



POHJOLA 1996

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The Pohjola Group

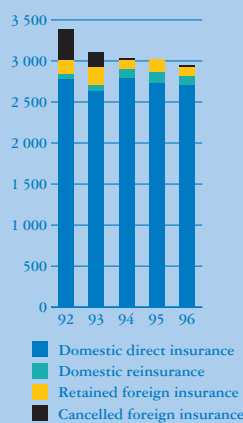
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Pohjola in brief

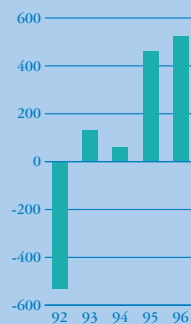
		1992	1993	1994	1995	1996
Turnover	FIM million	4 348	4 443	4 099	4 413	4 231
Gross premiums written	FIM million	3 386	3 110	3 041	3 015	2 958
Claims incurred	FIM million	-3 322	-2 813	-2 433	-2 269	-2 440
Operating expenses	FIM million	-632	-552	-518	-521	-565
Net investment income	FIM million	679	795	487	665	962
Operating profit	FIM million	-531	131	61	461	526
Balance sheet total	FIM million	9 373	9 639	9 576	9 719	10 316
Solvency capital	FIM million	3 793	5 314	5 760	4 848	6 425
Investment portfolio ¹⁾	FIM million	9 101	10 971	11 684	11 071	13 022
Loss ratio	%	111	103	92	88	95
Combined ratio	%	132	123	111	108	117
Solvency ratio	%	127	195	217	188	250
Earnings/share	FIM	1.94	2.19	-0.47	5.03	7.32
Net asset value/share ¹⁾	FIM	86.14	119.99	126.18	107.72	144.27
Return on equity ¹⁾	%	-5.3	33.8	6.0	-13.4	30.2
Return on assets ¹⁾	%	-4.0	12.9	4.0	-2.7	13.3
Equity to balance sheet total ¹⁾	%	31.7	38.2	39.4	35.0	40.7
Average number of employees		2 620	2 512	2 533	2 359	2 255

¹⁾ At current values

GROSS PREMIUMS WRITTEN
FIM million



OPERATING PROFIT/LOSS
FIM million



President's review



In the last few years, the non-life insurance market has only expanded very slowly, at roughly the same rate as the economy in general. Recent economic recovery has, however, as yet found little reflection in non-life premiums written. In contrast, there has been a substantial increase in the life assurance market.

The economic restructuring in recent years, accelerated by Finnish accession to the European Union, is also reflected in the savings market, which has greatly diversified. The role played by the insurance companies has increased, and insurance saving has proved to be a competitive option for savers. Over the last couple of years, life assurance premiums written have in fact risen appreciably, mirroring growing public interest in savings insurance. Admittedly, Finland still lags behind other countries in this respect, and internationally speaking, insurance savings still account for only a small percentage of the total savings market here. The situation is changing, however, and there is excellent potential for several years' growth in the volume of life assurance.

Finnish non-life insurance companies mainly compete for corporate policies, and as yet foreign competition, while growing, is not very significant. However, it will soon be possible for an insurance company based in any EU Member State to offer statutory workers' compensation insurance in Finland, and competitive pricing will also be permitted.

To be competitive, a company must be solvent, and Pohjola's solvency is excellent. The restructuring recently proposed in The Pohjola Group will also allow our life assurance business to expand, and provide a good target for this solvency.

For Pohjola, 1996 was a most satisfying year. Profits rose, thanks to successful investments, and our solvency improved still further. The balance on technical account was, admittedly, something of a disappointment, and our insistence on profitability resulted in a slight contraction of our market share. Even so, we intend to remain firm in resisting unhealthy price competition.

We have made ourselves more competitive through investments in information technology, and these will continue. In order to improve our client service, we have also reorganized the non-life insurance organization at head office. Various measures were also taken to step up client service in the field.

I should like to offer my warm thanks to our shareholders, clients, administrative organs and employees for a busy year.

Iiro Viinanen

Pohjola share

SHARE CAPITAL

Pohjola's share capital totals FIM 203 550 000. According to the company's Articles of Association, the company's minimum authorized capital is FIM 162 840 000; maximum authorized capital FIM 651 360 000. The share capital was last increased by a rights issue in 1987.

SHARES

The shares are divided into series A and B. The shares provide equal rights to the company's assets and profits. The nominal value of all shares is five Finnmarks. A-shares have ten votes per share; B-shares one vote.

The Insurance Companies Act provides that anyone may for himself or authorized by someone else vote with a maximum of one tenth of the total number of votes represented at a shareholders' meeting.

MANAGEMENT'S SHAREHOLDINGS

At the end of 1996, members of the Supervisory Board and Board of Directors, and the Chief Executive Officer owned a total of 12 615 shares, i.e. 0.03% of all shares and 0.01% of the total number of votes.

BOARD OF DIRECTORS' AUTHORITY

The company's Board of Directors is not, for the time being, authorized to issue shares.

STOCK EXCHANGE QUOTATION AND TURNOVER

Pohjola's shares are quoted on the Helsinki Stock Exchange.

The price development of the shares was better than the general development on the market. A total of 22.8 million Pohjola shares totalling a value of FIM 1 905 million were traded on the Helsinki Stock Exchange.

At year-end, the market capitalization of Pohjola's stock of shares was FIM 4.3 billion; FIM 2.3 billion at the end of 1995.

EARNINGS/SHARE

Earnings per share were FIM 7.32; FIM 5.03 in 1995.

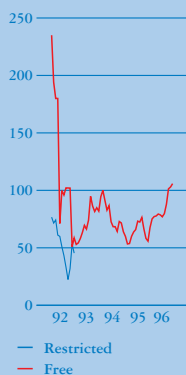
Consolidated net asset value rose from FIM 4.4 billion to FIM 5.9 billion, i.e. from FIM 107.72 per share to FIM 144.27 per share.

PROPOSED DIVIDEND

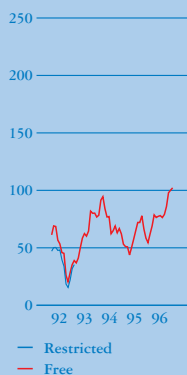
The Board of Directors of Pohjola proposes that FIM 2.00 per share, i.e. a total of FIM 81 420 000 be distributed in dividend.

According to the proposal of the Board of Directors, the dividend confirmed by the Annual General Meeting can be drawn as of May 9, 1997, the date of dividend payment.

PRICE DEVELOPMENT OF A-SHARE
FIM



PRICE DEVELOPMENT OF B-SHARE
FIM



NET ASSET VALUE/SHARE
FIM



POHJOLA'S SHARE CAPITAL

	Share capital FIM million	Number of shares	Percentage of share capital	Percentage of votes
Series A	103.20	20 640 000	50.70	91.14
Series B	100.35	20 070 000	49.30	8.86
Total	203.55	40 710 000	100.00	100.00

BREAKDOWN OF SHAREHOLDINGS BY SECTOR ON DECEMBER 31, 1996

	Shareholders				Series A		Shares Series B		Total		Votes	
	Series A Number	%	Series B Number	%	Number	%	Number	%	Number	%	%	
Private enterprises	129	2.5	310	4.7	5 175 456	25.0	1 274 460	6.3	6 449 916	15.8	23.4	
Public enterprises	3	0.1	4	0.1	308 140	1.5	162 828	0.8	470 968	1.2	1.4	
Financing and insurance institutions	13	0.2	48	0.7	8 725 568	42.3	2 742 648	13.7	11 468 216	28.2	39.7	
Public corporations	15	0.3	37	0.6	2 580 366	12.5	1 326 126	6.6	3 906 492	9.6	12.0	
Non-profit institutions	105	2.0	161	2.5	452 964	2.2	691 555	3.4	1 144 519	2.8	2.3	
Households	4 855	94.3	5 919	90.7	966 775	4.7	1 157 641	5.8	2 124 416	5.2	4.8	
Foreign owners incl. nominee registrations	30	0.6	45	0.7	2 411 349	11.7	12 702 087	63.3	15 113 436	37.1	16.3	
Shares not yet transferred to book entry system and book entry units on waiting list	-	0.0	-	0.0	19 382	0.1	12 655	0.1	32 037	0.1	0.1	
Total	5 150	100.0	6 524	100.0	20 640 000	100.0	20 070 000	100.0	40 710 000	100.0	100.0	

BREAKDOWN OF SHAREHOLDINGS BY SIZE OF HOLDING ON DECEMBER 31, 1996

	Shareholders				Series A		Shares Series B		Total		Votes	
	Series A Number	%	Series B Number	%	Number	%	Number	%	Number	%	%	
1 -	50	2 523	49.0	3 502	53.7	69 972	0.3	66 418	0.3	61 544	0.2	0.2
51 -	100	823	16.0	846	13.0	69 079	0.3	67 037	0.3	127 442	0.3	0.3
101 -	500	1 307	25.4	1 394	21.4	309 358	1.5	357 810	1.8	624 873	1.5	1.4
501 -	1 000	262	5.1	347	5.3	196 547	1.0	287 535	1.4	466 486	1.1	1.0
1 001 -	5 000	178	3.4	294	4.5	350 821	1.7	702 214	3.5	1 071 316	2.6	1.9
5 001 -	10 000	14	0.3	49	0.7	103 405	0.5	364 981	1.8	450 365	1.1	0.6
10 001 -	50 000	23	0.4	62	0.9	574 684	2.8	1 468 276	7.3	1 860 935	4.6	2.6
50 001 -	100 000	6	0.1	16	0.2	374 088	1.8	1 168 623	5.8	1 534 693	3.8	2.6
100 001 -	1 000 000	10	0.2	10	0.2	3 677 507	17.8	1 635 011	8.2	4 022 603	9.9	11.4
1 000 001 -		4	0.1	4	0.1	14 895 157	72.2	13 939 440	69.5	30 457 706	74.8	77.9
Shares not yet transferred to book entry system and book entry units on waiting list	-	0.0	-	0.0	19 382	0.1	12 655	0.1	32 037	0.1	0.1	
Total	5 150	100.0	6 524	100.0	20 640 000	100.0	20 070 000	100.0	40 710 000	100.0	100.0	

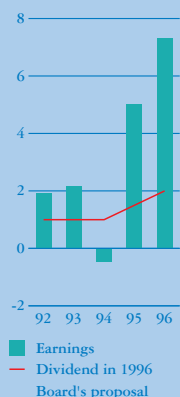
POHJOLA'S TEN LARGEST SHAREHOLDERS ON DECEMBER 31, 1996
As per shareholder register kept by the Finnish Central Securities Depository Ltd.

	Series A Number	Shares Series B Number	Total Number	Percentage of shares	Percentage of votes
Suomi Mutual Life Assurance Company	8 618 095	1 523 476	10 141 571	24.91	38.73
Merita Ltd	3 087 000	-	3 087 000	7.58	13.63
Skandia Insurance Company Limited (publ)	1 078 147	1 374 028	2 452 175	6.02	5.37
UBF Pension Fund	2 111 915	310 104	2 422 019	5.95	9.46
Skandia Life Insurance Company Ltd (publ)	392 500	1 600 000	1 992 500	4.89	2.44
Nordica Invest Oy	977 596	-	977 596	2.40	4.32
UPM-Kymmene Corporation	479 002	189 501	668 503	1.64	2.20
Neste Oy	308 040	154 020	462 060	1.14	1.43
Pension Fund Polaris	140 000	70 000	210 000	0.52	0.65
The Finnish Cultural Foundation	114 000	80 000	194 000	0.48	0.54
Total	17 306 295	5 301 129	22 607 424	55.53	78.77
Nominee registrations	923 490	9 665 046	10 588 536	26.01	8.35

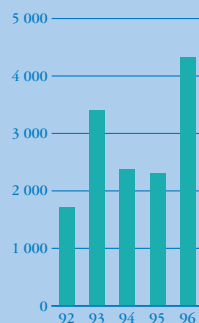
The largest shareholder groups as per the shareholder register kept by the Finnish Central Securities Depository Ltd.

Suomi Mutual Life Assurance Company					
Salama Life Assurance Company Ltd.	8 642 595	1 525 476	10 168 071	24.98	38.84
Merita Ltd					
Nordica Invest Oy					
UBF Pension Fund	6 176 511	310 104	6 486 615	15.93	27.41
Skandia Insurance Company Limited (publ)					
Skandia Life Insurance Company Ltd (publ)	1 470 647	2 974 028	4 444 675	10.92	7.81

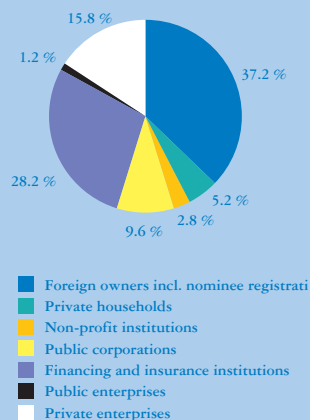
EARNINGS PER SHARE,
FIM



MARKET CAPITALIZATION OF STOCK
OF SHARES, FIM million



SHAREHOLDERS ON DEC. 31, 1996



CONSOLIDATED PER-SHARE DATA

		1992	1993	1994	1995	1996
Earnings/share	FIM	1.94	2.19	-0.47	5.03	7.32
Capital and reserves/share	FIM	38.22	38.01	37.00	35.39	40.70
Net asset value/share at current values	FIM	86.14	119.99	126.18	107.72	144.27
Dividend/share	FIM	1.00	1.00	1.00	1.50	2.00 ¹⁾
Dividend/earnings	%	51.56	45.69	-	29.82	27.33
Effective dividend yield ²⁾						
Series A, free	%	1.92	1.19	1.56	2.56	1.84
Series A, restricted	%	2.14				
Series B, free	%	2.67	1.21	1.92	2.75	1.93
Series B, restricted	%	2.82				
Price/earnings ratio ²⁾						
Series A, free		26.80	38.34	-	11.66	14.85
Series A, restricted		24.07				
Series B, free		19.28	37.79	-	10.86	14.16
Series B, restricted		18.29				
Adjusted average share price						
Series A, free	FIM	102.80	71.13	83.37	61.49	95.95
Series A, restricted	FIM	51.20				
Series B, free	FIM	44.64	58.40	73.63	64.02	82.39
Series B, restricted	FIM	31.62				
Adjusted share price, lowest						
Series A, free	FIM	46.00	46.00	55.00	49.50	57.00
Series A, restricted	FIM	18.00				
Series B, free	FIM	17.50	33.00	50.00	40.50	54.00
Series B, restricted	FIM	13.80				
Adjusted share price, highest						
Series A, free	FIM	240.00	110.00	104.00	82.50	110.00
Series A, restricted	FIM	80.00				
Series B, free	FIM	75.00	95.00	102.00	83.50	106.90
Series B, restricted	FIM	54.00				
Adjusted share price on Dec. 31 ²⁾						
Series A, free	FIM	52.00	83.96	64.17	58.67	108.71
Series A, restricted	FIM	46.70				
Series B, free	FIM	37.40	82.76	52.16	54.63	103.63
Series B, restricted	FIM	35.48				
Market capitalization on Dec. 31 ²⁾						
Series A, free	FIM million	123	1 733	1 324	1 211	2 244
Series A, restricted	FIM million	854				
Series B, free	FIM million	315	1 661	1 047	1 096	2 080
Series B, restricted	FIM million	414				
Total	FIM million	1 706	3 394	2 371	2 307	4 324
Development of turnover						
Series A, free	1 000 shares	2 027	2 709	735	3 059	1 906
of average number	%	85.91	13.13	3.56	14.82	9.23
Series A, restricted	1 000 shares	841				
of average number	%	4.60				
Series B, free	1 000 shares	2 601	12 939	9 097	16 600	20 902
of average number	%	30.92	64.47	45.33	82.71	104.15
Series B, restricted	1 000 shares	6 230				
of average number	%	53.44				
Adjusted average number of shares and number on Dec. 31						
Series A, free	1 000 shares	2 359	20 640	20 640	20 640	20 640
Series A, restricted	1 000 shares	18 281				
Series B, free	1 000 shares	8 413	20 070	20 070	20 070	20 070
Series B, restricted	1 000 shares	11 657				
Total	1 000 shares	40 710	40 710	40 710	40 710	40 710

¹⁾ Board of Directors' proposal

²⁾ The figures for 1992-1995 have been adjusted to conform with directives of The Finnish Accounting Standards Board.

Non-life insurance

The rate of growth of the domestic non-life insurance market exceeded the rate of inflation only slightly. Very little new property to be insured became available. Although the car sales, buying and selling of housing and also travelling picked up, the volume of non-life insurance did not reflect this trend. Foreign companies are showing an increasing interest in reinsurance arrangements covering large risks. Tight competition among the domestic non-life companies continued, especially in certain sectors of corporate insurance. An increase in the level of rates is still called for.

SALES TO PRIVATE HOUSEHOLDS INCREASED

The Pohjola Group has more than one million private households as clients. Operations initiated in 1995 to emphasize the benefits available for regular customers have been successful and the number of regular customers rose to 150 000. Altogether 365 000 private household clients are entitled to concentration benefits.

Premiums written provided by private households rose by 3%, to FIM 1 218 million. Voluntary accident and sickness insurance as well as motor third party liability insurance accounted for the growth. In motor third party liability insurance the level of rates rose. However, despite the favourable incidence of loss, the level of rates is clearly lower than the risk level. In support of motor insurance, Pohjola introduced a new product at the end of the year, collision insurance, which is an advantageous insurance alternative for the ageing stock of cars.

The result deteriorated, owing to adjustments of technical provisions and to some extent because of investments in development.

Premiums written in insurance for small and medium-sized companies were on a par with those in 1995 and totalled FIM 930 million. Competition has prevented an increase in the level of rates that would conform to the risk involved.

The incidence of loss remained reasonable, partly due to long-range loss prevention and risk management work. Fewer large losses than in 1995 hit Pohjola's portfolio.

Premiums written in insurance for Finnish major clients dropped to FIM 650 million, mainly because of two factors: premiums written in statutory workers' compensation insurance declined for tariff technical reasons and premiums written of foreign origin declined because of decisions made in previous years.

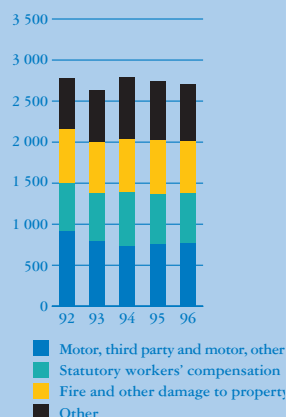
There were no large domestic losses and the loss ratio improved somewhat.

REINSURANCE SERVICES

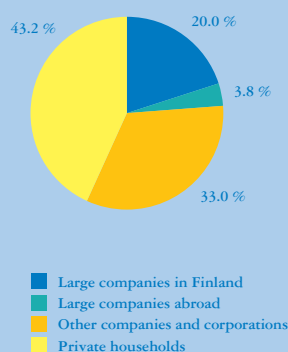
Pohjola offers reinsurance services to Finnish insurance companies, to its associated undertakings in the Baltic countries and to a limited extent to its western cooperation partners. The domestic business is mainly based on long-term customer contacts. Abroad, these services form part of the development of the associated undertakings and they concern also the provision of expertise in questions related to rating and choice of risks.

Gross premiums written in other reinsurance amounted to FIM 139 million in 1996, of which domestic companies accounted for FIM 66 million, domestic pools for FIM 38 million and foreign insurance for FIM 35 million.

GROSS PREMIUMS WRITTEN OF DIRECT INSURANCE, FIM million



GROSS PREMIUMS WRITTEN, BY GROUP OF CLIENTS



The underwriting business of Pohjola's associated undertakings, Seesam in Estonia and Famlat in Latvia, continued to increase rapidly. However, competition has tightened in these markets, especially in corporate non-life insurance. Active measures are being taken to direct operations also towards local life assurance and non-life insurance for private households. Seesam's gross premiums written totalled FIM 13 million; those of Famlat FIM 5 million.

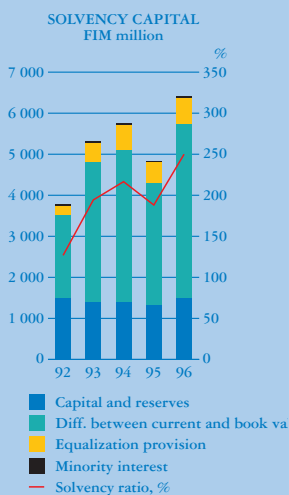
LIABILITIES CANCELED BY WAY OF COMMUTATION

The liabilities of cancelled foreign insurance are looked after by two subsidiaries of Pohjola, Bothnia International and

Moorgate. Technical provisions decreased by FIM 13 million, to FIM 840 million, although exchange rates increased the provisions by FIM 58 million.

