POHJOLA

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Information to shareholders

Shareholders' meeting

The Annual General Meeting of Pohjola Group Insurance Corporation will be held on Tuesday, April 20, 1999 at 4 p.m. in the company's head office at Lapinmäentie 1, Helsinki. Shareholders are requested to give notice of attendance by Friday, April 16, 1999 at 4 p.m. either in person at Lönnrotinkatu 5, Helsinki, by letter to Pohjola Group Insurance Corporation, Share Register, P.O. Box 1068, 00101 Helsinki, by telephone +358 10 559 6771 or +358 10 559 2402, or by e-mail: erja.ventomaa@pohjola.memonet.fi

Payment of dividend

According to the proposal by the Board of Directors, the dividend confirmed by the Annual General Meeting will be paid to shareholders who, by the record date April 23, 1999, have been entered as shareholders in the shareholder register kept by the Finnish Central Securities Depository Ltd. The date of dividend payment is April 30, 1999.

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

Stock exchanges

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

Financial information

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

Annual Accounts Bulletin 1998
(in Finnish marks and euros)
Monday, March 8, 1999

Annual Report 1998 (in Finnish marks) and
Main Annual Accounts Information 1998 (in euros)
Tuesday, April 13, 1999

Interim Report January 1 to June 30, 1999 (in euros)
August 1999

CONTENTS

POHJOLA

Pohjola today 4
Review by the President and CEO 6
Pohjola share 8
Non-life insurance 13
Life assurance and saving 16
Customer service 18
Investments 20
Staff 25
Employment pension insurance 27

ANNUAL ACCOUNTS

Report by the Board of Directors 28
Statement of source and application of funds 40
Profit and loss account 41
Balance sheet 44
Notes on the accounts 46
Auditors' report 79

CORPORATE GOVERNANCE

Board of Directors 81
Senior management 81
Auditors 81

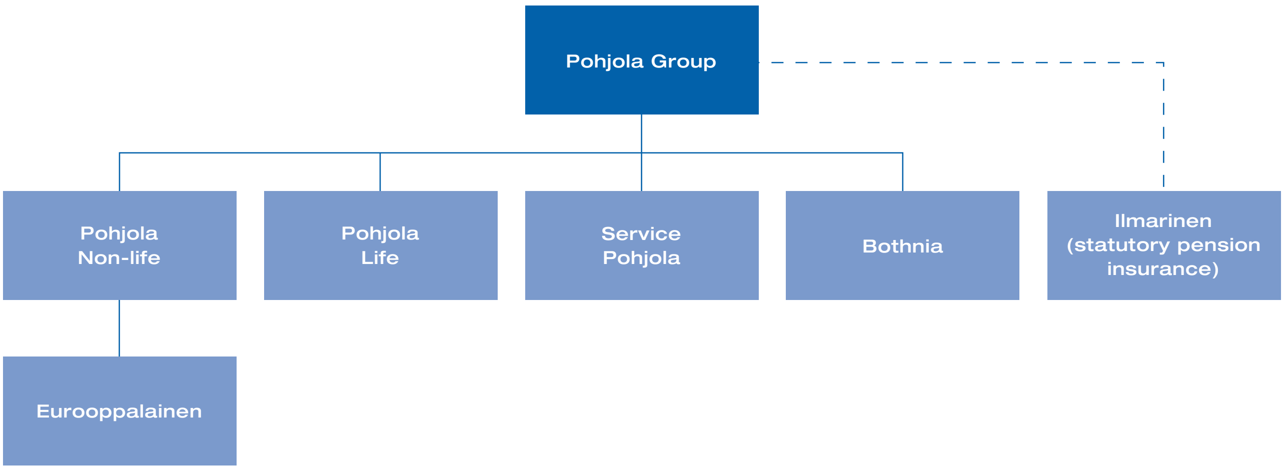
Contact data 82
Analyses of Pohjola 82

Pohjola underwrites non-life and life insurance through its subsidiaries. Pohjola's associated undertaking Ilmarinen Mutual Pension Insurance Company underwrites statutory employment pension insurance.

Pohjola's objective is to produce added value to its shareholders by transacting insurance business.

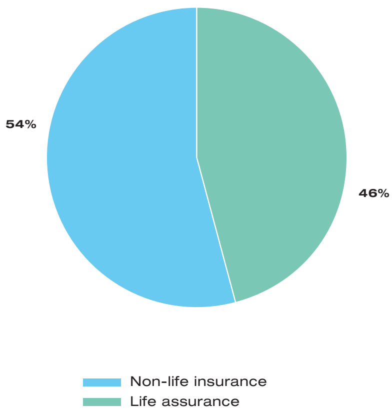
The Group's field of operations was expanded in 1997 to also comprise life assurance. The Group's structure was simplified in 1998 by transferring the non-life insurance business and customer service to subsidiaries established for these purposes. The objective has been to simplify capital allocation, to increase transparency and accountability, and to improve profitability.

Pohjola Group Insurance Corporation is the Group's parent company, which provides inter-group investment and administrative services, and underwrites reinsurance.

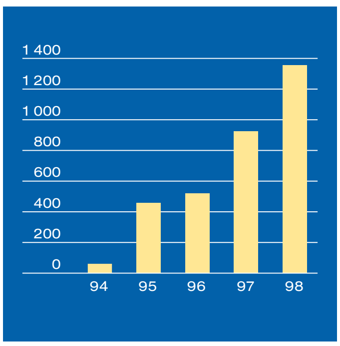


Premiums written

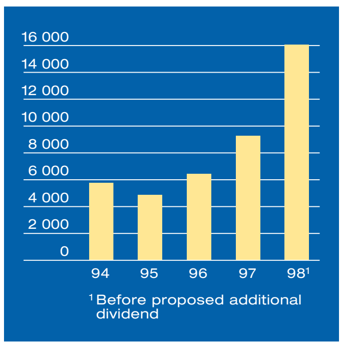
FIM 6 259 million



Operating profit
FIM million



Solvency capital
FIM million



Pohjola with subsidiaries in brief

		1994	1995	1996	1997	1998
Gross premiums written						
Non-life insurance	FIM million	3 041	3 015	2 958	3 076	3 404
Life assurance	FIM million				705	2 855
Operating profit	FIM million	61	461	526	929	1 357
Key ratios						
Non-life insurance						
Loss ratio	%	92	88	95	94	80
Combined ratio	%	111	108	117	115	101
Solvency ratio	%	218	189	251	267	148[1)]
Life assurance						
Solvency ratio	%				26	31
Holding operations						
Solvency capital	FIM million					8 478[2)]
Average number of employees		2 533	2 359	2 255	2 816	2 745
Earnings/share	FIM	-0.47	5.03	7.32	13.63	12.87
Dividend/share	FIM	1.00	1.50	2.00	3.00	5.00[3)]
Additional dividend/share	FIM					25.00[3)]
Net asset value/share	FIM	126.18	107.72	144.27	200.64	363.84
Return on equity at current values	%	6.02	-13.37	30.16	28.39	58.64
Adjusted share price on Dec. 31						
Series A	FIM	64.17	58.67	108.71	202.00	273.64
Series B	FIM	52.16	54.63	103.63	200.88	276.09

1) Year 1998 does not include solvency capital of holding operations
2) Before proposed additional dividend
3) Proposed by the Board of Directors

Comprehensive overhaul of Pohjola's operations continued in 1998, having expanded the previous year to include life assurance. The organization was streamlined by transferring non-life insurance and customer service to subsidiaries set up for the purpose. The aim has been to simplify capital allocation, increase transparency and accountability, and improve profitability. The new arrangements have been favourably received on the stock market.

Nearly half of Pohjola's premiums written derive from life assurance. Operating profit rose to a record FIM 1 357 million and return on equity at current values to 59%. Consolidated solvency rose once again, to FIM 16 billion.

Pohjola's good result and impressive solvency gave the Board a firm basis for proposing a substantial increase in dividend and payment of extra dividend for 1998. The Board also confirmed Pohjola's overall dividend policy and outlined how the company's strong capital position would be utilized.

In non-life insurance, 1998 was a good year overall. Premiums written rose 11% and profits grew, though mainly thanks to one-off increases in premiums and favourable exchange rate trends. Major insurance losses also moved in a better direction. In recent years, we have devoted considerable effort to our choice of risks and to risk management work in cooperation with customers.

In life assurance, premiums written rose appreciably, and Pohjola's market standing strengthened greatly. Interest in capital redemption policies was the main reason for this development. The long-term objective is to shift the main focus of premiums written towards regular-premium policies.

Return on the investment portfolio was extremely good. Remodelling of the portfolio continued by realizing real estate and selling the loan portfolio. The changeover to the euro will improve potential for spreading investments abroad on a wider scale.

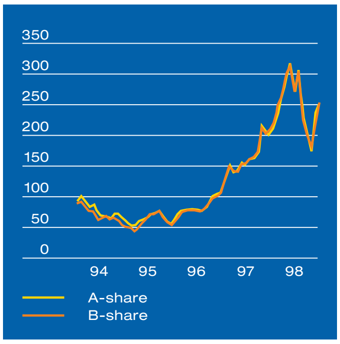
Pohjola has chosen a multi-channel service model in order to safeguard a level of service that meets customers' needs. The availability of products and services is being improved, especially on the expanding savings and investment market, together with the opportunity to do business over the telephone, in response to growing demand. Pohjola has also launched a service model that allows customers to arrange all their insurance coverage at a stroke. These innovations will make for greater efficiency and reduce work loads. Negotiations began in November on staff retraining, changes in working duties and any need for job cuts, and continue in a constructive spirit.

The integration of money and capital markets in Europe has tightened competition in the insurance sector still further. As a result, both banking and the insurance business have made substantial moves towards integration. During 1999, integration has also taken a significant step forward on the Nordic insurance market. The non-life insurance market is unlikely to grow much more in Finland. Consequently, if we are to safeguard our competitiveness we must respond with an open mind to the new opportunities opening up for cooperation.

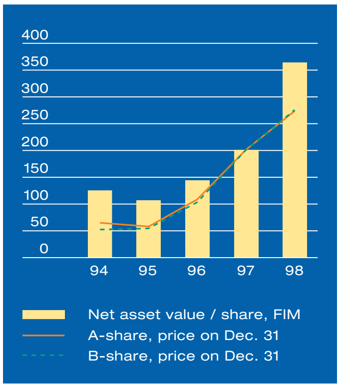
I should especially like to thank our customers for their loyalty, the Pohjola Board for its support in carrying out the new arrangements, and the staff for their readiness for innovation and controlled change.

Iiro Viinanen

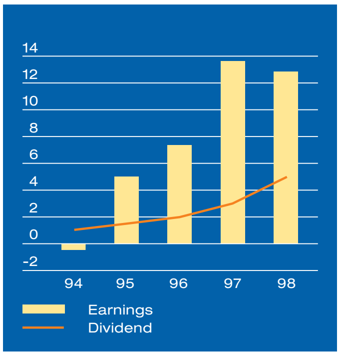
Price development of share
FIM



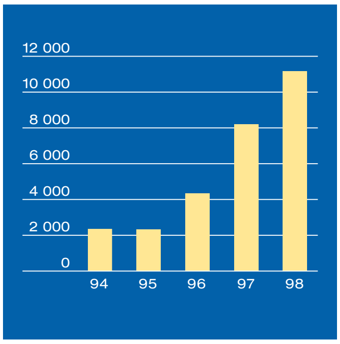
Net asset value / share
FIM



Earnings and dividend
FIM



Market capitalization
FIM million



The price of Pohjola's shares rose by a good 35%. The turnover was 20.7 million shares, i.e. 51%. Earnings per share were FIM 12.87 and net asset value per share was FIM 363.84. Pohjola has altogether 6 782 registered shareholders. 61% of the shares are held by foreigners.

Dividend policy

Pohjola aims to follow a dividend policy according to which the dividend, in the long term, corresponds to the development of the Group's earnings.

Pohjola Group Insurance Corporation's strong capital position can be utilised for the expansion of business operations especially in the growing life assurance market, for payment of an additional dividend, or for share buy-back.

Share capital

Pohjola's share capital totals FIM 203 550 000. In accordance with the Articles of Association, the company's minimum authorized capital is FIM 203 550 000 and the maximum authorized capital FIM 814 200 000.

Shares

The shares are divided into Series A and B, all shares providing equal rights to the company's assets and profits. The nominal value of the shares is FIM 5/share. A-shares have ten votes per share; B-shares one vote. An A-share can be converted into a B-share at the request of the owner of the A-share. In 1998, a total of 446 509 A-shares, i.e. 2.2% of all Series A shares, were converted into B-shares.

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

Authorizations of the Board of Directors

The company's Board of Directors is not currently authorized to issue shares, convertible bonds or warrants. Nor are the Boards of the group companies authorized to redeem Pohjola's own shares.

Stock exchange quotation and turnover

Pohjola's shares are quoted on the Helsinki Exchanges.

In 1998, a total of 20.7 million Pohjola shares (24.0 million shares) worth FIM 4.9 billion (FIM 3.9 billion) were traded on the Helsinki Exchanges. The turnover of shares was 51% (59%).

At year end, the market capitalization of the Pohjola stock of shares totalled FIM 11.2 billion (FIM 8.2 billion).

Earnings/share

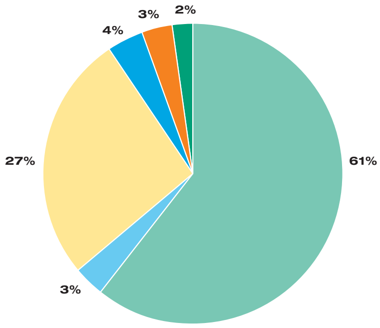
Consolidated earnings/share were FIM 12.87 (FIM 13.63). Return on equity at current values was 59% (28%). Consolidated net asset value rose to FIM 14.8 billion (FIM 8.2 billion) and was FIM 363.84 (FIM 200.64) per share.

Proposed dividend

The company's Board of Directors proposes that a dividend of FIM 5 and an additional dividend of FIM 25 per share, i.e. a total of FIM 1 221 300 000, be distributed.

According to the proposal of the Board, the dividend confirmed by the Annual General Meeting can be drawn by shareholders as of April 30, 1999, the date of dividend payment.

Shareholdings on February 15, 1999



Consolidated per-share data

		1994	1995	1996	1997	1998
Earnings/share	FIM	-0.47	5.03	7.32	13.63	12.87
Capital and reserves/share	FIM	37.00	35.39	40.70	52.23	61.72
Net asset value/share at current values	FIM	126.18	107.72	144.27	200.64	363.84
without deducting consolidation difference	FIM				215.72	375.57
Dividend/share	FIM	1.00	1.50	2.00	3.00	5.00[1)]
Additional dividend/share	FIM					25.00[1)]
Dividend/earnings	%	-	29.82	27.33	22.00	38.86[2)]
Effective dividend yield						
Series A	%	1.56	2.56	1.84	1.49	1.83[2)]
Series B	%	1.92	2.75	1.93	1.49	1.81[2)]
Price/earnings ratio						
Series A		-	11.66	14.85	14.82	21.27
Series B		-	10.86	14.16	14.74	21.45
Adjusted average share price						
Series A	FIM	83.37	61.49	95.95	170.95	228.22
Series B	FIM	73.63	64.02	82.39	159.28	237.53
Adjusted share price, lowest						
Series A	FIM	55.00	49.50	57.00	104.00	162.00
Series B	FIM	50.00	40.50	54.00	102.00	157.00
Adjusted share price, highest						
Series A	FIM	104.00	82.50	110.00	230.00	345.00
Series B	FIM	102.00	83.50	106.90	229.00	348.00
Adjusted share price on Dec. 31						
Series A	FIM	64.17	58.67	108.71	202.00	273.69
Series B	FIM	52.16	54.63	103.63	200.88	276.09
Market capitalization on Dec. 31						
Series A	FIM million	1 324	1 211	2 244	4 100	5 433
Series B	FIM million	1 047	1 096	2 080	4 100	5 759
Total	FIM million	2 371	2 307	4 324	8 200	11 192
Development of turnover						
Series A	1 000 shares	735	3 059	1 906	5 753	2 180
of average number	%	3.56	14.82	9.23	28.08	10.88
Series B	1 000 shares	9 097	16 600	20 902	18 258	18 526
of average number	%	45.33	82.71	104.15	90.64	89.57
Adjusted average number of shares						
Series A	1 000 shares	20 640	20 640	20 640	20 561	20 026
Series B	1 000 shares	20 070	20 070	20 070	20 149	20 684
Total	1 000 shares	40 710	40 710	40 710	40 710	40 710
Adjusted number on Dec. 31						
Series A	1 000 shares	20 640	20 640	20 640	20 298	19 851
Series B	1 000 shares	20 070	20 070	20 070	20 412	20 859
Total	1 000 shares	40 710	40 710	40 710	40 710	40 710

1) *Proposed by the Board of Directors*
2) *Excluding proposed additional dividend*

Share capital on February 15, 1999

	Share capital FIM	Number of shares	Percentage of share capital	Percentage of votes
Series A	98 954 195	19 790 839	48.61	90.44
Series B	104 595 805	20 919 161	51.39	9.56
Total	203 550 000	40 710 000	100.00	100.00

Breakdown of shareholdings by sector on February 15, 1999

	Shareholders Series A		Shareholders Series B		Shares Series A		Shares Series B		Shares Total		Votes
	Number	%	Number	%	Number	%	Number	%	Number	%	%
Private enterprises	124	2.8	231	4.3	764 214	3.9	518 464	2.5	1 282 678	3.2	3.7
Financing and insurance institutions	23	0.5	58	1.1	8 868 954	44.8	2 019 847	9.7	10 888 801	26.7	41.4
Public corporations	16	0.4	47	0.9	842 732	4.2	659 200	3.2	1 501 932	3.7	4.2
Non-profit institutions	100	2.3	150	2.8	419 332	2.1	405 873	1.9	825 205	2.0	2.1
Households	4 122	93.2	4 806	89.9	743 880	3.8	720 744	3.4	1 464 624	3.6	3.7
Foreign owners incl. nominee registrations	37	0.8	51	1.0	8 135 976	41.1	16 587 187	79.3	24 723 163	60.7	44.8
Shares not yet transferred to book-entry system	-	-	-	-	15 751	0.1	7 846	0.0	23 597	0.1	0.1
Total	4 422	100.0	5 343	100.0	19 790 839	100.0	20 919 161	100.0	40 710 000	100.0	100.0

Breakdown of shareholdings by size of holding on February 15, 1999

	Shareholders Series A		Shareholders Series B		Shares Series A		Shares Series B		Shares Total		Votes
	Number	%	Number	%	Number	%	Number	%	Number	%	%
1 - 50	2 191	49.5	2 897	54.2	60 932	0.3	55 346	0.3	56 140	0.1	0.1
51 - 100	734	16.6	784	14.7	61 240	0.3	63 897	0.3	120 602	0.3	0.3
101 - 500	1 082	24.5	1 124	21.0	246 836	1.2	274 707	1.3	497 737	1.2	1.2
501 - 1 000	215	4.9	238	4.4	160 886	0.8	191 140	0.9	329 243	0.8	0.7
1 001 - 5 000	143	3.2	199	3.7	289 171	1.5	462 835	2.2	754 903	1.9	1.6
5 001 - 10 000	22	0.5	41	0.8	165 005	0.8	301 703	1.4	420 691	1.0	0.8
10 001 - 50 000	24	0.5	48	0.9	550 959	2.8	1 063 468	5.1	1 549 796	3.8	2.9
50 001 - 100 000	1	0.0	5	0.1	53 661	0.3	372 900	1.8	450 242	1.1	0.8
100 001 - 1 000 000	7	0.2	3	0.1	2 054 806	10.4	746 738	3.6	2 379 376	5.9	7.0
1 000 001 -	3	0.1	4	0.1	16 131 592	81.5	17 378 581	83.1	34 127 673	83.8	84.5
Shares not yet transferred to book-entry system	-	-	-	-	15 751	0.1	7 846	0.0	23 597	0.1	0.1
Total	4 422	100.0	5 343	100.0	19 790 839	100.0	20 919 161	100.0	40 710 000	100.0	100.0

Pohjola's ten largest shareholders on February 15. 1999

As per the shareholder register kept by the Finnish Central Securities Despository Ltd

	Shares Series A Number	Shares Series B Number	Total Number	Percentage of shares	Percentage of votes
Suomi Mutual Life Assurance Company	8 642 595	1 523 476	10 166 071	24.97	40.19
Skandia Insurance Company Limited (publ)	6 254 658	1 374 028	7 628 686	18.74	29.21
Skandia Life Insurance Company Ltd (publ)	617 500	1 375 000	1 992 500	4.89	3.45
UPM-Kymmene Corporation	479 002	189 501	668 503	1.64	2.28
Neste's Pension Foundation	377 040	90 900	467 940	1.15	1.76
The Local Government Pensions Institution	214 600	23 450	238 050	0.58	0.99
Pension Fund Polaris	140 000	70 000	210 000	0.52	0.67
Finnish Cultural Foundation	118 000	1 042	119 042	0.29	0.54
Huhtamäki Finance Oy	108 664	9 000	117 664	0.29	0.50
Henkivakuutusosakeyhtiö Aurum		80 000	80 000	0.20	0.04
Total	16 952 059	4 736 397	21 688 456	53.27	79.63
Nominee registrations	1 236 429	13 782 889	15 019 318	36.89	11.95

The largest shareholder groups

As per the shareholder register kept by the Finnish Central Securities Despository Ltd

	Shares Series A Number	Shares Series B Number	Total Number	Percentage of shares	Percentage of votes
Suomi Mutual Life Assurance Company	8 642 595	1 523 476	10 166 071	24.97	40.19
Skandia Insurance Company Limited (publ) Skandia Life Insurance Company Ltd (publ)	6 872 158	2 749 028	9 621 186	23.63	32.66

The proportion of shares held by the Skandia group exceeded 20% of the number of shares and votes on January 7, 1999, when the Merita group sold its shareholding to Skandia.

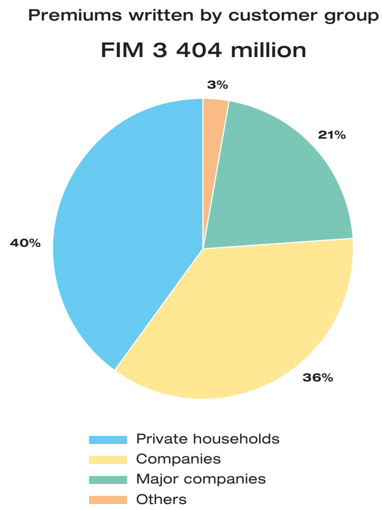
Shareholders

Pohjola has altogether 6 782 shareholders.

Senior management's shareholdings

On February 15, 1999, members of the Board of Directors, the President and the deputy to the President owned a total of 2 815 shares, i.e. 0.007% of all shares and 0.005% of the total number of votes.

Pohjola introduced a new service model, based on the Extrasure insurance product, which makes it possible to combine the different forms of private households' basic insurance cover under one insurance contract. The company was the first to launch construction defects insurance providing cover in real estate transactions for both the buyer and the seller. Intense competition prevailed in non-life insurance.



