POHJOLA

SECURITY AND WELL-BEING

ANNUAL REPORT 2005

Pohjola's first business emblem is considered to be the bear carrying a torch, which already appeared in the first share certificates. The emblem was designed by artist Hanna Flodin in 1891.

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Pohjola had a strong year

Pohjola showed an excellent operative result in 2005 both in non-life insurance and investment services.

Insurance premium revenue grew by 15.7%; in the Baltic subsidiaries by 76%. Investment income, expressed as an annual return, was 7.8%, which exceeded the long-term return expectation. Whole-year consolidated operating profit was EUR 373 million, including one-off realised gains.

The combined ratio, which indicates the result of the non-life insurance business, was 92.3%, although the amount and number of major losses in corporate insurance were considerably larger than in the previous year. When the combined ratio is under 100%, income from a company's business operations exceeds expenses.

As a non-life insurer, Pohjola is among the most profitable companies in the Nordic countries. Maintaining high profitability will be one of our primary objectives also in the future. Only a profitable company can ensure a continued development of its processes, upgrading of its services and fulfilling of its long-term obligations.

Over the past four years, there has been a marked improvement in profits. We have been able to show that Pohjola is firm enough to stand periodic fluctuations and even poor years. This has been no mere luck, as long-term objectives have been pursued in a determined and planned way.

Pohjola became a subsidiary of OKO Bank

Pohjola's 115-year history reached a significant turning point when OKO Osuuspankkien Keskuspankki Oyj (OKO Bank) in September acquired the majority shareholding in Pohjola from Suomi Mutual Life Assurance Company and Ilmarinen Mutual Pension Insurance Company. Through the transaction, Pohjola became a subsidiary of OKO Bank and a central part of a leading Finnish financial grouping. Pohjola will continue operations under its own name and well-known brand, focusing on non-life insurance.

Profitable investment services business goes over to OP Bank Group

The comparable result of customer asset management was better than in the corresponding period in 2004. The amount of fund assets continued to grow, as did the number of customers at Pohjola Private, a company providing private banking and discretionary asset management services.

Suomi Mutual transferred a life insurance portfolio of around EUR 1.2 billion to Pohjola in connection with a life insurance business transaction on 1 January 2005. Demand for life insurance and investment services has continued to grow. Among the deferred annuity products, unit-linked life insurance policies have been the most popular.

Pohjola gave up the investment services function by selling Pohjola Fund Management Company Limited on 30 December 2005 and Pohjola Life Insurance Company Ltd on 16 January 2006 to Osuuspankkikeskus

Osk (OP Bank Group Central Cooperative), and Pohjola Asset Management Limited on 16 January 2006 to OKO Bank.

Boost from cooperative banks

Along with the integration of Pohjola in the OP Bank Group, Pohjola will have access to the distribution network of the OP Bank Group comprising nearly 700 branch offices. Pohjola, which is in good shape both operationally and qualitatively, can, as part of a larger whole, offer customers increasingly varied and comprehensive services.

A nationwide distribution network provides favourable conditions for strengthening the market position. Furthermore, the combination of the branch offices of Pohjola and cooperative banks will cut costs incurred by a decentralised branch office network. It is my belief that the role of local service will grow in Pohjola's customer service.

Pohjola has a strong market position

Measured by premiums written, the market share of Pohjola's non-life insurance business in the domestic market is 26%.

Pohjola has more than a million household customers, among whom around 340 000 households pool their insurance cover with Pohjola. Our aim is to further strengthen the market position of non-life insurance in the corporate and private customer sectors. Even today, Pohjola is the market leader in statutory workers' compensation insurance.

Vast investments were made in products and services in the past year

In 2005, the operational focus was shifted towards investments in products and services. Over the Internet, it is now possible to file a claim in nearly all lines of insurance 24 hours a day. The claims processing period both in property and personal injury claims is shorter than the 14 days set as target. New electronic systems and processes accelerate customer service when insurance contracts are concluded and claims settlement decisions are made. The call centre service has been extended to cover personal injury claims, in addition to property claims. The network of locations where claims can be filed is the most extensive in Finland.

Pohjola launched an exceptionally large number of new products in the market, such as the new motor vehicle insurance product Motor Vehicle Cover; Crisis Cover complementing motor liability insurance; Sports Cover; and accident insurance for domestic help. In this way, Pohjola is fulfilling its promise to be an innovator in the insurance sector.

Insurance industry undergoing a phase of transition

The years since the turn of the millennium have marked a period of large changes for the entire insurance industry. The past year was one of the worst in the history of natural catastrophes. However, the worldwide system of insurance cover, based on reinsurance, proved to be a solid basis even in exceptional years. Owing to active risk selection, Pohjola's insurance liabilities did not extend, for instance, to the hurricanes that ravaged the United States last year.

Pohjola's story goes on

At the shared branch offices of Pohjola and cooperative banks, customers have access to insurance and bank services under one roof. We have a firm and long-standing aim to create security and well-being for both private and corporate customers.

I wish to extend a warm thank-you to all Pohjola customers and cooperation partners for the confidence they have shown in our company, and to the entire Pohjola staff for outstanding work in the past year.

Although this is the last annual report of stock-exchange listed Pohjola, Pohjola's story and strong presence in the everyday lives of Finns will continue.

Tomi Yli-Kyyny

Pohjola is a financially strong Finnish insurance company and part of the OP Bank Group. OKO Bank acquired a majority holding in Pohjola in September. Officially Pohjola became OKO Bank's subsidiary in October.

In the future, Pohjola will concentrate on transacting non-life insurance. For customers, the Company's domestic business is visible through the brand names of Pohjola, A-Insurance, Eurooppalainen and, in the Baltic States, through the Seesam brand.

In 2005, Pohjola's business areas comprised non-life insurance, life insurance and investment services. Pohjola sold Pohjola Fund Management Company Limited in December and Pohjola Life Insurance Company Ltd in January 2006 to Osuuspankkikeskus Osk (OP Bank Group Central Cooperative). Furthermore, Pohjola sold Pohjola Asset Management Limited to OKO Bank in January 2006. Official approvals of the authorities are required for the transactions to become finalised. After the transactions have been finalised, the subsidiaries will be combined with the corresponding subsidiaries of OP Bank Group Central Cooperative and OKO Bank.

The Pohjola brand name will remain in the traditional core business, i.e. non-life insurance. As part of a leading Finnish financial grouping, Pohjola will have increasingly better opportunities for successful operations.

Pohjola has around 1.5 million corporate and private customers in total. The number of loyal customer households that have pooled their insurance with Pohjola is around 340 000. In the future, synergy benefits are sought, for instance, through the growing joint customer base. The first joint benefit offered by the OP Bank Group to loyal customers is a free-of-charge home contents insurance for households that are bonus customers at a cooperative bank and loyal customers at Pohjola.

The customer service network comprises Pohjola's and A-Insurance's around 110 branch offices, the national 0303 0303 service number, the web service, cooperation partners and agents. In 2005, Pohjola focused on improving customer service. On the basis of clarifications made by external research centres, Pohjola had the best website among the Finnish insurance companies and the second best website among major corporations operating in Finland. In addition, Pohjola had clearly the best call centre services within the insurance industry.

Pohjola's insurance products provide extensive non-life insurance cover for both private and corporate customers. In addition, Pohjola offers a wide range of services related to risk management and security.

The most significant insurance products for

Corporate customers

- Property insurance
- Business interruption and liability insurance
- Statutory workers' compensation insurance
- Guarantee and construction defects insurance
- Motor, cargo and marine hull insurance

Private customers

- Motor insurance
- Insurance for households
- Accident and medical treatment expenses insurance
- Travel insurance
- Animal insurance

NON-LIFE INSURANCE

Pohjola is the second largest non-life insurance company in Finland with a market share of over one quarter (26% in 2004). Pohjola transacts non-life insurance business in Finland through three companies: Pohjola Non-Life Insurance Company Ltd, A-Insurance Ltd and Eurooppalainen Insurance Company Ltd. In addition, Pohjola underwrites non-life insurance business at Seesam companies in the Baltic States. The growth has been the strongest in the Baltic States.

A-Insurance focuses on non-life insurance for professional transport and Eurooppalainen on travel insurance. Insurance services for major clients are handled globally in cooperation with Royal & SunAlliance. Comprehensive customer service is ensured through extensive cooperation with cooperation partners.

In non-life insurance, customers' risks are carried against a premium. Generating added value for an insurance company is based on profitability and growth. The most important indicators of profitability are the combined ratio and return on equity (ROE), which takes into account both the company's results and the capital tied by business operations.

The combined ratio in non-life insurance, i.e. the ratio of claims incurred and operating expenses in relation to insurance premium revenue was 92.3% in 2005. Pohjola has been able to improve the combined ratio by automating processes and making them more efficient, as well as by risk selection, correct risk rating and proactive loss prevention work. Furthermore, the Company aims at controlling claims expenditure by developing functional partnership models.

Investment income is an important component of an insurance company's operating profit and thus, financial accounts management is among its most crucial tasks. In its investment operations, the insurance company's focus is on investing assets in a secure manner by diversifying risks, by ensuring that the staff is professionally competent and by applying efficient risk management methods.

Claims services as a focus area

In earlier years, Pohjola focused on the efficiency of business operations, whereas in 2005, emphasis was laid on flexibility, fairness and swiftness in claims services. Pohjola receives over 300 000 claims each year of which around 95% lead to favourable claim settlement decisions.

The claims services function has been made more efficient by moving over to a more extensive use of information technology systems and by developing partnerships for instance among the providers of health care services, car repair services and renovation services. In addition to property losses, the call centre claims service was extended to also cover bodily injuries in 2005. A service for handling appeals made against the Company's claim settlement decisions was launched for Pohjola's customers in the early summer. Customers dissatisfied with their claim settlement decision can submit the decision to customer ombudsmen independent of the claims department.

Market share on the increase

Pohjola has increased its market share in non-life insurance for several years. The Company aims at becoming the leading non-life insurer in Finland. The focus of non-life insurance business is to provide lifetime security and well-being for customers through profitable business operations. In addition to the market share target, Pohjola aims to be the leading innovator of insurance services and the leading security expert in Finland. This objective is also supported by the increasingly wide service network provided by the OP Bank Group. In the future, the majority of Pohjola branch offices in Finland will locate in the same premises with cooperative banks.

The Company's market share varies by insurance line. The market share figures for 2005 will be available in spring 2006. With regard to fire and other property insurance, Pohjola is the second largest non-life insurer in Finland (with a market share of 21% in 2004).

Pohjola's position as the market leader in statutory workers' compensation insurance is strong (33% market share in 2004). This is based on long-term cooperation with customers in the management of accident risks. According to the principle of fair rating, customers pay premiums which correspond to their risk profile.

Motor Vehicle Cover and Sports Cover new products

In November 2005, Pohjola revised its motor insurance. The new Motor Vehicle Cover offers the market's most comprehensive combination of insurance cover alternatives, where customers may supplement their insurance even with supplementary cover packages according to their needs. The Motor Vehicle Cover comprises three basic parts: mandatory motor liability insurance, Crisis Cover which is a new supplementary and voluntary product, and voluntary comprehensive motor vehicle insurance. Standard Motor Insurance is also a novelty product which is tailored for motor vehicles that are over six years old. It provides comprehensive cover at reasonable expenses for instance for the family's second car.

Pohjola has cooperation with around 50 different sports associations. In 2005, the licence insurance offered for sale through different sports associations was revised. The new insurance is called the Sports Cover

OKO Bank acquired Pohjola

In September, OKO Osuuspankkien Keskuspankki Oyj (OKO Bank) acquired a majority holding in Pohjola Group plc (Pohjola) and made a tender offer for the remaining shares in Pohjola. Pohjola became officially OKO Bank's subsidiary in October when the Finnish Insurance Supervisory Authority issued a favourable decision on the transaction.

On 12 September 2005, OKO Bank acquired from Suomi Mutual Life Assurance Company (Suomi Mutual) and Ilmarinen Mutual Pension Insurance Company (Ilmarinen) an around 58.5% holding of Pohjola shares and votes at a cash price of almost EUR 1.2 billion. The acquisition price was EUR 13.35 per share.

Following the transaction, the OP Bank Group became a leading financial group in Finland. After the business arrangement, the OP Bank Group has a strong market position in all of its major business areas – in retail, corporate and investment banking, in non-life and life insurance and in asset management – and it has an extensive nationwide service network. OKO Bank also strengthened its position in the corporate sector after Pohjola's corporate customer function had been combined with the OKO Bank Group. It has been estimated that previously only around 30% of the customer base at the OP Bank Group and Pohjola was the same.

OKO Bank made a public tender offer for the remaining 41.5% of publicly quoted Pohjola shares at a cash price of EUR 13.35 per share. The offer period started on 19 October 2005 and when it ended on 18 November 2005, OKO Bank's holding in Pohjola had risen to around 83%.

Following the tender offer, OKO Bank made a redemption offer for the remaining Pohjola shares and option rights. The redemption price offered by OKO Bank for the shares in Pohjola was EUR 13.35 in cash per share. The redemption price offered for the option rights of Pohjola was EUR 22.65 in cash per each 2001 series A option right and EUR 29.88 in cash per each 2001 series B/C option right. The offer period started on 1 December 2005 and ended on 5 January 2006. After the redemption offer had ended, OKO Bank's holding in Pohjola had risen to around 89.87%.

After the redemption offer period ended on 10 January 2006, OKO Bank's holding in Pohjola had risen to 90.06% of Pohjola's all shares and votes. On 16 January 2006, OKO Bank announced that it would use the redemption right as per the Finnish Companies Act. The aim will be that Pohjola submits an application for the termination of quoting of Pohjola shares and option rights on the Helsinki Stock Exchange.

OKO Osuuspankkien Keskuspankki Oyj (OKO Bank), established in 1902, is a Finnish bank which has been listed on the Helsinki Stock Exchange since 1989. The OP Bank Group consists of independent member cooperative banks and their central organisation Osuuspankkikeskus Osk (OP Bank Group Central Cooperative) with subsidiaries. OKO Bank is the most significant subsidiary of OP Bank Group Central Cooperative.

and it was developed in cooperation with the Finnish Olympic Committee and the Finnish Sports Federation. The number of Sports Cover policies sold totals around 530 000.

Investment services

In 2005, Pohjola's other core business area was the investment services function comprising life insurance, mutual funds and asset management. Pohjola's own life insurance business was re-launched at the beginning of 2005 after the establishment of Pohjola Life Insurance Company Ltd and the acquisition of a life insurance portfolio of around EUR 1.2 billion from Suomi Mutual.

Pohjola's investment services function as well as the mutual funds and life insurance functions will be combined with the corresponding functions of the OP Bank Group in 2006. The mutual fund selection offered to customers by OP Fund Management Company Ltd will be clearly wider after the combination. This brings benefits for both Pohjola's and cooperative banks' customers. The product range of OP Life Assurance Company Ltd will also become significantly wider. Pohjola Life has offered many products that have not been previously available for customers at the OP Bank Group.

In 2005, Pohjola Life was the fourth largest life insurance company in Finland measured by premiums written. The Company's insurance savings totalled around EUR 1.5 billion. Pohjola Fund Management Company Limited, which was sold to OP Bank Group Central Cooperative in December 2005, is the fifth largest fund management company in Finland measured by assets under management. At the end of 2005, Pohjola had a total of 30 different mutual funds.

Financial targets for 2005 were as follows:

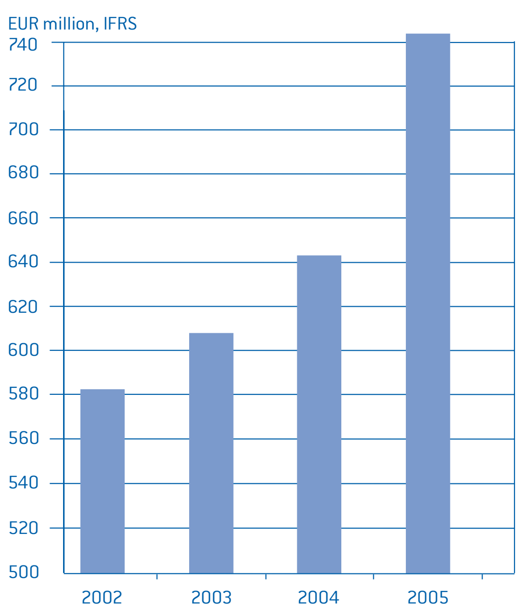
Non-life insurance

- Combined ratio 99% in all phases of the economic cycle. The target for 2005 was 95%.
- Insurance financial strength rating 'A' in non-life insurance.
- Target for long-term return on equity 15%.
- Equity weight in a balanced investment portfolio around 16–20%. The average return on a balanced investment portfolio is estimated at 5.5%.

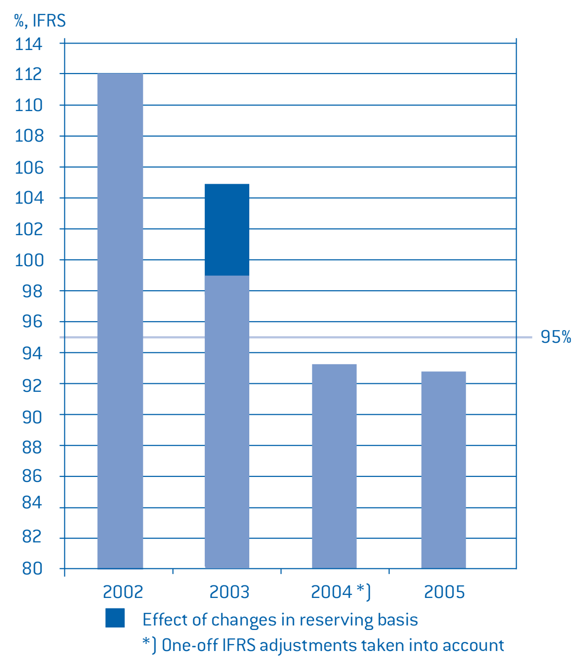
Investment services and life insurance

- Return on equity 15%, return on equity in life insurance 12%.
- Target for 2005 in life insurance: operating profit of around EUR 10 million generated by 4.8% standardised return on the investment portfolio.
- Target for 2005 in investment services: operating profit exceeds the year 2004 level.

Insurance premium revenue, non life-insurance



Combined ratio, non-life insurance



Pohjola's values

Pohjola's values were updated in 2004. Representatives of various staff groups participated in value discussions, focusing on value expectations from the perspective of different stakeholder groups, organisational culture, history and the Company's targets and objectives.

In the first half of 2005, showing values in daily activities was boosted by a theme week entitled 'Values as part of everyday life' when values were discussed one by one. The realisation of value-based activities at Pohjola is measured through work satisfaction surveys, evaluations and customer feedback.

Pohjola's values are

Reliable - Straightforward - Innovative - Successful

The values have also been described from the perspective of the main stakeholder groups (customers - shareholders - investors - society) on the Company's website at www.pohjola.fi.

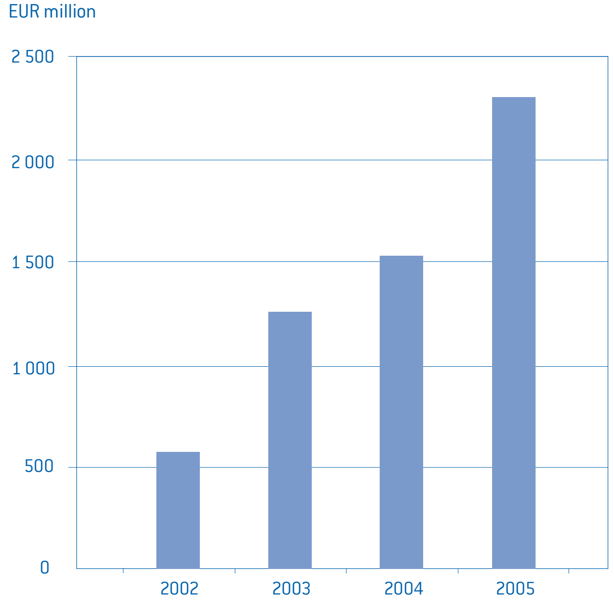
Key figures

	2005	2004
Group		
Turnover, EUR million	1 664.3	1 046.5
Operating profit, EUR million	372.8	302.9
Earnings/share, EUR	1.78	1.27
Net asset value/share, EUR*	7.75	6.74
Return on equity (ROE), %	17.6	17.9
Non-life insurance		
Premiums written, EUR million	808.1	713.7
Insurance premium revenue, EUR million	744.2	643.0
Combined ratio, %**	92.3	91.2
Return on equity (ROE), %	24.0	27.1
Solvency capital, EUR million	835.7	670.2
Investment services		
Assets under management in all mutual funds of fund management company on 31 December 2005, EUR million	2 308.0	1 526.0
Return on equity (ROE), %	74.3	92.6
Life insurance		
Expense ratio	70.9	
Return on equity (ROE), %	16.7	

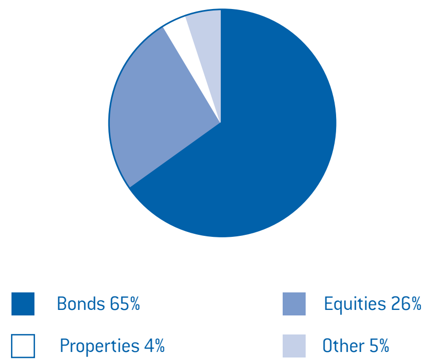
* At fair values after tax, including equalisation provision

** Excluding unwinding of discount expense

Assets managed by Fund Management Company



Assets managed by investment services, total EUR 14 billion



2005

POHJOLA'S PERFORMANCE

Consolidated operating profit was EUR 373 million (EUR 303 million) and profit before tax EUR 334 million (EUR 261 million).

Insurance premium revenue in non-life insurance totalled EUR 744 million (EUR 643 million), representing an increase of 15.7%. Changes in reserving bases increased insurance premium revenue by EUR 13.7 million. The combined ratio was 92.3% (91.2%). Claims incurred (excl. loss adjustment expenses) amounted to EUR 484.6 million (EUR 404.2 million). Changes in reserving bases increased claims incurred by EUR 5 million. Operating expenses and loss adjustment expenses grew by EUR 20.1 million and totalled EUR 202.2 million (EUR 182.2 million). In December 2004, statutory disability pensions were released to income following a change in the reserving bases then approved by the Finnish Ministry of Social Affairs and Health, which decreased operating expenses and loss adjustment expenses by a total of EUR 13.6 million in 2004. In non-life insurance, expenses related to the restructuring of Pohjola totalled EUR 2.9 million. In non-life insurance, investment income and expenses through profit or loss amounted to EUR 150 million (EUR 174 million). Operating profit in non-life insurance totalled EUR 223 million (EUR 228 million). Return on equity in non-life insurance was 24.0% (27.1%).

Premiums written in life insurance were EUR 315 million. There was a risk surplus and the expense ratio was 70.9%. Operating profit in life insurance stood at EUR 20.1 million, which includes negative goodwill of EUR 4.1 million recognised in profit in connection with a business acquisition. The change in reserving bases effected in December impaired the result by EUR 12.0 million. Profit before tax at fair values for the life insurance business was EUR 40.4 million. Return on equity was 16.7%.

Operating profit in investment services, excluding the realised gain on the disposal of Pohjola Fund Management Company Limited, was EUR 5.4 million (EUR 6.7 million).

For the sale of Pohjola's subsidiaries, Pohjola Fund Management Company Limited and Pohjolan Systeemipalvelu Oy, the Group recognised a realised gain of EUR 76.5 million in the last quarter of 2005.

OKO Osuuspankkien Keskuspankki Oyj (OKO Bank) on 12 September 2005 acquired a majority shareholding (58.5%) in Pohjola. On 10 January 2006, OKO Bank's holding in Pohjola exceeded 90%. Pohjola's restructuring expenses for the financial year totalled EUR 5.9 million.

Consolidated earnings per share were EUR 1.78 (EUR 1.27). Net asset value per share at fair values, after distribution of a dividend of EUR 0.70 in March, was EUR 7.75 (EUR 6.74 on 31 December 2004).

NON-LIFE INSURANCE

With a market share of 26.1% (2004), Pohjola is one of the leading Finnish non-life insurers, measured by premiums written (FAS). 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. In the Baltic States, where Pohjola's market share is around 6%, non-life business is transacted by the local Pohjola subsidiaries operating under the name of Seesam.

Insurance premium revenue

Net insurance premium revenue at Pohjola increased by 15.7% to EUR 744 million (EUR 643 million).

In the domestic non-life business, insurance premium revenue grew by 14.2% to EUR 698 million (EUR 611 million). In statutory workers' compensation and motor liability insurance, transition to the full cost responsibility system increased insurance premium revenue by EUR 29.0 million, which resulted in a 4.4 percentage point increase in consolidated premium revenue and a 4.7 percentage point increase in premium revenue from the domestic insurance business. Changes in reserving bases related to unearned premiums provision and to the lapse of insurance policies increased insurance premium revenue by EUR 13.7 million, which resulted in a 2.1 percentage point increase in consolidated premium revenue and a 2.2 percentage point increase in premium revenue from the domestic insurance business.

Premium revenue from the Baltic subsidiaries increased by 76.0% to EUR 30.6 million (EUR 17.4 million). The fact that these companies became fully-owned subsidiaries of Pohjola in 2004 made it possible to integrate Baltic business strategies with those of the Pohjola Group. In consequence, reinsurance of the Baltic subsidiaries was included in the scope of Pohjola's reinsurance cover and the range of insurance products for private households was widened further.

Premium revenue from other foreign insurance increased to EUR 16.0 million (EUR 14.8 million).

Combined ratio

The combined ratio was 92.3% (91.2%), of which claims incurred accounted for 65.1 (62.9) percentage points and operating expenses and loss adjustment expenses for 27.2 (28.3) percentage points.

The combined ratio adjusted by the changes in reserving bases (in 2004 and 2005), by the release to income of statutory disability pensions (in 2004) and by Pohjola's restructuring expenses amounted to 92.9% (93.7%).

Claims incurred

Claims incurred (excl. loss adjustment expenses) totalled EUR 485.0 million (EUR 404.0 million). The claims trend in non-life insurance was split. The claim amounts of large and medium-size losses for 2005, with the exception of the third quarter of the year, were significantly higher than the claim amounts in the corresponding quarters in 2004. The total amount of claims for large and medium-size losses held for own account exceeded the corresponding amount a year earlier by around EUR 26 million. There were seven major losses in excess of EUR 2 million held for own account, whereas during the whole of 2004, there were two such losses. The largest single loss was a storm which occurred at the beginning of January and for which Pohjola recognised around EUR 8 million in claims incurred.

A vigorous growth in the business for own account in the Baltic operations, the transfer of the medical expenses insurance portfolio from Suomi Mutual Life Assurance Company and the transition to the full cost responsibility system increased claims incurred by EUR 49.2 million.

On the basis of an extensive survey project, the bases of calculation of the collective liability were adjusted in December 2005, which decreased the provision for unpaid claims as a whole and thus decreased claims incurred by EUR 18.6 million. This improved the combined ratio by 2.5 percentage points. The most significant impacts were shown as impairments in the results of other accident insurance, health insurance and liability insurance. On the other hand, the changes improved the results of fire and other property insurance and foreign reinsurance.

In December, Pohjola decreased the discount rate of pension liabilities from 3.5% to 3.3%. This increased claims incurred by EUR 23.6 million and impaired the combined ratio by 3.2 percentage points.

Operating expenses and loss adjustment expenses

Operating expenses and loss adjustment expenses grew by EUR 20.1 million and totalled EUR 202.2 million (EUR 182.2 million). Operating expenses totalled EUR 155.1 million (EUR 133.7 million) and loss adjustment expenses EUR 47.2 million (EUR 48.4 million). As a result of growing Baltic business and the transfer of the medical expenses insurance portfolio, operating and loss adjustment expenses rose by EUR 5.5 million compared to 2004. Expenses related to Pohjola's restructuring amounted to EUR 2.9 million in the non-life insurance business. In December 2004, statutory disability pensions were released to income following a change in the reserving bases then approved by the Finnish Ministry of Social Affairs and Health, which decreased operating expenses and loss adjustment expenses by a total of EUR 13.6 million.

Investments of non-life insurance

The fair value of non-life investments totalled EUR 2 515 million (EUR 2 346 million). The proportion of shares in the portfolio was 19% (21%) at the end of December. At the end of the period under review, the average duration of the fixed-income portfolio was 4.8 years.

Return on investments at fair values was 8.5% (8.7%). Investment income and expenses through profit or loss were EUR 150 million (EUR 174 million). Net investment income at fair values was EUR 182 million.

A realised gain of EUR 20.1 million for the sale of the Lapinmäentie property in Helsinki was recognised under other operating income in the first quarter of the year.

Solvency of non-life insurance

The insurance financial strength rating of Pohjola Non-Life Insurance Company Ltd is A+,(Negative outlook)(credit rating agency Standard & Poor's 19 October 2005).

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

Improved profitability, the restructuring of investments, and more extensive reinsurance protection have decreased the need for solvency capital. The capitalisation of Pohjola Non-Life exceeds the target level.

At the end of the period under review, the solvency capital of the non-life insurance segment, calculated on the basis of the IFRS balance sheet of the segment, was EUR 836 million (EUR 671 million) and the solvency ratio was 112.3% (104.2%). In addition, Pohjola Non-Life holds a subordinated loan option for EUR 50 million granted by the parent company. The statutory solvency requirements are based on separate financial statements.

Return on equity in non-life insurance

Return on equity at fair values in non-life insurance was 24.0% (27.1%).

INVESTMENT SERVICES AND LIFE INSURANCE

In 2005, the investment services and life insurance functions of Pohjola offered full-range investment services to private customers and institutional investors. In the areas of saving and investment, Pohjola provided individual (consultative and discretionary) asset management services, which covered Pohjola's own mutual fund and life insurance products and cooperation partners' complementing investment services.

As part of Pohjola's restructuring arrangements, Pohjola on 30 December 2005 and 16 January 2006 sold its subsidiaries transacting investment services and life insurance business to OKO Bank and OP Bank Group Central Cooperative.

LIFE INSURANCE

Premiums written in the Finnish life insurance market were (FAS) EUR 3 206 million (EUR 2 907 million). Pohjola's market share was 10.4%, measured by premiums written. In the unit-linked business, Pohjola's market share was 8.7% and in the non-linked business 11.9%.

Premiums written in Pohjola's life insurance business amounted to EUR 315 million, of which pension policies accounted for EUR 192 million and life insurance policies for EUR 123 million. The portion of savings and individual pension policies was EUR 169 million, 66% representing unit-linked policies and 34% non-linked policies.

In September, Pohjola signed an agreement with Finland Post Pension Fund under which supplementary pension cover amounting to EUR 73 million was transferred as a lump sum to Pohjola Life on 31 December 2005.

As a change in reserving bases, the discount rate of 4.5% for non-linked liabilities was lowered to 3.5%. Consequently, insurance contract liabilities were strengthened by an additional item of EUR 12 million. Moreover, EUR 5 million was reserved for future customer bonuses.

Investment income and expenses through profit or loss in life insurance amounted to EUR 157.1 million (incl. unit-linked contracts). Net investment income at fair values was EUR 177.9 million. Operating expenses totalled EUR 15.9 million. There was a slight risk surplus. The expense ratio, calculated on expense loading, was 70.9%.

Because of different treatment of the equalisation provision under IFRSs, the acquisition of the life business resulted in a negative goodwill (EUR 4.1 million), which was recognised as other operating income in the first quarter of the year.

Pohjola is in charge of the administration of the Suomi Mutual insurance portfolio. Fee income amounted to EUR 15.9 million and the result was positive.

Operating profit in life insurance was EUR 20.1 million and profit before tax at fair values EUR 40.4 million.

The insurance contract liabilities amounted to EUR 1 509 million, of which non-linked contracts accounted for EUR 1 015 million and unit-linked contracts for EUR 493 million. The financial liabilities of investment contracts totalled EUR 67 million.

Return on investments at fair values in the life insurance business was 6.8%. The fair value of life insurance investments (excl. investments serving as cover for unit-linked contracts) totalled EUR 1.2 billion, of which 17% (0% on 1 January 2005) were in shares, 75% (0% on 1 January 2005) in bonds, 7% (100% on 1 January 2005) in other debt securities and 1% (0% on 1 January 2005) in properties.

Return on equity at fair values was 16.7%.

Solvency of life insurance

The solvency capital of the life insurance business, calculated on the basis of the IFRS balance sheet, totalled EUR 185 million and the solvency ratio proportioned to insurance contract liabilities was 15.6% at the end of the period under review. The statutory solvency requirements are based on separate financial statements.

Pohjola Life Insurance Company Ltd was sold to OP Bank Group Central Cooperative on 16 January 2006.

INVESTMENT SERVICES

At the end of the period under review, the total amount of assets under management in the Pohjola investment services function was EUR 14.0 billion (EUR 11.8 billion on 31 December 2004). Of the EUR 14.0 billion investment portfolio, the Pohjola group of companies accounted for EUR 4.3 billion. The number of institutional investors and private banking customers continued to grow. The number of new discretionary asset management customers grew by 149% and the assets under Pohjola Private's management by 45%.

The increase in assets under management in Pohjola mutual funds was 51%, thus exceeding market growth (44%). The assets under management in Pohjola mutual funds totalled EUR 2 308 million

(EUR 1 526 million) of which the Group's own investments accounted for 21%.

Operating profit in investment services amounted to EUR 5.4 million (EUR 6.7 million) without the disposal of Pohjola Fund Management Company Limited.

A total of around EUR 0.8 million was recognised as expenses related to Pohjola's restructuring in the last quarter of 2005.

Pohjola Fund Management Company Limited was sold to OP Bank Group Central Cooperative on 30 December 2005. Pohjola Asset Management Limited was sold to OKO Bank on 16 January 2006.

OTHER GROUP OPERATIONS

The fair value of the Group's investments not allocated to business operations stood at EUR 121 million (EUR 179 million). Investment income and expenses through profit or loss amounted to EUR 63 million (EUR 84 million), of which net realised gains on shares accounted for EUR 57 million (EUR 66 million), including the sale of the guarantee shares in Ilmarinen Mutual Pension Insurance Company in the first quarter of the year. At the end of the period under review, the equity weight of the investment portfolio was 44% (69%).

For the sale of Pohjolan Systeemipalvelu Oy, a subsidiary of Pohjola, the Group recognised a realised gain of EUR 8.8 million in the last quarter of 2005.

After the amount of EUR 107 million paid in dividends in March, the net assets not allocated to business operations, reduced by deferred tax liabilities, amounted to EUR 231 million at the end of December (EUR 141 million on 31 December 2004). The main part of this capital is held by the parent company. After the subordinated loan option granted by the parent company to Pohjola Non-Life, the unallocated net assets total EUR 181 million.

STAFF

At the end of December, the Group had 2 511 employees (2 488 employees) and in 2005 an average of 2 747 employees (2 685 employees). In connection with the acquisition of the life insurance business at the beginning of 2005, 232 people transferred from Suomi Mutual to Pohjola as old employees. Following the sale of Pohjola Fund Management Company Limited and Pohjolan Systeemipalvelu Oy, 218 people transferred as old employees to other parts of OP Bank Group Central Cooperative Consolidated at the end of 2005. The number of employees at the Baltic subsidiaries has risen to 137 (102) people.

TRANSITION TO IFRSs

Pohjola adopted the International Financial Reporting Standards (IFRSs) in its consolidated financial statements as of the beginning of 2005. The 2005 interim financial reports were prepared applying IFRS recognition and measurement principles. The differences between the Finnish and IFRS accounting policies are shown in the notes to the financial statements.

OKO BANK ACQUIRED A MAJORITY STAKE IN POHJOLA

OKO Osuuspankkien Keskuspankki Oyj (OKO Bank) concluded on 12 September 2005 a transaction whereby it acquired approximately 58.5 per cent of the outstanding shares and voting rights in Pohjola from Suomi Mutual Life Assurance Company (Suomi Mutual) and Ilmarinen Mutual Pension Insurance Company (Ilmarinen) for approximately EUR 1.2 billion in cash. The consideration was EUR 13.35 per share. In its statement of 10 October 2005 to the Finnish Insurance Supervisory Authority, the Finnish Competition Authority considered that there were no obstacles to the acquisition. On 27 September 2005, the competition authority of Estonia had also approved the transaction. The Finnish Insurance Supervisory Authority gave its positive resolution on the transaction on 18 October 2005. Following the confirmation of the acquisition, OKO Bank and its parent company OP Bank Group Central Cooperative became the parents of Pohjola and its subsidiaries on 18 October 2005.

The combined holding of OP Bank Group Central Cooperative, its subsidiaries and companies under its control of Pohjola share capital and votes exceeded two-thirds (2/3) on 19 October 2005 and was 67.5%. The holding of OKO Bank was 67.3%.

On 14 October 2005 OKO Bank made a public tender offer to the other Pohjola shareholders for the remaining around 32.8% of the outstanding Pohjola shares at a cash consideration of EUR 13.35 per share. The public tender offer was valid from 19 October to 18 November 2005. After the public offer period had ended, OKO Bank's holding in Pohjola was around 83.3%.

On 24 November 2005 OKO Bank made a redemption offer to the other Pohjola shareholders for the remaining around 16.7% of the outstanding Pohjola shares at a cash redemption price of EUR 13.35 per share. The offered cash redemption price for each Pohjola option right 2001 A was EUR 22.65 and for each Pohjola option right 2001 B/C EUR 29.88. The redemption offer was valid from 1 December 2005 to 5 January 2006. After the redemption offer period had ended, OKO Bank's holding in Pohjola was 89.96%.

On 10 January 2006 OKO Bank's holding in Pohjola exceeded 90% after which OKO Bank initiated measures as per the Finnish Companies Act and as per the terms of Pohjola option rights for the redemption of Pohjola shares and option rights held by other Pohjola shareholders than OKO Bank.

In the arrangement, the value of the entire share stock of Pohjola was established at approximately EUR 2 075 million on a fully diluted basis. The acquisition of Pohjola expanded OKO Bank's business into the non-life insurance market and substantially reinforced the OP Bank Group's position in the Finnish financial services market and was in line with the OP Bank Group's long-term objective of becoming the market leader in Finland.

According to the plans announced in connection with the transaction on 12 September 2005, Pohjola sold Pohjola Life Insurance Company Ltd on 16 January 2006, Pohjola Fund Management Company Limited on 30 December 2005 and Pohjolan Systeemipalvelu Oy on 30 December 2005 to OP Bank Group Central Cooperative. The total sale price of the transactions was around EUR 367 million, which was divided into EUR 281 million for Pohjola Life Insurance Company Ltd, EUR 73 million for Pohjola Fund Management Company Limited, and EUR 13 million for Pohjolan Systeemipalvelu Oy. The Extraordinary General Meeting of Shareholders held on 19 January 2006 approved the above-mentioned transactions and the sale of Pohjola Asset Management Limited to OKO Bank at a sale price of EUR 118.5 million.

The arrangement is expected to provide significant synergies to OKO Bank and the OP Bank Group. The OP Bank Group's total cost and revenue synergies are estimated at EUR 91 million per annum (pre-tax), of which OKO Bank's share is estimated at EUR 52 million. The total synergies are expected to take full effect within five years.

OTHER RESTRUCTURINGS

Pohjola Life, a wholly owned subsidiary of Pohjola, and Suomi Mutual on 13 May 2004 signed agreements on the transfer of an insurance portfolio and of business operations 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 for a sale price of EUR 23 million. An equalisation provision of EUR 15.7 million was transferred against a consideration of EUR 10.2 million. At the same time, a medical expenses insurance portfolio of EUR 18.7 million was transferred to Pohjola Non-Life. The portfolio transfers were effected on 1 January 2005, in accordance with the consent of the Finnish Insurance Supervisory Authority. In that connection, 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 recognised a realised gain of EUR 8.5 million in the first quarter of 2005. The fair value reserve decreased correspondingly. The details of the portfolio transfers were disclosed in a stock exchange release on 3 January 2005.

In order to streamline the corporate structure, Pohjola in November executed a merger between Pohjola Customer Service Ltd (Service Pohjola) and Pohjola Non-Life. Service Pohjola has been reported as part of the non-life insurance business from the beginning of the comparative year 2004.

Pohjola undertook to sell Bothnia International Insurance Company Ltd. and Moorgate Insurance Company Limited (United Kingdom), run-off companies wholly owned by Pohjola, to UK-based Finnex Holdings Limited. The transaction will be finalised in spring 2006, provided that the regulatory approvals of the authorities are obtained and that all other conditions are met. The transaction will generate an estimated loss on sale of around EUR 5 million, which was recognised as a provision in the 2005 consolidated financial statements of Pohjola. Initial measures have been taken to terminate the Group's Canadian branch.

RISK POSITION OF INSURANCE OPERATIONS

The following is an analysis of the Group's risk position after the disposals related to the restructuring process.

Risk carrying capacity

The solvency capital of non-life insurance at the end of 2005 totalled EUR 836 million and the solvency ratio was 112%. The Board of Directors has set the credit rating class A as the target for non-life insurance. The insurance financial strength rating affirmed by Standard & Poor's for Pohjola Non-Life is A+ (19 October 2005).

The risk carrying capacity describes the amount of solvency capital which a company has in proportion to different profit and balance sheet items. Solvency capital proportioned to claims incurred and insurance premium revenue describes the company's ability to cope with underwriting risks. Solvency capital proportioned to insurance contract liabilities describes the company's ability to cope with errors in the estimation of insurance contract liabilities. Correspondingly, solvency capital proportioned to the investment portfolio describes the company's ability to cope with the risks related to investments.

	2005		2004	
	EUR million	Risk carrying capacity %	EUR million	Risk carrying capacity %
Solvency capital	836	-	670	-
Claims incurred*	532	157	453	148
Insurance premium revenue*	744	112**	643	104**
Insurance contract liabilities*	1 811	46	1 734	39
Investment portfolio	2 515	33	2 346	29

* Net of reinsurers' share (net business)

** Solvency ratio

Insurance risk position

The reinsurance of non-life insurance has been arranged on a centralised basis. Retention in risk-specific reinsurance is a maximum of EUR 5 million and retention in catastrophe reinsurance cover EUR 7.5 million.

The risk in property insurance can be described by estimated maximum loss (EML) defined for each object of insurance. The EML profile of an insurance portfolio indicates the amount of large risks which an insurance company has insured.

Premiums written (gross) by EML class
Corporate property insurance

EUR million	Under 5	5-20	20-50	50-100	100-300
2005	31	11	10	8	1
2004	29	7	11	10	2

In property and business interruption insurance, the insurance premium volume has risen especially for the smallest risks to be reinsured.

The risk in liability insurance is described by the total sum insured (TSI).

Premiums written (gross) by TSI class
Corporate liability insurance

EUR million	Under 2	2-4	4-10	10-30	30-90
2005	7	1	3	7	1
2004	9	1	4	2	1

Guarantee insurance comprises issue of contract guarantee, loan guarantee and statutory decennial (construction defects) insurance contracts. The liability amounts are as follows:

Liability amounts in guarantee and decennial insurance

EUR million	Gross 2005	Gross 2004	Net* 2005	Net* 2004
Contract guarantees	107	116	106	114
Loan guarantees	95	92	95	92
Other	12	9	10	8
Total	213	218	211	214
Decennial insurance	848	620	680	452

* For insurance company's own account, net of reinsurers' share and counter guarantee

Decennial insurance has been on the market only for six years and the liability period is ten years. Therefore, the amount of liability in decennial insurance has grown and will continue to grow because all policies issued so far are still in force.

A large part of insurance contract liabilities in non-life insurance consists of annuities. Estimated mortality has an impact on the insurance contract liabilities arising from annuities. A decrease in mortality increases insurance contract liabilities. The table below describes the effect of mortality on insurance contract liabilities and on the combined ratio.

	2005	2004
Total discounted insurance contract liabilities	EUR 1 172 million	EUR 1 103 million
Effect of increase in longevity by a year		
On insurance contract liabilities	Increases by EUR 27 million	Increases by EUR 25 million
On combined ratio	Deteriorates by 3 %-points	Deteriorates by 4 %-points

Normal variation in business entails variations in the level of profits and solvency. The table below describes the effect of different risk parameters on profit and solvency capital.

Risk parameter	Total in 2005	Change in risk parameter	Effect on profit/ solvency capital	Effect on combined ratio
Insurance portfolio or premiums written	EUR 744 million	Increases by 1%	EUR + 7 million	Improves by 1 %-point
Claims incurred	EUR 532 million	Increases by 1%	EUR -5 million	Deteriorates by 1 %-point
Major loss		1 major loss	EUR -5 million	Deteriorates by 1 %-point
Staff expenses	EUR 95 million	Increases by 8%	EUR -8 million	Deteriorates by 1 %-point
Expenses by function*	EUR 202 million	Increases by 4%	EUR -8 million	Deteriorates by 1 %-point

* Expenses by function in non-life insurance excluding expenses for investment management and expenses for other services rendered

Major losses have a material impact on variations in profit. The number and amount of losses vary annually. The table below shows the number and claims expenditure of detected major losses (in excess of EUR 2 million) by year of detection and the combined claims expenditure over a period of five years.

Major losses	2001 Number of losses	2002 Number of losses	2003 Number of losses	2004 Number of losses	2005 Number of losses	2001-2005 EUR million
Losses of EUR 2-5 million:						
Gross business	2	6	4	6	6	70
Net business	2	3	4	2	6	55
Losses exceeding EUR 5 million:						
Gross business	2	1	0	0	1	51
Net business	1	1	0	0	1	19

An outbreak of a pandemic would affect the financial position of non-life insurance through claims incurred and investment income, as the claims expenditure in health and travel insurance would increase. Death cases could decrease the insurance contract liabilities for annuities in statutory lines of insurance.

When assessing the financial consequences, the following assumptions have been made for the whole of Finland: 1 000 000 people would fall ill, 100 000 people would need medical care and 10 000 people would die. Based on these assumptions, the claims expenditure at Pohjola is estimated to increase by EUR 20 million. The impact of changes in share prices and interest rates on investments has been described in greater detail in the sensitivity tables for investments.

Investment risk position

The investment portfolio of non-life insurance (as per the allocation table) totalled EUR 2 562 million at the end of 2005, compared to EUR 2 382 million a year earlier. The investment portfolio includes both the insurance contract liabilities and the investments covering the solvency capital. The largest asset class in 2005 consisted of bonds, which accounted for 70% of the investment portfolio of non-life insurance. Compared to the previous year, the proportion of bonds increased by nearly 10 percentage points when money-market instruments were allocated to bonds. The proportion of shares was reduced by around four percentage points to 16%.

Allocation of investment portfolio		Fair value 2005 EUR million*	%	Fair value 2004 EUR million*	%
Total money market		213	8	284	12
	Money-market instruments and deposits**	220	9	284	12
	Derivative instruments***	-7	0	-	-
Bonds and bond funds in total		1 788	70	1 438	60
	Governments	1 224	48	1 112	47
	Investment Grade	476	19	299	13
	Emerging markets and High Yield	81	3	27	1
	Derivative instruments***	7	0	-	-
Shares in total		407	16	470	20
	Finland	112	4	177	7
	Developed markets	150	6	163	7
	Emerging markets	24	1	13	1
	Unlisted shares	26	1	30	1
	Private equity investments	95	4	87	4
Alternative investments in total		65	3	35	1
	Absolute return funds	22	1	20	1
	Commodities	18	1	3	0
	Convertible bonds	25	1	13	1
Properties		88	3	154	6
Total		2 562	100	2 382	100

* Includes accrued interest income
** Includes settlement receivables and liabilities and market value of derivatives EUR +11.5 million (2005), EUR +5.5 million (2004)
*** Effect of derivatives on allocation of asset classes (delta counter value)

Return on the investment portfolio was good. In 2005, share prices rose and long-term interest rates fell, as a result of which return on investments was 8.5%, compared to 8.7% in 2004. Return on investments exceeded the expected long-term return requirement by three percentage points.

The table below describes the sensitivity of investment risks and their effect on solvency capital.

	Portfolio at fair values 31 Dec. 2005, EUR million	Risk parameter	Change	Effect on solvency capital EUR million
Non-life insurance				
Bonds and bond funds 1)	1 813	Interest rate	1 %-point	96
Shares 2)	448	Market rate	10%	45
Business premises 3)	43	Continuous income requirement	+1 %-point	-4
			-1 %-point	5

1) Includes convertible bonds and derivatives
2) Includes absolute return funds and commodities investments
3) Premises leased to parties outside the group of companies

	Portfolio at fair values 31 Dec. 2004, EUR million	Risk parameter	Change	Effect on solvency capital EUR million
Non-life insurance				
Bonds and bond funds1)	1 451	Interest rate	1 %-point	74
Shares 2)	492	Market rate	10%	49
Business premises 3)	45	Continuous income requirement	+1 % -point	-5
			-1 % -point	6

1) Includes convertible bonds
2) Includes absolute return funds and commodities investments
3) Premises leased to parties outside the group of companies

Equity risk and alternative investments

The equity portfolio is well diversified. The largest single investments are investments in SanomaWSOY (EUR 12.3 million) and investments in Rakentajain Konevuokraamo (EUR 12.3 million).

The proportion of commodities investments in the alternative investments portfolio has been somewhat increased.

Credit risk

The average credit rating of the fixed-income portfolio of non-life insurance in accordance with Standard & Poor's was AA, which is almost the same as a year earlier. The credit risk of the bond portfolio in non-life insurance is fairly conservative. In order to obtain extra return, loans rated under the level eligible for investment were increased by around EUR 50 million in the portfolio, but they still account for a small portion, less than 4%, in the fixed-income portfolio. The portion of non-rated investments in the fixed-income portfolio was around 10%, most of them consisting of money-market investments in domestic companies.

Credit rating distribution, EUR million*	2005	2004
AAA	975	1 013
AA	349	252
A	296	198
BBB	158	120
High Yield	75	25
Not Rated	214	177
Total	2 069	1 785

* Includes money-market instruments and deposits, bonds and bond funds, and reinsurance contract assets.

Duration of fixed-income portfolio and insurance contract liabilities

At the end of 2005, the duration of the fixed-income portfolio in non-life insurance, i.e. the average duration of the cash flows from interest-bearing instruments, was 4.8 years. The fixed-income portfolio includes both bonds and money-market investments. Duration lengthened in 2005 by around six months but was still shorter than the duration of insurance contract liabilities. The current interest rate of the fixed-income portfolio at the turn of the year was 3.4%.

Fair value as per duration or repricing date, EUR million	2005	2004
0-1 year	266	381
1-3 years	411	268
3-5 years	379	421
5-7 years	337	225
7-10 years	305	140
>10 years	292	281
Total	1 990	1 716
Duration	4.8	4.3
Effective interest rate, %	3.4	3.1

Of the insurance contract liabilities, EUR 1 172 million has been discounted applying a discount rate of 3.3%. The duration of the insurance contract liabilities is 11 years. The rest of the insurance contract liabilities (EUR 639 million) are undiscounted and their duration is 1.7 years. In accordance with Finnish legislation, short-term insurance contract liabilities (duration of less than 4 years) must not be discounted in separate financial statements.

Sensitivity of discounted insurance contract liabilities to changes in discount rate	2005	2004
Total discounted insurance contract liabilities	EUR 1 172 million	EUR 1 103 million
Decrease in discount rate by 0.1 %-point		
Increases insurance contract liabilities	EUR 13 million	EUR 11 million
Deteriorates combined ratio	2 %-points	2 %-points

Currency risk

The open currency position in non-life insurance was EUR 54 million or somewhat more than 2% of the investment portfolio. The open currency risk was small compared to the solvency capital and the limit set by the authorities, which is 20% of the insurance contract liabilities, i.e. around EUR 400 million. The largest open currency position was in US dollars (EUR 39 million).

Currency position, EUR million	2005	2004
USD	39	12
SEK	10	-
JPY	7	2
GBP	6	17
Other*	-8	4
Total	54	35

* The group 'Other' includes EUR -10 million in EEK and LTL-denominated insurance contract liabilities covered in euros.

LEGISLATION

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 1 January 2005. Earlier, insurers' direct 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 MANAGEMENT AND GROUP GOVERNANCE

The Annual General Meeting on 17 March 2005 re-elected Mr Eino Halonen as the Chairman of the Board and Ms Kirsi Aaltio, Mr Heikki Bergholm, Mr Martin Granholm, Mr Kari Puro, Mr Timo Salonen and Ms Maarit Toivanen-Koivisto as Board members. In its inaugural meeting, held after the AGM, the Board of Directors elected Mr Martin Granholm as the Deputy Chairman of the Board.

The Board of Directors also elected the members of the Board committees. Mr Timo Salonen was elected as the Chairman and Ms Kirsi Aaltio and Mr Heikki Bergholm were elected as members of the Audit Committee. Mr Eino Halonen was elected as the Chairman and Mr Martin Granholm and Mr Kari Puro were elected as members of the Compensation Committee. The terms of office of the committee members expired on the closing of the Extraordinary General Meeting held on 23 November 2005, after which the committees were terminated.

At the Annual General Meeting held on 17 March 2005, PricewaterhouseCoopers Oy, Authorised Public Accountants, was elected as the Company's regular auditor. Mr Juha Wahlroos, Authorised Public Accountant, acted as the partner-in-charge appointed by PricewaterhouseCoopers Oy.

At the Extraordinary General Meeting held on 23 November 2005, Mr Mikael Silvennoinen, M.Sc. (Econ. and Bus. Adm.), President and member of the Executive Board of OKO Bank was elected as the Chairman of the Board. Mr Reijo Karhinen, M.Sc. (Econ. and Bus. Adm.), President and member of the Executive Board of OP Bank Group Central Cooperative; Mr Timo Laine, LL.M., eMBA, Managing Director of Päijät-Hämeen Osuuspankki; and Mr Tomi Yli-Kyyny, M.Sc. (Eng.), President of Pohjola Non-Life Insurance Company Ltd, were elected as new Board members, all of them for a term of office expiring on the closing of the next Annual General Meeting. Mr Kari Puro, D.Med. Sc., M.Sc. (Pol.), President and CEO of Ilmarinen Mutual Pension Insurance Company, elected as a member of the Board of Directors at the Annual General Meeting of 17 March 2005, continues in his office on the Board of Directors. In its inaugural meeting held after the EGM, the Board of Directors elected Mr Reijo Karhinen as the Deputy Chairman of the Board.

On 23 November 2005, Mr Tomi Yli-Kyyny was appointed as the new President of Pohjola Group plc after Mr Eero Heliövaara had handed in his resignation from the post of President and CEO. Mr Hannu Linnoinen, deputy to the President, resigned from the Company's service on 31 December 2005.

At the Extraordinary General Meeting held on 23 November 2005, KPMG Oy Ab, Authorised Public Accountants, was elected as the new auditor of the Company to replace PricewaterhouseCoopers Oy, Authorised Public Accountants, for a term of office expiring on the closing of the next Annual General Meeting. The partner in charge appointed by KPMG Oy Ab is Mr Hannu Niilekselä, Authorised Public Accountant.

AUTHORISATIONS BY THE BOARD OF DIRECTORS

The Annual General Meeting on 17 March 2005 authorised the Board of Directors to decide on an increase in the share capital through one or several new issues of shares and/or on taking out one or several convertible bonds in such a manner that, on the basis of the new issue of shares and the convertible bonds, the share capital could be raised by a total maximum of EUR 23 535 000 by placing a total maximum of 26 150 000 new shares with an accounting par value of EUR 0.90 for subscription at a price determined by the Board of Directors and otherwise on conditions resolved by the Board. The authorisation issued by the Annual General Meeting will be in force until 17 March 2006. The Board of Directors did not use its authorisation by 31 December 2005.

The Annual General Meeting authorised the Board of Directors to decide on repurchase and conveyance of a maximum of 7 500 000 Pohjola Group shares of an accounting par value of EUR 0.90 each. The authorisation will be in force until 17 March 2006.

The resolutions passed by the Annual General Meeting are disclosed in greater detail in a stock exchange release of 17 March 2005.

POHJOLA SHARE

OKO Bank became Pohjola's majority shareholder in transactions completed on 12 September 2005 (around 58.5%). OKO Bank held 83.6% of the shares and votes in Pohjola on 31 December 2005.

The Annual General Meeting of 17 March 2005 resolved to decrease the Company's share capital by invalidating all the 232 000 Pohjola Group shares in the Company's possession on 17 March 2005. The decrease in the share capital was entered in the Finnish Trade Register on 8 April 2005.

After the Annual General Meeting, the Company repurchased 624 000 treasury shares by 21 June 2005. The Extraordinary General Meeting held on 23 November 2005 resolved to decrease the Company's share capital by invalidating all the 624 000 treasury shares in the Company's possession. The decrease in the share capital was entered in the Finnish Trade Register on 9 December 2005.

