Fennia Group

Solvency and Financial Condition Report 2017

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The Solvency and Financial Condition Report based on solvency regulation describes the Fennia Group's, Fennia Mutual Insurance Company's and Fennia Life Insurance Company Ltd's 2017 business operations, profitability, governance system, risk profile, valuation for solvency purposes and capital management. Information about the Fennia Group and the Group's insurance companies is contained in a single, joint report.

Business and performance

The Fennia Group comprises the following companies: Fennia Mutual Insurance Company (Fennia), specialised in non-life insurance; Fennia Life Insurance Company Ltd (Fennia Life), which offers voluntary life, pension and savings insurance; and Fennia Asset Management Ltd (Fennia Asset Management), which provides asset management services and alternative fund management services. Of the Fennia Group companies, Fennia operates on a mutual basis, i.e. the customer is the owner of the company. Fennia Life is a limited liability company that is wholly owned by Fennia, and Fennia Asset Management is a wholly owned subsidiary of Fennia Life. The Group's consolidated financial statements also include 26 real estate companies.

The Fennia Group's premiums written totalled EUR 560.4 million (EUR 624.4 million) during the reporting period. The Group's operating profit according to the consolidated financial statements amounted to EUR 81.7 million (EUR 11.5 million), of which non-life insurance business accounted for EUR 61.1 million (EUR 0.8 million) and life insurance business for EUR 20.7 million (EUR 10.7 mill.).

At the end of the reporting period, the Fennia Group's investment assets at fair value amounted to EUR 2,414.2 million (EUR 2,314.9 million). In 2017, the net return on investments at fair values was EUR 102.2 million (EUR 82.6 million) and the return on invested capital was 4.3 per cent (3.7%). The good investment result can be attributed especially to the strong returns on equities and real estate investments. The prolonged low interest rate level kept the return on fixed income investments low, but they nevertheless had a positive impact on the total return. During the reporting period, the euro strengthened against both the USD and GBP, among other currencies, which could be seen in the return on currency hedges in other investments. Their impact on the Fennia Group's total return was significant.

System of governance

In accordance with the legal form of a mutual company of the parent company Fennia, the highest decision-making power at the Fennia Group is exercised in the general meeting of shareholders by the policyholders, i.e. Fennia's clients. The Fennia Group's governing bodies are the supervisory board, the boards of directors and the managing directors.

The Group's parent company has a supervisory board, which supervises the administration of the company, which is the responsibility of the board of directors and the managing director. As the Group's parent company, Fennia's Board of Directors is responsible for the appropriateness of the governance system at the Group level and ensures that the Group is governed as a whole. Fennia's and Fennia Life's boards of directors oversee the administration and the appropriate organisation of the operations of the company that is under their responsibility. The parent company's board of directors is assisted by the nomination and remuneration committee. The audit committee is a joint committee of the boards of Fennia and Fennia Life.

Fennia Group companies each have a managing director, who is elected by the company's board of directors and whose terms and conditions of employment, salary and bonuses are determined by the board of directors. The parent company's managing director was appointed Group CEO on 1 April 2017. The managing director oversees the company's day-to-day administration in line with the board of directors' guidelines and regulations. The managing directors are members of the Group's executive group, whose task is to implement the decisions made by the boards of directors concerning group-level matters.

The Fennia Group complies with a common salary and remuneration policy. The starting point for remuneration is to provide encouraging, fair and reasonable remuneration to management and personnel that is in line with the short- and long-term interests of the Group and Group companies. In the Group, suitability and reliability (i.e. 'fit & proper') assessments are used to ensure that the persons responsible for the Group's and companies' management and key functions are suited to their tasks and that they are reliable.

In the Fennia Group, risk management means co-ordinated strategies, processes, principles and measures to identify, measure and report, as well as to monitor and manage, risks faced by the Group and the Group companies.

Solvency management is used to determine and steer the Group's and the Group companies' risk-bearing capacity, risk appetite, risk tolerance and restrictions of their essential risks. In their operations, the Group companies comply with the risk and solvency management framework, which is jointly set at the Group level and is described in the policy documents approved by the companies' boards.

Three risk management executive groups have been established to prepare, steer and co-ordinate tasks related to risk and solvency management and to communicate information. Fennia's and Fennia Life's risk management executive groups that meet monthly mainly address quantitative matters, while the extended risk management executive group that meets quarterly additionally addresses qualitative and difficult-to-measure risks. Matters related to Fennia Asset Management's risk and solvency management are addressed by Fennia Asset Management's extended executive group.

The steering model for the Fennia Group's governance and risk management system is based on three lines of defence, each with its own task. In the three-defence-line model, responsibility for risk and solvency management is allocated between various roles. More information about the three-defence-line model is given further on in the report.

The Group's risk management function comprises two units: the Risk Management unit and the Compliance & Operational Risks unit. Both units operate under the supervision of the Fennia Group's chief financial officer as independent units and bring the risk management function's services to all Group companies that have a licence to engage in insurance and investment service operations. A central aim of the risk management system is to generate perspectives, analyses and assessments of the possible financial impacts of individual risks and combinations thereof in the short and long term as part of business planning and strategy implementation.

Own Risk and Solvency Assessment (ORSA) is a tool for the board of directors, managing director and other executive management to support capital management, business planning and product development. In own risk and solvency assessments, risks are identified, an understanding of the risks' capital needs in both the short and long term is formed, and forecasts and scenarios are created on the financial future and the possible financial consequences if the risks are realised. Own risk and solvency assessment is part of the continuous risk management process, and as the outcome of which, a broad summary of the central future estimates and risks is produced at least once a year. This ORSA process includes an overall picture of the current situation and future outlook, in terms of business operations, strategic decisions and policies, risks and solvency.

The aim of internal control at the Fennia Group is to ensure the appropriateness, efficiency and productivity of the operations, and the reliability of the financial data and reporting, as well as compliance with the regulations. The boards of directors of the companies belonging to the Group bear overall responsibility for the functioning of internal control. Executive management oversees the arrangement of internal control in practice.

The compliance function, which monitors compliance with the rules, comprises the Group's chief compliance officer and the compliance officers of Fennia Group companies. The function is responsible for ensuring that the Fennia Group's operations comply with regulations, financial sector self-regulation and the Group's internal guidelines, and that customer relationships are managed according to the appropriate procedures. The compliance function abides by objectivity and independence in its work.

The internal audit is a function that is independent of the businesses and which supports the Fennia Group and its senior management in achieving its strategy and targets by offering a systematic approach to the organisation's control, leadership and administrative processes and to the assessment and development of the functionality and efficiency of risk management.

The insurance companies' responsible actuaries are in charge of the actuarial operations of their own insurance company and they see to it that the actuarial methods applied in pricing and in calculating technical provisions are appropriate, and they set the level of the technical provisions. The actuarial functions take care of statutory and other tasks, which are calculating the technical provisions, ensuring the appropriateness of tariffs, assessing the solvency level, reporting that serves business operations, participating in product development, and ensuring the quality of information.

Outsourcing means concluding a contract with an outside service provider on the performance of a process, service or task that is part of the companies' business sector. At the Fennia Group, outsourcing is arranged in such a way that the risks related to outsourcing are controlled, the operations continue uninterrupted and the regulatory requirements related to outsourcing are met.

Risk profile

In a market-consistent valuation environment, risk-taking capacity is illustrated at the Group-level by the difference between balance sheet assets and liabilities, in which the eligibility, replaceability and transferability of balance sheet items is taken into account at the Group level, i.e. the market-consistent amount of eligible own funds. The more own funds the Group has, the greater its risk-bearing capacity and the more freedom it has to decide which risks it will bear in its operations. From a quantitative perspective, the Group's risk-taking is illustrated by the solvency capital requirement required by the Group's operations. The higher the solvency capital requirement, the more risk the Group has.

A closer look at the solvency capital requirement can reveal the source of the Group's risks. An understanding of the Group's risk profile can be gained by analysing the amount of own funds, the solvency capital requirement and the relationship between the two.

The Fennia Group's solvency capital requirement excluding the loss-absorbing effect of future bonuses and deferred taxes, i.e. before loss-absorbing items, was EUR 585.9 million at the close of the reporting period (EUR 505.8 million). Of that amount, the market risk share was EUR 474.7 million (EUR 382.3 million), the counterparty risk was EUR 36.9 million (EUR 43.5 million), the underwriting risk was EUR 145.2 million (EUR 155.4 million) and the operational risk was EUR 28.4 million (EUR 29.4 million). The capital requirement for other financial sectors was EUR 1.0 million (EUR 0.5 million). After loss-absorbing items, the solvency capital requirement amounted to 463.8 million euros (EUR 392.7 million). With eligible own funds of EUR 980.0 million (EUR 774.5 million), the Group's relative solvency position was 211.3 per cent (197.2%).

Underwriting risk is linked to the basic business, i.e. insurance, and is divided into three main classes, which are premium risk, reserve risk and catastrophe risk. The premium risk is the risk of loss caused by the cost (including operating expenses) of future insurance claims exceeding the insurance premiums gained from insurance policies. Reserve risk is caused by unfavourable value changes in technical provisions. The actuarial risk factors included in the reserve risk are, among other things, biometric risks (mortality, longevity, disability and similar risks), different lapse risks (e.g. the surrender risk in life insurance), the expense risk and the revision risk. Underwriting risk also includes catastrophe risk, i.e. large loss risk.

Insurance operations are based on taking underwriting risks, diversifying the risks within the insurance portfolio and managing underwriting risks. The most important instruments for managing underwriting risks are appropriate risk selection, pricing, insurance terms and conditions, and the acquisition of reinsurance cover. Underwriting risk pricing aims to achieve risk matching. The Fennia Group's underwriting risk consists mainly of premium risk and reserve risk. The amount of underwriting risk has declined slightly compared to the situation a year earlier. Fennia Group's insurance portfolio does not include any significant unreinsured risk concentrations. More information about the underwriting risk is given further on in the report.

The market risks that affect the Fennia Group, i.e. those that cause impacts on the Group's financial position due to impacts resulting from changes in the market values of assets and liabilities, are interest rate, spread, equity, real estate, currency and concentration risks. It is essential to examine market risks from the perspective of the entire balance sheet. Both sides of the balance sheet are valued in the solvency calculation on market terms, which means changes in risk factors simultaneously affect both assets and liabilities.

Changes in market risk factors affect the Group's solvency in two ways: as a change in both own funds and in the solvency capital requirement. As market risks are realised, the Group's own funds shrink, which weakens the Group's solvency position. Changes in assets and liabilities also often affect the Group's solvency capital requirement.

The Fennia Group's general risk appetite, risk tolerance and business targets guide the Group's investment operations and create the preconditions for investment operations. In investment operations and market risk management, the objective is to attain the business targets set by the Group without endangering the Group's solvency targets. The cornerstones of market risk management are sufficient diversification of investments and the prudent person principle, as well as risk-mitigating techniques. Exposure to and the impacts of market risks are measured using asset class allocation, sensitivity analyses, and the solvency capital requirement arising from the market risk in question. Asset class allocation at market value describes how much of the balance sheet is exposed to each market risk. Asset class allocation can be supported through a sensitivity analysis, which estimates how much different market movements affect the value of assets and liabilities, and the value of eligible own funds.

The solvency capital requirement for the Fennia Group's market risks was EUR 474.7 million (EUR 382.3 million). Taking diversification benefits into account, the market risks' contribution to the total capital requirement was 78.3 per cent (71.4%). The amount and the contribution increased compared to the situation a year earlier. The contribution of the equity risk to the market risks' solvency capital requirement was clearly the greatest, at 52.5 per cent (49.2%). The second-highest contribution, 21.3 per cent (24.0%), was that of the real estate risk. The contribution of the open interest rate risk was 4.6 per cent (7.9%) of the solvency capital requirement for the Fennia Group's market risks. Significant changes took place in the solvency capital requirement levels for market risks during the year. The solvency capital requirement showed the clearest rise in the equity and currency risk. The solvency capital requirements for the real estate risk and the spread risk also increased, whereas the interest rate and concentration risk decreased.

Credit risk, i.e. counterparty risk, is the risk that the counterparties are not able to meet their obligations. In solvency calculations, the counterparty risk resulted mostly from reinsurance contracts, cash assets and derivative contract counterparties and receivables from insurance customers. As with market risks, a prerequisite for managing counterparty risks is to ensure that the counterparties and related risks can be identified, measured, monitored, managed and reported on. The solvency capital requirement for the Fennia Group's counterparty risk was EUR 36.9 million (EUR 43.5 million) and the contribution to the total solvency capital requirement before loss-absorbing items was EUR 15.0 million (EUR 19.6 million). The counterparty risk's share of the solvency capital requirement before loss-absorbing items was 2.6 per cent (3.9%).

A liquidity risk arises from the possibility of the company not being able to meet its payment obligations on time. The management of liquidity risk is divided into long- and short-term liquidity risk. Liquidity risk is not included in the standard formula solvency calculation nor does it result in a capital requirement, but it can have great significance, particularly in unfavourable market situations. This is why the management of liquidity risk requires close scrutiny to ensure that the risks do not materialise.

The management of operational risks is part of the Fennia Group's overall risk management. Operational risks are defined at the Fennia Group as risks resulting from internal processes, personnel, systems and external factors. Operational risks and the management thereof thus impact all Fennia Group employees. The objective of operational risk management at the Fennia Group is to, in a cost-effective manner, reduce the likelihood that risks will be realised and the impacts of the realised risks, support business and support functions to achieve the targets set for them using risk management, and help ensure that the Group's operations meet the requirements set by authorities and legislation. The solvency capital requirement for the Fennia Group's operational risks and the contribution to the total solvency capital requirement before loss-absorbing items was EUR 28.4 million (EUR 29.4 million). Its share of the solvency capital requirement before loss-absorbing items was 4.8 per cent (5.8%).

The Fennia Group is also subject to other risks that are not taken into account in solvency capital requirement calculations, and which are typically very difficult to measure. These risks include risks linked to the strategy and business environment, risk linked to acquiring additional capital, reputation risk and entirely new types of risk that are difficult to identify or assess ahead of time.

Valuation for solvency purposes

The solvency calculation balance sheet is based on financial statements drawn up in accordance with Finnish Financial Accounting Standards (FAS) and adjusted in line with the solvency regulations. The valuation principles for solvency calculation are based on the IFRS standard. The objective is to define fair value in accordance with the arm's length principle. The most significant differences between capital and reserves in the financial statement and own funds in the solvency calculation stem from the difference in the valuation of investment assets, the valuation of technical provisions and the treatment of the equalisation provision.

The Fennia Group's investments in the solvency calculation balance sheet were EUR 2,426.1 million (EUR 2,322.9 million) and in the closing balance sheet EUR 2,217.8 million (EUR 2,143.3 million).

As the Fennia Group has no internal reinsurance arrangements, the Group's technical provisions consist of Fennia's and Fennia Life's combined technical provisions. The technical provisions defined by the solvency calculation technique at the closing date totalled EUR 2,366.3 million (EUR 2,347.7 million). Of that amount, the share of the best estimate was EUR 2,265.6 million (EUR 2,241.9 million) and the share of the risk margin was EUR 100.7 million (EUR 105.8 million).

In determining the Fennia Group's technical provisions, matching adjustment, volatility adjustment and transitional measures were not used.

Capital management

The goal of managing own funds is to ensure the sufficiency of own funds to cover the regulatory solvency capital requirement and a sufficiently large surplus at all times, and to allocate capital to key risk areas efficiently in terms of risk-return ratio. The required minimum level of own funds determines the minimum level of own funds with which the Group can, with great probability, meet its obligations concerning the benefits of the insured. This amount of own funds is determined to be larger than the solvency capital requirement required by the solvency regulations and the solvency capital requirement defined according to the Group's own understanding of risk.

For unexpected stress factors, the Fennia Group defines the amount of the capital buffer on top of the required minimum amount of own funds. The purpose of capital buffers is to give the Group time to adjust its risk position when sudden and unexpected situations are realised, i.e. to modify with careful consideration its risk/return position and solvency position to the level that corresponds to the new operating situation. The annual risk-taking plan defines the Group's risk appetite and risk tolerance and allocates risky capital overall and across individual risks. The management of own funds and solvency is part of the risk management system.

The Fennia Group's available own funds amounted to EUR 980.0 million (EUR 774.5 million) at the end of the reporting period and belonged in their entirety to class 1, which can be used without limitation and can be used as they stand to cover the solvency capital requirement and minimum solvency capital requirement. The Fennia Group does not apply the transitional measures enabled by the regulation to its own funds.

The Fennia Group's solvency capital requirement at the end of the reporting period was EUR 463.8 million (EUR 392.7 million) and the minimum consolidated group solvency capital requirement was EUR 125.9 million (EUR 107.8 million). The ratio of eligible own funds to the minimum consolidated group solvency capital requirement was 775.9 per cent (717.0%). The Group does not use an internal model, company-specific parameters, simplified calculations or a duration-based equity risk sub-module to calculate the solvency capital requirement. The Group did not fall below its required regulatory level of the solvency capital requirement or minimum consolidated group solvency capital requirement during the reporting period.

Summary Fennia

The Fennia Group's Solvency and Financial Condition Report based on solvency regulation includes information concerning Fennia Mutual Insurance Company's 2017 business operations, profitability, governance system, risk profile, valuation for solvency purposes and capital management.

Business and performance

Fennia Mutual Insurance Company specialises in non-life insurance and operates on a mutual basis. Fennia's line of business includes statutory and voluntary non-life insurance and re-insurance. Fennia engages in the direct insurance business only in Finland.

Fennia's premiums written totalled EUR 393.7 million (EUR 417.4 million) during the reporting period. The combined ratio was 96.6 per cent (100.9 per cent), with claims, i.e. risk ratio, accounting for 61.1 per cent (67.0 per cent) and operating expenses and claims handling expenses, i.e. operating expense ratio, for 35.5 per cent (33.9 per cent). The operating combined ratio, with the changes in the calculation basis and IT system impairment write-offs eliminated, decreased and stood at 93.6 per cent (94.7%).

At the end of the reporting period, Fennia's investment assets amounted to EUR 1,706.0 million (EUR 1,617.9 million). In 2017, the net return on investments at fair values was EUR 78.9 million (EUR 42.3 million) and the return on invested capital was 4.7 per cent (2.7%). Investment returns were affected especially by the favourable development of risky asset classes. Equities yielded a return of 9.3 per cent (2.7%) and real estate 6.1 per cent (6.2%). The return on fixed income investments was slightly positive, at 0.1 per cent (2,5%), and weighed down the return on the entire investment portfolio. Despite the high allocation on fixed income investments, however, the overall return was good. The return on other investments was especially affected by the returns on currency derivatives, which were significant during the period under review.

System of governance

In accordance with Fennia's legal form of a mutual company, the highest decision-making power at Fennia is exercised in the general meeting of shareholders by the policyholders, i.e. Fennia's clients. The company's governing bodies are the supervisory board, the board of directors and the managing director.

The supervisory board supervises the administration of the company, which is the responsibility of the board of directors and the managing director. Fennia's Board of Directors takes care of the administration of the company and the appropriate organisation of its operations. The board of directors is assisted by the nomination and remuneration committee. The audit committee is a joint committee of the boards of Fennia and Fennia Life.

Fennia has a managing director, who is elected by the company's board of directors and whose terms and conditions of employment, salary and bonuses are determined by the board of directors. The managing director oversees the company's day-to-day administration in line with the board of directors' guidelines and regulations. The parent company's managing director was appointed Group CEO on 1 April 2017. The managing director is the chairman of the Group's executive group, whose task is to implement the decisions made by the board of directors concerning group-level matters.

The Fennia Group complies with a common salary and remuneration policy. The starting point for remuneration is to provide encouraging, fair and reasonable remuneration to management and personnel that is in line with the short- and long-term interests of the Group and Group companies. In the Group, suitability and reliability (i.e. 'fit & proper') assessments are used to ensure that the persons responsible for the Group's and companies' management and key functions are suited to their tasks and that they are reliable.

In the Fennia Group, risk management means co-ordinated strategies, processes, principles and measures to identify, measure and report, as well as to monitor and manage, risks faced by the Group and the Group companies.

Solvency management is used to determine and steer the Group's and the Group companies' risk-bearing capacity, risk appetite, risk tolerance and restrictions of their essential risks. In their operations, the Group companies comply with the risk and solvency management framework, which is jointly set at the Group level and is described in the policy documents approved by the companies' boards.

Three risk management executive groups have been established to prepare, steer and co-ordinate tasks related to risk and solvency management and to communicate information. Fennia's and Fennia Life's risk management executive groups that meet monthly mainly address quantitative matters, while the extended risk management executive group that meets quarterly additionally addresses qualitative and difficult-to-measure risks.

The steering model for the Fennia Group's governance and risk management system is based on three lines of defence, each with its own task. In the three-defence-line model, responsibility for risk and solvency management is allocated between various roles. More information about the three-defence-line model is given further on in the report.

The Group's risk management function comprises two units: the Risk Management unit and the Compliance & Operational Risks unit. Both units operate under the supervision of the Fennia Group's chief financial officer as independent units and bring the risk management function's services to all Group companies that have a licence to engage in insurance and investment service operations. A central aim of the risk management system is to generate perspectives, analyses and assessments of the possible financial impacts of individual risks and combinations thereof in the short and long term as part of business planning and strategy implementation.

Own Risk and Solvency Assessment (ORSA) is a tool for the board of directors, managing director and other executive management to support capital management, business planning and product development. In own risk and solvency assessments, risks are identified, an understanding of the risks' capital needs in both the short and long term is formed, and forecasts and scenarios are created on the financial future and the possible financial consequences if the risks are realised. Own risk and solvency assessment is part of the continuous risk management process, and as the outcome of which, a broad summary of the central future estimates and risks is produced at least once a year. This ORSA report includes an overall picture of the current situation and future outlook, in terms of business operations, strategic decisions and policies, risks and solvency.

The aim of internal control at the Fennia Group is to ensure the appropriateness, efficiency and productivity of the operations, and the reliability of the financial data and reporting, as well as compliance with the regulations. The boards of directors of the companies belonging to the Group bear overall responsibility for the functioning of internal control. Executive management oversees the arrangement of internal control in practice.

The compliance function, which monitors compliance with the rules, comprises the Group's chief compliance officer and the compliance officers of Fennia Group companies. The function is responsible for ensuring that the Fennia Group's operations comply with regulations, financial sector self-regulation and the Group's internal guidelines, and that customer relationships are managed according to the appropriate procedures. The compliance function abides by objectivity and independence in its work.

The internal audit is a function that is independent of the businesses and which supports the Fennia Group and its senior management in achieving its strategy and targets by offering a systematic approach to the organisation's control, leadership and administrative processes and to the assessment and development of the functionality and efficiency of risk management.

The insurance company's responsible actuary is in charge of the company's actuarial function and sees to it that the actuarial methods applied in pricing and in calculating technical provisions are appropriate, and sets the level of the technical provisions. The actuarial function oversees statutory and other tasks, which are calculating the technical provisions, ensuring the appropriateness of tariffs, assessing the solvency level, reporting that serves business operations, participating in product development, and ensuring the quality of information.

Outsourcing means concluding a contract with an outside service provider on the performance of a process, service or task that is part of the companies' business sector. At the Fennia Group, outsourcing is arranged in such a way that the risks related to outsourcing are controlled, the operations continue uninterrupted and the regulatory requirements related to outsourcing are met.

Risk profile

In a market-consistent valuation environment, risk-taking capacity is illustrated by the difference between balance sheet assets and liabilities, i.e. the market-consistent amount of own funds. The more own funds the company has, the greater its risk-bearing capacity and the more freedom it has to decide which risks it will bear in its operations. From a quantitative perspective, the company's risk-taking is illustrated by the solvency capital requirement required by the company's operations. The higher the solvency capital requirement, the more risk the company has. A closer look at the solvency capital requirement can reveal the source of the company's risks. An understanding of the company's risk profile can be gained by analysing the amount of own funds, the solvency capital requirement and the relationship between the two.

Fennia's solvency capital requirement before loss-absorbing items was EUR 465.9 million (EUR 390.6 million) at the close of the reporting period. Of that amount, the market risk share was EUR 384.2 million (EUR 301.3 million), the counterparty risk was EUR 28.1 million (EUR 32.8 million), the underwriting risk was EUR 103.7 million (EUR 99.5 million) and the operational risk was EUR 24.6 million (EUR 25.5 million). After loss-absorbing items, the solvency capital requirement amounted to 372.8 million euros (EUR 312.5 million). With eligible own funds of EUR 953.7 million (EUR 786.3 million), the Group's relative solvency position was 255.8 per cent (251.6%).

Underwriting risk is linked to the basic business, i.e. insurance, and is divided into three main classes, which are premium risk, reserve risk and catastrophe risk. The premium risk is the risk of loss caused by the cost (including operating expenses) of future insurance claims exceeding the insurance premiums gained from insurance policies. Reserve risk is caused by unfavourable value changes in technical provisions. The actuarial risk factors included in the reserve risk are, among other things, biometric risks (mortality, longevity, disability and similar risks), different lapse risks (e.g. the surrender risk in life insurance), the expense risk and the revision risk. Underwriting risk also includes catastrophe risk, i.e. large loss risk.

Insurance operations are based on taking underwriting risks, diversifying the risks within the insurance portfolio and managing underwriting risks. The most important instruments for managing underwriting risks are appropriate risk selection, pricing, insurance terms and conditions, and the acquisition of reinsurance cover. Underwriting risk pricing aims to achieve risk matching. Fennia's underwriting risk consists mainly of premium risk and reserve risk. Fennia's insurance portfolio does not include any significant unreinsured risk concentrations.

The market risks that affect Fennia, i.e. those that cause impacts on the company's financial position due to impacts resulting from changes in the market values of assets and liabilities, are interest rate, spread, equity, real estate, currency risks and the concentration risk. It is essential to examine market risks from the perspective of the entire balance sheet. Both sides of the balance sheet are valued in the solvency calculation on market terms, which means changes in risk factors simultaneously affect both assets and liabilities.

Changes in market risk factors affect the company's solvency in two ways: as a change in both own funds and in the solvency capital requirement. As market risks are realised, the company's own funds shrink, which weakens the Group's solvency position. Changes in assets and liabilities also often affect the company's solvency capital requirement.

Fennia's general risk appetite, risk tolerance and business targets guide the company's investment operations and create the preconditions for investment operations. In investment operations and market risk management, the objective is to attain the business targets set by the company without endangering the Group's solvency targets. The cornerstones of market risk management are sufficient diversification of investments and the prudent person principle, as well as risk-mitigating techniques. Exposure to and the impacts of market risks are measured using asset class allocation, sensitivity analyses, and the solvency capital requirement arising from the market risk in question.

The solvency capital requirement for market risks was EUR 384.2 million (EUR 301.3 million). Taking diversification benefits into account, the market risks' contribution to the total capital requirement was 80.0 per cent (73.4%). The amount and the contribution increased compared to the situation a year earlier. The contribution of the equity risk to the market risks' solvency capital requirement was clearly the greatest, at 60.8 per cent (56.8%). The second-highest contribution, 15.4 per cent (17.2%), was that of the spread risk. The contribution of the open interest rate risk was 2.8 (5.4%) per cent of the solvency capital requirement for Fennia's market risks. Significant changes took place in the solvency capital requirement levels for market risks during the year. The solvency capital requirement showed the clearest rise in the equity and currency risk. The solvency capital requirements for the real estate risk and the spread risk also increased, whereas the interest rate and concentration risk decreased.

Credit risk, i.e. counterparty risk, is the risk that the counterparties are not able to meet their obligations. In solvency calculations, the counterparty risk resulted mostly from reinsurance contracts, cash assets and derivative contract counterparties and receivables from insurance customers. The starting point for managing counterparty risks is to ensure that the counterparties and related risks can be identified, measured, monitored, managed and reported on. The solvency capital requirement for Fennia's counterparty risk was EUR 28.1 million (EUR 32.8 million) and the contribution to the total solvency capital requirement before loss-absorbing items was EUR 11.3 million (EUR 14.7 million). The counterparty risk's share of the solvency capital requirement before loss-absorbing items was 2.4 per cent (3.8%).

A liquidity risk arises from the possibility of the company not being able to meet its payment obligations on time. The management of liquidity risk is divided into long- and short-term liquidity risk. Liquidity risk is not included in the standard formula solvency calculation nor does it result in a capital requirement, but it can have great significance, particularly in unfavourable market situations. This is why the management of liquidity risk requires close scrutiny to ensure that the risks do not materialise.

The management of operational risks is part of the Fennia Group's overall risk management. Operational risks are defined at the Fennia Group as risks resulting from internal processes, personnel, systems and external factors. Operational risks and the management thereof thus impact all Fennia Group employees. The objective of operational risk management at the Fennia Group is to, in a cost-effective manner, reduce the likelihood that risks will be realised and the impacts of the realised risks, support business and support functions to achieve the targets set for them using risk management, and help ensure that the Group's operations meet the requirements set by authorities and legislation. The solvency capital requirement for Fennia's operational risks and the contribution to the total solvency capital requirement before loss-absorbing items was EUR 24.6 million (EUR 25.5 million). Its share of the solvency capital requirement before loss-absorbing items was 5.3 per cent (6.5%).

Fennia is also subject to other risks that are not taken into account in solvency capital requirement calculations, and which are typically very difficult to measure. These risks include risks linked to the strategy and business environment, risk linked to acquiring additional capital, reputation risk and entirely new types of risk that are difficult to identify or assess ahead of time.

Valuation for solvency purposes

The solvency calculation balance sheet is based on financial statements drawn up in accordance with Finnish Financial Accounting Standards (FAS) and adjusted in line with the solvency regulations. The valuation principles for solvency calculation are based on the IFRS standard. The objective is to define fair value in accordance with the arm's length principle. The most significant differences between capital and reserves in the financial statement and own funds in the solvency calculation stem from the difference in the valuation of investment assets, the valuation of technical provisions and the treatment of the equalisation provision.

Fennia's investments in the solvency calculation balance sheet totalled EUR 1,913.8 million (EUR 1,777.5 million) and in the closing balance sheet EUR 1,546.1 million (EUR 1,484.1 million).

The technical provisions for insurance contracts used in solvency calculations are the present value of the cash flows linked to the current insurance portfolio. Cash flows are discounted using the swap zero-coupon rate curve confirmed by the European Insurance and Occupational Pensions Authority (EIOPA). The technical provisions are the sum of the best estimate (actuarial expectation) and risk margin (safety loading). The cash flows used in the calculation of the best estimate for the technical provisions are defined using the simulation technique.

Fennia's technical provisions defined by the solvency calculation technique at the closing date totalled EUR 873.0 million (EUR 909.8 million). Of that amount, the share of the best estimate was EUR 819.0 million (EUR 851.1 million) and the share of the risk margin was EUR 53.9 million (EUR 58.7 million).

In determining Fennia's technical provisions, matching adjustment, volatility adjustment and transitional measures were not used.

Capital management

The goal of managing own funds is to ensure the sufficiency of own funds to cover the regulatory solvency capital requirement and a sufficiently large surplus at all times, and to allocate capital to key risk areas efficiently in terms of risk-return ratio. The required minimum level of own funds determines the minimum level of own funds with which the company can, with great probability, meet its obligations concerning the benefits of the insured. This amount of own funds is determined to be larger than the solvency capital requirement required by the solvency regulations and the solvency capital requirement defined according to the company's own understanding of risk.

For unexpected stress factors, Fennia defines the amount of capital buffer on top of the required minimum amount of own funds. The purpose of capital buffers is to give the company time to adjust its risk position when sudden and unexpected situations are realised, i.e. to modify with careful consideration its risk/return position and solvency position to the level that corresponds to the new operating situation. The annual risk-taking plan defines the company's risk appetite and risk tolerance and allocates risky capital overall and across individual risks. The management of own funds and solvency is part of the risk management system.

Fennia's available own funds amounted to EUR 953.7 million (EUR 786.3 million) at the end of the reporting period and belonged in their entirety to class 1, which can be used without limitation and can be used as they stand to cover the solvency capital requirement and the minimum capital requirement. The company does not apply the transitional measures enabled by the regulation to its own funds.

Fennia's solvency capital requirement at the end of the reporting period was EUR 372.8 million (EUR 312.5 million) and the minimum capital requirement was EUR 93.2 million (EUR 78.1 million). The ratio of eligible own funds to the minimum capital requirement was 1,023.4 per cent (1,006.5%). The company does not use an internal model, company-specific parameters, simplified calculations or a duration-based equity risk sub-module to calculate the solvency capital requirement. The company did not fall below its required regulatory level of the solvency capital requirement or minimum capital requirement during the reporting period.

Summary Fennia Life

The Fennia Group's Solvency and Financial Condition Report based on solvency regulation includes information concerning Fennia Life Insurance Company Ltd's 2017 business operations, profitability, governance system, risk profile, valuation for solvency purposes and capital management.

Business and performance

Fennia Life Insurance Company Ltd is a life insurance company owned by Fennia Mutual Insurance Company. Fennia Life specialises in voluntary life, pension and savings insurance and insurance asset management. The company offers its customers insurance cover for permanent disability and death, voluntary individual and group pension insurance, savings life insurance, and capital redemption contracts. Fennia Life engages in the insurance business only in Finland.

Fennia Life's premiums written totalled EUR 166.7 million (EUR 207.1 million) in the reporting period. Unit-linked insurance premiums accounted for 76.2 per cent (79.7%) of the total premiums written on life insurance. Claims paid amounted to EUR 104.4 million (EUR 90.7 million). The risk result for the life insurance business amounted to EUR 9.8 million (EUR 9.0 million). Life insurance operating expenses (including claims settlement expenses) amounted to EUR 15.6 million (EUR 14.6 million). The expense ratio of expense loading (including provision rebates from the funds covering unit-linked contracts) was 92.1 per cent (94.8%). Excluding the impact of the provision rebates, the expense ratio was 103.6 per cent (105.6%). Fennia Life paid client bonuses amounting to EUR 1.2 million (EUR 2.4 million) in 2017.

Fennia Life's investment assets totalled EUR 767.2 million (EUR 755.9 million) at the close of the reporting period. In 2017, the net return on investments at fair values was EUR 24.8 million (EUR 30.5 million) and the return on invested capital was 3.3 per cent (4.3%). Equity investments, which had a return of 11.2 per cent (5.0%), and real estate investments, with a return of 5.4 per cent (14.6%) contributed positively to the return on the investment portfolio. The large fixed income portfolio, however, clearly pushed down the investment portfolio's returns, even though the return on fixed income investments was slightly positive, at 0.2 per cent (1.0%). Currency derivatives, classed as other investments, also yielded significant returns overall.

System of governance

The highest decision-making power at Fennia Life is exercised by the shareholder Fennia through the annual general meeting. Fennia Life's governing bodies are the board of directors and the managing director. Fennia Life's board of directors takes care of the administration of the company and the appropriate organisation of its operations. The board of directors is assisted by the joint audit committee for Fennia's and Fennia Life's boards of directors.

Fennia Life has a managing director, who is elected by the company's board of directors and whose terms and conditions of employment, salary and bonuses are determined by the board of directors. The managing director oversees the company's day-to-day administration in line with the board of directors' guidelines and regulations.

The managing director is a member of the Group's executive group, whose task is to implement the decisions made by the board of directors concerning group-level matters.

The Fennia Group complies with a common salary and remuneration policy. The starting point for remuneration is to provide encouraging, fair and reasonable remuneration to management and personnel that is in line with the short- and long-term interests of the Group and Group companies. In the Group, suitability and reliability (i.e. 'fit & proper') assessments are used to ensure that the persons responsible for the Group's and companies' management and key functions are suited to their tasks and that they are reliable.

In the Fennia Group, risk management means co-ordinated strategies, processes, principles and measures to identify, measure and report, as well as to monitor and manage, risks faced by the Group and the Group companies.

Solvency management is used to determine and steer the Group's and the Group companies' risk-bearing capacity, risk appetite, risk tolerance and restrictions of their essential risks. In their operations, the Group companies comply with the risk and solvency management framework, which is jointly set at the Group level and is described in the policy documents approved by the companies' boards.

Three risk management executive groups have been established to prepare, steer and co-ordinate tasks related to risk and solvency management and to communicate information. Fennia's and Fennia Life's risk management executive groups that meet monthly mainly address quantitative matters, while the extended risk management executive group that meets quarterly additionally addresses qualitative and difficult-to-measure risks.

The steering model for the Fennia Group's governance and risk management system is based on three lines of defence, each with its own task. In the three-defence-line model, responsibility for risk and solvency management is allocated between various roles. More information about the three-defence-line model is given further on in the report.

The Group's risk management function comprises two units: the Risk Management unit and the Compliance & Operational Risks unit. Both units operate under the supervision of the Fennia Group's chief financial officer as independent units and bring the risk management function's services to all Group companies that have a licence to engage in insurance and investment service operations. A central aim of the risk management system is to generate perspectives, analyses and assessments of the possible financial impacts of individual risks and combinations thereof in the short and long term as part of business planning and strategy implementation.

Own Risk and Solvency Assessment (ORSA) is a tool for the board of directors, managing director and other executive management to support capital management, business planning and product development. In own risk and solvency assessments, risks are identified, an understanding of the risks' capital needs in both the short and long term is formed, and forecasts and scenarios are created on the financial future and the possible financial consequences if the risks are realised. Own risk and solvency assessment is part of the continuous risk management process, and as the outcome of which, a broad summary of the central future estimates and risks is produced at least once a year. This ORSA report includes an overall picture of the current situation and future outlook, in terms of business operations, strategic decisions and policies, risks and solvency.

The aim of internal control at the Fennia Group is to ensure the appropriateness, efficiency and productivity of the operations, and the reliability of the financial data and reporting, as well as compliance with the regulations. The boards of directors of the companies belonging to the Group bear overall responsibility for the functioning of internal control. Executive management oversees the arrangement of internal control in practice.

The compliance function, which monitors compliance with the rules, comprises the Group's chief compliance officer and the compliance officers of Fennia Group companies. The function is responsible for ensuring that the Fennia Group's operations comply with regulations, financial sector self-regulation and the Group's internal guidelines, and that customer relationships are managed according to the appropriate procedures. The compliance function abides by objectivity and independence in its work.

The internal audit is a function that is independent of the businesses and which supports the Fennia Group and its senior management in achieving its strategy and targets by offering a systematic approach to the organisation's control, leadership and administrative processes and to the assessment and development of the functionality and efficiency of risk management.

The insurance company's responsible actuary is in charge of the company's actuarial function and sees to it that the actuarial methods applied in pricing and in calculating technical provisions are appropriate, and sets the level of the technical provisions. The actuarial function oversees statutory and other tasks, which are calculating the technical provisions, ensuring the appropriateness of tariffs, assessing the solvency level, reporting that serves business operations, participating in product development, and ensuring the quality of information.

Outsourcing means concluding a contract with an outside service provider on the performance of a process, service or task that is part of the companies' business sector. At the Fennia Group, outsourcing is arranged in such a way that the risks related to outsourcing are controlled, the operations continue uninterrupted and the regulatory requirements related to outsourcing are met.

Risk profile

In a market-consistent valuation environment, risk-taking capacity is illustrated by the difference between balance sheet assets and liabilities, i.e. the market-consistent amount of own funds. The more own funds the company has, the greater its risk-bearing capacity and the more freedom it has to decide which risks it will bear in its operations. From a quantitative perspective, the company's risk-taking is illustrated by the solvency capital requirement required by the company's operations. The higher the solvency capital requirement, the more risk the company has. A closer look at the solvency capital requirement can reveal the source of the company's risks. An understanding of the company's risk profile can be gained by analysing the amount of own funds, the solvency capital requirement and the relationship between the two.

Fennia Life's solvency capital requirement before loss-absorbing items was EUR 169.9 million (EUR 161.9 million) at the close of the reporting period. Of that amount, the market risk share was EUR 127.3 million (EUR 110.1 million), the counterparty risk was EUR 10.2 million (EUR 13.0 million), the underwriting risk was EUR 74.3 million (EUR 82.8 million) and the operational risk was EUR 3.8 million (EUR 3.9 million). After loss-absorbing items, the solvency capital requirement amounted to 130.8 million euros (EUR 117.4 million). With eligible own funds of EUR 265.9 million (EUR 215.9 million), the company's relative solvency position was 203.3 per cent (183.9%).

Underwriting risk is linked to the basic business, i.e. insurance, and is divided into three main classes, which are premium risk, reserve risk and catastrophe risk. The premium risk is the risk of loss caused by the cost (including operating expenses) of future insurance claims exceeding the insurance premiums gained from insurance policies. Reserve risk is caused by unfavourable value changes in technical provisions. The actuarial risk factors included in the reserve risk are, among other things, biometric risks (mortality, longevity, disability and similar risks), different lapse risks (e.g. the surrender risk in life insurance), the expense risk and the revision risk. Underwriting risk also includes catastrophe risk, i.e. large loss risk.

Insurance operations are based on taking underwriting risks, diversifying the risks within the insurance portfolio and managing underwriting risks. The most important instruments for managing underwriting risks are appropriate risk selection, pricing, insurance terms and conditions, and the acquisition of reinsurance cover. Underwriting risk pricing aims to achieve risk matching. Fennia Life's underwriting risk consists mainly of the lapse risk and the expense risk. The amount of underwriting risks has declined slightly compared to the situation a year earlier. The insurance portfolio of Fennia Life does not include any significant risk concentrations. More information about the underwriting risk is given further on in the report.

The market risks that affect Fennia Life, i.e. those that cause impacts on the company's financial position due to impacts resulting from changes in the market values of assets and liabilities, are interest rate, spread, equity, real estate, currency risks and the concentration risk. It is essential to examine market risks from the perspective of the entire balance sheet. Both sides of the balance sheet are valued in the solvency calculation on market terms, which means changes in risk factors simultaneously affect both assets and liabilities.

Changes in market risk factors affect the company's solvency in two ways: as a change in both own funds and in the solvency capital requirement. As market risks are realised, the Group's own funds shrink, which weakens the Group's solvency position. Changes in assets and liabilities also often affect the company's solvency capital requirement.

Fennia Life's general risk appetite, risk tolerance and business targets guide the company's investment operations and create the preconditions for investment operations. In investment operations and market risk management, the objective is to attain the business targets set by the company without endangering the Group's solvency targets. The cornerstones of market risk management are sufficient diversification of investments and the prudent person principle, as well as risk-mitigating techniques. Exposure to and the impacts of market risks are measured using asset class allocation, sensitivity analyses, and the solvency capital requirement arising from the market risk in question.

The solvency capital requirement for market risks was EUR 127.3 million (EUR 110.1 million). Taking diversification benefits into account, the market risks' contribution to the total capital requirement was 66.9 per cent (57.7%). The amount and the contribution have increased compared to the situation a year earlier. The contribution of the equity risk to the market risks' solvency capital requirement was clearly the greatest, at 58.3 per cent (57.9%). The second-highest contribution, 16.2 per cent (14.6%), was that of the spread risk. The contribution of the open interest rate risk was 7.7 (11.4%) per cent of the solvency capital requirement for Fennia Life's market risks. Significant changes took place in the solvency capital requirement levels for market risks during the year. The solvency capital requirement showed the clearest rise in the equity and currency risk. The solvency capital requirement for the spread risk also increased. The real estate risk was almost at the same level, the interest rate decreased and the concentration risk was very small.

Credit risk, i.e. counterparty risk, is the risk that the counterparties are not able to meet their obligations. In solvency calculation, the counterparty risk resulted mostly from cash assets and derivative contract counterparties and receivables from insurance customers. The starting point for managing counterparty risks is to ensure that the counterparties and related risks can be identified, measured, monitored, managed and reported on. The solvency capital requirement for Fennia Life's counterparty risk was EUR 10.2 million (EUR 13.0 million) and the contribution to the total solvency capital requirement before loss-absorbing items was EUR 3.7 million (EUR 5.0 million). The counterparty risk's share of the solvency capital requirement before loss-absorbing items was 2.2 per cent (3.1%).

A liquidity risk arises from the possibility of the company not being able to meet its payment obligations on time. The management of liquidity risk is divided into long- and short-term liquidity risk. Liquidity risk is not included in the standard formula solvency calculation nor does it result in a capital requirement, but it can have great significance, particularly in unfavourable market situations. This is why the management of liquidity risk requires close scrutiny to ensure that the risks do not materialise.

The management of operational risks is part of the Fennia Group's overall risk management. Operational risks are defined at the Fennia Group as risks resulting from internal processes, personnel, systems and external factors. Operational risks and the management thereof thus impact all Fennia Group employees. The objective of operational risk management at the Fennia Group is to, in a cost-effective manner, reduce the likelihood that risks will be realised and the impacts of the realised risks, support business and support functions to achieve the targets set for them using risk management, and help ensure that the Group's operations meet the requirements set by authorities and legislation. The solvency capital requirement for Fennia Life's operational risks and the contribution to the total solvency capital requirement before loss-absorbing items was EUR 3.8 million (EUR 3.9 million). Its share of the solvency capital requirement before loss-absorbing items was 2.2 per cent (2.4%).

Fennia Life is also subject to other risks that are not taken into account in solvency capital requirement calculations, and which are typically very difficult to measure. These risks include risks linked to the strategy and business environment, risk linked to acquiring additional capital, reputation risk and entirely new types of risk that are difficult to identify or assess ahead of time.

Valuation for solvency purposes

The solvency calculation balance sheet is based on financial statements drawn up in accordance with Finnish Financial Accounting Standards (FAS) and adjusted in line with the solvency regulations. The valuation principles for solvency calculation are based on the IFRS standard. The objective is to define fair value in accordance with the arm's length principle. The most significant differences between capital and reserves in the financial statement and own funds in the solvency calculation stem from the difference in the valuation of investment assets and the valuation of technical provisions.

Fennia Life's investments in the solvency calculation balance sheet totalled EUR 768.4 million (EUR 762.8 million) and in the closing balance sheet EUR 722.6 million (EUR 724.9 million).

The technical provisions for insurance contracts used in solvency calculations are the present value of the cash flows linked to the current insurance portfolio. Cash flows are discounted using the swap zero-coupon rate curve confirmed by the European Insurance and Occupational Pensions Authority (EIOPA). The technical provisions are the sum of the best estimate (actuarial expectation) and risk margin (safety loading).

Fennia Life's technical provisions defined by the solvency calculation technique at the closing date totalled EUR 1,493.4 million (EUR 1,437.9 million). Of that amount, the share of the best estimate was EUR 1,446.6 million (EUR 1,390.9 million) and the share of the risk margin was EUR 46.8 million (EUR 47.1 million).s The technical provisions of savings-type insurance consisted of the best estimate, EUR 1,534.5 (EUR 1,491.5 million), and the risk margin, EUR 24.5 million (EUR 24.4 million), altogether EUR 1,559.0 million (EUR 1,525.4 million). The share of unit-linked technical provisions amounted to EUR 987.2 million (EUR 883.1 million). The market-consistent technical provisions for risk insurance are negative, altogether EUR –65.6 million (EUR –78.0 million).

In determining Fennia Life's technical provisions, matching adjustment, volatility adjustment and transitional measures were not used.