Market conditions

Premiums written in domestic direct insurance rose by a good FIM 1 billion to FIM 13 billion, an increase of 12% over the previous year. Excluding credit and suretyship insurance, the increase was 13%. The bulk of the growth originated from statutory insurance. As a result of the decreased technical rate of interest and longer life expectancy of those insured, the provision for claims outstanding of statutory workers' compensation insurance were strengthened. This was financed by a non-recurring premium increase. The premiums for motor third party liability insurance were raised following a long-standing, unfavourable incidence of loss. If these premium increases are not taken into account, the growth rate for premiums written in direct insurance exceeded the inflation rate by three percentage points.

Owing to fierce price competition and a modest rise in machinery and equipment investments, premiums written in fire and other property insurance went up only slightly, although there was a pronounced revival in construction. Buying and selling of housing and cars showed an upward trend, as did travelling.

The number of claims were up along with a continued growth in economic activity. In statutory workers' compensation insurance, the number of losses rose by 4.5% and totalled 140 000 (134 000). Likewise, there was an increase in the number of fatal accidents. The road accidents reported to insurance companies rose to 104 000 (97 000), while the number of fatal road accidents dropped. As compared to the previous year, slightly fewer major losses hit the fire and business interruption insurance portfolios. As a result of some major losses, the total amount of claims paid increased over 1997.

In statutory workers' compensation insurance, deregulation of prices took effect on January 1, 1999; the effects on competition and remiums written will appear later.

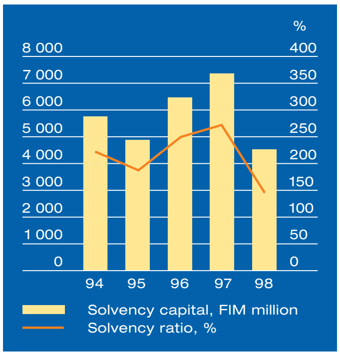
The Housing Transactions Act was amended on September 1, 1998. On the basis of the amendment, the main contractor is liable to make sure that the buyer of shares in a housing company is not the one who will have to bear the burden of expenses for investigating and repairing any construction defects discovered within 10 years of the authorized taking into use of the building. Pohjola was the first to launch both statutory and expanded voluntary construction defects insurance.

At the beginning of 1999, the Environmental Impairment Insurance Act took effect, obliging companies and corporations whose operations involve major risks of environmental damage to take out insurance cover for such risks. In the next few years, the new insurance will have only a slight impact on premiums written.

The Federation of Finnish Insurance Companies recommends that losses caused by malfunction in data systems due to the new millennium be excluded from insurance cover in corporate non-life insurance. Pohjola complies with this recommendation.

Pohjola's gross premiums written in domestic direct non-life insurance rose by 11% to FIM 3 213 million. According to preliminary figures, the market share was 26% (26%), excluding credit and suretyship insurance.

Solvency capital
FIM million



In 1998, does not include solvency capital of holding operations.

Private households

Premiums written originating from private households grew by 7% and totalled FIM 1 369 million (FIM 1 275 million). A rise in premium levels caused premiums written in voluntary accident and health insurance and motor third party liability insurance to go up. Premiums written in travel insurance grew with increased travelling.

In the autumn, Pohjola launched a new service model based on the Extrasure insurance product family designed for private households and providing customers with tailored non-life and risk life assurance cover. In the Extrasure concept, the idea is to include all of a customer's insurances in one insurance policy, which the customer may take along at once, if necessary. In the course of the autumn, a total of 45 000 Extrasure surveys were carried out.

The introduction of the Extrasure insurance product boosted premiums written in insurance for private households. Balance on technical account in this business was on a par with the result for the previous year and satisfactory, with the exception of motor third party liability insurance.

Corporations

Premiums written deriving from small and medium-sized companies went up by 20% and totalled FIM 1 233 million (FIM 1 030 million). Along with statutory workers' compensation insurance and motor third party liability insurance, fire and other property insurance recorded a growth in premiums written. The amendment of the Housing Transactions Act increased demand for statutory decennial construction defects insurance in new construction. Likewise, the voluntary 5-year construction defects insurance was greeted with great satisfaction in the real estate market. Sales by brokers represented less than 5% of total sales to small and medium-sized companies.

The reviving economy increased road and other accidents suffered by small and medium-sized companies, whereas the number major losses decreased over the previous year. Balance on technical account in corporate insurance improved and was satisfactory.

Major companies

Premiums written in domestic and foreign insurance for major companies totalled FIM 692 million (FIM 698 million), including FIM 82 million (FIM 78 million) in primarily reinsurance premiums from Finnish clients operating abroad. Brokers accounted for more than 10% of sales.

Loss experience was favourable, following high-class risk management work.

The balance on technical account of this business was satisfactory. The balance of foreign business originating from Finnish clients improved as a result of the dissolution of some liability insurance provisions. Reinsurance contracts acquired to cover major risks were renewed.

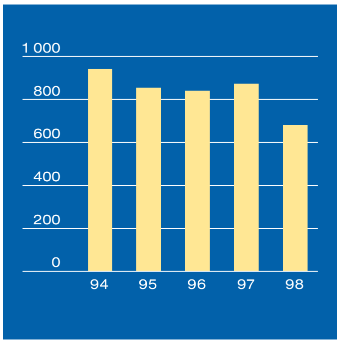
At the beginning of 1999, a new insurance system for major clients was taken into use which provides increasingly flexible product and service solutions.

Other retained insurance

Pohjola underwrites domestic reinsurance for Finnish non-life insurance companies and pools, and foreign reinsurance for cooperating partners and associated undertakings.

In 1998, premiums written in domestic reinsurance amounted to FIM 85 million (FIM 87 million). Foreign insurance objects are located mainly in the Nordic countries and the Baltic region. Premiums written in this business rose to FIM 24 million (FIM 20 million), of which premiums written in the Baltic states accounted for FIM 10 million (FIM 10 million). The network of Pohjola's Baltic associated undertakings expanded in the summer of 1998 when a non-life insurance company was established in Lithuania. Balance on technical account in other retained business improved and was satisfactory.

Technical provisions net of reinsurance, business in run-off, FIM million



Foreign business in run-off

The remaining technical provisions of Pohjola's foreign insurance business in run-off totalled FIM 680 million (FIM 874 million).

Commutations went on. The technical provisions made previously were sufficient and commutations decreased them. Commutations had a positive impact on the result.

Development projects

The Finnish non-life insurance market is mature and fierce competition prevails. In these circumstances, customer-orientation becomes increasingly important. At Pohjola, customer service is being improved by accelerating working processes, by abolishing overlapping functions and by bringing decision-making closer to the customer. These changes in the corporate culture and organization have been initiated.

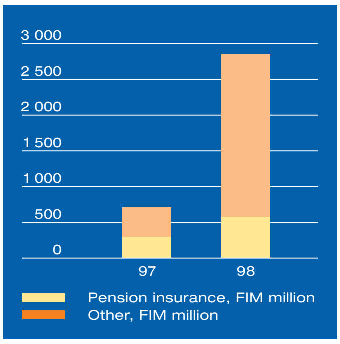
Availability of insurance products is being increased by diversifying the service channels. Customers' need of insurance cover is being attended to through the development of suitable insurance products. Pohjola's market position and its widely-recognized name provide a good basis for these projects.

Analysis of non-life insurance business

	Retained business		Business in run-off		Total	
FIM million	1997	1998	1997	1998	1997	1998
Profit						
Earned premiums	2 756	2 834	-1	-1	2 755	2 833
Claims incurred	-2 313	-2 385	-15	45	-2 328	-2 340
Operating expenses	-583	-637	-5	-5	-588	-642
Balance on technical account before non-recurring items and exchange gains/losses	-140	-188	-21	39	-161	-149
Exchange gains/losses pertaining to balance on technical account	-17	8	-91	32	-108	40
Investment income and charges	[1]	850	[1]	107	[1]	957
Other income and charges		-2		-		-2
Share of associated undertakings' profit/loss		-1		-		-1
Operating profit before non-recurring items		667		178		845
Non-recurring items pertaining to balance on technical account	-149	78		-	-149	78
Operating profit		745		178		923
Technical provisions						
Technical provisions net of reinsurance	6 313	6 676	874	680	7 187	7 356
Collective guarantee item	133	139			133	139
Equalization provision	775	1 112	10	59	785	1171
Total	7 221	7 927	884	739	8 105	8 666

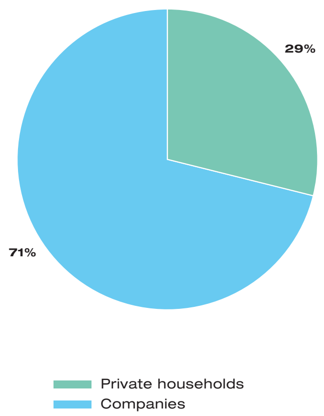
[1] *Analysis by segment commenced in 1998*

Premiums written
FIM million



Premiums written by customer group

FIM 2 855 million



Pohjola's market share rose to 22%. The Yieldsure service model, providing a wide range of investment solutions and designed now also for companies and corporations, met with customers' unreserved satisfaction. In unit-linked insurance, the number of mutual funds available to customers increased to 25.

Market conditions

The savings and investment markets are growing, while the allocation of savings is changing fundamentally. Mutual funds and savings insurance policies gain ground at the expense of traditional bank savings. At the end of 1998, Finnish households had over FIM 200 billion deposited in low-yielding bank accounts. Because of increased demand for higher returns, these funds will be redirected to more productive forms of investment, such as insurance-related saving.

According to a large opinion poll, two out of every three Finns do not believe that society will be able to take care of citizens' pension security in its present-day form. In a situation where short-term employment is more and more frequent, insurance-related saving becomes an increasingly attractive and necessary alternative for supplementing one's pension cover. In terms of growth, long-term saving through insurance is expected to surpass, by far, traditional bank depositing.

The Ministry of Social Affairs and Health announced that it would lower to 3.5% the upper limit of the technical (guaranteed) interest on policies issued after January 1, 1999. This boosted sales of policies towards the end of the year, when the old terms still applied. Premiums written for single-premium policies, in particular, went up.

Gross premiums written in life assurance rose by some 15%, single-premium policies accounting for about a half and unit-linked insurance for more than 10% of the total premium volume. Premiums written in corporate insurance, especially those for capital redemption policies, were up, whereas life and pension premiums paid by private households to domestic companies were on a par with premiums for 1997.

The Ministry of Social Affairs and Health has been preparing new regulations for the monitoring of solvency. These regulations also take account of the risks involved in investments. With the amendment, the solvency requirements for life assurance companies will become considerably stricter. Pohjola's current solvency level exceeds the new requirements.

Developments at Pohjola

Pohjola strengthened its position in the market. The company's premiums written totalled FIM 2 855 million and market share rose to 22%. Increasing interest in capital redemption policies and unit-linked insurance was reflected also in Pohjola's results, and premiums written in these classes of insurance surged.

CUSTOMERS LOOK FOR EXPERT INVESTMENT ADVICE AND SAFE WAYS OF INVESTMENT.

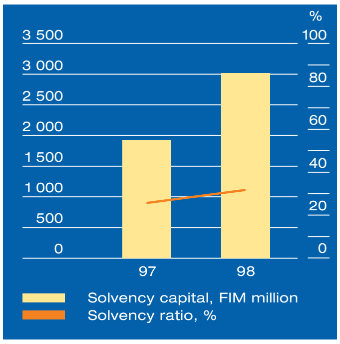
Customers look for expert investment advice and safe ways of investment. Expected yield, however, is one of the major factors in choosing a suitable form of saving and investment.

Return on insurance savings is accrued by a fixed technical (guaranteed) interest and an additional interest payable to customers and reflecting the company's performance. The technical interest for group pension insurance was 4.25% and for other insurance 4.5%. Furthermore, Pohjola granted its customers an additional interest of 2%, the highest in the industry.

The yield on unit-linked insurance is determined on the performance of the mutual funds chosen by the customer.

Pohjola's solvency strengthened both in markka-terms and relatively. A favourable price trend in the securities market contributed to the growth in solvency capital. Solvency in relation to insurance savings was 31% (26%).

Solvency capital



Private households

Premiums written in insurance for private households accounted for some 30% of gross premiums written and totalled FIM 838 million. The Yieldsure service model proved to satisfy customers' needs. Suitable insurance solutions were tailored also for members of various organizations.

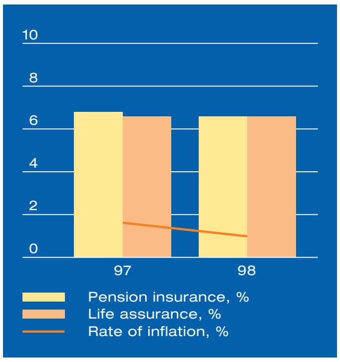
The Extrasure service concept designed for private households can, in addition to non-life insurance cover, include a survey of a customer's need of life assurance cover.

Companies and corporations

Premiums written in corporate insurance rose to FIM 2 017 million. Pohjola was the first to launch a single or regular-premium investment product, Investment Contract, comprising various investment alternatives for companies and corporations. A pension insurance account with corresponding investment alternatives was likewise introduced for companies. The growth in the group pension insurance portfolio exceeded forecasts, which will also have a positive impact on future premiums written.

POHJOLA WAS THE FIRST TO LAUNCH A SINGLE OR REGULAR-PREMIUM INVESTMENT PRODUCT, INVESTMENT CONTRACT, COMPRISING VARIOUS INVESTMENT ALTERNATIVES FOR COMPANIES AND CORPORATIONS.

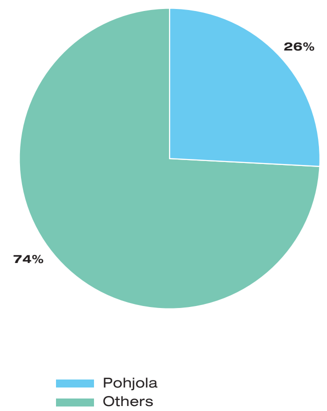
Customer bonuses and technical (guaranteed) interest



Development projects

Pohjola offers its customers high-quality investment services and a wide range of solutions for insurance-related saving. To ensure availability of services, diversification of distribution channels is under way. New cooperation agreements are being signed. Franchising operations have been launched and are being developed further. Services are offered via data communication networks. Increasing resources will be dedicated to this in the near future.

Market share, non-life insurance



The field organization in charge of customer service was incorporated in a newly-established Pohjola subsidiary. Demand for service by telephone increased markedly, in response to which the Helsinki call centre was expanded and a new service centre was opened in Tampere. For further enhancement of customer care, multi-channel service models were developed.

Tailored service

Pohjola offers customers comprehensive insurance services in life and non-life insurance, insurance-related saving and statutory employment pension insurance, its clientele consisting of private households, small and medium-sized companies, corporations and major companies.

Pohjola's customers include over one million households and farms. Our rewarding regular-customer program covers 179 000 (166 000) customer households, and altogether 320 000 (317 000) households receive some kind of bonus for pooling their insurance policies with Pohjola. The number of corporate clients is close on 100 000. Pohjola has a significant position as the insurer of major clients.

Customer service is based on service processes tailored to meet customers' and service channels' needs. The Extrasure and Yieldsure service models are designed for private households. These models, together with the new management system for major clients, provide efficient tools for our insurance specialists in insurance production. Client-specific teams are in charge of corporate clients.

Multiple ways of providing service

Customers are served at Pohjola offices and through telephone service. In major growth centres, Pohjola is investing in the development of full-service offices, while agents continue to provide traditional sales services. Substantial resources are being dedicated to the expansion of telephone service. The one million customer calls made to Pohjola annually are directed to the Helsinki and Tampere call centres. Concentrating calls improves customer service and shortens response times considerably.

> IN MAJOR GROWTH CENTRES, POHJOLA IS INVESTING IN THE DEVELOPMENT OF FULL-SERVICE OFFICES.

Pohjola serves internationally operating clients in 130 countries. The service is based on a long-standing cooperation with foreign insurance companies.

On all continents, the international network of Eurooppalainen's associate is at the disposal of travel insurance customers.

Pohjola is launching partner operations whereby PohjolaPartner entrepreneurs, trained at the Pohjola Partner Academy, are granted a sales licence for Pohjola and Ilmarinen products. Sales power will be required particularly in the growing insurance saving market.

Toward multi-channel service model

To ensure the availability of services, distribution channels and cooperation with insurance brokers, investment advisory companies and brokerage firms are being increased. For instance, Pohjola's home insurance, tailored for customers of the OKO Bank Group member banks, will be sold under the "Gold Protection" brand name.

Marketing of services via information networks has been launched and will be expanded. Pohjola is among the founders of a company which will specialize in electronic commerce.

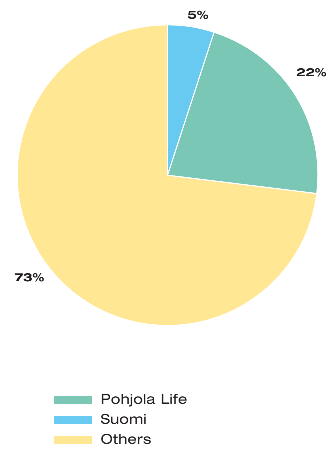
Changeover to the euro

Pohjola's customers range from private individuals to large companies and public corporations, and their respective needs have been taken into account when drawing up the changeover schedule.

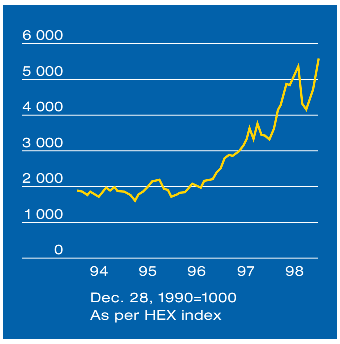
At the beginning of the transitional period, general services offered by banks are, in the first place, used in monetary transactions. Customers are offered euro information in connection with markka-denominated invoicing and payment transactions. Where necessary, corporate clients are even today served in euros.

As a rule, services to corporate clients will move over to the euro stage by stage during the transitional period. As for private households, the changeover will take place mainly in 2001. Pohjola's customer service systems will adopt the euro gradually.

Market share, life assurance



Price development of listed shares



To improve the return/risk ratio through deconcentration, investments continued to be made in foreign securities. Investments abroad focused on Europe. Disposal of investments in land and buildings went on, and the volume of vacant premises reached a normal level.

The world economy developed favourably during the first six months of 1998, which was reflected in the international capital markets as a notable rise in share prices. During the summer, fluctuations in the stock market increased, inter alia because of the economic crisis in Russia. Worldwide, there was a notable downward trend in share prices particularly for companies sensitive to cyclical fluctuations.

Robust growth in the US economy continued, however, entailing a record rise in share prices by the end of the year. Interest rates went further down, while inflation expectations for the year became increasingly pessimistic. Moreover, the long and short-term interest rates converged, i.e. the interest rate curve flattened.

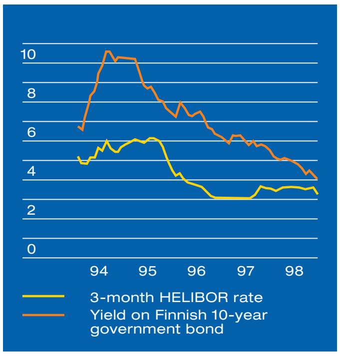
In the euro zone, industrial sectors were less confident about economic growth towards the end of the year, whereas consumers seemed more optimistic. European foreign exchange, money and capital markets, including the Finnish markets, were dominated by preparations for Stage Three of the Economic and Monetary Union, i.e. by the introduction of a single currency as of the beginning of 1999. Interest rates in euro zone countries went down and became more homogenous, with contracting differences between the countries' interest rates. By the turn of the year, long and short-term nominal interest rates had reached a level which was historically very low.

INTEREST RATES IN EURO ZONE COUNTRIES WENT DOWN AND BECAME MORE HOMOGENOUS.

On the whole, developments in the Finnish capital market followed the major international trends, but were more pronounced. At year end, two trends were prevalent in the Finnish stock market, on the one hand, due to the great weight the excellently performing data communications and electronics companies Nokia and Sonera had in the HEX general index; and, on the other hand, to the great weight clearly less well performing metal, engineering and forest industry companies sensitive to cyclical fluctuations had in the HEX portfolio index.

After the fall in interest rates last summer, the recovery of the portfolio index was much less marked than that of the general index: the HEX general index rose by 69% during the year; the HEX portfolio index only by 15%. Thanks to better than average price development and several new listings, the Helsinki Exchanges market capitalization almost doubled during 1998 and totalled FIM 784 billion.

Interest rate, %



Pohjola's investment principles

Pohjola's objective is to obtain a good yield on the investment portfolio in the long term. The target allocation of the investment portfolio between investments in interest-bearing instruments, shares, and land and buildings is impacted by the structure and duration of the technical provisions and by the company's solvency. Special attention is paid to the deconcentration of investment risks, liquidity of investments and the counter-party risk.

The company's investment operations are based on an investment plan confirmed annually by the Board of Directors and on investment powers approved by the Board.

Investment portfolio

	Non-life insurance		Life assurance		Holding operations		Total	
	FIM million	%	FIM million	%	FIM million	%	FIM million	%
Current value								
Land and buildings	1 868	16	857	7	3		2 728	8
Shares	4 469	40	4 727	38	8 735	99	17 931	55
Fixed-income securities	4 361	39	6 167	50	59	1	10 587	33
Other debt securities	426	4	392	3	-		818	3
Loans	4		9		-		13	
Other investments	77	1	199	2	30		306	1
Total	11 205	100	12 351	100	8 827	100	32 383	100
Investments based on unit-linked insurance			355				355	
Difference between current and book values								
Land and buildings	364		112		-		476	
Shares	2 231		1 722		7 684		11 637	
Fixed-income securities	243		455		3		701	
Total	2 838		2 289		7 687		12 814	
Book value in total	8 367		10 417		1 140		19 924	

Net investment income

FIM million	Non-life insurance	Life assurance	Holding operations	Total
Continuous income				
Interest	293	341	2	636
Dividends	172	100	117	389
Income from land and buildings	62	51		113
Other income/charges	-4		-2	-6
Total	523	492	117	1 132
Appreciation/depreciation in profit and loss account				
Gains/losses on realization	664	360	289	1 313
Value adjustments	-217	-245		-462
Value re-adjustments	59	17	-	76
Depreciation on buildings	-51	-12		-63
Unrealized gains/losses	3	13		16
Total	458	133	289	880
Interest on and charges for long-term loans	-9	-38		-47
Investment management expenses	-12	-6	-4	-22
Total	960	581	402	1 943

Five-year development on pages 34 to 35

Investments

The current value of Pohjola's consolidated investment portfolio amounted to FIM 33 billion (FIM 24 billion). The portfolio grew with increased life assurance technical provisions and rising share prices.

In order to improve the return/risk ratio through deconcentration, investments continued to be made in foreign securities. Investments abroad focused on Europe and accounted for 21% of the investment portfolio.