With option rights under the stock option plan 2001 of Pohjola Group plc, a total of 1 884 594 shares were subscribed in 2005. Trading in option rights C under Pohjola Group plc's year 2001 stock option plan began on the Helsinki Stock Exchange Main List on 1 August 2005 as an additional lot to the year 2001 option rights B.

EVENTS AFTER THE REVIEW PERIOD

On 10 January 2006 OKO Bank's holding in Pohjola exceeded 90% after which OKO Bank initiated measures as per the Finnish Companies Act and as per the terms of Pohjola option rights for the redemption of Pohjola shares and option rights held by other Pohjola shareholders than OKO Bank. The Helsinki District Court on 23 January 2006 appointed Mr Joakim Rehn, Authorised Public Accountant, of Grant Thornton Finland Oy, as the trustee to supervise the interests of absent shareholders in the procedure of redemption of minority shares in Pohjola Group plc.

Through transactions concluded on 16 January 2006, Pohjola sold the stock of shares of Pohjola Life Insurance Company Ltd to OP Bank Group Central Cooperative for a total sale price of EUR 281 million and the stock of shares of Pohjola Asset Management Limited to OKO Bank for a total sale price of EUR 118.5 million.

For the finalised transactions, Pohjola will recognise a realised gain of around EUR 202 million in the first quarter of 2006. The fair value reserve will correspondingly decrease by EUR 15 million.

The Extraordinary General Meeting held on 19 January 2006 resolved to amend §2 of the Articles of Association of Pohjola Group plc to read as follows:

"§2 Field of operations of the company

The company's field of operations is to be in charge of and responsible for Group governance. The company may own and possess real estate and carry on investment in real estate and securities, as well as other investment operations."

The Extraordinary General Meeting held on 19 January 2006 approved the transactions through which Pohjola had sold Pohjola Fund Management Company Limited, Pohjolan Systeemipalvelu Oy and Pohjola Life Insurance Company Ltd to OP Bank Group Central Cooperative, and Pohjola Asset Management Limited to OKO Bank.

The Extraordinary General Meeting held on 19 January 2006 resolved to authorise the Pohjola Board of Directors to sell all other business of the Company, including the subsidiaries transacting business, or either all or part of the business transacted by them.

On 31 January 2006, Pohjola announced that it would start cooperation negotiation with OP Bank Group Central Cooperative and

OKO Bank concerning the companies' overlapping functions. As a part of combining functions and rationalising operations, cooperation negotiations were, on 6 February 2006, also launched for production-related reasons to encompass the personnel of Pohjola Non-Life Insurance Company Ltd specialised in sales of investment products. The reduction need of personnel is estimated to be approximately 30 persons. The intention is to carry out the personnel reductions without layoffs.

Pohjola Group plc on 15 February 2006 received a notice of a written application regarding the commencement of arbitration proceedings. The 33 savings banks which have signed the application consider that Pohjola has substantially violated the provisions of the cooperation agreement on Nooa Savings Bank Ltd. The savings banks demand that the arbitration court oblige Pohjola to pay them EUR 8 830 000 in liquidated damages. In their application, the savings banks have also reserved the right to file a separate claim for damages against Pohjola.

Pohjola denies all the savings banks' charges and demands as unfounded.

OUTLOOK

Pohjola will become a centre of expertise in non-life insurance within OP Bank Group Central Cooperative Consolidated and the entire OP Bank Group. Pohjola will provide its customers with security and well-being throughout their lifecycle.

Demand for non-life insurance cover is increased by a growing number of storms and other natural catastrophes. Premiums written per capita from voluntary insurance policies in Finland and the Baltic States are still low compared with other neighbouring markets, which supports the growth in demand for protection and well-being services. Price competition is expected to remain unchanged. Developments in equity and bond markets will have a major impact on investment income in non-life insurance.

Operating as part of the OP Bank Group will open up new opportunities for Pohjola especially to increase the number of household customers. Because of the changes in reserving bases last year and the rate decreases in statutory workers' compensation insurance effective as of 2006, the growth in insurance premium revenue is expected to remain at 2 to 4% this year. Comparable growth in insurance premium revenue is forecast to exceed the GDP in 2006, as in the previous year. Operating expenses will increase because of the implementation of new basic systems, when maintenance and application costs and depreciation expenses increase before the retirement of old systems from production. The combined ratio is forecast at 90.0 to 95.0% before amortisation of intangible rights. The effect which the unwinding of discount of insurance contract liabilities for annuities will have on profits is estimated to be about the same as in 2005.

For the disposals of Pohjola Life Insurance Company Ltd and Pohjola Asset Management Limited, Pohjola will recognise a realised gain of around EUR 202 million in the first quarter of 2006. The fair value reserve will correspondingly decrease by EUR 15 million.

The trends in the equity and bond markets have a significant impact on the results of non-life insurance business. The increase in share prices is expected to slow down. The 2006 equity allocation target in non-life insurance is set at around 14%. The overall return on the investment portfolio is expected to be less in 2006 than in 2005. The amount of realised gains and losses on disposals will have an impact on investment income in the income statement, but it will not, however, have an impact on the amount of equity.

The Group's management has very limited possibilities to influence the general business environment. The management can, however, exercise influence over its investment and trading operations against fluctuating interest rates and equity markets by investing assets in a secure manner, by diversifying risks and by ensuring that the staff's expertise is maintained and improved and that efficient risk management practices are applied. In addition, the management can exercise influence over the reasonable rating of customer-specific risks and thus, influence the Group's overall financial results.

All the presented forecasts and estimates are based on the current views of the Group's and its business functions' financial development. The actual results may differ significantly from the estimates stated above.

PROPOSAL BY THE BOARD OF DIRECTORS FOR DISTRIBUTION OF RETAINED EARNINGS

In accordance with the annual accounts as at 31 December 2005, the Group's distributable funds amounted to EUR 560 million and those of the parent company to EUR 355 million.

The Annual General Meeting of Pohjola will be held on 29 March 2006 at 9.30 a.m. in the Company's head office at Lapinmäentie 1, Helsinki. The Board of Directors proposes to the Annual General Meeting that no dividend be paid owing to the unfinished restructuring procedures in the Group. EUR 30 000 will be reserved for donations for worthy causes. The Board proposes that the operating profit for the financial year be entered under retained earnings.

KEY FIGURES

Financial development of Group

		FAS 2001	FAS 2002	FAS 2003	FAS 2004	IFRS 2004	IFRS 2005
Key figures							
Turnover	EUR million	975.7	1 244.8	1 174.2	1 190.7	1 046.5	1 664.3[1]
Premiums written	EUR million	597.2	706.9	739.3	797.6	713.7	1 123.5
Operating profit	EUR million	76.4	167.3	197.5	279.4	302.9	372.8
of turnover	%	7.8	13.4	16.8	23.5	28.9	22.4
Profit before extraordinary items	EUR million	95.7	189.3	223.3	231.0		
of turnover	%	9.8	15.2	19.0	19.4		
Profit before untaxed reserves and tax	EUR million	272.2	189.3	219.4	230.3	260.7	333.7
of turnover	%	27.9	15.2	18.7	19.3	24.9	20.1
Return on equity at fair values after tax	%	-26.9	-20.9	13.5	15.5	17.9	17.6
Return on assets at fair values	%	-12.5	-8.9	6.1	8.5	8.8	7.8
Equity to balance sheet total at fair values	%	36.0	28.4	29.0	28.3	32.3	23.6
Average number of employees		2 690	3 170	2 939	2 685	2 685	2 747
Key figures for non-life insurance							
Turnover	EUR million	823.4	1 090.7	1 016.9	1 041.6	927.9	1 005.3
Premiums written	EUR million	552.6	706.9	739.3	797.6	713.7	808.1
Loss ratio	%	95.9	90.5	90.4	78.6	70.4	71.5
Expense ratio	%	24.7	24.9	20.4	19.2	20.8	20.8
Combined ratio	%	120.6	115.3	110.8	97.8		
Combined ratio before unwinding of discount	%	114.2	109.2	105.1	92.0	91.2	92.3
Return on equity at fair values after tax	%	-9.7	-5.1	23.4	25.4	27.1	24.0
Return on investments at fair values before tax	%	0.2	1.6	9.9	8.2	8.7	8.5
Solvency margin	EUR million	479.9	383.7	450.0	430.4		
Equalisation provision	EUR million	207.8	185.8	160.0	208.5		
Solvency capital	EUR million	690.9	576.5	616.0	640.4	670.2	835.7
Solvency capital as percentage of insurance contract liabilities	%	42.6	34.1	34.4	35.4	37.3	44.4
Solvency ratio	%	121.0	92.9	94.3	92.6	104.2	112.3
Average number of employees							
Non-life insurance			984	1 211	1 150	1 097	
Service network			962	1 126	1 042	928	
Total		1 946	2 337	2 192	2 025	2 025	2 063
Key figures for life insurance							
Turnover	EUR million						499.6
Premiums written	EUR million						315.4
Expense ratio (% of expense loading)	%						70.9
Return on equity at fair values after tax	%						16.7
Return on investments at fair values before tax	%						6.8
Solvency ratio of insurance contract liabilities, (IFRS)	%						15.6
Average number of employees							157
Key figures for investment services		9-12/2001					
Turnover	EUR million	4.3	29.4	29.4	46.8	28.4	105.2[1]
Operating profit/loss	EUR million	-0.5	-	-10.1	5.1	6.7	73.1
Income/expenses ratio before amortisation on unallocated consolidation goodwill		1.01	1.04	0.83	1.15	1.31	1.16
Equity	EUR million	11.8	12.2	10.7	13.0	7.2	7.3
Average number of employees		94	99	96	126	126	128

1) Includes realised gains related to restructuring

Consolidated profit, IFRS

EUR million	2005	2004
Non-life insurance		
Insurance premium revenue (net)	744.2	643.0
Claims incurred (net)	-531.8	-452.7
Operating expenses	-155.1	-133.7
Balance on technical account	57.3	56.6
Investment income and expenses	150.2	173.8
Fee income and expenses	-0.9	-3.9
Other income and expenses	15.9	1.1
Operating profit	222.5	227.6
Unwinding of discount	-37.3	-39.3
Finance costs	-2.1	-1.9
Share of profit (loss) of associates	0.0	0.1
Profit before tax	183.2	186.5
Life insurance (discontinued operations)		
Insurance premium revenue (net)	317.0	
Investment income and expenses	157.1	0.1
Insurance benefits	-438.5	
Investment contract benefits	-6.4	
Operating expenses	-15.9	-0.8
Fee income and expenses	2.7	
Other income and expenses	4.1	
Operating profit (loss)	20.1	-0.7
Finance costs	-0.5	0.0
Profit (loss) before tax	19.6	-0.7
Investment services		
Fee income	37.2	28.4
Expenses	-32.2	-21.7
Investment income	0.4	
Other income	67.6	
Operating profit	73.1	6.7
Other group operations		
Fee income	66.5	93.8
Expenses	-79.5	-104.3
Investment income and expenses	62.8	84.0
Other income	10.7	
Operating profit	60.5	73.5
Finance costs	-1.8	-2.0
Share of profit (loss) of associates	-0.5	-0.8
Profit before tax	58.1	70.6
Eliminations		
Profit (loss) before tax	-0.4	-2.5
Group in total		
Profit before tax	333.7	260.7
Income tax expense	-62.1	-66.1
Profit for the period	271.5	194.5

Premiums written, non-life insurance, IFRS

EUR million	2005	2004	Change %
Domestic direct insurance			
Statutory workers' compensation	186.0	147.2	26.3
Other accident and health	60.0	46.1	30.1
Motor, third party liability	123.5	118.4	4.3
Motor, other classes	105.5	103.1	2.3
Marine, aviation and transport	39.7	36.3	9.4
Fire and other damage to property	152.5	132.8	14.9
Third party liability	36.8	34.8	5.6
Miscellaneous	35.7	29.0	23.3
Total	739.7	647.7	14.2
Domestic reinsurance	1.9	5.2	-64.1
Baltic subsidiaries	40.0	29.6	35.1
Foreign insurance	26.5	31.0	-14.4
Total	808.1	713.5	13.3
Foreign insurance in run-off	0.0	0.2	
Total	808.1	713.7	13.2

Consolidated solvency, IFRS

EUR million	2005	2004
Non-life insurance		
Net assets of non-life insurance	867.0	736.1
Proposed distribution of profit	-1.8	-53.4
Unrealised gains/losses on properties	15.0	34.8
Deferred tax liabilities realised in near term	-2.0	-10.5
Current tax liabilities (net)	-6.5	-11.9
Intangible assets	-36.0	-24.8
Other	-0.1	0.0
Solvency capital (IFRS)	835.7	670.2
Life insurance		
Net assets of life insurance	209.2	179.1
Intangible assets	-22.3	
Current tax	-1.3	
Other	-0.4	
Solvency capital (IFRS)	185.2	179.1
Investment services		
Net assets of investment services	7.5	7.3
Current tax liabilities (net)	-0.2	-0.1
Intangible assets	-1.0	-1.4
Solvency capital (IFRS)	6.4	5.8
Other Group operations		
Net assets of other Group operations	246.5	262.3
Proposed distribution of profit	-	-107.2
Deferred tax liabilities realised in near term	-	-16.1
Current tax liabilities (net)	-19.6	-10.3
Intangible assets	-17.1	-19.9
Solvency capital (IFRS)	209.7	108.8
Group in total (IFRS)	1 237.0	963.8

Investment portfolio on 31 December, IFRS

EUR million	2005	2005 %	2004	2004 %
Non-life insurance				
Bonds	1 834.0 *)	73	1 572.7 *)	67
Other debt securities and deposits with credit institutions	122.6	5	124.0	5
Equity securities	467.1	19	487.3	21
Properties	87.4	3	153.7	7
Loans	3.7		5.3	
Other investments	0.0		2.9	
	2 514.8	100	2 345.8	100
* Includes bond funds	227.7		187.2	
Life insurance				
Bonds	913.6 *)	75	86.8 *)	58
Other debt securities and deposits with credit institutions	83.8	7	60.2	40
Equity securities	207.6	17		
Properties	16.6	1	1.7	1
	1 221.5	100	148.7	100
* Includes bond funds	31.6		30.9	
Other Group operations				
Bonds	0.2		4.1	2
Other debt securities and deposits with credit institutions	66.2	55	50.1	28
Equity securities	53.2	44	123.8	69
Properties	0.9	1		
Loans	0.1		0.5	
	120.6	100	178.5	100

Net investment income, IFRS

EUR million	2005	2004
Non-life insurance		
Interest	67.0	61.8
Dividends	13.9	28.9
Income from properties	7.6	11.4
Other income/expenses	-1.6	2.3
Net realised gains	87.9	81.2
Unrealised gains/losses	-13.3	0.7
Depreciation and impairment on buildings	-1.5	-2.7
Expenses for investment management	-9.7	-9.8
Income / expenses in income statement	150.2	173.8
Change in fair value reserve (before tax)	52.0	12.2
Change in unrealised gains/losses on properties	-19.8	14.6
Total at fair values	182.4	200.7

EUR million	2005	2004
Life insurance		
Interest	24.2	
Dividends	1.3	
Income from properties	0.8	
Other income/expenses	0.1	
Net realised gains	31.0	
Unrealised gains/losses	103.3	
Depreciation and impairment on buildings	-0.4	
Expenses for Investment management	-3.3	
Income / expenses in income statement	157.1	
Change in fair value reserve (before tax)	20.6	
Change in unrealised gains/losses on properties	0.2	
Total at fair values	177.9	
Other Group operations		
Interest	3.9	6.9
Dividends	0.0	16.0
Other income/expenses	0.0	-2.2
Net realised gains	59.4	68.4
Unrealised gains/losses	1.6	-3.5
Expenses for investment management	-2.1	-1.7
Income / expenses in income statement	62.8	84.0
Change in fair value reserve (before tax)	-58.6	-54.1
Total at fair values	4.2	29.9

Values, yield and vacancy rate of real estate portfolio of Pohjola group of companies, 31 December 2005

	Fair value EUR million	Net yield %	Appreciation/ depreciation yield %	Total yield %	Leasable floor area m^2	Vacancy %
Business premises						
Business and office premises	71	7.5	-2.4	5.1	109 000	19.4
Industrial and warehouse premises	20	8.4	0.1	8.5	23 700	1.1
Business premises in total	91	7.6	-2.0	5.6	132 700	16.1
Residential premises	1	-0.5	0.0	-0.5	500	0.0
Completed property portfolio	92	7.6	-2.0	5.6	133 200	16.1
Sites and leisure premises	5					
Minority interests	3					
Real estate portfolio in total	100					

Consolidated per-share data

			FAS 2001	FAS 2002	FAS 2003	FAS 2004	IFRS 2004	IFRS 2005
Earnings/share	1)	EUR	0.51	0.87	1.01	1.10	1.27	1.78
including dilution effect of option rights		EUR				1.10	1.26	1.77
Equity/share	1)	EUR	4.46	3.96	4.40	4.51	6.58	7.68
Net asset value/share at fair values after tax	1)	EUR	8.49	5.65	5.89	5.80		
incl. equalisation provision				6.51	6.64	6.81	6.74	7.75
Dividend/share	1), 3)	EUR	1.33	0.67	0.98[4)]	0.70	0.70	-
Dividend/earnings	1), 3)	%	261.4	76.6	97.4[4)]	63.6	55.3	-
Effective dividend yield								
Series A		%	20.5					
Series B		%	20.2					
Pohjola Group		%		13.4	13.9[4)]	8.2	8.2	-
Price/earnings ratio (P/E ratio)								
Series A			12.7					
Series B			13.0					
Pohjola Group				5.7	7.0	7.7	6.7	7.5
Adjusted average share price								
Series A		EUR	8.44	7.43				
Series B		EUR	9.52	7.41				
Pohjola Group		EUR		6.90	5.26	8.23	8.23	12.10[5)]
Adjusted share price, lowest								
Series A		EUR	5.62	6.77				
Series B		EUR	5.33	6.50				
Pohjola Group		EUR		3.77	3.93	6.93	6.93	8.46
Adjusted share price, highest								
Series A		EUR	16.50	7.83				
Series B		EUR	16.56	7.97				
Pohjola Group		EUR		8.70	7.28	9.25	9.25	13.46
Adjusted share price on 31 Dec.								
Series A		EUR	6.50					
Series B		EUR	6.62					
Pohjola Group		EUR		4.96	7.07	8.49	8.49	13.35
Market capitalisation of stock of shares on 31 Dec.	1)							
Series A		EUR million	176.8					
Series B		EUR million	827.8					
Pohjola Group		EUR million		755.0	1 076.4	1 300.2		
Total		EUR million	1 004.6	755.0	1 076.4	1 300.2	1 300.2	2 047.2
Development of turnover of shares								
Series A		1 000 shares	5 189	50				
of average number		%	18.7	3.7				
Series B		1 000 shares	92 553	4 871				
of average number		%	88.9	79.0				
Pohjola Group		1 000 shares		77 030	65 372	97 097	97 097	263 779
of average number		%		53.2	42.9	63.7	63.7	172.7

			FAS 2001	FAS 2002	FAS 2003	FAS 2004	IFRS 2004	IFRS 2005
Adjusted average number of shares								
Series A		1 000 shares	27 754	1 342				
Series B		1 000 shares	104 169	6 170				
Pohjola Group		1 000 shares		144 807	152 319	152 355	152 355	152 731
Total	1)	1 000 shares	131 923	152 319	152 319	152 355	152 355	152 731
Series C	2)	1 000 shares	310	956	312			
Total		1 000 shares	132 233	153 274	152 630	152 355	152 355	152 731
including dilution effect of option rights		1 000 shares				153 232	153 232	153 649
Adjusted average number of shares on 31 Dec.								
Series A		1 000 shares	27 206					
Series B		1 000 shares	125 112					
Pohjola Group		1 000 shares		152 319	152 319	153 149	153 149	153 347
Total	1)	1 000 shares	152 319	152 319	152 319	153 149	153 149	153 347
Series C	2)	1 000 shares	956	956				
Total		1 000 shares	153 274	153 274	152 319	153 149	153 149	153 347
including dilution effect of option rights						154 026	154 026	154 266
Number of shareholders on 31 Dec.			18 041	18 794	19 999	19 307	19 307	5 386

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

1) Excl. Series C shares returned to Pohjola against no consideration.
2) The Series C shares were invalidated on 30 April 2003.
3) Proposed by the Board of Directors in 2005.
4) Includes additonal dividend EUR 0.65/share paid in 2004.
5) Average share price quoted on the Helsinki Stock Exchange in 2005 EUR 11.79, excluding block trade.

Breakdown of shareholdings by sector on 31 December 2005

Sector	Number of share-holders	Percentage of share-holders	Number of shares	Percentage of shares
Companies and housing corporations				
Private companies	223	4.1	2 321 452	1.5
Financing and insurance institutions	20	0.4	135 708 184	88.5
Public corporations	3	0.1	12 747	0.0
Households	5 051	93.8	7 925 995	5.2
Non-profit institutions serving households	58	1.1	420 385	0.3
Foreign owners	31	0.6	48 920	0.0
Total	5 386	100.0	146 437 683	95.5
Nominee registrations			6 909 464	4.5
Total			153 347 147	100.0

Breakdown of shareholdings by size of holding on 31 December 2005

	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of shares
1 - 100	1 161	21.6	58 550	0.0
101 - 1 000	3 028	56.2	1 224 333	0.8
1 001 - 10 000	1 093	20.3	2 907 164	1.9
10 001 - 100 000	84	1.6	2 157 971	1.4
100 001 - 500 000	14	0.3	2 982 916	1.9
500 001 -	6	0.1	144 016 213	93.9
Total	5 386	100.0	153 347 147	100.0

Ten major shareholders and shareholder groups

As per the shareholder register kept by the Finnish Central Securities Depository Ltd, 31 December 2005	Shares	Percentage of share capital and votes
OKO Osuuspankkien Keskuspankki Oyj (OKO Bank)	128 204 950	83.6
Nordea Bank Finland Plc	6 949 084	4.5
Mikkonen Juha	1 350 000	0.9
Fagernäs Peter	1 177 216	0.8
Lakefront Oy	310 000	0.2
eQ Bank Ltd.	289 400	0.2
Svenska Handelsbanken AB (publ), Branch Operation in Finland	240 353	0.2
Potrykus Yvonne	240 000	0.2
FIM Maltti Non-UCITS Fund	237 400	0.2
Special Mutual Fund eQ Value Visions	200 000	0.1
Total	139 198 403	90.8
Nominee registrations	6 909 464	4.5
Shareholders in total	153 347 147	100.0

Management's shareholdings and option rights on 31 December 2005

Board members and corporations under their control		
Shareholdings	0	0.00
President and deputy to the President		
Shareholdings	40 300	0.03
Option rights	67 900	0.13

Changes in ownership proportions

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

3 January 2005: Suomi Mutual Life Assurance Company's (Suomi Mutual) holding of votes and share capital in Pohjola exceeded one third and Ilmarinen Mutual Pension Insurance Company's (Ilmarinen) 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 27 February 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.

12 September 2005: Suomi Mutual, Ilmarinen, OKO Bank and OP Bank Group Central Cooperative on 12 September 2005 signed an agreement under which OKO Bank acquired all shares held by Suomi Mutual and Ilmarinen in Pohjola (Transaction). The Transaction was completed immediately on the Helsinki Stock Exchange and the title to the shares held by Suomi Mutual and Ilmarinen in Pohjola went over to OKO Bank instantly.

At the signing of the agreement concerning the Transaction, the shareholders' agreement entered into between Suomi Mutual and Ilmarinen on 27 February 2004 concerning Pohjola, including the later additions thereto, terminated to the extent it concerned Pohjola, however taking into consideration the condition subsequent included in the Transaction.

In accordance with the notification of OP Bank Group Central Cooperative, the overall holding of OP Bank Group Central Cooperative, its subsidiaries and companies under its control of the share capital and votes in Pohjola exceeded one half (1/2) as a result of the Transaction on 12 September 2005 and was, after the Transaction, 89 761 054 shares, i.e. 58.68% of the share capital and votes in Pohjola.

In accordance with the notification of Suomi Mutual, the company held, before the completion of the Transaction, 75 592 200 Pohjola shares, i.e. 49.42% of the share capital and votes in Pohjola. As a result of the Transaction on 12 September 2005, Suomi Mutual's holding of the share capital and votes in Pohjola decreased to under one twentieth (1/20) and was, after the Transaction, 0 shares, i.e. 0% of the share capital and votes in Pohjola.

In accordance with the notification of Ilmarinen, the company held, before the completion of the Transaction, 13 885 830 Pohjola shares, i.e. 9.08% of the share capital and votes in Pohjola. As a result of the Transaction on 12 September 2005, Ilmarinen's holding of the share capital and votes in Pohjola decreased to under one twentieth (1/20) and was, after the Transaction, 0 shares, i.e. 0% of the share capital and votes in Pohjola.

18 October 2005: OP Bank Group Central Cooperative announced that the transaction of 12 September 2005 between Suomi Mutual, Ilmarinen and OKO Bank concerning Pohjola shares was completed on 18 October 2005 as regards the regulatory consent of the authorities, when the Finnish Insurance Supervisory Authority resolved on 18 October 2005 that they would not deny OKO Bank the acquisition of Pohjola shares, nor set any conditions for the ownership. In addition, the OKO Bank Extraordinary General Meeting of Shareholders on 14 October 2005 approved the share issue related to the financing of the transaction. The combined holding of OP Bank Group Central Cooperative, its subsidiaries and companies under its control of Pohjola share capital and votes exceeded one half (1/2) on 18 October 2005.

19 October 2005: The combined holding of OP Bank Group Central Cooperative, its subsidiaries and companies under its control of the share capital and votes in Pohjola exceeded two thirds (2/3).

23 December 2005: Juha Mikkonen, Peter Fagernäs, Veikko Laine Oy, KW-Invest Oy, Yvonne Potrykus, Pekka Samuelson and West End Compound Oy informed Pohjola that they had entered into a shareholder agreement regarding Pohjola. The parties to the shareholder agreement held Pohjola shares and had, themselves or through their affiliates, acquired forward contracts entitling to and to be settled in Pohjola Group shares. The parties were, under the shareholder agreement, committed to convert the forward contracts into shares by 5 January 2006 in such a way that the parties' combined holding of shares in Pohjola would represent around 5.17% of the total stock of shares and votes of Pohjola.

The shareholder agreement is effective until further notice. In the agreement, the parties have, among other things, agreed to authorise a joint representative to represent them in the redemption procedure in accordance with the Finnish Companies Act.

Treasury shares

Between 11 January and 18 January 2005, Pohjola acquired 232 000 treasury shares on the basis of an authorisation given by the Extraordinary General Meeting of 22 September 2004 to the Board of Directors. The shares were acquired at market price through public trading on the Helsinki Stock Exchange. The total price of the acquired shares was around EUR 2.1 million. The average price was EUR 8.90 per share. The total accounting par value of the shares was EUR 208 800.00 and the shares represented 0.15% of the Company's share capital and voting rights. The acquisition did not have any significant effect on the distribution of shareholders' holdings or voting rights in the Company.

The Annual General Meeting on 17 March 2005 resolved to decrease the Company's share capital by invalidating all the 232 000 treasury shares in the Company's possession. It was resolved that the combined accounting par value of the invalidated shares would be transferred from the share capital to the share premium account. The decrease in the share capital was entered in the Finnish Trade Register on 8 April 2005.

Between 11 May and 21 June 2005, Pohjola acquired 624 000 treasury shares on the basis of an authorisation given by the Annual General Meeting of 17 March 2005 to the Board of Directors. The shares were acquired at market price through public trading on the Helsinki Stock Exchange. The total price of the acquired shares was around EUR 6.4 million. The average price was EUR 10.23 per share. The total accounting par value of the shares was EUR 561 600.00 and, the shares represented 0.41% of the Company's share capital and voting rights. The acquisition did not have any significant effect on the distribution of shareholders' holdings or voting rights in the Company.

On 23 November 2005, the Extraordinary General meeting of Shareholders resolved to decrease the Company's share capital by invalidating the 624 000 treasury shares in the Company's possession. It was resolved that the total accounting par value of the invalidated shares would be transferred from the share capital to the share premium account. The decrease in the share capital was entered in the Trade Register on 9 December 2005.

At the end of 2005, Pohjola held no treasury shares.

Year 2001 option rights

Trading in option rights A of the year 2001 stock option plan began on the Helsinki Stock Exchange Main List on 3 November 2003 and trading in option rights B on 2 August 2004. The option rights C have been subject to public trading since 1 August 2005 on the Helsinki Stock Exchange Main List as an additional lot to the year 2001 option rights B. Before listing, the option rights C were combined with the option rights B and the name of the option rights were changed to Pohjola Group plc stock option 2001 B/C as of 1 August 2005.

The share subscription period for option rights A began on 1 August 2003, for option rights B on 1 August 2004 and for option rights C on 1 August 2005. In accordance with the terms and conditions of the stock option plan, the subscription period for option rights A and B/C will end on 30 July 2006. Each option right entitles to subscription of three shares. The current dividend-adjusted subscription price for option rights A is EUR 5.8033/share and for option rights B/C EUR 3.3933/share.

In September-October 2005, a total of 423 600 shares were subscribed with option rights A and B/C. The increase in the share capital, EUR 381 240.00, corresponding to the share subscriptions was entered in the Finnish Trade Register on 10 November 2005. In addition, a total of 361 500 shares were subscribed with option rights A and B/C in November. The increase in the share capital, EUR 325 350.00, corresponding to the share subscriptions was entered in the Trade Register on 2 December 2005. In 2005, a total of 1 054 500 shares were subscribed and the increases in the share capital corresponding to the share subscriptions totalled EUR 949 050.00. Almost a total of EUR 3 million was entered in the share premium account. The registered share capital of Pohjola on 31 December 2005 was EUR 138 012 432.30 and the total number of shares was 153 347 147 shares.

In accordance with the terms and conditions of the year 2001 stock option plan, a total maximum of 3 300 000 shares can be subscribed with the option rights. By 31 December 2005, a total of 1 884 594 shares were subscribed with the option rights. For share subscription, a total of 29 302 option rights A and 415 000 option rights B/C remained unexercised for stock option holders at the end of 2005. With these option rights, a maximum of 1 332 906 shares can be subscribed.

OKO Bank's redemption offer for Pohjola option rights

The redemption offer made by OKO Osuuspankkien Keskuspankki Oyj (OKO Bank) for Pohjola's outstanding shares and option rights began on 1 December 2005 and ended on 5 January 2006. The cash redemption price offered by OKO Bank for Pohjola option rights was EUR 22.65 for each 2001 option right A and EUR 29.88 for each 2001 option right B/C.

The Board of Directors of Pohjola will not deal with share subscriptions made with option rights between the end of the financial period 2005 and the Annual General Meeting of 2006.

DEFINITION OF KEY FIGURES

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 using, where applicable, the corresponding IFRS information. The exceptional permission expired in 2005. In the five-year key figures, the key figures as per IFRSs have been presented for the past two years; the year 2004 and the years before that have been presented in accordance with the previous reporting standards.

Key figures

Turnover =

\+ Net income in total
\+ Insurance premiums ceded to reinsurers

Premiums written =

Premiums written before reinsurers' share

Return on equity at fair values (%) =

+/- Profit (loss) before extraordinary items and tax
+/- Change in fair value reserve
+/- Change in unrealised gains (losses) on properties
\- Tax on the above
________________ x 100
\+ Equity
\+ Unrealised gains (losses) on properties
\- Deferred tax on unrealised gains (losses) on properties
(average of 1 January and closing date)

Return on assets at fair values (%) =

+/- Profit(loss) before extraordinary items and tax
\+ Unwinding of discount, non-life insurance
\+ Finance costs
+/- Change in fair value reserve before tax
+/- Change in unrealised gains (losses) on properties
________________ x 100
\+ Balance sheet total
\- Liabilities for unit-linked insurance and investment contracts
\- Reinsurance contract assets
\+ Unrealised gains (losses) on properties
(average of 1 January and closing date)

Extraordinary items include net realised gains for shares in subsidiaries.

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

Investment income (reduced by property maintenance expenses) at fair values in proportion to invested capital is calculated using the so-called modified Dietz method, under which invested capital is calculated by adding to the opening fair value the cash flows in the period, weighted by the relative share of the length of the whole period that remains from the transaction date or from the middle of the transaction month to the end of the period.

Equity to balance sheet total at fair values (%) =

\+ Equity
\+ Unrealised gains (losses) on properties
\- Deferred tax on unrealised gains (losses) on properties
________________ x 100
\+ Balance sheet total
\+ Unrealised gains (losses) on properties

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.

Non-life insurance

Loss ratio % (excl. unwinding of discount) =

Claims, benefits and loss adjustment expenses
________________ x 100
Insurance premium revenue (net)

Expense ratio % (excl. unwinding of discount) =

Expenses by function excl. loss adjustment expenses, expenses for services rendered and expenses for investment management
________________ x 100
Insurance premium revenue (net)

Risk ratio % (excl. unwinding of discount) =

Claims before loss adjustment expenses
________________ x 100
Insurance premium revenue (net)

Cost ratio % (excl. unwinding of discount) =

Expenses by function excl. expenses for services rendered and expenses for investment management
________________ x 100
Insurance premium revenue (net)

Combined ratio % (excl. unwinding of discount)

= Loss ratio + expense ratio
= Risk ratio + cost ratio

Solvency capital (IFRS)

\+ Net assets
\- Proposed profit distribution

\+ Unrealised gains (losses) on properties
\- Deferred tax liabilities realised in near term
+/- Current tax liability (net)
\- Intangible assets

Solvency capital as percentage of insurance contract liabilities =

$$\frac{\text{Solvency capital (IFRS)}}{\text{Insurance contract liabilities less reinsurance contract assets}} \times 100$$

Solvency ratio (%) =

$$\frac{\text{Solvency capital (IFRS)}}{\text{Insurance premium revenue (net)}} \times 100$$

Life insurance

Premiums written in life insurance =

\+ Premiums written before reinsurers' share

Expense ratio (% of expense loading) =

$$\frac{\text{+ Expenses by function before change in deferred acquisition costs and excl. expenses for services rendered and expenses for investment management}}{\text{Expense loading}} \times 100$$

Solvency ratio (%) (life insurance) =

$$\frac{\text{+ Solvency capital (IFRS)}}{\text{+ Liabilities from insurance and investment contracts} \; - \; \text{75 \% of liabilities from unit-linked insurance and investment contracts}} \times 100$$

Investment services

Income/expenses ratio =

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

Per-share key figures

Earnings/share =

$$\frac{\text{Profit for the financial period attributable to the parent's shareholders}}{\text{Average adjusted number of shares}}$$

Equity/share =

$$\frac{\text{Equity}}{\text{Adjusted number of shares at closing date}}$$

Net asset value/share at fair values =

$$\frac{\text{+ Equity} \; + \; \text{Unrealised gains (losses) on properties} \; - \; \text{Deferred tax liability on unrealised gains (losses) on properties}}{\text{Adjusted number of shares at closing date}}$$

Dividend/share =

$$\frac{\text{Dividend for the financial period}}{\text{Adjusted number of shares at closing date}}$$

Dividend/earnings (%) =

$$\frac{\text{Dividend/share}}{\text{Earnings/share}} \times 100$$

Effective dividend yield (%) =

$$\frac{\text{Dividend/share}}{\text{Adjusted last trading price of financial period}} \times 100$$

Price/earnings ratio (P/E ratio) =

$$\frac{\text{Adjusted last trading price of financial period}}{\text{Earnings/share}}$$

Adjusted average share price =

$$\frac{\text{Total turnover of shares in euros}}{\text{Adjusted average number of traded shares}}$$

Adjusted share price, lowest and highest =

Lowest and highest share price in public trading

Adjusted share price at 31 December =

Last trading price of financial period

Market capitalisation =

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

Development of turnover =

Number of shares traded during financial period 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.

CONSOLIDATED BALANCE SHEET

EUR 1 000	Notes	31 Dec. 2005	31 Dec. 2004
Assets			
Property, plant and equipment	7	50 093	90 286
Investment property	8	43 736	50 398
Intangible assets	9	51 957	45 836
Investments in associates	10	8 400	8 850
Financial assets			
Equity securities			
Available for sale	11	733 686	794 796
At fair value through income	11	4 975	24 582
Debt securities			
Available for sale	11	1 725 080	1 592 217
At fair value through income	11	2 828	35 413
Loans and receivables	12	414 253	351 346
Derivative financial instruments	13	346	5 643
Deferred tax assets	19	6 721	695
Reinsurance contracts	14, 17	62 383	62 588
Other assets	15	768	628
Current tax assets		3 910	4 525
Cash and cash equivalents	15	51 071	90 473
Assets held for sale	5	1 870 039	
Total assets		5 030 247	3 158 275
Equity and liabilities			
Capital and reserves attributable to the parent's equity holders			
Share capital	16	138 012	137 834
Share premium account and legal reserve		112 266	108 416
Currency translation differences	16	-953	-294
Fair value reserve	16	152 363	141 868
Retained earnings	16	775 326	619 192
Total equity		1 177 015	1 007 014
Liabilities			
Insurance contracts	17		
Non-life insurance contracts		1 841 908	1 796 059
Financial liabilities			
Claims administration contracts	18	51 035	58 871
Borrowings	18	7 095	7 968
Derivative financial instruments	13	770	586
Deferred tax liabilities	19	117 628	101 238
Provisions	20	47 137	36 560
Retirement benefit obligations	21	3 897	5 306
Trade and other payables	22	107 628	119 651
Current tax liabilities		29 191	25 021
Liabilities related to assets held for sale	5	1 646 943	
Total liabilities		3 853 232	2 151 261
Total equity and liabilities		5 030 247	3 158 275

CONSOLIDATED INCOME STATEMENT

EUR 1 000	Note	2005 Continuing operations	2005 Discontinued operations	2005 Total	2004 Continuing operations	2004 Discontinued operations	2004 Total
Insurance premium revenue	23	798 008	317 071	1 115 079	710 353		710 353
Insurance premiums ceded to reinsurers	23	-53 871		-53 871	-67 358		-67 358
Net insurance premium revenue	23	744 137	317 071	1 061 208	642 995		642 995
Fee income	24	46 351	16 321	62 672	70 517		70 517
Investment income	25	86 579	25 959	112 538	110 396	118	110 514
Net realised gains	26	145 552	31 013	176 565	151 274		151 274
Net fair value gains on financial assets at fair value through income	27	-8 267	102 353	94 086	3 045		3 045
Other operating income	28	99 289	4 072	103 362	836		836
Net income		1 113 641	496 789	1 610 431	979 063	118	979 181
Insurance claims, benefits and loss adjustement expenses	29	-549 816	-438 509	-988 325	-480 707		-480 707
Insurance claims and loss adjustment expenses recovered from reinsurers	29	17 719		17 719	27 944		27 944
Net insurance claims and benefits		-532 097	-438 509	-970 606	-452 763		-452 763
Investment contract benefits	30		-6 428	-6 428			
Expenses for acquisition of insurance and investment contracts	31, 32	-58 741	-8 657	-67 397	-57 474		-57 474
Reinsurance commissions received		4 871		4 871	5 859		5 859
Expenses for administration of insurance and investment contracts	31, 32	-63 371	-5 077	-68 448	-52 969		-52 969
Expenses for other services rendered	31, 32	-40 414	-14 809	-55 223	-63 746		-63 746
Expenses for investment management	31, 32	-8 422	-2 955	-11 377	-11 539		-11 539
Expenses for administration	31, 32	-56 966	-1 046	-58 012	-42 022	-833	-42 855
Other operating expenses		-5 000		-5 000	-760		-760
Total expenses		-760 140	-477 481	-1 237 621	-675 413	-833	-676 247
Operating profit (loss)		353 501	19 308	372 809	303 650	-715	302 935
Unwinding of discount, non-life insurance	34	-37 261		-37 261	-39 348		-39 348
Finance costs	34	-1 336	-37	-1 372	-2 192		-2 192
Share of profit (loss) of associates	10	-511		-511	-741		-741
Profit (loss) before tax		314 394	19 271	333 665	261 370	-715	260 655
Income tax expense	36	-60 087	-2 057	-62 144	-66 129		-66 129
Profit (loss) for the period		254 307	17 215	271 522	195 241	-715	194 526
Attributable to							
Equity holders of the parent company		254 290	17 215	271 504	193 618	-715	192 903
Minority interest		17		17	1 623		1 623
		254 307	17 215	271 522	195 241	-715	194 526
Earnings per share for profit attributable to equity holders of the parent company							
Basic, EUR	37	1.66	0.11	1.78	1.27	0.00	1.27
Diluted, EUR	37	1.66	0.11	1.77	1.26	0.00	1.26

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR 1 000	Share capital	Share premium account and legal reserve	Currency translation differ-ences	Fair value reserve	Retained earnings	Capital and reserves attributable to parent's equity holders	Minority interest	Total equity
Equity at 31 Dec. 2003	43 654	198 818	384		427 814	670 670	8 365	679 035
Effect of adoption of IFRSs		58		165 931	151 495	317 484	-1 717	315 767
Retroactive correction					-4 189	-4 189		-4 189
Adjusted equity at 1 Jan. 2004	43 654	198 876	384	165 931	575 120	983 965	6 648	990 613
Available-for-sale financial assets:								
Net change in unrealised gains/losses				86 196		86 196		86 196
Amount transferred to income statement				-128 223		-128 223		-128 223
Currency translation differences			-678		-15	-693	67	-626
Other changes					62	62		62
Tax on items recognised in/transferred from equity (Note 36)				17 964	933	0 18 897		0 18 897
Net income recognised directly in equity			-678	-24 063	980	-23 762	67	-23 695
Profit for the period					193 400	193 400	1 623	195 023
Retroactive correction					-497	-497		-497
Total income and expensesrecognised in the period			-678	-24 063	193 882	169 141	1 690	170 831
Dividend distribution					-149 780	-149 780		-149 780
Donations resolved by Shareholders' Meeting					-30	-30		-30
Bonus issue	93 433	-93 433				0		0
Equity-settled share-based payment transactions		166				166		166
Exercised share options	747	2 807				3 554		3 554
Acquisition of subsidiaries						0	-4 985	-4 985
Disposal of subsidiaries						0	-3 353	-3 353
Total	94 180	-90 460			-149 810	-146 090	-8 338	-154 428
Equity at 31 Dec. 2004	137 834	108 416	-294	141 868	619 192	1 007 016	0	1 007 014
Translation differences recognised in income statement in connection with repayment of subsidiary's share capital			-194			-194		-194
Available-for-sale financial assets:						0		0
Net change in unrealised gains/losses				125 768		125 768		125 768
Amount transferred to income statement				-111 568		-111 568		-111 568
Share of items recognised directly in associate's equity				60		60		60
Currency translation differences			-465		15	-450	-17	-467
Other changes					136	136		136
Tax on items recognised in/transferred from equity (Note 36)				-3 765		0 -3 765		0 -3 765
Net income recognised directly in equity			-659	10 496	151	9 988	-17	9 971
Profit for the period					271 504	271 504	17	271 522
Total income and expenses recognised in the period			-659	10 496	271 655	281 492	0	281 492
Dividend distribution					-107 042	-107 042		-107 042
Donations resolved by Shareholders' Meeting					-30	-30		-30
Equity-settled share-based payment transactions		96				96		96
Exercised share options	949	2 984				3 933		3 933
Acquisition of treasury shares					-8 450	-8 450		-8 450
Cancellation of treasury shares	-770	770				0		0
Total	179	3 850			-115 522	-111 493	0	-111 493
Equity at 31 Dec. 2005	138 012	112 266	-953	152 363	775 326	1 177 015	0	1 177 013

CONSOLIDATED CASH FLOW STATEMENT

EUR 1 000	Note	2005	2004
Cash flow from operating activities			
Insurance premiums received		1 098 967	706 998
Reinsurance premiums paid		-56 259	-58 609
Insurance claims paid		-577 398	-447 174
Reinsurance claims received		22 737	16 102
Interest received		73 434	61 281
Dividends received		15 254	37 536
Investment, fee and other operating income received		46 986	55 678
Employee benefits paid		-143 490	-144 814
Other operating expenses paid		-112 846	-91 842
Net cash flow from operating activities before financing items and tax		367 385	135 156
Interest and other finance costs paid		-1 449	-1 740
Income tax paid		-45 445	-36 724
Net cash flow from/used in operating activities		320 491	96 692
Cash flow from investing activities			
Acquisitions of financial assets and properties		-6 696 778	-4 637 581
Proceeds from sale of financial assets and properties		6 477 446	4 739 872
Acquired business operations	6	-30 873	-8 872
Sold business operations	28	-10 028	1 973
Sale of head office premises	28	76 300	-
Other investments (net)		-36 066	-18 652
Net cash flow from investing activities		-219 999	76 740
Cash flow from financing activities			
Rights issue	16	3 933	3 554
Acquisition of treasury shares	16	-8 450	
Loans repaid		-873	-6 936
Dividends paid and other profit distribution		-107 898	-151 870
Net cash used in financing activities		-113 288	-155 252
Net decrease / increase in cash and cash equivalents		-12 796	18 180
Cash and cash equivalents at beginning of period		90 473	72 371
Effect of changes in foreign exchange rates		612	-78
Cash and cash equivalents at end of period	15	78 289	90 473

The portion of discontinued operations in cash flows is presented in Note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information on Company

The business segments of the Pohjola group of companies are non-life insurance, life insurance and investment services. In addition to Finland, the Group operates in Estonia, Latvia and Lithuania.

The parent company of the Pohjola group of companies is Pohjola Group plc. The parent company is domiciled in Helsinki and the address of the registered office is Lapinmäentie 1, FI-00013 POHJOLA.

As of 18 October 2005, the parents of Pohjola Group plc are OKO Osuuspankkien Keskuspankki Oyj (OKO Bank) and its parent Osuuspankkikeskus Osk (OP Bank Group Central Cooperative). The parents are domiciled in Helsinki. Both parents draw up consolidated financial statements.

2. Accounting policies

2.1 BASIS OF PRESENTATION

These are the Group's first consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRSs). In the preparation, the IAS and IFRS standards and the SIC and IFRIC interpretations effective as at 31 December 2005 have been applied. In Finnish Accounting Act and in provisions issued by virtue of it, International Financial Reporting Standards refer to standards and the related interpretations adopted for application in the EU in accordance with the procedure laid down in the EU regulation (EC) No. 1606/2002. The notes to the consolidated financial statements also comply with the Finnish accounting and corporate legislation.

In 2005, the Group adopted IFRSs, applying the IFRS 1 First-time Adoption of International Financial Reporting Standards. The transition date was 1 January 2004, with the exception of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which has been applied since 1 January 2005. The differences due to the adoption of IFRSs have been presented in reconciliations included in Note 41. The year 2004 comparative information has been amended to comply with IFRSs.

The consolidated financial statements have been prepared under the historical cost conventions, with the exception of available-for-sale financial assets, financial assets and liabilities at fair value through income (also including derivatives and unit-linked life and investment contracts) and biological assets which have been measured at fair value. Share-based payments have been measured at fair value at the granting date. Investment properties and owner-occupied properties have been measured at cost reduced by depreciation and impairment losses. As regards business combinations before 2004, goodwill corresponds to the carrying amount as per the previous accounting standards, used as deemed cost when preparing the opening IFRS balance sheet.

The preparation of financial statements in conformity with IFRSs requires Group management to make certain accounting estimates and to exercise its judgement in the process of applying the Group's accounting policies. Information on the judgements which the management have made when applying the Group's accounting policies and which have the greatest impact on the figures presented in the financial statements are shown in item 2.25.

All amounts in the Notes are shown in thousands of euros, unless otherwise stated.

2.2 CONSOLIDATION

a) Subsidiaries

The consolidated financial statements include the parent company, Pohjola Group plc, and all of its subsidiaries. Subsidiaries are entities over which the Group has control. The Group has control over an entity when it holds over a half of the voting rights in the entity or when it otherwise exercises control over the entity. The existence of potential voting rights has also been considered when assessing whether control arises in a case where the instruments entitling to potential voting rights are currently exercisable. Control refers to the power to govern the financial and operating policies of an entity in order to benefit from its activities.

The Group applies the purchase method to account for the acquisition of subsidiaries. Acquired subsidiaries are fully consolidated from the date at which control is transferred to the Group, and they are de-consolidated from the date at which control ceases. All intra-group transactions, balances and unrealised gains on intra-group transactions as well as internal profit distribution are eliminated in the consolidated financial statements. Unrealised loss is not eliminated if the loss is due to impairment. The allocation of the profit for the period to the parent's equity holders and to the minority shareholders is presented in connection with the income statement and the minority's share of equity is shown as a separate item under equity in the balance sheet. The minority's share of the accumulated losses is allocated to minority interest in the consolidated financial statements up to the maximum of the investment.

b) Associates

Associates are entities over which the Group has significant influence. Significant influence arises when the Group holds 20% or more of the voting rights in the entity or the Group otherwise has significant influence but not control over the entity. Investments in associates have been accounted for by the equity method. If the Group's share of losses in an associate exceeds the carrying amount of the investment, the investment is reduced in the balance sheet to zero and further losses are not recognised unless the Group has incurred obligations on behalf of the associate.

Unrealised gains on transactions between the Group and its associates have been eliminated to the extent of the Group's interest in the associates. Investments in associates include the goodwill arising from the acquisition of associates.

Investments in associates held by venture capital organisations are upon initial recognition, or were on 1 January 2004, designated as financial assets at fair value through income (item 2.9).

c) Mutual property companies

Mutual property companies are recognised in the consolidated financial statements as subsidiaries if the holding is 100%; otherwise by proportionate consolidation, item by item, since the companies' assets are under joint control. The consolidated financial statements include the Group's share of the company's assets, liabilities, income and expenses.

d) Mutual funds

Mutual funds are not accounted for as subsidiaries or associates solely because the Group's share of their investments exceeds 50% or 20% since the law and the articles of association of mutual funds forbid control and significant influence in a mutual fund. These mutual funds do not hold Pohjola shares; nor does the Group's direct holding together with mutual funds' indirect holdings generate control or significant influence in entities that are the object of investment.

2.3 SEGMENT REPORTING

Segment information is presented in accordance with the Group's business and geographical segments. The Group's primary segment reporting format is based on business segments, which in turn are based on the structure of the Group's internal organisation and on the Group's internal financial reporting.

A business segment provides services or products which are subject to risks and returns that are different from those of other business segments. The risks and returns related to a geographical segment are different from those of segments operating in other economic environments.

2.4 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets held for sale and assets related to discontinued operations are reclassified as held for sale and they are measured at the lower of the carrying amount and the fair value less costs to sell if their carrying amount will be recovered mainly through the sale of the asset rather than through continuing use. Amortisation on these assets is discontinued at the time of reclassification. The assets held for sale and the related liabilities are presented as a separate item in the consolidated balance sheet.

Discontinued operations represent a major line of business or a geographical area of operations. The result from discontinued operations is presented as a separate column in the consolidated income statement.

2.5 FOREIGN CURRENCY TRANSLATION

a) Functional and presentation currency

The figures for the results and financial position of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements have been presented in euros, which is the functional and presentation currency of the parent company of the Group.

b) Foreign currency transactions

Foreign currency transactions are recognised in the functional currency using the exchange rates prevailing at the date of transaction. Monetary items expressed in foreign currencies are translated into functional currency using the exchange rates prevailing at the balance sheet date. Non-monetary items expressed in foreign currency measured at fair value are translated into functional currency using the exchange rates prevailing at the measurement date. Otherwise, non-monetary items are measured at the exchange rate prevailing at the transaction date.

Foreign exchange gains and losses resulting from foreign currency transactions and from translation of monetary items are recognised in the income statement as adjustments of the income and expenses concerned or as investment income if exchange differences relate to financing activities or foreign insurance business. Exchange differences of non-monetary items such as equity securities measured at fair value through profit or loss, are reported as part of the fair value gains or losses in the income statement, as are all exchange differences of derivatives. Exchange differences of non-monetary items such as available-for-sale equity securities are included in the fair value reserve in equity.

c) Subsidiaries

The income statements of foreign subsidiaries are translated into euros using the average exchange rates of the period and balance sheets at the exchange rates of the balance sheet date. The translation of the result for the period with different exchange rates in the income statement and balance sheet entails a translation difference which is recognised under equity. The translation differences for equity items accrued after acquisition arising from elimination of acquisition cost of foreign subsidiaries are recognised under equity. When a subsidiary is sold or part of its capital is repaid, accumulated translation differences are recognised in the income statement as part of gain or loss on sale.

Goodwill arising on the acquisition of foreign entities and the fair value adjustments made, in connection with the acquisition, on the carrying amounts of the assets and liabilities of these foreign entities are, from 1 January 2004, treated as assets and liabilities of the foreign entities and are translated into euros using exchange rates prevailing at the balance sheet date. Goodwill and fair value adjustments on acquisitions made before 1 January 2004 were recognised in euros.

2.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise mainly properties occupied by the Group, properties acquired for the use of the staff and properties under construction (land, building or apartment) and machinery and equipment in the Group's own use.

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition. Government grants related to assets are deducted when determining the carrying amount and they are recognised as income in the form of smaller depreciation over the useful lives of assets.

If property, plant and equipment comprises several parts with useful lives of different lengths, each part is recognised as a separate asset, and expenditure related to renovation of that part is capitalised. Otherwise, later incurred expenses are included in the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are charged to the income statement during the financial period in which they were incurred.

Depreciation on assets is calculated up to their residual value using the straight-line method over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

Housing premises	50 years
Offices and hotels	30-50 years
Business and industrial premises	20-50 years
Building fixtures	10-15 years
Other assets related to properties	10 years
IT workstations	3 years
Other hardware and transport facilities	5 years
Other machinery and equipment	5-10 years

The residual value and useful lives of assets are valued for each balance sheet date and, where necessary, readjusted to reflect the changes in economic benefit expectations. If the carrying amount of an asset exceeds the amount recoverable from the asset, the carrying amount is immediately decreased by recognising an impairment loss in the income statement (item 2.10).

Gains and losses on retirement and disposals of property, plant and equipment are included in expenses by function in the income statement.

When an item of property, plant and equipment is reclassified as a non-current asset held for sale, in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, it is measured at the lower of the carrying amount and the fair value less costs to sell, and depreciation is discontinued (item 2.4).

2.7 INVESTMENT PROPERTY

a) Investment property

Investment property is property (land, building or apartment) which the Group holds to earn rentals or for capital appreciation and which is not occupied by the Group. Investment property is measured using the acquisition cost model, the measurement and depreciation principles of which are identical with those applied to property, plant and equipment (item 2.6). Gains and losses on disposal or retirement of investment property are included in investment income in the income statement.

The fair values of property presented in the notes to the financial statements are reviewed annually on the basis of the Group's own valuation. The fair values correspond primarily to active market prices. If no reliable information on comparable transactions is available, the Group uses a valuation method based on discounted cash flow projections. If neither of the above-mentioned methods can be applied, values based on the acquisition cost model are used.

b) Biological assets

The Group holds some forest land acquired for investment purposes. Because of their small amount, biological assets (living trees) have, in the balance sheet, been included in investment property. Living trees are measured at fair value decreased by estimated cost of sale. Change in fair value is recognised in the income statement under investment income.

2.8 INTANGIBLE ASSETS

a) Goodwill

Goodwill represents the excess of acquisition cost over the Group's interest in the net fair value, at the acquisition date, of the identifiable assets, liabilities and contingent liabilities of an entity acquired after 1 January 2004. Goodwill on business combinations before that corresponds to carrying amounts based on previous accounting standards because the treatment of these acquisitions has not been adjusted when preparing the Group's opening IFRS balance sheet.