Capital management

The goal of managing own funds is to ensure the sufficiency of own funds to cover the regulatory solvency capital requirement and a sufficiently large surplus at all times, and to allocate capital to key risk areas efficiently in terms of risk-return ratio. The required minimum level of own funds determines the minimum level of own funds with which the company can, with great probability, meet its obligations concerning the benefits of the insured. This amount of own funds is determined to be larger than the solvency capital requirement required by the solvency regulations and the solvency capital requirement defined according to the company's own understanding of risk.

For unexpected stress factors, Fennia Life defines the amount of capital buffer on top of the required minimum amount of own funds. The purpose of capital buffers is to give the company time to adjust its risk position when sudden and unexpected situations are realised, i.e. to modify with careful consideration its risk/return position and solvency position to the level that corresponds to the new operating situation. The annual risk-taking plan defines the company's risk appetite and risk tolerance and allocates risky capital overall and across individual risks. The management of own funds and solvency is part of the risk management system.

Fennia Life's available own funds amounted to EUR 265.9 million (EUR 215.9 million) at the end of the reporting period and belonged in their entirety to class 1, which can be used without limitation and can be used as they stand to cover the solvency capital requirement and minimum capital requirement. The company does not apply the transitional measures enabled by the regulation to its own funds.

Fennia Life's solvency capital requirement at the end of the reporting period was EUR 130.8 million (EUR 117.4 million) and the minimum capital requirement was EUR 32.7 million (EUR 29.4 million). The ratio of eligible own funds to the minimum capital requirement was 813.1 per cent (735.5%). The company does not use an internal model, company-specific parameters, simplified calculations or a duration-based equity risk sub-module to calculate the solvency capital requirement. The company did not fall below its required regulatory level of the solvency capital requirement or minimum capital requirement during the reporting period.

Business and performance

Business

The Fennia Group's structure is based on the structure of Fennia's consolidated financial statements. The Group's parent company is Fennia Mutual Insurance Company, a Finnish non-life insurance company established in 1882 that is owned by its customers.

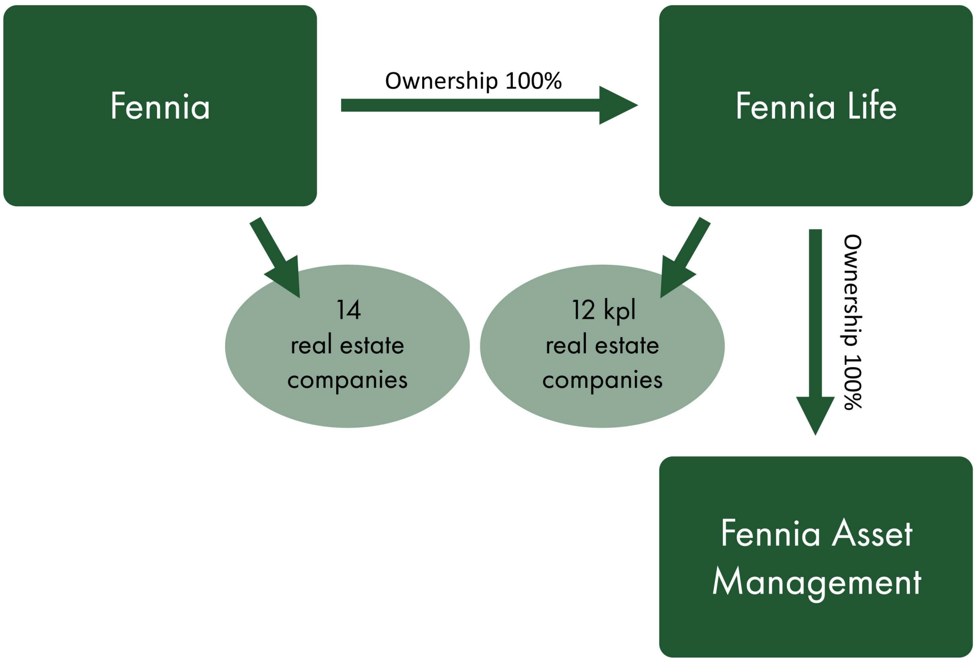
The Fennia Group comprises the following companies: Fennia, specialised in non-life insurance; Fennia Life Insurance Company Ltd, which offers voluntary life, pension and savings insurance, and Fennia Asset Management Ltd, which provides asset management services and alternative fund management services.

Of Fennia Group companies, Fennia operates on a mutual basis, which means the customer is the owner of the company. Fennia Life is a limited liability company that is wholly owned by Fennia, and Fennia Asset Management is a wholly owned subsidiary of Fennia Life (see the section 'Any other information' for changes after the reporting season). Other Group companies included in the consolidated financial statements are mostly real estate companies.

The Fennia Group also has an extensive partner network that it co-operates closely with to benefit customers.

Fennia Group companies are domiciled in Helsinki. The Group's operations are supervised by the Financial Supervisory Authority, Snellmaninkatu 6, P.O. Box 103, FI-00101 Helsinki.

Auditing is provided by the auditing firm KPMG Oy Ab, with Petri Kettunen acting as the auditor with principal responsibility. KPMG Oy Ab, Töölönlahdenkatu 3, P.O. Box 1037, FI-00101 Helsinki.



Fennia's business

Fennia is an expert in insurance and related services, offering companies, entrepreneurs and households the insurance services they need. Fennia's line of business includes statutory and voluntary non-life insurance and re-insurance.

Fennia's shareholders are its policyholders that have valid insurance with the company and whose insurance has begun, at the latest, during the previous financial year. Taking out reinsurance does not, however, constitute ownership.

Fennia engages in the direct insurance business only in Finland. In some, very limited, cases, Fennia insures customers' sites located abroad. Fennia also receives insurance cases located abroad through inward reinsurance. These cases also mostly relate to Finnish customers.

Fennia's partner in earnings-related pension insurance is Elo Mutual Pension Insurance Company. Collaboration with Etera Mutual Pension Insurance Company ended in 2017.

Fennia Life's business

Fennia Life Insurance Company Ltd was established on 1 October 1998. Fennia Life specialises in voluntary life, pension and savings insurance and insurance asset management.

The company offers its customers insurance cover for permanent disability and death, voluntary individual and group pension insurance, savings life insurance, and capital redemption contracts.

Fennia Life's customers are companies and other entities, entrepreneurs and private persons. Fennia Life engages in the insurance business only in Finland.

Underwriting performance

The Fennia Group's premiums written totalled EUR 560.4 million (EUR 624.4 million) during the reporting period.

The Group's operating profit according to the consolidated financial statements amounted to EUR 81.7 million (EUR 11.5 million), of which non-life insurance business accounted for EUR 61.1 million (EUR 0.8 million) and life insurance business for EUR 20.7 million (EUR 10.7 million).

The Group's average number of personnel was 1,012 (1,044).

Fennia's underwriting performance

The Fennia Group's premiums written on non-life insurance totalled EUR 393.7 million (EUR 417.4 million) during the reporting period.

The combined ratio was 96.6 per cent (100.9%), with claims, i.e. risk ratio, accounting for 61.1 per cent (67.0%) and operating expenses and claims handling expenses, i.e. operating expense ratio, for 35.5 per cent (33.9%).

Fennia lowered the technical rate of interest used in the discounting of technical provisions to 1.5 per cent (2.0%). As a result, the technical provisions grew by EUR 52.2 million. Other changes in the bases for technical provisions were also implemented at the end of 2017, resulting in a reduction of EUR 51.7 million in claims incurred. In addition, the lowering of the discount rate led to an increase in the subrogation receivables for accident insurance, which in turn reduced the compensation recovered by EUR 1.6 million. These changes in the bases for calculating the technical provisions improved the company-level risk and loss ratio by 0.3 percentage points for the financial period.

The operating combined ratio, with the changes in the calculation bases and IT system impairment write-offs eliminated, decreased and stood at 93.6 per cent (94.7%).

The entries for inward reinsurance lines mainly pertain to participation in the insurance pooling business, of which the domestic patient insurance pool makes up the largest part. Due to the small amount, the impact of reinsurance assumed on profit/loss is low.

In order to safeguard the result of non-life insurance, ceded reinsurance contracts were concluded. One incident in particular, involving the most extensive fire damage in our history, affects the financial year's ceded reinsurance result, and Fennia has reinsurance receivables for the portion that exceeds the deductible.

Premiums written on non-life insurance decreased in both corporate and personal insurance. Despite the improved economic outlook for business activities, growth in premiums written was not achieved. In accident insurance, for example, payroll growth no longer affects premium income growth to the same extent as before, because pricing systems react faster than before to changes taking place in claims incurred. Thus, the risk ratio, which has improved in recent years, lowers insurance contributions. The reduction in premium income from insurance of the person is affected by, among other things, the popularity of online insurance, which allows customers to easily compare insurance prices. Keeping up with the competition has led to a reduction in the prices of some products.

Motor liability insurance premiums written decreased to EUR 67.1 million (EUR 78.3 million). The strong decline in premium income can be especially attributed to the competition for bonuses in the markets. In October, the company launched a new motor liability insurance product with the highest maximum bonus in the market. This new product launch clearly spruced up motor liability insurance sales. Despite the increased competition, the insurance line's loss ratio continued to be very good, at 55 per cent (55%). Alongside motor liability insurance, premiums written on voluntary motor vehicle insurance also decreased, to EUR 71.4 million (EUR 76.9 million). In contrast to motor liability insurance, the result for motor vehicle insurance was weak. The loss ratio was an unsatisfactory 77 per cent (78%).

Premiums written on fire and other property insurance for companies amounted to EUR 44 million (EUR 46 million). The most extensive fire damage in our history took place during the reporting period. Premiums written on home insurance, including liability and legal components, decreased 3 per cent to EUR 49 million (EUR 50 million). The loss ratio for the business sector grew in these lines, but the loss ratio for households improved slightly.

The most significant non-life insurance lines, including the balance on the technical account, are shown in the table below. The figures in the table are based on the financial statements.

Groups of inurance classes	Year	Gross premiums written before reinsurers' share	Gross premiums earned before reinsurers' share	Claims incurred before reinsurers' share	Operating expenses before reinsurers' commissions and profit participation	Reinsurance balance	Balance on technical account before the change in collective item and equalisation provision
Statutory accident insurance (workers' compensation)	2017	82.0	81.9	-53.0	-12.8	-0.2	15.9
	2016	82.4	82.3	-96.5	-13.4	-0.3	-27.9
Non-statutory accident and health	2017	44.2	44.7	-29.6	-11.8	-0.1	3.3
	2016	45.2	44.0	-33.5	-12.1	-0.1	-1.8
Motor liability	2017	67.1	72.4	-65.7	-20.4	-0.3	-13.9
	2016	78.3	79.4	-52.9	-21.8	-0.3	4.5
Motor, other classes	2017	71.4	73.9	-55.8	-21.2	0.0	-3.1
	2016	76.9	76.8	-60.3	-21.0	0.1	-4.4
Fire and other damage to property	2017	84.2	85.2	-82.9	-22.1	15.5	-4.3
	2016	86.5	86.4	-63.2	-22.8	-0.6	-0.2
General liability	2017	20.7	20.0	-12.3	-5.4	0.3	2.6
	2016	23.5	23.6	-12.8	-5.4	1.6	6.9
Other	2017	23.6	23.7	-15.6	-6.8	-0.6	0.7
	2016	24.2	24.3	-10.8	-7.0	-0.7	5.8
DIRECT INSURANCE TOTAL	2017	393.3	401.9	-314.8	-100.4	14.6	1.2
	2016	417.0	416.8	-330.0	-103.5	-0.3	-17.0
Reinsurance	2017	0.4	0.4	-0.1	-0.2	0.0	0.1
	2016	0.3	0.3	-0.2	-0.1	0.0	0.0
TOTAL	2017	393.7	402.3	-315.0	-100.6	14.6	1.3
	2016	417.4	417.1	-330.2	-103.6	-0.3	-17.1
Change in equalisation provision	2017						-30.5
	2016						-13.0
BALANCE ON TECHNICAL ACCOUNT	2017						-29.2
	2016						-30.1

Excluding the unwinding of discount and non-recurring items, the balance of workers' compensation insurance was EUR 8.9 million (–4.2 million) and that of motor vehicle liability insurance EUR 12.0 million (13.7 million).

Fennia Life's underwriting performance

The Fennia Group’s premiums written on life insurance totalled EUR 166.7 million (EUR 207.1 million) during the reporting period. Premiums written are divided by insurance line as follows:

Written premiums (EUR million)	**2017**	**2016**
Savings insurance	93.3	132.5
Capital redemption policy	20.2	18.6
Individual pension insurance	9.7	10.9
Group pension insurance	24.7	25.9
Risk life insurance	13.5	13.8
Employees’ group life insurance	5.3	5.3
Total	**166.7**	**207.1**

Reinsurers’ share of total premiums written amounted to EUR 1.0 million (EUR 1.2 million).

Unit-linked insurance premiums accounted for 76.2 per cent (79.7%) of the total premiums written on life insurance.

Claims paid amounted to EUR 104.4 million (EUR 90.7 million), divided as follows:

Claims paid (EUR million)	**2017**	**2016**
Repayment of benefits	5.5	6.4
Pension	36.2	34.6
Surrenders	47.4	40.4
Sum payable on death	11.1	4.4
Compensation for permanent incapacity	0.4	0.7
Other	3.8	4.1
Total	**104.4**	**90.7**

Reinsurers’ share of claims paid amounted to EUR 0.2 million (EUR 0.4 million).

The risk result for life insurance amounted to EUR 9.8 million (EUR 9.0 million). The risk result consists of mainly the difference between the risk component included in risk life insurance (including employees’ group life insurance) premiums and the risk life insurance claims paid on the basis of death and permanent disability.

Life insurance operating expenses (including claims settlement expenses) amounted to EUR 15.6 million (EUR 14.6 million). The expense ratio of expense loading (including provision rebates from the funds covering unit-linked contracts) was 92.1 per cent (94.8%). Excluding the impact of the provision rebates, the expense ratio was 103.6 per cent (105.6%).

The technical rate of interest on Fennia Life’s insurance savings, which are linked to the interest rate result, is between 0 and 4.5 per cent. The technical rate of interest for new insurance contracts is 0–1 per cent. The investment result for 2017 was reasonable. EUR 3.8 million was transferred from the financial year’s interest rate result to the provision for future bonuses. The provision for future bonuses is targeted to pension insurance policies with a low technical rate of interest. The company supplemented the technical provisions in previous financial statements by making transfers to the supplementary provision for the guaranteed interest rate. A minimum decrease plan has been drawn up for decreasing the supplementary provision for the guaranteed interest rate. In 2017, the supplementary provision for the guaranteed interest rate was decreased according to plan. Due to the supplementary provisions that have been made, the minimum annual return requirement for investment operations in life insurance business is 1.0 per cent. The supplementary provision for the guaranteed interest rate in the financial statements amounted to EUR 125.1 million (EUR 136.0 million).

Fennia Life paid client bonuses on risk life insurance contracts and on savings-type insurance contracts with a low technical rate of interest. Client bonuses granted totalled EUR 1.2 million (EUR 2.4 million), of which EUR 0.6 million was funded from provisions for future bonuses reserved earlier. The risk-free interest rate has remained low for both short-term and long-term government bonds since 2009. The total interest credited by Fennia Life has clearly exceeded the risk-free interest rate of the corresponding investment period from 2009 to 2017. When distributing bonuses, not only the contract's technical rate of interest, but also the surrender right and the duration of the insurance have been taken into account. For that reason, the total interest credited on pension insurance has been higher than the interest credited on savings insurance.

Investment performance

The Fennia Group's net investment result at fair value was EUR 102.2 million (EUR 82.6 million). The return on invested capital was 4.3 per cent (3.7%). The Fennia Group's investment assets at fair value amounted to EUR 2,414.2 million (EUR 2,314.9 million).

Allocation of investment assets at market value (EUR million)	31.12.2017	Share	31.12.2016	Share
Fixed income investments	1,367.9	56.7 %	1,358.5	58.7 %
Equity investments	497.1	20.6 %	391.3	16.9 %
Real estate investments	532.4	22.1 %	549.5	23.7 %
Other investments	16.7	0.7 %	15.6	0.7 %
Total investments	**2,414.2**	**100 %**	**2,314.9**	**100 %**

The good investment result can be attributed especially to the strong returns on equities and real estate investments. The return on equity investments was influenced by the global rise in the equity markets, which was spread out uncharacteristically evenly through the whole year. At the same time, the returns on unlisted equities and private equity funds were exceptionally good, which means equity investments on the whole yielded excellent returns.

Real estate investments have traditionally performed well in the Fennia Group's investment portfolio, and this year was no exception. Although returns fell somewhat short of the previous year's returns, the return on real estate investments was still good.

The prolonged low interest rate level kept the return on fixed income investments low, but they nevertheless had a positive impact on the total return. The high fixed income allocation, however, weighed down the investment portfolio's total return, as it is difficult to find positive returns from money market investments, and the return on safe credit risk investments is negative up to those with a maturity of several years.

The returns on currency derivatives strongly affect the returns on other investments, even though in total they even out the valuation changes caused by exchange-rate movements in the Fennia Group's investment portfolio. This is because the returns on currency derivatives show in other investments, but the valuation changes caused by the exchange-rate movements of currency-denominated investments to be hedged show in the returns of the asset classes in question. During the period under review, the euro strengthened against both the USD and GBP, among other currencies, which could be seen in the return on currency hedges in other investments. Their impact on the Fennia Group's total return has been significant.

	31.12.2017			31.12.2016		
Net investment income on invested capital (EUR million)	**Net investment returns**	**Invested capital**	**Return**	**Net investment returns**	**Invested capital**	**Return**
Fixed income investments	1.3	1,406.3	0.1 %	26.0	1,320.8	2.0 %
Equity investments	46.0	424.5	10.8 %	24.2	362.6	6.7 %
Real estate investments	32.9	550.9	6.0 %	42.3	506.6	8.4 %
Other investments	27.7	2.9	942.0 %	-3.1	15.7	-19.7 %
Total investments	**107.9**	**2,384.7**	**4.5 %**	**89.4**	**2,205.7**	**4.1 %**
Profit and losses not allocated to asset classes	-5.7			-6.8		
Total	**102.2**	**2,384.7**	**4.3 %**	**82.6**	**2,205.7**	**3.7 %**

Fennia's investment performance

Fennia's net investment result at fair value was EUR 78.9 million (EUR 42.3 million). The return on invested capital was 4.7 per cent (2.7%). Fennia's investment assets at fair value amounted to EUR 1,706.0 million (EUR 1,617.9 million).

Allocation of investment assets at market value (EUR million)	**31.12.2017**	**Share**	**31.12.2016**	**Share**
Fixed income investments	847.4	49.7 %	833.4	51.5 %
Equity investments	410.2	24.0 %	339.0	21.0 %
Real estate investments	433.0	25.4 %	437.1	27.0 %
Other investments	15.4	0.9 %	8.4	0.5 %
Total investments	**1,706.0**	**100.0 %**	**1,617.9**	**100.0 %**

Investment returns were affected especially by the favourable development of risky asset classes. The return on fixed income investments was slightly positive and weighed down the return on the entire investment portfolio. Despite the high allocation on fixed income investments, however, the overall return was good. The return on other investments was especially affected by the returns on currency derivatives, which were significant during the period under review.

	31.12.2017			**31.12.2016**		
Net investment income on invested capital (EUR million)	**Net investment returns**	**Invested capital**	**Return**	**Net investment returns**	**Invested capital**	**Return**
Fixed income investments	0.5	876.0	0.1 %	21.3	860.8	2.5 %
Equity investments	33.1	357.2	9.3 %	8.4	313.2	2.7 %
Real estate investments	27.5	450.3	6.1 %	23.2	375.9	6.2 %
Other investments	21.7	2.4	921.3 %	-5.3	10.4	-51.0 %
Total investments	**82.8**	**1,685.9**	**4.9 %**	**47.7**	**1,560.4**	**3.1 %**
Profit and losses not allocated to asset classes	-3.9			-5.3		
Total	**78.9**	**1,685.9**	**4.7 %**	**42.3**	**1,560.4**	**2.7 %**

The return on fixed income investments was a modest 0.1 per cent during the period under review, falling clearly short of the previous year's level (2.5%). This was affected by the slight rise in the interest rate level and especially the exceptionally low level of short-term interest rates in Europe. It is difficult to find positive returns in short-term fixed income investments, and this has a significant impact on the fixed income portfolio. European credit-risk investments provided positive returns for the fixed income portfolio. Currency-denominated risky fixed income investments, for their part, yielded negative returns in euros. Exchange-rate movements had an impact on the returns on these investments when the euro strengthened against other currencies.

The net return on equity investments at fair values was EUR 33.1 million (EUR 8.4 million) and the return on invested capital was 9.3 per cent (2.7%). The strong global development of the equity market and the excellent return on private equity funds contributed to the excellent result. The 9.7 per cent return on listed equities was especially influenced by the excellent returns on US equities and emerging market equities, even though the strengthened euro weakened their return in euros. European equities also performed well. The return on listed equities was 7.0 per cent, improving by three percentage points from the previous year. Private equity funds yielded a return of 24.3 per cent, which was roughly double the return of the previous year (12.3%).

The return on real estate investments continued to be very stable. The net return was EUR 27.5 million, an increase from the previous year (EUR 23.2 million), but the return on invested capital remained almost unchanged, at 6.1 per cent (6.2%). Sales profits from the sale of real estate positively affected the return on real estate investments.

The net return on other investments amounted to EUR 21.7 million (EUR –5.3 million), and their impact on the total return was significant. Other investments mainly consist of currency derivatives, which were used to hedge the currency risk of USD- and GBP-denominated investments. Currency derivatives accounted for EUR 21.5 million (EUR –4.7 million) of the total return on other investments. The return on hedge fund investments, amounting to EUR 0.2 million (EUR –0.6 million), also affected this item.

Sundry income and charges during the period under review amounted to –3.9 million (EUR –5.3 million).

Fennia Life's investment performance

Fennia Life’s net investment result at fair value was EUR 24.8 million (EUR 30.5 million). The return on invested capital was 3.3 per cent (4.3%). Fennia Life’s investment assets at fair value was EUR 767.2 million (EUR 755.9 million).

Allocation of investment assets at market value (EUR million)	31.12.2017	Share	31.12.2016	Share
Fixed income investments	520.5	67.8 %	525.0	69.5 %
Equity investments	145.8	19.0 %	111.3	14.7 %
Real estate investments	99.5	13.0 %	112.4	14.9 %
Other investments	1.4	0.2 %	7.2	0.9 %
Total investments	**767.2**	**100.0 %**	**755.9**	**100.0 %**

Equity investments and real estate investments had a positive impact on the investment portfolio’s returns. The large fixed income portfolio, however, clearly pushed down the investment portfolio’s returns, even though the return on fixed income investments was slightly positive. Currency derivatives, classed as other investments, also yielded significant returns overall.

	31.12.2017			31.12.2016		
Net investment income on invested capital (EUR million)	**Net investment returns**	**Invested capital**	**Return**	**Net investment returns**	**Invested capital**	**Return**
Fixed income investments	0.8	530.3	0.2 %	4.7	460.0	1.0 %
Equity investments	14.3	127.4	11.2 %	5.9	118.2	5.0 %
Real estate investments	5.4	100.6	5.4 %	19.1	130.7	14.6 %
Other investments	6.0	0.6	1,025.2 %	2.2	5.3	42.1 %
Total investments	**26.6**	**758.9**	**3.5 %**	**32.0**	**714.1**	**4.5 %**
Profit and losses not allocated to asset classes	-1.7			-1.5		
Total	**24.8**	**758.9**	**3.3 %**	**30.5**	**714.1**	**4.3 %**

Fixed income investments account for 67.8 per cent (69.5%) of Fennia Life’s investment portfolio. The return on fixed income investments was 0.2 per cent (1.0%), down from the previous year. Due to the significant fixed income allocation, it also had an effect on the total return, reducing it. The low return was affected by the slight rise in the interest rate level and especially the exceptionally low level of short-term interest rates in Europe. It is difficult to find positive returns in short-term fixed income investments, and this has a significant impact on the fixed income portfolio. Fennia Life’s fixed income investments are mainly money market investments, safe corporate bonds or short-duration corporate bonds. Therefore, the return on fixed income investments rose into positive territory, but the lack of riskier fixed income classes in the fixed income investment portfolio kept the return contribution modest.

Equity investments’ return on invested capital was 11.2 per cent (5.0%), more than double the return of the previous year. This is due to the excellent share price development of listed equities and especially to the improved returns on private equity funds and unlisted equities compared to the previous year. The equity markets rose steadily throughout the period under review. With good global share price development, listed equities also performed well, yielding a return of 7.5 per cent. The return was weakened by the loss arising from the use of equity derivatives; the loss during the review period amounted to –0.9 million. Performing better than listed equities were private equity funds, which yielded an exceptionally strong return of 32.2 per cent. The return on unlisted equities was 5.8 per cent, but these investments have little impact on the equity portfolio’s total return.

The 5.4 per cent return on real estate investments declined from the strong returns of the previous year (14.6%) but were good nevertheless. The previous year’s result was boosted by the sales proceeds from real estate divestments, which were not on the same scale this year. This is the reason behind the clear decline in returns from the previous year. Rental income from direct real estate investments and returns on real estate funds have remained stable for several years now and were also behind the strong real estate returns of 2017.

The net return on other investments was EUR 6.0 million (EUR 2.2 million), nearly triple the previous year’s result. Currency derivatives had a positive impact on the return on other investments and were used to hedge both USD and GBP investments. As the euro strengthened against both currencies, currency derivatives yielded positive returns.

Equivalent losses caused by exchange rate movements are included in the returns of hedged asset classes (equity, fixed income). The contribution of hedge funds to the returns of the item ‘other investments’ was negative, but all in all, very small.

Fennia Life has also used interest rate derivatives to hedge part of the company’s interest rate risk. Interest rate derivatives are treated as hedging instruments in accounting, which means the returns and expenses they incur are periodised over the original life of the contract. The net result of interest rate derivatives closed during the financial period under review was EUR –2.3 million, of which EUR 0.1 million in losses were allocated to the financial year. A loss of EUR 0.5 million was allocated to the financial period from the result of interest rate derivatives closed during the previous financial period.

Sundry income and charges during the period under review amounted to –1.7 million (EUR –1.5 million).

Performance of other activities

In addition to insurance and investment operations, the Fennia Group engages in alternative fund management and asset management, which have only minor significance and impact on the Fennia Group’s or Fennia Life’s profitability.

Any other information

In 2017, the Finnish Financial Supervisory Authority (FIN-FSA) granted Fennia Asset Management authorisation to operate as a manager of alternative funds. This authorisation allows Fennia Asset Management to act as an asset manager and clearing house for the alternative funds under its management. The other Group companies made the changes approved by FIN-FSA to their Articles of Association, enabling them to act as an alternative fund manager’s representative.

After the reporting period, Fennia’s Board of Directors decided to establish a subsidiary called Fennia-service Ltd. The purpose of the subsidiary is to offer value added services to current and potential insurance customers. Fennia has submitted a notification on ancillary activities to FIN-FSA and updated its Articles of Association with respect to ancillary activities.

After the reporting period, Fennia Asset Management also established a subsidiary, Fennia Property Development Ltd. The purpose of the company is to bring added value to Fennia Asset Management’s customers, the funds under management and the real estate operations of co-operation partners.

In addition, the Group’s companies have decided on an internal arrangement in which the parent company has purchased Fennia Asset Management’s shares from Fennia Life. The purpose of the transaction is to safeguard the development of Fennia Asset Management’s operations through more direct ownership by the parent company. The transaction has no direct impacts on Fennia Asset Management’s operations or position in the short term. In the longer term, the hope is that the arrangement will secure Fennia Asset Management’s growth and development opportunities.

System of governance

General information on the system of governance

The governance system section describes the joint governance system of the Group's parent company Fennia Mutual Insurance Company and its wholly owned subsidiary Fennia Life Insurance Company Ltd and Fennia Life's subsidiary, Fennia Asset Management.

Governing bodies of companies owned by Fennia Group

Supervisory Board

The Group's parent company has a supervisory board, which supervises the administration of the company, which is the responsibility of the board of directors and the managing director. The supervisory board's task is to elect members to Fennia's, i.e. to the Group's parent company's, board of directors and to confirm the remuneration paid to the board members. In addition, the supervisory board issues its statement on the financial statements, the report of the board of directors and the auditing report to the annual general meeting, and advises the board of directors in issues that are far-reaching or significant in principle. The supervisory board has two committees.

Boards of Directors

As the Group's parent company, Fennia's Board of Directors is responsible for the appropriateness of the governance system at the Group level and ensures that the Group is governed as a whole. The Board of Directors of the Group's parent company (Group Board of Directors)

- decides on the Group's targets and strategy
- decides on the organisational structure of the Group's governance system and top level
- decides on the business arrangements that are significant or unusual and far-reaching with respect to the Group
- monitors the adequacy and efficiency of the Group's internal control and governance system, including the risk management system
- annually approves the assessments concerning their appropriateness and adequacy
- approves the Group's risk management strategy and the Group's own risk and solvency assessment (ORSA) reports
- approves the official reporting concerning the Group's solvency and financial condition.

Fennia's and Fennia Life's boards of directors oversee the administration and the appropriate organisation of the operations of the company that is under their responsibility. The boards of directors have rules of procedure, which state the key duties of the board of directors and the meeting procedures.

The parent company's board of directors decides on group-level matters. The boards of directors established a joint co-operation committee on 1 April 2017 to support co-operation between the Group's boards of directors.

Assisting the parent company's board of directors is the nomination and remuneration committee, whose task is to prepare, plan and develop the remuneration and nomination matters concerning the Fennia's Group CEO, his/her alternate and the deputy managing director, and the members of the executive group, and to prepare the entire company's remuneration scheme.

The audit committee is a joint committee of the boards of Fennia and Fennia Life. The audit committee's area of responsibility covers matters related to finances and solvency, as well as monitoring the sufficiency and appropriateness of internal control, including compliance, risk management and internal auditing. In addition, the audit committee performs its statutory tasks related to auditing.

Managing Directors

Fennia Group companies each have a managing director, who is elected by the company's board of directors and whose terms and conditions of employment, salary and bonuses are determined by the board of directors. The parent company's managing director was appointed Group CEO on 1 April 2017. The managing director oversees the company's day-to-day administration in line with the board of directors' guidelines and regulations. The managing director's tasks include managing and monitoring the company's business operations, arranging risk and solvency management, and bearing responsibility for the development and co-ordination of the company's functions. The parent company also has two deputy managing directors, one of whom acts as the alternate to the managing director.

The managing directors are members of the Group's executive group, whose task is to implement the decisions made by the boards of directors concerning group-level matters. The parent company's managing director acts as the chairman of the Group's executive group.

Salary and remuneration policy

Fennia Group complies with a common salary and remuneration policy. The salary policy defines the principles for determining salaries and remuneration. The salary and remuneration policy describes the responsibilities related to remuneration matters, and states that every employee can, through personal development and by developing his/her work efforts, influence the development of his/her remuneration.

Although the overall package that makes up the salary and rewards of nearly all employees and management consists of both a fixed component and variable elements, the variable remuneration components have the greatest significance for sales personnel.

The starting point for remuneration is to provide encouraging, fair and reasonable remuneration to management and personnel that is in line with the short- and long-term interests of the Group and Group companies.

In line with the remuneration principles, rewards have been built in such a way as to prevent unhealthy risk-taking. The reward system is based on annual bonuses. Some bonus targets may cover periods longer than a year. The remuneration scheme includes, for instance, pre-defined maximum bonus limits. The rules also include a force majeure clause, which gives the board of directors the right to amend the terms and conditions of the schemes during the period if the company's financial position is jeopardised or if the circumstances have otherwise changed considerably. Salary and remuneration decisions are made according to the 'one above' principle; i.e. the person making the decision is the supervisor of the supervisor of the employee in question.

Related party transactions during the reporting period

The companies have no related party transactions conducted according to other than standard business practices. Information about related-party loans between Group companies and their related parties, as well as other material transactions, is published in the notes to the financial statements of each company.

Changes during the reporting period

No material changes in the governance system took place during the reporting period. By its decision on 1 April 2017, the parent company's board improved the management of the Group as a whole.

Assessment of the suitability of the company's system of governance

In the course of 2017, the Group's boards of directors monitored the development of the company's insurance business and investment operations, as well as the reporting on risk management, compliance and the internal audit. The Group's boards additionally conduct a self-assessment annually to support the assessment of the governance system. On the basis of the received reports and the self-assessment, Fennia's Board of Directors has evaluated the suitability of both the Group's and the non-life insurance business's governance system. The boards of directors have also separately assessed that internal control is appropriately arranged and that the company's governance systems correspond to the regulatory requirements, are up to date and are efficient.

Fit and proper requirements

The Fennia Group has common principles for assessing suitability and reliability. The purpose of the principles is to ensure that the persons responsible for the companies' management and key functions are suited to their tasks and that they are reliable. The subjects of the suitability and reliability assessments are the members of the governing bodies, the managing directors and the deputy managing directors. Other assessment subjects are also persons responsible for the internal audit, the risk management function, the compliance function and the actuarial function, as well as persons responsible for other key functions. Persons responsible for key outsourced functions on the service provider side also fall within the scope of suitability and reliability assessments.

Suitability assessments are used to determine whether an individual has sufficient qualifications, skills and experience to handle the tasks under his/her responsibility. Reliability assessments deal with the individual's honesty, possible payment defaults and other financial inconsistencies, relevant criminal acts and disciplinary or administrative violations. Suitability and reliability assessments are always made when an individual is elected or appointed from outside or within the company to lead the company or to be in charge of a key function.

In selecting a member for the company's board of directors, regulations concerning collective suitability and FIN-FSA's guidelines are taken into account. An insurance company's board of directors must be represented by the degree of general knowledge of the insurance business that is considered necessary in terms of the insurance company's operational quality and scope. The composition of the board of directors must encompass sufficient knowledge and experience of the markets, business strategies and business models, the governance system and financial and actuarial analyses, as well as the legislative and regulatory framework. The intention is to also take into account the same areas of competence when assessing the CEO's professional qualifications, in addition to general knowledge of the insurance business. Special expertise is also required in the boards of directors' audit committee, where members must have sufficient knowledge of financial administration.

The report required to assess a person's suitability and reliability is compiled before the person is elected or an appointment decision is made. To ensure continuous monitoring, the details of individuals who fall within the scope of suitability and reliability assessments are reviewed regularly. Supervisors are responsible for continuously monitoring compliance with suitability and professional requirements. In addition, suitability and reliability assessments must always be carried out when an individual's suitability or reliability comes under question.

Risk management system including the own risk and solvency assessment

Risk management system

In the Fennia Group, risk management means co-ordinated strategies, processes, principles and measures to identify, measure and report, as well as to monitor and manage, risks faced by the Group and the Group companies.

Solvency management, on the other hand, means strategies, processes, principles and measures to determine and steer the Group's and the Group companies' risk-bearing capacity, risk appetite, risk tolerance and restrictions of essential risks.

In their operations, the companies belonging to the Fennia Group, Fennia Mutual Insurance Company, Fennia Life Insurance Company Ltd and Fennia Asset Management Ltd, comply with the group-level jointly defined risk and solvency management framework, which is described in the policy documents approved by the Group companies' boards of directors. The most central of these documents is the risk and solvency management policy, which lays down general management principles and responsibilities.

Fennia's Board of Directors, in its capacity as the Board of Directors of the Group's parent company, bears the responsibility for risk and solvency management and for its integration into the Group's governance system. It is the responsibility of Fennia's Board of Directors to ensure that the special characteristics of the companies belonging to the Group and the intra-Group connections (including internal transactions, double capital, transferability of capital and use of capital in general) are taken into consideration appropriately.

Fennia Life's Board of Directors is responsible for ensuring that the company consistently abides by the Group's risk and solvency management policy. It is responsible for ensuring that the company has a governance system in place which is adequately organised with regard to the quality, scope and complexity of the operations, including internal control and a risk management system.

Fennia Asset Management's Board of Directors is responsible for ensuring that the company abides by the principles of Fennia Group's risk management system to the extent where the company's special characteristics do not require deviations from it.

Other Group companies abide by the Fennia Group's risk and solvency management policy where applicable. Other Group companies are mostly real estate companies.

The audit committee, which monitors the effectiveness of the risk management system and reporting, is a joint committee of the boards of Fennia and Fennia Life.

Risk management executive groups

Three risk management executive groups have been established to prepare, steer and co-ordinate tasks related to risk and solvency management and to communicate information. Fennia's and Fennia Life's risk management executive groups that meet approximately every month mainly address quantitative matters, while the extended risk management executive group that meets quarterly additionally addresses, in addition to quantitative matters, qualitative and difficult-to-measure risks, such as compliance and operational risks, reputation risks and HR matters.

The risk management executive groups address, prepare and present recommended measures to the Group's executive group, which addresses the matters presented to the audit committee and the board of directors.

The risk management executive groups address, prepare and present the following, among other, matters:

- proposals concerning risk-bearing capacity, risk tolerance and essential risk restrictions to support the risk-taking and business plan
- financial statement, risk and solvency reports and analyses
- short- and long-term forecasts and stress and scenario analyses
- own risk and solvency assessments (ORSA) prepared at least once a year
- risk charting on business and support functions and assessments of whether essential risks are managed reliably
- development of risk management.

The chairman of the risk management executive groups is the Fennia Group's Chief Financial Officer, who reports to the Group's executive group.

Matters related to Fennia Asset Management's risk and solvency management are addressed by Fennia Asset Management's extended executive group. Compliance and risk management are both represented in the extended executive group. It is chaired by the managing director of Fennia Asset Management.

Risk management system steering model

The steering of the risk management system is based on the following three-defence-line model:

1. The first defence line, i.e. business and support functions, has the primary responsibility for daily risk management and reporting in accordance with the agreed policy.
2. The second defence line is the owner of the risk management framework and is responsible for, among other things, the interpretation, development and planning of and reporting on risk and solvency management, and supports, monitors and assesses the implementation of the first defence line's risk and solvency management processes.
3. The third defence line is in charge of ensuring the effectiveness and efficiency of internal control and risk and solvency management.

In the three-defence-line model, responsibility for risk and solvency management is allocated as follows between various roles:

- Managing Director

Assisted by the executive management, the managing director bears overall responsibility for the appropriate preparation and implementation of risk and solvency management in accordance with the board of directors' decisions.

- Business and support functions

Each business and support function is primarily responsible for daily risk management and reporting in accordance with the agreed policy, monitors the overall risk profile of their own area (supported by the second defence line) and ensures that operations in their area comply with the Group's risk and solvency management documentation.

- Actuarial function

The insurance company's responsible actuary is in charge of the actuarial function and sees to it that the actuarial methods applied in pricing and in calculating technical provisions are appropriate. The responsible actuary also determines the level of technical provisions. The actuarial function has a role in both the first and second defence lines. The actuarial function participates in the efficient implementation of the risk management system, in the creation of risk management methods in particular, but also in the implementation of the company's own risk and solvency assessment.

- Risk management function

The risk management function has the primary responsibility for the tasks of the second defence line and is responsible for, among other things, the interpretation, development and planning of and reporting on risk and solvency management. The task of the function is to maintain an overall picture of the Group's and Group companies' risk profile. The function also supports the board of directors' and managing director's and business and support functions' risk and solvency management by, among other things, participating in the development of the risk management system, assessing its functioning and by drawing up analyses to support decision-making concerning the risk position.

- Compliance function

The compliance function, which belongs to the second defence line, is responsible for ensuring that operations comply with regulations, financial sector self-regulation and the Group's internal guidelines, and that customer relationships are managed according to the appropriate procedures. The compliance function also identifies and assesses the impacts of regulatory changes and the risks related to regulatory non-compliance, as well as the sufficiency of measures taken to prevent and rectify possible shortcomings in regulatory compliance. In addition, the compliance function promotes compliance by providing proactive advice and develops internal procedures with which compliance can be monitored effectively and appropriately.

- Internal audit

The internal audit supports the Group in achieving its goals by offering a systematic approach to the assessment and development of the efficiency of the organisation's risk management, control and leadership and administrative processes. The task of the internal audit is to monitor and assess the sufficiency and efficiency of the Group's internal control and other administration.

The risk management function and the compliance function have been integrated into the Fennia Group’s organisation in a manner that ensures their independence from the operational activities. The functions are free from influences that might compromise the objective, equal and independent performance of their tasks. The internal audit is independent of both the first and second defence line operations.

Risk management function

The Group’s risk management function comprises two units: the Risk Management unit and the Compliance & Operational Risks unit. The Risk Management unit is responsible for quantitative risks, and the Compliance & Operational Risks unit is responsible for compliance risks, risks that are difficult to measure and qualitative risks, such as operational risks and reputation risk.

Both units operate under the supervision of the Fennia Group’s Chief Financial Officer as independent units and bring the risk management function’s services to all Group companies that have a licence to engage in insurance and investment service operations. The operations take the regulations that apply to each company into account.

Fennia Group’s risk management director is in charge of the Risk Management unit, and Fennia Group’s chief compliance officer heads the Compliance & Operational Risks unit. Both report on their decisions and measures to the audit committee and, if necessary, to the boards of directors and managing directors of the group companies. For the purposes of co-ordinating the risk management system and communicating information, the risk management director participates in the work of the Group’s risk management executive groups and the chief compliance officer in the extended risk management executive group.

In order to predict operational risks, the risk management function has access to the action and development plans of the Group companies and units, as well as all other information necessary for its work. The risk management function has no part in making business decisions.

The principles of the risk management system are described in the policy documents. They define the risk management responsibility areas of functions and units. Key tasks that the risk management function is responsible for include the following:

- assisting the boards of directors, managing directors and business and support functions of the Group companies in developing and maintaining a strong risk management system
- assessing and monitoring the functioning of the risk management system
- preparing and co-ordinating the risk and solvency management policy, including risk-taking plans, and the presentation thereof for assessment and approval by the companies’ boards of directors, as well as monitoring compliance with these documents and reporting observations related thereto
- assessing decision-making powers related to risk-taking and monitoring compliance therewith
- supporting the decision-making of group companies’ boards of directors and executive management concerning risk and solvency position using risk and solvency analyses and monitoring the impacts of decisions
- maintaining an overall view of the Group’s and the Group companies’ risk profiles
- assessing processes related to identifying, measuring, monitoring, managing and reporting risks, and assessing the effectiveness thereof
- monitoring the assessment and development of risks related to valuation methods, especially solvency calculation balance sheet valuation methods
- assessing and monitoring the appropriateness, comprehensiveness and effectiveness of the solvency calculation in accordance with the standard formula
- identifying and assessing risks that could potentially have an impact on the Group in the future
- participating in the assessment of and monitoring the development of risks related to new ideas, such as products, services, investment instruments and processes
- co-ordinating the drawing up of the Own Risk and Solvency Assessment (ORSA).

In terms of quantitative risk management methods related to measuring risks and planning the use of capital, the risk management function has the following additional tasks:

- planning and implementing models
- testing and validating models
- documenting models and later changes to models
- drawing up reports concerning the effectiveness of models

- reporting to the board of directors on the effectiveness of models and progress made in rectifying previously detected flaws, as well as making development proposals concerning models.

The risk management function regularly assesses the structure and effectiveness of the risk management system and reports on its observations to the board of directors and, if needed, proposes development measures.

Risk management system targets

A central aim of the risk management system is to generate perspectives, analyses and assessments of the possible financial impacts of individual risks and combinations thereof in the short and long term for the senior management of individual companies and the Group and for the boards of directors as part of business planning and strategy implementation. Based on these matters, a risk-taking plan and the company’s own risk and solvency plan are drawn up at least once a year.

The reports encompass the key observations, in terms of the company’s management, on risks and solvency needs and targets, and on the risk-taking limits set that are set based on these.

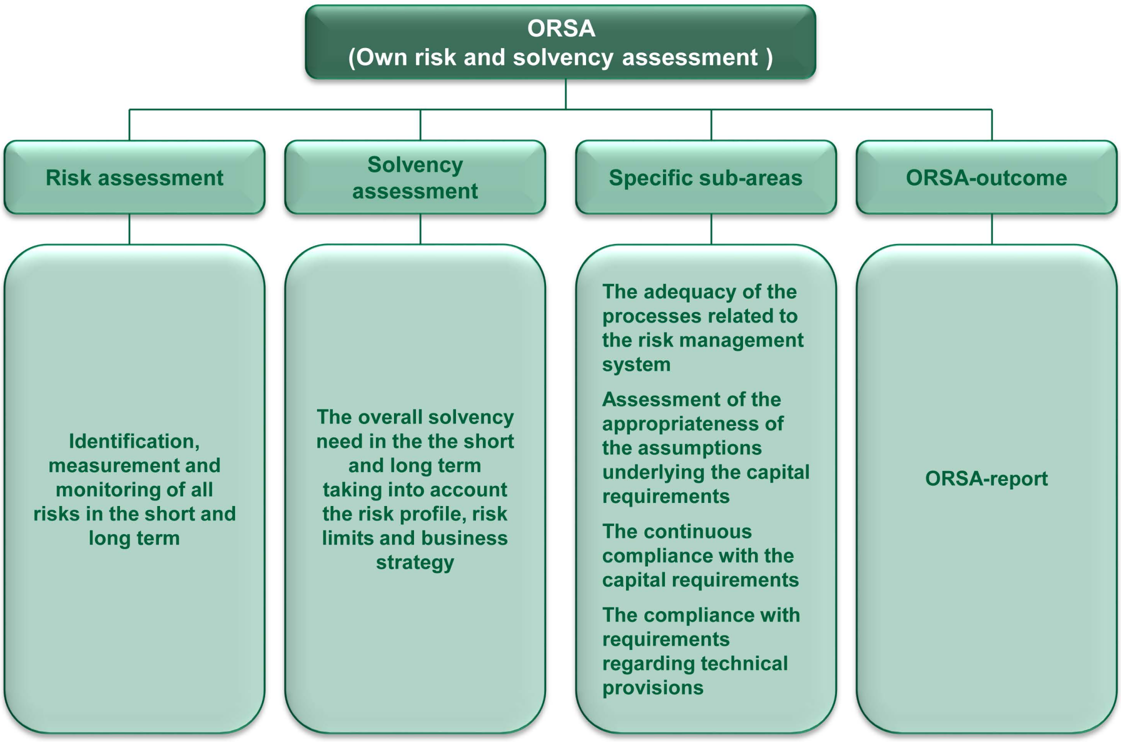
Risk and solvency assessment

Own Risk and Solvency Assessment (ORSA) is a tool for the board of directors, managing director and other executive management to support capital management, business planning and product development and planning. In own risk and solvency assessments, risks are identified, an understanding of the risks’ capital needs in both the short and long term is formed, and forecasts and scenarios are created on the financial future and the possible financial consequences if the risks are realised. The long-term horizon of the forecasts is three years.

Own risk and solvency assessment is part of the continuous risk management process, and as the outcome of which, a broad summary of the central future estimates and risks is produced at least once a year. This summary, the ORSA report, is also, in accordance with the regulatory provisions, submitted to the supervisory authority. A significant proportion of the contents of the report is assessed and reported on regularly during the year. The report is updated if changes occur in its background assumptions, in the businesses, in the risk positions or in some other matter that has a substantially impact on financial position. This may encompass a so-called basic ORSA report, where only a part of the comprehensive ORSA report is updated. The ORSA report that is the outcome of the ORSA process includes an overall picture of the current situation and future outlook, in terms of business operations, strategic decisions and policies, risks and solvency.

