

ANNUAL REPORT 1997

TAPIOLA INSURANCE GROUP



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# ANNUAL REPORT



**Visiting address** Revontulentie 7, Espoo, Tapiola

**Mailing address** Tapiola Insurance Group, FIN-02010 TAPIOLA, FINLAND

**Puh.** +358 9 4531 **Fax** +358 9 453 2146

**Internet** <http://www.tapiola.fi>

# Contents

TAPIOLA IN SHORT	2
REVIEW BY THE PRESIDENT	4
1 TAPIOLA GENERAL	7-40
Annual Report	10
Profit and loss account	17
Balance sheet	25
2 TAPIOLA PENSION	41-72
Annual Report	44
Profit and loss account	53
Balance sheet	58
3 TAPIOLA LIFE	73-102
Annual report	76
Prodit and loss account	83
Balance sheet	88
4 TAPIOLA CORPORATE LIFE	103-122
Annual Report	106
Prodit and loss account	111
Balance sheet	116
SOCIAL DISTRIBUTION OF INCOME	130
STAFF REPORT	131
ENVIRONMENTAL REPORT	133
ORGANIZATION	134
OFFICES AND SERVICE OUTLETS	142
ACCOUNTING PRINCIPLES	144
GUIDE TO THE READER	147

The official financial statements of all the companies belonging to the Tapiola Insurance Group are available at the head office, Revontulentie 7, Espoo.

The Annual Report may be ordered by calling +358 9 4531 or by faxing +358 9 453 2920 our information department.

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# THIS IS TAPIOLA

THE TAPIOLA GROUP IS MADE UP OF COMPANIES ENGAGED IN NON-LIFE INSURANCE, LIFE ASSURANCE AND PENSION INSURANCE. IT WAS ESTABLISHED ON 18.6.1982, WHEN THE SUPERVISORY BOARDS OF ITS PREDECESSOR COMPANIES DECIDED ON A MERGER. THE AMALGAMATED BUSINESS HAS OPERATED UNDER THE NAME OF TAPIOLA SINCE 1984.

THE THIRD LARGEST INSURANCE GROUP IN FINLAND, Tapiola comprises three main companies: Tapiola General Mutual Insurance Company or Tapiola General, Tapiola Mutual Life Assurance Company or Tapiola Life, Tapiola Mutual Pension Insurance Company or Tapiola Pension, and Tapiola Corporate Life Insurance Company Ltd.

## TAPIOLA GENERAL

Tapiola General Mutual Insurance Company's field of business includes all voluntary and statutory forms of non-life insurance. Tapiola General is Finland's third largest non-life insurance company.

The subsidiaries Alma Insurance Company Ltd, which administers ceased reinsurance agreements, and Tapiola Data, which provides the group with EDP services, together with Tapiola General make up the Tapiola General Group.

Tapiola General's result for 1997 was very good. Market share and gross premiums written both rose. The loss ratio was somewhat weakened but was still at a good level. Net investment income also remained at a good level.

## TAPIOLA PENSION

Tapiola Mutual Pension Insurance Company's field of business includes statutory employees' and self-employed persons' pension insurances.

Tapiola Pension is Finland's fourth largest pension insurance company. The result for Tapiola Pension in 1997 was very good. Market share and solvency both improved.

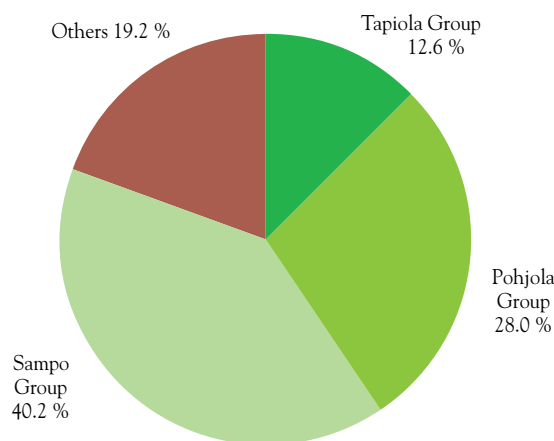
## TAPIOLA LIFE AND TAPIOLA CORPORATE LIFE

In addition to life insurance, Tapiola's life insurance companies are also engaged in individual supplementary pension insurance and in voluntary optional pension insurance. Despite the entry of the banks into the life insurance market, Tapiola Life and Tapiola Corporate Life are together the fifth largest life insurance company in Finland.

The 1997 result for Tapiola Life was very satisfactory

## MARKET SHARES OF DIRECT INSURANCE 1997

Preliminary figures  
Gross premiums written  
by all insurance company groups  
FIM 48 billion



and the group company Tapiola Corporate Life was rather satisfactory. Tapiola Life's premiums fell, while those of Tapiola Corporate Life increased markedly. The operating costs increased but the solvency remained at a good level. The market share rose somewhat.

## PARTNERS

Tapiola's domestic partner is the Employees' Mutual Insurance Company Turva. In addition to its own non-life insurances, Turva sells Tapiola's employment pension insurances and voluntary life and pension insurances.

Tapiola has partners in three Nordic countries. The project and information-based co-operation involves the Swedish Länsförsäkringsbolagen, the Norwegian Gjensidige, the Danish Almindelige Brand and Östifterne.

The most important of Tapiola's other international partners are the Swiss company Winterthur and with the Italian company Generali, two of Europe's biggest insurance companies. Tapiola's partners in the Baltic states are Salva and Alte Leipziger, and in Russia Ingosstrakh.

REVIEW BY THE PRESIDENT

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# ANOTHER RECORD-BREAKING YEAR FOR TAPIOLA

THE TAPIOLA INSURANCE GROUP CONTINUED ITS RUN OF FINE PERFORMANCES IN 1997. THE COMBINED RESULTS OF THE GROUP WERE EVEN SLIGHTLY HIGHER THAN THE RECORD-BREAKING FIGURES OF THE PREVIOUS YEAR. SINCE THE LATE 1980S THE GROUP HAS SUCCEEDED RATHER WELL IN ACHIEVING ITS GOAL OF STABLE AND HEALTHY BUSINESS DEVELOPMENT.



ASMO KALPALA  
PRESIDENT

THE KEY ISSUES IN THE GROUP'S activities during the review year were the launch of a new strategic phase and the broad-based adoption of Tapiola's values and strategy throughout the ranks of the Group's personnel. This included the reorganisation of the Group's senior management, which was completed with the previously planned appointment of Tom Liljeström as the managing director of Tapiola Pension from the beginning of 1998. The investment operations of Tapiola Pension were also separated from those of the other companies of the Tapiola Insurance Group in accordance with the new legislation governing employment pension insurance companies. The development of customer centeredness and synergistic benefits was continued among the companies of the Group. In January 1998 the supervisory boards decided to centralised the resources of regional services, sales, marketing, and information and PR in Group Services' main unit headed by Juhani Heiskanen, LL.M. from 1<sup>st</sup> February 1998.

The mutually dependent relationship between Finland's economy and its insurance industry is clear. For that reason political decision-making in the economic sphere is critically important to the Finnish insurance industry. Purposefulness in Finland's EMU solution and in the endeavour to join the inner circle of Europe's economy will engender faith in the future of our economy. The fight against inflation, which in Finland is spearheaded by the biennial tripartite incomes policy agreement, will also promote stability in the future.

Nevertheless the problems and difficulties that have confronted Finland's economy in recent years remain unanswered. The high-level of public debt will pose a real threat when the next recession arrives. Persistently high unemploy-

## KEY FIGURES

COMBINED FIGURES FOR THE GROUPS OF TAPIOLA COMPANIES

	1997 FIM mio	1996 FIM mio	Change FIM mio	%
Turnover	8 611	8 219	392	4,8
Gross premiums written	6 272	5 857	415	7,1
Claims expenditure	5 542	4 771	771	16,2
Claims expenditure	512	464	48	10,3
Investments, book value	29 408	26 296	3 112	11,8
Investments, current value	33 116	29 445	3 671	12,5
Equity	386	357	29	8,1
Reserves	290	494	-204	-41,3
Technical provisions	30 846	27 671	3 175	11,5
Balance sheet total	32 442	29 278	3 164	10,8

ment is a challenge to our labour market system, to social policy and to the development of incentive systems in the economy as a whole. Clearly, economic development in future years will be by no means free of problems. This scenario also poses a challenge to the insurance industry, the main goal of which is to safeguard the economic welfare of its customers.

The insurance industry was able to maintain the favourable trend in its performance thanks largely to the buoyant stock market, from which the Tapiola Insurance Group also benefited. The industry as a whole can be very satisfied with the year.

The removal of the traditional boundary between the banks and insurance companies manifested itself in practice as strong growth in the life insurance market. Traditional companies, especially Tapiola Life, have focused attention on the balance sheet risks caused by this robust growth and on the managing them. In future this way of thinking may become a more prevalent factor

guiding the emphases in the life insurance business when the quest for growth is resumed after the respite of last year.

In the employment pension insurance business, Tapiola Pension has continued with its policy of competitive openness, which has put pressure on the other pension insurance companies to distribute premium discounts to all customers rather than other benefits to a more exclusive interest group. The TEL (Employees' Pensions Act) scheme as a whole is going through a period of radical change, and getting this statutory insurance to embrace the principles of competitive neutrality is one area of development.

Investment risks pose an increasingly serious challenge to the stability of the insurance industry. Finland is no longer the closed economy that it once was, and successful investment in today's unfettered environment demands real expertise. It is also gratifying to see that the principles of insurance supervision in Finland

are also being modernised with regard to investment risks. The insurance companies' solvency working group set up by the Ministry of Social Affairs and Health last year developed a set of proposals with the aims of identifying investment risks at a sufficiently early stage and improving the possibilities of the supervisory authority to act.

The financial development of the Tapiola Insurance Group continued, the combined results of the companies slightly exceeding the record-breaking level of the previous year. The aim of steady and healthy development has been achieved since the late 1980s over a very unstable episode in Finland's economic history.

The introduction of the owner-customer programme ushered in a reform that will influence Tapiola's competitive position. The strategic principle of customer centeredness is being applied in practice. The owner-customer programme rewards customers on the basis of factors such as the length of the customer relationship and allows the children of policyholders to inherit the price benefits earned by their parents.

Over the course of its history, Tapiola has provided its customers with price benefits worth billions of Finnish marks. In the ten-year period 1988–1997, discounts on statutory insurances, index increments on life insurances, policyholder bonuses, discounts on optional insurances and the combined benefits of the new of Personal Programme total about FIM 2.5 billion.

Tapiola succeeded well in the marketplace. A record number of employment pension policies were transferred to Tapiola Pension during the transfer season closing at the end of September, and the company was ahead of all of its competitors in this regard. The company's share of the non-life insurance market also rose. In life insurance we grew in those classes that were identified as areas of emphasis because of the risk management considerations described above.

Tapiola has not experienced any labour disputes and we have thus been able to concentrate on developing our business and on channelling the skills of our experienced staff towards real work. The organisational changes implemented during the review year have also been received well and in some cases even enthusiastically. They are an essential part of Tapiola's long-term renewal.

The mutual form of incorporation has proved to be Tapiola's strength in many ways. Keeping this fact more clearly in view inside the organisation and in the minds of our customers is important since skilfully administered mutuality has a growing role to play in the insurance market. It is important from the standpoint of the competitive set-up.

Our Nordic co-operation will continue with more consistent goals after the partnership agreement is updated. We will be able to monitor the fermentation of the financial sector's structures in the Nordic countries with peace of mind.

The entire Tapiola Insurance Group can look forward to the coming years with confidence. As the competitive environment changes, Tapiola's main strength will be that its customers will be served in a way that will guarantee their satisfaction.

I would like to thank our growing clientele and their representatives in the Group's administrative bodies and advisory committees for their contribution to the company's favourable development. I hope that the constructive interaction that is so essential to Tapiola's success will continue with ever increasing vigour.

The personnel have done good and innovative work, which is reflected in the improved feedback from customers. For that reason the introduction of an incentive pay system to operate in parallel with the existing staff fund system from the beginning of this year has been well earned. The 1997 profit-sharing payment transferred to the Staff Fund of the Tapiola Insurance Group was FIM 6.9 million, the biggest transfer since the fund was set up in 1990.

TAPIOLA, 26<sup>TH</sup> MARCH 1998



ASMO KALPALA  
PRESIDENT



TAPIOLA GENERAL MUTUAL INSURANCE COMPANY

TAPIOLA  
GENERAL MUTUAL  
INSURANCE COMPANY



ANNUAL REPORT 1997

## FASTER GROWTH FOR NON-LIFE INSURANCE



PERTTI HEIKKALA  
MANAGING DIRECTOR

THE GROWTH OF NON-LIFE INSURANCE in Finland speeded up in 1997 as the economy as a whole continued to prosper. The premiums written from direct business rose by 4.2 per cent.

Tapiola General's performance was once again very good and exceeded the average for the branch, although not by quite as wide a margin as in the previous year. The company's result was weakened by a FIM 26 million increase in the provision for outstanding claims, which was made in respect of accident and motor third party liability insurance owing to the expected life span being extended. The company's operating profit was 13.6 per cent of turnover.

Tapiola General's market share of direct business rose to 13.0 per cent of the premiums written by the insurance companies and insurance associations.

The review year was the first in which the company operated in accordance with the "Tapiola 2001" strategy. Quality and customer relationships were purposefully developed.

In the private customer segment, i.e. the domain of Tapiola Private, the emphasis was on the market launch of the new customer-owner programme and its related services for households, farms and entrepreneurs. Our endeavours in this area were successful and customer loyalty improved. The company developed an important new comprehensive motor insurance product called Tapiola Säästö-kasko, which was actually not announced until February of this year. The product seems to have found a ready market. A personal insurance solution supplementing statutory accident insurance was developed for farmers. This product has also been very well received by customers.

The most important product renewal in the corporate customer segment, i.e. the domain of Tapiola Corporate, was Tapiola's new corporate insurance, which significantly improves the precision of the insurance of risks and their price correspondence. In parallel with this technical product development, the company also brought out a new corporate agreement, which is the customer-owner programme's natural solution to the needs of companies.

The most important development areas now and in the future are Tapiola Corporate and Tapiola Private in the form of service programmes, products and quality. Tapiola General and the other companies of the Tapiola Insurance Group together form an increasingly distinct and customer-centred service organisation for both corporate and private customers.

# ADMINISTRATION AND AUDITORS OF TAPIOLA GENERAL

SUPERVISORY BOARD			BOARD OF DIRECTORS
		MATTI OKSANEN 1996-1999 Managing director, Espoo	
	* Term	MARKKU OLKINUORA 1997-2000 managing director, Helsinki	ASMO KALPALA, chairman, president
JARNO MÄKI 1997-2000 chairman, M.A., farmer, Hausjärvi		SEPPO PAATELAINEN 1995-1998 managing director, Seinäjoki	PERTTI HEIKKALA deputy chairman, managing director
PEKKA WECKMAN 1996-1999 deputy chairman, industrial councilor, Vierumäki		REINO PENTTILÄ 1997-2000 farmer, Nurmo	JUHANI HEISKANEN deputy managing director, sales, marketing
VESA EKROOS 1996-1999 board chairman, Espoo		EINO PETÄJÄNIEMI 1996-1999 managing director, Jyväskylä	deputy member until 31.1.1998, member as from 1.2.1998
MARTTI HAAMAN 1997-2000 industrial councilor, Helsinki		PIRKKO 1996-1999 managing director, Vantaa	PENTTI KOSKINEN director, actuarial services
VEIKKO HANNUS 1995-1998 welder, Kajaani		JORMA VAAJOKI 1997-2000 managing director, Kauniainen	TOM LILJESTRÖM managing director
TUOMO HERRALA 1995-1998 commercial councilor, Lappeenranta		ERKKI VARIS 1996-1999 managing director, Rauma	<i>Deputy members</i> PER-OLOF BERGSTRÖM deputy managing director, non-life insurance
ARTO HILTUNEN 1997-2000 managing director, Porvoo mlk		OLLI VUORIO 1995-1998 deputy police commissioner, Vihti	ANTTI CALONIUS director, major clients services, international direct insurance and reinsurance
HEIKKI IKONEN 1997-2000 farmer, Nurmes			JARI EKLUND director, investment services as from 1.1.1998
KARI JALAS 1997-1998 managing director, Helsinki			MARKKU PAAKKANEN director, economy services as from 1.2.1998
MATTI KAVETVUO 1997-2000 managing director, Helsinki			
MARKKU KOSKINEN 1997-2000 director, Järvelä			
JORMA LILJA 1996-1999 managing director, Helsinki			
PEKKA LUUKKAINEN 1996-1998 deputy managing director, Helsinki			
OLAVI MARTIKAINEN 1995-1998 provincial governor, Kuopio			
		<b>AUDITORS</b>	
		MAUNO TERVO B.Sc. (Econ.), C.P.A. SVH Coopers and Lybrand Oy firm of certified public accountants	
		<i>Deputy auditors</i> ULLA HOLMSTRÖM B.Sc. (Econ.), C.P.A. JARI MIIKKULAINEN B.Sc. (Ekon.), C.P.A.	

\* The term commences at the Annual General Meeting.

# ANNUAL REPORT 1997

TAPIOLA GENERAL HAD A SUCCESSFUL YEAR IN 1997 FROM THE STANDPOINT OF BOTH BUSINESS OPERATIONS AND FINANCES. THE COMPANY'S RESULT WAS GOOD AND ITS RISK-CARRYING CAPACITY STILL GREW.

## INSURANCE

**DIRECT INSURANCE** The gross premiums written for direct insurance totalled FIM 1,536 million, which was 6.9 per cent higher than the previous year's figure. The company paid direct insurance claims totalling FIM 1,093 million, which was 4.4 per cent higher than in the previous year. The loss ratio for direct insurance was unchanged from the previous year at 83.2 per cent.

Credit losses on premiums were FIM 24 million, compared with FIM 23 million in 1996.

The gross premiums written for statutory accident insurance rose by 9.6 per cent to FIM 277 million. The policyholder bonus included in the premiums was kept at 5 per cent. The result for this insurance class remained satisfactory. The profitability of other classes of accident insurance deteriorated but was still satisfactory.

Gross premiums written for motor third party liability insurance grew by 7.9 per cent to FIM 333 million. The profitability of the class improved significantly but will still be unsatisfactory.

The gross premiums written for comprehensive motor vehicle insurance rose by 6.8 per cent to FIM 272 million. The profitability of the class remained quite satisfactory.

The gross premiums written for fire, property, liability and legal expenses insurances were FIM 515 million, which was 2.9 per cent higher than in the previous year. Profitability was very satisfactory. The gross premiums written for home insurances were FIM 185 million and the result was good. The premiums written for farm insurance fell slightly to FIM 118 million from the previous year's level of FIM 122 million. The result for farm insurance was also good. The premiums written for corporate and real estate insurance were FIM 206 million and the result was satisfactory. No major losses were incurred.

**REINSURANCE** The gross premiums written for assumed domestic and foreign reinsurance were FIM 127 million, and the balance on the technical account before net investment income was a deficit of FIM 14 million.

The premiums written for domestic reinsurance declined by about 2 per cent to FIM 100 million, and the balance on the technical account before net investment income was a surplus of FIM 2 million.

The company continued to pursue a very cautious poli-

cy in underwriting foreign reinsurance business, and the premiums written were FIM 26 million. The balance on the technical account before net investment income was a deficit of FIM 16 million, of which FIM 8 million was due to exchange rate movements. The currency position for underwriting business was covered, which compensated for the exchange rate loss on the investment side.

**REINSURERS' SHARE** The company did not incur any catastrophic losses, as a consequence of which the reinsurers' share was FIM 17 million, compared with FIM 25 million in the previous year.

**TECHNICAL PROVISIONS** The provision for outstanding claims grew by FIM 127 million. In addition to the development of losses, the provision for outstanding claims was increased by the lowering of the mortality base of annuity reserves for motor third party liability insurance and statutory accident insurance. The effect of the change in the mortality basis on the provision for outstanding claims was an increase of FIM 26 million.

## INVESTMENTS

Net investment income was FIM 370 million, compared with FIM 383 million in the previous year. This total represented 23.3 per cent of earned premiums, net of reinsurance. The corresponding percentage in 1996 was 25.4 per cent.

The most significant difference compared with the previous year was the reduction in the amount of cancellations of writedowns from FIM 67 million to FIM 23 million. The cancellations of write-downs were made in respect of shares.

Dividend income rose from FIM 34 million to FIM 40 million.

Net investment income other than dividends and income from land and buildings amounted to FIM 208 million. The net income from investments in land and buildings was FIM 35 million.

Writedowns totalling some FIM 20 million were made in respect of investments in shares and land and buildings, the corresponding figure for the previous year having been FIM 46 million. Of the total, FIM 17 million related to land and buildings and FIM 2 million to shares.

The book and current values of the company's invest-

ment assets at the end of the year were FIM 4,918 million and FIM 6,497 million, respectively.

**OPERATING EXPENSES AND ORGANISATION**

The company's gross operating expenses were FIM 365 million, which was FIM 38 million higher than in the previous year. This amount, plus reinsurance commissions and depreciation on equipment and long-term expenditure, less the proportions allocated to claims incurred and investment charges, gives the net operating expenses figure of FIM 332 million reported on the Profit and Loss Account. The ratio of operating expenses to premiums earned was 20.9 per cent, whereas the corresponding figure for the previous year was 19.9 per cent. The level of operating expenses was half a percentage point lower than had been anticipated in the annual plan.

The company's staff administered all the business operations of the Tapiola Insurance Group during the review year. From the beginning of 1998 the personnel's employment relationships were revised so that, with the exception of the Managing Director and the Deputy Managing Director, the company's staff are employed not only by the company but also by Tapiola Mutual Life Assurance Company and Tapiola Mutual Pension Insurance Company. Operating expenses are divided up among the group companies on the basis of amount of work involved in providing them with those services.

Salaries and commissions paid to members of the Supervisory Board, the Board of Directors and the Managing Director totalled FIM 1,540,663.00. Other salaries and commissions amounted to FIM 168,280,761.32, giving a combined total of FIM 169,821,424.32.

**RESULT FOR THE ACCOUNTING PERIOD**

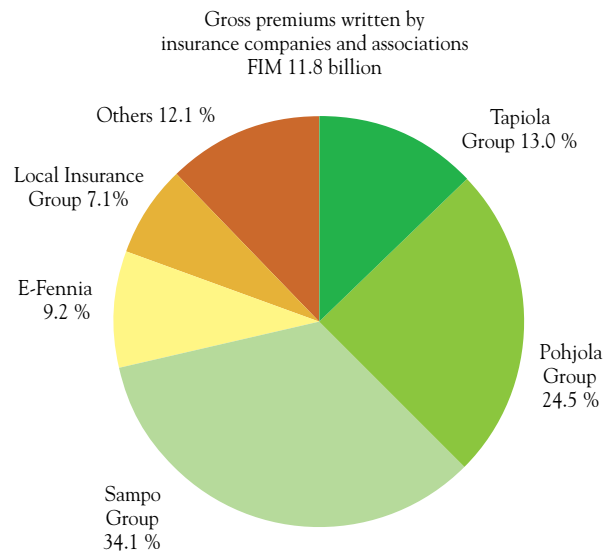
The turnover for 1997 was FIM 2,169 million and the operating profit FIM 309 million, i.e. 14.3 per cent of turnover, compared with 17.0 per cent in the previous year. The result was excellent. Gross premiums written rose by 6.0 per cent.

The balance on the technical account before the change in the equalisation provision was a deficit of FIM 63 million. The loss ratio, i.e. the ratio of earned premiums to claims incurred, rose from 81.9 per cent to 83.1 per cent. Without the increase in the provision for outstanding claims due to the change in the mortality basis, the loss ratio would have been 81.4 per cent. The combined ratio, which also takes account of operating expenses, rose accordingly from 101.8 per cent to 104.0 per cent.

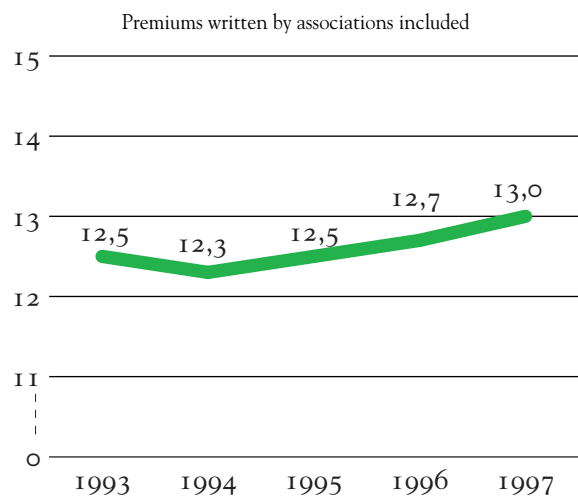
The equalisation provision grew by FIM 234 million to FIM 1,951 million.

The current values of the solvency margin and solvency capital at the end of the year were FIM 1,891 million

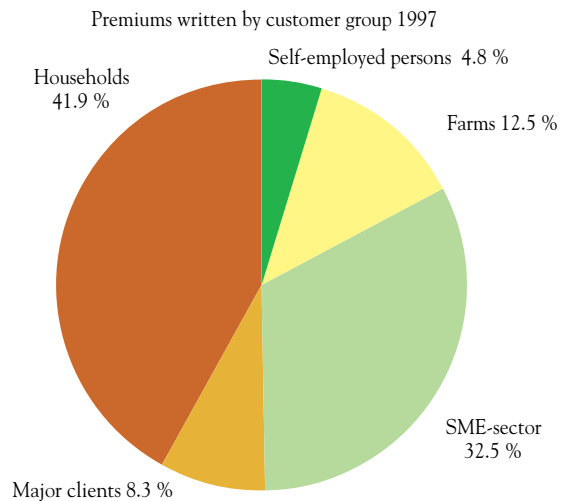
**MARKET SHARES IN DIRECT NON-LIFE INSURANCE 1997**



**TAPIOLA GENERAL DEVELOPMENT OF MARKET SHARE IN DIRECT NON-LIFE INSURANCE**

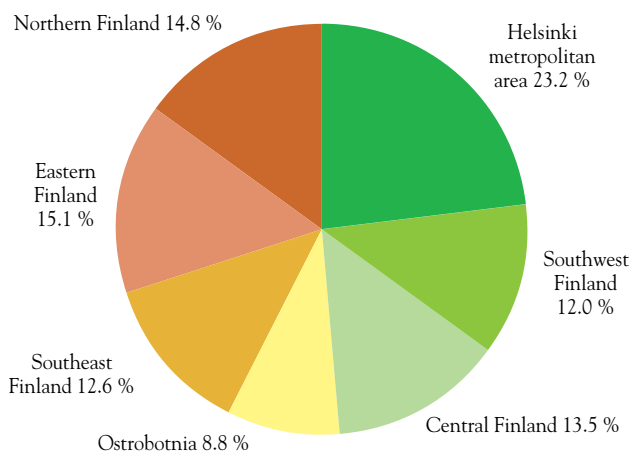


**TAPIOLA GENERAL**



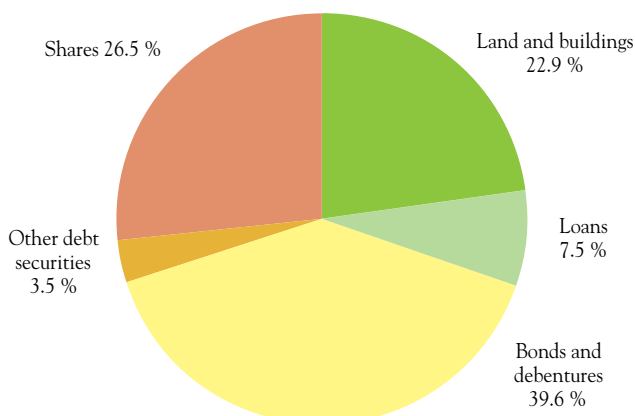
TAPIOLA GENERAL PREMIUMS WRITTEN  
BY GEOGRAPHICAL AREA 1997

Based on reported domicile of policyholders, including major clients

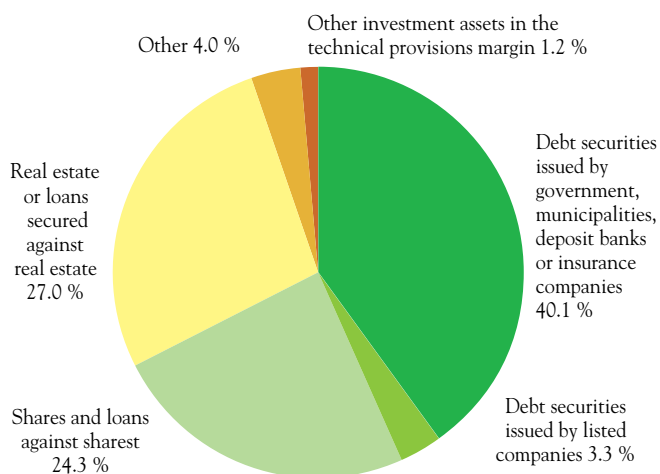


TAPIOLA GENERAL INVESTMENT ASSETS

Current value at 31.12.1997 FIM 6 497 Mio



TAPIOLA GENERAL  
INVESTMENT RISK PROFILE 31.12.1997



The categories are the same as in the regulations concerning the technical provisions margin.

and FIM 3,842 million, respectively. The solvency capital grew by FIM 434 million. The risk-carrying capacity, which describes the company's solvency, was 242 per cent, compared with 222 per cent in the previous year.

The current value of the company's assets has been assessed in the financial statements by adhering to a conservative valuation principle. The procedure is described in greater detail in the accounting principles of the financial statements.

The full amount of depreciation permitted under the Business Taxation Act, i.e. FIM 21 million, was charged according to plan.

In accordance with changes in the law concerning the guarantee system for statutory accident insurances, a general guarantee item has been reserved in the technical provisions. The item will provide for claims in accordance with the law in the event of an insurance company being forced into liquidation or bankruptcy.

The general guarantee item is 3 per cent of the gross technical provisions for statutory accident insurance and motor third party liability insurance without the equalisation provision. These items together amount to FIM 67 million in Tapiola General.

The general guarantee item is funded by premiums written (FIM 14 million), claims for which the insurance companies are jointly liable (FIM 20 million), and a change in the equalisation provision (FIM 33 million). On the Profit and Loss Account the effect of the reserve is recorded under extraordinary income and expenses, so the general guarantee item does not affect the company's financial indicators.

The transitional reserve of FIM 83 million was discharged completely when the transitional period pertaining to it expired on 31<sup>st</sup> December 1997. The credit loss reserve was brought in line with the full amount.

During the accounting period, FIM 188,520.00 was paid from the contingency reserve in the form of donations for generally beneficial purposes.

The company's share of the profit-sharing payment transferred to the Staff Fund of the Tapiola Insurance Group was FIM 2,983,000.00. It has been calculated according to an advance amount and is included in the Profit and Loss Account under other expenses.

The Board of Directors recommends that the surplus of FIM 90,120,821.91 be appropriated so that 6 per cent interest, i.e. FIM 630,000.00, be paid on the guarantee capital, FIM 89,110,000.00 be transferred to the security reserve, and FIM 380,821.91 be transferred to the contingency reserve.

The Balance Sheet showed assets totalling FIM 5,634,273,879.39, compared with FIM 5,241,949,395.79 at the end of the previous year.

# TAPIOLA GENERAL GROUP

## KEY FINANCIAL INDICATORS

	1997	1996	1995	1994
SCALE OF OPERATIONS				
Gross premiums written, FIM mio	1 669	1 572	1 524	1 479
Turnover, FIM mio	2 227	2 162	1 906	1 971
LOSSES				
Loss ratio, %	85.2	81.9	83.6	83.5
EFFICIENCY				
Expense ratio, %	21.1	20.0	22.1	20.1
PERFORMANCE				
Combined ratio, %	106.2	101.9	105.7	103,6
Operating profit, FIM mio	302	316	131	194
Operating profit as percentage of turnover	13.6	14.6	6.9	9.8
Loss before extraordinary items appropriations and taxes, FIM mio	35	153	-19	-0,1
Return on equity (ROE), %	20.0	46.1	8,6	-1,9
Return on assets (ROA), %	9.9	14.2	5.5	4.9
SOLVENCY				
Solvency capital, FIM mio	3 996	3 344	2 688	2 683
Solvency capital as percentage of technical provisions	126.7	112.4	97.4	108.8
Risk-carrying capacity, %	251.4	221.2	184.5	192.1
Equity to assets ratio, %	27.3	24.4	17.6	17.3

The definitions of the concepts and the formulae for the financial indicators are presented in the Readers' Guide on page 147.

## CONSOLIDATED FINANCIAL STATEMENTS

The Tapiola General Group comprises the parent company, Tapiola General Mutual Insurance Company, and its subsidiaries: Alma Insurance Company Ltd, Tapiola Safety, Tietotyö Oy, Aura-Karelia Oy, Tapiola Data, Tapiola Book Entry Securities, and 50 housing and real estate companies. The group had plus acquired 29 subsidiaries during the course of the review year.

The group's associated companies are Vakuutusneuvonta Aura Oy, Vakuutusneuvonta Pohja Oy, Kehitysytio Botnia Oy and Suomen Vahinkotarkastus Oy.

The associated company Turva Mutual Insurance Company is not consolidated in these financial statements.

### INSURANCE

**PREMIUMS WRITTEN** The group's gross premiums written amounted to FIM 1,669 million, which was 6.2 per cent

higher than in the previous year. Direct insurance accounted for FIM 1,536 million of the gross premiums written.

**CLAIMS INCURRED** The claims incurred by the group amounted to FIM 1,354 million. Of this amount, claims paid totalled FIM 1,235 million, which was 5.9 per cent more than in the previous year.

**REINSURANCE** The group's gross premiums written for assumed reinsurance were FIM 133 million, which was 1 million less than in the previous year. Reinsurance accounted for 8.0 per cent of the group's gross premiums written.

Claims paid in respect of assumed reinsurance business amounted to FIM 140 million, 20.4 per cent more than in the previous year.

**REINSURERS' SHARE** The reinsurers' share of the result was FIM -10 million, compared with FIM +15 million in the previous year.

#### INVESTMENTS

The net investment income was FIM 399 million. The corresponding net result for the previous year was FIM 347 million. Realised gains on investments and fixed assets were FIM 87 million.

Exchange rate fluctuations increased net investment income by FIM 33 million. On the other hand, they depressed the underwriting result by FIM 29 million. Thus the net effect on the company's result was an increase of FIM 4 million.

#### OPERATING EXPENSES

The group's operating expenses totalled FIM 335 million, which was 10.3 per cent higher than in 1996.

There was a 6.8 per cent rise in salaries and commissions, and a 5.3 per cent fall in social expenses.

Tapiola General and Tapiola Data together employed an average of 1,658 people in the review year. This was 69 more employees than the average for the previous year.

#### RESULT FOR THE ACCOUNTING PERIOD

Depreciation totalling FIM 56 million was charged according to plan. This total included a FIM 1 million depreciation charge on goodwill. The increase in the depreciation difference was FIM 2 million. The credit loss reserve in respect of receivables other than premiums was brought into line with the full amount.

The transitional reserve of FIM 83 million was discharged completely when the transitional period pertaining to it expired on 31<sup>st</sup> December 1997.

The surplus for the accounting period was FIM 81,543,175.21, of which the minority interest was FIM -177,33.16. The Balance Sheet showed assets totalling FIM 5,960,519,487.38.

## TAPIOLA GENERAL GROUP PERFORMANCE ANALYSIS

FIM MIO	1997	1996	1995	1994
Premiums earned	1 590	1 516	1 456	1 397
Claims incurred	-1 354	-1 241	-1 217	-1 167
Operating expenses	-335	-304	-322	-281
BALANCE ON TECHNICAL ACCOUNT BEFORE CHANGE IN EQUALIZATION PROVISION	-99	-29	-83	-51
Net investment income and expenses	399	357	218	247
Other income and expenses, net	2	-13	-3	-2
Share of associated undertakings' profits or losses	1	0	-1	0
OPERATING PROFIT	302	316	131	194
Change in equalization provision	-267	-153	-149	-194
Revaluation of investments and their adjustments	-	-10	-	-
PROFIT OR LOSS BEFORE EXTRAORDINARY ITEMS, RESERVES AND TAXES	35	153	-19	0
Extraordinary income	67	127	193	0
Extraordinary expenses	-67	-159	-210	0
LOSS OR PROFIT BEFORE APPROPRIATIONS AND TAXES	35	122	-36	0



# REAL ESTATE PORTFOLIO, INCOME AND VACANT PREMISES AT 31.12.1997

## REAL ESTATE PORTFOLIO, FIM 1 000

Current value	1 904 725
Book value and loans	1 287 146
Valuation difference	617 579

Type of real estate	Current value FIM 1 000	Current value FIM/m <sup>2</sup>	Net yield FIM 1 000	Net yield %	Potential net yield*) %	Vacant floor area, m <sup>2</sup>	Vacancy rate
<b>Non-residential premises</b>							
Commercial and office premises							
- rented to outside parties	661 508	8 870	32 591	4.9	5.5	74 577	5.8
- in own use **)	281 390	7 968	20 654	7.3	7.4	35 314	0.8
Industrial premises	168 611	3 836	6 472	3.8	4.9	43 952	11.1
Hotels	261 752	7 378	20 794	7.9	8.1	35 479	2.0
<b>Total</b>	<b>1 373 261</b>	<b>7 254</b>	<b>80 511</b>	<b>5.9</b>	<b>6.3</b>	<b>189 322</b>	<b>5.4</b>
<b>Residential buildings ***)</b>	<b>408 999</b>	<b>5 723</b>	<b>20 969</b>	<b>5.1</b>	<b>5.3</b>	<b>71 470</b>	<b>1.8</b>
<b>Other properties and premises</b>							
Under construction	54 240						
Acquired mid-year	4 752						
Undeveloped plots	22 173						
Forest holdings	7 782						
Shares in real estate investment companies	33 518						
<b>Total</b>	<b>122 465</b>					<b>9 713</b>	

REAL ESTATE PORTFOLIO 1 904 725

270 505

- \*) The potential net yield is augmented by imputed gross rent for the vacant premises, which averages FIM 45/m<sup>2</sup>/month
- \*\*\*) The imputed gross rent for premises in Tapiola's own use averages FIM 82/m<sup>2</sup>/month
- \*\*\*) The net income from residential premises is augmented by a government interest subsidy of FIM 1 359 000

The average vacancy rate over the year for non-residential premises was 6.0%

# FINANCIAL ANALYSIS

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>Source of funds:</b>				
Cash flow financing				
Profit (Loss) before interest expenses, extraordinary items, appropriations and taxes	41 870	198 192	35 219	153 285
Extraordinary income and expenses	-	-31 666	-	-31 666
Adjustment items				
Change in technical provisions	442 862	243 886	480 227	242 916
Investment devaluations and revaluations	-3 116	-10 585	-226	26 686
Depreciation	21 146	23 112	58 330	60 760
	502 762	422 939	573 550	451 980
Capital financing				
Increase in minority interest	-	-	57 702	-
Optional reserves	-	-	1 443	99
Increase in equity	-	-	-9 979	53 621
	-	-	49 166	53 720
<b>Source of funds, total</b>	<b>502 762</b>	<b>422 939</b>	<b>622 716</b>	<b>505 700</b>
<b>Application of funds:</b>				
Profit distribution				
Taxes	34 955	46 342	34 967	49 357
Interest on guarantee capital	840	840	840	840
Other profit distribution	189	114	189	114
	35 984	47 296	35 996	50 311
Investments				
Increase in investments (net)	355 829	432 991	509 057	511 990
Increase in tangible and intangible assets (net)	22 022	24 079	25 791	44 710
	377 851	457 070	534 848	556 699
Repayments of capital				
Decrease in long term capital	-	16 100	-	-
<b>Application of funds, total</b>	<b>413 836</b>	<b>520 467</b>	<b>570 844</b>	<b>607 010</b>
<b>Increase/Decrease in working capital</b>	<b>88 927</b>	<b>-97 528</b>	<b>51 872</b>	<b>-101 311</b>
<b>Change in working capital</b>				
Change in receivables	13 241	40 656	-11 912	28 446
Change in cash at bank and in hand	1 383	-1 757	-2 641	909
Change in prepayments and accrued income	17 880	-15 780	17 016	-15 459
Change in deposits received from reinsurers	31	-4	153	818
Change in amounts owed	29 179	-82 935	20 137	-73 624
Change in accruals and deferred income	27 213	-37 708	29 119	-42 401
<b>Increase/Decrease in working capital</b>	<b>88 927</b>	<b>-97 528</b>	<b>51 872</b>	<b>-101 311</b>

# PROFIT AND LOSS ACCOUNT

FIM 1 000	Parent company		Group		
	1997	1996	1997	1996	
<b>Technical account:</b>					
Premiums written					
Premiums written	*1	1 638 738	1 545 498	1 645 210	1 548 399
Reinsurers' share		-36 826	-37 971	-40 883	-36 591
		1 601 912	1 507 527	1 604 327	1 511 809
Change in provision for unearned premiums		-14 463	4 547	-14 463	4 547
Reinsurers' share		-141	-449	-141	-449
		-14 604	4 098	-14 604	4 098
		1 587 308	1 511 625	1 589 723	1 515 907
Claims incurred					
Claims paid		-1 204 994	-1 150 052	-1 235 082	-1 166 428
Reinsurers' share		13 040	6 836	44 977	19 261
		-1 191 954	-1 143 216	-1 190 105	-1 147 167
Change in provision for outstanding claims		-127 006	-93 271	-162 717	-89 198
Reinsurers' share		580	-1 250	-1 075	-4 803
		-126 426	-94 971	-163 792	-94 001
		-1 318 380	-1 238 187	-1 353 897	-1 241 168
Net operating expenses	3	-332 332	-300 995	-335 151	-303 655
<b>Blance on the technical account before the change in the equalization provision</b>					
		-63 403	-27 558	-99 325	-28 916
Change in the equalization provision		-267 082	-153 013	-267 082	-153 013
<b>Balance on the technical account</b>	2	<b>-330 485</b>	<b>-180 571</b>	<b>-366 407</b>	<b>-181 929</b>
<b>Non-technical account:</b>					
Investment income	4	515 126	553 960	566 904	584 167
Investment charges	4	-144 913	-160 718	-167 661	-226 681
Investment revaluation adjustment		-	-10 000	-	-10 000
		370 213	383 242	399 243	347 486
Other income					
Decrease in goodwill		-	-	6	692
Others		5 136	462	5 160	462
		5 136	462	5 166	1 154
Other expenses					
Depreciation on consolidation goodwill		-	-	-586	-8 851
Others		-2 994	-4 942	-3 045	-5 044
		-2 994	-4 942	-3 631	-13 895
Direct taxes on ordinary activities					
Taxes for the accounting period		-35 120	-46 403	-35 131	-49 418
Taxes from previous years		164	61	164	61
		-34 956	-46 342	-34 967	-49 357
Share of participating interests' losses after taxes		-	-	848	468
<b>Profit/Loss on ordinary activities after taxes</b>		<b>6 914</b>	<b>151 850</b>	<b>252</b>	<b>103 928</b>

\*Reference number in the Appendices

# PROFIT AND LOSS ACCOUNT

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
Extraordinary income and expenses				
Extraordinary income				
Premiums written	14 407	-	14 407	-
Claims paid	20 343	-	20 343	-
Change in the equalization provision	32 603	126 956	32 603	126 956
	67 353	126 956	67 353	126 956
Extraordinary expenses				
Change in general guarantee item	-67 353	-	-67 353	-
Change in provision for outstanding claims	-	-126 956	-	-126 956
Pension insurance premiums	-	-31 666	-	-31 666
	-67 353	-158 622	-67 353	-158 622
	0	-31 666	0	-31 666
<b><i>Profit after extraordinary items</i></b>	<b>6 914</b>	<b>120 184</b>	<b>252</b>	<b>72 262</b>
Decrease/Increase in depreciation difference	-278	-899	-2 196	-2 159
Increase/Decrease in optional reserves	83 485	-242	83 664	-352
<b><i>Profit for the accounting period</i></b>	<b>90 121</b>	<b>119 043</b>	<b>81 720</b>	<b>69 751</b>
Minority interest in the profit for the accounting period			-177	72
<b>Group profit for the accounting period</b>			<b>81 543</b>	<b>69 823</b>

## APPENDICES TO THE PROFIT AND LOSS ACCOUNT

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>I PREMIUMS WRITTEN</b>				
Direct insurance				
Domestic				
Statutory accident	315 904	276 666	315 904	276 666
Other accident and illness	64 754	63 284	64 754	63 284
Motor third party liability	333 078	308 804	333 078	308 804
Land vehicles	272 451	255 057	272 451	255 057
Hull and transport	33 981	30 133	33 981	30 133
Fire and other damage to property	402 318	395 827	402 318	395 827
Liability	72 291	66 225	72 291	66 225
Credit and suretyship	1 328	2 565	1 328	2 565
Legal expenses	26 400	24 966	26 400	24 966
Other direct insurance	13 985	13 770	13 985	13 770
	1 536 490	1 437 297	1 536 490	1 437 297
Reinsurance	126 533	131 599	133 004	134 501
<b>Gross premiums written</b>	<b>1 663 023</b>	<b>1 568 896</b>	<b>1 669 495</b>	<b>1 571 798</b>
Credit loss on premiums	-24 285	-23 398	-24 285	-23 398
<b>Premiums written before reinsurers' share</b>	<b>1 638 738</b>	<b>1 545 498</b>	<b>1 645 210</b>	<b>1 548 399</b>
<i>Premiums tax and other transferred charges</i>				
Premium tax	243 788	233 424	243 788	233 424
Fire brigade charges	5 526	5 467	5 526	5 467
Traffic safety payments	4 937	4 725	4 937	4 725
Industrial safety charges	5 194	5 089	5 194	5 089
Payment under Sec. 58 of the Employment Accident Insurance Act	-	1 276	-	1 276
Government medical expenses fee	37 869	38 859	37 869	38 859
<b>Total</b>	<b>297 314</b>	<b>288 840</b>	<b>297 314</b>	<b>288 840</b>

