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Review by the President and CEO

We achieved the set targets, and overall the financial year 2006 was good. Consequently, we were able to extend the increase in additional benefits to the entire insurance portfolio.

Read more page 7.

Report by the Board of Directors

On 31 December 2006, consolidated solvency capital totalled EUR 1,430 (EUR 1,369 million in 2005) and the solvency ratio in proportion to technical provisions was 27.4 per cent (25.7 per cent). Consolidated balance sheet stood at EUR 6,408 million.

Read more page 21.

Investment operations

Investment result exceeded the company's return target, which was derived from requirements set for the return on technical provisions, for competitive customer bonuses, and for a market-based return on equity. The company's investments performed well also in relation to the market trend.

Read more page 12.

Annual accounts

Suomi Mutual's Annual Report for 2006 is available on the Internet in Finnish and English. The annual accounts material included in this Annual Report is a summary of the company's official annual accounts.

Customer benefits

Suomi Mutual refunded a total of EUR 315 million to its policyholders as additional benefits. The amount included the 2007 special additional benefits and customer bonuses.

Read more page 9.

PDF file

The Annual Report can be printed out as a whole in PDF format.

1. IN BRIEF

A good year for Suomi Mutual

Suomi Mutual Life Assurance Company (Suomi Mutual) manages insurance and investment portfolios for the benefit of its customers. The year 2006 was good for the company. For this reason, the company will distribute substantial additional benefits to its policyholders and extend the refund of solvency capital to apply to insurances other than those already entitled to special additional benefits.

Suomi Mutual will release some of its solvency capital, as it no longer underwrites new insurances, and hence its need for solvency capital will gradually decrease. As a mutual company with no shareholders, it distributes the solvency capital released to its policyholders in the form of special and other additional benefits.

Old policies are entitled to special additional benefits because of a previously declared conditional promise. Old policies refer to policies that were in force at Suomi Mutual on July 1, 1997 and remain in force to date. At its highest, the annual return on old insurances is over 18%.

Due to favourable development, the company wanted to extend the solvency refunds during the financial year to the entire insurance portfolio to allow as many policies as possible to receive the refunds during their validity. As a rule, the customer bonus to be given for all insurance savings for 2006, was raised by 2 percentage points.

Decisions on special additional benefits and customer bonuses are made annually. They may vary significantly from year to year, as changes in the investment market affect the company's risk status.

Return on investments 6.5%

In 2006, Suomi Mutual's investment operations provided a 6.5% return. The solvency capital grew by EUR 92 million to almost EUR 1,460 million. Solvency capital is needed as a buffer to allow the company to manage periods of negative development in the investment markets.

At the end of the year, the current value of the company's investment portfolio was EUR 6,775 million. The investment portfolio grew by EUR 48 million. The performance of the investment operations was good in terms of both the return target determined on the basis of insurance savings and the return requirements for the company's equity, and in terms of benchmark indices.

The gradual reduction of the insurance portfolio will decrease the amount of solvency capital needed by the company. The solvency refunds to customers are, in practice, a considered reduction of the company's own capital. The capital is being reduced through a book loss. For this reason, even in a good year, the company will show a book loss in most cases. This is part of the planned operations of Suomi Mutual in its run-off state. The loss for the financial year was EUR 23 million. A more correct picture of

the company's return can be obtained by looking at the sum of the additional benefits granted and the change in solvency capital. This sum showed a profit of EUR 406 million for the financial year.

Development in line with expectations

The Group's premiums written totalled EUR 124 million. The amount included EUR 34 million of premiums written by foreign subsidiaries. Suomi Mutual has subsidiaries underwriting life insurance in Poland, Estonia, Latvia and Lithuania.

As Suomi Mutual no longer underwrites new insurances, it does not determine its market share on the basis of premiums written. The company describes its market position through market share calculated on insurance savings. Suomi Mutual manages 14.4% of all insurance savings in Finland. A year earlier the corresponding figure was 14.9%.

Claims paid by the Group grew by over EUR 100 million, totalling EUR 410 million. The increase can mostly be explained by growth in various savings-based claims (savings sums, pensions and surrenders). The increase in claims paid in this manner has a minimal impact on the Group's result.

The Group's operating expenses were EUR 38 million (EUR 34 million in 2005). Operating expenses for domestic operations decreased by EUR 0.6 million, thus falling below their budgeted level.

Majority of operations outsourced, own personnel small

The majority of the 220 staff members of Suomi Mutual were employed by foreign subsidiaries. In Finland, the company has outsourced most of the management of its insurance and investment portfolios. Operations have been mainly outsourced to the OP Group, which bought Suomi Mutual's long-term cooperation partner Pohjola in autumn 2005. Suomi Mutual's customers have their own service contacts in the OP Group: 010 253 6110 (Finnish) and 010 253 6111 (Swedish). The Pohjola branches also provide services for them.

Suomi Mutual's own staff forms a small unit of experts, who are responsible for essential core operations. The staff is responsible, for example, for strategic steering, decision-making, and monitoring of outsourced operations to ensure that financial and qualitative targets are achieved in both business operations and customer service.

Corporate social responsibility

Corporate social responsibility is an inherent part of insurance operations. Suomi Mutual produces financial security for its customers and their families. Policyholders supplement their statutory social security at Suomi Mutual, and save safely and productively.

Suomi Mutual is gradually distributing its entire solvency capital to its policyholders as allowed by its solvency position. The company is aiming at as equitable a distribution of the released solvency capital as possible.

As a significant investor, Suomi Mutual also concerns itself with the future development of Finnish companies. As a responsible owner, it participates in the development of those domestic companies in which it has a significant holding. In this way it contributes to there being good conditions for success for operators within the Finnish economy, and, consequently, for welfare for society.

Operations that promote health and safety are inherent to a life insurance company. In cooperation with Pohjola, Suomi Mutual annually presents medical awards to Finnish physicians for their significant life's work. In 2006, a medical award of EUR 17,000 was presented to Professor [Jouko Lönnqvist](#) for his unique achievements as a researcher in the field of psychiatry, a disseminator of research information and an advocate for societal discourse. In January 2007, in conjunction with the Finnish Medical Convention, a medical award of EUR 20,000

was presented to the Chancellor of Helsinki University, Professor [Kari Raivio](#), to honour his significant life's work in the research and development of paediatric medicine, and his notable achievements in promoting university research and education.

During the financial year, Suomi Mutual and the Finnish Association for Swimming Instruction and Life Saving (SUH) agreed to continue their long-standing cooperation during 2007–2009. The aim of the cooperation is to promote swimming instruction and life saving in Finland. As part of the cooperation, Suomi Mutual once again donated lifebuoys to Finnish beaches in about 50 locations during summer 2006. In the winter, Suomi Mutual participates in the "Common Sense on the Ice" campaign for school children organized by SUH.

During the financial year, Suomi Mutual participated in founding an association of Finnish art foundations. The other five founding bodies are art foundations of well-known Finnish companies. The association enables such foundations to display rarely exhibited art to the public. Suomi Mutual does not have branches in which to display art. The art owned by the founding members of the association forms a notable collection. There are almost 5,000 works, many of them of national importance and gems of Finnish visual arts. The first exhibition of the association will be held to celebrate 90 years of Finnish independence at the Amos Anderson art museum in Helsinki in autumn 2007.

KEY FIGURES

	2006	2005
Suomi Mutual group		
Turnover, EUR million	446	893
Operating profit, EUR million	287	448
Premiums written, EUR million	124	121
Expense ratio, %	111	116
Solvency margin, EUR million	1,430	1,339
Solvency capital, EUR million	1,460	1,369
Solvency ratio, %	27	26
Balance sheet, EUR million	6,408	6,423
Average number of employees	222	249
Suomi Mutual's market share in insurance savings, %	14.4	14.9
Breakdown of investments at Suomi Mutual		
Investments in land and buildings, EUR million	464	434
Shares, EUR million	2,169	1,426
Fixed-income securities, EUR million	2,851	4,077
Other debt securities and deposits with credit institutions, EUR million	869	399
Loans, EUR million	2	2
Other investments, EUR million	420	390

2. EVENTS

Major events in 2006

2006 was a year of stabilization as a run-off company for Suomi Mutual. The company ceased to underwrite new insurances at the beginning of the previous financial year. It now concentrates on managing its current insurance portfolio and the related investments for the benefit of its customers. During the financial year, Suomi Mutual and the OP Bank Group consolidated their cooperation, which started in autumn 2005, when Suomi Mutual's long-term co-partner Pohjola was sold to the OP Bank Group.

Solvency capital refunds extended to all insurance savings

As Suomi Mutual no longer underwrites new insurances, the company's solvency capital is being released as insurances expire. This capital is refunded to customers in the form of additional benefits, in accordance with previously announced principles and within the limits allowed by the company's risk status. Refunds are made as special additional benefits for all current Suomi Mutual insurances taken out before July 1, 1997. The special additional benefits on such insurances are based on a previously made conditional promise.

During the financial year, it was decided to extend the solvency capital refunds to all insurance savings.

New means of predicting development of insurance portfolio

In the last two years, the company has brought in the means to assist it in predicting the development of the insurance portfolio as accurately as possible. During the financial year, the company started using the first detailed forecasts on how its insurance portfolio and technical provisions will develop in the next 20 years. According to the forecasts, technical provisions will decrease more slowly than the number of the insured, which in itself will still be almost 100,000 in 20 years (currently over 350,000). Such forecasts will enable the company to better integrate the development of the insurance portfolio with investment planning, and to prepare for any anticipated changes in the regulation of life insurance companies.

Outsourcing contracts renewed

Most of Suomi Mutual's practical operations have been outsourced to Pohjola. Following the transfer of Pohjola to the OP Bank Group, Suomi Mutual renewed its outsourcing contracts at the end of 2006. The effective times of the renewed contracts have been extended, and opportunities for monitoring and reporting increased.

Election for the Policyholders' Representative Assembly

The election for the Policyholders' Representative Assembly, which acts as the General Meeting, was held in November 2006 by postal ballot. For the first time, political and other denominations were allowed in the election. Over 285,000 policy-holders were eligible to vote, and the voting percentage was 22.9 (22.6 in the previous election in 2003). In the election, 25 representatives were elected for office until the 2012 election. The distribution by denomination of the elected representatives was as follows: National Coalition Party, 13; Centre Party, 6; Social Democratic Party, 4; and independents on behalf of owner-customers, 2.

Nomination Committee

The Suomi Mutual Policyholders' Representative Assembly, acting as the General Meeting, elected a Nomination Committee for the company for the first time in the 2006 Annual General Meeting. Elected from among the Policyholders' Representative Assembly, the Chair of the Nomination Committee is Mr [Mikko Viitasalo](#), and the other members Mr [Pentti Hänninen](#) and Mr [Jukka Vihriälä](#). The term of office of the Nomination Committee is one year, and it will make recommendations about the members of the Board of Directors and auditors to the Annual General Meeting of spring 2007.



Review by the President and CEO

Suomi Mutual stabilized its operations in 2006.

Eino Halonen

3. REVIEW BY THE PRESIDENT AND CEO For the benefit of the customers

Suomi Mutual is a mutual insurance company, i.e. it is owned by the policyholders. The company's mission is to manage insurance and the related investment portfolios for its existing customers. Our primary goal is to act for the benefit of our customers. We aim to obtain the best possible return permitted by our risk-bearing capacity, while ensuring that our operational efficiency is maintained.

We distribute our annual operating profit and the solvency capital released through maturing insurance policies to our customers in the form of additional benefits to the degree permitted by our risk-bearing capacity. These additional benefits include customer bonuses for all policyholders, as well as the Suomi Mutual special benefits and additional special benefits attached to all insurance policies that were taken out before July 1, 1997 and remain in force.

Suomi Mutual stabilized its operations in 2006. There were no large-scale decisions as was the case for the previous two years, i.e. the agreement on the new division of labour between Suomi Mutual and Pohjola and the consequent cessation of underwriting new insurance policies, and the sale of Pohjola to OKO Bank in 2005.

Performance in 2006 was good

We moved into 2006 at a risk level that was deliberately lower than the year before. We did not invest all the profit gained from the sale of the Pohjola holding in the first half of the year. The rise in interest rate levels decreased the profit from fixed income investment significantly. In June we decided to give equities more weight in our investment

allocation. The decision proved to be the correct one: because of it, our investment profit grew significantly. Even though profits from bond investment remained low, we exceeded the market-based profit target. This was achieved through decisions in the latter part of the year to shorten the average length of bond investments.

The net profit for investments for the entire year was 6.5%. We achieved the set targets in each investment class. Our performance also exceeded targets established on the basis of customer expectations. This was achieved through slightly smaller than planned investment. For these reasons I consider that on the whole our 2006 performance was good.

We improved our knowledge of our insurance portfolio

In view of planning Suomi Mutual operations, it is important to be able to assess how the insurance portfolio will develop in the coming years. This is particularly important for investment planning. We set ourselves the aim of bringing both know-how and technical skills into the company to assist us in assessing the development of our insurance portfolio as accurately as possible.

During the financial year, we were able to utilize the first results of this investment. We now have a very clear picture on how the company's technical provisions will develop in the next 20 years. We also have at our disposal predicted trends for the number of insurance policies and policyholders.

Predicting trends will be ongoing. Our aim is to better integrate forecasts regarding the development of the insurance portfolio with investment planning. In addition, we aim to link the forecasts with any anticipated changes in the regulation of life insurance companies, for example, an EU level review of solvency requirements.

Increase in additional benefits extended to all policyholders

No policyholder has invested equity-related assets in the mutual company. The company's net assets have been created through profits made on the insurance policies of current and former policyholders and the related investments. The company's need for solvency capital will no longer increase.

The distribution of additional special benefits to our customers was commenced, following related decisions made during the previous financial year. In accordance with the decision, holders of insurance policies with previously conditionally promised new benefits received very large additional special benefits during the financial year.

Due to favourable development, it is estimated that the amount of distributable solvency capital will be significantly greater than the remaining amount of the aforementioned conditionally promised benefits. For this reason we decided to increase the customer bonuses on the entire insurance portfolio in 2006. Part of the recovered solvency capital will now be directed at financing these customer bonuses. The aim of the decision is to ensure that as many customers as possible can enjoy the recovered capital prior to the expiry of their insurance policies.

Cooperation with the OP Bank Group off to a successful start

Following the sale of the holding in Pohjola, Suomi Mutual operations that were previously outsourced to Pohjola and its subsidiaries have now been outsourced to the OP Bank Group. During the financial year, all agreements related to the outsourced services were transferred to the OP Bank Group, as agreed in connection with the Pohjola sale. Thus the period of notice was extended in certain agreements that are vital for Suomi Mutual. Other changes were mainly technical in nature. I have been very pleased with the spirit of the negotiations. It is obvious that the OP Bank Group is keen to manage the outsourced Suomi Mutual functions to their best ability.

Election year 2006

As in earlier years, the election for the Suomi Mutual Policyholders' Representative Assembly was organized through a postal ballot in November. In the election, replacements were elected for the next six years for the 25 representatives whose terms expired. The voting percentage remained at its previous level. This demonstrates that customer interest in the company has not diminished since Suomi Mutual ceased to underwrite new insurance policies.

Based on calculations regarding the future number of insurance policies, I would assess that the decisions made last year on corporate governance were the correct ones. In light of the estimated development of our insurance portfolio I consider it probable that the current representational governance model will remain in place for a long time.

Basis for 2007 good

Decisions regarding additional benefits are made on a yearly basis. For technical reasons, the decisions must be made well before the end of the year, at the beginning of November. Last year our performance was good in the last quarter in particular. As a result our solvency ratio grew on the previous year. Thus we are in a significantly better situation than usual for the coming year. Pending any unexpected problems on the investment market, we will be able to continue granting significant additional benefits in 2007.

Our small number of staff performed well in 2006. Our cooperation partners who are responsible for our insurance and investment portfolios have also operated efficiently, and the spirit of cooperation has been excellent. I would like to express my thanks to both the staff and our cooperation partners.

Cooperation with administrative bodies has remained good. I would like to thank the members of the Board of Directors, the Supervisory Board, and the Policyholders' Representative Assembly, which acts as the General Meeting. In 2007 the governance arrangements of Suomi Mutual will change significantly. The Supervisory Board will be abolished in the Annual General Meeting this year, and in the future, the Annual General Meeting will select members for the Board of Directors for a term that equals the time between two Annual General Meetings. These previously agreed changes will bring the Suomi Mutual administration up to date and thereby ensure that it can function efficiently and effectively.

I would like to thank our customers for their trust in our company. From their perspective, the future of the company looks bright. In light of current information, the return on insurance savings will remain good.

Eino Halonen



Customer benefits

Increase in additional benefits was extended to the entire insurance portfolio this early to allow as many policies as possible to benefit from them.

Senior Executive Vice President Markku Vesterinen

4. BENEFITS

Additional benefits for policyholders

Solvency capital refunds extended

In a mutual company, ownership is based on a customer relationship.

