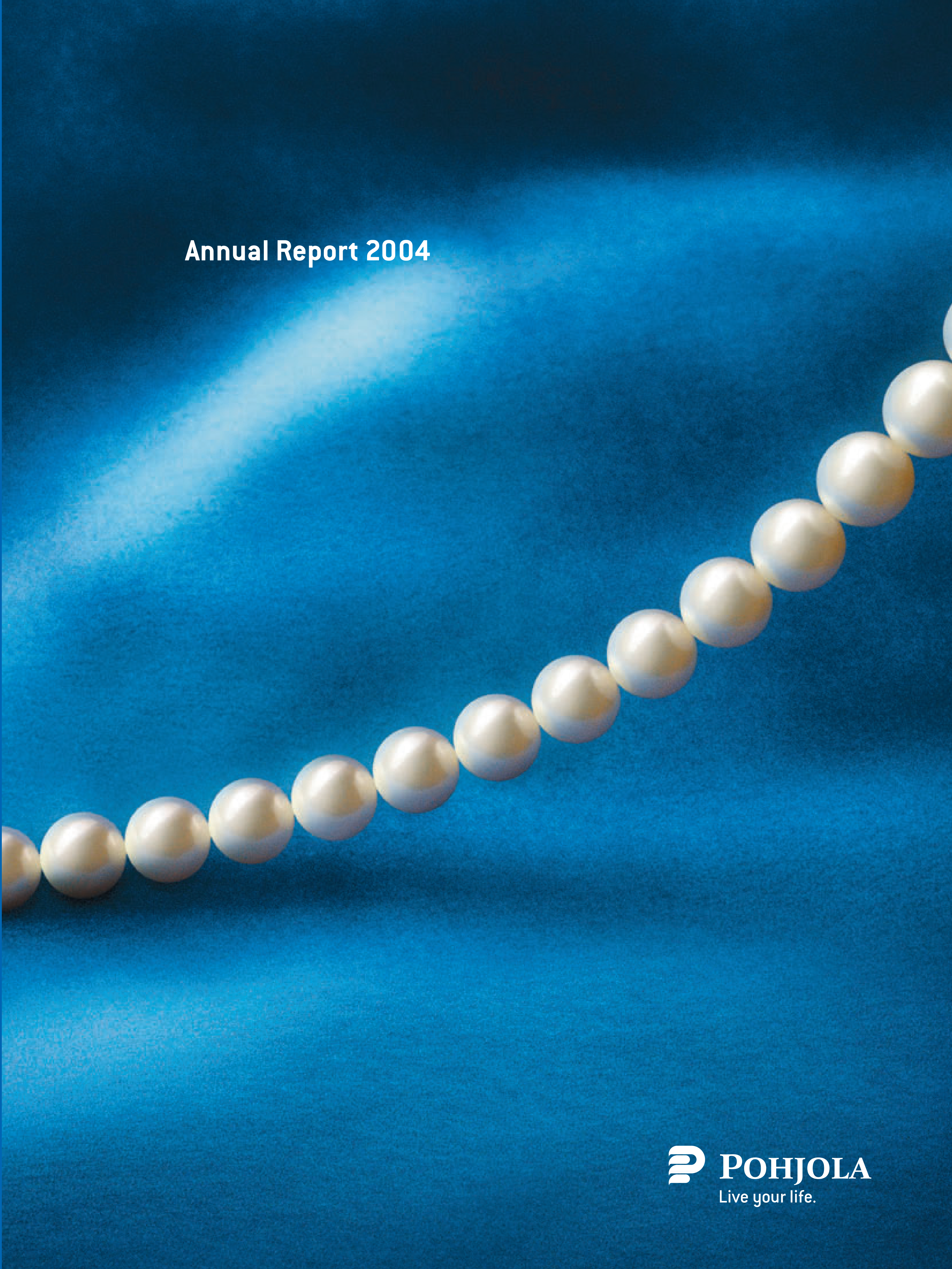
Annual Report 2004



POHJOLA
Live your life.

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REVIEW BY THE PRESIDENT AND CEO

A historic year for Pohjola

For the past three years, Pohjola has executed a business strategy founded on non-life insurance and investment services for customers.

Our mission has been to provide lifetime security and wealth for our customers, and thereby to free them to focus on the essential – on living their lives.

These three years have been a period of renewal and innovation for Pohjola. We have sought to underline the fact that the success of a service company derives from its customers.

To be competitive and to generate added value for all stakeholder groups, efficiency is essential. Therefore, we have spent three years cutting costs not related to our core business. We have questioned old processes and made more efficient use of corporate capital. Pohjola has turned from an institution into an efficient service provider.

In many ways, the year 2004 was a year of historic growth for Pohjola. Under the cooperation alliance formed by Pohjola, Suomi Mutual and Ilmarinen, an agreement was reached on a final division of responsibilities. Suomi Mutual ceased underwriting new life insurance business and Pohjola acquired from Suomi Mutual a life insurance portfolio of around EUR 1.2 billion. Pohjola Life, a wholly-owned subsidiary of Pohjola, went into operation at the beginning of 2005.

Non-life insurance targets reached

In the light of Pohjola's 113-year history, the operative result for our business in 2004 may be described as outstanding.

Insurance business growth exceeded the general economic growth. Our market share in non-life insurance has risen for three years in a row, and an upturn in customer numbers in both the corporate and private customer sectors has been even more gratifying.

For non-life insurance companies, perhaps the most important indicator is the combined ratio, which reflects the ratio of claims incurred and operating expenses to premiums earned. As recently as in the past decade, it was generally considered that a combined ratio of under 100 per cent was not possible in an insurance company. We have proved that assumption wrong; Pohjola's combined ratio for 2004 went down to 92 per cent, which is clearly below our target of 99 per cent. Today, the profitability of our insurance business is the highest in Finland, and excellent even among Nordic companies.

Pohjola has reached the targets set three years ago, well in advance of the scheduled year 2005. We can now shift our focus to investing in products, services and IT systems. Investment decisions of around EUR 50 million have already been made regarding IT system projects underway. From now on, we will concentrate especially on the quality of service. Our claims settlement periods, for example, have already shortened significantly. In line with our target, property claims are paid at Pohjola within an average of 14 days. The same target has been set for personal injury claims in 2005.

A major investment service provider

The management of customer funds also turned profitable in 2004. In addition to mutual funds, Pohjola's investment services comprise life and pension insurance products and discretionary asset management provided by the institutional asset management and private banking units. With the private banking business, we are now able to compete with banks.

Following the acquisition of the life insurance business, Pohjola became Finland's fourth largest investment services house. Investment services have grown into a business area that generates real added value for Pohjola, although a lot remains to be done.

At the same time as our insurance business and investment services posted a profit, our own investments showed a strong yield. The return on the investment portfolio was 8.4 per cent.

Pohjola's good performance was reflected in customer benefits as well as in shareholder value, which rose last year by EUR 340 million. For the first time in years, the share price exceeded the net asset value per share. The adjusted share price rose by a third, on an annual basis, proving that non-life insurance as such is attractive to investors. Our financial statements finally encourage investors also to follow other topics than the return on investments.

Turning threats into opportunities

Pohjola's operations are closely linked with the society in which we operate. Social decisions impact our own decisions, and what insurers have to say is a factor in many social responsibility issues. However, as far as insurance companies are concerned, the corporate tax reform left much to be desired. The revised tax laws will, moreover, lessen investors' interest in domestic equity investments. It will be increasingly important to sustain Finnish companies' profitability and efficiency. This will ensure that jobs remain in our own country and that Finnish-based shareholding is also seen in the future.

Pohjola has proved that non-life insurance can be successfully transacted by a limited liability company - a listed company whose risks are carried by the shareholders. The transparency and accurately managed finances of a listed company are a guarantee that Pohjola is also a safe choice for customers - not least because the financial standing and the risk-carrying capacity of the parent company and its subsidiaries are extremely high.

Insurance claims were exceptionally few in 2004. The largest single loss for Pohjola was the tsunami catastrophe in South-East Asia. The past year of natural disasters showed that the increase in risks and insecurity also changes practices in the insurance industry. For instance the risks arising out of climatic changes and natural catastrophes are the subject of increasingly intense research. So far, Finland has avoided large storm losses like those that have hit other Nordic countries. The floods which caused damage last summer did, however, lead to discussions about establishing a joint flood pool for insurance companies and about applying this concept also to cover other natural catastrophes.

Increasing threats bring challenges to the insurance industry, but they also open up many opportunities. Innovative non-life insurance products may have a decisive role in reducing the sense of insecurity. The demand for insurance cover is, in fact, expected to increase in the coming years.

The year 2004 was also an eventful year for our staff, who adjusted well to the increasingly rapid pace of change and, through their work, made possible Pohjola's good performance. As a token of gratitude, Pohjola has decided to reward the staff with an extra bonus.

I also wish to take this opportunity to thank all our stakeholder groups for their confidence in Pohjola - a company which, in accordance with its corporate values, is and aims to remain both innovative and successful.

Eero Heliövaara
President and CEO

POHJOLA IN BRIEF

Pohjola provides security and wealth for its customers. Our modern distribution network and wide product range offer customers an easy way to pool their insurance and investment affairs with Pohjola. The distribution network consists of 80 customer service branches, of Internet and call centre services and of a large network of cooperation partners and agents.

Pohjola's vision is to be a vanguard and the best alternative in insurance and investment services, providing private and corporate customers with comprehensive insurance cover. Besides non-life insurance products, Pohjola has focused on savings and investment products. Examples of these are our successful mutual funds, life, savings and pension policies and private banking and wealth management services. Pohjola also has an extensive cooperation partner network through which for instance savings bank services and Ilmarinen's statutory employee pension insurance are available.

Established in 1891, Pohjola is a financially strong Finnish insurance group with 1.6 million customers. The Pohjola share has been quoted on the Helsinki Stock Exchange since 1912. The company has 19 000 shareholders.

Pohjola employs around 2 700 people.

The Group also includes A-Insurance, Eurooppalainen, and the Seesam non-life insurance companies in the Baltic States.

Business functions

Non-life insurance

Pohjola's core know-how consists of non-life insurance.

The most common forms of insurance taken out by private households include motor, home, personal accident, medical expenses and travel insurance.

Companies and public corporations are offered statutory workers' compensation insurance, property, business interruption, liability, guarantee and construction defects insurance.

Investment services

The investment services function provides customers with a wide range of reasonable alternatives for investment and saving.

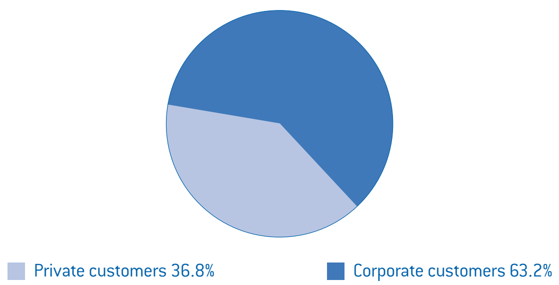
Pohjola's nearly 30 different mutual funds offer investors a suitable alternative in all market conditions.

Life, savings and pension insurance bring additional benefits, compared to traditional savings and investment alternatives.

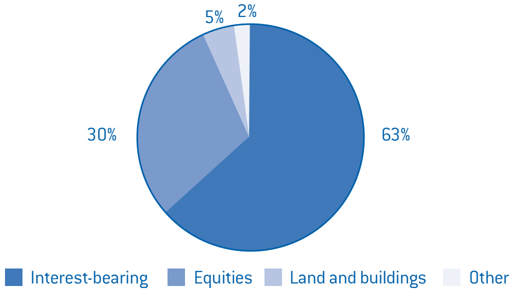
Pohjola Private looks after customers' assets individually and in the manner agreed with customers. Besides the company's own products, Pohjola, in the management of customers' portfolios, makes use of the best investment products from international cooperation partners.

Investment operations are a vital success factor for an insurance company. The aim of the responsible management of the Group's own assets is to obtain the best possible return on investments in the long term. In its investment decisions, the company must take into consideration the solvency requirements and the nature of the technical provisions. In addition to its own investment portfolio, Pohjola is in charge of the investments of its subsidiaries and those of Suomi Mutual.

Premiums written, total EUR 797.6 million



Assets managed by investment services, total EUR 11.8 bn



Key figures

		2004	2003
Group			
Operating profit	EUR million	279.4	197.5
Profit for financial year	EUR million	167.6	176.8
Earnings/share	EUR	1.10	1.01
Net asset value/share*	EUR	6.81	6.64
Return on equity (ROE)	%	15.5	13.5

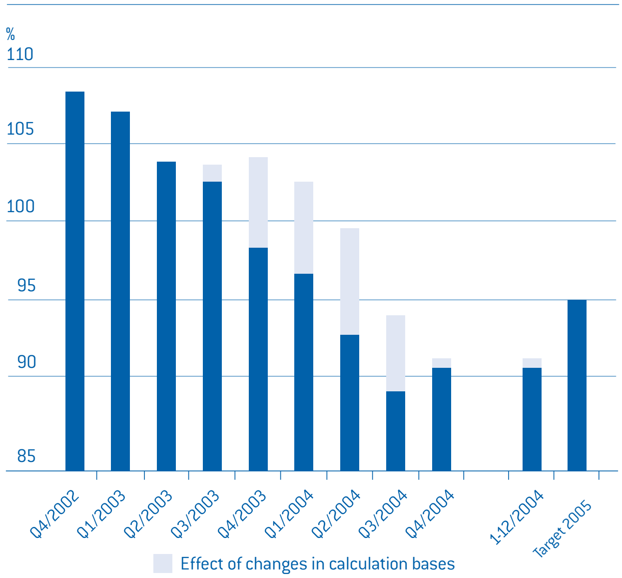
* At current values after tax, incl. equalisation provision

		2004	2003
Non-life insurance			
Premiums written	EUR million	797.6	739.3
Combined ratio*	%	92.0	105.1
Return on equity (ROE)	%	25.4	23.4
Solvency capital	EUR million	640.4	616.0

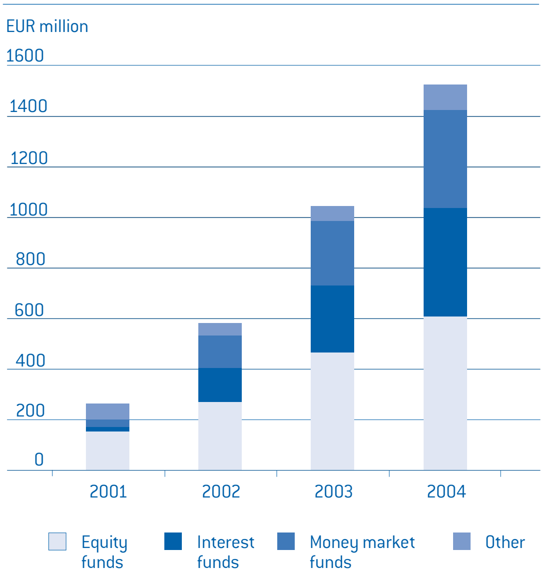
* Excluding unwinding of discount expense

		2004	2003
Investment services			
Assets under management in all mutual funds of Fund Management Company on December 31	EUR million	1 526	1 040
Return on equity (ROE)	%	28.3	-87.9

Combined ratio (rolling 12 months)



Assets managed by Fund Management Company



REPORT BY THE BOARD OF DIRECTORS

2004

Performance in January-December

Consolidated profit

Consolidated profit rose by 41.5% to EUR 279 million (EUR 198 million). Consolidated total operating expenses fell by 3.0% to EUR 253.2 million (EUR 260.9 million). After-tax profit for 2004 was EUR 168 million (EUR 177 million). Consolidated earnings per share for January-December were EUR 1.10 (EUR 1.01). Net asset value per share, including equalisation provision, was EUR 6.81 (EUR 6.64).

Performance in non-life insurance

Operating profit in non-life insurance increased to EUR 205 million (EUR 134 million). Growth in premiums earned to EUR 692 million (EUR 654 million), a favourable claims trend, and a decrease in total expenses to EUR 181 million (EUR 183 million) had a positive effect on the balance on technical account, which amounted to EUR 54 million (EUR -35 million), excluding unwinding of discount expense comparable with interest expense (unwinding of discount of pension annuities). The combined ratio, excluding unwinding of discount expense, improved to 92.0% (105.1%). Net investment income totalled EUR 188 million (EUR 203 million).

Performance in investment services

Operating profit in the investment services business amounted to EUR 5.1 million (EUR -10.1 million). A notable growth in assets under management contributed to the favourable trend.

Results from holding company investments and other operations

Operating profit from holding company investments and other operations stood at EUR 69 million (EUR 73 million), of which net investment income accounted for EUR 75 million (EUR 91 million).

Non-life insurance

Premiums written

Premiums written in January-December amounted to EUR 798 million (EUR 739 million). In domestic direct insurance, premiums written were EUR 732 million (EUR 660 million), which is 10.9% more than the figure for the corresponding period in 2003. Of the increase, 5.2 percentage points is explained by the one-off guarantee insurance contracts, worth a total of EUR 34 million, signed in the corporate customer sector in the spring. Because of reinsurance programs, these contracts have a minor impact on profit. The comparable growth figure was 5.7%.

Premiums written continued to develop favourably in all classes of domestic direct insurance. Premiums written generated by domestic corporate customers amounted to EUR 463 million (+15.6%) and those generated by private customers to EUR 269 million (+3.6%). The growth in premiums written from domestic direct insurance was partly a consequence of revised risk rating and acquisition of new customers.

The premiums written generated by the Baltic subsidiaries amounted to EUR 30 million (EUR 26 million). The companies became fully-owned subsidiaries of Pohjola in spring 2004.

Premiums written from other foreign insurance decreased to EUR 31.0 million (EUR 46.2 million). Most of the premiums written were generated by insurance covering foreign operations of Pohjola's Finnish customers.

Pohjola transacts non-life insurance business in Finland through three companies. Pohjola Non-Life is a general non-life insurance company. A-Insurance focuses on non-life insurance for professional transport and Eurooppalainen on travel insurance.

Combined ratio

The balance on technical account of non-life insurance, excluding unwinding of discount expense comparable to interest expense (unwinding of discount of pension annuities), stood at EUR 54.0 million (EUR -34.8 million). Increased premiums earned, reduced total expenses, more efficient risk selection and a favourable claims trend had a positive effect on the balance on technical account.

The combined ratio, excluding unwinding of discount expense, improved in January-December to 92.0% (105.1%), of which claims incurred accounted for 65.9 (77.2) percentage points and operating expenses and claims settlement expenses for 26.1 (28.0) percentage points. In accordance with an earlier estimate, Pohjola in the second quarter of the year adjusted the amount of its technical provisions after a new mortality model had been adopted in Finland. The impact of the increase was EUR 7.1 million, which impaired the combined ratio for January-December by 1.0 percentage points. In December, Pohjola decreased the discount rate for pension annuities from 3.7 to 3.5%. This impaired the balance on technical account by EUR 20.2 million and, correspondingly, the combined ratio by 2.9 percentage points. The Act on full cost responsibility regarding statutory lines of insurance was approved in December. In that connection, the technical provisions decreased by EUR 22.7 million, which improved the combined ratio by 3.3 percentage points. The changes in the bases of technical provisions for 2003 deteriorated the comparable combined ratio by 6.1 percentage points. In 2004, the combined ratio, adjusted by the changes in the bases of technical provisions, was 91.3% (99.0%).

The claims trend in the first quarter of the year was poorer than normally, in the second and third quarters it was exceptionally good and in the last quarter normal. In 2004, there were two losses exceeding EUR 2 million. Both of these occurred in the last quarter of the year. The largest single loss was caused by the tsunami catastrophe in Asia. The amount of claims for medium-size losses, those exceeding EUR 0.1 million, was lower than in 2003. In the main lines of insurance, the combined ratio improved the most in insurance covering fire and other damage to property, where the combined ratio was 93.6% (111.4%).

The retention per claim in property and business interruption insurance was in July lowered from EUR 7.5 million to around EUR 5 million. In other lines of insurance, the retention was at most EUR 4 million. New reinsurance contracts are written with companies whose insurance financial strength rating is at least ‘A’.

The profitability of the Baltic subsidiaries remained good, with the combined ratio at 70.8% (96.9%). In other foreign insurance, profitability was exceptionally good, which is explained by a small number of claims and by a decrease in the technical provisions following the lowered risk level.

Pohjola ceased underwriting foreign reinsurance in the early 1990s. The remaining amount of technical provisions for own account in foreign reinsurance in run-off totalled EUR 34 million (EUR 49 million).

Investments of non-life insurance

The current value of the investment portfolio in non-life insurance at the end of December totalled EUR 2 348 million (EUR 2 248 million). The restructuring of investments continued. As a result, the proportion of shares in the portfolio came closer to 18%, which is the average of the variation range set as target. At the end of December, the proportion of shares in the portfolio was 21% (24%). At the end of the period under review, the average duration of fixed-income securities was 5.2 years.

Net investment income was EUR 188 million (EUR 203 million). Gains on realisation of shares were EUR 91 million (EUR 84 million) and of debt securities EUR 17 million (EUR 23 million). The net effect of value adjustments and readjustments was EUR 5 million (EUR 7 million). Return on investments at current values was 8.2% (9.9%).

Solvency of non-life insurance

Standard & Poor’s affirmed on August 12, 2004 the insurance financial strength rating of A- (Outlook stable) for Pohjola Non-Life Insurance Company Ltd. Pohjola’s aim is to maintain the non-life solvency capital at a level which corresponds to an insurance financial strength rating of ‘A’. The improvement of profitability, the restructuring of investments and a more extensive reinsurance protection have decreased the need for solvency capital. Therefore, Pohjola Non-Life Insurance Company Ltd in the third quarter of the year distributed an additional dividend of EUR 80 million to its parent company, Pohjola Group plc.

Standard & Poor’s has affirmed the insurance financial strength rating of A- (pi) for Pohjola Non-Life’s subsidiary Eurooppalainen Insurance Company Ltd, which is specialised in travel insurance.

The solvency capital of non-life insurance at the end of the year totalled EUR 640 million (EUR 616 million) and the solvency ratio was 92.6% (94.3%). The figure has been reduced by the additional dividend of EUR 80 million distributed to the parent company in August 2004 and by a dividend of EUR 50 million proposed to be distributed to the parent company in 2005 (EUR 5 million). In addition, Pohjola Non-Life holds a subordinated loan of EUR 40 million and a subordinated loan option of EUR 50 million granted by the parent company.

Return on equity in non-life insurance

Return on equity at current values in non-life insurance was 25.4% (23.4%).

Investment services

The investment services function of Pohjola offers full-range investment services to companies and to private and institutional investors. The function covers e.g. mutual fund, private banking and discretionary and institutional asset management services. At the beginning of 2005, Pohjola started life insurance business as part of the investment services business. As a result, the size of this business area will increase.

In 2004, the operations of the investment services function began to show a profit, which at the end of the year was EUR 5.1 million (operating loss EUR 10.1 million). A notable growth in assets under management was the most important factor contributing to this improvement.

At the end of December, the total assets under management in all mutual funds of Pohjola Fund Management Company were EUR 1 526 million (EUR 1 040 million). The Group's own investments accounted for 20.0% of the fund assets at the end of December. At year-end, the total amount of assets under management by the investment services function was EUR 11.8 billion (EUR 1.3 billion).

At the beginning of 2004, the assets under management in the investment services business grew notably when the Pohjola group and Suomi Mutual transferred the management of their investments, representing assets of around EUR 9.5 billion, to the investment services function. Earlier, these assets had been managed by Pohjola's own investments function as part the Group's other operations.

According to preliminary figures, premiums written in the life insurance sector in January-December grew by 0.7% compared to the corresponding period in 2003. The sale of Suomi Mutual's life products through the Pohjola distribution network declined and the commissions received were EUR 9.6 million (EUR 13.3 million). Uncertainty about the taxation of pension insurance was the most prominent factor which hampered growth in sales in the first quarter of the year.

Pohjola's brokerage business was sold to eQ Bank Ltd on October 1, 2004. eQ Bank paid the full sale price, EUR 2 million, in cash. For the transaction, the Pohjola group recognised a capital loss of EUR 0.7 million under extraordinary expenses in the last quarter of 2004.

Other Group operations

At the end of December, the current value of the Group's investment portfolio not allocated to business operations (i.e. the holding company's investments) stood at EUR 191 million (EUR 435 million). Net investment income was EUR 75 million (EUR 91 million), of which gains on realisation of shares accounted for EUR 68 million (EUR 72 million). The equity weight in the investment portfolio was 66% (57%).

Pohjola's share of the results of Nooa Savings Bank Ltd was EUR -0.8 million. Pohjola's holding in the bank is 25%.

After the proposed EUR 107 million dividends, the solvency capital not allocated to business operations amounted to EUR 192 million at the end of December (EUR 402 million). The main part of this capital is held by the parent company. The figure has been reduced by the capital and reserves of the life insurance business, EUR 135 million.

Staff

At the end of December 2004, the Group had 2 488 employees (2 801 employees) and an average of 2 685 employees in the period under review (2 939 employees). The staff reductions have been carried out without layoffs, by means of natural attrition, by pension and support packages, and by outsourcing support functions. At the beginning of 2005, 232 people transferred from Suomi Mutual to Pohjola as old employees.

Corporate structure

Pohjola Life and Suomi Mutual on May 13, 2004 signed agreements on insurance portfolio transfer in accordance with a preliminary agreement signed in February. An around EUR 1.2 billion life insurance portfolio and life insurance business, including IT systems, were transferred to a subsidiary established and wholly owned by Pohjola, Pohjola Life Insurance Company Ltd (Pohjola Life), for a sale price of EUR 23 million. In that connection, a medical expenses insurance portfolio of EUR 16 million was transferred to Pohjola Non-Life. The portfolio transfers were effected on January 1, 2005, in accordance with the consent of the Finnish Insurance Supervisory Authority. The details of the portfolio transfers were given in a stock exchange release on January 3, 2005.

Pohjola Group plc acquired from American International Group, Inc. (AIG) the total holding of the Seesam companies, which transact non-life insurance in Estonia, Latvia and Lithuania. Before the transaction, Pohjola's holding in the subsidiaries was 50.1% to 50.5%. In addition, Pohjola and AIG agreed that their cooperation in the Baltic States would continue.

In May, Pohjola, Suomi Mutual and Ilmarinen Mutual Pension Insurance Company, customers of the Pohjola subsidiary Pohjolan Atk-palvelu Oy signed a letter of intent on cooperation with WM-data Oy.

