



Annual Report 2016

**A safer, healthier  
and more financially  
successful life**

# Business idea and vision

LocalTapiola's mission is to safeguard its customers' lives and success. Our vision is to offer Finnish people a safer and healthier life. The lifelong security concept means comprehensive and proactive services.

## LocalTapiola in brief

LocalTapiola Group is a mutual group of companies owned by its customers. It serves private customers, farmers, entrepreneurs, corporate customers and organisations.

The Group consists of 20 regional mutual insurance companies, as well as the national companies, LocalTapiola General, LocalTapiola Life, LocalTapiola Asset Management and LocalTapiola Real Estate Asset Management.

LocalTapiola employs approximately 3,400 people, half of whom work in the regional companies.

There are nearly 1.6 million owner-customers.

# LocalTapiola General

LocalTapiola General is part of LocalTapiola Group. LocalTapiola General's main services are motor liability insurance, occupational accident insurance, insurance services for companies with more than 50 employees, reinsurance for LocalTapiola Group and overseas services.

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# Review by the Managing Director



## Focusing on preventing damage

Jari Sundström

In 2016, the economic climate in Finland remained relatively subdued, although small signs of recovery could be seen. However, the number of claims remained low as well, and the past year was positive for LocalTapiola General on many different fronts.

Financially, 2016 was a successful year for us, and we reached the objectives we had set for the year. The claims trend was good during the reporting period, which is why the level of claims incurred and risks was good. Premium income increased in line with our objectives, this rate of increase being stronger than the industry average. Operating expenses decreased and the expense ratio developed positively. Combined ratio: 98.2 per cent. Overall result: EUR 174.4 million. The good investment returns are particularly pleasing, and this had a major impact on the company's result.

We recorded a positive result in terms of net transfers of occupational accident insurance, which means that we gained new customers and premium income, as in the previous year.

### Corporate customers the most satisfied with our services

The number of major clients and customers taking out statutory occupational accident insurance increased. Customer satisfaction was also excellent, particularly among major clients where we claimed the top position in Finland according to the EPSI Rating.

However, competition for corporate customers has intensified, which has been reflected in the market particularly in pricing. We improved our competitiveness by developing new service and product packages, such as the new working capacity service, alongside the traditional products and services.

LocalTapiola's extensive and versatile selection of services puts us in a good competitive position. As regards



major clients, our high level of expertise in risk management and business understanding make us a genuine partner for our customers. Our special strength in statutory occupational accident insurance is our extensive regional partner network.

### Work capacity service very well received

In line with our lifelong security strategy, our services for corporate customers emphasise the prevention of loss and damage, and securing business continuity. In addition to the statutory occupational accident insurance, we have invested in working capacity services which enable us to support companies in fostering safety and well-being in the workplace. The service has been very well received by our customers.

In 2016, we initiated a pilot project offering Health Phone services also to our statutory workers' compensation insurance customers. In addition to the pilot customers, all our customers using mobile insurance certificates can access the service. The purpose of the pilot is to enable us to build a better customer experience and, in case of an accident, to provide our customers with all relevant services through a single window.

### Motor liability insurance for personal customers to be renewed

We are the clear market leader in motor vehicle insurance. Our market share in motor liability insurance fell during the first half of the year but the decline was reversed during the second half. Online and mobile sales of motor liability insurance saw a strong growth during the autumn. Competitive pricing and good cooperation with car dealers supported our policy sales.

With regard to motor liability and motor vehicle insurance, one of our most important tasks in 2016 was to prepare for the new Motor Liability Insurance Act, which enables a more customer-driven insurance model.

At the Auto 2016 event in November, we launched a new type of motor liability insurance for private customers, introduced at the beginning of 2017. We have already received very positive feedback on the model. The basis for the new insurance is to reward good drivers. The no-claims bonus for the motor liability insurance will be calculated on the basis of the customer's personal insurance history and claims record. During the year, we also prepared the transfer of the motor liability insurance portfolio to the regional companies. The transfer is planned to take place on 30 June 2017. The aim of this measure is to improve the customer experience, as customers will be able to take out

vehicle insurance and motor liability insurance from the same company.

### Customer orientation at the core of digitalisation

In recent years, we have invested in digitalising both customer services and products. Digitalisation must also be based on genuine customer orientation.

We expanded our services for corporate customers to data security insurance. Data security insurance offers companies comprehensive protection against cyber attacks. This insurance is designed to minimise the financial impact of an attack and maintain business continuity. It also includes first-class technical IT system support in the event of a cyber attack.

Our comprehensive and long-term digitalisation efforts have not gone unnoticed – LocalTapiola was once again named the best digital operator in the insurance sector in Magenta Advisory's annual survey.

### Aiming for a smoother service experience

The insurance sector – particularly motor liability and motor vehicle insurance – will face sweeping changes in the years to come. In addition to changes in vehicle ownership, increased vehicle autonomy will have a significant impact on the insurance sector and require new solutions from companies in the insurance business.

The digital shift, too, plays an important role in the upheaval the sector is facing. Services will be used differently, and mobile use will increase. Now is the time to prepare for these changes.

We are making a positive start to 2017. We will continue working to ensure excellent customer satisfaction and a smoother service experience. We will continue to develop our services to better match our customers' changing needs. We will continue to develop digital services in 2017.

We aim to further increase premium income and to improve the operating expense ratio.

My sincere thanks to our customers for their confidence in our services. I would also like to thank our personnel for a job well done and the successes on many different fronts.

# REPORT OF THE BOARD OF DIRECTORS

## 1.1 – 31.12.2016

LocalTapiola General Mutual Insurance Company (LocalTapiola General) prepares consolidated financial statements (LocalTapiola Group) to the extent intended by the Insurance Companies Act for groups of insurance companies. LocalTapiola Group is headed by LocalTapiola General, and it also includes 20 regional non-life insurance companies and LocalTapiola Life, as well as the other companies consolidated into the Group by virtue of being owned by these LocalTapiola companies.

## LocalTapiola Group 2016

- The Group made a profit in its life and non-life insurance operations. The strong result enabled investments into proactive lifelong security services focusing on health and well-being, and lower prices for motor liability insurance and home insurance for 2017.
- LocalTapiola Group's premium income and number of customers increased in a challenging operating environment.
- Customers were paid EUR 82 million in loyalty bonuses under non-life insurance and EUR 639 million in compensation. Under life insurance, customers were paid a total of EUR 329 million in compensation and EUR 67 million was returned to customers in the form of technical interest and bonuses.
- Claims expenses under non-life insurance continued to follow a favourable trend. As part of our policy of preventive risk management work, we provided fire extinguishing training to approximately 27,000 people as part of LocalTapiola's Hero Training.
- LocalTapiola's solvency remained good.

	Group 2016	Local- Tapiola General 2016	Local- Tapiola General 2015
<b>Summary of the results</b>			
Operating result (EUR million)	327,4	182,9	181,0
Overall result (EUR million)	363,8	174,4	150,3
Result for the financial year (EUR million)	289,0	168,3	116,1
Profit margin on life insurance operations before change in equalisation provision (EUR million)	66,8	8,8	-20,7
Balance on technical account for life insurance operations before additional benefits (customer benefits) and change in equalisation provision (EUR million)	63,0		
Return on total assets, excluding unit-linked insurance (%)	5,8	5,1	4,7
Solvency position (%) *	190	273	

The figures for LocalTapiola General in 2015 are not comparable due to the business transfer.

The calculation of key figures is described in the notes to the financial statements.

\* Solvency position = amount of eligible own funds in relation to the solvency capital requirement (Solvency II).

## Business sectors

Key figures	Group 2016	Local- Tapiola General 2016	Local- Tapiola General 2015
Risk ratio excl. unwinding of discount expense (%)	60,8	63,6	66,2
Risk ratio (%)	63,1	69,2	72,0
Cost ratio (%)	31,0	28,9	32,1
Combined ratio excl. unwinding of discount expense (%)	91,8	92,6	98,3
Combined ratio (%)	94,1	98,2	104,1
Net investment income at fair value (%), non-life insurance operations		4,4	4,8
Technical provisions for non-life insurance operations (EUR million)	3 534,1	2 496,2	2 476,3
Technical provisions for life insurance operations (EUR million)	4 061,2		
of which technical provisions for unit-linked insurance	1 796,0		
Capital and reserves (EUR million)	1 834,4	1 214,4	1 046,3
Balance sheet total (EUR million)	9 750,0	3 784,8	3 592,5

### Non-life insurance

The non-life insurance operations comprise the combined result of LocalTapiola General and the 20 regional companies. LocalTapiola General's figures for the comparison period are not comparable to the figures for the period under review due to the business transfer that took place on 30 June 2015. LocalTapiola Pääkaupunkiseutu Mutual Insurance Company began operating on 1 July 2015.

**The company's direct** premium income increased by 1.3 per cent to EUR 1,119 million. The corporate customer business continued to grow in 2016, supported by another positive result in terms of net transfers of statutory workers' compensation insurance and excellent sales of the new working capacity insurance. The major accounts unit was again able to generate a good net transfer result. The personal customer business showed the strongest growth among voluntary personal insurance. We are the market leader in motor vehicle insurance.

**The profit margin for the non-life insurance business** was boosted by the unwinding of a non-recurring provision for claims under motor liability insurance in the amount of EUR 15.8 million. In addition, the morbidity model was updated and the discount rate was reduced, which led to an increase in net provisions for claims outstanding, and operating profit weakened by EUR 48.4 million.

Excluding the effect of the aforementioned non-recurring items, the non-life insurance business **had a combined ratio before unwinding of discount expenses** of 88.9 per cent. LocalTapiola General and the regional companies paid out EUR 638 million in claims to their customers. The non-life insurance operations were burdened by 5 claims in excess of EUR 1 million for loss or damage to property and operations. The gross compensation expense for these claims was EUR 5.8 million. The strong profitability of the insurance business is supported by favourable claims trends and risk management work to prevent loss and damage. In the field of personal insurance, treatment chains have been expedited and close, active collaboration with partner clinics has continued.

Investment activities	Local- Tapiola General 2016	Local- Tapiola General 2015
Net investment income at fair value (%)	4,4	4,8
Fixed-income investments	3,9	0,9
Equity investments	4,5	14,0
Real estate investments	7,1	6,1
Other investments	-0,6	0,0
Investment allocation (%)		
Fixed-income investments	58,0	54,0
Equity investments	23,6	27,6
Real estate investments	17,8	18,4
Other investments	0,5	0,0
Investment assets at fair value (EUR million)	3 814,1	3 635,5

**The investment operations** aim to generate value for our owner-customers. Investment income enables us to maintain solvency and provide competitive services to our customers.

