Tapiola Insurance Group

ANNUAL REPORT 1998

TAPIOLA

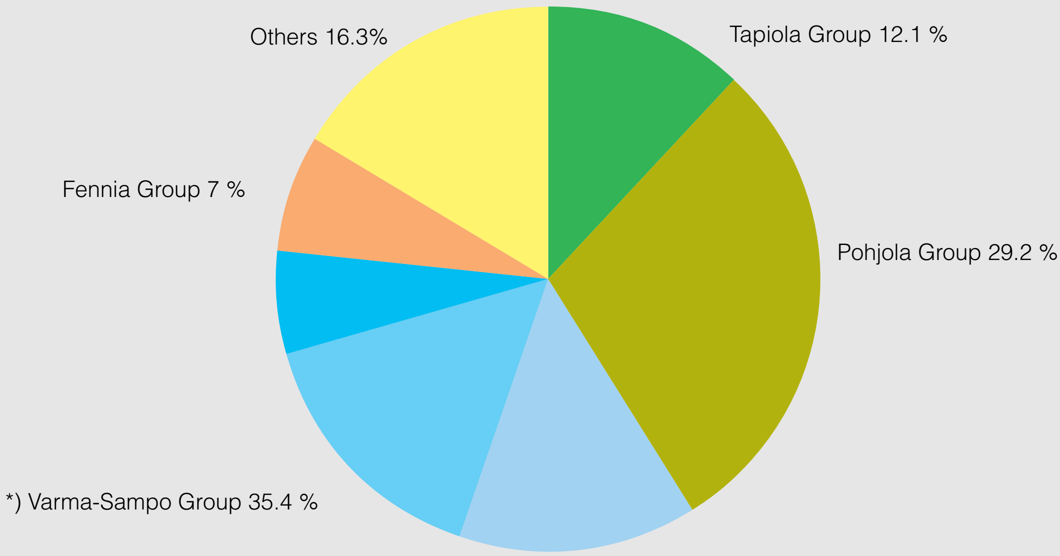
Contents

The official financial statements of all the companies belonging to the Tapiola Insurance Group are available at the head office, Revontulentie 7, Espoo. The Annual Report may be ordered by calling +358 9 4531 or by faxing +358 9 453 2920 our information department.

THIS IS TAPIOLA

MARKET SHARES OF DIRECT INSURANCE 1998

Preliminary figures
Gross premiums written by all company groups
FIM 55 billion



* Including the part of Pension-Varma's pension insurance portfolio that was the subject of a restructuring arrangement and is included in Pension-Fennia's financial statement. It was transferred to Varma-Sampo on 1.7.1998.

Tapiola is a group of mutual insurance companies owned by its customers. The profits of the Tapiola Insurance Group are mainly used for policyholder bonuses, premium discounts and solvency accumulation. In a mutual life insurance company, funds that increase the company's solvency are accumulated entirely for the benefit of the policyholders, since they are the owners of the company.

TAPIOLA'S VALUES

Tapiola's business idea is to promote the economic welfare of its policyholding owners. This business idea is supported by Tapiola's values: policyholder benefit, entrepreneurship and ethical operation. In a company owned by its customers it is natural to operate in an entrepreneurial manner and in accordance with ethical principles.

The concept of policyholder benefit encompasses both mutuality and individual responsibility.

Entrepreneurship requires Tapiola's employees, both individually and collectively, to strive for good results by operating vigilantly, responsibly and with initiative in changing conditions, while preserving their professionalism, quality consciousness and cost effectiveness.

In addition to compliance with laws, regulations and agreements, operating in accordance with ethical principles involves openness, dependability and fairness, and requires that all of the company's employees treat customers, colleagues and other interest groups as they themselves would hope to be treated. Emphasising ethical values in the company's operations means caring, accepting responsibility and respecting people.

COMPANIES OF THE TAPIOLA INSURANCE GROUP

The Tapiola Insurance Group is made up of companies engaged in non-life insurance, life assurance and pension insurance. It was established on 18.6.1982, when the supervisory boards of its predecessor companies decided on a merger. The Tapiola Insurance Group has been operating since 1984.

The third largest insurance group in Finland, Tapiola comprises four insurance companies: Tapiola General Mutual Insurance Company or Tapiola General, Tapiola Mutual Pension Insurance Company or Tapiola Pension, Tapiola Mutual Life Assurance Company or Tapiola Life, and Tapiola Corporate Life Insurance Company Ltd.

TAPIOLA GENERAL

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

The Tapiola General Group includes Alma Insurance Company Ltd, which administers ceased reinsurance agreements, and Tapiola Data, which provides the group with IT services.

Tapiola General's result for 1998 was excellent. Market share and premiums written both rose. The loss ratio and the expense ratio improved. Net investment income was good and the company strengthened its solvency.

TAPIOLA PENSION

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

The result for Tapiola Pension in 1998 was excellent. Market share and solvency both improved.

TAPIOLA LIFE AND TAPIOLA CORPORATE LIFE

Tapiola's life insurance companies are engaged in individual pension insurance, group pension insurance, individual life insurance, optional group life insurance and capitalisation agreements.

The 1998 result for Tapiola Life was good and that of its group company Tapiola Corporate Life was very satisfactory. Tapiola Life's premiums written fell in single-premium business, but rose in continuous premium classes. The expense ratio weakened somewhat. The solvency of both life insurance companies was strengthened. Market share fell due to the absence of pension fund or foundation dissolutions.

TAPIOLA'S PARTNERS

Tapiola co-operates with Turva Mutual Insurance Company. According to the agreement between the companies, Turva sells Tapiola's employment pension insurances and voluntary life and pension insurances in addition to its own non-life insurances.

Tapiola has a partner in each of the Scandinavian countries. Tapiola engages in project-based and information exchange collaboration with Länsförsäkringar Wasa of Sweden, Gjensidige NOR of Norway and Almindelige Brand and Östifterne of Denmark.

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

REVIEW BY THE PRESIDENT

ANOTHER RECORD-BREAKING YEAR

The Tapiola Insurance Group's combined result of FIM 1.1 billion for the 1998 financial year is the best in its entire history. The FIM 1 billion barrier was broken for the first time and all the companies of the group improved their results. Premiums written in the Tapiola Insurance Group rose 8.3% to the FIM 6.8 billion. Turnover rose 11.8 % to FIM 9.6 billion from FIM 8.6 billion in the previous year.. The overall development of market shares was also favourable.

Implementation of Tapiola's growth strategy was continued throughout the group on a broad front. The sales, marketing and regional services unit, which was formed in February 1998 with the aim of developing a more customer-centred service, has made a good start to its work. The sales results of the regional organisation exceeded the targets set in all of Tapiola's companies. Targets associated with the regional distribution of functions will be adjusted during this spring, and progress is also being made in the development of electronic trading.

The management teams of the corporate and private customer service units are playing a key role in the development of a more customer-centred service. The provision of a fully integrated service package is essential for the customer, even though there are juridically separate non-life, life and pension companies in the background. The customer can leave Tapiola to worry about maintaining appropriate and comprehensive insurance cover.

Companies account for 76.8 per cent of the group's premiums written, so generating value added for corporate clients is a key area of emphasis. Tapiola has focused on this market segment by developing a service package designed especially for companies. For private households, the benefits of mutuality take concrete form as policyholder bonuses, which have had a positive effect on customer loyalty. The number of Tapiola's policyholding owners rose by 50,000 in 1998.

Networking is viewed in Tapiola as a new opportunity. In order to expand the scope of its membership benefits, the S Group, a leading Finnish retailing co-operative, invited a number of insurance companies to compete for the marketing channel to its members. Having won the competition, Tapiola has the opportunity to reach over half a million households, which, as members of the S Group, can now accumulate bonus points on the premiums of Tapiola's non-life insurances. Co-operation with Turva Mutual Insurance Company has continued in a good spirit. Turva's own range of non-life products is augmented by Tapiola's pension and life insurances. Co-operation between Tapiola and Turva, on the one hand, and the trade unions, on the other, has made a promising start. An increasing number of trade unions has joined the Tapiola Insurance Group as owners of Turva's guarantee capital.

In the ten-year period 1989 –1998, Tapiola has provided its policyholding owners with price benefits worth about FIM 2.7 billion. Premium discounts on statutory insurances totalled FIM 1.2 billion, policyholder bonuses and index increments on life insurances FIM 1.1 billion, and agreement dis-

KEY FIGURES

COMBINED FIGURES FOR THE GROUPS OF TAPIOLA COMPANIES

	1998 FIM Mio	1997 FIM Mio	Change FIM Mio	%
Turnover	9 631	8 611	1 020	11.8
Gross premiums written	6 793	6 272	520	8.3
Claims expenditure	5 949	5 542	406	7.3
Operating costs	571	512	59	11.5
Investments, book value	32 782	29 408	3 375	11.5
Investments, current valua	37 717	33 116	4 602	13.9
Equity	589	386	203	52.4
Technical provisions	161	290	-129	- 44.5
Reserves	33 739	30 846	2 893	9.4
Balance sheet total	35 553	32 442	3 111	9.6

counts and the owner-customer programme FIM 350 million.

The insurance industry as a whole developed favourably in 1998. Economic growth and changes in saving behaviour and social security supported volume growth of the insurance business. The positive development of both results and solvency was largely based on excellent stock market performance.

Major changes in the world economy have been reflected in the Finnish insurance industry and have put the harmony of the insurance system under severe strain. Our largely statutory system has strong social ties, and until recent years all Finnish insurance companies, regardless of their form of incorporation, have operated largely in accordance with the principles of mutuality or customer-centred service. Adjusting to these changes have been a stiff test for the companies' administrative bodies and the industry's supervisory authorities.

In its investment activities the Tapiola Insurance Group stopped purchasing equities in early 1998, while preparing to re-enter the market in the event of fall-ing prices. This proved to be a successful solution. In the future, investment risk management will pose a major challenge for the Tapiola Insurance Group and indeed the entire financial services sector. This challenge will manifest itself as a reinvestment problem in circumstances where the possibility of market disruption is great.

In striving to increase the equity investments of the employment pension companies, we should avoid mechanisms that will exacerbate the cyclical nature of investment. Unfortunately, the thinking does not seem to be going in that direction as regards the determination of the technical interest rate or price fluctuation limits. In addition, two companies are so large that use of the averaging method leads to their operations largely defining the norms that apply to the other companies, thereby weakening the predictability of the operating framework.

The companies of the Tapiola Insurance Group have been able to create for themselves a good level of solvency, and to maintained their insurance businesses in good condition. However, unlike joint stock companies, mutual non-life and life insurance companies cannot raise the capital required to cover investment risks in a tax-neutral way. The political lobbying work necessary to remedy this situation has been undertaken.

Ultimately, all companies serve their owners. Customer ownership suits the nature of the insurance business, especially in the case of statutory insurance. In a small market it is also important for efficient competition that the role of insurance plays an adequate role in the guidance of customers. In the development of our co-operation with Länsförsäkringar Wasa of Sweden, Gjensidige NOR of Norway, and Almindelige Brand and Östifterne of Denmark, we and our partners strive to ensure that mutuality is able to maintain healthy competition in the extremely concentrated markets on the Nordic countries.

Nordic co-operation is also a natural path for Tapiola to take in ensuring its international competitiveness. Indeed, the same approach appears to be appropriate for wider development, too. Tapiola's strategy is to be the pillar of mutuality in Finland, which means emphasising the role of not only customers but owners as well.

I would like to express my appreciation to our owner-customers for the confidence that they have shown in us, which is evident from the considerable growth in their numbers. We will continue to work purposefully to respond more sensitively to their needs and to promote their interests. I must also thank the personnel of the Tapiola Insurance Group for their excellent work and the fruits that it has borne. We will continue to focus on the long-term accumulation of the group's human capital – the core of success in the service industry and a challenge for the development of our management culture. My thanks also go to the Group's administrative bodies for their important contribution to our success.

Tapiola, 22nd March 1999

Asmo Kalpala
Tapiola Insurance Group
President

TAPIOLA
GENERAL MUTUAL
INSURANCE COMPANY

ANNUAL REPORT 1998

TAPIOLA

Faster growth for non-life insurance

The growth of non-life insurance in Finland accelerated in 1998. The premiums written from direct business in the industry as a whole rose by 11.9 per cent. Tapiola General's growth was slightly above the industry average at 13.2 per cent.

Tapiola General's performance was extremely good; in fact, the best in its history. The loss ratio improved, investment income rose substantially and operating expenses were kept down to their target level. The company's operating profit was 16.8 per cent of turnover. Tapiola General's market share of direct business rose to 13.2 per cent of the premiums written by the insurance companies and insurance associations.

Development in accordance with the company's basic strategy was continued by renewing the organisational structure and operating processes in order to improve quality and productivity. Practical application of the owner-customer programme and related publicity were among the most important areas of emphasis as far as corporate clients were concerned. In addition, a significant network co-operation agreement was made with the S Group, a leading Finnish retailing co-operative. Tapiola's new comprehensive motor insurance product, Tapiola Säästökasko, was well received by customers. The owner-customer programme and product renewals together with quality improvement efforts have significantly increased customer loyalty and played their part in ensuring growth of market share.

A new corporate insurance product offering the possibility to focus the property insurance portfolio and its correspondence with the company's needs was launched. The use of risk analyses was increased in order to ensure the correct extent of insurance cover. As a consequence of the changed competitive situation in statutory accident insurance, expertise resources and service capabilities were strengthened. This manifested itself as an increase in the sales of new accident insurances. From 1st January 1999, amendments to the Accident Insurance Act permitted company-specific pricing and opened up the Finnish market to foreign companies.

Foreign competition for corporate insurances will harden as more foreign companies enter the market and the broker network is further developed. However, it is unlikely that cross-border competition will intensify in the household segment of the market, where local service is an important factor. Experiences elsewhere in Europe also support this view. Competition will bring new and surprising features as principles change, difference kinds of networking increase, and electronic trading and services become more established. Sales and service channels will become more diverse, will function more as an integrated system, and will link up with the life cycle of the customer relationship in a way that is both more practical and more responsive to changing customer requirements.

The most important tasks for the near future include the further development of customer service, quality, staff expertise, business-critical information technology, and regional capabilities.

Pertti Heikkala
Managing Director
Tapiola General

Administration and auditors

SUPERVISORY BOARD

The term commences at the AGM.

Jarno Mäki 1997-2000
chairman, M.A.,
farmer, Hausjärvi
Pekka Weckman 1996-1999
deputy chairman,
industrial councilor, Vierumäki
Vesa Ekroos 1996-1999
board chairman, Espoo
Martti Haaman 1997-2000
industrial councilor, Helsinki
Veikko Hannus 1998-2001
welder, Kajaani
Tuomo Herrala 1998-2001
commercial councilor, Lappeenranta
Arto Hiltunen 1997-2000
managing director, Porvoon mlk
Heikki Ikonen 1997-2000
farmer, Nurmo
Kari Jalas 1998-2001
Dr.Pol.Sc., Helsinki
Matti Kavetvuo 1997-2000
mining councilor, Helsinki
Markku Koskinen 1997-2000
director, Järvelä
Raimo Leivo 1998-2001
managing director, Tampere
Jorma Lilja 1996-1999
managing director, Helsinki
Pekka Luukkainen 1998-2001
LL.M., Helsinki
Matti Oksanen 1996-1999
managing director, Espoo
Markku Olkinuora 1997-2000
managing director, Österskär
Seppo Paatelainen 1998-2001
managing director, Seinäjoki
Reino Penttilä 1997-2000
farmer, Nurmo
Pirkko Rantanen-Kervinen 1996-1999
managing director, Vantaa
Juhani Sormaala 1998-2001
managing director, Helsinki
Jorma Vaajoki 1997-2000
managing director, Kauniainen
Erkki Varis 1996-1999
managing director, Rauma
Olli Vuorio 1998-2001
chief of police, Vihti

AUDITORS

Mauno Tervo
B.Sc. (Econ.), C.P.A.
SVH PricewaterhouseCoopers Oy,
firm of certified public accountants,
responsible auditor
Ulla Holmström, B.Sc. (Econ.), C.P.A.

Deputy auditors
Jari Miikkulainen
M.Sc. (Econ, C.P.A.
Mirja Tonteri
B.Sc. (Econ.), C.P.A.

BOARD OF DIRECTORS

Asmo Kalpala
chairman, president
Pertti Heikkala
deputy chairman, managing director
Juhani Heiskanen
deputy managing director, sales, marketing
and regional services
deputy member until 31.1.1998,
member as from 1.2.1998
Pentti Koskinen
director, actuarial services
Tom Liljeström
managing director
Deputy members
Per-Olof Bergström
deputy managing director, non-life insurance
Antti Calonius
director, major clients services, international
direct insurance and reinsurance
Jari Eklund
director, investment services
Markku Paakkanen
director, economy services as from 1.2.1998

Annual report 1998

Tapiola General had a successful year in 1998 from the standpoint of both business operations and finances. The company's result was excellent and its risk-carrying capacity remained at a high level.

INSURANCE

DIRECT INSURANCE The gross premiums written for direct insurance totalled FIM 1,740 million, which was 13.2 per cent higher than the previous year's figure. The company paid direct insurance claims totalling FIM 1,190 million, which was 8.9 per cent higher than in the previous year. The loss ratio for direct insurance was 85.8 per cent, compared with 83.2 per cent in 1997.

Credit losses on premiums were FIM 16 million, compared with FIM 24 million in 1997.

The gross premiums written for statutory accident insurance rose by 27.0 per cent to FIM 401 million. The gross premiums written for this insurance class included a non-recurrent item of FIM 88 million representing supplementary technical provisions. The policyholder bonus included in the premiums was kept at 5 per cent. The profitability of this insurance class improved and was satisfactory. The profitability of other classes of accident insurance deteriorated but was still satisfactory.

Gross premiums written for motor third party liability insurance grew by 15.8 per cent to FIM 386 million. The profitability of the class remained at the previous year's level, and the loss ratio was 101.3 per cent.

The gross premiums written for comprehensive motor vehicle insurance rose by 8.0 per cent to FIM 294 million. The profitability of the class remained quite satisfactory.

The gross premiums written for fire, property, liability and legal expenses insurances were FIM 551 million, which was 7.0 per cent higher than in the previous year. Profitability was very satisfactory. The gross premiums written for home insurances were FIM 224 million and profitability was good. The premiums written for farm insurance rose to FIM 120 million from the previous year's level of FIM 119 million. The profitability of farm insurance was also good. The premiums written for corporate and real estate insurance were FIM 227 million and profitability deteriorated to an unsatisfactory level. No major losses were incurred.

REINSURANCE The gross premiums written for assumed domestic and foreign reinsurance were FIM 124 million, and the balance on the technical account before net investment income was a surplus of FIM 27 million.

The premiums written for domestic reinsurance were unchanged at FIM 100 million, and the balance on the technical account for domestic reinsurance before net investment income was a surplus of FIM 12 million.

The company continued to pursue a very cautious policy in underwriting foreign reinsurance business, and the premiums written were FIM 24 million. The balance on the technical account before net investment income was a surplus of FIM 14 million.

REINSURERS' SHARE The company did not incur any catastrophic losses, as a consequence of which the reinsurers' share was FIM 12 million, compared with FIM 17 million in the previous year.

TECHNICAL PROVISIONS The provision for outstanding claims grew by FIM 201 million. In addition to the development of losses, the provision for outstanding claims was increased by a total of FIM 32 million as the result of an adjustment to the rules for calculating the technical provisions for property, legal expenses, liability, accident and certain other insurance classes.

INVESTMENTS

Net investment income was FIM 513 million, compared with FIM 370 million in the previous year. This total represented 29.0 per cent of earned premiums, net of reinsurance. The corresponding percentage in 1997 was 23.3 per cent.

Dividend income rose from FIM 40 million to FIM 62 million.

Net dividend income was FIM 260 million, net realised gains on fixed assets FIM 197 million, and net income from investments in land and buildings FIM 47 million.

Writedowns totalling some FIM 61 million were made in respect of investments in shares and debt securities, the corresponding figure for the previous year having been FIM 20 million. Of the total, FIM 56 million related to shares and FIM 5 million to debt securities.

Cancellations of writedowns made in previous years totalled FIM 13 million, compared with FIM 23 million in 1997.

The book and current values of the company's investment assets at the end of the year were FIM 5,497 million and FIM 7,346 million, respectively.

Holdings of foreign investments, especially equities, were increased in the review year.

On 23rd November the Board of Directors decided to approve a ten-year maturity FIM 130 million subordinated loan to Tapiola Mutual LifeAssurance Company.

OPERATING EXPENSES AND ORGANISATION

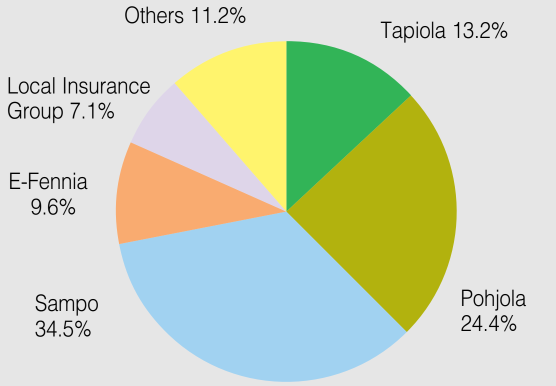
Net operating expenses as reported on the Profit and Loss Account were FIM 366 million, which was FIM 33 million higher than in the previous year. The ratio of operating expenses to premiums earned was 20.7 per cent, whereas the corresponding figure for the previous year was 20.9 per cent.

Gross operating expenses, which include depreciation charges of FIM 21 million, are appropriately allocated to different functions. Investment expenses include both direct and indirect expenses.

The company's staff administered all the business operations of the Tapiola Insurance Group during the review year. With the exception of the Managing Director and the Deputy Managing Director, the company's staff are employed not only by the company but

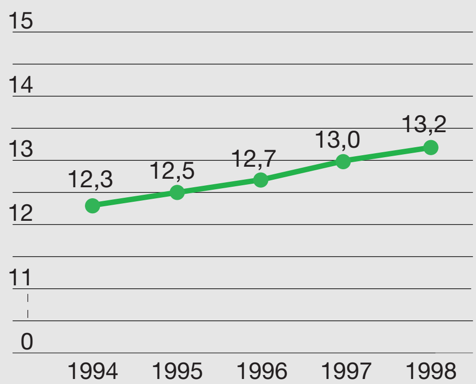
Market shares in direct non-life insurance 1998

Gross premiums written by insurance companies and associations FIM 13.2 billion

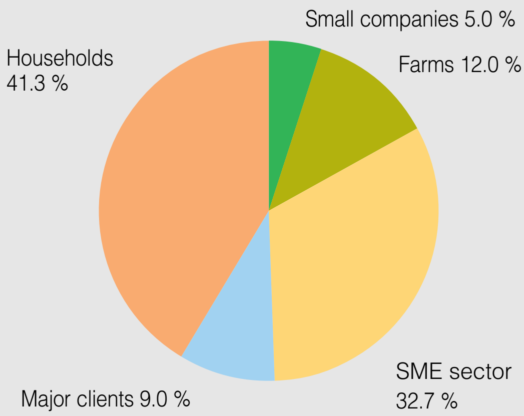


Development of market share in direct non-life insurance

Premiums written by associations included

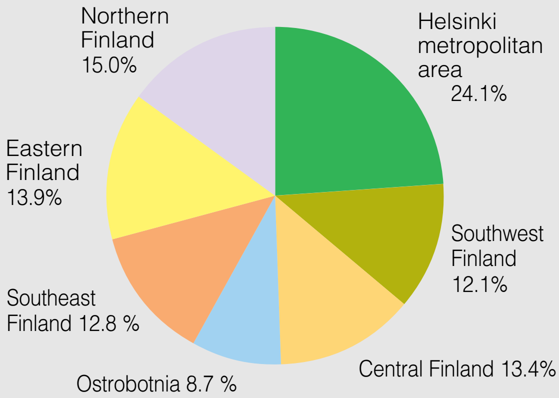


Tapiola General Premiums written by customer group 1998



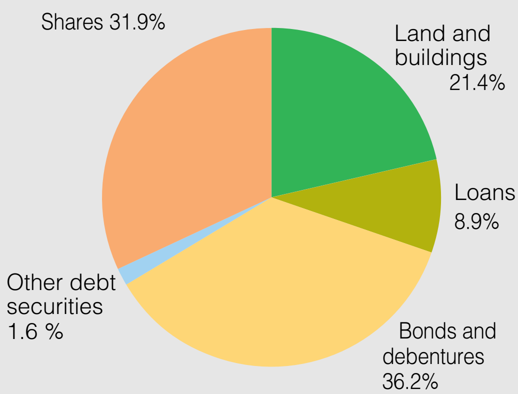
Tapiola General
Premiums written by geographical area 1998

Based on reported domicile of policyholders, including major clients



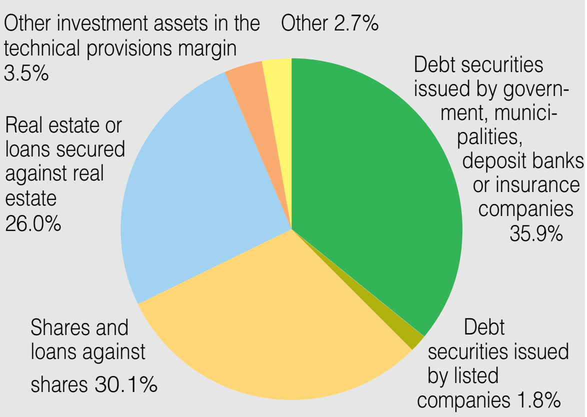
Investment assets

Current value at 31.12.1998 FIM 7 346 Mio



Tapiola General
Investment risk profile 31.12.1998

Current value at 31.12.1998



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

also by Tapiola Mutual Life Assurance Company and Tapiola Mutual Pension Insurance Company. Operating expenses are divided up among the group companies on the basis of amount of work involved in providing them with those services.

Salaries and commissions paid to members of the Supervisory Board, the Board of Directors and the Managing Director totalled FIM 2,853,710.00. Other salaries and commissions amounted to FIM 184,555,694.32, giving a combined total of FIM 187,409,404.32.

RESULT FOR THE ACCOUNTING PERIOD

The turnover for 1998 was FIM 2,617 million and the operating profit FIM 442 million, i.e. 16.9 per cent of turnover, compared with 14.2 per cent in the previous year. The result was excellent. Gross premiums written rose by 12.0 per cent.

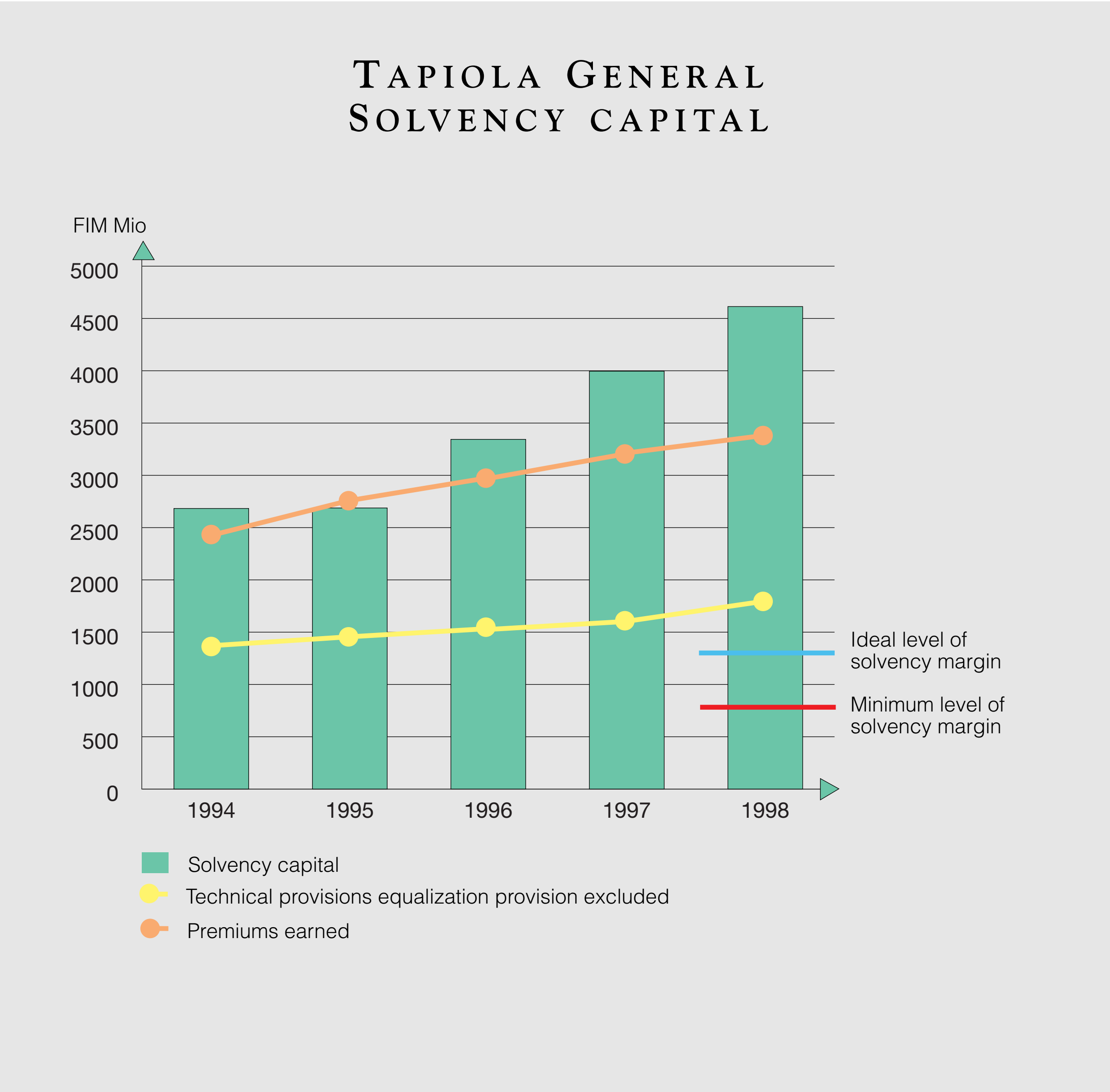
The balance on the technical account before the change in the equalisation provision was a deficit of FIM 67 million. The effect of exchange rates on the balance on the technical account was FIM +2.0 million, and on investment income FIM –0.6 million. The net effect of exchange rates on the company's result was therefore FIM +1.4 million. The loss ratio, i.e. the ratio of earned premiums to claims incurred, was more or less unchanged from the level of the previous year at 83.0 per cent. The combined ratio, which also takes account of operating expenses, declined accordingly from 104.0 per cent to 103.7 per cent.

The equalisation provision grew by FIM 229 million to FIM 2,180 million.

The current values of the solvency margin and solvency capital at the end of the year were FIM 2,307 million and FIM 4,488 million, respectively. The solvency capital grew by FIM 645 million. The risk-carrying capacity, which describes the company's solvency, was 254 per cent, compared with 242 per cent in the previous year.

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

The full amount of depreciation permitted under the Business Taxation Act, i.e. FIM 25 million, was charged according to plan.



The increase in the general guarantee item for statutory accident insurances was FIM 2.7 million.

During the accounting period, FIM 328,500.00 was paid from the contingency reserve in the form of donations for generally beneficial purposes.

The company's share of the profit-sharing payment transferred to the Staff Fund of the Tapiola Insurance Group was FIM 3,248,276.00. It has been calculated according to the maximum amount and is included in the Profit and Loss Account under other expenses. The Board of Directors recommends that the surplus of FIM 151,765,115.29 be appropriated so that FIM 151,500,000.00 be transferred to the security reserve and FIM 265,115.29 be transferred to the contingency reserve.

The Balance Sheet showed assets totalling FIM 6,225,918,943.16, compared with FIM 5,634,273,879.39 at the end of the previous year.

Tapiola General Group
Key financial indicators

	1998	1997	1996	1995	1994
SCALE OF OPERATIONS					
Gross premiums written, FIM Mio	1 863	1 669	1 572	1 524	1 479
Turnover, FIM Mio	2 628	2 227	2 162	1 906	1 971
LOSSES					
Loss ratio, %	82.8	85.2	81.9	83.6	83.5
EFFICIENCY					
Expense ratio, %	20.7	21.1	20.0	22.1	20.1
PERFORMANCE					
Combined ratio, %	103.5	106.2	101.9	105.7	103.6
Operating profit, FIM Mio	442	302	316	131	194
Operating profit as percentage of turnover	16.8	13.6	14.6	6.9	9.8
Profit or loss before extraordinary items, appropriations and taxes, FIM Mio	213	35	153	–19	–0.1
Return om equity (ROE), %	17.7	20.0	46.1	8.6	–1.9
Return on assets (ROA), %	9.3	9.9	14.2	5.5	4.9
SOLVENCY					
Solvency capital, FIM Mio	4 614	3 996	3 344	2 688	2 683
Solvency capital as percentage of technical provisions	136.9	126.7	112.4	97.4	108.8
Risk-carrying capacity, %	260.9	251.4	221.2	184.5	192.1
Equity to assets ratio, %	29.5	27.3	24.4	17.6	17.3

The definitions of the concepts and the formulae for the financial indicators are presented in the Readers' Guide on page 162.

Consolidated financial statements

The Tapiola General Group comprises the parent company, Tapiola General Mutual Insurance Company, and its subsidiaries: Alma Insurance Company Ltd, Tapiola Safety, Tietotyö Oy, Aura-Karelia Oy, Tapiola Data, Tapiola Book Entry Securities, and 50 housing and real estate companies.

The group's associated companies are Vakuutusneuvonta Aura Oy, Vakuutusneuvonta Pohja Oy, Kehitysyhtiö Botnia Oy and Suomen Vahinkotarkastus Oy. The associated company Turva Mutual Insurance Company is not consolidated in these financial statements.

INSURANCE

GROSS PREMIUMS WRITTEN The group's gross premiums written amounted to FIM 1,863 million, which was 11.6 per cent higher than in the previous year. Direct insurance accounted for FIM 1,740 million of the gross premiums written.

CLAIMS INCURRED The claims incurred by the group amounted to FIM 1,464 million. Of this amount, claims paid totalled FIM 1,308 million, which was 5.9 per cent higher than in the previous year.

REINSURANCE The group's gross premiums written for assumed reinsurance were FIM 123 million, which was 10 million lower than in the previous year. Reinsurance accounted for 6.6 per cent of the group's gross premiums written.

Claims paid in respect of assumed reinsurance business amounted to FIM 119 million, 15.0 per cent lower than in the previous year.

REINSURERS' SHARE The reinsurers' share of the result was FIM +11 million, compared with FIM -10 million in the previous year.

INVESTMENTS

The net investment income was FIM 509 million. The corresponding net result for the previous year was FIM 399 million. Realised gains and losses on investments and fixed assets were FIM 269 million and FIM 73 million, respectively.

On 23rd November the Board of Directors of the group's parent company decided to approve a ten-year maturity FIM 130 million subordinated loan to Tapiola Mutual Life Assurance Company.

OPERATING EXPENSES

The group's operating expenses totalled FIM 366 million, which was 19.3 per cent higher than in 1997.

There was a 10.5 per cent rise in salaries and commissions.

The average number of people employed by Tapiola General and the group during the review year was 1,703. This was 45 more employees than the average for the previous year.

RESULT FOR THE ACCOUNTING PERIOD

Depreciation totalling FIM 74 million was charged according to plan. This total included a FIM 0.3 million depreciation charge on goodwill. The increase in the depreciation difference was FIM 3 million. The credit loss reserve in respect of receivables other than premiums was brought into line with the full amount.

The change in the depreciation difference and optional reserves as well as the depreciation difference and optional reserves are divided among deferred tax liability, minority interests and capital and reserves.

The surplus for the accounting period was FIM 153,793,867.89, of which the minority interest was FIM 625,975.66. The Balance Sheet showed assets totalling FIM 6,481,106,499.89.

Tapiola General Group
Performance analysis

FIM Mio	1998	1997	1996	1995	1994
Premiums earned	1 769	1 590	1 516	1 456	1 397
Claims incurred	–1 464	–1 354	–1 241	–1 217	–1 167
Operating expenses	–366	–335	–304	–322	–281
Change in provision for joint quarantee system	–3	–	–	–	–
BALANCE ON TECHNICAL ACCOUNT BEFORE THE CHANGE IN THE EQUALIZATION PROVISION	–65	–99	–29	–83	–51
Net investment income and expenses	509	399	357	218	247
Other income and expenses, net	3	2	–13	–3	–2
Share of profits and losses in associated undertakings	1	1	0	–1	0
OPERATING PROFIT	442	302	316	131	194
Change in equalization provision	–229	–267	–153	–149	–194
Revaluation of investments and their adjustments	–	–	–10	–	–
PROFIT OR LOSS BEFORE EXTRAORDINARY ITEMS, RESERVES AND TAXES	213	35	153	–19	0
Extraordinary income	–	67	127	193	0
Extraordinary expenses		–67	–159	–210	0
LOSS OR PROFIT BEFORE APPROPRIATIONS AND TAXES	213	35	122	–36	0

REAL ESTATE PORTFOLIO, INCOME AND VACANT PREMISES AT 31.12.1998

REAL ESTATE PORTFOLIO, FIM 1 000

Current value	2 049 395
Book value and loans	1 387 930
Valuation difference	661 465

Type of real estate	Current value FIM 1 000	Current value FIM/m^2	Net yield FIM 1 000	Net yield %	Potential net yield*)	Vacant floor area, m^2	Vacancy rate
Non-residential premises							
Commercial and office premises							
- rented to outside parties	644 662	8 913	34 769	5.4	5.8	72 331	4.6
- in own use **)	284 409	8 107	23 228	8.2	8.2	35 083	0.0
Industrial premises	160 320	3 998	7 971	5.0	5.5	40 097	1.1
Hotels	261 160	7 363	21 115	8.1	8.1	35 471	2.0
Total	1 350 551	7 381	87 083	6.4	6.7	182 982	2.4
Residential buildings ***)	428 185	6 152	20 962	4.9	5.1	69 596	3.4
Other properties and premises							
Under construction and acquired mid-year	212 258						
Undeveloped plots	17 949						
Forest holdings	4 215						
Shares in real estate investment companies	36 237						
Total	270 659					26 272	
REAL ESTATE PORTFOLIO	2 049 395					278 850	

*) The potential net yield is augmented by imputed gross rent for the vacant premises, which averages FIM 46/m^2/month

**) The imputed gross rent for premises in Tapiola's own use averages FIM 80/m^2/month

***) The net income from residential premises is augmented by a government interest subsidy of FIM 1 385 000

Additonally interest subsidy for plots under construction FIM 203 000

The average vacancy rate over the year for non-residential premises was 3.6%.

