

ANNUAL REPORT 2000



Securing Pensions

Contents



Cover illustration by Mika Launis

The pictures on pages 9, 11 and 46 were used in Varma-Sampo's Autumn 2000 advertising.

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Annual General Meeting

Varma-Sampo Mutual Pension Insurance Company
Annual General Meeting will convene
on March 30th, 2001 at 9:30am
at the company's headquarters,
address Annankatu 18, Helsinki.

Varma-Sampo in brief

Varma-Sampo Mutual Pension Insurance Company is the largest private sector earnings-related pension insurer in Finland. Decisions at the Annual General Meeting are made by policyholders and the insured. At the end of the year 2000, the value of the company's investments stood at more than EUR 16 billion. Varma-Sampo is responsible for the earnings-related pension cover of nearly 700,000 people. Premiums written for the year 2000 stood at EUR 2.2 billion, while EUR 2 billion was paid out in pensions. Varma-Sampo co-operates with Sampo Group to further secure insurance services for its clients.

According to our vision:

- We secure employment pension cover*
- We actively develop the statutory earnings-related pension scheme*
- We invest pension assets profitably and securely and*
- We offer the highest-standard of know-how.*

Highlights

EUR million	1999	2000
Premiums written	2,075	2,207
Policyholders	62,000	62,000
Insured persons	419,000	430,000
Pension payments	1,915	2,023
Pensioners	257,000	263,000
Investments at current values	15,015	16,208
Technical provisions (excluding unallocated insurance reserve)	12,172	13,213
Solvency margin	3,262	3,390
Solvency, %	27.3	25.9
Lower limit of target zone, %	17.5	17.6
Solvency limit, %	8.7	8.8
Investment income	1,538	827
Investment income, %	11.7	5.3
Total result	1,071	259
Client bonuses	50	69
Personnel at Dec. 31st, parent company	581	612

Investment income has been calculated at current values, as agreed by the pension insurance companies.

In this Report the Annual Accounts for 2000 are presented in euro. Some descriptions in the content, use Finnish markka, however.

1 EUR = FIM 5.94573

Finland has a strong employment pensions scheme

Internationalisation increases comparisons between social security systems in different countries. The challenges are somewhat similar, although the solutions may vary. Discussion in many countries now focuses on the pressure generated by an ageing population on pension scheme capacity.

The Finnish social security system entitles all those living in the country to comprehensive social security, whether they are in working life or not. The national pension guarantees basic cover and those in employment also receive statutory earnings-related benefits.

The Finnish pensions scheme promotes equality by guaranteeing everyone the right to social security cover; nobody has to depend on another's income or actions. The statutory earnings-related pension scheme also promotes equality by its very nature; there is no mandatory, supplementary pension for different occupational groups.

As in the other EU countries, the Finnish statutory earnings-related pension scheme covers old age, disability and survivors' pensions. Payments are statutory, mandatory and accrue according to the person's income from work. The Finnish system does, however, possess some special facets different to other EU countries, which prove positive strengths in social security comparisons.

These strengths are comprehensive cover, partial investment in funds, decentralisation, no income ceiling, the advanced IT solutions utilised in the implementation of employment pension cover, and full pension cover while changing jobs.

Comprehensive cover

The Finnish statutory earnings-related pension scheme provides the same, comprehensive security for all, including entrepreneurs. It is applied to old age, disability, unemployment over 60 years of age, and death. The fact that the security is the same for all, makes the system reasonably easy to cope with, although there is obviously a need for yet further simplification.

Investments in funds

Around 25-30 per cent of Finnish employment pension cover is placed in investment funds, the income from which grows the assets required for future pension expenditure. Such investments also offer a safe haven from economic downturn and depression. The accrual of funds

improves the savings rate and so helps create the prerequisites for future national economic growth, which in turn helps to finance pensions.

Decentralisation

Private sector employers and entrepreneurs can choose how to arrange their employment pension insurance. At the end of last year, there were six pension insurance companies, eight operative pension funds and 36 pension foundations in Finland. The decentralised model creates competition that improves efficiency. Furthermore, the decentralised model imposes no additional inconvenience on the individual employee: the pension is granted and paid as a single lot, and by the pension institution where the employee was most recently insured.

No income ceiling

The fact that there is no income ceiling for employment pension cover makes the statutory earnings-related pensions scheme simpler. One uniform system guarantees sufficient cover, without the need for so-called second pillar social insurance or other complementary systems. A single system promotes equality between different occupational groups and also aids in the free movement of labour from one country to another.

Advanced IT solutions

Finland continues to play a pioneering role in the automation of, for example, banking services. There are numerous electronic services also in the employment pension insurance business, which are cost-effective for both client and insurer. Varma-Sampo customers can, for instance, submit their employment reports and other information via the Internet. Our goal is a paper-free insurance process from application to payment.

Full cover when changing jobs

The pension entitlement accrued to an employee is entirely secure once the period of employment has lasted for one month. Pension cover accumulated in the previous job remains in full. Accrued right is raised according to the TEL index, so that it corresponds to any rise in the cost of living and, to some degree, in income levels. In this way, employment pension cover is in harmony with the free movement of labour, a key tenet within the EU.

The Finnish pensions scheme promotes equality by guaranteeing everyone the right to social security cover; nobody has to depend on another's income or actions.

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CEO's review

Varma-Sampo recorded an operational result for the year 2000 that can be described as satisfactory. We strengthened our organisation and added to its know-how during the year.

Our investments were profitable measured by reference indexes. The total return on the equities portfolio was 5.3 per cent. This result was flatter than in recent years and especially affected by moderate stock market performance.

Solvency remained strong throughout the year at more than 25 per cent. Varma-Sampo has all the elements in place for the successful management of our clients' pension cover, now and into the future.

Our core function is to secure pensions


Varma-Sampo's main job is to secure pensions and so continuously accumulate the pension assets entrusted to it. Our investment portfolio grew by more than FIM 7 billion to FIM 96.4 billion last year.

As expected, there was a more modest net return than in the last few years. At the same time, we must not lose sight of the fact that the average, long-term real return in the statutory earnings-related pension scheme is estimated at three per cent. It is our duty to continue to exceed this level.

In implementing that long-term achievement, we have actively diversified our investment portfolio outside Finland. In particular, we now subscribe a larger majority of our bond investments in overseas markets, mainly in the form of government loans in the eurocurrency area.

The effective realisation of our core function requires the greatest possible return on pension assets, secured in the long term. Varma-Sampo's solvency margin of around FIM 20 billion plays a considerable part in guaranteeing that security.





It is a buffer that equalises any short-term fluctuation in an investment portfolio.

A fairer scheme

The Finnish statutory earnings-related pension scheme has proved consistently functional and durable, as it approaches its fortieth anniversary. Maturity has brought with it specifications, improvements and amendments of law that have served to make the system steadily and incrementally more complex. Neither can it now be considered entirely fair in one particular aspect. The same salary results in a different pension, depending on whether the person has worked for a single employer or changed jobs at some point.

The system now needs simplifying and modification. We must avert the threat that the foundations supporting a proper and functional pension system can be undermined. These stand as fairness, acceptability and efficiency of implementation. We have already started work on this task. A system is being planned, where each contribution grows the future pension to the same extent, over employment relationships long and short.

Promoting working capacity

For some time now, it has been this country's long-term goal to shift the retirement age forward by 2-3 years. The National Age Report, published in Summer 2000, indicated for the first time to a small degree that people may be retiring later. Nevertheless, no more than some 10 per cent of Finns remains in working life until the age of 65.

Varma-Sampo actively promotes job satisfaction and stamina at work. We mapped well-being at work in dozens of client companies, last year. Their disability pension costs are determined by

how many cases of disability stem from working at the company.

We also ran a pilot project on vocational rehabilitation, in co-operation with Oulu and Helsinki university hospitals and the Rokua rehabilitation centre. The indication is that it is critical to catch the need for rehabilitation early enough and begin the process of dealing with it as soon possible. Employers should seek close co-operation with experts in the field to produce positive results.

Know-how and services are key

We at Varma-Sampo will continue our expert role in developing the statutory earnings-related pension scheme. We are aware of and respond accordingly to our social policy responsibility, contributing to well-being as we should.

Our solvency and risk-bearing capacity remain good at the beginning of 2001. It is important that as Varma-Sampo serves its clients successfully, we continue to contribute to the needs of the whole of Finnish society.

I wish to thank Varma-Sampo clients, co-operation partners and other members of our interest groups for their confidence. "For the best service" is our keynote for the year to come. I hope you will already have noticed what that means in practice.

At the same time, I am happy to take this opportunity to thank all our personnel for their performance in the year past. I believe that together we met the 2000 objective of getting the company in top shape.

Paavo Pitkänen

Long-term investments secure pensions

Varma-Sampo investment activities are built on a profitable and secure long-term investment strategy.

Varma-Sampo investments were profitable in the year 2000.

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A pension company must take into account in considering its investments, that they have to cover pension responsibility spread over several decades into the future. Invested assets must be available whenever they are needed for paying out on pensions. At the same time, those assets should yield as high a return as possible, in order to minimise any pressure to increase employment pension payments. In other words, the investment of employment pension assets has to focus simultaneously on continuity and security, as well as profit maximisation.

Long-term success in investing pension assets requires an efficient and skilled organisation. Among other contributions to our investment operation in the year 2000, we dedicated more staff to investment activities and further improved the process itself. The goal is to maintain and indeed strengthen the system that now exists, so that the correct investment decisions can be made quickly and efficiently on continuously changing domestic and international markets.

A volatile year 2000

Capital markets fluctuated considerably in the year 2000. The beginning of the year was memorable for the wild profit expectations of the so-called new economy firms. These anticipations steadied during the year and the valuations of the companies themselves declined significantly.

The Finnish economy continued to be lively, although worries about inflation in the early part of the year were supplanted first by the danger of an overheated economy, and then by concerns that economic growth was slowing too rapidly.

Varma-Sampo investments were profitable measured by reference indexes. The total return on the equities portfolio was 5.3 per cent. This result was flatter than recent years and was

especially affected by the moderate performance of the stock markets.

Security through diversification

Varma-Sampo's investment portfolio is divided by type of asset: interest investments, equities and real estate. At the end of the year 2000, interest investments accounted for 65 per cent of the whole, equities for 22 per cent and real estate for 13 per cent.

Different investment objects offer different profit expectations and varying degrees of risk. High profit expectations always entail substantial risk. With hindsight, it now appears that equities have the largest expected average return, but fluctuations in short-run returns mean they carry the greatest risk, too. The second highest return is expected from real estate, while the smallest risk and the lowest returns are attached to interest investments.

Diversification is an essential element of managing a secured investment portfolio. Don't put all your eggs in one basket, is a wisdom offered by many an investment advisor, too.

Portfolio returns can be improved and risk decreased by investing in companies operating in different lines of business, in different countries and continents, in the shares of companies in different stages of growth, or in interest instruments. Varma-Sampo increased the share of corporate loans in its interest portfolio last year, significantly decreasing the ratio of Finnish State bonds. The goal was and is to seek additional returns from corporate financing in the long term. We also spread our risk this way, by decreasing the dominance of a single party in the portfolio. Real estate returns were grown by improving the real estates, raising rents and investing in new, more profitable items.

The weight of Finnish securities was lessened in equities, while the share of foreign,

mainly European investments was increased. We also continued to diversify our investments in different lines of business.

Security through allocation

As an employment pension company, we invest funds on a very long-term horizon. This allows us to evaluate investment targets more fully, and expectations of the potential returns on them, over a longer time frame than many other investors. That in turn means we have the opportunity to place assets outside the traditional line of equities, bonds and real estate. We can invest in items that offer an essentially higher expected return, at a similar or only slightly greater risk than otherwise.

Capital funds, for instance, have yielded a clearly better return than the stock market in recent years. Varma-Sampo significantly increased the share of capital funds in its investments last year. In fact, at the end of the year 2000, the investment commitment in funds accounted for just under two per cent of the balance sheet total.

Greater resources

We responded to the challenges of the new millennium investment markets by strengthening our investment organisation. Finance markets are now developing and changing faster than ever. There is so much more information to process, market shifts and changes have become swifter and more dynamic, and new finance

instruments are continuously being developed.

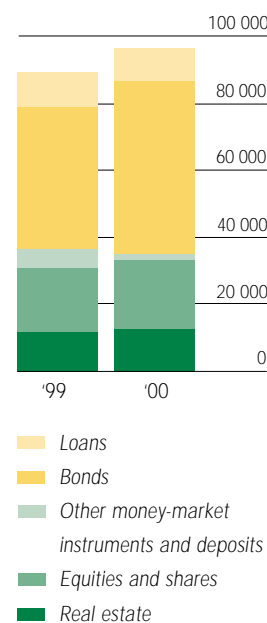
These development trends offer Varma-Sampo both an opportunity and a challenge. Taking advantage of new finance instruments and carefully analysing all the issues at stake, will allow us to deepen the security and profitability of our pension asset investments still further and improve the risk/return ratio of our investment portfolio. On the other hand, for instance, stock market volatility has increased significantly and, at the same time, the new finance instruments that boost investment activities are more complex and indeed challenging.

Split responsibilities

An effective investment process is made up of an uninterrupted chain of decisions and functions that are separate, but work together.

Varma-Sampo has apportioned the different phases of its investment process into separate areas of responsibility, so that each specialist unit looks after its own area. The operation moves on through the chain, each step under the control of a professional specialised in that task. This concentrates and speeds up the process from investment decision to implementation. The differentiated structure also builds security and continuity into the system. The decentralised implementation of investment decision preparation, the trading itself, trade clearance, and payment transactions, creates the prerequisites for the best possible investment outcome.

Investment portfolio, FIM million



Investment income at current values

FIM million	1999	2000
Loans	489	421
Bonds	-650	3,162
Other money-market instruments and deposits	236	114
Equities and shares	8,761	445
Real estate	306	773
Total investments	9,142	4,915
Unallocated costs and operating expenses from investment activities	-28	-54
Total yield on investment	9,114	4,861

Know-how in insuring overseas workers

Social security is one important issue to be arranged when a company sends a member of staff to work overseas. Arranging insurance for those working abroad requires particular expertise. Since there are often other complex factors involved in the transfer, almost every case calls for special handling.

Varma-Sampo International Services experts assist in all aspects of insurance covering overseas working.



There are now more and more employees moving from one country to another for work. Furthermore, two-way traffic now means that not only are Finns working abroad, people are coming to work in companies in Finland, too. They may be sent by their employer or simply decide to relocate in a firm in Finland. Furthermore, domestic companies transfer their overseas staff from one country to another.

Dealing with social security issues related to people moving from one country to another requires extensive expertise. The systems of different countries, agreements between countries and EU legislation for social security co-ordination must all be taken into account and in increasingly diverse combinations. Varma-Sampo must also be well versed in complementary insurance arrangements.

Information from several sources

SME's, which typically run small-scale operations abroad, have a special need for support in handling foreign social security systems. How-

ever, there is usually no one service that provides a full range of assistance.

The Social Insurance Institution will answer questions about social security based on residence. The Central Pension Security Institute provides information about employment pensions cover and employment accident insurance for employees working overseas. The Ministry of Social Affairs and Health has expertise in relevant EU legislation and agreements on social security. In general, there is no single organisation that can answer all questions concerning social security in overseas working.