In the run-off operations, attempts have continued to bring about commutation agreements with insurers. In 1996, commutation released FIM 112 million of technical provisions and nearly FIM 15 million of other liabilities. Several of those treaties were US treaties including problematic liability reinsurance risks.

The run-off companies have concentrated on solving the problems of the remaining portfolio in such a way that the economically best possible final result is secured.



Investments

The level of interest continued to decline in 1996. The interest on ten-year Finnish government debt securities dropped by a good percentage point, to 6.2%. At year-end, the three-month HELIBOR-interest rate was 3.1% (4.3%). Measured by the HEX-index, share prices rose by 46.5%. The real estate markets developed favourably. Trading on the market for owner-occupied housing picked up and the level of prices and rents went up. The market for office premises also revived.

STRUCTURE OF INVESTMENT PORTFOLIO

The share of debt securities in the investment portfolio has been further increased. Government loans expressed in marks form the bulk of the debt securities. At year-end, debt securities in foreign currency totalled FIM 1 116 million of which the bulk was used to cover technical provisions in foreign currency. Of the debt securities portfolio in foreign currency, AAA-credit rated issuers accounted for 76%.

The liquidity of the debt securities portfolio is good, since most of the loans are so-called benchmark bonds with a liquid secondary market.

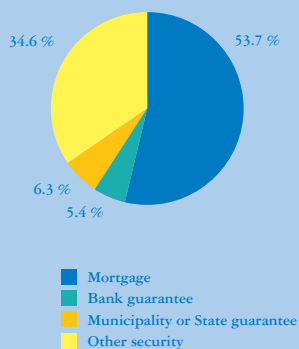
Investments in shares and share-linked investments rose with increases in share prices. A net amount of FIM 100 million was used for new investments in shares. The current value of foreign shares and share-linked investments was FIM 906 million at the end of the year, of which shares in Skandia accounted for FIM 604 million.

New investments in land and buildings totalled FIM 54 million. Most of those concerned renovation. Realization of investments in land and buildings amounted to FIM 50 million.

The floor-area of vacant premises decreased somewhat and totalled 49 200 m² (53 800 m²); 9.2% (9.0%) of the entire real estate portfolio and 12.3% (12.3%) of business and industrial premises.



LOANS BY TYPE OF SECURITY



PRICE DEVELOPMENT OF LISTED SHARES



LEVEL OF INTEREST, %



REAL ESTATE PORTFOLIO DEC. 31, 1996 / VALUE, INCOME AND DEGREE OF UNDERUTILIZATION

	Current value FIM million	Net income %	Potential net income % ¹⁾	Leasable floor area m ²	Degree of under- utilization %
Business premises					
Business and office premises, of which	1 337	7,6	8,4	248 800	8,7
occupied by company and Group	496	10,5 ²⁾	10,5 ²⁾	79 800	0,0
Production and storage premises	88	9,1	11,5	42 400	14,5
Hotels	142	11,1	11,1	42 100	0,0
Total	1 567	8,0	8,8	333 300	8,4
Housing	1 047	4,5 ³⁾	4,5	174 700	2,6
Special holdings					
Forests	102	3,9	3,9	12 700 ha	
Other	40	1,6	1,6	6 500	
Total	142	3,3	3,3		
Other holdings and farms					
Development objects ⁴⁾	61	-1,7	8,3	21 800	76,9
Sites without buildings	42	-0,3	-0,3		
Total	103	-1,1	4,8	21 800	76,9
Real estate portfolio in total	2 859	6,1	6,8	536 300	9,2
Minority interest and loans	64				
All in total	2 923				

¹⁾ Includes calculated rent for vacant premises, on the average FIM 35/m²/month.

²⁾ Includes calculated rent for premises occupied by company, on the average FIM 72/m²/month.

³⁾ Includes government interest subsidy totalling FIM 4.4 million.

⁴⁾ Kutojantie 6-8, Espoo (technically outdated office building, to be renovated)

Vantaanaukion Kauppiastavaratalo Oy, Lummetie 2 (being converted into modern educational premises)

The figures in the table have been calculated for individual real estate holdings on the bases agreed between major real estate owners.

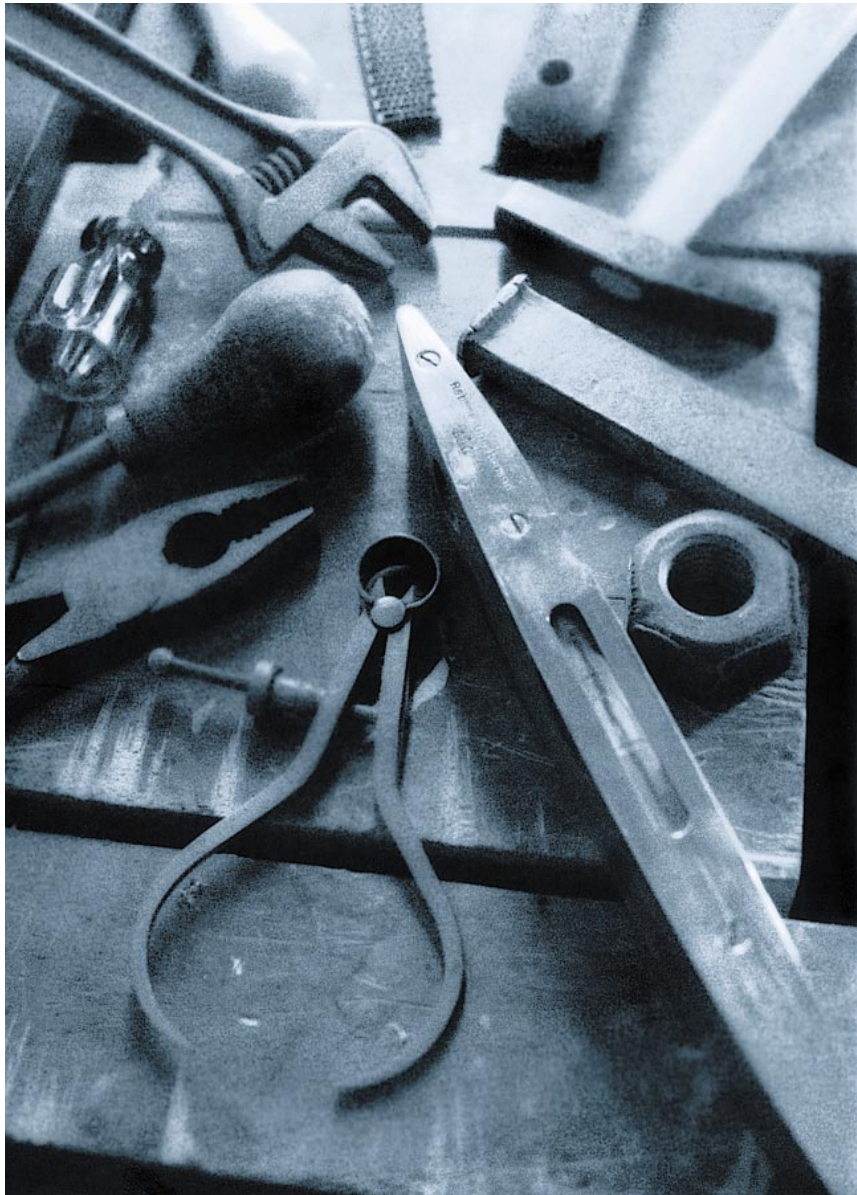
In addition, the text section shows more precise figures by leasable area.

SENSITIVITY ANALYSIS OF SOLVENCY

	Portfolio Dec. 31, 1996 FIM million	Risk parameter	Change	Effect on solvency capital FIM million
Investment loans with real security	484	Credit loss	1%	5
Debt securities	2 769	Interest	1% pt	95
Shares ¹⁾	6 181	Market value	10%	618
Investments in land and buildings ²⁾	2 032	Continuous income requirement	+1% pt -1% pt	-321 469

¹⁾ Including convertible bonds

²⁾ Premises leased to outsiders



.....
IF A THING'S WORTH DOING, IT'S WORTH DOING WELL.

Board of Directors' report on the 105th year of operations

Consolidated result improved with growing investment income. Continuous income increased and value adjustments as well as extraordinary depreciation decreased markedly. Adjustments of the technical provisions and changes in exchange rates impaired balance on technical account.

Operating profit was up on 1995 and totalled FIM 526 million (FIM 461 million), or 12.4% (10.5%) of turnover. Gross premiums written dropped by 2%, to FIM 2 958 million (FIM 3 015 million). The return on assets was 13.3% (-2.7%). Earnings per share rose from FIM 5.03 to FIM 7.32.

Consolidated solvency strengthened thanks to the improved profit and rising share prices. Solvency capital totalled FIM 6.4 billion (FIM 4.8 billion). Solvency ratio rose and was higher than ever since 1988; 250% (188%).

RESULT OF INSURANCE BUSINESS

Gross premiums written in domestic direct insurance dropped by 1%, to FIM 2 711 million (FIM 2 742 million). Keen price competition made premiums written decline. The market share decreased somewhat. Balance on technical account was -FIM 326 million (-FIM 118 million). The loss ratio was 92% (85%). Excluding adjustments of technical provisions, the loss ratio for 1996 was 83%, which must be considered somewhat better than the long-term average.

The technical provisions of statutory workers' compensation insurance and motor third party liability insurance were increased by FIM 206 million, mainly because of growing medical treatment expenses and indemnities for loss of earnings. A change in the calculation bases of technical provisions for accident and health insurance strained the result of this class of insurance. Fire and other property insurance produced a better result than in 1995, as did marine insurance as well as credit and suretyship insurance. In third party liability insurance, the result returned to normal.

Premiums written in domestic reinsurance dropped to FIM 105 million (FIM 125 million) with the termination of a few treaties. The result improved, owing to the dissolution of a previously made technical provision. The net effect of the dissolution was FIM 18 million.

In retained foreign insurance, premiums written totalled FIM 121 million (FIM 149 million). A stricter underwrit-

ing policy and the termination of a reinsurance arrangement reduced premiums written. The result improved, despite the deteriorating effect of exchange rates. Balance on technical account was -FIM 2 million (-FIM 72 million) and the loss ratio 62% (173%).

Claims incurred in cancelled foreign business included adjustments of technical provisions made on the basis of new evidence. Changes in exchange rates impaired balance on technical account by FIM 58 million.

COLLECTIVE GUARANTEE FOR STATUTORY INSURANCE

Legislation pertaining to a guarantee system for statutory non-life insurance took effect as of the beginning of 1997. If an insurance company is placed in liquidation or goes bankrupt, the companies underwriting these classes of insurance are jointly and severally liable for claims. As regards statutory workers' compensation insurance and motor third party liability insurance, the companies have to set aside funds in advance to be able to meet their possible liability by making a provision for a collective guarantee item in their technical provisions in 1997. The size of this item depends on the size of all companies' technical provisions of the classes of insurance concerned; for Pohjola, the estimated amount is a good FIM 100 million.

The authorities have not as yet made a final decision on the manner in which the collective guarantee item is to be accumulated. The accumulation is likely to affect the size of the equalization provision and the level of premium rates.

INVESTMENTS

Net investment income rose to FIM 962 million (FIM 672 million) with growing continuous income, decreasing value adjustments and increasing value re-adjustments. In addition to regular scheduled depreciation on investments in land and buildings, extraordinary depreciation and value adjustments of FIM 16 million (FIM 257 million) were made. New investments were mainly focused on debt securities and shares. The portfolio of investment loans decreased further.

Continuous income rose from FIM 509 million to FIM 629 million. The growth of the debt securities portfolio increased interest income. Dividends also increased. Income from land and buildings was on a par with that for 1995.

Gains on realization totalled FIM 359 million (FIM 686 million).

CONSOLIDATED PROFIT

FIM million	1992	1993	1994	1995	1996
Earned premiums	2 989	2 732	2 658	2 576	2 568
Claims incurred	-3 322	-2 813	-2 433	-2 269	-2 440
Operating expenses	-632	-552	-518	-521	-565
Balance on technical account before change in equalization provision	-965	-633	-293	-214	-437
Investment income and charges	429	764	328	672	962
Other income and charges	1	1	-	-	1
Share of associated undertakings' profit/loss	4	-1	26	3	-
Operating profit/loss	-531	131	61	461	526
Change in equalization provision	399	-85	-160	-191	-141
Unrealized gains on investments	245	-	141	3	-
Profit/loss before extraordinary items, untaxed reserves and tax	113	46	42	273	385
Extraordinary income	-	39	-	-	-
Extraordinary charges	-	-82	-8	-96	-24
Profit/loss before untaxed reserves and tax	113	3	34	177	361
Tax on profit	-32	24	-28	-69	-80
Minority interest	-	-2	-	6	-
Profit for financial year	81	25	6	114	281
To be transferred to reserves:					
Voluntary provisions and accelerated depreciation	24	-6	-46	-12	10
Profit for financial year	57	31	52	126	271
	81	25	6	114	281

CONSOLIDATED SOLVENCY

FIM million	1992	1993	1994	1995	1996
Solvency margin					
Capital and reserves after proposed distribution of profit	1 515	1 506	1 465	1 379	1 576
Difference between current and book values of investments	2 030	3 415	3 699	2 982	4 253
Other	-21	-95	-53	-53	-87
	3 524	4 826	5 111	4 308	5 742
Equalization provision	243	459	620	516	657
Minority interest	26	29	29	24	26
Solvency capital	3 793	5 314	5 760	4 848	6 425

Shares provided FIM 258 million in gains on realization, debt securities FIM 87 million and investments in land and buildings FIM 14 million. Unrealized gains on sold investments in land and buildings were withdrawn from the revaluation reserve.

Value adjustments of shares were FIM 10 million (FIM 145 million); those of debt securities FIM 6 million (FIM

22 million). At year-end, the current value of the shares in Skandia Insurance Company Limited (publ) exceeded the acquisition cost by FIM 100 million (FIM 41 million). The difference between current and book values of shares increased from FIM 2 197 million to FIM 3 412 million.

The current value of the investment portfolio was FIM 13 billion (FIM 11 billion) at the end of the year.

FINANCIAL DEVELOPMENT OF GROUP

		1992	1993	1994	1995	1996
GENERAL RATIOS						
Turnover	FIM million	4 348	4 443	4 099	4 413	4 231
Operating profit/loss of turnover	FIM million	-531	131	61	461	526
	%	-12.21	2.95	1.50	10.45	12.44
Profit/loss before extraordinary items, untaxed reserves and tax of turnover	FIM million	113	46	42	273	385
	%	2.60	1.04	1.02	6.19	9.08
Profit/loss before untaxed reserves and tax of turnover	FIM million	113	3	34	177	361
	%	2.60	0.07	0.84	4.02	8.52
Return on equity at current values	%	-5.28	33.84	6.02	-13.37	30.16
Return on assets at current values	%	-4.03	12.94	4.03	-2.70	13.34
Equity to balance sheet total at current values	%	31.67	38.24	39.43	35.01	40.74
Average number of employees		2 620 ^{b)}	2 512 ^{b)}	2 533 ^{b)}	2 359	2 255
RATIOS FOR INSURANCE BUSINESS						
Gross premiums written	FIM million	3 386	3 110	3 041	3 015	2 958
Loss ratio	%	111.14	102.96	91.56	88.09	95.03
Expense ratio	%	21.15	20.23	19.48	20.21	21.99
Combined ratio	%	132.29	123.19	111.04	108.30	117.02
Solvency margin	FIM million	3 524	4 826	5 111	4 308	5 742
Equalization provision	FIM million	243	459	620	516	657
Solvency capital	FIM million	3 793	5 314	5 760	4 848	6 425
Solvency capital as percentage of technical provisions	%	60.77	81.77	92.02	73.55	94.02
Solvency ratio	%	126.89	194.51	216.71	188.21	250.20

^{b)} Figure has not been adjusted for employees working part-time

STAFF

The average number of employees of the Group was 2 255 (2 359); that of the parent company 2 106 (2 200).

The staff of The Pohjola Group, with the exception of that of Ilmarinen, is employed by Pohjola. In connection with the incorporation of business functions in 1997, employment relationships will be transferred to the respective companies.

OPERATING EXPENSES

Consolidated operating expenses rose by 8%, to FIM 565 million. A non-recurrent early retirement scheme, labour market agreements and the development of policy administration systems increased operating expenses. Development

expenses were FIM 34 million. The costs of the early retirement scheme were also FIM 34 million. The share of the antedating is shown under extraordinary charges; the effect of the antedated premiums for the present pension scheme under operating expenses.

SUBSIDIARIES AND ASSOCIATED UNDERTAKINGS

Gross premiums written of Eurooppalainen Insurance Company Ltd. were FIM 158 million (FIM 156 million). Balance on technical account improved somewhat. Loss ratio was 61% (62%) and combined ratio 96% (98%). Net investment income totalled FIM 11 million (FIM 14 million). Solvency capital totalled FIM 105 million (FIM 92 million).

GROSS PREMIUMS WRITTEN

	1995	1996	Change
	FIM million	FIM million	%
Domestic direct insurance			
Statutory workers' compensation	618	612	-1
Other accident and health	206	221	7
Motor, third party liability	379	403	6
Motor, other classes	378	369	-2
Marine, aviation and transport	249	219	-12
Fire and other damage to property	659	641	-3
Third party liability	144	148	3
Credit and suretyship	34	25	-27
Legal expenses	11	11	3
Miscellaneous	64	62	-3
Total	2 742	2 711	-1
Domestic reinsurance	125	105	-16
Retained foreign insurance	149	121	-19
Total	3 016	2 937	-3
Cancelled foreign insurance	-1	21	...
Total	3 015	2 958	-2

BALANCE ON TECHNICAL ACCOUNT, LOSS RATIO AND COMBINED RATIO

	1995			1996		
	FIM million	%	%	FIM million	%	%
Domestic direct insurance						
Statutory workers' compensation	-116	114	119	-182	124	130
Other accident and health	3	71	99	-19	80	108
Motor, third party liability	-150	118	146	-184	123	148
Motor, other classes	69	64	82	57	64	84
Marine, aviation and transport	29	68	83	26	64	84
Fire and other damage to property	-16	74	103	-25	72	104
Third party liability	55	36	54	-14	89	114
Credit and suretyship	9	20	62	22	-54	-30
Legal expenses	-13	161	220	-8	129	169
Miscellaneous	12	36	58	1	58	97
Total	-118	85	105	-326	92	113
Domestic reinsurance	6	70	91	19	52	69
Retained foreign insurance	-72	173	205	-2	62	104
Total	-184	87	108	-309	90	112
Cancelled foreign insurance	-30	-128
Total	-214	88	108	-437	95	117

Adjustments of technical provisions and changes in exchange rates impaired the balance on technical account of Bothnia International Insurance Company Ltd. Net investment income increased, thanks to gains on realization and changes in exchange rates. Bothnia International sold the stocks of shares of three real estate companies. The company's technical provisions, net of reinsurance, were FIM 709 million (FIM 745 million) and solvency capital FIM 222 million (FIM 212 million).

Pension Insurance Company Ilmarinen Ltd's premiums written were FIM 8 222 million (FIM 7 215 million). An increase in the overall wage bill and in the premium rate had an impact on the growth. Pensions paid totalled FIM 6 769 million (FIM 6 229 million). Net investment income was FIM 2 964 million (FIM 2 531 million). Operating expenses totalled FIM 151 million (FIM 144 million). FIM 300 million was transferred for future client bonuses. Solvency improved considerably and solvency margin was FIM 4 865 million (FIM 2 626 million).

Ilmarinen may not, under Finnish insurance company legislation, be consolidated in Pohjola's accounts.

ILMARINEN

FIM million	1995	1996
ANALYSIS OF SURPLUS		
Source of surplus		
Risk business (incl. interest)	387	543
Investments	184	485
Management expenses	41	45
Surplus in total	612	1 073
Change in difference between current and book values		
	827	2 026
Total	1 439	3 099
Application of surplus		
Increase in solvency		
To equalization provision	387	543
To untaxed reserves	108	108
To unappropriated provision for future client bonuses	-	113
To capital and reserves	6	6
Change in difference between current and book values	827	2 026
Total	1 328	2 796
Transfer to client bonuses	108	300
Proposed distribution of profit	3	3
Total	1 439	3 099
SOLVENCY		
Solvency margin		
Capital and reserves	130	136
Untaxed reserves	483	591
Unappropriated provision for future client bonuses	-	113
Difference between current and book values	2 016	4 042
Other items	-3	-17
Total	2 626	4 865
Equalization provision	1 385	1 928

Moorgate Insurance Company Limited's insurance portfolio pertaining to Finnish clients' foreign operations was transferred to the parent company at the end of the year. For direct insurance, the transfer took place through a portfolio transfer by which technical provisions of FIM 38 million were transferred. The reinsurance liabilities of FIM 27 million were transferred by means of novation. The same business had already previously been reinsured with the parent company. The parent company decreased the value of the Moorgate shares by FIM 41 million to equal capital and reserves. Following the portfolio transfer, Moorgate's technical provisions total FIM 131 million, while capital and reserves are FIM 37 million.

