Fennia

Annual Report and Financial Statements 2016

Contents

Fennia's operating result was good

Fennia's operating result improved in 2016, and due to the decrease in claims incurred, the company's risk ratio declined. The numbers show that Fennia employees have continued to systematically develop the basic business. We have built up our services and profitability in a number of ways.

Fennia has increased the efficiency and smoothness of its service through successful partnerships. We are able to meet clients where it is most convenient for them, and we offer services that help them cope with damage or loss when the situation calls for it. Through our partnerships, we aim to achieve a high-quality customer experience.
We have continued our development of digital services and robotics and have switched over to almost paperless service processes by offering our Oma Fennia ("My Fennia") web services to clients who have chosen the web as the channel for their dealings with us.

Fennia has also built a well-being strategy. The company has prepared for the major change in the availability and financing of social welfare and health care services brought about by Finland's social welfare and health care reform.

The structures and organisation of the Fennia Group have been renewed since the period under review. The key goal of the new structures and the parallel updating of operating and management models is to increase the competitiveness of the Fennia Group in the future. The renewal was driven by three key factors: the significant growth and development experienced by the Group in the 2000s; the new requirements set by the regulatory environment on parent companies and subsidiaries, and on management and key roles; and the substantial changes seen in customer behaviour and customer expectations.

According to the EPSI Rating, Fennia is, for the fifth consecutive year, the most recommended insurance company among corporate customers. Our corporate customers were particularly pleased with the quality of our products and their price/quality ratio. This is proof that we have been successful in meeting our clients' needs and expectations.

However, competition is tough, and we must continue to develop our operations with an open mind and a keen ear to our customers' needs.

Warm thanks go out to our customers, employees and partners for their positive and constructive co-operation.

Antti Kuljukka
Managing Director

Report of the board of directors

Fennia Mutual Insurance Company's operating result improved in 2016. As a result of the decrease in claims incurred, the company's risk ratio declined. In the financial statements, the underwriting result includes the lowering of the discount rate for technical provisions and a few non-recurring items, which increased the company's combined ratio.

Insurance business

Premiums written for non-life insurance before the reinsurers' share amounted to EUR 417 million (EUR 429 million). Direct insurance premiums written decreased to EUR 417.0 million (EUR 429.0 million). Premiums written for reinsurance assumed amounted to EUR 0.3 million (EUR 0.4 million). Credit losses amounted to EUR 2.0 million (EUR 2.3 million).

The company lowered the technical rate of interest used in the discounting of technical provisions to 2.0 per cent (2.4 per cent). As a result, the technical provisions grew by EUR 30 million. Other changes in the bases for calculating the technical provisions were also implemented at the end of the financial year, resulting in a reduction of EUR 10 million in claims incurred. These non-recurring items weakened the company-level risk and loss ratio by 4.8 percentage points for the financial period. Claims incurred in the comparison year included non-recurring growth of EUR 7 million in the technical provisions, which weakened the risk and loss ratio during that year by 1.7 percentage points.

The company's operating expenses grew to EUR 103 million (EUR 95 million). The company recorded EUR 3.6 million in information system investment write-offs and other additional write-offs in its financial statements. Single payments totalling EUR 2.1 million for TEL supplementary insurance that ended on 31 December 2016 were also entered as an expense for the financial year. These non-recurring, extraordinary items weakened the company's operating expense ratio by 1.4 percentage points.

The company's combined ratio was 100.9 per cent (98.5 %). The company's operating combined ratio declined and was 94.7 per cent (96.7%), with claims (risk ratio) accounting for 62.2 per cent (65.9 per cent) and operating expenses and claims handling expenses (operating expense ratio) for 32.5 per cent (30.9 per cent).

Premiums written for statutory accident insurance (workers' compensation) decreased to EUR 82 million (EUR 89 million). The comparable loss ratio of the line of insurance decreased to 89 per cent (90%). Premiums written for other accident and health insurance increased by 4 per cent to EUR 45 million (EUR 44 million). The loss ratio for the insurance line improved further to 76 per cent (82%). Decisive risk-based pricing has improved the line's loss ratio for several years now.

Premiums written for motor liability insurance decreased to EUR 78 million (EUR 82 million). The profitability of the insurance line improved. The loss ratio was very good, at 55 per cent (65%). Premiums written for voluntary motor vehicle insurance rose to EUR 77 million (EUR 76 million). Unlike motor liability insurance, the loss ratio for motor vehicle insurance took an upward turn. The same development was seen throughout the non-life insurance sector. The loss ratio was an unsatisfactory 78 per cent (69%).

Premiums written for fire and other property insurance for companies amounted to EUR 46 million. The 3 per cent drop in premiums written can be explained by the difficult economic outlook. Premiums written for home insurance, including liability and legal components, increased 2 per cent to EUR 50 million. The loss ratio for both households and the business sector grew in these lines, but only moderately.

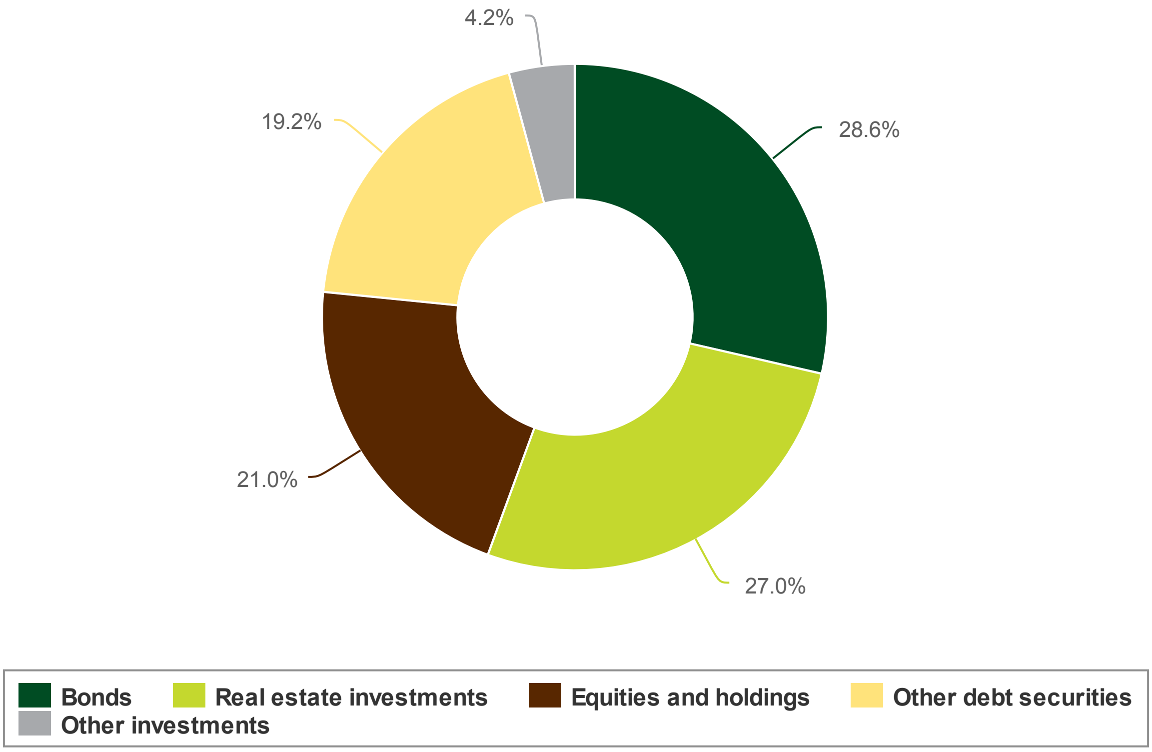
Investments

The company's return on investments at current values amounted to EUR 42 million (EUR 59 million), i.e. 2.7 per cent (3.9%) on the invested capital. The company's net income from investments was EUR 17 million (EUR 95 million).

At year-end, the current value of Fennia's investments stood at EUR 1,618 million (EUR 1,561 million). Bonds and long-term fund investments accounted for 29 per cent of the investment portfolio, and money market investments and deposits for 19 per cent. Shares, equity fund investments and private equity funds accounted for 21 per cent, real estate investments for 27 per cent and other investments for 4 per cent.

Fennia, parent company investment portfolio 31.12.2016 EUR 1.618 million (EUR 1.561 million)

Return on investment 2.7% (3.9%)



Result

The company's operating profit was EUR 0.1 million (EUR 87.9 million). The technical underwriting result was burdened by the change in the calculation bases for technical provisions, which lowered the operating profit by EUR 20 million (EUR 7 million). In other respects, the technical underwriting result continued to develop favourably. Operating profit in the comparison year was significantly influenced by gains on the realisation of investments.

The company's equalisation provision grew by EUR 13 million to EUR 281 million (EUR 268 million).

Administration and staff

During the year under review, the members of Fennia's Board of Directors were Mikael Ahlbäck (Chairman); Matti Pörhö (Vice Chairman); Jussi Järventaus; Lars Koski, Managing Director; Eva Liljeblom, Professor; Timo Salli, CEO; and Paul Stucki, CEO.

The Board of Directors held a total of 9 meetings during the year under review. The attendance rate of the members was 95 per cent.

Antti Kuljukka acted as Managing Director.

The company employed an average of 935 people in 2016 (1,043).

Remuneration

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

Fennia's remuneration schemes are based on achieving pre-defined targets that are derived from the Group's strategic targets. In order to achieve this objective, remuneration principles (pay policy) have been drawn up for the Group. Fennia Group's pay policy defines all of the principles related to salary and rewards for Fennia employees. At Fennia, the pay policy is viewed as a whole that is influenced not only by an interesting and sufficiently challenging field of tasks, but also by good leadership, personnel benefits and monetary rewards. The pay policy also defines how each Fennia employee can influence the development of their salary by developing themselves and their work, as well as the responsibilities related to salary and rewards within the company.

In line with the pay policy, rewards have been built in such a way as to prevent unhealthy risk-taking. Fennia's remuneration schemes include, among other things, pre-defined maximum amounts of remuneration and a force majeure clause, which gives the Board of Directors the right to amend the schemes during the period if the company's financial position is jeopardised or if the circumstances have otherwise changed considerably. 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.

Group Structure

The consolidated financial statements of the Fennia Mutual Insurance Company include Fennia Life Insurance Company, in which the Company has a 100 per cent holding, on the basis of the sub-group financial statements.

eFennia was consolidated to the consolidated financial statements. Fennia owns 20 per cent of the company and holds 63.6 per cent of the voting rights. The Group also includes Fennia Asset Management Ltd, which is wholly owned by Fennia Life.

At the end of 2016, the Group also included 29 real estate companies, 12 of which belonged to the Fennia Life subgroup. The associated undertaking Uudenmaan Pääomarahasto Oy was also consolidated to the Group.

Consolidated Financial Statement

The Group's life insurance business's operating profit was EUR 11 million (EUR 3 million). Life insurance premiums written amounted to EUR 207 million (EUR 200 million). Claims paid totalled EUR 90 million (EUR 83 million). Operating expenses for life insurance were EUR 14 million (EUR 13 million). The expense ratio (of expense loading) was 103.9 per cent (112.0%).

Fennia Life continued to increase the technical provisions, which helps in preparing for the costs brought by the technical interest rate that will be credited to life insurance. An interest rate supplement of EUR 20 million (EUR 70 million) was transferred from the result to the technical provisions.

Fennia Asset Management's profitability improved, and the company's profit for the financial year was EUR 0.8 million (EUR 0.3 million). The amount of client assets managed by the company grew and amounted to EUR 286 million (EUR 234 million) at the end of the year.

The Group's operating profit was EUR 11 million (EUR 87 million). Net investment income amounted to EUR 106 million (EUR 212 million), of which unit-linked insurances accounted for EUR 63 million (EUR 47 million). The Group's valuation difference increased to EUR 175 million (EUR 140 million).

The Group's non-restricted capital and reserves stood at EUR 289 million (EUR 293 million).