Financial Analysis

1 000 FIM	Parent company		Group	
	1998	1997	1998	1997
Source of funds:				
Cash flow financing				
Profit (Loss) before interest expenses, extraordinary items, appropriations and taxes	213 086	41 870	212 733	35 219
Extraordinary income and expenses	-	-	-37	-
Adjustment items				
Change in technical provisions	463 816	442 862	446 738	480 227
Investment devaluations and revaluations	47 671	-3 116	43 954	-226
Depreciation	24 613	21 146	74 008	55 871
	749 186	502 762	777 396	571 091
Capital financing				
Increase in minority interest	-	-	692	57 702
Optional reserves	-	-	-33 779	1 443
Increase in equity	-	-	26 858	-
	-	-	-6 229	59 145
Source of funds, total	**749 186**	**502 762**	**771 167**	**630 236**
Application of funds:				
Profit distribution				
Taxes	59 464	34 955	59 529	34 967
Interest on guarantee capital	630	840	630	840
Other profit distribution	329	189	329	189
	60 423	35 984	60 487	35 996
Investments				
Increase in investments (net)	631 250	355 829	564 449	509 057
Increase in tangible and intangible assets (net)	30 096	22 022	72 487	23 332
	661 346	377 851	636 936	532 389
Repayments of capital				
Decrease in long term capital	-	-	-	9 979
Application of funds, total	**721 768**	**413 836**	**697 423**	**578 364**
Increase/Decrease in working capital	**27 417**	**88 927**	**73 744**	**51 872**
Change in working capital				
Change in receivables	55 764	13 241	46 427	-11 912
Change in cash at bank and in hand	10 471	1 383	18 674	-2 641
Change in prepayments and accrued income	-63 651	17 880	-63 488	17 016
Change in deposits received from reinsurers	15	31	150	153
Change in amounts owed	19 182	29 179	104 656	20 137
Change in accruals and deferred income	5 637	27 213	-32 674	29 119
Increase/Decrease in working capital	**27 417**	**88 927**	**73 744**	**51 872**

Profit and Loss Account

1 000 FIM		Parent company		Group	
Technical account:		1998	1997	1998	1997
Premiums written					
Premiums written	*1	1 846 897	1 638 738	1 846 802	1 645 210
Reinsurers' share		-43 257	-36 826	-43 497	-40 883
		1 803 640	1 601 912	1 803 305	1 604 327
Change in provision for unearned premiums		-33 832	-14 463	-33 305	-14 463
Reinsurers' share		-688	-141	-688	-141
		-34 520	-14 604	-34 520	-14 604
		1 769 120	1 587 308	1 768 785	1 589 723
Claims incurred					
Claims paid		-1 289 131	-1 204 994	-1 308 299	-1 235 082
Reinsurers' share		18 488	13 040	24 558	44 977
		-1 270 643	-1 191 954	-1 283 742	-1 190 105
Change in provision for outstanding claims		-201 091	-127 006	-179 355	-162 717
Reinsurers' share		3 447	580	-1 211	-1 075
		-197 644	-126 426	-180 566	-163 792
		-1 468 287	-1 318 380	-1 464 308	-1 353 897
Change in provision for joint guarantee system		-2 694	-	-2 694	-
Net operating expenses	3	-365 628	-332 332	-366 476	-335 151
Balance on the technical account before the change in the equalization provision		**-67 489**	**-63 403**	**-64 693**	**-99 325**
Change in the equalization provision		-228 958	-267 082	-228 958	-267 082
Balance on the technical account	2	**-296 447**	**-330 485**	**-293 651**	**-366 407**
Non-technical account:					
Investment income	4	787 269	515 126	797 598	566 904
Investment charges	4	-274 126	-144 913	-288 690	-167 661
		513 143	370 213	508 908	399 243
Other income					
Decrease in goodwill		-	-	-	6
Others		393	5 136	1 198	5 160
		393	5 136	1 198	5 166
Other expenses					
Depreciation on consolidation goodwill		-	-	-326	-586
Others		-4 004	-2 994	-4 072	-3 045
		-4 004	-2 994	-4 398	-3 631
Direct taxes on ordinary activities					
Taxes for the accounting period		-59 517	-35 120	-58 443	-35 131
Taxes from previous years		53	164	12	164
Change in deferred tax		-	-	-1 098	-
		-59 464	-34 956	-59 529	-34 967
Share of participating interests' losses after taxes		-	-	677	848
Profit/Loss on ordinary acticities after taxes		**153 621**	**6 914**	**153 205**	**252**

*Reference number in the Appendices

Profit and Loss Account

1 000 FIM	Parent company		Group	
	1998	1997	1998	1997
Extraordinary income and expenses				
Extraordinary income				
Premiums written	-	14 407	-	14 407
Claims paid	-	20 343	-	20 343
Change in the equalization provision	-	32 603	-	32 603
	-	67 353	-	67 353
Extraordinary expenses				
Change in general guarantee items	-	-67 353	-	-67 353
Others	-	-	-37	-
	-	-67 353	-37	-67 353
	0	0	-37	0
Profit after extraordinary items	**153 621**	**6 914**	**153 168**	**252**
Decrease/Increase in depreciation difference	-279	-278	0	-2 196
Increase/Decrease in optional reserves	-1 577	83 485	0	83 664
	-1 856	82 207	0	81 469
Profit for the accounting period before minority interest	**151 765**	**90 121**	**153 168**	**81 720**
Minority interest in the profit for the accounting period	-	-	626	-177
Profit for the accounting period/ Group profit for the accounting period	**151 765**	**90 121**	**153 794**	**81 543**

APPENDICES TO THE PROFIT AND LOSS ACCOUNT

1 000 FIM	Parent company		Group	
	1998	1997	1998	1997
1 Premiums written				
Direct insurance				
Domestic	1 739 963	1 536 490	1 739 963	1 536 490
Reinsurance	123 513	126 533	123 418	133 004
Gross premiums written	**1 863 381**	**1 663 023**	**1 863 248**	**1 669 495**
Credit loss on premiums	-16 446	-24 285	-16 446	-24 285
Premiums written before reinsurers' share	**1 846 935**	**1 638 738**	**1 846 802**	**1 645 210**
Premiums tax and other transferred charges				
Premium tax	-260 931	-243 788	-260 931	-243 788
Fire brigade charges	-5 513	-5 526	-5 513	-5 526
Traffic safety payments	-4 925	-4 937	-4 925	-4 937
Industrial safety charges	-5 531	-5 194	-5 565	-5 194
Payment under Sec. 58 of the Employment Accident Insurance Act				
Government medical expenses fee	-41 055	-37 869	-41 154	-37 869
Total	**-317 955**	**-297 314**	**-317 955**	**-297 314**

1 000 FIM **Parent company**

2 Result by group of insurance class

Group of insurance class		Gross premiums written before credit losses and reinsurers' share	Gross premiums earned before reinsurers' share	Claims incurred before reinsurers' share	Gross operating expenses (before reinsurers' commissions and profit participations)	Reinsurers' share	Balance on the technical account margin before net investment income
Statutory accident	98	401 470	396 326	-371 728	-36 661	-85	-12 149
	97	315 904	307 996	-307 576	-29 621	-116	-29 318
	96	276 666	267 227	-248 370	-30 669	-123	-11 935
Other accident and illness	98	71 925	69 849	-48 535	-24 758	-111	-3 556
	97	64 754	63 954	-41 838	-22 350	-118	-352
	96	63 284	65 098	-40 047	-22 088	-130	2 833
Motor third party liability	98	385 657	357 324	-361 750	-74 727	-312	-79 465
	97	333 078	316 852	-318 155	-62 084	-360	-63 747
	96	308 804	290 796	-345 031	-41 967	-365	-96 567
Land vehicles	98	294 133	284 133	-215 101	-58 883	-487	9 663
	97	272 451	265 186	-195 169	-50 960	-500	18 558
	96	255 057	255 155	-172 311	-43 000	-522	39 321
Ships and aircraft, railway rolling stock and transport	98	34 298	34 152	-14 411	-6 600	-1 505	11 635
	97	33 981	33 155	-16 099	-7 866	235	9 424
	96	30 133	30 158	-20 189	-3 709	-1 832	4 428
Fire and other damage to property	98	411 660	406 114	-288 965	-95 815	-14 747	6 587
	97	402 318	396 367	-285 017	-99 103	-12 163	85
	96	395 827	405 040	-260 913	-110 055	-20 345	13 726
Liability	98	97 097	96 510	-94 344	-25 639	4 185	-19 288
	97	72 291	73 472	-47 245	-19 622	-3 036	3 568
	96	66 225	64 819	-53 163	-7 886	-2 909	861
Credit and suretyship	98	1 375	1 202	8 516	-110	-337	9 270
	97	1 328	2 016	8 835	-172	-279	10 400
	96	2 565	2 722	4 419	-266	381	7 256
Legal expenses	98	25 849	27 941	-34 068	-8 431	0	-14 558
	97	26 400	25 983	-22 071	-7 952	0	-4 039
	96	24 966	24 911	-14 803	-2 651	0	7 457
Others	98	16 366	15 606	-11 274	-2 839	-1 218	275
	96	13 985	13 601	-3 865	-2 409	-1 341	5 985
	96	13 770	14 343	-3 154	-1 513	-1 536	8 139
Direct Insurance, total	98	**1 739 830**	**1 689 156**	**-1 431 661**	**-334 464**	**-14 618**	**-91 586**
	97	**1 536 490**	**1 498 581**	**-1 228 201**	**-302 139**	**-17 678**	**-49 436**
	96	**1 437 297**	**1 420 269**	**-1 153 563**	**-263 804**	**-27 381**	**-24 480**
Reinsurance	98	123 513	123 909	-58 561	-40 950	2 393	26 791
	97	126 533	125 694	-103 800	-36 985	1 128	-13 964
	96	131 599	129 776	-90 210	-44 664	2 020	-3 078
Total	98	**1 863 343**	**1 813 065**	**-1 490 222**	**-375 413**	**-12 225**	**-64 795**
	97	**1 663 023**	**1 624 275**	**-1 332 001**	**-339 125**	**-16 550**	**-63 400**
	96	**1 568 896**	**1 550 045**	**-1 243 773**	**-308 468**	**-25 361**	**-27 558**
Change in provision for joint guarantee system	98						-2 694
	97						-
	96						-
Change in equalization provision	98						-228 958
	97						-267 082
	96						-153 013
Balance on the Technical Acc.	98						**-296 447**
	97						**-330 485**
	96						**-180 571**

1 000 FIM — Group

2 Result by group of insurance class

Group of insurance class		Gross premiums written before credit losses and reinsurers' share	Gross premiums earned before reinsurers' share	Claims incurred before reinsurers' share	Gross operating expenses (before reinsurers' commissions and profit participations)	Reinsurers' share	Balance on the technical account margin before net investment income
Statutory accident	98	401 470	396 326	-371 728	-36 463	-85	-11 951
	97	315 904	307 996	-307 576	-30 524	-116	-30 221
	96	276 666	267 227	-248 370	-30 669	-123	-11 935
Other accident and illness	98	71 925	69 849	-48 535	24 624	-111	-3 422
	97	64 754	63 954	-41 838	-23 031	-118	-1 033
	96	63 284	65 098	-40 047	-22 088	-130	2 833
Motor third party liability	98	385 657	357 324	-361 750	-74 323	-312	-79 06
	97	333 078	316 852	-318 155	-63 976	-360	-65 639
	96	308 804	290 796	-345 031	-41 967	-365	-96 567
Land vehicles	98	294 133	284 133	-215 101	-58 564	-487	9 981
	97	272 451	265 186	-195 169	-52 513	-500	17 005
	96	255 057	255 155	-172 311	-43 000	-522	39 321
Ships and aircraft, railway rolling stock and transport	98	34 298	34 152	-14 411	-6 565	-1 505	11 671
	97	33 981	33 155	-16 099	-8 106	235	9 184
	96	30 133	30 158	-20 189	-3 709	-1 832	4 428
Fire and other damage to property	98	411 660	406 114	-288 965	-95 297	-14 747	7 105
	97	402 318	396 367	-285 017	-102 123	-12 163	-2 935
	96	395 827	405 040	-260 913	-110 055	-20 345	13 726
Liability	98	97 097	96 510	-94 344	-25 500	4 185	-19 149
	97	72 291	73 472	-47 245	-20 220	-3 036	2 970
	96	66 225	64 819	-53 163	-7 886	-2 909	861
Credit and suretyship	98	1 375	1 202	8 516	-110	-337	9 270
	97	1 328	2 016	8 835	-178	-279	10 395
	96	2 565	2 722	4 419	-266	381	7 256
Legal expenses	98	25 849	27 941	-34 068	-8 385	0	-14 512
	97	26 400	25 983	-22 071	-8 194	0	-4 282
	96	24 966	24 911	-14 803	-2 651	0	7 457
Others	98	16 366	15 606	-11 274	-2 823	-1 218	290
	97	13 985	13 601	-3 865	-2 483	-1 341	5 912
	96	13 770	14 343	-3 154	-1 513	-1 536	8 139
Direct Insurance, total	98	**1 739 830**	**1 689 156**	**-1 431 661**	**-332 655**	**-14 618**	**-89 777**
	97	**1 536 490**	**1 498 581**	**-1 228 201**	**-311 348**	**-17 678**	**-58 645**
	96	**1 437 297**	**1 420 269**	**-1 153 563**	**-263 804**	**-27 381**	**-24 480**
Reinsurance	98	123 418	123 814	-56 119	-43 608	3 692	27 778
	97	133 004	132 165	-169 599	-31 063	27 816	-40 680
	96	131 599	129 776	-90 210	-44 664	2 020	-3 078
Total	98	**1 863 248**	**1 812 970**	**-1 487 780**	**-376 263**	**-10 926**	**-61 999**
	97	**1 669 494**	**1 630 747**	**-1 397 799**	**-342 411**	**10 139**	**-99 325**
	96	**1 568 896**	**1 550 045**	**-1 243 773**	**-308 468**	**-25 361**	**-27 558**
Change in provision for joint guarantee system	98						-2 694
	97						-
	96						-
Change in equalization provision	98						-228 958
	97						-267 082
	96						-153 013
Balance on the Technical Acc.	98						**-293 651**
	97						**-366 407**
	96						**-180 571**

1 000 FIM	Parent company		Group	
	1998	1997	1998	1997

3. Specification of operating expenses

3.1 Total operating expenses by function

	1998	1997	1998	1997
Claims paid	68 706	66 986	70 571	68 599
Operating expenses	365 628	332 332	366 476	335 151
Investment charges	25 284	9 952	70 204	10 109
Other charges	4 004	2 994	4 398	3 631
Total	**463 621**	**412 264**	**511 649**	**417 490**

3.2 Depreciation by function

	1998	1997	1998	1997
Claims paid	705	793	705	793
Operating expenses	19 124	16 778	37 075	30 476
Investment charges	696	699	4 976	706
Other expenses	-	-	2 601	1 828
Total	**20 525**	**18 270**	**45 357**	**33 795**

3.3 Staff expenses

	1998	1997	1998	1997
Salaries and commissions	161 279	148 216	209 820	192 364
Monetary value of fringe benefits	6 101	5 724	7 421	6 997
Pension expenses	23 366	25 520	30 570	32 487
Other social expenses	15 545	14 837	22 617	20 695
Total	**206 290**	**194 297**	**270 430**	**252 542**
of which paid to the board of directors, the supervisory board and the managing director	2 854	1 541	3 266	1 999
Average number of personnel during the financial year	1 420	1 392	1 703	1 678

3.4 Operating expenses in Profit and Loss Account

	1998	1997	1998	1997
Insurance policy acquisition costs				
Commissions for direct insurance	28 896	24 627	28 896	24 046
Commissions for reinsurance assumed	34 545	30 301	34 418	31 063
Other insurance policy acquisition costs	140 697	114 268	141 152	114 268
	204 137	168 615	204 466	169 377
Insurance policy management expenses	89 014	96 374	90 301	97 479
Administrative expenses	82 261	74 139	81 495	75 554
Commissions for reinsurance ceded	-9 785	-6 796	-9 785	-7 260
Total	**365 628**	**332 332**	**366 476**	**335 151**

1 000 mk	Parent company		Group	
4 Analysis of net investment income	**1998**	**1997**	**1998**	**1997**
Income from investments:				
Income from investment in group companies				
Dividend income	4 167	-	-	-
Interest income	1 177	995	-	-
	5 343	995	-	-
Income from investments in land and buildings				
Group companies				
Interest income	17 299	16 139	-	-
Other income	1 414	1 414	-	-
	18 713	17 553	-	-
Other companies				
Interest income	315	6 130	315	6 428
Other income	140 578	119 452	156 563	149 391
	140 893	125 582	156 878	155 819
	159 606	143 135	156 878	155 819
Income from other investments				
Dividend income	57 726	40 028	57 764	40 122
Interest income	271 395	205 754	280 216	216 173
Other income	10 237	15 593	13 253	38 392
	339 358	261 375	351 233	294 687
Total	504 308	405 504	508 111	450 507
Devaluation cancellations	13 540	22 736	20 066	29 511
Realized gains on investments	269 421	86 886	269 421	86 886
Total	**787 269**	**515 126**	**797 598**	**566 904**
Investment expenses:				
Expenses for land and buildings				
Group companies	-79 407	-61 397	-	-
Others	-42 571	-46 684	-87 393	-86 068
	-112 978	-108 081	-87 393	-86 068
Expenses for other investments	-19 791	-8 143	-27 770	-4 044
Interest expenses and expenses on other liabilities				
Group companies	-320	-302	-	-
Others	-3 177	-2 655	-8 295	-7 974
	-3 496	-2 957	-8 295	-7 974
Total	-136 265	-119 181	-123 458	-98 086
Devaluations and depreciations				
Devaluations	-61 211	-19 620	-64 019	-29 285
Planned depreciation on buildings	-4 088	-2 804	-28 651	-36 981
	-65 299	-22 424	-92 670	-66 266
Realized losses on investments	-72 561	-3 308	-72 561	-3 309
Total	**-274 126**	**-144 913**	**-288 690**	**-167 661**
Net investment income before revaluations and their adjustments	**513 413**	**370 213**	**508 908**	**399 243**
Net investment income on the Profir and Loss Account	**513 143**	**370 213**	**508 908**	**399 243**
Avoir fiscal tax credit included in dividend income	15 235	10 426	15 235	10 426

BALANCE SHEET

1 000 FIM		Parent company		Group	
ASSETS		**1998**	**1997**	**1998**	**1997**
Intangible assets					
Consolidation goodwill		-	-	750	1 193
Other long-term expenses	9	53 427	47 703	61 819	50 976
		53 427	**47 703**	**65 569**	**52 169**
Investments	5				
Investment in land and buildings	6				
Land and buildings		907 370	865 706	1 322 942	1 256 763
Loans to group companies		343 439	280 766	-	-
		1 250 809	1 146 472	1 322 942	1 256 763
Investments in group companies and participating interests					
Shares and holdings in group companies	7	21 114	19 182	-	-
Loans from group companies		650	650	-	-
Other shares and variable-yield securities and units in unit trusts	7	39 171	38 686	40 649	38 234
		60 935	58 518	40 649	38 234
Other investments					
Shares and holdings	7	1 281 497	867 247	1 282 931	871 149
Debt securities		2 524 477	2 562 317	2 547 251	2 612 155
Loans guaranteed by mortgages		100 551	110 031	100 551	110 031
Other loans	8	205 532	94 261	205 532	94 261
Deposits		70 789	71 173	167 083	190 211
Other investments		-	3 437	6 375	5 408
		4 182 847	3 708 466	4 309 723	3 883 215
Deposits with ceding undertakings		2 805	4 449	12 209	15 466
		5 497 396	**4 917 905**	**5 685 523**	**5 193 678**
Debtors	12				
Arising out of direct insurance operations					
Policyholders		331 096	278 985	331 096	278 985
Arising out of reinsurance operations		28 060	35 436	40 090	55 096
Other debtors		154 861	143 832	137 674	128 353
		514 017	**458 253**	**508 861**	**462 434**
Other assets					
Tangible assets					
Equipment	9	17 962	14 263	63 053	46 578
Other tangible assets		-	-	3 209	2 954
		17 962	14 263	66 262	49 532
Cash at bank and in hand		28 149	17 678	42 820	24 146
Other assets		2 730	2 581		
		48 841	**34 523**	**109 082**	**73 678**
Prepayments and accrued income					
Interest and rents		88 941	147 876	89 198	148 895
Other prepayments and accrued income		23 297	28 014	25 875	29 665
		112 238	**175 890**	**115 073**	**178 560**
		6 225 919	**5 634 274**	**6 481 106**	**5 960 519**

Balance Sheet

1 000 FIM		Parent company		Group	
Liabilities		**1998**	**1997**	**1998**	**1997**
Capital and reserves	10				
Restricted					
Equivalent funds		40 879	40 879	40 879	40 879
Guarantee capital		10 500	10 500	10 500	10 500
Revaluation reserve	10	3 208	3 208	11 560	8 560
		54 587	54 587	62 940	59 940
Non-restricted					
Reserve fund		100	100	172	172
Security reserve		274 910	185 800	274 910	185 800
Contingency reserve		827	774	827	774
Other free funds		-	-	6	-
Share of reserves and depreciation difference transferred to capital and reserve		-	-	23 728	-
Group profits/losses for previous years		-	-	-24 684	-16 231
Profit for the accounting period		151 765	90 121	153 794	81 543
		427 602	276 795	428 752	252 058
		482 189	**331 382**	**491 692**	**311 998**
Minority interest				**60 365**	**60 299**
Reserves	11				
Accumulated depreciation difference		23 902	23 623	-	26 800
Optional reserves		6 590	5 013	-	6 979
		30 492	**28 636**	**-**	**33 779**
Technical provisions					
Provisions for unearned premiums		582 261	548 429	582 261	548 429
Reinsurers' share		-2 762	-3 450	-2 762	-3 450
		579 499	544 979	579 499	544 979
Provision for outstanding claims	14	2 728 353	2 527 263	2 821 268	2 641 913
Reinsurers' share	14	-24 197	-20 751	-31 206	-32 417
		2 704 156	2 506 512	2 790 062	2 609 496
Equalization provision		2 180 125	1 951 167	2 180 125	1 951 167
Change in provision for joint guarantee system		70 047	67 353	70 047	67 353
		5 533 827	**5 070 011**	**5 619 733**	**5 172 995**
Deposits received from reinsurers		**-**	**15**	**716**	**866**
Creditors	12				
Arising out of reinsurance operations		7 754	19 949	62 634	107 840
Pension loans		-	-	716	770
Deferred tax		-	-	10 556	-
Other creditors		65 075	72 062	79 661	149 613
		72 829	**92 011**	**153 567**	**258 223**
Accruals and deferred income		**106 582**	**112 219**	**155 033**	**122 359**
		6 225 919	**5 634 274**	**6 481 106**	**5 960 519**

APPENDICES TO THE BALANCE SHEET

1 000 FIM	Parent company	Group

5 Current value and valuation difference of investments
Investments 31.12.1998

	Parent company: Remaining acquisition cost	Parent company: Book value	Parent company: Current value	Group: Remaining acquisition cost	Group: Book value	Group: Current value
Investments in land and buildings						
Land and buildings	187 338	187 495	391 565	954 956	997 707	1 650 299
Group company shares	369 699	394 640	735 036			
Other real estate shares	314 904	325 235	442 235	314 904	325 235	442 235
Loans to group companies	343 439	343 439	343 439			
	1 215 380	1 250 809	1 912 275	1 269 860	1 322 942	2 092 534
Group companies						
Shares and other variable-yield securities and units in unit trusts	21 114	21 114	21 114			
Loans	650	650	650			
	21 764	21 764	21 764			
Participating interests						
Other shares and variable-yield securities and units in unit trusts	39 171	39 171	39 171	40 649	40 649	40 649
Other investments						
Shares and other variable-yield securities and units in unit trusts	1 281 497	1 281 497	2 285 111	1 282 931	1 282 931	2 286 716
Debt securities	2 524 477	2 524 477	2 707 538	2 547 251	2 547 251	2 707 538
Loans guaranteed by mortgages	100 551	100 551	100 551	100 551	100 551	100 551
Other loans	205 532	205 532	205 532	205 532	205 532	205 532
Deposits	70 789	70 789	70 789	167 083	167 083	167 083
Other investments	-	-	-	6 375	6 375	6 375
	4 182 847	4 182 847	5 369 522	4 309 723	4 309 723	5 473 795
Deposits and ceding undertakings	2 805	2 805	2 805	12 209	12 209	12 209
	5 461 967	**5 497 396**	**7 345 537**	**5 632 441**	**5 685 523**	**7 619 187**
The remaining acquisition cost of debt securities consists of the difference (+/-) between the nominal value and acquisition price that is allocated to interest income or deducted from it	-36 507			-36 677		
The book value consits of						
Revaluations entered as income		4 245			4 245	
Other revaluations		31 184			48 837	
		35 429			53 082	
Valuation difference (difference between the current and book values)			1 848 141			1 933 664

1 000 FIM	Parent company			Group		

5 Current value and valuation difference of investments
Investments 31.12.1997

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

6 Change in investments in land and buildings 31.12.1998

1 000 FIM	Parent company			Group	
	Buildings	Land and water areas and real estate shares	Loans to group companies	Buildings	Land and water areas and real estate shares
Acquisition cost 1.1	143 019	975 849	280 766	887 993	690 158
Fully depreciated in the previous year	-53	-	-	-53	-
Increases	8 227	39 157	100 965	82 632	16 320
Decreases	-	-1 575	-38 291	-	-
Acquisition cost 31.12	151 194	1 013 430	343 439	970 572	706 478
Revaluations 1.1	158	35 387		158	10 446
Decreases	-	-115		-	-115
Revaluations 31.12	158	35 272		158	10 331
Accumulated depreciations according to plan/ devaluations 1.1	-42 767	-245 939	-	-166 251	-165 740
Fully depreciated in the previous year	53	-	-	53	-
Depreciations according to plan/devaluations and devaluation cancellations	-4 030	-	-	-35 711	3 053
Accumulated depreciations according to plan/ devaluations 31.12	-46 744	-245 939	-	-201 910	-162 687
Book value after depreciations according to plan/ devaluations 31.12	**104 607**	**802 763**	**343 439**	**768 820**	**554 122**
Accumulated depreciations in excess of the plan 1.1	-23 774			-26 800	
Depreciation above/below plan	-234			-2 790	
Accumulated depreciations in excess of the plan 31.12	-24 008			-29 591	
Fully depreciated value of buildings 31.12	80 599			739 229	

6 Change in investments in land and buildings 31.12.1997

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

1 000 FIM	Parent company		Group	
Land and buildings for own use	**1998**	**1997**	**1998**	**1997**
Remaining acquisition cost	111 435	112 818	109 665	111 473
Book value	111 553	112 936	109 783	111 473
Current value	281 341	274 456	278 852	281 645
Group companies				
Number of companies	50	50		
Total loss (profit) for accounting period	-4 577	8 005		
Capital and reserves, total	425 044	426 208		

1 000 FIM	Parent company		Group	

7 Investments in group companies and participating interests, other investments, shares and other variable-yield securities and units in unit trusts

	1998	1997	1998	1997
Shares and holdings in group companies				
Original acquisition cost 1.1	61 182	61 137	-	-
Increases	1 932	45	-	-
Accumulated devaluations 31.12	-42 000	-42 000	-	-
Remaining acquisition cost 31.12	**21 114**	**19 182**	**-**	**-**
Debt securities issued by loans to group companies				
Original acquisition cost 1.1	650	-	-	-
Transfers	-	650	-	-
Remaining acquisition cost 31.12	**650**	**650**	**-**	**-**
Other shares and variable-yield securities and units in unit trusts				
Original acquisition cost 1.1	39 086	39 086	39 447	37 375
Increases	1 984	-	3 102	1 259
Decreases	-1 500	-	-1 500	-
Accumulated devaluations 31.12	-400	-400	-400	-400
Remaining acquisition cost 31.12	**39 171**	**38 686**	**40 649**	**38 234**
Total	**60 935**	**58 518**	**40 649**	**38 234**

					Parent company		
	No. of shares	% of shares	% of votes	Nominal value FIM 1000	Book value 1998 FIM 1000	Result for accounting period FIM 1000	Capital and reserves FIM 1000
Shares and other variable-yield securities and units in group companies							
Aura-Karelia Oy	100	100.00	100.00	5	61	-2	62
Alma Vakuutus Oy	1300000	100.00	100.00	13 000	10 200	3 889	12 105
Tapiola Safety Oy	15	100.00	100.00	15	15	0	16
Tapiolan Arvo-osuus Oy	3000	60.00	60.00	3 000	3 000	62	4 632
Tapiola - Data Oy	506	51.11	51.11	1 012	2 853	92	5 068
Tietotyö Oy	4000	100.00	100.00	5 000	4 986	288	9 823
					21 114		
Shares and other variable-yield securities and units in unit trusts							
Vakuutusneuvonta Aura Oy	50	33.30	33.30	5	5	0	28
Vakuutusneuvonta Pohja Oy	50	33.30	33.30	5	5	0	28
Kehitysyhtiö Botnia Oy	40	25.00	25.00	400	0	-869	471
Suomen Vahinkotarkastus Oy	5000	50.00	50.00	5 000	5 195	3 092	12 108
The Employees' Mutual Insurance Company Turva [1)]	3828	85.00	43.60	38 280	33 966	7 751	48 998
					39 171		

[1)] Guarantee capital

PORTFOLIO

Other investments Shares and other variable-yield securities and units in unit trusts	Parent company No. of shares	Book value FIM 1000 31.12.1998	Current value FIM 1000 31.12.1998	Group No. of shares	Book value FIM 1000 31.12.1998	Current value FIM 1000 31.12.1998
Nokia Oyj	302 200	15 626	187 240	302 200	15 626	187 240
YIT-Yhtymä Oyj	4 066 930	87 258	178 945	4 066 930	87 258	178 945
Raision Tehtaat Oyj	2 550 000	13 611	140 800	2 550 000	13 611	140 800
Tieto Corporation	528 000	5 491	119 856	528 000	5 491	119 856
Orion Oyj	801 816	55 342	97 709	801 816	55 342	97 709
JOT Automation Oyj	353 400	2 621	74 567	353 400	2 621	74 567
Instrumentarium Oyj	350 860	37 997	73 199	350 860	37 997	73 199
Kesko Oyj	809 000	56 537	61 484	809 000	56 537	61 484
Huhtamäki Oyj	318 441	47 081	61 144	318 441	47 081	61 144
Helsingin Puhelin Oyj	52 070	33 975	53 445	52 070	33 975	53 445
Metsä-Serla Oyj	1 271 000	35 338	53 035	1 271 000	35 338	53 035
Mc Donald’s Corp.	122 000	31 413	47 755	122 000	31 413	47 755
Cultor Oyj	896 800	39 419	46 634	896 800	39 419	46 634
Metra Oyj	512 000	42 196	45 371	512 000	42 196	45 371
Lassila & Tikanoja Oyj	358 940	23 739	44 868	358 940	23 739	44 868
Kone Oyj	72 382	34 566	42 705	72 382	34 566	42 705
Asko Oyj	462 500	16 189	40 099	462 500	16 189	40 099
Lännen Tehtaat Oyj	614 000	39 910	39 910	614 000	39 910	39 910
Tamro Oyj	1 641 500	36 098	36 113	1 641 500	36 098	36 113
Sonera Oyj	369 000	16 605	33 210	369 000	16 605	33 210
Sanoma Oy	1 934	5 534	32 105	1 934	5 534	32 105
Munters Ab	708 000	27 772	31 059	708 000	27 772	31 059
Valmet Oyj	422 200	27 108	28 710	422 200	27 108	28 710
Kemira Oyj	713 500	23 726	26 043	713 500	23 726	26 043
Fortum Oyj	811 163	14 002	25 146	811 163	14 002	25 146
Others		512345	663960		513 779	665 564
Total		1 281 497	2 285 111		1 282 931	2 286 716

1 000 FIM		Parent company		Group	
8. Other investments		**1998**	**1997**	**1998**	**1997**
8.1 Other loans as guaranteed					
Bank guarantee		3 923	13 459	3 923	13 459
Insurance policy		37 864	36 371	37 864	36 371
Other security		163 745	44 431	163 745	44 431
Remaining acquisition cost		**205 532**	**94 261**	**205 532**	**94 261**
8.2 Total amount of subordinated loan					
Other loans	1)	130 000	-	130 000	-
Remaining acquisition cost		**130 000**	**-**	**130 000**	**-**

1) Debitor: Tapiola Mutual Life Assurance Company
Terms: Interest is paid only out of the distributable means of the debitor.

1 000 FIM	Parent company			Group			
9 Change in tangible and intangible assets							
31.12.1998	**Intangible assets and long-term expenditure**	**Equipment**	**Total**	**Intangible assets and long-term expenditure**	**Consoli-dation goodwill**	**Equipment**	**Total**
Acquisition cost 1.1	91 600	105 175	196 775	96 180	1 942	151 357	249 480
Fully depreciated in the previous year	-14 629	-1 841	-16 470	-14 651	-	-1 841	-16 492
Acquisitions	28 609	11 723	30 332	26 057	-	46 799	72 856
Sales and disposal	-	-326	-326	-	-117	-449	-566
Acquisition cost 31.12	95 580	114 731	210 311	107 587	1 825	195 865	305 277
Accumulated depreciations according to plan 1.1	-43 897	-90 912	-134 809	-45 204	-750	-104 779	-150 733
Fully depreciated in the previous year	14 629	1 841	16 470	14 651	-	1 841	16 492
Depreciations according to plan	-12 885	-7 698	-20 583	-15 214	-326	-29 874	-45 415
Accumulated depreciations according to plan 31.12	-42 153	-96 769	-138 922	-45 767	-1 076	-132 813	-179 656
Acquisition cost after depreciations according to plan 31.12	**53 427**	**17 962**	**71 388**	**61 819**	**750**	**63 053**	**125 622**
Accumulated depreciations in excess of the plan 1.1	-	151	151	-	-	-151	-151
Depreciations above/below plan	-	-45	-45	-	-	-45	-45
Accumulated depreciations in excess of the plan 31.12	-	105	105	-	-	105	105
Net expenditures after depreciations 31.12	53 427	18 067	71 494	61 819	750	63 159	125 728

9 Change in tangible and intangible assets

31.12.1997

1 000 FIM	Parent company			Group			
	Intangible assets and long-term expenditure	Equipment	Total	Intangible assets and long-term expenditure	Consolidation goodwill	Equipment	Total
Acquisition cost 1.1	105 658	100 098	205 756	123 292	17 377	145 903	286 574
Fully depreciated in the previous year	-30 774	-	-30 774	-46 046	-15 435	-13 725	-75 206
Acquisitions	16 716	5 635	22 351	18 934	-	19 839	38 772
Sales and disposal	-	-558	-558	-	-	-660	-660
Acquisition cost 31.12	91 600	105 175	196 775	96 180	1 942	151 357	249 480
Accumulated depreciations according to plan 1.1	-62 441	-84 799	-147 240	-77 756	-15 599	-98 542	-191 897
Fully depreciated in the previous year	30 774	-	30 774	46 046	15 435	13 725	75 206
Depreciations according to plan	-12 230	-6 113	-18 343	-13 494	-586	-19 962	-34 042
Accumulated depreciations according to plan 31.12	-43 897	-90 912	-134 809	-45 204	-750	-104 779	-150 733
Acquisition cost after depreciations according to plan 31.12	**47 703**	**14 263**	**61 966**	**50 976**	**1 193**	**46 578**	**98 747**
Accumulated depreciations in excess of the plan 1.1	-	215	215	-	-	215	215
Depreciations above/below plan	-	-65	-65	-	-	-65	-65
Accumulated depreciations in excess of the plan 31.12	-	151	151	-	-	150	150
Net expenditures after depreciations 31.12	47 703	14 414	62 117	50 976	1 193	46 728	98 879

1 000 FIM	Parent company		Group	
	1998	1997	1998	1997

10 Capital and Reserve

	1998	1997	1998	1997
Restricted				
Equivalent funds	40 879	40 879	40 879	40 879
Guarantee capital	10 500	10 500	10 500	10 500
Revaluation reserve	3 208	3 208	8 560	8 560
Increase	-	-	3 000	-
	3 208	3 208	11 560	8 560
	54 587	54 587	62 940	59 940
Non-restricted				
Reserve fund	100	100	172	100
Increase	-	-	-	72
Decrease	-	-	-1	-
	100	100	172	172
Security reserve	185 800	67 800	185 800	67 800
Transferred from profits for the previous year	89 110	118 000	89 110	118 000
	274 910	185 800	274 910	185 800
Contingency fund	774	760		760
Transferred from profits for the previous year	381	203		202
Used for generally beneficial purposes	-329	-189		-189
	827	774		774
Other free funds	-	-	-	-
Increase	-	-	6	-
	-	-	6	-
Share of reserves and depreciation difference transferred to capital and reserve	-	-	-	-
Increase	-	-	23 728	-
	-	-	23 728	-
Group loss/profit for previous years	-	-	-16 231	43 039
Transferred from retained earnings	-	-	-8 578	-49 219
Allocated	-	-	125	-10 051
	-	-	-24 684	-16 231
Profit for the previous year	90 121	119 043		69 823
Transferred by decision of the AGM to the				
Interest on the guarantee capital	-630	-840	-630	-840
Security reserve	-89 110	-118 000	-89 110	-118 000
Contingency reserve	-381	-203	-381	-203
Retained earnings	-	-	8 578	49 219
	0	0	0	0
Profit for the accounting period	151 765	90 121	153 794	81 543
	427 602	276 795	428 752	252 058
	482 189	**331 382**	**491 692**	**311 998**

1 000 FIM	Parent company		Group	
	1998	1997	1998	1997

Analysis of the revaluation reserve

	1998	1997	1998	1997
Revaluation reserve 1.1	3 208	3 208	8 560	8 560
Increase	-	-	3 000	-
Revaluation reserve 31.12	3 208	3 208	11 560	8 560
of which related to fixed assets	3 208	3 208	11 560	8 560

11 Reserves

	1998	1997	1998	1997
Accumulated depreciation difference 1.1	23 623	23 345	26 800	24 605
Increase	338	278	2 790	2 195
Decrease	-59	-42	-	-
Accumulated depreciation difference 31.12	23 902	23 623	29 591	26 800
Optional reserve				
Credit loss reserve 1.1	5 013	5 631	5 013	5 631
Increase	1 577	-	1 577	-
Decrease	-	-618	-	-618
Credit loss reserve 31.12	6 590	5 013	6 590	5 013
Transitional reserve 1.1	-	82 867	-	82 867
Decrease	-	-82 867	-	-82 867
Transitional reserve 31.12	-	0	-	0
Housing reserve 1.1	-	-	1 966	208
Increase	-	-	138	1 758
Decrease	-	-	-585	-
Housing reserve 31.12	-	-	1 519	1 966
Optional reserves, total 31.12	**6 590**	**5 013**	**8 109**	**6 979**
Reserves, total	**30 492**	**28 636**	**37 700**	**33 779**
Allocation				
Eget capital			-26 587	-
Minority interest			-556	-
Deferred tax			-10 556	-
			0	33 779
Deferred tax calculated for the depreciation difference and optional reserves	**8 538**	**8 018**	**0**	**9 458**
Tax rate	28 %	28 %	28 %	28 %

1 000 FIM	Parent company		Group	
	1998	1997	1998	1997
12 Receivables and debts group and associated undertakings				
12.1 Specification of receivables				
Group companies				
Reinsurance	100	100		
Other receivables	32 371	25 596		
12.2 Specification of loans				
Loans to group companies				
Other loans	11 095	9 531		
13 Net contingent liabilities and pledged assets				
Mortgages given				
Liability coverage	-	-	64 010	60 700
Amount of liability	-	-	52 918	56 721
Assets pledged				
Liability coverage	2 310	7 703	9 745	16 162
Amount of liability	2 263	7 578	9 529	15 917
Share derivates				
Forward agreements				
Underlying instrument	-	14 551	-	-
Current value	-	16 000	-	-
Share derivates				
Forward agreements				
underlying instrument	9 611	-	9 611	-
current value	5 600	-	5 600	-
Other liability				
Subscription commitments	38 357	694	38 357	694

1 000 FIM	Parent company		Group	
	1998	1997	1998	1997

14 Provision for outstanding claims

Parent company				
Undisputed recourse receivables deducted from the provision for outstanding claims				
Statutory accident	8 097	5 994	8 097	5 994
Subsidiary				
Discounting				
Foreign reinsurance				
Average claim settlement time			7,2 år	8,7 år
Interest rate				
Provision for outstanding claims				
Before discounting				
Provision for outstanding claims			92 862	114 588
Reinsurers' share			7 008	11 666
Net liability				
Provision for outstanding claims			92 862	114 588
Reinsurers' share			7 008	-11 666

15 Management loans

The loans do not exceed FIM 1 000 000,00.

16 Management pension commitments

A retirement age of 60 - 63 years has been agreed for the senior management of the company and for those members of the Board of Directors who are employed by the company.