No systematic depreciation is made on goodwill, but it is tested annually for impairment. For this purpose, goodwill is allocated to cash-generating units or, if the entity concerned is an associate, goodwill is included in the cost of the associate. Goodwill is carried at original cost less accumulated impairment losses (item 2.10).

b) Value of insurance business acquired

The Group recognises, in the balance sheet, an intangible asset representing the value of the insurance business acquired when the insurance portfolio is acquired either directly from another insurer or through the acquisition of a subsidiary undertaking. The fair value of the acquired insurance contracts is determined by estimating the present value of future cash flows from insurance contracts in force at the date of acquisition. In connection with original recognition, the fair value of the acquired insurance contracts is split into two as permitted by IFRS 4, i.e. in liability related to insurance contracts, which is measured applying the relevant national principles, and in an intangible asset. After acquisition, the intangible asset is amortised on a straight-line basis over the estimated lives of the acquired contracts. Estimated life is re-evaluated annually. In non-life insurance, the effective life is from one to three years and in life insurance 20 years. Intangible assets are tested annually in connection with the liability adequacy test performed on insurance contracts (item 2.16e).

c) Deferred acquisition costs

Certain subsidiaries continue to comply with previous accounting norms and capitalise, as an intangible asset, part of such commissions and other acquisition costs which relate to securing new insurance contracts or to

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renewing existing contracts. The arising intangible asset is amortised on a straight-line basis over the effective life of contracts. In non-life insurance the effective life is the insurance period and in life insurance five years. Intangible assets are tested annually in connection with the liability adequacy test performed on insurance contracts (item 2.16e).

d) Customer relationships

Customer relationships based on insurance contracts are also treated as intangible assets identifiable in connection with a business combination. These are measured at fair value. When determining the fair value, account is taken of the estimated renewal of insurance contracts and cross sales. Assets are amortised on a straight-line basis over their useful lives (10 years) in the income statement and are, where necessary, tested for impairment (item 2.10).

e) Computer software

Acquired computer software licences are capitalised. Acquisition cost includes costs incurred for the acquisition and implementation of software. Acquisition cost is amortised on a straight-line basis in the income statement over the effective life of software (3-10 years).

Costs for the Group's internal development projects are recognised as intangible assets if they are directly associated with identified and unique software products which will probably generate economic benefits for the Group. Direct costs include the software development team's employee costs and an appropriate portion of relevant overheads. The costs associated with other research and development as well as maintaining computer software are recognised as an expense as incurred. Any previous costs recognised as expense are not subsequently capitalised.

Internally generated computer software is amortised from the date at which the software is available for use. Software which is not yet available for use is tested annually for impairment (item 2.10). The useful life of internally generated computer software is five years over which the assets are amortised using the straight-line method.

2.9 FINANCIAL ASSETS

a) Classification

The Group's financial assets are classified into the following categories: financial assets at fair value through income, loans and receivables and available-for-sale financial assets. The classification is done on the basis of the purpose for which the assets were initially acquired. The classification was carried out on 1 January 2004, after which it is always done in connection with original acquisition.

Financial assets at fair value through income

This group is divided into two sub-categories: financial assets held for trading and financial assets designated at fair value through profit or loss at inception.

Financial assets held for trading have been acquired for the purpose of profit-taking in the short term from changes in market prices. All derivatives are classified as assets or as liabilities held for trading. Hedge accounting has not been applied.

The group of financial assets designated at fair value through profit or loss at inception includes hybrid (combined) instruments, investments related to unit-linked insurance policies, foreign-currency-denominated debt securities in run-off companies' portfolios, and investments in associates held by venture capital organisations.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market and which the Group does not hold for trading. Loans and receivables may include loans granted directly to companies and corporations. Receivables arising from insurance contracts, claims administration contracts and sale of investments are also classified in this category.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or are not classified in any of the other categories. Available-for-sale financial assets comprise equity securities and debt securities.

b) Measurement and recognition

Purchases and sales of financial assets are recognised on trade date. Financial assets are recognised initially at fair value on the basis of the price paid. In the case of an asset which is not carried at fair value through profit or loss, transaction costs directly attributable to the acquisition are included in the initial carrying amount. A financial asset is derecognised when the Group has lost its contractual right to receive cash flows from the asset or when the Group has transferred substantially the risks and rewards of ownership outside the Group.

After initial recognition, available-for-sale financial assets and financial assets at fair value through income are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through income' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in the fair value reserve of equity. When securities classified as available-for-sale financial assets are sold or when there is objective evidence of impairment, the accumulated unrealised gains or losses are transferred from equity to the income statement as net realised gains. However, the exchange differences of available-for-sale debt securities denominated in foreign currency are always recognised in the income statement.

The fair value of quoted investments is based on current bid prices. If the market for a financial asset is not active, the Group establishes the fair value on the basis of discounted cash flows or the fair values of corresponding investments. If the fair value cannot be reliably established, investments are measured at cost reduced by impairment loss.

2.10 IMPAIRMENT OF ASSETS

At each balance sheet date, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. In addition, the recoverable amount is assessed annually for the following asset items irrespective of whether there is any indication of impairment: goodwill, intangible assets with indefinite useful lives, and intangible assets not yet available for use. The need for impairment is assessed at the level of cash generating units, i.e. at the lowest unit level, which is mainly independent of other units and whose cash flows can be separated from other cash flows.

Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Value in use refers to the present value of the future cash flows expected to be derived from an asset or a cash-generating unit. The recoverable amount of financial assets is either their fair value or the present value of estimated future cash flows discounted at original effective interest rate. Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Impairment loss is recognised directly in the income statement.

An impairment loss is reversed if circumstances have changed and the amount recoverable from an asset has changed since the time the impairment loss was recognised. However, an impairment loss is not reversed in excess of the carrying amount of the asset had the impairment loss not been recognised. An impairment loss on goodwill is not reversed under any circumstances. Impairment losses on equity instruments classified as available-for-sale financial assets are not reversed through profit or loss either. Instead, the change is recognised in the fair value reserve.

Goodwill was tested for impairment at the date of adoption of IFRSs, 1 January 2004, as required by the transition Standard.

2.11 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are presented under financial assets or liabilities (items 2.9 and 2.18). They are initially recognised at cost, which corresponds to their fair value. After acquisition, derivatives are measured at fair value. Gains and losses arising from measurement at fair value are recognised in the income statement because the Group does not apply hedge accounting.

The fair values of derivatives are determined on the basis of market prices and generally applied measurement models.

2.12 OFFSETTING FINANCIAL ASSETS AND LIABILITIES

The net amount of financial assets and liabilities is reported in the balance sheet when the Group has a legally enforceable right to offset the recognised amounts and the Group intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks and short-term deposits. Cash and cash equivalents do not include assets held for investment purposes, not even those with a short maturity.

2.14 SHARE CAPITAL

Issued shares are classified as equity (share issue) and as receivables when the shares have been subscribed. They are recognised under share capital when the increase has been paid for and entered in the Trade Register.

When the Company or any of its subsidiaries purchases the Company's own equity instruments (treasury shares), the consideration paid is deducted from equity. No gain or loss is recognised on the cancellation of treasury shares. If treasury shares are sold or reissued, the consideration received is recognised in equity.

Direct transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

2.15 CLASSIFICATION OF CONTRACTS AS INSURANCE AND INVESTMENT CONTRACTS

Insurance contracts are contracts that transfer significant insurance risk. Insurance contracts are classified by contract or by contract type. If contracts are entered into simultaneously with a single counterparty or if contracts are otherwise interdependent, the significance of insurance risk is assessed as a whole.

Investment contracts are contracts that transfer financial risk with no significant insurance risk. Since capital redemption contracts do not include insurance risk, they are classified as investment contracts.

With the exception of unit-linked insurance contracts, all life insurance contracts and some capital redemption contracts issued by the Group include the right for the holder to receive, as a supplement to guaranteed benefits, a discretionary portion of the surplus (customer bonus, discretionary participation feature) which is likely to be a significant portion of the total contractual benefits but whose amount or timing is contractually at the discretion of the Group.

The distribution of surplus is based on the so-called principle of equity included in the Finnish Insurance Companies Act, which provides that an equitable part of the surplus generated by these contracts is to be refunded as bonuses to these policies, provided that the solvency requirements do not prevent such a procedure. As to the level of bonuses, continuity is aimed at. The principle of equity has an impact on how unrealised gains of investments are, in the long term, divided between owners and policyholders; however, without giving the individual persons in either group the right to claim these funds.

The Group applies the principle of equity but customers' share of future profits is not determined beforehand. A decision of customer bonuses is taken by the Board of Directors of the subsidiary.

2.16 INSURANCE CONTRACTS

a) Classification of insurance contracts

For the better understanding of the cash flows from insurance contracts, the contracts are classified into main categories based on differences either in the nature of the insured object or in the contract terms and conditions. These have a material impact on the nature of the risk. In addition, the classification takes into account differences in the duration of insurance contract periods or the average length of the period from the occurrence of a loss event to the date when the claim has been fully paid (speed of claims settlement).

Short-term non-life insurance contracts

The validity period of short-term insurance contracts is generally 12 months or less, very seldom over two years. Especially policies for private individuals, motor policies and statutory workers' compensation policies are usually continuous annual policies.

Statutory insurance

The policyholder is legally liable to take out statutory insurance and the insurer is legally liable to issue a policy. The terms and conditions for payment of compensation and the determination of the amount of compensation are strictly regulated by the law. Furthermore, statutory lines of insurance have joint bodies to supervise the uniformity of compensation and the adherence to the norms governing payment of compensation. In the Group's motor liability insurance portfolio, the proportion of vehicles held by private individuals exceeds the proportion of vehicles held by companies and corporations. Otherwise, statutory insurance contracts are held primarily by companies and corporations.

In statutory workers' compensation insurance, the employer takes out insurance cover for employees against occupational accidents and occupational diseases. Motor liability insurance covers all bodily injuries caused when using a motor vehicle in road traffic, with certain restrictions also injuries sustained by the driver who is responsible for the accident, as well as material damage caused to third parties up to EUR 3.3 million. Patient insurance covers bodily injuries caused to a patient in medical care. In statutory lines of insurance, the most part of the compensation paid to those insured consists of compensation for loss of income and of compensation for medical treatment expenses. These are compensated in full. An exception to this is compensation for loss of income paid in statutory workers' compensation insurance. Here compensation is paid only up to 85% before the age of 65. Compensation for permanent loss of income is paid as lifetime annuity. In a case where a loss event leads to death, the spouse and children are paid survivors' pension. No upper limit in euros has been set for pensions. However, in statutory workers' compensation insurance and motor liability insurance, the insurer is not liable for index increases in loss of income compensation, nor for such medical treatment expenses that are paid after more than ten years have passed from the accident. These are financed through the so-called pay-as-you-go system (Note 3.2.1c).

Other accident and health insurance

These voluntary policies cover medical treatment expenses incurred from an accident or illness. In addition, a lump sum is paid for handicap or death caused by an accident or illness. The policyholder may be a private individual or a company. The actual insurance risk is not materially different in these.

Hull and cargo insurance

Hull insurance covers loss or damage sustained by motor vehicles, vessels, aircraft and railway rolling stock. Cargo insurance covers loss of or damage to goods in transit. The largest insurance lines in this group are comprehensive motor vehicle insurance, cargo insurance and hull insurance, of which the two last-mentioned are mainly taken out by companies. In addition, this group comprises luggage and yacht insurance, under which policyholders in most cases are private individuals, as well as light aircraft hull insurance and railway hull insurance for companies.

Property and business interruption insurance

Property insurance covers loss of or damage to insured property, excluding property covered by hull or cargo insurance. Of the property insurance portfolio, companies and corporation account for over a half. This group further includes business interruption insurance, which indemnifies companies for financial loss arising from interruption of business operations in consequence of property damage.

Liability and legal expenses insurance

Statutory insurance policies including liability insurance elements are not included in this group. Liability insurance proper covers cases where the insured person is liable to pay compensation for loss or damage caused to a third party. Insurance policies taken out by companies form the main part of the insurance risk in this group. Legal expenses insurance covers financial loss incurred from solicitors' fees and legal proceedings. The main part of this group consists of insurance taken out by private individuals.

Long-term non-life insurance contracts

Long-term insurance contracts are contracts whose average period of validity is at least two years.

Decennial insurance (construction defects insurance)

In most decennial policies, the definition of insurance event requires that the loss involves both a construction defect and the insolvency of the builder. The cover is in force for 10 years from the completion of the building. The insurance premium is paid in advance as a single premium. Policyholders are mostly construction firms.

Perpetual property insurance

The policies are valid without restriction until the sum insured has been exhausted. The issue of these policies was discontinued in the 1970s. The policyholder has paid the premium as a lump sum for the whole period of validity. The object of insurance can be either a building or a forest. The policyholder has the right to redeem the policy. Policyholders are mainly private individuals.

Guarantee insurance

In loan guarantees, the risk is the debitor's insolvency and, in performance bonds, the supplier's incapacity to perform. Policyholders are mainly companies.

Life insurance contracts

Endowment life insurance (life insurance with focus on savings)

These insurance contracts are single or regular-premium policies. Regular premiums are flexible at the discretion of the policyholder. The amount payable at death differs from the accrued savings. Policies are either unit-linked or with a discretionary participation feature (DPF). The policyholder can terminate the policy at any time and withdraw the surrender value.

Deferred annuity insurance (individual pension insurance)

These insurance contracts are flexible-premium policies under which the principle of how the accrued savings are converted into annuities (annuity rate) is fixed at the inception of the policies. The contracts may be either unit-linked or with a discretionary participation feature (DPF) also during pension period. With few exceptions, the accrued savings of a deferred annuity policy cannot be withdrawn in a form other than annuity.

Group pension insurance

Group pension insurance supplements the statutory pension schemes provided by employee pension institutions. In addition to old-age pension, most contracts include survivors' benefits and disability benefits. Most benefits are paid as annuity, but lump-sum payments are also made. Although the promise of the holder of group pension insurance (employer) to the insured person is often a defined benefit, the insurer is only responsible for those benefits for which it has received a premium. A resigned employee's portion of the savings is returned to the policyholder, unless the right to benefits accrued under the policy has vested for the employee. At present, the group pension portfolio consists mainly of policies with a guaranteed interest rate and with a discretionary participation feature (annually declared discretionary bonus).

Term insurance

Term insurance is granted against death or disability. Long-term life insurance contracts also include some health insurance cover. No actual insurance savings accrue under these contracts. The Group has undertaken to keep the cover in force for an agreed period, usually up to a maximum of 70 years, provided that the policyholder has paid the premiums. The level of the premiums has been fixed at issue. In medical treatment expenses insurance, premiums can be adjusted during the insurance period.

b) Measurement and recognition of insurance contracts

The effective first-phase Standard IFRS 4 Insurance Contracts does not yet provide comprehensive accounting policies for insurance contracts. As permitted by the Standard, the Group applies the previous national accounting policies to insurance contracts in a case where no IFRS applies specifically to an item.

Non-life insurance contracts

As a rule, premiums are recognised as revenue proportionally over the period of validity of the contract. In decennial and perpetual insurance, however, the recognition as revenue takes place in proportion to the distribution of insurance risk. The portion of premiums written allocated to the period after the balance sheet date is reported as provision for unearned premiums. If the provision for unearned premiums is not sufficient to cover future claims and expenses arising from in-force insurance contracts, a supplementary amount (provision for unexpired risks) corresponding to the difference is reserved in the provision for unearned premiums. Premiums written are reduced by insurance premium tax and the public charges collected on behalf of outside parties, but not by commissions or credit loss on premiums.

Claims paid to customers and direct and indirect loss adjustment expenses incurred by the Group are charged to income on the basis of the date of occurrence of the loss. The claims unsettled at the balance sheet date for losses that have already occurred and their loss adjustment expenses, also as regards the losses which have occurred but have not been reported to the Group (IBNR), are reserved in the provision for unpaid claims, which is composed of both claims reserved for individual cases and statistically reserved claims. The provision, included in the provision for unpaid claims, for loss adjustment expenses not yet realised for losses that have already occurred is based on estimated costs of loss adjustment.

The provision for unearned premiums for statutory decennial insurance and perpetual insurance and the provision for unpaid claims for annuities are discounted. The discount rate applied by the Group is determined taking into account the prevailing interest rate level, security required by the law, and the upper limit of the discount rate set by the authorities. An increase in insurance contract liabilities due to the passage of time (unwinding of discount) is presented in the income statement as a separate item in the group of finance costs.

Life insurance contracts

Premiums received are recognised in the income statement. A premium receivable is recognised only if the insurance cover is in force at the balance sheet date. In term insurance, premiums are recognised as revenue proportionally over the premium payment period of the contract. Commissions or credit losses are not deducted from premiums written.

Benefits based on insurance contracts are charged to income in the income statement. Insurance contract liabilities are determined by the capital value of future benefits, policy administration costs and future premiums. The liability is redetermined every balance sheet date primarily using the actuarial assumptions applied in the rating of policies regarding to mortality, morbidity, and operating expenses. The change in future cash flows due to declared customer bonuses is included in insurance contract liabilities. Insurance contract liabilities for unit-linked policies are, however, measured at the fair value of the assets covering the liability.

The discount rate applied by the Group is determined taking into account the prevailing interest rate level, security required by the law, and the upper limit of the discount rate set by the authorities. An increase in insurance contract liabilities due to the passage of time (unwinding of discount) is presented in the income statement included in the item 'Insurance claims, benefits and loss adjustment expenses'.

c) Deferred policy acquisition costs

Commissions and other costs related to the acquisition of new insurance contracts or to the renewal of existing contracts are, as a rule,

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recognised as expenses for the period in which they were incurred. An exception to this are the Baltic subsidiaries, which defer the acquisition cost for direct insurance policies over the life of the contracts, and the subsidiary transacting life insurance, which defers certain front-end sales commissions over five years (item 2.8c).

d) Value of insurance business acquired

The Group recognises, in the balance sheet, an intangible asset which represents the value of the insurance business acquired and which is amortised on a straight-line basis over the estimated life of the acquired contracts (item 2.8b).

e) Liability adequacy test on insurance contracts

At each balance sheet date, the Group assesses whether the insurance contract liabilities recognised in the balance sheet are adequate. In the test, current estimates of future cash flows from insurance contracts are used. If the assessment shows that the carrying amount of the liability arising from insurance contracts, less intangible assets related to deferred policy acquisition costs and business acquired, is inadequate, deficiency is charged to profit or loss primarily by making an additional write-off on intangible assets and secondarily by increasing insurance contract liabilities.

f) Reinsurance contracts

A reinsurance contract refers to a contract which meets the classification requirements for insurance contracts (item 2.15) and under which the Group is paid compensation by another insurer if the Group becomes liable to pay compensation on the basis of other insurance contracts (ceded reinsurance).

The benefits to which the Group is entitled under reinsurance contracts held are recognised in the balance sheet either as 'Loans and receivables' or as 'Reinsurance contracts'. The latter receivables correspond to reinsurers' share of the provision for unearned premiums and provision for unpaid claims of the insurance contracts reinsured by the Group. The items recorded under 'Loans and receivables' are shorter-term receivables. Unpaid premiums to reinsurers are recognised as 'Trade and other payables '. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts.

Reinsurance assets are tested for impairment in connection with the closing of the books. If there is objective evidence that the Group may not receive all amounts to which it is entitled on the basis of the contract terms, the carrying amount of the reinsurance asset is reduced to correspond to the recoverable amount and the impairment loss is recognised in the income statement (item 2.10).

g) Receivables and payables related to insurance contracts

Premium receivables in non-life insurance are recognised at the beginning of the insurance period. In life insurance, premium receivables are recognised in connection with the closing of the books. Recognition requires, among other things, that insurance cover is in force at the balance sheet date. The termination of the need for insurance cover before the end of the insurance period is taken into account by reducing receivables by a portion corresponding to experience lapse. Receivables are mainly receivables from policyholders and only to a minor extent from insurance intermediaries. Premiums paid beforehand are recognised in the balance sheet under 'Trade and other payables'.

Insurance receivables are tested for impairment in connection with the closing of the books. If there is objective evidence that a receivable is impaired, the carrying amount of the receivable is reduced through profit or loss (item 2.10). Receivables are reduced by both final impairment (credit losses) and impairment established statistically on the basis of the collection phase of the charge.

h) Salvage and subrogation reimbursements

Under some insurance contracts, the Group becomes entitled to recover the damaged property in connection with the settlement of the claim. In liability policies and statutory policies, the Group may become entitled to recover part of the paid compensation from another insurance company if the insured event was also covered under an insurance policy issued by that other company. In some insurance contracts, the Group may also have the right of recovery against the party who caused the loss. In the case of guarantee insurance, counter security, e.g. a pledge or mortgage, is often used.

Damaged goods that have become the Group's property are recognised for their fair value as a deduction item in claims incurred and are recorded in the balance sheet under 'Other assets'. The counter security of guarantee insurance is measured at fair value and the portion of it corresponding to the reported claim is recognised under 'Loans and receivables' in the balance sheet. Subrogation reimbursements from other insurers are also recognised in this balance sheet item. A recovery from the guilty party is not recognised until the payment has been received or the receipt is otherwise practically certain. However, collective liability (incurred but not reported losses) is reported in net.

i) Coinsurance and pools

The Group participates in some coinsurance arrangements together with other insurers. Of coinsurance contracts, the Group treats as insurance contracts only the Group's own share of the contract, and the Group's liability is limited to this share.

The Group also underwrites shares of insurance contracts through pools. The pool members are responsible primarily for their own proportionate share of the insurance risk. The shares are based on contracts which are confirmed annually. The Group treats as insurance contracts its own proportionate share of the direct insurance business managed by the pool and of the reinsurance business coming from the pool to the members. The pool's share of these insurance contracts is treated as ceded reinsurance. In certain pools, pool members are responsible for an insolvent member's liabilities in the proportion of their shares in the pool. The Group recognises the liabilities and receivables based on joint liability when joint liability is likely to materialise.

2.17 INVESTMENT CONTRACTS

a) Classification of investment contracts

The Group's investment contracts are so-called capital redemption contracts. They are divided into two groups:

Pohjola tuotto (Pohjola Yield)

These contracts are single-premium saving instruments held by private individuals. The term of the policies is a maximum of five years. A guaranteed interest return is determined weekly for those contracts that take effect that week.

Corporate capital redemption contracts

These contracts are partly unit-linked and partly with a discretionary participation feature (DPF). DPF means that the contract holder is entitled to a discretionary portion of the surplus generated by the portfolio. During the contract period, the holder of a capital redemption policy has the right to exchange a DPF policy for a unit-liked policy and vice versa, and to surrender the contract. The surrender value does not exceed the balance-sheet value of the contract.

b) Measurement and recognition of investment contracts

Investment contracts are presented in the balance sheet under financial liabilities and the benefits paid on the basis of them are presented in the income statement ('Investment contract benefits'). Fees charged for management of investments are recognised as fee income.

Financial liabilities related to Pohjola tuotto contracts are measured using the effective interest method and the gain or loss arising from a change in value is recognised in the income statement (item 2.18). However, investment contracts with a DPF component (customer bonus) or which can be exchanged for such contracts are subject to the option permitted in IFRS 4. Therefore, corporate capital redemption contracts are measured like insurance contracts (item 2.16b). For instance, unit-linked contracts are measured at fair value through profit or loss. The liability adequacy test is performed in accordance with section 2.16e.

2.18 FINANCIAL LIABILITIES

Financial liabilities are recognised initially at fair value on the basis of the payment received. Any transaction costs are included in the original carrying amount of financial liabilities. Subsequently, financial liabilities are stated at amortised cost using the effective interest method. The difference is recognised in the income statement over the period of financial liability. Financial instruments can be with or without interest rate.

Derivatives are measured at fair value through profit or loss (item 2.11).

2.19 INCOME TAXES

The tax expense in the income statement comprises current tax and deferred tax. Current tax is determined on taxable profit in accordance with the tax rate valid in the country concerned. The tax is adjusted by any taxes related to previous financial periods.

Deferred tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. The largest temporary differences arise from measurement of financial assets at their fair value; elimination of the equalisation provision; internal gains and losses related to assets; depreciation and impairment losses on property, plant and equipment and on investment property; and from unused tax losses and dissolution losses. Deferred tax is not recognised on non-tax-deductible impairment loss of goodwill. Nor is any deferred tax recognised on subsidiaries' undistributed profits where it is probable that a temporary difference will not reverse in the foreseeable future.

Deferred tax is determined using the tax rates that have been enacted by the balance sheet date and that are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to income taxes levied by the same tax authority.

Current tax and deferred tax arising on a business transaction are recognised in the income statement or equity in conformity with the business transaction. Deferred tax for measurement at fair value of available-for-sale financial assets constitutes the largest tax item to be recognised in equity. The portion of current tax related to unrealised losses on available-for-sale financial assets is entered in the fair value reserve and transferred from there to the income statement when financial assets are sold or there is objective evidence of impairment.

2.20 PROVISIONS

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. If it is possible to obtain reimbursement for part of the obligation from a third party, the reimbursement is recognised as a separate asset item, but only when obtaining the reimbursement is virtually certain.

a) Provision for joint guarantee system

The Finnish Workers' Compensation Insurance Act, Motor Liability Insurance Act and Patient Injuries Act include provisions on joint liability on the basis of which the insurance companies transacting business in the line of insurance assume joint liability should one of them fail to pay claims in the event of liquidation or bankruptcy. Insurers have a statutory obligation to recognise a provision for the joint guarantee system in their balance sheets. The joint guarantee provision can be decreased or abolished only for the above-mentioned reason or by transferring it to another insurance company in connection with an insurance portfolio transfer.

b) Other provisions

A restructuring provision is recognised when the Group has drawn up a detailed restructuring plan and initiated the implementation of the plan or announced the plan. For onerous contracts, a provision is recognised when the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received under the contracts.

2.21 EMPLOYEE BENEFITS

a) Retirement benefits

The Group's pension schemes comply with local regulations and practices in different countries. Generally, the retirement benefits have been arranged through policies taken out from insurance companies. Some of the senior management's retirement benefits are based on the Group's own pension commitments. The Group operates both defined benefit plans based on the beneficiary's earnings, and defined contribution plans.

Under defined benefit plans, the retirement benefit obligation is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets at the balance sheet date and adjusted by actuarial gains and losses and past service cost. Plan assets exclude the pension commitments issued by the Group. The Group's own insurance contracts are eliminated and the pension liability is treated as the Group's own pension commitment. The defined benefit obligation is calculated annually by outside actuaries using the projected unit credit method. The amount of the defined benefit obligation is calculated as the present value of the estimated future cash flows using, as the discount rate, the interest rate for government bonds with corresponding terms to maturity. Pension costs are recognised as expense in the income statement over the employees' working lives. At the date of transition to IFRSs, 1 January 2004, all actuarial gains and losses were recognised under equity in the opening balance sheet, as permitted by the exemption in IFRS 1. Any actuarial gains and losses after that date are recognised in profit or loss over the employees' average remaining working lives, to the extent that they exceed the higher of the following: 10% of the present value of defined benefit obligation or 10% of the fair value of plan assets.

Under defined contribution plans, the Group pays fixed contributions to insurance companies. In addition to this, the Group has no further payment obligations. The contributions are recognised as employee benefit expense in the income statement in the period to which they relate.

b) Share-based payments

The Group applies IFRS 2 Share-based Payment to all such option arrangements in which the options have been granted after 7 November 2002 and to which rights have not vested before 1 January 2005. For option arrangements before that, no expenses are recognised in the income statement. Option rights are measured at fair value at their grant date and expensed on a straight-line basis in the income statement over the vesting period of the rights. The fair value is determined using the Black-Scholes pricing model. When option rights are exercised, the cash payments received on the basis of share subscriptions are credited to the share capital and share premium account.

2.22 REVENUE RECOGNITION

a) Revenue from rendering of services

Revenue from services is recognised when the service has been rendered. Value-added tax is not included in revenue. Fee income accrues mainly from investment services, sale of services to related-party companies and management of certain statutory charges.

b) Interest income

Interest income is recognised as revenue on the basis of the passage of time, taking into account the effective yield on the asset item. Interest on financial assets at fair value through income are included in the income statement item 'Net fair value gains on financial assets at fair value through income'. Coupon interest on loans and receivables and available-for-sale financial assets and amortisation in accordance with the effective interest method are included in the item 'Investment income'.

c) Dividend income

Dividend income is recognised when the right to receive payment is established (ex-dividend date). Dividend income from financial assets at fair value through income are included in the income statement item 'Net fair value gains on financial assets at fair value through income' and dividend income from available-for-sale financial assets in the item 'Investment income'.

2.23 LEASES

a) The Group as lessee

Leases on property, plant and equipment in which the Group holds substantially all the risks and rewards related to ownership are classified as finance leases. An asset acquired by a finance lease is recognised in the balance sheet at the fair value of the leased property at the commencement of the lease term or, if lower, at the present value of the minimum lease payments. Property acquired under finance lease is depreciated over the shorter of the useful life of the property or the lease term. Lease payments are divided into finance cost and decrease in liability. Finance lease liabilities are included in borrowings. The Group's all finance leases relate to the subsidiary sold at the end of 2004.

Lease payments under other leases are recognised as an expense in the income statement on a straight-line basis over the lease term.

b) The Group as lessor

Property given on lease is reported in the balance sheet under property, plant and equipment and under investment property. Lease income is recognised in the income statement on a straight-line basis over the lease term. The Group has not leased out property under finance leases.

2.24 DIVIDEND DISTRIBUTION

Dividend distribution to shareholders is recognised as a liability in the balance sheet in the period during which the General Meeting of Shareholders passes a resolution on the distribution of dividends.

2.25 ACCOUNTING POLICIES REQUIRING MANAGEMENT'S JUDGEMENTS AND CRITICAL ACCOUNTING ESTIMATES

When preparing financial statements, estimates and assumptions regarding future events have to be made whose outcome may deviate from the estimates and assumptions made. In addition, judgements have to be made in applying the accounting policies. The accuracy of the estimates and assumptions is re-evaluated continually both on the basis of historical experience and other factors.

a) Liabilities arising from non-life insurance contracts

From the Group's viewpoint, the most important estimates and assumptions relate to the estimation of the ultimate liability arising from insurance contracts. There are several sources of uncertainty. In addition to assumptions relating to external operating environment, estimation is based mainly on an actuarial analysis of the Group's own loss statistics. The most significant uncertainty factors generally relate to such insurance contracts in which the average settling period from the inception of the contract to the date of payment of claims under the contract is long.

Mortality assumptions have a material impact on the estimation of the provision for claims for annuities in statutory lines of insurance. Annuities are usually paid for the remaining lifetime of the recipient. Since index increases of annuities in statutory policies do not fall within the scope of benefits covered by insurance contracts (Note 3.2.1c), the provision for claims does not, in this respect, include any inflation risk, nor any additional risk resulting from the combined effect of mortality risk and inflation risk. In the estimation of the provision for claims, the Group employs the so-called cohort model, in which the beneficiary's year of birth is taken into account in addition to the age and sex. The strong downward trend in mortality is expected also to continue in the future. If life expectancy in all age groups were one year longer than that used in the mortality model, the liability arising from insurance contracts would grow by EUR 27 million.

The liability arising from annuities is discounted. In addition, provision for unearned premiums is also discounted in those long-term insurance lines in which the validity period of contracts exceeds 10 years. Otherwise, the liabilities arising from insurance contracts are not discounted. The choice of discount rate has a major impact on the amount of liability arising from insurance contracts. A decision on the discount rate is made taking into account the prevailing interest rate level, the security aspect required by the law, and the upper limit of discount rate set by the authorities. The discount rate used by the Group at the end of 2005 is 3.3%, and the total amount of discounted liability EUR 1 172 million. If the discount rate were to be lowered by 0.1 percentage point, the liability arising from insurance contracts would grow by EUR 13 million.

Inflation is a risk factor generally involved in insurance contracts. In most lines of insurance, a loss occurs within 6 to 12 months from the date at which a decision was taken on the rating of the policy. In addition, the average period between the occurrence of a loss to the payment of the claim varies from a couple of days up to tens of years, depending on the line of insurance and type of compensation. The longer the delay between determining the premium and the settlement of the claim, the larger usually the rating risk due to inflation. This risk is particularly great in the case of an insurance line in which inflation can materially exceed general inflation and in which the claims settlement period is long.

Since index increases in annuities of statutory insurance lines and the medical treatment expenses payable more than ten years after the occurrence of the loss do not fall within the scope of insurance contract (Note 3.2.1c), the provision for claims, in this respect, includes practically no inflation risk. Instead, the liabilities related to the Group's insurance contracts include an inflation risk for medical expenses payable under statutory lines of insurance within the first ten years from the occurrence of a loss. Furthermore, in voluntary health insurance policies, the inflation risk for medical treatment expenses has a full impact on the Company's insurance contract liabilities. As for other insurance contracts, inflation does not have any greater impact from the viewpoint of estimating insurance contract liabilities, mainly because the average settling period of insurance contract liabilities is relatively short. Should medical expenses inflation rise from the assumed four per cent by one percentage point, the liability for insurance contracts would grow by EUR 5.9 million.

Claims arising from exposure to asbestos payable under direct insurance policies involve, almost without exception, occupational disease cases which are covered under statutory workers' compensation insurance. The benefits paid comprise mainly compensation for medical treatment expenses and loss of income, as well as survivor's pension in a case where an asbestos-related disease leads to death. The difficulty in estimating the liability for asbestos claims is that the latent period of different asbestos-related diseases, i.e. the non-symptom period from exposure to asbestos to the outbreak of an occupational disease, is long, on average 15 to 40 years, depending on the type of asbestos disease. The use of asbestos ended in Finland mainly in the 1980s and was forbidden altogether in 1994. The peak period of use was in the 1960s and 1970s. The estimation of the provision for asbestos claims is based on average amounts and numbers of claims and these again on national statistics of the use of asbestos as raw material in Finland from 1905, on assumed latency distribution of asbestos diseases and on statistics of existing and known asbestos cases. The adequacy of the provision and the accuracy of assumptions are re-evaluated annually. The trend in asbestos claims has been as forecast. The separate provision for unknown losses for asbestos and other latent occupational diseases in statutory workers' compensation insurance is EUR 45 million.

Liability for asbestos claims is also included in foreign business in run-off ('Liabilities related to assets held for sale'). The liabilities are mainly from US liability business. The underwriting of the business was discontinued at the beginning of 1990s. The total amount of liabilities is EUR 17 million.

b) Liabilities from life insurance and investment contracts ('Liabilities related to assets held for sale')

From the Group's viewpoint, the most important estimates and assumptions relate to the estimation of the final amount of liability arising from insurance contracts. There are several uncertainty factors, of which the most significant ones relate to mortality and the choice of discount rate.

The discount rate applied by the Group is determined taking into account the prevailing interest rate level, security required by the law, and the upper limit of discount rate set by the authorities. The discount rate in use as at 31 December 2005 is 3.4% on the average and the discounted liability from life and investment contracts amounts to a total of EUR 1 028 million. If the discount rate for individual policies were to be lowered by 0.1 percentage point, the liability arising from insurance contracts would increase by around EUR 7 million.

Assumptions relating to mortality have a material impact on the liability for defined benefit group pension plans. Annuities are paid throughout the insured person's remaining lifetime, unless the policy has been taken out in order to retire before the pensionable age of 63. For the evaluation of the liability, the Group applies the so-called cohort model, which takes account of the beneficiary's year of birth, in addition to age and sex. The strong downward trend in mortality is expected also to continue in the future.

c) Impairment loss on available-for-sale financial assets

For equity investments classified as available-for-sale financial assets, impairment loss is recognised in the income statement if there has been a significant or permanent decline in the fair value below cost. Estimations are made using information on significant and adversely affecting changes in the technology or market environment or in the economic environment in which the issuer operates. If, on the basis of these observations, it can be assumed that the cost of an investment may not be recovered, the accumulated loss is transferred from equity to the income statement. Significant financial difficulties or financial restructuring or bankruptcy of the issuer also provide objective proof of the impairment of the investment. An impairment loss recognised on equity instruments is not reversed through profit or loss even if the value were to rise in later periods.

Had all decline in fair value below cost been considered significant or permanent, an additional impairment loss of EUR 17 million would have been transferred from the fair value reserve to the income statement in 2005.

d) Impairment test and fair values of properties

At the Group, goodwill and unfinished intangible assets are tested annually for any impairment and any indications of impairment are assessed as described above in the accounting policies. Recoverable amounts have mainly been determined by calculations based on value in use. These calculations require the use of assumptions.

The impairment testing based on value in use concerned goodwill of EUR 11.5 million at the end of 2005.

When calculating the fair value of properties, assumptions have been made, among other things, on the market return requirement and the applicable discount rate. A decrease in the return requirement by one percentage point would increase the fair value by EUR 10.6 million and an increase in the return requirement by one percentage point would decrease the fair value by EUR 8.4 million. Of these changes, assets classified as held for sale accounted for EUR 2.4 million and EUR 1.8 million respectively.

When assessing whether there is objective evidence of impairment of receivable from a reinsurance contract, account is taken, for example, of any information the Group has received on the reinsurer's credit rating, financial difficulties or major loss events. Because of the policy applied by the Group to reinsurance, impairment losses have been small. At the end of 2005, the largest amount of receivable from a single reinsurer totalled EUR 7.5 million.

2.26 APPLICATION OF NEW OR AMENDED IFRSs AND INTERPRETATIONS

In 2006, the Group will adopt the following new and revised Standards and interpretations issued by the IASB:

- Amendment to IAS 19 'Employee Benefits' ('Actuarial Gains and Losses, Group Plans and Disclosures')
- IFRS 7 'Financial Instruments: Disclosures' and, along with this, amendment to IAS 1 ('Capital Disclosures')
- Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' ('The Fair Value Option')
- Amendment to IAS 39 and IFRS 4 'Insurance Contracts' ('Financial Guarantee Contracts').
- IFRIC 4 'Determining whether an Arrangement contains a Lease'

The Group estimates that the new and amended Standards only enlarge the notes to the consolidated financial statements and that the new interpretation will not have any marked effect on the number of assets taken on lease at the Group.

3. Management of insurance and financial risks

3.1 GENERAL ON RISK MANAGEMENT

Risk management principles (general)

Risk taking is part of the Group's business mission and risk management is one of the Group's core competences. In insurance operations, Pohjola undertakes to carry risks on behalf of customers and to ensure that the value of their assets does not vanish or their livelihood is not jeopardised in unpredictable circumstances. Through investment services, we provide customers with an opportunity to increase their wealth by means of different investment and savings products. These services include both insurance technical and financial risks, which requires that risk management is integrated with day-to-day leadership and organisational procedures.

The Group'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.

Capital management

In insurance operations, adequate capitalisation has a vital role. The very licence of an insurance company demands that the regulatory solvency requirements are fulfilled. The amount of capital has an effect both on return on equity and on the risk carrying capacity of a group of companies. High profitability supports both the above-mentioned objectives. Financial standing ultimately sets the limits to how large risks the Group can assume.

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

The non-life insurance function has a probability model for the assessment of insurance and investment risks. By means of the model, an optimal structure for investment allocation, insurance portfolio and solvency is evaluated, so as to maximise the return on capital. By the model, a target area is also defined for solvency.

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 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.

The aim is to maintain the solvency ratio of life insurance at a minimum level of 10%.

Insurance risks

Insurance business is based on risk-taking and on the management of risks. The largest risks pertain to risk selection and rating, to the acquisition of reinsurance cover, and to the adequacy of insurance contract liabilities. In non-life insurance, the insurance contract liabilities 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 the assets covering insurance contract liabilities.

Financial risks

Both the insurance and investment operations of the Group involve financial risks. These risks can materialise either

- as a market risk, whereby changes in market risk factors have a negative impact on assets and/or debts and liabilities,
- as a credit risk, which, if materialised, may cause financial losses as a result of the counterparty's insolvency, or
- as a liquidity risk, which, if materialised, can lead to a situation where assets may have to be realised at less than the fair value.

In insurance operations, the risks consist of a market risk related to the assets covering insurance contract liabilities, a counterparty risk or a credit risk. Investment risks can materialise as lower than expected returns or as a fall in the value of investments.

The Group pays special attention to the diversification of market risks, to the liquidity of investments, and to the counterparty risk. In reinsurance, maximum liability limits are annually set for each reinsurer. In accordance with the Group'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 annually made investment plans and on investment powers.

Risk concentrations can arise, for example, from situations where insurance cover is granted to a customer in whom also investments have been made, either through direct equity investments or bond investments. This is taken into account in insurance and investment operations.

Operative risks

The Group's business includes operative risks which may result in a direct or an indirect variation in profits. Operative risks are usually brought about by inefficiencies in internal processes or by an inability to manage unforeseeable external events or pressures for change. The Group 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 and precautionary plans and by insurance.

All Group operations comply with valid legislation, official regulations and guidelines, and the self-regulatory norms of the insurance industry. The Group is not aware of any pending or impending court or arbitration proceedings that could have any material impact on the Group's financial position.

The Group's business operations are heavily dependent on information systems and technology. Part of the Group's production has been outsourced to external service providers. The Group has laid special emphasis on the management of risks related to data systems and outsourcing. 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 data network.

3.2 NON-LIFE INSURANCE RISKS

With an insurance contract, the policyholder transfers the insurance risk to the insurer. The insurance risk of an individual non-life insurance contract is composed of two elements. The first one is the occurrence of one or more loss events coverable under the contract. The second one is the size of the coverable loss. Both the number of coverable losses and the size of each loss are random. The insurance terms and conditions require the occurrence of a coverable loss to be unpredictable. On the other hand, the size of a loss sustained by the insured object generally depends heavily for instance on the cause of the loss and on the circumstances at the time of loss as well as on the details of the occurrence. In addition, one insurance contract may cover objects whose nature and value varies.

The Group's insurance portfolio comprises a very large number of non-life insurance policies. Because of the large size of the insurance portfolio, the expected number of claims is also great. If there is no connection between the loss events, the law of large numbers in probability calculation provides that the larger the number of insurance risks in the portfolio, the smaller the relative variation in claims expenditure.

Because, in reality, the lack of connection between insurance risks is never complete, the insurer's claims risk in proportion to the size of insurance portfolio never totally disappears, no matter how large the insurance portfolio. The remaining risk due to the connection between insurance risks is called non-diversifiable risk. Non-diversifiable risks usually relate to changes in external operating environment, such as variations in the economic cycle, which have a systematic effect on the incidence and size of loss in certain groups of insurance contracts. Inflation, for instance, can have an increasing effect on the size of loss simultaneously in a large part of the insurance portfolio. Changes in the population's general mortality rate again would be reflected in the whole annuity portfolio in statutory insurance lines. A non-diversifiable risk can sometimes also relate to yet unknown and latent risks of loss in a large number of insurance contracts. Among these are asbestos claims, which are the most well-known examples from the near past.

A risk type apart consists of a claim accumulation generated by natural catastrophes or large catastrophes caused by human activity. Here, one catastrophic event may give rise to practically simultaneously payable claims for risks insured at high amounts. As a result, the total claims expenditure arising from a catastrophe may be extremely large. However, this risk can be diversified because the Group operates in an area where the risk of natural catastrophes is considered fairly low and the Group can acquire protection against the risk through reinsurance.

In the management of insurance risks, the most important tasks relate to risk selection and rating, the acquisition of reinsurance cover, the follow-up of claims expenditure and the evaluation of insurance contract liabilities.

The role of risk selection and rating is emphasised in operational models. The Group has set limits for the size and extent of risk for each insurance line and risk concentration. A data warehouse and analysis applications supporting the underwriting function have been taken into use. Insurance terms and conditions are a vital tool in controlling risks. In addition, customer or insurance line specific risk analyses are performed to limit risks.

The Group decides on the reinsurance principles and on the amount of 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 adequacy of insurance contract liabilities is monitored annually. The evaluation of insurance contract liabilities always involves uncertainty factors which may be due, for instance, to the prediction of the claims trend, to delays in verifying losses, to cost inflation, to legislative changes, and to general trends in the economy. The insurance contract liabilities are explained in greater detail in Note 17.

3.2.1 Statutory insurance contracts

a) Number and size of claims

The main part of claims expenditure in statutory lines of insurance consists of compensation for loss of income and for medical care and, in addition, in motor liability insurance, of compensation paid for material damage. Compensation for loss of income is tied to the injured party's earnings. No absolute upper limit has been set for compensation for loss of income. Permanent compensation for loss of income is paid in the form of lifetime annuity. The index increases in annuities do not fall within the scope of compensation under insurance contracts (see item c Pay-as-you-go system).

Medical treatment expenses are covered in full. As regards claims paid under statutory lines of insurance, the public sector also charges in accordance with actual costs incurred from medical care for claims that have occurred after 2004. However, the risk for medical treatment expenses is materially limited by the fact that medical treatment expenses for losses that have occurred more than 10 years ago do not fall within the scope of compensation payable under insurance contracts (see item c Pay-as-you-go system). In addition, the insurance company seeks actively to sign contracts with different medical care providers in order to minimise costs.

In addition to accidents, statutory workers' compensation insurance covers occupational diseases. Occupational diseases typically develop slowly. Therefore, the evaluation of claims expenditure for occupational diseases includes more uncertainty than in accident cases. An extreme example of this are latent occupational diseases in which the period from exposure to the actual outbreak of the disease may be even tens of years. Asbestos-induced diseases are such occupational diseases. The death rate among those suffering from the most severe asbestos diseases, i.e. mesothelioma or lung cancer, is very high. This limits claims expenditure.

Statutory workers' compensation insurance covers an employer's all employees. Therefore, a major loss may occur because a great number of insured employees may be working in a small area. In the case of a single traffic accident, there may be many casualties, in addition to material damage. However, an upper limit of EUR 3.3 million has been set for compensation payable for material damage under one motor liability policy.

Since taking out insurance is compulsory in statutory lines of insurance, the law provides that insurers must, in their rating of insurance policies, aim at risk correlation, in such a way that premiums are reasonably proportioned to the costs incurred from the policies. Motor liability insurance has a bonus system under which a loss event raises insurance premium. In statutory workers' compensation schemes for large companies, the policyholder has the option of experience rating, which means that premiums are tied to the policyholder's own claims experience. The larger the company the stronger the linkage, and the more reliable the estimation of the company's actual risk level, measured on the basis of the company's own loss experience. A corresponding principle also applies to the rating of the largest vehicle fleets of a single policyholder. By this means, the risk related to rating is limited because the rating of the insured risk follows automatically, if not fully, the policyholder's own loss experience.

The reinsurance of statutory workers' compensation insurance has been arranged through a national catastrophe pool. The Group's share of the pool is determined by the market share in the insurance line concerned. The Group's limit in the pool is EUR 1.5 million and the retention limit in the catastrophe pool is EUR 6 million. The pool has acquired reinsurance cover up to EUR 150 million. In motor liability insurance, the retention is EUR 3 million for any one loss event.

The provision for claims for annuities is mainly composed of annuities of statutory insurance lines. In the computation of the claims provision for annuities discounting is used. The discount rate chosen is of great significance (Note 17.1).

b) Uncertainties related to future cash flows

It is typical of the statutory lines of insurance that the period from the occurrence of a loss to the date at which the claims is fully paid is often long. Such insurance business generates long-standing cash flow, on the evaluation of which cost inflation and the mortality of benefit recipients have the greatest impact.

A downward trend in mortality increases cash flow related to claims because compensation for loss of income is mainly paid as lifetime annuity. A decrease in mortality has continued in Finland and other industrialised countries for several decades. The life expectancy of newborn babies has increased in Finland by around 1.5 years in ten years. This trend has been assumed to continue in the mortality model used by the Group for calculating insurance contract liabilities. The estimation of medical expenses inflation also has a major role in the evaluation of cash flows. The developments in medicine and in living conditions have both decreased mortality and increased medical treatment expenses. In the estimation of future cash flows, the Group has assumed medical expenses inflation to be two percentage points higher than the general inflation rate.

The scope of cover in statutory lines of insurance is fully regulated by legislation. Therefore, all parties are aware of the type of claims paid and of the size of compensation paid for each claim. This improves the predictability of future cash flows.

c) Pay-as-you-go system

The pay-as-you-go system is an arrangement based on the special laws of each statutory line of insurance. Under the system, the financing of certain benefits, so-called pay-as-you-go benefits, defined in these laws, has been arranged through the pay-as-you-go system. The system is based on the law and does not generate, for insurance companies, any economic benefit nor any harm that would lead to changes in equity.

Pay-as-you-go benefits include index increases in annuities, medical treatment expenses compensated under statutory workers' compensation insurance and motor liability insurance over ten years after the accident occurred, as well as certain other increases in benefits, as provided in special legislation regarding the different statutory lines of insurance.

In accordance with the above legislation, the pay-as-you-go benefits are financed by contributions collected by insurers from policyholders annually in connection with premium collection. The size of the contribution is determined on the basis of the insurance company's market share in the line of insurance concerned in the collection year. In particular, an insurance company which no longer underwrites that insurance line does not take part in the financing of the pay-as-you-go system. The amount collected through this contribution is forwarded annually to the central organisation for the particular insurance line, as provided by the law. The central organisation is in charge of distributing the funds in such a way that each company transacting, or which transacted previously, the insurance line concerned receives exactly the amount that corresponds to the claims it has paid that year in pay-as-you-go benefits.

Thus, future policyholder generations pay for the financing of future pay-as-you-go benefits. The obligation to insure regarding all statutory lines of insurance guarantees the financing basis for the system. For instance, in the case of statutory workers' compensation insurance, the contribution for the financing of the pay-as-you-go benefits payable any given year is collected from all those employers who, in that year, have employees in Finland or Finnish employees assigned abroad. Therefore, the financing of the pay-as-you-go system, based on special legislation governing statutory lines of insurance, could fail only in a case where doing work, motor traffic or medical care in Finland would cease altogether.

3.2.2 Other accident and health insurance

a) Number and size of claims

In other accident and health insurance, claims are usually small. Compensation is paid mainly for medical treatment expenses or permanent injury or handicap. In addition, lump-sum benefits are paid in case of death.

The largest claims may arise from catastrophes in which a great number of people are injured. In named crisis areas, insurance cover is not in force.

In insurance policies, an upper age limit has mainly been set for insured persons with the aim to restrict the amount of claims paid under policies. Furthermore, in medical expenses insurance, a health declaration is requested from the person to be insured, on the basis of which the insured's right to compensation may be limited.

Insurers have the right to alter the price and terms and conditions of insurance annually when renewing continuous annual policies. However, the causes for altering the price and terms and conditions of insurance are restricted in insurance legislation and the causes have to be listed in the insurance contract. An insurance contract cannot be terminated because of a loss event.

In new medical expenses contracts written after 2004, the Group has set a policy-specific upper limit of EUR 50 000 for medical treatment expenses benefits.

The Group has taken out reinsurance cover against catastrophe accumulation in the insurance class 'Other accident and health'. Retention under reinsurance is EUR 2.5 million and claims are paid up to EUR 25 million. In addition, the portion remaining for own account has been reinsured by the Group's general catastrophe cover. The reinsurance does not cover losses arising from contagious disease epidemics.

b) Uncertainties related to future cash flows

Medical expenses inflation has a major impact on forecasting cash flows in medical expenses insurance, as regards those illnesses for which compensation is paid for a long time. Medical expenses inflation is boosted by rapid developments in medicine and the rising cost of pharmaceuticals.

Future cash flows are also impacted by developments in public health care. If medical care services financed from public funds decrease, people will, to an increasing extent, start financing their medical care through medical expenses insurance.

3.2.3 Hull and cargo insurance

a) Number and size of claims

Hull and cargo insurance policies cover loss or damage sustained by motor vehicles, vessels, aircraft and railway rolling stock. Weather conditions have the greatest impact on the number and size of losses. Therefore, the claims expenditure is larger in the winter season than in the summer season.

The largest single claims may be incurred by the Group from hull insurance, especially in cases where one and the same vessel also carries cargo insured by the Group. The Group does not insure large commercial airliners.

In the rating of motor vehicle insurance, a no-claims bonus system is applied, under which the occurrence of a loss event raises the premium. In addition, the Group has the right to change the premium annually. However, if the policyholder is a private individual, the premium can be changed only if the conditions set out in the insurance contract are met.

The Group has taken out a separate reinsurance cover against major loss or damage sustained by vessels and cargo. Retention under reinsurance is EUR 4 million. In addition, losses for own account are reinsured under catastrophe cover under the same reinsurance agreement as property and business interruption policies. Retention under this catastrophe protection is EUR 7.5 million for any one loss event.

Most of the motor vehicle insurance portfolio comprises private individuals' policies. Otherwise, the insurance risk in this class is mainly composed of insurance taken out by companies and corporations.

b) Uncertainties related to future cash flows

The estimation of future cash flows in private individual and motor vehicle insurance does not include any major uncertainty factors. Almost all claims have been paid within six months from the occurrence of the loss. For other policies, the claim settlement period is somewhat longer.

3.2.4 Property and business interruption insurance

a) Number and size of claims

In property and business interruption insurance, the largest single risks are fire, natural phenomenon and breakage risks at companies' production facilities and buildings, as well as related business interruption risks. Private households' single property risks are small and individual claims related to them have no material impact on the Group's results. Most of the claims expenditure for private households is incurred from leakage, fire and burglary claims.

The risk of natural catastrophes has been considered minor in Finland and the Baltic States, but forest damage in Sweden has led to the reassessment of the risk. Pohjola has insured against storms around 5% of all Finnish commercial forests. Geographically, these are dispersed all over Finland. On the basis of general knowledge and clarifications made, it is still uncertain whether the recent storms are due to climatic changes or natural variations in climatic conditions. Clarifications have shown, however, that there are indications of a change in climatic conditions also in the area where the Group operates, at least in the long term. The forecasted increase in temperature levels will probably be seen as changes in summer and winter conditions and, for instance, as an increased number of rainfalls. Although there is no clear proof of an increasing effect which rising temperatures may have on the severity of storms, Pohjola has, as of 1 January 2006, increased the capacity of its catastrophe reinsurance cover by EUR 30 million, to EUR 80 million, just to be on the safe side. The capacity is nearly 10-fold compared to the largest realised catastrophe accumulations.

As a rule, flood damage is excluded from the insurance terms and conditions for property insurance covering buildings. In the selection of property and business interruption risks, guided procedures based on customer segments' different insurance needs and solutions are applied. The rating of major clients' policies takes place in accordance with a certified quality system. Rating is graded in accordance with the size and severity of the risk. In the rating process, resources and managerial decision-taking is increased as the size and severity grows.

In the rating of corporate customers, customer selection and discount guidelines apply. The customer selection guidelines include details on a potential customer's eligibility for becoming a customer, taking into account, for instance, payment delays. In sectors with large risks, risk selection is tightened. The discount guidelines define the seller's, risk manager's, underwriter's and supervisor's powers to grant discount by line of insurance and by customer segment. The rating of small enterprises is also guided by system authorisations.

The profitability of property and business interruption contracts is monitored by a varied follow-up and analysis system based on an insurance and loss data warehouse. Profitability analyses are carried out by line of insurance, by customer segment, by business sector and by customer care organisation.

The Group has the right to re-rate policies in connection with renewal or to terminate a policy. However, when the customer is a private individual, the premium can only be changed on conditions specified in the insurance contract.

The Group has reinsured its insurance portfolio under a non-proportional reinsurance treaty in which retention is EUR 5 million by insurance risk. In addition, the Group has taken out reinsurance protection against catastrophe accumulation claims. Under this reinsurance cover, retention is EUR 7.5 million for any one loss event up to EUR 80 million.

b) Uncertainties related to future cash flows

The estimation of future cash flows in property and business interruption insurance does not involve any major difficulties. As a rule, claims are paid within a year from the occurrence of the loss and the amount of loss can be estimated reliably. Generally speaking, the largest uncertainty in claim-specific estimations appears in new business interruption and accumulation losses.

In the follow-up of the size of storm damage, the Group monitors separately the damage caused by each storm. In each monthly report, the originally made overall loss estimate is compared with the established claim expenditure and the estimate is adjusted, where necessary. At the balance sheet date, the Group does not have such claims.

Breakdown of premiums written by EML* class in corporate property insurance

EUR 1 000	Under EUR 5 m	EUR 5-20 m	EUR 20-50 m	EUR 50-100 m	EUR 100-300 m
2005	31 083	10 684	10 041	7 696	1 496
2004	29 733	6 855	11 046	9 673	1 693

*Estimated Maximum Loss per object of insurance

3.2.5 Liability and legal expenses insurance

a) Factors impacting number and size of claims

The number and size of liability claims are largely impacted by the legislation and legal practice governing the liability to pay damages.

Claims made by private individuals are usually small. In addition, the proportion of private individuals' risks of the total risk of the class is minor.

Most of corporate liability policies are product liability and commercial general liability policies. In the selection of insurance risk, the same guidelines apply as in property and business interruption insurance. For instance in product liability insurance, the risk of losses incurred from one and the same defect or act, so-called serial losses, has been reduced in such a manner that, for losses incurred at different times from the same defect, the aggregate maximum indemnity equals the sum insured for the period during which the first loss was detected.

In legal expenses insurance, the person insured is indemnified for expenses for legal proceedings. Since the insured person can have an impact on the cost of legal proceedings, for instance, by the choice of attorney, legal expenses insurance applies a proportional deductible, whereby the customer always pays a certain percentage of the overall loss.