No owner-policyholder has invested equity-related assets in the company. This kind of ownership is not realised in the form of dividends or any other return on equity.

In normal operational circumstances, ownership in a mutual company means primarily a right to participate in the company's administration. At Suomi Mutual, this means the right to vote in the Policyholders' Representative Assembly, which acts as the General Meeting, every three years. Ownership ceases, without any compensation based on it, as the insurance contract expires.

Excess capital refunded to policyholders

Although policyholders in a mutual company have not invested any equity-related assets in the company, the company's net assets belong to them.

Suomi Mutual ceased to underwrite new insurances at the beginning of 2005. The company is in a so-called run-off state. Its task is to manage its insurance and investment portfolios for the benefit of its customers. As insurances expire, the company's need for solvency capital decreases. The consequently released solvency capital is refunded to the company's policyholders. The refunds are not based on the policyholders' status as owners, but on their status as insurance customers.

During the year 2005, Suomi Mutual announced the principles on which solvency capital would be refunded to customers. At first, the refunds were directed fully into so-called special additional benefits. Current policyholders whose insurances at Suomi Mutual were already effective on July 1, 1997, were eligible. This portion of the insurance portfolio had previously been given a conditional promise of new special additional benefits. In accordance with previously announced principles, the amount of excess refunds was confirmed at EUR 840 million – the amount previously conditionally declared – plus interest, to be credited as of January 1, 2005 on the portion yet to be refunded.

Of the sum conditionally promised to policyholders, over EUR 250 million has been on the basis of decisions taken 2005, be declared for policies entitled to special benefits.

The company's solvency capital is clearly higher than the amount yet to be refunded to policyholders in accordance with the aforementioned conditional promise. The Suomi Mutual Board of Directors had already previously decided that any solvency capital exceeding that amount would be refunded to the entire insurance portfolio. During the financial year, the Board decided to start these refunds by significantly increasing additional customer bonuses granted to insurance policies.

From now on, customer bonuses on insurance savings will include a portion determined on the basis of the anticipated return at any given time, as well as a solvency capital refund. Refunds will be made to the extent allowed for by the company's solvency position and the aforementioned special additional benefits. In 2007, insurance savings will attract a customer bonus of at least 2%. Last year, Suomi Mutual refunded a total of EUR 315 million

to its policyholders as additional benefits. The amount includes both the 2007 special additional benefits and customer bonuses.

As a special additional benefit, old policies, i.e. those current policies that were already effective at Suomi Mutual on July 1, 1997, will receive a 9% bonus. It will be granted as an increase in insurance savings and the related security. The customer bonus granted to all insurance savings was increased by 2 percentage points. In the best case, old insurance policies will receive an annual return on their savings of over 18% (technical interest of 4.5%, a previously declared special benefit of 2.7%, a special additional benefit of 9% and a customer bonus of 2%). The annual return on other insurance savings is 6.0% - 6.5%, depending on the level of technical interest. A decision to increase the reductions in risk insurance premiums was made in 2005 as follows: from 2007, the additional benefit granted as a reduction in the premiums of those risk insurance policies that are within the scope of the special additional benefits would be increased from 20% to 30%.

After the granting of the special additional benefits for the past financial year, EUR 464 million remain of the conditionally declared EUR 840 million for current policies that were already effective on July 1, 1997.

The solvency capital refunds were extended to the entire insurance portfolio this early so that as many policies as possible would have time to benefit from them. As a significant proportion of the currently very high additional benefits is based on the reduced need for solvency, it is clear that these benefits may change significantly from year to year. Decisions on special additional benefits or customer bonuses will never be allowed to jeopardise the company's risk position. The aim of the chosen operating approach is that the company retains adequate capacity to take investment risks. In this way, the expected return of long-term insurances will also remain good.

Company liabilities are long-term

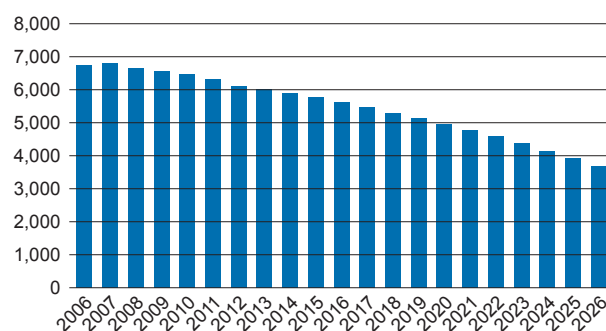
Life and pension insurance contracts are often very long-term. Hence Suomi Mutual's liabilities are also long-term. The company has acquired both expertise and technical skills to enable it to assess the development of the insurance portfolio and technical provisions. The first results from such assessments became available during the financial year. They demonstrate, among other things, that technical provisions are decreasing slowly. The number of the insured is diminishing faster in comparison, but in 20 years, will still be almost 100,000 (currently over 350,000).

Forecasts of the development of technical provisions and balance sheet are used in planning the company's investment operations. A run-off company must be able to integrate the duration of the investment periods with the expiry of company liabilities.

Based on forecasts, it is easy to assess that the company's run-off state will not generate a need to redirect investments in the near future. The company can retain, for example, its investment allocation the way it sees fit at any given time based on its risk position and the market outlook.

Figure 1 shows the development of the company's balance sheet in 2006-2026. The forecast has been based on expected return assuming the current interest rate level and investment allocation are maintained. It also presumes that customer behaviour will remain more or less similar to today (insurance premiums, surrenders, expiry of insurance periods, pension security). Stochastic versions of such forecasts are needed for both planning investments and determining various additional benefits. They will also assist in preparing for future regulatory changes, such as the new EU-level solvency requirements (the so called Solvency II project). Such changes will also affect run-off companies such as Suomi Mutual in the future.

Figure 1.
Development of the balance sheet 2006–2026
m€



Duration of technical provisions varies by insurance type

Figure 2 shows the comparative development of the company's technical provisions by type in 2006-2026. It demonstrates that the company's longest-term liabilities are those related to individual life insurances and group pension insurances. With regard to group pension insurances, this is due to the fact that the majority of insured pensions are life-long. Life insurances, for their part, used to mature at a very high age. It is possible that life insurance surrenders will increase in the future leaving liabilities shorter than predicted.

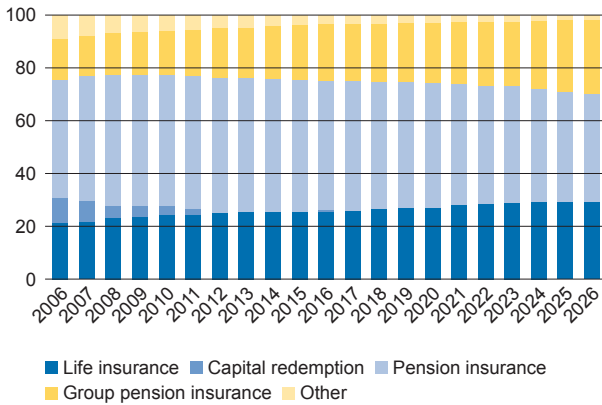
The largest insurance type in terms of technical provisions is the individual pension insurance. However, its share of the total technical provisions will gradually start to decline due to the fact that most pension insurances of this type are fixed term.

The forecasts are based on the assumption that pension savers will start to draw their pension in accordance with their current pension plan. Many will, however, postpone the start beyond the time set in the plan. If this continues to happen, the technical provisions for this insurance type will start to decline more slowly than predicted in figure 2.

The technical provisions for capital redemption are much shorter than for other insurance types. They will decrease significantly in 2008 and, in practice, cease completely by 2012.

Figure 2.

Comparative development of technical provisions by type 2006–2026, %

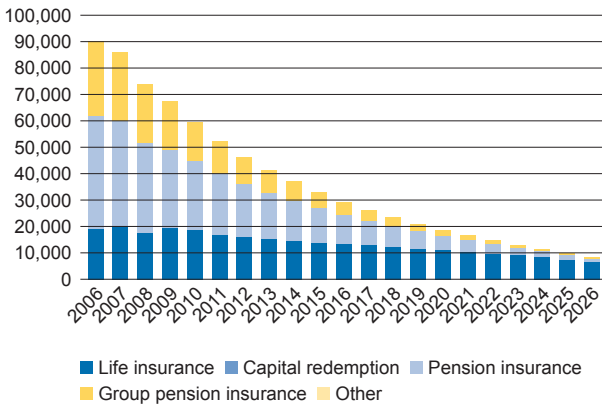


Fast decline in premiums written

Figure 3 shows the forecast development of premiums written. The forecast clearly demonstrates that the company’s premiums written will decline very quickly. This, as well as the predicted claims expenditure, has been taken into consideration in forecasts of the balance sheet and technical provisions. Therefore, forecasts of premiums written do not bring any particularly new information into investment planning.

Figure 3.

Development of premiums written 2006–2026 %



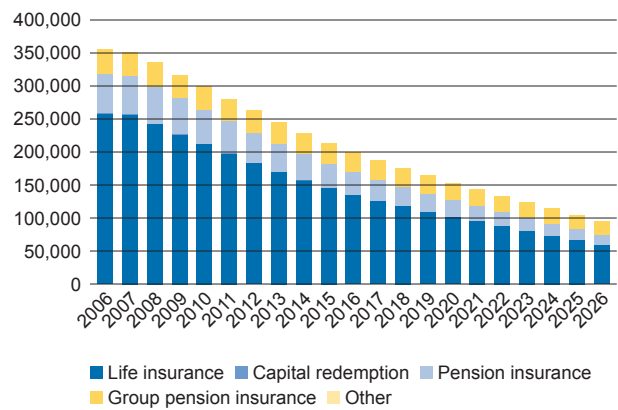
Number of policyholders to remain significant for quite some time

Figure 4 presents an assessment of the development of the number of the insured. The forecast has been made by insurance type, and consequently, policyholders with several insurances of different types are included more than once. During the financial year, there were over 350,000 policyholders. The number of people eligible to vote in the 2006 election for the Policyholders’ Representative Assembly was just under 300,000, which indicates the real number of policyholders during the financial year. Part of the difference can be explained by the fact that in group pension insurances, the number of the insured is higher than that of the policyholders: policyholders are eligible to vote, while the forecast presents the number of people that are insured.

This forecast enables the company to assess any development needs for its governance model. The number of the insured will remain high for quite some time, and it is therefore reasonable for the company to maintain a representative model of governance.

Figure 4.

Development of the number of insured 2006–2026



Solvency capital refunds to customers present even good results as negative

As explained above, Suomi Mutual refunds its entire solvency capital to its customers in the form of various additional benefits, to the extent that this capital is no longer needed in the company’s operations. The aim is an equitable distribution among insurance policies of different lengths. A significant amount of the company’s solvency capital is equity capital, which has been acquired through profits from previous years.

Providing an additional benefit will weaken the result recorded in the profit and loss account, as additional benefits will increase technical provisions beyond what they would have been, had the benefits not been granted. For the portion of the additional benefit financed through equity capital, there will be no positive counter item in the profit and loss account. In practice this means that the profit and loss account will generally show a loss even when the overall result is actually good. A more correct picture of the profit and loss account can be obtained by looking at the sum of the amount of new additional benefits and the change in solvency capital.



Investments

The financial year's operations focused particularly on the reinvestment of the sum obtained from the sale of Pohjola shares.

Chief Investment Officer Timo Hukka

5. INVESTMENTS

Successful investments

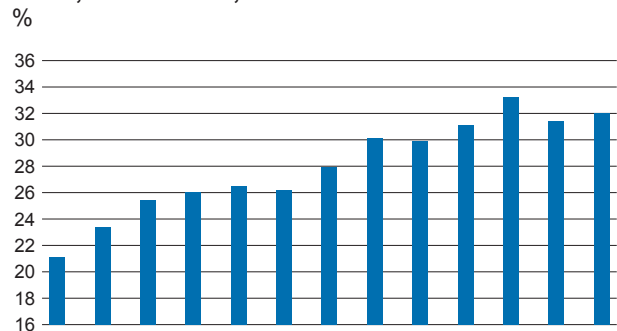
Suomi Mutual achieved a good market-based annual return on investments in the last operating period. The annual return was 6.5%.

Active risk-taking was again rewarded

The investment environment of 2006 continued to be favourable for equity and other risk investments despite a significant rise in the prices of raw materials and energy, in particular, during the year.

Inflation fears and a low starting point for interest rates put pressure on the bond market particularly in the first half of the year. Despite this, the interest rate level stayed reasonably low and favoured the use of debt leverage,

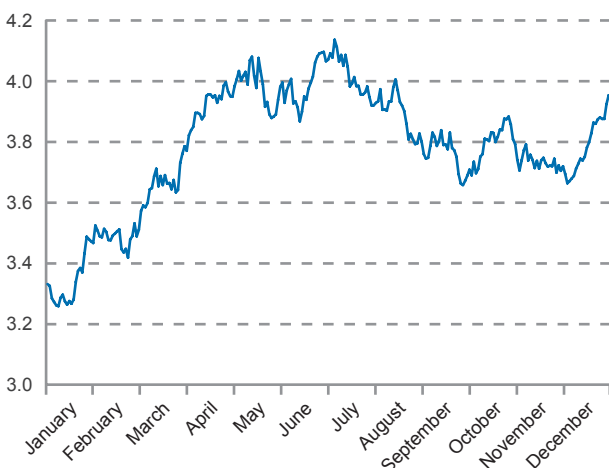
**Development of Suomi Mutual's share allocation
Dec 1, 2005–Dec 31, 2006**



EuroStoxx 50 Equity Index, Jan 1–Dec 31, 2006



**German government bond 10-year interest rate,
Jan 1–Dec 31, 2006**



for example. Real estate funds and private equity investments were successful.

Share prices went up, although a significant correction was seen in May. A strong belief that the investment environment would remain reasonable and the apparently moderate valuation of equities supported the rates. In addition to main markets, equity investments in the developing markets, particularly Russia, did well.

Industrial buyers were active in private equity investments, and conditions were favourable for withdrawal. The foreign currency market remained mostly calm. During the year, interest rates rose and the interest rate differential between short-term and long-term interest rates narrowed. Contrary to the principal rule, it was wise to avoid risk-taking in relation to the actual interest rate risk. However, investors were still rewarded by a reasonable return for carrying credit risk.

The real estate market continued to be characterized by high activity by foreign investors. Demand for properties exceeded supply. Competition for good properties was

fierce, it reduced returns and raised prices. However, it was still possible to find individual new building projects that will meet long-term return targets.

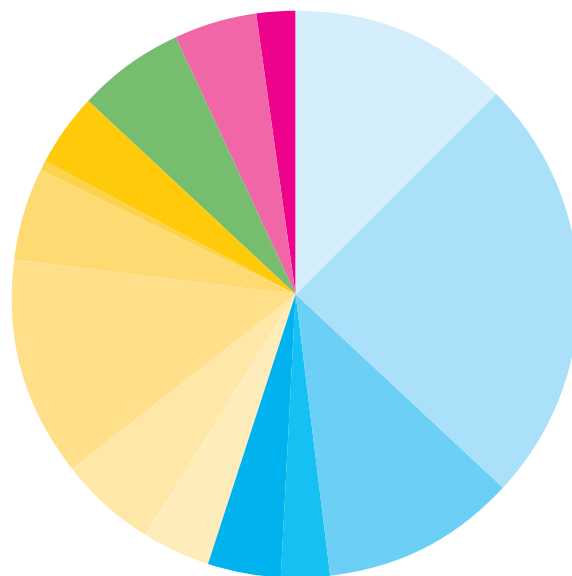
Targets achieved

The return on Suomi Mutual's investment operations was 6.5%. The figure for the previous year was 17.5%, which included the significant profit made from the sale of the Pohjola shares and was therefore exceptionally high. Expressed in euros, investment income totalled EUR 423 million in 2006. The result clearly exceeded the 2006 target of 4.9%, derived from requirements set for the return on technical provisions, for competitive customer bonuses, and for a market-based return on equity.

A significant proportion of the return (EUR 314 million) was used on additional special benefits and customer bonuses, i.e. increasing technical provisions. Despite this, the company prospered, its solvency capital increased and its capacity to carry investment risks improved.

Breakdown of investment portfolio on December 31, 2006, in tens of million

	EUR million	%
Money market	850	13%
Fixed-income securities	2,850	42%
Governments	1,640	24%
Investment grade	760	11%
High yield and emerging market debt	190	3%
Convertible bonds	260	4%
Equities in total	2,160	32%
OKO Bank	260	4%
Other Finnish companies	380	5%
Other Developed markets	860	13%
Emerging markets	350	5%
Fixed assets and unlisted	30	1%
Private equity investments	280	4%
Alternative investments in total	420	6%
Hedge funds	420	6%
Commodities	0	0%
Real estate	460	7%
Direct	320	5%
Indirect	140	2%
Total	6,740	100%



Breakdown of quoted equity investments by geographical area

	2006 %
Finland	35
Other parts of Europe	13
USA	27
Japan	6
Developed markets in total	46
Emerging markets	19
Equities in total	100



Suomi Mutual's investment operations also performed well in relation to the market. Benchmarks were exceeded in both equity and bond investments. Annual return on equity and private equity investments was 20%, i.e. about EUR 345 million. Money-market and bond investments yielded a total of 0.7%, i.e. about EUR 25 million. In 2006, the share of equities in the balance sheet total grew from about 21% to about 32%. Correspondingly, the share of bonds fell from about 67% to about 55%.