Key figures pertaining to solvency

1 000 FIM	Parent company		Group	
	1998	**1997**	**1998**	**1997**
Solvency margin				
Capital and reserves after profit distribution	482 189	330 752	491 692	311 368
Optional reserves and accumulated depreciation difference	30 492	28 636	-	33 779
Deferred tax	-	-	10 556	-
Valuation difference between current asset values and book values on the balance sheet	1 848 141	1 579 589	1 933 664	1 692 018
Intangible assets and insurance acquisition costs not entered as expenses (-)	-53 427	-47 703	-62 569	-52 169
	2 307 395	**1 891 274**	**2 373 343**	**1 984 996**
Solvency margin required under the Insurance Companies Act, Chapter 11, Section 2	319 492	311 973	331 836	316 518
Equalization provision included in the technical provisions for years in which there are exceptionally large losses	2 180 125	1 951 167	2 180 125	1 951 167
Equalization provision in proportion to its full amount (%)	123,0	114,0	123,0	114,0
The solvency margin and the equalization provision in proportion to net premiums earned over the preceding 12 months (%)	254,0		260,9	
- 1997	242,0		251,4	
- 1996	222,0		220,6	
- 1995	184,0		184,5	
- 1994	191,0		192,1	
The solvency margin and the equalization provision in proportion to technical provisions, net of reinsurance and reduced by the amount of the equalization provision (%)	134,0		136,9	
- 1997	123,0		126,7	
- 1996	115,0		112,4	
- 1995	100,0		97,4	
- 1994	111,0		108,8	

Proposal for the appropriation of profit

The Board of Directors proposes that the profir of the accounting period in the amount of FIM 151 765 115,29 be appropriated as follows:

Transfers to security reserve	151 500 000,00
Transfer to the contingency reserve	265 115,29
	151 765 115,29

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

Restricted capital and reserve		
Equivalent funds	40 879 314,40	
Guarantee capital	10 500 000,00	
Revaluation reserve	3 207 589,10	54 586 903,50
Non-restricted capital and reserve		
Reserve fund	100 000,00	
Security reserve	426 410 000,00	
Contingency reserve	1 091 794,69	427 601 794,69
		482 188 698,19

Espoo, 7th April 1999

Asmo Kalpala

Pertti Heikkala

Juhani Heiskanen

Pentti Koskinen

Tom Liljeström

Auditors' report

To the owners of the Tapiola General Mutual Insurance Company

We have examined the bookkeeping, financial statements and administration of the Tapiola General Mutual Insurance Company for the 1998 financial year. The financial statements prepared by the Board of Directors and the Managing Director include an annual report, consolidated and parent company income statements and balance sheets, and appendices to the financial statements. On the basis of the audit, we hereby issue the following statement on the financial statements and administration.

Mr Mauno Tervo, C.P.A., has performed the supervisory audit of the company and a separate report was issued on 13th April 1999.

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

The financial statements, which show a surplus for the parent company amounting to FIM 151,765,115.29 have been prepared in accordance with both the Bookkeeping Act and other rules and regulations concerning the preparations of financial statements. The financial statements provide, in the manner prescribed in the Bookkeeping Act, accurate and adequate information on the performance and financial standing of both the group and the parent company.

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

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

Espoo, 21st April, 1999

SVH Pricewaterhouse Coopers Oy
firm of certified public accountants

Mauno Tervo
C.P.A.

Ulla Holmström
C.P.A.

Report by the Supervisory Board

Having examined the financial statements, the consolidated financial statements and the auditors' report for 1998 financial year, the Supervisory Board recommends that the financial statements and its consolidated financial statements can be adopted.

Espoo, 22nd April 1999

Jarno Mäki
chairman

Tapiola Mutual Pension Insurance Company

ANNUAL REPORT 1998

TAPIOLA

CUSTOMER-ORIENTED PENSION INSURANCE

Finland's employment pension insurance branch became even more consentrated in 1998. The number of companies remained the same, but the market share of the two biggest companies grew significantly. Tapiola Pension finalised the changes required by law, the most recent of which was the differentiation of investment activities. The arrangements were implemented according to plan without any significant cost effects. Solvency targets were achieved and Tapiola Pension's solvency exceeded the mid-point of the company's own target range.

Tapiola Pension's result was extremely good and its market share grew. The company welcomed new customers in all size classes. In particular, sales of YEL pension insurances grew at record speed. Operating cost comparisons show that Tapiola Pension is still the most efficient company in the branch.

Progress was made towards providing a more customer-centred service with the introduction of the Enterprise Tapiola concept. Tapiola's corporate clients can now get all the insurance services they need through a single contact manager. The customer saves valuable time by handling all insurance matters in this way through one channel. Furthermore, it is easier for the contact manager to generate value added for the customer as he or she is fully aware the customer's overall situation. During the course of the year customers were given the opportunity to attend a number of training events covering important and relevant insurance issues.

A temporary act lowering the age limit for the part-time pension from 58 to 56 years came into force in July 1998. This has significantly increased the number of part-time pension applications and preliminary enquiries. In connection with rehabilitation and disability applications the number of rehabilitation cases under consideration has once again risen significantly. There were no essential changes in the numbers of other pension applications.

Tapiola Pension continued to offer competitive TEL premium discounts. The aim is to ensure future continuity of the company's good, stable and predictable discount policy. The distribution of investments across the eurozone was continued with regards the equity and government bond portfolios. Other investments focused mainly on the US dollar. The autumn brought an opportunity to make favourable share purchases in Finland, whereas foreign stock markets, especially in the United States, were regarded as being overvalued. Real estate investments were made, but not to the same extent as in previous years.

As a consequence of the desire to speed up the submission of annual reports concerning pension insurances as well as the transfer of other information, the number of customers using the Tapiola Internet link is growing continuously. It seems likely that in the future the Internet will become the primary channel for information transfer between the customer and Tapiola.

Consulting with corporate clients in order to maintain the level of employee fitness for work was continued. Excellent feedback was received from co-operation with corporate clients concerned with raising awareness of the interactive relationships of the workplace and furthering the comprehensive development of work.

TOM LILJESTRÖM
MANAGING DIRECTOR
TAPIOLA PENSION

Administration and auditors

SUPERVISORY BOARD

The term commences at the AGM.

Ilkka Brotherus 1998-2001
chairman,
managing director, Hausjärvi
Antti Oksanen 1998-2001
deputy chairman,
mining councilor, Espoo
Hannu Aho 1996-1999
farmer, Perho
Veikko Autio 1996-1999
commercial councilor, Turku
Reino Hanhinen 1998-2001
mining councilor, Espoo
Risto Ikäheimo 1997-2000
development manager, Helsinki
Olli Karkkila 1997-2000
managing director, Säkylä
Raimo Kivimäki 1996-1999
production manager, Helsinki
Jarmo Koski 1996-1999
II secretary, Helsinki
Eero Kurri 1997-2000
managing director, Helsinki
Veikko Laine 1997-2000
managing director, Riihimäki
Leo Laukkanen 1996-1999
managing director, Mikkeli
Rauno Lehtimäki 1996-1999
managing director, Hämeenlinna
Pentti Levo 1998-2001
chairman, Helsinki
Erkki Luhta 1998-2001
director, Vaasa
Paavo Mäkinen 1998-2001
operations manager, Järvenpää
Maria-liisa Nevala 1998-2001
president, Helsinki
Erkki Niemi 1996-1999
managing director, Lahti
Siiri Nuutinen 1997-2000
chief shop steward,
Helsinki
Risto Pieviläinen 1996-1999
social secretary, Helsinki
Heikki Pitkänen 1997-2000
director, Helsinki
Olli Saariaho 1998-2001
research manager, Helsinki
Matti Salminen 1997-2000
mining councilor, Turku
Tuomo Saloniemi 1998-2001
B.Sc. (Agriculture), Nummi
Samuli Sorsa 1997-1998
managing director, Mikkeli
Mikko Suotsalo 1997-2000
managing director, Helsinki
Jouko Vehmas 1997-2000
managing director, Kouvola
Mauri Waenerberg 1996-1999
secretary general, Helsinki

AUDITORS

Mauno Tervo
B.Sc. (Econ.), C.P.A.
SVH PricewaterhouseCoopers Oy,
firm of certified public accountants,
responsible auditor
Ulla Holmström, B.Sc. (Econ.), C.P.A.

Deputy auditors
Jari Miikkulainen
M.Sc. (Econ, C.P.A.
Mirja Tonteri
B.Sc. (Econ.), C.P.A.

BOARD OF DIRECTORS

Asmo Kalpala.
chairman, president
Pertti Heikkala,
deputy chairman, managing director
Esa Härmälä, chairman
Eeva-Liisa Inkeroinen, director
Pauli Leimio, managing director
Tom Liljeström, managing director, until 30.9.1998
Ismo Luimula, economist
Maj-Len Remahl, chairman
Seppo Salisma, managing director, until 31.12.1998
Veikko Simpanen, social secretary, as from 1.1.1999
Risto Suominen, managing director, as from 1.1.1999
Matti Sutinen, managing director
Aino Toikka, personnel director
Pauli Torkko, deputy managing director
Riitta Työläjärvi, agent, until 31.12.1998

Deputy members
Antti Calonius, director, until 31.12.1998
Kari Kaukinen, medical specialist
Seppo Maskonen, managing director
Alpo Mustonen, director, until 30.9.1998
Pekka Rinne, agricultural councilor
Seppo Salisma, managing director, as from 1.1.1999

ANNUAL REPORT 1998

Significant structural changes occurred in the pension insurance business in 1998. As a consequence of these changes, Tapiola Pension's two main competitors have a combined market share of about 70 per cent. In spite of the strengthened position of its competitors, Tapiola Pension achieved a good results in the red business. The company's solvency continued to improve and exceeded the mid-point of the target range.

The level of the TEL (Employees' Pensions Act) pension insurance premium remained unchanged and averaged 21.5 per cent, which includes a 4.7 percentage point premium contribution from employees. The level of the YEL (Self-employed Persons' Pensions Act) pension insurance premium rose by 0.4 of a percentage point and was 21.1 per cent.

DEVELOPMENT OF TAPIOLA PENSION'S INSURANCE PORTFOLIO:

	No. at 31.12. 98	Change %
Insured under TEL	137,317	+ 7.1
Insured under YEL	32,262	+ 2.9
Insured under additional TEL	6,782	+ 0.1
Insured under additional YEL	79	+ 1.3
TEL pensions to be paid	68,301	+ 2.8
YEL pensions to be paid	15,873	+ 2.5
Pension applications in 1998	6,787	+ 5.3

INSURANCE

PREMIUMS WRITTEN Tapiola Pension's gross premiums written were FIM 3,993 million, which was 15.9 per cent higher than the premiums written for statutory employment pension insurance in 1997. There was a clear increase in the company's market share.

Credit losses on premiums due were FIM 30 million, which was FIM 44 million less than in the previous year. TEL and YEL insurances accounted for FIM 28 million and FIM 2 million of the credit losses, respectively. The decline in credit losses was mainly due to a FIM 16 million reduction in credit losses on TEL premiums due. The remainder of the decline in credit losses is explained by the fact that as a rule YEL premiums no longer give rise to any credit losses due to a change in accounting practice.

CLAIMS PAID Tapiola Pension paid out pensions totalling FIM 3,197 million, which was FIM 288 million or 9.9 per cent higher than in the previous year.

The 1998 index increments on TEL and YEL pensions were 1.7 per cent for over-65-year-olds and 1.9 per cent for under-65-year-olds.

INVESTMENTS

Net investment income was FIM 1,095 million, which was 3.3 per cent higher than in the previous year. Net interest and other income was FIM 1,092 million, 8.2 per cent higher than in 1997.

Realised gains and losses on investments were FIM 28 million and FIM 71 million, respectively. The net effect was therefore a loss of FIM 43 million, compared with a net gain of FIM 18 million in the previous year.

The writedown in respect of investments was FIM 38 million, of which FIM 32 million was made in respect of shares and FIM 6 million in respect of debt securities.

Cancellations of writedowns on investments were FIM 11 million. The book and current values of the company's investment assets at the end of the year were FIM 18,750 million and FIM 20,497 million, respectively.

OPERATING EXPENSES

Net operating expenses reported on the Profit and Loss Account are FIM 84 million, which is FIM 18 million more than in the previous year. The net figure includes depreciation items totalling FIM 9 million, and appropriate proportions have been allocated to claims incurred and investment charges. Salaries and commissions grew by 7.9 per cent compared with the previous year. Business procurement expenses was 18.6 per cent higher than in the previous year.

Statutory charges were FIM 8 million, representing the company's contribution to the costs of the Central Pension Security Institute.

Most of the staff are employed not only by the company but also by Tapiola General Mutual Insurance Company and Tapiola Mutual Life Assurance Company. The company's Managing Director, director and members of the investment management committee as well as other personnel making investment decisions or related preparatory work are employed solely by the company. The payments for services produced using shared resources are included in the company's operating expenses under the same items as would have been used if the staff had been directly employed by Tapiola Pension.

Salaries and commissions paid to members of the Supervisory Board, the Board of Directors and the Managing Director totalled FIM 1,928,930.00. Other salaries and commissions amounted to FIM 39,515,345.32. The total salaries and commissions figure was FIM 41,444,275.32.

RESULT FOR THE ACCOUNTING PERIOD

The company's FIM 484 million result can be regarded as excellent. The corresponding result in 1997 was FIM 454 million.

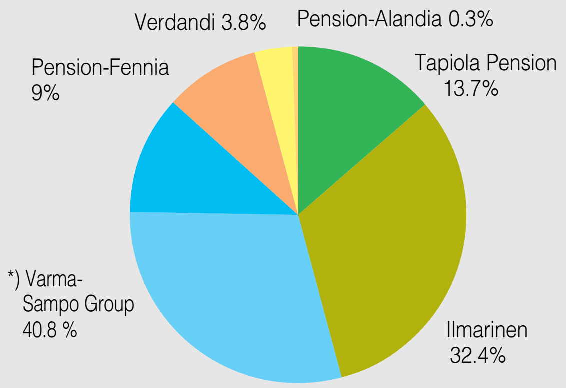
The underwriting result, which describes purely insurance operations, was FIM 249 million compared with FIM 194 million in the previous year. The result of the premium loss business was a surplus of FIM 44 million. The remainder of the underwriting result was FIM 205 million, compared with FIM 167 million in the previous year.

The administrative cost surplus, which describes the company's cost efficiency, was FIM 38 million, whereas in the previous year it was FIM 35 million.

Taking into account writedowns and their cancellations, the investment surplus was FIM 197 million, compared with FIM 225 million in the previous year. The combined total of the administrative cost surplus and the investment surplus was therefore FIM 235 million. The corresponding figure for the previous year was a surplus of FIM 260 million. The amount set aside out of the result for premium discounts to customers was FIM 99 million.

Market shares 1998

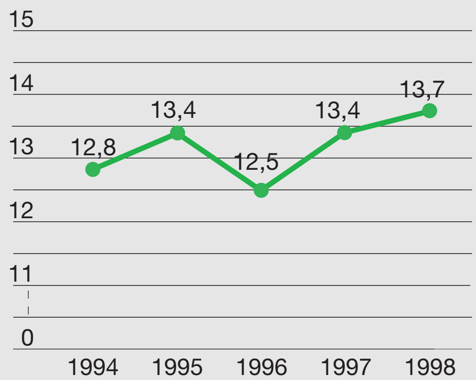
Preliminary data TEL (employees' pensions) and YEL (self-employed persons' pension).
Premiums written FIM 28.9 billion



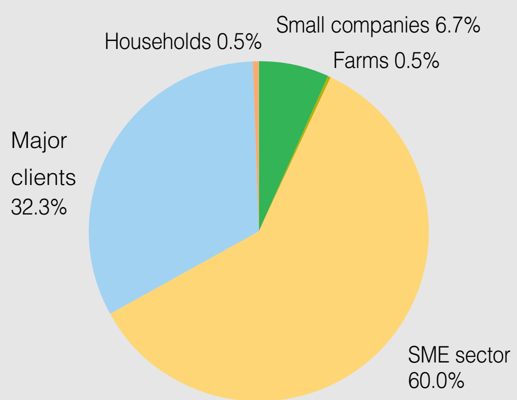
** Including the part of Pension-Varma's pension insurance portfolio that was the subject of a restructuring arrangement and is included in Pension-Fennia's financial statements. It was trasnferred to Varma-Sampo on 1.7.1998.*

Tapiola Pension
Development of market share

TEL- and YEL-insurance

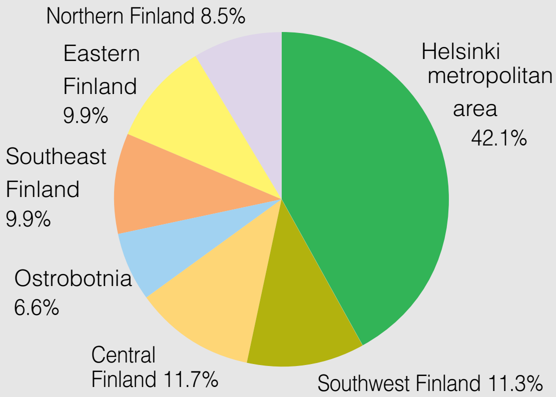


Tapiola Pension
Premiums written by customer group 1998



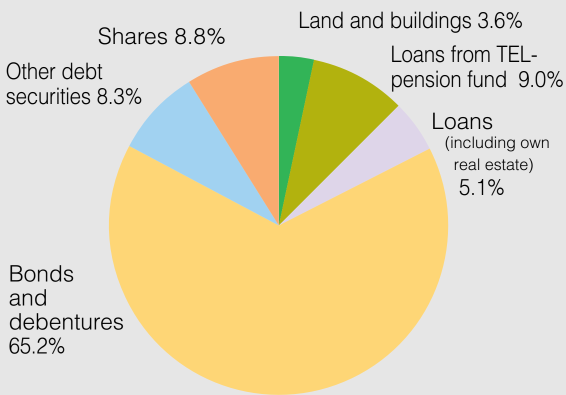
Tapiola Pension
Premiums written by geographical area 1998

Based on domicile of policyholders
including major client



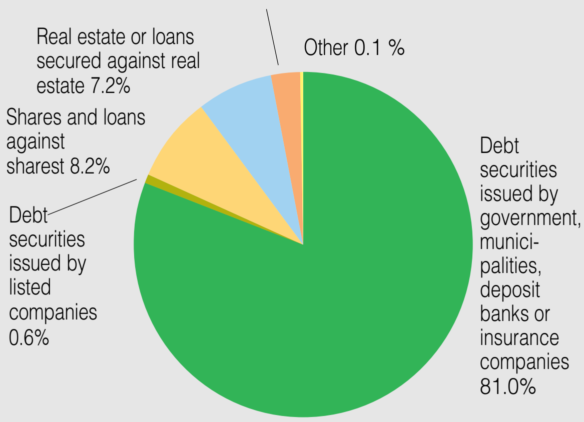
Investment assets

Current value at 31.12.1998 FIM 20 497 Mio



Tapiola Pension
Investment risk profile

Current value at 31.12.1998
Other investment assets in the technical provisions margin 2.8%



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

The company's solvency margin is 18.1 per cent of the technical provisions less certain items specified in the statute. The solvency limit defined on the basis of the structure of the company's investment portfolio is 5.6 per cent of the above-mentioned technical provisions, so the company's solvency exceeds the required level by a factor of 3.2. The company's high level of solvency will ensure that policyholders receive good premium discounts also in future years.

The amount allocated out of the additional benefits provision for premium discounts to customers was FIM 319 million at the end of the year, and in 1999 about FIM 165 million will be used for TEL premium discounts. FIM 568 million was transferred to the unallocated provision for additional benefits from the difference between the technical interest rate and the fund interest rate in order to raise the company's solvency. The unallocated provision for additional benefits was FIM 1,391 million at the end of 1998.

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

Depreciation of FIM 9 million was charged according to plan. The full amount of depreciation permitted under the Business Taxation Act was charged. The credit loss reserve was increased to its maximum amount. However, it was lowered by FIM 51 million because of the reduced loan portfolio.

The company's share of the profit-sharing payment transferred to the Staff Fund of the Tapiola Insurance Group was FIM 817,863.00. It has been calculated according to the maximum amount and is included in the Profit and Loss Account under other expenses.

The Profit and Loss Account shows a surplus of FIM 3,562,466.47. The Board of Directors recommends that the surplus be appropriated so that FIM 3,560,000.00 is transferred to the security reserve and FIM 2,466.47 is transferred to the contingency reserve. The Balance Sheet shows assets totalling FIM 20,379,322,620.49, compared with FIM 18,645,147,880.58 at the end of the previous year.

CONSOLIDATED FINANCIAL STATEMENTS

The Tapiola Pension Group comprised the parent company, Tapiola Mutual Pension Insurance Company, and 42 housing and real estate companies as subsidiaries.

The group has acquired three subsidiaries and disposed of one subsidiary during the course of the accounting period.

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

INSURANCE

PREMIUMS WRITTEN The group's gross premiums written were FIM 3,993 million, which was 15.9 per cent higher than in 1997.

PENSIONS PAID The group paid out pensions totalling FIM 3,197 million, which was 9.9 per cent higher than in the previous year.

INVESTMENTS

Net investment income was FIM 1,083 million, which was 2.4 per cent higher than in the previous year. Writedowns totalled FIM 45 and cancellations of writedowns made in previous years were FIM 21 million. Realised capital gains and losses were FIM 28 million and FIM 73 million, respectively.

The book and current values of the group's investment assets at the end of the year were FIM 18,966 million and FIM 20,732 million, respectively.

OPERATING EXPENSES

The group's operating expenses were FIM 84 million and statutory charges FIM 8 million. Salaries and commissions rose by 7.9 per cent.

CLOSING OF THE ACCOUNTS

The group's result of FIM 484 million was very good. Depreciation of FIM 44 million was charged according to plan and included depreciation of FIM 0.2 million on consolidated goodwill. The increase in the depreciation difference was FIM 2 million. The credit loss reserve was lowered by FIM 51 million because of the reduced loan portfolio. The reserve was in accordance with its full amount.

The loss for the accounting period was FIM 2,642,746.38 and the Consolidated Balance Sheet showed assets totalling FIM 20,546,822,952.44.

TAPIOLA PENSION KEY FINANCIAL INDICATORS

	1998	1997	1996	1995	1994
SCALE OF OPERATIONS					
Gross premiums written, FIM Mio	3 992	3 444	3 151	3 010	2 659
Turnover, FIM Mio	5 303	4 628	4 323	4 153	3 689
Provision for outstanding claims, FIM Mio	20 071	18 322	16 486	15 124	13 734
Balance sheet total, FIM Mio	20 379	18 645	16 925	15 673	14 297
TEL-salaries, FIM Mio	16 808	15 155	13 688	12 712	11 652
EFFICIENCY					
Operating costs, FIM Mio	99	90	78	79	78
% of loading income	72.7	72.0	73.6	74.1	72.2
% of premiums written	2.5	2.7	2.6	2.7	3.0

Specification of result

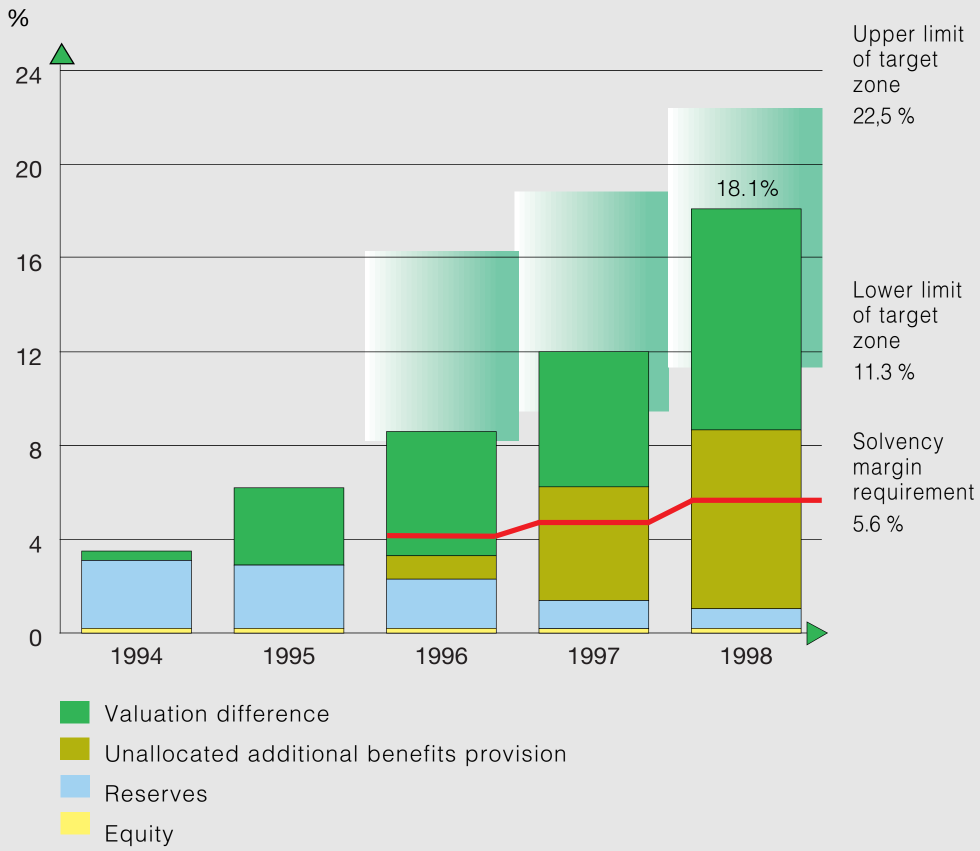
FIM Mio	1998	1997	1996	1995	1994
Administration costs in premium	134	123	110	105	106
Other income	4	3	3	4	4
Function-specific operating costs without depreciations	–91	-85	-76	-75	-75
Depreciations on fixed assets	–8	-5	-3	-4	-3
Taxes	0	0	-1	-1	-1
Other expenses	–1	-1	-4	-1	-1
ADMINISTRATION COST RESULT	38	35	30	28	31
Direct income	1 265				
Investment operating costs	–10				
Gains on realisation of investments	28				
Value re-adjustments	11				
Losses on realisation of investment	–71				
Value adjustments on investments	–38				
Depreciations	0				
Direct costs	–89				
Taxes	–2				
Net investment income	1 094	1 051	1 045	1 021	872
Other interest income	52	70	55	77	111
Interest on provision for outstanding claims	–948	-896	-917	-878	-901
INVESTMENT RESULT	197	225	183	220	82

Performance analysis

FIM Mio	1998	1997	1996	1995	1994
SOURCES OF SURPLUS					
Risk business result	249	194	191	141	-38
Investment result	197	225	183	220	82
Administration costs result	38	35	30	28	31
TOTAL SURPLUS	484	455	404	389	74
Change in valuation differences	742	87	400	445	–47
TOTAL	1 226	541	804	834	27
USE OF RESULT FOR STRENGTHENING OF THE SOLVENCY					
Transfer to equalization provision	249	194	191	206	-38
Transfer to reserves	–51	-132	-72	14	46
Transfer to unallocated additional benefits provision	183	286	169	-	-
Transfer fo equity	4	3	3	3	3
Change in valuation differences	742	87	400	445	-47
TRANSFER TO CUSTOMER BONUSES	99	103	113	166	64
TOTAL	1 226	541	804	834	27

The result for the risk business in 1994-1997 is final.

Development of solvency in relation to technical provision



The figure shows that the solvency of Tapiola Pension reaches the upper half of the target zone.

Tapiola Pension's Solvency

FIM Mio	1998	1997	1996	1995	1994
SOLVENCY MARGIN					
Reserves	153	204	336	408	394
Unallocated additional benefits provision	1 391	823	169	-	-
Equity	36	33	30	27	24
Valuation differences	1 720	978	878	495	56
SOLVENCY MARGIN TOTAL	3 301	2 038	1 403	930	473
EQUALIZATION PROVISION	908	648	465	175	91
ALLOCATED ADDITIONAL BENEFITS PROVISION					
Allocated additional benefits provision 1.1	325	313	259	163	258
Bonuses paid during accounting year	–105	-91	-59	-70	-149
Transfer to customer bonuses	99	103	113	166	64
Allocated additional benefits 31.12	319	325	313	259	173
Transfer in percentage of salaries	0.59	0.68	0.82	1.30	0.55
Per continouos employment, FIM	724	780	940	1 440	580

NET INVESTMENT INCOME 1.1 - 31.12.1998

Investment FIM Mio	Direct yield	Change in value on profit and loss account	Total	Book value (annual average)	Yield % on book value	Change in valuation diffe-rences	Total yield	Current value (annual average)	Yield % on current value
Loans	191	0	191	3 215	5.9	0	191	3 215	5.9
Short investments	53	-1	52	1 532	3.4	0	52	1 532	3.4
Bonds and debentures	837	-4	833	11 529	7.2	502	1 335	12 481	10.7
Shares	30	-71	-42	947	-4.4	221	180	1 297	13.8
Real estate	48	2	50	1 056	4.7	16	66	1 132	5.8
TOTAL INVESTMENTS	1 159	-75	1 084	18 280	5.9	739	1 823	19 657	9.3
Other coverage			63						
Taxes			-2						
INVESMENT INCOME TOTAL			1 145						
Interest requirement on technical provisions			948						
INVESTMENT SURPLUS			197						

Real estate portfolio, income and vacant premises at 31.12.1998

REAL ESTATE PORTFOLIO, FIM 1 000

Current value	1 383 184
Book value and loans	1 299 953
Valuation difference	83 231

Type of real estate	Current value FIM 1 000	Current value FIM/m^2	Net yield FIM 1 000	Net yield %	Potential net yield*)	Vacant floor area, m^2	Vacancy rate
Non-residential premises							
Commercial and office premises							
- rented to outside parties	402 994	8 789	27 547	6.8	7.0	45 853	1.3
- in own use **)	36 558	7 891	3 105	8.5	8.5	4 633	0.0
Industrial premises	108 508	3 550	7 917	7.3	7.3	30 565	0.0
Total	548 060	6 762	38 569	7.0	7.2	81 051	0.7
Residential buildings ***)	288 516	7 407	21 416	7.4	7.6	38 954	2.1
Other properties and premises							
Under construction and acquired mid-year	451 783						
Undeveloped plots	42 393						
Shares in real estate investment companies	52 432						
Total	546 608					44 447	
REAL ESTATE PORTFOLIO	1 383 184					164 452	

*)	The potential net yield is augmented by imputed gross rent for the vacant premises, which averages	FIM 50 mk/m^2/month
**)	The imputed gross rent for premises in Tapiola's own use averages	FIM 70 mk/m^2/month
***)	The net income from residential premises is augmented by a government interest subsidy of	FIM 6 479 000
	In addition, premises under construction are augmented by an interest subsidy of	FIM 447 000

The average vacancy rate over the year for non-residential premises was 1,1 %.

Financial Analysis

1 000 FIM	Parent company		Group	
	1998	1997	1998	1997
Source of funds:				
Cash flow financing				
Loss (Profit) before interest expenses, extraordinary items, appropriations and taxes	-46 126	-127 235	-49 922	-129 961
Adjustment items:				
Change in technical provisions	1 749 356	1 835 727	1 749 356	1 835 727
Change in obligatory uncovered liabilities	57 790	46 030	57 790	46 030
Investment devaluations and revaluations	27 215	12 642	24 480	-2 488
Depreciation	9 413	4 754	43 956	39 410
	1 797 649	1 771 918	1 825 660	1 788 718
Capital financing				
Increase in minority interest	-	-	900	97 747
Optional reserves and depreciation difference	-	-	1 747	35
Increase in capital and reserves	-	-	193	4 169
	-	-	2 841	101 952
Source of funds, total	**1 797 649**	**1 771 918**	**1 828 502**	**1 890 670**
Application of funds:				
Profit distribution				
Taxes	1 603	1 442	1 520	1 525
Interest on guarantee capital	288	384	288	384
Other profit distribution	5	-	5	-
	1 896	1 826	1 813	1 909
Investments				
Increase in investments (net)	1 951 214	1 670 316	1 992 529	1 781 807
Increase in tangible and intangible assets (net)	6 030	5 156	14 020	5 145
	1 957 245	1 675 472	2 006 549	1 786 952
Application of funds, total	**1 959 141**	**1 677 299**	**2 008 362**	**1 788 861**
Decrease/Increase in working capital	**-161 492**	**94 619**	**-179 861**	**101 809**
Change in working capital				
Change in receivables	24 705	70 456	-17 000	87 648
Change in cash at bank and in hand	26 210	-17 000	25 836	-16 132
Change in prepayments and accrued income	-179 568	54 563	-175 766	54 582
Change in amounts owed	-7 178	723	61 805	-8 253
Change in accruals and deferred income	-25 662	-14 120	-74 736	-16 036
Decrease/Increase in working capital	**-161 492**	**94 619**	**-179 861**	**101 809**

PROFIT AND LOSS ACCOUNT

1 000 FIM		Parent company		Group	
Technical account:		**1998**	**1997**	**1998**	**1997**
Premiums written	* 1	3 962 341	3 369 952	3 962 341	3 369 952
Investment income	4	1 293 704	1 166 839	1 300 048	1 183 083
General guarantee claims incurred		1 311	-4 755	1 311	-4 755
General guarantee debtors paid		-7 462	4 326	-7 462	4 326
Claims incurred					
Claims paid	2	-3 197 375	-2 909 496	-3 197 375	-2 909 496
Change in provision for outstanding claims					
Total change		-582 494	-485 091	-582 494	-485 092
Share of portfolio transfer		-	109 342	-	109 342
		-582 494	-375 749	-582 494	-375 749
		-3 779 868	-3 285 246	-3 779 869	-3 285 245
Change in provision for unearned premiums					
Total change		-1 166 863	-1 350 636	-1 166 863	-1 350 635
Share of portfolio transfer		-	212 079	-	212 078
		-1 166 863	-1 138 557	-1 166 863	-1 138 557
Change in uncovered liabilities					
Obligatory uncovered liabilities					
Total change		-57 790	-46 030	-57 790	-46 030
Share of portfolio transfer		-	-3 680	-	-3 680
		-57 790	-49 710	-57 790	-49 710
Statutory charges		-7 983	-17 083	-7 983	-17 083
Net operating expenses	3	-84 263	-66 387	-84 085	-66 387
Investment charges	4	-198 318	-106 220	-216 841	-124 897
Balance on the technical account		**-45 191**	**-126 840**	**-57 192**	**-129 275**
Non-technical account:					
Other income					
Decrease in consolidation goodwill		-	-	8 720	1
Other income		50	259	51	259
		50	259	8 771	260
Other expenses					
Decrease in consolidation goodwill		-	-	-238	-247
Other expenses		-985	-654	-985	-654
		-985	-654	-1 223	-901
Direct taxes on ordinary activities					
Taxes for the accounting period		-1 611	-1 451	-1 611	-1 535
Taxes from previous years		8	9	90	9
		-1 603	-1 442	-1 520	-1 526
Share of participating interests' losses after taxes		-	-	-278	-46
Loss on ordinary activities after taxes		**-47 729**	**-128 677**	**-51 443**	**-131 487**
Loss after extraordinary items		**-47 729**	**-128 677**	**-51 443**	**-131 487**
Increase in depreciation difference		-	-	-2 341	-4 251
Decrease in optional reserves		51 291	132 210	51 291	131 850
		51 291	132 210	48 950	127 599
Profit/Loss for the accounting period before minority interest		**3 562**	**3 533**	**-2 493**	**-3 888**
Minority interest in the profit for the accounting period				-150	-1
Group loss for the accounting period/ Profit for the accounting period		**3 562**	**3 533**	**-2 643**	**-3 889**

* Reference number in the Appendices

APPENDICES TO THE PROFIT AND LOSS ACCOUNT

1 000 FIM	Parent company		Group	
	1998	1997	1998	1997
1 Premiums written				
Direct insurance				
Basic insurance under the Employees' Pensions Act				
Employers' contribution	2 743 835	2 341 355	2 743 835	2 341 355
Employees' contribution	789 997	661 157	789 997	661 157
	3 533 832	3 002 512	3 533 832	3 002 512
Additional pension insurance under the Employees' Pensions Act	28 702	28 016	28 702	28 016
Insurance under the Self-employed Persons' Pensions Act minimum cover	436 472	420 755	436 472	420 755
Additional pension insurance under the Self-employed Persons' Pensions Act	5 054	2 920	5 054	2 920
	4 004 060	3 454 203	4 004 060	3 454 203
Transitional charge payable to the State Pension Fund	-11 274	-9 875	-11 274	-9 875
Gross premiums written	**3 992 786**	**3 444 328**	**3 992 786**	**3 44 328**
Credit loss on premiums	-30 429	-74 315	-30 429	-74 315
Premiums written before reinsurers' share	**3 962 356**	**3 370 012**	**3 962 356**	**3 370 012**
Reinsurers' share	-15	-60	-15	-60
Premiums written	**3 962 341**	**3 369 952**	**3 962 341**	**3 369 952**
Amortization of uncovered liabilities	67 234	58 769	67 234	58 769

1 000 FIM	Parent company		Group	
	1998	1997	1998	1997

2 Claims paid

Direct insurance				
Paid to pension beneficiaries				
Basic insurance under the Employees' Pensions Act	2 454 817	2 324 111	2 454 817	2 324 111
Additional pension insurance under the Employees' Pensions Act	46 412	44 321	46 412	44 321
Insurance under the Self-employed Persons' Pensions Act minimum cover	498 743	476 564	498 743	476 564
Additional pension insurance under the Self-employed Persons' Pensions Act	3 240	3 202	3 240	3 202
	3 003 213	2 848 198	3 003 213	2 848 198
Paid/Received liability distribution renumeration				
Pensions under the Employees' Pensions Act	144 900	25 110	144 900	25 110
Pensions under the Self-employed Persons' Pensions Act	32 067	21 171	32 067	21 171
	176 968	46 281	176 968	46 281
	3 180 180	2 894 479	3 180 180	2 894 479
Rehabilitation management expenses	2 513	-	2 513	-
Claims management expenses	14 681	15 017	14 681	15 017
Claims paid before reinsurers' share	**3 197 375**	**2 909 496**	**3 197 375**	**2 909 496**
Claims paid, total	**3 197 375**	**2 909 496**	**3 197 375**	**2 909 496**

1 and 2 Reinsurers' share

Premiums written	-15	-60	-15	-60

1 000 FIM	Parent company		Group	
	1998	1997	1998	1997

3. Specification of operating expenses

3.1 Total operating expenses by function

	1998	1997	1998	1997
Claims paid	14 681	15 017	14 681	15 017
Operating expenses	84 263	66 387	84 085	66 387
Investments charges	9 778	8 614	43 675	8 614
Other charges	985	654	1 223	654
Total	**109 707**	**90 672**	**143 664**	**90 672**

3.1 Depreciation by function

	1998	1997	1998	1997
Claims paid	2 313	2 330	2 313	2 330
Operating expenses	5 929	1 627	5 929	1 627
Investment charges	904	796	3 678	796
Other charges, depreciations on consolidated goodwill	-	-	238	-
Total	**9 145**	**4 754**	**12 157**	**4 754**

3.2 Staff expenses

	1998	1997	1998	1997
Salaries and commissions	39 879	36 978	40 310	36 978
Monetary value on fringe benefits	1 533	1 390	1 533	1 390
Pension expenses	6 237	6 700	6 291	6 700
Other social expenses	4 150	3 387	4 176	3 387
Total	**51 799**	**48 456**	**52 310**	**48 456**
of which paid to the board of directors, the supervisory board and the managing director	1 929	2 296	2 854	1 541
Average number of personnel during during the accounting period	7	2	7	2

3.3 Operating expenses in Profit and Loss Account

	1998	1997	1998	1997
Insurance policy acquisition costs				
Commissions for direct insurance	2 021	707	2 021	707
Other insurance policy acquisition costs	24 439	21 603	24 439	21 603
	26 461	22 310	26 461	22 310
Insurance policy management expenses	28 955	24 944	28 955	24 944
Administrative expenses	28 852	19 154	28 675	19 154
Commissions for reinsurance ceded	-5	-22	-5	-22
Total	**84 263**	**66 387**	**84 085**	**66 387**