Investments in shares Dec. 31, 1998[1)]

Current value	Non-life insurance FIM million	%	Life assurance FIM million	%	Group FIM million	%
Finland	3 845	84	3 528	73	14 311	79
Other Nordic countries	87	2	300	6	2 183	12
Rest of Europe	399	9	722	15	1 125	6
USA	90	2	125	3	214	1
Japan	59	1	74	1	133	1
Emerging markets	74	2	100	2	172	1
	4 554	100	4 849	100	18 138	100

[1)] Includes equity-linked investments

Fixed-income securities portfolio Dec. 31, 1998[1)]

Current value	Non-life insurance FIM million	%	Life assurance FIM million	%	Group FIM million	%
Currency						
FIM	2 507	59	4 695	78	7 261	70
SEK	116	3	215	3	331	3
DEM	372	9	406	7	778	8
GBP	305	7	95	2	400	4
ECU	488	11	607	10	1 095	10
USD	448	10			448	4
Other	40	1	27		67	1
	4 276	100	6 045	100	10 380	100
Rating						
AAA	3 511	82	5 416	90	9 035	87
AA+, AA, AA-	658	15	508	8	1 169	11
Other	107	3	121	2	176	2
	4 276	100	6 045	100	10 380	100

[1)] Excludes equity-linked investments

Sensitivity analysis of solvency (non-life insurance)

	Portfolio Dec. 31, 1998 at current values FIM million	Risk parameter	Change	Effect on solvency capital FIM million
Fixed-income securities	4 276	Interest	1% pt	179
Shares [1)]	4 554	Market value	10%	455
Investments in land and buildings [2)]				
Residential premises	455	Market value	10%	46
Business premises	664	Contin. income	+1% pt	-67
		requirement	-1% pt	90

Sensitivity analysis of solvency (life assurance)

	Portfolio Dec. 31, 1998 at current values FIM million	Risk parameter	Change	Effect on solvency capital FIM million
Fixed-income securities	6 045	Interest	1% pt	287
Shares[1)]	4 849	Market value	10%	485
Investments in land and buildings [2)]				
Residential premises	289	Market value	10%	29
Business premises	391	Contin. income	+1% pt	-41
		requirement	-1% pt	57

[1)] Includes equity-linked investments
[2)]Premises leased to outsiders as at December 31, 1998

Consolidated real estate portfolio

	Current value	Net yield	Potential net yield	Leasable floor area	Vacancy rate
	FIM million	%	% [1]	m²	%
Business premises					
Business and office premises	1 421	8.4[2]	8.9[2]	271 100	4.9
Industrial and warehouse premises	78	5.9	7.4	25 100	3.5
Business premises in total	1 499	8.2	8.8	296 200	4.5
Residential premises	825	4.1[3]	4.1[3]	133 200	0.0
Power stations	152	6.5	6.5		
Completed property portfolio	2 476	6.7	7.1	429 400	
Sites and leasure premises	98				
Acquired during financial year	60				
Real estate investment companies and minority interest	94				
Real estate portfolio in total	2 728				

1) Includes calculated rent for vacant premises, on the average FIM 42/m²/month

2) Includes calculated rent for premises occupied by company and group of companies, on the average FIM 50/m²/month. Of business and office premises, 28.4% occupied by company.

3) Includes government interest subsidy totalling FIM 1 million

Cash-based vacancy rate has been calculated for individual leasable areas. Other figures in the table have been calculated for individual real estate holdings.

Group's major shareholdings (listed companies)

	Current value		Percentage of shares/votes
	FIM million	Number	%
Nokia Corporation	7 584	12 230 800	2.0/6.5
Skandia Insurance Company Limited	1 796	23 200 000	4.5
UPM-Kymmene Corporation	1 668	11 745 100	4.2
Merita Plc	528	16 395 000	2.0
Tieto Corporation	380	1 672 600	3.1
Kone Corporation	288	487 020	7.3/2.8
Finnlines Plc	244	1 114 800	5.6
Orion Corporation	234	1 932 822	2.8/3.6
Werner Söderström Corporation - WSOY	211	647 764	5.4/3.0
Rautakirja Oyj	195	558 000	8.6/10.2
Fortum Corporation	187	6 020 601	0.8
Huhtamäki Oyj	181	945 146	3.2/4.4
Kesko Corporation	175	2 302 600	2.6/0.1
Instrumentarium Corporation	173	832 455	3.5/3.6
Lassila & Tikanoja plc	147	1 169 100	7.5
Sonera-Group plc	144	1 600 000	0.2
YIT Corporation	136	3 098 000	10.6
Valmet Corporation	131	1 926 500	2.5
Helsinki Telephone Corporation	126	414 412	0.8/0.3
Rauma Corporation	118	1 584 776	3.0

The investment loan portfolio was sold during the year under review.

Disposal of investments in land and buildings continued. The investments in land and buildings sold by the non-life insurance group totalled FIM 607 million. New investments in land and buildings, amounting to FIM 62 million, were made primarily by the life assurance group. Investments in land and buildings represented 8% of the investment portfolio. Of the objects of investment, 65% were located in the Helsinki metropolitan area and 35% elsewhere in Finland.

The volume of vacant premises decreased further and was 15 500 m² (29 800 m²), representing 4.5% (7.4%) of the total portfolio of business premises. Demand for rental apartments was again strong and practically all residential premises were rented out.

Pohjola's market success derives from its highly skilled and motivated staff. Versatility and fast learning capacity are vital elements here. At year end, Pohjola had 2 849 (2 824) employees. The new recruits took up IT posts and supervisory and expert positions. The mean age of Pohjola employees was 42.

Basic values

Pohjola's values are profitability, customer satisfaction, cooperation and renewal. The organization continued to put these values into effect and to integrate them into the management system. Top and middle management are responsible for rooting the Pohjola values in day-to-day work.

New skills

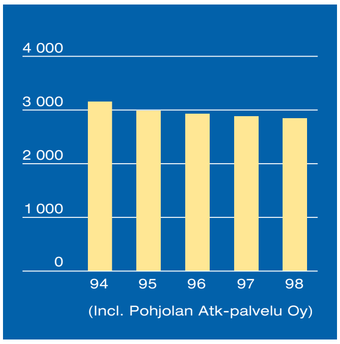
In an increasingly complex and fast-moving world, we must be sensitive to changes in customers' needs and rapid in responding to them. Development means taking new ideas on board and making full use of the changing market situation.

Looking after working capacity

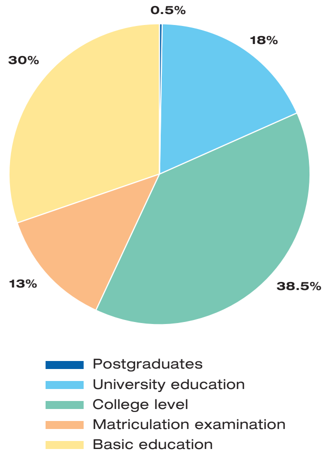
Working capacity is an entity made up of physical and mental health, skills and motivation. Pohjola uses the Ilmarinen Motivo programme to safeguard working capacity. Support groups on working capacity management meet regularly and assess any risks using various indicators. Pohjola also arranges regular checks on different age groups and monitors absences because of sickness.

Action to maintain working capacity is targeted at both individuals and work communities. It includes guidance days for supervisors and regional occupational health services, lectures and group events on stress and change management, targeted health checks, tests on walking and muscle power, and occupational ergonomics checks.

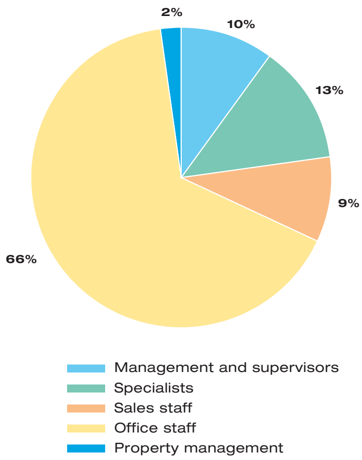
Number of employees



Educational background of staff

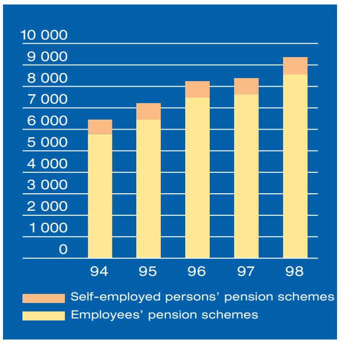


Breakdown according to staff duties



The balance of TEL-portfolio transfers was the best ever in Ilmarinen's history, and record customer bonuses were paid. The Motivo programme, aimed at maintaining the working capacity of client companies' employees, was favourably received.

Premiums written
FIM million



Division of market

Employment pension insurance companies' operations comprise statutory employment pension insurance. This type of insurance cover can also be taken out with a pension foundation or pension fund. With the improved employment situation, the TEL-wage bill (TEL=Employment Pensions Insurance Act) grew clearly more than in the previous year.

Ilmarinen's strong financial position

The total wage bill of those insured with Ilmarinen rose by 9% over the previous year, thus following the general trend in the sector. Premiums written were up by 12% and totalled FIM 9 349 million. Ilmarinen's market share was 33%. The balance of TEL-portfolio transfers was the best ever in Ilmarinen's history. This will increase the company's market share in the current year. The number of new insureds covered by Ilmarinen exceeded the number of those transferred from Ilmarinen by around 6000.

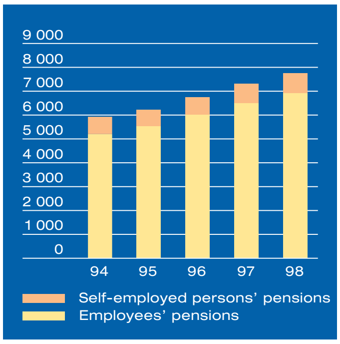
At year end, Ilmarinen had altogether 32 664 TEL-policies covering 302 000 insureds. YEL-policies (YEL=Self-Employed Persons' Pensions Act) totalled 51 668, and the company remained the country's largest YEL-insurer.

Those insured were paid a total of FIM 7 764 million in pensions. In all pension types, Ilmarinen's processing periods for pension applications are shorter, on average, than in other pension institutions.

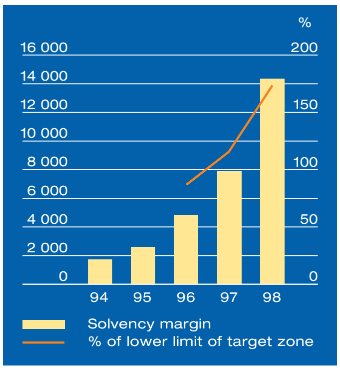
The rate of return on investments, at current values, was 14%. FIM 320 million was transferred to customer bonuses. Though fixed-income securities continue to have a major role in the company's investment portfolio, the proportion of investments in shares was increased and totalled as much as 22% at year end.

Ilmarinen's overall result amounted to FIM 6 219 million, of which value increases accounted for FIM 4 453 million. Ilmarinen's financial standing is excellent, with a solvency ratio of 171% of the lower limit for the target zone of the solvency margin.

Pensions paid
FIM million



Solvency
FIM million



Motivo programme to maintain working capacity

Ilmarinen has designed for client companies a programme, Motivo, aimed at maintaining employees' working capacity. The programme links the working capacity and job satisfaction of a company's staff with the company's management system.

Pohjola's consultants cooperate with Ilmarinen in sales of insurance to companies and corporations. Sales by insurance brokers accounted for about 10% of the portfolio. Ilmarinen, in turn, handles customer financing for Pohjola.

Ilmarinen turned into a mutual company

The company form of Ilmarinen was changed to a mutual insurance company. The owners of the company are its former shareholders, now owners of the guarantee capital; and the company's policyholders. The latter hold 56% of votes at a shareholders' meeting.

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Consolidated operating profit for 1998 totalled FIM 1 357 million, an increase of FIM 428 million over the previous year. Of the operating profit, non-life insurance accounted for FIM 923 million, life assurance for FIM 185 million and holding operations for FIM 249 million. The life assurance business was acquired on July 1, 1997, which is why the figures for the years 1998 and 1997 are not comparable.

Despite the growth in operating profit, earnings per share decreased to FIM 12.87 (FIM 13.63), mainly as a result of an increase in equalization provision, life assurance customer bonuses, and taxes. The improved loss ratio increased the equalization provision. Life assurance customer bonuses for the whole year were included in the figures. The transfer of business operations to separate companies had an impact on the amount of taxes.

Consolidated turnover was FIM 9 101 million (FIM 6 046 million) and gross premiums written FIM 6 259 million (FIM 3 781 million). The growth in premiums written consisted mainly of life assurance, in which the Group's position in the market strengthened.

Consolidated solvency capital before the proposed additional dividend amounted to FIM 16.0 billion (FIM 9.3 billion). Solvency strengthened as a result of rising share prices, growing profits and increased equalization provision. Of the solvency capital, non-life insurance accounted for FIM 4.5 billion, life assurance for FIM 3.0 billion and holding operations for FIM 8.5 billion.

Net asset value per share rose to FIM 363.84 (FIM 200.64) and consolidated return on equity at current values to 59% (28%). The Board of Directors proposes to the Annual General Meeting that a dividend of FIM 5 and an additional dividend of FIM 25 per share be distributed for 1998.

New mode of reporting by segment

The Group structure was simplified in 1998 by incorporating the parent company's non-life insurance operations, customer service and IT systems work in subsidiaries established for these purposes.

As a result of the incorporation, reporting by segment was altered. The segments monitored are, as of the beginning of 1998, non-life insurance, life assurance and holding operations. Holding operations comprise inter-group investment and administrative services provided by the parent company and the parent's investment operations, which all were previously included in the non-life insurance segment.

Non-life insurance

Gross premiums written in non-life insurance rose by 11% to FIM 3 404 million.

Premiums written in domestic direct insurance amounted to FIM 3 213 million, an increase of 11% over the previous year. According to preliminary figures, Pohjola maintained its market share of 26%. The one-off rate increase in statutory workers' compensation insurance and the adjustment of premiums in motor third party liability insurance based on incidence of loss explain the main part of the growth, for Pohjola as well as for the entire industry. In addition, voluntary motor insurance and voluntary accident and health insurance for private household customers registered a growth. Premiums written in statutory patient insurance went up as well.

Premiums written in domestic reinsurance totalled FIM 85 million and those in retained foreign insurance FIM 106 million.

Financial development of Group

		1994	1995	1996	1997	1998
General ratios						
Turnover	FIM million	4 099	4 413	4 231	6 046	9 101
Gross premiums written	FIM million	3 041	3 015	2 958	3 781	6 259
Operating profit	FIM million	61	461	526	929	1 357
of turnover	%	1.50	10.45	12.44	15.35	14.91
Profit before extraordinary items, untaxed reserves and tax	FIM million	42	273	385	791	869
of turnover	%	1.02	6.19	9.08	13.07	9.55
Profit before untaxed reserves and tax	FIM million	34	177	361	791	869
of turnover	%	0.84	4.02	8.52	13.07	9.55
Return on equity at current values	%	6.02	-13.37	30.16	28.39	58.64
without deducting consolidation difference	%				27.21	54.86
Return on assets at current values	%	5.20	-1.53	14.46	13.62	26.95
without deducting consolidation difference	%				13.42	26.03
Equity to balance sheet total at current values	%	39.43	35.01	40.74	34.38	43.47
without deducting consolidation difference	%				35.92	44.23
Solvency capital as percentage of technical provisions	%	92.36	73.83	94.34	63.38	92.59[1)]
Average number of employees [2)]		2 533	2 359	2 255	2 816	2 745
Ratios for non-life insurance						
Turnover	FIM million	4 099	4 413	4 231	5 081	4 772
Gross premiums written	FIM million	3 041	3 015	2 958	3 076	3 404
Loss ratio	%	91.56	88.09	95.03	93.82	79.96
excluding exchange gains/losses	%			92.01	89.92	81.28
Expense ratio	%	19.48	20.21	21.99	21.34	21.06
Combined ratio	%	111.04	108.30	117.02	115.16	101.02
excluding exchange gains/losses	%			114.00	111.26	102.34
Solvency margin	FIM million	5 132	4 326	5 764	6 564	3 325
Equalization provision	FIM million	620	516	657	785	1 171
Solvency capital	FIM million	5 781	4 866	6 447	7 369	4 516
Solvency capital as percentage of technical provisions	%	92.36	73.83	94.34	100.67	60.26
Solvency ratio	%	217.51	188.90	251.05	267.44	148.03
Average number of employees					2 640	1 023
Ratios for life assurance						
Turnover	FIM million				965	3 821
Gross premiums written	FIM million				705	2 855
Expense ratio	%				236.78	169.40
Solvency margin	FIM million				1 868	2 964
Equalization provision	FIM million				47	52
Solvency capital	FIM million				1 918	3 019
Solvency ratio	%				26.15	30.80
Average number of employees					176	168

1) Before proposed additional dividend
2) 1994-96: in proportion to workloads; 1997-98: based on employment contracts. For 1994, the figure has not been adjusted by the number of employees working part-time.

Balance on technical account in non-life insurance was -FIM 31 million (-FIM 418 million). The loss ratio was 80% (94%) and the combined ratio 101% (115%). The balance before non-recurring items and changes in foreign exchange rates improved and totalled -FIM 149 million (-FIM 161 million). Correspondingly, the loss ratio was 83% (84%) and the combined ratio 105% (106%).

Trends in foreign exchange rates improved the balance on technical account by FIM 40 million; in the previous year, exchange rates deteriorated the balance by FIM 108 million. Adjustments to premiums written and technical provisions in

Consolidated profit

FIM million	1994	1995	1996	1997	1998
Non-life insurance					
Earned premiums	2 658	2 576	2 568	2 755	3 051
Claims incurred	-2 433	-2 269	-2 440	-2 585	-2 440
Operating expenses	-518	-521	-565	-588	-642
Balance on technical account before change in equalization provision	-293	-214	-437	-418	-31
Investment income and charges	328	672	962	1 433	957
Other income and charges	-	-	1	4	-2
Share of associated undertakings' profit/loss	26	3	-	1	-1
Operating profit	61	461	526	1 020	923
Change in equalization provision	-160	-191	-141	-175	-386
Unrealized gains and losses on investments	141	3	-	1	3
Profit before extraordinary items, untaxed reserves and tax	42	273	385	846	540

	July to Dec. 1997	1998
Life assurance		
Premiums written	699	2 845
Investment income and charges; unrealized gains and losses	147	581
Claims paid	-236	-556
Change in technical provisions before bonuses and rebates and change in equalization provision	-549	-2 558
Operating expenses	-76	-122
Depreciation on goodwill	-3	-5
Operating loss/profit	-18	185
Change in equalization provision	-4	-5
Bonuses and rebates	40	-100
Profit before extraordinary items, untaxed reserves and tax	18	80
Holding operations		
Investment income and charges		402
Depreciation on unallocated consolidation difference	-73	-147
Other income and charges		-10
Share of associated undertakings' profit/loss		4
Operating profit	-73	249

Group in total	1994	1995	1996	1997	1998
Operating profit	61	461	526	929	1 357
Profit before extraordinary items, untaxed reserves and tax	42	273	385	791	869
Extraordinary income	-	-	-	133	-
Extraordinary charges	-8	-96	-24	-133	-
Profit before untaxed reserves and tax	34	177	361	791	869
Tax on profit	-28	-69	-80	-236	-345
Minority interest	-	6	-	-	-
Profit for financial year	6	114	281	555	524
To be transferred to reserves					
Voluntary provisions and accelerated depreciation	-46	-12	10	-21	-18
Profit for financial year	52	126	271	576	542
	6	114	281	555	524

statutory classes of insurance improved the 1998 result by FIM 78 million and impaired the 1997 result by FIM 149 million. The mortality bases of the technical provisions of statutory workers' compensation insurance and motor third party liability insurance were adjusted in 1997 owing to the longer life expectancy of those insured. In addition, the technical rate of interest used in calculating the present value of annuities of these classes of insurance was reduced in both years following a general decline in the interest rate level. The premium for statutory workers' compensation insurance includes, in 1998, an item corresponding to adjustments in the technical provisions.

The comparable result of domestic direct insurance deteriorated. Balance on technical account before non-recurring items and changes in exchange rates totalled -FIM 227 million (-FIM 137 million). The combined ratio correspondingly was 108% (105%). The number of losses reported to Pohjola dropped slightly, and there were fewer major losses than in the previous year. Increased economic activity, however, entailed a growth in accident figures. The number of motor third party liability claims and, in particular, that of voluntary motor vehicle claims went up. This was the case also in liability insurance claims, whereas, thanks to the favourable loss experience, fire and other property insurance could post improved results. Performance in marine, aviation and transport insurance deteriorated.

The comparable balances for domestic reinsurance and retained foreign insurance improved as a result of a favourable development in claims incurred and amounted to FIM 39 million (-FIM 3 million) in total.

The amount of technical provisions of the foreign business in run-off, net of reinsurance, was FIM 680 million (FIM 874 million). Commutations and changes in exchange rates reduced the provisions. Based on commutation agreements, the technical provisions amount previously accrued for them was deemed to be sufficient. Balance on technical account before changes in exchange rates totalled FIM 39 million (-FIM 21 million).

Operating expenses rose to FIM 642 million, significantly impacted by development projects on policy administration systems, amounting to FIM 51 million (FIM 35 million), and changes made in view of the Year 2000.

Life assurance

Gross premiums written in life assurance showed a vigorous growth and totalled FIM 2 855 million (FIM 705 million). Increasing interest in unit-linked insurance and capital redemption policies was reflected in Pohjola's performance, as it was in the results for the entire industry. According to preliminary figures, Pohjola's market share rose to 22%.

Operating profit in life assurance was FIM 185 million (-FIM 18 million). In 1997, life assurance was included in the consolidated figures only as of the beginning of July.

Operating expenses still exceeded the amount included for them in premiums, as vigorous growth in sales increased policy acquisition costs. Since income accumulates over a long period of time, prudent deferral of acquisition costs for the most recent insurance products was initiated. This made operating expenses in 1998 go down by FIM 26 million. The expense ratio, before the above-mentioned deferral, was 169% (237%). On the other hand, there was a slight risk surplus. An increase in the number of insurance products focusing on saving has reduced the impact of the risk component in the assessment of the overall result.

Increased surrenders and payments of savings sums made claims paid grow. Likewise, pension payments went up as a result of a growth in the portfolio.

