







### *Information to shareholders*

#### *Shareholders' meeting*

The Annual General Meeting of Pohjola Insurance Company Ltd. will be held on Tuesday, April 28, 1998 at 4 p.m. in the company's head office at Lapinmäentie 1, Helsinki. Shareholders are requested to give notice of attendance by Friday, April 24, 1998 at 4 p.m. either in person at Lönnrotinkatu 5, Helsinki, by letter to Pohjola Insurance Company Ltd., Share Register, P.O. Box 1068, 00101 Helsinki, or by telephone +358 10 559 6771 or +358 10 559 6830.

#### *Payment of dividend*

According to the proposal by the Board of Directors, the dividend confirmed by the Annual General Meeting will be paid to shareholders who, by the record date May 4, 1998, have been entered as shareholders in the shareholder register kept by the Finnish Central Securities Depository Ltd. The date of dividend payment is May 7, 1998.

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

#### *Stock exchanges*

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

#### *Financial information*

Pohjola publishes its Annual Report in Finnish and in English in April and its Interim Report for January to June in August.

Annual Accounts Bulletin 1997  
Friday, March 6, 1998

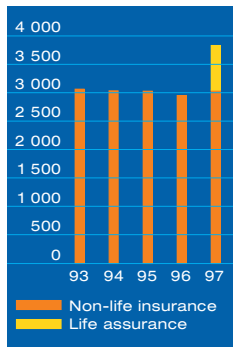
Annual Report 1997  
Monday, April 20, 1998

Interim Report January 1 to June 30, 1998  
Friday, August 28, 1998

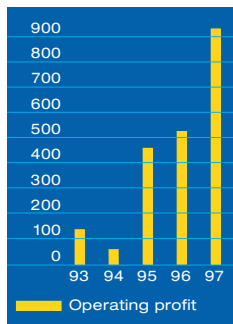
### *Contents*

<b>POHJOLA</b>	
Pohjola in brief	4
Review by the President and CEO	5
Pohjola share	6
Non-life insurance	10
Reinsurance and foreign insurance	12
Life assurance	14
Staff	17
Investments	18
Employment pension insurance	22
<b>ANNUAL ACCOUNTS</b>	
Report by the Board of Directors	24
Statement of source and application of funds	33
Profit and loss account	34
Balance sheet	36
Notes on the accounts	38
Auditors' report	66
Definition of key ratios	67
<b>ADMINISTRATION</b>	
Board of Directors	68
Supervisory Board	68
Auditors	69
Senior management	69
<b>THE POHJOLA GROUP</b>	
Highlights	71
Corporate structure	72
Investment portfolio	74
Shareholdings	75
At home	76
Abroad	77
Contact data	78

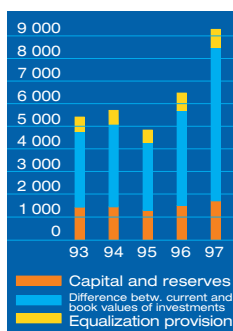
Gross premiums written  
FIM million



Operating profit  
FIM million



Solvency capital  
FIM million



Pohjola with subsidiaries in brief

		1993	1994	1995	1996	1997
<b>Gross premiums written</b>						
Non-life insurance	FIM million	3 110	3 041	3 015	2 958	3 076
Life assurance	FIM million					705
Operating profit	FIM million	131	61	461	526	929
<b>Key ratios</b>						
<b>Non-life insurance</b>						
Loss ratio	%	103	92	88	95	94
Combined ratio	%	123	111	108	117	115
Solvency ratio	%	196	218	189	251	267
<b>Life assurance</b>						
Solvency ratio	%					26
Average number of employees		2 512	2 533	2 359	2 255	2 816
Earnings/share	FIM	2.19	-0.47	5.03	7.32	13.63
Dividend/share	FIM	1.00	1.00	1.50	2.00	3.00 <sup>1)</sup>
Net asset value/share	FIM	119.99	126.18	107.72	144.27	200.64
Return on equity at current values	%	33.84	6.02	-13.37	30.16	28.39
<b>Adjusted share price on Dec. 31</b>						
Series A	FIM	83.96	64.17	58.67	108.71	202.00
Series B	FIM	82.76	52.16	54.63	103.63	200.88

<sup>1)</sup> Proposed by the Board of Directors

*1997 was an important year in the history of Pohjola. The business operations of the listed company Pohjola were extended into life assurance through the purchase of Salama Life Assurance Company Ltd., which was later renamed Pohjola Life, and through the purchase from Suomi Mutual Life Assurance Company of its rights to sell new household life assurance. In this way Pohjola's solvency capital was put to more efficient use.*

The company's Supervisory Board was abolished and the earlier internal Board of executive directors was replaced by non-executive directors nominated by the major shareholders. All in all, 1997 brought a transition to a genuinely shareholder-value-oriented management culture in Pohjola.

Shareholders and investors took a very positive view of these changes, as can be seen in

“ALL IN ALL, 1997 BROUGHT A TRANSITION TO A GENUINELY SHAREHOLDER-VALUE-ORIENTED MANAGEMENT CULTURE IN POHJOLA.”

the strong rise in the Pohjola share price, a rise that was well above the general trend.

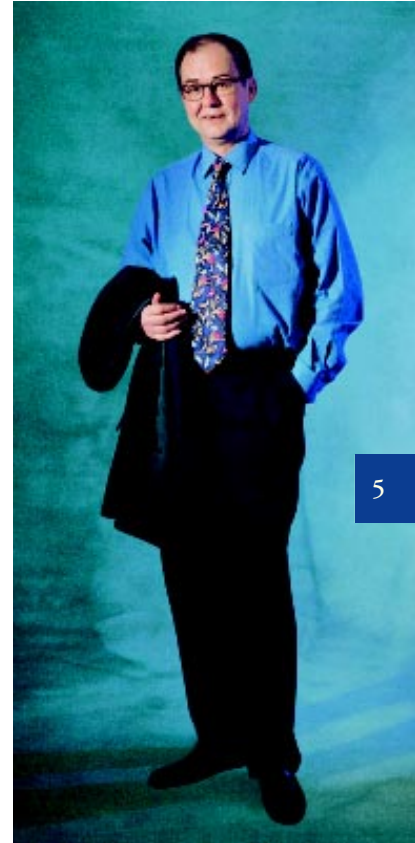
The shareholder-value-oriented management culture will continue in Pohjola this year. The market needs to receive transparent, high-quality information about how to determine the correct value of Pohjola. This will include further clarification of the company's structure. The non-life business, field operations, IT applications development and data processing will be converted into separate companies. Together with the change in the role of the business areas, strategies will be realigned to better serve the owners' financial goals.

The aim of these measures is to improve conditions in order to give the owners the highest possible added value. This must be

the primary aim for a shareholder-value-oriented insurance company in both its insurance and its investment activities.

Apart from an increase in the number of major losses, 1997 was a positive year for non-life insurance. Premiums written rose by 4% and the result was satisfactory, though admittedly the year's targets were not attained. There are good opportunities for a further improvement in profitability, e.g. as a result of decisions concerning statutory insurance. In the long term, the changes made in the bases used to calculate technical provisions will also improve profitability. The goal of 105% for the combined ratio is attainable.

Whereas Pohjola Life's premiums written in the first six months of the year did not quite meet expectations, the expected result for the year as a whole was achieved. Despite the lower-than-expected volume, good preconditions for strong growth over the longer term still exist. Merely reaching the average European level would mean increas-



ing volume many times over. Growth can only be slowed down by the continuing debate on restricting the tax deduction rights of pension insurance payers. It is difficult to find justifiable grounds for such a restriction. The need to supplement one's pension security is obvious, and pension insurance, as is reasonable, is now taxed only once, while future pension payments are taxable income.

My warmest thanks to our shareholders, customers, administrative bodies and colleagues for an eventful year.

Iiro Viinanen

*The price trend for Pohjola shares was better than the general market trend. Turnover was 59%, earnings/share were FIM 13.63 and consolidated net asset value/share was FIM 200.64. Pohjola has 7 010 shareholders.*

#### SHARE CAPITAL

Pohjola's share capital totals FIM 203 550 000. In accordance with the Articles of Association, the company's minimum authorized capital is FIM 162 840 000 and the maximum authorized capital FIM 651 360 000.

#### SHARES

The shares are divided into Series A and B. All shares provide equal rights to the company's assets and profits. The nominal value of the shares is FIM 5. A-shares have ten votes per share; B-shares one vote. A Series A share can be converted into a Series B share at the request of the owner of the A-share. As at December 31, 1997, a total of 342 252, i.e. 1.66 per cent, of Series A shares had been converted into Series B shares.

At a shareholders' meeting, anyone may for himself or authorized by someone else vote with a maximum of one tenth of the total number of votes represented at the meeting. If several companies of the same group are shareholders, the voting restriction applies to the total of the votes of these companies.

#### AUTHORIZATIONS OF THE BOARD OF DIRECTORS

The company's Board of Directors is not currently authorized to issue shares, convertible bonds or warrants.

#### STOCK EXCHANGE QUOTATION AND TURNOVER

Pohjola's shares are quoted on the Helsinki Exchanges.

The price development of the shares was better than the general development in the market. A total of 24.0 million Pohjola shares (22.8 million shares in 1996) worth FIM 3 892 million (FIM 1 905 million) were traded on the Helsinki Exchanges. The turnover of shares was 59% (56%).

At year-end, the market capitalization of the Pohjola stock of shares was FIM 8.2 billion (FIM 4.3 billion).

#### EARNINGS/SHARE

Consolidated earnings/share totalled FIM 13.63 (FIM 7.32).

The consolidated net asset value rose to FIM 8.2 billion (FIM 5.9 billion), i.e. to FIM 200.64 (FIM 144.27) per share.

#### PROPOSED DIVIDEND

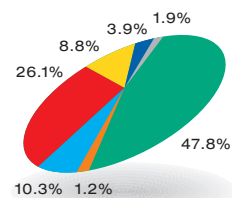
The company's Board of Directors proposes that FIM 3.00 per share, i.e. a total of FIM 122 130 000, be distributed in dividend.

According to the proposal of the Board, the dividend confirmed by the Annual General Meeting can be drawn by shareholders as of May 7, 1998, the date of dividend payment.

### Share capital on December 31, 1997

	Share capital	Number of shares	Percentage of share capital	Percentage of votes
	FIM			
Series A	101 488 740	20 297 748	49.86	90.86
Series B	102 061 260	20 412 252	50.14	9.14
Total	203 550 000	40 710 000	100.00	100.00

Shareholdings on December 31, 1997

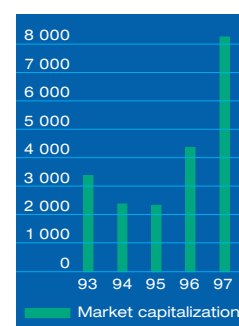


### Breakdown of shareholdings by sector on December 31, 1997

	Shareholders				Shares				Total		Votes	
	Series A		Series B		Series A		Series B		Number	%	%	%
	Number	%	Number	%	Number	%	Number	%				
Private enterprises	103	2.2	210	3.7	3 669 752	18.1	508 050	2.5	4 177 802	10.3	16.7	
Public enterprises	4	0.1	4	0.1	319 240	1.6	159 820	0.8	479 060	1.2	1.5	
Financing and insurance institutions	14	0.3	38	0.7	8 772 824	43.2	1 853 439	9.1	10 626 263	26.1	40.1	
Public corporations	22	0.5	34	0.6	2 963 107	14.6	621 170	3.0	3 584 277	8.8	13.5	
Non-profit corporations	98	2.1	139	2.4	445 104	2.2	331 717	1.6	776 821	1.9	2.1	
Households	4 417	94.1	5 179	91.7	815 615	4.0	793 675	3.9	1 609 290	3.9	4.0	
Foreign owners incl. nominee registrations	36	0.7	44	0.8	3 294 667	16.2	16 134 436	79.0	19 429 103	47.7	22.0	
Shares not yet transferred to book-entry system	-	-	-	-	17 439	0.1	9 945	0.1	27 384	0.1	0.1	
Total	4 694	100.0	5 648	100.0	20 297 748	100.0	20 412 252	100.0	40 710 000	100.0	100.0	

- Foreign owners incl. nominee registrations
- Public enterprises
- Private enterprises
- Financing and insurance institutions
- Public corporations
- Households
- Non-profit corporations

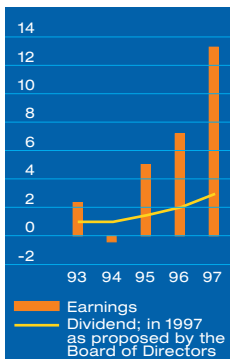
Market capitalization FIM million



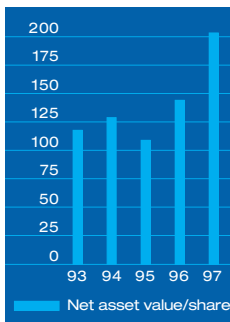
### Breakdown of shareholdings by size of holding on December 31, 1997

	Shareholders				Shares				Total		Votes	
	Series A		Series B		Series A		Series B		Number	%	%	%
	Number	%	Number	%	Number	%	Number	%				
1-50	2 323	49.5	3 130	55.4	64 710	0.3	59 020	0.3	57 659	0.1	0.2	
51-100	743	15.8	818	14.5	62 019	0.3	65 658	0.3	119 876	0.3	0.3	
101-500	1 185	25.2	1 170	20.7	274 926	1.4	285 954	1.4	533 494	1.3	1.3	
501-1 000	229	4.9	239	4.2	171 358	0.8	190 629	0.9	329 300	0.8	0.7	
1 001-5 000	153	3.3	200	3.5	312 698	1.5	438 074	2.1	778 064	1.9	1.7	
5 001-10 000	19	0.4	40	0.7	135 605	0.7	285 864	1.4	386 347	1.0	0.7	
10 001-50 000	26	0.5	38	0.7	693 538	3.4	786 691	3.9	1 412 894	3.5	3.1	
50 001-100 000	3	0.1	4	0.1	197 161	1.0	234 080	1.2	449 909	1.1	1.3	
100 001-1 000 000	8	0.2	5	0.1	2 195 206	10.8	717 983	3.5	2 486 131	6.1	7.7	
1 000 001-	5	0.1	4	0.1	16 173 088	79.7	17 338 354	84.9	34 128 942	83.8	82.9	
Shares not yet transferred to book-entry system	-	-	-	-	17 439	0.1	9 945	0.1	27 384	0.1	0.1	
Total	4 694	100.0	5 648	100.0	20 297 748	100.0	20 412 252	100.0	40 710 000	100.0	100.0	

Earnings/share  
FIM



Net asset value/share  
FIM



## Pohjola's ten largest shareholders on December 31, 1997

As per shareholder register kept by the Finnish Central Securities Depository Ltd.

	Series A	Shares	Total	Percentage	
	Number	Series B		of shares	of votes
Suomi Mutual Life Assurance Company	8 642 595	1 523 476	10 166 071	24.97	39.37
Merita Plc	2 764 596		2 764 596	6.79	12.38
Skandia Insurance Company Limited (publ)	1 078 147	1 374 028	2 452 175	6.02	5.44
Merita Ltd Pension Fund	2 111 915		2 111 915	5.19	9.45
Skandia Life Insurance Company Ltd (publ)	617 500	1 375 000	1 992 500	4.89	3.38
UPM-Kymmene Corporation	479 002	189 501	668 503	1.64	2.23
Neste Oy	308 040	154 020	462 060	1.14	1.45
Merita Ltd Pension Foundation	300 000		300 000	0.74	1.34
Pension Fund Polaris	140 000	70 000	210 000	0.52	0.66
Neste's Pension Foundation	124 000	59 080	183 080	0.45	0.58
<b>Total</b>	<b>16 565 795</b>	<b>4 745 105</b>	<b>21 310 900</b>	<b>52.35</b>	<b>76.28</b>
Nominee registrations	1 580 895	13 265 622	14 846 517	36.47	13.02

## The largest shareholder groups

As per shareholder register kept by the Finnish Central Securities Depository Ltd.

	Series A	Shares	Total	Percentage	
	Number	Series B		of shares	of votes
Suomi Mutual Life Assurance Company	8 642 595	1 523 476	10 166 071	24.97	39.37
Merita Plc					
Merita Ltd Pension Fund					
Merita Ltd Pension Foundation	5 176 511		5 176 511	12.72	23.17
Skandia Insurance Company Limited (publ)					
Skandia Life Insurance Company Ltd (publ)	1 695 647	2 749 028	4 444 675	10.92	8.82

## Shareholders

Pohjola has altogether 7 010 shareholders.

## Senior management's shareholdings

At the end of 1997, members of the Board of Directors, the President and the Senior Executive Vice President owned a total of 2 815 shares, i.e. 0.007% of all shares and 0.005% of the total number of votes.



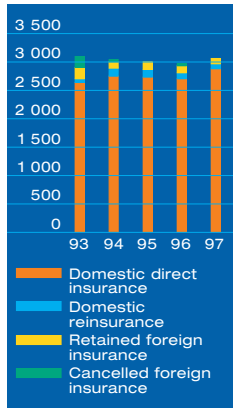
Consolidated per-share data						
		1993	1994	1995	1996	1997
Earnings/share	FIM	2.19	-0.47	5.03	7.32	13.63
Capital and reserves/share	FIM	38.01	37.00	35.39	40.70	52.23
Net asset value/share at current values	FIM	119.99	126.18	107.72	144.27	200.64
without deducting consolidation difference	FIM	-	-	-	-	215.72
Dividend/share	FIM	1.00	1.00	1.50	2.00	3.00 <sup>1)</sup>
Dividend/earnings	%	45.69	-	29.82	27.33	22.00
Effective dividend yield						
Series A	%	1.19	1.56	2.56	1.84	1.49
Series B	%	1.21	1.92	2.75	1.93	1.49
Price/earnings ratio						
Series A		38.34	-	11.66	14.85	14.82
Series B		37.79	-	10.86	14.16	14.74
Adjusted average share price						
Series A	FIM	71.13	83.37	61.49	95.95	170.95
Series B	FIM	58.40	73.63	64.02	82.39	159.28
Adjusted share price, lowest						
Series A	FIM	46.00	55.00	49.50	57.00	104.00
Series B	FIM	33.00	50.00	40.50	54.00	102.00
Adjusted share price, highest						
Series A	FIM	110.00	104.00	82.50	110.00	230.00
Series B	FIM	95.00	102.00	83.50	106.90	229.00
Adjusted share price on Dec. 31						
Series A	FIM	83.96	64.17	58.67	108.71	202.00
Series B	FIM	82.76	52.16	54.63	103.63	200.88
Market capitalization on Dec. 31						
Series A	FIM million	1 733	1 324	1 211	2 244	4 100
Series B	FIM million	1 661	1 047	1 096	2 080	4 100
Total	FIM million	3 394	2 371	2 307	4 324	8 200
Development of turnover						
Series A	1 000 shares	2 709	735	3 059	1 906	5 753
of average number	%	13.13	3.56	14.82	9.23	28.08
Series B	1 000 shares	12 939	9 097	16 600	20 902	18 258
of average number	%	64.47	45.33	82.71	104.15	90.64
Adjusted average number of shares						
Series A	1 000 shares	20 640	20 640	20 640	20 640	20 561
Series B	1 000 shares	20 070	20 070	20 070	20 070	20 149
Total	1 000 shares	40 710	40 710	40 710	40 710	40 710
Adjusted number on Dec. 31						
Series A	1 000 shares	20 640	20 640	20 640	20 640	20 298
Series B	1 000 shares	20 070	20 070	20 070	20 070	20 412
Total	1 000 shares	40 710	40 710	40 710	40 710	40 710

<sup>1)</sup> Proposed by the Board of Directors

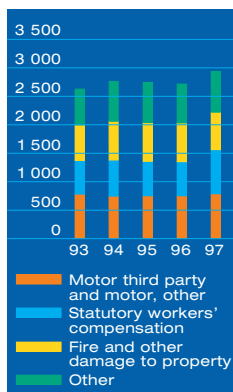
Price development of A- and B-share, FIM



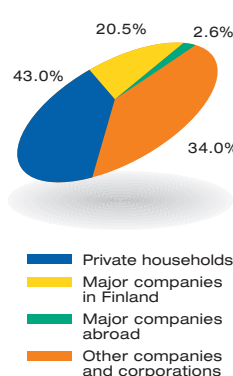
Gross premiums written  
FIM million



Gross premiums written  
of direct insurance  
FIM million



Gross premiums written, by customer group, %



*The growth rate for gross premiums written in domestic insurance far exceeded the inflation rate. Fierce competition between domestic non-life insurance companies continued. Broker-produced premiums written still accounted for only a few per cent of overall premiums. The number of losses increased.*

## THE MARKET

Gross premiums written in domestic non-life insurance rose by more than 4%, by more than 6% if credit and suretyship insurance is excluded, thus clearly surpassing the rate of inflation. The growth was mainly due to statutory workers' compensation and motor third party liability insurance rate increases, which were aimed at financing, for instance, the provisions required by the effective collective guarantee system. There were hardly any new objects of insurance, which was reflected in the more or less unchanged volume of premiums written in fire and other property insurance. Car sales, buying and selling of housing, and travelling picked up, but led only to a slight increase in the non-life insurance business.

Foreign companies' interest in reinsurance arrangements covering large risks increased further. Tight competition between domestic non-life insurance companies continued particularly in corporate fire and other property insurance as well as in comprehensive motor vehicle insurance. Broker-produced premiums written increased but their portion of the overall premiums was still only a few per cent. Rates will have to be raised especially in motor third party liability and corporate fire and other property insurance.

Indications of the effect which an increase in economic activity has on the number of losses started to become perceptible during the year under review as, after a favourable trend in the early months of 1997 due to the mild winter weather, the number of road accidents began to rise towards the end of the year. The 12-month figure for road accidents reported to motor third party liability insurers grew by 0.7%. In statutory workers'

compensation insurance, the incidence of loss was up by 2.9%. The number of losses, particularly major losses, increased also in fire and business interruption insurance. If a similar trend persists, there will be increasing pressures to raise premiums.

## PREMIUMS WRITTEN IN CORPORATE INSURANCE GREW

### Private households

Pohjola is the insurer of about one million private households. The efforts to bring to customers' attention the benefits available to them as regular customers were successful and the number of regular customers rose to close on 170 000. Altogether, 300 000 private households are entitled to package benefits.

Premiums written provided by private households grew by 5%, to FIM 1 275 million. The growth originated primarily from voluntary accident and health insurance and motor third party liability insurance, in which the level of rates was raised. Despite the favourable incidence of loss, the level of rates in motor third party liability insurance is still lower than that required by the risk level. Premiums written in homeowner's and comprehensive motor vehicle insurance were also up on the previous year.

Performance in non-life insurance for private households was slightly better than in 1996 and was almost satisfactory, with the exception of motor third party liability insurance.

### Corporations

Competition in insurance for small and medium-sized companies was still keen. Nevertheless, the premiums written provided by this group of clients grew by 8% and, for the first time, exceeded FIM 1 billion. The exact figure was FIM 1 008 million. The growth was primarily brought about by rate increases in statutory workers' compensation insurance and by the expansion of the insurance portfolio. Premiums written in comprehensive motor vehicle insurance were also up, while in fire and other property insurance they remained unchanged.

The incidence of loss was still reasonable, if major losses are not taken into account. In 1997, Pohjola's portfolio was hit by a clearly

HE COULD BE ANYTHING  
WHEN HE GROWS UP.  
ONLY ONE METRE TALL NOW,  
BUT FULL OF POTENTIAL.

“THE NUMBER OF REGULAR CUSTOMERS ROSE TO CLOSE ON  
170 000. ALTOGETHER, 300 000 PRIVATE HOUSEHOLDS ARE  
ENTITLED TO PACKAGE BENEFITS.”

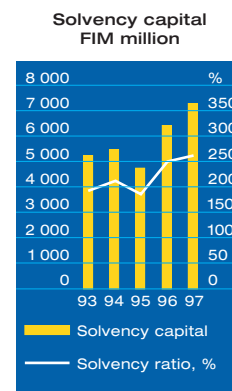
larger number of major losses than in the previous year, when the number of major losses was exceptionally low. As a result, the balance on technical account of this business deteriorated and was unsatisfactory.

#### *Major corporations*

Premiums written in insurance for Finnish major clients totalled FIM 685 million, in the previous year FIM 651 million. The growth was due to increased premiums written in statutory workers' compensation insurance. Premiums written provided by Finnish clients abroad and mainly entered as reinsurance premiums were again slightly down, totalling FIM 78 million. The fall is

explained by the decisions taken in earlier years to reduce the business.

In Finland, the incidence of loss was favourable and, for instance, the number of major losses remained low, partly thanks to the sustained loss prevention and risk management work carried out. The structure of acquired reinsurance cover was streamlined. The balance on technical account of this business remained nearly on a par with that for the previous year and was satisfactory. The result of foreign business originating from Finnish clients deteriorated owing to liability claims attributable to previous years.



*Pohjola's associated undertakings in Baltic countries continued to show vigorous growth. A cooperation agreement was signed with the Polish non-life insurance company Warta, a Polish bank and a Danish insurance group. Management of the portfolio in run-off will continue to focus on concluding commutation agreements.*

## POLAND

In January 1998, Pohjola signed a cooperation agreement with Poland's second largest non-life insurance company Warta and fifth largest retail bank PBK and Denmark's leading insurance group Tryg-Baltica. In accordance with this agreement, Pohjola and Tryg-Baltica, as strategic owners, participate in the management and development of Warta, which consists of a joint life assurance company and a joint company underwriting non-life insurance for private households. The operational planning began in 1997 and is still under way. Pohjola's capital investments in Poland may rise to about FIM 60 to 70 million by the end of 1998.