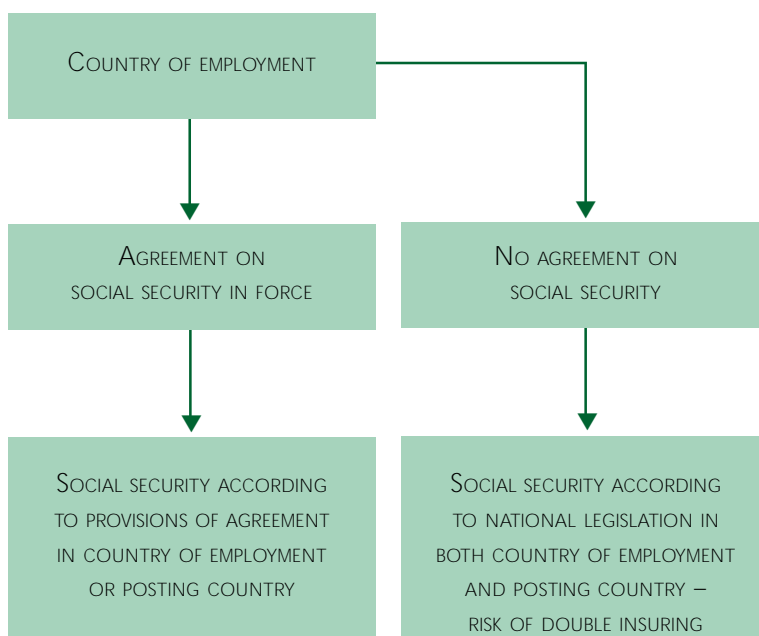
Varma-Sampo has the expertise

Varma-Sampo International Services experts assist in all aspects of social security covering overseas working. In addition to employment pensions, this means social security in Finland and other countries, as well as complementary insurances. Parties such as insurance brokers and not just client companies employ these services.

International Services maintains up-to-date records on social security systems in nearly 40 countries, including on supplementary cover and other relevant information. All the information is stored in continuously monitored databases. Varma-Sampo also tracks EU legislation and agreements on social security, and maintains involvement in developing know-how. International Services also provides client training and participates in training events with the authorities and other interest groups.

Overseas social security is about the development of Finnish business and its competitiveness in the global market economy. Varma-Sampo is well aware of its responsibility in social security as Finland's leading provider of employment pensions insurance. International Services is an integrated provider in the specialised fields of social security for overseas working and in complementary insurance arrangements.

Principles of insuring overseas working



If you are a
global player,
the choice of your pension
insurance company
also plays an
important role.



Well-being at work with Evita

Varma-Sampo Evita helps manage employment pension costs by promoting well-being at work. It is a specialist service that works to build a particularly active co-operation partnership with Varma-Sampo clients.

Personnel well-being at work will be an increasingly important business success factor as time goes on. An ageing population and the emergent threat of labour shortages constitute a key concern for Finnish companies.

Evita is a broad process involving all client company personnel, where the key factors in promoting well-being are staff principles and vocational skills, as well as management policies. Ideally, this works from an internalised position to examine all company operations in terms of well-being. Varma-Sampo, in its role as an employment pension company, offers the client its know-how and experience, as well as a useful dialogue with corporate management.

There is a shift from simply being aware of the issue and its meaning, towards taking more and more concrete measures to improve well-being. Our physical working environments may be better than ever, but the incidence of exhaustion at work and depression has increased. There is still plenty to do in improving well-being at work, not all of which can be dealt with using ergonomics, recreational activities and other so-called traditional working capacity measures.

An alarmingly large number of Finns still retire prematurely, at least in part due to problems of well-being at work. It is important for Finnish society to support the working capacity of older people and their will to remain in working life for longer than they now do.

Individuality as a fresh challenge

A current trend in tackling personnel well-being is to clearly acknowledge the individual. This means, for instance, recognising that events in one's private life have a significant effect on how we cope at work; that taking the typical adult lifespan into account in planning measures for maintaining well-being at work is important, and so on. The way we work is affected by many issues through the course of our lives: starting

a family, changing residence, taking care of one's ageing parents and so on. These challenges can significantly weaken performance at work for long periods.

EAP or Employee Assistance Programmes, which have long been practised in the United States, mean companies offer employees assistance in dealing with private life problems. The process creates a mutual benefit, since the person is then better able to contribute at work and the company benefits financially.

Evita is developing continuously

Varma-Sampo developed Evita extensively during the year 2000. In Spring, the programme's introduction in client companies was mapped. The results demonstrated companies' different levels of know-how about well-being at work and, that they were encouraged by the activities promoted by Evita. There is still room for developing and starting working capacity activities, taking further well-being measures, and deciding how different areas should be emphasised. Understanding how well-being at work exercises operate as a whole was considered problematic. However, it must be said, that the resources of those people in charge of the projects and of occupational health care, were considered somewhat insufficient.

Evita will be continuously developed in co-operation with client companies, by adopting new operating models and ways to monitor the cost effects of well-being at work.

Evita Evaluation is a new tool for companies to assess the current state and development needs of personnel well-being internally. Accumulated data can then be used as a benchmark to help a company compare its well-being achievements with those of others. Based on results of that evaluation, the client company can draw up a development programme together with Evita experts, and its implementation will be monitored in the long term.



The representation depicts the Evita programme for the promotion of well-being at work. Management is the most important factor and it affects all others. The economic effects also relate to each and every area. As the different sectors develop, the results begin to show in the company's financial performance.

He may not be thinking about
how to make it until
retirement right now.
We are.

Evita



A variety of services for client companies

Varma-Sampo offers its client companies services to, for instance insure staff working overseas and develop well-being at work. The Internet acts as a new, centralised channel for handling insurance issues. Being a significant real estate investor, the company also offers opportunities for co-operation over premises.



An average of 10–20 Partek employees leaves to work abroad every year. Their destination is most often Europe, Asia or America.

Expert insurance for work overseas

Partek Corporation is a leading supplier of logistical solutions for ports and freight terminals, and of chassis-mounted load handling equipment. The company also manufactures advanced forest machinery and tractors. Partek operates in more than 30 countries and employs 12,000 people.

Varma-Sampo International Services understands the social security systems of different countries; advising client companies on how to arrange employment pensions for staff work-

ing abroad and deal with other social security issues. Cases must be handled individually, because each has its own unique characteristics.

According to Liisa Sihvo, Partek Vice President, Human Resources, pension cover for people who have worked overseas for more than five years is particularly problematic.

– Varma-Sampo has assisted us in defining the correct pension level for those who are no longer covered by the Employees' Pensions Act TEL, and so need supplementary cover.

Well-being at work with Evita

Varma-Sampo Evita experts consult and train client companies in various matters of well-being at work. Long-term co-operation can be established, as is the case with, for example, Tekmanni Oy and ISS Suomi Oy.

Personnel is an important resource at Tekmanni. The company specialises in technical installations and offers services and solutions for industry and telecommunications networks, employing a staff of around 1,500 at nearly 30 sites. The number of employees is increasing all the time.

Tekmanni has invested in well-being at work for many years now and more new schemes were initiated in the year 2000. Evita's and its client's experts undertook training for Tekmanni supervisors at six of the company's sites during

ISS has 6,500 employees in Finland, responsible for a total of 8,000 client projects.



the Autumn. The focus lay on promoting working capacity and well-being throughout a working career. Topics for the future will include mapping how the Tekmanni organisation functions, running working capacity sessions in individual units, and offering support to staff in maintaining their physical fitness.

– The Evita experts have clearly improved the supervisors' knowledge and attitudes towards well-being at work, says Hannele Kokotti, Tekmanni's Human Resources Director.

Well-being at work is also an important element of personnel management at ISS, an international company specialising in services related to real estate, premises, and well-being.

Based in part on Evita, the ISS personnel programme is now a part of the company's quality system. Its goal is to recognise problems related to well-being at work as early as possible, so that swift measures can be employed. The programme increasingly includes questions on managing everyday working capacity.

– The ISS personnel programme determines the "right things" and "right ways" in daily personnel management. We are currently planning a training package together with Varma-Sampo to help recognise and manage problems in the working community," HRQ Director Harri Perttinä explains.

Service through the Internet

Ensto Group operates internationally and specialises in the development and manufacturing of electrical equipment, as well as organising and supplying contract production for both the electrical and electronics industries. The company has a staff of over 1,600 based in twelve different countries.

Ensto started using the Varma-Sampo e-folder service at the beginning of this year. The main user, payment transactions facilitator Marjo Heino from the Finance Department, considers e-folder a productive tool for monitoring and anticipating the invoicing of TEL insurance payments. She has also made good use of the e-folder finance section.

– The e-folder structure is clear. And it means there's less paper to mess around with!, Marjo Heino says.

Construction work on Pharma City Centre for Biotechnology began in Turku in July, 2000. The building will be completed towards the end of 2001.

Diversity in real estate investments

Varma-Sampo's investment in building the Pharma City complex in Turku supports a new and growing line of business. It was one of the company's biggest real estate projects for the year



2000, carrying with it an estimated construction cost of FIM 200 million. Pharma City will be a product development centre for biotechnology companies and will be completed in late 2001. Skanska Länsi-Suomi Oy is doing the construction work.

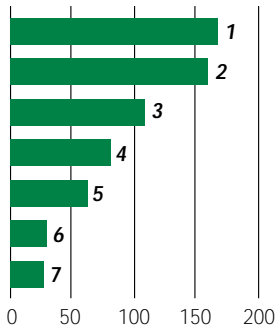
The facilities will mainly be leased to biotech companies. The largest single lessee to date is Turku Bio Valley Ltd, which is owned by the City of Turku. The total available space is around 18,000 square metres.

Not even an automated plant can manage without people. Ensto's Porvoo plant, for instance, manufactures earthed double wall-sockets.



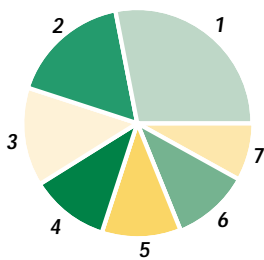
Our goal is to deliver the best service in the industry

Personnel



- 1 Client Relations
- 2 Pensions
- 3 Administration, Information Management
- 4 Investments
- 5 Staff
- 6 Major Accounts
- 7 Finance

Personnel training



Total 3,318 days

- 1 Occupational skills 28%
- 2 Basic and contemporary training 17%
- 3 Supervisory skills 14%
- 4 Basic working skills 11%
- 5 Operational development 11%
- 6 Languages 11%
- 7 Computer skills 8%

Varma-Sampo's important societal function sets considerable challenges for the company. Because we handle tens of thousands of insurance applications every year, our role as a major customer service provider is highly significant. We also offer pension calculations, customer financing, advice on insurance issues, policies for those working overseas, and services to promote well-being.

The company employed an average of 604 people in the year 2000, some on a fixed-term contract, while staff with a permanent employment relationship numbered 612 at the end of the year.

Firm organisation

Varma-Sampo restructured its organisation in Spring 2000, to strengthen service provision. Comprehensive customer service is available to large companies and corporations from the Major Accounts division; entrepreneurs and SME's are served by Client Relations. This reorganisation has taken the needs of different customer segments into account more effectively.

The company invested in a flexible organisation by, for instance, developing team activities and project work. There were 25 Varma-Sampo employees in distance work and 50 on part-time employment arrangements at the end of the year.

Integrating values into daily work

Varma-Sampo core values of achievement, cooperation and development were incorporated into the company's everyday operations during the course of the year.

It is important that each employee finds the tasks accomplished at work rewarding. Those assignments should also be challenging, in such a way as to encourage continuous self-development. Varma-Sampo operates an incentive payment system, which extends to all personnel and is there to reward meritorious performance.

Reaching the company's strategic goals is grounded on staff know-how. So each Varma-Sampo employee is offered the opportunity to

apply for training directed at the continuous improvement of skills and capabilities. Personal performance along with growth requirements are evaluated at an annual development discussion. All Varma-Sampo staff spent an average of 5.3 days in training during the year 2000.

Working atmosphere affects everyone

Personnel satisfaction is measured once a year by an internal corporate image survey. The goal is to add to and strengthen factors felt to be positive and find solutions to any problems that might be identified.

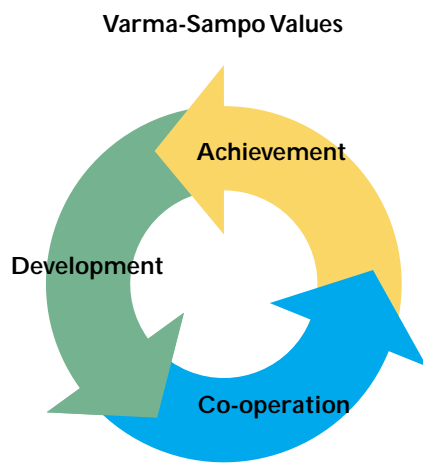
A survey conducted in March, 2000 attracted responses from 458 Varma-Sampo employees. The replies emphasised, first, key prerequisites for successful operations; secondly, effective working relationships between supervisors and staff; and third, a positive internal employer image. Supervisors were said to have improved their recognition of staff performance, also adding support for personal development goals. People felt more positive about the meaningfulness of their own work.

The survey also suggested that the respondents were concerned about a rather weak external corporate image. There was some criticism of communicative effectiveness in problem situations and that otherwise there was sometimes a flood of information. The level of inter-departmental co-operation was also commented on.

Right to well-being at work

Varma-Sampo invests vigorously in the well-being of its personnel. The *Pilke* programme for well-being at work emphasises the importance of job satisfaction, the maintenance of know-

Annual Accounts



how and working stamina. It is recognised that each member of staff has a personal responsibility for their health, work and the atmosphere in their own unit.

Pilke and its achievements were evaluated in October, 2000. The company was shown to have developed well-being at work in many ways. In particular, physical working conditions were considered excellent and employment relationships secure, while opportunities for development were deemed positive.

For the best service

Varma-Sampo's challenge is to offer the best service in the employment pension sector. The company's special theme for the year 2001 remains just that.

Quality thinking is integrated into everything we do, inside the company and out. We introduced assessment tools along the lines of, and to measure, the Finnish quality prize system. Training activities directed at raising quality still further continued in the year 2000.

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On pages 16-19, the figures for 1996 and 1997 presented in the graphs are those of Pension Sampo.

Annual Accounts

Varma-Sampo's Annual Accounts for 2000 and notes are available at the parent company headquarters, address Annankatu 18, Helsinki, Finland.

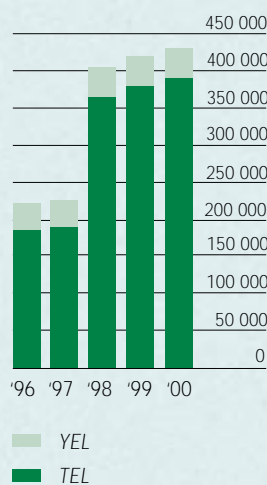
Currency

In this Report the Annual Accounts for 2000 are presented in euro, with the exception of the Board of Directors' Report, which has been drawn up in Finnish markka.

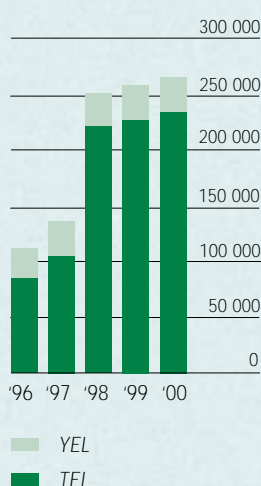
1 EUR = FIM 5.94573

Board of Directors' Report 2000

Insured persons



Pensioners



Trends in the economic operating environment

Finnish economic growth continued its rapid progress in the year 2000, as did the global economy. The weak euro had a positive influence on exports. Both Finnish industry and the services sector benefited from increased investment. Labour productivity increased while the employment rate continued to improve, especially in private sector service businesses. The geographical concentration of jobs inside Finland and resulting migration continued. Household purchasing power increased. The country's significant current account surplus decreased foreign net debt.

There was a downturn in stock market development last year, after several years of strong growth. Most stock exchange indexes fell with IT companies being particularly hard-hit. Stock exchange rates fluctuated quite considerably and interest rates on long-term bonds fell towards the end of the year. Further instability was created by concerns that the United States long-running economic growth seemed finally to be dropping off, although the situation in Europe remained positive.

Statutory earnings-related pension scheme

The employees' pension insurance contribution averaged 21.5% of payroll, just as it did the year before, of which the employee's contribution was 4.7%. Payments under the Self-Employed Persons' Pensions Act stood at 21.0% of confirmed earnings. As a result of the healthy economy, significantly more funds have accumulated in the EMU buffer as expected, totalling FIM 7 billion, or 3.6 per cent of the payroll. The buffer is part of the clearing reserve. As of the beginning of the year 2001, the average contribution in accordance with the minimum security of the Employees' Pensions Act was lowered to 21.1% of payroll. The employee's contribution is 4.5%. Payments under the Self-Employed Persons' Pensions Act remained unchanged. In the year 2000, the calculated interest rate stood at 5.25% during the period January 1st to June 30th, 5.5% from July 1st to September 30th, and 5.75% as of October 1st.