Two subsidiaries, both real estate companies, the current

values of which totalled FIM 8 million, were merged with the parent company.

Varma Mutual Insurance Company (in liquidation) became fully-owned by Pohjola in 1996. Liquidation proceedings aimed at winding up the company began on November 1, 1994.

The share of associated undertakings' profits declined, since Varma (in liquidation) showed a loss and all shares (50%) in Pohjola Finance Oy were sold in March.

CORPORATE MANAGEMENT

Of the members of the Supervisory Board due to resign, Messrs Antti Aarnio-Wihuri, Juhani Maijala, Tauno Matomäki and Matti Sundberg were re-elected at the Annual General Meeting on April 29, 1996. Messrs Mikko Ennevaara and Erkki Järnefelt, Ms Eva-Riitta Siitonen and Mr Seppo Vikström were elected new members. Messrs Raimo Ilaskivi, Kai Juuranto, Timo Laatonen, Kai Matikainen and Timo Vikström resigned from the Supervisory Board.

Mr Iiro Viinanen assumed the duties of President of Pohjola and Chairman of the Board on March 1, 1996. As of August 1, the entire direct non-life insurance business was included in Mr Hannu Ketola's sphere of authority. Mr Jukka Peltola is in charge of domestic reinsurance and foreign insurance.

STRUCTURAL CHANGE

In January 1997, the Supervisory Boards of Pohjola and Suomi Mutual Life Assurance Company approved a proposal for a new structure and administration of The Pohjola Group.

According to the plan, Pohjola will buy the stock of shares of Salama Life Assurance Company Ltd. from Suomi. Salama, the name of which will be changed to Pohjola Life Assurance Company Ltd, will start underwriting life assurance for private households in addition to corporate life assurance. Suomi will continue operations by administering its present portfolio and the premiums written generated by that. The aim is to transfer Suomi's portfolio to Pohjola Life at a later stage.

According to the original proposal, Pohjola would have been changed into a holding company and Pohjola's insurance business would have been transferred to a new non-life company, Pohjola Non-Life Insurance Company Limited.

CONSOLIDATED NET INVESTMENT INCOME

FIM million	1992	1993	1994	1995	1996
Continuous income					
Interest	431	363	249	280	328
Dividends	86	48	64	120	170
Income from land and buildings	144	124	143	125	124
Other income/charges	68	20	-56	-16	7
Total	729	555	400	509	629
Appreciation/depreciation in profit and loss account					
Gains/losses on realization	99	248	365	686	359
Value adjustments	-229	-88	-293	-247	-43
Value re-adjustments	-	262	69	29	136
Depreciation on buildings	-61	-137	-165	-258	-70
Unrealized gains	245	-	141	3	-
Total	54	285	117	213	382
Interest on and charges for long-term loans	-83	-51	-23	-23	-18
Investment management expenses	-26	-25	-25	-24	-31
Total	674	764	469	675	962
Associated undertakings	5	-1	26	3	-
Extraordinary income/charges	-	32	-8	-13	-
Total	679	795	487	665	962

CONSOLIDATED INVESTMENT PORTFOLIO ON DECEMBER 31

FIM million	1992	1993	1994	1995	1996
Current value					
Short-term debt securities	219	582	642	758	351
Investment loans	2 025	1 628	1 317	994	747
Debt securities	366	703	1 148	1 925	2 879
Shares	2 354	4 050	4 736	4 325	6 071
Land and buildings	3 926	3 808	3 757	3 002	2 923
Other investments	211	200	84	67	51
Total	9 101	10 971	11 684	11 071	13 022
Difference between current and book values					
Debt securities	42	35	5	65	120
Shares	780	2 271	2 652	2 197	3 412
Land and buildings	1 207	1 109	1 042	720	721
Total	2 029	3 415	3 699	2 982	4 253
Book value in total	7 072	7 556	7 985	8 089	8 769

SALARIES PAID AND NUMBER OF EMPLOYEES

	Parent company and subsidiaries excl. Ilmarinen	Parent company	Ilmarinen
Supervisory Boards, Boards of Directors, Chief Executive Officers, Property Managers	4 770 635.43	4 266 854.61	2 761 889.92
Other staff	389 856 046.39	365 164 838.72	80 299 455.21
Total	394 626 681.82	369 431 693.33	83 061 345.13
Average number of employees	2 255	2 106	467
No bonuses were paid.			

Salaries paid and the average number of employees are determined on the basis of the total number of employees of The Pohjola Group and the time spent by employees on the individual companies according to a study of working hours.

Following negotiations with the authorities, it was decided that Pohjola would continue its operations as an insurance company subject to insurance supervision and that its name would be Pohjola Group Insurance Company Ltd. The company's licence would be limited to domestic and foreign reinsurance. The direct insurance business would, as originally planned, be transferred to a non-life insurance company to be established. ¹⁾

Pohjola's strong solvency can, within the framework of the new structure, be directed toward underwriting life assurance, which will provide added value to Pohjola's shareholders. The structure will also provide shareholders' representatives with a more definite opportunity to participate in the corporate governance.

The limitation of Pohjola's licence, transfer of direct insurance portfolio and amendment of the company's Articles of Association will require the approval of a shareholders' meeting of Pohjola. The licence of the new company, transfer of portfolio, amendment of Pohjola's Articles of Association and limitation of the licence as well as acquisition of Salama's stock of shares will require the consent of the authorities. The Supervisory Boards of Pohjola, Eurooppalainen and Salama will be dissolved.

The arrangement will not give rise to any changes in the position of Pension Insurance Company Ilmarinen Ltd.

The intention is to include a provision in the Articles of Association of Pohjola Group Ltd to the effect that A-shares can be changed into B-shares. The voting restriction (10%) will remain in effect and it will be specified to apply to group-ownership as well as to individual shareholders.

PROSPECTS

Demand for consumer goods will increase private households' needs for insurance coverage. An increase in the level of rates will still be necessary in motor third party liability insurance. The level of rates of statutory workers' compensation insurance was adjusted as of the beginning of the year, owing to the poor profitability of this class of insurance. Improving employment conditions and the revival of the building industry will increase premiums written. The price level in property insurance is likely to remain unchanged because of the prevailing tight competition. In ad-

¹⁾ According to the original timetable, the portfolio transfer was to take place on July 1, 1997. The timetable aimed at has been given up pending the outcome of the authorities' deliberation. No new timetable has been set.

dition to domestic competition, foreign companies are attempting to have their share of major clients' insurance arrangements, especially in the form of reinsurance shares.

As experience shows, rapid economic growth generates losses as well.

Operating expenses will increase because of costs incurred through IT system changes made necessary by the year 2000.

Balance on technical account is not expected to change markedly in comparison with the level for 1996, from which the exceptional adjustments of technical provisions have been eliminated.

The changes in interest rates and dividend income are expected to be minor. Share prices have gone up briskly in the first months of the year and the real estate market has revived. The development of interest rates, exchange rates and market prices will affect investment income. Bothnia International will continue the realization of its real estate.

In connection with the structural change, Pohjola intends to buy the stock of shares of Salama in 1997. Salama will, in the name of Pohjola Life Assurance Company Limited, start underwriting also life assurance for private households.

A government bill on the reform of the administration of employment pension insurance will be introduced in Parliament in the course of the spring. The proposed legislation is i.a. aimed at increasing the employment pension insurance companies' independence in investments. As a result of an amendment of the Insurance Companies Act, which took effect at the beginning of 1997, the composition of Ilmarinen's Supervisory Board and Board of Directors will change somewhat.

BOARD OF DIRECTORS' PROPOSAL FOR DISTRIBUTION OF PROFIT

The non-restricted reserves of the parent company total FIM 433 955 249.65.

Consolidated non-restricted reserves, reduced by the amount of voluntary provisions and accelerated depreciation transferred to reserves, total FIM 386 198 447.14.

The Board of Directors proposes that the profit for the financial year be distributed as follows:

Dividend on the share capital	FIM	81 420 000.00
Donations for worthy causes	FIM	150 000.00
To contingency reserve	FIM	149 944 589.14
	FIM	231 514 589.14



.....
A ROLLING STONE GATHERS NO MOSS.

Statement of source and application of funds

FIM 1 000	Group		Parent company	
	1996	1995	1996	1995
Source of funds				
From operations				
Profit before interest on loans, extraordinary items, untaxed reserves and tax	402 436	292 861	370 434	273 079
Extraordinary income and charges	-23 594	-95 793	-25 807	-19 913
Adjustments:				
Changes in technical provisions	361 746	238 545	385 276	330 038
Value adjustments and unrealized gains	-93 157	207 900	-52 605	300 949
Depreciation	102 949	286 982	69 907	135 945
Adjustments pertaining to associated undertakings	1 631	11 340	-	-
	752 011	941 835	747 205	1 020 098
From other sources				
Increase in long-term loans	1 774	11 354	50	1 644
Increase in minority interest	1 516	-	-	-
Increase in capital and reserves	963	-	28	41
	4 253	11 354	78	1 685
Source of funds in total	756 264	953 189	747 283	1 021 783
Application of funds				
Profit distribution				
Interest on long-term loans	18 185	19 747	15 788	17 973
Tax	79 478	68 444	86 604	69 985
Dividends paid	61 065	40 710	61 065	40 710
Other	220	220	200	200
	158 948	129 121	163 657	128 868
Investments				
Increase in investments (net)	662 509	709 847	567 309	951 824
Increase in intangible and tangible assets (net)	82 891	24 586	79 482	22 429
	745 400	734 433	646 791	974 253
Repayment of capital and loans				
Decrease in long-term loans	19 350	23 666	19 314	20 705
Decrease in capital and reserves	-	9 706	-	-
	19 350	33 372	19 314	20 705
Application of funds in total	923 698	896 926	829 762	1 123 826
Difference	-167 434	56 263	-82 479	-102 043
Increase/decrease in:				
Debtors	-140 053	-57 133	-100 977	-87 648
Cash at bank and in hand	7 418	76 780	29 144	15 800
Prepayments and accrued income	-732	24 747	-8 462	11 507
Deposits received from reinsurers	346	1 814	152	119
Creditors	14 639	23 651	39 439	-31 458
Accruals and deferred income	-49 052	-13 596	-41 775	-10 363
Total	-167 434	56 263	-82 479	-102 043

Profit and loss account

FIM 1 000	Notes	Group		Parent company	
		Jan.1-Dec.31, 1996	Jan.1-Dec.31, 1995	Jan.1-Dec.31, 1996	Jan.1-Dec.31, 1995
TECHNICAL ACCOUNT	2				
NON-LIFE INSURANCE					
Earned premiums					
Premiums written	3	2 927 888	2 992 701	2 827 180	2 901 380
Outward reinsurance premiums		-323 720	-428 165	-334 638	-422 504
		2 604 168	2 564 536	2 492 542	2 478 876
Change in provision for unearned premiums	6	-15 743	4 965	-16 186	613
Reinsurers' share		-20 586	6 344	-20 609	7 143
		-36 329	11 309	-36 795	7 756
Earned premiums in total		2 567 839	2 575 845	2 455 747	2 486 632
Claims incurred					
Claims paid		-2 569 792	-2 461 029	-2 343 016	-2 244 092
Reinsurers' share		313 026	167 476	317 140	166 668
		-2 256 766	-2 293 553	-2 025 876	-2 077 424
Change in provision for claims	6	15 614	-76 877	-50 339	-134 023
Reinsurers' share		-199 164	101 362	-169 595	23 064
		-183 550	24 485	-219 934	-110 959
Claims incurred in total		-2 440 316	-2 269 068	-2 245 810	-2 188 383
Operating expenses	4	-564 649	-520 531	-529 023	-484 596
Balance on technical account before change in equalization provision		-437 126	-213 754	-319 086	-186 347
Change in equalization provision		-141 867	-191 421	-128 547	-207 349
Balance on technical account		-578 993	-405 175	-447 633	-393 696



FIM 1 000	Notes	Group		Parent company	
		Jan.1-Dec.31, 1996	Jan.1-Dec.31, 1995	Jan.1-Dec.31, 1996	Jan.1-Dec.31, 1995
NON-TECHNICAL ACCOUNT					
Balance on technical account		-578 993	-405 175	-447 633	-393 696
Investment income	5, 6	1 257 469	1 388 326	1 149 845	1 305 346
Unrealized gains on investments	5	-	3 140	-	-
Investment charges	5	-295 593	-716 390	-349 302	-656 868
Unrealized losses on investments	5	-364	-	-	-
		961 512	675 076	800 543	648 478
Other income		3 706	1 855	3 385	1 290
Other charges		-2 121	-1 558	-1 649	-966
Tax on profit on ordinary activities					
Tax for financial year		-96 283	-76 238	-96 719	-74 972
Tax for previous financial years	6	14 152	-860	4 017	115
Change in deferred tax liability		-3 859	3 275	-	-
		-85 990	-73 823	-92 702	-74 857
Share of associated undertakings' profit/loss after tax		146	2 916	-	-
Profit on ordinary activities after tax		298 260	199 291	261 944	180 249
Extraordinary profit/loss	7				
Change in provision for unearned premiums		-	-130 984	-	-123 341
Reinsurers' share		-	14 971	-	12 007
Change in provision for claims		-	-263 878	-	-196 882
Reinsurers' share		-	1 500	-	-
Change in equalization provision		-	295 474	-	288 730
		-	-82 917	-	-19 486
Early retirement pension scheme		-23 594	-	-21 779	-
Other extraordinary charges		-	-	-4 027	-427
Tax on extraordinary profit/loss		6 513	5 379	6 098	4 872
Share of associated undertakings' profit/loss after tax		-	-12 876	-	-
		-17 081	-90 414	-19 708	-15 041
Profit after extraordinary items		281 179	108 877	242 236	165 208
Increase/decrease in accelerated depreciation				-23 391	10 925
Decrease/increase in voluntary provisions				12 670	-300
				-10 721	10 625
Minority interest		-346	5 492		
Profit for financial year		280 833	114 369	231 515	175 833
To be transferred to reserves:					
Voluntary provisions and accelerated depreciation		9 822	-11 436		
Profit for financial year		271 011	125 805		
		280 833	114 369		

Balance sheet

FIM 1 000	Notes	Group		Parent company	
		Dec. 31, 1996	Dec. 31, 1995	Dec. 31, 1996	Dec. 31, 1995
ASSETS					
Intangible assets	8				
Intangible rights		28 884	11 602	27 252	10 589
Goodwill		20 695	30 355	20 695	30 355
Consolidation difference		357	447	-	-
Other long-term expenses		17 390	10 356	17 043	10 289
		67 326	52 760	64 990	51 233
Investments	9				
Land and buildings	10, 12				
Land and buildings and shares therein		2 199 870	2 279 885	1 756 291	1 787 219
Loans to affiliated undertakings		2 438	2 255	230 629	255 013
		2 202 308	2 282 140	1 986 920	2 042 232
Investments in affiliated and associated undertakings	11				
Shares in affiliated undertakings	12	40 788	40 788	229 521	270 670
Shares in associated undertakings	12	17 469	31 682	15 794	29 842
		58 257	72 470	245 315	300 512
Other financial investments					
Shares	12	2 600 912	2 055 095	2 595 476	2 049 183
Debt securities		2 982 008	2 482 033	2 045 989	1 590 891
Loans guaranteed by mortgages		410 760	478 101	427 440	494 780
Other loans	13	336 507	516 392	394 431	612 432
Deposits with credit institutions		127 470	135 502	85 999	108 815
		6 457 657	5 667 123	5 549 335	4 856 101
Deposits with ceding undertakings		50 681	66 803	2 497	3 631
Investments in total		8 768 903	8 088 536	7 784 067	7 202 476
Debtors	14				
Direct insurance debtors					
Policyholders		520 777	568 395	510 232	558 162
Intermediaries		14 739	39 518	9 152	11 348
		535 516	607 913	519 384	569 510
Reinsurance debtors		107 308	127 747	102 284	111 730
Other debtors		338 715	385 931	361 798	403 203
		981 539	1 121 591	983 466	1 084 443
Other assets					
Tangible assets and stocks					
Equipment	15	92 850	59 734	88 002	56 314
Stocks		12 898	11 026	12 898	10 469
		105 748	70 760	100 900	66 783
Cash at bank and in hand		177 847	170 429	99 085	69 941
Other		12 300	12 276	12 300	12 276
		295 895	253 465	212 285	149 000
Prepayments and accrued income					
Interest and rent		121 039	119 568	91 516	92 586
Other		81 248	83 452	61 756	69 148
		202 287	203 020	153 272	161 734
Assets in total		10 315 950	9 719 372	9 198 080	8 648 886

FIM 1 000	Notes	Group		Parent company	
		Dec. 31, 1996	Dec. 31, 1995	Dec. 31, 1996	Dec. 31, 1995
LIABILITIES					
Capital and reserves	16				
Restricted					
Share capital		203 550	203 550	203 550	203 550
Legal reserve		946 018	946 018	945 434	945 434
Revaluation reserve		58 321	62 353	48 544	48 544
Building reserve		-	177	-	-
Translation differences		4 492	-8 737	-	-
		1 212 381	1 203 361	1 197 528	1 197 528
Non-restricted					
Contingency reserve		200 704	70 607	202 441	87 845
Loan amortization reserve		-	611	-	-
Accelerated depreciation and voluntary provisions, net of tax	17	58 449	51 166	-	-
Profit/loss brought forward		-85 517	-11 001	-	-
Profit for financial year		271 011	125 805	231 514	175 833
		444 647	237 188	433 955	263 678
Capital and reserves in total		1 657 028	1 440 549	1 631 483	1 461 206
Minority interest		25 472	23 610		
Untaxed reserves	17				
Accelerated depreciation				51 098	27 708
Voluntary provisions				20 030	32 700
				71 128	60 408
Technical provisions					
Provision for unearned premiums		964 760	949 017	941 232	925 046
Reinsurance amount		-59 016	-79 602	-58 779	-79 388
		905 744	869 415	882 453	845 658
Provision for claims outstanding	18	6 292 194	6 261 346	5 431 689	5 381 350
Reinsurance amount		-364 418	-539 703	-371 621	-541 216
		5 927 776	5 721 643	5 060 068	4 840 134
Equalization provision		657 420	515 552	595 445	466 898
Technical provisions in total		7 490 940	7 106 610	6 537 966	6 152 690
Deposits received from reinsurers		1 659	2 005	203	355
Creditors	19				
Direct insurance creditors		17 023	49 220	14 990	22 366
Reinsurance creditors		229 879	284 009	93 472	139 582
Amounts owed to credit institutions		34 993	33 219	1 636	1 644
Pension loans		256 130	275 480	255 831	275 087
Deferred tax liability		21 746	17 887	-	-
Other creditors		182 328	137 083	221 698	207 650
		742 099	796 898	587 627	646 329
Accruals and deferred income		398 752	349 700	369 673	327 898
Liabilities in total		10 315 950	9 719 372	9 198 080	8 648 886

Notes on the accounts

1 ACCOUNTING PRINCIPLES

a) Consolidated accounts

Under the Insurance Companies Act, joint-stock companies and comparable undertakings in which the parent company directly or indirectly owns the majority of the voting rights are consolidated. Other control does not give rise to consolidation. In this respect, legislation is being amended. However, the amendment will not have a material impact on the scope of the Pohjola consolidated accounts.

The consolidated accounts include all subsidiaries except Pension Insurance Company Ilmarinen Ltd. Ilmarinen with subsidiaries has been excluded from consolidation since the Insurance Companies Act provides that a company carrying on statutory pension insurance may not be consolidated in the accounts of another company. The prohibition is based on restrictions pertaining to employment pension insurance. The law further provides that the effect of non-consolidation must not be used to adjust the distributable profit of the parent company. There are some transactions between Pohjola and Ilmarinen in the ordinary course of their insurance or insurance-related activities. The companies share i.a. expenses for the common investment and marketing organization. Cooperation is based on agreements and monitored by the Ministry of Social Affairs and Health. The companies also have a common associated undertaking in charge of EDP services. The Board of Directors' report describes the development of profit and solvency of Ilmarinen for the past two years.

The consolidated accounts are combinations of the profit and loss accounts, balance sheets and notes on the accounts of the parent company and subsidiaries. In this consolidation, inter-group receivables and debts, income and charges, profit distribution, gains on realization and mutual share ownership are eliminated. Subsidiaries acquired during the year are consolidated as of the moment of acquisition, while undertakings sold during the year are consolidated up to the moment of sales. Eliminated internal gains on realization are released to income along with scheduled depreciation or value adjustments. Minority interest is shown as an item separate from profit and loss and capital and reserves.