The 7.0% annual return target set for real estate investments was clearly exceeded. Investments in real estate funds alone returned almost 15%. In total, real estate investments generated a 9.2% return, i.e. almost EUR 42 million. Real estate investments accounted for about 7% of the balance sheet total at the end of the year.

At the end of the year, alternative investments, i.e. commodities and hedge funds, represented around 6% of the balance sheet total. Commodity investments were discontinued for the time being. The year was good for hedge funds, even if the set annual return target of 10% was not quite achieved. The return was 9.4%. It was a difficult year for commodity investments. Before this asset class was abandoned, investments produced a loss of about EUR 13 million. In total, the return for alternative investments was 4.2%, i.e. just over EUR 16 million.

Challenging business operations principles

A couple of years ago, the Board of Directors of Suomi Mutual approved new principles for the company's business operations. According to the principles, the company's net assets will be distributed to policyholders in the form of special benefits. The main principle is that assets will be distributed when a decrease in technical provisions or an increase in investment returns generates capital which is not needed to cover the risks related to an investment portfolio with a competitive return.

In line with the business operations principles, Suomi Mutual's annual investment return target is market-based. The return target for technical provisions will be derived from the interest rate markets, and the return target for the solvency capital to be retained in the company from the equity markets. In attempting to reach the targets, investment risk may never exceed risk-carrying capacity.

Whenever revised, new decisions, measures, plans and targets will call for challenging changes to the investment operations. The structure of the investment portfolio and operational targets and measures have to be adjusted to the changed circumstances. Last year, operations focused on the reinvestment of the profit from the sale of Pohjola shares. The targeted equity allocation was achieved within the first six months of the year. In fixed income investment, the focus was gradually shifted towards the money market.

In real estate investments, the portfolio was further securitized. In direct investments, new construction was favoured due to the market situation. On the whole, there were no significant changes in the real estate allocation during the year.

Basic objectives of investment operations unchanged

The main objectives and duties of Suomi Mutual's investment operations have remained unchanged despite the changes in the structures of the investment portfolio and balance sheet. The company's investments continue to be managed in a sustainable way aiming at maximum security and profitability. In practice, the operational focus has been on seeking better returns and using equity capital as effectively as possible instead of risk minimization, as the company's solvency has been good.

Following the favourable results, the company's relative solvency improved further last year. The company's investment risk carrying capacity is good. In view of the prevailing level of interest rates, the company's long-term return targets remain very challenging. Therefore, active investment management will be increasingly emphasized in the future.

Fluctuations in investment markets are reflected in the returns on investment portfolios, and affect the company's solvency and competitiveness. In difficult circumstances, the maintenance of security and solvency are emphasized. In such circumstances, avoiding losses is more important than seeking profits. If this is achieved, it may be possible to emphasize profit seeking instead of risk minimization in a favourable investment environment.

Value adjustments for technical provisions in risk calculation

The trend for change in accounting and financial statements practices (International Financial Reporting Standards, or IFRS) has contributed to the emergence of a requirement that, in addition to actual investment risks, risk calculation must take into account the computational changes in the market value of the technical provisions. Although Suomi Mutual has not otherwise adopted the IFRS standards in its accounting, the difference between the technical interest and the market rates are taken into account when evaluating the amount of technical provisions in risk calculations. Any changes are thus taken into account when calculating the company's risk bearing capacity.

Investment plan guides operations

The investment operations of Suomi Mutual are guided by an investment plan confirmed by the Board of Directors. The plan defines the return and liquidity targets, which derive from the nature and structure of technical provisions. The method for measuring risk carrying capacity and investment risks has also been determined in the plan.

To secure adequate diversification, the plan includes confirmed maximum and minimum amounts for each asset class. The investment plan also includes principles for currency management and a description of the investment organization and its operational powers.

About one third of the company's investment portfolio, i.e. about a tenth of the total balance, is held in equities in Finnish listed companies. In domestic equity investments, Suomi Mutual's aim is to utilize its local and company knowledge to concentrate its investments mainly in equities which provide a higher than average return within a minimum of a few years.

The concentrated investments are set out so that each individual investment is significant to the company's overall result. For this reason, Suomi Mutual aims to be actively involved in the administration of these companies, and thereby also participate in increasing their net asset value.

Suomi Mutual's Board of Directors and internal experts are responsible for investment planning, strategic steering and the selection and supervision of cooperation

partners. OKO Asset Management Ltd provides the accounting and reporting services as well as most of the risk management and portfolio services required by the investment operations of Suomi Mutual. Pohjola Property Management Ltd is, either on its own or together with its subcontractors, responsible for operative functions related to the maintenance and administration of Suomi Mutual's real estate properties.

Suomi Mutual has outsourced, either entirely or partially, to companies outside the Pohjola-OKO grouping, such tasks as the selection and monitoring of private equity investments, indirect real estate investments, and investments in absolute return funds. Some of the mutual funds investing in the developing markets and in small-cap companies are funds offered by OP Fund Management Company, others are offered by outside providers. Suomi Mutual aims to find the most suitable asset manager with the optimal knowledge for each mandate.

Major mutual fund investments

**Market Value
Dec 31, 2006
EUR million**

1. OP-America Index Fund	277
2. Aviva Global Convertible Bond Fund	153
3. R2 Crystal Fund	136
4. OP-Corporate Bond Fund	135
5. Evli Europe Quant Index B	108
6. ICECAPITAL US Stock Index B Mutual Fund	102
7. IXIS Loomis Sayles Senior Loan Class S	97
8. Pimco Global Investm Grade Credit Fund, Inst Inc	87
9. OP-Bond Index Fund	81
10. Nordea Pro Euro Money Market Fund	79
11. Fidelity Emerging markets Fund	79
12. Nordea Euro Money Market Fund	62
13. FIM Russia	62
14. OP-Japan Index Fund	61
15. OP-Convertible Fund	54
16. Mutual Fund Evli Target Bond	51
17. OKO RMF Opportunities TM38	47
18. ABN AMRO Latin America Equity Fund I	44
19. PWT II Opportunistic Value Fund USD I	42
20. Parvest Japan Small Cap Inst	41

6. CORPORATE GOVERNANCE

Corporate Governance at Suomi Mutual

Suomi Mutual's business operations are based on compliance with valid laws and other norms, as well as with official regulations issued by the authorities on the basis of these laws. Suomi Mutual conforms, in a manner applicable to a mutual company, to the recommendations issued for listed companies' corporate governance and steering systems.

General Meeting

The Policyholders' Representative Assembly comprising 75 members appointed from among themselves by postal elections acts as Suomi Mutual's General Meeting. It deals with the matters generally dealt with at a general meeting. The President and CEO, the Chair of the Board of Directors and the majority of other Board members are usually present in General Meetings. The Policyholders' Representative Assembly convened once in 2005. The current composition of the Policyholders' Representative Assembly is presented under this section.

The Policyholders' Representative Assembly has appointed a nomination committee from among its members made up of three people. The aim of this committee is to prepare proposals regarding the number of Board members, the Chair of the Board, the Deputy Chair and other members, and their salaries.

The current composition of the Nomination Committee is presented under this section.

Supervisory Board

The company's Supervisory Board will continue until the end of the 2007 Annual General Meeting when it will be disbanded. The Supervisory Board convened three times in 2006. The current composition of the Supervisory Board is presented under this section.

Board of Directors

According to the Articles of Association, Suomi Mutual's Board of Directors comprises four to seven members. There are currently five members. The Board of Directors has been elected by the Supervisory Board. As of the 2007 Annual General Meeting, the Chair of the Board, the Deputy Chair and the other members of the Board will be elected by the meeting. The term of office of a Board member is one year.

Board members shall have such general knowledge of insurance business and of financial or economic issues as is required for the successful handling of duties entrusted to the Board of Directors. The members are not required to be owners of the company, there is no upper age restriction and there are no restrictions regarding re-election.

The Board of Directors attends to the administration of the company and to the appropriate organization of corporate activities.

The Board of Directors has drawn up a written working order. In order to fulfil its duties, the Board of Directors undertakes to

- take decisions on Suomi Mutual's strategy and supervise its implementation
- take decisions on the use of non-restricted capital and of the excess capital generated by the company's insurance business for various additional benefits to be declared for policyholders
- make proposals to the General Meeting for the use of the company's profit or the handling of loss
- approve the company's investment plan and define, among other things, investment powers and reporting as part of the investment plan
- approve operational plans, objectives and budgets and supervise their implementation
- approve the company's risk management plan
- take decisions on substantial business transactions, disposals of assets, and contracts
- appoint and release the President and CEO and his/her deputy and decide on their salaries and benefits and other conditions of their employment
- decide on the reward and incentive systems for the management and staff
- decide on the selection of reinsurers and on the principles for the diversification of reinsurance cover
- appoint the Electoral Board for the elections of the Policyholders' Representative Assembly.

The Board of Directors convened 10 times in 2006. The participation rate was 98%.

To ensure operational efficiency, the Board of Directors annually assesses its operations and working methods.

The Board of Directors has not appointed any separate committees. The current composition of the Board of Directors is presented under this section.

President and Management Group

The President manages the company's business operations and day-to-day administration in accordance with the guidelines and regulations provided by the Board of Directors. In addition, the President supervises that the

company operates in conformity with the law, official regulations, good insurance practice and contractual obligations. The President is not a member of the Board of Directors. However, the President attends Board meetings.

The conditions of the President's employment relationship are defined in the President's employment contract approved by the Board of Directors.

The company's Management Group assists the President. The President and the Management Group are presented under this section.

Reward system

The company has a performance-based pay system which applies to the company's entire staff. The Board of Directors is not included in the scope of the reward system. The Board has approved the reward system and annually decides on the criteria for results targets.

The main criterion for determining the amount of performance-based pay is the change in the company's net assets during the financial year added by the amount of additional benefits declared for the policyholders. The maximum performance-based pay for the President and the members of the Management Group is equivalent to six months' salary.

Suomi Mutual discloses, in the notes to the financial statements, the amounts of salaries and fees paid by business function. The company considers this information adequate for a mutual company.

Internal control, risk management and internal audit

The company's risk management principles are separately presented in the notes to the financial statements.

Most of the company's day-to-day operations have typically been outsourced. Outsourcing is managed through long-term outsourcing contracts which include provisions for division of responsibilities between the company and the service provider in problem situations. The internal

audit function of an outsourced service provider is responsible for supervising that the service provider acts in conformity with the contract. Suomi Mutual and its auditors have the right to obtain from the outsourced service provider the information required by the company's audit and internal control functions.

Auditing

The Board of Directors annually makes a proposal to the General Meeting for the appointment of an auditor for the company. In the General Meeting held in 2006, PricewaterhouseCoopers Oy, Authorised Public Accountants, with Mr Juha Wahlroos, Authorized Public Accountant, as the partner-in-charge, and Ms Leena Rajala, Authorised Public Accountant, were elected as the company's auditors.

In 2006, the Authorized Public Accountants and other companies within the same group were paid EUR 135 464 for auditing, and EUR 549 for various advisory and consultative services. The fees paid are inclusive of value added tax.

Supervision by authorities

The operations of Suomi Mutual are supervised by the Finnish Insurance Supervisory Authority, which focuses on ensuring that the operations of insurance and pension institutions are stable and that a general trust in insurance operations is maintained. For more information, visit www.vakuutusvalvonta.fi

Communications

The company web pages are at www.suomi-yhtio.fi. The company's Finnish-language web pages contain information on subject matters in accordance with the recommendations for listed companies' corporate governance and steering systems, to the extent that these recommendations are relevant for a mutual company. Information on shares and shareholders is not relevant owing to the company's mutual structure.

Policyholders' Representative Assembly

The former date indicates the person's first year as a representative and the latter date the year in which the term ended/ends.

Electoral District I

Helsinki, Espoo, Vantaa, Kauniainen, Sipoo, Kerava, Tuusula, Kirkkonummi, Siuntio and Inkoo

Eero Akaan-Penttilä, Espoo; 1994–2012

Arja Alho, Siuntio; 1991–2000, 2003–2012

Harry Bogomoloff, Helsinki; 2003–2012

Eija Esko, Helsinki; 2006–2012

Kari Hakala, Espoo; 2006–2012

Hanna-Leena Hemming, Espoo; 2003–2012

Jarmo Leppiniemi, Helsinki; 1997–2012

Raili Leppiniemi, Helsinki; 2000–2009

Johanna Lohivesi, Espoo; 2000–2009

Jouni Mykkänen, Espoo; 2005–2012

Anssi Rauramo, Helsinki; 1991–2012

Suvi Rihthniemi, Helsinki; 1982–2000, 2003–2012

Riitta Saarikangas, Kerava; 2003–2012

Kaarina Suonperä, Vantaa; 1997–2012

Ritva Sänkiaho, Helsinki; 2000–2009

Mikko Viitasalo, Helsinki; 2000–2009

Markku Weckman, Vantaa; 2002–2009

Ben Zyskowicz, Helsinki; 2000–2009

Electoral District II

Uusimaa and Eastern Uusimaa, with the exception of the municipalities in Electoral District I, and Varsinais-Suomi, Satakunta and Åland

Peik Eklund, Parainen; 2003–2009

Mikko Elo, Pori; 2003–2012

Kajja Hartiala, Turku; 1997–2012

Mikko Hatanpää, Noormarkku; 2006–2009

Liisa Hyssälä, Lieto; 1997–2012

Marjatta Hyttinen, Salo; 2003–2012

Reijo Kallio, Rauma; 2000–2009

Ilkka Kanerva, Turku; 1976–1989, 1997–2012

Jaana Laitinen-Pesola, Pori; 1991–2000, 2003–2012

Jaakko Ossa, Kaarina; 2006–2012

Virpa Puisto, Turku; 1991–2012

Outi Rannikko, Rusko; 2003–2009

Pekka Ruola, Turku; 2000–2009

Matti Saarinen, Lohja; 2006–2012

Erkki Saario, Vihti; 2003–2012

Electoral District III

Kanta-Häme, Pirkanmaa, Päijät-Häme and Central Finland

Ilkka Joenpalo, Forssa; 2006–2012

Anja Kaislo, Jämsä; 2000–2009

Aarne Kauranen, Hämeenlinna; 2003–2012

Sirpa Koivisto, Tampere; 2003–2012

Riitta Koskinen, Tampere; 1997–2012

Juha Kostiainen, Tampere; 2004–2012

Kalervo Kummola, Tampere; 2000–2009

Paula Kurki-Suonio, Lahti; 1997–2012

Harri Lintumäki, Hämeenlinna; 1997–2012

Timo P. Nieminen, Tampere; 1995–2012

Arja Ojala, Tampere; 1991–2009

Esa Rannikko, Tampere; 2005–2006

Mikko Riipinen, Laukaa; 2000–2009

Mirja Salminen, Lahti; 2003–2012

Jukka Tonteri, Lahti; 2006–2012

Ahti Vappula, Nastola; 2002–2009

Electoral District IV

Kymenlaakso, Southern Karelia, Southern Savo, Northern Savo and Northern Karelia

Martti Huuemonen, Siilinjärvi; 2003–2012

Margit Hänninen, Joensuu; 2006–2012

Pentti Hänninen, Ilomantsi; 1991–2000, 2003–2012

Pekka Kantanen, Kuopio; 1997–2012

Katri Komi, Joroinen; 2003–2012

Erkki Kukkonen, Kuopio; 1997–2009

Heikki Luukkanen, Imatra; 2000–2009

Mauri Miettinen, Ristiina; 1976–1984, 2000–2009

Tuula Partanen, Joutseno; 1991–2012

Heljä Pekkalin, Kuusankoski; 2000–2009

Juha Saarinen, Mikkeli; 2006–2012

Hannu Äikäs, Lappeenranta; 2005–2012

Electoral District V

Southern Ostrobothnia, Ostrobothnia, Central Ostrobothnia, Northern Ostrobothnia, Kainuu and Lapland

Juhani Alaranta, Ranua; 1979–2012

Ulf Brandt, Vaasa; 2003–2009

Maija-Leena Hirvonen, Raahe; 1998–2012

Pertti Mäki-Hakola, Nurmo; 2000–2009

Senja Nuolikivi, Muhos; 2000–2009

Leena Piikivi, Oulu; 1994–2012

Maija Rask, Kemi; 2003–2012

Elsa Riekkola, Kittilä; 2002–2009

Paula Risikko, Seinäjoki; 2003–2012

Reijo Sallinen, Oulu; 2000–2009

Petri Salo, Alahärmä; 1997–2012

Paula Sihto, Ilmajoki; 2006–2012

Liisa Talvitie, Seinäjoki; 2006–2012

Jukka Vihriälä, Nurmo; 1988–1977, 2003–2012

Kyösti Virrankoski, Kauhava; 1997–2012

Composition & Nomination Committee

Mikko Viitasalo, Chairman

Pentti Hänninen

Jukka Vihriälä

Composition of Supervisory Board

The company's Supervisory Board will continue until the end of the Annual General Meeting on April 26, 2007, when it will be disbanded.

