

Fennia Asset Management

Annual Report and Financial Statements 2018

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■ Solid platform for growth

During the 2018 financial year, we targeted growth, profitability and improved customer satisfaction. We believe we succeeded in all these areas.

The company's external operating environment was challenging in 2018. Traditional investment instruments, such as equities and fixed income, generally offered low, partly even negative returns. The return development for alternative investments, however, was more consistent. Our property and building plot funds, as well as our other real estate asset management, yielded steady returns for investors in a difficult and unpredictable market environment. Our model portfolios that invest in securities also generated competitive returns considering their market.

We achieved growth in both our model portfolios that invest in securities and in our real estate business. Our strategy focusses on real estate funds and other real estate asset management. As investors and savers target stable and good returns, our real estate products have responded well to this demand. In spring 2018, we established Fennia Property Development Ltd to support our real estate business.

In our view, investors continue to increase the number of alternative investment products, such as fund-type real estate investments, in their portfolios. The opportunities for growth are thus still good.

Fennia Asset Management is financially solvent, and the company's operations during the financial period were profitable. One indication of this is the payment of dividends to the parent company for the first time in the company's history. This is a significant milestone in Fennia Asset Management's short history.

Customer satisfaction among Fennia Asset Management's investors was assessed for the first time during the financial period. The results were encouraging. We are part of a group of known and noted alternative asset managers. Our aim is to move up in this group from the mid-range to a leading position.

We will continue to target growth, profitability and improved customer satisfaction. During the current financial period, we have initiated measures that will allow us to expand our growth base. We must be able to offer our customers suitable investment and savings products during all investment cycle phases. Nothing is more certain than economic cycles, where alternative forms of investment are measured up against more traditional options. Investment wealth moves, but its movement is not an intrinsic value, nor is it an end in itself for us. Correctly timed movements, meaning the allocation of customers' wealth, is in the interest of our customers.

We need a better platform for our services to make investing and investment monitoring easy and convenient for our customers.

This is represented by Fennia Asset Management's formula, solid platform for growth.

I would like to express my thanks to Fennia Asset Management's personnel for their commitment and dedication to our common goals. We also thank Fennia Group for their constructive co-operation.

Good asset management brings our customers better financial security. It is an enabler of doing and dreaming.



Eero Eriksson

■ Report of the board of directors

2018 marks the first full year of Fennia Asset Management's operations under the current operating model, which saw the Group's investment unit merged with the operations of Fennia Asset Management. The merger took place in spring 2017.

Fennia Mutual Insurance Company sold its 100% holding in the company to Fennia Mutual Insurance Company on 1 April 2018. At the same time, Fennia Asset Management became a wholly owned subsidiary of Fennia Mutual Insurance Company, which is the Group's parent company.

On 23 April 2018, Fennia Asset Management established Fennia Property Development Ltd and owns 70 per cent of the subsidiary.

Business during the financial period

For Fennia Asset Management, 2018 was again a time of growing and diversifying the business. During the financial year, the company's fee and commission income increased 43 per cent to EUR 7.4 million (EUR 5.2 million). The amount of client assets managed by the company grew 10 per cent and amounted to EUR 3.1 billion (EUR 2.9 billion), of which the Group's internal assets accounted for EUR 2.5 billion.

The number of customers grew. The number of asset management portfolios and uni-holders grew by roughly 21 per cent. New capital is mainly allocated to the Kassa and Kassa Plus model portfolios, full-mandate asset management, and the Fennica Properties I and Fennica Building Plots funds. The low interest rate level and expensive equity market continued to steer investors' interest towards alternative investment forms, such as real estate investment.

It was a challenging year for the capital markets. Early in the year, share prices mainly rose, but they fell strongly in all markets, especially in the fourth quarter. When looking at return histories spanning more than 100 years, 2018 will go down in history as a year when a record number of all fixed income classes and equity markets generated losses.

The annual returns in euros on the equity markets can be summed up as follows: Global MSCI World index fell 4.9 %, US rose 0.4 % (S&P 500), Europe fell 10.8 % (Stoxx 600) and emerging markets fell 10.3 % (MSCI EM).

The returns on the portfolios managed by Fennia Asset Management varied between -0.2 % (Kassa) and -8.9 % (Equity). The portfolios nevertheless performed better than their benchmark indices. The biggest reason for this was the decision made in spring 2018 to underweight equities, as well as the overweighting of dollar-denominated investments. Early in the year we reduced the weight of emerging market bonds in fixed income investments, and during the year we raised the relative weight of short-term corporate bonds.