Several legislative reforms concerning the earnings-related pension scheme were introduced at the beginning of the year 2000. The definition of unemployment pension was revised,

so as to exclude the reference to projected rights, although pension cover including projected rights was retained in the old age pension to be paid to follow unemployment pension. Unemployment pension may be granted on the basis of accrued pension rights alone. The minimum age for individual early retirement schemes was raised from 58 to 60 years for those born after 1943. The advance funding system of disability and unemployment pensions was adjusted to 80% for both schemes.

The Ministry of Social Affairs and Health set up a working party to continue research into the issue of raising competition within the statutory earnings-related pension scheme. Any propositions made must support the efficiency of a decentralised employment pension system and utilise the increased productivity of employment pension assets. The Ministry also appointed a committee to look into the changing level of social costs and how to guarantee the financing of social security.

After decades of amendments, the employment pension laws have evolved into a complex entity. For this reason, the labour market organisations' negotiation group was presented with the results of a study into an overall reform of employment pension laws, according to which the Employees' Pensions Act (TEL), Temporary Employees' Pensions Act (LEL), Pensions Act for Performing Artists and Certain Other Employee Groups (TaEL), and Self-Employed Persons' Pensions Act (YEL), would be combined into a new private sector pensions act. A follow-up report was completed on how employment pension investment activities have been developed. The report concluded that nearly all the recommendations stemming from investment research completed in 1996 had been implemented.

In connection with the EU directive on the additional supervision of insurance companies, legal amendments were approved at the year-end, according to which an adjusted solvency calculation must be completed for an insurance group, and an insurance company must provide a sufficiently far-reaching internal audit and implement a risk management system. Varma-Sampo has already worked to instructions for the management of investment risks for two years now, as ratified by the Board, according to which risk monitoring and reporting thereon are separated from the risk bearing operation.

Legal amendments concerning abolishing the system of registered additional benefits became effective as of the beginning of the year 2001. The insurance premium discount for start-up entrepreneurs and the minimum income limit for the Self-Employed Persons' Pensions Act were also altered.

Financial review

The profitability or financial position of the parent company and the Group cannot be assessed alone on the basis of the profit and loss account, balance sheet, or statement of source and application of funds. The analysis of performance must compare: returns on investments at current values to the yield requirement on technical provisions; operating expenses to administrative costs included in insurance payments; and claims expenditure to corresponding premium income.

Returns on investments at current values exceeded the yield requirement on technical provisions by FIM 1,065 million (1999: FIM 5,803 million). Operating expenses were lower than the administrative costs included in insurance payments, and the loading profit stood at FIM 58 million (1999: FIM 79 million). Claims expenditure was lower than the corresponding premium income, and the pure premium surplus was estimated at FIM 416 million (1999: FIM 484 million). The company's total result amounted to FIM 1,539 million (1999: FIM 6,366 million).

The solvency margin, which covers investment risks, grew from FIM 19,395 million to FIM 20,154 million over the year. The solvency margin comprises: capital and reserves of FIM 229 million (1999: FIM 104 million); an accrual of closing entries (untaxed reserves) of FIM 96 million (1999: FIM 179 million); the unallocated insurance reserve FIM 12,557 million (1999: FIM 10,440 million); and valuation differences of FIM 7,272 million (1999: FIM 8,672 million).

Solvency margin requirements depend on the degree of risk bearing inherent in a company's investments. Varma-Sampo's solvency margin, clearly exceeding the required minimum of FIM 4.6 billion, stood at 25.9 per cent (1999: 27.3 per cent) of technical provisions based on solvency requirements. In accordance with these requirements, the lower limit of the company's

solvency margin target zone was 17.6 per cent (1999: 17.5 per cent). The company's solvency stood at 147 per cent (1999: 155 per cent) of the target zone minimum.

The clearing reserve for covering insurance business risks increased by FIM 416 million (FIM 484 million) to stand at FIM 4.3 billion (1999: FIM 3.8 billion).

A total of FIM 410 million (1999: FIM 300 million), the maximum amount according to calculation bases, was transferred to the provision for client bonuses.

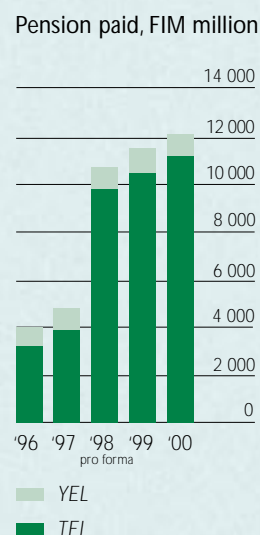
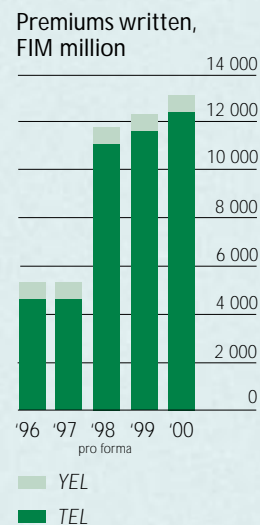
The parent company's profit after taxes in the profit and loss account, is determined by calculation bases confirmed by the Finnish Ministry of Social Affairs and Health, and stood at FIM 129 million (1999: FIM 21 million). Varma-Sampo applied for a change to the calculation basis, according to which an additional transfer of FIM 100 million was made to the parent company's non-restricted capital and reserves in the annual accounts for the year 2000.

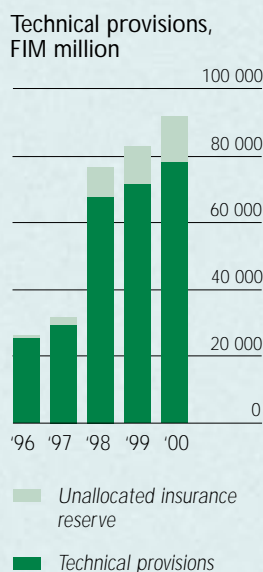
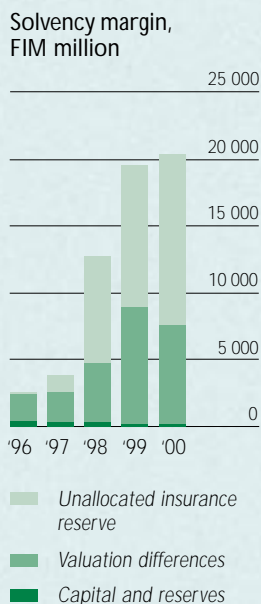
The result on the consolidated profit and loss account at FIM 774 million, was FIM 645 million higher than the parent company's result. Capital and reserves in the consolidated balance sheet at FIM 1,271 million, were FIM 1,038 million higher than the parent company's capital and reserves. The consolidated figures were affected in particular by the result of Sampo Insurance Company plc, consolidated as an associated undertaking, the handling of which is presented in the accounting principles.

Insurance portfolio and pensions

Varma-Sampo insured some 430,000 persons' pension provision at the year-end, an increase of 11,000 on the year before. The number of insurance policies drawn up under the Employees' Pensions Act TEL remained at 26,000, covering around 394,000 (1999: 383,000) insured. The number of policies under the Self-Employed Persons' Pensions Act YEL stood at 36,000, just as the year before. Additional pension insurance under the Employees' Pensions Act TEL covered 28,000 people.

The company's premiums written stood at FIM 13.1 billion (1999: FIM 12.3 billion), of which basic insurance under the Employees' Pensions Act TEL accounted for FIM 12.4 billion. Improved employment, together with a rise in levels of income, increased the national payroll for the year 2000 by around 7 per cent





over the previous year. Premium income from the Self-Employed Persons' Pensions Act YEL stood at FIM 0.6 billion, just as the year before.

Varma-Sampo paid pensions to some 263,000 persons (1999: 257,000) by the year-end, under the Employees' Pensions Act TEL and Self-Employed Persons' Pensions Act YEL. This total comprised 137,000 persons receiving old age pension, 47,000 survivors' pensions, 43,000 disability pensions, 15,000 unemployment pensions, 10,000 early old age pensions, 7,000 individual early retirement pensions, and 5,000 part-time pensions. A total of 28,000 persons received pensions under the Self-Employed Persons' Pensions Act YEL, and 29,000 persons received supplementary pension benefits (TEL, YEL). The total value of pensions paid in the year 2000 stood at FIM 12.0 billion (1999: FIM 11.4 billion). More than 20,500 new pension applications were handled during the year.

Client company projects to maintain working capacity were mapped during the year. While the companies clearly possess a wide range of know-how in this field, the potential still exists for the development of many practical measures.

Technical provisions

The company's technical provisions were up FIM 8.3 billion at FIM 91.1 billion in the year 2000. The FIM 61.6 billion provision of unearned premiums includes a bonus reserve of FIM 0.8 billion, and an unallocated insurance reserve of FIM 12.6 billion (1999: FIM 10.4 billion) that is included in the company's solvency margin. Claims outstanding amounted to FIM 29.5 billion, which included a clearing reserve of FIM 4.3 billion.

Varma-Sampo received a total of FIM 0.4 billion in liabilities from three pension funds in the year 2000.

Investment operations

All figures concerning investment activities are presented at current values.

At the year-end, investments were valued at FIM 96.4 billion (1999: FIM 89.3 billion). The loan portfolio and bonds include transferable interests. Net investment income totalled FIM 4.9 billion (1999: FIM 9.1 billion), or 5.3 per cent (1999: 11.7 per cent). The calculation method for the return on investment percentage is presented in the accounting principles.

Following its investment plan, Varma-Sampo continued to diversify risk geographically, by increasing the share of foreign investments. At the year-end, foreign securities accounted for 52 per cent of the investment portfolio, while at the end of 1999, the figure was 10 per cent.

The loan portfolio's proportion of the investment portfolio fell from 11 per cent to 9 per cent during the year. The corporate loan portfolio amounted to FIM 8.7 billion (1999: FIM 9.7 billion) at the year-end, of which loans bound to the TEL reference rate of interest accounted for FIM 4.8 billion (1999: FIM 5.0 billion). The loan portfolio yielded a return of FIM 0.4 billion (FIM 0.5 billion), or 4.8 per cent (1999: 4.9 per cent).

The investment portfolio was restructured within the interest instruments during the year. In order to enhance the liquidity of and return on investments, the relative proportion of bonds was increased, with the volume of foreign bonds rising and Finnish falling. At the year-end, bonds accounted for FIM 53.2 billion (1999: 42.6 billion), or 55 per cent (1999: 48 per cent) of the investment portfolio. Domestic public corporations accounted for FIM 6.7 billion (1999: 31.6 billion) of the bonds, other domestic loans FIM 2.4 billion (FIM 3.9 billion), foreign public corporation loans FIM 30.3 billion (FIM 4.4 billion), and other foreign, mainly corporate loans, FIM 13.7 billion (FIM 2.7 billion). The bonds were 98 per cent euro denominated. Long-term interest rates declined towards the end of the year, which raised the returns and valuation differences on the bond portfolio. The return on bond investments stood at FIM 3.2 billion, or 6.5 per cent (1999: -1.7 per cent).

Other money-market instruments and deposits totalled FIM 0.9 billion (1999: FIM 5.9 billion), or 1 per cent (1999: 7 per cent) of the investment portfolio at the year-end. This amounts to a return of FIM 0.1 billion (1999: 2 billion), or 3.8 per cent (1999: 3.1 per cent).

Most international stock exchange indexes fell during the year. Banking and insurance business indexes rose. Equities and shares owned by Varma-Sampo were valued at FIM 20.7 billion (1999: FIM 18.8 billion) at the year-end, or 22 per cent (1999: 21 per cent) of the investment portfolio. The proportion of foreign equities in share and trust investments was increased during the year, in order to enhance liquidity and

returns. The value of the foreign equity portfolio stood at FIM 5.5 billion (1999: FIM 1.5 billion) at the year-end. A total of FIM 0.7 billion (1999: FIM 0.5 billion) was invested in capital trusts. Unutilised investment commitments to capital trusts stood at FIM 1.0 billion at the year-end. The return on investments in shares was FIM 0.4 billion, or 2.4 per cent (1999: 86.8 per cent). That includes returns of FIM 2.2 billion from the shares of Sampo and Sampo Life.

At the end of the year 2000, Varma-Sampo Group's largest equity investments were Sampo-Leonia Insurance Company plc (FIM 4.7 billion), Nokia Corporation (FIM 2.4 billion), Sampo Life Insurance Company Limited (FIM 0.8 billion), Stora Enso Group (FIM 0.7 billion), and UPM-Kymmene Corporation (FIM 0.7 billion). The valuation of the Sampo Life shares takes into account the so-called moderation principle, based on the Insurance Companies Act. On a principle confirmed by Sampo Life Board of Directors, shareholders are entitled to equity and a 49 per cent proportion of the valuation difference not required to secure long-term operations.

The real estate portfolio stood at FIM 12.8 billion (1999: FIM 12.3 billion) at the year-end, or 13 per cent (1999: 14 per cent) of the investment portfolio. Varma-Sampo invested FIM 1.2 billion in real estate during the year, selling FIM 0.6 billion. The largest real estate investment at the year-end was the subsidiary Vasa-Sijoi-tuskiinteistöt Oy, which itself owns around 200 retail and wholesale objects. Other major investments included the hydropower plants along the river Kymi, the company's headquarters and the Arabia Art and Multimedia Complex in Helsinki. Varma-Sampo also owned approximately 5,500 rental apartments. The total area of the real estates owned by the Group amounted to around 1.8 million square metres. The return on real estate investments was FIM 0.8 billion (1999: FIM 0.3 billion), or 6.4 per cent (1999: 2.6 per cent). Real estate improvement work and rent rises on old items, as well as on those acquired during the year, has increased the return on real estates.

Operating expenses

Total operating expenses, including depreciation on fixtures and furniture, amounted to FIM 380 million (1999: FIM 332 million). The comparable increase in costs was 10.8 per cent.

Personnel and information management expenses, related to the insurance portfolio and pensions, accounted for 80 per cent of the operating expenses.

Varma-Sampo information systems were not affected by the turn of the millennium. Investment market trading was done in euro in the year 2000 and, for instance, payments and salary reports on employment relationships were taken in denominated in euro. The statutory earnings-related pension scheme will transfer to euro on 1st January, 2002.

The company introduced an improved and revamped web service in the year 2000, which allows clients to handle several pension and insurance issues electronically.

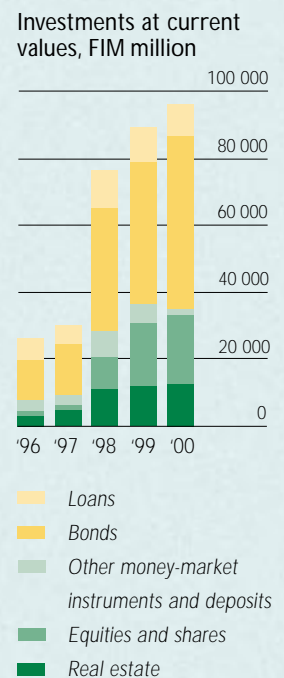
Group personnel, excluding those in temporary employment, numbered 811 (1999: 776) at the year-end, of which 612 (1999: 581) were employed in the parent company. Significant renovation work was carried out at the company's headquarters during the year, as a result of which, the majority of staff can now work in the same building.

Of the administrative costs included in the premium, a total of 85 per cent (1999: 79 per cent) was allocated to operating expenses funded from those costs. Operating expenses related to investment operations are covered by the return on those investments.

Associated undertakings and significant participating interests

Leonia plc merged into Sampo Insurance Company plc on 31st December, 2000. The new entity was named Sampo-Leonia Insurance Company plc, and Leonia Life Insurance Ltd merged into Sampo Life. The estimated results of Sampo Insurance Company plc and Sampo Life Insurance Company, have been consolidated as associated undertakings in the Varma-Sampo consolidated accounts, as presented in the accounting principles. Varma-Sampo Group owned 13.1 per cent (1999: 22.3 per cent) of the shares of Sampo-Leonia Insurance Company plc at the year-end. Varma-Sampo ownership in Sampo Life, 20.1 per cent (1999: 35.2 per cent), has decreased due to the aforementioned merger and sale of shares.