Antti Niemi-Aro (born 1952)
Chairman

Pirkko Auvinen (born 1950)

Jaakko Hirttiö (born 1949)

Jussi Laitinen (born 1956)

Oiva Laitinen (born 1943)

Reino Ojala (born 1945)

Ilona Salomaa (born 1947)

Riitta Suominen (born 1946)

Riitta Tarvainen (born 1950)

Ritva Vastamäki (born 1947)

Hannele Viljakainen (born 1947)



Kari Kaunismaa, Helena Pesola, Oiva Savela, Jarmo Rantanen and Jukka Tuori



Timo Hukka, Eino Halonen and Markku Vesterinen

Board of Directors

Oiva Savela

(born 1936)

Chairman of the Board of Directors since 1999

Jarmo Rantanen

(born 1944)

Deputy Chairman of the Board of Directors since 1999

Kari Kaunismaa

(born 1954)

Principal of Vista School in Paimio since 1989

Member of the Board of Directors since 2002

Helena Pesola

(born 1947)

Social Insurance Institution, Director since 1990

Member of the Board of Directors since 2002

Kiipula Foundation, Chairman of the Board of Directors since 1998

Jukka Tuori

(born 1948)

Member of the Board of Directors since 2006

Suomi Mutual Life Assurance Company, Chairman of the Supervisory Board in 2001–2005

Composition of Management Group

Eino Halonen

(born 1949)

President and CEO of Suomi Mutual since 2000. Mr Halonen has had an extensive career in managerial positions in the banking sector.

He acts as the Deputy Chairman of the Board of Directors of YIT Corporation and as a member of the Board of Directors of Ilmarinen Mutual Pension Insurance Company, OKO Bank plc, Cramo plc, Finsilva, Metsäliitto Group, and SATO Corporation.

Markku Vesterinen

(born 1951)

Senior Executive Vice President, Finance and Purchase of Insurance Operations Services.

Mr Vesterinen has been employed by Suomi Mutual 1987–1995 and since 2001. He has worked in expert and managerial positions in the insurance sector since 1978.

Timo Hukka

(born 1952)

Chief Investment Officer, Investment Operations.

He has been employed by Suomi Mutual since 2003.

Mr Hukka has been in managerial positions in the insurance industry since 1979.

7. FINANCIALS

Report by the Board of Directors

Suomi Mutual Group

The parent company of the Suomi Mutual Group is Suomi Mutual Life Assurance Company (Suomi Mutual). The Group consists of subsidiaries which underwrite life insurance in Poland, Estonia, Latvia and Lithuania, several real estate companies and one real estate investment company. The Group's parent company no longer underwrites new life insurances. It now concentrates on managing its insurance and investment portfolios for the benefit of its existing customers.

Financial result of the Suomi Mutual Group

In 2006, the consolidated operating profit of Suomi Mutual was EUR 287 million. In 2005, the consolidated operating profit was EUR 448 million. The Suomi Mutual Group's book loss was EUR 28 million in 2006. The company's bookkeeping result will continue to be mostly negative in the future, due to solvency capital refunds to insurance holders in the form of additional benefits. Providing additional benefits will encumber the company's financial performance. The majority of the solvency capital is equity. Where additional benefits are financed from equity, the bookkeeping result of the company will be negative. A better picture of the company's operational result is provided by the combined total of the change in the company's solvency capital and the additional benefits granted. This total was EUR 406 million in 2006.

Consolidated net investment income totalled EUR 322 million, which was EUR 449 million less than in 2005. Consolidated investment income at fair value totalled EUR 423 million, which corresponded to a 6.5% return on capital employed. In 2005, the corresponding return on capital employed was EUR 1,001 million, or 17.4%.

Consolidated premiums written increased from EUR 121 million to EUR 124 million. In 2005, the reorganisation of the pool responsible for employees' group life insurance reduced premiums written by EUR 19 million. Therefore the comparable consolidated premiums written fell by EUR 16 million from 2005. The consolidated premiums written for 2006 included EUR 34 million in premium income generated by foreign subsidiaries. In 2005, premiums written by foreign subsidiaries totalled EUR 32 million.

Suomi Mutual managed 14.4% of Finnish insurance savings. In the previous year, this figure was 14.9%.

On 31 December 2006, consolidated solvency capital totalled EUR 1,460 million (EUR 1,369 million in 2005) and the solvency ratio in proportion to technical provisions was 27.4% (25.7%). The parent company's solvency ratio was 27.5%.

Insurance operations

Consolidated premiums written increased to EUR 124 million (EUR 121 million). Life insurance premiums written stood at EUR 46 million (EUR 46 million), thereby remaining unchanged in both the Group and the parent company. Capital redemption business generated just under EUR 40,000 (EUR 1 million) in premiums written. Premiums written in pension insurance were EUR 78 million (EUR 93 million). In Finland, premiums written in pension insurance fell by EUR 17 million, whereas in the subsidiaries, they increased by EUR 2 million. The decrease was due to the expiry of insurances and to changes in the tax treatment of premiums for individual pension insurance, which reduced the maximum contribution eligible for a tax deduction.

Consolidated technical provisions went up to EUR 5,372 million (EUR 5,356 million). They were increased by EUR 315 million due to customer bonuses and special additional benefits declared for part of the company's insurance portfolio. Due to the high level of the parent company's solvency capital, the level of customer bonuses was raised from what it would have been if based purely on long-term return expectations for investments. In this way, solvency capital refunds to customers were extended to the entire insurance portfolio. The company has improved its means of assessing its technical provisions and their development. Similarly, the liability for already declared future special benefits can now be determined by insurance policy. This, together with changed customer behaviour in relation to payments, reduced the liability for future special benefits declared in 2006 by EUR 125 million.

In the year under review, the Group's insurance portfolio remained well in force. Claims paid, including settlement costs, totalled EUR 410 million. The aggregate amount of claims paid in 2005 stood at EUR 305 million. Life insurance benefits paid were EUR 237 million and annuities EUR 170 million in 2006. These included EUR 43 million in surrenders. The savings paid as part of the claims amounted to EUR 168 million, i.e. EUR 82 million more than in 2005.

Consolidated operating expenses stood at EUR 38 million in 2006. The consolidated expense ratio was 111% (116% in 2005). As regards the Group's domestic business, the expense ratio was 100% in 2006. In 2005, the corresponding figure was 99%.

The aggregate risk business continued to show a slight surplus.

Investment operations

The investment portfolio of the Suomi Mutual Group at fair value totalled EUR 6,897 million at the end of 2006.

The investment portfolio went up by EUR 108 million in the year under review. In addition to these investments, the Group had a total of EUR 12 million (EUR 8 million in 2005) in investments related to unit-linked insurance at the end of 2006. The income from unit-linked insurance premiums is generated entirely by foreign subsidiaries, as the parent company does not underwrite unit-linked insurance business in Finland.

At the end of 2006, 32% of the parent company's investment portfolio was in equity holdings and different equity and private equity funds. A year ago, this figure was 21%.

The proportion of fixed-income securities and long-term bond funds in the company's investments was 42% (61%) at the end of 2006. At the same time, money-market instruments, deposits and money-market funds accounted for 13% (6%) of the company's investments.

Investments in land and buildings accounted for 7% (6%). Land and buildings also include various indirect real estate investments, such as units in mutual funds investing in real estate properties and real estate companies, and investments in joint investment companies investing in such instruments.

The aggregate proportion of absolute return funds and investments in commodities in the company's investments was 6 per cent, the same as the previous year.

As previously, fixed assets have mainly been valued at the remaining acquisition cost in the balance sheet. In accordance with the principles of bookkeeping prudence, foreign subsidiaries underwriting insurances have been valued at the net asset value used in solvency calculations, or, where grounds exists, lower.

In the financial year, the parent company's return on investments at fair value totalled EUR 420 million which represented a 6.5% return. A year earlier the respective figure was 17.5%. The investment return clearly exceeded the return target derived from the company's technical provisions and the targets set for return on equity. The company's return on investments also exceeded benchmarks in all investment classes.

Customer benefits

The savings of valid individual insurance policies issued by Suomi Mutual before July 1, 1997 were credited with a technical interest of 4.5 per cent and with a special annual bonus of 2.7 per cent financed from an additional benefit provision set up in 1997 and 2000. The latter bonus was originally restricted to those premiums paid in accordance with the payment schedule and to the pension period defined in the pension plan. Of the technical provisions in the old credit portfolio, EUR 160 million no longer receive this 2.7% bonus. In addition to this, it was decided in 2007 to credit these insurances with a special additional benefit of 9%.

Due to the low interest rate level, the long-term investment return expectations have been so low in recent years that insurances with a technical interest of over 4% have not

been credited with the usual customer bonuses at all. The company's solvency clearly exceeds the unpaid proportion of the previously conditionally declared special additional benefits on the insurance portfolio as defined in the previous paragraph. For this reason, the Board decided to extend the solvency refunds to the entire insurance portfolio. In accordance with this decision, all savings-based individual insurances with a technical interest of 4.5% will receive a 2% customer bonus in 2007. In addition, other savings-based insurances will be credited with a previously determined customer bonus of 0.5%, i.e. a total of 2.5%. The additional interest rate on capital redemption contracts has been confirmed at a minimum of 2%. Special additional benefits for pure risk insurances were already determined in 2005. Based on that decision, the deduction in insurance premiums will rise from 20% to 30% in 2007.

Of the conditionally declared EUR 840 million special additional benefits, EUR 464 million remain after a decision was reached on the special additional benefits in 2005 and 2006. Once this promise has been completely fulfilled, all additional benefits based on the return and on solvency refunds will be credited to the entire portfolio as customer bonuses. When these bonuses are determined in the future, the type, duration and size of the insurances will be taken into consideration.

Risk management

The Group's risk management is based on a risk management plan approved annually by Suomi Mutual's Board of Directors, and an assessment of the status of risk management. Investment operations are based on an investment plan approved by the Board of Directors, which determines, among other things, investment allocations and the responsibilities and authorisations of those engaged in practical investment operations. The company's risk carrying capacity is taken into account when determining the investment allocation.

The company's risk management principles are described in more detail in the notes to the financial statements.

Staff

The Suomi Mutual Group had 221 employees at the end of 2006, of whom 14 worked for the parent company and 207 employees for foreign subsidiaries. The large proportion of foreign employees in the Group staff is explained by the fact that many services which are outsourced in the Finnish companies are handled by the staff in the foreign subsidiaries. In the year under review, the average number of the Group staff was 222 (249).

Outsourcing contracts

Suomi Mutual has to a large extent outsourced the management of its insurance portfolio and investments. Following the sale of the Pohjola holding, valid contracts with Pohjola were transferred to the OP Bank Group. The con-

tracts were renewed in 2006, with the financial terms remaining unchanged. The new contracts reflect the longer notice periods as agreed in connection with the Pohjola sale, and these will further reduce Suomi Mutual's risks in this area.

Corporate management

Suomi Mutual's Board of Directors comprise Mr Oiva Savela (Chair), Mr Jarmo Rantanen (Deputy Chair), Mr Kari Kaunismaa, Ms Helena Pesola and Mr Jukka Tuori. As of the 2007 Annual General Meeting, the term of the Board of Directors will be from the Annual General Meeting to the next Annual General Meeting. The Board will therefore be elected annually.

The company's Supervisory Board will be abolished at the 2007 Annual General Meeting.

Mr Eino Halonen is the President and Mr Markku Vesterinen the Senior Executive Vice President of Suomi Mutual.

Early 2007

Suomi Mutual has decided to improve its use of capital in its foreign subsidiaries. This will be achieved by merging the Baltic subsidiaries into a European Company, based in Tallinn. As part of this process, Suomi Mutual sold its subsidiaries in Latvia and Lithuania to its subsidiary in Estonia in early 2007.

Outlook

Suomi Mutual's solvency level at the end of the financial year was even better than the maximum level set for it. This is due to the fact that, for technical reasons, additional benefits are decided in October-November. With investment operations very productive at the end of the year, the solvency level exceeded targets. This will enable the company to take investment risks that are reasonable in view of the duration of insurance contracts. Outsourcing contracts have been drawn up in a manner that allows the company to estimate future costs with sufficient accuracy. In this kind of environment, the company's risks are well under control.

Following the sale of the Pohjola holding, cooperation between Pohjola and the savings banks ended. In connection with this, savings banks in 2006 submitted a claim for damages to Suomi Mutual and Pohjola. Suomi Mutual denies the savings banks' claim for damages totalling a maximum of EUR 1.8 million as unfounded. The claim has been submitted to a court of arbitration, with a decision expected in March 2007.

Proposal by the Board of Directors for the handling of loss and distribution of profit

The distributable funds of Suomi Mutual total EUR 754,982,899.90 and those of the Group EUR 804,668,970.52.

The Board of Directors proposes that the loss for the financial year and retained earnings be handled as follows:

Interest of 6% on guarantee capital	30,273.83
From contingency reserve	-22,902,552.46
To donations for worthy causes	<u>30,000.00</u>
Loss for the financial year	<u><u>-22,842,278.63</u></u>

KEY FIGURES DESCRIBING FINANCIAL DEVELOPMENT

		Group			Parent company		
		2006	2005	2004	2006	2005	2004
Turnover	EUR mill.	446	893	924	409	835	909
Premiums written before reinsurers' share	EUR mill.	124	121	391	90	89	371
Operating profit/loss	EUR mill.	287	448	262	291	366	198
Total earnings	EUR mill.	386	681	335	392	620	250
Expense ratio							
of expense loading	%	111.3	116.4	110.7	102.7	101.8	100.5
of balance sheet total	%	0.7	0.7	1.1	0.5	0.5	0.9
Net investment income at current values on capital employed	%	6.5	17.4	8.6	6.5	17.5	8.6
Return on assets at current values	%	8.1	12.5	7.7	8.2	11.9	6.5
Solvency margin	EUR mill.	1,430	1,339	895	1,427	1,335	891
Equalisation provision	EUR mill.	29	29	55	29	29	55
Solvency capital	EUR mill.	1,460	1,369	951	1,457	1,364	946
Solvency ratio	%	27.4	25.7	16.1	27.5	25.9	16.1
Average number of employees		222	249	551	14	15	253

ANALYSIS OF RESULT

EUR million	Group			Parent company		
	2006	2005	2004	2006	2005	2004
Premiums written net	124	129	384	90	97	364
Investment income and charges, unrealised gains/losses, changes in book value	322	722	456	318	746	538
Claims paid	-410	-302	-397	-393	-293	-394
Change in technical provisions before bonuses and rebates and change in equalisation provision	298	-134	-189	299	-119	-178
Operating expenses	-38	-34	-62	-20	-20	-50
Other underwriting income and charges	0	33	0	-	33	-
Balance on technical account before bonuses and rebates and change in equalisation provision	296	414	191	295	444	279
Other income and charges	-9	-15	-6	-4	-78	-81
Share of associate undertakings' profits/losses	0	50	77	-	-	-
Operating profit/loss	287	448	262	291	366	198
Change in equalisation provision	0	10	1	0	10	1
Bonuses and rebates	-315	-258	-121	-314	-257	-120
Profit/loss before extraordinary items	-27	201	142	-23	119	79
Extraordinary income	-	-	-	-	-	-
Extraordinary charges	-	-	-	-	-	-
Profit/loss before untaxed reserves and tax	-27	201	142	-23	119	79
Tax on profit	0	1	-24	0	0	-51
Profit/loss for financial year	-28	202	119	-23	119	28

PREMIUMS WRITTEN

EUR million	Group			Parent company		
	2006	2005	2004	2006	2005	2004
Life insurance	46	46	147	19	19	130
Capital redemption contracts	0	1	6	0	1	6
Employees' group life insurance	-	-19	10	-	-19	10
Pension insurance	78	93	228	71	88	224
Total	124	121	391	90	89	370
Unit-linked insurance						
Domestic	-	-	70	-	-	70
Foreign	6	4	2	-	-	-

CLAIMS INCURRED

EUR million	Group			Parent company		
	2006	2005	2004	2006	2005	2004
Claims paid						
Life insurance	198	116	179	183	108	177
Employees' group life insurance	-	3	11	-	3	11
Pension insurance	166	146	141	165	146	141
Surrenders	43	36	68	42	35	68
Claims settlement expenses	3	4	5	3	3	5
Total	410	305	404	393	295	401
Change in provision for claims outstanding	99	103	64	99	102	64
Claims incurred in total	509	408	468	492	397	465