## BUSINESS IN RUN-OFF

The remaining technical provisions of Pohjola's cancelled foreign insurance business as at December 31, 1997 totalled FIM 874 million, of which 40% pertained to primarily North-American liability reinsurance treaties.

In 1997, commutations decreased the technical provisions by FIM 33 million and other liabilities by FIM 51 million. The management of the portfolio will continue to focus on reaching commutation agreements.

The technical account of cancelled business, excluding the effect of foreign exchange rates, was FIM 21 million negative in 1997 (FIM 77 million negative in 1996). The provisions for claims have been strengthened systematically and, judging by a market study, the technical provisions would seem to be assessed prudently. The foreign exchange position pertaining to the business was covered, which compensated for the foreign exchange loss in the consolidated accounts.

## DOMESTIC REINSURANCE

Pohjola underwrites domestic reinsurance for Finnish non-life insurance companies and pools. In 1997, premiums written totalled FIM 87 million. A significant part of the business was cancelled in the early 1990s. This part of the business still showed a loss in 1997, while the result for the retained business was satisfactory. The balance on technical account of domestic reinsurance was FIM 6 million negative.

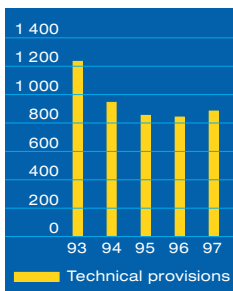
## FOREIGN REINSURANCE

In addition to the business generated by Finnish clients, Pohjola underwrites other foreign reinsurance primarily from Baltic associated undertakings and cooperation partners. Premiums written in this foreign business totalled FIM 20 million. The incidence of loss was favourable in 1997 and the business produced a balance on technical account amounting to FIM 5 million.

## THE BALTIC RIM

The Baltic associated undertakings continued to show vigorous growth and satisfactory profitability. In Estonia, life assurance operations were initiated, and in Lithuania measures taken to establish a non-life insurance company were about to be completed. In Russia, operations continued as before, but alternatives for expanding business there were looked into.

Technical provisions, net of reinsurance, FIM million  
Cancelled business

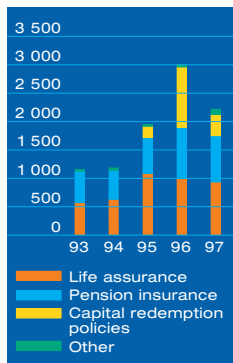


YOUR HOME IS THE PLACE FOR SENSIBLE, FAR-SIGHTED,  
ECONOMICAL CHOICES. INSURANCE IS ONE OF THEM.

*Premiums written in Finnish life assurance were almost on a par with the impressive figures the previous year. With the changes in the savings market, saving through insurance became increasingly popular. This trend was triggered by the abolition of the tax exemption of long-term bank deposits, a general decline in interest rates and the restriction of banks' deposit guarantee system.*

In order to play a significant role in the expanding insurance-saving market, The Pohjola Group carried out a major restructuring of its life assurance operations. On July 1, 1997, Pohjola Insurance Company Ltd. bought the entire stock of shares of Salama, later renamed Pohjola Life. In connection with this, Suomi ceased underwriting new policies and concentrated on managing the existing insurance portfolio and new premiums generated by the portfolio. After the transaction, Pohjola Life's operations came to comprise the management of the corporate insurance business of Salama, as well as new sales of insurance to private households and corporations.

Gross premiums written FIM million

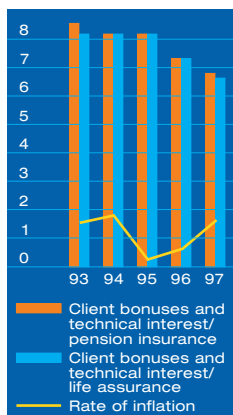


Premiums written in the Finnish life assurance market were almost on a par with the impressive figures of the previous year. Saving through insurance became increasingly popular with the changes in the savings market. This development was triggered off by the abolition of the tax exemption of long-term bank deposits, a general decline in the level of interest rates and the restriction of banks' deposit guarantee system. Interest in voluntary pension insurance was further boosted by adjustments made to the employment pension scheme and the debate which ensued.

## DEVELOPMENT OF INSURANCE BUSINESS

The primary objective of Pohjola's life assurance business is to achieve profitable growth. Operations are developed so as to create a balance between the different product groups, the focus being on the expanding insurance-saving market and, in particular, on long-term saving. Efforts are made to increase the portion of regular-premium

Client bonuses and technical (guaranteed) interest rate of Pohjola Life, %



“ WITH THE CHANGES IN THE SAVINGS MARKET, SAVING THROUGH INSURANCE BECAME INCREASINGLY POPULAR. POHJOLA LIFE'S FINANCIAL STRENGTH ENABLES THE COMPANY TO BUILD UP A VARIED INVESTMENT PORTFOLIO MAKING IT POSSIBLE TO PAY ATTRACTIVE BONUSES TO CUSTOMERS. “

The reallocation of savings has increased competition and introduced bank-run insurance companies to the life business. Moreover, foreign insurance companies are showing greater interest in the market. With tighter competition, companies have been compelled to diversify the range of their products. Major innovations have been made in products which offer customers an opportunity to save through insurance. In fact, this form of saving is expected to increase for several years. Attaining the average European level would mean the trebling or quadrupling of the volume of this line of business.

savings contracts. Death and disability coverage is an important part of a young family's insurance plan and still a vital component of private households' overall insurance schemes.

Pohjola is a leading innovator of life assurance products in Finland. Towards the end of the year, a new and modern product group was introduced, which is not only a product package but is also a totally revised line of action. The asset management services related to the product group concentrate on providing customers with assistance in investment matters and advice on ef-

ficiently decentralized and varied investment solutions based on continuous or single-payment saving through insurance.

The basic idea is to offer customers flexible tools for obtaining a return which meets their investment targets at a risk level chosen by them. Internationalization and the need to decentralize customers investments are widely taken into account in drawing up investment schemes. When building up their contracts, customers may take advantage of both the return generated by Pohjola Life through its own investments and of the return produced by leading investment funds operating in different markets and chosen for the new product group. These alternatives form a coherent whole with parts complementing each other in the risk/return relation. Customers can flexibly reallocate funds during the savings period.

The Pohjola Group's gross premiums written in life assurance totalled FIM 2 231 million, of which the Suomi group's portion was FIM 1 526 million and the amount entered in the annual accounts of the listed company Pohjola for the period July to December FIM 705 million.

Premiums written developed favourably in both individual and group pension insurance, with the gross premiums written in pension insurance increasing by 5%, from FIM 841 million to FIM 886 million. Premiums written in unit-linked insurance amounted to FIM 74 million. Premiums written for capital redemption policies were FIM 445 million and those for conventional life assurance FIM 748 million.

#### MARKET SHARE

Measured by premiums written, the overall market share of The Pohjola Group was 19.8% (25.2%). In pension insurance, the market share was 25.4%. Calculated on the amount of technical provisions, The Pohjola Group's market share was 30.4% (32.1%).

#### PERFORMANCE

The restructuring of The Pohjola Group during the financial year hampered the assessment of the performance of life assur-

ance as well as its comparison with the previous years. However, the overall result of this class of insurance can be characterized as good.

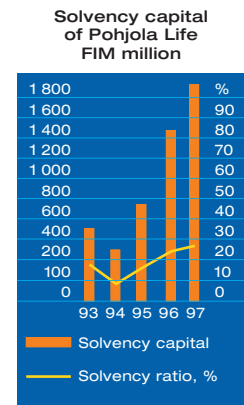
The risk business showed a surplus and the relation between expenses and expense loadings was satisfactory, although operating expenses were up as a result of a vigorous growth in insurance sales and increased research and development costs. Expenses for policies are mainly incurred during the first policy years, while income accrues over a long period of time.

#### RETURN ON INSURANCE SAVINGS

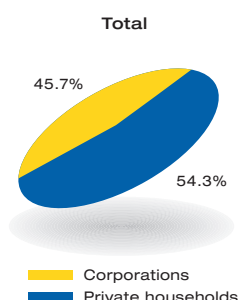
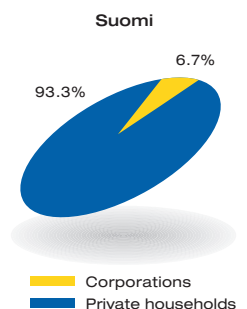
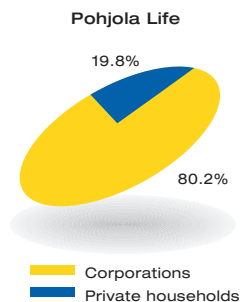
In addition to a 4.5% technical (guaranteed) interest, Pohjola Life credits customers' savings with, at its best, a 2.2% bonus for 1997. The company aims at producing, on customers' insurance savings tied to the company's performance, a gross return (return before deduction of expenses) which is 1.5 to 2.0 percentage points higher than the return on a risk-free investment with a duration comparable to that of a policy term. This is the basis on which the level and continuity of annual bonuses are determined.

#### SOLVENCY

The financial standing of the life assurance companies of The Pohjola Group strengthened markedly over the year. Vital for successful competition in the market, financial strength enables a company to build up a varied investment portfolio which makes it possible to pay attractive bonuses to customers. Pohjola Life intends to develop its investment portfolio in such a manner that, in the long term, at least 50% of its assets are invested in real property, mainly in shares. To provide for the fluctuation of asset values, the company's relative solvency is kept at 20 to 30%, depending on the cyclical phase at any given time. The solvency capital of Pohjola Life as at December 31, 1997 totalled FIM 1 918 million. The ratio of solvency capital to insurance savings was 26%.



Gross premiums written, by customer group, %



WHEN YOU LEAVE YOUR INSURANCE MATTERS TO THE EXPERTS,  
YOU CAN CONCENTRATE ON THE WORK IN HAND.



*In 1997, The Pohjola Group staff averaged 2 884 Pohjola employees and 478 Ilmarinen employees. 36 Pohjola employees did flexiwork. The average Pohjola employee is 42 years old and has done 16 years of service.*

## STAFF STRATEGY

The staff strategy, designed to support business operations, concentrates on the development of managerial skills and know-how and on the encouragement of employees in their tasks. Internal entrepreneurship is brought about by the understanding of common goals, by supportive responsibility and remuneration structures and by management promoting commitment and participation.

## MAINTAINING AND DEVELOPING WORKING SKILLS

Pohjola has a long tradition of the maintenance and development of working skills. Ability to work is seen as a vast concept involving physical and mental health, know-how and motivation. These factors depend largely on the climate and methods used at the work place.

The monitoring of Pohjola employees' working ability involves, among other things, regular age-group-specific medical check-ups for people aged 30 to 60 years. This check-up includes an interview by an occupational health nurse, laboratory tests and filling out a questionnaire designed by Pohjola specifically for the purpose. The questionnaire provides a comprehensive idea of the employee's state of health, somatic symptoms and illnesses diagnosed by a doctor, as well as of the employee's own estimate of his/her present and future working ability.

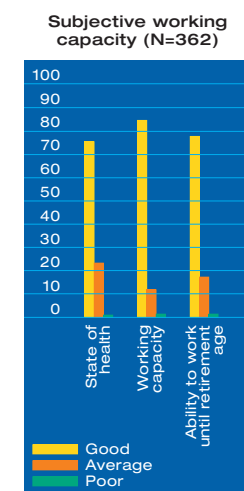
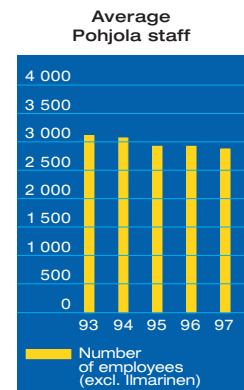
Based on a survey of skills carried out with some 2 000 Pohjola employees, active measures have been taken to develop individual working capabilities. Moreover, the wide range of opportunities provided by the Pohjola social club promote employees' health and enhance their motivation.

Special attention is being paid to the staff's working ability as it is considered a major factor in boosting customers' satisfaction with the services offered by Pohjola.

## DEVELOPING THE STAFF'S COMPETENCE

In addition to employees' basic education and insurance expertise, Pohjola invests in continuous training at work in accordance with the objectives and requirements set by the company's business strategy and operational environment. The company's aim is to have a multi-skilled staff. One of the means of raising the level of the staff's basic education involves certification training.

In 1997, a comprehensive training programme was carried out to familiarize the staff with the new package of insurance-saving products. Coached by their own superiors, more than 800 Pohjola employees passed the examination pertaining to this programme. In the training, independent and computer-aided studies also played a new major role.



*In 1997, a total of 362 employees underwent an age-group-specific check-up in which they were asked to assess their own state of health, current working capacity and ability to go on working until retirement age if their duties were not to change materially.*

*Pohjola reduced its investments in land and buildings and increased the proportion of investments in shares and investments abroad. The floor area of vacant business premises decreased appreciably.*

Share prices rose by 32% on the Helsinki Exchanges. A similar upward trend was also evident elsewhere in Europe and in the USA, while Japan and Southeast Asia saw share prices fall.

As expected, the US central bank raised short-term market interest rates in the spring, as did both the Bank of Finland and the Bundesbank in the autumn. The three-month HELIBOR rate went up by about half a percentage point, to 3.6%, during the year.

As world economic growth, and also inflation, were expected to slow down, both international and domestic long-term interest rates declined towards the end of the year. The interest rate of the 10-year Finnish government bond dropped by nearly one percentage point, to around 5.5%, compared with the 1996 year-end level.

The real estate market continued to develop favourably. The housing market was normal and the price level became stabilized. Owing to the high demand for housing, rents went up noticeably. The market for business premises was increasingly busy.

rising share prices. Fixed-income securities were increased further.

The bulk of fixed-income securities are markka-denominated government bonds. At the end of the year, fixed-income securities in foreign currency totalled FIM 1 311 million, of which the main part (some 70%) was used as assets covering technical provisions in foreign currency. 70% of the fixed-income securities portfolio in foreign currency originated from AAA-risk rated issuers.

Currency distribution of fixed-income securities in foreign currency:

USD	39%	DEM	8%
GBP	25%	Other	8%
ECU	20%		

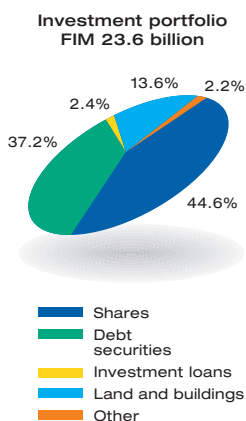
The disposals of investment shares totalled about FIM 240 million net. The year-end current value of shares and share-linked investments in foreign currency was FIM 1 727 million, of which Skandia shares accounted for FIM 1 193 million. The distribution of foreign-currency-denominated investments in shares is, by continent, as follows: Europe 93%, the Far East 6% and the USA 1%. Close on one half of the investment shares acquired in the Far East represent index-linked fixed-income securities.

The floor area of vacant business premises decreased appreciably, totalling 25 400 m<sup>2</sup> (49 200 m<sup>2</sup>), 5.7% (9.2%) of the entire real estate portfolio; 7.8% (12.3%) of business premises.

### *Life assurance group*

The investment portfolio expanded with a growth in insurance savings, the favourable development of share values and an increase in the share capital.

The main part of fixed-income securities are markka-denominated government bonds. At the end of the year, fixed-income securities



## INVESTMENT PORTFOLIO

### *Non-life insurance group*

Investments in land and buildings included in the non-life insurance group's investment portfolio were reduced through realizations, worth FIM 400 million, of properties. The portion of investments in shares grew with

in foreign currency totalled FIM 774 million, of which AAA risk-rated issuers accounted for 63%.

Currency distribution of fixed-income securities in foreign currency:

ECU	47%	GBP	13%
SEK	20%	Other	2%
DEM	18%		

New investments were made primarily in shares. The year-end current value of shares

and share-linked investments in foreign currency was FIM 840 million, which was divided by continent as follows: Europe 81%, the Far East 17% and the USA 2%. Just under one half of the investment shares acquired in the Far East represented index-linked fixed-income securities.

The floor area of vacant business premises totalled 4 400 m<sup>2</sup>, 4.6% of the entire real estate portfolio; 8.6% of business premises.

#### Sensitivity analysis of solvency (non-life insurance)

	Portfolio Dec. 31, 1997 at current values FIM million	Risk parameter	Change	Effect on solvency capital FIM million
Loans with real security	381	Credit loss	1%	4
Fixed-income securities	2 916	Interest	1% pt	107
Shares <sup>1)</sup>	8 060	Market value	10%	806
Investments in land and buildings <sup>2)</sup>				
Housing	551	Market value	10%	55
Business premises	997	Contin. income requirement	+1% pt -1% pt	-120 142

#### Sensitivity analysis of solvency (life assurance)

	Portfolio Dec. 31, 1997 at current values FIM million	Risk parameter	Change	Effect on solvency capital FIM million
Loans with real security	1	Credit loss	1%	0
Fixed-income securities	5 072	Interest	1% pt	215
Shares <sup>1)</sup>	2 669	Market value	10%	267
Investments in land and buildings <sup>2)</sup>				
Housing	307	Market value	10%	31
Business premises	329	Contin. income requirement	+1% pt -1% pt	-33 42

<sup>1)</sup> Include convertible bonds

<sup>2)</sup> Premises leased to outsiders as at December 31, 1997

INSURANCE AND BEARINGS HAVE A LOT IN COMMON.  
THEY BOTH HELP TO KEEP THE WHEELS TURNING.

# INVESTMENTS

## Real estate portfolio Value, income and degree of underutilization Dec. 31, 1997 (non-life insurance)

	Current value	Net income	Potential net income <sup>1)</sup>	Leasable floor area	Degree of underutilization
	FIM million	%	%	m <sup>2</sup>	%
<b>Business premises</b>					
Business and office premises, of which occupied by company and company group	1 346	8.2	8.9	253 100	7.9
Production and storage premises	61	11.8	15.9	31 700	16.7
Hotels	142	8.7	8.7	42 100	0.0
<b>Total</b>	<b>1 549</b>	<b>8.4</b>	<b>9.2</b>	<b>326 900</b>	<b>7.8</b>
<b>Housing</b>	<b>551</b>	<b>3.9<sup>3)</sup></b>	<b>3.9<sup>3)</sup></b>	<b>99 900</b>	<b>0.0</b>
<b>Special holdings</b>					
Forests	102	4.5	4.5	12 700 ha	
Other	39	1.4	1.4	6 500	0.0
<b>Total</b>	<b>141</b>	<b>3.7</b>	<b>3.7</b>		
<b>Other holdings and farms</b>					
Sites	73	0.6	0.6		
Acquired during financial year	39	10.5	10.5	10 000	0.0
<b>Total</b>	<b>112</b>	<b>4.1</b>	<b>4.1</b>	<b>10 000</b>	<b>0.0</b>
Real estate portfolio in total	2 353	6.9	7.4	443 300	5.7
Minority interest and loans	57				
<b>All in total</b>	<b>2 410</b>				

<sup>1)</sup> Includes calculated rent for vacant premises, on the average FIM 41/m<sup>2</sup>/month

<sup>2)</sup> Includes calculated rent for premises occupied by company, on the average FIM 72/m<sup>2</sup>/month

<sup>3)</sup> Includes government interest subsidy totalling FIM 2.1 million

## Price development of listed shares



## Interest rate, %



## Real estate portfolio Value, income and degree of underutilization Dec. 31, 1997 (life insurance)

	Current value	Net income	Potential net income <sup>1)</sup>	Leasable floor area	Degree of underutilization
	FIM million	%	%	m <sup>2</sup>	%
<b>Business premises</b>					
Business and office premises, of which occupied by company and company group	254	8.6	9.3	32 400	10.8
Production and storage premises	3	9.5 <sup>2)</sup>	9.5 <sup>2)</sup>	600	0.0
Hotels	17	22.3	22.3	5 600	0.0
Hotels	61	6.3	6.3	2 700	0.0
<b>Total</b>	<b>332</b>	<b>8.9</b>	<b>9.4</b>	<b>40 700</b>	<b>8.6</b>
<b>Housing</b>	<b>307</b>	<b>3.9<sup>3)</sup></b>	<b>4.0<sup>3)</sup></b>	<b>54 700</b>	<b>1.6</b>
<b>Special holdings</b>					
Power stations	152	7.5	7.5		
Real estate portfolio in total	791	6.7	7.0	95 400	4.6
Minority interest	4				
<b>All in total</b>	<b>795</b>				

<sup>1)</sup> Includes calculated rent for vacant premises, on the average FIM 43/m<sup>2</sup>/month

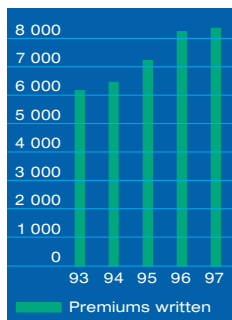
<sup>2)</sup> Includes calculated rent for premises occupied by company, on the average FIM 56/m<sup>2</sup>/month

<sup>3)</sup> Includes government interest subsidy totalling FIM 0.1 million

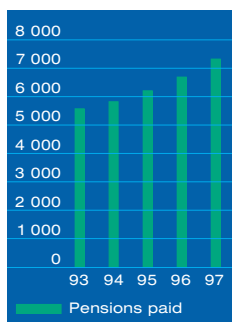
The figures in the tables have been calculated for individual real estate holdings on the bases agreed between major real estate owners.

*New solvency regulations applying to employment pension insurance companies took effect at the beginning of 1997. The reform, together with other revisions of the conditions affecting investment operations, aims to make it easier for pension companies to diversify their investment portfolios and thereby raise return on investments.*

Premiums written  
FIM million



Pensions paid  
FIM million



## DEVELOPMENT OF EMPLOYMENT PENSION SCHEME

New solvency regulations applying to employment pension insurance companies took effect at the beginning of 1997. According to these regulations, the size of a company's required solvency margin depends on the structure of the company's investment portfolio. The reform, together with other revisions of the conditions affecting investment operations, aims to make it easier for pension companies to diversify their investment portfolios and thereby raise return on investments.

Pertaining to the requirement to increase solvency margins, companies also have, during the period 1997 to 1999, an opportunity to increase their solvency margins by a significant portion of investment income. At the end of 1997, Ilmarinen's solvency margin was within the target zone. Ilmarinen's good performance in investments, rises in share prices and lower interest-rate levels as well as the regulations applied during the transition period contributed to the achievement of the target.

The legislation concerning employment pension insurance companies, effective as of the beginning of May 1997, is aimed at increasing the independence of these companies, particularly as regards their investment operations. The new act includes also the provisions, in force as of January 1, 1997, of the Insurance Companies Act related to employment pension insurance companies' solvency, asset ownership, return payable to owners and division of seats in the administrative bodies.

## PENSION DECISIONS MORE RAPIDLY THAN IN OTHER COMPANIES

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

At the end of 1997, Ilmarinen paid pension to 194 306 pensioners, the overall pension expenditure totalling FIM 7 314 million, which was 8.1% more than in the previous year. The number of pension recipients rose by 5.3% in 1997.

## PREMIUMS WRITTEN AND LEVEL OF RATES

Ilmarinen's premiums written amounted to FIM 8 378 million and were 1.9% up on the previous year.

At the end of 1997, a total of 283 000 TEL employees (TEL=Employees Pensions Act) were insured with Ilmarinen, or 2.2% more than in the previous year.

The average TEL premium was 21.2% of salary, of which the employee's contribution was 4.5 and the employer's 16.7 percentage points. In 1998, the premium is an average of 21.5% of salary.

Ilmarinen's market share of premiums written is around 33%.

## PROFIT AND SOLVENCY STRENGTHENED

The operational efficiency of employment pension insurance companies is measured by the so-called administration charge outcome, which indicates how much of the loadings meant to cover operating expenses remained unused. For Ilmarinen, this surplus was FIM 47 million (FIM 49 million), i.e. 18% (19%).

The investment surplus was FIM 941 million (FIM 481 million).

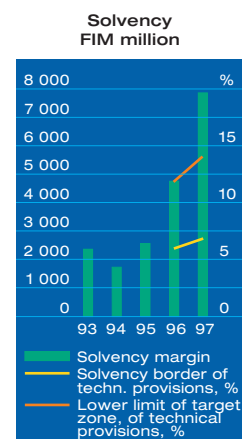
Ilmarinen's solvency strengthened further with rising share prices. The solvency margin increased by FIM 3 039 million and totalled FIM 7 904 million at the end of the year.

The good performance enabled the company to provide outstanding client bonuses. FIM 265 million was transferred to the appropriated provision for future bonuses.

QUALITY, HAPPINESS AND  
OTHER KEY VALUES ARE WHAT  
MATTERS IN LIFE

Ilmarinen in brief					
FIM million	1993 <sup>1)</sup>	1994	1995	1996	1997
Premiums written	6 247	6 487	7 215	8 222	8 378
Pensions paid	5 660	5 928	6 229	6 767	7 314
Operating expenses	187	138	144	151	160
Net investment income	2 925	2 245	2 531	2 974	3 365
Technical provisions	36 398	39 266	42 832	46 881	52 212
Solvency margin	2 374	1 743	2 626	4 865	7 904

<sup>1)</sup> In accordance with previous accounting practices





The consolidated result improved thanks to gains on realization of investments. Adjustments in the technical provisions and changes in exchange rates impaired the balance on technical account. Operating profit totalled FIM 929 million (FIM 526 million in 1996), which was 15.4% (12.4%) of turnover. Consolidated earnings per share were FIM 13.63 (FIM 7.32).

In non-life insurance, gross premiums written were FIM 3 076 million (FIM 2 958 million) and in life assurance FIM 705 million.

Consolidated solvency strengthened owing to the improved result and rising exchange rates. The solvency capital totalled FIM 9.3 billion (FIM 6.4 billion) and net asset value per share was FIM 200.64 (FIM 144.27).