Gross premiums written (non-life insurance)

FIM million	1997	1998	Change %
Domestic direct insurance			
Statutory workers' compensation	752[1)]	957	27
Other accident and health	233	251	7
Motor, third party liability	447	493	10
Motor, other classes	376	393	5
Marine, aviation and transport	191	185	-3
Fire and other damage to property	643	647	1
Third party liability	152	186	23
Credit and suretyship	18	16	-12
Legal expenses	13	16	32
Miscellaneous	65	69	6
Total	2 890	3 213	11
Domestic reinsurance	87	85	-3
Retained foreign insurance	98	106	8
Total	3 075	3 404	11
Cancelled foreign insurance	1	-	
Total	3 076	3 404	11

Balance on technical account, loss ratio and combined ratio (non-life insurance)

	1997			1998		
	FIM million	%	%	FIM million	%	%
Domestic direct insurance						
Statutory workers' compensation	-147	113	119	83	86	91
Other accident and health	-8	74	104	-28	83	112
Motor, third party liability	-111	104	126	-166	115	136
Motor, other classes	40	70	90	30	73	92
Marine, aviation and transport	36	46	75	10	56	93
Fire and other damage to property	-82	82	114	-43	73	107
Third party liability	4	72	96	-28	100	121
Credit and suretyship	4	31	72	-4	-15	153
Legal expenses	-7	122	157	-5	92	133
Miscellaneous	-19	131	163	3	62	91
Total	-290	90	111	-148	85	105
Domestic reinsurance	-6	91	110	8	55	86
Retained foreign insurance	-10	82	119	37	-4	37
Total	-306	90	111	-103	81	102
Cancelled foreign insurance	-112			72		
Total	-418	94	115	-31	80	101

[1)] *Does not include FIM 36 million in premiums written shown under extraordinary items*

Effect of foreign exchange rates on non-life business

FIM million	1996	1997	1998
Balance on technical account	-78	-108	41
Net investment income	33	89	-5
Total effect on profit	-45	-19	36
Change in difference between current and book values of investments	54	121	-46
Total effect	9	102	-10

Gross premiums written (life assurance)		
FIM million	July to Dec. 1997	1998
Life assurance	197	774
Capital redemption policy	175	1 470
Employees' group life assurance	6	13
Pension insurance	327	598
Total	705	2 855
Share of unit-linked insurance	45	262

Claims incurred (life assurance)		
FIM million	July to Dec. 1997	1998
Claims paid		
Life assurance	106	206
Employees' group life assurance	4	9
Pension insurance	90	207
Surrenders	39	135
Claims settlement expenses	2	6
Total	241	563
Change in provision for claims outstanding (incl. equalization provision)	78	171
Claims incurred in total	319	734

The yield of FIM 344 million, corresponding to the technical (guaranteed) rate of interest, increased technical provisions and customers' savings. For group pension insurance, the technical interest was 4.25% and for other insurance 4.5%. In the current year, the interest rate will partly drop because Pohjola lowered the technical interest of policies granted after January 1, 1999 to 3.5%, which is in accordance with the upper interest rate limit set by the Ministry of Social Affairs and Health.

In addition to the technical interest, Pohjola on the basis of the company's performance declared a 2% customer bonus for 1998 on policies with accruing savings. Following decisions on customer bonuses and rebates, the provision for bonuses was increased by FIM 157 million. Part of the provision for future bonuses which had accrued earlier was used for new customer bonuses. Accrued bonuses can, in exceptional circumstances, be used to maintain the technical interest.

In unit-linked insurance, the return is determined in accordance with the yield on the investment funds chosen by the customer.

Investments

The current value of the consolidated investment portfolio at year end totalled FIM 32.7 billion (FIM 23.6 billion). The investment portfolio grew with an increase in the technical provisions of life assurance and with rising share prices. The current values of investments in land and buildings were not raised despite a general rise in the price level of housing real estate.

Net investment income totalled FIM 1 943 million (FIM 1 581 million). As a result of growing investment portfolio of life assurance and increased dividends, continuous income grew over the previous year. Gains on realization of shares amounted to FIM 842 million (FIM 549 million). Gains on realization of fixed-income securities totalled FIM 240 million (FIM 79 million). Value adjustments pertained mainly to shares.

Investment portfolio on December 31 (non-life insurance and holding operations)								
FIM million	1994	1995	1996	1997	1998 Total	1998 Holding operations	1998 Non-life insurance	1998 Non-life insurance %
Current value								
Land and buildings	3 757	3 002	2 923	2 410	1 871	3	1 868	16
Shares	4 736	4 325	6 071	7 952	13 204	8 735	4 469	40
Fixed-income securities	1 148	1 925	2 879	3 024	4 420	59	4 361	39
Other debt securities	574	623	223	303	426	-	426	4
Loans	1 317	994	747	548	4	-	4	0
Other investments	152	202	179	199	107	30	77	1
	11 684	11 071	13 022	14 436	20 032	8 827	11 205	100
Difference between current and book values								
Land and buildings	1 042	720	721	555	364	-	364	
Shares	2 652	2 197	3 412	4 948	9 915	7 684	2 231	
Fixed-income securities	5	65	120	183	246	3	243	
	3 699	2 982	4 253	5 686	10 525	7 687	2 838	
Book value in total	7 985	8 089	8 769	8 750	9 507	1 140	8 367	

Net investment income (non-life insurance and holding operations)							
FIM million	1994	1995	1996	1997	1998 Total	1998 Holding operations	1998 Non-life insurance
Continuous income							
Interest	249	280	328	305	295	2	293
Dividends	64	120	170	232	289	117	172
Income from land and buildings	136	117	113	92	62	-	62
Other income/charges	-56	-16	7	17	-6	-2	-4
Total	393	501	618	646	640	117	523
Appreciation/depreciation in profit and loss account							
Gains/losses on realization	365	686	359	784	953	289	664
Value adjustments	-293	-247	-43	-94	-217	-	-217
Value re-adjustments	69	29	136	211	59	-	59
Depreciation on buildings	-165	-258	-70	-80	-51	-	-51
Unrealized gains/losses	141	3	-	1	3	-	3
Total	117	213	382	822	747	289	458
Interest on and charges for long-term loans	-23	-23	-18	-15	-9	-	-9
Investment management expenses	-18	-16	-20	-19	-16	-4	-12
Total	469	675	962	1 434	1 362	402	960

The disposal of investments in land and buildings continued in non-life insurance, with gains on realization amounting to FIM 232 million (FIM 176 million). The decrease in the real estate portfolio was reflected in the development of continuous income from these investments.

The loan portfolio was sold to Ilmarinen at the end of June. In that conjunction, pension loans related to non-life insurance were repaid. Unrealized gains pertained mainly to assets covering technical provisions for unit-linked insurance. These assets are stated at current value.

Investment portfolio on December 31 (life assurance)

FIM million	1997	1998	1998 %
Current value			
Land and buildings	795	857	7
Shares	2 538	4 727	38
Fixed-income securities	5 203	6 167	50
Other debt securities	241	392	3
Loans	25	9	-
Other investments	188	199	2
	8 990	12 351	100
Investments based on unit-linked insurance	136	355	
Difference between current and book values			
Land and buildings	110	112	
Shares	608	1 722	
Fixed-income securities	286	455	
	1 004	2 289	
Book value in total	8 122	10 417	

Net investment income (life assurance)

FIM million	July to Dec. 1997	1998
Continuous income		
Interest	176	341
Dividends	3	100
Income from land and buildings	25	51
Other income/charges	1	0
Total	205	492
Appreciation/depreciation in profit and loss account		
Gains/losses on realization	20	360
Value adjustments	-51	-245
Value re-adjustments	1	17
Depreciation on buildings	-6	-12
Unrealized gains/losses	-	13
Total	-36	133
Interest on and charges for long-term loans	-20	-38
Investment management expenses	-2	-6
Total	147	581

Staff

At the end of 1998, the Group had 2 849 (2 824) employees. The inclusion of Pohjolan Atk-palvelu Oy into the Group increased the number of staff by 61 persons. The average number of employees was 2 745 (2 816) persons.

The parent company had 2 650 employees at the beginning of 1998. In connection with the business transfer, 2 142 employees transferred to subsidiaries. Moreover, 42 employees transferred to Pohjolan Atk-palvelu Oy, and the staff incharge of loans management transferred to Ilmarinen Mutual Pension Insurance Company. The number of employees at year end totalled 423 persons.

Changes in market conditions and the development of information technology call for a change in the company's mode of action, entailing a reduction in the amount of work. Aware of this, Pohjola last November launched statutory negotiations between the employer and employees with respect to an adjustment of the staff.

Solvency

At the end of the year, consolidated solvency capital before the proposed additional dividend totalled FIM 16.0 billion (FIM 9.3 billion). The solvency capital was up with rising share prices, growing profits and increased equalization provision.

The solvency capital of non-life insurance totalled FIM 4.5 billion and the solvency ratio was 148%. In life assurance, solvency capital amounted to FIM 3.0 billion (FIM 1.9 billion) and the solvency ratio was 31% (26%). A FIM 200 million repayment was made on the subordinated loan included in the solvency capital of life assurance. Solvency capital pertaining to the parent company's holding operations totalled FIM 8.5 billion before the proposed additional dividend.

Consolidated solvency

FIM million	1994	1995	1996	1997	1998
Non-life insurance					
Solvency margin					
Capital and reserves after proposed distribution of profit	1 465	1 379	1 576	1 623	575
Deferred tax liability	21	18	22	16	8
Difference between current and book values of investments	3 699	2 982	4 253	5 686	2 838
Intangible assets	-53	-53	-67	-744	-81
Other	-	-	-20	-17	-15
	5 132	4 326	5 764	6 564	3 325
Equalization provision	620	516	657	785	1 171
Minority interest	29	24	26	20	20
Solvency capital	5 781	4 866	6 447	7 369	4 516
Life assurance					
Solvency margin					
Capital and reserves after proposed distribution of profit				381	380
Deferred tax liability				2	2
Difference between current and book values of investments				1 004	2 289
Subordinated liabilities				550	350
Intangible assets				-69	-57
				1 868	2 964
Equalization provision				47	52
Minority interest				3	3
Solvency capital				1 918	3 019
Holding operations					
Solvency margin					
Capital and reserves after proposed distribution of profit					1 353[1)]
Deferred tax liability					2
Difference between current and book values of investments					7 687
Intangible assets					-564
					8 478[1)]
Group in total	5 781	4 866	6 447	9 287	16 013[1)]

1) *Before proposed additional dividend*

Year 2000 and the euro

Thanks to the preparatory measures taken, Pohjola and its constituent groups have already attained full Year 2000 compliance in the vital areas. The Group's in-house and bought IT systems have all been revised and tested, and so has the viability of the production environment. Workstation software will be updated in the early months of the current year in connection with a transfer to a new workstation environment. In addition, any other risks pertaining to corporate operations will be reassessed in the course of 1999. The direct IT costs incurred by the Group from the Year 2000 compliance project total around FIM 40 million, of which FIM 15 million was incurred in 1998.

In corporate insurance contracts, millennium risks have, as a rule, been excluded by endorsements to policy terms and conditions. Private individuals' policies are not expected to include any major millennium risks. Customers have been requested to take the necessary precautions for the new millennium.

Transition to the euro will be carried out gradually over the next three years. The amount of work required for IT systems changes is estimated to be somewhat larger than that needed for the Year 2000 project. In 1998, the related costs totalled FIM 4 million. The euro was adopted in the general ledger, annual accounts and securities operations on January 1, 1999.

Incorporation of parent company operations

The parent company's business operations were incorporated in newly-established and fully-owned subsidiaries.

The direct non-life insurance business and life reinsurance business were transferred to Pohjola Non-Life Insurance Company Ltd (Pohjola Non-Life). The technical provisions, net of reinsurance, pertaining to the insurance portfolio transferred at the beginning of July totalled FIM 7 749 million. At book values, the net assets transferred amounted to FIM 386 million, which was entered as apport property in the capital and reserves of Pohjola Non-Life. In addition, the parent company granted Pohjola Non-Life a ten-year option for a FIM 300 million subordinated loan. The option can be exercised if the solvency ratio drops to less than 50%. At the end of 1998, Pohjola Non-Life's solvency ratio was 132%. In connection with the business transfer, Eurooppalainen Insurance Company Ltd became a subsidiary of Pohjola Non-Life.

Part of the foreign insurance portfolio was transferred to Pohjola Non-Life on December 1, 1998, after the required official permits had been obtained. On that date, technical provisions, net of reinsurance, worth FIM 1 million were transferred. The difference between the assets and liabilities transferred was entered in the parent company's books as extraordinary charges.

The field organization was incorporated at the beginning of July in Pohjola Customer Service Ltd (Service Pohjola) and IT systems work in Pohjolan Systeemipalvelu Oy. Net assets worth FIM 61 million were transferred to Service Pohjola as apport property and net assets worth FIM 10 million to Pohjolan Systeemipalvelu Oy.

The parent company's name was changed from Pohjola Insurance Company Ltd. to Pohjola Group Insurance Corporation on July 1, 1998. After the incorporation, the parent operates as a holding company of the Group, transacting insurance business through its subsidiaries, and holding investments in securities. In the business transfer, the parent retained the non-life reinsurance business.

The entirely amended Articles of Association took effect on July 1, 1998, setting out the company's new name and field of operations based on the new corporate structure.

Group structure

Ilmarinen's company form was changed from a limited liability insurance company to a mutual insurance company on July 24, 1998. Instead of being a subsidiary, Ilmarinen Mutual Pension Insurance Company is now an associated undertaking of Pohjola. Pohjola's share of Ilmarinen's guarantee capital amounts to FIM 92 million. The rate of interest paid on the guarantee capital corresponds to the technical rate of interest applied in employment pension insurance (5.5% in 1998), increased by one percentage point.

The associated undertaking Pohjolan Atk-palvelu Oy, which is in charge of IT production services, became a fully-owned subsidiary of Pohjola at the end of 1998. In September, Pohjola and Ilmarinen signed a cooperation agreement with a Nordic information technology company, WM-data Ab. Under this agreement, WM-data assumed the responsibility for the management of Pohjolan Atk-palvelu Oy and Pohjolan Systeemipalvelu Oy. In the current year, WM-data will become a shareholder in Pohjolan Atk-palvelu Oy as well (60% of shares, 40% of votes). This cooperation aims at increasingly effective operations and at a division of costs for development and maintenance of know-how.

In February 1999, Pohjola acquired 90% of the British holding company Russia Life Investment Ltd, which in turn owns a Russian life assurance company, Principal. The company aims to expand operations to non-life insurance. By the end of 1999, Pohjola's investment in the company is expected to amount to around FIM 10 million.

Private Insurance Company Seesam, Pohjola's new associated non-life undertaking (45% holding worth FIM 2 million), launched operations last summer in Lithuania. Pohjola's stake in the Seesam companies in Estonia grew when cooperation with an Estonian bank, which had been a shareholder, came to an end. Pohjola intends to reduce its holding to less than 50%. In the spring, Pohjola withdrew from the planned cooperation with the Polish Warta companies and was refunded the amounts invested in them.

At the beginning of 1999, a decision was made to establish, together with a Finnish banking group, a joint undertaking (Pohjola's holding 50%) whose primary objective will be to promote trading and marketing on the Internet.

Corporate management

The members of the Board of Directors are Mr Tauno Matomäki (Chairman), Mr Aatto Prihti (Deputy Chairman), Mr Jaakko Ihamuotila, Mr Olavi Nevanlinna, Mr Lars-Eric Petersson and, as of April 28, 1998, Mr Edward Andersson, elected to replace Mr Pertti Voutilainen who had resigned from the Board.

The term of office of the Board members was changed from two years to one year on July 1, 1998.

Mr Iiro Viinanen, Chief Executive Officer, is the President of the company and Ms Pirkko Alitalo, Senior Executive Vice President, his deputy.

Outlook

The domestic non-life insurance market is not expected to grow markedly in the near future. Any rise that economic activity and larger wage bills may generate in premiums written will be diminished by unsatisfactory premium levels entailed by increasingly tight competition. The one-off premium increase in statutory workers' compensation insurance will no longer apply in 1999. Moreover, the deregulation of prices in this business as of the beginning of 1999 will put pressure on the price level. Profitability in motor third party liability insurance is poor throughout the industry, which will probably make premium increases necessary also in the future. Premiums written deriving from abroad are expected to grow somewhat along with the establishment of new associated undertakings. To enhance performance, effective policy administration will be a major objective, and attention will be focused on risk selection.

Life assurance shows growth potential for 1999. There will be a redivision of the savings and investment markets, as saving through investment funds and insurance gains ground at the expense of traditional bank saving. Hence, competition is likely to increase further. Pohjola's investment advisory services and wide range of solutions for saving through insurance provide favourable conditions for future operations.

On July 1, 1997, Pohjola acquired the stock of shares of Pohjola Life from Suomi Mutual Life Assurance Company. In this connection, a plan was made public according to which Suomi's insurance portfolio will, at a later stage, be transferred to Pohjola Life. If the plan is realized, this will markedly increase the Group's life assurance technical provisions and investment portfolio.

Less cumbersome and costly structures and better availability of services will be aimed at through new service channels and cooperation agreements. Franchising operations have been launched, and agents are encouraged to adopt a more entrepreneurial way of action. Service through information networks will increase.

The incorporation of business operations will create propitious conditions for an effective monitoring of costs. With the new cooperation partner, the efficiency of IT operations is expected to increase. However, IT costs will remain high because of the preparations for the changeover to the euro, the adoption of a new workstation environment and the development of policy administration systems. A decrease in the number of employees will reduce expenses gradually as of 1999.

The solvency requirements set on insurance companies are being altered so as to also take into account the various risks involved in investments. These alterations will have no material effect on Pohjola's operations; instead, Pohjola's strong financial position will provide excellent conditions for a stable development of operations.

Performance in non-life insurance is not expected to change materially, compared with 1998, once the non-recurring items included in the figures for that year have been taken into account. The expected growth in life assurance will cause policy acquisition costs to remain high. Investment income and the level of solvency will be impacted by trends in the capital markets.

Proposal by the Board of Directors for distribution of retained profits

In accordance with the annual accounts of December 31, 1998, the Group's distributable funds total FIM 1 294 202 779.87 and those of the parent company FIM 1 531 847 780.16.

The Board of Directors proposes to the Annual General Meeting that FIM 5 in dividend and FIM 25 in additional dividend per share, i.e. a total of FIM 1 221 300 000, be distributed and that FIM 200 000 be reserved for donations for worthy causes. The rest of the distributable funds will remain in the contingency reserve.

Statement of source and application of funds

FIM 1 000	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Source of funds				
From operations				
Profit before interest on loans, extraordinary items, untaxed reserves and tax	916 193	825 922	1 053 196	793 825
Decrease in investments	-	-	-	164 303
Adjustments:				
Changes in technical provisions	3 222 833	1 040 683	1 022 559	554 730
Value adjustments and unrealized gains	369 002	-69 032	-30 582	-109 833
Depreciation	285 164	224 210	68 119	95 297
Adjustments pertaining to associated undertakings	-1 384	576	-	-
	4 791 808	2 022 359	2 113 292	1 498 322
From other sources				
Increase in capital and reserves	-	1 537	-	45
Source of funds in total	4 791 808	2 023 896	2 113 292	1 498 367
Application of funds				
Profit distribution				
Interest on long-term loans	47 155	35 333	6 034	13 182
Tax	345 313	235 442	301 607	220 488
Dividends paid	122 130	81 420	122 130	81 420
Other	150	150	150	150
	514 748	352 345	429 921	315 240
Investments				
Business transfer, investments and technical provisions	-	-	530 419	-
Investments in life assurance operations	-	696 873	-	1 119 461
Increase in investments (net)	3 495 111	738 856	1 582 995	-
Increase in intangible and tangible assets (net)	121 896	107 302	65 446	99 119
	3 617 007	1 543 031	2 178 860	1 218 580
Repayment of capital and loans				
Decrease in long-term loans	136 837	20 627	239 037	17 972
Decrease in subordinated loans	200 000	-	-	-
Decrease in capital and reserves	3 068	-	-	-
Decrease in minority interest	337	2 453	-	-
	340 242	23 080	239 037	17 972
Application of funds in total	4 471 997	1 918 456	2 847 818	1 551 792
Difference	319 811	105 440	-734 526	-53 425
Increase/decrease in:				
Business transfer July 1, 1998	-	-	-988 004	-
Acquisition of life assurance operations	-	207 889	-	-
Debtors	43 728	23 970	489 343	-14 514
Cash at bank and in hand	149 594	-35 372	29 682	-38 200
Prepayments and accrued income	85 215	-3 668	-13 709	24 735
Deposits received from reinsurers	127	-47	-	2
Creditors	-17 015	17 170	-105 087	59 581
Accruals and deferred income	58 162	-104 502	-146 751	-85 029
Total	319 811	105 440	-734 526	-53 425

Profit and loss account

FIM 1 000	Notes	Group Jan. 1-Dec.31, 1998	Group Jan. 1-Dec.31, 1997	Parent company Jan. 1-Dec.31, 1998	Parent company Jan. 1-Dec.31, 1997
TECHNICAL ACCOUNT NON-LIFE INSURANCE	2				
Earned premiums					
Premiums written	3,10	3 380 378	3 049 682	2 404 706	2 941 665
Outward reinsurance premiums		-264 851	-277 891	-230 510	-272 904
		3 115 527	2 771 791	2 174 196	2 668 761
Change in provision for unearned premiums					
Total change		-80 843	-40 565	939 783	-38 151
Share of transferred portfolio		-	-	-1 570 155	-
Reinsurers' share					
Total change		16 132	24 192	-80 962	24 181
Share of transferred portfolio		-	-	158 118	-
		-64 711	-16 373	-553 216	-13 970
Earned premiums in total		3 050 816	2 755 418	1 620 980	2 654 791
Claims incurred					
Claims paid	10	-2 533 897	-2 365 721	-1 220 445	-2 249 318
Reinsurers' share		203 971	117 271	119 579	139 252
		-2 329 926	-2 248 450	-1 100 866	-2 110 066
Change in provision for claims	10				
Total change		-67 268	-385 405	5 361 686	-307 110
Share of transferred portfolio		-	-	-5 511 193	-
Reinsurers' share					
Total change		-36 920	48 636	-233 724	4 271
Share of transferred portfolio		-	-	157 567	-
		-104 188	-336 769	-225 664	-302 839
Claims incurred in total		-2 434 114	-2 585 219	-1 326 530	-2 412 905
Change in collective guarantee item					
Total change		-5 332	-	133 316	-
Share of transferred portfolio		-	-	-135 956	-
		-5 332	-	-2 640	-
Operating expenses	7,8,10	-650 722	-588 116	-322 677	-539 683
Balance on technical account before change in equalization provision		-39 352	-417 917	-30 867	-297 797
Change in equalization provision					
Total change		-385 908	-174 935	607 576	-152 064
Share of transferred portfolio		-	-	-848 614	-
		-385 908	-174 935	-241 038	-152 064
Balance on technical account		-425 260	-592 852	-271 905	-449 861

Profit and loss account

FIM 1 000	Notes	Group Jan. 1-Dec.31, 1998	Group Jan. 1-Dec.31, 1997
TECHNICAL ACCOUNT			
LIFE ASSURANCE			
Premiums written			
Premiums written	4	2 855 372	705 080
Outward reinsurance premiums		-9 902	-6 291
		2 845 470	698 789
Allocated investment return transferred from non-technical account	9	581 323	146 725
Claims incurred			
Claims paid			
Claims paid	5	-563 044	-241 204
Reinsurers' share		6 801	5 525
		-556 243	-235 679
Change in provision for claims			
Change in provision for claims		-171 668	-78 256
Reinsurers' share		99	199
		-171 569	-78 057
Claims incurred in total		-727 812	-313 736
Change in life assurance provision			
Change in life assurance provision	6,7	-2 492 021	-434 943
Reinsurers' share		897	394
		-2 491 124	-434 549
Operating expenses	7,8,10	-122 826	-76 322
Other technical charges		-298	-341
Balance on technical account		84 733	20 566