TAPIOLA GENERAL MUTUAL INSURANCE COMPANY

FIM 1 000

Parent company

2 RESULT BY GROUP OF INSURANCE CLASS

Group of insurance class		Gross premiums written before credit losses and reinsurers' share	Gross premiums earned before reinsurers' share	Claims incurred before reinsurers' share	Gross operating expenses (before reinsurers' commissions and profit participations)	Reinsurers' share	Balance on the technical account margin before net investment income
Statutory accident	97	315 904	307 996	-307 576	-29 621	-116	-29 318
	96	276 666	267 227	-248 370	-30 669	-123	-11 935
	95	252 449	246 015	-272 615	-33 184	-120	-59 904
Other accident and illness	97	64 754	63 954	-41 838	-22 350	-118	-352
	96	63 284	65 098	-40 047	-22 088	-130	2 833
	95	65 001	64 181	-34 766	-20 212	-126	9 077
Motor third party liability	97	333 078	316 852	-318 155	-62 084	-360	-63 747
	96	308 804	290 796	-345 031	-41 967	-365	-96 567
	95	283 947	267 819	-313 080	-54 001	-500	-99 762
Land vehicles	97	272 451	265 186	-195 169	-50 960	-500	18 558
	96	255 057	255 155	-172 311	-43 000	-522	39 321
	95	255 751	255 363	-178 518	-52 190	-730	23 925
Ships and aircraft, railway rolling stock and transport	97	33 981	33 155	-16 100	-7 866	235	9 424
	96	30 133	30 158	-20 189	-3 709	-1 832	4 428
	95	30 184	29 994	-16 266	-7 687	-2 683	3 357
Fire and other damage to property	97	402 318	396 367	-285 017	-99 103	-12 163	85
	96	395 827	405 040	-260 913	-110 055	-20 345	13 726
	95	419 867	418 392	-282 590	-109 617	-13 415	12 769
Liability	97	72 291	73 471	-47 245	-19 622	-3 036	3 568
	96	66 225	64 819	-53 163	-7 886	-2 909	861
	95	56 418	54 781	-36 766	-7 908	-1 069	9 038
Credit and suretyship	97	1 328	2 016	8 835	-172	-279	10 400
	96	2 565	2 722	4 419	-266	381	7 256
	95	4 635	5 314	5 884	-1 390	-729	9 079
Legal expenses	97	26 400	25 983	-22 071	-7 952	0	-4 039
	96	24 966	24 911	-14 803	-2 651	0	7 457
	95	27 727	26 828	-19 882	-2 677	0	4 270
Others	97	13 985	13 601	-3 865	-2 409	-1 341	5 985
	96	13 770	14 343	-3 154	-1 513	-1 536	8 139
	95	10 134	9 833	-3 450	-1 460	-1 407	3 516
<b>DIRECT INSURANCE, TOTAL</b>	97	<b>1 536 490</b>	<b>1 498 581</b>	<b>-1 228 201</b>	<b>-302 139</b>	<b>-17 678</b>	<b>-49 436</b>
	96	<b>1 437 297</b>	<b>1 420 269</b>	<b>-1 153 563</b>	<b>-263 804</b>	<b>-27 381</b>	<b>-24 480</b>
	95	<b>1 406 113</b>	<b>1 378 520</b>	<b>-1 152 050</b>	<b>-290 326</b>	<b>-20 780</b>	<b>-84 636</b>
Reinsurance	97	126 533	125 694	-103 800	-36 989	1 128	-13 967
	96	131 599	129 776	-90 210	-44 664	2 020	-3 078
	95	118 384	115 022	-89 666	-34 637	-4 502	-13 782
<b>TOTAL</b>	97	<b>1 663 023</b>	<b>1 624 275</b>	<b>-1 332 001</b>	<b>-339 128</b>	<b>-16 550</b>	<b>-63 403</b>
	96	<b>1 568 896</b>	<b>1 550 045</b>	<b>-1 243 773</b>	<b>-308 468</b>	<b>-25 361</b>	<b>-27 558</b>
	95	<b>1 524 497</b>	<b>1 493 543</b>	<b>-1 241 716</b>	<b>-324 963</b>	<b>-25 283</b>	<b>-98 419</b>
Change in equalization provision	97						-267 082
	96						-153 013
	95						-149 356
<b>BALANCE ON THE TECHNICAL ACC.</b>	97						<b>-330 485</b>
	96						<b>-180 571</b>
	95						<b>-247 775</b>

FIM 1 000		Group					
2 RESULT BY GROUP OF INSURANCE CLASS							
Group of insurance class		Gross premiums written before credit losses and reinsurers' share	Gross premiums earned before reinsurers' share	Claims incurred before reinsurers' share	Gross operating expenses (before reinsurers' commissions and profit participations)	Reinsurers' share	Balance on the technical account margin before net investment income
Statutory accident	97	315 904	307 996	-307 576	-30 524	-116	-30 221
	96	276 666	267 227	-248 370	-30 972	-123	-12 238
	95	252 449	246 015	-272 615	-33 594	-120	-60 314
Other accident and illness	97	64 754	63 954	-41 838	-23 031	-118	-1 033
	96	63 284	65 098	-40 047	-22 306	-130	2 614
	95	65 001	64 181	-34 766	-24 195	-126	5 094
Motor third party liability	97	333 078	316 852	-318 155	-63 976	-360	-65 639
	96	308 804	290 796	-345 031	-42 382	-365	-96 982
	95	283 947	267 819	-313 080	-45 970	-500	-91 731
Land vehicles	97	272 451	265 186	-195 169	-52 513	-500	17 004
	96	255 057	255 155	-172 311	-43 425	-522	38 896
	95	255 751	255 363	-178 518	-47 101	-730	29 013
Ships and aircraft, railway rolling stock and transport	97	33 981	33 155	-16 100	-8 106	235	9 184
	96	30 133	30 158	-20 189	-3 746	-1 832	4 392
	95	30 184	29 994	-16 266	-4 063	-2 683	6 982
Fire and other damage to property	97	402 318	396 367	-285 017	-102 123	-12 163	-2 935
	96	395 827	405 040	-260 913	-111 143	-20 345	12 638
	95	419 867	418 392	-282 590	-120 552	-13 415	1 835
Liability	97	72 291	73 472	-47 245	-20 220	-3 036	2 970
	96	66 225	64 819	-53 163	-7 964	-2 909	783
	95	56 418	54 781	-36 766	-8 638	-1 069	8 308
Credit and suretyship	97	1 328	2 016	8 835	-178	-279	10 395
	96	2 565	2 722	4 419	-268	381	7 253
	95	4 635	5 314	5 884	-291	-729	10 178
Legal expenses	97	26 400	25 983	-20 071	-8 194	0	-4 282
	96	24 966	24 911	-14 803	-2 677	0	7 431
	95	27 727	26 828	-19 882	-2 904	0	4 042
Others	97	13 985	13 601	-3 865	-2 483	-1 341	5 912
	96	13 770	14 343	-3 154	-1 528	-1 537	8 124
	95	10 134	9 833	-3 450	-1 658	-1 407	3 319
<b>DIRECT INSURANCE, TOTAL</b>	97	<b>1 536 490</b>	<b>1 498 582</b>	<b>-1 228 201</b>	<b>-311 348</b>	<b>-17 677</b>	<b>-58 645</b>
	96	<b>1 437 297</b>	<b>1 420 269</b>	<b>-1 153 563</b>	<b>-266 413</b>	<b>-27 381</b>	<b>-27 088</b>
	95	<b>1 406 113</b>	<b>1 378 520</b>	<b>-1 152 050</b>	<b>-288 965</b>	<b>-20 780</b>	<b>-83 276</b>
Reinsurance	97	133 004	132 165	-169 598	-31 063	27 816	-40 680
	96	134 501	132 678	-102 063	-44 395	-11 952	-1 827
	95	117 428	114 066	-65 719	-40 428	-7 532	387
<b>TOTAL</b>	97	<b>1 669 494</b>	<b>1 630 747</b>	<b>-1 397 799</b>	<b>-342 411</b>	<b>10 139</b>	<b>-99 325</b>
	96	<b>1 571 798</b>	<b>1 552 947</b>	<b>-1 255 626</b>	<b>-310 808</b>	<b>-15 429</b>	<b>-28 916</b>
	95	<b>1 523 541</b>	<b>1 492 587</b>	<b>-1 217 769</b>	<b>-329 393</b>	<b>-28 313</b>	<b>-82 888</b>
Change in equalization provision	97						-267 082
	96						-153 013
	95						-149 356
<b>BALANCE ON THE TECHNICAL ACC.</b>	97						<b>-366 407</b>
	96						<b>-181 929</b>
	95						<b>-232 244</b>

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>3 TOTAL OPERATING EXPENSES BY FUNCTION</b>				
Claims paid	66 986	63 190	68 599	62 068
Operating expenses	332 332	300 995	335 151	303 655
Investment charges	9 952	13 016	10 109	13 710
Other expenses	2 994	4 942	3 631	13 895
<b>Total</b>	<b>412 264</b>	<b>382 143</b>	<b>417 490</b>	<b>393 329</b>
<b>3.1 DEPRECIATION BY FUNCTION</b>				
Claims paid	793	1 211	793	1 211
Operating expenses	16 778	18 743	16 804	20 808
Investment charges	699	763	706	770
Other expenses, depreciation on goodwill	-	-	586	8 851
<b>Total</b>	<b>18 270</b>	<b>20 717</b>	<b>18 889</b>	<b>31 640</b>
<b>3.2 STAFF EXPENSES</b>				
Salaries and commissions	148 216	140 744	192 364	180 045
Monetary value of fringe benefits	5 724	5 652	6 997	6 772
Pension expenses	25 520	27 691	32 487	34 299
Other social expenses	14 837	15 248	20 695	21 945
<b>Total</b>	<b>194 297</b>	<b>189 335</b>	<b>252 542</b>	<b>243 061</b>
<b>3.3 OPERATING EXPENSES IN PROFIT AND LOSS ACCOUNT</b>				
Insurance policy acquisition costs				
Commissions for direct insurance	24 046	19 045	24 046	19 046
Commissions for reinsurance assumed	30 301	34 617	31 063	34 248
Other insurance policy acquisition costs	114 268	98 280	114 268	98 359
	168 615	151 942	169 377	151 654
Insurance policy management expenses	96 374	86 405	97 479	87 274
Administrative expenses	74 139	70 121	75 554	71 880
Commissions for reinsurance ceded	-6 796	-7 473	-7 260	-7 153
<b>Total</b>	<b>332 332</b>	<b>300 995</b>	<b>335 151</b>	<b>303 655</b>



FIM 1 000	Parent company		Group	
<b>4 ANALYSIS OF NET INVESTMENT INCOME</b>				
<i>Income from investments:</i>	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
Income from investment in group companies				
Interest income	55	-	-	-
Income from investment in land and buildings, group companies				
Interest income	16 136	16 857	-	-
Other income	1 414	1 682	-	-
	17 550	18 539	-	-
Income from investments in land and buildings, other companies				
Dividend income	-	130	-	130
Interest income	6 130	5 203	6 428	5 393
Other income	119 452	112 737	149 391	128 240
	125 582	118 070	155 819	133 763
Income from other investments				
Dividend income	40 028	33 644	40 123	34 261
Interest income	206 696	220 661	216 173	230 289
Other income	15 593	6 235	38 392	25 537
	262 317	260 539	294 688	290 088
<i>Total</i>	405 504	397 147	450 507	423 851
Devaluation cancellations	22 736	66 952	29 511	70 456
Realized gains on investments	86 886	89 861	86 886	89 861
<b>Total</b>	<b>515 126</b>	<b>553 960</b>	<b>566 904</b>	<b>584 167</b>
<i>Investment expenses:</i>				
Expenses for land and buildings				
Group companies	-61 397	-30 709		
Others	-46 684	-60 553	-86 068	-79 565
	-108 081	-91 262	-86 068	-79 565
Expenses for other investments	-8 143	-11 496	-4 044	-27 843
Interest expenses and expenses on other liabilities				
Group companies	-302	-650		
Others	-2 655	-6 326	-7 974	-7 914
	-2 957	-6 975	-7 974	-7 914
<i>Total</i>	-119 181	-109 734	-98 086	-115 322
Devaluations and depreciations				
Devaluations	-19 620	-46 368	-29 285	-87 142
Planned depreciation on buildings	-2 804	-2 395	-36 981	-21 995
	-22 424	-48 762	-66 266	-109 137
Realized losses on investment	-3 308	-2 222	-3 309	-2 222
<b>Total</b>	<b>-144 913</b>	<b>-160 718</b>	<b>-167 661</b>	<b>-226 681</b>
<i>Net investment income before revaluations and their adjustments</i>	370 213	393 242	399 243	357 486
Investment revaluation adjustment	-	-10 000	-	-10 000
<b>Net investment income on the Profit and Loss Account</b>	<b>370 213</b>	<b>383 242</b>	<b>399 243</b>	<b>347 486</b>
Avoir fiscal tax credit included in dividend income	10 426	7 602	10 426	7 756

## BALANCE SHEET

1 000 FIM	Moderbolaget		Koncernen	
	1997	1996	1997	1996
<b>ASSETS</b>				
<i>Intangible assets</i>				
Consolidation goodwill		-	1 193	1 636
Other long-term expenses	8	47 703	50 976	45 536
		<b>47 703</b>	<b>52 169</b>	<b>47 172</b>
<i>Investments</i>	5			
Investments in land and buildings				
Land and buildings	6	865 706	864 668	1 131 272
Loans to group companies		280 766	242 925	-
		<b>1 146 472</b>	<b>1 107 593</b>	<b>1 131 272</b>
Investments in group companies and participating interests				
Shares and holdings in group companies	7	19 182	19 137	-
Loans from group companies		650	-	-
Other shares and variable-yield securities and units in unit trusts	7	38 686	38 234	37 374
		<b>58 518</b>	<b>38 234</b>	<b>37 374</b>
Other investments				
Shares and holdings	7	867 247	672 106	871 149
Debt securities		2 562 317	2 313 817	2 379 753
Loans guaranteed by mortgages		110 031	135 422	135 422
Other loans	9	94 261	94 261	133 910
Deposits		71 173	136 089	206 182
Other investments		3 437	6	2 112
		<b>3 708 466</b>	<b>3 391 351</b>	<b>3 535 315</b>
Deposits with ceding undertakings		4 449	4 873	15 466
		<b>4 917 905</b>	<b>4 561 765</b>	<b>5 193 678</b>
<i>Debtors</i>				
Arising out of direct insurance operations				
Policyholders		278 985	266 736	278 985
Arising out of reinsurance operations		35 436	35 551	85 434
Other debtors		143 832	142 725	122 176
		<b>458 253</b>	<b>445 012</b>	<b>474 346</b>
<i>Other assets</i>				
Tangible assets				
Equipment	8	14 263	15 299	47 361
Other tangible assets		2 582	2 352	2 725
		<b>16 845</b>	<b>17 651</b>	<b>50 086</b>
Cash at bank and in hand		17 678	16 296	26 787
		<b>34 523</b>	<b>33 947</b>	<b>76 873</b>
<i>Prepayments and accrued income</i>				
Interest and rents		147 876	138 290	148 895
Other prepayments and accrued income		28 014	19 719	21 276
		<b>175 890</b>	<b>158 010</b>	<b>161 545</b>
		<b>5 634 274</b>	<b>5 241 949</b>	<b>5 960 519</b>
				<b>5 481 312</b>

## BALANCE SHEET

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>LIABILITIES</b>				
<i>Capital and reserves</i>	10			
Restricted				
Equivalent funds	40 879	40 879	40 879	40 879
Guarantee capital	10 500	10 500	10 500	10 500
Revaluation reserve	10 3 208	3 208	8 560	8 560
	54 587	54 587	59 940	59 940
Non-restricted				
Security reserve	185 800	67 800	185 800	67 800
Reserve fund	100	100	172	100
Contingency reserve	774	760	774	760
Group profits/losses for previous years			-16 231	43 039
Profit for the accounting period	90 121	119 043	81 543	69 823
	276 795	187 703	252 058	181 523
	331 382	242 290	311 998	241 463
<i>Minority interest</i>			60 299	2 420
<i>Reserves</i>				
Accumulated depreciation difference		23 623	23 345	24 605
Optional reserves	11 5 013	88 498	6 979	89 200
	28 636	111 843	33 779	113 805
<i>Technical provisions</i>				
Provisions for unearned premiums		548 429	533 966	548 429
Reinsurers' share		-3 450	-3 591	-3 591
		544 979	530 375	544 979
Provision for outstanding claims	12 2 527 263	2 400 256	2 641 913	2 479 195
Reinsurers' share	12 -20 751	-20 170	-32 417	-33 491
	2 506 512	2 380 086	2 609 496	2 445 704
Equalization provision	1 951 167	1 716 688	1 951 167	1 716 688
General guarantee item	67 353	-	67 353	-
	5 070 011	4 627 150	5 172 995	4 692 767
<i>Deposits received from reinsurers</i>	15	45	866	1 019
<i>Creditors</i>				
Arising out of reinsurance operations	19 949	14 499	107 840	144 587
Pension loans	-	-	770	827
Other creditors	72 062	106 691	149 613	132 945
	92 011	121 190	258 223	278 360
<i>Accruals and deferred income</i>	112 219	139 431	122 359	151 478
	5 634 274	5 241 949	5 960 519	5 481 312

# APPENDICES TO THE BALANCE SHEET

FIM 1 000	Parent company			Group		
<b>5 CURRENT VALUE AND VALUATION DIFFERENCE OF INVESTMENTS</b>						
<b>INVESTMENTS 31.12.1997</b>						
	Remaining acquisition cost	Book value	Current value	Remaining acquisition cost	Book value	Current value
Investments in land and buildings						
Land and buildings	183 141	183 298	384 918	900 153	939 804	1 550 899
Group company shares	340 508	365 449	667 227	-	-	-
Other real estate shares	306 513	316 959	431 144	306 513	316 959	431 144
Loans to group companies	280 766	280 766	280 766	-	-	-
	1 110 928	1 146 472	1 764 055	1 206 666	1 256 763	1 982 043
Group companies						
Shares and other variable-yield securities and units in unit trusts	19 182	19 182	19 182	-	-	-
Loans	650	650	650	-	-	-
	19 832	19 832	19 832	-	-	-
Participating interests						
Other shares and variable-yield securities and units in unit trusts	38 686	38 686	38 686	38 234	38 234	38 234
Other investments						
Shares and other variable-yield securities and units in unit trusts	867 247	867 247	1 661 053	871 149	871 149	1 664 955
Debt securities	2 562 317	2 562 317	2 730 517	2 612 155	2 612 155	2 785 087
Loans guaranteed by mortgages	110 031	110 031	110 031	110 031	110 031	110 031
Other loans	94 261	94 261	94 261	94 261	94 261	94 261
Deposits	71 173	71 173	71 173	190 211	190 211	190 211
Other investments	3 437	3 437	3 437	5 408	5 408	5 408
	3 708 466	3 708 466	4 670 472	3 883 215	3 883 215	4 849 953
Deposits with ceding undertakings	4 449	4 449	4 449	15 466	15 466	15 466
	<b>4 882 361</b>	<b>4 917 905</b>	<b>6 497 494</b>	<b>5 143 581</b>	<b>5 193 678</b>	<b>6 885 696</b>
The remaining acquisition cost of debt securities consists of the difference (+/-) between the nominal value and acquisition price that is allocated to interest income or deducted from it	<u>-49 442</u>			<u>-49 737</u>		
The book value consists of						
Revaluations entered as income		4 245			4 245	
Other revaluations		<u>31 299</u>			<u>45 852</u>	
		<u>35 544</u>			<u>50 097</u>	
Valuation difference (difference between the current and book values)			<u>1 579 589</u>			<u>1 692 017</u>

## APPENDICES TO THE BALANCE SHEET

FIM 1 000	Parent company			Group		
<b>5 CURRENT VALUE AND VALUATION DIFFERENCE OF INVESTMENTS</b>						
<b>INVESTMENTS 31.12.1996</b>						
	Remaining acquisition cost	Book value	Current value	Remaining acquisition cost	Book value	Current value
Investments in land and buildings						
Land and buildings	184 908	185 065	384 851	625 918	625 918	948 932
Group company shares	166 935	174 249	290 785	-	-	-
Other real estate shares	477 281	505 354	791 290	477 281	505 354	791 290
Loans to group companies	242 925	242 925	242 925	-	-	-
	1 072 049	1 107 593	1 709 851	1 103 199	1 131 272	1 740 222
Group companies						
Shares and other variable-yield securities and units in unit trusts	19 137	19 137	19 137	-	-	-
Participating interests						
Other shares and variable-yield securities and units in unit trusts	38 811	38 811	38 811	37 374	37 374	37 374
Other investments						
Shares and other variable-yield securities and units in unit trusts	672 106	672 106	1 189 685	677 934	677 934	1 195 755
Debt securities	2 313 817	2 313 817	2 522 886	2 379 753	2 379 753	2 592 590
Loans guaranteed by mortgages	135 422	135 422	135 422	135 422	135 422	135 422
Other loans	133 910	133 910	133 910	133 910	133 910	133 910
Deposits	136 089	136 089	136 089	206 182	206 182	206 182
Other investments	6	6	6	2 112	2 112	2 112
	3 391 351	3 391 351	4 117 999	3 535 315	3 535 315	4 265 972
Deposits and ceding undertakings	4 873	4 873	4 873	17 415	17 415	17 415
	<b>4 526 220</b>	<b>4 561 765</b>	<b>5 890 670</b>	<b>4 693 303</b>	<b>4 721 376</b>	<b>6 060 984</b>
The remaining acquisition cost of debt securities consists of the difference (+/-) between the nominal value and acquisition price that is allocated to interest income or deducted from it	<u>-26 884</u>			<u>-27 662</u>		
The book value consists of						
Revaluations entered as income		4 245				
Other revaluations		<u>31 299</u>			<u>28 073</u>	
		<u>35 544</u>			<u>28 073</u>	
Valuation difference (difference between the current and book values)			<u>1 328 906</u>			<u>1 339 607</u>

FIM 1 000	Parent company			Group	
<b>6 CHANGE IN INVESTMENTS IN LAND AND BUILDINGS</b>					
31.12.1997	Buildings	Land and water areas and real estate shares	Loans to group companies	Buildings	Land and water areas and real estate shares
Acquisition cost 1.1.	141 982	973 043	242 925	560 283	829 871
Transfers	-	-	27 297	-	-196 140
Increases	1 037	3 272	24 516	331 336	56 894
Decreases	-	-467	-13 972	-3 627	-467
Acquisition cost 31.12.	143 019	975 848	280 766	887 992	690 158
Revaluations 1.1.	158	35 387		158	28 073
Decreases	-	-		-	-17 627
Revaluations 31.12.	158	35 387		158	10 446
Accumulated depreciations according to plan/ devaluations 1.1.	39 962	245 939		64 296	222 816
Depreciations according to plan/devaluations and devaluation cancellations	2 805	-		101 955	-116 317
Increases	-	-		-	59 241
Accumulated depreciations according to plan/ devaluations 31.12.	42 767	245 939		166 251	165 740
<b>Book value after depreciations according to plan/ devaluations 31.12.</b>	<b>100 410</b>	<b>765 296</b>	<b>280 766</b>	<b>721 899</b>	<b>534 864</b>
Accumulated depreciations in excess of the plan 1.1.	23 560			24 605	
Depreciations above/below plan	214			2 195	
Accumulated depreciations in excess of the plan 31.12.	23 774			26 800	
Fully depreciated value of buildings 31.12.	76 636			695 099	

FIM 1 000	Parent company			Group	
<b>6 CHANGE IN INVESTMENTS IN LAND AND BUILDINGS</b>					
<b>31.12.1996</b>					
	<b>Buildings</b>	<b>Land and water areas and real estate shares</b>	<b>Loans to group companies</b>	<b>Buildings</b>	<b>Land and water areas and real estate shares</b>
Acquisition cost 1.1.	136 473	967 405	-	136 473	967 405
Increases	5 509	9 362	242 925	423 810	86 334
Decreases	-	-3 723	-	-	-223 868
Acquisition cost 31.12.	141 982	973 043	242 925	560 283	829 871
Revaluations 1.1.	158	45 387		158	45 387
Decreases	-	-10 000		-	-17 314
Revaluations 31.12.	158	35 387		158	28 073
Accumulated depreciations according to plan/ devaluations 1.1.	37 568	203 592		37 568	193 592
Depreciations according to plan/devaluations and devaluation cancellations	2 395	43 000		26 728	86 038
Decreases	-	-653		-	-56 814
Accumulated depreciations according to plan/ devaluations 31.12.	39 962	245 939		64 296	222 816
<b>Book value after depreciations according to plan/ devaluations 31.12.</b>	<b>102 177</b>	<b>762 491</b>	<b>242 925</b>	<b>496 144</b>	<b>635 128</b>
Accumulated depreciations in excess of the plan 1.1.	22 753			22 753	
Depreciation above/below plan	807			2 067	
Accumulated depreciations in excess of the plan 31.12.	23 560			24 820	
Fully depreciated value of buildings 31.12.	78 617			471 324	

FIM 1 000	Parent company		Group	
<b>LAND AND BUILDINGS FOR OWN USE</b>	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
Remaining acquisition cost	112 818	113 619	111 473	112 243
Book value	112 936	113 737	111 473	112 361
Current value	274 456	273 844	281 645	273 844
<b>Group companies</b>				
Number of companies	50	21		
Total profit (loss) for accounting period	8 005	643		
Capital and reserves, total	426 208	178 015		

1 000 FIM	Parent company		Group	
<b>7 INVESTMENTS IN GROUP COMPANIES AND PARTICIPATING INTERESTS, OTHER INVESTMENTS, SHARES AND OTHER VARIABLE-YIELD SECURITIES AND UNITS IN UNIT TRUSTS</b>				
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
<b>Shares and holdings in group companies</b>				
Original acquisition cost 1.1.	61 137	61 137	-	-
Increases	45	-	-	-
Accumulated devaluations 31.12.	-42 000	-42 000	-	-
<b>Remaining acquisition cost 31.12.</b>	<b>19 182</b>	<b>19 137</b>	<b>-</b>	<b>-</b>
<b>Debt securities issued by and loans to group companies</b>				
Original acquisition cost 1.1.	-	-	-	-
Transfers	650	-	-	-
<b>Remaining acquisition cost 31.12.</b>	<b>650</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other shares and variable-yield securities and units in unit trusts</b>				
Original acquisition cost 1.1.	39 086	39 086	37 375	37 045
Increases	-	-	1 259	605
Decreases	-	-	-	-
Accumulated devaluations 31.12.	-400	-275	-400	-275
<b>Remaining acquisition cost 31.12.</b>	<b>38 686</b>	<b>38 811</b>	<b>38 234</b>	<b>37 375</b>

	No. of shares	% of shares	% of votes	Nominal value	Parent company		
					Book value	Result for	Capital and
					1997	accounting period	reserves
				FIM1000	FIM1000	FIM1000	FIM1000
<b>Shares and other variable-yield securities and units in group companies</b>							
Aura-Karelia Oy	100	100.00	100.00	5	61	25	64
Alma Vakuutus Oy	1300000	100.00	100.00	13 000	10 200	1 214	8 217
Tapiola Safety Oy	15	100.00	100.00	15	15	1	16
Tapiola Värdeandels Ab	3000	60.00	60.00	3 000	3 000	122	4 571
Tapiola -Data Ab	460	51.11	51.11	920	921	-114	1 197
Tietotyö Oy	4000	100.00	100.00	5 000	4 986	213	12 535
					<b>19 182</b>		
<b>Shares and other variable-yield securities and units in unit trusts</b>							
Vakuutusneuvonta Aura Oy	50	33.30	33.30	5	5	1	28
Vakuutusneuvonta Pohja Oy	50	33.30	33.30	5	5	1	28
Kehitysyhtiö Botnia Oy	40	25.00	25.00	400	0	14	512
Suomen Vahinkotarkastus Oy	3333	33.33	33.33	3 333	3 211	2 940	9 016
The Employees' Mutual Insurance Company Turva <sup>1)</sup>	3976	88.35	45.92	39 760	35 466	8 379	39 898
					<b>38 686</b>		

<sup>1)</sup> Guarantee capital



Other investments Shares and other variable- yield securities and units in unit trusts	Domicile	No. of shares	% of shares	% of votes	Nominal value FIM1000	Parent company Book value 1997 FIM1000	Group Book value 1997 FIM1000
Aamulehti-yhtymä Oy		24 500	0.25	0.25	245	4 633	4 633
Akapo-Leasing Oy		200	100.00	100.00	20		135
Aktia Sparbank Ab		100000	0.29	0.29	1 200	1 357	1 357
Asko Oyj		385000	1.07	1.09	3 850	13 329	13 329
Aspoyhtymä Oy		41000	0.87	0.89	410	9 358	9 358
Atria Oyj		171163	1.07	1.10	1 712	8 259	8 259
Autovahinkokeskus Oy		1243	17.30	17.30	3 108	2 311	2 311
Benefon Oy		35100	0.75	0.25	70	2 194	2 194
Birka Line Ab		45100	2.09	0.44	451	5 049	5 049
Ab Chips Oy Ltd		34700	1.04	0.09	347	5 998	5 998
Cultor Oyj		103000	0.44	0.64	1 236	14 245	14 245
Devecap Oy		34000	14.78	14.78	34	230	230
Efore Oy Ab		55800	2.81	1.24	558	5 985	5 985
Tapiola Mutual Pension Insurance company <sup>1)</sup>		140000	20.00	1.04	1 400	2 108	2 108
Elcoteq Network Oyj		91300	0.39	0.08	183	6 254	6 254
Espoon Sähkö Oyj		95596	0.61	0.61	191	5 281	5 281
Evli Nordic Smaller Co		30000			3 000	3 000	3 000
Finnair Oyj		244100	0.29	0.29	1 221	8 642	8 642
Finvest Oy		500000	0.65	2.25	500	4 514	4 514
Harviala Oy		37	19.47	19.47	185	188	188
Helsingin Yliopiston Tietopalvelut Oy		23	11.68	1.05	230	1 309	1 309
Tapiola Corporate Life Insurance Company		120000	3.72	3.72	1 200	1 800	1 800
Tapiola Mutual Life Assurance Company <sup>1)</sup>		32000	80.00	4.15	9 600	9 600	9 600
Huhtamäki Oyj		198600	0.67	1.14	3 972	27 696	27 696
Ilkka Oy		38362	2.35	1.44	384	3 855	3 855
Indekon Oy		25000	7.64	7.64	2 500	3 125	3 125
Instrumentarium Oyj		259900	1.29	0.72	2 599	23 771	23 771
Jaakko Pöyry Group Oyj		90000	0.66	0.66	450	5 220	5 220
JOT-yhtiöt Oy		22090	5.50	5.50	221	3 622	3 622
Kauppakaari Oy		28000	0.72	0.72	112	1 233	1 233
Kemira Oyj		327000	0.25	0.25	3 270	14 886	14 886
Keski-Pohjanmaan Kirjapaino Oy		16000	3.84	0.34	160	2 080	2 080
Kesko Oy		121500	0.13	0.00	1 215	8 520	8 520
Kone Oy		72382	1.08	0.42	3 619	34 566	34 566
Oyj Kyro Abp		87500	0.22	0.22	88	2 363	2 363
Lassila & Tikanoja Oy		267440	1.78	1.78	2 674	12 513	12 513
Lännen tehtaat Oyj		614000	9.53	9.53	6 140	46 013	46 013
Metra Oy Ab		481800	0.89	1.02	9 636	44 327	44 327
Metsä-Serla Oyj		846000	0.61	1.42	8 460	20 263	20 263
Metsä-Tissue Oyj		134000	0.45	0.45	1 340	7 035	7 035
Neste Oy		108800	0.11	0.11	1 088	8 034	8 034
Oyj Nokia Abp		146000	0.05	0.01	730	12 581	12 581
Nokian Renkaat Oyj		87000	0.83	0.85	870	3 186	3 186
Nordic Aluminium Oy		90000	1.95	1.95	675	3 870	3 870
Novo Group Oyj		19508	0.31	0.31	98	1 512	1 512
Olvi Oyj		51450	1.68	0.55	515	5 529	5 529

<sup>1)</sup> Guarantee capital

## TAPIOLA GENERAL MUTUAL INSURANCE COMPANY

Other investments Shares and other variable- yield securities and units in unit trusts	Domicile	No. of shares	% of shares	% of votes	Nominal value FIM1000	Parent company Book value 1997 FIM1000	Group Book value 1997 FIM1000
Orion-yhtymä Oy		588316	0.84	0.38	5 883	32 516	32 516
Oulun Teknologiaakylä		15750	1.64	1.64	788	1 090	1 090
Outokumpu Oyj		121400	0.10	0.10	1 214	8 016	8 016
Oyj Partek Abp		103150	0.21	0.21	1 032	5 868	5 868
PK Cables Oy		27000	0.51	0.51	54	1 242	1 242
Radiolinja Oy		1047	3.25	3.25	5 235	5 238	5 238
Raisio yhtymä Oy		311700	1.91	0.15	3 117	14 440	14 440
Rautakirja Oyj		66400	1.02	0.06	1 328	10 137	10 137
Salon Seudun OK		20000	0.00	0.00	2 000	2 001	2 001
Sanoma Oy		1934	0.46	0.30	193	5 534	5 534
Santasalo-JOT Oy		31200	0.29	0.30	312	1 209	1 209
Savo Invest Oy		9	15.00	15.00	9	9	9
Oy Stockmann Ab		54000	0.37	0.06	1 080	14 158	14 158
Suomen Kantaverkko Oy		50	1.50	0.67	10 000	10 000	10 000
Suomen Urheiluhuovet		10	16.70	16.70	100	100	100
Suunto Oy		32000	0.55	0.59	160	1 051	1 051
Tamfelt Oy Ab		118000	1.78	1.02	1 180	10 785	10 785
Thomesto Trading yhtiöt Oy		200000	2.47	0.75	2 000	4 508	4 508
TP-Salkku Oy		2750	18.33	18.33	1 650	3 643	3 643
TT Tieto		91000	1.03	1.03	910	5 618	5 618
Turkistuottajat Oy		80000	2.22	0.59	800	1 074	1 074
UPM-Kymmene Oy		10000	0.00	0.00	100	1 001	1 001
Vaisala Oy		20250	0.47	0.10	203	3 618	3 618
Valmet Oyj		179500	0.23	0.23	1 795	13 374	13 374
Werner Söderström-WSOY		57200	0.48	0.12	572	3 473	3 473
YIT-yhtymä		4066930	13.88	13.88	40 669	105 196	105 196
AGA Ab	Sweden	105000				7 234	7 234
Allied Domecq Plc	England	40000				1 461	1 461
Baloise Holding	Switzerland	300				2 116	2 116
Bayer AG	Denmark	10000				1 079	1 079
Bergman & Beving Ab	Sweden	40000				2 458	2 458
Chr. Hansen Holding A/S	Denmark	6250				3 763	3 763
Diageo Plc	England	90000				3 205	3 205
Falck A/S	Denmark	5000				1 178	1 178
Fannie Mae	USA	6000				1 499	1 499
FFF European Smaller Co	Germany	80700				4 651	4 651
Heineken NV	Netherlands	1500				1 331	1 331
HSBC Holdings Plc	England	10000				1 341	1 341
Indocam/Asian Growth Fund	USA	21914				6 524	6 524
Industri Kapital Svenska Ab	Sweden						3 328
Johnson & Johnson	USA	10000				3 160	3 160
L.V.M.H.Moet Hennessy							
Louis Vuitton	France	6000				5 333	5 333
Mc Donald's Group	USA	106000				26 710	26 710
Meridian U.S. Emerging Group	USA	11742				1 433	1 433
Munters Ab	Sweden	145100				6 821	6 821
Nestle Registered	Switzerland	500				2 262	2 262
Netcom Systems Ab	Sweden	15000				1 175	1 175
Nycomed Amersham Plc	England	85228				8 225	8 225
Planar Systems Inc	USA	51000				2 758	2 758

Other investments Shares and other variable- yield securities and units in unit trusts	Domicile	No. of shares	% of shares	% of votes	Nominal value FIM1000	Parent company	Group
						Book value 1997 FIM1000	Book value 1997 FIM1000
Roche Genusschein	Switzerland	280				8 771	8 771
Rurik Investments Ltd	USA	300000				1 459	1 459
Sardus Ab	Sweden	71200				2 961	2 961
Scandinavian Mobility Intl	Denmark	55000				2 754	2 754
Scania Ab	Sweden	180000				21 702	21 702
Schibsted AS	Norway	45000				4 044	4 044
Schroder Seoul Fund	England	4585908				4 596	4 596
Svenska Handelsbanken	Sweden	10000				1 504	1 504
Tele Danmark	Denmark	40000				10 578	10 578
UBS-Bearer	Switzerland	300				1 291	1 291
Zurich Versicherungs-Reg.	Switzerland	2000				2 616	2 616
Others		530654				32 910	
Others		540654					33 349
						<b>867 247</b>	<b>871 149</b>

FIM 1 000	Parent company	Group
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## 8 CHANGE IN TANGIBLE AND INTANGIBLE ASSETS

31.12.1997	Intangible assets and long-term expenditure	Equipment	Total	Intangible assets and long-term expenditure	Consoli- dation goodwill	Equipment	Total
Acquisition cost 1.1.	105 658	100 098	205 756	123 292	17 377	145 903	286 574
Fully depreciated in the previous year	-30 774	-	-30 774	-46 046	-15 435	-13 725	-75 206
Acquisitions	16 716	5 635	22 351	18 934	-	19 839	38 772
Sales and disposal	-	-558	-558	-	-	-660	-660
Acquisition cost 31.12.	91 600	105 175	196 775	96 180	1 942	151 357	249 480
Accumulated depreciations according to plan 1.1.	62 441	84 799	147 240	77 756	15 599	98 542	191 897
Fully depreciated in the previous year	-30 774	-	-30 774	-46 046	-15 435	-13 725	-75 206
Depreciations according to plan	12 230	6 113	18 343	13 494	586	19 962	34 042
Accumulated depreciations according to plan 31.12.	43 897	90 912	134 809	45 204	750	104 779	150 733
<b>Acquisition cost after depreciations according to plan 31.12.</b>	<b>47 703</b>	<b>14 263</b>	<b>61 966</b>	<b>50 976</b>	<b>1 193</b>	<b>46 578</b>	<b>98 747</b>
Accumulated depreciations in excess of the plan 1.1.	-	215	215	-	-	-215	-215
Depreciations above/below plan	-	-65	-65	-	-	65	65
Accumulated depreciations in excess of the plan 31.12.	-	151	151	-	-	-151	-151
Net expenditures after depreciations 31.12.	47 703	14 414	62 117	50 976	1 193	46 427	98 596

FIM 1 000	Parent company			Group			
<b>8 CHANGE IN TANGIBLE AND INTANGIBLE ASSETS</b>							
31.12.1996	Intangible assets and long-term expenditure	Equipment	Total	Intangible assets and long-term expenditure	Consoli- dation goodwill	Equipment	Total
Acquisition cost 1.1.	103 501	92 439	195 940	105 186	545	124 146	229 877
Fully depreciated in the previous year	-14 188	-	-14 188	-	-	-	-
Acquisitions	16 345	8 505	24 850	18 106	16 832	22 639	57 577
Sales and disposal	-	-847	-847	-	-	-881	-881
Acquisition cost 31.12.	105 658	100 098	205 756	123 292	17 377	145 903	286 573
Accumulated depreciations according to plan 1.1.	62 469	78 243	140 712	62 597	-	78 244	140 841
Fully depreciated in the previous year	-14 188	-	-14 188	-	-	-	-
Depreciations according to plan	14 160	6 557	20 717	15 160	15 742	20 298	51 199
Accumulated depreciations according to plan 31.12.	62 441	84 799	147 241	77 756	15 742	98 542	192 040
<b>Acquisition cost after depreciations according to plan 31.12.</b>	<b>43 216</b>	<b>15 299</b>	<b>58 515</b>	<b>45 536</b>	<b>1 636</b>	<b>47 361</b>	<b>94 533</b>
Accumulated depreciations in excess of the plan 1.1.	-	308	308	-	-	-308	-308
Depreciations above/below plan	-	-92	-92	-	-	92	92
Accumulated depreciations in excess of the plan 31.12.	-	215	215	-	-	-215	-215
Net expenditures after depreciation 31.12.	43 216	15 514	58 730	45 536	1 636	47 577	94 748

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>9 OTHER LOANS</b>				
Remaining acquisition cost by security				
Bank guarantee	13 459	32 111	13 458	32 111
Insurance policy	36 371	31 647	36 371	31 647
Other security	44 431	70 152	44 431	70 152
<b>Remaining acquisition cost</b>	<b>94 261</b>	<b>133 910</b>	<b>94 261</b>	<b>133 910</b>

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>10 CAPITAL AND RESERVE</b>				
Restricted				
Equivalent funds	40 879	40 879	40 879	40 879
Guarantee capital	10 500	10 500	10 500	10 500
Revaluation reserve	3 208	3 208	8 560	3 208
Increase	-	-	-	5 353
	3 208	3 208	8 560	8 560
	54 587	54 587	59 940	59 940
Non-restricted				
Security reserve	67 800	58 000	67 800	58 000
Transferred from profits for the previous year	118 000	9 800	118 000	9 800
	185 800	67 800	185 800	67 800
Reserve fund	100	100	100	100
Increase	-	-	72	-
	100	100	172	100
Contingency fund	760	784	760	784
Transferred from profits for the previous year	203	91	202	91
Used for generally beneficial purposes	-189	-114	-189	-114
	774	760	774	760
Group profit/loss for previous years	-	-	43 039	-506
Transferred from retaining earnings	-	-	-49 219	4 723
Allocated	-	-	-10 051	48 268
			-16 231	43 039
Profit for the previous year	119 043	10 731	69 823	6 008
Transferred by decision of the AGM to the				
Interest on the guarantee capital	-840	-840	-840	-840
Security reserve	-118 000	-9 800	-118 000	-9 800
Contingency reserve	-203	-91	-203	-91
Retained earnings	-	-	49 219	4 723
	0	0	0	0
Profit for the accounting period	90 121	119 043	81 543	69 823
	276 795	187 703	252 058	181 523
	<b>331 382</b>	<b>242 290</b>	<b>311 998</b>	<b>241 463</b>
<b>ANALYSIS OF THE REVALUATION RESERVE</b>				
Revaluation reserve 1. 1.	3 208	3 208	8 560	3 208
Increase	-	-	-	5 353
Revaluation reserve 31.12.	3 208	3 208	8 560	8 560
Of which related to fixed assets	3 208	3 208	8 560	8 560

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>I I RESERVES</b>				
Accumulated depreciation difference	23 345	22 445	24 605	22 445
Increase	278	900	2 195	2 160
Accumulated depreciation difference	23 623	23 345	26 800	24 605
<b>Optional reserve</b>				
Credit loss reserve 1.1.	5 631	5 389	5 631	5 389
Increase	-	242	-	242
Decrease	-618	-	-618	-
Credit loss reserve 31.12.	5 013	5 631	5 013	5 631
Transitional reserve 1.1.	82 867	82 867	82 867	82 867
Decrease	-82 867	-	-82 867	-
Transitional reserve 31.12.	0	82 867	0	82 867
Housing reserve 1.1.	-	-	208	98
Increase	-	-	1 758	110
Housing reserve 31.12.	-	-	1 966	208
Other reserves 1.1.	-	-	494	494
Decrease	-	-	-494	-
Other reserves 31.12.	-	-	0	494
<b>Optional reserves, total 31.12.</b>	<b>5 013</b>	<b>88 498</b>	<b>6 979</b>	<b>89 200</b>
<b>Reserves, total</b>	<b>5 013</b>	<b>88 498</b>	<b>33 779</b>	<b>113 805</b>
<b>Tax liability calculated for the depreciation difference and optional reserves</b>	<b>8 018</b>	<b>31 316</b>	<b>9 458</b>	<b>31 865</b>
Tax rate	28 %	28 %	28 %	28 %
<b>I 2 PROVISION FOR OUTSTANDING CLAIMS</b>				
<i>Parent company</i>				
Undisputed recourse receivables deducted from the provision for outstanding claims				
Statutory accident	5 994	8 751	5 994	8 751
Discounting				
Foreign reinsurance				
Average claim settlement time	-	-	-	-
Interest rate	-	-	-	-
Provision for outstanding claims				
Before discounting				
Provision for outstanding claims	-	-	-	-
Reinsurers' share	-	-	-	-
Discounting				
Provision for outstanding claims	-	-	-	-
Reinsurers' share	-	-	-	-
Net liability				
Provision for outstanding claims	-	-	-	-
Reinsurers' share	-	-	-	-

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>Subsidiary</b>				
Discounting				
Foreign reinsurance				
Average claim settlement time			8,7 years	8,5 yaers
Interest rate				3 %
Provision for outstanding claims				
Before discounting				
Provision for outstanding claims			114 588	100 284
Reinsurers' share			11 666	-24 887
Discounting				
Provision for outstanding claims			-	-11 884
Reinsurers' share			-	1 244
Net liability				
Provision for outstanding claims			114 588	88 400
Reinsurers' share			-11 666	-23 643
<b>13 NET CONTINGENT LIABILITIES AND PLEDGED ASSET</b>				
Mortgages given				
As security for own debts	-	-	60 700	92 046
As security for debts from affiliated companies	-	-	-	22 200
Amount of liability	-	-	56 721	2 851
Assets pledged				
Underwriting margin for liabilities	6 000	-	6 000	-
Amount of liability	6 000	-	6 000	-
As underwriting margin for reinsurance business	1 703	1 389	10 162	11 490
Amount of liability	1 578	1 352	9 917	7 999
Guarantee				
Underwriting margin for reinsurance business	-	-	-	2 749
Amount of liability	-	-	-	2 644
Subscription commitments	694	3 675	694	3 675
<b>14 MANAGEMENT LOANS AND PENSION COMMITMENTS</b>				
Loans	-	-	-	-
Pension commitments				
A retirement age of 60 - 63 years has been agreed for the senior management of the company and for those members of the Board of Directors who are employed by the company.				
<b>15 DERIVATIVE CONTRACTS</b>				
Share derivatives				
Forward agreements	Underlying instrument	14 551	14 551	14 551
	Current value	16 000	16 000	16 000

# KEY FIGURES PERTAINING TO SOLVENCY

FIM 1 000	Parent company	
	1997	1996
<b>Solvency margin</b>		
Capital and reserves after profit distribution	330 752	241 450
Optional reserves and accumulated depreciation difference	28 636	111 843
Valuation difference between current asset values and book values on the balance sheet	1 579 589	1 328 906
Intangible assets and insurance acquisition costs not entered as expenses (-)	-47 703	-43 216
Off-balance-sheet commitments	-	-3 675
	<b>1 891 274</b>	<b>1 635 307</b>
Solvency margin required under the Insurance Companies Act, Chapter 11, Section 2	311 973	299 539
Equalization provision included in the technical provisions for years in which there are exceptionally large losses	1 951 167	1 716 688
Equalization provision in proportion to its full amount (%)	114.0	107.0
The solvency margin and the equalization provision in proportion to net premiums earned over the preceding 12 months (%)	242.0	
- 1996	222.0	
- 1995	184.0	
- 1994	191.0	
- 1993	175.0	
The solvency margin and the equalization provision in proportion to technical provisions, net of reinsurance and reduced by the amount of the equalization provision (%)	123.0	
- 1996	115.0	
- 1995	100.0	
- 1994	111.0	
- 1993	106.0	



# PROPOSAL FOR THE APPROPRIATION OF PROFIT

The Board of Directors proposes that the profit of the accounting period in the amount of FIM 90 120 821.91 be appropriated as follows:

Interest at 6 per cent be paid on the guarantee capital	630 000.00	
Transfer to the security reserve	89 110 000.00	
Transfer to the contingency reserve	<u>380 821.91</u>	
		90 120 821.91

If the Board of Directors' proposal for the appropriation of profits is approved, the company's capital and reserves will be as follows:

Restricted capital and reserves		
Equivalent funds	40 879 314.40	
Guarantee capital	<u>10 500 000.00</u>	
Revaluation reserve	3 207 589.10	54 586 903.50
Non-restricted capital and reserves		
Security reserve	274 910 000.00	
Reserve fund	100 000.00	
Contingency reserve	<u>1 155 179.40</u>	276 165 179.40
		<u>330 752 082.90</u>

Espoo, 2nd April 1998

Asmo Kalpala

Pertti Heikkala

Juhani Heiskanen

Pentti Koskinen

Tom Liljeström

# AUDITORS' REPORT

TO THE OWNERS OF THE TAPIOLA GENERAL  
MUTUAL INSURANCE COMPANY

We have examined the bookkeeping, financial statements and administration of the Tapiola General Mutual Insurance Company for the 1997 financial year. The financial statements prepared by the Board of Directors and the Managing Director include an annual report, consolidated and parent company income statements and balance sheets, and appendices to the financial statements. On the basis of the audit, we hereby issue the following statement on the financial statements and administration.

Mr Mauno Tervo has performed the supervisory audit of the company and a separate report was issued on 7th April 1998.

The bookkeeping as well as the principles, content and presentation of the financial statements have been examined in accordance with generally accepted auditing principles. In our examination of the administration,

we have determined that the members of the Board and the Supervisory Board and the Managing Director have acted in accordance with the law.

The financial statements, which show a surplus for the parent company amounting to FIM 90,120,821.91 have been prepared in accordance with both the Bookkeeping Act and other rules and regulations concerning the preparations of financial statements. The financial statements provide, in the manner prescribed in the Bookkeeping Act, accurate and adequate information on the performance and financial standing of both the group and the parent company.