The book value of shares in undertakings included in consolidation is eliminated by the acquisition method. The bulk of consolidation difference is entered directly against the subsidiaries' asset items and is depreciated in accordance with their depreciation schedule. The unallocated consolidation difference is shown as a separate item in the consolidated balance sheet and is written off as scheduled, over a maximum period of ten years.

For housing and real estate companies, unrealized gains on or revaluation of shares in subsidiaries are entered in the consolidated accounts as unrealized gains on or revaluation of land and buildings owned by subsidiaries.

The figures for foreign subsidiaries have been translated into Finnish currency at the rate quoted by the Bank of Finland on December 31. The translation differences resulting from the elimination of shares in subsidiaries have been stated partly under the restricted and partly non-restricted capital and reserves. Other differ-

ences due to changes in exchange rates, primarily those of internal receivables and liabilities, have been entered into the profit and loss account. The foreign subsidiaries' technical provisions in the balance sheet and changes in technical provisions in the profit and loss account have also been translated at the year-end rate. Therefore, the changes in technical provisions shown in the profit and loss account deviate from those shown in the balance sheet by an amount equalling the difference in exchange rates of the opening balance technical provisions.

Associated undertakings, i.e. undertakings in which the Group holds from 20% to 50% of the voting rights, have been included in the consolidated accounts by the equity method, excluding a joint undertaking, Asunto Oy Helsingin Korppaanmäki, which has been included by proportional consolidation. Other holdings in mutual housing and real estate companies have not been accounted for by the equity method. Since the expenses for these companies are covered by shareholders, the effect of non-inclusion on consolidated profit and profit brought forward is insignificant.

The profit and loss account includes the Group's share of associated undertakings' profit or loss. In the balance sheet, the Group's share of associated undertakings' profit or loss accrued after acquisition is added to associated undertakings' acquisition cost and profit brought forward. Gains on realizations between the Group and associated undertakings are eliminated in proportion to the shareholdings. Consolidation difference and eliminated gains on realization are entered in the profit and loss account in accordance with the principles applied to the consolidation of subsidiaries.

Asunto Oy Helsingin Korppaanmäki is consolidated, item by item, in proportion to the holding (50%), otherwise applying the same principles as those used in the consolidation of subsidiaries.

b) Book value of investments

Buildings and constructions are shown in the balance sheet at acquisition cost reduced by scheduled depreciation. Acquisition cost includes purchase price and production cost directly attributable to the item in question. Shares in land and buildings as well as land and water areas are shown in the balance sheet at purchase price or at current value, whichever is lower. The book value of certain land and buildings or shares therein has been written up. Scheduled depreciation is deducted also from write-up on buildings if entered as unrealized gains in the profit and loss account.

Other shares as well as debt securities classified as investments are shown in the balance sheet at purchase price or at current value, whichever is lower. The difference between the amount repayable at maturity and purchase price of debt securities is released to interest income or charged to that income in instalments during the period remaining until repayment. The counter-item is shown as an increase or a decrease in acquisition cost. Acquisition cost is calculated on the basis of the average price method. The book values of certain securities have been written up.

Shares and debt securities classified as fixed assets are shown in the balance sheet at acquisition cost reduced by permanent value adjustments. Acquisition cost is calculated in accordance with the FIFO-method.

Investments classified as receivables are shown in the balance sheet at nominal value or at permanently lower likely realizable value.

Previously made value adjustments on investments are entered in the profit and loss account as value re-adjustments insofar as the current value rises.

c) Book value of other assets than investments

Intangible assets and equipment are shown in the balance sheet at acquisition cost reduced by scheduled depreciation. Acquisition cost includes purchase price and directly attributable production costs as well as some fixed costs of in-house EDP planning for one portfolio administration system.

Premium receivables are shown in the balance sheet at likely realizable value; other receivables at nominal value or at a likely realizable value which is permanently lower.

d) Grounds for scheduled depreciation

Depreciation has been determined in accordance with a depreciation schedule.

Scheduled depreciation on buildings and constructions has been calculated on the acquisition cost per building and on write-up released to income as unrealized gains, in accordance with the straight-line depreciation method applying the following estimated useful lives of buildings. The estimated depreciation periods and corresponding annual depreciation percentages are on the average:

Housing	50 years	2%
Offices and hotels	30-50 years	2-3.3%
Business and industrial premises	20-50 years	2-5%
Building fixtures	10-15 years	6.7-10%
Repair and renovation	10-20 years	5-10%
Other assets	10 years	10%
Write-up through unrealized gains	As for buildings	
Revaluation entered in revaluation reserve	No depreciation	

Where necessary, decrease in current value has been taken into account as additional scheduled depreciation on buildings.

Scheduled depreciation on intangible assets and equipment has been calculated on the acquisition cost per group of commodities, in accordance with the straight-line depreciation method applying the following estimated useful lives of groups of commodities. The estimated depreciation periods and corresponding annual depreciation percentages are:

Intangible rights (software)	5 years	20%
Goodwill	10 years	10%
Consolidation difference	10 years	10%
EDP planning expenses	5 years	20%
Other long-term expenses	10 years	10%
Transport facilities and hardware	5 years	20%
Other equipment	10 years	10%

e) Unrealized gains on and revaluation of investments

The book values of land and water areas, buildings and securities can be written up. Write-ups of items classified as investments have, since 1978, had to be entered in the profit and loss account as unrealized gains. Other write-ups have been entered in the revaluation reserve. The revaluation reserve may be used for bonus issues to the extent that the reserve, at the time of the bonus issue, pertains to investments classified as fixed assets.

Unrealized gains are entered as unrealized losses in the profit and loss account, and the revaluation is withdrawn from the revaluation reserve, if the previous write-up becomes unjustified.

Unrealized gains on buildings are depreciated according to schedule.

f) Current value of investments and difference between current and book values

The notes on the accounts indicate, by balance sheet item, the remaining acquisition cost, book value and current value of investments. The difference between the two first-mentioned values consists of write-ups of book values as well as of equity-method adjustments related to associated undertakings. The difference between the two last-mentioned values indicates the difference between current and book values not entered in the balance sheet.

In-house experts annually define the individual current values of land and buildings and shares in those. In assessing land and buildings, immediate realization has not been used as the starting point in the prevailing market conditions, but current values are defined primarily by the yield value method. A parallel assessment method applied to housing real estate and sites is that based on local market price statistics, while the current technical value is applied to buildings. The current values have been defined individually, and observing the principle of prudence.

The current value of listed securities and of securities for which there is a market is the last quoted trading price of the year or, where this is not available, the bid price. Until 1994, the latest bid price in December was used as current value. The current value of other securities is the likely realizable value, the remaining acquisition cost or the net asset value.

The current value of receivables is the nominal value or a likely realizable value which is lower.

g) Technical provisions

The provision for unearned premiums includes that part of premiums written which is attributable to the period after the balance-sheet date.

The provision for claims outstanding includes unpaid items for losses which have occurred and their claims settlement costs. For annuities and some other long-term liabilities, the provision for claims outstanding is calculated in accordance with the present value method. In discounting, the interest rate has been chosen prudently on the basis of investment income from company assets. The claims settlement period is based on company statistics.

The provision for claims outstanding includes the equalization

provision, which is shown separately in the balance sheet. The purpose of the equalization provision is to balance the annual fluctuations of claims incurred and to maintain the insurance undertaking's solvency. The size of the equalization provision is determined on the valuation rules prescribed by the Ministry of Social Affairs and Health. Confirmation of new valuation rules has to be sought in advance. The equalization provision increases if the loss ratio for the current year is less than the average for previous years, and decreases if the loss ratio for the current year exceeds that average. Moreover, an amount calculated in accordance with confirmed rules must be transferred to the equalization provision. This amount can, for the class of insurance concerned, be 0-15 percent of earned premiums, net of reinsurance. The equalization provision must always be raised by an interest of four percent calculated on the opening balance of the equalization provision.

Technical provisions are entered in the balance sheet in accordance with the net principle whereby reinsurance amounts are shown as debt deduction items. The debt and the receivable by which it is reduced cannot be set off against each other, since the creditor and debtor involved are different parties.

h) Solvency margin

The Ministry of Social Affairs and Health monitors the solvency of insurance companies. One of the indicators used is solvency margin which refers to the difference between assets and liabilities assessed at current value applying the principle of prudence. Solvency margin, capital and reserves and the equalization provision have to meet the requirements set in the Insurance Companies Act. The solvency margin is shown in the notes on the accounts.

i) Voluntary provisions and accelerated depreciation (untaxed reserves)

Under Finnish accounting and tax legislation, voluntary provisions and accelerated depreciation in excess of schedule can be included in the annual accounts. These items are tax-deductible only if deducted also in the books.

In the consolidated accounts, voluntary provisions and accelerated depreciation in excess of schedule (untaxed reserves) have been included partly in profit for financial year and reserves and partly in deferred tax charge and deferred tax liability.

j) Deferred tax liability

Unrealized gains and losses on investments entered in the profit and loss account affect the taxable income of the year in question. Revaluation entered under revaluation reserve, however, is subject to tax only in connection with realization. Deferred tax included in the revaluation reserve and in difference between current and book values of investments shown in the notes on the accounts is not stated as a separate liability item in the annual accounts.

Deferred tax included in voluntary provisions and accelerated depreciation is not stated under liabilities in the parent company's annual accounts. In the consolidated accounts, deferred tax liability pertaining to voluntary provisions and accelerated depreciation is shown separately in accordance with the tax rate valid at the time of preparing the annual accounts.

The tax rate is 28 percent.

k) Items in foreign currencies

Transactions in foreign currencies are entered at the rate quoted on the date of the transaction. Receivables and liabilities unsettled at the end of the financial year and denominated in foreign currencies are translated into Finnish currency at the rate quoted by the Bank of Finland on December 31. The exchange gains and losses arising during the financial year and at year end are entered in the profit and loss account as adjustments of the income and charges concerned or as investment income or charges, provided that the exchange gains or losses pertain to financing transactions.

l) Pension arrangements for staff

The pension coverage for the employees working for the parent company and the domestic subsidiaries is arranged through pension insurance taken out from Pension Insurance Company Ilmarinen Ltd and Salama Life Assurance Company Ltd. The pension arrangements of foreign subsidiaries are based on local schemes.

The pension premiums have been entered into the profit and loss account on an accrual basis.

m) Activity-based profit and loss account layout

Insurance undertakings' profit and loss account layout requires activity-based cost accounting. Operating expenses and depreciation on intangible assets and equipment are included, by activity, in the profit and loss account items. Claims management expenses are included in claims paid; investment management expenses in investment charges. Only expenses for policy acquisition and portfolio administration as well as general administrative expenses are shown under operating expenses. Commissions received in ceded reinsurance are deducted from operating expenses. Expenses corresponding to other income (services to other companies) are included in other charges. Scheduled depreciation on buildings is shown as investment charges.

n) Exceptional permission by The Finnish Accounting Standards Board

On October 16, 1995, The Finnish Accounting Standards Board gave the insurance companies permission to deviate from the regulations of the decision by the Ministry of Finance, in respect of the following:

- The market values of securities subject to public trading are not specified by balance-sheet item since the total current value of each balance-sheet item is shown in the notes on the accounts.
- In breakdown by category of activity or geographical market, operating profit or loss is replaced by balance on technical account before change in the equalization provision.
- Volume of orders, research and development costs and gross investments in fixed assets are not indicated owing to the special nature of insurance.
- Percentage of return on invested capital is replaced by percentage of return on assets.

Exceptional permission was granted for 1995-1996.

2 BALANCE ON TECHNICAL ACCOUNT
BY GROUP OF INSURANCE CLASSES

	Group					
	Gross premiums written (before credit loss and reinsurers' share)	Gross premiums earned (before reinsurers' share)	Gross claims incurred (before reinsurers' share)	Gross operating expenses (before reinsurance commissions and profit participation)	Reinsurance balance	Balance on technical account
Direct insurance						
Statutory workers' compensation						
1996	612 189	606 634	-750 534	-38 464	-57	-182 421
1995	618 348	601 932	-688 366	-31 049	1 134	-116 349
1994	663 925	642 989	-697 995	-30 907	301	-85 612
Other accident and health						
1996	220 916	214 467	-170 460	-59 787	-2 959	-18 739
1995	206 208	201 966	-138 361	-53 767	-6 694	3 144
1994	189 701	189 132	-126 099	-53 522	-5 444	4 067
Motor, third party liability						
1996	402 954	380 515	-470 205	-95 020	409	-184 301
1995	379 261	333 603	-390 399	-91 922	-1 660	-150 378
1994	363 332	379 843	-488 553	-91 503	5 957	-194 256
Motor, other classes						
1996	368 767	371 511	-238 292	-75 200	-827	57 192
1995	377 824	393 688	-252 842	-72 001	325	69 170
1994	370 094	368 260	-270 357	-71 673	127	26 357
Marine, aviation and transport						
1996	218 678	220 864	-135 505	-40 830	-19 970	24 559
1995	249 160	246 367	-147 376	-34 619	-35 577	28 795
1994	251 534	250 150	-266 135	-34 461	51 798	1 352
Fire and other damage to property						
1996	644 192	647 954	-434 371	-192 636	-60 787	-39 840
1995	650 663	666 386	-472 755	-172 705	-61 895	-40 969
1994	730 841	745 535	-511 430	-193 107	-44 084	-3 086
Third party liability						
1996	148 335	129 025	-79 300	-27 395	-30 865	-8 535
1995	144 777	154 174	-20 239	-24 136	-64 376	45 423
1994	135 757	135 472	-85 336	-23 877	-21 475	4 784
Credit and suretyship						
1996	32 145	32 183	7 421	-7 468	-7 866	24 270
1995	38 523	45 449	-15 329	-11 802	-8 609	9 709
1994	107 045	108 228	-119 935	-11 374	-6 864	-29 945
Legal expenses						
1996	11 181	11 011	-14 223	-4 379	-	-7 591
1995	10 884	10 765	-17 330	-6 373	-	-12 938
1994	8 738	8 408	-14 861	-6 344	-	-12 797
Miscellaneous						
1996	79 246	79 489	-93 406	-20 488	-43 581	-77 986
1995	68 876	81 356	-39 610	-16 030	-17 455	8 261
1994	51 763	39 705	-18 849	-11 412	-12 149	-2 705
Direct insurance in total						
1996	2 738 603	2 693 653	-2 378 875	-561 667	-166 503	-413 392
1995	2 744 524	2 735 686	-2 182 607	-514 404	-194 807	-156 132
1994	2 872 730	2 867 722	-2 599 550	-528 180	-31 833	-291 841
Reinsurance						
1996	219 592	218 492	-175 303	-53 817	-13 106	-23 734
1995	270 036	261 981	-355 300	-63 826	99 523	-57 622
1994	168 260	172 625	-60 444	-36 482	-77 178	-1 479
Total						
1996	2 958 195	2 912 145	-2 554 178	-615 484	-179 609	-437 126
1995	3 014 560	2 997 667	-2 537 907	-578 230	-95 284	-213 754
1994	3 040 990	3 040 347	-2 659 994	-564 662	-109 011	-293 320
Change in equalization provision						
1996						-141 867
1995						-191 421
1994						-160 325
Total						
1996						-578 993
1995						-405 175
1994						-453 645

BALANCE ON TECHNICAL ACCOUNT
BY GROUP OF INSURANCE CLASSES

	Parent company					
	Gross premiums written (before credit loss and reinsurers' share)	Gross premiums earned (before reinsurers' share)	Gross claims incurred (before reinsurers' share)	Gross operating expenses (before reinsurance commissions and profit participation)	Reinsurance balance	Balance on technical account
Direct insurance						
Statutory workers' compensation						
1996	612 189	606 634	-750 645	-38 533	-57	-182 601
1995	618 348	601 932	-689 028	-31 315	1 134	-117 277
1994	663 925	642 989	-698 812	-30 916	301	-86 438
Other accident and health						
1996	118 149	112 632	-102 163	-33 435	-2 051	-25 017
1995	106 414	102 549	-76 214	-28 106	-2 904	-4 675
1994	98 798	98 393	-74 247	-27 747	-4 800	-8 401
Motor, third party liability						
1996	402 954	380 515	-470 710	-95 295	408	-185 082
1995	379 261	333 603	-391 044	-92 711	-1 660	-151 812
1994	363 332	379 843	-489 350	-91 529	5 957	-195 079
Motor, other classes						
1996	368 766	371 511	-238 707	-75 436	-827	56 541
1995	377 824	393 688	-253 351	-72 620	325	68 042
1994	370 094	368 259	-270 986	-71 694	127	25 706
Marine, aviation and transport						
1996	164 575	166 872	-107 884	-25 878	-20 965	12 145
1995	196 344	193 523	-121 859	-19 306	-36 326	16 032
1994	201 419	199 882	-241 840	-19 059	50 847	-10 170
Fire and other damage to property						
1996	660 428	663 044	-468 555	-197 543	-26 108	-29 162
1995	649 238	663 761	-471 484	-176 250	-47 845	-31 818
1994	682 658	697 307	-461 007	-188 837	-29 431	18 032
Third party liability						
1996	147 290	128 028	-78 861	-27 267	-30 277	-8 377
1995	143 490	152 950	-19 956	-24 082	-63 648	45 264
1994	134 664	134 345	-85 335	-23 775	-20 525	4 710
Credit and suretyship						
1996	32 145	32 183	7 421	-7 468	-7 866	24 270
1995	38 523	45 449	-15 592	-11 530	-9 359	8 968
1994	107 045	108 228	-120 002	-11 377	-6 864	-30 015
Legal expenses						
1996	11 181	11 011	-14 223	-4 378	-	-7 590
1995	10 884	10 765	-17 371	-6 427	-	-13 033
1994	8 738	8 408	-14 911	-6 345	-	-12 848
Miscellaneous						
1996	63 976	64 219	-14 516	-15 126	-33 734	843
1995	65 646	78 349	-24 421	-11 569	-29 644	12 715
1994	51 763	39 705	-18 922	-11 416	-12 149	-2 782
Direct insurance in total						
1996	2 581 653	2 536 649	-2 238 843	-520 359	-121 477	-344 030
1995	2 585 972	2 576 569	-2 080 320	-473 916	-189 927	-167 594
1994	2 682 436	2 677 359	-2 475 412	-482 695	-16 537	-297 285
Reinsurance						
1996	275 452	274 346	-154 512	-59 222	-35 668	24 944
1995	336 783	325 424	-297 796	-68 359	21 978	-18 753
1994	271 851	278 169	-138 370	-48 835	-87 127	3 837
Total						
1996	2 857 105	2 810 995	-2 393 355	-579 581	-157 145	-319 086
1995	2 922 755	2 901 993	-2 378 116	-542 275	-167 949	-186 347
1994	2 954 287	2 955 528	-2 613 782	-531 530	-103 664	-293 448
Change in equalization provision						
1996						-128 547
1995						-207 349
1994						-120 220
Total						
1996						-447 633
1995						-393 696
1994						-413 668

3 PREMIUMS WRITTEN	Group		Parent company	
	1996	1995	1996	1995
Direct insurance				
Non-life insurance				
In Finland	2 710 922	2 741 844	2 552 932	2 585 683
In EEA countries	26 453	-1 311	27 721	-2 674
In other countries	1 228	3 991	1 000	2 963
Total	2 738 603	2 744 524	2 581 653	2 585 972
Reinsurance				
Non-life insurance	188 529	236 055	244 388	302 802
Life assurance	31 063	33 981	31 064	33 981
Total	219 592	270 036	275 452	336 783
Gross premiums written	2 958 195	3 014 560	2 857 105	2 922 755
Credit loss on premiums	-30 307	-21 859	-29 925	-21 375
Premiums written before reinsurers' share	2 927 888	2 992 701	2 827 180	2 901 380
PREMIUM TAX AND OTHER LEVIES				
Before entered in the profit and loss account, premiums written have been reduced by the following items:				
Premium tax	362 240	363 383	350 258	351 462
Fire brigade charge	7 490	7 959	7 490	7 959
Road safety charge	6 130	5 374	6 130	5 374
Occupational safety charge	11 438	11 660	11 438	11 660
Charge payable under §58 of the Employment Accidents Insurance Act	2 885	3 546	2 885	3 546
Medical treatment fee forwarded to the State	68 643	97 312	68 643	97 312
	458 826	489 234	446 844	477 313