The Group's retention for the risks in this class is EUR 4 million for any one loss event.

b) Uncertainties related to future cash flows

It is typical of liability insurance, that losses are revealed slowly. Once a loss has been reported, uncertainty may still prevail as regards the size of the loss. However, the most significant uncertainty factor relates to the evaluation of unknown losses. This has been discussed in Note 17.

In liability insurance, claims can be allocated either by the time at which the loss occurred (Occurrence) or by the time at which the claim was made (Claims made). From the viewpoint of the estimation of cash flows, this is of major significance. If it has been agreed under the insurance, that the loss is to be allocated in accordance with the loss report, the policyholder no longer has an opportunity to file new claims after an agreed period of time from the expiry of the insurance contract.

The estimation of future cash flows from foreign reinsurance in run-off involves uncertainty factors. About a half of the insurance contract liabilities allocated to this business relate to APH business (Asbestos, Pollution, Health hazard). Of these liabilities, 70% derive from the USA and 30% from the UK. The liabilities from the APH business, as well as other liabilities, originate from the 1980s and from insurance contracts signed earlier.

No significant uncertainty factors relate to cash flows from legal expenses insurance because losses in this line are always reported promptly. Therefore, there is no major uncertainty about the size of the losses, either.

Breakdown of premiums written by TSI* class in corporate property insurance

EUR 1 000	Under EUR 2 m	EUR 2-4 m	EUR 4-10 m	EUR 10-30 m	EUR 30-90 m
2005	6 431	1 475	3 924	6 797	1 003
2004	8 044	1 415	4 232	2 329	980

*TSI = Total Sum Insured

3.2.6 Long-term insurance contracts

a) Factors impacting number and size of claims

Economic conditions have a material impact on the number of claims in guarantee insurance. During upturn, there are fewer guarantee claims and during downturn the number of claims is significantly larger. Guarantee insurance contracts are divided into loan guarantees and contract guarantees. The duration of loan guarantees is an average of 5 to 7 years and that of contract guarantees a maximum of 2 years. Over a half of the guarantee insurance portfolio consists of contract guarantees.

As a rule, the Group has not taken out reinsurance cover for guarantee insurance, but part of the guarantee insurance liabilities are covered by sufficient security. In case of a loss, the Group can realise the property held for security and thus reduce the loss. Guarantee insurance is long-term activity and, therefore, the insured's financial standing, the developments in the amount of liability and the adequacy of counter-security must be monitored on a regular basis. Most of the decennial policies are statutory construction defects insurance policies. In these policies regarding residential buildings, a condition for a loss event is that there is a construction defect and that the builder is insolvent. Since the liability period under the insurance is 10 years, the risk of serial loss is involved. For a builder with exceptionally many construction defects, the risk of insolvency increases materially.

In case of a serial loss, the Group has a stop loss reinsurance treaty covering loss accumulation per underwriting year. Under the treaty, retention for each underwriting year is 400% of premiums written, but not less than EUR 6 million.

Perpetual insurance contracts are fire policies covering real estate and forests. The insurance covers the same fire and natural catastrophe damage as the annual policies for real estate and forests. Owing to the long-standing effect of inflation, the sums insured under perpetual insurance are small.

b) Uncertainties related to future cash flows

The largest problem with the forecasting of cash flows from long-term insurance contracts is that the amount of compensation materially depends on future years' economic conditions, which are hard to predict.

The greatest uncertainty related to cash flows from perpetual insurance resides in the amount of surrenders. Currently, there are very few surrenders, the greatest risk being that the number of surrenders increases markedly. The annual amount of surrenders has been EUR 200 000. If all policies were to be surrendered immediately, the amount payable would be EUR 15 million.

Liability amounts of guarantee and decennial insurance

EUR 1 000	GROSS 2005	GROSS 2004	NET* 2005	NET* 2004
Contract guarantees	106 652	115 775	106 165	113 641
Loan guarantees	94 976	92 368	94 976	92 368
Other	11 548	9 451	9 580	7 958
Guarantee insurance	213 176	217 594	210 721	213 967
Decennial insurance	848 000	620 000	680 000	452 000

* On the Group's account after reinsurers' share and counter guarantees

3.2.7 Major losses and profitability of insurance lines

Major losses are losses in which the amount on the Group's account exceeds EUR 2 million. The below table shows the major losses which occurred during the past five years. The losses have been allocated to the year in which they were detected.

Major losses in 2001 to 2005

Number of detected major losses by year of detection

Gross	Number of losses of EUR 2-5 m					Number of losses of over EUR 5 m					Claims EUR m
	2001	2002	2003	2004	2005	2001	2002	2003	2004	2005	2001-2005
Statutory lines	0	0	0	0	1	0	0	0	0	0	3
Other accident and health	0	0	0	0	0	0	0	0	0	0	0
Hull and cargo	0	3	0	4	0	0	0	0	0	0	19
Property and business interruption	2	3	3	2	5	2	1	0	0	1	97
Liability and legal expenses	0	0	1	0	0	0	0	0	0	0	2
Long-term	0	0	0	0	0	0	0	0	0	0	0
	Total claims EUR 70 m					Total claims EUR 51 m					121

Net	Number of losses of EUR 2-5 m					Number of losses of over EUR 5 m					Claims EUR m
	2001	2002	2003	2004	2005	2001	2002	2003	2004	2005	2001-2005
Statutory lines	0	0	0	0	1	0	0	0	0	0	3
Other accident and health	0	0	0	0	0	0	0	0	0	0	0
Hull and cargo	0	0	0	0	0	0	0	0	0	0	0
Property and business interruption	2	3	3	2	5	1	1	0	0	1	69
Liability and legal expenses	0	0	1	0	0	0	0	0	0	0	2
Long-term	0	0	0	0	0	0	0	0	0	0	0
	Total claims EUR 55 m					Total claims EUR 19 m					74

The below table indicates the development of insurance premium revenue (gross and net) and the combined ratio (net) in 2004 and 2005.

2004	EUR million	Gross IP revenue	Net IP revenue	Net CR*	Net** CR*
Statutory		268	263	93%	93%
Other accident and health		56	55	113%	117%
Hull and cargo		159	136	84%	86%
Property and business interruption		181	148	85%	88%
Liability and legal expenses		44	37	103%	107%
Long-term		3	3	67%	71%
Total		710	643	91%	93%

2005	EUR million	Gross IP revenue	Net IP revenue	Net CR*	Net** CR*
Statutory		325	320	97%	92%
Other accident and health		67	67	136%	118%
Hull and cargo		172	156	83%	97%
Property and business interruption		183	158	78%	91%
Liability and legal expenses		46	41	76%	69%
Long-term		4	3	12%	12%
Total		798	744	92%	93%

* The combined ratio is calculated by dividing the sum of claims incurred (net) and operating expenses of insurance business by insurance premium revenue (net).
** After elimination of one-off changes impacting balance on technical account

3.3 LIFE INSURANCE RISKS

In life insurance, the most significant risk consists of the interest rate risk related to the insurance contract liabilities of endowment insurance (life insurance with focus on savings), to deferred annuity insurance (individual pension insurance) and group pension insurance. The interest rate risk arises from the fact that future benefits are expected to be financed, besides by insurance premiums, by the return on investments of the size of the guaranteed technical interest. If the yield on assets covering the insurance savings is less than the technical interest, the deficit must be covered temporarily or permanently by the Group's other funds. To mitigate this risk, the highest discount rate in use was, at the end of the financial period 2005, lowered to 3.5% by increasing insurance contract liabilities.

Most of the life insurance policies do not involve any risk related to the size of the coverable loss. The amount of benefit payable under the contract is usually defined in the insurance policy. However, pension policies, especially whole life annuity policies, and daily benefit and medical expenses cover involve, even after the occurrence of the loss event, uncertainty regarding the amount of compensation to be paid but the uncertainty relating to the benefits payable under daily benefit and medical expenses cover is usually removed within a year.

In risk management, the largest risks pertain to risk selection and rating, to the acquisition of reinsurance cover, to the monitoring of trends in claims expenditure, and to the evaluation of insurance contract liabilities.

Term insurance policies are issued within the framework of the risk selection guidelines compiled jointly by Finnish insurers. The role of insurance terms and conditions is also material in mitigating risks. In addition, the underwriting powers are graded in accordance with the size of the policy.

The Group takes decisions on reinsurance principles and the risk to be retained for own account. Only companies with a sufficiently high insurance financial strength rating are accepted as reinsurers. The Group's life insurance policies are included in a bodily injuries catastrophe cover. Otherwise, life insurance risks are not reinsured.

The adequacy of insurance contract liabilities is monitored regularly. Insurance contract liabilities are explained in greater detail in Note 17.2.

3.3.1 Endowment life insurance (life insurance with focus on savings)

a) Factors impacting number and size of claims

In endowment life policies, the cost of benefits paid consists of death benefits, surrenders and matured savings sums. In the financial period, the most important basis for benefit payment was the surrender of savings sums, next came the maturing of savings sums, while the smallest of the above items was the payment of death benefits.

b) Uncertainties related to future cash flows

In endowment life policies, the uncertainties related to future cash flows arise from variations in the surrender rate and, to a smaller extent, from mortality trends and from contingencies.

By virtue of the Insurance Contracts Act, policyholders have, at any time, the right to withdraw the savings under their endowment policy. Therefore, the Group is not in a position to limit this right. Instead, the risk related to surrenders is managed by product structures in such a way that, in the first policy years, the surrender value of the policy is lower than the savings accrued under the policy.

The Group's insurance portfolio comprises a large number of endowment policies. Therefore, the variations in annual cash flows due to mortality are mostly eliminated. The upward trend in longevity also has only a minor effect on annual cash flows because death benefits are but a small part of the paid benefits.

The uncertainties related to future cash flows do not have any material impact on the Group's profits and equity since, in all circumstances, the benefits consist mainly of insurance savings.

3.3.2 Deferred annuity policies (individual pension insurance)

a) Factors impacting number and size of benefits

In deferred annuity policies, the cost of benefits arises from death benefits and surrendered savings sums and from paid annuities. During the financial period, the most important basis for benefit payment was payment of annuities, next came the surrender of savings sums, while the smallest of the above items was the payment of death benefits.

b) Uncertainties related to future cash flows

In deferred annuity policies, uncertainties related to future cash flows were due to changes in annuity payout periods, to mortality trends, to contingencies, and to variations in factors impacting the surrender rate.

At the time of the issue of a policy, the inception date and duration of the insurance contract are agreed on. In the deferred annuity policies which are currently on sale, the annuity payout period shall begin when the insured person is from 62 to 80 years old, and the duration of the annuity payout period shall be at least two years, but lifetime annuities are also possible. Under the insurance terms and conditions, policyholders are, before the beginning of annuity payments, entitled to change the period of annuity payments from that agreed earlier. Postponing the start of annuity payments and extending the payment period are possible without a health declaration if the time until the start of antedated annuity payments would be three years or more, and with a health declaration if the time until the start of antedated annuity payments would be less than three years.

The policyholder's right to withdraw the savings sum under a deferred annuity policy is limited to the cases where the insured person's spouse has died, the insured person's marriage has been dissolved, the insured person has been unemployed for at least a year, or the insured person has become permanently disabled.

The Group's insurance portfolio comprises a great number of deferred annuity policies. Therefore, the variations due to mortality in annual cash flows are mainly eliminated. The upward trend in longevity has only a minor impact on annual cash flows because most of the deferred annuity policies are fixed-term policies and they include the largest possible death benefit cover permitted by the law.

The uncertainties related to future cash flows do not have any material impact on the Group's profits and equity since, in all circumstances, the benefits paid are composed of insurance savings.

3.3.3 Group pension insurance policies

a) Factors impacting number and size of benefits

In group pension insurance policies, the cost of benefits arises from death benefits and surrendered savings sums, as well as from paid old-age and disability annuities. During the financial period, the most important basis for benefit payment was payment of annuities.

b) Uncertainties related to future cash flows

In group pension insurance, the uncertainties related to future cash flows are due to changes in annuity payment periods, to trends in mortality and disability rates, to contingencies and to variations in factors impacting surrender rates.

The Group's insurance portfolio comprises a large number of group pension policies. Consequently, the variations due to mortality in annual cash flows are mainly eliminated. Instead, the upward trend in longevity has an impact on annual cash flows because most of the group pension policies are lifetime policies. The Group, therefore, rates and computes liabilities applying the most recent (2001) study of pension mortality based on data from the overall domestic industry. Because of the small volume of this line of business at the Group, mortality cannot be derived from the Group's own data. The first analyses indicate that the old-age pension portfolio generates a small mortality surplus, as planned, and the disability pension portfolio a clear surplus.

The uncertainties related to future cash flows do not have any material impact on the Group's profits and equity.

3.3.4 Term insurance policies

a) Factors impacting number and size of benefits

In terms insurance, the cost of benefits arises from benefits paid under pure life insurance, permanent disability insurance, daily benefit insurance and medical expenses insurance. Information on the cost of benefits in 2005 is given in Note 29.

b) Uncertainties related to future cash flows

In term insurance, uncertainties related to future cash flows are due to trends in mortality and morbidity rates and to contingencies.

The pure life insurance portfolio consists of around 100 000 insured persons, for whom the total sum insured is somewhat less than EUR 3 000 million. The average death benefit remains under EUR 30 000.

However, bird flu turning into a pandemic would probably entail a temporary growth in the cost of benefits under pure life insurance but would not change the general downward trend in mortality. On the basis of the information available, it is difficult to estimate the impact of a pandemic. By means of the risk surplus, however, a doubling of the death benefit cost could be financed. The upward trend in longevity has a positive effect on the annual cash flows from pure life insurance.

About fifty insureds hold a death cover of over EUR 400 000. For these policies, the total amount of the parts of death benefit exceeding EUR 400 000 is around EUR 15 million.

The portfolio of permanent disability insurance consists of around 9 000 insured persons. The total permanent disability cover of those insured is around EUR 420 million. Any one of those insured does not hold permanent disability cover exceeding EUR 300 000. There could be even large variations in the cost of benefits because of the small volume of the portfolio, but this line of insurance would, nevertheless, continue to show a surplus even if the cost of benefits were to increase by one and a half from its current level.

The daily benefits insurance portfolio comprises around 1 000 insured persons. Because of the small volume of the portfolio, there may be even a large annual variation in the cost of benefits.

The portfolio of medical expenses insurance comprises around 2 000 insured persons. Medical expenses inflation is boosted by the rapid developments in medicine and the rising cost of pharmaceuticals. However, the premiums for medical expenses insurance can be revised annually, which materially mitigates the risk arising from these policies.

The uncertainties related to future cash flows do not have any material impact on the Group's profits and equity because the portion of term insurance in the total portfolio is fairly small.

3.4 INVESTMENT RISKS

3.4.1 Non-life insurance

Annually, an investment plan is drawn up, for which the following items are assessed:

- Operating environment and prospects for the future
- Investment risks regarding returns, security and currency business
- Requirements set by the nature of the insurance contract liabilities as regards investment returns, liquidity and currency business
- Risk carrying capacity as regards investments in the short and long term.

Investments are assets covering insurance contract liabilities and equity. By assuming well-managed investment risks, the Group aims at obtaining the best possible return on the investment portfolio. The structure of the investment portfolio by which a maximum return at the selected risk level is obtained on the portfolio is called the basic allocation. The non-life insurance function applies the Asset/Liability Model (ALM) to determine the basic allocation. As a result of active investment operations and fluctuations in property values, deviations are, within certain limits, occasionally made from the basic allocation. In the investment plan, investment powers are determined for each asset class and for the internal diversification of asset classes.

1) Market risk

The market risk is composed of the price, interest rate and currency risk. Changes in share prices, interest rates and currencies have an impact on the value of investments. The relation between the investment risk and the solvency capital of non-life insurance is assessed by means of an internal ALM model and the sensitivity analysis of the market risk.

The maximum amount and number of equities, alternative investments and properties which include a price risk are limited in the basic allocation. The investment risk is also managed by diversifying investments in different instruments, geographically and by business sector.

For the management of the market risk, derivatives are also used. The principles of the use of derivatives are annually defined in the investment plan. Interest rate and equity derivatives can be used both for hedging and for increasing the risk level of the portfolio, within defined limits. Currency derivatives can be used only for hedging. Credit risk derivatives are not used. Derivative contracts can be signed on regulated markets or with a counterparty whose long-term rating is at least A3 (Moody's) or A- (Standard & Poor's).

a) Sensitivity analysis of market risk

The market risk of the overall portfolio is measured by a risk value figure obtained by multiplying the investments of the same risk class by a risk factor derived from the volatility of the risk class.

Allocation 31 Dec. 2005	Fair value, EUR 1 000*	%	Risk factor	Risk, EUR 1 000	Risk %
Total money market	213 302	8.3%		640	0.4%
Money-market instruments and deposits**	220 218	8.6%	0.3%	661	0.4%
Derivative instruments****	-6 917	-0.3%	0.3%	-21	0.0%
Total bonds and bond funds	1 788 430	69.8%		73 167	41.0%
Governments	1 224 108	47.8%	4.0%	48 964	27.5%
Investment Grade	475 911	18.6%	4.0%	19 036	10.7%
Emerging markets and High Yield	81 494	3.2%	6.0%	4 890	2.7%
Derivative instruments****	6 917	0.3%	4.0%	277	0.2%
Total shares	407 267	15.9%		87 399	49.0%
Finland	112 261	4.4%	20.0%	22 452	12.6%
Developed markets	150 081	5.9%	20.0%	30 016	16.8%
Emerging markets	23 685	0.9%	25.0%	5 921	3.3%
Unlisted shares	26 020	1.0%	20.0%	5 204	2.9%
Private equity investments	95 220	3.7%	25.0%	23 805	13.3%
Total alternative investments	65 365	2.6%		9 250	5.2%
Absolute return funds	22 255	0.9%	10.0%	2 226	1.2%
Commodities	18 089	0.7%	25.0%	4 522	2.5%
Convertible bonds	25 021	1.0%	10.0%	2 502	1.4%
Properties	87 581	3.4%	9.0%	7 882	4.4%
Total***	2 561 946	100.0%		178 338	100.0%

* Includes accrued interest income
** Includes settlement receivables and liabilities and market value of derivatives EUR 11 544 thousand
*** Includes EUR 63 111 thousand in run-off assets classified as held for sale (Note 5)
**** Effect of derivatives on allocation of asset class (delta counter value)

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Allocation 31 Dec. 2004	Fair value, EUR 1 000*	%	Risk factor	Risk, EUR 1 000	Risk %
Total money market	283 797	11.9%		851	0.5%
Money-market instruments and deposits**	283 797	11.9%	0.3%	851	0.5%
Total bonds and bond funds	1 437 961	60.4%		58 051	33.0%
Governments	1 112 061	46.7%	4.0%	44 482	25.3%
Investment Grade	299 259	12.6%	4.0%	11 970	6.8%
Emerging markets and High Yield	26 640	1.1%	6.0%	1 598	0.9%
Total shares	470 199	19.7%		99 045	56.4%
Finland	177 483	7.5%	20.0%	35 497	20.2%
Developed markets	162 561	6.8%	20.0%	32 512	18.5%
Emerging markets	13 073	0.5%	25.0%	3 268	1.9%
Unlisted shares	30 055	1.3%	20.0%	6 011	3.4%
Private equity investments	87 026	3.7%	25.0%	21 756	12.4%
Total alternative investments	35 465	1.5%		3 924	2.2%
Absolute return funds	19 630	0.8%	10.0%	1 963	1.1%
Commodities	2 518	0.1%	25.0%	629	0.4%
Convertible bonds	13 318	0.6%	10.0%	1 332	0.8%
Properties	154 087	6.5%	9.0%	13 868	7.9%
Total	2 381 509	100.0%		175 739	100.0%

* Includes accrued interest income
** Includes settlement receivables and liabilities and market value of derivatives EUR +5 526 thousand

b) Interest rate risk

In addition to the sensitivity analysis, the interest rate risk of the fixed-income portfolios is monitored by means of modified duration. In the investment plan, the modified duration of fixed-income portfolios has been assigned variation ranges proportioned to the modified duration of a benchmark portfolio.

The duration of insurance contract liabilities is shown in Note 17.

Fair value in accordance with duration or repricing date, EUR 1 000 31 Dec. 2005	0-1 year	1-3 years	3-5 years	5-7 years	7-10 years	>10 years	Total	Duration	Effective interest rate %
Fixed-rate bonds	28 647	397 129	366 215	223 577	305 018	292 151	1 612 738	5.5	3.5
Variable-rate bonds*	26 421	0	0	0	0	0	26 421	0.2	5.3
Money-market instruments and deposits	122 388	-	-	-	-	-	122 388	0.1	2.6
Mutual funds	88 165	13 709	12 905	113 862	-	-	228 642	3.3	-
Total**	265 620	410 839	379 121	337 439	305 018	292 151	1 990 188	4.8	3.4

* The repricing of all variable-rate bonds takes place within three months from the balance sheet date.
** Includes EUR 63 111 thousand in run-off assets classified as held for sale

Fair value in accordance with duration or repricing date, EUR 1 000 31 Dec. 2004	0-1 year	1-3 years	3-5 years	5-7 years	7-10 years	>10 years	Total	Duration	Effective interest rate %
Fixed-rate bonds	154 513	255 713	375 830	150 241	139 746	281 219	1 357 263	5.0	3.2
Variable-rate bonds*	46 945	-	-	-	-	-	46 945	0.1	2.8
Money-market instruments and deposits	123 528	-	-	-	-	-	123 528	0.1	2.0
Mutual funds	56 278	12 251	45 273	74 695	-	-	188 497	3.5	-
Total	381 263	267 964	421 103	224 936	139 746	281 219	1 716 232	4.3	3.1

* The repricing of all variable-rate bonds takes place within three months from the balance sheet date.

c) Currency risk

The currency risks in non-life insurance mainly relate to foreign equity investments. In the investment plan, a maximum limit has been set for the currency risk. The US dollar, the Swedish crown, the British pound and the Japan yen form the largest currency positions in the balance sheet. Currency risks are actively hedged against by derivative contracts.

The table only shows currency-denominated items.

31 Dec. 2005, EUR 1 000	USD	SEK	JPY	GBP	Other	Total
Assets	115 079	34 598	13 947	13 866	12 333	189 822
Liabilities	22 671	871	-	3 671	19 942	47 155
Net position	92 408	33 728	13 947	10 195	-7 609	142 668
Hedging	-53 810	-23 858	-6 638	-4 669	-	-88 975
Currency position*	38 597	9 870	7 309	5 525	-7 609	53 693

* The currency position is 2.1% of the investment portfolio of non-life insurance.
The currency position includes EUR 9 204 thousand in run-off assets and EUR 18 726 thousand in run-off liabilities classified as held for sale.
The group Other includes EUR - 10 279 thousand in EEK and LTL-denominated insurance contract liabilities covered in euros.

31 Dec. 2004, EUR 1 000	USD	SEK	JPY	GBP	Other	Total
Assets	101 393	3 418	9 501	32 661	17 616	164 590
Liabilities	28 547	3 573	-	5 567	13 524	51 212
Net position	72 846	-155	9 501	27 094	4 092	113 378
Hedging	-61 209	-	-7 196	-10 371	-	-78 776
Currency position*	11 637	-155	2 305	16 723	4 092	34 602

* The currency position is 1.5% of the investment portfolio of non-life insurance.

2) Credit risk

As regards bonds, the Group mainly invests in euro-denominated bonds issued by euro-area governments. The credit risk is managed by diversifying the portfolio and by limiting the proportion of weaker credit risk in the portfolio. The investment plan includes limitations regarding credit ratings. An internal credit risk assessment is made on non-rated issuers. On the basis of the assessment, an investment decision can be made.

Presented in accordance with Standard & Poor's credit rating.

Credit rating distribution

31 Dec. 2005, EUR 1 000	AAA	AA	A	BBB	High Yield	Not Rated*	Total
Money-market instruments and deposits**	374	6 345	50 820	10 169	752	142 093	210 553
Bonds and bond funds	974 827	332 879	202 048	146 843	74 687	48 351	1 779 635
Reinsurance contract assets	152	10 166	43 000	1 371	8	23 748	78 446
Total***	975 353	349 389	295 868	158 384	75 447	214 192	2 068 634

* Issuers of money-market instruments in the class Not Rated may have a credit rating although the instrument itself is not rated.
The credit rating of deposits is based on banks' credit ratings.
In the Reinsurance contract assets line, the class Not Rated includes EUR 10 212 thousand in receivables from captives.
** Includes money-market funds
*** Includes EUR 63 111 thousand in run-off assets classified as held for sale.

Credit rating distribution

31 Dec. 2004, EUR 1 000	AAA	AA	A	BBB	High Yield	Not Rated*	Total
Money-market instruments and deposits**	1 063	2 326	26 319	20 202	-	130 341	180 251
Bonds and bond funds	1 011 603	240 662	145 311	99 025	24 795	14 585	1 535 982
Reinsurance contract assets	60	8 854	26 845	936	4	32 369	69 069
Total	1 012 726	251 843	198 475	120 163	24 799	177 295	1 785 302

* Issuers of money-market instruments in the class Not Rated may have a credit rating although the instrument itself is not rated.
The credit rating of deposits is based on banks' credit ratings.
In the Reinsurance contract assets line, the class Not Rated includes EUR 18 934 thousand in receivables from captives.
** Includes money-market funds

3) Liquidity risk

The Group's liquidity requirements are taken into account when building up the investment portfolio. The primary liquidity buffer is the money market portfolio. The Group invests mainly in quoted and liquid equities and bonds.

Reinsurance contracts include a time restriction of about 15 days, within which the reinsurer has to pay its share of a claim. When the reinsurer is a captive, the contract always includes the Simultaneous Payments clause, which provides that, in case of a major loss, the reinsurer shall pay its share before the claim is paid to the injured party.

3.4.2 Life insurance (excl. unit-linked investments)

Annually, an investment plan is drawn up, for which the following items are assessed:

- Operating environment and prospects for the future
- Investment risks regarding returns, security and currency business
- Requirements set by the nature of the insurance contract liabilities as regards investment returns, liquidity and currency business
- Risk carrying capacity as regards investments in the short and long term.

The structure of investments is controlled systematically, taking into account the return prospects, risks, requirements concerning the investment of assets covering insurance contract liabilities in different insurance lines, and the securing of both solvency and liquidity. The most important factor governing the investment operations is the basic allocation, which is determined annually in the investment plan. As a result of active investment operations and variations in property values, deviations from the basic allocation are occasionally made within certain limits.

1) Market risk

The market risk is composed of the price, interest rate and currency risk. The market risk of the whole portfolio is measured by a risk value figure which is obtained by multiplying the investments of the same risk class by a risk factor derived from the volatility of the risk class concerned. When the risk value of the portfolio is proportioned to the risk carrying capacity, a risk ratio is obtained. The risk ratio is an experience-based measure which describes the probability of the Group being driven into crisis. When the measure is under 100%, the risk position is safe. The area from 100% to 120% is an area of marked risk, where a short-term stay is possible. When the figure exceeds 120%, a lower risk level should be considered promptly.

For the management of the market risk, derivatives can also be used. The principles for the use of derivatives are annually defined in the investment plan. Interest rate and equity derivatives can be used both for hedging and for increasing the risk level of the portfolio within the defined limits. Currency derivatives can be used only for hedging. Credit risk derivatives are not used. Derivative contracts can be signed on regulated markets or with a counterparty whose long-term rating is at least A3 (Moody's) or A- (Standard & Poor's).

a) Sensitivity analysis of market risk

Allocation 31 Dec. 2005	Fair value, EUR 1 000*	%	Risk factor	Risk, EUR 1 000	Risk %
Total money market	84 283	6.8%		253	0.3%
Money-market instruments and deposits**	114 971	9.3%	0.3%	345	0.4%
Derivative instruments***	-30 688	-2.5%	0.3%	-92	-0.1%
Total bonds and bond funds	931 398	75.1%		37 547	47.1%
Governments	773 261	62.4%	4.0%	30 930	38.8%
Investment Grade	112 899	9.1%	4.0%	4 516	5.7%
Emerging markets and High Yield	14 550	1.2%	6.0%	873	1.1%
Derivative instruments***	30 688	2.5%	4.0%	1 228	1.5%
Total shares	175 754	14.2%		35 966	45.1%
Finland	45 284	3.7%	20.0%	9 057	11.4%
Developed markets	114 168	9.2%	20.0%	22 834	28.7%
Emerging markets	16 302	1.3%	25.0%	4 075	5.1%
Total alternative investments	31 727	2.6%		4 407	5.5%
Absolute return funds	4 024	0.3%	10.0%	402	0.5%
Commodities	8 228	0.7%	25.0%	2 057	2.6%
Convertible bonds	19 476	1.6%	10.0%	1 948	2.4%
Properties	16 684	1.3%	9.0%	1 502	1.9%
Total	1 239 846	100.0%		79 674	100.0%

* Includes accrued interest income
** Includes settlement receivables and liabilities and market value of derivatives EUR -382 thousand
*** Effect of derivatives on allocation of asset class (delta counter value)

Risk carrying capacity 31 Dec. 2005	EUR 1 000
Solvency margin of subsidiary as per Insurance Companies Act	165 902
Minimum solvency margin	65 553
Risk carrying capacity of investment risk	100 349
Investment risk	79 674
Risk ratio	79%

The Group acquired the insurance portfolio on 1 January 2005.

Allocation 31 Dec. 2004	Fair value, EUR 1 000*	%	Risk factor	Risk, EUR 1 000	Risk %
Money-market instruments and deposits **	121 025	67.3%	0.3%	363	12.9%
Total bonds and bond funds	57 153	31.8%		2 286	81.5%
Governments	57 153	31.8%	4.0%	2 286	81.5%
Investment Grade	-	-	4.0%	-	-
Emerging markets and High Yield	-	-	6.0%	-	-
Total shares	-	-		-	-
Finland	-	-	20.0%	-	-
Developed markets	-	-	20.0%	-	-
Emerging markets	-	-	25.0%	-	-
Total alternative investments	-	-		-	-
Absolute return funds	-	-	10.0%	-	-
Commodities	-	-	25.0%	-	-
Convertible bonds	-	-	10.0%	-	-
Properties	1 729	1.0%	9.0%	156	5.5%
Total	179 907	100.0%		2 805	100.0%

* Includes accrued interest income
** Includes settlement receivables and liabilities totalling EUR 29 965 thousand

b) Interest-rate risk

In addition to the sensitivity analysis, the interest rate risk of fixed-income portfolios is monitored by means of modified duration. In the investment plan, the modified duration of fixed-income portfolios has been assigned variation ranges proportioned to the modified duration of a benchmark portfolio.

Fair value in accordance with duration or repricing date, EUR 1 000, 31 Dec. 2005	0-1 year	1-3 years	3-5 years	5-7 years	7-10 years	>10 years	Total	Duration	Effective interest rate %
Fixed-rate bonds	2 818	291 651	162 890	102 358	149 622	182 102	891 440	5.6	3.3
Variable-rate bonds*	9 270	-	-	-	-	-	9 270	0.2	4.2
Money-market instruments and deposits	83 762	-	-	-	-	-	83 762	0.1	2.4
Mutual funds	31 590	-	-	-	-	-	31 590	0.2	-
Total	127 440	291 651	162 890	102 358	149 622	182 102	1 016 063	5.1**	3.2

* The repricing of all variable-rate bonds takes place within three months from the balance sheet date.
** An effect of +0.2 years has been taken into account in the overall duration of the fixed-income portfolio.

Fair value in accordance with duration or repricing date, EUR 1 000, 31 Dec. 2004	0-1 year	1-3 years	3-5 years	5-7 years	7-10 years	>10 years	Total	Duration	Effective interest rate %
Fixed-rate bonds	-	57 153	-	-	-	-	57 153	2.3	2.6
Variable-rate bonds	-	-	-	-	-	-	-	-	-
Money-market instruments and deposits	60 173	-	-	-	-	-	60 173	0.1	2.2
Mutual funds	30 887	-	-	-	-	-	30 887	0.2	-
Total	91 060	57 153	-	-	-	-	148 213	1.0	2.4

c) Currency risk

31 Dec. 2005, EUR 1 000	USD	SEK	JPY	Total
Assets	28 588	8 881	5 207	42 676
Liabilities	-	-	-	-
Net position	28 588	8 881	5 207	42 676
Hedging	-11 090	-6 157	-2 580	-19 827
Currency position*	17 498	2 724	2 627	22 849

* The currency position is 1.8% of the investment portfolio of life insurance.

There was no currency-denominated position on 31 December 2004.

2) Credit risk

As regards bonds, the Group invests mainly in euro-denominated bonds issued by euro-area governments. The credit risk is managed by diversifying the portfolio and by limiting the proportion of the weakest credit risk in the portfolio. The investment plan includes limitations regarding credit ratings. An internal credit risk assessment is made on non-rated issuers. On the basis of the assessment, an investment decision can be made.

Credit rating distribution,

31 Dec. 2005, EUR 1 000	AAA	AA	A	BBB	High Yield	Not Rated*	Total
Money-market instruments and deposits	199	366	24 693	4 464	-	85 631	115 352
Bonds and bond funds	616 098	159 734	56 206	41 620	15 714	11 339	900 710
Total	616 297	160 101	80 898	46 083	15 714	96 970	1 016 063

* Issuers of money-market instruments in the class Not Rated may have a credit rating although the instrument itself is not rated.
The credit rating of deposits is based on banks' credit ratings.

Credit rating distribution

31 Dec. 2004, EUR 1 000	AAA	AA	A	BBB	High Yield	Not Rated*	Total
Money-market instruments and deposits	-	843	13 506	9 748	-	66 962	91 060
Bonds and bond funds	57 153	-	-	-	-	-	57 153
Total	57 153	843	13 506	9 748	-	66 962	148 213

* Issuers of money-market instruments in the class Not Rated may have a credit rating although the instrument itself is not rated.
The credit rating of deposits is based on banks' credit ratings.

3) Liquidity risk

The Group's liquidity requirements are taken into account when building up the investment portfolio. The primary liquidity buffer is the money market portfolio. The Group invests mainly in quoted and liquid equities and bonds.

In life insurance, the cash inflow arising from insurance premiums has exceeded and, according to estimates, will exceed for several years the cash outflow resulting from claims. Therefore, the maintaining of liquidity will not call for any special measures, which has been taken into account in the construction of the investment portfolio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Segment information

4.1 PRIMARY REPORTING FORMAT - BUSINESS SEGMENTS

The content of the Group's business segments and other operations is as follows:

Non-life insurance

The products of the segment comprise non-life insurance policies sold to corporate and private customers both in Finland and abroad. The segment also includes foreign insurance in run-off. The domestic distribution network sells products of the life insurance and investment services segments as well as employee pension products of Ilmarinen Mutual Pension Insurance Company. It is also in charge of customer service for Suomi Mutual Life Assurance Company and Ilmarinen (Note 39). In addition, fee income is generated by the management of premiums in certain statutory lines of insurance and by risk management services.

The assets and liabilities of run-off companies' business were on 22 December 2005 reclassified as held for sale (see Note 5).

Life insurance

The products of the segment include both non-linked and unit-linked life insurance policies. The products also include some investment contracts. The customers of the segment comprise domestic private persons and companies. The segment also administers the existing insurance portfolio of Suomi Mutual (Note 39).

The life insurance business was acquired from Suomi Mutual on 1 January 2005 (Note 6) and was classified as discontinued operations in December 2005 (Note 5).

Investment services

The products of the segment include equity, bond and balanced funds, portfolio management services and asset management. External customers are Finnish and international institutions, private persons and companies. The segment also sells services to other segments of the Group and to Suomi Mutual (Note 39).

The mutual fund business was sold on 30 December 2005. After the balance sheet date, on 16 January 2006, the main part of the asset management function was also sold (Note 40).

Other operations

The administrative and IT services, brokerage business and private equity business have been dealt with under other operations. Other operations also include the parent company's investments and tax not allocated to segments as well as financing items not considered to be part of business operations.

The brokerage business was sold on 1 October 2004 and IT hardware on 31 December 2004 to outside buyers. The systems services function was sold on 30 December 2005 to the parent of the larger group of companies (Note 28).

Accounting policies

The segments and other operations comply with the accounting policies applied to the consolidated financial statements. Income and expenses and assets and liabilities have been allocated to segments on the basis of the Group's legal structure applying uniform principles. Pricing between segments is based on prices between legal entities.

Segment information for 2005

	Continuing operations			Discontinued operations		
EUR 1 000	Non-life insurance	Investment services	Other Group operations	Life insurance	Eliminations	Group
Profit						
Gross insurance premium revenue	798 038			317 071	-30	1 115 079
Insurance premiums ceded to reinsurers	-53 871			-30	30	-53 871
External fee income	15 432	27 394	3 525	16 321		62 672
Fee income between segments	9 364	9 829	63 014	1 451	-83 657	0
Net investment income	161 487	362	64 845	160 723	-4 227	383 189
Other operating income	20 975	67 661	10 653	4 072		103 362
Total net income	951 425	105 246	142 037	499 607	-87 885	1 610 431
Insurance claims, benefits and loss adjustement expenses	-549 508			-438 509	-308	-988 325
Insurance claims and loss adjustement expenses recovered from reinsurers	17 719					17 719
Investment contract benefits				-6 428		-6 428
Expenses by function	-192 109	-32 175	-81 523	-34 570	84 790	-255 587
Other operating expenses	-5 000					-5 000
Total expenses	-728 898	-32 175	-81 523	-479 508	84 482	-1 237 621
Operating profit [1]	222 527	73 071	60 514	20 099	-3 403	372 810

Segment information for 2005

EUR 1 000	Continuing operations Non-life insurance	Investment services	Other Group operations	Discontinued operations Life insurance	Eliminations	Group
Unwinding of discount	-37 261					-37 261
Finance costs [2]	-2 057	-31	-1 826	-509	3 051	-1 372
Share of profit (loss) of associates	29		-540			-511
Profit before tax	183 239	73 041	58 148	19 590	-352	333 666
Income tax expense						-62 144
Profit for the period						271 522
Assets						
Property, plant and equipment	33 986	276	15 831	2 651		52 744
Investment property	43 736			13 790		57 526
Intangible assets related to insurance contracts	1 329			771		2 099
Other intangible assets	34 662	951	17 083	21 547	-2 068	72 176
Investments in associates	1 674		6 726			8 400
Financial assets	2 723 317	11 243	211 995	1 752 372	-24 086	4 674 840
Reinsurance contracts	71 981					71 981
Other assets	41 888	1 132	16 730	19 307		79 057
Unallocated tax receivables [3]						11 422
Total assets (before transfers)	2 952 574	13 602	268 365	1 810 438	-26 154	5 030 247
Assets held for sale (Note 5)	64 250			1 810 438	-4 649	1 870 039
Liabilities						
Insurance contracts	1 882 932			1 508 627		3 391 559
Financial liabilities [2]	57 834		1 066	67 457		126 357
Provisions	37 732	54		9 350		47 137
Other liabilities	107 043	6 002	22 640	15 776	-20 773	130 688
Unallocated tax liabilities [3]						157 492
Total liabilities (before transfers)	2 085 540	6 056	23 706	1 601 210	-20 773	3 853 232
Liabilities for assets held for sale (Note 5)	49 461			1 601 210	-3 728	1 646 943
Net assets (before transfers)[3]	867 034	7 546	244 659	209 227	-5 382	1 177 015
Capital expenditure [4]	21 975	797	9 245	35 732		67 748
Depreciation/amortisation [4]	5 592	847	7 297	1 767		15 504
Impairment losses[4]	92			51		142
Other expenses without payment:						
Change in provisions	7 700		3 573			11 273
Average number of employees	2 063	128	399	157		2 747
Number of employees at 31 December	2 039	112	216	143		2 511
Difference between fair value and carrying amount of properties (Notes 7 and 8)	14 950			242		15 193

1) In 2005, other operating income in non-life insurance includes realised gain on disposal of head office premises, in life insurance, negative goodwill recognised in profit or loss and, in other segments, realised gains on disposal of subsidiaries (Note 28). In addition, other operating expenses of non-life insurance include in 2005 a provision related to disposal of run-off companies (Note 5). In 2004, following a change in the statutory employee pension scheme, income was recognised under expenses by function (Note 21).

2) Subordinated loans granted by the parent company and interest thereon have been eliminated.

3) Unallocated net tax liabilities are in non-life insurance EUR 122 690 thousand (2004: EUR 107 489 thousand), in investment services EUR 211 thousand (2004: EUR 116 thousand), in life insurance EUR 9 359 thousand (2004: EUR -550 thousand) and in other on operations EUR 13 810 thousand (2004: EUR 13 984 thousand).

4) Capital expenditure includes additions to property, plant and equipment, investment property and intangible assets. Depreciation/amortisation and impairment losses include depreciation/amortisation and impairment losses on corresponding assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Segment information for 2004

EUR 1 000	Continuing operations Non-life insurance	Investment services	Other Group operations	Discontinued operations Life insurance	Eliminations	Group
Gross insurance premium revenue	710 353					710 353
Insurance premiums ceded to reinsurers	-67 358					-67 358
External fee income	22 871	19 888	27 758			70 517
Fee income between segments	2 466	8 354	65 911		-76 731	0
Net investment income	186 291	178	85 749	118	-7 501	264 833
Other operating income	714	7	114			836
Total net income	855 337	28 427	179 532	118	-84 232	979 181
Insurance claims, benefits and loss adjustement expenses	-480 636				-71	-480 707
Insurance claims and loss adjustement expenses recovered from reinsurers	27 944					27 944
Expenses by function	-174 992	-21 639	-105 269	-833	80 009	-222 724
Other operating expenses	-4		-756			-760
Total expenses	-627 688	-21 639	-106 024	-833	79 938	-676 247
Operating profit (loss)[1]	227 649	6 788	73 508	-715	-4 294	302 935
Unwinding of discount	-39 348					-39 348
Finance costs [2]	-1 864	-45	-2 045	-1	1 762	-2 192
Share of profit (loss) of associates	85		-825			-741
Profit (loss) before tax	186 522	6 743	70 637	-716	-2 532	260 654
Income tax expense						-66 129
Profit for the period						194 526
Assets						
Property, plant and equipment	78 674	258	11 323	31		90 286
Investment property	48 705			1 693		50 398
Intangible assets related to insurance contracts	881					881
Other intangible assets	24 827	1 380	19 937		-1 188	44 955
Investments in associates	1 645		7 205			8 850
Financial assets	2 467 613	11 259	171 933	176 482	-23 292	2 803 996
Reinsurance contracts	62 588					62 588
Other assets	49 178	4 611	35 501	1 811		91 100
Unallocated tax receivables [3]						5 220
Total assets	2 734 111	17 507	245 900	180 017	-24 480	3 158 275
Liabilities						
Insurance contracts	1 796 059					1 796 059
Financial liabilities [2]	66 055		1 371			67 426
Provisions	35 034	140	1 387			36 560
Other liabilities	100 863	10 078	34 204	923	-21 113	124 956
Unallocated tax liabilities [3]						126 259
Total liabilities	1 998 011	10 218	36 962	923	-21 113	2 151 261
Net assets[3]	736 100	7 290	208 938	179 094	-3 367	1 007 014
Capital expenditure [4]	28 784	440	11 356	1 724		42 304

Segment information for 2004

	Continuing operations			Discontinued operations		
EUR 1 000	Non-life insurance	Investment services	Other Group operations	Life insurance	Eliminations	Group
Depreciation/amortisation [4]	7 306	728	13 034	0		21 068
Impairment losses[4]	1 268					1 268
Other expenses without payment						
Change in provisions		-126	137			11
Average number of employees	2 025	126	534			2 685
Number of employees at 31 December	1 965	99	424			2 488
Difference between fair value and carrying amount of properties (Notes 7 and 8)	34 774					34 774

1) In 2005, other operating income in non-life insurance includes realised gain on disposal of head office premises, in life insurance, negative goodwill recognised in profit or loss and, in other segments, realised gains on disposal of subsidiaries (Note 28). In addition, other operating expenses of non-life insurance include in 2005 a provision related to disposal of run-off companies (Note 5). In 2004, following a change in the statutory employee pension scheme, income was recognised under expenses by function (Note 21).

2) Subordinated loans granted by the parent company and interest thereon have been eliminated.

3) Unallocated net tax liabilities are in non-life insurance EUR 122 690 thousand (2004: EUR 107 489 thousand), in investment services EUR 211 thousand (2004: EUR 116 thousand), in life insurance EUR 9 359 thousand (2004: EUR -550 thousand) and in other on operations EUR 13 810 thousand (2004: EUR 13 984 thousand).

4) Capital expenditure includes additions to property, plant and equipment, investment property and intangible assets. Depreciation/amortisation and impairment losses include depreciation/amortisation and impairment losses on corresponding assets.

4.2 SECONDARY REPORTING FORMAT GEOGRAPHICAL SEGMENTS

The Group's main geographical area of operations is Finland. In addition, the non-life insurance segment has operations in the Baltic countries and run-off companies in Great Britain and Russia. Finnish customers' foreign operations are insured by foreign reinsurance arrangements

Insurance premium revenue is presented in accordance with the underwriting country and assets in accordance with their location.

EUR 1 000	2005	2004
Gross insurance premium revenue		
Finland[1]	1 052 482	649 828
Baltic countries	36 651	28 654
Other countries	25 946	31 871
Total	1 115 079	710 353
Assets		
Finland[2]	4 971 980	3 091 194
Baltic countries	40 832	34 912
Other countries[3]	17 435	32 169
Total	5 030 247	3 158 275

EUR 1 000	2005	2004
Capital expenditure		
Finland	67 190	41 862
Baltic countries	558	440
Other countries	0	2
Total	67 748	42 304

1) Discontinued operations account for EUR 317 071 thousand (2004: EUR -) of insurance premium revenue.

2) Assets held for sale account for EUR 1 852 685 thousand of assets (Note 5).

3) Assets held for sale account for EUR 17 354 thousand of assets (Note 5).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Non-current assets held for sale and discontinued operations

Disposal of life insurance operations to a larger group of companies (discontinued operation)

The management of Pohjola Group plc (Pohjola) in December 2005 started preparations for selling certain assets to Osuuspankkikeskus Osk (OP Bank Group Central Cooperative). The sale was related to the formation of a larger group of companies (Note 1) and to the plan disclosed by OKO Osuuspankkien Keskuspankki Oyj (OKO Bank) on 12 September 2005 to combine the operations of Pohjola with corresponding operations of the OKO Bank Group and its parent OP Bank Group Central Cooperative Consolidated. The total stock of shares of Pohjola Life Insurance Company Ltd was sold to OP Bank Group Central Cooperative on 16 January 2006. Therefore, the life insurance business is presented in these financial statements as discontinued operations and the assets and liabilities of the unit have been reclassified as held for sale. The total sale price was EUR 281 million.

Disposal of foreign business in run-off

On 22 December 2005, the Group resolved to sell Bothnia International Insurance Company Ltd. and Moorgate Insurance Company Limited, wholly owned subsidiaries in run-off, to an external buyer. The transaction is expected to be completed in spring 2006, provided that the regulatory approvals of the authorities are obtained and all other agreed conditions are met. Since the run-off function, included in the non-life insurance segment, is not a significant separate business unit, it is not presented as discontinued operations in these financial statements but its assets and liabilities are reclassified as held for sale, with the exception of those assets agreed to be retained by the Group as repayment of capital and dividend. The provision of EUR 5 000 thousand made on the realised loss from the transaction has been presented as other operating expenses in the continuing operations column of the income statement (Notes 20 and 31).

Portion of discontinued life insurance business in cash flows

EUR 1 000	2005	2004
Cash flow from operating activities	219 941	-1 145
Cash flow from investing activities		
Acquired business (Note 6)	-30 873	-
Other	-202 445	-178 784
Total cash flow	-13 377	-179 929

Assets and liabilities classified as held for sale and related equity items

EUR 1 000	Note	Life insurance	Run-off	Total 31 Dec. 2005
Assets				
Property, plant and equipment	7	2 651		2 651
Investment property	8	13 790		13 790
Intangible assets	9	22 318		22 318
Financial assets	11			
Equity securities				
Available for sale		239 170	119	239 290
At fair value through income		523 010		523 010
Debt securities				
Available for sale		952 782	18 392	971 174
At fair value through income			22 379	22 379
Loans and receivables	12	32 670	5 059	37 729
Derivative financial instruments	13	91		91
Reinsurance contracts	14		9 599	9 599
Current tax assets			791	791
Cash and cash equivalents	15	19 306	7 912	27 218
Total assets		1 805 789	64 250	1 870 039

EUR 1 000	Note	Life insurance	Run-off	Total 31 Dec. 2005
Liabilities				
Insurance contracts	17	1 508 627	41 024	1 549 651
Financial liabilities	18	67 186		67 186
Derivative financial instruments	13	271		271
Deferred tax liabilities	19	8 097	1 314	9 411
Retirement benefit obligations	21	29		29
Trade and other payables	22	12 011	7 123	19 134
Current tax liabilities		1 261		1 261
Total liabilities		1 597 483	49 461	1 646 943
Equity				
Accumulated income and expenses directly recognised in equity (fair value reserve)		15 116	47	15 163

6. Business acquisitions

Business acquisitions in 2005

On 1 January 2005, the Group acquired, through a business acquisition, a life insurance portfolio with life insurance business and IT systems totalling EUR 1.2 billion from Suomi Mutual Life Assurance Company (Note 39). The acquisition price was EUR 33 163 thousand and it was paid in cash. Of the acquisition cost, life insurance contracts in force accounted for EUR 19 000 and IT sofware for EUR 4 000 thousand. The Group and Suomi Mutual had mostly the same clientele. In consequence of different IFRS treatment of the equalisation provision (Note 16f), the business acquisition resulted in negative goodwill totalling EUR 4 072 thousand, which was recognised under 'Other operating income' in the income statement. At the same date, the Group also acquired the medical expenses insurance business of Suomi Mutual through a business acquisition. No goodwill resulted from the medical expenses insurance business.

The acquired life insurance business has been presented as a separate business segment (Note 4) and as discontinued operations (Note 5). Insurance premium revenue and profit for 2005 are shown in the income statement (discontinued operations). In 2004, EUR 135 million in equity and EUR 45 million in subordinated loan was invested in the subsidiary established for the life insurance business.

The medical expenses portfolio has been included in the non-life insurance segment. Insurance premium revenue from 2005 totalled EUR 11 691 thousand and loss for 2005 EUR 10 077 thousand. The loss was due to a more defined process of determining the collective claims provision.

The assets and liabilities recognised in the acquisitions were as follows:

Life insurance business

EUR 1 000	Fair values
Intangible assets (Note 9)	23 000
Financial assets	1 234 168
Cash and cash equivalents	2 290
Total assets	1 259 458
Insurance contract liabilities (Note 17.2)	1 151 594
Financial liabilities, investment contracts (Note 18.1)	66 113
Deferred tax liabilities	1 431
Trade and other payables	3 085
Total liabilities	1 222 223
Net assets	37 235
Acquisition cost	-33 163
Difference (negative goodwill recognised in profit)	4 072
Acquisition cost paid in cash	33 163
Cash and cash equivalents of acquired business	-2 290
Cash flow effect	30 873

Medical expenses insurance business

EUR 1 000	Fair values
Financial assets	17 328
Loans and receivables	1 801
Total assets	19 129
Insurance contract liabilities	18 684
Trade and other payables	445
Total liabilities	19 129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Business acquisitions in 2004

On 26 April 2004, the Group acquired the total holding of the Baltic subsidiaries transacting non-life insurance. The acquired minority interest in Seesam International Insurance Company Ltd operating in Estonia was 49.50%, in Joint Stock Insurance Company "Seesam Latvia" 49.95% and in Joint Stock Insurance Company "Seesam Lithuania" 49.93%. The acquisition price paid in cash for minority interest was EUR 8 858 thousand and the direct transaction costs were EUR 13 thousand. Of the acquisition cost, EUR 253 thousand was allocated to insurance contracts in force and EUR 2 820 thousand to customer relationships (Note 9). Goodwill came to EUR 862 thousand (Note 9), based on good prospects for the Baltic business. Since the Seesam companies were consolidated as subsidiaries even before the acquisition of the minority interest, their profits for the whole year are included in the Group's income statement for 2004. The effect of the acquisition on profits in 2004, after the acquistion date, was EUR 381 thousand in expenses (amortisation on intangible assets after tax).

At the acquisition date, the carrying amounts and fair values of the subsidiaries' assets and liabilities were as follows:

Seesam companies EUR 1 000	Subsidiaries' carrying amounts	Fair values
Property, plant and equipment	423	423
Investment property	166	166
Intangible assets	1 114	7 317
Indirect holding (Seesam companies)	1 137	
Financial assets	14 579	14 579
Reinsurance contract assets	10 046	10 046
Cash and cash equivalents	9 044	9 044
Total assets	36 509	41 575
Insurance contract liabilities	16 038	16 038
Deferred tax liabilities	54	54
Trade and other payables	8 689	8 689
Total liabilities	24 781	24 781
Net assets (100%)	11 728	16 794

In connection with acquisition, intangible assets and change in minority interest (part of equity) were recognised as follows:

Acquisition cost	8 872
Intangible assets	
Insurance contracts and customer relationships (Note 9)	3 073
Deferred tax liabilities	-48
Minority interest of net assets	4 985
Goodwill	862
Cash flow effect (cost paid in cash)	8 872

7. Property, plant and equipment

EUR 1 000	Land and buildings	Machinery and equipment	Motor vehicles	Other	Total
Acquisition cost at 1 January 2005	117 179	31 701	2 446	4 299	155 625
Additions	6 593	4 513	685	1 668	13 459
Disposals	-87 235	-7 240	-527	-558	-95 560
Disposal of subsidiaries		-79	-18		-96
Transfer to assets held for sale (Note 5)	-2 552	-2	-111		-2 665
Transfers from investment property (Note 8)	6 117				6 117
Transfers to investment property (Note 8)	-619				-619
Other change	-31				-31
Exchange differences		3	3		5
Acquisition cost at 31 December 2005	39 452	28 896	2 478	5 409	76 235

Property, plant and equipment

EUR 1 000	Land and buildings	Machinery and equipment	Motor vehicles	Other	Total
Accumulated depreciation and impairment losses at 1 January 2005	-46 535	-17 920	-659	-225	-65 339
Depreciation	-768	-4 365	-423	-392	-5 948
Impairment losses	-7				-7
Disposals	37 366	6 785	374	491	45 015
Disposal of subsidiaries		68	8		77
Transfer to assets held for sale (Note 5)		0	13		14
Transfers from investment property (Note 8)	-295				-295
Transfers to investment property (Note 8)	346				346
Exchange differences		-2	-3		-5
Accumulated depreciation and impairment losses at 31 December 2005	-9 893	-15 433	-689	-127	-26 142
Carrying amount at 1 January 2005	70 644	13 782	1 787	4 074	90 286
Carrying amount at 31 December 2005	29 559	13 462	1 789	5 282	50 093
Acquisition cost at 1 January 2004	116 956	60 907	2 348	4 004	184 215
Additions	4 976	7 781	861	835	14 453
Disposals	-3 465	-19 406	-759	-540	-24 171
Disposal of subsidiaries		-17 576			-17 576
Transfers from investment property (Note 8)	104				104
Transfers to investment property (Note 8)	-1 381				-1 381
Other change	-10				-10
Exchange differences		-6	-3		-9
Acquistion cost at 31 December 2004	117 179	31 701	2 446	4 299	155 625
Accumulated depreciation and impairment losses at 1 January 2004	-45 570	-40 873	-809	-304	-87 555
Depreciation	-2 705	-9 631	-351	-281	-12 969
Impairment losses	-181				-181
Disposals	1 534	18 555	499	360	20 948
Disposal of subsidiaries		14 025			14 025
Transfers from investment property (Note 8)	-47				-47
Transfers to investment property (Note 8)	430				430
Other change	4				4
Exchange differences		4	2		6
Accumulated depreciation and impairment losses at 31 December 2004	-46 535	-17 920	-659	-225	-65 339
Carrying amount at 1 January 2004	71 386	20 035	1 539	3 701	96 660
Carrying amount at 31 December 2004	70 644	13 782	1 787	4 074	90 286

In the income statement, depreciation and impairment losses as well as gains and losses from retirement and disposal of property, plant and equipment are included in expenses by function (Note 31).

The fair value of land and buildings at 31 December 2005 (after transfers) is EUR 33 018 thousand (2004: EUR 94 979 thousand). The fair value of land and buildings shown under assets held for sale is EUR 2 561 thousand at 31 December 2005.

Impairment testing is explained in Note 8.

The carrying amount of land and buildings includes expenses for unfinished items at 31 December 2005 (after transfers) totalling EUR 3 640 thousand (2004: EUR 2 370 thousand).