Risk management and solvency management

The risk management and solvency management principles that are approved by the Boards of Directors of the Group companies serve as the foundation for the Fennia Group's risk management and solvency management. In the Fennia Group, risk management means co-ordinated strategies, processes, principles and measures to identify, measure, monitor, manage and report risks faced by the Group and the Group companies. Solvency management, on the other hand, means strategies, processes, principles and measures to steer and determine the Group's and the Group companies' risk-bearing capacity, risk appetite, risk tolerance and restrictions of their essential risks.

The steering of the risk management system is based on a three-defence-line model, which is described in more detail in the note concerning risk management. A risk management committee has been set up for the Group's insurance companies to prepare, steer and co-ordinate tasks related to risk and solvency management and to communicate information.

Investment activities are based on the investment plans approved by the Boards of Directors, which determine, among other things, the allocation of investments and the rights and responsibilities of those involved in investment activities. The companies' risk-bearing capacity is taken into account in determining investment allocation.

A Note to the Financial Statements concerning risks and the management of risks and solvency has been drawn up, detailing the Fennia Group's most significant risks and general principles concerning risks and solvency management.

Solvency and Financial Condition Report

Fennia's and Fennia Life's Solvency and Financial Condition Reports will be published on 19th May 2017 on Fennia's website www.fennia.fi. Fennia Group's report will be published on 30th June 2017.

Outlook for the current year

Growth forecasts for the Finnish economy are somewhat positive. If the economic operating environment remains stable, in spite of the rather high level of political uncertainty, Finnish SMEs will require additional workforce. This will also have a positive impact on Fennia's operations and will enable growth in premiums written, especially with an improvement in employment in 2018.

The change in behaviour among our household customers in terms of adopting electronic channels has been swift. We will continue to focus on building high-quality electronic services for both our corporate and household customers.

Profit and Loss Account

1,000 €	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015	Note
Technical Account					2
Non-life insurance					
Premiums earned					
Premiums written	417,353	429,429	417,353	429,429	1
Reinsurers' share	-4,975	-5,182	-4,975	-5,182	
	412,378	424,247	412,378	424,247	
Change in the provision for unearned premiums	-228	-7,099	-228	-7,099	
Premiums earned in total	412,150	417,148	412,150	417,148	
Claims incurred in total					
Claims paid	-287,023	-282,899	-287,023	-282,899	
Reinsurers' share	1,391	951	1,391	951	
	-285,631	-281,948	-285,631	-281,948	
Change in the provision for outstanding claims	-43,179	-46,274	-43,179	-46,274	
Reinsurers' share	2,998	-568	2,998	-568	
	-40,181	-46,843	-40,181	-46,843	
Claims incurred in total	-325,812	-328,791	-325,812	-328,791	
Net operating expenses	-103,395	-95,333	-103,395	-95,333	4
Balance on technical account before the change in equalisation provision	-17,058	-6,976	-17,058	-6,976	
Change in equalisation provision	-12,993	-44,150	-12,993	-44,150	
Balance on technical account	-30,051	-51,125	-30,051	-51,125	
Technical Account					
Life insurance					
Premiums written					
Premiums written	207,062	199,823			
Reinsurers' share	-1,181	-877			
Premiums written in total	205,881	198,946			
Share of net investment income	88,699	121,673			
Other technical underwriting income					
Claims incurred in total					
Claims paid	-90,640	-83,172			
Reinsurers' share	350	50			
Change in the provision for outstanding claims	-11,502	-3,373			
Portfolio transfer		5,025			
Claims incurred in total	-101,792	-81,469			
Change in the provision for unearned premiums	-170,619	-278,895			
Portfolio transfer		59,222			
Net operating expenses	-13,804	-13,304			
Balance on technical account	8,365	6,173			

Non-Technical Account					
Balance on technical account, non-life insurance	-30,051	-51,125			
Balance on technical account, life insurance	8,365	6,173			
Investment income	162,029	271,653	78,244	149,017	6
Revaluations on investments	56,280	39,896			
Investment charges	-109,271	-97,399	-61,475	-54,271	6
Revaluation adjustments on investments	-2,900	-2,295			
	106,138	211,856	16,769	94,746	
Transfer of part of net investment income	-88,699	-121,673			
Other income					
Income from investment services operations	2,910	2,212			
Other	1,641	1,623	21	28	
	4,551	3,835	21	28	
Other charges					
Investment charges	-2,090	-1,931			
Other	-1,038	-1,161	340	108	
	-3,128	-3,092	340	108	
Profit/loss on ordinary activities	-2,825	45,974	-12,920	43,757	
Share of associated undertakings' loss/profit	-480	7			
Profit/loss before appropriations and tax	-3,305	45,981	-12,920	43,757	
Appropriations					
Change in depreciation difference			49	227	
Tax on profit					
Tax for the financial year	-2,223	-9,094	-191	-7,884	
Tax from previous periods	531	212	568	122	
Deferred tax	1,277	506			
	-416	-8,376	378	-7,762	
Minority interests	-325	-413			
Profit/loss for the financial year	-4,046	37,192	-12,494	36,222	

Balance Sheet

1,000 €	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015	Note
ASSETS					
Intangible assets					
Other long-term expenses	58,183	54,211	54,348	50,781	13
Goodwill	1,925	2,166			
Advance payments	14,667	17,505	13,865	16,132	13
	74,776	73,882	68,213	66,914	
Investments					7
Real estate investments					
Land and buildings and real estate shares	333,449	338,179	131,880	132,953	8
Investment loans to affiliated undertakings			124,818	99,037	8
Loans to associated undertakings	1,843	1,843			
	335,293	340,023	256,698	231,990	
Investments in affiliated and associated undertakings					
Shares and participations in affiliated undertakings			53,229	53,229	9
Shares and participations in associated undertakings	2,909	3,389			9
	2,909	3,389	53,229	53,229	
Other investments					
Shares and participations	862,918	819,671	594,443	574,286	12
Debt securities	808,548	845,284	472,418	511,566	
Loans guaranteed by mortgages	25,892	15,003	22,987	12,052	
Other loans	31,421	19,499	30,646	18,738	10
Deposits	4,000	6,000	2,000	3,000	
	1,732,779	1,705,458	1,122,494	1,119,643	
Deposits with ceding undertakings	30	30	30	30	
Total investments	2,071,011	2,048,899	1,432,451	1,404,892	
Investments covering unit-linked insurances	900,910	721,071			
Debtors					
Arising out of direct insurance operations					
Policyholders	75,728	79,712	74,834	79,089	
Arising out of reinsurance operations	809	664	459	614	
Other debtors	92,225	75,864	80,655	75,803	
Deferred tax receivables	638	556			
	169,400	156,797	155,948	155,506	
Other assets					
Tangible assets					
Machinery and equipment	6,024	7,751	5,705	7,333	13
Stocks	306	306	293	294	
	6,329	8,057	5,998	7,627	
Cash at bank and in hand	66,250	55,880	37,853	34,249	
	72,579	63,937	43,851	41,876	
Prepayments and accrued income					
Interest and rents	11,458	10,344	5,777	5,625	
Other	18,854	11,972	16,235	8,053	
	30,312	22,316	22,013	13,678	
	3,318,987	3,086,901	1,722,476	1,682,865	

1,000 €	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015	Note
LIABILITIES					
Capital and reserves					16
Initial fund	7,703	7,703	7,703	7,703	
Revaluation reserve	885	885	885	885	
Security reserve	264,291	228,120	264,291	228,120	
At the disposal of the Board	59	59	59	59	
Profit brought forward	28,251	27,281			
Profit for the financial year	-4,046	37,192	-12,494	36,222	
	297,142	301,239	260,444	272,988	
Appropriations					
Accumulated depreciation difference			1,051	1,100	
Minority interests	1,709	1,786			
Technical provisions					
Non-life insurance: Provision for unearned premiums	134,931	134,703	134,931	134,703	
Life insurance: Provision for unearned premiums	485,309	485,125			
Non-life insurance: Claims outstanding	1,003,832	960,653	1,003,832	960,653	
Reinsurers' share	-9,428	-6,430	-9,428	-6,430	
	994,404	954,223	994,404	954,223	
Life insurance: Claims outstanding	152,738	151,699			
Equalisation provision, non-life insurance	281,317	268,324	281,317	268,324	
Technical provisions in total	2,048,699	1,994,074	1,410,652	1,357,249	
Technical provisions for unit-linked insurances	903,219	722,320			
Creditors					
Arising out of reinsurance operations	1,987	1,573	1,088	1,031	
Other creditors	21,493	23,915	17,103	21,405	
Deferred tax	7,564	8,759			
	31,044	34,248	18,191	22,436	
Accruals and deferred income	37,174	33,234	32,138	29,091	
	3,318,987	3,086,901	1,722,476	1,682,865	

Parent Company Cash Flow Statement

Indirect cash flow statement

EUR 1,000	2016	2015
Cash flow from business operations		
Profit on ordinary activities	-12,543	35,995
Adjustments		
Change in technical provisions	53,402	98,091
Value adjustments and revaluations on investments	14,414	10,282
Depreciation according to plan	18,847	16,617
Other	-8,759	-66,059
Cash flow before change in net working capital	65,361	94,926
Change in net working capital:		
Increase/decrease in non-interest-earning receivables	-1,749	-20,593
Increase/decrease in non-interest-earning payables	4,043	359
Cash flow from business operations before financial items and taxes	67,655	74,692
Interest paid on other financial expenses from operations	-207	-208
Taxes	-8,294	-12,801
Cash flow from business operations	59,154	61,683
Cash flow from capital expenditures		
Capital expenditure on investments (excl. funds)	-47,841	-100,375
Capital gain from investments (excl. funds)	8,589	74,030
Investments and income from the sale of tangible and intangible assets and other assets (net)	-16,298	-19,104
Cash flow from capital expenditures	-55,550	-45,449
Cash flow from financing		
Dividends paid/Interest paid on guarantee capital and other profit distribution	-	-
Change in funds	3,604	16,235
Funds on 1 Jan.	34,249	18,014
Funds on 31 Dec.	37,853	34,249
	-3,604	16,235

Notes to the accounts

ACCOUNTING PRINCIPLES

The financial statements have been compiled in accordance with the decisions, instructions and regulations of the Finnish Accounting Act, Companies Act, Insurance Companies Act, and the authorities responsible for monitoring insurance companies.

Book value of investments

Buildings and structures are presented in the 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 at the lower of acquisition cost or current value. Planned depreciation is made on revaluations entered as income arising from buildings.

Stocks and shares in the nature of investments are presented at the lower of acquisition cost or current value. Stocks and shares in the nature of fixed assets are entered at the lower of acquisition cost or current value, if the value adjustment is considered permanent. The acquisition cost is calculated using the average price.

Debt securities are entered in the balance sheet at acquisition cost. The acquisition cost is calculated using the average price. The difference between their nominal value and acquisition cost is accrued 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.

Loan receivables and deposits are presented in the balance sheet at nominal value or at a permanently lower likely realisable value.

Value adjustments that have been made earlier on investments are re-adjusted with impact on the result up to the original acquisition cost if the current value increases.

Derivative contracts are mainly used to hedge the exchange rate risk and price risk in the investment portfolios by applying fair value hedging. In accounting terms, however, derivatives are mainly treated as non-hedging instruments, even though they serve as effective hedging instruments. The profits and losses resulting from the termination or expiry of contracts are entered as income or expenses for the financial year. The negative difference between the current value of the derivative contracts treated as non-hedging and a higher book value/contract rate is entered as an expense. Unrealised income is not entered.

Interest rate derivatives are used to hedge the interest rate risk of market-based technical provisions against future changes in value in accordance with the company'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-based 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 accrued over the life of each derivative contract.

Investments covering unit-linked insurances are valued at their current value.