The financial statements of the parent company together with its consolidated financial statements can be adopted. The members of the Supervisory Board and the Board of Directors and the Managing Director may be discharged from responsibility for the financial year covered by our audit.

The proposal by the Board of Directors on the appropriation of the surplus is in accordance with the law.

ESPOO, 16TH APRIL, 1998

MAUNO TERVO  
C.P.A.

SVH Coopers & Lybrand Oy  
firm of certified public accountants  
ULLA HOLMSTRÖM  
C.P.A.

# REPORT BY THE SUPERVISORY BOARD

Having examined the financial statements, the consolidated financial statements and the auditors' report for 1997 financial year, the Supervisory Board recommends

that the financial statements and its consolidated financial statements can be adopted.

ESPOO, 22TH APRIL 1998

JARNO MÄKI  
chairman

TAPIOLA MUTUAL PENSION INSURANCE COMPANY

TAPIOLA  
MUTUAL PENSION  
INSURANCE COMPANY



ANNUAL REPORT 1997

# SOLVENCY REQUIREMENTS BASED ON INVESTMENT RISK



TOM LILJESTRÖM  
MANAGING DIRECTOR  
AS FROM 1.1.1998

The employment pension system was variously restructured at the beginning of 1997. One of the most important changes was the creation of a linkage between solvency requirements and a company's investment risks. Thus the solvency limit of each pension insurance company is now determined in accordance with the structure of the company's own investment portfolio. Raising the company's solvency was seen as being necessary and some of the assumed interest income was used for that purpose. Tapiola Pension's solvency is well within the company's own target zone.

As a consequence of legislative changes the employment pension companies also had to differentiate their investment operations within one year of the new law's entry into force. In Tapiola Pension the change came into effect from the beginning of 1998. As a consequence of the separation, the company now has its own investment management committee and personnel involved in making and preparing for investment decisions are employed exclusively by the company.

The commencement of statutory pension insurance for short-term employment relationships from the beginning of 1998 was an important new development. The insurance of short-term employment relationships takes place in employment pension funds of individual fields.

From the beginning of 1998 the YEL insurance scheme went over to a practice whereby failure to pay premiums reduces the amount of accumulated pension.

Based on an initiative by the working group that restructured the pension system, strenuous efforts have been made to develop activities supporting fitness for work. Tapiola Pension has also been closely involved in this work.

Tapiola Pension achieved an excellent result in 1997, making it possible to continue the good level of premium discounts. The aim is a predictive and steady discount trend. The result of the red business was clearly in Tapiola Pension's favour for the second consecutive year, indicating a trend of growing confidence in Tapiola Pension. Market share has grown well and the results for the review year suggest that the company has every possibility of continuing its success into the future.

Data communications between the customers and Tapiola has been developed so that corporate clients can submit their employment reports directly via the Internet. The number of customers using the Internet link is growing continuously. In order to ensure the quality of its operations, Tapiola Pension has adopted the self-assessment procedure conforming to the Finnish Quality Award criteria.

# ADMINISTRATION AND AUDITORS OF TAPIOLA PENSION

## SUPERVISORY BOARD

	* Term
ILKKA BROTHERUS	1995-1998
chairman, managing director, Hausjärvi	
ANTTI OKSANEN	1995-1998
deputy chairman, president, Espoo	
HANNU AHO	1996-1999
farmer, Perho	
VEIKKO AUTIO	1996-1999
managing director, Turku	
REINO HANHINEN	1995-1998
mining councilor, Espoo	
RISTO IKÄHEIMO	1997-2000
development director, Helsinki	
OLLI KARKKILA	1997-2000
managing director, Säskylä	
RAIMO KIVIMÄKI	1996-1999
production manager, Helsinki	
JARMO KOSKI	1996-1999
II secretary, Helsinki	
EERO KURRI	1997-2000
managing director, Helsinki	
VEIKKO LAINE	1997-2000
managing director, Riihimäki	
LEO LAUKKANEN	1996-1999
managing director, Mikkeli	
RAUNO LEHTIMÄKI	1996-1999
managing director, Hämeenlinna	
RAIMO LEIVO	1997-2000
managing director, Tampere	
PENTTI LEVO	1995-1998
chairman, Helsinki	
AULIS LINDELL	1995-1998
commercial councilor, Helsinki	
ERKKI LUHTA	1995-1998
director, Vaasa	

MARIA-LIISA NEVALA	1995-1998
president, Helsinki	
ERKKI NIEMI	1996-1999
managing director, Lahti	
SIIRI NUUTINEN	1997-2000
chief shop steward, Helsinki	
RISTO PIEVILÄINEN	1996-1999
social secretary, Helsinki	
HEIKKI PITKÄNEN	1997-2000
director, Helsinki	
OLLI SAARIAHO	1995-1998
research manager, Helsinki	
MATTI SALMINEN	1997-2000
mining councilor, Turku	
TUOMO SALONIEMI	1995-1998
B.Sc. (Agriculture), Nummi	
SAMULI SORSA	1997-2000
managing director, Mikkeli	
MIKKO SUOTSALO	1997-2000
managing director, Helsinki	
MAURI WAENERBERG	1996-1999
secretary general, Helsinki	
JOUKO VEHMAS	1997-2000
managing director, Kouvola	

## AUDITORS

<i>Auditors</i>	
MAUNO TERVO	
B.Sc. (Econ.), C.P.A.	
SVH Coopers and Lybrand Oy	
firm of certified public accountants	
<i>Deputy auditors</i>	
ULLA HOLMSTRÖM	
B.Sc. (Econ.), C.P.A.	
JARI MIIKKULAINEN	
B.Sc. (Econ.), C.P.A.	

## ADMINISTRATION AND AUDITORS

### *Board of directors*

ASMO KALPALA, chairman,  
president  
PERTTI HEIKKALA, deputy  
chairman, managing director  
ESA HÄRMÄLÄ, chairman  
EVA-LIISA INKEROINEN,  
director  
PAULI LEIMIO,  
managing director  
TOM LILJESTRÖM,  
managing director  
ISMO LUIMULA, economist  
MAJ-LEN REMAHL, chairman  
SEPPO SALISMA,  
managing director  
as from 1.12.1997  
MATTI SUTINEN,  
managing director  
AINO TOIKKA,  
personell director  
PAULI TORKKO,  
deputy managing director  
RIITTA TYÖLÄJÄRVI, agent  
RAIMO VUORINEN,  
managing director  
until 30.11.1997

### *Deputy members*

ANTTI CALONIUS, director  
KARI KAUKINEN, medical specialist  
SEPPO MASKONEN,  
managing director  
ALPO MUSTONEN, director as from  
1.1.1998, deputy managing director  
until 31.12.1997  
PEKKA RINNE, agricultural councilor

\* The term commences at the General Annual Meeting.

# ANNUAL REPORT 1997

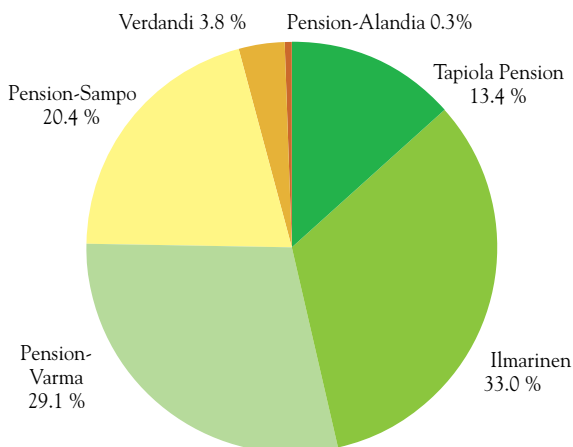
THE ACTIVITIES OF TAPIOLA PENSION IN 1997 WERE COLOURED BY THE ENTRY INTO FORCE OF NUMEROUS LEGISLATIVE AMENDMENTS AND BY PARTICIPATION IN THE DEVELOPMENT OF THE PENSION SYSTEM. THE COMPANY'S SUCCESS IN ATTRACTING NEW CUSTOMERS IS EVIDENCED BY THE POSITIVE RESULT OF THE RED BUSINESS. THE SOLVENCY REQUIREMENTS OF THE INVESTMENT PORTFOLIO WERE MORE CLEARLY REACHED THAN BEFORE.

The special receivership of Kansa Pension Insurance Company assigned the insurance portfolio of that company to the Finnish employment pension insurance companies. The portfolio included both payable pensions and paid-up pensions associated with insurances concluded in Kansa Pension.

Pension liabilities of about FIM 321 million were transferred to Tapiola Pension. Assets worth about FIM 121 million were transferred to cover them. The difference between the transferred liability and the corresponding assets is, on the one hand, a claim on the estate and, on the other, a claim on the pension insurance companies collectively. Where the assets are insufficient to cover the transferred pension liabilities, the deficit will be collected as a component of the employment pension premium.

The level of the TEL (Employees' Pensions Act) pension insurance premium rose by 0.4 of a percentage point in 1997 and averaged 21.5 per cent, which includes a 4.5 percentage point premium contribution from employees. The level of the YEL (Self-employed Persons' Pensions Act) pension insurance premium rose by 0.3 of a percentage point and was 20.7 per cent.

**MARKET SHARES 1997**  
Preliminary data TEL (employees' pensions) and YEL (self-employed persons' pension).  
Premiums written FIM 25.2 billion



## DEVELOPMENT OF TAPIOLA PENSION'S INSURANCE PORTFOLIO:

	NO. AT 31.12. 97	CHANGE %
INSURED UNDER TEL	128 201	+ 6.1
INSURED UNDER YEL	31 358	+ 0.8
INSURED UNDER ADDITIONAL TEL	6 773	+ 1.1
INSURED UNDER ADDITIONAL YEL	78	+ 11.4
TEL PENSIONS TO BE PAID	66 414	+ 3.0
YEL PENSIONS TO BE PAID	15 480	+ 2.5
PENSION APPLICATIONS IN 1997	6 447	+ 6.7

### INSURANCE

Premiums written Tapiola Pension's gross premiums written were FIM 3,444 million, which was 9.3 per cent higher than the premiums written for statutory employment pension insurance in 1996. The growth of premiums written was affected by substantially above-average premium discounts.

There was a marked increase in the company's market share.

Credit losses on premiums due were FIM 74 million, which was FIM 12 million more than in the previous year. TEL and YEL insurances accounted for FIM 44 million and FIM 30 million of the credit losses, respectively. The government is ultimately responsible for YEL premium losses, and indeed other YEL expenses, if the YEL premiums are insufficient for that purpose. The procedure for recording credit losses in Tapiola is to enter receivables as credit losses as soon as bankruptcy proceedings are initiated or the company receives documents indicating insolvency.

**PENSIONS PAID** Tapiola Pension paid out pensions totalling FIM 2, 909 million, which was FIM 259 million or 9.8 per cent higher than in the previous year.

The 1997 index increments on TEL and YEL pensions were 1.8 per cent for over-65-year-olds and 1.0 per cent for under-65-year-olds.

INVESTMENTS

Net investment income was FIM 1,061 million, which was 2.2 per cent higher than in the previous year. Net interest income was FIM 1,039 million, 2.4 per cent less than in 1995. Net realised gains on investments were FIM 18 million, whereas in the previous year they amounted to FIM 22 million.

The writedown in respect of investments was FIM 13 million, almost all of which was made on shares. Writedowns of FIM 0.2 million were recorded in respect of loans.

The book and current values of the company's investment assets at the end of the year were FIM 16,827 million and FIM 17,834 million, respectively.

OPERATING EXPENSES

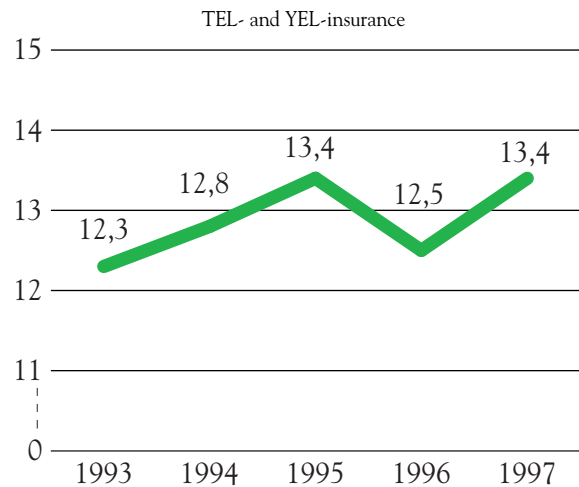
Net operating expenses on the Profit and Loss Account are FIM 66 million, which is FIM 9 million more than in the previous year. The net figure includes depreciation items totalling FIM five million, and appropriate proportions have been allocated to claims incurred and investment charges. Salaries and commissions grew by 15.3 per cent compared with the previous year. The growth in policy procurement expenses was 21.9 per cent compared with the previous year.

Statutory charges were FIM 17 million, representing the company's contribution to the costs of the Central Pension Security Institute.

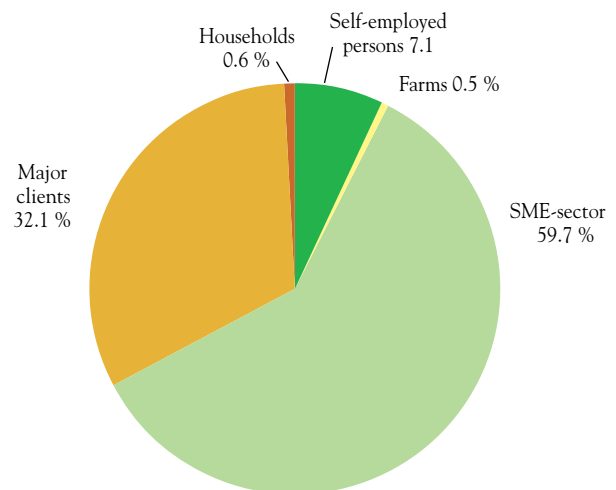
With the exception of the Managing Director and Deputy Managing Director, the company's business operations were administered by the staff of Tapiola General Mutual Insurance Company. From the beginning of 1998 the personnel's employment relationships were revised so that most of the staff are employed not only by the company but also by Tapiola General Mutual Insurance Company and Tapiola Mutual Life Assurance Company. The company's managing director, director and members of the investment management committee as well as other personnel making investment decisions or related preparatory work are employed solely by the company. The payments for services produced using shared resources are included in the company's operating expenses under the same items as would have been used if the staff had been directly employed by Tapiola Pension.

Salaries and commissions paid to members of the Supervisory Board, the Board of Directors and the Managing Director totalled FIM 2,295,778.00. Other salaries and commissions amounted to FIM 34,883,087.90. The total salaries and commissions figure was FIM 37,178,865.90.

TAPIOLA PENSION  
DEVELOPMENT OF MARKET SHARE

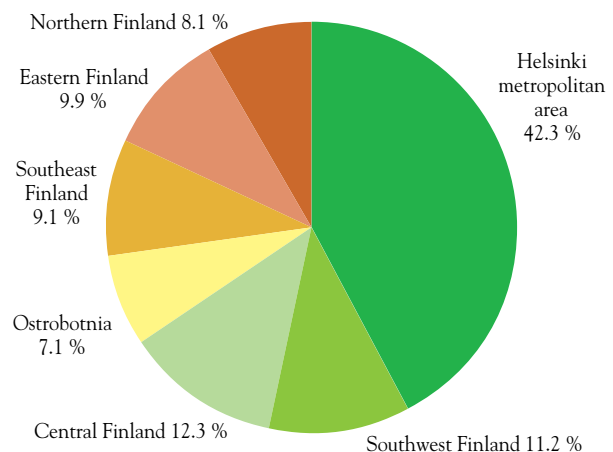


TAPIOLA PENSION  
PREMIUMS WRITTEN BY CUSTOMER GROUP



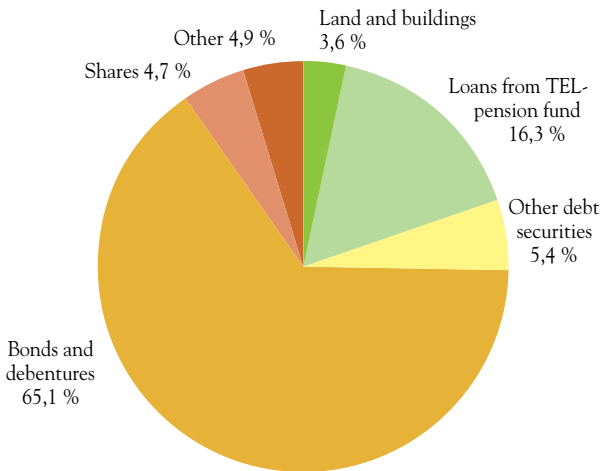
TAPIOLA PENSION  
PREMIUMS WRITTEN BY GEOGRAPHICAL AREA 1997

Based on domicile of policyholders including major clients

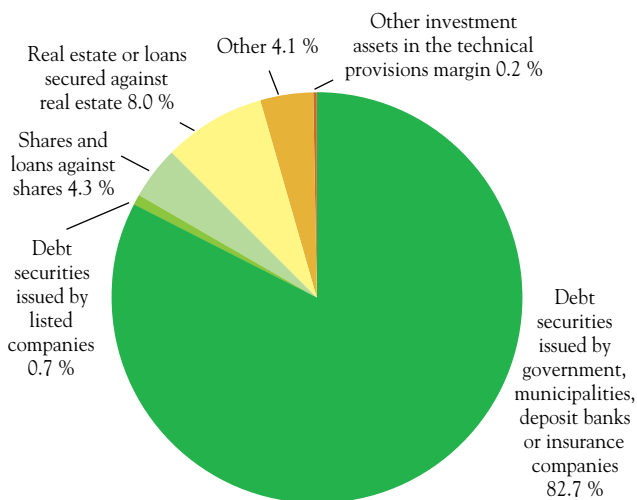


TAPIOLA PENSION INVESTMENT ASSETS

Current value at 31.12.1997 FIM 17 834 Mio



TAPIOLA PENSION INVESTMENT RISK PROFILE 31.12.1997



The categories are the same as in the regulations concerning the technical provisions margin.

RESULT FOR THE ACCOUNTING PERIOD

The company's FIM 444 million result can be regarded as excellent. The corresponding result in 1996 was FIM 405 million.

The underwriting result of FIM 183 million, which describes purely insurance operations, was at the level of the previous year. The result of the premium loss business was a surplus of FIM 16 million. In other respects the underwriting result was comparable with that recorded in the previous year.

The administrative costs surplus, which describes the company's cost efficiency, was FIM 35 million, whereas in the previous year it was FIM 30 million.

Taking into account writedowns and their cancellations, the investment surplus was FIM 225 million, compared with FIM 183 million in the previous year.

The combined total of the administrative costs surplus and the investment surplus was FIM 260 million. The corresponding figure for the previous year was a surplus of FIM 213 million. Without writedowns and their cancellations, the result was a surplus of FIM 273 million, compared with FIM 242 million in the previous year. The amount set aside out of the result for premium discounts to customers was FIM 103 million.

The company's solvency margin is 12 per cent of the technical provisions less certain items specified in the statute. The solvency limit defined on the basis of the structure of the company's investment portfolio is 4.7 per cent of the above-mentioned technical provisions, so the company's solvency exceeds the required level by a factor of 2.5. The company's high level of solvency will ensure that policyholders receive good premium discounts also in the future.

The amount allocated out of the additional benefits provision for premium discounts to customers was FIM 324 million at the end of the year, and in 1998 about FIM 165 million will be used for TEL premium discounts. FIM 367 million was transferred to the unallocated provision for additional benefits from the difference between the assumed interest and the fund interest in order to raise the company's solvency. The unallocated provision for additional benefits was FIM 823 million at the end of 1997.

The current value of the company's assets has been assessed in the financial statements by adhering to a conservative valuation principle. The procedure is described in greater detail in the accounting principles of the financial statements.

Depreciation of FIM 5 million was charged according to plan. The full amount of depreciation permitted under the Business Taxation Act was entered. The credit loss reserve was increased to its maximum amount. However, it was lowered by FIM 58 million because of the reduced loan portfolio. The transitional reserve of FIM 58 million was discharged completely when the transitional period pertaining to it expired on 31<sup>st</sup> December 1997.

The company's share of the profit-sharing payment transferred to the Staff Fund of the Tapiola Insurance Group was FIM 653,000.00. It has been calculated according to an advance amount and is included in the Profit and Loss Account under other expenses.

The financial statements show a surplus of FIM 3,532,616.00. The Board of Directors recommends that the surplus be appropriated so that 6 per cent interest, i.e. FIM 288,000.00, is paid on the guarantee capital, FIM 3,236,000.00 is transferred to the security reserve and FIM 8,616.00 is transferred to the contingency reserve. The Balance Sheet shows assets totalling FIM 18,645,147,880.58, compared with FIM 16,925,084,802.69 at the end of the previous year.



# CONSOLIDATED FINANCIAL STATEMENTS

The Tapiola Pension Group comprised the parent company, Tapiola Mutual Pension Insurance Company, and 40 housing and real estate companies as subsidiaries.

The group has therefore acquired 20 subsidiaries during the course of the accounting period.

The associated companies of the group were Tapiola Book Entry Securities, Vakuutusneuvonta Aura Oy, Vakuutusneuvonta Pohja Oy and Suomen Metsäsijoitus.

## INSURANCE

**PREMIUMS WRITTEN** The group's gross premiums written were FIM 3,444 million, which was 9.3 per cent higher than in 1996.

**PENSIONS PAID** The group paid out pensions totalling FIM 2,909 million, which was 9.7 per cent higher than in the previous year.

## INVESTMENTS

Net investment income was FIM 1,058 million, which was 2.5 per cent higher than in the previous year. Writedowns of FIM 14 were made. Writedowns of FIM 17 million were cancelled and realised capital gains of FIM 18 million were recorded.

The book and current values of the group's investment assets at the end of the year were FIM 17,030 million and FIM 18,068 million, respectively.

## OPERATING EXPENSES

The group's operating expenses were FIM 66 million and statutory charges FIM 17 million. Salaries and commissions rose by 16 per cent.

## CLOSING OF THE ACCOUNTS

The group's result of FIM 444 million was very good. Depreciation of FIM 39 million was charged according to plan and included depreciation of FIM 0.2 million on consolidated goodwill. The increase in the depreciation difference was FIM 4 million. The credit loss reserve was lowered by FIM 58 million because of the reduced loan portfolio. The reserve was in accordance with its full amount. The transitional reserve of FIM 74 million was discharged completely when the transitional period pertaining to it expired on 31<sup>st</sup> December 1997.

The loss for the accounting period was FIM 3,888,689.09 and the Consolidated Balance Sheet showed assets totalling FIM 18,833,206,781.24.

## TAPIOLA PENSION KEY FINANCIAL INDICATORS

	1997	1996	1995	1994
<b>SCALE OF OPERATIONS</b>				
Gross premiums written, FIM mio	3 444	3 151	3 010	2 659
Turnover, FIM mio	4 628	4 323	4 153	3 689
Provision for outstanding claims, FIM mio	18 322	16 486	15 124	13 734
Balance sheet total, FIM mio	18 645	16 925	15 673	14 297
<b>EFFICIENCY</b>				
Operating expenses, FIM mio	90	78	79	78
% of loading income	72.0	73.6	74.1	72.2
% of premiums written	2.7	2.6	2.7	3.0

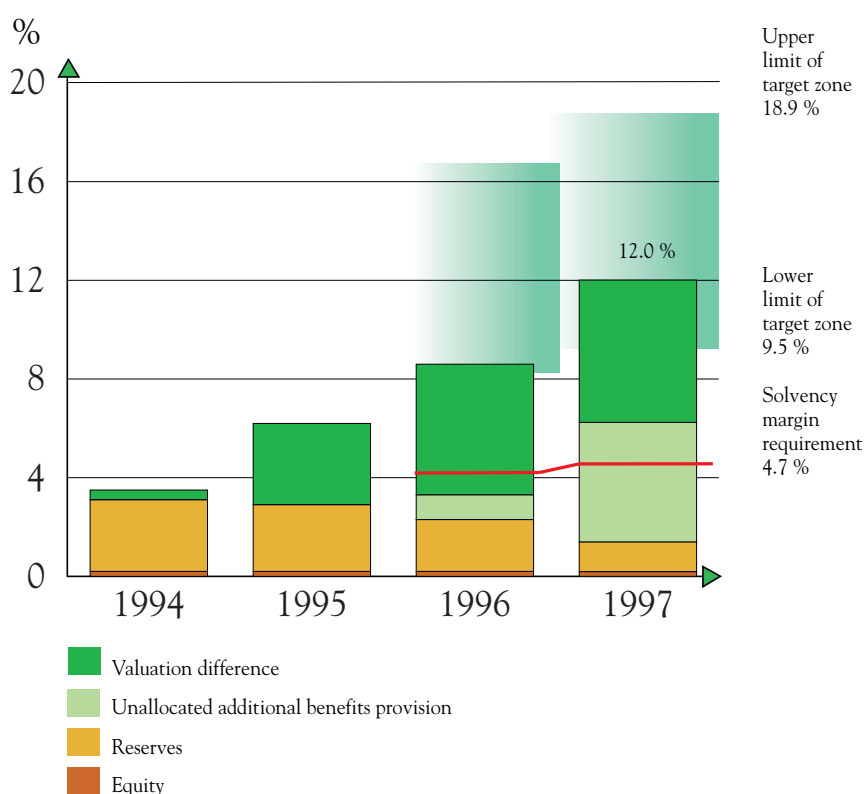
## TAPIOLA PENSION SPECIFICATION OF RESULT

FIM mio	1997	1996	1995	1994
Administration costs in premiums	123	110	105	106
Other income	3	3	4	4
Function-specific operating costs without depreciations	-85	-76	-75	-75
Depreciations on fixed assets	-5	-3	-4	-3
Taxes	0	-1	-1	-1
Other expenses	-1	-4	-1	-1
<b>ADMINISTRATION COST RESULT</b>	<b>35</b>	<b>30</b>	<b>28</b>	<b>31</b>
Net investment income	1 051	1 045	1 021	872
Other interest income	70	55	77	111
Interest on provision for outstanding claims	-896	-917	-878	-901
<b>INVESTMENT RESULT</b>	<b>225</b>	<b>183</b>	<b>220</b>	<b>82</b>

## TAPIOLA PENSION PERFORMANCE ANALYSIS

FIM mio	1997	1996	1995	1994
<b>SOURCES OF SURPLUS</b>				
Riskbusiness result	183	191	141	-38
Investment result	225	183	220	82
Administration costs result	35	30	28	31
<b>TOTAL SURPLUS</b>	<b>444</b>	<b>404</b>	<b>389</b>	<b>74</b>
Change in valuation differences	87	400	445	-47
	<b>530</b>	<b>804</b>	<b>834</b>	<b>27</b>
<b>USE OF RESULT</b>				
<b>ADDED TO SOLVENCY</b>				
Transfer to equalization provision	183	191	206	-38
Transfer to reserves	-132	-72	14	46
Transfer to unallocated additional benefits provision	286	169	-	-
Transfer to equity	3	3	3	3
Change in valuation differences	87	400	445	-47
<b>TRANSFER TO CUSTOMER BONUSES</b>	<b>103</b>	<b>113</b>	<b>166</b>	<b>64</b>
<b>Total</b>	<b>530</b>	<b>804</b>	<b>834</b>	<b>27</b>

TAPIOLA PENSION  
DEVELOPMENT OF SOLVENCY IN RELATION TO TECHNICAL PROVISION



The graph shows that the solvency of Tapiola Pension clearly has arisen into the target zone according to the new solvency requirements.

## TAPIOLA PENSION SOLVENCY

FIM mio	1997	1996	1995	1994
<b>SOLVENCY MARGIN</b>				
Reserves	204	336	408	394
Unallocated additional benefits provision	823	169	-	-
Equity	33	30	27	24
Valuation differences	978	878	495	56
<b>SOLVENCY MARGIN TOTAL</b>	<b>2 038</b>	<b>1 403</b>	<b>930</b>	<b>473</b>
<b>EQUALIZATION PROVISION</b>	<b>648</b>	<b>465</b>	<b>175</b>	<b>91</b>
<b>ALLOCATED ADDITIONAL BENEFITS PROVISION</b>				
Allocated additional benefits provision 1.1	313	259	163	258
Bonuses paid during accounting year	-91	-59	-70	-149
Transfer to customer bonuses	103	113	166	64
Allocated additional benefits provision 31.12.	325	313	259	173

# NET INVESTMENT INCOME

## I. I. – 31. 12. 1997

FIM mio		Change in value on profit and loss account		Book value (annual average)	Yield % on book value	Change in valuation differences	Total yield	Current value (annual average)	Yield % on current value
Investment	Direct yield		Total						
Loans	235	0	235	4 141	5.7	0.0	235	4 141	5.7
Short investments	46	4	50	1 200	4.1	0.0	50	1 200	4.1
Bonds and debentures	709	2	711	9 666	7.4	-45	666	10 390	6.4
Shares	14	7	21	399	5.2	110	131	579	22.6
Real estate	35	0	35	693	5.1	21	56	750	7.5
TOTAL INVESTMENTS	1 039	12	1 052	16 099	6.5	86	1 138	17 060	6.7
Other coverage			71						
Taxes			1						
INTEREST REQUIREMENT ON TECHNICAL PROVISIONS			1 121						
Surplus			896						
INVESTMENT SURPLUS			225						

# REAL ESTATE PORTFOLIO, INCOME AND VACANT PREMISES AT 31. 12. 1997

## REAL ESTATE PORTFOLIO, FIM 1 000

Current value	1 074 495
Book value and loans	1 006 988
Valuation difference	67 507

Type of real estate	Current value FIM 1 000	Current value FIM/m <sup>2</sup>	Net yield FIM 1 000	Net yield %	Potential net yield*) %	Vacant floor area, m <sup>2</sup>	Vacancy rate
<b>Non-residential premises</b>							
Commercial and office premises							
- rented to outside parties	378 707	7 168	25 128	6.6	6.7	52 836	1.5
- in own use **)	29 329	6 922	3 325	11.3	11.5	4 237	1.5
Industrial premises	59 653	3 480	5 190	8.7	8.7	17 143	0.0
<b>Total</b>	<b>467 689</b>	<b>6 302</b>	<b>33 643</b>	<b>7.2</b>	<b>7.3</b>	<b>74 216</b>	<b>1.2</b>
<b>Residential buildings ***)</b>	<b>242 365</b>	<b>6 895</b>	<b>17 400</b>	<b>7.2</b>	<b>7.5</b>	<b>35 150</b>	<b>3.2</b>
<b>Other properties and premises</b>							
Under construction	196 535						
Acquired mid-year	73 561						
Undeveloped plots	44 540						
Shares in real estate investment companies	49 805						
<b>Total</b>	<b>364 441</b>					<b>30 951</b>	

<b>REAL ESTATE PORTFOLIO</b>	<b>1 074 495</b>	<b>140 317</b>
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\*) The potential net yield is augmented by imputed gross rent for the vacant premises, which averages FIM 46 mk/m<sup>2</sup>/month

\*\*) The imputed gross rent for premises in Tapiola's own use averages FIM 66 mk/m<sup>2</sup>/month

\*\*\*) The net income from residential premises is augmented by a government interest subsidy of FIM 6 334 000

In addition, premises under construction are augmented by an interest subsidy of FIM 384 000

The average vacancy rate over the year for non-residential premises was 0.8%.

## FINANCIAL ANALYSIS

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>Source of funds:</b>				
Cash flow financing				
Loss (Profit) before interest expenses, extraordinary items, appropriations and taxes	-127 235	-63 374	-129 961	-71 154
Extraordinary expenses	-	-4 298	-	-4 298
Adjustment items:				
Change in technical provisions	1 835 727	1 362 312	1 835 727	1 362 312
Change in obligatory uncovered liabilities	46 030	40 063	46 030	40 063
Investment devaluations and revaluations	12 642	28 238	-2 488	30 329
Depreciation	4 754	2 706	39 410	11 958
	1 771 918	1 365 648	1 788 718	1 369 209
Capital financing				
Increase in minority share	-	-	97 747	-
Optional reserves and depreciation difference	-	-	35	383
Increase in own capital	-	-	4 169	4 698
	-	-	101 952	5 081
<b>Source of funds, total</b>	<b>1 771 918</b>	<b>1 365 648</b>	<b>1 890 670</b>	<b>1 374 290</b>
<b>Application of funds:</b>				
Profit distribution				
Taxes	1 442	872	1 525	873
Interest on guarantee capital	384	384	384	384
Others	-	5	-	5
	1 826	1 261	1 909	1 262
Investments				
Increase in investments (net)	1 670 316	1 414 698	1 781 807	1 537 279
Increase in tangible and intangible assets (net)	5 156	7 380	5 145	7 933
	1 675 472	1 422 079	1 786 952	1 545 212
<b>Application of funds, total</b>	<b>1 677 299</b>	<b>1 423 339</b>	<b>1 788 861</b>	<b>1 546 474</b>
<b>Decrease/Increase in working capital</b>	<b>94 619</b>	<b>-57 692</b>	<b>101 809</b>	<b>-172 184</b>
<b>Change in working capital</b>				
Change in receivables	70 456	-170 018	87 648	-206 625
Change in cash at bank and in hand	-17 000	38 820	-16 132	38 924
Change in prepayments and accrued income	54 563	31 894	54 582	31 874
Change in amounts owed	723	49 484	-8 253	-28 345
Change in accruals and deferred income	-14 120	-7 873	-16 036	-8 011
<b>Decrease/Increase in working capital</b>	<b>94 619</b>	<b>-57 692</b>	<b>101 809</b>	<b>-172 184</b>

# PROFIT AND LOSS ACCOUNT

FIM 1 000		Parent company		Group	
		1997	1996	1997	1996
<b>Technical account:</b>					
Premiums written	* 1	3 369 952	3 064 376	3 369 952	3 064 376
Investment income	4	1 166 839	1 169 285	1 183 083	1 172 001
General guarantee claims incurred		-4 755	-	-4 755	-
General guarantee debtors paid		4 326	-	4 326	-
Claims incurred					
Claims paid	2	-2 909 496	-2 650 829	-2 909 496	-2 650 829
Change in provision for outstanding claims					
Total change		-485 091	-263 101	-485 092	-263 101
Share of portfolio transfer		109 342	-	109 342	-
		-375 749	-263 101	-375 749	-263 101
		-3 285 246	-2 913 931	-3 285 245	-2 913 931
Change in provision for unearned premiums					
Total change		-1 350 636	-1 099 211	-1 350 635	-1 099 211
Share of portfolio transfer		212 079	-	212 078	-
		-1 138 557	-1 099 211	-1 138 557	-1 099 211
Change in uncovered liabilities					
Obligatory uncovered liabilities <sup>d</sup>					
Total change		-46 030	-40 063	-46 030	-40 063
Share of portfolio transfer		-3 680	-	-3 680	-
		-49 710	-40 063	-49 710	-40 063
Statutory charges		-17 083	-53 914	-17 083	-53 914
Net operating expenses	3	-66 387	-57 066	-66 387	-57 066
Investment charges	4	-106 220	-131 841	-124 897	-140 329
<b>Balance on the technical account</b>		<b>-126 840</b>	<b>-62 364</b>	<b>-129 275</b>	<b>-68 136</b>
<b>Non-technical account:</b>					
Other income					
Decrease in consolidation goodwill		-	-	1	229
Other income		259	19	259	19
		259	19	260	248
Other expenses					
Depreciation on consolidation goodwill		-	-	-247	-2 013
Other expenses		-654	-1 029	-654	-1 029
		-654	-1 029	-901	-3 042
Direct taxes on ordinary activities					
Taxes for the accounting period		-1 451	-953	-1 535	-954
Taxes from previous years		9	81	9	82
		-1 442	-872	-1 526	-872
Share of participating interests' losses after taxes		-	-	-46	-224
<b>Loss/Profit on ordinary activities after taxes</b>		<b>-128 677</b>	<b>-62 245</b>	<b>-131 487</b>	<b>-72 027</b>
Extraordinary expenses					
Pension insurance premiums		-	-4 298	-	-4 298
<b>Loss/Profit after extraordinary items</b>		<b>-128 677</b>	<b>-68 543</b>	<b>-131 487</b>	<b>-76 325</b>
Increase in depreciation difference		-	-	-4 251	-709
Increase/Decrease in optional reserves		132 210	71 870	131 850	71 797
		132 210	71 870	127 599	71 088
<b>Profit/Loss for the accounting period</b>		<b>3 533</b>	<b>3 327</b>	<b>-3 888</b>	<b>-5 237</b>
Minority interest in the profit for the accounting period				-1	-
<b>Profit for the accounting period/</b>					
<b>Group profit/loss for the accounting period</b>		<b>3 533</b>	<b>3 327</b>	<b>-3 889</b>	<b>-5 237</b>

\* Reference number in the Appendices

# APPENDICES TO THE PROFIT AND LOSS ACCOUNT

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>I PREMIUMS WRITTEN</b>				
Direct insurance				
Basic insurance under the Employees' Pensions Act				
Employers' contribution	2 341 355	2 164 442	2 341 355	2 164 442
Employees' contribution	661 157	581 575	661 157	581 575
	3 002 512	2 746 017	3 002 512	2 746 017
Additional pension insurance under the Employees' Pensions Act	28 016	27 670	28 016	27 670
Insurance under the Self-employed Persons' Pensions Act minimum cover	420 755	372 591	420 755	372 591
Additional pension insurance under the Self-employed Persons' Pensions Act	2 920	3 771	2 920	3 771
	3 454 203	3 150 049	3 454 203	3 150 049
Transitional charge payable to the State Pension Fund	-9 875	998	-9 875	998
<b>Gross premiums written</b>	<b>3 444 328</b>	<b>3 151 047</b>	<b>3 444 328</b>	<b>3 151 047</b>
Credit loss on premiums	-74 315	-86 549	-74 315	-86 549
Premiums written before reinsurers' share	3 370 012	3 064 498	3 370 012	3 064 498
Reinsurers' share	-60	-122	-60	-122
<b>Premiums written</b>	<b>3 369 952</b>	<b>3 064 376</b>	<b>3 369 952</b>	<b>3 064 376</b>
Amortization of uncovered liabilities	58 769	54 100	58 769	54 100



FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>2 CLAIMS PAID</b>				
Direct insurance				
Paid to pension beneficiaries				
Basic insurance under the Employees' Pensions Act	2 324 111	2 151 557	2 324 111	2 151 557
Additional pension insurance under the Employees' Pensions Act	44 321	42 145	44 321	42 145
Insurance under the Self-employed Persons' Pensions Act minimum cover	476 564	458 256	476 564	458 256
Additional pension insurance under the Self-employed Persons' Pension Act	3 202	3 504	3 202	3 504
	2 848 198	2 655 462	2 848 198	2 655 462
Paid/Received liability distribution remuneration				
Pensions under the Employees' Pensions Act	25 110	22 747	25 110	22 747
Pensions under the Self-employed Persons' Pensions Act	21 171	-39 305	21 171	-39 305
	46 281	-16 558	46 281	-16 558
	2 894 479	2 638 903	2 894 479	2 638 903
Claims management expenses	15 017	11 945	15 017	11 945
Claims paid before reinsurers' share	2 909 496	2 650 848	2 909 496	2 650 848
Reinsurers' share	-	-19	-	-19
	2 909 496	2 650 829	2 909 496	2 650 829
<b>War veterans' early retirement pension</b>				
Pensions paid to war veterans on the basis of the War Veterans' Early Retirement Pension Act	-	2	-	2
<b>I AND 2 REINSURERS' SHARE</b>				
Premiums written	-60	-122	-60	-122
Claims paid	-	19	-	19

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>3 TOTAL OPERATING EXPENSES BY FUNCTION</b>				
Claims paid	15 017	11 945	15 017	11 945
Operating expenses	66 387	57 066	66 387	57 066
Investment charges	8 614	8 844	8 614	8 844
Other expenses	654	1 027	901	1 027
<b>Total</b>	<b>90 672</b>	<b>78 882</b>	<b>90 919</b>	<b>80 897</b>
<b>3.1 DEPRECIATION BY FUNCTION</b>				
Claims paid	2 330	87	2 330	87
Operating expenses	1 627	1 805	1 627	1 805
Investment charges	796	813	796	813
Other expenses, depreciations on consolidated goodwill	-	-	247	2 013
<b>Total</b>	<b>4 754</b>	<b>2 706</b>	<b>5 001</b>	<b>4 719</b>
<b>3.2 STAFF EXPENSES</b>				
Salaries and commissions	36 978	32 059	37 364	32 075
Monetary value of fringe benefits	1 390	1 235	1 390	1 235
Pension expenses	6 700	6 579	6 753	6 582
Other social expenses	3 387	3 092	3 409	3 099
<b>Total</b>	<b>48 456</b>	<b>42 966</b>	<b>48 916</b>	<b>42 991</b>
<b>3.3 OPERATING EXPENSES IN PROFIT AND LOSS ACCOUNT</b>				
Insurance policy acquisition costs				
Commissions for direct insurance	707	458	707	458
Other insurance policy acquisition costs	21 603	17 842	21 603	17 842
	22 310	18 300	22 310	18 300
Insurance policy management expenses	24 944	22 206	24 944	22 206
Administrative expenses	19 154	16 597	19 154	16 597
Commissions for reinsurance ceded	-22	-38	-22	-38
<b>Total</b>	<b>66 387</b>	<b>57 066</b>	<b>66 387</b>	<b>57 066</b>

FIM 1 000	Parent company		Group	
<b>4 ANALYSIS OF NET INVESTMENT INCOME</b>	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
<b>Investment income:</b>				
Income from investments, group companies				
Interest income	946	287	-	-
Income from investments in land and buildings, group companies				
Interest income	14 734	3 968	-	-
Income from investments in land and buildings, other companies				
Interest income	-	-	740	360
Other income	69 512	51 441	84 275	55 150
	69 512	51 441	85 015	55 510
Income from other investments				
Dividend income	14 060	8 793	14 059	8 793
Interest income	1 039 019	1 068 094	1 039 019	1 068 094
Other income	9 957	2 663	9 957	2 665
	1 063 036	1 079 550	1 063 036	1 079 553
<i>Total</i>	1 148 228	1 135 247	1 148 051	1 135 063
Devaluation cancellations	567	10 983	16 988	13 883
Realized gains on investments	18 044	23 055	18 044	23 055
<b>Total</b>	<b>1 166 839</b>	<b>1 169 285</b>	<b>1 183 083</b>	<b>1 172 001</b>
<b>Investment expenses:</b>				
Expenses for land and buildings				
Group companies	-37 832	-11 728	-	-
Other companies	-14 959	-29 841	-31 706	-34 296
	-52 791	-41 570	-31 706	-34 296
Expenses for other investments	-39 192	-46 544	-39 192	-46 544
Interest expenses and expenses on other liabilities, group	-1 028	-3 461	-5 090	-4 980
	-40 220	-50 005	-44 282	-51 524
<i>Total</i>	-93 011	-91 575	-75 988	-85 821
Devaluations and depreciations				
Devaluations	-13 209	-39 221	-14 500	-44 211
Planned depreciation on buildings	-	-	-34 409	-9 252
	-13 209	-39 221	-48 909	-53 463
Realized losses on investments	-	-1 045	-	-1 045
<b>Total</b>	<b>-106 220</b>	<b>-131 841</b>	<b>-124 897</b>	<b>-140 329</b>
<b>Net investment income before revaluations and their adjustments</b>	<b>1 060 619</b>	<b>1 037 444</b>	<b>1 058 185</b>	<b>1 031 672</b>
<b>Net investment income on the Profit and Loss Account</b>	<b>1 060 619</b>	<b>1 037 444</b>	<b>1 058 185</b>	<b>1 031 672</b>
Avoir fiscal tax credit included in dividend income	3 846	2 322	3 846	2 322

# BALANCE SHEET

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>ASSETS</b>				
<i>Intangible assets</i>				
Consolidated goodwill	-	-	1 046	1 471
Other long-term expenses	8 29 409	29 159	29 409	29 159
		<b>29 409</b>	<b>30 455</b>	<b>30 630</b>
<i>Investments</i>	5			
Investments in land and buildings				
Land and buildings	6 563 041	454 644	1 070 545	657 592
Loans to group companies	350 140	90 862	-	-
		<b>913 181</b>	<b>1 070 545</b>	<b>657 592</b>
Investments in group companies and participating interests				
Other shares and variable-yield securities and units in unit trusts	7 8 510	8 510	7 490	7 306
Other investments				
Shares and other variable-yield securities and units in unit trusts	7 592 929	317 658	638 445	317 662
Debt securities	11 570 779	8 936 040	11 570 779	8 936 040
Loans guaranteed by mortgages	10 634 085	944 225	634 085	944 225
Other loans	9.10 2 890 931	3 895 371	2 890 931	3 895 421
Deposits	209 357	488 326	209 357	488 326
Other investments	6 818	33 280	8 390	33 564
		<b>15 904 899</b>	<b>15 951 987</b>	<b>14 615 238</b>
		<b>16 826 590</b>	<b>17 030 022</b>	<b>15 280 137</b>
<i>Uncovered liabilities</i>				
Obligatory uncovered liabilities		<b>169 209</b>	<b>215 239</b>	<b>169 209</b>
<i>Debtors</i>				
Arising out of direct insurance operations				
Policyholders		268 657	328 957	328 957
Other debtors				
Portfolio transfer debtors		187 144	187 144	-
Other debtors		26 743	9 409	48 604
		<b>213 887</b>	<b>196 553</b>	<b>48 604</b>
		<b>482 544</b>	<b>412 092</b>	<b>377 562</b>
<i>Other assets</i>				
Tangible assets				
Equipment	8 295	143	295	143
Other tangible assets		133	300	133
		<b>428</b>	<b>595</b>	<b>276</b>
Cash at bank and in hand		24 242	25 213	41 346
		<b>24 670</b>	<b>25 808</b>	<b>41 622</b>
<i>Prepayment and accrued income</i>				
Interes and rents		740 619	740 395	640 185
Other prepayments and accrued assets		372 106	372 106	417 958
		<b>1 112 725</b>	<b>1 112 502</b>	<b>1 058 143</b>
		<b>18 645 148</b>	<b>18 833 207</b>	<b>17 003 333</b>

## BALANCE SHEET

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>LIABILITIES</b>				
<i>Capital and reserves</i>	11			
Restricted				
Equivalent funds	5 000	5 000	5 000	5 000
Guarantee capital	4 800	4 800	4 800	4 800
Revaluation reserve	-	-	600	600
	9 800	9 800	10 400	10 400
Non-restricted				
Security reserve	19 450	16 510	19 450	16 510
Contingency reserve	277	274	277	274
Group losses (profits) for previous years	-	-	-2 766	1 629
Profit (loss) for the accounting period	3 532	3 327	-3 889	-5 237
	23 259	20 111	13 072	13 176
	33 059	29 911	23 472	23 576
<i>Minority share</i>	-	-	97 748	-
<i>Reserves</i>				
Accumulated depreciation difference	-	-	5 343	1 092
Optional reserves	12 204 140	336 350	204 608	336 423
	204 140	336 350	209 951	337 515
<i>Technical provisions</i>				
Provision for unearned premiums	12 305 261	10 954 625	12 305 261	10 954 625
Provision for outstanding claims	6 016 683	5 531 591	6 016 683	5 531 591
	18 321 944	16 486 216	18 321 944	16 486 216
<i>Creditors</i>				
Other creditors				
Creditors cooperation companies	350	507	-	-
Other creditors	1 255	1 821	93 861	85 608
	1 605	2 328	93 861	85 608
<i>Accruals and deferred income</i>	84 399	70 280	86 231	70 418
	18 645 148	16 925 085	18 833 207	17 003 333