The same themes that led to weak returns in the capital markets in 2018 are the themes for the start of 2019. The markets are still nervous over the US-China trade war and the impacts of an uncontrolled Brexit on global economic growth and companies' earnings. Achieving sustainable growth calls for solutions to major political disputes that are satisfactory from the markets' perspective.

For the special investment fund Fennica Properties I, 2018 was an active year in terms of both transactions and leasing. The fund continued to grow, acquiring five properties that are in line with its investment strategy and succeeding well in leasing operations. 2018 marked the first full year of operations for the special investment fund Fennica Building Plots. The fund has been moving forward in line with its chosen strategy, and it enjoys a high investment rate of 92.2 per cent. Investors have shown a good level of interest in both funds, and the goal for 2019 is to continue growing the funds by making investments in line with their strategies.

Company's result and solvency

The company's result improved from the comparison year. The profit for the financial year, before taxes, was EUR 1.5 million, and after taxes EUR 1.3 million (EUR 1.0 million).

The company's capital and reserves grew, and at the end of the financial year stood at EUR 4.4 million (EUR 3.1 million).

The Group's solvency at the end of the financial period was good. The capital adequacy ratio was 22.3 per cent and, in solvency calculation, the company's own funds amounted to EUR 4.1 million (the minimum requirement for own funds is EUR 1.5 million).

Key figures illustrating financial performance

		2017	2016	2015
Return on equity (ROE)	%	36.7	45.0	20.6
Return on total assets (ROA)	%	25.9	35.8	15.7
Equity ratio	%	64.2	82.4	75.3
Cost/income ratio		0.8	0.7	0.9

Capital adequacy calculation key items

Solvency (EUR 1,000)	31.12.2018	31.12.2017	31.12.2016
Common Equity Tier 1 (CET1) before deductions:	4,437	3,114	2,147
Deductions from Common Equity Tier 1	-300	-2	-4
Intangible assets	0	-2	-4
Board's proposal for the disposal of profit	-300	0	0
Common Equity Tier 1 (CET1)	4,137	3,112	2,143
Additional Tier 1 (AT1)	0	0	0
Tier 1 (T1 = CET1 + AT1)	4,137	3,112	2,143
Tier 2 (T2)	0	0	0
Total capital (TC=T1 + T2)	4,137	3,112	2,143
Own funds based on fixed overheads multiplied by 12.5	18,515	12,867	6,002
Common Equity Tier 1 (CET1)/amount of total risk (%)	22.3 %	24.2 %	35.7 %
Tier 1 (T1)/amount of total risk (%)	22.3 %	24.2 %	35.7 %
Total capital (TC)/amount of total risk (%)	22.3 %	24.2 %	35.7 %
Capital adequacy ratio	22.3 %	24.2 %	35.7 %
Minimum capital	125	125	125
Minimum requirement for own funds	1,481	1,029	480

Corporate Governance

During the financial year, Fennia Mutual Insurance Company's Managing Director Antti Kuljukka acted as the Chairman of Fennia Asset Management's Board of Directors. The members of the Board of Directors were Elli Dahl, Juha-Pekka Kallunki, Alexander Schoschkoff and Seppo Rinta; Elli Dahl and Juha-Pekka Kallunki were elected by the uni-tholders of the special investment funds managed by the company. Seppo Rinta resigned from the Board of Directors on 18 September 2018, after leaving Fennia's service. Eero Eriksson served as Fennia Asset Management's Managing Director during the reporting year.

The Board of Directors held a total of 8 meetings, one of which was an email meeting. The attendance rate of the members was 97 per cent.

Timo Rantala, Director of Fennia Asset Management's Real Estate business, served as the Chairman of subsidiary Fennia Property Development's Board of Directors. The Board members were Fennia Asset Management's Legal and Administration Director Heidi Keto-Iainen, and Martti Reijonen and Jussi Perho. Aarne Markkula served as Fennia Property Development's Managing Director throughout the financial year.

During the reporting year, the Board of Directors of Fennia Property Development held a total of 6 meetings, all of which were physical meetings. The attendance rate of the mem-bers was 100 per cent.

The auditor chosen by Fennia Asset Management and the company of the special invest-ment funds under its management was APA Petri Kettunen, with auditing firm KPMG OY Ab as the deputy auditor. The auditor, appointed by the unitholders of the special invest-ment fund Fennica Properties I, for the company and the special investment funds is Dan-iel Haglund, authorised public accountant (HT), and the deputy auditor is the auditing firm KPMG OY Ab.