Book value of assets other than investments

Other long-term expenses which have been capitalised are basic renovation expenses for real estate and planning expenses for information systems and, in addition, goodwill has been capitalised in the balance sheet. Those expenses, as well as equipment, are entered in the balance sheet at acquisition cost less planned depreciation. Impairment write-offs have also been recorded on the capitalisation of information systems. During the financial period, additional depreciations were also recorded on computer hardware used less than three years.

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.

Depreciation according to plan

Depreciation according to plan is calculated as a straight-line depreciation on the acquisition cost based on the estimated economic life of the asset. The average estimated depreciation times are as follows:

Computer software	3–7 years
Planning expenses for information systems	5–10 years
Other long-term expenses	5–10 years
Goodwill	10 years
Business and industrial premises and offices	20–75 years
Components in buildings	10–20 years
Vehicles and computer hardware	3–5 years
Office machinery and equipment	7 years

Revaluations on investments

Revaluations and revaluation adjustments on investments in the nature of investment assets and on investments covering unit-linked insurances are entered with impact on the result.

Revaluations on investments in the nature of fixed assets and their reversals are entered in the revaluation reserve under restricted capital and reserves. Planned depreciation is made on revaluations entered as income arising from buildings.

Current value of investments

The value of real estate and shares in real estate is entered at values not exceeding market-based current values. The investments are evaluated using the net present value rule based on cash flow. An external authorized real-estate appraiser and the company’s own experts take part in setting the annual fair value of real estate investments.

The current value of shares and participations in a life insurance company, which is a subsidiary, is based on the Embedded Value (EV) model. The subsidiary’s EV is based on the adapted Solvency II 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 current value of the fund reported by the administrative company or, if this is not available, at acquisition cost.

Derivative contracts are valued at their current value on the date of closing the accounts.

Receivables are valued at the lower of par value or probable value.

Foreign currency items

Transactions in foreign currency are entered at the exchange rate of the transaction date. In the annual closing of the accounts, currency-denominated receivables and liabilities and current values of investments have been translated into euro using the European Central Bank’s benchmark rate on the date of closing the accounts. Exchange rate gains and losses arising during the financial period and in the closing of the accounts are entered as adjustments to the income and expenses concerned or as investment income and charges, if they are related to financing operations. Currency conversion differences on the technical account have not been transferred to the investment income/charges in the profit and loss account. This has no impact on the profit and loss account, giving a true and fair view of the results.

Staff pension schemes

Pension insurance cover has been arranged for the staff of the Group companies by means of TyEL insurance with Elo Mutual Pension Insurance and Etera Mutual Pension Insurance Company. Pension expenditure during the financial year is entered on the accrual basis as an expense. A reserve entered as an expense was entered for the financial year for compensation paid to personnel covered by TyEL supplementary insurance that ended on 31 December 2016.

Appropriations and treatment of deferred tax

Finnish legislation allows certain optional untaxed reserves and depreciation above plan to be made in the final accounts. In the final accounts of the Group companies, deferred tax is not deducted from appropriations, revaluations transferred to reserves and valuation differences on investments. Revaluations entered as income are taxable income. Deferred tax receivables arising from timing differences between accounting and taxation are not entered in the annual accounts of the Group companies, and the Group companies have no corresponding deferred tax liabilities. The deferred tax liabilities and deferred tax receivables resulting from consolidation measures, as well as revaluations transferred to reserves and timing differences are entered in the consolidated financial statements.

In the consolidated financial statements, the depreciation difference is divided into the change in deferred tax and share of profit/loss for the financial year, and deferred tax and share of capital and reserves. The rate of tax used is 20 per cent.

Non-life insurance: Claims outstanding

Claims outstanding include the claims payable by the company after the financial year, arising from major losses and other insured events that have occurred during or before the financial year.

Due to the decreased interest rate level, the company decided at the end of the financial year to lower the technical rate of interest used in the discounting of technical provisions to 2.0 per cent. The increase in the provision for claims outstanding by line of insurance was as follows:

statutory accident insurance	EUR 15.4 million
motor liability insurance	EUR 14.7 million

The provision for outstanding claims pertaining to annuities is calculated by discounting, applying an interest rate of 2.0 per cent (2.4%). Discounting is not applied to other parts of the provision for outstanding claims.

In calculating pension provisions, the company uses the mortality model, which was updated in 2016 and is generally applied by insurance companies, with a confidence level of 75 per cent. The overall effect of the change in the mortality model was that at the end of the financial year, EUR 0.3 million was released from the provision for claims outstanding.

The provision for claims outstanding also includes the equalisation provision, which must be shown separately in the balance sheet. The equalisation provision is a buffer for years when large numbers of losses occur. The amount of the equalisation provision is determined in accordance with the calculation bases prescribed for the company by the Finnish Financial Supervisory Authority; the company applied for and received an adjustment to the calculation bases effective as of 2016. The new basis for the equalisation provision reduces the transfer to the equalisation provision.

Technical provisions in life insurance

The calculation of technical provisions complies with the provisions and instructions of the Insurance Companies Act, the Ministry of Social Affairs and Health and the Financial Supervisory Authority.

No technical rate of interest is applied to unit-linked insurances. For other insurances, the technical provisions are calculated separately for each insurance and the technical rate of interest applied varies as follows:

– For individual life and pension insurance, the technical rate of interest applied is between 1 and 4.5 per cent, depending on the starting date of the insurance. For new insurance contracts, the technical rate of interest is 1 per cent.

– For capital redemption contracts, the technical rate of interest applied is between 0 and 2.5 per cent, depending on the starting date and the target group of the contract.

– The technical interest rate for group pension insurance is 0 to 3.5 per cent. An annual interest rate is applied to new group pension insurance policies (the technical rate of interest is 0%).

In order to fulfil the technical interest rate requirement for pension and savings insurance policies that have a technical rate of interest of 2.0 to 4.5 per cent, the technical provisions have been supplemented both during the reporting year and in previous financial statements. The supplementary provision for the guaranteed interest rate as of 31 December 2016 is approximately EUR 136.0 million. As a result of the supplementary provision, the minimum annual return requirement for investment operations on the part of these policies is 1.0 per cent.

Principle of Fairness

According to Chapter 13, Section 2 of the Insurance Companies Act, a so-called Principle of Fairness must be observed in life insurance with respect to such policies which, according to the insurance contract, entitle to bonuses and rebates granted on the basis of any surplus yielded by the policies. This principle requires that a reasonable part of the surplus be returned to these policies as bonuses, in so far as the solvency requirements do not prevent it.

Fennia Life aims at giving a long-term gross return on policyholders' with-profit insurance savings that is at minimum the return that corresponds, for savings insurance policies, to the return on the 12-month Euribor and, for pension insurance policies, to the return on the German 10-year government bond. The surrender right and the duration of the insurance are taken into account in distributing bonuses. The return to be distributed to clients is determined based on the company's long-term net income on investments.

The total interest rate consists of the technical interest rate and the total amount of bonuses and rebates on the insurance contract in question. The amount of bonuses and rebates is influenced by the level of technical interest on the contract. When the company's net income from investments is low, the level of distributed bonuses is reduced. In this case, the total interest rate on insurance contracts with a low technical rate of interest can remain lower than that on an insurance contract with a high technical rate of interest. When the net income on investments is high, insurance contracts with a low technical rate of interest may achieve a higher total interest rate than insurance contracts with a high technical rate of interest.

The aim is to retain continuity in the level of bonuses paid, as a result of which the surplus from returns on investments can be accrued as distributable bonuses for the group of insured in question for the coming years.

The level of bonuses is limited by the owner's requirements for return on capital, as well as the company's solvency target. The solvency target is set in such a way that all the solvency limits set by legislation are exceeded and so that the company is able to take risks in its investment operations to the extent required by solvency maintenance, by the return requirement on technical provisions and by the return requirement of the owner.

Fennia Life's Board of Directors decides on the distribution of bonuses to insurance contracts annually. The amount of bonuses confirmed in advance can, however, be changed during the course of a year if necessitated by the company's solvency or the general market situation.

The Principle of Fairness can be applied in risk life insurances, on the part of death cover and disability cover, to specified insurance groups in the form of increased compensation.

Bonus targets are not binding and are not part of the insurance contract between the company and the policyholder. The bonus objectives are in force until further notice and the company reserves the right to alter the bonus objectives.

Implementation of the Principle of Fairness in 2016

Fennia Life's bonuses in 2016 correspond to the targets set by the company in its Principle of Fairness. The return to be distributed to insurance policies is determined based on the company's long-term net income on investments. The goal in the level of bonuses is continuity. The company's solvency position is taken into account when distributing bonuses.

The company's return on investments in 2016 was moderate. In response to the extremely low interest rate level that has continued for some time, EUR 20 million was transferred to the supplementary provision for the guaranteed interest rate in order to cover the cost of the technical rate of interest in the coming years. This will be used to secure the company's ability to cover the high technical rate of interest also in future. The supplementary provision for the guaranteed interest rate was decreased according to plan.

The risk-free interest rate has remained low for both short-term and long-term government bonds since 2009. Between 2009 and 2016, the total interest credited by Fennia Life has clearly exceeded the risk-free interest rate of the corresponding investment period. 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.

The table below indicates the total interest credited by Fennia Life in 2016:

Total annual interest on with-profit policies in 2016

Technical interest rate	Individual savings insurance	Individual pension insurance	Group pension insurance	Capital redemption policy
4.50%	4.50%	4.50%		
3.50%	3.50%	3.50%	3.50%	
2.50%	2.50%	2.95%	2.95%	2.50%
2.00%			2.90%	
1.50%	1.85%			1.65%
1.00%	1.83%	2.90%	2.90%	1.45%
0,00%			2.90%	1.45%

Consolidated Financial Statements

Fennia's consolidated financial statements include the parent company and all the subsidiaries in which the parent company either directly or indirectly holds more than half of the voting rights. Fennia Life Insurance Company Ltd belongs to the Fennia Group as a subsidiary. The financial statements of Fennia Life and its subsidiaries are consolidated with the Group's financial statements on the basis of the consolidated financial statements of the Fennia Life sub-group. eFennia Oy (holding 20 per cent, voting rights 63.6 per cent) is a subsidiary of Fennia and Fennia Asset Management Ltd is a subsidiary of Fennia Life (holding 100 per cent). The other subsidiaries included in the consolidated financial statements are real estate companies. At the end of 2016, the Group had 29 real estate companies, 12 of which belonged to the Fennia Life sub-group.

The consolidated financial statements have been drawn up as combinations of the profit and loss accounts, balance sheets and notes of the parent company and the subsidiaries. Amounts due to or from Group companies, internal gains and losses, profit distribution and mutual share ownership have been eliminated. Minority interests in results and in capital and reserves are presented as separate items. Mutual share ownership is eliminated using the acquisition method. The consolidation difference is entered under the fixed asset items concerned and depreciated according to their depreciation plan. The unallocated part of goodwill on consolidation has been written off.

In the accounts of the real estate subsidiaries, the revaluations at the time of acquisition have been reversed, as they have affected the acquisition price of the shares.

The companies in which the Group holds 20–50 per cent of the voting rights have been included in the consolidated financial statements as associated undertakings using the equity method of accounting. However, holdings (20–50 per cent) in mutual real estate undertakings and property companies are not included. This has no significant impact on the Group's results and capital and reserves.