4 Analysis of net investment income

1 000 FIM	Parent company 1998	Parent company 1997	Group 1998	Group 1997
Investment income:				
Income from investments in group companies				
Interest income	1 919	946	-	-
Income from investments in land and buildings				
Group companies				
Interest income	21 801	14 734	-	-
Other companies				
Interest income	128	-	128	740
Other income	87 390	69 512	99 621	84 275
	87 518	69 512	99 749	85 015
Income from other investments				
Dividend income	30 062	14 060	30 067	14 059
Interest income	1 109 471	1 039 019	1 110 171	1 039 019
Other income	4 055	9 957	10 539	9 957
	1 143 588	1 063 036	1 150 777	1 063 036
Total	1 254 826	1 148 228	1 250 526	1 148 051
Devaluation cancellations	10 866	567	21 032	16 988
Realized gains on investments	28 012	18 044	28 490	18 044
Total	**1 293 704**	**1 166 839**	**1 300 048**	**1 183 083**
Investment expenses:				
Expenses for land and buildings				
Group companies	-60 131	-37 832	-	-
Other companies	-5 518	-14 959	-39 421	-31 706
	-65 649	-52 791	-39 421	-31 706
Expenses for other investments	-22 346	-39 192	--22 346	-39 192
Interest expenses and expenses on other liabilities	-777	-1 028	-5 179	-5 090
	-23 123	-40 220	-27 525	-44 282
Total	-88 772	-93 011	-66 946	-75 988
Devaluations and depreciations				
Devaluations	-38 082	-13 209	-45 512	-14 500
Planned depreciation on buildings	-267	-	-31 799	-34 409
	-38 349	-13 209	-77 312	-48 909
Realized losses on investments	-71 197	-	-	-
Total	**-198 318**	**-106 220**	**-216 841**	**-124 897**
Net investment income before revaluations and their adjustments	**1 095 387**	**1 060 619**	**1 083 207**	**1 058 185**
Net investment income on the Profit and Loss Account	**1 095 387**	**1 060 619**	**1 083 207**	**1 058 185**
Avoir fiscal tax credit included in dividend income	1 611	3 846	1 611	1 451

Balance Sheet

1 000 FIM		Parent company		Group	
Assets		1998	1997	1998	1997
Intangible assets	9				
Consolidation goodwill		-	-	621	1 046
Other long-term expenses		26 364	29 409	28 435	29 409
		26 364	**29 409**	**29 056**	**30 455**
Investments	5				
Investments in land and buildings	6				
Land and buildings		652 780	563 041	1 379 622	1 070 545
Loans to group companies	8	561 462	350 140	-	-
		1 214 242	913 181	1 379 622	1 070 545
Investments in group companies and participating interests	7				
Other shares and variable-yield securities and units in unit trusts		8 510	8 510	7 441	7 490
Other investments					
Shares and other variable-yield securities and units in unit trusts	7	1 331 816	592 929	1 377 331	638 445
Debt securities		13 703 168	11 570 779	13 703 168	11 570 779
Loans guaranteed by mortgages	8	369 694	634 085	369 694	634 085
Other loans	8	1 958 059	2 890 931	1 964 183	2 890 931
Deposits		164 586	209 357	164 586	209 357
Other investments		246	6 818	246	8 390
		17 527 569	15 904 899	17 579 209	15 951 987
		18 750 322	**16 826 590**	**18 966 272**	**17 030 022**
Uncovered liabilities					
Obligatory uncovered liabilities		**111 419**	**169 209**	**111 419**	**169 209**
Debtors					
Arising out of direct insurance operations					
Policyholders		258 497	268 657	258 497	268 657
Other debtors	12	248 752	213 887	189 714	196 553
		507 249	**482 544**	**448 210**	**465 210**
Other assets					
Tangible assests					
Equipment	9	226	295	3 557	295
Other tangible assets		-	-	300	300
		226	428	3 857	595
Cash at bank and in hand		50 452	24 242	51 049	25 213
Other assets		133	133	-	-
		50 811	**24 670**	**54 906**	**25 808**
Prepayments and accrued income					
Interest and rents		612 859	740 619	612 949	740 395
Other prepayments and accrued income		320 299	372 106	324 011	372 106
		933 158	**1 112 725**	**936 959**	**1 112 502**
		20 379 323	**18 645 148**	**20 546 823**	**18 833 207**

BALANCE SHEET

LIABILITIES

1 000 FIM	Note	Parent company 1998	Parent company 1997	Group 1998	Group 1997
Capital and reserves	10				
Restricted					
Equivalent funds		5 000	5 000	5 000	5 000
Guarantee capital		4 800	4 800	4 800	4 800
Revaluation reserve		-	-	600	600
		9 800	9 800	10 400	10 400
Non-restricted					
Security reserve		22 686	19 450	22 686	19 450
Contingency reserve		280	277	280	277
Group losses for previous years		-	-	-9 994	-2 766
Profit (loss) for the accounting period		3 562	3 532	-2 643	-3 889
		26 529	23 259	10 330	13 072
		36 329	**33 059**	**20 730**	**23 472**
Minority share				**98 798**	**97 748**
Reserves	11				
Group reserve				1 747	-
Accumulated depreciation difference		-	-	7 684	5 343
Optional reserves	12	152 849	204 140	153 317	204 608
		152 849	**204 140**	**162 749**	**209 951**
Technical provisions					
Provision for unearned premiums		13 472 124	12 305 261	13 472 124	12 305 261
Provision for outstanding claims		6 559 176	6 016 683	6 599 176	6 016 683
		20 071 300	**18 321 944**	**20 071 300**	**18 321 944**
Creditors					
Other creditors					
Creditors financial institutions		-	-	14 625	-
Other creditors	12	8 783	1 605	17 431	93 861
		8 783	**1 605**	**32 056**	**93 861**
Accruals and deferred income		**110 061**	**84 399**	**161 190**	**86 231**
		20 379 323	**18 645 148**	**20 546 823**	**18 833 207**

APPENDICES TO THE BALANCE SHEET

1 000 FIM	Parent company			Group		

5 Current value and valuation difference of investments
Investments 31.12.1998

	Remaining acquisition cost	Book value	Current value	Remaining acquisition cost	Book value	Current value
Investments in land and buildings						
Land and buildings	-	-	-	1 259 941	1 264 935	1 390 422
Group company shares	533 098	538 093	623 445	-	-	-
Other real estate shares	114 687	114 687	112 565	114 687	114 687	112 565
Loans to group companies	561 463	561 463	561 463	-	-	-
	1 209 248	1 214 242	1 297 473	1 374 627	1 379 622	1 502 987
Holdings in other companies						
Shares and other variable-yield securities and units in unit trusts	8 510	8 510	8 510	7 441	7 441	7 441
Other investments						
Shares and other variable-yield securities and units in unit trusts	1 331 816	1 331 816	1 791 791	1 377 331	1 377 331	1 816 636
Debt securities	13 703 168	13 703 168	14 906 602	13 703 168	13 703 168	14 906 602
Loans guaranteed by mortgages	369 694	369 694	369 694	369 694	369 694	369 694
Other loans	1 958 059	1 958 059	1 958 059	1 964 183	1 964 183	1 964 183
Deposits	164 586	164 586	164 586	164 586	164 586	164 586
Other investments	246	246	246	246	246	246
	17 527 569	17 527 569	19 190 979	17 579 209	17 579 209	19 221 948
	18 745 327	**18 750 322**	**20 496 962**	**18 961 277**	**18 966 272**	**20 732 376**
The remaining acquisition cost of debt securities consists of the difference (+/-) between the nominal value and acquisition price that is allocated to interest income or deducted from it	-265 580			-265 580		
The book value consists of						
Revaluations entered as income		0			0	
Other revaluations		4 995			4 995	
		4 995			4 995	
Valuation difference (difference between the current and book values)			1 746 640			1 766 104

1 000 FIM	Parent company			Group		

5 Current value and valuation difference of investments
Investments 31.12.1997

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

6 Change in investments in land and buildings

31.12.1998

1 000 FIM	Parent company		Group	
	Land and water areas and real estate shares	Loans to group companies	Buildings	Land and water areas and real estate shares
Acquisition cost 1.1	740 221	350 140	878 704	247 742
Increase	90 813	250 718	291 867	140 349
Decrease	-2 174	-39 396	-	-
Acquisition cost 31.12	828 860	561 463	1 170 571	388 091
Revaluations 1.1	4 995		-	4 995
Revaluations 31.12	4 995		-	4 995
Accumulated depreciations according to plan/ devaluations 1.1	-182 175		-42 769	-18 126
Depreciations according to plan/devaluations and devaluation cancellations	-		-121 934	-1 723
Decrease	1 100		517	-
Accumulated depreciations according to plan/ devaluations 31.12	-181 075		-164 185	-19 849
Book value after depreciations according to plan/ devaluations 31.12	**652 780**	**561 463**	**1 006 385**	**373 237**
Accumulated depreciations in excess of the plan 1.1			-5 343	
Depreciation above/below plan			-2 341	
Accumulated depreciations in excess of the plan 31.12			-7 684	
Fully depreciated value of buildings 31.12			998 701	

31.12.1997

Acquisition cost 1.1	631 824	90 862	222 302	608 232
Transfer	-	94 662	562 550	-562 550
Increase	108 403	178 595	93 851	202 066
Decrease	-7	-13 979	-	-6
Acquisition cost 31.12	740 220	350 140	878 704	247 742
Revaluations 1.1	4 995		-	4 995
Revaluations 31.12	4 995		-	4 995
Accumulated depreciations according to plan/ devaluations 1.1	-182 175		-16 308	-161 630
Depreciations according to plan/devaluations and devaluation cancellations	-		-26 461	-
Decrease	-		-	143 504
Accumulated depreciations according to plan/ devaluations 31.12	-182 175		-42 769	-18 126
Book value after depreciations according to plan/ devaluations 31.12	**563 041**	**350 140**	**835 935**	**234 610**
Accumulated depreciations in excess of the plan 1.1			-1 092	
Depreciations above/below plan			-4 251	
Accumulated depreciations in excess of the plan 31.12			-5 343	
Fully depreciated value of buildings 31.12			830 592	

1 000 FIM	Parent company		Group	
	1998	1997	1998	1997
Land and buildings for own use				
Remaining acquisition cost	32 799	30 213	20 363	20 336
Book value	32 799	30 213	20 363	20 336
Current value	30 648	29 329	17 352	17 355
Group companies				
Number of companies	42	40		
Total profit for accounting period	1 066	164		
Capital and reserves, total	690 081	620 481		

7 Investments in group companies and participating interests, other investments, shares and other variable-yield securities and units in unit trusts

Shares and holdings in group companies				
Original acquisition cost 1.1	8 510	8 510	7 490	7 306
Increase	-	-	-	183
Decrease	-	-	-49	-
Remaining acquisition cost 31.12	**8 510**	**8 510**	**7 441**	**7 490**

Shares and holdings in group companies	No. of shares	% of shares	% of votes	Nominal value FIM 1000	Parent company Book value 1998 FIM 1000	Group Book value 1998 FIM 1000	Profit/loss for accounting period FIM 1000	Capital and reserves FIM 1000
Tapiola Book Entry Securities	1000	20.00	20.00	1 000	1 000	926	62	4 632
Vakuutusneuvonta Aura Oy	50	33.33	33.33	5	5	9	0	28
Vakuutusneuvonta Pohja Oy	50	33.33	33.33	5	5	9	0	28
Suomen Metsäsijoitus Oy	7500	25.00	25.00	7 500	7 500	6 496	-243	25 985
					8 510	**7 441**		

PORTFOLIO

Other investments Shares and other variable-yield securities and units in unit trusts	Parent company No. of shares	Book value FIM 1000 31.12.1998	Current value FIM 1000 31.12.1998	Group No. of shares	Book value FIM 1000 31.12.1998	Current value FIM 1000 31.12.1998
Kesko Oyj	991 300	68 962	75 339	991 300	68 962	75 339
Instrumentarium Oyj	348 250	51 783	72 688	348 250	51 783	72 688
Orion Oyj	580 220	57 913	70 485	580 220	57 913	70 485
Huhtamäki Oyj	349 135	52 151	67 393	349 135	52 151	67 393
Sonera Oyj	737 000	33 165	66 330	737 000	33 165	66 330
JOT Automation Oyj	302 700	2 534	63 870	302 700	2 534	63 870
Mc Donald's Corp.	126 000	32 933	49 321	126 000	32 933	49 321
Nokia Oyj	75 000	15 788	46 500	75 000	15 788	46 500
Cultor Oyj	845 800	36 562	43 982	845 800	36 562	43 982
Lassila & Tikanoja Oyj	343 300	29 992	42 913	343 300	29 992	42 913
Tamro Oyj	1 847 500	40 565	40 565	1 847 500	40 565	40 565
Kemira Oyj	992 400	33 001	36 223	992 400	33 001	36 223
Metra Oyj	384 500	31 539	33 971	384 500	31 539	33 971
Asko Oyj	378 800	24 717	32 842	378 800	24 717	32 842
Rautaruukki Oyj	982 500	31 443	32 324	982 500	31 443	32 324
Partek Oyj	678 700	29 491	31 560	678 700	29 491	31 560
Metsä-Serla Oyj	755 500	24 381	31 500	755 500	24 381	31 500
Stockmann Oyj	322 000	27 692	30 783	322 000	27 692	30 783
Nokian Renkaat Oyj	184 800	16 355	30 492	184 800	16 355	30 492
Metsä-Rauma Oy	288 000	30 001	30 001	288 000	30 001	30 001
Finngrid Oyj	150	30 000	30 000	150	30 000	30 000
Fortum Oyj	912 576	21 027	28 290	912 576	21 027	28 290
Outokumpu Oyj	576 700	26 990	26 990	576 700	26 990	26 990
Kone Oyj	45 600	22 066	26 904	45 600	22 066	26 904
Novo Group Oyj	129 508	14 806	26 420	129 508	14 806	26 420
Others		545 961	724 108		591 476	748 952
Total		1 331 816	1 791 791		1 377 331	1 816 636

1 000 FIM	Parent company		Group	
	1998	1997	1998	1997

8. Other investments

8.1 Other loans as guaranteed

Bank guarantee	1 503 364	2 304 401	1 503 364	2 304 401
Other security	454 695	586 530	460 819	586 530
Remaining acquisition cost	**1 958 059**	**2 890 931**	**1 964 183**	**2 890 931**

8.2.Total amount of pension loans

Other loans guaranteed by mortgages	103 607	333 073	103 607	333 073
Other loans	1 739 875	2 573 503	1 739 875	2 573 503
Remaining acquisition cost, total	**1 843 482**	**2 906 576**	**1 843 482**	**2 906 576**

8.3 Total amount of subordinated loan

Receivables in group real estate companies	2 100	2 100		
Other loans	870	870	870	870
	2 970	2 970	870	870

1 000 FIM	Parent company			Group			

9 Change in tangible and intangible assets

31.12.1998	Intangible assets and long-term expenditure	Equipment	Total	Intangible assets and long-term expenditure	Consoli-dation goodwill	Equipment	Total
Acquisition cost 1.1	42 926	1 132	44 058	42 927	1 667	1 131	45 725
Fully depreciated in the previous year	-5 325	-	-5 325	-5 325	-	-	-5 325
Acquisitions	6 271	27	6 298	8 342	229	6 135	14 705
Sales and disposal	-	-	-	-	-416	-2	-418
Acquisitions cost 31.12	43 872	1 159	45 031	45 944	1 480	7 264	54 687
Accumulated depreciations according to plan 1.1	-13 517	-836	-14 354	-13 517	-621	-836	-14 975
Fully depreciated in the previous year	5 325	-	5 325	5 325	-	-	5 325
Depreciations according to plan	-9 316	-97	-9 413	-9 316	-238	-2 871	-12 424
Accumulated depreciations according to plan plan 31.12	-17 509	-933	-18 442	-17 509	-859	-3 707	-22 704
Acquisition cost after depreciations according to plan 31.12	**26 364**	**226**	**26 589**	**28 435**	**621**	**3 557**	**32 613**
Net expenditures after depreciation 31.12	26 364	226	26 589	28 435	621	3 557	32 613

1 000 FIM	Parent company			Group			

9 Change in tangible and intangible assets

31.12.1997	Intangible assets and long-term expenditure	Equipment	Total	Intangible assets and long-term expenditure	Consoli-dation goodwill	Equipment	Total
Acquisition cost 1.1	39 941	853	40 794	39 941	15 583	853	56 377
Fully depreciated in the previous year	-1 893	-	-1 893	-1 893	-13 916	-	-15 808
Acquisitions	4 878	279	5 157	4 878	-	279	5 156
Acquisition cost 31.12	42 926	1 132	44 058	42 926	1 667	1 132	45 725
Accumulated depreciations according to plan 1.1	-10 782	-710	-11 492	-10 782	-14 112	-710	-25 604
Fully depreciated in the previous year	1 893	-	1 893	1 893	13 916	-	15 809
Depreciations according to plan	-4 628	-126	-4 754	-4 628	-247	-126	-5 001
Sales and disposal	-	-	-	-	-178	-	-178
Accumulated depreciations according to plan 31.12	-13 517	-836	-14 354	-13 517	-621	-836	-14 975
Acquisition cost after depreciations According to plan 31.12	**29 409**	**295**	**29 704**	**29 409**	**1 046**	**295**	**30 750**
Net expenditures after depreciation 31.12	29 409	295	29 704	29 409	1 046	295	30 750

1 000 FIM	Parent company		Group	
	1998	1997	1998	1997

10 Capital and reserves

	1998	1997	1998	1997
Restricted				
Equivalent funds	5 000	5 000	5 000	5 000
Guarantee capital	4 800	4 800	4 800	4 800
Revaluations reserve	-	-	600	600
	9 800	9 800	10 400	10 400
Non-restricted				
Security reserve	19 450	16 510	19 450	16 510
Transferred from profits for the previous year	3 236	2 940	3 236	2 940
	22 686	19 450	22 686	19 450
Contingency reserve	277	274	277	274
Transferred from profits for the previous year	9	3	9	3
Used for generally beneficial purposes	-5	-	-5	-
	280	277	280	277
Group loss/profit for previous years	-	-	-2 766	1 629
Transferred from losses for the previous years	-	-	-7 421	-8 564
Allocated	-	-	193	4 169
	-	-	-9 994	-2 766
Profit/Loss for the previous year	3 532	3 327	-3 889	-5 237
Transferred by decision of the AGM:				
Interest on the guarantee capital	-288	-384	-288	-384
Security reserve	-3 236	-2 940	-3 236	-2 940
Contingency reserve	-8	-3	-8	-3
Retained earnings	-	-	7 421	8 564
	0	0	0	0
Profit/Loss for the accounting period	3 562	3 532	-2 643	-3 889
	26 529	23 259	10 329	13 072
	36 329	**33 059**	**20 730**	**23 472**

Analysis of the revaluation reserve

Revaluation reserve 1.1	-	600
Revaluation reserve 31.12	-	600
Of which related to fixed assets	-	600

1 000 FIM	Parent company		Group	
	1998	1997	1998	1997

11 Reserves

	1998	1997	1998	1997
Consolidation difference				
Consolidation difference 1.1				
Increase			1 747	-
Consolidation difference 31.12			1 747	-
Depreciation difference				
Depreciation difference 1.1	-	-	5 343	1 092
Increase	-	-	2 341	4 251
Depreciations difference 31.12	-	-	7 684	5 343
Optional reserves				
Credit loss reserve 1.1	204 140	262 510	204 140	262 510
Decrease	-51 291	-58 370	-51 291	-58 370
Credit loss reserve 31.12	152 849	204 140	152 849	204 140
Transitional reserve 1.1	-	73 840	-	73 840
Decrease	-	-73 840	-	-73 840
Transitional reserve 31.12	-	0	-	0
Housing reserve 1.1	-	-	468	73
Increase	-	-	-	395
Housing reserve 31.12	-	-	468	468
Optional reserves, total 31.12	**152 849**	**204 140**	**153 317**	**204 608**
Reserves, total	**152 849**	**204 140**	**162 749**	**209 951**
Deferred tax calculated for the optional reserves	**42 798**	**57 159**	**45 470**	**58 786**
Tax rate	28 %	28%	28 %	28%

12 Receivables and debts group companies and associated undertakings

12.1 Specification of receivables

	1998	1997
Group companies		
Other loans	97 663	947

12.2 Specification of loans

	1998	1997
Loans to group companies		
Other loans	853	-

1 000 FIM	Parent company		Group	
	1998	1997	1998	1997
13 Provisions for outstanding claims				
Mortgages given				
As security of own debts	-	-	101 200	27 955
Amount of liability	-	-	100 914	27 955
Other liabilities				
Subscription commitments	71 754	22 109	71 754	22 109
Call options	-	144 900	-	144 900
14 Management loans				
Loans granted to members of affiliated companies	2 116	2 685	2 116	2 685

15 Management pension commitments

A retirement age of 60 - 63 years has been agreed for the senior management of the company and for those members of the Board of Directors who are employed by the company.

KEY FIGURES PERTAINING TO SOLVENCY

1 000 FIM	Parent company		Group	
	1998	1997	1998	1997
Solvency margin				
Capital and reserves after profit distribution	36 329	32 771	20 730	23 472
Optional reserves and accumulated depreciation difference	152 849	204 140	162 749	209 951
Valuation difference between current asset values and book values on the balance sheet	1 746 640	1 007 653	1 766 104	1 037 888
Unallocated additional benefits provision	1 391 167	822 865	1 391 167	822 865
Intangible assets and insurance acquisition costs not entered as expenses (-)	-26 364	-29 409	-29 056	-30 455
	3 300 622	**2 037 924**	**3 311 694**	**2 063 721**
Solvency margin required under the Insurance Companies Act, Chapter 11, Section 4	454 949	178 140	454 949	178 140
Working capital in relation to technical provisions %	18.1	12.0	18.1	12.0
Solvency limit %	5.6	4.7	5.6	4.7
Lower limit of target zone %	11.3	9.5	11.3	9.5
Upper limit of target zone %	22.5	18.9	22.5	18.9

Proposal for the Appropriation of the Profit

The Board of Directors proposes that the profit for the accounting period in the amount of FIM 3 562 466,47 be appropriated as follows:

Transfer to security reserve	3 560 000,00
Transfer to the contingency reserve	2 466,47
	3 562 466,47

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

Restricted capital and reserves		
Equivalent funds	5 000 000,00	
Guarantee capital	4 800 000,00	9 800 000,00
Non-restricted capital and reserves		
Security reserve	26 246 000,00	
Contingency reserve	282 857,57	26 528 857,57
		36 328 857,57

Espoo, 7th April 1999

Asmo Kalpala	Pertti Heikkala	Esa Härmälä	Eva-Liisa Inkeroinen
Pauli Leimio	Ismo Luimula	Maj-Len Remahl	Veikko Simpanen
Risto Suominen	Matti Sutinen	Aino Toikka	Pauli Torkko

Auditors' report

To the owners of the Tapiola Mutual Pension Insurance Company

We have examined the bookkeeping, financial statements and administration of the Tapiola Mutual Pension Insurance Company for the 1998 financial year. The financial statements prepared by the Board of Directors and the Managing Director include an annual report, consolidated and parent company income statements and balance sheets, and appendices to the financial statements. On the basis of the audit, we hereby issue the following statement on the financial statements and administration.

Mr Mauno Tervo, C.P.A., has performed the supervisory audit of the company and a separate report was issued on 13th April 1999.

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

The financial statements, which show a surplus for the parent company amounting to FIM 3,562,466.47 have been prepared in accordance with both the Bookkeeping Act and other rules and regulations concerning the preparations of financial statements. The financial statements provide, in the manner prescribed in the Bookkeeping Act, accurate and adequate information on the performance and financial standing of both the group and the parent company.

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

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

Espoo, 21st April, 1999

SVH Pricewaterhouse Coopers Oy
firm of certified public accountants

Mauno Tervo
C.P.A.

Ulla Holmström
C.P.A.

Report by the Supervisory Board

Having examined the financial statements, the consolidated financial statements and the auditors' report for 1998 financial year, the Supervisory Board recommends that the financial statements and its consolidated financial statements can be adopted.

Espoo, 22nd April 1999

Ilkka Brotherus
chairman

Tapiola Mutual Life Assurance Company

ANNUAL REPORT 1998

TAPIOLA

Life insurance still growing

The life insurance market continued to grow surprisingly strongly in 1998, even though as late as the autumn premiums written were expected to remain below last year's level. The gross premiums written by the life insurance companies rose 15 per cent. Most of the growth came from single-premium life insurance with savings and capitalisation agreements, but premiums written for optional pension insurance also grew significantly. The combined premiums written by the life insurance companies in 1998 was FIM 13 billion, which is an all-time record. The life insurance companies owned by the banks, new corporate groupings and companies as well as increased activity by brokers further intensified competition on the life insurance market. The technical interest rate for life insurances fell to 3.5 per cent from the beginning of 1999 as far as new products are concerned, and this may have been one reason for the successful sales of life insurance with savings in the latter part of 1998, when the technical interest rate was still 4.5 per cent.

The share of index-linked life insurance in gross premiums written rose significantly from 5 per cent in 1997 to 13 per cent in the review year. The importance of these products is growing and Tapiola also sees index-linked life insurances as a significant part of its product range in the very near future.

A new mechanism for controlling the solvency of life insurance companies was developed in 1998. The date on which the new rules will come into force is still open owing to the on-going amendment of the tax code. In the new solvency control mechanism, more attention will be given to the structure of the company's investment portfolio and technical provisions.

Tapiola's life insurance companies performed well and partly very succcessfully. The companies increased their premiums written significantly in both life insurance and individual pension insurance. On the other hand, premiums written for group pension insurance declined by about 70 per cent from the record-breaking level of the previous year. The market share of Tapiola's life insurance companies fell by 7.2 per cent because, unlike in the previous year, there were no pension fund dissolutions.

Tapiola's life insurance companies continued to focus on performing their basis role, i.e. offering a range of products that afford protection against risk and a means of long-term saving. Optional pension insurance has been selected as the main growth area. In individual pension insurance Tapiola's market share rose by 0.6 per cent. A cautious approach has been adopted towards underwriting single-premium, investment-type life insurance with savings, so as to ensure that the investment portfolio is divided up among as many policyholders as possible and solvency fluctuations are avoided. This also supports the yield of the insurance saving of old owner-customers. As we move closer to the range of investment-linked products, there is reason to loosen the restriction of growth.

In order to improve the customer service, the granting of insurances was decentralized from the head office to the field organization.

Sales of Tapiola's life insurances rose by 33 per cent to FIM 194 million. Individual pension insurance accounted for FIM 140 million of these sales, an increase of 64 per cent.

The solvency of Tapiola Life was strengthened by a subordinated loan from Tapiola General. The company's solvency is at the good level.

Jari Saine
Managing Director
Tapiola Life

Administration and auditors

SUPERVISORY BOARD

The term commences at the AGM.

Matti Ahde chairman, managing director, Vantaa	1998-2001
Tuula Entelä deputy chairman, investment director, Espoo	1996-1999
Risto Ihamuotila vice chancellor, Helsinki	1996-1999
Alpo Ikonen managing director, Muurame	1996-1999
Pertti Kettunen professor, Jyväskylä	1998-2001
Vesa Kämäri majorgeneral, Helsinki	1997-2000
Saara Lampelo managing director, Oulu	1998-2001
Merja Lehtonen chairman, Riihimäki	1996-1999
Sisko Mäkelä B.Sc. (Agriculture), Pyhäntä	1997-2000
Simo Nuutinen farmer, Lieksa	1997-2000
Arja Pohja head of office, Turku	1997-2000
Pentti Rahola organisational director, Vantaa	1996-1999
Asko Sarkola theater director, Espoo	1997-2000
Arto Tuominen managing director, Espoo	1998-2001
Antti Viirimäki agricultural councilor, Vantaa	1996-1999

AUDITORS

Mauno Tervo
B.Sc. (Econ.), C.P.A.
SVH PricewaterhouseCoopers Oy,
firm of certified public accountants,
responsible auditor
Ulla Holmström, B.Sc. (Econ.), C.P.A.

Deputy auditors
Jari Miikkulainen
M.Sc. (Econ, C.P.A.
Mirja Tonteri
B.Sc. (Econ.), C.P.A.

BOARD OF DIRECTORS

Asmo Kalpala
chairman, president
Pertti Heikkala
deputy chairman, managing director
Juhani Heiskanen
deputy managing director, sales, marketing and regional services
deputy member until 31.1.1998,
member as from 1.2.1998
Pentti Koskinen
director, actuarial services
Tom Liljeström
managing director
Jari Saine
managing director

Deputy members
Antti Calonius
director, major clients services, international direct insurance and reinsurance
Jari Eklund
director, investment services
Matti Luukko
deputy managing director, life insurance
Alpo Mustonen
director, statutory pension insurance
Markku Paakkanen
director, economy

ANNUAL REPORT 1998

The emphasis in Tapiola Life's operations was on long-term saving, with participation in the single-premium investment-type insurance market being quite limited. The distribution network was developed to meet the needs of expanding markets. The review year as a whole was a successful one for Tapiola Life: the result was good, the group's market share in long-term saving rose, and solvency developed favourably.

INSURANCE

PREMIUMS WRITTEN Tapiola Life's premiums written were FIM 728 million. Premiums written rose 8.6 per cent from the previous year's level of FIM 670 million. Life insurance accounted for FIM 456 million or 63 per cent of premiums written. The share of individual pension insurance was 37 per cent or FIM 273 million, representing a 14.0 per cent increase compared with the previous year. The provision for unearned premiums rose by FIM 495 million.

CLAIMS PAID Claims paid by Tapiola Life were FIM 408 million, 1.6 per cent higher than the figure for 1997. Repayments of savings totals were FIM 147 million, which was FIM 7 million higher than in 1997. Surrenders developed favourably from FIM 86 million to FIM 75 million, representing a 12.5 per cent decline compared with the previous year.

INVESTMENTS

Net investment income was FIM 312 million, which was 15.9 per cent higher than in the previous year.

Net interest and other income was FIM 200 million, compared with FIM 186 million in 1997.

The net income from investments in land and buildings fell slightly from FIM 79 million to FIM 75 million owing to an increase in management expenses.

Realised net gains on investments totalling FIM 36 million were recognised as income in 1998, compared with FIM 18 million in the previous year. Net realised gains on investments in land and building totalled FIM 33 million, with shares and other variable-yield participations accounting for the other FIM 3 million.

Writedowns totalled FIM 19 million, compared with FIM 17 million in 1997. Writedowns in respect of shares and debt securities were FIM 17 million and FIM 2 million, respectively.

Investment income was increased by cancellations of writedowns of 10 million made in previous years.

The book and current values of the company's investment assets at the end of the year were FIM 5,503 million and FIM 6,345 million, respectively.

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

OPERATING EXPENSES

Net operating expenses reported on the Profit and Loss Account in 1998 were FIM 92 million, which was FIM 6 million higher than in the previous year.

Gross operating expenses, which include depreciation charges of FIM 3 million, are appropriately allocated to different functions.

Salaries and commissions totalled FIM 39 million, which was 5.7 per cent lower than in the previous year.

The staff handling the company's business are employed not only by the company but also by Tapiola General Mutual Insurance Company and Tapiola Mutual Pension Insurance Company. The Managing Director and Deputy Managing Directly are employed solely by the company. The payments for services produced using shared resources are included in the company's operating expenses under the same items as would have been used if the staff had been directly employed by Tapiola Life.

Salaries and commissions paid to members of the Supervisory Board, the Board of Directors and the Managing Director totalled FIM 1,511,499.00. Other salaries and commissions amounted to FIM 45,677,234.39. The total salaries and commissions figure was FIM 47,188,733.39.

CLOSING OF THE ACCOUNTS

The company's operating profit was FIM 128 million, compared with FIM 101 million in the previous year.

The company's technical result of FIM 129 million was good and will allow competitive policyholder bonuses. The technical result incorporates the surpluses for underwriting, administrative costs and investments.

The underwriting surplus, which describes purely insurance operations, was FIM 45 million. This compares with a surplus of FIM 46 million in the previous year.

The administrative cost result was a deficit of FIM 5 million. In the previous year the comparable figure was a deficit of FIM 4 million.

The company's investment surplus was FIM 89 million, compared with FIM 67 million in 1997.

Tapiola Life's solvency ratio is 122.9 per cent, and the company's solvency level is good. The solvency ratio was 119.9 per cent in 1997.

On 23rd November the Board of Directors decided to take out a ten-year maturity FIM 130 million subordinated loan from Tapiola General Mutual Insurance Company. By approval of the Ministry of Social Affairs and Health, this subordinated loan is considered part of the company's solvency margin, which was FIM 1,056 million at the end of the year.

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

Depreciation of FIM 9 million was charged according to plan. The full amount of depreciation permitted under the Business Taxation Act was charged.

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

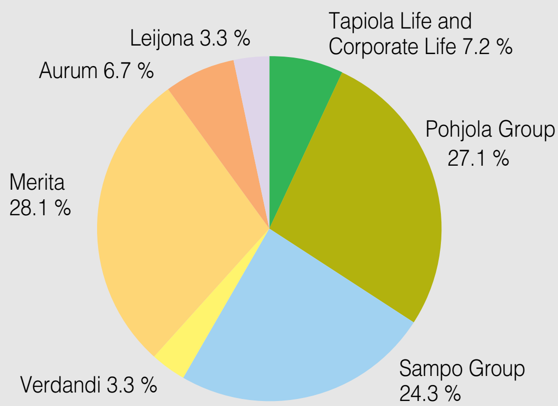
FIM 76 million was set aside in the closing of the accounts for policyholder bonuses in 1999, compared with FIM 83 million in the previous year. In addition to this, FIM 33 million was set aside for future additional benefits.

During the accounting period, FIM 12,000.00 was

Market shares 1998

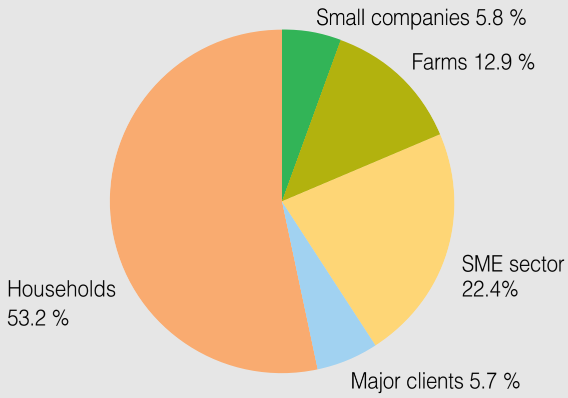
Life, group life and individual as well as optional pension insurance.

Premiums written FIM 12 954 Mio
Disssolved pension foundations included



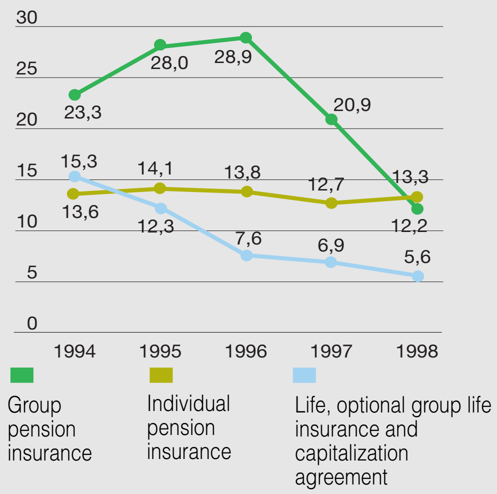
Tapiola Life
Premiums written by customer group 1998

Based on reported domicile of policyholders, including major clients



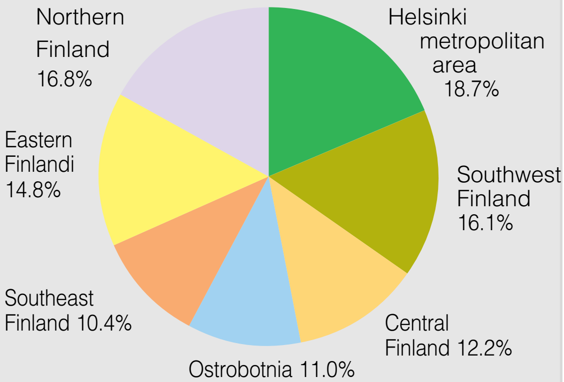
Tapiola Life
Development of market share in life insurance classes

Dissolved pension foundations excluded



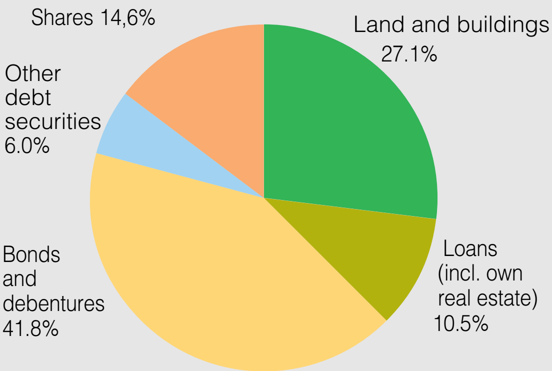
Tapiola Life
Premiums written by geographical area 1998

Based on domicile of policyholder including major clients



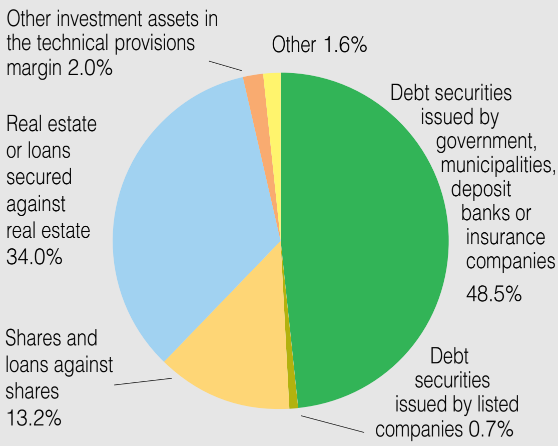
Tapiola Life
Investment assets

Current value at 31.12.1998 FIM 6 345 Mio



Tapiola Life
OtherInvestment risk profile

Current value at 31.12.1998



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

paid from the contingency reserve in the form of donations for generally beneficial purposes.

The company's share of the profit-sharing payment transferred to the Staff Fund of the Tapiola Insurance Group was FIM 790,241.00. It has been calculated according to the maximum amount and is included in the Profit and Loss Account under other expenses.

The Board of Directors recommends that the surplus of FIM 729,666.26 for the accounting period be appropriated so that FIM 729,666.26 is transferred to the security reserve.

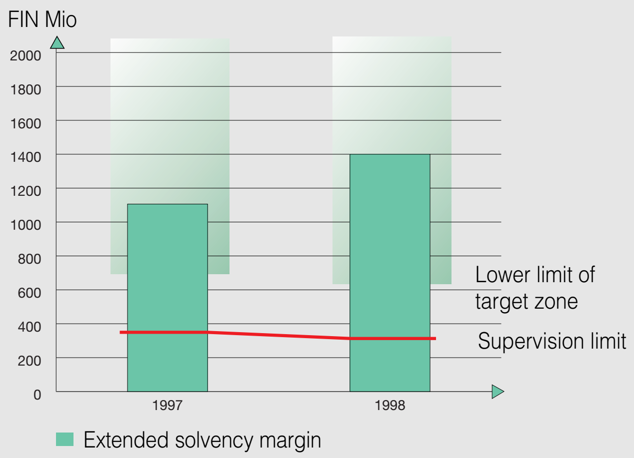
The Balance Sheet showed assets totalling FIM 5,836,036,357.39, compared with FIM 5,106,139,161.69 at the end of the previous year.

TAPIOLA LIFE PERFORMANCE ANALYSIS

Tapiola Corporate Life not included

FIN Mio	1998	1997	1996	1995	1994
COMPOSITION OF THE RESULT					
Risk business	45	46	33	30	40
Cost business	–5	–4	5	-9	8
Interest business	89	67	66	45	1
TOTAL	129	109	104	66	49
Revaluations	–	–	–	12	–
APPLICATION OF THE RESULT					
Policyholder bonuses, discounts and additional benefits	–109	–90	–63	–64	–80
Equalization provision	–11	–8	–11	–1	–12
Change in provision for disability pension	–6	–	–	–	–
Extraordinary expenses, depreciations etc.	–2	–9	–14	–11	47
RESULT	1	1	5	2	4

TAPIOLA LIFE
EXTENDED SOLVENCY MARGIN



The control limits for life insurance companies are developed on the basis of three concepts. The extended solvency margin plus items that can be used to ensure the continuity of the company's operations if the situation so requires. The lower limit of the target zone marks the performance level which the company must attain, otherwise it is obliged to submit a detailed survival plan to the supervising authorities.

CONSOLIDATED FINANCIAL STATEMENTS

Tapiola Mutual Life Assurance Group consisted of the parent company, Tapiola Mutual Life Assurance Company, Tapiola Corporate Life Insurance Company and its subgroups, and 69 housing and real estate companies. During the accounting period, one subsidiary joined the group.

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

INSURANCE

PREMIUMS WRITTEN The group's gross premiums written were FIM 937 million, which was 19.2 per cent lower than in the previous year. The decline in gross premiums written is due to a reduction in the amount of single-premium capitalisation agreements and optional employment pension insurances.