The final agreements were signed in December and they took effect at the turn of the year, when Pohjolan Atk-palvelu became wholly owned by WM-data Oy. As regards Pohjola, the primary objective for the new contract period is to establish an increasingly flexible operational model, to cut operating costs and to secure the company's competitiveness by an efficient use of information technology in the development of business. The estimated annual cost savings will be around EUR 5 million at the Group level, most of which will relate to the non-life insurance business.

Conventum Securities Limited, a wholly-owned subsidiary of Pohjola Group plc, and eQ Bank Ltd., a wholly-owned subsidiary of eQ Online Corporation, on September 28, 2004 signed an agreement under which Conventum Securities sold its business operations to eQ Bank on October 1, 2004. eQ Bank paid the full sale price, EUR 2 million, in cash. In the last quarter of 2004, the Pohjola group recognised, under extraordinary expenses, a capital loss of EUR 0.7 million for the transaction. By selling the brokerage function, which was not part of the Group's core business, Pohjola streamlined further the structure of its business. The focus areas of Pohjola's business operations are non-life insurance and investment services.

The management of the Group's securities investments, earlier the responsibility of the parent company, was transferred to Pohjola Asset Management Ltd from the beginning of 2004.

Pohjola has centralised functions of foreign insurance in run-off into its subsidiary Bothnia by executing a merger between Bothnia and Pohjola's subsidiary Varma Mutual Insurance Company (in voluntary liquidation) on September 30, 2004, and by carrying out, on October 1, 2004, a partial portfolio transfer regarding the subsidiary A-Insurance Ltd's foreign insurance in run-off.

Pohjola has a foreign branch in Canada. The insurance portfolio consists of insurance business in run-off.

Risk management

Risk management at Pohjola is based on the Group's Risk Management Plan, under which the development of risk management and the measures planned to be taken to control risks are reported regularly to the Board of Directors. Pohjola has a separate risk management function, which coordinates the risk management work done at the Group. In addition, the Group has an internal audit function, which is independent of business functions. The internal audit function is responsible for evaluating the adequacy of the Group's internal control.

The investment operations of the non-life insurance company are based on the Investment Plan confirmed annually by the Board of Directors and on the investment powers approved by the Board of Directors. The Group actuary monitors the adequacy of the technical provisions, compliance with the premium bases and arrangement of reinsurance, and submits to the Board of Directors a report of whether the company's investment operations meet the requirements set by the nature of the technical provisions.

Only companies with a sufficiently high insurance financial strength rating are accepted as reinsurers. Moreover, the Group has confirmed maximum limits for the amounts of business ceded to one reinsurer.

As regards the management of operative risks, special attention is paid to a professional staff and well-functioning IT systems.

Legislation

Finnish taxation changed from the beginning of 2005. The corporation tax rate was lowered from 29% to 26%. At the same time, the avoir fiscal tax credit system was abandoned as regards dividends paid by Finnish companies, and dividends became partly subject to double taxation. The tax rate on the dividend income received by Pohjola from Finnish companies rose. Of dividends from investment assets, 75% of income is subject to tax. Sale of shares in fixed assets and their write-downs are mainly tax-exempt.

The laws regarding the implementation of full cost responsibility for medical treatment expenses in statutory workers' compensation insurance and motor liability insurance took effect on January 1, 2005. Earlier, insurers' liability to pay compensation was limited to those expenses that the injured party was liable to pay to the hospital or health care centre. Under the new legislation, full cost responsibility means that the statutory workers' compensation insurance and motor liability insurance systems cover in full the expenses incurred from medical care received by injury patients within public health care. After the entry into force of the law, a special medical expenses fee, a so-called 'plaster tax', was abolished. This special fee, collected in connection with the above lines of insurance, compensated for the difference between customer fees and real costs. Pohjola estimates that the amended law will not have any significant impact on the company's profitability. After the entry into force of the law, the provisions for expenses for medical treatment and medical care under motor liability insurance were removed as one-off items from the technical provisions, to the extend that they pertained to compensation payable for over 10-year old claims.

Pohjola senior management and corporate governance

The company's Board of Directors included in 2004 Mr Eino Halonen (Chairman), Mr Martin Granholm (Deputy Chairman from April 22, 2004), Mr Heikki Bergholm, Mr Kari Puro and Mr Timo Salonen and, from April 22, 2004, Ms Kirsi Aaltio and Ms Maarit Toivanen-Koivisto.

Mr Heikki Hakala acted as a Board member and the Deputy Chairman of the Board until April 22, 2004.

Mr Eero Heliövaara acted as the President and CEO of the company.

Committees of the Board of Directors

In 2004, the Audit Committee included Mr Heikki Hakala (member and Chairman until April 22, 2004), Mr Timo Salonen (Chairman from April 22, 2004), Ms Kirsi Aaltio (from April 22, 2004) and Mr Heikki Bergholm.

The Compensation Committee included in 2004 Mr Eino Halonen (Chairman) and Mr Martin Granholm, Mr Kari Puro and Mr Heikki Hakala (until April 22, 2004).

Authorisations of the Board of Directors and the company's own shares

The Annual General Meeting held on April 22, 2004 authorised the Board of Directors to decide on an increase in the share capital through a new issue of shares and/or on an issue of convertible bonds in such a way that on the basis of the new issue of shares and the convertible bonds, the share capital can be increased by a total maximum of EUR 5 760 810 by offering for subscription a maximum of 6 400 900 new shares with an accounting par value of EUR 0.90 at a price determined by the Board of Directors and otherwise on the terms decided by the Board of Directors.

The authorisation includes the right to deviate from the shareholders' pre-emptive right of subscription provided that the company has a weighty financial reason for the deviation, for example carrying out acquisitions or cooperation arrangements. The authorisation will be in force for one year from the resolution of the Annual General Meeting.

The Extraordinary General Meeting held on September 22, 2004 authorised the Board of Directors to decide on the repurchase, with funds available for distribution of profit, of a maximum of 6 000 000 Pohjola shares with an accounting par value of EUR 0.90 each. The authorisation will be in force until April 7, 2005.

The company's own shares can be repurchased in order to develop the company's capital structure, to finance acquisitions or other arrangements, to put into effect incentive systems of the company or its subsidiaries, or to be otherwise conveyed, or to be invalidated.

The Extraordinary General Meeting on September 22, 2004 authorised the Board of Directors to decide on the conveyance of a maximum of 6 000 000 Pohjola shares with an accounting par value of EUR 0.90 per share to be repurchased by the company, on the following terms:

The Board of Directors was authorised to decide to whom and in what order the company's own shares will be conveyed. The shares will be conveyed at the price decided by the Board of Directors and they can also be conveyed against other contribution than money.

The Board of Directors may decide on conveyance of the company's own shares in another proportion than that of the shareholders' pre-emptive rights to the company's shares, provided that, from the company's perspective, there are weighty financial grounds for the deviation. Such weighty financial grounds may include the development of the company's capital structure, the carrying out of acquisitions or other arrangements, or the use of shares to put into effect incentive systems of the company or its subsidiaries.

The Board of Directors may also decide on the sale of the shares in public trading arranged by the Helsinki Stock Exchange, as well as on the other terms of conveyance of the shares.

The authorisation will be in force until April 7, 2005.

Increase in share capital and company's own shares

The Annual General Meeting passed resolutions on an increase in the company's share capital and on amendments to parts of the company's Articles of Association. The share capital was increased by two bonus issues to change the accounting par value of the company's share and to triple the number of shares. The increase in the share capital, the amendments to the Articles of Association and the alterations of the year 2001 stock option plan due to the bonus issues were entered in the Finnish trade register on April 27, 2004.

In the bonus issue, 101 545 702 new shares were issued. Two new shares were given against one old share. Contrary to the rights of the old shares, the new shares did not, however, give entitlement to that dividend for the financial year 2003 the distribution of which was resolved by the Annual General Meeting on April 22, 2004 and the payment date of which was May 4, 2004. Otherwise, the old and new shares provide equal shareholder rights.

The new shares have, together with the old shares, been subject to public trading on the Helsinki Stock Exchange since April 28, 2004. The lot size continues to be 50 shares.

After the registration of the increase in the share capital, Pohjola's share capital was EUR 137 086 697.70. The company had a total of 152 318 553 shares with an accounting par value of EUR 0.90 each.

Because of the bonus issue, the Annual General Meeting also altered the terms of the option rights contained in Pohjola's stock option plan 2001 in such a way that three shares with an accounting par value of EUR 0.90 each can be subscribed against one option right. The subscription price of shares is the subscription price calculated in accordance with the terms of the option rights, divided by three.

The main information on the bonus issues and the amendments to the Articles of Association were disclosed in the Pohjola stock exchange release of April 22, 2004.

On the basis of option rights A and B under Pohjola Group plc's year 2001 stock option plan, a total of 830 094 new Pohjola shares were subscribed in 2004, of which 64 794 shares were subscribed with option rights A and 765 300 shares with option rights B. In consequence of the share subscriptions, Pohjola received in total EUR 3 553 977.31 in capital and reserves. The increase in share capital corresponding to the share subscriptions, EUR 747 084.60 in total, has been entered in the Finnish trade register. After the increase, Pohjola's share capital is EUR 137 833 782.30 and the total number of shares is 153 148 647 shares. The new shares, together with the old Pohjola shares, are subject to public trading on the Helsinki Stock Exchange main list.

Between January 11 and February 8, 2005, Pohjola has repurchased 232 000 shares of the company at an average price of EUR 8.90 per share. The total accounting par value of the shares is EUR 208 800 and they represent 0.15% of all shares and votes in Pohjola.

Events after financial year

Pohjola launched life insurance operations on January 1, 2005. Suomi Mutual transferred an around EUR 1.2 billion life insurance portfolio and life insurance business with IT systems to a company established and wholly owned by Pohjola, Pohjola Life Insurance Company Ltd (Pohjola Life), for a sale price of EUR 23 million. Together with the portfolio transfer, an equalisation provision of EUR 14 million was transferred, for which Pohjola Life paid EUR 10 million, reduced by deferred tax liability. Suomi Mutual's EUR 16 million medical expenses insurance portfolio was transferred to Pohjola Non-Life. The insurance portfolio transfers were completed on January 1, 2005. At that date, an amount of investments corresponding to the technical provisions was also transferred. The main part of these investments consisted of cash.

Of the transferred portfolio, around EUR 904 million represented technical provisions for with-profits policies and around EUR 330 million technical provisions for unit-linked policies. Over 150 000 insurance contracts were transferred.

On January 1, 2005, the insurance underwriting of Suomi Mutual was, in accordance with the agreement signed on February 26, 2004, transferred to Pohjola Life, which will provide Suomi Mutual with insurance management services. In connection with this arrangement, the agreements between Pohjola and Suomi Mutual were renegotiated to conform to the new operational model.

Altogether 232 people transferred from Suomi Mutual to Pohjola as old employees.

Pohjola Group plc capitalised Pohjola Life with a total of EUR 180 million, which comprised EUR 135 million in capital and reserves and EUR 45 million in subordinated loan. The capitalisation was over three times as much as the minimum requirement under the law.

In accordance with a shareholder agreement signed on February 27, 2004, Suomi Mutual on January 3, 2005 acquired from Ilmarinen part of the Pohjola shares held by Ilmarinen. On the completion of the transaction, Suomi Mutual's holding of shares and votes in Pohjola rose to 49.64% (33.32%) and Ilmarinen's holding went down to 9.24% (25.84%).

On January 3, 2005, Pohjola sold its guarantee shares in Suomi Mutual to Ilmarinen at a sale price of EUR 0.5 million and its guarantee shares in Ilmarinen to Suomi Mutual at a sale price of EUR 15.7 million. The arrangement dissolved Pohjola's cross holdings. For the sale of the guarantee shares, Pohjola will recognise a capital gain of EUR 8.5 million in the first quarter of 2005.

On January 3, 2005 Pohjola sold its head office property to a company established by real estate investment trusts managed by the US-based investment firm W.P.Carey & Co. LLC. The net sale price totalled EUR 71 million and the net capital gain was around EUR 24 million. Pohjola has rented back the property from the buyer for ten years and has rented out one third of the property to Sanoma Magazines Finland Corporation.

Financial objectives

Long-term objectives

At its meeting on February 8, 2005, the Board of Directors of Pohjola raised the long-term target for return on equity in non-life insurance to 15%. The aim is to maintain the combined ratio under 99% in all phases of the economic cycle. The Board of Directors sets annually a profitability target for non-life insurance. Pohjola aims to maintain its non-life solvency capital at a level which corresponds to an insurance financial strength rating of 'A'. In the non-life insurance business, the target equity allocation in the balanced investment portfolio is 16 to 20%. The average return on the balanced investment portfolio is estimated at 5.5%.

In investment services, the long-term target for return on equity is 15%. In that segment, the target for return on equity in life insurance is 12% and the aim is to maintain capitalisation at a level of over 10%, proportioned to the technical provisions.

Objectives for 2005

At its meeting on February 8, 2005, the Board of Directors defined the 2005 profitability target for non-life insurance as a combined ratio of 95%, excluding unwinding of discount expense.

The objective in life insurance business is to achieve a profit of around EUR 10 million with a standardised 4.8% return on the investment portfolio. For the rest of the investment services function, the aim is to exceed the performance in 2004.

Dividend policy and repurchase of company's own shares

Pohjola will distribute at least half of the profits in dividends to shareholders, provided that the following conditions are met:

- Pohjola maintains the insurance financial strength rating of 'A' in non-life insurance and
- an at least 10% solvency in life insurance.
- Moreover, a sufficient capital buffer is maintained in the parent company to secure the company's growth and the above-mentioned objectives in all phases of the economic cycle.

In addition to dividend distribution, Pohjola makes use of the share buy-back programme to adjust efficient use of the company's capital, within the framework of the authorisations given by the Annual General Meeting.

Outlook

In the company's view, there are justified grounds for assuming that demand for new or more extensive insurance cover is increasing, in the long term, given the recent natural catastrophes, and given the still low amount of premiums per capita in Finland.

The growth rate in Pohjola's premiums earned is forecast to exceed the growth in the Finnish gross domestic product this year. The incidence of loss is expected to normalise from the exceptionally favourable claims trend in 2004.

The demand for and volumes of investment services are anticipated to grow further in Finland. On the basis of premiums written from the transferred insurance portfolio and sales of new business, the technical provisions of life insurance are estimated to exceed EUR 1.4 billion by the end of 2005.

The general instability of investment markets, slow economic growth and low interest rate levels dampen expectations for high investment returns.

Proposal by the Board of Directors for distribution of retained earnings

In accordance with the annual accounts as at December 31, 2004, the Group's distributable funds amounted to EUR 436 million and those of the parent company to EUR 296 million.

The Board of Directors proposes to the Annual General Meeting that EUR 0.70 per share be distributed in dividend and that the date of dividend payment be March 31, 2005. EUR 30 000 will be reserved for donations for worthy causes. The rest of the distributable funds will be transferred to the contingency reserve.

KEY FIGURES

Financial development of Group		2000	2001	2002	2003	2004
Key figures						
Turnover	EUR million	4 057.8	975.7	1 244.8	1 174.2	1 190.7
Premiums written	EUR million	889.1	597.2	706.9	739.3	797.6
Operating profit	EUR million	1 157.8	76.4	167.3	197.5	279.4
of turnover	%	28.5	7.8	13.4	16.8	23.5
Profit before extraordinary items	EUR million	1 100.8	95.7	189.3	223.3	231.0
of turnover	%	27.1	9.8	15.2	19.0	19.4
Profit before untaxed reserves and tax	EUR million	1 100.7	272.2	189.3	219.4	230.3
of turnover	%	27.1	27.9	15.2	18.7	19.3
Return on equity at current values after tax	%	1.0	-26.9	-20.9	13.5	15.5
Return on assets at current values	%	2.8	-12.5	-8.9	6.1	8.5
Equity to balance sheet total at current values	%	32.7	36.0	28.4	29.0	28.3
Average number of employees		2 704	2 690	3 170	2 939	2 685
Key figures for non-life insurance						
Turnover	EUR million	980.1	823.4	1 090.7	1 016.9	1 041.6
Premiums written	EUR million	551.1	552.6	706.9	739.3	797.6
Loss ratio	%	87.0	95.9	90.5	90.4	78.6
Expense ratio	%	24.4	24.7	24.9	20.4	19.2
Combined ratio	%	111.4	120.6	115.3	110.8	97.8
Combined ratio before unwinding of discount	%		114.2	109.2	105.1	92.0
Return on equity at current values after tax	%		-9.7	-5.1	23.4	25.4
Return on investments at current values before tax	%		0.2	1.6	9.9	8.2
Solvency margin	EUR million	684.0	479.9	383.7	450.0	430.4
Equalisation provision	EUR million	217.6	207.8	185.8	160.0	208.5
Solvency capital	EUR million	904.7	690.9	576.5	616.0	640.4
Solvency capital as percentage of technical provisions	%	65.8	42.6	34.1	34.4	35.4
Solvency ratio	%	178.8	121.0	92.9	94.3	92.6
Average number of employees						
Non-life insurance		937	984	1 211	1 150	1 097
Service network		910	962	1 126	1 042	928
Key figures for investment services			9-12/2001			
Turnover	EUR million		4.3	29.4	29.4	46.8
Operating profit/loss	EUR million		-0.5	-	-10.1	5.1
Income/expenses ratio before depreciation on unallocated consolidation goodwill			1.01	1.04	0.83	1.2
Capital and reserves	EUR million		11.8	12.2	10.7	13.0
Average number of employees			94	99	96	126

KEY FIGURES

Consolidated profit	EUR million	2000	2001	2002	2003	2004
Non-life insurance						
Premiums earned		506.0	492.9	620.4	653.5	**691.5**
Claims incurred		-440.0	-472.6	-561.4	-590.7	**-543.3**
Operating expenses		-123.7	-121.8	-154.2	-133.4	**-132.8**
Other technical income and charges		-1.0	-1.0	-1.2	-1.2	**-1.3**
Balance on technical account before change in equalisation provision		-58.7	-102.5	-96.3	-71.8	**14.2**
Investment income and charges		299.4	157.9	218.1	202.9	**188.4**
Income and charges for sales of services		-5.3	-2.9	0.1	2.9	**3.3**
Depreciation on goodwill		-	-	-1.3	-1.2	**-1.6**
Share of associated undertakings' profit/loss		1.5	0.7	1.6	1.4	**1.2**
Operating profit		236.9	53.2	122.2	134.3	**205.5**
Change in equalisation provision		-14.3	26.6	22.0	25.8	**-48.4**
Unrealised gains and losses on investments		0.4	-	-	-	**-**
Profit before extraordinary items		223.0	79.8	144.2	160.1	**157.0**
Investment services			9-12/2001			
Income			4.3	29.4	29.4	**46.8**
Expenses			-4.4	-28.2	-35.5	**-41.2**
Operating profit/loss before depreciation on unallocated consolidation goodwill			-0.1	1.2	-6.1	**5.6**
Depreciation on unallocated consolidation goodwill			-0.4	-1.2	-4.0	**-0.5**
Operating profit/loss			-0.5	0.0	-10.1	**5.1**
Holding's investments			2001			
Investment income and charges		173.1	27.8	73.8	91.2	**75.3**
Income and charges for sales of services		0.6	0.6			
Share of associated undertakings' profit/loss		1.3	1.9	-9.7	-5.3	**-0.8**
Operating profit		175.0	30.3	64.1	85.9	**74.5**

Consolidated profit

EUR million	2000	2001	2002	2003	2004
Other operations					
Income and charges for sales of services	12.2	8.5	1.8	2.0	**0.2**
Interest income and charges	-	0.1	-0.1	-0.7	**0.3**
Group administrative expenses	-13.4	-10.7	-9.4	-8.2	**-6.0**
Restructuring and other provisions	-	-	-11.3	-5.6	**0.0**
Operating loss	-1.2	-2.1	-19.0	-12.5	**-5.5**
Life insurance		1-2/2001			
Operating profit/loss	747.1	-4.6			
Profit/loss before extraordinary items	704.1	-11.9			
Group in total		2001			
Operating profit	1 157.8	76.4	167.3	197.5	**279.4**
Profit before extraordinary items	1 100.8	95.7	189.3	223.3	**231.0**
Extraordinary income	-	176.9	-	-	**-**
Extraordinary expenses	-0.1	-0.4	-	-4.0	**-0.7**
Profit before untaxed reserves and tax	1 100.7	272.2	189.3	219.4	**230.3**
Tax on profit	-320.2	-50.2	-55.2	-40.9	**-61.1**
Minority interests	-2.6	-2.3	-1.5	-1.6	**-1.6**
Consolidated profit	777.9	219.8	132.6	176.8	**167.6**

KEY FIGURES

Premiums written, non-life insurance

EUR million	2003	2004	Change %
Domestic direct insurance			
Statutory workers' compensation	160.1	179.5	12.1
Other accident and health	42.7	46.0	7.8
Motor, third party liability	121.7	127.7	4.9
Motor, other classes	101.7	102.9	1.2
Marine, aviation and transport	33.0	36.6	10.8
Fire and other damage to property	130.6	132.7	1.6
Third party liability	41.3	43.5	5.4
Miscellaneous	28.9	62.8	117.0
Total	660.0	731.7	10.9
Domestic reinsurance	7.6	5.2	-31.7
Baltic subsidiaries	25.5	29.6	16.1
Foreign insurance	46.2	31.0	-32.9
Total	739.3	797.5	7.9
Foreign insurance in run-off	0.0	0.1	
Total	739.3	797.6	7.9

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

	2003			2004		
	EUR million	%	%	EUR million	%	%
Domestic direct insurance						
Statutory workers' compensation	-10.4	97.8	106.1	-16.0	99.6	108.6
Other accident and health	-5.9	85.1	114.2	-5.3	79.6	112.2
Motor, third party liability	-6.9	85.1	105.4	-1.5	80.6	100.8
Motor, other classes	2.4	76.1	97.6	8.0	73.0	92.4
Marine, aviation and transport	0.2	65.0	98.9	4.6	59.3	80.3
Fire and other damage to property	-12.9	84.3	111.4	7.5	70.2	93.6
Third party liability	-4.5	90.6	113.3	8.7	58.4	76.4
Miscellaneous	-7.0	101.0	135.1	-2.3	82.6	110.8
Total	-44.9	86.9	107.2	3.6	80.7	99.3
Domestic reinsurance	2.0	62.3	72.6	-1.6	113.4	128.4
Baltic subsidiaries	0.4	71.0	96.9	5.1	44.5	70.8
Foreign insurance	13.4	32.6	52.9	10.5	19.9	45.3
Total	-29.2	84.0	104.3	17.5	78.4	97.3
Foreign insurance in run-off	-2.3			1.3		
Total	-31.5	84.3	104.6	18.8	77.9	97.1
Changes in technical provisions bases	-40.2			-4.6		
In profit and loss account	-71.8	90.4	110.8	14.2	78.6	97.8

Consolidated solvency

EUR million	2000	2001	2002	2003	2004
Non-life insurance					
Solvency margin					
Capital and reserves	125.2	165.8	181.4	278.6	264.1
Difference between current and book values of investments	565.8	406.3	230.7	203.4	199.4
Deferred tax liabilities	3.1	-66.0	-11.1	-14.8	-9.4
Deferred tax assets					-2.9
Intangible assets	-7.1	-23.5	-16.8	-17.4	-23.3
Other	-3.0	-2.7	-0.6	0.3	2.6
Total	684.0	479.9	383.7	450.0	430.4
Equalisation provision	217.6	207.8	185.8	160.0	208.5
Minority interest	3.1	3.2	7.1	6.0	1.6
Solvency capital	904.7	690.9	576.5	616.0	640.4
Investment services					
Capital and reserves		11.8	12.2	10.7	13.0
Intangible assets		-19.1	-19.8	-7.4	-5.2
Other		-0.9	-	-	-
Total		-8.2	-7.6	3.3	7.8
Life insurance					
Solvency capital	257.7				134.1
Holding operations					
Capital and reserves	847.8	492.6	409.1	381.4	377.8
Additional dividend paid					-99.0
Proposed distribution of profit	-651.4	-203.1	-101.6	-50.8	-107.2
Difference between current and book values of investments	873.8	462.8	134.4	117.7	67.8
Deferred tax liabilities	-253.4	-134.2	-39.0	-34.1	-14.1
Deferred tax assets					-16.9
Intangible assets	-9.5	-9.5	-17.0	-17.0	-16.8
Other	-4.9	-1.0	0.6	2.4	-
Minority interest	-	0.3	2.2	2.4	-
Total	802.4	607.9	388.8	402.0	191.5
Other operations					
Capital and reserves	4.1	8.5			
Intangible assets	-3.3	-5.4			
Minority interest	3.6	3.6			
Total	4.4	6.7			
Group in total	1 969.2	1 297.3	957.7	1 021.3	973.9

KEY FIGURES

Investment portfolio on Dec. 31 EUR million	2000	2001	2002	2003	2004	2004 %
Non-life insurance						
Current value						
Fixed-income securities	937.5	967.7	1 117.1	1 270.1	1 385.5	59
Other debt securities and deposits with credit institutions	88.2	141.9	316.0	152.1	124.0	5
Shares and fund units *)	1 066.9	931.3	617.7 *)	674.1 *)	673.8 *)	29
Land and buildings	183.9	237.6	155.3	143.7	156.6	7
Loans	0.1	-	5.7	5.5	5.3	0
Other investments	7.1	7.0	4.0	2.4	2.9	0
	2 283.7	2 285.5	2 215.8	2 247.9	2 348.1	100
*) Includes bond funds			48.3	137.2	187.2	
Difference between current and book values						
Fixed-income securities	17.7	19.1	45.0	23.0	44.0	
Other debt securities			0.4	0.1		
Shares and fund units	512.7	352.0	169.3	157.1	119.5	
Land and buildings	35.4	35.2	15.9	23.3	35.9	
	565.8	406.3	230.7	203.4	199.4	
Book value in total	1 717.9	1 879.2	1 985.1	2 044.5	2 148.7	
Life insurance						
Current value	3 092.6				148.7	
Difference between current and book values	231.8				0.0	
Book value	2 860.8				148.6	
Holding's investments						
Current value						
Fixed-income securities	8.7	83.9	71.3	63.3	4.5	2
Other debt securities and deposits with credit institutions	11.1	136.2	22.5	91.8	59.2	31
Shares and fund units	1 000.2	655.4	311.6	279.2	127.1	66
Land and buildings	0.1	-	-	-	-	
Loans		0.1	1.2	1.1	0.5	
Other investments	-	-	-	-	-	
	1 020.1	875.6	406.5	435.4	191.2	100
Difference between current and book values						
Fixed-income securities	0.1	0.5	0.8	0.9	1.7	
Other debt securities		0.1	-	-	-	
Shares and fund units	873.7	462.2	133.5	116.8	66.1	
	873.8	462.8	134.4	117.7	67.8	
Book value in total	146.3	412.8	272.1	317.8	123.4	
Group in total						
Current value	6 396.4	3 161.1	2 622.3	2 683.3	2 687.9	
Difference between current and book values	1 671.4	869.1	365.1	321.1	267.2	
Book value	4 725.0	2 292.0	2 257.3	2 362.3	2 420.7	

