1943, D.Med.Sc.
Medical Director
Pension Decisions and Well-being at Work Services

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

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

Jyrki Varjonen
Consultant Physician
Lic.Med., Specialist in Psychiatry

Chief Actuary:

Mikko Karpoja
M.Sc., Fellow of the Actuarial Society of Finland

Consultative committees 1 January 2008

PENSIONS ADVISORY BOARD:

Chairman:

Seppo Mattila

Medical Director
Pension Fennia

Deputy Chairman:

Hans Fredriksson

Deputy Medical Director
Pension Fennia
Specialist member

Juri Aaltoen

Lawyer
Finnish Confederation of Salaried
Employees

Ralf Forsèn

Master of Laws
The Finnish Association of Graduate
Engineers TEK

Mikko Räsänen

Senior Advisor
Confederation of Finnish Industries EK

Hannu Saimanen

Director
Wood and Allied Workers' Unemployment
Fund

Kari Vilkmán

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 Ikkälä

Project Manager
Are Oy

Jarkko Jokinen

Tester
Kempfi 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
Kempfi Oy

Jouko Malinen

Senior Systems Analyst
WM-data Oy

Jukka Mandelin

Personnel Advisor
Kempfi 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

Production Director
SP-Paino Oy

Helena Saarinen

Printing plant employee
Libris Oy

Kauko Kalervo Sarha

Social therapist
A-Clinic Turku

Kai Väliälö

Glass warehouse employee
Domus Yhtiöt Oy

CONSULTATIVE COMMITTEE OF MAJOR ACCOUNTS:

Chairman

Antti Aho

Chairman of the Board
Helsingin Lääkärikeskus Oy

Deputy Chairman

Juha Valkamo

Managing Director
Oy Primula Ab

Raimo Anjala

CFO
Teknos Oy

Leif Enberg

Chairman of the Board
Oy Mapromec Ab

Rabbe Grönblom

Chairman of the Board
Kotipizza Oyj

Jarmo Halonen

Managing Director
Elecster Oyj

Ismo Heikkinen

Managing Director
Turvatiimi Oyj

Pekka Hongisto

Managing Director
Oy Matkahuolto Ab

Leif Itäinen

Managing Director
Peltonen, Ruokonen & Itäinen,
Attorneys-at-Law Ltd

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 Onniseikä

Managing Director
Talent Partners Oy

Rolf Paulow

Chairman of the Board
Finnkarelia Virke Oy

Martti Paunu

Managing Director
Väinö Paunu Oy

Tapio Pitkänen

Managing Director
Lujatalo Oy

Aki Puska

Managing Director
Are Oy

Lauri Ranki

Managing Director
Dunlop Hiflex Oy

Juha Rostedt

Managing Director
Canncolor Oy

Harri Savolainen

CFO
WM-data Oy

Pentti J. Siikarla

Managing Director
Yrittäjien Oikeussuoja Oy

Kaj Ström

Chairman of the Board
Oy Motalor Ab

Timo Suominen

Managing Director
Empower Oy

Kimmo Suupohja

Managing Director
Hella Lighting Finland Oy

Seppo Suuriniemi

Chairman of the Board
Lojer Oy

Antti Tiitola

Managing Director
Lidl Suomi Ky

Esko Torssonen

Managing Director
Suomen Kiitoautot Oy

Göran Weber

Managing Director
Selecta Oy

Olli Vilppunen

Managing Director
LSK Electrics Oy



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