#### NON-LIFE INSURANCE BUSINESS

The balance on technical account of non-life insurance was FIM -418 million (FIM -437 million). The loss ratio was 94% (95%) and the combined ratio 115% (117%). Adjustments in technical provisions and fluctuating exchange rates impaired the balance by a total of FIM 257 million. In the previous year, the total effect of these impairing factors was FIM 295 million. The combined ratio excluding adjustments of technical provisions and exchange rate changes was 106% (106%).

Gross premiums written in domestic direct insurance rose to FIM 2 890 million (FIM 2 711 million), mainly as a result of higher premium rates for statutory workers' compensation insurance. According to preliminary information, the market share was up somewhat. The balance on technical account was FIM -290 million (FIM -326 million) and the loss ratio 90% (92%). Excluding adjustments of technical provisions, the loss ratio was 84% (83%).

The mortality bases of the technical provisions of statutory workers' compensation insurance and motor third party liability insurance were adjusted owing to the longer life expectancy of those insured. In addition,

the technical interest used in calculating the present value of annuities of these classes of insurance was reduced because of a general decline in the interest rate level. The adjustments increased the technical provisions by FIM 149 million, impairing the results in these classes of insurance. However, performance in these classes improved compared with the previous year. In the first half of the year, the premiums in both classes of insurance were raised. The premiums of statutory workers' compensation insurance approved for 1998 include premium increases for financing the adjustments of the technical provisions in this class.

The result of marine and transport insurance as well as third party liability insurance improved as a result of the favourable incidence of loss. Owing to the increased number of losses, however, the result of comprehensive motor vehicle insurance (motor, other classes) deteriorated. The incidence of major fire losses was less favourable than in the previous year, which was reflected in a weaker result for fire and other property insurance.

Premiums written in domestic reinsurance dropped to FIM 87 million (FIM 105 million) as a result of new arrangements pertaining to a number of treaties. The balance on technical account was down on the exceptionally good level of the previous year.

In retained foreign insurance, premiums written totalled FIM 98 million (FIM 121 million). The development of premiums written was affected by a strict underwriting policy. The balance on technical account was FIM -10 million (FIM -2 million) and the loss ratio 82% (62%).

The loss from cancelled foreign business decreased. The loss was mainly due to exchange rate changes, which totalled FIM 91 million (FIM 51 million). The foreign exchange position pertaining to the business was covered, which compensated for the foreign exchange loss in the consolidated accounts.



Operating expenses increased by 4% to FIM 588 million. The level of expenses was affected by development projects for policy administration systems, system changes required by the year 2000 and a reduction of the depreciation period for IT work stations. Development expenses were FIM 71 million (FIM 32 million), of which FIM 30 million (FIM 8 million) was deferred.

At the beginning of 1997, legislation pertaining to a guarantee system for statutory non-life insurance came into force. According to this legislation, companies underwriting statutory workers' compensation insurance, motor third party liability insurance and patient insurance are jointly and severally liable for claims in a situation where one of the companies is placed in liquidation or goes bankrupt. The companies have to set

<b>Consolidated profit</b>					
FIM million	1993	1994	1995	1996	1997
<b>Non-life insurance</b>					
Earned premiums	2 732	2 658	2 576	2 568	2 755
Claims incurred	-2 813	-2 433	-2 269	-2 440	-2 585
Operating expenses	-552	-518	-521	-565	-588
Balance on technical account before change in equalization provision	-633	-293	-214	-437	-418
Investment income and charges	764	328	672	962	1 433
Other income and charges	1	-	-	1	4
Share of associated undertakings' profit/loss	-1	26	3	-	1
Operating profit	131	61	461	526	1 020
Change in equalization provision	-85	-160	-191	-141	-175
Unrealized gains and losses on investments	-	141	3	-	1
Profit before extraordinary items, untaxed reserves and tax	46	42	273	385	846
<b>Life assurance (July 1- Dec. 31, 1997)</b>					
Premiums written					699
Investment income and charges; unrealized gains and losses					147
Claims paid					-236
Change in technical provisions before bonuses and rebates and change in equalization provision					-549
Operating expenses					-76
Operating loss					-15
Change in equalization provision					-4
Bonuses and rebates					40
Profit before extraordinary items, untaxed reserves and tax					21
Depreciation on goodwill/unallocated consolidation difference					-76
<b>Non-life and life insurance in total</b>					
Operating profit	131	61	461	526	929
Profit before extraordinary items, untaxed reserves and tax	46	42	273	385	791
Extraordinary income	39	-	-	-	133
Extraordinary charges	-82	-8	-96	-24	-133
Profit before untaxed reserves and tax	3	34	177	361	791
Tax on profit	24	-28	-69	-80	-236
Minority interest	-2	-	6	-	-
Profit for financial year	25	6	114	281	555
To be transferred to reserves:					
Voluntary provisions and accelerated depreciation	-6	-46	-12	10	-21
Profit for financial year	31	52	126	271	576
	25	6	114	281	555

aside funds in advance to be able to meet their possible liability by making a provision for a collective guarantee item in their technical provisions. The collective guarantee item in Pohjola's technical provisions was FIM 133 million. For motor third party liability insurance, FIM 47 million was accumulated from the equalization provision. For statutory workers' compensation insurance, FIM 50 million was accumulated from the insurance undertakings' jointly and severally payable claims and FIM 36 million from insurance premiums. The items are shown under extraordinary items in the profit and loss account.

#### ACQUISITION OF LIFE ASSURANCE OPERATIONS

On July 1, 1997, Pohjola acquired from Suomi Mutual Life Assurance Company the 92% holding this had in Salama Life Assurance Company Ltd. At the same time, the Salama shares owned by Pension Insurance Company Ilmarinen Ltd and A-Vakuutus Mutual Insurance Company were pur-

chased. The purchase prices totalled FIM 835 million. Following the share acquisitions, Salama became a fully-owned subsidiary of Pohjola and its name was changed to Pohjola Life Assurance Company Ltd. (Pohjola Life).

As of the beginning of July, Suomi ceased underwriting new insurance policies. For this, Pohjola Life paid Suomi a consideration of FIM 54 million. Pohjola Life also started underwriting life assurance for private households.

Since July 1, 1997, the business of Pohjola Life has been consolidated in the Pohjola accounts.

#### LIFE ASSURANCE BUSINESS

Life assurance offered by the Group is underwritten by the subsidiary Pohjola Life. The company's result for the whole of 1997 showed a profit, but since investment income accumulated mainly during the first half of the year while policy acquisition costs accumulated mainly during the second half,

#### Consolidated solvency

FIM million	1993	1994	1995	1996	1997
<b>Non-life insurance</b>					
Solvency margin					
Capital and reserves after proposed distribution of profit	1 506	1 465	1 379	1 576	1 623
Deferred tax liability	36	21	18	22	16
Difference between current and book values of investments	3 415	3 699	2 982	4 253	5 686
Intangible assets	-95	-53	-53	-67	-744
Other	-	-	-	-20	-17
	4 862	5 132	4 326	5 764	6 564
Equalization provision	459	620	516	657	785
Minority interest	29	29	24	26	20
Solvency capital	5 350	5 781	4 866	6 447	7 369
<b>Life assurance</b>					
Solvency margin					
Capital and reserves after proposed distribution of profit					381
Deferred tax liability					2
Difference between current and book values of investments					1 004
Subordinated liabilities					550
Intangible assets					-69
					1 868
Equalization provision					47
Minority interest					3
Solvency capital					1 918
<b>Non-life and life insurance in total</b>	<b>5 350</b>	<b>5 781</b>	<b>4 866</b>	<b>6 447</b>	<b>9 287</b>

Financial development of group						
		1993	1994	1995	1996	1997
<b>General ratios</b>						
Turnover	FIM million	4 443	4 099	4 413	4 231	6 046
Gross premiums written	FIM million	3 110	3 041	3 015	2 958	3 781
Operating profit	FIM million	131	61	461	526	929
of turnover	%	2.95	1.50	10.45	12.44	15.35
Profit before extraordinary items, untaxed reserves and tax	FIM million	46	42	273	385	791
of turnover	%	1.04	1.02	6.19	9.08	13.07
Profit before untaxed reserves and tax	FIM million	3	34	177	361	791
of turnover	%	0.07	0.84	4.02	8.52	13.07
Return on equity at current values	%	33.84	6.02	-13.37	30.16	28.39
without deducting consolidation difference	%					27.21
Return on assets at current values	%	14.12	5.20	-1.53	14.46	13.62
without deducting consolidation difference	%					13.42
Equity to balance sheet total at current values	%	38.24	39.43	35.01	40.74	34.38
without deducting consolidation difference	%					35.92
Average number of employees <sup>1)</sup>		2 512	2 533	2 359	2 255	2 816
<b>Ratios for non-life insurance</b>						
Turnover	FIM million	4 443	4 099	4 413	4 231	5 081
Gross premiums written	FIM million	3 110	3 041	3 015	2 958	3 076
Loss ratio	%	102.96	91.56	88.09	95.03	93.82
excluding exchange gains/losses	%				92.01	89.92
Expense ratio	%	20.23	19.48	20.21	21.99	21.34
Combined ratio	%	123.19	111.04	108.30	117.02	115.16
excluding exchange gains/losses	%				114.00	111.26
Solvency margin	FIM million	4 862	5 132	4 326	5 764	6 564
Equalization provision	FIM million	459	620	516	657	785
Solvency capital	FIM million	5 350	5 781	4 866	6 447	7 369
Solvency capital as percentage of technical provisions	%	82.33	92.36	73.83	94.34	100.67
Solvency ratio	%	195.84	217.51	188.90	251.05	267.44
Average number of employees						2 640
<b>Ratios for life assurance</b>						
Turnover	FIM million					965
Gross premiums written	FIM million					705
Expense ratio	%					236.78
Solvency margin	FIM million					1 868
Equalization provision	FIM million					47
Solvency capital	FIM million					1 918
Solvency ratio	%					26.15
Average number of employees						176

<sup>1)</sup> 1993-96 in proportion to workloads; 1997: based on employment contracts.  
For 1993-94, the figure has not been adjusted by the number of employees working part-time.

Salaries paid and number of employees			
	Parent company and subsidiaries excl. Ilmarinen	Parent company	Ilmarinen
<b>Salaries, remunerations and fringe benefits</b>			
Supervisory Boards	282 008.00	199 668.00	482 999.85
Boards of Directors, Presidents and Managing Directors, Property Managers	6 838 004.00	5 032 254.00	2 199 879.68
Other staff	511 608 227.00	500 430 220.00	83 938 498.42
Total	518 728 239.00	505 662 142.00	86 621 377.95
No bonuses were paid.			
Average number of employees	2 816	2 640	478

<b>Gross premiums written (non-life insurance)</b>			
	1996 FIM million	1997 FIM million	Change %
Domestic direct insurance			
Statutory workers' compensation	612	752 <sup>(1)</sup>	23
Other accident and health	221	233	6
Motor, third party liability	403	447	11
Motor, other classes	369	376	2
Marine, aviation and transport	219	191	-13
Fire and other damage to property	641	643	-
Third party liability	148	152	3
Credit and suretyship	25	18	-25
Legal expenses	11	13	12
Miscellaneous	62	65	5
Total	2 711	2 890	7
Domestic reinsurance	105	87	-17
Retained foreign insurance	121	98	-19
Total	2 937	3 075	5
Cancelled foreign insurance	21	1	...
Total	2 958	3 076	4

<b>Balance on technical account, loss ratio and combined ratio (non-life insurance)</b>						
	1996			1997		
	FIM million	%	%	FIM million	%	%
Domestic direct insurance						
Statutory workers' compensation	-182	124	130	-147	113	119
Other accident and health	-19	80	108	-8	74	104
Motor, third party liability	-184	123	148	-111	104	126
Motor, other classes	57	64	84	40	70	90
Marine, aviation and transport	26	64	84	36	46	75
Fire and other damage to property	-25	72	104	-82	82	114
Third party liability	-14	89	114	4	72	96
Credit and suretyship	22	-54	-30	4	31	72
Legal expenses	-8	129	169	-7	122	157
Miscellaneous	1	58	97	-19	131	163
Total	-326	92	113	-290	90	111
Domestic reinsurance	19	52	69	-6	91	110
Retained foreign insurance	-2	62	104	-10	82	119
Total	-309	90	112	-306	90	111
Cancelled foreign insurance	-128	...	...	-112	...	...
Total	-437	95	117	-418	94	115

<sup>1)</sup> Does not include FIM 36 million in premiums written shown under extraordinary items

<b>Effect of foreign exchange rates on non-life business</b>		
	1996 FIM million	1997 FIM million
Balance on technical account	-78	-108
Net investment income	33	89
Total effect on profit	-45	-19
Change in difference between current and book values of investments	54	121
Total effect	9	102

the operating profit included in the consolidated figures of Pohjola shows a loss for the period July 1 to December 31, 1997. Moreover, the reinforcement of the unallocated bonus provision and the allocation to policies were mainly carried out during different half-year periods.

Gross premiums written during the period July to December were FIM 705 million, which was less than expected, mainly because of the decreasing number of capital redemption policies. Premiums written in individual pension insurance were FIM 169 million and in group pension insurance FIM 151 million. Interest in unit-linked insurance increased and is still growing. Premiums written in this class of insurance totalled FIM 45 million.

For 1997, Pohjola Life provides a client bonus of 2.2% on the savings of individual pension insurance. The corresponding bonus on group pension insurance and individual life assurance is 2.0%. For these and other bonuses, the provision for bonuses was increased by FIM 135 million for the entire year. Accrued bonuses may, in exceptional circumstances, be used to maintain the technical (guaranteed) interest. In addition

to client bonuses, savings are normally credited with a 4.5% (in group pension insurance 4.25%) technical interest.

The technical provisions for group pension insurance were supplemented by FIM 64 million. The supplement was taken out of the provision which includes an item for future bonuses and changes in reserving bases.

Operating expenses were FIM 76 million.

#### NON-LIFE INSURANCE INVESTMENTS

Net investment income rose from the previous year's FIM 962 million to FIM 1 435 million mainly as a result of increased gains on realization, which totalled FIM 784 million (FIM 359 million). Continuous income and value re-adjustments were also up. Continuous income rose to FIM 646 million (FIM 618 million) mainly because of increasing dividends. Dividend income included also FIM 26 million in profit shares of venture capital funds.

Gains on realization of shares were FIM 539 million (FIM 258 million). These were primarily generated by the realization of shares in UPM-Kymmene Corporation, Nokia Corporation and Werner Söderström Osakeyhtiö-WSOY. The gains on realization of fixed-income securities amounted to FIM 69 million (FIM 87 million). Value adjustments on shares were FIM 67 million (FIM 10 million) and value re-adjustments FIM 205 million (FIM 124 million). Value adjustments on fixed-income securities were FIM 8 million (FIM 6 million).

Interest income was down owing to a decrease in the interest rate level and a reduction in the investment loan portfolio.

Continuous income on investments in land and buildings dropped as the real estate portfolio contracted and the procedure for inter-group debiting was changed. Rents amounting to FIM 10 million debited from cooperating companies are included in other income of the profit and loss account. Gains on realization of investments in land and buildings reached FIM 176 million (FIM 14 million). In addition to scheduled depreciation, extraordinary depreciation and value adjustments of FIM 34 million (FIM 16

Gross premiums written, life assurance	
	1997 FIM million July to Dec.
Life assurance	158
Capital redemption policy	176
Employees' group life assurance	6
Pension insurance	320
Unit-linked insurance	45
<b>Total</b>	<b>705</b>

Claims incurred, life assurance	
	1997 FIM million July to Dec.
Claims paid	
Life assurance	106
Employees' group life assurance	4
Pension insurance	90
Surrenders	39
Claims settlement expenses	2
<b>Total</b>	<b>241</b>
Change in provision for claims outstanding	78
<b>Claims incurred in total</b>	<b>319</b>

Investment portfolio on December 31 (non-life insurance)						
FIM million	1993	1994	1995	1996	1997	1997 %
<b>Current value</b>						
Land and buildings	3 808	3 757	3 002	2 923	2 410	17
Shares	4 050	4 736	4 325	6 071	7 952	55
Fixed-income securities	703	1 148	1 925	2 879	3 024	21
Other debts securities	451	574	623	223	303	2
Loans	1 628	1 317	994	747	548	4
Other investments	331	152	202	179	199	1
	10 971	11 684	11 071	13 022	14 436	100
<b>Difference between current and book values</b>						
Land and buildings	1 109	1 042	720	721	555	
Shares	2 271	2 652	2 197	3 412	4 948	
Fixed-income securities	35	5	65	120	183	
	3 415	3 699	2 982	4 253	5 686	
<b>Book value in total</b>	7 556	7 985	8 089	8 769	8 750	

million) were made. The current values of land and buildings have not been raised, although the prices for residential real estate have risen in general.

#### LIFE ASSURANCE INVESTMENTS

Net investment income was FIM 147 million, of which interest income totalled FIM 176 million. Gains on realization were generated by shares as well as fixed-income securities, FIM 10 million respectively. Value adjustments on shares were FIM 45 million and value adjustments on derivatives FIM 6 million.

Continuous income on investments in land and buildings amounted to FIM 25 million. Regular scheduled depreciation was made on buildings.

#### STAFF

The staff of The Pohjola Group, with the exception of that of Ilmarinen, was employed by Pohjola Insurance Company Ltd. until June 30, 1997. On July 1, 1997, 180 employees transferred to Pohjola Life and 60 employees to Pohjolan Atk-palvelu Oy, in accordance with their respective tasks.

The average number of employees of the Group at the beginning of the year was 2 885, at year-end 2 816.

#### ILMARINEN

Employment pension insurance offered by the Group is underwritten by Ilmarinen.

Investment portfolio, Dec. 31 (life assurance)		
	1997 FIM million	1997 %
<b>Current value</b>		
Land and buildings	795	9
Shares	2 538	28
Fixed-income securities	5 203	57
Other debts securities	241	3
Loans	25	
Other investments	188	2
Investments based on unit-linked insurance	136	1
	9 126	100
<b>Difference between current and book values</b>		
Land and buildings	110	
Shares	608	
Fixed-income securities	286	
	1 004	
<b>Book value in total</b>	8 122	

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

#### BUSINESS IN THE BALTIC RIM

The Baltic Rim strategy has been specified in greater detail. For that purpose Pohjola has a network of associated undertakings. The non-life insurance company Seesam International Insurance Company Limited and the life assurance company Seesam Life Insurance Company Limited operate in Estonia, the non-life insurance company FAMLAT- First International Insurance Company of Latvia operates in Latvia.

Net investment income							
FIM million	1993	1994	1995	1996	1997	1997 7-12 Life assur.	1997 Total
					Non-life insurance		
<b>Continuous income</b>							
Interest	363	249	280	328	305	176	481
Dividends	48	64	120	170	232	3	235
Income from land and buildings	117	136	117	113	92	25	117
Other income/charges	20	-56	-16	7	17	1	18
Total	548	393	501	618	646	205	851
<b>Appreciation/depreciation in profit and loss account</b>							
Gains/losses on realization	248	365	686	359	784	20	804
Value adjustments	-88	-293	-247	-43	-94	-51	-145
Value re-adjustments	262	69	29	136	211	1	212
Depreciation on buildings	-137	-165	-258	-70	-80	-6	-86
Unrealized gains/losses	-	141	3	-	1	-	1
Total	285	117	213	382	822	-36	786
Interest on and charges for long-term loans	-51	-23	-23	-18	-15	-20	-35
Investment management expenses	-18	-18	-16	-20	-19	-2	-21
Total	764	469	675	962	1 434	147	1 581
Associated undertakings	-1	26	3	-	1	-	1
Extraordinary income/charges	32	-8	-13	-	-	-	-
Total	795	487	665	962	1 435	147	1 582

Ilmarinen		
FIM million	1996	1997
<b>Analysis of surplus</b>		
Sources of surplus		
Risk business (incl. interest)	543	463
Investments	481	941
Management expenses	49	47
Surplus in total	1 073	1 451
Change in difference between current and book values of investments	2 026	1 269
Total	3 099	2 720
Application of surplus		
Increase in solvency		
To equalization provision	543	463
To untaxed reserves	108	98
To unappropriated provision for future client bonuses	113	618
To capital and reserves	6	-
Change in difference between current and book values of investments	2 026	1 269
Total	2 796	2 448
Transfer to client bonuses	300	265
Proposed distribution of profit	3	7
Total	3 099	2 720
<b>Solvency</b>		
Solvency margin		
Capital and reserves	136	137
Untaxed reserves and accelerated depreciation	591	689
Unappropriated provision for future client bonuses	113	1 780
Difference between current and book values	4 042	5 311
Other items	-17	-13
Total	4 865	7 904
Lower limit for target zone of solvency margin	5 600	6 867
Equalization provision	1 928	2 391

In Poland, a holding has been acquired in the life assurance company Towarzystwo Ubezpieczeń na Życie "WARTA VITA" S.A. and at the beginning of 1998 in its parent, the non-life insurance and reinsurance company Towarzystwo Ubezpieczeń i Reasekuracji "WARTA" Spółka Akcyjna.

#### ARTICLES OF ASSOCIATION

In accordance with amendments to the Articles of Association, which came into force on July 1, 1997, the Supervisory Board was abolished, Series A shares may be converted into Series B shares and the vote restriction (at the shareholders' meeting, each shareholder may vote with a maximum of 10% of the votes represented at the meeting) was extended to also apply to group ownership.

#### CORPORATE MANAGEMENT

The Supervisory Board was abolished on July 1, 1997 with the amendment to the Articles of Association and, at the same time, a new external Board of non-executive directors took office.

The members of the Board of Directors until June 30, 1997 were Mr Iiro Viinanen, Mr Jukka Rantala, Ms Pirkko Alitalo, Mr Jorma Hämäläinen, Mr Hannu Ketola, Mr Jukka

Peltola and Mr Kari Puro. The members of the new Board of Directors are Mr Tauno Matomäki (Chairman), Mr Aatto Prihti (Deputy Chairman), Mr Jaakko Ihamuotila, Mr Olavi Nevanlinna, Mr Lars-Eric Petersson and Mr Pertti Voutilainen.

The Board of Directors deals with matters which, from a business point of view, are far-reaching and of vital importance to the whole Group, such as the basic Group strategy, the budget, the business plan, large investments and major asset disposals.

The Board of Directors elects the President, the Senior Executive Vice President and other officers working directly under the President, and decides on their terms of employment.

According to the Articles of Association, the Pohjola Board of Directors consists of a minimum of four and a maximum of seven members. The members are elected at the shareholders' meeting, at which also the Chairman of the Board of Directors is elected.

The acting Board of Directors convened five times in 1997. The earlier Board convened 12 times during the first half of the year.

From July 1, 1997, Mr Iiro Viinanen, CEO, has been President and Ms Pirkko Alitalo Senior Executive Vice President.

#### INCORPORATION

Pohjola intends to transfer its direct non-life insurance and life reinsurance business to Pohjola Non-Life Insurance Company Limited (Pohjola Non-Life) as of July 1, 1998. Pohjola Non-Life is fully owned by Pohjola and was granted a licence in September. It was entered in the trade register on October 27, 1997. Applications for other licences required by the authorities for the transfer are pending.

The Pohjola field organization and IT applications development services are also proposed to be incorporated in separate companies on July 1, 1998. For the field organization, Pohjola Customer Service Ltd (Service Pohjola) has been established and, within the IT area, a new company (Systems Pohjola) will be founded.

#### PROSPECTS

The favourable development of the economy provides a good outlook for the insurance business. Life assurance, in particular, is forecast to grow.

By incorporating business functions in Pohjola Non-life, Service Pohjola and Systems Pohjola, the aim is to achieve even more efficient operations.

With an increase in premium rates, the profitability of statutory workers' compensation insurance and motor third party liability insurance will be improved. Premiums written in life assurance are forecast to increase with the new group of insurance saving products and services introduced on the market in October 1997, as well as with the growing interest in insurance saving.

Operating expenses and depreciation on consolidation difference will increase with the consolidation of life assurance for the whole year. Expenses will also grow as a result of the preparations for the European single currency.

The favourable development of the company and its excellent financial standing offer good prospects for business in the future.

#### PROPOSAL BY THE BOARD OF DIRECTORS FOR DISTRIBUTION OF PROFIT

The non-restricted reserves of the parent company total FIM 921 264 967.67.

Consolidated non-restricted reserves, reduced by the amount of voluntary provisions and accelerated depreciation transferred to reserves as well as by the book value of parent company shares owned by the Group, total FIM 870 907 816.27.