4 SPECIFICATION OF EXPENSES	Group		Parent company	
	1996	1995	1996	1995
EXPENSES BY ACTIVITY (profit and loss account item in brackets)				
Claims settlement expenses (Claims paid)				
Directly allocated	33 392	30 805	27 426	19 576
Share of fixed costs	185 853	190 531	161 574	167 993
Total	219 245	221 336	189 000	187 569
Operating expenses (Operating expenses)				
Acquisition costs (includes commissions)	240 499	247 370	227 712	233 014
Portfolio administration expenses	272 911	228 046	258 950	216 540
Other administrative expenses	102 074	102 814	92 919	92 721
Commissions and profit participation, ceded reinsurance	-50 835	-57 699	-50 558	-57 679
Total	564 649	520 531	529 023	484 596
Investment management charges (Investment charges)				
Directly allocated ¹⁾	101 061	102 034	143 579	135 792
Share of fixed costs	31 371	23 961	27 237	19 393
Total	132 432	125 995	170 816	155 185
Expenses for services to other companies (Other charges)	2 088	1 490	1 640	908
Early retirement pension scheme (Extraordinary expenses)	23 594	-	21 779	-
Total in profit and loss account	942 008	869 352	912 258	828 258

	Group		Parent company	
	1996	1995	1996	1995
EXPENSES BY TYPE OF EXPENSE				
Staff expenses				
Salaries and remunerations	381 911	367 477	357 755	342 572
Monetary value of fringe benefits	13 863	13 793	11 990	11 902
Pension expenses	102 907	62 808	96 171	59 061
Other social expenses	41 325	46 079	38 654	42 368
	540 005	490 157	504 570	455 903
Deferred long-term expenses	-	-2 600	-	-2 600
In profit and loss account	540 005	487 557	504 570	453 303
Direct insurance commissions				
Commissions	28 658	30 455	19 902	22 773
Social expenses	-	43	-	40
Total	28 658	30 498	19 902	22 813
Commissions and profit participation, assumed reinsurance	43 953	46 565	54 055	55 543
Commissions and profit participation, ceded reinsurance	-50 835	-57 699	-50 557	-57 678
Scheduled depreciation by profit and loss account item				
Claims paid	4 507	4 560	4 028	4 138
Operating expenses	26 222	21 307	25 161	20 560
Investment charges	2 445	3 227	2 396	3 186
Other charges	139	160	-	-
Total	33 313	29 254	31 585	27 884
Other expenses ¹⁾	416 708	407 144	427 480	405 674
Gains (-)/losses (+) on realization of tangible and intangible assets	-793	-2 807	-752	-2 825
Expense transfers (cooperating undertakings and insurance)	-69 001	-71 160	-74 025	-76 456
Total in profit and loss account	942 008	869 352	912 258	828 258
Scheduled depreciation includes				
Depreciation on goodwill	3 570	4 381	3 570	4 381
Depreciation on consolidation difference	89	89	-	-

¹⁾ Includes real estate management expenses and maintenance charges



5 NET INVESTMENT INCOME	Group		Parent company	
	1996	1995	1996	1995
INVESTMENT INCOME				
Income from affiliated undertakings				
Dividends	2 444	2 444	4 884	2 271
Interest	-	-	-	894
Income from associated undertakings				
Dividends	-	-	10 703	1 841
Income from land and buildings				
Interest				
Affiliated undertakings	205	268	14 244	16 114
Other	4 418	4 612	4 418	4 612
Rents etc.				
Affiliated undertakings	3 019	3 066	6 769	8 116
Other	217 097	219 325	188 238	187 370
Total	224 739	227 271	213 669	216 213
Income from other investments				
Dividends	167 353	117 210	167 325	117 188
Interest				
Affiliated undertakings	305	610	1 541	2 672
Other	335 607	286 847	262 152	238 653
Other	27 477	28 800	18 077	13 689
Total	530 742	433 467	449 095	372 202
Total	757 925	663 182	678 351	593 421
Value re-adjustments on investments	136 457	28 804	142 611	32 385
Gains on realization of investments	363 087	696 340	328 883	679 540
Investment income in total	1 257 469	1 388 326	1 149 845	1 305 346
INVESTMENT CHARGES				
Charges for land and buildings	112 122	109 915	151 870	140 533
Charges for other investments	40 213	60 926	29 398	32 913
Interest and other financing charges				
Affiliated undertakings	15 795	18 127	17 799	20 693
Other	10 588	12 714	7 659	7 723
Total	178 718	201 682	206 726	201 862
Value adjustments on investments	42 936	246 936	100 945	340 427
Scheduled depreciation on buildings	69 637	257 728	38 322	108 061
Losses on realization of investments	4 302	10 044	3 309	6 518
Investment charges in total	295 593	716 390	349 302	656 868
NET INVESTMENT INCOME BEFORE UNREALIZED GAINS	961 876	671 936	800 543	648 478
Unrealized gains on investments	-	3 140	-	-
Unrealized losses on investments	-364	-	-	-
NET INVESTMENT INCOME IN PROFIT AND LOSS ACCOUNT	961 512	675 076	800 543	648 478
Dividends include avoir fiscal tax credit	40 297	29 665	49 833	30 082

6 INCOME AND CHARGE ITEMS AFFECTING
COMPARABILITY OF PROFIT/LOSS

	Group		Parent company	
	1996	1995	1996	1995
Investment income				
Income from associated undertakings				
Avoir fiscal tax credit for 1994 (amended taxation)	-	-	8 333	-
Change in provision for unearned premiums (after reinsurers' share)				
Change in bases of technical provisions	-	27 830	-	27 830
Change in provision for claims outstanding (after reinsurers' share)				
Change in bases of technical provisions	-216 494	4 900	-216 494	4 900
Tax for previous financial years				
Sale of associated undertaking changed (amended taxation)	8 333	-	-	-

7 EXTRAORDINARY INCOME AND CHARGES

	Group		Parent company	
	1996	1995	1996	1995
Early retirement pension scheme	-23 594	-	-21 779	-
Effect on profit brought forward on Jan. 1 of change in accounting principles applied to technical provisions	-	-82 917	-	-19 486
Merger losses on subsidiaries	-	-	-4 027	-427
Tax on extraordinary charges	6 513	5 379	6 098	4 872
Effect on profit brought forward on Jan. 1 of equity-method accounting of associated undertakings	-	-12 876	-	-
	-17 081	-90 414	-19 708	-15 041

8 INTANGIBLE ASSETS

	Group		Parent company	
	1996	1995	1996	1995
INTANGIBLE RIGHTS AND OTHER LONG-TERM EXPENSES				
Acquisition cost Jan. 1	44 059	43 689	42 144	41 725
Fully depreciated in previous year	-8 454	-7 402	-8 321	-6 933
Acquisitions	24 900	11 828	23 749	11 395
Realizations	-	-4 056	-	-4 043
Acquisition cost Dec. 31	60 505	44 059	57 572	42 144
Accumulated scheduled depreciation Jan. 1	23 493	25 177	22 594	24 146
Fully depreciated in previous year	-8 454	-7 402	-8 321	-6 933
Scheduled depreciation	8 719	8 019	8 247	7 673
Realizations	-	-2 301	-	-2 292
Accumulated scheduled depreciation Dec. 31	23 758	23 493	22 520	22 594
Payments on account and unfinished work Dec. 31	9 526	1 392	9 243	1 328
Acquisition cost after scheduled depreciation Dec. 31	46 273	21 958	44 295	20 878
Accumulated accelerated depreciation Jan. 1	101	136	-	-
Change in accelerated depreciation	-34	-35	-	-
Accumulated accelerated depreciation Dec. 31	67	101	-	-
Net after total depreciation Dec. 31	46 206	21 857	44 295	20 878
GOODWILL AND CONSOLIDATION DIFFERENCE				
Acquisition cost Jan. 1	116 814	113 888	113 634	110 708
Adjustment	-6 090	2 926	-6 090	2 926
Acquisition cost Dec. 31	110 724	116 814	107 544	113 634
Accumulated scheduled depreciation Jan. 1	86 012	81 542	83 279	78 898
Scheduled depreciation	3 659	4 470	3 570	4 381
Accumulated scheduled depreciation Dec. 31	89 671	86 012	86 849	83 279
Acquisition cost after scheduled depreciation Dec. 31	21 053	30 802	20 695	30 355
Intangible assets in total	67 326	52 760	64 990	51 233

9 INVESTMENTS: CURRENT VALUE, BOOK VALUE
AND THEIR DIFFERENCE

	Group			Group		
	1996			1995		
	Remaining acquisition cost	Book value	Current value	Remaining acquisition cost	Book value	Current value
Investments in land and buildings						
Land and buildings	1 586 231	1 916 814	2 602 745	1 583 302	1 950 589	2 616 727
Shares in associated undertakings ¹⁾	180 546	180 546	198 903			
Other shares in land and buildings	102 429	102 510	119 262	329 216	329 296	383 105
Loans to affiliated undertakings	2 438	2 438	2 438	2 255	2 255	2 255
Affiliated undertakings						
Shares	40 788	40 788	40 788	40 788	40 788	40 788
Associated undertakings						
Shares	35 805	17 469	17 253	52 643	31 682	31 392
Other investments						
Shares	2 558 298	2 600 912	6 013 196	2 008 706	2 055 095	4 252 751
Debt securities	2 981 210	2 982 008	3 102 380	2 478 893	2 482 033	2 547 012
Loans guaranteed by mortgages	410 760	410 760	410 760	478 101	478 101	478 101
Other loans	336 507	336 507	336 507	516 392	516 392	516 392
Deposits with credit institutions	127 470	127 470	127 470	135 502	135 502	135 502
Deposits with ceding undertakings	50 681	50 681	50 681	66 803	66 803	66 803
	8 413 163	8 768 903	13 022 383	7 692 601	8 088 536	11 070 828
Remaining acquisition cost of debt securities includes that difference between the amount repayable at maturity and purchase price which has been released to interest income (+) or charged to interest income (-)	-12 025			9 391		
Book value includes						
Unrealized gains entered in profit and loss account		272 249			311 038	
Revaluation entered in revaluation reserve		101 827			105 859	
		374 076			416 897	
Difference between current and book values			4 253 480			2 982 292

¹⁾ In 1995, included in other shares in land and buildings



INVESTMENTS: CURRENT VALUE, BOOK VALUE
AND THEIR DIFFERENCE

	Parent company			Parent company		
	1996			1995		
	Remaining acquisition cost	Book value	Current value	Remaining acquisition cost	Book value	Current value
Investments in land and buildings						
Land and buildings	779 518	1 031 538	1 450 526	786 461	1 048 574	1 468 960
Shares in affiliated undertakings	405 037	405 037	531 713	387 389	387 389	501 270
Shares in associated undertakings ¹⁾	217 688	217 687	238 261			
Other shares in land and buildings	101 949	102 029	118 782	351 176	351 256	387 952
Loans to affiliated undertakings	230 629	230 629	230 629	255 013	255 013	255 013
Affiliated undertakings						
Shares	229 521	229 521	229 521	270 670	270 670	259 760
Associated undertakings						
Shares	15 794	15 794	16 514	29 842	29 842	30 648
Other investments						
Shares	2 552 861	2 595 476	6 005 766	2 002 793	2 049 183	4 244 773
Debt securities	2 045 989	2 045 989	2 130 043	1 590 891	1 590 891	1 636 784
Loans guaranteed by mortgages	427 440	427 440	427 440	494 780	494 780	494 780
Other loans	394 431	394 431	394 431	612 432	612 432	612 432
Deposits with credit institutions	85 999	85 999	85 999	108 815	108 815	108 815
Deposits with ceding undertakings	2 497	2 497	2 497	3 631	3 631	3 631
	7 489 353	7 784 067	11 862 122	6 893 893	7 202 476	10 004 818
Remaining acquisition cost of debt securities includes that difference between the amount repayable at maturity and purchase price which has been released to interest income (+) or charged to interest income (-)	-7 926			8 863		
Book value includes						
Unrealized gains entered in profit and loss account		204 330			218 198	
Revaluation entered in revaluation reserve		90 384			90 384	
		294 714			308 582	
Difference between current and book values			4 078 055			2 802 342

¹⁾ In 1995, included in other shares in land and buildings



10 INVESTMENTS IN LAND AND BUILDINGS	Group		Parent company	
	1996	1995	1996	1995
BUILDINGS				
Acquisition cost Jan. 1	2 053 067	2 055 780	1 056 757	1 123 436
Acquisitions	40 712	10 248	28 002	4 025
Realizations	-15 126	-107 867	-14 570	-71 775
Transfers	21 551	94 906	-	1 071
Acquisition cost Dec. 31	2 100 204	2 053 067	1 070 189	1 056 757
Unrealized gains and revaluation Jan. 1	375 745	505 450	304 724	434 305
Decrease	-	-129 705	-	-129 581
Realizations	-16 356	-	-	-
Unrealized gains and revaluation Dec. 31	359 389	375 745	304 724	304 724
Accumulated scheduled depreciation Jan. 1	869 109	640 976	474 782	390 765
Scheduled depreciation	69 637	257 728	38 322	108 061
Realizations	-9 164	-29 595	-6 242	-24 044
Accumulated scheduled depreciation Dec. 31	929 582	869 109	506 862	474 782
Book value after scheduled depreciation Dec. 31	1 530 011	1 559 703	868 051	886 699
Accumulated accelerated depreciation Jan. 1	14 399	41 940	16 226	33 572
Change in accelerated depreciation	8 183	-27 541	4 661	-17 346
Accumulated accelerated depreciation Dec. 31	22 582	14 399	20 887	16 226
Net after total depreciation Dec. 31	1 507 429	1 545 304	847 164	870 473
LAND AND WATER AREAS, AND SHARES IN LAND AND BUILDINGS				
Acquisition cost Jan. 1	821 297	822 569	1 208 533	1 179 437
Acquisitions	10 428	11 223	33 249	33 459
Realizations	-17 525	-15 060	-23 007	-4 320
Transfers and mergers	-21 551	2 565	-2 638	-43
Acquisition cost Dec. 31	792 649	821 297	1 216 137	1 208 533
Unrealized gains and revaluation Jan. 1	66 023	66 023	30 669	30 669
Realizations	-9 591	-	-	-
Unrealized gains and revaluation Dec. 31	56 432	66 023	30 669	30 669
Accumulated value adjustments Jan. 1	-167 138	-96 084	-338 683	-173 453
Value adjustments	-18 858	-73 683	-32 458	-171 229
Value re-adjustments	3 142	506	13 325	5 535
Realizations	3 632	2 123	-	464
Mergers	-	-	-750	-
Accumulated value adjustments Dec. 31	-179 222	-167 138	-358 566	-338 683
Book value after value adjustments Dec. 31	669 859	720 182	888 240	900 519
Book value in total Dec. 31	2 199 870	2 279 885	1 756 291	1 787 219
LOANS TO AFFILIATED UNDERTAKINGS				
Acquisition cost Jan. 1	2 255	1 780	257 709	264 279
Increase	881	920	881	5 134
Decrease	-698	-445	-27 961	-11 704
Acquisition cost Dec. 31	2 438	2 255	230 629	257 709
Accumulated value adjustments Jan. 1	-	-	-2 696	-2 963
Value adjustments and difference in exchange rates	-	-	-2 419	267
Decrease	-	-	5 115	-
Accumulated value adjustments Dec. 31	-	-	-	-2 696
Book value after value adjustments Dec. 31	2 438	2 255	230 629	255 013
Total investments in land and buildings Dec. 31	2 202 308	2 282 140	1 986 920	2 042 232

	Group		Parent company	
	1996	1995	1996	1995
LAND AND BUILDINGS OCCUPIED BY THE COMPANY				
Remaining acquisition cost	355 254	351 570	282 811	290 972
Book value	381 901	379 736	307 339	315 974
Current value	465 842	452 710	368 137	370 373
AFFILIATED UNDERTAKINGS				
Number of undertakings (owned by Pohjola and Bothnia) Dec. 31	78	83		
Total profit/loss for financial year	19 261	-101 179		
Total capital and reserves	465 999	419 485		
Number of undertakings (owned by Ilmarinen) Dec. 31	132	117		
Total profit/loss for financial year	-41 740	-579 675		
Total capital and reserves	1 658 366	1 693 427		

11 INVESTMENTS IN AFFILIATED
AND ASSOCIATED UNDERTAKINGS

	Group		Parent company	
	1996	1995	1996	1995
SHARES IN AFFILIATED UNDERTAKINGS				
Acquisition cost Jan. 1	40 788	40 788	270 890	311 267
Dissolutions and mergers	-	-	-	-40 377
Acquisition cost Dec. 31	40 788	40 788	270 890	270 890
Accumulated value adjustments Jan. 1	-	-	-220	-15 977
Value adjustments during financial year	-	-	-41 149	-
Dissolutions and mergers	-	-	-	15 757
Accumulated value adjustments Dec. 31	-	-	-41 369	-220
Remaining acquisition cost Dec. 31	40 788	40 788	229 521	270 670
DEBT SECURITIES ISSUED BY AFFILIATED UNDERTAKINGS				
Acquisition cost Jan. 1	-	-	-	1 850
Merger	-	-	-	-1 850
Acquisition cost Dec. 31	-	-	-	-
Accumulated value adjustments Jan. 1	-	-	-	-894
Merger	-	-	-	894
Accumulated value adjustments Dec. 31	-	-	-	-
Remaining acquisition cost Dec. 31	-	-	-	-
SHARES IN ASSOCIATED UNDERTAKINGS				
Acquisition cost Jan. 1			49 609	43 128
Increase			38	8 500
Decrease			-12 532	-2 000
Transfers			-	-19
			37 115	49 609
Share of associated undertakings' capital and reserves at acquisition date, Jan. 1	53 005	54 024	-	-
Increase	93	1 000	-	-
Decrease	-17 053	-2 000	-	-
Transfers	-	-19	-	-
	36 045	53 005	-	-
Difference between acquisition cost and the above Jan. 1	-1 736	-1 736	-	-
Increase	4 465	-	-	-
	2 729	-1 736	-	-
Acquisition cost Dec. 31	38 774	51 269	37 115	49 609
Accumulated value adjustments Jan. 1			-19 767	-19 767
Value adjustments during financial year	-	-	-1 586	-
Decrease	-	-	32	-
Accumulated depreciation on/decrease in above difference	1 375	1 254	-	-
Depreciation on/decrease in above difference during financial year	-4 345	121	-	-
Accumulated value adjustments/depreciation/decrease Dec. 31	-2 970	1 375	-21 321	-19 767
Remaining acquisition cost Dec. 31	35 804	52 644	15 794	29 842

12 SHARES

Name of company	Last annual accounts		Number of shares/ warrants	Percentage of all shares/ votes	Nominal value	Group	Parent company
	Profit/ loss	Capital and reserves				1996	1996
						Book value	Book value
AFFILIATED UNDERTAKINGS							
Bothnia International Insurance Company Ltd.	1 833	122 053	1 500 000	100.00	15 000		125 000
Eurooppalainen Insurance Company Ltd.	323	28 480	2 800 000	100.00	14 000		29 734
Pension Insurance Company Ilmarinen Ltd	17 853	133 338	2 820	67.14	28 200	40 788	36 858
			2 620	62.38	26 200		
Moorgate Insurance Company Limited, United Kingdom	-20 400	37 172	10 000 000	100.00	GBP 10 000		37 172
Insurance undertakings in total	-391	321 043				40 788	228 764
Finnish Insurance Services Oy	9	130	900	85.71	90		90
Northclaims Oy	3	283	140	93.33	14		482
Osmo Oy	-	37	10 000	100.00	20		20
Pohjola Insurance Service Ltd	-150	12	15 000	100.00	150		150
Pohjola International Consulting Ltd	-2	9	1 500	100.00	15		15
	-531	321 514				40 788	229 521
ASSOCIATED UNDERTAKINGS							
Insurance undertakings							
Varma Mutual Insurance Company	-1 397	-433	25	100.00 ¹⁾	25 000	-	-
FAMLAT - Joint-Stock Insurance Company of Latvia, Latvia	-555	442	45 000	45.00	LVL 225	199	454
Seesam International Insurance Company Ltd, Estonia	1 217	14 020	45 277	45.28	EEK 4 528	5 908	6 942
Standard Union Reassurance S.A., Luxembourg	-	7 255	2 500	50.00	LUF 25 000	3 628	2 796
Insurance undertakings in total	-735	21 284				9 735	10 192
OTHER UNDERTAKINGS							
Autovahinkokeskus Oy	142	18 520	1 651	22.93	4 128	3 788	4 112
Pohjolan Atk-palvelu Oy	378	1 165	175	35.00	175	408	175
Pohjolan Energianvälitys Oy	-	15	8	50.00	8	7	8
Securus Oy	13	684	285 606	8.16	3	61	-
Suomen Osakaskiinteistöt Oy	-214	4 412	300 000	20.00	300	655	882
Vahinkopalvelu Oy	1 342	3 413	840	46.67	252	1 593	336
Euro-Center Holding A/S, Denmark	12	3 364	800	20.00	DKK 800	681	-
Nordic Claims Service, Inc., USA	-382	1 248	100	50.00	USD 1	541	89
	556	54 105				17 469 ²⁾	15 794
REAL ESTATE COMPANIES							
Kiinteistö Oy Electrocitcity I	-140	45 197	3 206	48.07	2 885	28 856	28 856
Kiinteistö Oy Eteläesplanadi 12	-	66 071	28	27.18	1	36 099	36 099
Asunto Oy Helsingin Korppaanmäki	6 820	76 429	500 000	50.00	500	-	48 400
Kiinteistö Oy Läkkitori	-36	23 124	15 489	46.67	15	11 259	-
Kiinteistö Oy Salomonkatu 7-9	-280	70 026	4 680	14.22 ³⁾	468	59 283	59 283
Other (24 companies)						45 049	45 049
						180 546 ⁴⁾	217 687