Profit and loss account

FIM 1 000	Notes	Group Jan. 1-Dec.31, 1998	Group Jan. 1-Dec.31, 1997	Parent company Jan. 1-Dec.31, 1998	Parent company Jan. 1-Dec.31, 1997
NON-TECHNICAL ACCOUNT					
Balance on technical account of non-life insurance		-425 260	-592 852	-271 905	-449 861
Balance on technical account of life assurance		84 733	20 566		
Investment income	9	2 733 649	2 029 770	1 508 052	1 583 571
Unrealized gains on investments	9	17 039	1 524	-	-
Investment charges	9	-806 729	-450 731	-179 209	-354 121
Unrealized losses on investments	9	-67	-362	-	-
		1 943 892	1 580 201	1 328 843	1 229 450
Allocated investment return transferred to life assurance technical account	9	-581 323	-146 725	-	-
Other income		140 601	193 675	271 521	329 792
Other charges					
Depreciation on unallocated consolidation difference		-146 974	-73 442	-	-
Depreciation on goodwill		-5 400	-2 700	-	-
Other		-143 896	-188 817	-281 296	-328 738
		-296 270	-264 959	-281 296	-328 738
Tax on profit on ordinary activities					
Tax for financial year		-351 899	-243 862	-301 307	-221 618
Tax for previous financial years		-338	484	-299	1 130
Change in deferred tax liability		6 924	7 936	-	-
		-345 313	-235 442	-301 606	-220 488
Share of associated undertakings' profit/loss after tax		2 665	684	-	-
Profit on ordinary activities after tax		523 725	555 148	745 557	560 155
Extraordinary profit/loss					
Extraordinary profit					
Premiums written		-	35 570	-	35 570
Claims paid		-	50 287	-	50 287
Change in equalization provision		-	47 459	-	47 459
		-	133 316	-	133 316
Extraordinary loss					
Change in collective guarantee item		-	-133 316	-	-133 316
Other extraordinary charges	11	-	-	-397	-
		-	-133 316	-397	-133 316
Profit after extraordinary items		523 725	555 148	745 160	560 155
Decrease in accelerated depreciation				24 687	6 459
Decrease in voluntary provisions				4 856	2 220
				29 543	8 679
Minority interest		103	-108		
Profit for financial year		523 828	555 040	774 703	568 834
To be transferred to reserves:					
Voluntary provisions and accelerated depreciation		-17 613	-20 503		
Profit for financial year		541 441	575 543		
		523 828	555 040		

Balance sheet

FIM 1 000	Notes	Group Dec. 31, 1998	Group Dec. 31, 1997	Parent company Dec. 31, 1998	Parent company Dec. 31, 1997
Assets					
Intangible assets	12				
Development expenses		59 980	45 444	1 480	34 328
Intangible rights		65 330	15 540	25 759	18 591
Goodwill		60 214	65 354	-	14 054
Unallocated consolidation difference		514 421	660 446	-	-
Other long-term expenses		1 641	26 323	-	17 108
		701 586	813 107	27 239	84 081
Investments	13				
Land and buildings	14				
Land and buildings and shares therein	16	2 251 381	2 538 701	3 252	1 598 086
Loans to affiliated undertaking		-	1 672	-	111 081
		2 251 381	2 540 373	3 252	1 709 167
Investments in affiliated and associated undertakings					
Shares in affiliated undertakings	15,16	10 804	40 851	1 776 207	1 366 844
Shares in associated undertakings	15, 16	55 419	42 910	45 191	40 983
		66 223	83 761	1 821 398	1 407 827
Other financial investments					
Shares	16	6 228 470	4 849 500	1 027 917	2 914 768
Debt securities	17	10 703 932	8 301 896	313 844	2 015 271
Loans guaranteed by mortgages	18	4 314	327 508	-	343 587
Other loans	18	9 583	245 580	414	274 674
Deposits with credit institutions		261 164	337 932	29 629	133 354
		17 207 463	14 062 416	1 371 804	5 681 654
Deposits with ceding undertakings		44 046	49 050	1 720	2 261
Investments in total		19 569 113	16 735 600	3 198 174	8 800 909
Investments for the benefit of life assurance policyholders who bear the investment risk	19	354 888	136 334		
Debtors	20				
Direct insurance debtors					
Policyholders		659 516	575 459	-	531 402
Intermediaries		8 288	12 529	490	6 730
		667 804	587 988	490	538 132
Reinsurance debtors		106 883	98 230	52 922	76 436
Other debtors		280 163	324 904	100 561	354 365
		1 054 850	1 011 122	153 973	968 933
Other assets					
Tangible assets and stocks					
Equipment	21	122 489	112 943	55 558	110 313
Stocks		14 917	13 124	9 116	13 124
		137 406	126 067	64 674	123 437
Cash at bank and in hand		315 272	165 679	30 297	60 885
Other		12 565	12 391	12 545	12 391
		465 243	304 137	107 516	196 713
Prepayments and accrued income					
Interest and rent		373 880	340 498	10 116	91 437
Deferred acquisition costs		26 190	-	-	-
Other		132 909	107 266	30 071	86 570
		532 979	447 764	40 187	178 007
Assets in total		22 678 659	19 448 064	3 527 089	10 228 643

Balance sheet

FIM 1 000	Notes	Group Dec. 31, 1998	Group Dec. 31, 1997	Parent company Dec. 31, 1998	Parent company Dec. 31, 1997
Liabilities					
Capital and reserves	22				
Restricted					
Share capital		203 550	203 550	203 550	203 550
Legal reserve		946 018	946 018	945 434	945 434
Revaluation reserve		30 205	42 372	-	38 292
Translation differences		8 125	14 893	-	-
		1 187 898	1 206 833	1 148 984	1 187 276
Non-restricted					
Contingency reserve		822 677	351 008	757 145	352 431
Accelerated depreciation and voluntary provisions, net of tax	23	30 405	48 052	-	-
Profit/loss brought forward		-69 915	-55 243	-	-
Profit for financial year		541 441	575 543	774 703	568 834
		1 324 608	919 360	1 531 848	921 265
Capital and reserves in total		2 512 506	2 126 193	2 680 832	2 108 541
Minority interest		22 688	23 128		
Untaxed reserves	23				
Accelerated depreciation				42	44 639
Voluntary provisions				2 820	17 810
				2 862	62 449
Subordinated loans	24	350 000	550 000		
Technical provisions					
Provision for unearned premiums of non-life insurance		1 086 167	1 005 324	39 599	979 383
Reinsurance amount		-99 339	-83 208	-1 997	-82 959
		986 828	922 116	37 602	896 424
Life assurance provision	25	8 431 813	6 192 251	-	-
Reinsurance amount		-7 459	-6 562	-	-
		8 424 354	6 185 689	-	-
Provision for claims outstanding of non-life insurance	26	6 744 867	6 677 599	377 113	5 738 798
Reinsurance amount		-376 134	-413 054	-142 167	-375 892
		6 368 733	6 264 545	234 946	5 362 906
Provision for claims outstanding of life assurance		1 343 859	1 172 191	-	-
Reinsurance amount		-1 778	-1 679	-	-
		1 342 081	1 170 512		
Equalization provision of non-life insurance		1 170 804	784 896	92 473	700 050
Collective guarantee item of non-life insurance		138 648	133 316	-	133 316
Technical provisions in total		18 431 448	15 461 074	365 021	7 092 696
Technical provisions for life assurance policies where the investment risk is borne by the policyholders		346 650	94 191		
Deposits received from reinsurers		2 153	2 280	-	201
Creditors	27				
Direct insurance creditors		14 100	14 385	54	9 522
Reinsurance creditors		156 537	180 314	36 885	81 717
Amounts owed to credit institutions		133 547	32 377	457	1 572
Pension loans		112	238 120	-	237 923
Deferred tax liability	23	10 811	17 741	-	-
Other creditors		197 002	148 994	340 005	179 320
		512 109	631 931	377 401	510 054
Accruals and deferred income		501 105	559 267	100 973	454 702
Liabilities in total		22 678 659	19 448 064	3 527 089	10 228 643

1. Accounting principles

a) Changes in accounting principles and comparability of data

The annual accounts have been drawn up in accordance with the accounting rules applied in the previous year. As a result of the incorporation of the business operations, the reporting by segment was altered. Non-life insurance, life assurance and holding operations are shown as separate segments. For improved comparability of the figures for future years, the method was retroactively changed as of the beginning of 1998. In previous years' figures, the information pertaining to the holding operations segment is included in the non-life insurance segment.

The incorporation of business operations took place on July 1, 1998, which is why the parent company's figures for the financial year ended are not comparable with those for the previous financial year. During the latter half of the year, the parent company was, in the first place, a holding company which transacted reinsurance business in addition to provision of inter-group services. Since, in the case of a non-life insurance company, the entire premium for an insurance period is entered as premiums written in the first month of the insurance period, in calendar-year policies, such as in statutory workers' compensation insurance, premiums written for the first half of the year are nearly as large as those for the whole year. The part of premiums written which is to be allocated to later months is transferred to the provision for unearned premiums. Dividends, too, accrue mostly during the first half of the year.

The acquisition of the Pohjola Life shares on July 1, 1997, on the other hand, hampers the comparison of consolidated figures because life assurance is included in the consolidated figures for the previous financial year only as of the beginning of July.

b) Consolidated accounts

Those corporations in which the parent company either directly or indirectly has a controlling interest are consolidated. In all Pohjola Group subsidiaries, the control is based on the majority of voting rights.

All subsidiaries are consolidated, item by item, excluding Varma Mutual Insurance Company (in liquidation), Seesam Life and Seesam International. Varma was excluded from consolidation because the company was placed in voluntary liquidation after acquisition. The total acquisition cost of shares has been entered as a charge. Seesam Life and Seesam International have been accounted for by the equity method as the intention is to decrease the holding in these companies in such a manner that they will become associated undertakings.

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

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

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

The figures for foreign subsidiaries (all outside the euro zone) are translated into Finnish currency at the rate quoted by the Bank of Finland on December 31. The translation differences resulting from the elimination of shares in subsidiaries are stated partly under restricted and partly non-restricted capital and reserves. Other differences due to changes in exchange rates, primarily those of internal receivables and liabilities, are entered into the profit and loss account.

Associated undertakings, i.e. undertakings in which the Group holds from 20% to 50% of the voting rights, are included in the consolidated accounts mainly by the equity method. The profit and loss account includes the Group's share of associated undertakings' profit or loss. In the balance sheet, the Group's share of associated undertakings' profit or loss which has accrued after acquisition is added to associated undertakings' acquisition cost and profit brought forward. Internal gains/losses entered in the balance sheet and originating from transactions between the Group and associated undertakings are eliminated in proportion to the Group's shareholding. Consolidation difference and eliminated internal gains/losses are entered in the profit and loss account in accordance with the principles applied to the consolidation of subsidiaries.

Asunto Oy Helsingin Korppaanmäki is included by proportional consolidation, item by item, in proportion to the holding (50%), otherwise applying the same principles as those used in the consolidation of subsidiaries. Other holdings (20% to 50%) in mutual housing and real estate companies are excluded from equity method accounting. Since the expenses for these companies are covered by shareholders, the effect on consolidated profit and profit brought forward is insignificant.

Likewise, Ilmarinen Mutual Pension Insurance Company is excluded from equity method accounting since the act on employment pension insurance companies provides that a company carrying on statutory pension insurance may not be included in the consolidated accounts of another company by using either consolidation or equity method accounting. The prohibition is based on restrictions pertaining to employment pension insurance. During the first half of the year, Ilmarinen was a subsidiary; during the second half an associated undertaking. There are some transactions between the Group and Ilmarinen in the ordinary course of their insurance or insurance-related activities. The companies share, for instance, expenses for the partly joint marketing organization. Cooperation is based on agreements and is monitored by the Ministry of Social Affairs and Health.

c) Incorporation of parent company business operations

The incorporation of the parent company's business operations took place mainly on July 1, 1998, while a small part of the foreign insurance portfolio was transferred on December 1, 1998, after the last official permits had been obtained.

The transfer carried out in July was subject to the regulations on transfer of assets included in the Finnish business income tax act. Accordingly, the transfer of assets, liabilities, accelerated depreciation and voluntary provisions took place at the parent company's book values. Revaluation entered in the revaluation reserve was cancelled before the transfer.

The rest of the direct insurance portfolio was transferred as an ordinary portfolio transfer. The difference between assets and liabilities transferred at current value was entered in the profit and loss account as extraordinary charges

d) Book value of investments

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

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

Shares and debt securities classified as fixed assets are shown in the balance sheet at acquisition cost reduced by permanent value adjustments. Acquisition cost is calculated in accordance with the FIFO-method.Investments classified as receivables are shown in the balance sheet at nominal value or at permanently lower likely realizable value. Previously made value adjustments on investments are entered in the profit and loss account as value re-adjustments insofar as the current value rises.

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

Derivative contracts are used to hedge the fixed-income securities portfolio against interest and exchange rate risks and the share portfolio against price risk. The volume of the derivatives business is not material compared to the market values of the portfolios.

e) Book value of other assets than investments

Intangible assets and equipment are shown in the balance sheet at acquisition cost reduced by scheduled depreciation. Acquisition cost includes purchase price and directly attributable production costs as well as some fixed costs of in-house IT systems work for one portfolio administration system. Premium receivables are shown in the balance sheet at likely realizable value; other receivables at nominal value or at permanently lower likely realizable value.

f) Grounds for scheduled depreciation

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

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

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

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

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

g) Unrealized gains on and revaluation of investments

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

If a previous write-up becomes unjustified, unrealized gains are entered as unrealized losses in the profit and loss account, and the revaluation is withdrawn from the revaluation reserve. Unrealized gains on buildings are depreciated according to schedule.

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

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

The individual current values of land and buildings and shares therein are annually defined by in-house experts. Current values are defined primarily by the yield value method. A parallel assessment method applied to housing real estate and sites is that based on local market price statistics, while the current technical value is applied to buildings. The current values are defined individually, observing the principle of prudence.

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

i) Technical provisions of non-life insurance

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

The provision for claims outstanding includes a collective guarantee item which pertains to the guarantee system of statutory non-life insurance and has to be shown separately in the balance sheet. By means of the guarantee item companies provide for their joint liability should one of the companies granting these policies end up in liquidation or go bankrupt.

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

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

j) Technical provisions of life assurance

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

Policy acquisition costs are shown under operating expenses in the profit and loss account. Part of the policy acquisition costs are deferred over future years by deducting them from the life assurance provision (so-called zillmerization) or by entering a deferred acquisition cost item in the balance sheet under prepayments and accrued income. The period of amortization in zillmerization is a maximum of ten years and that of the deferred acquisition cost item a maximum of four years.

The technical provisions include a provision for bonuses. In accordance with the regulations by the Ministry of Social Affairs and Health, bonuses comprise all benefits which are not included in the insurance company's liability on the basis of the insurance contract, such as premium rebates, additional sums insured, customer bonuses and the provision for future bonuses. The impact which the bonuses declared during the financial year have on the technical account of life assurance is determined by calculating the amount of technical provisions corresponding to these bonuses. Technical provisions are entered in the balance sheet net of reinsurance, as in non-life insurance.

k) Principle of equity in life assurance

Chapter 13, §3 of the Insurance Companies Act provides that the so-called principle of equity has to be applied in life assurance to policies which, in accordance with the insurance contract, are entitled to bonuses granted on the basis of any surplus the portfolio may generate. According to this principle, a

reasonable part of the surplus from the policies is returned as bonuses to these policies, provided that the solvency requirements do not prevent such a procedure. As to the level of bonuses, continuity should be aimed at. The principle of equity has an impact on how the difference between current and book values of investments is, in the long term, divided between owners and policyholders; however, without giving the individual persons in either group the right to claim these funds.
Pohjola Life applies the principle of equity as follows:

- The company aims at crediting with-profits policies, on average, with a return (gross return before deduction of expenses) which is 1 to 2 percentage points higher than the risk-free rate for a duration comparable to that of a policy term. This is the basis on which the level and continuity of annual bonuses are determined.
- The structure of the company's investment portfolio is developed in such a manner that the target return set for individual insurance products is obtained on insurance savings. This means that, in the long run, at least 50% of the company's assets will be invested in shares and, to a lesser extent, in land and buildings, depending on insurance products.
- To provide for the fluctuation of asset values, the company's relative solvency, measured by the company's average solvency ratio, is kept at 20% to 30%, depending on the phase of the economic cycle at any given time (excluding life assurance policies where the investment risk is borne by the policyholders).

l) Solvency margin and solvency capital

The Ministry of Social Affairs and Health monitors the solvency of insurance companies. The main indicator used is solvency margin which refers to the difference between assets and liabilities assessed at current value applying the principle of prudence, the difference being increased by subordinated loans which meet certain criteria. Solvency margin and capital and reserves have to meet the requirements set in the Insurance Companies Act. Moreover, there are requirements on the total amount of solvency margin and equalization provision, i.e. solvency capital, of non-life insurance companies, depending on investment and underwriting risks involved. Solvency margin and solvency capital are shown in the notes on the accounts.

m) Voluntary provisions and accelerated depreciation (untaxed reserves)

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

In the consolidated accounts, voluntary provisions and accelerated depreciation are included partly in profit for financial year and reserves and partly in deferred tax charge and deferred tax liability.

n) Deferred tax liability

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

Deferred tax liability included in voluntary provisions and accelerated depreciation is not stated under liabilities in the parent company's annual accounts. In the consolidated accounts, deferred tax liability pertaining to these items is shown separately in accordance with the tax rate valid at the time of preparing the annual accounts. The tax rate is 28%.

o) Items in foreign currencies

Transactions in foreign currencies are entered at the rate quoted on the date of the transaction. Receivables and liabilities unsettled at the end of the financial year and current values of investments denominated in foreign currencies are translated into Finnish currency at the rates quoted by the Bank of Finland on December 31. The rates for 1998 were calculated by fixed conversion rates for currencies of the euro zone (incl. the ECU). Exchange gains and losses arising during the financial year and at year end are entered in the profit and loss account as adjustments of the income and charges concerned or as investment income or charges, provided that the exchange gains/losses pertain to financing transactions. Claims paid are adjusted by the amount of exchange gains/losses of opening technical provisions of foreign subsidiaries.

p) Pension arrangements for staff

Pension coverage for the employees working for the parent company and the domestic subsidiaries is arranged through pension insurance taken out from Ilmarinen Mutual Pension Insurance Company and Pohjola Life Assurance Company Ltd. The pension premiums have been entered in the profit and loss account on an accrual basis.

q) Activity-based profit and loss account

Insurance undertakings' profit and loss account layout requires activity-based cost accounting. Operating expenses and depreciation on intangible assets and equipment are included, by activity, in the profit and loss account items. Claims management expenses are included in claims paid; investment management expenses in investment charges. Only expenses for policy acquisition and portfolio administration as well as general administrative expenses are shown under operating expenses. Commissions received in ceded reinsurance are deducted from operating expenses. Expenses corresponding to services sold to other companies and holding operations expenses are included in other charges. Scheduled depreciation on buildings is shown as investment charges. In the consolidated profit and loss account, all items are shown after inter-group eliminations. Pohjola Life's share of the net investment income calculated in this manner is transferred from the non-technical account to the technical account of life assurance.

r) Information by segment

In the analyses by segment, the subsidiaries transacting non-life insurance and their sub-groups; and the parent's non-life insurance operations and foreign associated undertakings are included in the non-life insurance segment. The life assurance segment is composed of the Pohjola Life sub-group. The rest pertains to the holding operations segment. Internal interest, dividends, rents and gains on inter-group services are eliminated from transactions between segments.