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

Dividend		
FIM 3.00 per share	FIM	122 130 000.00
Donations for worthy causes	FIM	150 000.00
To contingency reserve	FIM	446 554 504.02
		<u>FIM 568 834 504.02</u>



# STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Statement of source and application of funds				
FIM 1 000	Group		Parent company	
	1997	1996	1997	1996
<b>Source of funds</b>				
From operations				
Profit before interest on loans, extraordinary items, untaxed reserves and tax	825 922	402 436	793 825	370 434
Decrease in investments	–	–	164 303	–
Extraordinary income and charges	–	-23 594	–	-25 807
Adjustments:				
Changes in technical provisions	1 040 683	361 746	554 730	385 276
Value adjustments and unrealized gains	-69 032	-93 157	-109 833	-52 605
Depreciation	224 210	102 949	95 297	69 907
Adjustments pertaining to associated undertakings	576	1 631	–	–
	2 022 359	752 011	1 498 322	747 205
From other sources				
Increase in long-term loans	–	1 774	–	50
Increase in minority interest	–	1 516	–	–
Increase in capital and reserves	1 537	963	45	28
	1 537	4 253	45	78
Source of funds in total	2 023 896	756 264	1 498 367	747 283
<b>Application of funds</b>				
Profit distribution				
Interest on long-term loans	35 333	18 185	13 182	15 788
Tax	235 442	79 478	220 488	86 604
Dividends paid	81 420	61 065	81 420	61 065
Other	150	220	150	200
	352 345	158 948	315 240	163 657
Investments				
Investments in life assurance operations	696 873	–	1 119 461	–
Increase in investments (net)	738 856	662 509	–	567 309
Increase in intangible and tangible assets (net)	107 302	82 891	99 119	79 482
	1 543 031	745 400	1 218 580	646 791
Repayment of capital and loans				
Decrease in long-term loans	20 627	19 350	17 972	19 314
Decrease in minority interest	2 453	–	–	–
	23 080	19 350	17 972	19 314
Application of funds in total	1 918 456	923 698	1 551 792	829 762
<b>Difference</b>	105 440	-167 434	-53 425	-82 479
<b>Increase/decrease in:</b>				
Acquisition of life assurance operations	207 889	–	–	–
Debtors	23 970	-140 053	-14 514	-100 977
Cash at bank and in hand	-35 372	7 418	-38 200	29 144
Prepayments and accrued income	-3 668	-732	24 735	-8 462
Deposits received from reinsurers	-47	346	2	152
Creditors	17 170	14 639	59 581	39 439
Accruals and deferred income	-104 502	-49 052	-85 029	-41 775
<b>Total</b>	105 440	-167 434	-53 425	-82 479

# PROFIT AND LOSS ACCOUNT

Profit and loss account		Group		Parent company	
		Jan.1-Dec.31, 1997	Jan.1-Dec.31, 1996	Jan.1-Dec.31, 1997	Jan.1-Dec.31, 1996
<b>FIM 1 000</b>	<b>Notes</b>				
<b>TECHNICAL ACCOUNT</b>					
<b>Non-life insurance</b>					
Earned premiums					
Premiums written	3	3 049 682	2 927 888	2 941 665	2 827 180
Outward reinsurance premiums		-277 891	-323 720	-272 904	-334 638
		2 771 791	2 604 168	2 668 761	2 492 542
Change in provision for unearned premiums		-40 565	-15 743	-38 151	-16 186
Reinsurers' share		24 192	-20 586	24 181	-20 609
		-16 373	-36 329	-13 970	-36 795
Earned premiums in total		2 755 418	2 567 839	2 654 791	2 455 747
Claims incurred					
Claims paid		-2 365 721	-2 569 792	-2 249 318	-2 343 016
Reinsurers' share		117 271	313 026	139 252	317 140
		-2 248 450	-2 256 766	-2 110 066	-2 025 876
Change in provision for claims	9	-385 405	15 614	-307 110	-50 339
Reinsurers' share		48 636	-199 164	4 271	-169 595
		-336 769	-183 550	-302 839	-219 934
Claims incurred in total		-2 585 219	-2 440 316	-2 412 905	-2 245 810
Operating expenses	7, 9	-588 116	-564 649	-539 683	-529 023
Balance on technical account before change in equalization provision					
		-417 917	-437 126	-297 797	-319 086
Change in equalization provision					
		-174 935	-141 867	-152 064	-128 547
<b>Balance on technical account</b>					
		<b>-592 852</b>	<b>-578 993</b>	<b>-449 861</b>	<b>-447 633</b>
<b>TECHNICAL ACCOUNT</b>					
<b>Life assurance</b>					
Premiums written					
Premiums written	4	705 080			
Outward reinsurance premiums		-6 291			
		698 789			
Allocated investment return transferred from non-technical account					
	8	146 725			
Claims incurred					
Claims paid					
Claims paid	5	-241 204			
Reinsurers' share		5 525			
		-235 679			
Change in provision for claims					
Change in provision for claims		-78 256			
Reinsurers' share		199			
		-78 057			
Claims incurred in total		-313 736			
Change in life assurance provision					
Change in life assurance provision	6, 7	-434 943			
Reinsurers' share		394			
		-434 549			
Operating expenses					
Other technical charges	7	-76 322			
		-341			
<b>Balance on technical account</b>					
		<b>20 566</b>			

<b>Profit and loss account</b>					
FIM 1 000	Notes	Group		Parent company	
		Jan.1-Dec.31, 1997	Jan.1-Dec.31, 1996	Jan.1-Dec.31, 1997	Jan.1-Dec.31, 1996
<b>NON-TECHNICAL ACCOUNT</b>					
Balance on technical account of non-life insurance		-592 852	-578 993	-449 861	-447 633
Balance on technical account of life assurance		20 566	–		
Investment income	8, 9	2 029 770	1 257 469	1 583 571	1 149 845
Unrealized gains on investments	8	1 524	–	–	
Investment charges	8	-450 731	-295 593	-354 121	-349 302
Unrealized losses on investments	8	-362	-364	–	–
		1 580 201	961 512	1 229 450	800 543
Allocated investment return transferred to life-assurance technical account	8	-146 725	–	–	–
Other income	9	193 675	3 706	329 792	3 385
Other charges	9				
Depreciation on unallocated consolidation difference		-73 442	–	–	–
Depreciation on goodwill		-2 700	–	–	–
Other		-188 817	-2 121	-328 738	-1 650
		-264 959	-2 121	-328 738	-1 650
Tax on profit on ordinary activities					
Tax for financial year		-243 862	-96 283	-221 618	-96 719
Tax for previous financial years	9	484	14 152	1 130	4 017
Change in deferred tax liability		7 936	-3 859	–	–
		-235 442	-85 990	-220 488	-92 702
Share of associated undertaking's profit/loss after tax		684	146	–	–
<b>Profit on ordinary activities after tax</b>		<b>555 148</b>	<b>298 260</b>	<b>560 155</b>	<b>261 943</b>
Extraordinary profit/loss					
Extraordinary profit					
Premiums written		35 570	–	35 570	–
Claims paid		50 287	–	50 287	–
Change in equalization provision		47 459	–	47 459	–
		133 316	–	133 316	–
Extraordinary loss					
Change in collective guarantee item		-133 316	–	-133 316	–
Other extraordinary charges	10	–	-23 594	–	-25 806
		-133 316	-23 594	-133 316	-25 806
Tax on extraordinary profit/loss		–	6 513	–	6 098
		–	-17 081	–	-19 708
<b>Profit after extraordinary items</b>		<b>555 148</b>	<b>281 179</b>	<b>560 155</b>	<b>242 235</b>
Decrease/increase in accelerated depreciation				6 459	-23 391
Decrease in voluntary provisions				2 220	12 670
				8 679	-10 721
Minority interest		-108	-346		
<b>Profit for financial year</b>		<b>555 040</b>	<b>280 833</b>	<b>568 834</b>	<b>231 514</b>
To be transferred to reserves:					
Voluntary provisions and accelerated depreciation		-20 503	9 822		
Profit for financial year		575 543	271 011		
		555 040	280 833		

# BALANCE SHEET

<b>Balance sheet</b>					
FIM 1 000	Notes	Group		Parent company	
		Dec. 31, 1997	Dec. 31, 1996	Dec. 31, 1997	Dec. 31, 1996
<b>Assets</b>					
Intangible assets	11				
Intangible rights		37 188	28 884	31 195	27 252
Goodwill		65 354	20 695	14 054	20 695
Unallocated consolidation difference		660 446	357	–	–
Other long-term expenses		50 119	17 390	38 832	17 043
		813 107	67 326	84 081	64 990
Investments	12				
Land and buildings	13				
Land and buildings and shares therein	15	2 538 701	2 199 870	1 598 086	1 756 291
Loans to affiliated undertakings		1 672	2 438	111 081	230 629
		2 540 373	2 202 308	1 709 167	1 986 920
Investments in affiliated and associated undertakings					
Shares in affiliated undertakings	14,15	40 851	40 788	1 366 844	229 521
Shares in associated undertakings	14,15	42 910	17 469	40 983	15 794
		83 761	58 257	1 407 827	245 315
Other financial investments					
Shares	15	4 849 500	2 600 912	2 914 768	2 595 476
Debt securities		8 301 896	2 982 008	2 015 271	2 045 989
Loans guaranteed by mortgages	16	327 508	410 760	343 587	427 440
Other loans	16	245 580	336 507	274 674	394 431
Deposits with credit institutions		337 932	127 470	133 354	85 999
		14 062 416	6 457 657	5 681 654	5 549 335
Deposits with ceding undertakings		49 050	50 681	2 261	2 497
Investments in total		16 735 600	8 768 903	8 800 909	7 784 067
Investments for the benefit of life-assurance policyholders who bear the investment risk	17	136 334	–		
Debtors	18				
Direct insurance debtors					
Policyholders		575 459	520 777	531 402	510 232
Intermediaries		12 529	14 739	6 730	9 152
		587 988	535 516	538 132	519 384
Reinsurance debtors		98 230	107 308	76 436	102 284
Other debtors		324 904	338 715	354 365	361 798
		1 011 122	981 539	968 933	983 466
Other assets					
Tangible assets and stocks					
Equipment	19	112 943	92 850	110 313	88 002
Stocks		13 124	12 898	13 124	12 898
		126 067	105 748	123 437	100 900
Cash at bank and in hand		165 679	177 847	60 885	99 085
Other		12 391	12 300	12 391	12 300
		304 137	295 895	196 713	212 285
Prepayments and accrued income					
Interest and rent		340 498	121 039	91 437	91 516
Other		107 266	81 248	86 570	61 756
		447 764	202 287	178 007	153 272
<b>Assets in total</b>		<b>19 448 064</b>	<b>10 315 950</b>	<b>10 228 643</b>	<b>9 198 080</b>

<b>Balance sheet</b>					
FIM 1 000	Notes	Group		Parent company	
		Dec. 31, 1997	Dec. 31, 1996	Dec. 31, 1997	Dec. 31, 1996
<b>Liabilities</b>					
Capital and reserves	20				
Restricted					
Share capital		203 550	203 550	203 550	203 550
Legal reserve		946 018	946 018	945 434	945 434
Revaluation reserve		42 372	58 321	38 292	48 544
Translation differences		14 893	4 492	–	–
		1 206 833	1 212 381	1 187 276	1 197 528
Non-restricted					
Contingency reserve		351 008	200 704	352 431	202 441
Accelerated depreciation and voluntary provisions, net of tax	21	48 052	58 449	–	–
Profit/loss brought forward		-55 243	-85 517	–	–
Profit for financial year		575 543	271 011	568 834	231 514
		919 360	444 647	921 265	433 955
Capital and reserves in total		2 126 193	1 657 028	2 108 541	1 631 483
Minority interest		23 128	25 472		
Untaxed reserves	21				
Accelerated depreciation				44 639	51 098
Voluntary provisions				17 810	20 030
				62 449	71 128
Subordinated loans	22	550 000	–		
Technical provisions					
Provision for unearned premiums of non-life insurance		1 005 324	964 760	979 383	941 232
Reinsurance amount		-83 208	-59 016	-82 959	-58 779
		922 116	905 744	896 424	882 453
Life assurance provision	23	6 192 251	–	–	–
Reinsurance amount		-6 562	–	–	–
		6 185 689	–	–	–
Provision for claims outstanding of non-life insurance	24	6 677 599	6 292 194	5 738 798	5 431 689
Reinsurance amount		-413 054	-364 418	-375 892	-371 621
		6 264 545	5 927 776	5 362 906	5 060 068
Provision for claims outstanding of life assurance		1 172 191	–	–	–
Reinsurance amount		-1 679	–	–	–
		1 170 512	–	–	–
Equalization provision of non-life insurance		784 896	657 420	700 050	595 445
Collective guarantee item of non-life insurance		133 316	–	133 316	–
Technical provisions in total		15 461 074	7 490 940	7 092 696	6 537 966
Technical provisions for life assurance policies where the investment risk is borne by the policyholders		94 191	–		
Deposits received from reinsurers		2 280	1 659	201	203
Creditors	25				
Direct insurance creditors		14 385	17 023	9 522	14 990
Reinsurance creditors		180 314	229 879	81 717	93 472
Amounts owed to credit institutions		32 377	34 993	1 572	1 636
Pension loans		238 120	256 130	237 923	255 831
Deferred tax liability		17 741	21 746	–	–
Other creditors		148 994	182 328	179 320	221 698
		631 931	742 099	510 054	587 627
Accruals and deferred income		559 267	398 752	454 702	369 673
<b>Liabilities in total</b>		<b>19 448 064</b>	<b>10 315 950</b>	<b>10 228 643</b>	<b>9 198 080</b>

**1 Accounting principles****a) Changes in accounting principles**

The expansion of Pohjola's business operations have an impact also on the accounting principles. Since the Group includes both companies underwriting non-life insurance and companies underwriting life assurance, the analyses of profit, solvency and investment portfolio are carried out by line of business. The definitions of key ratios for life and non-life insurance have been harmonized and the key ratios for previous years changed correspondingly.

Previous annual accounts showed, as an average number of employees, only the number of Pohjola employees who had worked for Pohjola's group in proportion to their company-specific work loads. When staff was, in accordance with their respective tasks, transferred to new employer companies, the former mode of presentation was given up and, as of July 1, 1997, the average number of employees reported is the number of those with an employment relationship with the Group. The joint ownership of equipment and intangible assets was dissolved on July 1, 1997. The realization took place at book value and did not affect the result, with the exception of the change in accelerated depreciation on equipment.

Internal debiting of services within The Pohjola Group have, since January 1, 1997, mainly been shown as one income item (services to other companies) under other income instead of being shown as expense-type-specific deductions. The corresponding charges are shown under other charges. This change of procedure decreases rent income from investments in land and buildings and increases other income by a corresponding amount. The change makes turnover grow by an amount corresponding to services to other companies. The figures for expense-type-specific charges are not comparable with those for the previous year, but the comparability of activity-based charges was not affected by the change.

Owing to shorter useful lives of IT work stations, the write-off period for these was changed from five years to three. The retroactive depreciation of previous years and the higher write-off for the 1997 financial year reduced profit.

As of the beginning of 1997, laws pertaining to a guarantee system applied to statutory non-life insurance took effect. A collective guarantee item was entered in the provision for claims outstanding, as companies have to provide for their possible liability for future losses.

The amounts of technical provisions for foreign subsidiaries in the balance sheet and changes in technical provisions in the profit and loss account have been translated at the rate quoted on December 31. In order to have the change in technical provisions in the profit and loss account match with the difference between the opening and closing balance sheets, claims paid have, as of 1997, been adjusted by the amount of exchange gains/losses of technical provisions at the beginning of the year.

The Insurance Companies Act was amended as of September 1, 1997. Accordingly, the Pohjola consolidated annual accounts have since 1997 included all corporations in which the company has a controlling interest. The impact of this change is insignificant.

**b) Consolidated accounts**

Those corporations in which the parent company either directly or indirectly has a controlling interest are con-

solidated. In all subsidiaries of Pohjola, the control is based on the majority of voting rights.

All subsidiaries are consolidated, excluding Pension Insurance Company Ilmarinen Ltd, Varma Mutual Insurance Company (in liquidation) and Asunto Oy Kukkosalama. Ilmarinen with subsidiaries has been excluded from consolidation since the act on employment pension insurance companies provides that a company carrying on statutory pension insurance may not be consolidated in the accounts of another company. The prohibition is based on restrictions pertaining to employment pension insurance. Legislation further provides that the effect of non-consolidation must not be used to adjust the distributable profit of the parent company. There are some transactions between Pohjola and Ilmarinen in the ordinary course of their insurance or insurance-related activities. The companies share i.a. expenses for the partly joint investment and marketing organization. Cooperation is based on agreements and is monitored by the Ministry of Social Affairs and Health. The companies also have a common associated undertaking in charge of IT services. The report by the Board of Directors describes the development of profit and solvency of Ilmarinen for the past two years. Varma was excluded from consolidation because the company was placed in voluntary liquidation after acquisition. The total acquisition cost of shares has been entered as a charge. In Asunto Oy Kukkosalama, Pohjola holds only a short-term controlling interest.

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

The book value of shares in undertakings included in consolidation is eliminated by the acquisition method. The consolidation difference is entered directly against the subsidiaries' asset items and is depreciated in accordance with their depreciation schedule. The unallocated consolidation difference is shown as a separate item in the consolidated balance sheet and is written off as scheduled, generally over a period of five years; however, over a maximum period of ten years. The total consolidation difference for the acquisition of Pohjola Life has been entered as an unallocated item in the consolidated balance sheet as it pertains mostly to investments.

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

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

## Accounting principles

internal receivables and liabilities, have been entered into the profit and loss account.

Associated undertakings, i.e. undertakings in which the Group holds from 20% to 50% of the voting rights, have been included in the consolidated accounts by the equity method, excluding a joint undertaking, Asunto Oy Helsingin Korppaanmäki, which has been included by proportional consolidation, and other holdings in mutual housing and real estate companies. Since the expenses for these companies are covered by shareholders, the effect of non-inclusion on consolidated profit and profit brought forward is insignificant. The shares in the life assurance company Warta Vita have been stated at cost because the holding is intended to fall under 20%.

The profit and loss account includes the Group's share of associated undertakings' profit or loss. In the balance sheet, the Group's share of associated undertakings' profit or loss which has accrued after acquisition is added to associated undertakings' acquisition cost and profit brought forward. Internal gains/losses entered in the balance sheets and originating from transactions between the Group and associated undertakings are eliminated in proportion to the Group's shareholding. Consolidation difference and eliminated internal gains/losses are entered in the profit and loss account in accordance with the principles applied to the consolidation of subsidiaries.

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

### c) Book value of investments

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

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

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

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

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

Investments acquired for the benefit of life assurance policyholders who bear the investment risk are shown in the balance sheet at current value and the change in current value is entered in the profit and loss account as unrealized gains/losses or value adjustments/re-adjustments.

Derivative contracts are used to hedge the fixed-income securities portfolio against interest rate risks. The volume of the derivatives business is not material compared to the market value of the portfolio.

### d) Book value of other assets than investments

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

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

### e) Grounds for scheduled depreciation

Depreciation has been determined in accordance with a depreciation schedule.

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

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

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

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

Intangible rights (software)	5 years	20%
Goodwill	10 years	10%
Unallocated consolidation difference	5-10 years	10-20%
IT systems work expenses	5 years	20%
Other long-term expenses	10 years	10%
IT work stations	3 years	33.3%
Transport facilities and other hardware	5 years	20%
Other equipment	10 years	10%

## Accounting principles

### f) Unrealized gains on and revaluation of investments

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

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

Unrealized gains on buildings are depreciated according to schedule.

### g) Current value of investments and difference between current and book values

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

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

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

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

### h) Technical provisions of non-life insurance

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

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

The provision for claims outstanding includes a collective guarantee item which pertains to the guarantee system of statutory non-life insurance and has to be shown separately in the balance sheet. By means of the guarantee item companies provide for their joint liability

should one of the companies granting these policies end up in liquidation or go bankrupt.

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

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

### i) Technical provisions of life assurance

Technical provisions have been calculated separately for each life assurance contract. The rates of interest used for the different types of insurance have been chosen prudently on the basis of investment income from company assets. The interest rates meet the requirements set by the Ministry of Social Affairs and Health.

Policy acquisition costs are shown under operating expenses in the profit and loss account. Part of the policy acquisition costs are deferred over future years by deducting them from the life assurance provision (so-called zillmerization). The maximum period of amortization in zillmerization is ten years. Other deferral of policy acquisition costs has not been applied.

The technical provisions include a provision for bonuses. In accordance with the regulations by the Ministry of Social Affairs and Health, bonuses comprise all benefits which are not included in the insurance company's liability on the basis of the insurance contract, such as premium rebates, additional sums insured, client bonuses and the provision for future bonuses.

Technical provisions are entered in the balance sheet in accordance with the net principle as in non-life insurance.

### j) Principle of equity in life assurance

Chapter 13, §3 of the Insurance Companies Act provides that the so-called principle of equity has to be applied in life assurance to policies which, in accordance with the insurance contract, are entitled to bonuses granted on the basis of any surplus the policies may generate. According to this principle, a reasonable part of the surplus from the policies is returned as bonuses to these policies, provided that the solvency requirements do not prevent such a procedure. As to the level of bonuses, continuity should be aimed at. The principle of equity has an impact on how the difference between current and book values of investments are, in the long term, divided between owners and policyholders; how-



## Accounting principles

ever, without giving the individual persons in either group the right to claim these funds.

Pohjola Life applies the principle of equity as follows:

- The company aims at crediting customers' insurance savings linked to the company's performance with a return (gross return before deduction of expenses) which is 1.5 to 2 percentage points higher than the return on a risk-free investment with a duration comparable to that of a policy term. This is the basis on which the level and continuity of annual bonuses are determined.
- The structure of the company's investment portfolio is developed in such a manner that the target return is obtained on insurance savings. This means that, in the long run, at least 50% of the company's assets will be invested in real property, mainly in shares.
- To provide for the fluctuation of asset values, the company's relative solvency, measured by the company's solvency ratio, is kept at 20 to 30%, depending on the cyclical phase at any given time.

### k) Solvency margin

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

### l) Voluntary provisions and accelerated depreciation (untaxed reserves)

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

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

### m) Deferred tax liability

Unrealized gains and losses on investments entered in the profit and loss account affect the taxable income of the year in question. Revaluation entered under revaluation reserve, however, is subject to tax only in connection with realization.

Deferred tax liability included in the revaluation reserve and in difference between current and book values of investments shown in the notes on the accounts is not stated as a separate liability item in the annual accounts.

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

The tax rate is 28 per cent.

### n) Items in foreign currencies

Transactions in foreign currencies are entered at the rate quoted on the date of the transaction. Receivables and

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

### o) Pension arrangements for staff

The pension coverage for the employees working for the parent company and the domestic subsidiaries is arranged through pension insurance taken out from Pension Insurance Company Ilmarinen Ltd and Pohjola Life Assurance Company Ltd. Foreign subsidiaries do not have staffs of their own.

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

### p) Activity-based profit and loss account layout

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

### q) Data by line of business

In the consolidated profit and loss account, all items are shown after inter-group eliminations. Pohjola Life's share of the net investment income calculated in this manner is transferred from the non-technical account to the technical account of life assurance.

Of the consolidated solvency capital, the solvency capital shown in the consolidated accounts of the Pohjola Life sub-group is stated separately as pertaining to life assurance, while the difference is entered as solvency capital of non-life insurance. In the analyses by line of business, the inter-group eliminations between the lines of business have not been cancelled since the impact of these is insignificant.

### r) Exceptional permission by The Finnish Accounting Standards Board

On December 22, 1997, The Finnish Accounting Standards Board gave insurance companies permission to deviate from the regulations of the decision by the Ministry of Finance, in respect of the following:

- The market values of securities subject to public trading are not specified by balance-sheet item since the total current value of each balance-sheet item is shown in the notes on the accounts.
- Volume of orders, research and development costs and gross investments in fixed assets are not indicated owing to the special nature of insurance.
- Return on invested capital is replaced by return on assets.

Exceptional permission was granted for 1997 to 2000.