LocalTapiola Life has kept its investment portfolio simple enough to enable comprehensive risk management. We invest with a long-term view and always plan our operations using a time horizon of at least five years, based on the views of our economists as to future market developments. The key objective of systematic investment activities is to manage investment assets in an efficient, target-oriented, process-like, disciplined and risk-conscious manner. The assets of insurance companies



and our customers are thus invested securely and profitably.

The **net investment income** in non-life insurance operations was strong at EUR 181.4 million.

LocalTapiola General's average five-year annual return on investment was 5.1 per cent and the average ten-year annual return 4.2 per cent. LocalTapiola General reduced the allocation of investments in securities to approximately 24 per cent. Within fixed-income investments, we increased the proportion of secured loans to 15 per cent of all investments by reducing the weighting allocated to government bonds and other instruments. We also reduced the weight of real estate through successful sales, which is demonstrated by the excellent return on real estate investments. Equity returns also recovered towards the end of the year after the US presidential election. The other non-life insurance companies in the Group made only minor changes to their allocations.

### Life Insurance

LocalTapiola Life paid its customers EUR 114 million in pensions, EUR 23 million in compensation for medical expenses and disability, and EUR 27 million in death benefits.

EUR 50 million was paid out to pension customers in the form of technical interest and customer bonuses to improve their income during their retirement.

EUR 14 million was paid out to other customers.

LocalTapiola Life's **premium income** amounted to EUR 422 million. The market share in terms of premium income showed strong development in 2016. The market share in term insurance increased to 24.3 per cent. The market share in terms of savings and investment insurance and company life insurance also showed a clear increase.

The **balance on technical account** for life insurance operations was strong. Total expense loadings grew by 8 per cent, and the result for risk premiums collected also improved from the previous year.

### Asset management and other business

Asset management in LocalTapiola Group's consolidated financial statements concerns services provided by LocalTapiola Asset Management and LocalTapiola Real Estate Asset Management.

An important focal point for the business has been to provide new asset management services, as well as crystallising and communicating the principles of responsible investment. In 2017, a separate website was set up for responsible investment, explaining what responsible investment means to LocalTapiola Asset Management. LocalTapiola Asset Management offers service packages intended for various customer segments, the most significant being Private Banking services.

The number of customers using our asset management services increased in 2016. Low interest rates and fluctuations in investment markets have increased customers' interest in mutual fund services and asset management services.

## Significant events during the financial year

The new lifelong security strategy was adopted in 2016. In 2016, LocalTapiola became the largest shareholder of Pihlajalinna, a listed company providing social and health care services.

As a result of the strategic partnership with S Group, LocalTapiola's service for handling insurance was taken into use as part of the S-Mobile service. A major project to modernise service and product systems was initiated in line with the new strategy.

LocalTapiola open its a new type of lifelong security office at the Iso Omena shopping centre in Espoo.

The Solvency II regulation entered into force at the beginning of 2016. LocalTapiola had prepared for the new regulation in advance by updating the system of governance to ensure its compliance with the amended provisions of the Insurance Companies Act. LocalTapiola had also developed its calculation and reporting systems and reporting practices for solvency and risk management in accordance with the requirements. For the first time, LocalTapiola Group's consolidated financial statements have been prepared in accordance with the Solvency II calculation for groups of insurance companies.

The Occupational Accidents, Injuries and Diseases Act, which applies to occupational accident insurance, was amended on 1 January 2016. The new Act applies to new accidents and occupational diseases that occur from 2016 onwards. The measures and system changes required by the amended legislation progressed as planned. The Motor Liability Insurance Act was amended at the end of the financial period, and preparations were made for the forthcoming changes at the end of the year.

LocalTapiola launched a motor liability insurance product based on the customer's personal insurance and claims history. The change was based on the amendment to the Motor Liability Insurance Act in effect as of the beginning of 2017.

On 15 November 2016, LocalTapiola General's Supervisory Board decided to transfer the motor liability insurance portfolio to LocalTapiola's regional companies on 30 June 2017.

Working capacity insurance, which was launched at the end of 2015, has been well received and sales have surpassed the target. Health Phone, which improves the telephone service for handling claims, has also been expanded.

LocalTapiola has expanded its services for corporate customers to include data security insurance. Data security insurance enables companies to minimise the impact of data security attacks and ensure business continuity.

## Customers and customer benefits

The surplus of LocalTapiola Group's operations is used for the benefit of owner-customers in the form of discounted premiums, customer bonuses and service development. Some of the profit is used to strengthen the company's solvency, thereby safeguarding customers' interests in the future.

The service benefits enjoyed by owner-customers include Health Phone and the Emergency Service. In 2016, approximately 27,000 people were trained on fire extinguishing as part of LocalTapiola's Hero Training.

LocalTapiola Life helped a significant number of its Smart Life Insurance customers to make their lifestyles healthier. In addition, all medical expenses insurance customers were provided with the Health Phone service at the end of 2016, enabling them to seek treatment quickly when the need arises.

We have made long-term investments in developing digital services, and the national Suomen Digimenestys (Finland's Digital Success Story) prize for the insurance sector is testament to this. We were the most improved company overall and the best insurance company in a 2016 survey focusing on customer loyalty. The result demonstrates that a mutual company is able to offer its customers the best advantages and benefits.

An additional customer benefit is provided by the bonus partnership with S Group for private household customers. More than 600,000 households also received S Group Bonus for their families' insurance premiums in 2016.

LocalTapiola Group has 1.6 million customers. The majority of these – 1.4 million – are personal customers and farmers.

Customers were paid EUR 82 million in loyalty bonuses under non-life insurance and EUR 638 million in compensation. Under life insurance, customers were paid a total of EUR 329 million in compensation and EUR 67 million in technical interest and bonuses.

The application of the principle of reasonability, the objectives for the distribution of additional benefits and the implementation of the principle of reasonability from 2007 to 2016 are explained in the notes to the financial statements under "Accounting principles".

## Operating environment

### Non-life insurance

Finland's economy showed subtle signs of revival in 2016. Growth strengthened throughout the year, driven by private consumption and construction investment. Exports showed slower growth than expected. Regional economic trends have reached a low-water mark and outlooks are expected to improve gradually. However, growth has been moderate and the differences between regions can be considerable.

The Federation of Finnish Financial Services estimates that premium income from primary insurance increased by approximately one per cent in 2016. Claims expenses are expected to have increased by approximately 5 per cent. Premium income from occupational accident insurance is forecast to decrease. Premium income from motor liability insurance, voluntary vehicle insurance, other accident and health insurance is forecast to remain steady or increase slightly from the previous year's levels. LocalTapiola General's combined ratio has remained very good.

### Life Insurance

The rapid growth experienced in recent years in unit-linked saving levelled out in the life insurance sector in 2016, reducing premium income from unit-linked insurance for bank-driven entities in particular. The Federation of Finnish Financial Services estimates that life insurers' total premium income decreased by 27 per cent, while LocalTapiola Life's premium income for 2016 remained at the previous year's level.

The numerous amendments made to tax legislation over the years have effectively killed off the market for individual pension insurance. Personal preparation is, however, more important than ever before due to longer lives, the pressure on social security and societal transformation. Changes in earnings-related pension in particular are expected to increase the need of customers to prepare for retirement. This has created new business opportunities for life insurance companies.

By international comparison, the number of life insurance policies is low in Finland. According to the Federation of Finnish Financial Services, only a little over one-third of Finns have taken out death cover, and surveys show that many people have given no thought to what would happen to their family's finances if one of the breadwinners died. There is a major need for life insurance in Finland, and it will not be reduced by the amendments to tax legislation that will enter into force at the beginning of 2018. Despite this, premium income from term life insurance has not significantly increased in recent years.

## Investment activities

Many surprising events took place in 2016, and the markets reacted in unexpected ways. The first months of the year were marked by fears of the risk of recession in the US and uncontrolled slowing of China's economic growth. In January and February, the weakness of the macroeconomy resulted in dramatic price decreases in the equity markets and other higher-risk assets. However, as the spring wore on, cyclical risks began to wane and equity markets began to show an upward trend.

The summer season was dramatic in the political arena. In a referendum held at midsummer, Britain decided to exit the European Union. Although Brexit was a shock at first, it had only short-term effects on the economy and investment markets. The only long-lasting consequence was the significant weakening of the pound.

Markets were nervous before the US presidential election, they began calculating the positive effects of the president-elect's possible stimulus policy on the day after the election.

As a whole, central bank policies were reflationary and supportive of the markets in 2016. The US Federal Reserve had already begun raising interest rates in December 2015, but only continued to raise them in late 2016 due to economic uncertainty and political risks. The European Central Bank continued its massive stimulus

plan, expanding the security purchase programme to also include high-quality corporate bonds.

Total annual yield in the global equity market was excellent, in the region of 11 per cent in euro terms. Overall returns on Finnish equity markets were approximately 13 per cent, while investors elsewhere in Europe realised returns of less than 2 per cent. Investors in the US and emerging markets received about 15 per cent in euro terms. In the fixed-income market, return requirements took an upward turn in the second half of the year, as a consequence of improved growth prospects and higher inflation expectations. Despite an increase in nominal interest rates, the annual yield on government bonds in the eurozone was more than 3 per cent. In the foreign exchange markets, the euro weakened against the US dollar (approx. -3 per cent) and the Japanese yen (almost -6 per cent). In contrast, the euro strengthened against the pound sterling by almost 16 per cent.

European real estate investment markets continued to be active in 2016, although volumes fell slightly compared to 2015. In Britain, the key reason for this decrease was slower trading due to Brexit. In Finland, more real estate deals were struck in 2016 than ever before, with the transaction volume rising to about EUR 7.0 billion. No major changes occurred in office space rents in Finland, and demand for premises was declining as companies used their space more efficiently.

# Solvency and risk management

## Solvency management

Solvency monitoring within LocalTapiola Group and its insurance companies is based on the Solvency II regulatory regime, adopted on 1 January 2016. LocalTapiola Group and its insurance companies calculate solvency using a standard formula. LocalTapiola Group also constitutes a financial and insurance group as referred to in the Act on the Supervision of Financial and Insurance Conglomerates. In terms of calculating the Group's solvency, the regulations in Solvency II and the Act on the Supervision of Financial and Insurance Conglomerates are consistent. LocalTapiola General acts as the Group's leading company and it is tasked with ensuring that the Group and its companies fulfil legal requirements relating to solvency.