The provision for unearned premiums rose by FIM 575 million to FIM 5,849 million.

CLAIMS PAID Claims paid amounted to FIM 597 million, which was 2.7 per cent higher than in the previous year. The provision for outstanding claims rose by FIM 121 million to FIM 2,226 million.

INVESTMENTS

Net investment income was FIM 478 million.

Writedowns totalled FIM 38 million, compared with FIM 37 million in the previous year. Cancellations of writedowns made in previous years amounted to FIM 29 million.

The book and current values of the group's investment assets at the end of the year were FIM 8,131 million and FIM 9,366 million, respectively.

OPERATING EXPENSES

Operating expenses were FIM 121 million, which was 9.1 per cent higher than in the previous year.

Salaries and commissions fell by 4.0 per cent to FIM 56 million, and social expenses fell by 10.5 per cent compared with the previous year.

RESULT FOR THE ACCOUNTING PERIOD

The group's operating profit was FIM 157 million, compared with FIM 93 million in the previous year.

The combined total of the underwriting, administrative costs and investment surpluses was FIM 200 million, whereas the comparable result for the previous year was FIM 147 million.

Depreciation of FIM 63 million was charged according to plan and included depreciation on consolidated goodwill. The increase in the depreciation difference was FIM 1 million. Provisions were FIM 47 million at the end of the year.

The change in the depreciation difference and optional reserves as well as the depreciation difference and optional reserves are divided among deferred tax liability, minority interests and capital and reserves.

The deficit for the accounting period was FIM 6,041,105.06. The minority interest was FIM 98,291.10. The Balance Sheet showed assets totalling FIM 8,525,361,345.24.

TAPIOLA LIFE GROUP
KEY FINANCIAL INDICATORS

		1998	1997	1996	1995	1994
GENERAL FINANCIAL INDICATORS						
Turnover FIM Mio		1 699	1 756	1 734	1 226	776
Operating profit or loss, FIM Mio		157	93	104	116	75
Operating profit as percentage of turnover, %		9.2	5.3	6.0	9.5	9.7
Profit or loss before extraordinary items, appropriations and taxes, FIM Mio		-4	-42	12	23	-46
Above as a percentage of turnover, %		-0.2	-2.4	0.7	1.9	-6.0
Profit or loss before provisions and taxes, FIM Mio		-4	-42	0	23	-46
Above as percentage of turnover, %		-0.2	-2.4	0,0	1.9	-6.0
Return om equity (ROE), %		21.2	4.9	43.3	17.1	-9.9
Return on assets (ROA), %		8.0	5.9	10,1	6.9	3.9
Equity ratio, %		15.4	13.0	13.4	10.1	9.2
KEY FINANCIAL INDICATORS FOR LIFE INSURANCE						
Gross premiums written, FIM Mio		937	1 159	1 135	729	451
Expense ratio, %		111.4	105.8	97.7	92.1	100.2
Solvency margin, FIM Mio		1 429	1 053	962	603	526
Equalization provision, FIM Mio		195	181	171	174	172
Solvency capital, FIM Mio		1 680	1 291	1 160	810	724
Solvency ratio, %		121.4	118.0	118.4	114.8	114.2
OTHER INDICATORS						
Minimum solvency margin, FIM Mio		350	324	294	273	255
Solvency margin ratio, %		408.8	324.8	327.4	221.3	206.7
Market share of premiums written, %		7.2	10.3	9.6	10.2	12.3
Market share without dissolved pension foundation, %		7.7	9.3	9.9	15.4	13.6
Market share of insurance savings, %		12.5	13.8	15.7	18.6	21.9
STRUCTURE OF INVESTMENT PORTFOLIO						
Investments in land and buildings,	FIM Mio	2 980	2 905	2 565	2 232	
	%	31.8	35.6	35.8	37.1	
Shares,	FIM Mio	1 244	636	348	193	
	%	13.3	7.8	4.9	3.2	
Debt securities,	FIM Mio	4 328	4 135	3 352	2 567	
	%	46.2	50.7	46.7	42.7	
Other fixed income securities,	FIM Mio	687	306	574	212	
	%	7.3	3.7	8.0	3.5	
Loans, FIM Mio		128	177	335	806	
	%	1.4	2.2	4.7	13.4	
Other investments,	FIM Mio	0	4	1	0	
	%	0.1	0.1	0.0	0.0	

REAL ESTATE PORTFOLIO, INCOME AND VACANT PREMISES AT 31.12.1998

REAL ESTATE PORTFOLIO, FIM 1 000

Current value	2 348 673
Book value and loans	1 915 907
Valuation difference	432 766

Type of real estate	Current value FIM 1 000	Current value FIM/m2	Net yield FIM 1 000	Net yield %	Potential net yield*)	Vacant floor area, m2	Vacancy rate
Non-residential premises							
Commercial and office premises							
- rented to outside parties	1 206 646	9 346	54 899	4,5	5,0	129 104	6,8
- in own use **)	81 257	6 956	5 236	6,4	6,4	11 682	0,0
Industrial premises	30 693	3 574	1 769	5,8	5,8	8 589	0,0
Hotels	220 453	7 339	16 769	7,6	7,6	30 040	0,0
Total	1 539 049	8 578	78 673	5,1	5,5	179 415	4,9
Residential buildings ***)	455 075	6 041	22 866	5,0	5,4	75 335	3,2
Other properties and premises							
Under construction and acquired mid-year	314 141						
Undeveloped plots	28 606						
Forest holdings	27						
Shares in real estate investment companies	11 775						
Total	354 549					36 152	
REAL ESTATE PORTFOLIO	2 348 673					290 902	

*) The potential net yield is augmented by imputed gross rent for the vacant premises, which averages FIM 54/m^2/month

**) The imputed gross rent for premises in Tapiola's own use averages FIM 66/m^2/month

***) The net income from residential premises is augmented by a government interest subsidy of FIM 1 981 000

The average vacancy rate over the year for non-residential premises was 4.2%.

FINANCIAL ANALYSIS

1 000 FIM	Parent company		Group	
	1998	**1997**	**1998**	**1997**
Source of funds:				
Cash and flow financing				
Profit before interest expenses, extraordinary items, appropriations and taxes	1 474	1 720	-3 856	-41 857
Adjustments items:				
Change in technical provisions	538 471	448 895	696 965	858 534
Investment devaluations and revaluations	8 976	18 490	9 155	43 701
Depreciation	8 662	9 584	63 107	74 407
	557 583	**478 689**	**765 372**	**934 785**
Capital financing				
Increase in minority interest	-	-	-	31 320
Optional reserves	-	-	-46 339	1 651
Increase in own capital	-	-	31 715	4 898
Subordinated liabilities	130 000	-	130 000	-
	130 000	-	115 376	37 869
Source of funds, total	**687 583**	**478 689**	**880 748**	**972 654**
Application of funds:				
Profit distribution				
Interest on long-term liabilities	131	-	-	-
Taxes	879	623	2 283	1 243
Interest on guarantee capital	-	960	-	960
Other profit distribution	12	46	12	46
	1 022	1 629	2 295	2 249
Investments				
Increase in investments (net)	824 028	467 970	1 010 261	998 943
Increase in tangible and intangible assets (net)	3 020	6 875	15 770	13 374
	827 048	474 845	1 026 031	1 012 317
Repayments of capital				
Decrease in long-term liabilities	-	21	-	-
Decrease in minority interest	-	-	958	-
	-	21	958	-
Applications of funds, total	**828 070**	**476 495**	**1 029 284**	**1 014 566**
Decrease/Increase in working capital	**-140 487**	**2 194**	**-148 536**	**-41 912**
Change in working capital				
Change in receivables	-77 096	-48 218	-62 992	-89 266
Change in cash at bank and in hand	14 940	-5 452	34 873	-6 284
Change in prepayments and accrued income	-17 356	25 047	-48 453	55 649
Change in deposits received from reinsurers	52	-59	-51	-26
Change in amounts owed	-36 532	30 719	-35 847	-5 754
Change in accruals and deferred income	-24 495	157	-36 067	3 769
Decrease/Increase in working capital	**-140 487**	**2 194**	**-148 536**	**-41 912**

PROFIT AND LOSS ACCOUNT

1 000 FIM		Parent company		Group	
Technical account:		**1998**	**1997**	**1998**	**1997**
Premiums written					
Premiums written	*1	728 273	670 455	937 030	1 159 361
Reinsurers' share		-9 095	-10 809	-16 554	-18 919
		719 178	659 646	920 476	1 140 442
Investment income	4	508 814	403 856	761 415	586 697
Claims incurred					
Claims paid	2	-407 884	-401 549	-596 918	-581 045
Reinsurers' share		9 478	10 284	13 644	14 333
		-398 406	-391 265	-583 274	-566 712
Change in provision for outstanding claims		-43 230	-25 922	-121 097	-336 443
Reinsurers' share		-109	-110	41	173
		-43 340	-26 032	-121 056	-336 270
		-441 746	-417 297	-704 330	-902 982
Change in provision for unearned premiums					
Change in provision for unearned premiums		-493 857	-423 257	-575 278	-523 731
Reinsurers' share		-1 274	393	-631	1 467
		-495 131	-422 864	-575 909	-522 264
Operating expenses	3	-92 133	-86 335	-120 621	-110 548
Investments charge	4	-196 488	-122 098	-283 339	-210 495
Investment revaluation adjustment	4	-	-12 400	-	-28 900
Other expenses		-496	-574	-545	-630
Balance on technical account		**1 997**	**1 934**	**-2 852**	**-48 680**
Non-technical account:					
Other income					
Decrease in goodwill		-	-	-	9 252
Other income		352	641	365	726
		352	641	365	9 978
Other expenses					
Depreciation on consolidation goodwill		-	-	-10	-1 997
Other expenses		-1 007	-855	-1 369	-1 112
		-1 007	-855	-1 379	-3 109
Direct taxes on ordinary activities					
Taxes for the accounting period		-884	-667	-2 186	-1 286
Taxes from previous years		5	44	20	43
Change in deferred tax				-118	-
		-879	-623	-2 283	-1 243
Share of participating interests' losses after taxes		-	-	10	-46
Profit/Loss on ordinary activities after taxes		**464**	**1 097**	**-6 139**	**-43 100**
Profit/Loss after extraordinary items		**464**	**1 097**	**-6 139**	**-43 100**
Increase in depreciation difference		-474	-656	-	-3 658
Decrease in optional reserves		740	448	-	1 489
Profit/Loss for the accounting period before minority interest		**730**	**889**	**-6 139**	**-45 269**
Minority interest in the profit for the accounting period				98	203
Profit for the accounting period/ Group loss for the accounting period		**730**	**889**	**-6 041**	**-45 066**

*Reference number in the Appendices

APPENDICES TO THE PROFIT AND LOSS ACCOUNT

1 000 FIM	Parent company		Group	
	1998	1997	1998	1997
1 Premiums written				
Direct insurance				
Life insurance				
Individual life insurance	433 960	407 977	464 301	409 303
Employees' group life insurance	17 234	20 098	23 803	27 207
Other group life insurance	4 354	3 272	29 539	27 567
Capitalization agreements	-	-	2 450	89 100
	455 548	431 347	520 093	553 176
Pension insurance				
Individual pension insurance	272 606	239 050	323 858	270 087
Optional employment pension insurance	-	-	92 977	336 066
	272 606	239 050	416 835	606 153
	728 154	670 397	936 928	1 159 329
Reinsurance	186	157	186	157
Gross premiums written	**728 340**	**670 553**	**937 114**	**1 159 486**
Credit loss on premiums	-67	-98	-84	-125
Premiums written before reinsurers' share	**728 273**	**670 455**	**937 030**	**1 159 361**
Premiums written before credit losses and reinsurers' share				
Continuous premiums	535 848	555 127	717 466	798 559
Lump-sum premiums	192 306	115 270	219 462	360 770
	728 154	670 397	936 928	1 159 329
Premiums from agreements entitled to bonuses	728 154	670 397	936 928	1 159 329

1 000 FIM	Parent company		Group	
	1998	1997	1998	1997
1.1 The effect of bonuses and rebates on the result from life assurance				
Bonuses				
Life insurance				
Individual life insurance	68 740	54 921	68 862	54 942
Other group life insurance	60	9	616	1 048
Capitalization agreements	-	-	1 509	1 090
	68 800	54 930	70 988	57 080
Pension insurance				
Individual pension insurance	42 306	30 753	43 438	31 231
Optional employment pension insurance	-	-	27 353	31 338
	42 306	30 753	70 791	62 569
	111 106	**85 683**	**141 779**	**119 649**
Rebates				
Life insurance				
Individual life insurance	**4 909**	**4 722**	**4 909**	**4 722**
2 Claims paid before reinsurers' share				
Direct insurance				
Life insurance	264 487	277 131	276 549	295 853
Surrenders	73 234	84 084	73 540	84 084
	337 721	361 215	350 089	379 937
Pension insurance	49 486	38 463	221 509	196 613
Surrenders	1 981	1 871	2 458	4 495
	51 467	40 334	223 967	201 108
	389 189	401 549	574 056	581 045
Reinsurance	18 695	-	22 862	-
Claims paid, total	**407 884**	**401 549**	**596 918**	**581 045**

1 000 FIM	Parent company		Group	
	1998	1997	1998	1997

3. Specification of operating expenses

3.1 Total operating expenses by function

	1998	1997	1998	1997
Claims paid	11 676	14 275	13 483	16 485
Operating expenses	92 133	86 335	120 621	110 548
Investment charges	16 071	17 938	84 048	8 227
Other expenses	1 007	855	1 379	3 109
Total	**120 887**	**119 403**	**219 531**	**138 369**

3.2 Depreciation by function

	1998	1997	1998	1997
Claims paid	327	471	328	472
Operating expenses	2 180	3 187	3 106	3 346
Investment charges	155	1 896	4 971	1 907
Other expenses, depreciations on goodwill	-	-	10	1 997
Total	**2 662**	**5 554**	**8 415**	**7 722**

3.3 Staff expenses

	1998	1997	1998	1997
Salaries and commissions	39 055	41 407	56 096	58 449
Monetary value of fringe benefits	1 193	1 173	1 840	1 761
Pension expenses	5 572	7 248	8 227	10 187
Other social expenses	4 255	4 022	5 944	5 653
Total	**50 076**	**53 850**	**72 107**	**76 050**
of which paid to the board of directors, the supervisory board and the managing director	1 511	1 134	1 911	1 366
Average number of personnel during the financial year	2	2	2	2

3.3 Operating expenses in Profit and Loss Account

	1998	1997	1998	1997
Insurance policy acquisition costs				
Commissions for direct insurance	9 281	6 442	10 148	6 793
Other insurance policy acquisition costs	39 975	39 574	52 454	51 595
	49 256	46 016	62 602	58 388
Insurance policy managements expenses	17 553	20 863	27 026	26 935
Administrative expenses	25 324	19 456	31 750	25 831
Commission for reinsurance ceded	-	-	-758	-606
Total	**92 133**	**86 335**	**120 621**	**110 548**

4 Analysis of net investment income

1 000 FIM	Parent company 1998	Parent company 1997	Group 1998	Group 1997
Investment income:				
Income from investments in group companies				
Interest income	5 955	5 728	-	-
Income from investments in land and buildings				
Group companies				
Interest income	34 665	37 205	-	-
Othet income	1 373	486	-	-
	36 038	37 691	-	-
Other companies				
Interest income	333	-	375	118
Other incomer	153 062	142 547	228 160	218 824
	153 395	142 547	228 535	218 942
	189 433	180 238	228 535	218 942
Income from others investments				
Dividend income	15 945	9 185	21 493	11 301
Interest income	203 849	179 103	375 250	301 785
Other income	5 943	7 668	7 352	8 997
	225 737	195 956	404 095	322 083
Total	421 125	381 922	632 630	541 025
Devaluation cancellations	10 126	3 754	28 588	22 444
Realized gains on investments	77 562	18 180	100 196	23 228
Total	**508 814**	**403 856**	**761 415**	**586 697**
Investment expenses:				
Expenses for land and buildings				
Group companies	-75 661	-50 422	-	-
Other companies	-38 511	-51 150	-109 085	-95 971
	-114 172	-101 572	-109 085	-95 971
Expenses for other investments	-10 775	-3 708	-14 237	-4 654
Interest expenses and expenses on other liabilities				
Group companies	-767	-418	-	-
Other companies	-4 315	-2 492	-7 072	-5 166
	-5 082	-2 910	-7 072	-5 166
Total	-130 030	-108 190	-130 394	-105 791
Value adjustments on investments				
Devaluation	-19 103	-9 844	-37 744	-37 245
Planned depreciation on buildings	-5 999	-4 030	-54 692	-65 857
	-25 102	-13 874	-92 436	-103 102
Realized losses on investments	-41 357	-34	-60 508	-1 602
Total	**-196 488**	**-122 098**	**-283 339**	**-210 495**
Net investment income before revaluations and other adjustments	**312 325**	**281 758**	**478 076**	**376 203**
Investment revaluation adjustment	-	-12 400	-	-28 900
Net investment income on the Profit and Loss Account	**312 325**	**269 358**	**478 076**	**347 303**
Avoir fiscal tax credit included in dividend income	884	667	2 246	1 174

BALANCE SHEET

1 000 FIM	Note	Parent company 1998	Parent company 1997	Group 1998	Group 1997
ASSETS					
Intangible assets					
Consolidation goodwill		-	-	33	66
Other long-term expenses	9	18 953	18 211	26 033	22 393
		18 953	**18 211**	**26 065**	**22 459**
Investments	5				
Investments in land and buildings	6				
Land and buildings		1 286 054	1 283 446	2 372 605	2 364 981
Loan to group companies		512 129	474 459		
		1 798 184	1 757 905	2 372 605	2 364 981
Investments in group companies and participating interests	7				
Shares and holdings in group companies		68 065	39 372	-	-
Debt securities issued by and loans to group companies		35 487	35 487	-	-
Other shares and variable-yield securities and units in unit trusts		2 870	1 610	2 630	1 327
		106 422	76 469	2 630	1 327
Other investments					
Shares and other variable-yield securities and units in unit trusts		669 439	340 190	959 821	459 830
Debt securities		2 772 748	2 298 749	4 578 559	4 058 880
Loans guaranteed by mortgages		64 426	67 534	67 612	84 719
Other loans	8	55 644	78 948	60 046	92 232
Deposits		36 602	74 027	89 246	118 741
Other investments		-	591	-	3 396
		3 598 859	2 860 039	5 755 284	4 817 798
		5 503 465	**4 694 413**	**8 130 519**	**7 184 106**
Debtors					
Arising out of direct insurance operations					
Policyholders		21 481	16 690	31 601	19 731
Arising out of reinsurance operations		2	-	2	-
Other debtors	12	141 685	223 574	75 033	149 897
		163 167	**240 264**	**106 636**	**169 628**
Other assets					
Tangible assets					
Equipment	9	1 043	1 427	5 310	1 441
Other tangible assets		214	214	731	852
		1 257	1 641	6 041	2 293
Cash at bank and in hand		41 662	26 723	72 986	38 113
		42 920	**28 364**	**79 027**	**40 406**
Prepayments and accrued income					
Interests and rents		103 120	121 016	160 960	209 116
Other prepayments and accrued income		4 411	3 871	22 154	22 451
		107 531	**124 887**	**183 114**	**231 567**
		5 836 036	**5 106 139**	**8 525 361**	**7 648 166**

Balance Sheet

1 000 FIM		Parent company		Group	
Liabilities		1998	1997	1998	1997
Capital and reserves	10				
Restricted					
Equivalent funds		26 650	26 650	26 650	26 650
Guarantee capital		12 000	12 000	12 000	12 000
Revaluations reserves		2 100	2 100	33 463	37 078
		40 750	40 750	72 113	75 728
Non-restricted					
Security reserve		24 789	23 900	24 789	23 900
Contingency reserve		548	560	548	560
Share of reserves and depreciation difference transferred to capital and reserve				32 922	-
Group loss/profits for previous years				-47 706	-4 160
Profit/Loss for the accounting period		730	889	-6 041	-45 066
		26 067	25 349	4 512	-24 765
		66 817	**66 099**	**76 625**	**50 963**
Minority interest		**-**	**-**	**56 468**	**57 524**
Reserves	11				
Accumulated depreciation difference		29 434	28 960	-	33 906
Optional reserves		8 090	8 830	-	12 433
		37 524	**37 790**	**-**	**46 339**
Subordinated liabilities		**130 000**	**-**	**130 000**	**-**
Technical provisions					
Provisions for unearned premiums		4 986 350	4 492 493	5 849 041	5 273 762
Reinsurers' share		-19 533	-20 807	-23 491	-24 121
		4 966 818	4 471 686	5 825 550	5 249 641
Provision for outstanding loans		485 543	442 312	2 226 242	2 105 145
Reinsurers' share		-3 141	-3 250	-4 042	-4 000
		482 401	439 062	2 222 201	2 101 145
		5 449 219	**4 910 748**	**8 047 751**	**7 350 786**
Deposits received from reinsurers		**27**	**79**	**850**	**799**
Creditors	12				
Arising out of reinsurance operations		1	4	716	689
Amounts owed to financial institutions		357	378		
Deferred tax				13 092	-
Other creditors		94 507	57 951	120 291	97 564
		94 865	**58 333**	**134 100**	**98 253**
Accruals and deferred income		**57 585**	**33 090**	**79 568**	**43 502**
		5 836 036	**5 106 139**	**8 525 361**	**7 648 166**

APPENDICES TO THE BALANCE SHEET

1 000 FIM	Parent company	Group

5 Current value and valuation difference of investments
Investments 31.12.1998

	Parent company			Group		
	Remaining acquisition cost	Book value	Current value	Remaining acquisition cost	Book value	Current value
Investments in land and buildings						
Land ans buildings	132 893	176 022	268 530	1 744 148	2 174 172	2 680 123
Group company shares	509 233	957 806	1 199 602			
Other real estate shares	149 773	152 226	250 689	192 280	198 433	299 688
Loans to group companies	512 129	512 129	512 129			
	1 304 028	1 798 184	2 230 950	1 936 428	2 372 605	2 979 811
Group companies						
Shares and other variable-yied securities and unit in unit trusts	68 065	68 065	68 065			
Loans	35 487	35 487	35 487			
	103 552	103 552	103 552			
Participating interests						
Shares and other variable-yield securities and units in unit trusts	2 870	2 870	2 870	2 630	2 630	2 630
Other investments						
Shares and other variable-yield securities and units in unit trusts	669 452	669 439	855 800	959 821	959 821	1 241 194
Debt securities	2 772 748	2 772 748	2 994 659	4 578 559	4 578 559	4 925 233
Loans guaranteed by mortgages	64 426	64 426	64 426	67 612	67 612	67 612
Other loans	55 644	55 644	55 644	60 046	60 046	60 046
Deposits	36 602	36 602	36 602	89 246	89 246	89 246
	3 598 872	3 598 859	4 007 132	5 755 284	5 755 284	6 383 331
	5 009 322	**5 503 465**	**6 344 504**	**7 694 342**	**8 130 519**	**9 365 772**
The remaining acquisition cost of debt securities consists of the difference (+/-) between the nominal value and acquisition price that is allocated to interest income or deducted from it	-48 772			-88 320		
The book value consists of						
Revaluations entered as income		398 973			411 549	
Other revaluations		95 169			24 628	
		494 143			436 177	
Valuation difference (difference between the current and book values)			841 039			1 235 253

1 000 FIM	Parent company			Group		

5 Current value and valuation difference of investments
Investments 31.12.1997

	Remaining acquisition cost	Book value	Current value	Remaining acquisition cost	Book value	Curent value
Investments in land and buildings						
Land and buildings	136 190	179 943	268 531	1 728 359	2 168 513	2 585 934
Group company shares	499 896	950 347	1 162 636	-	-	-
Other real estate shares	151 263	153 157	275 396	194 574	196 468	318 638
Loans to group companies	474 459	474 459	474 459	-	-	-
	1 261 808	1 757 905	2 181 022	1 922 933	2 364 981	2 904 572
Group companies						
Shares and other variable-yield securities and units in unit trusts	39 371	39 372	39 372	-	-	-
Loans	35 487	35 487	35 487	-	-	-
	74 858	74 859	74 859	-	-	-
Participating interest						
Shares and other variable-yield securities and units in unit trusts	1 610	1 610	1 610	1 327	1 327	1 327
Other investments						
Shares and other variable-yield securities and units in unit trusts	340 190	340 190	482 478	459 830	459 830	635 019
Debt securities	2 298 749	2 298 749	2 452 041	4 058 880	4 058 880	4 322 047
Loan guaranteed by mortgages	67 534	67 534	67 534	84 719	84 719	84 719
Other loans	78 948	78 948	78 948	92 232	92 232	92 232
Deposits	74 027	74 027	74 027	118 741	118 741	118 741
Other investments	591	591	591	3 396	3 396	3 396
	2 860 039	2 860 039	3 155 619	4 817 798	4 817 798	5 256 154
	4 198 315	**4 694 413**	**5 413 110**	**6 742 059**	**7 184 106**	**8 162 053**
The remaining acquisition cost of debt securities consists of the difference (+/-) between the nominal value and acquisition price that is allocated to interest income or deducted from it	-39 244			-76 851		
The book value consists of						
Revaluations entered as income		401 136			420 179	
Other revaluations		94 962			25 946	
		496 098			446 125	
Valuation difference (difference between the current and book values)			718 697			977 947

1 000 FIM	Parent company			Group	

6 Change in investments in land and buildings 31.12.1998

	Buildings	Land and water areas and real estate shares	Loans to group companies	Buildings	Land and water areas and real estate shares
Acquisition cost 1.1	160 341	917 142	474 459	1 471 478	876 671
Fully depreciated in the previous year	-24	-	-	-24	-
Increases	54	5 220	57 300	268 814	3 020
Decreases	-	-4 573	-19 630	-11 714	-132 627
Transfers				-	-1 406
Acquisition cost 31.12	160 371	917 790	512 129	1 728 553	745 657
Revaluations 1.1	34 573	464 072		242 841	215 684
Decrease	-	-1 318		-90 219	559
Transfers				202 063	-202 063
Revaluations 31.12	34 573	462 753		354 685	14 181
Accumulated depreciations according to plan/ devaluations 1.1	-45 379	-247 303		-206 998	-222 296
Fully depreciated in the previous year	24	-		24	-
Depreciations according to plan/devaluations and devaluation cancellations	-3 975	-		-230 507	-
Decreases	-	7 200		-	189 305
Accumulated depreciations according to plan/ devaluations 31.12	-49 330	-240 103		-437 480	-32 990
Book value after depreciations according to plan/devaluations 31.12	**145 614**	**1 140 440**	**512 129**	**1 645 758**	**726 848**
Accumulated depreciations in excess of the plan 1.1	-28 960			-33 906	
Depreciation above/below plan	-474			-1 302	
Accumulated depreciations in excess of the plan 31.12	-29 434			-35 208	
Fully depreciated value of buildings 31.12	116 180			1 610 550	

1 000 FIM	Parent company			Group	

6 Change in investments in land and buildings 31.12.1997

	Buildings	Land and water areas and real estate shares	Loans to group companies	Buildings	Land and water areas and real estate shares
Acquisition cost 1.1	160 341	915 572	331 520	1 138 328	857 631
Increases	-	1 852	14 561	333 150	44 138
Decreases	-	-282	-8 459	-	-5 444
Transfers	-	-	136 837	-	-19 654
Acquisition cost 31.12	160 341	917 142	474 459	1 471 478	876 671
Revaluations 1.1	34 573	476 472		242 841	215 685
Decreases	-	-12 400		-	-12 400
Revaluations 31.12	34 573	464 072		242 841	203 285
Accumulated depreciations according to plan/ devaluations 1.1	-41 349	-242 399		-101 250	-250 033
Depreciations according to plan/devaluations and devaluation cancellations	-4 030	-4 904		-105 747	-
Decreases	-	-		-	27 737
Accumulated depreciations according to plan/ devaluations 31.12	-45 379	-247 303		-206 998	-222 296
Book value after depreciations according to plan/devaluations 31.12	**149 535**	**1 133 911**	**474 459**	**1 507 321**	**857 660**
Accumulated depreciations in excess of the plan 1.1	-28 304			-30 248	
Depreciation above/below plan	-656			-3 658	
Accumulated depreciations in excess of the plan 31.12	-28 960			-33 905	
Fully depreciated value of buildings 31.12	120 575			1 473 416	

1 000 FIM	Parent company		Group	
	1998	1997	1998	1997
Land and buildings for own use				
Remaining acquisition cost	48 971	47 363	28 573	29 851
Book value	49 994	48 387	28 838	30 338
Current value	72 504	66 007	42 346	45 001
Group companies				
Number of companies	69	68		
Loss/Profit for the accounting period, total	-3 873	-376		
Capital and reserves, total	811 301	811 215		

7 Investments in group companies and participating interests, other investments, shares and other variable-yield securities and units in unit trusts

Shares and holdings in group companies				
Original acquisition cost 1.1	39 372	39 372	-	-
Increase	28 693	-	-	-
Remaining acquisition cost 31.12	**68 065**	**39 372**	**-**	**-**
Debt securities issued by and loans to group companies				
Original acquisition cost 1.1	35 487	35 487	-	-
Remaining acquisition cost 31.12	**35 487**	**35 487**	**-**	**-**
Other shares and variable-yield securities and units in unit trusts				
Original acquisition cost 1.1	1 610	1 610	1 327	1 340
Increase	1 260	-	1 303	24
Decrease	-	-	-	-37
Remaining acquisition cost 31.12	**2 870**	**1 610**	**2 630**	**1 327**

	No. of shares	% of shares	% of votes	Nominal value FIM 1000	Parent company Book value 1998 FIM 1000	Group Book value 1998 FIM 1000	Result for accounting period FIM 1000	Capital and reserves FIM 1000
Shares and other variable-yield securities and units in group companies								
Tapiola Corporate Life Insurance Company	3 108 222	83.33	83.33	31 082	68 065	-	3 161	113 296
Other shares and variable-yield securities and units in unit trusts								
Tapiola Book Entry Securities	1 000	20.00	20.00	1 000	1 000	926	62	4 632
Tapiola Data	330	33.33	33.33	660	1 860	1 685	92	5 068
Vakuutusneuvonta Aura Oy	50	33.33	33.33	5	5	9	0	28
Vakuutusneuvonta Pohja Oy	50	33.33	33.33	5	5	9	0	28
					2 870	**2 630**		

PORTFOLIO

Other investments Shares and other variable-yield securities and units in unit trusts	Parent company No. of shares	Book value FIM 1000 31.12.1998	Current value FIM 1000 31.12.1998	Group No. of shares	Book value FIM 1000 31.12.1998	Current value FIM 1000 31.12.1998
YIT-Yhtymä Oyj	1 200 000	47 052	52 800	1 200 000	47 052	52 800
Metsä-Serla Oyj	909 370	15 443	37 994	1 080 370	21 803	45 095
Orion Oyj	306 380	32 299	37 267	455 880	48 464	55 463
Huhtamäki Oyj	189 900	29 679	36 609	277 700	43 516	53 577
Kesko Oyj	400 200	28 012	30 415	605 400	42 372	46 010
Instrumentarium Oyj	133 950	22 715	27 948	193 060	33 303	40 287
Tamro Oyj	1 098 300	24 073	24 163	1 591 277	34 896	35 008
Mc Donald's Corp.	54 000	14 089	21 138	72 000	18 757	28 183
Cultor Oyj	404 500	16 582	21 034	591 250	24 208	30 745
JOT Automation Oyj	96 000	1 195	20 256	160 800	2 002	33 929
Munters Ab	440 800	17 273	19 337	662 800	26 194	29 076
Valmet Oyj	282 800	18 158	19 230	427 700	27 461	29 084
Lassila & Tikanoja Oyj	148 500	13 122	18 563	213 900	18 881	26 738
Sonera Oyj	205 000	9 225	18 450	309 500	13 928	27 855
Novo Group Oyj	89 000	11 272	18 156	133 640	16 921	27 263
Asko Oyj	203 200	16 054	17 617	289 300	22 972	25 082
Nokia Oyj	28 000	5 099	17 360	41 000	7 549	25 420
Kemira Oyj	455 500	15 147	16 626	681 500	22 662	24 875
Schibsted ASA	240 400	13 489	15 467	344 400	19 319	22 158
Helsingin Puhelin Oyj	819	11 588	15 516	819	11 588	15 516
Astra Ab	145 000	12 001	15 039	210 000	17 168	21 781
Novo Nordisk Ab	20 000	11 633	13 410	30 000	17 454	20 115
Lännen Tehtaat Oyj	204 600	13 299	13 299	204 600	13 299	13 299
Tamfelt Oyj	105 949	9 239	13 238	145 582	13 216	18 190
Metra Oyj	147 400	12 065	13 006	147 400	12 065	13 006
Others		249 635	301 862		382 772	480 640
Total		669 439	855 800		959 821	1 241 194

1 000 FIM		Parent company		Group	
		1998	1997	1998	1997

8 Other investments

8.1.Other loans as guaranteed

Bank guarantee		1 035	3 261	2 537	14 278
Insurance policy		30 829	35 707	30 829	35 707
Other security		23 781	39 980	26 680	42 247
Remaining acquisition cost, total		**55 644**	**78 948**	**60 046**	**92 232**

8.2.Total amount of subordinated loan

Other loans	1)	30 000	30 000		
Remaining acquisition cost, total		**30 000**	**30 000**		

1) Debitor: Tapiola Corporate Life Insurance Company
Terms: Interest is paid only out of the distributable means of the debitor.

1 000 FIM	Parent company			Group			

9 Change in tangible and intangible assets

31.12.1998	Intangible assets and long-term expenditure	Equipment	Total	Intangible assets and long-term expenditure	Consoli-dation goodwill	Equipment	Total
Acquisition cost 1.1	41 326	3 160	44 485	45 809	3 574	3 104	52 487
Fully depreciated in the previous year	-8 964	-	-8 964	-9 030	-	-	-9 030
Acquisitions	4 982	63	5 045	8 850	-	9 088	17 938
Sales and disposals	-	-	-	-	-22	-	-22
Acquisition cost 31.12	37 344	3 223	40 566	45 628	3 552	12 192	61 372
Accumulated depreciation according to plan 1.1	-23 115	-1 732	-24 847	-23 416	-3 508	-1 663	-28 587
Fully depreciated in the previous year	8 964	-	8 964	9 030	-	-	9 030
Depreciation according to plan	-4 240	-447	-4 687	-5 210	-10	-5 219	-10 440
Accumulated depreciation according to plan 31.12	-18 390	-2 179	-20 570	-19 596	-3 519	-6 882	-29 997
Acquisition cost after depreciation according to plan 31.12	**18 953**	**1 043**	**19 996**	**26 033**	**33**	**5 310**	**31 375**
Net expenditure after depreciation 31.12	18 953	1 043	19 996	26 033	33	5 310	31 375

1 000 FIM	Parent company			Group			

9 Change in tangible and intangible assets

31.12.1997	Intangible assets and long-term expenditure	Equipment	Total	Intangible assets and long-term expenditure	Consoli-dation goodwill	Equipment	Total
Acquisition cost 1.1	40 594	1 196	41 789	41 703	781	1 140	43 624
Fully depreciated in the previous year	-4 180	-	-4 180	-4 436	-	-	-4 436
Acquisitions	4 912	1 964	6 876	8 542	2 793	1 964	13 298
Acquisition cost 31.12	41 326	3 160	44 485	45 809	3 574	3 104	52 487
Accumulated depreciation according to plan 1.1	-22 352	-1 121	-23 472	-22 745	-683	-1 045	-24 473
Fully depreciated in the previous year	4 180	-	4 180	4 436	-	-	4 436
Depreciation according to plan	-4 943	-612	-5 554	-5 107	-2 825	-618	-8 550
Accumulated depreciation according to plan 31.12	-23 115	-1 732	-24 847	-23 416	-3 508	-1 663	-28 587
Acquisition cost after depreciations according to plan 31.12	**18 211**	**1 427**	**19 638**	**22 393**	**66**	**1 441**	**23 900**
Net expenditure after depreciation 31.12	18 211	1 427	19 638	22 393	66	1 441	23 900

1 000 FIM	Parent company		Group	
	1998	1997	1998	1997
10 Capital and reserve				
Restricted				
Equivalent funds	26 650	26 650	26 650	26 650
Guarantee capital	12 000	12 000	12 000	12 000
Revaluation reserve 1.1	2 100	2 100	37 078	26 413
Increase	-	-	-	10 665
Decrease	-	-	-3 615	-
Revaluation reserve 31.12	2 100	2 100	33 463	37 078
	40 750	40 750	72 113	75 728
Non-restricted				
Security reserve	23 900	20 000	23 900	20 000
Transferred from profits for the previous year	889	3 900	889	3 900
	24 789	23 900	24 789	23 900
Contingency fund	560	539	560	539
Transferred from profits for the previous year	-	67	-	67
Used for generally beneficial purposes	-12	-46	-12	-46
	548	560	548	560
Share of reserves and depreciation difference transferred to capital and reserve 1.1			-	-
Increase			32 922	-
Share of reserves and depreciation difference transferred to capital and reserve 31.12			32 922	-
Group loss/profit for previous years	-	-	-4 160	15 160
Transferred from retained earnings	-	-	-45 955	-13 552
Allocated	-	-	2 409	-5 767
	-	-	-47 706	-4 160
Profit/Loss for the previous year	889	4 927	-45 066	-8 626
Transferred by decision of the AGM to the				
Interest on the guarantee capital	-	-960	-	-960
Security reserve	-889	-3 900	-889	-3 900
Contingency reserve	-	-67	-	-67
Retained earnings	-	-	45 955	13 553
	0	0	0	0
Profit/Loss for the accounting period	730	889	-6 041	-45 066
	26 067	25 349	4 512	-24 765
	66 817	**66 099**	**76 625**	**50 963**
Analysis of the revaluation reserve				
Revaluation reserve 1.1	2 100	2 100	37 078	26 413
Increase	-	-	-	10 665
Minority interest			-3 615	
Revaluation reserve 31.12	2 100	2 100	33 463	37 078
of which related to fixed assets	2 100	2 100	33 463	37 078

1 000 FIM	Parent company		Group	
	1998	1997	1998	1997

11 Reserves

Accumulated depreciation difference				
Accumulated depreciation difference 1.1	28 960	28 304	33 906	30 248
Increases	487	656	1 302	5 488
Other increases	-13	-	-	-1 830
Accumulated depreciation difference 31.12	29 434	28 960	35 208	33 906
Optional reserve				
Credit loss reserve 1.1	8 830	9 278	10 077	10 377
Increases	-	-	-	148
Decreases	-740	-448	-816	-448
Credit loss reserve 31.12	8 090	8 830	9 261	10 077
Transitional reserve 1.1	-	-	-	1 134
Decreases	-		-	-1 134
Transitional reserve 31.12	-	-	-	0
Housing reserve 1.1	-	-	2 356	760
Increases	-	-	182	1 596
Decreases	-	-	-249	-
Housing reserve 31.12	-	-	2 289	2 356
Optional reserves, total 31.12	**8 090**	**8 830**	**11 550**	**12 433**
Reserves, total	**37 524**	**37 790**	**46 758**	**46 339**
Allocation				
Capital and reserve			-33 184	-
Minority interest			-482	-
Deferred tax			-13 092	-
			0	46 339
Deferred tax calculated for the depreciation difference and optional reserves	**10 507**	**10 581**	**-**	**12 975**
Tax rate	28 %	28%	28 %	28%

1 000 FIM	Parent company		Group	
	1998	1997	1998	1997
12. Receivables and debts group and associated undertakungs				
12.1 Specification of receivables				
Group companies				
Other receivables	69 626	78 866		
12.2 Specification of loans				
Loans to group companies				
Other loans	25 319	10 442		
13. Net contingent liabilities and pledged assets				
Mortgages given				
As security for other debts	-	137	69 238	137
Amount of liability	-	924	64 766	924
Other liability				
Subscription commitments	25 745	-	51 304	-
14. Deferred acquisition costs deducted from provisions for outstanding claims in life insurance (zillmerization)				
Life insurance	5 181	7 556	5 266	7 675
Pension insurance	19 581	20 782	20 948	22 706

15. Management loans

The company has not granted loans.

16. Management pension commitments

A retirement age of 60 - 63 years has been agreed for the senior management of the company and for those members of the Board of Directors who are employed by the company.