As a result of the creation of Sampo-Leonia, the investment research company Sampo-Varma Investment Research Ltd, of which Varma-Sampo previously owned 50 per cent,



became a wholly-owned subsidiary of Varma-Sampo. Its staff moved to the parent company.

At the year-end, Varma-Sampo Group comprised, sub-groups included, a total of 271 subsidiaries and 49 associated undertakings, mainly real estate firms.

In December, Varma-Sampo and Novo Group plc published a plan for starting a joint venture, by expanding the line of business of Varma-Sampo subsidiary, Pensionservice Ltd. The company will provide services for payroll computation and pension calculation, personnel reporting, the development of know-how and working capacity maintenance.

Annual General Meeting and administration

Decisions at the Annual General Meeting are made in proportion to insurance payments. This means by policyholders with around 76 per cent of the votes, the insured holding some 21 per cent and the guarantee capital owner, Sampo-Leonia Group, with around 3 per cent of the votes.

The Annual General Meeting on April 13th, 2000, re-elected the following Supervisory Board members, whose terms were due to expire: Matti Hellsten, Erkki Isokangas, Seppo Koskinen, Jere Lahti, Björn Mattsson, Antti Remes, Hannu Roine, Christoffer Taxell and Jorma Vaajoki. Pekka Ahmavaara was elected as a new member. Their term will end in 2003. Heikki Marttinen resigned and Stig Gustavson was elected to replace him, for the term ending at the Annual General Meeting of 2001. Mauri Palvi, Authorised Public Accountant, and Mikael Leskinen, Authorised Public Accountant, were elected as auditors and KPMG Wideri Oy Ab and Paula Pasanen, Authorised Public Accountant, as deputy auditors. The Supervisory Board elected Ari Heiniö as its Chairman, and Jukka Härmälä and Raimo O. Honkanen as Deputy Chairmen, on May 25th, 2000.

On December 12th, 2000, the Supervisory Board elected Björn Wahlroos as a Board member as of January 1st, 2001, replacing Jouko K. Leskinen for the term ending December 31st, 2002. Of the Board members whose terms were due to expire, the Supervisory Board re-elected Markku Hyvärinen, Lasse Laatonen, Mikko Mäenpää and Paavo Pitkänen for new terms running from January 1st, 2001 to December 31st, 2003.

Future outlook

A number of amendments were introduced to the employment pension system at the beginning of the year 2000, the goal of which is to postpone the average retirement age. Early signs of the retirement age shifting later can already be observed. The durability of the system has been improved, by the strengthening of the capacity of the Finnish economy, and by the positive development of employment during the economic boom. Employment pension system solvency is good, and significantly more funds have accumulated in the EMU buffer, included in the clearing reserve, than expected. On the other hand, after several years of high real returns, there has been a downturn in investment income from employment pension system assets, due to fluctuating capital markets. Nevertheless, there is no significant pressure to raise employment pension premiums in the forthcoming years.

The challenges for pensions outlined in long-term forecasts cannot, however, be ignored completely. According to such forecasts, the population of Finland will start to fall even towards the end of the next decade, while life expectancy is expected to rise. There are, several uncertainty factors related to the development of premiums. For instance, a three-year rise in the retirement age would result in an estimated decrease of around 4 per cent in employment pension premiums in 2030.

The changes in interest rates and especially in stock exchange rates have a crucial effect on Varma-Sampo's financial performance and solvency. Key factors of uncertainty include the slowing of economic growth in the United States, the development of the value of euro, the price of energy on the global markets, as well as prospects for the lines of business that are important for Finland. Although rising domestic demand is expected to slow, the unemployment rate should continue to fall.

Varma-Sampo's solvency and risk-bearing capacity remain strong at the beginning of 2001. The company will continue to diversify and reorganise its investments, in order to decrease risk caused by market fluctuations yet further and increase investment income.

PROFIT AND LOSS ACCOUNT

Jan. 1st to Dec. 31st, EUR million	PARENT COMPANY		GROUP	
	2000	1999	2000	1999
Technical account				
Premiums written	2,207.0	2,075.5	2,207.0	2,075.5
Investment income	1,668.1	1,046.1	1,614.6	1,026.7
Claims incurred				
Claims paid	-1,810.8	-1,699.3	-1,810.8	-1,699.3
Change in claims reserve	-517.1	-304.4	-517.1	-304.4
Liability transfer	21.1	22.1	21.1	22.1
	-2,306.8	-1,981.6	-2,306.8	-1,981.6
Change in premium reserve				
Total change	-880.0	-882.4	-880.0	-882.4
Liability transfer	39.3	48.0	39.3	48.0
	-840.7	-834.4	-840.7	-834.4
Change in uncovered provision				
Obligatory uncovered provisions				
Total change	-31.0	-35.8	-31.0	-35.8
Liability transfer	-0.1	-0.6	-0.1	-0.6
	-31.1	-36.5	-31.1	-36.5
Statutory charges	-1.9	1.4	-1.9	1.4
Net operating expenses	-43.6	-38.0	-43.6	-38.0
Investment charges	-601.5	-216.2	-615.8	-218.2
Other technical underwriting expenses	-27.4	-21.4	-27.4	-21.4
Technical underwriting result	22.0	-5.1	-45.7	-26.5
Non-technical underwriting result				
Share of associated undertakings' profit after tax			170.9	58.2
Direct taxes on ordinary activities				
Taxes for the financial year	-10.2	-2.3	-9.3	-5.4
Taxes from previous financial years			13.6	
	-10.2	-2.3	4.2	-5.4
Profit on ordinary activities	11.8	-7.4	129.5	26.4
Appropriations				
Change in depreciation difference	1.8	3.0		
Change in optional reserves	12.1	12.1		
	13.9	15.1		
Income taxes				
Taxes for the financial year	-4.0	-4.2		
Minority interest in the result for the financial year			0.7	0.5
Profit for the financial year	21.7	3.5	130.2	26.9

BALANCE SHEET

Jan. 1st to Dec. 31st, EUR million	PARENT COMPANY		GROUP	
	2000	1999	2000	1999
ASSETS				
Intangible assets				
Other expenses with long-term effects	1.7	1.2	1.7	1.2
Investments				
Investments in land and buildings				
Land and buildings	1,174.5	1,132.5	1,913.2	1,874.0
Loans to associated undertakings	790.7	778.8	2.0	6.6
	1,965.2	1,911.3	1,915.2	1,880.6
Investments in associated undertakings and participating interests				
Shares and participations in associated undertakings	189.6	182.5	1.0	0.3
Loans to associated undertakings	140.5	171.6	2.4	3.4
Shares and participations in significant participating interests	42.6	65.7	663.7	577.0
	372.6	419.8	667.1	580.7
Other financial investments				
Equities and shares	2,315.5	1,613.1	2,244.0	1,535.6
Money-market instruments	8,684.6	7,867.2	8,684.6	7,867.2
Loans guaranteed by mortgages	174.9	214.0	174.9	214.0
Other loans	1,133.3	1,217.0	1,134.2	1,218.2
Deposits	50.6	15.6	50.6	15.6
	12,359.0	10,927.0	12,288.3	10,850.7
	14,696.8	13,258.1	14,870.6	13,312.0
Uncovered liabilities				
Obligatory uncovered liabilities		31.0		31.0
Debtors				
Direct insurance operations				
Policyholders	70.5	60.4	70.5	60.4
Other debtors				
Receivables, portfolio transfer	104.1	153.5	104.1	153.5
Other debtors	22.8	6.6	24.9	9.6
	197.4	220.5	199.5	223.5
Other assets				
Tangible assets				
Furniture and fixtures	7.0	7.6	7.0	7.6
Other tangible assets	0.5	0.5	0.5	0.5
	7.5	8.1	7.5	8.1
Liquid assets	59.4	10.3	73.2	22.5
	66.9	18.4	80.7	30.6
Pre-payment and accrued income				
Accrued interest and rent	298.9	312.9	292.2	305.9
Other pre-payments and accrued income	222.2	245.0	222.5	247.2
	521.1	557.9	514.7	553.2
TOTAL ASSETS	15,483.9	14,087.1	15,667.2	14,151.4

Jan. 1st to Dec. 31st, EUR million	PARENT COMPANY		GROUP	
	2000	1999	2000	1999
LIABILITIES				
Capital and reserves				
Guarantee capital	11.9	11.9	11.9	11.9
Other reserves	5.5	2.8	5.5	2.8
Profit brought forward			66.1	24.7
Profit for the financial year	21.7	3.5	130.2	26.9
	39.2	18.3	213.7	66.4
Minority interest			28.8	29.9
Accrued appropriations				
Depreciation difference	4.1	5.9		
Optional reserves	12.1	24.2		
	16.2	30.1		
Technical provisions				
Premium reserve	10,355.8	9,475.8	10,355.8	9,475.8
Claims reserve	4,969.2	4,452.2	4,969.2	4,452.2
	15,325.1	13,928.0	15,325.1	13,928.0
Creditors				
Direct insurance operations	11.6	26.4	11.6	26.4
Other creditors	81.6	79.0	77.0	75.6
	93.2	105.4	88.6	102.0
Accruals and deferred income	10.2	5.3	10.9	7.2
LIABILITIES	15,483.9	14,087.1	15,667.2	14,151.4

Accounting principles

The bookkeeping and annual accounts of an insurance company are regulated by the Finnish Act on Employment Pension Insurance Companies, Insurance Companies Act, Accounting Act, Companies Act, and the instructions, regulations and guidelines issued by the Insurance Supervision Authority of the Ministry of Social Affairs and Health.

Consolidated accounts

Those subsidiaries in which the Group holds more than 50% of the votes have been consolidated in the consolidated accounts, with the exception of Pensionservice Ltd., Rahastopalvelu RP Oy and Esy Oy, which have been consolidated using the equity method. The parent company has 225 real estate companies as subsidiaries. In addition, the subsidiary Vasa-Sijoituskiinteistöt Oy has 36 real estate subsidiaries and the subsidiary El-Sam Asunnot Oy has five. The companies comprised in Varma-Sampo's consolidated accounts are listed in the notes to the accounts.

The consolidated accounts have been compiled as combinations of the profit and loss accounts and balance sheets of the parent company and its subsidiaries, from which intra-group income and charges, profit distribution, amounts due to or from Group companies and cross-shareholdings have been eliminated. Subsidiaries acquired during the year are consolidated as from the day of acquisition. Minority interests in the profit or loss for the financial year and in capital and reserves are shown as separate items. The consolidated profit and loss account no longer shows changes in depreciation difference and optional reserves, and in the balance sheet the accrued depreciation differences and optional reserves are included in capital and reserves. The previous year's comparison figures have been adjusted accordingly.

Intra-group cross-shareholdings have been eliminated using the acquisition method. The resulting consolidation difference is allocated to subsidiaries' asset items within the limits permitted by their current values, and depreciated in accordance with the depreciation plans of these asset items. In addition to the planned depreciation for the financial year, value adjustment write-offs have been made in the case of some real estate objects. Revaluations on Group shares are shown in the consolidated balance sheet as a revaluation of real estate owned by a subsidiary. No such adjustments were made in the year 2000.

Copies of the consolidated accounts are available at the parent company headquarters, address Annankatu 18, 00120 Helsinki, Finland.

Investments in significant participating interests

Companies intended for long-term holding in which the Group holds 20-50% of votes are included in the consolidated accounts using the equity method. Housing and real estate companies have not been treated as associated undertakings, however. Since the expenses arising from these companies are covered by the maintenance charges collected from their owners, their non-inclusion has a minimal effect on Group profit and non-restricted capital and reserves.

At the closing of the accounts, the Group owned 13.0% of Sampo-Leonia Insurance Company plc, which was created on December 31st, 2000, as a result of the merger of Leonia plc into

Sampo plc. In the consolidated accounts, Sampo Insurance Company plc is still treated as a significant participating interest and, a proportion in accordance with the Group's holding, 23% of its estimated result for the year 2000 has been consolidated using the equity method. In the consolidated accounts for 2001, the dividends received from Sampo-Leonia Insurance Company plc in the financial year 2001, will be entered in such a way that the profit from previous financial years is decreased. The difference between the acquisition price of those shares, and capital and reserves on the acquisition day, has been depreciated on an annual straight-line basis of 5% up until December 31st, 2000.

The Group's holding in Sampo Life Insurance Company stood at 20.1% at the year-end, compared to 35.2% at the beginning of the year. The holding has decreased both due to the selling of shares and as a result of the merger with Leonia Life Insurance Company Ltd. The estimated result of Sampo Life for the year 2000, has been consolidated in the consolidated accounts, according to holding periods of the shares using the equity method. The difference between the acquisition price of the shares, and capital and reserves on the acquisition day, is depreciated over 20 years.

Investments in associated undertakings are presented in the notes to the balance sheet.

Valuation and matching of investments and their current values

Investments in land and buildings are entered at the lower of acquisition cost less depreciation, plus revaluation or current value. The probable current value of hydropower plants has been determined using repurchase option prices based on long-term real-yield leaseback arrangements. The sellers of hydropower plants have a repurchase right at these prices once the lease period ends. The current values of land and buildings and real estate shares are determined per item in the manner required by the Insurance Supervision Authority, mainly on the basis of opinions submitted by the company's own experts. The current value of investments in land and buildings is estimated annually. The current values of Arava (state-subsidised) real estate have been derived from market prices in accordance with a circular from the Ministry of Social Affairs and Health. No real estate revaluations have been entered for the year 2000. The value adjustments made are entered in the profit and loss account under value adjustments.

Equities are entered at the lower of acquisition cost or current value. Previous value adjustments on securities are entered in the profit and loss account as value readjustments in respect of the value appreciation. A value depreciation was entered simultaneously. The last available closing prices at the balance sheet date are used as current values for listed securities. The current value of other shares is the purchase price or the probable net realisable value. The average price principle is used in calculating the capital gains on securities for investment.

Money-market instruments are entered in the balance sheet at acquisition cost, adjusted with the difference between the acquisition cost and the nominal value. The allocation is entered as a deduction or addition in interest income over the maturity of the debt instrument. The amount of allocations entered un-

der acquisition cost is shown in the notes to the balance sheet. Changes in value due to interest rate fluctuations are not entered.

Derivative contracts for hedging purposes are valued together with the hedged item. If no change in value has been entered in the profit and loss account for the hedged balance sheet item, no entry has been recorded in the profit and loss account for the hedging contract, unless the negative value change exceeds the positive value change in the hedging contract. When a value readjustment has been entered for the hedged item, the value change of the derivative used is entered in its entirety as an expense. Closed derivative contracts have been entered in the profit and loss account in the closing of the accounts. Resulting income and expenses are entered as adjustments in value adjustments and readjustments. Income and expenses from interest rate derivatives are entered under interest income.

Loaned securities are presented in the notes to the balance sheet. The borrower is a clearing company that has provided a guarantee for the loan.

Premium receivables, loans, other receivables and deposits are valued at the lower of nominal value or probable value.

Foreign currency denominated investments are entered at the rate of the day of transaction, and the Bank of Finland average rate quoted on the balance sheet date is used as the current value. Exchange rate gains and losses are entered in the profit and loss account as adjustments of income or expenses according to the matching principle.

The current value and valuation difference of investments are shown in the notes to the balance sheet.

Depreciation

The acquisition cost of depreciable investments is capitalised and entered as depreciation under expenses during its economic useful life. Revaluation of buildings entered as income is also depreciated according to plan. In some items, value adjustment write-offs have been included. The straight-line depreciation method is applied using the following economic useful lives:

Residential, office and business premises, hotels	40–60 years
Industrial premises and warehouses	25–50 years
Hydropower plant buildings	70 years
Hydropower plant machinery and equipment	30 years
Technical equipment in buildings	10 years
Computer hardware and software	3 years
Motor vehicles	5 years
Furniture and fixtures	10 years
Office machines	7 years
Furniture and fixtures at Dec. 31st, 1997	3 years
Other long-term expenses	5–10 years

The maximum depreciation allowed under the Act on the Taxation of Business Profits has been made in the case of some buildings.

