PENSION FENNIA YEAR 2012

The Board of Directors' report and Financial Statements

Corporate Governance Statement 2012

The Board of Directors' report for the year 2012

INVESTMENT ENVIRONMENT IN 2012

The growth outlook for the world economy was positive at the start of 2012, and this fact was reflected in the investment market as good equity and corporate bond yields at the start of the spring. At the same time, the interest on the state loans of the USA, in particular, were on the rise. In March 2012, the annual return on Pension Fennia's investments stood at 5 per cent. The economic problems of Southern Europe culminated, however, in the year's second quarter and soon we found ourselves in a situation in which investors were selling Greek, Spanish and Italian state loans and the related interest was on a steep incline. Once investments that had earlier been held as being nearly riskfree were rejected, other investments were not saved from the turmoil either. In May, the return on the company's investment operations had slipped to 3 per cent as a result of the weakened yield of equities and corporate bonds. This drop in yield was counteracted by the favourable returns on the bonds issued by Germany and other strong EU member states as a result of lowered interest rates in these markets.

Since there was no room for expansion in the financial policies, with the exception of China, the central banks were forced to take a more significant role to support the investment market. At the end of 2012, the central banks of both the USA and the eurozone were providing unprecedented support for the banks and bond markets. Since, at the same time, the economic policies of China and Japan were on a more expansive path, the end of 2012 proved to be exceptionally positive for all investment categories.

The global economic growth in 2012 was 2.23 per cent when measured according to the nominal currency rate. This was 0.7 percentage points less than in 2011. The economy of the eurozone shrank by 0.4 per cent. Inflation remained moderate throughout the year, at less than 2 per cent for developed economic areas and less than 3 per cent globally.

CHANGES IN THE OPERATING ENVIRONMENT

The employment pension system was the topic of lively public discourse during 2012. During the spring, the headlines were littered with business deals and other agreements made by employment pension insurance companies with their related parties. In March, Minister of Social Affairs and Health Paula Risikko assigned a working group to tackle the task of reforming the regulations concerning the governance of the pension institutions. At the same time, an evaluation will be done as regards the need to change the governance regulations of the pension institutions to be more in line with the EU's Solvency II Directive. This reform work is still underway.

As a consequence of public discourse about related-party transactions, the Financial Supervisory Authority clarified general principles for the real estate investments of employment pension insurance companies, customer and related-party transactions, valuation practices, allocation of investments and possible risk concentrations. Additionally, in September, the Financial Supervisory Authority issued a corporate governance statement, which took a stand on the required level of expertise in investment operations and risk management within the Board of Directors, the Managers' representation in other companies, the arrangement of a compliance function to oversee that regulations are complied with, and the legal transactions with related parties.

Extensive discourse was also centred on the sustainability gap of the public economy. The discussions focused on the increased cost pressures brought on by the aging of the population and the increase in life expectancy. These cost pressures are particularly being felt by the State and municipal economies, but also within the employment pension system. Public discourse called for an extension of work careers at the beginning, the middle and the end. In March, the labour market organisations signed a so-called working career contract, in which the labour market parties committed to continue the work initiated by the 2005 pension reform. A high-level survey will be conducted by the end of 2013 to serve as the basis for the reform of the employment pension system. The survey will also entail an evaluation of, among other things, the pension reform implemented in 2005 and the need for additional measures to ensure that the pension system will remain financially and socially sustainable despite the rising life expectancy. The organisations invited Director General Jukka Pekkarinen from the Ministry of Finance to chair the survey group.

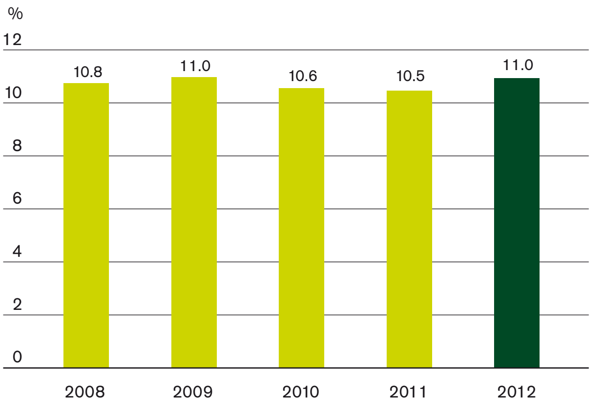
The future pension reform, to be made on the basis of the survey, will determine how to best take the rise in life expectancy into consideration as part of the development of the pension system. The pension reform is intended to enter into force no later than 1 January 2017.

In the working career contract, the labour market parties agreed on changes to the early-age pension system that would come into effect at the beginning of 2013. Along with the changes, there will no longer be an option to retire on early old-age pension, the unemployment pathway to retirement will continue and the age limit for part-time pension will be raised. Additionally, multiple methods for promoting working capacity were agreed upon.

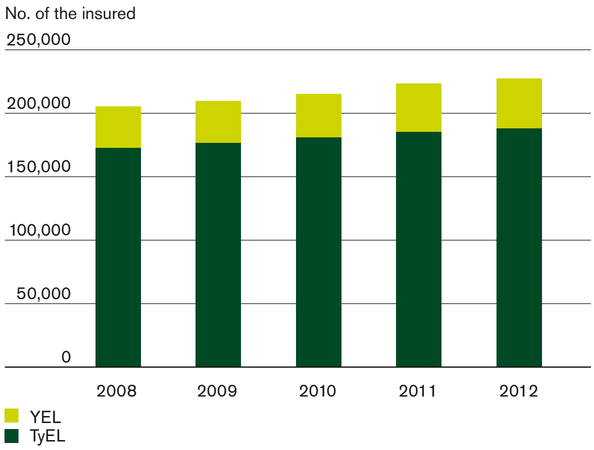
During 2012, the Finnish Centre for Pensions commissioned an international report on the sufficiency, sustainability, structure and administration of the Finnish pension system. According to foreign experts, the Finnish pension system is comprehensive and sustainable. The population structure and internationalising economy require, however, that the system be further developed. The transfer to retirement must be delayed, and better returns should be achieved from the investment of pension funds. The evaluation of the international experts regarding the functionality of Finland's pension system is positive, and the current system is already serving Finnish citizens well. Therefore, changes to the system can be made gradually after thorough consideration.

The validity of the temporary act enacted during the financial crisis ended at the end of 2012. A working group at the Ministry of Social Affairs and Health conducted a broad investigation concerning the impacts of the termination of the temporary act, and as a result, the Government decided to propose that the solvency requirement be renewed. In the summer, the President ratified a permanent act that would enter into force on 1 January 2013 with the aim of the securing profitable investment operations of the employment pension institutions within the private sector. Under this new permanent act, the risk-bearing capacity of pension institutions will be strengthened by improving the use of buffers reserved for investment and insurance risks. The current buffers (the solvency margin and equalization amount) are combined to form the so-called solvency capital. The solvency capital can be used to prepare for the realisation of investment and insurance risks. The solvency reform sparked a great deal of discussion within the Parliament concerning the increase of the equalization amount of employment pension companies and its level. Emphatic speeches were given within the Parliament and the media to call for a reduction in the equalization amount and the refund of surpluses to small employers. As a result of the discussions, the employment pension premium negotiations in the autumn were difficult, and it was not until the

Pension Fennia's market share measured by premium income 31 Dec.



Pension Fennia's no. of insured 31 Dec.



very end that the parties reached a consensus. Issues related to the equalization amount will still need to be settled during 2013.

The year 2012 saw the advancement of the development of competition between employment pension companies as set forth by the Government programme. Within the tripartite negotiations, an agreement was reached as regards the introduction of company-specific expense loading and the conditions of its implementation. The work will continue with the writing of a Government proposal. The regulation of the work wellness services offered by the employment pension companies is still being negotiated.

Questions regarding the transparency of the medical examiner system within the field of insurance and the related confidence of the citizens also appeared in public arenas. Minister of Social Affairs and Health Paula Risikko held discussions during the summer and autumn of 2012 for the purpose of deliberating on ways to develop the medical examiner system. On the basis of these discussions, the Ministry of Social Affairs and Health prepared an action programme to develop the medical examiner system. The measures included in the programme will be prepared by a steering group and five sub-groups. The steering group will be led by Minister of Social Affairs and Health Paula Risikko. The working group includes representation on behalf of the social insurance system and the patients. The term of the working group is 1 January – 31 December 2013.

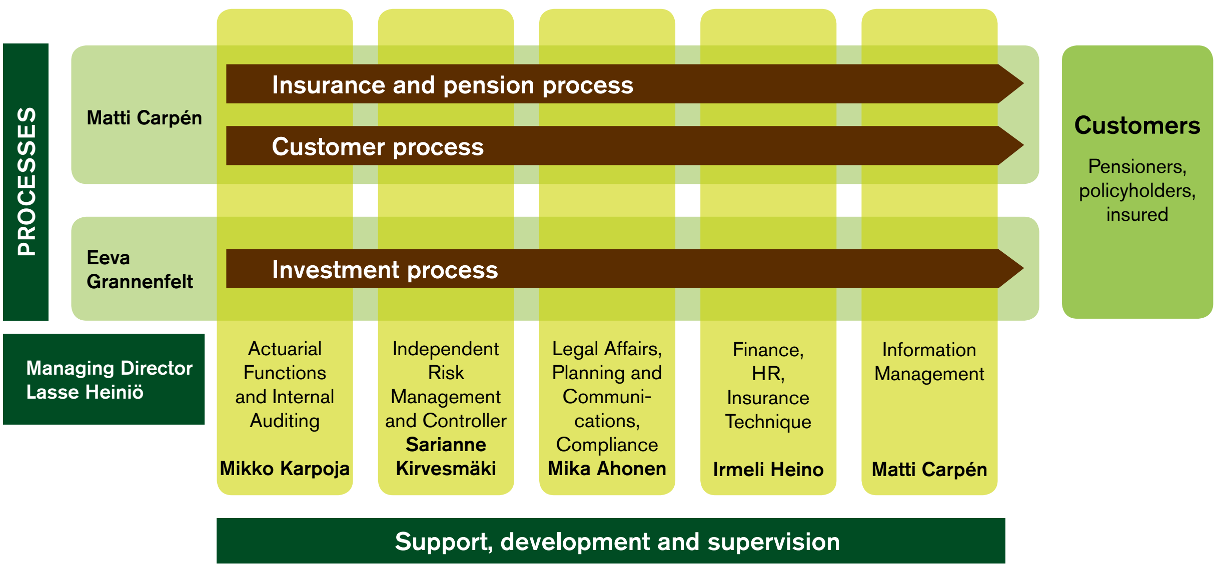
REACHING THE GOALS

In February 2012, Tapiola and Local Insurance Group published information about their merger to form a mutual financial group, LocalTapiola, that officially started its operations on 1 January 2013. The co-operative agreement between Local Insurance Group and Pension Fennia concerning the sales and management of employment pension insurance policies continued as stipulated by the agreement until the end of 2012. The existing pension insurance policies of Local Insurance Group continued to be managed at Pension Fennia as normal.

In December 2012, the Boards of Directors of the Mutual Insurance Company Pension Fennia and Tapiola Mutual Pension Insurance Company signed a letter of intent concerning the initiation of a plan to merge the companies' operations. The aim is to form a new employment pension company that provides its customers with high-quality services for the management of employment pension security and competitive customer benefits.

The key goal of investment operations in 2012 was to secure solvency in any circumstances. Pension Fennia's investment income was among the highest in the pension insurance field. Return on invested capital, calculated at fair values and including operating expenses, the unallocated returns and expenses of investment operations and other interest items in the profit and loss account, stood at 10.3 per cent for the financial year.

Pension Fennia's solvency clearly increased during



2012 compared to the situation on 31 December 2011. The solvency ratio i.e. the amount of solvency margin in proportion to the technical provisions used in solvency calculation, increased from 16.5 per cent at the beginning of the year to 22.3 per cent at the year-end when the item paralleled with the solvency margin is taken into account. At the same time, the solvency position, i.e. the solvency limit in proportion to the amount of solvency margin, increased from 2.6 to 2.8. The amount of solvency margin increased by 43 per cent, from €976 million to €1,395 million. Without the paralleled amount, the solvency margin stood at €1,134 million, the solvency ratio at 17.4 per cent and the solvency position at 2.2.

Cost-efficiency was stressed in all operations throughout the year, and this was reflected as Pension Fennia achieved its best expense loading surplus ever when calculated by euro amount. The expense loading surplus stood at €14.3 million, or 25.3 per cent of the loading profit. Pension Fennia's operating expenses mainly consist of two large items; personnel expenses and IT expenses. The optimisation of expenses has played a key role in improving efficiency.

During 2012, the co-operation of Pension Fennia as part of the Fennia Group was pronounced. Pension Fennia retained its strong position as an employment pension insurer of self-employed persons and SMEs. The market share increased by 0.5 percentage points, despite the fact that the overall result of the transfer business met with a slight loss. The area of new business has remained at a good level. Over 2,400 TyEL policies and nearly 3,900 YEL policies were gained through new customer prospecting. The said TyEL portfolio covers some 5,100 employees.

The strong local presence of our co-operative partner has ensured that our market share in new customer prospecting has remained at a good level. The market share in new customer prospecting of TyEL policies was around 14 per cent and that of YEL policies around 15 per cent.

DEVELOPMENT OF OPERATIONS

Pension Fennia's steering model was adjusted in 2011 and its development continued throughout 2012. The new, more process-related steering model facilitated more efficient operations and increased consideration for the customer perspective. The decision-making power was further shifted to the management of the processes. The Executive Group of the company outlines the company level framework on the basis of which the management groups make independent decisions. This has sped up decision-making, reduced bureaucracy, and intensified the co-operation between processes, information management and other support units, and, on the whole, increased business operation-orientation and cost awareness. During its first operational year, the management group of project and information management, established in connection with the reform of the steering model, proved its necessity for the areas of responsibility concerned. The management group of project and information management is responsible for the handling of functional undertakings and IT projects in accordance with the company level project administration and the project programme formed thereof, as well as information management policies, strategies and IT policies and solutions.

Pension Fennia's main processes are the investment process, customer process, and insurance and pension process. The purpose of support functions is to support the main processes and manage the tasks under their areas of responsibility. The support functions are represented in the management groups of the main processes.

The customer process focuses on close co-operation with the company's partner. The co-operative partner's extensive network of operations combined with Pension Fennia's strong expertise in employment pension insuring guarantees comprehensive and knowledgeable service to customers. The developing telephone and online services in turn facilitates easy and flexible handling of insurance matters.

The developmental focus for the insurance process was on increasing the electronic transactions. Self-employed customers were given the opportunity to access Pension Fennia's online service using banking codes. The first tangible benefits of the electronic insurance application will be seen in spring 2013, when the first phase of the electronic application for self-employed customers enters into production. Additionally, we increased the use of electronic invoicing by polishing and marketing the process.

The development work is visible to the customers and partners as a faster and more efficient service experience, as well as a more cost-effective and quality process. We will continue to invest in online transactions, and the work initiated during the year in review will result in an advanced electronic online service agreement for employers in spring 2013.

In terms of the customer service for policyholders, we finished the work on our commended telephone service with its "one-stop shop principle". The results of the service were seen as better accessibility and shorter response times. In order to ensure the advancement of the customer service for policyholders, both in terms of developing the services and ensuring the functionality of the current processes, we reorganised the insurance process in November 2012. The reorganisation process had two objectives: to ensure our development resources and to integrate our electronic transaction system to become an even more established aspect of our business operations.

According to an industry-specific customer satisfaction survey conducted by Taloustutkimus Oy, Pension Fennia's customer satisfaction and corporate image have remained at a good level. The general rating received by Pension Fennia was at the same level as in the previous year. Of the customer satisfaction factors, Pension Fennia received the best ratings for expertise, keeping its promises, and its readiness and willingness to serve. The ratings for customer service factors increased slightly from the previous year. Pension Fennia is still strongly recommended by its customers.

The long-term development work within the pension process continued for the purpose of guaranteeing quality and efficient service. In order to develop the standard of customer service and ensure its uniform quality, the follow-up and measuring of quality continued in different areas of the pension process during 2012.

In spring 2012, an extensive project to reform the claims system got underway. The new system will ensure continuity despite changes in legislation and the technical environment, and increase efficiency. This project tied up significant human resources and called for arrangements regarding personnel and work duties in order to safeguard effective overall operations.

During the year, the online services for pension customers were developed on a small scale. Customers will now be able to e.g. manage any account number changes via the online service.

During 2012, a broad reform project concerning the basic securities system was undertaken within the company's investment process. The project got underway in 2011 with a preliminary survey and the defining of goals by those units that utilise the system. The project bound the resources of the Investment unit, the Independent Risk Management and Controller unit and Information Management, thereby resulting in both personnel and work reorganisation in all of the aforementioned units. The new system advanced to production at the start of 2013. At the same time as the securities system was being reformed, the Independent Risk Management and Controller unit implemented a data storage project intended to improve and automate the reporting for the authorities, the management, the Board and the Investment unit. The new system will be used for reporting throughout 2013.

Within an investment environment such as we currently are experiencing, the investment operations focus heavily on the anticipation of and preparation for improbable outcomes that will be detrimental if realised. Within the investment process, including the independent supervision of investment risks, a scenario model was taken into use during 2011 for the purpose of creating possible future scenarios concerning the development of investment assets and solvency. During 2012, the use of the scenario model was enhanced as part of the supervision of investment risks and allocation processes, and the scenario model was also utilised to support decision-making.

Pension Fennia's risk management has been developed intensely during 2011 and 2012, and will continue to be developed. Efforts have been made to standardize the methods used to evaluate the impacts of risks among the different units, and in risk surveys, the level of risk management has been assessed as well. In terms of risks to the company's reputation, Pension Fennia initiated the systematic development of its reputation management together with its partner during the summer 2012. During the autumn, a reputation risk survey was carried out to identify the most important reputation risks, their likelihood and impacts, and methods to manage the reputation risks were drawn up. At the end of the autumn, preparations were made for the initiation, at the start of 2013, of the procedure to record all realised operational risks and near misses for all units. Such preparations included training in operational risks.

The goal of the HR unit is to support Pension Fennia's operations and realisation of the strategy by means of personnel management. In order to make further advances in achieving its goals, the HR unit initiated the reform of the operational model in 2011 and continued its introduction into practice during 2012. The most important change in the operating model is the division of customer responsibilities within the HR unit by process to HR partners, as well as the re-defining and development of HR processes. The new operational model met with approval within the business processes, resulting in closer co-operation. Another key aspect of the operational model reform has also been the specification, selection and preparation for the commissioning of the new HR information system. The aim is a modern HR information system, by which the company can improve and automate its HR work.

Collaboration with occupational health care increased during 2012, and the pilot work wellness programme 'Invest in yourself' got underway within the investment process. The objective of the programme is to get an overall picture of the wellness of the investment process personnel, and to identify risks to working capacity, work wellness disturbances and work-based risk factors. Following the initial survey, project participants were given a personal work wellness plan, which has been supported through a variety of measures. The pilot project will continue into 2013.

At the end of 2012, management training got underway with a focus on leadership amidst daily changes. The training provides supervisors with tools for dealing with changes on both the cognitive and practical levels.

The personnel survey of 2013 will serve as a continuation of the surveys conducted in 2005–2012. Job satisfaction is very high among the personnel of Pension Fennia, and it has continued to develop in a positive direction. Work motivation is high and personnel rate their own work as being interesting and challenging. The management culture continues to be rated very positively. The implementation of changes has been carried out well, the supervisors are interested in new ideas and initiatives and give feedback on work. The reward system is considered to be just.

Pension Fennia has a strategy club which brings the company's personnel in contact with strategy work. In the strategy club, around twenty employees of the company from different parts of the organisation participate in strategy work by commenting on the company's strategy. Since the strategy club began, one third of Pension Fennia's employees have become involved in the strategy work.

INSURANCE PORTFOLIO AND PREMIUMS WRITTEN

At the end of 2012, the number of the insured in Pension Fennia was 228,520. The number of TyEL insurances decreased by around 690 policies to 22,930 with a total of 188,920 insured. At the end of 2012, the number of insured employment relationships was around 3,540 higher than in the previous year. The number of the YEL insured grew by some 280 self-employed persons during the year, and at the year-end, the number of valid YEL policies was 39,600.

The average TyEL premium was 22.8 per cent of salaries/reported earnings. The employee's share was on average 5.45 per cent. Premiums written for the year 2012 stood at €1,355.0 million. Of this amount, TyEL insurances accounted for €1,179.0 million and YEL insurances for €185.4 million before deduction of credit losses. Credit losses on premium receivables stood at €9.3 million.

The amount of credit losses on TyEL premiums for 2012 totalled €8.0 million. Credit losses on YEL premiums stood at €1.3 million. Unpaid overdue premium receivables amounted to around €54.5 million on 31 December 2012. The amount of credit losses increased by €0.9 million and the amount of open insurance premiums increased by €5.2 million from the previous year.

PENSIONS AND WORK WELLNESS

In 2012, Pension Fennia handled a total of 17,600 pension matters, of which 8,300 were new pension applications. The total number of new applications remained at the level of the previous year. As a result of a legislative amendment, unemployment pension applications have been nearly entirely eliminated. The increase in the number of old-age pension applications has evened off and the current growth stood at about 4 per cent. The idea of working alongside pension appears to be slightly increasing in popularity. Those insured by Pension Fennia retired on old-age pension, on average, at the age of 63.5 years.

The number of rehabilitation applications remained at the same level as the previous year. The overall number of applications has doubled over the past five years. There has been an increase in social discourse and co-operation between employers and the occupational health care system for the purpose of implementing rehabilitation. This work appears, as hoped, in the long-term development in the number of applications.

At the end of 2012, the number of pension recipients was nearly 86,400. In 2012, the amount of pensions paid out totalled €1,003 million. Pensions were paid to 47 different countries. The timely payment of pension is, in terms of our customers' livelihood, essential, and we succeeded well in this area during 2012.

Pension Services sent pension records to some 226,800 customers during the summer. For the first time, public sector employments were also included in the pension record. The provision of a broader record succeeded well and our Pension Services was able to serve customers also in matters related to public sector employment. The sending of pension records, as well as the accompanying information about pension insurance, has reduced the customers' need for personal pension advice. The need to clarify pension options as a result of co-operative negotiations and employment terminations was witnessed, to some extent, in the customer advisory service.

Pension Fennia customers have access to the Efekti service, the aim of which is to support client companies in their efforts to promote work wellness and prevent disability risks. The Efekti service provides support for its customers in the form of risk surveys, training and the comprehensive Efekti online service.