Net investment income

EUR million	2000	2001	2002	2003	2004
Non-life insurance					
Continuous income					
Interest	63.0	55.8	65.5	60.9	**59.8**
Dividends	49.2	42.5	29.0	30.4	**28.9**
Income from land and buildings	7.0	5.5	2.6	-4.2	**-5.6**
Provision			-2.6	0.2	
Other income/charges	-2.7	-2.8	7.8	6.6	**0.1**
Total	116.5	101.0	102.3	94.0	**83.2**
Appreciation/depreciation in profit and loss account					
Gains/losses on realisation	244.4	96.5	214.5	108.6	**108.8**
Value adjustments	-63.0	-49.0	-97.6	-29.6	**-15.2**
Value readjustments	8.9	16.4	6.0	36.1	**19.8**
Depreciation on buildings	-5.1	-4.6	-4.5	-3.8	**-3.3**
Unrealised gains/losses	0.4	-	-	-	**-**
Total	185.6	59.3	118.4	111.3	**110.0**
Interest on and charges for long-term loans	-0.9	-0.8	-1.0	-0.6	**-0.4**
Investment management expenses	-1.4	-1.6	-1.7	-1.8	**-4.5**
Total	299.8	157.9	218.1	202.9	**188.4**
Holding's investments					
Continuous income					
Interest	28.3	14.6	4.2	4.8	**5.4**
Dividends	15.3	14.1	15.2	13.1	**6.1**
Other income/charges	0.3	0.1	-1.7	1.3	**-0.6**
Total	43.9	28.8	17.6	19.2	**10.9**
Appreciation/depreciation in profit and loss account					
Gains/losses on realisation	129.7	6.8	64.9	72.6	**68.0**
Value adjustments	-0.3	-7.8	-8.4	-0.7	**-4.8**
Value readjustments	-	0.4	-	1.5	**3.1**
Total	129.4	-0.6	56.5	73.5	**66.2**
Interest on and charges for long-term loans	-	-	-	-	**-0.1**
Investment management expenses	-0.2	-0.4	-0.3	-1.4	**-1.8**
Total	173.1	27.8	73.8	91.2	**75.3**
Other and Group eliminations					
Life insurance	845.0	-0.9			
Other	-4.5	-3.2	0.8	0.3	**6.1**
Group in total	1 313.4	181.6	292.7	294.5	**269.9**

KEY FIGURES

Group's major shareholdings (listed companies), Dec. 31, 2004

	Number of shares	Non-life insurance	Holding's investments	Total
		Current value, EUR million		
SanomaWSOY Corporation	2 625 036	17	28	45
YIT Corporation	1 395 681	13	13	26
UPM-Kymmene Corporation	1 346 064	13	9	22
Alma Media Corporation	1 536 000	18		18
Fortum Corporation	1 144 604	9	6	15
Nokia Corporation	1 017 171	12		12
Stora Enso Oyj	889 184	10		10
Sampo plc	703 412	7		7
Lassila & Tikanoja plc	528 000	7		7
Rakentajain Konevuokraamo Oyj	995 600	6		6
TeliaSonera AB	1 282 332	6		6
Kone Corporation	105 626	4	2	6
Outokumpu Oyj	400 402	5		5
Nordea Bank AB	643 582	5		5
Uponor Oyj	331 178	5		5

Investments in shares[1] Dec. 31, 2004

Current value	Non-life insurance EUR million	%	Holding EUR million	%	Group EUR million	%
Finland	224	47	84	84	308	53
Other euro area	144	30	2	2	146	25
Other parts of Europe	27	6	12	12	39	7
USA	46	10	1	1	47	8
Japan	16	3	0	0	16	3
Emerging markets	22	5	0	0	22	4
	478	100	100	100	578	100

[1] Includes shares classified as investments and mutual funds

Fixed-income securities portfolio[1], Dec. 31, 2004

Current value	Group EUR million	%	Non-life insurance EUR million	%
Currency				
EUR Finland	260	18	228	16
EUR other countries	1 163	78	1 138	80
GBP	13	1	13	1
USD	43	3	43	3
Other	4	0	4	0
	1 483	100	1 426	100
Rating				
AAA	891	60	835	59
AA+, AA, AA-	364	25	364	26
A+, A, A-	87	6	87	6
BBB	77	5	77	5
Other	65	4	63	4
	1 483	100	1 426	100

[1] Includes bond funds

Values, yield and vacancy rate of real estate portfolio, Dec. 31, 2004

Group

	Current value EUR million	Net yield %	Appreciation/ depreciation yield %	Total yield %	Leasable floor area m²	Vacancy %
Business premises						
Business and office premises	135	2.9	9.5	12.4	147 000	17.8
Industrial and warehouse premises	7	7.5	0.1	7.6	10 400	0.0
Business premises in total	142	3.1	9.0	12.1	157 400	16.6
Residential premises	1	2.3	-1.9	0.4	900	22.2
Completed property portfolio	143	3.1	8.8	11.9	158 300	16.7
Sites and leisure premises	5					
Minority interests	3					
Real estate portfolio in total	151					

Condolidated per-share data

		2000	2001	2002	2003	2004
Earnings/share [1]	EUR	6.37	0.51	0.87	1.01	**1.10**
including dilution effect of stock options	EUR					**1.10**
Capital and reserves/share [1]	EUR	8.68	4.46	3.96	4.40	**4.51**
Net asset value/share at current values after tax [1]	EUR	18.19	8.49	5.65	5.89	**5.80**
incl. equalisation provision				6.51	6.64	**6.81**
Dividend/share [1], [3]	EUR	5.33	1.33	0.67	0.98 [4]	**0.70**
Dividend/earnings [1], [3]	%	83.7	261.4	76.6	97.4 [4]	**63.6**
Effective dividend yield						
Series A	%	34.4	20.5			
Series B	%	34.0	20.2			
Pohjola Group	%			13.4	13.9 [4]	**8.2**
Price/earnings ratio (P/E ratio)						
Series A		2.4	12.7			
Series B		2.5	13.0			
Pohjola Group				5.7	7.0	**7.7**
Adjusted average share price						
Series A	EUR	19.48	8.44	7.43		
Series B	EUR	18.64	9.52	7.41		
Pohjola Group	EUR			6.90	5.26	**8.23**
Adjusted share price, lowest						
Series A	EUR	11.00	5.62	6.77		
Series B	EUR	11.22	5.33	6.50		
Pohjola Group	EUR			3.77	3.93	**6.93**
Adjusted share price, highest						
Series A	EUR	28.46	16.50	7.83		
Series B	EUR	27.77	16.56	7.97		
Pohjola Group	EUR			8.70	7.28	**9.25**

[1] Excl. Series C shares returned to Pohjola against no consideration.
[2] The Series C shares were invalidated on April 30, 2003.
[3] Proposed by the Board of Directors in 2004.
[4] Includes additonal dividend EUR 0.65/share paid in 2004.

KEY FIGURES

Condolidated per-share data		2000	2001	2002	2003	2004
Adjusted share price on Dec. 31						
Series A	EUR	15.50	6.50			
Series B	EUR	15.67	6.62			
Pohjola Group	EUR			4.96	7.07	8.49
Market capitalisation of stock of shares on Dec. 31[1]						
Series A	EUR million	434.9	176.8			
Series B	EUR million	1 473.8	827.8			
Pohjola Group	EUR million			755.0	1 076.4	1 300.2
Total	EUR million	1 908.7	1 004.6	755.0	1 076.4	1 300.2
Development of turnover of shares						
Series A	1 000 shares	33 499	5 189	50		
of average number	%	79.4	18.7	3.7		
Series B	1 000 shares	109 030	92 553	4 871		
of average number	%	136.4	88.9	79.0		
Pohjola Group	1 000 shares			77 030	65 372	97 097
of average number	%			53.2	42.9	63.7
Adjusted average number of shares						
Series A	1 000 shares	42 204	27 754	1 342		
Series B	1 000 shares	79 926	104 169	6 170		
Pohjola Group	1 000 shares			144 807	152 319	152 355
Total[1]	1 000 shares	122 130	131 923	152 319	152 319	152 355
Series C[2]	1 000 shares		310	956	312	
Total	1 000 shares		132 233	153 274	152 630	152 355
including dilution effect of stock options	1 000 shares					153 532
Adjusted average number of shares on Dec. 31						
Series A	1 000 shares	28 057	27 206			
Series B	1 000 shares	94 073	125 112			
Pohjola Group	1 000 shares			152 319	152 319	153 149
Total[1]	1 000 shares	122 130	152 319	152 319	152 319	153 149
Series C[2]	1 000 shares		956	956		
Total	1 000 shares		153 274	153 274	152 319	153 149
including dilution effect of stock options						154 325
Number of shareholders on Dec. 31		11 575	18 041	18 794	19 999	19 307

The figures have been adjusted to correspond to the effect of the bonus issue registered on April 27, 2004.

1) Excl. Series C shares returned to Pohjola against no consideration.
2) The Series C shares were invalidated on April 30, 2003.
3) Proposed by the Board of Directors in 2004.
4) Includes additonal dividend EUR 0.65/share paid in 2004.

Breakdown of shareholdings by sector on Dec.31, 2004

	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares
Companies and housing corporations				
Public companies	16	0.1	58 950	0.0
Private companies	800	4.1	5 487 926	3.6
Housing corporations	3	0.0	4 461	0.0
Financing and insurance institutions	82	0.4	54 233 411	35.4
Public corporations	37	0.2	42 694 808	27.9
Households	18 016	93.4	22 371 677	14.6
Non-profit institutions serving households	244	1.3	2 350 626	1.5
Foreign owners	84	0.4	134 114	0.1
Total	19 282	99.9	127 335 973	83.1
Nominee registrations	11	0.1	25 812 674	16.9
Total	19 293	100.0	153 148 647	100.0

Breakdown of shareholdings by size of holding on Dec. 31, 2004

	Number of shareholders	Percentage of shareholders	Total number of shares	Percentage of shares
1 - 100	2 891	15.0	155 155	0.1
101 - 1 000	11 518	59.7	4 829 757	3.2
1 001 - 10 000	4 528	23.5	11 526 870	7.5
10 001 - 100 000	310	1.6	7 407 363	4.8
100 001 - 1 000 000	37	0.2	8 746 076	5.7
1 000 001 -	9	0.0	120 483 426	78.7
Total	19 293	100.0	153 148 647	100.0

KEY FIGURES

Ten major shareholders and shareholder groups

As per the shareholder register kept by the Finnish Central Securities Depository Ltd, December 31, 2004	Number of shares	Percentage of share capital and votes
Suomi Mutual Life Assurance Company	50 775 000	33.2
Ilmarinen Mutual Pension Insurance Company	39 389 730	25.7
Fagernäs Peter	1 677 216	1.1
Mikkonen Juha	1 350 000	0.9
Thominvest Oy	1 067 704	0.7
Dreadnought Finance Oy	139 345	0.1
Braelger Oy	126	0.0
Total	1 207 175	0.8
State Pension Fund	1 025 000	0.7
OP-Delta Fund	973 100	0.6
Pension Fund Polaris	465 000	0.3
Fortum's Pension Foundation	451 280	0.3
OP-Finland Small Firm Fund	429 800	0.3
Total	97 743 301	63.8
Nominee registrations	25 812 674	16.9
Shareholders in total	153 148 647	100.0

Management's shareholdings and option rights on Dec. 31, 2004

	Number of shares	Percentage of share capital and votes
Board members and corporations under their control		
Shareholdings	58 282	0.04
President and deputy to the President		
Shareholdings	45 500	0.03
Option rights	220 000	0.42

Changes in ownership proportions

Announcements as per chapter 2, section 9 of the Securities Markets Act regarding Pohjola:

February 27, 2004: Ilmarinen Mutual Pension Insurance Company and Suomi Mutual Life Assurance Company announced that they had signed a shareholder agreement under which Ilmarinen would sell Suomi Mutual a total of 8 414 000 call options, which entitle Suomi Mutual to acquire from Ilmarinen 25 242 000 Pohjola shares (after bonus issue) and Suomi Mutual would sell Ilmarinen 8 414 000 put options, which entitle Ilmarinen to sell Suomi Mutual 25 242 000 Pohjola shares (after bonus issue). The options could be exercised on January 3, 2005 provided that the terms of the shareholder agreement had been fulfilled. The exercise of the options could lead to Ilmarinen's holding falling to less than one tenth of the share capital and votes in Pohjola. If the holdings of Ilmarinen and Suomi Mutual were combined as per chapter 2, section 9, subsection 2 of the Securities Markets Act, the parties' total holding in Pohjola would exceed one half of the share capital and votes conferred by all shares.

October 27, 2004: Suomi Mutual's holding of votes and share capital in Pohjola decreased to under one third. The decrease was a consequence of the increase in Pohjola's share capital which was registered on October 27, 2004 and which diluted Suomi Mutual's holding in Pohjola by around 0.02 percentage points.

January 3, 2005: Suomi Mutual's holding of votes and share capital in Pohjola exceeded one third and Ilmarinen's holding went down to less than one tenth as a result of a share transaction completed on the basis of the call and put options agreed on in the shareholder agreement announced on February 27, 2004. After the share transaction, Suomi Mutual's holding of share capital and votes in Pohjola was 49.64% and Ilmarinen's holding was 9.24%. Since, among other things, certain matters related to the use of voting rights in Pohjola were agreed in the shareholder agreement, Suomi Mutual and Ilmarinen informed Pohjola also of their combined holding, which was 58.87% of the share capital and votes in Pohjola.

CASH FLOW STATEMENT

	Group		Parent company	
EUR million	2004	2003	2004	2003
Cash flow from operating activities				
Profit on ordinary activities	169.9	155.2	139.7	70.8
Adjustments				
Change in technical provisions	72.9	79.4	-	-
Value adjustments and unrealised gains on investments	-2.3	-3.8	2.1	0.7
Unrealised exchange gains/losses	-2.8	-8.1	-0.3	0.2
Depreciation according to plan	17.8	23.3	7.7	7.8
Other income and charges without payment	0.7	10.6	-0.1	-5.0
Other adjustments	-119.7	-130.0	-56.2	-52.6
Cash flow before change in working capital	136.3	126.5	93.0	21.9
Change in working capital:				
Decrease in non-interest-bearing short-term receivables	9.7	1.8	17.4	77.0
Decrease in non-interest-bearing short-term payables	-11.5	-35.6	-1.4	-21.6
Cash flow from operating activities before financing items and tax	134.5	92.8	109.0	77.3
Interest paid and payments for other financing expenses of operating activities	-0.6	-0.7	-0.1	-
Income tax paid	-36.7	-47.0	0.0	-2.6
Net cash from/used in operating activities	97.1	45.0	108.8	74.7
Cash flow from investing activities				
Acquisitions of investment assets (excl. cash and cash equivalents)	-1 729.5	-1 586.7	-395.3	-207.7
Proceeds from sale of investment assets (excl. cash and cash equivalents and shares in subsidiaries)	1 810.4	1 558.2	425.1	289.3
Acquired shares in subsidiaries/acquired business operations	-8.9	-	-8.9	-
Sold shares in subsidiaries/sold business operations	2.0	2.1	0.4	-
Investments in and proceeds from sale of intangible, tangible and other assets (net)	-18.6	-5.1	-7.5	-7.7
Net cash from investing activities	55.4	-31.5	13.9	74.0
Cash flow from financing activities				
Rights issue	3.6	-	3.6	-
Loans repaid	-6.9	-19.5	-0.5	-0.2
Group contribution	-	-	-7.5	-10.4
Dividends paid and other profit distribution	-151.9	-103.9	-149.8	-101.6
Net cash used in financing activities	-155.3	-123.5	-154.2	-112.1
Net decrease/increase in cash and cash equivalents	-2.7	-109.9	-31.5	36.5
Cash and cash equivalents at beginning of period	279.4	389.3	68.7	21.2
Cash and cash equivalents transferred in corporate restructurings	-	-	-0.1	11.0
Cash and cash equivalents at end of period				
Cash at bank and in hand	35.9	40.2	22.7	32.3
Other debtors and creditors	-2.2	-3.2	-17.9	-29.0
Debt securities	188.4	210.2	32.4	65.4
Deposits with credit institutions	54.6	32.1	-	-
Cash and cash equivalents at end of period	276.7	279.4	37.2	68.7

CONSOLIDATED PROFIT AND LOSS ACCOUNT

EUR million	Notes	2004	2003
Technical account	2		
Non-life insurance			
Premiums earned			
Premiums written	3, 8	797.6	739.3
Outward reinsurance premiums		-101.7	-71.5
		695.9	667.8
Change in provision for unearned premiums	8	-11.8	-9.6
Reinsurers' share		7.5	-4.7
		-4.3	-14.3
Premiums earned in total		691.5	653.5
Claims incurred			
Claims paid		-540.6	-532.6
Reinsurers' share		16.1	31.6
		-524.5	-501.1
Change in provision for claims	8	-43.8	-71.4
Reinsurers' share		25.0	-18.3
		-18.8	-89.6
Claims incurred in total		-543.3	-590.7
Change in collective guarantee item		-1.3	-1.2
Operating expenses	4, 5, 9	-132.8	-133.4
Balance on technical account before change in equalisation provision		14.2	-71.8
Change in equalisation provision	8	-48.4	25.8
Balance on technical account		-34.3	-46.0

EUR million	Notes	2004	2003
Non-technical account			
Balance on technical account of non-life insurance		-34.3	-46.0
Investment income	6	335.6	377.1
Investment charges	6, 9, 23	-65.7	-82.6
		269.9	294.5
Other income		67.8	64.4
Other charges			
Depreciation on unallocated consolidation goodwill	9	-0.8	-3.9
Depreciation on goodwill	9	-1.3	-1.3
Change in provisions	23	-0.5	-5.3
Other		-70.1	-75.3
		-72.9	-85.7
Share of associated undertakings' profit/loss		0.4	-3.9
Tax on profit on ordinary activities			
Tax for financial year		-52.7	-65.8
Tax for previous financial years		0.0	-1.3
Deferred tax	26	-8.4	-1.0
		-61.1	-68.1
Profit on ordinary activities		169.9	155.2
Extraordinary items	7		
Extraordinary charges		-0.7	-4.0
Tax on profit on extraordinary items			
Tax for financial year		-	8.8
Deferred tax	26	-	18.4
		-	27.2
Profit after extraordinary items		169.2	178.4
Minority interests		-1.6	-1.6
Profit for financial year		167.6	176.8

CONSOLIDATED BALANCE SHEET

EUR million	Notes	2004	2003
Assets			
Intangible assets	10		
Intangible rights		13.8	16.1
Goodwill		9.3	10.6
Unallocated consolidation goodwill		7.1	7.4
Other long-term expenses		15.1	7.6
		45.3	41.8
Investments	11		
Land and buildings	12, 17		
Land and buildings and shares therein		122.4	120.4
Investments in affiliated undertakings and participating interests			
Shares in affiliated undertakings	13, 17	0.7	-
Shares in associated undertakings	14, 17	20.0	22.8
Participating interests	14, 17	0.2	0.2
Debt securities issued by and loans to participating interest undertakings	14	0.9	3.0
		21.8	26.0
Other financial investments			
Shares and fund units	17	625.3	656.4
Debt securities		1 588.4	1 519.3
Mortgage loans		4.9	5.0
Other loans	16	0.6	0.6
Deposits with credit institutions		54.6	32.1
		2 273.6	2 213.4
Deposits with ceding undertakings		2.9	2.4
Investments in total		2 420.7	2 362.3
Debtors	18		
Direct insurance debtors			
Policyholders		165.7	154.4
Intermediaries		0.7	1.2
		166.4	155.6
Reinsurance debtors		20.2	39.9
Other debtors		89.7	71.7
Deferred tax assets	26	19.9	26.6
		296.2	293.7
Other assets			
Tangible assets and stocks			
Machinery and equipment	10	15.6	16.5
Stocks		1.6	2.4
		17.2	18.9
Cash at bank and in hand		35.9	40.2
Other		2.1	2.1
		55.2	61.2
Prepayments and accrued income	19		
Interest and rent		34.8	29.4
Other		19.7	19.0
		54.4	48.4
Assets in total		2 871.9	2 807.4

EUR million	Notes	2004	2003
Liabilities			
Capital and reserves	20		
Share capital		137.8	43.7
Share premium account		43.3	40.5
Legal reserve		64.9	158.3
Other reserves			
Contingency reserve		199.1	231.2
Profit/loss brought forward		77.3	20.2
Profit for financial year		167.6	176.8
Capital and reserves in total		690.0	670.7
Minority interests		1.6	8.4
Technical provisions			
Provision for unearned premiums of non-life insurance	21	265.8	254.0
Reinsurance amount		-30.0	-22.6
		235.7	231.4
Provision for claims outstanding of non-life insurance	22	1 603.1	1 562.9
Reinsurance amount		-60.8	-36.9
		1 542.3	1 525.9
Equalisation provision of non-life insurance		208.5	160.0
Collective guarantee item of non-life insurance		33.6	32.3
Technical provisions in total		2 020.1	1 949.5
Provisions	23	1.5	5.6
Deposits received from reinsurers		0.0	0.0
Creditors	24		
Direct insurance creditors		7.1	6.5
Reinsurance creditors		21.9	33.3
Amounts owed to credit institutions		8.4	15.4
Other creditors		43.1	53.5
Deferred tax liabilities	26	4.9	4.5
		85.4	113.2
Accruals and deferred income	25, 23	73.3	60.0
Liabilities in total		2 871.9	2 807.4

PROFIT AND LOSS ACCOUNT, PARENT COMPANY

EUR million	Notes	2004	2003
Net turnover		57.8	55.9
Other operating income		0.1	0.2
Raw materials and services			
Raw materials and consumables			
Purchases during financial year		-1.8	-2.4
Increase (+) or decrease (-) in stocks		-0.7	-0.2
External services		-1.8	-1.5
		-4.2	-4.0
Social costs	5		
Salaries and remunerations		-14.0	-14.4
Social security costs			
Pension costs	23	-2.5	-3.2
Other social security costs		-1.5	-1.6
		-18.0	-19.1
Depreciation and value adjustments			
Scheduled depreciation	9	-7.7	-7.8
Value adjustments on goods held as fixed assets		-2.0	-1.2
		-9.7	-9.0
Other operating charges	23	-42.9	-37.6
Operating loss		-16.8	-13.6
Financial income and expenses	6		
Income from shares in affiliated undertakings		120.6	19.8
Income from participating interests		1.1	1.4
Income from other investments held as fixed assets			
From affiliated undertakings		3.6	2.7
Other		75.4	86.4
Other interest and financial income			
From affiliated undertakings		2.1	1.5
Other		6.8	9.1
Value adjustments on investments held as fixed assets		-0.1	0.5
Value adjustments on investments held as current assets		0.0	0.0
Interest and other financial expenses			
To affiliated undertakings		-1.1	-1.7
To others		-1.6	-6.3
		206.9	113.4
Tax on profit on ordinary activities			
Tax for financial year		-45.7	-29.0
Deferred tax	26	-4.6	0.1
		-50.3	-28.9
Profit on ordinary activities		139.7	70.8
Extraordinary items	7		
Extraordinary income		4.4	6.1
Extraordinary charges		-12.4	-10.4
		-8.0	-4.3
Tax on profit on extraordinary items	7		
Tax for financial year		2.3	12.2
Deferred tax	26	-	18.4
		2.3	30.6
Profit after extraordinary items		134.0	97.2
Untaxed reserves			
Increase (-) / decrease (+) in depreciation reserve		-0.3	0.5
Profit for financial year		133.7	97.7

BALANCE SHEET, PARENT COMPANY

EUR million	Notes	2004	2003
Assets			
Fixed assets			
Intangible assets	10		
Intangible rights		4.8	12.0
Other long-term expenses		0.0	0.7
Payments on account		0.7	3.7
		5.5	16.4
Tangible assets	10		
Machinery and equipment		0.7	8.8
Other tangible assets		2.0	2.0
Payments on account and work in progress		-	-
		2.7	10.8
Investments	11		
Shares in affiliated undertakings	13, 17	335.6	189.5
Loans to affiliated undertakings	13	112.5	55.0
Participating interests	14, 17	17.2	17.2
Other shares	15, 17	29.8	122.4
Other debtors	16	0.9	1.0
		496.1	385.1
Current assets			
Stocks			
Consumables		1.0	1.7
Debtors			
Long-term			
Deferred tax assets	26	14.7	19.3
Short-term			
Amounts owed by affiliated undertakings	18	14.7	12.3
Amounts owed by participating interest undertakings	18	0.1	0.1
Other debtors		4.8	6.5
Prepayments and accrued income	19	1.7	2.9
		21.2	21.8
Investments			
Other securities	11	34.4	124.8
Cash at bank and in hand		22.7	32.3
Assets in total		598.3	612.2
Liabilitites			
Capital and reserves	20		
Share capital		137.8	43.7
Share premium account		43.3	40.5
Other reserves			
Legal reserve		64.8	158.2
Other reserves		162.6	214.8
Profit for financial year		133.7	97.7
		542.3	554.8
Untaxed reserves			
Depreciation reserve		0.3	-
Provisions	23	1.3	1.2
Creditors			
Long-term			
Other creditors		1.1	1.5
Short-term			
Trade creditors		1.8	2.3
Amounts owed to affiliated undertakings	24	24.5	34.0
Amounts owed to participating interest undertakings	24	1.4	1.0
Other creditors		1.6	1.5
Accruals and deferred income	25, 23	24.1	16.0
		53.4	54.7
Liabilities in total		598.3	612.2

NOTES ON THE ACCOUNTS

1. Accounting principles

a) Changes in accounting principles and comparability of data

Parent company

The comparability of the parent company's financial information is affected by a transaction on January 1, 2004 in which the business of the part of organisation responsible for the management of the Group's own investments was transferred to Pohjola Asset Management Limited. In addition, the workstations and software, the office furnishing and fixtures and the possession of them were in December 2004 sold to Pohjola IT Procurement Ltd (former Osmo Oy), a subsidiary wholly owned by Pohjola Group plc.