LocalTapiola's non-life insurance companies are among the most solvent operators in the non-life insurance sector in Finland. As such, the Group's solvency is built on a strong foundation despite the economic uncertainty that prevails in the operating environment.

Solvency management is a part of the Group's risk management. Because LocalTapiola Group is a mutual company, its solvency management focuses on good solvency throughout the Group and its companies to ensure the financial security of customers at all times.

A Joint Liability Agreement was concluded between LocalTapiola General and the regional companies with the aim of securing the solvency of LocalTapiola Group's companies. The Agreement defines the operating principles and decision-making procedures that are used in extraordinary circumstances, such as if a Group company's solvency has been jeopardised or is at risk. According to the Agreement, LocalTapiola General and the regional companies are obliged to capitalise the Group's other companies, providing that the company's own solvency is sufficiently strong and will remain so after the capitalisation. The amount of capitalisation required by the Agreement is restricted in proportion to the assets of the capitalising company.

The Joint Liability Agreement also contains terms stating that the solvency of LocalTapiola Mutual Life Insurance Company and the Group's asset management companies (LocalTapiola Asset Management Ltd, LocalTapiola Real Estate Asset Management Ltd and LocalTapiola Real Estate Capital Funds Ltd) can be supported using equivalent principles in proportion to guarantee or capital shareholdings if necessary. However, these companies are not parties to the Joint Liability Agreement, nor can they demand additional capitalisation on the grounds of

the Agreement. S-Bank Ltd is not covered by the Joint Liability Agreement.

The solvency of all of the Group's companies is currently good so the likelihood of companies resorting to capitalisation under the Joint Liability Agreement is very low. LocalTapiola Group's solvency calculations take into account the impact of the Joint Liability Agreement.

Further information on the Group's solvency management will be provided in a report on the Group's solvency and financial position, to be published by 30 June 2017 on the LocalTapiola website at [www.lahitapiola.fi](http://www.lahitapiola.fi).

## Solvency position

LocalTapiola General's solvency position (the company's own assets in proportion to the solvency capital requirement) was 273 per cent, while LocalTapiola Group's solvency position was 190 per cent on 31 December 2016. As such, the solvency of the company and the Group can be considered strong. The table below shows the solvency positions of LocalTapiola General, the regional companies (on average), LocalTapiola Life and LocalTapiola Group:

(% / EUR million)	<b>Solvency position</b>	Own assets	Solvency capital requirement
LocalTapiola General	273 %	1 697	622
Regional companies	294 %	1 006	343
Life	190 %	988	520
LocalTapiola Group	190 %	2 685	1 412

## Risk position

The most significant risks to operations are insurance risks related to non-life insurance, insurance risks related to life insurance, market risks associated with investments, operational risks and risks related to the operating environment and strategic intent. The major insurance risks in non-life insurance relate to the pricing of insurance products, inflation, changes in the mortality rate, occupational diseases and reinsurance cover. The most significant insurance risks in life insurance are risks associated with technical provisions and the customer-related

risks of termination of contracts and premium payments. Market risks are caused by fluctuations in market values, including fluctuations resulting from changes in interest rates, share prices and exchange rates. Operational risks refer to the risk of losses caused by insufficient or failed internal processes, personnel, systems and external factors. Legal risks are included in operational risks.

Risks related to the operating environment and strategic intent include risks associated with the general operating environment, changes in the markets and customer behaviour, the competitive situation and competitors, and the content of the strategy. In the insurance

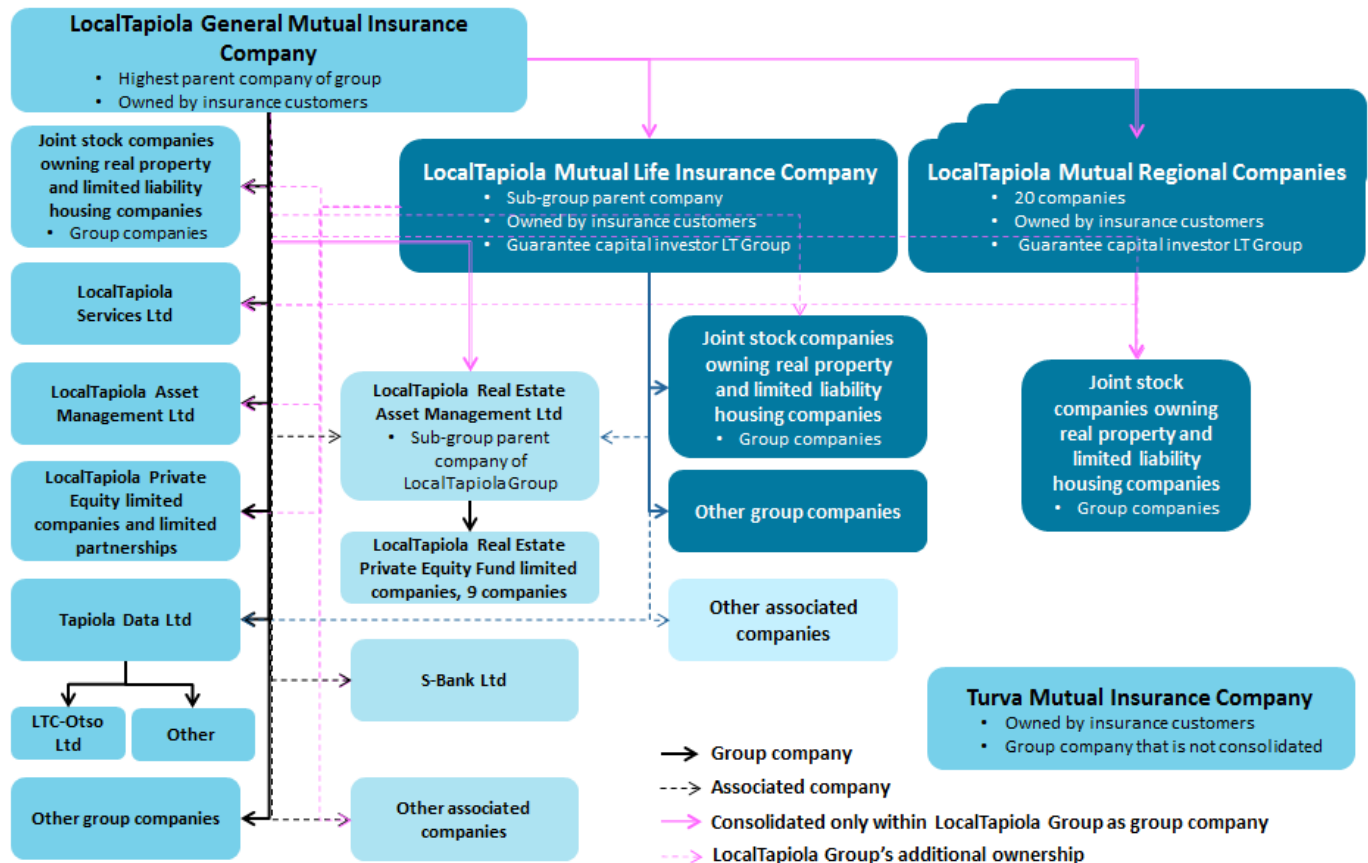
sector, risks associated with the operating environment and strategy are heightened by concurrent uncertainty about economic development and the ever-increasing pace of change: digital transformation, consolidation, new operators and consortia, internationalisation and climate change.

Further information on risk management and the key risks for LocalTapiola Group will be provided in the note on risk management and in a report on solvency and financial position, to be published by 30 June 2017 on the LocalTapiola website at [www.lahitapiola.fi](http://www.lahitapiola.fi).



# Structure of LocalTapiola Group

LocalTapiola General Mutual Insurance Company (LocalTapiola General) is domiciled in Espoo and its business ID is 0211034-2. LocalTapiola's financial statements for 2016 have been published and are available online at [www.lahitapiola.fi](http://www.lahitapiola.fi). LocalTapiola General's line of business covers all types of voluntary and statutory non-life insurance.



As the leading company in LocalTapiola Group, LocalTapiola General prepares consolidated financial statements to the extent intended by the Insurance Companies Act for groups of insurance companies. LocalTapiola Group is headed by LocalTapiola General, and it also includes 20 regional non-life insurance companies and LocalTapiola Life, as well as the other companies consolidated into the Group by virtue of being owned by these LocalTapiola companies. LocalTapiola Group's financial statements consolidate LocalTapiola General's group of companies in accordance with the Accounting Act as well as the other companies that, in combination with LocalTapiola General's group, constitute LocalTapiola's group of insurance companies in accordance with Chapter 26, Section 2 of the Insurance Companies Act.

Beside LocalTapiola General, the most important companies consolidated in the financial statements are:

- LocalTapiola Lännen Mutual Insurance Company
- LocalTapiola Satakunta Mutual Insurance Company
- LocalTapiola Pohjoinen Mutual Insurance Company
- LocalTapiola Etelä Mutual Insurance Company
- LocalTapiola Vellamo Mutual Insurance Company
- LocalTapiola Keski-Suomi Mutual Insurance Company
- LocalTapiola Savo Mutual Insurance Company
- LocalTapiola Kaakkois-Suomi Mutual Insurance Company
- LocalTapiola Itä Mutual Insurance Company
- LocalTapiola Uusimaa Mutual Insurance Company
- LocalTapiola Pääkaupunkiseutu Mutual Insurance Company
- LocalTapiola Loimi-Häme Mutual Insurance Company
- LocalTapiola Etelärannikko Mutual Insurance Company

- LocalTapiola Pirkanmaa Mutual Insurance Company
- LocalTapiola Lappi Mutual Insurance Company
- LocalTapiola Pohjanmaa Mutual Insurance Company
- LocalTapiola Etelä-Pohjanmaa Mutual Insurance Company
- LocalTapiola Kainuu-Koillismaa Mutual Insurance Company
- LocalTapiola Varsinais-Suomi Mutual Insurance Company
- LocalTapiola Savo-Karjala Mutual Insurance Company
- LocalTapiola Mutual Life Insurance Company Group
- LocalTapiola Real Estate Asset Management Ltd Group
- LocalTapiola Asset Management Ltd
- LocalTapiola Services Ltd
- Tapiola Data Ltd Group

and 26 housing and real estate companies and 14 other companies. The associated companies are S-Bank Ltd Group, Pihlajalinna Plc Group, Seligson & Co Oyj, two housing and real estate companies and one other company. Turva Mutual Insurance Company is a subsidiary of LocalTapiola General on the basis of an agreement between the holders of guarantee shares. To provide a true and fair view of the results of the operations and the financial position of LocalTapiola Group, Turva's financial statements are not consolidated into the financial statements for LocalTapiola Group. Holders of guarantee shares in a mutual company do not have any right to other assets of the company outside the guarantee capital and guarantee capital interest paid from profits based

on a decision of the general meeting. LocalTapiola Group owns 76 per cent of Turva's guarantee capital.