Fennica Properties I real estate fund was launched by Eufex Fund Administration Ltd on 31 December 2013, into which real estate from Fennia, Fennia Life and Etera Mutual Pension Insurance Company was transferred as a distribution in kind at the establishment date. The transfer of the real estate was recorded in the Group's result for 2013 as EUR 12 million in capital gains. The transfer of the real estate had little impact on the solvency of the companies and Group, however. Eufex Fund Administration Ltd (now Elite Asset Management Ltd) has outsourced the portfolio management of the Fennica Properties I real estate fund to Fennia Asset Management. Fennia and Fennia Life have not made any further subscriptions to the fund since its establishment. The current value of the units of Fennica Properties I real estate fund in the consolidated financial statements was EUR 55 million. Fennia Group's participating interest in the fund after the subscriptions made by 31 December 2016, which are included in the fund's value calculation on 31 March 2017, was 30 per cent. The fund has not been consolidated to the consolidated financial statements as an associated undertaking. The profit sharing which the fund paid (EUR 3.5 million in 2016 and EUR 2.6 million in 2015) based on the 2014–2015 result, is entered in the companies' investment income at the moment of payment. The Group's participating interest in the fund is included in the balance sheet as real estate fund units at purchase price and the valuation difference between their current value and purchase price is included in the valuation differences for the Group's investments. The consolidation would not bring added value to the Group's financial statements information.

Group companies

The following subsidiaries are included in the consolidated financial statements

eFennia Oy
Emmelia Oy
Asunto Oy Espoon Myllynkivi
Asunto Oy Helsingin Vattuniemenkuja 8
Asunto Oy Helsingin Viikinportti
Asunto Oy Keravan Jaakonkulma
Kiinteistö Oy Eagle Lahti
Kiinteistö Oy Joensuun Metropol
Kiinteistö Oy Kyllikinportti 2
Kiinteistö Oy Ornant
Kiinteistö Oy Ruosilantie 4-6
Kiinteistö Oy Ruosilantie 11
Kiinteistö Oy Televisiokatu 1
Kiinteistö Oy Televisiokatu 3
Kiinteistö Oy Tampereen Rautatienkatu 21
Kiinteistö Oy Tampereen Ratapihan kulma
Asunto Oy Tampereen Posteljooninpuisto

New subsidiaries

Kiinteistö Oy Vantaan Kaivokselantie 9
Emmelia-tontit Ky

Fennia Life Insurance Company

Subsidiaries

Fennia Asset Management Ltd.
Kiinteistö Oy Teohypo
Kiinteistö Oy Espoon Niittyrinne 1
Kiinteistö Oy Vaajakosken Varaslahdentie 6
Kiinteistö Oy Sellukatu 5
Kiinteistö Oy Vasaraperän Liikekeskus
Kiinteistö Oy Koivuhaanportti 1-5
Kiinteistö Oy Mikkelin Hallituskatu 1
Kiinteistö Oy Vasaramestari
Kiinteistö Oy Konalan Ristipellontie 25
Asunto Oy Jyväskylän Jontikka 2
Asunto Oy Tampereen Vuoreksen Puistokatu 76
Munkinseudun Kiinteistö Oy

Associated undertakings included in the consolidated financial statements

Uudenmaan Pääomarahasto Oy

Notes to the Accounts, Parent Company

Notes to the Profit and Loss Account and Balance Sheet

1. Premiums written

EUR 1,000	2016	2015
Non-life insurance		
Direct insurance		
Finland	417,016	429,024
Reinsurance	338	405
Gross premiums written before reinsurers’ share	417,353	429,429

2. Balance on technical account by group of insurance class, Parent Company

Group of insurance class	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)	2016	82,392	82,307	-96,523	-13,395	-296	-27,908
	2015	88,750	88,851	-91,313	-11,724	-328	-14,513
	2014	88,823	89,041	-83,257	-12,217	-205	-6,638
Non-statutory accident and health	2016	45,165	43,952	-33,514	-12,132	-121	-1,815
	2015	43,612	41,888	-34,223	-10,924	-118	-3,377
	2014	39,524	38,045	-34,636	-11,072	-213	-7,876
Motor liability	2016	78,334	79,411	-52,898	-21,784	-266	4,462
	2015	81,695	80,207	-60,787	-20,482	-510	-1,573
	2014	77,909	76,127	-56,957	-21,669	-414	-2,914
Motor, other classes	2016	76,916	76,800	-60,266	-20,968	81	-4,353
	2015	76,385	74,488	-51,252	-19,243	-245	3,748
	2014	71,183	69,092	-51,318	-20,061	-424	-2,712
Fire and other damage to property	2016	86,505	86,435	-63,152	-22,790	-647	-154
	2015	87,941	86,577	-56,028	-21,349	-2,150	7,050
	2014	85,530	85,133	-54,413	-22,159	-2,041	6,519
General liability	2016	23,470	23,553	-12,811	-5,382	1,563	6,923
	2015	26,107	25,717	-21,564	-5,061	-477	-1,384
	2014	42,358	42,021	-32,460	-5,330	-1,293	2,938
Other	2016	24,233	24,333	-10,816	-7,034	-662	5,821
	2015	24,534	24,191	-13,529	-6,633	-732	3,297
	2014	24,284	24,253	-14,885	-6,993	-1,483	893
DIRECT INSURANCE TOTAL	2016	417,016	416,790	-329,980	-103,485	-348	-17,022
	2015	429,024	421,919	-328,696	-95,416	-4,559	-6,752
	2014	429,611	423,713	-327,927	-99,501	-6,073	-9,788
Reinsurance	2016	338	335	-221	-149	0	-36
	2015	405	411	-477	-158	0	-224
	2014	430	433	-494	-165	0	-227
TOTAL	2016	417,353	417,125	-330,202	-103,634	-348	-17,058
	2015	429,429	422,330	-329,173	-95,574	-4,559	-6,976
	2014	430,042	424,145	-328,421	-99,666	-6,073	-10,015
Change in equalisation provision	2016						-12,993
	2015						-44,150
	2014						-43,519
BALANCE ON TECHNICAL ACCOUNT	2016						-30,051
	2015						-51,125
	2014						-54,534

3. Items deducted from premiums written

EUR 1,000	2016	2015
Credit loss on outstanding premiums	1,978	2,299
Pay-as-you-go premiums	25,651	24,854
Premium tax	70,131	69,427
Fire brigade charge	925	947
Traffic safety charge	885	799
Industrial safety charge	1,414	1,545
	100,984	99,871

4. Operating expenses

EUR 1,000	2016	2015
Total operating expenses by activity		
Claims paid	36,139	33,392
Net operating expenses	103,395	95,333
Investment charges	5,722	4,454
Other charges	-395	-110
Total	144,861	133,068
Depreciation according to plan by activity		
Claims paid	5,158	4,492
Net operating expenses	10,852	9,040
Investment charges	617	571
Total	16,627	14,103
Operating expenses in the Profit and Loss Account		
Policy acquisition costs		
Direct insurance commissions	10,618	11,112
Commissions on reinsurance assumed and profit sharing	39	48
Other policy acquisition costs	42,791	34,303
	53,449	45,463
Policy management expenses	30,632	30,758
Administrative expenses	19,553	19,352
Commissions on reinsurance ceded and profit sharing	-239	-240
Total	103,395	95,333

5. Staff expenses, personnel and executives

EUR 1,000	2016	2015
Staff expenses		
Salaries and commissions	56,690	54,146
Pension expenses	11,919	11,447
Other social expenses	6,228	5,041
Total	74,838	70,634
Executives' salaries and commissions		
Managing Director and substitute for the Managing Director	777	799
Board of Directors	209	211
Supervisory Board	51	156
	1,037	1,166
The age of retirement of the Managing Director is defined according to TyEL		
Average number of personnel during the financial year	935	1043
Auditors' commissions		
Audit	58	62
Tax consulting	6	6
Other services	4	12
	68	80

6. Net investment income

EUR 1,000	2016	2015
Investment income		
Income from investments in affiliated undertakings		
Dividend income	120	3,520
Interest income		
Income from investments in land and buildings	120	3,520
Interest income		
From affiliated undertakings	2,072	2,167
Other income		
From affiliated undertakings	281	279
From other undertakings	18,251	21,584
	20,605	24,030
Income from other investments		
Dividend income	9,691	9,608
Interest income	10,597	11,222
Other income	1,567	3,938
	21,855	24,768
Total	42,580	52,318
Value readjustments	9,620	4,980
Gains on realisation of investments	26,044	91,719
TOTAL	78,244	149,017
Investment charges		
Charges arising from investments in land and buildings		
To affiliated undertakings	-8,861	-10,206
To other undertakings	-2,772	-2,173
	-11,633	-12,380
Charges arising from other investments	-5,925	-6,218
Interest and other expenses on liabilities		
To other undertakings	-207	-208
	-207	-208
Total	-17,765	-18,806
Value adjustments and depreciations		
Value adjustments on investments	-24,034	-15,262
Planned depreciation on buildings	-2,220	-2,514
	-26,254	-17,775
Losses on realisation of investments	-17,455	-17,690
TOTAL	-61,475	-54,271
Net investment income on the Profit and Loss Account	16,769	94,746

7. Current value and valuation difference on investments

EUR 1,000	Investments 31 Dec. 2016 Remaining acquisition cost	Investments 31 Dec. 2016 Book value	Investments 31 Dec. 2016 Current value	Investments 31 Dec. 2015 Remaining acquisition cost	Investments 31 Dec. 2015 Book value	Investments 31 Dec. 2015 Current value
Real estate investments						
Real estate	18,098	27,684	78,046	19,798	29,749	72,136
Real estate shares in affiliated undertakings	86,016	88,816	126,964	85,958	85,958	120,333
Real estate shares in associated undertakings	10,183	10,183	15,932	10,274	10,325	12,891
Other real estate shares	5,028	5,197	6,507	6,753	6,921	7,709
Investment loans to affiliated undertakings	124,818	124,818	124,818	99,037	99,037	99,037
Investments in affiliated undertakings						
Shares and participations	53,229	53,229	59,203	53,229	53,229	69,008
Other investments						
Shares and participations	594,443	594,443	638,363	574,286	574,286	601,257
Debt securities	472,418	472,418	475,386	511,566	511,566	511,599
Loans guaranteed by mortgages	22,987	22,987	22,987	12,052	12,052	12,052
Other loans	30,646	30,646	30,646	18,738	18,738	18,738
Deposits	2,000	2,000	2,000	3,000	3,000	3,000
Deposits with ceding undertakings	30	30	30	30	30	30
	1,419,897	1,432,451	1,580,883	1,394,722	1,404,892	1,527,790
The remaining acquisition cost of debt securities comprises the difference between the amount payable at maturity and purchase price, which has been released to interest income (+) or charged to interest income (-)	-18,954			-7,722		
Book value comprises						
Revaluations entered as income		8,818			9,184	
Other revaluations		935			986	
		9,754			10,170	
Valuation difference (difference between current value and book value)			148,432			122,898
Current value and valuation difference of derivatives						
Non-hedging derivatives	-4,814	-4,814	-4,572	-721	-721	-520
Valuation difference (difference between current value and book value)			242			201
Valuation difference, total			148,674			123,099

8. Real estate investments

	Changes in investments in land and buildings	
EUR 1,000	Land and buildings and real estate shares	Investment loans in affiliated undertakings
Acquisition cost, 1 Jan.	151,581	99,037
Increase	10,631	44,423
Decrease	-4,615	-18,641
Acquisition cost, 31 Dec.	157,596	124,818
Accumulated depreciation, 1 Jan.	-35,464	
Accumulated depreciation related to decreases	80	
Depreciation for the financial year	-2,220	
Accumulated depreciation, 31 Dec.	-37,605	
Value adjustments, 1 Jan.	-4,574	
Value adjustments related to decreases and transfers	652	
Value adjustments during the financial year	-6,115	
Value readjustments	566	
Value adjustments, 31 Dec.	-9,471	
Revaluations, 1 Jan.	21,410	
Decrease	-50	
Revaluations, 31 Dec.	21,360	
Book value, 31 Dec.	131,880	124,818

Land and buildings and real estate shares occupied for own activities:		
Remaining acquisition cost	16,685	
Book value	17,149	
Current value	25,756	

9. Investments in affiliated undertakings

EUR 1,000

Changes in investments in affiliated undertakings 1 Jan. 2016–31 Dec. 2016

	Shares and participations in affiliated undertakings
Acquisition cost, 1 Jan./31 Dec.	**53,229**