¹⁾ Mutual insurance company

²⁾ Equity method

³⁾ 34.76% including holding of Pension Insurance Company Ilmarinen Ltd

⁴⁾ Korppaanmäki proportional (50%) consolidation; other at cost

Name of company	Number of shares/warrants	Percentage of all shares/votes	Nominal value	Group	Parent company
				1996	1996
				Book value	Book value
OTHER COMPANIES					
Salama Life Assurance Company Ltd.	20 000	1.00	200	1 000	1 000
Suomi Mutual Life Assurance Company, guarantee capital			3 000	3 000	3 000
Skandia Insurance Company Limited (publ), Sweden	4 640 000	4.53	SEK 23 200	504 691	504 691
Insurance undertakings in total				508 691	508 691
Aamulehti-yhtymä Oy	300 909	4.01/6.70	3 009	43 632	43 632
Aspoyhtymä Oy	236 905	5.17	2 369	7 710	7 710
Cultor Ltd	218 600	0.95/0.82	2 623	47 933	47 933
Espoon Sähkö Oy	36 000	0.23	72	2 016	2 016
Finnlines Ltd	480 000	2.50	4 800	6 143	6 143
Huhtamäki Oy	600 146	2.02/3.27	12 003	62 961	62 961
Instrumentarium Corporation	93 600	0.46/0.47	936	15 554	15 554
Kemira Oy	1 780 000	1.38	17 800	73 738	73 738
Kesko Ltd	1 428 500	1.58/0.04	14 285	92 710	92 710
Kone Corporation	500 715	7.45/2.91	25 036	59 027	59 027
Lassila & Tilkanoja Ltd.	199 700	3.13	1 997	21 028	21 028
Lemminkäinen Oy	1 505 400	9.29	15 054	59 614	59 614
Oy Leo-Longlife Ltd	33 682	3.06/0.60	337	3 166	3 166
Lännen Tehtaat Oy	156 000	2.42	1 560	6 832	6 832
Merita Ltd	14 770 842	1.78/1.92	147 708	212 700	212 700
Metra Corporation	126 600	0.47/0.39	2 532	31 127	31 127
Neste Oy	834 800	0.85	8 348	68 694	68 694
Nokia Corporation	5 820 400	1.94/4.86	29 102	187 996	187 996
Orion Corporation	432 300	0.86/0.60	4 323	53 200	53 200
Outokumpu Corporation	245 000	0.20	2 450	19 232	19 232
Polar Corporation	3 310 976	2.85	33 110	21 852	21 852
Rauma Corporation	711 001	1.32	7 110	59 162	59 162
Rautakirja Oy	596 815	9.21/10.60	11 936	26 988	26 988
Rautaruukki Corporation	477 600	0.40	4 776	18 984	18 984
Raute Oy	25 000	0.66/0.10	250	1 000	1 000
Silja Oy Ab	1 343 980	6.16/6.42	26 880	49 727	49 727
Starckjohann Oy	1 585 434	1.22	1 585	11 337	11 337
Tarnfelt Corp.	48 687	0.73/0.09	487	4 223	4 223
TT Tieto Oy	195 000	2.22	1 950	9 198	9 198
UPM-Kymmene Corporation	13 597 000	5.09	135 970	355 061	355 061
Vaisala Oy	9 000	0.21/0.04	90	2 679	2 679
Valmet Corporation	653 400	0.84	6 534	48 298	48 298
Werner Söderström Osakeyhtiö-WSOY	868 764	7.24/4.91	8 688	18 049	18 049
YIT-Corporation	2 880 047	11.79	28 800	77 741	77 741
Aboa Venture Ky 1				1 171	1 171
Ab Chips Oy Ltd	43 770	1.31/2.33	438	8 822	8 822
Ecolution Oy	225	16.36	225	-	-
Finnventure Rahasto I Ky				15 854	15 854
Ilkka Oy	15 763	0.97/0.98	158	1 539	1 539
Innopoli Oy	49 500	7.16	4 950	2 216	2 216
Kytösuontien Pysäköinti Oy	238	5.62	1	3 099	
Martela Oy	95 100	4.58/1.22	951	10 351	10 351
MTV Oy	840	1.52	420	3 348	3 348
Olvi Oy	14 930	0.78/0.16	149	1 322	1 322
Oulun Teknologiakylä Oy	25 200	2.62	1 260	1 744	1 744
Penope Oy	136 274	16.22/1.61	681	3 134	3 134
Oy Radiolinja Ab	292	0.59/0.86	1 460	1 460	1 460
Rakentajain Konevuokraamo Oy	649 614	19.19/19.81	6 496	9 608	9 608
Sadepo Oy	170	19.19	1 700	1 700	1 700
Sato-Yhtymä Oy	136 162	10.81	1 362	1 951	1 951
Savon Teknia Oy	30 000	5.27	1 200	1 200	1 200
Sentra Ltd	89 444	7.85/0.75	894	13 417	13 417
Som Ltd, Securities and Derivatives Exchange, Clearing House	31 000	3.08	2 170	2 170	2 170
Finnish Timber Houses Ltd	219 883	14.61	1 869	-	-
Suomen Viestintärahoytös Oy	5 000	3.74/0.30	500	1 000	1 000
Teknoventure Oy	10 000	1.28	1 000	1 000	1 000
Oy TKKK Education Ltd	10	10.00	10	10	10
Oy Villas Ab	30	11.19	6	4	4
EIC Corporation Ltd., Bermuda	40 000	2.59/3.08	USD 50	4 231	4 231
Europe Mid Cap Fund, France	7 400			9 087	9 087
ISA Asian Growth Fund, Luxembourg	93 298			37 354	37 354
P.T.F. European Opportunity, Luxembourg	5 959			5 283	5 283
Pilkington plc, United Kingdom	1 547 923	0.15	GBP 774	19 063	19 063
Placements Obligations, France	116			1 226	
Schroder Investment Selection Fund					
Japanese Equity C, Luxembourg	180 000			5 576	5 576
Schroder Investment Selection Fund					
Pacific Equity C, Luxembourg	260 000			7 866	7 866
SINSER (Bermuda) Ltd, Bermuda	1 800	15.00	USD 2	10	10
SINSER (Ireland) Ltd., Ireland	750	15.00	IEP 1	10	10
SINSER (Luxembourg) S.à.r.l., Luxembourg	75	15.00	LUF 75	948	948
Trans Europe Fund N.V., The Netherlands	59 300			20 122	20 122
Foreign shares ¹⁾				73 740	73 740
Other shares				42 165	41 054
Other warrants				108	108
				2 600 912	2 595 476

¹⁾ 47 European companies in which vote percentages are from 0.00050 to 0.02942

13 OTHER LOANS	Group		Parent company	
	1996	1995	1996	1995
LOANS SPECIFIED BY SECURITY				
Bank guarantee	42 778	110 401	42 778	110 401
Insurance policy	6	9	6	9
Shares in housing and real estate companies	92 700	95 232	92 700	95 232
State, municipality and parish security as well as loans to municipalities and parishes	162 548	228 235	162 548	228 235
Other	38 475	82 515	96 399	178 555
Total	336 507	516 392	394 431	612 432
Loans to management of affiliated undertakings	3 365	2 747	3 365	2 747

No loans have been granted to minority shareholders of Group.

14 DEBTORS	Group		Parent company	
	1996	1995	1996	1995
Affiliated undertakings				
Reinsurance debtors	-	-	15 608	19 692
Other debtors	11 312	13 300	27 862	31 548
Total	11 312	13 300	43 470	51 240
Associated undertakings				
Direct insurance debtors	842	411	-	-
Reinsurance debtors	658	-	658	-
Other debtors	10 003	1 840	18 080	1 742
Total	11 503	2 251	18 738	1 742

15 EQUIPMENT	Group		Parent company	
	1996	1995	1996	1995
Acquisition cost Jan. 1	139 362	180 100	131 742	171 934
Fully depreciated in previous year	-15 972	-36 337	-15 116	-34 621
Acquisitions	54 845	22 831	52 204	21 183
Realizations and disposals	-1 580	-27 232	-1 273	-26 754
Acquisition cost Dec. 31	176 655	139 362	167 557	131 742
Accumulated scheduled depreciation Jan. 1	79 630	113 057	75 429	107 732
Fully depreciated in previous year	-15 972	-36 338	-15 116	-34 621
Scheduled depreciation	20 934	16 765	19 768	15 829
Realizations and disposals	-755	-13 854	-494	-13 511
Accumulated scheduled depreciation Dec. 31	83 837	79 630	79 587	75 429
Payments on account	32	2	32	2
Acquisition cost after scheduled depreciation Dec. 31	92 850	59 734	88 002	56 315
Accumulated accelerated depreciation Jan.1	12 782	5 719	11 481	5 060
Increase in accelerated depreciation	20 278	7 064	18 730	6 421
Accumulated accelerated depreciation Dec. 31	33 060	12 782	30 211	11 481
Net after total depreciation Dec. 31	59 790	46 952	57 791	44 834

16 CAPITAL AND RESERVES	Group		Parent company	
	1996	1995	1996	1995
RESTRICTED				
Share capital				
A-shares, 10 votes/share	103 200	103 200	103 200	103 200
B-shares, 1 vote/share	100 350	100 350	100 350	100 350
	203 550	203 550	203 550	203 550
Legal reserve	946 018	946 018	945 434	945 434
Revaluation reserve				
Reserve Jan. 1	62 353	192 058	48 544	178 125
Cancelled revaluation	-4 032	-129 581	-	-129 581
Translation difference	-	-124	-	-
	58 321	62 353	48 544	48 544
Building reserve				
Reserve Jan. 1	177	177	-	-
Change in composition of Group	-177	-	-	-
	-	177	-	-
Translation difference				
Difference Jan. 1	-8 737	3 277	-	-
Change	13 229	-12 014	-	-
	4 492	-8 737	-	-
Restricted in total	1 212 381	1 203 361	1 197 528	1 197 528
NON-RESTRICTED				
Contingency reserve				
Reserve Jan. 1	70 607	80 501	87 845	89 246
From profit for previous financial year	120 264	-8 493	114 568	-
Uncollected dividends	28	41	28	41
From profit/loss brought forward	9 805	-	-	-
To parent company distribution of dividend	-	-1 442	-	-1 442
	200 704	70 607	202 441	87 845
Loan amortization reserve				
Reserve Jan. 1	611	611	-	-
Change in composition of Group	-611	-	-	-
	-	611	-	-
Accelerated depreciation and voluntary provisions, net of tax				
Reserve Jan. 1	51 166	62 602	-	-
From profit for previous financial year	-2 539	-	-	-
From profit for financial year	9 822	-11 436	-	-
	58 449	51 166	-	-
Profit/loss brought forward				
Profit/loss Jan. 1	-11 001	-33 897	-	-
From profit/loss for previous financial year	-53 205	20 505	-	-
To contingency reserve	-9 805	-	-	-
Change in composition of Group	-2 802	-	-	-
Translation difference	-8 704	2 391	-	-
	-85 517	-11 001	-	-
Profit for previous financial year	125 805	51 500	175 833	39 468
To parent company distribution of dividend	-61 065	-39 268	-61 065	-39 268
To contingency reserve	-120 264	8 493	-114 568	-
To profit/loss brought forward	53 205	-20 505	-	-
To voluntary provisions and accelerated depreciation	2 539	-	-	-
Donations for worthy causes	-220	-220	-200	-200
	-	-	-	-
Profit for financial year	271 011	125 805	231 514	175 833
Non-restricted in total	444 647	237 188	433 955	263 678
Capital and reserves in total	1 657 028	1 440 549	1 631 483	1 461 206
REVALUATION RESERVE				
Pertaining to investments classified as fixed assets	65 888	71 007	57 276	59 756
Pertaining to other investments	35 939	34 852	33 108	30 628
Total	101 827	105 859	90 384	90 384
Bonus issues	-41 840	-41 840	-41 840	-41 840
Minority interest	-1 666	-1 666	-	-
Difference	58 321	62 353	48 544	48 544

Under the Insurance Companies Act, only such revaluation reserve which pertains to fixed assets at the time of increasing the share capital can be used for bonus issues.

17 UNTAXED RESERVES	Group		Parent company	
	1996	1995	1996	1995
ACCELERATED DEPRECIATION				
Intangible assets	67	101	-	-
Buildings	22 582	14 399	20 887	16 227
Equipment	33 060	12 782	30 211	11 481
Total	55 709	27 282	51 098	27 708
VOLUNTARY PROVISIONS				
Credit loss reserve				
Reserve Jan. 1	20 309	19 963	19 700	19 400
Increase	157	346	330	300
Reserve Dec. 31	20 466	20 309	20 030	19 700
Transitional reserve				
Reserve Jan. 1	16 291	16 891	13 000	13 000
Used for acquisitions	-14 800	-600	-13 000	-
Reserve Dec. 31	1 491	16 291	-	13 000
Total	21 957	36 600	20 030	32 700
Untaxed reserves in total	77 666	63 882	71 128	60 408
Transferred				
To capital and reserves	58 448	48 626		
To minority interest	-2 529	-2 631		
To deferred tax liability	21 747	17 887		
	77 666	63 882		

18 PROVISION FOR CLAIMS OUTSTANDING	Group		Parent company	
	1996	1995	1996	1995
DISCOUNTING OF PROVISION FOR CLAIMS OUTSTANDING				
Gross claims outstanding				
Provision before discounting	6 305 636	6 374 789	5 431 689	5 473 350
Amount of deduction (other than annuities)	-13 442	-113 443	-	-92 000
Provision after discounting	6 292 194	6 261 346	5 431 689	5 381 350
Reinsurance amount				
Provision before discounting	364 418	539 703	371 621	541 216
Net claims outstanding after discounting	5 927 776	5 721 643	5 060 068	4 840 134
Groups of losses subject to discounting:	Average settling period of claims in years		Rate of interest applied %	
	1996	1995	1996	1995
Statutory workers' compensation insurance, medical treatment expenses	-	7	-	5
Motor, third party liability, medical treatment expenses	-	7	-	4.5
Bothnia's liability insurance (not, however, collective provision for claims set aside for asbestos and environmental treaties)	5.5	5.5	3	3
Bothnia's combined insurance (not marine)	4	4	3	3

19 CREDITORS	Group		Parent company	
	1996	1995	1996	1995
Amounts owed to affiliated undertakings				
Reinsurance creditors	-	-	-	9 987
Amounts owed to credit institutions	1 360	1 398	1 360	1 398
Pension loans	255 876	275 156	255 831	275 087
Other creditors	4 838	13 054	45 506	60 699
Total	262 074	289 608	302 697	347 171
Amounts owed to associated undertakings				
Reinsurance creditors	1 057	-	1 057	-
Other creditors	4 770	29 369	4 770	53 912
Total	5 827	29 369	5 827	53 912
AMOUNTS BECOMING DUE AND PAYABLE IN FIVE OR MORE YEARS				
Amounts owed to credit institutions	17 324	52 319	1 334	1 385
Pension loans	177 979	191 411	177 978	191 375
Total	195 303	243 730	179 312	192 760

20 CONTINGENT LIABILITIES	Group		Parent company	
	1996	1995	1996	1995
MORTGAGED LAND AND BUILDINGS				
As security for own debts	31 940	35 241	-	-
As security for debts of affiliated undertakings	-	-	10 991	11 591
As security for debts of joint undertakings	20 250	20 250	-	-
As security for own building site liabilities	520	520	360	360
Total	52 710	56 011	11 351	11 951
Own debts corresponding to mortgages	19 212	22 304	-	-
ASSETS PLEDGED				
As security for own debts	269 204	119 007	192 171	11 543
As security for debts of affiliated undertakings	-	-	52 514	76 535
Total	269 204	119 007	244 685	88 078
Own debts corresponding to assets pledged	188 998	229 667	112 163	126 994
GUARANTEES				
As security for own debts	47 428	51 826	-	-
As security for debts of affiliated undertakings	-	-	47 428	51 826
Total	47 428	51 826	47 428	51 826
Own debts corresponding to guarantees	29 643	21 389	-	-
OPTION CONTRACTS				
Real estate sales contracts				
Book value	6 931	1 130	1 029	1 130
Current value	7 902	2 000	2 000	2 000
Agreed sales price	5 902	-	-	-
Difference between current value and sales price	2 000	2 000	2 000	2 000
OTHER COMMITMENTS				
Commitment to subscribe for shares in general partnership companies carrying on Venture Capital investments	1 467	-	1 467	-

The Group does not have other contingent liabilities in associated undertakings, nor derivatives or leasing contracts.



21 PENSION COMMITMENTS FOR AND LOANS

GRANTED TO GROUP MANAGEMENT

	Management of Group		Management of parent company	
	1996	1995	1996	1995
Loans to members of the Supervisory Boards and Boards of Directors, and Chief Executive Officers (includes loans granted by Ilmarinen)				
Original principal	6 116	5 494	-	900
Remaining principal	4 035	3 577	-	357
Interest rate	5.0-7.25%	5.75-7.25%		5.75%
Loan period	4-26 years	5-10 years or falls due upon request		5 or 10 years or falls due upon request
Security	Mortgage or shares in housing corp.	Mortgage or shares in housing corp.		Mortgage or shares in housing corp.

The members of the Board of Directors have the same right as the other Pohjola Group employees to retire on a full 60% old-age pension once they have reached the age of 63, provided that they, by that time, have been in service for at least 30 years. The early retirement pension scheme approved in September covers two Board members of subsidiaries.

22 SOLVENCY

	Group		Parent company	
	1996	1995	1996	1995
SOLVENCY MARGIN				
Capital and reserves after proposed distribution of profit	1 575 458	1 379 264	1 549 914	1 399 941
Voluntary provisions and accelerated depreciation	-	-	71 128	60 408
Difference between current and book values of investments	4 253 480	2 982 292	4 078 055	2 802 342
Other items	-87 111	-52 760	-175 889	-189 988
	5 741 827	4 308 796	5 523 208	4 072 703
EQUALIZATION PROVISION				
Equalization provision included in the technical provisions for years with a high loss frequency	657 420	515 552	595 445	466 898
MINORITY INTEREST	25 472	23 610	-	-
SOLVENCY CAPITAL	6 424 719	4 847 958	6 118 653	4 539 601
Solvency margin requirement under chapter 11, section 2 of the Insurance Companies Act			534 988	545 025
Equalization provision as a percentage of its full amount			22%	18%
Solvency capital to earned premiums, net of reinsurance	250%	188%	249%	183%
Solvency capital to technical provisions net of reinsurance less equalization provision	94%	74%	103%	80%

Helsinki, March 12, 1997

Iiro Viinanen

Jukka Rantala

Pirkko Alitalo

Jorma Hämäläinen

Hannu Ketola

Jukka Peltola

Kari Puro

Auditors' report

TO THE SHAREHOLDERS OF
POHJOLA INSURANCE COMPANY LTD.

We have examined the accounting records, annual accounts and corporate governance of Pohjola Insurance Company Ltd. for the financial year from January 1 to December 31, 1996. The annual accounts drawn up by the Board of Directors and the Chief Executive Officer include the Board's report and the consolidated and parent company profit and loss account, balance sheet and notes on the accounts. Based on our audit we express an opinion on the annual accounts and on corporate governance.

Mr Tauno Haataja, Authorized Public Accountant, has been responsible for the supervisory audit, on which he has submitted a separate report.

The audit was carried out in accordance with Finnish Standards on Auditing. The accounting records and the accounting principles, contents and presentation of the annual accounts were examined to the extent required to ascertain that the material parts of the annual accounts had been correctly drawn up. In examining the corporate governance, the conformity to law of the operations of the members of the Supervisory Board and the Board of Directors and the

Chief Executive Officer was examined on the basis of the provisions of the Insurance Companies Act and the Companies Act.

In our opinion the company's annual accounts have been drawn up in accordance with the Accounting Act and the regulations of the Ministry of Social Affairs and Health and other provisions governing the drawing up of annual accounts. The annual accounts provide, in the manner required by the Accounting Act, a true and fair view of the result of the operations and the financial position of the Group, as set out in the Insurance Companies Act, and of the parent company. The annual accounts, including the consolidated accounts, can be adopted, and the members of the Supervisory Board and the Board of Directors and the Chief Executive Officer of the parent company can be discharged from liability for the financial year we have audited. The Board of Directors' proposal for the distribution of the profit for the financial year is in conformity to law.