The carrying amount of machinery and equipment at 1 January 2004 includes items held under a finance lease totalling EUR 5 094 thousand. The items were given up in connection with the disposal of a subsidiary in 2004.

Other property, plant and equipment includes works of art and deferred renovation costs for rented premises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Investment property

EUR 1 000	2005	2004
Acquisition cost at 1 January	81 085	87 542
Additions		
New acquisitions	13 309	8 072
Additional investments	3 432	1 514
Disposals	-1 932	-17 511
Transfer to assets held for sale (Note 5)	-15 036	
Transfers from property, plant and equipment (Note 7)	619	1 381
Transfers to property, plant and equipment (Note 7)	-6 117	-104
Other change	11	191
Acquisition cost at 31 December	75 370	81 085
Accumulated depreciation and impairment losses at 1 January	-30 687	-38 799
Depreciation	-1 746	-1 606
Impairment losses	-141	-1 087
Reversal of impairment losses	5	
Disposals	603	11 221
Transfer to assets held for sale (Note 5)	1 246	
Transfer from property, plant and equipment (Note 7)	-346	-430
Transfers to property, plant and equipment (Note 7)	295	47
Other change	-863	-33
Accumulated depreciation and impairment losses at 31 December	-31 634	-30 687
Carrying amount at 1 January	50 398	48 743
Carrying amount at 31 December	43 736	50 398

In the income statement, rental income from investment property is included in 'Investment income' (Note 25). Direct operating costs and depreciation and impairment losses are included in 'Expenses for investment management' (Note 31).

The fair value of investment property at 31 December 2005 (after transfers) was EUR 55 228 thousand (2004: EUR 60 837 thousand). The fair value of land and buildings shown under assets held for sale is EUR 14 023 at 31 December 2005.

The fair values of properties have been determined annually and, for impairment testing, the recoverable amount for properties has been defined on the basis of the value of properties in use. In cash flow projections, lessees have been assumed to be capable of fulfilling their obliagations under in-force leases. Leases valid until further notice have been assumed to remain in force unchanged. Fixed-term leases have been assumed to terminate at their termination date, after which a market rent estimated by property has been used as rental payment. A similar rent has been used for potential rental income from idle properties. The amount of rental income and operating expenses for properties have been assumed to grow at the rate of inflation. The Inflation rate used is the long-term target inflation rate of 2% of the European Central Bank. A long-term plan has been made for future repair needs in properties. The estimated vacancy rate has usually been 5%, of which deviations have been possible with a view to the nature and location of properties. The discount rate, determined for each asset item on the basis of return requirements on the market, has varied between 6 and 12%.

Transfers from property, plant and equipment to investment property and vice versa are due to changes in the Group's branch office network.

The Group has contractual obligations, totalling EUR 450 thousand (after transfers) (2004: EUR 1 164 thousand), related to construction and repair of investment properties. Of these obligations, assets held for sale account for EUR 522 thousand.

9. Intangible assets

EUR 1 000	Goodwill	Value of acquired insurance portfolio	Deferred policy acquisition costs	Contractual customer relation-ships	Acquired IT software	Internally generated IT software	IT software being developed	Total
Acquisition cost at 1 January 2005	15 728	253	881	2 820	17 796	14 586	10 672	62 736
Additions			1 757		4 041	204	12 618	18 620
Implemented development projects						21 803	-21 803	0
Business combinations (Note 6)		19 000			4 000			23 000
Disposals			-539		-905	-1 945	-384	-3 774
Disposal of subsidiaries	-3 256				-2 322	-98		-5 677
Transfer to assets held for sale (Note 5)		-19 000	-771		-3 999			-23 770
Exchange differences					1			1
Acquisition cost at 31 December 2005	12 472	253	1 328	2 820	18 611	34 550	1 103	71 137
Accumulated amortisation and impairment losses at 1 January 2005	0	-174		-212	-4 681	-11 833		-16 900
Amortisation		-1 020		-282	-4 702	-1 806		-7 810
Disposals					876	1 357		2 233
Disposal of subsidiaries					1 768	78		1 846
Transfer to assets held for sale (Note 5)		950			502			1 452
Exchange differences					-1			-1
Accumulated amortisation and impairment losses at 31 December 2005	0	-244		-494	-6 239	-12 204		-19 180
Carrying amount at 1 January 2005	15 728	80	881	2 609	13 114	2 753	10 672	45 836
Carrying amount at 31 December 2005	12 472	9	1 328	2 327	12 372	22 346	1 103	51 957
Acquisition cost at 1 January 2004	20 288		816		35 248	12 906	6 003	75 261
Additions			528		4 304	710	8 866	14 406
Implemented development projects					1 933	1 824	-3 757	0
Business combinations (Note 6)	862	253		2 820				3 935
Disposals			-463		-17 413	-853	-439	-19 168
Disposal of subsidiaries	-5 422				-6 275			-11 697
Exchange differences					-1			-1
Acquisition cost at 31 December 2004	15 728	253	881	2 820	17 796	14 586	10 672	62 736
Accumulated amortisation and impairment losses at 1 January 2004	-3 000				-21 114	-11 080		-35 194
Amortisation		-174		-212	-5 019	-1 089		-6 493
Disposals					15 507	323		15 830
Disposal of subsidiaries	3 000				5 956			8 956
Transfers between items					-13	13		0
Exchange differences					1			1
Accumulated amortisation and impairment losses at 31 December 2004	0	-174		-212	-4 681	-11 833		-16 900
Carrying amount at 1 January 2004	17 288	0	816	0	14 134	1 826	6 003	40 067
Carrying amount at 31 December 2004	15 728	80	881	2 609	13 114	2 753	10 672	45 836

In the income statement, amortisation and impairment losses as well as gains and losses arising from retirement and disposal of assets are included in expenses by function (Note 31).

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Impairment tests for goodwill

For impairment tests, goodwill is allocated to the Group's cash-generating units, which are either primary reporting segments or related entities or entity groups. Goodwill is divided by units as follows:

EUR 1 000	2005	2004
Non-life insurance		
A-Insurance	10 609	10 609
Baltic insurance companies	862	862
Investment services	1 001	4 257
	12 472	15 728

The recoverable amount of non-life insurance companies has been determined in accordance with the value in use. The cash flow estimates are based on projections approved by the management covering a five-year period. Cash flows beyond this projection period are extrapolated using a steady growth factor.

The main parameters in the value-in-use calculation were as follows:

	A-Insurance		Baltics	
%	2005	2004	2005	2004
Growth in premiums written/year, average 5-year estimate	5	4	7	7
Combined ratio, average 5-year estimate	94	96	96	98
Combined ratio after 5 years	94	98	100	100
Growth rate after 5 years	1	1	1	1
Expected investment return before tax/year	4.5	5.5	4	4
Discount rate before tax	7.3	7.9	8.9	9.6

The five-year plans are based on past experience and on expectations on general trends in market conditions. The growth rates do not exceed the information obtained from external sources. The discount rate has been determined before tax. It is based on the Capital Asset Pricing model, impacted by the risk-free interest rate, company-specific beta figure and country-specific risk premium.

As regards the investment services segment, impairment testing is based on the net sales price determined by multiple-based valuation analysis in 2004, on the tender offer made by OKO Osuuspankkien Keskuspankki Oyj (OKO Bank) in 2005, and on a calculation by an outside valuer.

10. Investments in associates

EUR 1 000	2005	2004
Carrying amount at 1 January	8 850	9 594
Disposals	-	-3
Share of profit (loss) for period	-511	-741
Other equity movements	60	-
Carrying amount at 31 December	8 400	8 850

Information on the Group's associates and the Group's share of their assets, liabilities, turnover and profit (loss):

EUR 1 000	Assets	Liabilities	Turnover	Profit (loss)	Percentage of shares
31 December 2005					
Nooa Savings Bank Ltd	76 108	69 382	2 168	-540	25.00
Autovahinkokeskus Oy	1 544	533	987	49	27.75
Vahinkopalvelu Oy	1 352	688	1 505	-20	46.67
	79 004	70 604	4 659	-511	
31 December 2004					
Nooa Savings Bank Ltd	49 981	42 775	1 118	-825	25.00
Autovahinkokeskus Oy	1 483	523	825	62	27.75
Vahinkopalvelu Oy	1 643	959	2 570	23	46.67
	53 107	44 257	4 514	-741	

Nooa Savings Bank Ltd (domiciled in Helsinki) transacts deposit bank business. Autovahinkokeskus Oy (domiciled in Espoo, Finland) and Vahinkopalvelu Oy (domiciled in Loppi, Finland) sell damaged goods. No published price quotation is available for any of the associates.

11. Financial assets

The Group's financial assets are classified as follows:

EUR 1 000	2005	2004
Available for sale	3 669 230	2 387 013
At fair value through income	553 191	59 994
Loans and receivables	451 982	351 346
Derivative financial instruments	437	5 643
Total (before transfers)	4 674 840	2 803 996
Transfer to assets held for sale (Note 5)	-1 793 673	
Total financial assets (after transfers)	2 881 168	2 803 996
Current assets (after transfers)	563 573	632 401
Non-current assets (after transfers)	2 317 595	2 171 595

Available-for-sale financial assets

EUR 1 000	2005	2 004
Equity securities		
Listed	822 107	639 034
Unlisted	150 869	155 762
Total (before transfers)	972 976	794 796
Transfer to assets held for sale (Note 5)	-239 290	
Total (after transfers)	733 686	794 796
Debt securities		
Listed		
Public corporations	1 855 624	1 056 455
Other	606 609	346 729
Unlisted		
Public corporations	3 846	0
Other	230 175	189 033
Total (before transfers)	2 696 254	1 592 217
Transfer to assets held for sale (Note 5)	-971 174	
Total (after transfers)	1 725 080	1 592 217
Total available-for-sale financial assets (after transfers)	2 458 766	2 387 013

Mutual funds and absolute return funds are included in listed equity securities and private equity funds correspondingly in unlisted equity securities.

Financial assets at fair value through income

EUR 1 000	2005	2 004
Equity securities		
Listed	2 722	21 465
Unlisted	2 252	3 117
Total	4 975	24 582
Assets covering unit-linked insurance contracts	523 010	
Total (before transfers)	527 985	24 582
Transfer to assets held for sale (Note 5)	-523 010	
Total (after transfers)	4 975	24 582
Debt securities		
Listed		
Public corporations	10 407	13 822
Other	11 845	19 506
Unlisted		
Public corporations	2 953	0
Other	1	2 085
Total (before transfers)	25 207	35 413
Transfer to assets held for sale (Note 5)	-22 379	
Total (after transfers)	2 828	35 413
Total financial assets at fair value through income (after transfers)	7 803	59 994

There were no assets held for sale at 31 December 2005 (2004: EUR 19 965 thousand). Other assets were, at initial recognition or at transfer to IFRSs, classified as financial assets at fair value through income.

Debt securities at fair value through income (after transfers) include convertible bonds and other bonds including embedded derivatives totalling EUR 2 828 thousand (2004: EUR 11 191 thousand).

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Holdings in other companies

Name of company	Domicile	Percentage of holding (incl. held for sale)	Carrying amount (after transfers) 31 Dec. 2005 EUR 1 000	Carrying amount (transfer to assets held for sale) 31 Dec. 2005 EUR 1 000
Domestic companies, listed				
Alma Media Corporation	Finland	0.27	1 520	
Amer Sports Corporation	Finland	0.39	1 769	2 664
Atria Group plc	Finland	0.53	582	1 424
Cargotec Corporation	Finland	0.09	1 674	
Done Solutions Corporation	Finland	17.05	2 722	
Finnlines Plc	Finland	1.39	4 390	3 744
Fortum Corporation	Finland	0.03	4 284	
F-Secure Corporation	Finland	0.22	691	
HK Ruokatalo Group Oyj	Finland	0.16	540	
Huhtamäki Oyj	Finland	0.37	1 940	3 371
Incap Corporation	Finland	5.40	1 231	
Inion Ltd.	Finland	1.10	698	
KCI Konecranes Plc	Finland	0.14	864	
Kemira GrowHow Oyj	Finland	0.55	321	1 546
Kemira Oyj	Finland	0.05	828	
Kesko Corporation	Finland	0.11	827	1 787
Kone Corporation	Finland	0.03	2 072	
Lassila & Tikanoja plc	Finland	1.38	6 364	1 480
Martela Oyj	Finland	4.33	1 282	
Metso Corporation	Finland	0.08	2 608	
Neste Oil Corporation	Finland	0.06	2 006	1 910
Nokia Corporation	Finland	0.02	6 904	4 246
Olvi plc	Finland	0.96	1 055	
Orion Corporation	Finland	0.04	765	
Outokumpu Oyj	Finland	0.24	2 636	2 824
Oyj Leo Longlife Plc	Finland	3.06	932	
Rakentajain Konevuokraamo Oyj	Finland	6.94	12 273	
Sampo plc	Finland	0.04	3 734	
SanomaWSOY Corporation	Finland	0.45	12 344	1 963
Spar Finland plc	Finland	4.59	2 436	
Stora Enso Oyj	Finland	0.08	5 498	1 716
Tietoenator Corporation	Finland	0.16	1 782	2 157
UPM-Kymmene Corporation	Finland	0.09	5 902	2 120
Uponor Corporation	Finland	0.48	4 129	2 244
Vaisala Corporation	Finland	0.16		671
Wärtsilä Corporation	Finland	0.04	912	
YIT Corporation	Finland	0.66	11 158	3 613
Other shares			1 029	
Foreign companies, listed				
HedgeFirst Ltd	United Kingdom	3.74	2 625	
Nordea Bank AB	Sweden	0.03	2 508	3 528
TeliaSonera AB	Sweden	0.01		2 275

Holdings in other companies

Name of company	Domicile	Percentage of holding (incl. held for sale)	Carrying amount (after transfers) 31 Dec. 2005 EUR 1 000	Carrying amount (transfer to assets held for sale) 31 Dec. 2005 EUR 1 000
Domestic companies, unlisted				
Bitboys Oy	Finland	13.69	1 911	
Delfoi Ltd	Finland	30.31	807	
Fingrid Oyj	Finland	2.26	2 335	
Futuremark Corporation	Finland	32.51	831	
Enfo Oyj	Finland	2.24	2 735	
NetHawk Oyj	Finland	11.00	6 221	
Pirene Oy	Finland	30.65	614	
SATO Corporation	Finland	6.20	8 851	
Solid Information Technology Ltd	Finland	2.32	2 494	
Tornator Timberland Oy	Finland	5.00	4 000	
Other warrants			343	
Other shares			4 565	101
Foreign companies, unlisted				
Cygate Ab	Sweden	4.65	599	
Other shares			1 611	
Absolute return funds				
Pohjola 2XL	Cayman Islands		11 428	
Morgan Stanley Multi - Strategy Fund - A2	Ireland		3 017	2 011
SGAM A.I. Premium Fund Class C Euro	Ireland		3 019	2 013
Bond funds				
Pimco Global Investm Grade Credit Fund. Inst Inc	Ireland		11 928	
Pohjola Euro High Yield B (growth)	Finland		11 774	
Pohjola Euro Corporate Bond B (growth)	Finland		34 079	
Pohjola Reserve Plus	Finland		61 136	31 590
Pohjola Reserve	Finland		31 020	
Pohjola Bond B (growth)	Finland		67 855	
Pohjola Convertible B (growth)	Finland		22 130	19 476
Pohjola US High Yield	Finland		1 132	
SISF Emerging Markets Debt I, Acc	Luxembourg		13 709	
Other bond funds			214	
Private equity funds				
Aboa Venture III Ky	Finland		1 614	
Access Capital LP II A	United Kingdom		2 250	
Access Capital LP II B	United Kingdom		1 724	
Apax Europe V - D, LP	United Kingdom		8 328	
Arcadia Beteiligungen BT GmbH & Co. KG	Germany		3 575	
Baltic Investment Fund III L.P.	United Kingdom		3 004	
Behrman Capital III L.P.	United States		5 655	
Bio Fund Ventures III Ky	Finland		3 449	
CapMan Equity VII B L.P.	Finland		6 479	
Deutsche European Partners IV (No.3) LP	United Kingdom		1 071	
Duke Street Capital IV UK No.1 LP	United Kingdom		691	
ECI 7 (UK) LP	United Kingdom		2 372	
Eqvitec Technology Fund II Ky	Finland		9 253	
Euroknights IV Jersey No.2 L.P.	United Kingdom		4 098	

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Holdings in other companies

Name of company	Domicile	Percentage of holding (incl. held for sale)	Carrying amount (after transfers) 31 Dec. 2005 EUR 1 000	Carrying amount (transfer to assets held for sale) 31 Dec. 2005 EUR 1 000
European Fund Investments II LP	United Kingdom		1 486	
European Strategic Partners LP	United Kingdom		6 926	
Finnmezzanine Rahasto II B Ky	Finland		1 014	
Finnventure Rahasto V Ky	Finland		2 763	
GrowHow Rahasto I Caymansaaret	Finland		1 336	
Indigo Capital IV L.P.	United Kingdom		2 227	
Industri Kapital 2000 LP IV	United Kingdom		6 073	
Lexington Capital Partners IV. L.P.	United States		3 157	
MB Equity Fund III Ky	Finland		3 332	
Midinvest Fund I Ky	Finland		1 006	
Nexit Infocom 2000 Limited	United Kingdom		1 356	
Nordic Capital IV Limited	United Kingdom		1 398	
Nordic Mezzanine Fund II LP	United Kingdom		1 838	
Nordic Mezzanine Fund No.1 LP	United Kingdom		3 811	
Nova Polonia Private Equity Fund. L.L.C.	Ireland		2 864	
Prime Technology Ventures N.V.	Netherlands		625	
Private Energy Market Fund Ky	Finland		3 411	
Promotion Capital I Ky	Finland		1 765	
Proventure & Partners Scottish LP	United Kingdom		3 003	
Seedcap Ky	Finland		826	
Sention Kasvurahasto Ky	Finland		546	
Sponsor Fund I Ky	Finland		596	
Sponsor Fund II Ky	Finland		1 910	
Tamseed Ky	Finland		592	
Teknoventure Rahasto II Ky	Finland		740	
The First European Fund Investments UK LP	United Kingdom		5 338	
Other private equity funds			1 596	
Equity and balanced funds				
Fidelity America Fund	Luxembourg		630	3 289
Fidelity ASEAN Fund	Luxembourg		1 148	1 823
Fidelity Asian Special Situations Fund	Luxembourg		1 355	2 058
Fidelity China Focus Fund	Luxembourg			664
Fidelity European Larger Companies Fund	Luxembourg		7 960	13 887
Fidelity FAST - Europe Fund	Luxembourg		9 077	13 324
Fidelity Japan Fund	Luxembourg		722	5 207
Fidelity Latin America Fund	Luxembourg		1 631	2 465
Goldman Sachs US Growth Equity Cl I	Luxembourg		9 113	
JPMF Europe Recovery A Acc	Luxembourg			5 073
Parvest Europe Mid Cap - Inst. C	Luxembourg		7 451	
Pohjola Asia Plus B (growth)	Finland		4 560	5 031
Pohjola Commodity B USD	Finland		18 089	8 228
Pohjola Dark Blue Special Mutual Fund	Finland		1 598	
Pohjola Euro 50 Plus B (growth)	Finland		18 645	24 002
Pohjola Euro Forte B (growth)	Finland		1 399	
Pohjola Euro Growth B (growth)	Finland		12 761	6 450
Pohjola Euro Value B (growth)	Finland		15 551	9 432
Pohjola Europe Equity B (growth)	Finland		24 474	9 182

Holdings in other companies

Name of company	Domicile	Percentage of holding (incl. held for sale)	Carrying amount (after transfers) 31 Dec. 2005 EUR 1 000	Carrying amount (transfer to assets held for sale) 31 Dec. 2005 EUR 1 000
Pohjola Focus B (growth)	Finland		838	
Pohjola Japan Plus B (growth)	Finland		8 550	9 662
Pohjola Light Blue Special Mutual Fund	Finland		1 036	
Pohjola Pharma B (growth)	Finland		2 317	4 599
Pohjola Russia Plus B (growth)	Finland		8 076	4 260
Pohjola Solid B (growth)	Finland		2 166	
Pohjola Tekno B (growth)	Finland		1 371	
Pohjola US 500 Plus B USD	Finland		6 343	10 061
PWT US Relative Value	Ireland		8 368	
Schroder Tokyo Fund - Acc JPY	United Kingdom		13 224	
SISF Pacific Equity Class C - Dist.	Luxembourg		6 915	
Other funds				119
Investments covering unit-linked contracts				
Bond funds				
Pohjola Funds	Finland			14 387
Absolute return funds				
Man RMF Investment Strategies Funds	Cayman Islands			1 040
Equity and balanced funds				
ABN AMRO Funds	Luxembourg			3 573
Aktia Funds	Finland			2 567
Alfred Berg Funds	Finland			39 056
Alfred Berg Funds	Sweden			49
Carnegie Funds	Finland			1 572
Carnegie Funds	Luxembourg			9 718
Danske Capital Funds	Finland			4 788
eQ Funds	Finland			2 052
Fidelity Funds	Luxembourg			59 952
Fides Funds	Finland			8 561
FIM Funds	Finland			94 777
Danske Fund Funds	Luxembourg			900
Gartmore Funds	Luxembourg			22 534
Gyllenberg Funds	Finland			14 356
Odin Funds	Norway			24 239
Pohjola Funds	Finland			161 311
Sinopia Funds	France			230
Savings Bank Rahastot	Finland			7 058
Individual savings insurance contracts *)				50 289
Equity securities in total			738 661	762 300

*) There were a total of 161 individual savings insurance contracts, each containing several different mutual funds.

12. Loans and receivables

EUR 1 000	2005	2004
Receivables arising from insurance and reinsurance contracts		
Due from contract holders	158 608	133 467
Of the above, uncertain receivables recognised as expense	-8 253	-7 593
Due from insurance agents, brokers and intermediaries	1 582	690
Due from reinsurers	7 612	7 950
Of the above, uncertain receivables recognised as expense	-477	-528
Recoveries related to claims	32 993	30 380
Receivables related to counter security of guarantee insurance	1 475	2 065
Total	193 540	166 432

	2005	2004
Other loans and receivables		
Due from claims administration contracts	68 767	75 647
Settlement receivables	106 732	33 451
Accrued interest	55 346	34 739
Other prepayments	13 356	20 836
Loans	5 739	11 288
Other receivables	8 503	8 954
Total	258 442	184 914
Transfer to assets held for sale (Note 5)	-37 729	
Total	414 253	351 346
Current portion	408 705	341 168
Non-current portion	5 548	10 178

Claims administration contracts are explained in Note 18.2.

Related parties' share of loans and receivables is presented in Note 39.2f.

The fair value of loans at 31 December 2005 is EUR 5 601 thousand (2004: EUR 11 288 thousand). The fair value of loans is based on market price adjusted by company-specific risk premium. The fair value of other receivables corresponds to their carrying amount.

13. Derivative financial instruments

Currency derivatives have been used to hedge shares, mutual funds and bonds against currency risk. Interest rate and equity derivatives have been used both for hedging and for increasing the risk level of the portfolio within allowed limits.

	2005			2004		
EUR 1 000	Value of underlying security	Fair value/ financial assets	Fair value/ financial liabilities	Value of underlying security	Fair value/ financial assets	Fair value/ financial liabilities
Currency derivatives						
Forward and futures contracts	108 526	71	35	46 360	464	407
Option contracts	176 365	362	935	178 876	5 178	179
Total at 31 December	284 891	433	969	225 236	5 643	586
Interest rate derivatives						
Futures contracts	39 697	4	72			
Total at 31 December	39 697	4	72			
Total (before transfers)		437	1 041		5 643	586
Transfer to assets held for sale (Note 5)		-91	-271			
Total (after transfers)		346	770		5 643	586

14. Reinsurance contract assets

EUR 1 000	2005	2004
Non-life insurance		
Reinsurers' share of insurance contract liabilities (before transfers)	71 981	62 588
Transfer to assets held for sale (Note 5)	-9 599	
Total (after transfers)	62 383	62 588
Current portion (after transfers)	54 375	45 060
Non-current portion (after transfers)	8 008	17 528

The Group does not recognise in profit or loss any gains or losses arising from buying reinsurance, nor defer or amortise them.

Such reinsurance contract assets which relate to claims already paid by the Group are included in the balance sheet item 'Loans and receivables' (Note 12).

15. Cash, cash equivalents and other assets

Cash and cash equivalents

EUR 1 000	2005	2004
Cash at bank and in hand	20 091	35 899
Short-term bank deposits	58 198	54 574
Total (cash and cash equivalents in cash flow statement, before transfers)	78 289	90 473
Transfer to assets held for sale (Note 5)	-27 218	-
Total cash and cash equivalents (after transfers)	51 071	90 473

Other assets

Other assets include damaged goods transferred to the Group's possession totalling EUR 768 thousand (2004: 628 thousand).

16. Notes on equity

a) Reconciliation of number of outstanding shares

EUR 1 000	Number of shares (1 000)	Share capital	Share premium account and legal reserve	Total
1 January 2004	50 773	43 654	198 875	242 529
Bonus issue	101 546	93 433	-93 433	
Equity-settled share-based payment transactions (Note 16c)			166	166
Use of share options (Note 16c)	830	747	2 807	3 554
31 December 2004	153 149	137 834	108 416	246 249
Equity-settled share-based payment transactions (Note 16c)			96	96
Use of share options (Note 16c)	1 055	949	2 984	3 933
Acquistion and cancellation of treasury shares	-856	-770	770	
31 December 2005	153 347	138 012	112 266	250 279

The Group has one class of shares. The shares entitle to dividend and to the Company's assets. Each share carries one vote at a General Meeting of Shareholders. The maximum number of shares is 220 million shares (2004: 220 million shares). The shares do not have a nominal value. The accounting par value of the shares is EUR 0.90/share, and the maximum authorised share capital of the Group is EUR 198 000 thousand (2004: EUR 198 000 thousand). All issued shares are fully paid up.

Treasury shares

In 2005, the Group acquired a total of 856 000 of its own shares (treasury shares) in several lots from the stock exchange. The purchase price of the shares was EUR 8 450 thousand, which is presented as a deduction of retained earnings. Of the acquired treasury shares, a total of 856 000 shares were cancelled in 2005. The share capital was lowered by transferring the amount corresponding to the total accounting par value of the shares, EUR 770 thousand, from the share capital to the share premium account.

b) Share premium account and legal reserve

The share premium account and the legal reserve are part of restricted equity. For instance, an amount paid for shares in excess of the accounting par value in connection with a new issue of shares, as well as realised gains obtained in connection with the disposal of treasury shares are entered in the share premium account. The reserves can be used for bonus issues and to cover such losses which the Company's own equity is not sufficient to cover.

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c) Share-based payments (option arrangements)

The Group has one option plan resolved in 2001. Option rights have been granted to the President and 43 other key staff members. The maximum number of option rights was 1 100 000. Each option entitles the holder to subscribe for three Pohjola Group shares (before the bonus issue resolutions of 22 April 2004, an option right entitled to one share) in the period specified in the option plan. The subscription price of a share is lowered by the amount of dividends distributed before share subscription at the record date of each dividend distribution. The shares subscribed with options entitle to dividend for the period in which they were subscribed.

Option rights are subject to a transfer restriction until the share subscription period for them has begun. On the expiry of an employment or service relationship, the option holder shall return to the Company those options for which the subscription period has not yet started.

Movements in outstanding options and weighted average subscription prices are as follows:

	2005 Average subscription price EUR/share	Option rights (1 000)	2004 Average subscription price EUR/share	Option rights (1 000)
At beginning of financial period	4.33	800	5.30	1 077
Forfeited	3.39	-4	-	-
Exercised	3.73	-352	4.28	-277
At end of financial period	3.55	444	4.33	800
Exercisable options at end of financial period	3.55	444	4.70	310

During the financial period, a total of 1 054 500 shares were subscribed with option rights (2004: 830 094 shares). The Group received EUR 3 933 thousand (2004: EUR 3 554 thousand) for exercised options, of which EUR 949 thousand (2004: EUR 747 thousand) was recognised in the share capital and EUR 2 984 thousand (2004: EUR 2 807 thousand) in the share premium account. The average subscription price was EUR 3.73 (2004: EUR 4.28). The corresponding average share price of the Pohjola share for the subscription dates was EUR 13.21 (2004: EUR 8.37).

The subscription periods and subscription prices of outstanding options at the balance sheet date are as follows:

Option right	Subscription period	2005 Subscription price EUR/share	Number of shares in thousands	2004 Subscription price EUR/share	Number of shares in thousands
A	1 Aug. 2003-30 July 2006	5.8033	88	6.5033	235
B	1 Aug. 2004-30 July 2006	3.3933	-	4.0933	694
C, combined B/C since 29 July 2005	1 Aug. 2005-30 July 2006	3.3933	1 245	4.0933	1 472
Total			1 333		2 401

The expiry date of all option rights is 31 July 2006. The subscription price on 31 December 2005 is reduced by the amount of dividends distributed in 2006.

Options which were granted after 7 November 2002 and which did not vest before 1 January 2005 (in total 79 750 C options) have been recognised in accordance with IFRS 2 Share-based Payment. The amount of expenses recognised in the income statement over the period is EUR 96 thousand (2004: EUR 166 thousand).

d) Translation differences

The translation reserve includes the translation differences resulting from the translation of foreign subsidiaries' financial statements

e) Fair value reserve

The fair value reserve includes changes in the fair values of available-for-sale financial assets and the related income tax. Deferred tax liability is recognised on unrealised gains. Current tax on unrealised losses is recognised in the reserve and is transferred from there to the income statement when the asset is realised or when the loss is recognised as an impairment loss in the income statement.

EUR 1 000	31 Dec. 2005	31 Dec. 2004
Accumulated unrealised gains	222 377	222 765
Deferred tax	-57 849	-57 893
Accumulated unrealised losses	-16 439	-31 087
Current tax	4 274	8 082
Total	152 363	141 868

Accumulated income and expenses recognised directly in equity and pertaining to assets held for sale and to liabilities related to these assets (Note 5) total EUR 15 163 thousand.

f) Distributable funds

Profit distribution in the parent company must not exceed the amount of the parent company's distributable funds nor the amount of the Group's distributable funds. The parent company's distributable funds totalled EUR 354 593 thousand on 31 December 2005 (2004: EUR 296 361 thousand).

The Group's distributable funds

EUR 1 000	2005	2004
Retained earnings	775 326	619 192
Equalisation provision net of deferred tax	-194 091	-154 280
Untaxed reserves net of deferred tax	-7 146	-8 267
Accumulated unrealised gains on financial assets net of tax	-973	-2 054
Fair value reserve		
Accumulated losses net of current tax	-12 165	-23 004
Translation difference on the above	-953	-294
Total	559 997	431 292

Portion of equalisation provisions in equity

The Finnish Insurance Companies Act requires insurance companies to have an equalisation provision, the purpose of which is to even out the annual fluctuations of claims incurred and to maintain the risk carrying capacity of insurance companies. Transfers to the equalisation provision are tax-deductible, but the equalisation provision is subject to tax when it is decreased. In the IFRS balance sheet, the equalisation provision is included in retained earnings after being reduced by deferred tax liability. This portion, however, is classified as non-distributable equity. The equalisation provision totals EUR 262 286 thousand (2004: EUR 208 487 thousand), of which an amount of EUR 194 091 thousand, reduced by deferred tax, is included in retained earnings (2004: EUR 154 280 thousand).

The equalisation provision is computed by line of insurance for each Finnish insurance company of the Group. The size of the equalisation provision is determined in accordance with the bases confirmed by the authorities for each company. The equalisation provision increases if the loss ratio (claims incurred for own account to insurance premium revenue) of the line of insurance is lower than previous years' average, and decreases if the loss ratio exceeds the said average. The change corresponds to the monetary effect of the loss ratio deviation in each line of insurance. In addition, the equalisation provision increases by an interest of 4% per year. The company may also, at its discretion, increase the equalisation provision annually by a maximum of 15% of the insurance premium revenue, net of reinsurance. Any change in the percentage requires an advance approval of the authorities. Depending on the nature and volume of the insurance business, the equalisation provision has an upper limit which cannot be exceeded. In addition, the minimum requirement depends on the solvency margin of the company. Thus, insurance companies in Finland are, in practice, subject to higher minimum solvency requirements than those provided under the EU non-life insurance directives. The equalisation provision decreases only in the above-mentioned manner, through weakening of the loss ratio. In connection with an insurance portfolio transfer, the equalisation provision must also be transferred. When a company is dissolved, the unused equalisation provision will, however, remain the shareholders' property.

Portion of untaxed reserves of retained earnings

Under Finnish accounting and tax legislation, untaxed reserves (voluntary provisions and depreciation in excess of schedule) can be included in separate financial statements. These items are tax-deductible only if deducted also in the books. On the IFRS balance sheet untaxed reserves, reduced by deferred tax liability, are included in retained earnings, but this portion is non-distributable equity.

g) Principle of equity of life insurance

The principle of equity of life insurance has an impact on how unrealised gains are, in the long term, divided between owners and policyholders. More detailed information on the principle of equity is provided in Notes 2.15 and 2.16b.

h) Dividends

The dividends paid in 2005 were EUR 107 042 thousand (EUR 0.70/share) and the dividends paid in 2004 were EUR 149 780 thousand (EUR 0.98/share). No dividend distribution has been proposed for 2005.

17. Insurance contract liabilities and reinsurance assets

a) Non-life insurance contracts

	31 Dec. 2005			31 Dec. 2004		
EUR 1 000	Gross	Reinsur-ance	Net	Gross	Reinsur-ance	Net
Provision for unpaid claims for annuities	982 279	-29	982 251	930 016	0	930 016
Other provisions by case	122 715	-35 852	86 864	118 002	-37 284	80 718
Special provision for occupational diseases	45 150	0	45 150	48 472	0	48 472
Collective liability (IBNR)	435 141	-7 135	428 006	406 509	-10 328	396 180
Reserved loss adjustement expenses	48 635	0	48 635	49 445	0	49 445
Unearned premium provision	248 402	-28 966	219 436	241 359	-14 976	226 383
Provision for unexpired risks	609	0	609	2 257	0	2 257
Total liabilities/receivables (before transfers)	1 882 932	-71 981	1 810 950	1 796 059	-62 588	1 733 471
Transfer to assets held for sale and to related liabilities (Note 5)	41 024	-9 599	31 425			
Total liabilities/receivables (after transfers)	1 841 908	-62 383	1 779 525	1 796 059	-62 588	1 733 471
Short-term liabilities/receivables (after transfers)	534 153	-54 375	479 778	520 857	-45 060	475 797
Long-term liabilities/receivables (after transfers)	1 307 754	-8 008	1 299 747	1 275 202	-17 528	1 257 674

The collective liability includes such losses which have occurred but which have not been reported to the Group and, in addition, such reported losses for which no provision by case has been made because of the small size of the losses.

b) Life insurance contracts

The liabililties/receivables relating to life insurance are presented under assets held for sale and related liabilities (Note 5).

	31 Dec. 2005			31 Dec. 2004		
EUR 1 000	Gross	Reinsur-ance	Net	Gross	Reinsur-ance	Net
Non-linked insurance contracts with discretionary participation feature	985 964		985 964			
Unit-linked life insurance contracts	493 381		493 381			
Term insurance						
Provision for unpaid claims	6 219		6 219			
Unearned premium provision	23 063		23 063			
	29 282		29 282			
Total liabilities/receivables (Note 5)	1 508 627		1 508 627			

17.1 VALUATION OF LIABILITIES ARISING FROM NON-LIFE INSURANCE CONTRACTS

a) Methods and assumptions used

The liabilities arising from insurance contracts are determined on the basis of estimated future cash flows. The cash flows comprise paid claims and loss adjustment expenses.

The amount of liability has been estimated in such a way that it is, with reasonable probability, sufficient to cover the liabilities arising from insurance contracts. This has been done by estimating an expected value for the liability and, after that, by determining a safety loading based on the degree of uncertainty related to the liability.

For corporate insurance contracts, the provision for unearned premiums has been determined by contract in accordance with the pro rata parte temporis rule. The same rule has also been applied to private customers' insurance contracts, but this has been technically carried out by using factors which are derived statistically from the Group's own insurance portfolio and which are tied to insurance premium revenue.

The provision for unpaid claims for annuities corresponds to the discounted present value of cash flow of compensation for loss of income payable as continuous annuity. The discount rate used is decided taking into account the prevailing interest rate level, security required by law and the upper limit of the discount rate set by the authorities. At the end of 2005, the discount rate used was 3.3% (31 Dec. 2004: 3.5%). The mortality model applied is the cohort mortality model which is based on Finnish demographic statistics and which assumes the current increase in longevity to continue.

The provision for unpaid claims includes asbestos liabilities, most of which arise from occupational diseases coverable under statutory workers' compensation insurance. The forecasted cash flow of these claims is based on an analysis made in 2001, which takes account to what extent asbestos was used annually as raw material in Finland and how the latency periods of different asbestos diseases are distributed. The trends in asbestos-related claims are monitored annually and the outcome has corresponded well to the forecast.

Information describing nature of liability

	2005	2004
Insurance contract liabilities (net, EUR 1 000)		
Latent occupational diseases (Note 3.2.1)	45 150	48 472
Run-off business (included in assets held for sale in 2005)	31 425	32 432
Other	1 734 376	1 652 567
Total (before transfers)	1 810 950	1 733 471
Percentage of liability turning into cash flow during the year	29%	29%
Duration of liability (in years)		
Statutory lines	11.0	11.0
Other lines	1.7	1.7
Total	7.4	7.4
Amount of discounted liability (net, EUR 1 000)		
Provision for known unpaid claims for annuities	982 251	933 982
Collective liability (IBNR)	162 076	142 432
Unearned premium provision	27 238	26 610
Total	1 171 565	1 103 024
Duration of discounted liability (in years)	11.0	11.0

The valuation of collective liability is based on different statistical methods: Bornhuetter-Ferguson, Chain Ladder, Hovinen, PPCI and the average premium method. When applying these methods, other selections must also be made beside the selection of method, such as deciding to how many occurrence years' statistics the methods will be applied.

Bornhuetter-Ferguson

The Bornhuetter-Ferguson (BF) method is based on the assumption that, in each development year, a certain portion of claims are paid of the measure of exposure of the occurrence year. This measure of exposure can, for instance, be the number of policy years or insurance premium revenue adjusted by the loss ratio assumption. BF reacts slowly to changes in the development triangle of claims. In addition, BF is sensitive to the selection of the measure of exposure.

Chain Ladder

In the Chain Ladder (CL) method, the total claims expenditure for each occurrence year is determined by annual development factors. A development factor describes the relation between the successive development years in the cumulative claims development triangle. CL is sensitive to the observations in the first development years.

Hovinen

In the Hovinen method, the collective liability is based on the weighted average of the evaluations provided by the BF and CL methods. The Hovinen method takes account of how much information has accumulated on the occurrence year to date and, accordingly, weights the estimate obtained on liability between BF and CL.

PPCI

The PPCI (Payments per Claim Incurred) method corresponds to the BF method but the risk measure is the number of claims which have occured. To be able to apply the PPCI method, the estimates of the number of claims must be know by occurrence year.

Average payment

The average payment method corresponds to the BF method, but the claims paid in the development year are assumed to be comparable with the number of losses detected in the development year concerned. To be able to use the average payment method, the numbers of detected claims for previous development years must be known. In addition, estimations of future detected claims must be available. The average payment method functions well in insurance lines where the cash flows of paid claims have a long maturity, because, in that case, the average payment can be stabilised and it is possible to concentrate on the development of the number of paid claims.

In the valuation of collective liability, the largest risks relate to

- estimating future rate of inflation (excl. compensation for loss of income)
- adjustment of changes due to changed compensation practices and legislation in the development triangle of claims (i.e. whether history provides a correct picture of the future)
- adequacy of historical information over a period of tens of years.

When evaluating the amount of collective liability, the development triangles of claims have been inflation adjusted. For historical data, the level of inflation has been estimated at 2% and, for future medical expenses benefits, at 4%, and elsewhere at 2%.

Of the collective liability, only the liability for annuities has been discounted.

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When evaluating the collective liability, the Group's portfolio of non-life insurance contracts has been divided into 41 classes based on the risks involved and the maturity of the cash flow of paid claims. In each class, the collective liability has been evaluated using the five above-mentioned statistical methods. Of these evaluations, the one which is best suited for the class concerned is chosen. The choice has been based on how well the model would have forecasted previous years' developments. Another basis for the choice has been the sensitivity of the estimations provided by the method to the number of statistical years used. A 2 to 10% safety loading has been added to the expected value given by the selected method. At the Group level, the safety loading is 6.9% of the amount of the collective liability. The safety loading is impacted by the nature of historical data, the sensitivity of the value to the number of history years and the spread of the estimates given by the different methods.

In the valuation of the collective liability, account has been taken of the fact that historical data do not, in all circumstances, provide sufficient information regarding long-distance future. In those cases, attempts have been made to estimate safely the behaviour of the distribution of cash flows from paid claims in areas from where there are no observations and which are in a distant future (over 15 years).

When estimating the collective liability for medical expenses and rehabilitation expenses benefits in statutory workers' compensation and motor liability insurance, it has been taken into account that the claims paid for losses which have occurred more than 10 years ago are financed by the pay-as-you-go system (Note 3.2.1c).

b) Changes in assumptions

Up to 2004, the collective liability was determined using either the Bornhuetter-Ferguson or the Chain Ladder method. Since 2005, the collective liability has been determined using the five statistical methods indicated in item a). In addition, the processes for determining, analysing and monitoring the collective liability have been systematised. Especially, a correct and statistically justifiable expected value is sought for the provision for unpaid claims. Moreover, safety loadings which describe the uncertainty of estimates have been determined explicitly for the amount of collective liability.

The rate used for the discounted insurance contract liabilities was, at the end of 2003, changed to 3.7%, at the end of 2004, to 3.5% and, at the end of 2005, to 3.3%. The changes were made because of the lowering of the interest rate level. The projection of the provision for unearned premiums was specified further in 2005. The parameters for the collectively calculated items were adjusted but the basic assumptions in projection remained unchanged.

Effect of changes in methods and assumptions on amount of liability

EUR 1 000 (increase +/decrease - in liability)	2005	2004
Change in discount rate	23 606	20 179
Change in basis of calculation of collective liability	-18 601	-22 670
Adjustment to calculation of unearned premium provision	-15 953	
Adoption of new mortality model	7 051	
Total	-10 948	4 560

c) Sensitivity analysis

Collective liability

Sensitivity of collective liability to inflation assumptions:

- 0.25 %-point change in claims inflation increases collective liability by EUR 2.1 million
- Increase in medical expenses inflation from 4% to 5% increases collective liability by EUR 5.9 million

The sensitivity of collective liability to selected statistical methods and to the number of history years used:

The selected basic level is the amount of collective liability at the end of 2005, EUR 428 million, excluding the run-off business included in assets held for sale. In each table, comparison has been made with the Group's total collective liability. The greatest uncertainty in the amount of collective liability is caused by Finnish customers' foreign insurance policies, for which the BF method estimates the claims expenditure systematically larger because the volume of the business has decreased markedly over the past few years. Therefore, the CL method provides a more accurate picture of the sensitivity of the collective liability for this business. Furthermore, because the duration of the cash flow distribution of annuities is over 10 years and individual claims may cause considerable variations in the claims development triangle, it is not reasonable to evaluate collective liability using an under six-year claims history. The below tables therefore show that a safety loading of 6.9% can be considered sufficient at the Group level.

Sensitivity of collective liability

	Number of years	Method BF	CL	HOVINEN
Total provision for unpaid claims	6	107%	102%	104%
	9	102%	96%	99%
	All	105%	93%	99%
Finnish customers' foreign policies (proportion: 1%)	6	103%	99%	101%
	9	102%	99%	100%
	All	104%	99%	101%
Annuities (proportion: 37%)	6	104%	101%	103%
	9	101%	96%	99%
	All	100%	92%	97%
Other provision for unpaid claims (proportion: 62%)	6	100%	101%	100%
	9	99%	100%	99%
	All	101%	102%	101%

Provision for unpaid claims for annuities

The sensitivity of the provision for unpaid claims for annuities has been evaluated in relation to changes in mortality and interest rate:

- Expected increase in longevity by one year increases the provision for unpaid claims by EUR 27 million.
- Decrease in discount rate by 0.1 %-point increases the provision for unpaid claims by EUR 13 million.

d) Claims development

The claims triangle compares the actual claims incurred with previous estimates. The triangles describing claims development have been drawn up by occurrence year.

With the exception of long-term liabilities, claims development for the gross business has been presented over a period of five years. The capital value of finalised annuities has been treated as if the annuities had been paid at the capital amount in connection with confirmation as final. For long-term liabilities, i.e. annuities confirmed final and asbestos-related claims, information on the adequacy of insurance contract liabilities has been provided. The provision for unpaid claims relating to the portfolio held for sale has been excluded from the claims triangle. As regards the net business, information has been given for 2004 and 2005 because this information was not earlier entered in statistics by occurrence year.

Claims triangles, gross business (EUR 1 000)

Occurrence year	2001	2002	2003	2004	2005	Total
Estimated total claims expenditure						
At end of occurrence year	506 023	496 033	519 615	523 213	539 727	2 584 610
1 year later	503 293	469 148	493 163	528 032	–	–
2 years later	508 221	455 933	471 431	–	–	–
3 years later	497 388	446 900	–	–	–	–
4 years later	480 029	–	–	–	–	–
Current estimate of accumulated claims expenditure	480 029	446 900	471 431	528 032	539 727	2 466 118
Accumulated claims paid	-441 257	-396 867	-398 330	-397 603	-257 870	-1 891 927
Provision for unpaid claims for 2001-2005	38 772	50 033	73 100	130 429	281 856	574 191
Provision for unpaid claims for previous years						272 623
Provision for unpaid claims for portfolio held for sale (Note 5)						41 024
Provision for unpaid claims for confirmed annuities						710 755
Collective liability for asbestos claims						35 327
Provision for unpaid claims, gross at 31 Dec. 2005 (before transfers)						1 633 921

Development of asbestos claims (EUR 1 000)

Financial period	Collective liability	Known liabilities	Claims paid for annuities	Claims incurred	Changes in reserving bases*	Adequacy
2001	57 660	24 077	-2 067	-55 095	43 900	-11 195
2002	52 389	26 068	-3 028	252	0	252
2003	46 911	26 979	-2 972	1 595	0	1 595
2004	39 956	32 235	-2 620	-920	1 600	680
2005	35 327	32 021	-2 849	1 993	800	2 793

* Increase in collective provision for asbestos claims in 2001. Chages in mortality basis and discount rate in 2004 and 2005.

Development of annuities confirmed final (EUR 1 000)

Financial period	At beginning of year	At end of year	New annuity capital	Annuities paid	Changes in reserving bases*	Adequacy
2004	613 309	663 882	42 683	26 395	28 404	-5 881
2005	663 882	710 755	63 861	27 100	14 472	4 361

* Effect of changes in mortality basis (2004) and discount rate (2004 and 2005) on final annuity capital.

Claims triangles, net business (EUR 1 000)

Occurrence year	2004	2005	Total
Estimated total claims expenditure			
At end of occurrence year	504 007	524 744	1 028 751
1 year later	508 765		–
Current estimate of accumulated claims expenditure	508 765	524 744	1 033 509
Accumulated claims paid	-383 033	-253 057	-636 091
Provision for unpaid claims for 2001-2005	125 732	271 687	397 419
Provision for unpaid claims for previous years			415 979
Provision for unpaid claims for portfolio held for sale (Note 5)			31 425
Provision for unpaid claims for confirmed annuities			710 755
Collective liability for asbestos claims			35 327
Provision for unpaid claims, net at 31 Dec. 2005 (before transfers)			1 590 905

17.2 VALUATION OF LIABILITIES ARISING FROM LIFE INSURANCE CONTRACTS

a) Methods used

The liabilities arising from insurance contracts are determined as the present value of the already accumulated future benefits and of expenses for administration of contracts. The liability is recalculated each balance sheet date mainly using pricing assumptions. The change in future cash flows due to declared customer bonuses is included in the insurance contract liabilities. The liabilities for unit-linked insurance contracts are, however, measured at the fair value of the assets covering the liabilities.

The projection of liabilities for contracts including savings is carried out technically applying the Thiele equation.

Besides the liability for annuities already being paid, the insurance contract liabilities include other reported but unpaid benefits. In addition, an experience-based portion of the forecasted benefit expenditure (so-called pure premiums) is reserved as a provision for unreported losses which have occurred before the balance sheet date. The collective factors needed for this have been determined on the basis of the benefit cost history of Suomi Mutual Life Assurance Company, which transferred the portfolio to the Group.

In term insurance, the portion of premiums written allocated to the period after the balance sheet date is recognised in the balance sheet under insurance contract liabilities (provision for unearned premiums).

Information describing nature of liability

Contract group/ technical interest, %	Discount rate %	Number of insureds	Average future duration in years	Carrying amount of liability 31 Dec. 2005 EUR 1 000	Acquisitions (Note 6) 1 Jan. 2005 EUR 1 000	Increase in insurance contract liabilities* if discount rate decreases by 0.1%-point
Life insurance contracts/saving						
Technical interest 4.5%	3.50%	5 373	7.5	88 369	88 194	634
Technical interest 3.5%	3.50%	25 790	9.1	345 141	367 044	3 020
Technical interest 2.5%	2.50%	11 491	14.1	88 515	75 836	1 220
Technical interest 1.5%	1.50%	383	18.5	743		14
Unit-linked		Incl.above		271 537	170 101	
Deferred annuity contracts						
Technical interest 4.5%	3.50%	7 202	6.1	101 354	82 358	591
Technical interest 3.5%	3.50%	24 532	8.9	151 244	126 082	1 294
Technical interest 2.5%	2.50%	12 921	11.7	18 916	16 202	215
Technical interest 1.5%	1.50%	527	7.5	23		0
Unit-linked		Incl.above		215 381	140 226	

Information describing nature of liability

Contract group/ technical interest, %	Discount rate %	Number of insureds	Average future duration in years	Carrying amount of liability 31 Dec. 2005 EUR 1 000	Acquisitions (Note 6) 1 Jan. 2005 EUR 1 000	insurance contract liab-ilities* if discount rate decreases by 0.1%-point
Group pension contracts						
Supplementary employee pension contracts	3.50%	14 700		183 145	71 292	
Technical interest 3.5%	3.50%	234	7.6	2 380	1 900	17
Technical interest 2.5%	2.50%	170	7.2	1 149	180	8
Technical interest 1.5%	1.50%	22	19.6	5		0
Unit-linked		Incl.above		6 463	3 961	
Term insurance contracts						
Individual contracts	-	93 336	-	6 404	5 246	
Group contracts	-	16 155	-	22 878	2 972	
Provision for future customer bonuses				4 980		
Total		212 836		1 508 627	1 151 594	7 014*
Of which discounted liability in total				980 984	829 088	

* Excluding supplementary employee pension contracts

b) Technical assumptions and their changes

Discount rate

The discount rate applied by the Group is decided taking into account the prevailing interest rate level, security required by the law, and the upper limit for discount rate set by the authorities. Until December 2005, the discount rate corresponded to the interest rate used in pricing (guaranteed interest). In that case, the amount of insurance contract liabilities, with the exception of surrender penalty, equals the amount of customer savings available for withdrawal at the balance sheet date. At the end of 2005, the insurance contract liabilities earlier discounted with a 4.5% rate of interest was calculated with a discount rate of 3.5%. The change increased insurance contract liabilities by EUR 12 million.

In the table describing the nature of liability, the life insurance portfolio of the Group, as at 31 December 2005, has been divided by interest rate. The average duration of contracts in the table is the average of the remaining insurance periods, weighted by the insurance contract liabilities. For deferred annuity policies, duration is the time from the end of 2005 to the commencement of annuity payments. The duration of lifetime contracts and other contracts of very long duration is set to 20 years.

If the discount rate of individual insurance contracts were to be lowered by 0.1 percentage point, the liability arising from insurance contracts would increase by around EUR 7 million. The amount of insurance contract liabilities must not be decreased from the present level of surrender values by changing the interest rate or other insurance technical assumptions.

Mortality and morbidity

The insurance technical assumptions for the individual insurance portfolio are based on the mortality and disability tables derived from the analyses of Finnish insurance companies completed in 1987, including amendments made to them later. The same assumptions are applied to group life insurance contracts. The premiums for medical expenses insurance, on which the insurance contract liabilities are based, were adjusted on the basis of the most recent experience for policy years from 2005. The mortality and disability assumptions in group pension contracts are based on models applied in statutory employee pension schemes. The suitability of the mortality model of statutory employee pension insurance to group pension contracts was verified in 2001.

Expenses for administration of insurance contracts

Future administration expenses have been included in the insurance contract liabilities in accordance with pricing bases. The administration expenses incurred in 2005 were EUR 6 million smaller than the amount estimated to be released from contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17.3 MOVEMENTS IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

a) Non-life insurance contracts

		2005			2004	
EUR 1 000	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Claims and loss adjustment expenses						
Provision for known unpaid claims	1 145 935	-37 284	1 108 651	1 127 469	-28 925	1 098 543
Collective liability (IBNR)	406 509	-10 328	396 180	397 895	-8 013	389 882
Liabilities/receivables at 1 January	1 552 443	-47 612	1 504 831	1 525 364	-36 938	1 488 426
Acquired business at 1 January (Note 6)	14 034		14 034			
Transfer of liability to life insurance (item b)	-1 424		-1 424			
Claims paid in period	-521 241	22 737	-498 504	-488 430	16 102	-472 328
Change in liability/receivable						
Current period claims (Note 29)	521 474	-18 011	503 463	494 104	-22 403	471 701
Increase(decrease) in previous periods (Note 29)	23 337	292	23 629	-17 957	-5 541	-23 498
Change in discount rate (Note 29)	23 606	0	23 606	20 179	0	20 179
Other change in reserving bases (Note 29)	-18 601	0	-18 601	-15 619	0	-15 619
Unwinding of discount (Note 34)	36 388	0	36 388	38 335	0	38 335
Foreign exchange gains (losses)	3 905	-421	3 484	-3 532	1 167	-2 365
Liabilities/receivables at 31 December (before transfers)	1 633 921	-43 015	1 590 905	1 552 443	-47 612	1 504 831
Transfer to assets held for sale and to related liabilities (Note 5)	41 024	-9 599	31 425			
Liabilities/receivables at 31 December (after transfers)	1 592 897	-33 417	1 559 480			
Provision for known unpaid claims (after transfers)	1 157 755	-26 282	1 131 474	1 145 935	-37 284	1 108 651
Collective liability (IBNR) (after transfers)	435 141	-7 135	428 006	406 509	-10 328	396 180
Liabilities/receivables at 31 December (after transfers)	1 592 897	-33 417	1 559 480	1 552 443	-47 612	1 504 831
Unearned premium provision						
Liabilities/receivables at 1 January	241 359	-14 976	226 383	234 014	-14 721	219 292
Acquired business at 1 January (Note 6)	4 650		4 650			
Transfer of liability to life insurance (item b)	-8 363		-8 363			
Increase (Note 23)	240 048	-13 976	226 072	236 584	-26 987	209 597
Release (Note 23)	-212 383	66	-212 316	-230 159	26 638	-203 521
Change in reserving basis (Note 23)	-15 953	0	-15 953			
Foreign exchange gains (losses)	-1 829	-81	-1 910	-92	94	2
Unwinding of discount (Note 34)	873	0	873	1 013	0	1 013
Liabilities/receivables at 31 December (after transfers)	248 402	-28 966	219 436	241 359	-14 976	226 383
Unexpired risk provision						
Liabilities/receivables at 1 January	2 257	0	2 257	5 362	0	5 362
Increase (Note 23)	0	0	0	0	0	0
Release (Note 23)	-1 648	0	-1 648	-3 105	0	-3 105
Liabilities/receivables at 31 December (after transfers)	609	0	609	2 257	0	2 257
Total liabilities/receivables at 31 December (after transfers)	1 841 908	-62 383	1 779 525	1 796 059	-62 588	1 733 471

The provision for unearned premiums represents obliagations relating to insurance cover which has not yet expired at year-end.
The provision for unexpired risks relates to such motor vehicle insurance contracts in which the insurance period is an average of 3 years and for which the Group expects to pay claims in excess of the related provision for unearned premiums.

b) Life insurance contracts

The liabilities/receivables pertaining to life insurance contracts are presented under assets held for sale and related liabilities (Note 5).