Of the consolidated solvency capital, the solvency capital shown in the consolidated accounts of the Pohjola Life sub-group is stated separately as pertaining to the life assurance segment. The solvency capital of the non-life insurance segment equals the solvency capital as stated in the annual accounts of the subsidiaries transacting non-life insurance business, increased by the parent company's solvency capital based on the minimum solvency margin of the reinsurance business. The rest of the Group's solvency capital pertains to the holding operations segment.

s) Exceptional permission by The Finnish Accounting Standards Board

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

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

Exceptional permission was granted for 1997 to 2000.

t) Definition of key ratios

General

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

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

Turnover =

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

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

Gross premiums written =

Premiums written before credit loss and reinsurers' share

Operating profit or loss =

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

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

Return on equity at current values (%) =

± Profit or loss before extraordinary items and tax
± Revaluation entered in/withdrawn from revaluation reserve
± Change in difference between current and book values of investments (incl. consolidation difference)
- Tax

———————————————————— x 100

+ Capital and reserves
+ Minority interest
± Difference between current and book values of investments (incl. consolidation difference) (average of Jan. 1 and Dec. 31)

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

Return on assets at current values (%) =

± Operating profit or loss
+ Interest on and charges for loans
+ Interest assumption of technical provisions
± Unrealized gains and losses of investments (non-life insurance)
± Revaluation entered in/withdrawn from revaluation reserve
± Change in difference between current and book values of investments (incl. consolidation difference)

———————————————————— x 100

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

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

+ Capital and reserves
+ Minority interest
± Difference between current and book values of investments (incl. consolidation difference)
+ Subordinated loans

———————————————————— x 100

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

Solvency capital as percentage of technical provisions (Group) =

Solvency capital / (+ Technical provisions - Equalization provision - 75% of technical provisions for life assurance policies where the investment risk is borne by the policyholders) x 100

Average number of employees =

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

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

Claims incurred / Earned premiums x 100

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

Operating expenses / Earned premiums x 100

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

Loss ratio + expense ratio

Expense ratio (%) (life assurance) =

(+ Operating expenses before change in deferred policy acquisition costs + Claims settlement expenses) / Expense loading x 100

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

Solvency margin =

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

Solvency capital =

Solvency margin + equalization provision + minority interest

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

Solvency capital / (+ Technical provisions - Equalization provision) x 100

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

Solvency capital / Earned premiums for 12 months x 100

Solvency ratio (%) (life assurance)

Solvency capital / (+ Technical provisions - Equalization provision - 75% of technical provisions for life assurance policies where the investment risk is borne by the policyholders) x 100

Earnings/share =

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

Capital and reserves/share =

Capital and reserves / Adjusted number of shares Dec. 31

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

Net asset value/share at current values =

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

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

Dividend/share =

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

Dividend/earnings (%) =

Dividend/share / Earnings/share x 100

Effective dividend yield (%) =

Dividend/share / Adjusted average share price weighted by trading volumes of last trading day of financial year x 100

Price/earnings ratio =

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

Adjusted average share price =

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

Adjusted share price, lowest and highest =

Lowest and highest share price in public trading

Adjusted share price on Dec. 31 =

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

Market capitalization =

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

Development of turnover =

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

2. Balance on technical account by group of insurance classes (non-life insurance)

	Group					
	Gross premiums written (before credit loss and reinsurers' share)	Gross premiums earned (before reinsurers' share)	Gross claims incurred (before reinsurers' share)	Gross operating expenses (before reinsurance commissions and profit participation)	Rein-surance balance	Balance on techical account
Balance on technical account before change in collective guarantee item and equalization provision						
Direct insurance						
Statutory workers' compensation						
1998	957 278	951 020	-817 283	-47 862	-181	85 694
1997	752 233	741 771	-840 960	-47 439	-204	-146 832
1996	612 189	606 634	-750 534	-38 464	-57	-182 421
Other accident and health						
1998	250 531	241 446	-186 145	-70 157	-13 563	-28 419
1997	233 432	227 529	-163 815	-66 402	-5 396	-8 084
1996	220 916	214 467	-170 460	-59 787	-2 959	-18 739
Motor, third party liability						
1998	493 113	456 597	-523 529	-99 384	496	-165 820
1997	447 264	418 181	-435 548	-93 970	37	-111 300
1996	402 954	380 515	-470 205	-95 020	409	-184 301
Motor, other classes						
1998	392 637	383 732	-279 975	-74 661	-23	29 073
1997	375 530	371 545	-257 763	-72 705	-853	40 224
1996	368 767	371 511	-238 292	-75 200	-827	57 192
Marine, aviation and transport						
1998	184 974	184 729	-97 558	-55 668	-19 061	12 442
1997	190 925	193 339	-87 495	-48 893	-23 530	33 421
1996	218 678	220 864	-135 505	-40 830	-19 970	24 559
Fire and other damage to property						
1998	647 717	638 268	-504 028	-213 007	34 540	-44 227
1997	641 635	648 530	-507 053	-192 880	-27 394	-78 797
1996	644 192	647 954	-434 371	-192 636	-60 787	-39 840
Third party liability						
1998	186 321	167 693	-141 661	-31 415	-17 278	-22 661
1997	151 915	123 759	-98 535	-27 610	13 476	11 090
1996	148 335	129 025	-79 300	-27 395	-30 865	-8 535
Credit and suretyship						
1998	16 772	16 626	640	-16 137	-5 440	-4 311
1997	21 956	24 986	-8 354	-9 045	-2 918	4 669
1996	32 145	32 183	7 421	-7 468	-7 866	24 270
Legal expenses						
1998	16 475	14 826	-13 599	-6 143	-	-4 916
1997	12 477	11 924	-14 496	-4 167	-	-6 739
1996	11 181	11 011	-14 223	-4 379	-	-7 591
Miscellaneous						
1998	68 884	67 987	-60 398	-14 407	13 204	6 386
1997	67 088	69 770	-59 411	-14 953	-16 289	-20 883
1996	79 246	79 489	-93 406	-20 488	-43 581	-77 986
Direct insurance in total						
1998	3 214 702	3 122 924	-2 623 536	-628 841	-7 306	-136 759
1997	2 894 455	2 831 334	-2 473 430	-578 064	-63 071	-283 231
1996	2 738 603	2 693 653	-2 378 875	-561 667	-166 503	-413 392

Balance on technical account by group of insurance classes (non-life insurance)

	Group					
	Gross premiums written (before credit loss and reinsurers' share)	Gross premiums earned (before reinsurers' share)	Gross claims incurred (before reinsurers' share)	Gross operating expenses (before reinsurance commissions and profit participation)	Rein-surance balance	Balance on techical account
Reinsurance						
1998	189 591	176 608	22 372	-58 958	-37 283	102 739
1997	181 062	177 781	-277 697	-46 214	11 444	-134 686
1996	219 592	218 492	-175 303	-53 817	-13 106	-23 734
Total						
1998	3 404 293	3 299 532	-2 601 164	-687 799	-44 589	-34 020
1997	3 075 517	3 009 115	-2 751 127	-624 278	-51 627	-417 917
1996	2 958 195	2 912 145	-2 554 178	-615 484	-179 609	-437 126
Change in collective guarantee item						
1998						-5 332
Change in equalization provision						
1998						-385 908
1997						-174 935
1996						-141 867
Total						
1998						-425 260
1997						-592 852
1996						-578 993

Balance on technical account by group of insurance classes (non-life insurance)

	Parent company					
	Gross premiums written (before credit loss and reinsurers' share)	Gross premiums earned (before reinsurers' share)	Gross claims incurred (before reinsurers' share)	Gross operating expenses (before reinsurance commissions and profit participation)	Rein-surance balance	Balance on techical account
Balance on technical account before change in collective guarantee item and equalization provision						
Direct insurance						
Statutory workers' compensation						
1998	924 323	561 833	-483 840	-20 411	-87	57 495
1997	752 234	741 771	-840 981	-47 501	-204	-146 915
1996	612 189	606 634	-750 645	-38 533	-57	-182 601
Other accident and health						
1998	70 044	66 002	-64 203	-16 946	-117	-15 264
1997	130 031	124 341	-95 650	-31 994	-4 420	-7 723
1996	118 149	112 632	-102 163	-33 435	-2 051	-25 017
Motor, third party liability						
1998	275 007	230 861	-298 547	-50 687	-188	-118 561
1997	447 264	418 182	-435 590	-94 092	37	-111 463
1996	402 954	380 515	-470 710	-95 295	408	-185 082
Motor, other classes						
1998	212 677	187 394	-141 968	-39 161	-23	6 242
1997	375 530	371 546	-257 806	-72 835	-854	40 051
1996	368 766	371 511	-238 707	-75 436	-827	56 541
Marine, aviation and transport						
1998	89 638	72 706	-32 113	-14 163	-15 663	10 767
1997	138 208	140 645	-57 195	-24 217	-23 367	35 866
1996	164 575	166 872	-107 884	-25 878	-20 965	12 145
Fire and other damage to property						
1998	383 373	317 378	-204 874	-104 589	-18 666	-10 751
1997	641 236	648 133	-509 086	-192 951	-27 968	-81 872
1996	660 428	663 044	-468 555	-197 543	-26 108	-29 162
Third party liability						
1998	131 764	60 450	-51 047	-15 097	-3 151	-8 845
1997	151 915	123 759	-98 549	-27 646	13 476	11 040
1996	147 290	128 028	-78 861	-27 267	-30 277	-8 377
Credit and suretyship						
1998	15 640	10 666	6 085	-7 033	-5 554	4 164
1997	21 956	24 986	-8 357	-9 046	-2 918	4 665
1996	32 145	32 183	7 421	-7 468	-7 866	24 270
Legal expenses						
1998	9 518	7 705	-7 978	-2 094	-	-2 367
1997	12 477	11 925	-14 499	-4 177	-	-6 751
1996	11 181	11 011	-14 223	-4 378	-	-7 590
Miscellaneous						
1998	62 605	37 306	-14 892	-7 242	-10 198	4 974
1997	67 088	69 770	-57 462	-14 937	-16 289	-18 918
1996	63 976	64 219	-14 516	-15 126	-33 734	843
Direct insurance in total						
1998	2 174 589	1 552 301	-1 293 377	-277 423	-53 647	-72 146
1997	2 737 939	2 675 058	-2 375 175	-519 396	-62 507	-282 020
1996	2 581 653	2 536 649	-2 238 843	-520 359	-121 477	-344 030

Balance on technical account by group of insurance classes (non-life insurance)

	Parent company					
	Gross premiums written (before credit loss and reinsurers' share)	Gross premiums earned (before reinsurers' share)	Gross claims incurred (before reinsurers' share)	Gross operating expenses (before reinsurance commissions and profit participation)	Rein-surance balance	Balance on techical account
Reinsurance						
1998	239 487	222 028	-76 575	-68 622	-32 912	43 919
1997	228 192	228 456	-181 252	-55 912	-7 069	-15 777
1996	275 452	274 346	-154 512	-59 222	-35 668	24 944
Total						
1998	2 414 076	1 774 329	-1 369 952	-346 045	-86 559	-28 227
1997	2 966 131	2 903 514	-2 556 427	-575 308	-69 576	-297 797
1996	2 857 105	2 810 995	-2 393 355	-579 581	-157 145	-319 086
Change in collective guarantee item						
1998						-2 640
Change in equalization provision						
1998						-241 038
1997						-152 064
1996						-128 547
Total						
1998						-271 905
1997						-449 861
1996						-447 633

3. Premiums written of non-life insurance

	Group		Parent company	
	1998	1997	1998	1997
Direct insurance				
In Finland	3 213 060	2 889 992	2 173 674	2 733 738
In EEA countries	2 020	5 812	1 295	5 549
In other countries	-375	-1 348	-375	-1 348
Total	3 214 705	2 894 456	2 174 594	2 737 939
Reinsurance				
Non-life insurance	160 461	150 453	212 687	199 602
Life assurance	29 130	30 610	26 800	28 590
Total	189 591	181 063	239 487	228 192
Gross premiums written	3 404 296	3 075 519	2 414 081	2 966 131
Credit loss on premiums	-23 918	-25 837	-9 375	-24 466
Premiums written before reinsurers' share	3 380 378	3 049 682	2 404 706	2 941 665
Premium tax and other levies				
Before entered in the profit and loss account, premiums written have been reduced by the following items				
Premium tax	384 018	371 218	206 741	359 796
Fire brigade charge	7 078	7 348	4 320	7 348
Road safety charge	6 401	6 420	3 263	6 420
Occupational safety charge	13 859	12 770	13 613	12 770
Charge payable under §58 of the Employment Accidents Insurance Act	-48	-	-48	-
Medical treatment fee forwarded to the State	70 595	64 295	54 831	64 295
	481 903	462 051	282 720	450 629

4. Premiums written of life assurance

	Group	
	1998	July 1-Dec. 31, 1997
Direct insurance		
In Finland	2 855 030	704 694
Reinsurance		
Life assurance	378	437
Gross premiums written	2 855 408	705 131
Credit loss on premiums	-36	-51
Premiums written before reinsurers' share	2 855 372	705 080
Specification of gross premiums written, direct insurance		
Life assurance		
Individual life assurance	751 956	191 385
Capital redemption policy	1 469 969	175 306
Employees' group life assurance	13 044	6 277
Other group life assurance	22 146	5 220
Total	2 257 115	378 188
Pension insurance		
Individual pension insurance	345 130	175 401
Optional employment pension insurance	252 785	151 105
Total	597 915	326 506
Total	2 855 030	704 694
Periodic premiums	589 281	296 219
Single premiums	2 265 749	408 475
Total	2 855 030	704 694
Premiums from non-bonus contracts	-	115
Premiums from bonus contracts	2 592 740	659 679
Premiums from contracts where the investment risk is borne by policyholders	262 290	44 900
Total	2 855 030	704 694

5. Claims paid of life assurance

	Group	
	1998	July 1-Dec. 31, 1997
Direct insurance		
Claims paid		
Life assurance	214 633	109 564
Pension insurance	207 520	90 682
Total	422 153	200 246
Surrenders		
Life assurance	101 759	31 078
Pension insurance	32 751	8 166
Total	134 510	39 244
Direct insurance in total	556 663	239 490
Claims settlement expenses	6 381	1 714
Total	563 044	241 204

6. Bonuses and rebates of life assurance

	Group	
	1998	1997
Effect of bonuses and rebates on balance on technical account	-99 850	40 264[1)]

[1)] *In Pohjola Life, the effect of this item for the whole year on balance on technical account is -FIM 212 936 000.00*

7. Specification of expenses

	Group		Parent company	
	1998	1997	1998	1997
EXPENSES BY ACTIVITY				
(profit and loss account item in brackets)				
Non-life insurance				
Claims settlement expenses (Claims paid)				
Directly allocated	29 680	27 146	12 975	21 983
Share of fixed costs	206 251	199 438	87 489	167 290
Total	235 931	226 584	100 464	189 273
Operating expenses (Operating expenses)				
Acquisition costs (includes commissions)	289 888	242 403	163 761	225 540
Portfolio administration expenses	300 637	281 018	128 046	258 996
Other administrative expenses	97 277	100 858	54 240	90 772
Commissions and profit participation, ceded reinsurance	-37 080	-36 163	-23 370	-35 625
Total	650 722	588 116	322 677	539 683
Investment management charges (Investment charges)				
Directly allocated [1)]	87 144	94 529	68 091	139 981
Share of fixed costs	20 037	27 480	12 330	23 729
Total	107 181	122 009	80 421	163 710
Expenses for services to other companies (Other charges)	97 983	170 222	272 572	328 728
Total in profit and loss account	1 091 817	1 106 931	776 134	1 221 394

Specification of expenses

	Group			
	1998	July 1-Dec. 31, 1997		
Life assurance				
Claims settlement expenses (Claims paid)				
Directly allocated	42	8		
Share of fixed costs	6 340	1 707		
Total	6 382	1 715		
Operating expenses (Operating expenses)				
Acquisition costs (includes commissions)	90 950	42 799		
Change in deferred acquisition costs	-26 190	-		
Portfolio administration expenses	41 311	25 323		
Other administrative expenses	16 755	8 200		
Total	122 826	76 322		
Investment management charges (Investment charges)				
Directly allocated [1]	21 590	11 530		
Share of fixed costs	8 134	2 966		
Total	29 724	14 496		
Expenses for services to other companies (Other charges)	37 321	18 585		
Total in profit and loss account	196 253	111 118		

	Group		Parent company	
	July 1-Dec. 31, 1998	1997	July 1-Dec. 31, 1998	1997
Holding operations				
Investment management charges (Investment charges)				
Share of fixed costs	1 807		1 879	
Administrative expenses (Other charges)	8 169		8 297	
Expenses for services to other companies (Other charges)	416		424	
Total in profit and loss account	10 392		10 600	
All in total	1 298 462	1 218 049	786 734	1 221 394

	Group		Parent company	
	1998	1997	1998	1997
EXPENSES BY TYPE OF EXPENSE				
Staff expenses	663 233	631 122	352 608	609 853
Direct insurance commissions	34 300	33 375	18 874	20 182
Commissions and profit participation, assumed reinsurance	36 525	30 567	52 388	44 467
Commissions and profit participation, ceded reinsurance	-37 080	-36 164	-23 370	-35 625
Scheduled depreciation by profit and loss account item				
Claims paid	8 156	10 711	2 784	9 567
Operating expenses	51 036	42 164	19 969	35 867
Investment charges	2 196	3 604	1 317	3 355
Other	9 086	5 621	29 034	9 328
Total	70 474	62 100	53 104	58 117
Other expenses[1]	578 058	536 149	350 213	555 243
Gains(-)/losses (+) on realization of tangible and intangible assets	33	-970	-522	-923
Expense transfers	-47 081	-38 130	-16 561	-29 920
Total in profit and loss account	1 298 462	1 218 049	786 734	1 221 394
Scheduled depreciation includes				
Depreciation on goodwill	3 606	2 796	2 098	2 796
Depreciation on consolidation difference	-	-	-	-

[1] *Includes real estate management expenses and maintenance charges*

Specification of expenses

	Group	
	1998	July 1-Dec. 31, 1997
Change in deferred acquisition costs included in provision for unearned premiums		
Life assurance		
Change in life assurance provision includes		
New deferral	-7 714	-10 218
Previous deferrals		
- amortization (regular)	9 243	2 292
Charge/income (-) in profit and loss account	1 529	-7 926

Total amount of deferred acquisition costs (zillmerization) is shown in notes on the accounts, No. 25.

8. Specification of staff expenses, staff and members of corporate organs

	Group		Parent company	
	1998	1997	1998	1997
Staff expenses				
Salaries and remunerations	493 268	474 109	260 729	458 733
Monetary value of fringe benefits	17 658	17 032	9 879	16 443
Pension expenses	96 745	88 437	48 876	84 925
Other social expenses	55 562	51 544	33 124	49 752
Total	663 233	631 122	352 608	609 853
Average number of employees during financial year	2 745	2 816	1 503	2 640
Salaries and remunerations paid to the Board of Directors and the President by reason of their responsibilities	5 949	6 838	3 852	5 032
No bonuses were paid				

Pension commitments made for the benefit of Board members and the President by reason of their responsibilities

The President, Senior Executive Vice President and Managing Directors of the Group's domestic insurance and service companies have the right to retire on a full 60% TEL pension (TEL=Employees' Pensions Act) once they have reached the age of 60.

9. Net investment income

	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Investment income				
Income from affiliated undertakings				
Dividends	6 326	2 399	40 980	2 812
Interest	-	-	746	-
Total	6 326	2 399	41 726	2 812
Income from associated undertakings				
Dividends	-	-	1 779	1 750
Income from land and buildings				
Dividends				
Affiliated undertakings	-	-	145	-
Interest				
Affiliated undertakings	58	150	3 560	10 791
Other	66	2 074	-	2 008
Rents etc.				
Affiliated undertakings	357	351	377	403
Other	229 090	228 787	78 756	178 223
Total	229 571	231 362	82 838	191 425
Income from other investments				
Dividends	382 560	232 671	277 221	230 078
Interest				
Affiliated undertakings	186	307	4 646	1 219
Other	649 632	494 173	127 971	229 665
Other	16 871	30 284	6 313	17 092
Total	1 049 249	757 435	416 151	478 054
Total	1 285 146	991 196	542 494	674 041
Value re-adjustments on investments	76 351	212 102	58 043	213 955
Gains on realization of investments	1 372 152	826 472	907 515	695 575
Investment income in total	2 733 649	2 029 770	1 508 052	1 583 571
Investment charges				
Charges for land and buildings	116 090	114 771	71 219	145 634
Charges for other investments	45 458	33 839	17 973	23 643
Interest and other financing charges				
Affiliated undertakings	6 035	13 228	6 911	14 475
Other	54 365	35 974	10 005	13 057
Total	221 948	197 812	106 108	196 809
Value adjustments on investments	462 326	144 232	27 460	104 123
Scheduled depreciation on buildings	63 259	85 968	15 686	37 896
Losses on realization of investments	59 196	22 719	29 955	15 293
Investment charges in total	806 729	450 731	179 209	354 121
Net investment income before unrealized gains	1 926 920	1 579 039	1 328 843	1 229 450
Unrealized gains on investments	17 039	1 524	-	-
Unrealized losses on investments	-67	-362	-	-
Net investment income	1 943 892	1 580 201	1 328 843	1 229 450
Dividends include avoir fiscal tax credit	95 171	54 992	84 103	55 120
Allocated investment return transferred to life assurance technical account	581 323	146 725	-	-
The above includes return on investments for the benefit of life assurance policyholders who bear the investment risk	4 742	1 634	-	-

10. Income and charge items affecting comparability of profit/loss

	Group		Parent company	
	1998	1997	1998	1997
Non-life insurance				
Premiums written				
Non-recurring rate increase	219 000	-	219 000	-
Claims paid				
Credit pertaining to change in technical provisions bases	19 000	-	-	-
Change in provision for claims outstanding (after reinsurers' share)				
Change in bases of technical provisions	-160 300	-149 567	-160 300	-149 567
Life assurance				
Operating expenses				
Deferral of acquisition costs	26 190	-	-	-
Operating expenses, all activities in total				
Curtailment of depreciation period of IT workstations from five to three years (retroactive depreciation)	-	-5 707	-	-5 380

11. Other extraordinary charges

	Group		Parent company	
	1998	1997	1998	1997
Solvency margin transferred on December 1, 1998 in connection with portfolio transfer, i.e. amount by which current value of transferred assets exceeded current value of transferred liabilities	-	-	397	-

12. Intangible assets

	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Development costs, intangible rights and other long-term expenses				
Acquisition cost Jan. 1	94 476	60 506	73 364	57 572
Fully depreciated in previous year	-7 138	-7 254	-4 670	-7 058
New affiliated undertakings	23 156	4 133	-	-
Other acquisitions	44 891	39 813	35 649	28 322
Business transfer July 1, 1998	-	-	-76 246	-
Other realizations	-3 041	-2 722	-2 243	-5 471
Acquisition cost Dec. 31	152 344	94 476	25 854	73 365
Accumulated scheduled depreciation Jan. 1	30 966	23 758	25 062	22 519
Fully depreciated in previous year	-7 138	-7 254	-4 670	-7 058
New affiliated undertakings	8 109	1 844	-	-
Scheduled depreciation	21 892	15 054	11 471	12 608
Business transfer July 1, 1998	-	-	-22 109	-
Other realizations	-1 441	-2 436	-1 256	-3 006
Accumulated scheduled depreciation Dec. 31	52 388	30 966	8 498	25 063
Payments on account and unfinished work Dec. 31	26 995	23 797	9 883	21 724
Acquisition cost after scheduled depreciation Dec. 31	126 951	87 307	27 239	70 026
Accumulated accelerated depreciation Jan. 1	117	67	-	-
New affiliated undertakings	-	292	-	-
Change in accelerated depreciation	-117	-29	-	-
Realizations	-	-213	-	-
Accumulated accelerated depreciation Dec. 31	-	117	-	-
Net after total depreciation Dec. 31	126 951	87 190	27 239	70 026
Goodwill and unallocated consolidation difference				
Acquisition cost Jan. 1	894 310	110 724	103 699	107 544
Increase	3 866	787 531	6 622	-
Business transfer July 1, 1998	-	-	-110 321	-
Decrease	-	-100	-	-
Adjustment	-	-3 845	-	-3 845
Transfers	949	-	-	-
Acquisition cost Dec. 31	899 125	894 310	-	103 699
Accumulated scheduled depreciation Jan. 1	168 510	89 672	89 645	86 849
Scheduled depreciation	155 980	78 938	2 097	2 795
Business transfer July 1, 1998	-	-	-91 742	-
Other realizations	-	-100	-	-
Transfers	-	-	-	-
Accumulated scheduled depreciation Dec. 31	324 490	168 510	-	89 644
Acquisition cost after scheduled depreciation Dec. 31	574 635	725 800	-	14 055
Intangible assets in total	701 586	813 107	27 239	84 081

13. Investments: current value, book value and their difference

	Group			Group		
	Remaining acquisition cost	Book value	Current value	Remaining acquisition cost	Book value	Current value
	1998	1998	1998	1997	1997	1997
Investments in land and buildings						
Land and buildings	1 589 649	1 767 202	2 225 246	1 838 360	2 066 306	2 693 757
Shares in affiliated undertakings	-	-	-	1 723	1 723	3 010
Shares in associated undertakings	290 121	290 121	297 245	391 165	391 165	412 454
Other shares in land and buildings	194 058	194 058	205 139	79 467	79 507	94 067
Loans to affiliated undertakings	-	-	-	1 672	1 672	1 672
Affiliated undertakings						
Shares	13 193	10 804	12 914	40 851	40 851	40 851
Associated undertakings						
Shares	56 215	55 419	55 782	43 576	42 910	42 530
Other investments						
Shares	6 198 441	6 228 470	17 862 561	4 814 593	4 849 500	10 406 470
Debt securities	10 699 060	10 703 932	11 405 596	8 299 313	8 301 896	8 771 055
Loans guaranteed by mortgages	4 314	4 314	4 314	327 508	327 508	327 508
Other loans	9 583	9 583	9 583	245 580	245 580	245 580
Deposits with credit institutions	261 164	261 164	261 164	337 932	337 932	337 932
Deposits with ceding undertakings	44 046	44 046	44 046	49 050	49 050	49 050
	19 359 844	19 569 113	32 383 590	16 470 790	16 735 600	23 425 936
Remaining acquisition cost of debt securities includes that difference between the amount repayable at maturity and purchase price which has been released to interest income (+) or charged to interest income (-)	-122 705			-95 161		
Book value includes						
Unrealized gains entered in profit and loss account		140 409			181 266	
Revaluation entered in revaluation reserve		72 044			84 211	
		212 453			265 477	
Difference between current and book values			12 814 477			6 690 336