LocalTapiola Group's risk management and solvency reporting is based on the consolidated financial statements of LocalTapiola Group. However, preparing the financial statements to cover the entire group of insurance companies as defined in the Solvency II directive does not extend the legal liability of LocalTapiola General's Board of Directors beyond the Group structure specified in the Accounting Act.

LocalTapiola Group also constitutes a group as referred to in the Act on the Supervision of Financial and Insurance Conglomerates. The insurance and financial conglomerate includes the companies in LocalTapiola's insurance company group. The Financial Supervisory Authority is the coordinating supervisory authority of the conglomerate.

## Changes in the company and LocalTapiola Group

2016 is the first financial period for which consolidated financial statements have been prepared for LocalTapiola Group.

Pihlajalinna Plc became an associated company of LocalTapiola Group in 2016. In addition, a total of six real estate and investment companies were acquired by LocalTapiola Group during the year.

# Corporate governance, personnel and remuneration

## LocalTapiola Group's corporate governance and management system

LocalTapiola Group and the Group companies adhere to good corporate governance, which is based on legislation applicable to the insurance and finance sector, the regulations and guidelines issued by the Financial Supervisory Authority and, where applicable to mutual insurance companies, the Finnish Corporate Governance Code for listed companies.

LocalTapiola Group's governance model is strongly affected by the mutual form of the insurance companies, meaning that policyholders are also shareholders. There is thus a large number of shareholders, and the supervisory boards and boards of directors, in addition to having legal duties, play a major role in the corporate governance of the insurance companies and as a channel for interaction between the companies and their shareholders.

LocalTapiola Group forms an insurance group within the meaning of the Finnish Insurance Companies Act, and LocalTapiola General is the leading company of the group, as specified in the said Act. In this role, LocalTapiola General is responsible for reliable management, solvency, the organisation of risk management, internal control and the organisation of related regulatory reporting within the entire LocalTapiola Group and all Group companies.

LocalTapiola Group companies have concluded intra-group agreements on their mutual responsibilities and division of duties. LocalTapiola Group's Management Group, appointed by the Board of Directors of LocalTapiola General, has broad representation from the various LocalTapiola Group companies and the most important joint functions. The Group's Management Group is responsible for the preparation of LocalTapiola Group's strategic and other Group-level matters, related decision-making and implementation, as well as for the overall control and development of the Group, within the authorisations granted to it by the Board of Directors that are in line with the collective agreement signed by and between LocalTapiola Group companies.

## Annual General Meeting

LocalTapiola General's Annual General Meeting was held on 12 May 2016. The meeting approved the financial statements for 2015, decided on the use of the company's profit, discharged the company's Board of Directors and Managing Director from liability and elected the company's auditor. The meeting also confirmed the number of members of the Supervisory Board and the remuneration for the members of the Supervisory Board, and the new members were elected.

The regional companies re-elected the following Supervisory Board representatives whose terms were due to end: Folke Lindström (Chair of the Board, holder of the honorary title "kauppaneuvos", Parainen, Förlags Ab Lindan Kustannus Oy, representative of LocalTapiola Etelärannikko), Jussi Huttunen (Region Director, Siilinjärvi, Itä-Suomen liitto, representative of LocalTapiola Savo), Eero Nykänen (Police Officer, Parikkala, representative of LocalTapiola Savo-Karjala) and Markku Tuuna (Master of Law trained on the bench, Naantali, Lakiasiaintoimisto Markku Tuuna Ky, representative of LocalTapiola Varsinais-Suomi).

LocalTapiola Kainuu-Koillismaa selected Markku Karjalainen (Field Manager, Paltamo) as a new Supervisory Board representative to replace Matti Kähkönen, whose term was due to end. LocalTapiola Lappi selected Juhani Jutila (Managing Director, Rovaniemi) to replace Pentti Neitola, whose term was due to end. In addition, LocalTapiola Keski-Suomi selected Jouko Huuamarkangas (Agricultural Entrepreneur, Kyyjärvi) to replace Jukka Niskanen, who had resigned, for the remainder of the term until the 2018 Annual General Meeting.

The following members of LocalTapiola General's Supervisory Board had reached the end of their terms and were re-elected: Taavi Heikkilä (CEO, Lahti, S-Group), Iiro Ketola (Chief Shop Steward, Espoo, representative of personnel groups), Sanna Leivo (Chair of the Board, Tampere, Leivo's Bakery Ltd), Timo Leppänen (Managing Director, Kajaani, Kajaanin tilitalo Oy), Ulla-Maija Moisio (Master of Law trained on the bench, Turku, Industrial Power Corporation), Heikki J. Perälä (Managing Director, Helsinki, Helsinki Region Chamber of Commerce) and Jouko Virranniemi (holder of the honorary title of "teollisuusneuvos", Kuusamo, Pölkky Oy).

KPMG Oy Ab was elected as auditor, and the nominated principal auditor is Mikko Haavisto, Authorised Public Accountant.

## Supervisory board

LocalTapiola General's Supervisory Board held its organising meeting on 1 June 2016. The meeting elected the Chair and Deputy Chairs to the Supervisory Board. Timo U. Korhonen was elected as the Chair of the Supervisory Board. Juha Marttila, Chair of the Central Union of Agricultural Producers and Forest Owners, was elected as the first Deputy Chair of the Supervisory Board, Jouko Virran- niemi from Pölkky Oy was elected as the second Deputy Chair and Pauliina Haijanen, Master of Laws trained at the bench, was elected as the third Deputy Chair.

The supervisory board convened three times. On average, 85.3 per cent of the members participated in the meetings. The salaries and remuneration paid to the Supervisory Board members, their pension commitments, monetary loans and terms thereof, as well as guarantees and contingent liabilities are presented in section 3.3.2 of the notes to the profit and loss account.

## Committees of the Supervisory Board

### Nomination Committee of the Supervisory Board

The purpose of the Nomination Committee of the Supervisory Board is to ensure diversity and transparency in the preparation of appointment proposals when electing members to the Supervisory Board and the Board of Directors.

The Nomination Committee consists of the Chair of the Supervisory Board and three (3) members elected by the Supervisory Board from among its members who are not chairpersons. The Chair of the Supervisory Board is also the Chair of the Nomination Committee. The term of the members is one year, lasting from the organising meeting of the Supervisory Board, held after the Annual General Meeting, until the subsequent organising meeting, provided that each member continues to be a member of the Supervisory Board.

In 2016, the Nomination Committee was chaired by Timo U. Korhonen, Chair of the Supervisory Board, and the members were Sami Kulla, Ulla-Maija Moisio and Heikki J. Perälä, who are also members of the Supervisory Board.

The Nomination Committee convened twice in 2016, and 100 per cent of the members were present.

## Cooperation Committee

The Cooperation Committee, which comprises the Chairs of the Supervisory Boards of LocalTapiola General and LocalTapiola Life, held its organising meeting on 1 June 2016.

The Cooperation Committee is not a decision-making body, with the exception of decisions on the remuneration of full-time members of the Board of Directors. The committee prepares matters for discussion by the Supervisory Boards and submits draft proposals to the Supervisory Boards. The Cooperation Committee monitors the operations of the Board of Directors, President, Managing Directors and the entire Group, and presents reports to the Supervisory Committee.

Timo U. Korhonen was elected as Chair and Jouko Havunen as Deputy Chair of the Cooperation Committee.

The Cooperation Committee convened six times. The average attendance rate at the meetings was 87 per cent.

### The Cooperation Committee's Audit Committee

The Cooperation Committee's Audit Committee was disbanded in 2016 when LocalTapiola General's Board of Directors' Audit and Risk Management Committee began operating.

The Audit Committee convened twice in 2016. The average attendance rate at the meetings was 100 per cent. Jouko Havunen (Chair), Pauliina Haijanen and Marjut Nordström were members of the committee in 2016.

### The Cooperation Committee's Compensation Committee

The Compensation Committee is tasked with assisting the Cooperation Committee in matters relating to compensation for the senior management in accordance with its rules of procedure.

The duties of the Compensation Committee include preparing proposals for the remuneration and benefits of the full-time members of the Boards of Directors of LocalTapiola General and LocalTapiola Life and for matters relating to their employment, to be decided by the Chairs and Deputy Chairs of the Supervisory Boards, as well as developing the compensation scheme for the members of the Boards of Directors. Further duties of the Compensation Committee include issuing policies in principle and recommendations for the LocalTapiola Group companies regarding salaries and special compensation for Managing Directors and compensation for the administration of regional companies. The objective is to

ensure consistent and fair practices across the LocalTapiola Group companies.

Timo U. Korhonen (Chair), Jouko Virranniemi and Ralf Wickström were members of the Cooperation Committee's Compensation Committee.

The Compensation Committee convened five times. The average attendance rate at the meetings was 93 per cent.

## Board of Directors

The Board of Directors is responsible for corporate governance and appropriate organisation of operations. It must also ensure appropriate arrangement of the control of company's accounts and finances.

Members of the Board of Directors for the term from 1 January 2016 to 31 December 2018:

- Erkki Moisander, President, Chair
- Jari Eklund, Group Director, Deputy Chairman
- Philip Aminoff, Chair of the Board, Electrosonic Group Oy Ab
- Matti Bergendahl, Managing Director, Realia Group Oy
- Timo Hiltunen, Chair of the Board, Tietokeskus
- Hannu Niilekselä, Managing Director, Hanicon Oy
- Kati Partanen, Farmer and Lecturer in Agricultural Economics
- Pirkko Rantanen-Kervinen, Economist

The Board of Directors convened 13 times. The attendance rate at meetings was 91 per cent. The salaries and remuneration paid to the members of the Board of Directors, their pension commitments, cash loans and terms thereof, as well as guarantees and contingent liabilities are specified in section 3.3.2 of the notes to the profit and loss account.

## The Group's Management Group

The Group's Management Group is tasked with preparing Group-level matters and the joint matters of the LocalTapiola Group companies as well as related decision-making and implementation.