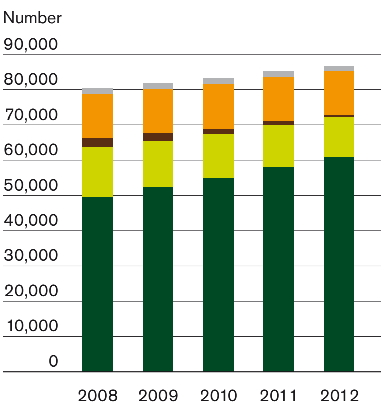
The Efekti training events, initiated in 2010, have rapidly gained in popularity among Pension Fennia's customers. The feedback from the training has been excellent: in 2012, the general rating was 4.2 on a scale of 1–5. Efekti training events are led by both Pension Fennia experts and external service providers. Altogether 16 training events were held in 2012. The themes of the events were 'A supervisor as a manager of different types of people', 'A supervisor as a provider of early support', 'Endeavouring to manage absences due to illness', 'Strategic leadership for working capacity', and 'Work Wellness Card'. The training was offered to the management, HR personnel and supervisors working for our client companies.

Of the available risk surveys, the Efekti work community survey is an effective tool for client companies to survey the work wellness of their personnel and related factors. Several dozen such surveys were conducted in 2012. The usability of the survey is indicated by the fact that more and more client companies are using the Efekti work community survey regularly, approximately every third year, to monitor the impact of their development projects.

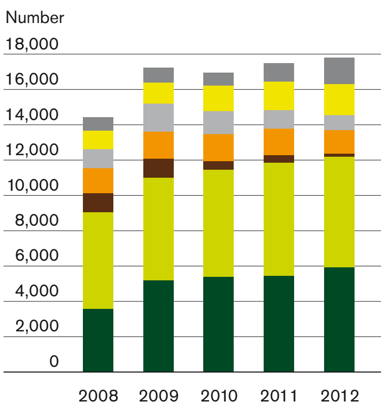
In terms of the service for major accounts, disability risk management continues to play a key role, and it requires active co-operation between the company management, the customer's occupational health care, and Pension Fennia's expert. The objective of the co-operation is to create proactive measures to uphold working capacity and find methods to extend the working careers of persons with impaired working capacity by means of vocational rehabilitation.

Services intended for self-employed persons were also developed during 2012. The 'Achieving meaningful success' survey for self-employed persons, conducted during the autumn, surveyed subjective measures of working capacity and business success. Approximately 1,500 self-employed customers of Pension Fennia responded to the survey. The results of the survey sparked a great deal of interest. The results indicated that there is a group among those who are self-employed who represent a risk group in terms of working capacity, because they have a so-called working capacity illusion, in other words, an unrealistic idea about their own working capacity. In 2013, the Efekti service will launch training events for self-employed persons under the theme 'The self-employed, achieving meaningful success'.

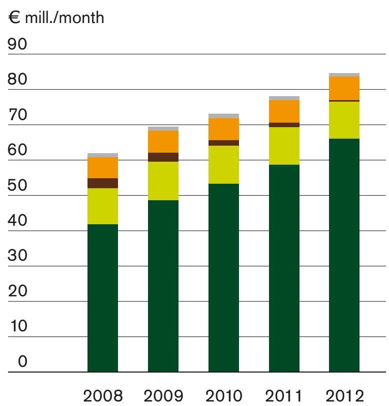
No. of pensioners 31 Dec.



No. of concluded cases (new applications and appeals) 31 Dec.



Pensions paid 31 Dec.



Disability pension
Old-age pension
Survivors' pension
Unemployment pension
Rehabilitation
Part-time pension
Other

Technical provisions, € mill.

	31 Dec. 2012	31 Dec. 2011
Premium reserve		
Future pensions	**3,424.6**	3,305.2
Provision for current bonuses	**18.8**	13.2
Provision for future bonuses	**98.1**	94.2
Provision linked to equity income	**43.1**	-41.6
	3,584.6	3,371.0
Claims reserve		
Current pensions	**2,810.5**	2,650.1
Equalisation provision	**225.7**	236.2
	3,036.2	2,886.3
Total	**6,620.7**	**6,257.3**

TECHNICAL PROVISIONS AND COVERING ASSETS

Pension Fennia's technical provisions stood at €6,620.7 million at the end of 2012. Technical provisions included €817.0 million of liabilities accrued from employees' share of premium.

The claims reserve also includes an equalisation provision, which stood at €225.7 million at the end of 2012. The share of basic benefit accounted for €220.7 million. The amount of the equalisation provision was securing. The result of insurance business as a whole was negative in 2012.

The average return on equities of the pension system to be transferred to the technical provisions was around 15.1 per cent on 31 December 2012, and the amount of provision for bonuses linked to return on equities was around €43.1 million on 31 December 2012.

The assets covering technical provisions meet the requirements of the relevant decree and those of the Financial Supervisory Authority. Listed assets amounted to €7,624 million, or 15.1 per cent more than the technical provisions to be covered. Pension Fennia's open foreign exchange position, or i.e. assets not hedged against exchange rate fluctuations amounted to €555 million.

INVESTMENT OPERATIONS

The goal of investment operations is to achieve, in the long term, as high real returns as possible, while keeping the risks at the level confirmed by the Board of Directors. The year 2012 was an exceptional investment year, and the improvement in solvency facilitated the increase in risk in a controlled manner.

Investment distribution 2012

Investment assets at fair values	31 Dec. 2012		Return	31 Dec. 2011		Return
(includes accumulated interest)	€ mill. 1)	%	%	€ mill. 1)	%	%
Fixed-income investments	**3,888.3**	**51.9**	**9.0**	**3,813.5**	**56.3**	**3.3**
Loans	397.7	5.3	2.9	390.1	5.8	3.5
Bonds of OECD/EEA public corporations	737.2	9.8	5.3	1,036.0	15.3	4.2
Bonds of other corporations	2,341.5	31.2	13.3	1,651.6	24.4	3.5
Other money-market instruments and deposit, which include receivables and debts directed at the investments	412.0	5.5	1.2	735.8	10.9	1.6
Equities	**1,625.6**	**21.7**	**15.8**	**1,297.5**	**19.2**	**-15.5**
Listed equities	1,360.9	18.2	16.7	1,079.7	15.9	-18.4
Private equity investments	161.0	2.1	10.8	114.4	1.7	5.4
Unlisted equities	103.7	1.4	10.7	103.4	1.5	7.4
Real estate investments	**1,147.6**	**15.3**	**12.5**	**900.0**	**13.3**	**9.2**
Direct real estate investments	931.8	12.4	14.8	674.9	10.0	8.4
Real estate investment funds and joint investment companies	215.8	2.9	5.4	225.1	3.3	12.1
Other investments	**833.8**	**11.1**	**6.3**	**761.9**	**11.2**	**-2.7**
Hedge fund investments	826.6	11.0	8.6	740.8	10.9	-3.3
Other investments	7.2	0.1	-41.9	21.1	0.3	40.6
Total investments	**7,495.2**	**100.0**	**10.3**	**6,772.8**	**100.0**	**-1.6**

1) Includes derivatives not contained in the balance sheet. On 31 Dec. 2012, such derivatives totalled €30.8 million.

Total investment income on invested capital stood at 10.5 per cent before operating expenses and unallocated income and costs of investment operations. The required rate of return on technical provisions is determined on the basis of the discount rate (3%) used in the calculation of the technical provisions, supplementary coefficient for pension liabilities, and the average equity income of pension institutions. The supplementary coefficient was 0.0 per cent for the period from 1 January – 31 March 2012, 0.09 per cent for the period from 1 April – 30 June 2012, 0.71 per cent for the period from 1 July – 30 September 2012, and 0.56 per cent for the period from 1 October – 31 December 2012. The technical rate of interest is still determined semi-annually on the basis of the average solvency of employment pension institutions. In 2012, the technical rate of interest stood at 3.25 per cent until 30 June 2012 and at 4.00 per cent from 1 July – 31 December 2012.

The net return on investment operations in the profit and loss account stood at €304.6 million. Capital losses generated in equity, fixed-income and real estate investments amounted to €49.5 million and capital gains to €252.9 million. Value readjustments of €27.6 million were made in equities and shares, €2.4 million in bonds, €5.5 million in other investments, and €7.7 million in real estate. Value adjustments on equities, bonds and real estate stood at €58.7 million. Valuation differences increased by €400.5 million during the financial year. The net return on investment operations at fair values stood at €705.1 million.

The overall return of 10.3 per cent on Pension Fennia's investments can be considered excellent within an economic environment that remained tensed and an outlook that was insecure.

The tentative atmosphere present within the equities market was sustained by problems within the eurozone, the US Presidential election and subsequent headlines about discourse on the US debt ceiling. Despite the aforementioned insecurity factors, the year was a reasonably good one for the equities market and share prices rose steeply during the autumn after the President of the ECB announced that the ECB would, if needed, enact all necessary support measures in order to uphold the Economic and Monetary Union. Due to the rise in share prices and successful geographic allocation during the autumn, Pension Fennia's listed equities provided the best yield achieved of any of the company's investments, namely 16.7 per cent.

The good overall return was particularly the result of the excellent yield on fixed-income investments. The good result was also the consequence of the reduction in the general interest rate and the credit risk margin. The return on the high-yield investments with a high credit-risk exposure stood at the same level with equity investments. The return on all fixed-income investments stood at 8.9 per cent in 2012. Investments in problem states within the eurozone remained minimal.

The yield of hedge funds stood at 8.6 per cent in 2012. Of the hedge funds, the best return came from funds whose investment strategies were able to benefit from the relatively favourable conditions within the equities and interest market. The return on these funds was close to 20 per cent.

The situation for the real estate investment market was divided. Investors' interest in the best prime objects remained high, but slightly weaker objects found no buyers. Rental flats and large shopping centres were optimal investments both in the market and within Pension Fennia's portfolio. The office rental market remained weak and weighted down the returns.

The investors' yield requirements lowered further to a minor extent in flats, shopping centres and prime objects. In contrast, the yield requirement for higher-risk objects increased. The aforementioned development was also clearly visible in the form of larger than usual value changes also in Pension Fennia's real estate portfolio.

The year was brisk and a great number of further investments were made, altogether about €200 million. The largest investments included additions to the rental flat stock, the tower hotel being built in Tampere and participation in the acquisition of Nokia's headquarters. As a result of these and revaluations, the share of real estate investments of the overall allocation increased to about 16 per cent.

The development of Pension Fennia's indirect real estate investments within the EU continued steadily and the return was satisfactory.

The return on real estate investments calculated on invested capital stood at 12.5 per cent.

Changes in the financial market were clearly visible in terms of Pension Fennia's corporate financing. Loan requests from SMEs increased, which is an indication of the tightening of the financing criteria set by the banks. Pension Fennia's goal, within this new situation, is still to develop its own corporate financing and to increase the required resources so that the funding provided by the pension company might better supplement the financing that companies receive from the banks. The amount of corporate financing loans remained quite stable and stood at €398 million at the year-end. New loans totalled around €117.4 million. The total return on the loans was fairly good at 2.9 per cent, despite the low rate of interest. Credit losses were minimal.

TOTAL OPERATING EXPENSES AND PERSONNEL

Total operating expenses for 2012 were €59.6 million. Operating expenses that were covered using expense loading stood at €42.2 million and operating expenses covered by investment income at €12.2 million. A total of €2.1 million of operating expenses related to working capacity maintenance were paid from the disability loading of the premium. Total operating expenses included €3.1 million of statutory charges, which are covered with a separate share of premium.

Personnel costs accounted for 38 per cent of the cost of insurance business and investment operations, and IT costs accounted for 37 per cent. Expense loading totalled €56.6 million for the year. Loading profit stood at €14.3 million, and 74.7 per cent of the expense loading was spent on operating expenses of insurance business.

The company employed an average of 252 persons in the year 2012. At year-end 2012, 255 people were permanently employed, and 11 had a fixed-term employment relationship. Altogether 11 people were on maternity or child care leave, 2 on part-time pension and 2 on partial disability pension. A total of 10 new employees were hired, and 4 fixed-term employments were made permanent. Altogether 12 employment relationships ended, 2 of them due to retirement.

Extensive development projects will bind a considerable amount of resources throughout the organisation over the coming years. In order to cover the need for resources due to, for example, projects and child care leaves, the company will have to hire fixed-term personnel. The process-like method of operation has further improved the opportunities for better utilisation of personnel resources through internal movement and altering of job descriptions. The internal movement and building of different learning paths will be more important in the future. The model of early support has also enabled the company to tackle the deterioration of working capacity more efficiently. It is considered highly important to ensure that employees have an opportunity to recover when multiple projects are underway simultaneously.

PRINCIPLES OF REWARDING

The Board of Directors of Pension Fennia approved the currently valid salary and reward policy in December 2011, at which point it was revised in response to the recommendation of the Financial Supervisory Authority concerning rewarding. The Appointment and Remuneration Committee annually outlines the principles of rewarding to be applied in Pension Fennia for the whole personnel. Pension Fennia's rewarding policy primarily complies with the recommendation of the Financial Supervisory Authority. Pension Fennia has a goal reward system that concerns the majority of the personnel, an incentive reward system for the Executive Group, an incentive reward system for the extended Executive Group, the Risk Management and Controller unit and a part of the investment organisation, and result reward system concerning the sales staff. The members of the Board of Directors are not included in any of Pension Fennia's reward systems.

The Appointment and Remuneration Committee annually prepares the incentive indicators and rewarding principles that are applicable to the Executive Group as well as the rewards to be paid to the Executive Group and realisation of the indicators used as the basis of the goal reward system for approval by the Board of Directors. As for other personnel groups, the Managing Director approves the reward indicators and rewards to be paid in accordance with the policy outlined by the Appointment and Remuneration Committee.

The majority of the personnel (75%) is covered by the goal reward system approved by the Board of Directors. The goal reward comprises of two parts, the company's performance (30% of the reward) and the share based on reaching the goals set for processes (70% of the reward). The amount of possible maximum reward for 2012 was 10 per cent of the annual salary. The indicators are the key figures that describe the development of the operations and efficiency of the main processes, and these indicators are applied as different combinations to all those covered by the system. The indicators have mainly been the same from one year to another to allow for the observation of the development of operations and an increase in efficiency.

In the result reward system of the sales organisation, the rewards are determined on the basis of the achievement of the set sales goals.

In the Executive Group, personal goals derived from the company's strategic goals have been set for each director. In addition, the goals of each director's scorecard are taken into account and the management work is evaluated for the purposes of the reward. In the

Investment unit, the portfolio managers have an incentive reward system based on the strategic goals of the investment operations and asset type/team-specific and personal goals. The Independent Risk Management and Controller unit personnel also have their own incentive reward system, the goals of which derive from the goals set by the Board of Directors for the unit's director, the goals of the units and personal goals.

The maximum amount of reward has been confirmed for all those covered by the incentive reward systems, and part of the rewards is paid in the year following their determination, while rest are paid out over the next three years. The Board of Directors has reserved the opportunity to not pay the rewards. In the incentive reward system, half of the maximum reward is paid once the set goals are achieved. Incentive rewards are also limited by taking into account the risk position of the company's solvency and the company's financial standing.

A regularly updated report on salaries and reports in which the salaries, rewards and other benefits of the Managing Director, other management and administration are described in more detail can be viewed on Pension Fennia's website.

RESULT AND SOLVENCY

The book net returns on investment operations, including such interest items of the profit and loss account that are not entered under investment income, amounted to €304.6 million. The interest paid on technical provisions for the same period stood at €211.2 million. The amount required for technical provisions linked to return on equities, including the estimate error from the previous year was €84.0 million. Therefore, the book result of investment operations was €9.5 million. Valuation differences increased by €400.5 million. The result of investment operations at fair values, including other interest items of the profit and loss account, was €410.0 million. The loading profit was €14.3 million. The loss on insurance business stood at €-10.2 million. The combined total result of Pension Fennia was €414.1 million.

The provision for future bonuses increased by €4.0 million. Altogether €18.8 million was transferred to be used on premium discounts.

The solvency margin at the year-end amounted to €1,394.6 million, or 22.3 per cent of the technical provisions. Valuation differences accounted for €1,000.7 million of the solvency margin. The minimum amount of the solvency margin is €124.9 million.

The share of the clearing reserve paralleled with the solvency margin (EMU buffer) in accordance with exceptive law 853/2008 has been taken into account in the figures. The amount of the solvency margin without the EMU buffer is €1,134.3 million and 17.4 per cent of the technical provisions.

The profit and loss account shows a surplus of €1,284,699.43.

INTERNAL SUPERVISION AND RISK MANAGEMENT

The Board of Directors is obliged to evaluate the state of the company's internal supervision annually. This evaluation is based on the report drawn up by Internal Auditing. As for the year 2012, the Board of Directors evaluated that internal supervision has been appropriately arranged. The Board was assisted by the Audit Committee whose tasks include e.g. monitoring the company's financial position and financial reporting, and the sufficiency and appropriateness of internal supervision and risk management.

Risk management was transferred, as of 1 January 2013, from the responsibility of Director Irmeli Heino to the responsibility of Director Sarianne Kirvesmäki of the Independent Risk Management and Controller unit.

The Board of Directors has approved the overall risk management plan for the company, including the significant risks related to investment operations and relevant management procedures. The risk management process has been integrated into operational planning, and a key task of the process is to ensure the realisation of the company's strategic goals and other important functions related to operations. An intermediate report drawn up by the Independent Risk Management and Controller unit has been submitted to the Audit Committee on the progress of the measures in accordance with the risk management plan. The Board receives the final report on the risk management measures. In terms of investment operations in 2012, the Board has received the monthly evaluations drawn up by the Independent Risk Management and Controller unit concerning the most significant changes in the investment risks and more comprehensive evaluations concerning investment risks in June and November.

The members of the Executive Group are responsible for ensuring in their own sectors that internal supervision is implemented and that the risk management processes are appropriate. Each process and unit draws up a risk management plan for their own operations, as coordinated and facilitated by the Independent Risk Management and Controller unit. The most important operational risks are related to, for example, human-factor risks, information systems, processes, safety and legal affairs. The risk management plans for operations are based on a method in which the risks related to operations are identified, their effect is assessed, the risk management measures are determined, and the means of supervision are agreed on to monitor the measures.

The solvency margin is used to prepare for investment operation risks. The key figures used in the follow-up and evaluation of the total risk position of investment operations are the ratio of solvency margin to technical provisions (solvency ratio) and to the solvency limit in accordance with the statutes (solvency position). Solvency margin, solvency position and the risk key figures of different asset categories are continuously monitored. While the exceptive law was in force, solvency was also followed without the effect of the reliefs of the exceptive law.

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

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

INTERNAL AND EXTERNAL AUDITING

Internal Auditing carries out independent and objective evaluation, securing and consultation services, the purpose of which is to create added value for the organisation and enhance its operations. Internal Auditing supports the organisation in reaching its goals by offering a systematic approach for the evaluation and development of the efficiency of the organisation's risk management, supervision, management and administration processes. Internal Auditing annually draws up an operating plan that is approved by the Board of Directors. Observations are reported to the Executive Group and Audit Committee, and a report is annually drawn up for the Board of Directors. Internal Auditing has provided the Board of Directors with an evaluation of the state of internal supervision on an annual basis.

External auditing of operations is carried out by the auditors elected by the Annual General Meeting. In addition, the company's operations are supervised by the Financial Supervisory Authority.

ADMINISTRATION

On 16 April 2012, the Annual General Meeting of Pension Fennia re-elected Managing Director Klaus Saarikallio and President Pentti Virtanen to the Supervisory Board upon the proposal of the central employer organisations. Upon the proposal of the central employee organisations, Shop Steward Tuula A. Paunonen and First Deputy Chairman Jaana Ylitalo were re-elected, and Katja Veirto, Social Affairs Director (SAK) was also elected as a new member. Additionally, Managing Director Jari Kostamo, Managing Director Tauno Maksniemi and CEO Pekka Rantamäki were re-elected to the Supervisory Board. In addition, new members elected to the Supervisory Board included Managing Director Jussi Järventaus, Managing Director Olavi Kaukonen, and Managing Director Janne Ylinen. During 2012, Marjaana Valkonen, Erkki Moisander, Stefan Wentjärvi, Oiva Iisakka, Jari Kostamo and Timo Suominen resigned from the Supervisory Board.

The Annual General Meeting of Pension Fennia elected Ulla Nykky and Pekka Hietala, both Authorised Public Accountants, as auditors of the company, and Jenni Smedberg and Pasi Hirvonen, both Authorised Public Accountants, as deputy auditors.

In its meeting on 20 November 2012, the Supervisory Board decided to re-elect Eero Lehti, Chairman of the Board of Taloustutkimus Oy; Timo Vallittu, Chairman of Industrial Union TEAM; Heimo J. Aho, Chairman of the Board for SKS Group Oy; and Jukka Ahtela, Director of the Confederation of Finnish Industries EK, as members of the Board of Directors. Reija Lilja, Research Director at the Labour Institute for Economic Research, was elected to assume the position of Ralf Wickström as an ordinary member of the Board of Directors for the remaining term. Nikolas Elomaa, Director of Policy Development at the Central Organisation of Finnish Trade Unions (SAK), was re-elected as deputy member of the Board. Mikko Merivirta, Chairman of the Board for Cafetering Oy, was elected to take the position of Rauno Mattila as a deputy member of the Board of Directors, and Daniela Yrjö-Koskinen, Managing Director of Novita Oy, was elected as a deputy member to replace Reija Lilja.

Pekka Sairanen, Managing Director of Domus Group Ltd, served as Chairman of the Board of Directors in 2012, Timo Vallittu as First Deputy Chairman and Heimo J. Aho as Second Deputy Chairman. From among themselves, the Board of Directors re-elected Pekka Sairanen as Chairman, Timo Vallittu as First Deputy Chairman and Heimo J. Aho as Second Deputy Chairman for the year 2013.

The Appointment and Remuneration Committee of the Board of Directors was formed by the Chairman and Deputy Chairmen of the Board in 2012. Members of the Audit Committee of the Board of Directors in 2012 were Director Heikki Kauppi, Director Jukka Ahtela and Chairman of the Board Olavi Nieminen.

In 2012, Taisto Lehti served as Chairman of the Supervisory Board, Marjaana Valkonen as First Deputy Chairman (until 16 April 2012), and Klaus Saarikallio as Second Deputy Chairman. In its meeting on 20 November 2012, the Supervisory Board decided to elect Taisto Lehti as Chairman of the Supervisory Board, Jaana Ylitalo as First Deputy Chairman, and Klaus Saarikallio as Second Deputy Chairman for the calendar year 2013.