The ORSA process includes both qualitative and quantitative areas. Quantitative areas refer to the kind of themes that can be reliably measured and whose monetary impacts can be estimated with great certainty and reliable measuring techniques. Qualitative areas are those where linear mathematical assessments cannot be created to assess their impacts, but instead are based on qualitative assessments made by management and experts. These are, for instance, impacts on the company’s businesses caused by changes in the business environment.

The key areas of the ORSA process are described in the chart.



The Fennia Group's various boards of directors review and approve the ORSA report, which is prepared at least once a year, that is submitted to the supervisory authority, and actively participate in the ORSA process by, among other things, steering the preparation of the assessment and challenging the results together with the audit committee it appoints.

Executive management is responsible for ensuring that ORSA reports are drawn up, that the ORSA process is complied with, and that the results are assessed and updated as required. Executive management approves the estimates, views and results presented in the report. The managing director and executive management are responsible for integrating the ORSA process into business operations such that it is an integral part of the business strategy, and for making sure that the results of the ORSA process are taken into account in practice in all strategic decisions.

The risk management function co-ordinates the drawing up of ORSA reports. The reports are produced collaboratively by the business and support functions.

The company's own assessment of its current solvency need is based on the company's own assessment of its eligible own funds and their minimum required level for the same confidence interval as that in the solvency calculation defined by regulations. The solvency assessment encompasses the key basic assumptions of regulation-based solvency calculation, the extent to which the company's own view deviates from them and the estimated impact on the solvency position.

The long-term solvency need is analysed by assessing the impacts of various harmful long-term scenarios on the solvency position under solvency regulation, taking into account the business strategies of the next few years. Based on the outcome of these scenarios, assessments are made of how much the solvency position can fluctuate unfavourably over a three-year period, and the extent to which capital is required to prepare for them.

Based on these assessments, the capital increment for the regulation-based solvency requirement is specified, resulting in a so-called ORSA limit.

The regulation-based solvency position is additionally subjected to a stress test in a risk-tolerance scenario, which the solvency position should always withstand, taking into account the above-mentioned ORSA limit.

Various limits have been devised for the solvency position, creating zones to describe the solvency level.

- Maximum limit

  The board of directors and executive management, for example, must consider raising the risk level, lowering premiums or refunding capital to owners, or they must justify maintaining a high solvency level.

- Target limit

  When above the limit, operations proceed as planned, but when below the limit, the board of directors and executive management must consider lowering the risk level or they must justify maintaining the solvency level below the target limit.

- ORSA limit

  The limit is the own assessment of the solvency need, and when below the limit, the board of directors and executive management must broadly consider various options for restoring the solvency position to the target level, and they must make appropriate decisions to improve the solvency position.

- Solvency capital requirement limit

  The limit is the level required by regulation, and when below the limit, the board of directors and the executive management must draw up a recovery plan and submit it to the supervisory authority for approval.

- Minimum consolidated group solvency capital requirement limit or minimum capital requirement limit

  The limit is the minimum level required by regulation, and when below the limit, the board of directors and the executive management must draw up a realistic financing plan and submit it to the supervisory authority for approval.

The process described above is linked to the capital management process, which is described further in the section ‘Objectives, policies and processes of managing own funds’.

The Fennia Group’s ORSA report identifies the following factors in regulation-based solvency calculation which deviate from the own assessment and materially influence the own assessment of the need for solvency:

- extrapolation of the risk-free yield curve
- the capital requirement caused by low or negative interest rates in the interest rate risk module
- equity risk transitional measure
- currency risk
- premium risk and reserve risk for non-life insurance
- cost of capital (CoC level).

Fennia Group’s ORSA capital increment is estimated to be roughly 25 per cent of the solvency capital requirement, i.e. approx. EUR 115.9 million. The table shows the Fennia Group’s solvency position calculated according to the regulation and with the ORSA capital increment.

Solvency 31.12.2017 (EUR million)	**Statutory**	**Own assessment**
Eligible own funds	980.0	980.0
Solvency Capital Requirement	463.8	579.7
Free own funds	516.2	400.3
Solvency ratio	211.3 %	169.0 %
ORSA level	125.0 %	-----

In a long-term assessment, the Fennia Group’s projected, regulation-based, estimated solvency for the next three years met the requirements in all scenarios.

Fennia's risk and solvency assessment

The Fennia’s ORSA report identifies the following factors in regulation-based solvency calculation which deviate from the own assessment and materially influence the own assessment of the need for solvency:

- extrapolation of the risk-free yield curve
- the capital requirement caused by low or negative interest rates in the interest rate risk module
- equity risk transitional measure
- currency risk
- Fennia Life’s capital requirement
- premium risk and reserve risk for non-life insurance

- cost of capital (CoC level).

Fennia's ORSA capital increment is estimated to be roughly 40 per cent of the solvency capital requirement, i.e. approx. EUR 149.1 million. The table shows the Fennia's solvency position calculated according to the regulation and with the ORSA capital increment.

Solvency 31.12.2017 (EUR million)	**Statutory**	**Own assessment**
Eligible own funds	953.7	953.7
Solvency Capital Requirement	372.8	521.9
Free own funds	580.9	431.8
Solvency ratio	255.8 %	182.7 %
ORSA level	140.0 %	-----

In a long-term assessment, Fennia's projected, regulation-based, estimated solvency for the next three years met the requirements in all scenarios.

Fennia Life's risk and solvency assessment

Fennia Life's ORSA report identifies the following factors in regulation-based solvency calculation which deviate from the own assessment and materially influence the own assessment of the need for solvency:

- extrapolation of the risk-free yield curve
- the capital requirement caused by low or negative interest rates in the interest rate risk module
- equity risk transitional measure
- currency risk
- cost of capital (CoC level).

Fennia Life's ORSA capital increment is estimated to be roughly 30 per cent of the solvency capital requirement, i.e. approx. EUR 39.2 million. The table shows Fennia Life's solvency position calculated according to the regulation and with the ORSA capital increment.

Solvency 31.12.2017 (EUR million)	**Statutory**	**Own assessment**
Eligible own funds	265.9	265.9
Solvency Capital Requirement	130.8	170.0
Free own funds	135.1	95.9
Solvency ratio	203.3 %	156.4 %
ORSA level	130.0 %	-----

In a long-term assessment, Fennia Life's projected, regulation-based, estimated solvency for the next three years mete the requirements in all scenarios.

Internal control system

The aim of internal control at the Fennia Group is to ensure the appropriateness, efficiency and productivity of the operations, and the reliability of the financial data and reporting, as well as compliance with the regulations. Well-functioning internal control calls for efforts from all employees, supervisors, executive management and governing bodies.

Fennia Group's internal control system is based on the broadly applied COSO standard, according to which the control system is evaluated through the following factors:

- control environment
- risk assessments
- control functions
- information and communication
- monitoring.

Control environment

The boards of directors of the companies belonging to the Group bear overall responsibility for the functioning of internal control. Executive management oversees the arrangement of internal control in practice.

To reinforce a good control environment, executive management and supervisors promote, as part of their day-to-day work, the Fennia Group’s values, good leadership, appropriate delegation of authority and responsibility, efficient organisation of operations and personnel development.

Personnel are encouraged to report any behaviour that is unethical or against the rules, and to develop both their own competence and the company’s operations.

Risk assessment

The identification and management of risks is primarily the responsibility of the business and support functions, which are supported in this work by the risk management and compliance functions. Risks are assessed as part of day-to-day operations and with the help of regular risk charting. Management of operational risks is discussed further in the section ‘Risk profile’.

Control functions

Control measures are processes, procedures and guidelines aimed at ensuring that the organisation operates in accordance with the targets set by management. These include, e.g., various approvals, authorisations, authentications, reconciliations, operational audits, access rights management, asset-securing measures and the segregation of duties.

Most of the control measures are implemented as part of day-to-day operations and management. All Fennia personnel are responsible for the practical implementation of control measures, in which the continuous monitoring measures carried out by executive management and supervisors play an important role. Through the development of processes, the Fennia Group strives to increase the use of automatic system controls.

Information and communication

At Fennia Group, the goal is to ensure that information to be distributed is up to date and relevant in terms of the organisation’s operations and decision-making, and it is reported in the correct format and in a timely manner. By steering operations, the goal is to achieve an open flow of communication, both vertically and horizontally, throughout the organisation.

Monitoring

Monitoring is divided into continuous monitoring and separate auditing, which are used to assess the functioning and quality of internal control. Continuous monitoring takes place in operational activities. It includes the executive management’s regular steering actions as well as control measures linked to supervisors’ and the entire personnel’s performance of tasks. Every employee is responsible for detecting possible deficiencies and development areas in internal control in their own work and reporting on these for the purpose of devising corrective measures. Monitoring also includes internal and external audits, as well as compliance audits. The organisation can also perform self-assessments.

An independent overall assessment of both the Group’s and individual companies’ governance system and written operating principles is carried out in Fennia Group companies annually, providing the boards of directors and executive management information about the functioning of internal control. The internal audit is responsible for the practical implementation of this independent assessment.

Compliance function

The compliance function, which monitors compliance with the rules, comprises the Group's chief compliance officer and the compliance officers of Fennia Group companies. The parent company's compliance function is headed by the Group's chief compliance officer, who also co-ordinates the Group's compliance functions from the perspective of Group steering.

The compliance function follows Group-level principles that are approved by the boards of directors, defining its tasks and position in the organisation. The function is responsible for ensuring that Fennia Group's operations comply with regulations, financial sector self-regulation and the Group's internal guidelines, and that customer relationships are managed according to the appropriate procedures.

The compliance function also identifies and assesses the impacts of regulatory changes and the risks related to regulatory non-compliance, as well as the sufficiency of measures taken to prevent and rectify possible shortcomings in regulatory compliance. In addition, the compliance function promotes compliance by providing proactive advice and develops internal procedures with which compliance can be monitored effectively and appropriately.

The compliance function abides by objectivity and independence in its work. To ensure independence, the compliance officer does not have the authority to make business decisions nor is responsible for business and support functions. The compliance officer does not participate in the company's business and other functions which he/she monitors. The compliance function regularly reports on significant compliance risks to the boards of directors' audit committee, which reports to the boards of directors.

Internal audit function

Organisation, independence and neutrality

The internal audit is a function that is independent of the businesses and which supports the Fennia Group and its senior management in achieving its strategy and targets by offering a systematic approach to the organisation's control, leadership and administrative processes and to the assessment and development of the functionality and efficiency of risk management.

Fennia Group's internal audit is responsible for producing internal auditing services for the companies belonging to the group. The internal audit operates administratively under the Group's CFO, but reports on the outcome of its work directly to the joint audit committee of Fennia's and Fennia Life's boards of directors, and to the companies' boards of directors and managing directors.

In order to safeguard and ensure the independence of the audit and consultation operations, the internal audit has no operational responsibility for the functions that are being assessed, nor does it participate in the decisions made by those functions. The companies' boards of directors regularly monitor the implementation of independence.

Operation principles and responsibilities

The internal auditing function has Group-level operating guidelines approved by the boards of directors which define the internal audit's purpose, authorisations and responsibilities, position in the organisation, operating area and right of access to information, and contents of the operations. The boards of directors annually approve the internal audit action plan.

The task of the internal audit is to monitor and assess the sufficiency and efficiency of the Group's internal control and administration in the following areas, among others:

- the achievement of the company's strategy and targets
- the extensiveness and reliability of the solvency management process
- the effectiveness of risk management
- the cost-effectiveness and appropriate use of resources
- compliance with laws and regulations and with internal operating principles, plans and guidelines

- the correctness, sufficiency and appropriateness of the information
- the securing of assets.

The internal auditing function carries out its task in compliance with good internal auditing practice. Good auditing practice, and independent and objective internal operations are outlined by, among other things, the professional standards issued by the Institute of Internal Auditors, and by ethical rules.

Actuarial function

The actuarial function has a role in both the first and second defence lines.

The insurance company's responsible actuary is in charge of the actuarial function and sees to it that the actuarial methods applied in pricing and in calculating technical provisions are appropriate. The responsible actuary also determines the level of technical provisions.

The actuarial function participates in the efficient implementation of the risk management system, in the creation of risk management methods in particular, but also in the implementation of the company's own risk and solvency assessment.

The statutory tasks of the actuarial function include calculating insurance technical provisions, ensuring the appropriateness of tariffs, and continuously assessing the solvency level. In addition to statutory tasks, the actuarial function produces reports that serve the business and participates in improving the quality of information and in product development, and supports the insurance sales process as needed.

Within the Fennia Group, both Fennia and Fennia Life have their own actuarial functions.

Fennia's actuarial function operates administratively under the director of the Insurance Services unit, but also reports directly to the joint audit committee of Fennia's and Fennia Life's boards of directors, and to Fennia's board of directors and managing director.

Fennia Life's actuarial function operates administratively under the managing director and reports directly to the joint audit committee of Fennia's and Fennia Life's boards of directors, and to Fennia Life's board of directors and managing director.

Outsourcing

Outsourcing means that a Fennia Group company concludes an agreement with an external service provider concerning the service provider performing a process, service or task within the companies' business sector that the company would otherwise perform itself.

The Fennia Group has shared 'Outsourcing management principles', which are intended to ensure that outsourcing is arranged in such a way that the risks related to outsourcing are controlled, the operations continue uninterrupted and the regulatory requirements related to outsourcing are met.

Responsibility and decision-making for outsourcing is shared by the Group companies' boards of directors, business management and the Compliance & Operational Risks unit. The Compliance & Operational Risks unit is tasked with, among other things, supporting the business in drawing up the required reports and reporting to the supervising authority.

When making outsourcing decisions, an in-house outsourcing report is always prepared. If an outsourced function is estimated to be central to the company's operations, a more detailed analysis is carried out, paying closer attention to the service provider's ability to produce the service smoothly. In addition, the individuals responsible for the function on the service-provider side will be subject to the requirements of the suitability and reliability assessment.

The Fennia Group has outsourced functions through internal service agreements such that Fennia Life and Fennia Asset Management have outsourced, among other functions, financial, risk management, and internal auditing services to the parent company. Fennia and Fennia Life have outsourced the management of investment operations to Fennia Asset Management. In addition, the companies have outsourced, e.g., operating, maintenance and support services for IT systems, as well as claims-support services.

All service providers handling outsourced functions are situated in Finland.

Any other information

There is no other material information about the Fennia Group’s, Fennia’s and Fennia Life’s governance system.

Risk profile

Risk profile

The risk profile is made up of quantitative and qualitative factors. The quantitative aspect of the risk profile is described by net asset value (difference between assets and liabilities), different capital requirements and the quality, replaceability and transferability of own funds required to cover them. The quantitative aspect of the risk profile most often describes factors that are very difficult to measure, such as reliable administration, internal control and risk management, and planning and monitoring of operations.

Insured benefits can be secured in the best way possible from the quantitative perspective when

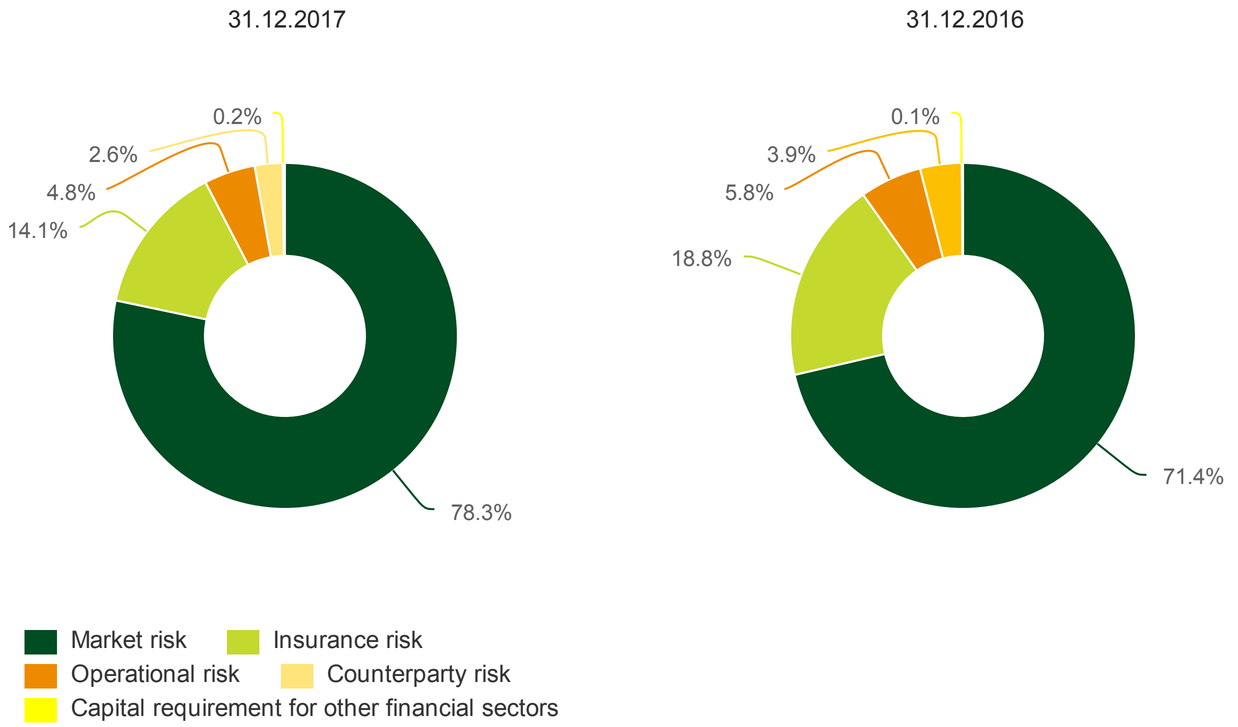
- the eligible own funds are at a sufficient level
- eligible own funds exceed the solvency capital requirement
- the risk profile in relation to free capital (difference between own funds and the solvency capital requirement) is not too great.

In a market-consistent valuation environment, risk-taking capacity is illustrated by the difference between balance sheet assets and liabilities, in which the eligibility, replaceability and transferability of balance sheet items is taken into account at the Group level, i.e. the market-consistent amount of eligible own funds. The more eligible own funds, the greater the risk-bearing capacity and the more freedom to decide which risks to bear in operations. From a quantitative perspective, risk-taking is illustrated by the solvency capital requirement required by the operations. The higher the solvency capital requirement, the greater the risk.

A closer look at the solvency capital requirement can reveal the source of the balance sheet's risks. An understanding of the risk profile can be gained by analysing the amount of eligible own funds and the solvency capital requirement and the relationship between the two (relative solvency position). Describing the risk profile thus requires identifying and understanding all of the above-mentioned factors. The relative solvency position (eligible own funds divided by the solvency capital requirement) is not alone sufficient to describe the risk profile because the same relative solvency position can be attained in a number of different ways.

The structure of the Fennia Group's solvency capital requirement by risk area without the loss-absorbing effect of future bonuses and deferred taxes (i.e. before loss-absorbing items) at the end of the reporting period and at the end of the previous reporting period is presented below.

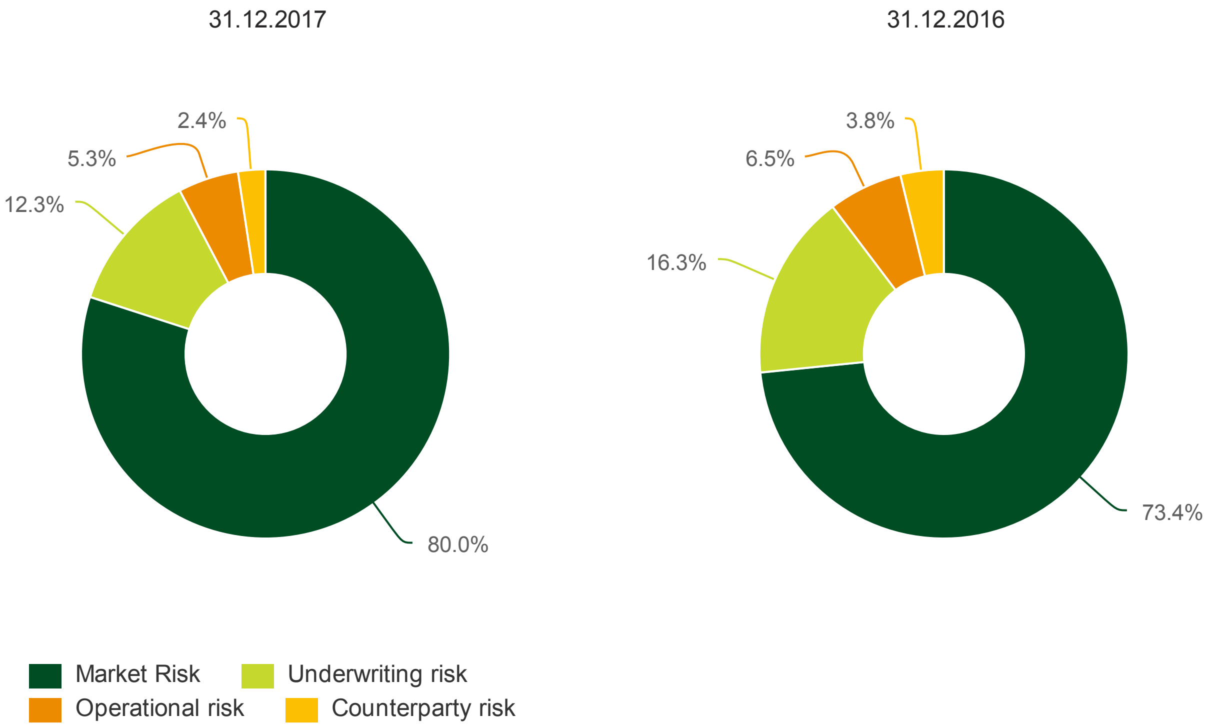
Solvency Capital Requirement (EUR million)	**31.12.2017**	**Contribution**	**Share**	**31.12.2016**	**Contribution**	**Share**	**Change**
Market risk	474.7	458.6	78.3 %	382.3	361.3	71.4 %	92.5
Counterparty risk	36.9	15.0	2.6 %	43.5	19.6	3.9 %	-6.7
Underwriting risk	145.2	82.8	14.1 %	155.4	95.0	18.8 %	-10.1
Intangible asset risk	0.0	0.0	0.0 %	0.0	0.0	0.0 %	0.0
Operational risk	28.4	28.4	4.8 %	29.4	29.4	5.8 %	-1.1
Capital requirement for other financial sectors	1.0	1.0	0.2 %	0.5	0.5	0.1 %	0.5
Diversification	-100.4	-----	-----	-105.3	-----	-----	4.9
Solvency Capital Requirement before loss-absorbing items	**585.9**	**585.9**	**100.0 %**	**505.8**	**505.8**	**100.0 %**	**80.1**



Fennia's risk profile

The structure of Fennia's solvency capital requirement by risk area without the loss-absorbing effect of deferred taxes (i.e. before loss-absorbing items) at the end of the reporting period and at the end of the previous reporting period is presented below.

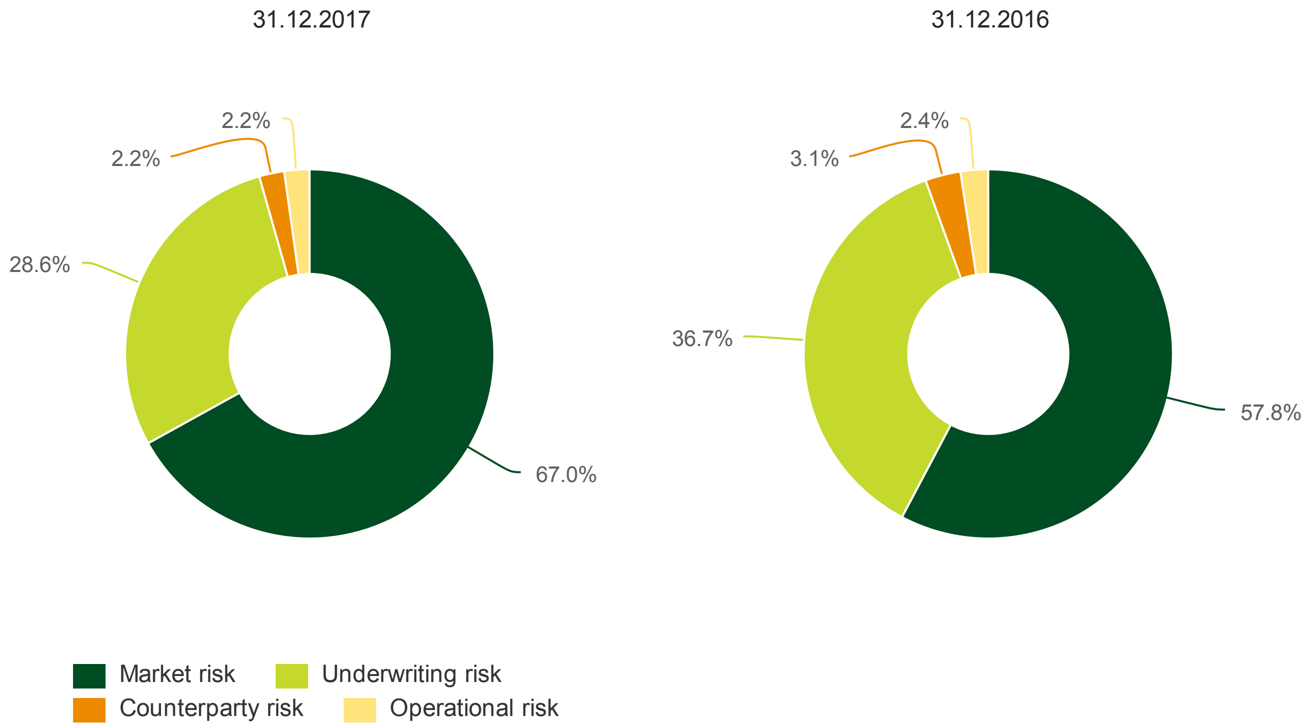
Solvency Capital Requirement (EUR million)	31.12.2017	Contribution	Share	31.12.2016	Contribution	Share	Change
Market risk	384.2	372.7	80.0 %	301.3	286.5	73.4 %	83.0
Counterparty risk	28.1	11.3	2.4 %	32.8	14.7	3.8 %	-4.8
Underwriting risk	103.7	57.4	12.3 %	99.5	63.8	16.3 %	4.2
Intangible asset risk	0.0	0.0	0.0 %	0.0	0.0	0.0 %	0.0
Operational risk	24.6	24.6	5.3 %	25.5	25.5	6.5 %	-1.0
Diversification	-74.6	-----	-----	-68.5	-----	-----	-6.1
Solvency Capital Requirement before loss-absorbing items	**465.9**	**465.9**	**100.0 %**	**390.6**	**390.6**	**100.0 %**	**75.3**



Fennia Life's risk profile

The structure of Fennia Life's solvency capital requirement by risk area without the loss-absorbing effect of future bonuses and deferred taxes (i.e. before loss-absorbing items) at the end of the reporting period and at the end of the previous reporting period is presented below.

Solvency Capital Requirement (EUR million)	**31.12.2017**	**Contribution**	**Share**	**31.12.2016x**	**Contribution**	**Share**	**Change**
Market risk	127.3	113.7	66.9 %	110.1	93.5	57.7 %	17.1
Counterparty risk	10.2	3.7	2.2 %	13.0	5.0	3.1 %	-2.8
Underwriting risk	74.3	48.6	28.6 %	82.8	59.5	36.7 %	-8.4
Intangible asset risk	0.0	0.0	0.0 %	0.0	0.0	0.0 %	0.0
Operational risk	3.8	3.8	2.2 %	3.9	3.9	2.4 %	-0.1
Diversification	-45.7	-----	-----	-47.9	-----	-----	2.2
Solvency Capital Requirement before loss-absorbing items	**169.9**	**169.9**	**100.0 %**	**161.9**	**161.9**	**100.0 %**	**8.0**



Underwriting risk

Underwriting risk is linked to the basic business, i.e. insurance, and is divided into three main classes, which are premium risk, reserve risk and catastrophe risk.

Premium risk is linked to the insured's risk selection, sales steering and in particular to the pricing of the insured risk. At issue is a loss risk resulting from the costs arising from future claims, including operating expenses, exceeding the insurance premiums received.

Reserve risk is caused by unfavourable value changes in technical provisions. Reserve risk relates to the uncertainty of the assumptions made when calculating technical provisions and to unfavourable deviations of the estimated insurance premiums, claim amounts, operating expenses, fees and their cash flows from the actual income and expenses. The actuarial risk factors included in the reserve risk are, among other things, biometric risks (mortality, longevity, disability and similar risks), different lapse risks (e.g. the surrender risk in life insurance), the expense risk and the revision risk.

- Mortality and disability risks

  Mortality risks and disability risks are related mostly to risk life insurance. Insurance premiums and insurance terms and conditions are agreed on when the policy is written up. The risk is that the insurance premiums are not sufficient to cover the insurance claims.

- Longevity risk

  A longevity risk may be linked to pension and savings insurance. The risk is that the mortality bonuses granted to insurance policies exceed the amount of insurance savings released in the event of a death. The longevity risk mainly concerns older group pension insurance policies and supplementary pension insurance policies, in which pension may be paid for a lifetime or where there is no pure life cover or it has an upper age limit.

  The longevity risk also relates to pension-type compensation that appears, for instance, in motor liability insurance and workers' compensation insurance.

- Lapse risk

In life insurance, the policyholder may withdraw the insurance savings or a part thereof before the expiry date of the insurance contract, or he/she may interrupt the payment of insurance premiums. These events involve a surrender or lapse risk.

Savings insurance policies are, by nature, lump sum policies. As tax or other legislation changes or the general economic situation worsens, the risk of savings insurance surrenders increases significantly. The number of surrenders is dependent not only on the personal needs of the policyholder, but also on the return outlook of the alternative investments being offered.

The surrender right related to pension insurance policies is limited to certain pre-defined situations, for which reason the risk of surrenders is small. Greater uncertainty is related to future insurance premiums. An agreed payment plan is usually drawn up when an insurance policy begins. Insurance cover does not end even if a customer later does not pay his/her insurance premiums. The pension to be paid is determined based on the accrued savings. Changes in earnings-related pension and tax legislation are, however, often the reason behind a customer not abiding by the original payment plan. This is the case especially in individual pension insurance policies.

Risk life insurance is valid for as long as the customer pays his/her insurance premiums. The policyholder can terminate the insurance at any time. Among the reasons for terminating a policy are changes in the customer's financial situation, family circumstances, employment or entrepreneurial activities. Customers whose state of health is good may also take out a new insurance policy with another insurance company. In contrast, insured persons whose state of health has deteriorated often cannot get new insurance at the normal price, and thus remain insured with the company.

- Expense risk

All life insurance contracts involve an expense risk; in other words, the risk that the expense loading gained from insurance policies, including provision rebates from funds covering unit-linked contracts, is insufficient to cover the operating expenses related to managing the insurance.

With life insurance products, it is typical that the management fees charged for insurance policies are agreed on when the policy is drawn up. The company has very few opportunities to modify these fees later. In unit-linked insurance, the expense loading is largely based on the market value of the investments. As market values decline, the expense loading correspondingly declines. In practice, however, it is generally not possible in the short term to adjust operating expenses to the lower expense loading; nor are operating expenses automatically increased as market values rise.

When agreeing on the insurance management fees, the company is usually unaware of the changes the company will have to make to its insurance systems in the coming years. Changes caused by amended legislation are especially difficult to predict. One such example is tax amendments affecting individual pension insurance. Policyholders and the insured must now be given more information than before on the contents of insurance cover and the development of the insurance savings, partly due to legislation and partly due to customers' needs. The constant development of regulation has also increased the company's administrative expenses.

In addition, a reserve for operating expenses related to non-life insurance liabilities must be included in the technical provisions.

- Revision risk

The revision risk relates to pension-type compensation that appears, for instance, in motor liability insurance and workers' compensation insurance and where the amount of pension to be paid involves a risk of change.

Underwriting risk also includes catastrophe risk, i.e. large loss risk. Large loss risk means a possible loss event that leads to major financial impacts, takes place very rarely and remarkably deviates from accident statistics.

Management of underwriting risks

Insurance operations are based on taking underwriting risks, diversifying the risks within the insurance portfolio and managing underwriting risks. The most important instruments for managing underwriting risks are appropriate risk selection, pricing, insurance terms and conditions, and the acquisition of reinsurance cover.

Risk selection provides guidance to sales and ensures the profitability of insurance operations. Risk selection is managed by statistical study of previous losses, which also provide the basis for pricing. The risk selection guidelines specify the types of risks that can be insured, and the maximum permitted sums insured.

The objective of underwriting risk pricing is to achieve the desired risk matching: the bigger the risk, the higher the price and vice versa. Risk matching requires accurate and adequate information as well as sufficiently detailed information about the insured target and benefit and their precise-enough market-consistent pricing. Only then can appropriate risk analyses be made and a sufficient level of insurance premiums and the insurance policy's other preconditions be decided on.

Insurance terms and conditions play a significant role in limiting the underwriting risk. They determine, for example, the scope of the insurance cover and the restrictions on compensable damages. In life insurance, legislation restricts the right of an insurance company to increase premiums or to alter the insurance terms and conditions during the validity of the insurance. If the assumptions prove to be insufficient, the granted benefits are too valuable from a money market perspective and the insurance premiums or terms and conditions cannot be changed, the Group is exposed to losses. In managing underwriting risk, it is important to exclude undesired risks or to limit them by way of agreements to a desired level.

In calculating the technical provisions, different quantitative methods are used, which play a key role in the management of the reserve risk. A quantitative method refers to the creation of numerical estimates by applying statistical, economic, financial or other mathematical theories and methods. Quantitative methods also include methods which aim to produce a numerical outcome, and which are partly or fully based on subjective expert appraisal.

Quantitative methods always involve uncertainty, which can result in underestimated, or insufficient, technical provisions. Risk management of quantitative methods focuses especially on risks that are linked to mathematical theory, the quality of information, estimation and parametrisation, documentation, validation and processes related to calculation.

A guiding principle in managing the risks inherent in quantitative methods is effective questioning of the methods and processes. This means that an independent and expert party critically assesses the methods and processes.

The management of risks inherent in quantitative methods is based on the structure, mathematical theory and logic of each method being well documented and supported as much as possible by scientific research and best practices of the insurance sector. In order to be able to identify a method's strengths and weaknesses, it is important that the mathematical simplifications, numerical methods and approximations and the use of subjective expert appraisal are analysed and documented with sufficient accuracy. The owner and developers of the method must ensure that the various elements of the method function as desired, are suited to the intended purpose and that the method is mathematically correct and the estimated parameters are statistically reliable.

Managing the quality of the data is just as important as managing the structure, theory and logic of the method. Reliability can only be achieved through high-quality data.

The validation of a quantitative method covers processes and procedures which aim to verify that the method is appropriate and reliable and functions in the desired manner. Validation is used to identify possible weaknesses and limitations of the method as well as problems related to its use, and to assess and manage their impacts.

Reinsurance is used to hedge against and manage major losses and loss events. The use of reinsurance implies ancillary risks, such as reinsurance adequacy, availability, price and counterparty risks.

Life insurance business has valid reinsurance contracts in case of catastrophic loss, such as pandemics, for example. Individual life insurance and disability cover are reinsured in case of major losses. For employees' group life insurance, reinsurance has been arranged through the sector's joint pool arrangement.

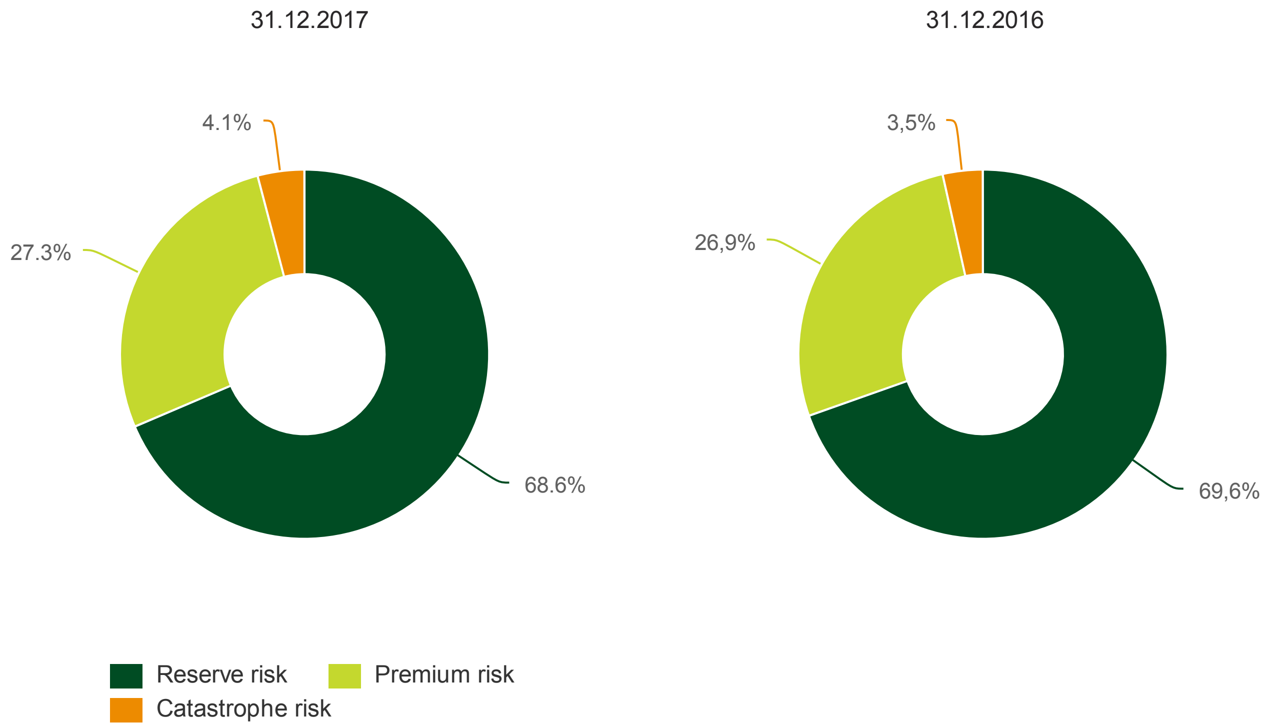
In the non-life insurance business, reinsurance cover must be found in particular for large insured risks and the risk must not exceed the Group's risk-taking capacity. The efficiency and retention limits of reinsurance are assessed annually. The peak risks included in the insurance portfolio are identified and assessed using processes maintained for this purpose.

Assessment of underwriting risks

The solvency capital requirement for the Fennia Group's underwriting risks was EUR 145.2 million (EUR 155.4 million). Taking diversification benefits into account, the underwriting risk's contribution was EUR 82.8 million (EUR 95.0 million), which is 14.1 per cent (18.8%) of the solvency capital requirement before loss absorbing items. The amount of underwriting risks declined slightly compared to the situation a year earlier.

The solvency capital requirement tied to underwriting risk consisted of different risk areas as follows:

Solvency Capital Requirement for Underwriting Risk (EUR million)	31.12.2017	Contribution	Share	31.12.2016	Contribution	Share	Change
Premium risk	52.6	39.7	27.3 %	55.6	41.7	26.9 %	-3.0
Reserve risk	106.2	99.6	68.6 %	114.8	108.2	69.6 %	-8.7
Catastrophe risk	15.5	5.9	4.1 %	14.8	5.5	3.5 %	0.7
Diversification	-29.0	-----	-----	-29.9	-----	-----	0.8
Total Solvency Capital Requirement	**145.2**	**145.2**	**100.0 %**	**155.4**	**155.4**	**100.0 %**	**-10.1**



The Fennia Group's underwriting risk consists mainly of premium risk and reserve risk. Their contribution to the underwriting risk's solvency capital requirement was 95.9 per cent (96.5%). Compared to the previous year, the relationships between the separate risk areas remained almost unchanged. The relative share of reserve risk of the technical provisions' best estimate before the reinsurers' share was 2.5 per cent (3.0%).

The table shows an estimate of a change in the Fennia Group's solvency position if the technical provisions' best estimate rises by one per cent:

Sensitivity analysis (EUR million)	31.12.2017	Scenario Technical provisions +1%
Eligible own funds	980.0	962.5
Solvency Capital Requirement	463.8	464.7
Free own funds	516.2	497.7
Change in free own funds	-----	-18.4
Solvency ratio	211.3 %	207.1 %

Both the life insurance and non-life insurance portfolios are relatively well diversified.

In the risk insurance of life insurance, the reinsurance arrangements protect insurance amounts that exceed a specific deductible in euros, which restricts risk concentrations. In addition, reinsurance in case of catastrophes further reduces any risk concentrations.

In the non-life insurance business, major risks are reinsured individually to limit risk concentrations. Additionally, in non-life insurance, Fennia has reinsurance in case of catastrophes, which reduces the impacts of any risk concentrations.

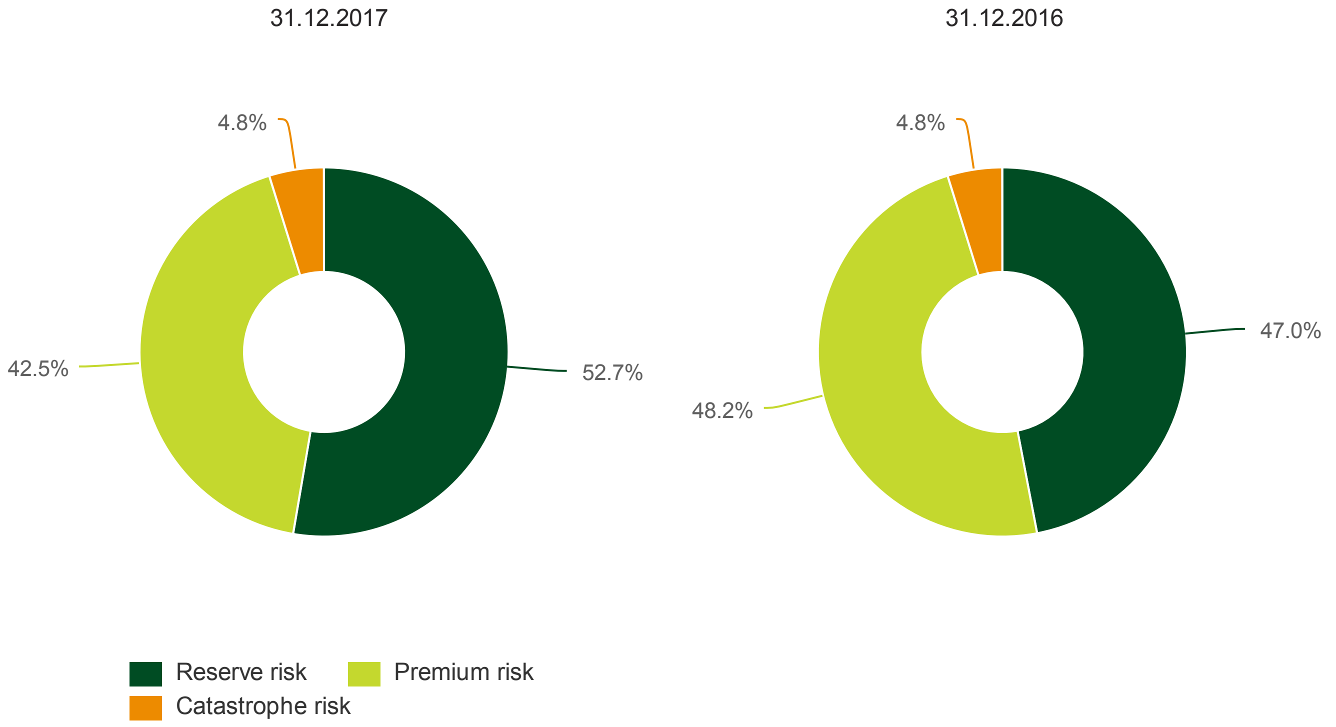
The Fennia Group’s insurance portfolio does not include any significant unreinsured risk concentrations.

Assessment of Fennia's underwriting risks

The solvency capital requirement for Fennia’s underwriting risks was EUR 103.7 million (EUR 99.5 million). Taking diversification benefits into account, the underwriting risk’s contribution was EUR 57.4 million (EUR 63.8 million), which is 12.3 per cent (16.3%) of the solvency capital requirement before loss-absorbing items.

The solvency capital requirement tied to underwriting risk consisted of different risk areas as follows:

Solvency Capital Requirement for Underwriting Risk (EUR million)	31.12.2017	Contribution	Share	31.12.2016	Contribution	Share	Change
Premium risk	52.6	44.0	42.5 %	55.6	48.0	48.2 %	-3.0
Reserve risk	62.0	54.7	52.7 %	54.5	46.7	47.0 %	7.5
Catastrophe risk	12.5	5.0	4.8 %	12.1	4.8	4.8 %	0.4
Diversification	-23.5	-----	-----	-22.7	-----	-----	-0.8
Total Solvency Capital Requirement	**103.7**	**103.7**	**100.0 %**	**99.5**	**99.5**	**100.0 %**	**4.2**



Fennia’s underwriting risk consists mainly of premium risk and reserve risk. Their contribution to the underwriting risk’s solvency capital requirement was 95.2 per cent (95.2%). Compared to the previous year, the relationships between the separate risk areas remained almost unchanged.

The relative share of the premium risk of premiums earned was 6.1 per cent (7.5%). The relative share of reserve risk of the technical provisions’ best estimate before the reinsurers’ share was 3.7 per cent (3.5%).

The table shows an estimate of a change in the company’s solvency position if the technical provisions’ best estimate rises by one per cent and the premium level rises by one per cent.