# NOTES ON THE ACCOUNTS

## 2. Balance on technical account by group of insurance classes, non-life insurance

	Gross premiums written (before credit loss and reinsurers' share)	Gross premiums earned (before reinsurers' share)	Gross claims incurred (before reinsurers' share)	Group Gross operating expenses (before reinsurance commissions and profit participation)	Reinsurance balance	Balance on technical account
<b>Direct insurance</b>						
<b>Statutory workers' compensation</b>						
1997	752 233	741 771	-840 960	-47 439	-204	-146 832
1996	612 189	606 634	-750 534	-38 464	-57	-182 421
1995	618 348	601 932	-688 366	-31 049	1 134	-116 349
<b>Other accident and health</b>						
1997	233 432	227 529	-163 815	-66 402	-5 396	-8 084
1996	220 916	214 467	-170 460	-59 787	-2 959	-18 739
1995	206 208	201 966	-138 361	-53 767	-6 694	3 144
<b>Motor, third party liability</b>						
1997	447 264	418 181	-435 548	-93 970	37	-111 300
1996	402 954	380 515	-470 205	-95 020	409	-184 301
1995	379 261	333 603	-390 399	-91 922	-1 660	-150 378
<b>Motor, other classes</b>						
1997	375 530	371 545	-257 763	-72 705	-853	40 224
1996	368 767	371 511	-238 292	-75 200	-827	57 192
1995	377 824	393 688	-252 842	-72 001	325	69 170
<b>Marine, aviation and transport</b>						
1997	190 925	193 339	-87 495	-48 893	-23 530	33 421
1996	218 678	220 864	-135 505	-40 830	-19 970	24 559
1995	249 160	246 367	-147 376	-34 619	-35 577	28 795
<b>Fire and other damage to property</b>						
1997	641 635	648 530	-507 053	-192 880	-27 394	-78 797
1996	644 192	647 954	-434 371	-192 636	-60 787	-39 840
1995	650 663	666 386	-472 755	-172 705	-61 895	-40 969
<b>Third party liability</b>						
1997	151 915	123 759	-98 535	-27 610	13 476	11 090
1996	148 335	129 025	-79 300	-27 395	-30 865	-8 535
1995	144 777	154 174	-20 239	-24 136	-64 376	45 423
<b>Credit and suretyship</b>						
1997	21 956	24 986	-8 354	-9 045	-2 918	4 669
1996	32 145	32 183	7 421	-7 468	-7 866	24 270
1995	38 523	45 449	-15 329	-11 802	-8 609	9 709
<b>Legal expenses</b>						
1997	12 477	11 924	-14 496	-4 167	-	-6 739
1996	11 181	11 011	-14 223	-4 379	-	-7 591
1995	10 884	10 765	-17 330	-6 373	-	-12 938
<b>Miscellaneous</b>						
1997	67 088	69 770	-59 411	-14 953	-16 289	-20 883
1996	79 246	79 489	-93 406	-20 488	-43 581	-77 986
1995	68 876	81 356	-39 610	-16 030	-17 455	8 261
<b>Direct insurance in total</b>						
1997	2 894 455	2 831 334	-2 473 430	-578 064	-63 071	-283 231
1996	2 738 603	2 693 653	-2 378 875	-561 667	-166 503	-413 392
1995	2 744 524	2 735 686	-2 182 607	-514 404	-194 807	-156 132
<b>Reinsurance</b>						
1997	181 062	177 781	-277 697	-46 214	11 444	-134 686
1996	219 592	218 492	-175 303	-53 817	-13 106	-23 734
1995	270 036	261 981	-355 300	-63 826	99 523	-57 622
<b>Total</b>						
1997	3 075 517	3 009 115	-2 751 127	-624 278	-51 627	-417 917
1996	2 958 195	2 912 145	-2 554 178	-615 484	-179 609	-437 126
1995	3 014 560	2 997 667	-2 537 907	-578 230	-95 284	-213 754
<b>Change in equalization provision</b>						
1997						-174 935
1996						-141 867
1995						-191 421
<b>Total</b>						
1997						-592 852
1996						-578 993
1995						-405 175

**Balance on technical account by group of insurance classes, non-life insurance**

	Gross premiums written (before credit loss and reinsurers' share)	Gross premiums earned (before reinsurers' share)	Parent company Gross claims incurred (before reinsurers' share)	Gross operating expenses (before reinsurance commissions and profit participation)	Reinsurance balance	Balance on technical account
<b>Direct insurance</b>						
Statutory workers' compensation						
1997	752 234	741 771	-840 981	-47 501	-204	-146 915
1996	612 189	606 634	-750 645	-38 533	-57	-182 601
1995	618 348	601 932	-689 028	-31 315	1 134	-117 277
Other accident and health						
1997	130 031	124 341	-95 650	-31 994	-4 420	-7 723
1996	118 149	112 632	-102 163	-33 435	-2 051	-25 017
1995	106 414	102 549	-76 214	-28 106	-2 904	-4 675
Motor, third party liability						
1997	447 264	418 182	-435 590	-94 092	37	-111 463
1996	402 954	380 515	-470 710	-95 295	408	-185 082
1995	379 261	333 603	-391 044	-92 711	-1 660	-151 812
Motor, other classes						
1997	375 530	371 546	-257 806	-72 835	-854	40 051
1996	368 766	371 511	-238 707	-75 436	-827	56 541
1995	377 824	393 688	-253 351	-72 620	325	68 042
Marine, aviation and transport						
1997	138 208	140 645	-57 195	-24 217	-23 367	35 866
1996	164 575	166 872	-107 884	-25 878	-20 965	12 145
1995	196 344	193 523	-121 859	-19 306	-36 326	16 032
Fire and other damage to property						
1997	641 236	648 133	-509 086	-192 951	-27 968	-81 872
1996	660 428	663 044	-468 555	-197 543	-26 108	-29 162
1995	649 238	663 761	-471 484	-176 250	-47 845	-31 818
Third party liability						
1997	151 915	123 759	-98 549	-27 646	13 476	11 040
1996	147 290	128 028	-78 861	-27 267	-30 277	-8 377
1995	143 490	152 950	-19 956	-24 082	-63 648	45 264
Credit and suretyship						
1997	21 956	24 986	-8 357	-9 046	-2 918	4 665
1996	32 145	32 183	7 421	-7 468	-7 866	24 270
1995	38 523	45 449	-15 592	-11 530	-9 359	8 968
Legal expenses						
1997	12 477	11 925	-14 499	-4 177	-	-6 751
1996	11 181	11 011	-14 223	-4 378	-	-7 590
1995	10 884	10 765	-17 371	-6 427	-	-13 033
Miscellaneous						
1997	67 088	69 770	-57 462	-14 937	-16 289	-18 918
1996	63 976	64 219	-14 516	-15 126	-33 734	843
1995	65 646	78 349	-24 421	-11 569	-29 644	12 715
Direct insurance in total						
1997	2 737 939	2 675 058	-2 375 175	-519 396	-62 507	-282 020
1996	2 581 653	2 536 649	-2 238 843	-520 359	-121 477	-344 030
1995	2 585 972	2 576 569	-2 080 320	-473 916	-189 927	-167 594
<b>Reinsurance</b>						
1997	228 192	228 456	-181 252	-55 912	-7 069	-15 777
1996	275 452	274 346	-154 512	-59 222	-35 668	24 944
1995	336 783	325 424	-297 796	-68 359	21 978	-18 753
<b>Total</b>						
1997	2 966 131	2 903 514	-2 556 427	-575 308	-69 576	-297 797
1996	2 857 105	2 810 995	-2 393 355	-579 581	-157 145	-319 086
1995	2 922 755	2 901 993	-2 378 116	-542 275	-167 949	-186 347
<b>Change in equalization provision</b>						
1997						-152 064
1996						-128 547
1995						-207 349
<b>Total</b>						
1997						-449 861
1996						-447 633
1995						-393 696

<b>3. Premiums written of non-life insurance</b>				
	Group		Parent company	
	1997	1996	1997	1996
<b>Direct insurance</b>				
In Finland	2 889 992	2 710 922	2 733 738	2 552 932
In EEA countries	5 812	26 453	5 549	27 721
In other countries	-1 348	1 228	-1 348	1 000
Total	2 894 456	2 738 603	2 737 939	2 581 653
<b>Reinsurance</b>				
Non-life insurance	150 453	188 529	199 602	244 388
Life assurance	30 610	31 063	28 590	31 064
Total	181 063	219 592	228 192	275 452
<b>Gross premiums written</b>	3 075 519	2 958 195	2 966 131	2 857 105
Credit loss on premiums	-25 837	-30 307	-24 466	-29 925
Premiums written before reinsurers' share	3 049 682	2 927 888	2 941 665	2 827 180
<b>Premium tax and other levies</b>				
Before entered in the profit and loss account, premiums written have been reduced by the following items:				
Premium tax	371 218	362 240	359 796	350 258
Fire brigade charge	7 348	7 490	7 348	7 490
Road safety charge	6 420	6 130	6 420	6 130
Occupational safety charge	12 770	11 438	12 770	11 438
Charge payable under §58 of the Employment Accidents Insurance Act	–	2 885	–	2 885
Medical treatment fee forwarded to the State	64 295	68 643	64 295	68 643
	462 051	458 826	450 629	446 844

<b>4. Premiums written of life insurance</b>				
	Group		Parent company	
	1997	1996	1997	1996
<b>Direct insurance</b>				
In Finland	704 694	–		
<b>Reinsurance</b>				
Life assurance	437	–		
<b>Gross premiums written</b>	705 131	–		
Credit loss on premiums	-51	–		
Premiums written before reinsurers' share	705 080	–		
<b>Specification of gross premiums written, direct insurance</b>				
<b>Life assurance</b>				
Individual life assurance	191 385	–		
Capital redemption policy	175 306	–		
Employees' group life assurance	6 277	–		
Other group life assurance	5 220	–		
Total	378 188	–		
<b>Pension insurance</b>				
Individual pension insurance	175 401	–		
Optional employment pension insurance	151 105	–		
Total	326 506	–		
<b>Total</b>	704 694	–		
Periodic premiums	296 219	–		
Single premiums	408 475	–		
<b>Total</b>	704 694	–		
Premiums from non-bonus contracts	115	–		
Premiums from bonus contracts	659 679	–		
Premiums from contracts where the investment risk is borne by policyholders	44 900	–		
<b>Total</b>	704 694	–		

### 5. Claims paid of life assurance

	Group		Parent company	
	1997	1996	1997	1996
<b>Direct insurance</b>				
Claims paid				
Life assurance	109 564	–		
Pension insurance	90 682	–		
Total	200 246	–		
Surrenders				
Life assurance	31 078	–		
Pension insurance	8 166	–		
Total	39 244	–		
Direct insurance in total	239 490	–		
<b>Reinsurance</b>	–	–		
Claims settlement expenses	1 714	–		
<b>Total</b>	<b>241 204</b>	<b>–</b>		

### 6. Bonuses and rebates of life assurance

	Group		Parent company	
	1997	1996	1997	1996
<b>Effect of bonuses and rebates on balance on technical account<sup>1)</sup></b>	<b>40 264</b>	<b>–</b>		

<sup>1)</sup> In Pohjola Life, the effect of this item on balance on technical account is FIM -212 936 thousand for the whole year

### 7. Specification of expenses

	Group		Parent company	
	1997	1996	1997	1996
<b>EXPENSES BY ACTIVITY</b>				
(profit and loss account item in brackets)				
<b>Non-life insurance</b>				
Claims settlement expenses (Claims paid)				
Directly allocated	27 146	33 392	21 983	27 426
Share of fixed costs	199 438	185 853	167 290	161 574
Total	226 584	219 245	189 273	189 000
Operating expenses (Operating expenses)				
Acquisition costs (includes commissions)	242 403	240 499	225 540	227 712
Portfolio administration expenses	281 018	272 911	258 996	258 950
Other administrative expenses	100 858	102 074	90 772	92 919
Commissions and profit participation, ceded reinsurance	-36 163	-50 835	-35 625	-50 558
Total	588 116	564 649	539 683	529 023
Investment management charges (Investment charges)				
Directly allocated <sup>1)</sup>	94 529	101 061	139 981	143 579
Share of fixed costs	27 480	31 371	23 729	27 237
Total	122 009	132 432	163 710	170 816
Expenses for services to other companies (Other charges)	170 222 <sup>2)</sup>	2 088	328 728 <sup>2)</sup>	1 640
Early retirement pension scheme (Extraordinary expenses)	–	23 594	–	21 779
<b>Total in profit and loss account</b>	<b>1 106 931<sup>2)</sup></b>	<b>942 008</b>	<b>1 221 394<sup>2)</sup></b>	<b>912 258</b>

# NOTES ON THE ACCOUNTS

	Group		Parent company	
	1997	1996	1997	1996
<b>Specification of expenses</b>				
<b>Life assurance</b>				
Claims settlement expenses (Claims paid)				
Directly allocated	8	–		
Share of fixed costs	1 707	–		
Total	1 715	–		
Operating expenses (Operating expenses)				
Acquisition costs (includes commissions)	42 799	–		
Portfolio administration expenses	25 323	–		
Other administrative expenses	8 200	–		
Total	76 322	–		
Investment management charges (Investment charges)				
Directly allocated <sup>1)</sup>	11 530	–		
Share of fixed costs	2 966	–		
Total	14 496	–		
Expenses for services to other companies (Other charges)	18 585	–		
Total in profit and loss account	111 118	–		
<b>Non-life and life insurance in total</b>	<b>1 218 049 <sup>2)</sup></b>	<b>942 008</b>	<b>1 221 394 <sup>2)</sup></b>	<b>912 258</b>
<b>EXPENSES BY TYPE OF EXPENSE</b>				
<b>Non-life and life insurance</b>				
Staff expenses				
Salaries and remunerations	474 109	381 911	458 733	357 755
Monetary value of fringe benefits	17 032	13 863	16 443	11 991
Pension expenses	88 437	102 907	84 925	96 171
Other social expenses	51 544	41 325	49 752	38 654
	631 122	540 006	609 853	504 571
Direct insurance commissions	33 375	28 658	20 182	19 902
Commissions and profit participation, assumed reinsurance	30 567	43 953	44 467	54 055
Commissions and profit participation, ceded reinsurance	-36 164	-50 835	-35 625	-50 558
Scheduled depreciation by profit and loss account item				
Claims paid	10 711	4 507	9 567	4 028
Operating expenses	42 164	26 222	35 867	25 161
Investment charges	3 604	2 445	3 355	2 396
Other	5 621	139	9 328	–
Total	62 100	33 313	58 117	31 585
Other expenses <sup>1)</sup>	536 149	416 707	555 243	427 480
Gains(-)/losses (+) on realization of tangible and intangible assets	-970	-793	-923	-752
Expense transfers	-38 130	-69 001	-29 920	-74 025
<b>Total in profit and loss account</b>	<b>1 218 049 <sup>2)</sup></b>	<b>942 008</b>	<b>1 221 394 <sup>2)</sup></b>	<b>912 258</b>
Scheduled depreciation includes				
Depreciation on goodwill	2 796	3 570	2 796	3 570
Depreciation on consolidation difference	–	89	–	–
<b>CHANGE IN DEFERRED ACQUISITION COSTS</b>				
<b>Life assurance</b>				
Change in life assurance provision includes				
New deferral	-10 218	–		
Previous deferrals				
- amortization (regular)	2 292	–		
Charge/income (-) in profit and loss account	-7 926	–		

Total amount of deferred acquisition costs (zillmerization) is shown in notes on the accounts, No. 23.

<sup>1)</sup> Includes real estate management expenses and maintenance charges

<sup>2)</sup> In 1997, operating expenses are gross amounts; services sold are shown under other income. 1996 operating expenses are stated net of services sold.

## 8. Net investment income

	Group		Parent company	
	1997	1996	1997	1996
<b>Investment income</b>				
Income from affiliated undertakings				
Dividends	2 399	2 444	2 812	4 884
Income from associated undertakings				
Dividends	–	–	1 750	10 703
Income from land and buildings				
Interest				
Affiliated undertakings	150	205	10 791	14 244
Other	2 074	4 418	2 008	4 418
Rents etc.				
Affiliated undertakings	351	3 019	403	6 769
Other	228 787	217 097	178 223	188 238
Total	231 362	224 739	191 425	213 669
Income from other investments				
Dividends	232 671	167 353	230 078	167 325
Interest				
Affiliated undertakings	307	305	1 219	1 541
Other	494 173	335 607	229 665	262 152
Other	30 284	27 477	17 092	18 077
Total	757 435	530 742	478 054	449 095
Total	991 196	757 925	674 041	678 351
Value re-adjustments on investments	212 102	136 457	213 955	142 611
Gains on realization of investments	826 472	363 087	695 575	328 883
Investment income in total	2 029 770	1 257 469	1 583 571	1 149 845
<b>Investment charges</b>				
Charges for land and buildings	114 771	112 122	145 634	151 870
Charges for other investments	33 839	40 213	23 643	29 398
Interest and other financing charges				
Affiliated undertakings	13 228	15 795	14 475	17 799
Other	35 974	10 588	13 057	7 659
Total	197 812	178 718	196 809	206 726
Value adjustments on investments	144 232	42 936	104 123	100 945
Scheduled depreciation on buildings	85 968	69 637	37 896	38 322
Losses on realization of investments	22 719	4 302	15 293	3 309
Investment charges in total	450 731	295 593	354 121	349 302
Net investment income before unrealized gains	1 579 039	961 876	1 229 450	800 543
Unrealized gains on investments	1 524	–	–	–
Unrealized losses on investments	-362	-364	–	–
<b>Net investment income in profit and loss account</b>	1 580 201	961 512	1 229 450	800 543
Dividends include avoir fiscal tax credit	54 992	40 297	55 120	49 833
Allocated investment return transferred to life-assurance technical account	146 725	–	–	–
The above includes return on investments for the benefit of life-assurance policyholders who bear the investment risk	1 634	–	–	–

	Group		Parent company	
	1997	1996	1997	1996
<b>9. Income and charge items affecting comparability of profit/loss</b>				
<b>Non-life insurance</b>				
Change in provision for claims outstanding (after reinsurers' share)				
Change in bases of technical provisions	-149 567	-216 494	-149 567	-216 494
Investment income				
Income from associated undertakings				
Avoir fiscal tax credit for 1994 (amended taxation)	-	-	-	8 333
Investment income	4 353	18 755	4 395	22 244
Other income				
Debiting of Pohjola Group internal rents changed in 1997, whereby rents were included in services to other companies shown under other income	10 194	-	19 605	-
Other income (services to other companies)	190 417	-	326 917	-
Other charges (charges for services to other companies)	-185 716	-	-326 093	-
Pohjola Group internal debitings are, as of 1997, shown as gross amounts				
Operating expenses, all activities in total				
Curtailement of depreciation period of IT work stations				
Retroactive depreciation	-5 707	-	-5 380	-
Increase in depreciation for financial year	-9 209	-	-9 027	-
Tax for previous financial years				
Sale of associated undertaking changed (amended taxation)	-	8 333	-	-

	Group		Parent company	
	1997	1996	1997	1996
<b>10. Other extraordinary charges</b>				
Early retirement pension scheme	-	-23 594	-	-21 779
Merger losses on subsidiaries	-	-	-	-4 027
	-	-23 594	-	-25 806



## 11. Intangible assets

	Group		Parent company	
	1997	1996	1997	1996
<b>Intangible rights and other long-term expenses</b>				
Acquisition cost Jan. 1	60 506	44 059	57 572	42 144
Fully depreciated in previous year	-7 254	-8 454	-7 058	-8 321
From Pohjola Life	4 133	-	-	-
Acquisitions	39 813	24 900	28 322	23 749
Realizations	-2 722	-	-5 471	-
Acquisition cost Dec. 31	94 476	60 505	73 365	57 572
Accumulated scheduled depreciation Jan. 1	23 758	23 493	22 519	22 594
Fully depreciated in previous year	-7 254	-8 454	-7 058	-8 321
From Pohjola Life	1 844	-	-	-
Scheduled depreciation	15 054	8 719	12 608	8 247
Realizations	-2 436	-	-3 006	-
Accumulated scheduled depreciation Dec. 31	30 966	23 758	25 063	22 520
Paym. on account and unfinished work Dec. 31	23 797	9 526	21 724	9 243
<b>Acquisition cost after scheduled depreciation Dec. 31</b>	<b>87 307</b>	<b>46 273</b>	<b>70 026</b>	<b>44 295</b>
Accumulated accelerated depreciation Jan. 1	67	101	-	-
From Pohjola Life	292	-	-	-
Change in accelerated depreciation	-29	-34	-	-
Realizations	-213	-	-	-
Accumulated accelerated depreciation Dec. 31	117	67	-	-
Net after total depreciation Dec. 31	87 190	46 206	70 026	44 295
<b>Goodwill and unallocated consolidation difference</b>				
Acquisition cost Jan. 1	110 724	116 814	107 544	113 634
Increase	787 531	-	-	-
Decrease	-100	-	-	-
Adjustment	-3 845	-6 090	-3 845	-6 090
Acquisition cost Dec. 31	894 310	110 724	103 699	107 544
Accumulated scheduled depreciation Jan. 1	89 672	86 012	86 849	83 279
Scheduled depreciation	78 938	3 659	2 795	3 570
Realizations	-100	-	-	-
Accumulated scheduled depreciation Dec. 31	168 510	89 671	89 644	86 849
<b>Acquisition cost after scheduled depreciation Dec. 31</b>	<b>725 800</b>	<b>21 053</b>	<b>14 055</b>	<b>20 695</b>
<b>Intangible assets in total</b>	<b>813 107</b>	<b>67 326</b>	<b>84 081</b>	<b>64 990</b>

# NOTES ON THE ACCOUNTS

## 12. Investments: current value, book value and their difference

Group	Remaining acquisition cost	Book value	Current value	Remaining acquisition cost	Book value	Current value
	1997	1997	1997	1996	1996	1996
Investments in land and buildings						
Land and buildings	1 838 360	2 066 306	2 693 757	1 586 231	1 916 814	2 602 745
Shares in affiliated undertakings	1 723	1 723	3 010	–	–	–
Shares in associated undertakings	391 165	391 165	412 454	180 546	180 546	198 903
Other shares in land and buildings	79 467	79 507	94 067	102 429	102 510	119 262
Loans to affiliated undertakings	1 672	1 672	1 672	2 438	2 438	2 438
Affiliated undertakings						
Shares	40 851	40 851	40 851	40 788	40 788	40 788
Associated undertakings						
Shares	43 576	42 910	42 530	35 805	17 469	17 253
Other investments						
Shares	4 814 593	4 849 500	10 406 470	2 558 298	2 600 912	6 013 196
Debt securities	8 299 313	8 301 896	8 771 055	2 981 210	2 982 008	3 102 380
Loans guaranteed by mortgages	327 508	327 508	327 508	410 760	410 760	410 760
Other loans	245 580	245 580	245 580	336 507	336 507	336 507
Deposits with credit institutions	337 932	337 932	337 932	127 470	127 470	127 470
Deposits with ceding undertakings	49 050	49 050	49 050	50 681	50 681	50 681
	16 470 790	16 735 600	23 425 936	8 413 163	8 768 903	13 022 383
Remaining acquisition cost of debt securities includes that difference between the amount repayable at maturity and purchase price which has been released to interest income (+) or charged to interest income (-)			-95 161			-12 025
Book value includes						
Unrealized gains entered in profit and loss account		181 266			272 249	
Revaluation entered in revaluation reserve		84 211			101 827	
		265 477			374 076	
<b>Difference between current and book values</b>			6 690 336			4 253 480

<b>Investments: current value, book value and their difference</b>						
	Remaining acquisition cost	Book value	Current value	Remaining acquisition cost	Book value	Current value
	1997	1997	1997	1996	1996	1996
<b>Parent company</b>						
Investments in land and buildings						
Land and buildings	733 734	932 765	1 295 044	779 518	1 031 538	1 450 526
Shares in affiliated undertakings	347 553	347 553	444 230	405 037	405 037	531 713
Shares in associated undertakings	244 124	244 124	258 874	217 688	217 687	238 261
Other shares in land and buildings	73 604	73 644	88 204	101 949	102 029	118 782
Loans to affiliated undertakings	111 081	111 081	111 081	230 629	230 629	230 629
Affiliated undertakings						
Shares	1 366 845	1 366 845	1 372 150	229 521	229 521	229 521
Associated undertakings						
Shares	40 983	40 983	41 778	15 794	15 794	16 514
Other investments						
Shares	2 879 860	2 914 767	7 861 727	2 552 861	2 595 476	6 005 766
Debt securities	2 015 271	2 015 271	2 111 200	2 045 989	2 045 989	2 130 043
Loans guaranteed by mortgages	343 587	343 587	343 587	427 440	427 440	427 440
Other loans	274 674	274 674	274 674	394 431	394 431	394 431
Deposits with credit institutions	133 354	133 354	133 354	85 999	85 999	85 999
Deposits with ceding undertakings	2 261	2 261	2 261	2 497	2 497	2 497
	<b>8 566 931</b>	<b>8 800 909</b>	<b>14 338 164</b>	<b>7 489 353</b>	<b>7 784 067</b>	<b>11 862 122</b>
Remaining acquisition cost of debt securities includes that difference between the amount repayable at maturity and purchase price which has been released to interest income (+) or charged to interest income (-)	-26 344			-7 926		
Book value includes						
Unrealized gains entered in profit and loss account		153 847			204 330	
Revaluation entered in revaluation reserve		80 132			90 384	
		<b>233 979</b>			<b>294 714</b>	
<b>Difference between current and book values</b>			<b>5 537 254</b>			<b>4 078 055</b>

# NOTES ON THE ACCOUNTS

<b>13. Investments in land and buildings</b>				
	Group		Parent company	
	1997	1996	1997	1996
<b>Buildings</b>				
Acquisition cost Jan. 1	2 100 204	2 053 067	1 070 189	1 056 757
Acquisitions	288 993	40 712	14 126	28 002
Realizations	-323 349	-15 126	-58 657	-14 570
Transfers	-	21 551	-	-
Acquisition cost Dec. 31	2 065 848	2 100 204	1 025 658	1 070 189
Unrealized gains and revaluation Jan. 1	359 389	375 745	304 725	304 724
Realizations	-84 091	-16 356	-50 370	-
Unrealized gains and revaluation Dec. 31	275 298	359 389	254 355	304 724
Accumulated scheduled depreciation Jan. 1	929 582	869 109	506 862	474 782
Scheduled depreciation	85 968	69 637	37 896	38 322
Realizations	-151 765	-9 164	-36 563	-6 242
Accumulated scheduled depreciation Dec. 31	863 785	929 582	508 195	506 862
<b>Book value after scheduled depreciation Dec. 31</b>	<b>1 477 361</b>	<b>1 530 011</b>	<b>771 818</b>	<b>868 051</b>
Accumulated accelerated depreciation Jan. 1	22 582	14 399	20 888	16 226
Change in accelerated depreciation	-4 951	6 851	-183	4 807
Realizations	-350	1 332	-1 036	-146
Accumulated accelerated depreciation Dec. 31	17 281	22 582	19 669	20 887
Net after total depreciation Dec. 31	1 460 080	1 507 429	752 149	847 164
<b>Land and water areas, and shares in land and buildings</b>				
Acquisition cost Jan. 1	792 649	821 297	1 216 136	1 208 533
Acquisitions	488 550	10 428	48 396	33 249
Realizations	-74 186	-17 525	-151 373	-23 007
Transfers and mergers	-	-21 551	-	-2 638
Acquisition cost Dec. 31	1 207 013	792 649	1 113 159	1 216 137
Unrealized gains and revaluation Jan. 1	56 432	66 023	30 669	30 669
Realizations	-16 746	-9 591	-40	-
Unrealized gains and revaluation Dec. 31	39 686	56 432	30 629	30 669
Accumulated value adjustments Jan. 1	179 222	167 138	358 566	338 683
Value adjustments	20 302	18 858	28 896	32 458
Value re-adjustments	-7	-3 142	-7 128	-13 325
Realizations	-14 158	-3 632	-62 814	-
Mergers	-	-	-	750
Accumulated value adjustments Dec. 31	185 359	179 222	317 520	358 566
<b>Book value after value adjustments Dec. 31</b>	<b>1 061 340</b>	<b>669 859</b>	<b>826 268</b>	<b>888 240</b>
<b>Book value in total Dec. 31</b>	<b>2 538 701</b>	<b>2 199 870</b>	<b>1 598 086</b>	<b>1 756 291</b>

	Group		Parent company	
	1997	1996	1997	1996
<b>Investments in land and buildings</b>				
<b>Loans to affiliated undertakings</b>				
Acquisition cost Jan. 1	2 438	2 255	230 629	257 709
Increase	–	881	3 495	881
Decrease	-766	-698	-123 043	-27 961
Acquisition cost Dec. 31	1 672	2 438	111 081	230 629
Accumulated value adjustments Jan. 1	–	–	–	-2 696
Value adjustments and difference in exchange rates	–	–	-2 023	-2 419
Decrease	–	–	2 023	5 115
Accumulated value adjustments Dec. 31	–	–	–	–
<b>Book value after value adjustments Dec. 31</b>	<b>1 672</b>	<b>2 438</b>	<b>111 081</b>	<b>230 629</b>
<b>Total investments in land and buildings Dec. 31</b>	<b>2 540 373</b>	<b>2 202 308</b>	<b>1 709 167</b>	<b>1 986 920</b>
<b>Land and buildings occupied by the company<sup>1)</sup></b>				
Remaining acquisition cost	429 333	355 254	394 997	282 811
Book value	459 710	381 901	425 345	307 339
Current value	573 360	465 842	512 710	368 137
<b>Affiliated undertakings</b>				
<b>Consolidated</b>				
Number of undertakings (owned by Pohjola, Bothnia and Pohjola Life) Dec. 31	82	78		
Total profit/loss for financial year	1 439	19 261		
Total capital and reserves	565 417	465 999		
<b>Excluded from consolidation</b>				
Asunto Oy Kukkosalama (51.73% shareholding)	1	–		
Profit for financial year	15	–		
Capital and reserves	909	–		
Number of undertakings (owned by Ilmarinen) Dec. 31	152	132		
Total profit/loss for financial year	-57 067	-41 740		
Total capital and reserves	1 617 971	1 658 366		

<sup>1)</sup> In 1997, premises occupied by the company include also premises used for producing services sold.