Members nominated by the policyholders to the Election Committee in 2012 were Eero Lehti from the Board of Directors of Pension Fennia, and Taisto Lehti and Klaus Saarikallio from the Supervisory Board. Members nominated by the insured to the Election Committee were Antti Rinne from the Board of Directors of Pension Fennia, and, from the Supervisory Board, Pertti Porokari and Marjaana Valkonen (until 27 March 2012) and, from that date, Jaana Ylitalo. In 2012, Taisto Lehti served as Chairman of the Election Committee and Marjaana Valkonen (until 27 March 2012) as Deputy Chairman.

By a decision made by the Supervisory Board on 20 November 2012, members that were nominated by the policyholders and re-elected to the Election Committee for the calendar year 2013 included Eero Lehti from the Board of Directors of Pension Fennia, and Taisto Lehti and Klaus Saarikallio from the Supervisory Board. Members that were nominated by the insured and re-elected to the Election Committee were Antti Rinne from the Board of Directors of Pension Fennia, and Pertti Porokari and Jaana Ylitalo from the Supervisory Board. Taisto Lehti was elected for the 2013 calendar year as Chairman of the Election Committee and Jaana Ylitalo was elected Deputy Chairman.

The Board of Directors convened 10 times during the year, and 100 per cent of the Board participated in the meetings. The Supervisory Board and the Election Committee of the Supervisory Board convened twice each.

The Executive Group comprised the following persons: Lasse Heiniö, Managing Director; Matti Carpén, Deputy Managing Director, Director responsible for customer, insurance and pension processes and information management; Eeva Grannenfelt, Director, Chief Investment Officer; Irmeli Heino, Director, Finance, Risk Management (until 31 December 2012) and Human Resources; Mikko Karpoja, Director, Actuarial Services and Internal Auditing; and Mika Ahonen, Director, Legal Affairs, Planning and Communication. On 22 October 2012, the Board appointed Sarianne Kirvesmäki, Director of Risk Management, as Director and member of the Executive Group as of 1 January 2013. The Independent Risk Management and Controller unit operates under her leadership. The Executive Group convenes in an extended form in connection with planning rounds or when otherwise summoned. In addition to the abovementioned members, the extended Executive Group included Directors of Sales Kaj Laaksonen and Tom Kurtén (as of 1 January 2013); Sarianne Kirvesmäki, Director of Risk Management (until 31 December 2012); Aaro Mutikainen, Director of Information Management; Timo Stenius, Director, Customer Finance and Real Estates; Timo Leino, Medical Director (until 14 December 2012); and Jyrki Varjonen, Acting Medical Director (as of 1 January 2013) .

The Investment Committee included the Managing Director as the Chairman, and Eeva Grannenfelt, Timo Stenius, and Irmeli Heino until 31 December 2012 and Sarianne Kirvesmäki as of 1 January 2013 as members.

Pension Fennia gives a separate report about its corporate governance in connection with the financial statements and the Board of Directors' report.

PENSION FENNIA AND THE PENSION FENNIA GROUP

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

At year-end 2012, Pension Fennia Group included 40 housing and real estate companies as subsidiaries. Of its associated undertakings, Pension Fennia owns 40 per cent of the shares and votes of Tyvene Oy, 40 per cent of the shares and votes of Insurance Company Fennia Life, 49 per cent of the shares and votes of Avara

Oy and 49 per cent of the shares and votes of Amblus Holding Oy.

PENSION FENNIA'S CAPITAL AND RESERVES AND THE BOARD OF DIRECTORS' PROPOSAL ON THE DISPOSAL OF PROFIT

Pension Fennia's capital and reserves consist of restricted capital and reserves which include guarantee capital of €1,681,879.26 and initial fund of €3,363,758.53, and non-restricted capital and reserves which include a contingency fund of €635,750.36, a contingency reserve of €29,508,869.58, and retained earnings amounting to €1,796,373.63.

The guarantee capital is divided into ten guarantee shares numbered from 1–10. An interest decided by the General Meeting is paid on the guarantee capital annually. The interest rate may not be higher than the guaranteed rate of interest applicable to policies under the Employees Pensions Act plus one percentage point. The repayment of the guarantee capital is made using the value of the guarantee share which is obtained by dividing the amount of guarantee capital by the number of guarantee shares, and in proportion to the guarantee capital of each guarantee share owner.

The Board of Directors proposes that the €1,284,699.43 surplus for the financial year be disposed as follows: €15,000 will be reserved for the public good or similar purpose, €1,265,000 will be transferred to the contingency reserve, and €4,699.43 be retained in the profit and loss account. No interest is paid on the guarantee capital for the year 2012.

SIGNIFICANT EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

In December 2012, the Board of Directors of the Mutual Insurance Company Pension Fennia and the Board of Directors of Tapiola Mutual Pension Insurance Company signed a letter of intent concerning the initiation of a plan to merge the companies' operations. During the spring 2013, the parties will draft a plan aimed at a merger, and this plan will be discussed and finalised by the administrative bodies of both companies by the end of June. In accordance with the letter of intent, the activities of the merged company will begin on 1 January 2014, provided that the legal and official incorporation process has been completed. The aim is to form a new employment pension company that provides its customers with high-quality services for the management of employment pension security as well as competitive customer benefits.

Additionally, at the start of 2013, Pension Fennia also negotiated with LocalTapiola on an agreement by which LocalTapiola would continue managing the employment pension matters for Pension Fennia's policyholders that are customers of LocalTapiola. For Pension Fennia's customers, this arrangement will make no difference, as the employment pension insurance policies and their management will continue to be handled as earlier.

The financial information received during the first weeks of 2013 indicate a continuum from the end of the previous year, in other words, a gradual rise in global growth. Signs of this include e.g. the continued recovery of the US housing and construction market, the strengthening Chinese economy, and, for the time being, the sufficiently stable state of the euro. In terms of investment income, this has been seen as a positive return on corporate risks and even riskier EU state loans, but correspondingly, as a slightly negative return on state loans that are generally considered to be risk-free.

When considering investment income, the current year has begun favourably and investment income has exceeded the yield requirement for the technical provisions. Therefore, the amount of Pension Fennia's solvency capital is higher than was the case at the turn of the year, and accordingly, the solvency ratio has seen a slight improvement.

FUTURE OUTLOOK

The economic and investment outlook for the coming years will be essentially determined by four factors: the continuing new distribution of global production and trade between developed and developing countries, the related demographic phenomena, any attempts to reduce the excessive indebtedness of the developed countries, and the heterogeneity of the EU economies. Growth in innovation and profitability is taking place within the world economy, but the above-mentioned four factors will tend to cause unfortunate disturbances in terms of the yields gained by institutional investors over the coming years. The central banks have played a key role in stabilising the environment for economic growth and investments, but, at the same time, their exceptional role creates deep-lying tensions for the economies, the likes of which there is no previous experience. When new disturbances occur, the selection of measures available within the financial policies is narrow, and, therefore, recovery could take longer than it has in the past. This is a new and highly challenging environment for our investment operations.

The growth forecast for the world economy in 2013 is slightly higher than the previous year, at 2.4 per cent. The hope is that growth will continue to be positive, particularly in the USA and China. Furthermore, Japan has initiated highly expansive monetary policies, aiming even at the weakening of their own currency. The situation in the eurozone remains difficult, as an indebted Southern Europe suffers from heavy unemployment and the methods for advancing growth are sparse. The consensus forecast is that we will not see the eurozone get back on a growth track until the second half of 2013. Inflation is expected to remain moderate in 2013, or even to fall below the level of the previous year.

Pension Fennia's solvency ratio clearly increased during 2012 due to the good investment income that was achieved. If the extremely low interest rate level and the slow economic growth predicted for 2013 are realised, the investment income for 2013 will remain clearly lower than in 2012. This places heavy requirements on the investment operations and the analysis of investment risks, in order to achieve yields that meet the requirement for the technical provisions even in the prevailing environment of low yield. At the same time, the work to reform the solvency framework is underway. Well-established solvency requirements will advance the high-quality management of investment risks, but they cannot replace the internal analysis of investment risks carried out at pension institutions. This becomes more emphasised within a challenging investment environment.

From the point of view of the sustainability of the public economy, it is important that working careers be extended, thus fostering the positive development of the payroll. According to the Finnish Centre for Pensions, the working-life expectancy in Finland was 34 years in 2011, while the labour force expectancy is 37 years. Thus, unemployment takes away three working years. The development in payroll is determined by Finland's employment situation. As some three quarters of the earnings-related pensions are financed directly by the premium income of the relevant year, it is essential for the pension system that there be enough work in the country to finance the pensions.

The Finnish employment pension system will be subject to extensive development over this and the coming year. On the basis of the survey report by Director General Pekkarinen, negotiations will initiate so that the pension reform will enter into effect on 1 January 2017. The negotiations will cover, in practice, all benefits and pension payments. The Ministry of Social Affairs and Health will also clarify the solvency requirements for non-life and life insurance companies by taking into consideration the future Solvency II regulations, and additionally, it appears that good corporate governance and the advancement of competition will also be targets for further development.

The Pension Fennia Board of Directors wishes to thank all personnel and the operative management for a job well done in the financial year 2012.

Profit and loss account

EUR 1,000	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Technical account				
Premiums written	1,355,019	1,198,246	1,355,019	1,198,246
Investment income	565,272	553,921	564,676	559,885
Revaluation of investments				
Claims incurred				
Claims paid	-1,259,542	-1,136,089	-1,259,542	-1,136,089
Change in claims paid	-149,889	-227,283	-149,889	-227,283
	-1,409,431	-1,363,372	-1,409 431	-1,363,372
Change in premium reserve	-213,586	170,664	-213,586	170,664
Operating expenses	-31,561	-32,656	-31,561	-32,656
Investment expenses	-265,634	-527,105	-263,774	-531,091
Balance on technical account/margin	**79**	**-302**	**1,343**	**1,677**
Non-technical account				
Other income	2	3	2	3
Share of the result of associated undertakings	2,695	6,460		
Profit from operations	2,776	6,161		
Appropriations				
Change in depreciation difference			-54	-111
Income taxes				
Taxes from this and earlier financial years	-17		-7	
Deferred taxes	50	37		
Minority interest in the result for the financial year	-75	289		
Profit/loss for the financial year	**2,733**	**6,486**	**1,285**	**1,568**

Balance sheet

EUR 1,000	Group 2012	Group 2011	Parent company 2012	Parent company 2011
ASSETS				
Intangible assets				
Intangible rights	1,628	141	1,543	141
	1,628	141	1,543	141
Investments				
Investments in land and buildings				
Land and buildings	730,683	432,669	318,335	289,079
Loan receivables from group companies			450,950	211,010
Loan receivables from real estates	60,347	60,347		
	791,030	493,016	769,285	500,088
Investments in group companies and participating interests				
Shares and participations in associated undertakings	39,904	66,843	19,379	49,013
	39,904	66,843	19,379	49,013
Other investments				
Equities and shares	3,451,226	2,780,944	3,450,312	2,779,525
Money-market instruments	1,843,376	2,407,984	1,843,376	2,407,984
Loans guaranteed by mortgages	170,681	210,372	170,681	210,372
Other loan receivables	127,924	176,034	127,924	176,573
Deposits				
Other investments	2,100			
	5,595,307	5,575,334	5,592,293	5,574,454
	6,426,241	6,135,193	6,380,956	6,123,555
Debtors				
Direct insurance business				
Policyholders	107,261	91,989	107,261	91,989
Other debtors				
Receivables from participating interests				6
Receivables from associated undertakings		6		
Receivables from own real estate companies			14,024	5,451
Receivables from partner companies	2	21	2	21
Other debtors	125,239	111,482	116,570	111,482
	125,241	111,509	130,596	116,960
Other assets				
Tangible assets				
Furniture and fixtures	2,314	2,269	2,314	2,269
Other tangible assets	348	353	348	353
	2,662	2,623	2,662	2,623
Money in hand and cash at bank	50,425	18,450	40,387	17,875
	53,087	21,073	43,049	20,497

EUR 1,000	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Prepayments and accrued income				
Accrued interest and rent	37,123	42,814	37,348	42,814
Other prepayments and accrued income	16,976	7,014	14,383	6,649
	54,099	49,827	51,731	49,462
Total assets	6,767,557	6,409,732	6,715,137	6,402,604

EUR 1,000	Group 2012	Group 2011	Parent company 2012	Parent company 2011
LIABILITIES				
Capital and reserves				
Initial fund	3,364	3,364	3,364	3,364
Guarantee capital	1,682	1,682	1,682	1,682
Revaluation reserve	84	84		
Other reserves	30,463	28,923	30,145	28,605
Profit/loss brought forward	-7,387	-12,337	231	228
Profit/loss for the financial year	2,733	6,486	1,285	1,568
	30,939	28,202	36,706	35,447
Minority interest	35,887	13,337		
Accrued appropriations				
Depreciation difference			319	265
Technical provisions				
Premium reserve	3,584,558	3,370,972	3,584,558	3,370,972
Claims reserve	3,036,185	2,886,296	3,036,185	2,886,296
	6,620,743	6,257,268	6,620,743	6,257,268
Provisions	8 402			
Creditors				
Direct insurance business	3,909	4,013	3,909	4,013
Calculated tax debt	382	461		
Other creditors	51,624	43,866	41,631	43,672
	55,915	48,340	45,540	47,685
Accruals and deferred income	15,670	62,585	11,828	61,940
Total liabilities	6,767,557	6,409,732	6,715,137	6,402,604

Accounting principles 2012

The financial statements have been drawn up in accordance with the Accounting Act and Accounting Decree, the Limited Liability Companies Act, the Act on Employment Pension Insurance Companies and the Insurance Companies Act. The financial statements are in compliance with the statutes of the Ministry of Social Affairs and Health on financial statements and consolidated financial statements of insurance companies, as well as the regulations and guidelines issued by the Ministry of Social Affairs and Health and the Financial Supervisory Authority.

CONSOLIDATED FINANCIAL STATEMENTS

Those subsidiaries in which Pension Fennia holds more than half of the votes have been consolidated in the consolidated financial statements. In 2012, a total of 40 real estate subsidiaries and Probus Holding Oy group were consolidated with the Pension Fennia Group.

The consolidated financial statements have been compiled in accordance with the accounting principles applied in the parent company by combining the profit and loss accounts and balance sheets of the parent company and its subsidiaries. Intra-group income and charges, profit distribution, amounts due to or from group companies and cross-shareholdings have been eliminated. Any subsidiaries that were acquired during the financial year have been added to the consolidated financial statements as of the date of acquisition. No subsidiaries were sold during the financial year. Minority interests in the profit or loss for the financial year and in capital and reserves are shown as separate items.

Intra-group cross-shareholdings have been eliminated using the acquisition method. The resulting consolidation difference is allocated to the subsidiaries' asset items proportionately at fair values. The consolidation difference is depreciated in accordance with the planned depreciations of the corresponding asset item. Previous revaluations in group shares are shown in the consolidated balance sheet as a revaluation of real estate owned by a subsidiary.

Pension Fennia's associated undertakings Insurance Company Fennia Life, Tyvene Oy, Avara Oy and Amplus Holding Oy have been consolidated in the consolidated financial statements using the equity method. Housing and real estate companies have not been treated as associated undertakings in the consolidated financial statements, because their effect on group profit and non-restricted capital and reserves is minimal.

Copies of the consolidated financial statements are available at the parent company head office, address Kansakoulukuja 1, 00100 Helsinki.

PREMIUMS WRITTEN

The TyEL premium income is determined according to the total TyEL payroll and the payment percentage of the insured. The advance premium based on the payroll estimate and collected during the financial year has been adjusted using the adjustment premium estimate in the financial statements. The differences caused by the estimated and realised adjustment payments of the previous year are also entered in the premiums for the financial year.

The YEL premium income is determined according to self-employed persons' reported income and payment percentage.

CLAIMS INCURRED

Claims incurred consist of the pensions paid to the pensioners, rehabilitation costs, clearing of PAYG pensions, operating expenses of claims handling, and the change in the provision for claims.

VALUATION OF INVESTMENTS AND RECEIVABLES IN THE BALANCE SHEET AND DETERMINING THE FAIR VALUES OF INVESTMENTS

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

The value adjustments made on real estate are entered in the profit and loss account under value adjustments. Value readjustments with effect on profit have been made on the sold real estate before entering the capital gain. No revaluations on book values of real estate were made in the financial year 2012.

Equities and shares are entered in the balance sheet at the acquisition cost or fair value, whichever is lower.

Previous value adjustments on equities are entered in the profit and loss account as value readjustments in cases where the fair value exceeds the book value, with the maximum value being, however, the amount of the previous value adjustment. Equities and shares are entered in the books using the average price principle. Fixed asset shares are valued in the balance sheet at the acquisition cost, which is considered to correspond to their fair value. The last available closing prices of the financial year are used as fair values for listed equities and shares. The fair value of unlisted equities and shares is the acquisition cost or the probable net realisable value. The fair value used for Fennia Life and other significant unlisted equities is the market value calculated by an external assessor.

Financial market instruments include bonds and money-market instruments. The balance sheet value of financial market instruments is the acquisition cost, adjusted with the matched difference between the nominal value and the acquisition cost. The difference between the nominal value and the acquisition cost is matched as a deduction or addition in interest income over the maturity of the financial market instrument. The amount of matching entries entered under acquisitions is presented in the notes to the balance sheet. However, value adjustments caused by a reason other than change in general interest rate level are entered in the profit and loss account.

Foreign currency denominated receivables have been converted into euro at the exchange rate quoted by the European Central Bank on 31 December 2012. Foreign currency denominated other investments are entered in the balance sheet at the rate of the acquisition date. The rates quoted on 31 December 2012 have been used to calculate the fair values. If the fair value on the date of closing the accounts is lower than the acquisition cost, the values of the investments have been adjusted. The unallocated exchange rate differences that have arisen during the financial year are entered under other income and expenses from investments, and allocated rate differences are treated as adjustments of the relevant income and expenses.

Loans, other receivables and deposits are valued at the nominal value or probable value, whichever is lower.

Derivative contracts have been used by Pension Fennia to pursue additional income, to change allocation, to enhance portfolio management, and for hedging purposes.

Hedging calculation is only applied to those derivative contracts that meet the requirements set in the guidelines of the Financial Supervisory Authority. Derivative contracts for hedging purposes are valued together with the hedged item. If no change in value has been entered in the profit and loss account for the hedged balance sheet item, no entry is recorded in the profit and loss account for the hedging contract either, unless the negative value change exceeds the positive value change in the hedging contract. When a value re-adjustment has been entered for the hedged item, the value change of the derivative used is entered in its entirety as an expense. The income and expenses resulting from a derivative contract are principally entered in the same profit and loss account item as the income and expenses from the hedged balance sheet item or position. In practice, the derivatives are treated in accounting as non-hedging, even though they are used for operative hedging.

The negative value changes of other derivative contracts are entered in the profit and loss account. The profits and losses resulting from the termination or expiration of contracts during the financial year are entered as income or expenses for the financial year.

In calculating the assets covering the technical provision, capital and reserves, and the solvency requirements, foreign currency derivatives are handled as derivatives that decrease the investment risk. In the calculation, those equity and credit risk derivatives and interest derivatives to which hedging calculation is not applied have not been handled as derivatives that decrease the investment risk. Regarding the counterparty risk, the rules on limiting risk concentration presented in the guidelines of the Financial Supervisory Authority have been followed.

Premium receivables consist of the adjustment premium estimate and the insurance premiums due and unpaid at the close of the financial year. The due insurance premiums that have been stated disqualified for payment, as well as receivables from companies that have been declared bankrupt are entered as credit losses. Furthermore, reduced receivables from confirmed business restructuring are entered in credit losses. In addition, credit losses are entered from major business restructuring incomplete at the turn of the year on the basis of appraisal.

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

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

PROVISIONS AND TAX LIABILITIES

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

DEPRECIATION AND CALCULATION PRINCIPLES

The acquisition cost of depreciable assets is capitalised and entered as depreciation according to plan under expenses during its economic useful life. Revaluations on depreciable assets entered as income are also depreciated according to plan. Software licenses are shown as intangible rights. Other capitalised expenditure related to system projects are entered as annual expenses in accordance with section 5:5a of the Accounting Act.

The straight-line depreciation on the original acquisition cost according to the following economic useful lives:

Residential, office and business premises	50 years
Industrial premises and warehouses	40 years
Intangible rights	5 years
Motor vehicles	5 years
Computer hardware and software	4 years
Furniture and fixtures	10 years
Office machines	7 years
Other long-term expenses	5 years

Depreciation on the original acquisition cost calculated as outlay residue write-off:

Technical equipment in buildings	20%

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

OPERATING EXPENSES

The operating expenses of the company have been divided into different functions according to the regulations of the Financial Supervisory Authority as shown in the notes. Statutory payments have been included in the administrative costs.

DIRECT TAXES AND SURPLUS FOR THE FINANCIAL YEAR

The deferred tax determined on the basis of the taxable income for the financial year is negative. The deferred tax receivable is not entered in the balance sheet.

Pension Fennia's surplus for the financial year is determined according to the calculation bases applied for by Pension Fennia and confirmed by the Ministry of Social Affairs and Health.

PENSION ARRANGEMENTS

The statutory pension provision for the personnel is arranged through TyEL insurance. Supplementary pension provision is arranged for part of the personnel through TEL supplementary pension insurance policies and for investment directors through an optional pension arrangement. The Managing Director has been entitled to retire on old age pension at the age of 60 years on the basis of the TEL supplementary pension insurance or a corresponding supplementary pension arrangement. The paid pension premiums are entered on an accrual basis.

In accordance with the decision of the Board of Directors, a one-off payment will be made in the form of supplementary pension within TEL supplementary cover for those directors appointed by the Board of Directors before 1 January 2011 whose target pension in accordance with their employment contract is not fulfilled at the time of their retirement. Furthermore, a pension rule is applied to the same group that compensates any decrease in the statutory supplementary pension due to increase of the basic pension if they work beyond the retirement age. A provision has been made for future payments in these financial statements. The amount of the provision is reviewed annually.

The members of the operational elements have been insured in accordance with section 8 of the Employees Pensions Act on the basis of which pension accrues from the position of trust and TyEL contribution is paid for the fee for the position of trust.

Pension Fennia's report on salaries and fees is published on the company's website.