SOLVENCY

EUR million	Group			Parent company		
	2006	2005	2004	2006	2005	2004
Solvency margin						
Capital and reserves	820	846	643	759	783	664
Difference between current and book values of investments	687	588	355	689	587	334
Deferred tax	1	0	2	0	1	1
Intangible assets	-75	-83	-91	-19	-23	-93
Other	-3	-12	-14	-3	-12	-14
	1,430	1,339	895	1,427	1,335	891
Equalisation provision	29	29	55	29	29	55
Minority interest	0	1	1	-	-	-
Solvency capital	1,460	1,369	951	1,457	1,364	946
Solvency ratio, %	27.4	25.7	16.1	27.5	25.9	16.1
Solvency margin requirement under Insurance Companies Act	237	234	270	229	225	263

NET INVESTMENT INCOME ON CAPITAL EMPLOYED

Parent company	Jan 1–Dec 31, 2006			Jan 1–Dec 31, 2005		
	Net income at current values	Capital employed	Return on capital employed	Net income at current values	Capital employed	Return on capital employed
	EUR mill.	EUR mill.	%	EUR mill.	EUR mill.	%
Loans	0	1	4.2	0	1	4.2
Fixed income securities	17	3,633	0.5	164	3,313	4.9
of which bond funds	7	962	0.7	64	1	9.6
Other debt securities and deposits						
with credit institutions	9	287	3.0	17	655	2.6
of which bond funds	1	46	3.1	1	43	2.5
Shares and fund units	342	1,717	19.9	752	1,101	68.3
Land and buildings	45	452	9.9	34	386	8.7
of which mutual funds and joint investment companies	25	160	15.3	11	68	16.6
Other investments	16	394	4.2	42	243	17.3
Investments in total	429	6,485	6.6	1,008	5,698	17.7
Income, charges and operating expenses not allocated to investment classes	-9		-0.1	-9		-0.2
Net investment income at current values	420	6,485	6.5	1,000	5,698	17.5

INVESTMENT MIX AT CURRENT VALUES

Parent company	Dec 31, 2006		Dec 31, 2005	
	Current value EUR mill.	Percentage %	Current value EUR mill.	Percentage %
Loans	2	0.0	2	0.0
Fixed income securities	2,851	42.1	4,077	60.6
includes bond funds	971	14.3	842	12.5
Other debt securities and deposits with credit institutions	869	12.8	399	5.9
includes bond funds	-	-	58	0.9
Shares and fund units	2,169	32.0	1,426	21.2
Investments in land and buildings	464	6.8	434	6.5
includes mutual funds and joint investments companies	141	2.1	116	1.7
Other investments	420	6.2	390	5.8
Total	6,775	100.0	6,727	100.0
Modified duration of the fixed-income portfolio	4.7		5.3	

ANALYSIS OF NET INVESTMENT INCOME

Parent company	Jan 1–Dec 31, 2006	Jan 1–Dec 31, 2005
EUR million		
Direct net income		
Loans	0	0
Fixed income securities	122	93
Other debt securities and deposits with credit institutions	6	14
Shares and fund units	102	85
Land and buildings	13	14
Other investments	-	-
Income, charges and operating expenses not allocated to investment classes	-9	-9
Changes in book values		
Shares and fund units	135	508
Fixed income securities	-53	46
Land and buildings	2	17
Other investments	0	-22
Net investment income at book values	318	746
Change in difference between current and book values		
Shares and fund units	155	293
Fixed income securities	-59	-31
Land and buildings	6	-8
Other investments	0	0
Net investment income at current values	420	1,000
Share of derivative instruments of net investment income (included in the above)	13	-88

PROFIT AND LOSS ACCOUNT

EUR 1,000	Group		Parent company	
	Jan 1–Dec 31 2006	Jan 1–Dec 31 2005	Jan 1–Dec 31 2006	Jan 1–Dec 31 2005
Technical account				
Life insurance				
Premiums written(3)				
Premiums written	124,047	121,045	90,455	89,183
Outward reinsurance premiums	-180	7,803	-58	7,933
	123,867	128,849	90,397	97,116
Investment income (4)	628,188	932,628	628,508	985,333
Unrealised gains on investments (4)	3,691	647	-	-
Other technical income	36	33,174	-	33,163
Claims incurred				
Claims paid				
Claims paid (5)	-410,138	-305,036	-393,255	-295,983
Reinsurers' share	6	3,355	-	3,350
	-410,133	-301,682	-393,255	-292,633
Change in provision for claims				
Total change	-98,883	-49,089	-98,615	-48,461
Share of transferred portfolio	-	-51,862	-	-51,862
Reinsurers' share	0	-1,638	-	-1,638
	-98,883	-102,589	-98,615	-101,961
Claims incurred in total	-509,016	-404,271	-491,870	-394,594
Change in life insurance provision				
Change in life insurance provision				
Total change	82,446	928,965	84,030	943,461
Share of transferred portfolio	-	-1,198,746	-	-1,198,746
Reinsurers' share	-10	-9,647	-	-9,666
	82,436	-279,428	84,030	-264,951
Operating expenses (6,7)	-38,026	-33,563	-19,585	-20,195
Investment charges (4)	-309,618	-211,623	-310,243	-239,343
Other technical charges	-143	-108	-	-
Balance on technical account	-18,585	166,305	-18,763	196,528
Non-technical account				
Other income	106	130	10	62
Other charges				
Depreciation of goodwill	-	-	-4,500	-15,168
Depreciation on dissolution loss	-	-	-	-54,122
Other charges	-8,783	-15,581	-	-8,759
	-8,783	-15,581	-4,500	-78,049
Share of associated undertakings' profit/loss	-45	49,769		
Tax on profit on ordinary activities				
Tax for financial year	-158	-253	-202	-253
Tax for previous financial year	116	505	116	505
Deferred tax (8)	-317	1,214	-	-
	-359	1,466	-86	252
Profit/ loss on ordinary activities	-27,666	202,089	-23,339	118,793
Untaxed reserves				
Change in depreciation reserve			-303	265
Change in untaxed reserves			800	84
			497	349
Minority interests	-66	-18		
Profit/loss for financial year	-27,732	202,071	-22,842	119,142

BALANCE SHEET

EUR 1,000	Group		Parent company	
	Dec 31, 2006	Dec 31, 2005	Dec 31, 2006	Dec 31, 2005
Assets				
Intangible assets				
Intangible rights	1,799	1,370	45	57
Goodwill	-	-	18,602	23,102
Unallocated consolidation goodwill	72,961	81,148	-	-
Other long-term expenses	258	218	258	218
	75,018	82,736	18,905	23,377
Investments (11a, 11b)				
Land and buildings				
Land and buildings and shares therein	405,425	376,775	227,597	228,313
Loans to affiliated undertakings	-	-	50,924	51,130
	405,425	376,775	278,521	279,443
Investments in affiliated undertakings and participating interests				
Shares in affiliated undertakings (13, 15)		7,471	24,311	26,325
Loans to affiliated undertakings (13)		12,424	12,428	12,424
Shares in associated undertakings (14,15)	1,594	3,077	-	-
Participating interests (14,15)	-	-	755	755
	1,594	22,972	37,494	39,504
Other financial investments				
Shares and fund units (15)	3,036,478	2,189,836	2,996,694	2,181,319
Debt securities	2,732,908	3,567,891	2,700,491	3,538,401
Other loans	1,663	1,816	1,663	1,816
Deposits with credit institutions	32,340	47,969	26,800	31,000
	5,803,389	5,807,512	5,725,648	5,752,536
Investments in total	6,210,408	6,207,259	6,041,663	6,071,483
Investments for the benefit of life insurance policyholders who bear the investment risk (17)	11,717	7,781	-	-
Debtors				
Direct insurance debtors				
Policyholders	3,524	3,646	2,036	2,990
Intermediaries	41	35	-	-
Reinsurance debtors	496	562	442	518
Other debtors	22,121	26,274	28,290	34,129
Deferred tax assets (8)	12,310	12,561	-	-
	38,492	43,078	30,768	37,637
Other assets				
Tangible assets and stocks				
Machinery and equipment	1,027	1,044	427	376
Cash at bank and in hand	15,633	5,521	13,254	4,501
Other	361	428	356	423
	17,021	6,993	14,037	5,300
Prepayments and accrued income				
Interest and rent	51,314	67,445	51,858	66,327
Deferred acquisition costs	298	380	-	-
Other	3,977	7,131	1,752	6,943
	55,589	74,956	53,610	73,270
Assets in total	6,408,246	6,422,804	6,158,982	6,211,066

BALANCE SHEET

EUR 1,000	Group		Parent company	
	Dec 31, 2006	Dec 31, 2005	Dec 31, 2006	Dec 31, 2005
Liabilities				
Capital and reserves (20)				
Initial fund	2,859	2,859	2,859	2,859
Guarantee capital	504	504	504	504
Other reserves				
Contingency reserve	777,799	658,718	777,825	658,744
Other reserves	395	-	-	-
Profit/loss brought forward	66,707	-18,370	-	-
Loss/profit for financial year	-27,732	202,071	-22,842	119,142
Capital and reserves in total	820,533	845,783	758,347	781,250
Minority interests	61	672		
Accrual of untaxed reserves				
Depreciation reserve			303	-
Untaxed reserves			1,300	2,100
			1,603	2,100
Technical provisions				
Life insurance provision	4,382,514	4,468,868	4,342,516	4,426,546
Reinsurance amount	-36	-46	-	-
	4,382,478	4,468,822	4,342,516	4,426,546
Provision for claims outstanding	978,070	879,173	976,093	877,478
Reinsurance amount	0	-	-	-
	978,070	879,173	976,093	877,478
Technical provisions in total	5,360,548	5,347,995	5,318,609	5,304,024
Technical provisions for life insurance policies where the investment risk is borne by the policyholders	11,715	7,778	-	-
Creditors				
Direct insurance creditors	1,863	1,203	390	431
Reinsurance creditors	36	62	13	27
Amounts owed to credit institutions	124,805	88,628	-	-
Pension loans	14,970	16,097	14,970	16,096
Other creditors	24,367	70,964	30,844	78,188
Deferred tax liabilities (8)	13,241	12,952	-	-
	179,282	189,906	46,218	94,743
Accruals and deferred income	36,107	30,670	34,205	28,949
Liabilities in total	6,408,246	6,422,804	6,158,982	6,211,066

1 Accounting principles

1.1 Changes to the accounting principles and comparability of information

From 2006, information related to the foreign subsidiaries will be consolidated into the Group's financial statements mainly as it was calculated under the local regulations of the relevant country. This change in treatment will have a minor impact on the Group's result and balance sheet.

As the values of the Group's real estate companies were reviewed, the carrying value for property was decreased (EUR 2.6 million) and the comparative 2005 information adjusted accordingly.

Subscription amounts for hedge funds unallocated at the balance sheet date are recorded as investments (previously under the Prepayments and accrued income group). The comparable 2005 information (the subscription amount of EUR 50 million) has been adjusted.

Commission paid to external investment managers will be treated as a direct deduction from investment income from 2006. The comparable 2005 information has been adjusted.

Previously included in the group life insurance category, insurance contracts underwritten by the parent company and applying to several insured are now reported under the sub-category of other individual life insurances, as it better describes their nature. This also applies to the comparable 2005 information.

As of the last quarter of 2006, the commissions from investment funds are recorded as direct income from investments. They were previously included in the value changes for these investments.

1.2 Consolidated accounts

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

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

The book value of shares in undertakings included in consolidation is eliminated by the acquisition method. The consolidation goodwill is entered directly against the subsidiaries' asset items and is depreciated in ac-

cordance with their depreciation schedule. Suomi Life, a subsidiary of Suomi Mutual, was put into voluntary liquidation in 2003, and its operation licence was cancelled. The company's final dissolution procedure is underway. The depreciation of the unallocated goodwill related to Suomi Life has continued in accordance with the earlier depreciation schedule. The goodwill related to the foreign subsidiaries was fully depreciated by the end of 2006.

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

Pohjola Group plc was an associated undertaking of the Suomi Mutual group until its sale in September 2005.

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

Ilmarinen Mutual Pension Insurance Company is stated at cost since the Act on employment pension insurance companies provides that a company carrying on statutory pension insurance may not be included in the consolidated financial statements of another company. The prohibition is based on restrictions pertaining to employment pension insurance. There are some transactions between the Group and Ilmarinen in the ordinary course of their insurance or insurance-related activities.

1.3 Book value of investments

Buildings and constructions are shown in the balance sheet at acquisition cost reduced by scheduled depreciation or at current value, whichever is lower. Acquisition cost includes purchase price and variable costs directly attributable to the item in question. Shares in land and buildings as well as land and water areas are shown in the balance sheet at purchase price or at current value, whichever is lower. The book value of certain investments in land and buildings has been written up (see section 1.5). Scheduled depreciation is deducted also from write-ups on buildings if entered as unrealised gains in the profit and loss account.

Other shares, fund units and debt securities classified as investments are shown in the balance sheet at purchase price or at current value, whichever is lower. The difference between the amount repayable at maturity and purchase price of debt securities is released to interest income or charged to that income in instalments during the period remaining until repayment. The counter item is

shown as an increase or a decrease in acquisition cost. Acquisition cost is calculated on the basis of the average price method. Shares subject to stock lending are valued in the same manner and their amount is stated in the notes to the financial statements.

Private equity investments in mutual funds are shown in the balance sheet at purchase price or at current value, whichever is lower. The current value applied is the fund unit value, increased by management fees, calculated in accordance with the value most recently reported by each mutual fund. However, the book value of investments in the funds is not lowered until the year after the establishment year, unless the value of a fund has fallen markedly. The value of unquoted direct private equity investments is lowered on the basis of price data available from new financing rounds or equity offerings carried out by outsiders, or in accordance with the net asset value.

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

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

Insofar as the current value of investments rises, readjustments in value are entered into the profit and loss account up to the previously made downward value adjustments.

Derivative contracts are valued at the market-based current value on the closing day. All derivative contracts are treated in the profit or loss account as non-hedging instruments. The difference between the current value and a higher book value of derivative contracts is entered as charge in the profit and loss account. Unrealised gain is not entered in the books. The solvency margin calculation takes account of the difference between current and book values of derivatives not entered in the profit and loss account and of any possible maximum losses on contracts treated as non-hedging instruments in the books, other than currency derivatives.

Foreign subsidiaries' investment assets, including investments acquired to cover for the technical provisions of unit-linked insurances, are valued at current value in accordance with the local regulations.

1.4 Book value of other assets than investments

Intangible assets as well as machinery and equipment are shown in the balance sheet at acquisition cost reduced by scheduled depreciation. Acquisition cost includes purchase price and directly attributable variable costs.

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

In the parent company, the depreciation of the goodwill (EUR 45 million) paid in 2003 for the purchase of the insurance business of the subsidiary Suomi Life has been continued in accordance with the depreciation schedule. The dissolution loss of Suomi Life was fully depreciated by the end of 2005.

1.5 Unrealised gains on and revaluation of investments

The book values of land and water areas, buildings and securities can be written up. Write-ups of items classified as investments are entered in the profit and loss account as unrealised gains, while write-ups of items classified as fixed assets are entered in the revaluation reserve. The oldest write-ups are, in accordance with the previous accounting practice, in the revaluation reserve, initial fund or technical provisions. The revaluation reserve may be used for increasing the initial fund to the extent that the revaluation reserve, at the time of the increase, pertains to investments classified as fixed assets.

If a previous write-up becomes unjustified, unrealised gains are entered as unrealised losses in the profit and loss account, and the revaluation is withdrawn from the revaluation reserve or, in the event that the revaluation reserve has been used to increase the initial fund, from non-restricted reserves. Previous write-ups with the counter item in the technical provisions are also adjusted through unrealised losses in the profit and loss account.

Unrealised gains on buildings are depreciated according to schedule.

1.6 Current value of investments and difference between current and book values

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

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

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

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

1.7 Technical provisions

In principle, technical provisions are calculated separately for each insurance contract.

The technical interest rate of insurance contracts varies between 3.5% and 4.5%, depending on the insurance type and commencement of the insurance. In addition, permanent additional benefits, such as an annual additional benefit of 2.7%, have previously been declared for part of the insurance portfolio.

The normal discount rate for insurance contracts corresponds to the technical interest rate, except for group pension insurance contracts. The discount rate for Group pension insurances is, in most cases, 3.5%. In this way, their calculation complies with the relevant regulations and decrees. With regard to those additional benefits that are not contractually binding but have nevertheless been previously declared as permanent benefits, technical provisions are valued using the normal discount rates of the relevant insurance contracts and empirical information about the termination of the insurances (including mortality).

Because of the high normal discount rate, Suomi Mutual increased its technical provisions at the time the 2005 financial statements were prepared. In accordance with the decision made at that time, an amount equivalent to the difference between the normal discount rate expense and the interest rate payable, calculated at 3.25%, will be covered from the additional provisions for the financial year.