# APPENDICES TO THE BALANCE SHEET

FIM 1 000 mk	Parent company			Group		
<b>5 CURRENT VALUE AND VALUATION DIFFERENCE OF INVESTMENTS</b>						
<b>INVESTMENTS 31.12.1997</b>						
	Remaining acquisition cost	Book value	Current value	Remaining acquisition cost	Book value	Current value
Investments in land and buildings						
Land and buildings	-	-	-	982 613	987 608	1 087 448
Group company shares	475 109	480 103	549 709	-	-	-
Other real estate shares	82 937	82 937	80 840	82 937	82 937	80 840
Loans to group companies	350 140	350 140	350 140	-	-	-
	908 186	913 180	980 689	1 065 550	1 070 545	1 168 288
Holdings in other companies						
Shares and other variable-yield securities and units in unit trusts	8 510	8 510	8 510	7 490	7 490	7 490
Other investments						
Shares and other variable-yield securities and units in unit trusts	592 929	592 929	831 566	638 446	638 446	877 082
Debt securities	11 570 779	11 570 779	12 272 287	11 570 779	11 570 779	12 272 287
Loans guaranteed by mortgages	634 085	641 085	641 085	634 085	634 085	634 085
Other loans	2 890 931	2 883 931	2 883 931	2 890 931	2 890 931	2 890 931
Deposits	209 357	209 357	209 357	209 357	209 357	209 357
Other investments	6 818	6 818	6 818	8 390	8 390	8 390
	15 904 899	15 904 899	16 845 044	15 951 987	15 951 987	16 892 132
	<b>16 821 595</b>	<b>16 826 590</b>	<b>17 834 243</b>	<b>17 025 027</b>	<b>17 030 022</b>	<b>18 067 910</b>
<p>The remaining acquisition cost of debt securities consists of the difference (+/-) between the nominal value and acquisition price that is allocated to interest income or deducted from it</p>						
	<u>-232 404</u>			<u>-232 404</u>		
<p>The book value consists of</p>						
Revaluations entered as income		-			-	
Other revaluations		<u>4 995</u>			<u>4 995</u>	
		<u>4 995</u>			<u>4 995</u>	
<p>Valuation difference (difference between the current and book values)</p>						
			<u>1 007 653</u>			<u>1 037 888</u>

## APPENDICES TO THE BALANCE SHEET

FIM 1 000	Parent company			Group		
<b>5 CURRENT VALUE AND VALUATION DIFFERENCE OF INVESTMENTS</b>						
<b>INVESTMENTS 31.12.1996</b>						
	Remaining acquisition cost	Book value	Current value	Remaining Acquisition cost	Book value	Current value
Investments in land and buildings						
Land and buildings	-	-	-	293 370	293 370	323 262
Group company shares	90 422	90 422	113 390	-	-	-
Other real estate shares	359 228	364 222	387 847	359 228	364 222	387 847
Loans to group companies	90 862	90 862	90 862	-	-	-
	540 511	545 506	592 099	652 597	657 592	711 109
Holdings in the companies						
Shares and other variable-yield securities and units in unit trusts	8 510	8 510	8 510	7 306	7 306	7 306
Other investments						
Shares and other variable-yield securities and units in unit trusts	317 658	317 658	445 689	317 662	317 662	445 693
Debt securities	8 936 040	8 936 040	9 682 123	8 936 040	8 936 040	9 682 123
Loans guaranteed by mortgages	944 225	944 225	944 225	944 225	944 225	944 225
Other loans	3 895 371	3 895 371	3 895 371	3 895 421	3 895 421	3 895 421
Deposits	488 326	488 326	488 326	488 326	488 326	488 326
Other investments	33 280	33 280	33 280	33 564	33 564	33 564
	14 614 900	14 614 900	15 489 014	14 615 238	14 615 238	15 489 352
	15 163 921	15 168 916	16 089 623	15 275 142	15 280 137	16 207 767
The remaining acquisition cost of debt securities consists of the difference (+/-) between the nominal value and acquisition price that is allocated to interest income or deducted from it						
	-108 641			-108 641		
The book value consists of						
Revaluations entered as income		-			-	
Other revaluations		4 995			4 995	
		4 995			4 995	
Valuation difference (difference between the current and book values)			920 707			927 631

## TAPIOLA MUTUAL PENSION INSURANCE COMPANY

FIM 1 000	Parent company		Group	
<b>6 CHANGE IN INVESTMENTS IN LAND AND BUILDINGS</b>				
31.12.1997	Land and water areas and real estate shares	Loans to group companies	Buildings	Land and water areas and real estate shares
Acquisition cost 1.1.	631 824	90 862	222 302	608 232
Transfer	-	94 662	562 550	-562 550
Increase	108 403	178 595	93 851	202 066
Decrease	-6	-13 979	-	-6
Acquisition cost 31.12.	740 221	350 140	878 704	247 742
Revaluations 1.1.	4 995		-	4 995
Revaluations 31.12.	4 995		-	4 995
Accumulated depreciations according to plan/ devaluations 1.1.	182 175		16 308	161 630
Depreciations according to plan/devaluations and devaluation cancellations	-		26 461	-
Decrease	-		-	-143 504
Accumulated depreciations according to plan/ devaluations 31.12.	182 175		42 769	18 126
<b>Book value after depreciations according to plan/ devaluations 31.12.</b>	<b>563 041</b>	<b>350 140</b>	<b>835 935</b>	<b>234 610</b>
Accumulated depreciations in excess of the plan 1.1.			1 092	
Depreciation above/below plan			4 950	
Accumulated depreciations in excess of the plan 31.12.			6 042	
Fully depreciated value of the buildings 31.12.			829 893	
<hr/>				
<b>31.12.1996</b>				
Acquisition cost 1.1.	613 209	41 302	47 570	609 691
Increase	28 301	51 120	174 733	83 078
Decrease	-9 686	-1 560	-	-84 536
Acquisition cost 31.12.	631 824	90 862	222 303	608 233
Revaluations 1.1.	4 995		-	4 995
Revaluations 31.12.	4 995		-	4 995
Accumulated depreciations according to plan/ devaluations 1.1.	153 775		1 558	153 775
Depreciations according to plan/devaluations and devaluation cancellations	28 400		14 750	25 500
Decrease	-		-	-17 645
Accumulated depreciations according to plan/ devaluations 31.12.	182 175		16 308	161 630
<b>Book value after depreciations according to plan/ devaluations 31.12.</b>	<b>454 644</b>	<b>90 862</b>	<b>205 995</b>	<b>451 597</b>
Accumulated depreciations in excess of the plan 1.1.			-	
Depreciations above/below plan			1 092	
Accumulated depreciations in excess of the plan 31.12.			1 092	
Fully depreciated value of the buildings 31.12.			204 903	



FIM 1 000	Parent company		Group	
<b>LAND AND BUILDINGS FOR OWN USE</b>				
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
Remaining acquisition cost	30 213	32 313	20 336	32 313
Book value	30 213	32 313	20 336	32 313
Current value	29 329	29 563	17 355	29 563
<b>Group companies</b>				
Number of companies	40	20		
Total profit for accounting period	164	1 607		
Capital and reserves, total	620 481	75 327		

**7 INVESTMENTS IN GROUP COMPANIES AND PARTICIPATING INTERESTS, OTHER INVESTMENTS, SHARES AND OTHER VARIABLE-YIELD SECURITIES AND UNITS IN UNIT TRUSTS**

**Shares and holdings in group companies**

Original acquisition cost 1.1.	8 510	8 510	7 306	7 301
Increase	-	-	184	5
<b>Remaining acquisition cost 31.12.</b>	<b>8 510</b>	<b>8 510</b>	<b>7 490</b>	<b>7 306</b>

Shares and holdings in group companies	No. of shares	% of shares	% of votes	Nominal value FIM 1000	Parent company	Group	Profit/loss for accounting period FIM 1000	Capital and reserves FIM 1000
					Book value 1997 FIM 1000	Book value 1997 FIM 1000		
Tapiola Book Entry Securities	1000	20.00	20.00	1 000	1 000	914	122	4 571
Vakuutusneuvonta Aura Oy	50	33.33	33.33	5	5	9	1	28
Vakuutusneuvonta Pohja Oy	50	33.33	33.33	5	5	9	1	28
Suomen Metsäsijoitus Oy	7500	25.00	25.00	7 500	7 500	6 557	635	26 228
					<b>8 510</b>	<b>7 490</b>		

## TAPIOLA MUTUAL PENSION INSURANCE COMPANY

Other investments Shares and other variable-yield securities and units in unit trusts	Domicile	No. of shares	% of shares	% of votes	Nominal value  FIM 1000	Parent company Book value 1997 FIM 1000	Group Book value 1997 FIM 1000
Aamulehti-yhtymä Oy		83230	0.87	1.49	832	5 794	5 794
Asko Oyj		202000	0.56	0.57	2 020	12 412	12 412
Aspoyhtymä Oy		48000	1.02	1.05	480	11 011	11 011
Atria Oyj		199334	1.24	0.08	1 993	9 625	9 625
Benefon Oy		25000	0.54	0.18	50	1 563	1 563
Ab Chips Oy Ltd		31500	0.94	0.08	315	6 001	6 001
Cultor Oyj		42200	0.18	0.26	506	6 481	6 481
Efore Oy		62000	3.12	1.38	620	6 743	6 743
Elcoteq Network Oyj		91300	0.39	0.08	183	6 254	6 254
Espoon Sähkö Oyj		145200	0.92	0.92	290	8 223	8 223
Evli Nordic Smaller Company		30000			3 000	3 000	3 000
Finnair Oyj		201500	0.24	0.24	1 008	7 085	7 085
Finnlines Oy		13500	0.07	0.07	135	1 050	1 050
Finnmezzanine rahasto		11840			5 920	5 920	5 920
Fiskars Oy Ab		4600	0.06	0.09	138	1 659	1 659
Garantia PK-lainarahasto		86			2 150	2 150	2 150
Gyllenberg Small Firm		1963			982	1 020	1 020
Helsingin Yliopiston tietopalvelut		23			230	1 309	1 309
Huhtamäki Oyj		124135	0.42	0.58	2 483	16 455	16 455
Ilkka Oy		31589	1.94	1.15	316	3 341	3 341
Ingman Foods Oy		4500	0.40	0.45	113	1 273	1 273
Instrumentarium Oyj		188100	0.93	0.31	1 881	23 884	23 884
Jaakko Pöyry Group Oyj		90000	0.66	0.66	450	5 220	5 220
JOT-yhtiöt Oy		18920	4.71	4.71	189	3 375	3 375
Kauppakaari Oy		48000	1.37	1.24	192	2 196	2 196
Kemira Oyj		300000	0.23	0.23	3 000	13 572	13 572
Keski-Pohjanmaan Kirjapaino Oy		13900	3.34	0.30	139	1 819	1 819
Kesko Oy		136500	0.15	0.00	1 365	9 569	9 569
Kone Oy		40600	0.60	0.24	2 030	19 116	19 116
Oyj Kyro Abp		87500	0.22	0.22	88	2 363	2 363
Lassila & Tikanoja Oy		168800	1.12	1.12	1 688	9 527	9 527
Maakuntien Viestintä Oy		10000	3.49	0.80	1 000	1 000	1 000
MB Equity Fund Ky		7			4 280	3 350	3 350
Metra Oy Ab		277600	0.51	0.50	5 552	25 210	25 210
Oy Metsä-Rauma Ab		288000	3.00	3.00	14 400	30 001	30 001
Metsä-Serla Oyj		471000	0.34	0.73	4 710	12 641	12 641
Metsä-Tissue Oyj		114000	0.38	0.38	1 140	5 985	5 985
Neste Oy		72500	0.07	0.07	725	5 517	5 517
Nokia Oyj Abp		20000	0.01	0.00	100	2 984	2 984
Nokian Renkaat Oyj		84800	0.81	0.83	848	3 065	3 065
Nordic Aluminium Oy		96700	2.09	2.09	725	4 158	4 158
Norvestia Oy Ab		50000	0.98	0.64	1 000	3 500	3 500
Novo Group Oyj		79508	1.25	1.25	398	7 284	7 284
Olvi Oyj		22800	0.89	0.24	228	2 452	2 452

TAPIOLA MUTUAL PENSION INSURANCE COMPANY

Other investments Shares and other variable-yield securities and units in unit trusts	Domicile	No. of shares	% of shares	% of votes	Nominal value  FIM 1000	Parent company	Group
						Book	Book
						value 1997 FIM 1000	value 1997 FIM 1000
Orion-yhtymä Oy		267820	0.38	0.43	2 678	23 985	23 985
Outokumpu Oyj		114100	0.09	0.09	1 141	7 501	7 501
Oyj Partek Abp		98700	0.20	0.20	987	5 426	5 426
PK Cables Oy		27000	0.51	0.51	54	1 242	1 242
Raisio yhtymä Oyj		24880	0.15	0.15	249	2 292	2 292
Rautakirja Oyj		27588	0.43	0.03	552	4 957	4 957
Rautaruukki Oy		75000	0.06	0.06	750	3 150	3 150
Sanoma Oy		935	0.22	0.24	94	3 074	3 074
Oy Stockmann Ab		57000	0.39	0.06	1 140	15 975	15 975
Suomen Kantaverkko Oy		150	4.51	2.01	30 000	30 000	30 000
Tamfelt Oy Ab		111400	1.68	0.66	1 114	9 453	9 453
Thomesto Trading yhtiöt Oy		70000	0.86	0.13	700	1 307	1 307
Vaisala Oy		11600	0.27	0.06	116	2 062	2 062
Valmet Oyj		161500	0.21	0.21	1 615	12 063	12 063
Werner Söderström Oy		45500	0.38	0.09	455	2 839	2 839
Vakuutusosakeyhtiö Garantia		2960	4.93	4.93	2 960	12 178	12 178
Tapiola General Mutual Insurance Company		42	43.70	1.57	2 100	2 100	2 100
Tapiola Mutual Life Assurance Company		8000	56.30	2.02	2 400	2 400	2 400
Työväen Keskinäinen Vakuutusyhtiö Turva		200	4.44	2.31	2 000	2 000	2 000
AGA Ab	Sweden	90000				6 217	6 217
Allied Domecq Plc	England	40000				1 461	1 461
Baloise Holding	Switzerland	300				2 116	2 116
Bergman & Beving Ab	Sweden	24000				1 716	1 716
Chr. Hansen Holding A/S	Denmark	6250				3 765	3 765
Diageo Plc	England	90000				3 205	3 205
Falck A/S	Denmark	5000				1 178	1 178
Fannie Mae	USA	6000				1 499	1 499
Heineken NV	Holland	1500				1 331	1 331
HSBC Holdings	England	10000				1 341	1 341
Johnson & Johnson	USA	10000				3 156	3 156
L.V.M.H. Moët Hennessy							
Louis Vuitton	France	6000				5 333	5 333
Mc Donald's Corp.	USA	91000				22 929	22 929
Munters Ab	Sweden	121400				5 707	5 707
Nestle AG	Switzerland	500				3 173	3 173
Netcom Systems Ab	Sweden	15000				1 175	1 175
Nycomed Amersham Plc	England	88481				8 420	8 420
Roche Holding Bon Jouissance	France	80				2 810	2 810
Sardus Ab	Sweden	58100				2 421	2 421
Scandinavian Mobility Int A/S	Denmark	45000				2 253	2 253
Scania Ab	Sweden	95000				11 429	11 429
Schibsted AS	Norway	40000				3 606	3 606
Schroder Seoul Fund		4585908				4 596	4 596

## TAPIOLA MUTUAL PENSION INSURANCE COMPANY

Other investments Shares and other variable-yield securities and units in unit trusts	Domicile	No. of shares	% of shares	% of votes	Nominal value  FIM 1000	Parent company Group	
						Book value 1997 FIM 1000	Book value 1997 FIM 1000
Svenska Handelsbanken	Sweden	10000				1 504	1 504
Tele Danmark AS	Denmark	30000				7 669	7 669
Telecom Italia Spa	Italy	100000				3 332	3 332
UBS-Bearer	Switzerland	300				1 291	1 291
Zürich Versicherungs-Reg.	Switzerland	1000				1 252	1 252
Others		669897				16 884	
Others		775986					62 400
						<b>592 929</b>	<b>638 445</b>

FIM 1 000	Parent company			Group			
31.12.1997	Intangible assets and long-term expenditure	Equipment	Total	Intangible assets and long-term expenditure	Consoli- dation goodwill	Equipment	Total
Acquisition cost 1.1.	39 941	853	40 794	39 941	15 583	853	56 377
Fully depreciated in the previous year	-1 893	-	-1 893	-1 893	-13 916	-	-15 808
Acquisitions	4 878	279	5 157	4 878	-	279	5 156
Acquisition cost 31.12.	42 926	1 132	44 058	42 926	1 667	1 132	45 725
Accumulated depreciations according to plan 1.1.	10 782	710	11 492	10 782	14 112	710	25 604
Fully depreciated in the previous year	-1 893	-	-1 893	-1 893	-13 738	-	-15 630
Depreciations according to plan	4 628	126	4 754	4 628	247	126	5 001
Sales and disposal	-	-	-	-	178	-	178
Accumulated depreciations according to plan 31.12.	13 517	836	14 354	13 517	621	836	14 975
<b>Acquisition cost after depreciations according to plan 31.12.</b>	<b>29 409</b>	<b>295</b>	<b>29 704</b>	<b>29 409</b>	<b>1 046</b>	<b>295</b>	<b>30 750</b>
Net expenditures after depreciation 31.12.	29 409	295	29 704	29 409	1 046	295	30 750

FIM 1 000	Parent company			Group			
<b>8 CHANGE IN TANGIBLE AND INTANGIBLE ASSETS</b>							
<b>31.12.1996</b>	<b>Intangible assets and long-term expenditure</b>	<b>Equipment</b>	<b>Total</b>	<b>Intangible assets and long-term expenditure</b>	<b>Consoli- dation goodwill</b>	<b>Equipment</b>	<b>Total</b>
Acquisition cost 1.1.	36 352	686	37 037	36 352	918	686	37 956
Fully depreciated in the previous year	-3 623	-	-3 623	-3 623	-	-	-3 623
Acquisitions	7 213	167	7 380	7 213	14 665	167	22 045
Acquisition cost 31.12.	39 941	853	40 794	39 941	15 583	853	56 377
Accumulated depreciations according to plan 1.1.	11 761	649	12 410	11 761	-	649	12 410
Fully depreciated in the previous year	-3 623	-	-3 623	-3 623	-	-	-3 623
Depreciations according to plan	2 645	61	2 706	2 645	14 112	61	16 818
Accumulated depreciations according to plan 31.12.	10 782	710	11 492	10 782	14 112	710	25 604
<b>Acquisition cost after depreciations according to plan 31.12.</b>	<b>29 159</b>	<b>143</b>	<b>29 302</b>	<b>29 159</b>	<b>1 471</b>	<b>143</b>	<b>30 773</b>
Net expenditures after depreciation 31.12.	29 159	143	29 302	29 159	1 471	143	30 773

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>9 OTHER LOANS</b>				
Remaining acquisition costs by security				
Bank guarantee	2 304 401	3 073 250	2 304 401	3 073 250
Other security	586 530	822 121	586 530	822 121
<b>Remaining acquisition cost</b>	<b>2 890 931</b>	<b>3 895 371</b>	<b>2 890 931</b>	<b>3 895 371</b>
<b>10 TOTAL AMOUNT OF PENSION LOANS</b>				
Other loans guaranteed by mortgages	333 073	456 829	333 073	456 829
Other loans	2 573 503	3 458 965	2 573 503	3 458 965
<b>Remaining acquisition cost, total</b>	<b>2 906 576</b>	<b>3 915 794</b>	<b>2 906 576</b>	<b>3 915 794</b>
<b>11 CAPITAL AND RESERVES</b>				
Restricted				
Equivalent funds	5 000	5 000	5 000	5 000
Guarantee capital	4 800	4 800	4 800	4 800
Revaluation reserve, increase	-	-	600	600
	9 800	9 800	10 400	10 400
Non-restricted				
Security reserve	16 510	13 750	16 510	13 750
Transferred from profits for the previous year	2 940	2 760	2 940	2 760
	19 450	16 510	19 450	16 510
Contingency reserve	274	273	274	273
Transferred from profits for the previous year	3	6	3	6
Used for generally beneficial purposes	-	-5	-	-5
	277	274	277	274
Group profit/loss for previous years	-	-	1 629	-1 444
Transferred from losses for the previous years	-	-	-8 564	-1 025
Allocated	-	-	4 169	4 098
	-	-	-2 766	1 629
Profit/Loss for the previous year	3 327	3 150	-5 237	2 125
Transferred by decision of the AGM:				
Interest on the guarantee capital	-384	-384	-384	-384
Security reserve	-2 940	-2 760	-2 940	-2 760
Contingency reserve	-3	-6	-3	-6
Retained earnings	-	-	8 564	1 025
	0	0	0	0
<b>Profit/Loss for the accounting period</b>	<b>3 532</b>	<b>3 327</b>	<b>-3 889</b>	<b>-5 237</b>
	23 259	20 111	13 072	13 176
	<b>33 059</b>	<b>29 911</b>	<b>23 472</b>	<b>23 576</b>

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>ANALYSIS OF THE REVALUATION RESERVE</b>				
Revaluation reserve 1.1.	-	-	600	-
Increase	-	-	-	600
Revaluation reserve 31.12.	-	-	600	600
Of which related to fixed assets	-	-	600	600
<b>I 2 RESERVES</b>				
Depreciation difference 1.1.	-	-	1 092	-
Increase during the accounting period	-	-	4 251	709
Other increase	-	-	-	383
Depreciation difference 31.12.	-	-	5 343	1 092
<b>Optional reserves</b>				
Credit loss reserve 1.1.	262 510	334 380	262 510	334 380
Decrease	-58 370	-71 870	-58 370	-71 870
Credit loss reserve 31.12.	204 140	262 510	204 140	262 510
Transitional reserve 1.1.	73 840	73 840	73 840	73 840
Decrease	-73 840	-	-73 840	-
Transitional reserve 31.12.	0	73 840	0	73 840
Housing reserve 1.1.	-	-	73	-
Increase	-	-	395	73
Housing reserve 31.12.	-	-	468	73
<b>Optional reserves, total 31.12</b>	<b>204 140</b>	<b>336 350</b>	<b>204 608</b>	<b>336 423</b>
<b>Reserves, total</b>	<b>204 140</b>	<b>336 350</b>	<b>209 951</b>	<b>337 515</b>
<b>Tax liability calculated for the optional reserves</b>	<b>57 159</b>	<b>94 178</b>	<b>58 786</b>	<b>95 290</b>
Tax rate	28%	28%	28%	28%

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>I 3 PROVISIONS FOR OUTSTANDING CLAIMS</b>				
Mortgages given				
As security for own debts	-	-	27 955	900
As security for debts from affiliated companies	-	-	-	34 100
Amount of liability	-	-	27 955	900
Subscription commitments	22 109	23 346	22 109	23 346
Call options	144 900	-	144 900	-
<b>I 4 MANAGEMENT LOANS AND PENSION COMMITMENTS</b>				
Loans				
Loans granted to members of affiliated companies	2 685	-	2 685	-
Pension commitments				
A retirement age of 60 - 63 years has been agreed for the senior management of the company and for those members of the Board of Directors who are employed by the company				

## KEY FIGURES PERTAINING TO SOLVENCY

FIM 1 000	Parent company	
	1997	1996
<b>Solvency margin</b>		
Capital and reserves after profit distribution	32 771	29 527
Optional reserves and accumulated depreciation difference	204 140	336 350
Valuation difference between current asset values and book values on the balance sheet	1 007 653	920 707
Unallocated additional benefits provision	822 865	169 200
Intangible assets and insurance acquisition costs not entered as expenses (-)	-29 409	-29 159
Off-balance-sheet commitments	-	-23 346
	<b>2 037 924</b>	<b>1 403 279</b>
Solvency margin required under the Insurance Companies Act, Chapter 11, Section 4	178 140	73 596
Working capital in relation to technical provisions %	12,0	8,6
Equalization provision included in the technical provisions for years in which there are exceptionally large losses	648 387	464 915
Solvency limit %	4,7	4,0
Lower limit of target zone %	9,5	8,1
Upper limit of target zone %	18,9	16,1
Working capital divided by solvency limit	2,5	2,2



# PROPOSAL FOR THE APPROPRIATION OF THE PROFIT

The Board of Directors proposes that the profit for the accounting period in the amount of FIM 3 532 616.00 be appropriated as follows:

Interest at 6 per cent be paid on the guarantee capital		288 000,00
Transfer to the security reserve		3 236 000,00
Transfer to the contingency reserve		8 616,00
		<u>3 532 616,00</u>

If the Board of Directors' proposal for the appropriation of profits is approved, the company's capital and reserves will be as follows:

Restricted capital and reserves		
Equivalent funds	5 000 000,00	
Guarantee capital	<u>4 800 000,00</u>	9 800 000,00
Non-restricted capital and reserves		
Security reserve	22 686 000,00	
Contingency reserve	<u>285 391,10</u>	22 971 391,10
		<u>32 771 391,10</u>

Espoo, 2nd April 1998

Asmo Kalpala	Pertti Heikkala	Esa Härmälä	Eva-Liisa Inkeroinen
Pauli Leimio	Tom Liljeström	Ismo Luimula	Maj-Len Remahl
Matti Sutinen	Aino Toikka	Pauli Torkko	Riitta Työläjäarvi

# AUDITORS' REPORT

TO THE OWNERS OF THE TAPIOLA MUTUAL  
PENSION INSURANCE COMPANY

We have examined the bookkeeping, financial statements and administration of the Tapiola Mutual Pension Insurance Company for the 1997 financial year. The financial statements prepared by the Board of Directors and the Managing Director include an annual report, consolidated and parent company income statements and balance sheets, and appendices to the financial statements. On the basis of the audit, we hereby issue the following statement on the financial statements and administration.

Mr Mauno Tervo has performed the supervisory audit of the company and a separate report was issued on 7th April 1998.

The bookkeeping as well as the principles, content and presentation of the financial statements have been examined in accordance with generally accepted auditing principles. In our examination of the administra-

tion, we have determined that the members of the Board and the Supervisory Board and the Managing Director have acted in accordance with the law.

The financial statements, which show a surplus for the parent company amounting to FIM 3,532,616.00 have been prepared in accordance with both the Bookkeeping Act and other rules and regulations concerning the preparations of financial statements. The financial statements provide, in the manner prescribed in the Bookkeeping Act, accurate and adequate information on the performance and financial standing of both the group and the parent company.

The financial statements of the parent company together with its consolidated financial statements can be adopted. The members of the Supervisory Board and the Board of Directors and the Managing Director may be discharged from responsibility for the financial year covered by our audit.

The proposal by the Board of Directors on the appropriation of the surplus is in accordance with the law.

ESPOO, 16TH APRIL, 1998

MAUNO TERVO  
C.P.A.

SVH Coopers & Lybrand Oy  
firm of certified public accountants  
ULLA HOLMSTRÖM  
C.P.A.

## REPORT BY THE SUPERVISORY BOARD

Having examined the financial statements, the consolidated financial statements and the auditors' report for 1997 financial year, the Supervisory Board recommends

that the financial statements and its consolidated financial statements can be adopted.

ESPOO, 22TH APRIL 1998

ILKKA BROTHERUS  
chairman

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

TAPIOLA  
MUTUAL LIFE  
ASSURANCE COMPANY



ANNUAL REPORT 1997

# LIFE INSURANCE

## INCREASINGLY COMPETITIVE



JARI SAINÉ  
MANAGING DIRECTOR

The period of record-breaking growth in the life insurance market came to an end and gross premium written fell by 4.5 per cent. The downturn was due to the decline of investment-type, single-premium life insurances with savings. The total premiums written by the life insurance companies in 1997 were FIM 11.3 billion. The life insurance companies owned by the banks further increased their market share. Corporate form arrangements, insurance portfolio share-outs, new foreign companies and increased activity by brokers are all factors heralding a further intensification of competition on the life insurance market.

The volume of unit-linked life insurance rose from 1.2 per cent in 1996 to 5.2 per cent in the review year. Most of the premiums written for these unit-linked products have gone to the banks' life insurance companies.

A new mechanism for supervising the solvency of life insurance companies will be introduced at the beginning of 1999. In assessing the solvency of a company, much more attention will be given to the structure of its investment and insurance portfolios and its policyholder benefits policy, the latter being recommended for publication. With regard to new insurance contracts, lowering the assumed interest rate to correspond better with the general level of interest rates is envisaged.

Tapiola's life insurance companies increased their premiums written especially in individual and group pension insurance. Owing to non-current income flows, the growth in group pension insurance was a new record. Tapiola's life insurance companies will continue to focus on performing their basis role, i.e. offering a range of products that afford protection against risk and a means of long-term saving. Optional pension insurance has been selected as the main growth area. The investment needs of customer-owners are also being taken into account and a cautious approach is being adopted towards underwriting single-premium, investment-type life insurance with savings, so that solvency will not fluctuate excessively and the investment portfolio will be divided up among as many policyholders as possible.

The sales of Tapiola's life insurance companies rose by 4 per cent to FIM 153 million. Individual pension insurance accounted for FIM 93 million of these sales, and the growth figure was 12 per cent. The market share rose by 10.3 (9.6) per cent.

# ADMINISTRATION AND AUDITORS OF TAPIOLA LIFE

## SUPERVISORY BOARD

	* Term
MATTI AHDE	1995-1998
chairman, managing director, Vantaa	
TUULA ENTELÄ	1996-1999
deputy chairman, investment director Espoo	
RISTO IHAMUOTILA	1996-1999
vice-chancellor, Helsinki	
ALPO IKONEN	1996-1999
managing director, Muurame	
PERTTI KETTUNEN	1995-1998
professor, Jyväskylä	
VESA KÄMÄRI	1997-2000
majorgeneral, Helsinki	
SAARA LAMPELO	1997-1998
managing director, Oulu	
MERJA LEHTONEN	1996-1999
chairman, Riihimäki	
SISKO MÄKELÄ	1997-2000
B.Sc. (Agriculture), Pyhäntä	
SIMO NUUTINEN	1997-2000
farmer, Lieksa	
ARJA POHJA	1997-2000
head of office, Turku	
PENTTI RAHOLA	1996-1999
organisational director, Vantaa	
ASKO SARKOLA	1997-2000
theater director, Espoo	
ARTO TUOMINEN	1997-1998
managing director, Espoo	
ANTTI VIIRIMÄKI	1996-1999
agricultural councilor, Vantaa	

## AUDITORS

MAUNO TERVO  
M.Sc. (Econ.), C.P.A.  
SVH Coopers & Lybrand Oy  
firm of certified public accountants

### *Deputy auditors*

ULLA HOLMSTRÖM  
M.Sc. (Ekon.) C.P.A.  
JARI MIIKKULAINEN  
M.Sc. (Econ.), C.P.A.

## BOARD OF DIRECTORS

ASMO KALPALA  
chairman,  
president  
PERTTI HEIKKALA  
deputy chairman,  
managing director  
JUHANI HEISKANEN  
deputy managing director, sales,  
marketing and regional services  
deputy member until 31.1.1998,  
member as from 1.2.1998  
PENTTI KOSKINEN  
director, actuarial services  
TOM LILJESTRÖM  
managing director  
JARI SAINÉ  
managing director

### *Deputy members*

ANTTI CALONIUS  
director, major clients services,  
international direct insurance and  
reinsurance  
JARI EKLUND  
director, investment services  
as from 1.1.1998  
MATTI LUUKKO  
deputy managing director, life  
insurance  
ALPO MUSTONEN  
director  
MARKKU PAAKKANEN  
director, economy services  
as from 1.2.1998

\* The term commences at the Annual General Meeting.

# ANNUAL REPORT 1997

THE EMPHASIS IN TAPIOLA LIFE'S OPERATIONS WAS ON LONG-TERM SAVING, WITH PARTICIPATION IN THE SINGLE-PREMIUM INVESTMENT-TYPE INSURANCE MARKET BEING QUITE LIMITED. THE DISTRIBUTION NETWORK WAS DEVELOPED TO MEET THE NEEDS OF EXPANDING MARKETS.

## INSURANCE

**PREMIUMS WRITTEN** Tapiola Life's premiums written were FIM 670 million. Premiums written declined by 22 per cent from the previous year's level of FIM 859 million owing to the reduced contribution of lump-sum savings life insurance. Life insurance accounted for FIM 431 million or 64 per cent of premiums written. The share of individual pension insurance was 36 per cent or FIM 239 million, representing a 10.5 per cent increase compared with the previous year.

The provision for unearned premiums rose by FIM 423 million.

**CLAIMS PAID** Claims paid by Tapiola Life were FIM 402 million, 14.5 per cent higher than the figure for 1996. Repayments of savings totals were FIM 140 million, which was FIM 25 million more than in 1996. Surrenders amounted to FIM 86 million, a 33.1 per cent rise compared with the previous year.

## INVESTMENTS

Net investment income was FIM 269 million, which was 10.6 per cent higher than in the previous year.

Net interest income was FIM 182 million, which was unchanged from the level of the previous year.

The net income from investments in land and buildings rose from FIM 61 million to FIM 79 million.

Realised gains on investments totalling FIM 18 million were activated as income in 1997, compared with FIM 32 million in the previous year.

Writedowns in respect of land and buildings were FIM 17 million. The figure includes value adjustment items amounting to FIM 12.4 million. In the previous year, the corresponding inclusive figure was FIM 57 million.

Investment income was increased by writedown cancellations of FIM 4 million.

The book and current values of the company's invest-

ment assets at the end of the year were FIM 4,694 million and FIM 5,413 million, respectively.

Interest-bearing investments were weighted in favour of government bonds. The combined value of loans and deposits was considerably lower than in the previous year

## OPERATING EXPENSES

Operating expenses in 1997 were FIM 86 million, which was 6.4 per cent higher than in the previous year.

Depreciation is included in operating expenses and the appropriate proportions of operating expenses are allocated to claims incurred and investment charges.

Salaries and commissions totalled FIM 49 million, which was 15.7 per cent higher than in the previous year. The rise is a consequence of greatly increased marketing and sales activity.

With the exception of the Managing Director and the Deputy Managing Director, the company's business operations were administered by staff employed by Tapiola General Mutual Insurance Company. From the beginning of 1998 the personnel's employment relationships were revised so that with the exception of the Managing Director and the Deputy Managing Director the company's staff are employed not only by the company but also by Tapiola General Mutual Insurance Company and Tapiola Mutual Pension Insurance Company. The payments for services produced using shared resources are included in the company's operating expenses under the same items as would have been used if the staff had been directly employed by Tapiola Life.

Salaries and commissions paid to members of the Supervisory Board, the Board of Directors and the Managing Director totalled FIM 1,134,166.00. Other salaries and commissions amounted to FIM 47,522,792.57. The total salaries and commissions figure was FIM 48,656,958.57.

## CLOSING OF THE ACCOUNTS

The company's technical underwriting result of FIM

109 million was very satisfactory and will allow competitive policyholder bonuses. The technical underwriting result incorporates the surpluses for underwriting, administrative costs and investments.

The underwriting surplus, which describes purely insurance operations, was FIM 46 million. This compares with a surplus of FIM 33 million in the previous year.

The administrative costs result, which describes the company's cost efficiency, was a deficit of FIM 4 million. In the previous year the comparable figure was a surplus of FIM five million.

The company's investment surplus was FIM 67 million, compared with FIM 66 million in the previous year.

Tapiola Life's solvency ratio is 119.9 per cent, and the company is very solvent. The solvency ratio was 120.6 per cent in 1996.

The current value of the company's assets has been assessed in the financial statements by adhering to a conservative valuation principle. The procedure is described in greater detail in the accounting principles of the financial statements.

Depreciation of FIM 10 million was charged according to plan. The full amount of depreciation permitted under the Business Taxation Act was made.

The credit loss reserve was brought into line with the full amount.

FIM 83 million was set aside in the closing of the accounts for policyholder bonuses in 1998, compared with FIM 63 million in the previous year. In addition to this, FIM 7 million was set aside for future additional benefits.

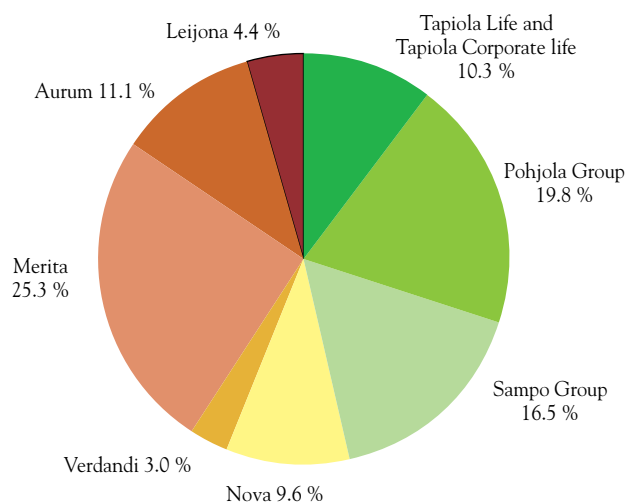
During the accounting period, FIM 46,000.00 was paid from the contingency reserve in the form of donations for generally beneficial purposes.

The company's share of the profit-sharing payment transferred to the Staff Fund of the Tapiola Insurance Group was FIM 854,000.00. It has been calculated according to an advance amount and is included in the Profit and Loss Account under other expenses.

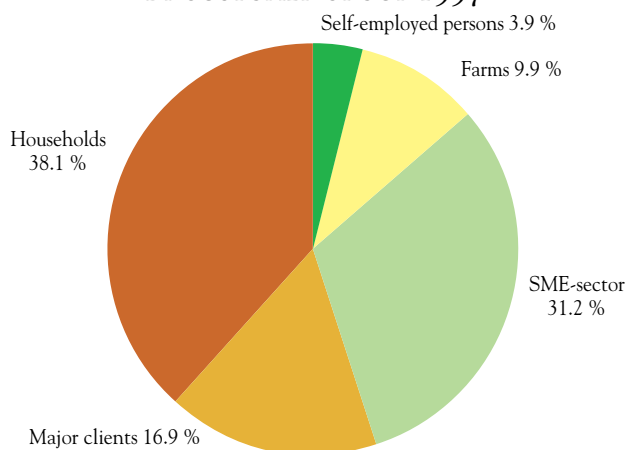
The Board of Directors recommends that the surplus of FIM 889,190.27 for the accounting period be appropriated so that FIM 889,190.27 is transferred to the security reserve.

The Balance Sheet showed assets totalling FIM 5,106,139,161.69, compared with FIM 4,687,991,490.23 at the end of the previous year.

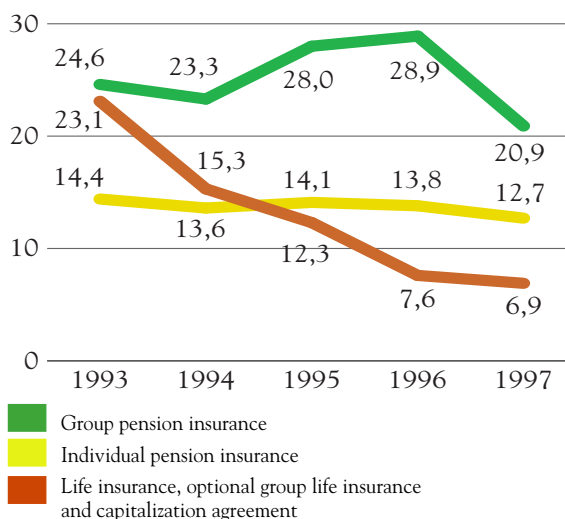
**MARKET SHARES 1997**  
Life, group life and individual as well as optional pension insurance.  
Premiums written FIM 11 269 Mio  
Abolished pension foundations included



**TAPIOLA LIFE PREMIUMS WRITTEN BY CUSTOMER GROUP 1997**



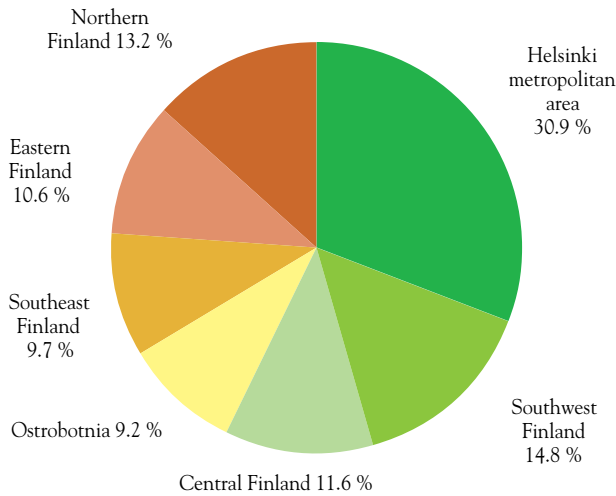
**TAPIOLA DEVELOPMENT OF MARKET SHARE IN LIFE INSURANCE CLASSES**  
Abolished pension foundations excluded



TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

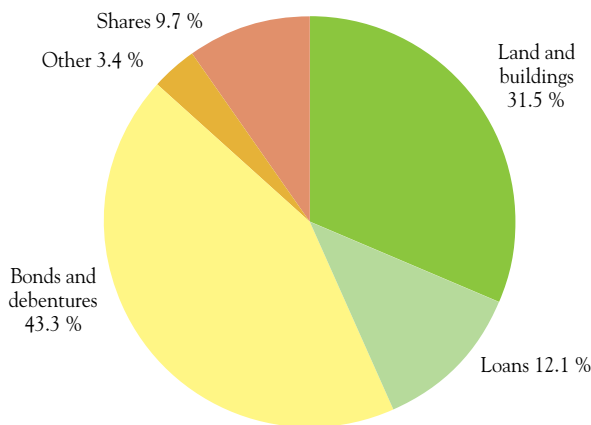
**TAPIOLA LIFE PREMIUMS WRITTEN  
BY GEOGRAPHICAL AREA 1997**

Based on domicile of policyholders including major clients



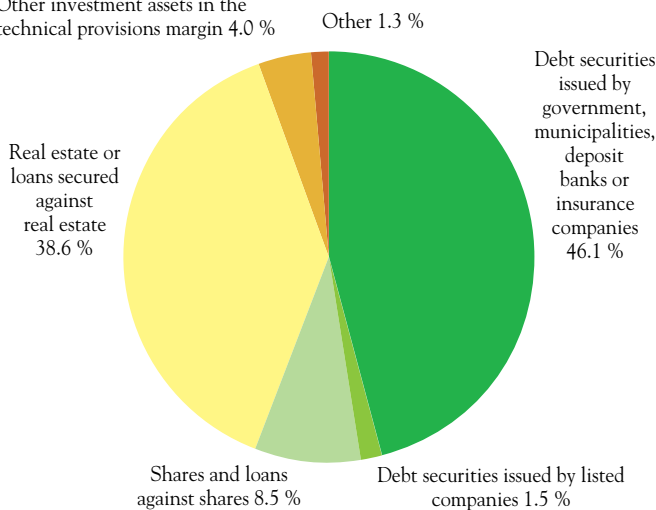
**TAPIOLA LIFE INVESTMENT ASSETS**

Current value at 31.12.1997 FIM 5 413 Mio



**TAPIOLA LIFE  
INVESTMENT RISK PROFILE 31.12.1997**

Other investment assets in the technical provisions margin 4.0 %



The categories are the same as in the regulations concerning the technical provisions margin.

**TAPIOLA LIFE  
PERFORMANCE ANALYSIS**

Tapiola Corporate Life not included

FIM mio	1997	1996	1995	1994
<b>COMPOSITION OF THE RESULT</b>				
Risk business	46	33	30	40
Cost business	-4	5	-9	8
Interest business	67	66	45	1
<b>TOTAL</b>	<b>109</b>	<b>104</b>	<b>66</b>	<b>49</b>
Revaluations			12	

**APPLICATION OF THE RESULT**

	1997	1996	1995	1994
Policyholder bonuses, discounts and additional benefits	-90	-63	-64	-80
Equalization provision	-8	-11	-1	-12
Extraordinary expenses		-11		
Depreciations etc.	-9	-14	-11	47
<b>RESULT</b>	<b>1</b>	<b>5</b>	<b>2</b>	<b>4</b>

**CONSOLIDATED  
FINANCIAL  
STATEMENT**

Tapiola Mutual Life Assurance Group consisted of the parent company Tapiola Mutual Life Assurance Company, Tapiola Corporate Life Insurance Company and 68 housing and real estate companies. During the accounting period, 29 subsidiaries joined the group.

Associated companies are Tapiola Data Ltd, Vakuutusneuvonta Aura Oy, Vakuutusneuvonta Pohja and Tapiola Book Entry Securities.

**INSURANCE**

**PREMIUMS WRITTEN** The group's gross premiums written were FIM 1,159 million, which was 2.2 per cent higher than the comparable figure for the previous year.

The provision for unearned premiums rose by FIM 524 million to FIM 5,274 million.

**CLAIMS PAID** Claims paid amounted to FIM 581 million, which was 10.7 per cent higher than in the previous year.



# TAPIOLA LIFE GROUP

## KEY FINANCIAL INDICATORS

	1997	1996	1995	1994
<b>GENERAL FINANCIAL INDICATORS</b>				
Turnover, FIM mio	1 756	1 734	1 226	776
Operating profit or loss, FIM mio	93	104	116	75
Operating profit as a percentage of turnover, %	5.3	6.0	9.5	9.7
Profit or loss before extraordinary items, appropriations and taxes, FIM mio	-42	12	23	-46
Above as a percentage of turnover, %	-2.4	0.7	1.9	-6.0
Profit or loss before provisions and taxes, FIM mio	-42	0	23	-46
Above as a percentage of turnover, %	-2.4	0.0	1.9	-6.0
Return on equity (ROE), %	4.9	43.3	17.1	-9.9
Return on assets (ROA), %	5.9	10.1	6.9	3.9
Equity ratio, %	13.0	13.4	10.1	9.2
<b>KEY FINANCIAL INDICATORS FOR LIFE INSURANCE</b>				
Gross premiums written, FIM mio	1 159	1 135	729	451
Expense ratio, %	105.8	97.7	92.1	100.2
Solvency margin, FIM mio	1 053	962	603	526
Equalisation provision	181	171	174	172
Solvency capital, FIM mio	1 291	1 160	810	724
Solvency ratio, %	118.0	118.4	114.8	114.2
<b>OTHER INDICATORS</b>				
Minimum solvency margin, FIM mio	324	294	273	255
Solvency margin ratio, %	324.8	327.4	221.3	206.7
Market share of premiums written, %	10.3	9.6	10.2	12.3
Market share without abolition of pension foundation, %	9.3	9.9	15.4	13.6
Market share of insurance savings, FIM mio	13.8	15.7	18.6	21.9
<b>STRUCTURE OF INVESTMENT PORTFOLIO</b>				
Investments in land and the buildings, FIM mio	2 905	2 565	2 232	
%	35.6	35.8	37.1	
Shares, FIM mio	636	348	193	
%	7.8	4.9	3.2	
Debt securities, FIM mio	4 135	3 352	2 567	
%	50.7	46.7	42.7	
Other fixed income securities, FIM mio	306	574	212	
%	3.7	8.0	3.5	
Loans, FIM mio	177	335	806	
%	2.2	4.7	13.4	
Other investments, FIM mio	4	1	0	
%	0.1	0.0	0.0	

#### INVESTMENTS

Net investment income was FIM 347 million, including value adjustment items of FIM 29 million.

Writedowns of FIM 37 million were entered into the accounts, compared with 56 million in the previous year. Cancellations of writedowns made in previous years amounted to FIM 22 million.

The book and current values of the group's investment assets at the end of the year were FIM 7,184 million and FIM 8,162 million, respectively.

#### OPERATING EXPENSES

Operating expenses were FIM 111 million, which was 7.2 per cent higher than in the previous year.

Salaries and commissions rose by 10.5 per cent to FIM 58 million, while social expenses rose by 6.8 per cent compared with the previous year.

#### RESULT FOR THE ACCOUNTING PERIOD

The combined total of the underwriting, administrative costs and investment surpluses was FIM 147 million, whereas the comparable result for the previous year was FIM 155 million.

Depreciation of FIM 74 million was charged according to plan. Provisions were FIM 46 million at the end of the year.