A Pohjola subsidiary, Pohjola Administrative Services Ltd, was merged with the parent company on March 31, 2003 and Pohjola Hallintopalvelu Oyj, the holding company of the Conventum sub-group and formerly called Conventum Oyj transferred its assets and liabilities to the parent company as an advance portion in December 2003. The merger profit and the dissolution profit are shown under extraordinary items of the reference year.

Group

Conventum Securities Limited sold its business on October 1, 2004. The capital loss from the transaction is shown as an extraordinary expense in the consolidated profit and loss account. Pohjolan Atk-palvelu Oy, which produced IT user services for the Group, was sold on December 31, 2004.

Following the change, in spring 2004, to the mortality model generally applied by non-life insurance companies in Finland, the provision for claims outstanding for annuities in statutory workers' compensation insurance and motor liability insurance was, based on an estimate, increased by EUR 27 million in the 2003 annual accounts. The estimate was increased by EUR 7 million in 2004 on the basis of the final results.

The discount rate for pension annuities was harmonised to 3.7% in September 2003. By virtue of the Decree on the bases of calculation of the technical provisions of non-life insurance companies, the upper limit of the technical rate of interest used in discounting the technical provisions will be lowered to 3.5% by 2009. Pohjola decided to lower the discount rate to 3.5% as early as in 2004. This increased the technical provisions, on a one-off basis, by around EUR 20 million in 2004.

Following the changeover to full cost responsibility for medical treatment expenses in statutory workers' compensation insurance and motor liability insurance, the provisions made for claims that had already occurred were decreased by EUR 23 million in 2004.

The tax rate for deferred tax has been 26% (29%).

Reporting by segment

The management of securities and real estate investments was, as of January 1, 2004, transferred to the investment services segment. Previously this function was combined with the segments that used the service, i.e. with non-life insurance and holding company investments. Sale of management services to Suomi Mutual was shown under the Group's joint operations. Information on the reference year has not been adjusted because the effect of internal gains and losses on the investment income of non-life insurance and joint investments is not significant.

The solvency capital allocated to the life insurance business, launched in 2005, has been shown as a separate item in reporting by segment.

Key figures

Deferred tax liabilities and assets have been reported in accordance with the new regulations issued by the Finnish Insurance Supervisory Authority on December 16, 2004.

The net sale price of the head office property has been used as the current value of the property. The number of shares and the per-share data have been adjusted by the bonus issue registered on April 27, 2004. In the bonus issue, two new shares were, free of charge, given against one old share.

b) Consolidated accounts

Those corporations in which the parent company either directly or indirectly has a controlling interest are consolidated. In all Pohjola Group subsidiaries, the control is based on the majority of voting rights. All subsidiaries are consolidated, item by item, except Pohjanmaan Mikro Oy (holding 52%), as the holding is intended to be a short-term investment.

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

The book value of shares in undertakings included in consolidation is eliminated by the acquisition method. The consolidation goodwill is entered directly against the subsidiaries' asset items and is depreciated in accordance with their depreciation schedule. The unallocated consolidation goodwill is shown as a separate item in the consolidated balance sheet and is written off as scheduled over a useful life of 5 to 20 years.

The deferred tax liability pertaining to allocated consolidation goodwill is entered as unallocated consolidation goodwill and is written off within the same period as the allocated consolidation goodwill. The revaluations on shares in subsidiaries owning land and buildings are, on the consolidated balance sheet, shown as revaluations of the land and buildings in question.

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

Holdings (20 to 50%) in mutual housing and real estate companies are stated at cost. Since the expenses for these companies are covered by shareholders, the effect on consolidated profit and profit brought forward is insignificant.

Direct venture capital investments in which the holding is 20 to 50% are stated at cost because these are not meant to be long-term investments and because the exclusion from consolidation has only a minor effect on the consolidated profit and profit brought forward following value adjustments. These investments are entered in the books at the lowest value and the value changes are entered in the profit and loss account.

The associated undertaking Ilmarinen Mutual Pension Insurance Company is stated at cost since the Act on employment pension insurance companies provides that a company carrying on statutory pension insurance may not be included by the equity method in the consolidated accounts of another company. The prohibition is based on restrictions pertaining to employment pension insurance. There are some transactions between the Group and Ilmarinen in the ordinary course of their insurance or insurance-related activities. On December 31, 2004, Ilmarinen held 25.7% of the Pohjola shares.

c) Book value of investments

Buildings and constructions are shown in the balance sheet at acquisition cost reduced by scheduled depreciation or at current value, whichever is lower. Acquisition cost includes purchase price and production cost directly attributable to the item in question. Shares in land and buildings as well as land and water areas are shown in the balance sheet at purchase price or at current value, whichever is lower. Write-ups of investments in buildings were depreciated in full or cancelled in 2003.

Other shares as well as debt securities classified as investments are shown in the balance sheet at purchase price or at current value, whichever is lower. The difference between the amount repayable at maturity and acquisition cost of debt securities is released to interest income or charged to that income in instalments during the period remaining until repayment. The counter-item is shown as an increase or a decrease in acquisition cost. Acquisition cost is calculated on the basis of the average price method. Unrealised gains on securities have been deducted in connection with realisation in 2003. Shares subject to stock lending are valued in the same manner and their amount is stated in the notes on the accounts.

Private equity investments in mutual funds are shown in the balance sheet at purchase price or at current value, whichever is lower. The current value applied is the fund unit value calculated in accordance with the value most recently reported by each mutual fund. Unquoted direct private equity investments owned up to 20 to 50% are entered applying the lower of cost or market principle, which on December 31, 2004 corresponded to the market value of these investments. The other unquoted direct private equity investments are entered applying the lower of cost or market principle. The value of direct private equity investments is lowered on the basis of price data available from new financing rounds or equity offerings carried out by outsiders or on the basis of the net asset value.

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

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

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

Derivative contracts are valued at the market-based current value on the balance-sheet date. The profit or loss for a derivative contract signed for hedging purposes is entered in the profit and loss account to the extent that it corresponds to the amount entered as charge or income for the hedged item. However, any loss exceeding the rise in the value of the hedged item is entered in whole as charge. The difference between the current value and a higher book value of a derivative contract signed for other than hedging is entered as charge in the profit and loss account. Unrealised gain is not entered in the books. In the brokerage business, however, all profit and loss for derivative contracts is entered in the profit and loss account. The difference between the current and book values of derivatives not entered in the profit and loss account and any maximum losses for non-hedging contracts in non-life insurance companies are taken into account in the solvency margin calculation.

d) Book value of other assets than investments

Intangible assets as well as machinery and equipment are shown in the balance sheet at acquisition cost reduced by scheduled depreciation. Acquisition cost includes purchase price and directly attributable production costs. From 2003, the variable and fixed costs that can be allocated to new internally generated IT systems are recognised under intangible assets. However, costs incurred in the defining period are entered directly as charges.

Premium receivables and reinsurance debtor items are shown in the balance sheet at likely realisable value; other receivables at nominal value or at permanently lower likely realisable value.

e) Unrealised gains on and revaluation of investments

Write-up of investments was discontinued in 2003. All earlier write-ups were in 2003 depreciated in full, cancelled or deducted in connection with realisation.

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

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

The current value of land and buildings and shares therein is estimated primarily by the market value method. In the event that no reliable trading data are available for reference, a yield value method based on cash flow is used for determining the current value. In that method, future income and expenses are discounted up to the date of valuation. Investment objects, for which a current value cannot be determined by the trading price or yield value method are estimated by the cost value method. Current values are defined individually, observing the principle of prudence.

The current value of shares and debt securities which are quoted on official stock exchanges or which otherwise are subject to public trading is the last bid price in continuous trading on the balance-sheet date or, where this is not available, the corresponding trading price. If the balance-sheet date is not a trading day, the corresponding price for the latest trading day is used. The current value of other shares and debt securities is the likely realisable value, the remaining acquisition cost or the net asset value.

The current value of receivables is their nominal value or their likely realisable value, whichever is lower.

g) Technical provisions of non-life insurance and policy acquisition costs

The provision for unearned premiums includes that part of premiums written which is attributable to the period after the balance-sheet date. The amount of the provision is mainly calculated by statistical methods. The provision is increased by a provision for unexpired risks if effective insurance contracts are expected to yield a loss during the remaining insurance period. Policy acquisition costs are shown as charges for that financial year in which they are incurred. For the Baltic subsidiaries, a part of policy acquisition costs corresponding to the remaining validity period of the policies is deferred to prepayments and accrued income in the balance sheet.

The provision for claims outstanding includes unpaid items for losses which have occurred and their claims settlement expenses. Individual provisions are made for large claims while, for small claims and claims not yet reported to the company (IBNR), provisions are made by statistical methods. The provision for claims outstanding is calculated in accordance with the present value method only for pension annuities. The interest rate used in discounting is chosen prudently on the basis of investment income from company assets, taking into account the upper limit set for the interest rate by a Decree of the Finnish Ministry of Social Affairs and Health.

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

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these policies end up in liquidation or go bankrupt.

The provision for claims outstanding includes the equalisation provision, which, too, has to be shown separately in the balance sheet. The purpose of the equalisation provision is to balance the annual fluctuations of claims incurred and to maintain the insurance undertaking's solvency. The size of the equalisation provision is determined on the bases of calculation prescribed by the Insurance Supervisory Authority. Confirmation of new bases of calculation has to be sought in advance. The equalisation provision increases if the loss ratio is less than the average for previous years, and decreases if the loss ratio exceeds that average. Moreover, an amount calculated in accordance with confirmed bases must be transferred to the equalisation provision. This amount can, for the class of insurance concerned, be 0 to 15% of premiums earned, net of reinsurance. In addition, the equalisation provision must always be raised by an interest of 4% calculated on the opening balance of the equalisation provision.

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

h) Book value of other liabilities

Other liabilities than technical provisions are entered in the balance sheet at nominal value or, if the liability concerned is tied to an index or another basis of reference, at the value as per the changed reference basis.

i) Deferred tax liabilities and assets

In the profit and loss account, the tax paid or refunded and the tax to be paid or refunded on the taxable profit is entered under tax for the financial year and tax for previous financial years.

Under Finnish accounting and tax legislation, untaxed reserves (voluntary provisions and depreciation in excess of schedule) can be included in the annual accounts. These items are tax-deductible only if deducted also in the books. In the consolidated accounts, untaxed reserves are included partly in profit for financial year and reserves and partly in deferred tax charge and deferred tax liability.

All deferred tax liabilities and assets pertaining to timing differences between taxable profit and accounting profit and to other temporary differences are also entered in the balance sheet. The most important items originate from value adjustments of investments in land and buildings and from internal gains and losses. No tax liability is included in unrealised gains on investments entered in the profit and loss account because these are accounted for as taxable profit for the write-up year and the depreciation and value adjustment made on them are correspondingly deducted from the taxable profit.

Deferred tax liability is also included in the difference between current and book values of investments shown in the notes on the accounts. When calculating the net asset value/share, return on equity and equity to balance-sheet total, deferred tax liability is throughout deducted in full from difference between current and book values of investments, while from solvency margin, solvency capital and solvency ratio, deferred tax liability is deducted only if such liability is deemed likely to become payable in the near future. The deferred tax assets entered in the balance sheet are deducted from the solvency margin.

The deferred tax liabilities and assets are shown in accordance with the tax rate valid at the time of closing the accounts. The tax rate applied is 26% (29%).

j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and if it is probable that an expenditure or loss arising from such an obligation is likely to be incurred. If the exact amount of future expenditure or loss or the date when such expenditure or loss will be incurred is unknown, the item is shown in the balance sheet as a provision, otherwise as accruals.

For the social security costs arising from the unused option rights of the key staff, a provision is made on the basis of the current value of the stock options. The provision is adjusted along with changes in the share price.

k) Solvency margin and solvency capital

The Insurance Supervisory Authority monitors the solvency of insurance companies. The main indicator used is solvency margin which refers to the difference between assets and liabilities assessed at current value applying the principle of prudence, the difference being increased by subordinated loans which meet certain criteria. Solvency margin and capital and reserves have to meet the requirements set in the Finnish Insurance Companies Act. Moreover, the total amount of solvency margin and equalisation provision, i.e. solvency capital, has to remain within the regulatory limits, depending on the investment and underwriting risks involved. Solvency margin and solvency capital are shown in the notes on the accounts.

The solvency margin of a grouping of insurance undertakings also has to meet the requirements set in the Insurance Companies Act.

l) Company's own shares

All Series C shares of Pohjola were returned to the company against no consideration on October 31, 2002 as the targets set for obtaining the shares were not met. The shares were invalidated on April 30, 2003.

When calculating the key figures, the company's own shares are not included in the number of shares.

m) Items in foreign currencies

Transactions in foreign currencies are entered at the rate quoted on the date of the transaction. Receivables and liabilities unsettled at the end of the financial year and current values of investments denominated in foreign currencies are translated into euros at the rates quoted on December 31. Exchange gains and losses arising during the financial year and at year-end are entered in the profit and loss account as adjustments of the income and charges concerned or as investment income or charges, provided that the exchange gains and losses pertain to financing transactions or the foreign insurance business. The exchange gains and losses in the foreign insurance business are calculated as a difference between variable and year-end rates.

The balance-sheet items of foreign subsidiaries and associated undertakings are translated into euros at the rate quoted on the balance-sheet date and the profit and loss account items at the average rate for the financial year. The difference resulting from applying the average rate to the profit and loss account is entered in the consolidated non-restricted reserves.

n) Pension arrangements

The pension cover for those employed by the domestic affiliated undertakings has been arranged through pension schemes taken out from Ilmarinen Mutual Pension Insurance Company and Suomi Mutual Life Assurance Company. For the employees of Pohjola's foreign subsidiaries, pension cover has been arranged in accordance with the respective local practice. The accrued pension premium charges have been entered in the profit and loss account.

The pension benefits for certain employees are based on the company's own pension commitments. The pension liability is computed by actuarial methods and is entered in the profit and loss account.

o) Profit and loss account and balance sheet layouts

The parent company's profit and loss account and balance sheet are drawn up in accordance with the layout specified in the Finnish Accounting Ordinance.

The insurance holding company's consolidated profit and loss account and balance sheet are drawn up using the layout of insurance companies. An insurance company's profit and loss account requires activity-based cost accounting. Operating expenses and depreciation on intangible and tangible assets are included, by activity, in the profit and loss account items. Claims management expenses are included in claims paid; investment management expenses in investment charges. Expenses for policy acquisition and portfolio administration as well as general administrative expenses are shown under operating expenses. Commissions received in ceded reinsurance are deducted from operating expenses. Expenses for sale of investment and other services as well as expenses for Group administration are included in other charges. Scheduled depreciation on buildings and real estate management expenses are shown as investment charges.

p) Information by segment

Information by segment is presented on non-life insurance and investment services. The solvency capital of the life insurance business launched on January 1, 2005 is allocated to life insurance. The Group's joint operations include Group administration and sale of administrative and IT services to Suomi Mutual and Ilmarinen. Joint investments, however, are shown separately from the Group's other joint operations.

The distribution network has organisationally been divided between non-life insurance and investment services. Gains are allocated to the business segments directly. The allocation of expenses is based on work loads, which are assessed regularly through time management surveys.

In reporting by segment, internal transactions of segments have been eliminated but transactions between segments have not been eliminated. Transfer prices between segments are the prices between the legal entities.

Of the consolidated solvency capital, the solvency capital shown in the accounts of the subsidiaries transacting non-life insurance and of Service Pohjola is stated separately as pertaining to the non-life insurance segment. The solvency capital of Pohjola Life pertains to life insurance. The combined capital and reserves of the investment services companies form the solvency capital of the investment services segment. The remainder of the consolidated solvency capital is shown under other operations. The inter-group subordinated loans have been eliminated.

q) Definition of key figures

General

The key figures are based on consolidated data and comply with the exceptional permission issued by the Finnish Accounting Board for the insurance industry and the regulations issued by the Insurance Supervisory Authority for insurance companies. The exceptional permission expires in 2005.

The Finnish Accounting Board has given the insurance industry permission to deviate from the regulations of the Ministry of Finance ordinance in respect of the following:

- The market values of securities subject to public trading are not specified by balance-sheet item since the total current value of each balance-sheet item is shown in the notes on the accounts.
- Volume of orders is not reported because of the special nature of insurance.
- Research and development costs and gross investments in fixed assets are not reported unless these are significant for providing a true and fair view of the result of the operations and the financial position of the company.
- Return on invested capital is replaced by return on assets.

Turnover =

\+ Premiums earned before reinsurers' share
\+ Investment income
\+ Other income
\+ Unrealised gains insofar as materialised in connection with realisations

Premiums written =

Premiums written before reinsurers' share

Operating profit or loss =

± Profit or loss before change in equalisation provision, unrealised gains/losses on investments, extraordinary items and tax

Return on equity at current values (%) =

± Profit or loss before extraordinary items and tax
± Revaluation entered in/withdrawn from revaluation reserve
± Change in difference between current and book values of investments
– Tax
± Change in deferred tax liability on difference between current and book values of investments
__________ x 100
\+ Capital and reserves
\+ Minority interest
± Difference between current and book values of investments
– Deferred tax liability on difference between current and book values of investments
(average of Jan. 1 and closing date)

Return on assets at current values (%) =

± Operating profit or loss
\+ Interest on and charges for loans
\+ Interest assumption of technical provisions
± Unrealised gains and losses of investments
± Revaluation entered in/withdrawn from revaluation reserve
± Change in difference between current and book values of investments
__________ x 100
\+ Balance-sheet total
± Difference between current and book values of investments
(average of Jan. 1 and closing date)

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

\+ Capital and reserves
\+ Minority interest
± Difference between current and book values of investments
– Deferred tax liability on difference between current and book values of investments
__________ x 100
\+ Balance-sheet total
± Difference between current and book values of investments

Average number of employees =

Average of number of employees at the end of each month. The figure is adjusted by the number of employees working on a part-time basis only.

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

$$\frac{\text{Claims incurred}}{\text{Premiums earned}} \times 100$$

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

$$\frac{\text{Operating expenses}}{\text{Premiums earned}} \times 100$$

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

Loss ratio + expense ratio

Income/expenses ratio (investment services) =

$$\frac{\text{Income from investment services}}{\text{Commission, interest, administrative, depreciation and other operating expenses}}$$

Depreciation does not include depreciation on consolidation goodwill.

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Return on investments at current values before tax (%) =

\+ Investment income and charges before expenses for Group investment organisation
± Unrealised gains and losses of investments
± Revaluation entered in/withdrawn from revaluation reserve
± Change in difference between current and book values of investments
———————————— x 100
\+ Book value of investments
± Difference between current and book values of investments
(average of Jan. 1 and closing date)

Solvency margin =

\+ Capital and reserves after deduction of proposed distribution of profit
± Difference between current and book values of investments
\+ Deferred tax liabilities entered in balance sheet (not falling due in near future)
– Deferred tax liabilities not entered in balance sheet (falling due within a year)
– Deferred tax assets entered in balance sheet
\+ Subordinated loans (max. 50% of minimum solvency margin)
– Intangible assets
± Other items required by ordinance

Solvency capital =

Solvency margin + equalisation provision + minority interest

Solvency capital as percentage of technical provisions =

Solvency capital
———————————— x 100
\+ Technical provisions
– Equalisation provision

Solvency ratio (%)=

Solvency capital
———————————— x 100
Premiums earned for 12 months

Earnings/share =

± Profit or loss before extraordinary items and tax
– Tax
– Minority's share
————————————
Adjusted average number of shares

Capital and reserves/share =

Capital and reserves
————————————
Adjusted number of shares at closing date

Net asset value/share at current values =

\+ Capital and reserves
± Difference between current and book values of investments
± Difference between current and book values of derivatives
– Deferred tax liability on difference between current and book values of investments
– Minority's share of difference between current and book values of investments
————————————
Adjusted number of shares at closing date

Dividend/share =

Dividend for financial year
————————————
Adjusted number of shares at closing date

Dividend/earnings (%) =

Dividend/share
———————————— x 100
Earnings/share

Effective dividend yield (%) =

Dividend/share
———————————— x 100
Adjusted last trading price of financial year

Price/earnings ratio (P/E ratio)=

Adjusted last trading price of financial year
————————————
Earnings/share

Adjusted average share price =

Total turnover of shares in euros
————————————
Adjusted average number of traded shares

Adjusted share price, lowest and highest =

Lowest and highest share price in public trading

Adjusted share price on December 31 =

Last trading price of financial year

Market capitalisation =

Number of shares at closing date x last trading price of financial year

Development of turnover =

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

Dilution effect of option rights

The number of shares is increased by the number of shares to which the option rights given entitle. The resulting number of shares is reduced by the number of shares that could have been acquired at the current value of the shares with the funds received in share subscription. Should the dilution effect decrease the number of shares, the key figures adjusted by the dilution effect are not shown.

Loss ratio % (excluding unwinding of discount expense) =

Claims incurred excluding unwinding of discount expense
———————————— x 100
Premiums earned excluding unwinding of discount expense

Expense ratio % (excluding unwinding of discount expense) =

Operating expenses
———————————— x 100
Premiums earned excluding unwinding of discount expense

Combined ratio % (excluding unwinding of discount expense) =

Loss ratio + expense ratio

Risk ratio % (excluding unwinding of discount expense) =

Claims incurred excluding claims settlement expenses and unwinding of discount expense for provision for claims
———————————— x 100
Premiums earned excluding unwinding of discount expense

Cost ratio % (excluding unwinding of discount expense) =

Operating expenses + claims settlement expenses
———————————— x 100
Premiums earned excluding unwinding of discount expense

Combined ratio % (excluding unwinding of discount expense) =

Risk ratio + cost ratio

Net asset value/share at current values (incl. equalisation provision) =

\+ Capital and reserves
± Difference between current and book values of investments
± Difference between current and book values of derivatives
– Deferred tax liability on difference between current and book values of investments
– Minority's share of difference between current and book values of investments
\+ Equalisation provision
– Deferred tax liability on equalisation provision
————————————
Adjusted number of shares at end of period

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

Group EUR million	Premiums written (before reinsurers' share)	Premiums earned (before reinsurers' share)	Claims incurred (before reinsurers' share)	Operating expenses (before reinsurance commissions and profit participation)	Reinsurance balance	Balance on technical account
Balance on technical account before change in collective guarantee item and equalisation provision						
Direct insurance						
Statutory workers' compensation						
2004	**179.5**	**178.8**	**-191.8**	**-15.9**	**-0.3**	**-29.2**
2003	160.1	160.1	-180.5	-13.3	-0.5	-34.2
2002	164.0	163.8	-168.9	-11.8	0.1	-16.8
Other accident and health						
2004	**48.4**	**46.9**	**-36.0**	**-15.5**	**-0.7**	**-5.3**
2003	45.1	44.3	-35.7	-13.1	-0.8	-5.3
2002	43.3	42.8	-33.4	-14.8	-0.5	-6.0
Motor, third party liability						
2004	**129.1**	**127.1**	**-91.1**	**-25.6**	**-0.8**	**9.6**
2003	122.6	120.6	-116.2	-24.5	-0.7	-20.7
2002	121.1	117.5	-109.3	-27.9	-0.7	-20.4
Motor, other classes						
2004	**118.1**	**121.5**	**-85.2**	**-22.0**	**-0.6**	**13.7**
2003	115.3	110.4	-81.3	-22.1	-2.8	4.1
2002	111.0	103.5	-80.3	-25.5	-1.1	-3.5
Marine, aviation and transport						
2004	**36.9**	**34.2**	**-20.0**	**-6.4**	**-2.9**	**4.9**
2003	33.5	32.2	-22.8	-8.5	-2.0	-1.0
2002	33.7	30.8	-19.7	-10.3	-2.2	-1.4
Fire and other damage to property						
2004	**141.3**	**141.2**	**-89.5**	**-31.7**	**-11.3**	**8.7**
2003	137.8	135.5	-101.9	-34.7	-11.0	-12.1
2002	121.7	119.3	-105.8	-44.5	-9.8	-40.8
Third party liability						
2004	**44.6**	**49.2**	**-25.5**	**-7.7**	**-8.6**	**7.3**
2003	42.2	48.0	-34.2	-8.5	-10.9	-5.7
2002	40.3	48.3	-27.0	-10.2	-12.3	-1.2
Miscellaneous						
2004	**63.8**	**50.0**	**-32.9**	**-7.0**	**-12.2**	**-2.2**
2003	29.6	27.3	-14.9	-7.5	-12.0	-7.0
2002	24.1	23.7	-15.4	-8.2	-6.1	-5.9
Direct insurance in total						
2004	**761.9**	**748.9**	**-572.0**	**-131.9**	**-37.5**	**7.5**
2003	686.1	678.5	-587.5	-132.1	-40.8	-81.8
2002	659.2	649.7	-559.9	-153.2	-32.7	-96.1
Reinsurance						
2004	**35.7**	**36.9**	**-12.4**	**-6.9**	**-9.6**	**8.0**
2003	53.2	51.2	-16.5	-8.2	-15.3	11.3
2002	47.8	45.7	-16.9	-7.7	-20.1	1.0
Total						
2004	**797.6**	**785.7**	**-584.4**	**-138.7**	**-47.1**	**15.5**
2003	739.3	729.7	-604.0	-140.3	-56.0	-70.5
2002	706.9	695.3	-576.8	-160.9	-52.8	-95.2

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

Group

EUR million	Premiums written (before reinsurers' share)	Premiums earned (before reinsurers' share)	Claims incurred (before reinsurers' share)	Operating expenses (before reinsurance commissions and profit participation)	Reinsurance balance	Balance on technical account
Change in collective guarantee item						
2004						**-1.3**
2003						-1.2
2002						-1.2
Change in equalisation provision						
2004						**-48.4**
2003						25.8
2002						22.0
Total						
2004						**-34.3**
2003						-46.0
2002						-74.3

3. Premiums written of non-life insurance

Group EUR million	2004	2003
Direct insurance		
In Finland	731.7	660.0
In EEA countries	30.0	0.0
In other countries	0.1	26.0
Total	761.9	686.1
Reinsurance		
Non-life insurance	31.9	48.2
Life insurance	3.8	5.1
Total	35.7	53.2
Total (before reinsurers' share)	797.6	739.3
Items deducted from premiums written		
Credit loss on premiums	6.8	3.8
Premium tax	80.9	74.5
Public charges and fees		
Fire brigade charge	1.4	1.3
Road safety charge	1.1	1.0
Occupational safety charge	2.7	2.7
Covernment medical treatment charge	12.8	8.2
	105.7	91.5

4. Total operating expenses by profit and loss account item and by activity

Group, EUR million	2004	2003
Non-life insurance		
Claims paid		
Claims settlement expenses	47.9	49.6
Operating expenses		
Acquisition costs		
Direct insurance commissions	9.3	11.4
Commissions and profit participation, assumed reinsurance	3.3	4.2
Other acquisition costs	46.9	43.2
Total	59.5	58.7
Portfolio administration expenses	43.4	47.9
Other administrative expenses	35.7	33.6
Commissions and profit participation, ceded reinsurance	-6.0	-6.9
Operating expenses in total	132.8	133.4
Investment charges		
Investment management expenses (own organisation)	2.9	3.5
Other charges		
Expenses for services sold	5.7	6.6
Non-life insurance in total	189.3	193.1
Other operations		
Investment charges		
Investment management expenses (own organisation)	0.7	1.4
Other charges		
Administrative expenses	5.8	8.1
Expenses for investment services	19.6	15.7
Other expenses for services sold	37.7	42.7
Other operations in total	63.9	67.9
Operating expenses in total	253.2	260.9
Total operating expenses include		
Scheduled depreciation on intangible assets and on machinery and equipment	12.3	14.0
Depreciation on goodwill	-	-
Gains and losses on realisation of intangible assets and of machinery and equipment	2.4	1.3
Total operating expenses do not include		
Change in provisions	-0.4	5.3
Depreciation on consolidation goodwill and on goodwill	4.4	5.2

NOTES ON THE ACCOUNTS

5. Specification of social costs, staff and members of corporate bodies

EUR million	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Social costs in profit and loss account				
Salaries and remunerations	111.3	110.5	14.3	14.6
Pension expenses	21.5	24.0	3.0	3.4
Other social security costs	8.0	7.7	1.6	1.6
Entered in balance sheet against provision/accruals and deferred income	-6.9	-5.6	-0.8	-0.4
Total	134.0	136.6	18.0	19.1
Average number of employees during financial year				
Office staff	2 385	2 575	239	273
Sales staff	294	330	-	-
Real estate management staff	6	34	2	27
Total	2 685	2 939	241	300
Information on Board members, Presidents and Managing Directors				
Group				
Salaries and remunerations as per profit and loss account				
Salaries and remunerations paid to Board members by reason of their responsibilities	0.2	0.8		
Salaries and remunerations paid to Presidents and Managing Directors and to deputy to the President by reason of their responsibilities	3.2	1.6		
Total	3.4	2.4		
Salaries, remunerations and fringe benefits paid in financial year	2.1	2.6		
Parent company				
Salaries and remunerations as per profit and loss account				
Salaries and remunerations paid to Board members by reason of their responsibilities			0.2	0.8
Salaries and remunerations paid to President and his deputy by reason of their responsibilities			1.9	0.6
Total			2.2	1.4
Salaries, remunerations and fringe benefits paid in financial year			1.0	1.5

No money loans have been granted to Board members, Presidents or Managing Directors.

