SAMPO INSURANCE COMPANY LIMITED

ANNUAL REPORT 1996

Shareholder information

ANNUAL GENERAL MEETING

The Annual General Meeting of Sampo Insurance Company Limited will be held at the Company's Head Office in Turku, at Puutarhakatu 1, on Wednesday, April 16, 1997 at 2 p.m.

PAYMENT OF DIVIDEND

The Sampo Board of Directors have proposed that a dividend of FIM 6.00 per share be paid for the financial year. An avoir fiscal tax credit system is applied to the dividend. In addition to the dividend paid by the company, the amount of the avoir fiscal tax credit considered to the shareholder's benefit is regarded as taxable capital income for a shareholder liable to pay taxes in Finland. The avoir fiscal tax credit is 7/18 of the amount of dividend, or FIM 2.33 per share. On the basis of the divided paid by the company, the shareholder is entitled to a corresponding avoir fiscal tax credit in his own taxation.

The total amount of dividend payable for 1996 is FIM 91,200,000, provided that the Annual General Meeting accepts the Board's proposal on the dividend.

The dividend is drawable as of April 18, 1997 against dividend coupon no. 9 at all offices of Merita Bank Ltd, Osuuspankki, Okopankki Oy and Postipankki in Finland, and at all post offices.

SAMPO GROUP ANNUAL REPORTS

Sampo Insurance Company Limited publishes its Annual Report in Finnish, Swedish and English. The reports will be published in April, and they also contain summaries of the Non-Life Group companies, of Kaleva Mutual Insurance Company and Insurance Company Sampo Pension Ltd.

Other Sampo Group Annual Reports:

Industrial Insurance Company Ltd
- available in Finnish, Swedish and English

Sampo Industrial Insurance N.V.
- available in English

Insurance Company of Finland Limited
- available in Finnish, Swedish and English

ST International Insurance Company Limited
- available in English

Patria Reinsurance Company Limited
- available in English

Kaleva Mutual Insurance Company
- available in Finnish and Swedish

Insurance Company Sampo Pension Ltd.
- available in Finnish and Swedish

INTERIM REPORT 1997

During the year 1997, Sampo Insurance Company Limited will publish an interim report for the period January 1 to June 30, 1997. The report will be published on August 26, 1997 in Finnish, Swedish and English.

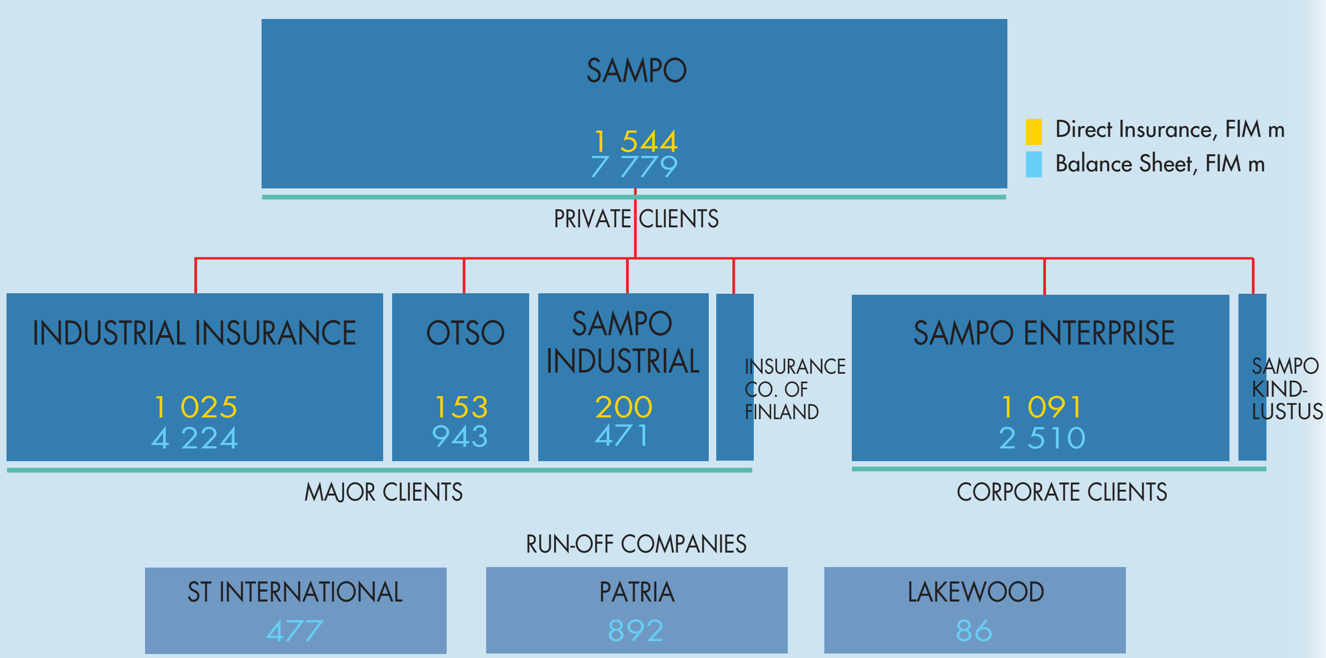
CONTENTS

Pages 4–52 contain the final accounts presented in full thousands of Finnish markka. The official final accounts can be inspected at Sampo's head office in Turku, at Yliopistonkatu 27.

SAMPO NON-LIFE GROUP KEY INFORMATION

FIM millions	1996	1995	Change %
Turnover	**6,182**	5,896	4.8
Gross premiums written	**4,495**	4,219	6.5
Claims incurred	**–3,523**	–3,310	6.5
Net investment income	**1,159**	708	63.8
Net operating expenses	**–844**	–741	13.9
Operating profit	**619**	319	94.1
Technical provisions, net	**10,662**	9,973	6.9
Total on balance sheet	**16,128**	15,205	6.1
Combined ratio, %	**113.1**	109.1	
Solvency capital	**7,888**	6,319	24.8
Solvency ratio, %	**204.3**	170.2	
Earnings per share, FIM	**16.91**	11.84	42.8
Net asset value per share, FIM	**478.99**	392.06	22.2
Closing price, FIM	**363**	233	55.8
Average number of personnel	**3,113**	3,023	3.0

Sampo Non-Life Group Main Organisation by Premiums Written



CHIEF EXECUTIVE OFFICER'S REVIEW

Sampo's operational environment developed in a primarily favourable direction during the year under review. National income growth increased towards the end of the year, stimulating general optimism in, for example, vehicle and housing purchase.

It was nevertheless disappointing that a large number of people in Finland remained unemployed, which was clearly reflected in state spending requirements. The past two years have proved that growth and a booming economy do not in themselves solve the problems of unemployment and national deficit.

The work of repairing the public sector infrastructure still lies ahead and even difficult reforms are easier to realise in conditions of solid growth than in recession. Left unaddressed, public infrastructure questions may indeed become critical, when the third phase of European Monetary Union is realised.

The combination of sound economic growth and a high level of unemployment was clearly visible in premiums written in the non-life market. Non-life insurance take-up usually shadows the development of the national economy precisely. While premiums written did increase during the year under review, growth was less strong than might have been expected.

However, life insurance saving increased strongly for the third consecutive year. This development follows restructuring in the Finnish savings and investment market. Life insurance saving is becoming an essential form of long-term saving and an independent means of social security in Finland just as in other countries.

Three years ago, the low level of premiums written by Finnish life insurance companies comprised only one quarter of those written by non-life companies. During the year under review, life premiums written outstripped non-life premiums for the very first time.

Operating Profit Doubled

Sampo Non-Life Group almost doubled its operating profit over the previous year at FIM 619 million. Group solvency was first-rate and has continued to improve.

Of profit and loss account items, while investment income developed very well, the technical insurance result was not satisfactory. The result from a number of mass insurance products, like motor third party liability, was strained by late pricing as compared with overall claims development. This was however corrected in our new tariffing system, a reform which took effect from the beginning of 1997.

The increase in investment income was mainly due to a significant rise in the Helsinki Stock Exchange. The income accrued from and utilisation rate of real estate also developed favourably.

The most important event of the year in the Sampo Group, and that carrying the longest-term impact, was the structural reorganisation of our life insurance business. The Sampo subsidiary, Sampo Life Insurance Company Limited, started new sales of all core life insurance products at the outset of 1997. In business transfer, Kaleva surrendered its pension insurance portfolio to the new company and Industrial Insurance its life reinsurance portfolio. Kaleva continues as the Sampo Group's second life insurance company, concentrating on group life insurance more suited to a mutual company.

Sampo Life is the first Finnish life company to be a direct subsidiary of a solvent non-life company. This secure ownership base will have a favourable impact on the Finnish life insurance market, with its stress on solvency. As demanded by strong growth, it is also easier to increase capital in our own subsidiary than to raise the guarantee capital of a mutual company. The rapid growth of life insurance is anticipated to continue far to the next millennium.

Share Trading Breaks Records

During the year under review, the quoted price of Sampo shares increased by 56 per cent to FIM 363. The share price rose most notably in June 1996, with the publication of our new life insurance structure, and this trend has continued to develop positively during the early months of 1997.

Trading in Sampo shares on the Helsinki Stock Exchange stood at 43 per cent of the total number of those shares. The share's liquidity has thus essentially improved as was the company's goal. Changing the Sampo share's nominal value or split also aims at raising trading volume. The Board has proposed to the General Meeting that each old share is split into four new shares in Autumn 1997.

There are 275,000 shareholders in the current share register. However, the real number is significantly smaller, because foreign investors who have bought shares do not normally register their holdings. The number of owners will be confirmed in Autumn 1997, when Sampo's share is entered in the book-entry securities system.

Sampo Strategy Renewed

The core of Sampo Group's mission statement is economic security and welfare. Our traditional business continues to produce such security, alongside the increasing impact of solutions that support the quality of life, such as savings and investment.

Some changes affecting the development of the insurance business can already be seen throughout Western Europe e.g. the change in demographic age structure and the need to renew social security systems. The massively advanced pace of ADP development, high rates of unemployment and people's changing values also have clear effects on insurance business.

If national currencies are to be replaced by the Euro, the significance of national borders in the EU will obviously decrease. Insurance and banking draw ever closer as financial services diversify and the importance of life insurance increases.

Sampo has already reacted to a number of these trends. The Sampo 2000 development project and founding of Sampo Life both serve to answer changes in our operating environment, that have already begun and whose pace will quicken in the near future.

Sampo will remain a broad clientele syndicate, the central focus of which is to secure the growth potential of personal insurance. In the long run, we will extend our operations to new market and risk areas, such as environmental and health risks. Watching over our customers' well-being includes offering financial services closely linked to investment and saving.

Sampo shares will be made internationally competitive for investors, offering a good dividend and the potential of added value. The share's liquidity is also important. These goals are targeted by growing Sampo's ability to secure a sound non-life result, by strongly developing the life sector and by raising income performance from investments.

Our strategy also prepares us for changes in the position of workers' compensation insurance. The market will be opened to foreign competition at the beginning of 1999. However, companies intending to offer their clients this statutory insurance class must participate in financing the collective guarantee. During the year under review, it was agreed in Finland that the collective guarantee is also to be extended beyond statutory employment pension insurance to statutory non-life insurance.

Four Core Values

In a business like insurance, constant change must be anchored to something permanent. For Sampo personnel, the new bedrock has been defined as a set of values that focus on four central themes: co-operation, professional competence, entrepreneurship and a human orientation.

Co-operation is particularly important in a group structure segmented by client orientation. Conditions of powerful change require and impact on professional competence. Entrepreneurship means active renewal and profitability. A human orientation is a natural value for a service company that needs to engage with its clients' problems in depth.

Sampo strategy has also presented our personnel with demanding challenges. It is my belief that Sampo Group personnel will continue to perform as well as they have in reacting to the changes of previous years. I would like to take this opportunity to express my great thanks to all our people for their efforts during this year under review.

I also wish to thank our clients for their co-operation. Our goal is to remain at the fore, and keep on evolving operations ahead of shifts in our operational environment.

We have also developed Sampo as an investment object and will proceed along these lines. I wish to thank our shareholders for their continuing confidence.

March 1997

Jouko K. Leskinen

SAMPO INSURANCE COMPANY LIMITED

BOARD OF DIRECTORS' REPORT

Sampo Board of Directors. From the left: Georg Ehrnrooth, Thor Björn Lundqvist, Ari Heiniö, Jukka Härmälä (Chairman), Kari O. Sohlberg (Vice Chairman), Jouko K. Leskinen and Vesa Vainio.

NON-LIFE GROUP PERFORMANCE

The Non-Life Group's performance continued to improve steadily. The group almost doubled its operating profit to FIM 619 million (from FIM 319 million in 1995) and earnings per share increased to FIM 16.91 (FIM 11.84). Results and other performance measures developed well during the accounting period and are in line with expectations presented in the Interim Report.

Direct insurance premiums written increased by 8.3 per cent on the previous year. According to preliminary information, the Group's market share increased marginally to stand at 35.5 per cent.

The Group companies' currency positions are averagely in balance. Exchange rate effects, mainly the strengthening of the US Dollar and Pound Sterling, thus reflected ambiguously on Group performance. Exchange rate gains on investments totalled FIM 94 million net (FIM –120 million). Correspondingly, due to exchange rate changes, claims incurred increased to FIM 108 million (FIM –97 million).

The Group's net operating expenses stood at FIM 844 million (FIM 741 million). Net operating expenses were increased in particular by Sampo Industrial Insurance joining the Group and by changes in the reinsurance commission structure, which together accounted for over FIM 60 million. The expense ratio was 21.9 per cent (20.0 per cent). The combined ratio, comprised of the loss ratio and expense ratio, increased to 113.1 per cent (109.1 per cent).

The balance on technical account before the change in the equalisation provision decreased to FIM –505 million (FIM –338 million).

The investment result developed favourably, mainly due to the rise in stock prices. Net investment income grew by 63.8 per cent to FIM 1,159 million (FIM 708 million).

The Group's tax for the financial year totalled FIM 111 million.

NON-LIFE GROUP SOLVENCY

The Group's strengthened solvency pushed the solvency ratio to 204.3 per cent (170.2 per cent).

Solvency capital totalled FIM 7,888 million (FIM 6,319 million) and represented 84.8 per cent (71.3 per cent) of technical provisions. Valuation differences increased by FIM 1,126 million and the equalisation provision grew by FIM 252 million.

Net asset value per share also improved, mainly due to increased valuation differences, amounting to FIM 479 (FIM 392).

PARENT COMPANY PERFORMANCE AND SOLVENCY

The parent company Sampo's profit for the financial year was FIM 179 million (FIM 10 million). The significant improvement in performance was mainly due to increased net investment income and a positively developed loss ratio.

Table 1. Non-Life Group: Analysis of result

FIM millions	1996	1995
Premiums earned	**3,861.6**	3,713.3
Claims incurred	**–3,523.2**	–3,309.7
Net operating expenses	**–843.9**	–741.1
Balance on technical account before change in equalisation provision	**–505.4**	–337.6
Investment income and charges	**1,159.1**	710.9
Other income and charges	**–60.8**	–70.4
Share of associated undertakings' profit	**26.1**	15.8
Operating profit	**618.9**	318.8
Change in the equalisation provision	**–252.1**	–44.9
Unrealised gains on investments and revaluation adjustments	**–0.1**	–3.1
Profit before extraordinary items, untaxed reserves and tax	**366.7**	270.7
Extraordinary income	**3.0**	507.5
Extraordinary charges	**–4.5**	–544.5
Profit before untaxed reserves and tax	**365.2**	233.7

Table 2. Non-Life Group: Solvency

FIM millions	1996	1995
Capital and reserves after proposed profit distribution	**3,479.5**	3,299.3
Valuation differences on investments	**3,709.9**	2,583.9
./. Intangible assets	**–666.1**	–677.0
Solvency margin	**6,523.3**	5,206.3
Equalisation provision	**1,362.4**	1,110.2
Minority interest	**2.2**	2.3
Solvency capital	**7,887.9**	6,318.8

The parent company's direct insurance premiums written stood at FIM 1,544 million (FIM 1,085 million) and claims paid at FIM 1,350 million (FIM 983 million). Comparability to the previous year is difficult because of Vahinkovakuutusyhtiö Kansa's merger to its parent company Sampo on December 31, 1995. The insurance business loss ratio was 83.3 per cent (85.6 per cent). The parent company's net operating expenses totalled FIM 429 million (FIM 301 million) and the combined ratio stood at 111.9 per cent (114.4 per cent). Net investment income increased to FIM 502 million (FIM 217 million).

The parent company's solvency strengthened further and solvency capital amounted to FIM 6,963 million (FIM 5,491 million).

NON-LIFE GROUP INSURANCE BUSINESS

Direct Insurance

The gross premiums written by the Group amounted to FIM 4,495 million, direct insurance accounting for FIM 4,049 million of this. Domestic direct insurance premiums written increased by 2.8 per cent.

Two new Group companies, Sampo Industrial Insurance and Sampo Kindlustus, brought the Group FIM 207 million of foreign direct insurance.

Credit losses on premiums dropped by almost FIM 10 million to FIM 26 million, and accounted for less than one per cent of direct insurance premiums.

The most important groups of insurance class, measured by premiums written, were fire and other property insurance, FIM 1,120 million, workers' compensation insurance, FIM 912 million, and motor third party liability, FIM 546 million.

Claims paid from direct insurance before the reinsurers' share increased by FIM 137 million to FIM 3,375 million. The overall profitability of direct insurance improved, with a combined ratio of 107.4 per cent (110.2 per cent). Of the major groups of insurance class, the profitability of workers' compensation insurance improved. The profitability of fire and other property insurance deteriorated.

Active Reinsurance

Reinsurance premiums written by the Group totalled FIM 446 million (FIM 480 million), which accrued from domestic business, to a limited degree from foreign optional property insurance, life reinsurance and reciprocal business. The decreased premiums written were mainly due to Sampo Industrial's reinsurance premiums written being eliminated in the Group during the reporting year.

The Court of Arbitration mediated a case concerning credit reinsurance that resulted from an agreement made with the Central Pension Security Institute, which the reinsurers won. Following the decision, the Sampo Non-Life Group was able to dissolve provisions on claims outstanding, a total of FIM 43 million. This improved the unequalised balance on technical account, but provision increase shifted almost entirely to equalisation provision. There was thus no significant effect on performance in the reporting year.

Run-off Operations

The Non-Life Group's reinsurance companies, ST International, Patria and Lakewood (operating out of London) continued to run off the foreign reinsurance portfolio. Technical provisions remained, counted with changing currency rates at almost the same level of FIM 1,622 million (FIM 1,656 million). Calculated at fixed rates, technical provisions had decreased by FIM 149 million. The number of active contracts with domestic companies stood at 3,992 (5,000).

The balance on technical account produced for the Group by old reinsurance portfolios was FIM –230 million and overall performance FIM –58 million.

Patria still has FIM 59 million stop loss reinsurance cover granted by Industrial Insurance at its disposal.

INVESTMENTS

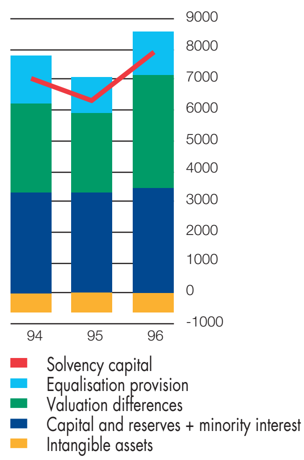
The net investment income of the Sampo Non-Life Group amounted to FIM 1,159 million (FIM 708 million). Of the net direct income of FIM 883 million, the share accounted for by dividend income grew substantially, thanks in the main to the improved performance of Finnish listed companies. Dividend income including the avoir fiscal tax credit totalled FIM 211 million (FIM 138 million). Interest income, FIM 369 million net, remained almost unchanged compared with the previous year.

Net income from land and buildings increased to FIM 110 million (FIM 82 million) as the general level of rents and the utilisation rate rose. The calculated return on occupied real estate was 6 per cent and the proportion of unoccupied premises less than 5 per cent. The maintenance of the Group's land and buildings was transferred from January 1st, 1997 to Kiinteistövarma Oy, the goal of which is the qualitative development of maintenance operations and an improvement in cost-effectiveness.

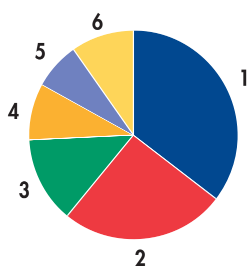
The most important factor contributing to the improved investment result was value readjustments, FIM 226 million (FIM 8 million) of which was entered as income, mainly from the shares of Merita, Tamro and Asko. Gains on the realisation of investments amounted to FIM 376 million net (FIM 629 million), largely from trading in Nokia, UPM-Kymmene, Asko and Länsivoima shares. Gains on the realisation of investments in land and buildings amounted to FIM 48 million. A net amount of FIM 94 million in exchange rate gains was released to income from investments (FIM –120 million), mostly due to the strengthening of the US Dollar. Of this amount, FIM 59 million was entered as income in the investment portfolios of the run-off companies.

Value adjustments on investments remained markedly lower than in the previous year, and stood at FIM 101 million (FIM 340 million). Value adjustments af-

Solvency capital, FIM millions



Direct insurance non-life market shares 1996*



1	Sampo Non-Life Group	35.5%
2	Pohjola	25.3%
3	Tapiola	13.3%
4	Enterprise Fennia	9.0%
5	Local insurers	7.3%
6	Others	9.6%

* Projection, excl. banks' and Garantia's credit insurance, incl. insurance associations

fecting the result were achieved as FIM 55 million on bonds and FIM 46 million on land and buildings. The current value of land and buildings fell by FIM 320 million.

The current value of investments on December 31st, 1996 stood at FIM 16.8 billion, of which the proportion of interest-bearing instruments was 33.3 per cent, shares 42.7 and real estate investments 24.0 per cent. The valuation difference between current and book value increased to FIM 3,710 million (FIM 2,584 million), mainly due to the rise in the market values of Finnish shares. Stock investments accounted for 81 per cent of the valuation differences.

The focus of new investments lay on equity holdings, an increasing amount of which were placed abroad, with a view to improving the risk/return ratio. Foreign equity holdings accounted for 4.1 per cent of the stock portfolio. The largest acquisitions of Finnish equities involved Valmet, Nokia, Kemira and Enso shares. The proportion of land and building investments of all investments decreased. All state-subsidised real estate solely owned by the Group was sold to Sato Group Oy, the owner of which the Sampo Group then became. The most important of the new construction projects was the launch of the Sinebrychoff project on Bulevardi in Helsinki.

Table 3. Non-Life Group: Investment income and charges

FIM millions	**1996**	1995
Interest income	**402.7**	473.2
Dividend income	**211.2**	137.7
Income from land and buildings	**230.8**	220.7
Other direct income	**38.0**	34.7
Direct income	**882.7**	866.4
Realised gains on investments	**381.0**	698.9
Value readjustments	**225.7**	8.0
Exchange rate gains	**209.6**	64.5
Extraordinary income	**816.2**	771.4
GROSS INCOME	**1,698.9**	1,637.7
Interest expenses	**33.4**	62.0
Expenses for land and buildings	**121.2**	138.4
Operating expenses and depreciation on investments	**23.8**	24.0
Depreciation according to plan on buildings	**75.7**	75.0
Other direct expenses	**64.4**	33.2
Direct expenses	**318.4**	332.7
Realised losses on investments	**4.7**	70.1
Value adjustments	**101.1**	339.7
Exchange rate losses	**115.6**	184.3
Extraordinary charges	**221.4**	594.1
CHARGES	**539.9**	926.8
Revaluation adjustment on investments	**–0.1**	–3.1
Net investment income	**1,159.0**	707.8

Table 4. Non-Life Group: Investments

FIM millions	1996	1995
Debt securities and deposits	**4,381.9**	4,094.5
Loans	**660.2**	821.8
Shares and participations	**4,150.3**	3,294.1
Land and buildings	**3,469.3**	3,600.0
Deposits with ceding undertakings	**390.4**	316.3
Total book value	**13,052.2**	12,126.7
Valuation differences		
Debt securities and deposits	**151.6**	100.4
Shares and participations	**3,011.1**	1,714.7
Land and buildings	**547.2**	736.1
Deposits with ceding undertakings	**0.0**	32.8
Total valuation differences	**3,709.9**	2,584.0

EXTRAORDINARY INCOME AND CHARGES

FIM 3 million of unhonoured, now statutorily expired Sampo dividends have been entered under extraordinary income. FIM 5 million of non-recurring expenses attached to the ownership arrangements of Sampo Industrial Insurance come under extraordinary charges.

PERSONNEL

The Group employed an average number of 3,113 persons over 1996 (3,023). The personnel of Sampo Industrial Insurance, which was incorporated into the Group half-way through the financial year, is not included in the figure for the comparison year.

Sampo Group runs a result-based management bonus system. A similar system for personnel has been extended to almost the entire Group as an experiment in this reporting year, and will be continued due to the positive experiences it brought.

The Group's total expenditure on incentive salaries and commissions amounted to FIM 541,627,402.52, of which remunerations and commissions paid to executives and Board members accounted for FIM 9,777,114.92. Management bonuses based on results in the Group amounted to FIM 273,208.

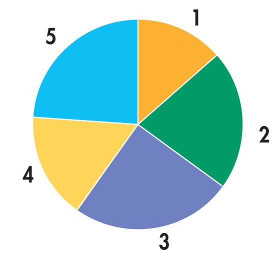
The parent company Sampo employed an average number of 1,963 persons in 1996, their incentive salaries and commissions amounting to FIM 319,000,531.08. Of this sum, FIM 2,762,915.00 was paid to executives and Board members.

GROUP COMPOSITION

On December 31st, 1996, the final accounts of the Sampo Non-Life Group comprised, in addition to the parent company Sampo Insurance Company Limited, the subsidiaries Industrial Insurance Company Ltd, Sampo Enterprise Insurance Company Limited, Otso Loss of Profits Insurance Company Ltd, Insurance Company of Finland Limited and Sampo Holdings (UK) Limited, with their sub-holdings, ST International Insurance Company Limited, Risk Management Ltd, 16 housing and real estate companies owned by Sampo, and 8 associated undertakings.

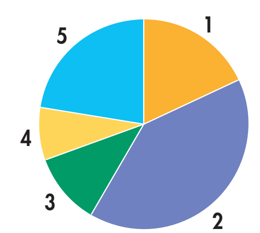
In March 1996, Industrial Insurance and Otso redeemed the 60 per cent holding of the Swedish company Trygg-Hansa

Personnel by years of service, Dec. 31, 1996, Sampo Non-Life Group



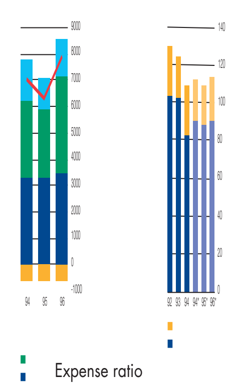
1	over 30 years	13.5%
2	20 – 29 years	21.5%
3	10 – 19 years	24.8%
4	6 – 9 years	16.4%
5	under 6 years	23.8%

Personnel by education, Dec. 31, 1996 Sampo Non-Life Group



1	University	18.1%
2	College	40.2%
3	Vocational school	11.0%
4	Secondary school graduate	8.1%
5	Elementary school, intermediate school, comprehensive school	22.5%

Combined ratio, %



Expense ratio
Loss ratio
* According to the new accounting practice

in Hansa Industrial Insurance, which operates in the Netherlands, UK and Germany. The redemption value was FIM 90 million. The company became a Group member on April 1st, 1996, and as from that date its figures have been included in the consolidated accounts. Before that it was considered an associated undertaking, because Industrial Insurance owned 40 per cent of it. Due to ownership arrangements, the company's share capital was increased in November by NLG 60 million (c. FIM 161 million). The company was renamed Sampo Industrial Insurance in June.

The Sampo subsidiary Industrial Insurance, together with Kaleva Mutual Insurance Company, founded Sampo Life Insurance Company Limited, a new life insurance company in the form of a limited liability company. Kaleva's pension insurance operations and Industrial Insurance's life reinsurance operations with associated assets were ceded to Sampo Life in such a manner that the cessions became effective on January 1st, 1997. In order to strengthen the solvency of the new life company, its share capital was raised through a new issue in which Sampo subscribed to all the new shares, after which Sampo held 50.5 per cent, Industrial Insurance 30 per cent, and Kaleva 19.5 per cent of Sampo Life's total share capital.

Sampo Life commenced operations on January 1st, 1997, when the company began to sell life and pension insurances.