Sensitivity analysis (EUR million)	31.12.2017	Scenario Technical provisions +1%	Insurance premiums +1%
Eligible own funds	953.7	946.9	956.8
Solvency Capital Requirement	372.8	373.4	372.9
Free own funds	580.9	573.6	583.9
Change in free own funds	-----	-7.4	3.0
Solvency ratio	255.8 %	253.6 %	256.6 %

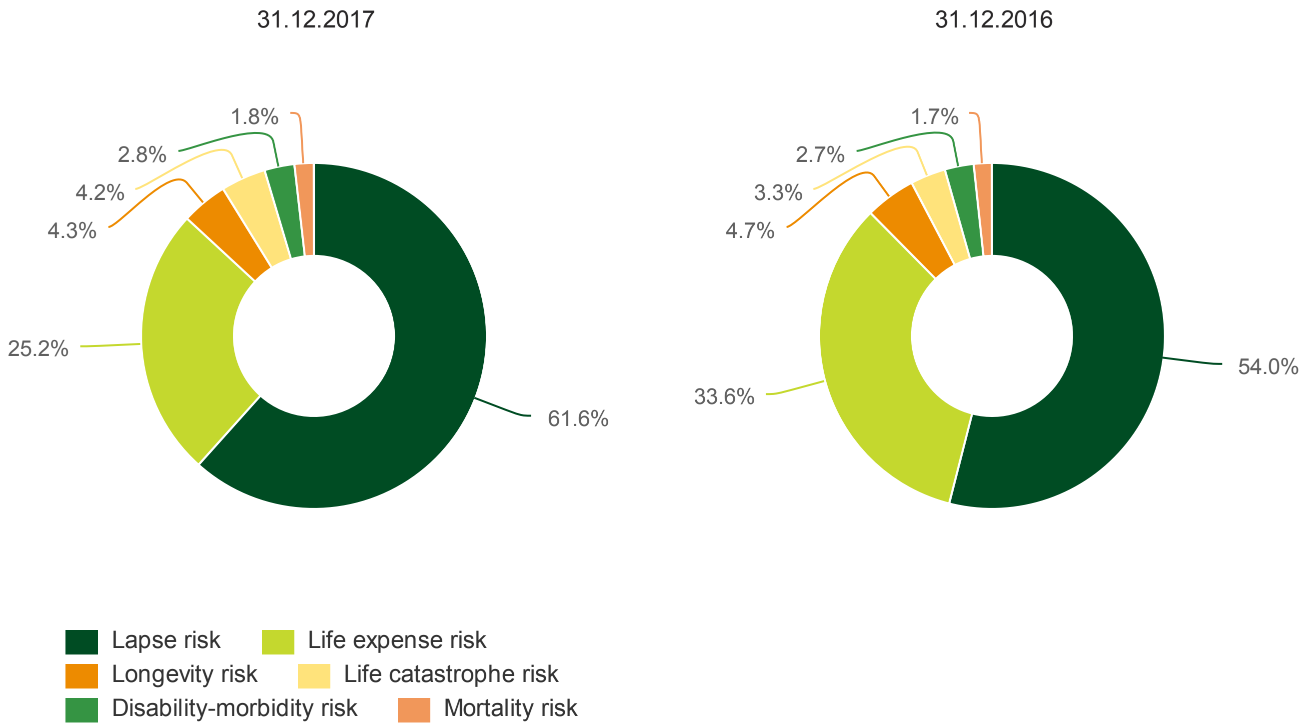
Fennia's insurance portfolio is relatively well diversified. In order to limit its risk concentrations, Fennia reinsures major risks individually. In addition, Fennia has reinsurance in case of catastrophes, which reduces the impacts of any risk concentrations. Fennia's insurance portfolio does not include any significant unreinsured risk concentrations.

Assessment of Fennia Life's underwriting risks

The solvency capital requirement for Fennia Life's underwriting risks was EUR 74.3 million (EUR 82.8 million). Taking diversification benefits into account, the underwriting risk's contribution was EUR 48.6 million (EUR 59.5 million), which is 28.6 per cent (36.7%) of the solvency capital requirement before loss-absorbing items. The amount of underwriting risks declined slightly compared to the situation a year earlier. The change is largely due to the updated operating expenses model for technical provisions.

The solvency capital requirement tied to underwriting risk consisted of different risk areas as follows:

Solvency Capital Requirement for Insurance Risk (EUR million)	31.12.2017	Contribution	Share	31.12.2016	Contribution	Share	Change
Reserve risk							
Mortality risk	6.9	1.3	1.8 %	7.0	1.4	1.7 %	-0.1
Longevity risk	9.2	3.2	4.3 %	10.6	3.9	4.7 %	-1.4
Disability-morbidity risk	7.0	2.1	2.8 %	6.8	2.2	2.7 %	0.2
Lapse risk	50.9	45.8	61.6 %	51.2	44.7	54.0 %	-0.3
Life expense risk	23.7	18.7	25.2 %	33.5	27.8	33.6 %	-9.8
Life catastrophe risk	7.8	3.1	4.2 %	7.2	2.8	3.3 %	0.6
Diversification	-31.1	-----	-----	-33.5	-----	-----	2.4
Total Solvency Capital Requirement	**74.3**	**74.3**	**100.0 %**	**82.8**	**82.8**	**100.0 %**	**-8.4**



Fennia Life’s underwriting risk consists mainly of the lapse risk and the expense risk. Their contribution to the underwriting risk’s solvency capital requirement was 86.8 per cent (87.6%). The expense risk decreased compared to the previous year, as did its relative contribution. This, however, increased the relative weight of the lapse risk.

The relative share of reserve risk of the technical provisions’ best estimate before the reinsurers’ share was 3.2 per cent (4.1%).

The table shows an estimate of a change in the company’s solvency position if the technical provisions’ best estimate rises by one per cent:

Sensitivity analysis (EUR million)	**31.12.2017**	**Scenario** **Technical provisions + 1%**
Eligible own funds	265.9	254.0
Solvency Capital Requirement	130.8	131.3
Free own funds	135.1	122.7
Change in free own funds	-----	-12.4
Solvency ratio	203.3 %	193.4 %

Fennia Life’s insurance portfolio is relatively well diversified. In risk insurance, the reinsurance arrangements protect insurance amounts that exceed a specific deductible in euros, which restricts risk concentrations. In addition, reinsurance in case of catastrophes further reduces any risk concentrations. Fennia Life’s insurance portfolio does not include any significant risk concentrations.

The use of reinsurance implies ancillary risks, such as reinsurance adequacy, availability, price and counterparty risk. In life insurance operations, the use of ceded reinsurance is minor and therefore concentrated on a few counterparties.

Market risk

Market risk means, in general, impacts on the financial position due to changes in the market values of assets and liabilities, in particular impacts on eligible own funds, income and solvency. The risk factors that have an impact are the interest rate, spread, equity, real estate, currency and concentration risk. Market risks can be examined simply from the perspective of investment assets, but it is most important to examine market risks from the perspective of the entire balance sheet. Both sides of the balance sheet are valued in the solvency calculation on market terms, and thus, changes in risk factors simultaneously affect both assets and liabilities.

Changes in market risk factors affect solvency in two ways: as a change in both eligible own funds and in the solvency capital requirement. As market risks are realised, the eligible own funds shrink, which weakens the solvency position. Changes in assets and liabilities also often affect the solvency capital requirement. When asset values fall, solvency capital requirements also decrease, which dilutes the impact of falling market values on the solvency position. This is particularly obvious when equity market risk is realised, in which case the symmetric equity adjustment reduces the capital requirement.

The return on unit-linked life insurance contracts consists mainly of the management fee based on the amount of assets covering the insurance contracts. A portion of the management fee is charged to the insurance contracts and the rest comes from funds covering insurance contracts as provision rebates. When the values of equities fall, for example, this impacts the assets being managed and thus also future returns. This risk results in a capital requirement, but its share of the market risks' total capital requirement is small. The solvency capital requirement resulting from the unit-linked insurance portfolio is included in the presented solvency capital requirement figures.

Management of market risks

General risk appetite, risk tolerance and business targets guide investment operations and create the preconditions for investment operations. In investment operations and market risk management, the objective is to attain the set business targets without endangering the solvency targets.

The cornerstones of market risk management are sufficient diversification of investments, the prudent person principle, and risk-mitigating techniques. These help to assure that assets are invested in a way that makes them as compatible with the nature of the technical provisions as possible, taking into account the pre-defined risk appetite and risk tolerance and the prevailing business environment.

Market risks are managed through, for instance, investment restrictions and limits prescribed by the boards of directors. Allocation restrictions are used to ensure that the investment assets have been allocated broadly enough and that the investment funds are not overly exposed to any individual market risks. In addition to asset-class-specific allocation restrictions, investment operations are steered by more detailed restrictions, which ensure sufficiently broad diversification also within asset classes and that no overly-large risk concentrations are formed.

Following the prudent person principle means, among other things, that assets can only be invested in products and instruments whose risks can be identified, measured, monitored, managed and reported. If new asset classes or instruments are linked to investments, before making the investment decision, it is essential to ensure that the specific processes related to following the prudent person principle have been carried out.

In addition to sufficient diversification and the prudent person principle, principles concerning risk mitigation have been specified. The risk mitigation technique means all arrangements with which a specific risk is transferred to another party, is adjusted or is eliminated either partly or fully. For market risks, risk mitigation techniques include the use of derivatives and various collateral and guarantee requirement arrangements. If the risk mitigation techniques do not meet the legality, risk identification, efficiency, risk monitoring and counterparty creditworthiness requirements, they are not included in solvency capital requirement calculations. Their protection effect thus only applies to eligible own funds.

Market risks linked to assets covering unit-linked insurances are managed passively and risk positions are not subject to special market insight or hedging strategies.

Assessment of market risks

Exposure to and the impacts of market risks are measured using asset class allocation, sensitivity analyses, and the solvency capital requirement arising from the market risk in question.

Asset class allocation at market value describes how much of the balance sheet is exposed to each market risk. However, whenever possible, allocation must be calculated based on the look-through approach for funds because only then can the actual allocation be determined.

Asset class allocation can be supported through a sensitivity analysis, which estimates how much different market movements affect the value of assets and liabilities, and the value of eligible own funds. This leads to the analysis of the risk position of the entire balance sheet, which provides a great deal more information about the market risks and their impacts. The above-mentioned analyses are additionally supplemented with insight into the capital requirements caused by market risks (own risk and solvency assessment).

Sensitivity analysis examines the impact of the materialisation of all market risks (apart from concentration risk) on the solvency position. The scenarios used are a decline in swap rates of 25 basis points or 0.25 percentage points, a decline in equities of 10 per cent, a decline in the value of real estate of 10 per cent, an increase in spreads of 50 basis points, i.e. 0.5 percentage points, and a decline in exchange rates of 5 per cent.

Sensitivity analyses produce a good estimate of how different market risk scenarios affect the solvency position. Sensitivity calculations are made by risk area. In an equity scenario, the symmetric equity adjustment is reassessed after the equity shock and its impact is taken into account in the calculation of the solvency capital requirement. Within fixed income, the interest rate swap quotation is calculated up to a 20-year maturity in the amount of equity shock, after which the discounting curve is recalculated in the manner described in the regulations. In all scenarios, the market values of investments are re-evaluated in the post-scenario situation from both the perspective of the market value and solvency capital requirement.

The allocation of the Fennia Group’s investment assets was fixed-income-weighted. Of the Fennia Group’s investment assets, 54.2 per cent (58.5%) was invested in various fixed income asset classes. Real estate investments accounted for 22.6 per cent (23.7%), equity investments for 20.4 per cent (16.9%), and other investments for 2.8 per cent (0.9%) of the Fennia Group’s investment assets.

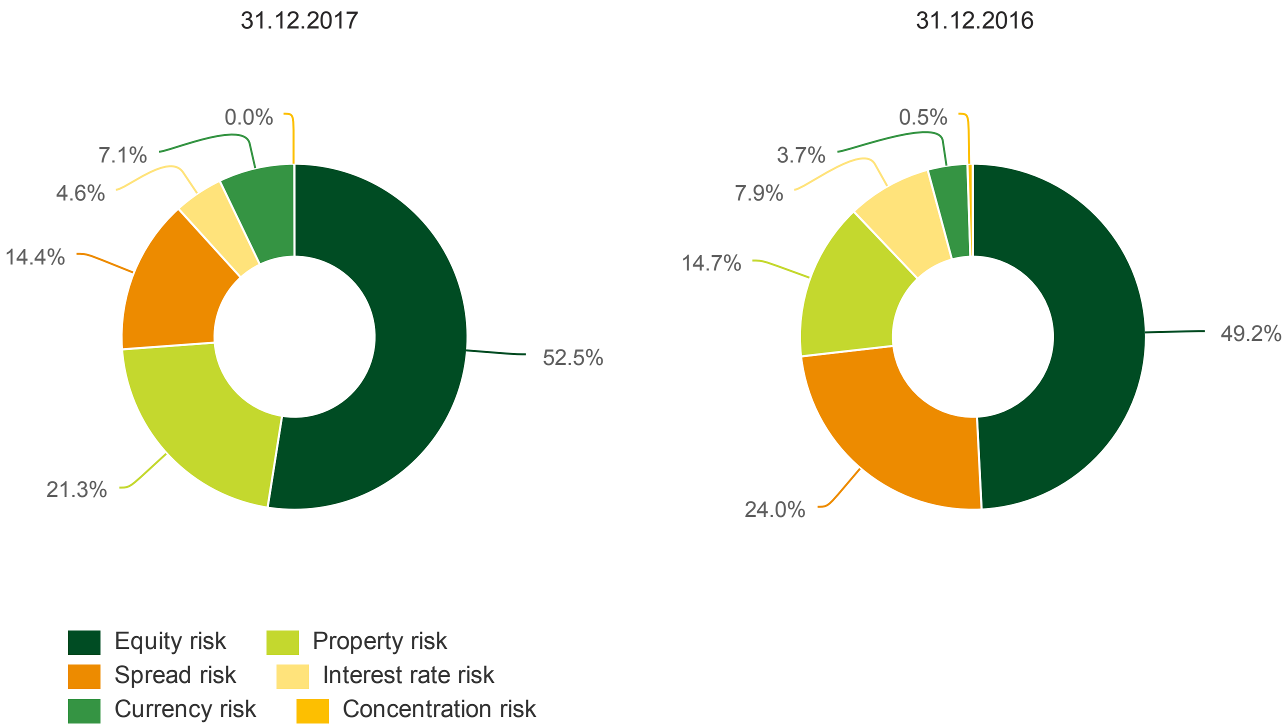
	31.12.2017				**31.12.2016**			
	Investment		**Unit-linked investment**		**Investment**		**Unit-linked investment**	
Type (EUR million)	**Market value**	**Share**	**Market value**	**Share**	**Market value**	**Share**	**Market value**	**Share**
Fixed income investments	1,313.9	54.2 %	273.0	26.8 %	1,356.1	58.5 %	265.5	29.4 %
Equity investments	494.6	20.4 %	714.2	70.2 %	390.8	16.9 %	529.9	58.6 %
Real estate investments	549.0	22.6 %	0.0	0.0 %	548.7	23.7 %	0.0	0.0 %
Other	68.2	2.8 %	30.9	3.0 %	21.3	0.9 %	108.5	12.0 %
Total	**2,425.7**	**100.0 %**	**1,018.1**	**100.0 %**	**2,316.9**	**100.0 %**	**904.0**	**100.0 %**

In addition to the above-mentioned assets, the Fennia Group’s assets also included EUR 25.1 million (EUR 26.1 million) in expected provision rebates from the funds covering unit-linked contracts.

The solvency capital requirement for market risks was EUR 474.7 million (EUR 382.3 million). Taking diversification benefits into account, the market risks’ contribution to the total capital requirement was 78.3 per cent (71.4%). The amount and the contribution increased compared to the situation a year earlier.

The solvency capital requirement for market risks consists of different risk areas as follows.

Solvency Capital Requirement for Market Risk (EUR million)	31.12.2017	Contribution	Share	31.12.2016	Contribution	Share	Change
Interest rate risk	36.0	22.0	4.6 %	47.1	30.2	7.9 %	-11.1
Equity risk	260.7	249.0	52.5 %	197.3	188.0	49.2 %	63.4
Property risk	121.1	101.4	21.3 %	108.2	91.8	24.0 %	12.9
Spread risk	85.8	68.6	14.4 %	70.3	56.2	14.7 %	15.5
Currency risk	78.5	33.8	7.1 %	37.7	14.1	3.7 %	40.8
Concentration risk	4.9	0.0	0.0 %	27.7	2.0	0.5 %	-22.8
Diversification	-112.2	-----	-----	-106.1	-----	-----	-6.2
Total Solvency Capital Requirement	**474.7**	**474.7**	**100.0 %**	**382.3**	**382.3**	**100.0 %**	**92.5**



The contribution of the equity risk to the market risks' solvency capital requirement was clearly the greatest, at 52.5 per cent (49.2%). Its share of the solvency capital requirement for market risks was clearly greater than the equity portfolio's share of the investment asset allocation. This results from an increase in equity investments and from the equity risk's solvency capital requirement being the highest (in absolute terms), so even a small allocation in equities causes a significant increase in market risk on the solvency capital requirement. However, some of the other asset classes' solvency capital requirements are also classified as equity risk. Typically, these are linked to funds that use a high leverage or to whose content it has not been possible to apply the look-through approach and to individual investments made in funds to which the look-through approach has been applied, for which there is not enough information available to carry out the appropriate solvency calculations. The second-highest contribution, 21.3 per cent (24.0%), was that of the real estate risk. The contribution of the open interest rate risk was 4.6 (7.9%) per cent of the solvency capital requirement for Fennia Group's market risks.

Significant changes took place in the solvency capital requirement levels for market risks during the year. The solvency capital requirement showed the clearest rise in the equity and currency risk. The solvency capital requirements for the real estate risk and the spread risk also increased, whereas the interest rate and concentration risk decreased.

In the sensitivity analysis, the biggest impact on the Fennia Group's solvency position comes from a scenario where the value of real estate declines. A 10-per-cent decline in the value of real estate reduces eligible own funds by EUR 45.4 million and causes the relative solvency position to weaken by 5.3 percentage points.

The impact of an equity decline scenario is also significant. This change does not have such a large impact on the solvency figure, however, because the symmetric equity adjustment reacts to a decline in equities by reducing the solvency capital requirement. When the decline in equities is larger, the symmetric equity adjustment term does not function as effectively, and the impacts begin to be seen more clearly also as a weakening of the solvency position.

The duration and market value of fixed income investment assets are lower than those of technical provisions. This is why, from the perspective of the Fennia Group's solvency, a decline in interest rates is a negative scenario. A decline of 25 basis points in interest rates reduces eligible own funds by EUR 23.2 million. As the solvency capital requirement for interest rate risk is already low due to a low interest rate level, the solvency capital requirement will remain almost unchanged in a negative interest rate scenario. In addition, the interest rate risk resulting from technical provisions was partly hedged using interest rate swaps. This protection was also taken into account when calculating the solvency capital requirement.

The widening of spreads by 50 basis points results in a decline of 2.4 percentage points in the Fennia Group's relative solvency position. A 10-per-cent decline in the value of real estate causes the relative solvency position to weaken by 5.3 percentage points. Changes in foreign exchange rates do not have a very big impact on Fennia Group's solvency, since the currency risk was mainly hedged using currency derivatives.

Should all of the above-mentioned scenarios occur simultaneously, the impact on the Fennia Group's eligible own funds would be EUR –137.2 million, the impact on free capital would be EUR –90.0 million, and the relative solvency position would fall by 9.0 percentage points to 202.3 per cent.

		Scenario					
Sensitivity analysis (EUR million)	**31.12.2017**	**Interest rate -25kp**	**Equity -10%**	**Property -10%**	**Spread + 50kp**	**Currency -5%**	**Combined scenario**
Eligible own funds	980.0	956.8	941.0	934.6	967.3	967.9	842.8
Solvency Capital Requirement	463.8	464.3	431.6	453.7	463.0	458.6	416.6
Free own funds	516.2	492.5	509.4	480.9	504.3	509.2	426.2
Change in free own funds	-----	-23.7	-6.8	-35.3	-11.9	-6.9	-90.0
Solvency ratio	211.3 %	206.1 %	218.0 %	206.0 %	208.9 %	211.0 %	202.3 %

Assessment of Fennia's market risks

The allocation of Fennia's investment assets was fixed-income-weighted. Of Fennia's investment assets, 47.8 per cent (52.8%) was invested in various fixed income asset classes. Real estate investments accounted for 16.9 per cent (18.3%), equity investments for 32.3 per cent (28.0%), and other investments for 3.0 per cent (0.9%) of Fennia's investment assets.

	31.12.2017		31.12.2016	
Type (EUR million)	**Market value**	**Share**	**Market value**	**Share**
Fixed income investments	914.1	47.8 %	936.1	52.8 %
Equity investments	618.0	32.3 %	496.9	28.0 %
Real estate investments	323.4	16.9 %	324.1	18.3 %
Other	58.2	3.0 %	15.5	0.9 %
Total	**1,913.7**	**100.0 %**	**1,772.7**	**100.0 %**

The relatively high allocation of equity investments results mostly from the ownership in Fennia Life Insurance Company Ltd. Its share of the investment assets was 14.1 per cent (12.3%). The allocation of other equity investments was 18.2 per cent (15.7%).

The solvency capital requirement for market risks was EUR 384.2 million (EUR 301.3 million). Taking diversification benefits into account, the market risks' contribution to the total capital requirement was 80.0 per cent (73.4%). The amount and the contribution increased compared to the situation a year earlier.

The solvency capital requirement for market risks consists of different risk areas as follows.

Solvency Capital Requirement for Market Risk (EUR million)	31.12.2017	Contribution	Share	31.12.2016	Contribution	Share	Change
Interest rate risk	18.3	10.7	2.8 %	26.7	16.3	5.4 %	-8.4
Equity risk	242.1	233.7	60.8 %	177.9	171.1	56.8 %	64.2
Property risk	67.2	54.0	14.1 %	58.4	47.3	15.7 %	8.8
Spread risk	72.8	59.1	15.4 %	63.3	51.8	17.2 %	9.5
Currency risk	58.9	24.4	6.3 %	28.8	10.5	3.5 %	30.1
Concentration risk	29.9	2.3	0.6 %	35.4	4.2	1.4 %	-5.4
Diversification	-105.0	-----	-----	-89.3	-----	-----	-15.7
Total Solvency Capital Requirement	**384.2**	**384.2**	**100.0 %**	**301.3**	**301.3**	**100.0 %**	**83.0**

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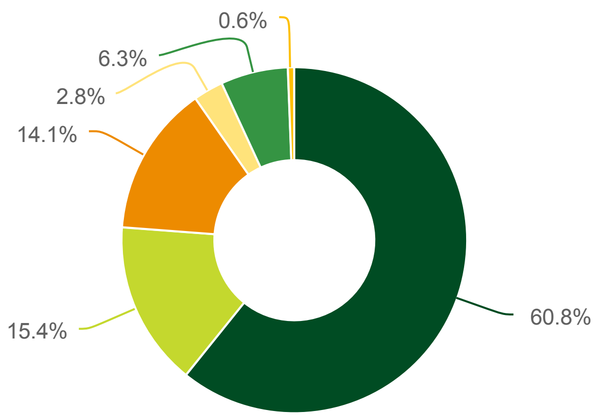

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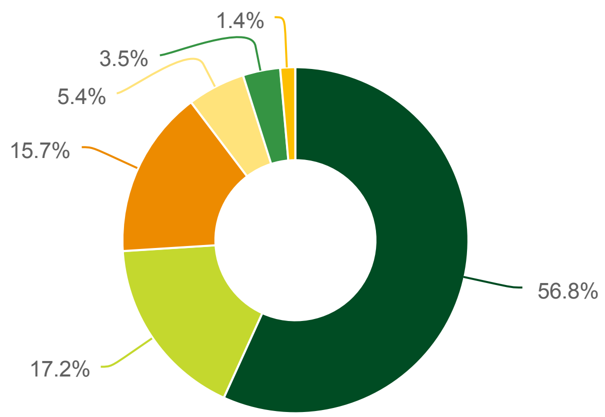


Equity risk
Spread risk
Property risk
Interest rate risk
Currency risk
Concentration risk

The contribution of the equity risk to the market risks' solvency capital requirement was clearly the greatest, at 60.8 per cent (56.8%). Its share of the solvency capital requirement for market risks was clearly greater than the equity portfolio's share of the investment asset allocation. This results from an increase in equity investments and from the equity risk's solvency capital requirement being the highest (in absolute terms), so even a small allocation in equities causes a significant increase in market risk on the solvency capital requirement.

However, some of the other asset classes' solvency capital requirements are also classified as equity risk. Typically, these are linked to funds that use a high leverage and to whose content it has not been possible to apply the look-through approach and to individual investments made in funds to which the look-through approach has been applied, for which there is not enough information available to carry out the appropriate solvency calculations. The second-highest contribution, 15.4 per cent (17.2%), was that of the spread risk. The contribution of the open interest rate risk was 2.8 (5.4%) per cent of the solvency capital requirement for Fennia's market risks.

Significant changes took place in the solvency capital requirement levels for market risks during the year. The solvency capital requirement showed the clearest rise in the equity and currency risk. The solvency capital requirements for the real estate risk and the spread risk also increased, whereas the interest rate and concentration risk decreased.

The change in the concentration risk is due to the positive development of Fennia Life Insurance Company Ltd's solvency position, in which case Fennia's solvency capital requirement risk concentration arising from the ownership decreased.

In the sensitivity analysis, the greatest impact on the eligible own funds comes from a scenario in which equities fall. A 10-per-cent decline in the value of equities reduces eligible own funds by EUR 38.6 million and free capital by EUR 14.2 million but causes the relative solvency position to improve by 6.9 percentage points. This improvement is due to the symmetric equity adjustment reacting to a decline in equities by reducing the solvency capital requirement. When the decline in equities is larger, the symmetric equity adjustment term does not function as effectively, and the impacts begin to manifest more clearly as a weakening of the solvency position.

The scenario of a decline in the value of real estate also has a significant impact on Fennia's eligible own funds. A 10-per-cent decline in the value of real estate reduces eligible own funds by EUR 31.1 million and causes the relative solvency position to weaken by 3.4 percentage points.

The duration and market value of fixed income investment assets are lower than those of technical provisions. This is why, from the perspective of Fennia's solvency, a decline in interest rates is a negative scenario. A decline of 25 basis points in interest rates reduces eligible own funds by EUR 20.0 million. As the solvency capital requirement for interest rate risk is already low due to a low interest rate level, the solvency capital requirement will remain almost unchanged in a negative interest rate scenario.

The widening of spreads by 50 basis points results in a decline of 3.3 percentage points in Fennia's relative solvency position. Changes in foreign exchange rates do not have a very big impact on Fennia's solvency, since the currency risk is mainly hedged using currency derivatives.

Should all of the above-mentioned scenarios occur simultaneously, the impact on Fennia's eligible own funds would be EUR –118.1 million, the impact on free capital would be EUR –80.6 million, and the relative solvency position would fall by 6.7 percentage points to 249.2 per cent.

		Scenario					
Sensitivity analysis (EUR million)	**31.12.2017**	**Interest rate -25kp**	**Equity -10%**	**Property -10%**	**Spread +50kp**	**Currency -5%**	**Combined scenario**
Eligible own funds	953.7	933.6	915.1	922.5	937.4	941.9	835.6
Solvency Capital Requirement	372.8	372.6	348.3	365.4	371.2	368.3	335.3
Free own funds	580.9	561.0	566.8	557.1	566.1	573.5	500.3
Change in free own funds	-----	-19.9	-14.2	-23.8	-14.8	-7.4	-80.6
Solvency ratio	255.8 %	250.6 %	262.7 %	252.5 %	252.5 %	255.7 %	249.2 %

Assessment of Fennia Life's market risks

The allocation of Fennia Life's investment assets was fixed-income-weighted. Fennia Life's share of the investment assets was 69.1 per cent (72.2%), invested in various fixed income asset classes. Real estate investments accounted for 10.7 per cent (12.4%), equity investments for 18.9 per cent (14.6%), and other investments for 1.3 per cent (0.8%) of Fennia Life's investment assets.

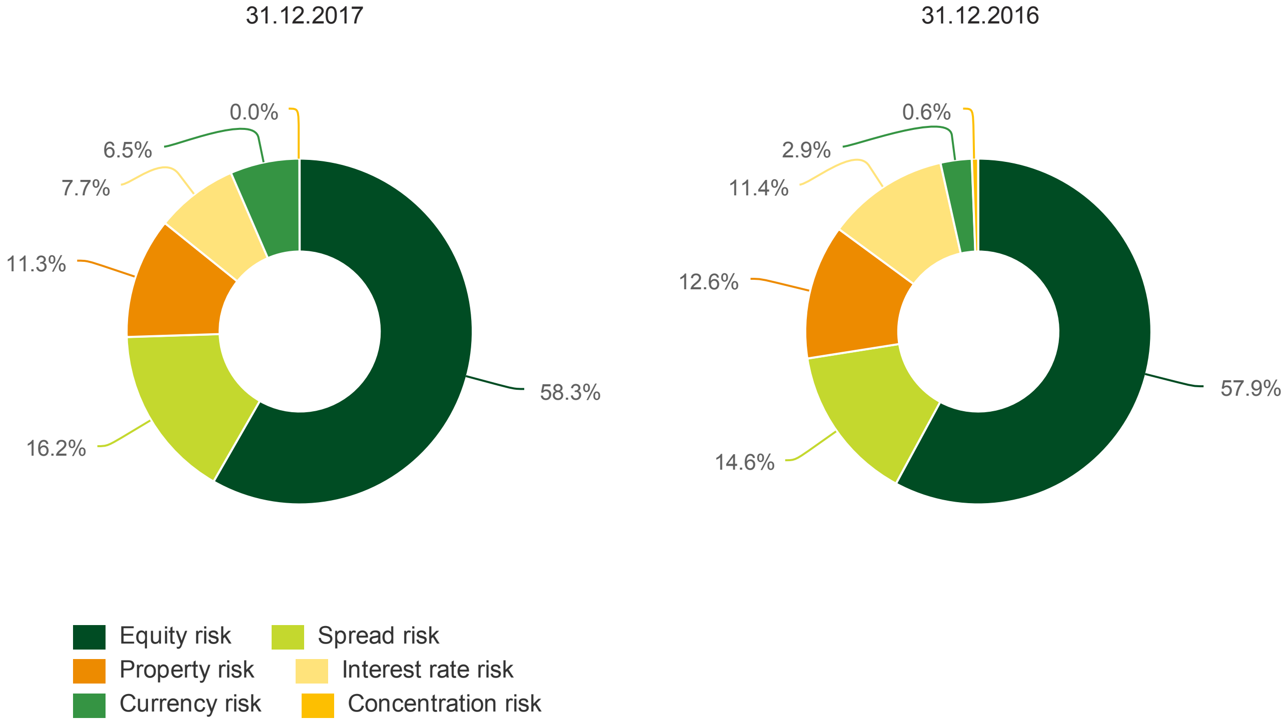
	31.12.2017				**31.12.2016**			
	Investment		**Unit-linked investment**		**Investment**		**Unit-linked investment**	
Type (EUR million)	**Market value**	**Share**	**Market value**	**Share**	**Market value**	**Share**	**Market value**	**Share**
Fixed income investments	530.5	69.1 %	273.0	26.8 %	550.0	72.2 %	265.5	29.4 %
Equity investments	145.5	18.9 %	714.2	70.2 %	111.3	14.6 %	529.9	58.6 %
Real estate investments	82.1	10.7 %	0.0	0.0 %	94.5	12.4 %	0.0	0.0 %
Other	10.0	1.3 %	30.9	3.0 %	5.8	0.8 %	108.5	12.0 %
Total	**768.0**	**100.0 %**	**1,018.1**	**100.0 %**	**761.7**	**100.0 %**	**904.0**	**100.0 %**

In addition to the above-mentioned assets, Fennia Life's assets also included EUR 25.1 million (EUR 26.1 million) in expected provision rebates from the funds covering unit-linked contracts.

The solvency capital requirement for market risks was EUR 127.3 million (EUR 110.1 million). Taking diversification benefits into account, the market risks' contribution to the total capital requirement was 66.9 per cent (57.7%). The amount and the contribution increased compared to the situation a year earlier.

The solvency capital requirement for market risks consists of different risk areas as follows.

Solvency Capital Requirement for Market Risk (EUR million)	31.12.2017	Contribution	Share	31.12.2016	Contribution	Share	Change
Interest rate risk	15.5	9.8	7.7 %	19.0	12.6	11.4 %	-3.6
Equity risk	77.3	74.2	58.3 %	66.3	63.7	57.9 %	10.9
Property risk	18.1	14.4	11.3 %	17.3	13.9	12.6 %	0.8
Spread risk	25.1	20.6	16.2 %	19.7	16.1	14.6 %	5.4
Currency risk	19.6	8.2	6.5 %	8.9	3.2	2.9 %	10.7
Concentration risk	0.0	0.0	0.0 %	8.2	0.6	0.6 %	-8.2
Diversification	-28.2	-----	-----	-29.4	-----	-----	1.1
Total Solvency Capital Requirement	**127.3**	**127.3**	**100.0 %**	**110.1**	**110.1**	**100.0 %**	**17.1**



The contribution of the equity risk to the market risks' solvency capital requirement was clearly the greatest, at 58.3 per cent (57.9%). Its share of the solvency capital requirement for market risks was clearly greater than the equity portfolio's share of the investment asset allocation. This results from an increase in equity investments and from the equity risk's solvency capital requirement being the highest (in absolute terms), so even a small allocation in equities causes a significant increase in market risk on the solvency capital requirement. However, some of the other asset classes' solvency capital requirements are also classified as equity risk. Typically, these are linked to funds that use a high leverage or to whose content it has not been possible to apply the look-through approach and to individual investments made in funds to which the look-through approach has been applied, for which there is not enough information available to carry out the appropriate solvency calculations. The second-highest contribution, 16.2 per cent (14.6%), was that of the spread risk. The contribution of the open interest rate risk was 7.7 (11.4%) per cent of the solvency capital requirement for Fennia Life's market risks.

Significant changes took place in the solvency capital requirement levels for market risks during the year. The solvency capital requirement showed the clearest rise in the equity and currency risk. The solvency capital requirement for the spread risk also increased. The real estate risk was almost at the same level, the interest rate decreased and the concentration risk was very small.

In the sensitivity analysis, the greatest impact on the eligible own funds comes from a scenario in which equities fall. This change does not have such a large impact on the solvency figure, however, because the symmetric equity adjustment reacts to a decline in equities by reducing the solvency capital requirement. When the decline in equities is larger, the symmetric equity adjustment term does not function as effectively, and the impacts begin to manifest more clearly as a weakening of the solvency position.

The duration and market value of fixed income investment assets are lower than those of technical provisions. This is why, from the perspective of Fennia Life's solvency, a decline in interest rates is a negative scenario. A decline of 25 basis points in interest rates reduces eligible own funds by EUR 7.0 million. As the solvency capital requirement for interest rate risk is already low due to a low interest rate level, the solvency capital requirement will remain almost unchanged in a negative interest rate scenario. In addition, the interest rate risk resulting from technical provisions is partly hedged using interest rate swaps. This protection has also been taken into account in calculating the solvency capital requirement. For that reason, in a scenario where interest rates decline, the impact on free capital and on the solvency capital requirement is equal to the change in eligible own funds.

The widening of spreads by 50 basis points results in a decline of 3.0 percentage points in Fennia Life's relative solvency position. A 10-per-cent decline in the value of real estate also causes the relative solvency position to weaken by 3.0 percentage points. Changes in foreign exchange rates do not have a very big impact on Fennia Life's solvency, since the currency risk is mainly hedged using currency derivatives.

Should all of the above-mentioned scenarios occur simultaneously, the impact on Fennia Life's eligible own funds would be EUR –33.6 million, the impact on free capital would be EUR –21.3 million, and the relative solvency position would fall by 7.3 percentage points to 196.0 per cent.

		Scenario					
Sensitivity analysis (EUR million)	**31.12.2017**	**Interest rate -25 bp**	**Equity - 10 %**	**Property - 10 %**	**Spread + 50 kp**	**Currency - 5 %**	**Combined scenario**
Eligible own funds	265.9	258.9	252.9	259.3	261.6	263.2	232.3
Solvency Capital Requirement	130.8	130.6	121.2	129.5	130.6	129.6	118.5
Free own funds	135.1	128.4	131.6	129.9	131.0	133.5	113.8
Change in free own funds	-----	-6.7	-3.5	-5.2	-4.1	-1.6	-21.3
Solvency ratio	203.3 %	198.3 %	208.5 %	200.3 %	200.3 %	203.0 %	196.0 %

Interest rate risk

Interest rate risk means changes in eligible own funds and in the solvency position resulting from fluctuations in the interest rate level. Technical provisions involve an interest rate risk. In order to manage it, a significant portion of the investment assets should be invested in fixed income instruments. How much should be invested in fixed income investments, in other words, how much interest rate risk should be kept open, is one of the key decisions in terms of the market risk management and investment operations.

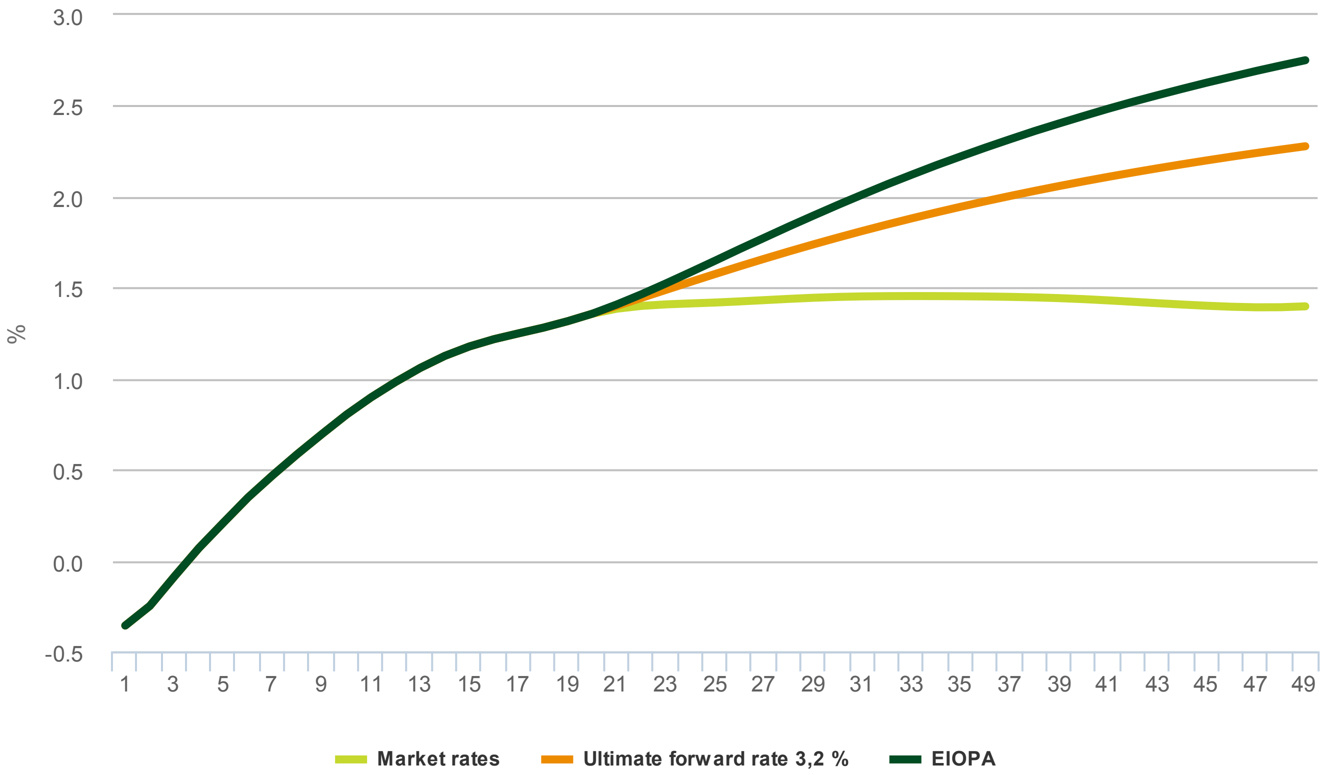
A change in the interest rate level impacts the market-consistent value of assets and liabilities. If the market-consistent value changes in fixed income investments and technical provisions differ considerably from one another when the interest rate level changes, the eligible own funds are exposed to interest rate risk. As the interest rate level changes, the change in the value of assets does not fully compensate the change in the value of the technical provisions, which has an impact on solvency by either weakening it or strengthening it.

Interest rate risk is managed and monitored using, among other things, a fixed income investment and technical provision cash flow analysis. The closer the cash flows from fixed income investments and technical provisions are to one another, the lower the interest rate risk resulting from the position. Interest rate risk is not eliminated simply by matching the duration and amount.

For negative interest rates and their maturities, no interest rate risk solvency capital requirement is formed. Where the yield curve is above zero, the declining interest rate level results in a smaller interest rate risk solvency capital requirement.

The solvency calculation framework uses the zero-coupon rate curve defined by the European Insurance and Occupational Pensions Authority (EIOPA) to discount the technical provisions' cash flows. This differs from the market-consistent yield curve, particularly after a maturity of 20 years, which is why the fully market-consistent value of the technical provisions and thus the value of eligible own funds differ from the value used in official calculations. If the market-consistent yield curve were used to define eligible own funds and relative solvency position, both would be impacted negatively. Similarly, the reduction of the ultimate forward rate of the yield curve would have a weakening impact on the solvency position.

Zero-coupon rate curve



The majority of the fixed income investments in the Fennia Group's investment assets were made in companies' short-term bonds or money market instruments. The relatively large allocation in high-risk corporate bonds is largely linked to non-classified bonds.

Allocation of fixed income investments 31.12.2017 (EUR million)	Investment			Unit-linked investment		
	Market value	Share	Duration	Market value	Share	Duration
Money and deposits	142.6	10.9 %	0.0	42.2	15.5 %	0.0
Money market funds	12.8	1.0 %	-----	0.0	0.0 %	-----
Government bonds	51.2	3.9 %	19.4	0.0	0.0 %	0.0
Investment grade corporate bonds	368.8	28.1 %	1.8	92.4	33.8 %	5.1
High-yield corporate bonds	480.0	36.5 %	1.4	93.1	34.1 %	2.6
Covered bonds	10.1	0.8 %	5.6	0.1	0.0 %	1.5
Emerging market government bonds	45.2	3.4 %	5.9	0.0	0.0 %	0.0
Emerging market corporate bonds	125.5	9.6 %	2.7	0.9	0.3 %	2.6
Interest rate derivatives	0.7	0.1 %	-----	0.0	0.0 %	-----
Loans	67.4	5.1 %	5.5	0.0	0.0 %	0.0
Bond funds	3.6	0.3 %	-----	0.0	0.0 %	-----
Other fixed income investments	6.0	0.5 %	3.7	44.3	16.2 %	8.0
Total	**1,313.9**	**100.0 %**	**2.6**	**273.0**	**100.0 %**	**3.9**
Best estimate of technical provisions	1,293.6	-----	12.7	972.0	-----	13.1

Allocation of fixed income investments 31.12.2016 (EUR million)	Investment			Unit-linked investment		
	Market value	Share	Duration	Market value	Share	Duration
Money and deposits	100.8	7.4 %	0.0	50.1	18.9 %	0.0
Money market funds	4.0	0.3 %	-----	0.0	0.0 %	-----
Government bonds	68.9	5.1 %	18.0	0.0	0.0 %	0.0
Investment grade corporate bonds	580.0	42.8 %	2.0	87.0	32.8 %	2.7
High-yield corporate bonds	431.6	31.8 %	1.0	102.7	38.7 %	4.0
Covered bonds	3.8	0.3 %	5.2	0.0	0.0 %	0.0
Emerging market government bonds	4.4	0.3 %	6.8	0.0	0.0 %	0.0
Emerging market corporate bonds	108.6	8.0 %	2.4	1.0	0.4 %	2.9
Interest rate derivatives	1.8	0.1 %	-----	0.0	0.0 %	-----
Loans	51.6	3.8 %	4.6	0.0	0.0 %	0.0
Bond funds	0.0	0.0 %	-----	0.0	0.0 %	-----
Other fixed income investments	0.6	0.0 %	3.7	24.7	9.3 %	2.6
Total	**1,356.1**	**100.0 %**	**2.5**	**265.5**	**100.0 %**	**2.7**
Best estimate of technical provisions	1,373.7	-----	13.3	868.2	-----	13.6

The solvency capital requirement for the Fennia Group's interest rate risk was EUR 36.0 million (EUR 47.1 million) and the contribution to the market risks' total solvency capital requirement was EUR 22.0 million (EUR 30.2 million). The interest rate risk's share of the market risks' total solvency capital requirement was 4.6 per cent (7.9%).

At the end of the reporting season, the interest rate risk on the Fennia Group's technical provisions was larger than the investment portfolio's, which means that a decline in interest rates was a negative scenario for the Fennia Group. A 25-basis-point change in swap rates would thus result in a change in eligible own funds of EUR 23.2 million. With the interest rate at such a low level, the downward interest rate shock barely changes the Fennia Group's solvency capital requirement and thus does not compensate for a decline in eligible own funds. In this scenario, the relative solvency position would weaken by 5.2 percentage points. A 25-basis-point movement in interest rates cannot be considered especially large or exceptional, so, despite the interest rate hedging, the Fennia Group had an open interest rate risk.

The table below illustrates the impacts on the Fennia Group's solvency position of switching to a market-consistent yield curve or a lower, ultimate forward rate.

Sensitivity analysis (EUR million)	31.12.2017	Scenario	
		Market curve	Ultimate Forward Rate (UFR) 3,2 %
Eligible own funds	980.0	943.8	967.1
Solvency Capital Requirement	463.8	462.6	463.6
Free own funds	516.2	481.2	503.5
Change in free own funds	-----	-34.9	-12.7
Solvency ratio	211.3 %	204.0 %	208.6 %

The table presents the greatest counterparty concentrations in the investment assets from the interest rate risk perspective, measured at fair value.

Counterparty (EUR million)	Market value 31.12.2017	% of investment
Federal Republic of Germany	50.3	2.2 %
Fastighets AB Balder	17.2	0.8 %
Sponda Oyj	16.8	0.7 %
Pohjolan Voima Oyj	13.4	0.6 %
BNP Paribas SA	10.5	0.5 %

Fennia's interest rate risk

The majority of the fixed income investments in Fennia's investment assets were made in companies' short-term bonds or money market instruments. The relatively large allocation in high-risk corporate bonds is largely linked to non-classified bonds.

Allocation of fixed income investments (EUR million)	31.12.2017			31.12.2016		
	Market value	**Share**	**Duration**	**Market value**	**Share**	**Duration**
Money and deposits	93.7	10.3 %	0.0	57.1	6.1 %	0.0
Money market funds	12.7	1.4 %	-----	1.7	0.2 %	-----
Government bonds	32.9	3.6 %	19.6	46.6	5.0 %	18.0
Investment grade corporate bonds	111.7	12.2 %	2.9	304.4	32.5 %	2.6
High-yield corporate bonds	329.5	36.0 %	1.6	263.1	28.1 %	1.3
Covered bonds	9.2	1.0 %	5.9	3.8	0.4 %	5.2
Emerging market government bonds	43.5	4.8 %	6.1	4.3	0.5 %	6.9
Emerging market corporate bonds	94.3	10.3 %	3.1	95.1	10.2 %	2.6
Interest rate derivatives	0.0	0.0 %	-----	0.0	0.0 %	-----
Loans	177.2	19.4 %	6.4	159.4	17.0 %	5.9
Bond funds	3.6	0.4 %	-----	0.0	0.0 %	-----
Other fixed income investments	5.7	0.6 %	3.7	0.6	0.1 %	3.7
Total	**914.1**	**100.0 %**	**3.6**	**936.1**	**100.0 %**	**3.4**
Best estimate of technical provisions	819.0	-----	12.7	851.1	-----	13.1

The solvency capital requirement for Fennia's interest rate risk was EUR 18.3 million (EUR 26.7 million) and the contribution to the market risks' total solvency capital requirement was EUR 10.7 million (EUR 16.3 million). The interest rate risk's share of the market risks' total solvency capital requirement was 2.8 per cent (5.4%).

At the end of the reporting season, the interest rate risk on Fennia's technical provisions was larger than the investment portfolio's, which means that a decline in interest rates was a negative scenario. A 25-basis-point change in swap rates would thus result in a change in eligible own funds of EUR 20.0 million. With the interest rate at such a low level, the downward interest rate shock barely changes Fennia's solvency capital requirement and thus does not compensate for a decline in eligible own funds. In this scenario, the relative solvency position would weaken by 5.3 percentage points. A 25-basis-point movement in interest rates cannot be considered especially large or exceptional, so Fennia had a significant open interest rate risk.