The Management Group was chaired by Erkki Moisander (President) and the members were Jari Sundström (Managing Director of LocalTapiola General), Minna Kohmo (Managing Director of LocalTapiola Mutual Life Insurance Company), Harri Lauslahti (Managing Director of LocalTapiola Services Ltd), Pasi Haarala (Managing Director of LocalTapiola Pohjanmaa), Jukka Hertti (Managing Director of LocalTapiola Vellamo), Jukka Kinunen (Managing Director of LocalTapiola Pääkau-

punkiseutu), Pentti Kuusela (Managing Director of LocalTapiola Pirkanmaa), Veli Rajakangas (Managing Director of LocalTapiola Pohjoinen), Pekka Antikainen and Jari Eklund (Directors responsible for Group steering), Timo Laakso (CFO of LocalTapiola Group), Mikko Vastela (CIO), Olli-Pekka Pohjanmäki (Marketing Director) and Harri Aho (Development Director).

As a rule, the Management Group meets every two weeks.

## Audit and Risk Management Committee of LocalTapiola General's Board of Directors

The Board of Directors is assisted by the Audit and Risk Management Committee, which began operating at the beginning of 2016. The purpose of the committee is to assist the Board of Directors with its statutory duties and matters provided for in its rules of procedure regarding the finances, accounts, solvency, risk management, auditing, internal control and internal audit of the company and LocalTapiola Group.

In line with the company's role as the highest parent company of LocalTapiola Group (Insurance Companies Act, Chapter 26, Section 3), the committee's activities also involve matters pertaining to LocalTapiola Mutual Life Insurance Company and LocalTapiola's regional companies to the extent that they qualify as Group-level matters for which the company is responsible.

The Committee consists of the committee Chair and at least two other members, elected from the Board of Directors in accordance with the Committee's rules of procedure. The Chair and at least one of the members must be members of the Board of Directors independent of LocalTapiola Group.

In 2016, the Committee was chaired by Hannu Niilekselä, and the members were Jari Eklund and Pirkko Rantanen-Kervinen. Olli Latola, a member of the Board of Directors of LocalTapiola Mutual Life Insurance Company, attended the Committee's meetings, where he held the entitlement to be present and to speak.

The Committee convened six times in 2016, and 100 per cent of the ordinary members were present.

## Chief Executive Officer

Jari Sundström, LL.M., is Managing Director of LocalTapiola General. The Deputy Managing Director is Mika Makkonen, LL.M., MBA.

The salaries and perquisites paid to the Managing Director totalled EUR 486,147, including EUR 110,877 in performance-related pay. EUR 27,286 of the performance-related pay was earned in 2012, EUR 33,508 in 2013, EUR 25,266 in 2014, and EUR 24,817 in 2015.



Performance-related pay has been deferred for subsequent payment in the amount of EUR 116,315, of which EUR 30,826 was earned in 2013, EUR 48,263 was earned in 2014, and EUR 37,226 was earned in 2015. Performance-related pay for senior managers is based on annual targets.

The retirement age of the Managing Director is 63 years. The agreed compensation for premature termination of the employment relationship is a sum corresponding to 12 months' salary, with an increase covering half of the year in accordance with the maximum bonus level of the applicable bonus scheme.

## Related parties

Information on LocalTapiola General's related parties is provided in the notes to the financial statements.

## Auditor

LocalTapiola General's auditor is KPMG Oy Ab, and the principal auditor, appointed by KPMG Oy Ab, is Mikko Haavisto, Authorised Public Accountant.

## Supervisory authority

LocalTapiola General is a non-life insurance company subject to public supervision by the Financial Supervisory Authority (FIN-FSA) operating under the Bank of Finland. The FIN-FSA ensures that insurance companies comply with legislation and sound insurance practices, and apply appropriate methods in their operations. It monitors and assesses the financial position, appropriateness of management, supervision and risk management systems, operating prerequisites and changes in the operating environment of the supervised companies.

## Personnel

Average number of personnel at the end of the financial year (figures for 12/2015 in parentheses):

- LocalTapiola General 409 (398)
- LocalTapiola Life 146 (147)
- LocalTapiola's regional companies 1,688 (1,681)
- LocalTapiola Services Ltd 1,044 (1,103)
- LocalTapiola Asset Management 52 (53)
- LocalTapiola Real Estate Asset Management 43 (51)

LocalTapiola Group had an average of 3,083 personnel during the financial period.

## Compensation

The aim of the compensation system is to incentivise good performance and to boost the motivation and commitment of personnel. LocalTapiola General's special compensation policy is based on the strategy of the Group and its companies, and the objectives set on the basis of the strategy. Special compensation is based on good work performance in relation to targets. The bonus system is a part of employees' overall compensation and it is based on annual bonuses, although some bonus targets may measure periods that are longer than one year. The special compensation system is for senior managers and all personnel.

When confirming the special compensation system, the company strives to ensure that the system corresponds to the business strategies, objectives and values of the company and LocalTapiola Group as a whole, it works in the Group's long-term interests, it is compatible with the Group's principles of good and effective risk management, and it does not encourage excessive risk-taking.

LocalTapiola General's salary and special compensation systems are planned and prepared in collaboration between the human resources, finance, compliance and risk management services and the companies' administration and management groups. If necessary, Korn Ferry Hay Group Oy is used as a consultant. The Supervisory Boards' Cooperation Committee decides upon the special compensation for the CEO and full-time members of the Board of Directors. The Cooperation Committee has set up a Compensation Committee to aid it in this task. The Supervisory Board decides upon compensation for members of the Board who are not active full-time. As regards other members of the management team, decisions are made by the companies' Boards of Directors.

The Cooperation Committee and the Compensation Committee develop the special compensation system for the members of the Board of Directors and monitor the development of the special compensation system for all of LocalTapiola Group's management and personnel. The Compensation Committee provides the Group's companies with policies in principle and recommendations on matters pertaining to salaries and special compensation.

The Annual General Meeting decides on the compensation payable to members of the Supervisory Board.

The special compensation for employees of LocalTapiola General comprises the following elements:

- Salary
- Perquisites (car, lunch and telephone)
- Annual performance-related bonuses
- Supplementary pension arrangements (for employment relationships that began prior to 1 January 2013)

The salaries of the management are based on comparative data for the finance sector that has been obtained from Hay Job Evaluations and scales.

**Senior managers'** annual bonus is based on the companies' performance and elements affecting the result, as well as each individual's own targets in terms of the business unit and the job. The indicators are based primarily on official key figures. The bonus is established as the product of the outcome rate of the aforementioned elements, the maximum remuneration percentage based on the position level and the annual salary. The maximum performance-related bonus available to the Group's management varies between 30 to 100 per cent of the employee's annual salary. The regional companies may have different maximums.

The maximum performance-related bonus available to **office personnel** is 7 per cent of the employee's annual salary, with the exception of some experts whose maximum bonus may be up to 30 per cent of the annual salary. Objectives are determined on the basis of the Group's strategy and can be either team-specific or personal. The achievement of targets is evaluated at performance review discussions. Personnel working for the regional companies may have different maximum bonus levels.

**Personnel belonging to investment organisations** have their own performance-related bonus model in which the bonus is determined on the basis of return on investments calculated for different levels depending on the position. Remuneration levels vary annually between 10 per cent and 83 per cent of the annual salary.

The implementation of performance-related bonuses is regularly monitored and payment of such bonuses is subject to the decision of the Cooperation Committee and the Board of Directors following the end of the bonus-earning period each year. The Board of Directors may decide not to pay performance-related bonuses if the company's financial position has deteriorated substantially. Similarly, the payment of performance-related bonuses may be withheld if it is found that the targets have been reached by taking a risk that is realised before the bonus is paid. Performance-related bonuses can be clawed back if it becomes clear after payment that the recipient of the bonus has acted in breach of regulations, official decrees or instructions binding on the company or the company's operating principles, or if the bonus has been paid without justification.

Payments of performance-related bonuses to members of LocalTapiola General's senior management and investment organisation whose professional activities have a material impact on the company's risk profile are

deferred as follows: the first instalment of the bonus – amounting to 40 per cent – is paid by the salary payment date in June following the end of the earning period. The remaining 60 per cent will be paid one, two and three years after this date in three separate instalments of equal amounts. The value of deferred bonuses will change in the manner of a financial instrument as referred to in applicable legislation in accordance with the ratio of the total result to the balance sheets of LocalTapiola General Mutual Insurance Company and LocalTapiola Mutual Life Insurance Company (total result / balance sheet at fair value (excluding unit-linked life insurance premiums), weighted in proportion to the balance sheets of the aforementioned companies) from the end of the earning period to the end of the year preceding the date on which the bonus is paid.

Additionally, annual bonus payments are also made to LocalTapiola Group's personnel fund in accordance with the targets that are met. This bonus item is mainly determined by the companies' profits and efficiency in accordance with the Act on Personnel Funds. The personnel fund does not cover the employees of all companies. The criteria for determining the amount of profit-sharing compensation are confirmed annually. At LocalTapiola General, the payment is subtracted from the preliminary estimate of the result of the financial year. Regional companies' personnel are not covered by the personnel fund.

The retirement age for senior managers of LocalTapiola General is 63. LocalTapiola General has improved its employees' pension cover by taking out a supplementary pension insurance policy, which accrues at least 0.2 per cent of supplementary pension annually, subject to certain conditions. This benefit applies to all of the personnel whose employment relationships with the Group began before 1 January 2013. There is no supplementary pension benefit for employment relationships that began after this date.

## Reporting in compliance with the Corporate Governance Code

LocalTapiola General has reported on its corporate governance in a separate document from the Board of Directors' report, in accordance with the recommendation concerning the corporate governance of Finnish listed companies (10/2015). More extensive information on LocalTapiola's corporate governance is available on the company's website at [www.lahitapiola.fi](http://www.lahitapiola.fi).

# Corporate social responsibility

LocalTapiola Group aims to offer its customers a safer and healthier life. LocalTapiola's corporate responsibility consists of local and national actions in support of sustainable development. Practical actions are guided by the Group's joint responsibility principles, as well as responsibility commitments to customers, personnel, the environment, local communities and society. The focal points are promoting security, health and well-being in line with our strategy, which emphasises lifelong security and the prevention of loss and damage.

Offering financial security forms the foundation for providing lifelong security for customers and helping them take better care of themselves, their families and other people close to them. Financial responsibility is based on ensuring the company's solvency. LocalTapiola's investment activities comply with responsible investment principles.

It is of paramount importance for mutual companies, which are owned by their customers, to ensure that customers' voices are heard and included in the development of operations. Customers participate in developing products, services and operations by means such as surveys, the product development process, testing and administration. Collecting and processing customer feedback is a regular and systematic process. Customer satisfaction is constantly measured and monitored.