The company employed an average of 35 people during the financial period.

Policy on disclosures and frequency of disclosure adopted in the context of the preparation of the Report of the Board of Directors

Fennia Asset Management generally discloses all information that falls within the scope of the disclosure obligation pursuant to the regulation on prudential requirements (EU No 575/2013). The company has decided not to disclose certain non-material information, as permitted by a derogation included in the regulation. The omission of this non-material information does not influence the decision of a user relying on that information for the purpose of making economic decisions. In Fennia Asset Management's estimate, the disclosed information thus provides the market parties with a comprehensive understanding of the company's risk profile, regardless of the application of the derogation concerning information to be disclosed.

Fennia Asset Management discloses the information listed in Title II of the prudential regulation as required by the regulation at least once a year. The information is disclosed in the Report of the Board of Directors, which is drawn up as part of the annual financial statements.

Compliance officer's assessment of the information to be disclosed:

The compliance officer on 16 January 2019 reviewed the draft of the Report of the Board of Directors drawn up by the company's Managing Director for the financial year as per 31 December 2018, as well as the policy on disclosures and frequency of disclosure adopted in the context of the preparation of the Report of the Board of Directors. According to the compliance officer's assessment, both the Report of the Board of Directors and the above-mentioned policy are in compliance with the applicable regulations and the company's internal policies. The compliance officer therefore proposes no changes to the Report of the Board of Directors or to the policy on disclosures and frequency of disclosure.

Risk management

General

As Fennia Asset Management is part of the Fennia Group, Fennia Asset Management's internal control and risk management framework is described partly in the common policy documents of the Fennia Group and partly in the separate Board-approved policy documents of the company.

At Fennia Asset Management, risk management means strategies, processes, principles and measures to identify, measure, manage, monitor, provide notification of and report risks the company is exposed to. The objective of risk management is to continuously secure the company's solvency and liquidity. Efforts to meet the objective include supporting the achievement of the objectives set out in the strategy and action plan, and ensuring that the risks taken by the company are in proportion to its risk-bearing capacity.

Fennia Asset Management's risks are managed through careful planning and implementation of the business strategy, and through a risk management process that takes the special characteristics of each risk into account and consists of regular and continuous measures. Operational risk charting is carried out at least once a year, and a risk and solvency assessment report (hereinafter ICAAP report) is drawn up.

The company's governance system supports the achievement of the risk management objectives.

Risk management organisation

Fennia Asset Management's Board of Directors is responsible for ensuring the appropriateness of the company's internal control and risk management. Its duty is to ensure that the company complies with both its own risk management principles and the applicable Fennia Group risk management principles. The Managing Director of Fennia Asset Management is responsible for the practical implementation of risk management in accordance with the Board's decisions.

Fennia Asset Management has an extended management team that convenes to prepare, guide, coordinate and provide information on tasks related to risk management and governance. The extended management team is chaired by the company's Managing Director and its members are the persons responsible for the company's business functions, administration, legal affairs, risk management and compliance.

The company's risk management system is based on a three-defence-line model, where-by:

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

In Fennia Asset Management's Board of Directors has concluded that the tasks of the second and third defence lines can be arranged efficiently and effectively without a separate risk management function, compliance function or internal audit. During the reporting year, the compliance services were partly acquired from the parent company and partly from Fennia Group's external service provider, but as of 1 November 2018, they are acquired exclusively from the parent company. The risk management function and internal audit services have been outsourced to the Group's parent company.

Risk management within the Fennia Group has been divided organisationally into the Risk Management unit and the Compliance and Operational Risks unit, both of which are headed by the Group's Chief Financial Officer as part of the Group's finance and governance. The internal audit functions autonomously and reports directly to Fennia's Board of Directors. The Risk Management Unit, the Compliance and Operational risks unit and the Internal Audit are integrated in Fennia Group's organisation in a way that ensures that they 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.

Distribution of responsibility in risk management

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

- **Managing Director**

The Managing Director bears overall responsibility for the appropriate implementation of risk and solvency management in accordance with the Board of Directors' decisions.

- **Business and support functions**

Business and support functions are responsible for identifying risks, for daily risk-management measures and risk notifications, as well as for monitoring the function's risk profile and any measures that its changes would require, in accordance with the approved policies.