The table below illustrates the impacts on Fennia's solvency position in transferring to using a market-consistent yield curve or a lower, ultimate forward rate.

Sensitivity analysis (EUR million)	31.12.2017	Scenario	
		Market curve	**Ultimate Forward Rate (UFR) 3,2 %**
Eligible own funds	953.7	919.0	941.3
Solvency Capital Requirement	372.8	370.9	372.3
Free own funds	580.9	548.0	569.1
Change in free own funds	-----	-32.9	-11.8
Solvency ratio	255.8 %	247.8 %	252.9 %

The table presents the greatest counterparty concentrations in the investment assets from the interest rate risk perspective, measured at fair value.

Counterparty (EUR million)	Market value 31.12.2017	% of investment
Federal Republic of Germany	32.2	1.8 %
Kiinteistö Oy Televisiokatu 1-3	29.4	1.6 %
Asunto Oy Helsingin Viikinportti	13.1	0.7 %
Sponda OYJ	12.0	0.7 %
Fastighets AB Balder	9.0	0.5 %

Fennia Life's interest rate risk

The majority of the fixed income investments in Fennia Life’s investment assets were made in companies’ short-term bonds or money market instruments. The relatively large allocation in high-risk corporate bonds is largely linked to non-classified bonds.

Allocation of fixed income investments 31.12.2017 (EUR million)	Investments			Unit-linked investments		
	Market value	**Share**	**Duration**	**Market value**	**Share**	**Duration**
Money and deposits	48.9	9.2 %	0.0	42.2	15.5 %	0.0
Money market funds	0.0	0.0 %	-----	0.0	0.0 %	-----
Government bonds	18.3	3.5 %	19.1	0.0	0.0 %	0.0
Investment grade corporate bonds	257.1	48.5 %	1.4	92.4	33.8 %	5.1
High-yield corporate bonds	150.5	28.4 %	1.1	93.1	34.1 %	2.6
Covered bonds	0.9	0.2 %	2.4	0.1	0.0 %	1.5
Emerging market government bonds	1.7	0.3 %	2.1	0.0	0.0 %	0.0
Emerging market corporate bonds	31.2	5.9 %	1.5	0.9	0.3 %	2.6
Interest rate derivatives	0.7	0.1 %	-----	0.0	0.0 %	-----
Loans	20.8	3.9 %	5.9	0.0	0.0 %	0.0
Bond funds	0.0	0.0 %	-----	0.0	0.0 %	-----
Other fixed income investments	0.3	0.0 %	4.8	44.3	16.2 %	8.0
Total	**530.5**	**100.0 %**	**2.0**	**273.0**	**100.0 %**	**3.9**
Best estimate of technical provisions	474.6	-----	12.7	972.0	-----	13.1

Allocation of fixed income investments 31.12.2016 (EUR million)	Investments			Unit-linked investments		
	Market value	**Share**	**Duration**	**Market value**	**Share**	**Duration**
Money and deposits	43.7	8.0 %	0.0	50.1	18.9 %	0.0
Money market funds	2.3	0.4 %	-----	0.0	0.0 %	-----
Government bonds	22.2	4.0 %	18.2	0.0	0.0 %	0.0
Investment grade corporate bonds	275.6	50.1 %	1.4	87.0	32.8 %	2.7
High-yield corporate bonds	168.5	30.6 %	0.5	102.7	38.7 %	4.0
Covered bonds	0.0	0.0 %	0.0	0.0	0.0 %	0.0
Emerging market government bonds	0.1	0.0 %	1.5	0.0	0.0 %	0.0
Emerging market corporate bonds	13.5	2.5 %	0.6	1.0	0.4 %	2.9
Interest rate derivatives	1.8	0.3 %	-----	0.0	0.0 %	-----
Loans	22.2	4.0 %	6.3	0.0	0.0 %	0.0
Bond funds	0.0	0.0 %	-----	0.0	0.0 %	-----
Other fixed income investments	0.0	0.0 %	0.1	24.7	9.3 %	2.6
Total	**550.0**	**100.0 %**	**1.8**	**265.5**	**100.0 %**	**2.7**
Best estimate of technical provisions	514.9	-----	13.5	867.9	-----	13.7

The solvency capital requirement for Fennia Life’s interest rate risk was EUR 15.5 million (EUR 19.0 million) and the contribution to the market risks’ total solvency capital requirement was EUR 9.8 million (EUR 12.6 million). The interest rate risk’s share of the market risks’ total solvency capital requirement was 7.7 per cent (11.4%).

At the end of the reporting season, the interest rate risk on Fennia Life's technical provisions was larger than the investment portfolio's, which means that a decline in interest rates was a negative scenario for Fennia Life. A 25-basis-point change in swap rates would thus result in a change in eligible own funds of EUR 7.0 million. With the interest rate at such a low level, the downward interest rate shock barely changes Fennia Life's solvency capital requirement and thus does not compensate for a decline in eligible own funds. In this scenario, the relative solvency position would weaken by 5.0 percentage points. A 25-basis-point movement in interest rates cannot be considered especially large or exceptional, so, despite the interest rate hedging, Fennia Life had an open interest rate risk.

The table below illustrates the impacts on Fennia Life's solvency position in transferring to using a market-consistent yield curve or a lower, ultimate forward rate.

		Scenario	
Sensitivity analysis (EUR million)	**31.12.2017**	**Market curve**	**Ultimate Forward Rate (UFR) 3,2 %**
Eligible own funds	265.9	255.6	262.2
Solvency Capital Requirement	130.8	129.8	130.5
Free own funds	135.1	125.8	131.7
Change in free own funds	-----	-9.3	-3.4
Solvency ratio	203.3 %	196.9 %	200.9 %

The table presents the greatest counterparty concentrations in the investment assets from the interest rate risk perspective, measured at fair value.

Counterparty (EUR million)	Market value 31.12.2017	% of investment
Federal Republic of Germany	18.1	2.5 %
Fastighets AB Balder	8.3	1.2 %
FCA Bank SpA	7.9	1.1 %
Asunto Oy Tampereen Vuoreksen Puistokatu 76	7.0	1.0 %
Snam SpA	6.4	0.9 %

Spread risk

Significant amounts of spread risk are linked to fixed income investments. Investing in bonds creates exposure to changes in the issuer's spread (interest rate margin). This is realised when the markets assess that changes have taken place in the creditworthiness of a credit instrument issuer, which have a weakening impact on the market value of the bonds. In solvency capital requirement calculations, the capital requirement caused by an investment's spread risk is defined by the market value and duration of the bonds and creditworthiness.

The majority of the fixed income portfolio in the Fennia Group's investment assets was invested in bonds or money market instruments issued by companies, which means that the Fennia Group was exposed to risk when spreads rise. The duration of fixed income investments was fairly low as short-maturity bonds were popular within corporate bonds. In addition to short-duration (1–3 y) investments, a large proportion of fixed income investments were invested in certificates of deposit or commercial papers classified as money market investments, which had a duration of less than a year, in most cases less than six months.

When defining the allocation limits, the amount of weaker-quality corporate bonds and emerging markets' corporate and government bonds was limited. Due to the portfolio's allocation, also the contribution of fixed income investments to the market risk's solvency capital requirement was significantly lower than its allocation.

The table illustrates the Fennia Group's creditworthiness position.

Credit Rating 31.12.2017 (EUR million)	Investment 0–1	1–2	2–3	3–4	4–5	> 5	Total	Unit-linked investment Total
AAA	0.0	1.6	0.6	0.5	0.0	50.7	**53.4**	**0.0**
AA	0.1	0.2	1.2	0.3	2.7	0.4	**4.8**	**0.0**
A	25.1	20.7	13.3	8.6	4.3	13.0	**85.1**	**0.0**
BBB	147.7	86.1	32.2	33.9	14.9	38.4	**353.3**	**0.9**
BB	28.3	33.1	25.2	15.5	6.8	17.3	**126.2**	**0.9**
B	46.8	14.7	9.4	7.9	11.3	11.2	**101.3**	**1.4**
CCC	3.3	1.6	1.6	0.4	0.2	0.4	**7.4**	**0.0**
CC	0.3	0.0	0.0	0.0	0.0	0.0	**0.3**	**0.0**
C or lower	0.0	0.1	0.0	0.0	0.0	0.0	**0.1**	**0.0**
Not rated	243.1	42.3	34.1	41.5	27.1	34.2	**422.3**	**227.5**
Total	**494.8**	**200.3**	**117.5**	**108.6**	**67.5**	**165.5**	**1,154.2**	**230.8**

Credit Rating 31.12.2016 (EUR million)	Investment 0–1	1–2	2–3	3–4	4–5	> 5	Total	Unit-linked investment Total
AAA	0.3	0.1	0.0	0.2	0.0	53.8	**54.4**	**0.0**
AA	8.7	1.7	0.6	0.5	1.5	15.8	**28.8**	**3.5**
A	89.8	42.6	9.9	9.6	9.3	21.4	**182.6**	**26.3**
BBB	172.0	108.7	34.7	33.5	34.0	55.0	**437.9**	**57.1**
BB	17.2	18.7	17.0	10.5	6.1	15.5	**85.1**	**26.2**
B	29.1	11.6	9.9	4.9	1.6	1.4	**58.5**	**5.5**
CCC	2.0	0.9	0.2	0.5	0.2	0.0	**3.8**	**0.6**
CC	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**0.0**
C or lower	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**0.0**
Not rated	305.9	25.5	27.3	14.9	10.5	14.1	**398.2**	**96.2**
Total	**625.0**	**209.8**	**99.6**	**74.7**	**63.3**	**177.0**	**1,249.4**	**215.4**

The solvency capital requirement for the Fennia Group’s spread risk was EUR 85.8 million (EUR 70.3 million) and the contribution to the market risks’ total solvency capital requirement was EUR 68.6 million (EUR 56.2 million). The spread risk’s share of the market risks’ total solvency capital requirement was 14.4 per cent (14.7%).

The investment assets’ largest counterparty concentrations from the spread viewpoint at fair value are described in the interest rate risk section.

Fennia's spread risk

The majority of the fixed income portfolio in Fennia’s investment assets was invested in bonds or money market instruments issued by companies, which means that Fennia was exposed to risk when spreads rise. The duration of fixed income investments was fairly low as short-maturity bonds were popular within corporate bonds. In addition to short-duration (1–3 y) investments, a large proportion of fixed income investments were invested in certificates of deposit or commercial papers classified as money market investments, which had a duration of less than a year, in most cases less than six months.

When defining the allocation limits, the amount of weaker-quality corporate bonds and emerging markets’ corporate and government bonds was limited. Due to the portfolio’s allocation, also the contribution of fixed income investments to the market risk’s solvency capital requirement was significantly lower than its allocation.

The table shows Fennia’s creditworthiness position.

Credit Rating 31.12.2017 (EUR million)	0–1	1–2	2–3	3–4	4–5	> 5	Total
AAA	0.0	1.6	0.6	0.5	0.0	32.6	**35.3**
AA	0.1	0.1	0.7	0.2	0.6	0.4	**2.1**
A	7.4	7.4	7.9	6.0	2.6	9.4	**40.6**
BBB	29.8	19.9	17.6	20.3	10.4	31.4	**129.4**
BB	17.2	20.0	16.5	11.3	5.8	16.8	**87.6**
B	30.5	10.1	6.8	7.0	10.9	11.2	**76.5**
CCC	3.2	1.5	1.6	0.4	0.2	0.4	**7.2**
CC	0.3	0.0	0.0	0.0	0.0	0.0	**0.3**
C or lower	0.0	0.1	0.0	0.0	0.0	0.0	**0.1**
Not rated	161.6	59.9	30.4	31.5	26.6	114.9	**424.9**
Total	**250.1**	**120.6**	**82.1**	**77.2**	**57.2**	**217.0**	**804.1**

Credit Rating 31.12.2015 (EUR million)	0–1	1–2	2–3	3–4	4–5	> 5	Total
AAA	0.2	0.1	0.0	0.2	0.0	34.5	**35.1**
AA	6.3	1.5	0.1	0.5	1.5	12.3	**22.2**
A	36.4	17.9	7.6	7.0	7.5	17.1	**93.5**
BBB	86.3	34.7	31.6	22.5	26.8	46.7	**248.6**
BB	16.5	18.2	16.4	10.5	6.1	15.5	**83.2**
B	28.4	11.5	9.8	4.9	1.6	1.4	**57.7**
CCC	2.0	0.9	0.2	0.5	0.2	0.0	**3.8**
CC	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
C or lower	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Not rated	144.2	19.9	54.2	18.9	5.7	90.5	**333.4**
Total	**320.2**	**104.8**	**119.9**	**65.0**	**49.5**	**218.0**	**877.3**

The solvency capital requirement for Fennia's spread risk was EUR 72.8 million (EUR 63.3 million) and the contribution to the market risks' total solvency capital requirement was EUR 59.1 million (EUR 51.8 million). The spread risk's share of the market risks' total solvency capital requirement was 15.4 per cent (17.2%).

The investment assets' largest counterparty concentrations from the spread viewpoint at fair value are described in the interest rate risk section.

Fennia Life's spread risk

The majority of the fixed income portfolio in Fennia Life's investment assets was invested in bonds or money market instruments issued by companies, which means that Fennia Life was exposed to risk when spreads rise. The duration of fixed income investments was fairly low as short-maturity bonds were popular within corporate bonds. In addition to short-duration (1–3 y) investments, a large proportion of fixed income investments were invested in certificates of deposit or commercial papers classified as money market investments, which had a duration of less than a year, in most cases less than six months.

When defining the allocation limits, the amount of weaker-quality corporate bonds and emerging markets' corporate and government bonds was limited. Due to the portfolio's allocation, also the contribution of fixed income investments to the market risk's solvency capital requirement was significantly lower than its allocation.

The table shows Fennia Life's creditworthiness position.

Credit Rating 31.12.2017 (EUR million)	Investment 0–1	1–2	2–3	3–4	4–5	> 5	Total	Unit-linked investment Total
AAA	0.0	0.0	0.0	0.0	0.0	18.1	**18.1**	**0.0**
AA	0.0	0.1	0.5	0.0	2.1	0.0	**2.7**	**0.0**
A	17.7	13.3	5.4	2.7	1.7	3.6	**44.4**	**0.0**
BBB	117.9	66.1	14.6	13.7	4.5	6.9	**223.9**	**0.9**
BB	11.2	13.0	8.7	4.2	1.0	0.5	**38.6**	**0.9**
B	16.3	4.6	2.6	0.9	0.5	0.0	**24.8**	**1.4**
CCC	0.1	0.1	0.0	0.0	0.0	0.0	**0.2**	**0.0**
CC	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**0.0**
C or lower	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**0.0**
Not rated	81.5	8.4	14.9	11.4	3.2	8.7	**128.1**	**227.5**
Total	**244.7**	**105.6**	**46.8**	**32.8**	**13.0**	**37.8**	**480.8**	**230.8**

Credit Rating 31.12.2016 (EUR million)	Investment 0–1	1–2	2–3	3–4	4–5	> 5	Total	Unit-linked investment Total
AAA	0.1	0.0	0.0	0.0	0.0	19.2	**19.3**	**0.0**
AA	2.4	0.1	0.6	0.0	0.0	3.5	**6.6**	**3.5**
A	53.4	24.7	2.3	2.6	1.8	4.3	**89.1**	**26.3**
BBB	85.7	74.0	3.1	11.0	7.2	8.3	**189.3**	**57.1**
BB	0.8	0.6	0.6	0.0	0.0	0.0	**2.0**	**26.2**
B	0.7	0.1	0.1	0.0	0.0	0.0	**0.8**	**5.5**
CCC	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**0.6**
CC	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**0.0**
C or lower	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	**0.0**
Not rated	161.7	6.8	2.6	8.4	5.5	9.9	**194.9**	**96.2**
Total	**304.8**	**106.2**	**9.3**	**22.0**	**14.6**	**45.3**	**502.1**	**215.4**

The solvency capital requirement for Fennia Life's spread risk was EUR 25.1 million (EUR 19.7 million) and the contribution to the market risks' total solvency capital requirement was EUR 20.6 million (EUR 16.1 million). The spread risk's share of the market risks' total solvency capital requirement was 16.2 per cent (14.6%).

The investment assets' largest counterparty concentrations from the spread viewpoint at fair value are described in the interest rate risk section.

Equity risk

The main source of equity risk is the balance sheet's equity investments. Equity risk is linked to any losses caused by changes to the equities' value and the unfavourable impact on solvency position.

Equity investments accounted for EUR 494.6 million (EUR 390.8 million) of the Fennia Group's investment assets. This represents 20.4 per cent (16.9%) of Fennia Group's total investment assets. The majority of the equity investments consisted of listed equity investments mostly in Europe and the United States. The unlisted equity investments, on the other hand, were in Finnish companies.

Allocation of equity investments (EUR million)	31.12.2017 Investment Market value	Share	Unit-linked investment Market value	Share	31.12.2016 Investment Market value	Share	Unit-linked investment Market value	Share
Listed equities	407.4	82.4 %	714.2	100.0 %	303.0	77.5 %	529.9	100.0 %
Unlisted equities	18.2	3.7 %	0.0	0.0 %	19.1	4.9 %	0.0	0.0 %
Equity funds	17.5	3.5 %	0.0	0.0 %	14.4	3.7 %	0.0	0.0 %
Private equity Funds	51.6	10.4 %	0.0	0.0 %	54.3	13.9 %	0.0	0.0 %
Equity derivatives	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %
Total	**494.6**	**100.0 %**	**714.2**	**100.0 %**	**390.8**	**100.0 %**	**529.9**	**100.0 %**

Some other asset classes are also classified as or comparable to equity risk. As mentioned earlier, these are typically linked to funds that use a high leverage or for whose content it is not possible to apply the look-through approach and to individual investments made in funds to which the look-through approach has been applied, for which there is not enough information available to carry out the appropriate solvency calculations.

Equity risk placed investments (EUR million)	31.12.2017 Investment Market value	Share	Unit-linked investment Market value	Share	31.12.2016 Investment Market value	Share	Unit-linked investment Market value	Share
Hedge funds	13.2	9.0 %	0.0	0.0 %	19.5	13.4 %	0.0	0.0 %
Real Estate Funds	64.2	44.0 %	0.0	0.0 %	113.9	78.6 %	0.0	0.0 %
Debt funds	16.3	11.2 %	0.0	0.0 %	4.0	2.8 %	0.0	0.0 %
Other	52.2	35.8 %	30.9	100.0 %	7.6	5.2 %	108.5	100.0 %
Total	**146.0**	**100.0 %**	**30.9**	**100.0 %**	**144.9**	**100.0 %**	**108.5**	**100.0 %**

The solvency capital requirement for the Fennia Group’s equity risk was EUR 260.7 million (EUR 197.3 million) and the contribution to the market risks’ total solvency capital requirement was EUR 249.0 million (EUR 188.0 million). The equity risk’s share of the market risks’ total solvency capital requirement was 52.5 per cent (49.2%).

The transitional measure for equity risk is applied to the calculation of the solvency capital requirement for Fennia Group’s equity risk and a significant proportion of Fennia Group’s equity portfolio consisted of direct equity investments utilising this transitional measure. Therefore, in addition to the loss risk inherent in the Fennia Group’s equity markets, the gradual rise in the transitional measure’s solvency capital requirement also affects the Fennia Group’s solvency. If all of the Fennia Group’s equity investments were to be excluded from the scope of the transitional measure, the Fennia Group’s eligible own funds would remain almost unchanged, the solvency capital requirement would rise by EUR 31.6 million and the relative solvency position would fall by 13.7 percentage points.

Sensitivity analysis (EUR million)	31.12.2017	Scenario: Without transitional measure on equity risk
Eligible own funds	980.0	978.8
Solvency Capital Requirement	463.8	495.3
Free own funds	516.2	483.4
Change in free own funds	-----	-32.7
Solvency ratio	211.3 %	197.6 %

The table presents the greatest counterparty concentrations in the investment assets from the equity risk perspective, measured at fair value.

Counterparty (EUR million)	Market value 31.12.2017	% of investment
Elite Asset Management Plc	40.9	1.8 %
Muzinich & Co., Inc.	24.2	1.1 %
Specialist Investment Funds PL	20.8	0.9 %
Natixis Investment Managers S.A.	17.5	0.8 %
Fennia Asset Management Ltd	14.5	0.6 %

The direct listed equity investments in the investment assets were not exposed to any major concentration risk, as they were well diversified.

Fennia's equity risk

Equity investments accounted for EUR 618.0 million (EUR 496.9 million) of Fennia's investment assets. This represents 32.3 per cent (28.0%) of Fennia's total investment assets. Listed equity investments were mostly located in Europe and the United States. Direct unlisted equity investments, on the other hand, were Finnish companies in which Fennia Life Insurance Company Ltd's share was EUR 265.9 million (EUR 217.4 million). EUR 9.6 million (EUR 8.0 million) was invested in other unlisted companies.

	31.12.2017		31.12.2016	
Allocation of equity investments (EUR million)	**Market value**	**Share**	**Market value**	**Share**
Listed equities	295.1	47.8 %	226.1	45.5 %
Unlisted equities	275.5	44.6 %	225.4	45.4 %
Equity funds	17.5	2.8 %	14.4	2.9 %
Private equity Funds	29.9	4.8 %	31.0	6.2 %
Equity derivatives	0.0	0.0 %	0.0	0.0 %
Total	**618.0**	**100.0 %**	**496.9**	**100.0 %**

Some other asset classes are also classified as or comparable to equity risk. As mentioned earlier, these are typically linked to funds that use a high leverage or for whose content it is not possible to apply the look-through approach and to individual investments made in funds to which the look-through approach has been applied, for which there is not enough information available to carry out the appropriate solvency calculations.

	31.12.2017		31.12.2016	
Equity risk placed investments (EUR million)	**Market value**	**Share**	**Market value**	**Share**
Hedge funds	13.2	10.4 %	13.0	11.6 %
Real Estate Funds	54.6	43.0 %	90.5	80.6 %
Debt funds	16.3	12.8 %	1.7	1.5 %
Other	42.9	33.8 %	7.1	6.3 %
Total	**127.0**	**100.0 %**	**112.2**	**100.0 %**

The solvency capital requirement for Fennia's equity risk was EUR 242.1 million (EUR 177.9 million) and the contribution to the market risks' total solvency capital requirement was EUR 233.7 million (EUR 171.1 million). The equity risk's share of the market risks' total solvency capital requirement was 60.8 per cent (56.8%).

The transitional measure for equity risk is applied to the calculation of the solvency capital requirement for Fennia's equity risk and a significant proportion of Fennia's equity portfolio consisted of direct equity investments utilising this transitional measure. Therefore, in addition to the loss risk inherent in the equity markets, the gradual rise in the transitional measure's solvency capital requirement also affects solvency. If all of Fennia's equity investments were to be excluded from the scope of the transitional measure, Fennia's solvency capital requirement would rise by EUR 21.4 million and the relative solvency position would fall by 13.9 percentage points.

		Scenario
Sensitivity analysis (EUR million)	**31.12.2017**	**Without transitional measure on equity risk**
Eligible own funds	953.7	953.7
Solvency Capital Requirement	372.8	394.1
Free own funds	580.9	559.5
Change in free own funds	-----	-21.4
Solvency ratio	255.8 %	242.0 %

The table presents the greatest counterparty concentrations in the investment assets from the equity risk perspective, measured at fair value.

Counterparty (EUR million)	Market value 31.12.2017	% of investment
Fennia Life Insurance Company Ltd	269.1	14.8 %
Elite Asset Management Plc	32.2	1.8 %
Specialist Investment Funds PL	20.8	1.1 %
Natixis Investment Managers S.A.	17.5	1.0 %
Fennia Asset Management Ltd	14.5	0.8 %

The direct listed equity investments in the investment assets were not exposed to any major concentration risk, as they were well diversified.

Fennia Life's equity risk

Equity investments accounted for EUR 145.5 million (EUR 111.3 million) of Fennia Life’s investment assets. This represents 18.9 per cent (14.6%) of Fennia Life’s total investment assets. The majority of the equity investments consisted of listed equity investments mostly in Europe and the United States. The unlisted equity investments, on the other hand, were in Finnish companies.

	31.12.2017				31.12.2016			
	Investment		Unit-linked investment		Investment		Unit-linked investment	
Allocation of equity investments (EUR million)	Market value	Share	Market value	Share	Market value	Share	Market value	Share
Listed equities	112.2	77.2 %	714.2	100.0 %	76.9	69.1 %	529.9	100.0 %
Unlisted equities	11.6	8.0 %	0.0	0.0 %	11.1	10.0 %	0.0	0.0 %
Equity funds	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %
Private equity Funds	21.6	14.9 %	0.0	0.0 %	23.3	20.9 %	0.0	0.0 %
Equity derivatives	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %
Total	**145.5**	**100.0 %**	**714.2**	**100.0 %**	**111.3**	**100.0 %**	**529.9**	**100.0 %**

Some other asset classes are also classified as or comparable to equity risk. As mentioned earlier, these are typically linked to funds that use a high leverage or for whose content it is not possible to apply the look-through approach and to individual investments made in funds to which the look-through approach has been applied, for which there is not enough information available to carry out the appropriate solvency calculations.

	31.12.2017				31.12.2016			
	Investment		Unit-linked investment		Investment		Unit-linked investment	
Equity risk placed investments (EUR million)	Market value	Share	Market value	Share	Market value	Share	Market value	Share
Hedge funds	0.0	0.0 %	0.0	0.0 %	6.5	19.9 %	0.0	0.0 %
Real Estate Funds	9.6	50.4 %	0.0	0.0 %	23.4	71.6 %	0.0	0.0 %
Debt funds	0.0	0.2 %	0.0	0.0 %	2.3	7.1 %	0.0	0.0 %
Other	9.4	49.3 %	30.9	100.0 %	0.5	1.4 %	108.5	100.0 %
Total	**19.0**	**100.0 %**	**30.9**	**100.0 %**	**32.7**	**100.0 %**	**108.5**	**100.0 %**

The solvency capital requirement for Fennia Life’s equity risk was EUR 77.3 million (EUR 66.3 million) and the contribution to the market risks’ total solvency capital requirement was EUR 74.2 million (EUR 63.7 million). The equity risk’s share of the market risks’ total solvency capital requirement was 58.3 per cent (57.9%).

The transitional measure for equity risk is applied to the calculation of the solvency capital requirement for Fennia Life’s equity risk and a significant proportion of Fennia Life’s equity portfolio consisted of direct equity investments utilising this transitional measure. Therefore, in addition to the loss risk inherent in the equity markets, the gradual rise in the transitional measure’s solvency capital requirement also affects solvency. If all of Fennia Life’s equity investments were to be excluded from the scope of the transitional measure, Fennia Life’s solvency capital requirement would rise by EUR 9.6 million and the relative solvency position would fall by 13.9 percentage points.

Sensitivity analysis (EUR million)	31.12.2017	Scenario Without transitional measure on equity risk
Eligible own funds	265.9	265.9
Solvency Capital Requirement	130.8	140.4
Free own funds	135.1	125.5
Change in free own funds	-----	-9.6
Solvency ratio	203.3 %	189.4 %

The table presents the greatest counterparty concentrations in the investment assets from the equity risk perspective, measured at fair value.

Counterparty (EUR million)	Market value 31.12.2017	% of investment
Muzinich & Co., Inc.	11.1	1.5 %
Elite Asset Management Plc	8.7	1.2 %
The Triton Fund III L.P.	4.9	0.7 %
Euro Choice IV GB Limited	4.1	0.6 %
MB Equity Fund IV Ky	3.8	0.5 %

The direct listed equity investments in the investment assets were not exposed to any major concentration risk, as they were well diversified.

Currency risk

Currency risk results, for the most part, from non-euro-denominated investments. In terms of technical provisions, the commitments on insurance policies that are not unit-linked are euro-denominated, which means they do not especially present a currency risk. Unit-linked insurances are subject to currency risk to the extent that the assets that cover them are denominated in foreign currency. Their share of the currency risk solvency capital requirement is small, however.

The investment assets' currency risk is hedged and managed using currency derivatives. Calculating the solvency capital requirement for currency risk is based on the assumption that derivatives are replaced with a new similar one. As a general rule, the currency risk resulting from direct investments is hedged unless the parent company Fennia's board of directors is in favour of expanding the currency risk. If the currency risk caused by direct investments is negligible, the currency risk for these currencies is left unhedged. Due to the fixed income investments of certain emerging countries, currency risks may arise from more exotic currencies. Low and indirect currency risks are generally unhedged because hedging them is expensive or they cannot be hedged in a sensible manner and because taking currency risks in these investments is often also based on foreign exchange rate insight. Currency positions that are reached through the look-through of funds are not hedged.

The table below shows the currency positions of the Fennia Group's investments.

Currency position 31.12.2017 (EUR million)	EUR	USD	GBP	CHF	INR	SEK	HKD	Other currencies	Open foreign exchange exposure
Investments	1,816.7	357.8	76.7	23.4	22.5	16.1	15.3	97.2	609.0
Currency derivatives	-----	-278.2	-26.6	0.0	0.0	0.0	0.0	0.0	-304.8
Net investment position	**1,816.7**	**79.6**	**50.1**	**23.4**	**22.5**	**16.1**	**15.3**	**97.2**	**304.2**
Unit-linked investment	740.3	124.9	22.0	9.6	6.1	43.2	1.4	72.0	279.2
Net position	**2,557.0**	**204.5**	**72.2**	**33.0**	**28.5**	**59.3**	**16.8**	**169.2**	**583.5**

Currency position 31.12.2016 (EUR million)	EUR	USD	GBP	SEK	CHF	DKK	NOK	Other currencies	Open foreign exchange exposure
Investments	1,970.0	258.4	45.3	17.6	11.3	4.8	4.2	5.4	347.0
Currency derivatives	-----	-196.1	-25.7	0.0	0.0	0.0	0.0	0.0	-221.8
Net investment position	**1,970.0**	**62.3**	**19.6**	**17.6**	**11.3**	**4.8**	**4.2**	**5.4**	**125.2**
Unit-linked investment	642.1	97.5	21.7	26.3	9.1	5.5	6.6	95.1	261.8
Net position	**2,612.1**	**159.7**	**41.3**	**43.9**	**20.4**	**10.4**	**10.8**	**100.5**	**387.0**

The solvency capital requirement for the Fennia Group's currency risk was EUR 78.5 million (EUR 37.7 million) and the contribution to the market risks' total solvency capital requirement was EUR 33.8 million (EUR 14.1 million). The currency risk's share of the market risks' total solvency capital requirement was 7.1 per cent (3.7%).

Fennia's currency risk

The table below shows the currency positions of Fennia's investments.

Currency position 31.12.2017 (EUR million)	EUR	USD	GBP	INR	CHF	SEK	HKD	Other currencies	Open foreign exchange exposure
Investments	1,441.0	270.5	54.9	18.4	16.8	12.9	12.2	87.1	472.7
Currency derivatives	-----	-213.1	-17.7	0.0	0.0	0.0	0.0	0.0	-230.8
Net investment position	**1,441.0**	**57.4**	**37.2**	**18.4**	**16.8**	**12.9**	**12.2**	**87.1**	**241.9**

Currency position 31.12.2016 (EUR million)	EUR	USD	GBP	SEK	CHF	INR	NOK	Other currencies	Open foreign exchange exposure
Investments	1,484.3	218.9	36.1	12.9	8.1	4.8	3.3	4.2	288.4
Currency derivatives	-----	-158.2	-17.1	0.0	0.0	0.0	0.0	0.0	-175.3
Net investment position	**1,484.3**	**60.7**	**19.0**	**12.9**	**8.1**	**4.8**	**3.3**	**4.2**	**113.1**

The solvency capital requirement for Fennia's currency risk was EUR 58.9 million (EUR 28.8 million) and the contribution to the market risks' total solvency capital requirement was EUR 24.4 million (EUR 10.5 million). The currency risk's share of the market risks' total solvency capital requirement was 6.3 per cent (3.5%).

Fennia Life's currency risk

The table below shows the currency positions of Fennia Life's investments.

Currency position 31.12.2017 (EUR million)	EUR	USD	GBP	CHF	INR	SEK	HKD	Other currencies	Open foreign exchange exposure
Investments	631.7	87.3	21.8	6.6	4.1	3.3	3.1	10.1	136.3
Currency derivatives	-----	-65.1	-8.9	0	0	0	0	0	-74
Net investment position	**631.7**	**22.2**	**12.9**	**6.6**	**4.1**	**3.3**	**3.1**	**10.1**	**62.3**
Unit-linked investment	740.3	124.9	22.0	9.6	6.1	43.2	1.4	72.0	279.2
Net position	**1,372.0**	**147.1**	**35.0**	**16.2**	**10.2**	**46.4**	**4.5**	**82.1**	**341.6**

Currency position 31.12.2016 (EUR million)	EUR	USD	GBP	SEK	CHF	DKK	NOK	Other currencies	Open foreign exchange exposure
Investments	703.1	39.5	9.1	4.7	3.2	1.2	0.9	0.0	58.6
Currency derivatives	-----	-37.9	-8.6	0	0	0	0	0	-46.5
Net investment position	**703.1**	**1.6**	**0.5**	**4.7**	**3.2**	**1.2**	**0.9**	**0.0**	**12.1**
Unit-linked investment	642.1	97.5	21.7	26.3	9.1	5.5	6.6	95.1	261.8
Net position	**1,345.2**	**99.0**	**22.2**	**31.0**	**12.3**	**6.8**	**7.5**	**95.1**	**273.9**

The solvency capital requirement for Fennia Life's currency risk was EUR 19.6 million (EUR 8.9 million) and the contribution to the market risks' total solvency capital requirement was EUR 8.2 million (EUR 3.2 million). The currency risk's share of the market risks' total solvency capital requirement was 6.5 per cent (2.9%).

Real estate risk

Real estate risk is related to the impacts caused by changes in the values of real estate on eligible own funds and solvency position.

Fennia Group has a considerable real estate portfolio, which consists mainly of direct Finnish real estate investments. In addition to direct real estate investments, investments have also been made in real estate funds and debt investments in real estate companies. As investments are classified according to their real risk in solvency capital requirement calculations, some of the real estate investments have been equated with equity risk or interest rate risk or spread risk in the calculation of the solvency capital requirement.

Real estate risk can materialise as a decline in the values of real estate or in the properties' cash flows, i.e. leases. Usually a decline in cash flows is followed by a decline in price because the properties are valued based on future cash flows. The value of real estate can also decline due to a fall in the general price level.

Real estate investments are illiquid by nature and there are no liquid derivatives available to hedge them, which means that the risk management of real estate investments focuses on careful analysis of the investment, the construction of the portfolio and its sufficient diversification. In real estate investments we favour the Helsinki Metropolitan Area and growth centres because the risks involved are smaller. In addition, diversification is sought through different types of real estate with different demand-supply dynamics and with downward and upward cycles caused by different factors. We also avoid focusing too much on individual sectors or uses.

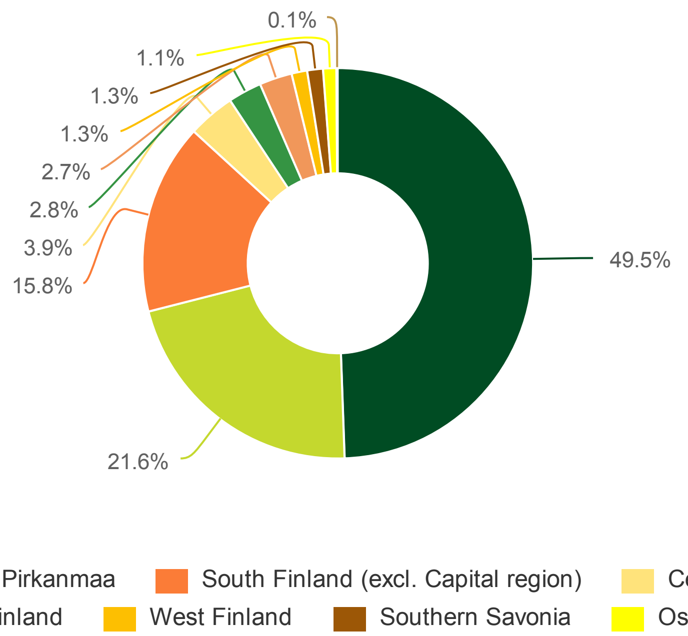
The investment assets' real estate investments are, on average, larger than individual equity or fixed income investments. This is why the largest risk concentrations often contain real estate investments. However, direct real estate investments have higher threshold limits than other asset classes, due to which direct real estate investments do not cause the same type of risk concentration capital requirement in solvency calculation.

The table illustrates the fair values of the Fennia Group's direct real estate investments and real estate funds.

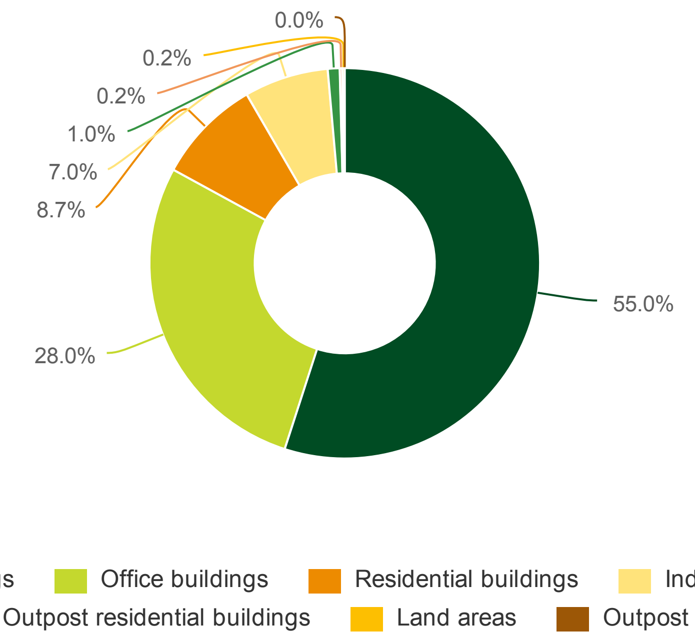
	31.12.2017				31.12.2016			
	Investment		Unit-linked investment		Investment		Unit-linked investment	
Allocation of real estate investments (EUR million)	Market value	Share	Market value	Share	Market value	Share	Market value	Share
Direct real estate investments	484.8	88.3 %	0.00	-----	434.8	79.2 %	0.02	100.0 %
Real estate funds	64.2	11.7 %	0.00	-----	113.9	20.8 %	0.00	0.0 %
Total	**549.0**	**100.0 %**	**0.0**	**-----**	**548.7**	**100.0 %**	**0.0**	**100.0 %**

The figure presents the distribution of the Fennia Group's real estate assets, both geographically and according to function.

Geographical distribution of direct real estate assets



Distribution of direct real estate assets according to use



The solvency capital requirement for the Fennia Group's real estate risk was EUR 121.1 million (EUR 108.2 million) and the contribution to the market risks' total solvency capital requirement was EUR 101.4 million (EUR 91.8 million). The real estate risk's share of the market risks' total solvency capital requirement was 21.3 per cent (24.0%).

The table presents the greatest counterparty concentrations in the investment assets from the real estate risk perspective, measured at fair value.

Counterparty (EUR million)	Market value 31.12.2017	% of investment
Kiinteistö Oy Televisiokatu 1-3	76.5	3.3 %
Hämeenkatu 4, Tampere	62.0	2.7 %
Kiinteistö Oy Kyllikinportti 2	46.2	2.0 %
Kauppakeskuskiint. FEA Ky	41.5	1.8 %
Asunto Oy Helsingin Vattuniemenkuja 8	20.7	0.9 %

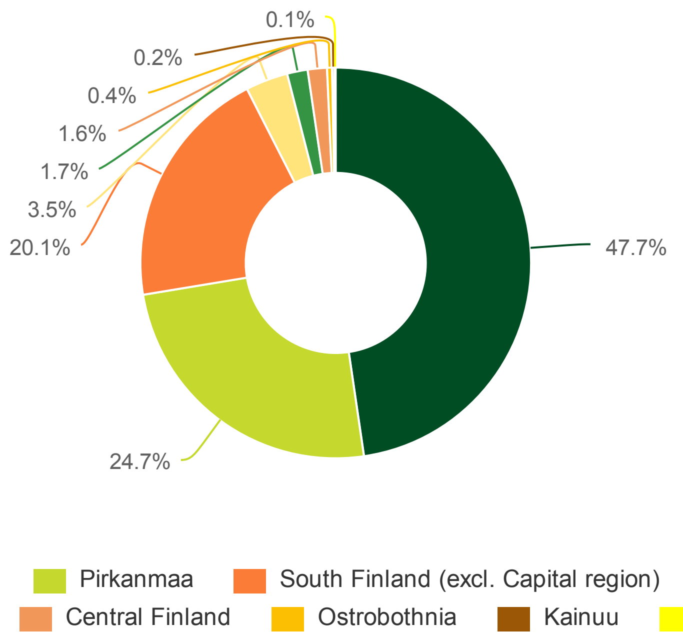
Fennia's real estate risk

The table illustrates the fair values of Fennia's direct real estate investments and real estate funds.

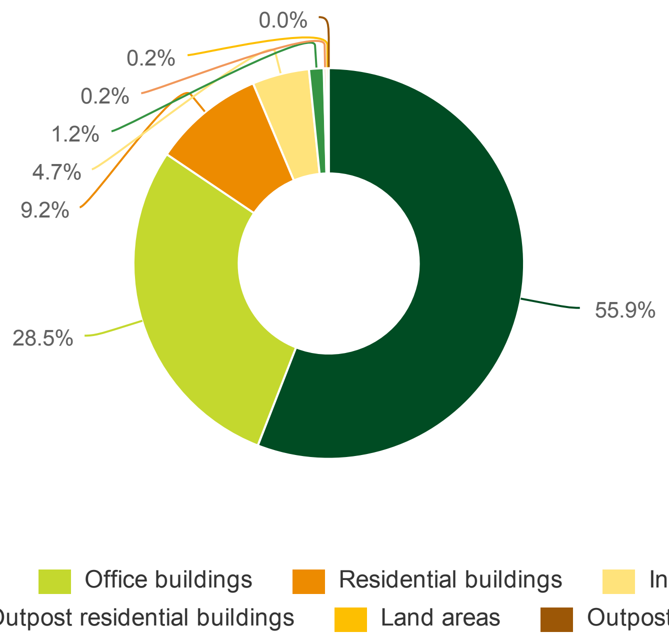
	31.12.2017		31.12.2016	
Allocation of real estate investments (EUR million)	Market value	Share	Market value	Share
Direct real estate investments	268.8	83.1 %	233.6	72.1 %
Real estate funds	54.6	16.9 %	90.5	27.9 %
Total	**323.4**	**100.0 %**	**324.1**	**100.0 %**

The figure presents the distribution of Fennia's real estate assets, both geographically and according to function.

Geographical distribution of direct real estate assets



Distribution of direct real estate assets according to use



The solvency capital requirement for Fennia's real estate risk was EUR 67.2 million (EUR 58.4 million) and the contribution to the market risks' total solvency capital requirement was EUR 54.0 million (EUR 47.3 million). The real estate risk's share of the market risks' total solvency capital requirement was 14.1 per cent (15.7%).

The table presents the greatest counterparty concentrations in the investment assets from the real estate risk perspective, measured at fair value.

Counterparty (EUR million)	Market value 31.12.2017	% of investment
Hämeenkatu 4, Tampere	62.0	3.4 %
Kiinteistö Oy Televisiokatu 1-3	45.5	2.5 %
Kauppakeskuskiint. FEA Ky	41.5	2.3 %
Mall of Tripla	19.9	1.1 %
Kiinteistö Oy Kyllikinportti 2	18.4	1.0 %

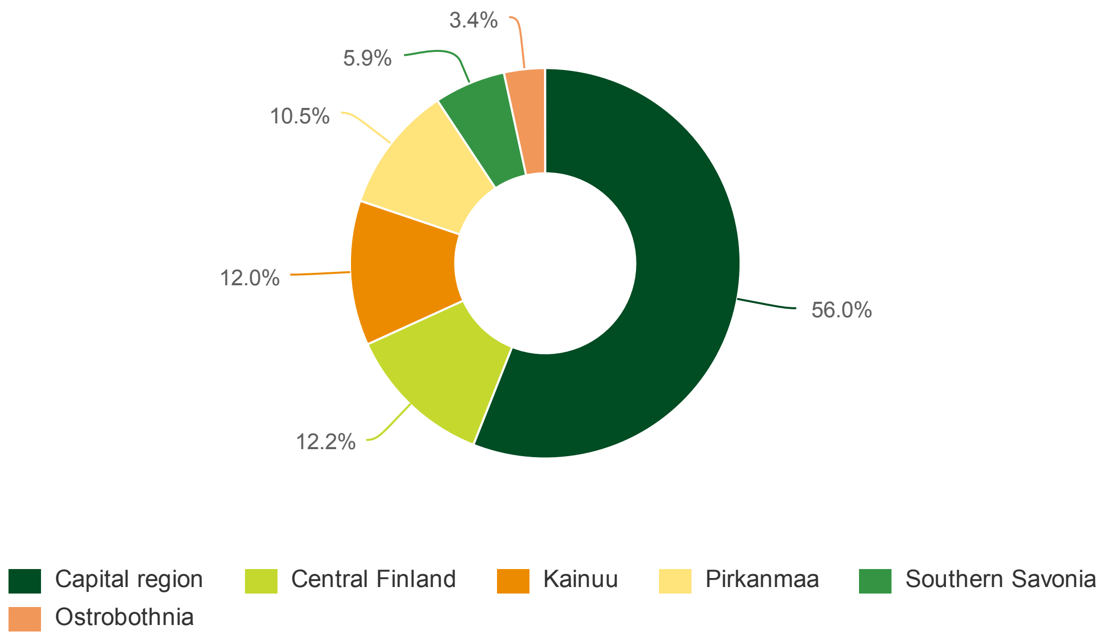
Fennia Life's real estate risk

The table illustrates the fair values of Fennia Life's direct real estate investments and real estate funds.