The deficit for the accounting period was FIM 45,065,515.61, of which the minority interest was FIM 203,200.97. The Balance Sheet showed assets totalling FIM 7,648,165,501.24.

# REAL ESTATE PORTFOLIO, INCOME AND VACANT PREMISES AT 31. 12. 1997

## REAL ESTATE PORTFOLIO, FIM 1 000

Current value	2 312 447
Book value and loans	1 889 334
Valuation difference	423 113

Type of real estate	Current value FIM 1 000	Current value FIM/m <sup>2</sup>	Net yield FIM 1 000	Net yield %	Potential net yield*) %	Vacant floor area, m <sup>2</sup>	Vacancy rate
<b>Non-residential premises</b>							
Commercial and office premises							
- rented to outside parties	1 358 833	9 225	63 118	4.6	5.1	147 305	4.1
- in own use **)	71 394	7 447	4 969	7.0	7.0	9 587	0.1
Industrial premises	30 693	3 734	1 522	5.0	5.0	8 219	0.0
Hotels	215 393	7 170	17 261	8.0	8.0	30 040	0.0
<b>Total</b>	<b>1 676 313</b>	<b>8 590</b>	<b>86 870</b>	<b>5.2</b>	<b>5.5</b>	<b>195 151</b>	<b>3.1</b>
<b>Residential buildings ***)</b>	<b>454 728</b>	<b>5 718</b>	<b>24 712</b>	<b>5.4</b>	<b>5.7</b>	<b>79 530</b>	<b>3.5</b>
<b>Other properties and premises</b>							
Under construction	142 138						
Acquired mid-year	0						
Undeveloped plots	28 606						
Forest holdings	427						
Shares in real estate investment companies	10 235						
<b>Total</b>	<b>181 406</b>					<b>19 340</b>	

## REAL ESTATE PORTFOLIO

2 312 447

294 021

\*) The potential net yield is augmented by imputed gross rent for the vacant premises, which averages

FIM 55/m<sup>2</sup>/month

\*\*\*) The imputed gross rent for premises in Tapiola's own use averages

FIM 68/m<sup>2</sup>/month

\*\*\*) The net income from residential premises is augmented by a government interest subsidy of

FIM 2 623 000

The average vacancy rate over the year for non-residential premises was 3.9%.

# FINANCIAL ANALYSIS

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>Source of funds:</b>				
Cash flow financing				
Profit (Loss) before interest expenses, extraordinary items, appropriations and taxes	1 720	22 179	-41 857	11 528
Extraordinary income and expenses	-	-11 278	-	-11 278
Adjustment items:				
Changes in technical provisions	448 895	643 469	858 534	830 008
Investment devaluations and revaluations	18 490	57 563	43 701	36 209
Depreciation	9 584	7 862	74 407	63 295
	478 689	719 795	934 785	929 763
Capital financing				
Increase in minority interest	-	-	31 320	-
Optional reserves	-	-	1 651	8 934
Increase in own capital	-	-	4 898	18 201
	-	-	37 869	27 134
<b>Source of funds, total</b>	<b>478 689</b>	<b>719 795</b>	<b>972 654</b>	<b>956 897</b>
<b>Application of funds:</b>				
Profit distribution				
Taxes	623	2 447	1 243	5 163
Interest on guarantee capital	960	960	960	960
Other profit distribution	46	35	46	35
	1 629	3 442	2 249	6 158
Investments				
Increase in investments (net)	467 970	705 883	998 943	896 812
Increase in tangible and intangible assets (net)	6 875	3 816	13 374	4 812
	474 845	709 699	1 012 317	901 624
Repayments of capital				
Decrease in long-term liabilities	21	21	-	-
Decrease in minority interest	-	-	-	6 983
	21	21	-	6 983
<b>Application of funds, total</b>	<b>476 495</b>	<b>713 163</b>	<b>1 014 566</b>	<b>914 765</b>
<b>Increase/decrease in working capital</b>	<b>2 194</b>	<b>6 633</b>	<b>-41 912</b>	<b>42 132</b>
<b>Change in working capital</b>				
Change in receivables	-48 218	56 695	-89 266	61 561
Change in cash at bank and in hand	-5 452	-79 142	-6 284	-86 690
Change in prepayments and accrued income	25 047	15 128	55 649	22 981
Change in deposits received from reinsurers	-59	-3	-26	-31
Change in amounts owed	30 719	-23 334	-5 754	7 905
Change in accruals and deferred income	157	37 289	3 769	36 406
<b>Increase/decrease in working capital</b>	<b>2 194</b>	<b>6 633</b>	<b>-41 912</b>	<b>42 132</b>

# PROFIT AND LOSS ACCOUNT

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>Technical account:</b>				
Premiums written				
Premiums written	*1	670 455	859 498	1 159 361
Reinsurers' share		-10 809	-14 330	-18 919
		659 646	845 167	1 140 442
Investment income	4	403 856	414 958	586 697
Claims incurred				
Claims paid	2	-401 549	-350 628	-581 045
Reinsurers' share		10 284	10 609	14 333
		-391 265	-340 019	-566 712
Change in provision for outstanding claims		-25 922	-49 144	-336 443
Reinsurers' share		-110	-1 488	173
		-26 032	-50 632	-336 270
		-417 297	-390 651	-902 982
Change in provision for unearned premiums				
Change in provision for unearned premiums		-423 257	-595 388	-523 731
Reinsurers' share		393	2 551	1 467
		-422 864	-592 837	-522 264
Operating expenses	3	-86 335	-81 169	-110 548
Investment charge	4	-122 098	-131 355	-210 495
Investment revaluation adjustment	4	-12 400	-40 000	-28 900
Other expenses		-574	-958	-630
<b>Balance on technical account</b>		<b>1 934</b>	<b>23 155</b>	<b>-48 680</b>
<b>Non-technical account:</b>				
Other income				
Decrease in goodwill		-	-	9 252
Others		641	287	726
		641	287	9 978
Other expenses				
Depreciation on consolidation goodwill		-	-	-1 997
Others		-855	-1 262	-1 112
		-855	-1 262	-3 109
Direct taxes on ordinary activities				
Taxes for the accounting period		-667	-2 083	-1 286
Taxes from previous years		44	-364	43
		-623	-2 447	-1 243
Share of participating interests' losses after taxes		-	-	-46
<b>Profit/Loss on ordinary activities after taxes</b>		<b>1 097</b>	<b>19 732</b>	<b>-43 100</b>
Extraordinary expenses				
Pension insurance premiums		-	-11 278	-
<b>Profit/Loss after extraordinary items</b>		<b>1 097</b>	<b>8 454</b>	<b>-43 100</b>
Increase in depreciation difference		-656	-2 174	-3 658
Decrease/increase in optional reserves		448	-1 353	1 489
<b>Profit/Loss for the accounting period</b>		<b>889</b>	<b>4 927</b>	<b>-45 269</b>
Minority interest in the profit for the accounting period				203
<b>Group loss for the accounting period</b>				<b>-8 626</b>

\*Reference number in the Appendices

## APPENDICES TO THE PROFIT AND LOSS ACCOUNT

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>I PREMIUMS WRITTEN</b>				
Direct insurance				
Domestic				
Life assurance				
Individual life assurance	407 977	614 415	409 302	615 041
Employees' group life assurance	20 098	27 280	27 207	29 852
Other group life assurance	3 272	2 300	27 567	26 584
Capitalization agreements	-	-	89 100	36 300
	431 347	643 995	553 176	707 777
Pension insurance				
Individual pension insurance	239 050	215 470	270 087	231 245
Optional employment pension insurance	-	-	336 066	195 537
	239 050	215 470	606 153	426 782
	670 397	859 465	1 159 329	1 134 559
Reinsurance	157	174	157	174
<b>Gross premiums written</b>	<b>670 553</b>	<b>859 639</b>	<b>1 159 486</b>	<b>1 134 732</b>
Credit loss on premiums	-98	-142	-125	-154
<b>Premiums written before reinsurers' share</b>	<b>670 455</b>	<b>859 498</b>	<b>1 159 361</b>	<b>1 134 578</b>
<i>Premiums from agreements entitled to bonuses</i>				
Continuous premiums	555 127	498 112	798 559	733 406
Lump-sum premiums	115 270	361 353	360 770	401 153
	670 397	859 465	1 159 329	1 134 559
Premiums from agreements entitled to bonuses	670 397	859 465	1 159 329	1 134 559

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<i>The effect of bonuses and rebates on the result from life assurance</i>				
Bonuses				
Life assurance				
Individual life assurance	54 921	37 242	54 942	37 245
Other group life assurance	9	91	1 048	889
Capitalization agreements	-	-	1 090	89
	54 930	37 333	57 080	38 224
Pension insurance				
Individual pension insurance	30 753	23 850	31 231	23 920
Optional employment pension insurance	-	-	31 338	28 521
	30 753	23 850	62 569	52 441
	85 683	61 184	119 649	90 665
Rebates				
Life assurance				
Individual life assurance	4 722	4 636	4 722	4 636
<b>2 CLAIMS PAID BEFORE REINSURERS' SHARE</b>				
Direct insurance				
Life assurance	277 131	256 019	295 853	272 238
Surrenders	84 084	63 337	84 084	63 337
	363 215	319 356	379 937	335 574
Pension insurance	38 463	29 872	196 613	186 218
Surrenders	1 871	1 261	4 495	2 680
	40 334	31 133	201 108	188 898
	401 549	350 488	581 045	524 472
Reinsurance	-	140	-	140
<b>Claims paid, total</b>	<b>401 549</b>	<b>350 628</b>	<b>581 045</b>	<b>524 612</b>

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>3 TOTAL OPERATING EXPENSES</b>				
<b>BY FUNCTION</b>				
Claims paid	14 275	12 847	16 485	14 652
Operating expenses	86 335	81 169	110 548	103 120
Investment charges	6 744	6 652	8 227	7 778
Other expenses	855	1 262	3 109	3 066
<b>Total</b>	<b>108 209</b>	<b>101 930</b>	<b>138 369</b>	<b>128 616</b>
<b>3.1 DEPRECIATION BY FUNCTION</b>				
Claims paid	471	27	472	29
Operating expenses	3 187	2 861	3 346	2 993
Investment charges	1 896	2 195	1 907	2 207
Other expenses, liikearvon poisto	-	-	1 997	1 441
<b>Total</b>	<b>5 554</b>	<b>5 083</b>	<b>7 722</b>	<b>6 670</b>
<b>3.2 STAFF EXPENSES</b>				
Salaries and commissions	41 512	38 624	58 449	52 886
Monetary value of fringe benefits	1 173	1 064	1 761	1 650
Pension expenses	7 248	7 335	10 187	9 775
Other social expenses	4 048	3 783	5 653	4 995
<b>Total</b>	<b>54 017</b>	<b>50 806</b>	<b>76 050</b>	<b>69 307</b>
<b>3.3 OPERATING EXPENSES</b>				
<b>IN PROFIT AND LOSS ACCOUNT</b>				
Insurance policy acquisition costs				
Commissions for direct insurance	6 437	3 781	6 793	3 964
Other insurance policy acquisition costs	39 579	38 401	51 595	50 414
	46 016	42 182	58 388	54 378
Insurance policy management expenses	20 863	19 716	26 935	25 180
Administrative expenses	19 456	19 271	25 831	24 176
Commission for reinsurance ceded	-	-	-606	-614
<b>Total</b>	<b>86 335</b>	<b>81 169</b>	<b>110 548</b>	<b>103 120</b>



FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>4 ANALYSIS OF NET INVESTMENT INCOME</b>				
<b>Investment income:</b>				
Income from investments in group companies				
Interest income	5 728	5 775	-	-
Income from investments in land and buildings, group companies				
Interest income	37 205	26 432	-	-
Other income	486	-	-	-
	37 691	26 432	-	-
Income from investments in land and buildings, other companies				
Interest income	-	-	118	344
Other income	142 547	137 641	218 824	204 994
	142 547	137 641	218 942	205 338
Income from other investments				
Dividend income	9 185	8 194	11 301	9 357
Interest income	179 103	179 949	301 785	301 736
Other income	7 668	969	8 997	1 825
	195 956	189 112	322 083	312 917
<i>Total</i>	381 922	358 960	541 025	518 255
Devaluation cancellations	3 754	24 419	22 444	42 856
Realized gains on investments	18 180	31 579	23 228	35 738
<b>Total</b>	<b>403 856</b>	<b>414 958</b>	<b>586 697</b>	<b>596 849</b>
<b>Investment expenses:</b>				
Expenses for land and buildings				
Group companies	-50 422	-40 622	-	-
Other companies	-51 149	-62 792	-95 971	-103 303
	-101 571	-103 414	-95 971	-103 303
Expenses for other investments	-3 709	-2 908	-4 654	-3 775
Interest expenses and expenses on other liabilities				
Group companies	-418	-584	-	-
Other companies	-2 492	-3 677	-5 166	-9 588
	-2 910	-4 261	-5 166	-9 588
<i>Total</i>	-108 190	-110 583	-105 791	-116 667
Value adjustments on investments				
Devaluation	-9 844	-17 563	-37 245	-55 565
Planned depreciation on buildings	-4 030	-2 779	-65 857	-58 066
	-13 874	-20 342	-103 102	-113 632
Realized losses on investments	-34	-430	-1 602	-493
<b>Total</b>	<b>-122 098</b>	<b>-131 355</b>	<b>-210 495</b>	<b>-230 791</b>
<b>Net investment income before revaluations and other adjustments</b>	<b>281 758</b>	<b>283 603</b>	<b>376 203</b>	<b>366 059</b>
Investment revaluation adjustment	-12 400	-40 000	-28 900	-23 500
<b>Net investment income on the Profit and Loss Account</b>	<b>269 358</b>	<b>243 603</b>	<b>347 303</b>	<b>342 559</b>
Avoir fiscal tax credit included in dividend income	667	2 042	1 174	2 334

## BALANCE SHEET

FIM 1 000	Parent company		Group	
ASSETS	1997	1996	1997	1996
<i>Intangible assets</i>				
Consolidation goodwill	-	-	66	99
Other long-term expenses	8	18 211	18 242	22 393
		<b>18 211</b>	<b>18 242</b>	<b>22 459</b>
<i>Investments</i>				
Investments in land and buildings	5			
Land and buildings	6	1 283 446	1 302 211	2 364 981
Loans to group companies		474 459	331 520	-
		1 757 905	1 634 731	2 364 981
Investments in group companies and participating interests				
Shares and holdings in group companies	7	39 372	39 372	-
Debt securities issued by and loans to group companies		35 487	35 487	-
Other shares and variable-yield securities and units in unit trusts	7	1 610	1 610	1 327
		76 469	76 469	1 327
Other investments				
Shares and other variable-yield securities and units in unit trusts	7	340 190	192 928	459 830
Debt securities		2 298 749	1 939 966	4 058 880
Loans guaranteed by mortgages		67 534	128 689	84 719
Other loans	9	78 948	164 173	92 232
Deposits		74 027	112 009	118 741
Other investments		591	-	3 396
		2 860 039	2 537 764	4 817 798
		<b>4 694 413</b>	<b>4 248 964</b>	<b>7 184 106</b>
<i>Debtors</i>				
Arising out of direct insurance operations				
Policyholders		16 690	23 638	19 731
Other debtors				
Loans to participating interests		-	-	141 995
Other debtors		223 574	264 844	7 902
		<b>240 264</b>	<b>288 481</b>	<b>169 628</b>
<i>Other assets</i>				
Tangible assets	8			
Equipment		1 427	75	1 441
Other tangible assets		214	214	852
		1 641	289	2 293
Cash at bank and in hand		26 723	32 175	38 113
		<b>28 364</b>	<b>32 464</b>	<b>40 406</b>
<i>Prepayments and accrued income</i>				
Interests and rents		121 016	96 233	209 116
Prepaid claims		-	-	12 962
Other prepayments and accrued income		3 871	3 608	9 489
		<b>124 887</b>	<b>99 840</b>	<b>231 567</b>
		<b>5 106 139</b>	<b>4 687 991</b>	<b>7 648 166</b>
				<b>6 793 857</b>

## BALANCE SHEET

FIM 1 000	Parent company		Group	
LIABILITIES	1997	1996	1997	1996
<b>Capital and reserves</b>	10			
Restricted				
Equivalent funds	26 650	26 650	26 650	26 650
Guarantee capital	12 000	12 000	12 000	12 000
Revaluation reserves	10 2 100	10 2 100	37 078	26 413
	40 750	40 750	75 728	65 063
Non-restricted				
Security reserve	23 900	20 000	23 900	20 000
Contingency reserve	560	539	560	539
Group profits for previous years			-4 160	15 160
Profit/Loss for the accounting period	889	4 927	-45 066	-8 626
	25 349	25 466	-24 765	27 073
	<b>66 099</b>	<b>66 216</b>	<b>50 963</b>	<b>92 137</b>
<b>Minority interest</b>	-	-	57 524	26 408
<b>Reserves</b>				
Accumulated depreciation difference	28 960	28 304	33 906	30 248
Optional reserves	11 8 830	9 278	12 433	12 271
	<b>37 790</b>	<b>37 582</b>	<b>46 339</b>	<b>42 519</b>
<b>Technical provisions</b>				
Provisions for unearned premiums	12 4 492 493	4 069 236	5 273 762	4 750 031
Reinsurers' share	-20 807	-20 414	-24 121	-22 654
	4 471 686	4 048 823	5 249 641	4 727 377
Provision for outstanding claims	442 312	416 391	2 105 145	1 768 702
Reinsurers' share	-3 250	-3 360	-4 000	-3 827
	439 062	413 030	2 101 145	1 764 875
	<b>4 910 748</b>	<b>4 461 853</b>	<b>7 350 786</b>	<b>6 492 252</b>
<b>Deposits received from reinsurers</b>	79	20	799	773
<b>Creditors</b>				
Arising out of reinsurance operations	4	-	689	585
Amounts owed to financial institutions	378	399	378	399
Amounts owed to participating interests			55 700	73 487
Other creditors	57 951	88 674	41 486	18 028
	<b>58 333</b>	<b>89 073</b>	<b>98 253</b>	<b>92 499</b>
<b>Accruals and deferred income</b>	33 090	33 247	43 502	47 270
	<b>5 106 139</b>	<b>4 687 991</b>	<b>7 648 166</b>	<b>6 793 857</b>

# APPENDICES TO THE BALANCE SHEET

FIM 1 000	Parent company			Group		
<b>5 CURRENT VALUE AND VALUATION DIFFERENCE OF INVESTMENTS</b>						
<b>INVESTMENTS 31.12.1997</b>						
	Remaining acquisition cost	Book value	Current value	Remaining acquisition cost	Book value	Current value
Investments in land and buildings						
Land and buildings	136 190	179 943	268 531	1 728 359	2 168 513	2 585 934
Group company shares	499 896	950 347	1 162 636	-	-	-
Other real estate shares	151 263	153 157	275 396	194 574	196 468	318 638
Loans to group companies	474 459	474 459	474 459	-	-	-
	<u>1 261 808</u>	<u>1 757 906</u>	<u>2 181 022</u>	<u>1 922 933</u>	<u>2 364 981</u>	<u>2 904 572</u>
Group companies						
Shares and other variable-yield securities and units in unit trusts	39 371	39 371	39 371	-	-	-
Loans	35 487	35 487	35 487	-	-	-
	<u>74 858</u>	<u>74 858</u>	<u>74 858</u>	<u>-</u>	<u>-</u>	<u>-</u>
Participating interest						
Shares and other variable-yield securities and units in unit trusts	1 610	1 610	1 610	1 327	1 327	1 327
Other investments						
Shares and other variable-yield securities and units in unit trusts	340 190	340 190	482 478	459 830	459 830	635 019
Debt securities	2 298 749	2 298 749	2 452 041	4 058 880	4 058 880	4 322 047
Loans guaranteed by mortgages	67 534	67 534	67 534	84 719	84 719	84 719
Other loans	78 948	78 948	78 948	92 232	92 232	92 232
Deposits	74 027	74 027	74 027	118 741	118 741	118 741
Other investments	591	591	591	3 396	3 396	3 396
	<u>2 860 039</u>	<u>2 860 039</u>	<u>3 155 619</u>	<u>4 817 798</u>	<u>4 817 798</u>	<u>5 256 154</u>
	<b>4 198 315</b>	<b>4 694 413</b>	<b>5 413 110</b>	<b>6 742 059</b>	<b>7 184 106</b>	<b>8 162 053</b>

The remaining acquisition cost of debt securities consists of the difference (+/-) between the nominal value and acquisition price that is allocated to interest income or deducted from it

<u>-39 244</u>	<u>-76 851</u>
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The book value consists of

Revaluations entered as income	403 683	420 179
Other revaluations	92 415	25 946
	<u>496 098</u>	<u>446 125</u>

Valuation difference

(difference between the current and book values)

718 697

977 947

## APPENDICES TO THE BALANCE SHEET

FIM 1 000	Parent company			Group		
<b>5 CURRENT VALUE AND VALUATION DIFFERENCE OF INVESTMENTS</b>						
<b>INVESTMENTS 31.12.1996</b>						
	<b>Remaining acquisition cost</b>	<b>Book value</b>	<b>Current value</b>	<b>Remaining acquisition cost</b>	<b>Book value</b>	<b>Current value</b>
Investments in land and buildings						
Land and buildings	139 245	183 622	268 871	1 251 646	1 504 291	1 773 688
Group company shares	267 403	526 267	660 214	-	-	-
Other real estate shares	387 441	593 321	785 874	393 030	598 910	791 421
Loans to group companies	331 520	331 520	331 520	-	-	-
	<u>1 125 609</u>	<u>1 634 731</u>	<u>2 046 479</u>	<u>1 644 676</u>	<u>2 103 201</u>	<u>2 565 109</u>
Group companies						
Shares and other variable-yield securities and units in unit trusts	39 371	39 371	39 371	-	-	-
Loans	35 487	35 487	35 487	-	-	-
	<u>74 858</u>	<u>74 858</u>	<u>74 858</u>	<u>-</u>	<u>-</u>	<u>-</u>
Participating interest						
Shares and other variable-yield securities and units in unit trusts	1 610	1 610	1 610	1 340	1 340	1 340
Other investments						
Shares and other variable-yield securities and units in unit trusts	192 928	192 928	278 648	229 045	229 045	346 665
Debt securities	1 939 966	1 939 966	2 115 722	3 348 003	3 348 003	3 649 772
Loans guaranteed by mortgages	128 689	128 689	128 689	150 831	150 831	150 831
Other loans	164 173	164 173	164 173	183 950	183 950	183 950
Deposits	112 009	112 009	112 009	277 009	277 009	277 009
Other investments				1 341	1 341	1 341
	<u>2 537 764</u>	<u>2 537 764</u>	<u>2 799 240</u>	<u>4 190 179</u>	<u>4 190 179</u>	<u>4 609 568</u>
	<u>3 739 842</u>	<u>4 248 964</u>	<u>4 922 187</u>	<u>5 836 195</u>	<u>6 294 720</u>	<u>7 176 018</u>
The remaining acquisition cost of debt securities consists of the difference (+/-) between the nominal value and acquisition price that is allocated to interest income or deducted from it	<u>-18 072</u>			<u>-34 256</u>		
The book value consists of						
Revaluations entered as income		416 082			432 579	
Other revaluations		<u>93 039</u>			<u>25 946</u>	
		<u>509 121</u>			<u>458 525</u>	
Valuation difference (difference between the current and book values)			<u>673 224</u>			<u>881 298</u>

1 000 FIM	Parent company			Group	
<b>6 CHANGE IN INVESTMENTS IN LAND AND BUILDINGS</b>					
31.12.1997					
	Buildings	Land and water areas and real estate shares	Loans to group companies	Buildings	Land and water areas and real estate shares
Acquisition cost 1.1.	160 341	915 572	331 520	1 138 328	857 631
Transfers	-	-	136 837	-	-19 654
Increases	-	1 852	14 561	333 150	44 138
Decreases	-	-282	-8 459	-	-5 444
Acquisition cost 31.12.	160 341	917 142	474 459	1 471 478	876 671
Revaluations 1.1.	34 573	476 472		242 841	215 685
Decreases	-	-12 400		-	-12 400
Revaluations 31.12.	34 573	464 072		242 841	203 285
Accumulated depreciations according to plan/ devaluations 1.1.	41 349	242 399		101 250	250 033
Depreciations according to plan /devaluations and devaluation cancellations	4 030	4 904		105 747	-
Decreases	-	-		-	-27 737
Accumulated depreciations according to plan/ devaluations 31.12.	45 379	247 303		206 998	222 296
<b>Book value after depreciations according to plan/devaluations 31.12.</b>	<b>149 535</b>	<b>1 133 911</b>	<b>474 459</b>	<b>1 507 321</b>	<b>857 660</b>
Accumulated depreciations in excess of the plan 1.1.	28 304			30 248	
Depreciation above/below plan	656			-	
Accumulated depreciations in excess of the plan 31.12.	28 960			30 248	
Fully depreciated value of buildings 31.12.	120 575			1 477 073	

1 000 FIM	Parent company			Group	
<b>6 CHANGE IN INVESTMENTS IN LAND AND BUILDINGS</b>					
<b>31.12.1996</b>					
	Buildings	Land and water areas and real estate shares	Loans to group companies	Buildings	Land and water areas and real estate shares
Acquisition cost 1.1.	159 018	945 186	252 120	667 862	978 944
Increases	1 324	6 520	101 300	470 747	6
Decreases	-	-36 134	-21 900	-281	-121 319
Acquisition cost 31.12.	160 342	915 573	331 520	1 138 328	857 631
Revaluations 1.1.	34 573	516 472		34 573	516 472
Increases	-	-		208 268	-
Decreases	-	-40 000		-	-300 787
Revaluations 31.12.	34 573	476 472		242 841	215 685
Accumulated depreciations according to plan/ devaluations 1.1.	38 569	227 914		67 186	237 460
Depreciations according to plan /devaluations and devaluation cancellations	2 779	17 000		58 066	12 573
Decreases	-	-2 515		-24 002	-
Accumulated depreciations according to plan/ devaluations 31.12.	41 349	242 399		101 250	250 033
<b>Book value after depreciations according to plan/devaluations 31.12.</b>	<b>153 566</b>	<b>1 149 645</b>	<b>331 520</b>	<b>1 279 919</b>	<b>823 282</b>
Accumulated depreciations in excess of the plan 1.1.	26 130			17 731	
Depreciation above/below plan	2 174			12 517	
Accumulated depreciations in excess of the plan 31.12.	28 304			30 248	
Fully depreciated value of buildings 31.12.	125 261			1 249 671	

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>LAND AND BUILDINGS FOR OWN USE</b>				
Remaining acquisition cost	47 363	47 608	29 851	30 677
Book value	48 387	48 631	30 338	31 164
Current value	66 007	57 680	45 001	38 048
<b>Group companies</b>				
Number of companies	68	39		
Profit/Loss for the accounting period, total	-376	2 870		
Capital and reserves, total	811 215	310 493		

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>7 INVESTMENTS IN GROUP COMPANIES AND PARTICIPATING INTERESTS, OTHER INVESTMENTS, SHARES AND OTHER VARIABLE-YIELD SECURITIES AND UNITS IN UNIT TRUSTS</b>				
<b>Shares and holdings in group companies</b>				
Original acquisition cost 1.1.	39 372	39 372	-	-
Increase	-	-	-	-
<b>Remaining acquisition cost 31.12.</b>	<b>39 372</b>	<b>39 372</b>	<b>-</b>	<b>-</b>
<b>Debt securities issued by and loans to group companies</b>				
Original acquisition cost 1.1.	35 487	35 487	-	-
Increase	-	-	-	-
<b>Remaining acquisition cost 31.12.</b>	<b>35 487</b>	<b>35 487</b>	<b>-</b>	<b>-</b>
<b>Other shares and variable-yield securities and units in unit trusts</b>				
Original acquisition cost 1.1.	1 610	1 610	1 340	1 377
Increase	-	-	24	-
Decrease	-	-	-37	-37
<b>Remaining acquisition cost 31.12.</b>	<b>1 610</b>	<b>1 610</b>	<b>1 327</b>	<b>1 340</b>

	No. of shares	% of shares	% of votes	Nominal value	Parent company	Group	Result for accounting period	Capital and reserves
					Book value 1997	Book value 1997		
					FIM 1000	FIM 1000	FIM 1000	FIM 1000
<b>Shares and other variable-yield securities and units in unit trusts</b>								
Tapiola Corporate Life Insurance Company								
	2630000	81.42	81.42	26 300	39 371	-	1 270	80 135
<b>Other shares and variable-yields securities and units in unit trusts</b>								
Tapiola Data	300	33.33	33.33	600	600	394	-114	1 197
Vakuutusneuvonta Aura Oy	50	33.33	33.33	5	5	9	1	28
Vakuutusneuvonta Pohja Oy	50	33.33	33.33	5	5	9	1	28
Tapiola Book Entry Securities	1000	20.00	20.00	1 000	1 000	914	122	4 571
					<b>1 610</b>	<b>1 327</b>		



Other investments Shares and other variable-yield securities and units in unit-trusts	Domicile	No. of shares	% of shares	% of votes	Nominal value FIM 1000	Parent company Book value 1997 FIM 1000	Group Book value 1997 FIM 1000
Asko Oyj		62000	0.17	0.18	620	5 706	
Asko Oyj		93000	0.26	0.27	930		8 711
Aspoyhtymä Oyj		36000	0.76	0.78	360	8 251	
Aspoyhtymä Oyj		53700	1.14	1.17	537		12 308
Atria Oyj		87000	0.54	0.11	870	4 197	
Atria Oyj		167334	1.04	0.18	1 673		8 102
Oy Chips Ab		9000	0.27	0.02	90	1 603	1 603
Cultor Oyj		17000	0.07	0.11	204	2 585	2 585
Efore Oy		45920	2.31	1.02	459	5 938	
Efore Oy		66620	3.35	1.48	666		8 644
Elcoteq Network Oyj		53300	0.23	0.04	107	3 651	
Elcoteq Network Oyj		85100	0.37	0.07	171		5 829
Espoon Sähkö Oyj		85000	0.54	0.54	170	5 004	5 004
Evli Nordic Smaller Company		20000			2 000	2 000	
Evli Nordic Smaller Company		40000			4 000		4 000
Finnair Oyj		103800	0.12	0.13	519	3 738	
Finnair Oyj		183800	0.22	0.23	919		6 617
Gyllenberg Small Firm		1963			982	1 020	1 020
Huhtamäki Oyj		66300	0.22	0.21	1 326	9 083	
Huhtamäki Oyj		87600	0.29	0.23	1 752		11 662
Ilkka Oy		14148	0.87	0.13	141	1 896	
Ilkka Oy		21418	1.30	0.20	211		3 024
Instrumentarium Oyj		72140	0.36	0.14	721	10 443	
Instrumentarium Oyj		94140	0.47	0.18	941		13 903
Jaakko Pöyry Group Oyj		45000	0.33	0.33	225	2 610	
Jaakko Pöyry Group Oyj		72000	0.53	0.53	360		4 176
JOT-yhtiöt Oy		5998	1.49	1.49	60	1 494	
JOT-yhtiöt Oy		10048	2.50	2.50	101		2 502
Kauppakaari Oy		27900	0.72	0.72	112	1 258	1 258
Kemira Oyj		180000	0.14	0.14	1 800	8 287	
Kemira Oyj		250000	0.19	0.19	2 500		11 437
Keski-Pohjanmaan Kirjapaino Oy		8000	1.92	0.17	80	1 040	
Keski-Pohjanmaan Kirjapaino Oy		16000	3.84	0.34	160		2 080
Kesko Oy		84500	0.14	0.00	845	5 927	
Kesko Oy		133400	0.19	0.00	1 334		9 386
Kone Oy		21240	0.32	0.12	1 062	10 252	
Kone Oy		30240	0.45	0.17	2 412		14 204
Oyj Kyro Abp		52500	0.13	0.13	53	1 418	
Oyj Kyro Abp		105000	0.23	0.26	106		2 836
Lassila & Tikanoja Oy		85600	0.57	0.57	856	5 471	
Lassila & Tikanoja Oy		113600	0.76	0.76	1 136		6 699
Lännen Tehtaat Oy		204600	3.17	3.17	2 046	15 754	15 754
Metra Oy Ab		116800	0.22	0.13	2 136	11 046	
Metra Oy Ab		153800	0.29	0.18	2 876		14 546
Metsä-Serla Oyj		1090000	0.78	1.30	10 900	18 481	
Metsä-Serla Oyj		1150000	0.82	1.33	11 500		21 016
Metsä-Tissue Oyj		76500	0.26	0.26	765	4 016	
Metsä-Tissue Oyj		117500	0.40	0.40	1 175		6 169

## TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

Other investments Shares and other variable-yield securities and units in unit-trusts	Domicile	No. of shares	% of shares	% of votes	Nominal value FIM 1000	Parent company Book value 1997 FIM 1000	Group Book value 1997 FIM 1000
Neste Oy		20000	0.02	0.02	200	1 501	1 501
Nokian Renkaat Oyj		38400	0.37	0.37	384	1 384	
Nokian Renkaat Oyj		67200	0.65	0.65	672		2 422
Nordic Aluminium Oy		37500	0.81	0.81	281	1 613	
Nordic Aluminium Oy		68000	1.47	1.47	510		2 925
Norvestia Oy Ab		19000	0.37	0.24	380	1 325	
Norvestia Oy Ab		34000	0.66	0.43	680		2 373
Novo Group Oyj		35028	0.55	0.55	175	3 097	
Novo Group Oyj		49668	0.78	0.78	248		4 232
Orion-yhtymä Oy		56280	0.08	0.01	563	5 081	
Orion-yhtymä Oy		77980	0.11	0.03	780		7 559
Outokumpu Oyj		68000	0.05	0.05	680	4 486	
Outokumpu Oyj		104800	0.08	0.08	1 048		6 926
Oyj Nokia Abp		9000	0.00	0.00	45	1 634	1 634
Raisio yhtymä Oyj		18752	0.11	0.02	188	1 961	1 961
Rautakirja Oyj		8000	0.12	0.01	160	1 530	1 530
Oy Stockmann Ab		30150	0.21	0.03	603	8 524	
Oy Stockmann Ab		45550	0.32	0.05	911		12 883
Suomen Kantaverkko Oy		35	1.05	1.40	7 000	7 000	
Suomen Kantaverkko Oy		47	1.41	1.88	9 400		9 400
Tamfelt Oy Ab		56000	0.84	0.16	560	5 842	
Tamfelt Oy Ab		75200	1.13	0.25	752		8 342
UPM-Kymmene Oy		10000	0.00	0.00	100		1 002
Valmet Oyj		101800	0.13	0.13	1 018	7 626	
Valmet Oyj		148600	0.19	0.19	1 486		11 131
Werner Söderström Oy		23000	0.19	0.05	230	1 428	1 428
YIT-yhtymä Oy		1243570	4.24	4.24	12 436	48 760	48 760
Henkivakuutusosakeyhtiö Retro		13515	19.31	19.31	1 352	7 034	7 034
Tapiola Mutual Pension Insurance Company		180000	20.00	1.33	1 800	2 700	2 700
Tapiola General Mutual Insurance Company		168	80.00	5.33	8 400	8 400	8 400
AGA Ab	Sweden	50000				3 410	
AGA Ab	Sweden	75000					5 138
Baloise Holding	Switzerland	200				1 472	1 472
Chr. Hansen Holding A/S	Denmark	4000				2 443	2 443
Diageo Plc	England	50000				1 765	
Diageo Plc	England	80000					2 810
Fannie Mae	USA	5000				1 265	
Fannie Mae	USA	9000					2 270
HSBC Holdings	England	10000				1 356	1 356
Johnson & Johnson	USA	9000				2 849	
Johnson & Johnson	USA	14000					4 434
L.V.M.H. Moët Hennessy Louis Vuitton	France	4000				3 548	
L.V.M.H. Moët Hennessy Louis Vuitton	France	6000					5 312

Other investments Shares and other variable-yield securities and units in unit-trusts	Domicile	No. of shares	% of shares	% of votes	Nominal value FIM 1000	Parent company Book value 1997 FIM 1000	Group Book value 1997 FIM 1000
McDonald's Corp.	USA	49000				12 349	
McDonald's Corp.	USA	67000					16 831
Munters Ab	Sweden	69600				3 272	
Munters Ab	Sweden	125100					5 881
Nestle AG	Switzerland	300				1 873	
Nestle AG	Switzerland	500					3 173
Nycomed Amersham Plc	England	29277				2 852	
Nycomed Amersham Plc	England	42289					4 134
Sardus Ab	Sweden	43000				1 793	1 793
Scandinavian Mobility Int A/S	Denmark	25000				1 252	
Scandinavian Mobility Int A/S	Denmark	45000					2 253
Scania Ab	Sweden	24500				2 944	
Scania Ab	Sweden	36500					4 386
Schibsted AS	Norway	23000				2 075	
Schibsted AS	Norway	35000					3 151
Tele Danmark AS	Denmark	13000				3 366	
Tele Danmark AS	Denmark	19000					4 908
Others		519841				17 212	
Others		803924					38 867
						<b>340 190</b>	<b>459 830</b>

FIM 1 000	Parent company			Group			
<b>8 CHANGE IN TANGIBLE AND INTANGIBLE ASSETS</b>							
<b>31.12.1997</b>							
	Intangible assets and long-term expenditure	Equipment	Total	Intangible assets and long-term expenditure	Consoli- dation goodwill	Equipment	Total
Acquisition cost 1.1.	40 594	1 196	41 789	41 703	781	1 140	43 624
Fully depreciated in the previous year	-4 180	-	-4 180	-4 436	-	-	-4 436
Acquisitions	4 912	1 964	6 876	8 542	2 793	1 964	13 298
Sales and disposals	-	-	-	-	-	-	-
Acquisition cost 31.12.	41 326	3 160	44 485	45 809	3 574	3 104	52 487
Accumulated depreciation according to plan 1.1.	22 352	1 121	23 472	22 745	683	1 045	24 473
Fully depreciated in the previous year	-4 180	-	-4 180	-4 436	-	-	-4 436
Depreciation according to plan	4 943	612	5 554	5 107	2 825	618	8 550
Accumulated depreciation according to plan 31.12.	23 115	1 733	24 846	23 416	3 508	1 663	28 587
<b>Acquisition cost after depreciations according to plan 31.12.</b>	<b>18 211</b>	<b>1 427</b>	<b>19 638</b>	<b>22 393</b>	<b>66</b>	<b>1 441</b>	<b>23 900</b>
Net expenditure after depreciation 31.12.	18 211	1 427	19 638	22 393	66	1 441	23 900

FIM 1 000	Parent company			Group			
<b>8 CHANGE IN TANGIBLE AND INTANGIBLE ASSETS</b>							
<b>31.12.1996</b>							
	Intangible assets and long-term expenditure	Equipment	Total	Intangible assets and long-term expenditure	Consoli- dation goodwill	Equipment	Total
Acquisition cost 1.1.	38 995	1 196	40 191	39 961	132	1 545	41 637
Fully depreciated in the previous year	-2 162	-	-2 161	-2 489	-	-405	-2 893
Acquisitions	3 760	405	4 165	4 231	781	-	5 013
Sales and disposals	-	-405	-405	-	-132	-	-132
Acquisition cost 31.12.	40 594	1 196	41 789	41 703	781	1 140	43 625
Accumulated depreciation according to plan 1.1.	19 463	1 088	20 551	20 045	683	1 409	22 137
Fully depreciated in the previous year	-2 162	-	-2 162	-2 489	-	-405	-2 893
Depreciation according to plan	5 050	33	5 083	5 188	-	41	5 229
Accumulated depreciation according to plan 31.12.	22 352	1 121	23 472	22 745	683	1 045	24 473
<b>Acquisition cost after depreciations according to plan 31.12.</b>	<b>18 242</b>	<b>75</b>	<b>18 317</b>	<b>18 959</b>	<b>99</b>	<b>95</b>	<b>19 152</b>
Net expenditure after depreciation 31.12.	18 242	75	18 317	18 959	99	95	19 152
<b>9 OTHER LOANS</b>							
		<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>		
Remaining acquisition cost by security							
Bank guarantee		3 261	5 532	14 278	22 474		
Insurance policy		35 707	40 319	35 707	40 319		
Other security		39 980	118 322	42 247	121 157		
<b>Remaining acquisition cost</b>		<b>78 948</b>	<b>164 173</b>	<b>92 232</b>	<b>183 950</b>		
<b>10 CHANGE IN CAPITAL AND RESERVES</b>							
Restricted							
Equivalent funds		26 650	26 650	26 650	26 650		
Guarantee capital		12 000	12 000	12 000	12 000		
Revaluation reserve		2 100	2 100	26 413	2 100		
Increase		-	-	10 665	24 313		
		2 100	2 100	37 078	26 413		
		40 750	40 750	75 728	65 063		

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
Non-restricted				
Security reserve	20 000	18 900	20 000	18 900
Transferred from profits for the previous year	3 900	1 100	3 900	1 100
	23 900	20 000	23 900	20 000
Contingency fund	539	527	539	527
Transferred from profits for the previous year	67	47	67	47
Used for generally beneficial purposes	-46	-35	-46	-35
	560	539	560	539
Group profit for previous years	-	-	15 160	1 671
Transferred from retained earnings	-	-	-13 552	19 601
Allocated	-	-	-5 767	-6 113
	-	-	-4 160	15 160
Profit for the previous year	4 927	2 107	-8 626	21 708
Transferred by decision of the AGM to the				
Interest on the guarantee capital	-960	-960	-960	-960
Security reserve	-3 900	-1 100	-3 900	-1 100
Contingency reserve	-67	-47	-67	-47
Retained earnings	-	-	13 553	-19 601
	0	0	0	0
Profit/Loss for the accounting period	889	4 927	-45 066	-8 626
	25 349	25 466	-24 765	27 073
	<b>66 099</b>	<b>66 216</b>	<b>50 963</b>	<b>92 137</b>
<i>Analysis of the revaluation reserve</i>				
Revaluation reserve 1.1.	2 100	2 100	26 413	2 100
Increase	-	-	10 665	24 313
Revaluation reserve 31.12.	2 100	2 100	37 078	26 413
Of which related to fixed assets	2 100	2 100	37 078	26 413
<b>II RESERVES</b>				
<b>Depreciation difference</b>				
Depreciation difference 1.1.	28 304	26 130	30 248	17 731
Increases during the accounting period	656	2 174	5 488	4 118
Other increases	-	-	-1 830	8 399
Depreciation difference 31.12.	28 960	28 304	33 906	30 248
<b>Optional reserves</b>				
Credit loss reserve 1.1.	9 278	7 925	10 377	11 211
Increases	-	1 353	148	-
Decreases	448	-	-448	-834
Credit loss reserve 31.12.	8 830	9 278	10 077	10 377
Transitional reserve 1.1.	-	-	1 134	1 134
Decreases	-	-	-1 134	-
Transitional reserve 31.12.	-	-	0	1 134
Housing reserve 1.1.	-	-	760	-
Increases	-	-	1 596	760
Housing reserve 31.12.	-	-	2 356	760
<b>Optional reserves, total 31.12.</b>	<b>8 830</b>	<b>9 278</b>	<b>12 433</b>	<b>12 271</b>
<b>Reserves, total</b>	<b>37 790</b>	<b>37 582</b>	<b>46 339</b>	<b>42 519</b>
<b>Tax liability calculated for the depreciation difference and optional reserve</b>	<b>10 581</b>	<b>10 523</b>	<b>12 975</b>	<b>11 905</b>
Tax rate	28%	28%	28%	28%

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>I 2 DEFERRED ACQUISITION COSTS DEDUCTED FROM PROVISIONS FOR OUTSTANDING CLAIMS IN LIFE ASSURANCE (ZILLMERISATION)</b>				
Life assurance	7 556	10 014	7 675	10 127
Pension insurance	20 781	21 132	22 706	23 487
	28 337	31 146	30 381	33 613
<b>I 3 CONTINGENT LIABILITIES</b>				
Mortgages given				
As security for other debts	137	-	137	23 660
As security for debts from affiliated companies	-	-	-	10 044
Amount of liability	-	-	924	19 819
Subscription commitments	-	1 750	-	2 650
<b>I 4 MANAGEMENT LOANS AND PENSION COMMITMENTS</b>				
Loans	-	-	-	-
Pension commitments				
A retirement age of 60 - 63 years has been agreed for the senior management of the company and for those members of the Board of Directors who are employed by the company.				

## KEY FIGURES PERTAINING TO SOLVENCY

FIM 1 000	Parent company	
	1997	1996
<b>Solvency margin</b>		
Capital and reserves after profit distribution	66 099	65 256
Optional reserves and accumulated depreciation difference	37 790	37 582
Valuation difference between current asset value and book values on the balance sheet	718 697	673 224
Intangible assets and insurance acquisition costs not entered as expenses (-)	-18 211	-18 242
Off-balance-sheet commitments	-137	-1 750
	<b>804 238</b>	<b>756 070</b>
Solvency margin required under the Insurance Companies Act, Chapter 11, Section 4	222 717	212 859
Equalization provision included in the technical provisions for years in which there are exceptionally large losses	145 336	136 874
The solvency margin and the equalization provision in proportion to technical provisions, net of reinsurance and reduced by the amount of the equalization provision and 75 % of the provision for outstanding claims in respect of investment-linked insurance (%)		
- 1997	19.9	
- 1996	20.6	
- 1995	18.0	
- 1994	18.5	
- 1993	19.5	

# PROPOSAL FOR THE APPROPRIATION OF THE PROFIT

The Board of Directors proposes that the profit for the accounting period in the amount of FIM 889 190.27 be appropriated as follows:

Transfer to security reserve		889 190.27
------------------------------	--	------------

If the Board of Directors' proposal for the appropriation of the profit is approved, the company's capital and reserves will be as follows:

Restricted capital and reserves			
Equivalent funds	26 650 000.00		
Guarantee capital	12 000 000.00		
Revaluation reserve	<u>2 100 000.00</u>	40 750 000.00	
Non-restricted capital and reserves			
Security reserve	24 789 190.27		
Contingency reserve	<u>560 086.02</u>	25 349 276.29	
		<u>66 099 276.29</u>	

Espoo, 2nd April 1998

Asmo Kalpala

Pertti Heikkala

Juhani Heiskanen

Pentti Koskinen

Tom Liljeström

Jari Saine

# AUDITORS' REPORT

TO THE OWNERS OF THE TAPIOLA MUTUAL LIFE  
ASSURANCE COMPANY

We have examined the bookkeeping, financial statements and administration of the Tapiola Mutual Assurance Company for the 1997 financial year. The financial statements prepared by the Board of Directors and the Managing Director include an annual report, consolidated and parent company income statements and balance sheets, and appendices to the financial statements. On the basis of the audit, we hereby issue the following statement on the financial statements and administration.

Mr Mauno Tervo has performed the supervisory audit of the company and a separate report was issued on 7th April 1998.

The bookkeeping as well as the principles, content and presentation of the financial statements have been examined in accordance with generally accepted auditing principles. In our examination of the administration,

we have determined that the members of the Board and the Supervisory Board and the Managing Director have acted in accordance with the law.

The financial statements, which show a surplus for the parent company amounting to FIM 889,190.27 have been prepared in accordance with both the Bookkeeping Act and other rules and regulations concerning the preparations of financial statements. The financial statements provide, in the manner prescribed in the Bookkeeping Act, accurate and adequate information on the performance and financial standing of both the group and the parent company.

The financial statements of the parent company together with its consolidated financial statements can be adopted. The members of the Supervisory Board and the Board of Directors and the Managing Director may be discharged from responsibility for the financial year covered by our audit.

The proposal by the Board of Directors on the appropriation of the surplus is in accordance with the law.

ESPOO, 16TH APRIL, 1998

MAUNO TERVO  
C.P.A.

SVH Coopers & Lybrand Oy  
firm of certified public accountants  
ULLA HOLMSTRÖM  
C.P.A.