	Group		Parent company	
	1997	1996	1997	1996
<b>14. Investments in affiliated and associated undertakings</b>				
<b>Shares in affiliated undertakings</b>				
Acquisition cost Jan. 1	40 788	40 788	270 890	270 890
Increase	63	–	1 136 693	–
Decrease	–	–	-100	–
Transfers	–	–	14 732	–
Acquisition cost Dec. 31	40 851	40 788	1 422 215	270 890
Accumulated value adjustments Jan. 1	–	–	-41 369	-220
Value adjustments	–	–	-270	-41 149
Transfers	–	–	-13 732	–
Accumulated value adjustments Dec. 31	–	–	-55 371	-41 369
Remaining acquisition cost Dec. 31	40 851	40 788	1 366 844	229 521
<b>Shares in associated undertakings</b>				
Acquisition cost Jan. 1			37 115	49 609
Increase			26 159	38
Decrease			-7 000	-12 532
Transfers			-13 732	–
			42 542	37 115
Share of associated undertakings' capital and reserves at acquisition date, Jan. 1	36 046	53 005	–	–
Increase	26 111	93	–	–
Decrease	-7 000	-17 053	–	–
Transfers	-11 500	–	–	–
	43 657	36 045	–	–
Difference between acquisition cost and the above Jan. 1	2 729	-1 736	–	–
Increase	49	4 465	–	–
Transfers	-3 248	–	–	–
	-470	2 729	–	–
Acquisition cost Dec. 31	43 187	38 774	42 542	37 115
Accumulated value adjustments Jan. 1			-21 321	-19 767
Value adjustments	–	–	-88	-1 586
Decrease	–	–	6 118	32
Transfers	–	–	13 732	–
Accumulated depreciation on/decrease in above difference Jan. 1	-2 970	1 375	–	–
Depreciation on/decrease in above difference during financial year	111	-4 345	–	–
Transfers	3 248	–	–	–
Accumulated value adjustments/depreciation/decrease Dec. 31	389	-2 970	-1 559	-21 321
Remaining acquisition cost Dec. 31	43 576	35 804	40 983	15 794

## 15. Shares

	Last annual accounts profit/loss		Number of shares/warrants	Percentage of all shares/votes	Nominal value	Group		Parent company	
						1997	1997	1997	1997
	capital and reserves					Book value	Book value		
<b>Parent company</b>									
Pohjola Insurance Company Ltd.			2 000	–	10	400 <sup>1)</sup>	–		
						400	–		
<b>Affiliated undertakings</b>									
Bothnia International Insurance Company Ltd.	49 309	165 665	1 500 000	100.00	15 000		125 000		
Eurooppalainen Insurance Company Ltd.	5 948	34 009	2 800 000	100.00	14 000		29 734		
Pension Insurance Company Ilmarinen Ltd	18 757	149 422	2 820	67.14	28 200	40 851	40 851		
Pohjola Life Assurance Company Ltd.	31 201	414 376	8 000 000	100.00	80 000		1 119 461		
Pohjola Non-Life Insurance Company Limited	14	14 014	1 400 000	100.00	14 000		14 000		
Varma Mutual Insurance Company (in liquidation)	-449	-882	25	100.00 <sup>2)</sup>	25 000	–	–		
Moorgate Insurance Company Limited, United Kingdom	3 052	44 378	10 000 000	100.00	GBP 10 000		37 172		
Insurance undertakings in total	107 832	820 982				40 851	1 366 218		
Finnish Insurance Services Oy	11	141	900	85.71	90		90		
Northclaims Oy	-1	281	150	100.00	15		501		
Osmo Oy	–	37	10 000	100.00	20		20		
Pohjola Insurance Service Ltd	-242	-9	6 000	100.00	60		–		
Pohjola International Consulting Ltd	–	9	1 500	100.00	15		15		
	107 600	821 441				40 851	1 366 844		
<b>Associated undertakings</b>									
<b>Insurance undertakings</b>									
FAMLAT – Joint-Stock Insurance Company of Latvia, Latvia	-150	4 929	49 500	45.00	LVL 247	2 218	2 454		
Seesam International Insurance Company Ltd, Estonia	1 173	13 826	45 277	45.28	EEK 4 528	6 139	6 942		
Seesam Life Insurance Company Limited, Estonia	-104	4 474	38 100	30.00	EEK 3 810	1 461	1 466		
Standard Union Reassurance S.A., Luxembourg	–	7 349	2 500	50.00	LUF 25 000	3 674	2 797		
Towarzystwo Ubezpieczeń na Zycie "WARTA VITA" S.A., Poland	-6 215	13 320	818 043	37.87/29.95	PLN 8 180	21 686	21 686		
Insurance undertakings in total	-5 296	43 898				35 178	35 345		
<b>Other undertakings</b>									
Autovahinkokeskus Oy	-1 980	16 540	1 651	22.93	4 127	3 796	4 112		
Pohjolan Atk-palvelu Oy	2 043	3 208	175	35.00	175	1 123	175		
Pohjolan Energianvälitys Oy	–	15	8	50.00	8	7	8		
Securus Oy	12	684	346 317	9.89	3	63	–		
			285 606	8.16	3	–	–		
Vahinkopalvelu Oy	1 433	4 306	840	46.67	336	2 010	1 343		
Euro-Center Holding A/S, Denmark	306	3 650	800	20.00	DKK 800	730	–		
Nordic Claims Service, Inc., USA	-1 257	1 457	100	50.00	USD 1	3	–		
	-4 739	73 758				42 910	40 983		
<b>Real estate companies</b>									
Kiinteistö Oy Electricity I	-4	45 193	3 206	48.07	2 885	25 000	25 000		
Kiinteistö Oy Eteläesplanadi 12	–	66 071	28	27.18	1	35 937	35 938		
Asunto Oy Helsingin Korppaanmäki	13 874	90 303	500 000	50.00	500	–	48 400		
Kiinteistö Oy Läkkitori	-82	23 042	15 489	46.67	15	11 259	–		
Kiinteistö Oy Salomonkatu 7-9	-15	70 011	4 680	14.22 <sup>3)</sup>	468	59 179	59 179		
Kiinteistö Oy Keravan Kauppakaari 1	-13	57 119	6 597	43.98	7	14 560	–		
Kiinteistö Oy Lippulaiva	1 190	261 772	2 750	34.38	344	113 000	–		
Asunto Oy Luode	-31	475	71	25.54	1	2 753	–		
Kiinteistö Oy Myyrmäen Kauppakeskus	–	106 414	8 316	28.29	83	53 340	–		
Other (25 companies)						76 137	75 607		
						391 165	244 124		

<sup>1)</sup> Included in shares stated under investments for the benefit of life-assurance policyholders who bear the investment risk

<sup>2)</sup> Mutual insurance company

<sup>3)</sup> 34.76% including Pension Insurance Company Ilmarinen's shareholding

# NOTES ON THE ACCOUNTS

	Shares			Group	Parent company
	Number of shares/warrants	Percentage of all shares/votes	Nominal value	1997	1997
				Book value	Book value
<b>Other companies</b>					
Suomi Mutual Life Assurance Company, guarantee capital			3 000	3 000	3 000
Skandia Insurance Company Limited (publ), Sweden	4 640 000	4.53	SEK 23 200	504 691	504 691
Insurance undertakings in total				507 691	507 691
Aamulehti-yhtymä Oy	300 909	3.13/6.40	3 009	57 173	57 173
Asko Oyj	338 900	0.96	3 389	32 872	
	142 000	0.40	1 420		13 774
Aspo Group Ltd	258 905	5.64	2 589	15 848	
	193 905	4.22	1 939		6 311
Cultor Corporation	324 500	1.40/1.07	3 894	70 935	
	218 600	0.94/0.80	2 623		48 012
Efore Oy	18 260	0.92/0.41	182	1 997	
Enso Oyj	1 160 000	0.37/0.24	11 600	43 955	
	132 300	0.84	264	9 585	
Espoon Sähkö Oyj	36 000	0.23	72		2 016
Finnair Oyj	843 000	1.02	4 215	28 850	
	841 800	4.31	8 418	44 091	
Finnlines Ltd	445 000	2.28	4 450		5 695
Oy Hartwall Ab	31 300	0.26/0.08	156	4 985	
Huhtamäki Oy	847 446	2.85/4.08	16 949	105 631	
	600 146	2.02/3.27	12 003		62 961
Instrumentarium Corporation	287 700	1.42/1.39	2 877	42 488	
	93 600	0.46/0.47	936		15 554
KCI Konecranes International Plc	98 000	0.65	784	16 598	
Kemira Oyj	2 705 000	2.10	27 050	114 805	
	1 780 000	1.38	17 800		73 738
Kesko Ltd	2 133 900	2.36/0.04	21 339	143 904	
	1 428 500	1.58/0.03	14 285		96 829
Kone Corporation	510 400	7.60/2.97	25 520	79 458	
	470 400	7.00/2.74	23 520		55 453
Kyro Corporation	286 000	0.72	286	9 009	
Lassila & Tikanoja Plc	1 097 600	7.28	10 976	41 375	
	798 800	5.30	7 988		21 028
Lemminkäinen Oy	1 447 400	8.93	14 474	65 728	
	1 322 400	8.16	13 224		60 830
Oy Leo-Longlife Ltd	33 682	3.06/0.60	337	3 436	3 436
Lännen Tehtaat Oy	156 000	2.42	1 560	6 833	6 833
Merita Plc	15 448 416	1.86/2.00	154 484	400 678	
	13 880 000	1.67/1.80	138 800		370 206
Metra Corporation	779 000	1.44/1.33	15 580	99 891	
	374 600	0.69/0.65	7 492		48 036
Metsä Tissue Oyj	181 000	0.60	1 810	9 503	
Neste Oy	1 058 800	1.08	10 588	87 555	
	834 800	0.85	8 348		68 694
Nokia Corporation	6 532 200	2.18/6.31	32 661	427 679	
	5 340 400	1.78/5.14	26 702		172 492
Nokian Tyres Plc	139 000	1.36	1 390	11 936	
Nordic Aluminium Ltd	55 000	1.19	412	2 365	
Orion Corporation	898 450	1.28/1.32	8 984	91 994	
	624 470	0.89/0.92	6 245		62 215
Outokumpu Oyj	959 000	0.77	9 590	63 767	
	350 000	0.28	3 500		23 275
PK Cables Oy	38 800	0.74	78	2 532	
Polar Corporation	2 483 310	2.07	24 833	11 920	
	2 425 500	2.02	24 255		11 642
Jaakko Pöyry Group Oyj	75 700	0.55	378	4 391	
Rauma Corporation	1 587 214	3.00	15 872	134 906	
	1 117 621	2.11	11 176		94 998
Rautakirja Oyj	582 415	8.98/10.68	11 648	30 415	
	552 415	8.52/10.13	11 048		25 214
Rautaruukki Corporation	1 593 000	1.20	15 930	65 261	
	720 000	0.54	7 200		29 575
Raute Oy	25 000	0.66/0.10	250	1 238	1 238
Rocla Oyj	69 600	1.80	348	2 914	
Santasalo-JOT Ltd	116 800	1.13	1 168	8 723	
Silja Oy Ab	1 343 980	6.16/6.42	26 880	33 683	33 683



## Shares

				Group	Parent company
	Number of shares/ warrants	Percentage of all shares/ votes	Nominal value	1997 Book value	1997 Book value
Starckjohann Oyj	560 334	0.43	560	3 996	
	440 334	0.34	440		3 149
OY Stockmann AB	113 000	0.78/0.13	2 260	26 678	
Suunto Oyj	155 000	2.87	775	7 850	
Tamfelt Oyj Abp	64 287	0.96/0.47	643	6 091	
	48 687	0.73/0.09	487		4 223
TT Tieto Oy	261 000	2.97	2 610	25 974	
	195 000	2.22	1 950		9 198
UPM-Kymmene Corporation	13 011 700	4.81	130 117	423 531	
	11 740 000	4.34	117 400		290 846
Vaisala Oy	27 000	0.63/0.13	270	9 140	
	9 000	0.21/0.04	90		2 679
Valmet Corporation	1 712 800	2.20	17 128	128 806	
	865 000	1.11	8 650		65 048
Werner Söderström Osakeyhtiö--WSOY	635 764	5.30/2.98	6 358	15 053	
	575 764	4.80/2.86	5 758		11 552
YIT-Corporation	3 080 000	10.51	30 800	92 723	
	2 730 000	9.32	27 300		73 691
Aboa Venture Ky 1				1 171	1 171
Alfred Berg Finland				9 987	
Alfred Berg Markka				5 134	
Alfred Berg Obligaatio				3 188	
Alfred Berg Optimal				26 540	
Ab Chips Oy Ltd	43 770	1.31/2.33	438	8 822	8 822
Finnish Power Grid Plc	150	4.52/2.00	15 000	30 000	
	75	2.26/1.00	7 500		15 000
Finnventure Rahasto I Ky				13 299	13 299
Finnventure Rahasto III Ky				5 600	
Forenvia Venture I Ky				1 196	
HEX Ltd, Helsinki Securities and Derivatives Exchange, Clearing House	209 470	2.10	2 095	2 320	2 320
Honkarakenne Oy	88 000	2.20/0.91	880	3 001	
Ilkka Oy	15 763	0.97/0.98	158	1 539	1 539
Innopoly Oy	126 500	18.29	12 650	5 543	
	49 500	7.16	4 950		2 169
Kontram-Yhtiöt Oyj	115 074	5.93	575	2 980	2 980
Kytösuontien Pysäköinti Oy	238	5.62	1	3 099	
Martela Oy	135 100	6.51/1.73	1 351	15 391	
	95 100	4.58/1.22	951		10 351
MB Equity Fund Ky				2 449	
MB Equity Fund II Ky				1 337	
Merita Fennia				1 074	
MTV-Yhtymä Oy	840	1.52	420	3 348	3 348
Olvi plc	51 930	2.57/0.55	519	5 808	
	14 930	0.74/0.16	149		1 322
Oulun Teknologia kylä Oyj	25 200	2.62	1 260	1 744	1 744
Oy Radiolinja Ab	292	0.54/0.85	1 460	1 460	1 460
Rakentajain Konevuokraamo Oy	440 902	13.02/18.35	4 409	6 322	
	440 414	13.01/18.35	4 404		6 303
Sadepo Oy	170	19.19	1 700	1 700	1 700
Sato Corporation plc	136 162	6.20	1 362	1 951	1 951
Savon Teknia Oy	30 000	5.27	1 200	1 200	1 200
Sentra Oyj	89 444	7.85/0.75	894	20 540	20 540
Sponsor Fund I Ky				11 691	
					5 845
Suomen Viestintärahoitus Oy	5 000	2.98/0.30	500	1 000	1 000
Teknoventure Oy	10 000	1.28	1 000	1 000	1 000
Telecomia Venture I Ky				1 568	
Tietosavo Oy	10 000	2.01	100	1 000	1 000
Oy TKKK Education Ltd	10	10.00	10	10	10
Vaahro Group Ltd Oy	33 700	1.17	168	3 500	
Oy Villas Ab	30	11.19	6	4	4
ABB AB, Sweden	570 000	0.06/0.01	SEK 2 850	36 576	
	195 000	0.02/0.00	SEK 975		12 513
AGA AB (publ), Sweden	280 000	0.12/0.02	SEK 1 400	20 109	
	75 000	0.03/0.01	SEK 375		5 405
Alfred Berg Norden (Sicav), Luxembourg	6 524			12 915	
Astra AB (publ), Sweden	635 000	0.04/0.00	SEK 794	54 427	
	180 000	0.01/0.00	SEK 225		15 736

# NOTES ON THE ACCOUNTS

Shares				Group	Parent company
				1997	1997
	Number of shares/warrants	Percentage of all shares/votes	Nominal value	Book value	Book value
Atlas Copco AB, Sweden	142 000	0.08/0.11	SEK 710	22 045	
	45 000	0.02/0.03	SEK 225		7 319
Eastern Europe Equity Fund, Netherlands	55 950			39 246	
	14 000				9 815
EIC Corporation Ltd., Bermuda	40 000	2.59/3.08	USD 50	4 231	4 231
Aktiebolaget Electrolux, Sweden	75 000	0.10/0.00	SEK 1 875	25 986	
	19 000	0.03/0.00	SEK 475		7 185
Europe Mid Cap Fund, France	29 300			38 233	
	14 400				18 802
Fleming Fund Management (Luxembourg) S.A.					
FFF-Fleming American Fund, Luxembourg	57 697			17 915	
	28 848				8 957
Gartmore Capital Strategy Fund Limited Asia Pacific Fund, Jersey	130 570			2 169	
Gartmore Capital Strategy Fund Limited Continental Europe Fund, Jersey	127 409			5 639	
Gartmore Capital Strategy Fund Limited Global Bond Fund, Jersey	1 483 234			10 653	
Gartmore Capital Strategy Fund Limited Global Equity Fund, Jersey	460 580			12 166	
Gartmore Capital Strategy Fund Limited Japan Fund, Jersey	775 956			16 407	
	320 000				6 766
Gartmore Capital Strategy Fund Limited North America Fund, Jersey	71 835			1 583	
Gränges AB, Sweden	15 250	0.04	SEK 381	1 013	
Hambro European Ventures III UK Limited Partnership, United Kingdom				4 241	
Incentive AB, Sweden	44 500	0.07/0.04	SEK 445	21 489	
	16 000	0.02	SEK 160		7 782
Industri Kapital 1997 Limited Partnership I, Jersey				4 148	
ISA Asian Growth Fund, Luxembourg	142 700			42 483	
	94 221				28 050
P.T.F. European Opportunity, Luxembourg	14 417			12 782	
	5 959				5 283
Pilkington plc, United Kingdom	2 260 634	0.22	GBP 1 130	26 019	
	1 547 923	0.15	GBP 774		17 816
Placements Obligations, France	116			1 226	
Procuritas Capital Partners II, LP, Guernsey				2 827	
Sandvik AB, Sweden	228 000	0.09/0.01	SEK 1 368	35 520	
	83 000	0.03/0.00	SEK 498		12 931
Scania AB, Sweden	345 000	0.17/0.18	SEK 3 450	42 302	
	110 000	0.06/0.05	SEK 1 100		13 503
Schroder International Selection Fund Japanese Equity C, Luxembourg	1 371 000			41 265	
	370 000				11 136
Schroder International Selection Fund Pacific Equity C, Luxembourg	2 283 113			48 399	
	826 299				17 516
SINSER (Bermuda) Ltd, Bermuda	1 800	15.00	USD 1	10	10
SINSER (Ireland) Limited, Ireland	750	15.00	IEP 1	10	10
SINSER (Luxembourg) S.à.r.l., Luxembourg	75	15.00	LUF 75	948	948
Skanska AB, Sweden	56 000	0.05/0.03	SEK 672	11 780	
Aktiebolaget SKF, Sweden	50 000	0.04/0.00	SEK 625	5 553	
Svenska Handelsbanken AB (publ), Sweden	210 000	0.08/0.10	SEK 2 100	33 618	
	55 000	0.02	SEK 550		9 998
Trans Europe Fund N.V., Netherlands	302 000			90 606	
	59 300				20 122
Foreign shares <sup>2)</sup>				312 892 <sup>2)</sup>	
					118 286 <sup>2)</sup>
Other shares				15 262	9 473
Warrants				477	108
				4 961 126 <sup>1)</sup>	2 914 767

<sup>1)</sup> Includes FIM 111 626 thousand in shares stated under investments for the benefit of life-assurance policyholders who bear the investment risk

<sup>2)</sup> 143/92 European companies in which holding percentages are from 0.00051 to 0.115 / 0.00050 to 0.02962

## 16. Loans

	Group		Parent company	
	1997	1996	1997	1996
<b>Other loans specified by security</b>				
Bank guarantee	26 814	42 778	20 071	42 778
Insurance policy	14 284	6	4	6
Shares in housing and real estate companies	49 679	92 700	49 679	92 700
State, municipality and parish security as well as loans to municipalities and parishes	112 722	162 548	112 722	162 548
Other	42 081	38 475	92 198	96 399
<b>Total</b>	<b>245 580</b>	<b>336 507</b>	<b>274 674</b>	<b>394 431</b>
Loans to management of affiliated undertakings	2 122	1 926	2 122	1 926

No loans have been granted to minority shareholders of Group.

## 17. Investments for the benefit of life-assurance policyholders who bear the investment risk

	Group		Parent company	
	1997 Acquisition cost	1996 Current value (=book value)	1997	1996
Shares	97 824	112 027		
Debt securities	19 201	21 001		
Cash at bank and in hand	2 045	2 045		
Accrued interest	1 261	1 261		
<b>Total</b>	<b>120 331</b>	<b>136 334</b>		
Invested in advance	-39 233	-45 316		
<b>Investments covering technical provisions for life-assurance policies where the investment risk is borne by the policyholders</b>	<b>81 098</b>	<b>91 018</b>		
Cash at bank and in hand and other receivables include not as yet invested net premiums of policies valid and paid at accounting date		2 980		

## 18. Debtors

	Group		Parent company	
	1997	1996	1997	1996
<b>Affiliated undertakings</b>				
Reinsurance debtors	–	–	13 510	15 608
Other debtors	12 817	11 312	62 184	27 862
<b>Total</b>	<b>12 817</b>	<b>11 312</b>	<b>75 694</b>	<b>43 470</b>
<b>Associated undertakings</b>				
Direct insurance debtors	715	842	–	–
Reinsurance debtors	–	658	–	658
Other debtors	5 999	10 003	5 997	18 080
<b>Total</b>	<b>6 714</b>	<b>11 503</b>	<b>5 997</b>	<b>18 738</b>

	<b>19. Equipment</b>			
	Group		Parent company	
	1997	1996	1997	1996
Acquisition cost Jan. 1	176 654	139 362	167 557	131 742
Fully depreciated in previous year	-21 501	-15 972	-20 540	-15 116
From Pohjola Life	7 895	–	–	–
Acquisitions	61 100	54 845	65 626	52 204
Realizations	-1 259	-1 580	-1 385	-1 273
Acquisition cost Dec. 31	222 889	176 655	211 258	167 557
Accumulated scheduled depreciation Jan. 1	83 836	79 630	79 587	75 429
Fully depreciated in previous year	-21 501	-15 972	-20 540	-15 116
From Pohjola Life	4 092	–	–	–
Scheduled depreciation	44 248	20 934	42 712	19 768
Realizations	-729	-755	-814	-494
Accumulated scheduled depreciation Dec. 31	109 946	83 837	100 945	79 587
Payments on account	–	32	–	32
<b>Acquisition cost after scheduled depreciation Dec. 31</b>	<b>112 943</b>	<b>92 850</b>	<b>110 313</b>	<b>88 002</b>
Accumulated accelerated depreciation Jan. 1	33 059	12 782	30 211	11 481
From Pohjola Life	2 761	–	–	–
Decrease/increase in accelerated depreciation	-7 198	19 493	-6 144	17 986
Realizations	-2 271	785	904	744
Accumulated accelerated depreciation Dec. 31	26 351	33 060	24 971	30 211
<b>Net after total depreciation Dec. 31</b>	<b>86 592</b>	<b>59 790</b>	<b>85 342</b>	<b>57 791</b>

	<b>20. Capital and reserves</b>			
	Group		Parent company	
	1997	1996	1997	1996
<b>Restricted</b>				
Share capital				
A-shares, 10 votes/share	101 489	103 200	101 489	103 200
B-shares, 1 vote/share	102 061	100 350	102 061	100 350
	203 550	203 550	203 550	203 550
Legal reserve	946 018	946 018	945 434	945 434
Revaluation reserve				
Reserve Jan. 1	58 321	62 353	48 544	48 544
Cancelled revaluation	-15 949	-4 032	-10 252	–
	42 372	58 321	38 292	48 544
Building reserve				
Reserve Jan. 1	–	177	–	–
Change in composition of Group	–	-177	–	–
	–	–	–	–
Translation difference				
Difference Jan. 1	4 492	-8 737	–	–
Change	13 443	13 229	–	–
Change in composition of Group	-3 042	–	–	–
	14 893	4 492	–	–
<b>Restricted in total</b>	<b>1 206 833</b>	<b>1 212 381</b>	<b>1 187 276</b>	<b>1 197 528</b>

## Capital and reserves

	Group		Parent company	
	1997	1996	1997	1996
<b>Non-restricted</b>				
Contingency reserve				
Reserve Jan. 1	200 704	70 607	202 441	87 845
From profit for previous financial year	150 259	120 264	149 945	114 568
Uncollected dividends	45	28	45	28
From profit/loss brought forward	–	9 805	–	–
	351 008	200 704	352 431	202 441
Loan amortization reserve				
Reserve Jan. 1	–	611	–	–
Change in composition of Group	–	-611	–	–
	–	–	–	–
Accelerated depreciation and voluntary provisions, net of tax				
Reserve Jan. 1	58 448	51 166	–	–
From profit for previous financial year	–	-2 539	–	–
Change in composition of Group	10 108	–	–	–
From profit for financial year	-20 504	9 822	–	–
	48 052	58 449	–	–
Profit/loss brought forward				
Profit/loss Jan. 1	-85 517	-11 001	–	–
From profit/loss for previous financial year	39 183	-53 205	–	–
To contingency reserve	–	-9 805	–	–
Change in composition of Group	–	-2 802	–	–
Translation difference	-8 909	-8 704	–	–
	-55 243	-85 517	–	–
Profit for previous financial year	271 011	125 805	231 515	175 833
To parent company distribution of dividend	-81 420	-61 065	-81 420	-61 065
To contingency reserve	-150 259	-120 264	-149 945	-114 568
To profit/loss brought forward	-39 182	53 205	–	–
To voluntary provisions and accelerated depreciation	–	2 539	–	–
Donations for worthy causes	-150	-220	-150	-200
	–	–	–	–
Profit for financial year	575 543	271 011	568 834	231 514
Non-restricted in total	919 360	444 647	921 265	433 955
<b>Capital and reserves in total</b>	<b>2 126 193</b>	<b>1 657 028</b>	<b>2 108 541</b>	<b>1 631 483</b>
<b>Revaluation reserve</b>				
Pertaining to investments classified as fixed assets	56 487	65 888	52 733	57 276
Pertaining to other investments	27 725	35 939	27 399	33 108
Total	84 212	101 827	80 132	90 384
Bonus issues	-41 840	-41 840	-41 840	-41 840
Minority interest	–	-1 666	–	–
Difference	42 372	58 321	38 292	48 544

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

	Number of shares	Nominal value	Acquisition cost	Current value (=book value)
<b>Shares in parent company held by Group</b>				
Investments for the benefit of life-assurance policyholders who bear the investment risk include the following B-shares in parent company:				
Policy-linked shares	997	5	84	199
Shares acquired in advance	1 003	5	85	201
	2 000	10	169	400

### Authorizations of the Board of Directors

The Board is not currently authorized to issue shares, warrants or convertible bonds.