- **Risk management**

The Risk Management unit and the Compliance & Operational Risks unit together form the risk management function and maintain an overall picture of the company's risk profile. They assist the Board of Directors, the Managing Director and the business and support functions in developing and maintaining a strong risk management system. They report on risks to the company management and support the risk management work of the business and support functions by creating consistent procedures, and by providing guidance and training. Together they monitor the risk management work of the business and support functions and assess the sufficiency of this work. In the solvency management process, the task of the Risk Management unit is to monitor the appropriateness of the company's solvency calculation and to participate in the drawing up of the ICAAP report. The authority and tasks of the risk management function have been defined in the policy approved by the Board of Directors.

- **Compliance**

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 Fennia Group's internal guidelines, and that customer relationships are managed according to the appropriate procedures. It 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 Fennia 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.

Risk management process and risk areas

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

Fennia Asset Management's risk management process consists of the following:

- Risk identification

The first defence line, the owner of the risks, identifies and assesses the risks that threaten the operations and the objectives in separate risk charting and in daily operational activities.

- Risk measurement

During the risk management process, the severity of the risks and their interdependencies are evaluated. The objective is to create consistent indicators for different risks and thereby improve their comparability. Risk measurement and comparison can help target risk management measures on the risks that are most relevant to the operations. The risk management function of the second defence line co-ordinates the measurement of risk severity and dependency as well as the methods used in measurement.

- Risk management

During the management process, the risks are prioritised, and management measures to monitor and limit the risks are planned. The first defence line plans and implements appropriate risk management measures. The second defence line supports, monitors and assesses the risk management work of the first defence line; however, in order to ensure independence, it does not participate in making operational decisions.

- Risk monitoring

Risk monitoring in the company consists of monitoring, assessing and testing the management measures that have been planned and decided on. The first defence line ensures that risks are monitored appropriately and that sufficient information on risks is obtained in order to manage them. The first defence line monitors the management measures that it has planned and decided on and assesses their effectiveness. The second defence line conducts independent risk monitoring.

- Risk reporting

The first defence line provides notifications, both within the defence line and to the third defence line, of realised risks and the impacts thereof, in accordance with the agreed process. The second defence line regularly reports on the risks to the Board of Directors.

Most significant future risks and uncertainties

The risk management process described above is applied to all risks that the company's operations are exposed to. The most significant risks related to the company's operations are the operational risk, concentration risk, strategic risk and reputation risk.

Operational risks relate to the company's processes, personnel and systems. They are managed by means of continuous development, guidance and training.

Concentration risk may arise if there is strong dependence on a single product or if the assets under management are made up of the contracts of a relatively small number of customers. The objective is to manage risks primarily through business planning and sales strategies.

The company's material strategic risks relate to not implementing the business strategy, which can potentially lead to, in terms of solvency, a poor cost-income ratio and capital deficit. The company's business can, however, quite flexibly adapt to

changing conditions. The business strategy is assessed at regular intervals, taking into account changes in the operating environment and, if necessary, it can be redirected.

Reputation risk refers to a risk of damage to the company's public image. Reputation risk is usually a consequence of other materialised risks, such as the materialisation of operational risks.

Fennia Asset Management is also exposed to other risks, such as liability risks, liquidity risk, counterparty risk, market risks and group risks, for which the company has its own means of risk management.

Declaration on the adequacy of risk management arrangements

Fennia Asset Management's Board of Directors estimates that the risk management systems that are in place are sufficient with respect to the company's profile and strategy.

Corporate Governance

The Board of Directors of Fennia Asset Management has approved a document concerning the arrangement of the company's governance, describing the tasks of the Board, as well as the authorisations, responsibilities, reporting relationships, and deputy arrangements of the Managing Director, the directors of key businesses and other personnel. Fennia Asset Management's governance system consists of the company's Board of Directors, acting management, management group and the outsourced functions, i.e. financial administration, IT management, risk management, compliance and internal audit, as well as external audit. In order to ensure appropriate and efficient governance, the nature, scale and complexity of the company's operations have been taken into account in its organisation.

The Board members must have various strengths, professional competence and experience. Fennia Asset Management's Board of Directors has set the long-term goal of promoting diversity and gender equality in the composition of its Board. By preparing and planning the search for Board candidates for the long term, the Board seeks to ensure that the competence and experience required by the company at any given time, as well as equal representation of genders on the Board, are achieved and maintained.

Fennia Asset Management complies with its own guidance on the organisation of governance in all of its operations. The guidance is based on regulations, guidelines and standards that are included in the Finnish Financial Supervisory Authority's Regulations and Guidelines. The Finnish Financial Supervisory Authority's Regulations and Guidelines are publicly available at: <http://www.finanssivalvonta.fi/fi/Saantely/Maaryskokoelma/Uusi/Pages/paajaksoittain.aspx>.