In June 1996, Sampo Kindlustus was transferred to the sole ownership of Sampo Enterprise.

Industrial Insurance, Otso and Sampo Enterprise started direct insurance operations in Sweden, based on the right of establishment. Their clients are served in Sweden by Sampo Industriförsäkring Ab, an office owned by Industrial Insurance.

Table 5. Sampo Non-Life Group Companies: Key figures 1996

FIM millions	Sampo (parent company)	Sampo Enterprise	Industrial Insurance	Otso	Insurance Co. of Finland
Direct insurance premiums written	1,544.0	1,091.0	1,024.5	153.1	29.8
Reinsurance premiums written	–5.1	29.6	457.8	107.3	2.6
Claims incurred	–1,248.6	–1,006.1	–982.4	–86.0	1.1
Net operating expenses	–429.4	–165.6	–200.7	–35.4	–1.0
Net investment income	502.5	198.0	392.9	139.7	21.6
Profit/loss for the financial year	179.2	46.2	130.3	80.3	10.8
Technical provisions, net	3,849.8	1,946.6	3,277.7	611.1	59.7
Total on Balance Sheet	7,778.6	2,509.7	4,224.0	942.6	226.4
Combined ratio, %	111.9	110.6	103.9	117.5	–
Solvency capital	6,962.6	869.5	3,183.3	1,112.2	229.7
Average number of personnel	1,963	561	380	53	19

FIM millions	Sampo Industrial (as of April 1)	ST International	Patria	Lakewood	Non-Life Group consolidated
Direct insurance premiums written	199.9	–	–	–	4,049.0
Reinsurance premiums written	–	3.4	0.5	–0.4	446.0
Claims incurred	–57.7	–60.5	–86.3	0.3	–3,523.2
Net operating expenses	–18.0	–4.7	–4.7	–1.6	–843.9
Net investment income	5.6	48.2	84.4	–0.7	1,159.0
Profit/loss for the financial year	–21.7	0.4	–5.8	–1.4	254.6
Technical provisions, net	148.1	260.7	470.8	35.1	10,662.1
Total on Balance Sheet	470.8	477.2	892.1	85.6	16,128.2
Combined ratio, %	143.0	–	–	–	113.1
Solvency capital	253.2	89.3	81.4	17.3	7,887.9
Average number of personnel	61	20	18	5	3,113

SHARES AND SHARE OWNERSHIP

Trading in Sampo shares picked up, with 6.6 million Sampo shares being exchanged on the Helsinki Stock Exchange at a total price of FIM 1,846 million. The turnover corresponds to 43.3 per cent of Sampo's share portfolio. In addition, 6.2 million Sampo shares, at GBP 251 million, were exchanged on the SEAQ, which operates in conjunction with the London Stock Exchange. The price of Sampo shares increased by 56 per cent from the beginning of the year, to stand at FIM 363. The market value of the share portfolio was FIM 5,518 at the year-end.

On December 31st, 1996, the company's shareholder register listed 275,458 shareholders, of which 227,135 owned 10 shares or less. The twenty largest shareholders owned almost 64 per cent of the shares.

Shareholdings of the Members of the Supervisory Board, the Board of Directors, the Managing Director and Deputy Managing Directors amounted to a total of 1,174 shares, which represent 0.076 per cent of the total number votes.

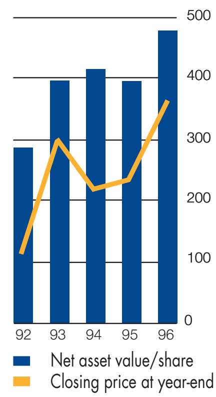
The Board of Directors does not have authorisation for share issues or issuing convertible bonds.

JOINING THE BOOK-ENTRY SECURITIES SYSTEM

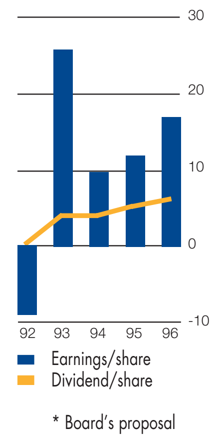
In December 1996, an Extraordinary General Meeting passed a resolution to enter Sampo shares into the book-entry securities system. The EGM also authorised the Board to assign the registration period during which the shares will be entered into the system.

In February 1997, the Board decided that period should run from July 21st, 1997 to September 12th, 1997, after which Sampo shares will be a part of the system.

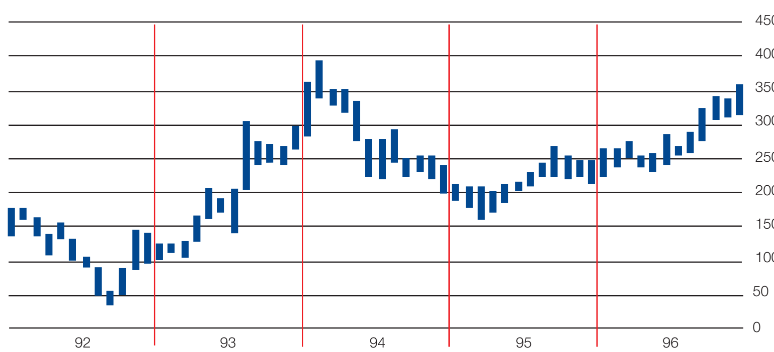
Net asset value per share and quotation, FIM



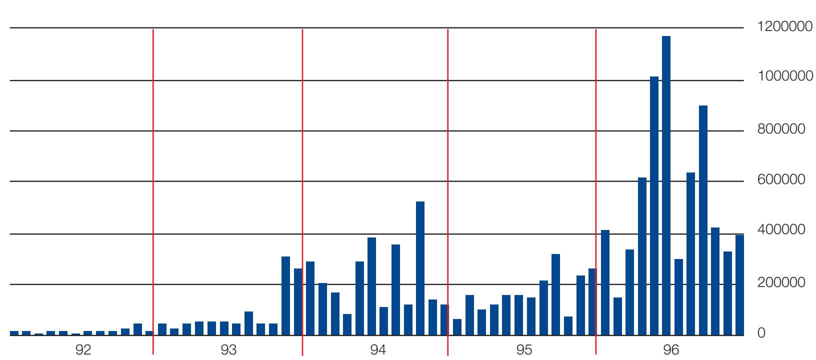
Earnings per share and dividend, FIM



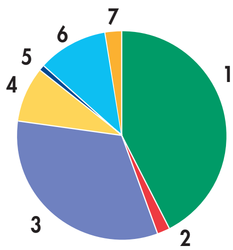
Monthly share price development, FIM



Monthly trading volume



Shareholder groups December 31, 1996



1	Private companies	42.5%
2	Public companies	1.9%
3	Financial institutions and insurance companies	32.7%
4	Public corporations	8.5%
5	Non-profit corporations	0.9%
6	Households	10.9%
7	Foreign ownership*	2.6%

* Registered shares. Foreign investors do not normally register their holdings, since it is not obligatory. According to our knowledge, their holdings are, however, considerably larger than presented here.

Shareholders by number of shares owned, December 31, 1996

Shareholding A and B shares	No. of shareholders	Total no. of shares	% of share capital
1 – 2	111,500	209,426	1.4
3 – 5	64,373	240,161	1.6
6 – 10	51,262	384,311	2.5
11 – 100	45,734	1,017,843	6.7
101 – 1,000	2,099	573,659	3.8
1,001 – 10,000	404	1,096,572	7.2
10,001 – 100,000	65	1,920,038	12.6
100,001 –	21	9,757,990	64.2
Total	275,458	15,200,000	100.0

Major shareholders as recorded in the share register, December 31, 1996

A and B Shares	Number of shares	% of share capital	% of votes
Unsa Ltd	2,125,623	14.0	13.8
Merita Ltd	1,849,695	12.2	12.0
Merita Bank Ltd	960,043	6.3	6.2
Kaleva Mutual Insurance Company	769,399 [1)]	5.1	6.5
Insurance Company Sampo Pension Ltd	577,149	3.8	3.7
Enso Oy	412,331	2.7	2.7
Opstock Securities Ltd	395,876 [2)]	2.6	2.6
Pension-Varma Mutual Insurance Company	380,935	2.5	2.5
Postipankki Oy	288,960 [2)]	1.9	1.9
UPM-Kymmene Oy	255,631	1.7	1.7
Nova Life Insurance Company Limited	230,702	1.5	1.5
Oy Silja Line Ab	227,146 [2)]	1.5	1.5
A. Ahlstrom Corporation	184,419	1.2	1.2
Sampo Finance Ltd	183,475 [2)]	1.2	1.2
Outokumpu Oy	175,784	1.1	1.1
Alfred Berg Finland Unit Trust	161,290	1.0	1.0
Den Danske Bank	130,476	0.9	0.9
Asko Oy	119,687	0.8	0.8
Oy Nokia Ab	116,547	0.8	0.8
Profit Trading Oy	108,727 [3)]	0.7	0.7

[1)] 709,399 registered A Shares and 60,000 registered B Shares.
[2)] The company has reported that it has sold nearly all these shares.
[3)] The company has reported that it has sold these shares.

According to the agreement concluded by Unsa Ltd and Kaleva Mutual Insurance Company, Kaleva or its nominee has a pre-emptive right to the Sampo shares owned by Unsa Ltd, should Unsa Ltd intend to surrender them.

Increases in share capital in 1988–1996

Mode	Subscription period	Terms of subscription or subscriber	Price/share (FIM)	No. of new shares	Share capital after the issue
New issue A and B shares	April 11 to May 20, 1988	1:1 plus subscription right	250 280	3,000,000	126 million
New issue A and B shares	October 17 to November 18, 1988	2:1 plus subscription right	325 400	3,000,000	186 million
Merger compensation A shares	December 31, 1993	Owners of Industrial Mutual Insurance Company		4,700,000	280 million
Directed issue A shares	June 30, 1994	Kansallis-Osake-Pankki	380	1,500,000	310 million

SIGNIFICANT EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

Sampo Non-Life Group is one of the founders of a real estate company which intends to purchase the shops, central warehousing, and cash-and-carry wholesale real estate attached to Tuko's perishable goods business. The Group investment in the real estate company is set at c. FIM 170 million. The purchase awaits EU Commission approval.

The Ministry of Social Affairs and Health has advised that 1997 final accounts must include a so-called collective guarantee item in insurance companies' provision for outstanding claims. The collective guarantee item is three per cent of the technical provisions of workers' compensation insurance and motor third party liability insurance. The estimated value of the collective guarantee item in the Sampo Non-Life Group is FIM 170 million.

SAMPO NON-LIFE GROUP 1997

The founding of Sampo Life targets securing the Sampo Non-Life Group's full involvement in the rapidly growing Finnish life insurance market. Life insurance business is a strategically important growth area for the Group in the coming years.

The Group continues to develop international know-how and competitive ability. A new operating unit, Major Accounts Services, which brings together the knowledge and skills of Industrial Insurance, Otso, the Insurance Company of Finland, Sampo Industrial Insurance and Sampo Industriförsäkring, specialises in the insurance and risk management of large enterprises and companies operating internationally.

In November 1996, the Insurance Company of Finland, the Finnish Guarantee Board and German insurance company Hermes drafted a letter of intent to found a mutual credit insurance company. The company will concentrate on customer credit insurances, or insuring companies' sales receivables.

The increase in Finnish direct non-life insurance premiums written is expected to continue, thanks to favourable economic trends and the tariffing decisions made on the major groups of insurance class. The aim of the tariffing decisions is to make a substantial improvement in the profitability of underwriting business.

The improvement in risk/return ratio continues in investments through increasing the proportion of foreign investments.

Sampo's steady and favourable development in performance and strengthening solvency is reflected to shareholders through an active dividend policy, which aims to distribute at least one third of the Group result as dividends.

THE BOARD'S DIVIDEND PROPOSAL

Sampo's non-restricted capital and reserves stood at FIM 541,218,840.40, which includes a profit for the period of FIM 179,240,849.77. The Sampo Non-Life Group's non-restricted capital and reserves were FIM 854,660,111.23, of which FIM 705,083,029.29 were distributable. The Board of Directors will propose that a dividend of 30 per cent of the shares' nominal value, or FIM 6 per share, be paid on the 15,200,000 Sampo A and B shares from the financial year's profit.

The Board of Directors recommends that the company's profit for the year be applied as follows:

To be paid as dividend	FIM	91,200,000.00
To be transferred to the contingency fund	FIM	88,000,000.00
To be retained on the closing account	FIM	40,849.77
Parent company's profit	FIM	179,240,849.77

The closing price of Sampo's A share for the financial year 1996 was FIM 363, providing an effective dividend yield of 1.7 per cent. The proposed dividend is 35.5 per cent of earnings per share.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FIM '000	Appendix	Jan. 1 to Dec. 31, 1996	Jan. 1 to Dec. 31, 1995
Technical Account			
Premiums earned			
Premiums written	1, 2	4,468,937	4,183,038
Reinsurers' share		–470,762	–461,320
		3,998,176	3,721,718
Change in the gross provision for unearned premiums			
Total change		–35,876	34,467
Merger		–	393
		–35,876	34,860
Reinsurers' share			
Total change		–100,652	–43,104
Merger		–	–175
		–100,652	–43,279
		–136,528	–8,419
		3,861,648	3,713,299
Claims incurred	2		
Claims paid		–3,808,102	–3,775,461
Reinsurers' share		447,920	255,595
		–3,360,183	–3,519,866
Change in the provision for outstanding claims			
Total change		–148,577	183,081
Merger		–	49,004
		–148,577	232,085
Reinsurers' share			
Total change		–14,392	–30,331
Merger		–	8,370
		–14,392	–21,962
		–162,968	210,124
		–3,523,151	–3,309,743
Net operating expenses	2, 3	–843,923	–741,112
Balance on technical account before the change in equalisation provision	2	–505,427	–337,555
Change in the equalisation provision			
Total change		–252,134	–72,302
Merger		–	27,386
		–252,134	–44,916
Balance on technical account		–757,561	–382,471

FIM '000	Appendix	**Jan. 1 to Dec. 31, 1996**	Jan. 1 to Dec. 31, 1995
Non-technical account			
Investment income	**4**	**1,698,910**	1,637,649
Investment charges	**4**	**–539,857**	–926,753
Unrealised losses on investments	**4**	**–57**	–3,118
		1,158,996	707,778
Other income		**9,180**	4,677
Other charges			
Depreciation on consolidation difference		**–53,455**	–65,416
Depreciation on goodwill		**–7,610**	–4,439
Other		**–8,957**	–5,227
		–70,022	–75,082
Tax on profit from ordinary activities	**5**		
Tax for the financial year		**–115,028**	–85,075
Tax from previous periods		**3,322**	–2,248
Change in deferred tax		**2,039**	–3,508
		–109,667	–90,831
Share of associated undertakings' profit/loss after tax		**26,091**	15,839
Profit on ordinary activities after tax		**257,018**	179,910
Extraordinary income and charges			
Extraordinary income	**6**	**3,023**	486,218
Extraordinary charges	**6**	**–4,545**	–544,476
Tax on extraordinary income and charges		**–847**	–3,105
Incidental share of associated undertakings' profit/loss after tax		**–**	21,265
		–2,368	–40,099
Profit after extraordinary items		**254,650**	139,811
Minority interest in the profit for the financial year		**–16**	25
Profit for the financial year		**254,634**	139,836

CONSOLIDATED BALANCE SHEET

FIM '000	Appendix	Dec. 31, 1996	Dec. 31, 1995
ASSETS	**14**		
Intangible assets	**7**		
Intangible rights		**39,105**	32,367
Goodwill		**26,001**	33,611
Consolidation difference		**378,335**	408,047
Other long-term expenses		**222,666**	202,946
		666,107	676,970
Investments	**8**		
Investments in land and buildings	**9**		
Land and buildings		**3,469,288**	3,599,978
Investments in associated undertakings	**12**		
Shares and participations	**10**	**732,897**	760,158
Debt securities issued by, and loans to, associated undertakings		**80,015**	100,006
		812,912	860,164
Other financial investments			
Shares	**10**	**3,417,447**	2,533,928
Debt securities		**3,609,063**	3,222,959
Loans guaranteed by mortgages		**301,316**	329,879
Other loans	**13**	**358,916**	491,967
Deposits with credit institutions		**692,802**	771,478
		8,379,544	7,350,211
Deposits with ceding undertakings		**390,419**	316,309
		13,052,163	12,126,663
Debtors			
Arising out of direct insurance operations			
Policyholders		**662,745**	676,610
Intermediaries		**108,882**	–
Arising out of reinsurance operations		**473,337**	462,526
Other debtors		**289,972**	272,460
		1,534,936	1,411,597
Other assets			
Tangible assets	**7**		
Equipment		**211,457**	173,172
Other tangible assets		**19,986**	16,421
		231,443	189,593
Cash at bank and in hand		**209,843**	433,930
Other assets		**1,214**	–
		442,500	623,523
Prepayments and accrued income			
Interest and rents		**148,075**	155,304
Other		**284,410**	211,383
		432,486	366,687
		16,128,192	15,205,440

FIM '000	Appendix	Dec. 31, 1996	Dec. 31, 1995
LIABILITIES	**14**		
Capital and reserves	**15**		
Restricted			
Subscribed capital	**16**	**310,000**	310,000
Legal reserve		**2,182,872**	2 182,872
Revaluation reserve		**203,487**	209,388
Other restricted reserves		**28**	28
Currency conversion differences		**19,671**	–12,542
		2,716,059	2,689,746
Non-restricted			
Non-restricted reserves		**557,675**	644,591
Profit/loss brought forward		**42,351**	–98,865
Profit for the financial year		**254,634**	139,836
		854,660	685,563
		3 570,719	3 375,309
Minority interest		**2,171**	2,290
Technical provisions	**17**		
Provision for unearned premiums		**1,512,122**	1,358,411
Reinsurers' share		**–76,714**	–94,721
		1,435,408	1,263,691
Claims outstanding		**8,624,865**	8,179,075
Reinsurers' share		**–760,512**	–579,813
		7,864,353	7,599,262
Equalisation provision		**1,362,366**	1,110,232
		10,662,127	9,973,185
Obligatory provisions	**18**	**10,276**	8,249
Deposits received from reinsurers		**66,281**	108,418
Creditors	**19**		
Arising out of direct insurance operations		**5,901**	–
Arising out of reinsurance operations		**678,984**	617,316
Amounts owed to credit institutions		**–**	215
Pension loans		**361,707**	388,932
Deferred tax		**58,081**	59,886
Other creditors		**122,433**	125,474
		1,227,106	1,191,823
Accruals and deferred income		**589,512**	546,166
		16,128,192	15,205,440

PARENT COMPANY PROFIT AND LOSS ACCOUNT

FIM '000	**Appendix**	**Jan. 1 to Dec. 31, 1996**	Jan. 1 to Dec. 31, 1995
Technical Account			
Premiums earned			
Premiums written	**1, 2**	**1,522,362**	1,083,857
Reinsurers' share		**–10,098**	–9,338
		1,512,264	1,074,519
Change in the gross provision for unearned premiums			
Total change		**–13,300**	–219,412
Merger		**–**	190,586
		–13,300	–28,826
Reinsurers' share		**59**	–150
		–13,241	–28,976
		1,499,023	1,045,543
Claims incurred	**2**		
Claims paid		**–1,349,729**	–982,968
Reinsurers' share		**1,140**	10,545
		–1,348,589	–972,422
Change in the provision for outstanding claims			
Total change		**100,846**	–554,787
Merger		**–**	636,672
		100,846	81,885
Reinsurers' share			
Total change		**–843**	629
Merger		**–**	–5,000
		–843	–4,371
		100,003	77,514
		–1,248,586	–894,909
Net operating expenses	**2, 3**	**–429,426**	–301,257
Balance on technical account before the change in equalisation provision	**2**	**–178,989**	–150,622
Change in the equalisation provision		**–65,015**	5,309
Balance on technical account		**–244,004**	–145,313

FIM '000	Appendix	Jan. 1 to Dec. 31, 1996	Jan. 1 to Dec. 31, 1995
Non-technical account			
Investment income	4	**780,524**	664,499
Investment charges	4	**–278,024**	–447,439
		502,501	217,060
Other income		**4,718**	2,800
Other charges			
Depreciation on consolidation difference		**–29,120**	–61,476
Other		**–1,001**	–38
		–30,121	–61,514
Tax on profit from ordinary activities			
Tax for the financial year		**–65,562**	–1,417
Tax from previous periods		**953**	–2,924
		–64,609	–4,341
Profit on ordinary activities after tax		**168,484**	8,692
Extraordinary income and charges			
Extraordinary income	6	**3,023**	316,132
Extraordinary charges	6	**–**	–302,447
Tax on extraordinary income and charges		**–847**	–3,421
		2,177	10,263
Profit after extraordinary items		**170,661**	18,955
Increase/decrease in depreciation difference		**8,080**	–11,135
Increase (–)/decrease (+) in optional reserves			
Decrease in credit loss reserve		**500**	2,000
Profit for the financial year		**179,241**	9,820

PARENT COMPANY BALANCE SHEET

FIM '000	Appendix	Dec. 31, 1996	Dec. 31, 1995
ASSETS	**14**		
Intangible assets	**7**		
Intangible rights		**17,312**	14,115
Goodwill		**524,163**	553,283
Other long-term expenses		**158,761**	136,356
		700,236	703,754
Investments	**8**		
Investments in land and buildings	**9**		
Land and buildings		**1,893,160**	1,986,635
Loans to affiliated undertakings		**87,420**	73,710
		1,980,581	2,060,345
Investments in affiliated and associated undertakings	**12**		
Affiliated undertakings			
Shares and participations	**11**	**958,282**	897,100
Associated undertakings			
Shares and participations	**11**	**521,641**	528,195
Debt securities issued by, and loans to, associated undertakings		**30,015**	20,006
		1,509,938	1,445,300
Other investments			
Shares	**11**	**1,310,545**	913,143
Debt securities		**1,031,156**	1,180,550
Loans guaranteed by mortgages		**204,653**	234,635
Other loans	**13**	**148,901**	243,277
Deposits with credit institutions		**41,530**	111,720
		2,736,786	2,683,325
Deposits with ceding undertakings		**2,255**	2,859
		6,229,560	6,191,830
Debtors			
Arising out of direct insurance operations			
Policyholders		**388,640**	383,857
Arising out of reinsurance operations		**6,455**	14,374
Other debtors		**85,103**	63,812
		480,198	462,043
Other assets			
Tangible assets	**7**		
Equipment		**151,183**	126,848
Other tangible assets		**15,676**	14,539
		166,859	141,387
Cash at bank and in hand		**53,191**	83,566
		220,050	224,953
Prepayments and accrued income			
Interest and rents		**42,130**	52,969
Other		**106,412**	54,962
		148,542	107,931
		7,778,586	7,690,511

FIM '000	Appendix	Dec. 31, 1996	Dec. 31, 1995
LIABILITIES	**14**		
Capital and reserves	**15**		
Restricted			
Subscribed capital	**16**	**310,000**	310,000
Legal reserve		**2,177,892**	2,177,892
Revaluation reserve		**172,633**	172,633
		2,660,525	2,660,525
Non-restricted			
Security reserve		**69,693**	69,693
Contingency reserve		**284,448**	350,948
At the disposal of the Board		**566**	658
Profit/loss brought forward		**7,271**	7,101
Profit for the financial year		**179,241**	9,820
		541,219	438,220
		3,201,744	3,098,745
Untaxed reserves			
Accumulated depreciation difference		**74,564**	82,643
Optional reserves			
Credit loss reserve		**6,500**	7,000
		81,064	89,643
Technical provisions	**17**		
Provision for unearned premiums		**717,110**	703,810
Reinsurers' share		**–68**	–9
		717,042	703,801
Claims outstanding		**2,950,627**	3,051,473
Reinsurers' share		**–38,075**	–38,918
		2,912,552	3,012,554
Equalisation provision		**220,189**	155,175
		3,849,783	3,871,530
Deposits received from reinsurers		**–**	2
Creditors	**19**		
Arising out of reinsurance operations		**2,873**	6,617
Pension loans		**287,441**	309,077
Other creditors		**63,628**	72,173
		353,942	387,867
Accruals and deferred income		**292,054**	242,724
		7,778,586	7,690,511

WORKING CAPITAL FLOW STATEMENT

FIM '000	NON-LIFE GROUP 1996	1995	PARENT COMPANY 1996	1995
Source of funds				
Cash-flow financing				
Profit/loss before interest expenses, extraordinary items, untaxed reserves and tax	**402,086**	332,734	**273,043**	60,003
Decrease in investments	**–**	–	**2,745**	–
Extraordinary income and charges	**–1,522**	–36,993	**3,023**	13,685
Adjustment items				
Changes in technical provisions	**688,943**	65,015	**–21,747**	831,951
Unrealised losses and gains on investments	**–124,534**	334,829	**–72,821**	211,607
Depreciation	**251,576**	257,051	**144,588**	155,054
	1,216,550	952,635	**328,832**	1,272,299
Capital financing				
Increase in long-term liabilities	**–**	51,558	**–**	–
Increase in capital and reserves	**22,164**	4,522	**–**	–
	22,164	56,081	**–**	–
Source of funds in total	**1,238,714**	1,008,716	**328,832**	1,272,299
Application of funds				
Profit distribution				
Interest on liabilities	**33,362**	61,993	**39,950**	46,970
Tax	**112,552**	90,428	**65,455**	7,762
Dividends paid	**75,830**	60,664	**76,000**	60,800
Other profit distribution	**343**	139	**242**	139
	222,087	213,224	**181,648**	115,671
Investments				
Increase in investments	**881,715**	79,173	**–**	373,409
Increase in intangible and tangible assets	**208,025**	181,541	**134,197**	745,014
	1,089,740	260,714	**134,197**	1,118,423
Repayment of capital and loans				
Decrease in long-term loans	**77,861**	–	**23,122**	5,778
Decrease in minority interest	**131**	21,885	**–**	–
	77,993	21,885	**23,122**	5,778
Application of funds in total	**1,389,820**	495,823	**338,966**	1,239,872
Increase/decrease in working capital	**–151,106**	512,893	**–10,134**	32,427
Change in working capital				
Receivables	**123,339**	–45,218	**18,155**	–38,420
Cash at bank and in hand	**–224,087**	141,681	**–30,375**	20,712
Prepayments and accrued income	**65,799**	–91,168	**40,610**	–34,945
	–34,949	5,295	**28,391**	–52,653
Deposits received from reinsurers	**42,137**	760	**2**	–2
Liabilities	**–114,948**	497,005	**10,803**	110,472
Accruals and deferred income	**–43,345**	9,833	**–49,330**	–25,390
	–116,157	507,598	**–38,525**	85,080
Increase/decrease in working capital	**–151,106**	512,893	**–10,134**	32,427

NOTES ON THE ACCOUNTS
Accounting Principles in the Sampo Non-Life Group

The final accounts have been compiled in accordance with the Accounting Act, Companies Act and Insurance Companies Act and the instructions and regulations issued by the Ministry of Social Affairs and Health, the authority supervising the insurance business. Furthermore, provisions of the Act on the Securities Market, the Ministry of Finance's decision on the obligation of the launchers of securities issues to submit regular reports, and the recommendations and rules of the Helsinki Stock Exchange, have been taken into account. The Finnish Accounting Standards Board has granted insurance companies whose shares are publicly traded special permission (16.10.1995 No. 1358), for the years 1995–1996, to report key figures and other information referred to in the decision of the Ministry of Finance according to the instructions issued by the Ministry of Social Affairs and Health.

Consolidated Final Accounts

Sampo's Consolidated Final Accounts include the parent company Sampo Insurance Company Ltd, and all the subsidiaries in which the parent company either directly or indirectly holds more than half of the voting rights. The group companies and changes in group structure are presented in the Report by the Board of Directors.

Subsidiaries' final accounts have been integrated into the consolidated final accounts according to the parent company's accounting practices. The final accounts of overseas subsidiaries have been converted in essential areas to correspond to the accounting practices of the parent company.

The Consolidated Final Accounts have been drawn up by integrating the profit and loss accounts, balance sheets and notes on the accounts of the parent and subsidiary companies, eliminating intragroup transactions and realised gains and losses, amounts due to or from group companies, profit shares and shareholdings. Subsidiaries acquired during 1996 have been consolidated as from the day of acquisition, and the subsidiaries sold until the assignment day.

Intra-group cross-shareholdings have been eliminated by using the past equity method. Part of the difference between the acquisition cost of shares in subsidiaries and their capital and reserves at the time of acquisition has been entered under subsidiaries' land and buildings, within the limits permitted by their current values. The unallocated part has been entered under consolidation difference.