In 2016, preventive activities aimed at promoting lifelong security included the Hero Training campaign, the smart home pilot project, smart life insurance and projects aiming to improve information security. LocalTapiola's Hero Training campaign promoted fire safety by providing 27,000 Finns with emergency fire extinguishing skills. Training in these skills was offered to 100,000 customers and people interested in becoming customers. LocalTapiola piloted a new Smart Home insurance policy that helps customers in everyday matters and in home security. The pilot enabled LocalTapiola to gauge customers' willingness to complement their insurance with services that increase home security. It also clarified the role of the insurance company as a service provider. The pilot was a success and it will be used to develop a new service model for LocalTapiola. Smart Life Insurance involved offering customers ways of improving their own well-being, including a coaching programme and health check-up. The security and confidentiality of customer information is a priority for LocalTapiola, which is why we launched the Bug Bounty programme and Hack Day event, with the aim of improving information security and encouraging people to identify information security vulnerabilities. The programme has influenced the way in

which LocalTapiola assesses information security and changed the reporting model for information security.

Extensive collaboration is undertaken with corporate responsibility partners to promote security and well-being in society. Hero Training and the Nou Hätä! emergency skills campaign for young people were carried out with the Finnish National Rescue Association, and LocalTapiola provided training on first aid and emergency skills to almost 40,000 school pupils as part of these campaigns. Material related to children's safety around water was produced with the Finnish Swimming Teaching and Lifesaving Federation. Collaboration with the Finnish Red Cross focused on the Friend Visitors and Support Person activities, the aim of which is to prevent loneliness and exclusion.

LocalTapiola and the Cancer Foundation have signed a multi-year collaboration agreement. LocalTapiola's support is targeted at health economics and medical research, and part of the collaboration is a two-year grant of EUR 200,000 for the prevention of cancer. LocalTapiola also supports the Cancer Foundation's 'Hyvä Päivä' ('Good Day') project, which aims to promote the health of young people who are under 25 and at risk of exclusion and reduce the risk of contracting one of the country's national diseases and cancer.

"Hold on to your money" courses were held in collaboration with the Martha Organisation to promote financial skills among young people. LocalTapiola is also involved in providing the Martha Organisation's Adulthood Package for young people moving into their own home for the first time. In addition, a study was jointly conducted on the heritability of consumers' financial behaviour and use of money.

LocalTapiola aims to decrease its environmental footprint in a target-oriented manner by improving the energy efficiency of its properties, opting for renewable energy, using effective construction solutions and encouraging the use of online services and operating methods.

LocalTapiola General contributed to the development of Finnish society by providing support for universities within the framework of the Government's match-funding programme. In addition, other donations were made during the year to promote well-being, culture and sustainable development in Finland.

LocalTapiola made societal commitments to sustainable development related to providing security training, improving energy efficiency and generating renewable energy. LocalTapiola aims to help people anticipate and prepare for various situations actively as well as prevent damage and hazardous situations by providing people

and communities with training that promotes security. The energy efficiency of buildings is improved in accordance with energy efficiency agreements for office and residential properties. We also focus on renewable forms of energy. These commitments are a means of participating in the promotion of both national and UN-level sustainable development goals.

More extensive information on corporate responsibility can be found in LocalTapiola Group's Annual Report 2016, which is available online at [www.lahitapiola.fi/annualreport](http://www.lahitapiola.fi/annualreport)

## Credit rating

A.M. Best, the oldest and most highly respected rating institution specialising in the insurance business, awarded LocalTapiola General the rating A (Excellent).

According to a press release issued by A.M. Best on 1 March 2017, LocalTapiola General's excellent rating was due to its good income development and strong solvency. Investments in risk selection will continue to contribute to good result trends.

The rating is required in business if demanded by a customer or partner. From the perspective of corporate

image and reputation, a good rating increases reliability and respect.

## Events after the financial year

On 15 February 2017, LocalTapiola General signed a plan to transfer LocalTapiola General's statutory motor liability insurance business and the related part of the insurance portfolio to the regional companies. The transfer is due to take place on 30 June 2017. The plan must still be approved by the Financial Supervisory Authority.

In conjunction with the transfer of the motor liability insurance portfolio, amendments will be made to the Group agreement, which strengthens LocalTapiola Group's unity and decision-making, and clarifies the roles and division of labour between the companies belonging to the Group. The amendments will enter into force when the transfer takes place. At the same time, updates were made to the Joint Liability Agreement concluded between LocalTapiola Group's non-life insurance companies, and the parties to the agreement will assume equal liability for the solvency of the Group and its companies.

In connection with the merger of Terveystalo and Diacor, LocalTapiola General and LocalTapiola Life have decided to sell their shares in Diacor terveyspalvelut Oy to Terveystalo. The share transaction is conditional on receiving acquisition authorisation from the Finnish Competition and Consumer Authority, and the authorisation process was still underway when the financial statements were signed.

LocalTapiola Life will renew the investment policy solutions in spring 2017.

As a lifelong security company, LocalTapiola is decreasing the prices of its motor liability and home insurance for 2017. The total value of the discounts will be EUR 14 million.

# Future prospects

## Non-life insurance

The outlook for the non-life insurance market in 2017 is challenging. Low interest rates and general uncertainty in investment markets are burdening insurance companies. As employment and purchasing power are improving only slightly, expectations for a wide-ranging increase in premium income from non-life insurance in real terms are moderate. However, there are still opportunities for growth in the service and market segments in certain areas. Salary growth is moderate, so the growth environment for occupational accident insurance is challenging.

Price competition in non-life insurance is expected to increase and internationalise. Tougher competition will contribute to weaker profitability. Claims expenses are forecast to remain below ordinary levels. Digitalisation will reshape the non-life insurance business and make it more efficient. Digital services will gradually become the most important way for customers to access services, and automation will be used in the strive to increase efficiency. Digitalisation will also contribute to accelerating consolidation.

Health and well-being businesses are becoming increasingly important to insurance companies. The market for private well-being services is undergoing a transformation, and insurance companies are playing a major role in this. The lifelong security office combines health, well-being and security services. In the next few years, LocalTapiola will open 40–60 lifelong security offices in Finland.

As the sector undergoes a fundamental shift, LocalTapiola is aiming for service leadership. The central part of our strategy is providing the best lifelong security service, in which forecasting and active care play an essential role. We will stand out from other operators by offering the best customer benefits and by rewarding customers who do not make claims. Customers expect digitalisation to lead to services that are more efficient, faster, easier and more individual, and that offer good value for money.

## Life Insurance

There is a major need for life insurance and saving in Finland. LocalTapiola Life expects to see an upward trend in sales and the number of customers in 2017.

Health and well-being business are becoming increasingly important to life insurance companies. The market

for private well-being services is undergoing a transformation, and insurance companies are playing a major role in this. The changes in earnings-related pension, which took effect on 1 January 2017, are expected to increase the need for customers to prepare for retirement, either themselves or through their employers. In addition, several legislative reforms that will influence life insurance are scheduled for the next few years, and we must begin to prepare for these in 2017. LocalTapiola Life provides the best term life insurance, saving and investment, and pension insurance solutions in the sector, combined with proactive services enhancing the customer experience.

LocalTapiola Life aims to invest in its customers' well-being and health, while also helping them feel better. In order to execute the lifelong security strategy, which is based on service leadership, the company provides solutions that have an impact on customers' lives. Developing services that truly meet customer needs means proactive lifelong security services and customer benefits based on a smart ideology, including saving and investment services from an insurance perspective.

In 2017, LocalTapiola Life will invest in saving and investment solutions by launching new solutions based on customer needs. In addition, we will continue to develop proactive lifelong security services based on a smart ideology, in accordance with the new business model.

## Investment activities

As we enter 2017, world economic indicators are looking more promising than a year ago. In the US, household confidence in the economy is stronger than ever before in this decade. In Europe, growth may slow slightly but is likely to remain close to 1.5 per cent. Finland's economy has also taken a turn for the better. Russia and Brazil are returning to growth, and the growth prospects in emerging economies in general are stronger.

Despite this positive tone, the economic outlook continues to be shadowed by a large number of uncertainties, mainly due to the unpredictability of the political operating environment. The negotiations for the conditions of Brexit will be initiated in the spring of 2017, and a number of elections are ahead in which forces opposed to the European integration may grow stronger. In the US, Donald Trump's presidency is a major cause of uncertainty.

In structural terms, the greatest challenge for the world economy is the significant slowing of productivity



growth. Due to poor productivity performance, meeting the growth targets requires taking on more debt. Meanwhile, the dramatic rise in debt increases the risks associated with interest rates. The markets are expecting the Federal Reserve to raise interest rates twice in 2017, and more raises are possible if the reflationary monetary policy leads to higher inflation expectations.

In the investment markets, the current year involves high risks. Interest rates may already have taken an upward turn that will continue and cast a shadow over the return prospects of bond investments. Equity markets may also see greater fluctuations, since valuation levels are already high in some markets. The European Central Bank's decision to reduce its monthly purchases of securities from April 2017 may contribute to lower liquidity in

the eurozone's interest rate markets. On the other hand, the ECB is not planning to raise interest rates in the near future and short- and medium-term interest rates in the eurozone are likely to remain low for years.

In Central Europe, real estate business continues to be brisk. In the whole of Europe, a positive tone has continued in the rental market and rents are projected to rise slightly over the course of 2017. There is a large amount of capital available in the markets, and investors see real estate as an attractive asset class. Put together, all these factors seem to support positive performance for real estate in 2017. Uncertainty about the outlook for 2017 is created by several political risks, including the Brexit negotiations and referendums.