10. Other investments

EUR 1,000	2016	2015
Other loans by security		
Other security	30,646	18,738

11. Debtors

EUR 1,000	2016	2015
Other debtors		
Affiliated undertakings	2,170	3,582

12. Shares and participations in other companies

EUR 1,000	Holding %	Book value 31.12.2016	Current value 31.12.2016
Domestic shares and participations			
Amplus Holding Oy			
Evli Pankki B	1.0671	451	451
Fingrid Oyj , sarja B			
Holiday Club Resorts Oy	1.8533	1,097	1,097
Kytäjä Golf Oy	5.0000	400	400
Nordia Rahasto Oy	19.5246	1,679	1,679
Panostaja Oyj	6.7048	3,104	3,104
Pihlajalinna Oyj	2.7730	9,010	9,773
Revenio Group Corporation Oyj Shs	1.1322	282	2,740
Uudenmaan Pääomarahasto Oy	13.7094	2,000	2,000
Foreign shares and participations			
Sweden			
K III Sweden AB - C	3.0800	707	722
Singapore			
BROADCOM LTD	0.0010	281	431
The United States			
CONSOL ENERGY INC	0.0098	136	389
NVIDIA CORP	0.0008	142	556
Unit trusts			
Aberdeen Global - Emerging Markets Corporate Bond		20,651	22,158
Aberdeen Indirect Property Partners		609	609
Aktia Emerging Market Local Currency Bond+		1,323	1,495
Aktia Likvida+ B		2,904	2,922
Aktia Likvida+ D			
Aviva Investors - Global Short Duration High Yield		3,137	3,137
BNP Paribas InstiCash Money 3M EUR		12,000	12,002
Brummer & Partners Lynx Fund		2,004	2,294
Cassiopeia Fund/The		4,000	4,151
CUMULUS FUND - CLASS C- EUR Main Class		3,127	3,127
Danske Invest SICAV - Emerging Markets Debt Hard C		4,956	4,956
Danske Invest Yhteisökorko Kasvu			
Danske Invest Yhteisökorko Plus Kasvu			
ESR Fennica Toimitilat I		31,000	32,533
Evli Emerging Markets Credit B		3,960	4,177
Evli Euro Liquidity B		1,114	1,141
Evli Europe B		6,034	6,684
Evli European High Yield B		6,981	7,508
Evli European Investment Grade B		3,623	3,663
Evli Short Corporate Bond B		33,484	33,601
FIM Likvidi			
FIM Real		3,500	3,535
Fondita Nordic Micro Cap B		2,628	6,072
Golden China Fund		1,934	3,382
Industrial Select Sector SPDR Fund		3,963	4,133
ING L Liquid - Euribor 3M			

iShares Edge MSCI USA Minimum Volatility Index F	8,277	9,436
iShares MSCI India ETF	4,820	4,820
iShares STOXX Europe 600 ETF	3,758	3,950
Kauppakeskuskiint. FEA Ky	41,243	41,243
Muzinich Funds - EnhancedYield Short-Term Fund	80,000	80,264
Nordea Korko S Kasvu (Moderate Yield Fund)	8,005	8,011
Oddo Asset Management Oddo Tresorerie 3-6 Mois	987	987
Oddo Compass Euro Corporate Bond A	10,949	11,658
Oddo Compass Euro Credit Short Duration Fund	25,000	25,157
Oddo Compass Euro High Yield Bond A	18,137	19,645
OP-Euro A	5,007	5,009
Seligson & Co Rahamarkkinarahasto AAA		
SPDR Barclays Euro Corporate Bond UCITS ETF	4,065	4,065
SPDR S&P Dividend ETF	4,149	4,867
Taaleri Sicav - Taaleri Rhein Value Equity	7,927	10,078
TPKM Pysäköintilaitos Ky	3,829	3,829
Tripla Mall Ky	11,490	11,490
Vanguard Financials ETF	6,751	7,879
Vanguard Health Care ETF	6,610	6,610
Vanguard MSCI Emerging Markets ETF	9,504	9,504
Vanguard Small-Cap Value ETF	6,532	7,462
Capital trusts		
MB Equity Fund IV Ky	2,364	5,810
Duke Street Capital VI LP	1,003	1,003
The Triton Fund II L.P.	787	787
The Triton Fund III L.P.	4,320	4,488
Permira Europe IV LP2	511	545
Nokia Venture Partners II L.P.	447	447
Fennia Avainrahasto Ky	1,873	1,873
Teknoventure Rahasto III Ky	386	386
Selected Private Equity Funds I Ky	1,719	2,887
Partners Group European Buyout	2,541	2,962
Partners Group European Mezzanine	2,421	2,528
Selected Mezzanine Funds I Ky	1,602	2,436
Euro Choice IV GB Limited	2,757	4,265
Juuri Rahasto I Ky	1,906	1,906
Other	130,550	145,823
	594,443	640,727

13. Changes in intangible and tangible assets

EUR 1,000	Other long-term expenses	Advance payments	Equipment	Total
Acquisition cost, 1 Jan. 2016	92,055	16,132	19,808	127,995
Fully depreciated in the previous financial year	-7,082		-2,145	-9,227
Increase	16,227	13,865	3,135	33,228
Decrease	-	-16,132	-1,520	-17,652
Acquisition cost, 31 Dec. 2016	101,200	13,865	19,278	134,344
Accumulated depreciation, 1 Jan. 2016	-39,401		-12,475	-51,876
Fully depreciated in the previous financial year	7,082		2,145	9,227
Accumulated depreciation related to decreases and transfers	-		723	723
Depreciation for the financial year	-10,564		-3,966	-14,530
Accumulated depreciation, 31 Dec. 2016	-42,884		-13,573	-56,457
Value adjustments, 1 Jan. 2016	-1,872			-1,872
Value adjustments during the financial year	-2,096			-2,096
Value adjustments, 31 Dec. 2016	-3,969			-3,969
Book value, 31 Dec. 2016	54,348	13,865	5,705	73,918

14. Creditors

EUR 1,000	2016	2015
Other creditors		
To affiliated undertakings	543	1,329

15. Capital and reserves

EUR 1,000	2016
Restricted	
Initial fund 1 Jan./31 Dec.	7,703
Revaluation reserve 1 Jan./31 Dec.	885
Restricted in total	8,587
Non-restricted	
Security reserve, 1 Jan.	228,120
Reversal of the funded revaluation reserve	-50
Transfer from profit brought forward	36,222
Security reserve, 31 Dec.	264,291
At the disposal of the Board 1 Jan./31 Dec.	59
Profit brought forward	-
Profit for the previous financial year	36,222
Transfer to contingency fund	-36,222
Profit brought forward	-
Profit for the financial year	-12,494
Non-restricted in total	251,856
Capital and reserves in total	260,444
Revaluation reserve, 31 Dec. 2016	
Revaluations on investments	470
Revaluations on fixed assets	414
	885
Distributable profit, 31 Dec. 2016	
Profit for the financial year	-12,494
Security reserve	264,291
At the disposal of the Board	59
	251,856

16. Guarantee and liability commitments

EUR 1,000	2016	2015
Own liabilities		
Liabilities from derivative contracts		
Non-hedging		
Currency derivatives		
Forward and futures contracts		
Open		
Value of underlying instrument	170,692	147,432
Current value	-4,572	-520
The result of closed and matured non-hedging derivatives is entered in full with impact on the result.		
The realised result of closed and matured hedging derivatives is accrued in the result over the original life of the derivative contract.		
Negative valuation differences in non-hedging derivative contracts are charged against the profit		
Securities given as collateral for derivatives trade		51
Leasing and leasehold commitments	8,380	9,426
Other liabilities		
As regards group registering for VAT taxation, the company is responsible for the value-added tax payable by the group jointly with the other members of the value-added tax liability group of Fennia Mutual Insurance Company.		
Affiliated undertakings	257	553
Other undertakings	173	205
Adjustment liability of real estate investments according to Section 120 of the Value Added Tax Act	22	33
Investment commitments		
Commitment to invest in equity funds	52,251	28,338

17. Loans to related parties and related party transactions

The company has granted a total of EUR 2,984,646,00 in loans to related parties.

The company has no liabilities or contingent liabilities to related parties.

The company has no related party transactions conducted according to other than standard business practices.

Notes concerning the Group

Copies of Fennia's Consolidated Financial Statements are available at the company's headquarters, Kyllikinportti 2, Helsinki.

Group analysis of results (EUR million)

	2012	2013	2014	2015	2016
Non-life insurance					
Premiums earned	366	390	418	417	412
Claims incurred	-314	-326	-329	-329	-326
Net operating expenses	-88	-95	-99	-95	-103
Other technical underwriting income (net)	-	-	-	-	-
Balance on technical account before the change in equalisation provision	**-37**	**-31**	**-10**	**-7**	**-17**
Investment income (net) and revaluations	70	52	83	90	17
Other income (net)	2	2	1	1	1
Share of associated undertakings' profit/loss	0	0	-1	0	0
Operating profit/loss	**35**	**22**	**73**	**84**	**1**
Change in equalisation provision	-7	-17	-44	-44	-13
Non-life insurance profit/loss before extraordinary items	**29**	**5**	**30**	**40**	**-12**
Life insurance					
Premiums written	90	94	151	199	206
Investment income (net), revaluations					
and revaluation adjustments on investments	63	88	63	122	89
Claims paid	-64	-84	-77	-83	-90
Change in technical provisions before					
bonuses and rebates and change in equalisation provision	-66	-84	-117	-221	-180
Net operating expenses	-11	-10	-12	-13	-14
Other technical underwriting income	-	-	-	-	-
Technical underwriting result before bonuses and rebates and change in equalisation provision	**13**	**3**	**9**	**3**	**10**
Other income (net)	-1	-1	0	0	1
Operating profit	**12**	**2**	**9**	**3**	**11**
Change in equalisation provision	-1	-1	-1	9	0
Bonuses and rebates	-1	6	-1	-5	-2
Life insurance profit/loss before extraordinary items	**10**	**7**	**7**	**6**	**9**
Profit before appropriations and tax	**39**	**12**	**37**	**46**	**-3**
Income tax and other direct tax	-9	-1	-9	-8	0
Minority interests	-3	0	0	0	0
Group's profit/loss for the financial year	**27**	**10**	**27**	**37**	**-4**

Key figures

		2012	2013	2014	2015	2016
Group Key Figures						
Turnover	EUR million	603	636	728	840	737
Premiums written	EUR million	467	498	583	629	624
Operating profit/loss	EUR million	48	24	82	87	11
Profit/loss before appropriations and tax	EUR million	39	12	37	46	-3
Total result	EUR million	116	30	109	12	47
Average number of personnel		1,270	1,262	1,263	1,157	1,044
Non-life Insurance Key Figures						
Premiums written	EUR million	376	403	430	429	417
Loss ratio,	%	85.9	83.7	78.6	78.8	79.1
Loss ratio excl. unwinding of discount	%	82.1	80.1	75.5	75.6	75.8
Expense ratio,	%	24.2	24.3	23.8	22.9	25.1
Combined ratio,	%	110.1	108.0	102.4	101.7	104.1
Combined ratio excl. unwinding of discount	%	106.3	104.4	99.3	98.5	100.9
Operating profit/loss	EUR million	35	22	73	84	1
Total result	EUR million	80	34	80	52	26
Return on assets	%	6.3	3.1	5.6	3.7	2.1
Net investment income at current value	EUR million	116	65	89	59	42
income on invested capital	%	9.1	5.2	6.2	3.9	2.7
Average number of personnel		1,067	1,067	1,077	1,043	935
Life Insurance Key Figures						
Premiums written	EUR million	91	94	153	200	207
Expense ratio (of expense loading)	%	117.4	114.5	120.4	112.0	103.9
Operating profit/loss	EUR million	12	2	9	3	11
Total result	EUR million	36	1	30	-38	14
Return on assets	%	9.5	5.6	7.8	5.5	5.1
Net investment income at current value	EUR million	58	33	50	35	30
income on invested capital	%	9.3	5.2	7.4	5.0	4.3
Average number of personnel		48	50	50	54	53