The closing figures for subsidiaries and associated undertakings have been converted into Finnish markka at the average rate of the Bank of Finland on the date of closing the companies' accounts. Currency conversion differences resulting from changes in exchange rates, which have arisen from the elimination of cross-shareholdings, are shown under restricted capital and reserves due to their origin.

Minority interests in subsidiaries' results for the financial year and capital and reserves have been presented as separate items in the Profit and Loss Account and the Balance Sheet.

Associated Undertakings

In the Consolidated Final Accounts, those companies in which the Group's holding and voting rights amount to 20–50% - with the exception of Insurance Company Sampo Pension Ltd and Kaleva Mutual Insurance Company – have been integrated as associated undertakings, using the past equity method.

Under the Insurance Companies Act, companies engaged in statutory pension insurance cannot be integrated as an associated undertaking into the consolidated accounts of another insurance company. Kaleva Mutual Insurance Company, in which the Group has a 25% share of the voting rights and 50% of the guarantee capital, has not been consolidated, as the holder of guarantee capital is entitled only to interest on the guarantee capital and the par value of the guarantee capital increased by one fifth. However, relevant information on both companies is presented separately in the Notes on the Accounts.

Foreign Currency Items

Currency-denominated amounts due to and from Finnish Group companies and investments in receivables have been converted into Finnish markka at the average rate of the Bank of Finland on the date of closing the companies' accounts. Other investments have been valued at the lower of the rate valid on the date of acquisition and the average rate of the Bank of Finland on the date of closing the accounts.

Currency conversion differences relating to insurance business have been entered as adjustment items under income and expenditure. Currency conversion differences on receivables and investments and those that it has not been possible to allocate directly to an adjustment item under income and expenses, have been presented under Other income from investments and Expenses from other investments.

Valuation and Matching

Intangible assets have been entered in the Balance Sheet at acquisition cost less planned depreciation. Items capitalised under other long-term liabilities include computer systems developed by the insurance company itself that are of importance for its operations and intended for long-term use, and refurbishing of rented apartments.

Land and buildings have been entered in the Balance Sheet at the lower of acquisition cost less planned depreciation, and current value. Certain book values of land and buildings include revaluations.

Stocks and shares in investments have been entered in the Balance Sheet at the lower of acquisition cost and current value. They have been valued according to the average price principle. Stocks and shares in fixed assets have been presented at the lower of acquisition price and current value, if the devaluation has been considered permanent. They have been valued on the FIFO principle.

Debt securities are considered to include bonds and money-market instruments. They have generally been entered in the Balance Sheet at acquisition cost. The difference between the par value and acquisition cost of debt securities has been accrued as interest income. The counter-item has been entered as an addition to or deduction from acquisition cost.

Receivables and investments in receivables have been entered in the Balance Sheet at the lower of par value and current value.

Derivative contracts have been valued at their current value on the date of closing the accounts. The difference between the current value of a hedging derivative contract and a lower book value/contract rate is entered as income. However, the maximum amount entered is that which corresponds to the amount of the hedged balance sheet item entered as an expense. If the book value/contract rate exceeds the current value, the loss is entered at its full amount. The difference between the current value of derivative contracts not concluded for hedging purposes and a higher book value/contract rate is entered as an expense, and the possible valuation gain is not entered.

Revaluations and revaluation adjustments on investments in the nature of investment assets are entered with impact on the result. Revaluations on investments in the nature of fixed assets and their reversals are entered in the revaluation reserve under restricted capital and reserves. If a fixed assets investment later becomes an investment asset, the funded revaluation is reversed. Value adjustments and re-adjustments are entered as investment charges and income. Value readjustments have been entered as income up to the original acquisition cost.

Depreciation

The acquisition cost of intangible assets, buildings and their components, and equipment has been capitalised, and is entered during its effective period as depreciation under expenses. Depreciations are made according to the depreciation plan. Planned depreciations have been calculated as straight-line depreciations on the original acquisition cost using the following estimated useful lives:

Intangible rights	5 years
Goodwill	5–20 years
Consolidation difference	3–10 years
Other long-term liabilities	10 years
Residential and business premises and offices	40–50 years
Industrial premises and warehouses	30–40 years
Building components	10–15 years
Computer hardware, cars	5 years
Other equipment	10 years

The depreciation period of the goodwill created in the parent company through the Vahinkovakuutusosakeyhtiö Kansa merger has been extended to 20 years, since the average annual wastage of clientele has been found to be 5%. The consolidation difference will be depreciated in ten years, as determined earlier.

The consolidation difference created through the acquisition of a 60% holding in Sampo Industrial Insurance will be depreciated over ten years.

Where essential refurbishing has been carried out, the building's useful life has been reassessed. The depreciation periods for buildings have been revised in other respects, too.

Planned depreciation corresponding to the average useful life of buildings is made annually on the revaluations entered as income, and on the allocated consolidation difference arising from buildings (under land and buildings investments). No depreciations are made on the revaluations allocated on property in the nature of fixed assets.

In the Profit and Loss Account, planned depreciation on equipment and capitalised ADP systems has been divided between functions. Planned depreciation on buildings is presented under investment charges, the release to income of the consolidation difference under other income, and planned depreciation on goodwill and consolidation difference under other charges.

Current Values

The current values of investments in land and buildings have been fixed annually, as required by the Ministry of Social Affairs and Health. Each site is assessed separately, allowing for the net income earned, location and market situation. Both in-house and outside experts have assisted in the assessment.

Shares in group companies have been valued at net asset value in the companies' final accounts.

Shares in associated undertakings have been valued mainly as follows:

- insurance companies at net asset value
- other associated undertakings at a value based on the equity method.

Shares and debt securities which are quoted on official stock exchanges or which are otherwise publicly traded, are valued at the latest available closing price based on continuous trading or, if this is not available, at the buying rate. The probable sales price of other shares and debt securities, e.g. based on net asset value or the remaining acquisition cost, has been taken as their current value.

Loans, deposits with credit institutions, and deposits with ceding undertakings have been valued at the lower of par value and probable value.

Expenses by Function

Directly allocated claims management expenses are entered under claims paid in the profit and loss account. These expenses include external loss adjustment expenses, such as legal expenses and external loss assessors' remunerations, and internal loss adjustment expenses which are directly related to losses.

Directly allocated investment management expenses which are shown under investment charges in the profit and loss account, mainly comprise management expenses and maintenance charges for land and buildings, and real estate shares.

Shares of fixed costs and operating expenses comprise internal expenses allocated to functions, that among other things include wages and salaries for Group staff, and depreciation on equipment and capitalised ADP systems.

Other Income and Charges

Items which have a direct connection with the Group's ordinary activities, including the sale of services and expenses arising from them, have been handled as Other Income and Charges. Examples of these include the sale of services relating to risk management and captive operations.

Extraordinary Income and Charges

Items that are not directly connected with the company's ordinary activities are presented under Extraordinary Income and Charges. Also entered under Extraordinary Income and Charges in the 1995 final accounts are items that have an impact on the result due to changes in the accounting principles, insofar as they are associated with previous accounting periods.

Taxes

Taxes on ordinary activities and on extraordinary items are presented separately in the Profit and Loss Account. Where group companies are concerned, taxes for the year have been presented in a way corresponding to the accrual basis, that is, allocated to the accounting period. The taxes for the year include any taxes paid at source on income from foreign securities and deposits with ceding undertakings.

Avoir fiscal tax credit on dividend earned has been entered in dividends, under Investment Income. Dividends, guarantee capital interests and avoir fiscal tax credit are entered in the accounting period during which the decision on the distribution of profit was made. However, avoir fiscal tax credit sums exceeding the amount of income tax for the year will not be entered, if it is probable that the credit left unused can be used in setting off the income tax of future periods, with particular regard to the expectations for the financial year immediately following. Part of the avoir fiscal tax credit receivables which were removed from the parent company's accounts in the 1995 final accounts were re-entered as investment income in the 1996 final accounts.

The avoir fiscal tax credit relating to dividends received from subsidiaries and associated undertakings is transferred in the Consolidated Profit and Loss Account as a deduction from the taxes for the year.

Untaxed Reserves and Treatment of Deferred Tax

The regulations concerning Finnish accounting and taxation practice allow certain voluntary untaxed reserves, and depreciation above plan having an impact on the result and taxation, to be made in the final accounts.

The most important of these voluntary reserves is the credit loss reserve. The total credit loss reserve may not exceed one per cent of an insurance company's combined receivables excluding premiums receivable, or the verifiable probable amount of credit losses, if greater.

In the final accounts of the Group companies, the difference between planned depreciation and the total depreciation made in accordance with the Business Tax Act has been presented as a separate item in the Profit and Loss Account, and the accumulated depreciation difference presented under untaxed reserves in the Balance Sheet.

In the final accounts of the Group companies, deferred tax has not been deducted from the optional reserves and accumulated depreciation difference, nor from revaluations transferred to reserves. If the reserves are entered as income, or revaluations transferred to reserves are realised only to cover expenses, the deferred tax debt is not realised. Revaluations entered as income are taxable income. The tax rate was 25% in 1995 and 28% in 1996–97.

In the Consolidated Final Accounts, optional reserves and the accumulated depreciation difference have been divided into the change in deferred tax and share of profit, and deferred tax and share of capital and reserves. The minority interest has been deducted from these.

In calculating the key figures, deferred tax has not been deducted from the valuation differences of investments, because realised gains are made chiefly to cover expenses.

Technical Provisions

The deferred acquisition costs of insurances, deducted from the provision for unearned premiums of the financing foreign life reinsurance, have been calculated in accordance with the company's technical provision bases, contract for contract, so that in each contract the company's future net income exceeds the amount of deferred acquisition costs.

The surplus or deficit in the Non-Life Group's provision for outstanding claims at the beginning of the year does not exceed 5% in the 1996 final accounts, although this is the case in the Insurance Company of Finland and the run-off companies.

In calculating the provision for outstanding claims of other than pension claims, discounting has been applied to a major part of Patria Reinsurance Company Ltd's and, in the year of comparison, to a part of ST International Insurance Company Limited's, provisions for outstanding claims in foreign reinsurance. The discounted technical provisions are mainly in USD and are covered by assets in the same currency. The assets have been estimated as sufficient to secure a profit exceeding the interest rate applied. The claims settlement period used in discounting is based on Group company statistics.

Pension Schemes

For those employed by the Finnish Group companies, statutory pension cover has been arranged in compliance with the Employees' Pensions Act, TEL.

Additional pension cover for those who have joined Sampo before 1982 was arranged by the pension fund until the end of 1991, when it was dissolved. It is now provided for those already retired by an optional pension insurance, and by a supplementary TEL policy for the others. Also for those employed by Industrial Insurance Ltd, Patria Reinsurance Company Ltd, Insurance Company of Finland Ltd, and Otso Loss of Profits Insurance Company Ltd, additional pension cover is provided by a pension insurance company. In foreign subsidiaries, pension schemes have been arranged in accordance with local practice.

Pension insurance premiums have been entered in the Profit and Loss Account on the accrual basis.

Calculation Methods for the Key Figures

Key figures for 1994-96 have been calculated in accordance with the guidelines issued by the Ministry of Social Affairs and Health, which comply with the exceptional permission (October 16, 1995, No. 1358) granted to insurance companies by the Finnish Accounting Standards Board.

General Key Figures:

Turnover
Premiums earned before credit losses and reinsurers' share + investment income + other income + revaluations entered as income, realised in connection with sales

Operating profit
Premiums earned – claims incurred – operating expenses + investment income – investment charges + other income – other charges ± share of associated undertakings' profit and loss

Profit before extraordinary items, untaxed reserves and tax
Operating profit ± change in equalisation provision + unrealised gains on investments – investment revaluation adjustments

Profit before untaxed reserves and tax
Profit before extraordinary items, untaxed reserves and tax + extraordinary income – extraordinary charges

Return on equity (at current values)
$$\frac{\text{(Profit before extraordinary items, untaxed reserves and tax + revaluation entered into revaluation reserve – revaluation cancellation entered into revaluation reserve ± change in valuation differences on investments – tax)}}{\text{Average of (capital and reserves + minority interest ± valuation differences on investments)}} \times 100\,\%$$

Return on assets (at current values)
$$\frac{\text{(Profit before change in the equalisation provision, extraordinary items, untaxed reserves and tax + interest and expenses on liabilities + revaluation entered into revaluation reserve – revaluation cancellation entered into revaluation reserve ± change in valuation differences on investments)}}{\text{Average of (balance sheet total ± valuation differences on investments)}} \times 100\,\%$$

Equity/assets ratio (at current values)
$$\frac{\text{(Capital and reserves + minority interest ± valuation differences on investments)}}{\text{(Balance sheet total ± valuation differences on investments)}}$$

Average = average of figures at the beginning and end of the accounting period

Insurance Business Key Figures:

Gross premiums written
Premiums written before reinsurers' share and credit loss

Loss ratio
$$\frac{\text{Claims incurred}}{\text{Premiums earned}} \times 100\,\%$$

Expense ratio
$$\frac{\text{Operating expenses}}{\text{Premiums earned}} \times 100\,\%$$

Combined ratio
Loss ratio + expense ratio

Solvency margin
Capital and reserves after proposed profit distribution ± valuation differences on investments – intangible assets – deferred policy acquisition costs ± other items prescribed in the decree

Solvency capital
Solvency margin + equalisation provision + minority interest

Solvency capital, % of technical provisions
$$\frac{\text{Solvency capital}}{\text{(Provision for unearned premiums + provision for outstanding claims)}} \times 100\,\%$$

Solvency ratio, %
$$\frac{\text{Solvency capital}}{\text{Premiums earned for 12 months}} \times 100\,\%$$

Per-Share Key Figures:

Earnings per share
$$\frac{\text{(Profit before extraordinary items, untaxed reserves and tax – tax)}}{\text{Adjusted average number of shares}}$$

Capital and reserves per share
$$\frac{\text{Capital and reserves}}{\text{Adjusted number of shares at the end of the accounting period}}$$

Net asset value per share
$$\frac{\text{(Capital and reserves ± valuation differences on investments)}}{\text{Adjusted number of shares at the end of the accounting period}}$$

Dividend per share
$$\frac{\text{Dividend for the accounting period}}{\text{Adjusted number of shares at the end of the accounting period}}$$

Dividend per earnings, %
$$\frac{\text{Dividend for the accounting period}}{\text{Earnings as the numerator in Earnings per share}}$$

Effective dividend yield
$$\frac{\text{Dividend per share}}{\text{Adjusted closing share price on Dec. 31}} \times 100\,\%$$

Price/earnings ratio
$$\frac{\text{Adjusted closing share price on Dec. 31}}{\text{Earnings per share}}$$

Market capitalisation
Number of shares on Dec. 31 x Closing share price on Dec. 31

Relative share trading volume
$$\frac{\text{Number of shares traded through the Helsinki Stock Exchange}}{\text{Adjusted average number of shares}} \times 100\,\%$$

SAMPO NON-LIFE GROUP KEY FIGURES

		1992	1993	1994	1995	**1996**
General Key Figures						
Turnover	FIM m	3,115.9	5,507.9	5,881.5	5,896.3	**6,182.1**
Operating profit	FIM m	–480.3	320.7	175.7	318.8	**618.9**
% of turnover		–15.4	5.8	3.0	5.4	**10.0**
Profit before extraordinary items, untaxed reserves and tax	FIM m	–58.9	370.2	182.7	270.7	**366.7**
% of turnover		–1.9	6.7	3.1	4.6	**5.9**
Profit before untaxed reserves and tax	FIM m	–107.7	369.1	182.7	233.7	**365.2**
% of turnover		–3.5	6.7	3.1	4.0	**5.9**
Return on equity at current values	%	–10.1	34.8	6.8	–3.2	**20.7**
Return on assets at current value *)	%	–	–	3.2	–0.5	**9.4**
Equity/assets ratio	%	27.8	30.8	34.0	33.5	**36.7**
Average number of personnel		2,225	2,642	2,966	3,023	**3,113**
Insurance Business Key Figures						
Gross premiums written	FIM m	2,313.7	3,694.9	4,149.6	4,219.1	**4,495.0**
Loss ratio	%	104.7	103.1	91.4	89.1	**91.2**
Expense ratio	%	25.6	21.4	20.8	20.0	**21.9**
Combined ratio	%	130.3	124.6	112.2	109.1	**113.1**
Solvency margin *)	FIM m	–	–	5,512.3	5,206.3	**6,523.3**
Equalisation provision	FIM m	697.1	1,355.7	1,492.9	1,110.2	**1,362.4**
Solvency capital *)	FIM m	–	–	7,030.4	6,318.8	**7,887.9**
% of technical provisions *)		–	–	83.5	71.3	**84.8**
Solvency ratio	%	140.0	205.5	198.2	170.2	**204.3**

*) Figures not calculated under the former accounting practice

		1992	1993	1994	1995	**1996**
Per-Share Key Figures						
Earnings per share	FIM	–8.75	25.52	9.49	11.84	**16.91**
Capital and reserves per share	FIM	223.06	196.98	216.56	222.06	**234.92**
Net asset value per share	FIM	285.03	393.32	411.64	392.06	**478.99**
Dividend per share *)	FIM	0.00	4.00	4.00	5.00	**6.00**
Dividend per earnings *)	%	0.0	10.3	43.8	42.2	**35.5**
Effective dividend yield *)	%	0.0	1.4	1.9	2.2	**1.7**
Price/earnings ratio		–12.6	11.5	22.7	19.7	**21.5**
Adjusted average number of shares	’000	9,000	13,700	14,637	15,200	**15,200**
Adjusted number of shares on Dec. 31	’000	9,000	13,700	15,200	15,200	**15,200**
Par value	FIM	20.00	20.00	20.00	20.00	**20.00**
Market capitalisation	FIM m	990	4,028	3,268	3,542	**5,518**
A Shares						
Number of shares on Dec. 31	’000	8,940	13,640	15,140	15,140	**15,140**
Adjusted average number of shares	’000	8,940	13,640	14,577	15,140	**15,140**
Weighted average share price	FIM	113	238	283	227	**280**
Adjusted share price, high	FIM	185	305	400	274	**365**
Adjusted share price, low	FIM	40	105	203	165	**230**
Adjusted closing price	FIM	110	294	215	233	**363**
Share trading volume during the accounting period	’000	135	995	2,817	1,948	**6,583**
Relative share trading volume	%	1.5	7.3	19.3	12.9	**43.5**
B Shares						
Number of shares on Dec. 31	’000	60	60	60	60	**60**
Adjusted average number of shares	’000	60	60	60	60	**60**

*) Board’s proposal to the Annual General Meeting.

ANALYSES

1 GROSS PREMIUMS WRITTEN

FIM '000	NON-LIFE GROUP 1996	NON-LIFE GROUP 1995	PARENT COMPANY 1996	PARENT COMPANY 1995
Direct insurance				
Finland	**3,841,887**	3,738,825	**1,544,035**	1,085,335
EEA countries	**200,497**	–	**–**	–
Other countries	**6,585**	712	**–**	–
	4,048,969	3,739,537	**1,544,035**	1,085,335
Reinsurance				
Life reinsurance	**100,068**	100,855	**–14,567**	260
Non-life reinsurance	**345,940**	378,681	**9,423**	12,675
	446,008	479,536	**–5,144**	12,935
Gross premiums written	**4,494,977**	4,219,073	**1,538,891**	1,098,270
Credit loss on premiums	**–26,040**	–36,035	**–16,529**	–14,414
Premiums written before outward reinsurance premiums	**4,468,937**	4,183,038	**1,522,362**	1,083,857

PREMIUM TAX AND OTHER TRANSFERRED CHARGES INCLUDED IN PREMIUMS

Premium tax	**537,014**	525,604	**292,222**	210,719
Fire brigade charge	**11,179**	12,614	**4,239**	2,896
Traffic safety charge	**9,055**	8,623	**6,912**	4,618
Industrial safety charge	**17,671**	16,300	**499**	336
Payments under Sec. 58 of the Employment Accidents Insurance Act	**4,525**	4,977	**125**	99
Government medical treatment fees	**108,764**	123,209	**33,568**	32,771
Total	**688,209**	691,327	**337,565**	251,441

The following insurance premiums have been collected as accessories of Statutory Workers Compensation Insurance, and rendered to the Central Unemployment Fund and Employees Group Life Assurance Pool.

Unemployment Insurance	**4,639,441**	5,861,163	**49,098**	47,262
Employees' Group Life Assurance	**76,488**	78,608	**1,670**	1,402

2 NON-LIFE INSURANCE BALANCE ON TECHNICAL ACCOUNT BY GROUP OF INSURANCE CLASS

Columns:
1 = Gross premiums written before credit loss and reinsurers' share
2 = Gross premiums earned before reinsurers' share
3 = Gross claims incurred before reinsurers' share
4 = Gross operating expenses before reinsurance commissions and profit participation
5 = Reinsurance balance
6 = Balance on technical account before the change in equalisation provision
7 = Combined ratio

FIM '000	1	2	3	4	5	6	7
NON-LIFE GROUP							
Direct insurance							
Statutory workers' compensation							
1996	911,622	904,541	–837,280	–66,018	–387	856	99.9
1995	837,976	828,443	–883,420	–68,187	–350	–123,514	114.9
1994	739,006	768,176	–777,171	–63,832	–1,143	–73,969	
Non-statutory accident and health							
1996	222,867	219,477	–162,428	–67,521	–2,473	–12,945	106.0
1995	228,515	228,332	–167,567	–67,823	–2,563	–9,621	104.3
1994	185,662	198,448	–132,058	–61,309	–2,723	2,358	
Motor third party liability							
1996	546,227	525,455	–572,212	–121,249	–397	–168,403	132.1
1995	520,231	495,840	–575,533	–116,810	–458	–196,961	139.8
1994	462,507	465,605	–578,513	–112,073	–131	–225,112	
Motor, other classes							
1996	528,442	512,063	–388,467	–122,668	–1,078	–150	100.0
1995	496,904	493,441	–379,010	–109,628	–1,145	3,657	98.9
1994	463,019	472,083	–366,148	–103,672	–941	1,322	
Marine, aviation and transport							
1996	242,902	245,799	–158,390	–38,196	–30,070	19,143	89.7
1995	263,705	265,749	–162,574	–33,073	–20,401	49,700	74.5
1994	246,866	251,558	–255,432	–32,434	41,738	5,431	
Fire and other damage to property							
1996	1,120,038	1,152,663	–855,953	–272,537	–87,215	–63,042	112.3
1995	938,180	941,994	–759,804	–221,065	–2,835	–41,709	105.1
1994	874,422	892,329	–573,006	–194,529	–92,530	32,264	
Third party liability							
1996	215,615	228,000	–179,692	–32,186	–16,501	–380	94.5
1995	184,115	181,027	–174,248	–25,938	–27,573	–46,732	131.0
1994	151,353	161,900	–126,648	–23,964	–16,204	–4,916	
Credit and suretyship							
1996	35,410	38,005	–19,544	–9,585	–7,210	1,666	128.6
1995	39,653	42,136	–10,714	–7,486	–11,462	12,474	43.4
1994	45,101	45,482	–48,525	–4,122	–11,305	–18,471	
Legal expenses							
1996	62,295	60,956	–49,323	–8,271	–	3,362	94.5
1995	58,185	51,535	–40,872	–10,341	–	322	99.4
1994	49,588	53,304	–62,535	–8,486	–	–17,717	
Miscellaneous							
1996	163,551	165,630	–151,559	–32,108	14,016	–4,022	108.6
1995	172,073	169,989	–83,902	–30,991	–43,201	11,894	74.5
1994	152,949	148,439	–65,295	–31,108	–51,827	210	
Direct insurance in total							
1996	4,048,969	4,052,588	–3,374,849	–770,340	–131,315	–223,916	107.4
1995	3,739,537	3,698,485	–3,237,644	–691,343	–109,989	–340,491	110.2
1994	3,370,472	3,457,324	–2,985,331	–635,528	–135,065	–298,600	
Reinsurance							
1996	446,008	380,473	–581,830	–167,963	87,809	–281,511	152.7
1995	479,536	519,414	–305,732	–137,016	–73,731	2,936	99.8
1994	779,156	692,140	–495,210	–214,188	–115,723	–132,981	
Total							
1996	4,494,977	4,433,062	–3,956,679	–938,303	–43,507	–505,427	113.1
1995	4,219,073	4,217,898	–3,543,376	–828,359	–183,720	–337,555	109.1
1994	4,149,627	4,149,464	–3,480,541	–849,716	–250,788	–431,581	

Balance on technical account before the change in equalisation provision	
1996	–505,427
1995	–337,555
1994	–431,581
Change in the equalisation provision	
1996	–252,134
1995	–44,916
1994	25,639
Balance on technical account	
1996	–757,561
1995	–382,471
1994	–405,942

NON-LIFE INSURANCE BALANCE ON TECHNICAL ACCOUNT BY GROUP OF INSURANCE CLASS

Columns:
1 = Gross premiums written before credit loss and reinsurers' share
2 = Gross premiums earned before reinsurers' share
3 = Gross claims incurred before reinsurers' share
4 = Gross operating expenses before reinsurance commissions and profit participation
5 = Reinsurance balance
6 = Balance on technical account before the change in equalisation provision
7 = Combined ratio

FIM '000	1	2	3	4	5	6	7
PARENT COMPANY							
Direct insurance							
Statutory workers' compensation							
1996	34,832	33,715	–44,511	–6,632	–5	–17,433	151.7
1995	24,914	23,909	–38,190	–6,000	–28	–20,309	185.0
1994	44,719	42,569	–55,678	–5,004	–45	–18,158	
Non-statutory accident and health							
1996	166,905	162,729	–125,089	–57,682	–1,949	–21,991	113.7
1995	89,818	88,202	–63,961	–38,381	–976	–15,115	117.3
1994	85,492	90,687	–62,971	–35,528	–1,582	–9,394	
Motor third party liability							
1996	408,918	389,504	–431,046	–96,347	–348	–138,236	135.5
1995	304,677	280,034	–309,993	–71,964	–244	–102,166	136.5
1994	269,366	263,093	–353,954	–66,815	–	–157,675	
Motor, other classes							
1996	372,147	361,961	–255,608	–99,383	–733	6,237	98.3
1995	283,966	272,173	–203,481	–75,182	–609	–7,099	102.6
1994	262,059	267,229	–193,652	–69,960	–575	3,042	
Marine, aviation and transport							
1996	28,064	27,177	–20,337	–6,723	–312	–195	100.8
1995	23,670	23,262	–16,839	–4,946	–583	894	96.0
1994	23,206	23,362	–14,964	–4,848	–579	2,970	
Fire and other damage to property							
1996	470,185	457,865	–277,276	–152,052	–4,274	24,264	94.7
1995	316,954	311,931	–200,713	–97,406	2,862	16,674	94.6
1994	301,888	310,308	–189,004	–94,451	–21,606	5,247	
Third party liability							
1996	7,712	7,036	–2,422	–1,835	–	2,779	60.5
1995	4,518	4,262	–11,418	–1,203	–	–8,359	296.1
1994	–3,500	–1,809	2,971	–839	–6,078	–5,755	
Credit and suretyship							
1996	5,563	7,404	–10,566	–847	–448	–4,458	178.9
1995	6,108	7,775	–8,457	–647	842	–487	108.7
1994	8,664	9,946	–43,635	–1,553	1,772	–33,470	
Legal expenses							
1996	49,055	48,186	–35,451	–6,207	–	6,528	86.5
1995	30,245	25,807	–20,718	–5,635	–	–546	102.1
1994	28,927	31,257	–41,852	–4,427	–	–15,022	
Miscellaneous							
1996	653	622	–200	–801	–	–379	161.0
1995	465	476	261	–88	–	649	–36.5
1994	478	621	–395	–84	107	248	
Direct insurance in total							
1996	1,544,035	1,496,199	–1,202,507	–428,508	–8,069	–142,885	109.6
1995	1,085,335	1,037,830	–873,509	–301,452	1,265	–135,866	113.2
1994	1,021,298	1,037,261	–953,133	–283,510	–28,585	–227,967	
Reinsurance							
1996	–5,144	12,863	–46,376	–1,788	–804	–36,104	385.0
1995	12,935	17,201	–27,574	–858	–3,526	–14,757	191.2
1994	30,338	42,981	–82,788	–7,813	–4,939	–52,559	
Total							
1996	1,538,891	1,509,062	–1,248,883	–430,296	–8,873	–178,989	111.9
1995	1,098,270	1,055,031	–901,083	–302,310	–2,261	–150,622	114.4
1994	1,051,636	1,080,243	–1,035,922	–291,323	–33,524	–280,526	

Balance on technical account before the change in equalisation provision	
1996	–178,989
1995	–150,622
1994	–280,526
Change in the equalisation provision	
1996	–65,015
1995	5,309
1994	80,381
Balance on technical account	
1996	–244,004
1995	–145,313
1994	–200,145

3 EXPENSES BY FUNCTION

FIM '000	NON-LIFE GROUP 1996	1995	PARENT COMPANY 1996	1995
Claims settlement expenses (claims paid)				
Directly allocated	**59,816**	57,803	**23,327**	21,249
Share of fixed costs	**255,575**	252,405	**142,174**	102,549
	315,390	310,208	**165,501**	123,798
Operating expenses				
Policy acquisition costs				
Direct insurance commissions	**65,197**	30,879	**24,221**	14,915
Commissions on reinsurance assumed	**111,216**	110,710	**1,758**	843
Other policy acquisition costs	**245,817**	223,801	**156,712**	119,666
	422,230	365,390	**182,691**	135,424
Policy management expenses	**307,434**	272,191	**151,655**	92,145
Administrative expenses	**208,639**	190,778	**95,950**	74,741
Commissions on reinsurance ceded	**–94,379**	–87,246	**–870**	–1,053
	843,923	741,112	**429,426**	301,257
Investment management expenses (investment charges)				
Directly allocated *)	**102,463**	105,714	**50,566**	56,022
Share of fixed costs	**23,756**	23,981	**11,858**	10,747
	126,219	129,696	**62,424**	66,769
Other charges	**7,949**	834	**–**	–
	1,293,482	1,181,850	**657,351**	491,824

*) Comprises management expenses for land and buildings and service charges.