**21. Untaxed reserves**

	Group		Parent company	
	1997	1996	1997	1996
<b>Accelerated depreciation</b>				
Intangible assets	117	67	–	–
Buildings	17 281	22 582	19 668	20 887
Equipment	26 350	33 060	24 971	30 211
<b>Total</b>	<b>43 748</b>	<b>55 709</b>	<b>44 639</b>	<b>51 098</b>
<b>Voluntary provisions</b>				
<b>Credit loss reserve</b>				
Reserve Jan. 1	20 465	20 309	20 030	19 700
Decrease/increase	-851	157	-2 220	330
Reserve Dec. 31	19 614	20 466	17 810	20 030
<b>Transitional reserve</b>				
Reserve Jan. 1	1 491	16 291	–	13 000
Used for acquisitions	–	-14 800	–	-13 000
Released to income	-1 491	–	–	–
Reserve Dec. 31	–	1 491	–	–
<b>Total</b>	<b>19 614</b>	<b>21 957</b>	<b>17 810</b>	<b>20 030</b>
<b>Untaxed reserves in total</b>	<b>63 362</b>	<b>77 666</b>	<b>62 449</b>	<b>71 128</b>
<b>Transferred</b>				
To capital and reserves	48 052	58 449		
To minority interest	-2 431	-2 529		
To deferred tax liability	17 741	21 746		
	63 362	77 666		

**22. Subordinated loans**

	Group		Parent company	
	1997	1996	1997	1996
<b>Subordinated loans</b>	550 000	–		

Subordinated loans are valid until further notice. For the creditor, the notice period is five years and for the Group one month. The annual interest rate is tied to the overall return on life assurance savings. The creditor is Suomi Mutual Life Assurance Company.

**23. Life assurance provision**

	Group		Parent company	
	1997	1996	1997	1996
<b>Deferred acquisition costs deducted from life assurance provision (zillmerization)</b>				
Life assurance	15 799	–		
Pension insurance	21 475	–		
	37 274	–		
<b>Life assurance provision includes a provision for unexpired risks</b>	654	–		

## 24. Provision for claims outstanding of non-life insurance

	Group		Parent company	
	1997	1996	1997	1996
<b>Discounting of provision for claims outstanding (other than annuities)</b>				
Gross claims outstanding				
Provision before discounting	6 688 855	6 305 636	5 738 798	5 431 689
Amount of deduction	-11 256	-13 442	-	-
Provision after discounting	6 677 599	6 292 194	5 738 798	5 431 689
Reinsurance amount				
Provision before discounting	413 054	364 418	375 892	371 621
Net claims outstanding after discounting	6 264 545	5 927 776	5 362 906	5 060 068
	Average settling period of claims in years		Rate of interest applied %	
	1997	1996	1997	1996
<b>Group</b>				
<b>Groups of losses subject to discounting:</b>				
Bothnia's liability insurance (not, however, collective provision for claims set aside for asbestos and environmental treaties)	5.5	5.5	3	3
Bothnia's combined insurance (not marine)	4	4	3	3

## 25. Creditors

	Group		Parent company	
	1997	1996	1997	1996
<b>Amounts owed to affiliated undertakings</b>				
Reinsurance creditors	-	-	7	-
Amounts owed to credit institutions	1 322	1 360	1 322	1 360
Pension loans	237 943	255 876	237 923	255 831
Other creditors	1 423	4 838	35 044	45 506
Total	240 688	262 074	274 296	302 697
<b>Amounts owed to associated undertakings</b>				
Reinsurance creditors	100	1 057	100	1 057
Other creditors	460	4 770	920	4 770
Total	560	5 827	1 020	5 827
<b>Amounts becoming due and payable in five or more years</b>				
Amounts owed to credit institutions	16 865	17 324	1 282	1 334
Pension loans	165 520	177 979	165 520	177 978
Total	182 385	195 303	166 802	179 312

**26. Security and financial commitments**

	Group		Parent company	
	1997	1996	1997	1996
<b>Mortgaged land and buildings</b>				
As security for own debts	26 928	31 940	328	–
As security for debts of affiliated undertakings	–	–	4 650	10 991
As security for debts of joint undertakings	20 250	20 250	–	–
As security for own building site liabilities	520	520	360	360
	47 698	52 710	5 338	11 351
Own debts corresponding to mortgages	26 616	19 212	218	–
<b>Assets pledged</b>				
As security for own debts	185 751	269 204	115 710	192 171
As security for debts of affiliated undertakings	–	–	46 019	52 514
	185 751	269 204	161 729	244 685
Own debts corresponding to assets pledged	124 388	188 998	72 918	112 163
<b>Guarantees</b>				
As security for own debts	44 295	47 428	–	–
As security for debts of affiliated undertakings	–	–	44 295	47 428
	44 295	47 428	44 295	47 428
Own debts corresponding to guarantees	29 530	29 643	–	–
<b>Option contracts</b>				
Real estate sales contracts				
Book value	144 288	6 931	24	1 029
Current value	154 000	7 902	2 000	2 000
Agreed sales price	152 000	5 902	–	–
Difference between current value and sales price	2 000	2 000	2 000	2 000
<b>Leasing liabilities</b>				
Amount payable during current financial year	1 389	1 246	1 389	1 246
Amount payable in subsequent years	1 016	834	1 016	834
<b>Amount of joint liability</b>				
Pertaining to VAT group registration, Pohjola is, together with the other members of the Pohjola taxable group, jointly and severally liable for the value added tax imposed on the group				
Affiliated undertakings	12 109	–	12 109	–
Associated undertakings	102	–	102	–
	12 211	–	12 211	–
<b>Other commitments</b>				
Commitment to subscribe for shares in general partnership companies carrying on Venture Capital investments	142 077	1 467	16 521	1 467

The Group does not have other financial commitments in associated undertakings, nor any outstanding derivative contracts.

**27. Pension commitments for and loans granted to Group management**

The Presidents, Senior Executive Vice Presidents and Managing Directors of the Group's domestic insurance companies have the right to retire on a full 60% TEL pension (TEL=Employees' Pensions Act) once they have reached the age of 60. The other former and present members of the Boards of Directors of subsidiaries have the same right as the other Pohjola employees to retire on a full 60% TEL pension once they have reached the age of 63, provided that they have been in service for at least 30 years.

	Management of Group		Management of parent company	
	1997	1996	1997	1996
Loans granted to members of the Supervisory Boards and Boards of Directors, Presidents, Senior Executive Vice Presidents, Managing Directors and Deputy Managing Directors (including loans granted by Ilmarinen)				
Original principal	3 866	4 080	–	–
Remaining principal	2 472	2 596	–	–
Interest rate	5.00–6.75%	5.00–7.25%		
Loan period	2–24 years	4–24 years		
Security				

Mortgage or shares in housing corp.



**28. Solvency**

	Group		Parent company	
	1997	1996	1997	1996
<b>Solvency margin</b>				
Capital and reserves after proposed distribution of profit	2 003 913	1 575 458	1 986 261	1 549 914
Voluntary provisions and accelerated depreciation	–	–	62 450	71 128
Deferred tax liability	17 741	21 746	–	–
Difference between current and book values of investments	6 690 335	4 253 480	5 537 255	4 078 055
Subordinated liabilities	550 000	–	–	–
Intangible assets	-813 106	-67 326	-84 081	-64 991
Other items	-16 765	-19 785	-78 618	-110 898
	8 432 118	5 763 573	7 423 267	5 523 208
<b>Equalization provision</b>				
Equalization provision included in the technical provisions for years with a high loss frequency	831 828	657 420	700 050	595 445
<b>Minority interest</b>	23 128	25 472	–	–
<b>Solvency capital</b>	9 287 074	6 446 465	8 123 317	6 118 653
<b>Non-life insurance</b>				
Solvency capital	7 369 196	6 446 465	8 123 317	6 118 653
Solvency margin requirement under chapter 11, section 2 of the Insurance Companies Act			552 741	534 988
Equalization provision as a percentage of its full amount			24%	22%
Solvency capital to earned premiums, net of reinsurance (= solvency ratio)	267%	251%	306%	249%
Solvency capital to technical provisions net of reinsurance less equalization provision	101%	94%	127%	103%
<b>Life assurance</b>				
Solvency capital (= solvency capital of Pohjola Life group)	1 917 879	–		
Solvency margin requirement under chapter 11, section 4 of the Insurance Companies Act	313 249	–		
Solvency capital as a percentage of technical provisions reduced by reinsurance amount, equalization provision and 75% of the technical provisions for life assurance policies where the investment risk in borne by the policyholders	26%	–		

Helsinki, March 6, 1998

Tauno Matomäki

Aatto Prihti

Jaakko Ihamuotila

Olavi Nevanlinna

Lars-Eric Petersson

Pertti Voutilainen

Iiro Viinanen

## TO THE SHAREHOLDERS OF POHJOLA INSURANCE COMPANY LTD.

We have examined the accounting records, annual accounts and corporate governance of Pohjola Insurance Company Ltd. for the financial year from January 1 to December 31, 1997. The annual accounts drawn up by the Board of Directors and the President include the Board's report and the consolidated and parent company profit and loss account, balance sheet and notes on the accounts. Based on our audit we express an opinion on the annual accounts and on corporate governance.

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

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

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

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

Helsinki, March 16, 1998

Tauno Haataja  
Authorized Public Accountant

Juha Wahlroos  
Authorized Public Accountant

SVH Coopers & Lybrand Oy  
Authorized Public Accountants  
Ulpu Laaksonen  
Authorized Public Accountant

## General

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

In the consolidated accounts, voluntary provisions and accelerated depreciation (untaxed reserves) are included partly in profit for financial year and reserves and partly in tax charge and tax liability. Deferred tax pertaining to revaluation entered in revaluation reserve and in difference between current and book values of investments has not been included in tax charge or tax liability since investments are long-term ones and their appreciation is released to profit over a long period.

## Turnover =

Non-life insurance

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

Life assurance

- + Gross premiums written before credit loss and reinsurers' share
- + Investment income and unrealized gains/losses
- + Other income

## Gross premiums written =

Premiums written before credit loss and reinsurers' share

## Operating profit or loss =

Non-life insurance

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

Life assurance

- ± Profit or loss before change in equalization provision, bonuses and rebates, extraordinary items and tax

## Return on equity at current values (%) =

- ± Profit or loss before extraordinary items and tax

- ± Revaluation entered in/withdrawn from revaluation reserve

- ± Change in difference between current and book values of investments (incl. consolidation difference)

$$- \frac{\text{Tax}}{\text{Capital and reserves}} \times 100$$

+ Capital and reserves

+ Minority interest

- ± Difference between current and book values of investments (incl. consolidation difference)

(average of Jan. 1 and Dec. 31)

The bonuses provided in life assurance in accordance with the company's target are included in the technical provisions. Any amounts attributable to policyholders and pertaining to the capital and reserves and difference between current and book values of investments of Pohjola Life have not been separated in the calculation (see item j 'Principle of equity').

## Return on assets at current values (%) =

- ± Operating profit or loss

+ Interest on and charges for loans

+ Interest assumption of technical provisions

- ± Unrealized gains and losses of investments (non-life insurance)

- ± Revaluation entered in/withdrawn from revaluation reserve

- ± Change in difference between current and book values of investments (incl. consolidation difference)

+ Balance-sheet total

- ± Difference between current and book values of investments (incl. consolidation difference)
- (average of Jan. 1 and Dec. 31)

## Equity to balance-sheet total at current values (%) =

+ Capital and reserves

+ Minority interest

- ± Difference between current and book values of investments (incl. consolidation difference)

$$+ \frac{\text{Subordinated loans}}{\text{Balance-sheet total}} \times 100$$

+ Balance-sheet total

- ± Difference between current and book values of investments (incl. consolidation difference)

## Average number of employees =

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

## Loss ratio (%) (non-life insurance) =

$$\frac{\text{Claims incurred}}{\text{Earned premiums}} \times 100$$

## Expense ratio (%) (non-life insurance) =

$$\frac{\text{Operating expenses}}{\text{Earned premiums}} \times 100$$

## Combined ratio (%) (non-life insurance) =

Loss ratio + expense ratio

## Expense ratio (%) (life assurance) =

+ Operating expenses

$$+ \frac{\text{Claims settlement expenses}}{\text{Expense loading}} \times 100$$

Expense loading is an item covering expenses as per the bases of calculation.

## Solvency margin =

+ Capital and reserves after deduction of proposed distribution of profit

+ Deferred tax liability

- ± Difference between current and book values of investments

+ Subordinated loans

- Intangible assets

- ± Other items required by ordinance

## Solvency capital =

Solvency margin + equalization provision + minority interest

## Solvency capital as percentage of technical provisions (non-life insurance) =

$$\frac{\text{Solvency capital}}{\text{Technical provisions} + \text{Equalization provision}} \times 100$$

## Solvency ratio (%) (non-life insurance) =

$$\frac{\text{Solvency capital}}{\text{Earned premiums for 12 months}} \times 100$$

## Solvency ratio (%) (life assurance) =

$$\frac{\text{Solvency capital}}{\text{Technical provisions} + \text{Equalization provision}} \times 100$$

- 75% of technical provisions for life assurance policies where the investment risk is borne by the policyholders

## Earnings/share =

- ± Profit or loss before extraordinary items and tax

- Tax

- Minority shares of above items

$$\frac{\text{Adjusted average number of shares}}$$

## Capital and reserves/share =

Capital and reserves

Adjusted number of shares Dec. 31

The bonuses provided in life assurance in accordance with the company's target are included in the technical provisions. Any amounts attributable to policyholders and pertaining to the capital and reserves of Pohjola Life have not been separated in the calculation (see item j 'Principle of equity').

## Net asset value/share at current values =

+ Capital and reserves

- ± Difference between current and book values of investments (incl. consolidation difference)

- Minority share of difference between current and book values of investments

$$\frac{\text{Adjusted number of shares Dec. 31}}$$

The bonuses provided in life assurance in accordance with the company's target are included in the technical provisions. Any amounts attributable to policyholders and pertaining to the capital and reserves and difference between current and book values of investments of Pohjola Life have not been separated in the calculation (see item j 'Principle of equity').

## Dividend/share =

Dividend for financial year

$$\frac{\text{Adjusted number of shares Dec. 31}}$$

## Dividend/earnings (%) =

$$\frac{\text{Dividend/share}}{\text{Earnings/share}} \times 100$$

## Effective dividend yield (%) =

$$\frac{\text{Dividend/share}}{\text{Adjusted average share price weighted by trading volumes of last trading day of financial year}} \times 100$$

## Dividend/share =

Dividend for financial year

$$\frac{\text{Adjusted number of shares Dec. 31}}$$

## Dividend/earnings (%) =

$$\frac{\text{Dividend/share}}{\text{Earnings/share}} \times 100$$

## Effective dividend yield (%) =

$$\frac{\text{Dividend/share}}{\text{Adjusted average share price weighted by trading volumes of last trading day of financial year}} \times 100$$

## Price/earnings ratio =

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

$$\frac{\text{Earnings/share}}$$

## Adjusted average share price =

Total turnover of shares in FIM

$$\frac{\text{Adjusted average number of traded shares}}$$

## Adjusted share price, lowest and highest =

Lowest and highest share price in public trading

## Adjusted share price on Dec. 31 =

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

## Market capitalization =

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

## Development of turnover =

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



*Board of Directors*

**Tauno Matomäki** (\*1937)  
Chairman

**Aatto Prihti** (\*1939)  
Deputy Chairman

**Jaakko Ihamuotila** (\*1939)

**Olavi Nevanlinna** (\*1948)

**Lars-Eric Petersson** (\*1950)

**Pertti Voutilainen** (\*1940)

*Supervisory Board  
until June 30, 1997*

**Tauno Matomäki** (\*1937)  
Chairman

**Pertti Voutilainen** (\*1940)  
Deputy Chairman

**Antti Aarnio-Wihuri** (\*1940)

**Seppo Ahonen** (\*1942)

**Felix Björklund** (\*1943)

**Mikko Ennevaara** (\*1946)

**Pertti Hellemaa** (\*1930)

**Pekka Herlin** (\*1932)

**Jaakko Ihamuotila** (\*1939)

**L.J. Jouhki** (\*1944)

**Erkki Järnefelt** (\*1939)

**Pauli Komi** (\*1936)

**Juhani Maijala** (\*1939)

**Markku Mannerkoski** (\*1936)

**Jorma Ollila** (\*1950)

**Timo Peltola** (\*1946)

**Antti Potila** (\*1938)

**Aatto Prihti** (\*1939)

**Timo Rajala** (\*1947)

**Eva-Riitta Siitonen** (\*1940)

**Matti Sundberg** (\*1942)

**Ilkka Suominen** (\*1939)

**Heikki Tavela** (\*1932)

**Martti Ursin** (\*1934)

**Seppo Vikström** (\*1956)

**Björn Wolrath** (\*1943)

### *Auditors*

**Juha Wahlroos**  
Authorized Public Accountant  
Supervisory Auditor

**Tauno Haataja**  
Authorized Public Accountant  
Deputy Supervisory Auditor

**SVH Coopers & Lybrand Oy**  
Authorized Public Accountants

### *Deputy Auditors*

**Sari Airola**  
Authorized Public Accountant

**Leena Rajala**  
Authorized Public Accountant

**Sirkku Valkjärvi**  
Authorized Public Accountant

### *Senior Management*

**Iiro Viinanen**  
President and CEO

**Pirkko Alitalo**  
Investments

**Veli Kalle Tavakka**  
Direct non-life insurance

**Jorma Hämäläinen**  
Life assurance (until June 30, 1998)

**Eino Halonen**  
Life assurance (as of July 1, 1998)

**Kari Puro**  
Employment pension insurance

**Jukka Peltola**  
Foreign insurance

**Hannu Ervamaa**  
Regional services

**Hannu Ketola**  
Information technology

**Jukka Rantala**  
Research  
Investor relations

A CLOSE CUSTOMER RELATIONSHIP WITH YOUR INSURANCE  
COMPANY IS A GOOD INVESTMENT THAT LEAVES YOU FREE  
TO GET ON WITH LIFE

# HIGHLIGHTS

Highlights					
FIM million	1993 <sup>1)</sup>	1994	1995	1996	1997
Gross premiums written					
Pohjola with subsidiaries	3 110	3 041	3 015	2 958	3 781
Ilmarinen with subsidiaries	6 247	6 576	7 277	8 282	8 444
Suomi with subsidiaries	1 122	1 184	1 890	2 987	1 526
Net investment income					
Pohjola with subsidiaries	795	487	665	962	1 582
Ilmarinen with subsidiaries	2 925	2 245	2 531	2 974	3 365
Suomi with subsidiaries	742	498	675	1 056	1 697
Claims incurred					
Pohjola with subsidiaries	2 813	2 433	2 269	2 440	2 904
Ilmarinen with subsidiaries	6 343	7 220	7 079	7 843	7 982
Suomi with subsidiaries	1 148	901	1 062	1 061	901
Operating expenses					
Pohjola with subsidiaries	552	518	521	565	664
Ilmarinen with subsidiaries	187	138	144	151	160
Suomi with subsidiaries	181	184	184	218	158
Technical provisions					
Pohjola with subsidiaries	6 958	6 879	7 107	7 491	15 555
of which equalization provision	459	620	516	657	832
Ilmarinen with subsidiaries	36 398	39 266	42 832	46 881	52 212
Suomi with subsidiaries	7 815	8 935	10 353	13 204	8 973
Solvency capital					
Pohjola with subsidiaries	5 350	5 781	4 866	6 447	9 287
Ilmarinen with subsidiaries <sup>2)</sup>	2 374	1 743	2 626	4 865	7 904
Suomi with subsidiaries	2 772	2 487	2 430	4 026	4 899
Balance sheet total					
Pohjola with subsidiaries	9 639	9 576	9 719	10 316	19 448
Ilmarinen with subsidiaries	37 357	40 437	44 481	48 761	53 852
Suomi with subsidiaries	8 610	9 647	11 511	14 160	9 774
Average number of employees					
Pohjola with subsidiaries <sup>3)</sup>	2 512	2 533	2 359	2 255	2 816
Ilmarinen with subsidiaries	474	474	459	467	478
Suomi with subsidiaries <sup>3)</sup>	756	639	579	619	–

<sup>1)</sup> Ilmarinen's figures in accordance with previous accounting principles

<sup>2)</sup> For Ilmarinen, parent company's solvency margin

<sup>3)</sup> 1993–96: in proportion to workloads; 1997: based on employment contracts

*Pohjola Insurance Company Ltd. is a listed company and the parent of the Group. Through its different companies, Pohjola offers customers comprehensive insurance and claims services. After incorporation, which takes effect on July 1, 1998, the parent company will concentrate on producing the Group's administrative and investment services and on underwriting reinsurance.*

#### NON-LIFE INSURANCE

The range of products of Pohjola Non-Life Insurance Company Limited (Pohjola Non-Life) will, after July 1, 1998, comprise all direct non-life insurance for companies and private households. Moreover, Pohjola Non-Life will underwrite reinsurance of employees' group life assurance.

Eurooppalainen Insurance Company Ltd. underwrites travel insurance.

Bothnia International Insurance Company Ltd., London-based Moorgate Insurance Company Limited and Varma Mutual Insurance Company (in liquidation) manage Pohjola's foreign insurance portfolio in run-off. The companies do not underwrite new business.

#### LIFE ASSURANCE

Pohjola Life Assurance Company Ltd. (Pohjola Life) offers life and pension insurance products, including single-premium endowment contracts, for both corporations and private households. The company is a subsidiary of Pohjola. All new life assurance policies issued by The Pohjola Group have since July 1, 1997 been underwritten in the name of Pohjola Life.

Suomi Mutual Life Assurance Company administers its current portfolio of insurance covering private individuals, and the premiums written generated by the portfolio. The company is a cooperating company of Pohjola and does not underwrite new insurance policies.

#### EMPLOYMENT PENSION INSURANCE

Pension Insurance Company Ilmarinen Ltd underwrites statutory employment pension insurance and self-employed persons' pension insurance with supplementary benefits. The company is a subsidiary of Pohjola. However, under effective employment pension insurance company legislation, the figures of a pension insurance company may not be consolidated in the accounts of another type of company.

#### ASSOCIATED UNDERTAKINGS

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

Seesam International Insurance Company Limited is an Estonian non-life insurance company in which Pohjola has a 45% shareholding.

Seesam Life Insurance Company Ltd is an Estonian life assurance company in which Pohjola has a 30% shareholding.

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

Towarzystwo Ubezpieczeń na Życie "WARTA VITA" S.A. is a Polish life assurance company. Pohjola holds 38% of the company's shares but intends to decrease the holding to 16%.