TECHNICAL PROVISIONS

The liability resulting from insurance contracts is entered as technical provisions, which are comprised of the premium and claims reserves. The technical provisions are calculated according to the calculation bases confirmed by the Ministry of Social Affairs and Health. The premium reserve includes the provision for future bonuses which is included in the solvency margin and a part of the technical provisions that depends on the equity income. In the balance sheet the technical provisions are presented in this form. In calculating the technical provisions for solvency, the provision for future bonuses, provision for unearned premiums under the Self-employed Persons' Pensions Act, and, during the validity of the temporary act (853/2008), the share of the technical provisions that is comparable with the solvency margin, shall be deducted from the liabilities.

SOLVENCY MARGIN

The solvency margin of an insurance company consists of the difference between assets and liabilities at fair values. In this case, the provision for future bonuses is not included in the technical provisions. The solvency margin must meet the requirements set in the Act on Employment Pension Insurance Companies and the requirements of the temporary act (853/2008), which was in force until 31 December 2012.

Notes to the profit and loss account

EUR 1,000	2012	2011
PREMIUMS WRITTEN		
Direct insurance		
TyEL basic insurance		
Employer contribution	888,336	797,171
Employee contribution	281,521	237,947
	1,169,857	1,035,118
TEL supplementary pension insurance	1,142	1,012
YEL minimum coverage insurance	184,020	162,116
YEL supplementary pension insurance		
Total premiums written	1,355,019	1,198,246
Items deducted from premiums written		
Credit loss on premiums		
TyEL / TEL supplementary insurance	7,969	7,088
YEL	1,346	1,286
	9,316	8,374
CLAIMS PAID		
Direct insurance		
Paid to pensioners		
TyEL basic insurance	851,651	781,091
TEL supplementary pension insurance	15,596	15,179
YEL minimum coverage insurance	134,991	123,844
YEL supplementary insurance	641	601
	1,002,879	920,715
Paid/refunded clearing of PAYG pensions		
TyEL pensions	237,447	209,993
YEL pensions	49,313	44,024
Proportion of the insurance premiums of the Unemployment Insurance Fund and the division of costs for pension elements accrued on the basis of unsalaried periods	-40,410	-41,604
Government contribution of YEL	-5,606	-10,807
Compensation under the Act for parents receiving child home care allowance to care for a child aged less than 3 years at home and for students for periods of study (VEKL)	62	38
	240,806	201,643
	1,243,685	1,122,358
Claims administration costs	13,759	11,867
Working capacity maintenance expenses	2,097	1,863
Total claims paid	1,259,542	1,136,089

EUR 1,000	Group 2012	Group 2011	Parent company 2012	Parent company 2011
NET INVESTMENT INCOME				
Investment income				
Income from investments in group companies				
Dividend income			293	706
Income from real estate investments				
Interest income				
From group companies			9,882	9,445
Others	1,661	1,492	17	13
Other income	72,380	62,436	63,415	59,735
	74,041	63,928	73,314	69,194
Income from other investments				
Dividend income	32,604	36,084	32,604	36,084
Interest income	86,515	102,733	86,515	102,733
Other income	76,535	123,588	76,519	123,588
	195,654	262,405	195,638	262,405
Total	269,695	326,333	269,245	332,305
Value readjustments	42,801	16,645	42,801	16,645
Gains on realisation	252,775	210,942	252,630	210,934
Total	565,272	553,921	564,676	559,885
Investment expenses				
Costs on real estate investments	-29,038	-24,243	-41,277	-36,551
Costs on other investments	-62,744	-134,386	-58,429	-134,386
Interest costs and expenses on other liabilities	-3,584	-3,898	-3,584	-3,898
	-95,367	-162,527	-103,291	-174,835
Value adjustments and depreciation				
Value adjustments	-60,011	-145,713	-58,644	-144,378
Planned depreciation on buildings	-9,777	-8,293	-1,365	-1,305
	-69,788	-154,006	-60,009	-145,683
Losses on realisation	-100,479	-210,572	-100,474	-210,572
Total	-265,634	-527,105	-263,774	-531,091
Net investment income in the profit and loss account	299,638	26,816	300,902	28,794

EUR 1,000	2012	2011
PROFIT AND LOSS ACCOUNT ITEM OPERATING EXPENSES		
Insurance policy acquisition costs		
Direct insurance remunerations	2,417	2,200
Other insurance policy acquisition costs	7,452	7,712
	9,869	9,913

EUR 1,000	2012	2011
Insurance management costs	12,146	12,216
Administration costs		
The Finnish Centre for Pensions' share of costs	2,662	3,471
Judicial administration charge	269	267
Supervisory fee of the Financial Supervision Authority	141	156
Other items		
	3,072	3,894
Other administration costs	6,474	6,634
Total	31,561	32,656

TOTAL OPERATING EXPENSES BY OPERATION

	2012	2011
Claims paid		
Expenses related to claims administration	13,759	11,867
Working capacity maintenance expenses	2,097	1,863
	15,857	13,731
Operating expenses	31,561	32,656
Investment expenses		
Costs on real estate investments	2,267	2,230
Costs on other investments	9,904	8,016
	12,172	10,246
Total	59,589	56,633

NOTES CONCERNING PERSONNEL AND MEMBERS OF THE OPERATIONAL ELEMENTS

Personnel expenses	2012	2011
Salaries and bonuses	17,294	17,232
Pension expenses	3,216	3,243
Other social security expenses	990	992
Total	21,500	21,468

Salaries and bonuses of the management	2012	2011
Managing Director	413	376
Board of Directors	214	212
Supervisory Board	71	72
Total	698	660

Managing Director Lasse Heiniö's salary amounted to €377,679 and fringe benefits to €35,388. The Managing Director has been entitled to retire at the age of 60 on the basis of a supplementary pension arrangement in accordance with TEL or other corresponding system. No pension commitments, money loans or guarantees have been granted to members of the Supervisory Board and the Board of Directors.

Fees paid to the auditors	2012	2011
Fees paid to Ernst & Young Oy		
Audit	114	138
Tax consultation	4	42
Other services	30	68
Average number of personnel during the financial year		
Office personnel	216	216
Sales personnel	27	27
Real estate personnel	9	9

Notes to the balance sheet

EUR 1,000	Remaining acquisition cost 2012	Book value 2012	Fair value 2012	Remaining acquisition cost 2011	Book value 2011	Fair value 2011
INVESTMENTS AT FAIR VALUE AND VALUATION DIFFERENCES, PARENT COMPANY						
Investments in land and buildings						
Land and buildings	53,449	53,449	64,802	54,861	56,422	68,982
Land and buildings in group companies	167,166	180,057	290,977	130,692	143,583	221,112
Other land and buildings	81,970	84,829	208,994	86,214	89,073	168,347
Loan receivables from group companies	450,950	450,950	450,950	211,010	211,010	211,010
Investments in participating interests						
Shares and participations	19,379	19,379	43,978	49,013	49,013	85,618
Other investments						
Equities and shares	3,450,312	3,450,312	4,038,437	2,779,525	2,779,525	3,123,941
Money-market instruments	1,843,376	1,843,376	1,960,513	2,407,984	2,407,984	2,451,577
Loans guaranteed by mortgages	170,681	170,681	170,681	210,372	210,372	210,372
Other loans	127,924	127,924	127,924	176,573	176,573	176,573
Deposits						
	6,365,206	6,380,956	7,357,257	6,106,243	6,123,555	6,717,530
The remaining acquisition cost of money-market instruments includes						
The difference between the nominal value and acquisition cost, released or charged to interest income	-125			-2 028		
Book value includes revaluations entered as income	15,751			17,312		
Valuation difference (difference between fair value and book value)			976,300			593,975

EUR 1,000	2012	2011
LOAN RECEIVABLES		
Loan receivables itemised by guarantee, parent company		
Bank guarantee	61,894	96,986
Guarantee insurance	19,257	26,866
Insurance policy	23	117
Other guarantee	18,045	20,963
The remaining acquisition cost	99,220	144,933
Non-guarantee remaining acquisition cost total	28,704	31,640

EUR 1,000	2012	2011
Total pension loan receivables		
Other loans guaranteed by mortgages	718	766
Other loan receivables	64,221	99,781
The remaining acquisition cost	64,939	100,547
Loans to related parties, parent company		
Loans to group companies	450,950	211,010
The loan periods of group companies are 10–20 years. The loans have mostly fixed interest. Securities for loans consist of letters of pledge and real estate mortgages.		
Other loans to related parties	28,783	21,868
The loan periods of loans to other related parties are 5-10 years. The interests of loans are bound to the technical rate of interest, TyEL reference rates, TyEL loan interest and Euribor 360. Loans are granted in accordance with the normal grounds for loan approval as stipulated in Pension Fennia's investment plan.		

EUR 1,000	2012	2011
DERIVATIVES		
Non-hedging derivatives		
Other receivables		
Derivatives, book value	8,554	14,451
Other liabilities		
Derivatives, book value	291	5,275
Derivatives, changes in value	2,365	7,328
Other prepayments and accrued income and accruals and deferred income		
Derivatives	2,621	-38,830
SHARES AND PARTICIPATIONS IN PARTICIPATING INTERESTS		
Shares and participations		
Original acquisition cost, 1 Jan.	49,013	16,654
Increase	2,458	21,642
Decrease	-32,092	
Transfers		10,717
Remaining acquisition cost, 31 Dec.	19,379	49,013

SHARES AND PARTICIPATIONS	Holding of all shares, %	votes, %	Book value
Fennia Life Insurance Company	40.0	40.0	16,651
Tyvene Oy	40.0	40.0	3
Avara Oy	49.0	49.0	267
Amplus Holding Oy	49.0	49.0	2,458
Total shares and participations			19,379

OTHER INVESTMENTS, PARENT COMPANY

EUR 1,000	Shares, %	Book value 31 Dec. 2012	Market value 31 Dec. 2012
Finnish non-listed equities and shares			
3Step IT Group Ltd	17.31	8,290	16,736
Aina-Group Plc (A and K)	14.89	4,912	4,912
Anvia Group		1	1
Arek Ltd	4.00	560	560
Exilion Capital Ltd	25.00	33	33
Fibrogen Europe E (B, C, F)	0.41	21	21
Garantia Insurance Company Ltd	18.00	5,748	5,748
Imatra Region Development Company	0.28	8	8
Midinvest Ltd	8.38	352	352
Mitron Group Ltd	16.65	1,500	1,500
Oy Wedeco Ab	8.89	956	1,256
Sato Corporation	5.43	17,921	26,882
Team Botnia Ltd	0.93	2	2
ThermiSol Ltd	10.00	100	100
Tieto ESY Ltd	3.96	188	188
Vivago Ltd	0.66	11	11
Total Finnish non-listed equities and shares		40,601	58,803
Finnish listed equities and shares			
Amer Sports Corporation	0.26	2,680	3,488
Aspo Plc	0.47	927	927
Atria Plc	0.66	791	791
Cargotec Corporation	0.09	998	998
Citycon Plc	0.32	2,568	2,694
Componenta Plc	1.53	661	661
Cramo Plc	0.21	673	673
Electrobit Group	0.39	325	325
Elisa Corporation	0.16	3,810	4,567
Finnair Plc	1.01	3,094	3,094
Fiskars Corporation	0.46	4,937	6,240
Fortum Corporation	0.25	31,055	31,055
F-Secure Corporation	0.63	1,550	1,550
HKScan Corporation	0.23	411	411
Huhtamäki Group	0.30	3,889	3,889
Ilkka-Yhtymä Group	1.56	1,928	1,928
Kesko Corporation	0.28	6,766	6,768
Kone Corporation	0.28	16,501	34,317
Konecranes Plc	0.24	3,265	3,833
Lassila & Tikanoja Plc	0.52	2,237	2,328
Lännen Tehtaat Plc	1.41	1,268	1,268
Metso Corporation	0.34	13,975	16,340
Metsä Board	0.35	1,085	1,085
Neste Oil Corporation	0.47	11,841	11,841
Nokia Corporation	0.31	34,316	34,402
Nokia Tyres Plc	0.33	9,787	13,049
Oriola-KD Corporation	1.07	3,664	3,679
Orion Corporation	0.21	4,073	6,456
Outokumpu Corporation	0.61	10,004	10,004
Outotec Oyj	0.35	5,373	6,779
PKC Group Plc	0.51	1,395	1,704
Pohjola Pankki Plc	0.23	4,861	6,649
Raisio Plc	0.64	2,152	3,256
Ramirent Group	0.28	1,875	1,875
Rapala VMC Corporation	0.82	1,576	1,576

EUR 1,000	Shares, %	Book value 31 Dec. 2012	Market value 31 Dec. 2012
Rautaruukki Corporation	0.42	3,550	3,550
Sampo Plc	0.26	24,039	36,023
Sanoma Corporation	0.10	1,264	1,264
Solteq Plc	13.33	2,200	2,400
Sponda Plc	0.15	1,433	1,548
Stockmann Plc	0.31	1,768	1,768
Stora Enso Group	0.38	12,291	12,291
Technopolis Plc	0.18	450	516
Tieto Corporation	0.28	2,897	3,045
Tikkurila Plc	0.15	980	980
UPM-Kymmene Corporation	0.40	18,496	18,496
Uponor Plc	0.15	998	1,078
Vaahto Group Plc	0.47	33	33
Vacon Plc	0.47	2,477	2,905
Wärtsilä Corporation	0.30	11,962	19,338
YIT Corporation	0.29	4,698	5,469
Total Finnish listed equities and shares		285,845	341,203
Foreign listed equities			
A.P. Moller - Maersk A/S	0.007	878	914
ABB Ltd	0.006	1,414	2,031
Aker Solutions AS	0.042	431	615
Alfa Laval AB	0.021	964	1,419
Assa Abloy AB	0.018	1,005	1,840
Atlas Copco AB	0.035	2,934	6,025
Autoliv Inc.	0.021	976	1,008
Boliden AB	0.011	265	427
Borregaard ASA	0.175	493	495
Carlsberg A/S	0.008	731	743
Cermaq ASA	0.018	249	285
Chr. Hansen Holding A/S	0.022	469	739
Danske Bank A/S	0.006	1,346	1,346
DNB ASA	0.010	2,228	2,491
Dow Jones Stoxx 50 EX fund	10.000	34,853	34,853
DSV A/S	0.024	636	879
Electrolux AB	0.015	668	894
Ericsson LM	0.019	3,967	4,400
FLSmidth & Co A/S	0.028	658	658
Fred Olsen Energy ASA	0.015	329	329
Getinge AB	0.011	189	641
Hennes & Mauritz AB	0.022	6,359	8,235
Indexchange Investment AG - DAX fund	0.421	54,959	56,843
Investor AB	0.026	1,957	2,377
iShares MSCI AC Far East ex-Japan fund	1.930	35,969	36,572
iShares MSCI Japan Monthly Eur hedged fund	2.478	13,680	14,611
Klovern AB	0.065	190	191
Lundin Petroleum AB	0.057	2,486	3,136
Marine Harvest	0.025	390	627
Meda AB	0.012	263	273
Nordea Bank AB	0.057	15,190	16,663
Norsk Hydro ASA	0.004	253	283
Novo Nordisk A/S	0.009	2,348	4,914
Petroleum Geo-Services ASA	0.046	852	1,298
Polarcus Ltd	0.030	127	136
Prosafe SE	0.015	162	225

EUR 1,000	Shares, %	Book value 31 Dec. 2012	Market value 31 Dec. 2012
Royal Caribbean Cruises Ltd	0.002	106	125
Sandvik AB	0.025	3,231	3,739
Seadrill Ltd	0.006	830	830
Sevan Drilling ASA	0.077	226	240
Skandinaviska Enskilda Banken AB	0.023	2,023	3,219
Skanska AB	0.015	651	742
SKF AB	0.027	1,275	2,092
Songa Offshore SE	0.049	99	101
SPDR S&P 500 ETF Trust	0.056	49,127	51,269
SSAB Svenska Stal AB	0.021	290	329
Statoil ASA	0.006	3,295	3,594
Storebrand ASA	0.081	1,266	1,332
Subsea 7 S.A.	0.018	907	1,169
Swedbank AB	0.023	2,286	3,256
Svenska Cellulosa AB	0.022	1,552	2,218
Svenska Handelsbanken AB	0.025	3,228	4,197
TELE2 AB	0.026	1,434	1,501
Telenor ASA	0.006	1,283	1,527
TeliaSonera AB	0.021	5,568	5,846
TGS Nopec Geophysical Company ASA	0.039	700	988
Volvo AB	0.020	2,277	3,208
Yara International ASA	0.006	984	1,025
Total foreign listed equities		273,505	301,958

EUR 1,000	Book value 31 Dec. 2012	Market value 31 Dec. 2012
Capital funds		
Aboa Venture II Ky	15	15
Access Capital LP II B	975	975
Aloitusrahasto Vera Oy	500	500
Amanda III Eastern Private Equity Ky	6,883	7,914
Armada Mezzanine Fund III Ky	2,321	2,680
Auda Capital IV Co-Investement Fund LP	1,824	2,102
Auda Capital IV(Cayman) LP	3,058	4,804
Conor Technology Fund I Ky	842	842
Crown Opportunities Fund Ky	17,550	23,403
European Fund Investments UK	464	464
Finnmezzanine III Ky	1,401	1,444
Finnventure Rahasto V Ky	159	370
GrowHow Rahasto I Ky	654	763
Hermes GPE Global Secondary Feeder LP	12,585	12,585
Industri Kapital 2000 Ltd	1,137	1,137
Industri Kapital 2007 Ltd	17,943	19,382
Intera Fund I Ky	3,886	4,617
Intera Fund II Ky	1,299	1,299
Inveni Secondaries Fund I Ky	343	343
Inveni Secondaries Fund I Follow-on Ky	1	125
Inveni Secondaries Fund II Follow-on Ky	255	255
Inveni Secondaries Fund III KY	185	185
Inveni Secondaries II Ky	813	813
Kasvurahastojen Rahasto Ky	1,336	1,361
Lapin Rahasto I Ky	28	28
Macquarie European Infrastructure Fund II	4,606	5,190
MB Equity Fund III	3,446	4,229
MB Equity Fund IV Ky	3,229	3,229
Mediatonic Fund I Ky	346	346
Midinvest Fund II Ky	156	156
Nordic Capital IV Ltd	1	1
Nordic Capital VII Ltd	23,689	26,502
Nordic Mezzanine Fund II LP	1,530	1,614
Nordic Mezzanine Fund III LP	3,330	3,330
Palvelurahasto I Ky	301	301
Partners Group Direct Mezzanine 2011 S.C.A. SICAS	5,580	5,580
Partners Group Secondary 2011 LP Inc	3,165	4,805
Power Fund II Ky	3,289	3,289
Profita Fund II Ky	155	304
Profita Fund III Ky	1,718	1,718
Promotion Equity I Ky	931	931
Sentica Kasvurahasto II Ky	1,408	1,435
Sentica Terveysteknologia I Ky	524	524
Teknoventure rahasto II Ky	480	639
Teknoventure rahasto III Ky	1,426	1,933
Terveysrahasto Oy	1,695	3,130
Total capital funds	137,458	160,957

EUR 1,000	Book value 31 Dec. 2012	Market value 31 Dec. 2012
Equity funds		
Aberdeen Emerging Markets Equity Fund	19,638	22,673
Aberdeen Global - Asia Pacific Fund	38,188	49,842
Aberdeen Global - Asian Smaller Companies Fund	28,848	40,702
Allianz Europe Equity Growth Fund W	39,142	52,467
Aurejärvi Northern Europe B	697	697
CapMan Public Market Fund FCP - SIF	5,241	7,529
East Capital China East Asia Fund	22,037	24,596
Erikoissijoitusrahasto Populus	10,044	10,467
Fidelity Active Strategy - Europe Fund	21,721	30,139
Fidelity European Dynamic Growth Fund	19,878	19,878
Fondita European Small Cap B	9,171	11,099
Fondita Nordic Micro Cap B	25,063	35,927
FORTIS L FUND - China Equity Fund	4	5
Fourton Hannibal	4,035	4,035
Fourton Odysseus	8,228	11,734
Fourton Stamina	8,686	12,595
GAM Star-China Equity Fund	23,570	23,769
Handelsbanken Latinamerika	17,280	24,876
ICECAPITAL Frontier Markets Fund	4,484	5,149
Lombard Odier Funds - Sands US Growth Class S	42,417	43,305
Nomura Japan Strategy Value Fund	21,957	22,222
Sands Capital Global Growth Fund Class A	43,585	45,709
Seligson & Co Russian Prosperity Fund Euro	35,077	39,798
Säästöpankki Maailma Osake B	12,450	15,865
T. Rowe Price -US Large Cap Growth Equity Fund	10,587	14,417
T. Rowe Price -US Large Cap Value Equity Fund	11,331	13,989
T. Rowe Price -US Smaller Companies Equity Fund	7,315	13,929
UB Nordic	1,407	1,407
William Blair - Global Leaders Fund Class B	43,636	49,368
Yacktman US Equity Fund Class I	39,985	45,591
Total equity funds	575,701	693,781
Fixed-income funds		
Aktia Inflation Bond+D	24,365	32,930
Alcentra European Loan Fund Class II-A-01/2011	10,260	11,606
Ares Enhanced Credit Opportunities Offshore Fund Ltd, Class A	10,106	10,106
Aviva Investors Sicav - Global High Yield Bond Fund I	50,015	56,387
BlackRock Global Funds - Global High Yield Bond Fund	61,759	66,977
BlackRock Institutional US Corporate Bond Fund	45,000	48,274
BlueBay Emerging Market Select Bond Fund	45,409	58,552
BlueBay Global Diversified Corporate Bond Fund	75,479	99,012
BlueBay Investment Grade Bond Fund	61,126	66,639
Evli European High Yield Fund	19,509	22,774
Fidelity Funds - European High Yield	17,691	19,947
Fidelity Funds - US High Yield Fund	40,054	42,276
FIM Real Fund	10,062	11,649
Goldman Sachs Global High Yield Portfolio	42,392	44,984
Highland Restoration Capital Partners Offshore L.P.	4,656	5,990
Investec Emerging Markets Debt Fund I	60,001	66,849