No security or financial commitments have been made regarding Board members, Presidents or Managing Directors.

Having reached the age of 60 years, the President of the parent company is entitled to retire on a pension amounting to 60% of the pensionable salary as per TEL (TEL = Finnish Employees Pensions Act). The parent company's retired President is entitled to a pension that is 60% of the pensionable salary accrued for this office and calculated in accordance with TEL. Having reached the age of 60, the parent company's former Chairman of the Board is entitled to receive a pension amounting to around 20% of the salary calculated only for this office as per TEL.

The Presidents and Managing Directors of subsidiaries are, once they have reached the age of 62 or 63, entitled to retire on a pension amounting to 60% of the pensionable salary calculated in accordance with TEL, provided that they, at the age of 62 or 63, have at least 30 years of service. One previous President has the right to retire on a full 60% pension as per TEL once he has reached the age of 60.

6. Net investment income

EUR million	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Investment income				
Income from affiliated undertakings				
Dividends	0.0	-	120.6	19.8
Interest	-	-	2.7	2.7
Total	0.0	-	123.4	22.5
Income from participating interests				
Dividends	-	-	1.1	1.4
Interest	0.1	0.1	-	-
Total	0.1	0.1	1.1	1.4
Income from land and buildings				
Dividends				
Other	0.0	0.0	-	-
Other				
Other	7.3	8.0	-	-
Total	7.3	8.0	-	-
Income from other investments				
Dividends	43.7	45.5	5.9	12.8
Interest				
Affiliated undertakings	-	0.0	0.8	1.5
Other	66.5	69.0	5.8	5.5
Other	1.7	12.3	0.5	0.2
Total	112.0	126.8	13.1	20.0
Total	119.4	134.9	137.6	43.9
Value readjustments on investments	22.9	37.6	2.2	1.5
Gains on realisation of investments	193.3	204.6	72.1	76.9
Investment income in total	335.6	377.1	211.8	122.4
Investment charges				
Charges for land and buildings	14.2	13.5	-	-
Provision	-	-0.2	-	-
Charges for other investments	10.1	11.1	0.3	0.4
Interest and other financing charges				
Affiliated undertakings	-	-	1.1	1.7
Other	1.8	3.5	0.6	1.6
Total	26.0	27.9	2.0	3.7
Value adjustments and depreciation				
Value adjustments on investments	20.6	33.8	2.3	1.1
Scheduled depreciation on buildings	3.3	3.7	-	-
Depreciation on consolidation goodwill	0.0	0.1	-	-
Total	23.9	37.6	2.3	1.1
Losses on realisation of investments	15.8	17.1	0.7	4.3
Investment charges in total	65.7	82.6	5.0	9.0
Net investment income in profit and loss account	269.9	294.5	206.9	113.4

NOTES ON THE ACCOUNTS

Net investment income

	Group		Parent company	
EUR million	2004	2003	2004	2003
Net investment income includes				
Exchange gains/losses on insurance business	1.6	8.1	-	-
Other exchange gains/losses on investments	1.3	0.0	0.3	-0.2
Breakdown regarding investment services				
Breakdown of net income from securities transactions				
Net income from quoted investments	-5.2	-0.6		
Total values of securities held as current assets purchased and sold in financial year				
Shares and participations				
Sold	2 591.9	3 066.1		
Purchased	2 591.5	3 062.1		

7. Extraordinary items

	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Extraordinary income				
Dissolution of subsidiary	-	-	-	6.0
Merger of subsidiary	-	-	-	0.1
			-	6.1
Extraordinary charges				
Group contribution	-	-	-8.0	-10.4
Sale of subsidiary/business	-0.7	-4.0	-	-
	-0.7	-4.0	-8.0	-10.4
Tax on profit on extraordinary items				
Tax for financial year/Group contribution	-	-	2.3	3.0
Tax for financial year/sale of subsidiary	-	-0.4	-	-
Tax for financial year/dissolution of subsidiary	-	9.2	-	9.2
Deferred tax/dissolution of subsidiary	-	18.4	-	18.4
	-	27.2	2.3	30.6

8. Income and charge items affecting comparability of profit

	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Change in provision for unearned premiums				
Change in technical provision basis	-2.4	-		
Provision for unearned premiums	-	0.9		
Change in provision for claims				
Full cost responsibility for medical expenses	-22.7	-		
Change in discount rate of pension annuities	20.2	12.3		
Change in mortality model	7.1	27.0		
Change in equalisation provision	-2.3	-39.9		
	-0.1	0.2		

9. Grounds for scheduled depreciation

Buildings and constructions

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

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

Intangible assets, machinery and equipment

Scheduled depreciation is calculated on the acquisition cost per commodity (in previous years partly per group of commodities) in accordance with the straight-line depreciation method applying the following estimated useful lives of groups of commodities. From 2003, 30% of the acquisition cost has been used as the residual value of car acquisitions.

The depreciation periods and corresponding annual depreciation percentages are:

Intangible rights (software)	3-5 years	20-33.3%
Renovation costs for rented premises	10 years	10%
Goodwill	10 years	10%
Unallocated consolidation goodwill	5-20 years or as for corresponding allocated consolidation goodwill	5-20%
IT systems work expenses	5 years	20%
Long-term expenses pertaining to investments in land and buildings	10 years	10%
IT workstations	3 years	33.3%
Transport facilities and other hardware	5 years	20%
Other machinery and equipment	5-10 years	10-20%

The depreciation period (10 years) of goodwill of A-Insurance is based on the permanence of the insurance portfolio.

The depreciation period (20 years) for consolidation goodwill related to investment services is based on the nature of business and on growth expectations in the sector, which is why income expectations are of a long-term nature.

NOTES ON THE ACCOUNTS

10. Changes in intangible assets and in machinery and equipment

Group

EUR million	Intangible rights	Goodwill	Unallocated consolidation goodwill	Other long-term expenses	Machinery and equipment
Acquisition cost Jan. 1, 2004	37.8	30.6	13.9	20.4	61.8
Adjustment of acquisition cost and accumulated depreciation	-0.7	-	-	-1.7	-4.1
Transfer between items	-0.1	-	-	0.1	-
Increase	4.7	-	3.9	9.1	6.5
Decrease	-18.4	-	-1.1	-1.0	-30.5
Acquisition cost Dec. 31, 2004	23.4	30.6	16.7	26.9	33.7
Accumulated depreciation Jan. 1, 2004	-21.7	-19.9	-6.5	-12.8	-45.3
Adjustment of acquisition cost and accumulated depreciation	0.7	-	-	1.7	4.1
Accumulated depreciation related to decrease and transfers	16.7	-	-	0.8	29.2
Depreciation in financial year	-5.2	-1.3	-0.8	-1.4	-6.1
Value adjustments	-	-	-2.3	-	-
Accumulated depreciation Dec. 31, 2004	-9.6	-21.3	-9.6	-11.8	-18.2
Book value Dec. 31, 2004	13.8	9.3	7.1	15.1	15.6
Book value Dec. 31, 2003	16.1	10.6	7.4	7.6	16.5

Parent company

EUR million	Intangible rights	Payments on account	Other long-term expenses	Machinery and equipment	Other tangible assets
Acquisition cost Jan. 1. 2004	25.0	3.7	1.5	36.0	2.0
Increase	5.4	0.7	2.1	4.2	0.0
Decrease	-11.1	-3.7	-0.8	-18.3	0.0
Transfers between affiliated undertakings	-12.9	-	-2.8	-20.6	-
Acquisition cost Dec. 31, 2004	6.4	0.7	0.1	1.2	2.0
Accumulated depreciation Jan. 1. 2004	-13.0	-	-0.8	-27.2	-
Accumulated depreciation related to decrease and transfers	9.8	-	0.7	18.1	-
Depreciation in financial year	-3.5	-	-0.6	-3.7	-
Transfers between affiliated undertakings	5.1	-	0.6	12.2	-
Accumulated depreciation Dec. 31, 2004	-1.6	-	-0.1	-0.6	-
Book value Dec. 31, 2004	4.8	0.7	0.0	0.7	2.0
Book value Dec. 31, 2003	12.0	3.7	0.7	8.8	2.0

All machinery and equipment is used by administrative functions.

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

Group

EUR million	2004			2003		
	Remaining acquisition cost	Book value	Current value	Remaining acquisition cost	Book value	Current value
Investments in land and buildings						
Land and buildings	88.8	88.8	122.1	94.8	94.8	116.4
Shares in land and buildings related to participating interests	25.1	25.1	27.3	16.2	16.2	16.9
Other shares in land and buildings	8.5	8.5	8.9	9.4	9.4	10.5
Investments in affiliated undertakings						
Shares and fund units	0.7	0.7	0.8	-	-	-
Investments in participating interests						
Shares in associated undertakings	22.5	20.0	31.1	27.2	22.8	35.9
Participating interests	0.2	0.2	0.2	0.2	0.2	0.2
Debt securities	0.6	0.6	0.6	2.0	2.0	2.0
Loans	0.4	0.4	0.4	1.0	1.0	1.0
Other investments						
Shares and fund units	625.3	625.3	799.6	656.4	656.4	917.1
Debt securities	1 588.4	1 588.4	1 634.0	1 519.3	1 519.3	1 543.2
Mortgage loans	4.9	4.9	4.9	5.0	5.0	5.0
Other loans	0.6	0.6	0.6	0.6	0.6	0.6
Deposits with credit institutions	54.6	54.6	54.6	32.1	32.1	32.1
Deposits with ceding undertakings	2.9	2.9	2.9	2.4	2.4	2.4
	2 423.3	2 420.7	2 687.9	2 366.7	2 362.3	2 683.3
Land and buildings and shares therein, occupied by company	37.1	37.1	49.5	68.5	68.5	81.1
Remaining acquisition cost of debt securities includes that difference between the amount repayable at maturity and purchase price which has been released to interest income (+) or charged to interest income (-)	-7.0			-3.4		
Difference between current and book values			267.2			321.1

Parent company

EUR million	2004			2003		
	Remaining acquisition cost	Book value	Current value	Remaining acquisition cost	Book value	Current value
Fixed assets/investments						
Shares in affiliated undertakings	335.6	335.6	336.6	189.5	189.5	190.6
Amounts owed by affiliated undertakings	112.5	112.5	112.5	55.0	55.0	55.0
Participating interests	17.2	17.2	25.7	17.2	17.2	25.7
Other shares	29.8	29.8	84.0	122.4	122.4	230.5
Other debtors	0.9	0.9	0.9	1.0	1.0	1.0
	496.1	496.1	559.8	385.1	385.1	502.9
Current assets/investments						
Other securities	34.4	34.4	34.4	124.8	124.8	125.3
	530.5	530.5	594.2	509.9	509.9	628.1
Remaining acquisition cost of debt securities includes that difference between the amount repayable at maturity and purchase price which has been released to interest income (+) or charged to interest income (-)	0.0			0.1		
Difference between current and book values			63.7			118.3

NOTES ON THE ACCOUNTS

12. Investments in land and buildings

	Group	
EUR million	2004	2003
Land and buildings and shares therein		
Acquisition cost Jan. 1	204.3	213.6
Change in consolidation method	-	1.2
Increase	24.5	6.7
Decrease	-27.2	-17.3
Change in entry basis	-5.9	-
Transfers	-0.4	-
Acquisition cost Dec. 31	195.3	204.3
Unrealised gains and revaluation Jan. 1	-	6.3
Decrease	-	-6.3
Unrealised gains and revaluation Dec. 31	-	-
Accumulated depreciation Jan. 1	-61.8	-60.8
Change in consolidation method	-	-0.7
Accumulated depreciation related to decrease and transfers	6.8	3.4
Depreciation in financial year	-3.3	-3.7
Change in entry basis	-6.7	-
Accumulated depreciation Dec. 31	-65.0	-61.8
Value adjustments Jan. 1	-22.1	-19.7
Value adjustments related to decrease and transfers	1.0	7.6
Value adjustments in financial year	-0.3	-10.0
Value readjustments	-	0.1
Change in entry basis	13.5	-
Value adjustments Dec. 31	-7.8	-22.1
Book value Dec. 31	122.4	120.4

13. Investments in affiliated undertakings

EUR million	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Shares				
Acquisition cost Jan. 1	-	2.3	193.0	233.4
Increase	-	-	149.8	29.7
Change in consolidation method	-	-2.3	-	-
Decrease	-	-	-1.5	-
Dissolution and merger of subsidiaries	-	-	-1.7	-70.1
Transferred participating interests	0.8	-	-	-
Acquisition cost Dec. 31	0.8	-	339.7	193.0
Value adjustments Jan. 1	-	-2.3	-3.5	-2.4
Accumulated value adjustments related to decrease	-	-	-	0.1
Value adjustments in financial year	-	-	-0.5	-1.2
Transferred participating interests	-0.1	-	-	-
Change in consolidation method	-	2.3	-	-
Value adjustments Dec. 31	-0.1	-	-4.0	-3.5
Book value Dec. 31	0.7	-	335.6	189.5
Loans				
Acquisition cost Jan. 1	-	-	15.0	10.6
Increase	-	-	12.5	15.0
Decrease	-	-	-	-10.6
Acquisition cost Dec. 31	-	-	27.5	15.0
Subordinated loan debtors				
Acquisition cost Jan. 1	-	-	40.0 [1]	40.0
Increase	-	-	45.0 [2]	-
Acquisition cost Dec. 31	-	-	85.0	40.0

1) The subordinated loan is in force until further notice. For the parent company, the notice period is five years and for the debtor one month. The annual interest rate is the average annual return on Finnish government five-year bonds on the secondary market increased by two percentage points. The debtor is Pohjola Non-Life Insurance Company Ltd.

2) The loan period for the subordinated loan is ten years and it began on the day the loan was drawn, December 23, 2004. For the parent company, the notice period is five years and for the debtor one month. The interest rate from December 23, 2004 to December 31, 2009 is a fixed annual rate of 4.95%. The interest rate after December 31, 2009 will be a variable annual rate: the 12-month EURIBOR interest rate increased by a margin of four (4) percentage points. The debtor is Pohjola Life Insurance Company Ltd.

14. Investments in participating interests

EUR million	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Shares				
Acquisition cost and equity-method adjustments related to associated undertakings Jan. 1	26.6	26.2	17.2	7.2
Increase	0.1	12.1	-	10.0
Decrease	-0.7	-4.3	0.0	-
Transfers to affiliated undertakings	-0.7	-	-	-
Change in consolidation method	-	-4.1	-	-
Transfers to other shares	-2.7	-3.3	-	-
Acquisition cost and equity-method adjustments related to associated undertakings Dec. 31	22.6	26.6	17.2	17.2
Accumulated depreciation (consolidation goodwill) Jan. 1	-0.1	-7.4	-	-
Depreciation in financial year	-0.1	-1.6	-	-
Transfers to other shares	-	1.3	-	-
Change in consolidation method	-	7.6	-	-
Accumulated depreciation (consolidation goodwill) Dec. 31	-0.2	-0.1	-	-
Value adjustments Jan. 1	-3.5	-0.4	-	-
Value adjustments in financial year	0.0	-3.5	-	-
Transfers to affiliated undertakings	0.1	-	-	-
Transfers to other shares	1.2	-	-	-
Decrease	-	0.4	-	-
Value adjustments Dec. 31	-2.2	-3.5	-	-
Book value Dec. 31	20.2	23.0	17.2	17.2
Non-depreciated consolidation goodwill (asset) Dec. 31	0.4	0.5		
Debt securities				
Acquisition cost Jan. 1	2.1	0.2		
Increase	0.6	2.0		
Decrease	-2.1	-0.1		
Acquisition cost Dec. 31	0.6	2.1		
Value adjustments Jan. 1	-0.1	-0.1		
Accumulated value adjustments related to decrease	0.1	0.0		
Value adjustments Dec. 31	-	-0.1		
Book value Dec. 31	0.6	2.0		
Loans				
Acquisition cost Jan. 1	1.0	1.0		
Decrease	-0.6	-		
Acquisition cost Dec. 31	0.4	1.0		

15. Investments, other shares

EUR million	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Acquisition cost Jan. 1			125.9	144.8
Increase			3.3	45.1
Decrease			-95.9	-64.0
Acquisition cost Dec. 31			33.3	125.9
Value adjustments Jan. 1			-3.6	-4.1
Accumulated value adjustments related to decrease			0.2	1.6
Value adjustments in financial year			-0.1	-1.1
Value adjustments Dec. 31			-3.5	-3.6
Unrealised gains and revaluation Jan. 1			-	0.9
Decrease			-	-0.9
Unrealised gains and revaluation Dec. 31			-	-
Book value Dec. 31			**29.8**	122.4

16. Investments, other loans

EUR million	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Acquisition cost Jan. 1			1.0	1.1
Increase			0.6	-
Decrease			-0.6	0.0
Acquisition cost Dec. 31			0.9	1.0
Other, no security	0.6	0.6		

Loans do not include inner-circle loans.

NOTES ON THE ACCOUNTS

17. Holdings in other undertakings

EUR million		Domicile	Sector	Percentage of shares/votes	Group Book value 2004	Parent company Book value 2004
Affiliated undertakings						
Pohjola Non-Life Insurance Company Ltd		Helsinki	Non-life insurance	100.00		67.3
A-Insurance Ltd		Helsinki	Non-life insurance	100.00		42.0
Eurooppalainen Insurance Company Ltd		Helsinki	Non-life insurance	100.00		
Seesam International Insurance Company Ltd		Estonia	Non-life insurance	100.00		7.4
Joint Stock Insurance Company "Seesam Latvia"	*) 90	Latvia	Non-life insurance	100.00		2.7
Joint Stock Insurance Company "Seesam Lithuania"	*) 78.68	Lithuania	Non-life insurance	100.00		1.0
Closed Joint-Stock Insurance Company "Principal"		Russia	Non-life insurance	67.50/80.50		
Bothnia International Insurance Company Ltd.		Helsinki	Non-life insurance	100.00		21.0
Moorgate Insurance Company Limited		United Kingdom	Non-life insurance	100.00		13.2
Pohjola Life Insurance Company Ltd		Helsinki	Life insurance	100.00		135.0
Pohjola Asset Management Limited		Helsinki	Asset management	100.00		7.7
Pohjola Fund Management Company Limited		Helsinki	Fund management	100.00		7.5
Conventum Venture Finance Ltd.		Helsinki	Investments	100.00		10.0
Kaivokatu Securities Limited		Helsinki	Brokerage	100.00		3.8
Pohjola Customer Service Ltd		Helsinki	Sales and customer service	100.00		10.3
Pohjolan Systeemipalvelu Oy		Helsinki	IT services	100.00		1.7
Russia Life Investments Limited		United Kingdom	Holding company	67.50/80.50		0.0
Closed Joint-Stock Company "RLIR"		Russia	Holding company	67.50/80.50		
Moorgate Insurance (Nominees) Limited		United Kingdom	Non-active	100.00		
Northclaims Oy		Helsinki	Non-active	100.00		
Pohjola Property Management Ltd		Helsinki	Real estate investments	100.00		0.0
Pohjola IT Procurement Ltd (former Osmo Oy)		Helsinki	Acquisition and renting of fixed assets	100.00		4.9
					-	335.6

*) Parent company's holding

	Latest annual accounts Profit/loss	Capital and reserves	Domicile	Sector	Percentage of shares/votes	Group Book value 2004	Parent company Book value 2004
Affiliated undertaking, stated at cost							
Pohjanmaan Mikro Oy	0.1	1.1	Kempele	Manufacturing and sale of computers	52.00	0.7	
Participating interests							
Associated undertakings, accounted for by the equity method							
Nooa Savings Bank Ltd			Helsinki	Banking	25.00	7.2	9.4
Autovahinkokeskus Oy			Espoo	Sale of damaged goods	27.75	1.0	
Vahinkopalvelu Oy			Loppi	Sale of damaged goods	46.67	0.7	
Associated undertakings, stated at cost							
Delfoi Ltd	0.0	0.1	Espoo	Production e-business solutions	30.31	0.9	
Done Solutions Corporation	-3.2	1.1	Helsinki	Preparation and sale of logistics solutions	26.56	1.5	
Futuremark Oy	-0.3	0.4	Espoo	Development of benchmark software	32.51	0.8	
Pirene Oy	0.0	2.0	Helsinki	Manufacturing of surface soil and waste treatment equipment	30.65	0.6	0.5
Ilmarinen Mutual Pension Insurance Company	2.1	76.5	Helsinki	Employment pension insurance	68.57/23.97	7.2	7.2
						20.0	17.2
Participating interests, stated at cost							
Euro-Center Holding A/S	0.1	1.1	Denmark	Claims services	16.67	0.2	-

Holdings in other undertakings

	Latest annual accounts Profit/loss	Latest annual accounts Capital and reserves	Domicile	Sector	Percentage of shares/votes	Group Book value 2004	Parent company Book value 2004
EUR million							
Associated undertakings (real estate), stated at cost							
Asunto Oy Einonkatu 8	0.0	0.2	Imatra	Real estate management	42.77	0.4	
Asunto Oy Espoon Haukitie 2	0.0	0.7	Espoo	Real estate management	25.00	0.2	
Kiinteistö Oy Eteläesplanadi 12	-0.1	10.9	Helsinki	Real estate management	27.18	6.0	
Asunto Oy Helsingin Korppaanmäki	-	19.5	Helsinki	Real estate management	34.21	11.4	
Joensuun Metsätalo Oy	0.0	3.2	Joensuu	Real estate management	20.53	0.9	
Kiinteistö Oy Kiteen Yhdyskulma	0.0	0.1	Kitee	Real estate management	24.42	0.2	
Kiinteistö Oy Nokian Nosturikatu 18	-0.2	0.2	Helsinki	Real estate management	33.33	0.2	
Asunto Oy Salamankulma	0.0	2.0	Turku	Real estate management	33.82	3.5	
Sarfvik Oy	0.0	1.7	Kirkkonummi	Real estate management	20.00	0.5	
Asunto Oy Ranta	0.0	4.2	Hämeenlinna	Real estate management	27.12	0.6	
Kiinteistö Oy Nisulanportti	0.0	0.8	Jyväskylä	Real estate management	34.72	0.4	
Kiinteistö Oy Kulmaleveri	0.0	0.9	Oulu	Real estate management	23.77	0.7	
Kiinteistö Oy Vilhonkulma	0.0	0.5	Mikkeli	Real estate management	20.39	0.2	
						25.1	-