We have reviewed the interim report published during the financial year. The interim report has been prepared in accordance with applicable regulations.

Helsinki, March 26, 1997

Tauno Haataja
Authorized Public
Accountant

Ulpu Laaksonen
Authorized Public
Accountant

Juha Wahlroos
Authorized Public
Accountant

Statement by the Supervisory Board

The Supervisory Board has studied Pohjola Insurance Company Ltd.'s annual accounts including the consolidated accounts for 1996 as well as the auditors' report without finding any cause for adverse comment. The Supervisory Board therefore supports adoption of the company's profit and loss

account and balance sheet as well as the consolidated profit and loss account and consolidated balance sheet and concurs with the proposal of the Board of Directors regarding the distribution of the profit.

Helsinki, March 26, 1997

On behalf of the Supervisory Board:

Tauno Matomäki
Chairman

Definition of key ratios

The key ratios are consolidated data and comply with the directives of the Ministry of Social Affairs and Health.

In the consolidated accounts, voluntary provisions and accelerated depreciation (untaxed reserves) have been included partly in profit for financial year and reserves and partly in tax charge and tax liability. Deferred tax pertaining to revaluation entered in revaluation reserve and difference between current and book values of investments has not been included in tax charge or tax liability since investments are long-term ones and their appreciation is released to profit and loss account over a long period, whereby gains do not, considering avoird fiscal tax credit on dividends received, have an immediate effect on tax to be paid.

TURNOVER =

- + Gross premiums earned before credit loss and reinsurers' share
- + Investment income
- + Other income
- + Unrealized gains insofar as materialized in connection with sales

GROSS PREMIUMS WRITTEN =

Premiums written before credit loss and reinsurers' share

OPERATING PROFIT OR LOSS =

Profit or loss before change in equalization provision, unrealized gains or losses on investments, extraordinary items and tax

RETURN ON EQUITY AT CURRENT VALUES (%) =

- ± Profit or loss before extraordinary items and tax
 - ± Revaluation entered in/withdrawn from revaluation reserve
 - ± Change in difference between current and book values of investments
 - Tax
-
- + Capital and reserves
 - + Minority interest
 - ± Difference between current and book values of investments (average of Jan. 1 and Dec. 31)

RETURN ON ASSETS AT CURRENT VALUES (%) =

- ± Profit or loss before change in equalization provision, extraordinary items and tax
 - + Interest on and charges for loans
 - ± Revaluation entered in/withdrawn from revaluation reserve
 - ± Change in difference between current and book values of investments
-
- + Balance-sheet total
 - ± Difference between current and book values of investments (average of Jan. 1 and Dec. 31)

EQUITY TO BALANCE-SHEET TOTAL AT CURRENT VALUES (%) =

- + Capital and reserves
 - + Minority interest
 - ± Difference between current and book values of investments
-
- + Balance-sheet total
 - ± Difference between current and book values of investments

AVERAGE NUMBER OF EMPLOYEES =

Average of number of employees at the end of each month. Since 1995, the figure has been adjusted for employees working on a part-time basis only.

LOSS RATIO (%) =

- Claims incurred
-
- Earned premiums

EXPENSE RATIO (%) =

- Operating expenses
-
- Earned premiums

COMBINED RATIO (%) =

Loss ratio + expense ratio

SOLVENCY MARGIN (GROUP) =

- + Capital and reserves after proposed distribution of profit
- ± Difference between current and book values of investments
- Intangible assets
- ± Other items required by ordinance

SOLVENCY CAPITAL =

- Solvency margin
- + Equalization provision
- + Minority interest after proposed distribution of profit

SOLVENCY CAPITAL AS PERCENTAGE OF TECHNICAL PROVISIONS =

- Solvency capital
-
- + Technical provisions
 - Equalization provision

SOLVENCY RATIO (%) =

- Solvency capital
-
- Earned premiums

EARNINGS/SHARE =

- ± Profit or loss before extraordinary items and tax
 - Tax
 - Minority shares of above items
-
- Adjusted average number of shares

CAPITAL AND RESERVES/SHARE =

- Capital and reserves
-
- Adjusted number of shares Dec. 31

NET ASSET VALUE/SHARE AT CURRENT VALUES =

- + Capital and reserves
 - ± Difference between current and book values of investments
 - Minority share of difference between current and book values of investments
-
- Adjusted number of shares Dec. 31

DIVIDEND/SHARE =

- Dividend for financial year
-
- Adjusted number of shares Dec. 31

DIVIDEND/EARNINGS (%) =

- Dividend/share
-
- Earnings/share

EFFECTIVE DIVIDEND YIELD (%) =

- Dividend/share
-
- Adjusted average share price weighted by trading volumes of last trading day of financial year

PRICE/EARNINGS RATIO =

- Adjusted average share price weighted by trading volumes of last trading day of financial year
-
- Earnings/share

ADJUSTED AVERAGE SHARE PRICE =

- Total turnover of shares in FIM
-
- Adjusted average number of traded shares

ADJUSTED SHARE PRICE, LOWEST AND HIGHEST =

Lowest and highest share price in public trading

ADJUSTED SHARE PRICE ON DEC. 31 =

Average share price weighted by trading volumes of last trading day of financial year

MARKET CAPITALIZATION =

Number of shares on Dec. 31 x average share price weighted by trading volumes of last trading day of financial year

DEVELOPMENT OF TURNOVER =

Number of shares traded during financial year and their percentage of average number of all shares in the series



POHJOLA'S BOARD OF DIRECTORS AS OF JULY 1, 1997.
IN THE FRONT MR TAUNO MATOMÄKI, CHAIRMAN,
FROM THE LEFT MESSRS OLAVI NEVANLINNA, AATTO PRIHTI,
PERTTI VOUTILAINEN, LARS-ERIC PETERSSON
AND JAAKKO IHAMUOTILA

Administration

SUPERVISORY BOARD

Tauno Matomäki (*1937)
Chairman

Pertti Voutilainen (*1940)
Deputy Chairman

Antti Aarnio-Wihuri (*1940)

Seppo Ahonen (*1942)

Felix Björklund (*1943)

Mikko Ennevaara (*1946)

Pertti Hellemaa (*1930)

Pekka Herlin (*1932)

Jaakko Ihamuotila (*1939)

L.J. Jouhki (*1944)

Erkki Järnefelt (*1939)

Eero Kinnunen (*1937)

Pauli Komi (*1936)

Juhani Maijala (*1939)

Markku Mannerkoski (*1936)

Jorma Ollila (*1950)

Timo Peltola (*1946)

Antti Potila (*1938)

Aatto Prihti (*1939)

Timo Rajala (*1947)

Eva-Riitta Siitonen (*1940)

Matti Sundberg (*1942)

Ilkka Suominen (*1939)

Heikki Tavela (*1932)

Martti Ursin (*1934)

Seppo Vikström (*1956)

Björn Wolrath (*1943)

BOARD OF DIRECTORS UNTIL JULY 1, 1997

Iiro Viinanen (*1944)
President of The Pohjola Group
and as of July 1, 1997,
Chief Executive Officer
of Pohjola
Chairman

Jukka Rantala (*1951)
Chief Executive Officer
until June 30, 1997,
and as of July 1, 1997,
Senior Vice President/Research

Pirkko Alitalo (*1949)
Investments and, as of July 1,
1997, Executive Vice President
of Pohjola

Jorma Hämäläinen (*1937)
Life Assurance

Hannu Ketola (*1947)
Non-Life Insurance

Jukka Peltola (*1947)
Foreign Insurance,
Domestic Reinsurance

Kari Puro (*1941)
Chief Executive Officer of
Ilmarinen

AUDITORS

Tauno Haataja
Authorized Public Accountant,
Supervisory Auditor

Juha Wahlroos
Authorized Public Accountant,
Deputy Supervisory Auditor

Ulpu Laaksonen
Authorized Public Accountant

DEPUTY AUDITORS

Sari Airola
Authorized Public Accountant

Matti Nykänen
Authorized Public Accountant

SVH Coopers & Lybrand Oy
Authorized Public Accountants

BOARD OF DIRECTORS AS OF JULY 1, 1997

Tauno Matomäki (*1937)
Chairman

Jaakko Ihamuotila (*1939)

Olavi Nevanlinna (*1948)

Lars-Eric Petersson (*1950)

Aatto Prihti (*1939)

Pertti Voutilainen (*1940)

Corporate structure

Pohjola, Ilmarinen, Eurooppalainen, Suomi and Salama form The Pohjola Group. The companies provide both corporate clients and private households with all insurance and claims settlement services. Financing services supplement the comprehensive services available for corporate clients.

Cooperation among the companies is based on shareholdings and agreements and on a joint organization. This type of cooperation provides several advantages, which the clients ultimately benefit from through fair premiums, competitive client bonuses, rapidly and justly paid claims and a good return on their investments.

POHJOLA WITH SUBSIDIARIES

Pohjola Insurance Company Ltd., the parent company of the Group, is a non-life insurance company. Its range of products comprises all classes of non-life insurance and reinsurance.

Eurooppalainen Insurance Company Ltd. is a travel insurance company, which underwrites domestic transport insurance as well.

Pohjola's portfolio of foreign insurance, not including that of insurance covering domestic clients' operations abroad, was transferred to Bothnia International Insurance Company Ltd. in 1993. The company does not underwrite new insurance.

Moorgate Insurance Company Limited is a London-based subsidiary of Pohjola. Neither is Moorgate underwriting new business.

ILMARINEN WITH SUBSIDIARIES

Pension Insurance Company Ilmarinen Ltd underwrites statutory employment pension insurance and self-employed persons' pension insurance with supplementary benefits.

The company is a subsidiary of Pohjola. Effective insurance company legislation provides that the figures of a pension insurance company may not be consolidated in the accounts of another type of company.

SUOMI WITH SUBSIDIARIES

Suomi Mutual Life Assurance Company and Salama Life Assurance Company Ltd. are the life assurance companies of The Pohjola Group. They are marketing their products under the name Suomi-Salama. Suomi, the parent company, is a mutual company, i.e. those who have taken out insurance with Suomi are shareholders of the company. Suomi is specializing in life assurance for private households; Salama in corporate life assurance.

ASSOCIATED UNDERTAKINGS

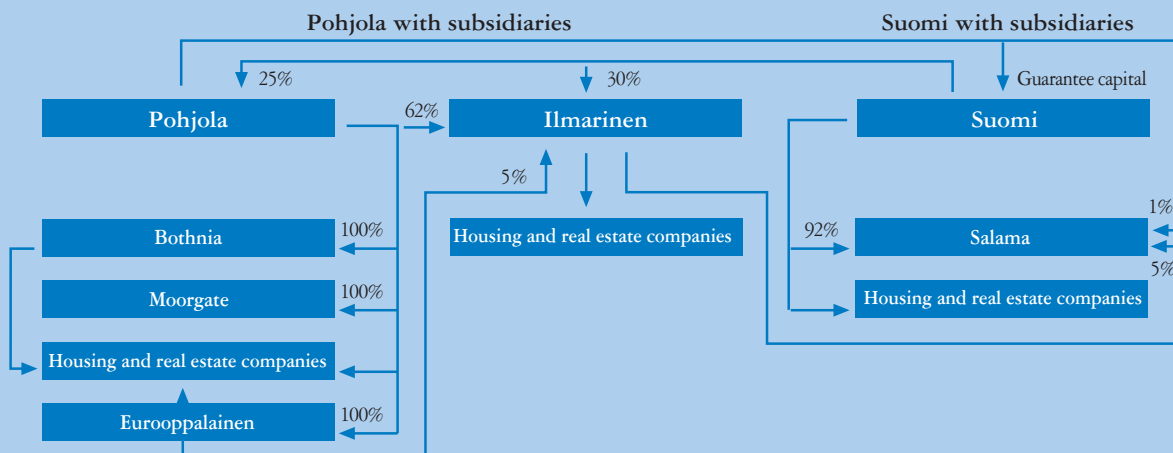
Varma Mutual Insurance Company is a reinsurance company fully-owned by Pohjola. The company is in liquidation.

Standard Union Reassurance S.A. is a Luxembourg-based reinsurance company of which Pohjola and Skandia own 50% respectively.

Seesam International Insurance Company Limited is an Estonian non-life insurance company in which Pohjola owns 45% of the shares. The company has a fully-owned subsidiary underwriting life assurance, Seesam Life International Insurance Company Ltd.

FAMLAT - First International Insurance Company of Latvia, is a Latvian non-life insurance company in which Pohjola owns 45% of the shares.

Suomi-Salama owns 33% of the stock of shares of Retro Life Assurance Company Ltd.



Highlights

FIM MILLION	1992 ¹⁾	1993 ¹⁾	1994	1995	1996
Gross premiums written					
Pohjola with subsidiaries	3 386	3 110	3 041	3 015	2 958
Ilmarinen with subsidiaries	5 534	6 247	6 576	7 277	8 282
Suomi with subsidiaries	940	1 122	1 184	1 890	2 987
Net investment income					
Pohjola with subsidiaries	679	795	487	665	962
Ilmarinen with subsidiaries	2 531	2 925	2 245	2 531	2 964
Suomi with subsidiaries	594	742	498	675	1 056
Claims incurred					
Pohjola with subsidiaries	3 322	2 813	2 433	2 269	2 440
Ilmarinen with subsidiaries	6 011	6 343	7 220	7 079	7 843
Suomi with subsidiaries	1 086	1 148	901	1 062	1 061
Operating expenses					
Pohjola with subsidiaries	632	552	518	521	565
Ilmarinen with subsidiaries	185	187	138	144	151
Suomi with subsidiaries	187	181	184	184	218
Technical provisions					
Pohjola with subsidiaries	6 486	6 958	6 879	7 107	7 491
of which equalization provision	243	459	620	516	657
Ilmarinen with subsidiaries	32 155	36 398	39 266	42 832	46 881
Suomi with subsidiaries	7 160	7 815	8 935	10 353	13 204
Solvency capital					
Pohjola with subsidiaries	3 793	5 314	5 760	4 848	6 425
Ilmarinen with subsidiaries ²⁾	1 148	2 374	1 743	2 626	4 865
Suomi with subsidiaries	1 295	2 772	2 487	2 430	4 026
Balance sheet total					
Pohjola with subsidiaries	9 373	9 639	9 576	9 719	10 316
Ilmarinen with subsidiaries	34 022	37 357	40 437	44 481	48 761
Suomi with subsidiaries	8 183	8 610	9 647	11 511	14 160
Average number of employees					
Pohjola with subsidiaries	2 620	2 512	2 533	2 359	2 255
Ilmarinen with subsidiaries	516	474	474	459	467
Suomi with subsidiaries	785	756	639	579	619

¹⁾ Ilmarinen's figures in accordance with previous accounting principles

²⁾ For Ilmarinen, parent company's solvency margin



Analysis of profit Solvency margin

Consolidated figures in millions of Finnmarks		Pohjola	Ilmarinen	Suomi	Total
GROSS PREMIUMS WRITTEN	1996	2 958	8 282	2 987	14 227
	1995	3 015	7 277	1 890	12 182
Premiums written (net)	1996	2 604	8 222	2 955	13 781
	1995	2 565	7 215	1 836	11 616
Change in provision for unearned premiums/ life assurance provision	1996	-36	-2 498	-2 140	-4 674
	1995	11	-2 198	-958	-3 145
Change in deficit in cover of technical provisions	1996		-117		-117
	1995		16		16
Claims incurred	1996	-2 440	-7 843	-1 001	-11 284
	1995	-2 269	-7 079	-1 005	-10 353
Statutory charges	1996		-144		-144
	1995		-158		-158
Operating expenses and other income/charges	1996	-564	-152	-210	-926
	1995	-521	-142	-184	-847
Investment income/charges and share of associated undertakings' profit/loss	1996	962	2 964	1 056	4 982
	1995	675	2 531	675	3 881
OPERATING PROFIT	1996	526	432	660	1 618
	1995	461	185	364	1 010
Change in equalization provision	1996	-141		-37	-178
	1995	-191		-25	-216
Unrealized gains/losses (Pohjola)	1995	3			3
Provision for client bonuses and rebates	1996		-300	-273	-573
	1995		-108	-269	-377
Change in equalization provision for client bonuses	1996			-163	-163
	1995			-58	-58
Exceptional items	1996			-112	-112
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS, UNTAXED RESERVES AND TAX	1996	385	132	75	592
	1995	273	77	12	362
Extraordinary income/charges	1996	-24		-6	-30
	1995	-96			-96
Change in voluntary provisions and accelerated depreciation	1996		-110	1	-109
	1995		-62	31	-31
Tax	1996	-80	-4	-16	-100
	1995	-69	-3	-6	-78
Minority interest	1996			-1	-1
	1995	6		2	8
PROFIT FOR FINANCIAL YEAR	1996	281	18	53	352
	1995	114	12	39	165
SOLVENCY MARGIN ¹⁾					
Capital and reserves	1996	1 576	136	506	2 218
	1995	1 379	130	452	1 961
Voluntary provisions and accelerated depreciation	1996		591	45	636
	1995		483	45	528
Unappropriated provision for future client bonuses	1996		113		113
Difference between current and book values of investments	1996	4 253	4 042	3 197	11 492
	1995	2 982	2 016	1 680	6 678
Other items	1996	-87	-17	-36	-140
	1995	-53	-3	-24	-80
TOTAL	1996	5 742	4 865	3 712	14 319
	1995	4 308	2 626	2 153	9 087

¹⁾ Ilmarinen's figures pertain to parent company

Staff

The Pohjola Group employed an average of 3 398 people in 1996, 1 105 of whom were working in the field and 2 293 in the head office.

NEW STAFF STRATEGY

The staff strategy was revised in June. The new strategy promotes more efficient business operations and an ongoing revision of those operations. Client orientation, a multi-skilled staff and managers' responsibilities are central elements of the strategy. A good working ability of employees and employment security are being emphasized. Rewards for good work performances are also stressed and the aim is to build up a staff with unbeaten professional skills and willingness to be of service.

OPPORTUNITY TO RETIRE ON AN EARLY PENSION

The Pohjola Group has always endeavoured to take good care of its staff. The Group wished to reward long-term old employees. Under a pension scheme approved in September, all employees born in 1938 or before that who had served the Group for at least 30 years were offered the opportunity to retire on an early pension equalling full old-age pension. The arrangement covered nearly one hundred employees. In the long term, this arrangement will save costs and improve profitability.

Different work methods have been introduced carefully. Remote work - employees who work at home - has increased slightly, and the experiences have been encouraging.

CHANGING WORK METHODS

Changing the Group's working methods, in which client

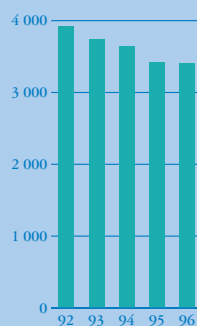
orientation and personal entrepreneurship are being emphasized, is an extensive project. As part of this project, the know-how of the staff has been surveyed. Individual development plans are being drawn up on the basis of this survey. The competence of more than 2 000 employees has been surveyed in this way.

EMPHASIS ON CLIENT SERVICES

The improvement of client services is a central subject of development in The Pohjola Group. Several extensive measures were thus taken in the year under review. The non-life insurance organization of the head office was divided into three groups of clients: private households, companies and major clients. As a result, comprehensive development can be achieved for each group. At the same time, client group-specific specialization was continued in the field. The administration of insurance for small corporate clients was developed to better correspond to future challenges. The guidance of field operations has also been revised. In the head office and the field, the results are being measured through applying the same principles. The regional organization was compressed by reducing the number of regional divisions to six.

IT systems were developed in the manner introduced in 1995. Within the framework of the Pohjola 2000-project the data processing environment will be renewed. The most notable result was the replacement of all the branch office terminals with modern work stations. The introduction of new systems started gradually at the beginning of 1997. The changes required by year 2000 have also been initiated.

NUMBER OF EMPLOYEES



Life assurance

Vigorous growth continued in life assurance. Saving through insurance has become increasingly popular with the changes in the savings market. The abolishment of the tax exemption of long-term bank deposits triggered off the development. Adjustments of the employment pension scheme which gave rise to discussions on wage earners' pension security boosted interest in voluntary pension insurance.

The redivision of savings has increased competition and introduced bank-run insurance companies. Foreign insurance companies are also showing greater interest in the market. Tightened competition has brought about a more varied range of products. Product innovations pertain to saving through insurance. This type of saving is likely to increase for several years to come. Little interest was shown in risk insurance.