The technical provisions include a provision for additional benefits. In accordance with the regulations by the Insurance Supervisory Authority, additional benefits comprise all benefits which are not included in the insurance company's liability on the basis of the insurance contract, such as premium rebates, additional sums insured, customer bonuses and the provision for future additional benefits. The impact that the additional benefits declared during the financial year have on the technical account is determined by calculating the amount of technical provisions corresponding to these bonuses.

The technical provisions also include the present value of the difference between an estimated amount for future expenses for the management of the insurance portfolio and of the future expense loadings accrued from the insurance portfolio. The total amount of this additional item at the end of 2006 was EUR 38 million.

The technical provisions of foreign subsidiaries have been determined in accordance with the relevant local regulations and decrees. The discount rates used in those countries also vary according to the insurance type and the commencement time of the insurance. In addition to this, the discount rate is affected by the currency in which the company's provisions are denominated.

1.8 Assets covering technical provisions

The company's technical provisions are covered in accordance with the decree on the covering of technical provisions by a company engaged in direct insurance operations. The Insurance Supervisory Authority has granted the company special permission to deviate from the

mentioned regulations as follows: in so far as fixed-interest funds are included under an asset category that can cover a maximum of 50% of the gross amount of the technical provisions, the percentage of the relevant asset category may be increased by the fixed-interest funds. The special permission is valid between December 31, 2006 and January 1, 2008.

1.9 Principle of equity

In accordance with the Finnish Insurance Companies Act, an equitable part of the surplus generated by the insurance portfolio is to be returned to those policyholders who, in accordance with the insurance contract, are entitled to additional benefits. Suomi Mutual defines the overall return to be credited on customers' insurance savings in terms of the expected long-term return on the company's investment portfolio, as per the target allocation of the company's investments. The cost of the capital tied by the insurance business is taken into account as a factor reducing the return. When the target allocation of investments is being decided, the company's solvency position is considered. The amount of additional benefits to be declared on an insurance contract equals the amount by which the total return defined for the contract exceeds the guaranteed technical interest under the contract. Regarding this annually declared benefit, Suomi Mutual aims at a stable interest rate level, as required by the law. Suomi Mutual calls this additional benefit a customer bonus.

In addition to the ordinary annually declared customer bonuses described above, Suomi Mutual has granted special benefits and special additional benefits to long-standing customers (customers whose current policy was already in effect at Suomi Mutual on July 1, 1997). When defining these benefits, account has been taken of the duration, size and type of insurance. The entitlement to special additional benefits under old policies is limited to the amount about which a conditional promise was given regarding these policies in 1999 and 2000. To the extent that the reduction of the insurance portfolio permits larger additional benefits, these will be declared for the entire insurance portfolio by increasing the annual customer bonus beyond the level determined in the manner described above. With regard to increases to special additional benefits and customer bonuses yet to be declared, the company does not aim at similar stability as for the ordinary bonuses referred to above.

Legislation governing foreign subsidiaries does not include provisions on the principle of equity.

1.10 Book value of other liabilities

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

1.11 Taxes and deferred tax liabilities and assets

In the profit and loss account, the tax paid or refunded as well as the tax to be paid or to be refunded on the taxable profit is entered under tax for the financial year and tax for previous financial years. Taxes have been entered applying the principle of prudence in such a way that uncertain receivables have not been taken into account.

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

For the parent company, deferred tax assets or liabilities are not entered in the balance sheet since they are not likely to become payable. Because of the bonuses declared for customers, no major taxable income is expected to accumulate in future years. Therefore, deferred tax liabilities or assets will not become payable. The realisation of the deferred taxes related to the difference between current and book values of investments and revaluation entered in the revaluation reserve is not deemed probable in the parent company or in the Group.

No tax liability is included in unrealised gains on investments entered in the profit and loss account because these are accounted for as taxable profit for the write-up year and the depreciation and value adjustment made on them are correspondingly deducted from the taxable profit. Nor is any deferred tax liability computed on allocated consolidation goodwill. In the Group, the most important items originate from timing differences, confirmed losses, value adjustments of equity investments and investments in land and buildings, and from depreciation. Deferred tax liability is deducted from the solvency margin and solvency capital only if such liability is deemed likely to become payable in the near future, and no corrections related to deferred taxes are made in calculating the key figures. The deferred tax liability is shown in accordance with the tax rate (26%) confirmed at the time of drawing up the financial statements.

1.12 Solvency margin

The Insurance Supervisory Authority monitors the solvency of insurance companies. The main indicator used is solvency margin, which refers to the difference between assets and liabilities assessed at current value applying the principle of prudence. The solvency margin and capital and reserves have to meet the minimum requirements set in the Insurance Companies Act. The solvency margin is shown in the notes to the financial statements.

1.13 Items in foreign currencies

Transactions in foreign currencies are entered at the rate quoted on the date of the transaction. Receivables and

liabilities unsettled at the end of the financial year and current values of investments denominated in foreign currencies are translated into euros at the rates quoted on December 31. Exchange gains and losses arising during the financial year and at year-end are entered in the profit and loss account as adjustments to the income and charges concerned or as investment income or charges, provided that the exchange gains/losses pertain to financing transactions.

The balance-sheet items of foreign subsidiaries are translated into euros at the rate quoted at the balance-sheet date and the profit and loss account items at the average rate for the financial year. The difference resulting from applying the average rate to the profit and loss account is entered in the consolidated non-restricted reserves. The translation differences pertaining to capital and reserves are stated partly under restricted and partly under non-restricted capital and reserves.

1.14 Pension arrangements

The statutory pension cover for staff employed by the Parent Company has been arranged through pension schemes taken out from Ilmarinen Mutual Pension Insurance Company. Supplementary pension cover has, in general, been arranged by group pension insurance issued by Suomi Mutual. The cost of pension arrangements has been entered in the profit and loss account, also as regards the part of pension cover that is left for the company's own account without insurance. The possible costs arising from individual choices enabled by supplementary pension cover have not been entered in the profit and loss account. For the employees of foreign subsidiaries, pension cover has been arranged in accordance with local practice.

1.15 Activity-based profit and loss account layout

Insurance undertakings' profit and loss account layout requires activity-based cost accounting. Operating expenses and depreciation on intangible assets and on machinery and equipment are included, by activity, in the profit and loss account items. Claims management expenses are included in claims paid; investment management expenses in investment charges. Only expenses for policy acquisition and portfolio administration as well as general administrative expenses are shown under operating expenses. Commissions received in ceded reinsurance are deducted from operating expenses. Expenses corresponding to services sold to other companies are included in other charges. Scheduled depreciation on buildings is shown as investment charges.

1.16 Definition of key figures

The key figures are based on the parent company's data and, where applicable, on consolidated data and they comply with the regulations issued by the Finnish Insurance Supervisory Authority for insurance companies.

Premiums written =

Premiums written before reinsurers' share

Turnover =

- + Premiums written before reinsurers' share
- + Net investment income in profit and loss account
- + Other income

Operating profit or loss =

Profit or loss before change in equalisation provision, bonuses and rebates, extraordinary items, untaxed reserves and tax

Total earnings =

- ± Operating profit/loss
- ± Change in off-balance-sheet difference between current and book values of investments, fair value reserve and revaluation reserve

Expense ratio of expense loading (%) =

- + Operating expenses before change in deferred acquisitions costs
- + $\frac{\text{Claims settlement expenses} \times 100}{\text{Expense loading}}$
Expense loading is an allowance covering expenses as per the bases of calculation.

Expense ratio of balance sheet total (%) =

- + Total operating expenses before change in deferred acquisition costs
- + $\frac{\text{Claims settlement expenses} \times 100}{\text{Balance sheet total}}$

Net return on investments at current values for capital employed (%) =

Investment income at current values in proportion to capital employed is calculated using the so-called modified Dietz method, under which capital employed is calculated by adding to the opening current 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.

Analysis of net investment income =

- + Direct net investment income at book values
- ± Changes in book value
- ± Change in difference between current and book values

Return on assets excl. unit-linked insurance % (at current values) =

- ± Operating profit or loss
- + Interest and other financing expenses
- + Guaranteed interest credited
- ± Revaluation entered in/withdrawn from revaluation reserve//unrealised gains/losses recognised in fair value reserve and their reversals
- ± $\frac{\text{Change in difference between current and book values of investments} \times 100}{\text{Balance sheet total}}$
- + Balance sheet total
- Technical provisions for unit-linked contracts
- ± Difference between current and book values of investments (average of financial period and previous financial period)
Guaranteed interest credited refers to the guaranteed interest credited on policies during the financial period increased/decreased by any changes in additional strengthening of technical provisions related to guaranteed technical interest.

Solvency margin =

- + Capital and reserves after deduction of proposed distribution of profit
- ± Accrual of untaxed reserves
- ± Difference between current and book values of investments
- ± Deferred tax liability
- + Subordinated loans (by permission of Insurance Supervisory Authority)
- Intangible assets
- ± Other items required by the law

Solvency capital =

Solvency margin + equalisation provision + minority interest

Solvency capital as a percentage of technical provisions (solvency ratio) =

- + $\frac{\text{Solvency capital} \times 100}{\text{Technical provisions}}$
- Equalisation provision
- 75% of technical provisions for unit-linked insurance

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. The staff is considered to include those employees who were paid a salary during the financial period.

2 Risk management

2.1 Risk management principles

2.1.1 Purpose of risk management

The purpose of Suomi Mutual's risk management is to ensure that the risks which are under the company's control do not jeopardise the attainment of the company's objectives.

2.1.2 Management of Suomi Mutual operations

Suomi Mutual employs 12 people. The day-to-day management of the company's domestic operations has largely been outsourced. The Suomi Mutual staff is responsible for ensuring that the company's operations, organised in this manner, meet policyholders' requirements and that the outsourced operations fulfil the financial and qualitative targets set for them.

In foreign operations, Suomi Mutual acts through its subsidiaries. The Suomi Mutual staff responsible for this area manage and steer the operations in such a manner that the value of the foreign subsidiaries develops as set out in the objectives.

2.1.3 Risk identification

Suomi Mutual identifies in advance the risks threatening its operations and objectives and lists them in a separate risk management plan. The company applies methods for measuring risks and their probabilities and for preventing risks or at least dampening down their effect on operations to a level within the company's financial capacity. The company understands that sufficiently good financial results can only be obtained through controlled risk-taking.

Risk management at Suomi Mutual is a continuous activity. The company is prepared to change the contents and scope of its risk management to correspond to the company's state and operational environment at any given time.

2.1.4 Risk management responsibilities

The company's Board of Directors and President bear the overall responsibility for the company's risk management. The Board of Directors annually reviews the risk management principles and approves a risk management plan covering the operations of the whole company. The company's senior management is responsible for the implementation of risk management.

The risk management duties of Suomi Mutual have been scheduled to take place annually at regular times. The follow-up of identified risks has been entrusted to employees responsible for the area concerned.

2.2 Risk management of insurance operations

The Finnish Insurance Contracts Act sets strict responsibility for the accuracy of information given by an insurance company to its customers. Even though Suomi Mutual no longer underwrites new business, the risk pertaining to this area is still significant. The risk now concerns information given on contracts that are in force. Owing to the significance of the risk, all written customer information is approved at Suomi Mutual before it is used, even in cases where the preparation and delivery of such information has been outsourced.

The sufficiency of technical provisions is continuously monitored through various analyses. The risk pertaining to the adequacy of technical provisions is also related to the level of insurance premiums. In the majority of the company's insurance contracts, premium increases are not possible. As the company has started to grant special additional benefits to its customers, it is difficult to justify premium increases even in situations where the insurance contracts would allow them. By ensuring that technical provisions are kept at an adequate level, the company establishes the right basis for determining special additional benefits. The company's equalisation provision also ensures that the technical provisions and premiums are adequate. The company's technical provisions include

	Technical provisions Dec 31, 2005 EUR million	Technical provisions Dec 31, 2006 EUR million	%	Those entitled to special benefits	Duration***
Life insurance					
- Technical interest rate 4.5%	1,228.8	1,164.8	21.9	98%	9
Capital redemption contracts					
- Technical interest rate 4.5%	228.4	211.0	4.0	0%	2
- Technical interest rate 3.5%	364.3	293.8	5.5	0%	3
Deferred annuity insurance					
- Technical interest rate 4.5%	2,203.0	2,376.3	44.7	73%	8
Group pension insurance					
- Technical interest rate 4.5%	3.8	3.7	0.1	0%	-
- Technical interest rate 3.5% *	785.9	818.3	15.4	0%	12
Other provisions					
- Technical interest rate reserve **	402.0	357.3	6.7	-	-
- Expense loading reserve	38.7	37.6	0.7	-	-
- Other	47.5	44.2	0.8	-	-
- Future additional benefits	1.8	11.6	0.2	-	-
Total	5,304.0	5,318.6	100.0		8

* = The discount rate for technical provisions is 3.5% in all policies, but contractual interest in some contracts deviates from this (4.25% or 4.5%).

** = In the technical interest reserve, the annual liability for the technical interest rate is covered to the extent that it exceeds 3.25%.

*** = In accordance with liabilities accrued, i.e. excluding the impact of future payments.

additional liabilities, particularly in relation to medical expenses insurance, because of a forecast future deficit in this area.

Currently, the main risk affecting the performance of insurance operations is the longevity risk. The risk pertains to pension insurance. The pension periods in deferred annuity insurance are usually short and they are mainly applied between the ages of 60 and 65 years. The insurance policies often include a death benefit, which reduces the significance of the risk of longer life expectancy. The pension benefits of group pension insurance last, on average, for a much longer period. They usually do not include a death benefit cover to compensate for the effect of increasing longevity. For group pension reserving, a new generation mortality has been adopted. In this way, increasing longevity is taken into account effectively. In addition, the integration of liabilities with the new earnings-related pension legislation reduced the company's risk slightly in this respect. Suomi Mutual monitors the development of life expectancy with various annual analyses.

Breakdown of Suomi Mutual's technical provisions and the average duration of technical provisions in each insurance line are shown in the table p. 35.

The day-to-day management of insurance policies has been outsourced. As per the agreements, the company responsible for managing the insurances is entitled to develop the management processes, provided that the quality of management is maintained and that the financial performance of operations is not impaired as a result, for example, of the simplification of the processes. The attainment of desired objectives through outsourcing is continuously monitored by following the development of the loss ratio and customer feedback.

2.3 Risk management of investment operations

The impact of the results generated by investment operations on the aggregate results of Suomi Mutual is vital. The technical guaranteed interest of the company's insurance contracts varies from 3.5% to 4.5%, depending on the contract. The technical interest defined here is high in relation to the current interest rate level. In order to adequately ensure the benefits under contracts with long maturities, Suomi Mutual decided in 2005 to take account of the fall in interest rates. This was carried out by reserving a specific amount in technical provisions, determined by estimating the amount, by line of insurance, which would be needed to lower the technical interest of the line concerned to 3.25%. The increased amount of technical provisions only covers the liabilities accrued by the end of 2005. As of 2006, this portion of the technical provisions is accrued by a 3.25% interest rate and reduced, by insurance line, by the amount corresponding to the difference between the previous technical interest for each insurance line and the 3.25% interest rate. Any decision about a reserve in technical provisions accruing after the end of 2005 will be made separately each year. Due to the increased interest rate level, the technical provisions accrued in 2006 were not increased. This raises the average discount rate of technical provisions, which, at the end of 2006, was just under 3.4%. Regardless of the increase in the technical provisions, the technical interest with which customers are credited will remain at the level determined in their insurance contracts.

In addition to the technical interest, the company should be able to credit insurance savings with a competitive customer bonus, the amount of which is dependent on the customers' reasonable return targets, the general interest rate level, the technical interest and the company's profitability. The company's objective is also to obtain a 12 per cent return on its solvency capital.

Through the return targets set for different liability items as specified above, the company determines the return target for its investment operations.

Suomi Mutual uses a tool called the market risk ratio for measuring the risk level of the company's investment operations. The market risk ratio is a stress test where the investment risk is expressed as one figure by adding together the risks of different investment instruments. These risks are obtained by multiplying the aggregate amount of investments made in each instrument by the risk factor related to the instrument concerned. The aggregate market risk obtained is then compared with the company's non-restricted risk capital, which is the amount by which the company's solvency capital exceeds the minimum capital requirement as specified in the EU standards. When determining the market risk ratio, the company also takes account of the difference between the general interest rate level and the average discount rate used in calculating technical provisions and the normal customer bonuses determined in accordance with the company's customer bonus practice.

Suomi Mutual has set its basic solvency target at 18 per cent. By making efficient use of the risk carrying capacity determined on the basis of the market risk ratio, the company finds an investment allocation with an expected return that reaches, at a minimum, the return target for the company's investments as determined above. As a result of fluctuations in the investment market, the company's investment return and, consequently, solvency fluctuate. While Suomi Mutual seeks to obtain as high investment returns as possible, at the same time it aims to maintain the aggregate amount of the technical interest on customers' insurance savings and of normal customer bonuses reasonable stable relative to the interest rate level. When the need for solvency capital decreases, the requirement for maintaining a stable level for special additional benefits and customer bonuses to be declared is lower. Maintaining a sufficiently stable level for additional benefits is obtained by allowing the company's solvency ratio to vary within the solvency limits determined around the basic solvency target when the company's investment results fluctuate.