Holdings in other undertakings

EUR million	Domicile	Group 2004 Percentage of shares	Group 2004 Book value	Group 2004 Current value	Parent company 2004 Percentage of shares	Parent company 2004 Book value	Parent company 2004 Current value
Other companies							
Domestic companies, listed							
Alma Media Corporation	Finland	2.44	12.5	17.8			
Amer Group Plc	Finland	0.28	2.0	2.6			
Atria Group plc	Finland	0.29	0.6	0.7			
Comptel Corporation	Finland	0.37	0.7	0.7			
Elcoteq Network Corporation	Finland	0.34	1.7	1.9			
Finnair Plc	Finland	0.17	0.8	0.8			
Finnlines Plc	Finland	0.89	3.6	4.5			
Fortum Corporation	Finland	0.13	3.3	15.6	0.05	1.2	6.3
F-Secure Corporation	Finland	0.67	1.8	1.8			
HK Ruokatalo Oyj	Finland	0.30	0.6	0.8			
Huhtamäki Oyj	Finland	0.21	1.4	2.5			
Incap Corporation	Finland	5.40	1.3	1.3	5.40	1.3	1.3
Inion Oy	Finland	1.11	0.9	2.0			
KCI Konecranes Plc	Finland	0.14	0.6	0.7			
Kemira Oyj	Finland	0.07	0.6	0.8			
Kesko Corporation	Finland	0.15	2.1	2.5			
Kone Corporation	Finland	0.17	1.4	6.0	0.06	0.1	2.3
Lassila & Tikanoja plc	Finland	1.19	1.4	6.9			
Martela Oyj	Finland	4.58	1.2	1.2			
Metso Corporation	Finland	0.20	3.2	3.2			
M-real Corporation	Finland	0.13	2.0	2.0			
Nokia Corporation	Finland	0.02	8.3	11.8			
OKO Osuuspankkien Keskuspankki Oyj	Finland	0.11	1.0	1.1			
Olvi plc	Finland	1.22	0.5	0.8			
Orion Corporation	Finland	0.13	1.8	2.1			
Outokumpu Oyj	Finland	0.22	4.3	5.2			
Oyj Leo Longlife Plc	Finland	3.06	0.7	0.9			
Perlos Corporation	Finland	0.21	1.3	1.3			
Raisio Group plc	Finland	0.17	0.5	0.5			
Rakentajain Konevuokraamo Oyj	Finland	6.96	0.8	6.5			
Sampo plc	Finland	0.12	6.5	7.1			
SanomaWSOY Corporation	Finland	1.71	3.4	45.0	1.06	1.8	27.8
Stora Enso Oyj	Finland	0.11	9.6	10.0			
Spar Finland plc	Finland	4.59	1.9	1.9			
Tietoenator Corporation	Finland	0.12	0.9	2.4			
UPM-Kymmene Corporation	Finland	0.26	7.5	22.0	0.11	2.3	9.4
Uponor Oyj	Finland	0.44	2.8	4.6			
YIT Corporation	Finland	2.28	3.2	25.6	1.14	1.6	12.9
Other warrants			0.4	0.5			
Other shares			1.4	2.6			
Foreign companies, listed							
HedgeFirst Ltd	United Kingdom		2.0	2.0			
Nordea Bank AB	Sweden	0.02	2.9	4.8			
RMF Absolute Return Strategies I Limited	Cayman Islands		4.9	4.9			
TeliaSonera AB	Sweden	0.03	4.2	5.6			
Vodafone Group Public Ltd	United Kingdom	0.00	1.1	1.1			
Other shares			17.2	19.2			

Holdings in other undertakings

EUR million	Domicile	Group 2004 Percentage of shares	Group 2004 Book value	Group 2004 Current value	Parent company 2004 Percentage of shares	Parent company 2004 Book value	Parent company 2004 Current value
Domestic companies, non-listed							
Fingrid Oyj	Finland	2.26	2.3	2.3			
Ion Blast Ltd	Finland	8.67	0.7	0.7			
Kuopion Puhelin Oyj	Finland	2.24	2.5	2.5			
NetHawk Oyj	Finland	11.00	6.2	6.2			
Oy Wireless Entertainment Services Finland Ltd.	Finland	16.67	1.0	1.0			
Solid Information Technology Oy	Finland	2.32	2.6	2.6			
Suomi Mutual Life Assurance Company	Finland	100.00	0.5	0.5		0.5	0.5
Tornator Timberland Oy	Finland	5.00	4.0	4.0			
Other warrants			0.3	0.3			
Other shares			3.3	11.9		0.5	0.5
Foreign companies, non-listed							
Cygate Ab	Sweden	4.60	0.6	0.6			
EIC Corporation Ltd.	Bermuda	2.06	0.7	0.8			
Other shares			0.9	0.9			
Absolute return funds							
Pohjola 2XL	Cayman Islands		10.0	10.7			
Bond funds							
Hansa Money Market Fund	Estonia		0.6	0.6			
Pimco Global Investm Grade Credit Fund, Inst Inc	Ireland		9.9	9.9			
Pohjola Euro High Yield	Finland		10.0	11.2			
Pohjola Euro Corporate Bond	Finland		27.0	33.0			
Pohjola Reserve Plus	Finland		54.0	55.8			
Pohjola Reserve	Finland		30.1	30.5			
Pohjola Bond	Finland		60.0	64.8			
Pohjola US High Yield	Finland		1.0	1.1			
Pohjola Convertible	Finland		3.4	3.8			
SISF Emerging Markets Debt I, Acc	Luxembourg		11.8	11.8			
Other bond funds			0.8	0.8			
Private equity funds							
Aboa Venture III Ky	Finland		1.6	1.6			
Access Capital LP II A	United Kingdom		1.3	1.3		1.3	1.3
Access Capital LP II B	United Kingdom		1.0	1.2		1.0	1.2
Apax Europe V - D, LP	United Kingdom		5.5	5.5			
Arcadia Beteiligungen BT GmbH & Co. KG	Germany		3.4	3.4			
Baltic Investment Fund III L.P.	United Kingdom		1.7	1.7			
Behrman Capital III L.P.	United States		4.4	4.4			
Bio Fund Ventures III Ky	Finland		2.3	2.3			
CapMan Equity VII B L.P.	Finland		4.0	4.1			
Deutsche European Partners IV (No.3) LP	United Kingdom		1.5	1.5			
Duke Street Capital IV UK No.1 LP	United Kingdom		1.5	1.5			
ECI 7 (UK) LP	United Kingdom		2.3	2.9			
Eqvitec Technology Fund II Ky	Finland		7.2	7.2		2.4	2.4
Euroknights IV Jersey No.2 L.P.	United Kingdom		2.3	2.9			
European Fund Investments II LP	United Kingdom		0.7	0.9			
European Strategic Partners LP	United Kingdom		6.8	6.8			
Finnmezzanine Rahasto II B Ky	Finland		2.0	3.3			
Finnventure Rahasto V Ky	Finland		3.6	5.1		3.6	5.1
GrowHow Rahasto I KY	Finland		0.9	0.9			
Indigo Capital IV L.P.	United Kingdom		2.6	2.6			
Industri Kapital 2000 LP IV	United Kingdom		6.3	7.1		6.3	7.1
Lexington Capital Partners IV. L.P.	United States		3.2	4.4			

NOTES ON THE ACCOUNTS

Holdings in other undertakings

EUR million	Domicile	Group 2004 Percentage of shares	Group 2004 Book value	Group 2004 Current value	Parent company 2004 Percentage of shares	Parent company 2004 Book value	Parent company 2004 Current value
MB Equity Fund III Ky	Finland		1.2	1.2			
MidInvest Fund I Ky	Finland		0.8	0.8			
Nexit Infocom 2000 Limited	United Kingdom		0.9	0.9			
Nordic Capital IV Limited	United Kingdom		2.6	2.6			
Nordic Mezzanine Fund II LP	United Kingdom		1.6	1.6			
Nordic Mezzanine Fund No.1 LP	United Kingdom		4.5	4.5		4.5	4.5
Nova Polonia Private Equity Fund. L.L.C.	Ireland		2.3	2.3			
Prime Technology Ventures N.V.	Netherlands		0.6	0.6			
Private Energy Market Fund Ky	Finland		2.1	2.1			
Promotion Capital I Ky	Finland		1.7	1.7		1.7	1.7
Proventure & Partners Scottish LP	United Kingdom		2.6	2.6			
Seedcap Ky	Finland		0.8	0.8			
SFK 99-Rahasto Ky	Finland		1.1	1.1			
Sponsor Fund I Ky	Finland		0.6	0.9			
Sponsor Fund II Ky	Finland		2.2	2.2			
The First European Fund Investments UK LP	United Kingdom		4.1	4.1			
Other private equity funds			2.6	2.7			
Mutual funds							
AAF Eastern Europe Equity Fund	Luxembourg		1.5	3.0			
ABN AMRO Trans Europe Fund	Netherlands		1.4	1.4			
Goldman Sachs US Growth Equity Cl I	Luxembourg		12.3	12.3			
P.F. Small Cap Europe I Class	Luxembourg		0.9	2.2			
Parvest Europe Mid Cap - Inst. C	Luxembourg		8.0	9.2			
Parvest Europe Mid Cap - Inst. C	Luxembourg		1.0	1.1			
Pohjola Asia Plus	Finland		3.0	3.7			
Pohjola Euro 50 Plus	Finland		14.0	14.4			
Pohjola Euro 50 Plus	Finland		3.6	3.7			
Pohjola Euro Forte	Finland		1.0	1.2			
Pohjola Euro Growth	Finland		15.9	15.9			
Pohjola Euro Growth	Finland		1.7	1.7			
Pohjola Euro Value	Finland		14.2	14.2			
Pohjola Euro Value	Finland		1.6	1.6			
Pohjola Europe Equity	Finland		20.0	21.5			
Pohjola Europe Equity	Finland		2.7	2.9			
Pohjola Focus	Finland		0.7	0.7			
Pohjola Japan Plus	Finland		6.0	6.1			
Pohjola Commodity	Finland		2.5	2.5			
Pohjola Solid	Finland		2.0	2.1			
Pohjola Tekno	Finland		1.0	1.2			
Pohjola Dark Blue Special Mutual Fund	Finland		1.2	1.4			
Pohjola US 500 Plus	Finland		5.3	5.3			
Pohjola Light Blue Special Mutual Fund	Finland		0.8	0.9			
Pohjola Russia Plus	Finland		4.3	4.3			
PWT US Relative Value	Ireland		11.2	11.2			
Schrodes Tokyo Fund - Acc JPY	United Kingdom		7.5	9.5			
SISF Pacific Equity Class C - Dist.	Luxembourg		4.8	4.8			
Other mutual funds			0.0	0.4			
			625.3	799.6			
Shares in land and buildings						-	-
						29.8	84.0

18. Debtors

EUR million	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Affiliated undertakings				
Accounts receivable	-	-	0.0	0.8
Prepayments and accrued income	-	-	2.6	2.1
Interim dividend receivable	-	-	-	5.0
Other debtors	-	-	12.1	4.4
Total	-	-	14.7	12.3
Participating interests				
Direct insurance debtors	0.3	0.3	-	-
Accounts receivable	0.5	0.4	-	0.0
Prepayments and accrued income	0.0	-	-	-
Other debtors	1.5	1.7	0.1	0.1
Total	2.2	2.5	0.1	0.1

19. Prepayments and accrued income

	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Interest and rent	34.8	29.4	0.2	1.4
Other				
Expenses paid in advance	5.4	3.2	0.4	0.5
Tax on profit	0.7	0.4	0.2	0.2
Derivatives	3.9	5.4	-	-
Other	9.7	10.0	1.0	0.9
	19.7	19.0	1.5	1.5
Total	54.4	48.4	1.7	2.9

NOTES ON THE ACCOUNTS

20. Capital and reserves

EUR million	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Share capital				
C shares Jan. 1	-	0.8	-	0.8
Decrease in share capital	-	-0.8	-	-0.8
Total	-	-	-	-
Pohjola Group Jan. 1	43.7	43.7	43.7	43.7
Increase in share capital	94.2	-	94.2	-
Total	137.8	43.7	137.8	43.7
Share capital Dec. 31	137.8	43.7	137.8	43.7
Share premium account				
Reserve Jan. 1	40.5	39.7	40.5	39.7
Increase/decrease in share capital	2.8	0.8	2.8	0.8
Reserve Dec. 31	43.3	40.5	43.3	40.5
Legal reserve				
Reserve Jan. 1	158.3	158.3	158.2	158.2
To increase in share capital	-93.4	-	-93.4	-
Reserve Dec. 31	64.9	158.3	64.8	158.2
Other reserves				
Contingency reserve				
Reserve Jan. 1	231.2	223.1	214.8	161.3
To parent company distribution of dividend	-99.0	-	-99.0	-
Withdrawn from revaluation reserve	-	-3.8	-	-
From profit brought forward	-0.5	10.3	-	-
From profit for previous financial year	67.4	1.5	46.9	53.5
Reserve Dec. 31	199.1	231.2	162.6	214.8
Profit/loss brought forward				
Reserve Jan. 1	20.2	4.5	-	-
From profit/loss for previous financial year	58.6	29.5	-	-
Transfer to contingency reserve	0.5	-10.3	-	-
From change in Group structure	-1.4	-1.6	-	-
Translation difference	-0.7	-1.9	-	-
Reserve Dec. 31	77.3	20.2	-	-
Profit for previous financial year	176.8	132.6	97.7	155.0
To parent company distribution of dividend	-50.8	-101.5	-50.8	-101.5
To contingency reserve	-67.4	-1.5	-46.9	-53.5
To profit/loss brought forward	-58.6	-29.5	-	-
To donations for worthy causes	0.0	0.0	0.0	0.0
Total	-	-	0.0	-
Profit for financial year	167.6	176.8	133.7	97.7
Capital and reserves in total	690.0	670.7	542.3	554.8

Capital and reserves

EUR million	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Untaxed reserves (voluntary provisions and depreciation in excess of schedule) transferred to capital and reserves				
Profit/loss brought forward	1.2	2.2		
Profit/loss for financial year	6.1	-0.7		
Total	7.3	1.5		
Distributable funds				
Profit for financial year	167.6	176.8	133.7	97.7
Contingency reserve	199.1	231.2	162.6	214.8
Profit/loss brought forward	77.3	20.2	-	-
Untaxed reserves transferred to capital and reserves	-7.3	-1.5	-	-
Translation differences of capital and reserves	-	-0.4	-	-
Other adjustments	-0.7	-0.6	-	-
	435.9	425.7	296.4	312.4

NOTES ON THE ACCOUNTS

Capital and reserves

At the beginning of 2004, Pohjola's share capital amounted to EUR 43 654 051.86. The number of shares was 50 772 851 shares. The accounting par value of a share was EUR 0.86 (not an exact value).

On April 22, 2004, the Annual General Meeting resolved to increase the company's share capital by two bonus issues:

The accounting par value of the share was changed to EUR 0.90 by increasing the share capital by a bonus issue of EUR 2 041 514.04 from EUR 43 654 051.86 to EUR 45 695 565.90. An amount corresponding to the increase in the share capital was transferred from the legal reserve to the share capital. No new shares were issued, nor did the number of the company's shares change. In addition, the share capital was increased through a bonus issue in order to triple the number of the company's shares by giving, free of charge, two new shares against one old share. An amount corresponding to the increase in the share capital, EUR 91 391 131.80, was transferred from the legal reserve to the share capital. The new shares given in the bonus issue, in total 101 545 702 shares, did not entitle to the dividend for 2003 on the distribution of which a resolution was passed at the Annual General Meeting and the payment date of which was May 4, 2004. Otherwise, the old and new shares provide equal shareholder rights. The increases in the share capital made through bonus issues were entered in the Finnish trade register on April 27, 2004. After the increases, the new share capital was EUR 137 086 697.70 and the total number of shares was 152 318 553 shares.

The share capital was increased by a total of EUR 747 084.60 on October 27, 2004 and December 22, 2004 on the basis of the share subscriptions made with option rights A and B of the year 2001 stock option plan. With option rights A, 64 794 shares and, with option rights B, 765 300 shares were subscribed. The total number of shares subscribed was 830 094 shares.

The company's share capital as at December 31, 2004 totalled EUR 137 833 782.30 and the total number of shares was 153 148 647 shares.

The shares entitle to a dividend and to company assets. Each share confers one vote at a General Meeting of Shareholders.

Pohjola's stock option plan

The Extraordinary General Meeting of Shareholders on July 5, 2001 resolved to issue a maximum of 1 100 000 option rights. The option rights were given free of charge to the key staff of the Pohjola group of companies and to a subsidiary wholly owned by Pohjola.

The terms and conditions of the stock option plan were changed as a result of the bonus issue resolutions passed by the Annual General Meeting on April 22, 2004. According to the changed terms and conditions, each stock option entitles the holder of the stock option to subscribe for three Pohjola Group plc shares with an accounting par value of EUR 0.90 each. As a result of the subscriptions, the share capital can increase by a maximum of EUR 2 970 000 and the number of the company's shares by a maximum of 3 300 000 shares. The subscription price of the shares equals the subscription price calculated in accordance with the terms of the option rights divided by three. The subscription prices are reduced by the amount of dividends distributed before share subscription.

In accordance with the stock option plan, the stock options are divided into three series:

Series	Number of option rights	Subscription price after dividends distributed in 2001- 2003, EUR	Subscription period	Number of shares available for subscription
A	100 000	6.5033	Aug. 1, 2003 - July 30, 2006	300 000
B	500 000	4.0933	Aug. 1, 2004 - July 30, 2006	1 500 000
C	500 000	4.0933	Aug. 1, 2005 - July 30, 2006	1 500 000

The Board of Directors proposes that EUR 0.70 per share be distributed in dividend for 2004.

Trading in stock options A of the stock option plan began on the Helsinki Stock Exchange Main List on November 3, 2003 and trading in stock options B on August 2, 2004.

In 2004, a total of 64 794 shares were subscribed with stock options A. The corresponding increase in the share capital was EUR 58 314.60. With stock options B, a total of 765 300 shares were subscribed in 2004, the corresponding increase in the share capital amounting to EUR 688 770.00. The shares subscribed on the basis of the stock options entitle to a dividend for the financial year in which they were subscribed. The other shareholder rights begin once the increase in the share capital has been entered in the trade register.

Authorisations of the Board of Directors

The Annual General Meeting held on April 22, 2004 authorised the Board of Directors to decide on an increase in the share capital through a new issue of shares and/or on an issue of convertible bonds in such a way that on the basis of the new issue of shares and the convertible bonds, the share capital can be increased by a total maximum of EUR 5 760 810. The authorisation includes the right to deviate from the shareholders' pre-emptive right of subscription provided that the company has a weighty financial reason for the deviation, for example carrying out acquisitions or cooperation arrangements. The authorisation will be in force for one year from the resolution of the Annual General Meeting.

The Extraordinary General Meeting held on September 22, 2004 authorised the Board of Directors to decide on repurchase and conveyance of the company's own shares. The authorisations will be in force until April 7, 2005. A maximum of 6 000 000 Pohjola shares can be repurchased, which is less than 5% of the company's share capital and of the votes conferred by all shares of the company. The repurchase will take place through public trading arranged by the Helsinki Stock Exchange. The company's own shares can be repurchased in order to develop the company's capital structure, to finance acquisitions or other arrangements, to put into effect incentive systems of the company or its subsidiaries, or to be otherwise conveyed, or to be invalidated. The Board of Directors was authorised to decide to whom, at what price and in what order the company's own shares would be conveyed.

21. Provision for unearned premiums of non-life insurance

EUR million	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Provision for unexpired risks	2.3	5.6		

22. Provision for claims outstanding of non-life insurance

	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Annuities				
Average interest rate used for calculation of technical provisions	3.5%	3.7%		

23. Expense provisions

	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Profit and loss account items				
Other charges (other operating expenses)				
Restructuring provision				
Pension arrangements	0.0	0.1		
Support packages	-0.6	4.1		
Rent liabilities	0.0	1.1		
Employer's social security contributions for employment-related stock options	0.1	0.3		
	-0.4	5.6		
Investment charges				
Emptying of premises under repair	-	-0.2		
Social costs/salaries				
Employer's social security contributions for employment-related stock options			0.1	0.2
Social costs/pension costs				
Restructuring provision				
Pension arrangements			0.0	0.0
Other operating expenses				
Restructuring provision				
Support packages			0.0	0.2
Rent liabilities			0.1	0.8
			0.2	1.0
Total	-0.4	5.3	0.3	1.3
Balance-sheet items				
Provisions				
Support packages	-	4.3	-	0.1
Rent provision	1.1	1.1	1.0	0.8
Employer's social security contributions for employment-related stock options	0.4	0.3	0.3	0.2
	1.5	5.6	1.3	1.2
Accruals and deferred income				
Pension arrangements	-	2.9	-	0.5
Support packages	1.9	2.1	0.1	0.2
	1.9	5.0	0.1	0.8
Total	3.4	10.7	1.4	2.0

24. Creditors

EUR million	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Amounts owed to affiliated undertakings				
Trade creditors	-	-	1.3	4.0
Accruals and deferred income	-	-	0.1	0.0
Other creditors	-	-	23.1	29.9
	-	-	24.5	34.0
Amounts owed to participating interest undertakings				
Amounts owed to credit institutions	7.1	13.8	-	-
Trade creditors	0.1	0.4	0.0	0.3
Other creditors	1.4	-	1.4	0.7
Total	8.5	14.3	1.4	1.0
Amounts becoming due and payable later than in five years				
Amounts owed to credit institutions	0.9	1.2	-	-

25. Accruals and deferred income

	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Staff expenses	28.7	26.8	8.6	6.4
Tax on profit	26.8	18.1	14.3	7.8
Derivatives	1.4	1.4	-	-
Restructuring provision	1.9	5.0	0.1	0.8
Other	14.4	8.6	1.1	1.0
	73.3	60.0	24.1	16.0

26. Deferred tax assets and liabilities

	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Profit and loss account items				
Tax on profit/deferred tax				
Included in affiliated undertakings' annual accounts	-6.6	0.3	-4.6	0.1
Based on untaxed reserves	-2.1	0.3	-	-
Timing differences based on consolidation procedure	0.3	-1.5	-	-
Other temporary differences based on consolidation procedure	0.0	0.0	-	-
	-8.4	-1.0	-4.6	0.1
Extraordinary items/deferred tax				
Included in affiliated undertakings' annual accounts		-18.4	-	18.4
Balance-sheet items				
Deferred tax assets				
Included in affiliated undertakings' annual accounts	17.0	23.6	14.7	19.3
Timing differences based on consolidation procedure	2.5	3.0	-	-
Other temporary differences based on consolidation procedure	0.4	-	-	-
	19.9	26.6	14.7	19.3
Deferred tax liabilities				
Based on untaxed reserves	2.4	0.4	-	-
Timing differences based on consolidation procedure	2.5	3.3	-	-
Other temporary differences based on consolidation procedure	-	0.7	-	-
	4.9	4.5	-	-
Deferred tax assets have been omitted from the balance sheet because they were not deemed likely to be realised	10.7	20.4	10.4	18.4

27. Security and financial commitments

EUR million	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Security				
Given as security on company's own behalf				
Loans from financing institutions	7.1	8.3	-	-
Guarantees	7.1	8.1	-	-
Mortgaged land and buildings	-	0.5	-	-
Technical provisions	7.4	16.2	-	-
Assets pledged	11.4	21.7	-	-
As security for derivatives trading				
Assets pledged	-	1.2	-	-
As security for market making business				
Assets pledged	-	33.9	-	33.9
Given as security on behalf of affiliated undertakings				
Guarantees	-	-	2.2	2.6
Assets pledged	-	-	0.0	0.6
Given as security on behalf of participating interest undertakings				
Loans from financing institutions	-	4.7	-	-
Guarantees	-	4.7	-	-
Given as security on behalf of other companies				
Assets pledged	-	13.3	-	-
Given as security in total	18.5	83.3	2.2	37.0

The parent company has, on behalf of Moorgate Insurance Company Ltd, given ILU (Institute of London Underwriters) a guarantee related to any future liability to pay claims.

EUR million	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Off-balance-sheet financial commitments and liabilities				
Uncompleted securities transactions	-	268.4	-	-
Contractual liabilities				
Commitment to subscribe for shares in general partnership companies carrying on venture capital investments	83.7	111.2	11.0	13.9
Agreed subordinated loan limit	-	-	50.5	50.5
Other contractual liabilities	38.9	13.7	11.3	4.6

NOTES ON THE ACCOUNTS

Security and financial commitments

EUR million	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Derivatives (hedging)				
Interest rate derivatives				
Option contracts				
Bought, market value	-	0.5	-	-
Value of underlying security	-	210.0	-	-
Sold, market value	-	-0.4	-	-
Value of underlying security	-	210.0	-	-
Currency derivatives				
Forward and futures contracts				
Market value	0.1	-	-	-
Value of underlying security	46.4	-	-	-
Option contracts				
Bought, market value	5.2	4.6	-	-
Value of underlying security	84.0	104.0	-	-
Sold, market value	-0.2	-1.5	-	-
Value of underlying security	94.8	148.9	-	-
Equity derivatives				
Forward and futures contracts (Skandia)				
Market value	-	2.4	-	2.4
Value of underlying security	-	53.0	-	53.0
Derivatives (other)				
Interest rate derivatives				
Option contracts				
Bought, market value	-	0.1	-	-
Value of underlying security	-	1.3	-	-
Sold, market value	-	0.0	-	-
Value of underlying security	-	0.3	-	-
Equity derivatives				
Forward and futures contrats				
Market value	-	0.6	-	-
Value of underlying security	-	3.9	-	-
Option contracts				
Bought, market value	-	0.6	-	-
Value of underlying security	-	3.1	-	-
Sold, market value	-	0.6	-	-
Value of underlying security	-	2.4	-	-
Other derivatives				
Option contracts				
Bought, market value	-	0.1	-	-
Value of underlying security	-	1.2	-	-
Sold, market value	-	0.0	-	-
Value of underlying security	-	0.6	-	-
Leasing liabilities				
Amount payable during current financial year	0.3	5.5	0.0	0.0
Amount payable in subsequent financial years	0.3	2.1	0.0	0.0
Amount of joint liability				
Pertaining to VAT group registration, Pohjola Group is, together with the other members of the Pohjola Group taxable group, jointly and severally liable for the value added tax imposed on the group				
Affiliated undertakings	-	-	0.0	0.1
Participating interest undertakings	2.5	2.9	2.5	2.9
Other undertakings	1.3	0.0	1.3	0.0
	3.8	3.0	3.9	3.1
Conditional receivables/liabilities				
Disputed receivable	-	0.4		
Disputed liability	-	0.6		

28. Risk management principles

Pohjola's risk management is based on the common guidelines confirmed by the parent company's Board of Directors for the internal control of the whole Group. Internal control consists of a risk management system by which business risks can be identified and controlled. The risk control function is independent of the business function taking the risk.

At Pohjola the concept 'risk' is understood to cover any factors that have an impact on the attainment of the set business objectives. The Board of Directors has set targets for return on equity, for combined ratio, for solvency ratio in non-life insurance and for corporate social responsibility. The following risk analysis focuses on the Group's most important identified risks.