*Key figures according to the consolidated accounts

Investment portfolio at current values

	Basic distribution				Risk distribution [8]					
	31.12.2016		31.12.2015		31.12.2016		2015	2014	2013	2012
	EUR million	%	EUR million	%	EUR million	% [10]	% [10]	% [10]	% [10]	% [10]
Fixed-income investments, total	**833.4**	**51.5 %**	872.9	**55.9 %**	**833.4**	**51.5 %**	**55.9**	**53.6**	**51.0**	**55.1**
Loans[1]	59.6	3.7 %	37.1	2.4 %	59.6	3.7 %	2.4	2.4	3.0	2.7
Bonds	462.9	28.6 %	466.5	29.9 %	462.9	28.6 %	29.9	43.9	37.6	41.9
Other money market instruments and deposits[1] [2]	310.9	19.2 %	369.3	23.7 %	310.9	19.2 %	23.7	7.3	10.4	10.5
Equity investments, total	**339.0**	**21.0 %**	314.5	**20.1 %**	**339.0**	**21.0 %**	**20.1**	**21.7**	**23.2**	**21.0**
Listed equities [3]	241.0	14.9 %	198.1	12.7 %	241.0	14.9 %	12.7	13.6	14.9	14.4
Private equity [4]	31.0	1.9 %	32.8	2.1 %	31.0	1.9 %	2.1	2.4	2.5	2.9
Unlisted equities [5]	67.0	4.1 %	83.7	5.4 %	67.0	4.1 %	5.4	5.8	5.8	3.6
Real estate investments, total	**437.1**	**27.0 %**	360.6	**23.1 %**	**437.1**	**27.0 %**	**23.1**	**23.7**	**24.6**	**23.6**
Direct real estate	346.6	21.4 %	306.4	19.6 %	346.6	21.4 %	19.6	20.1	21.3	21.7
Real estate funds and UCITS	90.5	5.6 %	54.1	3.5 %	90.5	5.6 %	3.5	3.6	3.3	1.9
Other investments	**8.4**	0.5 %	13.3	0.9 %	**13.0**	**0.8 %**	**0.9**	**0.8**	**0.9**	**0.3**
Hedge funds [6]	13.0	0.8 %	13.6	0.9 %	13.0	0.8 %	0.9	0.7	0.8	0.3
Commodities	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other investments [7]	-4.6	-0.3 %	-0.3	0.0 %	0.0	0.0 %	0.0	0.1	0.1	0.0
Total investments	**1,617.9**	**100.0 %**	1,561.3	**100.0 %**	**1,622.5**	**100.3 %**	**100.0**	**99.8**	**99.6**	**100.0**
Effect of derivatives [9]	-				-4.6	-0.3 %	-0.3	0.0	0.2	0.4
Total investments at fair value	**1,617.9**	**100.0 %**	1,561.3	**100.0 %**	**1,617.9**	**100.0 %**	**1,561.3**	**100.0**	**100.0**	**100.0**
Modified duration of the bond portfolio	3.05									

1) Includes accrued interests

2) Including cash at bank and in hand and settlement receivables and settlement liabilities

3) Including mixed funds, if these cannot be allocated elsewhere

4) Including private equity funds, mezzanine funds, and infrastructure investments

5) Including unlisted real-estate investment companies

6) Including all types of hedge fund shares, regardless of the fund's strategy

7) Including items that cannot be allocated to other investment types

8) Risk distribution can be presented for comparison periods as the information arises (not retrospectively).

If the figures for comparison periods are presented and the periods are not entirely comparable, this should be disclosed.

9) Includes the effect of derivatives on the difference between risk-adjusted breakdown and basic breakdown. The effect of derivatives can be +/-. After the difference is adjusted the final sum of the risk distribution is the same as the basic distribution.

10) The relative proportion is calculated using the total of the line 'Total investments at fair value' as the divisor.

Net investment income on invested capital

	Market value of net investment returns [8]	Invested capital [9]	Yield, % on invested capital				
	2016	2016	2016	2015	2014	2013	2012
Return €/ % on inv. capital	EUR million	EUR million	%	%	%	%	%
Fixed-income investments, total	**21.3**	**860.8**	**2.5 %**	**0.8**	**4.3**	**-0.1**	**9.2**
Loans[1]	-0.5	44.2	-1.1 %	6.4	-7.0	1.3	6.1
Bonds	20.8	527.1	4.0 %	-0.3	5.2	-0.4	12.4
Other money market instruments and deposits[1] [2]	1.0	289.5	0.3 %	2.4	2.9	0.8	1.9
Equity investments, total	**8.4**	**313.2**	**2.7 %**	**12.9**	**9.1**	**14.4**	**12.8**
Listed equities [3]	14.2	203.1	7.0 %	19.6	12.4	17.2	16.6
Private equity [4]	3.8	30.5	12.3 %	12.5	11.2	5.2	12.3
Unlisted equities [5]	-9.5	79.6	-11.9 %	2.5	0.7	10.1	0.1
Real estate investments, total	**23.2**	**375.9**	**6.2 %**	**6.3**	**9.0**	**9.2**	**6.7**
Direct real estate	18.6	307.5	6.0 %	6.2	8.8	10.6	5.9
Real estate funds and UCITS	4.7	68.4	6.8 %	6.8	10.0	-2.6	16.7
Other investments	**-5.3**	**10.4**	**-51.0 %**	**2.3**	**10.1**	**20.8**	**-6.2**
Hedge funds [6]	-0.6	13.6	-4.7 %	4.5	8.6	3.3	10.0
Commodities	0.0	0.0					
Other investments [7]	-4.7	-3.2	143.5 %				
Total investments	**47.7**	**1560.4**	**3.1 %**	**4.1**	**6.4**	**5.4**	**9.3**
Sundry income, charges and operating expenses	-5.3						
Net investment income at current value	**42.3**	**1560.4**	**2.7 %**	**3.9**	**6.2**	**5.2**	**9.1**

1) Includes accrued interests

2) Including cash at bank and in hand and settlement receivables and settlement liabilities

3) Including mixed funds, if these cannot be allocated elsewhere

4) Including private equity funds, mezzanine funds, and infrastructure investments

5) Including unlisted real-estate investment companies

6) Including all types of hedge fund shares, regardless of the fund's strategy

7) Including items that cannot be allocated to other investment types

8) Change in the market values between the end and beginning of the reporting period – cash flows during the period.

Cash flows refers to the difference between sales/profits and purchases/costs

9) Invested capital = Market value at the beginning of the reporting period + daily/monthly time-weighted cash flows

Calculation methods for the key figures

KEY FIGURES

Turnover =

Non-life insurance turnover
+ premiums earned before reinsurers' share
+ net investment income on the profit and loss account
+ other income

Life insurance turnover
+ premiums written before reinsurers' share
+ net investment income on the profit and loss account
+ other income

Total result = operating profit (loss) +/- change in off-balance sheet valuation differences

Return on assets at current values (%) =
+/- operating profit or loss
+ financial expenses
+ unwinding of discount
<u>+/- change in valuation differences on investments</u>
+ Balance Sheet total
- technical provisions for unit-linked insurances
+/- valuation differences on investments

The divisor of the key figure is calculated as an average of values on the Balance Sheet for the current and previous financial period.

In life insurance, 'unwinding of discount' refers to the technical interest credited to insurances during the year plus/minus any changes in the supplementary liability of the interest.

In non-life insurance, 'unwinding of discount' refers to the effect of the process of unwinding the discounted claims outstanding on the claims incurred, when discounting the capital value of pension liabilities. The rate is calculated by multiplying the discounted provision for claims outstanding at the beginning of the year by the effective technical rate of interest at the end of the previous year.

Net investment income on invested capital at current values (%)
Net investment income at current values in relation to invested capital is calculated by line of investment and for the total amount of investments with reference to cash flows during the period.

Average number of employees = Average number of employees at the end of each calendar month.

NON-LIFE INSURANCE

Premiums written = premiums written before reinsurers' share

Loss ratio % =
<u>claims incurred</u>
premiums earned

Loss ratio (excl. unwinding of discount) % =
<u>claims incurred (excl. unwinding of discount) %</u>
premiums earned

Expense ratio % =
<u>operating expenses</u>
premiums earned

Key figures are calculated after reinsurers' share.

Combined ratio % = loss ratio + expense ratio

Combined ratio (excl. unwinding of discount) % =
loss ratio (excl. unwinding of discount) + expense ratio

LIFE INSURANCE

Premiums written = premiums written before reinsurers' share

Expense ratio (% of expense loading) =
+ operating expenses before change in deferred acquisition costs
+ claims settlement expenses
expense loading

Risks and management of risks and solvency

1 Risk and solvency management in general

The risk and solvency management framework of the Fennia Group, which includes Fennia Mutual Insurance Company (hereinafter Fennia) and its subsidiaries, Fennia Life Insurance Company (hereinafter Fennia Life) and Fennia Asset Management Ltd (hereinafter Fennia Asset Management), 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 the general principles for managing both risks and solvency in the Group.

In the Fennia Group, risk management means co-ordinated strategies, processes, principles and measures to identify, measure, monitor, manage and report 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 their essential risks.

2 Organisation of risk and solvency management

Fennia's Board of Directors, in its capacity as the Board of Directors of the Group's parent company, is the supreme decision-making body within the Group and 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.

The Board of Directors of Fennia Life 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.

The Board of Directors of Fennia Asset Management is responsible for ensuring that the company abides by the Fennia Group's risk management policy 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.

A risk management committee has been set up for the Group's insurance companies to prepare, steer and co-ordinate tasks related to risk and solvency management and to communicate information. The primary task of this risk management committee is to support Fennia's and Fennia Life's Managing Directors in issues related to risk and solvency management. The committee is chaired by Fennia's Managing Director, and Fennia Life's Managing Director is a member of the committee.

A separate risk management committee has been set up for Fennia Asset Management. It is chaired by the Managing Director of Fennia Asset Management.

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

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 first defence line's implementation of the 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 the various operators:

- Managing Director

  Assisted by the Acting 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 as an operator of 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 in the following areas, among others:

  - achievement of the Group’s strategy and goals
  - scope and reliability of the solvency management process
  - efficiency of risk management
  - cost-effectiveness and appropriateness of the use of resources
  - compliance with laws and regulations and internal operating principles, plans and instructions
  - accuracy, sufficiency and appropriateness of information
  - securing assets

The Risk Management function and the Compliance function have been integrated into the Fennia Group’s organisation to ensure their independence from the operational activities, which means that 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.

3 Risk management

Risk refers to an uncertain event and its consequence, which can be a threat or an opportunity for the company.

The Group's risk management strategies and processes are divided into the following sub-areas:

1. Risk identification

   The business and support functions of the first defence line identify and assess the risks that threaten their operations and objectives, in the context of both the annual planning process and daily operational activities.

2. Risk measurement

   During the risk management process, the severity of the risks and their interdependencies are evaluated to the extent that is possible. The objective of risk measurement is to create commensurable indicators for different risks and to improve the comparability of risks. Risk measurement and comparison are necessary as they allow the targeting of risk management measures on the risks that are most essential for the operations. As a general rule, risk measurement is based on the Value-at-Risk method. The Risk Management function co-ordinates the measurement of risk severity and dependency as well as the methods used in measurement.

3. Risk monitoring

   The Group carries out quantitative risk monitoring, consisting of various risk indicators, and qualitative risk monitoring, which includes, among other things, monitoring, assessment and possible testing out of management measures that have been planned and decided upon. The first defence line ensures that appropriate risk monitoring is in place and that sufficient information on risks is obtained for their management. The first defence line monitors the management measures that it has planned and decided upon and assesses their effectiveness. The second defence line carries out independent quantitative and qualitative risk monitoring to support the risk management work of the first defence line.