	2005			2004		
EUR 1 000	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Non-linked business						
Liabilities/receivables at 1 January	0		0			
Acquired business at 1 January (Note 6)	829 088		829 088			
Increase in liability due to payments	172 526		172 526			
Benefits paid	-54 369		-54 369			
Transfer to unit-linked business	-5 264		-5 264			
Interest credited	33 505		33 505			
Other debitings and creditings	-6 407		-6 407			
Change in discount rate	11 905		11 905			
Provision for future customer bonuses	4 980		4 980			
Liabilities/receivables at 31 December (Note 5)	985 964		985 964			
Unit-linked business						
Liabilities/receivables at 1 January	0		0			
Acquired business at 1 January (Note 6)	314 288		314 288			
Increase in liability due to payments	112 694		112 694			
Benefits paid	-27 320		-27 320			
Transfer from non-linked business	5 264		5 264			
Change in unit price	98 212		98 212			
Other debitings and creditings	-9 757		-9 757			
Liabilities/receivables at 31 December (Note 5)	493 381		493 381			
Term insurance business						
Liabilities/receivables at 1 January	0		0			
Acquired business at 1 January (Note 6)	8 218		8 218			
Reorganisation of Employees' Group Life Insurance Pool (TRHV) at 1 January						
Transfer of liability from non-life insurance (item a)	9 788		9 788			
Transfer of liability from other pool members	10 896		10 896			
Increase in liability due to payments	29 977		29 977			
Interest credited	497		497			
Effect of change in reserving basis of TRHV pool	-787		-787			
Released liabilities	-30 192		-30 192			
Other movements	885		885			
Liabilities/receivables at 31 December (Note 5)	29 282		29 282			
Total liabilities/receivables at 31 December (Note 5)	1 508 627		1 508 627			

In connection with the reorganisation of the Employees' Group Life Insurance Pool on 1 January 2005, the Group increased its share in the pool. Before the reorganisation, the Group's share of the liabilities of the pool was 14.6%. The liabilities were included in non-life insurance as assumed reinsurance. In the reorganised pool, the Group's share is 30.8%, consisting of direct insurance included in life insurance.

The effect of customer bonuses declared in 2005, EUR 3 121 thousand, is included in the interest credited on non-linked insurance contracts. A provision of EUR 1 246 thousand was made for other extra benefits. The provision is included in the item "Other debitings and creditings".

18. Financial liabilities

18.1 INVESTMENT CONTRACT LIABILITIES

Investment contract liabilities are presented under liabilities related to assets held for sale (Note 5).

EUR 1 000	31 Dec. 2005	31 Dec. 2004
Measured by effective interest method		
Non-linked contracts	19 940	
Measured in the manner of insurance contracts		
Non-linked contracts	26 753	
Unit-linked contracts	20 493	
	47 246	
Investment contract liabilities in total (Note 5)	67 186	

Movements in liability measured in the manner of insurance contracts: 1)

EUR 1 000	2005	2004
Liabilities at 1 January	0	
Business acquisitions at 1 January (Note 6)	46 053	
Benefits paid	-4 575	
Interest credited	1 013	
Change in fair value (net)	4 702	
Other debitings and creditings	53	
Liabilities at 31 December (Note 5)	47 246	

1) In the income statement, payments received are recognised as premiums written (2005: EUR 0) and increase in liability as expense ('Investment contract benefits').

a) Carrying amount of liabilities

The Group acquired the main part of the investment contracts through a business acquisition on 1 January 2005 (Note 6). The contracts are described in greater detail in Note 2.17a.

On non-linked investment contracts, a fixed guaranteed technical interest is paid, which is determined on the basis of the effective date of the contract and which the Group is not allowed to alter during the contract period.

In addition, non-linked contracts, measured in the manner of insurance contracts, entitle to an additional return (customer bonus), subject to the Group's discretion, on the basis of the surplus arsing from the contract portfolio. When determining the customer bonus, the Group takes into account, to a reasonable degree, the total amount of the customer bonuses to be declared on these contracts and, as regards their distribution, the surplus generated by these contracts and the way the surplus is formed. Customer bonuses must not jeopardise the fulfilment of the Company's solvency requirements or the stability of the customer bonus level. In addition to the fixed technical interest, the carrying amount of the liability includes the additional interest declared on contracts by the balance sheet date.

Like insurance contracts, unit-linked investment contracts have been recognised at fair value through income because the contracts can be exchanged for such non-linked contracts which include a discretionary participation feature (DPF).

As long as a contract is unit-linked, its carrying amount is based on the development of the value of the mutual funds selected by the contract holder. Through the weighting chosen, the contract holder has the right to link the value development of the savings in a unit-linked contract to the development of the value of several mutual funds; therefore, the value trend in each contract is specific and the changes in fair value cannot be described by an index. The amount payable to the holder of the obligation at the expiry date is determined on the basis of the fair value of the mutual fund at that date. There is no difference between the carrying amount and fair value of the liability at the expiry date.

Information on nature of liability

Product/ Guaranteed interest rate %	Discount rate %	Number of contracts	Average future duration, years	Total liability 31 Dec. 2005 EUR 1 000	Acquisitions (Note 6) 1 Jan. 2005 EUR 1 000
Measured by effective interest method					
Pohjola Tuotto		2 014	2.4	19 940	20 060
Measured in the manner of insurance contracts					
Guaranteed technical interst 4.5%	3.50%	25	2.5	5 687	6 302
Guaranteed technical interst 3.5%	3.50%	168	4.6	21 066	20 923
Unit-linked		incl.above		20 493	18 828
Total		2 207		67 186	66 113

b) Fair value of liabilities

The fair value of non-linked contracts, measured by the effective interest method, was EUR 19 655 thousand on 31 December 2005. The fair value is based on the present value of expected future cash flows. The discount rate, 3.05%, is determined by current market assessment of the time value of money and risk specific to liabilities.

The Group cannot determine reliably the fair value for contracts which are measured in the manner of insurance contracts because they are entitled to a discretionary portion of the surplus, i.e. they include a DPF component, or because they can be exchanged for contracts including the DPF component. The estimation of future bonus declarations is impossible because any reliable estimation of future market rate returns is not possible. In 2005, a customer bonus of EUR 15 thousand was declared on contracts with a DPF component.

18.2 CLAIMS ADMINISTRATION CONTRACTS

Liabilities related to claims administration contracts at 31 December 2005 totalled EUR 51 035 thousand (2005: EUR 58 871 thousand). Claims administration contracts are contracts which are not insurance contracts (Note 2.15), but on the basis of which claims are paid on behalf of another party. Among these contracts, the most important are such captive arrangements in which the insured risk is reinsured in a captive company belonging to the same group of companies with the customer; index increases in annuities of statutory workers' compensation, motor liability and patient insurance policies; certain other increases in benefits; and medical treatment indemnities payable over ten years after the occurrence of the accident (Note 3.2.1c); as well as public sector patient insurance.

18.3 BORROWINGS

EUR 1 000	31 Dec. 2005	31 Dec. 2004
Loans from financial institutions	7 095	7 968
Total borrowings	7 095	7 968
Current portion of long-term borrowings	721	720
Long-term borrowings	6 374	7 248
Amortisations of long-term borrowings falling due later than in five years	884	1 185

The borrowings are subject to variable or fixed interest rates. The variation range in 2005 was 3.5 to 5.44% (2004: 4.20 to 5.44%). The fair value of the borrowings at 31 December 2005 was EUR 7 229 thousand, which has been determined by calculating the present value of cash flows at the interest rate level of year-end and with a customer margin.

The guarantees for loans are presented in Note 38.2.

19. Deferred tax assets and liabilities

Movements of deferred tax assets and deferred tax liabilities in 2005

EUR 1 000	31 Dec. 2004	Charged/ credited to income statement	Charged/ credited to equity	Acquired/ sold subsidiaries	31 Dec. 2005
Deferred tax assets					
Depreciation and impairment losses on property, plant and equipment and on investment property	2 054	-72			1 982
Internal gains and losses on assets	1 952	115			2 067
Provisions and retirement benefit obligations	626	2 251			2 877
Tax losses related to dissolution	14 328	-8 245			6 083
Unused tax losses	305	4			309
Other items	374	1 004			1 378
Total deferred tax assets	19 639	-4 943			14 696
Offset against deferred tax liabilities	-18 944				-7 975
Total deferred tax assets, net (before transfers)	695	-4 943			6 721
Transfer to assets held for sale (Note 5)					-
Total deferred tax assets, net (after transfers)					6 721

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EUR 1 000	31 Dec. 2004	Charged/ credited to income statement	Charged/ credited to equity	Acquired/ sold subsidiaries	31 Dec. 2005
Deferred tax liabilities					
Elimination of equalisation provision	54 201	14 258		1 431	69 890
Available-for-sale financial assets	57 893		-44		57 849
Financial assets at fair value through income	1 519	-768			751
Consolidation of mutual property companies	2 586	-133			2 453
Untaxed reserves	2 598	18			2 616
Amortisation on goodwill	338	640			978
Other items	1 047	-494		-76	477
Total deferred tax liabilities	120 182	13 521	-44	1 355	135 014
Offset against deferrd tax assets	-18 944				-7 975
Total deferred tax liabilities, net (before transfers)	101 238	13 521	-44	1 355	127 039
Transfer to liabilities related to assets held for sale (Note 5)					-9 411
Total deferred tax liabilities, net (after transfers)					117 628
Net deferred tax liabilities (before transfers)	100 543	18 464	-44	1 355	120 318
Transfer to assets/liabilities held for sale (Note 5)					-9 411
Net deferred tax liabilities (after transfers)					110 907

Movements of deferred tax assets and deferred tax liabilities in 2004

EUR 1 000	1 Jan. 2004	Charged/ credited to income statement	Charged/ credited to equity	Acquired/ sold subsidiaries	31 Dec. 2004
Deferred tax assets					
Depreciation and impairment losses on property, plant and equipment and on investment property	2 928	-874			2 054
Internal gains and losses on assets	1 372	580			1 952
Provisions and retirement benefit obligations	7 632	-7 006			626
Tax losses related to dissolution	18 393	-4 065			14 328
Unused tax losses	1 307	-1 002			305
Other items	2 429	-2 055			374
Total deferred tax assets	34 061	-14 422			19 639
Offset against deferred tax liabilities	-30 222	11 278			-18 944
Total deferred tax assets, net	3 839	-3 144			695
Deferred tax liabilities					
Elimination of equalisation provision	46 397	7 804			54 201
Available-for-sale financial assets	85 726		-27 833		57 893
Financial assets at fair value through income	1 723	-204			1 519
Consolidation of mutual property companies	1 769	817			2 586
Untaxed reserves	426	2 172			2 598
Amortisation on goodwill	0	338			338
Other items	2 133	-1 134		48	1 047
Total deferred tax liabilities	138 174	9 793	-27 833	48	120 182
Offset against deferrd tax assets	-30 222	11 278			-18 944
Total deferred tax liabilities, net	107 952	21 071	-27 833	48	101 238
Net deferred tax liabilities	104 113	24 215	-27 833	48	100 543

In Finnish tax legislation, the lower of cost or market principle mainly applies to investments. Unrealised losses and their reversals are subject to tax in the year of recognition, but any unrealised gain in excess of cost is subject to tax only in connection with sale. However, investments related to unit-linked contracts are taxed on the basis of fair value. Finnish legislation requires insurance companies to have an equalisation provision, the purpose of which is to even out the annual fluctuations of claims incurred and to maintain the risk carrying capacity of insurance companies (Note 16f). Transfers to the equalisation provision are tax deductible. The equalisation provision is taxed when released.

On 31 December 2005, the Group had EUR 63 425 thousand (2004: EUR 95 137 thousand) in dissolution loss resulting from the dissolution of a subsidiary and not yet deducted in taxation. Of this, deferred tax asset recognised in the balance sheet accounted for EUR 6 083 thousand (2004: 14 328 thousand) and off-balance-sheet asset for EUR 10 407 thousand (2004: EUR 10 407 thousand). When calculating taxable profit for the period, the dissolution loss is deducted in accordance with the straight-line method by the end of 2007 (explained in greater detail in Note 38.3). Any tax loss that may arise from the deduction of dissolution loss will expire in 2016 to 2017.

The tax losses involving any uncertainty as to their utilisation and for which, therefore, no deferred tax asset has been recognised amounted to EUR 1 754 thousand at the end of 2005 (2004: EUR 3 430 thousand). Of the tax losses, EUR 522 thousand will expire in 2015 and EUR 973 thousand in 2006 to 2013.

No deferred tax liability has been recognised for undistributed earnings of the Baltic subsidiaries, EUR 11 954 thousand on 31 December 2005 (2004: EUR 7 055 thousand), because the assets have been invested permanently in the countries concerned.

20. Provisions

EUR 1 000	Joint guarantee	Restructuring provision system	Onerous contracts	Other	Total
1 January 2005	33 559	1 472	1 082	447	36 560
Increase in provisions	1 343		6 643	5 000	12 986
Utilised provisions		-1 472	-307	-65	-1 844
Unused amounts reversed			-183	-370	-553
Sold subsidiaries				-12	-12
31 December 2005	34 902	0	7 235	5 000	47 137

EUR 1 000	2005	2004
Current provisions	10 537	2 637
Non-current provisions	36 600	33 923
Total provisions	47 137	36 560

a) Provision for joint guarantee system

Special legislation regarding statutory lines of insurance includes provisions on joint liability on the basis of which the insurance companies transacting business in these lines of insurance assume joint liability should one of them fail to pay claims in the event of liquidation or bankruptcy. The uncovered part is financed by collecting annually a contribution to the guarantee scheme from the insurers which grant policies in these lines of insurance. The contribution is collected from the companies in proportion to the premiums written in the said lines of insurance. The companies may, in turn, collect the incremental expense due to the contribution in connection with the collection of their own premiums, in the manner prescribed by the authorities; however, not in excess of 2% of annual premiums written.

When the joint guarantee system was taken into use in the past, companies, in accordance with the legislation and official regulations governing joint guarantee, collected the joint guarantee provision in the form of insurance premiums in their balance sheets. This provision corresponds to the contribution for the guarantee scheme, collected in advance and meant to remove the company's liquidity risk in a case where the claims uncovered by another company in liquidation or bankruptcy fall due faster than it would be possible to collect the contribution for the claims in the form of premiums.

The amount of the joint guarantee provision is increased annually by a rate of interest of 4%; however, in such a way that the amount is not, because of the interest, more than 3% of the gross insurance liabilities of the line concerned. The joint guarantee provision cannot be decreased or abolished for other than to finance the joint guarantee contribution. For the joint guarantee system, a joint guarantee amount has been included in the provisions, but no other provision because there are no signs of a situation where a company covered by the joint guarantee system is about to be or has been placed in liquidation or has been declared bankrupt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

b) Restructuring provision

The restructuring provision relates to the Group's efficiency measures completed and recognised as expenses in 2003. In that year, the sales and distribution network was restructured to conform to new customer behaviour.

c) Onerous contracts

The Group has several uncancellable leases on premises that the Group can no longer use in business. The Group has been able to lease out some of these premises but the lease income from the contracts does not cover the rent expenses paid by the Group. The provision for onerous contracts covers fully the net loss from the contracts and the rental obligations from other contracts.

d) Other provisions

Other provisions include a provision for the loss arising from the disposal of foreign insurance business in run-off, EUR 5 000 thousand (Note 5), and a provision for social costs arising from the unexercised option rights granted to key staff.

21. Retirement benefit obligations

The Group's most important pension plan is the statutory employee pension scheme (TEL) for the staffs of Finnish companies. The plan includes old-age, survivors', unemployment and disability pensions cover. The retirement benefits under TEL are determined on the basis of earnings. In addition, the retirement age of Finnish insurance staff and senior management has been lowered through supplementary pension plans based on voluntary pension policies or the Group's own pension commitments. The arrangement regarding insurance staff does not cover new employment contracts which have taken effect after 31 December 2004. The statutory pension cover has been arranged from Ilmarinen Mutual Pension Insurance Company and the voluntary cover from Suomi Mutual Life Assurance Company (see Note 39).

The pension arrangements related to future TEL disability pensions and voluntary supplementary pensions have been treated as defined benefit plans, while the other Finnish and all foreign pension arrangements are treated as defined contribution plans. As a result of the change in reserving bases approved by the Finnish Ministry of Social Affairs and Health in December 2004, the arrangement for TEL disability pension changed into a defined contribution plan as of the beginning of 2006. Consequently, the retirement benefit obligation decreased by EUR 216 thousand (2004: EUR 20 441 thousand). At the end of 2004, the TEL retirement benefit obligation of EUR 1 877 thousand corresponded to the provision for IBNR disability claims recognised as premiums paid in advance under other receivables. Therefore, the change in the pension scheme no longer had any effect on profit in 2005.

Defined benefit pension plan

EUR 1 000

Amounts recognised in the balance sheet	**2005**	**2004**
Present value of funded obligations	6 422	4 650
Fair value of plan assets	-2 555	-3 281
	3 866	1 369
Present value of unfunded obligations	4 836	4 711
Unrecognised acturial losses (gains) (-)	-4 776	-774
Net liability in the balance sheet (before transfers)	3 926	5 306
Amounts recognised in the balance sheet:		
Liabilies	7 074	8 582
Assets	-3 147	-3 276
Net liability in the balance sheet (before transfers)	3 926	5 306
Amounts recognised in the income statement		
Current service cost	1 428	3 393
Interest on obligation	430	1 444
Expected return on plan assets	-170	-149
Net acturial losses (gains) (-) recognised in period	30	
Losses (gains) on settlements	-395	-262
Losses (gains) on curtailments	-216	-20 441
Total pension expense	1 108	-16 015
Actual return on plan assets	-533	154

The pension expense, EUR 1 108 thousand (2004: EUR -16 015 thousand), is recognised as employee benefit expense under expenses by function in the income statement (Note 31).

Movements in net liability recognised in balance sheet:

EUR 1 000	2005	2004
Net liability at beginning of year	5 306	23 265
Total expense recognised in the income statement	1 108	-16 015
Contributions	-2 487	-1 944
Net liability at end of year (before transfers)	3 926	5 306
Transfer to liabilities related to assets held for sale (Note 5)	-29	
Net liability at end of year (after transfers)	3 897	5 306

Principal acturial assumptions used at balance sheet date:

Discount rate at 31 December	4.5%	5.0%
Expected return on plan assets at 31 December	5.4%	5.4%
Future salary increases	3.5%	3.5%
Future pension increases	2.1%	2.1-2.3%

22. Trade and other payables

EUR 1 000	2005	2004
Amounts due to policyholders	14 992	16 463
Unpaid premiums to reinsurers	20 439	12 513
Other amounts due to reinsurers	2 352	2 671
Accrued liabilities	44 738	46 790
Trade payables	5 034	6 038
Settlement liabilities	13 292	2 030
Other payables	25 913	33 146
Total (before transfers)	126 761	119 651
Transfer to liabilities related to assets held for sale (Note 5)	-19 134	-
Total (after transfers)	107 628	119 651
Current portion (after transfers)	107 628	119 651
Non-current portion (after transfers)	-	-

The principal items included in accrued liabilities consist of employee costs. The principal items included in other payables comprise withholding tax, insurance premium tax and public charges.

The fair value of liabilities corresponds to their carrying amount.

Related parties' share of trade and other payables is presented in Note 39.2f.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Insurance premium revenue and insurance premiums ceded to reinsurers

EUR 1 000	2005 Gross	2005 Reinsurance	2005 Net	2004 Gross	2004 Reinsurance	2004 Net
Non-life insurance contracts						
Short-term insurance contracts						
Premiums written	802 304	-67 563	734 741	708 715	-67 623	641 093
Change in unearned premium provision	-9 662	14 311	4 649	-4 509	542	-3 966
Change in unexpired risk provision	1 648		1 648	3 105		3 105
Long-term insurance contracts						
Premiums written	5 768	-217	5 550	4 958	-84	4 873
Change in unearned premium provision	-2 050	-402	-2 452	-1 916	-194	-2 109
Total insurance premium revenue	798 008	-53 871	744 137	710 353	-67 358	642 995
Total premiums written	808 072	-67 781	740 292	713 673	-67 707	645 966
Total change in unearned premium provision	-10 064	13 909	3 845	-3 320	349	-2 971
Insurance premium revenue, non-life insurance	798 008	-53 871	744 137	710 353	-67 358	642 995
Life insurance contracts						
Non-linked insurance contracts						
Premiums written						
Life insurance/savings policies						
Single premiums	11 406		11 406			
Regular premiums	5 960		5 960			
Deferred annuity pension policies						
Single premiums	216		216			
Regular premiums	39 388		39 388			
Group pension policies						
Single premiums	105 102		105 102			
Regular premiums	9 755		9 755			
Term insurance policies						
Individual insurance policies	12 317		12 317			
Optional group insurance policies	7 169		7 169			
Employees' group life insurance policies	10 491		10 491			
	201 804		201 804			
Unit-linked insurance contracts						
Premiums written						
Life insurance/savings policies						
Single premiums	66 200		66 200			
Regular premiums	9 856		9 856			
Deferred annuity pension policies						
Single premiums	33		33			
Regular premiums	36 038		36 038			
Group pension policies						
Single premiums	3		3			
Regular premiums	1 449		1 449			
	113 579		113 579			
Total premiums written	315 383		315 383			
Change in unearned premium provision, term insurance policies	1 688		1 688			
Insurance premium revenue, life insurance	317 071		317 071			
Group in total						
Premiums written	1 123 455	-67 781	1 055 675	713 673	-67 707	645 966
Change in unearned premium provision	-8 376	13 909	5 533	-3 320	349	-2 971
Total insurance premium revenue	1 115 079	-53 871	1 061 208	710 353	-67 358	642 995

The unwinding of discount of the long-term unearned premium provision for non-life insurance is included in financial liabilities (Note 34).
Premiums written in life insurance include EUR 88 047 in single premiums for supplementry pension insurance from pension funds.

24. Fee income

EUR 1 000	2005	2004
Fees for asset management	27 591	19 867
Fees for sale of insurance policies and for customer service	10 269	16 226
Fees for insurance portfolio administration	15 900	-
Fees for administration and IT services	6 144	25 608
Fees for administration of statutory charges	2 765	3 915
Other fee income	2	4 901
Total	62 672	70 517

Fee income for related parties is presented in Note 39.2c.

25. Investment income

EUR 1 000	2005	2004
Available-for-sale financial assets		
Dividend income	15 229	35 390
Interest income	86 417	61 058
Total	101 647	96 447
Interest income on loans and receivables	2 683	2 653
Interest income on cash and cash equivalents	1 607	1 570
Lease income on investment property	8 192	7 803
Foreign exchange gains (losses)	-1 597	1 578
Other income	7	462
Total	112 538	110 514

The Group leases out investment property on fixed-term leases and on leases effective until further notice. The notice periods for the leases effective until further notice vary from a month to a year.

Minimum lease payments receivable from non-cancellable operating leases on investment property

EUR 1 000	2005	2004
Not later than one year	5 350	5 825
Later than one year and not later than five years	9 500	7 747
Later than five years	6 280	4 325
Total	21 130	17 897

26. Net realised gains

EUR 1 000	2005	2004
Realised gains		
Available-for-sale financial assets		
Equity securities	166 064	156 060
Debt securities	23 931	17 192
Investment property	1 312	1 720
Total	191 307	174 973
Realised losses		
Available-for-sale financial assets		
Equity securities	-9 380	-17 930
Debt securities	-1 991	-2 002
Investment property	-214	-1 203
Total	-11 584	-21 134
Impairment losses		
Available-for-sale financial assets		
Equity securities	-1 696	-1 614
Loans	-1 461	-950
Total	-3 157	-2 564
Net realised gains	176 565	151 274

The realised gains on equity securities include EUR 8 541 thousand in realised gains of Ilmarinen Mutual Pension Insurance Company in 2005.

27. Net fair value gains on financial assets at fair value through income

EUR 1 000	2005	2004
Net gains		
Fair value gains	121 445	27 414
Fair value losses	-27 360	-24 369
Total	94 086	3 045

Fair value gains include EUR 367 thousand (2004: 9 544 thousand) in dividend income and EUR 1 666 thousand (2004: EUR 1 740 thousand) in interest income from financial assets at fair value through income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. Other operating income

EUR 1 000	2005	2004
Negative goodwill recognised in profit (Note 6)	4 072	-
Realised gain on disposal of head office premises	20 052	-
Realised gain on disposal of subsidiaries	76 462	-
Other	2 775	836
Total	103 362	836

The negative goodwill recognised in profit relates to the life insurance business acquired on 1 January 2005 (Note 6).

The head office premises were sold on 3 January 2005. The net gain on the disposal of the propery was EUR 70 798 thousand. The Group leased the property under a contract of 10 years. The lease contract (Note 32) does not include a repurchase obligation and, by nature, the contract is an operating lease.

The disposal of subsidiaries on 30 December 2005 relates to the combination of the operations of the Pohjola group of companies with the corresponding operations of the parent, OP Bank Group Central Cooperative Consolidated. The sale price of the stock of shares of Pohjola Fund Management Company Limited was EUR 73 million and the sale price of Pohjolan Systeemipalvelu Oy EUR 13 million.The sale prices were paid on 13 January 2006.

29. Insurance claims and benefits

EUR 1 000	2005 Gross	2005 Reinsurance	2005 Net	2004 Gross	2004 Reinsurance	2004 Net
Non-life insurance contracts						
Claims and loss adjustment expenses						
Current period claims	521 474	-18 011	503 463	494 104	-22 403	471 701
Increase (decrease) in previous periods	28 342	292	28 634	-13 397	-5 541	-18 938
Total claims incurred, non-life insurance	549 816	-17 719	532 097	480 707	-27 944	452 763
Life insurance contracts						
Insurance benefits						
Non-linked contracts						
Benefits paid						
Death benefits	8 700		8 700			
Savings sums	45 669		45 669			
Loss adjustment expenses	685		685			
Change in insurance contract liabilities	156 876		156 876			
	211 929		211 929			
Unit-linked contracts						
Benefits paid						
Death benefits	1 890		1 890			
Savings sums	25 430		25 430			
Loss adjustment expenses	391		391			
Change in insurance contract liabilities	179 093		179 093			
	206 804		206 804			
Term insurance contracts						
Benefits paid	17 232		17 232			
Loss adjustment expenses	476		476			
Change in insurance contract liabilities	2 068		2 068			
	19 776		19 776			
Total benefits, life insurance	438 509		438 509			
Insurance claims and benefits, Group in total	988 325	-17 719	970 606	480 707	-27 944	452 763

The change in the provision for unexpired risks in non-life insurance is included in insurance premium revenue (Note 23) and the unwinding of discount of insurance liabilities in finance costs (Note 34).

30. Investment contract benefits

EUR 1 000	2005	2004
Contracts measured by effective interest method		
Non-linked contracts	658	
Contracts measured in the manner of insurance contracts		
Non-linked contracts	1 312	
Unit-linked contracts	4 458	
Total	6 428	6 428

31. Expenses by function

EUR 1 000	2005	2004

a) Loss adjustment expenses

Amortisation, depreciation and impairment losses (Notes 7 and 9)	1 805	3 220
Pension expense for defined benefit pension plans (Note 21)	157	-2 344
Loss (profit) from retirement and disposal of property, plant and equipment and intangibles	-3	275
Other expenses	47 056	47 369
Total	49 014	48 520

b) Expenses for acquisition of insurance and investment contracts

Fees for insurance contracts (insurance intermediaries)	16 851	9 392
Fees for insurance contracts (reinsurance)	1 845	3 379
Amortisation, depreciation and impairment losses (Notes 7 and 9)	3 847	4 309
Pension expense for defined benefit pension plans (Note 21)	280	-4 355
Loss (profit) from retirement and disposal of property, plant and equipment and intangibles	59	259
Change in deferred policy acquisition cost (Note 9)	-1 218	-65
Other expenses	45 734	44 555
Total	67 397	57 474

c) Expenses for administration of insurance and investment contracts

Impairment losses (credit losses) for premium receivables	7 754	6 779
Amortisation, depreciation and impairment losses (Notes 7 and 9)	3 343	4 374
Pension expense for defined benefit pension plans (Note 21)	219	-3 516
Loss (profit) from retirement and disposal of property, plant and equipment and intangibles	40	289
Change in provision for joint guarantee system (Note 20)	1 342	1 291
Road safety charge	1 245	1 350
Other expenses	54 505	42 402
Total	68 448	52 969

d) Expenses for other services rendered

Amortisation, depreciation and impairment losses (Notes 7 and 9)	2 793	4 427
Pension expense for defined benefit pension plans (Note 21)	202	-2 511
Loss (profit) from retirement and disposal of property, plant and equipment and intangibles	451	290
Other expenses	51 778	61 539
Total	55 223	63 746

e) Expenses for investment management

Direct maintenance expenses for investment property		
Property accruing rentals	4 019	4 133
Property not accruing rentals	32	48
Depreciation and impairment losses on investment property (Note 8)	1 882	2 693
Other depreciation, amortisation and impairment losses (Notes 7 and 9)	263	315
Pension expense for defined benefit pension plans (Note 21)	24	-36
Loss (profit) from retirement and disposal of property, plant and equipment and intangibles	5	14
Other expenses	5 151	4 373
Total	11 377	11 539

f) Expenses for administration

Amortisation, depreciation and impairment losses (Notes 7 and 9)	1 708	2 998
Pension expense for defined benefit pension plans (Note 21)	226	-2 991
Loss (profit) from retirement and disposal of property, plant and equipment and intangibles	54	267
Other expenses	56 025	42 581
Total	58 012	42 855

g) Other operating expenses

Pension expense for defined benefit pension plans (Note 21)		-262
Total	0	-262
Total expenses	309 472	276 840

In addition to operating expenses, other operating expenses include a provision of EUR 5 000 thousand made for a loss arising from the disposal of run-off business in 2005 and a loss of EUR 494 thousand incurred from the disposal of a subsidiary in 2004.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. Expenses by nature

EUR 1 000	2005	2004
Employee benefit expense (Note 33)	145 634	123 318
Depreciation, amortisation and impairment losses		
Property plant and equipment (Note 7)	5 955	13 150
Investment property (Note 8)	1 882	2 693
Intangible assets (Note 9)	7 810	6 493
Credit loss on premiums	7 754	6 779
Loss (profit) from retirement and disposal of property, plant and equipment and intangibles	605	1 394
Lease payments	11 930	5 059
Sublease rentals	-2 425	
Change in provision for joint guarantee system (Note 20)	1 342	1 291
Road safety charge	1 245	1 350
Change in deferred policy acquisition cost (Note 9)	-1 218	-65
Other expenses	128 958	115 379
Total expenses	309 472	276 840

a) Research and development costs

Operating expenses include EUR 3 965 thousand (2004: EUR 4 036 thousand) in costs for internally generated computer software recognised as an expense.

b) Operating leases

The Group has leased a large part of its business premises. The lease term is from one to ten years and the leases normally include an option to extend the lease after the original expiry date. The lease on the Lapinmäentie head office in Helsinki will expire on 31 May 2015. The minimum lease payments for these premises is EUR 6 million in 2005. The Group has sublet part of the head office premises. The minimum sublease payments were EUR 2 425 thousand in 2005.

The Group has a provision of EUR 7 235 thousand (2004: EUR 1 082 thousand) for unoccupied leased business premises (Note 20).

Minimum lease payments under non-cancellable operating leases on business premises:

EUR 1 000	2005	2004
Not later than one year	8 902	2 808
Later than one year and not later than five years	35 477	7 016
Later than five years	56 982	808
Total	101 361	10 632
Expected future minimum sublease payments from non-cancellable subleases	26 393	0

Minimum lease payments under non-cancellable operating leases, i.a. leasing contracts on motor vehicles:

EUR 1 000	2005	2004
Not later than one year	284	308
Later than one year and not later than five years	231	280
Later than five years	-	-
Total	515	588

33. Employee benefit expense

EUR 1 000	2005	2004
Wages and salaries	115 712	111 326
Pension expense (defined contribution plans)	20 581	19 800
Pension expense (defined benefit plans) (Note 21)		
Expenses	1 719	4 688
Gains on curtailments and settlements	-611	-20 703
Share options granted	96	166
Social security costs	8 136	8 041
Total	145 634	123 318

Expenses include expenses for benefits paid in connection with termination of employment totalling EUR 2 339 thousand (2004: EUR 80 thousand).

Information on the related-party management's employee benefits is provided in Note 39.2e. The average number of employees in the Group is presented in Note 4 Segment information.

a) Bonus system and option plan for key staff

The incentive and commitment system for the key staff of the Pohjola group of companies is aimed at enhancing the Company's profitability and shareholder value. The 2005 targets are tied to the combined ratio of the non-life insurance business and to the performance of the Pohjola share. If all targets set by the Board of Directors are fully achieved, a total of EUR 3.9 million will be paid as bonuses in the reward scheme. In 2005, the system covered 14 people.

After OKO Osuuspankkien Keskuspankki Oyj (OKO Bank) made a public tender offer for the shares of Pohjola Group plc, the system has, by a decision of the Board of Directors, been altered in such a manner that the obligation of the key staff included in the scheme to acquire Pohjola shares was abolished and the development of the shareholder value is taken into account until 12 September 2005. The share price of EUR 13.35 of the tender offer has been used as the value of the share at the exercise date of bonus. In 2005, the expense recognised in the income statement and the liability recognised in the balance sheet are EUR 2 507 thousand.

The 2001 option plan for the key staff is explained in Note 16c.

b) Pension commitments related to the President, his deputy and the members of the Board of Directors

The President and the deputy to the President of the parent company and the Presidents and Managing Directors of certain subsidiaries have, once they have reached the age of 63, the right to retire on a pension amounting to 60% of the pensionable salary calculated in accordance with TEL (Finnish Employees Pensions Act), provided that they, at the age of 63, have at least 30 years of service.

c) Pension commitments related to earlier key management

The previous President of the parent company has, once he has reached the age of 60 years, the right to retire on a pension amounting to 60% of the pensionable salary calculated for this office in accordance with TEL. The parent company's already retired President has a right to a pension amounting to 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 a pension amounting to around 20% of the salary calculated only for this office as per TEL.

34. Unwinding of discount and other finance costs

Unwinding of discount, non-life insurance

The increase in the discounted insurance contract liabilities in non-life insurance (Note 17.1a) due to passage of time (unwinding of discount) totals EUR 37 261 thousand (2004: EUR 39 348 thousand). Unwinding of discount is computed monthly using the discount rate for the end of the previous month and the insurance liabilities at the beginning of the current month. The discount rate was 3.7% between 31 December 2003 and 30 November 2004, 3.5% from 31 December 2004 to 30 November 2005 and 3.3% at 31 December 2005.

Finance costs

EUR 1 000	2005	2004
Interest expense for bank borrowings	309	579
Interest expense for financial leasing contracts	-	200
Other interest expense	1 064	1 413
Total	1 372	2 192

35. Foreign exchange gains and losses

The following income statement items include foreign exchanges gains and losses:

EUR 1 000	2005	2004
Insurance premium revenue		-20
Insurance claims, benefits and loss adjustment expenses		802
Investment income		
Foreign exchange gains and losses related to insurance contracts	-3 435	1 580
Foreign exchange gains and losses related to financing transactions	1 838	-2
Total	-1 597	1 578
Total foreign exchange gains (losses)	-1 597	2 360

36. Income tax expense

Major components of tax expense

EUR 1 000	2005	2004
Current tax	49 139	49 734
Adjustments for current tax of prior periods	-2 750	31
Current tax of prior periods transferred from fair value reserve in connection with realisation	-2 709	-7 851
Deferred tax (Note 19)	18 464	29 129
Decrease in closing deferred tax due to reduction in tax rate (Note 19)		-4 914
Tax expense	62 144	66 129

Reconciliation of tax expense

EUR 1 000	2005	2004
Reconciliation between tax expense in income statement and tax at Group's domestic tax rate		
Profit before tax	333 665	260 655
Tax at domestic tax rate	86 753	75 590
Effect of:		
Deviating tax rates of foreign subsidiaries	-1 045	-612
Non-deductible expenses	567	704
Tax-exempt income (incl. consolidation adjustments)	-20 372	
The amount of the benefit arising from a previously unrecognised dissolution loss of a prior period that is used to reduce deferred tax expense		-6 785
Unrecognised tax loss of the period	209	374
The amount of the benefit arising from a previously unrecognised tax loss of a prior period	-404	-304
Decrease in goodwill in connection with disposal		701
Changed taxation practice regarding foreign dividends of prior periods	-3 676	
Decrease in closing deferred taxes due to reduction in tax rate		-4 914
Other items	112	1 375
Tax expense	62 144	66 129
The applicable tax rate is the Finnish corporate tax rate.	26.0%	29.0%
The change in the corporate tax rate was enacted in 2004 and it took effect from the beginning of 2005.		
Average effective tax rate (tax expense divided by profit before tax)	18.6%	25.4%

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Income taxes recognised in equity in financial period

EUR 1 000	2005	2004
Income taxes due to measurement at fair value of available-for-sale financial assets have been recognised in fair value reserve as follows:		
Current tax of the period related to unrealised losses and their reversals	1 099	1 086
Current tax of prior periods transferred from fair value reserve to income statement in connection with realisation	2 709	7 851
Effect of reduced tax rate on current tax		933
Deferred tax (Note 19)	-44	-21 150
Effect of reduced tax rate on deferred tax (Note 19)		-6 683
Retained earnings		
Effect of reduced tax rate on current tax		-933
Total	3 764	-18 896

37 Earnings per share

The basic (undiluted) earnings per share are computed by dividing the profits for the period attributable to the parent company's shareholders by the weighted average of the number of the outstanding shares in the period.

Share options have a diluting effect when the subscription price of share options is lower than the fair value of the share. The dilution effect arises from that number of shares which have to be issued without consideration because, with the funds obtained from the exercise of options, the Group would not be able to issue the same number of shares at fair value. The fair value of shares is based on the average price of the share in the period.

		2005	2004
Profit for the period attributable to parent company's equity holders, continuing operations	EUR 1 000	254 290	193 618
Profit for the period attributable to parent company's equity holders, discontinued operations	EUR 1 000	17 215	-715
Weighted average number of shares in period	1 000 shares	152 731	152 355
Basic earnings per share, continuing operations	EUR	1.66	1.27
Basic earnings per share, discontinued operations	EUR	0.11	0.00
Average weighted number of shares in period	1 000 shares	152 731	152 355
Effect of share options	1 000 shares	919	877
Average weighted number of shares in period, diluted	1 000 shares	153 649	153 232
Diluted earnings per share, continuing operations	EUR	1.66	1.26
Diluted earnings per share, discontinued operations	EUR	0.11	0.00

38. Security, commitments and contingent liabilities and assets

38.1 Security given

EUR 1 000	2005	2004
Security given on the Group's own behalf		
Liabilities for insurance contracts [1)]	7 637	7 406
Pledged financial assets		
Bank accounts and deposits	2 881	2 513
SICAV unit trusts	119	486
Short-term debt securities	356	172
Bonds	6 400	8 577
Security for lease payments		
Mortgages issued	600	
Security for derivatives trading		
Pledged bonds	292	
Share swap		
Pledged shares	43	

1) Run-off subsidiaries have, through Citibank, letter of credit arrangements relating to certain insurance contracts. Subsidiaries' liabilities for insurance contracts (EUR 3 675 thousand) and subsidiaries' assets in pledge of the arrangement (EUR 4 587 thousand) have been transferred to assets held for sale and to related liabilities (Note 5). Other pledges relate to other subsidiaries' letter of credit arrangements.

38.2 OTHER COMMITMENTS

EUR 1 000	2005	2004
Guarantees for the Group's own behalf		
A subsidiary (Pohjola Non-Life Insurance Company Ltd) has issued guarantees related to borrowings of its own subsidiaries (housing and real estate companies).	6 433	7 064

The parent company has issued a guarantee for the insurance business underwritten by a subsidiary (Moorgate Insurance Company Ltd) in 1981-1990 through ILU (Institute of London Underwriters). The business has full reinsurance cover. The subsidiary's liabilities for insurance contracts and the reinsurance contract assets have been transferred to assets held for sale and to related liabilities (Note 5).

EUR 1 000	2005	2004
Commitments on behalf of associates		
The parent company is committed to cover any losses incurred by associates from a subsidiary's business operations.		
Purchase commitments		
The Group is committed to subscribe for property fund units		
Continuing operations	1 800	
Discontinued operations	900	
The Group is committed to subscribe for shares in general partnership companies carrying on venture capital investments	60 921	83 659
Sales commitments		
The parent company is committed to sell the shares in run-off subsidiaries (for more details see Note 5).		
Leases		
Information on leases under which the Group is the lessee is provided in Note 32b.		
Refund of value added tax		
Related to renovation of properties, the Group has had the right to deduct value added tax, which has to be refunded if a property is sold or the purpose of its use changes before five years have elapsed from the completion of the construction service.		
Continuing operations	394	
Discontinued operations	507	
Solvency requirements		
The Group meets the insurance and financial sector solvency requirements governing its operations. The Group does not have liabilities related to solvency requirements, with the exception of an option granted by the parent company to a subsidiary (Pohjola Non-Life Insurance Company Ltd) for a subordinated loan of EUR 50 million. The subsidiary can exercise the option if its solvency ratio falls to under 50%. The solvency ratio at 31 December 2005 was 107.2%. The option will be in force until 1 July 2008.		

38.3 CONTINGENT ASSETS AND LIABILITIES

Joint and several contracts and systems

Pertaining to VAT group registration, the companies in the Pohjola group of companies were, until 1 November 2005, members of the taxable group represented by Pohjola Group plc. Since that date, they have been members of the taxable group represented by Osuuspankkikeskus Osk (OP Bank Group Central Cooperative). The members of the group are jointly and severally liable for the value added tax imposed on the group.

The Group underwrites shares of insurance contracts through pools. The pool members are responsible primarily for their own proportionate share of the risk. The shares are based on contracts which are confirmed annually. In certain pools, pool members are responsible for an insolvent member's liabilities in the proportion of their shares in the pool. The Group recognises the liabilities and receivables based on joint liability when joint liability is likely to materialise. In 2004 and 2005, the Group was member of the following pools:

	Share of pool 2005	Share of pool 2004
Nordic Nuclear Insurers	13%	14%
Finnish Workers' Compensation Pool	31%	35%
Catastrophe Pool of Finnish Motor Insurers	22%	22%
Finnish Pharmaceutical Insurance Pool	30%	30%
Finnish Patient Insurance Pool	29%	30%
Finnish Pool of Aviation Insurers	0%	30%
Finnish Environmental Insurance Pool	25%	25%
Employees' Group Life Insurance Pool	30.8%	14.6%

The joint liability under the joint guarantee system of statutory non-life insurance is described in Note 20a.

Litigations

The parents of Pohjola (Note 1) and Pohjola with subsidiaries, together with cooperative banks, form the OP Bank Group. After the combination of the OP Bank Group and Pohjola, cooperation between Pohjola and savings banks has ceased. The changed shareholder structure in Pohjola may also lead to changes in other cooperation agreements. The ceasing and changes of these cooperation agreements will cause extra costs as well as court proceedings, but they are not expected to have any material impact on the Group's financial standing.

The Group is not aware of any pending or impending court or arbitration proceedings that could have any material impact on the Group's financial standing.

Contingent assets

The Group recognised the tax effect of the loss resulting from the dissolution of a subsidiary in 2003 in the manner required by the tax authority, i.e. the dissolution loss is deferred over a period of five years when calculating the tax effect. In taxation, the Group has, however, demanded front-end deduction of the loss. The appeal process is pending. If the court rules in favour of the Group, the net tax liability recognised in the balance sheet at the end of 2005 will decrease by EUR 12 607 thousand and it will be possible to utilise the off-balance-sheet deferred tax assets of EUR 10 407 thousand. The difference, EUR 2 200 thousand, is due to a larger portion of the deduction being taxed at a higher tax rate.

39. Related party transactions

39.1 RELATED PARTIES

The related parties of the Group include:

Parents of Pohjola

OKO Osuuspankkien Keskuspankki Oyj (OKO Bank) and its parent Osuuspankkikeskus Osk (OP Bank Group Central Cooperative) became Pohjola's parents on 18 October 2005, when the regulatory approvals of the authorities were obtained as needed for the share transactions (around 58.5%) effected by OKO Bank on 12 September 2005. At the end of 2005, OKO bank held 83.60% of the Pohjola shares and votes. Related parties also include the parents' subsidiaries.

Earlier shareholders

Until the establishment of the above-mentioned holding relationship in the Group at 18 October 2005, significant influence in Pohjola was exercised by Suomi Mutual Life Assurance Company with a holding of 49.42% of Pohjola shares. Ilmarinen Mutual Pension Insurance Company, with a holding of 9.08%, was also included in related parties until 18 October 2005. The shareholder agreement between the companies included terms and conditions related to the exercise of joint voting power. The subsidiaries of these shareholder entities have also been included in related parties.

Pohjola's subsidiaries

The subsidiaries of Pohjola in 2005 were as follows::

Name of subsidiary	Domicile/ home country	Industry segment		Percentage of shares/votes
Subsidiaries				
Non-life insurance				
Pohjola Non-Life Insurance Company Ltd	Helsinki	Non-life insurance		100.00
A-Insurance Ltd	Helsinki	Non-life insurance		100.00
Eurooppalainen Insurance Company Ltd	Helsinki	Non-life insurance		100.00
Seesam International Insurance Company Ltd	Estonia	Non-life insurance		100.00
Joint Stock Insurance Company "Seesam Latvia"	Latvia	Non-life insurance		100.00
Joint Stock Insurance Company "Seesam Lithuania"	Lithuania	Non-life insurance		100.00
Bothnia International Insurance Company Ltd.	Helsinki	Non-life insurance	1)	100.00
Moorgate Insurance Company Limited	United Kingdom	Non-life insurance	1)	100.00
Closed Joint-Stock Insurance Company "Principal"	Russia	Non-life insurance	2)	67.50/80.50
Russia Life Investments Limited	United Kingdom	Insurance holding company	2)	67.50/80.50
Closed Joint-Stock Company "RLIR"	Russia	Insurance holding company	2)	67.50/80.50
In addition, the non-life segment includes 10 housing or real estate companies				
Life insurance				
Pohjola Life Insurance Company Ltd	Helsinki	Life insurance	3)	100.00
In addition, the life segment includes 3 housing or real estate companies			3)	
Investment services				
Pohjola Asset Management Limited	Helsinki	Asset management	4)	100.00
Pohjola Fund Management Company Limited	Helsinki	Fund management	5)	100.00
Pohjola Property Management Ltd	Helsinki	Property investment operations		100.00
Pohjola Private Ltd	Helsinki	Non-active		100.00
Other operations			7)	
Pohjolan Systeemipalvelu Oy	Helsinki	IT services	5)	100.00
Pohjola IT Procurement Ltd	Helsinki	Equipment and furniture rental		100.00
Conventum Venture Finance Ltd.	Helsinki	Private equity investments		100.00
Kaivokadun PL-hallinto Oy	Helsinki	Non-active	6)	100.00
Moorgate Insurance (Nominees) Limited	United Kingdom	Non-active		100.00

1) The company does not underwrite new business (run-off company). The company's assets and liabilities have been classified as held for sale.
2) The company does not underwrite new business (run-off company). The dissolution of the group of companies underway.
3) The company is included in discontinued operations and its assets and liabilities have been classified as held for sale. The sale was finalised on 16 January 2006.
4) The company was sold on 16 January 2006.
5) The company was sold on 30 December 2005.
6) The brokerage business was sold on 1 October 2004.
7) In 2004, the subsidiaries also included Pohjolan Atk-palvelu Oy, which owned IT hardware and which was sold on 31 December 2004.

Pohjola's associates

Pohjola's associates have been presented in Note 10.

Management

Pohjola's management includes the members of the Board of Directors of the parent company, the President and the deputy to the President, as well as the other key persons who are members of the management of the Group and its parents.

Other related parties

The close family members of the key management are other related parties.

39.2 TRANSACTIONS CARRIED OUT WITH RELATED PARTIES

The transactions carried out with related parties and outstanding balances do not include the Group's internal related party transactions or outstanding balances because these have been eliminated when preparing the consolidated financial statements.

a) Acquisitions of business and assets

EUR 1 000	2005	2004
Acquistions of business		
Earlier shareholders	33 163	
Acquisitions of property, plant and equipment		
Earlier shareholders	519	
Total	33 682	

On 1 January 2005, the Group acquired from Suomi Mutual part of Suomi Mutual's life insurance portfolio and Suomi Mutual's life insurance and medical expenses insurance business (Note 6).

b) Disposal of business and assets

EUR 1 000	2005	2004
Disposal of guarantee shares		
Earlier shareholders	16 200	
Disposal of shares in subsidiaries		
Parents	86 000	
Total	102 200	

On 3 January 2005, the Group sold the guarantee shares in Ilmarinen to Suomi Mutual and the guarantee shares in Suomi Mutual to Ilmarinen. On 30 December 2005, the Group sold the stocks of shares of Pohjola Fund Management Company Limited and Pohjolan Systeemipalvelu Oy to OP Bank Group Central Cooperative (Note 28).

c) Disposal of goods and services

EUR 1 000	2005	2004
Proceeds from goods		
Associates	459	611
Insurance premiums received		
Parents	54	
Earlier shareholders	784	805
Associates	116	156
Management	18	9
Others	19	15
Fee income from other services rendered		
Earlier shareholders	28 066	44 281
Associates	149	228
Total	29 665	46 104

The Group is in charge of the marketing and sales of employee pension insurance policies granted by Ilmarinen and of customer relations connected with these policies. The rendering of services has been presented as a related party transaction until 18 October 2005.

In 2004, the Group was in charge of sales of Suomi Mutual's insurance policies and of customer service as well as of Suomi Mutual's investments, also providing services related to information technology and general administration. After transferring the life insurance business to Pohjola Group on 1 January 2005, Suomi Mutual concentrates only on managing its existing insurance portfolio. Among the services rendered by Pohjola, the sale of new business ceased but was replaced by the rendering of policy administration services. Part of information technology services also ceased because Pohjola outsourced the hardware services from 1 January 2005. The services rendered to Suomi Mutual have been presented as related party transactions until 18 October 2005.

The price and other terms of the services sold to related parties are based on negotiated agreements. The prices are primarily based on cost, risk and profit margin. The terms and conditions of the policies taken out by management are identical with those taken out by other personnel. Other rating of policies taken out by related parties corresponds to the rating of major clients' policies. The claims paid in 2005 to related parties on the basis of insurance contracts totalled EUR 230 thousand (2004: EUR 400 thousand).

d) Purchases of goods and services

EUR 1 000	2005	2004
Premiums paid for insurance contracts		
Earlier shareholders	16 388	20 244
Purchases of other services (incl. rents)		
Earlier shareholders	3 191	2 728
Associates	225	115
Total	19 804	23 087

The statutory employee pension cover for the staff has been taken out from Ilmarinen and the voluntary life and pension policies mainly from Suomi Mutual (Note 21). The premiums have been presented under related party transactions until 18 October 2005.

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e) Management's employee benefits

EUR 1 000	2005	2004
Salaries and other short-term employee benefits	10 947	7 838
Termination benefits	2 248	
Post-employment benefits	172	-537
Share-based payments	76	129
Total	13 443	7 431

Post-employment benefits include the management's statutory employee pension cover, voluntary pension policies and the supplementary pension arrangements based on the Group's own pension commitments. The pension commitments are presented in greater detail in Note 33b.

The retirement benefit obligation for related parties in the balance sheet as at 31 December 2005 totals EUR 15 thousand in receivables (2004: EUR 312 thousand in payables).

The effect of a change in the disability pension scheme under the Finnish Employees' Pensions Act (TEL) in 2004 was EUR 777 thousand in income for the members of related party management. In 2005, the change did not have any effect on the results. The Group's retirement benefit obligations are presented in greater detail in Note 21.

The members of the related party management were not granted share options in 2004 or 2005. At 31 December 2005, the key members of the management held a total of 171 900 option right under the year 2001 option plan of Pohjola (2004: 463 000 option rights), of which, at that date, the number of exercisable option rights was 171 900 (2004: 197 500). With these option rights, a maximum of 515 700 Pohjola shares can be subscribed (2004: 592 500 shares). The option arrangement has been described in greater detail in Note 16c and the bonus system for key management in Note 33a.

f) Outstanding balances

Outstanding balances pertaining to related parties include outstanding balances included in assets held for sale and related liabilities (Note 5).

EUR 1 000	2005	2004
Receivables		
Debt securities and bank receivables		
Parents	39 083	
Associates	982	898
Settlement receivable from disposal of shares in subsidiaries		
Parents	86 000	
Other receivables		
Parents	33	
Earlier shareholders		6 295
Associates	2 036	1 905
Receivables in total	128 134	9 098

EUR 1 000	2005	2004
Payables		
Insurance contract liabilities		
Parents	166	
Earlier shareholders		74
Borrowings (loans)		
Earlier shareholders		8 435
Other payables		
Earlier shareholders		1 429
Associates	7	
Management	-15	312
Payables in total	158	10 250

The terms of debt securities correspond to general market terms.

The payment for the settlement receivable from disposal of shares in subsidiaires was received on 13 January 2006 (Note 28)

The interest payable on related parties' short-term current balances is computed in accordance with the one-month market interest rate.

The long-term borrowings relate mainly to building investments for housing and real estate companies. The variation range of interest rates in 2004 was from 4.20 to 5.44%. Subsidiaries' debts, EUR 7 064 thousand, are secured by a guarantee given by the Group.

Earlier shareholders are included in related parties until 18 October 2005.

g) Contingencies and commitments

The security commitments issued (loan guarantee) are presented in item f. Related parties have not issued any security commitments.

Pohjola Group plc has, on behalf of a subsidiary, given ILU (Institute of London Underwriters) a guarantee related to any future liability to pay claims and has undertaken to cover any losses that may be incurred by an associate from another subsidiary's operations.

Pertaining to VAT group registration, the Group is, together with the other members of the taxable group, jointly and severally liable for the value added tax imposed on the group. The taxable group represented by Pohjola Group plc was dissolved on 1 November 2005, from which date all companies in the group were included in the taxable group represented by OP Bank Group Central Cooperative.

40. Events after the balance sheet date

The holding of OKO Osuuspankkien Keskuspankki Oyj (OKO Bank) in Pohjola exceeded 90% on 10 January 2006 and OKO Bank, in accordance with the Finnish Companies Act and the terms and conditions of Pohjola's option rights, initiated measures to redeem the Pohjola shares and option rights held by other parties than OKO Bank.

By transactions completed on 16 January 2006, Pohjola sold the stock of shares of Pohjola Life Insurance Company Ltd to Osuuspankkikeskus Osk (OP Bank Group Central Cooperative) at a total consideration of EUR 281 million and the stock of shares of Pohjola Asset Management Limited to OKO Bank at a total consideration of EUR 118.5 million.

The life insurance business has been presented in these financial statements as a discontinued operation and the related assets and liabilities have been reclassified as held for sale (Note 5). The realised gain arising from the transaction, EUR 90 million, will be presented in the discontinued operations column in the year 2006 income statement. The realised gain is not subject to tax. Of the financial assets held by the sold company, an unrealised gain of EUR 20 million has been recognised in the fair value reserve under equity. The realised gain is, in connection with sale, presented as part of the realised gains in the income statement. The deferred tax of EUR 5 million relating to the unrealised gain will not be realised in connection with the disposal of the share portfolio. As a combined effect of these, the sale increases equity by EUR 75 million.

The realised gain on the disposal of the asset management function, EUR 112 million, will be presented in the continuing operations column under other operating income in the 2006 income statement. The realised gain is not subject to tax. The asset management function was part of the investment services segment.

In addition, the Extraordinary General Meeting of Shareholders held on 19 January 2006 authorised the Pohjola Board of Directors to sell the remaining business operations of the Group, either in full or in part.

On 31 January 2006, Pohjola, OP Bank Group Central Cooperative and OKO Bank announced that they would launch statutory negotiations with employee representatives for productive reasons on 6 February 2006 as part of the process of combining functions and rationalising operations. The negotiations regard largely the staff specified in sales of investment products in the Group's non-life insurance segment. The need for staff reduction is estimated at around 30 employees. The intention is to carry out the reductions primarily through voluntary support measures, which means that the cost savings will appear mainly as of 2007.

Pohjola Group plc on 15 February 2006 received a notice of a written application regarding the commencement of arbitration proceedings. The 33 savings banks which have signed the application consider that Pohjola has substantially violated the provisions of the cooperation agreement on Nooa Savings Bank Ltd. The savings banks demand that the arbitration court oblige Pohjola to pay them EUR 8 830 000 in liquidated damages. In their application, the savings banks have also reserved the right to file a separate claim for damages against Pohjola.

Pohjola denies all the savings banks' charges and demands as unfounded.