Capital structure

In an insurance group, adequate capitalisation has a vital role. A condition for an insurance company's licence is that the solvency requirements set by the law are fulfilled. The amount of capital has an effect both on return on equity and on the risk carrying capacity of the group of companies. High profitability supports both the above-mentioned targets and provides favourable conditions for socially responsible operations.

Pohjola's objective is to retain in the subsidiaries the capital required for core business operations. The capital buffers are in the parent company. In addition to capital and reserves, the solvency capital includes the difference between current and book values of investments and the equalisation provision. The deferred tax liability that is likely to become payable in the near future is deducted from the difference between current and book values of investments. The efficiency of the capital structure is increased by replacing part of the subsidiaries' capital and reserves by a subordinated loan granted by the parent company. The equalisation provision can only be used to cover insurance risks; other solvency capital can be used to cover all risks. Financial standing ultimately sets the limits to how large risks the Group can assume.

Pohjola's aim is to maintain the solvency of non-life insurance at a level which corresponds to an insurance financial strength rating of 'A'.

Management of insurance and investment risks

Pohjola applies a probability model for the assessment of insurance and investment risks. By means of this model, Pohjola evaluates the optimal structure of the company's investment allocation, insurance portfolio and solvency, so as to maximise the return on capital. By means of the model, a target area is also defined for Pohjola's solvency. The lower limit of the target area of non-life insurance solvency is about thrice as high as the currently valid EU solvency requirements.

As regards insurance risks, the model takes account of the different nature of the insurance lines and the extent of reinsurance. The model applied to investment risks is based on classification in accordance with the nature of the investment instruments. The model takes into account the expected return and the mix of the investment classes, as well as the correlation between the classes.

Insurance risks

Non-life insurance

The insurance business is based on risk-taking and on the management of risks. The largest risks pertain to risk selection and rating, to acquisition of reinsurance cover, and to the sufficiency of technical provisions. The technical provisions risk is involved particularly in those insurance lines where the claims settlement period is long. In addition, a major insurance business risk consists of the investment risk related to assets covering the technical provisions.

The Group's operational model lays emphasis on the role of risk selection and premium rating. A data warehouse supporting the underwriting function has already been taken into use. Insurance terms and conditions are a vital tool in controlling risks.

Of Pohjola's premiums written, around 90% come from Finland, 4% from the Baltic States and 6% from Finnish customers' foreign operations. Our country has had no major natural catastrophes or terrorist attacks. Such risks mainly pertain to Finnish customers' foreign operations, which Pohjola insures in cooperation with the Royal & SunAlliance group. Pohjola does not write foreign treaty reinsurance business.

The adequacy of the technical provisions is monitored on a regular basis. Around one half of Pohjola's technical provisions represent long-standing annuities related to statutory workers' compensation and motor liability insurance. The level of compensation payable under statutory lines of insurance is regulated by the law. Because the index increases in annuities are effected by a statutory national pay-as-you-go system, this does not entail any risk to insurers.

In Finland, the growth in the number of serious asbestos-induced occupational diseases is slowing down. About a hundred new fatal presumably work-related asbestos cases are discovered annually, of which around 30 cases pertain to Pohjola's portfolio. The average age of those who fell ill in 2004 was 63 years. No major asbestos risks are involved in product liability insurance because the number of these policies was small when asbestos was still used in Finland. Pohjola's special provision for occupational diseases regarding those asbestos claims that have been incurred but have not yet been reported to the company totals EUR 48 million. The provision is estimated to be sufficient to cover all existing work-related asbestos exposures.

In Pohjola's foreign business in run-off, the most significant uncertainty factor related to the adequacy of technical provisions consists of the US liability insurance written as reinsurance. The underwriting of the business was discontinued at the beginning of 1990s. The portfolio also includes reinsurance agreements under which claims are paid for asbestos-induced diseases. The portion of these in the technical provisions is around EUR 17 million. Commutation of the liabilities has decreased the risk annually.

Reinsurance

The Pohjola Board of Directors decides on the Group's reinsurance principles and on the risk to be retained for own account. The level of reinsurance protection has an impact on the need of solvency capital. Only companies with a sufficiently high insurance financial strength rating are accepted as reinsurers. Moreover, the Group has confirmed maximum limits for the amounts of risk that can be ceded to one reinsurer. The limit depends on the nature of the risk involved and on the company's financial standing. The Group's reinsurance agreements have mainly been placed with companies whose ratings are at least 'A' in accordance with Standard & Poor's. The amount of uncertain or disputed receivables is not significant.

A significant part of Pohjola's reinsurance programmes consists of non-proportional treaties. In 2004, the premiums paid into reinsurance programmes were 4% of the gross premiums received. In property and business interruption insurance, Pohjola's retention per claim was EUR 7.5 million in January-June 2004 and EUR 4 million in July-December 2004. In 2005, the claim-specific retention in property and business interruption insurance is EUR 5 million and, as a general rule, the amounts of retention in other insurance lines are EUR 4 million. Pohjola is a member of the Nordic nuclear insurance pool, where Pohjola is responsible for a maximum of EUR 20 million per claim.

Pohjola has signed a catastrophe reinsurance agreement to cover the portion of storm, earthquake and other cumulative losses retained for own account. In 2005, the catastrophe cover is up to a loss amount of EUR 50 million. The cover includes property and business interruption insurance, and home, motor, forest and yacht insurance. In addition, catastrophe cover has been taken out in life, traveller's and private accident insurance for cumulative bodily injuries sustained, for example, in connection with an aeroplane or ship accident. The reinsurance cover is up to a loss amount of EUR 25 million.

The availability of reinsurance protection continues to be poor for losses incurred from terrorism. Therefore, Pohjola applies restrictions to terrorism-related claims payable under corporate insurance. In 2005, the maximum amount of indemnity is EUR 3 million per insurance policy for losses occurring in Finland. Pohjola does not cover terrorism risks outside Finland. Biological and chemical terrorism is excluded from the scope of traveller's and private accident reinsurance cover.

Sensitivity analysis of non-life insurance business

The following table shows how changes in different risk parameters affect the result of the non-life insurance business. The figures in the table are only indicative.

Risk parameter	Total amount in 2004 EUR million	Change in risk parameter	Effect on combined ratio %	Effect [1] EUR million
Mortality in calculation of provision for claims (annuities)	1 100	Life expectancy longer by 1 year	4 percentage points	-25
Discount rate in calculation of provision for claims (annuities)	1 100	Decreases by 0.1 percentage point	2 percentage points	-11
Effect of insurance portfolio or premiums written on premiums earned	692	Increases by 1 percentage point	1 percentage point	+7
Claims incurred	543	Increases by 1%	1 percentage point	-5
Operating expenses	133	Increases by 5%	1 percentage point	-7
Staff expenses	96	Increases by 7%	1 percentage point	-7
Total expenses [2]	181	Increases by 4%	1 percentage point	-7

[1] Effect on solvency and on balance on technical account before change in equalisation provision

[2] Operating expenses and claims settlement expenses

Investment risks

Investment risks can materialise in lower than expected returns or in a fall of the value of investments. Pohjola pays special attention to the diversification of investment risks, to the liquidity of investments, and to the counter-party risk. In accordance with Pohjola's business strategy, investments are made in fixed-income securities, shares and real estate both in Finland and abroad. The aim is to guarantee a good return in the long term. Investment operations are based on investment plans confirmed annually by the Boards of Directors and on the investment powers approved by the Boards.

Market risks

Changes in share prices, interest rates and foreign exchange rates have an impact on the value of Pohjola's investments. To reduce the investment risks, Pohjola's investment portfolio has been diversified over various instruments in different markets. Moreover, derivative contracts are used to manage market risks.

Credit risk

As regards fixed-income securities, Pohjola mainly invests in euro-denominated bonds issued by States within the euro area. The investment powers define the limits for corporate bonds on the basis of credit ratings.

Foreign exchange risk

Pohjola's foreign exchange risks originate mainly from investments in foreign shares. The largest currency positions consist of the US dollar, the Swedish crown and the British pound. The currency risks are actively hedged against by derivative contracts.

Liquidity risk

The most part of Pohjola's investments in shares and fixed-income securities are quoted and therefore liquid. To meet cash management needs, some of the assets are also placed on short-term money-market instruments.

The largest individual investments in shares include SanomaWSOY shares (EUR 45 million) and YIT Corporation shares (EUR 26 million). The largest single risk concentration in real estate investments, the Pohjola head office, was sold at the beginning of 2005.

Pohjola has invested in companies at a growth stage in the IT and biotechnology sectors. These investments include factors of uncertainty inherent of their nature and sector, but they do not include any such risk that would have a notable negative impact on the Group's results. The book value of private equity investments in the technology sector totalled EUR 22 million at the end of December (EUR 25 million).

Sensitivity analysis of solvency

	Portfolio at current values, Dec.31, 2004 EUR million	Risk parameter	Change	Effect on solvency capital, EUR million
Fixed-income securities and bond funds	1 483	Interest rate	1 percentage point	76
Shares[1]	578	Market rate	10%	58
Business premises[2]	45	Continuous income requirement	+1 percentage point -1 percentage point	-5 6

[1] Includes shares classified as investments, equity-linked investments and private equity investments.
[2] Premises leased to third parties outside the group of companies.

Operative risks

The sales of insurance and investment services include operative risks which may result in a direct or an indirect variation in the company's results. Operative risks are usually brought about by inefficiencies in internal processes or by an inability to manage unforeseeable external events or pressures for change.

Pohjola has a separate risk management function, which coordinates the development of risk management in the Group, together with officers responsible for risk management in different business functions.

The responsibility for the management of operative risks lies with the business functions. The impact of the risks on the entire Group's risk profile is assessed regularly, and the risks are reported to the Board of Directors, if necessary. The management of operative risks requires a professional staff and well-functioning IT systems. Unforeseeable external events are taken into account by means of business continuity plans and insurance.

All operations at Pohjola comply with the valid legislation, official regulations and guidelines, and the self-regulatory norms of the insurance industry.

IFRS financial statements

As a listed company, Pohjola has to draw up its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as of 2005. The company has been preparing for upcoming changes by launching a separate IAS project, which is in its realisation phase. At present, the information available on the IFRS alterations is preliminary and can change because new standard and interpretation improvements may be issued.

Information security risks

The Group's business operations are heavily dependent on information systems and technology. Therefore, the Group has laid a special emphasis on the management of information security risks. The focus in information security development is on the prevention of the risks caused by viruses, on securing proper functioning of the data systems, and on protecting the Pohjola network.

Court and arbitration proceedings

Pohjola or its affiliated undertakings are not aware of any pending or impending court or arbitration proceedings that could have any material impact on the Group's financial position.

NOTES ON THE ACCOUNTS

29. Solvency

EUR million	Group 2004	Group 2003	Parent company 2004	Parent company 2003
Solvency margin				
Capital and reserves	690.0	670.7	542.3	554.8
Proposed distribution of profit	-107.2	-50.8	-107.2	-50.8
Difference between current and book values of investments	267.2	321.1	63.7	118.3
Deferred tax liability	-23.5	-48.9	-16.6	-34.3
Deferred tax asset	-19.9	-	-14.7	-
Intangible assets	-45.3	-41.8	-5.5	-16.4
Other items	2.6	2.7	-1.9	-0.7
Total	763.8	852.9	460.1	570.8
Equalisation provision				
Equalisation provision included in the technical provisions for years with a high loss frequency	208.5	160.0	-	-
Minority interest	1.6	8.4	-	-
Solvency capital	973.9	1 021.3	460.1	570.8

Helsinki, February 8, 2005

Eino Halonen   Martin Granholm   Kirsi Aaltio   Heikki Bergholm

Kari Puro   Timo Salonen   Maarit Toivanen-Koivisto

Eero Heliövaara
President and CEO

AUDITOR'S REPORT

To the shareholders of Pohjola Group plc

We have audited the accounting, the financial statements and the corporate governance of Pohjola Group plc for the period 1 January – 31 December 2004. The financial statements, which include the report of the Board of Directors, consolidated and parent company profit and loss accounts, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the President. Based on our audit we express an opinion on these financial statements and on corporate governance of the parent company.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the President have legally complied with the rules of the Companies' Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act, the regulations of the Ministry of Social Affairs and Health, the Insurance Supervisory Authority and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the President of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies' Act.

Helsinki, 2 March 2005

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Wahlroos
Authorised Public Accountant

Auditor

PricewaterhouseCoopers Oy
Authorised Public Accountants
Partner-in-charge
Juha Wahlroos
Authorised Public Accountant

Pohjola's operations are founded on effective laws, on norms issued by virtue of these laws, and on ethically approved practices. Pohjola complies with the Corporate Governance Recommendation issued for companies listed on the Helsinki Stock Exchange. The goal of the Recommendation is to harmonise the practices of listed companies, to improve transparency of their operations, to harmonise the information given to investors and shareholders, and to improve the quality of disclosure.

General Meeting of Shareholders

The shareholders are, before the General Meeting, provided with sufficient information on the issues to be dealt with at the meeting. The General Meeting is organised in a manner that permits shareholders to efficiently exercise their ownership rights. The President, the Chairman of the Board and a sufficient number of Board members attend the meeting. A person proposed for the first time as a Board member participates in the General Meeting that decides on his/her election, unless there are well-founded reasons for the absence.

The Articles of Association are found on the Pohjola website.

Board of Directors

The Board of Directors is responsible for the success of Pohjola's operations. The duty of the Board of Directors is to supervise that the company is managed in accordance with legal provisions, ordinances, official regulations, Articles of Association and resolutions passed by the General Meeting of Shareholders.

The Board of Directors deals with matters which are extensive and important in principle with regard to the operations of the parent company and subsidiaries.

Charter of the Board

The Board of Directors has adopted a written charter for its work which defines the duties of the Board, the Chairman of the Board and the President.

In order to discharge its duties, the Board of Directors:

- Decides on the business strategy of the Group, ensures that the strategy is always up to date, and monitors regularly the implementation of the strategy
- Decides on the goals for corporate social responsibility
- Decides on the Group's capital structure
- Decides on the company's dividend policy and makes a proposal to the General Meeting regarding the amount of dividend to be paid
- Decides on investment powers and reporting
- Approves the investment plan and the principles applied to the use of derivative contracts
- Decides on loans and guarantees and other forms of security which are significant or important in principle
- Approves the operational plans, objectives and budgets and supervises their implementation
- Decides on Pohjola's human resources policy
- Confirms the common guidelines for the Group's entire internal control and ensures that the Group, with a view to the nature and extent of corporate operations, has adequate internal control and risk management systems
- Deals with and decides on the interim reports, report of operations and financial statements
- Decides on major investments, company acquisitions, disposals of property, and other agreements
- Decides on the Group's organisational structure
- Appoints the President, deputy to the President and other immediate subordinates of the President and decides on their salaries, benefits and other terms of employment
- Appoints the members of major subsidiaries' Boards of Directors
- Decides on the management's and staff's compensation systems, monitors the implementation of these and, where necessary, brings forward motions to the General Meeting of Shareholders
- Confirms the charters of the Audit Committee and the Compensation Committee and appoints the chairmen and members of these committees

Board meetings

The Board of Directors convened 16 times in 2004. There were in total four absences of members and the percentage of participation was 96.

Evaluation of the Board's performance

At the end of each calendar year, the Board of Directors evaluates its operation and working methods. The evaluation is done in writing as an internal self-evaluation. The outcome of the evaluation is dealt with at a meeting of the Board of Directors in January.

Since Pohjola is an insurance holding company, the Finnish Insurance Supervisory Authority monitors and evaluates the company's managerial, control and risk management systems.

Election, number and term of office of Board members

The Board of Directors has at least five and at most seven members. The Annual General Meeting elects the Board members for a term of office expiring upon the closing of the Annual General Meeting following their election. A person who by the beginning of the term of office has reached the age of 65 cannot be elected a Board member. The General Meeting of Shareholders elects the Chairman of the Board. The Board elects, from among Board members, a member who will act as Deputy Chairman, whenever necessary.

The Board members shall have the qualifications required to discharge their duties. In accordance with the Insurance Companies Act, they shall also have sufficient general knowledge of insurance business.

The company provides, on a regular basis, the Board with necessary information on corporate operations.

Currently, the Board of Directors includes seven members, among whom five members (Ms **Kirsi Aaltio**, Mr **Heikki Bergholm**, Mr **Martin Granholm**, Mr **Timo Salonen** and Ms **Maarit Toivanen-Koivisto**) are deemed to be independent of the company and four of them (Ms **Kirsi Aaltio**, Mr **Heikki Bergholm**, Mr **Timo Salonen** and Ms **Maarit Toivanen-Koivisto**) are deemed to be independent of significant shareholders of the company.

A presentation of the Board of Directors is found on page *77*.

Board committees

Audit Committee

The Audit Committee assists the company's Board of Directors in ensuring that the supervision of the company's accounts and asset management is properly arranged and that internal control, risk management, audit of accounts and internal audit have been organised in compliance with laws and regulations, and the operating principles confirmed by the company's Board of Directors. The duties of the Audit Committee include e.g. the review of the following matters:

- Consolidated financial statements and their grounds
- External audit plan
- Third-quarter interim report
- Discrepancies in Group's internal control system discovered in an external audit carried out during accounting period
- Accounting and reporting principles
- Principles and functioning of internal accounting
- Operational plan of Group's internal audit
- Findings of internal audit
- Risk management report
- Risk management plan

In addition, the Audit Committee is in charge of evaluating, for instance,

- the updating of internal audit charter
- the adequacy of the Group's internal control
- the adequacy of the Group's risk management systems.

The Audit Committee reports on its operations to the company's Board of Directors. Reporting may take place either orally or in writing. Oral reporting is recorded in the minutes of a Board meeting. In its reports, the Audit Committee may give recommendations to the company's Board of Directors.

The Committee has three members. The Board of Directors appoints the Chairman and the members of the Committee for one year at a time from among independent Board members. The Committee convenes at least four times a year (in February, May, November and December). The company's authorised public accountant is always present at Audit Committee meetings, and the company's President and Chief Financial Officer are present whenever necessary. The Group's Chief Internal Auditor acts as the secretary of the Audit Committee.

The Chairman of the Audit Committee is Mr **Timo Salonen** and the other members are Ms **Kirsi Aaltio** and Mr **Heikki Bergholm**. In 2004, the Audit Committee convened five times.

Compensation Committee

The Compensation Committee is in charge of

- Preparing Pohjola's compensation system
- Preparing the salaries and other benefits of the company's President and deputy to the President
- Preparing matters related to the appointing of the President and deputy to the President.

The Committee has three members. The Board of Directors elects, from among Board members, the Chairman and the other members of the Committee. The members are elected annually at a Board meeting held before the end of June.

The President has the right to be present at Committee meetings; however, not when the Committee deals with matters regarding the President.

The Compensation Committee reports on its operations to the company's Board of Directors.

The Chairman of the Compensation Committee is Mr **Eino Halonen**. The other members are Mr **Martin Granholm** and Mr **Kari Puro**. The Compensation Committee convened four times in 2004.

President and Group Executive Committee

The President is in charge of the company's day-to-day management in accordance with the instructions and orders given by the Board of Directors and ensures that accounting practices of the company comply with the law and that the management of corporate funds is organised in a reliable manner.

The duties of the President include the management and supervision of the Group's business operations, the preparation of the matters to be dealt with by the Board of Directors, and the execution of the Board's decisions. In this, the President is assisted by the Group Executive Committee.

The Board of Directors appoints the company's President and decides on the terms of his/her employment.

A presentation of the President and the Group Executive Committee is given on page 78.

Compensation

Salaries and fees of Board members

The Annual General Meeting on April 22, 2004 resolved that the Chairman of the Board be paid an annual fee of EUR 35 000 for acting as a Board member, that the Deputy Chairman be paid EUR 27 000 and the other members of the Board EUR 25 000. The annual fees were paid in such a manner that, for an amount corresponding to 40 per cent of the total annual fee, Pohjola shares were acquired in the name of the Board members; the rest was paid in cash for tax withholding. In addition, the Board members are paid attendance fees amounting to EUR 350 per meeting for both the Board and the Committee meetings.

Compensation of the President

The terms of employment of the President are defined in a written service contract. In 2004, the President was paid a total of EUR 418 807 in salary and fringe benefits and EUR 150 000 in performance-based pay.

The President's notice period is six months for both the President and the company. Should the company terminate the President's service contract, he will, in addition to the salary for the notice period, be entitled to a severance pay corresponding to 12 months' salary. The President's pension benefits are specified on pages 42.

Management's incentive schemes in 2004 and 2005

The management has a two-step incentive scheme consisting of a performance-based pay scheme and a bonus scheme.

The performance-based pay is determined in accordance with company-level targets, business targets and personal targets. The company-level targets, the combined ratio, the number of mutual fund unitholders and, additionally in 2005 a new target, life insurance sales, are common for the entire Group staff.

The maximum amount of the President's performance-based pay equals six months' salary. For the other members of the management, the maximum performance-based pay equals three months' salary.

In 2004, Pohjola adopted a bonus scheme approved by the Board of Directors. The scheme covers the President and 12 other persons. The bonus scheme is part of Pohjola's incentive and commitment system for the Group's key staff. The scheme has been designed for three years and it encourages the key staff to acquire Pohjola's own shares with the bonuses. If all targets set by the Board of Directors for 2005, the company's profitability and improvement of shareholder value, are fully achieved, the amount of bonuses paid, in addition to performance-based pay, will be a maximum of EUR 2.9 million (with a share price of EUR 10.00), of which the President's portion will be 31%. All persons covered by the bonus scheme have announced that they will acquire Pohjola shares with their after-tax bonus (40%).

In February 2005 a total of EUR 2.7 million was paid to the key staff from the 2004 bonus scheme. Of this, the President's portion was 31%. All persons covered by the scheme have acquired Pohjola shares with their after-tax bonus (40%).

Management's stock options

The Extraordinary General Meeting of July 5, 2001 resolved to issue a maximum of 1 100 000 option rights which entitle to subscription of a total maximum of 1 100 000 new Pohjola Group shares. In accordance with a decision by the Board of Directors, the option rights were issued to key staff of the Pohjola group of companies and to a subsidiary wholly owned by Pohjola.

The Annual General Meeting on April 22, 2004 passed a resolution on a bonus issue. In that connection, the terms and conditions of the stock option plan were changed to conform to the bonus issue resolution. Each stock option entitles the holder of the option right to subscribe three Pohjola Group plc shares with an accounting par value of EUR 0.90 each. The total number of shares that can be subscribed is 3 300 000 shares. As a result of the subscriptions, the share capital can increase by a maximum of EUR 29 700 000.

In 2004, 830 094 shares were subscribed with the stock options.

The details of the stock option plans and the management's share and stock option holdings are reported on pages 26 and 60.

Internal control, risk management and internal audit

The Board of Directors of the parent company has the ultimate responsibility for the control of accounting and management of funds, and for the proper arrangement of operations. The Board approves the common guidelines for the internal control of the whole Group. The Audit Committee supervises the implementation of the Group's internal control. The Board of Directors evaluates the state of the internal control at least once a year.

The Group's Executive Committees together with the subsidiaries' Boards of Directors engage in the steering of business and control of management in day-to-day Group operations. The Group's risk management function coordinates and develops risk management and related reporting, and prepares a risk management plan for the Board's approval.

The Group has an internal audit function, which together with KPMG Wideri Oy Ab is responsible for the implementation of internal audit in the companies within the Group, in accordance with the operational guidelines approved by the Board of Directors. The internal audit and risk management functions report regularly to the President, the Chairman of the Board and the Audit Committee, and at least once a year to the Board of Directors.

The Finnish Insurance Supervisory Authority monitors the operations, risk-taking and solvency ratio of the insurance companies within the Group and of the insurance company grouping formed by the Group's closest cooperating partners. As the supervising authority, the office ensures that the interests of those insured are not jeopardised. In addition, the Finnish Financial Supervision Authority supervises the operations of the Group's fund management company and investment services company.

For more information on risks and risk management, please see page 65.

Insider rules

Pohjola complies with the insider rules approved by the company's Board of Directors on February 26, 2003. The rules are based on the Guidelines for Insiders issued by the Helsinki Stock Exchange. In accordance with the law, insiders are the Board members, President and auditors. The specified insider group includes, among others, the members of the Group Executive Committee. Project-based insider registers are kept for major projects.

The insider rules for investment services operations approved in January-February 2003 apply to the Group's investment services company and fund management company. Additions were made to the rules in summer 2004.

Auditing

At the Annual General Meeting of April 22, 2004, PricewaterhouseCoopers Oy, Authorised Public Accountants, with Mr **Juha Wahlroos**, Authorised Public Accountant, as partner-in-charge, was elected as Pohjola's regular external auditor.

In the financial year 2004, the auditing firm and companies of its group were paid EUR 475 825 for external audit, EUR 182 169 for IAS and tax consultation, and EUR 14 972 for other advice and statements. The fees include the value added tax.

Communication and disclosure

The company ensures that markets have simultaneously access to sufficient and correct information on the company and the company's share.

The content of Pohjola's website complies with the requirements set out in the Corporate Governance Recommendation.

Pohjola's mission is to provide security and wealth for customers. Our vision is to be an innovator in insurance and investment services and the leading expert in securing customers and their assets.

Insurance and investment services are long-term operations based on confidence. Corporate social responsibility is therefore a broad and important issue for us. In shouldering our corporate social responsibility, we take account of the expectations of customers, staff, shareholders and society and evaluate the fulfilment of their expectations openly and actively.

To be socially responsible, a company must be profitable; otherwise it cannot operate sustainably in the long term. Financial success is inseparable from confidentiality and credibility, from the well-being and professional expertise of the staff, and from social acceptability.

Within Pohjola, corporate social responsibility is based on corporate values, which are defined by our operating principles and promises, according to stakeholder group. To monitor these principles, we define indicators, the achievement of which is evaluated by the Board of Directors. We seek to maintain stakeholder engagement and dialogue, and we report on the outcome in accordance with the Global Reporting Initiative (GRI) guidelines.

Key aspects of corporate social responsibility

Our corporate social responsibility is based on our business vision:

- We are in the vanguard of insurance and investment services.
- We act to ensure increased security and wealth for customers, staff, shareholders and society.
- We carry responsibility for the consequences of accidents, losses and catastrophes sustained by our customers.
- We prevent losses by means of risk management.

In so far as corporate social responsibility is concerned, Pohjola focuses on three main areas: providing security and wealth; economic responsibility; and social responsibility.