Change in deferred policy acquisition costs included in the change in the provision for unearned premiums	**1,938**	–7,521	**–**	–

STAFF EXPENSES

Executives' salaries and commissions *)	**9,777**	9,285	**2,763**	2,540
Other salaries and commissions	**531,850**	482,257	**316,238**	241,174
Monetary value of fringe benefits	**19,554**	19,156	**11,608**	9,239
Pension expenses	**106,590**	89,000	**59,300**	47,334
Other social expenses	**81,653**	70,425	**46,141**	35,432
	749,424	670,124	**436,049**	335,721

*) Shares of profit totalling FIM 273,208 in the Non-Life Group and FIM 156,365 in the parent company have been paid to the management.

It has been agreed that the parent company's Managing Director's retirement age is 60 and that of other managers 60–-65.

Average number of personnel	**3,113**	3,023	**1,963**	1,602

FIM '000	NON-LIFE GROUP 1996	1995	PARENT COMPANY 1996	1995
DEPRECIATION ACCORDING TO PLAN				
Depreciation according to plan by function				
Claims paid	**27,623**	32,417	**18,761**	17,015
Operating expenses	**83,220**	75,647	**61,843**	44,372
Investment charges	**2,983**	3,168	**2,519**	2,681
Other charges	**1,000**	633	**–**	–
	114,826	111,864	**83,122**	64,067
Buildings	**75,686**	74,950	**32,346**	29,510
Goodwill	**7,610**	4,439	**29,120**	61,476
Consolidation difference	**53,455**	65,416	**–**	–
	251,576	256,670	**144,588**	155,054

4 NET INVESTMENT INCOME

FIM '000	NON-LIFE GROUP 1996	1995	PARENT COMPANY 1996	1995
INVESTMENT INCOME				
Income from investments in affiliated undertakings				
Dividend income	**–**	–	**159,450**	135,200
Income from investments in associated undertakings				
Dividend income	**3,833**	2,841	**9,361**	4,104
Interest income	**6,883**	3,900	**1,922**	780
Other income	**30,569**	29,584	**30,569**	–
	41,286	36,326	**41,853**	4,884
Income from investments in land and buildings				
Dividend income	**1**	–	**–**	–
Interest income from affiliated undertakings	**–**	–	**9,413**	7,823
Other income from affiliated undertakings	**–**	–	**7,554**	13,439
Other income from other than affiliated undertakings	**230,760**	220,678	**95,450**	100,229
	230,761	220,678	**112,417**	121,491
Income from other investments				
Dividend income	**207,344**	134,867	**53,059**	30,868
Interest income from affiliated undertakings	**–**	–	**992**	3,839
Interest income from other than affiliated undertakings	**395,881**	469,307	**111,673**	120,868
Other income from affiliated undertakings	**–**	–	**–**	2,064
Other income from other than affiliated undertakings	**216,984**	69,652	**25,960**	22,696
	820,209	673,826	**191,685**	180,335
Total	**1,092,256**	930,830	**505,405**	441,910
Value readjustments	**225,684**	7,958	**139,798**	3,849
Gains on realisation of investments	**380,970**	698,861	**135,322**	218,740
Investment income in total	**1,698,910**	1,637,649	**780,524**	664,499

FIM '000	NON-LIFE GROUP 1996	1995	PARENT COMPANY 1996	1995
INVESTMENT CHARGES				
Charges arising from investments in land and buildings	**–121,197**	–138,407	**–68,413**	–80,723
Charges arising from other investments	**–203,794**	–241,616	**–64,117**	–66,428
Interest and other expenses on liabilities to affiliated undertakings	**–**	–	**–16,821**	–15,628
Interest and other expenses on liabilities to other than affiliated undertakings	**–33,362**	–61,993	**–23,129**	–31,343
Total	**–358,353**	–442,017	**–172,481**	–194,122
Value adjustments and depreciations				
Value adjustments on investments	**–101,094**	–339,669	**–66,978**	–215,456
Planned depreciation on buildings	**–75,686**	–74,950	**–32,346**	–29,510
	–176,780	–414,619	**–99,323**	–244,966
Losses on realisation of investments	**–4,725**	–70,117	**–6,220**	–8,351
Investment charges in total	**–539,857**	–926,753	**–278,024**	–447,439
Net investment income before unrealised gains and losses on investments	**1,159,052**	710,896	**502,501**	217,060
Unrealised losses on investments	**–57**	–3,118	**–**	–
NET INVESTMENT INCOME IN THE PROFIT AND LOSS ACCOUNT	**1,158,996**	707,778	**502,501**	217,060
Avoir fiscal tax credit included in income from dividends	**54,458**	27,959	**64,747**	4,858
Real estate tax included in charges from investments in land and buildings	**8,494**	9,600	**2,822**	3,027
Items included in other income and charges from other investments				
Exchange rate gains	**209,554**	64,454	**22,045**	22,607
Exchange rate losses	**115,610**	184,327	**14,905**	55,236

5 NON-LIFE GROUP TAX, ACCRUED TAX SURPLUS AND UNUSED CREDIT

FIM '000	Tax 1996	1995	Accrued tax surplus 1996	1995	Unused credit 1996	1995
Sampo Insurance Company Limited	**65,455**	7,762	**35,878**	5,936	**35,950**	51,218
Industrial Insurance Company Ltd	**48,623**	39,107	**84,955**	39,725	**–**	–
Sampo Enterprise Insurance Company Limited	**19,170**	28,505	**26,652**	19,138	**–**	–
Otso Loss of Profits Insurance Company Ltd	**31,250**	17,096	**17,413**	–	**–**	–
Insurance Company of Finland Limited	**4,212**	1,435	**2,633**	1,341	**–**	1,493
Other	**–990**	215	**207**	176	**2,964**	3,048
Non-Life Group companies in total	**167,719**	94,120	**167,737**	66,315	**38,914**	55,760
Avoir fiscal tax credit on subsidiaries' and associated undertakings' dividends	**–55,167**	–3,693	**–**	–	**–**	–
Change in deferred tax	**–2,039**	3,508	**–**	–	**–**	–
Tax in the Profit and Loss Account	**110,513**	93,936	**–**	–	**–**	–

6 EXTRAORDINARY INCOME AND CHARGES

FIM '000	NON-LIFE GROUP **1996**	1995	PARENT COMPANY **1996**	1995
Extraordinary income				
Change in equalisation provision	**–**	455 000	**–**	284 913
Other extraordinary income	**3 023**	31 218	**3 023**	31 218
	3 023	486 218	**3 023**	316 132
Extraordinary charges				
Change in the provision for unearned premiums	**–**	–126 903	**–**	–107 284
Change in the provision for outstanding claims	**–**	–422 609	**–**	–195 163
Reinsurers' share	**–**	5 036	**–**	–
Other extraordinary charges	**–4 545**	–	**–**	–
	–4 545	–544 476	**–**	–302 447

7 CHANGES IN INTANGIBLE AND TANGIBLE ASSETS 1996

FIM '000	Intangible rights and long-term expenses	Goodwill Consolidation difference	Equipment	Total
NON-LIFE GROUP				
Acquisition cost, Jan. 1	584,962	559,422	583,003	1,727,387
Increase	82,838	23,743	98,276	204,857
Decrease	–32	–	–3,379	–3,410
Acquisition cost, Dec. 31	667,768	583,165	677,901	1,928,834
Accumulated depreciation according to plan, Jan. 1	349,297	117,164	409,805	876,266
Depreciation according to plan	56,515	61,065	58,129	175,709
Decrease	185	600	–1,489	–705
Accumulated depreciation according to plan, Dec. 31	405,997	178,829	466,444	1,051,271
Acquisition cost after depreciation according to plan, Dec. 31	261,771	404,336	211,457	877,564
Accumulated depreciation in excess of the plan, Jan. 1	36,153	3,171	–11,243	28,081
Depreciation above/below plan	–7,212	–	5,292	–1,920
Decrease	–	–	–78	–78
Accumulated depreciation in excess of the plan, Dec. 31	28,941	3,171	–6,029	26,083
Net expenditures after total depreciation, Dec. 31	232,830	401,165	217,485	851,480

CHANGES IN INTANGIBLE AND TANGIBLE ASSETS 1996

FIM '000	Intangible rights and long-term expenses	Goodwill	Equipment	Total
PARENT COMPANY				
Acquisition cost, Jan. 1	428,845	614,759	487,381	1,530,986
Acquisitions	65,518	–	67,854	133,372
Decrease	–	–	–557	–557
Acquisition cost, Dec. 31	494,363	614,759	554,678	1,663,800
Accumulated depreciation according to plan, Jan. 1	278,375	61,476	360,534	700,384
Depreciation according to plan	39,916	29,120	43,207	112,243
Decrease	–	–	–246	–246
Accumulated depreciation according to plan, Dec. 31	318,290	90,596	403,495	812,381
Acquisition cost after depreciation according to plan, Dec. 31	176,073	524,163	151,183	851,419
Accumulated depreciation in excess of the plan, Jan. 1	34,989	–	–17,383	17,606
Depreciation above/below plan	–7,726	–	4,197	–3,530
Decrease	–	–	64	64
Accumulated depreciation in excess of the plan, Dec. 31	27,263	–	–13,122	14,140
Net expenditures after total depreciation, Dec. 31	148,810	524,163	164,305	837,279

8 CURRENT VALUE AND VALUATION DIFFERENCE ON INVESTMENTS

FIM '000	1996 Remaining acquisition cost	1996 Book value	1996 Current value	1995 Remaining acquisition cost	1995 Book value	1995 Current value
NON-LIFE GROUP						
Investments in land and buildings						
Land and buildings	**2,200,629**	**2,779,577**	**3,278,853**	2,251,667	2,850,620	3,527,600
Real estate shares	**689,711**	**689,711**	**737,618**	749,358	749,358	808,475
Associated undertakings						
Shares and participations	**729,817**	**732,897**	**1,005,954**	775,106	760,158	906,852
Debt securities	**80,000**	**80,000**	**84,223**	100,000	100,000	100,995
Loans to associated undertakings	**15**	**15**	**15**	6	6	6
Other investments						
Shares and participations	**3,417,447**	**3,417,447**	**6,155,519**	2,533,928	2,533,928	4,101,924
Debt securities	**3,608,194**	**3,609,063**	**3,756,453**	3,219,063	3,222,959	3,322,305
Loans guaranteed by mortgages	**301,316**	**301,316**	**301,316**	329,879	329,879	329,879
Other loans	**358,916**	**358,916**	**358,916**	491,967	491,967	491,967
Deposits with credit institutions	**692,802**	**692,802**	**692,802**	771,478	771,478	771,478
Deposits with ceding undertakings	**390,419**	**390,419**	**390,419**	316,309	316,309	349,119
	12,469,266	**13,052,163**	**16,762,088**	11,538,761	12,126,663	14,710,601
The remaining acquisition cost of debt securities comprises that difference between the amount repayable at maturity and the purchase price, which has been released to interest income (+) or charged to interest income (–).	**–21,799**			–12,231		
Book value comprises						
Revaluations entered as income		**330,430**			345,412	
Revaluations entered in revaluation reserve		**249,387**			257,437	
		579,817			602,849	
Valuation difference (difference between current value and book value)			**3,709,925**			2,583,938

CURRENT VALUE AND VALUATION DIFFERENCE ON INVESTMENTS

FIM '000	1996 Remaining acquisition cost	1996 Book value	1996 Current value	1995 Remaining acquisition cost	1995 Book value	1995 Current value
PARENT COMPANY						
Investments in land and buildings						
Land and buildings	**549,186**	**1,053,776**	**1,166,890**	580,031	1,096,451	1,204,430
Shares in affiliated undertakings	**200,729**	**200,729**	**236,608**	203,713	203,713	376,841
Other real estate shares	**638,655**	**638,655**	**672,749**	686,472	686,472	728,132
Loans to affiliated undertakings	**87,420**	**87,420**	**87,420**	73,710	73,710	73,710
Affiliated undertakings						
Shares and participations	**958,282**	**958,282**	**4,706,905**	897,100	897,100	3,448,197
Associated undertakings						
Shares and participations	**521,641**	**521,641**	**524,350**	528,195	528,195	528,866
Debt securities	**30,000**	**30,000**	**31,584**	20,000	20,000	20,199
Loans to associated undertakings	**15**	**15**	**15**	6	6	6
Other investments						
Shares and participations	**1,310,545**	**1,310,545**	**1,584,108**	913,143	913,143	1,005,265
Debt securities	**1,031,156**	**1,031,156**	**1,072,671**	1,180,550	1,180,550	1,196,586
Loans guaranteed by mortgages	**204,653**	**204,653**	**204,653**	234,635	234,635	234,635
Other loans	**148,901**	**148,901**	**148,901**	243,277	243,277	243,277
Deposits with credit institutions	**41,530**	**41,530**	**41,530**	111,720	111,720	111,720
Deposits with ceding undertakings	**2,255**	**2,255**	**2,255**	2,859	2,859	2,859
	5,724,969	**6,229,560**	**10,480,640**	5,675,409	6,191,830	9,174,722
The remaining acquisition cost of debt securities comprises that difference between the amount repayable at maturity and the purchase price, which has been released to interest income (+) or charged to interest income (–).	**–9,764**			–9,651		
Book value comprises						
Revaluations entered as income		**331,958**			343,788	
Revaluations entered in revaluation reserve		**172,633**			172,633	
		504,590			516,420	
Valuation difference (difference between current value and book value)			**4,251,080**			2,982,893

9 CHANGES IN INVESTMENTS IN LAND AND BUILDINGS

FIM '000	1996 Buildings	1996 Land and waters and real estate shares	1995 Buildings	1995 Land and waters and real estate shares
NON-LIFE GROUP				
Acquisition cost, Jan. 1	**2,680,988**	**1,382,281**	2,556,227	1,267,912
Increase	**93,630**	**26,702**	103,956	130,070
Decrease	**–91,739**	**–77,483**	–6,112	–15,274
Acquisition cost, Dec. 31	**2,682,879**	**1,331,500**	2,654,070	1,382,708
Unrealised gains on investments, Jan. 1	**421,653**	**223,744**	417,998	224,349
Increase	**–**	**4,701**	3,655	595
Decrease	**–16,050**	**–6,000**	–	–1,200
Unrealised gains on investments, Dec. 31	**405,603**	**222,446**	421,653	223,744
Accumulated depreciation according to plan/value adjustments, Jan. 1	**828,800**	**260,336**	715,961	227,469
Change in Non-Life Group structure	**9,710**	**–**	8,696	–
Depreciation according to plan/value adjustments and value readjustments	**105,586**	**17,869**	97,204	36,392
Decrease	**–30,661**	**–18,500**	–	–3,525
Accumulated depreciation according to plan/value adjustments, Dec. 31	**913,435**	**259,705**	821,862	260,336
Book value after depreciation according to plan/value adjustments, Dec. 31	**2,175,048**	**1,294,241**	2,253,862	1,346,116
Accumulated depreciation in excess of the plan, Jan. 1	**135,176**	**–**	124,554	–
Change in Non-Life Group structure	**838**	**–**	6,763	–
Depreciation above/below plan	**–12,676**	**–**	–373	–
Decrease	**–3,545**	**–**	4,233	–
Accumulated depreciation in excess of the plan, Dec. 31	**119,793**	**–**	135,176	–
Value of buildings after total depreciation, Dec. 31	**2,055,255**	**–**	2,118,685	–

LAND AND BUILDINGS OCCUPIED FOR OWN ACTIVITIES

FIM '000	NON-LIFE GROUP 1996	NON-LIFE GROUP 1995
Remaining acquisition cost	**567,168**	565,400
Book value	**769,512**	749,540
Current value	**910,766**	945,212
Management expenses (directly allocated)	**23,246**	22,919
REAL ESTATE COMPANIES OF THE NON-LIFE GROUP		
Number of companies	**45**	61
Profit/loss for the financial year in total	**9,718**	–10,310
Capital and reserves in total	**644,499**	614,401

CHANGES IN INVESTMENTS IN LAND AND BUILDINGS

FIM '000	1996 Buildings	1996 Land and waters and real estate shares	1996 Loans to affiliated undertakings	1995 Buildings	1995 Land and waters and real estate shares	1995 Loans to affiliated undertakings
PARENT COMPANY						
Acquisition cost, Jan. 1	**832,346**	**1,191,666**	**73,710**	791,810	1,105,230	78,891
Increase	**11,856**	**14,917**	**30,757**	40,079	85,370	–
Decrease	**–15,144**	**–52,273**	**–17,047**	–	–	–5,181
Merger	**–**	**–**	**–**	457	1,067	–
Acquisition cost, Dec. 31	**829,059**	**1,154,310**	**87,420**	832,346	1,191,666	73,710
Unrealised gains on investments, Jan. 1	**344,500**	**192,900**	**–**	344,500	192,900	–
Increase	**–**	**633**	**–**	–	–	–
Decrease	**–8,200**	**–800**	**–**	–	–	–
Unrealised gains on investments, Dec. 31	**336,300**	**192,733**	**–**	344,500	192,900	–
Accumulated depreciation according to plan/value adjustments, Jan. 1	**297,278**	**277,500**	**–**	267,676	237,500	–
Depreciation according to plan/value adjustments and value readjustments	**42,346**	**23,400**	**–**	29,510	40,000	–
Decrease	**–7,782**	**–13,500**	**–**	91	–	–
Accumulated depreciation according to plan/value adjustments, Dec. 31	**331,841**	**287,400**	**–**	297,278	277,500	–
Book value after depreciation according to plan/value adjustments, Dec. 31	**833,518**	**1,059,642**	**87,420**	879,569	1,107,066	73,710
Accumulated depreciation in excess of the plan, Jan. 1	**65,037**			60,805		
Depreciation above/below plan	**–3,737**			4,233		
Decrease	**–877**			–		
Accumulated depreciation in excess of the plan, Dec. 31	**60,423**			65,037		
Value of buildings after total depreciation, Dec. 31	**773,095**			814,532		

LAND AND BUILDINGS OCCUPIED FOR OWN ACTIVITIES

FIM '000	PARENT COMPANY **1996**	PARENT COMPANY 1995
Remaining acquisition cost	**205,034**	185,139
Book value	**374,162**	353,144
Current value	**436,837**	414,713

10 NON-LIFE GROUP'S SHARES AND PARTICIPATIONS

Affiliated undertakings

Name of company	No. of shares	Holding %	Votes %	Currency	Par value FIM '000	Book value FIM '000	Profit/loss for the financial year FIM '000	Capital and reserves FIM '000
Oy Finnish Captive and Risk Services Ltd	800	80.00	80.00		80	80	13	371
Oy Haveri Ab	20	100.00	100.00		2	9	0	6
Oy Imico Insurance Systems Ab	200	100.00	100.00		200	1,002	46	1,158
Lakewood Insurance Company Ltd	11,250,000	100.00	100.00	GBP	11,250	17,282	–1,351	17,282
Otso Loss of Profits Insurance Co. Ltd [1)]	900,000	100.00	100.00		90,000	120,503	71,341	223,297
Patria Reinsurance Company Ltd	50,000	100.00	100.00		50,000	83,760	–5,815	72,775
Risk Management Ltd	400	100.00	100.00		4,000	4,000	129	4,210
Sampo Holdings (UK) Ltd [1)]	10,000	100.00	100.00	GBP	10	163,278	8,386	192,768
Sampo Kindlustuse AS	1,800	100.00	100.00	EEK	12,000	5,719	–1,617	5,023
Sampo Industriförsäkring AB	30,000	100.00	100.00	SEK	3,000	7,608	–2,480	4,612
Sampo Industrial Insurance N.V.	1,050,000	100.00	100.00	NLG	105,000	414,064	–19,430	252,875
Sampo Industrial Holding B.V.	45,000	100.00	100.00	NLG	45,000	108,276	–16,931	108,276
Insurance Company of Finland Ltd [1)]	150,000	100.00	100.00		15,000	69,240	10,739	87,128
Industrial Insurance Company Ltd [1)]	500,000	100.00	100.00		50,000	249,850	94,944	612,858
Teva Holding B.V.	45,000	100.00	100.00	NLG	45,000	154,412	–12,058	129,523
ST International Insurance Company Ltd	9,000,000	100.00	100.00		45,000	101,438	394	63,716
Sampo Enterprise Insurance Company Ltd [1)]	500,000	100.00	100.00		50,000	299,900	42,303	406,132
Total						1,800,421		

Associated undertakings

Name of company	No. of shares	Holding %	Votes %	Par value FIM '000	Book value FIM '000	Profit/loss for the financial year FIM '000	Capital and reserves FIM '000
Autovahinkokeskus Oy	2,559	35.54	35.54	6,397	5,878	–1,980	16,540
Sampo Finance Ltd	800,000	50.00	50.00	40,000	80,663	8,992	162,656
Nova Life Insurance Company Ltd [1)]	12,500	25.00	25.00	12,500	97,969	31,364	399,875
Huoneistokeskus Oy	120	30.00	30.00	960	3,353	2,006	11,175
Kansalliset Liikekiinteistöt Oy [1)]	291	34.73	34.73	291,000	294,986	11,185	849,368
Kaleva Mutual Insurance Company [1)] [2)]	25,000	50.00	25.00	25,000	25,639	22,257	127,171
PCA Corporate Finance Ltd	372	27.11	27.11	372	964	1,449	2,765
Rakennus Oy Leo Heinänen	384	20.00	20.00	384	1,829	1,737	8,698
Suomen Oikeuspalvelu Oy [1)] [3)]	3,400	20.00	20.00	340	527	81	1,789
Finnish Loss Survey Ltd	3,334	33.34	33.34	3,334	2,060	1,895	6,179
Unsa Oy [1)]	1,687,831	29.70	29.70	168,783	160,021	19,677	538,792
Vahinkopalvelu Oy	360	20.00	20.00	108	683	1,342	3,414
Insurance Company Sampo Pension Ltd [1)]	1,409	46.97	33.56	14,090	14,090	–1,959	27,761
Sampo Life Insurance Company Ltd	220,000	73.33	50.00	22,000	44,235	320	60,320
Total					732,897		

[1)] Figures at group level

[2)] Share of guarantee capital

[3)] Financial year June 1 – September 11, 1996

Other shares and participations

Public companies

Name of company	No. of shares	Holding %	Votes %	Par value FIM '000	Book value FIM '000	Current value FIM '000
Banking and finance						
Merita Ltd	17,528,099	2.11	2.17	175,281	245,198	251,984
Transport and traffic						
Finnair Oy	2,601,697	3.17	3.17	13,008	57,356	85,856
Finnlines Oy	1,480,000	7.72	7.72	14,800	54,299	167,240
Silja Oy Ab	1,260,391	5.78	6.33	25,208	46,634	46,634
Trade						
Kesko Oy	1,250,000	1.39	–	12,500	60,932	81,125
Oy Stockmann Ab	437,500	3.03	3.37	8,750	43,300	121,737
Tamro Oy	5,648,520	6.41	6.41	56,485	147,934	172,845
Metal industry						
Fiskars Oy Ab	228,197	2.98	4.53	6,846	21,772	80,637
KCI Konecranes International Oy	204,000	1.36	1.36	1,632	13,872	29,580
Kone Oy	35,000	0.52	0.20	1,750	15,427	17,780
Metra Oy Ab	1,358,125	5.04	6.50	27,162	140,353	348,629
Outokumpu Oy	624,500	0.50	0.50	6,245	48,580	49,023
Rauma Oy	271,000	0.50	0.50	2,710	22,915	26,287
Rautaruukki Oy	1,609,564	1.34	1.34	16,096	56,691	68,245
Santasalo-Jot Oy	430,000	5.81	5.81	4,300	13,996	18,490
Oy Tampella Ab	2,000,000	1.50	1.50	10,000	24,600	24,600
Valmet Oy	1,861,600	2.39	2.39	18,616	127,615	149,673
Forestry						
Enso Oy	7,539,966	2.42	2.65	75,400	218,367	279,305
Metsä-Serla Oy	2,336,930	1.68	4.86	23,369	59,227	79,624
UPM-Kymmene Oy	9,722,662	3.64	3.64	97,227	360,838	938,237
Conglomerates						
Aspoyhtymä Oy	390,000	8.51	8.51	3,900	57,043	74,100
Instrumentarium Oy	115,256	0.57	0.73	1,152	11,737	19,432
Partek Oy Ab	3,009,103	7.82	7.82	30,091	145,112	215,151
Suunto Oy	250,000	4.63	4.63	1,250	9,065	13,625
Energy						
Espoon Sähkö Oy	745,000	4.73	4.73	1,490	54,629	75,990
Food industry						
Cultor Oy	1,065,484	4.62	5.42	12,786	117,660	263,472
Oy Hartwall Ab	58,800	0.49	0.15	294	5,442	11,878
Huhtamäki Oy	434,650	1.46	2.36	8,693	53,943	91,907
Construction industry						
Polar-Yhtymä Oy	1,280,344	1.10	1.10	12,803	8,514	8,514
YIT-Yhtymä Oy	50,000	0.20	0.20	500	2,588	2,695

Name of company	No. of shares	Holding %	Votes %	Par value FIM '000	Book value FIM '000	Current value FIM '000
Data communications and electronics						
Oy Nokia Ab	4,358,476	1.46	3.48	21,792	246,900	1,155,423
Chemical industry						
Asko Oy	371,342	5.27	5.27	18,567	74,041	119,201
Kemira Oy	2,634,500	2.05	2.05	26,345	114,630	152,801
Neste Oy	962,700	0.98	0.98	9,627	77,831	106,860
Orion-Yhtymä Oy	470,000	0.94	0.08	4,700	52,912	83,190
Other industries						
Amer-Yhtymä Oy	253,000	1.07	0.11	5,060	20,345	24,035
Nokian Renkaat Oy	175,000	1.73	1.73	1,750	10,745	17,325
Tamfelt Oy Ab	498,718	7.51	7.30	4,987	15,315	61,101
Total					2,858,358	5,534,231
Other public companies					6,515	6,948
Public companies in total					2,864,873	5,541,179
Other companies						
Isko Oy	97,200	5.40	0.98	972	972	3,305
Sato-Yhtymä Oy	206,411	11.05	11.05	2,064	47,718	47,718
Kustannusosakeyhtiö Otava	36,300	3.04	3.04	726	10,506	10,507
Oy G.W. Sohlberg Ab	240,000	8.89	4.22	9,600	25,400	25,400
Oy Realinvest Ab	800,000	2.33	2.33	20,000	20,160	20,160
Suomen Helasto Oy	300,000	6.56	6.56	300	3,006	4,440
Unit trusts						
Alfred Berg Mark Unit Trust	4,867,703	–	–	–	50,000	51,427
Gyllenberg Money Manager Bond Fund	59,534	–	–	–	29,999	30,762
Mutual Fund Evli Interest	92,473	–	–	–	10,000	10,395
Unit Trust PCA-Sampo Julkisyhteisö	245,483	–	–	–	25,000	27,632
Warrants						
Stockmann Oy warrant 94/A-C	225,000	–	–	–	14,309	14,309
Total					237,070	246,055
Other shares and participations					65,042	73,143
Domestic shares and participations in total					3,166,985	5,860,377