Market risk is the most significant of the company's investment risks. It is managed in the way described above, by using the market risk ratio. The company has prepared for other investment risks, such as operative, liquidity and currency risks, by not taking the market risk against the minimum capital requirement as per the EU standards. The company uses continuous follow-up to ensure that the assets covering the technical provisions fulfil the requirements set by legislation and the regulations issued by the authorities. As far as the assets covering the technical provisions are concerned, the Finnish Insurance Supervisory Authority has granted the company special permission to exceed, up to a certain limit, the maximum amount set for equities under the asset cover regulations,

in so far as the regulations treat as equities such fixed income funds investments in which in themselves would fall under the category of bonds or money market investments under the regulations. The risk related to a decrease in the interest rate level is taken directly into account in the market risk ratio calculations. Investment operations have been outsourced with the exception of their steering. The purpose of the steering of the company's own investment operations is to ensure that the outsourced operations fulfil the company's objectives and that the operations are, in all respects, conducted within the limits of the investment plan determined by the company's Board of Directors. The company's own investment organisation is also responsible for ensuring that the outsourcing contracts are sufficiently secure from the company's perspective.

According to the risk classification used in the market risk ratio calculations, the company's investment portfolio as at December 31, 2006 was broken down as follows:

Asset class	Allocation %
Money market	12%
– Money market	13%
– Derivative adjustment ¹⁾	-1%
Bonds and fixed interest funds	43%
– Governments	24%
– Investment grade	11%
– High Yield + EMD	3%
– Convertible bonds	4%
– Derivatives	1%
Shares	32%
– Finland	9%
– Developed markets	13%
– Emerging markets	5%
– Fixed assets and unlisted	1%
– Private equity	4%
– Derivatives	0%
Alternative investments	6%
– Hedge funds	6%
– Commodities	0%
Real estate	7%
– Direct	5%
– Indirect	2%
Total	100%

1) In risk reporting, the derivatives position is changed into a corresponding underlying position, and the counter value is taken into account in the money market allocation.

2.4 Foreign operations

Suomi Mutual is continuing the operations of its foreign subsidiaries, even though the company does not underwrite new business in Finland. In 2006, a decision was made to implement a merger of the Baltic subsidiaries into a European company, which will be based in Tallinn and have branch offices in all the Baltic countries. This will enhance the efficiency of Suomi Mutual's use of capital and allow for other improvements in the operations. In terms of the aggregate risk for Suomi Mutual, the foreign companies are of minor significance. The risk management of each foreign subsidiary is arranged locally on the

basis of the requirements set by the business operations and authorities in the country concerned

2.5 Other risks

The company's risk management plan also includes risks related to costs, outsourcing of operations, human resources, IT systems, the company's operational environment, steering and reporting.

The main risk pertaining to costs is the sufficiency of the company's expense loading during the remaining period of the company's operations. This is continuously monitored and, if necessary, the technical provisions are increased in a manner to ensure that the aggregate expense loading is sufficient. This kind of increase in the technical provisions was carried out last in 2005.

A company engaged in operations similar to those of Suomi Mutual is mainly responsible for the outsourced functions. Therefore, Suomi Mutual must continuously identify potential conflicts of interest and avoid any problems caused by them. The quality of outsourced services is monitored by means of customer feedback and operational profitability. Outsourcing contracts are drawn up in a manner which minimises, as far as possible, risks related to their uncontrollable termination. When the Pohjola holding was sold to OKO Bank, risks related to the termination of these contracts was mitigated through agreements on lengthening certain service providers' notice periods. The longer notice periods were incorporated into the individual contracts in 2006, when the outsourcing contracts were updated between the OP Group and its various companies, and Suomi Mutual.

The scarce number of the company's staff emphasises the importance of keeping the key staff members in the company's service. By means of staff selection it has been possible to build the competence structure of the staff in such a way that the departure of a single staff member from the organisation will not cause any major problems. The number of staff does not allow for any further back-up arrangements. The company's staff turnover is improved by enhancing staff commitment, for example, through a competitive overall salary structure.

The systems for managing the company's insurance portfolio are old and based on a relatively out-dated IT technology, but they are functional and cost-effective in use. It is possible that the technical environment of the systems will, at some point, have to be replaced with a new one. A survey carried out in the company shows that the safe usage time of the systems is, for the time being, long enough for them not to be replaced immediately. There is the risk that the systems will have to be replaced and this is being monitored continuously. The systems' relatively old IT technology also increases staff-related risks concerning development and maintenance work. OP Life Assurance Company Ltd is in the process of replacing its management systems. As this work progresses, Suomi Mutual aims to look into the extent to which its insurance portfolio could be managed through these replaced management systems. If this proves to be possible, the risk related to the management system will be significantly reduced.

Changes in the company's operational environment, such as changes in insurance legislation, have only a limited

effect on Suomi Mutual's operations because the company no longer underwrites new business. The effects materialise mainly as increased costs, which is taken into account in the manner specified above in the section on cost-related risks.

It is important for the company to maintain a positive public image for the purpose of preserving customers' trust in the company. Risks related to public image are managed through open and clear communication, which is mainly targeted at the company's customers. A sufficient amount of communication is also directed at other groups following the insurance sector.

3 Premiums written EUR 1,000	Group		Parent company	
	2006	2005	2006	2005
Direct insurance				
In Finland	90,276	88,880	90,276	88,880
In EEA countries	33,604	31,862	-	-
Reinsurance				
Life insurance	167	303	180	303
Total (before reinsurers' share)	124,047	121,045	90,455	89,183
Items deducted from premiums written				
Credit loss on premiums	-	-3	-	-3
Premium tax	62	45	-	-
Specification of premiums written, direct insurance				
Life insurance				
Individual life insurance policies where the investment risk is borne by the policyholders	3,943	3,171	-	-
Other individual life insurance	22,943	30,792	18,955	19,481
Other capital redemption contracts	39	835	39	835
Employees' group life insurance	-	-19,435	-	-19,435
Other group life insurance	19,080	12,076	-	-
Total	46,006	27,439	18,993	881
Pension insurance				
Individual pension insurance policies where the investment risk is borne by the policyholders	1,596	671	-	-
Other individual pension insurance	47,928	64,649	43,036	60,056
Group pension insurance policies where the investment risk is borne by the policyholders	27	-	-	-
Other group pension insurance	28,323	27,984	28,246	27,943
Total	77,874	93,303	71,282	87,999
Total	123,880	120,742	90,276	88,880
Periodic premiums	107,057	103,573	85,716	85,430
Single premiums	16,823	17,169	4,560	3,450
Total	123,880	120,742	90,276	88,880
Premiums from non-bonus contracts	20,515	20,786	-	-
Premiums from bonus contracts	97,780	96,103	90,276	88,880
Premiums from contracts where the investment risk is borne by the policyholders	5,585	3,854	-	-
Total	123,880	120,742	90,276	88,880

4 Net investment income EUR 1,000	Group		Parent company	
	2006	2005	2006	2005
Investment income				
Income from affiliated undertakings				
Dividends	-	-	1,142	
Income from participating interests				
Dividends	-	-	-	53,131
Interest	-	38	-	38
Total	-	38	-	53,170
Income from land and buildings				
Interest				
Affiliated undertakings	-	-	2,056	2,123
Other				
Other	38,562	38,102	37,183	37,029
Total	38,562	38,102	39,238	39,152
Income from other investments				
Dividends	82,345	31,634	82,024	31,428
Interest				
Affiliated undertakings	-	-	1,106	121
Other	116,913	111,844	113,700	110,066
Other	172,882	91,376	172,122	90,773
Total	372,140	234,853	368,953	232,388
Total	410,702	272,993	409,333	324,710
Value readjustments on investments	9,516	28,926	12,780	30,706
Gains on realisation of investments	207,970	630,708	206,395	629,918
Investment income in total	628,188	932,628	628,508	985,333
Investment charges				
Charges for land and buildings	12,058	12,320	27,033	25,507
Charges for other investments	122,380	146,659	121,859	141,986
Interest and other financing charges				
Affiliated undertakings	-	-	768	349
Other	29,136	10,194	24,393	7,233
Total	163,574	169,174	174,053	175,075
Value adjustments and depreciation				
Value adjustments on investments	78,276	21,297	79,102	51,425
Scheduled depreciation on buildings	10,525	9,756	1,152	1,449
Total	88,801	31,053	80,254	52,874
Losses on realisation of investments	57,243	11,397	55,936	11,395
Investment charges in total	309,618	211,623	310,243	239,344
Net investment income before unrealised gains and losses	318,569	721,005	318,265	745,989
Unrealised gains on investments	3,691	647	-	-
Net investment income in profit and loss account	322,260	721,652	318,265	745,989
Net investment income from insurance policies where the investment risk is borne by the policyholders				
Investment income	579	433	-	-
Investment charges	-75	-58	-	-
Net investment income before unrealised gains/losses and value adjustments/readjustments	503	375	-	-
Unrealised gains on investments	718	560	-	-
Value adjustments on investments	-249	-182	-	-
Value readjustments on investments	-	-	-	-
Net investment income in profit and loss account	972	754	-	-

5 Claims paid and bonuses and rebates EUR 1,000	Group		Parent company	
	2006	2005	2006	2005
Claims paid				
Direct insurance				
Life insurance	239,188	152,837	223,143	144,556
Pension insurance	170,927	151,672	170,089	150,899
Reinsurance	24	527	24	527
Claims paid in total	410,138	305,036	393,255	295,983
Of which:				
Surrenders	43,187	36,023	41,758	34,869
Repayment of savings sums	167,742	86,118	157,611	82,193
Other	199,209	182,895	193,886	178,921
	410,138	305,036	393,255	295,983
Share of insurance policies where the investment risk is borne by the policyholders	733	555	-	-
Bonuses and rebates				
Effect on balance on technical account of bonuses and rebates declared in financial year	314,576	257,539	314,073	257,364

6 Total operating expenses by profit and loss account item and by activity EUR 1,000	Group		Parent company	
	2006	2005	2006	2005
Claims paid				
Claims settlement expenses	3,073	3,594	2,707	3,348
Operating expenses				
Acquisition costs				
Direct insurance commissions	10,897	5,266	-	-
Other acquisition costs	2,234	1,645	-	-
Total	13,131	6,910	-	-
Change in deferred acquisition costs	82	-109	-	-
Portfolio administration expenses	14,207	17,237	13,626	14,432
Other administrative expenses	10,647	9,572	5,960	5,763
Commissions and profit participation, ceded reinsurance	-43	-47	-	-
Operating expenses in total	38,026	33,563	19,585	20,195
Investment charges				
Investment management expenses (own organisation)	6,039	6,649	6,023	6,626
Other charges				
Expenses for services sold	-	45	-	45
Total operating expenses	47,138	43,851	28,315	30,215
Total operating expenses include				
Scheduled depreciation on intangible assets and on machinery and equipment	949	950	114	188
Gains and losses on realisation of intangible assets and of machinery and equipment	-54	264	-52	261

7 Specification of social costs, staff and members of corporate bodies EUR 1,000	Group		Parent company	
	2006	2005	2006	2005
Social costs in profit and loss account				
Salaries and remunerations	5,453	6,077	2,562	2,681
Pension expenses	622	653	342	321
Other social security costs	577	582	129	195
Total	6,652	7,313	3,034	3,197
Average number of employees during financial year				
Office staff	121	120	14	15
Sales staff	101	129	-	-
Total	222	249	14	15
Information on President and Managing Directors and on members and deputy members of Supervisory Boards and Boards of Directors				
Salaries and remunerations paid to the President and Managing Directors and the deputies to the President and Managing Directors	1,437	1,252	1,121	852
Salaries and remunerations paid to the Supervisory Boards	60	104	60	104
Salaries and remunerations paid to the Boards of Directors	169	133	128	113
Salaries and remunerations paid to the Policyholders' Representative Assembly	41	37	41	37
Total	1,707	1,525	1,349	1,106

No money loans have been granted to the President, Managing Directors, Supervisory Boards or Boards of Directors.

No security or financial commitments have been made regarding the President, Managing Directors, Supervisory Boards or Boards of Directors.

In Finland, the President has the right to retire on a 66% pension (the previous maximum of a full Employees' Pensions Act pension), once he has reached the age of 60. The Senior Executive Vice President in the parent company has the same right once he has reached the age of 63.

No pension commitments have been made for the benefit of members of the Supervisory Boards or Boards of Directors by reason of their responsibilities.

8 Deferred tax assets and liabilities EUR 1,000	Group		Parent company	
	2006	2005	2006	2005
Profit and loss account items				
Tax on profit/deferred tax				
Based on untaxed reserves	78	-1,162	-	-
Based on consolidation procedure	239	2,376	-	-
Total	317	1,214	-	-
Balance sheet items				
Deferred tax assets				
Based on consolidation procedure	12,310	12,561	-	-
Total	12,310	12,561	-	-
Deferred tax liabilities				
Based on untaxed reserves	3,676	3,375	-	-
Based on consolidation procedure	9,565	9,577	-	-
Total	13,241	12,953	-	-
Deferred tax liability pertaining to difference between current and book values of investments (26%)	163,141	151,848	163,751	151,621
Distribution of accrued untaxed reserves				
Portion comparable with capital and reserves			1,186	546
Deferred tax liability (26%)			417	1,554
Total			1,603	2,100

11 a Investments: current value, book value and their difference
 EUR 1,000

Group	Remaining acquisition cost	Book value	Current value	Remaining acquisition cost	Book value	Current value
	2006	2006	2006	2005	2005	2005
Investments in land and buildings						
Land and buildings	371,888	395,403	437,739	340,596	366,181	404,173
Shares in land and buildings related to participating interests	5,086	5,086	5,086	5,086	5,086	5,086
Other shares in land and buildings	3,256	3,652	4,161	3,494	3,890	4,451
Acquisition cost of lease on land and buildings	1,283	1,283	1,283	1,618	1,618	1,618
Investments in affiliated undertakings						
Shares in affiliated undertakings	-	-	-	7,471	7,471	7,471
Loans to affiliated undertakings	-	-	-	12,424	12,424	12,424
Investments in participating interests						
Shares in associated undertakings	1,594	1,594	783	3,077	3,077	2,254
Other investments						
Shares and fund units	3,035,729	3,036,478	3,672,322	2,189,836	2,189,836	2,669,584
Debt securities	2,733,656	2,732,908	2,741,140	3,567,891	3,567,891	3,634,444
Other loans	1,663	1,663	1,663	1,816	1,816	1,816
Deposits with credit institutions	32,340	32,340	32,340	47,968	47,968	47,968
	6,186,497	6,210,408	6,896,518	6,181,278	6,207,259	6,791,289
Land and buildings and shares therein, occupied by company	2,763	4,058	4,949	2,770	4,106	5,164
Remaining acquisition cost of debt securities includes that difference between the amount repayable at maturity and purchase price which has been charged to interest income	-9,621			-18,485		
Book value includes						
Unrealised gains entered in profit and loss account		23,867			24,240	
Revaluations entered in revaluation reserve		44			1,741	
		23,911			25,981	
Difference between current and book values			686,110			584,030

11 b Investments: current value, book value and their difference
 EUR 1,000

Parent company	Remaining acquisition cost	Book value	Current value	Remaining acquisition cost	Book value	Current value
	2006	2006	2006	2005	2005	2005
Investments in land and buildings						
Land and buildings	17,016	40,531	54,732	18,812	42,699	56,617
Shares in land and buildings related to affiliated undertakings	179,881	179,881	209,541	178,138	178,138	202,184
Shares in land and buildings related to participating interests	3,532	3,532	3,532	3,532	3,532	3,532
Other shares in land and buildings	3,257	3,653	4,161	3,547	3,943	4,451
Loans to affiliated undertakings	50,924	50,924	50,924	51,130	51,130	51,130
Investments in affiliated undertakings						
Shares	24,311	24,311	24,311	26,325	26,325	26,325
Loans	12,428	12,428	12,431	12,424	12,424	12,424
Investments in participating interests						
Shares	755	755	755	755	755	755
Other investments						
Shares and fund units	2,996,694	2,996,694	3,632,537	2,181,319	2,181,319	2,660,532
Debt securities	2,700,491	2,700,491	2,708,720	3,538,401	3,538,401	3,603,875
Other loans	1,663	1,663	1,663	1,816	1,816	1,816
Deposits with credit institutions	26,800	26,800	26,800	31,000	31,000	31,000
	6,017,752	6,041,663	6,730,108	6,047,199	6,071,483	6,654,642
Land and buildings and shares therein, occupied by company	3,199	4,493	5,112	3,236	4,572	5,258
Remaining acquisition cost of debt securities includes that difference between the amount repayable at maturity and purchase price which has been charged to interest income	-9,621			-17,681		
Book value includes						
Unrealised gains entered in profit and loss account		23,867			24,240	
Revaluations entered in revaluation reserve		44			44	
		23,911			24,284	
Difference between current and book values			688,445			583,160