As an insurance company, we provide customers with tools for securing themselves against risks and for ensuring that their lives may continue with the least possible disturbance. We carry risks which, in the event of loss or damage, could materially affect a customer's daily life or a company's operations, and thereby their financial standing.

We create wealth especially through investment services products, by means of mutual funds, life and pension insurance and discretionary and institutional asset management. Customers' funds are invested in a professional manner by our investment services staff. We make sure that customers are aware of the risk level of their investments.

Our operations aim at proactive risk management; we seek to reduce and prevent losses. The risks in our living environment are subject to constant change. Pohjola monitors these changes and develops services which allow customers also to protect themselves and their assets against new risks, and thus focus on living their lives. Pohjola's non-life insurance products have been designed to provide a comprehensive cover for customers throughout their lifecycle.

In society, Pohjola shoulders its corporate responsibility, for instance, by administering statutory motor liability and statutory workers' compensation insurance schemes. Liabilities arising from the insurance business are long-term ones. The operations of a financially solid Pohjola have an impact on customers' financial and social protection from generation to generation.

Stakeholder perspective

Main steps

We pay special attention to customer service and the distribution network. Our local service network is geographically extensive and balanced. To increase service availability and accessibility, we have upgraded our call centre and Internet operations. Their operating principles have been revised to conform to customer needs in both insurance and investment services.

The accessibility, fairness and rapidity of claims settlement services are of prime importance to customers and are our focus areas, to which we have dedicated, and will continue to dedicate, resources when revising our claims settlement processes. In 2004, a total of EUR 464 million was paid out in claims. The total number of reported claims was 284 000, of which 98% were paid.

The law on full cost responsibility that took effect at the beginning of 2005 in statutory lines of insurance allows insurers to use the services of private health care providers, beside public medical care services. This will improve the availability of medical care to customers.

Pohjola's asset management function is responsible for investments of around EUR 11 billion and it seeks to obtain the best possible long-term return on these investments. The expertise of the asset management staff benefits all customers. The investment services function ensures that the Pohjola mutual funds will be successful even in the future.

Pohjola's human resources objectives were updated in 2004. These objectives focus on the continuous development of staff, ensuring business continuity and maintaining professional expertise. The equality plan was updated at the beginning of 2005. In 2004, Pohjola paid staff EUR 111 million in salaries and remunerations. In Finland, the Group employed an average of 2 580 people and abroad 105 people.

Taxes paid by the company on the 2004 profit amounted to EUR 53 million. Pohjola donated in total around EUR 100 000 to socially significant projects.

Pohjola's mission

We provide lifetime security and wealth for our customers.

Vision

We are an innovator in insurance and investment services
and the leading expert in securing customers and their assets.

Values

- Reliable
- Straightforward
- Innovative
- Successful

Human resources policy objectives

Pohjola's human resources policy is designed to support the company's business operations and to ensure the continuous development of human resources. The policy is based on the company's objectives, mission and values.

Objectives of human resources policy until 2008

- Pohjola's employees – who are competent, committed to joint objectives, result-oriented, willing to develop operations, and satisfied with their life and work – give their joint contribution to making Pohjola the best company.
- Each Pohjola employee develops, utilises and shares his/her expertise, and works in a good working atmosphere.
- Pohjola is a profitable and supportive employer offering its employees many opportunities and implementing a human resources policy based on equality and competitiveness.

To achieve these objectives, the company places a special emphasis on human resources management, staff competence, and interactive and productive leadership.

Human resources management

The retirement of baby-boomers within the next few years also presents a challenge for Pohjola. Over the next five years, around 10% of the Pohjola staff will retire. We anticipate the requirements brought about by changes in the company's human resources by careful planning and by tailoring the number of employees and their expertise to correspond to the business operation needs. The availability and continuity of competent staff is ensured even in the future by offering the employees interesting work, development opportunities and competitive benefits.

Pohjola Life started operations in 2004. In connection with the business transfer, a total of 232 Suomi Mutual employees transferred to Pohjola Life.

Competent, innovative and satisfied staff

We ensure the staff's expertise and willingness to adjust by providing them with opportunities to develop themselves through education, on-the-job training and job rotation. In 2004, Pohjola's core competence areas were specified and the competence requirements of the various work duties were systematically surveyed. The employees' professional skills and development needs in their current jobs were likewise specified and their expertise pinpointed in appraisal discussions.

In 2004, a human resources IT system was introduced to support both human resources planning and the development of expertise. In addition, a new network environment for learning was designed and introduced jointly with the Finnish Savings Banks Association and Ilmarinen Mutual Pension Insurance Company.

The staff's well-being at work is monitored annually by means of an in-depth job satisfaction survey targeted at all employees. Any development needs for the organisation are specified in the survey results summary. Employees participate actively in the survey. In the January 2005 survey, the participation percentage was around 84% of all employees.

Interactive and productive leadership

We believe that good human resources management is one of our key success factors. In addition to the annual job satisfaction survey, a '360 survey' is carried out to assess supervisors' work. The information obtained is used to develop supervisors' work. Besides traditional leadership training, an extensive programme for the development of supervisors' work has been launched in cooperation with JOKO Executive Education Ltd at the Helsinki School of Economics. In 2004, around 10% of the supervisors responsible for human resources management took part in the development programme. Our cooperation with JOKO will continue in 2005.

BOARD OF DIRECTORS

Board of Directors of Pohjola Group plc

Members of the Board from the left: Timo Salonen, Heikki Bergholm, Kari Puro, Martin Granholm, Eino Halonen, Kirsi Aaltio and Maarit Toivanen-Koivisto

Chairman of the Board
Eino Halonen, born 1949
Bachelor of Science in Economics and Business Administration

- Suomi Mutual Life Assurance Company, President and CEO since 2000
- Pohjola Group plc, member of the Board of Directors 2001 to 2003, Chairman of the Board of Directors since 2003
- Ilmarinen Mutual Pension Insurance Company, member of the Board of Directors since 2000
- Rakentajain Konevuokraamo Oyj, member of the Board of Directors since 2003
- YIT Corporation, member of the Board of Directors 2000 to 2003, Deputy Chairman of the Board of Directors since 2003
- Suomen Urheiluopiston Kannatusosakeyhtiö, member of the Board of Directors since 2002

Shareholding in Pohjola: 6 090 shares

Kirsi Aaltio, born 1952
Master of Science in Economics and Business Administration

- Sodexho Oy, Managing Director since 2003
- Pohjola Group plc, member of the Board of Directors since 2004
- Sodexho Oy, member of the Board of Directors since 2003
- Coffee Queen Finland Oy, member of the Board of Directors since 2003
- Arandur Oy, deputy member of the Board of Directors since 2003
- Finnish Hotel and Restaurant Association, deputy member since 2001

Shareholding in Pohjola: 1 263 shares

Heikki Bergholm, born 1956
Master of Science in Engineering

- Suominen Corporation, President and CEO since 2002
- Suominen Corporation, Chairman of the Board of Directors 2001 to 2002, member of the Board of Directors since 2002
- Pohjola Group plc, member of the Board of Directors since 2003
- Kemira Oyj, member of the Board of Directors since 2004
- Componenta Corporation, member of the Board of Directors 2002 to 2003, Chairman of the Board of Directors since 2003

Shareholding in Pohjola: 25 063 shares

Deputy Chairman
Martin Granholm, born 1946
Master of Science in Engineering

- VR-Group Ltd, Chairman of the Board of Directors since 2003
- UPM-Kymmene Corporation, Senior Executive Vice President 1996 to 2003, Senior Strategic Advisor of UPM-Kymmene Corporation from January 1, 2004 to December 31, 2004
- Pohjola Group plc, Deputy Chairman of the Board of Directors since 2004
- Ilmarinen Mutual Pension Insurance Company, member of the Board of Directors since 1998
- Oy Norcar-BSB Ab, member of the Board of Directors since 2005
- Algol Oy, member of the Board of Directors since 2004
- The Foundation for the University of Abo, member of the Board since 1997

Shareholding in Pohjola: 4 869 shares

Kari Puro, born 1941
Doctor of Medical Science, Master of Political Science

- Ilmarinen Mutual Pension Insurance Company, President and CEO since 1991
- Pohjola Group plc, member of the Board of Directors since 2001
- Finnish Centre for Pensions, member of the Board 1992 to 1993, Chairman of the Board since 1994
- Garantia Insurance Company Ltd, Deputy Chairman of the Board of Directors since 1995

Shareholding in Pohjola: 4 767 shares

Timo Salonen, born 1958
Master of Science in Economics and Business Administration, Master of Laws

- Huhtamäki Corporation, Executive Vice President since 2003
- Pohjola Group plc, member of the Board of Directors since 2000

Shareholding in Pohjola: 4 767 shares

Maarit Toivanen-Koivisto, born 1954
Bachelor of Science in Economics and Business Administration

- Onvest Oy, Managing Director since 2001
- Pohjola Group plc, member of the Board of Directors since 2004
- Onninen Oy, Chairman of the Board of Directors since 2000
- Onvest Oy, member of the Board of Directors since 2000
- Are Oy, member of the Board of Directors since 2000
- Rautaruukki Corporation, member of the Board of Directors since 2003

Shareholding in Pohjola: 11 463 shares

Shareholdings as at December 31, 2004

Management of Pohjola Group plc

Eero Heliövaara, born 1956 *)
President and CEO
Master of Science in Engineering,
Master of Science in Economics and
Business Administration

President of Pohjola Group plc since 2001. Before joining Pohjola, Mr Heliövaara was the Executive Vice President of Ilmarinen Mutual Pension Insurance Company. He acted as the Executive Vice President of Ilmarinen from 2000 and as the Chief Investment Officer of Ilmarinen from 1998 to 2001.

Positions of trust:

- Federation of Finnish Insurance Companies, Chairman of the Board since 2005
- Insurance Employers' Association, Deputy Chairman of the Board of Directors since 2005
- Confederation of Finnish Industries EK, member of the Board of Directors since 2004
- Ilmarinen Mutual Pension Insurance Company, member of the Board of Directors since 2002
- Suomi Mutual Life Assurance Company, member of the Supervisory Board since 2002
- Finnish Foundation for Share Promotion, member of the Board since 2000

Shareholding in Pohjola: 58 600 shares

Hannu Linnoinen, born 1957 *)
Senior Executive Vice President,
Deputy to the President and CEO
Corporate Development and Administration
Bachelor of Science in Economics and
Business Administration, Master of Laws

Senior Executive Vice President of Pohjola Group plc with corporate development and administration as areas of responsibility, Deputy to the President and CEO since 2003. Mr Linnoinen entered Pohjola in autumn 2001 and assumed the responsibilities of the Head of Corporate Planning. Before joining Pohjola, Mr Linnoinen was the President of Conventum Limited.

Positions of trust:

- Nooa Savings Bank Ltd, member of the Board of Directors since 2003

Shareholding in Pohjola: 40 300 shares

Non-life insurance

Matti Tossavainen, born 1947 *)
Senior Executive Vice President
Corporate Customers
Master of Laws
Entered Pohjola in 2001
Shareholding in Pohjola: 9 900 shares

Eva Valkama, born 1949 *)
Executive Vice President, Private Customers
Master of Science in Economics and
Business Administration
Entered Pohjola in 1984
Shareholding in Pohjola: 9 900 shares

Tomi Yli-Kyyny, born 1962 *)
Executive Vice President, Underwriting
Master of Science in Engineering
Entered Pohjola in 2000
Shareholding in Pohjola: 11 440 shares

Martti Pesonen, born 1955
Chief Actuary
Doctor of Philosophy
Entered Pohjola in 2000
Shareholding in Pohjola: 4 200 shares

Investments services

Esko Torsti, born 1964 *)
Executive Vice President, Asset Management
Licentiate in Political Science
Entered Pohjola in 2001
Shareholding in Pohjola: 5 025 shares

Jarmo Kuisma, born 1961 *)
Executive Vice President, Investment Services
Bachelor of Science
Entered Pohjola in 2004
Shareholding in Pohjola: 4 950 shares

Group administration

Ilkka Salonen, born 1965 *)
Chief Financial Officer, Finance and
Investor Relations
Master of Science in Economics and
Business Administration
Entered Pohjola in 2003
Shareholding in Pohjola: 6 450 shares

Sirkka Hongell, born 1950 *)
Chief Human Resources Officer,
Human Resources and Administration
Master of Political Science
Entered Pohjola in 2002
No shareholding in Pohjola

Jarmo Heiniö, born 1948 *)
Chief Corporate Communications Officer,
Corporate Communications
Master of Political Science
Entered Pohjola in 2001
Shareholding in Pohjola: 1 019 shares

Olavi Nieminen, born 1943 *)
General Counsel, Corporate Legal Matters
Master of Laws
Entered Pohjola in 1971
Shareholding in Pohjola: 48 shares

Pertti Öman, born 1953
Internal Audit
Master of Science in Economics and
Business Administration
Entered Pohjola in 2002
No shareholding in Pohjola

Henrik Sjöblom, born 1955
Risk Management
Master of Science in Economics and
Business Administration
Entered Pohjola in 2002
No shareholding in Pohjola

*) Members of the Group Executive Committee

The staff representatives on the Group Executive Committee: Tatu Huhtasalo and Sirpa Komonen.

Shareholdings as at February 25, 2005

For more detailed information on the main points of the work history and posts of trust of the Group Executive committee members, please consult www.pohjola.fi/english

Legal structure

Pohjola Group plc

Non-life insurance	Investment services	Service companies
Pohjola Non-Life Insurance Company Ltd	Pohjola Life Insurance Company Ltd	Pohjola Customer Service Ltd
Eurooppalainen Insurance Company Ltd	Pohjola Fund Management Company Limited	Pohjolan Systeemipalvelu Oy
A-Insurance Ltd	Pohjola Asset Management Limited	Pohjola IT Procurement Ltd
Seesam companies, Baltic States	Pohjola Property Management Ltd	
Run-off companies: Bothnia, Moorgate	Nooa Savings Bank [1)]	

Holding 100%, unless otherwise stated.
[1)] 25.0% of shares

Stock Exchange Release February 9, 2005: Key figures for Pohjola life insurance business

Year 2005

Pohjola Life Insurance Company Ltd received, in a portfolio transfer, an insurance portfolio with technical provisions amounting to around EUR 1.2 billion on January 1, 2005. Of this amount, non-linked business accounted for EUR 891 million and unit-linked business for EUR 333 million. On the basis of premiums written from the transferred insurance portfolio and sales of new business, the technical provisions are expected to exceed EUR 1.4 billion by the end of 2005.

Expenses for the life insurance business, excluding sales commissions, are estimated to total around EUR 30 million in 2005. A major portion of the expenses will relate to the management of Suomi Mutual Life Assurance Company's portfolio. The balance of expense loading and actual expenses, including fees and expenses related to the administration of the Suomi Mutual portfolio, is estimated to amount to around EUR 3 million. In addition, risk surplus is expected to total EUR 2 million.

The objective for the life insurance business is to achieve an around EUR 10 million profit with a standardised 4.8% return on investments in 2005.

Technical provisions on January 1, 2005

	Average guaranteed interest, %	Technical provisions on January 1, 2005 EUR million
Life insurance/saving		
Non-linked business	3.52	531.0
Unit-linked business		170.1
Individual pension insurance		
Non-linked business	3.79	224.7
Unit-linked business		140.2
Group pension insurance		
Non-linked business	3.47	72.4
Unit-linked business		4.0
Term insurance		8.2
Capital redemption contracts		
Non-linked business		47.3
Unit-linked business		18.8
Equalisation provision		15.7
Total		1 232.4
of which		
Technical provisions for non-linked business with interest guarantee	3.64	891.1
Technical provisions for unit-linked business		333.1
Undiscounted technical provision		8.2

Investment portfolio on January 31, 2005 (excluding unit-linked business)

	EUR million	Percentage
Shares and fund units	90.40	8.6
Fixed-income securities	60.93	5.8
Money-market instruments	903.62	85.5
Land and buildings	1.70	0.2

Stock Exchange Release February 9, 2005: Pohjola moves over to IFRS reporting

- Year 2005 consolidated financial statements will be prepared complying with International Financial Reporting Standards (IFRS).
- Aim is also to prepare 2005 interim financial reports applying IFRS recognition and measurement principles.
- Largest IFRS changes concern measurement of investments and technical provisions.

Schedule for IFRS implementation

Pohjola will prepare its consolidated financial statements in conformity with the International Financial Reporting Standards (IFRS) as of 2005.

The aim is also to prepare the 2005 interim financial reports on the basis of the IFRS recognition and measurement principles, provided that the data can be accounted for in a sufficiently reliable and complete manner as regards the material standard and interpretation changes which are still open. A release on the effects of the transition to IFRS will be issued separately before the disclosure of the first interim financial report based on the new standards.

The fact that the standards concerning insurance contracts and financial instruments have not yet been completed still hampers implementation. Furthermore, delays in national legislation have postponed the choices to be made regarding accounting policies. For taxation reasons, different measurement principles will be applied to consolidated and separate financial statements. The aim is to keep unchanged the measurement principles of separate financial statements. The largest IFRS changes will be made in the measurement of investments and technical provisions.

Effects on insurance business

In accordance with standard, the equalisation provision reduced by deferred tax liability, is classified under equity. The elimination of self-insurance and any changes that may occur in the handling of the collective guarantee item, credit losses, public charges and claims to be paid jointly in statutory lines of insurance will also impact the figures for the insurance business. The unwinding of discount of the provision for claims will be disclosed separately. Part of insurance contracts, especially in life insurance, will be classified under financial liabilities. Significant changes in the measurement of the technical provisions will occur only after 2008 because the permanent standard to be issued then on insurance contracts will probably be based on fair values. In the meantime, however, the disclosures regarding the insurance business will increase markedly.

Effects on investments

Pohjola intends to classify the majority of securities investments under available-for-sale financial assets and to measure them at their fair value using the reserve for revaluation of available-for-sale investments. Deferred taxes are recognised on the difference between fair and book values of investments. Properties will continue to be measured at cost. Mutual housing and real estate companies will be included in the accounts by proportionate consolidation in accordance with the holding. Owner-occupied properties and the related expenses will be classified under property, plant and equipment and operating expenses.

Other effects

The actuarially calculated employee benefit obligation for future disability pensions and voluntary supplementary pensions will be entered in the books. However, the obligation pertaining to statutory disability pension annuities will be mainly curtailed in December 2004 following the changed calculation basis approved then by the Finnish Ministry of Social Affairs and Health. Other standards and their improvements and interpretations will also impact the financial statements, e.g. deferred tax on IFRS adjustments and the handling of leasing contracts. The IFRS adjustments to the 2004 opening balance will be mainly entered under equity.

The changed layouts of income statement and balance sheet entail reclassification of different items, e.g. reinsurers' share of technical provisions is reported under the assets side of the balance sheet. The reclassification of the equalisation provision and difference between fair and book values of financial assets under equity does not increase the Group's distributable funds.

Implemented IFRS changes

In 2003, Pohjola began recognising internally generated IT systems as intangible assets in accordance with the IFRS practice. The data for venture capital associates were no longer, on December 31, 2003, included in the consolidated figures by the equity method but, instead, these investments were entered in the books at the lowest value and the value changes were entered in the profit and loss. This procedure corresponds to measurement at fair value as required by the IFRS practice.

Key figures

In the key figures, the net asset value and the combined ratio have already been reported taking into account the changes regarding the equalisation provision, difference between fair and book values of investments and unwinding of discount of technical provisions. Changed handling of expenses for owner-occupied properties will increase the cost ratio by around one percentage point.

Annual General Meeting

The Annual General Meeting of Pohjola Group plc will be held on Thursday March 17, 2005 at 2 p.m. in the company's head office at Lapinmäentie 1, Helsinki.

Notification of attendance at the Annual General Meeting

Shareholders who wish to attend the AGM are requested to notify the company of their attendance no later than on Friday March 11, 2005 at 4 p.m. Notice of attendance can be given as follows:

- by telephone on +358 10 559 6771, Ms Erja Ventomaa, or on +358 10 559 2949, Ms Marja Kainulainen
- by letter to Pohjola Group plc, Ms Erja Ventomaa, FI-00013 Pohjola,
- by telefax on +358 10 559 2443

If notice of attendance is given by letter, the letter should reach Pohjola before the expiry of the notification period. Any proxies should also be submitted to the company before the expiry of the notification period.

Right to attend the Annual General Meeting

Shareholders who no later than on Monday March 7, 2005 have been entered as shareholders in the company's shareholder register kept by the Finnish Central Securities Depository Ltd have the right to attend the AGM.

Shareholders whose shares have been registered in the name of a nominee and who wish to attend the AGM and exercise their right of vote there must be entered temporarily in the shareholder register no later than on Monday March 7, 2005. For temporary registration, the shareholders must, well in advance, contact the custodian of their shares.

Dividend payment

The Board of Directors proposes to the Annual General Meeting that EUR 0.70 per share be paid in dividend for the financial year ended on December 31, 2004. The dividend will be paid to shareholders who no later than on the record date of dividend payment, March 22, 2005, have been entered as shareholders in the company's shareholder register kept by the Finnish Central Securities Depository Ltd. The dividend is proposed to be paid on March 31, 2005.

Taxation of dividend

The avoir fiscal tax credit system was abolished as of the beginning of 2005. In 2005, dividends paid to private persons and death estates on Finnish quoted shares are subject to a 15% withholding tax.

Changes of address

Shareholders are requested to notify any changes in their address to the bank, brokerage firm or other account operator in charge of their book-entry account.

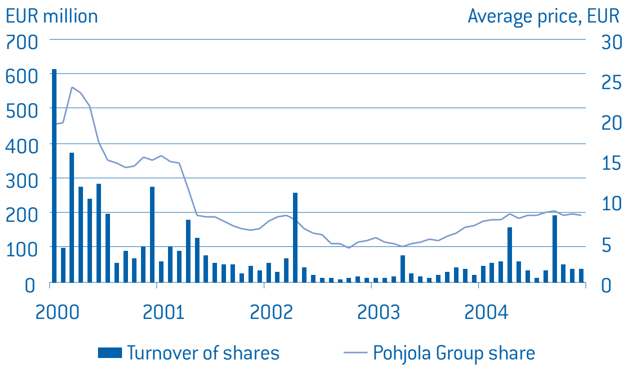
Contact information

Investor Relations
Mr Ilkka Salonen
Tel. +358 10 559 3900, fax +358 10 559 4002
E-mail: ilkka.salonen@pohjola.fi

Share Register
Lapinmäentie 1, FI-00013 POHJOLA
Tel. +358 10 559 6771, fax +358 10 559 2443
E-mail: erja.ventomaa@pohjola.fi

www.pohjola.fi/ir

Turnover and average share price



STOCK EXCHANGE RELEASES

Stock exchange releases from January 1 to February 9, 2005

Feb. 9	Suomi Mutual press release regarding Pohjola shares
Feb. 9	Notice of Annual General Meeting of Pohjola Group plc
Feb. 9	Pohjola moves over to IFRS reporting
Feb. 9	Key figures for Pohjola life insurance business
Feb. 9	Pohjola's financial result 2004
Jan. 12	Storm damage causes Pohjola EUR 5 million costs
Jan. 10	Pohjola sold its shares in Alma Media
Jan. 3	Pohjola to repurchase company's own shares
Jan. 3	Suomi Mutual's holding 49.64%, Ilmarinen's holding 9.24% of Pohjola shares
Jan. 3	Pohjola started life insurance business

Stock exchange releases in 2004

Dec. 30	Transfer to full cost-correlation will decrease Pohjola's provision for claims
Dec. 30	Pohjola lowers discount rate from 3.7% to 3.5%
Dec. 22	Pohjola share capital increased after share subscriptions with stock options
Dec. 21	Pohjola sells its head office and rents back the property for ten years
Nov. 11	Pohjola's 2005 Annual General Meeting to be held earlier than announced
Oct. 29	Pohjola's Interim Report for January 1 to September 30, 2004
Oct. 29	Pohjola's financials in 2005
Oct. 27	Suomi Mutual Life Assurance Company's holding decreased
Oct. 27	Pohjola's share capital increased owing to option-based share subscriptions
Oct. 20	Pohjola will disclose Interim Report January to September earlier than announced
Oct. 20	Nine-month profitability of Pohjola insurance business better than anticipated
Sept. 29	Pohjola sells its brokerage business
Sept. 22	Resolutions passed by Extraordinary General Meeting of Pohjola Group plc
Sept. 21	Pohjola explores possibilities to sell its head office premises
Sept. 2	Finnish Insurance Supervisory Authority approved transfer of parts of insurance portfolio of Suomi Mutual to Pohjola subsidiaries
Aug. 12	Pohjola's Interim Report for January 1 to June 30, 2004
Aug. 12	Notice of Extraordinary General Meeting of Pohjola Group plc
Aug. 12	Pohjola Non-Life Insurance Company Ltd's A-rating affirmed by Standard&Poor's
July 30	Pohjola's year 2001 stock options B to Helsinki Stock Exchange main list
July 14	Finnish Competition Authority's resolution on shareholder agreement concerning Pohjola
June 24	Pohjola applies for listing of year 2001 stock options B on Helsinki Stock Exchange main list
June 17	General Meeting of Suomi Mutual approved portfolio transfer agreements signed with Pohjola
May 14	Pohjola has signed a preliminary agreement on operating services cooperation
May 13	Pohjola Life Insurance Ltd established
May 12	Pohjola Interim Report January 1 to March 31, 2004
April 27	New shares of Pohjola onto stock exchange list from April 28, 2004
April 22	Resolutions passed by Pohjola Annual General Meeting
March 30	Notice of Annual General Meeting of Pohjola Group plc
March 29	Pohjola Annual Report for 2003 published
March 17	Jarmo Kuisma appointed Executive Vice President in Pohjola's investment services function
March 16	General Meeting of Suomi Mutual approved preliminary agreement on transfer of part of insurance portfolio to Pohjola subsidiaries
March 8	Pohjola to acquire minority shares of Seesam companies in Baltic States
Feb. 27	Announcement as per chapter 2, section 10 of Securities Markets Act
Feb. 27	New business model for Pohjola, Suomi Mutual and Ilmarinen
Feb. 27	Pohjola Annual Accounts release January 1 to December 31, 2003
Jan. 21	Change in mortality model will increase Pohjola's provision for claims by EUR 27 million for 2003
Jan. 19	Staff reduction without layoffs at Pohjola
Jan. 2	Pohjola Hallintopalvelu Oyj dissolved

Releases are available at www.pohjola.fi/ir