41. Transition to IFRS financial statements

As mentioned in the section Basis of presentation in the notes to the financial statements (Note 2.1), these are Pohjola's first consolidated financial statements drawn up in accordance with the International Financial Reporting Standards (IFRSs). Before the adoption of the IFRSs, the financial statements of Pohjola were drawn up in accordance with the Finnish Accounting Standards (FAS).

The transition to IFRSs has changed the consolidated financial statement figures, the notes to the financial statements and the accounting policies, compared with earlier financial statements. The accounting policies specified in the section Accounting policies of the notes to the financial statements (Note 2) have been applied to the consolidated figures when preparing the accounts for the financial year ended on 31 December 2005, the comparative figures for the financial year ended on 31 December 2004 and the opening IFRS balance sheet as at 1 January 2004. The date of transition to IFRSs is 1 January 2004, except for the Standard IFRS 5, which has been applied to non-current assets held for sale and discontinued operations as of 1 January 2005, in accordance with the exception in IFRS 1 and the transitional provisions of IFRS 5.

The reconciliations and specifications below describe the differences between the IFRS and FAS principles for 2004 and as at the date of transition to IFRSs, 1 January 2004.

Summary of the effects of IFRSs on equity and profit

The adoption of the IFRSs increased consolidated equity by EUR 317 034thousand at the end of 2004. The increase was mainly due to the measurement of shares and debt securities at fair value and the inclusion of the equalisation provision in equity. Deferred tax liability decreased the effect of the adjustments.

The profit for the financial year 2004 increased by EUR 26 911 thousand. An increase in the equalisation provision and the curtailment of the retirement benefit obligation related to statutory disability pensions increased profit. On the other hand, losses from a change in fair value earlier recognised in the fair value reserve reduced profit because they were recognised in profit or loss on sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Reconciliation of equity for 2004

EUR 1 000	1 Jan.	31 Dec.
Equity as per FAS	670 670	689 980
Retroactive correction (See item 0)	-4 189	-4 686
Difference between fair value and carrying amount of financial assets	301 548	228 367
Equalisation provision	160 037	208 487
Classification of insurance contracts	3 500	-1 123
Defined benefit pension plans	-18 826	-898
Amortisation of goodwill	0	2 025
Mutual property companies	1 270	-131
Deferred tax	-128 446	-114 887
Other	-1 599	-120
Minority interest	6 648	0
Equity as per IFRSs	990 613	1 007 014

Reconciliation of profit for 2004

EUR 1 000	1 Jan.-31 Dec.
Profit for financial period as per FAS	167 616
Retroactive correction (See item 0)	-497
Measurement at fair value of financial assets	-30 884
Equalisation provision	48 450
Classification of insurance contracts	-4 623
Defined benefit pension plans	17 928
Amortisation of goodwill	2 025
Mutual property companies	-2 781
Current tax	8 734
Deferred tax	-14 072
Other	1 006
Minority interest	1 623
Profit for financial period as per IFRSs	194 526
Of which attributable to the parent's equity holders	192 903

Reconciliation of consolidated balance sheet 1 January 2004

EUR 1 000	Note	FAS figures in IFRS layout	Reclassifications	IFRS adjustments	IFRS 1 Jan. 2004
Assets					
Property, plant and equipment	12,14	18 878	57 990	19 793	96 660
Investment property	12	120 436	-56 486	-15 207	48 743
Intangible assets	15,16	41 764	-951	-746	40 067
Investments in associates	13	25 978	-16 383		9 594
Financial assets					
Equity securities	8,9,11				
Available for sale	13	656 388	-41 350	270 340	885 378
At fair value through income	13		54 743	5 237	59 980
Debt securities	8,9,11				
Available for sale		1 519 315	-46 687	22 833	1 495 462
At fair value through income			39 310	581	39 891
(Deposits)	10	32 118	-32 118		
Loans and receivables	1,10,16,17	322 762	11 249	2 720	336 732
Derivative financial instruments	9			255	255
Deferred tax assets	0,21	26 583	-27 974	5 230	3 839
Reinsurance contracts	1,5		59 577	-7 918	51 659
Other assets	14	2 135	-1 434		701
Current tax assets		854			854
Cash and cash equivalents	10	40 227	32 118	26	72 371
Total assets		2 807 437	31 603	303 146	3 142 186

EUR 1 000	Note	FAS figures in IFRS layout	Reclas- sifications	IFRS adjust- ments	IFRS 1 Jan. 2004
Equity and liabilities					
Capital and reserves attributable to the parent's equity holders					
Share capital		43 654			43 654
Share premium account and legal reserve	18	198 817		58	198 876
Currency translation differences	22	384			384
Fair value reserve	8,11,21			165 931	165 931
Retained earnings	0	427 814	-4 189	151 495	575 120
Minority interest	12,22	8 365		-1 717	6 648
Total equity		679 035	-4 189	315 768	990 613
Liabilities					
Insurance contracts					
Non-life insurance contracts	1,3,4,5	1 949 546	27 309	-212 116	1 764 739
Financial liabilities					
Claims administration contracts	1			40 710	40 710
Borrowings	14	15 371		4 684	20 055
Deferred tax liabilities	21	4 480	-29 685	133 158	107 952
Provisions	4	5 643	37 047		42 690
Retirement benefit obligations	17		2 572	20 693	23 265
Trade and other payables	0	135 288	-1 450	243	134 081
Current tax liabilities		18 074		6	18 080
Total liabilities		2 128 403	35 792	-12 622	2 151 573
Total equity and liabilities		2 807 437	31 603	303 146	3 142 186

Reconciliation of consolidated balance sheet 31 December 2004

EUR 1 000	Note	FAS figures in IFRS layout	Reclas- sifications	IFRS adjust- ments	IFRS 1 Jan. 2004
Assets					
Property, plant and equipment	12,14	17 204	59 248	13 834	90 286
Investment property	12	122 436	-56 362	-15 676	50 398
Intangible assets	15,16	45 331	-1 505	2 010	45 836
Investments in associates	13	21 825	-12 973	-2	8 850
Financial assets					
Equity securities	8,9,11				
Available for sale	13	625 257	-10 577	180 116	794 796
At fair value through income	13		22 553	2 029	24 582
Debt securities	8,9,11				
Available for sale		1 588 351	-33 927	37 793	1 592 217
At fair value through income			29 169	6 244	35 413
(Deposits)	10	54 574	-54 574		
Loans and receivables	1,10,16,17	330 631	5 812	14 904	351 346
Derivative financial instruments	9	3 879		1 764	5 643
Deferred tax assets	0,21	19 870	-18 520	-654	695
Reinsurance contracts	1,5		90 821	-28 233	62 588
Other assets	14	2 135	-1 508		628
Current tax assets		4 525			4 525
Cash and cash equivalents	10	35 876	54 574	22	90 473
Total assets		2 871 895	72 230	214 150	3 158 275

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EUR 1 000	Note	FAS figures in IFRS layout	Reclas-sifications	IFRS adjust-ments	IFRS 1 Jan. 2004
Equity and liabilities					
Capital and reserves attributable to the parent's equity holders					
Share capital		137 834			137 834
Share premium account and legal reserve	18	108 192		224	108 416
Currency translation differences	22	-294			-294
Fair value reserve	8,11,21			141 868	141 868
Retained earnings	0	444 248	-4 686	179 629	619 192
Minority interest	12,22	1 585		-1 585	0
Total equity		691 564	-4 686	320 136	1 007 014
Liabilities					
Insurance contracts					
Non-life insurance contracts	1,3,4,5	2 020 098	57 262	-281 301	1 796 059
Financial liabilities					
Claims administration contracts	1			58 871	58 871
Borrowings		8 435		-467	7 968
Derivative financial instruments	9	1 441		-855	586
Deferred tax liabilities	21	4 935	-18 591	114 895	101 238
Provisions	4	1 529	35 031		36 560
Retirement benefit obligations	17		2 667	2 638	5 306
Trade and other payables	0	116 958	2 461	233	119 651
Current tax liabilities	0	26 935	-1 914		25 021
Total liabilities		2 180 330	76 916	-105 986	2 151 261
Total equity and liabilities		2 871 895	72 230	214 150	3 158 275

Reconciliation of consolidated income statement 1 January-31 December 2004

EUR 1 000	Note	FAS figures in IFRS layout	Reclas-sifications	IFRS adjust-ments	IFRS 1 Jan. 2004
Insurance premium revenue	1,2,6	785 739	9 142	-84 528	710 353
Insurance premiums ceded to reinsurers	1	-94 209		26 851	-67 358
Net insurance premium revenue		691 530	9 142	-57 676	642 995
Fee income	0,1,19	67 845	-1 336	4 007	70 517
Investment income	10,11,12,13	93 765	13 270	3 479	110 514
Net realised gains	11,12	177 517	-30	-26 213	151 274
Net fair value gains on financial assets at fair value through income	9	2 278	-579	1 346	3 045
Other operating income			836		836
Net income		1 032 935	21 303	-75 057	979 181
Insurance claims, benefits and loss adjustment expenses					
Non-life insurance contracts	1,6,20	-584 436	38 335	65 394	-480 707
Insurance claims and loss adjustment expenses recovered from reinsurers	1	41 111		-13 167	27 944
(Change in joint guarantee provision)	4	-1 291	1 291		
(Change in equalisation provision)	3	-48 450		48 450	
Net insurance claims and benefits		-593 066	39 625	100 677	-452 763

EUR 1 000	Note	FAS figures in IFRS layout	Reclas-sifications	IFRS adjust-ments	IFRS 1 Jan. 2004
Expenses for acquisition of insurance contracts	20	-59 520		2 046	-57 474
Reinsurance commissions	1	5 961		-102	5 859
Expenses for administration of insurance contracts	2,4,20	-43 447	-9 419	-102	-52 969
Expenses for other services rendered	20	-69 173	7 015	-1 588	-63 746
Expenses for investment management	9,12,20	-3 668	-10 860	2 989	-11 539
Expenses for administration	18,20	-35 748	-8 525	1 418	-42 855
Other operating expenses	15,20	-3 678	834	2 085	-760
(Extraordinary charges)	20	-676	676		
Total expenses		-803 016	19 346	107 423	-676 247
Operating profit (loss)		229 919	40 649	32 366	302 935
Unwinding of discount, non-life insurance	6		-39 348		-39 348
Finance costs	0,14		-2 001	-191	-2 192
Share of profit (loss) of associates	13	398		-1 138	-741
Profit (loss) before tax		230 317	-700	31 038	260 655
Income tax expense	0,21	-61 141	203	-5 191	-66 129
Profit (loss) for the period	0	169 176	-497	25 847	194 526
Attributable to					
Equity holders of parent		167 616			192 903
Minority interest	12,22	1 559			1 623
		169 176			194 526

Notes to the reconciliations of consolidated balance sheet as at 1 January 2004 and 31 December 2004 as well as to consolidated income statement 1 January to 31 December 2004

The balance sheet and income statement layouts have been changed to meet the requirements in IAS 1. The reconciliations of the consolidated balance sheet and consolidated income statement have been reclassified applying the new layouts. The first column shows figures as per FAS by the line item that is closest to the corresponding IFRS denomination. A more detailed reclassification based on the IFRS layout and a retroactive correction of an error are shown in the second column. The third column indicates the IFRS adjustments resulting from the changed accounting policies.

0 Retroactive correction

After the 2004 financial statements were signed, an error was discovered related to the charging of an administrative fee. By nature, the error was partly technical and partly caused by the interpretation of the bases of calculation of the fee. The total amount of fee refund and interest thereon, as at 31 December 2004, is estimated at EUR 6 600 thousand (1 January 2004: EUR 5 900 thousand). The related tax assets amounted to EUR 1 914 thousand at the end of 2004 (1 January 2004: EUR 1 711 thousand) and the net effect on equity on 31 December 2004 in total EUR 4 686 thousand (1 January 2004: EUR 4 189 thousand). The effect on profits for 2004 was EUR 497 thousand. Since the refund pertains to the years from 1995 to 2004, the opening balance sheet and the profit for 2004 have been adjusted accordingly.

1 Classification of insurance contracts (IFRS 4)

Only contracts with a significant insurance risk have been treated as insurance contracts in accordance with IFRS 4. Contracts classified as other contracts have been reported by offsetting in the income statement and, any administration fee is reported under fee income. In the balance sheet, assets and liabilities have been reclassified under financial assets and financial liabilities.

As a rule, insurance contracts have been classified contract by contract, e.g. the public sector patient insurance pool is not an insurance contract. However, if contracts have been entered into simultaneously with a single counterparty or if contracts have otherwise been interdependent, the significance of insurance risk has been assessed as a whole. Therefore, the arrangements in which the entire insured risk has been reinsured with a captive belonging to the same group of companies with the customer have been treated as claims administration contracts. However, fronting agreements have been regarded as insurance contracts even in cases where the insured risk has been transferred in whole to another insurance company because the arrangement, in addition to Pohjola, involves two different parties which are not interdependent.

The index increases on annuities under statutory workers' compensation, motor liability and patient insurance, and certain other increases in compensation, as well as medical treatment indemnities paid over ten years after the loss occurred are financed by an item statutorily included in the insurance premium collected from customers by those insurers which transact the line of insurance concerned. In the IFRS financial statements, the amounts received and paid on the basis of the above pay-as-you-go system have been eliminated from premiums written and claims paid and have been set off against each other because the system is based on Finnish law and does not generate for insurers any such economic benefits which would result in increases or decreases in equity.

Major IFRS adjustments (EUR 1 000):

- Financial assets, receivables	13 167	(1 Jan. 2004: -)
- Reinsurance contract assets	-28 233	(1 Jan 2004: -7 918)
- Insurance contract liabilities	-72 814	(1 Jan 2004: -52 127)
- Financial liabilities, claims administration contracts	58 871	(1 Jan. 2004: 40 710)
- Insurance premium revenue	-84 528	
- Reinsurers' share	26 851	
- Claims	65 394	
- Reinsurers' share	-13 167	

2 Items deducted from premiums written under FAS (IAS 18)

Under Finnish Accounting Standards, credit loss on premiums was deducted from premiums written. Under IFRS, credit loss has been reclassified under operating expenses (Expenses for administration of insurance contracts). The same procedure has been applied to road safety charge because the charge is determined on the basis of the company's market share and not directly on the basis of the premiums collected from customers.

Reclassification changes (EUR 1 000):

- Insurance premium revenue	8 129
- Expenses for administration of insurance contracts	-8 129

3 Equalisation provision (IFRS 4)

Finnish tax legislation requires insurance companies to have an equalisation provision, the purpose of which is to even out the annual fluctuations of claims incurred and to maintain the risk carrying capacity of insurance companies. Under Finnish Accounting Standards, the equalisation provision was included in insurance contract liabilities. In IFRS financial statements, the equalisation provision has been eliminated, i.e. it has been reported in the balance sheet, divided into equity and deferred tax liability and, the change in the equalisation provision has been recognised in the income statement, divided into profit for the financial period and deferred tax.

Major IFRS adjustments (EUR 1 000):

- Insurance contract liabilities	-208 487	(1 Jan. 2004: -160 037)
- Change in equalisation provision	48 450	

4 Provision for joint guarantee system (IFRS 4, IAS 37)

The Finnish Workers' Compensation Insurance Act, Motor Liability Insurance Act and Patient Injuries Act include provisions on joint liability on the basis of which the insurance companies transacting business in these lines of insurance assume joint liability should one of them fail to pay claims in the event of liquidation or bankruptcy. Insurers have a statutory obligation to recognise a provision for the joint guarantee system in their balance sheets. The joint guarantee provision can be decreased or abolished only for the above-mentioned reason or by transferring it to another insurance company in connection with an insurance portfolio transfer. Since this is a legal obligation based on existing law and not an obligation based on insurance contracts, the joint guarantee item has, in the balance sheet, been transferred from insurance contract liabilities to a separate provision and the change in this item in the income statement has been transferred from claims incurred to operating expenses (Expenses for administration of insurance contracts).

Reclassification changes (EUR 1 000):

- Insurance contract liabilities	-33 559	(1 Jan. 2004: -32 268)
- Provisions	33 559	(1 Jan 2004: 32 268)
- Change in provision for joint guarantee system	1 291	
- Expenses for administration of insurance contracts	-1 291	

5 Reinsurers' share (IFRS 4)

The reinsurers' share of insurance contract liabilities has been reclassified under assets in the balance sheet, and not as a deduction item under insurance contract liabilities.

Reclassification changes (EUR 1 000):

- Reinsurance contract assets	90 821	(1 Jan. 2004: 59 577)
- Insurance contract liabilities	90 821	(1 Jan. 2004: 59 577)

6 Unwinding of discount of insurance contract liabilities (non-life insurance)

About a half of the insurance contract liabilities of the Group's non-life business has been discounted because the statutory lines of insurance include a significant amount of annuities. When discounting is used, the increase in insurance contract liabilities due to passage of time has, under Finnish Accounting Standards, been included in claims incurred and a smaller amount in insurance premium revenue. In the new presentation model, the unwinding of discount has been reclassified as a separate item in the finance costs group.

Reclassification changes (EUR 1 000):

- Insurance premium revenue	1 013
- Claims	38 335
- Unwinding of discount	39 348

7 Application of national practice and liability adequacy test (IFRS 4)

As regards other than the above, the national accounting practice continues to apply to insurance contracts.

The adequacy of insurance contract liabilities was at the reporting date assessed, using current estimates of future cash flows under the insurance contracts. If the assessment showed that the carrying amount of insurance contract liabilities, less intangible assets related to deferred acquisition costs and intangible assets arising from the fair value of acquired insurance contracts, was inadequate, the deficiency was recognised in profit or loss. The adequacy test applied by the Group meets the requirements set by the Standard. Therefore, any deficiency was already recognised in profit or loss under the separate financial statements.

8 Measurement of financial assets (IAS 39)

In the measurement of shares and debt securities, the lower of cost or market principle under Finnish Accounting Standards has been replaced by measurement at fair value as provided in IAS 39. The difference between the fair value and the carrying amount earlier reported in the notes to the accounts were on 1 January 2004 recognised under equity in the balance sheet, reduced by deferred tax liability.

In accordance with the lower of cost or market principle under FAS, unrealised loss has been recognised through profit or loss if the fair value of an asset has fallen under the acquisition cost and the reversal of unrealised loss has been recognised as income if the fair value has later risen. In a case where fair value has risen over the acquisition cost, the difference between the fair value and the carrying amount has been reported in the notes to the accounts.

In accordance with IFRS, financial assets other than loans and receivables have been measured at fair value and, depending on the designation of the asset, the change in fair value has been recognised either directly in profit or loss, or first under the fair value reserve of equity and has, from there, been transferred to profit or loss in connection with the sale of the asset.

9 Financial assets at fair value through income (IAS 39)

Financial assets at fair value through income are divided into assets held for trading and into those designated to this main group on initial recognition or on 1 January 2004.

Assets held for trading include securities which have been acquired for the purpose of selling or repurchasing in the near term, i.e. the assets managed by certain outside asset managers. All derivative financial instruments have been reported under assets or liabilities held for trading. No hedge accounting has been applied.

The other subgroup comprises bonds which include embedded derivatives, shares in associates held by venture capital organisations, and foreign currency denominated debt securities in run-off companies' portfolios.

Financial assets at fair value through income have been measured at fair value and the gain or loss arising from a change in fair value has been recognised in profit or loss. Deviating from FAS, any change in fair value exceeding the acquisition cost also has an immediate effect on profit or loss, as do transaction costs for the acquisition of securities.

Net gain on financial assets at fair value through income (interest, dividends, foreign exchange gains and losses, net realised gains, unrealised gains and losses) have been reported as one item in IFRS income statement. Transaction costs have been classified in the expenses group (Expenses for investment management).

Financial assets earlier entered under shares and debt securities have been classified at 1 January 2004 under financial assets at fair value through income as follows (EUR 1 000):

Book value (FAS)	
Shares in associates	5 964
Other shares	48 779
IFRS adjustment	5 237
Carrying amount (IFRS), fair value	59 980
Book value (FAS)	
Debt securities	39 310
IFRS adjustment	581
Carrying amount (IFRS), fair value	39 891
Book value (FAS)	
Derivative contracts (assets)	0
IFRS adjustment	255
Carrying amount (IFRS), fair value	255

10 Loans and receivables (IAS 39)

Loans and receivables include assets in the loan portfolio as well as loans granted directly to companies and corporations and which are not subject to trading. Receivables also include all receivables from insurance business, excluding the reinsurers' share of insurance contract liabilities. Bank deposits have been classified under cash and cash equivalents.

Loans and receivables have been measured at amortised cost using the effective yield method and the amortisation has been recognised under interest income (Investment income).

11 Available-for-sale financial assets (IAS 39)

Financial assets other than those specified in sections 9 and 10, i.e. most of them, have been classified as financial assets available for sale.

Available-for-sale financial assets have been carried at fair value and the counter item has been entered in the fair value reserve under equity. In addition, earlier cumulative unrealised losses, excluding permanent impairment losses, as well as related current tax for previous financial periods were transferred from retained earnings to the fair value reserve on 1 January 2004. Any gain or loss arising from a change in fair value has been reported in the income statement when the asset has been sold. The different treatment of unrealised losses entail an IFRS adjustment to be recognised in profit or loss because temporary unrealised losses and their reversals have an impact on the IFRS results only when they are realised in connection with disposal or there is objective evidence of impairment. Transaction costs are part of the original acquisition cost, as previously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

An IFRS adjustment through profit or loss has also been made because the difference between the nominal value and acquisition cost of debt securities has been amortised and recognised under interest income using the effective yield method and not the linear method as under FAS.

Income from available-for-sale financial assets has been included in investment income and net realised gains in the income statement.

Financial assets earlier entered under shares and debt securities have been classified at 1 January 2004 under available-for-sale financial assets as follows (EUR 1 000):

Book value (FAS)	
Shares in associates	7 226
Shares in participating interest undertakings	202
Other shares	607 609
IFRS adjustment	270 340
Carrying amount (IFRS), fair value	885 378

Book value (FAS)	
Debt securities	1 472 628
IFRS adjustement	22 833
Carrying amount (IFRS), fair value	1 495 462

Major IFRS adjustments (EUR 1 000):

- Financial assets and fair value reserve/unrealised gains	222 765	(1 Jan. 2004: 293 173)
- Fair value reserve/unrealised losses	-31 086	(1 Jan. 2004: -61 904)
- Fair value reserve/total unrealised gains and losses, net of tax (26%/29%)	141 868	(1 Jan. 2004: 165 931)
- Unrealised gains or losses through profit or loss	-30 817	

12 Investment properties and owner-occupied properties (IAS 40, IAS 16, IAS 27, IAS 28, IAS 31, IAS 41)

As previously, all properties have been measured at cost reduced by accumulated depreciation and impairment losses. The fair value of properties has been reported in the notes to the financial statements.

Mutual property companies were, under FAS, consolidated as subsidiaries if Pohjola's voting rights in them exceeded 50%. Other property investments were measured at the lower of cost or market. In IFRS accounting, mutual property companies continue to be consolidated as subsidiaries, item by item, if Pohjola's holding in them is 100%. Otherwise, these mutual companies have been included in the consolidated financial statements item by item using proportionate consolidation. The change in the consolidation method affects all items for property companies to some extent because the minority share in companies earlier treated as subsidiaries has been derecognised but, on the other hand, the proportion held by the Group in companies in which the holding is less than 50% has also been reported in the consolidated financial statements.

Owner-occupied properties have been transferred from investment properties to property, plant and equipment and the related maintenance expenses, depreciation and impairment losses have been transferred from investment charges to operating expenses by function.

Rental income on investment properties has been reported in the income statement under investment income and disposals under net realised gains. Maintenance expenses, depreciation and impairment losses for investment properties have been reported in the expenses group (Expenses for investment management) and not as a deduction of income.

Biological assets (living trees) have been carried at fair value and included in investment properties because of their minor amount.

Reclassification changes (EUR 1 000)

- Property, plant and equipment	56 663	(1 Jan. 2004: 56 672)
- Investment properties	-56 663	(1 Jan. 2004: -56 672)
- Maintenance expenses, depreciation and impairment losses for investment properties	10 900	

Major IFRS adjustments (EUR 1 000):

- Proportionate consolidation, owner-occupied properties	13 834	(1 Jan. 2004: 14 699)
- Proportionate consolidation, investment properties	-15 947	(1 Jan. 2004: -15 476)
- Biological assets (living trees), difference between fair value and carrying amount	271	(1 Jan. 2004: 270)
- Maintenance expenses, depreciation and impairment losses for owner-occupied properties	10 814	

13 Associates (IAS 28)

Under FAS, venture capital associates were entered in the books at cost reduced by accumulated impairment losses. On the transition to IFRSs, they have, as permitted by IAS 28, been designated as financial assets at fair value through income and have been reclassified in this item in the balance sheet. The two modes of measurement were equivalent.

The guarantee shares in Ilmarinen Mutual Pension Insurance Company were, as per FAS, entered at cost under shares in associates. In consequence of the restrictions contained in legislation on employee pension insurers, the Group's holding and voting rights in Ilmarinen did not, however, generate significant influence over the company as specified in IAS 28. Therefore, the guarantee shares in Ilmarinen were on 1 January 2004 reclassified as available-for-sale financial assets recognised at fair value. The guarantee shares were sold for that value on 3 January 2005. In the IFRS income statement, the interest received on the guarantee capital has been reclassified correspondingly from share of profit of associates to investment income.

Reclassification changes (EUR 1 000)

- Venture capital investments	4 614	(1 Jan. 2004: 6 508)
- Ilmarinen	7 226	(1 Jan. 2004: 7 226)

14 Property, plant and equipment (IAS 16, IAS 17)

When complying with the Finnish Accounting Standards, rental agreements were treated as operating leases. On the adoption of the IFRSs, some of the IT equipment leases have been reclassified as finance leases. Property items acquired under financial lease, reduced by accumulated depreciation, were on 1 January 2004 reclassified as property, plant and equipment. These property items are subject to depreciation in accordance with the depreciation plans applied to property, plant and equipment over the economic life of the property. Correspondingly, liability has been reported under borrowings and rents have been divided between finance costs and decrease in liability. All finance leases pertained to a subsidiary sold at the end of 2004.

Major renovations in rental premises have earlier been included in intangible assets, from where they have been transferred to property, plant and equipment, in accordance with IFRSs.

Works of art have been reclassified from other assets to property, plant and equipment.

Major IFRS adjustments (EUR 1 000)

- Assets, finance lease	-	(1 Jan. 2004: 5 094)
- Borrowings, finance lease	-	(1 Jan. 2004: 5 212)

15 Goodwill (IFRS 3, IAS 36)

In accordance with Finnish Accounting Standards, goodwill was calculated as a difference between acquisition cost and the subsidiary's equity at the time of acquisition and it was allocated to those asset items of the subsidiary from which the difference was considered to originate. Under IFRSs, the assets and liabilities of the acquired company have been measured at their fair value at the time of acquisition, whereby the portion of goodwill generally decreases.

The business combinations that took place before 1 January 2004 have been recognised on the basis of original measurement and allocation, as permitted by IFRS 1. Therefore, the change only impacted the acquisition of the minority interest in the Baltic subsidiaries in 2004. Part of the acquisition cost was allocated to insurance contracts and part to customer relationship intangibles.

In compliance with IFRS 3, no amortisation is made on goodwill after 1 January 2004, but goodwill is tested for impairment annually, as provided under IAS 36. The reversal of amortisation decreased expenses for 2004 and increased goodwill at year-end. Impairment tests have not called for recognition of impairment losses.

Major IFRS adjustments (EUR 1 000):

- Goodwill, reversal of amortisation	2 025	(1 Jan. 2004: -)
- Other operating expenses, reversal of amortisation	2 025	

16 Other intangible assets (IFRS 4, IAS 38)

In connection with the acquisition of the minority interest in the Baltic subsidiaries, liabilities from insurance contracts were measured at fair value and, as permitted by IFRS 4, the fair value was split into two components, i.e. into an insurance contract liability measured in accordance with Finnish Accounting Standards and into an intangible asset related to the acquired insurance portfolio. The intangible asset has been measured in conformity with the insurance contract liability and is recognised as an expense over its economic life.

In 2003, Pohjola began recognising internally generated IT systems as intangible assets in FAS financial statements, in accordance with the IFRS practice. In 2004, unfinished projects were tested for impairment but the tests did not lead to recognition of impairment losses.

In some subsidiaries, acquisition costs of insurance contracts have been deferred and reclassified from receivables to intangible assets.

17 Retirement benefit obligations (IAS 19)

In accordance with Finnish Accounting Standards, pension insurance premiums were recognised as expenses of the financial period in which they were incurred and only the pension liability pertaining to the Group's own pension commitments was recognised as pension obligation under accruals and deferred income. On the adoption of IFRSs, all plans have been divided into defined contribution plans and defined benefit plans. The benefits related to future statutory disability pensions and voluntary supplementary pensions under the Finnish statutory employee pension scheme (TEL) have been classified as defined benefit plans.

For defined benefit plans, the difference between the present value of actuarially calculated retirement benefit obligation and fair value of the related assets has been recognised in the balance sheet. Based on the exception under IFRS 1, all accumulated actuarial gains and losses were on 1 January 2004 recognised in retained earnings. The part of the paid premiums corresponding to the provision for IBNR disability claims under TEL statutory disability insurance was deferred under receivables.

The liability pertaining to statutory disability pensions was curtailed almost to the full in December 2004, following a change in reserving bases approved then by the Finnish Ministry of Social Affairs and Health. At the end of 2004, the amount of the retirement benefit obligation corresponded to the deferred premium cost. From the beginning of 2006, the statutory disability pension plans have been reclassified as defined contribution plans.

Actuarial gains and losses have, after 1 January 2004, been left unrecognised in profit or loss if their cumulative amount has not exceeded 10% of the value of defined benefit obligation or plan assets.

Major IFRS adjustments (EUR 1 000):

- Retirement benefit obligation, TEL disability pension	1 877	(1 Jan. 2004: 19 922)
- Receivables, TEL disability pension	1 877	(1 Jan. 2004: 1 821)
- Retirement benefit obligation, other	761	(1 Jan. 2004: 771)

18 Employee share option scheme (IFRS 2)

In accordance with Finnish Accounting Standards, the option plans issued to reward the staff were not recognised as an expense. Under IFRS 1, the employee share options that were granted after 7 November 2002 and had not yet vested on 1 January 2005 have been recognised as an expense in the vesting period. The counter item has been recognised in the share premium account. The transition rules only covered a small portion of the year 2001 C options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Fee income (IAS 18)

Fee income includes services sold to other companies classified as other income under FAS. Fees for claims administration contracts and certain fees earlier reported as deductions of operating expenses increased fee income under IFRS.

20 Operating expenses by function

The income statement layout classifies expenses by function, as previously. Loss adjustment expenses are reported together with claims. Expenses for other functions are included in the expenses group. Expenses for investment management have likewise been transferred from the investment income group to the expenses group. These expenses also include maintenance expenses, depreciation and impairment losses for investment properties.

Maintenance expenses, depreciation and impairment losses for owner-occupied properties are reclassified under operating expenses for the functions that use the premises (for more details, see item 12). In the FAS income statement, they were deducted from investment income. The change increased expenses for all functions. On the other hand, the curtailment of the TEL disability pension liability (see item 17) decreased expenses for all functions. The change in the classification of credit loss on premiums, road safety charge and provision for joint guarantee system increased expenses for administration of insurance contracts (see item 2).

Realised losses on disposal of subsidiaries have been transferred from extraordinary expenses to other operating expenses

21 Deferred tax assets and liabilities and income taxes (IAS 12)

In accordance with the Finnish Accounting Standards, the financial statements indicated current tax and the deferred taxes arising from temporary differences between carrying amounts and taxable values. In addition, under IFRS, deferred tax related to IFRS adjustments have been recognised. Deferred tax is reported under profit or loss or under equity in conformity with IFRS adjustments.

Current tax is also recognised in conformity with the corresponding transaction. Since unrealised losses on available-for-sale financial assets have been entered in the fair value reserve under equity, the portion of the current tax corresponding to the unrealised losses has also been transferred to the reserve. When financial assets have been sold, the previous current tax has been transferred from the reserve under equity to the income statement.

Under the Finnish Accounting Standards, deferred tax assets were not set off against deferred tax liabilities, while under IFRSs, deferred tax assets and liabilities have been set off against each other when the assets meet the right of setoff as defined in IAS 12.

Major reclassifications, EUR 1 000:		
- Offsetting of deferred tax assets	18 944	(1 Jan. 2004: 30 222)
Major IFRS adjustments (EUR 1 000)		
- Deferred tax assets, retirement benefit obligations	-702	(1 Jan. 2004: -5 988)
- Deferred tax liabilities, equalisation provision	54 201	(1 Jan. 2004: 46 397)
- Deferred tax liabilities, measurement of financial assets	59 412	(1 Jan. 2004: 87 449)

22 Minority interest, translation differences and contingency reserve

Minority interest in equity has, in accordance with IAS 1, been presented as a separate item within equity while, under Finnish Accounting Standards, it was presented separately from the parent company's equity belonging to shareholders.

Currency translation differences related to foreign companies have been presented as a separate item within equity. The contingency reserve, which as to its content corresponds to retained earnings, has been included in retained earnings.

IFRS changes in consolidated cash flow statement 1 January to 31 December 2004

EUR 1 000	FAS 2004	IFRS 2004
Cash flow from operating activities		
Insurance premiums received		706 998
Reinsurance premiums paid		-58 609
Insurance claims paid		-447 174
Reinsurance claims received		16 102
Interest received		61 281
Dividends received		37 536
Investment, fee and other operating income received		55 678
Employee benefits paid		-144 814
Other operating expenses paid		-91 842
Net cash flow from operating activities before financing items and tax	134 554	135 156
Interest and other finance costs paid	-604	-1 740
Income tax paid	-36 724	-36 724
Net cash flow from/used in operating activities	97 226	96 692
Cash flow from investing activities		
Acquisitions of financial assets and properties	-1 729 505	-4 637 581
Proceeds from sale of financial assets and properties	1 810 397	4 739 872
Acquired business operations	-8 872	-8 872
Sold business operations	1 973	1 973
Sale of head office premises		-
Other investments (net)	-18 579	-18 652
Net cash flow from investing activities	55 414	76 740
Cash flow from financing activities		
Rights issue	3 554	3 554
Loans paid	-6 936	-6 936
Dividends paid and other profit distribution	-151 870	-151 870
Net cash used in financing activities	-155 252	-155 252
Net decrease / increase in cash and cash equivalents	-2 612	18 180
Cash and cash equivalents at beginning of period	279 385	72 371
Effect of changes in foreign exchange rates	-78	-78
Cash and cash equivalents at end of period	276 695	90 473

Specification of material adjustments to the cash flow statement of financial period 2004

In the cash flow statement, cash flows are reported in gross amounts applying the direct method, instead of the earlier indirect method. Cash and cash equivalents include only cash at bank and in hand and bank deposits, but no longer assets held for investment purposes, not even those with a short maturity. In addition, the proportionate consolidation of mutual property companies (for more details see item 12) has caused slight changes in the figures.

ANNUAL ACCOUNTS, PARENT COMPANY (FINNISH ACCOUNTING STANDARDS)

BALANCE SHEET, PARENT COMPANY

EUR 1 000	Notes	31 Dec. 2005	31 Dec. 2004
ASSETS			
Fixed assets			
Intangible assets	2		
Intangible rights		3 835	4 826
Other long-term expenses		1 582	19
Payments on account		-	677
		5 417	5 522
Tangible assets	2		
Machinery and equipment		595	677
Other tangible assets		2 010	2 035
		2 605	2 712
Investments			
Shares in affiliated undertakings	3, 7	317 257	335 614
Loans to affiliated undertakings	4	112 500	112 500
Participating interests	5, 7	9 952	17 179
Other shares	6	19 806	29 849
Other debtors	8	-	925
		459 515	496 066
Current assets			
Stocks			
Consumables		934	1 004
Debtors			
Long-term			
Deferred tax assets	16	7 2141	4 665
Short-term			
Accounts receivable		7	-
Amounts owed by affiliated undertakings	9	98 768	14 693
Amounts owed by participating interest undertakings	9	11	57
Other debtors		1 721	4 768
Prepayments and accrued income	10	2 314	1 693
		102 821	21 211
Investments			
Other securities	11	66 643	34 438
Cash at bank and in hand		16 722	22 690
Assets in total		661 870	598 308
LIABILITIES			
Capital and reserves	12		
Share capital		138 012	137 834
Share premium account		47 035	43 281
Other reserves			
Legal reserve		64 813	64 813
Other reserves		180 840	162 620
Profit for financial year		173 754	133 741
		604 453	542 288
Untaxed reserves			
Depreciation reserve	16	431	304
Provisions	13	4 350	1 294
Creditors			
Long-term			
Other creditors		914	1 066
Short-term			
Trade creditors		1 324	1 796
Amounts owed to affiliated undertakings	14	17 491	24 457
Amounts owed to participating interest undertakings	14	-	1 406
Other creditors		1 758	1 571
Accruals and deferred income	15	31 149	24 12
		51 722	53 355
Liabilities in total		661 870	598 308

PROFIT AND LOSS ACCOUNT, PARENT COMPANY

1 Jan. to 31 Dec., EUR 1 000	Notes	2005	2004
Net turnover		36 823	57 827
Other operating income	18	87 129	150
Raw materials and services			
Raw materials and consumables			
Purchases during financial year		-1 750	-1 773
Increase (+) or decrease (-) in stocks		-58	-690
External services		-128	-1 786
		-1 936	-4 248
Social costs	19		
Salaries and remunerations		-14 011	-14 015
Social security costs			
Pension costs	13	-4 792	-2 451
Other social security costs		-1 306	-1 500
		-20 108	-17 966
Depreciation and value adjustments			
Scheduled depreciation	2	-922	-7 725
Value adjustments on goods held as fixed assets		-142	-1 999
		-1 064	-9 724
Other operating charges	13	-34 303	-42 887
Operating loss		66 541	-16 848
Financial income and expenses	20		
Income from shares in affiliated undertakings		54 960	120 641
Income from participating interests		907	1 138
Income from other investments held as fixed assets			
From affiliated undertakings		6 444	3 597
Other		52 380	75 356
Other interest and financial income			
From affiliated undertakings		1 465	2 113
Other		2 375	6 810
Value adjustments on investments held as fixed assets		-278	-72
Value adjustments on investments held as current assets		-137	-1
Interest and other financial expenses			
To affiliated undertakings		-1 898	-1 090
To others		-351	-1 629
		115 866	206 864
Tax on profit on ordinary activities			
Tax for financial year		-4 037	-45 686
Deferred tax		-7 451	-4 582
		-11 487	-50 268
Profit on ordinary activities		170 920	139 748
Extraordinary items	21		
Extraordinary income		4 000	4 365
Extraordinary charges		-	-12 397
		4 000	-8 032
Tax on profit on extraordinary items			
Tax for financial year		-1 040	2 329
Profit after extraordinary items		173 880	134 045
Untaxed reserves			
Increase (-) / decrease (+) in depreciation reserve	16	-127	-304
Profit for financial year		173 754	133 741

CASH FLOW STATEMENT, PARENT COMPANY

EUR 1 000	2005	2004
Cash flow from operating activities		
Profit on ordinary activities	170 920	139 748
Adjustments		
Value adjustments and unrealised gains on investments	557	2 072
Unrealised exchange gains/losses	10	-278
Depreciation according to plan	922	7 725
Other income and charges without payment	-819	-82
Other adjustments	-126 604	-56 207
Cash flow before change in working capital	44 987	92 977
Change in working capital:		
Decrease in non-interest-bearing short-term receivables	3 029	17 412
Decrease/increase in non-interest-bearing short-term payables	2 261	-12 505
Cash flow from operating activities before financing items and tax	50 277	97 884
Interest paid and payments for other financing expenses of operating activities	-49	-133
Income tax paid	-1 454	0
Net cash from/used in operating activities	48 774	97 751
Cash flow from investing activities		
Acquisitions of investment assets (excl. cash and cash equivalents)	-511 034	-1 507 014
Proceeds from sale of investment assets (excl. cash and cash equivalents and shares in subsidiaries)	567 512	1 569 913
Acquired shares in subsidiaries	-	-8 872
Sold shares in subsidiaries	-	415
Investments in and proceeds from sale of intangible, tangible and other assets (net)	-939	-7 469
Net cash from investing activities	55 540	46 974
Cash flow from financing activities		
Rights issue	3 933	3 554
Acquisition of treasury shares	-8 450	-
Loans repaid	-152	-457
Group contribution	1 468	-7 500
Dividends paid and other profit distribution	-107 081	-149 819
Net cash used in financing activities	-110 282	-154 222
Net decrease/increase in cash and cash equivalents	-5 968	-9 497
Cash and cash equivalents at beginning of period	22 690	32 298
Cash and cash equivalents transferred in corporate restructurings	-	-112
Cash and cash equivalents at end of period		
Cash at bank and in hand	16 722	22 690

Notes on the parent company's accounts

1. Accounting principles

a) Basis of presentation

The parent company's financial statements have been drawn up in accordance with the Finnish Accounting Standards. The amounts in the financial statements are shown in euros unless otherwise indicated.

The presentation of notes has been revised to some extent. According to the earlier practice, the same notes on the accounts were presented for both the parent company and the Group. In the current practice, the consolidated financial statements are prepared in conformity with the International Financial Reporting Standards and the notes on the parent company's accounts are prepared in compliance with the Finnish Accounting Act and Ordinance. In the cash flow statement, cash and cash equivalents only include cash at bank and in hand, and deposits. Cash and cash equivalents do not include assets held for investment purposes, not even those with a short maturity. Otherwise, the presentation of the accounts or the accounting principles have not changed in 2005.

The comparability of the parent company's financial information is affected by the sale of computer workstations and related software as well as the sale of office machinery and equipment to Pohjola IT Procurement Ltd in December 2004. The comparability is also affected by the transfer of the parent company's property business to Pohjola Property Management Ltd at the beginning of 2005.

b) Valuation and deferral principles

Intangible assets as well as machinery and equipment are shown in the balance sheet at acquisition cost reduced by scheduled depreciation and value adjustments. Acquisition cost includes purchase price directly attributable to the item in question.

Shares in affiliated undertakings and participating interest undertakings are shown in the balance sheet at acquisition cost reduced by permanent value adjustments. Acquisition cost is calculated in accordance with the FIFO-method.

Other shares as well as debt securities classified as investments are shown in the balance sheet at purchase price or at likely realisable value, whichever is lower. The difference between the nominal value 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.

The likely realisable 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 likely realisable value of other shares and debt securities is determined on the basis of the values of discounted cash flows or equivalent investments or on the basis of the remaining acquisition cost or the net asset value. The likely realisable value of private equity investments in mutual funds is the fund unit value calculated in accordance with the value most recently reported by each mutual fund.

Other tangible assets (works of art) and current assets are shown in the balance sheet at acquisition cost or at likely realisable acquisition cost or realisable value, whichever is lower.

Receivables are shown in the balance sheet at nominal value or likely realisable value, whichever is lower.

If a value adjustment item is later shown as unfounded, the unfounded amount is refunded through profit or loss under acquisition cost.

All deferred tax liabilities and assets pertaining to timing differences between taxable profit and accounting profit and to other temporary differences are entered in the balance sheet. 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. Untaxed reserves include deferred tax liabilities. 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%.

Liabilities 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.

Provisions are recognised when the Company has a present legal or commitment-based 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.

Accrued pension insurance premiums are entered in the profit and loss account. The pension liability resulting from pension commitments are computed by actuarial methods and entered through profit or loss.

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 denominated in foreign currencies are translated into euros at the rates quoted on 31 December. Exchange gains and losses arising during the financial year and at year-end are entered in the profit and loss account.

Capital and reserves are reduced by the acquisition cost of treasury shares. When treasury shares are invalidated, an amount equalling their accounting par value is transferred from the share capital to the share premium account.

Notes on the accounts, parent company

2. Intangible and tangible assets

EUR 1 000	Intangible rights	Payments on account	Other long-term expenses	Machinery and equipment	Other tangible assets
Acquisition cost 1 Jan. 2005	6 409	677	72	1 234	2 035
Increase	77	-7	921	132	13
Decrease	-1 013	-	-	-157	-38
Transfer between items	-238	-670	908	-	-
Acquisition cost 31 Dec. 2005	5 235	-	1 901	1 208	2 010
Accumulated depreciation 1 Jan. 2005	-1 583	-	-53	-557	-
Accumulated depreciation related to decrease	692	-		91	-
Depreciation in financial year	-652	-	-122	-148	-
Transfer between items	144	-	-144	-	-
Accumulated depreciation 31 Dec. 2005	-1 400	-	-319	-613	-
Book value 31 Dec. 2005	3 835	-	1 582	595	2 010
Book value 31 Dec. 2004	4 826	677	19	677	2 035

All machinery and equipment is used by administrative functions.

Bases for scheduled depreciation

Scheduled depreciation on intangible assets and on machinery and equipment is calculated on the acquisition cost of the asset in accordance with the estimated useful lives of the group of commodities applying the straight-line depreciation method. 30% of the acquisition cost has been used as the residual value of motor vehicles.

The depreciation periods are:

Intangible rights	
IT software	3-10 years
Other long-term expenses	
Deferred development costs	5 years
Basic renovation costs for leased premises, maximum	10 years
Machinery and equipment	
IT workstations	3 years
Other IT equipment and motor vehicles	5 years
Other machinery and equipment	5-10 years

3. Shares in affiliated undertakings

EUR 1 000	2005	2004
Acquisition cost 1 Jan.	339 653	193 048
Increase	925	149 771
Decrease	-19 282	-1 507
Dissolution of subsidiary	-	-1 659
Acquisition cost 31 Dec.	321 295	339 653
Value adjustments 1 Jan.	-4 039	-3 540
Value adjustments in financial year	-	-499
Value adjustments 31 Dec.	-4 039	-4 039
Book value 31 Dec.	317 257	335 614

4. Investments / receivables from affiliated undertakings

EUR 1 000	2005	2004
Acquisition cost 1 Jan.	112 500	55 000
Increase	-	57 500
Acquisition cost 31 Dec.	112 500	112 500

Receivables include:

EUR 40 million (2004: EUR 40 million) in subordinated loan granted to Pohjola Non-Life Insurance Company Ltd. The loan is in force until further notice. For the Company, the notice period is five years and for the debtor a 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.

EUR 45 million (2004: EUR 45 million) in subordinated loan granted to Pohjola Life Insurance Company Ltd. The loan contract is in force until further notice. The notice period is five years. The interest rate on the loan is a fixed interest rate of 4.95% from 23 December 2004 to 31 December 2019. After 31 December 2019, the interest rate on the loan will be the 12-month EURIBOR interest rate increased by a margin of four percentage points.

5. Shares in participating interest undertakings

EUR 1 000	2005	2004
Acquisition cost 1 Jan.	17 179	17 181
Decrease	-7 226	-3
Acquisition cost 31 Dec.	9 952	17 179
Book value 31 Dec.	9 952	17 179
Difference between the likely realisable value and the book value (Guarantee shares of Ilmarinen Mutual Pension Insurance Company)	-	8 541

6. Other shares

EUR 1 000	2005	2004
Acquisition cost 1 Jan.	33 321	125 923
Increase	3 825	3 288
Decrease	-13 553	-95 890
Acquisition cost 31 Dec.	23 593	33 321
Value adjustments 1 Jan.	-3 472	-3 562
Accumulated value adjustments related to decrease	105	162
Value adjustments in financial year	-420	-72
Value adjustments 31 Dec.	-3 787	-3 472
Book value 31 Dec.	19 806	29 849
Difference between the likely realisable value and the book value	3 987	54 190

7. Holdings in other undertakings

Name of company	Domicile	Sector	2005 Percentage of shares/ votes	2005 Book value EUR 1 000	2004 Percentage of shares/ votes	2004 Book value EUR 1 000
Affiliated undertakings						
Pohjola Non-Life Insurance Company Ltd	Helsinki	Non-life insurance	100.00	77 605	100.00	67 275
A-Insurance Ltd	Helsinki	Non-life insurance	100.00	42 000	100.00	42 000
Seesam International Insurance Company Ltd	Estonia	Non-life insurance	100.00	7 388	100.00	7 388
Joint Stock Insurance Company ”Seesam Latvia”	Latvia	Non-life insurance	90.00	2 713	90.00	2 713
Joint Stock Insurance Company ”Seesam Lithuania”	Lithuania	Non-life insurance	78.68	1 020	78.68	1 020
Bothnia International Insurance Company Ltd.	Helsinki	Non-life insurance	100.00	21 023	100.00	21 023
Moorgate Insurance Company Limited	United Kingdom	Non-life insurance	100.00	3 135	100.00	13 173
Pohjola Life Insurance Company Ltd	Helsinki	Life insurance	100.00	135 000	100.00	135 000
Pohjola Asset Management Limited	Helsinki	Asset management	100.00	7 738	100.00	7 738
Pohjola Fund Management Company Limited	Helsinki	Fund management	-	-	100.00	7 518
Conventum Venture Finance Ltd.	Helsinki	Private equity investments	100.00	10 010	100.00	10 010
Kaivokadun PL-hallinto Oy	Helsinki	Non-active	100.00	3 810	100.00	3 810
Pohjola Customer Service Ltd *)	Helsinki	Sales and customer service	-	-	100.00	10 330
Pohjolan Systeemipalvelu Oy	Helsinki	IT services	-	-	100.00	1 726
Russia Life Investments Limited	United Kingdom	Insurance holding company	67.50/80.50	-	67.50/80.50	-
Pohjola Property Management Ltd	Helsinki	Property investment operations	100.00	176	100.00	19
Pohjola IT Procurement Ltd	Helsinki	Equipment and furniture rental	100.00	4 870	100.00	4 870
Pohjola Private Ltd (former Northclaims)	Helsinki	Non-active	100.00	752	-	-
Northclaims Oy	Helsinki	Non-active	100.00	8	-	-
Vakuutuspalvelu Otava Oy	Helsinki	Non-active	100.00	8	-	-
				317 257		335 614
Participating interests						
Nooa Savings Bank Ltd	Helsinki	Deposit banking	25.00	9 408	25.00	9 408
Pirene Oy	Helsinki	Holding company	30.65	544	30.65	544
Ilmarinen Mutual Pension Insurance Company	Helsinki	Employment pension insurance	-	-	68.57/23.97	7 226
				9 952		17 179

*) Merged with Pohjola Non-Life Insurance Company Ltd on 1 November 2005

Notes on the accounts, parent company

8. Investments, other receivables

EUR 1 000	2005	2004
Loans 1 Jan.	925	1 019
Increase	-925	550
Decrease	-	-644
Acquisition cost 31 Dec.	-	925
Current value	-	925

9. Debtors

EUR 1 000	2005	2004
Affiliated undertakings		
Accounts receivable	21	43
Prepayments and accrued income	5 346	2 570
Settlement receivables for shares in subsidiaries	86 000	-
Other debtors	7 401	12 080
Total	98 768	14 693
Participating interests		
Other debtors	11	57
Total	11	57

10. Prepayments and accrued income

EUR 1 000	2005	2004
Interest and rent	142	194
Other		
Expenses paid in advance	290	371
Tax on profit	1 814	175
Other	68	953
	2 172	1 500
Total	2 314	1 693

11. Investments, other securities

EUR 1 000	2005	2004
Book value	66 643	34 438
Difference between likely realisable value and book value	134	1
The book value includes that difference between the amount repayable at maturity and purchase price which has been released to interest income or charged to interest income	184	-6

12. Capital and reserves

EUR 1 000	2005	2004
Share capital		
Reserve 1 Jan.	137 834	43 654
Bonus issue	-	93 433
Increase in share capital with option rights	949	747
Cancellation of treasury shares	-770	-
Reserve 31 Dec.	138 012	137 834
Share premium account		
Reserve 1 Jan.	43 281	40 474
Increase in share capital with option rights	2 984	2 807
Cancellation of treasury shares	770	-
Reserve 31 Dec.	47 035	43 281
Legal reserve		
Reserve 1 Jan.	64 813	158 245
Bonus issue	-	-93 433
Reserve 31 Dec.	64 813	64 813
Other reserves		
Contingency reserve		
Reserve 1 Jan.	162 620	214 769
Distribution of dividend	-	-99 007
From profit for previous financial year	26 670	46 857
Reserve 31 Dec.	189 289	162 620
Profit/loss for previous financial year	133 741	97 660
Acquistion of treasury shares	-8 450	-
Distribution of dividend	-107 042	-50 773
To contingency reserve	-26 670	-46 857
To donations for worthy causes	-30	-30
Total	-8 450	-
Profit for financial year	173 754	133 741
Capital and reserves in total	604 453	542 288
Distributable funds		
Profit for financial year	173 754	133 741
Contingency reserve	189 289	162 620
Profit/loss brought forward	-8 450	-
	354 593	296 361

Capital and reserves

Pohjola has one share class. The accounting par value of the share is EUR 0.90. The number of the shares as at 31 December 2005 was 153 347 147 shares (31 Dec. 2004: 153 148 647 shares). Pohjola held no treasury shares on 31 December 2005 or 31 December 2004.

The shares entitle to dividend and the Company's assets. Each share carries one vote at a General Meeting of Shareholders.

Option rights

In accordance with the year 2001 stock option plan, each option right entitles to the subscription of three Pohjola shares. For share subscriptions, a total of 29 302 option rights A and 415 000 option rights B/C remained unexercised for stock option holders on 31 December 2005 (31 Dec. 2004: 78 402 option rights A and 231 400 option rights B; for option rights C, the subscription period began on 1 August 2005). With these option rights outstanding at the end of 2005, option holders can subscribe a maximum of 1 332 906 shares with an accounting par value of EUR 1 199 615.40.

The subscription period and terms and conditions are explained in Note 16c of the consolidated financial statements.

Authorisations of the Board of Directors

The Annual General Meeting of 17 March 2005 authorised the Board of Directors to decide on an increase in the share capital through one or several new issues of shares and/or on taking out one or several convertible bonds in such a manner that, on the basis of the new issue of shares and the convertible bonds, the share capital could be raised by a total maximum of EUR 23 535 000 by placing a total of 26 150 000 new shares with an accounting par value of EUR 0.90 each for subscription at a price determined by the Board of Directors and otherwise on the conditions decided by the Board of Directors. The authorisation will be in force until 17 March 2006.

The Annual General Meeting of 17 March 2005 authorised the Board of Directors to decide on repurchase and conveyance of a maximum of 7 500 000 of the Company's own shares (treasury shares) with an accounting par value of EUR 0.90 each. The authorisations will be in force until 17 March 2006.

13. Expense provisions

EUR 1 000	2005	2004
Profit and loss account items		
Social costs	-	84
Other operating expenses		
Support packages	-	44
Rent liabilities	3 741	149
	3 741	193
Total	3 741	277
Balance-sheet items		
Provisions		
Rent liabilities	4 165	969
Other expense provisions	185	325
	4 350	1 294

14. Creditors

EUR 1 000	2005	2004
Amounts owed to affiliated undertakings		
Trade creditors	2	1 337
Accruals and deferred income	169	69
Other creditors	17 319	23 051
	17 491	24 457
Amounts owed to participating interest undertakings		
Trade creditors	-	8
Other creditors	-	1 398
Total	-	1 406

15. Accruals and deferred income

EUR 1 000	2005	2004
Staff expenses	11 173	8 596
Tax on profit	19 582	14 321
Restructuring provision	-	108
Other	394	1 099
Total	31 149	24 124

16. Deferred tax assets and liabilities

EUR 1 000	2005	2004
Distribution of accelerated depreciation		
Comparable to capital and reserves	319	225
Deferred tax liability 26%	112	79
	431	304
Deferred tax assets		
Deferred tax assets have been omitted from the balance sheet because they were not deemed likely to be realised	10 407	10 407

The Company has recognised the tax effect of the loss resulting from the dissolution of a subsidiary in 2003 in the manner required by the tax authority, i.e. the dissolution loss is deferred over a period of five years when calculating the tax effect. In taxation, the Company has, however, demanded front-end deduction of the loss.The appeal process is pending. If the court rules in favour of the Company, the net tax liability recognised in the balance sheet at the end of 2005 will decrease by EUR 12.6 million and it will be possible to utilise the off-balance sheet deferred tax assets of EUR 10.4 million. The difference, EUR 2.2 million is due to a larger portion of the deduction being taxed at a higher tax rate.

Notes on the accounts, parent company

17. Security and financial commitments

EUR 1 000	2005	2004
Given as security on behalf of affiliated undertakings		
Insurance contract liabilities		
Pledged cash and cash equivalents		
Bank accounts and deposits	8	10

Given as guarantee on behalf of affiliated undertakings
The Company has issued a guarantee for the insurance business underwritten by a subsidiary (Moorgate Insurance Company Ltd) in 1981-1990 through ILU (Institute of London Underwriters). The business has full reinsurance cover.