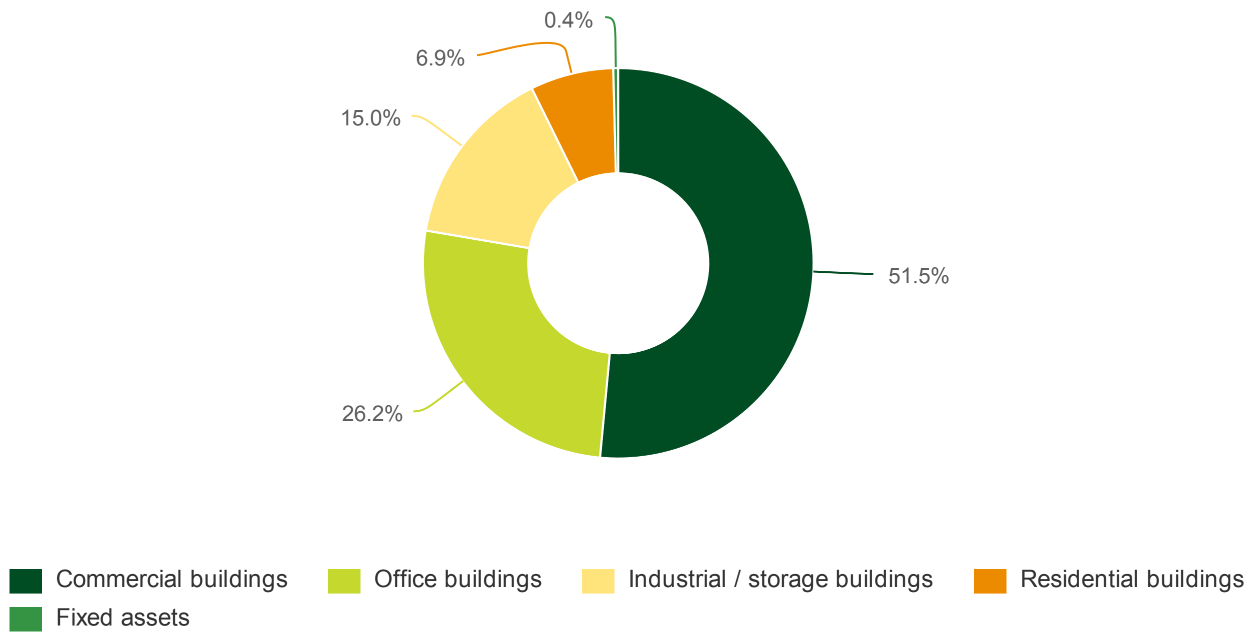
	31.12.2017				31.12.2016			
	Investment		Unit-linked investment		Investment		Unit-linked investment	
Allocation of real estate investments (million euros)	**Market value**	**Share**	**Market value**	**Share**	**Market value**	**Share**	**Market value**	**Share**
Direct real estate investments	72.5	88.3 %	0.00	-----	71.1	75.3 %	0.02	100.0 %
Real estate funds	9.6	11.7 %	0.00	-----	23.4	24.7 %	0.00	0.0 %
Total	82.1	**100.0 %**	**0.0**	**-----**	**94.5**	**100.0 %**	**0.02**	**100.0 %**

The figure presents the distribution of Fennia Life's real estate assets, both geographically and according to function.

Geographical distribution of direct real estate assets



Distribution of direct real estate assets according to use



The solvency capital requirement for Fennia Life’s real estate risk was EUR 18.1 million (EUR 17.3 million) and the contribution to the market risks’ total solvency capital requirement was EUR 14.4 million (EUR 13.9 million). The real estate risk’s share of the market risks’ total solvency capital requirement was 11.3 per cent (12.6%).

The table presents the greatest counterparty concentrations in the investment assets from the real estate risk perspective, measured at fair value.

Counterparty (EUR million)	Market value 31.12.2017	% of investment
Munkinseudun Kiinteistö Oy	16.0	2.2 %
Kiinteistö Oy Teohypo	12.6	1.8 %
Kiinteistö Oy Sellukatu 5	4.9	0.7 %
Katinkullan Palloiluhalli Oy	4.4	0.6 %
Kiint Oy Koivuhaanportti 1-5	4.3	0.6 %

Risk concentrations

Investment assets also generate solvency capital requirement when too large a share of the investment portfolio is invested in the shares, bonds or other investment instruments of a single issuer. In this case, a payment default, bankruptcy, change in creditworthiness or some other unfavourable event to one issuer could cause an unreasonably large impact on the Fennia Group's own funds. The sufficient diversification of investments ensures that concentration risks do not manifest, reducing the impact of individual issuers on the whole. The concentration risk's solvency capital requirement is significantly impacted by the creditworthiness of the issuer, which means that monitoring creditworthiness is important in the management of concentration risk. This has been taken into account, for instance, with specifying issuer-specific limits and euro-denominated limits restricting the size of individual investments.

The threshold limits of the exposures generating solvency capital requirement in real estate investments are larger than in other investments, so that, although in absolute terms concentrations in direct real estate are high, they do not necessarily cause solvency capital requirement.

The table presents the greatest counterparty concentrations in the Fennia Group's investment assets from the concentration risk perspective, measured at fair value.

Counterparty (EUR million)	Market value 31.12.2017	% of investment
Kiinteistö Oy Televisiokatu 1-3	76.5	3.3 %
Hämeenkatu 4, Tampere	62.0	2.7 %
Federal Republic of Germany	50.3	2.2 %
Kiinteistö Oy Kyllikinportti 2	46.2	2.0 %
Kauppakeskuskiint. FEA Ky	41.5	1.8 %

The investment assets' greatest risk concentrations result from real estate investments and government bond investments.

The solvency capital requirement for the Fennia Group's concentration risk was EUR 4.9 million (EUR 27.7 million) and the contribution to the market risks' total solvency capital requirement was EUR 0.05 million (EUR 2.0 million). The concentration risk's share of the market risks' total solvency capital requirement was 0.01 per cent (0.5%).

The solvency capital requirement for the Fennia Group's concentration risk was caused by one risk concentration.

Fennia's risk concentrations

The table presents the greatest counterparty concentrations in Fennia's investment assets from the concentration risk perspective, measured at fair value.

Counterparty (EUR million)	Market value 31.12.2017	% of investment
Fennia Life Insurance Company Ltd	275.1	15.1 %
Hämeenkatu 4, Tampere	62.0	3.4 %
Kiinteistö Oy Televisiokatu 1-3	76.5	4.2 %
Kauppakeskuskiint. FEA Ky	41.5	2.3 %
Federal Republic of Germany	32.2	1.8 %

The largest risk concentration for the investment assets was Fennia Life Insurance Company Ltd. The investment assets' other major risk concentrations were generated by real estate investments and government bond investments.

The solvency capital requirement for Fennia's concentration risk was EUR 29.9 million (EUR 35.4 million) and the contribution to the market risks' total solvency capital requirement was EUR 2.3 million (EUR 4.2 million). The concentration risk's share of the market risks' total solvency capital requirement was 0.6 per cent (1.4%).

The solvency capital requirement for Fennia's concentration risk was caused by two risk concentrations.

Fennia Life's risk concentrations

The table presents the greatest counterparty concentrations in Fennia Life' investment assets from the concentration risk perspective, measured at fair value.

Counterparty (EUR million)	Market value 31.12.2017	% of investment
Federal Republic of Germany	18.1	2.5 %
Munkinseudun Kiinteistö Oy	16.2	2.3 %
Kiinteistö Oy Teohypo	12.8	1.8 %
Muzinich & Co., Inc.	11.1	1.5 %
Elite Asset Management Plc	8.7	1.2 %

The investment assets' greatest risk concentrations result from real estate investments, corporate bond investments and government bond investments.

The solvency capital requirement for Fennia Life's concentration risk was EUR 0.04 million (EUR 8.2 million) and the contribution to the market risks' total solvency capital requirement was EUR 0.0 million (EUR 0.6 million). The concentration risk's share of the market risks' total solvency capital requirement was 0.0 per cent (0.6%).

The solvency capital requirement for Fennia Life's concentration risk was caused by one risk concentration, which was very small.

Credit risk

Credit risk, i.e. counterparty risk, is the risk that the counterparties are not able to meet their obligations. In investments, counterparty risk should not be confused with spread risk, in which the weakening of the creditworthiness of the counterparty or issuer results in a decline in the market value and thus a change in eligible own funds. The widening, i.e. rise, of the spread is the first symptom of an increase in counterparty risk, but only once insolvency occurs does the counterparty risk materialise. The widening of the spread will not necessarily ever lead to the materialisation of counterparty risk.

In addition to investments, counterparty risk results from reinsurance contracts, for example. It is possible that the counterparty in a reinsurance contract fails to meet their obligations.

Management of credit risk

As with market risks, a prerequisite for managing counterparty risks is to ensure that the counterparties and related risks can be identified, measured, monitored, managed and reported on.

To limit the counterparty risk, a minimum level has been determined for creditworthiness, collateral arrangements have been created and limits have been set for the open maximum liability per counterparty.

Assessment of credit risk

The solvency capital requirement for Fennia Group’s counterparty risk was EUR 36.9 million (EUR 43.5 million) and the contribution to the total solvency capital requirement before loss-absorbing items was EUR 15.0 million (EUR 19.6 million). The counterparty risk’s share of the solvency capital requirement before loss-absorbing items was 2.6 per cent (3.9%).

In solvency calculation, counterparty risk resulted mostly from reinsurance contracts, cash assets and derivative contract counterparties (less the dilutive impacts of collateral arrangements) and receivables from insurance customers.

The table shows the largest risk concentrations for the Fennia Group’s counterparty risk.

Counterparty 31.12.2017 (EUR million)	**Open exposure**
The Mortgage Society of Finland	30.0
Nordea Bank AB	24.5
OP Cooperative	21.8
Danske Bank A/S	20.9
Berkshire Hathaway Inc. (General Reinsurance AG)	14.3

Assessment of Fennia's credit risk

The solvency capital requirement for Fennia’s counterparty risk was EUR 28.1 million (EUR 32.8 million) and the contribution to the total solvency capital requirement before loss-absorbing items was EUR 11.3 million (EUR 14.7 million). The counterparty risk’s share of the solvency capital requirement before loss-absorbing items was 2.4 per cent (3.8%).

In solvency calculation, counterparty risk resulted mostly from reinsurance contracts, cash assets and derivative contract counterparties (less the dilutive impacts of collateral arrangements) and receivables from insurance customers.

The table shows the largest risk concentrations for Fennia’s counterparty risk.

Counterparty 31.12.2017 (EUR million)	**Open exposure**
The Mortgage Society of Finland	20.0
Hannover Rueck SE	18.3
Berkshire Hathaway Inc. (General Reinsurance AG)	14.3
OP Cooperative	13.1
Nordea Bank AB	12.6

Assessment of Fennia Life's credit risk

The solvency capital requirement for Fennia Life’s counterparty risk was EUR 10.2 million (EUR 13.0 million) and the contribution to the total solvency capital requirement before loss-absorbing items was EUR 3.7 million (EUR 5.0 million). The counterparty risk’s share of the solvency capital requirement before loss-absorbing items was 2.2 per cent (3.1%).

In solvency calculation, counterparty risk resulted mostly from cash assets and derivative contract counterparties (less the dilutive impacts of collateral arrangements) and receivables from insurance customers.

The table shows the largest risk concentrations for Fennia Life’s counterparty risk.

Counterparty 31.12.2017 (EUR million)	**Open exposure**
S-Bank Ltd	10.8
The Mortgage Society of Finland	10.0
Danske Bank A/S	9.6
Nordea Bank AB	9.5
OP Cooperative	8.7

Liquidity risk

A liquidity risk arises from the possibility of the company not being able to meet its payment obligations on time. This can result from the liquidation of assets or investments being too slow, considerable costs linked to the liquidation or if the liquidation cannot be carried out at all. Liquidity risk can also result from being unable to adapt the risk position quickly enough due to weak market liquidity when the market situation or solvency situation requires it.

Liquidity risk is also affected by the expected profits included in future insurance premiums. In solvency calculation, the calculation of technical provisions is based on future cash flows, where future insurance premiums and the expected profits and losses therefrom are also taken into account to a certain extent. Expected profits or losses included in future insurance premiums are a calculated estimate that is the difference between technical provisions, calculated without future insurance premiums and with future insurance premiums. Profits reduce the technical provisions, in which case they have a positive impact on own funds and reduce the long-term liquidity risk.

Management of liquidity risk

The management of liquidity risk is divided into long- and short-term liquidity risk.

The long-term horizon is several years or even decades and is linked to the timely coordination of asset and liability cash flows. It is not directly managed as a separate risk, instead its management is combined with market-consistent valuation and the overall management of interest rate risk.

The horizon for short-term liquidity risk is four months and the resulting risk is managed using asset-class-specific limitations, asset classes' internal limits and principles pertaining to investment operations. Limitations linked to managing liquidity include the minimum allocation set for money market investments, management of the convertibility of investments to cash, defining counterparty limits and sufficient diversification, limitation of the amount of illiquid investments and the management of reinsurance contracts.

Assessment of liquidity risk

Liquidity risk is not included in the standard formula solvency calculation nor does it result in a capital requirement, but it can have great significance, particularly in unfavourable market situations. This is why the management of liquidity risk requires close scrutiny to ensure that the risks do not materialise.

The greatest impact on short-term liquidity risk and the liquidation of investments comes from the amount of illiquid investments in the investment assets and it needs to be evaluated before the funds' look-through approach, i.e. as so-called direct investments. Real estate investments, private equity funds, unlisted equities and specific unclassified bonds are by nature illiquid and liquidating them quickly without impacting the market price is difficult.

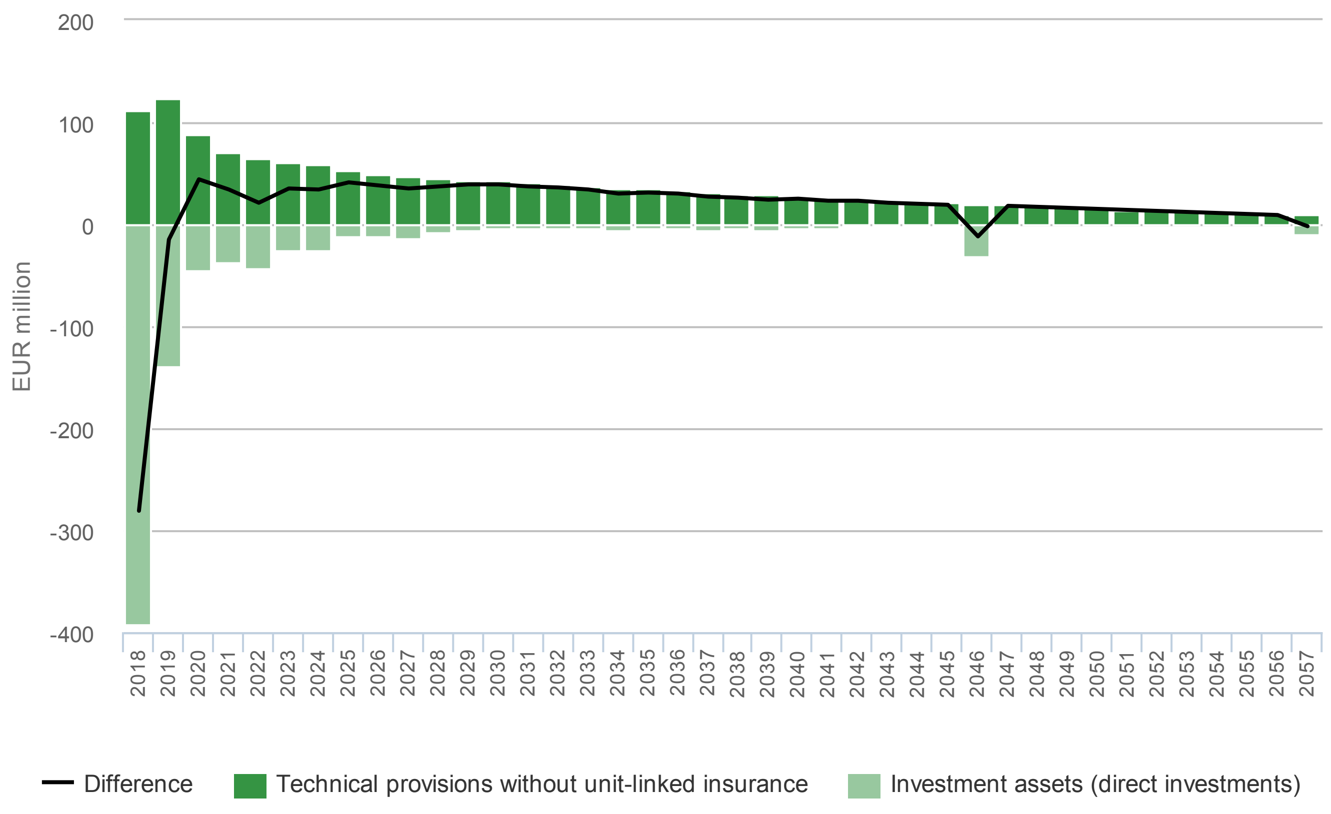
Just because the liquidity of the investment assets is good in normal market conditions does not necessarily mean that liquidity will remain excellent in a crisis scenario as well. Some corporate bond investments are much harder to liquidate when market conditions become significantly weaker. A similar risk is also inherent in alternative investments although, there too, strategies have been selected so that they are as liquid as possible and the redemption period is no more than a month. Equity investments on the other hand are quite liquid also in a poor market situation, mainly due to the fact that the size of individual investments is relatively small. The equity portfolio can also be effectively hedged with liquid derivatives, making it possible to quickly reduce market risk. Also, in a weak market situation, equity derivatives can be used to hedge more risky bond investments or even real estate investments.

The combined market value of illiquid investments in the Fennia Group was EUR 673.0 million (EUR 673.7 million), and their share of the total investment assets' direct investments is 27.7 per cent (29.1%). Of the remaining investment assets' direct investments, 51.2 per cent (50.3%) can be liquidated during the same day in normal market conditions, 65.9 per cent (66.6%) within a week and 72.3 per cent (70.9%) in less than a month.

Liquidity 31.12.2017 (EUR million)	Interest rate investments	Equity investments	Property investments	Equity funds	Alternative investments	Total	Share
Realization during the same day	834.4	408.2	0.0	0.0	0.0	1,242.6	**51.2 %**
Realization over 1 day but less than 5 days	356.1	0.5	0.0	0.0	0.0	356.6	**14.7 %**
Realization over 5 days but less than 1 month	108.6	31.8	0.0	0.0	13.2	153.6	**6.3 %**
Realization over 1 month	67.4	5.0	549.0	51.6	0.0	673.0	**27.7 %**
Total	**1,366.4**	**445.5**	**549.0**	**51.6**	**13.2**	**2,425.7**	**100.0 %**

Liquidity 31.12.2016 (EUR million)	Interest rate investments	Equity investments	Property investments	Equity funds	Alternative investments	Total	Share
Realization during the same day	870.1	296.4	0.0	0.0	0.0	1,166.5	**50.3 %**
Realization over 1 day but less than 5 days	377.6	0.0	0.0	0.0	0.0	377.6	**16.3 %**
Realization over 5 days but less than 1 month	58.1	21.5	0.0	0.0	19.5	99.1	**4.3 %**
Realization over 1 month	51.6	19.1	548.7	54.3	0.0	673.7	**29.1 %**
Total	**1,357.5**	**337.0**	**548.7**	**54.3**	**19.5**	**2,316.9**	**100.0 %**

Long-term liquidity risk describes the future cash flows of the investment assets and technical provisions and their difference.



As the cash flows of assets and liabilities differ significantly from one another time-wise, the Fennia Group was exposed to significant reinvestment risk.

Expected profits included in future insurance premiums amounted to EUR 415.5 million (EUR 390.6 million).

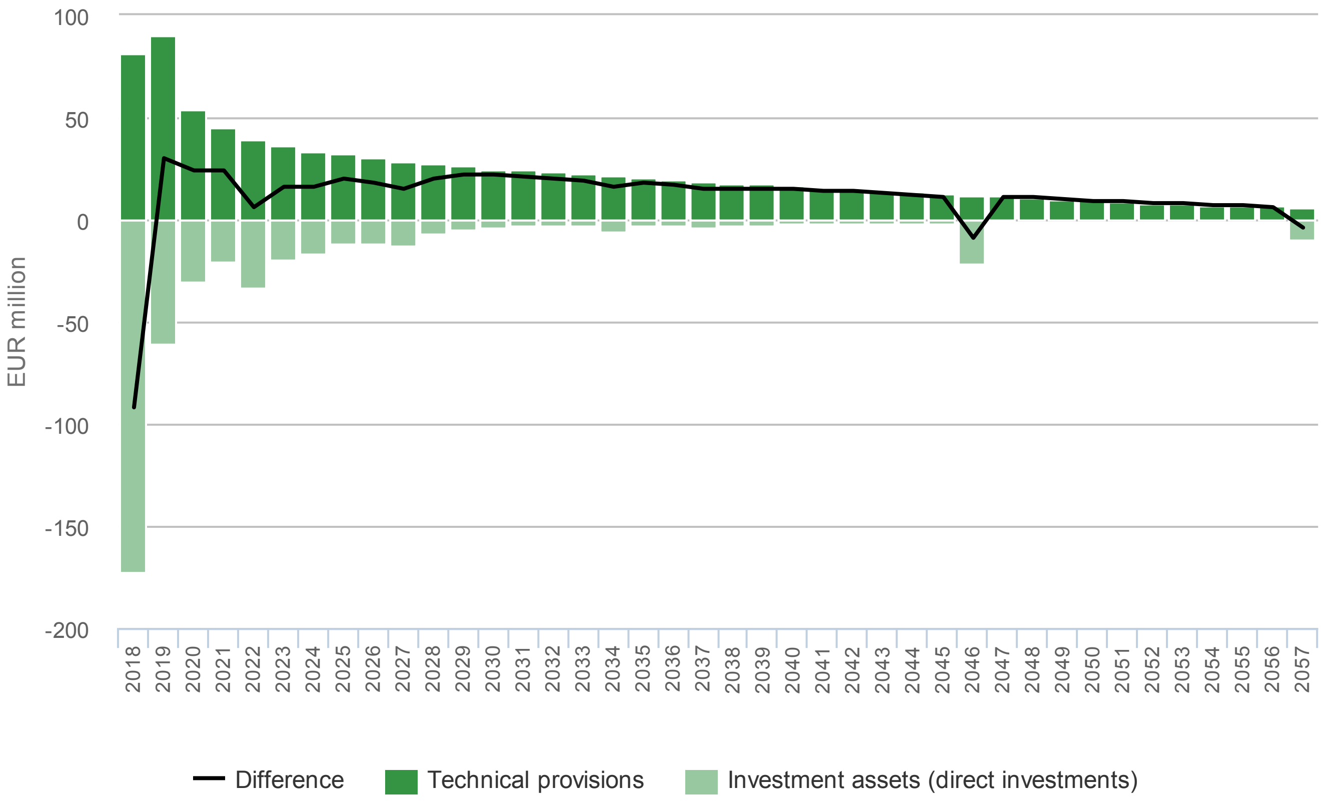
Assessment of Fennia's liquidity risk

The combined market value of illiquid investments at Fennia was EUR 806.1 million (EUR 739.8 million), and their share of the total investment assets' direct investments was 42.1 per cent (41.7%). Of the remaining investment assets' direct investments, 48.9 per cent (42.8%) can be liquidated during the same day in normal market conditions, 55.3 per cent (54.9%) within a week and 57.9 per cent (58.3%) in less than a month.

Liquidity 31.12.2017 (EUR million)	Interest rate investments	Equity investments	Property investments	Equity funds	Alternative investments	Total	Share
Realization during the same day	653.3	281.8	0.0	0.0	0.0	935.1	**48.9 %**
Realization over 1 day but less than 5 days	122.5	0.5	0.0	0.0	0.0	123.0	**6.4 %**
Realization over 5 days but less than 1 month	21.9	14.4	0.0	0.0	13.2	49.5	**2.6 %**
Realization over 1 month	177.2	275.5	323.4	29.9	0.0	806.1	**42.1 %**
Total	**975.0**	**572.2**	**323.4**	**29.9**	**13.2**	**1,913.7**	**100.0 %**

Liquidity 31.12.2016 (EUR million)	Interest rate investments	Equity investments	Property investments	Equity funds	Alternative investments	Total	Share
Realization during the same day	534.0	224.7	0.0	0.0	0.0	758.7	**42.8 %**
Realization over 1 day but less than 5 days	214.1	0.0	0.0	0.0	0.0	214.1	**12.1 %**
Realization over 5 days but less than 1 month	30.6	16.4	0.0	0.0	13.0	59.9	**3.4 %**
Realization over 1 month	159.4	225.4	324.1	31.0	0.0	739.9	**41.7 %**
Total	**938.2**	**466.5**	**324.1**	**31.0**	**13.0**	**1,772.7**	**100.0 %**

Long-term liquidity risk describes the future cash flows of the investment assets and technical provisions and their difference.



As the cash flows of assets and liabilities differ significantly from one another time-wise, Fennia was exposed to significant reinvestment risk.

Expected profits included in future insurance premiums amounted to EUR 293.1 million (EUR 271.7 million).

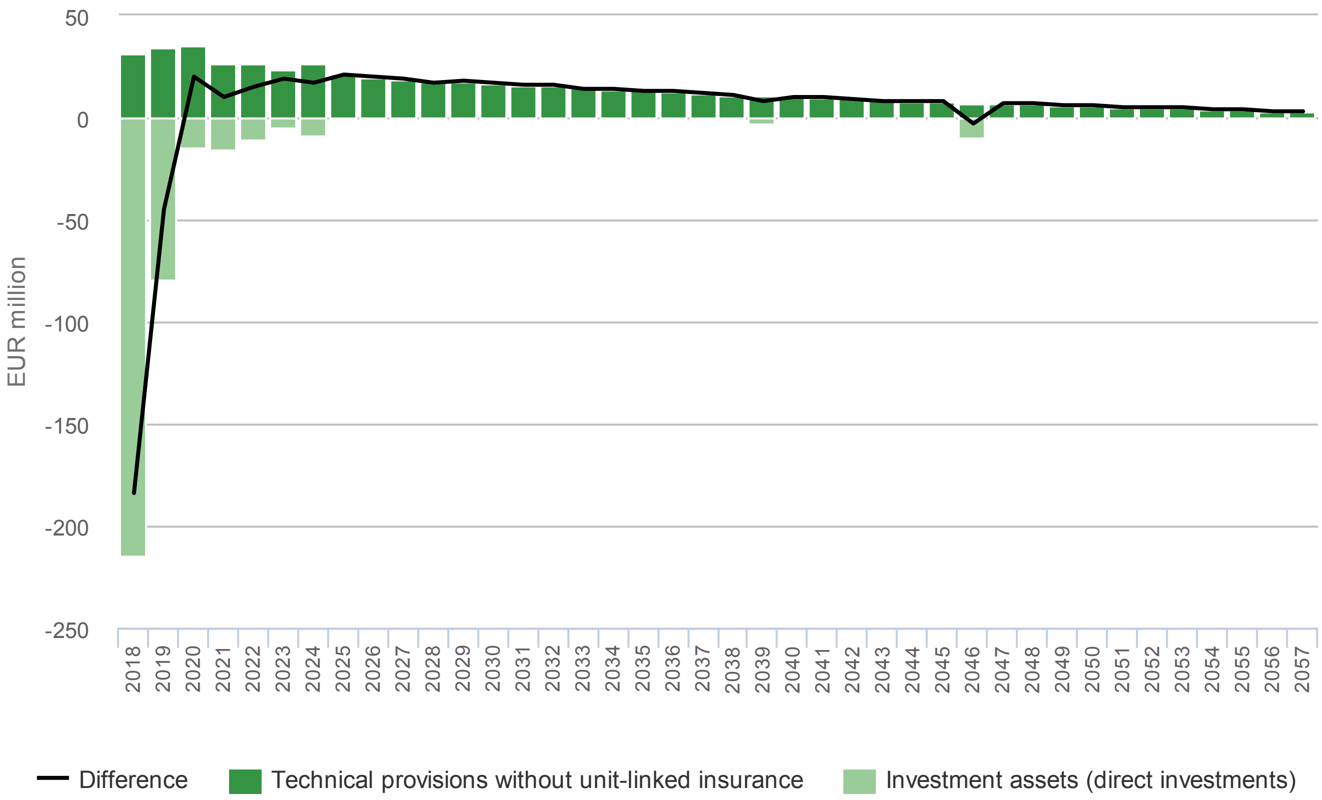
Assessment of Fennia Life's liquidity risk

The combined market value of illiquid investments at Fennia Life was EUR 136.1 million (EUR 151.1 million), and their share of the total investment assets' direct investments was 17.7 per cent (19.8%). Of the remaining investment assets' direct investments, 49.9 per cent (54.2%) can be liquidated during the same day in normal market conditions, 80.4 per cent (75.6%) within a week and 82.3 per cent (80.2%) in less than a month.

Liquidity 31.12.2017 (EUR million)	**Interest rate investments**	**Equity investments**	**Property investments**	**Equity funds**	**Alternative investments**	**Total**	**Share**
Realization during the same day	275.2	108.3	0.0	0.0	0.0	383.5	**49.9 %**
Realization over 1 day but less than 5 days	233.6	0.1	0.0	0.0	0.0	233.6	**30.4 %**
Realization over 5 days but less than 1 month	10.5	4.2	0.0	0.0	0.0	14.7	**1.9 %**
Realization over 1 month	20.8	11.6	82.1	21.6	0.0	136.1	**17.7 %**
Total	**540.1**	**124.2**	**82.1**	**21.6**	**0.0**	**768.0**	**100.0 %**

Liquidity 31.12.2016 (EUR million)	**Interest rate investments**	**Equity investments**	**Property investments**	**Equity funds**	**Alternative investments**	**Total**	**Share**
Realization during the same day	340.6	72.0	0.0	0.0	0.0	412.6	**54.2 %**
Realization over 1 day but less than 5 days	163.5	0.0	0.0	0.0	0.0	163.5	**21.5 %**
Realization over 5 days but less than 1 month	23.1	4.9	0.0	0.0	6.5	34.4	**4.5 %**
Realization over 1 month	22.2	23.2	24.2	25.2	26.2	27.2	**2,721.2 %**
Total	**549.3**	**88.0**	**94.5**	**23.3**	**6.5**	**761.7**	**100.0 %**

Long-term liquidity risk describes the future cash flows of the investment assets and technical provisions and their difference.



As the cash flows of assets and liabilities differ significantly from one another time-wise, Fennia Life was exposed to significant reinvestment risk.

Expected profits included in future insurance premiums amounted to EUR 122.4 million (EUR 118.9 million).

Operational risk

The management of operational risks is part of the Fennia Group's overall risk management. Operational risks are defined at the Fennia Group as risks resulting from internal processes, personnel, systems and external factors. Thereby, operational risks and their management impact all Fennia Group employees.

The objective of managing operational risks at Fennia Group is to:

- in a cost-effective manner reduce the likelihood that risks will be realised and the impacts of the realised risks, i.e. to reduce the losses resulting from risks
- help business and support functions to achieve the targets set for them by means of risk management
- help ensure that the Group's operations meet the requirements set for them by authorities and legislation.

Management of operational risks

Operational risk management at the Fennia Group is steered by the operational risk management principles approved by the companies' boards of directors. The principles define, among other things, the roles and responsibilities linked to operational risk management and the Group's operational risk management process. In addition to these principles, the Fennia Group also has principles linked to specific categories of operational risk, such as principles for preventing money laundering and the funding of terrorism, data security principles and general operating principles for contingency planning.

Operational risk management is carried out at the Fennia Group in collaboration with the risk management and compliance functions.

The Fennia Group's operational risk management process covers the identification, evaluation, management, monitoring and reporting of risks. At the core of the process are regular risk assessments arranged in business and support functions, including the identification and assessment of risks based on their likelihood and impact, defining management methods and electing persons responsible. Risks are reported to the Group's management and the boards of directors. Recognising operational risks also covers compliance risks.

In accordance with the three-defence-line model, business and support functions are primarily responsible for managing and monitoring operational risks. The Group's risk management function supports the business and support functions in this work, develops risk management processes and the related tools and produces reporting linked to operational risks.

The Fennia Group also has extensive guidelines for steering personnel in operational risk management. Investments are made in personnel's expertise and training and various continuous control and monitoring procedures are utilised. In addition to this there are various procedures for maintaining the capacity and continuity of IT environment management.

Each Fennia Group employee has the opportunity and duty to report on any observed risks and near misses through the reporting system in use in the Group. Using the system, risk data can be collected from different parts of the organisation, which can then be used to develop operations.

Assessment of operational risks

The solvency capital requirement for the Fennia Group's operational risks and the contribution to the total solvency capital requirement before loss-absorbing items was EUR 28.4 million (EUR 29.4 million). Its share of the solvency capital requirement before loss-absorbing items was 4.8 per cent (5.8%).

In 2017, in terms of operational risk management, the Group, among other things, updated the policies on operational risks, preparedness management and outsourcing management; updated all contingency plans, developed operational risk management reporting and decided on additional focus on data security and data protection management.

Assessment of Fennia's operational risks

The solvency capital requirement for Fennia’s operational risks and the contribution to the total solvency capital requirement before loss-absorbing items was EUR 24.6 million (EUR 25.5 million). Its share of the solvency capital requirement before loss-absorbing items was 5.3 per cent (6.5%).

Fennia’s most significant operational risks were related to, for example, the implementation of regulation, the functioning of key information and telecom systems, data protection, key personnel, changes caused by digitalisation, the operations of partners and the quality and scheduling of reporting.

Assessment of Fennia Life's operational risks

The solvency capital requirement for Fennia Life’s operational risks and the contribution to the total solvency capital requirement before loss-absorbing items was EUR 3.8 million (EUR 3.9 million). Its share of the solvency capital requirement before loss-absorbing items was 2.2 per cent (2.4%).

Fennia Life’s most significant operational risks were related to, for example, changes in legislation, implementation of regulation, the functioning of key information and telecom systems, data protection, key personnel, and the operations of processes and partners.

Other material risks

The Fennia Group, Fennia and Fennia Life are also subject to other risks that are not taken into account in solvency capital requirement calculations. Usually they are difficult or even impossible to measure. These risks include risks linked to the strategy and business environment, risk linked to acquiring additional capital, reputation risk and entirely new types of risk that are difficult to identify let alone assess ahead of time.

Risks linked to strategy and business environment

Risks linked to the strategy and business environment can be considered to be risks coming from either inside or outside the Fennia Group. Strategic risk coming from inside can materialise if the Fennia Group’s or a Group company’s business is not steered correctly or the strategy it has selected is wrong considering the competitive situation, valid legislation or market conditions. This may cause the Fennia Group or an individual company belonging to the Group to lose its market position, or its profitability and solvency position can weaken significantly. The business can also be subject to external risks, which are often political or linked to political decision-making. Some examples of this type of risk are changes in the tax benefits of insurance contracts, social welfare and health care reform or any other legislative amendment that considerably alters the business environment and the Fennia Group’s or an individual company’s ability to function in it. The consequences are the same as with strategic risks resulting from the Group’s own operations.

The basis for the management of strategic risks is to identify the strategic risks of the Fennia Group and each of the Group companies, to observe various weak signals and to assess how different events, trends and scenarios will affect the sustainability of operations and the development of the financial position in both the short and long term.

Additional capital acquisition risk

When the solvency situation weakens significantly, the only way to repair the solvency position may be to seek outside capital. The additional capital acquisition risk can materialise if, when seeking new capital, it is either not available or the cost of it is much higher than anticipated. If additional capital is unavailable in a situation such as this, it may jeopardise the Fennia Group’s or an individual Group company’s continuity. Overly expensive capital can, on the other hand, endanger the Fennia Group’s or an individual Group company’s profitability and ability to produce added value.

Reputation risk

Reputation risk refers to a risk of damage to the Fennia brand or to the public image of an individual company belonging to the Fennia Group. Reputation risk can also be caused by partners, if their values or operating principles differ from those of the Fennia Group.

A good reputation is an essential component of insurance operations and of the Fennia Group's entire business. Without a good reputation, working together with the Fennia Group's stakeholders can become more difficult or impossible. It is difficult to regain trust after a loss of reputation, so the Fennia Group must, in all of its operations, act towards all of its customers in a fair manner that inspires trust and with high moral values, in order to minimise reputation risk.

The starting point for the management of reputation risk is to identify the possible events that can negatively affect the Fennia Group's or a Group company's reputation. Reputation risk differs in nature from other risks in that risk events can be based not only on real events, but also on events that fully or partly have no basis in reality, for example a baseless rumour.

Reputation risk is not managed as its own risk area, but as part of operational risks, which may often lead to reputation risks if they materialise. When the risks that may have reputation impacts have been identified, various risk-management measures can be implemented within the organisation. Reputation risks are best prevented through day-to-day professional work and by complying with the given policies and guidelines. An important part of managing reputation impacts that have materialised is clear, open and well-though-out internal and external communication.

Group risks

The Fennia Group and individual Group companies are also exposed to the group risk. Group risks refer to risks arising from the parent company and its subsidiaries operating in the form of a Group.

The following types of risks are some examples:

- Transaction risks relate to intra-Group transactions, for example appropriate pricing.
- Contagion risks include situations in which the problems faced or the risks taken by one company spread to the other Group companies or to the whole Group. This area also includes moral hazard risks, referring to situations in which a risk intentionally and immorally taken by one company and the resulting loss are transferred to be borne by the parent company or other companies either in part or in full.
- Conflict of interest risks arise if the interests of some Group companies or those of the entire Group collide.
- Concentration risks arise if a single counterparty becomes too significant on the Group level, even though the risk remains within the permitted limits for single companies.
- Risks related to administration can result from the fact that some of the operations are organised on the Group level and some on the level of individual companies. The differences in the companies' administrative systems can lead to co-ordination challenges and additional risks.

The management of group risks is based on consistent and transparent definition and implementation of the entire Group's internal control system, particularly the risk management system and regulatory compliance monitoring as well as the related reporting procedures. The roles and responsibilities of the various bodies must also be clear and defined from both Fennia Group companies' and the Group's perspective.

Any other information

There is no other material information about the Fennia Group's, Fennia's or Fennia Life's risk profile.

Valuation for solvency purposes

Valuation for solvency purposes

The solvency calculation balance sheet is based on financial statements drawn up in accordance with Finnish Financial Accounting Standards (FAS) and adjusted in line with the solvency regulations. The financial statement figures are used as comparison data, but they are grouped according to the solvency calculation's balance sheet structure.

The valuation principles for solvency calculation are based on the IFRS standard. The objective is to define fair value in accordance with the arm's length principle. The most significant differences between capital and reserves in the financial statement and own funds in the solvency calculation stem from the difference in the valuation of investment assets, the valuation of technical provisions and the treatment of the equalisation provision.

Assets

Assets are categorised into classes for solvency purposes as required by regulation. The classification is based on the nature and risk classification of the assets.

The IFRS fair value hierarchy has three levels for determining fair value, defined according to the valuation technique used:

- the quoted price in active markets (level 1, market price)
- the observable price in active markets (level 2, a valuation technique that uses the price directly from market data or an indirectly derived price as the input data)
- unobservable price (level 3, a valuation technique that uses unobservable input data).

The fair value of investment instruments is defined based on prices quoted on active markets. The instruments are valued at the stock price or latest trading price, if the stock price is not available, or the price source's stock exchange uses the auction process. If there is no public quote for the investment instruments as a whole, but there are active markets for its components, the fair value is determined based on the market prices of the components. If the markets are not active or the securities are not quoted, the fair value is determined using valuation methods that are generally approved on the markets. If it is not possible to determine the fair value of the asset belonging to the financial assets, the acquisition cost is considered to be a close enough estimate of the fair value. The amount of these types of assets in the Group's balance sheet is insignificant.

No changes were made to the valuation principles or assessment criteria during the reporting period. Any uncertainties linked to future assumptions and conclusions based on estimates are related mostly to the assessment of fair values for real estate.

	31.12.2017			31.12.2016		
Investments (EUR million)	**Solvency II value**	**Statutory accounts value**	**Difference**	**Solvency II value**	**Statutory accounts value**	**Difference**
Property, plant & equipment held for own use	43.7	8.6	35.0	8.8	6.3	2.4
Property (other than for own use)	441.2	362.0	79.2	426.0	333.2	92.9
Equities	261.5	210.3	51.1	253.4	218.6	34.8
Holdings in related undertakings, including participations	3.6	2.1	1.5	2.2	2.9	-0.7
Bonds	492.6	488.4	4.2	823.1	808.5	14.5
Collective Investments Undertakings	1,005.1	962.6	42.4	676.4	644.3	32.1
Loans	67.4	71.8	-4.4	51.6	59.2	-7.5
Cash	106.3	110.9	-4.6	75.3	66.2	9.1
Deposits other than cash equivalents	1.0	1.0	0.0	4.0	4.0	0.0
Derivatives	3.9	0.0	3.9	2.1	0.0	2.1
Total investment	**2,426.1**	**2,217.8**	**208.4**	**2,322.9**	**2,143.3**	**179.6**

Fennia's assets

Investments (EUR million)	31.12.2017 Solvency II value	31.12.2017 Statutory accounts value	31.12.2017 Difference	31.12.2016 Solvency II value	31.12.2016 Statutory accounts value	31.12.2016 Difference
Property, plant & equipment held for own use	22.8	8.0	14.9	26.9	5.7	21.2
Property (other than for own use)	245.9	162.4	83.5	206.7	132.3	74.4
Equities	173.1	141.6	31.5	167.3	148.1	19.2
Holdings in related undertakings, including participations	269.1	53.2	215.9	217.6	53.2	164.4
Bonds	193.3	194.0	-0.7	480.7	472.4	8.3
Collective investments undertakings	764.6	732.6	32.0	471.0	446.3	24.7
Loans	177.2	188.9	-11.7	159.4	178.5	-19.0
Cash	64.4	64.4	0.0	45.5	45.5	0.0
Deposits other than cash equivalents	1.0	1.0	0.0	2.0	2.0	0.0
Derivatives	2.3	0.0	2.3	0.2	0.0	0.2
Total investment	**1,913.8**	**1,546.1**	**367.8**	**1,777.5**	**1,484.1**	**293.4**

Fennia Life's assets

Investments (EUR million)	31.12.2017 Solvency II value	31.12.2017 Statutory accounts value	31.12.2017 Difference	31.12.2016 Solvency II value	31.12.2016 Statutory accounts value	31.12.2016 Difference
Property, plant & equipment held for own use	0.6	0.6	0.0	0.8	0.6	0.2
Property (other than for own use)	71.9	60.8	11.1	70.3	60.5	9.9
Equities	88.4	70.8	17.6	86.0	74.4	11.6
Holdings in related undertakings, including participations	3.4	3.4	0.0	2.0	2.0	0.0
Bonds	299.3	294.4	4.8	342.4	336.1	6.3
Collective investments undertakings	240.5	230.1	10.4	205.4	198.0	7.4
Loans	20.8	20.6	0.2	22.2	21.5	0.7
Cash	41.9	41.9	0.0	29.8	29.8	0.0
Deposits other than cash equivalents	0.0	0.0	0.0	2.0	2.0	0.0
Derivatives	1.7	0.0	1.7	1.8	0.0	1.8
Total investment	**768.4**	**722.6**	**45.8**	**762.8**	**724.9**	**37.9**

Valuation of assets for solvency purposes relative to valuation for financial statements

Intangible and tangible assets

Intangible and tangible assets are presented in the financial statements at acquisition cost less planned depreciation. If there are any signs that the value of these assets has declined, they are entered as impairment write-offs. Goodwill and other long-term expenses are valued at zero in the solvency calculation, because they have no market value.

In the solvency calculation, the valuation of tangible assets according to the financial statements, i.e. the book value, is kept as a reasonable estimate of fair value.

Land and buldings and real estate shares

Buildings and structures are presented in the closing balance sheet at the lower of acquisition cost less the planned depreciation or current value. Real estate shares and land and water areas are presented in the balance sheet at the lower of acquisition cost or current value. The same fair values are used in the financial statements as in the solvency calculation, and the fair values are presented in the notes to the financial statements.

In the solvency calculation, real estate investments are valued at fair value. The fair values of real estate are assessed using the net present value rule based on future returns and market-consistent return expectations. The starting point for the assessment is the property-specific characteristics concerning, among other things, the property's location, condition and tenancy situation and market-driven comparison information concerning alternative rents and return requirement levels. An external property evaluator has participated in assessing the most significant real estate annually and, elsewhere, assessments have been carried out using the Group's in-house expertise.

Shares and participations

Stocks and shares are presented at the lower of acquisition cost or fair value in the closing balance sheet. Quoted securities and securities that are otherwise subject to public trading are valued at the last bid price in continuous trading on the balance sheet date or, if this is not available, at the latest trading price.

Unquoted securities are valued at the estimated market price, the undepreciated portion of acquisition cost or a value based on net asset value. Private equity investment fund shares are valued at the estimated fair value of the fund reported by the administrative company. The fair values are presented in the notes to the financial statements. In solvency calculations, these investments are valued at their fair value.

Debt securities

Bonds are entered in the closing balance sheet at acquisition cost. The acquisition cost is calculated using the average price. The difference between their nominal value and acquisition cost is periodised as interest income, or interest payable, over the life of the debt security instrument, and entered as an increase or decrease in their acquisition cost. Changes in value arising from the variation in interest rates are not entered. Value adjustments relating to the issuer's creditworthiness are entered at profit or loss. The fair values are presented in the notes to the financial statements. In solvency calculations, fixed income investments are valued at their fair value.

Derivatives

The negative difference between the fair value of the derivative contracts treated as non-hedging in the financial statements and a higher book value is entered as an expense. Unrealised income is not entered. Interest rate derivatives are used to hedge the interest rate risk of market-consistent technical provisions against future changes in value in accordance with the Group's risk management. In accounting terms, these interest rate derivatives are treated as hedging instruments.

When employing hedge accounting, the negative change in the value of derivatives is not entered as an expense insofar as it is covered by the change in the value of the position being hedged, and provided that the hedging is effective. However, if the negative change in the value of the hedging interest rate derivatives is greater than the positive change in the value of the market-consistent technical provisions to be hedged, the excess value is entered under value adjustments on investments.

The interest for the financial period from the interest rate derivatives is entered as income or expenses for the financial year based on the contract. Profit or loss arising in connection with the closing of interest rate derivatives treated as hedging instruments in accounting are periodised over the life of each derivative contract.

The fair values of derivative contracts are determined based on cash flow forecasts derived from market instruments and on a risk-free interest rate derived from market instruments. The fair values are presented in the notes to the financial statements. In solvency calculation, derivative contracts are valued at their fair value in both assets and liabilities.

Loan receivables

Loan receivables are presented in the closing balance sheet at nominal value or at a permanently lower likely realisable value. In solvency calculations, client loans are valued based on mark-to-model valuation.

The valuation model is based on three key factors. Cash flows are forecast for the future, taking into account the nature of the loan and the repayment period. Cash flows are discounted with interest that takes into account the market-derived risk-free interest and the counterparty's risk premium that reflects the credit rating.

Funds and deposits

Loan receivables and deposits are presented in the closing balance sheet at their nominal value. The interest accrued from deposits is recorded under receivables in the financial statements. There is no difference between the valuation in the solvency calculation and the valuation in the financial statements.

Premium receivables and other receivables

Premium receivables are presented in the balance sheet at probable value and other receivables at their par value, or at a probable value permanently lower than this. Receivables that, on the basis of experience from previous years, are likely to expire have been deducted from the par value of premium receivables, resulting in their probable value. Receivables that are likely to remain unsettled are entered as a credit loss. In solvency calculation, only mature receivables from policyholders are included in premium receivables. Valuations of other receivables in the financial statements are held as reasonable estimates of fair value, and other receivables are valued in solvency calculation at book value according to the financial statements.

Assets covering unit-linked insurances

Assets covering unit-linked insurances are valued at their fair value in both the financial statements and solvency calculation.

Material differences in valuation principles

There are no material differences in the valuation methods used in the solvency calculation and in the drawing up of the financial statements, with the exception of the following holdings.

- In solvency calculation, transferred interest linked to investments is included in the fair value of the asset in question. In the closing balance sheet, the transferred interest of investments is included in the receivables group.
- In the financial statements, client loans are valued at their nominal value. In solvency calculation, the loans are valued on market terms.