Remuneration

Remuneration at Fennia Asset Management complies with the company's guideline on its remuneration scheme which is in line with regulations (Act on Credit Institutions 610/2014 and FIN-FSA regulations and guidelines 18/2013 on remuneration policies and practices) and which classifies personnel into risk categories on the basis of their duties and position. Remuneration comprises a fixed pay component and variable pay component. The fixed salary corresponds with the competence level required, experience and position in accordance with the Hay job evaluation method. Depending on the job, the variable pay component consists of an annual bonus or a sales commission/finder's fee, which may, on an individual level, be more than the threshold limit of EUR 50,000 set by the Finnish Financial Supervisory Authority, in which case this is justified by an additional document that supplements the remuneration scheme policy, in accordance with the guidelines specified in the policy in question. In 2018, fixed remuneration amounted to EUR 2,921,021 (EUR 2,070,611), and variable remuneration (incl. Asset Management remuneration paid within Fennia Life) totalled EUR 555,673 (EUR 259,237), paid to 56 (51) people. Variable remuneration complied with the set maximum and proportional limits, and there were no deferred variable pay components.

Group Structure

Fennia Asset Management owns 70 per cent of Fennia Property Development Ltd, which was established on 23 April 2018. Fennia Asset Management Ltd. has not prepared consolidated financial statements. Consolidating Fennia Property Development is not necessary to give a correct and sufficient picture of the Group's operating result and financial position. Fennia Property Development and Fennia Asset Management are included in parent company Fennia Mutual Insurance

Company's consolidated financial statements.

Outlook for the current year

Demand for alternative investment products continues. However, this is no longer due solely to the low return expectations for fixed income and equity investments, but also to investors' aim of reducing the previously larger risk of depreciation related to listed investments. The focus of business growth chosen by the company for real estate investment products is thus still relevant.

However, as uncertainty in the investment markets has substantially increased, investors will be much more active than before in terms of the timing and allocation of their investments. This has been accounted for in product development launched in the previous financial period, and in improving the scalability of governance.

Sustainability and a commitment to responsible operations will be increasingly highlighted in investors' choices.

Board of Directors' proposal on the disposal of profit

The company's profit for the financial year was EUR 1,322,315.65. The Board of Directors proposes to the annual general meeting that the profit be used such that EUR 300,000.00 be paid in dividends and EUR 1,022,315.65 be transferred to retained earnings.

Significant events after the financial period

There are no significant events to report after the financial period ended.

Share capital and shares

The company's share capital at the end of the financial year was EUR 125,000, and the company had 10,000 shares, all of which are of the same series.

Balance Sheet

	2018	2017	Note
ASSETS			
Cash receivables	5,441	3,629	
Shares and participations			
In affiliated undertakings	105		1
Intangible assets			
Other long-term expenses		2	
Tangible assets			
Other tangible assets	30	35	
Other assets			
Debtors	611	1,192	2
Prepayments and accrued income	106	9	2
	6,294	4,867	
LIABILITIES			
LIABILITIES			
Other creditors	398	298	3
Accruals and deferred income	1,450	1,447	3
APPROPRIATIONS			
Accumulated depreciation difference	10	8	
TOTAL EQUITY			4
Share capital	125	125	
Reserve for invested non-restricted equity	3,675	3,675	
Loss brought forward	-686	-1,653	
Profit for the financial year	1,322	968	
	6,294	4,867	

■ Profit and Loss Account

	2018	2017	Note
Income from investment services operations			
Fee and commission income	7,425	5,207	
Interest income			
	7,425	5,207	
Fee and commission expenses		-113	
Interest expenses	-1	-1	
Income from investment services operations	7,425	5,093	
Administrative expenses			
Staff expenses			
Salaries and commissions	-3,384	-2,426	5
Social expenses			
Pension expenses	-623	-449	
Other social expenses	-375	-86	
	-998	-536	
Other administrative expenses	-1,079	-623	
	-5,461	-3,585	
Depreciations and write-downs on tangible and intangible assets	-7	-9	
Other operating expenses	-457	-523	
Operating profit/loss	1,500	976	
Appropriations	-1	-8	
Income tax	-176		
Profit/loss on ordinary activities after tax	1,322	968	
Profit for the financial year	1,322	968	