Investments: current value, book value and their difference

	Parent company			Parent company		
	Remaining acquisition cost	Book value	Current value	Remaining acquisition cost	Book value	Current value
	1998	1998	1998	1997	1997	1997
Investments in land and buildings						
Land and buildings	977	977	1 001	733 734	932 765	1 295 044
Shares in affiliated undertakings	-	-	-	347 553	347 553	444 230
Shares in associated undertakings	-	-	-	244 124	244 124	258 874
Other shares in land and buildings	2 275	2 275	2 478	73 604	73 644	88 204
Loans to affiliated undertakings	-	-	-	111 081	111 081	111 081
Affiliated undertakings						
Shares	1 776 207	1 776 207	1 779 233	1 366 845	1 366 845	1 372 150
Associated undertakings						
Shares	45 191	45 191	45 088	40 983	40 983	41 778
Other investments						
Shares	1 019 535	1 027 917	8 772 108	2 879 860	2 914 767	7 861 727
Debt securities	313 844	313 844	325 855	2 015 271	2 015 271	2 111 200
Loans guaranteed by mortgages	-	-	-	343 587	343 587	343 587
Other loans	414	414	414	274 674	274 674	274 674
Deposits with credit institutions	29 629	29 629	29 629	133 354	133 354	133 354
Deposits with ceding undertakings	1 720	1 720	1 720	2 261	2 261	2 261
	3 189 792	3 198 174	10 957 526	8 566 931	8 800 909	14 338 164
Remaining acquisition cost of debt securities includes that difference between the amount repayable at maturity and purchase price which has been released to interest income (+) or charged to interest income (-)	-8 467			-26 344		
Book value includes						
Unrealized gains entered in profit and loss account		8 381			153 847	
Revaluation entered in revaluation reserve		-			80 132	
		8 381			233 979	
Difference between current and book values			7 759 352			5 537 255

14. Investments in land and buildings

	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Buildings				
Acquisition cost Jan. 1	2 065 848	2 100 204	1 025 658	1 070 189
Acquisitions	58 013	288 993	1 832	14 126
Business transfer July 1, 1998	-	-	-843 319	-
Other realizations and incorporations	-322 925	-323 349	-183 054	-58 657
Acquisition cost Dec. 31	1 800 936	2 065 848	1 117	1 025 658
Unrealized gains and revaluation Jan. 1	275 298	359 389	254 355	304 725
Business transfer July 1, 1998	-	-	-144 536	-
Other realizations	-24 161	-84 091	-60 275	-50 370
Cancellation	-4 082	-	-49 544	-
Unrealized gains and revaluation Dec. 31	247 055	275 298	-	254 355
Accumulated scheduled depreciation Jan. 1	863 786	929 583	508 195	506 862
Scheduled depreciation	63 259	85 968	15 686	37 896
Business transfer July 1, 1998	-	-	-393 131	-
Other realizations	-178 221	-151 765	-130 555	-36 563
Accumulated scheduled depreciation Dec. 31	748 824	863 786	195	508 195
Book value after scheduled depreciation Dec. 31	1 299 167	1 477 360	922	771 818
Accumulated accelerated depreciation Jan. 1	17 281	22 582	19 668	20 887
Change in accelerated depreciation	-9 378	-4 951	-15 631	-183
Business transfer July 1, 1998	-	-	-11 005	-
Other realizations	5 106	-350	7 010	-1 036
Accumulated accelerated depreciation Dec. 31	13 009	17 281	42	19 668
Net after total depreciation Dec. 31	1 286 158	1 460 079	880	752 150
Land and water areas, and shares in land and buildings				
Acquisition cost Jan. 1	1 207 014	792 650	1 113 159	1 216 136
Acquisitions	88 924	488 550	62 093	48 396
Business transfer July 1, 1998	-	-	-942 249	-
Other realizations	-243 120	-74 186	-230 532	-151 373
Transfers	3 652	-	-141	-
Acquisition cost Dec. 31	1 056 470	1 207 014	2 330	1 113 159
Unrealized gains and revaluation Jan. 1	39 686	56 432	30 629	30 669
Business transfer July 1, 1998	-	-	-40	-
Other realizations	-7 865	-16 746	-	-40
Cancellation	-8 085	-	-30 589	-
Unrealized gains and revaluation Dec. 31	23 736	39 686	-	30 629
Accumulated value adjustments Jan. 1	185 359	179 222	317 520	358 566
Value adjustments	9 031	20 302	4 323	28 896
Value re-adjustments	-6 775	-7	-11 251	-7 128
Business transfer July 1, 1998	-	-	-251 437	-
Other realizations	-59 623	-14 158	-59 155	-62 814
Accumulated value adjustments Dec. 31	127 992	185 359	-	317 520
Book value after value adjustments Dec. 31	952 214	1 061 341	2 330	826 268
Book value in total Dec. 31	2 251 381	2 538 701	3 252	1 598 086

Investments in land and buildings

	Group		Parent company	
	1998	1997	1998	1997
Loans to affiliated undertakings				
Acquisition cost Jan. 1	1 672	2 438	111 081	230 629
Increase	38 135	-	-	3 495
Business transfer July 1, 1998	-	-	-4 799	-
Decrease	-39 807	-766	-106 282	-123 043
Acquisition cost Dec. 31	-	1 672	-	111 081
Accumulated value adjustments Jan. 1	-	-	-	-
Value adjustments and difference in exchange rates	-	-	-	-2 023
Decrease	-	-	-	2 023
Accumulated value adjustments Dec. 31	-	-	-	-
Book value after value adjustments Dec. 31	-	1 672	-	111 081
Total investments in land and buildings Dec. 31	2 251 381	2 540 373	3 252	1 709 167
Land and buildings occupied by the company				
Remaining acquisition cost	424 430	443 310	-	394 997
Book value	453 661	473 688	-	425 345
Current value	512 285	587 896	-	512 710
Affiliated undertakings				
Consolidated				
Number of undertakings (owned by Pohjola Non-Life, Bothnia and Pohjola Life) Dec. 31	77	82		
Total profit/loss for financial year	5 816	1 439		
Total capital and reserves	485 623	565 417		
Excluded from consolidation				
Asunto Oy Kukkosalama (51.73% shareholding)	-	1		
Profit for financial year		15		
Capital and reserves		909		
Number of undertakings (owned by Ilmarinen) Dec. 31	-	152		
Total profit/loss for financial year	-	-57 067		
Total capital and reserves	-	1 617 971		

15. Investments in affiliated and associated undertakings

	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Shares in affiliated undertakings				
Acquisition cost Jan. 1	40 851	40 788	1 422 215	270 890
Increase	222	63	457 958	1 136 693
Business transfer July 1, 1998	-	-	-30 236	-
Decrease	-	-	-10	-100
Transfers	-28 148	-	-18 309	14 732
Acquisition cost Dec. 31	12 925	40 851	1 831 618	1 422 215
Accumulated value adjustments Jan. 1	-	-	55 371	41 369
Value adjustments	-	-	270	270
Business transfer July 1, 1998	-	-	-220	-
Value re-adjustments	-	-	-10	-
Transfers	-268	-	-	13 732
Accumulated value adjustments Dec. 31	-268	-	55 411	55 371
Remaining acquisition cost Dec. 31	13 193	40 851	1 776 207	1 366 844
Shares in associated undertakings				
Acquisition cost Jan. 1			42 542	37 115
Increase			15 836	26 159
Business transfer July 1, 1998			-8 340	-
Decrease			-21 686	-7 000
Transfers			18 307	-13 732
			46 659	42 542
Share of associated undertakings' capital and reserves at acquisition date, Jan. 1	43 657	36 046	-	-
Increase	14 837	26 111	-	-
Decrease	-21 774	-7 000	-	-
Transfers	19 495	-11 500	-	-
	56 215	43 657	-	-
Difference between acquisition cost and the above Jan. 1	-470	2 729	-	-
Increase	1 798	49	-	-
Decrease	-	-	-	-
Transfers	-1 189	-3 248	-	-
	139	-470	-	-
Acquisition cost Dec. 31	56 354	43 187	46 659	42 542
Accumulated value adjustments Jan. 1			1 559	21 321
Value adjustments	-	-	-	88
Business transfer July 1, 1998	-	-	-88	-
Decrease	-	-	-	-6 118
Transfers	-	-	-3	-13 732
Accumulated depreciation on/decrease in above difference Jan. 1	389	-2 970	-	-
Depreciation on/decrease in above difference during financial year	-260	111	-	-
Transfers	-268	3 248	-	-
Accumulated value adjustments/depreciation/ decrease Dec. 31	-139	389	1 468	1 559
Remaining acquisition cost Dec. 31	56 215	43 576	45 191	40 983

16. Shares

Name of company	Last annual accounts		Number of shares/ warrants	Percentage of all shares/ votes		Nominal value	Group 1998 Book value	Parent 1998 Book value
	Profit/ loss	Capital and reserves						
Affiliated undertakings								
Bothnia International Insurance Company Ltd.	87 516	249 102	1 500 000	100.00		15 000		125 000
Eurooppalainen Insurance Company Ltd	5 887	33 946	2 800 000	100.00		14 000		
Northclaims Oy	2	283	2 800	100.00		280		
Pohjola Life Assurance Company Ltd	58 573	453 949	8 000 000	100.00		80 000		1 119 461
Pohjola Non-Life Insurance Company Ltd	-155 111	244 888	10 000 000	100.00		100 000		400 000
Varma Mutual Insurance Company (in liquidation)	378	-504	25	100.00	[1]	25 000		0
Moorgate Insurance Company Limited, United Kingdom	9 541	51 074	10 000 000	100.00	GBP	10 000		37 172
Seesam International Insurance Company Ltd, Estonia	-611	13 273	59 978	59.98	EEK	5 998	6 861[2]	8 354
Seesam Life Insurance Company Limited, Estonia	-513	4 246	124 600	70.00	EEK	12 460	3 942[2]	4 571
Insurance undertakings in total	5 662	1 050 257					10 803	1 694 558
Finnish Insurance Services Oy	-1	140	900	85.71		90		90
Osmo Oy	-1	35	10 000	100.00		20		20
Pohjola Insurance Service Ltd	-5	36	6 000	100.00		60		0
Pohjola International Consulting Ltd	-1	8	1 500	100.00		15		15
Pohjola Customer Service Ltd	-10 142	51 278	50 000	100.00		500		61 420
Pohjolan Atk-palvelu Oy	12 900	13 408	500	100.00		500		9 839
Pohjolan Systeemipalvelu Oy	683	10 947	50 000	100.00		500		10 265
	9 095	1 126 109					10 803	1 776 207
Associated undertakings								
Insurance undertakings								
Ilmarinen Mutual Pension Insurance Company	37 959	180 498	9 180	67.14/29.65	[1]	91 800	40 851[3]	40 851
FAMLAT - Joint-Stock Insurance Company of Latvia, Latvia	105	5 059	49 500	45.00	LVL	247	2 277[2]	2 455
Private Insurance Company “Seesam”, Lithuania	695	2 290	9 000	45.00	LTL	900	1 030[2]	1 877
Standard Union Reassurance S.A., Luxembourg	-	7 370	2 500	50.00	LUF	25 000	3 685[2]	
Insurance undertakings in total	38 759	195 217					47 843	45 183
Other undertakings								
Autovahinkokeskus Oy	-431	16 136	1 651	22.93		4 127	3 700[2]	
Pohjolan Energianvälitys Oy	-100	-85	8	50.00		8	0[2]	8
Vahinkopalvelu Oy	1 523	5 109	840	46.67		336	2 384[2]	
Euro-Center Holding A/S, Denmark	-183	7 460	1 800	20.00	DKK	1 800	1 492[2]	
	39 568	223 837					55 419	45 191
Real estate companies								
Kiinteistö Oy Eteläesplanadi 12	-231	65 840	28	27.18		1	35 824[3]	
Asunto Oy Helsingin Korppaanmäki	0	90 303	500 000	50.00		500	[4]	
Kiinteistö Oy Läkkitori	-87	22 956	15 489	46.67		15	11 259[3]	
Kiinteistö Oy Keravan Kauppakaari 1	107	57 226	6 597	43.98		7	14 560[3]	
Asunto Oy Kukkosalama	-7	902	311	38.40		12	1 082[3]	
Kiinteistö Oy Lippulaiva	1 190	261 772	2 750	34.38		344	113 000[3]	
Asunto Oy Luode	-31	475	71	25.54		1	2 753[3]	
Kiinteistö Oy Myyrmäen Kauppakeskus	-0	106 414	8 316	28.29		83	53 340[3]	
Others (20 companies)	- 117	262 215					58 303[3]	
	824	868 103					290 121	-

[1] *Mutual insurance company*
[2] *Accounted for by the equity method*
[3] *Acquisition cost*
[4] *Included by proportional consolidation*

Shares

Name of company	Number of shares/ warrants	Percentage of all shares/ votes	Nominal value	Group 1998 Book value	Parent 1998 Book value
Other companies					
Suomi Mutual Life Assurance Company, guarantee capital			3 000	3 000	3 000
Skandia Insurance Company Limited (publ), Sweden	23 200 000	4.53	SEK 23 200	504 691	504 691
Insurance undertakings in total				507 691	507 691
Alma Media Corporation	621 798	3.95/5.53	6 218	95 236	
Asko Oyj	624 400	1.61	6 244	54 136	
Aspo Plc	258 905	5.95	2 589	15 848	
A-Rakennusmies Oyj	37 500	0.91	187	2 625	
Cultor Corporation	1 497 830	2.13/1.71	8 987	77 887	
Espoon Sähkö Oyj	145 300	0.92	291	11 106	
Finnair Oyj	900 000	1.06	4 500	26 820	
Finnlines Plc	1 114 800	5.58	11 148	129 439	
	145 777	0.73	1 458		17 780
Fiskars Corporation	29 100	0.07/0.12	145	3 099	
Fortum Corporation	6 020 601	0.77	120 412	91 748	
	1 566 471	0.20	31 329		23 760
Hartwall Plc	170 000	0.28/0.08	170	10 500	
Helsinki Telephone Corporation	414 522	0.81/0.26	2 073	81 027	
Huhtamäki Oyj	945 146	3.16/4.40	18 903	129 331	
	105 918	0.35/0.04	2 118		15 908
Instrumentarium Corporation	832 455	3.46/3.55	8 325	164 967	
JOT Automation Group Plc	30 000	0.35	60	2 700	
KCI Konecranes International Plc	241 800	1.61	1 934	48 164	
Kemira Oyj	2 920 000	2.27	29 200	106 580	
Kesko Corporation	2 302 600	2.55/0.06	23 026	158 664	
Kone Corporation	487 020	7.25/2.83	24 351	80 074	
	219 510	3.27/1.28	10 975		25 877
Kyro Corporation	286 000	0.72	286	6 607	
Lassila & Tikanoja plc	1 169 100	7.46	11 691	64 215	
Lemminkäinen Corporation	1 447 400	8.50	14 474	64 406	
Oyj Leo Longlife Plc	33 682	3.06/0.60	337	2 863	
Lännen Tehtaat plc	156 000	2.42	1 560	6 833	
Merita Plc	16 395 000	1.97	163 950	428 533	
	5 744 562	0.69	57 446		153 218
Metra Corporation	765 500	1.41/1.32	15 310	67 542	
Metsä Tissue Corporation	264 000	0.88	2 640	12 408	
Neptun Maritime Oyj	3 526 540	5.67/6.24	35 265	43 873	
Nokia Corporation	12 230 800	2.03/6.48	30 577	518 867	
	9 307 262	1.54/4.97	23 268		150 310
Nokian Tyres plc	160 000	1.55	1 600	18 606	
Nordic Aluminium Plc	55 000	1.19	412	1 540	
Olvi plc	51 930	2.55/0.55	519	4 874	
Orion Corporation	1 932 822	2.76/3.63	19 328	228 500	
Outokumpu Oyj	1 372 000	1.10	13 720	64 210	
PK Cables Oyj	65 000	1.23	130	6 063	
Polar Corporation	2 656 060	1.48	13 280	5 976	
Jaakko Pöyry Group Oyj	150 000	1.09	750	7 335	
Raisio Group plc	21 300	0.01	21	1 193	
Rauma Corporation	1 584 776	2.99	15 848	117 273	
Rautakirja Oyj	558 000	8.61/10.23	11 160	29 300	
	264 000	4.07/4.84	5 280		12 050
Rautaruukki Corporation	1 720 000	1.29	17 200	56 588	
Raute Oyj	25 000	0.66/0.11	250	1 040	
Rocla Oyj	69 600	1.80	348	2 506	
Santasalo-JOT Corporation	116 800	1.13	1 168	3 644	

Shares

Name of company	Number of shares/ warrants	Percentage of all shares/ votes	Nominal value	Group 1998 Book value	Parent 1998 Book value
Sonera-Group plc	1 600 000	0.22	4 000	72 000	
Stockmann plc	446 750	0.87/0.16	4 467	35 549	
Stora Enso Oyj	1 310 000	0.17/0.22	13 100	52 759	
Suunto Oyj	155 000	2.84	775	5 270	
Tamfelt Corp.	40 127	0.45/0.77	401	4 860	
Tampere Telephone Plc	420 250	1.07	4 202	17 279	
Tamro Corporation	64 000	0.05	640	1 408	
Tieto Corporation	1 672 600	3.14	8 363	44 927	
	585 000	1.10	2 925		4 599
UPM-Kymmene Corporation	11 745 100	4.23	117 451	423 603	
	2 864 998	1.03	28 650		74 743
Vaisala Corporation	68 000	1.59/0.33	680	28 514	
Valmet Corporation	1 926 500	2.47	19 265	131 002	
Werner Söderström Corporation - WSOY	647 764	5.40/3.01	6 478	18 953	
	318 770	2.66/0.64	3 188		5 405
YIT Corporation	3 098 000	10.56	30 980	89 883	
	530 433	1.81	5 304		14 318
Aboa Venture Ky				1 127	
Alfred Berg Rahasto Oy:					
Alfred Berg Finland	790 485			35 438	
Alfred Berg Markka	690 314			7 580	
Alfred Berg Obligaatio	2 154 377			29 752	
Alfred Berg Optimal	4 081 252			87 910	
Alfred Berg Optimal Europe	825 196			8 136	
Arctos Rahastoyhtiö Oy:					
Arctos Forte	8 563			1 523	
Arctos Futura	36 158			10 585	
Arctos Julkisyhteisö	118 173			14 521	
Chips Corporation	87 540	1.31/2.31	875	8 822	
Efore Plc	36 520	0.92/0.41	365	1 643	
Exel plc	100 000	1.91	200	2 900	
Fenno Rahasto Ky				6 580	
Finnmezzanine Rahasto Ky				2 000	
Finnventure Rahasto Ky				24 523	
Forenvia Venture Ky				2 533	
HEX Ltd, Helsinki Securities and Derivatives Exchange, Clearing House	499 031	3.98	4 990	17 954	17 954
Honkarakenne Oyj	124 500	3.11/1.28	1 245	3 362	
Ilkka Oyj	15 763	0.97/0.98	158	1 539	
Innopoli Oy	126 500	18.29	12 650	5 543	
Kontram-Yhtiöt Oyj	115 074	5.93	575	2 980	
Kytösuontien Pysäköinti Oy	238	5.62	1	3 099	
Martela Oyj	135 100	6.50/1.73	1 351	15 644	
MB Equity Fund Ky				3 962	
MB Mezzanine Fund Ky				4 211	
Rakentajain Konevuokraamo Oyj	365 688	10.80/17.83	3 657	5 134	
Sadepo Oy	170	19.19	1 700	1 700	
Sato Corporation plc	136 162	6.20	1 362	1 951	
Savon Teknia Oy	30 000	5.27	1 200	1 200	
Sitra Bioventures Ky				4 407	
Sitra Technology Ky				1 704	
Sponsor Fund Ky				11 673	
Suomen Kantaverkko Oyj	150	4.51/2.01	15 000	30 000	
Spar Finland plc	52 194	4.58/0.44	522	11 483	
Suomen Viestintärahoitus Oy	5 000	2.98/0.30	500	1 000	
Technopolis Oulu Plc	126 000	1.51	1 260	1 744	
Teknoventure Oy	10 000	1.28	1 000	1 000	
Telecomia Venture Ky				2 538	
Tietosavo Plc	20 000	1.96	200	1 000	
Oy TKKK Education Ltd	10	10.00	10	10	
Vaahto Group Plc Oyj	58 700	2.04	293	2 749	
Oy Villas Ab	30	11.19	6	4	
ABB AB, Sweden	660 000	0.07/0.01	SEK 3 300	35 778	
AGA AB (publ), Sweden	280 000	0.12/0.02	SEK 1 400	18 601	
Alfred Berg Norden (Sicav), Luxembourg	12 815			28 543	
Astra AB (publ), Sweden	685 000	0.04/0.01	SEK 856	59 263	
Atlas Copco AB, Sweden	181 000	0.10/0.14	SEK 905	20 758	