EUR 1,000	Book value 31 Dec. 2012	Market value 31 Dec. 2012
Muzinich - Americayield US High Yield Fund	4,330	5,169
Muzinich - Bondyield ESG Inst.Hedged Fund	50,000	55,648
Nordea European High Yield Bond Fund X	33,301	39,335
Nordea US Corporate Bond Fund	70,166	75,119
Nordea US High Yield Bond Fund HX	62,285	71,055
OCM European Credit Opportunities Fund	170	170
OCM Opportunities Fund VII	292	2,290
PIMCO Diversified Income Fund	43,816	47,701
PIMCO Global High Yield Bond Fund	73,912	80,406
PIMCO Global Investment Grade Credit Fund	126,277	134,320
Schroder International Selection Fund - Emerging Markets Debt Absolute Return Fund	30,000	31,972
Schroder International Selection Fund - Euro Corporate Bond I	5,542	6,431
Stone Harbor Emerging Markets Debt Fund I	60,000	69,171
Stone Harbor Emerging Markets Local Currency Debt Fund I	65,000	70,247
Stone Harbor High Yield Bond Fund I	2,456	3,193
T. Rowe Price -Global High Yield Bond Fund	40,822	46,057
Wellington US Core High Yield Bond Portfolio	30,000	32,454
Total fixed-income funds	1,276,252	1,437,829
Real estate investment funds		
Archstone German Residential Fund	15,000	17,905
Aventum Aasia REIT Plus K	10,000	12,445
Capman Hotels RE I Ky	16,378	16,378
DOF Development Fund CV	65	98
EPI Russia I Ky	4,554	4,554
Exilion Real Estate I Ky	69,396	69,396
Henderson Central London Office	11,344	12,967
Icecapital Housing Fund I	15,094	15,094
ING Dutch Office Fund II NV	15,308	15,308
ING Property Fund Central and Eastern Europe	5,538	5,538
ProLogis European Properties Fund II	5,251	5,251
Sponda Fund I Ky	9,867	9,867
Tishman Speyer European Core Fund	7,112	7,112
Tishman Speyer European Strategic Office Fund Scots Feeder L.P.	5,048	5,048
UK Shopping Centre Feeder Fund	14,794	14,794
Vital Scandinavian Property Fund	12,848	14,006
Total real estate investment funds	217,598	225,762
Hedge funds		
Blue Mountain Credit Alternatives Fund Ltd Q2	31,854	36,989
Bluebay Value Recovery Fund	217	223
Brevan Howard Fund Limited - Class E US	28,480	36,928
Canyon Value Realization Fund - Class B 03-08	15,834	24,092
Canyon Value Realization Fund Ltd - Class B DI	106	186
Capula Global Relative Value Fund Ltd Class C	24,466	40,453
D.E.Shaw Oculus International Fund	13,430	30,569
Davidson Kempner International Ltd Class C	14,741	23,192
DB Platinum IV DBX SYSTEMATIC ALPHA INDEX I1C-E	29,421	29,421
Deephaven Global Multi-Strategy (Market Neutral) Fund Ltd - Class A1	130	133
Drake Global Opportunities Fund, Series 1, Class C	163	163
Elliot International Ltd Class B	39,933	46,186

EUR 1,000	Book value 31 Dec. 2012	Market value 31 Dec. 2012
Eton Park Overseas Fund Ltd class B1	12,359	14,851
Eton Park Overseas Fund Ltd class S	1,338	1,382
Farringdon Alpha One	15,000	21,942
Front Capital - Strategia Erikoissijoitusrahasto A3	1,600	1,643
Glenview Capital Partners Ltd	10,309	14,431
GLG Investments VI Plc - GLG European Equity Alternative	30,000	32,454
Goldentree Offshore Ltd (USD) C-R -Series 98	20,543	22,496
GSO Special Situations Overseas Fund, class C-34A	27,096	32,137
GSO Special Situations Overseas Fund, class S, unrest series 34A	7,474	11,336
Highbridge Multi-Strategy Holdings, Ltd- Class B - Series 15 (USD)	606	666
Highland Crusader Fund II Ltd Class D	1,253	1,282
Indus Asia Pacific Fund Ltd Class A	14,749	18,867
King Street Capital Ltd	12,177	18,938
Level Class	181	208
Marathon Overseas Liquidating Offshore Fund	130	130
Marathon Special Opportunity Fund Ltd	22,989	26,416
MP Structured Credit Fund Ltd, Class B	29,897	32,719
Northern Star - Global Dynamic Opportunities 10+ Fund	10,000	10,043
OZ Overseas Fund II / E Prime Shares	12,103	18,357
Paulson Advantage Plus Ltd	14,516	15,831
Paulson Gold Fund Ltd Class B	10,122	11,104
Pershing Square International, Ltd USD Class C	19,452	28,426
Samlyn Offshore Ltd - class As/65	14,399	23,051
Samlyn Offshore Ltd - class S/65	478	511
SEB Alternative Investment - Institutional Portfolio	260	260
Shepherd Investments International Ltd	701	786
Shepherd Select Asset Ltd	25	28
Silver Point Capital Offshore Fund, Ltd	14,714	27,522
Standard Life Investment Global SICAV - Global Absolute Return Strategies Fund	30,000	33,396
TPG-AXON Partners (Offshore) Ltd	761	1,232
Treesdale Fixed Income Fund Ltd, Class B	964	964
Wexford Offshore Spectrum Fund	35,191	39,374
Vicis Capital Fund Class A	2,605	2,646
Viking Global Equities III Ltd, Class H/1R	41,129	43,330
Winton Futures Fund Ltd - Lead Series	4,548	8,576
York Investment Limited Class C	14,546	21,751
Total hedge funds	632,988	807,621
Other funds		
AIM Insurance Strategies Fund B	7,000	7,160
Guarantee capital		
Mutual Insurance Company Fennia	3,364	3,364
Total of other investments	**3,450,312**	**4,038,437**

Holdings with a book value of over EUR 1,000 have been specified.

EUR 1,000	Parent company 2012	Parent company 2011
COLLATERALS AND CONTINGENT LIABILITIES		
Collaterals given on own behalf		
Pledges given as security for derivatives trade	2,434	13,394
Liabilities resulting from derivative contracts		
Non-hedging derivatives		
Interest rate derivatives		
Option contracts		
Bought options		
Nominal value of underlying instruments	75,792	
Fair value of contracts	195	
Set options		
Nominal value of underlying instruments	37,896	
Fair value of contracts	-83	
Open future contracts		
Sold futures		
Nominal value of underlying instruments	127,738	20,000
Fair value of contracts	-1,207	-277

The market value does not include the transferred interest for the financial year.

Currency derivatives		
Open forward and future contracts		
Nominal value of underlying instruments	741,570	679,316
Fair value of contracts	21,358	-36,670
Closed forward and future contracts		
Nominal value of underlying instruments	20,756	53,289
Fair value of contracts	350	-1,441
Open option contracts		
Bought options		
Nominal value of underlying instruments	45,970	83,022
Market value of contracts	1,021	46
Set options		
Nominal value of underlying instruments	46,174	47,619
Fair value of contracts	-205	85
Share derivatives		
Option contracts		
Bought options		
Nominal value of underlying instruments	318,705	1,153,750
Fair value of contracts	9,364	17,483

EUR 1,000	Parent company 2012	Parent company 2011
Set options		
Nominal value of underlying instruments		360,000
Fair value of contracts		-2,460
Collaterals received in a transfer in accordance with the Act on Financial Collateral		
Collaterals for derivatives trade	12,312	5,885
Investment commitments		
Capital trusts	118,062	87,892
Fund investments	2,240	1,714
Real estate investment funds	1,111	1,448
Leasing and rent liabilities		
Leasing liabilities in the current financial year	39	34
Leasing liabilities in the future financial years	6	8
Other contingent liabilities		
Liability for the VAT debt of the tax liability group in accordance with Value Added Tax Act, Section 188	5,941	6,081
Restitution liability for VAT deduction from new buildings and renovation of real estates	3,281	3,809

TECHNICAL PROVISIONS

Premium reserve		
Future pensions	3,424,568	3,305,164
Provision for future bonuses	98,136	94,161
Provision for current bonuses	18,798	13,239
Provision linked to equity income	43,056	-41,592
Total premium reserve	3,584,558	3,370,972
Claims reserve		
Current pensions	2,810,452	2,650,106
Equalisation amount	225,734	236,189
Total claims reserve	3,036,185	2,886,296
Total technical provisions	6,620,743	6,257,268

SOLVENCY MARGIN

Capital and reserves after the proposed distribution of profit	36,706	35,447
Accrued appropriations	319	265
Valuation difference between fair values of assets and book values of balance sheet items	1,000,713	600,227
Provision for future bonuses	98,136	94,161
Deferred acquisition costs and intangible assets	-1,543	-141
Other items		
Share of the clearing reserve paralleled with the solvency margin	260,265	245,925
	1,394,597	975,883

EUR 1,000	Parent company 2012	Parent company 2011
Solvency margin required under the Act on Employment Pension Insurance Companies, Section 17	124,927	118,044
Equalisation provision included in the technical provisions for years with plenty of contingencies	225,734	236,189
Solvency margin in accordance with section 16 of the Act on Employment Pension Insurance Companies presented in such a way that it does not include the share of clearing reserve paralleled with the solvency margin	1,134,332	729,959
The minimum amount of solvency margin for an employment pension company presented without the temporary discounts in accordance with Act 853/2008 for the years 2008–2010	348,657	261,670

EUR 1,000	Group 2012	Group 2011	Parent company 2012	Parent company 2011
CAPITAL AND RESERVES				
Guarantee capital	1,682	1,682	1,682	1,682
Initial reserve	3,364	3,364	3,364	3,364
Construction reserve	86	86		
Revaluation reserve	84	84		
Loan amortisation reserve	233	233		
Non-restricted reserves	28,605	27,330	28,605	27,330
Transfer from retained earnings	1,540	1,275	1,540	1,275
Profit/loss from previous financial years	-5,822	-11,008	1,796	1,528
Used during the financial year	-1,565	-1,300	-1,565	-1,300
Profit for the financial year	2,733	6,486	1,285	1,568
Total capital and reserves	30,939	28,202	36,706	35,447
Capital and reserves after proposed profit distribution				
Holders of guarantee capital				
Guarantee capital	1,682	1,682	1,682	1,682
Proposed distribution to holders of guarantee capital				
Share of policyholders after proposed distribution	29,257	26,520	35,024	33,765
Total	30,939	28,202	36,706	35,447
Distributable profits, parent company				
Profit/loss for the financial year			1,285	1,568
Other distributable reserves				
Non-restricted reserves			30,145	28,605
Accumulated profit			231	228
Total distributable profits			31,661	30,401

Guarantee capital	Number	Nominal value	Book value
Mutual Insurance Company Fennia	10	1,682	1,682

Internal supervision and risk management

INTERNAL SUPERVISION

Internal supervision refers to a process the purpose of which is to ensure the reaching of the goals and objectives set, economical and efficient use of resources, sufficient management of risks related to operations, reliability and correctness of financial and other management information, compliance with laws, orders and instructions, and compliance with the decisions of the operational elements, internal plans, rules and methods of operation.

RISK MANAGEMENT AND ITS GOALS

Risk management is part of internal supervision and its purpose is to support the company in implementing the strategy and reaching the operational goals, to secure the continuing of the business operations, and to manage the uncertainty factors related thereto or threats related to the company's reputation. Another purpose of risk management is to ensure that the risks taken do not exceed the risk-bearing capacity.

The most important goal of risk management is to identify, in advance, the key risks concerning the operations and to oversee that the probability of their realisation is reduced through management measures. In addition to identification and control of risks, the purpose of risk management is to ensure that laws, stipulations, strategies, plans, internal rules and procedures are complied with, and that resources are used economically and efficiently. Furthermore, risk management ensures that management, decision-making and operational planning are based on correct and sufficient information.

ORGANISATION AND RESPONSIBILITIES OF RISK MANAGEMENT

The Board of Directors bears overall responsibility for arranging risk management and for the annual evaluation of the state of internal supervision. The Board of Directors approves the risk management principles (risk management policy) and, on an annual basis, a risk management plan related to the steering of the company, including significant risk related to investment operations, and follows the progress of the management measures presented therein on the basis of the reports it receives as well as the final report of the Director of Risk Management. Additionally, the Director of Risk Management provides the Audit Committee with an interim report on the progress of the management measures. The Board of Directors also determines the company's risk-taking willingness. The Board of Directors is assisted by the Audit Committee, whose tasks include e.g. monitoring the company's financial position, financial reporting, the sufficiency and appropriateness of internal supervision and risk management, and handling the plans and reports of Internal Audit.

The Managing Director is responsible for the organising and supervising of risk management, and for the content of the risk management plan concerning the company's key risks drawn up to the Board of Directors for approval. He is supported in these tasks by the Executive Group, Investment Committee, the Director of the Independent Risk Management and Controller unit, and the risk management coordination group.

The administration of Pension Fennia is handled by:

- The Executive Group, whose task is to support the Managing Director in steering the company.
- The Investment Committee, whose task is to support the Managing Director in making investment decisions. A Working Committee also operates under the Investment Committee.
- Management groups for the customer, investment, insurance and pension processes, whose task it is to guide the operational activities related to these processes.
- Management groups for the support units, whose task is to guide the operational activities of their own areas of responsibility and to support the main processes. The support functions are represented in the management groups of the main processes.

Up until 31 December 2012, Risk Management was headed by Director Irmeli Heino, who was assisted by Director of Risk Management Sarianne Kirvesmäki. On 22 October 2012, the Board appointed Sarianne Kirvesmäki as Director and Member of the Executive Group as of 1 January 2013, and her areas of responsibility covered the Independent Risk Management and Controller unit, including the Investment Risk Supervisory unit, the Operational Risk Supervisory unit and the Controller and Analysis unit.

Organisation of risk management at Pension Fennia:

- The Director of the Independent Risk Management and Controller unit shall see to it that the company's risk management and coordination thereof have been implemented in accordance with official regulations and the risk management policy approved by the Board of Directors.

- The Risk management coordination group supports the Director of the Independent Risk Management and Controller unit in drawing up risk management principles, risk management plans, SWOTs, and principles of risk mappings, as well as drawing up and development of risk reporting. The group holds expertise in strategic, insurance technique, operational and investment risks.
- The Operational Risk Supervisory unit coordinates and facilitates the operational risk surveys of the different units, draws up unit-specific presentations and summaries and prepares a comprehensive risk management plan for the entire company, and reports on these to the Executive Group and Audit Committee. Furthermore, the unit is responsible for the development of risk management practices and methods, as well as the development of the tools used for operational risk identification, assessment, measurement, management and follow-up, and the development of risk reporting.
- The Investment Risk Supervisory unit independently assesses, measures and supervises the financial risks using, among other methods, a scenario model to clarify the future development of the solvency, the real risk position and risk sources, ways to stay within the risk budget and solvency stress tests, and reports on these to the Board and operational method. Additionally, the independent Investment Risk Supervisory unit maintains, develops and prepares the principles of investment risk management for approval by the Board, and draws up methods for use in risk assessment and measuring.
- The Controller and Analysis unit independently assesses, measures and supervises financial risks concerning the total risk position (solvency, allocation, investment income and expenses, margin, limits) and asset category-specific risks, and reports on them to the Board of Directors and operational management.
- Risk supervision is managed independently from the business operations by different units and operational departments, such as the Independent Risk Management and Controller unit, financial management, insurance technique, and the actuary unit.
- Internal Auditing carries out independent and objective evaluation, securing and consultation services, the purpose of which is to create added value to the organisation and enhance its operations. Internal Auditing supports the organisation in reaching its goals by offering a systematic approach for the evaluation and development of the efficiency of the organisation's risk management, supervision, management and administration processes. Internal Auditing assists the company's Board of Directors in evaluating the state of the company's internal supervision.
- The Management group of project and information management is responsible for, among other things, monitoring the risks related to development projects.
- The Security group is responsible for developing different areas of overall security and supervising the implementation of agreed tasks. The security group operates under the risk management coordination group.
- Compliance activities are organised through the Legal Affairs unit.
- The actuary is responsible for ensuring, e.g., the appropriateness of actuarial methods within the company.

Acting as members of the Executive Group, the owners of the main processes and directors of the support units are responsible for supervising the implementation of internal supervision and appropriateness of the risk management process in their own operations and processes. The responsibility also involves the continuous measuring and monitoring of the risks taken inside each process or unit. The processes and units draw up risk management plans as defined in the company's risk management policy and report on their implementation to the Director of the Independent Risk Management and Controller unit.

RISK MANAGEMENT PROCESS

Pension Fennia's risk management process is comprehensive and as consistent as possible for all processes and units. The risk management process is comprised of four stages: 1) identification of risks, 2) assessment of risks, 3) planning and implementation of risk management measures, and 4) follow-up and reporting of risk management (that is, the implemented risk management measures).

The main processes and support units identify the risks related to the operational activities every six months in the risk survey meetings of the main processes and support units that are coordinated by the Operational Risk Supervisory unit. The risk survey assesses the likelihood and impacts of the identified risks, risk trends and the current level of risk management, and draws up management measures with the appointed persons in charge. The risk management plan of the Investment unit is updated in connection with the drafting of the investment plan. At that time, the Investment unit identifies the risks related to the investment operations, such as market risks, credit risks and liquidity risks. The operational risks related to the activities of the Investment unit are identified, in part, in connection with the preparation of the risk management plan of the Investment unit and partly within the risk survey of the Investment unit. Risks related to IT projects are identified in connection with each individual project already during the planning phase, and they are monitored and managed by the owner and steering groups for the entire life cycle of the project in question.

Pension Fennia's risk management policy handles the goals of risk management and the principles applied to reach those goals, determines the responsibilities of risk management, the risk management process and the company's risk-bearing capacity and risk-taking willingness, and defines how the risks are reported to the Board of Directors and within the organisation.

The company's strategic risks are mapped and updated in connection with Pension Fennia's strategic planning. The planning round starts with an analysis of the environment and an update of the future scenarios. For the purpose of risk mapping, the risk management coordination group produces a SWOT analysis for the Executive Group to consider, evaluates the likelihood and impacts of risks, risk trends and the current level of risk management. The drafting and implementation of the management measures related to strategic risks are the responsibility of the company's Executive Group. At this point, development and prevention measures for managing the risks are also drawn up. The risk management plan is integrated with the company's strategic planning.

The risk management plan deals with the strategic goals of insurance business and investment operations, the risks related thereto, and the risk management measures implemented to manage them. The plan also handles insurance technical risks, risks related to market share and the development of operating expenses, operational risks, and external threats, and the risk management measures implemented to manage them. Strategic goals related to insurance business have been set for the market share, efficiency and personnel. The strategic goals and risks of investment operations are related to solvency and yield.

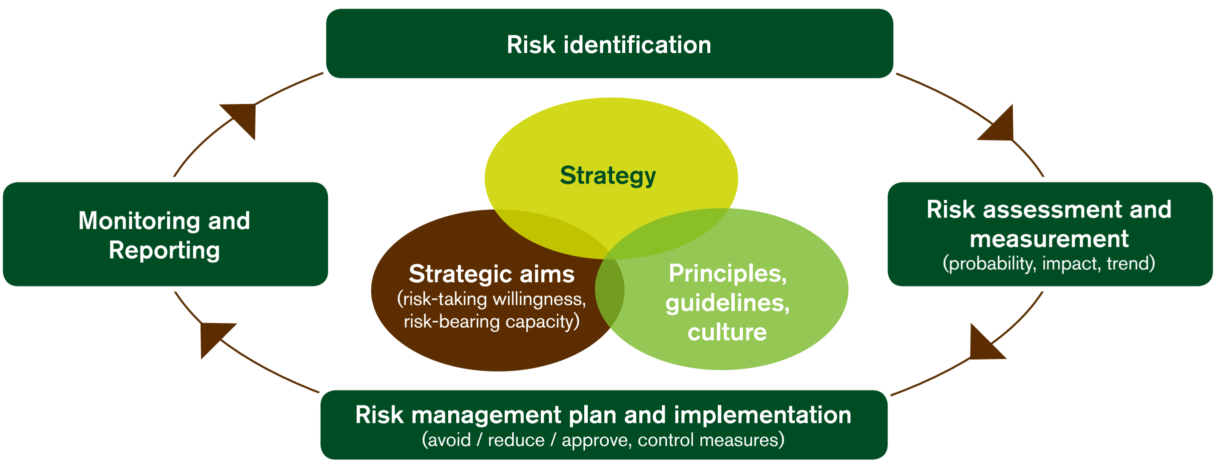
FOLLOW-UP AND REPORTING

The realisation of risk management in the company is monitored, for instance, through a report drawn up twice a year by the Independent Risk Management and Controller unit, as well as the monthly electronic report of the Board of Directors and the Managing Director's review. The Director of the unit reports via the interim report to the Executive Group, the Audit Committee and, as separately agreed, also to the Board of Directors about the realisation of the risk management plan during the first months of the year. In the final report, the Director of the unit reports about the realisation of the risk management measures for the entire year to the Executive Group, Audit Committee and the Board of Directors.

On the basis of the reports received by them, the Executive Group, Audit Committee and Board of Directors track the development regarding strategic risks, risks related to the market share and development of operating costs, key investment risks and SWOT. Furthermore, the Investment Committee follows financial risks and, among other things, the major risk concentrations more closely. Strategic risks are reported to the Board of Directors monthly in the Managing Director's review.

Internal Auditing draws up a quarterly report on the state of the internal supervision of the securities process and the related independent supervision. The report is part of the company's evaluation on the state of internal supervision.

The key figures in the assessment and follow-up of the total risk position of investment operations, namely the solvency margin in euros, the solvency ratio, solvency position and return on invested capital, are calculated by the Independent Risk Management and Controller unit which is separate from the unit that takes the investment risk. The unit reports on the company's total risk position and risk-bearing capacity to the Board of Directors monthly and to the operational management weekly, and, if necessary, even on a daily basis. The reported figures are part of the review of the Managing Director and the Chief Investment Officer. Biannually, the Director of the Independent Risk Management and Controller unit produces a comprehensive survey on the company's total risk position, including the development of the solvency margin and supervisory limits, solvency stress tests and



sensitivity analyses, as well as evaluations concerning the future development of the solvency and asset category-specific risks.

The Actuary reports the result of the insurance business to the Board of Directors and Executive Group twice a year. The applicable calculation bases are reported to the Board of Directors and Executive Group once a year.

The monthly report given to the Executive Group contains information on the company's key figures, including the number of insurance policies sold in terms of euro amounts and employment relationships, the operating costs, the utilisation rate of online services, the telephone service, pension applications and their handling times, and various personnel information. A more detailed analysis on the development of the operating costs and expense loading surplus is provided to the Executive Group 3-4 times a year. Part of the monthly report will be reported on to the Board of Directors monthly in connection with the review of the Managing Director.

RISK-BEARING CAPACITY AND RISK-TAKING WILLINGNESS

Solvency margin is used for preparing for the investment operation risks. The solvency margin needs to be large enough, so that it can, with sufficient probability, cover the expected fluctuations of the value and yield of asset items covering the technical provisions. The need for the solvency margin depends directly on the risk content of the investment assets. Pension Fennia's solvency margin plus the amount paralleled with the solvency margin stood at €1,395 million at the end of 2012. The solvency margin without the paralleled amount stood at €1,134 million. The solvency margin increased by €419 million in 2012 and was at a securing level.