1. Investments in affiliated undertakings

1,000 €	2018	2017
Acquisition cost, 1 Jan.		
Increase	105	
Acquisition cost, 31 Dec.	105	
Book value, 31 Dec.	105	

2. Debtors

1,000 €	2018	2017
Other debtors		
Affiliated undertakings		89
Group companies	498	985
Other debtors	113	107
	611	1,181
Accrued income		
Other accrued income	106	20
	106	20

3. Creditors

1,000 €	2018	2017
Other creditors		
Other creditors	377	298
To affiliated undertakings	21	
	398	298
Accruals and deferred income		
Deferred tax	176	
Holiday pay	659	546
Other statutory insurance contributions	60	286
Other accruals and deferred income	555	615
	1,450	1,447

4. Capital and reserves

1,000 €	2018
Restricted	
Share capital 1 Jan./31 Dec.	125
Restricted capital and reserves in total	125
Non-restricted	
Reserve for invested non-restricted equity 1 Jan/31 Dec.	3,675
Profit/loss brought forward 1 Jan.	-1,653
Profit/loss brought forward from the previous financial year	968
Profit brought forward, 31 Dec.	-686
Profit for the financial year	1,322
Non-restricted capital and reserves in total	4,312
Capital and reserves in total	4,437
Distributable profit, 31 Dec. 2018	
Profit for the financial year	1,322
Reserve for invested non-restricted equity 1 Jan/31 Dec.	3,675
Profit/loss brought forward	-686
Distributable profit	4,312

5. Notes to the Profit and Loss Account

1,000 €	2018	2017
Staff expenses, personnel and executives		
Staff expenses		
Salaries and commissions	3,384	2,426
Pension expenses	623	449
Other social expenses	375	86
Total	4,382	2,962
Executives' salaries and commissions		
Board of Directors and Managing Director	318	290
Average number of personnel during the financial year	35	24
	35	24
	-	-
Depreciations and value adjustments		
On intangible assets	2	2
On tangible assets	5	5
	7	7
	-	-
Auditors' commissions		
Audit	1	12
Tax consulting	6	15
Other	6	9
	12	36

6. Guarantee and liability commitments

1,000 €	2018	2017
Value-added tax 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.		
For the company itself	51	21
For other companies	675	204
	726	225

7. Related party transactions

The company has no related party transactions that would be material or conducted according to other than standard business practices.

8. Notes concerning the Group

Fennia Asset Management Ltd is part of the Fennia Mutual Insurance Company Group, the parent company of which is Fennia Mutual Insurance Company and whose domicile is Helsinki.

The consolidated financial statements are available at the website fennia.fi.

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 Asset Management Ltd.

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Fennia Asset Management Ltd. (business identity code 2392951-7) for the year ended 31 December, 2018. The financial statements comprise the balance sheet, income statement and notes.

In our opinion, the financial statements give a true and fair view of 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 company 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 company'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 company 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 about 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 the 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 company'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 company'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.

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.

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises 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 other information and, in doing so, consider whether the other information 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 of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Helsinki 27 February, 2019
KPMG Oy Ab

Petri Kettunen
Authorised Public Accountant, KHT

Daniel Haglund
Authorised Public Accountant, HT

Board of Directors

Chairman

Antti Kuljukka

Group CEO

Fennia Mutual Insurance Company

Helsinki

Board Members

Elli Dahl

Managing Director

Yrjö Jahnsson Foundation

Helsinki

Juha-Pekka Kallunki

Professor

University of Oulun

Oulu

Alexander Schoschkoff

Managing Director

Fennia Life Insurance Company Ltd

Helsinki

Secretary to the Board

Heidi Ketolainen

General Counsel

Director, Administration and Legal

Fennia Asset Management

Fennia Asset Management's Board of Directors and Management 1 January 2019

Auditors

The Auditor for the company and the special investment funds managed by the company was Authorised Public Accountant (KHT) **Petri Kettunen** with APA firm KPMG Oy Ab as Deputy Auditor.

Authorised Public Accountant (HT) **Daniel Haglund** with APA firm KPMG Oy Ab as Deputy Auditor was the Auditor chosen by fund unit holders for the company and the special investment funds managed by the company.

Management

Eero Eriksson

Managing director

Heidi Ketolainen

Director, Administration and Legal

Simo Launonen

Director, Sales and Account Management

Aarni Pursiainen

Director, Investments

Timo Rantala

Director, Real Estate Business Unit

Elina Puhakainen (personnel representative)

Real Estate Investment Manager, Finance

Fennia Asset Management's Board of Directors and Management 1 January 2019