Shares

Name of company	Number of shares/ warrants	Percentage of all shares/ votes		Nominal value	Group 1998 Book value	Parent 1998 Book value
Bergesen, Norway	55 000	0.00	NOK	137	3 391	
Carli Gry International, Denmark	7 000	0.10			2 067	
Carlsberg A/S, Denmark	31 000	0.11			9 279	
Drott AB (publ), Sweden	56 000	0.05	SEK	112	2 395	
Eastern Europe Equity Fund, Netherlands	101 560				46 135	
EIC Corporation Ltd., Bermuda	40 000	0.53/0.67	USD	50	4 231	
Ekornes ASA, Norway	70 000	0.21	NOK	70	2 887	
Electrolux AB, Sweden	355 000	0.10	SEK	1 775	25 323	
Europe Mid Cap Fund, France	53 840				88 105	
FCP GT-GAT, France	32		FRF	550	1 395	
Fleming Fund Management (Luxembourg) S.A.						
FFF-Fleming American Fund, Luxembourg	181 683				68 103	
Falck, Denmark	8 000	0.07			2 995	
Fidelity Funds SICAV, Bermuda:						
American Growth Fund	16 185				1 067	
European Balance Fund	190 032				11 525	
European Bond Fund	56 515				4 022	
European Growth Fund	69 053				1 816	
European Smaller Companies Fund	38 751				2 472	
Pacific Fund	27 891				1 140	
Gambro AB, Sweden	222 500	0.06/0.04	SEK	445	12 194	
Gartmore Capital Strategy Fund Limited, Jersey:						
Asia Pacific Fund	413 091				5 471	
Continental Europe Fund	815 682				47 535	
Global Bond Fund	1 546 923				11 202	
Global Equity Fund	458 391				13 306	
Japan Fund	905 083				18 960	
North America Fund	170 804				4 286	
Gränges AB, Sweden	15 250	0.04	SEK	381	1 013	
Hambro European Ventures III UK						
Limited Partnership, United Kingdom					12 496	
Industri Kapital 1997 Limited Partnership I, Jersey					10 594	
ISA Asian Growth Fund, Luxembourg	143 976				35 709	
ISS-International Service System, Denmark	15 500	0.03			4 852	
Nordic Capital III Limited, Sweden					2 176	
Novo-Nordisk A/S, Denmark	13 700	0.02			8 037	
Odin Forvaltning AS, Norway						
Osakerahasto ODIN Finland	13 539				8 800	
Osakerahasto ODIN Norden	46 577				11 640	
Orkla, Norway	100 000	0.25	NOK	625	6 635	
Pilkington plc, United Kingdom	2 260 634	0.15			11 336	
Procuritas Capital Partners II, LP, Guernsey					3 352	
P.T.F. European Opportunity, Luxembourg	14 417				12 782	
Placements Obligations, France	116				1 226	
Sandvik AB, Sweden	228 000	0.09/0.01	SEK	1 368	20 719	
SCANIA AB, Sweden	345 000	0.17/0.18	SEK	3 450	32 092	
Schroder International Selection Fund, Luxembourg:						
Japanese Equity C	1 371 000				42 302	
Pacific Equity C	2 311 880				43 812	
Securitas AB, Sweden	75 600	0.02	SEK	76	5 088	
SINSER (Bermuda) Ltd, Bermuda	1 800	15.00	USD	2	10	10
SINSER (Ireland) Limited, Ireland	750	15.00	IEP	1	10	10
SINSER (Luxembourg) S.àr.l., Luxembourg	75	15.00	LUF	75	948	948
Skanska AB, Sweden	56 000	0.05/0.03	SEK	672	7 896	
Svenska Handelsbanken AB (publ), Sweden	233 000	0.09/0.11	SEK	2 330	38 580	
Trans Europe Fund N.V., Netherlands	302 000				90 606	
Tuir "WARTA" SA, Poland	33 502	0.55	PLN	335	2 512	2 512
Unidanmark A/S, Denmark	16 300	0.07			6 704	
Foreign shares [2]					585 589	
Other shares					149 771	824
Warrants					218	
					6 583 358[1]	1 027 917

[1] Includes FIM 354 888 thousand in shares stated under investments for the benefit of life assurance policyholders who bear the investment risk
[2] 133 European and American companies in which holding percentages are from 0.000061 to 0.06219

17. Debt securities

	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Balance sheet item includes subordinated loans				
Listed	25 377	32 101	-	19
Other	5 000	35 001	-	-
	30 377	67 102	-	19

18. Loans

	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Other loans specified by security				
Bank guarantee	-	26 814	-	20 071
Insurance policy	9 169	14 284	-	4
Shares in housing and real estate companies	-	49 679	-	49 679
State, municipality and parish security as well as loans to municipalities and parishes	-	112 722	-	112 722
Other	414	42 081	414	92 198
Total	9 583	245 580	414	274 674
Inner-circle loans				
To parent company shareholders and Group minority shareholders whose shareholding or voting rights total at least 10%	-	-	-	-
To Group President and Managing Directors, Board members and Auditors or persons comparable to them, as referred to in legislation	-	2 122	-	2 122
Loan terms				
Interest rate		5.00%-6.75%		5.00%-6.75%
Loan period		2-24 years		2-24 years
Security		Mortgage or shares in housing corp.		Mortgage or shares in housing corp.

19. Investments for the benefit of life assurance policyholders who bear the investment risk

	Group 1998 Acquisition cost	Group 1998 Current value (= book value)	Group 1997 Acquisition cost	Group 1997 Current value (= book value)
Shares and fund units	347 121	354 888	97 824	112 027
Debt securities	-	-	19 201	21 001
Cash at bank and in hand	-	-	2 045	2 045
Accrued interest	-	-	1 261	1 261
Total	347 121	354 888	120 331	136 334
Invested in advance	-16 151	-16 105	-39 233	-45 316
Investments covering technical provisions for life assurance policies where the investment risk is borne by the policyholders	330 970	338 783	81 098	91 018
Cash at bank and in hand and other receivables include not as yet invested net premiums of policies valid and paid at accounting date		10 500		2 980

20. Debtors

	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Affiliated undertakings				
Reinsurance debtors	49	-	8 301	13 510
Other debtors	360	12 817	54 115	62 184
Total	409	12 817	62 416	75 694
Associated undertakings				
Direct insurance debtors	967	715	-	-
Reinsurance debtors	-	-	-	-
Other debtors	19 450	5 999	27 260	5 997
Total	20 417	6 714	27 260	5 997

21. Equipment

	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Acquisition cost Jan. 1	222 889	176 654	211 258	167 557
Fully depreciated in previous year	-29 292	-21 501	-19 852	-20 540
New affiliated undertakings	43 152	7 895	-	-
Acquisitions	36 979	61 100	28 770	65 626
Business transfer July 1, 1998	-	-	-79 934	-
Other realizations	-8 288	-1 259	-15 660	-1 385
Acquisition cost Dec. 31	265 440	222 889	124 582	211 258
Accumulated scheduled depreciation Jan. 1	109 946	83 836	100 945	79 587
Fully depreciated in previous year	-29 292	-21 501	-19 852	-20 540
New affiliated undertakings	22 595	4 092	-	-
Scheduled depreciation	44 977	44 248	39 536	42 712
Business transfer July 1, 1998	-	-	-42 055	-
Other realizations	-3 957	-729	-8 232	-814
Accumulated scheduled depreciation Dec. 31	144 269	109 946	70 342	100 945
Payments on account	1 318	-	1 318	-
Acquisition cost after scheduled depreciation Dec. 31	122 489	112 943	55 558	110 313
Accumulated accelerated depreciation Jan. 1	26 351	33 059	24 971	30 211
From Pohjola Life	-	2 761	-	-
Decrease/increase in accelerated depreciation	-15 993	-7 198	-16 589	-6 144
Business transfer July 1, 1998	-	-	-8 904	-
Realizations	581	-2 271	522	904
Accumulated accelerated depreciation Dec. 31	10 939	26 351	-	24 971
Net after total depreciation Dec. 31	111 550	86 592	55 558	85 341

22. Capital and reserves

	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Restricted				
Share capital				
A-shares	99 256	101 489	99 256	101 489
B-shares	104 294	102 061	104 294	102 061
	203 550	203 550	203 550	203 550
Legal reserve	946 018	946 018	945 434	945 434
Revaluation reserve				
Reserve Jan. 1	42 372	58 321	38 292	48 544
Cancelled revaluation	-12 167	-15 949	-38 292	-10 252
	30 205	42 372	-	38 292
Translation difference				
Difference Jan. 1	14 893	4 492	-	-
Change	-6 768	13 443	-	-
Change in composition of Group	-	-3 042	-	-
	8 125	14 893	-	-
Restricted in total	1 187 898	1 206 833	1 148 984	1 187 276

Authorizations of the Board of Directors

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

Major provisions of the Articles of Association concerning classes of shares

The company's shares are divided into two share classes, A-shares and B-shares.The minimum number of A-shares is 0 shares and the maximum number 142 427 748 shares; the minimum number of B-shares is 20 412 252 shares and the maximum number 162 840 000 shares. In both share classes, the nominal value of a share is FIM 5. Both share classes provide equal rights to dividend and to the company's assets. Each A-share confers ten votes and each B-share one vote at a shareholders' meeting. All shares are subject to a group-specific 10% voting restriction.

	Group 1998	Group 1997	Parent company 1998	Parent company 1997
Non-restricted				
Contingency reserve				
Reserve Jan. 1	351 008	200 704	352 431	202 441
From profit for previous financial year	471 564	150 259	446 554	149 945
Uncollected dividends	-	45	-	45
Cancelled revaluation	-	-	-41 840	-
From profit/loss brought forward	105	-	-	-
	822 677	351 008	757 145	352 431
Accelerated depreciation and voluntary provisions, net of tax				
Reserve Jan. 1	48 052	58 448	-	-
Change in composition of Group	-34	10 108	-	-
From profit for financial year	-17 613	-20 504	-	-
	30 405	48 052	-	-
Profit/loss brought forward				
Profit/loss Jan. 1	-55 243	-85 517	-	-
From profit/loss for previous financial year	-18 301	39 183	-	-
To contingency reserve	-105	-	-	-
Translation difference	3 734	-8 909	-	-
	-69 915	-55 243	-	-
Profit for previous financial year	575 543	271 011	568 834	231 515
To parent company distribution of dividend	-122 130	-81 420	-122 130	-81 420
To contingency reserve	-471 564	-150 259	-446 554	-149 945
To profit/loss brought forward	18 301	-39 182	-	-
Donations for worthy causes	-150	-150	-150	-150
	-	-	-	-
Profit for financial year	541 441	575 543	774 703	568 834
Non-restricted in total	1 324 608	919 360	1 531 848	921 265
Capital and reserves in total	2 512 506	2 126 193	2 680 832	2 108 541

Capital and reserves

	Group		Parent company	
	1998	1997	1998	1997
Distributable funds				
Non-restricted reserves	1 324 608	919 360	1 531 848	921 265
Accelerated depreciation and voluntary provisions under non-restricted reserves	-30 405	-48 052	-	-
Own shares	-	-400	-	-
	1 294 203	870 908	1 531 848	921 265
Tax surplus accrued from previous years	304 151	131 277	304 151	131 277
Revaluation reserve				
Pertaining to investments classified as fixed assets	50 674	56 487	-	52 733
Pertaining to other investments	21 371	27 725	-	27 399
Total	72 045	84 212	-	80 132
Bonus issues	-41 840	-41 840	-	-41 840
Difference	30 205	42 372	-	38 292

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

	Group 1997			
Shares in parent company held by Group	Number of shares	Nominal value	Acquisition cost	Current value (=book value)
Investments for the benefit of life assurance policyholders who bear the investment risk include the following B-shares in parent company:				
Policy-linked shares	997	5	84	199
Shares acquired in advance	1 003	5	85	201
	2 000	10	169	400

The shares were sold on the stock exchange in 1998 after customers transferred their policies to other types of investment.

23. Untaxed reserves

	Group		Parent company	
	1998	1997	1998	1997
Accelerated depreciation				
Intangible assets	-	117	-	-
Buildings	13 009	17 281	42	19 668
Equipment	10 940	26 350	-	24 971
Total	23 949	43 748	42	44 639
Voluntary provisions				
Credit loss reserve				
Reserve Jan. 1	19 614	20 465	17 811	20 030
Business transfer July 1, 1998	-	-	-10 134	-
Decrease	-4 954	-851	-4 857	-2 220
Reserve Dec. 31	14 660	19 614	2 820	17 810
Transitional reserve				
Reserve Jan. 1	-	1 491	-	-
Released to income	-	-1 491	-	-
Reserve Dec. 31	-	-	-	-
Total	14 660	19 614	2 820	17 810
Untaxed reserves in total	38 609	63 362	2 862	62 449
Transferred				
To capital and reserves	30 405	48 052		
To minority interest	-2 607	-2 431		
To deferred tax liability	10 811	17 741		
	38 609	63 362		

24. Subordinated loans

	Group 1998	Group 1997
Subordinated loans	350 000	550 000

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

25. Life assurance provision

	Group 1998	Group 1997
Deferred acquisition costs deducted from life assurance provision (zillmerization)		
Life assurance	10 080	15 799
Pension insurance	25 665	21 475
	35 745	37 274
Life assurance provision includes a provision for unexpired risks	378	654

26. Provision for claims outstanding of non-life insurance

	Group		Parent company	
	1998	1997	1998	1997
Discounting of provision for claims outstanding (other than annuities)				
Gross claims outstanding				
Provision before discounting	6 756 401	6 688 855	377 113	5 738 798
Amount of deduction	-11 534	-11 256	-	-
Provision after discounting	6 744 867	6 677 599	377 113	5 738 798
Reinsurance amount				
Provision before discounting	376 134	413 054	142 167	375 892
Net claims outstanding after discounting	6 368 733	6 264 545	234 946	5 362 906

	Average settling period of claims in years		Rate of interest applied %	
	1998	1997	1998	1997
Groups of losses subject to discounting:				
Bothnia's liability insurance (not, however, collective provision for claims set aside for asbestos and environmental treaties)	8,5	5,5	3	3
Bothnia's combined insurance (not marine)	8,5	4	3	3

27. Creditors

	Group		Parent company	
	1998	1997	1998	1997
Amounts owed to affiliated undertakings				
Reinsurance creditors	-	-	137	7
Amounts owed to credit institutions	-	1 322	-	1 322
Pension loans	-	237 943	-	237 923
Other creditors	3 596	1 423	209 999	35 044
Total	3 596	240 688	210 136	274 296
Amounts owed to associated undertakings				
Reinsurance creditors	-	100	-	100
Amounts owed to credit institutions	133 342	-	253	-
Other creditors	1 678	460	189	920
Total	135 020	560	442	1 020

Creditors

	Group		Parent company	
	1998	1997	1998	1997
Amounts becoming due and payable in five or more years				
Amounts owed to credit institutions	47 949	16 865	327	1 282
Pension loans	-	165 520	-	165 520
Total	47 949	182 385	327	166 802

28. Security and financial commitments

	Group		Parent company	
	1998	1997	1998	1997
Mortgaged land and buildings				
As security for own debts	328	26 928	328	328
As security for debts of affiliated undertakings	-	-	-	4 65
As security for debts of joint undertakings	7 750	20 250	-	-
As security for own building site liabilities	520	520	-	360
	8 598	47 698	328	5 338
Own and joint undertakings' debts corresponding to mortgages	9 800	43 296	205	218
Assets pledged				
As security for own debts	188 774	185 751	108 237	115 710
As security for debts of affiliated undertakings	-	-	34 735	46 019
	188 774	185 751	142 972	161 729
Own debts corresponding to assets pledged	103 673	124 388	69 822	72 918
Guarantees				
As security for own debts	123 920	44 295	-	-
As security for debts of affiliated undertakings	-	-	29 292	44 295
As security for debts of joint undertakings	26 422	-	-	-
As security for other companies' debts	3 188	-	-	-
	153 530	44 295	29 292	44 295
Own and joint undertakings' debts corresponding to guarantees	140 578	29 530	-	-
Contractual liabilities				
Contracts of sale of land and buildings and shares therein				
Book value	183 565	144 288	-	24
Current value	206 619	154 000	-	2 000
Agreed sales price	207 491	152 000	-	-
Difference between sales price and current value	872	-2 000	-	-2 000
Purchase commitments				
Commitment to subscribe for shares in general partnership companies carrying on Venture Capital investments	213 388	142 077	-	16 521
Software and other contractual liabilities	30 596	-	-	-
Agreed subordinated loan limit	-	-	300 000	-
Derivatives (hedging)				
Currency derivatives				
Futures contracts				
Sold, market value	0	-	-	-
value of underlying security	14 022	-	-	-
Leasing liabilities				
Amount payable during current financial year	25 217	1 389	1 364	1 389
Amount payable in subsequent years	2 193	1 016	1 310	1 016

Security and financial commitments

	Group		Parent company	
	1998	1997	1998	1997
Amount of joint liability				
Pertaining to VAT group registration, Pohjola Group is, together with the other members of the Pohjola Group taxable group, jointly and severally liable for the value added tax imposed on the group				
Affiliated undertakings	-	12 109	4 124	12 109
Associated undertakings	9 010	102	9 010	102
Other undertakings	1 419	-	1 419	-
	10 429	12 211	14 553	12 211

29. Solvency

	Group		Parent company	
	1998	1997	1998	1997
Solvency margin				
Capital and reserves after proposed distribution of profit	1 291 006	2 003 913	1 459 332	1 986 261
Voluntary provisions and accelerated depreciation	-	-	2 862	62 450
Deferred tax liability	10 811	17 741	-	-
Difference between current and book values of investments	12 814 477	6 690 335	7 759 352	5 537 255
Subordinated liabilities	350 000	550 000	-	-
Intangible assets	-701 586	-813 106	-27 239	-84 081
Other items	-14 952	-16 765	-53 684	-78 618
	13 749 756	8 432 118	9 140 623	7 423 267
Equalization provision				
Equalization provision included in the technical provisions for years with a high loss frequency	1 223 193	831 828	92 473	700 050
Minority interest	22 688	23 128	-	-
Solvency capital	14 995 637	9 287 074	9 233 096	8 123 317
Solvency margin requirement under chapter 11, section 2 of the Insurance Companies Act				
Calculated on the basis of premiums written and claims incurred as per company's profit and loss account			476 765	552 741
Calculated for portfolio retained by company and using corresponding premiums written and claims incurred for 1996-1998			26 193	
Equalization provision	1 223 193	831 828	92 473	700 050
Key ratios for solvency				
Equalization provision as a percentage of its full amount			16%	24%
Solvency capital to earned premiums, net of reinsurance (= solvency ratio)			570%	306%
In 1996				249%
In 1995				183%
In 1994				208%
Solvency capital to technical provisions net of reinsurance less equalization provision			3 388%	127%
In 1996				103%
In 1995				80%
In 1994				101%

Helsinki, March 19, 1999

Tauno Matomäki   Aatto Prihti   Edward Andersson

Jaakko Ihamuotila   Olavi Nevanlinna   Lars-Eric Petersson

Iiro Viinanen

To the shareholders of Pohjola Group Insurance Corporation

We have examined the accounting records, annual accounts and corporate governance of Pohjola Group Insurance Corporation for the financial year from January 1 to December 31, 1998. The annual accounts drawn up by the Board of Directors and the President include the Board's report and the consolidated and parent company profit and loss account, balance sheet and notes on the accounts. Based on our audit we express an opinion on the annual accounts and on corporate governance.

SVH Pricewaterhouse Coopers Oy, Authorized Public Accountants, have been responsible for the supervisory audit, on which they have submitted a separate report.

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

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

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

Helsinki, March 19, 1999

SVH Pricewaterhouse Coopers Oy
Authorized Public Accountants

Juha Wahlroos	Tauno Haataja
Authorized Public Accountant	Authorized Public Accountant

Board of Directors: Aatto Prihti, Jaakko Ihamuotila, Lars-Eric Petersson, Tauno Matomäki, Olavi Nevanlinna and Edward Andersson

Responsibilities of the Board of Directors

The Board deals with matters of principle and great importance with regard to the company's operations, such as corporate strategy, operational plan, budgets, powers to act, and major investments.

The Board appoints the President, the deputy to the President, and other immediate subordinates of the President, and decides on their terms of employment.

Election and terms of office of Board members

The Board has at least four and at most seven members, elected by the Annual General Meeting. The Annual General Meeting also elects the Chairman of the Board. The Board elects, from among its own circle, a member who acts as Deputy Chairman, whenever necessary. The Annual General Meeting convenes annually by the end of June.

The members of the Board are elected for a term of office expiring upon the closing of the Annual General Meeting following their election. A person who by the beginning of the term of office has reached the age of 65 cannot be elected a Board member.

Board meetings

The Board convened 10 times in 1998. One of the meetings was a telephone conference.

Board of Directors

Chairman
Tauno Matomäki (*1937)
Member as of 1997

Deputy Chairman
Aatto Prihti (*1939)
Member as of 1997

Edward Andersson (*1933)
Member as of 1998

Jaakko Ihamuotila (*1939)
Member as of 1997

Olavi Nevanlinna (*1948)
Member as of 1997

Lars-Eric Petersson (*1950)
Member as of 1997

Auditors

SVH Pricewaterhouse Coopers Oy
Authorized Public Accountants
Auditor and Supervisory Auditor
Partner-in-charge:
Juha Wahlroos
Authorized Public Accountant

Tauno Haataja
Authorized Public Accountant
Auditor and Deputy Supervisory Auditor

Sari Airola
Authorized Public Accountant
Deputy Auditor

Leena Rajala
Authorized Public Accountant
Deputy Auditor

Senior management

Iiro Viinanen (*1944)
Pohjola Group Insurance Corporation,
President
Chief Executive Officer

Pirkko Alitalo (*1949)
Pohjola Group Insurance Corporation,
Deputy to the President
Investments

Veli Kalle Tavakka (*1953)
Pohjola Non-Life Insurance Company Ltd,
Eurooppalainen Insurance Company Ltd,
President
Non-life insurance

Eino Halonen (*1949)
Pohjola Life Assurance Company Ltd,
President
Life assurance

Kari Puro (*1941)
Ilmarinen Mutual Pension Insurance Company,
President
Employment pension insurance

Hannu Ervamaa (*1946)
Pohjola Customer Service Ltd,
Managing Director
Field operations

Jukka Peltola (*1947)
Bothnia International Insurance Company Ltd.,
Managing Director
Foreign insurance and business in run-off

Head office

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Mailing address: 00013 Pohjola

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

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Internet: http://www.pohjola.fi

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Entrepreneurs
Tel. +358 10 55 88 66

Corporate communications
Tel. +358 10 559 2861, fax +358 10 559 3590

Investor relations

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Vice President
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E-mail: ritva.kauria@pohjola.memonet.fi

Auli Hietala-Ruohisto
Group Controller
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E-mail: auli.hietala-ruohisto@pohjola.memonet.fi

Onerva Savolainen
Senior Life Actuary
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Annual and Interim Reports can be ordered by telephone +358 10 559 2628, fax +358 10 559 3570.

The entire Annual Report is available on the Internet, at http://www.pohjola.fi.
Copies of the original signed annual accounts are available at the company's head office, tel. +358 10 559 3032.

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

Analyses of Pohjola

Investor analyses provide information on Pohjola as an investment object. The following analysts, among others, monitor and assess Pohjola:

ABG Securities	Anders Brege	Tel. +44 171 9055 600
Alfred Berg	Ronny Ruohomaa	Tel. +44 171 786 0811
Carnegie	Martin Gottlob	Tel. +45 32 88 0335
Conventum	Bengt Dahlström	Tel. +358 9 5499 3315
Dresdner Kleinwort Benson	Michael Broom	Tel. +44 171 475 2337
Erik Penser	Håkan Persson	Tel. +46 8 463 8000
Fox-Pitt, Kelton Ltd.	William Hawkins	Tel. +44 171 377 6227
Fox-Pitt, Kelton Ltd.	Bob Yates	Tel. +44 171 377 8929
Gartmore	Dae Levy	Tel. +44 171 782 2226
Goldman Sachs	Giovanni Govi	Tel. +44 171 774 2526
Merita Pankkiiriliike Oy	Elina Timonen	Tel. +358 9 1234 0320
Merrill Lynch	Andrew Mitchell	Tel. +44 171 772 1000
Morgan Stanley	Espen Nordhus	Tel. +44 171 425 6612
NatWest Securities	Mark Cathcart	Tel. +44 171 885 6355
Schroders Securities	Richard Urwick	Tel. +44 171 658 3033
Schroders Securities	Roberto Cervesi	Tel. +44 171 658 3137