Technical provisions

In solvency calculation, the technical provisions calculated from insurance contracts are the expected current value (best estimate) of future cash flows related to the current insurance portfolio. Future cash flows from insurance contracts are discounted using the swap zero-coupon rate curve given by the European Insurance and Occupational Pensions Authority (EIOPA). The technical provisions are the sum of the best estimate and risk margin. The risk margin is calculated using the so-called cost of capital method, using a cost of capital assumption of 6 per cent.

To determine the amount of future cash flows, not only information linked to the current insurance portfolio's contracts, but also different types of assumptions linked to the life expectancy and behaviour of the insured are required. These types of assumptions are, among other things, assumptions on mortality, disability intensity, surrenders, pension period, new premiums, insurance savings investments, bonuses and operating expenses required to manage insurance.

As the Fennia Group has no internal reinsurance arrangements, the Fennia Group's technical provisions consist of Fennia's and Fennia Life's combined technical provisions, both in the financial statements and in solvency calculation.

The Fennia Group's technical provisions according to the financial statements totalled EUR 3,102.3 million (EUR 2,961.3 million) and technical provisions according to solvency calculation amounted to EUR 2,366.3 million (EUR 2,347.7 million).

The technical provisions in ceded reinsurance in the financial statements totalled EUR 28.9 million (EUR 9.4 million) and in solvency calculation EUR 21.0 million (EUR 2.1 million).

Fennia's technical provisions

The financial statement technical provisions consisted of the provision for unearned premiums of EUR 126.3 (EUR 134.9 million), claims outstanding of EUR 1,023.6 million (EUR 1,003.8 million), and the equalisation provision of EUR 311.8 million (EUR 281.3 million), totalling EUR 1,461.7 million (EUR 1,420.1 million).

The technical provisions according to solvency calculation amounted to EUR 873.0 million (EUR 909.8 million), of which the share of the best estimate was EUR 819.0 million (EUR 851.1 million) and the risk margin amounted to EUR 53.9 million (EUR 58.7 million). Of the best estimate, the share of the provision for unearned premiums was EUR –71.3 million (EUR -47.2 million) and claims outstanding were EUR 228.5 million (EUR 204.0 million).

The technical provisions in ceded reinsurance in the financial statements totalled EUR 28.9 million (EUR 9.4 million) and in solvency calculation EUR 27.4 million (EUR 9.1 million).

The table below shows the division of technical provisions, in accordance with solvency calculation, into the best estimate and risk margin by insurance line. The figures are before ceded reinsurance, meaning the figures do not take into account cash flows related to ceded reinsurance contracts.

Line of business (EUR million)	31.12.2017 Best estimate	Risk margin	Technical provisions	31.12.2016 Best estimate	Risk margin	Technical provisions
Medical expense insurance and proportional reinsurance	23.3	6.1	29.4	39.7	10.6	50.2
Income protection insurance and proportional reinsurance	1.6	0.8	2.4	-2.7	1.0	-1.7
Workers' compensation insurance and proportional reinsurance	-1.0	7.7	6.7	-15.1	8.1	-7.0
Motor vehicle liability insurance and proportional reinsurance	13.5	4.7	18.3	19.9	5.2	25.1
Other motor insurance and proportional reinsurance	19.0	4.1	23.1	20.2	4.1	24.3
Marine, aviation and transport insurance and proportional reinsurance	1.4	1.2	2.6	4.0	1.2	5.2
Fire and other damage to property insurance and proportional reinsurance	45.6	5.6	51.2	43.9	5.4	49.3
General liability insurance and proportional reinsurance	40.3	3.7	44.0	32.1	3.2	35.3
Credit and suretyship insurance and proportional reinsurance	0.0	0.1	0.1	0.0	0.1	0.1
Legal expenses insurance and proportional reinsurance	14.3	1.2	15.5	15.5	1.1	16.7
Assistance and proportional reinsurance	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous financial loss insurance and proportional reinsurance	-0.9	0.5	-0.3	-0.9	0.5	-0.4
Non-proportional health reinsurance	0.0	0.0	0.0	0.0	0.0	0.0
Non-proportional casualty reinsurance	0.0	0.0	0.0	0.0	0.0	0.0
Non-proportional marine, aviation and transport reinsurance	0.0	0.0	0.0	0.0	0.0	0.0
Non-proportional property reinsurance	0.0	0.0	0.0	0.0	0.0	0.0
Annuities stemming from non-life insurance contracts and relating to health insurance obligations	403.6	12.0	415.5	419.5	12.0	431.4
Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	258.3	6.2	264.5	274.8	6.4	281.2
Total	**819.0**	**53.9**	**873.0**	**851.1**	**58.7**	**909.8**

The cash flows used in the calculation of the best estimate for the technical provisions in solvency calculation are defined using the simulation technique. For mortality and disability, the assumptions used by Fennia are based on research and analyses conducted in the insurance sector. In other respects, the assumptions used to calculate the technical provisions are based on the company's own insurance portfolio's behaviour history and current way of managing insurance policies. Market-consistent technical provisions are calculated by insurance contract and the total technical provisions are their sum.

Uncertainty about the level of technical provisions arises for the following, among other, reasons:

- The total loss estimates for losses reserved on a case-by-case basis are estimates of the total amount of losses and the final total loss amounts are determined once the losses are settled. Particularly the assessment of future pension-related compensation payments involves uncertainty on the part of the development of remaining life expectancies.
- The reserves for unknown and known losses that have not been reserved on a case-by-case basis, are based on estimates derived from claims history statistics on the size and settlement of the losses.
- The size of future compensation payments is impacted by the development of the costs compensated from the insurance lines. For example, in the case of motor vehicle damage, the development of the repair costs or in the case of medical expenses insurance, the development of the prices of treatment procedures and drugs impact the final amount of compensation. The size of future inflation is always uncertain and causes uncertainty also in the assessment of future compensation payments.

The most significant differences in the grounds, methods and key assumptions used in the valuation of technical provisions in accordance with solvency calculation and financial statements are as follows:

- The technical provisions calculated in the financial statements are only discounted on the part of known pension-related compensation. The interest rate is a fixed 1.5 per cent.
- In financial statements, the collective determination method is based on the traditional chain-ladder method calculated from loss triangles.

The following factors also cause differences in the valuation carried out by the company for solvency purposes and the valuation carried out for financial statements:

- Due to the determination difference, the provision for unearned premiums in the financial statements amounted to EUR 126 million, and in the solvency calculation to negative EUR 71 million.
- EUR 18 million in workers' compensation insurance pension capitals' subrogation receivables are not offset from the technical provisions in the financial statements but are offset in solvency calculation.
- The technical provisions for fully experience-rated patient insurance amounted to EUR 40 million in the financial statements, but in determining the solvency calculation technical provisions, indemnification and insurance premiums linked to this component of the technical provision offset each other in practice.
- There are differences in the concepts related to the expiry of contracts.
- There are differences in the calculation of risk margin.

Fennia Life's technical provisions

The technical provisions in accordance with the financial statements amounted to EUR 1,640.6 million (EUR 1,541.3 million). They consisted of, on the part of savings-type insurance, insurance savings of EUR 1,498.9 million (EUR 1,389.4 million,) and the supplementary provision for the guaranteed interest rate of EUR 125.1 million (EUR 136.0 million), altogether EUR 1,624.0 million (EUR 1,525.4 million). The share of unit-linked technical provisions amounted to EUR 1,017.8 million (EUR 903.2 million). Technical provisions for risk life insurance and other technical provisions amounted to EUR 16.6 million (EUR 15.9 million).

The technical provisions in accordance with the solvency calculation amounted to EUR 1,493.4 million (EUR 1,437.9 million). The technical provisions for savings-type insurance consisted of the best estimate, EUR 1,534.5 (EUR 1,491.5 million), and the risk margin, EUR 24.5 million (EUR 24.3 million), altogether EUR 1,559.0 million (EUR 1,515.8 million). The share of unit-linked technical provisions amounted to EUR 987.2 million (EUR 883.1 million). Technical provisions for risk life insurance amounted to –65.6 million (EUR –78.0 million).

The technical provisions for ceded reinsurance in the financial statements totalled EUR 0.0 million (EUR 0.0 million) and in solvency calculation EUR –6.4 million (EUR –7.1 million).

The table below shows the division of technical provisions, in accordance with solvency calculation, into the best estimate and risk margin by insurance line. The figures are before ceded reinsurance, meaning the figures do not take into account cash flows related to ceded reinsurance contracts.

	31.12.2017			31.12.2016		
Line of business (EUR million)	**Best estimate**	**Risk margin**	**Technical provisions**	**Best estimate**	**Risk margin**	**Technical provisions**
Savings insurance						
Technical interest rate	46.8	0.2	47.1	55.9	0.9	56.7
Unit-linked	644.4	6.2	650.7	556.1	9.5	565.6
Capital redemption policy						
Technical interest rate	7.5	0.0	7.5	10.0	0.2	10.1
Unit-linked	86.6	0.5	87.1	74.3	1.3	75.6
Individual pension insurance						
Technical interest rate	247.7	2.2	249.9	274.3	4.2	278.5
Unit-linked	115.0	2.0	117.1	118.2	2.0	120.2
Group pension insurance						
Technical interest rate	260.4	6.9	267.3	283.2	4.3	287.5
Unit-linked	125.9	6.4	132.3	119.6	2.0	121.7
Life risk insurance	-87.9	22.3	-65.6	-100.7	22.7	-78.0
Total	**1,446.6**	**46.8**	**1,493.4**	**1,390.9**	**47.1**	**1,437.9**
Technical interest rate	562.5	9.3	571.8	623.3	9.5	632.8
Unit-linked	972.0	15.2	987.2	868.2	14.8	883.1
Life risk insurance	-87.9	22.3	-65.6	-100.7	22.7	-78.0
Total	**1,446.6**	**46.8**	**1,493.4**	**1,390.9**	**47.1**	**1,437.9**

The cash flows used in the calculation of the best estimate for the technical provisions in solvency calculation are defined using the simulation technique and by contract.

Uncertainty about the level of technical provisions arises for the following, among other, reasons:

- Future cash flows are based on various estimates that are derived from historical statistics, for example, future mortality, disability and customer behaviour. Actual development will probably deviate from these estimates.
- The amount of future operating expenses is influenced by the estimated amount of future inflation. The actual inflation trend will also probably deviate from this estimate.

The most significant differences in the bases, methods and key assumptions used in the valuation of technical provisions in solvency calculation and financial statements are as follows:

- The amount of the guaranteed-return insurance portfolio’s technical provisions, in accordance with solvency calculation, is particularly sensitive to the level of yield curve used in discounting. The low interest rate level on the markets has led to the technical provisions under solvency calculation exceeding the amount of insurance savings in recent years. In the financial statements’ calculation of the technical provisions, the low interest rate level has been taken into account by carrying out annual transfers to the supplementary provision for the guaranteed interest rate, to be used to cover the future technical rate of interest.
- The markets’ interest rate level has had a lower impact on the amount of unit-linked insurances’ technical provisions in accordance with solvency calculation. For unit-linked insurances, assumptions on surrenders and operating expenses have a larger impact on technical provisions under solvency calculation than the interest rate level.
- For risk insurance, the financial statements’ technical provisions consisted of the provision for unearned premiums, the provision for claims outstanding for known and unknown claims and the provisions for bonuses, in total EUR 13.0 million. The technical provisions according to solvency calculation for risk insurance were negative, altogether EUR –65.6 million because future premiums are expected to exceed the amount of operating expenses required to manage future claims and insurance. This effect is also seen in ceded reinsurance, whose value in assets was negative. The amounts are particularly sensitive to the assumption that risk insurance will end.

Matching adjustment, volatility adjustment and transitional measures

In determining the Fennia Group’s, Fennia’s and Fennia Life’s technical provisions, matching adjustment, volatility adjustment and transitional measures were not used.

Other liabilities

The Fennia Group’s, Fennia’s and Fennia Life’s other liabilities consist of fairly short-term indirect liabilities linked to taxation, purchase invoices and other operations. Other liabilities are presented in the balance sheet and taken into account in solvency calculation at nominal value.

Alternative methods for valuation

In connection with the valuation of assets, the transition to alternative methods for valuation is carried out on a case-by-case basis and the transition’s grounds are documented. For investment instruments for whom the alternative valuation method is the only option, documented valuation models and uncertainty assessments must exist before the acquisition of investments.

The functioning of the valuation models is verified at least once a year by testing their validity either by using prices that have been realised in any recent verifiable market events for the same instrument or based on any available and verifiable market data.

Any other information

There is no other material information about valuation for solvency purposes in the Fennia Group, Fennia or Fennia Life.

Capital management

Own funds

Objectives, policies and processes of managing own funds

The goal of managing own funds is to ensure the sufficiency of own funds to cover the regulatory solvency capital requirement and a sufficiently large surplus at all times, and to allocate capital to key risk areas efficiently in terms of risk-return ratio. The above-mentioned surplus is determined by the understanding of risk in relation to the regulatory solvency capital requirement and preparing for sudden and unexpected disturbances.

The required minimum level of own funds determines the minimum level of own funds with which the obligations concerning the benefits of the insured can be met with great probability. This amount of own funds is the higher of the following two solvency capital requirements:

- solvency capital requirement required by solvency regulation
- solvency capital requirement defined according to the own understanding of risk (ORSA).

Both own funds and solvency capital requirement can change quickly as a result of open risk positions, in which case it might no longer be possible to practice business in a normal manner. For these types of sudden and unpredictable stress factors, a desired amount of capital buffer is defined on top of the required minimum amount of own funds. The purpose of capital buffers is to create time to adjust the risk position when sudden and unforeseen situations are realised, i.e. to modify the risk/return position and solvency position with careful consideration to a level that corresponds to the new operating situation.

The required amount of capital buffer is also assessed in the long term, in which case the assessment also includes qualitative perspectives and unmeasurable risks. These include, for example, risks and opportunities related to the business strategy set by the Board of Directors and the business environment.

The annual risk-taking plan defines the risk appetite and risk tolerance and allocates risky capital overall and across individual risks. Risk limits and risk-taking limitations are set to correspond to the above-described strategic intent. The realisation of risk limits is monitored continuously, and the risk-taking plan is adjusted and, if required, updated quarterly to correspond to any changes in the business or investment environment.

The management of own funds and solvency is part of the risk management system. The managing director and senior management are responsible for drawing up risk-taking plans and setting solvency targets. The risk management director, with the assistance of the risk management executive group, is responsible for ensuring that comprehensive and varied analyses on risks, future scenarios and financial impacts resulting from the realisation of risk positions are available for drawing up the risk-taking plan and solvency targets. The board of directors approves the risk-taking plan and the set risk limits.

Classification and eligibility of own funds

Fennia Group’s solvency is calculated using the accounting consolidation-based method (Method 1).

The tables below detail the structure of the Fennia Group’s own funds and their amount at the end of the reporting period and the end of the previous reporting period.

Available own funds (EUR million)	31.12.2017	31.12.2016
Basic own funds		
Excess of assets over liabilities (net asset value)	980.0	774.5
Foreseeable dividends, distributions and charges	0.0	0.0
Subordinated liabilities	0.0	0.0
Other non-available own funds	0.0	0.0
Total	980.0	774.5
Ancillary own funds	0.0	0.0
Own funds (Basic own funds + Ancillary own funds)	980.0	774.5

The companies belonging to the Fennia Group have own funds items, which have a reduced capacity to fully dilute losses at the Group level. The most significant of these is the equalisation provision, which cannot be transferred to other companies due to restrictions. At the end of the reporting period and at the end of the previous reporting period, the above-mentioned items did not exceed the calculated maximum amounts. Thus, Fennia's and Fennia Life's own funds were available in full at the Group level both at the end of the reporting period and at the end of the previous reporting period.

The tables below detail the quality of own funds at the end of the reporting period and the end of the previous reporting period and the items' eligibility as cover for the solvency capital requirement and the minimum solvency capital requirement.

Classification and eligibility of own funds 31.12.2017 (EUR million)	Available	Eligible own funds to meet the SCR	Eligible own funds to meet the MCR
Tier 1 - unrestricted	980.0	980.0	976.8
Tier 1 - restricted	0.0	0.0	0.0
Tier 2	0.0	0.0	0.0
Tier 3	0.0	0.0	0.0
Total	**980.0**	**980.0**	**976.8**

Classification and eligibility of own funds 31.12.2016 (EUR million)	Available	Eligible own funds to meet the SCR	Eligible own funds to meet the MCR
Tier 1 - unrestricted	774.5	774.5	773.2
Tier 1 - restricted	0.0	0.0	0.0
Tier 2	0.0	0.0	0.0
Tier 3	0.0	0.0	0.0
Total	**774.5**	**774.5**	**773.2**

Own funds available to the Fennia Group belonged in their entirety to Tier 1, which can be used without limitation and can be used as they stand to cover the solvency capital requirement and minimum solvency capital requirement.

The detailed classification and distribution of own funds at the end of the reporting period can be found in the Fennia Group's annex S.23.01.22.

The Fennia Group does not apply the transitional measures enabled by the regulation to its own funds.

The difference between the financial statements' capital and reserves and solvency calculations' net asset value at the end of the reporting period was EUR 641.3 million (EUR 475.7 million). The tables below provide a balance sheet summary that shows the key differences between the financial statements and the solvency calculation at the end of the reporting period and the previous reporting period.

31.12.2017 (EUR million) **Assets**	**Solvency balance sheet**	**Statutory account balance sheet**	**Difference**
Goodwill	0.0	1.7	-1.7
Intangible assets	0.0	58.5	-58.5
Investments	2,426.1	2,217.8	208.4
Assets held for index-linked and unit-linked contracts	1,018.1	1,018.1	0.0
Reinsurance recoverables	21.0	28.9	-7.9
Provision rebates from funds covering unit-linked contracts	25.1	0.0	25.1
Any other assets, not elsewhere shown	94.3	175.2	-81.0
Total assets	3,584.6	3,500.2	84.4

Liabilities	**Solvency balance sheet**	**Statutory account balance sheet**	**Difference**
Technical provisions	2,366.3	2,790.5	-424.2
Equalisation reserve	0.0	311.8	-311.8
Derivative liabilities	0.4	0.1	0.3
Deferred tax liabilities	188.9	7.4	181.5
Any other liabilities, not elsewhere shown	49.0	51.7	-2.7
Total liabilities	2,604.7	3,161.5	-556.9

Excess of assets over liabilities	**Solvency balance sheet**	**Statutory account balance sheet**	**Difference**
Net asset value / Capital and reserves	980.0	338.7	641.3

31.12.2016 (EUR million) **Assets**	**Solvency balance sheet**	**Statutory account balance sheet**	**Difference**
Goodwill	0.0	1.9	-1.9
Intangible assets	0.0	72.9	-72.9
Investments	2,322.9	2,143.3	179.6
Assets held for index-linked and unit-linked contracts	904.0	900.9	3.1
Reinsurance recoverables	2.1	9.4	-7.4
Provision rebates from funds covering unit-linked contracts	26.1	0.0	26.1
Any other assets, not elsewhere shown	80.1	200.0	-119.9
Total assets	3,335.1	3,328.4	6.7

Liabilities	**Solvency balance sheet**	**Statutory account balance sheet**	**Difference**
Technical provisions	2,347.7	2,680.0	-332.3
Equalisation reserve	0.0	281.3	-281.3
Derivative liabilities	6.0	0.0	6.0
Deferred tax liabilities	146.2	7.6	138.7
Any other liabilities, not elsewhere shown	60.7	60.7	0.0
Total liabilities	2,560.6	3,029.6	-469.0

Excess of assets over liabilities	**Solvency balance sheet**	**Statutory account balance sheet**	**Difference**
Net asset value / Capital and reserves	774.5	298.9	475.7

The assets' balance sheet differences are essentially linked to the fact that:

- goodwill and intangible assets are reset in the solvency calculation balance sheet
- in the financial statements, specific investments are valued at their acquisition price, revalued or impaired acquisition cost, nominal value or otherwise abiding by the prudent person principle, while in the solvency calculation balance sheet, investments are valued at market value or market-consistent value
- in the closing balance sheet, the reinsurance receivables are valued using the principle of prudence and without dicounting, while in the solvency calculation, contracts are valued on market terms, taking into account the insurance liabilities covered by the contract boundary
- the expected provision rebates from the funds covering unit-linked contracts are activated in the solvency calculation balance sheet.

The liabilities' balance sheet differences are essentially linked to the fact that:

- in the solvency calculation balance sheet, the technical provisions are valued at market terms, while in the closing balance sheet they are valued using the surrender value or principle of prudence
- the equalisation provision is included in the financial statements' technical provisions, but not in the solvency calculation
- in the solvency calculation balance sheet, deferred taxes is calculated for future profits.

The detailed grouping of the solvency calculation balance sheet at the end of the reporting period can be found in the Fennia Group's annex S.02.01.02.

Fennia's own funds

The tables detail the structure of Fennia's own funds and their amount at the end of the reporting period and the end of the previous reporting period.

Available own funds (EUR million)	31.12.2017	31.12.2016
Basic own funds		
Excess of assets over liabilities (net asset value)	953.7	786.3
Foreseeable dividends, distributions and charges	0.0	0.0
Subordinated liabilities	0.0	0.0
Total	953.7	786.3
Ancillary own funds	0.0	0.0
Own funds (Basic own funds + Ancillary own funds)	953.7	786.3

The tables detail the quality of own funds at the end of the reporting period and the end of the previous reporting period and the items' eligibility as cover for the solvency capital requirement and minimum capital requirement.

Classification and eligibility of own funds 31.12.2017 (EUR million)	Available	Eligible own funds to meet the SCR	Eligible own funds to meet the MCR
Tier 1 - unrestricted	953.7	953.7	953.7
Tier 1 - restricted	0.0	0.0	0.0
Tier 2	0.0	0.0	0.0
Tier 3	0.0	0.0	0.0
Total	**953.7**	**953.7**	**953.7**

Classification and eligibility of own funds 31.12.2016 (EUR million)	Available	Eligible own funds to meet the SCR	Eligible own funds to meet the MCR
Tier 1 - unrestricted	786.3	786.3	786.3
Tier 1 - restricted	0.0	0.0	0.0
Tier 2	0.0	0.0	0.0
Tier 3	0.0	0.0	0.0
Total	**786.3**	**786.3**	**786.3**

Own funds available to the company belonged in their entirety to Tier 1, which can be used without limitation and can be used as they stand to cover the solvency capital requirement and minimum solvency capital requirement.

The detailed classification and distribution of own funds at the end of the reporting period can be found in Fennia's annex S.23.01.01. The company does not apply the transitional measures enabled by the regulation to its own funds.

The difference between the financial statements' capital and reserves and solvency calculations' net asset value at the end of the reporting period was EUR 667.1 million (EUR 458.2 million). The tables provide a balance sheet summary that shows the key differences between the financial statements and the solvency calculation at the end of the reporting period and the previous reporting period.

31.12.2017 (EUR million) **Assets**	**Solvency balance sheet**	**Statutory account balance sheet**	**Difference**
Goodwill	0.0	0.0	0.0
Intangible assets	0.0	54.9	-54.9
Investments	1,913.8	1,546.1	367.8
Assets held for index-linked and unit-linked contracts	0.0	0.0	0.0
Reinsurance recoverables	27.4	28.9	-1.5
Provision rebates from funds covering unit-linked contracts	0.0	0.0	0.0
Any other assets, not elsewhere shown	94.6	160.7	-66.1
Total assets	2,035.8	1,790.6	245.2
Liabilities	**Solvency balance sheet**	**Statutory account balance sheet**	**Difference**
Technical provisions	873.0	1,149.9	-276.9
Equalisation reserve	0.0	311.8	-311.8
Derivative liabilities	0.1	0.1	0.0
Deferred tax liabilities	166.8	0.0	166.8
Any other liabilities, not elsewhere shown	42.3	42.3	0.0
Total liabilities	1,082.1	1,504.1	-421.9
Excess of assets over liabilities	**Solvency balance sheet**	**Statutory account balance sheet**	**Difference**
Net asset value / Capital and reserves	953.7	286.5	667.1

31.12.2016 (EUR million) **Assets**	**Solvency balance sheet**	**Statutory account balance sheet**	**Difference**
Goodwill	0.0	0.0	0.0
Intangible assets	0.0	67.7	-67.7
Investments	1,777.5	1,484.1	293.4
Assets held for index-linked and unit-linked contracts	0.0	0.0	0.0
Reinsurance recoverables	9.1	9.4	-0.3
Provision rebates from funds covering unit-linked contracts	0.0	0.0	0.0
Any other assets, not elsewhere shown	96.2	170.6	-74.4
Total assets	1,882.8	1,731.9	150.9

Liabilities	**Solvency balance sheet**	**Statutory account balance sheet**	**Difference**
Technical provisions	909.8	1,138.8	-229.0
Equalisation reserve	0.0	281.3	-281.3
Derivative liabilities	4.8	0.0	4.8
Deferred tax liabilities	131.5	0.0	131.5
Any other liabilities, not elsewhere shown	50.4	51.4	-1.0
Total liabilities	1,096.5	1,471.5	-375.0

Excess of assets over liabilities	**Solvency balance sheet**	**Statutory account balance sheet**	**Difference**
Net asset value / Capital and reserves	786.3	260.4	525.9

The assets’ balance sheet differences are essentially linked to the fact that:

- goodwill and intangible assets are reset in the solvency calculation balance sheet
- in the financial statements, specific investments are valued at their acquisition price, revalued or impaired acquisition cost, nominal value or otherwise abiding by the prudent person principle, while in the solvency calculation balance sheet, investments are valued at market value or market-consistent value
- in the closing balance sheet, reinsurance receivables are valued using the principle of prudence and without discounting, while in the solvency calculatireceivableon balance sheet, receivables are valued at market terms, taking into account the insurance liabilities covered by the contract boundary
- in other liablities, a significant proportion of the insurance receivables and receivables from insurance representatives have been transferred to the technical provisions calculation.

The liabilities’ balance sheet differences are essentially linked to the fact that:

- in the solvency calculation balance sheet, the technical provisions are valued at market terms, while in the closing balance sheet they are valued using the principle of prudence
- the equalisation provision is included in the financial statements’ technical provisions, but not in the solvency calculation
- in the solvency calculation balance sheet, deferred taxes is calculated for future profits.

The detailed grouping of the solvency calculation balance sheet at the end of the reporting period can be found in Fennia’s annex S.02.01.02.

Fennia Life's own funds

The tables below detail the structure of own funds and their amount at the end of the reporting period and the end of the previous reporting period.

Available own funds (EUR million)	31.12.2017	31.12.2016
Basic own funds		
Excess of assets over liabilities (net asset value)	268.9	217.4
Foreseeable dividends, distributions and charges	-3.0	-1.5
Subordinated liabilities	0.0	0.0
Total	265.9	215.9
Ancillary own funds	0.0	0.0
Own funds (Basic own funds + Ancillary own funds)	265.9	215.9

The tables below detail the quality of own funds at the end of the reporting period and the end of the previous reporting period and the items' eligibility as cover for the solvency capital requirement and the minimum capital requirement.

Classification and eligibility of own funds 31.12.2017 (EUR million)	Available	Eligible own funds to meet the SCR	Eligible own funds to meet the MCR
Tier 1 - unrestricted	265.9	265.9	265.9
Tier 1 - restricted	0.0	0.0	0.0
Tier 2	0.0	0.0	0.0
Tier 3	0.0	0.0	0.0
Total	**265.9**	**265.9**	**265.9**

Classification and eligibility of own funds 31.12.2016 (EUR million)	Available	Eligible own funds to meet the SCR	Eligible own funds to meet the MCR
Tier 1 - unrestricted	215.9	215.9	215.9
Tier 1 - restricted	0.0	0.0	0.0
Tier 2	0.0	0.0	0.0
Tier 3	0.0	0.0	0.0
Total	**215.9**	**215.9**	**215.9**

Own funds available to the company belonged in their entirety to Tier 1, which can be used without limitation and can be used as they stand to cover the solvency capital requirement and minimum solvency capital requirement.

The detailed classification and distribution of own funds at the end of the reporting period can be found in Fennia Life's annex S.23.01.01. The company does not apply the transitional measures enabled by the regulation to its own funds.

The difference between the financial statements' capital and reserves and solvency calculations' net asset value at the end of the reporting period was EUR 155.0 million (EUR 117.4 million). The tables below provide a balance sheet summary that shows the key differences between the financial statements and the solvency calculation at the end of the reporting period and the previous reporting period.

31.12.2017 (EUR million) **Assets**	**Solvency balance sheet**	**Statutory account balance sheet**	**Difference**
Goodwill	0.0	1.7	-1.7
Intangible assets	0.0	3.6	-3.6
Investments	768.4	722.6	45.8
Assets held for index-linked and unit-linked contracts	1,018.1	1,018.1	0.0
Reinsurance recoverables	-6.4	0.0	-6.4
Provision rebates from funds covering unit-linked contracts	25.1	0.0	25.1
Any other assets, not elsewhere shown	4.8	17.6	-12.7
Total assets	1,810.0	1,763.5	46.5

Liabilities	**Solvency balance sheet**	**Statutory account balance sheet**	**Difference**
Technical provisions	1,493.4	1,640.6	-147.2
Equalisation reserve	0.0	0.0	0.0
Derivative liabilities	0.3	0.0	0.3
Deferred tax liabilities	38.7	0.0	38.7
Any other liabilities, not elsewhere shown	8.7	8.9	-0.2
Total liabilities	1,541.1	1,649.6	-108.4

Excess of assets over liabilities	**Solvency balance sheet**	**Statutory account balance sheet**	**Difference**
Net asset value / Capital and reserves	268.9	113.9	155.0

31.12.2016 (EUR million) **Assets**	**Solvency balance sheet**	**Statutory account balance sheet**	**Difference**
Goodwill	0.0	1.9	-1.9
Intangible assets	0.0	4.5	-4.5
Investments	762.8	724.9	37.9
Assets held for index-linked and unit-linked contracts	904.0	903.3	0.7
Reinsurance recoverables	-7.1	0.0	-7.1
Provision rebates from funds covering unit-linked contracts	25.1	0.0	25.1
Any other assets, not elsewhere shown	10.6	16.2	-5.6
Total assets	1,695.5	1,650.9	44.6

Liabilities	**Solvency balance sheet**	**Statutory account balance sheet**	**Difference**
Technical provisions	1,437.9	1,541.3	-103.4
Equalisation reserve	0.0	0.0	0.0
Derivative liabilities	1.2	0.0	1.2
Deferred tax liabilities	29.4	0.0	29.4
Any other liabilities, not elsewhere shown	9.6	9.6	0.0
Total liabilities	1,478.1	1,550.9	-72.8

Excess of assets over liabilities	**Solvency balance sheet**	**Statutory account balance sheet**	**Difference**
Net asset value / Capital and reserves	217.4	100.0	117.4

The assets' balance sheet differences are essentially linked to the fact that:

- goodwill and intangible assets are reset in the solvency calculation balance sheet
- in the financial statements, specific investments are valued at their acquisition price, revalued or impaired acquisition cost, nominal value or otherwise abiding by the prudent person principle, while in the solvency calculation balance sheet, investments are valued at market value or market-consistent value
- In the closing balance sheet, the reinsurance receivables are zero, while in the solvency calculation, contracts are valued on market terms, taking into account the insurance liabilities covered by the contract boundary
- The expected provision rebates from the funds covering unit-linked contracts are activated in the solvency calculation balance sheet.

The liabilities' balance sheet differences are essentially linked to the fact that:

- in the solvency calculation balance sheet, the technical provisions are valued at market terms, while in the closing balance sheet they are valued using the surrender value or principle of prudence
- In the solvency calculation balance sheet, deferred taxes is calculated for future profits

The detailed grouping of the solvency calculation balance sheet at the end of the reporting period can be found in Fennia Life's annex S.02.01.02.

Solvency capital requirement and minimum capital requirement

The Fennia Group's solvency capital requirement at the end of the reporting period was EUR 463.8 million (EUR 392.7 million) and the Fennia Group's minimum consolidated group solvency capital requirement was EUR 125.9 million (EUR 107.8 million).

The Fennia Group's solvency capital requirement divided into risk classes at the end of the reporting period and the previous reporting period was as follows:

Solvency capital requirement (EUR million)	**31.12.2017**	**31.12.2016**
Market risk	474.7	382.3
Counterparty default risk	36.9	43.5
Life underwriting risk	80.0	89.4
Health underwriting risk	64.2	65.1
Non-life underwriting risk	70.1	72.0
Diversification	-169.5	-176.4
Intangible asset risk	0.0	0.0
Basic solvency capital requirement	**556.5**	**475.9**
Calculation of Solvency capital requirement		
Operational risk	28.4	29.4
Loss-absorbing capacity of technical provisions	-6.4	-15.1
Loss-absorbing capacity of deferred taxes	-115.7	-98.0
Capital requirement for other financial sectors	1.0	0.5
Solvency capital requirement excluding capital add-on	**463.8**	**392.7**
Capital add-on already set	0.0	0.0
Solvency capital requirement	**463.8**	**392.7**

An itemisation of the Fennia Group's solvency capital requirement can be found in the Fennia Group's annex S.25.01.22.

The following are the key input data for calculating the Fennia Group's minimum consolidated group solvency capital requirement:

Insurance undertakings (EUR million)	**31.12.2017**	**31.12.2016**
Fennia Life Insurance Company Ltd - Minimum capital requirement	32.7	29.4
Fennia Mutual Insurance Company - Minimum capital requirement	93.2	78.5
Minimum consolidated group solvency capital requirement	**125.9**	**107.8**

The Fennia Group does not use

- an internal model to calculate the solvency capital requirement
- company-specific parameters to calculate the standard formula
- simplified calculations in the standard formula's risk modules or in its sub-modules
- the duration-based equity risk sub-module to calculate the solvency capital requirement.

Fennia's solvency capital requirement and minimum capital requirement

Fennia's solvency capital requirement at the end of the reporting period was EUR 372.8 million (EUR 312.5 million) and the minimum capital requirement was EUR 93.2 million (EUR 78.1 million).

Fennia's solvency capital requirement divided into risk classes at the end of the reporting period and the previous reporting period was as follows:

Solvency capital requirement (EUR million)	**31.12.2017**	**31.12.2016**
Market risk	384.2	301.3
Counterparty default risk	28.1	32.8
Life underwriting risk	13.1	14.1
Health underwriting risk	64.2	65.1
Non-life underwriting risk	70.1	72.0
Diversification	-118.3	-120.2
Intangible asset risk	0.0	0.0
Basic solvency capital requirement	**441.4**	**365.1**
Calculation of Solvency capital requirement		
Operational risk	24.6	25.5
Loss-absorbing capacity of technical provisions	0.0	0.0
Loss-absorbing capacity of deferred taxes	-93.2	-78.1
Solvency capital requirement excluding capital add-on	**372.8**	**312.5**
Capital add-on already set	0.0	0.0
Solvency capital requirement	**372.8**	**312.5**

An itemisation of Fennia's solvency capital requirement can be found in Fennia's annex S.25.01.21.

The following are the key input data for calculating Fennia's minimum solvency capital requirement:

	31.12.2017		31.12.2016	
Input data to calculate Minimum capital requirement (EUR million)	**Net (of reinsurance/special purpose vehicle) best estimate and technical provision calculated as a whole**	**Net (of reinsurance) written premiums in the last 12 months**	**Net (of reinsurance/special purpose vehicle) best estimate and technical provision calculated as a whole**	**Net (of reinsurance) written premiums in the last 12 months**
Medical expense insurance and proportional reinsurance	23.3	39.8	39.7	40.7
Income protection insurance and proportional reinsurance	1.6	4.3	0.0	4.3
Workers' compensation insurance and proportional reinsurance	0.0	81.7	0.0	82.1
Motor vehicle liability insurance and proportional reinsurance	13.5	66.5	19.9	77.5
Other motor insurance and proportional reinsurance	19.0	71.2	20.2	76.6
Marine, aviation and transport insurance and proportional reinsurance	1.4	10.9	4.0	11.1
Fire and other damage to property insurance and proportional reinsurance	24.7	81.1	40.9	84.5
General liability insurance and proportional reinsurance	33.8	20.4	26.0	23.1
Credit and suretyship insurance and proportional reinsurance	0.0	0.4	0.0	0.4
Legal expenses insurance and proportional reinsurance	14.3	7.4	15.5	7.6
Assistance and proportional reinsurance	0.0	0.0	0.0	0.0
Miscellaneous financial loss insurance and proportional reinsurance	0.0	4.2	0.0	4.4
Non-proportional health reinsurance	0.0	0.0	0.0	0.0
Non-proportional casualty reinsurance	0.0	0.0	0.0	0.0
Non-proportional marine, aviation and transport reinsurance	0.0	0.0	0.0	0.0
Non-proportional property reinsurance	0.0	0.0	0.0	0.0

	Net (of reinsurance/special purpose vehicle) best estimate and technical provision calculated as a whole	**Net (of reinsurance/special purpose vehicle) total capital at risk**	**Net (of reinsurance/special purpose vehicle) best estimate and technical provision calculated as a whole**	**Net (of reinsurance/special purpose vehicle) total capital at risk**
Obligations with profit participation - guaranteed benefits	0.0	-----	0.0	-----
Obligations with profit participation - future discretionary benefits	0.0	-----	0.0	-----
Index-linked and unit-linked insurance obligations	0.0	-----	0.0	-----
Other life (re)insurance and health (re)insurance obligations	661.8	-----	694.3	-----
Total capital at risk for all life (re)insurance obligations	-----	0.0	-----	0.0

A more detailed itemisation of Fennia's minimum solvency capital requirement at the end of the reporting period can be found in Fennia's annex S.28.01.01.

Fennia does not use

- an internal model to calculate the solvency capital requirement
- company-specific parameters to calculate the standard formula
- simplified calculations in the standard formula's risk modules or in its sub-modules
- the duration-based equity risk sub-module to calculate the solvency capital requirement.

Fennia Life's solvency capital requirement and minimum capital requirement

Fennia Life's solvency capital requirement at the end of the reporting period was EUR 130.8 million (EUR 117.4 million) and the minimum capital requirement was EUR 32.7 million (EUR 29.4 million).

Fennia Life's solvency capital requirement divided into risk classes at the end of the reporting period and the previous reporting period was as follows:

Solvency capital requirement (EUR million)	**31.12.2017**	**31.12.2016**
Market risk	127.3	110.1
Counterparty default risk	10.2	13.0
Life underwriting risk	74.3	82.8
Health underwriting risk	0.0	0.0
Non-life underwriting risk	0.0	0.0
Diversification	-45.7	-47.9
Intangible asset risk	0.0	0.0
Basic solvency capital requirement	**166.1**	**158.0**
Calculation of Solvency capital requirement		
Operational risk	3.8	3.9
Loss-absorbing capacity of technical provisions	-6.4	-15.1
Loss-absorbing capacity of deferred taxes	-32.7	-29.4
Solvency capital requirement excluding capital add-on	**130.8**	**117.4**
Capital add-on already set	0.0	0.0
Solvency capital requirement	**130.8**	**117.4**

An itemisation of the solvency capital requirement can be found in Fennia Life's annex S.25.01.21.

The following are the key input data for calculating Fennia Life's minimum solvency capital requirement:

	31.12.2017		**31.12.2016**	
Input data to calculate Minimum capital requirement (EUR million)	**Net (of reinsurance/special purpose vehicle) best estimate and technical provision calculated as a whole**	**Net (of reinsurance/special purpose vehicle) total capital at risk**	**Net (of reinsurance/special purpose vehicle) best estimate and technical provision calculated as a whole**	**Net (of reinsurance/special purpose vehicle) total capital at risk**
Obligations with profit participation - guaranteed benefits	556.1	-----	608.2	-----
Obligations with profit participation - future discretionary benefits	6.4	-----	15.1	-----
Index-linked and unit-linked insurance obligations	972.0	-----	868.2	-----
Other life (re)insurance and health (re)insurance obligations	0.0	-----	0.0	-----
Total capital at risk for all life (re)insurance obligations	-----	2,185.7	-----	2,182.3

A more detailed itemisation of Fennia Life's minimum solvency capital requirement at the end of the reporting period can be found in Fennia Life's annex S.28.01.01.

Fennia Life does not use

- an internal model to calculate the solvency capital requirement
- company-specific parameters to calculate the standard formula
- simplified calculations in the standard formula's risk modules or in its sub-modules
- the duration-based equity risk sub-module to calculate the solvency capital requirement.

Use of the duration-based equity risk sub-module in the calculation of the solvency capital requirement

The Fennia Group, Fennia or Fennia Life do not use the duration-based equity risk sub-module to calculate the solvency capital requirement.

Differences between the standard formula and any internal model used

The Fennia Group, Fennia or Fennia Life do not use an internal model to calculate the solvency capital requirement.

Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement

The Fennia Group, Fennia or Fennia Life did not fall below its required regulatory level of the solvency capital requirement, minimum consolidated group solvency capital requirement or minimum solvency capital requirement during the reporting period.

Any ther information

There is no other material information about Fennia Group's, Fennia's or Fennia Life's capital management.