The most important key figures in terms of evaluating the company's total risk position and the risk-bearing capacity are the amount of the solvency margin in proportion to the technical provisions (solvency ratio) and the amount of the solvency margin in proportion to the solvency limit in accordance with the regulations (solvency position). The Board of Directors has confirmed the risk-taking willingness of the company's investment operations by setting primary and secondary aims for the company's investment operations. The Managing Director determines more precisely the targeted solvency position for any given time.

Due to the international financial crisis, the regulations concerning the investment operations and solvency of pension institutions were temporarily amended by an exceptive law (853/2008). The law was passed for a fixed term to end on 31 December 2010, but was then extended, otherwise unchanged, in summer 2010 to end on 31 December 2012. During the period of validity of the law, the clearing reserve included in the technical provisions was paralleled temporarily with the solvency margin (known as the EMU buffer). Furthermore, the minimum amount of the solvency margin of pension institutions was decreased, and it was made independent of the investment allocation of the pension institutions. As of 1 January 2013, amendments entered into effect that concerned, among others, the Act on the calculation of solvency limit and the covering of technical provisions and the Act on Employment Pension Companies. Within the new regulations, the solvency margin and equalization amount are combined to strengthen the risk-bearing capacity of the pension institutions, and the new buffer thus created is called the solvency capital. The solvency capital is used to cover losses so that the investment losses are covered by the solvency margin and the losses from insurance business are primarily covered by the equalization amount. The secondary measure is to use the other buffer funds. At the start of 2013, changes concerning the calculation of the solvency limit entered into effect. As regards the calculation of the solvency limit, the insurance risk is taken into consideration as well as the investment risk and the correlation between the two. When calculated in accordance with the legislative amendments that entered into effect on 1 January 2013, the company's solvency capital was €1,360 million and the solvency ratio was 21.7 per cent.

The company has prepared for insurance business risks using the equalization provision and clearing reserve included in the technical provisions. The equalization provision serves as a buffer against company-specific insurance technical risks while the clearing reserve buffers against the uncertainty factors related to the pensions for which the system is jointly responsible, and their financing. The clearing reserve has a system-specific lower limit but no company-specific lower limit. The equalization provision has company-specific lower and upper limits. At the end of 2012, the company's equalization provision stood at around €226 million. The amount of the equalization provision is securing.

RISKS RELATED TO INVESTMENT OPERATIONS AND THEIR MANAGEMENT AND REPORTING

The selection of the investment strategy is regulated by e.g. the market yield and volatility expectations and interdependencies for various asset categories, the company's amount solvency margin and its solvency position, as well as the requirements concerning the covering of liabilities and the related claims of interest. Optimal return-to-risk ratio is pursued through versatile decentralisation both between and within asset categories. Furthermore, the aim is to anticipate the effects of events related to investment operations that are improbable but detrimental if realised. Pension Fennia guards itself from those risks through systematic risk adjustment and derivative protection.

Asset category-specific risks are managed by monitoring the over- and underweight positions in relation to the comparison index which reflects the decentralisation within the asset category in question. Part of the price risk of equities has been transferred to the responsibility of the system. For that purpose, a buffer has been set up in the form of a unit-linked provision for bonuses; it buffers the equity risk by the amount that equals 10 per cent of the technical provisions. The unit-linked provision for bonuses may amount to a maximum of 5 per cent of the technical provisions and a minimum of -10 per cent of the technical provisions.

The price risk of equity investments is managed by decentralising the investments geographically, by line of business, by company, and to different investment types and funds. The price risk of the equities portfolio can also be limited with protective equity and equity index derivatives. The interest rate risk is managed by following and changing the duration and maturity distribution of investments by utilising cash investments and derivatives. Credit risk is managed by decentralising investments across different lines of business and credit classes, and geographically. In case of bonds, credit risk is managed by limiting both individual investments by credit class and the combined share of a specific credit class within the bond portfolio and by using credit derivatives. Liquidity risk is managed by keeping a sufficient part of investments in liquid items. In the fixed-income portfolio, the aim is to optimise the return/risk ratio of the investments while taking the liquidity of the loans into account. As for direct exchange rate risk, the type of exchange rate risk the company is willing to take is separately estimated by asset category. Exchange rate risk is managed by following the currency position and hedging degree by asset category and by currency. Company analyses, customer monitoring and follow-up of loan securities are carried out in connection with corporate financing loans. In real estate investments, attention is paid to geographical diversification, division of rent income by line of business, timing of acquisitions, and division of types of use. Asset category-specific risks are also managed by using derivatives. The counterparty risk of standardised derivatives is managed through name-specific limitations. The counterparty risk of non-standardised derivatives is managed by using standard agreements and security measures approved by ISDA. Individual risk concentrations are limited by the solvency capital act. Operational risks of investment operations are linked, for example, to the valuation of some investments and the delayed availability of market values, and the operational processes of the investment process.

The company's Actuary has drawn up a report on the requirements set by the nature and yield requirement of the technical provisions and for the maintaining of solvency and liquidity; the report is used by the Board of Directors for the purpose of handling risk management and arranging investment operations. The investment plan includes a statement by the Actuary on whether the company's investment plan meets the requirements set by the nature of the technical provisions for the company's investment operations. The Independent Risk Management and Controller unit has drawn up an estimate of the risks inherent in the investments and the company's risk-bearing capacity in the short and long term for the use of the Board of Directors to draft the company's investment plan and the risk management plan for investment operations and their semi-annual updating.

In making the allocation decisions, and monitoring and evaluating the company's total risk position, both solvency position and solvency ratio are used, and in addition to them, the VaR (Value-at-Risk) figure calculated by the Independent Risk Management and Controller unit both for the total of investments assets and by taking into account the share of the equities risk at the responsibility of the earnings-related pension scheme. Furthermore, the Independent Risk Management and Controller unit carries out stress tests and sensitivity analyses for the company's solvency. In 2011, a scenario model to support strategic planning and risk management was taken into use and during 2012, its use became an established part of the company's process. The scenario model is based on realised financial key figures and their correlations, and it includes the solvency framework for the Finnish private-sector earnings-related pension system, taking the special actuarial features of the system into consideration. The foundation for the scenario model is a comprehensive analysis of historical/observed variables for the purpose of creating logically possible and essential scenarios. The point of the scenario model is to facilitate the logical examination of risks and to evaluate their impacts on the solvency. The Investment Risk Supervisory unit operating under the Independent Risk Management and Controller unit reports on the risk figures based on the scenario model to the members of the Investment Committee and directors responsible for various asset categories on a weekly basis or as needed. The Independent Risk Management and Controller unit reports about asset category-specific risks and returns, including derivatives, on a monthly basis to the Board of Directors and on a weekly basis to the portfolio managers and members of the Investment Committee. The development of realised returns compared with the company's yield requirement is monitored weekly. The Investment unit follows the development of risk and returns on a daily basis. Additionally, the Controller and Analysis unit reports daily to the portfolio managers on the monitoring of derivative positions, derivative yields, risk figures, and derivative limits.

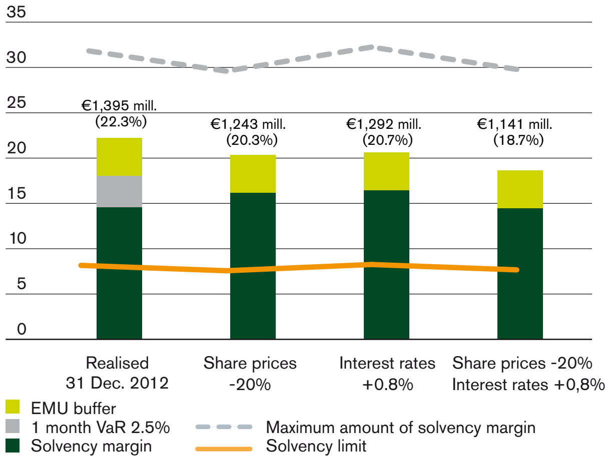
STRESS TEST AND VaR

Stress tests estimate how a change in share prices or interest level would affect the company's solvency. The results of stress test calculations as at 31 December 2012 have been compiled in the graph. In addition, the graph shows VaR of the same day, and the probability that the loss exceeds that sum is 2.5 per cent in one month.

In addition to the hedging of assets, derivatives are used to make allocation changes. The principles on the use of derivatives approved by the Board of Directors describe by asset category those types of derivatives and derivative strategies that may be used. The effect of derivatives is presented in the income and risk figures and risk-adjusted asset distribution reported to the Executive Group and Board of Directors. New derivative agreements are also regularly reported. A report on the total effect of applying the grounds of the use of derivative agreements on the solvency limit is annually given to the Board of Directors of the company.

Investment decisions are prepared and implemented in the Investment unit. The Independent Risk Management and Controller unit is responsible for the market valuation of investment assets, the provision of reports to support operations, official reporting on yields, solvency, profit margins and limit monitoring. Grounds based on the real risk of investments, as approved by the Board of Directors of Pension Fennia, are applied in the solvency rating of investments. Rating in accordance with the risk is made on the basis of the realised volatility and correlations, taking into account the effect of possible extreme observations. In addition, any incomplete yield history and liquidity are taken into account in the rating, unless it is taken into account in volatility and correlation. The effect of applying the grounds on the company's solvency is followed weekly. A report on the application of the rating grounds and its effect on the company's solvency position is annually given to the Board of Directors of the company for approval.

Stress test and VaR (1 month, 2.5%)



Investment risk distribution and risk figures 2012

	Market value € mill.	%	Risk distribution € mill.	%	Return %	Volatility %
Fixed-income investments	**3,888.3**	**51.9**	**3,803.1**	**50.7**	**9.0**	
Loans	397.7	5.3	397.7	5.3	2.9	
Bonds of OECD/EEA public corporations	737.2	9.8	535.0	7.1	5.3	3.2
Bonds of other corporations	2,341.5	31.2	2,341.5	31.2	13.3	
Other money-market instruments and deposits, which include receivables and debts directed at the investments	412.0	5.5	529.0	7.1	1.2	
Equity investments	**1,625.6**	**21.7**	**1,710.7**	**22.8**	**15.8**	
Listed equities	1,360.9	18.2	1,446.1	19.3	16.7	14.2
Private equity investments	161.0	2.1	161.0	2.1	10.8	
Unlisted equity investments	103.7	1.4	103.7	1.4	10.7	
Real estate investments	**1,147.6**	**15.3**	**1,147.6**	**15.3**	**12.5**	
Direct real estate investments	931.8	12.4	931.8	12.4	14.8	
Real estate funds and joint investment companies	215.8	2.9	215.8	2.9	5.4	
Other investments	**833.8**	**11.1**	**833.8**	**11.1**	**6.3**	
Hedge fund investments	826.6	11.0	826.6	11.0	8.6	4.1
Commodity investments	-	-	-	-		
Other investments	7.2	0.1	7.2	0.1	-41.9	
Total investments	**7,495.2**	**100.0**	**7,495.2**	**100.0**	**10.3**	**4.1**

Market value includes accrued interest.
Risk distribution = calculated according to the risk (adjusted with derivatives).
Return = return on invested capital calculated with a time and money-weighted formula (adapted Dietz).
Volatility = annualised mean deviation calculated from two years' monthly return.
The modified duration of bonds is 4.06 years.

RISKS RELATED TO INSURING AND THEIR MANAGEMENT

The key insurance risks are created by the deviations of forecasts used in determining the insurance premiums from the realised costs, especially in terms of new pensions granted and other similar costs. In determining the bases for technical provisions, the key insurance risks are created by the difference between the realised and forecasted duration of pensions in the long term. The bases for premiums and technical provisions that meet the securing requirements are the same for all employment pension companies, and they are ratified by the Ministry of Social Affairs and Health. The common bases include a risk that an individual company's result may, in theory, be systematically poorer when compared with the other companies e.g. if the division of industries represented by the policyholders deviates significantly from the portfolios of other pension companies. The structure of the insurance portfolio may also lead to a similar situation regarding the expense loading of the common premium.

Pension institutions jointly prepare and apply for the bases of the insurance premium, technical provisions and technical rate of interest. Pension Fennia participates in the preparation of the calculation bases under supervision of the Actuary together with the insurance technique unit. Co-operation between employment pension institutions is compulsory according to the law.

The law also stipulates the common technical rate of interest which is determined partially according to the average solvency margin level in the industry and to the average equities yield. A fixed 3 per cent interest rate is used in the discounting of the technical provisions. The company's solvency margin in proportion to the average of the system must be monitored carefully, because a long-lasting essential deviation below the industry average may become a risk. Pension institutions are mutually jointly responsible for the pensions of a bankrupt pension institution. The amount of solvency margin in proportion to minimum amounts in accordance with the regulations must also be monitored carefully.

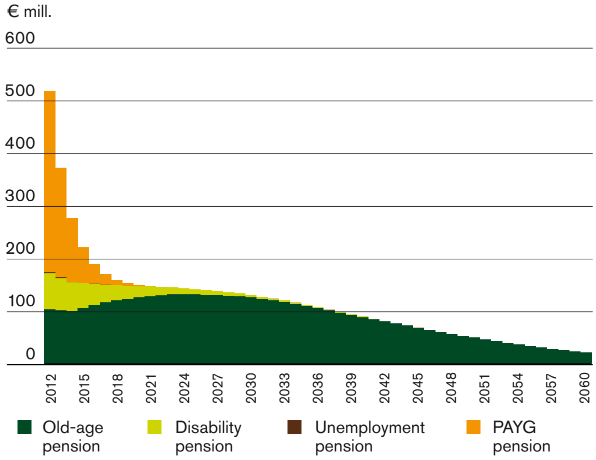
Fluctuations of the insurance business result have been prepared for with the equalization provision included in the technical provisions. The positive results accrued to the disability and unemployment loading of the equalization provision have been used, through a variety of different techniques, to lower the TyEL premium since the year 2002. Solutions offered by experts on work wellness for the purpose of promoting working capacity and reducing disability expenses aim at affecting the pension expenditure.

Pension Fennia's technical provisions, which served as the basis of the financial statement liabilities for 2012, were divided, on 31 December 2011, into insurance premium and claims reserves as shown below. The equalization provision stood at €237 million on 31 December 2011, and its lower limit was around €72 million and upper limit €445 million. The diagram shows the temporal dissolution of the technical provisions of TyEL basic insurance into pensions to be paid.

Insurance technique liabilities, € mill.

	31 Dec. 2011
Premium reserve	
TyEL insurance	3,312.9
TEL supplementary pension insurance	28.1
Supplementary insurance reserve	107.4
Provision linked to equity income	-41.1
Total	3,407.3
YEL basic insurance	15.0
YEL supplementary pension insurance	2.3
Total	17.3
Total premium reserve	**3,424.6**
Claims reserve	
TyEL insurance	
Current pensions	2,560.5
Equalisation provision	231.7
Total	2,792.2
TEL supplementary insurance	
Current pensions	45.7
Equalisation provision	5.0
Total	50.7
TyEL and TEL total	2,842.9
YEL basic insurance	0.0
YEL supplementary pension insurance	3.7
YEL total	3.7
Total claims reserve	**2,846.6**

Dissolution of technical provisions for TyEL (31 Dec. 2011) into pensions



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

The company charges an administrative fee in connection with TyEL and YEL premiums to cover operating costs. The share of the insurance premium that depends on the number of disability pension decisions is also included in the administrative fee. If the accrual of the administrative fees is not sufficient to cover all operating expenses, part of the costs would have to be covered by investment income. In that case, the company's result would decline.

Risks related to insuring and the management thereof are described in more detail on the company's website.

RISKS RELATED TO THE ACQUISITION AND HANDLING OF INSURANCES AND THEIR MANAGEMENT

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

The company prepares for changes in the market and the operating environment by means of marketing activities and by developing the technical readiness. Technical readiness aims to facilitate the sales and handling of insurances. In accordance with the changes related to the co-operative agreement with the Local Insurance Group, the emphasis is now placed on the co-operation with the current partner. During the year in review, analyses were carried out on the customer base to serve as the basis for the management models set to be drafted. Customer interface operations have been strengthened through customer segment-specific measures and service models.

Pension Fennia has its own development programme for reaching the key strategic goals. The development targets have been itemised into separate projects that comply with the project steering procedure. The project programme has been drawn up in such a way that, if required, it can be adapted to the available resources. The persons responsible for the company's business operations have been closely committed to development project steering.

MANAGEMENT OF OPERATIONAL RISKS RELATED TO BUSINESS

The members of the Executive Group are responsible for drawing up risk management plans for their own areas of responsibility and for the risk identification, assessment and management measures used as the basis of the plans. The Operational Risk Supervisory unit within the Independent Risk Management and Controller unit coordinates and facilitates the unit-specific risk surveys carried out biannually and monitors the implementation of management measures.

The aim has been to further develop the assessment of the operational risks related to business and the drawing up of risk management plans in order to make them more strategy-oriented and more focused on the reaching of business goals. The risk mappings of the main processes and support units have been implemented with assistance from the Operational Risk Supervisory unit and based on the scorecards and operating plans of the main processes and support units.

The probability and impacts of the identified operational risks of the processes and units are evaluated, and the risk maps for each process and unit are drawn up on the basis of the evaluation. Furthermore, the risk trend or projected direction (declining, steady, increasing) for the risks during the coming financial year are also evaluated. The overall risk estimation is based on the trend and anticipated value. The most important risks and measures for managing them have been recorded in the risk management plans of the units. Within the risk surveys, the level of the current risk management has been evaluated using a scale with a rating of good, fair and poor, and any additional measures necessary for the management of risks have been recorded. The key operational risks are related to e.g. person risks, system and process risks, and legal risks.

During the summer 2012, Pension Fennia initiated the systematic development of its reputation management together with a co-operative partner. The development work began with a training lecture held for the extended Executive Group and the risk management coordination group. The lecture dealt with e.g. the definition of reputation risk and different examples of reputation risks. The development work continued in the autumn in the form of a reputation risk survey. The results of the survey were analysed and governance methods were drawn up in order to manage the reputation risks.

As part of the development of the operational risk assessment and management, Pension Fennia piloted a new reporting system. The persons who participated in the piloting reported on the realised operational risk incidents and near misses in their own units to the Operational Risk Supervisory unit. The experiences gained from the piloting process were utilised in the initiation of the recording of all realised operational risk incidents and near misses for all units as of the start of 2013.

Operational risk management is administered, for example, by separating operations and job duties so that dangerous work combinations are not created. The administration of user rights has been developed in such a way that each employee has up-to-date rights needed for the performance of their tasks. Rights that allow for dangerous work combinations can be monitored once they have been defined within the system. The supervisors check the rights of their employees every six months.

As for person risks, an efficient system of substitutes has been developed. Process risks are administered e.g. by maintaining working instructions and process descriptions and by arranging regular meetings among those who participate in the processes. Special attention is paid to the smoothness of the processes in the entire organisation. The steering model is under continuous development. Attention has been paid to development of expertise and securing the continuity of operations both within the lines and in the development projects of the company's HR function. Working capacity maintenance activities are checked annually in accordance with the action plan for occupational safety and well-being at work. Reward systems are used to support the reaching of goals.

Legal risks are managed as part of the company's corporate compliance policy. In accordance with the action model, the company has appointed person in charge of compliance issues for each business process and support unit. These persons supervise the business processes and report about any deviations observed concerning legal risks (including e.g. external regulation and compliance with internal procedural instructions and contract risks) to those responsible for the business processes and the company's top management. The Legal Affairs unit participates in the coordination and supervision of the compliance policy. If necessary, the company uses external expert services for the management and determining of legal risks when the task requires special expertise.

OUTSOURCED OPERATIONS

Since the company's own personnel resources are limited, and it is not possible to prepare its own personnel for the continuous changes regarding the competence requirements caused by the rapidly developing environment, parts of the production of basic services have been outsourced. Such functions include e.g. operating centre services (Tieto), system work services (Tieto Esy and Arek), work station support services (TeliaSonera), office equipment environment (Xerox), and telephone systems (Merlin and TeliaSonera Finland).

The providers of outsourced services have been selected with emphasis on their trustworthiness and reliability of delivery. The outsourcing agreements have been drawn up in compliance with the best current practices, including e.g. sanctioned quality level agreements. Contacts are continuously maintained with the service providers and any deviations in the services are acted on.

The concentration of the information technology service providers can be considered a risk for a balanced information technology market. Pension Fennia has aimed at decreasing this risk by decentralising key services to several different providers.

OVERALL SECURITY AND SECURING THE CONTINUATION OF BUSINESS OPERATIONS

The company continuously pays attention to the functioning of information systems, the level of data security, securing the continuation of operations and the development of overall security. The operating of the current information and telephone systems is a critical factor in customer service, and it is strengthened through close co-operation with partners. The introduction and utilisation of new systems as well as the commitment of the company's partners to new operating models are also essential.

The continuity planning of business operations and preparing for exceptional circumstances are part of the management of operational risks. The continuity planning of business operations means preparing for interruptions of business in such a way that the company is able to continue operations and limit losses in cases of different disturbances to the business operations. Such disturbances include, for instance, damage or intentional actions concerning personnel, premises, information systems or telecommunication; water damage, fire or interruptions in the supply of e.g. electricity, heat or water.

The duties of the risk management coordination group operating in the company include, for instance, independent supervision of operational risks, and development of reporting and management principles. The duties of the security team include evaluation of the status of different aspects of security, creation of development activities, follow-up of development projects, and continuous evaluation of security risks as part of the company's general risk management. The security team convenes regularly and also follows and coordinates the maintenance of continuity and readiness plans concerning all operations.