As a general rule, the depreciation period of the buildings of Vasa-Sijoituskiinteistöt Oy Group is 30 years and, if the useful life is less than 20 years, a 7% net expenditure write-off has been applied as the depreciation plan.

Profit for the year, capital and reserves, and key figures for investments

In an employment pension company, the parent company's profit after taxes in the profit and loss account, is determined by calculation bases confirmed by the Finnish Ministry of Social Affairs and Health. The division of the parent company's capital and reserves between the insurance portfolio and the owners of the guarantee capital is presented in the notes to the accounts.

The return percentages on investments at current values, presented in the Board of Directors' Report, have been calculated from the parent company's figures using the time- and asset-weighted formula mutually agreed upon by employment pension companies. In terms of the Group, the return in accordance with the income calculation applied by the Institute for Real Estate Economics, and the effect of subsidiaries and affiliated undertakings on Group capital and reserves, must also be taken into account with reference to real estate items. The return percentages for the previous year have been adjusted similarly. There is little difference from the system previously used.

Taxes

Tax complying with the tax calculation of the tax form is entered as tax for the financial year on an accrual basis. The avoird fiscal tax credit related to dividends received is entered under investment income and presented in the investment income analysis in the notes. Dividends and avoird fiscal tax credit are recorded for the financial year in which the dividend distribution was decided. The tax credit is not, however, entered in an amount exceeding the income tax for the financial year.

Imputed tax liability or claim has not been calculated for the accrual of closing account transfers or other temporary differences between book value and taxable value, because the company's net result is determined by calculation bases confirmed by the Finnish Ministry of Social Affairs and Health. Neither has the imputed tax liability or claim been calculated in the mutual real estate companies owned by the Group, because they are not significant for the company in question or the Group. Closing account transfers and valuation differences shown in the notes to the accounts will be entered as income only against expense entries.

Operating expenses and depreciation by function

In the profit and loss account, the net operating expenses from operations related to the maintenance of compensation and working capacity are included in claims paid, and expenses related to investment management are included in investment charges. The expenses of insurance operations and administration are presented as net operating expenses.

Pension arrangements

The statutory and supplementary pension coverage for the personnel is arranged through TEL insurance. The Managing Director and his deputy are entitled to retire at the age of 60 as separately agreed. Pension premiums are entered on an accrual basis.

Notes to the balance sheet

INVESTMENTS, PARENT COMPANY

INVESTMENTS AT CURRENT VALUE AND VALUATION DIFFERENCES

Dec. 31st, EUR million	Remaining acquisition cost 2000	Book value 2000	Current value 2000	Remaining acquisition cost 1999	Book value 1999	Current value 1999
Investments in land and buildings						
Land and buildings	450.4	468.4	528.5	509.8	531.3	576.6
Shares in associated undertakings	597.3	605.5	725.0	505.6	513.8	615.1
Other real estate shares	64.7	64.7	71.2	58.5	58.5	62.0
Shares in real estate investment companies	35.9	35.9	37.4	28.8	28.8	30.3
Loans to associated undertakings	738.9	738.9	738.9	720.6	720.6	720.6
Debtors, real estate companies	51.8	51.8	51.8	58.2	58.2	58.2
Investments in associated undertakings						
Shares and participations	189.6	189.6	416.0	182.5	182.5	170.7
Loans	140.5	140.5	140.5	171.6	171.6	171.6
Investments in significant participating interests						
Shares and participations	42.6	42.6	142.5	65.7	65.7	223.5
Other financial investments						
Equities and shares	2,315.5	2,315.5	2,923.6	1,613.1	1,613.1	2,774.4
Money-market instruments	8,684.6	8,684.6	8,787.5	7,867.2	7,867.2	7,868.2
Loans guaranteed by mortgages	174.9	174.9	174.9	214.0	214.0	214.0
Other loans	1,133.3	1,133.3	1,133.3	1,217.0	1,217.0	1,217.0
Deposits	50.6	50.6	50.6	15.6	15.6	15.6
	14,670.5	14,696.8	15,921.6	13,228.3	13,258.1	14,717.9
The remaining acquisition cost of money-market instruments includes: the difference between the nominal value and acquisition cost, released or charged to interest income						
	-43.1			-226.1		
Book value includes						
Revaluations entered as income		25.6			29.1	
Other revaluations		0.7			0.7	
		26.3			29.8	
Valuation difference (difference between current value and book value)						
			1,224.8			1,459.8

**INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND SIGNIFICANT PARTICIPATING INTERESTS,
PARENT COMPANY**

Dec. 31st, EUR million	2000
Shares and participations in associated undertakings	
Acquisition cost, Jan. 1st	182.5
Increase	7.1
Acquisition cost, Dec. 31st	189.6
Loans to associated undertakings	
Acquisition cost, Jan. 1st	171.6
Decrease	-31.1
Acquisition cost, Dec. 31st	140.5
Shares and participations in significant participating interests	
Acquisition cost, Jan. 1st	65.7
Decrease	-23.2
Acquisition cost, Dec. 31st	42.5

Shares and participations in associated undertakings

Dec. 31st, 2000	Domicile	Parent company Shares, %	Parent company Votes, %	Group* Shares, %	Group* Votes, %	Book value, EUR million
Unsa Ltd.	Helsinki	100.0	100.0	100.0	100.0	188.4
Esy Oy	Helsinki	66.0	66.0	70.0	70.0	1.0
Pensionservice Ltd.	Helsinki	84.6	84.6	84.6	84.6	0.2
						189.6

Shares and participations in significant participating interests

Dec. 31st, 2000	Domicile	Parent company Shares, %	Parent company Votes, %	Group* Shares, %	Group* Votes, %	Book value, EUR million
Sampo Life Insurance Company Ltd, Group	Helsinki	20.1	20.1	20.1	20.1	40.2
Octel Oy	Helsinki	47.3	47.3	50.0	50.0	1.2
Kiinteistövarma Oy	Helsinki	49.6	49.6	49.6	49.6	
SV Benefic Oy	Helsinki	28.0	28.0	47.0	47.0	
Rahastopalvelu RP Oy	Helsinki	30.0	30.0	80.0	80.0	
						41.4

*) Total shares held by parent company and subsidiaries

LIABILITIES

	2000	1999
Derivative contracts		
Interest derivatives		
Interest swaps, underlying instrument	54.3	
current value	3.4	
Currency contracts		
Currency futures contracts, underlying instrument	52.8	9.1
current value	2.4	
Investment commitments		
Commitments to subscribe to shares in capital trusts	176.5	17.3
Total amount associated with collective registration for value added taxation		
Associated undertakings	2.8	
Significant participating interests	0.3	
Other	0.6	
	3.7	

Value added tax deduction

Deduction from new buildings and renovation of real estates in 1996–2000/1995–1999	8.7	8.0
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OTHER INVESTMENTS, PARENT COMPANY

Equities and participations

Dec. 31st, 2000	% of shares	Book value, EUR million	Current value, EUR million	Dec. 31st, 2000	% of shares	Book value, EUR million	Current value, EUR million
Banks and finance				Lännen Tehtaat plc			
Mandatum Bank Plc	2.44	5.5	10.6	Olvi plc	2.97	2.3	2.3
Insurance				Raisio Group plc	2.24	0.9	0.9
Pohjola Group Insurance Corporation	0.21	3.9	3.9	Construction			
Sampo-Leonia Insurance Company plc *	4.04	124.4	241.7	Lemminkäinen Corporation	2.59	3.9	5.3
Transport				YIT Corporation	7.36	28.5	29.4
Finnlines Plc	4.77	17.1	17.1	Telecommunications and electronics			
Trade				Aldata Solution Oyj	4.06	13.0	15.9
Kesko Corporation	1.46	14.2	14.2	Aspocomp Group Oyj	5.53	10.7	16.8
Stockmann plc	0.99	5.8	5.8	Comptel Plc	0.92	15.1	15.1
Tamro Corporation	1.52	2.9	2.9	Elcoteq Network Corporation	0.90	7.9	8.9
Other services				Elisa Communications Corporation	1.34	38.5	38.5
A-Rakennusmies Oyj	0.92	0.6	0.6	F-Secure Corporation	0.88	6.5	6.5
Jaakko Pöyry Group Oyj	3.15	4.8	7.8	Instrumentarium Corporation	3.21	16.2	16.2
Novo Group Plc	3.20	3.3	3.3	Jippii Group Oyj	3.11	7.1	7.1
Tietoenator Corporation	2.39	60.5	60.5	JOT Automation Group Plc	2.67	12.0	12.0
Metal and engineering				Nokia Group	0.18	86.5	402.8
Fiskars Corporation	4.27	17.6	17.6	Perlos Corporation	2.37	22.3	27.1
KCI Konecranes International Abp	2.45	9.9	9.9	Sonera Corporation	0.43	61.0	61.0
Metso Corporation	2.72	43.9	43.9	SSH Communications Security Oyj	1.57	6.7	6.7
Outokumpu Oyj	1.87	18.7	18.7	Stonesoft Corporation	2.90	23.4	25.5
Partek Corporation	2.40	15.6	15.6	Tecnomen Corporation	1.80	4.2	4.2
Rautaruukki Corporation	3.75	19.9	19.9	Tekla Corporation	3.98	3.9	4.0
Raute Plc	9.96	3.0	3.0	Telestet Corporation	3.26	9.2	12.7
Wärtsilä Corporation	2.65	28.1	28.1	Vaisala Oyj	4.47	14.3	22.7
Forest industry				Chemicals			
Metsä-Serla Corporation	2.02	22.7	22.7	Kemira Oyj	1.95	13.6	13.6
Stora Enso Oyj	1.00	93.3	119.3	Orion Corporation	2.66	40.7	43.1
UPM-Kymmene Corporation	1.24	76.4	117.7	Uponor Oyj	5.27	27.6	38.3
Multi-business				Media and Publishing			
Aspo Plc	5.69	1.6	2.5	Alma Media Corporation	4.24	13.1	13.1
Hackman Oyj Abp	4.18	2.1	2.1	Sanoma-WSOY Oyj	0.34	7.0	7.0
Kyro Corporation	2.89	9.0	9.0	Other industries			
Lassila & Tikanoja plc	3.88	11.4	11.4	Amer Group Plc	1.85	11.7	12.8
Energy				Evox Rifa Group Oyj	4.96	0.9	0.9
Fortum Corporation	0.95	34.8	34.8	Martela Oyj	1.44	0.8	0.8
Food industry				Nokian Tyres Ltd	4.95	9.4	9.4
Atria Oyj	1.15	0.8	0.8	Sanitec Corporation	2.93	15.5	15.5
HK Ruokatalo Oyj	3.09	1.1	1.1	Tamfelt Corporation	6.11	9.8	9.8
Huhtamäki Van Leer Oyj	2.52	22.5	22.5	I list			
				Exel Oyj	3.85	1.2	2.2
				Pre list			
				Belttton-Yhtiöt Oyj	2.46	0.8	0.8
				EQ Holding Oyj	4.96	0.7	0.7
				Vestcap Oyj	4.96	1.1	2.3

* Group holding 13.1 %. book value EUR 594.6 million, current value EUR 784.7 million.

Dec. 31st, 2000	% of shares	Book value, EUR million	Current value, EUR million	Dec. 31st, 2000	% of shares	Book value, EUR million	Current value, EUR million
NM list							
Finvest Oyj	4.96	0.5	0.7	Granada Compass Plc	0.01	1.1	1.2
				Groupe Danone	0.05	10.1	11.2
				Havas Advertising SA	0.13	5.1	5.1
Other				HiQ International AB	0.40	1.4	1.4
A. Ahlström Corporation	3.01	25.1	28.9	Infineon Technologies AG	0.01	2.8	2.8
Aktia Sparbank Abp	1.04	0.8	0.8	Intel Corporation		1.0	1.9
Fingrid Oyj	12.48	14.0	14.0	Kingfisher Plc	0.09	9.2	9.8
Garantia Insurance Company	16.93	7.0	7.0	Koninklijke Ahold NV	0.06	14.6	16.5
Helsinki Exchanges Group Ltd	1.85	2.3	2.3	Koninklijke Philips Eletronics N.V.	0.04	18.9	18.9
ICL Invia Oyj	1.14	4.9	4.9	Lattice Group Plc	0.04	3.4	3.4
Jyväsk-Helmi Oy	16.00	8.7	8.7	Logica Plc	0.06	6.9	6.9
Kaleva Mutual Insurance Company	30.00	2.6	2.6	Louis Vuitton Moët Hennessy SA	0.03	8.5	8.5
Nordben Life and Pension Insurance Company Ltd.	10.00	0.8	0.8	Lucent Technologies Inc.		1.8	1.8
Otava-Kuvalehdet Oy	13.93	8.8	11.0	Marconi PLC	0.02	5.0	5.0
Setec Oy	9.93	2.2	8.0	Mead Corporation	0.04	1.3	1.3
Tornator Oy	7.73	6.7	6.7	Merkantildata Asa	0.18	1.4	1.4
Other		3.0	3.0	Misys Plc	0.07	4.5	4.5
				Modern Times Group MTG AB	0.30	5.4	5.4
Foreign shares				Nestle SA	0.02	13.8	14.9
A T & T Wireless Group	0.01	2.2	2.2	New Dixons Group Plc	0.03	1.9	1.9
ABB Ltd	0.07	22.6	22.6	Nextel Communications Inc. A	0.03	5.3	5.3
ABN-Amro Holdings NV	0.03	12.0	12.0	Nordea AB	0.04	5.8	9.2
Alcatel SA	0.01	7.6	7.6	Norman ASA	0.96	0.6	0.6
Amgen Inc.	0.01	7.0	7.1	Novo Nordisk A/S	0.02	1.9	1.9
ASM Lithography Holding N.V.	0.05	5.3	5.3	Nycomed Amersham Plc	0.09	4.8	4.8
Autoliv Inc.	0.68	9.2	9.2	Pearson Plc	0.07	14.6	14.6
Aventis-Xetra SA		0.8	0.9	Pfizer Inc.		3.0	3.2
Baltimore Technologies Plc	0.14	3.9	3.9	PT Multimedia Servicos	0.03	0.6	0.6
Banco Santander Central Hispano S.A.	0.02	9.3	9.4	Qiagen NV	0.09	4.8	4.8
BASF AG	0.01	3.4	3.5	Razorfish Inc	0.61	1.0	1.0
BG Group Plc	0.01	1.7	1.7	Reuters Group Plc	0.03	8.4	8.4
Bipop-Carire SpA	0.04	5.0	5.0	Roche Holding AG- Genusscheine	0.01	7.7	8.1
BNP Paribas SA	0.01	4.5	4.7	Royal Dutch Petroleum Co NV		3.8	3.8
Bouygues SA	0.01	1.7	1.7	SAP AG	0.03	6.7	6.7
British Sky Broadcasting Plc	0.02	6.8	6.9	Securitas AB	0.24	16.7	16.7
British Telecommunications Plc	0.02	10.1	10.1	SEMA Group Plc	0.05	1.3	1.3
Cable & Wireless Plc	0.04	17.2	17.2	Serono SA (BR)	0.02	1.8	1.8
Cadbury Schweppes Plc	0.03	4.7	4.9	Shire Pharmaceuticals Group	0.08	3.6	3.6
Cap Gemini SA	0.05	10.9	10.9	Skandia Försäkrings AB	0.06	10.6	10.6
Carrefour SA	0.04	17.9	17.9	Skandinaviska Enskilda Banken	0.24	17.4	18.6
Casino Guichard Perrachon SA	0.09	7.7	7.9	Standard Chartered Plc	0.01	1.4	1.6
Celltech Group Plc	0.17	8.6	8.6	STMicroelectronics NV	0.04	17.0	17.0
Citigroup Inc		0.9	1.8	Suez Lyonnais Des Eaux SA	0.04	13.1	14.6
Cloetta Fazer AB	1.07	1.7	2.0	Swatch Group	0.11	4.6	5.1
Danisco A/S	0.31	7.1	7.9	Tecnost SpA	0.01	0.8	0.9
Deutsche Bank AG		1.7	2.1	Telecom Italia SpA		1.4	1.4
Electrolux AB	0.07	7.4	7.4	Telefonaktiebolaget			
Epcos AG	0.01	0.5	0.5	LM Ericsson AB	0.04	30.7	30.7
Equant N.V.	0.02	1.0	1.0	Telefonica S.A.	0.02	17.3	17.3
Exxon Mobil Corporation		1.4	1.4	Telelogic AB	0.58	4.4	4.4
Glaxo Wellcome Plc	0.01	5.3	5.3	Telia AB	0.01	1.6	1.6
				Thomson Multimedia SA	0.05	6.6	6.6
				TNT Post Groep NV	0.08	9.8	9.8