## REPORT BY THE SUPERVISORY BOARD

Having examined the financial statements, the consolidated financial statements and the auditors' report for 1997 financial year, the Supervisory Board recommends

that the financial statements and its consolidated financial statements can be adopted.

ESPOO, 22TH APRIL 1998

MATTI AHDE  
chairman



TAPIOLA  
CORPORATE LIFE INSURANCE  
COMPANY



ANNUAL REPORT 1997

## CONTINUED GROWTH FOR TAPIOLA CORPORATE LIFE



*The advisory committee of the SME-sector represents different parts of the country and different lines of business. The committee has 12 members of which seated around the table from left the deputy chairman Hannu Pokela, Helsinki, the chairman Hannu Partala, Tampere, Pentti Sihvola, Kuopio, Markku Lahdenpää, Helsinki (Hirvensalmi), Birgitta Kuusela, Rovaniemi, Ari Mäkinen, Tampere, Ulf Björklund, Kauniainen and Eero Ahola, Vantaa. Standing at the end of the table Tapiola's representatives Juhani Heiskanen, Marja-Leena Kajander, Markku Paakkanen and Markku Kosola who is responsible for this committee as well as for the regional and the agriculture and forestry committees.*

The exceptional growth of Tapiola Corporate Life in 1997 was due to success in situations related to the dissolution of pension foundations and pension funds. Demand for the company's insurance products has also been growing and the needs of clients in group pension solutions have become more complex.

Tapiola Corporate Life's result developed according to plan. The solvency ratio declined owing to the large increase in the company's technical provisions, but still remained at a good level.

Tapiola Corporate Life Insurance Company Ltd is a subsidiary of Tapiola Mutual Life Assurance Company and specialises in insurance solutions for corporate clients.

# ADMINISTRATION AND AUDITORS OF TAPIOLA CORPORATE LIFE

## SUPERVISORY BOARD

* Term	
KARI NEILIMO	1997-2000
chairman, professor, Kangasala	
PEKKA RÄIHÄ	1997-2000
deputy chairman, managing director, Kajaani	
JARI BACHMANN	1996-1999
managing director, Helsinki	
MAGNUS HÄSTÖ	1995-1998
managing director, Helsinki	
KALEVI LIUKKONEN	1995-1998
commercial councilor, Jyväskylä	
JOEL NEMES	1996-1999
managing director, Espoo	
JORMA NIINIAHO	1995-1998
managing director, Hamina	
MARJUT NORDSTRÖM	1997-2000
managing director, Asikkala	
JUSSI PAJUNEN	1996-1999
board chairman, Helsinki	
SIMO PALOKANGAS	1997-2000
managing director, Turku	
MATTI RISTIKANGAS	1995-1998
managing director, Iisalmi	
JUKKA SALMINEN	1996-1999
director, Helsinki	
PEKKA SUNINEN	1996-1999
law councilor, Lappeenranta	
ANTERO TAANILA	1995-1998
administrative director, Kokkola	
JOUKO VIRRANNIEMI	1997-2000
managing director, Kuusamo	

## AUDITORS

MAUNO TERVO
B.Sc. (Econ.) C.P.A.
SVH Coopers and Lybrand Oy
firm of certified public accountants
<i>Deputy auditors</i>
ULLA HOLMSTRÖM
B.Sc. (Econ.), C.P.A.
JARI MIIKKULAINEN
B.Sc. (Econ.), C.P.A.

## BOARD OF DIRECTORS

ASMO KALPALA
chairman, president
PERTTI HEIKKALA
deputy chairman, managing director
JUHANI HEISKANEN
deputy managing director, sales, marketing and regional services
deputy member until 31.1.1998, member as from 1.2.1998
PENTTI KOSKINEN
director, actuarial services
TOM LILJESTRÖM
managing director
JARI SAINÉ
managing director

### *Deputy members*

ANTTI CALONIUS
director, major clients services, international
direct insurance and reinsurance
JARI EKLUND
director, investment services as from 1.1.1998
MATTI LUUKKO
deputy managing director, life insurance
ALPO MUSTONEN
director
MARKKU PAAKKANEN
director, economy services as from 1.2.1998

MANAGING DIRECTOR  
JARI SAINÉ

\* The term commences at the Annual General Meeting.

# ANNUAL REPORT 1997

THE COMPANY IS A SUBSIDIARY OF TAPIOLA MUTUAL LIFE ASSURANCE COMPANY. THE COMPANY'S PREMIUMS WRITTEN GREW STRONGLY. THE EMPHASIS IN OPERATIONS WAS ON THE DEVELOPMENT OF DISTRIBUTION CHANNELS AND ESPECIALLY THE ADDITIONAL PENSION INSURANCE BUSINESS.

## INSURANCE

**PREMIUMS WRITTEN** The company's premiums written rose by 77.7 per cent to FIM 489 million, of which optional employment pension insurance and capitalisation agreements accounted for FIM 336 million and FIM 89 million, respectively.

Premiums written for optional employment pension insurance included single premiums totalling FIM 156 million in respect of liability transfers. The biggest transfers were from the following pension funds and foundations: Eläkekassa Maa (30.9.97) FIM 101 million, Lännen Toimihenkilöiden Eläkesäätiö (31.12.97) FIM 20 million, Oy Huber Ab:n Eläkesäätiö (30.9.97) FIM 17 million. A partial transfer of liability amounting to FIM 12 million was also received from Neste Corporation's pension foundation on 31.10.97. The premiums written for individual pension insurance almost doubled from FIM 16 million in the previous year to FIM 31 million in 1997. The growth was 77.7 per cent. The provision for unearned premiums rose by FIM 100 million to FIM 781 million.

**CLAIMS PAID** Claims paid were FIM 179 million. Claims paid in respect of optional employment pension insurance rose by 1.9 per cent to FIM 161 million. Life insurance claims were FIM 19 million, a rise of 15.4 per cent.

## INVESTMENTS

Net investment income was FIM 131 million, which includes net capital gains of FIM 3 million, and write-downs of FIM 6 million on land and buildings and FIM 3 million on shares. In the previous year write-downs on land and buildings and shares totalled FIM 17 million. As in previous years, the critical assessment of land and building values will be continued in the current year.

Net interest income from investments other than land and buildings was FIM 119 million, and income from investments in land and buildings was FIM 17 mil-

lion.

The book value of the company's investment assets at the end of the year was FIM 2,450 million. Of this total, debt securities accounted for FIM 1,760 million and land and buildings for FIM 499 million. The current value of the company's investments was FIM 2,597 million.

## OPERATING EXPENSES

The company's operating expenses were FIM 24 million, compared with FIM 22 million in the previous year. This increase was due to the expansion of business activities.

Salaries and commissions totalled FIM 15 million, which was FIM 2 million more than in the previous year. Pay-related expenses rose by 22.1 per cent to FIM 4 million.

With the exception of the Managing Director and the Deputy Managing Director, the company's business operations were administered by staff employed by Tapiola General Mutual Insurance Company. From the beginning of 1998 the personnel's employment relationships were revised so that with the exception of the Managing Director and the Deputy Managing Director the company's staff are employed not only by the parent company Tapiola Mutual Life Assurance Company but also by Tapiola General Mutual Insurance Company and Tapiola Mutual Pension Insurance Company. The payments for services produced using shared resources are included in the company's operating expenses under the same items as would have been used if the staff had been directly employed by the company.

Salaries and commissions paid to members of the Board of Directors and to the Managing Director totalled FIM 232,314.00. Other salaries and commissions amounted to FIM 14,282,455.41. The total salaries and commissions figure was FIM 14,514,769.41.

## RESULT FOR THE ACCOUNTING PERIOD

The company's result did not match that achieved in

the previous year, but it was quite satisfactory. The overall result incorporates the surpluses for underwriting, administrative costs and investment.

The underwriting surplus was FIM 6 million, compared with FIM 7 million in the previous year. The administrative costs result was a deficit of FIM 4 million, compared with a surplus of FIM 2 million in 1996. The investment surplus was FIM 37 million, compared with FIM 49 million in 1996. The technical underwriting result was a surplus of FIM 39 million, compared with FIM 57 million in the previous year.

FIM 34 million was set aside in the closing of the accounts for policyholder bonuses in 1998, compared with FIM 30 million in the previous year. In addition to this, about FIM 1 million was set aside for future additional benefits.

Depreciation of FIM 1.5 million was charged according to plan. The full amount of depreciation permitted under the Business Taxation Act was made. The credit loss reserve was brought in line with the full amount. The transitional reserve of FIM 1 million was discharged completely when the transitional period pertaining to it expired on 31<sup>st</sup> December 1997.

The company's share of the profit-sharing payment transferred to the Staff Fund of the Tapiola Insurance Group was FIM 255,000.00. It has been calculated according to an advance amount and is included in the

## TAPIOLA CORPORATE LIFE PERFORMANCE ANALYSIS

	1997	1996	1995	1994
COMPOSITION OF THE RESULT				
Risk business	6	5	5	7
Cost business	-4	-1	3	2
Interest business	37	39	48	3
<b>TOTAL</b>	<b>39</b>	<b>43</b>	<b>56</b>	<b>12</b>

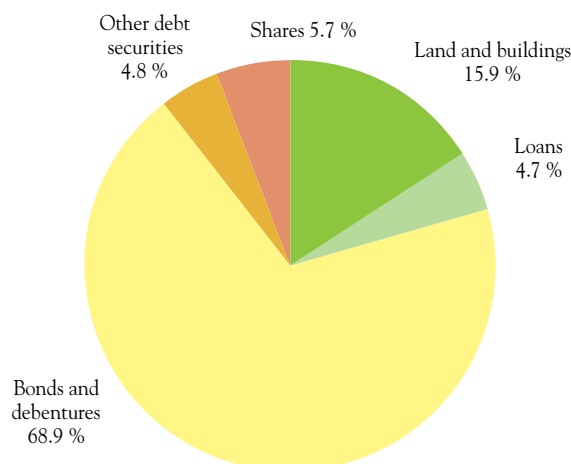
Revaluations	-	-	-	-
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### APPLICATION OF THE RESULT

Policyholder bonuses, discounts and additional benefits				
	-34	-30	-27	-1
Equalization provision	-1	-2	+1	-2
Depreciations etc.	-3	-3	-10	-7
<b>RESULT</b>	<b>1</b>	<b>8</b>	<b>19</b>	<b>2</b>

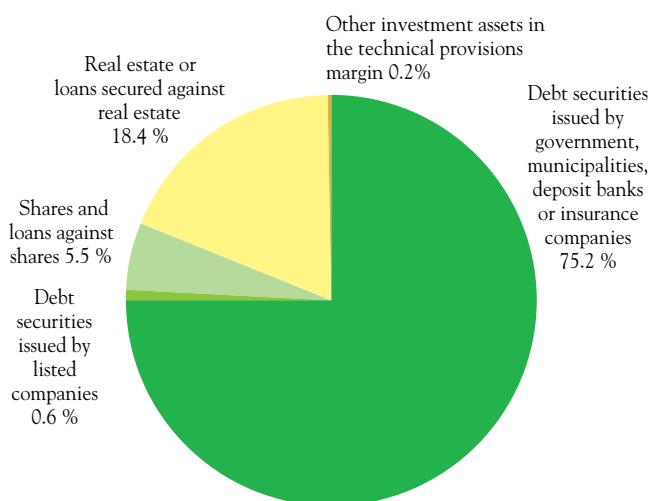
### TAPIOLA CORPORATE LIFE

Current value at 31.12.1997 FIM 2 597 Mio



### TAPIOLA CORPORATE LIFE

Investment risk profile 31.12.1997



The categories are the same as in the regulations concerning the technical provisions margin.

Profit and Loss Account under other expenses.

The solvency ratio fell from 114.5 per cent to 111.9 per cent due mainly to the strong growth in the provision for unearned premiums. Nonetheless, the company's solvency remained at a satisfactory level.

The Board of Directors recommends that the surplus of FIM 1,269,586.99 for the accounting period be transferred to retained earnings.

The Balance Sheet showed assets totalling FIM 2,581,184,415.18, compared with FIM 2,163,072,688.20 at the end of the previous year.

## CONSOLIDATED FINANCIAL STATEMENTS

Tapiola Corporate Life Insurance Group consisted of the parent company and 20 housing and real estate companies. Twelve subsidiaries joined the group during the review year.

**PREMIUMS WRITTEN** The group's gross premiums written were FIM 489 million, which was 77.7 per cent higher than in the previous year. The provision for unearned premiums at the end of the year was FIM 781 million.

**CLAIMS PAID** Claims paid amounted to FIM 179 million, and the provision for outstanding claims at the end of the year was FIM 1,663 million.

### INVESTMENTS

Net investment income was FIM 122 million, which includes planned depreciation of FIM 12 million in respect of buildings. Writedowns of FIM 19 million were entered into the accounts. Writedown cancellations of FIM 11 million were recorded. Realised capital gains were FIM 5 million.

The book and current values of the group's investment assets at the end of the year were FIM 2,461 million and FIM 2,628 million, respectively.

### OPERATING EXPENSES

Operating expenses were FIM 24 million, which was 10.9 per cent higher than a previous year.

### RESULT FOR THE ACCOUNTING PERIOD

The technical underwriting result of FIM 30 million was quite satisfactory.

Depreciation of FIM 15 million was entered into the accounts according to plan and included a FIM 3 million depreciation charge on consolidated goodwill. The increase in the depreciation difference was FIM 3 million. The credit loss reserve in respect of receivables other than premiums was brought into line with the full amount.

The loss for the accounting period was FIM 1,025,434.96 and the Balance Sheet showed assets totalling FIM 2,594,508,599.43.

# REAL ESTATE PORTFOLIO, INCOME AND VACANT PREMISES AT 31. 12. 1997

## REAL ESTATE PORTFOLIO, FIM 1 000

Current value	521 218						
Book value and loans	516 760						
Valuation difference	4 458						
Type of real estate	Current value FIM 1 000	Current value FIM/m <sup>2</sup>	Net yield FIM 1 000	Net yield %	Potential net yield*) %	Vacant floor area, m <sup>2</sup>	Vacancy rate
<b>Non-residential premises</b>							
Commercial and office premises							
- rented to outside parties	224 107	7 986	8 561	3.8	4.0	28 064	2.6
- in own use **)	2 027	10 557	141	7.0	7.0	192	0.0
Hotels	90 016	8 635	6 766	7.5	7.5	10 424	0.0
<b>Total</b>	<b>316 150</b>	<b>8 173</b>	<b>15 468</b>	<b>4.9</b>	<b>5.0</b>	<b>38 680</b>	<b>1.9</b>
<b>Residential buildings ***)</b>	<b>75 228</b>	<b>8 143</b>	<b>4 282</b>	<b>5.7</b>	<b>5.9</b>	<b>9 238</b>	<b>3.0</b>
<b>Other properties and premises</b>							
Under construction	20 614						
Acquired mid-year	109 226						
<b>Total</b>	<b>129 840</b>					<b>30 388</b>	
<b>REAL ESTATE PORTFOLIO</b>	<b>521 218</b>					<b>78 306</b>	

- \*) The potential net yield is augmented by imputed gross rent for the vacant premises, which averages FIM 50 mk/m<sup>2</sup>/month
- \*\*\*) The imputed gross rent for premises in Tapiola's own use averages FIM 78 mk/m<sup>2</sup>/month
- \*\*\*) The net income from residential premises is augmented by a government interest subsidy of FIM 859 000
- In addition, premises under construction are augmented by an interest subsidy of FIM 337 000

The average vacancy rate over the year for non-residential premises was 2.1%.

# FINANCIAL ANALYSIS

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>Source of funds:</b>				
Cash flow financing				
Profit before interest expenses, extraordinary items, appropriations and taxes	4 927	9 225	3 864	943
Adjustment items:				
Changes in technical provisions	409 639	186 539	409 639	186 539
Investment devaluations and revaluations	9 691	14 288	7 650	12 184
Depreciation	1 498	1 423	14 645	11 965
	425 755	211 474	435 798	211 631
Capital financing				
Increase in minority interest	-	-	5 551	-
Optional reserves	-	-	-246	-
Increase in capital and reserves	-	-	-4 779	988
	-	-	526	988
<b>Source of funds, total</b>	<b>425 755</b>	<b>211 474</b>	<b>436 324</b>	<b>212 619</b>
<b>Application of funds:</b>				
Profit distribution				
Interest on long-term liabilities	3 060	-	3 060	-
Taxes	516	2 963	516	2 976
	3 576	2 963	3 576	2 976
Investments				
Increase in investment (net)	430 080	162 933	417 720	193 178
Increase in tangible and intangible assets (net)	3 629	471	5 626	471
	433 709	163 405	423 346	193 650
<b>Application of funds, total</b>	<b>437 285</b>	<b>166 368</b>	<b>426 922</b>	<b>196 626</b>
<b>Increase in working capital</b>	<b>-11 530</b>	<b>45 107</b>	<b>9 402</b>	<b>15 993</b>
<b>Change in working capital</b>				
Change in receivables	-33 322	39 792	-32 761	40 188
Change in cash at bank and in hand	-1 698	-7 548	-1 401	-7 548
Change in prepayments and accrued income	30 611	8 264	30 611	8 264
Change in deposits received from reinsurers	33	-28	33	-28
Change in amounts owed	-10 953	4 556	9 132	-24 780
Change in accruals and deferred income	3 799	71	3 788	-103
<b>Increase in working capital</b>	<b>-11 530</b>	<b>45 107</b>	<b>9 402</b>	<b>15 993</b>



# PROFIT AND LOSS ACCOUNT

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>Technical account:</b>				
Premiums written				
Premiums written	*1	488 906	275 081	488 906
Reinsurers' share		-8 110	-6 215	-8 110
		480 796	268 865	480 796
Investment income	4	166 848	160 637	182 755
Claims incurred				
Claims paid	2	-179 496	-173 984	-179 496
Reinsurers' share		4 049	3 535	4 049
		-175 447	-170 449	-175 447
Change in provision for outstanding claims		-310 522	-54 728	-310 522
Reinsurers' share		283	-151	283
		-310 239	-54 879	-310 239
		-485 686	-225 327	-485 686
Change in provision for unearned premiums				
Change in provision for unearned premiums		-100 474	-131 672	-100 474
Reinsurers' share		1 074	11	1 074
		-99 400	-131 661	-99 400
Operating expenses	3	-24 395	-21 951	-24 395
Investment charge	4	-36 068	-40 884	-60 293
Other expenses		-56	-93	-56
<b>Balance on technical account</b>		<b>2 039</b>	<b>9 587</b>	<b>-6 279</b>
<b>Non-technical account:</b>				
Other income				
Decrease in consolidated goodwill		-	9 251	-
Others		85	85	-
		85	9 336	-
Other expenses				
Depreciation in consolidation goodwill		-	-1 998	-
Others		-256	-256	-362
		-256	-2 254	-362
Direct taxes on ordinary activities				
Taxes for the accounting period		-515	-2 961	-515
Taxes from previous years		-1	-2	-2
		-516	-2 963	-516
<b>Profit/Loss on ordinary activities after taxes</b>		<b>1 352</b>	<b>6 262</b>	<b>287</b>
<b>Profit/Loss after extraordinary items</b>		<b>1 352</b>	<b>6 262</b>	<b>-2 033</b>
Increase in depreciation difference		-1 068	-881	-2 766
Decrease in optional reserves		986	2 187	2 187
		-82	1 306	-1 308
<b>Profit/Loss for the accounting period</b>		<b>1 270</b>	<b>7 569</b>	<b>-1 021</b>
Minority interest in the profit for the accounting period				-4
<b>Profit for the accounting period/</b>				
<b>Group loss for the accounting period</b>		<b>1 270</b>	<b>7 569</b>	<b>-1 025</b>

\*Reference number in the Appendices

## APPENDICES TO THE PROFIT AND LOSS ACCOUNT

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>I PREMIUMS WRITTEN</b>				
Direct insurance				
Life assurance				
Individual life assurance	1 326	625	1 326	625
Employees' group life assurance	7 109	2 572	7 109	2 572
Other group life assurance	24 295	24 284	24 295	24 284
Capitalization agreements	89 100	36 300	89 100	36 300
	121 830	63 782	121 830	63 782
Pension insurance				
Individual pension insurance	31 036	15 775	31 036	15 775
Optional employment pension insurance	336 066	195 537	336 066	195 537
	367 102	211 312	367 102	211 312
<b>Gross premiums written</b>	<b>488 932</b>	<b>275 093</b>	<b>488 932</b>	<b>275 093</b>
Credit loss on premiums	-26	-13	-26	-13
<b>Premiums written before credit loss and reinsurers' share</b>	<b>488 906</b>	<b>275 081</b>	<b>488 906</b>	<b>275 081</b>
<i>Premiums written before reinsurers' share</i>				
Continuous premiums	243 432	235 293	243 432	235 293
Lump-sum premiums	245 500	39 800	245 500	39 800
	488 932	275 093	488 932	275 093
Premiums from agreements entitled to bonuses	488 932	275 093	488 932	275 093

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<i>The effect of bonuses and rebates on the result from life assurance</i>				
Bonuses				
Life assurance				
Individual life assurance	21	3	21	3
Other group life assurance	1 038	798	1 038	798
Capitalization agreements	1 090	89	1 090	89
	2 149	890	2 149	890
Pension insurance				
Individual pension insurance	479	70	479	70
Optional employment pension insurance	31 338	28 521	31 338	28 521
	31 817	28 591	31 817	28 591
	33 966	29 481	33 966	29 481
<b>2 CLAIMS PAID BEFORE REINSURERS' SHARE</b>				
Direct insurance				
Life assurance	18 722	16 219	18 722	16 219
Pension insurance	158 150	156 346	158 150	156 346
Surrenders	2 624	1 419	2 624	1 419
	160 774	157 765	160 774	157 765
Claims paid, total	179 496	173 984	179 496	173 984

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>3 TOTAL OPERATING EXPENSES BY FUNCTION</b>				
Claims paid	2 210	1 805	2 210	1 805
Operating expenses	24 395	21 951	24 395	21 951
Investment charges	1 483	1 126	1 483	1 126
Other expenses	256	363	2 253	363
<b>Total</b>	<b>28 344</b>	<b>25 245</b>	<b>30 341</b>	<b>25 245</b>
<b>3.1 DEPRECIATION BY FUNCTION</b>				
Claims paid	1	2	1	2
Operating expenses	158	132	158	132
Investment charges	11	12	11	12
Other expenses, depreciation on goodwill	-	-	1 997	-
<b>Total</b>	<b>170</b>	<b>146</b>	<b>2 167</b>	<b>146</b>
<b>3.2 STAFF EXPENSES</b>				
Salaries and commissions	14 597	12 461	14 806	12 529
Monetary value of fringe benefits	588	568	588	568
Pension expenses	2 647	2 169	2 674	2 181
Other social expenses	1 414	1 132	1 429	1 138
<b>Total</b>	<b>19 426</b>	<b>16 331</b>	<b>19 497</b>	<b>16 417</b>
<b>3.3 OPERATING EXPENSES IN PROFIT AND LOSS ACCOUNT</b>				
Insurance policy acquisition costs				
Commissions for direct insurance	355	183	355	183
Other insurance policy acquisition costs	12 016	12 013	12 016	12 013
	12 371	12 196	12 371	12 196
Insurance policy management expenses	6 072	5 464	6 072	5 464
Administrative expenses	6 558	4 905	6 558	4 905
Commissions for reinsurance ceded	-606	-614	-606	-614
<b>Total</b>	<b>24 395</b>	<b>21 951</b>	<b>24 395</b>	<b>21 951</b>

FIM 1 000	Parent company		Group	
<b>4 ANALYSIS OF NET INVESTMENT INCOME</b>				
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
<b>Investment income:</b>				
Income from investments in group companies				
Interest income	50	-	50	-
Income from investments in land and buildings, group companies				
Interest income	6 245	5 019	3 018	2 432
Other income	30	-	235	-
	6 275	5 019	3 253	2 432
Income from investments in land and buildings, other companies				
Interest income	-	-	3	2
Other income	29 301	24 559	37 187	28 999
	29 301	24 559	37 190	29 001
Income from other investments				
Dividend income	2 116	1 163	2 116	1 163
Interest income	122 682	122 073	122 682	122 073
Other income	1 329	469	1 329	469
	126 127	123 705	126 127	123 705
<i>Total</i>	161 753	153 283	166 620	155 139
Depreciations cancellations	47	3 019	11 087	20 219
Realized gains on investments	5 048	4 335	5 048	4 335
<b>Total</b>	<b>166 848</b>	<b>160 637</b>	<b>182 755</b>	<b>179 693</b>
<b>Investment expenses</b>				
Expenses for land and buildings				
Group companies	-10 236	-11 608	-7 114	-8 090
Other companies	-8 750	-5 849	-15 026	-9 838
	-18 986	-17 457	-22 140	-17 929
Expenses from other investments	-945	-867	-944	-867
Interest and other liability expenses				
Group companies	-3 203	-3 630	-4 231	-4 846
Other companies	-301	-286	-194	-298
	-3 504	-3 915	-4 425	-5 143
<i>Total</i>	-23 435	-22 239	-27 509	-23 938
Value adjustments on investments				
Devaluation	-9 737	-17 307	-18 737	-32 403
Planned depreciations on buildings	-1 327	-1 276	-12 478	-11 818
	-11 064	-18 583	-31 215	-44 221
Realized losses on investments	-1 569	-62	-1 569	-62
<i>Total</i>	-36 068	-40 884	-60 293	-68 222
<b>Net investment income before revaluations and their adjustments</b>	<b>130 780</b>	<b>119 753</b>	<b>122 462</b>	<b>111 471</b>
<b>Net investment income on the Profit and Loss Account</b>	<b>130 780</b>	<b>119 753</b>	<b>122 462</b>	<b>111 471</b>
Avoir fiscal tax credit included in dividend income	507	291	507	291

## BALANCE SHEET

FIM 1 000		Parent company		Group	
ASSETS		1997	1996	1997	1996
<b>Intangible assets</b>					
Other long-term expenses	8	4 181	716	4 181	716
<b>Investments</b>	5				
Investments in land and buildings					
Land and buildings	6	406 823	314 348	471 753	372 766
Loans to group companies		92 619	67 331	38 400	41 346
		499 442	381 679	510 153	414 112
Other investments					
Shares and other variable-yield securities and units in unit trusts	7	114 360	34 534	114 456	34 534
Debt securities		1 760 132	1 408 038	1 760 132	1 408 038
Loans guaranteed by mortgages		17 185	22 142	17 185	22 142
Other loans	9	13 283	19 778	13 283	19 778
Deposits		44 714	165 000	44 714	165 000
Other investments		1 116	-	1 273	-
		1 950 790	1 649 492	1 951 043	1 649 492
		2 450 232	2 031 171	2 461 196	2 063 604
<b>Debtors</b>					
Arising out of direct insurance operations					
Policyholders		3 041	3 858	3 041	3 858
Other debtors		6 504	39 009	8 569	40 511
		9 545	42 867	11 610	44 370
<b>Other assets</b>					
Tangible assets					
Equipment	8	14	20	14	20
Cash at bank and in hand		10 524	12 221	10 820	12 221
		10 538	12 241	10 834	12 241
<b>Prepayments and accrued income</b>					
Interest and rents		88 108	66 028	88 108	66 028
Other prepayments and accrued income		18 580	10 049	18 580	10 049
		106 688	76 077	106 688	76 077
		2 581 184	2 163 073	2 594 509	2 197 009

## BLANCE SHEET

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>LIABILITIES</b>				
<i>Capital and reserves</i>	10			
Restricted				
Subscribed capital	32 300	32 300	32 300	32 300
Reserve fund	16 180	16 180	16 180	16 180
Revaluation reserves	-	-	1 478	1 000
	48 480	48 480	49 958	49 480
Non-restricted				
Profit for previous years	30 385	22 817	14 150	21 083
Profit/Loss for the accounting period	1 270	7 569	-1 025	-1 676
	31 655	30 386	13 125	19 407
	<b>80 135</b>	<b>78 866</b>	<b>63 083</b>	<b>68 887</b>
<i>Reserves</i>	11			
Accumulated depreciation difference	2 898	1 830	2 984	1 830
Optional reserves	1 247	2 233	2 141	2 233
	<b>4 145</b>	<b>4 063</b>	<b>5 125</b>	<b>4 063</b>
<i>Minority interest</i>	-	-	5 555	-
<i>Subordinated liabilities</i>	30 000	30 000	30 000	30 000
<i>Technical provisions</i>				
Provisions for unearned premiums	781 269	680 795	781 269	680 795
Reinsurers' share	-3 315	-2 240	-3 315	-2 240
	777 954	678 554	777 954	678 554
Provision for outstanding claims	1 662 833	1 352 312	1 662 833	1 352 312
Reinsurers' share	-750	-467	-750	-467
	1 662 083	1 351 844	1 662 083	1 351 844
	<b>2 440 037</b>	<b>2 030 399</b>	<b>2 440 037</b>	<b>2 030 399</b>
<i>Deposits received from reinsurers</i>	720	753	720	753
<i>Creditors</i>				
Arising out of reinsurance operations	685	585	685	585
Other creditors	16 457	5 604	39 924	49 156
	<b>17 142</b>	<b>6 188</b>	<b>40 609</b>	<b>49 741</b>
<i>Accruals and deferred income</i>	9 005	12 805	9 380	13 167
	<b>2 581 184</b>	<b>2 163 073</b>	<b>2 594 509</b>	<b>2 197 009</b>

## APPENDICES TO THE BALANCE SHEET

FIM 1 000	Parent company			Group		
<b>5 CURRENT VALUE AND VALUATION DIFFERENCE OF INVESTMENTS</b>						
<b>INVESTMENTS 31.12.1997</b>						
	Remaining acquisition cost	Book value	Current value	Remaining acquisition cost	Book value	Current value
Investments in land and buildings						
Land and buildings	55 351	55 351	57 611	312 270	312 270	336 493
Group company shares	308 160	308 160	310 425	116 171	116 171	116 171
Other real estate shares	43 312	43 312	43 242	43 312	43 312	43 242
Loans to group companies	92 620	92 620	92 620	38 400	38 400	38 400
	<u>499 443</u>	<u>499 443</u>	<u>503 898</u>	<u>510 153</u>	<u>510 153</u>	<u>534 306</u>
Other investments						
Shares and other variable-yield securities and units in unit trusts	114 359	114 359	147 261	114 456	114 456	147 357
Debt securities	1 760 132	1 760 132	1 870 005	1 760 132	1 760 132	1 870 005
Loans guaranteed by mortgages	17 185	17 185	17 185	17 185	17 185	17 185
Other loans	13 283	13 283	13 283	13 283	13 283	13 284
Deposits	44 714	44 714	44 714	44 714	44 714	44 714
Other deposits	1 116	1 116	1 116	1 273	1 273	1 273
	<u>1 950 789</u>	<u>1 950 789</u>	<u>2 093 564</u>	<u>1 951 043</u>	<u>1 951 043</u>	<u>2 093 818</u>
	<u>2 450 232</u>	<u>2 450 232</u>	<u>2 597 462</u>	<u>2 461 196</u>	<u>2 461 196</u>	<u>2 628 124</u>
The remaining acquisition cost of debt securities consists of the difference (+/-) between the nominal value and acquisition price that is allocated to interest income or deducted from it	<u>-37 607</u>			<u>-37 607</u>		
The book value consists of						
Revaluations entered as income		-			-	
Other revaluations		<u>-</u>			<u>1 500</u>	
		<u>-</u>			<u>1 500</u>	
Valuation difference (difference between the current and book values)			<u>147 230</u>			<u>166 928</u>



# APPENDICES TO THE BALANCE SHEET

FIM 1 000	Parent company			Group		
<b>5 CURRENT VALUE AND VALUATION DIFFERENCE OF INVESTMENTS</b>						
<b>INVESTMENTS 31.12.1996</b>						
	Remaining acquisition cost	Book value	Current value	Remaining acquisition cost	Book value	Current value
Investments in land and buildings						
Land and buildings	55 853	55 853	57 611	227 835	227 835	240 075
Group company shares	252 905	252 905	252 935	139 342	139 342	138 688
Other real estate shares	5 589	5 589	5 547	5 589	5 589	5 547
Loans to group companies	67 331	67 331	67 331	41 346	41 346	41 346
	<u>381 679</u>	<u>381 679</u>	<u>383 424</u>	<u>414 113</u>	<u>414 113</u>	<u>425 657</u>
Other investments						
Shares and other variable-yield securities and units in unit trusts	34 534	34 534	50 517	34 534	34 534	50 517
Debt securities	1 408 038	1 408 038	1 534 050	1 408 038	1 408 038	1 534 050
Loans guaranteed by mortgages	22 142	22 142	22 142	22 142	22 142	22 142
Other loans	19 778	19 778	19 778	19 778	19 778	19 778
Deposits	165 000	165 000	165 000	165 000	165 000	165 000
	<u>1 649 492</u>	<u>1 649 492</u>	<u>1 791 487</u>	<u>1 649 492</u>	<u>1 649 492</u>	<u>1 791 487</u>
	<u>2 031 171</u>	<u>2 031 171</u>	<u>2 174 911</u>	<u>2 063 604</u>	<u>2 063 604</u>	<u>2 217 143</u>
The remaining acquisition cost of debt securities consists of the difference (+/-) between the nominal value and acquisition price that is allocated to interest income or deducted from it	<u>-16 184</u>			<u>-16 184</u>		
The book value consists of						
Revaluations entered as income		-			-	
Other revaluations		<u>-</u>			<u>-</u>	
Valuation difference (difference between the current and book values)			<u>143 741</u>			<u>153 539</u>

FIM 1 000	Parent company			Group		
<b>6 CHANGE IN INVESTMENTS IN LAND AND BUILDINGS</b>						
<b>31.12.1997</b>						
	<b>Buildings</b>	<b>Land and water areas and real estate shares</b>	<b>Loans to group companies</b>	<b>Buildings</b>	<b>Land and water areas and real estate shares</b>	<b>Loans to group companies</b>
Acquisition cost 1.1.	58 555	283 458	67 331	226 110	172 482	41 346
Transfer	-	-	-	17 798	-27 484	-2 946
Increases	825	104 389	25 681	87 219	64 159	-
Decreases	-	-5 161	-393	-	-5 161	-
Acquisition cost 31.12 .	59 380	382 686	92 619	331 127	203 996	38 400
Accumulated depreciations according to plan/devaluations 1.1.	2 702	24 964		13 749	12 077	
Transfer	-	-		-505	-4 313	
Depreciations according to plan/devaluations and devaluation cancellations	1 327	6 250		41 017	1 345	
Accumulated depreciations according to plan/devaluations 31.12.	4 029	31 214		54 261	9 109	
<b>Book value after depreciations according to plan/devaluations 31.12.</b>	<b>55 351</b>	<b>351 472</b>	<b>92 619</b>	<b>276 866</b>	<b>194 887</b>	<b>38 400</b>
Accumulated depreciations in excess of the plan 1.1.	1 830			1 830		
Depreciations above/below plan	1 068			1 154		
Accumulated depreciations in excess of the plan 31.12.	2 898			2 984		
Fully depreciated value of buildings 31.12.	52 454			273 882		

FIM 1 000	Parent company			Group		
<b>6 CHANGE IN INVESTMENTS IN LAND AND BUILDINGS</b>						
<b>31.12.1996</b>						
	Buildings	Land and water areas and real estate shares	Loans to group companies	Buildings	Land and water areas and real estate shares	Loans to group companies
Acquisition cost 1.1.	49 435	278 754	48 324	151 396	216 084	3 339
Increases	9 120	4 704	19 400	74 714	-	38 400
Decreases	-	-	-393	-	-43 601	-393
Acquisition cost 31.12.	58 555	283 458	67 331	226 110	172 483	41 346
Accumulated depreciations according to plan/devaluations 1.1.	1 426	9 546		4 103	9 546	
Depreciations according to plan/devaluations and devaluation cancellations	1 276	17 200		11 818	4 313	
Decreases	-	-1 782		-2 173	-1 782	
Accumulated depreciations according to plan/devaluations 31.12.	2 702	24 964		13 749	12 077	
<b>Book value after depreciations according to plan/devaluations 31.12.</b>	<b>55 853</b>	<b>258 494</b>	<b>67 331</b>	<b>212 361</b>	<b>160 405</b>	<b>41 346</b>
Accumulated depreciations in excess of the plan 1.1.	949			-		
Depreciations above/below plan	881			1 830		
Accumulated depreciations in excess of the plan 31.12.	1 830			1 830		
Fully depreciated value of buildings 31.12.	54 024			210 531		

FIM 1 000	Parent company		Group	
<b>LAND AND BUILDINGS FOR OWN USE</b>				
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
Remaining acquisition cost	1 636	1 636	1 636	1 636
Book value	1 636	1 636	1 636	1 636
Current value	1 653	1 642	1 636	1 636
<b>Koncernbolag</b>				
Number of companies	20	8		
Loss/Profit for the accounting period, total	-144	-708		
Capital and reserves, total	123 120	74 808		

7 INVESTMENTS IN GROUP COMPANIES AND PARTICIPATING INTERESTS,  
 OTHER INVESTMENTS, SHARES AND OTHER VARIABLE-YIELD SECURITIES  
 AND UNITS IN UNIT TRUSTS

Other investments Shares and other variable-yield securities and units in unit trusts	Domicile	No. of shares	% of shares	% of votes	Nominal value FIM 1000	Parent company	Group
						Book value 1997 FIM 1000	Book value 1997 FIM 1000
Asko Oyj		31000	0.09	0.09	310	3 005	3 005
Aspoyhtymä Oy		17700	0.38	0.39	177	4 057	4 057
Atria Oyj		80334	0.50	0.07	803	3 905	3 905
Efore Oy		20700	1.04	0.46	207	2 706	2 706
Elcoteq Network Oyj		31800	0.14	0.03	64	2 178	2 178
Evli Nordic Smaller Co		20000			2 000	2 000	2 000
Finnair Oyj		80000	0.10	0.10	400	2 879	2 879
Huhtamäki Oy		21300	0.07	0.02	426	2 579	2 579
Ilkka Oy		7000	0.43	0.07	70	1 128	1 128
Instrumentarium Oy		22000	0.11	0.04	220	3 460	3 460
Jaakko Pöyry Group Oyj		27000	0.20	0.20	135	1 566	1 566
JOT-yhtiöt Oy		4050	1.01	1.01	41	1 008	1 008
Kemira Oy		70000	0.05	0.05	700	3 150	3 150
Keski-Pohjanmaan Kirjapaino Oy		8000	1.92	0.17	80	1 040	1 040
Kesko Oy		48900	0.05	0.00	489	3 459	3 459
Kone Oy		9000	0.13	0.05	450	3 952	3 952
Oyj Kyro Abp		52500	0.13	0.13	53	1 418	1 418
Lassila & Tikanoja Oy		28000	0.19	0.19	280	1 228	1 228
Metra Oy		37000	0.07	0.05	740	3 500	3 500
Metsä-Serla Oyj		60000	0.04	0.03	600	2 535	2 535
Metsä-Tissue Oyj		41000	0.14	0.14	410	2 153	2 153
Nokian Renkaat Oyj		28800	0.28	0.28	288	1 038	1 038
Nordic Aluminium Oy		30500	0.66	0.66	229	1 312	1 312
Norvestia Oy Ab		15000	0.29	0.19	300	1 048	1 048
Novo Group Oyj		14640	0.23	0.23	73	1 135	1 135
Orion-yhtymä Oy		21700	0.03	0.02	217	2 478	2 478
Outokumpu Oyj		36800	0.03	0.03	368	2 440	2 440
Oy Stockmann Ab		15400	0.11	0.02	308	4 359	4 359
Suomen Kantaverkko Oy		12	0.36	0.48	2 400	2 400	2 400
Tamfelt Oy Ab		19200	0.29	0.09	192	2 500	2 500
UPM-Kymmene Oyj		10000	0.00	0.00	100	1 002	1 002
Valmet Oyj		46800	0.06	0.06	468	3 505	3 505
AGA Ab	Sweden	25000				1 728	1 728
Diageo Plc	England	30000				1 045	1 045
Fannie Mae	USA	4000				1 005	1 005
Johnson & Johnson	USA	5000				1 585	1 585
L.V.M.H.Moët-Hennessy							
Louis Vuitton	France	2000				1 764	1 764
McDonald's Corp	USA	18000				4 482	4 482
Munters Ab	Sweden	55500				2 609	2 609
Nestle AG	Switzerland	200				1 300	1 300
Nycomed Amersham Plc	England	13012				1 282	1 282
Scandinavian Mobility Int A/S	Denmark	20000				1 001	1 001
Scania Ab	Sweden	12000				1 442	1 442
Schibsted AS	Norway	12000				1 076	1 076
Tele Danmark AS	Denmark	6000				1 542	1 542
Others		284083				16 374	16 472
						<b>114 360</b>	<b>114 456</b>

FIM 1 000	Parent company			Group		
<b>8 CHANGE IN TANGIBLE AND INTANGIBLE ASSETS</b>						
<b>31.12.1997</b>	<b>Intangible assets and long-term expenditure</b>	<b>Equipment</b>	<b>Total</b>	<b>Intangible assets and long-term expenditure</b>	<b>Equipment</b>	<b>Total</b>
Acquisition cost 1.1.	1 109	349	1 458	1 109	349	1 458
Fully depreciated in the previous year	-256	-	-256	-256	-	-256
Acquisitions	3 630	-	3 630	3 630	-	3 630
Acquisition cost 31.12.	4 483	349	4 832	4 483	349	4 832
Accumulated depreciations according to plan 1.1.	393	329	722	393	329	722
Fully depreciated in the previous year	-256	-	-256	-256	-	-256
Depreciations according to plan	165	6	171	165	6	170
Accumulated depreciations according to plan 31.12.	302	335	637	302	335	637
<b>Acquisition cost after depreciations according to plan 31.12.</b>	<b>4 181</b>	<b>14</b>	<b>4 195</b>	<b>4 181</b>	<b>14</b>	<b>4 195</b>
Net expenditure after depreciations 31.12 .	4 181	14	4 195	4 181	14	4 195
<b>31.12.1996</b>						
Acquisition cost 1.1.	965	349	1 315	965	349	1 315
Fully depreciated in the previous year	-327	-	-327	-327	-	-327
Acquisitions	471	-	471	471	-	471
Acquisition cost 31.12.	1 109	349	1 459	1 109	349	1 459
Accumulated depreciations according to plan 1.1.	583	321	903	583	321	903
Fully depreciated in the previous year	-327	-	-327	-327	-	-327
Depreciations according to plan	138	9	146	138	9	146
Accumulated depreciations according to plan 31.12.	393	329	722	393	329	722
<b>Acquisition cost after depreciations according to plan 31.12.</b>	<b>716</b>	<b>20</b>	<b>736</b>	<b>716</b>	<b>20</b>	<b>736</b>
Net expenditure after depreciations 31.12.	716	20	736	716	20	736

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>9 OTHER LOANS</b>				
Remaining acquisition cost by security				
Bank guarantee	11 016	16 942	11 016	16 942
Other security	2 267	2 836	2 267	2 836
<b>Remaining acquisition cost</b>	<b>13 283</b>	<b>19 778</b>	<b>13 283</b>	<b>19 778</b>
<b>10 CHANGE IN CAPITAL AND RESERVES</b>				
Restricted				
Subscribed capital	32 300	32 300	32 300	32 300
Reserve fund	16 180	16 180	16 180	16 180
Revaluation reserve 1.1.	-	-	1 000	-
Increase	-	-	478	1 000
Revaluation reserve 31.12.	-	-	1 478	1 000
	48 480	48 480	49 958	49 480
Non-restricted				
Profit for previous years	22 817	4 016	21 083	4 016
Transferred from profits for the previous year	7 568	18 801	-1 676	17 079
Allocated	-	-	-5 256	-12
	30 385	22 817	14 151	21 083
Profit for the previous year	7 568	18 801	-	-
Transferred to retained earnings	-7 568	-18 801	-	-
	0	0	-	-
Profit/Loss for the accounting period	1 270	7 569	-1 025	-1 676
	31 655	30 386	13 125	19 407
	<b>80 135</b>	<b>78 866</b>	<b>63 083</b>	<b>68 887</b>

**ANALYSES OF THE REVALUATION RESERVE**

Revaluation reserve 1.1.	-	-	1 000	-
Increase	-	-	478	1 000
Revaluation reserve 31.12.	-	-	1478	1 000
Of which related to fixed assets	-	-	1 478	1 000

FIM 1 000	Parent company		Group	
	1997	1996	1997	1996
<b>I I RESERVES</b>				
<b>Depreciation difference</b>				
Depreciation difference 1.1.	1 830	949	1 830	0
Increases during the accounting period	1 068	881	1 154	1 830
Depreciation difference 31.12.	2 898	1 830	2 984	1 830
<b>Optional reserves</b>				
Credit loss reserve 1.1.	1 099	3 286	1 099	3 286
Increases	148	-	148	-
Decreases	-	-2 187	-	-2 187
Credit loss reserve 31.12.	1 247	1 099	1 247	1 099
Transitional reserve 1.1.	1 134	1 134	1 134	1 134
Decreases	-1 134	-	-1 134	-
Transitional reserve 31.12.	0	1 134	0	1 134
Housing reserve 1.1.	-	-	-	-
Increases	-	-	894	-
Housing reserve 31.12.	-	-	894	-
<b>Optional reserves, total 31.12.</b>	<b>1 247</b>	<b>2 233</b>	<b>1 247</b>	<b>2 233</b>
<b>Reserves, total</b>	<b>4 145</b>	<b>4 063</b>	<b>5 125</b>	<b>4 063</b>
<b>Tax liability calculated for the depreciation difference and optional reserves</b>				
Tax rate	28%	28%	28%	28%
<b>I 2 DEFERRED ACQUISITION COSTS DEDUCTED FROM PROVISIONS FOR OUTSTANDING CLAIMS IN LIFE ASSURANCE (ZILLMERIZATION)</b>				
Individual life assurance	119	113	119	113
Individual pension insurance	1 925	2 354	1 925	2 354
	2 044	2 467	2 044	2 467
<b>I 3 CONTINGENT LIABILITIES</b>				
Subscription commitments	-	900	-	900
<b>I 4 MANAGEMENT LOANS AND PENSION COMMITMENTS</b>				
Loans	-	-	-	-
<i>Pension commitments</i>				
A retirement age of 60 - 63 years has been agreed for the senior management of the company and for those members of the Board of Directors who are employed by the company.				

# KEY FIGURES PERTAINING TO SOLVENCY

FIM 1 000	Parent company	
	1997	1996
<i>Solvency margin</i>		
Capital and reserves after profit distribution	80 135	78 866
Optional reserves and accumulated depreciation difference	4 145	4 063
Valuation difference between current asset value and book values on the balance sheet	147 229	143 741
Subordinated liabilities	24 000	30 000
Intangible assets and insurance acquisition costs not entered as expenses (-)	-4 181	-716
Off-balance-sheet differences	-	-900
	<b>251 328</b>	<b>255 053</b>
Solvency margin required under the Insurance Companies Act, Chapter 11, Section 4	101 409	81 009
Equalization provision included in the technical provisions for years in which there are exceptionally large losses	35 708	34 371
The solvency margin and the equalization provision in proportion to technical provisions, net of reinsurance and reduced by the amount of the equalization provision (%)		
- 1997	11.9	
- 1996	14.5	
- 1995	12.7	
- 1994	9.5	



# PROPOSAL FOR THE APPROPRIATION OF THE PROFIT

The Board of Directors proposes that the profit for the accounting period in the amount of FIM 1 269 586.99 be transferred to retained earnings.