Key figures for financial development

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

KEY FIGURES	2012	2011	2010	2009	2008
Premiums written, € mill.	1,355.0	1,198.2	1,126.2	1,096.3	1,088.9
Pensions paid and other compensations, € mill. 1)	1,243.7	1,122.4	1,031.6	979.5	889.7
Net investment income at fair values, € mill.	705.1	-107.9	620.7	570.9	-759.8
Yield on invested capital, %	10.3	-1.6	10.0	10.1	-12.1
Turnover, € mill.	1,665.2	1,235.4	1,518.4	1,421.8	668.4
Total operating expenses, € mill.	59.6	56.6	54.0	51.7	49.0
% of turnover	3.6	4.6	3.6	3.6	7.3
Operating costs covered with expense loading of ins. premium, € mill.	42.2	40.6	39.4	38.2	36.3
% of TyEL payroll and YEL reported earnings	0.7	0.7	0.7	0.7	0.7
Total result, € mill.	414.1	-268.5	344.3	236.7	-718.9
Technical provisions, € mill.	6,620.7	6,257.3	6,200.6	5,768.6	5,381.7
Solvency margin, € mill. 2)	1,394.6	975.9	1,225.6	907.4	645.5
% of technical provisions 3)	22.3	16.5	21.4	16.8	12.9
Ratio to the solvency limit	2.8	2.6	2.8	2.7	2.6
Equalisation provision, € mill.	225.7	236.2	261.0	236.6	258.1
Pension assets, € mill. 4)	7,621.5	6,857.5	6,934.9	6,278.0	5,637.7
Transfer to client bonuses, % of TyEL payroll	0.37	0.28	0.35	0.27	0.14
Paid client bonuses, % of TyEL payroll	0.27	0.35	0.27	0.14	0.37
TyEL payroll, € mill.	5,041.4	4,745.5	4,590.0	4,491.7	4,522.7
YEL reported earnings, € mill.	879.3	805.8	683.8	646.3	607.3
No. of TyEL policyholders 5)	22,930	23,620	22,950	22,500	21,810
No. of TyEL insured	188,920	185,660	181,520	176,900	173,260
No. of YEL policyholders	39,600	39,320	34,720	33,580	32,920
No. of pensioners	86,370	84,850	82,980	81,600	80,200

1) Claims paid in the profit and loss account excluding administrative costs of claims handling and working capacity maintenance activities.
2) The figure for 2012 includes an item of € 260.3 million from clearing reserve paralleled with solvency margin (2011: € 245.9 million, 2010: € 238.7 million, 2009: € 224.6 million, 2008: € 208.8 million).
3) Ratio calculated as percentage of the technical provisions used in the calculation of the solvency limit. In 2008–2012 the item paralleled with solvency margin has been deducted from the technical provisions.
4) Technical provisions + valuation differences.
5) Insurances of employers that have made an insurance contract.

INVESTMENT DISTRIBUTION AT FAIR VALUES

Investment assets at fair values and return	Basic distribution 2012 € mill.	2012 %	2011 € mill.	2011 %	Risk distribution 2012 € mill.	2012 %	2011 %	2010 %	2009 %	2008 %
Fixed-income investments	**3,888.3**	**51.9**	**3,813.5**	**56.3**	**3,686.1**	**50.0**	**55.3**	**52.4**	**57.2**	**60.3**
Loans	397.7	5.3	390.1	5.8	397.7	5.4	5.7	6.9	8.2	7.4
Bonds	3,078.6	41.1	2,687.6	39.7	2,876.4	39.0	38.8	35.5	43.7	34.8
Other financial market instruments and deposits, including receivables and debts related to investments	412.0	5.5	735.8	10.9	412.0	5.6	10.7	10.0	5.3	18.1
Equity investments	**1,625.6**	**21.7**	**1,297.5**	**19.2**	**1,710.7**	**23.2**	**20.5**	**25.6**	**19.3**	**11.9**
Listed equities	1,360.9	18.2	1,079.7	15.9	1,446.1	19.6	17.3	22.6	16.5	8.8
Private equity investments	161.0	2.1	114.4	1.7	161.0	2.2	1.7	1.5	1.1	1.4
Unlisted equity investments	103.7	1.4	103.4	1.5	103.7	1.4	1.5	1.5	1.7	1.7
Real estate investments	**1,147.6**	**15.3**	**900.0**	**13.3**	**1,147.6**	**15.6**	**13.1**	**12.2**	**12.6**	**14.9**
Direct real estate investments	931.8	12.4	674.9	10.0	931.8	12.6	9.9	9.9	10.8	12.4
Real estate investment funds and joint investment companies	215.8	2.9	225.1	3.3	215.8	2.9	3.3	2.2	1.8	2.4
Other investments	**833.8**	**11.1**	**761.9**	**11.2**	**833.8**	**11.3**	**11.1**	**9.9**	**10.9**	**12.9**
Hedge fund investments	826.6	11.0	740.8	10.9	826.6	11.2	10.8	9.9	10.9	12.9
Other investments	7.2	0.1	21.1	0.3	7.2	0.1	0.3	-	-	-
Total investments	**7,495.2**	**100.0**	**6,772.8**	**100.0**	**7,378.1**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Bond portfolio modified duration	4.1									

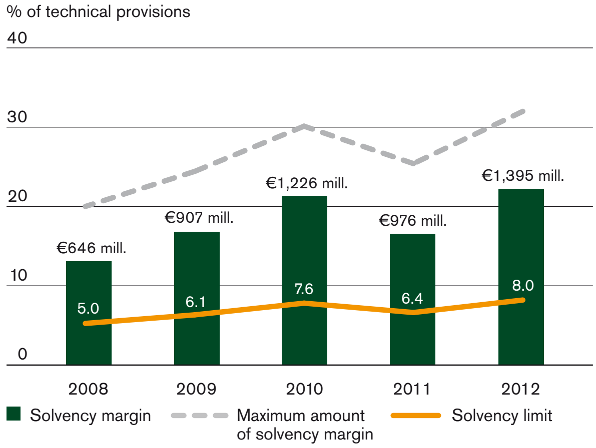
NET INVESTMENT INCOME AT FAIR VALUES

1 Jan.–31 Dec. 2012

	Net investment income at fair values, € mill. 2012	Invested capital, € mill. 2012	Yield on invested capital, % 2012	Yield on invested capital, % 2011	2010	2009	2008
Fixed-income investments	**336.4**	**3,755.4**	**9.0**	**3.3**	**5.0**	**5.7**	**-2.0**
Loans	10.5	358.8	2.9	3.5	3.4	3.6	4.2
Bonds	320.4	2,926.2	11.0	3.8	5.8	6.8	-6.0
Other financial market instruments and deposits, including receivables and debts related to investments	5.5	470.4	1.2	1.6	1.0	2.3	5.6
Equity investments	**216.4**	**1,372.8**	**15.8**	**-15.5**	**22.5**	**33.7**	**-36.9**
Listed equities	192.8	1,153.3	16.7	-18.4	24.8	44.3	-40.1
Private equity investments	13.5	124.8	10.8	5.4	7.0	-18.8	-5.6
Unlisted equity investments	10.2	94.6	10.7	7.4	5.2	11.9	-15.7
Real estate investments	**110.4**	**885.3**	**12.5**	**9.2**	**8.2**	**3.3**	**6.4**
Direct real estate investments	98.5	664.7	14.8	8.4	7.1	6.9	9.5
Real estate investment funds and joint investment companies	12.0	220.5	5.4	12.1	14.0	-14.2	-9.8
Other investments	**50.4**	**806.3**	**6.3**	**-2.7**	**9.4**	**16.4**	**-19.4**
Hedge fund investments	66.1	769.0	8.6	-3.3	9.4	16.4	-19.4
Other investments	-15.6	37.3	-41.9	40.6	-	-	-
Total investments	**713.7**	**6,819.8**	**10.5**	**-1.4**	**9.9**	**10.2**	**-12.0**
Unallocated income, costs and operating expenses from investment operations [1]	-8.6		-0.1	-0.2	0.1	0.0	-0.1
Net investment income at fair values	**705.1**		**10.3**	**-1.6**	**10.0**	**10.1**	**-12.1**

1) Also includes e.g. such interest items of the profit and loss account which are not entered under investment income and for 2010, also the correction related to the PAYG pool.

Solvency margin and its limits



Solvency margin and its limits

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

	-12	-11	-10	-09	-08
Solvency limit	8.0	6.4	7.6	6.1	5.0
Minimum amount of solvency margin 1)	2.0	2.0	2.0	2.0	2.0
Maximum amount of solvency margin	32.2	25.5	30.3	24.5	20.0
Solvency margin 2)	22.3	16.5	21.4	16.8	12.9

1) In 2012 the minimum amount according to the permanent law 5.4.
2) In 2008–2012 includes a part from clearing reserve paralleled with the solvency margin. In 2012 includes an item of €260.3 mill. from clearing reserve paralleled with the solvency margin. Without the paralleling solvency margin is 17.4%.

LOADING PROFIT, € mill.	2012	2011	2010	2009	2008
Administration costs in insurance premium	53.7	50.1	48.7	47.0	46.8
Share of premium available to cover operating expenses resulting from compensation decisions	2.2	2.1	1.9	1.7	1.6
Other income	0.6	0.6	0.6	0.7	0.6
Operating expenses by operation 1)	42.2	40.6	39.4	38.2	36.3
Loading profit	**14.3**	**12.2**	**11.8**	**11.2**	**12.7**
Operating exp./loading profit, %	**74.7%**	**76.9%**	**76.9%**	**77.4%**	**74.2%**

1) Does not include the judicial administration charge, insurance supervision fee and collection expenses which were €0.4 mill. for 2012.

PERFORMANCE ANALYSIS, € mill.	2012	2011	2010	2009	2008
Sources of surplus					
Insurance business surplus	**-10.2**	**-24.1**	**24.7**	**-20.9**	**-1.1**
Investment surplus at fair values	**410.0**	**-256.6**	**307.8**	**246.4**	**-730.4**
+ Net investment income at fair values 1)	705.1	-107.9	620.7	570.9	-759.8
- Yield requirement on technical provision	-295.1	-148.7	-312.9	-324.5	29.3
Loading profit	**14.3**	**12.2**	**11.8**	**11.2**	**12.7**
Total surplus	**414.1**	**-268.5**	**344.3**	**236.7**	**-718.9**
Distribution of surplus					
Change in solvency	**395.3**	**-281.7**	**328.5**	**224.5**	**-725.2**
Change in equalisation provision	**-10.5**	**-24.9**	**24.4**	**-21.5**	**-2.0**
Change in solvency margin	**405.8**	**-256.8**	**304.0**	**246.0**	**-723.3**
Change in provision for future bonuses	4.0	-124.5	77.9	-8.3	-390.8
Change in valuation differences	400.5	-134.0	224.8	253.4	-334.1
Change in accrual of closing entries	0.1	0.1	0.1	0.0	0.0
Profit for the financial year	1.3	1.6	1.3	1.0	1.7
Transfer to client bonuses	**18.8**	**13.2**	**15.9**	**12.1**	**6.3**
Total	**414.1**	**-268.5**	**344.3**	**236.7**	**-718.9**

1) Includes such interest items that are not entered under investment income and in 2010 also a correction related to PAYG pool.

ACTIVITIES TO MAINTAIN WORKING CAPACITY	2012	2011	2010	2009	2008
Premium income; disability risk management, € mill.	1.4	1.4	1.3	1.1	1.1
Claims incurred; management expenses for working capacity maintenance, € mill.	2.1	1.9	1.8	1.4	1.0
Management expenses for working capacity maintenance/ Disability risk management, %	**148.5**	**138.7**	**135.6**	**125.5**	**92.7**

Guide to key figures

By virtue of the supervision release issued on 28 December 2012 by the Financial Supervisory Authority, the calculation of the key figures has been carried out in compliance with the Regulations and Instructions 14/2012 that entered into force on 1 January 2013 excluding the regulations and instructions concerning the solvency of the pension institutions, as the legislative amendments related to these became effective as of 1 January 2013.

Clearing reserve is a part of the technical provisions for buffering the collectively paid pension expenditure and the insurance premium collected for its funding. Part of the clearing reserve is paralleled with the solvency margin in 2008–2012.

Client bonus reduces a contract employer's TyEL premium.

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

Invested capital is calculated by adding to the market value, at the beginning of the financial period, the cash flow for the period weighted with the relative proportion of the whole period remaining from the event date to the end of the period. Money in hand and cash at bank, as well as trading price receivables and liabilities should be taken into account when calculating the invested capital.

Investment distribution at fair values includes derivatives allocated to the specified asset items. Money in hand and cash at bank, as well as trading price receivables and liabilities are included in the item Other money-market instruments and deposits.

Loading profit is calculated as follows: **expense loading**, collected to cover the operating expenses of the insurance business, plus any other income, less operating expenses covered by the expense loading. The share of the insurance premium that depends on the number of disability pension decisions is also included in the expense loading. Statutory payments are not included when calculating the loading profit. Investment management expenses are covered by the investment income and the working capacity maintenance expenses from the disability loading.

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

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

Pensions paid includes payments made to pensioners.

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

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

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

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

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

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

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

Result of investment operations at fair values is calculated by subtracting the required rate of return on technical provisions from the net investment income at fair values.

Technical provisions to be covered are calculated by adding debts for the pay-as-you-go (PAYG) pool and policyholders to the technical provisions in the financial statements.

Risk distribution is distribution according to the risk positions in the table Investment distribution at fair values. Risk distribution includes derivatives at the delta-adjusted market value of the underlying instrument: Delta-adjusted (or risk-adjusted) = the underlying instrument of a future or terminal or an option multiplied by option delta, in other words, the risk effect of derivatives.

Solvency capital comprises the solvency margin and the equalization amount. The solvency capital is used to cover losses so that the investment losses are covered by the solvency margin component and the losses from insurance business are primarily covered by the equalization amount component. The secondary measure is to use the other buffer's funds.

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

Solvency requirements are based on the scrutinising of theoretical risks in investment assets. The central quantity in the scrutinising of solvency is the **solvency limit**. The riskier the company's investment distribution, the higher the solvency limit and the larger solvency margin it requires. The indicators of **solvency** are the proportion of solvency margin to the technical provisions and the proportion of solvency margin to the solvency limit. The item paralleled with the solvency margin shall then be taken into account. The minimum amount of solvency margin is two thirds of the solvency limit in normal conditions, but during the validity of the exceptive law (853/2008), it is 2 per cent of the technical provisions, and if the amount of the solvency margin exceeds the quadruple amount of the solvency limit (upper limit of the target zone) for a second year in a row, the company shall make an extra transfer to client bonuses.

Statutory payments comprise the share of costs of the Finnish Centre for Pensions, which acts as the central body of the system, the judicial administration charge of the Pension Appeal Court and the supervision charge of the Financial Supervisory Authority.

Technical provisions or the company's liability resulting from insurance contracts comprises the premium and claims reserves. Technical provisions are also referred to as pension liability. The premium reserve is an estimate of the current value of the pension payments based on future occurrences of the insured events for which the company is responsible. The claims reserve is an estimate of the current value of the future compensations of contingencies that have already commenced. In addition, the provisions for current and future bonuses and provisions linked to equity income are included in the premium reserve, and the equalization amount and clearing reserve are included in the claims reserve. In calculating the technical provisions for solvency, the provision for future bonuses, provision for unearned premiums under the Self-employed Persons' Pensions Act, and, while the exceptive law (853/2008) is in force, share of the technical provisions comparable with the solvency margin shall be deducted from the liability. From the beginning of 2013, upon the termination of the exceptive law, the equalization amount rather than the share of the technical provisions comparable with the solvency margin shall be deducted from the liability.

Total operating expenses comprise the operating expenses of insurance business, investment operations and working capacity maintenance as well as statutory charges.

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

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

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

Board of Directors' Proposal on the Disposal of Profit

The Board of Directors proposes that the €1,284,699.43 surplus for the financial year be disposed as follows: €15,000 to be reserved for the public good or similar purpose, €1,265,000.00 to be transferred to the contingency reserve, and €4,699.43 to be retained in the profit and loss account. No interest shall be paid on the guarantee capital for the year 2012.

Helsinki 4 March 2013

BOARD OF DIRECTORS

Pekka Sairanen

Timo Vallittu	Heimo J. Aho	Jukka Ahtela
Heikki Kauppi	Eero Lehti	Reija Lilja
Jussi Mustonen	Olavi Nieminen	Antti Rinne
	Lasse Heiniö Managing Director	Mikko Karpoja, Fellow of the Actuarial Society of Finland, Actuary in accordance with Chapter 18, Section 8 of the Insurance Companies Act

Auditor's Report

TO THE ANNUAL GENERAL MEETING OF MUTUAL INSURANCE COMPANY PENSION FENNIA

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Mutual Insurance Company Pension Fennia for the financial period 1.1.–31.12.2012. The financial statements comprise the consolidated balance sheet, income statement and cash flow statement and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Supervisory Board as well as of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act, the Employee Pension Insurance Companies Act, the Insurance Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 15 March 2013

Ulla Nykky
Authorized Public Accountant

Pekka Hietala
Authorized Public Accountant

Corporate Governance Statement 2012

Corporate Governance Statement 2012

This Corporate Governance Statement has been drawn up in accordance with Recommendation 54 of the Finnish Corporate Governance Code 2010 and is published in connection with the Board of Directors' Report as a separate report. It is included in Pension Fennia's Annual Report and is also available on the company's website at www.pensionfennia.fi.

Pension Fennia is an employment pension insurance company, and in addition to the Act on Employment Pension Insurance Companies its administration and supervision are governed by the Insurance Companies Act and the Limited Liability Companies Act, as well as any statutes, regulations and instructions given by virtue thereof. The company's administrative bodies are the Annual General Meeting, the Supervisory Board, the Board of Directors and the Managing Director. The labour market organisations played a key role in passing the employment pension acts in the early 1960s, and they have statutory representation in the administration of employment pension companies as financiers of the earnings-related pension scheme.

The Board of Directors of Pension Fennia approved the guidelines concerning the company's corporate governance and good administrative practice on 25 August 2004. The instructions were originally based on the corporate governance recommendations for listed companies which entered into force on 1 July 2004. The Board of Directors of Pension Fennia most recently approved changes to the said instructions on 26 January 2009 due to the amended Finnish Corporate Governance Code that entered into force on 1 January 2009. On the basis of amendments of the Finnish Corporate Governance Code that entered into force on 1 October 2010, Pension Fennia has published a report on salaries and fees that is available on the company's website. The Finnish Corporate Governance Code can be viewed online at www.cgfinland.fi.

In the legislation concerning insurance companies, including employment pension insurance companies, a requirement has been set for the management of the company to manage the company in accordance with the principles of reliable administration. These principles are formed in practical business life e.g. alongside the development of the corporate governance recommendations. Employment pension insurance companies which exercise significant public and financial power are required to apply the recommendations as broadly as allowed by the legislation. The framework of norms for employment pension insurance companies is, however, very different compared with the framework of norms for listed companies. The purpose and "ownership" of employment pension insurance companies also differ significantly from those of listed companies. In so far as the framework of norms is the same, the recommendations can be followed as they are, provided that they are not contrary to the purpose of operations of employment pension insurance companies or unless otherwise determined by mutuality. As an employment pension insurance company, Pension Fennia has aimed to build its own corporate governance on the basis of special legislation, complying with the recommendations as applicable. The end of the report contains separate arguments for deviations from the recommendations.

OWNERS

Pension Fennia is a mutual insurance company. It is owned by the policyholders who have a valid insurance in the company in accordance with the Employees' Pensions Act or Self-employed Persons' Pensions Act. Furthermore, its owners include the insured covered by each policy under the Employees' Pensions Act, and the owners of the guarantee capital.

ANNUAL GENERAL MEETING

The highest power of decision is exercised by the owners in their Annual General Meeting. In the Annual General Meeting, the policyholders and owners of the guarantee capital are entitled to vote. In addition, an elected representative of the insured under each TyEL policy has the right to vote.

Detailed information on the determination and division of the voting rights can be found in Pension Fennia's Articles of Association, which can be viewed on the company's website.

The Annual General Meeting elects the members of the Supervisory Board and the auditors, and makes decisions concerning the confirmation of the financial statements and the use of the profit shown in the Balance

Sheet. The Annual General Meeting decides whether to grant a discharge from liability to the members of the Board of Directors and the Supervisory Board and the Managing Director. In addition, the Annual General Meeting decides on the fees for the members of the Supervisory Board and the auditors, as well as other matters mentioned in the notice of the meeting.

The Annual General Meeting is held annually by the end of May at a time determined by the Board of Directors. An extraordinary General Meeting shall be held, if considered necessary by the Board of Directors or Supervisory Board.

Before the Annual General Meeting, owners are given the information required by law as well as information in accordance with the industry practice as decided by the Board of Directors when preparing the notice of the meeting. The notice of the Annual General Meeting shall be published no later than two weeks before the meeting in at least two newspapers published in Helsinki, one of which shall be in Swedish, and on the company's website.

Pension Fennia's Annual General Meeting was most recently held on 16 April 2012.

SUPERVISORY BOARD

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

The Annual General Meeting elects 28 members to the Supervisory Board for three years at a time, so that a maximum of ten members resign each year. Seven members are elected from among candidates nominated by major employer organisations and seven from among candidates named by major employee organisations. The Supervisory Board elects from among themselves, for one calendar year at a time, a Chairman and Deputy Chairman, one of whom shall be a person proposed by the representatives of the insured. The Supervisory Board may elect more than one Deputy Chairmen in which case one of the Deputy Chairmen shall be elected the First Deputy Chairman. If the person proposed by the representatives of the insured is not elected the Chairman of the Supervisory Board, he or she shall be elected the First Deputy Chairman. The members of the Supervisory Board of Pension Fennia are introduced at the end of the report.

The rules of procedure of the Supervisory Board describe the composition of the Supervisory Board, its duties, and the matters related to arranging a meeting of the Supervisory Board.

The Supervisory Board supervises the company's administration by the Board of Directors and the Managing Director. The duties of the Supervisory Board are listed in the law and in the Articles of Association. The Supervisory Board cannot be given other duties than those mentioned in the law.

The Supervisory Board convened twice in 2012. On average, a total of 69 per cent of the members participated in the meetings. According to a decision of the Annual General Meeting, the annual fees paid to the members of the Supervisory Board are as follows: Chairman €4,500, Deputy Chairman €3,000, and members €1,800. The meeting fee was €400 per meeting.

ELECTION COMMITTEE OF THE SUPERVISORY BOARD

The Supervisory Board elects, for one calendar year at a time, the Election Committee of the Supervisory Board, which includes four members from the Supervisory Board and two members from the Board of Directors. Half of the members are elected from among persons proposed by the policyholders and half from among those proposed by the representatives of the insured in the Supervisory Board. The Supervisory Board elects a Chairman and Deputy Chairman for the Election Committee from among the members, and one of them shall be a person proposed by the representatives of the insured. The Supervisory Board decides on the fee to be paid to the members of the Election Committee.

The task of the Election Committee is to prepare a proposal on the election and fees of the members of the Supervisory Board for the Annual General Meeting, and a proposal on the election and fees of the members of the Board of Directors for the Supervisory Board. More detailed orders on the Election Committee are given in the Articles of Association.