KEY FIGURES PERTAINING TO SOLVENCY

1 000 FIM	Parent company		Group	
	1998	1997	1998	1997
Solvency margin				
Capital and reserves after profit distribution	66 817	66 099	76 625	50 963
Optional reserves and accumulated depreciation difference	37 524	37 790	-	46 339
Deferred tax			13 092	-
Valuation difference between current asset values and book values on the balance sheet	841 039	718 697	1 235 253	977 947
Subordinated loans	130 000		130 000	-
Intangible assets and insurance acquisition costs not entered as expenses (-)	-18 953	-18 211	-26 065	-22 459
Off-balance-sheet commitments		-137	-	-137
	1 056 426	**804 238**	**1 428 905**	**1 052 653**
Solvency margin required under the Insurance Companies Act, Chapter 11, Section 4	241 964	222 717	349 526	324 126
Equalization provision included in the technical provisions for years in which there are exceptionally large losses	156 021	145 336	194 814	181 044
The solvency margin and the equalization provision in proportion to technical provisions, net of reinsurance and reduced by the amount of the equalization provision and 75 % of the provision for outstanding claims in respect of investment-linked insurance (%)				
- 1998	22.9	21.4		
- 1997	19.9	18.0		
- 1996	20.6	18.3		
- 1995	18.0	14.8		
- 1994	18.5	14.2		

Proposal for the appropriation of the profit

The Board of Directors proposes that the profit of the accounting period in the amount of FIM 729 666.26 be appropriated as follows:

Transfer to security reserve		729 666.26

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

Restricted capital and reserve		
Equivalent funds	26 650 000.00	
Guarantee capital	12 000 000.00	
Revaluation reserve	2 100 000.00	40 750 000.00
Non-restricted capital and reserve		
Security reserve	25 518 856.53	
Contingency fund	548 086.02	26 066 942.55
		66 816 942.55

Espoo, 7th April 1999

Asmo Kalpala

Pertti Heikkala

Juhani Heiskanen

Pentti Koskinen

Tom Liljeström

Jari Saine

Auditors' report

To the owners of the Tapiola Mutual Life Insurance Company

We have examined the bookkeeping, financial statements and administration of the Tapiola Mutual Mutual Insurance Company for the 1998 financial year. The financial statements prepared by the Board of Directors and the Managing Director include an annual report, consolidated and parent company income statements and balance sheets, and appendices to the financial statements. On the basis of the audit, we hereby issue the following statement on the financial statements and administration.

Mr Mauno Tervo, C.P.A., has performed the supervisory audit of the company and a separate report was issued on 13th April 1999.

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

The financial statements, which show a surplus for the parent company amounting to FIM 729,666.26 have been prepared in accordance with both the Bookkeeping Act and other rules and regulations concerning the preparations of financial statements. The financial statements provide, in the manner prescribed in the Bookkeeping Act, accurate and adequate information on the performance and financial standing of both the group and the parent company.

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

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

Espoo, 21st April, 1999

SVH Pricewaterhouse Coopers Oy
firm of certified public accountants

Mauno Tervo
C.P.A.

Ulla Holmström
C.P.A.

Report by the Supervisory Board

Having examined the financial statements, the consolidated financial statements and the auditors' report for 1998 financial year, the Supervisory Board recommends that the financial statements and its consolidated financial statements can be adopted.

Espoo, 22nd April 1999

Matti Ahde
chairman

Tapiola Corporate Life Insurance Company

ANNUAL REPORT 1998

TAPIOLA

Tapiola Corporate Life expects new selling opportunities

Tapiola Corporate Life's premiums written declined mainly because they were no pension fund dissolutions in 1998 and no capitalisation agreements were sold owing to the below-average technical interest rate selected by Tapiola. On the other hand, premiums written for both individual pension insurances and life insurances for companies rose by 78 per cent and totalled FIM 64 million.

Tapiola Corporate Life's solvency was strengthened by raising the share capital. The company's solvency is at the good level.

The opportunities for selling life insurance products intended for companies have improved. The demand for risk-based life insurance solutions for companies has grown, partly because of uncertainty factors concerning general social security. Interest in increasingly complex group pension insurance solutions and also in investment-linked product models is also growing. Competition, especially in connection with the dissolution of pension funds, has increased significantly and has reached a level of high risk.

Administration and auditors

SUPERVISORY BOARD

The term commences at the AGM.

Kari Neilimo 1997-2000
chairman,
professor, Kangasala
Pekka Räihä 1997-2000
deputy chairman,
managing director, Kajaani
Jari Bachmann 1996-1999
managing director, Helsinki
Magnus Hästö 1998-2001
M.A. (Econ.), Helsinki
Kalevi Liukkonen 1998-2001
commercial councilor, Jyväskylä
Joel Nemes 1996-1999
managing director, Espoo
Jorma Niiniaho 1998-2001
managing director, Hamina
Marjut Nordström 1997-2000
managing director, Asikkala
Jussi Pajunen 1996-1999
chairman, Helsinki
Simo Palokangas 1997-2000
managing director, Turku
Matti Ristikangas 1998-2001
managing director, Iisalmi
Jukka Salminen 1996-1999
director, Helsinki
Pekka Suninen 1996-1999
law councilor, Lappeenranta
Antero Taanila 1998-2001
provincial councilor, Kokkola
Jouko Virranniemi 1997-2000
managing director, Kuusamo

MANAGING DIRECTOR

Jari Saine

AUDITORS

Mauno Tervo
B.Sc. (Econ.), C.P.A.
SVH PricewaterhouseCoopers Oy,
firm of certified public accountants,
responsible auditor
Ulla Holmström, B.Sc. (Econ.), C.P.A.

Deputy auditors
Jari Miikkulainen
M.Sc. (Econ, C.P.A.
Mirja Tonteri
B.Sc. (Econ.), C.P.A.

BOARD OF DIRECTORS

Asmo Kalpala
chairman, president
Pertti Heikkala
deputy chairman, managing director
Juhani Heiskanen
deputy managing director, sales, marketing
and regional services
Pentti Koskinen
director, actuarial services
Tom Liljeström
managing director until 30.4.1998
Jari Saine
managing director

Deputy members
Antti Calonius
director, major clients services, international
direct insurance and reinsurance
Jari Eklund
director, investment services
Matti Lluukko
deputy managing director, life insurance
Alpo Mustonen
director, statutory pension insurance
Markku Paakkanen
director, economy services as from 1.2.1998

Annual report 1998

The company is a subsidiary of Tapiola Mutual Life Assurance Company. The emphasis in operations was on the development of distribution channels and especially the additional pension insurance business. The company's result and solvency developed favourably in the review year and can be regarded as very satisfactory.

INSURANCE

PREMIUMS WRITTEN The company's premiums written were FIM 209 million, of which optional employment pension insurance and capitalisation agreements accounted for FIM 93 million and FIM 2 million, respectively. The decline in premiums written for optional employment pension insurance from FIM 336 million in the previous year was essentially influenced, on the one hand, by the fact that no pension funds were dissolved in 1998 – the premium income accrued from the dissolution of pension funds amounted to FIM 156 million in the previous year – and, on the other, by the over FIM 100 million reduction in actuarial deficiency payments associated with the dissolution of the Elovara Pension Fund.

The premiums written for individual pension insurance increased by FIM 31 million in the previous year to FIM 51 million in 1998. The premiums written for capitalisation insurance declined from FIM 89 million to FIM 2 million. The premiums written for individual life insurance rose from FIM 1 million in 1997 to FIM 30 million. The provision for unearned premiums rose by FIM 81 million to FIM 863 million.

CLAIMS PAID were FIM 189 million. Claims paid in respect of optional employment pension insurance rose by 6.6 per cent to FIM 171 million. Life insurance claims were FIM 18 million, a rise of 6.0 per cent. The provision for outstanding claims rose FIM 78 million to FIM 1,741 million.

INVESTMENTS

Net investment income was FIM 177 million, which includes net realised gains of FIM 1 million, and writedowns totalling FIM 15 million, comprising FIM 6 million on land and buildings, FIM 8 million on shares and FIM 1 million on debt securities. Writedowns of FIM 2 made in previous years were cancelled. In 1997 net investment income was FIM 131 million, net realised gains FIM 4 million and writedowns FIM 10 million.

Net interest income and net income from investments other than land and buildings totalled FIM 166 million, and income from investments in land and buildings was FIM 20 million. The corresponding figures for the previous year were FIM 120 million and FIM 17 million, respectively.

The book value of the company's investment assets at the end of the year was FIM 2,653 million. Of this total, debt securities accounted for FIM 1,806 million and land and buildings for FIM 500 million. The current value of the company's investments was FIM 2, 860 million.

OPERATING EXPENSES

Net operating expenses reported on the Profit and Loss Account were FIM 30 million, which was FIM 6 million higher than in the previous year. This increase was due to the expansion of business activities.

Gross operating expenses, which include depreciation of FIM 1 million, are appropriately allocated to different functions. Investment expenses include both direct and indirect expenses.

Salaries and commissions totalled FIM 15 million, which was less than 1 per cent higher than in the previous year. Pay-related expenses fell by 2.1 per cent to FIM 4 million.

Most of the company's staff are employed not only by the parent company, Tapiola Mutual Life Assurance Company, but also by Tapiola General Mutual Insurance Company and Tapiola Mutual Pension Insurance Company. The payments for services produced using shared resources are included in the company's operating expenses under the same items as would have been used if the staff had been directly employed by the company.

Salaries and commissions paid to members of the Board of Directors and to the Managing Director totalled FIM 399,645.00. Other salaries and commissions amounted to FIM 14,814,787.54. The total salaries and commissions figure was FIM 15,214,432.54.

RESULT FOR THE ACCOUNTING PERIOD

The company's operating profit was FIM 39 million, compared with FIM 38 million in the previous year. The company's technical result of FIM 71 million was quite satisfactory. The corresponding overall result for the previous year was FIM 41 million. The technical result incorporates the surpluses for underwriting, administrative costs and investment.

The underwriting result was FIM 8 million, compared with FIM 6 million in the previous year. The administrative cost result was a deficit of FIM 10 million, compared with a deficit of FIM 4 million in 1997. The investment surplus was FIM 73 million, compared with FIM 37 million in 1997. Technical provisions were increased by FIM 29 million owing to the lowering of the mortality basis. This will also result in the technical provisions being increased by the same amount in 1999 as well.

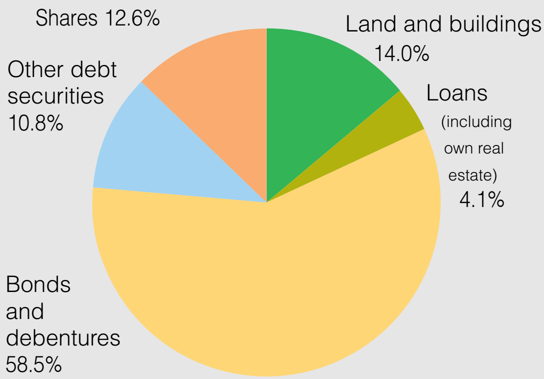
FIM 28 million was set aside in the closing of the accounts for policyholder bonuses in 1999, compared with FIM 35 million last year. In addition to this, about

TAPIOLA CORPORATE LIFE PERFORMANCE ANALYSIS

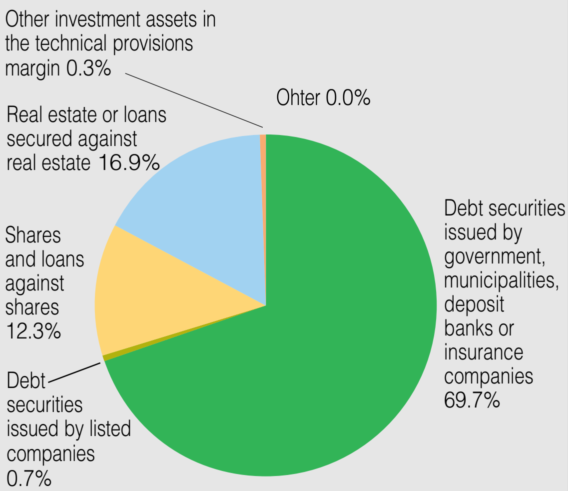
COMPOSITION OF THE RESULT	1998	1997	1996	1995	1994
Risk business	8	6	5	5	7
Cost business	–10	–4	–1	3	2
Interest business	73	37	39	48	3
TOTAL	71	39	43	56	12
Revaluations	–	–	–	–	–
APPLICATION OF THE RESULT					
Policyholder bonuses, discounts and additional benefits	–31	–34	–30	–27	–1
Equalization provision	–2	–1	–2	+1	–2
Change in mortality basis	–29	–	–	–	–
Extraordinary expenses, depreciations etc.	–6	–3	–3	–10	–7
RESULT	3	1	8	19	2

Tapiola Corporate Life
Investment assets

Current value at 31.12.1998 FIM 2 860 Mio



Tapiola Corporate Life
Investment risk profile 31.12.1998



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

FIM 4 million was set aside for future additional benefits.

Depreciation of FIM 1.0 million was charged according to plan. The full amount of depreciation permitted under the Business Taxation Act was charged. The credit loss reserve was brought into line with the full amount.

The company's share of the profit-sharing payment transferred to the Staff Fund of the Tapiola Insurance Group was FIM 297,017.00. It has been calculated according to the maximum amount and is included in the Profit and Loss Account under other expenses.

As a result of the share issue made in November 1998, the company's share capital was increased by FIM 5 million. The issue premium of FIM 25 million was transferred to the reserve fund. The company's owners subscribed to the issue in proportion to their ownership shares. On 23rd November the company's Board of Directors decided to renew a ten-year maturity FIM 30 million subordinated loan from its parent company, Tapiola Mutual Life Assurance Company. By approval of the Ministry of Social Affairs and Health, this subordinated loan is considered part of the company's solvency margin, which was FIM 350 million at the end of the year.

The solvency ratio rose from 111.9 per cent to 115.2 per cent, mainly due to the increase in share capital and renewal of the subordinated loan. The company's solvency is good.

The Board of Directors proposes that the surplus of FIM 3,160,831.06 for the accounting period be transferred to retained earnings.

The Balance Sheet showed assets totalling FIM 2,781,063,686.83, compared with FIM 2,581,184,415.18 at the end of the previous year.

CONSOLIDATED FINANCIAL STATEMENTS

Tapiola Corporate Life Insurance Group consisted of the parent company and 20 housing and real estate companies.

INSURANCE

PREMIUMS WRITTEN The group's gross premiums written were FIM 209 million, which was 57.3 per cent lower than in the previous year. The provision for unearned premiums at the end of the year was FIM 863 million.

CLAIMS PAID Claims paid amounted to FIM 189 million, and the provision for outstanding claims at the end of the year was FIM 1,741 million.

INVESTMENTS

Net investment income was FIM 182 million, which includes planned depreciation of FIM 9 million in respect of buildings. Writedowns of FIM 15 millon were accounted for. Writedowns of FIM 10 million made in previous years were cancelled. Realised gains were FIM 22 million. The book and current values of the group's investment assets at the end of the year were FIM 2,665 million and FIM 2,897 million, respectively.

OPERATING EXPENSES

Net operating expenses were FIM 30 million, which was 21.7 per cent higher than a previous year.

RESULT FOR THE ACCOUNTING PERIOD

The group's operating profit was FIM 43 million, compared with FIM 36 million in the previous year. The technical result, which incorporates the surpluses for underwriting, administrative costs and investments, was FIM 71 million, compared with FIM 41 million in 1997.

Depreciation of FIM 11 million was charged according to plan. The increase in the depreciation difference was FIM 1 million. The credit loss reserve in respect of receivables other than premiums was brought into line with the full amount.

The change in the depreciation difference and optional reserves as well as the depreciation difference and optional reserves are divided among deferred tax liability, minority interests and capital and reserves.

The profit for the accounting period was FIM 7,952,712.08 and the Balance Sheet showed assets totalling FIM 2,792,121,551.09.

REAL ESTATE PORTFOLIO, INCOME AND VACANT PREMISES AT 31.12.1998

REAL ESTATE PORTFOLIO, FIM 1 000

Current value	529 700
Book value and loans	520 415
Valuation difference	9 285

Type of real estate	Current value FIM 1 000	Current value FIM/m^2	Net yield FIM 1 000	Net yield %	Potential net yield*)	Vacant floor area, m^2	Vacancy rate
Non-residential premises							
Commercial and office premises							
- rented to outside parties	213 126	6 928	9 589	4.5	4.6	30 762	0.5
- in own use **)	2 027	7 592	172	8.5	8.5	267	0.0
Hotels	83 766	8 036	6 558	7.8	7.8	10 424	0.0
Total	298 919	7 211	16 319	5.5	5.5	41 453	0.4
Residential buildings ***)	161 148	5 459	8 998	5.6	6.2	29 518	4.7
Other properties and premises							
Acquired mid-year	69 633						
Total	69 633					8 269	
REAL ESTATE PORTFOLIO	529 700					79 240	

*) The potential net yield is augmented by imputed gross rent for the vacant premises, which averages FIM 50 mk/m^2/month

**) The imputed gross rent for premises in Tapiola's own use averages FIM 70 mk/m^2/month

***) The net income from residential premises is augmented by a government interest subsidy of FIM 1 325 000

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

FINANCIAL ANALYSIS

1 000 FIM	Parent company		Group	
Source of funds:	**1998**	**1997**	**1998**	**1997**
Cash and flow financing				
Profit before interest expenses, extraordinary items, appropriations and taxes	8 398	4 927	12 629	3 864
Adjustment items:				
Changes in technical provisions	158 494	409 639	158 494	409 639
Investment devaluations and revaluations	13 336	9 691	5 404	7 650
Depreciation	2 303	1 498	10 646	14 645
	182 532	425 755	187 173	435 798
Capital financing				
Increase in minority interest	-	-	-	5 551
Optional reserves	-	-	-5 125	-246
Increase in capital and reserves	30 000	-	33 692	-4 779
	30 000	-	28 566	526
Source of funds, total	**212 532**	**425 755**	**215 740**	**436 324**
Application of funds:				
Profit distribution				
Interest on long-term liabilities	3 166	3 060	3 166	3 060
Taxes	1 237	516	1 510	516
	4 403	3 576	4 676	3 576
Investments				
Increase in investments (net)	217 820	430 080	217 709	417 720
Increase in tangible and intangible assets (net)	1 640	3 629	2 708	5 626
	219 460	433 709	220 417	423 346
Repayments of capital				
Decrease in minority interest			486	-
Application of funds, total	**223 863**	**437 285**	**225 579**	**426 922**
Decrease/Increase in working capital	**-11 332**	**-11 530**	**-9 840**	**9 402**
Change in working capital				
Change in receivables	12 380	-33 322	9 209	-32 761
Change in cash at bank and in hand	20 012	-1 698	20 149	-1 401
Change in prepayments and accrued income	-36 333	30 611	-36 112	30 611
Change in deposits received from reinsurers	-103	33	-103	33
Change in amounts owed	-699	-10 953	4 207	9 132
Change in accruals and deferred income	-6 589	3 799	-7 190	3 788
Decrease/Increase in working capital	**-11 332**	**-11 530**	**-9 840**	**9 402**

PROFIT AND LOSS ACCOUNT

1 000 FIM		Parent company		Group	
Technical account:		1998	1997	1998	1997
Premiums written					
Premiums written	*1	208 757	488 906	208 757	488 906
Reinsurers' share		-7 459	-8 110	-7 459	-8 110
		201 297	480 796	201 297	480 796
Investment income	4	246 320	166 848	258 024	182 755
Claims incurred					
Claims paid	2	-189 034	-179 496	-189 034	-179 496
Reinsurers' share		4 166	4 049	4 166	4 049
		-184 868	-175 447	-184 868	-175 447
Change in provision for outstanding claims		-77 866	-310 522	-77 866	-310 522
Reinsurers' share		150	283	150	283
		-77 716	-310 239	-77 716	-310 239
		-262 584	-485 686	-262 584	-485 686
Change in provisions for unearned premiums					
Change in provisions for unearned premiums		-81 421	-100 474	-81 421	-100 474
Reinsurers' share		643	1 074	643	1 074
		-80 778	-99 400	-80 778	-99 400
Operating expenses	3	-29 685	-24 395	-29 685	-24 395
Investment charge	4	-68 928	-36 068	-76 401	-60 293
Other expenses		-49	-56	-49	-56
Balance on technical account		**5 593**	**2 039**	**9 825**	**-6 279**
Non-technical account:					
Other income					
Decrease in consolidation goodwill		-	-	-	9 251
Other income		-	85	-	85
		-	85	-	9 336
Other expenses					
Depreciation in consolidation goodwill		-	-	-	-1 998
Other expenses		-361	-256	-362	-256
		-361	-256	-362	-2 254
Direct taxes on ordinary activities					
Taxes for the accounting period		-1 282	-515	-1 282	-515
Taxes from previous years		45	-1	45	-1
Change in deferred tax				-273	-
		-1 237	-516	-1 510	-516
Profit on ordinary activities after taxes		**3 995**	**1 352**	**7 953**	**287**
Profit after extraordinary items		**3 995**	**1 352**	**7 953**	**287**
Increase in depreciation difference		-910	-1 068	-	-2 766
Decrease in optional reserves		76	986	-	1 457
		-834	-82	-	-1 308
Profit/Loss for the accounting period before minority interest		**3 161**	**1 270**	**7 953**	**-1 021**
Minority interest in the profit for accounting period				0	-4
Profit for the accounting period/ Group profit/loss for the accounting period		**3 161**	**1 270**	**7 953**	**-1 025**

*Reference number in the Appendices

APPENDICES TO THE PROFIT AND LOSS ACCOUNT

1 000 FIM	Parent company		Group	
	1998	1997	1998	1997
1 Premiums written				
Direct insurance				
Life insurance				
Individual life insurance	30 341	1 326	30 341	1 326
Employees' group life insurance	6 570	7 109	6 570	7 109
Other group life insurance	25 185	24 295	25 185	24 295
Capitalization agreements	2 450	89 100	2 450	89 100
	64 545	121 830	64 545	121 830
Pension insurance				
Individual pension insurance	51 251	31 036	51 251	31 036
Optional employment pension insurance	92 977	336 066	92 977	336 066
	144 229	367 102	144 229	367 102
Gross premiums written	**208 774**	**488 932**	**208 774**	**488 932**
Credit loss on premiums	-17	-26	-17	-26
Premiums written before reinsurers' share	**208 757**	**488 906**	**208 757**	**488 906**
Premiums written before credit losses and reinsurers' share				
Continuous premiums	181 618	243 432	181 618	243 432
Lump-sum premiums	27 156	245 500	27 156	245 500
	208 774	488 932	208 774	488 932
Premiums from agreements entitled to bonuses	208 774	488 932	208 774	488 932

1 000 FIM	Parent company		Group	
	1998	**1997**	**1998**	**1997**
1.1 The effect of bonuses and rebates on the result from life insurance				
Bonuses				
Life insurance				
Individual life insurance	123	21	123	21
Other group life insurance	556	1 038	556	1 038
Capitalization agreements	1 509	1 090	1 509	1 090
	2 188	2 149	2 189	2 149
Pension insurance				
Individual pension insurance	1 131	479	1 131	479
Optional employment pension insurance	27 353	31 338	27 353	31 338
	28 485	31 817	28 485	31 817
	30 673	**33 966**	**30 673**	**33 966**
2 Claims paid before reinsurers' share				
Direct insurance				
Life insurance	12 062	18 722	12 062	18 722
Surrenders	305	-	305	-
	12 368	18 722	12 368	18 722
Pension insurance	172 023	158 150	172 023	158 150
Surrenders	476	2 624	476	2 624
	172 500	160 774	172 500	160 774
	184 867	179 496	184 867	179 496
Reinsurance	4 166	-	4 166	-
Claims oaid, total	**189 034**	**179 496**	**189 034**	**179 496**

1 000 FIM	Parent company		Group	
	1998	1997	1998	1997

3 Specification of operating expenses

3.1 Total operating expenses by function

	1998	1997	1998	1997
Claims paid	1 807	2 210	1 807	2 210
Operating expenses	29 685	24 395	29 685	24 395
Investment charges	5 467	5 549	14 938	1 483
Other expenses	361	256	362	2 253
Total	**37 321**	**32 410**	**46 792**	**30 341**

3.2 Depreciation by function

	1998	1997	1998	1997
Claims paid	1	1	1	1
Operating expenses	926	158	926	158
Investment expenses	48	11	762	11
Other expenses, depreciation on goodwill	-	-	-	1 997
Total	**975**	**170**	**1 689**	**2 167**

3.3 Staff expenses

	1998	1997	1998	1997
Salaries and commissions	14 669	14 556	14 830	14 806
Monetary value of fringe benefits	646	588	646	588
Pension expenses	2 362	2 647	2 400	2 674
Other social expenses	1 579	1 377	1 565	1 429
Total	**19 256**	**19 167**	**19 441**	**19 497**
of which paid to the board of directors, the supervisory board and the managing director	400	232	400	232

3.4 Operating expenses in Profit and Loss Account

	1998	1997	1998	1997
Insurance policy acquistion costs				
Commissions for direct insurance	867	711	867	711
Other insurance policy acquisition costs	12 479	11 661	12 479	11 661
	13 346	12 371	13 346	12 371
Insurance policy management expenses	9 472	6 072	9 472	6 072
Administrative expenses	7 625	6 558	7 625	6 558
Commissions for reinsurance ceded	-758	-606	-758	-606
Total	**29 685**	**24 395**	**29 685**	**24 395**

4 Analysis of net investment income

1 000 FIM	Parent company 1998	Parent company 1997	Group 1998	Group 1997
Investment income:				
Income from investments in group companies				
Interest income	375	50	271	50
Income from investments in land and buildings				
Group companies				
Interest income	6 961	6 245	2 977	3 018
Other income	35	30	35	235
	6 996	6 275	3 012	3 253
Other companies				
Interest income	42	-	42	3
Other income	39 254	29 301	44 386	37 187
	39 295	29 301	44 428	37 190
	46 292	35 576	47 440	40 443
Income from other investments				
Dividend income	5 548	2 116	5 548	2 116
Interest income	171 068	122 682	171 152	122 682
Other income	1 228	1 329	1 402	1 329
	177 844	126 127	178 102	126 127
Total	224 510	161 753	225 813	166 620
Depreciations cancellations	1 583	47	9 705	11 087
Realized gains on investments	20 226	5 048	22 506	5 048
Total	**246 320**	**166 848**	**258 024**	**182 755**
Investment expenses:				
Expenses for land and buildings				
Group companies	-17 461	-10 236	-6 297	-7 114
Other companies	-9 076	-8 750	-19 222	-15 026
	-26 536	-18 986	-25 519	-22 140
Expenses from other investments	-3 462	-945	-3 462	-944
Interest and other liability expenses				
Group companies	-3 309	-3 203	-3 309	-4 231
Other companies	-220	-301	-892	-194
	-3 530	-3 504	-4 201	-4 425
Total	-33 528	-23 435	-33 182	-27 509
Value adjustments on investments				
Devaluation	-14 920	-9 737	-15 109	-18 737
Planned depreciations on buildings	-1 329	-1 327	-8 957	-12 478
	-16 249	-11 064	-24 066	-31 215
Realized losses on investments	-19 152	-1 569	-19 152	-1 569
Total	**-68 928**	**-36 068**	**-76 401**	**-60 293**
Net investment income before revaluations and their adjustments	**177 392**	**130 780**	**181 624**	**122 462**
Net investment income on the Profit and Loss Account	**177 392**	**130 780**	**181 624**	**122 462**
Avoir fiscal tax credit included in dividend income	1 362	507	1 362	507

Balance Sheet

1 000 FIM		Parent company		Group	
Assets		1998	1997	1998	1997
Intangible assets					
Other long-term expenses	9	**4 851**	**4 181**	**4 851**	**4 181**
Investments	5				
Investments in land and buildings	6				
Land and buildings		389 478	406 823	472 364	471 753
Loans to group companies		110 227	92 619	38 400	38 400
		499 704	499 442	510 764	510 153
Other investments					
Shares and other variable-yield securities and units in unit trusts	7	288 593	114 360	288 689	114 456
Debt securities		1 805 811	1 760 132	1 805 811	1 760 132
Loans guaranteed by mortgages		3 186	17 185	3 186	17 185
Other loans	8	3 449	13 283	3 449	13 283
Deposits		52 644	44 714	52 644	44 714
Other investments		-	1 116	-	1 273
		2 153 683	1 950 790	2 153 780	1 951 043
		2 653 387	**2 450 232**	**2 664 544**	**2 461 196**
Debtors					
Arising out of direct insurance operations					
Policyholders		10 120	3 041	10 120	3 041
Other debtors	12	11 804	6 504	10 698	8 569
		21 925	**9 545**	**20 818**	**11 610**
Other assets					
Tangible assets					
Equipment	9	10	14	363	14
Cash at bank and in hand		30 536	10 524	30 969	10 820
		30 546	**10 538**	**31 332**	**10 834**
Prepayments and accrued income					
Interest and rents		56 612	88 108	56 664	88 108
Other prepayments and accrued income		13 742	18 580	13 912	18 580
		70 355	**106 688**	**70 576**	**106 688**
		2 781 064	**2 581 184**	**2 792 122**	**2 594 509**

Balance Sheet

1 000 FIM		Parent company		Group	
Liabilities		1998	1997	1998	1997
Capital and reserves	10				
Restricted					
Subscribed capital		37 300	32 300	37 300	32 300
Reserve fund		41 180	16 180	41 180	16 180
Revaluation reserve		-	-	1 478	1 478
		78 480	48 480	79 958	49 958
Non-restricted					
Share of reserves and depreciation difference transferred to capital and reserve		-	-	3 690	-
Profit for previous years		31 655	30 385	13 127	14 150
Profit/Loss for the accounting period		3 161	1 270	7 953	-1 025
		34 816	31 655	24 770	13 125
		113 296	**80 135**	**104 727**	**63 083**
Minority interest		**-**	**-**	**5 068**	**5 555**
Reserves	11				
Accumulated depreciation difference		3 807	2 898	-	2 984
Optional reserves		1 171	1 247	-	2 141
		4 978	**4 145**	**-**	**5 125**
Subordinated liabilities		**30 000**	**30 000**	**30 000**	**30 000**
Technical provisions					
Provisions for unearned premiums		862 691	781 269	862 691	781 269
Reinsurers' share		-3 958	-3 315	-3 958	-3 315
		858 733	777 954	858 733	777 954
Provision for outstanding claims		1 740 700	1 662 833	1 740 700	1 662 833
Reinsurers' share		-900	-750	-900	-750
		1 739 799	1 662 083	1 739 799	1 662 083
		2 598 532	**2 440 037**	**2 598 532**	**2 440 037**
Deposits received from reinsurers		**823**	**720**	**823**	**720**
Creditors	12				
Arising out of reinsurance operations		715	685	715	685
Deferred tax				1 708	-
Loans to financial institutes		5 487	5 487	5 797	5 487
Other creditors		11 638	10 970	28 181	34 436
		17 840	**17 142**	**36 401**	**40 609**
Accruals and deferred income		**15 594**	**9 005**	**16 569**	**9 380**
		2 781 064	**2 581 184**	**2 792 122**	**2 594 509**

APPENDICE TO THE BALANCE SHEET

1 000 FIM	Parent company			Group		

5 Current value and valuation difference of investments
Investments 31.12.1998

	Remaining acquisition cost	Book value	Current value	Remaining acquisition cost	Book value	Current value
Investments in land and buildings						
Land and buildings	54 023	54 023	57 611	309 986	309 986	341 903
Group company shares	289 248	289 248	292 154	116 171	116 171	116 253
Other real estate shares	46 207	46 207	48 999	46 207	46 207	48 999
Loans to group companies	110 227	110 227	110 227	38 400	38 400	38 400
	499 704	499 704	508 991	510 764	510 764	545 555
Other investments						
Shares and other variable-yield securities and unit in unit trusts	288 593	288 593	361 423	288 689	288 689	361 443
Debt securities	1 805 811	1 805 811	1 930 574	1 805 811	1 805 811	1 930 574
Loans guaranteed by mortgages	3 186	3 186	3 186	3 186	3 186	3 186
Other loans	3 449	3 449	3 449	3 450	3 450	3 450
Deposits	52 644	52 644	52 644	52 644	52 644	52 644
Other investments	-	-	-	-	-	-
	2 153 683	2 153 683	2 351 276	2 153 780	2 153 780	2 351 296
	2 653 387	**2 653 387**	**2 860 266**	**2 664 544**	**2 664 544**	**2 896 851**
The remaining acquisition cost of debt securities consists of the difference (+/-) between the nominal value and acquisition price that is allocated to interest income or deducted from it	-39 549			-39 549		
The book value consists of						
Revaluations entered as income		-			-	
Other revaluations		-			-	
		-			-	
Valuation difference (difference between the current and book values)			206 879			232 308

1 000 FIM	Parent company			Group		

5 Current value and valuation difference of investments
Investments 31.12.1997

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

1 000 FIM	Parent company			Group		

6 Change in investments in land and buildings 31.12.1998

	Buildings	Land and water areas and real estate shares	Loans to group companies	Buildings	Land and water areas and real estate shares	Loans to group companies
Acquisition cost 1.1	59 380	382 686	92 619	331 127	203 996	38 400
Increases	-	2 775	18 000	15 771	1 989	-
Decreases	-	-12 542	-393	-9 061	-4 730	-
Transfer	-	-	-	-	2 688	-
Acquisition cost 31.12	59 380	372 919	110 227	337 837	203 943	38 400
Accumulated depreciations according to plan/ devaluations 1.1	-4 029	-31 214	-	-54 261	-9 109	-
Depreciations according to plan/devaluations and devaluation cancellations	-1 329	-6 250		-7 391	-	
Decreases				-	1 345	
Accumulated depreciations according to plan/ devaluations 31.12	-5 357	-37 464		-61 652	-7 764	
Book value after depreciations according to plan/ devaluations 31.12	**54 023**	**335 455**	**110 227**	**276 184**	**196 180**	**38 400**
Accumulated depreciations in exess of the plan 1.1	-2 898			-2 984		
Depreciations above/below plan	-910			-928		
Accumulated depreciations in exess of the plan 31.12	-3 807			-3 911		
Fully depreciated value of buildings 31.12	50 215			272 273		

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

1 000 FIM	Parent company		Group	
	1998	**1997**	**1998**	**1997**
Land and buildings for own use				
Remaining acquisition cost	1 636	1 636	1 636	1 636
Book value	1 636	1 636	1 636	1 636
Current value	2 027	1 653	2 027	1 653
Group companies				
Number of companies	20	20		
Loss for the accounting period, total	-1 113	-144		
Capital and reserves, total	120 602	123 120		

7 Portfolio

Other investments Shares and other variable-yield securities and units in unit trusts	Parent company No. of shares	Book value FIM 1000 31.12.1998	Current value FIM 1000 31.12.1998	Group No. of shares	Book value FIM 1000 31.12.1998	Current value FIM 1000 31.12.1998
Orion Oyj	149 500	16 166	18 196	149 500	16 166	18 196
Huhtamäki Oyj	87 800	13 837	16 968	87 800	13 837	16 968
Kesko Oyj	205 200	14 360	15 595	205 200	14 360	15 595
JOT Automation Oyj	64 800	807	13 673	64 800	807	13 673
Instrumentarium Oyj	59 110	10 588	12 339	59 110	10 588	12 339
Tamro Oyj	492 977	10 823	10 845	492 977	10 823	10 845
Valmet Oyj	144 900	9 304	9 853	144 900	9 304	9 853
Munters Ab	222 000	8 921	9 739	222 000	8 921	9 739
Cultor Oyj	186 750	7 626	9 711	186 750	7 626	9 711
Sonera Oyj	104 500	4 703	9 405	104 500	4 703	9 405
Novo Group Oyj	44 640	5 648	9 107	44 640	5 648	9 107
Kemira Oyj	226 000	7 515	8 249	226 000	7 515	8 249
Lassila & Tikanoja Oyj	65 400	5 759	8 175	65 400	5 759	8 175
Nokia Oyj	13 000	2 449	8 060	13 000	2 449	8 060
Asko Oyj	86 100	6 918	7 465	86 100	6 918	7 465
Bayer Ag	35 000	6 807	7 427	35 000	6 807	7 427
Metsä-Serla Oyj	171 000	6 360	7 102	171 000	6 360	7 102
Mc Donald's Corp.	18 000	4 668	7 046	18 000	4 668	7 046
Astra Ab	65 000	5 167	6 742	65 000	5 167	6 742
Novo Nordisk Ab	10 000	5 820	6 705	10 000	5 820	6 705
Schibsted ASA	104 000	5 830	6 691	104 000	5 830	6 691
Nokian Renkaat Oyj	40 000	3 868	6 600	40 000	3 868	6 600
Fortum Oyj	172 021	3 996	5 333	172 021	3 996	5 333
Kone Oyj	9 000	3 952	5 310	9 000	3 952	5 310
Tamfelt Oyj	39 633	3 976	4 951	39 633	3 976	4 951
Others		112 724	130 137		112 820	130 157
Total		288 593	361 423		288 689	361 443

1 000 FIM	Parent company		Group	
8 Other investments	**1998**	**1997**	**1998**	**1997**
Other loans as guaranteed				
Bank guarantee	1 503	11 017	1 503	11 017
Other security	1 946	2 267	1 946	2 267
Remaining acquisition cost, total	**3 449**	**13 283**	**3 449**	**13 283**

9 Change in tangible and intangible assets

31.12.1998	Intangible assets and long-term expenditure	Equipment	Total	Intangible assets and long-term expenditure	Equipment	Total
Acquisition cost 1.1	4 483	349	4 832	4 483	349	4 832
Fully depreciated in the previous year	-67	-	-67	-67	-	-67
Acquisitions	1 640	-	1 640	1 640	1 067	2 707
Acquisition cost 31.12	6 057	349	6 406	6 057	1 417	7 473
Accumulated depreciations according to plan 1.1	-302	-335	-637	-302	-335	-637
Fully depreciated in the previous year	67	-	67	67	-	67
Depreciations according to plan	-970	-4	-974	-970	-718	-1 689
Accumulated depreciations according to plan 31.12	-1 205	-339	-1 545	-1 205	-1 054	-2 259
Acquisition cost after depreciations according to plan 31.12	**4 851**	**10**	**4 861**	**4 851**	**363**	**5 214**
Net expenditure after depreciations 31.12	4 851	10	4 861	4 851	363	5 214

1 000 FIM	Parent company			Group		

9 Change in tangible and intangible assets

31.12.1997

	Intangible assets and long-term expenditure	**Equipment**	**Total**	**Intangible assets and long-term expenditure**	**Equipment**	**Total**
Acquisition cost 1.1	1 109	349	1 458	1 109	349	1 458
Fully depreciated in the previous year	-256	-	-256	-256	-	-256
Acquisitions	3 630	-	3 630	3 630	-	3 630
Acquisition cost 31.12	4 483	349	4 832	4 483	349	4 832
Accumulated depreciations according to plan 1.1	-393	-329	-722	-393	-329	-722
Fully depreciated in the previous year	256	-	256	256	-	256
Depreciations according to plan	-165	-6	-171	-165	-6	-170
Accumulated depreciations according to plan 31.12	-302	-335	-637	-302	-335	-637
Acquisition cost after depreciations according to plan 31.12	**4 181**	**14**	**4 195**	**4 181**	**14**	**4 195**
Net expenditure after depreciations 31.12	4 181	14	4 195	4 181	14	4 195

1 000 FIM	Parent company		Group	
	1998	1997	1998	1997
10 Capital and reserve				
Restricted				
Subscribed capital 1.1	32 300	32 300	32 300	32 300
Increase	5 000	-	5 000	-
Subscribed capital 31.12	37 300	32 300	37 300	32 300
Reserve fund 1.1	16 180	16 180	16 180	16 180
Increase	25 000	-	25 000	-
Reserve fund 31.12	41 180	16 180	41 180	16 180
Revaluation reserve 1.1	-	-	1 478	1 000
Increase	-	-	-	478
Revaluation reserve 31.12	-	-	1 478	1 478
	78 480	48 480	79 958	49 958
Non-restricted				
Share of reserves and depreciation difference transferred to capital and reserve 1.1			-	-
Increase			3 690	-
Share of reserves and depreciation difference tranferred to capital and reserves 31.12			3 690	-
Profit for previous years	30 385	22 817	14 151	21 083
Transferred from profits for the previous years	1 270	7 568	-1 025	-1 676
Allocated	-	-	1	-5 256
	31 655	30 385	13 127	14 151
Profit for the previous year	1 270	7 568	-	-
Transferred to retained earnings	-1 270	-7 568	-	-
	0	0	-	-
Profit/Loss for the accounting period	3 161	1 270	7 953	-1 025
	34 816	31 655	24 770	13 125
	113 296	**80 135**	**104 727**	**63 083**

Analyses of the revaluation reserve

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

1 000 FIM	Parent company		Group	
	1998	1997	1998	1997

11 Reserves

	1998	1997	1998	1997
Accumulated depreciation difference				
Depreciation difference 1.1	2 898	1 830	2 984	1 830
Increases	910	1 068	928	1 154
Depreciation difference 31.12	3 807	2 898	3 911	2 984
Optional reserve				
Credit loss reserve 1.1	1 247	1 099	1 247	1 099
Increases	-	148	-	148
Decreases	-76	-	-76	-
Credit loss reserve 31.12	1 171	1 247	1 171	1 247
Housing reserve 1.1			895	-
Increases			182	895
Decreases			-59	-
Housing reserve 31.12			1 017	895
Transitional reserve 1.1	-	1 134	-	1 134
Decreases	-	-1 134	-	-1 134
Transitional reserve 31.12	-	0	-	0
Optional reserves, total 31.12	**1 171**	**1 247**	**2 188**	**1 247**
Reserves, total	**4 978**	**4 145**	**6 099**	**5 125**
Allocation				
Capital and reserve			4 391	-
Deferred tax			1 708	-
			0	5 125
Deferred tax calculated for the depreciation difference and optional reserves	**1 394**	**1 161**	**0**	**1 435**
Tax rate	28 %	28%	28 %	28%

1 000 FIM	Parent company		Group	
	1998	1997	1998	1997
12. Receivables and debts group and associated undertakings				
12.1 Specification of receivables				
Group companies				
Other receivables	8 994	4 433		
12.2 Specification of loans				
Loans to group companies				
Loans in financing institutions	5 487	5 487		
Other loans	1 700	-		
13. Net contingent liabilities and pledged assets				
Mortgages given				
As security for other debts	-	-	22 250	-
Amount of liability	-	-	18 910	-
Other liability				
Subscription commitments	25 558	-	25 559	-
14. Deferred acquisition costs deducted from provisions for outstanding claims in life insurance (zillmerization)				
Life insurance	84	119	84	119
Pension insurance	1 368	1 925	1 368	1 925

15. Management loans

The company has not granted loans.