13 Investments in affiliated undertakings
EUR 1,000

	Group	Parent company
Shares		
Acquisition cost Jan 1, 2006	7,474	57,848
Transfer to associated undertakings	-7,474	-
Increase	-	600
Acquisition cost Dec 31, 2006	-	58,448
Value adjustments Jan 1, 2006	-3	-31,523
Transfer to associated undertakings	3	-
Value adjustments in financial year	-	-2,614
Value adjustments Dec 31, 2006	-	-34,137
Book value Dec 31, 2006	-	24,311
Book value Dec 31, 2005	7,471	26,325
Loans		
Acquisition cost Jan 1, 2006	12,428	12,428
Transfer to associated undertakings	-12,428	-
Acquisition cost Dec 31, 2006	0	12,428
Value adjustments Jan 1, 2006	-4	-4
Transfer to associated undertakings	4	-
Value adjustments in financial year	-	4
Value adjustments Dec 31, 2006	-	0
Book value Dec 31, 2006	-	12,428
Book value Dec 31, 2005	12,424	12,424

14 Investments in participating interests
EUR 1,000

	Group	Parent company
Shares		
Acquisition cost and equity-method adjustments related to associated undertakings Jan 1, 2006	3,107	755
Decrease	-1,481	-
Acquisition cost and equity-method adjustments related to associated undertakings Dec 31, 2006	1,626	755
Accumulated depreciation (value adjustments) Jan 1, 2006	-30	-
Depreciation in financial year (value readjustments)	-2	-
Accumulated depreciation (value adjustments/readjustments) Dec 31, 2006	-32	-
Value adjustments Jan 1, 2006	-	-
Value readjustments in financial year	-	-
Value adjustments Dec 31, 2006	-	-
Book value Dec 31, 2006	1,594	755
Book value Dec 31, 2005	3,077	755
Undepreciated portion of consolidation goodwill Dec 31, 2006	4	
Undepreciated portion of consolidation goodwill Dec 31, 2005	7	

15 Holdings in other undertakings

EUR 1,000

Name of company	Domicile	Percentage of shares %	Group 2006		Parent company 2006	
			Book value	Current value	Book value	Current value
Affiliated undertakings						
Seesam Life Insurance Company Limited	Estonia	99.00	-	-	6,683	6,683
Joint Stock Life Insurance Company "Seesam Life Latvia"	Latvia	99.91	-	-	4,334	4,334
Joint Stock Life Insurance Company "Seesam Life Lithuania"	Lithuania	100.00	-	-	2,200	2,200
Joint Stock Life Insurance Company FinLife	Poland	100.00	-	-	3,600	3,600
Other			-	-	7,494	7,494
			-	-	24,311	24,311
Participating interests						
Associated undertakings, accounted for by the equity method						
Retro Life Assurance Company Ltd	Finland		1,171	514	514	514
Vahinkopalvelu Oy	Finland		394	241	241	241
Associated undertakings			28	28	-	-
			1,594	783	755	755
Associated undertakings, stated at cost						
Real estate companies			5,086	5,086	3,532	3,532

Name of company	Domicile	Percentage of shares %	Group 2006		Parent company 2006	
			Book value	Current value	Book value	Current value
Other companies						
Domestic companies, listed						
OKO Bank plc	Finland	10.25	210,852	264,380	210,852	264,380
YIT Corporation	Finland	6.81	32,912	179,395	32,912	179,395
Cramo plc	Finland	17.19	34,625	97,866	34,625	97,866
Other shares			82,206	83,905	82,206	83,905
			360,595	625,545	360,595	625,545
Foreign companies, listed						
			22,293	22,675	13,073	13,455
Equity and mixed funds						
OP-Amerikka Indeks A USD	Finland		256,594	277,252	256,594	277,252
Evli Europe Quant Index B	Finland		87,125	109,570	85,624	108,069
ICECAPITAL US Stock Index B Mutual Fund	Finland		100,153	102,289	100,153	102,289
Fidelity Emerging Markets Fund	Luxembourg		60,360	78,970	60,360	78,970
FIM Russia	Finland		28,077	61,653	28,077	61,653
OP-Japani Indeks A (growth)	Finland		61,034	61,034	61,034	61,034
OP-Vaihtovelkakirjalaina A (growth)	Finland		44,419	54,294	44,419	54,294
ABN AMRO Latin America Equity Fund I	Luxembourg		28,630	43,813	28,630	43,813
PWT II Opportunistic Value Fund USD I	Ireland		38,292	42,240	38,292	42,240
Parvest Japan Small Cap Inst	Luxembourg		41,230	41,230	41,230	41,230
DCF Fund Baltic States Cap	Luxembourg		25,192	39,194	25,192	39,194
Goldman Sachs US Growth Equity Portfolio Base Share	Luxembourg		38,831	38,831	38,831	38,831
Fondita Nordic Small Cap B	Finland		17,041	32,588	17,041	32,588
Fourton Odysseus	Finland		23,400	32,384	23,400	32,384
OP-Solid A (growth)	Finland		29,996	30,049	29,996	30,049
OP-Venäjä A (growth)	Finland		11,250	28,868	11,250	28,868
SISF Pacific Equity Class C - Dist.	Luxembourg		14,897	24,440	14,897	24,440
Invesco PRC Equity Fund C	Ireland		10,461	23,259	10,461	23,259
Mandatum Poland K	Finland		15,000	21,526	15,000	21,526
Invesco Perpetual UK Income Acc Fund	United Kingdom		19,993	21,523	19,993	21,523
Other			114,467	134,353	106,342	126,227
			1,066,444	1,299,358	1,056,817	1,289,732
Domestic companies, non-listed						
Ilmarinen Mutual Pension Insurance Company	Finland	98.10	17,599	22,557	17,599	22,557
Other shares			10,399	10,478	10,399	10,478
			27,998	33,035	27,998	33,035
Foreign companies, non-listed						
			945	957	20	32
Private equity funds and co-investments						
			214,458	275,408	214,458	275,408
Fixed-interest funds						
OP-Yrityslaina A	Finland		121,984	134,943	121,984	134,943
IXIS Loomis Sayles Senior Loan Class S	Luxembourg		96,541	96,541	96,541	96,541
Pimco Global Investm Grade Credit Fund, Inst Inc	Ireland		86,719	86,719	86,719	86,719
Aviva Global Convertible Bond Fund USD	Luxembourg		76,287	82,755	76,287	82,755
OP-Obligaatioindeksi A	Finland		77,346	81,263	77,346	81,263
Nordea Pro Euro Korko K	Finland		77,902	79,276	77,902	79,276
Aviva Global Convertible Bond Fund EUR	Luxembourg		64,192	70,568	64,192	70,568
Nordea Euro Korko Kasvu	Finland		60,841	62,010	60,841	62,010
EVLI Tavoiteobligaatio IB	Finland		50,000	50,783	50,000	50,783
OP-Yrityslaina Prima B	Finland		36,791	36,791	36,791	36,791
Nordea Pro Euro Obligaatio Kasvu	Finland		32,577	32,577	32,577	32,577
WESTAM Compass Fund - Euro High Yield Bond Fund	Luxembourg		21,000	22,983	21,000	22,983
OP-Obligaatio A (growth)	Finland		22,422	22,717	22,422	22,717
Other bond funds			55,045	56,587	54,923	56,465
			879,647	916,515	879,526	916,393

Name of company	Domicile	Percentage of shares %	Group 2006		Parent company 2006	
			Book value	Current value	Book value	Current value
Other companies						
Absolute fixed-interest funds			328,863	358,674	328,863	358,674
Property funds and property investment entities						
SATO Corporation	Finland	15.31	32,471	32,471	32,471	32,471
Capman Real Estate I Feeder Ky	Finland		21,442	21,643	21,442	21,643
Aberdeen Property Fund Denmark	Denmark		19,890	19,890		
Finsilva Oyj	Finland	39.73	11,497	11,497	11,497	11,497
FOSCA SCA French Office	Luxembourg		11,086	11,235	11,086	11,235
Aberdeen Property Fund Finland I Ky	Finland		11,086	11,086	11,086	11,086
Baltic PropertyTrust Secura A	Denmark		7,447	10,207	7,447	10,207
Other funds			20,315	22,124	20,315	22,124
			135,234	140,154	115,343	120,263
TOTAL			3,036,478	3,672,322	2,996,694	3,632,537
Investments for the benefit of life insurance policyholders who bear the investment risk			11,717	11,717		

17 Investments for the benefit of life insurance policyholders who bear the investment risk

EUR 1,000	Group		Parent company	
	2006	2005	2006	2005
Original acquisition cost				
Shares and fund units	4,465	2,334	-	-
Other investments	6,144	4,831	-	-
Invested in advance	-60	-	-	-
Investments covering technical provisions for life insurance policies where the investment risk is borne by the policyholders	10,549	7,165	-	-
Current value (= book value)				
Shares and fund units	5,359	2,625	-	-
Other investments	6,418	5,155	-	-
Invested in advance	-60	-	-	-
Investments covering technical provisions for life insurance policies where the investment risk is borne by the policyholders	11,717	7,781	-	-

20 Capital and reserves EUR 1,000	Group		Parent company	
	2006	2005	2006	2005
Initial fund Jan 1/Dec 31	2,859	2,859	2,859	2,859
Guarantee capital Jan 1/Dec 31	504	504	504	504
Revaluation reserve Jan 1/Dec 31	-	-	-	-
Other reserves				
Contingency reserve Jan 1	658,718	629,386	658,744	629,075
Other change	-	-592	-	-255
From profit for previous financial year	119,081	29,924	119,081	29,924
Contingency reserve Dec 31	777,799	658,718	777,825	658,744
Profit/loss brought forward Jan 1	-18,370	-107,825	-	-
Translation difference	49	388	-	-
Other items	-33	441	-	-
Changes to accounting principles	2,527	-	-	-
From profit/loss for previous financial year	82,930	88,626	-	-
Profit/loss brought forward Dec 31	67,103	-18,370	-	-
Profit/loss for previous financial year Jan 1	202,071	118,600	119,142	29,974
6% interest on guarantee capital	-30	-30	-30	-30
To contingency reserve	-119,081	-29,924	-119,081	-29,924
To profit/loss brought forward	-82,930	-88,626	-	-
To donations for worthy causes	-30	-20	-30	-20
Profit/loss for previous financial year Dec 31	-	-	-	-
Profit/loss for financial year	-27,732	202,071	-22,842	119,142
Capital and reserves in total	820,533	845,783	758,347	781,250

Major provisions of the Articles of Association concerning classes of guarantee shares

The guarantee capital totals EUR 504,563.78 divided into three guarantee shares with a nominal value of EUR 168,187.93 and conferring equal rights in the company.

Revaluation reserve	Group		Parent company	
	2006	2005	2006	2005
Revaluation of investment assets	4,348	4,348	44	44
Revaluation of fixed assets	-	-	-	-
Total	4,348	4,348	44	44
For increase in initial fund	-2,018	-2,018	-2,018	-2,018
Covered from non-restricted reserves	-2,330	-2,330	1,974	1,974
Total	-	-	-	-
In accordance with the Insurance Companies Act, only the revaluation reserve pertaining to investments classified as fixed assets can be used to increase the initial fund.				
Untaxed reserves transferred to capital and reserves				
Profit/loss brought forward	10,146	16,848		
Profit for financial year	-25	-6,702		
Total	10,121	10,146		
Distributable funds				
Loss/profit for financial year	-27,732	202,071	-22,842	119,142
Contingency reserve	777,799	658,718	777,825	658,744
Profit/loss brought forward	67,103	-18,370	-	-
Untaxed reserves transferred to capital and reserves	-10,121	-10,146	-	-
Other non-distributable items	-2,380	-44	-	-
Total	804,669	832,230	754,983	777,885

24 Security and financial commitments
EUR 1,000

	Group		Parent company	
	2006	2005	2006	2005
Security				
Given as security on company's own behalf				
Loans from financial institutions	124,805	88,628	-	-
Mortgages	190,624	130,524	-	-
As security for rent payment				
Mortgaged land and buildings	21	121	-	-
Assets pledged	48	54	-	-
As security for derivatives				
Assets pledged	2,010	7,171	2,010	7,171
Other				
Assets pledged	108	-	108	-
Given as security in total	192,812	137,870	2,118	7,171
Off-balance-sheet financial commitments and liabilities				
Contractual liabilities				
Commitment to subscribe for shares in general partnership companies and for mutual fund units	374,271	243,367	374,271	243,367
Other contractual liabilities	105	24	81	-
Liability to refund value added tax related to renovation of properties	10,487	21,832	149	403
Amount of joint liability				
Related to value added tax group registration, Suomi Mutual Life Assurance Company with subsidiaries was, until November 1, 2005, a member of the taxable group represented by Pohjola Group plc. Since that date, Suomi Mutual Life Assurance 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 the value added tax imposed on the group.				
Leasing liabilities				
Amount payable during current financial year	43	52	43	52
Amount payable later	19	37	19	37
	61	89	61	89
Derivatives (hedging)				
Currency derivatives				
Forward and futures contracts				
market value	-5,170	-1,057	-5,170	-1,057
value of underlying security	867,487	336,191	867,487	336,191
Option contracts				
Bought, market value				
value of underlying security	-	1,041	-	1,041
Sold, market value				
value of underlying security	-	196,201	-	196,201
value of underlying security	-	-2,083	-	-2,083
value of underlying security	-	233,412	-	233,412
Derivatives (other)				
Interest rate derivatives				
Forward and futures contracts				
market value	-99	1,768	-99	1,768
value of underlying security	324,448	741,697	324,448	741,697
Option contracts				
Bought, market value				
value of underlying security	176	-	176	-
value of underlying security	5,021,977	-	5,021,977	-
Sold, market value				
value of underlying security	-1,562	-	-1,562	-
value of underlying security	5,021,977	-	5,021,977	-
Equity derivatives				
Forward and futures contracts				
market value	-	63	-	63
value of underlying security	-	22,966	-	22,966
Option contracts				
Bought, market value				
value of underlying security	100	46	100	46
value of underlying security	3,096	914	3,096	914

25 Solvency EUR 1,000	Group		Parent company	
	2006	2005	2006	2005
Solvency margin				
Capital and reserves after deduction of proposed distribution of profit	820,473	845,723	758,286	781,189
Accrual of untaxed reserves	-	-	1,603	2,100
Difference between current and book values of investments	686,110	584,030	688,445	583,160
Deferred tax asset/liability	931	391	-	-
Intangible assets	-75,019	-82,736	-18,905	-23,376
Other items	-2,017	-8,107	-2,017	-8,107
Total	1,430,478	1,339,301	1,427,412	1,334,965
Equalisation provision				
Equalisation provision included in the technical provisions for years with a high loss frequency	29,225	29,365	29,225	29,365
Minority interest	61	672	-	-
Solvency capital	1,459,764	1,369,337	1,456,637	1,364,330
Minimum solvency margin (chapter 11, section 4 of Insurance Companies Act)	237,461	233,548	229,212	225,268
Solvency capital as a percentage of technical provisions reduced by reinsurance amount, equalisation provision and 75% of the technical provisions for life insurance policies where the investment risk is borne by the policyholders	27%	26%	28%	26%
In 2004		16%		16%
In 2003		14%		13%
In 2002		11%		21%

Auditors' report

To the Annual General Meeting of Suomi Mutual Life Assurance Company

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Suomi Mutual Life Assurance Company for the period January 1, - December 31, 2006. The Board of Directors and the President have prepared the report of the Board of Directors and the financial statements, which include the consolidated and parent company income statements, balance sheets, cash flow statements and notes to the financial statements. Based on our audit we express an opinion on these financial statements, as well as on the report of the Board of Directors and on administration of the parent company.

PricewaterhouseCoopers Oy, Authorised Public Accountants, have been responsible for the supervisory audit, on which a separate report has been submitted.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the 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 of the Board of Directors 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 administration is to examine whether the

members of the Supervisory Board as well as Board of Directors and the President of the parent company have complied with the rules of the Insurance Companies' Act and the Companies' Act.

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

Helsinki 22 March 2007

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Wahlroos
Authorised Public
Accountant

Leena Rajala
Authorised Public
Accountant

Statement by the Supervisory Board

The Supervisory Board has examined the Suomi Mutual Life Assurance Company's 2006 financial statements, including the consolidated accounts, the annual report and the auditors' report.

The Supervisory Board supports the adoption of the company's profit and loss account and balance sheet, and the

consolidated profit and loss account and consolidated balance sheet, and concurs with the proposal by the Board of Directors regarding the treatment of the distributable funds and the loss for the financial year.

Helsinki, April 3, 2007
Authorised by the Supervisory Board

Antti Niemi-Aro
Chair of the Supervisory Board

8. CONTACT INFORMATION

Suomi Mutual Life Assurance Company (Suomi Mutual)

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Suomi Mutual's foreign subsidiaries

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