Commitments on behalf of associated undertakings
The Company is committed to cover any losses incurred by associates from a subsidiary's business operations

Purchase commitments

	2005	2004
The Group is committed to subscribe for shares in general partnership companies carrying on venture capital investments	8 043	11 005

Sales commitments
On 22 December 2005, the Company signed a commitment to sell Bothnia International Insurance Company Ltd. and Moorgate Insurance Company Ltd, wholly owned subsidiaries, to an outside buyer. The terms of the transaction are expected to be fulfilled in spring 2006, provided that the regulatory approvals of the authorities are obtained and all other terms are met.

Leasing liabilities

	2005	2004
Amount payable during current financial year	32	46
Amount payable in subsequent financial years	-	-

Subordinated loan limit agreement
The Company has granted a subordinated loan option of EUR 50 million to a subsidiary (Pohjola Non-Life Insurance Company Ltd). The subsidiary can exercise the option if its solvency ratio falls to under 50%. On 31 December 2005, the solvency ratio was 107.2%. The option will be in force until 1 July 2008.

Joint and several systems
Related to the value added tax group registration, the Company was, until1 November 2005, a member of the taxable group represented by the Company. Since that date, the Company has been a member of the taxable group represented by Osuuspankkikeskus Osk (OP Bank Group Central Cooperative).The members of the group are jointly and severally liable for he value added tax imposed on the group.

Litigations
The parents of the Company and the Company with its subsidiaries together with cooperative banks form the OP Bank Group. After the combination of the OP Bank Group and Pohjola, cooperation with savings banks came to an end. The changes in the ownership structure may also entail changes in certain other cooperation agreements.The ceasing and changes of these cooperation agreements will cause extra costs as well as court proceedings but they are not expected to have any material impact on the Company's financial standing.

The Company is not aware of any pending or impending court or arbitration proceedings that could have any material impact on the Company's financial standing.

18. Other operating income

EUR 1 000	2005	2004
Gains on realisation of shares in affiliated undertakings	77 745	-
Gains on realisation of participating interests	8 541	-
Gains on realisation of other investments held as fixed assets	23	68
Uncollected dividends	819	82
Other	-	0
Total	87 129	150

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

EUR 1 000	2005	2004
Social costs in profit and loss account		
Salaries and remunerations	14 011	14 254
Pension expenses	4 792	2 979
Other social security costs	1 306	1 564
Entered in balance sheet against provision/accruals and deferred income	-	-831
Total	20 108	17 966
Average number of employees during financial year		
Office staff	218	239
Real estate management staff	-	2
Total	218	241

Information on Board members and Presidents

	2005	2004
Salaries and remunerations for these duties		
Salaries and remunerations as per profit and loss account		
Board members:		
- Eino Halonen (Chairman of the Board)	54	42
- Kirsi Aaltio	37	30
- Heikki Bergholm	37	32
- Martin Granholm	39	34
- Heikki Hakala	-	2
- Timo Laine	-	-
- Kari Puro	36	32
- Timo Salonen	37	31
- Maarit Toivanen-Koivisto	35	28
Presidents:		
- Eero Heliövaara	1 290	1 320
- Tomi Yli-Kyyny (from 23 November 2005)	43	-
Deputy to the President:		
- Hannu Linnoinen	599	623
Total	2 209	2 173
Total salaries, remunerations and fringe benefits paid in the financial period	2 039	1 009

No money loans or security or financial commitments have been made regarding Board members or the Presidents.

Having reached the age of 63 years, the President is entitled to retire on a pension amounting to 60% of the pensionable salary accrued for this office as per TEL (Finnish Employees Pensions Act), provided that he at the age of 63 has at least 30 years of service.

Pension commitments regarding earlier Board members, Presidents and their deputies by reason of their responsibilities

Board members
Having reached the age of 60 years, Mr Peter Fagernäs (earlier Chairman of the Board) is entitled to retire on a pension amounting to around 20% of the salary calculated only for this office as per TEL.

Presidents
Having reached the age of 60 years, Mr Eero Heliövaara, is entitled to retire on a pension amounting to 60% of the pensionable salary as per TEL. Mr Matti Kavetvuo is entitled to a pension amounting to 60% of the pensionable salary accrued for this office as per TEL.

Deputy to the President
Having reached the age of 63 years, Mr Hannu Linnoinen is entitled to retire on a pension amounting to 60% of the pensionable salary accrued for this office as per TEL.

20. Financial income and expenses

EUR 1 000	2005	2004
Dividends paid	57 694	90 828
Avoir fiscal tax credit	-	36 874
Dividends in total	57 694	127 702
Interest income in total	9 143	9 356
Interest expenses	-2 214	-1 723
Gains/losses on realisation in total	51 690	71 357
Exchange gains/losses in total	-10	278
Other	-436	-106
Total	115 866	206 864

21. Extraordinary items

EUR 1 000	2005	2004
Extraordinary income		
Group contribution	4 000	4 365
Extraordinary charges		
Group contribution	-	-12 397

22. Notes on the accounts pertaining to Group

As of 18 Ocober 2005, OKO Osuuspankkien Keskuspankki Oyj (OKO Bank) is the direct parent company and Osuuspankkikeskus Osk (OP Bank Group Central Cooperative) the final parent of Pohjola Group plc. Both parents are domiciled in Helsinki.

Copies of the parents' consolidated annual accounts are available at

- the National Board of Patents and Registration after the registration of the annual accounts
- the parents' head office (address: Teollisuuskatu 1 b, Helsinki) provided that 14 days have elapsed from the adoption of the annual accounts and a request is made before the annual accounts have been submitted for registration.

Signatures for report by the Board of Directors and annual accounts

Helsinki, 16 February 2006

Mikael Silvennoinen

Reijo Karhinen   Timo Laine

Kari Puro   Tomi Yli-Kyyny

Auditors' report

To the shareholders of Pohjola Group plc

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Pohjola Group plc for the financial period 1 January – 31 December 2005. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, containing the consolidated balance sheet, income statement, cash flow statement, statement on the changes in equity and notes to the financial statements, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board Of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and 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 the administration is to examine whether the members of the Board of Directors and the Managing Directors of the parent company have complied with the rules of the Companies Act.

Consolidated financial statements

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position. The consolidated financial statements can be adopted.

Report of the Board of Directors, parent company's financial statements and administration

In our opinion the report of the Board of Directors and the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position. The parent company´s financial statements give a true and fair view of the parent company´s result of operations and of the financial position. The parent company´s financial statements can be adopted and the members of the Board of Directors and the Managing Directors of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies Act.

Helsinki 17 February 2006
KPMG OY AB

Hannu Niilekselä
Authorized Public Accountant

Group structure

Pohjola Group plc is a subsidiary of OKO Osuuspankkien Keskuspankki Oyj (OKO Bank).

The Pohjola group of companies includes the parent company Pohjola Group plc and its subsidiaries. The most important subsidiary is Pohjola Non-Life Insurance Company Ltd.

Applicable provisions

Pohjola's operations are founded on effective Finnish laws and on norms issued by virtue of these laws. In addition to the Finnish Companies Act, Pohjola Group plc complies with other provisions regarding publicly quoted companies, with regulations regarding insurance holding companies, and with the Articles of Association of Pohjola Group plc.

Furthermore, Pohjola Group plc complies with the insider rules issued by the Helsinki Stock Exchange and the Corporate Governance Recommendation for Listed Companies issued by the Helsinki Stock Exchange, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers. However, for reasons pertaining to the Group structure, corporate governance at Pohjola Group plc deviates from Recommendation 17 (Independence of directors) and Recommendation 21 (Establishment of a committee).

General Meeting of Shareholders

The Annual General Meeting shall be held within six months from the end of a financial period. The meeting shall deal with the matters laid down in the Articles of Association as matters to be dealt with by an Annual General Meeting, as well as with any other proposals made to the meeting.

An Extraordinary General Meeting shall be convened, whenever necessary, to deal with a defined proposal made to the EGM.

The most important issues to be dealt with at a General Meeting of Shareholders include the following:

- Amendment of the Articles of Association
- Increase or decrease in share capital
- Resolution on the number of the members of the Board of Directors, election of Board members and resolution on their fees.
- Election of external auditor
- Adoption of the financial statements
- Distribution of profit

Advance information

A notice of a General Meeting of Shareholders shall be published in at least two newspapers decided by the Board of Directors no earlier than two months and no later than 17 days before the meeting. The notice shall indicate the matters to be dealt with at the meeting. In addition, the notice of the meeting and the proposals by the Board of Directors to the meeting shall be published in a stock exchange release and made available on the Company's website.

Notification and attendance

To be able to exercise their right of vote at a General Meeting of Shareholders, shareholders shall notify the Company of their attendance in the manner specified in the notice of the meeting. The last notification date may not be earlier than ten days before the meeting.

The right to participate in a General Meeting of Shareholders lies with shareholders who no later than ten days before the meeting have been entered in the Company's shareholder register held by the Finnish Central Securities Depository Ltd, or with nominee-registered shareholders who at the said date have been entered temporarily in the Company's shareholder register, and who have notified of their attendance at the meeting in the manner described in the notice of the meeting. Shareholders can participate in the meeting in person or through an authorised representative. A shareholder or representative may have an assistant at the meeting. Minutes shall be kept of the meeting and made available to the shareholders no later than two weeks after the meeting. In addition, the resolutions passed by the General Meeting of Shareholders shall, immediately after the meeting, be published in a stock exchange release.

The Company has one share series, each share conferring one vote in a General Meeting of Shareholders.

Board of Directors

Charter of the Board

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.

The Board of Directors on 27 January 2005 adopted a written charter for its work defining 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 Boards of Directors in major subsidiaries
- 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

Board meetings

The Board of Directors convenes when necessary. In 2005, the Board held meetings exceptionally often, 24 times, because of the combination process between the OP Bank Group and Pohjola. With the exception of the cases of lawful excuse, there were a total of three absences from the meetings. The participation rate at the meetings was 98%.

Evaluation of the Board's performance

At the end of each calendar year, the Board of Directors has evaluated its operation and working methods. The evaluation has been done in writing as an internal self-evaluation.

As Pohjola is an insurance holding company, the Finnish Insurance Supervisory Authority monitors and evaluates the Company's management, 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 which follows 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.

Evaluation of independence

The current Board of Directors of Pohjola Group plc on 30 December 2005 carried out an evaluation of the independence of the Board members with regard to the Company and its owners in accordance with Recommendation 18 of the Corporate Governance Recommendation.

The current Board of Directors has five members. The evaluation showed that none of them is independent of the Company.

The following persons are considered to be independent of significant shareholders:
Timo Laine
Kari Puro
Tomi Yli-Kyyny

The following persons are considered not to be independent of significant shareholders:
Mikael Silvennoinen (Chairman)
Reijo Karhinen

Board committees

Because of the restructuring process underway, the Company has not had any committees since 23 November 2005.

President and Group Executive Committee

Pohjola Group plc has a President, who is in charge of the Company's day-to-day management in accordance with the instructions and orders given by the Board of Directors, ensuring 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.

The Company may also have a deputy to the President.

The Board of Directors appoints the Company's President and decides on the terms of his/her employment. The terms of employment of the President are defined in a written service contract approved by the Board of Directors.

In his/her work, the President is assisted by the Group Executive Committee, which is a consultative body set by the President and which does not have any authority based on the law or the Articles of Association. The Group Executive Committee includes the heads of the most important business areas and other persons included in the corporate management. In addition, the Group Executive Committee has two staff representatives. The President acts as the chairman of the Group Executive Committee. The Group Executive Committee of Pohjola is presented on the Company's website under About Pohjola -> Executive Committee.

Compensation

Salaries and fees of members of the Board of Directors

The Annual General Meeting resolved on 17 March 2005 that the Chairman of the Board be paid an annual fee of EUR 45 000, that the Deputy Chairman be paid EUR 30 000 and the other members of the Board EUR 26 000. The annual fees were paid in such a manner that, for an amount corresponding to 40 per cent of the total annual fee, Pohjola Group shares were acquired in the name of the Board members; the rest was paid in cash for tax withholding. In addition, it was resolved that the Board members be paid attendance fees amounting to EUR 500 per meeting for both the Board and the Committee meetings.

In 2005, the Board of Directors of Pohjola Group plc was paid a total of EUR 0.3 million (EUR 0.2 million) in annual fees and attendance fees.

The Extraordinary General Meeting of Shareholders held on 23 November 2005 resolved that no fees would be paid to the persons in the services of companies belonging to OP Bank Group Central Cooperative Consolidated to be elected as new members of the Board of Directors. It was resolved that EUR 200 for each meeting be paid to persons in the service of corporations belonging to the OP Bank Group and to be elected as new members of the Board. It was further resolved that Mr Kari Puro, Board member, be paid fees in accordance with the resolution passed by the Annual General Meeting of 17 March 2005.

Compensation of the President

Mr Tomi Yli-Kyyny, who assumed the duties of the President on 23 November 2005, received EUR 43 033 in salaries and other compensation. Mr Yli-Kyyny also acts the President of Pohjola Non-Life Insurance Company Ltd. His notice period from the duties of President is, for both parties, three months. 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 nine months' salary. Having reached the age of 63 years, he will have the right to retire on a pension totalling 60% of the pensionable salary in accordance with TEL (Employees' Pensions Act).

The salary and other compensation, including fringe benefits, of Mr Eero Heliövaara, who acted as the President until 23 November 2005, was EUR 1 289 989 in total.

Management's incentive schemes in 2005

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

The performance-based pay was determined in accordance with company targets, business targets and personal targets. The company targets, the combined ratio, the number of mutual fund unitholders and life insurance sales were common for the entire Group staff.

The maximum amount of the performance-based pay for the members of the management equalled three months' salary.

On 27 January 2005, the Pohjola Board of Directors approved the terms and conditions for 2005 of a bonus scheme established in 2004 as part of the incentive and commitment system for the key staff of the Pohjola group of companies. The aim of the reward scheme is to enhance the Company's profitability and shareholder value. The 2005 targets were tied to the combined ratio of the non-life insurance business and to the performance of the Pohjola share. If all targets set by the Board of Directors for 2005 are fully achieved, a maximum of EUR 3.9 million will be paid as bonuses in the reward scheme. In 2005, the system covered 14 people.

After OKO Osuuspankkien Keskuspankki Oyj (OKO Bank) made a public tender offer for the shares of Pohjola Group plc, the system has, by a decision of the Board of Directors, been altered in such a manner that the obligation of the key staff included in the scheme to acquire Pohjola shares was abolished and the development of the shareholder value is taken into account until 12 September 2005. The share price of EUR 13.35 of the tender offer has been used as the value of the share at the exercise date of bonus. In 2005, the expense recognised in the income statement and the liability recognised in the balance sheet are EUR 2 507 thousand.

Management's option rights

The Extraordinary General Meeting of 5 July 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 22 April 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 option right 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 2 970 000.

The details of the stock option plans and the management's share and option right holdings are described on the Company's website under Share information -> Options.

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 of the management of corporate funds, and for the proper arrangement of operations. The Board approves the common guidelines for the internal control of the whole Group. 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 the Group's day-to-day 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 the external auditor 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 and the Chairman of the Board, 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.

Insider rules

Pohjola complies with the insider rules approved by the Company's Board of Directors on 30 December 2005. The group of insiders subject to disclosure obligation includes the members of the Board of Directors, the President and the auditor acting as partner-in-charge.

The permanent, company-specific insider group includes, among others, the members of the Group Executive Committee. Project-based insider registers are kept for major projects.

External audit

In accordance with the Articles of Association, the Company has one regular auditor, who shall be a firm of public accountants authorised by the Central Chamber of Commerce. The auditor's term of office expires upon the closing of the following Annual General Meeting.

At the Extraordinary General Meeting of Shareholders held on 23 November 2005, KPMG Oy Ab, Authorised Public Accountants, was elected as the new auditor of the Company to replace PricewaterhouseCoopers Oy, Authorised Public Accountants, for a term of office expiring on the closing of the next Annual General Meeting. The partner-in-charge appointed by KPMG Oy Ab is Mr Hannu Niilekselä, Authorised Public Accountant.

In the financial year 2005, the auditing firms and companies of their groups were paid EUR 493 852 for external audit, EUR 185 402 for IFRS and tax consultation, and EUR 24 802 for other advice and statements. The fees include the value added tax.

IR principles and communication

The task of communication at Pohjola Group plc is to promote the Group's business by mediating information on the Group's objectives and operations to all stakeholder groups. The objective of investor communication services is to ensure that sufficient and correct information on the Company and the Pohjola Group share is simultaneously available on the market to serve as the basis for price formation. Investor communication is the responsibility of the Chief Financial Officer of Pohjola Group plc.

The Company publishes investor information in Finnish and in English.

The content of the Company's website complies with the requirements set out in the Corporate Governance Recommendation. The Company discloses basic information on its share and share capital on its website and in its Annual Report. Lists of the largest shareholders and of flagging announcements are also found on the Company's website.

At the end of 2005, Pohjola Group plc had a total of 2 423 employees (2 530 in 2004) in Finland and 147 employees (116 in 2004) in the Baltic States. A total of 96% of the staff (97% in 2004) had a permanent employment relationship and 91% of the employees (91% in 2004) worked on a full-time basis. In the financial year, the average number of employees was 2 747 (2 685 employees in 2004).

Objectives of human resources policy

Pohjola's human resources policy supports the Company's business operations and ensures the continuous development of human resources. The policy is based on the Company's objectives, mission and values.

Objectives of human resources policy until 2009

- Pohjola's employees – who are competent, innovative, result-oriented, and satisfied with their life and work – give their joint contribution to making Pohjola the best company
- Each Pohjola employee develops, makes use of and shares his/her expertise, and works in a good work atmosphere
- Pohjola is a profitable and supportive employer offering many opportunities for employees; Pohjola complies with a human resources policy based on equality and competitiveness

To reach these objectives, the Company places a special emphasis on human resources management, staff competence, supervisors' work, and continuous development of well-being at work.

Human resources management

Pohjola anticipates 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 needs of business operations. Within the next five years, over 10% of the Pohjola staff will retire. The availability and continuity of competent staff will be ensured by offering the employees interesting work duties, development opportunities and competitive benefits.

Competent and innovative staff

Following the changed needs of business operations, the staff's professional competence is ensured by providing the staff with opportunities to develop systematically through education, on-the-job training and job rotation. The competence requirements of various work duties, which are based on Pohjola's core competence areas and job-specific expertise requirements, are reviewed annually. On the basis of these reviews, personal development plans, which are monitored regularly, are drawn up for each member of the Pohjola staff. In 2005, the Pohjola staff members had an average of six training days per person.

Satisfied members of Pohjola staff

The staff's well-being at work is annually surveyed by means of an extensive work satisfaction survey in which the Pohjola employees participate actively. In recent years, the participation rate has been around 84%. The survey also provides indices for employer image, well-being at work, and work strain. On the basis of these results, development plans are drawn up for the whole Company and work communities. The implementation of these plans is monitored regularly.

Pohjola has focused on preventive measures in the improvement of well-being at work. The Company created and introduced a model for the management of working capacity risks in 2005. The model includes early identification of risks and reacting on them, treatment of prolonged working capacity problems, and ensuring successful return to work after a long leave of absence. In addition, Pohjola arranges special capability and resources training for employees aged 50 years or more. The training aims at strengthening senior employees' working capacity and professional self-confidence. In 2006, the capability and resources training will also be extended to younger employee groups. Following the combination of Pohjola and the OP Bank Group, training for change management was organised for the whole staff in autumn 2005. The Pohjola Club, which celebrated its 90th anniversary in 2005, offers the staff opportunities for maintaining physical condition in various ways and for participating in many cultural events.

In addition to the staff survey, a '360 survey' is carried out for the assessment of supervisors' work. The survey measures supervisors' work from several perspectives. Each supervisor has his/her own development plan. Both supervisors and employees can participate in work induction. Around 30 supervisors develop annually their leadership skills by participating in the JOKO executive education.

BOARD OF DIRECTORS

Board of Directors of Pohjola Group plc as of 23 November 2005

Mikael Silvennoinen, born 1956
Chairman of the Board of Directors since 23 November 2005
President of OKO Bank since 1997
Master of Science in Economics and Business Administration

Mr Silvennoinen has been a member of the Executive Boards of OP Bank Group Central Cooperative and OKO Bank since 1997. He was a deputy member of the Executive Board of OKO Bank from 1994 to 1996.

Previous work experience

President of Opstock Ltd from 1992 to 1994, President of OKO Venture Capital Ltd from 1989 to 1992 and President of Oy Wärtsilä Finance Ab from 1988 to 1989.

Main positions of trust

Member of the Supervisory Board of Luottokunta since 1998, Deputy Chairman of the Board of Directors of Pohjola Group plc from 2000 to 2001, member of the Supervisory Board of Mutual Insurance Company Pension Fennia from 2002 to 2005, member of the Steering Committee of Unico Banking Group since 1997, member of the Delegation of the Helsinki Chamber of Commerce since 1999, member of the Board of Directors of the Helsinki Chamber of Commerce since 2002, and member of the Board of Directors of the Finnish Foundation for Share Promotion since 2002.

Share and option holdings in Pohjola on 12 January 2006: none

Reijo Karhinen, born 1955
Deputy Chairman of the Board of Directors since 23 November 2005
President of OP Bank Group Central Cooperative since 1997
Master of Science in Economics and Business Administration

Mr Karhinen has acted as the Vice Chairman of the Executive Boards of OP Bank Group Central Cooperative and OKO Bank, and as the Deputy CEO of the OP Bank Group since 1997.

Main positions of trust

Vice Chairman of the Board of Directors of Eurocard Oy from 1997 to 2000 and since 2002, Chairman of the Board of Directors of Eurocard Oy from 2000 to 2002, Chairman of the Board of Directors of Luottokunta from 2002 to 2005 and Vice Chairman of Luottokunta from 1997 to 2002 and since 2005, Chairman of the Board of Directors of the Association of Pension Foundations since 2004, Second Vice Chairman of the Board of Directors of the Finnish Pension Alliance TELA from 2004 to 2005 and First Vice Chairman of the Board of Directors of the Finnish Pension Alliance TELA since 2005, Chairman of the Board of Directors of OP Life Assurance Company Ltd since 1995, Chairman of the Board of Directors of OP Bank Group Pension Fund since 1997, Chairman of the Board of Directors of OP Bank Group Pension Foundation since 1997, Chairman of the Board of Directors of OP Bank Group Mutual Insurance Company since 1997, and Vice Chairman of the Board of Directors of the Finnish Bankers' Association since 2002.

Share and option holdings in Pohjola on 12 January 2006: none

Timo Laine, born 1959
Member of the Board of Directors since 23 November 2005
Managing Director of Päijät-Hämeen Osuuspankki since 1997
Master of Laws and a degree of eMBA

Previous work experience

Managing Director of Valkeakosken Osuuspankki from 1994 to 1996, Regional Manager of Tampereen Seudun Osuuspankki from 1990 to 1994 and, before that, Bank Manager and Branch Manager at different cooperative banks

Main positions of trust

Member of the Executive Board of Okopankki Oyj since 1996 and Vice Chairman since 2000, Chairman of the Board of Directors of Päijät-Hämeen OP-Kiinteistökeskus since 1999, member of the Board of Directors of the Lahti Chamber of Commerce since 2002, Chairman of the Board of Directors of the Lahti Chamber of Commerce from 2003, and member of the Board of Directors of Lahden Teollisuusseura since 2005.

Share and option holdings in Pohjola on 12 January 2006: none

Kari Puro, born 1941
Member of the Board of Directors since 2001
President and CEO of Ilmarinen Mutual Pension Insurance Company since 1991
Doctor of Medical Science, Master of Political Science

Main positions of trust

Member of the Board of Directors of Finnish Centre for Pensions from 1992 to 1993 and Chairman of the Board since 1994, Deputy Chairman of the Board of Directors of Garantia Insurance Company Ltd since 1995.

Share and option holdings in Pohjola on 12 January 2006: none

Tomi Yli-Kyyny, born 1962
Member of the Board of Directors since 23 November 2005
President of Pohjola Group plc since November 2005
President of Pohjola Non-Life Insurance Company Ltd since October 2005
Master of Science in Engineering

Previous work experience

Head of Underwriting at Pohjola Group plc from 2002 to 2005, Managing Director of Eurooppalainen Insurance Company Ltd from 2003 to 2005. Mr Yli-Kyyny was in the service of Pohjola Non-Life Insurance Company Ltd from 1990 to 1998 and acted as the Head of Major Clients from 2000 to 2002.

Main positions of trust

Chairman of the Non-Life Insurance Executive Committee of the Federation of Finnish Insurance Companies since 2006, member of the Board of Directors of Nordic Nuclear Insurers since 2003, Chairman of the Board of Directors of the Finnish Aviation Pool since 2005.

Share and option holdings in Pohjola on 12 January 2006: none

Board of Directors of Pohjola Group plc from 23 November 2005

Members of the Board from the left:
Timo Laine, Kari Puro, Tomi Yli-Kyyny, Mikael Silvennoinen and Reijo Karhinen

Board of Directors of Pohjola Group plc from 1 January to 23 November 2005

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

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

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

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

Heikki Bergholm, born 1956
Master of Science in Engineering

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

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

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

Group Executive Committee of Pohjola Group plc on 31 December 2005

Tomi Yli-Kyyny, born 1962
Master of Science in Engineering
President

President of Pohjola Group plc since November 2005, President of Pohjola Non-Life Insurance Company Ltd since October 2005, Head of Underwriting at Pohjola Group plc from 2002 to 2005, Managing Director of Eurooppalainen Insurance Company Ltd from 2003 to 2005. Mr Yli-Kyyny was in the service of Pohjola Non-Life Insurance Company Ltd from 1990 to 1998 and acted as the Head of Major Clients from 2000 to 2002.

Positions of trust

- Chairman of the Non-Life Insurance Executive Committee of the Federation of Finnish Insurance Companies since 2006
- Member of the Board of Directors of Nordic Nuclear Insurers since 2003
- Chairman of the Board of Directors of the Finnish Aviation Pool since 2005

Share and option holdings in Pohjola on 12 January 2006: none

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

Senior Executive Vice President of Pohjola Group plc and deputy to the President since 2003 with underwriting and actuarial function, Baltic subsidiaries, marketing and business development and information technology as areas of responsibility. 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.

Share and option holdings in Pohjola on 12 January 2006: none

Eva Valkama, born 1949
Master of Science in Economics and Business Administration
Executive Vice President, underwriting and claims settlement function
Ms Valkama joined Pohjola in 1984.

Share and option holdings in Pohjola on 12 January 2006: none

Olavi Kauppila, born 1943
Master of Science in Engineering
Executive Vice President, Private Customers
Mr Kauppila joined Pohjola in 1968.

Share and option holdings in Pohjola on 12 January 2006: none

Mikko Koskimies, born 1967
Master of Science in Economics and Business Administration
Head of Investment Services
Mr Koskimies joined Pohjola in 2005

Share and option holdings in Pohjola on 12 January 2006: none

Esko Torsti, born 1964
Licentiate in Political Science
Chief Investment Officer, Investment Services
Mr Torsti joined Pohjola in 2001

Share and option holdings in Pohjola on 12 January 2006: none

Ilkka Salonen, born 1965
Master of Science in Economics and Business Administration
Chief Financial Officer, Finance and risk management
Mr Salonen joined Pohjola in 2003

Share and option holdings in Pohjola on 12 January 2006: none

Sirkka Hongell, born 1950
Master of Political Science
Chief Human Resources Officer, Human Resources and Administration
Ms Hongell joined Pohjola in 2002

Share and option holdings in Pohjola on 12 January 2006: none

Jarmo Heiniö, born 1948
Master of Political Science
Chief Corporate Communications Officer, Corporate Communications
Mr Heiniö joined Pohjola in 2001

Share and option holdings in Pohjola on 12 January 2006: none

Arto Kämppi, born 1963
Master of Science in Economics and Business Administration
Chief Marketing Officer
Mr Kämppi joined Pohjola in 2000

Share and option holdings in Pohjola on 12 January 2006: none

Olavi Nieminen, born 1943
General Counsel, secretary of the Board of Directors
Mr Nieminen joined Pohjola in 1971

Share and option holdings in Pohjola on 12 January 2006: 48 shares

Staff representatives

Sirpa Komonen, born 1956
Full-time staff representative
Ms Komonen joined Pohjola in 1975

Share and option holdings in Pohjola on 12 January 2006: none

Pekka Nevalainen, born 1965
Investment Manager
Mr Nevalainen joined Pohjola in 1997

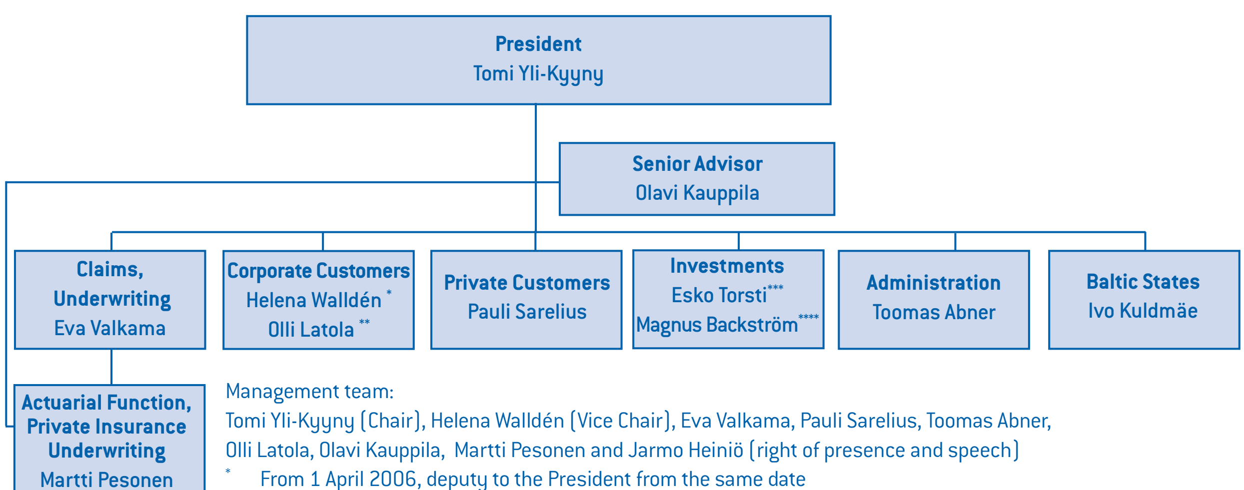
Share and option holdings in Pohjola on 12 January 2006: none

President and CEO until 23 November 2005

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

President and CEO of Pohjola Group plc from 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.

Pohjola non-life insurance organisation 1 January 2006



Management team:
Tomi Yli-Kyyny (Chair), Helena Walldén (Vice Chair), Eva Valkama, Pauli Sarelius, Toomas Abner, Olli Latola, Olavi Kauppila, Martti Pesonen and Jarmo Heiniö (right of presence and speech)

* From 1 April 2006, deputy to the President from the same date
** Deputy until 31 March 2006
*** Until 28 February 2006
**** From 1 March 2006

Pohjola creates stability in society and offers both private individuals and companies reasonable ways of protecting themselves against different risks. In addition, Pohjola has an important social role in managing statutory workers' compensation, accident and motor liability insurance.

Insurance business is by definition responsible activity in many ways. Pohjola's business is based on Finnish laws and on principles drawn up as a result of internal cooperation within the insurance industry. Insurance and investment services are always based on confidential and long-term customer relationships.

The most essential part of Pohjola's corporate social responsibility is to create security. The main target groups are customers, staff and society.

As an insurance company, Pohjola offers its customers ways of protecting themselves against risks and thus, ensuring their income and financial position. Pohjola bears the risks that could, in the worst case, materially affect customers' daily lives or the Company's continued operations and financial standing.

Pohjola's business operations aim at proactive risk management; the Company seeks 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' as Pohjola's customer promise encourages. Pohjola's non-life insurance products have been designed to provide as comprehensive and protective cover as possible for customers throughout their lifecycle.

The objective is to develop reporting on corporate social responsibility issues in compliance with the Global Reporting Initiative (GRI) guidelines as part of the OP Bank Group's reporting system. The emphasis of reporting in conjunction with the GRI model is on the most essential issues related to the operations of a Finnish insurance company. In Finland, the insurance business is subject to licence, and it is strictly regulated and well controlled through laws and other provisions. This means that part of the issues included in the GRI model have already been well covered.

In 2005, Pohjola disclosed its first corporate social responsibility report for 2004 on its website. As regards 2005, the corresponding report will be disclosed on the website in spring 2006.

Financial success creates basis for other corporate social responsibility work

Corporate social responsibility entails that relationships based on trust are maintained with the Company's stakeholder groups. In addition to the staff, customers and shareholders, Pohjola's main stakeholder groups include the authorities, consumers, cooperation partners and civic organisations.

Pohjola is a company with a task to generate profit. Financial success is, however, tightly dependent on other operations. Financial success also offers a basis for other corporate social responsibility work. Pohjola pays attention to its stakeholder groups' expectations and wishes in order to evaluate the fulfilment of these expectations in an open and spontaneous manner in its corporate social responsibility work.

Operating principles and promises derived from Pohjola's values

Within Pohjola, corporate social responsibility is based on corporate values, which are defined by our operating principles and promises, according to stakeholder groups. The stakeholder group specific values have been explained on the Company's website at www.pohjola.com.

The objective of the legislation governing the insurance business is to secure the benefits of those insured and the policyholders. The legislation defines the requirements for solvency and insurance contract liabilities set for insurance companies. An annual investment plan is drawn up for the investment of insurance companies' assets.

Liabilities arising from the insurance business are often long-term ones. The continuity of operations in insurance companies has an impact on customers' protection even from generation to generation.

In Finland, insurance companies shoulder significant corporate social responsibilities by administering statutory pension, accident and motor liability insurance schemes. Pohjola engages actively in discussions on the development of these schemes. Furthermore, Pohjola participates in the prevention of accidents, fires, water damage and other losses, as well as in crime prevention together with authorities and organisations.

The insurance business generates significant savings capitals, which enhance the overall savings rate in society.

Corporate social responsibility as part of operational planning

Pohjola has a coordination group in charge of corporate social responsibility issues. Its main task is to assist the Group's President in the development and follow-up of operations related to corporate social responsibility. The President, on the other hand, presents the principles of corporate social responsibility to the Board of Directors for approval. In the future, Pohjola's corporate social responsibility principles will be regulated by the principles used in the parent company OKO Bank.

The coordination group is in charge of

- reporting on the results pertaining to corporate social responsibility as part of the parent company's reporting system
- preparing and updating the operating principles related to corporate social responsibility
- presenting to the Group Executive Committee a plan to be used as the Group's annual corporate social responsibility programme
- observing the corporate social responsibility aspects in business-related decision-making
- monitoring and reporting on issues related to corporate social responsibility, and developing indicators to be used in such processes.

In 2005, Pohjola's business functions took, for the first time, account of the corporate social responsibility aspect when drawing up business plans.

Principles and objectives of corporate social responsibility

In addition to general norms regulating business activities in Finland, Pohjola's business operations are regulated, among others, by the following laws:

- Insurance Companies Act
- Local Mutual Insurance Associations Act
- Insurance Brokers Act
- Insurance Contracts Act
- Acts regulating statutory insurance

At Pohjola, corporate social responsibility is part of the management model. In the long term, it is also considered to enhance and improve leadership in the Company.

Objectives

Pohjola's corporate social responsibility is based on the Company's business vision:

- We are the vanguard of insurance 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.

Economic responsibility

To be socially responsible, a company must be profitable to be able to 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.

In addition to meeting the shareholders' return expectations, economic responsibility can, on more general terms, be seen as an activity generating economic well-being in society.

Social responsibility

Social responsibility within a company refers, for instance, to its commitment to the human resources policy which supports participation in the company's decision-making processes, supports the staff's balancing between working and family life, and supports measures taken to ensure equal career development and equal salary for equal work.

Social responsibility not only concerns the internal corporate structure but also its external environment. The external dimension of social responsibility is shown in the ways how the company reacts to the development of society and immediate surroundings, how it responds to consumers, customers and cooperation partners, and how it engages in investment operations.

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.

Environmental responsibility

Operating according to the principles of sustainable development means that the company assumes responsibility for its environment. At Pohjola, environmental responsibility means risk management, sustainable use of natural resources, and consideration of environmental issues in day-to-day operations and decision-making.

Environmental responsibility means that the effects of environmental aspects are taken into account in all operations, both those of the company and its cooperation partners, and that account is taken of the sustainable management of the use of natural resources.

Releases 2005

This list comprises the stock exchange releases and announcements as well as other significant releases issued by Pohjola Group plc in 2005. All releases are available at www.pohjola.com > Investor Relations > All releases.

January

SER 3 Jan.	Pohjola started life insurance business
SEA 3 Jan.	Suomi Mutual's holding 49.64%, Ilmarinen's holding 9.24% of Pohjola shares
SER 3 Jan.	Pohjola to repurchase Company's own shares
SER 10 Jan.	Pohjola sold its shares in Alma Media
R 12 Jan.	Storm damage causes Pohjola EUR 5 million costs

February

SER 9 Feb.	Key figures for Pohjola life insurance business
SER 9 Feb.	Notice of Annual General Meeting of Pohjola Group plc
SER 9 Feb.	Pohjola moves over to IFRS reporting
SER 9 Feb.	Suomi Mutual press release regarding Pohjola shares
SER 9 Feb.	Pohjola Annual Accounts Release January 1 to December 31, 2004

March

SER 4 March	Pohjola to issue an index-linked bond
SER 7 March	Pohjola Annual Report 2004 published
SER 17 March	Resolutions passed by Pohjola Annual General Meeting

April

SEA 8 April	Decrease in Pohjola's share capital entered in Trade Register
SEA 21 April	Listing of Pohjola shares subscribed with stock options
SEA 27 April	Schedule for IFRS reporting by Pohjola
SER 28 April	Pohjola IFRS comparative figures for 2004

May

SER 4 May	Pohjola Interim Financial Report 1 January to 31 March 2005
SER 4 May	Pohjola to repurchase Company's own shares
SEA 11 May	Shares subscribed with stock options subject to public trading on 12 May 2005
SER 13 May	Mikko Koskimies appointed head of Pohjola's whole investment services business

June

SEA 27 June	Increase in Pohjola's share capital; application for listing of stock options C

July

SEA 29 July	Pohjola 2001 stock options C to Helsinki Stock Exchange Main List on 1 August 2005

August

SER 11 Aug.	Pohjola Interim Financial Report 1 January to 30 June 2005
R 17 Aug.	New division of responsibilities in Pohjola's Senior Mangement

September

SER 12 Sep.	Pohjola has requested suspension of trading
SER 12 Sep.	Announcement as per Chapter 2, Section 20 of Securities Markets Act
SER 12 Sep.	OKO Bank acquired majority of Pohjola
SER 22 Sep.	Supplementary pension cover of Finland Post Pension Fund to Pohjola
SER 22 Sep.	New President of Pohjola Non-Life
SEA 30 Sep.	Increase in Pohjola's share capital by shares subscribed with stock options

October

R 4 Oct.	Deutsche Bank appointed financial advisor to Pohjola Group plc Board of Directors
SER 13 Oct.	Pohjola will disclose Interim Report January – September earlier than announced
SER 14 Oct.	Resolutions of OKO Bank Extraordinary General Meeting relating to Pohjola holding
SER 14 Oct.	OKO Bank's public tender offer on Pohjola shares to start on 19 October 2005
SER 18 Oct.	Pohjola became a subsidiary of OKO Bank
R 18 Oct.	Announcement as per Chapter 2, Section 10 of Securities Markets Act
OKO SER 19 Oct.	OKO Bank's ownership of Pohjola's shares and votes exceeds two thirds
R 19 Oct.	Announcement as per Chapter 2, Section 10 of Securities Markets Act
SER 21 Oct.	Pohjola Interim Financial Report 1 January to 30 September 2005
SER 21 Oct.	Statement by Pohjola Board of Directors on tender offer by OKO Bank
SEA 21 Oct.	Addition to timetable for share subscriptions with Pohjola stock options

November

SEA 1 Nov.	Pohjola Customer Service Ltd merged with Pohjola Non-Life Insurance Company Ltd
SEA 1 Nov.	Subscription of Pohjola Group plc shares with stock options in October 2005
OKO SER 2 Nov.	Pohjolas's parent OKO Bank disclosed Interim Report for 1 January to 30 September 2005
SER 2 Nov.	Pohjola Non-Life Insurance management from 1 January 2006
OKO SER 2 Nov.	OKO Bank to reform its organisation
OKO SER 2 Nov.	Appointments at new OP Bank Group
SER 3 Nov.	Notice of Extraordinary General Meeting of Pohjola Group plc
SEA 10 Nov.	Increase in Pohjola's share capital by shares subscribed with stock options
R 11 Nov.	Eero Heliövaara to resign from the post of Pohjola Group President and CEO on 23 November 2005
OKO SER 15 Nov.	Appointments in OKO Bank Group's Asset Management
OKO SER 16 Nov.	Share issue of OKO Bank has been subscribed for in full
OKO SER 18 Nov.	OKO Bank's mandatory redemption offer for shares and stock options of Pohjola
OKO SER 21 Nov.	Final result of OKO Bank's share issue
OKO SER 21 Nov.	Preliminary result of OKO Bank's public tender offer for shares in Pohjola
R 22 Nov.	Linnoinen to resign as Senior Executive Vice President, Yli-Kyyny proposed as Board member
OKO SER 23 Nov.	Increase of the share capital of OKO Bank and listing of new shares
SER 23 Nov.	Resolutions passed by Pohjola Extraordinary General Meeting
R 23 Nov.	Resolutions passed by Extraordinary General Meeting of Pohjola Non-Life Insurance Company Ltd
SER 23 Nov.	Statement by the Board of Directors of Pohjola Group plc on mandatory redemption offer made by OKO Bank
OKO SER 24 Nov.	OKO Bank's mandatory redemption offer for the shares and stock options of Pohjola Group plc will commence on December 1, 2005

December

SEA 2 Dec.	Increase in Pohjola's share capital by shares subscribed with stock options
OKO SER 7 Dec.	Supplement to the redemption offer document regarding OKO Bank's mandatory redemption offer for the shares and stock options of Pohjola Group plc
SEA 9 Dec.	Pohjola invalidated treasury shares as resolved by EGM of 23 November 2005
SEA 12 Dec.	Pohjola's Financials in 2006
OKO SER 15 Dec.	Chairman and CEO of the OP Bank Group Antti Tanskanen to retire as from January 1, 2007
SER 19 Dec.	Notice of Extraordinary General Meeting of Pohjola Group plc
OKO SER 19 Dec.	Notice of Extraordinary General Meeting of Pohjola Group plc and supplement to the redemption offer document regarding OKO Bank's mandatory redemption offer for the shares and stock options of Pohjola Group plc
SER 19 Dec.	Pohjola's dividend policy
R 23 Dec.	Announcement as per Chapter 2, Section 10 of Securities Markets Act
OKO SER 23 Dec.	Notification in accordance with Chapter 2, Section 10 of the Finnish Securities Markets Act released by Pohjola Group plc and supplement to the redemption offer document regarding OKO Bank's mandatory redemption offer for the shares and stock options of Pohjola Group plc
SER 30 Dec.	Pohjola sold subsidiaries

Abbreviations and clarifications

Pohjola = Pohjola Group plc, Pohjola Life = Pohjola Life Insurance Company Ltd
Pohjola Non-Life = Pohjola Non-Life Insurance Company Ltd, Ilmarinen = Ilmarinen Mutual Pension Insurance Company
Suomi Mutual = Suomi Mutual Life Assurance Company, OKO Bank = OKO Osuuspankkien Keskuspankki Oyj

SER = Stock exchange release, SEA = Stock exchange announcement, R = Release
OKO SER = Stock exchange release disclosed by OKO Osuuspankkien Keskuspankki Oyj, the parent company of Pohjola Group plc
OPK SER = Stock exchange release disclosed by Osuuspankkikeskus Osk (OP Bank Group Central Cooperative), the parent of Pohjola Group plc

RELEASES

Releases issued in the first months of 2006

The below list includes the stock exchange releases, stock exchange announcements and the most important releases issued by Pohjola Group plc in the first months of 2006. All releases are available at www.pohjola.com > Investor Relations > All releases.

January

OKO SER 9 Jan.	Announcement by OKO Bank on preliminary result of redemption offer regarding Pohjola shares and stock options
OKO SER 10 Jan.	Announcement by OKO Bank on final result of redemption offer regarding Pohjola shares and stock options
OKO SER 10 Jan.	OKO Bank's ownership in Pohjola exceeded nine tenths
OKO SER 16 Jan.	Redemption claim regarding shares in Pohjola
SER 16 Jan.	Pohjola sold two subsidiaries
SER 19 Jan.	Resolutions passed by Pohjola Extraordinary General Meeting
SER 23 Jan.	Joakim Rehn, APA, appointed trustee in redemption procedure
SER 31 Jan.	Cooperation negotiations begin in life insurance, mutual fund and asset management companies belonging to the OP Bank Group Central Cooperative Consolidated

February

SER 16 Feb.	Pohjola and savings banks in disagreement on breach of cooperation agreement
SER 17 Feb.	Pohjola Annual Accounts Release 1 January to 31 December 2005
SER 17 Feb.	Annual report and financial statements bulletins of OKO Bank and OP Bank Group
OKO SER 17 Feb.	OKO Bank's Executive Board's proposals to the AGM: abolition of the Supervisory Board and change of business name
SER 17 Feb.	Notice of Annual General Meeting of Pohjola Group plc
OKO SER 17 Feb.	Proposals for members of OKO Bank's Board of Directors and auditors

Abbreviations and clarifications

Pohjola = Pohjola Group plc, Pohjola Life = Pohjola Life Insurance Company Ltd
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INFORMATION TO SHAREHOLDERS

Annual General Meeting

The Annual General Meeting of Pohjola Group plc will be held on 29 March 2006 at 9.30 a.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 23 March 2006 at 4 p.m. Notice of attendance can be given as follows:

- by e-mail: yhtiokokous@pohjola.fi
- 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 fax 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 17 March 2006 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 17 March 2006. For temporary registration, the shareholders must, well in advance, contact the account operator of their shares.

Dividend

The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the financial period ended on 31 December 2005.

Changes of address

Shareholders are requested to notify any changes in their address to the account operator in charge of their book-entry account.

Contact data

Investor Relations

Mr Ilkka Salonen
Chief Financial Officer
Tel. +358 10 559 3900
E-mail: ilkka.salonen@pohjola.fi

Share Register

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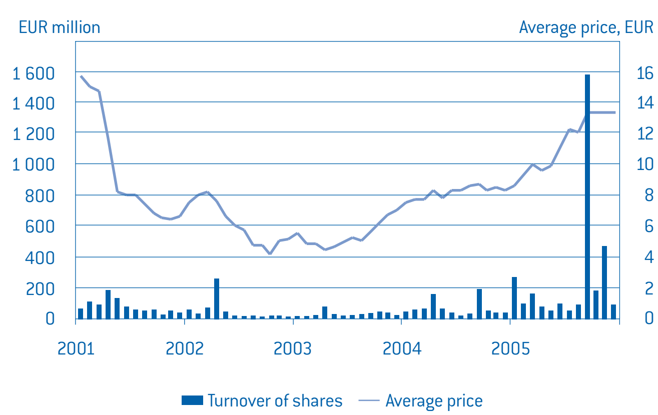
Tel. +358 10 559 6771
Fax +358 10 559 2443
E-mail: erja.ventomaa@pohjola.fi

www.pohjola.com

Financial information

17 February 2006	Annual Accounts Release 2005
11 May 2006	Interim Financial Report January – March 2006
10 August 2006	Interim Financial Report January – June 2006
2 November 2006	Interim Financial Report January – September 2006

Turnover and average share price of Pohjola shares



POHJOLA FROM 1891

1891 The fire insurance company Palovakuutus-Osakeyhtiö Pohjola was established on 9 September 1891. Those who established the company were leaders of the Finnish nationalistic movement who had adopted the programme launched by J.V. Snellman for the improvement of conditions for the Finnish-speaking people through education. The Suomi life insurance company had been established a year earlier and the same members of the Finnish nationalistic movement had also been active in establishing Kansallis-Osake-Pankki in 1889.

Pohjola's modest head office located on the upper floor of a wooden building at Etelä-Esplanadi 10 in Helsinki. The company's first insurance object was the head office of the Paloheimo Group in Riihimäki. Mr K.A. Paloheimo, a co-founder of the Paloheimo Group, steered Pohjola for over 40 years.

Distinguished members of towns and municipalities were recruited to act as the company's agents. At the end of 1891, the total number of agents in different parts of Finland was 62.

1894 The first typewriter was purchased for Pohjola.

1895 The employment accidents insurance company Tapaturmavakuutus-Osakeyhtiö Kullervo was established as Pohjola's subsidiary. Kullervo operated in Pohjola's office premises and the companies had the same Managing Director. Statutory workers' compensation insurance was transferred to Pohjola in 1935. In 1976, Kullervo was merged with Pohjola. Pohjola also started to underwrite reinsurance in 1895. Four years later, the reinsurance company Osmo was established. In 1980, Osmo was merged with Pohjola.

1901 Pohjola's head office building was completed at Aleksanterinkatu 44 in Helsinki. The massive, national romantic building made of granite was designed by young architects Herman Gesellius, Armas Lindgren and Eliel Saarinen. Pohjola sold the building to Kansallis-Osake-Pankki in 1970. The building is now owned by Ilmarinen.

1910 Salama Mutual Life Assurance Company was established after the Old Finns had remained in the minority in the management group of Suomi Mutual Life Assurance Company (Suomi Mutual).

1911 The Pohjola staff members received a daily lunch benefit at work.

1912 Finland's first pension fund for the staff was established at Pohjola. In the same year, Pohjola joined the Helsinki Stock Exchange as a founding member. Pohjola is currently the only company quoted under the same name on the original list of the Helsinki Stock Exchange.

1915 The Pohjola Club for the staff was established. The staff cooperative started operations at Pohjola in 1930. The cooperative balanced the staff's financial matters by granting loans and offering savings alternatives until the year 2004.

1919 Pohjola started to grant marine insurance products.

1920 Pohjola's name was changed to Pohjola Insurance Company Ltd.

1922 The luggage and travel insurance company Eurooppalainen was established. The company became Pohjola's subsidiary in 1970.

Pohjola started to underwrite motor vehicle insurance in 1922, although motor vehicles were still few in Finland. A year earlier, the company had already started to underwrite aviation insurance. Pohjola started to issue forest insurance policies in 1934. In the same year, first-aid courses started at Pohjola.

Pohjola also grew through mergers. The companies merged with Pohjola included the insurance companies Yleinen Suomalainen Vakuutusosakeyhtiö in 1922 and Vakuutusosakeyhtiö Bothnia in 1923, the fire insurance companies Suomen Kauppiaiden Paloapuyhtiö and Palovakuutusosakeyhtiö Imatra in 1933, and after the Second World War, the insurance companies Vakuutusosakeyhtiö Imatra-Karjala in 1954, Seurakuntain Keskinäinen Palovakuutusyhtiö in 1958, Vakuutusosakeyhtiö Louhi in 1971 and Kauppiaitten Keskinäinen Vakuutusyhtiö in 1976.

1933 Pohjola's first branch office was established in Turku. In the following year, the Viipuri and Tampere branch offices started operations.

Liability and credit insurance products were introduced in 1933.

1939 The head offices of Pohjola, Suomi Mutual and Salama were partly evacuated from the capital of Helsinki after the Winter War had broken out. Pohjola's head office was evacuated to Pori. The experiences of the Winter War showed the difficulties of evacuation. Therefore, when the Continuation War broke out, the head office was not evacuated. The period of war tightened cooperation between insurance companies. In 1942, the Federation of Finnish Insurance Companies was established.

1945 Home insurance was launched in the market.

1948 Punch cards were taken into use at Pohjola.

1956 Branch office supervisory committees were established for Pohjola's branch offices.

1961 Following the entry into force of the Finnish Employees Pensions Act, Pohjola, Suomi Mutual, Salama and Sampo established Ilmarinen Pension Insurance Company Ltd. The companies acted as Ilmarinen's service network. In 1984, Sampo left Ilmarinen which then became Pohjola's subsidiary. In 1998, Ilmarinen became a mutual pension insurance company.

1962 The first computers were taken into use at Pohjola.

1965 Shopkeeper's comprehensive insurance was introduced and the first legal expenses insurance policies were issued in 1967.

1969 Pohjola's new office building was completed in Niemenmäki, Helsinki. In the architectural competition, the designer of the winning entry was Viljo Rewell's office with Heikki Castrén as the chief architect. In 2005, Pohjola sold the head office to a company established by real estate investment trusts managed by the US-based investment firm W. P. Carey & Co. LLC. Pohjola rented back the property for the Company's use.

1970 The two largest shareholders of Pohjola, Suomi Mutual and Salama, merged into Suomi-Salama Mutual Life Assurance Company. The Pohjola Group emerged when Pohjola and Suomi-Salama in 1975 started to operate as a group which offered all insurance services to customers. In 1987, Suomi-Salama changed its name to Suomi Mutual and named its subsidiary as Salama. In 1997, Pohjola acquired Salama from Suomi Mutual. Salama then became Pohjola Life.

1976 The corporate insurance package targeted at corporate customers was launched in the market.

1979 Graphic artist Pekka Martin designed Pohjola's current business emblem depicting a bear's paw. A total of 7 643 proposals were sent to the emblem designing competition.

1988 Pohjola and the Swedish insurance company Skandia agreed on cross-holding.

1991 A non-life insurance company was established in Estonia. The company, Seesam International, later became a Pohjola subsidiary. Seesam Latvia was established in 1993 and Seesam Lithuania in 1998.

1996 Pohjola introduced its first web pages and the intranet was taken into use in 1998.

1998 Pohjola transferred its domestic non-life insurance operations to its newly established subsidiary, Pohjola Non-Life Insurance Company Ltd, and the parent company was renamed as Pohjola Group Insurance Corporation.

1999 Pohjola resolved to transfer the Company's entire non-life insurance portfolio to the Nordic If non-life insurance company. Skandia sold its Pohjola holding to Sampo, which in turn sold part of its Pohjola shares to Leonia. Through the share acquisitions and diversification, Sampo-Leonia obtained control in the Pohjola General Meeting of Shareholders. Suomi Mutual sold a majority of its Pohjola shares to Ilmarinen and the OP Bank Group, which together with Suomi Mutual became the second largest shareholder of Pohjola.

2000 Pohjola resigned from the planned cooperation with the If non-life insurance company. Sampo sold its Pohjola holding to Suomi Mutual and Ilmarinen. Pohjola continued as an independent, Finnish non-life insurance company. In the same year, Pohjola decided to sell Pohjola Life back to Suomi Mutual. The cooperation alliance planned to be established between Pohjola, Ilmarinen, Suomi Mutual and the OP Bank Group was terminated in 2001.

2001 Pohjola acquired A-insurance Ltd. In the same year, the investment services company Conventum Limited was combined with Pohjola and the investment services function was made one of the two core business areas, parallel with the insurance services function.

2002 The share series A and B of Pohjola Group plc were combined into a new share series D. The Company transferred to one share series in 2003.

Pohjola started cooperation with savings banks in 2002. Nooa Savings Bank Ltd was established in the Helsinki area in 2003.

2004 Pohjola returned to life insurance business by establishing Pohjola Life Insurance Company Ltd and by acquiring from Suomi Mutual a life insurance portfolio of around EUR 1.2 billion on 1 January 2005. In that connection, the cross-holdings of Pohjola, Suomi Mutual and Ilmarinen were dissolved.

2005 Pohjola's majority shareholders, Suomi Mutual and Ilmarinen, sold their holding in Pohjola (58.5%) to OKO Osuuspankkien Keskuspankki Oyj (OKO Bank) on 12 September 2005. Following the acquisition, Pohjola became OKO Bank's subsidiary.

2006 Pohjola will concentrate on transacting non-life insurance business. From the beginning of 2006, non-life insurance became the second core business area of OKO Bank. The strong Pohjola brand will be maintained.

CONTACT INFORMATION

Pohjola Head Office

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Service number for

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Betjäning på svenska +358 10 55 88 22

Service in English +358 10 55 88 130

Emergency service

Outside claims service hours, please call one

of our emergency service numbers for

further instructions

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Motor liability and motor losses +358 10 55 88 112

Travel losses +358 10 55 88 111

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