If the Board of Directors' proposal for the appropriation of the profit is approved, the company's capital and reserves will be as follows:

Restricted capital and reserves		
Subscribed capital	32 300 000.00	
Reserve fund	<u>16 180 000.00</u>	48 480 000.00
Non-restricted capital and reserves		
Profit from previous years		<u>31 655 347.70</u>
		<u>80 135 347.70</u>

Espoo, 2nd April 1998

Asmo Kalpala

Pertti Heikkala

Juhani Heiskanen

Pentti Koskinen

Tom Liljeström

Jari Saine

# AUDITORS' REPORT

## TO THE OWNERS OF THE TAPIOLA CORPORATE LIFE INSURANCE COMPANY

We have examined the bookkeeping, financial statements and administration of the Tapiola Corporate Life Insurance Company for the 1997 financial year. The financial statements prepared by the Board of Directors and the Managing Director include an annual report, consolidated and parent company income statements and balance sheets, and appendices to the financial statements. On the basis of the audit, we hereby issue the following statement on the financial statements and administration.

Mr Mauno Tervo has performed the supervisory audit of the company and a separate report was issued on 7th April 1998.

The bookkeeping as well as the principles, content and presentation of the financial statements have been examined in accordance with generally accepted auditing principles. In our examination of the administration, we have determined that the members of the Board and the Super-

visory Board and the Managing Director have acted in accordance with the law.

The financial statements, which show a surplus for the parent company amounting to FIM 1,269,586.99 have been prepared in accordance with both the Bookkeeping Act and other rules and regulations concerning the preparations of financial statements. The financial statements provide, in the manner prescribed in the Bookkeeping Act, accurate and adequate information on the performance and financial standing of both the group and the parent company.

The financial statements of the parent company together with its consolidated financial statements can be adopted. The members of the Supervisory Board and the Board of Directors and the Managing Director may be discharged from responsibility for the financial year covered by our audit.

The proposal by the Board of Directors on the appropriation of the surplus is in accordance with the law.

ESPOO, 16TH APRIL, 1998

MAUNO TERVO  
C.P.A.

SVH Coopers & Lybrand Oy  
firm of certified public accountants  
ULLA HOLMSTRÖM  
C.P.A.

## REPORT BY THE SUPERVISORY BOARD

Having examined the financial statements, the consolidated financial statements and the auditors' report for 1997 financial year, the Supervisory Board recommends

that the financial statements and its consolidated financial statements can be adopted.

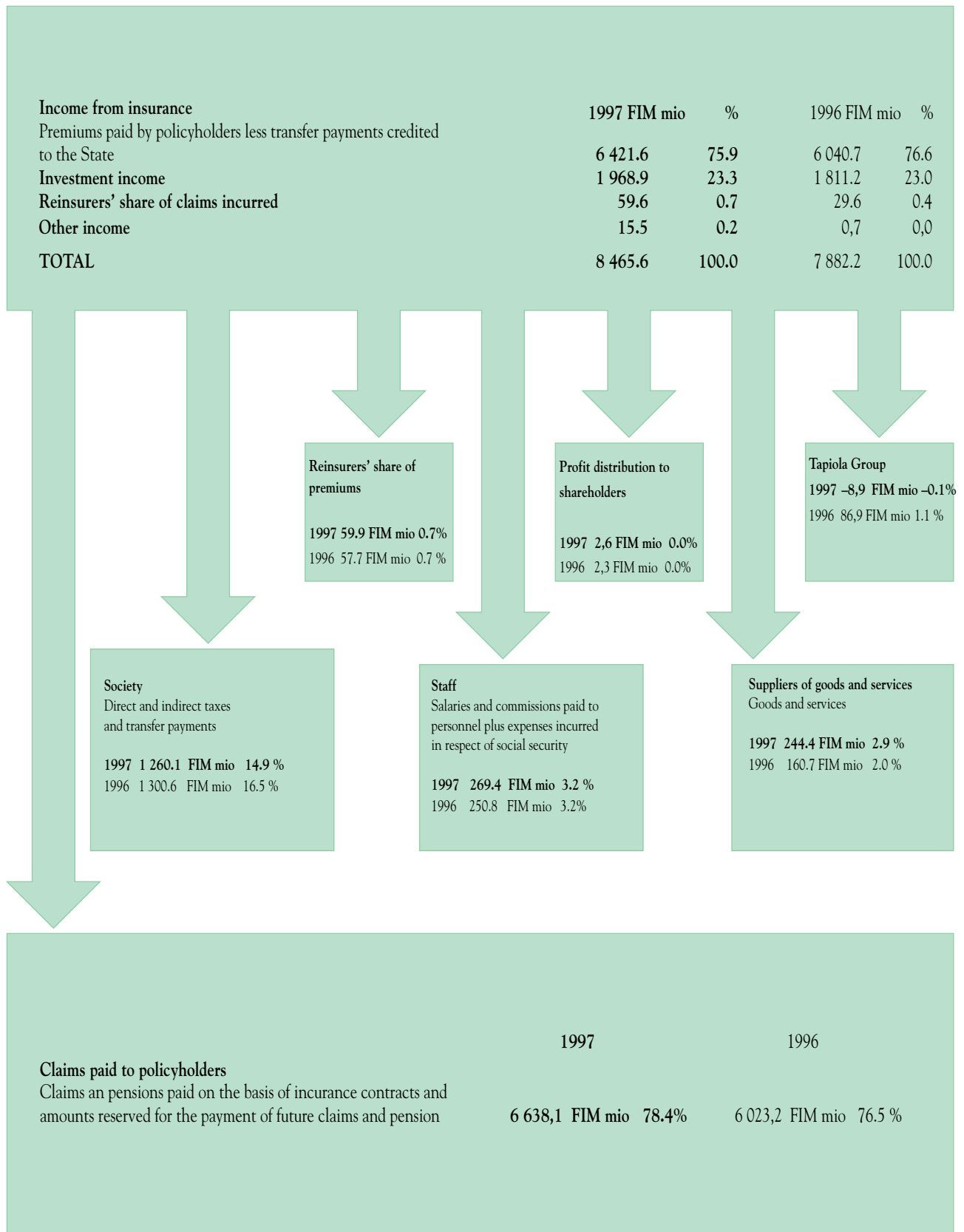
ESPOO, 22TH APRIL 1998

KARI NEILIMO  
chairman



# TAPIOLA INSURANCE GROUP

# SOCIAL DISTRIBUTION OF INCOME



The effect of the insurance company's activities from the standpoint of society can be depicted with the aid of the social distribution of income shown above. The distribution shows from which quarters the insurance companies' incomes are derived and how they are distributed among the various interest groups.

# STRIVING FOR QUALITY, PRODUCTIVITY, PROFESSIONALISM AND JOB SATISFACTION

PROFITABLE GROWTH AND THE DEVELOPMENT OF CUSTOMER-CENTRED SERVICES ARE GOALS FOR WHICH THE ENTIRE STAFF OF THE TAPIOLA INSURANCE GROUP HAS BEEN ACTIVELY STRIVING. SERVICE CHAINS HAVE BEEN SYSTEMATICALLY IMPROVED BY MEANS OF A SPECIAL QUALITY AND PRODUCTIVITY PROGRAMME, WHICH HAS SERVED AS THE MODEL FOR DEVELOPMENT OF THE COMPANY'S OPERATIONS.

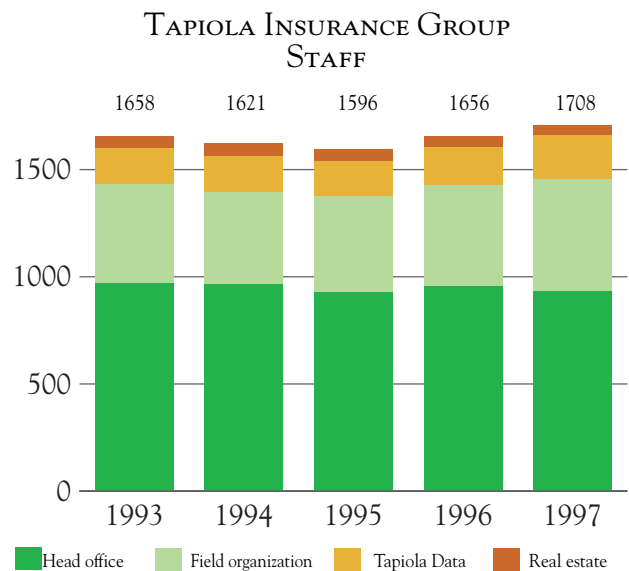
THE DEVELOPMENT OF SUB-PROCESSES has taken place in teams, so the whole staff has been able to participate actively in the development work and at the same time to learn themselves. Running in parallel with the quality and productivity programme has been a self assessment process, whereby the company's operations have been evaluated and continuously improved in accordance with the criteria of the Finnish Quality Award.

## TAPIOLA 2001 COMPETENCE PROGRAMME

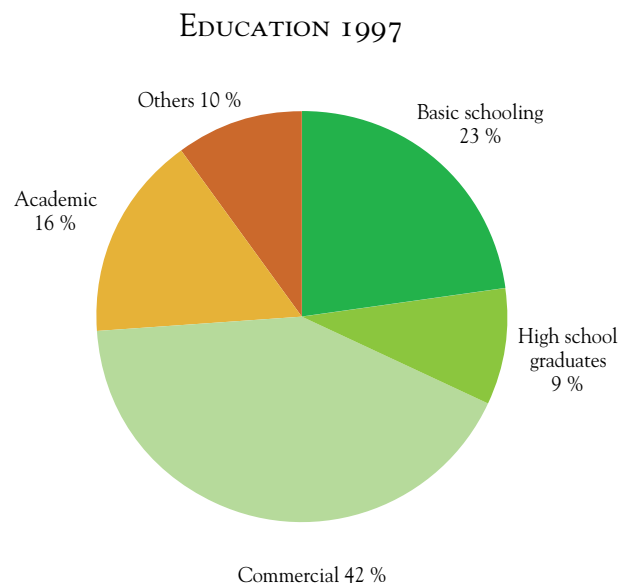
Continuous development of the company's internal operating practices and environment requires flexible and competent staff. In order to improve skills and competence within the Tapiola Insurance Group, work has started on the creation of a new customer-centred competence development model based on Tapiola's values and strategy. The goals of the Tapiola 2001 competence programme are:

- to define group-level competence and development projects on the basis of Tapiola's values and strategy;
- to align function-specific expertise with group-level competence and development areas;
- to clarify the knowledge, skills, abilities and attitudes on which the desired competence is to be built;
- to assess the competence profile and personal development plans of Tapiola's staff members in development discussions;
- to assemble the information in a single database and use it to create a continuous competence development model.

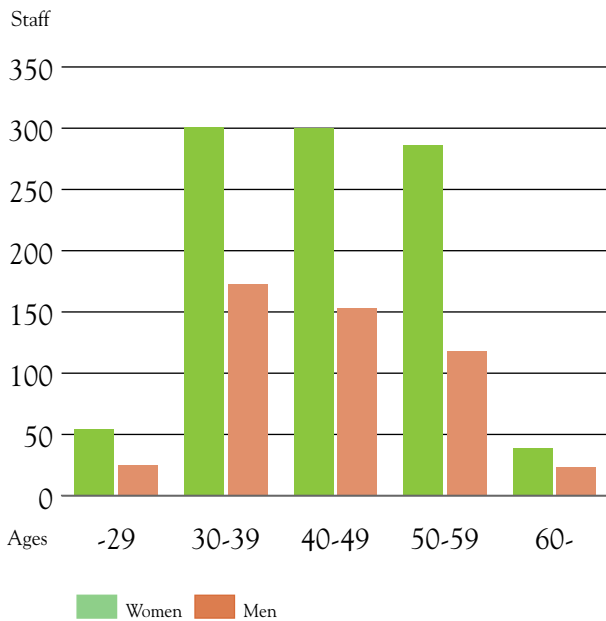
In parallel with the Tapiola 2001 competence project, the improvement of information technology capabilities, product, service and sales expertise and the support of teamwork processes have also been attended to.



The staff strength has been cut by reducing the combined number of permanent and fixed-term personnel on long-term leave at the end of the year. The staff average was 1 682 persons in 1997.



AGE DISTRIBUTION 1997



Tapiola's personnel have been encouraged to study independently and have been supported in that endeavour. In order to raise the basic level of education and to improve professional skills, a qualification model has been constructed in conjunction with the Finnish Institute of Marketing. So far, 80 members of staff have graduated from this programme. Last year 26 Tapiola employees were awarded the industry's basic professional certificate.

FITNESS FOR WORK

The aim of the fitness-for-work programme is to develop professional competence and to improve the overall well-being of the staff and the work community. Plans for each

individual area of responsibility have been prepared in order to maintain and promote full fitness for work in the Tapiola Insurance Group. The aim is to ensure that long-term upkeep of the staff's fitness for work is permanently incorporated into the management systems of the group companies.

IMPROVEMENT OF WORK SATISFACTION

Improving the work satisfaction of professionally skilled and knowledgeable personnel was also a focal point of development work during the review year. A wide range of leisure and self-development activities were supported, and the performance-related pay system was developed so that the incentive to produce good work results was strengthened. In addition to Tapiola's staff fund scheme, the performance-related pay system was also extended to cover the entire staff. In order to promote more flexible working time arrangements for individuals and workgroups, the head office switched over to a working time monitoring system that allows for more flexibility.

NUMBER OF EMPLOYEES

The average number of people employed in the Tapiola Insurance Group during the review year was 1,441, which was a 40 more than in the previous year. Including those employed by Tapiola Data and the real estate companies, the average was 1,682, which was 50 more than the 1996.

The gross turnover of personnel in 1997 was 4.3% and internal mobility was 6.9%.

# MANAGEMENT OF ENVIRONMENTAL ISSUES IN TAPIOLA

THIS IS THE FIRST TIME THAT A REPORT ON ENVIRONMENTAL ISSUES HAS BEEN INCLUDED IN TAPIOLA'S ANNUAL REPORT. THE NEEDS AND POSSIBILITIES OF THE MANAGEMENT OF ENVIRONMENTAL ISSUES WERE INVESTIGATED DURING THE YEAR. AT THE END OF 1997 THE ENVIRONMENTAL POLICY OF TAPIOLA WAS ACCEPTED AND THE CONSTRUCTION OF AN ENVIRONMENTAL SYSTEM BEGAN.

IN 1997 A START WAS MADE ON CLARIFYING THE ENVIRONMENTAL PERSPECTIVES and impacts related to Tapiola's operations and services, and this work will continue in 1998. The results of the analysis will be used to prepare a development plan for the coming years, to identify areas where improvements can be made, and to create the basis for continuous development of environmental work.

In late autumn 1997 the managerial boards of the Tapiola companies approved Tapiola's environmental policy and the plan to develop the management of environmental issues. In the environmental policy Tapiola's senior management and thus the companies of the Tapiola Insurance Group committed themselves to take account of environmental issues in all operations.

There are currently two working groups involved in the development of environmental issues in Tapiola: the energy group and the waste group. The environmental programme's other areas of emphasis include internal communications and oil storage tank risks on Tapiola's properties. The management of environmental issues falls within the scope of responsibilities of Tapiola's Safety Committee.

As far as waste management at head office is concerned, Tapiola already has a very good track record. For example, bio-wastes, paper and hazardous wastes have been sorted and collected. In 1998 Tapiola will be switching over to a new waste management system that allows for even more efficient waste recycling as well as both qualitative and quantitative control and measurement. Tapiola collaborates closely in environmental issues with cleaning and waste management companies.

Energy consumption has already been the focus of attention at both head office and many of the properties owned by the company. Good results have been achieved in energy-saving. Opportunities for further energy-saving in the buildings and properties owned by Tapiola were examined in connection with the initial survey of environmental issues.

Tapiola's environmental activities also involve environmental safety work for customers and other interest groups. The Risk Management Services department provides guidance and training for Tapiola's own personnel and customers in environmental questions. The department also offers insurance cover against environmental risks. Environmental risk expertise has been disseminated to those who need it both at head office and to field personnel with customer service responsibilities, e.g. regional engineers, loss assessors and contact managers. The training will continue. Tapiola has also been invited to take part in the training events of other interest groups, e.g. technical colleges, environmental fairs and different kinds of seminars.

## ENVIRONMENTAL GOALS AND RESULTS OF THE TAPIOLA INSURANCE GROUP IN 1997

Tapiola's environmental goals in 1997 were the creation and approval of an environmental policy and management plan for environmental issues, the completion of preparations for the 1998 environmental programme, the analysis of environmental risks at head office, and the initiation of systematic environmental work with regard to energy and waste management. These goals have been achieved.

The monitoring of environmental impacts was developed in connection with the construction of the environmental system. Measuring systems and indicators were also developed. The indicators devised so far are concerned with the consumption of electricity, heat and water at head office. According to these indicators, the consumption of electricity has been reduced by 34%, heat by 25% and water by 23% at head office over the past five years.

# ADVISORY COMMITTEES

THE MEMBERS OF THE VARIOUS ADVISORY COMMITTEES ARE SELECTED FROM REPRESENTATIVES OF TAPIOLA'S CUSTOMERS. THEY PLAY AN IMPORTANT ROLE AS CHANNELS THROUGH WHICH EXTERNAL INFLUENCE CAN BE BROUGHT TO BEAR ON THE ADMINISTRATION OF THE COMPANIES IN THE TAPIOLA INSURANCE GROUP. THE PURPOSE OF THESE BODIES IS TO ACT IN INTERACTIVE LINK BETWEEN THE CUSTOMERS AND TAPIOLA'S COMPANIES. ALTOGETHER THERE ARE 19 REGIONAL ADVISORY COMMITTEES, EACH OF WHICH HAS 12 - 15 MEMBERS..

The Advisory Committee for the SME sector has 12 members. Most of its members also sit on other regional advisory committees, so that the committee draws its members from all over the country.

The Advisory Committee for Agriculture and Forestry has 12 members as well, and they are also drawn from other regional advisory committees all over Finland.

The terms of office is three years for all of the committees. Every effort is made to ensure that the membership of the committees reflects the diversity of Tapiola's customers. The advisory committees are appointed annually at the joint meeting of the boards of directors of the group companies.

There are also two other advisory committees in Tapiola: once concerned with agency matters and the other with pension affairs.

The advisory committees with effect from 1.1.1998 are presented in the following. The year given next to each name refers to the end of that person's term of office.

## ABBREVIATIONS:

a.c. = advisory committee

r.a.c. = regional advisory committee

## ESPOO

**Timo Haapaniemi**, chairman,  
Kirkkonummi, 2000

**Tina Schrey**, deputy chairman,  
Espoo, 1999

**Juha Eiro**,  
Espoo, 2000

**Ilmari Halinen**,  
Espoo, 1998

**Timo Honka**,  
Espoo, 1998

**Arvo Korte**,  
Espoo, 2000

**Susanna Rahkonen**,  
Espoo, 1999

**Ritva Rastimo**,  
Espoo, 1999

**Pekka Tanninen**,  
Espoo, 1998

**Timo Tiihonen**,  
Espoo, 2000

**Timo Veijola**,  
Espoo, 1999

**Klas Winell**,  
Kirkkonummi, 1998

*Contact persons at Tapiola:*

**Heikki Puhakainen**, secretary, Espoo,  
phone (09) 4531

**Petri Routa**, Helsinki, phone (09) 4531

## HELSINKI

**Risto Salonen**, chairman,  
Helsinki, 2000

**Kirsti Vaalikivi**, deputy chairman,  
Helsinki, 1998

**Bo Andersson**,  
Helsinki, 1999

**Ilkka Holopainen**,  
Helsinki, 1999

**Kari Huttunen**,  
Helsinki, 2000

**Marita Kaasalainen**,  
Helsinki, 1998

**Pirkko Lahti**,  
Helsinki, 2000

**Jorma Lehmuskallio**,  
Helsinki, 1998

**Aira Merjovirta**,  
Helsinki, 2000

**Mikko Parjanne**,  
Helsinki, 1998

**Lars Rask**,  
Helsinki, 1998

**Kerttu Selin**,  
Helsinki, 1999

**Ilkka Sipilä**,  
Helsinki, 2000

**Matti Taanila**,  
Helsinki, 1999

**Johan Åkerman**,  
Helsinki, 1999

*Contact persons at Tapiola:*

**Timo Niemi**, secretary,  
Helsinki, phone (09) 4531

**Petri Routa**, Helsinki,  
phone (09) 4531

## VANTAA

**Jorma Kaartama**, chairman,  
Nurmijärvi, 1999

**Jouni Kuusisto**, deputy chairman,  
Vantaa, 1999

**Eero Ahola**, Vantaa, 2000  
(a.c. SME sector)

**Sari Ek**,  
Vantaa, 1999

**Inger Eriksson-Blom**,  
Vantaa, 1998

**Raimo Järvinen**,  
Vantaa, 2000

**Veikko Kantero**,  
Vantaa, 2000

**Risto Palin**,  
Hyvinkää, 1998

**Eeva Parkkivaara-Anttinen**,  
Helsinki, 1999

**Hannu Sahanen**,  
Tuusula, 1998

**Reino Sandström**,  
Vantaa, 1998

**Karl-Henrik Sohkanen**,  
Vantaa, 2000

*Contact persons at Tapiola:*

**Liisa Ojala**, secretary,  
Vantaa, phone (09) 4531

**Petri Routa**, Helsinki,  
phone (09) 4531

## SALO-LOHJA

**Martti Palojarvi**, chairman,  
Vihti, 1999

(a.c. agriculture and forestry)  
**Olli Lehti, Perniö**,  
1998 (a.c. SMI sector)

**Kaija Aho**,  
Lohja, 1999

**Björn Ekberg**,  
Turku, 2000



**Tapio Halme**,  
Karjaa, 1999

**Lauri Hänninen**,  
Halikko, 1998

**Irma Lehtonen**,  
Pertteli, 2000

**Max van der Pals**,  
Lohjan mlk., 1998

**Mauri Salo**,  
Somero, 2000

**Pentti Sevón**,  
Lohja, 1999

**Keijo Väisänen**,  
Lohja, 2000

**Matti Välimäki**,  
Lohja, 1998

*Contact persons at Tapiola:*

**Hannu Määttänen**, secretary,  
Salo, phone (02) 7333 313

**Hans Strandberg**, Turku,  
phone (02) 270 200

**SATAKUNTA**

**Matti Ojanperä**, chairman,  
Pori, 2000

**Anni Jantunen**, deputy chairman,  
Pori, 1998

**Timo Junnila**,  
Pori, 1999

**Reijo Järvi**,  
Huittinen, 1998

**Esko Laukkanen**,  
Rauma, 1999

**Eero Laurila**,  
Pori, 1999

**Riitta- Liisa Olkkonen**,  
Kankaanpää, 1999

**Timo Rapila**,  
Honkajoki, 2000

**Sakari Ryyppö**,  
Kokemäki, 2000

**Arto Suni**,  
Pori, 1998

**Veli-Matti Syrilä**, Köyliö,  
1998 (a.c. agriculture and forestry.)

**Markku Tuominen**,  
Eurajoki, 2000

*Contact persons at Tapiola:*

**Risto Liljeroos**, secretary,  
Pori, phone (02) 641 6100

**Hans Strandberg**, Turku,  
phone (02) 270 200

**SOUTHWESTERN FINLAND**

**Esko Eela**, chairman,  
Turku, 1998

**Vesa Mattila**, deputy  
chairman, Turku, 1998

**Risto Ahonen**,  
Uusikaupunki, 2000

**Alf Donner**,  
Parainen, 2000

**Jukka Hellström**,  
Turku, 1999

**Mikko Lindberg**,  
Turku, 1998

**Per-Erik Lindström**,  
Turku, 1998

**Timo Marttila**,  
Kaarina, 1999

**Jarmo Mäntyharju**,  
Oripää, 2000

**Juho Paloheimo**,  
Loimaa, 1999

**Juhani Ropponen**,  
Turku, 1999

**Samuli Ryökäs**,  
Pöytyä, 1998

**Hannu Rämö**,  
Nousiainen, 2000

**Stefan Schleutker**,  
Turku, 2000

**Merja Siltanen**,  
Turku, 1999

*Contact persons at Tapiola:*

**Timo Jussila**, secretary , Turku,  
phone (02) 270 200

**Hans Strandberg**, Turku,  
phone (02) 270 200

**CENTRAL FINLAND**

**TAVASTIA**

**Kyösti Lassila**, chairman,  
Hämeenlinna, 1999

**Maarit Kuusela**, deputy chairman,  
Hämeenlinna, 1998

**Matti Haarajoki**,  
Hämeenlinna, 1998

**Ossi Halonen**,  
Hämeenlinna, 1998

**Jorma Hassinen**,  
Hämeenlinna, 1999

**Kai Häppölä**,  
Urjala, 2000

**Rauno Iivonen**,  
Hämeenlinna, 1998

**Ilkka Joenpalo**,  
Forssa, 2000

**Jukka Jokinen**,  
Hämeenlinna, 2000

**Jari Koskinen**,  
Hauho, 1999

**Ilkka Metsäterä**,  
Riihimäki, 1999

**Pekka Pastila**,  
Hämeenlinna, 1999

**Seppo Salonen**,  
Hämeenlinna, 2000

**Jari Stenberg**,  
Jokioinen, 2000

**Juhani Törmä**,  
Janakkala, 1998

*Contact persons at Tapiola:*

**Heikki Lindroth**, secretary,  
Hämeenlinna, phone (03) 612 7311

**Martti Silvennoinen**, Tampere,  
phone (03) 382 5200

**JYVÄSKYLÄ**

**Rauno Meriö**, chairman,  
Jyväskylä, 2000

**Aino Sallinen**, deputy chairman,  
Jyväskylä, 1998

**Tapio Halonen**,  
Saarijärvi, 1998

**Erkki Järvelä**,  
Laukaa, 1998

**Marja Kallio**,  
Laukaa, 1999

**Pentti Kokkinen**,  
Jyväskylä, 2000

**Paavo Komi**,  
Jyväskylä, 1999

**Arja Koriseva**,  
Toivakka, 1998

**Asko Liimatainen**,  
Viitasaari, 1999

**Raija Miettinen**,  
Jyväskylä, 1998

**Erkki Paananen**,  
Viitasaari, 2000

**Risto Palokangas**,  
Jyväskylä, 1999

**Esa Salokorpi**,  
Jyväskylä, 2000

**Juhani Tahvonen**,  
Jyväskylä, 1999

**Esko Taivalsaari**,  
Jyväskylä, 2000

*Contact persons at Tapiola:*

**Seppo J.Ojala**, secretary,  
Jyväskylä, phone (014) 617 121

**Martti Silvennoinen**, Tampere,  
phone (03) 382 5200

**PIRKANMAA**

**Eila Rönni**, chairman,  
Pälkäne, 2000

**Jussi Niemi**, deputy chairman,  
Tampere, 1999

**Matti Hokkanen**,  
Tampere, 2000

**Riitta Kivitila**,  
Tampere, 1998

**Esko Kuusela**,  
Tampere, 2000  
**Jorma Lehtonen**,  
Tampere, 1999  
**Pertti Leppänen**,  
Ikaalinen, 2000  
**Pentti Molander**,  
Tampere, 1998  
**Pekka Molin**,  
Tampere, 1999  
**Reijo Mäkinen**,  
Tampere, 1999  
**Heikki A. Ollila**,  
Kangasala, 1998  
(a.c. agriculture and forestry)

**Hannu Partala**,  
Tampere, 2000  
(a.c. SME sector)  
**Antti Pohjanheimo**,  
Tampere, 1998  
**Aila Tamminen**,  
Tampere, 1999  
**Pertti Timonen**,  
Tampere, 1998

*Contact persons at Tapiola:*

**Jorma Eerilä**, secretary,  
Tampere, phone (03) 382 5200  
**Martti Silvennoinen**, Tampere,  
phone (03) 382 5200

#### OSTROBOTNIA

**Yrjö Välimäki**, chairman,  
Alavus, 1998 (a.c. SME sector)  
**Heikki Saari**, deputy chairman,  
Ylistaro, 1999

**Antti Ala-Talkkari**,  
Lapua, 1999

**Aaro Koljonen**,  
Teuva, 1998  
**Marja A. Lehtimaa**,  
Nurmo, 1998

**Kalle Lähdesmäki**,  
Seinäjoki, 1998

**Esko Mäkelä**,  
Alajärvi, 2000

**Juhani Palomäki**,  
Seinäjoki, 2000

**Asko Peltola**,  
Lapua, 2000

**Riitta Ronkainen**,  
Jalasjärvi, 1999

**Kaija Uola**,  
Seinäjoki, 2000

**Kari Valkosalo**,  
Kortesjärvi, 1999

*Contact persons at Tapiola:*

**Tapio Siira**, secretary,  
Seinäjoki, phone (06) 414 4533

**Matti Korkiatupa**, Seinäjoki,  
phone (06) 414 4533

#### VAASA-KOKKOLA

**Jouko Havunen**, chairman.,  
Vaasa, 1998  
**Jouni Jyrinki**, deputy chairman,  
Kokkola, 1999  
(a.c. agriculture and forestry)

**Marjatta Elomaa**,  
Laihia, 2000

**Martti Eurola**,  
Kokkola, 1998

**Juhani Filppula**,  
Veteli, 1999

**Matti Inkinen**,  
Vaasa, 1998

**Matti Jaakkola**,  
Vaasa, 1999

**Maija- Liisa Ketonen**,  
Kristiinankaupunki, 2000

**Per- Håkan Näsman**,  
Vaasa, 1999

**Raimo Rauhala**,  
Vaasa, 2000

**Helga Sarviranta-Vuotila**,  
Kokkola, 1998

**Altti Seikkula**,  
Kokkola, 2000

*Contact persons at Tapiola:*

**Jukka Marttila**, secretary,  
Vaasa, phone (06) 317 5338

**Matti Korkiatupa**, Seinäjoki,  
phone (06) 414 4533

#### SOUTHEASTERN FINLAND

**Tuomo Hintsanen**,  
chairman, Lappeenranta, 1998

**Tapio Hämäläinen**,  
deputy chairman, Kotka, 2000

**Maija Hanski**,  
Imatra, 2000

**Timo Hanttu**,  
Lappeenranta, 1999

**Esa Hasu**,  
Elimäki, 2000

**Risto Heikkilä**,  
Anjalankoski, 1998

**Reino Huottilainen**,  
Parikkala, 1999

**Lasse Koskelainen**,  
Lappeenranta, 1999

**Esa Lavander**,  
Lappeenranta, 1998

**Jatta Moilanen**,  
Kotka, 1998

**Pekka Multanen**,  
Lappeenranta, 2000

**Aulis Ripatti**,  
Lappeenranta, 1999

**Olli Sinisalo**,  
Pyhtää, 2000

**Pentti Toivanen**,  
Iitti, 1999

**Eeva Vauhkonen**,  
Kouvola, 1998

*Contact persons at Tapiola:*

**Martti Mäkelä**, secretary,  
Lappeenranta, phone (05) 451 5687

**Miika Minkkinen**, Lahti,  
phone (03) 752 4860

#### LAHTI-PORVOO

**Kimmo Kajaste**, chairman,  
Porvoo, 1999

**Seppo Jokipelto**,  
deputy chairman, Hollola, 2000

**Reijo Alanko**,  
Mäntsälä, 2000

**Aila Blomster**,  
Heinola, 1998

**Kari Hyytiä**,  
Lahti, 1999

**Reivo Järvenpää**,  
Hollola, 1999

**Pekka Kangasmäki**,  
Porvoo, 1999

**Riitta Karppinen**,  
Heinola, 2000 (a.c. SME sector)

**Matti Kataja**,  
Lahti, 2000

**Mikko Kommeri**,  
Hollola, 1998

**Pirkko Korpinen**,  
Lahti, 1998

**Markku Mäkeläinen**,  
Lahti, 1998

**Sirkku Paljakka**,  
Lahti, 1999

**Antero Siikaniemi**,  
Hollola, 1998

**Risto Tuomala**,  
Porvoo, 2000

*Contact persons at Tapiola:*

**Teemu Toivanen**, secretary,  
Lahti, phone. (03) 752 2577

**Miika Minkkinen**, Lahti,  
phone (03) 752 4860

#### SAVO-KARELIA

#### NORTHERN KARELIA

**Eino Tenhunen**, chairman,  
Joensuu, 2000

**Anja Nuutinen**, deputy chairman,  
Lieksa, 2000

**Mauri Haapalainen,**  
Joensuu, 1998

**Pentti Holopainen,**  
Kitee, 1998

**Timo Kettunen,**  
Ilomantsi, 2000

**Pirkko Kylänpää,**  
Joensuu, 1998

**Jorma K. Lehtonen,**  
Joensuu, 1999

**Erkki Miettinen,**  
Juuka, 1999

**Otto Mikkonen,**  
Joensuu, 1999

**Pekka Nevalainen,**  
Outokumpu, 1998

**Vilho Pasanen,**  
Joensuu, 1999

**Seppo Piirainen,**  
Joensuu, 1999

**Kirsti Reijonen,**  
Joensuu, 2000

**Jorma Turunen,**  
Kesälahti, 1998

**Martti Turunen,**  
Nurmes, 2000

*Contact persons at Tapiola:*

**Petri Pakarinen,** secretary,  
Joensuu, phone (013) 120 800

**Päivi Ruokolainen,** Kuopio,  
phone (017) 261 5212

## KUOPIO

**Matti Niiranen,** chairman,  
Kuopio, 1998

**Jussi Huttunen,** deputy chairman,  
Leppävirta, 1998

**Paula Harjanne,**  
Varkaus, 1998

**Keijo Karlsson,**  
Varkaus, 1998

**Lauri Laitinen,**  
Siilinjärvi, 1999

**Asko Lappalainen,**  
Kuopio, 2000

**Ossi V. Lindqvist,**  
Kuopio, 1998

**Aulis Miskala,**  
Kuopio, 1999

**Timo Männikkö,**  
Varkaus, 2000

**Viljo Pakarinen,**  
Kuopio, 2000

**Elina Pallonen,**  
Iisalmi 1999

**Matti Pulkkinen,**  
Kuopio, 2000

**Kosti Repo,**  
Iisalmi, 1999

**Anna- Riitta Rissanen,** Kuopio, 1999  
**Pentti Sihvola,** Kuopio, 2000 (Pk-  
yrittäjien nk.)

*Contact persons at Tapiola:*

**Esa Seppälä,** secretary,  
Kuopio, phone (017) 261 5212

**Päivi Ruokolainen,** Kuopio,  
phone (017) 261 5212

## MIKKELI

**Juhani Alanen,** chairman,  
Mikkeli mlk., 1999

**Tuula Jäppinen,** deputy chairman,  
Savonlinna, 1998

**Marcus von Bonsdorff,**  
Pieksämäki, 1998

**Markku Jalonen,**  
Juva, 1998

**Jukka Jokela,**  
Savonlinna, 2000

**Markku Kakriainen,**  
Mikkeli, 1999

**Pekka Kovanen,**  
Pieksämäki, 2000

**Erkki Luukkonen,**  
Puumala, 1999

(a.c. agriculture and forestry.)

**Kalle Nieminen,**  
Mikkeli, 1999

**Tauno Rehn,**  
Mikkeli, 1998

**Raimo Rekikoski,**  
Mikkeli, 2000

**Hannu Ronkainen,**  
Savonlinna, 1999

**Jorma Tapanainen,**  
Mikkeli, 1998

**Kari Tillanen,**  
Mikkeli, 2000

**Timo Tuominen,**  
Mikkeli, 2000

*Contact persons at Tapiola:*

**Juha Liukkonen,** secretary,  
Mikkeli, phone (015) 361 575

**Päivi Ruokolainen,** Kuopio,  
phone (017) 261 5212

## NORTHERN FINLAND

**Tauno Hälinen,** chairman,  
Kajaani, 2000

**Matti Autio,** deputy chairman,  
Kajaani, 1998

**Tor Jungman,**  
Sotkamo, 1998

**Markku Korhonen,**  
Kajaani, 2000

**Timo Korhonen,**  
**Kajaani, 1999**  
(a.c. agriculture and forestry)

**Maija-Liisa Laitinen,**  
Kajaani, 1999

**Timo Leppänen,**  
Kajaani, 1999

**Jouko Manninen,**  
Kajaani, 1999

**Mikko Pirnes,**  
Kajaani, 1998

**Olli Pyykkönen,**  
Suomussalmi, 2000

**Hilkka Tähtinen,**  
Kajaani, 1998

**Erkki Vähämaa,**  
Sotkamo, 2000

*Contact persons at Tapiola:*

**Eerik Mäkäräinen,** secretary,  
Kajaani, phone (08) 612 0930

**Antti Iinatti,** Oulu,  
phone (08) 886 5554

## OULU

**Pertti Sankilampi,** chairman,  
Kempele, 1999

**Anja Miilukangas,** deputy chairman,  
Raahe, 1999

**Reijo Flink,**  
Oulu, 2000

**Kyllikki Hekkala,**  
Oulu, 2000

**Torsti Kalliokoski,**  
Kalajoki, 1999

**Raimo Kuismin,**  
Oulu, 1998

**Juha Laikari,**  
Oulainen, 1999

**Suvi Lindén,**  
Oulu, 1998

**Esko Luoma,**  
Oulu, 2000

**Tor-Erik Melin,**  
Oulu, 2000

**Matti Myllylä,**  
Haukipudas, 1998

**Paavo Nikula,**  
Kalajoki, 2000

**Tauno Riekkö,**  
Kuusamo, 1999

**Matias Timlin,**  
Ylivieska, 1998

**Mauri Visuri,**  
Oulu, 1998

Contact persons at Tapiola:

**Harri Kynnös**, secretary, Oulu,  
phone (08) 886 5554

**Antti Iinatti**,  
Oulu, phone (08) 886 5554

#### LAPLAND

**Unto Salmela**, chairman,  
Tornio, 1999

**Jarmo Pietilä**, deputy chairman,  
Rovaniemi, 1999

**Arto Appelgren**,  
Inari, 1998

**Jouni Ekonoja**,  
Rovaniemi mlk., 2000

**Anneli Erholz**,  
Tornio, 1998

**Mauri Gardin**,  
Rovaniemi mlk., 2000

**Mauri Haataja**,  
Rovaniemi, 1999

**Riitta Jokelainen**,  
Rovaniemi mlk., 1998

**Matti Kettunen**,  
Kemi, 2000

**Birgitta Kuusela**,  
Rovaniemi, 2000 (a.c. SME sector)

**Juha Mustonen**,  
Rovaniemi mlk., 1999

**Juhani Mölläri**,  
Rovaniemi, 1998

Contact persons at Tapiola:

**Kari Salmela**, secretary,  
Rovaniemi, phone (016) 346 911

**Antti Iinatti**, Oulu,  
phone (08) 886 5554

#### ADVISORY COMMITTEE FOR AGRICULTURE AND FORESTRY

**Pekka Rinne**, chairman,  
Halikko, 1998

**Terttu Mielikäinen**, deputy chairman,  
Suomusjärvi, 1999

**Jouni Jyrinki**,  
Kokkola, 2000 (r.a.c. Vaasa-Kokkola)

**Timo Korhonen**,  
Kajaani, 1999 (r.a.c. Kajaani)

**Pirjo Korttesniemi**,  
Seinäajoki, 2000

**Erkki Luukkonen**,  
Puumala, 1998 (r.a.c. Mikkeli.)

**Heikki A. Ollila**,  
Kangasala, 1998 (r.a.c. Pirkanmaa)

**Martti Palojärvi**,  
Vihti, 1998 (r.a.c. Salo-Lohja)

**Reino Parkko**,  
Elimäki, 2000

**Pentti Rahola**,  
Vantaa, 2000

**Hannu Saloniemi**,  
Helsinki, 1999

**Veli-Matti Syrilä**,  
Köyliö, 1999 (r.a.c. Satakunta)

Contact persons at Tapiola:

**Risto Tammissalo**, secretary,  
Espoo, phone (09) 4531

**Markku Kosola**, Espoo,  
phone (09) 4531

#### ADVISORY COMMITTEE FOR THE SME SECTOR

**Hannu Partala**, chairman,  
Tampere, 1999 (r.a.c. Pirkanmaa)

**Hannu Pokela**, deputy chairman,  
Helsinki, 2000

**Eero Ahola**,  
Vantaa, 1998 (r.a.c. Vantaa)

**Sakari Alhopuro**,  
Turku, 1999

**Ulf Björklund**,  
Kauniainen, 2000

**Riitta Karppinen**,  
Heinola, 2000 (r.a.c. Lahti- Porvoo)

**Birgitta Kuusela**,  
Rovaniemi, 1998 (r.a.c. Rovaniemi)

**Markku Lahdenpää**,  
Helsinki, 1998

**Olli Lehti**,  
Perniö, 2000 (r.a.c. Salo-Lohja)

**Ari Mäkinen**,  
Tampere, 1999

**Pentti Sihvola**,  
Kuopio, 1999 (r.a.c. Kuopio)

**Yrjö Välimäki**,  
Alavus, 1998 (r.a.c. Ostrobothnia)

Contact persons at Tapiola:

**Marja-Leena Kajander**, secretary,  
Espoo, phone (09) 4531

**Markku Kosola**, Espoo,  
phone (09) 4531

#### ADVISORY COMMITTEE ON PENSION AFFAIRS AS FROM I. I. 1998

**Alpo Mustonen**, chairman,  
Tapiola-Pension

**Veli-Pekka Anttila**,  
Finnish Food Workers' Union

**Pirkko Heikura**,  
Wood and Allied Workers' Union

**Kari Kaukinen**,

Confederation of Finnish Industrial  
Employers

**Markku Kojo**, Akava rf

**Kauko Rautiainen**,  
Employers' Federation of Service  
Industries

**Riitta Työläjärvä**,  
Confederation of Salaried Employees  
STTK

**Kurt Lagerbohm**, Tapiola-Pension

**Pertti Tukia**, Tapiola-Pension

#### ADVISORY COMMITTEE ON AGENCY MATTERS AS FROM I. 5. 1998

Members

**Juhani Ahokas**,  
Vaasa 2000

**Leena Hermansson**,  
Helsinki 1999

**Mika Korkatti**,  
Oulainen 2000

**Timo Lindsberg**,  
Rautalampi 2000

**Jarmo Lohi**,  
Ranua 2000

**Harri Nieminen**,  
Ylöjärvi 1999

**Teuvo Partanen**,  
Sonkajärvi 1999

**Kalle Poikonen**,  
Lappeenranta 1999

**Jaakko Turunen**,  
Turku 2000

Deputy members

**Reijo Haapala**,  
Nivala 1999

**Mikko Leinonen**,  
Kajaani 2000

**Jouni Leppälä**,  
Kokkola 2000

**Pia Löfqvist**,  
Vantaa 1999

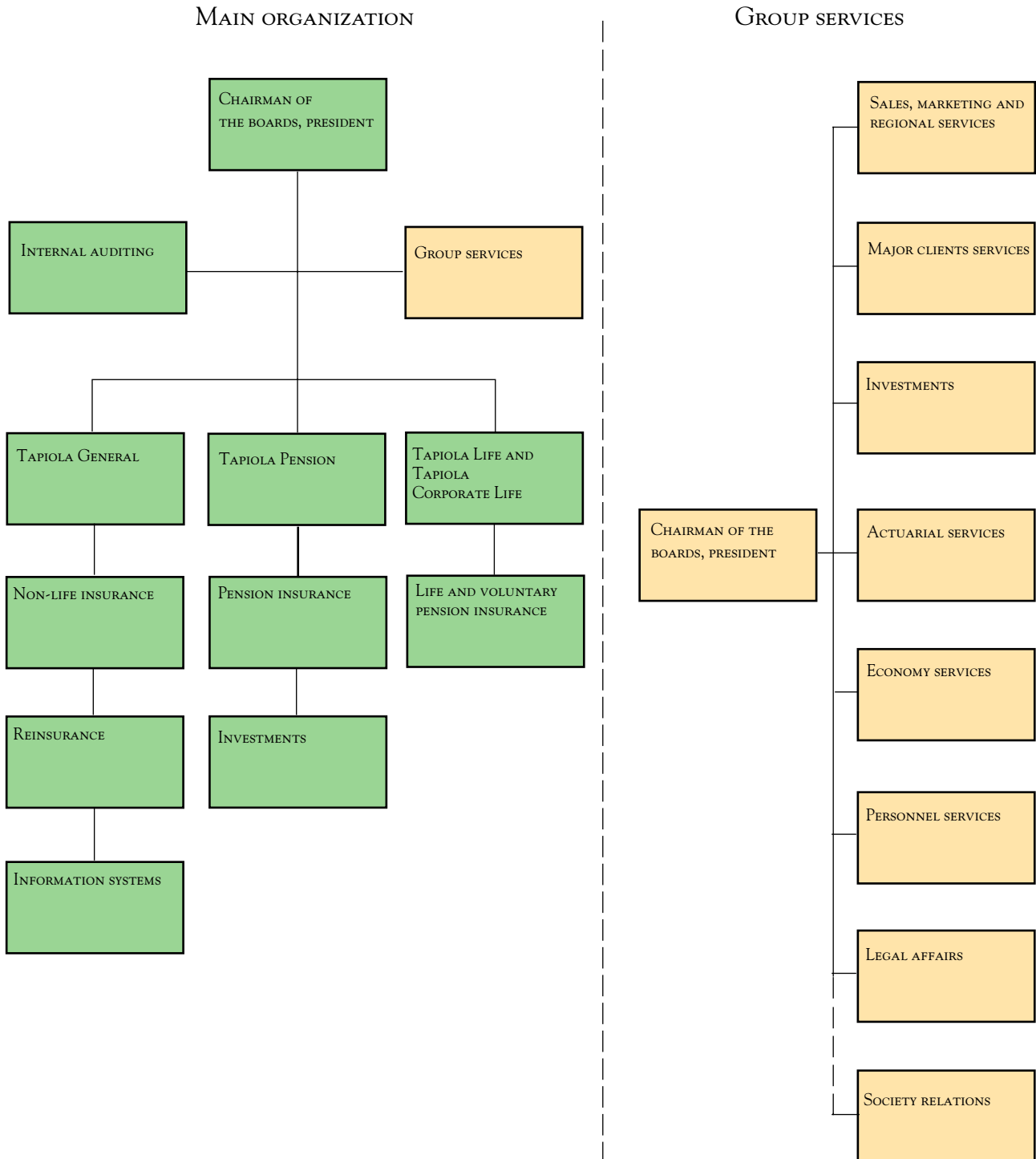
**Jari Mäensivu**,  
Jyväskylä 1999

**Esko Mänty**,  
Muurla 2000

**Mika Salminen**,  
Kotka 1999

**Kaisu Turunen**,  
Joensuu 2000

# ORGANIZATION OF THE TAPIOLA INSURANCE GROUP 1.2.1998



*The services needed by the group are provided by the services units headed by the president.*

THE CORPORATION COMMITTEE OF THE SUPERVISORY BOARDS

TAPIOLA GENERAL



chairman  
Jarmo Mäki  
M.A., farmer



deputy chairman  
Pekka Weckman  
industrial counselor,  
Weckman Steel Oy

TAPIOLA PENSION



chairman  
Ilkka Brotherus  
managing director,  
Sinituote Oy



deputy chairman  
Antti Oksanen  
chief executive officer,  
Metsäliitto

TAPIOLA LIFE



chairman  
Matti Ahde  
managing director,  
Veikkaus Oy



deputy chairman  
Tuula Entelä  
investment director,  
Sato-yhtiöt

TAPIOLA CORPORATE LIFE



chairman  
Kari Neilimo  
professor, Lappeenranta  
University of Technology



deputy chairman  
Pekka Rähä  
managing director,  
Kainuun Sanomien Kirjapaino Oy

*The chairmen and the deputy chairmen of the supervisory boards form the Cooperation Committee which oversees the activities of Tapiola.*

**CHAIRMAN OF THE BOARD,  
PRESIDENT  
Asmo Kalpala**

**TAPIOLA GENERAL**

**Pertti Heikkala**, managing director  
**Per-Olof Bergström**, deputy managing director  
**Heikki Taipalvesi**, unit director, corp. and agr. insurance  
**Heikki Huttunen**, unit director, vehicle insurance  
**Linda Unhola**, unit director, customer services, households  
**Antti Calonius**, director, reinsurance  
**Pentti Ketonen**, chief physician  
**Olli-Pekka Laine**, director, information systems  
**Kalervo Rinne**, assistant director, information system planning