4. Risk management

   During the management process, the risks are prioritised and management measures are planned to control or limit the risks. The first defence line, as the risk owner, carries out appropriate risk management and plans the management measures. The second defence line supports, monitors and assesses the management actions undertaken by the first defence line, but, in order to ensure independence, does not participate in making operational decisions. The management instruments used in the various risk areas are described in more detail in sections 3.1 – 3.10.

5. Risk reporting

   The materialisation of risks and their effects as well as near-miss situations are reported within the Group in accordance with the agreed reporting process. The Risk Management and Compliance functions report the risks to the risk management committees and to the relevant Boards of Directors as part of the functions' regular reporting.

The above-mentioned risk management strategies and processes are applied to all of the risk areas of the risk map drawn up to facilitate risk management, which are:

- insurance risks
- financial market risks
- counterparty risks
- operational risks
- risks inherent in quantitative methods
- concentration risks
- liquidity risks
- strategic risks
- reputation risk
- group risks

3.1 Insurance risks

Insurance risks are related to the insurance company's core business, insurance.

The most significant insurance risks relate to risk selection, sales steering and risk pricing, i.e. they involve a loss risk resulting from the costs arising from future claims (incl. operating expenses) exceeding the insurance premiums received. Insurance risks also include major loss risks (e.g. disaster risks) and the risk inherent in the adequacy of reinsurance covers.

Insurance risks also include a loss risk arising from an unfavourable change in the value of the technical provisions, i.e. the technical provision risk. Technical provision risks relate to the uncertainty of the assumptions made when calculating the technical provisions and to unfavourable deviations of the estimated claim amounts, operating expenses and their cash flows from the actual expenses.

The actuarial risk factors included in the technical provision risk are, among other things, biometric risks (mortality, longevity, disability and similar risks) and different expiry risks, such as the surrender risk in life insurance.

Certain financial market risks, such as inflation and the discount rate, also apply to the technical provisions.

Insurance operations are based on taking insurance risks, diversifying the risks within the insurance portfolio and managing the risks. The most important instruments for managing the risk inherent in unearned premiums 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 insurance risk pricing is to achieve the desired risk matching: the bigger the risk, the higher the price and vice versa. Pricing requires accurate and adequate information as well as sufficient knowledge about the insured target. Only then can appropriate risk analyses be made and a sufficient level of insurance premiums be decided on.

The importance of insurance terms and conditions is essential when it comes to controlling insurance risks. They determine, for example, the scope of the insurance cover and the restrictions on compensable damages. In managing insurance risk, it is important to exclude undesired risks or to limit them by way of agreements to a desired level.

Certain non-life insurance lines, such as statutory accident insurance and motor liability insurance, are subject to specific legislation, which determines the scope of the insurance cover, preventing any alterations to the insurance terms and conditions in this respect. Certain provisions applicable to statutory accident insurance and motor liability insurance also restrict the insurance company’s liability. In claims pertaining to annuities, the inflation risk and the long-term compensation risks related to medical expenses have been transferred to the pay-as-you-go pool under the joint responsibility of the companies operating in the insurance sector.

In calculating the technical provisions, different quantitative methods are used, which play a key role in the management of the technical provision risk. In addition to the methods used, the sufficiency and quality of the available information and its management essentially affect the nature of the technical provision risk.

In life insurance, legislation restricts the right of a life insurance company to increase premiums or to alter the insurance terms and conditions. Thereby the duration of the contracts affects the biometric risks inherent in the technical provision risk. If the assumptions made turn out to be insufficient and the insurance premiums cannot be adjusted, the technical provisions must be supplemented by an amount equalling the expected loss.

Reinsurance is used to hedge against and manage major losses and loss events. In managing major loss risks, it is important for the structure of the outward reinsurance and the portion of risks/losses remaining under the company’s responsibility to be dimensioned according to the solvency and the insurance liabilities to ensure efficient risk transfer.

The use of reinsurance implies ancillary risks, such as reinsurance availability, price and counterparty risks. In non-life insurance, the reinsurance risk and the related counterparty risk are reduced by only accepting companies with a sufficiently high financial strength rating as reinsurers. Moreover, limits are set on the maximum share of a single reinsurer in any reinsurance programme. In life insurance operations, the use of outward reinsurance is minor and therefore concentrated on a few counterparties.

Quantitative data on risk variables for technical provisions in non-life insurance financial statements

	Impact of change on Fennia's solvency capital	
Discount interest	Decrease of 0.1 percentage point	EUR -8 million
Inflation risk	Increase of 1%	EUR -6 million
Mortality	Average age increase of 1 yr	EUR -10 million

3.2 Financial market risks

Financial market risk refers to a risk of loss resulting, either directly or indirectly, from fluctuations in the level and volatility of the values of financial market variables, such as interest rates, equities, real estate, exchange rates and credit margins.

Investment operations and their management play a special role in managing financial market risks. The most significant risks are related to a decline in the value of investments and the poor matching of the investments with the nature of the technical provisions (ALM risk).

The main instruments for managing financial market risks are the appropriate selection of investment instruments, the diversification of investments and the limitation of risks. Derivative contracts may also be used to limit risks.

A prerequisite for managing financial market risks is to invest assets in property and instruments with risks that can be identified, measured, monitored, managed and reported. In addition, measures are taken concerning new assets and investment instruments prior to their acquisition to ensure that the new assets or investment instruments are manageable and suitable with regard to the business and to risk management.

Sufficient diversification of investments is used to achieve optimal diversification benefits, risk-adjusted returns and asset and liability matching.

A key instrument for managing financial market risks is the use of risk budgeting in solvency management. Allocation restrictions are used to ensure that investment assets have been allocated sufficiently over different asset classes. In addition, more detailed restrictions are determined to ensure sufficient diversification also within asset classes.

Quantitative data on risk variables in Fennia's investment portfolio

	Impact of change on Fennia's solvency capital	
Fixed income investments	Interest rate +1 percentage point	EUR -23 million
Equity investments	Change in value -20%	EUR -48 million
Real estate investments	Change in value -10%	EUR -35 million

Quantitative data on risk variables in Fennia Life's investment portfolio

	Impact of change on Fennia's solvency capital	
Fixed income investments	Interest rate +1 percentage point	EUR -14 million
Equity investments	Change in value -20%	EUR -15 million
Real estate investments	Change in value -10%	EUR -9 million

3.3 Counterparty risks

The counterparty risk takes into account possible losses resulting from the unexpected insolvency of the insurance company's counterparties.

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.

Counterparty risks are mainly caused by (the credit margin risk is treated as a financial market risk):

- derivative contract counterparties, in which case only the possible positive market value of the contracts is exposed to the risk;
- outstanding reinsurance receivables and the reinsurers' portion of the claims outstanding;
- receivables from insurance customers and
- customer financing.

In managing the derivative contract counterparty risk, the counterparty risk is assessed prior to concluding a contract with the counterparty. The ratings given by credit rating agencies are the main tool used in assessing the creditworthiness of issuers and counterparties. To limit the counterparty risk, a minimum level has been determined for creditworthiness and limits have been set on maximum liability per counterparty.

In managing the counterparty risk in reinsurance operations, the counterparty risk has been limited by setting requirements on, among other things, the credit ratings of reinsurers and the maximum amount of liability per reinsurer. As with the derivative contract counterparty risk, the ratings given by credit rating agencies are used as a tool in assessing the creditworthiness of reinsurers.

Counterparty risks also arise from receivables from insurance customers. The counterparty risk arising from premium receivables from customers is usually small, because the non-payment of insurance premiums leads to the cancellation or reduction of the insurance cover.

The objective of managing the customer financing counterparty risk is to limit the negative impacts of counterparty risks arising from customer and other liabilities on profit and loss to an acceptable level. The credit process plays a key role in managing these counterparty risks. In managing the credit process, it is important to ensure the reliability of the counterparties by assessing risks and by categorising the counterparty thereafter according to the internally developed model. Customer financing counterparty risks are reduced by determining customer-specific security and covenant terms and conditions.

3.4 Operational risks

Operational risks within the Fennia Group refer to a risk of loss resulting from:

- inadequate or failed internal processes,
- personnel,
- systems, and
- external factors.

Legal risks are included in operational risks. Strategic and reputation risks have been excluded from operational risks.

The objective of managing operational risks is to reduce the probability of unexpected losses by taking preventive risk management measures. The most effective risk-management measures are targeted at the most serious operational risks, meaning risks that are unlikely to materialise but when they do, they have a major impact on operations.

The Fennia Group’s operational risk management framework is based on collecting data on operational risks from various sources, which include, for example, internal and Compliance audits, risk indicators, scenario-based estimates, data on internal occurrences of damage and near-miss situations, and internal risk mapping. The scenario-based estimates in particular play a key role in the proactive assessment of operational risks. The business and support functions hold primary responsibility for collecting data on operational risks and reporting it to the Risk Management and Compliance functions.

On the basis of the data collected from various sources, a risk profile is created for the operational risks and the necessary reports are produced for the Board of Directors and other internal purposes. In the longer term, systematic risk assessment improves the level of risk management and helps business and support functions to understand and manage operational risks.

Preparedness and contingency plans have been drawn up for the key business and support functions to ensure that key functions can be continued in the event of a crisis.

Within the Fennia Group, operational risks are divided into the following risk classes:

- internal malpractices,
- personnel risks,
- legal risks,
- problems and business interruption losses related to information, telecommunications and telephone systems,
- risks related to customers, products and business practices,
- risks related to processes, and
- risks related to the activities of external operators.

3.5 Risks inherent in quantitative methods

A quantitative method refers to the creation of numerical estimates by applying statistical, economical, 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.

A quantitative method can be erroneous and/or misleading and lead to unreliable reporting and incorrect conclusions and thus incorrect measures undertaken by Management.

Quantitative method risks are included in operational risks, but due to their special nature and importance and to facilitate their handling, these risks are identified, measured, monitored, managed and reported as their own risk area.

In the management of risks inherent in quantitative methods, the focus is on risks related to:

- mathematical theory
- the quality of information
- estimation and parametrisation
- documentation
- validation
- personnel
- information systems and
- processes

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, the Risk Management function or an external expert 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/or 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.

3.6 Concentration risks

Concentration risk refers to all kinds of risk concentrations involving losses which may be high enough to jeopardise the insurance company’s solvency or financial position. Concentration risks most often arise from investment operations, but they may also arise from insurance operations, and from the combined effect of these.

The management of investment, financial market and counterparty risks is based on diversification, which basically prevents any significant concentration risks. An exception to this rule is the so-called strategic holdings which may lead to major concentration risks. Holdings in subsidiaries belonging to the Group are handled as strategic holdings.

Insurance operations are based on risk diversification within the insurance portfolio, such that the impacts of a single insurance target under the company’s responsibility can be limited. This risk is managed through, among other things, risk selection guidelines and reinsurance.

Especially in customer financing within investments operations, the investment and insurance operations are assessed from a holistic perspective prior to granting credit in order to be able to assess the joint risk concentrations.

3.7 Liquidity risk

Liquidity risk refers to a risk of not being able to meet future payment obligations or of only being able to meet them through special measures.

Liquidity risk is divided into short- and long-term risk. Short-term liquidity risk refers to risks that are related to asset and liability cash flows lasting less than 4 months (cash management risks). Long-term liquidity risk refers to asset and liability matching risks spanning several years, even decades into the future.

Long-term liquidity risk is managed by maintaining a sufficient liquidity reserve and by liquidity planning. Liquidity reserve is managed by, among other things, the following principles:

- a minimum allocation is given to money market investments,
- convertibility into cash is required of equity and fixed income investments,
- money market investments are diversified and counterparty limits are set for them,
- the amount of non-liquid investments in the portfolio is limited, and
- liquidity conditions are included in significant reinsurance contracts where necessary.