Dec. 31st, 2000	% of shares	Book value, EUR million	Current value, EUR million	Dec. 31st, 2000	Book value, EUR million	Current value, EUR million
Total Fina SA	0.01	14.2	14.3	Fenno Rahasto Ky	6.0	6.0
UBS AG	0.01	4.6	5.2	Finnmezzanine Rahasto I Ky	2.7	2.7
Unilever NV	0.05	16.1	20.2	Finnventure Rahasto III Ky	2.0	2.0
Verenigde Nederlandse Uitgeversbedrijven NV	0.08	9.6	10.0	Finnventure Rahasto V Ky	3.5	3.5
Vivendi Environnement SA	0.01	1.7	1.9	Garantia PK-lainarahasto II Ky	1.1	1.1
Vivendi Universal SA	0.03	20.6	20.6	Gyllenberg European Index A	94.4	94.4
Vodafone Airtouch Plc	0.01	33.4	33.4	Industri Kapital 2000 LP I - IV	16.0	16.0
Vodafone Airtouch Plc		3.2	4.6	Industri Kapital -94 LP I - IV	8.6	8.6
Wolters Kluwer NV	0.07	5.4	5.4	Industri Kapital -97 LP I. IV	28.5	28.5
Volvo AB	0.06	4.9	4.9	Industrial Development & Investment Equity Kb	4.3	4.3
Other		2.6	2.7	MB Equity Fund II Ky	5.5	5.5
Capital trusts				MB Mezzanine Fund II Ky	4.8	4.8
Access Capital LP		1.5	1.5	Merlin Biosciences Fund LP	1.6	1.6
Alfred Berg Small Cap Europe B		14.3	16.7	Nokia Venture Partners II LP	2.3	2.3
Behrman Capital III L.P.		3.2	3.2	Nordic Mezzanine Fund no. 1 LP	1.8	1.8
Bio Fund Ventures I Ky		1.7	1.7	Schroder Special Situations Fund I	73.5	73.5
Bio Fund Ventures II Ky		1.9	1.9	Schroder Ventures Europe Fund II LP2	4.1	4.1
Evli Emerging Technologies B		4.3	4.3	SEB LUX (F) Teknologifond	12.7	12.7
Evli European Smaller Companies B		5.0	6.7	Sijoitusrahasto Mandatum Global	8.6	17.2
Evli Nordic Smaller Companies A		3.7	5.0	Sponsor Fund I Ky	3.8	3.8
EQT Finland CV		1.0	1.0	WD Power Investment Ky	0.8	0.8
EQT Scandinavia II BV		8.7	8.7	Other	1.5	2.3
					2,315.5	2,923.6

Dec. 31st, EUR million	PARENT COMPANY		GROUP	
	2000	1999	2000	1999
LOAN RECEIVABLES ITEMISED BY GUARANTEE				
Bank guarantee	597.1	595.0	597.1	595.0
Guarantee insurance	474.1	559.0	474.1	559.0
Other guarantees	62.1	62.9	63.0	62.9
Remaining acquisition cost	1,133.3	1,217.0	1,134.2	1,217.0
TOTAL PENSION LOAN RECEIVABLES				
Loans to associated undertakings	0.5	0.8	0.5	0.8
Other loans guaranteed by mortgages	131.6	169.4	131.6	169.4
Other loan receivables	1,056.9	1,144.0	1,056.9	1,144.0
Remaining acquisition cost	1,189.0	1,314.3	1,189.0	1,314.3
RECEIVABLES, PORTFOLIO TRANSFERS				
Joint liability receivables	50.6	78.0	50.6	78.0
Receivables from special receivership's estate	53.5	75.5	53.5	75.5
Total receivables, portfolio transfers	104.1	153.5	104.1	153.5

EUR million	PARENT COMPANY		GROUP	
	2000		2000	
CAPITAL AND RESERVES				
Guarantee capital		11.9		11.9
Other reserves Jan. 1st	2.8		2.8	
Profit for the 1999 financial year	2.7	5.5	2.7	5.5
Other profit brought forward	3.5		69.5	
Security reserve	-2.7		-2.7	
Distributed interest on guarantee capital	-0.7		-0.7	
The Board of Directors' expense account	-0.1		-0.1	
Profit for financial year	21.7	21.7	130.2	196.3
		39.2		213.7

GUARANTEE CAPITAL, PARENT COMPANY

	Number	Book value, EUR million
Sampo-Leonia Insurance Company Plc	33	5.6
Industrial Insurance Company	16	2.7
Sampo Life Insurance Company Limited	14	2.4
Sampo Enterprise Insurance Company	8	1.3

CAPITAL AND RESERVES AFTER PROPOSED PROFIT DISPOSAL

Holders of guarantee capital	
Guarantee capital	11.9
Proposed distribution to holders of guarantee capital	0.8
Policyholders	26.5
	39.2

EUR million	PARENT COMPANY 2000		GROUP 2000
DISTRIBUTABLE FUNDS			
Profit for financial year	21.7		130.2
Other capital and reserves			
Other reserves	5.5	5.5	
Profit brought forward			66.0
Optional reserves and depreciation difference			26.0
Total distributable funds	27.2		156.2

Dec. 31st, EUR million	PARENT COMPANY		GROUP	
	2000	1999	2000	1999

CREDITORS, ASSOCIATED UNDERTAKINGS

Other creditors	1.6	0.6		0.6
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OPTIONAL RESERVES

Credit loss reserve, Jan. 1st	24.2	36.3		
Decrease (-)/increase (-)	-12.1	-12.1		
Credit loss reserve, Dec. 31st	12.1	24.2		

TECHNICAL PROVISIONS

Premium reserve				
Future pensions	8,116.8	7,603.3	8,116.8	7,603.3
Unallocated insurance reserve	2,111.9	1,755.9	2,111.9	1,755.9
Bonus reserve	127.2	116.6	127.2	116.6
Total premium reserve	10,355.8	9,475.8	10,355.8	9,475.8
Claims reserve				
Current pensions	4,249.4	3,807.7	4,249.4	3,807.7
Equalisation amount	719.8	644.4	719.8	644.4
Total claims reserve	4,969.2	4,452.2	4,969.2	4,452.2
Total technical provisions	15,325.1	13,928.0	15,325.1	13,928.0

2000 1999

SOLVENCY MARGIN

Capital and reserves after proposed profit disposal	39.2	18.3
Accrued appropriations	16.2	30.1
Valuation difference between current values on assets and book values of balance sheet items	1,224.8	1,459.8
Unallocated insurance reserve	2,111.9	1,755.9
Interest on guarantee capital proposed for disposal	-0.8	-0.7
Intangible assets	-1.7	-1.2
Total	3,389.6	3,262.1

Solvency margin required under the Act on Employment Pension Insurance Companies, Section 17

768.6 697.8

Notes on personnel and members of administrative bodies

Jan. 1st to Dec. 31st, EUR million	PARENT COMPANY		GROUP	
	2000	1999	2000	1999
PERSONNEL EXPENSES				
Wages, salaries and bonuses	21,4	19,5		
Pension expenses	4,4	3,7		
Other social expenses	3,5	3,1		
Total	29,3	26,3		

TOP MANAGEMENT SALARIES, BONUSES AND PENSION COMMITMENTS

Managing Director and his deputy	0,5	0,4
Board of Directors	0,1	0,1
Supervisory Board	0,1	0,1

There are no pension commitments for members of the Supervisory Board and the Board of Directors, with the exception of the Managing Director and his deputy, who are entitled to retire at the age of 60.

Average number of personnel during the financial year	604	597	794	761
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Statement of source and application of funds

Jan. 1st to Dec. 31st, EUR million	PARENT COMPANY		GROUP	
	2000	1999	2000	1999
Operational cash-flow				
Gain (loss) on ordinary activities	22.0	-5.1	-45.6	-26.5
Adjustment items				
Changes in technical provisions	1,397.1	1 186.9	1,397.1	1 186.9
Unrealised losses and gains on investments	343.3	-15.9	345.4	-12.8
Increase/decrease in obligatory uncovered liabilities	31.0	36.4	31.0	36.4
Depreciation	14.7	12.4	61.9	38.2
Taxes on ordinary activities	-14.2	-6.5	4.2	-5.4
Sales gains and losses	-700.3	-248.8	-676.2	-256.0
Cash-flow before change in working capital	1,093.6	959.4	1,117.7	960.8
Change in working capital				
Change in short-term receivables	59.9	63.3	62.4	63.3
Change in short-term debts	-7.2	-144.4	-9.6	-152.3
Total operational cash-flow	1,146.2	878.3	1,170.5	871.8
Investment cash-flow				
Net investments and gains on disposals	-1,096.4	-877.2	-1,119.1	-881.0
Net increase in intangible, tangible and other assets	0.2	0.2	0.2	0.2
Total investment cash-flow	-1,096.2	-877.0	-1,118.9	-880.8
Financing cash-flow				
Interest paid on guarantee capital and other profit disposal	-0.8		-0.8	
Total financing cash-flow	-0.8		-0.8	
Change in liquid assets	49.2	1.3	50.8	-8.9
Liquid assets, Jan. 1st	10.3	9.0	22.5	31.4
Liquid assets, Dec. 31st	59.4	10.3	73.2	22.5

Disposal of profit

The Board of Directors proposes that the FIM 129,043,852.13 profit for the year shown in the balance sheet be disposed as follows:

to be transferred to the security reserve (optional reserve)	FIM 124,000,000.00
to be paid as interest on guarantee capital	FIM 4,571,719.18
to be transferred to the Board of Directors' expense account	FIM 400,000.00
to be carried over on the profit and loss account	FIM 72,132.95

Helsinki, February 26th, 2001

Georg Ehrnrooth

Mikko Kivimäki	Mikko Mäenpää	Markku Hyvärinen
Markku Jokinen	Erkki Kangasniemi	Lasse Laatumen
Jarmo Lähteenmäki	Arto Ojala	Paavo Pitkänen <i>Managing Director</i>
Kari O. Sohlberg	Björn Wahlroos	Pasi Mustonen <i>Chief Actuary</i>

Auditors' report

To the owners of Varma-Sampo Mutual Pension Insurance Company

We have audited the accounting records, annual accounts and administration of Varma-Sampo Mutual Pension Insurance Company for the financial year from January 1st to December 31st, 2000. The annual accounts, prepared by the Board of Directors and the Managing Director, include the Board of Directors' report, consolidated and parent company profit and loss accounts, balance sheets and notes to the annual accounts. Based on our audit we express an opinion on these annual accounts and on the pension insurance company's administration.

A supervisory auditor's report dated March 5th, 2001 has been issued on the supervisory audit carried out under the supervision of Mauri Palvi, Authorised Public Accountant.

We have conducted the audit in accordance with Finnish Generally Accepted Auditing Standards. Those standards require that we plan and perform the audit in order to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the

annual accounts, assessing the overall accounting principles used and significant estimates made by the management, as well as evaluating the overall annual account presentation. The purpose of our audit of administration has been to examine that the Supervisory Board, the Board of Directors and the Managing Director have legally complied with the rules of the Insurance Companies Act and the Act on Employment Pension Insurance Companies.

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

Helsinki, March 8th, 2001

Mauri Palvi
Authorised Public Accountant

Mikael Leskinen
Authorised Public Accountant

Statement by the Supervisory Board

The Supervisory Board has received the Annual Accounts for Varma-Sampo Mutual Pension Insurance Company for the financial year 2000, together with the consolidated accounts and Auditors' Report concerning these.

The Supervisory Board states to the Annual General Meeting

that it has found no cause for criticism concerning the Annual Accounts, consolidated accounts or Auditors' Report.

The Supervisory Board recommends that the Board of Directors' proposal for the disposal of the profit for the financial year be accepted.

Helsinki, March 19th, 2001

For the Supervisory Board

Ari Heiniö
Chairman of the Supervisory Board

Key figures

The profitability or financial position of an employment pension company cannot be assessed alone on the basis of any of the profit and loss account, balance sheet, or statement of source and application of funds. Any performance analysis must compare: returns on investments at current values to the yield requirement on technical provisions; operating expenses to administrative costs included in insurance payments; and claims expenditure to corresponding premium income. To ease the comparison, the companies have agreed to report in a uniform

manner, key figures pertaining to the extent of their operations, source and application of funds and solvency. Compared to last year, the key figures have been specified mainly with regard to calculating the percentage of net return on investments.

Varma-Sampo commenced operations to their current extent on July 1st, 1998. As a result, pro forma figures are used for 1998 in the five-year time series presented here, to the extent that it has been possible to calculate them. Figures prior to 1998 are those of Sampo Pension.

Volume

EUR million	2000	1999	1998	1997	1996
Premiums written	2,207	2,075	1,985	866	868
Turnover	3,890	3,136	2,775	1,236	1,204
Payroll	9,957	9,353	8,832	3,930	3,841
Technical provisions	15,325	13,928	12,741	5,225	4,360
Balance sheet total at current values	16,709	15,547	13,813	5,716	4,783

Performance analysis

The actual total income of an employment pension company comprises the pure premium result, investment result and loading profit.

EUR million	2000	1999	1998	1997	1996
Sources of profit					
Pure premium result	70	81	111	48	52
Investment surplus					
Book value	414	273	81	68	43
Change in valuation differences	-235	179	481	57	177
Loading profit	10	13	8	4	4
Total surplus	259	1 071	681	178	276
Disposal of profit, change in reserves					
To increase solvency					
Equalisation reserve	70	81	111	48	52
Solvency margin					
Unallocated insurance reserve	347	248	56	43	23
Capital	21	3	3	1	1
Reserves	-14	-15	-20	3	7
Valuation differences	-235	119	481	57	177
Transfer to bonus reserve	69	50	50	26	15
Proposed disposal of profit	1	1			
Total	259	1 071	681	178	276

Investment surplus

The table presents the return on investment activities for the past five years. It has not, however, been possible to draw up a more detailed specification of changes in value included in the 1998 pro forma estimate.

EUR million	2000	1999	1998	1997	1996
Direct income	710	591	603	252	242
Changes in value in the profit and loss account			30		
Gains on realisation of investments					
Equities	684	219			
Bonds	2	4			
Real estate	10	696	1	224	42
Value readjustments					
Equities	4		78		16
Value adjustments on investments, additional depreciation and unrealised gains/losses					
Equities	-339		-9		
Real estate	-8	-347	-52	-62	-7
Annual depreciation, real estate	-11		-9		-4
Total investment income on profit and loss account	1,052	821	634	299	275
Other interest items	14	33	31	30	12
Required return on technical provisions	-652	-581	-584	-260	-244
Investment surplus, book value	414	273	81	68	43
Change in valuation differences					
Equities	-373	1,118			
Bonds	102	-434			
Real estate	36	19			
Other	0	-235	-1	703	481
Investment surplus	179	976	562	126	220

Investment income

The table specifies the yield on invested capital, calculated using time- and money-weighted returns.

	Total yield	Invested capital	Yield on invested capital, %	
	EUR million 2000	EUR million 2000	2000	1999
Loans	71	1,477	4.8	4.9
Bonds	532	8,213	6.5	-1.7
Other money-market instruments and deposits	19	500	3.8	3.1
Equities and shares	75	3,106	2.4	86.8
Real estate	130	2,042	6.4	2.6
Total investments	827	15,339	5.4	11.8
Unallocated costs and operating expenses from investment activities	-9			
Total yield on investment	817	15,339	5.3	11.7

*) Return in accordance with KTI index (Institute for Real Estate Economics) 6.7%

Key figures

Investment allocation

The table presents investments for the past five years categorised according to the Annual Accounts. As of 1999, the figures also include accrued interest.