DEVELOPMENT OF INSURANCE OPERATIONS

Suomi with its subsidiary Salama has been in the forefront as an innovator. Thanks to the capital redemption policy, which the company launched, the Group's premiums written rose to nearly FIM 3 billion in 1996 of which capital redemption policies accounted for 38%, i.e. FIM 1 123 million. In conventional life assurance, premiums written dropped by 6%, to FIM 947 million, because capital redemption policies largely replaced single-premium corporate life assurance policies.

Premiums written in both individual and group pension insurance, developed favourably. The overall premiums written in pension insurance rose from FIM 609 million to FIM 841 million.

Of the Group's gross premiums written, FIM 2 987 million, Salama's share was FIM 1 680 million.

MARKET SHARE

Profitable growth is the primary objective of the Group. Operations are being directed with the aim of achieving balance between the different groups of products. In the market for saving through insurance, particular attention is paid to long-term saving. The share of continuous premium savings contracts will be increased. Death and disability coverage is designed for young families and an important component in the comprehensive insurance coverage for private households.

The overall market share was 25.1% (25.7%); 24.8% (39.2%) if the dissolved pension funds are excluded.

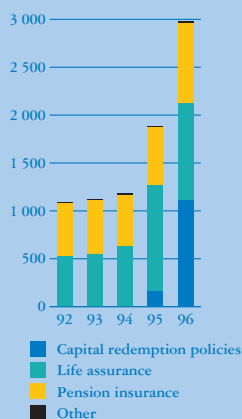
INSURANCE BUSINESS

Balance on technical account remained good. The risk business provided a surplus and the result was on a par with that for 1995. The relation between expenses and expense loadings was satisfactory. Operating expenses rose as a result of the vigorous growth of insurance sales. The bulk of policy costs is incurred during the early years of validity, while income accrues over a longer period of years.

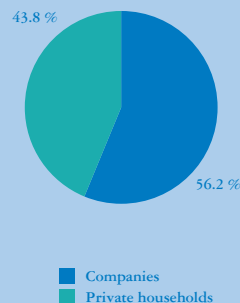
SOLVENCY

Consolidated solvency strengthened markedly. Solvency capital rose from FIM 2 430 million to FIM 4 026 million. Solvency is a prerequisite for successful competition. Thanks to the companies' solvency, a varied investment portfolio

GROSS PREMIUMS WRITTEN, FIM million



GROSS PREMIUMS WRITTEN, BY GROUP OF CLIENTS



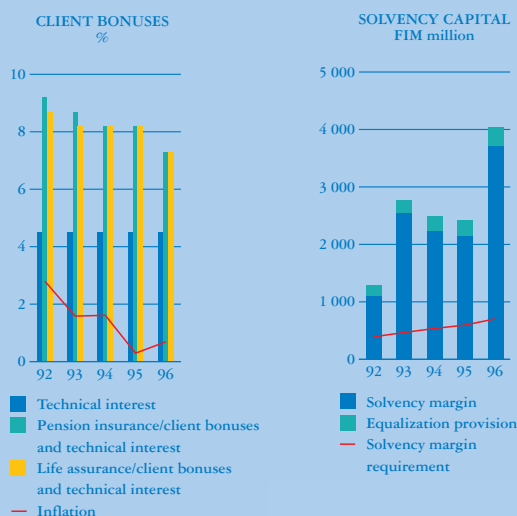
has been built up, which guarantees good client bonuses. In addition to the 4.5% technical interest, Suomi and Salama grant a client bonus for 1996 on their clients' insurance savings, which at its best is 2.7%.

A rapid growth in premiums written has normally a decreasing effect on the company's solvency. Three sources generate solvency: profit from insurance business and investments, increases in capital and reserves and rises in the

values of assets. A favourable development of market prices gives rise to differences between current and book values in the long term. Capital and reserves can be increased by raising the basic or share capital, or by resorting to financing arrangements comparable to capital and reserves. Gains on realization produce part of the company's solvency. The high level of consolidated solvency has been maintained also during a period of rapid growth.

SUOMI-SALAMA IN BRIEF

		1992	1993	1994	1995	1996
Gross premiums written	FIM million	1 094	1 122	1 184	1 890	2 987
Claims incurred	FIM million	-1 086	-1 148	-901	-1 062	-1 061
Operating expenses	FIM million	-187	-181	-184	-184	-218
Net investment income	FIM million	594	742	498	675	1 056
Operating profit	FIM million	302	482	218	364	660
Balance sheet total	FIM million	8 183	8 610	9 647	11 511	14 160
Solvency capital	FIM million	1 295	2 772	2 487	2 430	4 026
Technical provisions	FIM million	7 160	7 815	8 935	10 353	13 204
Investment portfolio at current values	FIM million	8 338	10 278	11 110	12 622	16 723
Technical provisions and solvency capital to technical provision	%	119	136	129	124	131
Average number of employees		785	756	639	584	619





.....
IF YOU GET UP EARLY THREE DAYS RUNNING, YOU GAIN AN EXTRA DAY.

Employment pension insurance

DEVELOPMENT OF EMPLOYMENT PENSION SCHEME

Noteworthy changes were made in the employment pension scheme as of the beginning of 1996. By means of these, the employment pension scheme was adapted to the forecast economic development. The index for people of retirement age was changed, the accrual rate for early retirement pension was lowered for the period between pension contingency and retirement age, rehabilitation was intensified, and the pensionable earnings are now determined on the last ten years of the contract of employment. Previously, only the four last years of employment were taken into account.

In an investment study carried out by representatives of the labour market organizations and pension institutions, attempts were made to find solutions to the requirements set by changes in the investment climate. By means of the changes made, pension companies are able to build up a more varied investment portfolio than before, through which still better profits can be achieved. Larger investment incomes can, in years to come, check the pressure toward raising premiums. A reorganization of the pension companies' administration is coupled to the investment reform. The purpose of this reform is to secure that the pension companies can carry on investment operations independently. A government bill to this effect will be presented to Parliament in the spring of 1997.

PENSION DECISIONS MORE RAPID THAN IN OTHER COMPANIES

Ilmarinen's concept is to provide rapid, correct and cost efficient pension services. In Ilmarinen, the processing periods of pension applications are shorter, on the average, in all types of pension than in the other pension institutions.

At the end of 1996, Ilmarinen paid pension to 184 607 pensioners. The total pension expenditure was FIM 6 769

million, i.e. 8.7% more than in 1995. The number of pension recipients rose by 3% in 1996.

PREMIUMS WRITTEN AND LEVEL OF RATES

In Ilmarinen, premiums written were FIM 8 222 million and rose by 14% compared with 1995. The growth is due to increases in the wage bill on which pensions are based and to increases in the level of rates.

At the end of 1996, a total of 277 000 TEL-employees (TEL=Employees' Pensions Act) were insured with Ilmarinen. The number is 4.2% up on that for 1995.

The average TEL-premium was 21.1% of the salary of which the employee's contribution was 4.3 percentage points; that of the employer 16.8 percentage points. In 1997, the premium is 21.2% of the salary.

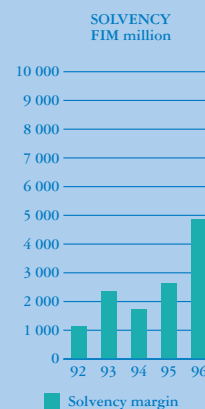
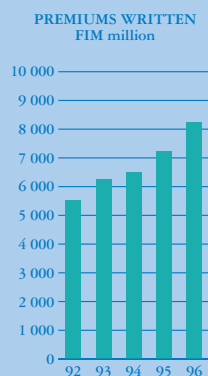
Ilmarinen's market share of premiums written has been approximately 33% and it may have grown somewhat.

PROFIT AND SOLVENCY STRENGTHENED

The efficiency of employment pension insurance companies is measured by the so-called administration charge outcome, which indicates how much of the income meant to cover operating expenses was unused. In Ilmarinen, the surplus was FIM 45 million, i.e. 18%; in 1995 FIM 41 million and 17%. Investment surplus was FIM 485 million; FIM 184 million in 1995.

Ilmarinen's solvency strengthened further as a result of increases in share prices. Solvency margin rose by FIM 2 239 million and totalled FIM 4 865 million at the end of the year.

The good profit enabled the company to provide substantially better client bonuses than previously. FIM 300 million was transferred to the appropriated provision for future client bonuses.



Investment portfolio

FIM million		Pohjola with subsidiaries	Ilmarinen with subsidiaries	Suomi with subsidiaries	Total
CURRENT VALUE					
Short-term debt securities	1996	351	2 553	854	3 758
	1995	758	2 766	1 071	4 595
	1994	642	3 734	852	5 228
Investments for the benefit of life assurance policyholders who bear the investment risk	1996			69	69
	1995			51	51
	1994			45	45
Investment loans	1996	747	1 675	257	2 679
	1995	994	2 459	308	3 761
	1994	1 317	2 941	395	4 653
Premium loans	1996		11 296		11 296
	1995		14 654		14 654
	1994		15 415		15 415
Debt securities	1996	2 879	21 205	6 858	30 942
	1995	1 925	13 575	4 746	20 246
	1994	1 148	7 115	3 092	11 355
Shares	1996	6 071	6 572	5 384	18 027
	1995	4 325	3 644	3 030	10 999
	1994	4 736	3 365	2 939	11 040
Land and buildings	1996	2 923	4 882	3 301	11 106
	1995	3 002	4 641	3 416	11 059
	1994	3 757	4 534	3 787	12 078
Other investments	1996	51	408		459
	1995	67	715		782
	1994	84	307		391
Total	1996	13 022	48 591	16 723	78 336
	1995	11 071	42 454	12 622	66 147
	1994	11 684	37 411	11 110	60 205
DIFFERENCE BETWEEN CURRENT AND BOOK VALUES					
Debt securities and short-term debt securities	1996	120	1 436	537	2 093
	1995	65	663	325	1 053
	1994	5	-259	6	-248
Shares	1996	3 412	2 100	2 061	7 573
	1995	2 197	919	743	3 859
	1994	2 652	1 194	1 223	5 069
Land and buildings	1996	721	499	599	1 819
	1995	720	441	612	1 773
	1994	1 042	264	664	1 970
BOOK VALUE IN TOTAL					
	1996	8 769	44 556	13 526	66 851
	1995	8 089	40 431	10 942	59 462
	1994	7 985	36 212	9 217	53 414
NET INVESTMENT INCOME IN 1996					
Continuous income					
Interest		328	2 330	494	3 152
Dividends		170	125	83	378
Income from land and buildings		124	297	176	597
Other investment income		7	6	7	20
Total		629	2 758	760	4 147
Appreciation/depreciation in profit and loss account					
Gains/losses on realization		359	280	210	849
Value adjustments		-43	-13	-30	-86
Value re-adjustments		136	147	132	415
Depreciation on buildings		-70	-185	-63	-318
Unrealized gains/losses		-	-6	5	-1
Total		382	223	254	859
Interest on and charges for long-term loans		-18	-1	-14	-33
Investment management expenses		-31	-16	-17	-64
Total		962	2 964	983	4 909
Associated undertakings		-	-	73	73
Total		962	2 964	1 056	4 982

The largest shareholdings

	Pohjola group		Ilmarinen group		Suomi group		Total	
	Percentage of shares	Percentage of votes	Percentage of shares	Percentage of votes	Percentage of shares	Percentage of votes	Percentage of shares	Percentage of votes
EXCHANGE-LISTED COMPANIES								
Aamulehti-yhtymä Oy	4.0	6.7	3.6	4.4	0.1	0.2	7.7	11.3
Aspoyhtymä Oy	5.2	5.2	4.3	4.3	2.5	2.5	12.0	12.0
Cultor Ltd	1.0	0.8	2.7	1.0	1.3	0.4	5.0	2.2
Espoon Sähkö Oy	0.2	0.2	2.5	2.5	2.1	2.1	4.8	4.8
Finnair Oy			2.7	2.7	2.1	2.1	4.8	4.8
Finnlines Ltd	2.5	2.5	3.8	3.8	3.7	3.7	10.0	10.0
Skandia Insurance Company Limited (publ), Sweden	4.5	4.5	2.6	2.6	3.4	3.4	10.5	10.5
Huhtamäki Oy	2.0	3.3	5.4	11.6	2.6	3.3	10.0	18.2
Instrumentarium Corporation	0.5	0.5	2.6	2.5	2.3	2.2	5.4	5.2
Kemira Oy	1.4	1.4	2.0	2.0	1.5	1.5	4.9	4.9
Kesko Ltd	1.6	0.0	2.6	0.1	2.1	0.1	6.3	0.2
Kone Corporation	7.5	2.9	2.6	1.0	3.1	1.2	13.2	5.1
Lassila & Tikanoja Ltd.	3.1	3.1	2.8	2.8	1.8	1.8	7.7	7.7
Lemminkäinen Oy	9.3	9.3			0.9	0.9	10.2	10.2
Oy Leo-Longlife Ltd	3.1	0.6	4.0	0.8			7.1	1.4
Merita Ltd	1.8	1.9	1.2	1.3	1.8	1.9	4.8	5.1
Metra Corporation	0.5	0.4	0.9	0.8	0.7	0.7	2.1	1.9
Metsä-Serla Oy			1.3	2.5	0.0	0.0	1.3	2.5
Neste Oy	0.9	0.9	0.9	0.9	0.7	0.7	2.5	2.5
Nokia Corporation	1.9	4.9	1.3	3.0	1.1	2.8	4.3	10.7
Nokian Tyres Limitd			3.6	3.6	2.3	2.3	5.9	5.9
Orion Corporation	0.9	0.6	2.3	1.2	1.5	0.8	4.7	2.6
Outokumpu Corporation	0.2	0.2	1.8	1.8	0.9	0.9	2.9	2.9
Pohjola Insurance Company Ltd.					25.0	38.8	25.0	38.8
Rauma Corporation	1.3	1.3	1.8	1.8	1.9	1.9	5.0	5.0
Rautakirja Oy	9.2	10.6	1.0	1.0	2.8	3.3	13.0	14.9
Rautaruukki Corporation	0.4	0.4	2.6	2.6	1.4	1.4	4.4	4.4
Silja Oy Ab	6.2	6.4	0.4	0.8	0.6	0.7	7.2	7.9
OY Stockmann AB			3.2	0.5	0.7	0.1	3.9	0.6
Suunto Oy			2.7	2.7	2.9	2.9	5.6	5.6
TT Tieto Oy	2.2	2.2	1.0	1.0	2.5	2.5	5.7	5.7
UPM-Kymmene Corporation	5.1	5.1	4.2	4.2	1.5	1.5	10.8	10.8
Valmet Corporation	0.8	0.8	3.4	3.4	1.4	1.4	5.6	5.6
Werner Söderström Osakeyhtiö - WSOY	7.2	4.9	3.0	5.6	1.3	0.3	11.5	10.8
YIT-Corporation	11.8	11.8	1.2	1.2	2.7	2.7	15.7	15.7
OTHER COMPANIES								
Ab Chips Oy Ltd	1.3	2.3					1.3	2.3
Helsinki Media Company Oy	0.5	0.5	2.1	1.1			2.6	1.6
Innopoli Oy	7.2	7.2	3.2	3.2	11.1	11.1	21.5	21.5
Martela Oy	4.6	1.2					4.6	1.2
MTV Oy	1.5	1.5	0.8	0.8	0.5	0.5	2.8	2.8
Olvi Oy	0.8	0.2	4.8	1.0	4.3	0.9	9.9	2.1
Penope Oy	16.2	1.6					16.2	1.6
Rakentajain Konevuokraamo Oy	19.2	19.8			14.4	18.7	33.6	38.5
Sanoma Corporation	0.8	0.8	3.5	1.9			4.3	2.7
Sato-Yhtymä Oy	10.8	10.8	7.7	7.7			18.5	18.5
Sentra Ltd	7.9	0.8	1.5	1.0			9.4	1.8



.....
GOING TO SEA DOESN'T MAKE A SEAMAN.

Events in The Pohjola Group 1996

JANUARY

- The Pohjola Group's award for medicine was given to professor Kimmo Mustakallio in recognition of his domestic and international merits in the field of histochemistry.
- The Executive Committee of the Supervisory Boards of The Pohjola Group and the Supervisory Boards met on January 25, 1996 for the final decisions on the new President to be appointed. Mr Iiro Viinanen, Minister of Finance, was elected President of The Pohjola Group as of March 1, 1996.

MARCH

- Pohjola's stockbrokers' bulletin stated that no ownership arrangements were going on between Pohjola and the Swedish insurance company Skandia.
- Suomi-Salama's result for 1995 was made public on March 6, 1996. The company had developed favourably.
- On March 15, 1996, Pohjola published the main issues of its final accounts for 1995. The company's profit had improved by FIM 400 million.
- Pohjola's home pages opened on the Internet.

APRIL

- The Pohjola Group announced that it had accepted Kesko's offer to buy shares in Tuko and made public the price and gains on realization.
- Pohjola's Annual General Meeting was held on April 29, 1996. Mr Tauno Matomäki was elected Chairman of the Supervisory Board.
- The Pohjola Link funds were supplemented by funds of the worldwide Gartmore Asset Management Limited.

MAY

- The Policyholders' Representative Assembly of Suomi met on May 8, 1996. Mr Olavi Nevanlinna was elected Chairman of the Supervisory Board.

AUGUST

- Pohjola's semiannual report was published on August 22, 1996. Operating profit and solvency increased.

- "Insure the most precious you have got - just in case", was the theme of Pohjola's Family Weeks. The campaign was focused on life assurance.

SEPTEMBER

- A good 700 Pohjola-employees participated in a sports event in Vierumäki.
- Ilmarinen opened its own home pages on the Internet.
- Pohjola, the leading insurer of sportsmen and sports-women, signed a cooperation agreement with the Finnish Ski Association.

OCTOBER

- Pohjola's new switchboard number is 010 559 11. The number can be dialled from any part of the country at the cost of a local telephone call.
- Pirita Tammela 9, received Pohjola's sixth Risk Management security prize having rescued her two younger brothers from the flames.
- Ilmarinen was the first pension company to develop a new communications system for TEL-data (TEL= Employees' Pensions Act). By way of the AINO-service, clients can submit their TEL-notifications from their own PCs to Ilmarinen via the Internet.

NOVEMBER

- The so-called Puro working group, which had been looking into the investment operations of employment pension companies, had completed its work and submitted a report to Minister Sinikka Mönkäre on November 6, 1996. The new act took effect as of the beginning of this year.

DECEMBER

- On December 14, 1996, 35 years had passed since Ilmarinen was established.
- Eurooppalainen's tenth Euro-Center claims bureau was opened in St. Gallen, Switzerland.



At home

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List of offices of The Pohjola Group.

In addition, all post offices in Finland provide Pohjola insurance policies.

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Information to shareholders

SHAREHOLDERS' MEETING

The Annual General Meeting of Pohjola Insurance Company Ltd. will be held on Tuesday, April 29, 1997 at 4 p.m. in the company's head office in Lapinmäentie 1, Helsinki. Shareholders are requested to give notice of attendance by Friday, April 25, 1997 at 4 p.m. either in person at Lönnrotinkatu 5, Helsinki, by letter to Pohjola Insurance Company Ltd., share register, P.O. Box 1068, 00101 Helsinki, or by telephone +358-10-559 6771 or +358-10-559 6796.

PAYMENT OF DIVIDEND

According to the proposal by the Board of Directors, the dividend confirmed by the Annual General Meeting will be paid to shareholders who, by the record date, which is May 5, 1997, have been entered as shareholders in the shareholder register kept by the Finnish Central Securities Depository Ltd. The date of dividend payment is May 9, 1997.

To shareholders who have not transferred their share certificates to the book entry system by the record date, dividend will be paid once transfer to the book entry system has taken place.

STOCK EXCHANGES

The A and B-shares of Pohjola Insurance Company Ltd. are quoted on the Helsinki Stock Exchange (since 1912) and the B-share in the Stock Exchange Automated Quotation (SEAQ) service on the London Stock Exchange.

FINANCIAL INFORMATION

Pohjola publishes its Annual Report in Finnish and in English in April and its semiannual report in August.

Main issues of annual accounts for 1996	March 12, 1997
Annual Report 1996	April 22, 1997
Semiannual report Jan. 1-June 30, 1997	August 21, 1997

Copies of the original signed annual accounts can be obtained from the company's head office, tel. +358-10-559 3032.

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Investor Relations

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Annual Reports and semiannual reports can be ordered by telephone +358-10-559 2867, fax +358-10-559 3590 (Finnish) and +358-10-559 2884, fax +358-10-559 3570 (English).

Depending on where they have their book entry account, shareholders are kindly requested to notify their bank or the Central Share Register of any changes in their address.

The picture captions were selected from the chapter "Work" in "Elämän viisauden kirja" (Book of Wisdom), edited by Hannu Tarmio.



THE POHJOLA GROUP

*POHJOLA SUOMI-SALAMA EUROOPPALAINEN
ILMARINEN*