When planning liquidity, daily forecasts are created on outgoing payments for the next four months. The objective of short-term liquidity risk management is to ensure that there will be no need to realise investments other than money market investments and that there will be no need to use or realise the short-term liquidity reserve built up by asset managers.

Long-term liquidity risk is monitored and reported as a separate risk; however, it is not managed as a separate risk, but instead as part of interest rate risk management.

3.8 Strategic risks

Strategic risks refer to risks that are related to the insurance company's strategy and which result from incorrect business decisions, incorrect or failed implementation of business decisions or from the inability to adjust business operations to changing conditions or so that they are in line with the targeted future state.

Strategy refers to a series of long-term plans and measures used by the insurance company to move from the current state into the desired future state.

Strategic risks entail many different dimensions, and they have been divided into the following groups:

- strategic macro risks, which are related for example to changes in demographic, social security and culture trends, changes in regulation, authority supervision and policy or changes in climate and geopolitical trends,

- sector-specific strategic risks that relate to changes in competition in the insurance or financial sector and in the demand of policyholders or investors, and

- strategic risks inherent in internal operations, such as, for example, risks related to expansion or to internal development or to the availability of additional capitalisation.

The basis for the management of strategic risks is to identify the strategic risks of the Group and each subsidiary, 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.

3.9 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 and/or operating principles differ from those of the Fennia Group.

Reputation risk is usually a consequence of other materialised risks or events, such as the materialisation of operational risks.

The starting point for the management of reputation risk is to identify the possible events that can negatively affect the Group's or a Group company's reputation. Reputation risk differs in nature from other risks in that risk events can be based on real events or on events that fully or partly have no basis in reality (for example a baseless rumour). Reputation risks are often preventable or the effect of the events can usually be reduced.

The management of reputation risk is based on overall knowledge and understanding of the business and its restrictions. Reputation risk cannot be managed as a separate risk area; it is rather an extension of the management of operational risks. When the risks affecting reputation risk have been identified, various risk-reducing measures can be implemented within the organisation.

Successful reputation risk management is partly based on clear and well-thought-out external communications. It is important for the message to be correct and communicated to the right recipient by the right emitter.

Reputation risk management also involves compliance with laws, regulations and provisions and operating in accordance with the requirements set by authorities. The public image and reliability of an insurance company may suffer if laws, regulations and provisions and requirements set by authorities are not complied with.

3.10 Group risks

Group risks refer to risks arising from Fennia and its subsidiaries operating in the form of a Group. Group risks can be divided into the following groups:

- transaction risks
- contagion risks
- conflict of interest risks
- concentration risks
- risks related to administration

Transaction risks refer to risks that 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 group also includes risks relating to a loss of moral (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 when 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 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 a clear Group structure. In complicated ownership patterns, group risks become more important. In addition, appropriate group risk management is based on planning and monitoring business on the level of both the individual companies and the Group. That is the only way to ensure and monitor the development of the group objectives and their achievement.

The management of group risks is also 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 the Group's perspective.

4 Solvency management

Risk-bearing capacity refers to the company's assets that are available for covering losses. Risk appetite refers to the degree of risk the company is willing to take to achieve its business targets; in other words, the extent to which the company is ready to tie its own assets to risk-taking. Risk tolerance refers to the extent to which the company's assets are allowed to fluctuate when seeking to achieve the business targets.

The objective of risk and solvency management within the Group is to support the achievement of business goals and the continuity of business operations. This is done by ensuring that the risks taken are correctly proportioned in relation to risk-bearing capacity, risk appetite and risk tolerance and by creating conditions for trouble-free operations even in the case of unexpected losses by identifying the threats and opportunities that affect the implementation of the business strategy and the achievement of other targets.

General risk appetite and risk tolerance are managed by setting indicators and target limits for the most significant risks and combined risks (risk budgeting). The set risk-specific restrictions must efficiently limit the risk profile to keep solvency and risk-taking under control and within the permitted limits.

Board of Directors’ Proposal on the Disposal of Profit

Fennia’s distributable profits totalled EUR 251,856,307.34. The company’s loss for the financial year was EUR 12,493,870.03. The Board of Directors proposes that the loss for the financial year be covered by reducing the security reserve.

Helsinki, 7 March 2017

Mikael Ahlbäck	Matti Pörhö	Antti Kuljukka Managing director
Jussi Järventaus	Eva Liljeblom	Jyrki Mäkynen
Timo Salli	Paul Stucki	

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's report

To the Annual General Meeting of Fennia Mutual Insurance Company

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Fennia Mutual Insurance Company (business identity code 0196826-7) for the year ended 31 December, 2016. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

In our opinion, the financial statements give a true and fair view of the group's and the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinio

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Reporting Requirements

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the information included in the report of the Board of Directors and, in doing so, consider whether the information included in the report of the Board of Directors is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement in the information included in the report of the Board of Directors, we are required to report this fact. We have nothing to report in this regard.

Helsinki 10 March, 2017
KPMG OY AB

Petri Kettunen	Marcus Tötterman
Authorised Public Accountant, KHT	*Authorised Public Accountant, KHT*

Statement of the supervisory board

The Supervisory Board of Fennia Mutual Insurance Company has examined the Company's Financial Statements for the year 2016 and the Consolidated Finan-cial Statements as well as the Auditors' Report. We have no objections concerning them.

The Supervisory Board proposes that the Annual General Meeting to be convened on 26 April 2017 approve the Financial Statements and the Consolidated Financial Statements and adopt the proposal of the Board of Directors for the allocation of the result for the financial year.

Helsinki, 22 March 2017

On behalf of the Supervisory Board

Janne Ylinen
Chairman of the Supervisory Board

Supervisory Board

Chairman

Janne Ylinen
Managing Director
Kokkolan Halpa-Halli Oy
Kokkola

Vice Chairmen

Marianne Kaasalainen
Managing Director
Oy Patrol Trading Ab
Espoo

Seppo Kukkola
Managing Director, Engineering Counsellor (Finnish honorary title)
Kukkola-Yhtiöt Oy
Rovaniemi

Board Members

Pekka Auramaa
Managing Director
Kuljetusliike Y. Auramaa Oy
Eura

Michael Cedercreutz
Executive Chairman
Oy Victor Ek Ab
Helsinki

Risto Finne
Chairman of the Board
Kuopion Konepaja Oy
Kuopio

Jarmo Halonen
Managing Director
Elecster Oyj
Toijala

Ilkka Jalonen
Chairman
Ilja Consulting Oy
Espoo

Juha Järvi
Managing Director
Ka-Mu Oy
Karstula

Jouko Kauhanen
Chairman of the Board
Actiw Oy
Naarajärvi

Pia Kauma
Member of City Board
Espoo

Hannu Kekäläinen
Chairman of the Board
Check Point Finland Oy
Piikkiö

Jaana Kokko
CEO
Oulun Autokuljetus Oy
Oulu

Matti Koskenkorva
Counsellor of Entrepreneurship (Finnish honorary title)
Tampere

Jaana Kotro
Managing Director
Teknopower Oy
Turku

Perttu Kouvalainen
CEO
FunMedia Oy
Joensuu

Pekka Kuivalainen
Managing Director
Pisla Oy
Viitasaari

Matti Kurttio
Chairman of the Board
Tormets Oy
Tornio

Maunu Lehtimäki
Managing Director
Evli Bank Plc
Helsinki

Markus Lindblom
Managing Director
RTV-Yhtymä Oy
Riihimäki

Vesa Luhtanen
Managing Director
L-Fashion Group Oy
Lahti

Hannu Löytönen
Industrial Counsellor (Finnish honorary title)
Managing Director
Betset Oy
Kyyjärvi

Tauno Maksniemi
Chairman of the Board
Krapihovi
Helsinki

Jouko Manninen
Mayor
Town of Kuusamo
Kuusamo

Antti Mykkänen
Fennia's personnel representative:
Yrittäjäin Fennian Kenttä ry
Lahti

Martti Paunu
Managing Director
Väinö Paunu Oy
Tampere

Ari Penttilä
Managing Director
Matkapojat Oy
Tampere

Tapio Pitkänen
Managing Director
Omatalo Oy
Sonkajärvi

Raimo Puustinen
Managing Director
Pohjois-Karjalan Kirjapaino Oyj
Joensuu

Pekka Rantamäki
CEO
Rantamäki Advisors Oy
Hyvinkää

Ari Rinta-Jouppi
Managing Director
Rinta-Joupin Autoliike Oy
Tervajoki

Meliina Ruokonen
Chairman of the Board
Aarikka Oy
Helsinki

Ali U. Saadetdin
Chairman of the Board
A Saadetdin Oy
Tampere

Seppo Saajos
Chairman of the Board
Saajos Group
Lohja

Kaj Ström
Chairman of the Board
Motoral Oy
Helsinki

Risto Tornivaara
Managing Director
Danske Bank Oyj

Helsinki

Heikki Vauhkonen
Managing Director
Tulikivi Corporation
Helsinki

Rauno Vennola
Managing Director
Terra-Team Ltd
Espoo

Henrik Wikström
Board member
Sarlin Oy Ab
Vantaa

Jarkko Wuorinen
Managing Director
Ahlman & Wuorinen Development AWD Oy
Savonlinna

Jens Österberg
Managing Director
Oy Petsmo Products Ab
Vaasa

Fennia's Board of Directors and Management 1 January 2017

Board of Directors

Chairman

Mikael Ahlbäck
Industrial Counsellor, Group CEO
Ab Rani Plast Oy
Teerijärvi

Vice Chairman

Matti Pörhö
Commercial Counsellor (Finnish honorary title), CEO
Pörhön Autoliike Oy
Oulu

Board Members

Jussi Järventaus
LL.M with court training
Espoo

Lars Koski
Managing Director
Laihian Mallas Oy
Laihia

Eva Liljeblom
Professor, Rector
Hanken School of Economics, Helsinki
Helsinki

Jyrki Mäkynen
Oy HM Profiili Ab
Managing Director
Seinäjoki

Timo Salli
Managing Director
Katsa Oy
Tampere

Paul Stucki
Managing Director
Orfer Oy
Orimattila

Secretary to the Board

Sanna Elg
General Counsel
Fennia
Espoo

Fennia's Board of Directors and Management 1 January 2017

Auditors

KPMG OY AB

Petri Kettunen
Authorised Public Accountant

Alex Wahlroos
Authorised Public Accountant

Deputy Auditors

KPMG OY AB

Tiia Kataja
Authorised Public Accountant

Marcus Tötterman
Authorised Public Accountant

Fennia's Board of Directors and Management 1 January 2017

Management

Management group

Antti Kuljukka
Managing Director

Eero Eriksson
Deputy Managing Director,
Investments and Customer Financing
and Internal Services

Kimmo Kilpinen
Deputy Managing Director,
Substitute for the Managing Director,
Field Director

Timo Ahvonen
Group Services and Development

Pasi Karppi
IT Management Director

Vesa-Matti Kultanen
Director, Claims

Mika Aho
Director, Insurance Services

Sanna Elg
Chief Legal Officer, secretary of Management group

Mika Manninen
Group CRO (independent)

Actuarial function

Risto Heimo
Appointed Actuary

Fennia's Board of Directors and Management 1 January 2017

Physicians

Mikael Hedenborg
Doctor of Medical Science
Specialist in Occupational Health
Chief Physician
Special competence in insurance medicine

Lauri Keso
Doctor of Medical Science
Specialist in Internal Medicine and Rheumatology
Special competence in insurance medicine

Juha Liira
Doctor of Medical Science
Specialist in Occupational Health and Medicine
Special competence in insurance medicine

Teemu Paatela
Licentiate of Medicine
Specialist in Orthopaedics

Mika Paavola
Doctor of Medical Science
Specialist in Orthopaedics and Traumatology

Timo Yrjönen
Doctor of Medical Science
Specialist in Orthopaedics

Heikki Österman
Licentiate of Medicine
Specialist in Orthopaedics and Traumatology

Fennia's Board of Directors and Management 1 January 2017