Dec. 31st	2000		1999		1998		1997		1996	
	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%
Loans	1,469	9.0	1,624	10.8	1,882	14.6	763	15.2	946	21.9
Bonds	8,948	55.1	7,172	47.8	6,139	47.6	2,508	50.0	2,008	46.5
Other money-market instruments and deposits	216	1.3	997	6.6	1,316	10.2	494	9.9	476	11.0
Equities and shares	3,482	21.4	3,169	21.1	1,609	12.5	437	8.7	264	6.1
Real estate	2,153	13.2	2,063	13.7	1,941	15.1	812	16.2	626	14.5
Total investments	16,267	100.0	15,025	100.0	12,886	100.0	5,014	100.0	4,320	100.0

*) Interest and liquid assets included as of 1999

Loading profit

Loading profit for 1998 has been presented as a pro forma estimate without specifications for each function. As of 1998, administrative costs allocated to investment activities are covered by investment income.

EUR million	2000		1999		1998		1997		1996	
Administrative costs of premium	65		61		57		32		30	
Other income	1		1		1		1		1	
Operating expenses by function including depreciation										
Claims	-12		-11				-5		-5	
Policy acquisitions	-3		-3				-3		-5	
Policy management	-27		-22				-11		-8	
Administration	-14		-13				-7		-7	
Investment activities	-		-				-3		-3	
Other	0	-56	0	-49	-49	0	-29	0	-27	
Tax on profit	0		0		0		0		0	
Other charges	0		0		0		0		0	
Loading profit, EUR million	10		13		8		4		4	
Loading profit of load income, %	85		79		85		88		86	

Bonuses

A part of the return is reserved annually as a bonus reserve. The table presents the changes in the bonus reserve, including the proportion transferred to client bonuses, and its share of the payroll.

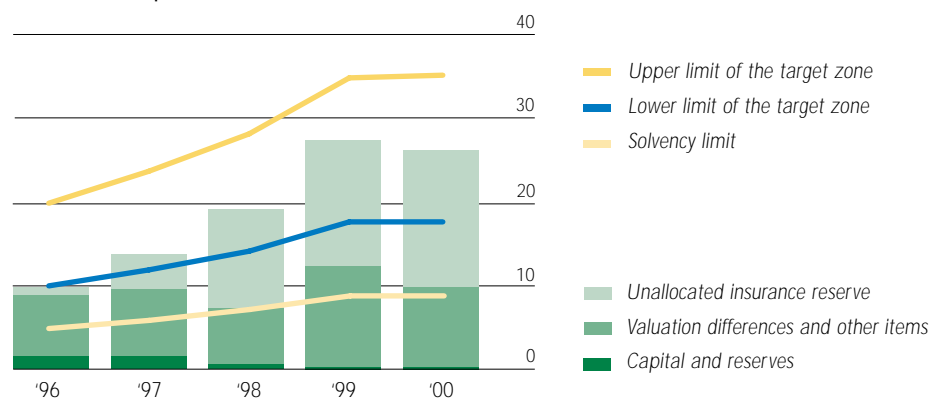
EUR million	2000	1999	1998	1997	1996
Bonus reserve, Jan. 1st	117	115	89	40	34
Bonuses paid during the financial year	-58	-49	-25	-12	-9
Transfer to client bonuses	69	50	50	26	15
Bonus reserve, Dec. 31st	127	117	115	54	40
Transfer to client bonuses / payroll, %	0.69	0.54	0.57	0.66	0.40

Solvency

Solvency is measured by the solvency margin, which is formed by capital and reserves, untaxed reserves, the unallocated insurance reserve and the valuation differences between the current values and book values of property. The equalisation reserve provides for volatility in the pure premium surplus.

EUR million	2000	1999	1998	1997	1996
Solvency margin					
Untaxed reserves	16	30	45	65	62
Unallocated insurance reserve	2,112	1,756	1,294	173	23
Capital and reserves	39	18	15	12	11
Valuation differences	1,223	1,459	757	375	318
Total solvency margin	3,390	3,262	2,111	625	414
Solvency margin / technical provisions, %	26	27	19	13	10
Solvency margin / target zone lower limit, %	147	156	135	111	96
Equalisation reserve	720	644	540	206	157

Solvency margin and its limits,
% of technical provisions



Do you have a plan |

to the year 2050?



Supervisory Board

Varma-Sampo Supervisory Board comprises 28 members, elected by the Annual General Meeting for a period of three years, so that a maximum of 10 members resigns each year. Seven members of the Board are representatives of major employer bodies and seven represent major employee organisations.

The Supervisory Board elects a Chairman and at least one Deputy Chairman annually. Varma-Sampo Supervisory Board had two Deputy Chairmen in the year 2000.

The Supervisory Board oversees the company's administration by the Board of Directors and the Managing Director. Moreover, it elects the members and deputy members of the Board, as well as the Chairman and Deputy Chairman.

The Supervisory Board submits its statement to the Annual General Meeting, concerning the parent company and Group Annual Accounts and the Auditors' Report. In addition, the Supervisory Board confirms the principles of the company's investment plan on an annual basis, and decides on any major reductions or expansions in the company's operations or on significant operational changes. The Supervisory Board also advises the Board of Directors in all matters of significant importance.

The Supervisory Board met three times in the year 2000.

Supervisory Board as at February 26th, 2001

Chairman (as of May 25th, 2000)

Ari Heiniö, born 1945
Managing Director, Stockmann plc
Term expires 2002

Chairman (until March 21st, 2000)

Heikki Marttinen, born 1946
President & CEO, Eimo Oyj
Term ended March 21st, 2000

Deputy Chairman

Raimo O. Honkanen, born 1934
Managing Director, Savonlinja Oy
Term expires 2001

Deputy Chairman

Jukka Härmälä, born 1946
CEO, Stora Enso Oyj
Term expires 2001

Pekka Ahmavaara, born 1944
Director, The Central Organization of Finnish Trade Unions SAK
Term expires 2003

Seppo Berg, born 1943
Head of Administration and Finance, Finnish Metalworkers' Union
Term expires 2002

Hans Olof Danielsson, born 1942
President, Karl Fazer Ab
Term expires 2001

Erkki Etola, born 1945
Chairman, Oy Etola Ab and Oy Etra Ab
Managing Director, Tiiviste Group Oy
Term expires 2002

Stig Gustavson, born 1945
President and CEO, KCI Konecranes International Plc
Term expires 2001

Matti Hellsten, born 1943
Chairman, Finnish Federation of Special Service and Clerical Employees
Term expires 2003

Markku von Hertzen, born 1948
Managing Director, Finnish Association of Graduates in Economics and Business Administration
Term expires 2001

Matti Honkala, born 1945
President and CEO, Kesko Corporation
Term expires 2002

Erkki Isokangas, born 1946
Managing Director, Saarioinen Oy
Term expires 2003

Jyrki Juusela, born 1943
President & CEO, Outokumpu Oyj
Term expires 2001

Seppo Koskinen, born 1946
Chief shop steward, Paroc Oy Ab
Term expires 2003

Jan-Henrik Kulp, born 1943
Chief Financial Officer, Member of Executive Committee, UPM-Kymmene Corporation
Term expires 2002

Matti Kyytsönen, born 1949
Managing Director, ISS Suomi Oy
Term expires 2002

Jere Lahti, born 1943
Chairman and CEO, SOK Corporation
Term expires 2003

Lauri Lyly, born 1953
Chairman, Finnish Electrical Workers' Union
Term expires 2001

Björn Mattsson, born 1941
Term expires 2003

Pentti Nieminen, born 1941
Managing Director, Linkosuo Oy
Term expires 2001

Pekka Paasikivi, born 1944
President & CEO, Oras Ltd
Term expires 2001

Antti Piippo, born 1947
Chairman, Elcoteq Network Corporation
Term expires 2001

Juha Rantanen, born 1952
President & CEO, A. Ahlström Corporation
Term expires 2002

Antti Remes, born 1947
Managing Director, Tradeka Group Ltd
Term expires 2003

Helena Rissanen, born 1949
Chairman, the Finnish Union of Salaried Employees in Industry
Term expires 2002

Hannu Roine, born 1942
Group President, Isku Oy
Term expires 2003

Christoffer Taxell, born 1948
President & CEO, Partek Corporation
Term expires 2003

Jorma Vaajoki, born 1949
President & CEO, Metsä-Serla Corporation
Term expires 2003

Board of Directors

Varma-Sampo Board of Directors comprises 12 members and three deputy members. Board members and deputy members, the Chairman and at least one Deputy Chairman are elected by the Supervisory Board. Members of the Board of Directors are elected for a period of three calendar years, so that four members' terms expire each year. Three Board members and one deputy member are elected from among the candidates suggested by major employer organisations; correspondingly, three members and one deputy member are representatives of major employee organisations.

The Board of Directors is responsible for the company's administration and operational organisation in an appropriate manner. The Board appoints the Managing Director, the Chief Actuary and the Senior Physician. The Board may also appoint a deputy to the Managing Director as well as Executive Vice-Presidents and Directors.

The Board of Directors met 12 times in the year 2000.

Board of Directors as at February 26th, 2001

Chairman

Georg Ehrnrooth, born 1940

Term expires 2001

Member of the Boards of Wärtsilä Corporation, Sampo-Leonia Insurance Company plc, Oy Karl Fazer Ab, Sandvik AB and Nokia Corporation; Chairman of the Boards of Sanitec Corporation and Assa Abloy AB; member of the Supervisory Board of Rautaruukki Corporation.

Deputy Chairman

Mikko Kivimäki, born 1939

President & CEO, Rautaruukki Corporation

Term expires 2001

Chairman of the Boards of Rautaruukki Corporation and the Finnish Maritime Administration; Deputy Chairman of the Boards of Metso Corporation and Industrial Insurance; member of the Boards of the Confederation of Finnish Industry and Employers and of YIT Corporation; member of the Board and labour issues committee of the Federation of Finnish Metal, Engineering and Electrotechnical Industries.

Deputy Chairman

(as of February 1st, 2000)

Mikko Mäenpää, born 1954

Chairman, Finnish Confederation of Salaried Employees

Term expires 2003

Chairman of the Supervisory Board of the Unemployment Insurance Fund, member of the Supervisory Board of the Education and Redundancy Payments Fund, member of the Economic Council.

Deputy Chairman (to January 31st, 2000)

Esa Swanljung, born 1949

Chairman of the Finnish Confederation of Salaried Employees to January 31st, 2000; Managing Director of The Finnish Pension Alliance TELA as of April 1st, 2000.

Term ended January 31st, 2000.

Member of the Board of the Insurance Rehabilitation Association.

Markku Jokinen, born 1949

Managing Director, Sievin Jalkine Oy

Term expires 2001

Member of the Council of Representatives and, the Small and Medium Enterprise Council, of the Confederation of Finnish Industry and Employers; Chairman of the Section of Clothing and Footwear of the National Board of Economic Defence; Chairman of the Boards of the Finnish Employers' General Group, Sievi AB, Sievi GmbH and Kiinteistö Oy Sievin Hirvipojat; member of the Boards of the Association of Finnish Shoe and Leather Industries, Sievin Jalkine Oy, Beaver Safety Ltd and Kiinteistö Oy Kenkäkangas; deputy member of the Sievi municipal government, member of the Supervisory Board of Sievin Osuuspankki.

Erkki Kangasniemi, born 1945

President, The Trade Union of Education in Finland, OAJ

Term expires 2001

1st Vice-President of the Confederation of Unions for Academic Professionals in Finland, President of the Finnish Negotiation Organisation for Academic Professionals in the Public Sector, member of the Supervisory Boards of Kaleva Mutual Insurance Company, the Education and Redundancy Payments Fund and Okopankki Oyj, member of the Board of the VVO Group.

Lasse Laatumen, born 1950

Director, the Confederation of Finnish Industry and Employers

Term expires 2003

Member of the Boards of the Central Pension Security Institute, LEL Employment Pension Fund and the Federation of Accident Insurance Institutions, member of the Enlarged Board of the Social Insurance Institution, member of the Appeal Tribunal and the labour affairs council of the Ministry of Labour.

Jouko K. Leskinen, born 1943

Term ended December 31st, 2000

Chairman of the Boards of Kaleva Mutual Insurance Company and SportUp Finland Oy (formerly PeeMediat Oy), member of the Boards of Finlines Group and Nokia Corporation, Vice Chairman of the Board of UPM-Kymmene Corporation, Chairman of the Supervisory Board of Helsingin Osuuskauppa HOK, member of the Supervisory Boards of Finnair Oyj, Fortum Corporation and Orion Corporation.

Jarmo Lähteenmäki, born 1957

Chairman, Finnish Paperworkers' Union

Term expires 2002

Member of the Supervisory Boards of OKOBANK Osuuspankkien Keskuspankki Oyj and Okopankki Oyj, Vice Chairman of the Supervisory Board of the Finnish Education and Redundancy Payments Fund, member of the Board of the Central Organization of Finnish Trade Unions.

Arto Ojala, born 1944

Director General, Employers' Confederation of Service Industries in Finland

Term expires 2002

Member of the Board of the association sponsoring the Finnish Business and Policy Studies, member of the executive board of the Centre for Finnish Business and Policy Studies, member of the board and executive board of the Finnish Employers Management Development Institute, member of the Economic Council, member of the Management Board of the Unemployment Insurance Fund, Chairman of the Board of The Taxpayers' Association of Finland, member of UNICE Executive Committee.

Kari O. Sohlberg, born 1940

President & CEO,

G. W. Sohlberg Corporation

Term expires 2002

Chairman of the Boards of Perlos Corporation, the Finnish Fair Corporation and ADR-Haapää Oy, member of the Board of G. W. Sohlberg Corporation, member of the Supervisory Board of Merita Bank Plc.

Björn Wahlroos, born 1952

Ph.D., President, CEO,

Sampo-Leonia Insurance Company plc

Member of the Varma-Sampo Board as of January 1st, 2001

Term expires 2002

Paavo Pitkänen, born 1942

President, CEO, Varma-Sampo Mutual Pension Insurance Company

Term expires 2003

Member of the Boards of Partek Corporation, Stora Enso Oyj, Wärtsilä Corporation and Sampo-Leonia Insurance Company plc; Vice Chair-

man of the Board of Sampo Life Insurance Company Limited, Vice Chairman of the Supervisory Board of Alma Media Corporation, Chairman of the Board of The Finnish Pension Alliance TELA, Vice Chairman of the Board and Management Board of the Federation of Finnish Insurance Companies.

Markku Hyvärinen, born 1948
Executive Vice-President, Varma-Sampo Mutual Pension Insurance Company
Term expires 2003
Chairman of the Supervisory Board of Finnair Oyj, member of the Board of Kaleva Mutual Insurance Company.

Deputy members

Mikko Ketonen, born 1945
Chairman of the Board, TS-Yhtymä Oy
Term expires 2001
Swedish Consul in Turku, member of the Supervisory Board of Merita Bank Plc, 2nd Vice Chairman of the Turku Chamber of Commerce.

Janne Metsämäki, born 1960
Legal Adviser, The Central Organization of Finnish Trade Unions
Term expires 2001
Member of the Management Board of the Finnish Unemployment Insurance Fund, member of the Board of The Finnish Work Environment Fund, deputy member of the Board of the Finnish Central Pension Security Institute.

Timo Poranen, born 1943
President, Finnish Forest Industries Federation
Term expires 2001
Member of the Boards of KCI Konecranes International Plc, Industrial Insurance and the Helsinki University of Technology; deputy member of the Board of Fingrid Oyj; member of the Supervisory Boards of OKOBANK Osuuspankkien Keskuspankki Oyj and the Finnish Fair Corporation; Chairman of the Association Directors' Committee of the CEPI, member of the Board of the Finnish chapter of the International Chamber of Commerce, member of the delegation of the Finnish-Swedish Chamber of Commerce, Chairman of the Management Board of the Finnish Rail Administration, member of the Board of the Finnish Employers Management Development Institute.