16. Management pension commitments

A retirement age of 60 - 63 years has been agreed for the senior management of the company and for those members of the Board of Directors who are employed by the company.

KEY FIGURES PERTAINING TO SOLVENCY

1 000 FIM	Parent company		Group	
	1998	**1997**	**1998**	**1997**
Solvency margin				
Capital and reserves after profit distribution	113 296	80 135	104 727	63 083
Optional reserves and accumulated depreciation difference	4 978	4 145	-	5 125
Deferred tax	-	-	1 708	-
Valuation difference between current asset values and book values on the balance sheet	206 879	147 230	232 308	166 928
Subordinated loans	30 000	24 000	30 000	24 000
Intangible assets and insurance acquisition costs not entered as expenses (-)	-4 851	-4 181	-4 851	-4 181
	350 303	**251 328**	**363 562**	**254 955**
Solvency margin required under the Insurance Companies Act, Chapter 11, Section 4	107 562	101 409	107 562	101 409
Equalization provision included in the technical provisions for years in which there are exceptionally large losses	38 793	35 708	38 793	35 708
The solvency margin and the equalization provision in proportion to technical provisions, net of reinsurance and reduced by the amount of the equalization provision and 75 % of the provision for outstanding claims in respect of investment-linked insurance (%)				
- 1998	15.2		15.9	
- 1997	11.9		12.3	
- 1996	14.5		14.5	
- 1995	12.7		12.7	
- 1994	9.5			

Proposal for the appropriation of profit

The Board of Directors proposes that the profit of the accounting period in the amount of FIM 3 160 831.06 be transferred to retained earnings.

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

Restricted capital and reserve		
Share capital	37 300 000.00	
Legal reserve	41 180 000.00	78 480 000.00
Non-restricted capital and reserve		
Surplus from previous accounting periods		34 816 178.76
		113 296 178.76

Espoo, 7th April 1999

Asmo Kalpala

Pertti Heikkala

Juhani Heiskanen

Pentti Koskinen

Jari Saine

Auditors' report

To the owners of the Tapiola Corporate Life Insurance Company

We have examined the bookkeeping, financial statements and administration of the Tapiola Corporate Life Insurance Company for the 1998 financial year. The financial statements prepared by the Board of Directors and the Managing Director include an annual report, consolidated and parent company income statements and balance sheets, and appendices to the financial statements. On the basis of the audit, we hereby issue the following statement on the financial statements and administration.

Mr Mauno Tervo, C.P.A., has performed the supervisory audit of the company and a separate report was issued on 13th April 1999.

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

The financial statements, which show a surplus for the parent company amounting to FIM 3,160,831.06 have been prepared in accordance with both the Bookkeeping Act and other rules and regulations concerning the preparations of financial statements. The financial statements provide, in the manner prescribed in the Bookkeeping Act, accurate and adequate information on the performance and financial standing of both the group and the parent company.

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

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

Espoo, 21st April, 1999

SVH Pricewaterhouse Coopers Oy
firm of certified public accountants

Mauno Tervo
C.P.A.

Ulla Holmström
C.P.A.

Report by the Supervisory Board

Having examined the financial statements, the consolidated financial statements and the auditors' report for 1998 financial year, the Supervisory Board recommends that the financial statements and its consolidated financial statements can be adopted.

Espoo, 22nd April 1999

Kari Neilimo
chairman

Tapiola Insurance Group

TAPIOLA

DISTRIBUTION OF INCOME

	1998		1997	
	FIM Mio	%	FIM Mio	%
INCOME FROM INSURANCE Premiums paid by policyholders less transfer payments credited to the state	7 000,2	74.4	6 421,6	75.9
REINSURERS' SHARE OF CLAIMS INCURRED	35,7	0.4	59,6	0.7
NET INVESTMENT INCOME	2 354,9	25.0	1 968,9	23.3
OTHER INCOME	12,9	0.1	15,5	0.2
TOTAL	9 403,7	100.0	8 465,6	100.0

CLAIMS EXPENDITURE Claims and pensions paid on the basis of insurance contracts and amounts reserved for the payment of future claims and payments	7 032,0	74.8	6 638,1	78.4
REINSURERS' SHARE OF PREMIUMS	60,1	0.6	59,9	0.7
STAFF Salaries and commissions paid to the staff plus expenses incurred in respect of social security	293,7	3.1	269,4	3.2
OTHER COSTS = SUPPLIERS	394,5	4.2	244,4	2.9
SOCIETY Direct and indirect taxes and transfer payments	1 346,9	14.3	1 260,1	14.9
TAPIOLA INSURANCE GROUP	276,5	2.9	-8,9	-0.1
SHAREHOLDERS	0,0	0.0	2,6	0.0
DISTRIBUTION	9 403,7	100.0	8 465,6	100.0

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

DYNAMIC AND MOTIVATED PERSONNEL IS THE KEY TO SUCCESS

Internationalisation, advancements in information and communication technologies and intensifying competition are setting increasingly rigorous demands on the expertise of the company's personnel. At the same time, changes in the age structure of the Finland's population and Tapiola's personnel are shifting the emphasis within personnel policy. Measures supporting the development of employees and improving their ability to cope with the changing nature of their work are becoming increasingly important. Furthermore, the recruitment and commitment of capable personnel in the future will require the development of Tapiola's management and incentive systems.

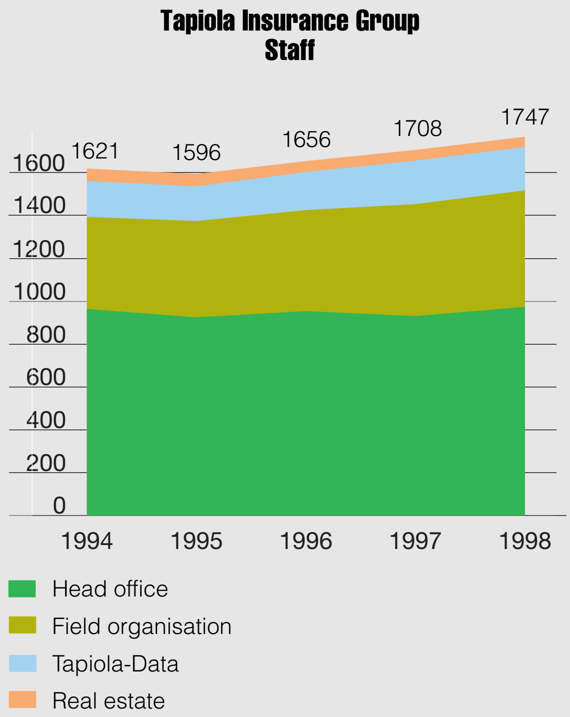
EMPHASIS ON INCREASING STAFF COMPETENCE

A new competence development model based on Tapiola's values and strategy, Tapiola 2001 competence programme, was launched in 1998. Common areas of expertise at group level were defined in the programme:

- customer knowledge
- productivity
- flexibility
- co-operation and interaction skills
- exploitation of information technology
- professional competence
- management skills

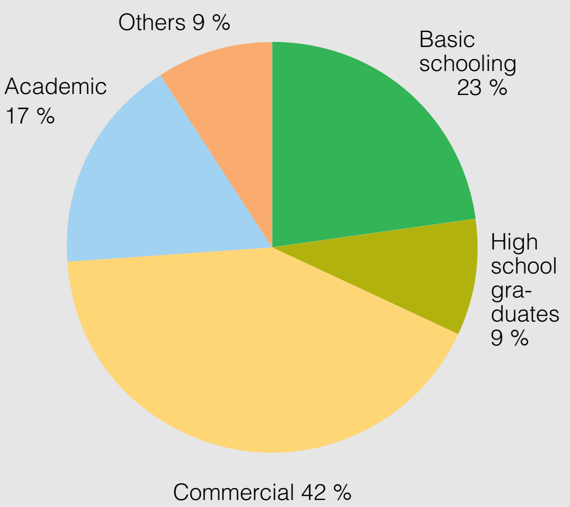
The group-level areas of expertise were incorporated into unit-, department- and job-specific expertise profiles, which are used in development discussions to define the competence requirements of every staff member.

The development needs of managers were also analysed in connection with the process. A separate

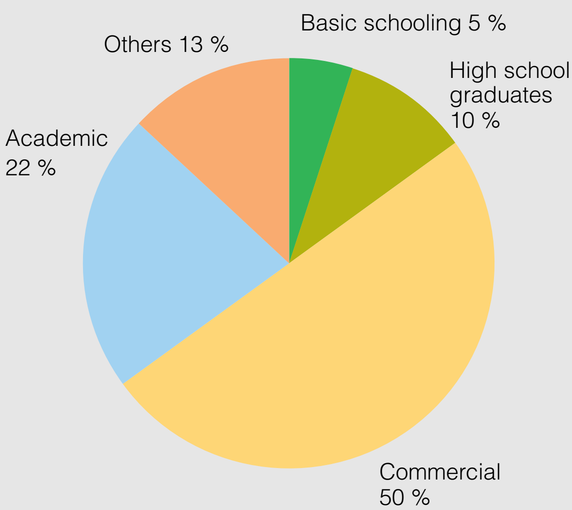


The staff strength has been cut by reducing the combined number of permanent and fixed-term personnel on long-term leave at the end of the year. The staff average was 1 747 persons in 1998.

Education



Education of those employed in 1998



management training programme is being constructed on the basis of these proven needs. Development discussion training for managers was initiated in 1998.

Tapiola focused intently on the development of IT competence, customer service skills and knowledge of corporate clients. Tapiola's employees are also encouraged and supported to take part in voluntary education. Qualifications developed in collaboration with the Finnish Institute of Marketing as well as the insurance industry's own qualifications have been utilised in order to improve professional skills and raise the basic level of education.

PROMOTION OF WELFARE AT WORK

Tapiola has launched its own programme aimed at promoting welfare at work. Taking care of the personnel's welfare at work significantly improves productivity and reduces both sick leave and premature retirement. Work aimed at promoting staff welfare and fitness for work is an essential part of Tapiola's management system and its scope encompasses the entire staff.

In 1998, the first year of the welfare at work programme, all of Tapiola's units submitted their individual plans. The work began with the dissemination of unit-specific information and focused, according to the wishes of each work community, on raising the standard of physical fitness, improving the work atmosphere, or shaking up attitudes. Helping people to cope with the pressures of work and to maintain their fitness for work is one of the most important responsibilities of managers. Most work communities have embarked on a programme of physical fitness, which will help employees to cope with the demands of continuous learning.

Tapiola also established a special group in which employees are motivated and encouraged to continue working to the end of their careers. In 1998 this group was made up of salesmen. The group focused on analysing the content of their own work, assessing the significance of management, raising the standard of physical and mental fitness for work, and developing expertise. The results have been excellent and the improvement in work productivity has even exceeded expectations.

QUALITY ASSESSMENT HAS BECOME AN ESTABLISHED PRACTICE

Tapiola has been using the assessment principles of the Finnish Quality Award since 1996 in the development of its operations. Self-assessment is carried out in the spring of each year, and the areas identified for improvement are taken into consideration in the planning for the following year. Tapiola's own quality and productivity process has been used to develop processes and the operations of the company's units since 1992. Increasing the active role of personnel in change and systematic work development is a key theme.

PERFORMANCE-RELATED PAY MOTIVATES

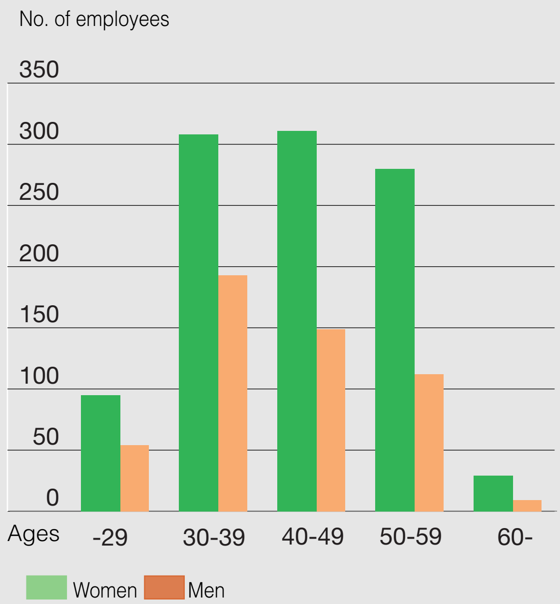
All of Tapiola's employees fall within the scope of the performance-related pay scheme, which has become as established part of the group's management system. Performance-related pay spurs personnel to take part in the development of their own work, and strengthens their commitment to attain set targets. Rewarding the competence and active efforts of individuals improves the efficiency of human resource utilisation throughout the entire group. In 1998, the staff received performance-related pay awards of up to 4.5 per cent of annual salary.

The aim of the staff fund and profit-sharing scheme that the group set up in 1990 has been to strengthen the entire staff's long-term commitment to Tapiola. In the years 1991-1997 annual profit-sharing funds totalling about FIM 39 million have been transferred to the staff fund. The profit-sharing payment for 1998 will be FIM 6.1 million. According to the rules of the staff fund, the maximum amount is 3 per cent of the payroll total. The considerable profit-sharing payments made possible by good results in recent years have, together with other staff benefits, played their part in strengthening the staff's commitment to the Tapiola Insurance Group.

NUMBER OF EMPLOYEES UP SLIGHTLY

The average number of people employed in the Tapiola Insurance Group during the review year was 1,487, which was 46 more than in the previous year. Including those employed by Tapiola Data and the real estate companies, the average was 1,747, which was 65 more the 1997. The gross turnover of personnel in 1998 was 5.5% and internal mobility was 6.7%.

Age distribution



Tapiola's risk policy

The Ministry of Social Affairs and Health stipulates that an insurance company has to keep the different intarest groups informed about its risk policy. In addition to the typical risks of the insunrance activities, also the risks with the year 2000 and the introduction of euro have to be considered.

An insurance company faces different kinds of risks in its business activities. They can be classified as follows:

- insurance risks
- investment risks
- other economic and financial risks
- operating environment risks
- operational risks

Tapiola has prepared for these risks by formulating a risk policy, i.e. a set of principles and measures by which the continuity of the group's operations can be assured with the minimum disruption. As life, pension and non-life insurance companies differ from one another in terms of their functions, the risks that they face and especially their significance for the operation of the company are also different. For that reason each company has formulated its own risk policy, which the company's Board of Directors has endorsed.

Insurance risks mean the kind of risks that affect the result of insurance business. These kinds of risks include fluctuations in claims incurred, which may be due to random variation in the number and size of claims; various catastrophes such as storms, dry summers, long periods the slippery conditions in winter, and epidemics; the occurrence of individual major risks, and errors in the estimation of the provision for outstanding claims. These risks are encountered in both non-life and life insurance, but their impact on the company's result is generally considerably greater in non-life insurance.

Tapiola takes precautions against insurance risks by adhering to an approved underwriting policy in both direct and assumed business, and an annually approved reinsurance programme.

The equalisation provision is used to even out fluctuations in claims incurred.

Investment risks include the decline of property values and investment income, exchange rate risk, liquidity risks, counterpart risks and risks caused by valuation problems. Their impact is greater in insurance classes where the insurance contracts are long and investment income is a significant factor affecting the level of premiums. This is the case in life and pension insurance and in statutory accident insurance classes. Investment risks are minimised by spreading investments and scaling risks associated with value changes in accordance with the company's risk-carrying capacity.

Other economic and financial risks faced by insurance companies in their insurance and investment activities include credit loss risks, excessively high operating expenses, taxes and profit distribution, and inflation and deflation. Inflation and deflation risks are counted by taking them into consideration in premium tariff and investment policies.

In addition to insurance and investment risks, an insurance company also faces numerous other risks in its business activities. These include management errors, unsuccessful product development, inadequate control systems, poor management reporting, and so on. It is often impossible to measure the consequences of such occurrences and it may be economically impractical to take precautions against them. The main thing is that company management, auditors, supervising authorities and owners are aware of the existence of such risks and that every effort is made to avoid their realisation through good planning and effective internal and external supervision.

Risks are managed in accordance with Tapiola's approved risk policy as follows. In the planning round the risk policy is gone through in connection with the annual and PTS planning. Changes in the operating environment or other factors can necessitate amendments to the risk policy or actions required by risk management.

Responsibility for risk management is borne by different individuals within the organisation. The practical implementation and control of risk management are handled by separate units. The control function encompasses forecasting, flagging dangerous situations, and follow-up.

YEAR 2000

The risks at the turn of the millennium are a good example of the kind of operating environment risks that can threaten the business operations and solvency of an insurance company. Tapiola General has prepared for year 2000 risks by limiting and specifying their insurance cover against possible cumulative effects. Amendments have been made to policy terms and conditions in those insurance classes where year 2000 risks are in practice possible and are of essential significance.

Customers have been informed of year 2000 risks and have been urged to undertake active loss prevention. Tapiola's reinsurance contracts have been amended to conform with year 2000 guidelines for direct business.

Claims incurred by Tapiola General may rise considerably above the normal level due to year 2000 claims. For this reason Tapiola will make an extraordinary provision for these claims at the end of this year. Tapiola General is carrying out all the necessary modification and testing work necessary to ensure that its own information systems and equipment continue to operate properly at the turn the millennium. This work began in 1996 and most of it has already been completed. The total labour input expended on the project to date is about 20 man-years. In addition, Tapiola has initiated the measures necessary to ensure the functionality of its automated building service systems.

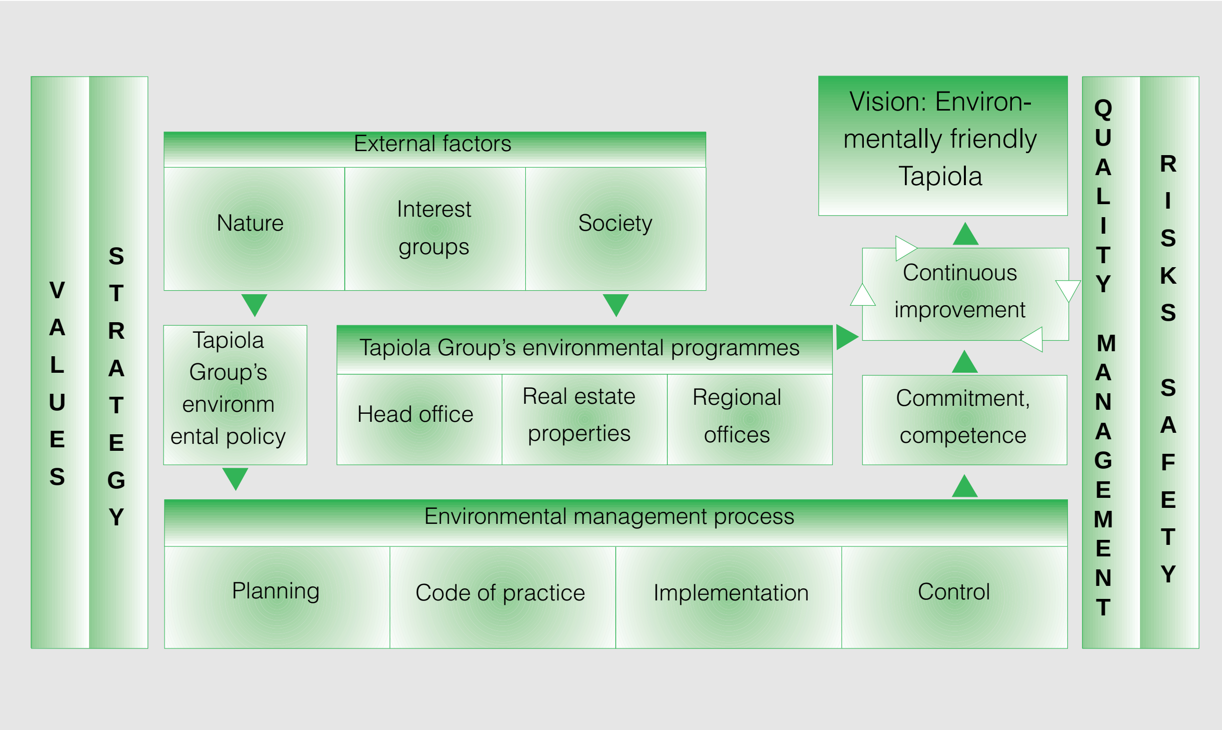
EURO

In autumn 1997 Tapiola's IT management group established a project with the aim of managing the transition to the euro and ensuring that it causes a minimum of disruption to the business operations of the group. The timing of the introduction of the euro varies from one business unit to another. The amounts payable on invoices issued in 1999 are in Finnish marks and euros. Employers can also report their TEL and LTT payroll details in euros. A situation-specific euro service began when the financial markets switched to the euro at the beginning of 1999. The Finnish mark will continue to serve as Tapiola's internal currency until the end of 2001. Bookkeeping will then switch to the euro and financial statements will be prepared in euros by 1st January 2002 at the latest.

The euro project is currently in its initial stage, but plans and more detailed resource reservations will be made this spring. The total labour input expended to date on this project is about 70 man-years, and the provisional budget is about FIM 30-40 million.

The boards of directors of the Tapiola Insurance Group regularly monitor the progress and status of the year 2000 and euro projects.

TAPIOLA'S ENVIRONMENTAL REPORT 1998



Environmental management model of the Tapiola Insurance Group

The Tapiola Insurance Group's environmental work is based on the environmental policy adopted in 1997, which was augmented by the principle of sustainable development in 1998. The most important aim of Tapiola's environmental work in 1998 was development of the environmental system and expansion of its scope to encompass all the activities of the group. An environmental project was set up for this purpose, and an environmental group was appointed to handle planning and other co-operation associated with the project.

The environmental perspectives and impacts of Tapiola's activities were assessed and an environmental review of the company's head office functions was carried out. The analyses were used as the basis for environmental goal-setting, for the environmental programme for the years 1999-2001, and for Tapiola's environmental management model.

Tapiola's environmental goals

Tapiola's environmental goals for the years 1999-2001 are as follows:

- Expansion of environmental awareness to encompass the entire staff and its incorporation into everyday work
- Improvement of environmental efficiency in internal functions and procurements in a cost-efficient manner
- Environmental safety work targeted at customers and the development of insurance
- Taking account of environmental perspectives in the management and care of property
- Active participation of the insurance industry's environmental debate

Environmental programme 1999-2001

In order to achieve its environmental goals, the Tapiola Insurance Group intends to launch various development projects in accordance with the environmental programme for the three-year period 1999-2001. A detailed environmental programme based on an environmental review has been prepared for the head office functions. This local programme is part of the Tapiola Insurance Group's overall environmental programme and similar programmes will be prepared in the future for the regional offices as well.

Environmental review of Tapiola's head office

The environmental review of Tapiola's head office focused on analysing the present state of head office functions, identifying the most significant environmental perspectives and producing environmental impact figures for follow-up comparisons. The most important environmental perspectives turned out to the energy consumption, paper use, purchases of materials and services, waste materials and transport between home and the workplace. Tapiola's head office got the best scores so far of all the offices graded by the Green Office method.

Environmental safety and insurance

Tapiola offers its customer environmental insurances, loss prevention services, claim settlements and related training and service. The group has also been involved in the development of statutory environmental damage insurance and in the arrangement of nationwide training concerning oil storage risks.

Tapiola's environmental impact figures 1998

Environmental impact figures for the Tapiola Insurance Group's internal functions have been determined so that the level of activity and the achievement of goals can be measured and monitored in the future. The most important environmental impact figures for 1998 are presented in the table 1.

ENVIRONMENTAL IMPACT FIGURES 1998

(head office)

	TOTAL CONSUMPTION	CONSUMPTION RATES
Electricity	5,283 MWh	6,603 kWh / person / year
		41 kWh / m^3
Heating energy	3,023 MWh	3,779kWh / person / week
		24 kWh / m^3
Water	12,448 m^3	62 l / person / day
Paper	745 tonnes	1.3 kg / customer / year
- Printing products	550	
- Computer print-outs	87	
- Copier paper	50	45 / person / day
- Magazines and bulletins	44	
Waste materials[1]	242 tonnes	302 kg / person / year
- Paper for shredding	28 %	85 kg / person / year
- Paper for recycling	31 %	93 kg / person / year
- Bio-waste	6 %	19 kg / person / year
- Building and mixed waste	35 %	105 kg / person / year
- cardboard		287 pallet loads
Work trips[2]	4,8 mil. km	4,800 km / person / year
- by public transport	42 %	4 762 km / person / year
- by car	46 %	5 652 km / person / year
- on foot / by bike	12 %	1 760

[1] The annual consumption figure is calculated from the amount of waste generated over a period of 7 months.
[2] The work trip data was assembled on the basis of a staff questionnaire.

Advisory committees

The members of the various advisory committees are selected from representatives of Tapiola's customers. As Tapiola is a mutual, customer-owned company, they play an important role as an interactive link between the customers and Tapiola's companies.

There are 19 regional advisory committees with 12 - 15 members each. The advisory committee for the SME sector has 12 members. Most of its members also sit on other regional advisory committees so that it draws its members from all over the country.

The advisory committee for agriculture and forestry has 12 members as well and they are also drawn from other regional advisory commitees all over Finland.

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

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

The advisory committees with effect from 1.1.1999 are presented in the following. The year given next to each name refers to the end of the person's term of office.

Abbreviations:
a.c. = advisory committee
r.a.c. = regional advisory committee

ESPOO REGIONAL COMMITTEE

Timo Haapaniemi, chairman, Kirkkonummi, 2000
Tina Schrey, deputy chairman, Espoo, 1999
Juha Eiro, Espoo, 2000
Ilmari Halinen, Espoo, 2001
Matti Hietala, Espoo, 2001
Juha Jouhki, Espoo, 2001
Arvo Korte, Espoo, 2000
Susanna Rahkonen, Espoo, 1999
Ritva Rastimo, Espoo, 1999
Timo Tiihonen, Espoo, 2000
Timo Veijola, Espoo, 1999
Klas Winell, Kirkkonummi, 2001
Contact persons in Tapiola:
Heikki Puhakainen, secretary, Helsinki, (09) 4531
Petri Routa, Helsinki, (09) 4531

HELSINKI REGIONAL COMMITTEE

Risto Salonen, chairman, Helsinki, 2000
Kirsti Vaalikivi, deputy chairman, Helsinki, 2001
Bo Andersson, Helsinki, 1999
Ilkka Holopainen, Helsinki, 1999
Kari Huttunen, Helsinki, 2000
Pirkko Lahti, Helsinki, 2000
Jorma Lehmuskallio, Helsinki, 2001
Aira Merjovirta, Helsinki, 2000
Mikko Parjanne, Helsinki, 2001
Lars Rask, Helsinki, 2001
Kerttu Selin, Helsinki, 1999
Ilkka Sipilä, Helsinki, 2000
Matti Taanila, Helsinki, 1999
Timo Valjakka, Helsinki, 2001
Johan Åkerman, Helsinki, 1999

Contact persons in Tapiola:
Timo Niemi, secretary, Helsinki, (09) 4531
Petri Routa, Helsinki, (09) 4531

VANTAA REGIONAL COMMITTEE

Veikko Kantero, chairman, Vantaa, 2000
Reino Sandström, deputy chairman, Vantaa, 2001
Eero Ahola, Vantaa, 2000 (a.c. SME sector)
Sari Ek, Vantaa, 1999
Inger Eriksson-Blom, Vantaa, 2001
Raimo Järvinen, Vantaa, 2000
Jorma Kaartama, Vantaa, 1999
Jouni Kuusisto, Vantaa, 1999
Risto Palin, Hyvinkää, 2001
Eeva Parkkivaara-Anttinen, Helsinki, 1999
Karl-Henrik Sohkanen, Vantaa, 2000
Esa Veikkolainen, Tuusula, 2001
Contact person in Tapiola:
Liisa Ojala, secretary, Helsinki, (09) 4531
Petri Routa, Helsinki, (09) 4531

SALO-LOHJA REGIONAL COMMITTEE

Olli Lehti, chairman, Perniö, 2001 (a.c. SME sector)
Matti Välimäki, deputy chairman, Lohja, 2001
Kaija Aho, Lohja, 1999
Björn Ekberg, Turku, 2000
Tapio Halme, Karjaa, 1999
Lauri Hänninen, Halikko, 2001
Irma Lehtonen, Pertteli, 2000
Martti Palojärvi, Vihti, 1999
(a.c. agriculture and forestry)
Max van der Pals, Lohjo mlk., 2001
Mauri Salo, Somero, 2000
Pentti Sevón, Lohja, 1999
Keijo Väisänen, Lohja, 2000
Contact person in Tapiola:
Hannu Määttänen, secretary, Salo, (02) 7333 313
Hans Strandberg, Turku, (02) 270 200

SATAKUNTA REGIONAL COMMITTEE

Matti Ojanperä, chairman, Pori, 2000
Reijo Järvi, deputy chairman, Huittinen, 2001
Timo Junnila, Pori, 1999
Esko Laukkanen, Rauma, 1999
Eero Laurila, Pori, 1999
Riitta Myllys, Pori, 2001
Riitta- Liisa Olkkonen, Kankaanpää, 1999
Timo Rapila, Honkajoki, 2000
Sakari Ryyppö, Kokemäki, 2000
Arto Suni, Pori, 2001
Veli-Matti Syrilä, Köyliö, 2001
(a.c. agriculture and forestry)
Markku Tuominen, Eurajoki, 2000
Contact persons in Tapiola:
Kari Luoma, secretary, Kankaanpää, (02) 572 3385
Hans Strandberg, Turku, (02) 270 200

SOUTHWEST FINLAND REGIONAL COMMITTEE

Esko Eela, chairman, Turku, 2001
Vesa Mattila, deputy chairman, Turku, 2001
Risto Ahonen, Uusikaupunki, 2000
Alf Donner, Parainen, 2000
Jukka Hellström, Turku, 1999
Per-Erik Lindström, Turku, 2001
Timo Marttila, Kaarina, 1999
Jarmo Mäntyharju, Oripää, 2000
Juho Paloheimo, Loimaa, 1999
Juhani Ropponen, Turku, 1999
Samuli Ryökäs, Pöytyä, 2001
Hannu Rämö, Nousiainen, 2000
Stefan Schleutker, Turku, 2000
Merja Siltanen, Turku, 1999
Harri Virtanen, Raisio, 2001
Contact persons in Tapiola:
Timo Jussila, secretary, Turku, (02) 270 200
Hans Strandberg, Turku, (02) 270 200

TAVASTIA REGIONAL COMMITTEE

Kyösti Lassila, chairman, Hämeenlinna, 1999
Juhani Törmä, deputy chairman, Janakkala, 2001
Ossi Halonen, Hämeenlinna, 2001
Jorma Hassinen, Hämeenlinna, 1999
Kai Häppölä, Urjala, 2000
Rauno Iivonen, Hämeenlinna, 2001
Jukka Jokinen, Hämeenlinna, 2000
Risto Koivisto, Hämeenlinna, 2001
Jari Koskinen, Hauho, 1999
Maarit Kuusela, Hämeenlinna, 2001
Ilkka Metsäterä, Riihimäki, 1999
Pekka Pastila, Hämeenlinna, 1999
Seppo Salonen, Hämeenlinna, 2000
Jari Stenberg, Jokioinen, 2000
Reetta Tolonen-Salo, Hämeenlinna, 2000
Contact persons in Tapiola:
Heikki Lindroth, secretary, Hämeenlinna, (03) 612 7311
Martti Silvennoinen, Tampere, (03) 382 5200

CENTRAL FINLAND REGIONAL COMMITTEE

Rauno Meriö, chairman, Jyväskylä, 2000
Aino Sallinen, deputy chairman, Jyväskylä, 2001
Tapio Halonen, Saarijärvi, 2001
Erkki Järvelä, Laukaa, 2001
Marja Kallio, Laukaa, 1999
Pentti Kokkinen, Jyväskylä, 2000
Paavo Komi, Jyväskylä, 1999
Arja Koriseva-Karmala, Toivakka, 2001
Asko Liimatainen, Viitasaari, 1999
Raija Miettinen, Jyväskylä, 2001
Erkki Paananen, Viitasaari, 2000
Risto Palokangas, Jyväskylä, 1999
Esa Salokorpi, Jyväskylä, 2000
Juhani Tahvonen, Jyväskylä, 1999
Esko Taivalsaari, Jyväskylä, 2000
Contact persons in Tapiola:
Seppo J. Ojala, secretary, Jyväskylä, (014) 617 121
Martti Silvennoinen, Tampere, (03) 382 5200

PIRKANMAA REGIONAL COMMITTEE

Jussi Niemi, chairman, Tampere, 1999
Pekka Molin, deputy chairman, Tampere, 1999
Matti Hokkanen, Tampere, 2000
Esko Kuusela, Tampere, 2000
Jorma Lehtonen, Tampere, 1999
Pertti Leppänen, Ikaalinen, 2000
Pentti Molander, Tampere, 2001
Reijo Mäkinen, Tampere, 1999
Heikki A. Ollila, Kangasala, 2001 (a.c. agriculture and forestry)
Hannu Partala, toimitusjohtaja, Tampere, 2000 (a.c. SME sector)
Antti Pohjanheimo, Tampere, 2001
Eila Rönni, Pälkäne, 2000
Leena Sulonen, Tampere, 2001
Aila Tamminen, Tampere, 1999
Pertti Timonen, Tampere, 2001
Contact persons in Tapiola:
Teemu Toivanen, secretary, Tampere, (03) 382 5200
Martti Silvennoinen, Tampere, (03) 382 5200

OSTROBOTNIA REGIONAL COMMITTEE

Yrjö Välimäki, chairman, Alavus, 2001 (a.c. SME sector)
Heikki Saari, deputy chairman, Ylistaro, 1999

Antti Ala-Talkkari, Lapua, 1999
Aaro Koljonen, Teuva, 2001
Marja A. Lehtimaa, Nurmo, 2001
Kalle Lähdesmäki, Seinäjoki, 2001
Esko Mäkelä, Alajärvi, 2000
Juhani Palomäki, Seinäjoki, 2000
Asko Peltola, Lapua, 2000
Riitta Ronkainen, Jalasjärvi, 1999
Kaija Uola, Seinäjoki, 2000
Kari Valkosalo, Kortesjärvi, 1999
Contact persons in Tapiola:
Antti Valkonen, secretary, Seinäjoki, (06) 283 5440
Lassi Annala, Seinäjoki, (06) 283 5400

VAASA-KOKKOLA REGIONAL COMMITTEE

Jouko Havunen, chairman, Vaasa, 2001
Jouni Jyrinki, deputy chairman, Kokkola, 1999
(a.c. agriculture and forestry)
Marjatta Elomaa, Laihia, 2000
Martti Eurola, Kokkola, 2001
Juhani Filppula, Veteli, 1999
Matti Inkinen, Vaasa, 2001
Matti Jaakkola, Vaasa, 1999
Maija- Liisa Ketonen, Kristiinankaupunki, 2000
Per- Håkan Näsman, Vaasa, 1999
Raimo Rauhala, Vaasa, 2000
Helga Sarviranta-Vuotila, Kokkola, 2001
Altti Seikkula, Kokkola, 2000
Contact persons in Tapiola:
Jukka Marttila, secretary, Vaasa, (06) 317 5338
Lassi Annala, Seinäjoki, (06) 283 5400

KYMI REGIONAL COMMITTEE

Esa Hasu, chairman, Elimäki, 2000
Timo Hanttu, deputy chairman, Lappeenranta, 1999
Maili Hanski, Imatra, 2000
Risto Heikkilä, Anjalankoski, 2001
Tuomo Hintsanen, Lappeenranta, 2001
Reino Huotilainen, Parikkala, 1999
Tapio Hämäläinen, Kotka, 2000
Mikko Jolula, Kuusankoski, 2001
Lasse Koskelainen, Lappeenranta, 1999
Pekka Multanen, Lappeenranta, 2000
Arja Palmu, Kotka, 2001
Aulis Ripatti, Lappeenranta, 1999
Olli Sinisalo, Pyhtää, 2000
Pentti Toivanen, Iitti, 1999
Eeva Vauhkonen, Kouvola, 2001
Contact persons ins Tapiola:
Martti Mäkelä, secretary, Lappeenranta, (05) 451 5687
Miika Minkkinen, Lahti, (03) 468 6046

LAHTI-PORVOO REGIONAL COMMITTEE

Kimmo Kajaste, chairman, Porvoo, 1999
Seppo Jokipelto, deputy chairman, Hollola, 2000
Reijo Alanko, Mäntsälä, 2000
Kirsi Govenius, Hartola, 2001
Kari Hyytiä, Lahti, 1999
Reivo Järvenpää, Hollola, 1999
Pekka Kangasmäki, Porvoo, 1999
Riitta Karppinen, Heinola, 2000 (a.c. SME sector)
Matti Kataja, Lahti, 2000
Mikko Kommeri, Hollola, 2001
Markku Mäkeläinen, Lahti, 2001
Sirkku Paljakka, Lahti, 1999
Katja Saarinen, Lahti, 2001
Juha Sundberg, Lahti, 2001
Risto Tuomala, Porvoo, 2000
Contact persons in Tapiola:
Petri Torvinen, secretary, Lahti, (03) 468 6045
Miika Minkkinen, Lahti, (03) 468 6046

KARELIA REGIONAL COMMITTEE

Eino Tenhunen, chairman, Joensuu, 2000

Anja Nuutinen, deputy chairman, Lieksa, 2000
Mauri Haapalainen, Joensuu, 2001
Pentti Holopainen, Kitee, 2001
Tuomo Hurskainen, Joensuu, 2000
Timo Kettunen, Ilomantsi, 2000
Pirkko Kylänpää, Joensuu, 2001
Jorma K. Lehtonen, Joensuu, 1999
Erkki Miettinen, Juuka, 1999
Otto Mikkonen, Joensuu, 1999
Pekka Nevalainen, Outokumpu, 2001
Vilho Pasanen, Joensuu, 1999
Seppo Piirainen, Joensuu, 1999
Kirsti Reijonen, Joensuu, 2000
Jorma Turunen, Kesälahti, 2001
Contact persons in Tapiola:
Petri Pakarinen, secretary, Joensuu, (013) 120 800
Päivi Ruokolainen, Kuopio, (017) 569 5610