11 PARENT COMPANY'S SHARES AND PARTICIPATIONS

Subsidiaries

Name of company	No. of shares	Holding %	Votes %	Currency	Par value FIM '000	Book value FIM '000	Profit/loss for the financial year FIM '000	Capital and reserves FIM '000
Otso Loss of Profits Insurance Company Ltd [1]	810,000	90.00	90.00		81,000	70,577	71,341	223,297
Risk Management Ltd	400	100.00	100.00		4,000	4,000	129	4,210
Sampo Holdings (UK) Ltd [1]	10,000	100.00	100.00	GBP	10	163,278	8,386	192,768
Insurance Company of Finland Ltd [1]	150,000	100.00	100.00		15,000	69,240	10,739	87,128
Industrial Insurance Company Ltd [1]	500,000	100.00	100.00		50,000	249,850	94,944	612,858
Sampo Enterprise Insurance Company Ltd [1]	500,000	100.00	100.00		50,000	299,900	42,303	406,132
ST International Insurance Company Ltd	9,000,000	100.00	100.00		45,000	101,438	394	63,716
Total						958,282		

Associated undertakings

Name of company	No. of shares	Holding %	Votes %	Par value FIM '000	Book value FIM '000	Profit/loss for the financial year FIM '000	Capital and reserves FIM '000
Autovahinkokeskus Oy	2,538	35.25	35.25	6,345	6,332	–1,980	16,540
Sampo Finance Ltd [1]	800,000	50.00	50.00	55,000	75,000	8,992	162,656
Kansalliset Liikekiinteistöt Oy [1]	291	34.73	34.73	291,000	293,568	11,185	849,368
Kaleva Mutual Insurance Company [1] [2]	15,000	30.00	15.00	15,000	15,479	22,257	127,172
Suomen Oikeuspalvelu Oy [1] [3]	3,400	20.00	20.00	340	340	81	1,789
Finnish Loss Survey Ltd	3,314	33.14	33.14	3,314	3,314	1,895	6,179
Unsa Ltd [1]	1,134,103	19.96	19.96	113,410	113,410	19,677	538,792
Vahinkopalvelu Oy	360	20.00	20.00	108	108	1,342	3,414
Insurance Company Sampo Pension Ltd [1]	1,409	46.97	33.56	14,090	14,090	–1,959	27,761
Total					521,641		

[1] Figures at group level

[2] Share of guarantee capital

[3] Financial year June 1 – September 11, 1996

Other shares and participations

Public companies

Name of company	No. of shares	Holding %	Votes %	Par value FIM '000	Book value FIM '000	Current value FIM '000
Banking and finance						
Merita Ltd	12,243,333	1.47	1.50	122,433	172,826	176,190
Transport and traffic						
Finnair Oy	500,000	0.61	0.61	2,500	13,279	16,500
Finnlines Oy	240,000	1.25	1.25	2,400	26,608	27,120
Trade						
Kesko Oy	450,000	0.50	0.00	4,500	20,173	29,205
Oy Stockmann Ab	100,000	0.69	1.12	2,000	9,726	28,000
Oy Tamro Ab	4,000,000	4.54	4.54	40,000	122,400	122,400

Name of company	No. of shares	Holding %	Votes %	Par value FIM '000	Book value FIM '000	Current value FIM '000
Metal industry						
Fiskars Oy Ab	60,443	0.79	2.07	1,813	5,811	21,759
Metra Oy Ab	250,000	0.93	1.64	5,000	29,050	64,250
Outokumpu Oy	192,000	0.15	0.15	1,920	15,072	15,072
Rauma Oy	110,000	0.20	0.20	1,100	9,866	10,670
Rautaruukki Oy	500,000	0.42	0.42	5,000	19,170	21,200
Valmet Oy	500,000	0.64	0.64	5,000	2,735	40,200
Forestry						
Enso Oy	1 600,000	0.51	0.51	16,000	59,400	59,400
UPM-Kymmene Oy	950,000	0.36	0.36	9,500	63,354	91,675
Conglomerates						
Aspoyhtymä Oy	100,000	2.18	2.18	1,000	15,341	19,000
Partek Oy Ab	270,100	0.70	0.70	2,701	17,355	19,312
Suunto Oy	200,000	3.70	3.70	1,000	6,340	10,900
Energy						
Espoon Sähkö Oy	100,000	0.64	0.64	200	8,320	10,200
Food industry						
Cultor Oy	172,500	0.75	1.08	2,070	29,779	43,125
Huhtamäki Oy	96,000	0.32	0.60	1,920	19,784	20,247
Data communications and electronics						
Oy Nokia Ab	330,000	0.11	0.13	1,650	79,571	87,850
Chemical industry						
Asko Oy	300,000	4.26	4.26	15,000	67,343	96,300
Kemira Oy	850,000	0.66	0.66	8,500	40,926	49,300
Neste Oy	250,000	0.25	0.25	2,500	21,035	27,750
Orion-Yhtymä Oy	300,000	0.60	0.05	3,000	31,396	53,100
Total					906,660	1,160,725
Other public companies					56,651	31,267
Public companies in total					963,311	1,191,992
Other companies						
Sato-Yhtymä Oy	131,152	7.02	7.02	1,311	35,562	35,562
Oy G.W. Sohlberg Ab	240,000	8.89	4.22	9,600	25,400	25,400
Unit trusts						
Alfred Berg Mark Unit Trust	965,250	–	–	–	10,000	10,198
Gyllenberg Money Manager Bond Fund	19,710	–	–	–	10,000	10,184
Total					80,962	81,344
Other shares and participations					23,591	24,172
Domestic shares and participations in total					1,067,864	1,297,508

12 INVESTMENTS IN AFFILIATED AND ASSOCIATED UNDERTAKINGS

FIM '000	NON-LIFE GROUP 1996	1995	PARENT COMPANY 1996	1995
Shares in affiliated undertakings				
Original acquisition cost, Jan. 1	**–**	–	**1,261,527**	1,818,786
Increase	**–**	–	**63,500**	97,807
Decrease	**–**	–	**–2,317**	–
Transfers	**–**	–	**–**	14,734
Merger	**–**	–	**–**	–669,800
Accumulated value adjustments, Dec. 31	**–**	–	**–364,427**	–364,427
Remaining acquisition cost, Dec. 31	**–**	–	**958,282**	897,100
Shares in associated undertakings				
Original acquisition cost, Jan. 1	**750,219**	770,153	**528,661**	244,895
Increase	**75,250**	11,469	**–**	10,461
Decrease	**–65,620**	–16,669	**–7,020**	–8,064
Transfers	**–65,244**	–14,734	**–**	–14,734
Merger	**–**	–	**–**	296,104
Accumulated value adjustments/Depreciation on consolidation difference/Decrease in goodwill, Dec. 31	**35,212**	24,887	**–**	–466
Remaining acquisition cost, Dec. 31	**729,817**	775,106	**521,641**	528,195
Debt securities issued by, and loans to, associated undertakings				
Original acquisition cost, Jan. 1	**100,006**	18	**20,006**	–
Increase	**80,018**	100,000	**30,018**	20,000
Decrease	**–100,009**	–12	**–20,009**	–
Merger	**–**	–	**–**	6
Remaining acquisition cost, Dec. 31	**80,015**	100,006	**30,015**	20,006

13 OTHER LOAN RECEIVABLES

FIM '000	NON-LIFE GROUP 1996	1995	PARENT COMPANY 1996	1995
Federation of municipalities, municipality and parish securities and loans thereto, and State securities	**164,879**	169,957	**34,681**	50,001
Bank guarantee	**53,896**	90,924	**21,408**	47,774
Shares in housing and real estate companies	**71,799**	73,000	**48,479**	49,407
Other security	**68,343**	158,085	**44,332**	96,094
	358,916	491,967	**148,901**	243,277
LOANS TO EXECUTIVES				
Loans to executives	**4,043**	2,731	**2,357**	1,668
Interest (%)	**5.00 – 6.50**	5.75 – 7.25	**5.00 – 6.50**	5.75 – 7.25
Average loan period (years)	**9**	9	**10**	11

14 DEBTORS AND CREDITORS, AFFILIATED AND ASSOCIATED UNDERTAKINGS

	NON-LIFE GROUP		PARENT COMPANY	
FIM '000	**1996**	1995	**1996**	1995
DEBTORS AND CREDITORS, AFFILIATED UNDERTAKINGS				
Debtors				
Investments				
Investments in land and buildings/ Loans to affiliated undertakings	**–**	–	**87,420**	73,710
Debtors				
Arising out of reinsurance operations	**–**	–	**974**	515
Other debtors	**–**	–	**30,954**	18,995
Prepayments and accrued income	**–**	–	**–**	227
	–	–	**119,348**	93,446
Creditors				
Technical provisions				
Provision for unearned premiums	**–**	–	**394**	584
Provision for outstanding claims	**–**	–	**306,355**	394,805
Reinsurers' share	**–**	–	**–5,000**	–5,124
Creditors				
Arising out of reinsurance operations	**–**	–	**457**	3,512
Other creditors	**–**	–	**1,884**	12,179
Accruals and deferred income	**–**	–	**626**	1,038
	–	–	**304,716**	406,994
DEBTORS AND CREDITORS, ASSOCIATED UNDERTAKINGS				
Debtors				
Arising out of reinsurance operations	**–**	26,797	**–**	–
Other receivables	**2,326**	2,474	**–**	–
	2,326	29,271	**–**	–
Creditors				
Arising out of reinsurance operations	**–**	411	**–**	–
Pension loans	**287,441**	309,077	**287,441**	309,077
Other creditors	**10,807**	2,597	**5,423**	2,088
	298,249	312,085	**292,864**	311,165

15 CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL AND RESERVES

FIM '000	**Jan. 1, 1996**	Increase	Decrease	**Dec. 31, 1996**
Restricted				
Subscribed capital	**310,000**	–	–	**310,000**
Legal reserve	**2,182,872**	–	–	**2,182,872**
Revaluation reserve	**209,388**	–	–5,901	**203,487**
Other restricted reserves	**28**	–	–	**28**
Currency conversion differences	**–12,542**	32,214	–	**19,671**
	2,689,746	32,214	–5,901	**2,716,059**
Non-restricted				
Non-restricted reserves	**644,591**	70,511	–157,427	**557,675**
Profit/loss brought forward	**40,972**	211,593	–210,213	**42,351**
Profit for the financial year	**–**	254,634	–	**254,634**
	685,563	536,738	–367,640	**854,660**
	3,375,309	568,951	–373,541	**3,570,719**

	1996	1995
Distributable profit		
Non-restricted capital and reserves	**854,660**	685,563
Optional reserves and depreciation difference in non-restricted capital and reserves	**–149,577**	–179,436
Distributable profit, Dec. 31	**705,083**	506,127
Optional reserves and depreciation difference, Dec. 31		
Accumulated depreciation difference	**145,876**	163,258
Credit loss reserve	**20,763**	20,300
Transition reserve	**31,962**	32,410
Housing reserve	**8,832**	23,133
	207,434	239,101
Deferred tax on optional reserves and depreciation difference	**–58,081**	–59,886
Minority interest in optional reserves and depreciation difference	**225**	221
Optional reserves and depreciation difference in non-restricted capital and reserves, Dec. 31	**149,577**	179,436

PARENT COMPANY STATEMENT OF CHANGES IN CAPITAL AND RESERVES

FIM '000	**Jan. 1, 1996**	Increase	Decrease	**Dec. 31, 1996**
Restricted				
Subscribed capital	**310,000**	–	–	**310,000**
Legal reserve	**2,177,892**	–	–	**2,177,892**
Revaluation reserve	**172,633**	–	–	**172,633**
	2,660,525	–	–	**2,660,525**
Non-restricted				
Security reserve	**69,693**	–	–	**69,693**
Contingency reserve	**350,948**	9,500	–76,000	**284,448**
At the disposal of the Board	**658**	150	–242	**566**
Profit/loss brought forward	**16,921**	–	–9,650	**7,271**
Profit for the financial year	**–**	179,241	–	**179,241**
	438,220	188,891	–85,892	**541,219**
	3,098,745	188,891	–85,892	**3,201,744**

16 DISTRIBUTION OF SHARES

	NON-LIFE GROUP		PARENT COMPANY	
No. of shares	**1996**	1995	**1996**	1995
A shares	**15,140,000**	15,140,000	**15,140,000**	15,140,000
B shares	**60,000**	60,000	**60,000**	60,000
Total	**15,200,000**	15,200,000	**15,200,000**	15,200,000
Par value/share (FIM)	**20**	20	**20**	20
Parent company A shares held by the Non-Life Group companies	**33,984**	33,984	**–**	–

17 TECHNICAL PROVISIONS

FIM '000	NON-LIFE GROUP **1996**	1995	PARENT COMPANY **1996**	1995
PROVISION FOR UNEARNED PREMIUMS				
Deferred policy acquisition costs deducted from the life reinsurance provision for unearned premiums	**23,247**	38,285	**–**	–
Reinsurers' share	**–110**	–17,086	**–**	–
	23,137	21,199	**–**	–

PROVISION FOR OUTSTANDING CLAIMS

Discounting has been effected in calculating the provision for outstanding claims on other than annuity-form compensations, in connection with a major part of Patria Reinsurance Company Ltd's and, in the year of comparison, also in part of ST International Insurance Company Ltd's foreign reinsurance provision for outstanding claims. In 1996, approximately a half of this provision was discounted at four per cent interest rate, and approximately half at two per cent interest rate. In 1995 the interest rate was four per cent. The estimated average maturity of the claims settlement period is six years.

FIM '000	NON-LIFE GROUP **1996**	1995
Provision for outstanding claims		
Gross amount	**858,729**	884,115
Net amount	**–736,517**	–726,917
Amount of discount	**122,212**	157,198
Reinsurers' share of the provision for outstanding claims		
Gross amount	**448,142**	125,248
Net amount	**–345,041**	–107,588
Amount of discount	**103,101**	17,660

18 OBLIGATORY PROVISIONS

FIM '000	NON-LIFE GROUP **1996**	1995	PARENT COMPANY **1996**	1995
Provision for rents	**10,276**	8,249	–	–

19 LONG-TERM LIABILITIES (5 years or longer)

FIM '000	NON-LIFE GROUP **1996**	1995	PARENT COMPANY **1996**	1995
Amounts owed to credit institutions	**–**	24	**–**	–
Pension loans	**199,970**	270,575	**199,970**	215,021
Other liabilities	**–**	7,232	**–**	1,095
	199,970	277,831	**199,970**	216,116

20 CONTINGENT LIABILITIES, PLEDGED ASSETS AND DERIVATIVES

	NON-LIFE GROUP		PARENT COMPANY	
FIM '000	**1996**	1995	**1996**	1995
Mortgages for own loans	**66**	38,224	**–**	1,855
Amount of the above loans	**85**	17,283	**–**	1,523
Pledges against own liabilities	**547,939**	371,463	**547,939**	371,463
Amount of the above liabilities	**296,001**	319,103	**296,001**	319,103
Collateral against own foreign reinsurance liabilities	**294,087**	305,789	**–**	–
Countersecurities	**94,424**	142,010	**–**	–
Surrender liability	**58,000**	71,668	**–**	–
Other own liabilities	**87,085**	200	**7,760**	200
Derivative contracts				
Interest rate-linked derivatives				
Options purchased, underlying instrument	**13,932**	–	**4,644**	–
current value *)	**–33**	–	**–11**	–
Currency-linked derivatives				
Futures and forwards, underlying instrument	**195,150**	158,289	**97,575**	79,145
current value	**–2,240**	361	**–1,120**	181
Equity-linked derivatives				
Options purchased, underlying instrument	**–**	–	**–**	63,500
current value *)	**–**	–	**–**	–5,327

The Sampo Non-Life Group has no other liabilities as specified in the Insurance Companies Act, Chapter 10, Section 8, Sub-section 3.

*) The premiums paid have been taken into account in the current value of options.

21 PARENT COMPANY KEY FIGURES

FIM '000	1996	1995
KEY FIGURES PERTAINING TO SOLVENCY		
Solvency margin		
Capital and reserves after proposed profit distribution	**3,110,544**	3,022,745
Optional provisions and accumulated depreciation difference	**81,064**	82,643
Valuation difference between current value and Balance Sheet book value of assets	**4,251,080**	2,982,893
Intangible assets not entered under expenses	**–700,236**	–703,754
Other items	**–28**	–48,485
	6,742,424	5,336,042
Solvency margin required under the Finnish Insurance Companies Act, Chapter 11, Section 2	**253,093**	288,535
Equalisation provision for the years with large numbers of losses included in technical provisions	**220,189**	155,175
Ratio of equalisation provision to its full value (%)	**14.0**	10.7
Solvency capital		
Solvency margin and equalisation provision	**6,962,613**	5,491,217
Ratio of solvency capital to premiums earned during the last 12 months (%)	**464.5**	525.2
Solvency capital, per cent of technical provisions	**191.8**	147.8
OTHER KEY FIGURES		
Loss ratio (%)	**83.3**	85.6
Expense ratio (%)	**28.6**	28.8
Combined ratio (%)	**111.9**	114.4

Helsinki, March 12, 1997
SAMPO INSURANCE COMPANY LIMITED
Board of Directors

Jukka Härmälä
Chairman

Kari O. Sohlberg

Georg Ehrnrooth

Ari Heiniö

Thor Björn Lundqvist

Vesa Vainio

Jouko K. Leskinen
Managing Director

AUDITORS' REPORT

To the Shareholders of Sampo Insurance Company Limited

We have audited the accounting records and financial statements, as well as the administration by the Supervisory Board, the Board of Directors and the Managing Director of Sampo Insurance Company Limited for the financial year 1996. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on the company's administration.

The undersigned, Jaakko Nyman, has scrutinised the accounts for the financial year and submitted a separate report thereon.

We have conducted the audit in accordance with Finnish Generally Accepted Auditing Standards. Those standards require that we plan and perform the audit in order to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of administration has been to examine that the Supervisory Board, the Board of Directors and the Managing Director have legally complied with the rules of the Insurance Companies Act and the Finnish Companies Act.

In our opinion, the final accounts have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company result of operations, as well as of the financial position. The financial statements can be adopted and the members of the Supervisory Board, the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal made by the Board of Directors on how to deal with the retained earnings is in compliance with the Finnish Companies Act.

We have reviewed the interim report made public by the company during the year. It is our understanding that the interim report statements have been prepared in accordance with the rules and regulations governing the preparation of such reports in Finland.

Turku, March 24, 1997

Thor Nyroos
Authorised Public Accountant

Jaakko Nyman
Authorised Public Accountant

(KPMG)

STATEMENT BY THE SUPERVISORY BOARD

The Supervisory Board has received the Accounts for Sampo Insurance Company Limited for the financial year 1996 together with the consolidated accounts of the Sampo Non-Life Group and the Auditors' Report concerning these. The Supervisory Board has found no cause for criticism on account of the above, and therefore submits the Accounts and the Auditors' Report to the Annual General Meeting and recommends that the Profit and Loss Account and Balance Sheet for Sampo Insurance Company Limited together with the Consolidated Profit and Loss Account and Balance Sheet for the Sampo Non-Life Group be approved and that the proposals for the disposal of the profit for the financial year moved by the Board of Directors be accepted.

Helsinki, April 2, 1997

For the Supervisory Board

Kalevi Numminen

Special Features Concerning the Accounts of Insurance Companies

Premiums Earned

Premiums Earned are allocated to the appropriate accounting periods by means of changes in the Provision for Unearned Premiums. When the insurance period is not run as a calendar year, that part of the premium which does not correspond to the accounting year at hand is transferred to the Provision for Unearned Premiums. The transferred part becomes Premiums Earned in the following year. Thus, Premiums Earned for each accounting period are arrived at by deducting the change in the Provision for Unearned Premiums.

Claims Incurred

Claims are apportioned so that compensation paid or payable is reconciled with the accounting year during which the insured event occurred. Apportionment is effected by the change in the Provision for Outstanding Claims. Compensation payable in the future, on the basis of reported and unreported claims occurring during the accounting period, is transferred to the Provision for Outstanding Claims. Compensation paid out during the accounting period on the basis of previous periods' insured events is then deducted from the Provision for Outstanding Claims. The change in the Equalisation Provision enables the distribution of Claims Incurred during the accounting year to correspond to the average long-term claims ratio (cf. the section on Technical Provisions and Equalisation Provision). Thus Claims Incurred during the accounting year are arrived at by adding to Claims Paid the change in the Provision for Outstanding Claims.

Reinsurance Ceded

Insurance companies retain the majority of risks. However, major single events are provided for by reinsurance i.e. by transferring a part of the risk to other insurers. When Sampo cedes reinsurance, reinsurance ceded is deducted first from Premiums Earned, and secondly from Claims Incurred on the Profit and Loss Account when calculating Sampo's result. In this way, Premiums Earned Net of Reinsurance, Claims Incurred Net of Reinsurance and the Underwriting Result are obtained. The amounts due to and from reinsurers are shown in the Balance Sheet.

Investments

The investments of an insurance company must be profitable, secure and liquid. Investments are valued primarily at acquisition cost or at a lower probable value in the Balance Sheet. Finnish insurance companies have the possibility to make revaluations that affect the result on real estate investment. In the Balance Sheet, revaluations of fixed assets items are entered in the Revaluation Reserve. Revaluations that affect the result are readjusted up to the acquisition cost if the current value of investments increases.

Technical Provisions and Equalisation Provision

Technical Provisions – consisting of the Provision for Unearned Premiums, the Provision for Outstanding Claims, and the Equalisation Provision – constitute an insurance company's liabilities to the insured and beneficiaries.

To balance the incidental fluctuation of claims incurred, an Equalisation Provision is calculated, which enables the technical underwriting result to be balanced to correspond to the long-term average claims ratio (claims incurred to premiums earned). The Equalisation Provision is calculated in accordance with the calculation formulae confirmed by the Ministry of Social Affairs and Health.

An upper and lower limit and target zone are calculated for the Equalisation Provision. The upper limit is an amount determined by means of mathematical calculations, up to which it is justified to increase the accumulated Equalisation Provision in order to improve the company's solvency ratio. The lower limit is the calculated minimum requirement for securing the interests of the insured. According to the instructions of the Ministry of Social Affairs and Health, an actuarially calculated target zone is determined between the upper and lower limits, and the Equalisation Provision should fall within this zone.

SUPERVISORY BOARD

Kalevi Numminen (-98)
Honorary Counsellor
Chairman

Krister Ahlström (-97)
Honorary Counsellor
Ahlstrom Group
Vice Chairman

Pekka Luhtanen (-98)
Managing Director
L Fashion Group
Vice Chairman

Esa Swanljung (-97)
President
Finnish Confederation
of Salaried Employees (STTK)
Vice Chairman

Kalevi Aro (-98)
President
Aro-Yhtymä Oy

Fredrik Björnberg (-99)
Chairman of the Board
Myllykoski Oy

Matti Elovaara (-99)
Commercial Counsellor
Tamro Corporation

Juhani Forss (-99)
Commercial Counsellor

Martin Granholm (-99)
Executive Vice President
UPM-Kymmene Group

Ahti Hirvonen (-98)
Doctor of Science (Economics) h.c.

Henrik Höglund (-97)
Group President
KWH Group Ltd

Matti Ilmari (-99)
President
ABB Oy Group

Jyrki Juusela (-97)
Honorary Counsellor
Outokumpu Oy

Heimo Karinen (-97)
Honorary Counsellor
Kemira Group

Eino Keinänen (-97)
Chairman & Chief Executive
Postipankki Ltd

Keijo Ketonen (-97)
Managing Director
TS Group

Antti Lagerroos (-99)
President, CEO
Finnlines Ltd

Erkki Lahtinen (-97)
Chairman
Visuvesi Oy

Yrjö M. Lehtonen (-98)
Industrial Counsellor
Santasalo-Jot Ltd

Curt Lindbom (-99)
M.Sc. (Eng)

Esko Muhonen (-98)
Managing Director
Vapo Group

Carl G. Nordman (-97)
Industrial Counsellor
Oy AGA Ab

Jorma Ollila (-97)
CEO
Nokia Group

Risto Parjanne (-99)
Mayor
City of Oulu

Niilo Pellonmaa (-99)
President and CEO
Jaakko Pöyry Group Oy

Heikki J. Perälä (-99)
Managing Director
Tax Payers Association of Finland
(Managing Director, Helsinki Chamber
of Commerce, from 1.5.1997)

Jarmo Rytilahti (-98)
President
Asko Oy

Martin Saarikangas (-99)
President
Kvaerner Masa-Yards Inc.

Seppo Sipola (-97)
President, CEO
Asset Management Company Arsenal Ltd

Stig Stendahl (-99)
President and CEO
Fiskars Corporation

Matti Sundberg (-98)
Honorary Counsellor
Valmet Corporation

Jukka Suominen (-98)
CEO
Silja Oy Ab

Seppo Säynäjäkangas (-99)
Professor
Polar Electro Oy

Christoffer Taxell (-98)
President, CEO
Partek Corporation

Pekka Vennamo (-97)
President, CEO
PT Finland Ltd

Jukka Viinanen (-98)
President
Neste Oy

Markku Äärimaa (-98)
Secretary General
Finnish Medical Association

Year of expiry of office given in brackets.

BOARD OF DIRECTORS AND AUDITORS

BOARD OF DIRECTORS	Chairman	**Jukka Härmälä, 50** B.Sc. (Econ), Managing Director, Enso Oy
	Vice Chairman	**Kari O. Sohlberg, 56** M.Sc. (Econ), Managing Director, Oy G.W. Sohlberg Ab
		Georg Ehrnrooth, 56 M.Sc. (Eng), President, Metra Corporation
		Ari Heiniö, 51 Master of Laws, Managing Director, Oy Stockmann Ab
		Jouko K. Leskinen, 53 Master of Laws, President and CEO, Sampo Non-Life Group
		Thor Björn Lundqvist, 55 B.Sc. (Econ), Managing Director, Rettig Heating Group B.V.
		Vesa Vainio, 54 Master of Laws, CEO, Merita Ltd
AUDITORS	Auditors	**Jaakko Nyman** Authorised Public Accountant, M.Sc. (Econ)
		Thor Nyroos Authorised Public Accountant, B.Sc. (Econ)
	Deputy Auditors	**Pertti Keskinen** Authorised Public Accountant, M.Sc. (Econ)
		Authorised Public Accountants KPMG Wideri Oy Ab

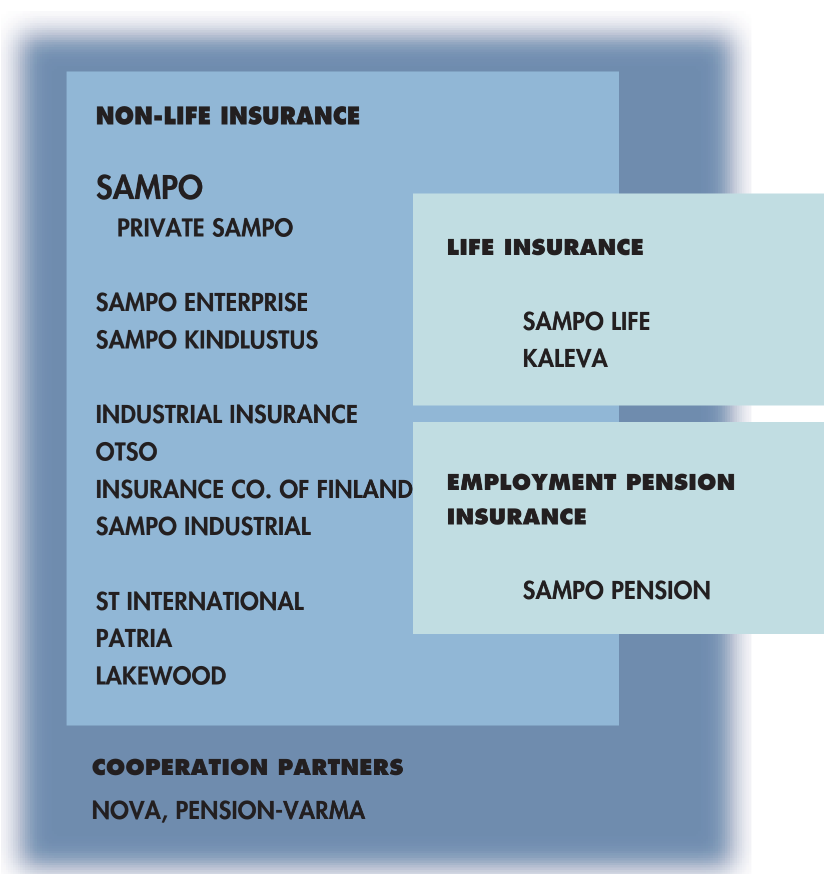
SAMPO GROUP COMPOSITION

NON-LIFE INSURANCE

Sampo Insurance Company Limited is the parent company of the Sampo Non-Life Group and is listed on the Helsinki Stock Exchange. Sampo's operational unit, Private Sampo, provides services for private households, farms and the self-employed. Private Sampo also supports car dealers as an external service channel, and maintains organisational client relationships within the Sampo Group.