**TAPIOLA PENSION**

**Tom Liljeström**, managing director  
**Alpo Mustonen**, director, staff officer (part-time pension)

**Kurt Lagerbohm**, unit director, statutory pension insurance  
**Asko Sasi**, unit director, financing  
**Hannu Parviainen**, actuary in charge, assistant director  
**Timo Helske**, chief physician

**TAPIOLA LIFE AND  
TAPIOLA CORPORATE**

**Jari Saine**, managing director  
**Matti Luukko**, deputy managing director  
**Juha-Pekka Halmeenmäki**, actuary in charge, assistant director, Tapiola Life  
**Erkki Kautto**, actuary in charge, Tapiola Corporate Life  
**Pekka Leinonen**, chief physician

**GROUP SERVICES**

**Juhani Heiskanen**, deputy managing director (Tapiola General, Tapiola Life, Tapiola Corporate Life), sales, marketing and regional services  
**Markku Haapalainen**, director, regional administration

**Markku Kosola**, director, information services and PR

**Kaisu Holopainen**, marketing director

**Tapani Lehmussaari**, assistant director, sales services

**Antti Calonius**, director, major clients services

**Hannu Vilppo**, assistant director, major clients unit

**Jari Eklund**, director, investment services (Tapiola General, Tapiola Life, Tapiola Corporate Life)

**Asko Salminen**, unit director, real estate (Tapiola General, Tapiola Life, Tapiola Corporate Life)

**Guy Rosqvist**, assistant director, legal affairs, real estate

**Pentti Koskinen**, director, actuarial services

**Markku Paakkanen**, director, economy services

**Sirpa Pönkkä**, assistant director, bookkeeping

**Pekka Pessa**, director, personnel services

**Matti Kaasalainen**, assistant director, upskilling programmes

**Jaakko Gummerus**, director, legal affairs

#### TAPIOLA DATA

**Juha Seppänen**, managing director

**Pekka Riikonen**, director, quality

**Juha Suutala**, director, production

#### CHIEF SHOP STEWARDS

**Anne Jurmu**, office employees

**Antti Valkonen**, sales force

**Eero Harju**, Tapiola Data

#### REGIONAL MANAGEMENT

**Helsinki metropolitan area**

**Petri Routa**, regional director

**Timo Niemi**, area director, households, corporate

**Heikki Puhakainen**, contact director

**Offices in Helsinki metropolitan area**

**Linda Unhola**, unit director, customer services, households

**Anneli Sarvamaa**, area director offices

**Southwest Finland**

**Hans Strandberg**, regional director

**Risto Liljeroos**, area director, corporate

**Timo Jussila**, area director, households

**Juha Anttila**, area director, offices

**Central Finland**

**Martti Silvennoinen**, regional director

**Jorma Eerilä**, area director, corporate

**Heikki Lindroth**, area director, households

**Seppo J. Ojala**, area director, all sectors

**Leena Kuutti-Alanko**, area director, offices

**Ostrobotnia**

**Matti Korkiatupa**, regional director

**Tapio Siira**, area director, households

**Jukka Marttila**, area director, corporate

**Southeast Finland**

**Miika Minkkinen**, regional director

**Martti Mäkelä**, area director, corporate

**Teemu Toivanen**, area director, households

**Leila Vilko**, area director, offices

**Eastern Finland**

**Päivi Ruokolainen**, regional director

**Esa Seppälä**, area director, corporate

**Jari Vilmi**, area director, households

**Mirja Kukkonen**, area director, offices

**Northern Finland**

**Antti Iinatti**, regional director

**Harri Kynnös**, area director, corporate

**Leevi Ainasoja**, area director, households

**Martti Lintunen**, area director, offices

**Olavi Sakko**, sales manager, farmers, area director, all sectors

#### REGIONAL DIRECTORS



Petri Routa  
Helsinki metropolitan area



Hans Strandberg  
Southwest Finland



Martti Silvennoinen  
Central Finland



Matti Korkiatupa  
Ostrobotnia



Miika Minkkinen  
Southeast Finland



Päivi Ruokolainen  
Eastern Finland



Antti Iinatti, Northern Finland

# OFFICES AND SERVICE OUTLETS

## OFFICES 1.5.1998

**ALAVUS** Kuulantie 5  
 63300 ALAVUS (06) 511 3240  
**ESPOO head office** Revontulentie 7  
 02010 TAPIOLA (09) 453 2912  
**ESPOO Leppävaara** Lakkisepänkuja 2  
 02600 ESPOO (09) 453 4140  
**FORSSA** Turuntie 2  
 30100 FORSSA (03) 422 2243  
**HAMINA** Puistokatu 4  
 49400 HAMINA (05) 344 5475  
**HEINOLA** Savontie 9  
 18100 HEINOLA (03) 715 4064  
**HELSINKI City** Kaisaniemenkatu 1  
 00100 HELSINKI (09) 453 4110  
**HELSINKI Itäkeskus** Turunlinnantie 8  
 00930 HELSINKI (09) 453 4170  
**HELSINKI Kamppi** Runeberginkatu 5  
 00100 HELSINKI (09) 453 4100  
**HELSINKI Töölö** Tukholmankatu 2  
 00250 HELSINKI (09) 453 4120  
**HELSINKI Vallila** Mäkelänkatu 58-60  
 00510 HELSINKI (09) 453 4130  
**HYVINKÄÄ** Hämeenkatu 19  
 05800 HYVINKÄÄ (019) 453 770  
**HÄMEENLINNA** Palokunnankatu 16  
 13100 HÄMEENLINNA (03) 612 7311  
**IISALMI** Savonkatu 22  
 74100 IISALMI (017) 812 433  
**IMATRA** Lappeentie 16  
 55100 IMATRA (05) 436 4944  
**JOENSUU** Rantakatu 23  
 80100 JOENSUU (013) 120 800  
**JYVÄSKYLÄ** Vapaudenkatu 40  
 40100 JYVÄSKYLÄ (014) 617 121  
**JÄMSÄ** Talvialantie 4  
 42100 JÄMSÄ (014) 714 941  
**JÄRVENPÄÄ** Järnefeltinkatu 2  
 04400 JÄRVENPÄÄ (09) 291 0233  
**KAJAANI** Kauppakatu 26  
 87100 KAJAANI (08) 612 0930  
**KANKAANPÄÄ** Torikatu 7  
 38700 KANKAANPÄÄ (02) 572 3385  
**KAUHAJOKI** Topeeka 38  
 61800 KAUHAJOKI (06) 231 3133  
**KEMI** Valtakatu 19  
 94100 KEMI (016) 221 536  
**KIRKKONUMMI** Toritie 3  
 02400 KIRKKONUMMI (09) 296 1377  
**KITEE** Kiteentie 4  
 82500 KITEE (013) 411 051  
**KOKKOLA** Isokatu 10  
 67100 KOKKOLA (06) 831 3522  
**KOTKA** Ruotsinsalmenkatu 12  
 48100 KOTKA (05) 218 1900  
**KOUVOLA** Kauppalankatu 14  
 45100 KOUVOLA (05) 371 1201  
**KUHMO** Kainuuntie 88  
 88900 KUHMO (08) 652 1910  
**KUOPIO** Suokatu 23  
 70100 KUOPIO (017) 569 5600  
**KUUSAMO** Kitkantie 32  
 93600 KUUSAMO (08) 852 2511  
**LAHTI** Aleksanterinkatu 27  
 15140 LAHTI (03) 752 2577  
**LAPPEENRANTA** Valtakatu 48  
 53100 LAPPEENRANTA (05) 411 8400  
**LAPUA** Asemakatu 14  
 62100 LAPUA (06) 438 8533  
**LIEKSA** Moisionkatu 1  
 81700 LIEKSA (013) 521 866  
**LOHJA** Kauppakatu 8  
 08100 LOHJA (019) 322 388  
**LOIMAA** Turuntie 22  
 32200 LOIMAA (02) 763 2722  
**MIKKELI** Maaherrankatu 12  
 50100 MIKKELI (015) 361 575  
**OULU** Kirkkokatu 9  
 90100 OULU (08) 886 5511  
**PIEKSÄMÄKI** Keskuskatu 6-10  
 76100 PIEKSÄMÄKI (015) 487 722  
**PORI** Gallen-Kallelankatu 8  
 28100 PORI (02) 641 5505  
**PORVOO** Lundinkatu 9  
 06100 PORVOO (019) 524 3666  
**PUDASJÄRVI** Toritie 1  
 93100 PUDASJÄRVI (08) 822 175  
**RAAHE** Sovionkatu 10  
 92100 RAAHE (08) 221 710  
**RAUMA** Eteläkatu 1  
 26100 RAUMA (02) 822 2144  
**RIIHIMÄKI** Hämeenkatu 25-27  
 11100 RIIHIMÄKI (019) 751 156  
**ROVANIEMI** Rovakatu 27  
 96200 ROVANIEMI (016) 346 911  
**SALO** Turuntie 22  
 24240 SALO (02) 733 3313  
**SAVONLINNA** Olavinkatu 37  
 57130 SAVONLINNA (015) 273 677  
**SEINÄJOKI** Keskuskatu 13  
 60100 SEINÄJOKI (06) 414 4533  
**SUOMUSSALMI** Kiannonkatu 3  
 89600 ÄMMÄNSAARI (08) 711 830  
**TAMPERE** Rautatienkatu 10  
 33100 TAMPERE (03) 382 5200  
**TORNIO** Hallituskatu 2  
 95400 TORNIO (016) 481 051  
**TURKU** Eerikinkatu 6 b  
 20100 TURKU (02) 270 200  
**UUSIKAUPUNKI** Rantakatu 15  
 23500 UUSIKAUPUNKI (02) 841 2780

**VAASA** Kauppapuistikko 19-21  
 65100 VAASA (06) 317 5338  
**VAMMALA** Puistokatu 3-5  
 38200 VAMMALA (03) 514 1044  
**VANTAA Myyrmäki** Liesikuja 7  
 01600 VANTAA (09) 453 4190  
**VANTAA Tikkurila** Kielotie 7  
 01300 VANTAA (09) 453 4220  
**VARKAUS** Kauppakatu 18  
 78200 VARKAUS (017) 552 3301  
**YLIVIESKA** Torikatu 3  
 84100 YLIVIESKA (08) 423 911  
**ÄÄNEKOSKI** Torikatu 5  
 44100 ÄÄNEKOSKI (014) 523 121

## SERVICE OUTLETS

**ALAJÄRVI**, Alajärven Kirjanpito-palvelu, Järvikatu 3, 62900 ALAJÄRVI,  
 (06) 557 3636  
**ANJALANKOSKI**, Anjalankosken Laskentapalvelu Ky, Päätie 19, 46900 ANJALANKOSKI,  
 (05) 367 3233  
**EURA**, Yrityspalvelu Wiik Ky, Eurantie 18, 27510 EURA,  
 (02) 865 5120  
**HAAPAVESI**, Haapaveden Toimisto-palvelu Oy, Vanhatie 59 A, 86600 HAAPAVESI, (08) 450 839  
**HARJAVALTA**, Kiinteistökeskus Sydän-Satakunta Oy, Harjavallankatu 13, 29200 HARJAVALTA,  
 (02)742 280  
**HARTOLA**, Päijätmaan Tili- ja Kiinteistö Ky, Kirkkotie 7, 19600 HARTOLA, (03) 716 1222  
**KYRÖSKOSKI**, Koski-Foto Ky, Valtakatu 57, 39200 KYRÖSKOSKI, (03) 371 5865  
**II**, Vakuutus- ja Metsäpalvelu Salmela, Laurintie 2, 91100 II, (08) 817 9464  
**IKAALINEN**, Studio Ikafoto I & K Kulmala, Vanha Tampereent. 15-17, 39500 IKAALINEN, (03) 458 7680  
**JALASJÄRVI**, Arto Varjonen Ky, Keskustie 21, 61600 JALASJÄRVI, (06) 456 1254  
**JOUTSA**, Joutsan Tili- ja yrityspalvelu Oy, Rantatie 19, 19650 JOUTSA, (014) 882 933  
**JOUTSENSO**, Karjalan Tilitiimi Ky, Saimaantie 11, 54100 JOUTSENSO, (05) 413 3004



**JUVA**, Tili- ja isännöintitoimisto  
Paula Vuorinen Ky, Piikkiläntie 5-7,  
51900 JUVA, (015) 452 670

**KALAJOKI**, Tili- ja Toimistopalvelu  
Marja Hakola, Kalajoentie 34,  
85100 KALAJOKI,  
(08) 463 840, 0500-589 203

**KANGASALA**, Kangasalan  
Autokoulu Oy, Linja-autoasema,  
36200 KANGASALA, (03) 377 0230

**KANNUS**, Tilitoimisto LKT Oy,  
Valtakatu 1, 69100 KANNUS,  
(06) 873 460

**KARSTULA**, Tähtitulos Oy,  
Keskustie, 43500 KARSTULA,  
(014) 461 555

**KARVIA**, Tili-Karvia Esko Luomanen,  
39930 KARVIA, (02) 41 615

**KARHULA**, Karhulan Veikot,  
Karhulantie 36, 48600 KARHULA,  
(05)263100

**KAUHAVA**, Kauhavan Tili- ja  
Isännöintitoimisto Ky, Einarintie 2,  
62200 KAUHAVA, (06) 434 2200

**KERAVA**, Tili-Isäntä Oy,  
Kivenhakkaajantie 3 B 2,  
04200 KERAVA, (09) 294 1191

**KEURUU**, Talopiste ja  
Notariaattipalvelu Ky,  
Keuruuntie 19,  
42700 KEURUU, (014) 722 350

**KITTILÄ**, Kittilän Tilipalvelu Ky,  
Valtatie 41 A 10, 99100 KITTILÄ,  
(016) 642 753

**KIURUVESI**, ATK-Tilipalvelu  
Jari Peltola Ky, Asematie 9,  
74700 KIURUVESI, (017) 54 434

**KOKEMÄKI**, Tili- ja Yrittäjäpalvelu  
Vettenranta, Tulkkilantie 31,  
32800 KOKEMÄKI, (02) 5464162

**KUHMOINEN**, Kuhmoisten  
Sanomat Oy, PL 8,  
17801 KUHMOINEN, (03) 555 1437

**KURIKKA**, Pohjanmaan  
Kiinteistöporssi Oy, Laulajantie 10,  
61300 KURIKKA, (06) 450 2930

**LAITILA**, LKV Tili-Koskinen Ky,  
Katajamäentie 14, 23800 LAITILA,  
(02) 56 960

**LAMMI**, Kiinteistötoimisto  
Eino Hakala Ky, Hämeentie 20,  
16900 LAMMI, (03) 633 2500

**LEPPÄVIRTA**, Autotarvike  
S. Suomalainen Ky, Petäiköntie 23,  
79100 LEPPÄVIRTA, (017) 5541473

**LOVIISA**, Ky Tilitupa Henry Friman  
Kb, Brandensteininkatu 11, 07900  
LOVIISA,  
(019) 53 2003

**TAAVETTI**, Isännöitsijätoimisto  
Timo Hämäläinen, Metsätalo,  
54500 TAAVETTI, (05) 457 2333

**MÄNTSÄLÄ**, Mäntsälän Notariaatti  
Oy, Keskustie 4 A, 04600 MÄNT-  
SÄLÄ,  
(019) 688 1333

**MÄNTYHARJU**, Tmi Henkari,  
Liiketie 2, 52700 MÄNTYHARJU,  
(015) 683 125

**NASTOLA**, Nastolan Kiinteistö-  
notariaatti Oy LKV, Laturintie 1,  
15550 NASTOLA, (03) 762 4111

**NILSIÄ**, Nilsian Laskenta Oy,  
Nilsiantie 71 A 4, 73300 NILSIÄ,  
(017) 481 430

**NIVALA**, Merjan Vakuutus- ja  
Toimistopalvelu, Kalliontie 18,  
85500 NIVALA, (08) 440361

**NOKIA**, Kiinteistö ja Rakennus  
Mäkelä Oy, Välikatu 19, 37100 NOKIA,  
(03) 342 2077

**NURMES**, Tmi Olavi Svala,  
Porokylänkatu 10, 75530 NURMES,  
(013) 482 410

**OULAINEN**, Tmi Edustusliike Korkatti,  
Asemakatu 19, 86300 OULAINEN,  
(08) 472 983, 0400-926 236

**ORIMATTILA** Kiinteistövälitys- ja  
Notariaattitoimisto Hannu Toivonen  
LKV, Erkontie 20, 16300 ORIMATTILA,  
(03) 777 2902

**ORIVESI**, Oriveden Yritek Oy,  
Keskustie 40, 35300 ORIVESI,  
(03)334 0700

**OUTOKUMPU**, Tiliapu Kettunen,  
Kummunkatu 6 II krs.  
83500 OUTOKUMPU,  
(013) 561 795

**PADASJOKI**, Keinuhonka Oy,  
Keskustie 21, 17500 PADASJOKI,  
(03) 556 5039

**PARIKKALA**, Parikkalan Tili ja  
Isännöinti Oy, Sahakuja 2 E 4,  
59100 PARIKKALA, (05) 470 551

**PARKANO**, Tili- ja Kiinteistömarkki-  
nointi Ky Pitsinki & Mäkiiviinikka LKV,  
Keskuskatu 2, 39700 PARKANO,  
(03) 448 3590

**PELLO**, Pellon Huonekaluliike Ky  
Kenttätie 1, 95700, PELLO,  
(016) 512 003

**PIELAVESI**, Pielaveden Tilipalvelu Oy,  
Puistotie 26, 72400 PIELAVESI,  
(017) 861 292, (017) 861 922

**POLVIJÄRVI**, Lakiasiaintoimisto  
Aki Pietarinen Ky, Polvijärventie 14,  
83700 POLVIJÄRVI,  
(013) 632 632, (013) 631 610

**POSIO**, Posion Tilitoimisto  
B Aapaoja Ky, Riihipolku 1,  
97900 POSIO, (016) 372 1436

**PYHÄSALMI**, Tilitoimisto  
Raija Leppäharju, Ollintie 15,  
86800 PYHÄSALMI,  
(08) 782 050, (08) 782 051

**RANUA**, Liiketoimintapalvelu  
Huhtamäki Ky, Kiertotie 4,  
97700 RANUA, (016) 355 1778

**RUUKKI**, Tmi Kalervo Koukkula,  
Siikasavontie 10, 92400 RUUKKI,  
(08) 271 500, 0400-383 034

**SALLA**, Urheilu Salla Ky,  
Kuusamontie 12, 98900 SALLA,  
(016) 831 004

**SOMERO**, Tilikeskus Seija Ylitalo Ky,  
Joensuuntie 15, 31400 SOMERO,  
(02) 748 8125

**SONKAJÄRVI**, Sonkajärven  
Rakennus- ja Maaseutus suunnittelu Oy,  
Rutakontie 44, 74300 SONKAJÄRVI,  
(017) 711 011

**SOTKAMO**, Kuhmon Op-Kiinteistö-  
keskus Oy, Kainuuntie 22,  
88600 SOTKAMO, (08) 61 852

**SUONENJOKI**, Sisä-Savon Sähkö  
Oy, Herralantie 5 A, 77600 SUO-  
NENJOKI,  
(017) 513 013

**SYSMÄ**, Sysmän Op-Kiinteistökeskus  
Oy, Sysmäntie 36, 19700 SYSMÄ,  
(03) 717 1447

**TEUVA**, Oy Gun Exin Finland LTD  
Oy, Jahtikaverit, Porvarintie 21,  
64700 TEUVA, (06) 267 2481

**TOHOLAMPI**, Toholammin Tilitoi-  
misto Osuuspankkitalo, 69300 TO-  
HOLAMPI,  
(06)885 140

**UTSJOKI**, Utsjoen ATK-tilitoimisto  
Ky Mäkelä, 99980 UTSJOKI,  
(016) 677 354

**VALKEAKOSKI**, Tili-  
toimisto Koskitalit, Valtakatu 9-11,  
37600 VALKEAKOSKI,  
(03) 584 7900

**VILPPULA**, KVM-Kotivinkki,  
Suokatu 4, 35700 VILPPULA,  
(03) 471 4800,

**VÄÄKSY**, Asikkalan Op-Kiinteistö-  
keskus Oy, Rusthollintie 1,  
17200 VÄÄKSY, (03) 883 7951

**YLITORNIO**, Ylitornion  
Metsänhoito-yhdistys, Alkkulanraitti,  
95600 YLITORNIO, (016) 571 131

**ÄHTÄRI**, R Mäkelä Ky RM Matkat,  
Otsolantie 4, 63700 ÄHTÄRI,  
(06) 533 737721

# ACCOUNTING PRINCIPLES OF THE 1997 FINANCIAL STATEMENTS

THE FINANCIAL STATEMENTS OF INSURANCE COMPANIES ARE PREPARED IN ACCORDANCE WITH THE COMPANIES ACT AND THE INSURANCE COMPANIES ACT, ADHERING TO THE DIRECTIVES AND INSTRUCTIONS OF THE SUPERVISING AUTHORITY, THE MINISTRY OF HEALTH AND SOCIAL AFFAIRS.

## VALUATION AND ALLOCATION OF INTANGIBLE ASSETS

**OTHER LONG-TERM EXPENDITURE** Basic building improvement expenses and EDP system planning expenses are activated as long-term expenditure. They are presented on the Balance Sheet at their acquisition cost after depreciation according to plan

## VALUATION AND ALLOCATION OF INVESTMENTS

**LAND AND BUILDINGS AND REAL ESTATE SHARES** Land and buildings are presented on the Balance Sheet at their acquisition cost after depreciation according to plan or, if lower, at their likely realisable value.

Real estate shares are presented on the Balance Sheet at their acquisition cost after depreciation according to plan or, if lower, at their likely realisable value.

Land and buildings and real estate shares have been revalued if their value at the end of the accounting period was permanently and essentially higher than their original acquisition cost. An entry corresponding to the revaluation of land and buildings or real estate shares held as investment assets has been included on the Profit and Loss Account since 1987. Revaluations made prior to that date were recorded in the non-distributable revaluation reserve on the Balance Sheet. The corresponding entry in respect of investments regarded as fixed assets is recorded in the non-distributable revaluation reserve on the Balance Sheet.

Writedowns made previously in respect of investments are cancelled up to the amount of the original acquisition cost if the current value rises to such an extent that it has an income effect.

**SHARES, VARIABLE-YIELD SECURITIES AND UNITS IN UNIT TRUSTS** Shares, variable-yield securities and units in unit trusts are presented on the Balance Sheet at their acquisition cost or, if lower, at their likely realisable value. Sales and writedowns of shares, variable-yield securities and units in unit trusts are recorded according to the FIFO principle.

**DEBT SECURITIES** Debt securities are bonds and debentures and other financial market instruments. Debt securities are recorded on the Balance Sheet at their acquisition cost. The difference between the nominal value and acquisition cost of a debt security is allocated according to the regulations of the Ministry of Social Affairs and Health as interest income or a deduction from interest income over the maturity of the debt security. A corresponding item is recorded as an increase or decrease in the acquisition cost of the debt security. Writedowns due to variation in the level of interest rates or some other reason are recorded. Similarly, cancellations of writedowns are recorded if the current value of a debt security has subsequently risen above its remaining acquisition cost up to the amount of the original acquisition cost.

The acquisition cost is calculated according to the FIFO principle.

**LOANS, DEPOSITS AND DEPOSITS WITH CEDING UNDERTAKINGS** Loans, deposits and deposits with ceding undertakings are recorded on the Balance Sheet at nominal value or permanently lower likely value.

## VALUATION OF RECEIVABLES

**PREMIUM RECEIVABLES** Premium receivables are presented on the Balance Sheet at no more than their likely value. In the case of non-life and life insurance companies, likely credit losses are deducted from the nominal value of premium receivables. In the case of a pension insurance company, credit losses are recorded as such as soon as they are finally confirmed.

## ITEMS DENOMINATED IN FOREIGN CURRENCIES

As far as liabilities and receivables are concerned, the acquisition cost of investments denominated in foreign currencies are converted into Finnish marks using the exchange rate quoted by the Bank of Finland on the accounting date. In the case of other investments, the exchange rates prevailing on the acquisition date are used.

Exchange rate differences are allocated to the appro-

appropriate income and expense adjustment items. With regard to cash in hand and at bank and deposits, exchange rate differences as well as items that could not be directly allocated as an income or expense adjustment are recorded as exchange rate gains or losses on investments.

#### DERIVATIVE CONTRACTS

Share derivatives are used mainly to hedge against investment portfolio risks and, to a lesser extent, for the exploitation of incorrect pricing situations, for risk arbitrage operations and for the elimination of market influences on transactions.

Changes in the values of derivative contracts made for hedging purposes are taken into account so that the income effect of a change in the value of the protected item is neutralised.

#### DEPRECIATION

The acquisition costs of buildings and their material components, equipment, intangible assets and long-term expenditure are written off as expenses by depreciation according to plan over their respective periods of usefulness or effect.

The depreciation charges are based on the following depreciation plan:

##### INTANGIBLE ASSETS

Basic repairs to premises	10 years
Planning costs of ADP systems	5 years

##### BUILDINGS

Residential, office and hotel buildings	40-50 years
Department store and shop buildings	30-40 years
Industrial, warehousing and other buildings	20-30 years
Material components of buildings	
Depreciation of net expenditures,	30%

##### EQUIPMENT

Office equipment, fixtures and fittings, etc.	
Depreciation of net expenditures,	30 %

The effect of significant basic repairs to buildings on their economic lifetimes is assessed separately.

Depreciation in respect of activated revaluations has been charged according to the holding time of the item in question.

The accumulated difference of depreciation according to plan and total depreciation entered into the bookkeeping is recorded on the liabilities side of the Balance Sheet under the item "Provisions, accumulated depreciation difference", and the increase or decrease in the depreciation difference during the accounting period is presented separately in the Profit and Loss Account.

#### PROVISIONS

##### ACCUMULATED DEPRECIATION DIFFERENCE

See "Depreciation" above.

**OPTIONAL RESERVES** Provisions having an impact on the result have been made on the basis of bookkeeping and tax legislation.

**CREDIT LOSS RESERVE** In the case of non-life and life insurance companies, the credit loss reserve may not exceed one per cent of the insurance company's non-premium receivables.

In the case of a pension insurance company, a credit loss reserve can be made in respect of premiums up to a maximum of 2 per cent. In addition, 0.6 per cent of non-premium receivables can be deducted from the result during the accounting period, so that the combined total of credit loss reserves made during and before the accounting period do not exceed 5 per cent of the total amount of receivables.

**TRANSITIONAL RESERVE** A transitional reserve was formed as a consequence of the abolition of premature expense write-offs on investments and the reduction in the size of the credit loss reserve that occurred in connection with the 1993 reform of the Business Taxation Act. The transitional reserve has been completely discharged in the 1997 financial statements.

#### DIRECT TAXES

Direct taxes are presented on the Profit and Loss Account on an accruals basis. The tax liability calculated in respect of optional reserves, the depreciation difference and revaluations is presented in the Appendices to the Balance Sheet.

#### CURRENT VALUES OF INVESTMENTS

**INVESTMENTS IN LAND AND BUILDINGS** The current values of investments are determined by the company's experts in the manner specified for individual classes of real estate by the Ministry of Social Affairs and Health, taking account of the income obtained from the real estate and other factors influencing the current value.

**INVESTMENTS IN SHARES AND DEBT SECURITIES** In the case of investments that are quoted on an official stock exchange or otherwise publicly traded, the last available striking price, or, in its absence, the buying price, during official trading on the accounting date is used as the current value. For other investments, the current value is based on net worth, book value or likely realisable selling price.

**LOANS, DEPOSITS, AND DEPOSITS WITH CEDING UNDERTAKINGS** For loans, deposits, and deposits with ceding undertakings, the nominal value is used as the current

value. Reduction of the nominal value required by the risk of a credit loss is taken into account when assessing the likely realisable value.

STAFF PENSION COVER  
AND ALLOCATION OF  
PENSION EXPENSES

The statutory pension cover of the staff is arranged by means of basic employees' pension insurance with Tapiola Pension and additional pension cover with Tapiola Corporate Life and Tapiola Life.

Pension insurance premiums have been entered as expenses on an accruals basis.

TAPIOLA MUTUAL LIFE  
ASSURANCE COMPANY

PRINCIPLES OF ZILLMERIZATION

**INDIVIDUAL LIFE INSURANCE** In fixed-premium individual life insurances, activated acquisition costs are deducted from the provision for unearned premiums over the first ten years of the insurance. The deduction for the first insurance year is 25 per cent of the sum of the insurances' annual premiums in corporate insurances, and the sum of the insurances' gross annual premiums in other insurances. In subsequent years the magnitude of the deduction falls by the same amount each year. The deduction is calculated on the basis of the insurances in force at the end of the accounting year.

Zillmerization is not applied to home-savings insurance, teenagers' comprehensive insurance, the savings insurance appended to teenagers' comprehensive insurance granted after 31.12.1991.

Zillmerization is not applied to flexible-premium individual life insurance.

**INDIVIDUAL PENSION INSURANCE** In fixed-premium individual pension insurance, zillmerization is calculated as in fixed-premium life insurances. Fifty per cent of the sum of the insurances' gross annual premiums are used as the basis for zillmerization.

In flexible-premium individual pension insurances, the provision for unearned premiums is reduced by activated acquisition costs over the first five insurance years, but in any event not longer than the insurance's term of payment. In the first insurance year the magnitude of the deduction is 25 per cent of the insurance's gross annual premium if the insurance began earlier than 1.1.1996. If the insurance began in 1996, the deduction in the first insurance year is 20 per cent of the insurance's gross annual premium. If the insurance began in

1997, the deduction in the first insurance year is 10 per cent of the insurance's annual premium. In subsequent years the magnitude of the deduction falls by the same amount each year. The deduction is calculated on the basis of the insurances in force at the end of the accounting year.

GROUP LIFE INSURANCE

Zillmerization is not applied.

ASSUMED INTEREST RATE FOR THE TECHNICAL PROVISIONS

An assumed interest rate of 4.5 per cent is applied when calculating the technical provisions of Tapiola Life, with the following exceptions:

- an assumed interest rate of 9 per cent is applied in the case of the special provision for disability insurance.
- an assumed interest rate is not applied to the supplementary reserve of the provision for unearned premiums arising due to amendment of the insurance terms and condition
- an assumed interest rate is not applied when calculating additional sum and premium discount reserves of the provision for unearned life insurance premiums.

TAPIOLA CORPORATE LIFE INSURANCE  
COMPANY

PRINCIPLES OF ZILLMERIZATION

In flexible-premium individual pension insurances, the provision for unearned premiums is reduced by zillmerization over the first five insurance years, but in any event not longer than the insurance's term of payment. In the first insurance year the magnitude of the deduction is 20 per cent of the insurance's gross annual premium. In subsequent years the magnitude of the deduction falls by the same amount each year. The deduction is calculated on the basis of the insurances that began before 1.1.1997 and remain in force at the end of the accounting year.

Zillmerization is not applied to group life insurances, optional group pension insurances and capitalisation agreements.

ASSUMED INTEREST RATE FOR THE TECHNICAL PROVISIONS

An assumed interest rate of 4.25 per cent is used when calculating the technical provisions of optional group pension insurance. An assumed interest rate of 4.5 per cent is used when calculating the technical provisions of other insurance classes (individual pension insurance, individual life insurance, group life insurance and capitalisation agreements).

## TAPIOLA GENERAL MUTUAL INSURANCE COMPANY

DEDUCTION ITEMS OF THE TECHNICAL PROVISIONS, AND THE DISCOUNTING USED IN CALCULATING THE PROVISION FOR OUTSTANDING CLAIMS.

**PROVISION FOR UNEARNED PREMIUMS** The activated acquisition costs of insurances have not been deducted from the provision for unearned premiums, neither does it contain supplementary items of the provision for unexpired risks.

**PROVISION FOR OUTSTANDING CLAIMS** In 1997 the provision for outstanding claims was reduced by FIM 5,993,532 in respect of undisputed recourse receivables. The corresponding deduction in the previous year was FIM 8,751,464.

Discounting is applied only when calculating the provision for outstanding pension claims.

### CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Insurance Companies Act, the consolidated financial statements include joint stock and other comparable companies in which the parent company directly or indirectly holds more than half of the voting rights.

The consolidated financial statements are compounded from the profit and loss accounts, balance sheets and notes to the financial statements of the parent company and its subsidiaries. Intra-group receivables and debts, income and expenses, profit distribution, and internal capital gains/losses have been eliminated from the consolidated financial statements. The minority interest of the capital and reserves and of the result is presented separately in the Profit and Loss Account and in the Balance Sheet.

Intra-group ownership has been eliminated using the past equity method. The financial statements of the participating interests are combined in accordance with the equity method. The goodwill arising in connection with the elimination is generally allocated to the subsidiary's appropriate asset items, taking account of the items' current values, and the goodwill is depreciated according to plan like the corresponding item. Unallocated consolidated goodwill is presented on the Balance Sheet under intangible assets in a separate item, and it is written off according to plan over five years.

Intra-group direct insurance has not been eliminated. However, in the consolidated financial statements of Tapiola General Mutual Insurance Company, intra-group reinsurance, with the exception of the equalisation provision, has been eliminated.

# READER'S GUIDE

THE INSURANCE COMPANIES HAVE DEVELOPED A UNIFORM SET OF FINANCIAL INDICATORS DERIVED FROM THE FINANCIAL STATEMENTS. THE CONCEPTS USED IN THE ANNUAL REPORT ARE PRESENTED AND DEFINED IN THIS READER'S GUIDE.

In the case of the most important ratios, their formulae are also given.

An asterisk (\*) means that the term can be found as a headword.

The **valuation difference** is the difference between an asset's current value and its book value.

The **policyholder bonus** is the interest that is paid annually on insurance savings in addition to the assumed interest\*. The level of the policyholder bonus depends on the result achieved by the company. The benefit of the bonus for a personal insurance policyholder is that the value of insurance cover is at least preserved.

**Direct insurance** means insurance business received directly from Tapiola's customers. Insurance business received from another insurance company is assumed reinsurance business\*. Ceded reinsurance is insurance business passed on by Tapiola to another insurance company.

The **administrative costs result** for an employment pension company is the difference between the operating expenses and the loading income\* included in the premium. Here investment management expenses and the costs arising from the settlement of claims are counted as operating expenses.

The **reinsurers' share** means the reinsurance cover that Tapiola purchases from other insurance companies for the risks it does not wish to insure itself. The net expenses or income resulting from this ceded reinsurance business as well as its composition are shown in the Profit and Loss Account. The reinsurers' share of the provision for outstanding claims\* and the provision for unearned premiums\* arise from ceded reinsurance business.

**Reinsurance commissions** are included in operating expenses (the net figure of commissions received and paid on assumed and ceded business).

The **breakdown of assets in the technical provisions margin** is a classification of investments at current values in the technical provisions margin as specified in the regulations of the supervising authorities.

**Total operating expenses** is a concept used in employment pension companies. They are expressed in proportion to the loading income\* and premiums written\*.

The **return on assets (ROA)** is reported for both non-life and life insurance companies. It is  $100 \times (\text{the operating profit or loss} + \text{expenses and interest on liabilities} + \text{assumed interest on the technical provisions} \pm \text{revaluations of investments and their adjustments (only in the case of non-life insurance)} \pm \text{revaluations/cancellations entered in the revaluation reserve} \pm \text{the change in investment valuation differences}) / (\text{the balance sheet total} \pm \text{the investment valuation differences})$ . The balance sheet total and the investment valuation differences (in the denominator of the formula) are calculated as the average of the values at the beginning and end of the year.

**Gross premiums written** is the total of premiums received before the reinsurers' share and the deduction of credit losses.

The **interest business result** is the difference between the interest requirement for the technical provisions and net investment income according to the financial statements of a life insurance company.

**Claims (claims paid)** is made up of claims paid during the accounting period, irrespective of the year in which the loss occurred. Operating expenses incurred in claims settlement activities are also included in the claims paid figure.

The difference between **claims incurred** and claims paid\* is that claims arising from insured events occurring in the accounting period but payable later are also included in claims incurred. Claims paid are augmented by the change in the provision for outstanding claims\*, which also includes the change in the equalisation provision\*. Formula: Claims paid + the provision for outstanding claims at the end of the year - the provision for outstanding claims at the beginning of the year.

The **provision for outstanding claims** consists of the claims which the insurance company will have to pay after the end of the accounting period in respect of losses and other insured events occurring during the accounting period and in preceding years. The provision for outstanding claims thus represents the company's debt to policyholders and beneficiaries. The provision for outstanding claims also includes an equalisation provision\* to provide for years in which the company may incur exceptionally heavy claims. It is calculated in accordance with principles laid down by the Ministry of Social Affairs and Health.

The **change in the provision for outstanding claims** is an item included in the Profit and Loss Account and represents the difference between the provision for outstanding claims at the beginning and end of the year. Claims paid adjusted for the change in the provision for outstanding claims indicate the real claims incurred\* for the accounting period.

The **loading income** appears as a concept in, for instance, the calculation of the gross expense ratio for life and pension insurance companies. This income is derived from a loading

component added to the insurance premium for the purposes of covering the costs pertaining to the accounting period. The gross expense ratio is obtained by comparing actual operating expenses to the corresponding loading income.

The **administrative costs surplus** for a life insurance company is the difference between the actual operating expenses and the loading income\*. Here the operating expenses include costs arising from the claims settlement activities and recorded as claims incurred, whereas investment management expenses are not included. The allocation of operating expenses by means of zillmerization\* is taken into account when calculating the loading income.

**Statutory charges** of a pension insurance company consist of the company's contribution towards the costs of the Central Pension Security Institute.

The **deferred tax liability** (average of the tax liability at the beginning and the end of the year). This item consists of taxes and tax refunds either allocated to the accounting period on an accruals basis or pertaining to previous accounting periods, with the exception of taxes included in extraordinary items. On the accounting date the deferred tax liability is deducted in accordance with the prevailing tax rate from the accumulated depreciation difference, from optional reserves, and, to the extent that it is likely to be realised in the near future, from untaxed revaluations and investment valuation differences. When assessing likelihood, the expectations of the next three years are particularly significant. No tax liability is incurred if it is intended that the valuation differences are to be realised only to the extent that expenses are covered.

The **assumed interest** is the minimum interest that the company must pay on insurance savings. Interest is annually credited to the technical provisions in accordance with the approved basis of calculation. In addition to the assumed interest, additional interest, i.e. the policyholder bonus\*, is also credited to the technical provisions.

**Net operating expenses** include insurance policy acquisition costs, insurance policy management expenses, and general administrative expenses. Reinsurance commissions (the net figure of commissions received and paid on assumed and ceded business) are included in operating expenses. Expenses related to claims settlement and investment management activities are allocated to claims incurred and investment charges, respectively.

The **net expense ratio** is the ratio of net operating expenses to net premiums earned\*. The ratio is calculated after the deduction of credit losses and the reinsurers' shares.

The **gross expense ratio** is a measure of the efficiency of a life insurance company. The gross expense ratio is  $100 \times (\text{gross operating expenses} + \text{claims settlement expenses}) / \text{loading income}$ \*. Gross operating expenses include costs arising from claims settlement activities, whereas investment management expenses are not included here. The allocation of operating expenses by means of zillmerization\* is not taken into account. In the case of a pension insurance company, operating expenses are proportioned to the loading income and premiums written.

The **turnover** of a non-life insurance company means gross

premiums earned before credit losses\* and reinsurers' share + investment income + revaluations activated in connection with asset disposal. Investment income does not include activated revaluations if the asset in question has not been sold. Premiums written are used instead of premiums earned when calculating the turnover of a life and employment pension insurance company. In the turnover of life insurance companies there is no need to activate revaluations as income through sales; they are always just added in.

The **operating profit** or loss is an intermediate result describing the unequalled annual business performance. It is calculated before the change in the equalisation provision\* and revaluations\* of investments, so fluctuations in claims incurred\* and investment income are reflected in the profit/loss figures.

**Provision for additional benefits (unallocated)** is a fund into which the accumulated surpluses of a employment pension company are collected. Part of the accumulated surplus is transferred to the allocated provision for additional benefits, from where the funds are returned to the policyholders in the form of premium discounts.

The **credit losses** incurred by an insurance company mainly arise from unpaid premiums, see premiums written\*. On the lending side of the business, credit losses are minimal because loans are reliably secured.

**Credit loss reserves** are made in case of credit losses on premiums and on other business receivables. The maximum amounts of the reserves and thus the possibilities of increasing their size depend on the business of the insurance company and the nature of the receivables concerned.

The **market share** is the percentage share of one company in the combined premiums written by all the companies operating on the market. In the case of life insurance companies, the market share is an official ratio. Its standard formula is  $100 \times \frac{\text{the company's gross premiums written}}{\text{the sum of all the life insurance companies' gross premiums written}}$ . This ratio is calculated solely for direct insurance business.

**Net** figures, e.g. net premiums written, relate to that part of direct insurance\* and assumed reinsurance business\* remaining with the company for coverage by the same after the reinsurers' share\* has been deducted.

The **return on equity** (at current values) is  $\frac{\text{(the profit or loss before extraordinary items, appropriations and taxes +/- revaluations/cancellations entered in the revaluation reserve +/- the change in investment valuation differences* - taxes +/- the change in the deferred tax liability) per (capital and reserves + minority interest + accumulated depreciation difference + optional reserves +/- investment valuation differences - deferred tax liability*)}}{\text{capital and reserves + minority interest + accumulated depreciation difference + optional reserves + investment valuation differences + subordinated liabilities - deferred tax liability*}} \times 100 \%$ . The ratio is a measure of an insurance company's financial performance.

The **equity to assets ratio** (at current values) is  $\frac{\text{capital and reserves + minority interest + accumulated depreciation difference + optional reserves + investment valuation differences + subordinated liabilities - deferred tax liability*}}{\text{balance sheet total plus investment valuation differences*}}$ . The ratio is a measure of an insurance company's financial performance.

The **underwriting result** is the difference between claims

incurred\* and premiums applying to the current accounting period and intended to cover life insurance and pension insurance risks. The assumed interest \* for the provision for outstanding claims is taken into consideration as a factor reducing claims incurred.

The **result of the red business** is the estimated premiums written for statutory pension insurance to be transferred to Tapiola Pension from other pension insurance companies at the beginning of the following year, less the premiums written for insurance business to be transferred from Tapiola Pension to other pension insurance companies.

**Transferred charges** are charges which are collected from policyholders in their premiums and which the insurance company credits forward to the authorities. The transferred charges include premium tax, fire brigade charges, traffic safety payments, industrial safety charges, and payments under Sec. 58 of the Employment Accidents Insurance Act. **Transitional reserve**

In the years 1993-1997 a transitional reserve could be established to take the place of writedowns on investments and the credit loss reserve abolished in the reform of the Business Taxation Act. The reserve must be discharged at the latest by the closing of the 1997 accounts.

**Breakdown of investment assets** includes the following investment categories at current values: investments in land and buildings, shares, bonds and debentures, debt securities, loans, and other investments. In the case of pension insurance companies, loans are further divided into loans from the pension funds and other lending.

**Net investment income** means the difference between the income and expenses of investment operations. Those operating expenses attributable to the management of investments are included in investment charges.

The **investment surplus** of a pension insurance company is the difference between the interest requirement for the technical provisions and the net investment income as reported in the closing of the accounts. Investment management expenses are not taken into account here because they are included in the administrative costs result\*. The taxes pertaining to investments are included here. See interest business result\*.

**Surrenders** are refunds paid to policyholders who have cancelled their life insurance policies. These payments consist of the savings portions included in the premiums paid by the policyholders. Surrenders are included in the Profit and Loss Account under claims paid.

The **equalisation provision** is a non-distributable reserve that acts as a buffer against years in which claims are particularly heavy. It is an item of the technical provisions necessitated by the security requirement. It is also intended to ensure the sufficiency of the technical provisions when there are unfavourable fluctuations in factors exercising a significant effect on the technical provisions. The supervising authorities lay down calculation rules and set a minimum requirement on the equalisation provision on a company-by-company basis.

The **solvency margin** is the difference between assets and liabilities at current values. It describes a company's solvency and the amount of assets that a company has at its

disposal to ensure the continuity of its operations.

The **solvency margin ratio** describes the relationship between a life insurance company's solvency margin and the minimum amount prescribed for it by law. The solvency margin ratio is  $100 \times \text{the solvency margin} / \text{the minimum solvency margin}$ .

The **loss ratio** means the ratio of claims incurred to premiums earned\*. The ratio is calculated after deduction of credit losses and the reinsurers' share. The claims incurred figure includes the operating expenses attributable to claims settlement activities, but not the change in the equalisation provision.

The **solvency ratio** is, in the case of a pension insurance company,  $100 \times \text{the solvency margin} / \text{the technical provisions less the unallocated provision for additional benefits*}, \text{uncovered liabilities, receivables from the Eläke-Kansa portfolio transfer, and technical provisions* for the YEL basic insurance}$ . In this case the equalisation provision is also counted in the technical provisions. In the case of a life insurance company, the solvency ratio describes a company's net worth in relation to its adjusted technical provisions less the equalisation provision. Solvency ratio:  $100 + 100 \times \text{solvency capital} / (\text{technical provisions, net} - \text{the equalisation provision})$ .

**Solvency capital** is the combined total of the solvency margin and the equalisation provision. The minority interest is also added in the case of a group.

**Premiums written** (cf. Gross premiums written) are payments received in consideration of insurance cover that began during the course of the accounting period. Credit losses\* are already deducted from the premiums written figure (which is not the case for gross premiums written).

**Premiums earned** are net premiums written\* less the change in the provision for unearned premiums\*. Formula:  $\text{premiums earned} = \text{net premiums written} + \text{the provision for unearned premiums at the beginning of the year} - \text{the provision for unearned premiums at the end of the year}$ .

The **provision for unearned premiums** is that portion of premiums written that are accrued during the accounting period and preceding years, the corresponding risks of which pertain to the period after the end of the accounting period in question. The provision for unearned premiums is the company's debt to the policyholders.

The **change in the provision for unearned premiums** is shown on the Profit and Loss Account. It is the difference

between the provision for unearned premiums at the beginning and the end of the year. See provision for outstanding claims\*.

The **technical provisions** consist of the provision for unearned premiums\* and the provision for outstanding claims\*.

The **technical underwriting result** is, in the case of non-life insurance company, the balance on the technical account calculated before the change in the equalisation provision:  $\text{premiums earned*} - \text{claims incurred*} \text{ and net operating expenses*}$ .

The **risk-carrying capacity** of a non-life insurance company is the ratio of the solvency capital\* to premiums earned over the past twelve months after deduction of credit losses and the reinsurers' share.

**Uncovered liabilities** arise from exceptional reductions in the level of TEL premium. Uncovered liabilities are reclaimed annually as a component of the TEL premium.

The **interest requirement for the technical provisions** is the minimum interest payable on the technical provisions, i.e. the provision for unearned premiums and the provision for outstanding claims.

The **profit or loss before extraordinary items, appropriations and taxes** describes the financial performance of an insurance company and is proportionally indicative of the company's turnover\*.

The **minimum solvency margin** describes the legally prescribed amount by which a company's assets must exceed its liabilities. If a company does not meet this requirement, it cannot continue to operate without special supervisory controls.

**Zillmerization** means the allocation of the operating expenses of a life insurance company over a number of years. In the Appendices to the Balance Sheet, Zillmerization appears as non-amortised sales expenses deducted from the provision for unearned premiums\*.

The **combined ratio** is the loss ratio\* + the net expense ratio. The combined ratio describes the actual underwriting performance of a non-life insurance company.

**Avoir fiscal tax credit** is a tax credit in favour of a dividend recipient to the extent that the company paying the dividend has already paid tax when distributing the dividend. The income of the dividend recipient then comprises the combined amount of the dividend received and the avoir fiscal tax credit.



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