# Proposal for distribution of profit

The Board of Directors proposes that the profit for the financial year, EUR 168,300,985.70, be used as follows:

Transferred to the security reserve	167 500 000,00
Transferred to the contingency reserve	800 985,70

If the Board's proposal for the distribution of profit is adopted, the company's capital and reserves will stand as follows:

Initial fund	8 641 380,35
Guarantee capital	0,00
Revaluation reserve	218 348,97
Security reserve	1 203 747 920,77
Contingency reserve	1 749 689,71
	<hr/>
	1 214 357 339,80

# FINANCIAL STATEMENTS

## 1.1 – 31.12.2016

### LocalTapiola Group's consolidated financial statements main statements

#### Profit and loss account, LocalTapiola Group

##### TECHNICAL ACCOUNT - NON-LIFE INSURANCE

1.1.2016 - 31.12.2016

Premiums earned			
Premiums written	1	1 176 708 992,35	
Reinsurers' share		<u>-34 936 393,17</u>	1 141 772 599,18
Change in provision for unearned premiums		<u>-4 377 005,19</u>	
Reinsurers' share		<u>243 815,21</u>	<u>-4 133 189,98</u>
			1 137 639 409,20
Claims incurred			
Claims paid		-769 410 189,24	
Reinsurers' share		<u>16 022 078,93</u>	-753 388 110,31
Change in provision for outstanding claims		<u>-53 175 610,29</u>	
Reinsurers' share		<u>132 652,96</u>	<u>-53 042 957,33</u>
			-806 431 067,64
Operating expenses	3		-264 401 456,82
<b>Balance on technical account before change in equalization provision</b>			<b><u>66 806 884,74</u></b>
Change in equalization provision			28 792 320,40
<b>Balance on technical account</b>	2		<b><u>95 599 205,14</u></b>

**TECHNICAL ACCOUNT - LIFE INSURANCE**
**1.1.2016 - 31.12.2016**

Premiums earned			
Premiums written	1	421 702 710,43	
Reinsurers' share		<u>-2 086 478,54</u>	419 616 231,89
Investment income	4		230 801 567,18
Revaluations of investments			91 287 760,80
Claims incurred			
Claims paid		-333 586 592,30	
Reinsurers' share		<u>383 473,32</u>	-333 203 118,98
Change in provision for outstanding claims		<u>-24 396 308,00</u>	
Reinsurers' share		<u>0,00</u>	-357 599 426,98
Change in provision for unearned premiums			
Total change		-173 014 965,35	
Reinsurers' share		<u>0,00</u>	-173 014 965,35
Operating expenses	3		-48 150 976,98
Investment charges	4		-72 747 801,57
Revaluation adjustments on investments			-17 311 738,72
<b>Balance on technical account</b>			<b><u>72 880 650,27</u></b>

**NON-TECHNICAL ACCOUNT**

<b>Balance on technical account in non-life insurance</b>			<b>95 599 205,14</b>
<b>Balance on technical account in life insurance</b>			<b>72 880 650,27</b>
Investment income in non-life insurance	4	299 551 559,91	
Investment charges in non-life insurance	4	-116 290 906,80	
Revaluation adjustments on investments	4	<u>-1 883 000,00</u>	181 377 653,11
Other income	4		
Other		62 735 289,52	62 735 289,52
Other expenses	4		
Depreciation of consolidated goodwill		-65 327,02	
Other		-50 165 893,83	-50 231 220,85
<b>Profit on ordinary activities</b>			<b><u>362 361 577,19</u></b>
Share of profit/loss of associated undertakings			3 705 938,73
<b>Profit before appropriations and taxes</b>			<b><u>366 067 515,92</u></b>
Direct taxes on ordinary activities			
Taxes for the financial period and for previous financial periods		-73 200 424,44	
Change in deferred tax liabilities		<u>-160 280,39</u>	-73 360 704,83
Minority interest in profit/loss for the financial year			-3 720 292,96
<b>Profit for the accounting period</b>			<b><u>288 986 518,13</u></b>

# Balance sheet, LocalTapiola Group

## Assets

31.12.2016

<b>Intangible assets</b>	9			
Intangible rights			4 018 912,31	
Goodwill on consolidation			109 607,81	
Other expenses with long-term effects			<u>44 345 240,33</u>	48 473 760,45
<b>Investments</b>	5			
Real estate investments	6			
Real estate and shares in real estate		961 075 103,67	961 075 103,67	
Investments in group companies and participating interests	7			
Shares in group companies		7 061 668,18		
Shares and holdings in participating interests		158 284 942,74		
Debt securities and loans in participating interests		<u>12 000 000,00</u>	177 346 610,92	
Other investments				
Shares and holdings	7	2 953 823 906,59		
Debt securities	7	2 279 494 915,26		
Loans guaranteed by mortgages		436 321 298,40		
Other loans	8	345 706 344,97		
Deposits		30 507 042,11		
Other investments		<u>792 235,20</u>	6 046 645 742,53	
Deposits with ceding undertakings			<u>706 068,57</u>	7 185 773 525,69
<b>Assets covering unit linked policies</b>	7			
	10			1 821 742 996,28
<b>Debtors</b>	15			
Arising out of direct insurance operations				
Policyholders		<u>209 597 644,43</u>	209 597 644,43	
Debtors arising out of reinsurance operations			14 080 619,16	
Other debtors			114 285 735,08	
Deferred tax claim	14		<u>2 118 129,71</u>	340 082 128,38
<b>Other assets</b>				
Tangible assets				
Machinery and equipment	9	10 237 363,27		
Other tangible assets		<u>3 060 846,12</u>	13 298 209,39	
Cash at bank and in hand			273 006 027,89	
Other assets			<u>3 683 260,56</u>	289 987 497,84
<b>Prepayments and accrued income</b>				
Accrued interest and rent			32 079 925,58	
Other prepayments and accrued income			<u>32 135 878,84</u>	64 215 804,42
<b>Total assets</b>				<u>9 750 275 713,06</u>



## Liabilities

		31.12.2016	
<b>Capital and reserves</b>	11		
Initial reserve		8 641 380,35	
Revaluation reserve		8 918 502,41	
Other reserves	1 037 196 624,78		
The share of voluntary provisions and depreciation difference transferred to capital and reserves	3 015 597,93	1 040 212 222,71	
Profit/loss for previous accounting periods		-5 594 037,13	
Profit for the accounting period	288 986 518,13		
Change in depreciation difference and voluntary provisions included in the profit for the accounting period	-531 548,73		
Share of the mutual insurance companies' result for the financial year included in the profit for the financial year	-124 914 926,92	163 540 042,48	
Capital and reserves of the mutual insurance companies		618 665 510,72	1 834 383 621,54
<b>Subordinated loans</b>			99 871 416,67
<b>Minority interest</b>			8 731 825,37
<b>Group reserve</b>			4 600,00
<b>Technical provisions</b>			
Provision for unearned premiums in non-life insurance	423 430 094,00		
Reinsurers' share	-3 166 962,36	420 263 131,64	
Provision for unearned premiums in life insurance	1 586 029 019,61		
Reinsurers' share	0,00	1 586 029 019,61	
Provision for outstanding claims in non-life insurance	13 2 184 580 235,87		
Reinsurers' share	-23 699 876,34	2 160 880 359,53	
Provision for outstanding claims in life insurance	679 153 845,00		
Reinsurers' share	0,00	679 153 845,00	
Equalization provision		952 935 561,00	5 799 261 916,78
<b>Technical provisions for Unit-linked policies</b>			
Technical provisions		1 796 029 679,00	
Reinsurers' share		0,00	1 796 029 679,00
<b>Obligatory provisions</b>			
Other obligatory provisions	14	4 316 896,04	4 316 896,04
<b>Deposits received from reinsurers</b>			2 587,49
<b>Creditors</b>	16		
Arising out of direct insurance operations		20 839 164,38	
Arising out of reinsurance operations		9 316 100,38	
Loans from financial institutions		8 968 092,18	
Premium loan		28 085,00	
Other creditors		104 313 101,54	
Deferred tax liabilities	15	911 723,85	144 376 267,33
<b>Accruals and deferred income</b>			63 296 902,84
<b>Total liabilities</b>			<b>9 750 275 713,06</b>

# Indirect fund statement, LocalTapiola Group

<b>Cash flow from operations</b>	<b>2016</b>
Profit from ordinary activities/profit before extraordinary items	292 706 811,09
Adjustments	
Changes in technical provisions	230 025 932,41
Value adjustments and revaluation of investments	-70 872 816,54
Changes in other obligatory provisions	-183 926,75
Depreciation according to plan	48 223 801,83
Other adjustments	-92 057 384,09
<i>Cash flow before change in working capital</i>	407 842 417,95
Change in working capital:	
Increase (-) / decrease (+) in non-interest-bearing short-term receivables	-3 011 845,23
Increase (-) / decrease (+) in non-interest-bearing short-term debts	13 367 347,89
<i>Cash flow from operations before financial items and taxes</i>	418 197 920,61
Other financial income and expenses paid/received	-3 625 000,00
Direct taxes paid	-53 296 354,18
<b>Cash flow from operations</b>	<b>361 276 566,43</b>
<b>Cash flow from investments</b>	
Investments in assets (excl. cash and cash equivalents)	-470 200 694,02
Capital gains from investments (excl. cash and cash equivalents)	144 566 264,19
Change in minority interest	2 431 185,82
Investments in tangible and intangible assets as well as other assets and capital gains (net)	-9 169 277,36
<b>Cash flow from investments</b>	<b>-332 372 521,37</b>
<b>Cash flow from financial</b>	
Repayment of guarantee capital	-227 480,01
Interest on guarantee capital paid and other distribution of profit	-279 000,00
<b>Cash flow from financial</b>	<b>-506 480,01</b>
<b>Change in cash and cash equivalents</b>	<b>28 397 565,05</b>
<b>Cash and cash equivalents at the start of the year</b>	<b>244 608 462,84</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>273 006 027,89</b>

# Key figures, LocalTapiola Group

(% / EUR million) **2016**

## **General key figures describing financial development**

Operating profit	327,4
Total profit	363,8
Return on assets excluding unit-linked insurance, %	5,8
Average number of personnel during financial year	3 083

## **Key figures describing the financial development of non-life insurance**

Premium income	1 176,7
Loss ratio (excl. Unwinding of discount expense), %	68,5
Loss ratio, %	70,9
Expense ratio, %	23,2
Combined ratio (excl. Unwinding of discount expense), %	91,8
Combined ratio, %	94,1
Equalisation provision in reporting currency	952,9