On 20 November 2012, the Supervisory Board elected the members of the Election Committee for the calendar year 2013. Members who were nominated by the policyholders and re-elected to the Election Committee included Eero Lehti from the Board of Directors of Pension Fennia, and Managing Director Klaus Saarikallio and Chairman of the Board Taisto Lehti, both from the Supervisory Board. Members who were nominated by the insured and re-elected to the Election Committee included Chairman Antti Rinne from the Board of Directors of Pension Fennia, and, from the Supervisory Board, Chairman Pertti Porokari and First Deputy Chairman Jaana Ylitalo. Taisto Lehti was elected Chairman of the Election Committee and Jaana Ylitalo was elected Deputy Chairman.

The Election Committee convened twice in 2012. On average, a total of 83 per cent of the members participated in the meetings. According to a decision of the Supervisory Board, the meeting fees paid were €500 per meeting to the Chairman, €400 per meeting to the Deputy Chairman, and €300 per meeting to members.

BOARD OF DIRECTORS

The election procedure and composition of the Board of Directors are based on legislation. Pension Fennia's Board of Directors comprises ten ordinary members and four deputy members. The Supervisory Board elects the members and deputy members of the Board of Directors for three years at a time so that a maximum of four ordinary members resign annually. Three ordinary members and one deputy member of the Board of Directors are elected from among candidates proposed by major employer organisations and three ordinary members and one deputy member from among those proposed by major employee organisations. The Board of Directors elects from among themselves, for one calendar year at a time, the Chairman of the Board of Directors and a Deputy Chairman, one of whom shall be a person proposed by the representatives of the insured. The Board of Directors may elect more than one Deputy Chairmen, in which case one of the Deputy Chairmen shall be elected the First Deputy Chairman. If the person proposed by the representatives of the insured is not elected the Chairman of the Board of Directors, he or she shall be elected the First Deputy Chairman

The composition of the Board of Directors and eligibility of the members are prescribed by law. According to the law, members of the Board of Directors must be individuals with a good reputation who have sufficient knowledge of the employment pension insurance business. There must also be good knowledge of investment operations among the Board of Directors. Furthermore, the law sets specific eligibility requirements that limit the engagement of the members of the Board of Directors to other companies. The Chairman of the Board of Directors and two thirds of the other members of the Board of Directors shall be persons who are not in the service of the company or other financial institutions listed in the law, as an employee, as a managing director or member of an administrative body. The company shall submit to the Financial Supervisory Authority a report on the eligibility of the Board members (reliability and suitability) and on the fulfilment of the statutory requirements that limit engagement. The members of the Board of Directors of Pension Fennia are introduced at the end of the report.

The Board of Directors usually convenes once a month by invitation of the Chairman and constitutes a quorum when more than half of the members are present. The Board of Directors shall, together with the Managing Director, manage the company with professional skill, and in compliance with sound and prudent business practices and corporate governance principles. The management of the company shall promote the interest of the company by due diligence.

The Board of Directors' general task is to oversee the company's administration and the appropriate arrangement of operations. The Board of Directors shall see to it that the supervision of accounting and asset management is appropriately arranged. In principle, the Board of Directors is responsible for all the tasks that are not directed to other bodies of the company or that do not belong to the authority of other administrative bodies due to their nature.

The rules of procedure of the Board of Directors describe and guide the practical work of the Board of Directors. The rules of procedure describe the key tasks, operating principles and meeting practices of the Board of Directors, the reports and reviews to be handled in the meetings of the Board of Directors, and the tasks and compositions of the committees.

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

- To appoint and give notice to the Managing Director and his deputy, the Deputy Managing Director, the Actuary, the directors and the deputy directors
- To decide on the convening of the General Meeting of owners
- To decide on the company's goals and strategy
- To decide on the general structure of the company's organisation
- To draw up the financial statements and the Board of Directors' report
- To decide on the company's investment plan and the powers of decision related thereto
- To decide on the company's investment operations for the part that has not been delegated
- To ensure that the company has sufficient internal supervision and risk management systems with consideration for the nature and extent of its operations
- To approve the risk management plan concerning all operations of the company
- To assess annually whether the company's internal supervision is appropriately arranged
- To decide on the reward systems of the personnel
- To decide to confirm the rules of the company's advisory committees, election of members and remuneration to the members.

The Board of Directors evaluates its own operations and ways of working once a year with the goal of developing and improving the work of the Board of Directors.

Pension Fennia's Board of Directors convened 10 times in 2012, and 100 per cent of the members participated in the meetings. In accordance with the decision of the Supervisory Board, the annual remuneration to the members of the Board of Directors was as follows: Chairman €20,000, Deputy Chairmen €16,000, ordinary members €10,000 and deputy members €7,000. The meeting fee was €500 per meeting to the Chairman, Deputy Chairmen, ordinary members and deputy members of the Board.

COMMITTEES OF THE BOARD OF DIRECTORS

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

Appointment and Remuneration Committee

The Appointment and Remuneration Committee is formed in accordance with the rules of procedure of the Board of Directors, of the Chairman and Deputy Chairmen of the Board of Directors, elected by the Board of Directors from among themselves for one calendar year at a time.

The task of the committee is to appoint the Managing Director and his deputy and to prepare, plan and develop matters related to the remuneration and appointment of directors appointed by the Board of Directors. The proposals of the Appointment and Remuneration Committee are submitted to the Board of Directors for decision.

In 2012, the Appointment and Remuneration Committee was chaired by Pekka Sairanen, Chairman of the Board of Directors of Pension Fennia, and the members included Deputy Chairmen of the Board of Directors Timo Vallittu and Heimo J. Aho. The Appointment and Remuneration Committee convened four times, and 100 per cent of the members participated in the meetings. In accordance with the decision of the Supervisory Board, the meeting fee for the Appointment and Remuneration Committee was €500 per meeting to the Chairman and Deputy Chairmen of the Board.

Audit Committee

The Audit Committee comprises, in accordance with the rules of procedure of the Board of Directors, of three members of the Board of Directors elected from among themselves; one of them is elected from the members representing employer organisations, one from members representing employee organisations and one from other members of the Board of Directors. The Chairman or a Deputy Chairman cannot be elected to the committee. The Board of Directors appoints the Chairman of the committee.

The task of the Audit Committee is to monitor the company's financial situation, financial reporting, the sufficiency and appropriateness of internal supervision and risk management, and to handle the plans and reports of Internal Auditing. The committee reports to the Board of Directors.

In 2012, members of the Audit Committee of the Board of Directors were Director Heikki Kauppi, Director Jukka Ahtela and Chairman of the Board Olavi Nieminen. The Audit Committee convened six times, and 94 per cent of the members participated in the meetings.

In accordance with the decision of the Supervisory Board, the meeting fee for the Audit Committee was €500 per meeting to the members of the Committee.

AUDITORS

In 2012, the Annual General Meeting of Pension Fennia elected Ulla Nykky, Authorised Public Accountant, and Pekka Hietala, Authorised Public Accountant, as auditors of the company, and Jenni Smedberg, Authorised Public Accountant, and Pasi Hirvonen, Authorised Public Accountant, as deputy auditors. The company paid to Ernst & Young Oy a total of €113,677.90 as auditing fees and €34,380.96 as a fee for services not related to auditing.

MANAGEMENT

Managing Director and his deputy

The Managing Director and his deputy are appointed by the Board of Directors. The Managing Director's deputy acts as the Managing Director when the Managing Director is prevented from attending to his duties. The Managing Director takes care of the company's current administration according to the advice and instructions by the Board of Directors. The Managing Director shall see to it that the company's accounting is in compliance with the law and that asset management has been arranged in a reliable manner. The Managing Director shall provide the Board of Directors and its members with the information necessary for handling the duties of the Board of Directors.

According to the law, the Managing Director shall be a person with a good reputation, and he or she shall have a good knowledge of employment pension operations, investment operations and business management. The Managing Director must not be a member of the company's Supervisory Board or Board of Directors. In addition, the law contains some other special requirements concerning the Managing Director.

The Managing Director of Pension Fennia is Lasse Heiniö, Master of Science, Fellow of the Actuarial Society of Finland (born 1951). Mr Heiniö is a member of the Board of the Finnish Pension Alliance TELA, and a member of the Board of AEIP (the European Association of Paritarian Institutions). He has been working as the Managing Director of Pension Fennia as of 1 June 2001. The company has not assigned a deputy for the Managing Director.

Executive Group and Investment Committee

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

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

DESCRIPTION OF THE MAIN CHARACTERISTICS OF THE INTERNAL SUPERVISION AND RISK MANAGEMENT SYSTEMS RELATED TO THE FINANCIAL REPORTING PROCESS

Pension Fennia's financial reports have been drawn up in accordance with the Accounting Act and Decree that regulate the accounting and financial statements of employment pension insurance companies, the Limited Liability Companies Act and the Insurance Companies Act. Financial reporting is done in compliance with the regulations of the Act on Employment Pension Insurance Companies, the statutes of the Ministry of Social Affairs and Health on financial statements and consolidated financial statements of insurance companies, as well as the regulations and guidelines issued by the Ministry of Social Affairs and Health and the Financial Supervisory Authority.

Pension Fennia publishes financial statements required by the regulations and guidelines of the Financial Supervisory Authority, and a six-month interim report. In addition, Pension Fennia publishes a performance review for the first and third quarters of the year.

The most important key figures in evaluating Pension Fennia's total risk position and risk-bearing capacity are the amount of solvency margin in proportion to the technical provisions (solvency ratio) and the amount of solvency margin in proportion to the solvency limit in accordance with the regulations (solvency position). Other key items for financial reporting are the yield requirement concerning the technical provisions, valuation of investments, and investment income at fair values.

The Board of Directors of Pension Fennia has overall responsibility for arranging internal supervision and risk management, and for the annual evaluation of the state of internal supervision. This evaluation is based on the report drawn up by the company's Internal Auditing. The Board of Directors approves the company's risk management policy, including the general principles of risk management. The Board of Directors approves, on an annual basis, the risk management plan for the company, including the most significant risks related to investment operations, and monitors the progress of management measures presented therein through the reports, interim report and final report it receives. The Investment Committee discusses and approves the risk management plan of the Investment unit.

The Board of Directors approves annually, as part of the investment plan, the bases for classification in accordance with the real risk as referred to in the Act on the calculation of the pension provider's solvency limit and the covering of the technical provisions (1114/2006). The Independent Risk Management and Controller unit follows weekly the solvency limits based on the legal classification in accordance with the real risk, and reports thereon to the Board of Directors every six months as part of the official reporting. The classification criteria are also checked at six-month intervals, and the results are reported via the Investment Committee to the Board of Directors. The classifications of new investments are reported to the Investment Committee monthly or as necessary.

The Independent Risk Management and Controller unit reports on the implementation of the company's risk management plan every six months to the company's Audit Committee and Executive Group, as well as annually to the Board of Directors.

Systematic assessment, measurement, supervision and reporting of risks is carried out by a party independent of the investment unit in terms of the total risk position (solvency, allocation, investment income and expenses, gross margin, limits) and, in terms of asset category-specific returns and risks, by the Independent Risk Management and Controller unit. The Board of Directors usually receives monthly reports about the goal and realisation of the investment operations, result, yield contributions, investment allocation, solvency and margin position, risks, asset category-specific risks, derivatives and their degree of utilisation, and compliance. The biggest risk concentrations are reported to the Board of Directors quarterly. The management receives weekly, or if necessary, even daily, reports about the investment income, solvency and its sensitivity, and other key figures. The asset category-specific risks and returns, including derivatives, are reported weekly to the portfolio managers and members of the Investment Committee. In addition, derivative positions and certain risk figures are reported daily to the portfolio managers. The aim is to ensure the correctness of the reports through regular balancing routines, good professional skills, and close co-operation and flow of information between the Independent Risk Management and Controller unit and the Investment unit. The correctness of the technical provisions used in the calculation of the solvency limit is ensured by the insurance technique unit and the Actuary. During the course of the year, the technical provisions are estimated in the Independent Risk Management and Controller unit, and their correctness is ensured through close co-operation with the insurance technique unit and the Actuary. The investment values used in the financial statements are determined in accordance with the Accounting Principles. As for unlisted equities, private equity funds and real estate funds, the Independent Risk Management and Controller unit ensures that the market values have been priced in accordance with the agreed principles. The Independent Risk Management and Controller unit runs a regular balancing routine to ensure the correctness of the market values and credit ratings of the securities system. There is a temporal delay related to the determination of the market values, but its effect is minimal.

Pension Fennia's Investment Committee monitors the financial and operational risks of investment operations. The Independent Risk Management and Controller unit is responsible for providing the Investment Committee with risk reports concerning solvency margin, solvency, gross margin, returns and allocation, as well as asset category-specific operational risk reports for various capital market instruments, and asset category analyses. Real Estate Investments is responsible for risk reporting concerning real estate.

Since 2009, the company has had a compliance function which is integrated into the organisation in such a way that persons responsible for the measures required by the compliance activities and any related reporting have been appointed to different parts of the organisation.

The company's business accounting for the financial year has been implemented using the matching principle, and the information in the general ledger accounting is in line with the partial accounting systems. During the financial year, the balancing is done monthly. The company has up-to-date process descriptions and working instructions on financial reporting. The work procedures have been reformed by decreasing manual processes, automating processes, and building balancing files.

The exact technical provisions are calculated annually. During the course of the year, the development of the technical provisions is anticipated using portfolio extracts from the employment register, forecasts issued by the Finnish Centre for Pensions, and insurance technical analyses.

The operational risks related to Pension Fennia's financial reporting are regularly surveyed. The significance of the effects of identified risks and the probability of their realisation are estimated separately for each risk.

The company has an Internal Auditing unit which has operated under the Managing Director and reported directly to the Board of Directors.

According to the decision of the Board of Directors, risk management was reorganised as of 1 January 2013. Risk management was transferred from the responsibility of Director Irmeli Heino to the responsibility of Director Sarianne Kirvesmäki, head of the Independent Risk Management and Controller unit. The organisational position, areas of duties, responsibility and authority of Internal Auditing are determined in the guidelines approved by the Board of Directors. The Board of Directors of Pension Fennia annually approves the operating plan of Internal Auditing.

SPECIFICATION OF DEVIATION FROM THE RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE

Pension Fennia follows the Finnish Corporate Governance Code 2010 for listed companies as applicable to an employment pension insurance company. Deviation from the recommendations of the Corporate Governance Code is mainly based on legislation concerning employment pension companies. Pension Fennia deviates from the recommendations of the Corporate Governance Code as follows:

- Recommendation 1:
  According to the Articles of Association, the notice of the Annual General Meeting of Pension Fennia shall be published two weeks before the Annual General Meeting in at least two newspapers based in Helsinki, one of which shall be in Swedish.

- Recommendations 4, 8, 11 and 12:
  According to the Act on Employment Pension Companies, the members of the Board of Directors are not elected at the Annual General Meeting of owners, but the election is performed by the Supervisory Board applying methods stipulated by the Articles of Association. There are specific stipulations in the Act and the Articles of Association concerning the composition of the Board of Directors of an employment pension company. The proposal by the Election Committee on the election of the members of the Supervisory Board is presented in the notice of the Annual General Meeting. There are also specific orders

in the Act and the Articles of Association concerning the composition of the Supervisory Board which are explained in the notice of the Annual General Meeting.

- Recommendation 10:
According to the Articles of Association of Pension Fennia, the term of the members of the Board of Directors is three years. The purpose of the company's operations and the statutory nature of the election procedure of the members of the Board of Directors support having a term longer than one year. The Chairman and Deputy Chairmen of the Board of Directors are elected for one calendar year at a time.

- Recommendations 9, 14, 15, 26, 29 and 32:
The number of independent members of the Board of Directors of an employment pension insurance company and its committees, and the evaluation of their independence are based on law. The composition of the Board of Directors of an employment pension insurance company and the eligibility of the members are prescribed in the law. In addition, the law sets special eligibility requirements which limit the connections of the members of the Board of Directors to other companies. Pension Fennia must provide the Financial Supervision Authority with a report in accordance with the stipulations on the eligibility of a member of the Board of Directors (reliability and suitability) and that the requirements concerning engagements set in the law are met. Members of the Board of Directors of Pension Fennia may include such persons who act in the operational management or administration of Pension Fennia's major client companies. That is related to the mutual company form of Pension Fennia. More detailed information on the members of the administrative bodies have been provided separately.

- Recommendations 30 and 33:
The tasks of the Appointment and Remuneration Committee of the Board of Directors are determined in the rules of procedure of the Board of Directors, and the tasks do not include preparation of the appointment and remuneration matters concerning the members of the Board of Directors; that task belongs pursuant to the law to the company's Election Committee.

- Recommendations 16, 35, 38 and 41:
The shareholding of a member of the Board of Directors and communities under his or her control or those of the Managing Director and the Executive Group cannot be disclosed, because a mutual employment pension insurance company does not have shares.

- Recommendation 40:
The remuneration and fees paid for work in the Board of Directors and committees and their determination bases are not decided on by the general meeting, but the decision is made, pursuant to the law, by the Supervisory Board to which the Election Committee makes a proposal on the matter.

- Recommendations 42, 44–46:
These cannot be followed regarding share-based remuneration, because a mutual employment pension insurance company does not have shares.

- Recommendation 51:
Pension Fennia follows the recommendation on insiders as applicable to a mutual employment pension insurance company.

- Recommendation 55:
The recommendation on presenting information is followed with the above-mentioned exceptions as applicable to an employment pension insurance company.

BOARD OF DIRECTORS

Chairman:

Pekka Sairanen
Born 1957, M.Sc.
(Econ. & Bus.Adm.)
Managing Director, Domus
Group Ltd

Deputy Chairmen:

Timo Vallittu
Born 1953, elementary school
Chairman, Industrial Union TEAM
Representative of employee
organisations

Heimo J. Aho
Born 1949, B.Sc.
(Econ. & Bus. Adm.)
Chairman of the Board, SKS
Group Oy and subsidiaries of
SKS Group
Representative of employer
organisations

Other representatives of the labour market organisations:

Jukka Ahtela
Born 1952, Master of Laws,
M.Sc. (Econ. & Bus. Adm.)
Director, Confederation of
Finnish Industries EK
Representative of employer
organisations

Heikki Kauppi
Born 1955, M.Sc. (Eng.)
Director, Academic Engineers
and Architects in Finland - TEK
Representative of employee
organisations

Jussi Mustonen
Born 1955, Licentiate of Social
Sciences
Director, Confederation of
Finnish Industries EK
Representative of employer
organisations

Antti Rinne
Born 1962, Master of Laws
Chairman, Trade Union Pro
Representative of employee
organisations

Other members of the Board of Directors:

Eero Lehti
Born 1944, Master of Social
Sciences, Doctor Honoris Causa
(University of Vaasa)
Member of Parliament,
Chairman of the Board,
Taloustutkimus Oy

Olavi Nieminen
Born 1952, Optician
Chairman of the Board,
Piiloset by Finnsusp Oy

Ralf Wickström
(until 29 February 2012)

Reija Lilja
(as of 1 January 2013)
Born 1954, Ph.D., The London
School of Economics and
Political Science (Economics)
Research Director, Labour
Institute for Economic Research

Deputy members:

Nikolas Elomaa
Born 1968, Master of Laws
Director of Policy Development,
Central Organisation of Finnish
Trade Unions
Representative of employee
organisations

Antti Kuljukka
Born 1961, Master of Social
Sciences, eMBA
Managing Director, Fennia Mutual
Insurance Company

Reija Lilja
(until 31 December 2012)
Born 1954, Ph.D., The London
School of Economics and
Political Science (Economics)
Research Director, Labour
Institute for Economic Research

Daniela Yrjö-Koskinen
(as of 1 January 2013)
Born 1971, M.Sc. (Econ. & Bus.)
Managing Director, Novita Oy

Rauno Mattila
(until 31 December 2012)
Born 1946, Technician
Chairman of the Board,
Teknopower Oy
Representative of employer
organisations

Mikko Merivirta
(as of 1 January 2013)
Born 1963, Law Student
Chairman of the Board,
Cafetering Oy
Representative of employer
organisations

SUPERVISORY BOARD

Chairman:

Taisto Lehti, born 1945
Chairman of the Board
Oy Odensö Ab

Deputy Chairmen:

Jaana Ylitalo, born 1969
First Deputy Chairman
Service Union United PAM

Klaus Saarikallio, born 1955
Managing Director
Normek Oy

Representatives of employer organisations:

Tero Jussila, born 1958
CFO
Maintpartner Group Oy

Heikki Nikku, born 1956
Senior Vice-President
CGI Suomi Oy

Marja Rantanen, born 1943
Managing Director
Lahden Lounaspörssi Oy

Timo Suominen, born 1954
(until 14 December 2012)
CFO
Empower Oy

Jukka Tikka, born 1953
Chairman of the Board
Länsi-Savo Oy

Pentti Virtanen, born 1964
President
FSP Finnish Steel Painting Oy

Representatives of employee organisations:

Timo Korpijärvi, born 1962
Communications Manager
The Finnish Metalworkers' Union

Håkan Nystrand, born 1955
Chairman
METO Forestry Experts' Association

Markku Palokangas, born 1957
Director of Industrial Sector
Trade Union Pro

Tuula A. Paunonen, born 1955
Chief Accountant
Länsi-Savo Oy

Pertti Porokari, born 1964
Chairman
Union of Professional Engineers in
Finland UIL

Katja Veirto, born 1972
Head of Unit, Social Affairs
Central Organisation of Finnish Trade
Unions

Other members of the Supervisory Board:

Kari Happonen, born 1958
President and CEO
Ixonos Plc

Oiva Iisakka, born 1956
(until 19 November 2012)
Head of Internal Auditing
LocalTapiola

Jussi Järventaus, born 1951
Managing Director
Federation of Finnish Enterprises

Pertti Karjalainen, born 1969
Managing Director
Attendo Finland Oy

Olavi Kaukonen, born 1956
Managing Director
A-Clinic Foundation

Jari Kostamo, born 1957
(until 21 December 2012)
Managing Director
Institute of Marketing

Tauno Maksniemi, born 1959
Managing Director
RTK-Palvelu Oy

Erkki Moisander, born 1953
(until 19 March 2012)
Managing Director
Federation of the Local Insurance
Group

Kyösti Pöyry, born 1952
Managing Director
Paperinkeräys Oy

Pekka Rantamäki, born 1953
CEO
Teknos Group Oy

Lasse Savonen, born 1951
Commercial Counsellor

Stefan Wentjärvi, born 1967
(until 15 October 2012)
Managing Director
Blue1 Oy

Janne Ylinen, born 1975
Managing Director
Kokkolan Halpa-Halli Ltd

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