Annex - Fennia Group
S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	0
Pension benefit surplus	**R0050**	0
Property, plant & equipement held for own use	**R0060**	43 653
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	2 208 797
Property (other than for own use)	**R0080**	441 151
Holdings in related undertakings, including participations	**R0090**	3 594
Equities	**R0100**	261 466
Equities - listed	**R0110**	246 831
Equities - unlisted	**R0120**	14 635
Bonds	**R0130**	492 565
Government Bonds	**R0140**	52 056
Corporate Bonds	**R0150**	439 722
Structured notes	**R0160**	345
Collateralised securities	**R0170**	443
Collective Investments Undertakings	**R0180**	1 005 072
Derivatives	**R0190**	3 947
Deposits other than cash equivalents	**R0200**	1 002
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	1 018 113
Loans and mortgages	**R0230**	67 391
Loans on policies	**R0240**	0
Loans and mortgages to individuals	**R0250**	4 103
Other loans and mortgages	**R0260**	63 288
Reinsurance recoverables from:	**R0270**	20 992
Non-life and health similar to non-life	**R0280**	27 390
Non-life excluding health	**R0290**	27 390
Health similar to non-life	**R0300**	0
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	-6 398
Health similar to life	**R0320**	0
Life excluding health and index-linked and unit-linked	**R0330**	-6 398
Life index-linked and unit-linked	**R0340**	0
Deposits to cedants	**R0350**	28
Insurance and intermediaries receivables	**R0360**	5 504
Reinsurance receivables	**R0370**	960
Receivables (trade, not insurance)	**R0380**	0
Own shares (held directly)	**R0390**	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	0
Cash and cash equivalents	**R0410**	106 278
Any other assets, not elsewhere shown	**R0420**	112 922
Total assets	**R0500**	3 584 638

Annex - Fennia Group
S.02.01.02
Balance sheet

Liabilities		**Solvency II value**
		C0010
Technical provisions – non-life	**R0510**	192 962
Technical provisions – non-life (excluding health)	**R0520**	154 456
TP calculated as a whole	**R0530**	0
Best Estimate	**R0540**	133 200
Risk margin	**R0550**	21 255
Technical provisions - health (similar to non-life)	**R0560**	38 506
TP calculated as a whole	**R0570**	0
Best Estimate	**R0580**	23 984
Risk margin	**R0590**	14 522
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	1 186 188
Technical provisions - health (similar to life)	**R0610**	415 521
TP calculated as a whole	**R0620**	0
Best Estimate	**R0630**	403 566
Risk margin	**R0640**	11 955
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	770 667
TP calculated as a whole	**R0660**	0
Best Estimate	**R0670**	732 870
Risk margin	**R0680**	37 796
Technical provisions – index-linked and unit-linked	**R0690**	987 196
TP calculated as a whole	**R0700**	0
Best Estimate	**R0710**	971 983
Risk margin	**R0720**	15 213
Contingent liabilities	**R0740**	0
Provisions other than technical provisions	**R0750**	0
Pension benefit obligations	**R0760**	0
Deposits from reinsurers	**R0770**	0
Deferred tax liabilities	**R0780**	188 873
Derivatives	**R0790**	418
Debts owed to credit institutions	**R0800**	0
Financial liabilities other than debts owed to credit institutions	**R0810**	0
Insurance & intermediaries payables	**R0820**	6 901
Reinsurance payables	**R0830**	3 330
Payables (trade, not insurance)	**R0840**	20 177
Subordinated liabilities	**R0850**	0
Subordinated liabilities not in BOF	**R0860**	0
Subordinated liabilities in BOF	**R0870**	0
Any other liabilities, not elsewhere shown	**R0880**	18 638
Total liabilities	**R0900**	2 604 684
Excess of assets over liabilities	**R1000**	979 955

Annex - Fennia Group
S.05.01.02
Premiums, claims and expenses by line of business

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**
Premiums written										
Gross - Direct Business	**R0110**	39 878	4 365	81 962	67 149	71 433	11 051	84 207	20 699	371
Gross - Proportional reinsurance accepted	**R0120**	0	0	0	0	0	9	245	136	0
Gross - Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	**R0140**	22	0	334	652	163	0	4 303	425	0
Net	**R0200**	39 857	4 365	81 628	66 497	71 270	11 060	80 149	20 410	371
Premiums earned										
Gross - Direct Business	**R0210**	40 355	4 376	81 934	72 379	73 915	11 171	85 250	19 975	252
Gross - Proportional reinsurance accepted	**R0220**	0	0	0	0	0	9	245	136	0
Gross - Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**	23	0	355	678	163	0	2 716	439	0
Net	**R0300**	40 332	4 376	81 580	71 701	73 751	11 180	82 779	19 672	252
Claims incurred										
Gross - Direct Business	**R0310**	21 240	2 379	784	29 797	48 980	3 391	74 374	10 683	157
Gross - Proportional reinsurance accepted	**R0320**	0	0	0	0	0	0	-12	159	0
Gross - Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	**R0340**	0	0	0	278	169	0	19 095	727	0
Net	**R0400**	21 240	2 379	784	29 519	48 811	3 391	55 267	10 114	156
Changes in other technical provisions										
Gross - Direct Business	**R0410**	0	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	**R0420**	0	0	0	0	0	0	0	0	0
Gross - Non- proportional reinsurance accepted	**R0430**									
Reinsurers'share	**R0440**	0	0	0	0	0	0	0	0	0
Net	**R0500**	0	0	0	0	0	0	0	0	0
Expenses incurred	**R0550**	16 012	1 708	25 165	27 603	27 958	4 314	30 703	6 982	303
Other expenses	**R1200**									
Total expenses	**R1300**									

Annex - Fennia Group
S.05.01.02
Premiums, claims and expenses by line of business

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**			Line of business for: **accepted non-proportional reinsurance**				Total
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written									
Gross - Direct Business	**R0110**	7 421	0	4 749					393 284
Gross - Proportional reinsurance accepted	**R0120**	0	0	0					390
Gross - Non-proportional reinsurance accepted	**R0130**				0	0	0	0	0
Reinsurers' share	**R0140**	0	0	0	0	0	0	0	5 898
Net	**R0200**	7 421	0	4 749	0	0	0	0	387 776
Premiums earned									
Gross - Direct Business	**R0210**	7 508	0	4 796					401 911
Gross - Proportional reinsurance accepted	**R0220**	0	0	0					390
Gross - Non-proportional reinsurance accepted	**R0230**				0	0	0	0	0
Reinsurers' share	**R0240**	0	0	0	0	0	0	0	4 373
Net	**R0300**	7 508	0	4 796	0	0	0	0	397 928
Claims incurred									
Gross - Direct Business	**R0310**	6 507	0	3 487					201 778
Gross - Proportional reinsurance accepted	**R0320**	0	0	0					146
Gross - Non-proportional reinsurance accepted	**R0330**				0	0	0	0	0
Reinsurers' share	**R0340**	0	0	0	0	0	0	0	20 269
Net	**R0400**	6 507	0	3 487	0	0	0	0	181 654
Changes in other technical provisions									
Gross - Direct Business	**R0410**	0	0	0					0
Gross - Proportional reinsurance accepted	**R0420**	0	0	0					0
Gross - Non- proportional reinsurance accepted	**R0430**				0	0	0	0	0
Reinsurers'share	**R0440**	0	0	0	0	0	0	0	0
Net	**R0500**	0	0	0	0	0	0	0	0
Expenses incurred	**R0550**	2 878	0	1 450	0	0	0	0	145 078
Other expenses	**R1200**								30 467
Total expenses	**R1300**								175 544

Annex - Fennia Group
S.05.01.02
Premiums, claims and expenses by line of business

		Line of Business for: **life insurance obligations**						**Life reinsurance obligations**		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**	0	20 987	125 192	19 069	0	0	0	0	165 248
Reinsurers' share	**R1420**	0	0	0	704	0	0	0	0	704
Net	**R1500**	0	20 987	125 192	18 365	0	0	0	0	164 544
Premiums earned										
Gross	**R1510**	0	20 987	125 192	19 069	0	0	0	0	165 248
Reinsurers' share	**R1520**	0	0	0	704	0	0	0	0	704
Net	**R1600**	0	20 987	125 192	18 365	0	0	0	0	164 544
Claims incurred										
Gross	**R1610**	0	36 971	56 808	5 732	42 454	30 281	0	0	172 247
Reinsurers' share	**R1620**	0	0	0	219	0	0	0	0	219
Net	**R1700**	0	36 971	56 808	5 513	42 454	30 281	0	0	172 028
Changes in other technical provisions										
Gross	**R1710**	0	0	0	0	0	0	0	0	0
Reinsurers' share	**R1720**	0	0	0	0	0	0	0	0	0
Net	**R1800**	0	0	0	0	0	0	0	0	0
Expenses incurred	**R1900**	0	5 551	6 667	4 916	0	0	0	0	17 135
Other expenses	**R2500**									0
Total expenses	**R2600**									17 135

Annex - Fennia Group
S.05.02.01
Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010							
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110	393 284	0	0	0	0	0	393 284
Gross - Proportional reinsurance accepted	R0120	390	0	0	0	0	0	390
Gross - Non-proportional reinsurance accepted	R0130	0	0	0	0	0	0	0
Reinsurers' share	R0140	5 898	0	0	0	0	0	5 898
Net	R0200	387 776	0	0	0	0	0	387 776
Premiums earned								
Gross - Direct Business	R0210	401 911	0	0	0	0	0	401 911
Gross - Proportional reinsurance accepted	R0220	398	0	0	0	0	0	398
Gross - Non-proportional reinsurance accepted	R0230	0	0	0	0	0	0	0
Reinsurers' share	R0240	5 898	0	0	0	0	0	5 898
Net	R0300	396 411	0	0	0	0	0	396 411
Claims incurred								
Gross - Direct Business	R0310	201 778	0	0	0	0	0	201 778
Gross - Proportional reinsurance accepted	R0320	146	0	0	0	0	0	146
Gross - Non-proportional reinsurance accepted	R0330	0	0	0	0	0	0	0
Reinsurers' share	R0340	20 269	0	0	0	0	0	20 269
Net	R0400	181 654	0	0	0	0	0	181 654
Changes in other technical provisions								
Gross - Direct Business	R0410	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0
Gross - Non- proportional reinsurance accepted	R0430	0	0	0	0	0	0	0
Reinsurers'share	R0440	0	0	0	0	0	0	0
Net	R0500	0	0	0	0	0	0	0
Expenses incurred	R0550	145 078	0	0	0	0	0	145 078
Other expenses	R1200							30 467
Total expenses	R1300							175 544

Annex - Fennia Group
S.05.02.01
Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400							
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	**R1410**	165 248	0	0	0	0	0	165 248
Reinsurers' share	**R1420**	704	0	0	0	0	0	704
Net	**R1500**	164 544	0	0	0	0	0	164 544
Premiums earned								
Gross	**R1510**	165 248	0	0	0	0	0	165 248
Reinsurers' share	**R1520**	704	0	0	0	0	0	704
Net	**R1600**	164 544	0	0	0	0	0	164 544
Claims incurred								
Gross	**R1610**	172 247	0	0	0	0	0	172 247
Reinsurers' share	**R1620**	219	0	0	0	0	0	219
Net	**R1700**	172 028	0	0	0	0	0	172 028
Changes in other technical provisions								
Gross	**R1710**	0	0	0	0	0	0	0
Reinsurers' share	**R1720**	0	0	0	0	0	0	0
Net	**R1800**	0	0	0	0	0	0	0
Expenses incurred	**R1900**	17 135	0	0	0	0	0	17 135
Other expenses	**R2500**							0
Total expenses	**R2600**							17 135

Annex - Fennia Group
S.22.01.22
Impact of long term guarantees and transitional measures

		Amount with LTG measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	2 366 345	0	0	0	0
Basic own funds	R0020	976 842	0	0	0	0
Eligible own funds to meet SCR	R0050	979 955	0	0	0	0
SCR	R0090	463 791	0	0	0	0

Annex - Fennia Group

S.23.01.22

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector						
Ordinary share capital (gross of own shares)	**R0010**	0	0		0	
Non-available called but not paid in ordinary share capital at group level	**R0020**	0	0		0	
Share premium account related to ordinary share capital	**R0030**	0	0		0	
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**	8 286	8 286		0	
Subordinated mutual member accounts	**R0050**	0		0	0	0
Non-available subordinated mutual member accounts at group level	**R0060**	0		0	0	0
Surplus funds	**R0070**	0	0			
Non-available surplus funds at group level	**R0080**	0	0			
Preference shares	**R0090**	0		0	0	0
Non-available preference shares at group level	**R0100**	0		0	0	0
Share premium account related to preference shares	**R0110**	0		0	0	0
Non-available share premium account related to preference shares at group level	**R0120**	0		0	0	0
Reconciliation reserve	**R0130**	971 669	971 669			
Subordinated liabilities	**R0140**	0		0	0	0
Non-available subordinated liabilities at group level	**R0150**	0		0	0	0
An amount equal to the value of net deferred tax assets	**R0160**	0				0
The amount equal to the value of net deferred tax assets not available at the group level	**R0170**	0				0
Other items approved by supervisory authority as basic own funds not specified above	**R0180**	0	0	0	0	0
Non available own funds related to other own funds items approved by supervisory authority	**R0190**	0	0	0	0	0
Minority interests (if not reported as part of a specific own fund item)	**R0200**	0	0	0	0	0
Non-available minority interests at group level	**R0210**	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that shall not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**	0				
Deductions						
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	**R0230**	3 112	3 112	0	0	0
whereof deducted according to art 228 of the Directive 2009/138/EC	**R0240**	3 112	3 112	0	0	
Deductions for participations where there is non-availability of information (Article 229)	**R0250**	0	0	0	0	0
Deduction for participations included by using D&A when a combination of methods is used	**R0260**	0	0	0	0	0
Total of non-available own fund items	**R0270**	0	0	0	0	0
Total deductions	**R0280**	3 112	3 112	0	0	0
Total basic own funds after deductions	**R0290**	976 842	976 842	0	0	0

Annex - Fennia Group

S.23.01.22

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**	0			0	
Unpaid and uncalled preference shares callable on demand	**R0320**	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**	0			0	0
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**	0			0	0
Non available ancillary own funds at group level	**R0380**	0			0	0
Other ancillary own funds	**R0390**	0			0	0
Total ancillary own funds	**R0400**	0			0	0
Own funds of other financial sectors						
Credit Institutions, investment firms, financial insitutions, alternative investment fund manager, financial institutions	**R0410**	3 112	3 112	0	0	
Institutions for occupational retirement provision	**R0420**	0	0	0	0	0
Non regulated entities carrying out financial activities	**R0430**	0	0	0	0	
Total own funds of other financial sectors	**R0440**	3 112	3 112	0	0	0
Own funds when using the D&A, exclusively or in combination of method 1						
Own funds aggregated when using the D&A and combination of method	**R0450**	0	0	0	0	0
Own funds aggregated when using the D&A and a combination of method net of IGT	**R0460**	0	0	0	0	0
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	**R0520**	976 842	976 842	0	0	
Total available own funds to meet the minimum consolidated group SCR	**R0530**	976 842	976 842	0	0	0
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	**R0560**	976 842	976 842	0	0	
Total-eligible own funds to meet the minimum consolidated group SCR	**R0570**	976 842	976 842	0	0	
Minimum consolidated Group SCR (Article 230)	**R0610**	125 891				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	**R0650**	775,9 %				

Annex - Fennia Group

S.23.01.22

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	**R0660**	979 955	979 955	0	0	0
Group SCR	**R0680**	463 791				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	**R0690**	211,3 %				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	**R0700**	979 955
Own shares (included as assets on the balance sheet)	**R0710**	0
Forseeable dividends, distributions and charges	**R0720**	0
Other basic own fund items	**R0730**	8 286
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	0
Other non available own funds	**R0750**	0
Reconciliation reserve before deduction for participations in other financial sector	**R0760**	971 669
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	122 433
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**	293 057
Total EPIFP	**R0790**	415 490

Annex - Fennia Group
S.25.01.22
Solvency Capital Requirement - for groups on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	474 745		Nothing
Counterparty default risk	R0020	36 872		
Life underwriting risk	R0030	80 050	Nothing	Nothing
Health underwriting risk	R0040	64 217	Nothing	Nothing
Non-life underwriting risk	R0050	70 102	Nothing	Nothing
Diversification	R0060	-169 532		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	556 454		

		C0100
Calculation of Solvency Capital Requirement		
Operational risk	R0130	28 373
Loss-absorbing capacity of technical provisions	R0140	-6 375
Loss-absorbing capacity of deferred taxes	R0150	-115 690
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement excluding capital add-on	R0200	462 761
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	463 791
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0
Minimum consolidated group solvency capital requirement	R0470	125 891
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	1 029
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510	1 029
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	R0520	0
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non--regulated entities carrying out financial activities	R0530	0
Capital requirement for non-controlled participation requirements	R0540	0
Capital requirement for residual undertakings	R0550	0
Overall SCR		
SCR for undertakings included via D and A	R0560	0
Solvency capital requirement	R0570	463 791

Annex - Fennia Group
S.32.01.22
Undertakings in the scope of the group

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	
C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**(cont)**
FI	2392951-7	2	Fennia Varainhoito Oy	8		2	Finanssivalvonta	
FI	743700IF63Q0466FN058	1	Vakuutusosakeyhtiö Henki-Fennia	1	Vakuutusosakeyhtiö	2	Finanssivalvonta	
FI	7437003I83168NH5GN58	1	Keskinäinen Vakuutusyhtiö Fennia	2	Keskinäinen vakuutusyhtiö	1	Finanssivalvonta	

Criteria of influence						Inclusion in the scope of group supervision		Group solvency calculation
% capital share	% used for the establishment of accounting consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0180	**C0190**	**C0200**	**C0210**	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**
100 %	100 %	100 %	No	1	100 %	1		4
100 %	100 %	100 %	No	1	100 %	1		1
						1		1

Annex - Fennia
S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	0
Pension benefit surplus	**R0050**	0
Property, plant & equipement held for own use	**R0060**	22 844
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	1 649 319
Property (other than for own use)	**R0080**	245 914
Holdings in related undertakings, including participations	**R0090**	269 097
Equities	**R0100**	173 109
Equities - listed	**R0110**	166 685
Equities - unlisted	**R0120**	6 423
Bonds	**R0130**	193 308
Government Bonds	**R0140**	33 938
Corporate Bonds	**R0150**	158 582
Structured notes	**R0160**	345
Collateralised securities	**R0170**	443
Collective Investments Undertakings	**R0180**	764 616
Derivatives	**R0190**	2 273
Deposits other than cash equivalents	**R0200**	1 002
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	0
Loans and mortgages	**R0230**	177 247
Loans on policies	**R0240**	0
Loans and mortgages to individuals	**R0250**	4 103
Other loans and mortgages	**R0260**	173 144
Reinsurance recoverables from:	**R0270**	27 390
Non-life and health similar to non-life	**R0280**	27 390
Non-life excluding health	**R0290**	27 390
Health similar to non-life	**R0300**	0
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	0
Health similar to life	**R0320**	0
Life excluding health and index-linked and unit-linked	**R0330**	0
Life index-linked and unit-linked	**R0340**	0
Deposits to cedants	**R0350**	28
Insurance and intermediaries receivables	**R0360**	5 504
Reinsurance receivables	**R0370**	823
Receivables (trade, not insurance)	**R0380**	0
Own shares (held directly)	**R0390**	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	0
Cash and cash equivalents	**R0410**	64 364
Any other assets, not elsewhere shown	**R0420**	88 289
Total assets	**R0500**	2 035 809

Annex - Fennia
S.02.01.02
Balance sheet

Liabilities		**Solvency II value**
		C0010
Technical provisions – non-life	**R0510**	192 962
Technical provisions – non-life (excluding health)	**R0520**	154 456
TP calculated as a whole	**R0530**	0
Best Estimate	**R0540**	133 200
Risk margin	**R0550**	21 255
Technical provisions - health (similar to non-life)	**R0560**	38 506
TP calculated as a whole	**R0570**	0
Best Estimate	**R0580**	23 984
Risk margin	**R0590**	14 522
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	680 006
Technical provisions - health (similar to life)	**R0610**	415 521
TP calculated as a whole	**R0620**	0
Best Estimate	**R0630**	403 566
Risk margin	**R0640**	11 955
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	264 485
TP calculated as a whole	**R0660**	0
Best Estimate	**R0670**	258 275
Risk margin	**R0680**	6 210
Technical provisions – index-linked and unit-linked	**R0690**	0
TP calculated as a whole	**R0700**	0
Best Estimate	**R0710**	0
Risk margin	**R0720**	0
Contingent liabilities	**R0740**	0
Provisions other than technical provisions	**R0750**	0
Pension benefit obligations	**R0760**	0
Deposits from reinsurers	**R0770**	0
Deferred tax liabilities	**R0780**	166 787
Derivatives	**R0790**	97
Debts owed to credit institutions	**R0800**	0
Financial liabilities other than debts owed to credit institutions	**R0810**	0
Insurance & intermediaries payables	**R0820**	6 311
Reinsurance payables	**R0830**	2 592
Payables (trade, not insurance)	**R0840**	16 774
Subordinated liabilities	**R0850**	0
Subordinated liabilities not in BOF	**R0860**	0
Subordinated liabilities in BOF	**R0870**	0
Any other liabilities, not elsewhere shown	**R0880**	16 613
Total liabilities	**R0900**	1 082 142
Excess of assets over liabilities	**R1000**	953 667

Annex - Fennia
S.05.01.02
Premiums, claims and expenses by line of business

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**
Premiums written										
Gross - Direct Business	**R0110**	39 878	4 365	81 962	67 149	71 433	11 051	84 207	20 699	371
Gross - Proportional reinsurance accepted	**R0120**	0	0	0	0	0	9	245	136	0
Gross - Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	**R0140**	22	0	334	652	163	0	4 303	425	0
Net	**R0200**	39 857	4 365	81 628	66 497	71 270	11 060	80 149	20 410	371
Premiums earned										
Gross - Direct Business	**R0210**	40 355	4 376	81 934	72 379	73 915	11 171	85 250	19 975	252
Gross - Proportional reinsurance accepted	**R0220**	0	0	0	0	0	9	245	136	0
Gross - Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**	23	0	355	678	163	0	2 716	439	0
Net	**R0300**	40 332	4 376	81 580	71 701	73 751	11 180	82 779	19 672	252
Claims incurred										
Gross - Direct Business	**R0310**	21 240	2 379	784	29 797	48 980	3 391	74 374	10 683	157
Gross - Proportional reinsurance accepted	**R0320**	0	0	0	0	0	0	-12	159	0
Gross - Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	**R0340**	0	0	0	278	169	0	19 095	727	0
Net	**R0400**	21 240	2 379	784	29 519	48 811	3 391	55 267	10 114	156
Changes in other technical provisions										
Gross - Direct Business	**R0410**	0	0	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	**R0420**	0	0	0	0	0	0	0	0	0
Gross - Non- proportional reinsurance accepted	**R0430**									
Reinsurers'share	**R0440**	0	0	0	0	0	0	0	0	0
Net	**R0500**	0	0	0	0	0	0	0	0	0
Expenses incurred	**R0550**	16 012	1 708	25 165	27 603	27 958	4 314	30 703	6 982	303
Other expenses	**R1200**									
Total expenses	**R1300**									

Annex - Fennia
S.05.01.02
Premiums, claims and expenses by line of business

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**			Line of business for: **accepted non-proportional reinsurance**				Total
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written									
Gross - Direct Business	**R0110**	7 421	0	4 749					393 284
Gross - Proportional reinsurance accepted	**R0120**	0	0	0					390
Gross - Non-proportional reinsurance accepted	**R0130**				0	0	0	0	0
Reinsurers' share	**R0140**	0	0	0	0	0	0	0	5 898
Net	**R0200**	7 421	0	4 749	0	0	0	0	387 776
Premiums earned									
Gross - Direct Business	**R0210**	7 508	0	4 796					401 911
Gross - Proportional reinsurance accepted	**R0220**	0	0	0					390
Gross - Non-proportional reinsurance accepted	**R0230**				0	0	0	0	0
Reinsurers' share	**R0240**	0	0	0	0	0	0	0	4 373
Net	**R0300**	7 508	0	4 796	0	0	0	0	397 928
Claims incurred									
Gross - Direct Business	**R0310**	6 507	0	3 487					201 778
Gross - Proportional reinsurance accepted	**R0320**	0	0	0					146
Gross - Non-proportional reinsurance accepted	**R0330**				0	0	0	0	0
Reinsurers' share	**R0340**	0	0	0	0	0	0	0	20 269
Net	**R0400**	6 507	0	3 487	0	0	0	0	181 654
Changes in other technical provisions									
Gross - Direct Business	**R0410**	0	0	0					0
Gross - Proportional reinsurance accepted	**R0420**	0	0	0					0
Gross - Non- proportional reinsurance accepted	**R0430**				0	0	0	0	0
Reinsurers'share	**R0440**	0	0	0	0	0	0	0	0
Net	**R0500**	0	0	0	0	0	0	0	0
Expenses incurred	**R0550**	2 878	0	1 450	0	0	0	0	145 078
Other expenses	**R1200**								30 467
Total expenses	**R1300**								175 544

Annex - Fennia
S.05.01.02
Premiums, claims and expenses by line of business

		Line of Business for: **life insurance obligations**						**Life reinsurance obligations**		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**	0	0	0	0	0	0	0	0	0
Reinsurers' share	**R1420**	0	0	0	0	0	0	0	0	0
Net	**R1500**	0	0	0	0	0	0	0	0	0
Premiums earned										
Gross	**R1510**	0	0	0	0	0	0	0	0	0
Reinsurers' share	**R1520**	0	0	0	0	0	0	0	0	0
Net	**R1600**	0	0	0	0	0	0	0	0	0
Claims incurred										
Gross	**R1610**	0	0	0	0	42 454	30 281	0	0	72 735
Reinsurers' share	**R1620**	0	0	0	0	0	0	0	0	0
Net	**R1700**	0	0	0	0	42 454	30 281	0	0	72 735
Changes in other technical provisions										
Gross	**R1710**	0	0	0	0	0	0	0	0	0
Reinsurers' share	**R1720**	0	0	0	0	0	0	0	0	0
Net	**R1800**	0	0	0	0	0	0	0	0	0
Expenses incurred	**R1900**	0	0	0	0	0	0	0	0	0
Other expenses	**R2500**									0
Total expenses	**R2600**									0

Annex - Fennia
S.05.02.01
Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010							
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110	393 284	0	0	0	0	0	393 284
Gross - Proportional reinsurance accepted	R0120	390	0	0	0	0	0	390
Gross - Non-proportional reinsurance accepted	R0130	0	0	0	0	0	0	0
Reinsurers' share	R0140	5 898	0	0	0	0	0	5 898
Net	R0200	387 776	0	0	0	0	0	387 776
Premiums earned								
Gross - Direct Business	R0210	401 911	0	0	0	0	0	401 911
Gross - Proportional reinsurance accepted	R0220	398	0	0	0	0	0	398
Gross - Non-proportional reinsurance accepted	R0230	0	0	0	0	0	0	0
Reinsurers' share	R0240	5 898	0	0	0	0	0	5 898
Net	R0300	396 411	0	0	0	0	0	396 411
Claims incurred								
Gross - Direct Business	R0310	201 778	0	0	0	0	0	201 778
Gross - Proportional reinsurance accepted	R0320	146	0	0	0	0	0	146
Gross - Non-proportional reinsurance accepted	R0330	0	0	0	0	0	0	0
Reinsurers' share	R0340	20 269	0	0	0	0	0	20 269
Net	R0400	181 654	0	0	0	0	0	181 654
Changes in other technical provisions								
Gross - Direct Business	R0410	0	0	0	0	0	0	0
Gross - Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0
Gross - Non- proportional reinsurance accepted	R0430	0	0	0	0	0	0	0
Reinsurers'share	R0440	0	0	0	0	0	0	0
Net	R0500	0	0	0	0	0	0	0
Expenses incurred	R0550	145 078	0	0	0	0	0	145 078
Other expenses	R1200							30 467
Total expenses	R1300							175 544

Annex - Fennia
S.05.02.01
Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400							
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	**R1410**	0	0	0	0	0	0	0
Reinsurers' share	**R1420**	0	0	0	0	0	0	0
Net	**R1500**	0	0	0	0	0	0	0
Premiums earned								
Gross	**R1510**	0	0	0	0	0	0	0
Reinsurers' share	**R1520**	0	0	0	0	0	0	0
Net	**R1600**	0	0	0	0	0	0	0
Claims incurred								
Gross	**R1610**	72 735	0	0	0	0	0	72 735
Reinsurers' share	**R1620**	0	0	0	0	0	0	0
Net	**R1700**	72 735	0	0	0	0	0	72 735
Changes in other technical provisions								
Gross	**R1710**	0	0	0	0	0	0	0
Reinsurers' share	**R1720**	0	0	0	0	0	0	0
Net	**R1800**	0	0	0	0	0	0	0
Expenses incurred	**R1900**	0	0	0	0	0	0	0
Other expenses	**R2500**							0
Total expenses	**R2600**							0

Annex - Fennia
S.12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0150**
Technical provisions calculated as a whole	**R0010**	0	0			0			0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0020**	0	0			0			0	0	0
Technical provisions calculated as a sum of BE and RM											
Best Estimate											
Gross Best Estimate	**R0030**	0		0	0		0	0	258 275	0	258 275
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**	0		0	0		0	0	0	0	0
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**	0		0	0		0	0	258 275	0	258 275
Risk Margin	**R0100**	0	0			0			6 210	0	6 210
Amount of the transitional on Technical Provisions											
Technical Provisions calculated as a whole	**R0110**	0	0			0			0	0	0
Best estimate	**R0120**	0		0	0		0	0	0	0	0
Risk margin	**R0130**	0	0			0			0	0	0
Technical provisions - total	**R0200**	0	0			0			264 485	0	264 485

Annex - Fennia
S.12.01.02

Life and Health SLT Technical Provisions

		Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
			Contracts without options and guarantees	Contracts with options or guarantees			
		C0160	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
Technical provisions calculated as a whole	**R0210**	0			0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0220**	0			0	0	0
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate	**R0030**		0	0	403 566	0	403 566
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**		0	0	0	0	0
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**		0	0	403 566	0	403 566
Risk Margin	**R0100**	0			11 955	0	11 955
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	**R0110**	0			0	0	0
Best estimate	**R0120**		0	0	0	0	0
Risk margin	**R0130**	0			0	0	0
Technical provisions - total	**R0200**	0			415 521	0	415 521

Annex - Fennia
S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**
Technical provisions calculated as a whole	**R0010**	0	0	0	0	0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0050**	0	0	0	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM										
Best estimate										
Premium provisions										
Gross	**R0060**	-8 756	-16	-41 953	-12 849	8 223	-325	-12 710	-1 320	0
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	0	0	0	0	0	0	0	0	0
Net Best Estimate of Premium Provisions	**R0150**	-8 756	-16	-41 953	-12 849	8 223	-325	-12 710	-1 320	0
Claims provisions										
Gross	**R0160**	32 097	1 653	40 959	26 376	10 739	1 684	58 279	41 636	0
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	0	0	0	0	0	0	20 854	6 537	0
Net Best Estimate of Claims Provisions	**R0250**	32 097	1 653	40 959	26 376	10 739	1 684	37 425	35 099	0
Total Best estimate - gross	**R0260**	23 341	1 637	-995	13 527	18 962	1 359	45 569	40 316	0
Total Best estimate - net	**R0270**	23 341	1 637	-995	13 527	18 962	1 359	24 716	33 780	0
Risk margin	**R0280**	6 078	756	7 688	4 748	4 091	1 244	5 605	3 727	85
Amount of the transitional on Technical Provisions										
Technical Provisions calculated as a whole	**R0290**	0	0	0	0	0	0	0	0	0
Best estimate	**R0300**	0	0	0	0	0	0	0	0	0
Risk margin	**R0310**	0	0	0	0	0	0	0	0	0

Annex - Fennia
S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**
Technical provisions - total										
Technical provisions - total	**R0320**	29 419	2 393	6 693	18 275	23 053	2 603	51 174	44 044	85
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	0	0	0	0	0	0	20 854	6 537	0
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	29 419	2 393	6 693	18 275	23 053	2 603	30 321	37 507	85

Annex - Fennia
S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0110	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0170**	**C0180**
Technical provisions calculated as a whole	**R0010**	0	0	0	0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0050**	0	0	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM									
Best estimate									
Premium provisions									
Gross	**R0060**	1 088	0	-2 725	0	0	0	0	-71 343
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	0	0	0	0	0	0	0	0
Net Best Estimate of Premium Provisions	**R0150**	1 088	0	-2 725	0	0	0	0	-71 343
Claims provisions									
Gross	**R0160**	13 244	0	1 860	0	0	0	0	228 527
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	0	0	0	0	0	0	0	27 390
Net Best Estimate of Claims Provisions	**R0250**	13 244	0	1 860	0	0	0	0	201 136
Total Best estimate - gross	**R0260**	14 332	0	-865	0	0	0	0	157 184
Total Best estimate - net	**R0270**	14 332	0	-865	0	0	0	0	129 793
Risk margin	**R0280**	1 207	0	544	0	1	0	2	35 778
Amount of the transitional on Technical Provisions									
Technical Provisions calculated as a whole	**R0290**	0	0	0	0	0	0	0	0
Best estimate	**R0300**	0	0	0	0	0	0	0	0
Risk margin	**R0310**	0	0	0	0	0	0	0	0

Annex - Fennia
S.17.01.02
Non-life Technical Provisions

		Direct business and accepted proportional reinsurance			Accepted non-proportional reinsurance				
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	Total Non-Life obligation
		C0110	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0170**	**C0180**
Technical provisions - total									
Technical provisions - total	**R0320**	15 539	0	-321	0	1	0	2	192 962
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	0	0	0	0	0	0	0	27 390
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	15 539	0	-321	0	1	0	2	165 571

Annex - Fennia
S.19.01.21
Non-life Insurance Claims Information

Total Non-Life Business

Accident year /	Z0020	1

Gross Claims Paid (non-cumulative)
(absolute amount)

		Development year												In Current year	Sum of years (cumulative)
	Year	0	1	2	3	4	5	6	7	8	9	10 & +			
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100											2 200	R0100	2 200	2 200
N-9	R0160	122 852	54 532	8 838	4 606	2 811	2 609	1 772	1 159	822	960		R0160	960	200 962
N-8	R0170	112 100	47 771	8 592	5 150	2 899	1 602	1 702	1 115	834			R0170	834	181 766
N-7	R0180	130 687	61 001	9 723	5 358	2 976	1 851	1 651	1 372				R0180	1 372	214 620
N-6	R0190	137 119	69 386	11 526	4 694	3 221	2 478	3 406					R0190	3 406	231 830
N-5	R0200	137 894	68 424	12 090	5 605	3 689	2 272						R0200	2 272	229 975
N-4	R0210	134 902	70 590	12 752	5 552	3 830							R0210	3 830	227 625
N-3	R0220	129 926	54 036	9 902	5 431								R0220	5 431	199 295
N-2	R0230	133 040	56 518	10 155									R0230	10 155	199 713
N-1	R0240	138 351	60 250										R0240	60 250	198 601
N	R0250	137 985											R0250	137 985	137 985
												Total	R0260	228 696	2 024 573

Annex - Fennia
S.19.01.21
Non-life Insurance Claims Information

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

		Development year													Year end (discounted
	Year	0	1	2	3	4	5	6	7	8	9	10 & +			
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300			C0360
Prior	R0100											43 213		R0100	33 474
N-9	R0160	0	0	0	0	0	0	0	0	11 164	9 829			R0160	7 046
N-8	R0170	0	0	0	0	0	0	0	12 670	9 857				R0170	7 582
N-7	R0180	0	0	0	0	0	0	26 317	23 836					R0180	14 842
N-6	R0190	0	0	0	0	0	33 900	23 528						R0190	16 801
N-5	R0200	0	0	0	0	37 831	29 221							R0200	19 372
N-4	R0210	0	0	0	43 429	34 030								R0210	25 574
N-3	R0220	0	0	61 809	48 634									R0220	38 620
N-2	R0230	0	74 076	53 637										R0230	44 429
N-1	R0240	136 095	76 471											R0240	64 866
N	R0250	154 527												R0250	143 756
													Total	R0260	416 362

Annex - Fennia
S.22.01.21
Impact of long term guarantees and transitional measures

		Amount with LTG measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	**C0030**	**C0050**	**C0070**	**C0090**
Technical provisions	**R0010**	872 968	0	0	0	0
Basic own funds	**R0020**	953 667	0	0	0	0
Eligible own funds to meet SCR	**R0050**	953 667	0	0	0	0
SCR	**R0090**	372 755	0	0	0	0
Eligible own funds to meet MCR	**R0100**	953 667	0	0	0	0
Minimum Capital Requirement	**R0110**	93 189	0	0	0	0

Annex - Fennia

S.23.01.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	0	0		0	
Share premium account related to ordinary share capital	R0030	0	0		0	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	8 286	8 286		0	
Subordinated mutual member accounts	R0050	0		0	0	0
Surplus funds	R0070	0	0			
Preference shares	R0090	0		0	0	0
Share premium account related to preference shares	R0110	0		0	0	0
Reconciliation reserve	R0130	945 381	945 381			
Subordinated liabilities	R0140	0		0	0	0
An amount equal to the value of net deferred tax assets	R0160	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	0				
Deductions						
Deductions for participations in financial and credit institutions	R0230	0	0	0	0	0
Total basic own funds after deductions	R0290	953 667	953 667	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0			0	
Unpaid and uncalled preference shares callable on demand	R0320	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0			0	0
Other ancillary own funds	R0390	0			0	0
Total ancillary own funds	R0400	0			0	0

Annex - Fennia

S.23.01.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	953 667	953 667	0	0	0
Total available own funds to meet the MCR	**R0510**	953 667	953 667	0	0	
Total eligible own funds to meet the SCR	**R0540**	953 667	953 667	0	0	0
Total eligible own funds to meet the MCR	**R0550**	953 667	953 667	0	0	
SCR	**R0580**	372 755				
MCR	**R0600**	93 189				
Ratio of Eligible own funds to SCR	**R0620**	255,8 %				
Ratio of Eligible own funds to MCR	**R0640**	1023,4 %				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	**R0700**	953 667
Own shares (held directly and indirectly)	**R0710**	0
Foreseeable dividends, distributions and charges	**R0720**	0
Other basic own fund items	**R0730**	8 286
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	0
Reconciliation reserve	**R0760**	945 381
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	0
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**	293 057
Total Expected profits included in future premiums (EPIFP)	**R0790**	293 057

Annex - Fennia
S.25.01.21
Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	384 232		Nothing
Counterparty default risk	R0020	28 057		
Life underwriting risk	R0030	13 081	Nothing	Nothing
Health underwriting risk	R0040	64 217	Nothing	Nothing
Non-life underwriting risk	R0050	70 102	Nothing	Nothing
Diversification	R0060	-118 316		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	441 373		

Calculation of Solvency Capital Requirement		C0120
Operational risk	R0130	24 571
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	-93 189
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement excluding capital add-on	R0200	372 755
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	372 755
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

Annex - Fennia
S.28.01.01
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	**R0010**	42 713

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	**C0030**
Medical expense insurance and proportional reinsurance	**R0020**	23 341	39 795
Income protection insurance and proportional reinsurance	**R0030**	1 637	4 338
Workers' compensation insurance and proportional reinsurance	**R0040**	0	81 717
Motor vehicle liability insurance and proportional reinsurance	**R0050**	13 527	66 497
Other motor insurance and proportional reinsurance	**R0060**	18 962	71 202
Marine, aviation and transport insurance and proportional reinsurance	**R0070**	1 359	10 857
Fire and other damage to property insurance and proportional reinsurance	**R0080**	24 716	81 072
General liability insurance and proportional reinsurance	**R0090**	33 780	20 374
Credit and suretyship insurance and proportional reinsurance	**R0100**	0	371
Legal expenses insurance and proportional reinsurance	**R0110**	14 332	7 421
Assistance and proportional reinsurance	**R0120**	0	0
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**	0	4 162
Non-proportional health reinsurance	**R0140**	0	0
Non-proportional casualty reinsurance	**R0150**	0	0
Non-proportional marine, aviation and transport reinsurance	**R0160**	0	0
Non-proportional property reinsurance	**R0170**	0	0

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_{L} Result	**R0200**	13 899

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	**C0060**
Obligations with profit participation - guaranteed benefits	**R0210**	0	
Obligations with profit participation - future discretionary benefits	**R0220**	0	
Index-linked and unit-linked insurance obligations	**R0230**	0	
Other life (re)insurance and health (re)insurance obligations	**R0240**	661 842	
Total capital at risk for all life (re)insurance obligations	**R0250**		0

Overall MCR calculation

		C0070
Linear MCR	**R0300**	56 612
SCR	**R0310**	372 755
MCR cap	**R0320**	167 740
MCR floor	**R0330**	93 189
Combined MCR	**R0340**	93 189
Absolute floor of the MCR	**R0350**	3 200

		C0070
Minimum Capital Requirement	**R0400**	93 189

Annex - Fennia Life
S.02.01.02
Balance sheet

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	0
Pension benefit surplus	**R0050**	0
Property, plant & equipement held for own use	**R0060**	622
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	705 032
Property (other than for own use)	**R0080**	71 888
Holdings in related undertakings, including participations	**R0090**	3 400
Equities	**R0100**	88 357
Equities - listed	**R0110**	80 145
Equities - unlisted	**R0120**	8 212
Bonds	**R0130**	299 257
Government Bonds	**R0140**	18 117
Corporate Bonds	**R0150**	281 140
Structured notes	**R0160**	0
Collateralised securities	**R0170**	0
Collective Investments Undertakings	**R0180**	240 456
Derivatives	**R0190**	1 674
Deposits other than cash equivalents	**R0200**	0
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	1 018 113
Loans and mortgages	**R0230**	20 790
Loans on policies	**R0240**	0
Loans and mortgages to individuals	**R0250**	0
Other loans and mortgages	**R0260**	20 790
Reinsurance recoverables from:	**R0270**	-6 398
Non-life and health similar to non-life	**R0280**	0
Non-life excluding health	**R0290**	0
Health similar to non-life	**R0300**	0
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	-6 398
Health similar to life	**R0320**	0
Life excluding health and index-linked and unit-linked	**R0330**	-6 398
Life index-linked and unit-linked	**R0340**	0
Deposits to cedants	**R0350**	0
Insurance and intermediaries receivables	**R0360**	0
Reinsurance receivables	**R0370**	137
Receivables (trade, not insurance)	**R0380**	0
Own shares (held directly)	**R0390**	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	0
Cash and cash equivalents	**R0410**	41 913
Any other assets, not elsewhere shown	**R0420**	29 831
Total assets	**R0500**	1 810 040

Annex - Fennia Life
S.02.01.02
Balance sheet

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	0
Technical provisions – non-life (excluding health)	**R0520**	0
TP calculated as a whole	**R0530**	0
Best Estimate	**R0540**	0
Risk margin	**R0550**	0
Technical provisions - health (similar to non-life)	**R0560**	0
TP calculated as a whole	**R0570**	0
Best Estimate	**R0580**	0
Risk margin	**R0590**	0
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	506 182
Technical provisions - health (similar to life)	**R0610**	0
TP calculated as a whole	**R0620**	0
Best Estimate	**R0630**	0
Risk margin	**R0640**	0
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	506 182
TP calculated as a whole	**R0660**	0
Best Estimate	**R0670**	474 595
Risk margin	**R0680**	31 586
Technical provisions – index-linked and unit-linked	**R0690**	987 196
TP calculated as a whole	**R0700**	0
Best Estimate	**R0710**	971 983
Risk margin	**R0720**	15 213
Contingent liabilities	**R0740**	0
Provisions other than technical provisions	**R0750**	0
Pension benefit obligations	**R0760**	0
Deposits from reinsurers	**R0770**	0
Deferred tax liabilities	**R0780**	38 739
Derivatives	**R0790**	322
Debts owed to credit institutions	**R0800**	0
Financial liabilities other than debts owed to credit institutions	**R0810**	0
Insurance & intermediaries payables	**R0820**	590
Reinsurance payables	**R0830**	738
Payables (trade, not insurance)	**R0840**	4 031
Subordinated liabilities	**R0850**	0
Subordinated liabilities not in BOF	**R0860**	0
Subordinated liabilities in BOF	**R0870**	0
Any other liabilities, not elsewhere shown	**R0880**	3 340
Total liabilities	**R0900**	1 541 137
Excess of assets over liabilities	**R1000**	268 903

Annex - Fennia Life
S.05.01.02
Premiums, claims and expenses by line of business

		Line of Business for: **life insurance obligations**						**Life reinsurance obligations**		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**	0	21 348	126 728	19 069	0	0	0	0	167 145
Reinsurers' share	**R1420**	0	0	0	704	0	0	0	0	704
Net	**R1500**	0	21 348	126 728	18 366	0	0	0	0	166 441
Premiums earned										
Gross	**R1510**	0	21 348	126 728	19 069	0	0	0	0	167 145
Reinsurers' share	**R1520**	0	0	0	704	0	0	0	0	704
Net	**R1600**	0	21 348	126 728	18 366	0	0	0	0	166 441
Claims incurred										
Gross	**R1610**	0	36 967	56 812	5 732	0	0	0	0	99 512
Reinsurers' share	**R1620**	0	0	0	219	0	0	0	0	219
Net	**R1700**	0	36 967	56 812	5 513	0	0	0	0	99 293
Changes in other technical provisions										
Gross	**R1710**	0	0	0	0	0	0	0	0	0
Reinsurers' share	**R1720**	0	0	0	0	0	0	0	0	0
Net	**R1800**	0	0	0	0	0	0	0	0	0
Expenses incurred	**R1900**	0	5 552	6 667	4 916	0	0	0	0	17 135
Other expenses	**R2500**									0
Total expenses	**R2600**									17 135

Annex - Fennia Life
S.05.02.01
Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400							
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	**R1410**	167 145	0	0	0	0	0	167 145
Reinsurers' share	**R1420**	704	0	0	0	0	0	704
Net	**R1500**	166 441	0	0	0	0	0	166 441
Premiums earned								
Gross	**R1510**	167 145	0	0	0	0	0	167 145
Reinsurers' share	**R1520**	704	0	0	0	0	0	704
Net	**R1600**	166 441	0	0	0	0	0	166 441
Claims incurred								
Gross	**R1610**	99 512	0	0	0	0	0	99 512
Reinsurers' share	**R1620**	219	0	0	0	0	0	219
Net	**R1700**	99 293	0	0	0	0	0	99 293
Changes in other technical provisions								
Gross	**R1710**	0	0	0	0	0	0	0
Reinsurers' share	**R1720**	0	0	0	0	0	0	0
Net	**R1800**	0	0	0	0	0	0	0
Expenses incurred	**R1900**	17 135	0	0	0	0	0	17 135
Other expenses	**R2500**							0
Total expenses	**R2600**							17 135

Annex - Fennia Life
S.12.01.02
Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0150**
Technical provisions calculated as a whole	**R0010**	0	0			0			0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0020**	0	0			0			0	0	0
Technical provisions calculated as a sum of BE and RM											
Best Estimate											
Gross Best Estimate	**R0030**	562 483		0	971 983		0	-87 888	0	0	1 446 578
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**	0		0	0		0	-6 398	0	0	-6 398
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**	562 483		0	971 983		0	-81 490	0	0	1 452 976
Risk Margin	**R0100**	9 335	15 213			22 252			0	0	46 800
Amount of the transitional on Technical Provisions											
Technical Provisions calculated as a whole	**R0110**	0	0			0			0	0	0
Best estimate	**R0120**	0		0	0		0	0	0	0	0
Risk margin	**R0130**	0	0			0			0	0	0
Technical provisions - total	**R0200**	571 818	987 196			-65 636			0	0	1 493 377

Annex - Fennia Life
S.12.01.02
Life and Health SLT Technical Provisions

		Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
			Contracts without options and guarantees	Contracts with options or guarantees			
		C0160	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
Technical provisions calculated as a whole	**R0210**	0			0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0220**	0			0	0	0
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate	**R0030**		0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**		0	0	0	0	0
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**		0	0	0	0	0
Risk Margin	**R0100**	0			0	0	0
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	**R0110**	0			0	0	0
Best estimate	**R0120**		0	0	0	0	0
Risk margin	**R0130**	0			0	0	0
Technical provisions - total	**R0200**	0			0	0	0

Annex - Fennia Life
S.22.01.21
Impact of long term guarantees and transitional measures

		Amount with LTG measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	**C0030**	**C0050**	**C0070**	**C0090**
Technical provisions	**R0010**	1 493 377	0	0	0	0
Basic own funds	**R0020**	265 903	0	0	0	0
Eligible own funds to meet SCR	**R0050**	265 903	0	0	0	0
SCR	**R0090**	130 808	0	0	0	0
Eligible own funds to meet MCR	**R0100**	265 903	0	0	0	0
Minimum Capital Requirement	**R0110**	32 702	0	0	0	0

Annex - Fennia Life

S.23.01.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	27 751	27 751		0	
Share premium account related to ordinary share capital	**R0030**	10 732	10 732		0	
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**	0	0		0	
Subordinated mutual member accounts	**R0050**	0		0	0	0
Surplus funds	**R0070**	0	0			
Preference shares	**R0090**	0		0	0	0
Share premium account related to preference shares	**R0110**	0		0	0	0
Reconciliation reserve	**R0130**	227 420	227 420			
Subordinated liabilities	**R0140**	0		0	0	0
An amount equal to the value of net deferred tax assets	**R0160**	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**	0				
Deductions						
Deductions for participations in financial and credit institutions	**R0230**	0	0	0	0	0
Total basic own funds after deductions	**R0290**	265 903	265 903	0	0	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**	0			0	
Unpaid and uncalled preference shares callable on demand	**R0320**	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**	0			0	0
Other ancillary own funds	**R0390**	0			0	0
Total ancillary own funds	**R0400**	0			0	0

Annex - Fennia Life

S.23.01.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	265 903	265 903	0	0	0
Total available own funds to meet the MCR	**R0510**	265 903	265 903	0	0	
Total eligible own funds to meet the SCR	**R0540**	265 903	265 903	0	0	0
Total eligible own funds to meet the MCR	**R0550**	265 903	265 903	0	0	
SCR	**R0580**	130 808				
MCR	**R0600**	32 702				
Ratio of Eligible own funds to SCR	**R0620**	203,3 %				
Ratio of Eligible own funds to MCR	**R0640**	813,1 %				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	**R0700**	268 903
Own shares (held directly and indirectly)	**R0710**	0
Foreseeable dividends, distributions and charges	**R0720**	3 000
Other basic own fund items	**R0730**	38 483
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**	0
Reconciliation reserve	**R0760**	227 420
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	122 433
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**	0
Total Expected profits included in future premiums (EPIFP)	**R0790**	122 433

Annex - Fennia Life
S.25.01.21
Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	127 261		Nothing
Counterparty default risk	R0020	10 231		
Life underwriting risk	R0030	74 319	Nothing	Nothing
Health underwriting risk	R0040	0	Nothing	Nothing
Non-life underwriting risk	R0050	0	Nothing	Nothing
Diversification	R0060	-45 728		
Intangible asset risk	R0070	0		
Basic Solvency Capital Requirement	R0100	166 083		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	3 802
Loss-absorbing capacity of technical provisions	R0140	-6 375
Loss-absorbing capacity of deferred taxes	R0150	-32 702
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency capital requirement excluding capital add-on	R0200	130 808
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	130 808
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	0
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0

Annex - Fennia Life
S.28.01.01
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	**R0010**	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	**C0030**
Medical expense insurance and proportional reinsurance	**R0020**	0	0
Income protection insurance and proportional reinsurance	**R0030**	0	0
Workers' compensation insurance and proportional reinsurance	**R0040**	0	0
Motor vehicle liability insurance and proportional reinsurance	**R0050**	0	0
Other motor insurance and proportional reinsurance	**R0060**	0	0
Marine, aviation and transport insurance and proportional reinsurance	**R0070**	0	0
Fire and other damage to property insurance and proportional reinsurance	**R0080**	0	0
General liability insurance and proportional reinsurance	**R0090**	0	0
Credit and suretyship insurance and proportional reinsurance	**R0100**	0	0
Legal expenses insurance and proportional reinsurance	**R0110**	0	0
Assistance and proportional reinsurance	**R0120**	0	0
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**	0	0
Non-proportional health reinsurance	**R0140**	0	0
Non-proportional casualty reinsurance	**R0150**	0	0
Non-proportional marine, aviation and transport reinsurance	**R0160**	0	0
Non-proportional property reinsurance	**R0170**	0	0

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_L Result	**R0200**	28 578

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	**C0060**
Obligations with profit participation - guaranteed benefits	**R0210**	556 108	
Obligations with profit participation - future discretionary benefits	**R0220**	6 375	
Index-linked and unit-linked insurance obligations	**R0230**	971 983	
Other life (re)insurance and health (re)insurance obligations	**R0240**	0	
Total capital at risk for all life (re)insurance obligations	**R0250**		2 185 748

Overall MCR calculation

		C0070
Linear MCR	**R0300**	28 578
SCR	**R0310**	130 808
MCR cap	**R0320**	58 864
MCR floor	**R0330**	32 702
Combined MCR	**R0340**	32 702
Absolute floor of the MCR	**R0350**	3 200
		C0070
Minimum Capital Requirement	**R0400**	32 702