Secretary

Erkki Rajaniemi, born 1959
General Counsel, Varma-Sampo Mutual Pension Insurance Company



Georg Ehrnrooth



Mikko Kivimäki



Mikko Mäenpää



Esa Swanljung



Markku Jokinen



Erkki Kangasniemi



Lasse Laatunen



Jouko K. Leskinen



Jarmo Lähteenmäki



Arto Ojala



Kari O. Sohlberg



Björn Wahlroos



Paavo Pitkänen



Markku Hyvärinen



Mikko Ketonen



Janne Metsämäki



Timo Poranen

Consultative committees

In order to further interaction between the company and society, three different consultative committees convene at Varma-Sampo; of the insured, of self-employed persons and employers, and for pension affairs.

The Consultative Committee for Pension Affairs is a co-operation body between Varma-Sampo and labour market organisations. Its function is to make recommendations to the company on issues regarding disability pensions and individual early retirement pensions, based on employment pension law. The committee has eight members appointed by the Board of Directors, two of whom represent Varma-Sampo, i.e. the Chairman and Vice Chairman. In addition, there are three other Varma-Sampo representatives participating in the committee's work.

Chairman

Markku Hyvärinen

Executive Vice-President, Varma-Sampo Mutual Pension Insurance Company

Vice Chairman

Sakari Tola

Senior Physician, Varma-Sampo Mutual Pension Insurance Company

Sinikka Näätäsaari

Secretary for Social Affairs, Central Organization of Finnish Trade Unions

Artturi Pennanen

Secretary General, Paperworkers' Union

Veikko Simpanen

Secretary of Social Policy Affairs, Finnish Confederation of Salaried Employees

Anja Uljas

Head of R&D, Finnish Association of Graduates in Economics and Business Administration

Riitta Wärn

Senior Adviser, Employers' Confederation of Service Industries in Finland

Johan Åström

Legal Adviser, Confederation of Finnish Industry and Employers

Ilkka Kohonen

Director, Varma-Sampo Mutual Pension Insurance Company

Marja Korpilahti

Department Manager, Varma-Sampo Mutual Pension Insurance Company

Osmo Rinne

Director, Varma-Sampo Mutual Pension Insurance Company

The Consultative Committee of the Insured is a consultative body that acts as an intermediary between Varma-Sampo and the insured (TEL). Its objective is to further co-operation and communication between the company and employees insured by the company. One of its functions is to provide relevant information on working conditions and changes therein. Varma-Sampo, for its part, provides the committee with the necessary information on its operations, and about current issues, in the field of employment pension insurance. The committee's 28 members represent companies or organisations insured at Varma-Sampo. They are appointed by the Board of Directors, based on the proposals of major central employee organisations.

Chairman

Erkki Ruotsalainen

Imatra Steel Oy Ab
Central Organization of Finnish Trade Unions

Vice Chairman

Seppo Räikkönen

Imatra Steel Oy Ab
Finnish Confederation Of Salaried Employees

Representatives of the Central Organization of Finnish Trade Unions

Markku Björn, Sokos Hotels Oy

Erkki Flink, Vapo Oy

Ellen Helo, Tradeka Group Oy

Risto Kärkkäinen, UPM-Kymmene Corporation

Arja Launamo, Fazer Suklaa Oy

Eero Nokelainen, Metsä Tissue Corporation

Eero Pennanen, Assa Abloy Oy

Seppo Räsänen, Savon Sanomat Oy

Venho Takkinen, Koiviston Auto Oy

Kari Ylikauppila, Fortum Corporation

Simo Virolainen, Honkarakenne Oyj

Representatives of the Finnish Confederation of Salaried Employees

Jaana Hyväri, Diacor Terveyspalvelut Oy

Pirkko Kalttonen, Stora Enso Oyj

Matti Kangas, TietoEnator Corporation

Tarja Nyman, Fazer Leipomot Oy, Oululainen

Esko Paunonen, Andritz-Ahlstrom Corporation

Sirkka Schenk, Matkahuolto Oy

Leo Suokas, UPM-Kymmene Corporation

Pekka Teinilä, TS-Yhtymä Oy

Ulla Väisänen, Sampo-Leonia Insurance Company plc

Representatives of the Confederation of Unions for Academic Professionals in Finland

Kari Halme, Stora Enso Oyj

Vesa Hirvonen, Outokumpu Oyj

Jouko Horttanainen,
UPM-Kymmene Oyj

Kristiina Inberg-Rauhanen,
Kesko Corporation

Heikki Salo, ABB Industry Oyj

Tapio Vankalo, Eltete Oy Ab
(until October 12th, 2000)

The Consultative Committee of Self-employed Persons and Employers is a joint consultative body that acts as an intermediary between Varma-Sampo and companies, as well as self-employed persons and entrepreneurs, with insurance policies in Varma-Sampo. Its objective is to further co-operation and communication between Varma-Sampo and its policyholders. The committee comprises a maximum of 38 members, appointed by the company's Board of Directors, from among the representatives of employers and self-employed persons insured by the company. The committee convenes at the request of the Chairman or Varma-Sampo's Managing Director.

Chairman

Jussi Länsiö

Managing Director, Oyj Hartwall Abp

Vice Chairman

Jorma Eloranta

President & CEO, Kvaerner
Masa-Yards Oy

Stig Gustavson

President & CEO, KCI Konecranes
International Plc

Esa Haavisto

Managing Director, Oy Hacklin Ltd.

Kim Hanslin

Managing Director, Tiimari Oyj

Jukka Hyryläinen

Managing Director, Katko Oy Konerauta

Antero Ikäheimo

Managing Director, Lappset Group Oy

Kari Kivikoski

Managing Director, Soilituote Oy, Ermiso Oy

Martti Lappalainen

Managing Director,
Suur-Savon Sähkö Oy

Heikki Lehtonen

President & CEO, Componenta
Corporation

Timo Miettinen

Chairman, Ensto Oy

Kalervo Nieminen

Managing Director,
Nostokonepalvelu Oy

Esko Ollila

Chairman, Purso Oy

Jukka Ottela

Managing Director, Esan Kirjapaino Oy

Olli Reenpää

Managing Director,
Otava-Kuvalehdet Oy

Tuomo Räsänen

Managing Director, Carel Capital Oy

Mauri Saarelainen

President, Honkarakenne Oyj

Juha Silvanto

Managing Director, Steveco Oy

Saara Sinivuori

Managing Director,
Aleksin Ravintolat Oy

Erkki Solja

Managing Director, Kiilto Oy

Lauri Syrjälä

Managing Director, Oy Terinit Ab

Heikki Takamäki

Retailer, Rauta-Otra Nekala,
Heikki Takamäki Oy

Jorma Takanen

President & CEO, Scanfil Oy

Tapio Tammi

Managing Director, Gamga Oy

Reino Uusitalo

Managing Director, Pyroll Group Ltd.

Kaija Ward

Chairman, Eurokangas Oy

John Eric Westö

Administrative Director,
Finnish National Opera

Juha Vine

Chairman, Groveswing Oy

Tapani Vuorela

Director for the Foundation,
The Deaconess Institute in Helsinki

Pertti Yliniemi

Chairman, Olostunturi Oy

Management

Managing Director
Paavo Pitkänen *, born 1942
President, CEO



Paavo Pitkänen

Deputy to Managing Director
Markku Hyvärinen *, born 1948
Executive Vice-President, Pensions



Markku Hyvärinen

Matti Niemi *, born 1947
Executive Vice-President,
Major Accounts



Matti Niemi

Sakari Aaltonen *, born 1952
Administration



Sakari Aaltonen

Ilkka Kohonen *, born 1945
Pension Services, Strategic Planning,
Quality and Internet Services



Ilkka Kohonen

Jouko Oksanen *, born 1951
Finance



Jouko Oksanen

Hannu Tarvonen *, born 1952
Client Relations

* Member of the Executive Group

Hilkka Vainio,
Employee Representative, is also a
member of the Executive Group.



Hannu Tarvonen



Hilkka Vainio

Chief Actuary
Pasi Mustonen, born 1964

Senior Physician
Sakari Tola, born 1946

Auditors

Supervisory Auditor
Mauri Palvi, born 1951
Authorised Public Accountant

Mikael Leskinen, born 1949
Authorised Public Accountant

Deputy Auditors
KPMG Wideri Oy Ab

Paula Pasanen, born 1955
Authorised Public Accountant

Other executives

Ari Anttonen, born 1962
Major Accounts Client Relations

Ralf Joutsenlahti, born 1953
Client Relations

Esko Kivisaari, born 1957
Research & Development

Jorma Kuokkanen, born 1953
Real Estate, Client Financing
and Collection

Petri Kuusisto, born 1964
Capital Markets

Taisto Lassila, born 1940
Actuaries

Veikko Loukola, born 1943
Insurance

Jorma Luostarinen, born 1944
Personnel

Heikki Malin, born 1944
Public Affairs

Irmeli Otava-Keskinen, born 1950
Information Management

Erkki Rajaniemi, born 1959
Legal Affairs
Secretary to the Board of Directors,
Supervisory Board and Executive Group

Osmo Rinne, born 1938
Projects

Jari Salminen, born 1956
Specialist Services

Marja-Terttu Verho, born 1947
Communications

Highlights of the year 2000

March

Varma-Sampo published the result of its first full year of operations on March 1st, 2000.

April

The organisation was restructured for stronger service provision. Insurance services and client contact were combined; under Major Accounts for corporate clients and under Client Relations for entrepreneurs and SME's. Major Accounts is run by Executive Vice-President Matti Nieminen. Client Relations is run by Director Hannu Tarvonen.

The Annual General Meeting confirmed the company's Annual Accounts and released the members of the Board and Supervisory Board, as well as the Managing Director from liability. The following Supervisory Board members, whose terms were due to expire, were re-elected: Matti Hellsten, Erkki Isokangas, Seppo Koskinen, Jere Lahti, Björn Mattsson, Antti Remes, Hannu Roine, Christoffer Taxell and Jorma Vaajoki. Pekka Ahmavaara was elected as a new member. Heikki Marttinen resigned and Stig Gustavson was elected to replace him.

May

The Supervisory Board elected Ari Heiniö as its Chairman. Jukka Härmlä and Raimo O. Honkanen were re-elected as Deputy Chairmen.

Varma-Sampo commenced a major real estate development project at Arabianranta in Helsinki. Retail, office and exhibition space will be renovated in the old Arabia building. Construction work is due to be completed in October 2001.

June

Varma-Sampo made a positive decision on the construction of a biotechnology product development centre in Turku. The estimated cost of the project is FIM 200 million and the Pharma City complex is due for completion in late 2001.

August

Varma-Sampo published its first interim report, on the operations and performance of the company for the January-June period. A total of FIM 6.0 billion was paid out in pensions during the first six months of the year. The solvency margin grew by FIM 0.8 billion to FIM 20.2 billion.

September

Varma-Sampo was the first insurance company to adopt an IP based telephone service. In the new system, calls go directly to the workstation of the expert concerned and customer feedback can be stored automatically.

October

Varma-Sampo announced that as a result of transfer business, TEL insurance of around 750 companies and YEL insurance of around 980 entrepreneurs would be transferred to it. Some 730 TEL insurances and 1,260 YEL insurances would be transferred out. Measured by premium income under the Employees' Pensions Act TEL, the net loss resulting from transfers totalled around FIM 80 million.

November

Varma-Sampo realised a pilot project on vocational rehabilitation. The project observed that an employee could better maintain working capacity, when the rehabilitation process begins as early and therefore effectively as possible.

Varma-Sampo introduced an electronic folder service, with which policyholders can handle their insurance matters via the Internet. The client can, for instance, submit annual notifications and employment reports, handling their insurance and financing matters securely.

December

The Supervisory Board elected Björn Wahlroos, President and CEO of Sampo-Leonia, as a Board member to replace CEO Jouko K. Leskinen who resigned. Of the Board members whose terms were expiring, the Supervisory Board re-elected Markku Hyvärinen, Lasse Laatumäki, Mikko Mäenpää and Paavo Pitkänen for new two-year terms.

Varma-Sampo and Novo Group plc agreed on the formation of a company to provide personnel administration services. The new company will be created by expanding the operations of Pensionservice Ltd.

Varma-Sampo and If P&C Insurance agreed on co-operation in customer acquisition and services in Finland. The goal is to serve joint customers as efficiently as possible.

Published in Finnish and Swedish, Varma-Sampo's customer magazine appeared four times in the year 2000. The magazine can be read also at www.varma-sampo.fi.



Key terminology

Bonus reserve

Part of the premium reserve to which portions of the investment surplus and loading profit have been transferred, on the basis of the company's solvency status, for the payment of future client bonuses.

Client bonus

Rebate payable to policyholders out of the bonus reserve.

Equalisation reserve

The amount of the claims reserve accumulated from the pure premium result and used to equalise any fluctuations in pure premium result.

Expense loading

Premium component covering the total operating expenses of a pension insurance company, excluding investment management expenses and those for the promotion of working capacity.

Investment surplus

Net investment return at book value inclusive of the change in valuation differences and interest income entered under other items in the profit and loss account, less the required rate of return on technical provisions.

Loading profit

Expense loading less total operating expenses, excluding investment management expenses and those for the promotion of working capacity. Operational efficiency is measured using a percentage that reflects the expense loading usage rate. The lower the usage rate, the higher the efficiency of operations.

Obligatory provisions not covered

A deficiency in the technical provisions margin, arising from the statutory lower contributions rate in 1994, was amortised through the collection of higher contributions in the years 1996–2000.

Pure premium result

The underwriting result, or the difference between the insurance premiums and claims expenditure. A positive premium result accumulates the equalisation reserve and a negative result shrinks the reserve.

Receivables, portfolio transfers

A deficiency in the technical provisions margin arising from the bankruptcy of Pension Kansa. This represents payments towards the joint liability, and claims on the special receivership's estate.

Required rate of return on technical provisions

The required rate of return on investments constituting the technical provisions margin. This so-called calculated rate of interest is confirmed annually by the Finnish Ministry of Social Affairs and Health at the request of the pension insurance companies. The rate stood at 5.25% during the period January 1st, 2000 to June 30th, 2000; 5.5% from July 1st, 2000 to September 30th, 2000; and 5.75% as of October 1st, 2000.

Solvency margin

Net insurance company assets i.e. the excess of assets at current values over liabilities. The solvency margin comprises capital and reserves, valuation differences and the unallocated insurance reserve.

Solvency requirements

Solvency requirements, or the minimum solvency margin, are calculated on the risks inherent in the investments that make up the technical provisions margin. Solvency requirements are generally calculated in proportion to the technical provisions. The central quantity is represented by the solvency limit, in relation to which are determined the minimum level of the solvency margin, and the target zone upper and lower limits.

The minimum level of the solvency margin is two-thirds of the solvency limit. The lower limit of the target zone is

twice, and the upper limit four times, the solvency limit.

Technical provisions

Technical provisions comprise the premium and claims reserves. The premium reserve represents the capital value accumulated by the end of the financial year, of the funded components of pensions in respect of future contingencies. The premium reserve also includes the bonus reserve and unallocated insurance reserve. The claims reserve is the capital value of the funded components of future pensions in respect of contingencies that have already occurred. The claims reserve also comprises the equalisation reserve.

Technical provisions to be covered

Technical provisions plus liabilities in respect of pooled pension expenditure and policyholders, less the premium reserve for self-employed persons' pension insurance.

Turnover

Premiums written before the deduction of credit losses and the reinsurers' share, plus the investment income, other returns and realised valuation gains entered in the profit and loss account.

Unallocated insurance reserve

Part of the premium reserve that is included in the company's solvency margin and counts towards solvency per se. The remaining investment surplus and loading profit are transferred to the unallocated insurance reserve (see Bonus reserve), which serves as a buffer against investment value fluctuations. Legislation determined that a part of the investment return earned in 1997–1999 had to be used to accumulate the unallocated insurance reserve.

Valuation difference

The difference between the current and book values of assets included in the solvency margin. Changes in valuation differences are added to the company's income from investment operations.

Contact information

Varma-Sampo's website is located at www.varma-sampo.fi.

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