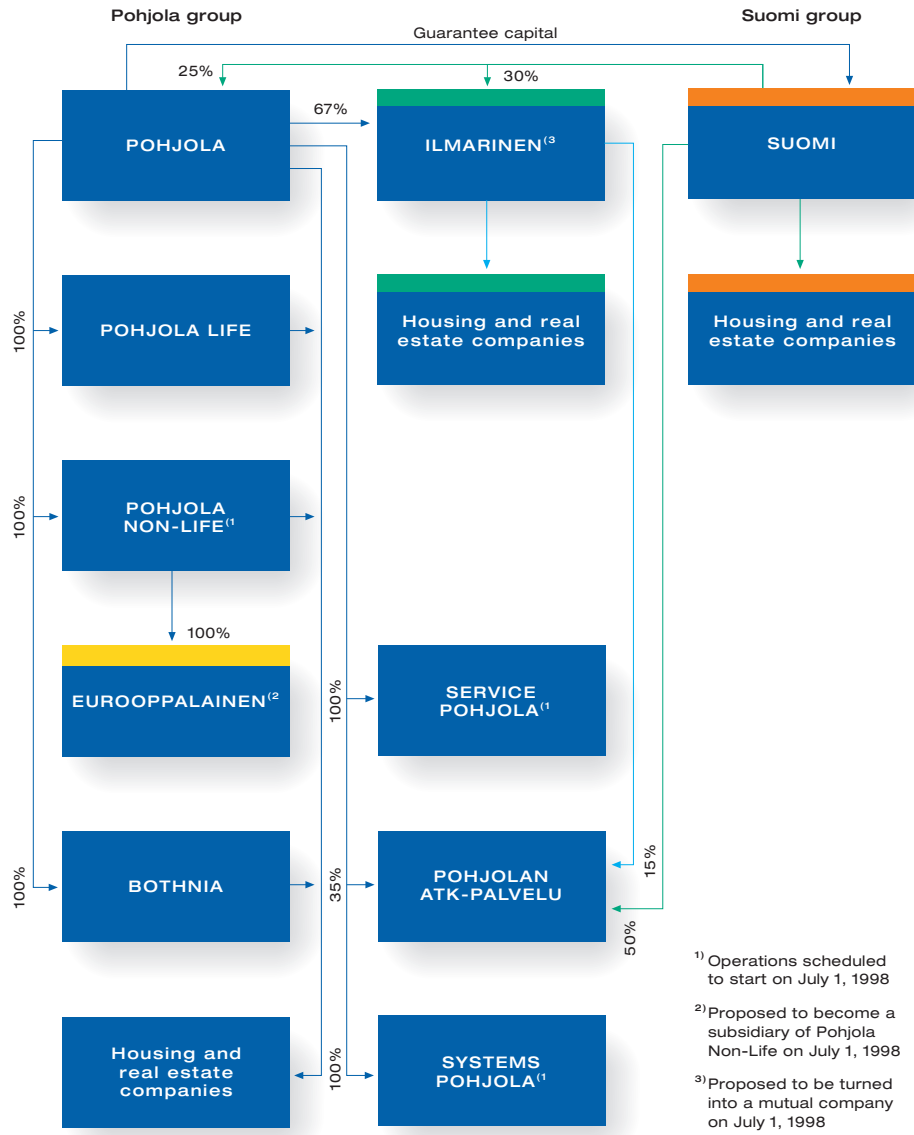
#### SERVICE COMPANIES

Pohjolan Atk-palvelu Oy started operations in 1994. Its aim is to produce data processing services. The ownership of the company is divided between the members of The Pohjola Group.

Pohjola intends to incorporate its field organization and IT applications development services in separate companies on July 1, 1998. For the field organization, Pohjola Customer Service Ltd (Service Pohjola) has already been established while, within the IT area, a new company (Systems Pohjola) will be founded.



Corporate structure



<sup>1)</sup> Operations scheduled to start on July 1, 1998  
<sup>2)</sup> Proposed to become a subsidiary of Pohjola Non-Life on July 1, 1998  
<sup>3)</sup> Proposed to be turned into a mutual company on July 1, 1998

# INVESTMENT PORTFOLIO

Investment portfolio					
FIM million		Pohjola group	Ilmarinen group	Suomi group	Total
<b>Current value</b>					
Land and buildings	1997	3 205	5 356	2 466	11 027
	1996	2 923	4 882	3 301	11 106
	1995	3 002	4 641	3 416	11 059
Shares	1997	10 490	9 549	6 576	26 615
	1996	6 071	6 572	5 384	18 027
	1995	4 325	3 644	3 030	10 999
Fixed-income securities	1997	8 227	25 396	3 713	37 336
	1996	2 879	21 205	6 858	30 942
	1995	1 925	13 575	4 746	20 246
Other debt securities	1997	544	3 669	538	4 751
	1996	223	2 553	804	3 580
	1995	623	2 766	806	4 195
Loans	1997	573	1 275	184	2 032
	1996	747	1 675	257	2 679
	1995	994	2 459	308	3 761
Premium loans	1997		9 028		9 028
	1996		11 296		11 296
	1995		14 654		14 654
Other investments	1997	387	337	163	887
	1996	179	408	50	637
	1995	202	715	265	1 182
Investments for the benefit of life-assurance policyholders who bear the investment risk	1997	136		–	136
	1996	–		69	69
	1995	–		51	51
Total	1997	23 562	54 610	13 640	91 812
	1996	13 022	48 591	16 723	78 336
	1995	11 071	42 454	12 622	66 147
<b>Difference between current and book values</b>					
Land and buildings	1997	665	556	533	1 754
	1996	721	499	599	1 819
	1995	720	441	612	1 773
Shares	1997	5 556	3 369	3 368	12 293
	1996	3 412	2 100	2 061	7 573
	1995	2 197	919	743	3 859
Fixed-income securities	1997	469	1 383	190	2 042
	1996	120	1 436	537	2 093
	1995	65	663	325	1 053
<b>Book value in total</b>	1997	16 872	49 302	9 549	75 723
	1996	8 769	44 556	13 526	66 851
	1995	8 089	40 431	10 942	59 462
<b>Net investment income in 1997</b>					
<b>Continuous income</b>					
Interest		481	2 260	395	3 136
Dividends		235	178	134	547
Income from land and buildings		117	325	143	585
Other income/charges		18	42	7	67
Total		851	2 805	679	4 335
<b>Appreciation/depreciation in profit and loss account</b>					
Gains/losses on realization		804	692	236	1 732
Value adjustments		-145	-142	-33	-320
Value re-adjustments		212	176	111	499
Depreciation on buildings		-86	-153	-45	-284
Unrealized gains/losses		1	–	628	629
Total		786	573	897	2 256
Interest on and charges for long-term loans		-35	-1	-12	-48
Investment management expenses		-21	-12	-10	-43
Total		1 581	3 365	1 554	6 500
Share of associated undertakings' profit/loss		1	–	143	144
Total		1 582	3 365	1 697	6 644

# THE LARGEST SHAREHOLDINGS

	Pohjola group		Ilmarinen group		Suomi group		Total	
	Percentage of shares	Percentage of votes	Percentage of shares	Percentage of votes	Percentage of shares	Percentage of votes	Percentage of shares	Percentage of votes
<b>Listed companies</b>								
Aamulehti-yhtymä Oy	3.1	6.4	2.8	4.2	0.1	0.2	6.0	10.8
Asko Oyj	1.0	1.0	2.1	2.1	0.1	0.1	3.2	3.2
Aspo Group Ltd	5.6	5.6	4.3	4.3	2.0	2.0	11.9	11.9
Cultor Corporation	1.4	1.1	2.7	3.4	0.8	0.2	4.9	4.7
Espoon Sähkö Oyj	0.8	0.8	2.5	2.5	1.4	1.4	4.7	4.7
Finnair Oyj	1.0	1.0	2.7	2.7	1.1	1.1	4.8	4.8
Finnlines Ltd	4.3	4.3	5.2	5.2	1.7	1.7	11.2	11.2
Skandia Insurance Company Ltd (publ), Sweden	4.5	4.5	2.6	2.6	3.4	3.4	10.5	10.5
Huhtamäki Oy	2.9	4.1	5.5	11.6	1.7	2.5	10.1	18.2
Instrumentarium Corporation	1.4	1.4	2.7	2.6	1.2	1.1	5.3	5.1
Kemira Oyj	2.1	2.1	2.5	2.5	1.0	1.0	5.6	5.6
Kesko Ltd	2.4	0.1	3.4	0.1	1.6	0.0	7.4	0.2
Kone Corporation	7.6	3.0	3.1	1.2	2.5	1.0	13.2	5.2
Lassila & Tikanoja plc	7.3	7.3	5.4	5.4	1.6	1.6	14.3	14.3
Lemminkäinen Oy	8.9	8.9	0.9	0.9	0.1	0.1	9.9	9.9
Oy Leo-Longlife Ltd	3.1	0.6	4.0	0.8			7.1	1.4
Lännen Tehtaat Oy	2.4	2.4	3.5	3.5			5.9	5.9
Merita Plc	1.9	2.0	1.2	1.3	1.6	1.7	4.7	5.0
Metra Corporation	1.4	1.3	1.9	1.7	0.4	0.4	3.7	3.4
Metsä-Serla Corporation	0.0	0.0	1.3	2.5			1.3	2.5
Neste Oy	1.1	1.1	0.9	0.9	0.5	0.5	2.5	2.5
Nokia Corporation	2.2	6.3	1.2	3.4	0.8	2.5	4.2	12.2
Nokian Tyres plc	1.4	1.4	4.2	4.2	1.3	1.3	6.9	6.9
Nordic Aluminium Ltd	1.2	1.2	3.1	3.1	1.2	1.2	5.5	5.5
Orion Corporation	1.3	1.3	2.3	2.2	1.0	0.8	4.6	4.3
Outokumpu Oyj	0.8	0.8	2.3	2.3	0.5	0.5	3.6	3.6
Pohjola Insurance Company Ltd.	0.0	0.0			25.0	39.4	25.0	39.4
Rauma Corporation	3.0	3.0	3.2	3.2	1.5	1.5	7.7	7.7
Rautakirja Oyj	9.0	10.7	1.5	1.3	2.3	2.8	12.8	14.8
Rautaruukki Corporation	1.2	1.2	3.2	3.2	0.9	0.9	5.3	5.3
Rocla Oyj	1.8	1.8	2.2	2.2	1.2	1.2	5.2	5.2
Silja Oy Ab	6.2	6.4	0.4	0.8	0.6	0.7	7.2	7.9
OY Stockmann AB	0.8	0.1	3.8	0.6			4.6	0.7
Suunto Oyj	2.9	2.9	5.5	5.5	1.7	1.7	10.1	10.1
TT Tieto Oy	3.0	3.0	2.0	2.0	1.8	1.8	6.8	6.8
UPM-Kymmene Corporation	4.8	4.8	3.7	3.7	1.2	1.2	9.7	9.7
Valmet Corporation	2.2	2.2	4.5	4.5	0.9	0.9	7.6	7.6
Werner Söderström Osakeyhtiö-WSOY	5.3	3.0	2.1	4.7	0.8	0.2	8.2	7.9
YIT-Corporation	10.5	10.5	1.8	1.8	1.7	1.7	14.0	14.0
<b>Other companies</b>								
Ab Chips Oy Ltd	1.3	2.3					1.3	2.3
Helsinki Media Company Oy	0.5	0.5	2.1	1.1			2.6	1.6
Innoli Oy	18.3	18.3	3.2	3.2			21.5	21.5
Kontram-Yhtiöt Oyj	5.9	5.9					5.9	5.9
Martela Oy	6.5	1.7	1.9	0.5			8.4	2.2
MTV-Yhtymä Oy	1.5	1.5	0.8	0.8	0.5	0.5	2.8	2.8
Olvi plc	2.6	0.6	4.5	1.0	2.2	0.5	9.3	2.1
Rakentajain Konevuokraamo Oy	13.0	18.4			14.4	18.7	27.4	37.1
Sanoma Corporation	0.8	0.8	3.5	1.9			4.3	2.7
Sato Corporation plc	6.2	6.2	4.4	4.4			10.6	10.6
Sentra Oyj	7.9	0.8	1.5	1.0			9.4	1.8
Finnish Power Grid Plc	4.5	2.0	10.5	4.7			15.0	6.7

## Pohjola phone

9800-4800 all over the country

Private households tel. +358 10 55 88 00

## Saving through insurance

tel. +358 10 55 88 33

## Companies and corporations

tel. +358 10 55 88 55

## Self-employed persons

tel. +358 10 55 88 66

Emergency service for motor and household accidents tel. +358 10 55 88 112

Euro travel insurance emergency service tel. +358 10 55 88 111

## SOUTHERN REGION

### Helsinki

Telephone service,  
tel. +358 10 559 555, fax +358 10 559 3083  
Lapinmäentie 1,  
tel. +358 10 559 504, fax +358 10 559 5904  
Aleksanterinkatu 15,  
tel. +358 10 558 500, fax +358 10 559 5900  
Siltasaarekatu 18-20,  
tel. +358 10 559 501, fax +358 10 559 5901  
Puutarhurinkuja 2,  
tel. +358 10 559 505, fax +358 10 559 5905  
Pasilan asema,  
tel. +358 10 559 509, fax +358 10 559 4461  
Iräkeskus, Tallinnanaukio 6,  
tel. +358 10 559 502, fax +358 010 559 5902  
Ala-Malmin tori 5, tel. +358 10 559 503,  
fax +358 010 559 5903

### Espoo

Tapiola, Länsituulentie 6,  
tel. +358 10 559 506, fax +358 10 559 5906  
Espoonlahti, Espoonlahdenkatu 4-6,  
tel. +358 10 559 507, fax +358 10 559 5907  
Leppävaara, Läkikisepänkuja 3,  
tel. +358 10 559 512, fax +358 10 559 5912  
Hyvinkää, Hämeenkatu 14,  
tel. +358 10 558 217, fax +358 10 558 2917  
Järvenpää, Sibeliuksenkatu 23,  
tel. +358 10 558 216, fax +358 10 558 2916  
Karkkila, Huhdintie 10-12,  
tel. +358 10 558 220, fax +358 10 558 2920  
Kerava, Kauppakaari 1,  
tel. +358 10 558 215, fax +358 10 558 2915  
Kirkkonummi, Kirkkotallintie 4,  
tel. +358 10 558 223, fax +358 10 558 2923  
Lohja, Laurinkatu 52,  
tel. +358 10 558 222, fax +358 10 558 2922  
Mäntsälä, Vanha Porvoontie 2,  
tel. +358 10 558 214, fax +358 10 558 2914  
Nurmijärvi, Pratikankuja 3,  
tel. +358 10 558 219, fax +358 10 558 2919  
Nummela, Tuusantie 1,  
tel. +358 10 558 221, fax +358 10 558 2921  
Porvoo, Runeberginkatu 36,  
tel. +358 10 558 213, fax +358 10 558 2913  
Riihimäki, Keskuskatu 20,  
tel. +358 10 558 218, fax +358 10 558 2918  
Tammisaari, Vihlerlehdonkatu 11,  
tel. +358 10 558 224, fax +358 10 558 2924

### Vantaa

Myrmymäki, Liesikuja 4,  
tel. +358 10 558 212, fax +358 010 558 2912  
Tikkurila, Peltolantie 2,  
tel. +358 10 559 508, fax +358 10 559 5908

## WESTERN REGION

Turku, Yliopistonkatu 21,  
tel. +358 10 558 310, fax +358 10 558 3910  
Forssa, Hämeentie 11,  
tel. 358 10 558 317, fax +358 10 558 3917  
Huittinen, Karpintie 8, tel. +358 10 558 318,  
fax +359 10 558 3918  
Kaarina, Kuskinkatu,  
tel. +358 10 558 311, fax +358 10 558 3911  
Kankaanpää, Kuninkaanlähteenkatu 8,  
tel. +358 10 558 322, fax +358 10 558 3922  
Laitila, Vihtorinkatu 8,  
tel. +358 10 558 323, fax +358 10 558 3923  
Loimaa, Kauppalankatu 13,  
tel. +358 10 558 316, fax +358 10 558 3916  
Maarianhamina, Norragatan 5,  
tel. +358 10 558 319, fax +358 10 558 3919  
Pori, Isolinnankatu 22,  
tel. +358 10 558 320, fax +358 10 558 3920  
Raisio, Tasalanaukio 5,  
tel. +358 10 558 312, fax +358 10 558 3912  
Rauma, Nortamonkatu 18,  
tel. +358 10 558 321, fax +358 10 558 3921  
Salo, Helsingintie 7,  
tel. +358 10 558 314, fax +358 10 558 3914  
Somero, Turuntie 6,  
tel. +358 10 558 315, fax +358 10 558 3915  
Uusikaupunki, Koulukatu 3,  
tel. +358 10 558 313, fax +358 10 558 3913

## CENTRAL REGION

Tampere, Hämeenkatu 7,  
tel. +358 10 558 410, fax +358 10 558 4910  
Alajärvi, Järvikatu,  
tel. +358 10 558 429, fax +358 10 558 4929  
Alavus, Kuulantie 3,  
tel. +358 10 558 428, fax +358 10 558 4928  
Hämeenlinna, Hallituskatu 14,  
tel. +358 10 558 420, fax +358 10 558 4920  
Jyväskylä, Vapaudenkatu 48-50,  
tel. +358 10 558 433, fax +358 10 558 4933  
Jämsä, Keskuskatu 8,  
tel. +358 10 558 438, fax +358 10 558 4938  
Kangasala, Kuohunharjuntie 31,  
tel. +358 10 558 411, fax +358 10 558 4911  
Kauhajoki, Topeeka 24,  
tel. +358 10 558 427, fax +358 10 558 4927  
Keuruu, Keuruuntie 10,  
tel. +358 10 558 437, fax +358 10 558 4937  
Kokkola, Tehtaankatu 12,  
tel. +358 10 558 432, fax +358 10 558 4932  
Lammii, Mommilantie 16,  
tel. +358 10 558 419, fax +358 10 558 4919  
Lapua, Poutuntie 7,  
tel. +358 10 558 430, fax +358 10 558 4930  
Mänträ, Ratakatu 10,  
tel. +358 10 558 415, fax +358 10 558 4915  
Nokia, Välimäenkatu 12,  
tel. +358 10 558 412, fax +358 10 558 4912  
Orivesi, Keskustie 32,  
tel. +358 10 558 414, fax +358 10 558 4914  
Parkano, Keskuskatu 5,  
tel. +358 10 558 417, fax +358 010 558 4917  
Pietarsaari, Asematie 1,  
tel. +358 10 558 431, fax +358 010 558 4931  
Saarijärvi, Paavontie 31,  
tel. +358 10 558 436, fax +358 10 558 4936  
Seinäjoki, Kauppakatu 1,  
tel. +358 10 558 426, fax +358 10 558 4926  
Vaasa, Hovioik.puistikko 19,  
tel. +358 10 558 425, fax +358 10 558 4925  
Valkeakoski, Keskusaukio 3,  
tel. +358 10 558 413, fax +358 10 558 4913

Vammala, Puistokatu 18,  
tel. +358 10 558 418, fax +358 10 558 4918  
Viitasaari, Rantatie 9,  
tel. +358 10 558 435, fax +358 10 558 4935  
Virrat, Virtaintie 33,  
tel. +358 10 558 416, fax +358 10 558 4916  
Äänekoski, Torikatu 5, tel. +358 10 558 434,  
fax +358 10 558 4934

## EASTERN REGION

Lahti, Vapaudenkatu 12,  
tel. +358 10 558 510, fax +358 10 558 5910  
Anjalankoski, Päätie 23,  
tel. +358 10 558 513, fax +358 10 558 5913  
Hamina, Sibeliuskatu 32,  
tel. +358 10 558 514, fax +358 10 558 5914  
Heinola, Kauppakatu 9,  
tel. +358 10 558 511, fax +358 10 558 5911  
Iisalmi, Pohjolankatu 8,  
tel. +358 10 558 538, fax +358 10 558 5938  
Imatra, Einonkatu 3,  
tel. +358 10 558 517, fax +358 10 558 5917  
Joensuu, Siltakatu 20,  
tel. +358 10 558 535, fax +358 10 558 5935  
Kitee, Kiteentie 4,  
tel. +358 10 558 534, fax +358 10 558 5934  
Kotka, Kirkkokatu 8,  
tel. +358 10 558 515, fax +358 10 558 5915  
Kouvola, Kauppamiehenkatu 4,  
tel. +358 10 558 512, fax +358 10 558 5912  
Kuopio, Asemakatu 22-24,  
tel. +358 10 558 530, fax +358 10 558 5930  
Lappeenranta, Toikankatu 4,  
tel. +358 10 558 516, fax +358 10 558 5916  
Lieksa, Moisionkatu 2,  
tel. +358 10 558 536, fax +358 10 558 5936  
Mikkeli, Porrassalmenkatu 29, tel. +358 10  
558 520, fax +358 10 558 5920  
Nurmes, Kauppatori 3,  
tel. +358 10 558 537, fax +358 10 558 5937  
Pieksämäki, Keskuskatu 17-19,  
tel. +358 10 558 532, fax +358 10 558 5932  
Savonlinna, Olavinkatu 53,  
tel. +358 10 558 519, fax +358 10 558 5919  
Suonenjoki, Rautalammintie 14,  
tel. +358 10 558 531, fax +358 10 558 5931  
Varkaus, Kauppakatu 26,  
tel. +358-10 558 533, fax +358-10 558 5933

## NORTHERN REGION

Oulu, Kirkkokatu 33,  
tel. +358 10 558 610, fax +358 10 558 6910  
Kajaani, Lönnrotinkatu 18,  
tel. +358 10 558 613, fax +358 10 558 6913  
Kemi, Valtakatu 11-13,  
tel. +358 10 558 621, fax +358 10 558 6921  
Kemijärvi, Vapaudenkatu 8,  
tel. +358 10 558 623, fax +358 10 558 6923  
Kuusamo, Kitkantie 18,  
tel. +358 10 558 614, fax +358 10 558 6914  
Raahel, Sovionkatu 10,  
tel. +358 10 558 611, fax +358 10 558 6911  
Rovaniemi, Valtakatu 16,  
tel. +358 10 558 620, fax +358 10 558 6920  
Sodankylä, Unarintie 13,  
tel. +358 10 558 624, fax +358 10 558 6924  
Tornio, Lukiokatu 12,  
tel. +358 10 558 622, fax +358 10 558 6922  
Ylivieska, Asemakatu 12,  
tel. +358 10 558 612, fax +358 10 558 6912  
List of offices of The Pohjola Group. In addition, all post offices in Finland provide Pohjola insurance policies.

## HEAD OFFICE

The Pohjola Group  
Lapinmäentie 1  
FIN-00013 Pohjola  
Service phone +358 10 559 2040  
Fax +358 10 559 2434  
E-mail: <http://www.pohjola.fi>

## BENELUX COUNTRIES

Skandia Verzekeringsmaatschappij  
Boompjes 410  
NL-3011 XZ Rotterdam  
The Netherlands  
Tel. +31 10 411 025  
Fax +31 10 413 7799

## ESTONIA

Seesam International Insurance Co.  
Vambola 6  
EE0001 Tallinn, Estonia  
Tel. +372 6 281 800  
Fax +372 6 312 109

## FRANCE

Skandia Insurance Co Ltd  
4, rue Cambon  
F-75001 Paris, France  
Tel. +33 1 4286 0064  
Fax +33 1 4286 0976

## GERMANY

Skandia Versicherungs AG  
Siemenstrasse 9  
D-63263 Neu-Isenburg (Frankfurt)  
Germany  
Tel. +49 6102 710 710  
Fax +49 6102 710 771

## GREAT BRITAIN

Pohjola Insurance  
(London Contact Office) Ltd.  
Skandia House, 23 College Hill,  
London EC4R 2SE  
England  
Tel. +44 171 220 3731  
Fax +44 171 220 3740  
Skandia (U.K.) Insurance plc  
Nordic Risks, Skandia House  
23 College Hill  
London EC4R 2SE  
England  
Tel. +44 171 220 3630  
Fax +44 171 329 3218

## LATVIA

Famlat- Joint Stock Insurance Company  
of Latvia  
Jekaba Kazarmas,  
Torna iela 4, 1B - 201,  
Riga LV - 1050, Latvia  
Tel. +371 783 0190/783 0191  
Fax +371 783 0192

## NORTH AMERICA

Nordic Risk Department  
Wausau Insurance Companies  
1177 Avenue of the Americas  
New York, N.Y. 10036-2797  
USA  
Tel. +1 212 703 0381  
Fax +1 212 703 0385

## RUSSIA

General Insurance Company Ltd.  
16, Ruzovskaya St.,  
198147 St.Petersburg,  
Russia  
Tel. +7 812 112 7240  
Fax +7 812 316 7971

Rossiya Insurance Company  
3-A, Olminskogo Pr.  
129085 Moscow, Russia  
Tel. +7 095 216 7745  
Fax +7 095 216 7771

## SWEDEN

Skandia, Scandinavia  
Industrial Division  
Barks väg 15  
S-10350 Stockholm  
Sweden  
Tel. +46 8 788 3141  
Fax +46 8 788 14 20

The Global Risk Division, part of the Royal & Sun Alliance Group corporate insurance operations, offers insurance, reinsurance and risk management services through its 23 offices and its service network covering 121 countries.

## CONTACT DATA

Lapinmäentie 1, 00300 Helsinki  
Mailing address:  
00013 Pohjola

Lönnrotinkatu 5, 00120 Helsinki  
Mailing address:  
P.O. Box 1068, 00101 Helsinki

Tel. +358 10 559 11  
Internet: <http://www.pohjola.fi>

## INFORMATION DEPARTMENT

Tel. +358 10 559 2867  
Fax +358 10 559 3590

## INVESTOR RELATIONS

Jukka Rantala  
Senior Vice President, Research  
Tel. +358 10 559 2500  
Fax +358 10 559 3365

Auli Hietala-Ruohisto  
Controller/non-life insurance  
Tel. +358 10 559 2398  
Fax +358 10 559 3255

Onerva Savolainen  
Actuary/life assurance  
Tel. +358 10 559 6707  
Fax +358 10 559 6935

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

Copies of the original signed annual accounts are available at the company's head office, tel. +358 10 559 3032.

Depending on where they have their book-entry account, shareholders are kindly requested to notify their bank or the Central Securities Depository of any changes in their addresses.