NORTHERN SAVO REGIONAL COMMITTEE

Esko Luoma, chairman, Kuopio, 2001
Elina Pallonen, deputy chairman, Iisalmi, 1999
Jussi Huttunen, Leppävirta, 2001
Lauri Laitinen, Siilinjärvi, 1999
Asko Lappalainen, Kuopio, 2000
Ossi V. Lindqvist, Kuopio, 2001
Aulis Miskala, Kuopio, 1999
Timo Männikkö, Varkaus, 2000
Matti Niiranen, Kuopio, 2001
Viljo Pakarinen, Kuopio, 2000
Matti Pulkkinen, Kuopio, 2000
Inka Puumalainen, Kuopio, 2001
Kosti Repo, Iisalmi, 1999
Pentti Sihvola, Kuopio, 2000 (a.c. SME sector)
Erkki Virtanen, Kuopio, 1999
Contact persons in Tapiola:
Esa Seppälä, secretary, Kuopio, puh. (017) 569 5617
Päivi Ruokolainen, Kuopio, (017) 569 5610

SAVO REGIONAL COMMITTEE

Juhani Alanen, chairman, Mikkelin mlk., 1999
Jorma Tapanainen, deputy chairman, Mikkeli, 2001
Marcus von Bonsdorff, Pieksämäki, 2001
Markku Jalonen, Juva, 2001
Jukka Jokela, Savonlinna, 2000
Tuula Jäppinen, Savonlinna, 2001
Markku Kakriainen, Mikkeli, 1999
Pekka Kovanen, Pieksämäki, 2000
Erkki Luukkonen, Puumala, 1999
(a.c. agriculture and forestry)
Kalle Nieminen, Mikkeli, 1999
Vuokko Rehn, Mikkeli, 2001
Raimo Rekikoski, Mikkeli, 2000
Hannu Savisalo, Mikkeli, 1999
Kari Tillanen, Mikkeli, 2000
Timo Tuominen, Mikkeli, 2000
Contact persons in Tapiola:
Juha Liukkonen, secretary, Mikkeli, (015) 670 5837
Päivi Ruokolainen, Kuopio, (017) 569 5610

KAINUU REGIONAL COMMITTEE

Timo Leppänen, chairman, Kajaani, 1999
Maija-Liisa Laitinen, deputy chairman, Kajaani, 1999
Riikka Alanen, Kajaani, 2000
Matti Autio, Kajaani, 2001
Esko Hakala, Kajaani, 2001
Mauri Hyyryläinen, Kajaani, 1999
Tauno Hälinen, Kajaani, 2000
Timo Korhonen, Kajaani, 1999 (a.c. agriculture and forestry)
Sauli Meriläinen, Sotkamo, 2001
Olli Pyykkönen, Suomussalmi, 2000
Hilkka Tähtinen, Kajaani, 2001
Erkki Vähämaa, Sotkamo, 2000
Contact persons in Tapiola:
Eerik Mäkäräinen, secretary, Kajaani, (08) 612 0930
Antti Iinatti, Oulu, (08) 886 5554

LAPLAND REGIONAL COMMITTEE

Birgitta Kuusela, chairman, Rovaniemi, 2000
(a.c. SME sector)
Jarmo Pietilä deputy chairman, Rovaniemi, 1999,
Arto Appelgren, Inari, 2001
Jouni Ekonoja, Rovaniemen mlk., 2000
Anneli Erholz, Tornio, 2001
Mauri Gardin, Rovaniemen mlk., 2000
Riitta Jokelainen, Rovaniemen mlk., 2001
Matti Kettunen, Kemi, 2000
Juha Mustonen, Rovaniemen mlk., 1999
Juhani Mölläri, Rovaniemi, 2001
Unto Salmela, Tornio, 1999
Jukka Toivanen, Keminmaa, 1999
Contact persons in Tapiola:
Kari Salmela, secretary, Rovaniemi, (016) 346 911
Antti Iinatti, Oulu, (08) 886 5554

OULU REGIONAL COMMITTEE

Juha Laikari, chairman, Oulainen, 1999
Anja Miilukangas, deputy chairman, Raahe, 1999
Reijo Flink, Oulu, 2000
Kyllikki Hekkala, Oulu, 2000
Torsti Kalliokoski, Kalajoki, 1999
Raimo Kuismin, Oulu, 2001
Suvi Lindén, Oulu, 2001
Tor-Erik Melin, Oulu, 2000
Riikka Moilanen, Oulu, 2000
Matti Myllylä, Haukipudas, 2001
Paavo Nikula, Kalajoki, 2000
Tauno Riekki, Kuusamo, 1999
Pertti Sankilampi, Kempele, 1999
Matias Timlin, Ylivieska, 2001
Mauri Visuri, Oulu, 2001
Contact persons in Tapiola:
Harri Kynnös, secretary, Oulu, (08) 886 5543
Antti Iinatti, Oulu, (08) 886 5554

ADVISORY COMMITTEE FOR AGRICULTURE AND FORESTRY

Pekka Rinne, chairman, Halikko, 2001
Terttu Mielikäinen, deputy chairman,
Suomusjärvi, 1999
Jouni Jyrinki, Kokkola, 2000 (r.a.c. Vaasa-Kokkola)
Timo Korhonen, Kajaani, 1999 (r.a.c. Kainuu)
Pirjo Kortesniemi, Seinäjoki, 2000
Erkki Luukkonen, Puumala, 2001 (r.a.c. Savo)
Heikki A. Ollila, Kangasala, 2001 (r.a.c. Pirkanmaa)
Martti Palojärvi, Vihti, 2001 (r.a.c. Salo-Lohja)
Reino Parkko, Elimäki, 2000
Pentti Rahola, Vantaa, 2000
Hannu Saloniemi, Helsinki, 1999
Veli-Matti Syrilä, Köyliö, 1999 (r.a.c. Satakunta)
Contact persons in Tapiola:
Jukka Saastamoinen, secretary, Espoo, (09) 4531
Markku Kosola, Espoo, (09) 4531

ADVISORY COMMITTEE FOR THE SME SECTOR

Hannu Partala, chairman, Tampere, 1999
(r.a.c. Pirkanmaa)
Hannu Pokela, deputy chairman, Helsinki, 2000
Eero Ahola, Vantaa, 2001 (r.a.c. Vantaa)
Sakari Alhopuro, Turku, 1999
Ulf Björklund, Kauniainen, 2000
Riitta Karppinen, Heinola, 2000 (r.a.c. Lahti-Porvoo)
Birgitta Kuusela, Rovaniemi, 2001 (r.a.c. Lapland)
Markku Lahdenpää, Helsinki, 2001
Olli Lehti, Perniö, 2000 (r.a.c.Salo-Lohja)
Ari Mäkinen, Tampere, 1999
Pentti Sihvola, Kuopio, 1999 (r.a.c. Northern Savo)
Yrjö Välimäki, Alavus, 2001 (r.a.c. Ostrobotnia)
Contact persons in Tapiola:
Marja-Leena Kajander, secretary, Espoo, (09) 4531
Markku Kosola, Espoo, (09) 4531

ADVISORY COMMITTEE ON PENSION AFFAIRS

Alpo Mustonen, chairman, Tapiola Pension
Veli-Pekka Anttila,
Finnish Food Workers' Association
Pirkko Heikura,
Wood and Allied Workers Union
Kari Kaukinen,
Confederation of Finnish Industrial Employers
Markku Kojo, Akava ry.
Kauko Rautiainen,
Employers' Federarion of Service Industries
Riitta Työläjärvi,
Confederation of Salaried Emplyees
Kurt Lagerbohm, Tapiola Pension
Pertti Tukia, Tapiola Pension

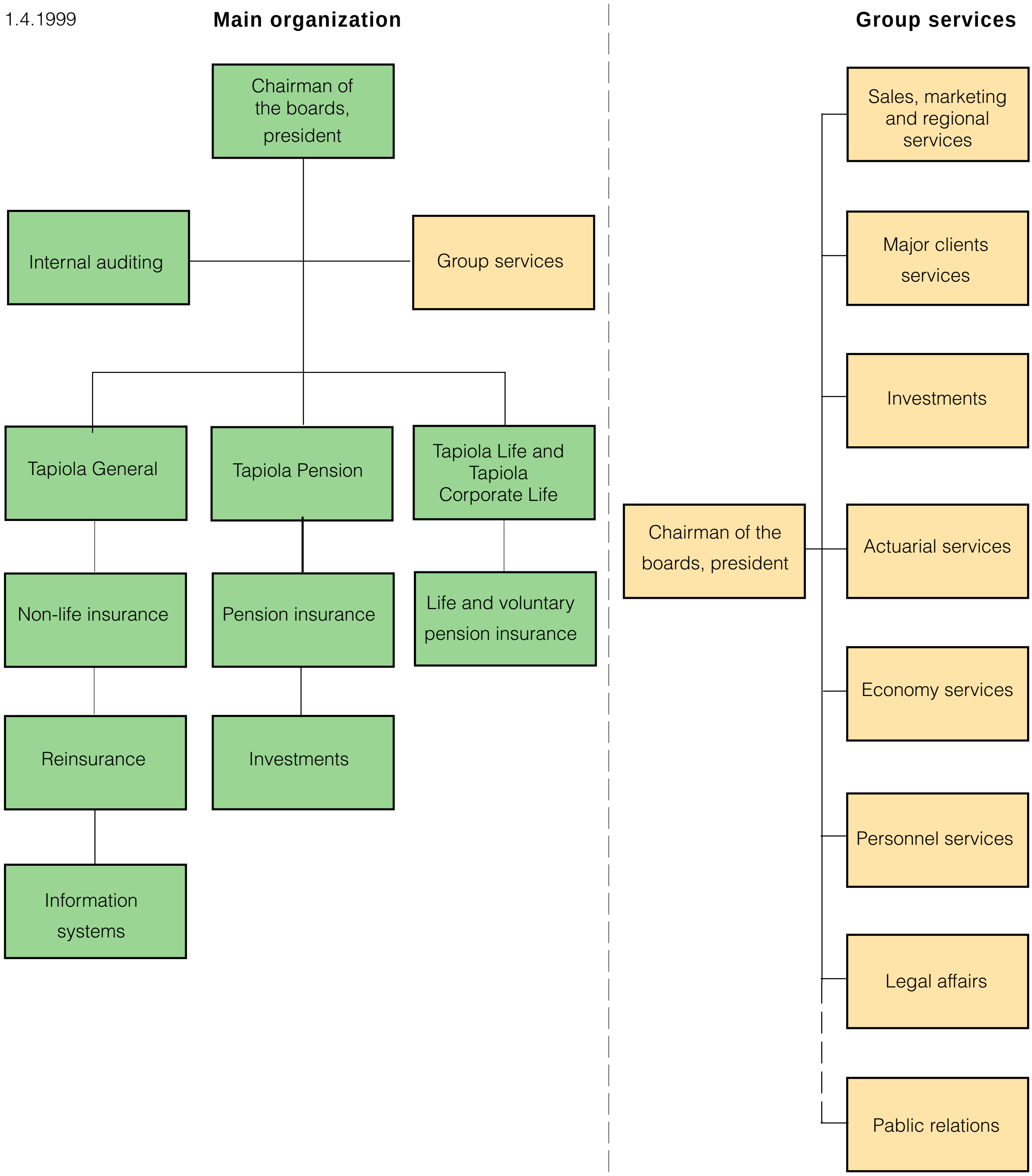
ADVISORY COMMITTEE ON AGENCY MATTERS

Members
Juhani Ahokas, Vaasa, 2000
Leena Hermansson, Helsinki, 1999
Mika Korkatti, Oulainen, 2000
Timo Lindsberg, Rautalampi, 2000
Jarmo Lohi, Ranua, 2000
Harri Nieminen, Ylöjärvi, 1999
Jarmo Nuutinen, Kouvola, 1999
Jarmo Palojärvi, Ylikiiminki, 1999
Teuvo Partanen, Sonkajärvi, 1999
Jaakko Turunen, Turku, 2000

DEPUTY MEMBERS

Reijo Haapala, Nivala, 1999
Mikko Leinonen, Kajaani, 2000
Jouni Leppälä, Kokkola, 2000
Pia Löfqvist, Vantaa, 1999
Jari Mäensivu, Jyväskylä, 1999
Esko Mänty, Muurla, 2000
Kalle Poikonen, Lappeenranta, 1999
Kaisu Turunen, Joensuu, 2000

ORGANIZATION OF TAPIOLA INSURANCE GROUP



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

CO-OPERATION COMMITTEE

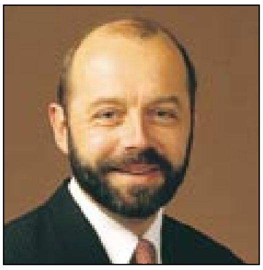
The activities of the Tapiola Insurance Group are supervised by the Co-operation Committee. In accordance with Tapiola's articles of association, the members of the Co-operation Committee are the chairmen and deputy chairmen of the companies' supervisory boards. Ilkka Brotherus, the managing director of Sinituote Oy, served as the chairman of the committee and Kari Neilimo as the deputy chairman.

Tapiola General

chairman Jarno Mäki
M.A., farmer

deputy chairman
Pekka Weckman
industrial councilor,
Weckman Steel Oy

TAPIOLA PENSION



chairman Ilkka Brotherus
managing director,
Sinituote Oy

deputy chairman
Antti Oksanen
CEO, Metsäliitto

Tapiola Life

chairman Matti Ahde
managing director
Veikkaus Oy

deputy chairman
Tuula Entelä
investment director,
Sato-yhtöt

Tapiola Corporate Life

chairman Kari Neilimö
professor, Lappeenranta
University of Technology

deputy chairman
Pekka Räihä
managing director, Kainuun
Sanomien Kirjapaino Oy

CHAIRMAN OF THE BOARDS, PRESIDENT

Asmo Kalpala

TAPIOLA GENERAL

Pertti Heikkala, managing director
Per-Olof Bergström, deputy managing director
Heikki Taipalvesi, unit director, corporate services
Heikki Huttunen, unit director, motor vehicle services
Linda Unhola, unit director, consumer and agricultural services
Antti Calonius, director, reinsurance
Pentti Ketonen, chief physisian
Olli-Pekka Laine, director, IT management
Kalervo Rinne, assistant director, system planning

TAPIOLA PENSION

Tom Liljeström, managing director
Alpo Mustonen, director, staff officer (part-time pension)
Kurt Lagerbohm, unit director, statutory pension insurance
Asko Sasi, unit director, investments
Hannu Parviainen, actuary, assistant director
Timo Helske, chief physisian

TAPIOLA LIFE AND TAPIOLA CORPORATE LIFE

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

GROUP SERVICES

Juhani Heiskanen, deputy managing director (Tapiola General, Tapiola Life, Tapiola Corporate Life), sales, marketing and regional services
Markku Haapalainen, director, regional administration
Markku Kosola, director, information services and PR
Kaisu Holopainen, marketing director

Arto Kämppi, unit director, direct services
Tapani Lehmussaari, assistant director, customer service systems

Antti Calonius, director, major clients services
Hannu Vilppo, assistant director, major clients unit

Jari Eklund, director, investment services (Tapiola General, Tapiola Life, Tapiola Corporate Life)
Asko Salminen, unit director, real estate (Tapiola General, Tapiola Life, Tapiola Corporate Life)
Guy Rosqvist, assistant director, legal affairs

Pentti Koskinen, director, actuarial services

Markku Paakkanen, director, economy services
Tapio Hirvonen, assistant director, group controller
Sirpa Pönkkä, assistant director, bookkeeping

Pekka Pessa, director, personnel services
Matti Kaasalainen, assistant director, upskilling programmes/head office
Leena Nurminen, assitant director, human resources

Jaakko Gummerus, director, legal affairs

TAPIOLA-DATA

Juha Seppänen, managing director
Pekka Riikonen, quality director
Juha Suutala, unit director, usage and technics

CHIEF SHOP STEWARDS

Anne Jurmu, office employees
Heikki Kanniainen, sales force
Eero Harju, Tapiola-Data

REGIONAL ADMINISTRATION

HELSINKI METROPOLITAN AREA

Petri Routa, regional director
Leena Kuutti-Alanko, director, services
Juha Seppälä, account director
Heikki Puhakainen, account director
Timo Niemi, area director, households
Anneli Sarvamaa, area director, offices

SOUTHWEST FINLAND

Hans Strandberg, regional director
Kristian Nygrén, area director, corporate
Timo Jussila, area director, urban households
Kari Luoma, area director, rural households
Juha Anttila, area director, offices

CENTRAL FINLAND

Martti Silvennoinen, regional director
Teemu Toivanen, area director, corporate
Jorma Eerilä, area director
Heikki Lindroth, area director, households
Seppo Ojala, area director
Sari Ruottinen, area director, offices

OSTROBOTNIA

Lassi Annala, regional director as from 10.5.1999
Antti Valkonen, area director, households
Jukka Marttila, area director, corporate
Sinikka Alamylläri, area director, offices

SOUTHEAST FINLAND

Miika Minkkinen, regional director
Martti Mäkelä, area director, corporate
Petri Torvinen, area director, urban households
Ilpo Rautio, area director, rural households
Leila Vilko, area director, offices

EAST FINLAND

Päivi Ruokolainen, regional director
Esa Seppälä, area director, corporate
Jari Vilmi, area director, households
Mirja Kukkonen, area director, offices

NORTH FINLAND

Antti Iinatti, regional director
Harri Kynnös, area director, corporate
Leevi Ainasoja, area director, households
Olavi Sakko, area director
Martti Lintunen, area director, offices

Offices

Head office:
ESPOO Revontulentie 7, 09–4531,
Adress: 02010 TAPIOLA
Internet: www.tapiola.fi

Offices:
ALAVUS Kuulantie 5, 0203–45329
ESPOO–Leppävaara Läkkisepänkuja 2, 0203–45302
ESPOO–Tapiola Revontulentie 7, 0203–45301
ESPOO–Tapiola Sokos
Länsituulentie 12, 09–453 4400
FORSSA Turuntie 2, 0203–45321
HAMINA Puistokatu 4, 0203–45335
HEINOLA Savontie 9, 0203–45336
HELSINKI–City
Kaisaniemenkatu 1, 0203–45303
HELSINKI–Erottaja
Erottajankatu 19, 0203–45363
HELSINKI–Itäkeskus
Turunlinnantie 8, 0203–45305
HELSINKI–Kamppi
Runeberginkatu 5, 0203–45307
HELSINKI–Töölö
Tukholmankatu 2, 0203–45306
HELSINKI–Vallila
Mäkelänkatu 58–60, 0203–45304
HYVINKÄÄ Hämeenkatu 19, 0203–45309
HÄMEENLINNA Palokunnankatu 16, 0203–45322
IISALMI Savonkatu 22, 0203–45343
IMATRA Lappeentie 16, 0203–45337
JOENSUU Rantakatu 23, 0203–45344
JYVÄSKYLÄ Vapaudenkatu 40, 0203–45323
JÄMSÄ Talvialantie 4, 0203–45324
JÄRVENPÄÄ Järnefeltinkatu 2, 0203–45310
KAJAANI Kauppakatu 26, 0203–45352
KANKAANPÄÄ Torikatu 7, 0203–45313
KAUHAJOKI Topeeka 38, 0203–45330
KEMI Valtakatu 19, 0203–45353
KEMIJÄRVI Kirkkokatu 3, 0203–45364
KIRKKONUMMI Toritie 3, 0203–45308
KITEE Kiteentie 4, 0203–45345
KOKKOLA Isokatu 10, 0203–45331
KOTKA Kirkkokatu 4, 0203–45338
KOUVOLA Kauppalankatu 14, 0203–45339
KUHMO Kainuuntie 88, 0203–45354
KUOPIO Suokatu 23, 0203–45346
KUUSAMO Kitkantie 3, 0203–45355
LAHTI Aleksanterinkatu 27, 0203–45340
LAPPEENRANTA Valtakatu 48, 0203–45341
LAPUA Asemakatu 14, 0203–45332
LIEKSA Moisionkatu 1, 0203–45347
LOHJA Kauppakatu 8, 0203–45314
LOIMAA Turuntie 22, 0203–45315
MIKKELI Maaherrankatu 12, 0203–45348
OULU Kirkkokatu 9, 0203–45356
PIEKSÄMÄKI Keskuskatu 6–10, 0203–45349
PORI Gallen-Kallelankatu 8, 0203–45316
PORVOO Lundinkatu 9, 0203–45342
PUDASJÄRVI Toritie 1, 0203–45357
RAAHE Sovionkatu 10, 0203–45358
RAUMA Eteläkatu 1, 0203–45317
RIIHIMÄKI Hämeenkatu 25–27 , 0203–45325
ROVANIEMI Rovakatu 27, 0203–45359
SALO Turuntie 22, 0203–45318
SAVONLINNA Olavinkatu 37, 0203–45350
SEINÄJOKI Keskuskatu 13,0203–45333
SUOMUSSALMI Kiannonkatu 3, 0203–45360
TAMPERE Rautatienkatu 10, 0203–45326
TORNIO Hallituskatu 2, 0203–45361
TURKU Eerikinkatu 6 b, 0203–45319
UUSIKAUPUNKI Rantakatu 15, 0203–45320
VAASA Kauppapuistikko 19–21, 0203–45334
VAMMALA Puistokatu 3–5, 0203–45327
VANTAA–Myyrmäki Liesikuja 7, 0203–45311
VANTAA–Tikkurila Kielotie 7, 0203–45312
VARKAUS Kauppakatu 18, 0203–45351
YLIVIESKA Torikatu 3, 0203–45362
ÄÄNEKOSKI Torikatu 5, 0203–45328

Service outlets

ALAJÄRVI, Alajärven Kirjanpitopalvelu, Järvikatu 3, (06) 557 3636
ANJALANKOSKI, Anjalankosken Laskentapalvelu Ky, Päätie 19, (05) 367 3233
EURA, Yrityspalvelu Wiik Ky, Eurantie 18, (02) 865 5120
HAAPAVESI, Haapaveden Toimistopalvelu Oy, Vanhatie 59 A, (08) 450 441
HARJAVALTA, Kiinteistökeskus Sydän-Satakunta Oy, Harjavallankatu 13, (02) 674 2280
HARTOLA, Päijätmaan Tili- ja Kiinteistö Ky, Kirkkotie 7, (03) 716 1222
KYRÖSKOSKI, Koski-Foto Ky, Valtakatu 57, (03) 716 1223
II, Vakuutus- ja Metsäpalvelu Salmela, Laurintie 2, (03) 716 1224
IKAALINEN, Ikafoto Ky, Vanha Tampereentie 15-17, (03) 716 1225
JOUTSA, Joutsan Tili- ja yrityspalvelu Oy, Rantatie 19, 19650 JOUTSA, (03) 716 1226
JOUTSENO, Vakuutuspalvelu Tuomo Vormisto, Saimaantie 7, (03) 716 1227
JUVA, Tili- ja isännöintitoimisto Paula Vuorinen Ky, Kiiverintie 2, (03) 716 1228
KALAJOKI, Tili- ja Toimistopalvelu Marja Hakola, Kalajoentie 34, (03) 716 1229
KANGASALA, Kangasalan Autokoulu Oy, Linja-autoasema, (03) 716 1230
KANGASNIEMI, Kangasniemen Vaatetus-Kammari Makkonen Kari, Otto Mannisentie 8, (03) 716 1231
KANNUS, Tilitoimisto LKT Oy, Valtakatu 1, (03) 716 1232
KARSTULA, Tähtitulos Oy, Keskustie, (03) 716 1233
KARVIA, Tili-Karvia Esko Luomanen, Kyläkarviantie 19, (03) 716 1234
KARHULA, Karhulan Veikot Ry, Karhulantie 36, (03) 716 1235
KAUHAVA, Kauhavan Tili- ja Isännöintitoimisto Ky, Einarintie 2, (03) 716 1236
KEMPELE, Lakeuden Vakuutus- ja Turvalaitepalvelu Ay, Tyrskykatu 6, (03) 716 1237
KERAVA, Tili-Isäntä Oy, Kivenhakkaajantie 3 B 2, (03) 716 1238
KEURUU, Talopiste ja Notariaattipalvelu Välimäki Ky, Keuruuntie 19, (03) 716 1239
KITTILÄ, Kittilän Tilipalvelu Ky, Valtatie 41 A 10, (03) 716 1240
KIURUVESI, Tili Olas Salo Olavi, Asematie 11, (03) 716 1241
KOKEMÄKI, Toimistopalvelu Teljä Ky, Tulkkilantie 31, (03) 716 1242
KUHMOINEN, Kuhmoisten Sanomat Oy, PL 8, (03) 716 1243
KURIKKA, Pohjanmaan Kiinteistöpörssi Oy, Laulajantie 10, (03) 716 1244
LAITILA, LKV Tili-Koskinen Ky, Katajamäen 14, (03) 716 1245
LAMMI, Kiinteistötoimisto Eino Hakala Ky, Hämeentie 20, (03) 716 1246
LEPPÄVIRTA, Autotarvike S. Suomalainen Ky, Petäiköntie 23, (03) 716 1247
LOVIISA, Ky Tilitupa Henry Friman Kb, Brandensteininkatu 11, (03) 716 1248
MÄNTSÄLÄ, Mäntsälän Notariaatti Oy, Keskustie 4 A, (03) 716 1250
MÄNTTÄ, KMV-Kotivinkki, Kauppakatu 2, (03) 716 1251
MÄNTYHARJU, Tmi Henkari R. Syväsalo, Liiketie 2, (03) 716 1252
NASTOLA, Nastolan Kiinteistönotariaatti Oy LKV, Laturintie 1, (03) 716 1253
NILSIÄ, Nilsiän Laskenta Oy, Nilsiäntie 79, (03) 716 1254
NIVALA, Merjan Vakuutus- ja Toimistopalvelu, Kalliontie 18, (03) 716 1255
NOKIA, Kiinteistö ja Rakennus Mäkelä Oy, Välikatu 19, (03) 716 1256

NURMES, Tmi Olavi Svala, Porokylänkatu 30,
(03) 716 1257
OULAINEN, Tmi Edustusliike Korkatti,
Asemakatu 19, (03) 716 1258
ORIMATTILA, Vakuutuspalvelu Eeva Immonen,
Erkontie 2, (03) 716 1259
ORIVESI, Oriveden Yritek Oy, Anttilantie 6,
(03) 716 1260
OUTOKUMPU, Tiliapu-Kettunen, Kummunkatu 6,
(03) 716 1261
PADASJOKI, Keinuhonka Oy, Keskustie 21,
(03) 716 1262
PARIKKALA, Parikkalan Tili ja Isännöinti Oy,
Sahakuja 2 E 4, (03) 716 1263
PARKANO, Tili- ja Kiinteistömarkkinointi
Pitsinki ja Mäkiviinikka LKV Ky, Keskuskatu 2,
(03) 716 1264
PELLO, Pellon Huonekaluliike Ky, Kenttätie 1,
(03) 716 1265
PIELAVESI, Pielaveden Tilipalvelu Oy, Puistotie 26,
(03) 716 1266
POLVIJÄRVI, Lakiasiaintoimisto Aki Pietarinen Ky,
Polvijärventie 14, (03) 716 1267
POSIO, Posion Tilitoimisto B Aapaoja Ky,
Riihipolku 1, (03) 716 1268
PYHÄSALMI, Pyhäjärven Tilitoimisto Raija
Leppäharju, Ollintie 11, (03) 716 1269
RANUA, Liiketoimintapalvelu Huhtamäki Ky,
Kiertotie 4, (03) 716 1270
RUUKKI, Tmi Kalervo Koukkula, Siikasavontie 10,
(03) 716 1271
SALLA, Urheilu Salla Ky, Kuusamontie 12,
(03) 716 1272
SIILINJÄRVI, Markkinointi Heikkinen HT,
Asematie 2, (03) 716 1273
SOMERO, Tilikeskus Seija Ylitalo Ky,
Joensuuntie 15, (03) 716 1274
SONKAJÄRVI, Sonkajärven Rakennus- ja
Maaseutusuunnittelu Oy, Rutakontie 36 A 9,
(03) 716 1275
SOTKAMO, Kuhmon Op-Kiinteistökeskus Oy,
Kainuuntie 22, (03) 716 1276
SUONENJOKI, Sisä-Savon Sähkö Oy,
Herralantie 5 A, (03) 716 1277
SYSMÄ, Sysmän Op-Kiinteistökeskus Oy,
Sysmäntie 36, (03) 716 1278
TAAVETTI, Isännöitsijätoimisto Timo Hämäläinen,
Metsätalo, (03) 716 1249
TEUVA, Oy Gun Exin Finland LTD, Mikkiläntie 11,
(03) 716 1279
TOHOLAMPI, Toholammin Tilitoimisto,
Osuuspankkitalo, (03) 716 1280
UTSJOKI, Utsjoen ATK-tilitoimisto Ky, Mäkelä,
(03) 716 1281
VALKEAKOSKI, Tilitoimisto Koskitilit,
Valtakatu 9-11, (03) 716 1282
VILPPULA, KMV- Kotivinkki, Suokatu 4,
(03) 716 1283
VÄÄKSY, Asikkalan Op-Kiinteistökeskus Oy,
Rusthollintie 1,(03) 716 1284
YLITORNIO, Ylitornion Metsänhoitoyhdistys,
Alkkulanraitti, (03) 716 1285
ÄHTÄRI, R Mäkelä RM-Matkat Ky, Otsolantie 4,
(03) 716 1286

ACCOUNTING PRINCIPLES OF THE 1998 FINANCIAL STATEMENTS

The financial statements of insurance companies are prepared in accordance with the Accounting Act, the Companies Act and the Insurance Companies Act, adhering to the directives and instructions of the supervising authority, the Ministry of Health and Social Affairs.

Valuation and allocation of intangible assets

Other long-term expenditure Basic building improvement expenses and IT systems planning expenses are recognised as other long-term expenditure. They are presented on the Balance Sheet at their acquisition cost after depreciation according to plan.

Valuation and allocation of investments

Land and buildings and real estate shares and other variable-yield participations Land and buildings are presented on the Balance Sheet at their acquisition cost after depreciation according to plan or, if lower, at market value.

Real estate shares as well as shares and other variable-yield participations are presented on the Balance Sheet at their acquisition cost or, if lower, at market value.

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

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

Shares and variable-yield participations Shares and variable-yield participations are presented on the Balance Sheet at their acquisition cost or, if lower, at their likely realisable value. Sales and writedowns of shares and variable-yield participations are calculated according to the FIFO principle.

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

The acquisition cost is calculated according to the FIFO principle.

Loans, deposits and deposits with ceding undertakings Loans, deposits and deposits with ceding undertakings are recorded on the Balance Sheet at nominal value or permanently lower likely value.

Valuation of receivables

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

Items denominated in foreign currencies

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

In connection with the fixing of the currency exchange rates of EU member states participating in phase III of Economic and Monetary Union, exchange rates differences with regard to realisable receivables and liabilities on 31st December 1998 are charged against income.

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

Derivative contracts

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

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

Depreciation

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

The depreciation charges are based on the following depreciation plan:

Intangible assets	
Basic repairs to premises	10 years
Planning costs of IT systems	5 years
Buildings	
Residential, office and hotel buildings	40-50 years
Department store and shop buildings	30-40 years
Industrial, warehousing and other buildings	20-30 years
Material components of buildings	30% (reducing balance)
Equipment	
Office equipment, fixtures and fittings, etc.	30% (reducing balance)

The holding times of buildings are reviewed, taking account of their likely residual values. The reviews have no effect on the relevant depreciation periods.

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

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

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

Provisions

Accumulated depreciation difference See "Depreciation" above.

Optional reserves Provisions made against income on the result have been made on the basis of accounting and tax legislation.

Credit loss reserve

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

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

Direct taxes

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

Current values of investments

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

Investments in shares and debt securities In the case of investments that are quoted on an official stock exchange or otherwise publicly traded, the last available striking price, or, in its absence, the buying price, during official trading on the accounting date is used as the current value. For other investments, the current value is based on net worth, book value or likely realisable selling price.

Loans, deposits, and deposits with ceding undertakings For loans, deposits, and deposits with ceding undertakings, the nominal value is used as the current value. Reduction of the nominal value required by the risk of a credit loss is taken into account when assessing the likely realisable value.

Staff pension cover and allocation of pension expenses

The statutory pension cover of the staff is arranged by means of statutory TEL pension insurance with Tapiola Pension and additional TEL pension cover mainly with Tapiola Pension and to a lesser extent with Tapiola Corporate Life.

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

Tapiola Mutual Life Assurance Company

Principles of zillmerization

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

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

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

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

In flexible-premium individual pension insurances, the provision for unearned premiums is reduced by activated acquisition costs over the first five insurance years, but in any event not longer than the insurance's term of payment. In the first insurance year the magnitude of the deduction is 25 per cent of the insurance's gross annual premium if the insurance began before 1.1.1996. If the insurance began in 1996, the deduction in the first insurance year is 20 per cent of the insurance's gross annual premium. If the insurance began after 1.1.1997, the deduction in the first insurance year is 10 per cent of the insurance's gross annual premium. In subsequent years the magnitude of the deduction falls by the same amount each year. The deduction is calculated on the basis of the insurances in force at the end of the accounting year.

3. Group life insurance Zillmerization is not applied.

Technical interest rate for the technical provisions

A technical interest rate of 4.5 per cent is applied when calculating the technical provisions of Tapiola Life, with the following exceptions:
- a technical interest rate of 6 per cent is applied when calculating the special provision for disability pension insurance associated with individual life insurance.

- a technical interest rate is not applied when calculating the supplementary reserve of the provision for unearned premiums arising due to amendment of the terms and conditions of individual life insurance.
- a technical interest rate is not applied when calculating additional sum and premium discount reserves of the provision for unearned premiums of individual life insurance.
- a technical interest rate is not applied when calculating reserves for future additional benefits reserves of the provision for unearned premiums of individual life and pension insurance.

Tapiola Life's policyholder bonus policy and solvency targets

In a mutual life insurance company, funds that increase the company's solvency are accumulated entirely for the benefit of the policyholders, since they are the owners of the company.

Solvency target

Tapiola Life strives for the kind of quantitative and qualitative solvency that will enable it to pay a competitive and steady yield over the long term on the insurance savings of policyholders.

The solvency target is defined on the basis of the solvency limits set by the supervising authority, the nature of the company's insurance portfolio, longer-term investment risks, and other means available to strengthen the company's solvency. The target level of solvency guarantees with adequate certainty that Tapiola Life will remain within the solvency limits necessary for a free policyholder bonus policy, i.e. it will allow Tapiola Life to set the level of its policyholder bonuses freely for several years hence.

Bonus policy

The company's surplus is used mainly for policyholder bonuses and to bolster solvency, with only a minimal sum being distributed in the form of profits. When determining the level of policyholder bonuses, the aim is to ensure that policyholders receive a steady and realistic return on their insurance savings.

The distribution of policyholder bonuses among the different types of insurance is based on duration and nature of the insurances, the surplus generated by the insurances, and the nature and conditionality of the bonuses to be awarded.

Tapiola Corporate Life Insurance Company

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

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

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

Tapiola Corporate Life's policyholder bonus policy and solvency targets

In a mutual life insurance company, funds that increase the company's solvency are accumulated entirely for the benefit of the policyholders, since they are the owners of the company.

Solvency target Tapiola Corporate Life strives for the kind of quantitative and qualitative solvency that will enable it to pay a competitive and steady yield over the long term on the insurance savings of policyholders.

The solvency target is defined on the basis of the solvency limits set by the supervising authority, the nature of the company's insurance portfolio, longer-term investment risks, and other means available to strengthen the company's solvency. The target level of solvency guarantees with adequate certainty that Tapiola Corporate Life will remain within the solvency limits necessary for a free policyholder bonus policy, i.e. it will allow Tapiola Corporate Life to set the level of its policyholder bonuses freely for several years hence.

Bonus policy The company's surplus is used mainly for policyholder bonuses and to bolster solvency, with only a minimal sum being distributed in the form of profits. When determining the level of policyholder bonuses, the aim is to ensure that policyholders receive a steady and realistic return on their insurance savings.

Policyholder bonuses are distributed fairly among the different types of insurance. The factors taken into consideration are the duration and nature of the insurances, the surplus generated by the insurances, and the nature and conditionality of the bonuses to be awarded.

Tapiola General Mutual Insurance Company

Deduction items of the technical provisions, and the discounting used in calculating the provision for outstanding claims.

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

Provision for outstanding claims In 1998 the provision for outstanding claims was reduced by FIM 8,097,096 in respect of undisputed recourse receivables. The corresponding deduction in the previous year was FIM 5,993,532.

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

Consolidated financial statements

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

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

Subsidiaries acquired or divested during the financial year are incorporated into or eliminated from the group from the time of their acquisition or divestment. Associated companies, i.e. companies in which the group owns 20-50% of the conferred voting rights, are included in the consolidated financial statements. An exception to this rule is Turva Mutual Insurance Company since it is a mutual company. Housing and real estate companies are not treated as associated companies.

The change in optional provisions and depreciation difference is allocated to the change in deferred tax liability and to the result. The corresponding balance sheet items are allocated to the deferred tax liability and to capital and reserves, taking account of minority interests.

Intra-group ownership has been eliminated using the past equity method. The financial statements of associated companies are consolidated by the equity method.

Revaluations of shares in housing and real estate companies are treated as revaluations of real estate belonging to group subsidiaries.

The goodwill arising in connection with the elimination is generally allocated to the subsidiary's appropriate asset items, taking account of the items' current values, and the goodwill is depreciated according to plan like the corresponding item. Unallocated consolidated goodwill is presented on the Balance Sheet under intangible assets as a separate item, and it is written off according to plan over five years.

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

Reader's Guide

The insurance companies have developed a uniform set of financial indicators derived from the financial statements. The concepts used in the annual report are presented and defined in this Reader's Guide. In the case of the most important ratios, their formulae are also given.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The **loading income** appears as a concept in, for instance, the calculation of the gross expense ratio for life and pension insurance companies. This income is derived from a loading component added to the insurance premium for the purposes of covering the costs pertaining to the accounting period. The gross expense ratio is obtained by comparing actual operating expenses to the corresponding loading income.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The **underwriting result** is the difference between claims incurred* and premiums applying to the current accounting period and intended to cover life insurance and pension insurance risks. The technical interest rate* for the provision for outstanding claims is taken into consideration as a factor reducing claims incurred.

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

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

Transitional reserve

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

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

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

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

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

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

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

The **extended solvency margin** is the solvency margin of a life insurance company plus items that can be used to ensure the continuity of the company's operations if the situation so requires.

The **solvency margin ratio** describes the relationship between a life insurance company's solvency margin and the minimum amount prescribed for it by law. The solvency margin ratio is 100 x the solvency margin / the minimum solvency margin.

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

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

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

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

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

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

The **change in the provision for unearned premiums** is shown on the Profit and Loss Account. It is the difference between the provision for unearned premiums at the beginning and the end of the year. See provision for outstanding claims*.

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

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

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

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

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

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

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

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

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

Avoir fiscal tax credit is a tax credit in favour of a dividend recipient to the extent that the company paying the dividend has already paid tax when distributing the dividend. The income of the dividend recipient then comprises the combined amount of the dividend received and the avoir fiscal tax credit.

The cover photo shows the Erottajankulma property in Helsinki city centre. Constructed in 1892 and rich in tradition, the building was purchased by Tapiola Pension in September 1998 following its complete renovation. In the building Tapiola Insurance Group has an office where, in addition to normal customer service, there is a team of experts specialised in insurance saving and insurance investments.

The annual reports of the Tapiola Insurance Group have been printed on environmentally Swan-rewarded Galerie Art paper.
Repro Textop Oy. Print Martinpaino Oy, 1999

Tapiola Insurance Group
Revontulentie 7 Espoo, Tapiola
Mailing address: 02010 Tapiola
Tel. +358 9 4531
www.tapiola.fi

M. 00.037 E.