Within the Sampo Non-Life Group, major clients are served by Major Accounts Services, comprising Industrial Insurance specialising in large and internationally operating companies, Otso specialising in loss of profits insurance, the Insurance Company of Finland specialising in credit insurance, and Sampo Industrial Insurance which operates in Rotterdam, London and Frankfurt. The new mutual operating model, to meet the insurance and risk management needs of large companies and those with international operations, was implemented at the beginning of 1997. These services are complemented by a representative office in St. Petersburg and Sampo Industriförsäkring AB in Stockholm.

Services for small and medium-sized enterprises, their key personnel, the public sector and housing and real estate companies are provided by Sampo Enterprise. Its subsidiary Sampo Kindlustus is responsible for offering insurance services in Estonia and other Baltic countries.



LIFE INSURANCE

Sampo Life is a new life insurance organisation that commenced operations as a limited liability company on January 1st, 1997. Sampo Life is the Sampo subsidiary that specialises in savings, life and pension insurance. By founding the new company, the Sampo Non-Life Group guarantees its full-scale participation in the rapidly growing life insurance market in Finland.

Alongside Sampo Life, the 122 year-old Kaleva continues to operate as the Sampo Group's second life insurance company. Kaleva will focus on the group life insurances most appropriate for a mutual insurance company. The company will also administer the savings life insurance portfolio taken out before January 1st, 1997 and is a significant owner of Sampo Life.

EMPLOYMENT PENSION INSURANCE

Within the Sampo Group, Insurance Company Sampo Pension Ltd specialises in providing statutory pension insurance for small and medium-sized enterprises and the self-employed.

COOPERATION PARTNERS AND ASSOCIATED UNDERTAKINGS

The Sampo Non-Life Group's cooperation partners, Nova Life Insurance Company Ltd and Pension-Varma Mutual Insurance Company, cater mainly for voluntary life insurance and statutory pension insurance services for the clients of Industrial Insurance. Nova is also listed as an associated undertaking in which the Sampo Non-Life Group has a 25 per cent holding.

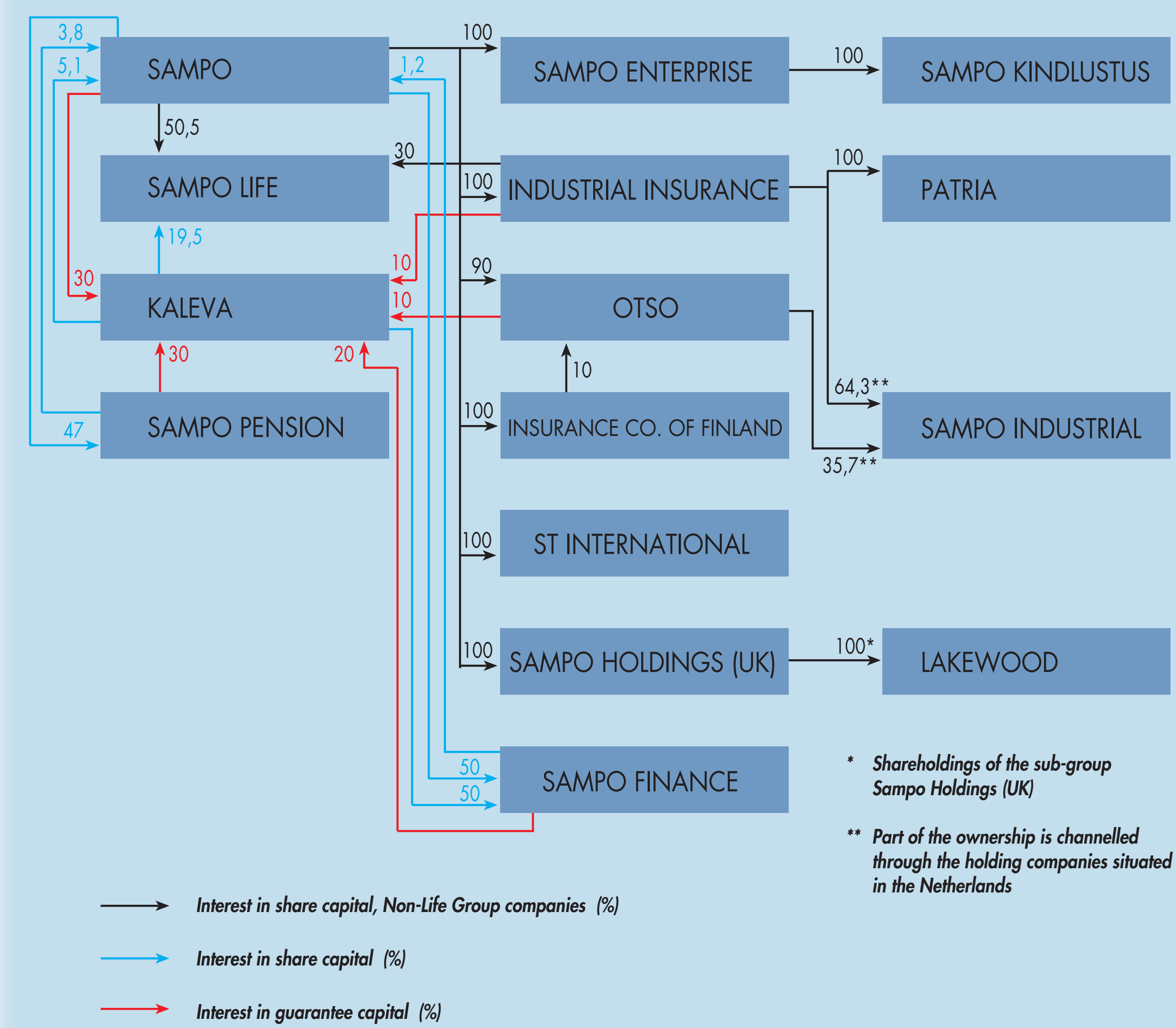
Other associated undertakings of the Sampo Non-Life Group whose operations are related to insurance and investments include Autovahinkokeskus Oy, Sampo Finance Ltd, Kansalliset Liikekiinteistöt Oy, Finnish Loss Survey Ltd, and Unsa Ltd. The shareholdings of the Sampo Non-Life Group and its parent company in associated undertakings are presented in Notes on the Accounts, pages 40 and 43.

SAMPO GROUP KEY INFORMATION

FIM millions	**1996**	1995	Change %
Turnover			
Sampo Non-Life Group	**6,182**	5,896	4.8
Kaleva Life Group	**2,280**	1,335	70.8
Sampo Pension Group	**7,101**	6,502	9.2
Gross premiums written			
Sampo Non-Life Group	**4,495**	4,219	6.5
Kaleva Life Group	**1,709**	903	89.3
Sampo Pension Group	**5,236**	4,752	10.2
Claims incurred			
Sampo Non-Life Group	**–3,523**	–3,310	6.5
Kaleva Life Group	**–555**	–519	6.9
Sampo Pension Group	**–4,813**	–4,474	7.6
Net investment income			
Sampo Non-Life Group	**1,159**	708	63.8
Kaleva Life Group	**371**	228	62.9
Sampo Pension Group	**1,629**	1,385	17.6
Operating expenses			
Sampo Non-Life Group	**–844**	–741	13.9
Kaleva Life Group	**–152**	–134	13.1
Sampo Pension Group	**–113**	–104	8.7
Profit for the accounting period			
Sampo Non-Life Group	**255**	140	82.1
Kaleva Life Group	**17**	22	–20.9
Sampo Pension Group	**–2**	–1	–
Capital and reserves and untaxed reserves			
Sampo Non-Life Group	**3,571**	3,375	5.8
Kaleva Life Group	**139**	147	–5.5
Sampo Pension Group	**485**	419	15.8
Total on Balance Sheet			
Sampo Non-Life Group	**16,128**	15,205	6.1
Kaleva Life Group	**6,356**	4,939	28.7
Sampo Pension Group	**26,676**	24,184	10.3
Average number of personnel			
Sampo Non-Life Group	**3,113**	3,023	3.0
Kaleva Life Group	**141**	148	–4.7
Sampo Pension Group	**279**	276	1.1

The figures of Sampo Pension Group for 1996 are unaudited.

The Sampo Group: Principal Shareholdings



PRIVATE CLIENTS

Private households, farms and the self-employed are served by the Sampo parent company unit, Private Sampo.

Private Sampo has approximately 1,080,000 clients, of whom 1,007,000 are private households, 36,000 self-employed people and 28,000 farms. During the year under review, the total number of clients increased by around 18,000. Private Sampo also supports car dealers as an external service channel, and maintains organisational client relationships within the Sampo Group. Thanks to the integration of the private household clientele of Vahinkovakuutusosakeyhtiö Kansa into Private Sampo at the beginning of 1996, the company further consolidated its position in the domestic market. Sampo now has almost a third share of the Finnish private household market.

Private Sampo's service model is built around a multi-channel approach. This guarantees readily available access and makes it easy for clients to choose the service channel that best suits their specific needs in every possible way. The traditional network of offices and insurance agents is complemented by channels utilising the latest technology, such as the internet and automatic service points, although their impact is not as yet fully utilised.

Sampo Insurance Company Limited

FIM millions	1996	1995
Turnover	**2,322.7**	1,736.7
Premiums earned	**1,499.0**	1,045.5
Claims incurred	**–1,248.6**	–894.9
Net operating expenses	**–429.4**	–301.3
Change in the equalisation provision	**–65.0**	5.3
Balance on technical account	**–244.0**	–145.3
Net investment income	**502.5**	217.1
Other income and charges	**–25.4**	–58.7
Tax	**–64.6**	–4.3
Profit on ordinary activities	**168.5**	8.7
Technical provisions, net	**3,849.8**	3,871.5
Balance Sheet total	**7,778.6**	7,690.5
Balance Sheet total at current values	**12,029.7**	10,673.4
Loss ratio, %	**83.3**	85.6
Expense ratio, %	**28.6**	28.8
Combined ratio, %	**111.9**	114.4
Solvency margin	**6,742.4**	5,336.0
Equalisation provision	**220.2**	155.2
Solvency capital	**6,962.6**	5,491.2
Solvency ratio, %	**464.5**	525.2
Average no. of personnel	**1,963**	1,602

Private Sampo's service network comprises four geographical regions. Clients are served through 88 Sampo local offices and the Sampo Call Centre, a national telephone service. The four regions are responsible for client relationships and their development while the Call Centre assists in maintaining those relationships.

Our comprehensive service concept is further supplemented by two service agreements, the Sampo Agreement and Flexi. These help clients concentrate nearly all their insurance needs under a carefully designed service umbrella. There are over 650,000 Sampo Agreements and Flexis currently in operation. In 1996, the number of clients using such agreements increased by over 25,000, bringing the total of insurance service agreements administered by Private Sampo up to nearly half of all those concluded in Finland.

Operating Result Improved

The operating margin, which measures Private Sampo's operating result, improved by over 13 per cent from 1995, clearly exceeding the budgeted target. The total of premiums received increased by 3 per cent, and claims paid decreased by 0.5 per cent. Private Sampo's operating expenses also developed favourably, showing a more than 1 per cent decrease over the previous year. Voluntary motor vehicle (EU insurance class group classification: land vehicles), home (EU: fire and other damage to property) and motor third party liability (TPL) insurances together make up more than 85 per cent of Private Sampo's premiums written.

Motor vehicle insurance tariffs were revised, and the changes implemented in 1997. The most significant of these is the introduction of the vehicle owner's age as a tariffing factor. The effect of regional risks on premiums is further defined, dividing the largest cities into several tariffing areas, right down to the postal code. This new policy sets a trend for the whole industry. In future, the need for more precise and individual tariffing will increase considerably.

Premiums received from both motor TPL and voluntary motor vehicle insurance are now rising, whereas the value of claims paid has dropped back. This had a clearly positive impact on the already sound level of motor vehicle insurance profitability, although this is threatened by an ageing Finnish car stock. The current average is 10 years-old and rising in the near future. Motor TPL profitability needs to be strengthened further, despite the improvements of recent years.

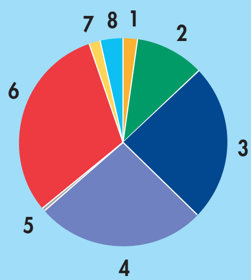
The value of premiums received from home insurance increased by one per cent, whereas the value of claims paid remained at its 1995 level. Claims paid due to water damage increased to an alarming extent, making water damage losses the largest single loss class within home insurance – a position once held by crime-related losses. More emphasis will now be placed on the prevention and limiting of water damage loss. Sampo's co-operation partners provide Sampo clients with reasonably-priced assessment services, such as humidity damage inspections.

Another way of looking for concrete means of putting an end to the mould problem in buildings is Sampo's Safety Award. This annual FIM 100,000 award focuses on a different area each year and the key theme for 1997 is preventing and repairing humidity damage.

Upgrading Claims Settlement Service

Sampo 2000, an extensive programme launched in 1995 to upgrade Private Sampo's operations, information systems and products, proceeded as planned during the year under review. This development programme is divided into three

Direct insurance premiums written
Total FIM 1,544 millions



1	Statutory workers' compensation	2.2%
2	Other accident and health	10.8%
3	Motor, other classes	24.1%
4	Motor third party liability	26.5%
5	Third party liability	0.5%
6	Fire and other damage to property	30.5%
7	Marine, aviation and transport	1.8%
8	Miscellaneous	3.6%

Private Sampo Board of Directors

Jouko K. Leskinen,
Chairman of the Board
(CEO, Sampo Group)
Hannu Kokkonen,
Managing Director and
Vice Chairman
Martti Jalonen,
(Commercial Counsellor)
Mikko Mäenpää (Chairman)
Matti Rantanen (Managing Director)
Guy Wires (Managing Director)

This model office is part of the Sampo 2000 programme. The new client service model is being assessed in service event operation.

stages and the most significant target for 1997 is to revitalise claims settlement services, with respect to both systems and operating policy.

The present product range is being rationalised ahead of the introduction of the new product environment in line with Sampo 2000. The aim is to withdraw part of the current product range and administration systems.

Alongside the development programme, Private Sampo staff now have some 1,300 new workstations to help implement the new client service system, a process which began in November 1996 and was completed early in 1997. The system facilitates task performance at client service points and makes true service event management possible.

During the year under review, special emphasis was placed on the maintenance and promotion of professional competence in Sampo personnel. This entails possessing an in-depth knowledge of each individual client combined with product and risk management expertise. We shall continuously improve this expertise and create a working environment in which new information and know-how can most easily be put into immediate practice. A competence profile has been defined for each post that will then be utilised in our annual development discussions. Supervisors' development deals with themes relating to the management of change.

Life Insurance and Substantial Growth Potential

Improving customer satisfaction and operational cost-effectiveness has been the central objective at Private Sampo for several years now. The new client management system and ways of working will have a positive impact in both areas. Unit structure has also been developed to support effectively functioning service processes. Even the tariffing of insurance products will be developed on a more individual basis to achieve, from the client's perspective, fairer price levels. The first steps were taken in voluntary motor vehicle and motor TPL insurance in 1996.

As economic growth continues to pick up, the buying power of households will increase and unemployment decrease. Consumers now expect the economic situation to improve. Motor vehicle sales have been on the increase for several years in succession. The rise in the number of the self-employed also expands client potential, although the fall in the number of farms is expected to continue.

Underwriting at Sampo Life, the Sampo Group's new life insurance company, provides substantial growth potential in the years to come. Furthermore, personal insurances in Private Sampo's own product range, e.g. for medical expenses, also offer significant growth potential as Finland's social security network continues to deteriorate.

CORPORATE CLIENTS

Small and medium-sized enterprises, their key personnel, the public sector, and housing and real estate companies are served within the Sampo Non-Life Group by Sampo Enterprise Insurance Company Limited. In Estonia and other Baltic countries, a wholly-owned subsidiary of Sampo Enterprise, Sampo Kindlustus, is responsible for providing and developing insurance services.

Sampo Enterprise has approximately 90,000 clients and the company's domestic market share increased by 1.2 per cent in 1996. In the corporate client segment, market share has reached almost a quarter. Market share in Finnish municipalities is calculated on the basis of population and stands at approximately 40 per cent. Sampo Kindlustus's share of the rapidly expanding Estonian insurance market is 2.4 per cent of the whole market and 4.7 per cent of the corporate client market.

Sampo Enterprise's organisation structure was rearranged at the end of 1996. The Service Network is responsible for client relationship management, and the new Non-Life Insurance unit allows for a sharper focus on non-life insurance business. The other profit centres are the Investments Unit and Sampo Kindlustus.

The Service Network is responsible for the comprehensive service of clients using, in addition to non-life insurance services, life insurance, employment pension insurance and financing services. In line with Group policy, Sampo Enterprise offers its own non-life insurance underwriting and claims settlement operations, risk management services and related expert services, and buys other services from the rest of the Group.

The Service Network consists of Regional Channels, Centralised Channels, and the Broker Relations Channel. In addition to its regional organisation, Regional Channels has a network of insurance agents. Regional Channels is supported by Centralised Channels, which is responsible for telephone services and for new technology interaction between the client and Sampo Enterprise, so clients can contact Sampo Enterprise whenever it suits them best. The Broker Relations Channel continues to expand. As a part of the Service Network, the Broker Relations Unit is in charge of co-operation with brokers and further development of this relationship.

Sampo Enterprise Insurance Co. Limited

FIM millions	1996	1995
Turnover	**1,373.2**	1,211.9
Premiums earned	**1,059.1**	916.0
Claims incurred	**–1,006.1**	–886.3
Net operating expenses	**–165.6**	–148.7
Change in the equalisation provision	**–23.0**	39.3
Balance on technical account	**–135.6**	–79.6
Net investment income	**198.0**	195.9
Other income and charges	**0.3**	0.3
Tax	**–19.2**	–28.8
Profit on ordinary activities	**43.5**	87.7
Technical provisions, net	**1,946.6**	1,752.6
Balance Sheet total	**2,509.7**	2,316.2
Balance Sheet total at current values	**2,927.8**	2,591.0
Loss ratio, %	**95.0**	96.8
Expense ratio, %	**15.6**	16.2
Combined ratio, %	**110.6**	113.0
Solvency margin	**750.0**	590.7
Equalisation provision	**119.4**	96.4
Solvency capital	**869.5**	687.1
Solvency ratio, %	**82.1**	75.0
Average no. of personnel	**561**	525

Sampo Kindlustuse AS

FIM millions	1996	1995
Turnover	**5.2**	0.3
Premiums earned	**2.5**	0.3
Claims incurred	**–2.4**	–0.3
Net operating expenses	**–1.9**	–2.4
Change in the equalisation provision	**–**	–
Balance on technical account	**–1.8**	–2.4
Net investment income	**0.3**	–
Other income and charges	**–**	–
Tax	**–0.1**	–
Profit/loss on ordinary activities	**–1.6**	–2.4
Technical provisions, net	**2.6**	0.5
Balance Sheet total	**8.5**	4.4
Balance Sheet total at current values	**8.5**	4.4
Loss ratio, %	**98.7**	101.9
Expense ratio, %	**74.5**	–
Combined ratio, %	**173.2**	–
Solvency margin	**5.0**	3.3
Equalisation provision	**–**	–
Solvency capital	**5.0**	3.3
Solvency ratio, %	**204.6**	–
Average no. of personnel	**10**	3

A Satisfactory Result

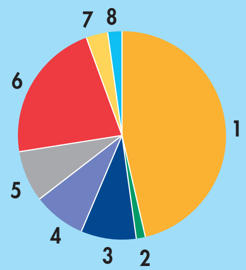
Sampo Enterprise profit for the financial year was FIM 46.2 million. The non-life insurance balance on technical account before the change in the equalisation provision was FIM –112.6 million, and net investment stood at FIM 198 million.

Non-life insurance premiums written totalled FIM 1,081.6 million, and gross premiums written FIM 1,111.2 million. Direct insurance premiums written increased slightly more than expected, by 16 per cent. Statutory workers' compensation insurance experienced the greatest growth, thanks to the increase in salaries and market share in recent years. Credit losses on unpaid premiums totalled FIM 9.3 million.

Claims incurred stood at FIM 1,006.1 million. The number of single losses over FIM 0.5 million increased, but the value of compensations for these losses remained under the 1995 level. The largest individual loss was FIM 7.9 million. The number of occupational accidents reported saw an upward trend compared with 1995.

New investments consisted mainly of debt securities and shares. New investments in equity funds totalled FIM 27.5 million. Approximately a half of net investment income came from realised gains on shares and value readjustments.

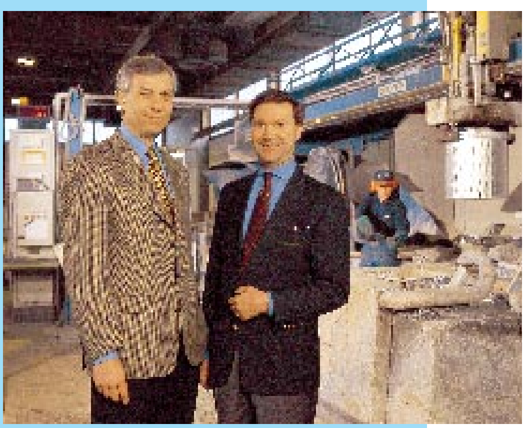
Direct insurance premiums written
Total FIM 1,098 millions*



1	Statutory workers' compensation	46.3%
2	Other accident and health	1.5%
3	Motor, other classes	8.6%
4	Motor third party liability	7.9%
5	Third party liability	8.2%
6	Fire and other damage to property	22.0%
7	Marine, aviation and transport	3.3%
8	Miscellaneous	2.2%

* Sampo Enterprise and Sampo Kindlustus.

Client needs and changes in them must be recognised as soon as they emerge. So Sampo Enterprise operates close to its clients, their daily environment and networks.



Sampo Enterprise Board of Directors

Jouko K. Leskinen
Chairman of the Board
(CEO, Sampo Group)
Hannu Kokkonen
Vice Chairman
(Managing Director)
Matti Ruohonen (Managing Director)
Seppo Hauta-aho (Managing Director)
Heikki Kyöstilä (Managing Director)
Vesa Lammela (Managing Director)

Net operating expenses stood at FIM 165.6 million.

Sampo Kindlustus reached the performance targets set for 1996.

Upgrading Service and Operations Models

In the development of its operations, Sampo Enterprise concentrated on upgrading the two most important elements of success: improving client service and securing non-life insurance profitability. The Service Network is responsible for client relationships, and the Non-Life Unit for the non-life insurance business.

Sampo Service Availability has been firmly established under the national telephone service, to make appropriate service staff readily reachable via new communications technology. The annual renewal service for small corporate clients has been introduced as a new form of telephone service. A self-service client channel was also implemented. Corporate clients can attend to their insurance matters and find information through the Datalink service available on our website. Business Sampo product was complemented by voluntary accident and travel insurances in 1996.

During the year under review, Sampo Enterprise projects supporting the profitability of non-life insurance were launched to facilitate client awareness and thereby decrease burglaries, vandalism, arson and other losses.

A loss statistics system was introduced in new insurance contracts. This makes it possible to determine the premium in a fairer way, providing discounts for those clients who e.g. through loss prevention measures have been able to decrease the amount of claims paid.

In its second year of operations, Sampo Kindlustus focused on providing insurance and risk management services for the Estonian operations of Finnish and other Western corporate clients of the Sampo Non-Life Group, as well as providing insurance solutions for their key personnel and staff.

In the development of Sampo Enterprise personnel in 1996, the emphasis was on deepening competence and acquiring additional training where needed. This work will continue in 1997. Incentive pay was expanded to encompass the whole personnel on a test basis in 1996.

Profitability a Key Issue

Sampo Enterprise's operations are being developed step by step, rather than aiming for great individual leaps. The emphasis is on the continuous improvement of services. Sampo Enterprise compiles a comprehensive insurance package for the client, utilising the product and service range offered by the Sampo Group companies, and clients can then choose to benefit from this package however and whenever it suits them best.

Regional representatives under the Service Network will continue to be in charge of client relationships – either through their own efforts or together with the insurance agents. This service supply will be further expanded, among other ways through telephone services and electronic self-service.

In the Non-Life Insurance Unit, measures aimed at reinforcing Sampo Enterprise's business operations are of vital importance. This means the development of non-life insurance premiums written, profitability, and the quality of insurance management and claims settlement operations.

Operations and services are developed on a continuous basis, since clients will choose Sampo Enterprise only if it is able to offer them better added value than its competitors. Besides, the competitive environment is undergoing a change: the deregulation of statutory lines of insurance will accelerate and it is highly probable that foreign insurance companies will become more interested in the Finnish market. Even in new circumstances, Sampo Enterprise's point of departure is that it is always the best alternative.

MAJOR CLIENTS

Within the Sampo Non-Life Group, major clients are served by Industrial Insurance, Otso, the Insurance Company of Finland and Sampo Industrial Insurance, as well as by our office in Stockholm and representative office in St. Petersburg. The new mutual operating model ensures leading expertise, and the ability to serve the insurance and risk management needs of large companies and those with international and global operations.

Industrial Insurance Company Ltd, Otso Loss of Profits Insurance Company Ltd, and the Insurance Company of Finland Limited specialising in credit insurance, have traditionally served their internationally operating clients from Finland. In order to offer even more effective international services, Industrial Insurance and Otso bought the entire share capital of Sampo Industrial Insurance N.V. (formerly Hansa Industrial Insurance), and opened Sampo Industriförsäkring AB in Stockholm in 1996.

To further strengthen the service entity, the companies created a new operating model, integrating their organisations in functional co-operation under the umbrella of Sampo Group Major Accounts Services. Client service is thus improved by creating an economically solid unit, superior in its expertise, that links international operations to the mutual service concept. So the client gets the same service quality abroad as in Finland, either from Sampo Group companies or our international co-operation network.

This arrangement has no effect on the legal position of the companies involved, which will continue their operations as independent insurance companies.

Major Accounts Services (MAS) clientele comprises some 500 groups representing large-scale Finnish industry and major service companies. The MAS group is already the market leader in its segment in Finland.

The group's service range takes in all forms of non-life insurance needed by large companies, and related loss prevention and financial services in Finland. Overseas, the group concentrates on selected lines of insurance and business. International client service is provided by

Industrial Insurance Company Ltd

FIM millions	**1996**	1995
Turnover	**1,935.1**	2,005.7
Premiums earned	**1,138.4**	1,107.3
Claims incurred	**–982.4**	–1,076.5
Net operating expenses	**–200.7**	–143.3
Change in the equalisation provision	**–157.9**	–66.5
Balance on technical account	**–202.7**	–179.0
Net investment income	**392.9**	342.8
Other income and charges	**–8.7**	–5.9
Tax	**–48.6**	–39.1
Profit on ordinary activities	**132.9**	118.7
Technical provisions, net	**3,277.7**	2,925.7
Balance Sheet total	**4,224.0**	3,831.3
Balance Sheet total at current values	**6,425.9**	5,293.0
Loss ratio, %	**86.3**	97.2
Expense ratio, %	**17.6**	12.9
Combined ratio, %	**103.9**	110.2
Solvency margin	**2,662.4**	1,821.9
Equalisation provision	**520.9**	363.0
Solvency capital	**3,183.3**	2,184.9
Solvency ratio, %	**279.6**	197.4
Average no. of personnel	**380**	372

Otso Loss of Profits Insurance Co. Ltd

FIM millions	**1996**	1995
Turnover	**431.8**	420.8
Premiums earned	**103.3**	139.0
Claims incurred	**–86.0**	–29.2
Net operating expenses	**–35.4**	–30.8
Change in the equalisation provision	**–10.1**	–103.2
Balance on technical account	**–28.3**	–24.2
Net investment income	**139.7**	92.0
Other income and charges	**0.2**	0.3
Tax	**–31.2**	–17.1
Profit on ordinary activities	**80.5**	51.1
Technical provisions, net	**611.1**	600.8
Balance Sheet total	**942.6**	869.8
Balance Sheet total at current values	**1,414.6**	1,260.8
Loss ratio, %	**83.2**	21.0
Expense ratio, %	**34.3**	22.2
Combined ratio, %	**117.5**	43.2
Solvency margin	**666.1**	556.4
Equalisation provision	**446.2**	436.0
Solvency capital	**1,112.2**	992.4
Solvency ratio, %	**1,076.4**	714.4
Average no. of personnel	**53**	54

Insurance Company of Finland Ltd

FIM millions	**1996**	1995
Turnover	**62.9**	65.0
Premiums earned	**2.4**	3.6
Claims incurred	**1.1**	0.0
Net operating expenses	**–1.0**	–0.2
Change in the equalisation provision	**–9.3**	–18.7
Balance on technical account	**–6.8**	–15.3
Net investment income	**21.6**	19.3
Other income and charges	**0.1**	0.1
Tax	**–4.2**	–1.4
Profit on ordinary activities	**10.7**	2.6
Technical provisions, net	**59.7**	53.5
Balance Sheet total	**226.4**	220.2
Balance Sheet total at current values	**320.8**	285.3
Loss ratio, %	**–46.6**	1.3
Expense ratio, %	**40.2**	22.9
Combined ratio, %	**–6.4**	5.9
Solvency margin	**174.0**	141.3
Equalisation provision	**55.7**	46.3
Solvency capital	**229.7**	187.7
Solvency ratio, %	**9,683.0**	5,219.0
Average no. of personnel	**19**	17

a global network comprising the Sampo Group's own units and its co-operation partners.

Sampo Industrial Insurance has offices in the Netherlands, Germany and the UK.

Sampo Industriförsäkring AB in Stockholm received approval from the authorities to commerce operations in October 1996. It acts as an intermediary offering Sampo Group companies' insurance products, mainly to Finnish companies operating in Sweden.

Sampo's representative office in St. Petersburg serves corporate clients operating in Russia with professional assistance in insurance and risk management matters.

In the Finnish market, most client relationships are concluded directly between the client and the insurer. A competent broker is also a natural alternative in the MAS package. A major part of Sampo Industrial Insurance's business is mediated by brokers, for instance, although measured by premiums written, brokers' share of services provided is still small in Finland.

MAS operating policy is based on close and confidential relationships with clients and in-depth knowledge of their business. MAS then builds comprehensive insurance and risk management solutions, always tailor-made to client needs. The best-known products are the Stop Loss System, and the Global Programme for world-wide property, cargo and liability insurance needs.

One of the areas under focus within Major Accounts Services is project insurance. The group has strengthened its position as an insurer of international projects, particularly in the Baltic countries and Russia. In addition to insuring individual projects, the group concluded several contracts for global project insurance programmes, covering all the client's construction and installation work worldwide.

Special attention was paid to the development of products and services in the areas of financing activities and contractual liability, where entirely new forms of risk management solutions were created. MAS also continued the intensive development of new financing models aimed at securing company profits. A separate unit was therefore established to oversee producing alternative financing solutions for large companies' risks.

MAS personnel in their different companies are all highly trained with strong academic backgrounds – two thirds have attained university or college qualifications, often Master's Degrees. In personnel development, the focus is on occupational training, learning about team work and workplace cooperation, and know-how related to the utilisation of modern information technology.

Industrial Insurance's Strengthened Solvency Ratio

Direct insurance premiums written by Industrial Insurance in 1996 reached their 1995 level. Reinsurance premiums written increased by 28 per cent. The growth was mainly due to business from Sampo Industrial Insurance, which the owners reinsure.

Direct insurance profitability improved as well, despite three large losses involving fire, property, hull and liability insurance. The loss ratio was 88 per cent. Despite four property and liability losses of over FIM 10 million, the reinsurance loss ratio also decreased from 1995 to 80 per cent. This key index was improved by the release of old reserves relating to domestic reinsurance in particular.

Operating expenses took an upward turn compared with 1995. This was mainly due to reinsurance commissions, which increased on assumed reinsurance from growth in Sampo Industrial business. Commissions on ceded reinsurance fell as a result of life reinsurance restructuring.

Net investment income also rose compared with 1995. This was mainly due to the increase in market value of the investment portfolio, and related revaluation of asset items. Dividend income increased considerably. Thanks to its investments, Industrial Insurance's result exceeded that of 1995. Alongside this result and the increase in valuation differences relating to the investment portfolio, the company also strengthened its solvency ratio.

Sampo Industrial Insurance N.V.

FIM millions	1996*
Turnover	**270.1**
Premiums earned	**52.9**
Claims incurred	**–57.7**
Net operating expenses	**–18.0**
Change in the equalisation provision	**–**
Balance on technical account	**–22.7**
Net investment income	**5.6**
Other income and charges	**–**
Tax	**–**
Profit on ordinary activities	**–17.1**
Technical provisions, net	**148.1**
Balance Sheet total	**470.8**
Balance Sheet total at current values	**471.1**
Loss ratio, %	**109.0**
Expense ratio, %	**34.0**
Combined ratio, %	**143.0**
Solvency margin	**253.2**
Equalisation provision	**–**
Solvency capital	**253.2**
Solvency ratio, %	**360.7**
Average no. of personnel	**61**

*) As from April, 1

Major Clients

Otso's Performance Picks Up

Direct insurance premiums written by Otso fell by 7 per cent over the previous year, mainly attributable to a decrease in the level of margins in the pulp and paper industry. As large-scale industry risks are well-covered by reinsurance, the reinsurers' share of direct insurance premiums written showed a proportionate decrease. The fall in volume thus had only a minor effect on the company's result. Reinsurance premiums written fell by 6 per cent due to a recession-driven decrease in business concerning Finnish interests abroad, entered as reinsurance. The underwriting of assumed business was reduced according to plan.

Due to the three large losses in the year under review, the direct insurance loss ratio deteriorated from 1995, to 101 per cent. The reinsurance loss ratio was 73 per cent. There were also three large losses in reinsurance, all of which occurred in overseas locations owned by Finns.

Otso's operating expenses went up as the reinsurers' share of the result decreased. Net investment income was exceptionally large, attributed to profits from the sale of Otso's own office premises, which also substantially improved the company result. The general appreciation in share values further strengthened Otso's solvency ratio.

Sampo Industrial Insurance Joins the Group

Premiums written by Sampo Industrial Insurance remained at their 1995 level, despite a considerably tighter competitive situation in the company's market area. Even with two large losses, the loss ratio before the reinsurers' share stood at 64 per cent. After ceded reinsurance largely administered by the owner companies, the loss ratio on SII's own account was 97 per cent.

Net operating expenses experienced a slight increase, while net investment income remained at its 1995 level. Extraordinary charges of FIM 5 million comprise mainly non-recurring expenses relating to ownership rearrangements. After the extraordinary charges and large losses, the company result was indeed negative, although solvency status improved after capital and reserves were increased by NLG 60 million in conjunction with ownership arrangements.

Insurance Co. of Finland Result and Solvency Sound

Credit insurance premiums written remained at the 1995 level, but premiums written in suretyship insurance experienced a slight decrease. For the third consecutive year, business profitability was good.

Net operating expenses took an upward turn, due amongst other things to the company acquiring more credit status assessments than before. Net investment income increased slightly, the result improved considerably and the solvency ratio remained at a high.

New Operating Model Implemented

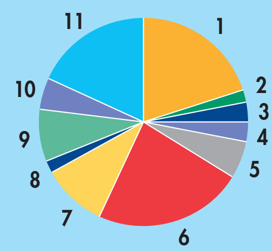
The most important strategic project for Major Accounts Services in 1997 is to establish the MAS mutual operations model. It is based on Industrial Insurance and Otso's tried and tested service concept of providing the client with individual risk management solutions, flexible claims settlement services, and loss prevention assistance in Finland and abroad.

The basic unit of the operating model is a service team designated for each client. The teams comprise a client manager and loss prevention experts to coordinate service more effectively and meet client needs in a more individual way.

The status of loss prevention work will be further strengthened, and resources added to make loss prevention services readily available for all clients. Special attention is to be paid to deepening our knowledge of clients' business. And based on acquired know-how, Major Accounts Services will make intensive efforts to

Gross premiums written by Major Accounts Services*

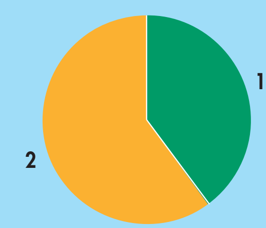
Total FIM 1,831 millions



1	Statutory workers' compensation	20.1%
2	Other accident and health	2.2%
3	Motor, other classes	3.4%
4	Motor third party liability	2.7%
5	Third party liability	6.4%
6	Fire and other damage to property	22.2%
7	Marine, aviation and transport	9.8%
8	Credit and suretyship	1.6%
9	Loss of profits	8.3%
10	Life reinsurance	5.2%
11	Non-life reinsurance	18.1%

* Industrial Insurance, Otso, Insurance Co. of Finland and Sampo Industrial's premiums written, of which the underwriting business between the companies has been eliminated.

Major Accounts Services' turnover in the Sampo Non-Life Group



Sampo Non-Life Group
Total FIM 6,182 millions

1	Major Accounts Services*	40%
2	Other Sampo Non-Life Group	60%

* Industrial Insurance, Otso, Insurance Co. of Finland and Sampo Industrial's turnover, of which business between the Non-Life Group companies has been eliminated.

As a forest industry insurer and expert in risk management, Sampo's Major Accounts Services play an important role by international standards.

develop solutions which – together with traditional insurance products – buttress company results and balance sheets.

In its international operations, MAS will concentrate on the forest, metal and chemical industries, power supply and project construction. In these sectors, the group will continue to underwrite property, business interruption, cargo and liability insurance lines where MAS competence is competitive to international standards.

Sampo Group international co-operation will involve credit insurance, too, as the Insurance Company of Finland, German company Hermes Kreditversicherungs AG and the Finnish Guarantee Board will found a new credit insurance company. The owners will have equal holdings in this commercial risks company. A letter of intent was signed in November 1996, and the new company is due to commence operations in Summer 1997.

As experts in loss prevention and insuring large risks, Industrial Insurance and Otso in particular have formed solid relations with international reinsurers. The confidence enjoyed by the two companies is reflected by their total contract capacity being among the largest in Europe in recent years. For clients, this guarantees the best possible insurance cover and flexible claims settlement services.

The new operating model, high-level competence and excellent solvency provide the outstanding prerequisites for success in intensifying international competition.

Industrial Insurance Board of Directors

Jouko K. Leskinen,
Chairman of the Board
(CEO, Sampo Group)
Mikko Kivimäki,
Deputy Chairman
(Honorary Counsellor)
Björn Mattsson (Honorary Counsellor)
Kurt Nordman (Managing Director)
Timo Poranen (Deputy CEO)

FOREIGN REINSURANCE RUN-OFF

The Sampo run-off companies, ST International Insurance Company Limited, Patria Reinsurance Company Limited and Lakewood Insurance Company Ltd are in charge of running off the foreign reinsurance portfolio.

Portfolio Run-Off Continued as Planned
The reinsurance portfolio run-off went almost exactly to plan in 1996. ST International's technical provisions, which had shown a remarkable decrease in 1995, regained their normal level in the year under review. Fluctuations in exchange rates reduced the comparability of final account figures. Since the run-off companies aim to cover their technical provisions denominated in foreign currencies with assets in the same currencies, the changes in exchange rates do not have a significant effect on the result.

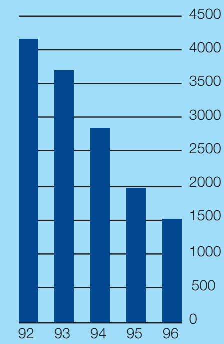
The run-off companies were not only involved in legal proceedings and the commuting of reinsurance treaties in 1996, but were also able to concentrate on analysing their insurance portfolio. The aim is to gain the most precise picture possible of the risks bound up in the run-off treaties, so that resources can be allocated to essential areas.

A Slight Decrease in Solvency
Using fixed exchange rates, Patria's gross technical provisions decreased by FIM 72 million, when calculating the technical provisions at the end of 1995 and 1996 at the same rates. Comparing the figures in the final accounts i.e. at variable rates, the change is only FIM 16 million. This difference resulted from the weakening of the Finnish markka against the Pound Sterling and US Dollar. Patria's net technical provisions stood at FIM 471 million at the year-end. Of the stop loss cover provided by the parent company Industrial Insurance, FIM 51 million was employed, leaving FIM 59 million.

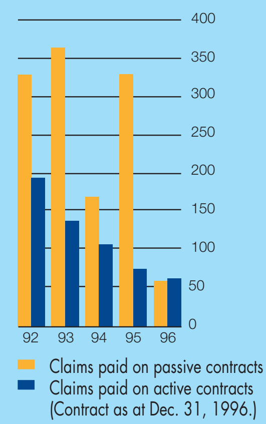
Claims paid during the financial year amounted to FIM 170 million, 54 million of

	ST International		Patria		Lakewood	
FIM millions	**1996**	1995	**1996**	1995	**1996**	1995
Turnover	**69.9**	69.6	**113.3**	73.1	**2.8**	1.3
Premiums earned	**3.6**	4.5	**0.9**	–2.1	**–0.5**	–4.5
Claims incurred	**–60.5**	18.7	**–86.3**	35.4	**0.3**	–1.3
Net operating expenses	**–4.7**	–4.9	**–4.7**	–5.6	**–1.6**	–0.1
Change in the equalisation provision	**13.3**	–	**–**	–	**–**	–
Balance on technical account	**–48.3**	18.3	**–90.1**	27.7	**–1.8**	–5.9
Net investment income	**48.2**	–20.5	**84.4**	15.4	**–0.7**	1.5
Other income and charges	**–**	–	**0.1**	–	**–**	–
Tax	**–**	–	**–**	–0.1	**1.2**	2.7
Profit/loss on ordinary activities	**–0.1**	–2.2	**–5.7**	43.0	**–1.4**	–1.8
Technical provisions, net	**260.7**	219.3	**470.8**	522.5	**35.1**	26.7
Balance Sheet total	**477.2**	462.7	**892.1**	893.2	**85.6**	79.1
Balance Sheet total at current values	**495.3**	480.6	**900.3**	897.8	**85.6**	79.1
Average no. of personnel	**20**	26	**18**	18	**5**	5

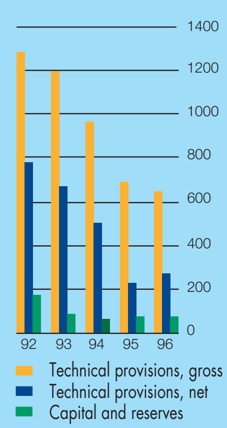
Number of ST International's active contracts



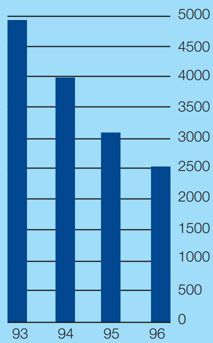
Foreign reinsurance claims paid by ST International, FIM m



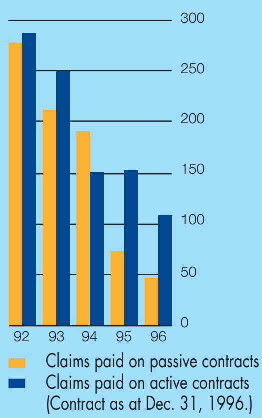
ST International's technical provisions and capital and reserves, FIM m



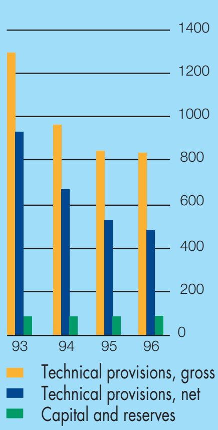
Number of Patria Re's active contracts



Foreign reinsurance claims paid by Patria Re, FIM m



Patria Re's technical provisions and capital and reserves, FIM m



which is accounted for by commuted reinsurance treaties.

Patria's operating expenses were FIM 4.7 million. Expenses allocated directly to claims settlement were FIM 13 million. This amount comprises management fees for those parts of the portfolio that fall outside Patria's own organisation, as well as investigation and lawyers' fees.

Patria's net investment income amounted to FIM 84 million. The net effect of changes in exchage rates at FIM 44 million compensated the increase in technical provisions denominated in Finnish markka that weakened the underwriting result. Patria's investments consist primarly of market money and debt securities. The main objective of investment operations is to avoid risks caused by changes in values and exchange rates, and to secure the company's liquidity.

ST International's gross technical provisions fell by FIM 68 million at fixed exchange rates. The gross technical provisions as in the accounts stood at FIM 641 million at the end of 1996, compared with FIM 667 million in 1995. Net provisions, or provisions on the company's own account, increased during the year under review. This is due to the fact that ceded reinsurance cover related to certain years has been commuted, after which the retrocessionaires have paid lump-sum compensations for the termination of their liabilities. ST International has exhausted the stop loss cover provided by its parent company, Sampo. The equalisation provision transferred to ST International in connection with the merger of Vastuu Ltd with ST International was eliminated in full.

ST International paid FIM 90 million in compensation for commuted treaties. The total amount of claims paid was FIM 130 million. Operating expenses stood at FIM 4.7 million, while directly allocated claims settlement expenses totalled FIM 5.1 million.

The distribution of ST International's investments is similar to that of Patria's. A major part of ST International's investments consists of debt securities and money-market instruments. Furthermore, ST International still owns the real estate transferred to it in conjunction with the Vastuu merger. Net investment income amounted to FIM 48 million, which includes FIM 15 million of net exchange rate gains. A value adjustment of almost FIM 3 million was made on ST International's holding in a London-based insurance broker company.

A London subsidiary, Lakewood, which is also a part of the Sampo Non-Life Group, continued to carry out its run-off operations as planned. The company's result was FIM 1.4 million in the red. Its technical provisions stood at FIM 158 million, of which FIM 35 million was on Lakewood's own account. Together with the London real estate company, Sampo 2 Seething Lane, Lakewood is part of the Sampo Holdings Group, whose remaining stock portfolio has now been transferred in full to Sampo Insurance Company Limited during the year under review.

The Outlook Remains Uncertain

After a long period of uncertainty, the London insurance market has gradually stabilised. The reinsurance liabilities of Lloyd's dating from 1992 and before are being run off by a company called Equitas.

It has been estimated that some 30 per cent of Patria's and just under 15 per cent of ST International's technical provisions consist of provisions for asbestos-related and environmental losses. But the allocation of retrocession and the losses incurred but not reported in the different groups of technical provisions makes such evaluations difficult.

The somewhat weak financial status of the run-off companies, combined with constant uncertainty regarding the adequacy of provisions for outstanding claims – with respect to old American liability losses in particular – provide the impetus for a continuous sharpening of operations. The core of our run-off activities revolves around a better and deeper knowledge of the portfolio, an effective focus on essential issues, and a more proactive approach in general.. With respect to a number of extant, financially significant matters, this coming financial year may be expected to yield solutions.

INVESTMENTS

The investment operations of all Sampo Group companies are guided through company-specific investment policies. Operative implementation of the Sampo Non-Life Group's investment decisions is centralised in the Investments Unit. Each company has its own investments committee which supervises operative investment activities.

The current value of the Sampo Non-Life Group's investments was FIM 16.8 billion at December 31st, 1996. Of the total investment portfolio, interest-bearing instruments accounted for 33.3 per cent, shares for 42.7 per cent, and real estate investments for 24 per cent. Valuation differences on investments amounted to FIM 3,710 million.

The Helsinki Stock Exchange developed well in 1996, the Hex general index rising by as much as 46.5 per cent. The best performing sector was insurance and investment, whose index rose by almost 70 per cent. Measured in Finnmarks, the world stock exchange index gained almost 19 per cent.

The main reasons for the strong growth of the Helsinki Stock Exchange lay in the declining trend in interest rates, low stock valuation and expectations of improvement in company results in 1997. Foreign investors' interest in Finnish companies kept up during the year under review. International investors were clearly net buyers, especially in the early months of 1996.

However, stronger demand for shares did not attract companies to the issue market. The amount of risk capital raised during 1996 was only FIM 2.75 billion, which is significantly less than in the previous years.

The gradual easing of Finnish monetary policy that began in Autumn 1995, led to a decline in short-term interest rates. The Bank of Finland decreased its tender rate as many as six times in 1996, to three per cent. Long-term interest rates also showed a downward trend which lasted the whole year, except for a peak early in the year. Moderate wage settlements for 1996 and 1997, non-inflationary economic growth and a commitment to the EMU process have sustained investors' belief in the Finnish economy. Measured by the benchmark index, the bond yield was 12.9 per cent in 1996.

Non-Life Group's real estate portfolio 1996

	Area m^2	Current value FIM m	Vacancy rate %	Net yield/ potential %	Owner occupied %
Retail premises and offices	297,161	2,775.0	3.9	5.8	33.3
Industrial buildings and warehouses	81,385	268.0	12.5	9.0	0.0
Real estate overseas	2,939	144.4	0.0	7.1	35.0
Total	381,485	3,187.4	5.7	6.1	26.2
Residential buildings	67,231	489.0	0.5	5.2	2.5
Other buildings	2,876	50.3	0.0	4.8	100.0
Completed property portfolio	451,592	3,726.8	4.9	6.0	23.2
Undeveloped sites and development projects	7,464	275.1			
Acquisitions during the year	1,190	14.6			
Total	460,245	4,016.5			

An independent authorised real estate surveyor has valued the rents for the retail premises and offices occupied by Sampo, at an average of FIM 68 per m^2 per month (gross). The potential net yield ratio comprises the estimated rental income for vacant premises, at an average of FIM 37/m^2/month (gross).

The Emphasis is on Investment in Equities

The market value of equity investments rose by FIM 2,152 million in 1996 to FIM 7,161 million by year-end. The market value of investment equities was FIM 6,413 million, and that of equities in fixed assets FIM 748 million. The largest purchases were in shares of Valmet, Nokia, Kemira and Enso. FIM 299 million of realised gains on equities was entered as income; the largest transactions were the sales of some Nokia, UPM-Kymmene, Asko and Länsivoima shares. Dividend income from investment equities amounted to FIM 151 million. Dividend income including the avoir fiscal tax credit totalled FIM 211 million. FIM 226 million of value readjustments were entered in the year under review, mainly in the shares of Merita, Tamro and Asko.

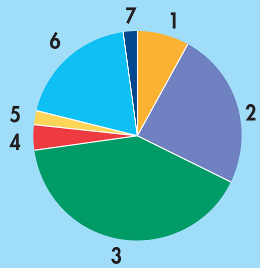
Investments in debt securities totalled FIM 3,174 million at the end of the year. The value of new investments in debt securities remained almost at the level of assets matured from the debt securities portfolio. Value adjustments on securities totalled FIM 55 million.

By adding the share of foreign investments into the securities portfolio, the Sampo Group spreads the risk and improves the risk/return ratio. At the end of 1996, FIM 295 million was invested in foreign equities, which represents four per cent of the total equity portfolio. A major part of the foreign equity investments has been made as direct investments in the main equity markets. These investments do not cover the technical provisions denominated in foreign currencies, and have not been hedged against currency fluctuations. At year-end, FIM 1,117 million was invested in foreign debt securities, FIM 335 million of which went through asset management agreements. Investments in foreign debt securities have been made to cover the technical provisions denominated in foreign currencies.

Client Financing

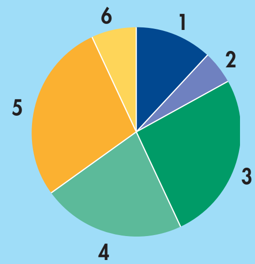
Demand for investment credits granted to clients was weak, although a slight increase was noted. FIM 77.5 million was

Investment portfolio
(at current values FIM 16,762 m)



1	Money-market instruments + Deposits	8.1%
2	Land and buildings	24%
3	Shares	40.6%
4	Credits	3.9%
5	Deposits with ceding undertakings	2.3%
6	Debt securities	18.9%
7	Holdings in real estate investment companies	2.2%

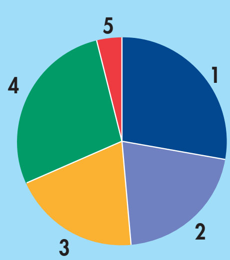
Debt securities
(at current values FIM 3,841 m)



1	Money market investments, FIM-denominated	12%
2	Money market investments, foreign currency-denominated	5%
3	Government bonds, FIM-denominated*	26%
4	Government bonds, foreign currency-denominated**	22%
5	Other bonds, FIM-denominated	28%
6	Other bonds, foreign currency-denominated	7%

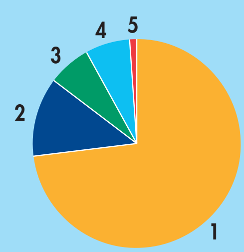
* Modified duration 3.2 ** Modified duration 3.5

Real estate portfolio
Regional distribution
(at current values)



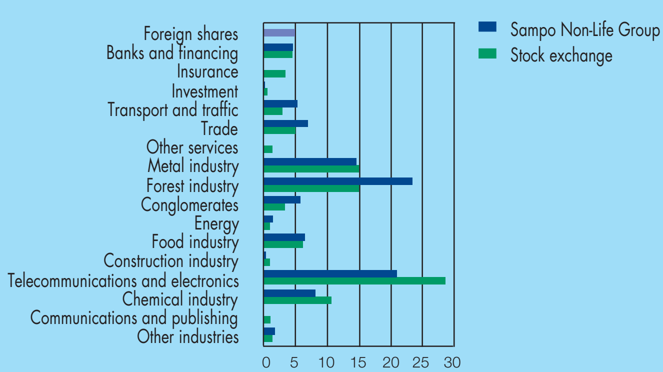
1	Central Helsinki	28%
2	Helsinki area	21%
3	Turku, Tampere	20%
4	Other parts of Finland	28%
5	Overseas	4%

Real estate portfolio
Distribution by use
(at current values)



1	Offices and retail premises	73%
2	Residential property	12%
3	Undeveloped sites and development projects	7%
4	Industrial buildings and warehouses	7%
5	Other	1%

Equity investments by industry, %



invested in capital funds. FIM 31 million was invested in shares and mezzanine capital, mainly to unlisted, medium-sized, expanding enterprises.

Real Estate Portfolio Decreased

Income from rents accrued from Sampo Non-Life Group's real estate portfolio increased during 1996, due to the rise in rents and occupancy rate, and the decrease in maintenance costs.

Real estate at a total value of FIM 144 was sold during the year under review. The most significant transactions were the sale of the office building at Bulevardi 10 in Helsinki, and that of all wholly-owned, state-subsidised residential real estate to Sato-Yhtymä Oy.

The occupancy rate of rented business premises improved in 1996. At year-end, the occupancy rate of business premises was 94.3 per cent, and that of the whole real estate portfolio 95.1 per cent.

The Sampo Non-Life Group occupies some 99,000 square metres of business premises for its own use. An independent authorised surveyor has valued the rents for these premises in market terms, at FIM 68 per square metre per month.

The open market value of real estates was decreased by FIM 320 million. FIM 46 million of book value adjustments were taken into the Profit and Loss Account.

FIM 47 million was invested in new real estate, and in the development and renovation of the existing buildings. The most important investments were the launch of the Sinebrychoff project on Bulevardi in Helsinki, and a 38 per cent share of the real estate development project, Kiinteistö Oy Piitalo in Vantaa.

On January 1st, 1997, the technical maintenance of the Sampo Non-Life Group's real estate was transferred to the operative responsibility of Kiinteistövarma Oy. Kiinteistövarma Oy is wholly owned by the Sampo Group, Pension-Varma, Nova, and Enterprise Fennia, and is in charge of the technical maintenance of the real estate portfolios of its owners. The target is to develop the quality of maintenance operations and improve cost-effectiveness.

SAMPO LIFE INSURANCE

Insurance saving has increased significantly in Finland. Kaleva Mutual Insurance Company's premiums written increased by 90 per cent in 1996, to almost FIM 1,710 million. Sampo Group responded to strong growth in the life insurance market with the new Sampo Life Insurance Company, which commenced operations on January 1st, 1997.

Life Insurance Development in Finland

Life insurance business has been practised in Finland for more than 150 years, at first only by foreign companies. The first Finnish life insurance company, Kaleva, was founded in 1874. The following decades saw other domestic companies join the market alongside Kaleva, and foreign companies had left altogether by the start of First World War.

In an independent Finland, life insurance business in the hands of domestic companies has faced many challenges. The interest crisis along with the Thirties' depression and high post-war inflation were particularly damaging. The crumbling of the purchase value of insurances taken out for future security caused generations to lose faith in long-term insurance saving. Hence bank deposits quickly took back market shares lost to life insurance saving prior to the Second World War.

Life insurance business development has also been slowed down by Finland's now seemingly inappropriate conception of social security, arranged by society and employers, as a cornerstone of which an internationally unique employment pension system was built in the 1960's. Interest in the voluntary life and pension insurances that complement social security, and in their development, remained modest until halfway through the 1980's among both enterprises and private individuals. Almost the only exception is the employees' group life assurance that was added into collective labour contracts at the end of the 1970's.

Life insurance business did not become significantly active until the late 1980's. Repeated tax reforms concerning life insurance drove true breakthroughs in insurance savings. Bank savings, subsidised by different tax reliefs, maintained at 60 per cent an unusually large share – from an international perspective – of people's total savings. Correspondingly, insurance savings and life insurance business in Finland has in general remained exceptionally undeveloped among the industrial countries, until now.

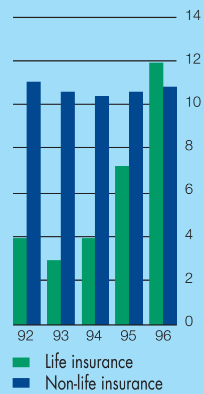
The Breakthrough Year

The capital income tax reform in 1993 followed by the gradual removal of bank deposit tax reliefs, banks entering the life insurance market, and declining interest rates have provoked an unparalleled increase in life insurance take-up. In three years, life insurance premiums written have quadrupled. By 1996, Finnish companies' premiums written had risen to FIM 12 billion, for the first time exceeding premiums written in non-life insurance. Growth over 1995 was more than 65 per cent and in itself marks an historic breakthrough in life insurance business and insurance savings.

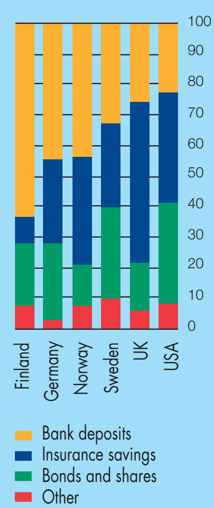
In 1996, premiums written were mainly grown by single premium endowment policies and capital redemption policies, which together accounted for around two-thirds of gross premiums written. Banks succeeded in channelling a significant amount of accrued time deposits to their own newly founded life insurance companies. The market share of insurers owned by banks rose to 40 per cent during the year under review, and in single premium endowment policies to over 50 per cent.

The popularity of voluntary pension insurances increased. Premiums written on enterprises' and private persons' individual pension insurances increased to almost FIM 1.7 billion, over 40 per cent up on the previous year. Premiums written on group pension insurance directed solely

Development of life and non-life insurance premiums written, FIM billion

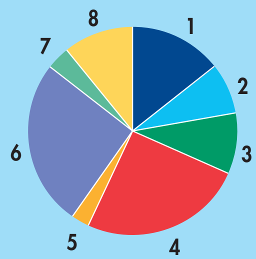


Distribution of savings markets 1994*



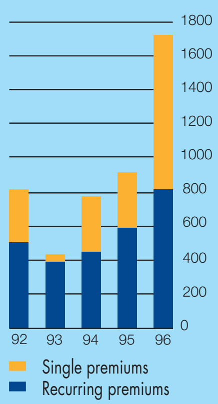
* Source: Enskilda research

Life insurance market shares 1996

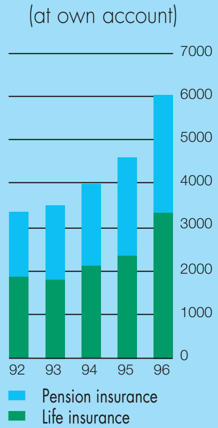


1	Kaleva	14.4%
2	Nova	7.9%
3	Tapiola Life	9.5%
4	Suomi-Salama	25.1%
5	Verdandi, Liv-Alandia	3.0%
6	Merita Life	25.8%
7	Leijona	3.5%
8	Aurum	10.9%

Premiums written by Kaleva, FIM m



Kaleva's technical provisions, FIM m
(at own account)



at companies descended from 1995's exceptional FIM 3.0 billion to around FIM 1.1 billion.

Although the demand for unit-linked insurances increased to some degree, their premiums written remained modest at around FIM 100 million. A few foreign insurers with active operations in Finland achieved marginal significance beside Finnish companies.

Life Insurance Growth Continues

It is generally believed that the strong growth of life insurance business will continue far into the next millennium, although at a slower pace than in recent years. This argument is usually advanced for three key national, economic and demographic reasons.

Private citizens still have about FIM 200 billion in bank deposits, which attract an average interest rate of two per cent. A significant proportion of these depositors will most likely seek better yielding investments in the near future, such as life insurance savings. The banks' own life insurance companies are in pole position to accelerate this trend. The planned lowering of bank deposits' state guarantee from 100 per cent to FIM 150,000 per depositor and per bank group, if realised, will increase at least major depositors' interest in other investment alternatives.

A new, so-called generation of heirs has formed in Finland. The age groups that rebuilt Finland after the war are now transmitting their private wealth, mainly based on housing and real estate, to succeeding generations. This phenomenon, which in Sweden began over 20 years ago, probably means in practice that new investments will be increasingly directed to financial wealth creation, and therefore also to insurance savings. This development is strengthened by a simultaneous tendency to move from property owner-occupation to rental.

The long economic depression in Finland and forecasts that the unemployment rate will remain permanently above 10 per cent, sets limits to the development of social security financed by society, or even to maintaining current structures. In addition, the rapid ageing of the population creates special challenges to our social security system that has until now worked well. It is likely that in Finland, too, as in central EU countries, an even larger proportion of social security that exceeds basic security remains to be restructured and then financed by citizens themselves. This kind of development represents an excellent opportunity for life insurance companies, which at the same time requires new kinds of product innovation to meet the individual needs of an ageing population.

Sampo Life is Founded

Recent years' developments in life insurance came as no surprise to Sampo Group. In connection with structural arrangements for non-life insurance, Sampo has for several years aimed at finding a life insurance business model that would enable the Group's full participation in the strongly growing life insurance market. Kaleva's mutual company structure is not sufficiently well suited to strengthening its own capital and solvency as is required for growth.

In Spring 1996, it became obvious that a short-term solution could not be found to secure capital, as well as integrate the business and resources of Kaleva and Sampo's associated undertaking Nova Life Insurance Company Limited. Following the structure arrangement described later in this report, Nova will continue as the main life insurance company for Industrial Insurance clients.

According to the plan approved by Kaleva's administrative body in Autumn 1996, a new Sampo Group life insurance company was founded, Sampo Life Insurance Company Limited, of which the Sampo Non-Life Group owns 80.5 per cent and Kaleva 19.5 per cent. As a central part of the structure arrangement, Kaleva ceded its pension insurance business and Industrial Insurance its foreign reinsurance business to the new company at the beginning of 1997. At the 1996 year-end, the technical provisions of the transferred pension insurance portfolio amounted to FIM 2,640 million, and those of the

Sampo Life Insurance

reinsurance portfolio to around FIM 270 million.

In addition to the transferred business, Sampo Life also started to sell endowment policies at the beginning of 1997, and a Group Optimi product for enterprises. Kaleva continues active business by marketing the Group Sampo product providing basic family security to employee organisations' members. In addition, Kaleva handles the portfolio of life insurance and endowment policies sold before January 1st, 1997. Kaleva no longer sells new endowment policies. The technical provisions of the life insurances remaining in Kaleva amounted in the final accounts to around FIM 3,400 million. Kaleva has about 300,000 policy holders.

A proportion equivalent to the pension insurance share of the combined technical provisions of Kaleva's investment portfolio, analysed by property class, was transferred to Sampo Life at the beginning of 1997. However, Sampo Insurance Company's A and B shares owned by Kaleva remained wholly in Kaleva.

Kaleva pension insurance policyholders transferred to Sampo Life will be paid compensation for their having had ownership and rights attached thereto in a pension insurance company. The total sum of the compensation to be paid to about 30,000 policyholders is estimated at FIM 30 million.

Kaleva Operations in 1996

Kaleva's direct insurance premiums written increased almost 90 per cent to FIM 1,709 million, of which single premiums written accounted for FIM 880 million. The focus of Kaleva's 1996 business has fallen on recurring premium life and pension insurances, for which the proportion of premiums written was greater than the industry average.

Kaleva's market share, calculated from total premiums written in the business according to preliminary information, stood at 14.4 per cent compared to 1995's 12.3 per cent. The greatest growth was in individual life insurances, premiums written for which more than doubled to in excess of FIM 1,180 million. The sales of single premium endowment policies in particular showed significant growth, following the general development of the industry as a whole.

The combined premiums written for voluntary pension insurances was around FIM 390 million, which is a third more than the previous year. Private individuals' pension insurances developed most favourably with premiums written at FIM 215 million. Pension insurance premiums written for enterprises stood at FIM 175 million, of which only FIM 15 million was in the form of group pension insurances. Kaleva's market share of individual pension insurances was more than 22 per cent.

The combined premiums written of group life insurances and accident insurances increased by one fifth to FIM 140 million. The increase in the pool share from employees' group life insurance relevant to Kaleva accounted for most of the growth.

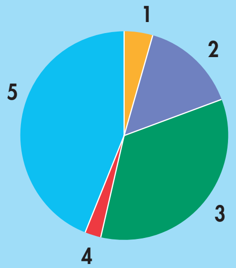
Premiums written for the unit-linked Fund Optimi product still remained modest at FIM 7 million. However, interest in the product is clearly rising, and the number of fund alternatives offered was increased at the beginning of 1997.

It was a successful year for Kaleva's investment business. The net income of parent company investments was FIM 374 million, an almost 60 per cent gain on the previous year. In addition, the valuation differences attached to investments doubled during the financial year to FIM 700 million.

At the end of the year under review, the market value of Kaleva's investment portfolio was almost FIM 6.6 billion, one third larger than the previous year. Investments comprised 51 per cent interest-bearing instruments, 34 per cent equities and 15 per cent land and buildings.

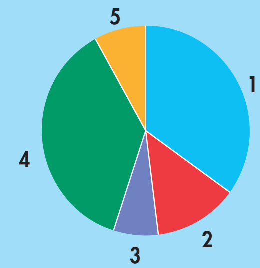
New investments totalled around FIM 1.6 billion net. Raising the proportion of equity investments and foreign investments aims at raising long-term income levels and improving the risk/return ratio of the investment portfolio. During 1996,

Kaleva's investment portfolio, Dec. 31, 1996
(at current values FIM 6,572 m)



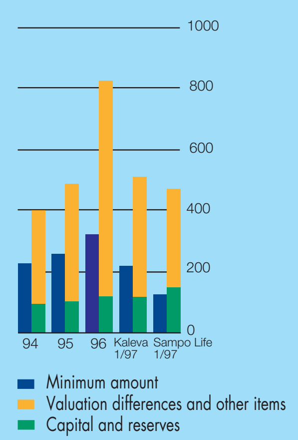
1	Market money	4.5%
2	Land and buildings	14.9%
3	Shares	34.1%
4	Credits	2.7%
5	Debt securities	43.8%

Distribution of Kaleva's foreign investments, Dec. 31, 1996
(at current values FIM 1,156 m)



1	Debt securities	35.3%
2	Interest and equity funds	12.4%
3	Land and buildings	7.1%
4	Shares	37.3%
5	Index-linked debt securities	7.9%

Solvency margin, FIM m



almost FIM 700 million was invested in foreign securities markets, and the proportion of foreign investments of the whole investment portfolio rose to 18 per cent. Furthermore, Kaleva's new domestic investments were mainly directed at equities and debt securities.

Kaleva Mutual Insurance Company

FIM '000	**1996**	1995
Profit and Loss Account, Jan. 1 – Dec. 31		
Premiums written	**1,709.2**	902.6
Reinsurers' share of premiums written	**–29.0**	–18.8
Investment income	**572.0**	446.7
Claims incurred	**–554.7**	–518.9
Change in the provision for unearned premiums	**–1,340.9**	–497.7
Operating expenses	**–151.5**	–134.2
Investment charges	**–197.9**	–211.8
Other charges	**–1.2**	–0.8
Technical result	**6.1**	–32.8
Other income and charges	**–2.5**	–2.5
Tax	**–9.6**	–5.9
Final accounts items	**27.2**	57.2
Profit for the financial year	**21.2**	16.0
Balance Sheet, Dec. 31		
Intangible assets	**17.8**	19.6
Investments	**5,830.6**	4,475.3
Debtors	**70.6**	84.7
Other assets	**85.7**	109.4
Prepayments and accrued income	**211.8**	150.2
Assets in total	**6,216.4**	4,839.2
Restricted capital and reserves	**51.0**	51.0
Non-restricted capital and reserves	**75.1**	58.9
Untaxed reserves	**25.6**	52.8
Technical provisions	**6,005.4**	4,560.4
Creditors	**13.5**	68.1
Accruals and deferred income	**45.8**	48.1
Liabilities in total	**6,216.4**	4,839.2

Kaleva's land and building holdings are mostly centrally located retail and office premises. The potential net income from this item was 7.4 per cent calculated at current values. The vacancy rate stood at 6.2 per cent at the turn of the year. Rentals have continued to grow during the early months of 1997.

Kaleva's claims incurred increased by 7 per cent over 1995 to FIM 555 million. Of the claims incurred, surrenders accounted for FIM 125 million, and other claims paid – without accounting for claims settlement expenses – totalled FIM 330 million. The loss ratio of the actual risk business remained good as in previous years.

Kaleva's net operating expenses stood at FIM 151 million, up 13 per cent on 1995. Because of a strong growth in volume, the acquisition and handling costs of insurances increased in particular. To adjust net operating expenses for loading income from insurances, sales bonuses and costs charged to insurances were corrected. The parent company employed an average of 139 people in 1996. Kaleva's personnel dropped to 37 following the rearrangement of business at the beginning of 1997.

Kaleva Life Group's performance was at least satisfactory and profit for the financial year amounted to FIM 17.2 million. In the parent company, the after-tax profit for the financial year was FIM 21.2 million. In addition, property valuation differences increased significantly. The income level of the total capital bound to the company rose to 12.6 per cent.

The additional benefits and bonuses granted to policyholders totalled FIM 127 million in 1996, of which FIM 113 million went on insurance savings' bonuses. The average amount of bonus granted for the whole insurance portfolio was 2.4 per cent, and at its highest 2.7 per cent. The 7 per cent total bonus, including 4.5 per cent calculated interest, was highly competitive.

Kaleva's solvency developed favourably. The solvency margin at the end of the financial year stood at FIM 818 million, which is FIM 500 million above the required minimum. Including the equalisation provision, Kaleva's solvency capital was around FIM 900 million or 15.2 per cent of the company's net technical provisions, calculated without equalisation provision.

Prospects

The focus of Sampo's life insurance attention in the near future will fall on Finland, where our main competitors are also to be found. The most important target group is the more than one million non-life clients of Private Sampo and Sampo Enterprise. Sampo staff working in the national office network constitute the most important sales and service channel for life insurances. The active supply of products is complemented by Sampo Life's own sales organisation of fifty skilled staff, which concentrates entirely on life and pension insurances and is mainly decentralised.

Competition in life and pension insurances will be mainly between Sampo and the life insurance company of a client's banking group, and is rapidly extending from households to enterprise sector clients. The banks' detailed information on clients' financial situations is an undeniable competitive advantage, whereas Sampo's life insurance companies can offer more versatile product selection, broad insurance know-how, and most especially, proof of successful investments.

Life insurance is Sampo's central growth area, and we are prepared to expend significant amounts of capital and solvency developing this line. Both top management and Sampo's whole organisation is committed to this strategic vision. Within the framework of the renewed structure, Sampo's competitiveness in the growing Finnish life insurance market is on the whole good.

STATUTORY EMPLOYMENT PENSION INSURANCE

Insurance Company Sampo Pension Ltd is an employment pension company whose clients are entrepreneurs and enterprises, employees and other parties receiving pension. In handling statutory employment pension security, Sampo Pension is responsible for insurance and claims settlement services, and for safe and profitable investment business. Sampo Pension Group comprises not only Sampo Pension, but as subsidiaries and associated undertakings, 120 housing and real estate companies and two other companies.

Sampo Pension's premiums written increased by 10 per cent to almost FIM 5.2 billion in 1996. The growth in premiums written was effected by a half per cent increase in the TEL (Employees' Pensions Act) contribution percentage, and an estimated 6.5 per cent increase in the total of salaries paid on which the charge is based.

The result from investments and administrative costs during the year under review was over FIM 160 million better than the previous year at around FIM 279 million. Of this sum, around FIM 187 million was used on improving solvency, and the rest for our TEL clients by returning FIM 92 million as bonuses or premium reductions.

In 1996, the operational environment for investments was favourable thanks to a rise in stock exchange indexes and falling interests. The net income from investment increased by 17 per cent to over FIM 1.6 billion from the previous year's FIM 1.4 billion.

Nowadays, nearly half of Sampo Pension's investment portfolio is held in government bonds, almost the only investment possible due to the weak demand for client and premium loans.

At the end of the year under review, the legislation governing pension companies' investments was altered so that they can now, in greater proportions than before, decentralise employment pension funds to different targets e.g. shares. Due to this change in the law, the solvency requirements of employment pension companies grow for instance, and the whole solvency control mechanism is renewed.

The legislation attached to the administration of employment pension insurance companies is also in the process of being modified, based on a bill presented by government appointed assessor, Matti Louekoski, in June 1996. The goal is, among other things, to secure the independence of employment pension companies' investment business. In addition, the law takes a stand on employment pension companies buying shares in other pension companies or in credit or financing establishments. The law also specifies qualification requirements for an employment pension company's managing director and board members.

Pension Insurance Comes from Co-operation

Employment pension companies need a nationwide, versatile and effectively running distribution network to serve present and future clients. Sampo Pension's service is run inside Sampo Group's comprehensive service for its nationwide service network: our clients can handle their pension, life and non-life insurance matters at Sampo offices all over Finland.
Almost all people insured by Sampo Pension work in companies whose other insurance security needs are fulfilled by Sampo Enterprise, Private Sampo or Industrial Insurance. Non-life insurance companies often operate in the same locality as the client and are therefore near at hand for employment pension insurance. So we can offer a smooth and effective overall service to all our clients, both enterprise and the self-employed, as well as employees and pensioners.

Individual Service

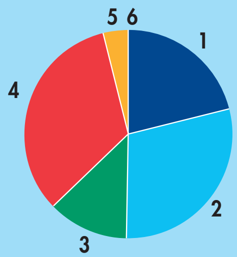
High-quality service occupies a central position at Sampo Pension. The goal is to build a service whole best suited to the client company together with that client, taking account of each client's special wishes. During the year under review, Sampo Pension together with Private Sampo and Sampo Enterprise put particular development effort into employment

Insurance Company Sampo Pension Ltd

FIM millions	**1996***	1995
Turnover	**6,854.7**	6,559.5
Gross premiums written	**5,236.1**	4,752.1
Claims incurred	**4,813.2**	4,474.2
Operating expenses	**150.5**	137.2
Net investment income	**1,629.1**	1,385.1
Direct net investment income	**1,480.2**	1,412.3
Technical provisions	**25,922.0**	23,535.2
Balance Sheet total at current values	**28,439.5**	24,915.0
Solvency margin required under the Finnish Insurance Companies Act	**2,462.8**	1,223.1
Average no. of personnel	**275**	276

* The figures are unaudited.

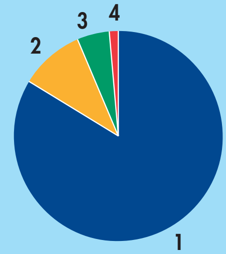
Pension insurance companies' market shares*, 1996



1	Sampo Pension	21.2%
2	Pension-Varma	29.1%
3	Tapiola Pension	12.4%
4	Ilmarinen	33.5%
5	Verdandi	3.5%
6	Pensions-Alandia	0.3%

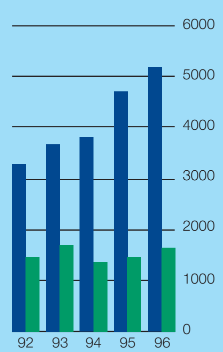
* Projection. Comprises statutory TEL (Employees' Pensions Act) and YEL (Self-Employed Persons' Pensions Act) pension schemes.

Primary non-life insurers of Pension Sampo clients
(calculated by number of employees)



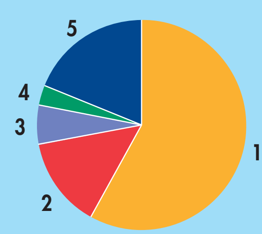
1	Sampo Enterprise	83.5%
2	Industrial Insurance	10.0%
3	Private Sampo	5.0%
4	Other	1.5%

Premiums written and net investment income, FIM m



TEL and YEL premiums written
Net investment income

Investment portfolio, Dec 31, 1996
(at current values)



1	Debt securities	58%
2	Land and buildings	14%
3	Shares	6%
4	Investment loans	3%
5	Premium bond loans	19%

pension insurance services for small and medium-sized companies.

Sampo Pension serves its clients according to their needs. Near the end of the year, clients get an estimate of the following year's preliminary TEL payments to ease up their budgeting. At the turn of the year and at any time on request, self-employed persons receive a precise calculation of benefits and costs bound to their earnings. Clients also get information on different pension alternatives and the amount of pension applied in different circumstances. Enterprises receive estimates of the potential costs incurred by pensions.

Sampo Pension is involved in the "Work Ability for Tomorrow" project, instituted by the Federation of Employment Pensions Institutions, which was launched at the beginning of the year under review. The project's goal is to activate employers' efforts to secure and maintain personnel's ability to work, and therefore support working potential and the ability to continue to secure employment. Sampo Pension's experts have offered client companies education and advice during the year, and have discussed the importance and maintenance of working ability with client companies' representatives.

MANAGEMENT OF THE SAMPO GROUP

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Managing Director of Sampo
Jouko K. Leskinen*

Managing Director, Private Sampo
Deputy Managing Director of Sampo
Hannu Kokkonen*

Managing Director, Industrial Insurance
Deputy Managing Director of Sampo
Juha Toivola*

Managing Director, Sampo Enterprise
Juhani Vesterinen*

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Martti Porkka*

General Manager, Group Finance
Kari Ola*

General Manager, Planning
Juhani Kangas*

General Manager, International Operations
Eero Holma*

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Matti Ruohonen*

Managing Director, Otso
Veli Kalle Tavakka

Managing Director,
Insurance Company of Finland
Antti Savolainen

Managing Director, Sampo Pension
Markku Hyvärinen

* Belongs to the Sampo Non-Life Group Board of Management

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Hannu Kokkonen

Juha Toivola

Juhani Vesterinen

Matti Rantanen

Martti Porkka

Kari Ola

Juhani Kangas

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Matti Ruohonen

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These stockbrokers and investment analysts assessed Sampo as an exciting investment opportunity in 1996.

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- Itäkeskus
- Kannelmäki
- Malmi
- Mannerheimintie
- Sörnäinen

Huittinen
Hyvinkää
Hämeenlinna
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Ikaalinen
Imatra
Joensuu
Jurva
Jyväskylä
Jämsä
Järvenpää
Kajaani
Kangasala
Kankaanpää
Kauhajoki
Kemi
Kemijärvi
Kerava
Keuruu
Klaukkala
Kokemäki
Kokkola
Kotka
Kouvola
Kuopio
Kuusamo
Lahti
Laitila
Lappeenranta
Lapua
Lieksa
Lohja
Loimaa
Loviisa
Mikkeli
Mänttä
Nokia
Nummela
Närpiö
Oulu
Paimio
Parainen
Pieksämäki
Pietarsaari
Pori
Porvoo
Raahe
Raisio
Rauma
Riihimäki
Rovaniemi
Saarijärvi
Salo
Savonlinna
Seinäjoki
Somero
Suonenjoki
Tammisaari
Tampere
Toijala
Tornio
Turku
- Yliopistonkatu
- Hämeenkatu

Uusikaupunki
Vaasa
Valkeakoski
Vammala
Vantaa
- Tikkurila
- Myyrmäki

Varkaus
Virrat
Ylivieska
Ähtäri
Äänekoski

Service points
- Orivesi
- Viitasaari

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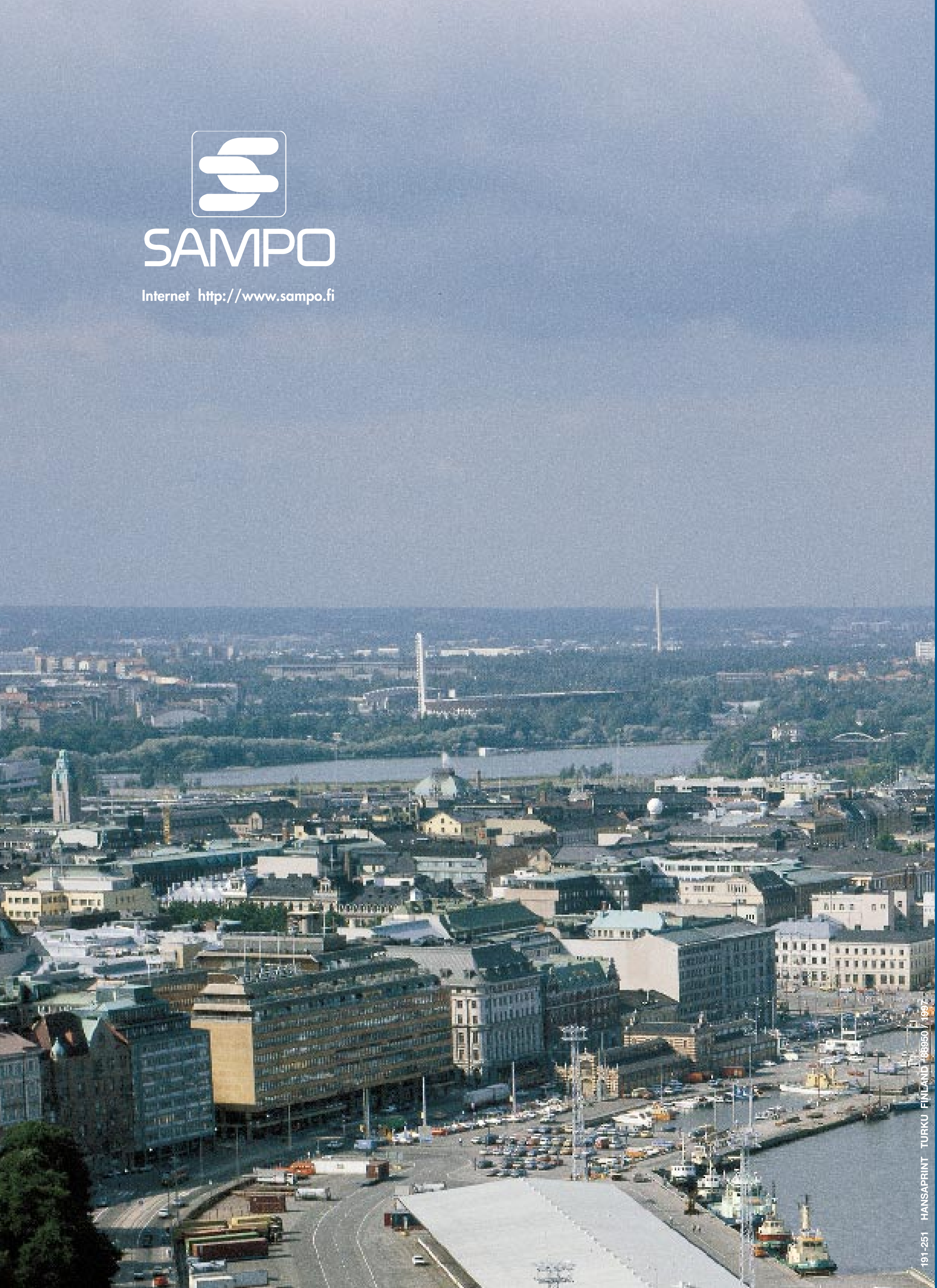

SAMPO

Internet http://www.sampo.fi

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