## **Key figures describing the financial development of life insurance** **2016**

Premium income	421,7
Expense ratio, % of total expense loadings	120,5

# LocalTapiola General's main statements

## Profit and loss account

TECHNICAL ACCOUNT		1.1.2016	-	31.12.2016		1.1.2015	-	31.12.2015
Premiums earned								
Premiums written	1, 2	509 448 640,62				547 746 935,66		
Reinsurers' share		<u>-29 896 741,12</u>	479 551 899,50			<u>-30 984 842,23</u>	516 762 093,43	
Change in provision for unearned premiums								
Total change		916 977,68				25 637 686,00		
Business transfer decrease		<u>0,00</u>	<u>916 977,68</u>			<u>-36 655 525,00</u>	<u>-11 017 839,00</u>	
Reinsurers' share								
Total change		240 957,94				58 290,10		
Business transfer decrease		<u>0,00</u>	<u>240 957,94</u>	1 157 935,62	480 709 835,12	<u>779 654,00</u>	<u>837 944,10</u>	-10 179 894,90
								506 582 198,53
Claims incurred								
Claims paid		-336 075 110,50				-342 040 064,89		
Reinsurers' share		<u>15 323 458,35</u>	-320 751 652,15			<u>15 344 263,87</u>	-326 695 801,02	
Change in provision for outstanding claims								
Total change		-45 713 876,35				-38 873 258,00		
Business transfer decrease		<u>0,00</u>	<u>-45 713 876,35</u>			<u>-33 725 309,00</u>	<u>-72 598 567,00</u>	
Reinsurers' share								
Total change		163 250,48				-2 487 579,00		
Business transfer decrease		<u>0,00</u>	<u>163 250,48</u>	-45 550 625,87	-366 302 278,02	<u>385 082,00</u>	<u>-2 102 497,00</u>	-74 701 064,00
								-401 396 865,02
Operating expenses	3			-105 569 395,40				-125 851 806,59
<b>Balance on technical account before change in equalization provision</b>				<b>8 838 161,70</b>				<b>-20 666 473,08</b>
Change in equalization provision								
Total change		24 443 010,00				19 509 000,00		
Business transfer decrease		<u>0,00</u>	<u>24 443 010,00</u>			<u>-57 513 164,00</u>	<u>-38 004 164,00</u>	
<b>Balance on technical account</b>	2			<b>33 281 171,70</b>				<b>-58 670 637,08</b>
<b>NON-TECHNICAL ACCOUNT</b>								
<b>Balance on technical account</b>				<b>33 281 171,70</b>				<b>-58 670 637,08</b>
Investment income	4	260 233 445,34				293 887 563,03		
Investment charges	4	-87 456 991,41				-92 653 231,16		
Revaluation adjustments on investments	4	<u>-1 883 000,00</u>	<u>170 893 453,93</u>			<u>0,00</u>	<u>201 234 331,87</u>	
Other income	4							
Other			19 007 145,97					14 489 657,85
Other expenses	4							
Other			-15 840 734,97					-14 067 345,59
<b>Profit on ordinary activities</b>				<b>207 341 036,63</b>				<b>142 986 007,05</b>
<b>Profit before appropriations and taxes</b>				<b>207 341 036,63</b>				<b>142 986 007,05</b>
Appropriations								
Change in depreciation difference		-21 694,29	-21 694,29			-52 112,25	-52 112,25	
Direct taxes on ordinary activities								
Taxes for the financial period		-39 497 145,10				-26 307 786,82		
Taxes for previous financial periods		<u>478 788,46</u>	<u>-39 018 356,64</u>			<u>-511 236,29</u>	<u>-26 819 023,11</u>	
<b>Profit for the accounting period</b>				<b>168 300 985,70</b>				<b>116 114 871,69</b>

# Balance sheet

Assets		31.12.2016		31.12.2015	
Intangible assets					
Other expenses with long-term effects	9		17 953 241,83		17 974 783,54
Investments					
Real estate investments	5, 6				
Real estate and shares in real estate	6	235 658 991,61		231 382 173,63	
Loans to group companies		<u>154 666 500,27</u>	390 325 491,88	<u>103 867 297,70</u>	335 249 471,33
Investments in group companies and participating interests	7				
Shares in group companies		226 544 540,20		28 802 776,86	
Debt securities and loans of companies in same group		70 193 120,01		6 185 669,34	
Shares and holdings in participating interests		121 580 433,12		80 722 813,34	
Debt securities and loans in participating interests		<u>4 000 000,00</u>	422 318 093,33	<u>2 300 000,00</u>	118 011 259,54
Other investments					
Shares and holdings		917 105 485,29		1 197 367 431,02	
Debt securities		1 255 548 012,25		1 119 665 877,39	
Loans guaranteed by mortgages		262 277 060,37		312 074 764,90	
Other loans	8	203 372 486,00		169 987 546,88	
Deposits		<u>16 641 968,36</u>	2 654 945 012,27	<u>12 531 911,11</u>	2 811 627 531,30
Deposits with ceding undertakings			<u>706 068,57</u>		<u>666 296,45</u>
			3 468 294 666,05		3 265 554 558,62
Debtors					
Arising out of direct insurance operations	15				
Policyholders		<u>95 952 420,69</u>	95 952 420,69	<u>98 483 436,53</u>	98 483 436,53
Debtors arising out of reinsurance operations			13 999 503,53		10 921 378,72
Other debtors			<u>99 400 661,84</u>		<u>92 163 105,86</u>
			209 352 586,06		201 567 921,11
Other assets					
Tangible assets					
Machinery and equipment	9	1 706 242,90		2 268 733,60	
Other tangible assets		<u>700 693,67</u>	2 406 936,57	<u>543 582,27</u>	2 812 315,87
Cash at bank and in hand			57 216 433,16		74 628 156,84
Other assets			<u>3 156 739,36</u>		<u>3 146 185,63</u>
			62 780 109,09		80 586 658,34
Prepayments and accrued income					
Accrued interest and rent			18 024 285,84		18 279 856,33
Other prepayments and accrued income			<u>8 441 750,82</u>		<u>8 578 650,03</u>
			26 466 036,66		26 858 506,36
Total assets			3 784 846 639,69		3 592 542 427,97



<b>Liabilities</b>		<b>31.12.2016</b>		<b>31.12.2015</b>	
<b>Capital and reserves</b>	10				
Initial reserve		8 641 380,35		8 641 380,35	
Revaluation reserve		218 348,97		218 348,97	
Other reserves		1 037 196 624,78		921 280 753,09	
Profit for the accounting period		<u>168 300 985,70</u>	1 214 357 339,80	<u>116 114 871,69</u>	1 046 255 354,10
<b>Accumulated appropriations</b>	11				
Accumulated depreciation difference		<u>73 806,54</u>	73 806,54	<u>52 112,25</u>	52 112,25
<b>Technical provisions</b>					
Provision for unearned premiums		133 108 074,32		134 025 052,00	
Reinsurers' share		<u>-3 169 184,04</u>	129 938 890,28	<u>-2 928 226,10</u>	131 096 825,90
Provision for outstanding claims		1 959 627 041,35		1 913 913 165,00	
Reinsurers' share		<u>-23 684 280,48</u>	1 935 942 760,87	<u>-23 521 030,00</u>	1 890 392 135,00
Equalization provision		<u>430 334 990,00</u>	2 496 216 641,15	<u>454 778 000,00</u>	2 476 266 960,90
<b>Obligatory provisions</b>					
Other obligatory provisions	13	<u>3 726 083,96</u>	3 726 083,96	<u>3 728 818,56</u>	3 728 818,56
<b>Deposits received from reinsurers</b>			2 587,49		2 280,43
<b>Creditors</b>	15				
Arising out of direct insurance operations		9 041 638,40		9 119 728,23	
Arising out of reinsurance operations		18 001 206,48		10 832 610,19	
Other creditors		<u>26 074 834,89</u>	53 117 679,77	<u>30 697 756,90</u>	50 650 095,32
<b>Accruals and deferred income</b>	15		<u>17 352 500,98</u>		<u>15 586 806,41</u>
<b>Total liabilities</b>			<u><b>3 784 846 639,69</b></u>		<u><b>3 592 542 427,97</b></u>

# Indirect fund statement

<b>Cash flow from operations</b>	<b>2016</b>	<b>2015</b>
Profit from ordinary activities/profit before extraordinary items	168 322 679,99	116 166 983,94
Adjustments		
Changes in technical provisions	19 949 680,25	-130 743 401,10
Business transfer decrease	0,00	126 899 262,00
Value adjustments and revaluation of investments	-7 323 345,52	10 351 856,61
Unrealized exchange rate gain/-loss		
Changes in other obligatory provisions	-2 734,60	-1 331 386,34
Depreciation according to plan	9 252 068,78	7 804 933,01
Other non-cash income and expenses		
Other adjustments	-15 483 314,15	-64 238 609,41
<i>Cash flow before change in working capital</i>	<i>174 715 034,75</i>	<i>64 909 638,71</i>
Change in working capital:		
Increase (-) / decrease (+) in non-interest-bearing short-term receivables	-7 392 195,25	30 236 309,61
Business transfer decrease	0,00	-12 795 469,28
Increase (-) / decrease (+) in non-interest-bearing short-term debts	4 233 586,08	-14 045 593,09
Business transfer decrease	0,00	-3 293 191,66
<i>Cash flow from operations before financial items and taxes</i>	<i>171 556 425,58</i>	<i>65 011 694,29</i>
Other financial income and expenses paid/received		
Direct taxes paid	-39 018 356,64	-29 290 853,18
<b>Cash flow from operations</b>	<b>132 538 068,94</b>	<b>35 720 841,11</b>
<b>Cash flow from investments</b>		
Investments in assets (excl. cash and cash equivalents)	-197 601 598,00	-4 426 854,09
Business transfer decrease	0,00	-144 643 332,12
Capital gains from investments (excl. cash and cash equivalents)	54 501 670,79	93 529 462,59
Investments in tangible and intangible assets as well as other assets and capital gains (net)	-6 650 865,41	1 218 435,11
Business transfer decrease	0,00	-1 727 962,00
Merger increase		
<b>Cash flow from investments</b>	<b>-149 750 792,62</b>	<b>-56 050 250,51</b>
<b>Cash flow from financial</b>		
other distribution of profit		
	-199 000,00	-85 000,00
<b>Cash flow from financial</b>	<b>-199 000,00</b>	<b>-85 000,00</b>
<b>Change in cash and cash equivalents</b>	<b>-17 411 723,68</b>	<b>-20 414 409,40</b>
<b>Cash and cash equivalents at the start of the year</b>	<b>74 628 156,84</b>	<b>95 042 566,24</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>57 216 433,16</b>	<b>74 628 156,84</b>
Merger increase		

# Key figures

	2016	2015	2014	2013	2012
<b>General key figures describing financial development</b>					
Operating profit	182,9	181,0	72,3	234,1	143,1
Total profit 2) 3)	174,4	150,3	61,5	222,7	230,4
Return on capital employed (at current value), % 3)	4,4	4,8	4,1	4,0	8,0
Return on assets, % 2) 3)	5,1	4,7	2,4	6,0	8,8
Average number of personnel during financial year 1)	408	439	1 667	2 286	2 039
Number of employees in relation to payroll 1)	408	439	1 400	1 884	1 567
<b>Key figures describing the financial development of non-life insurance</b>					
Premium income	509,4	547,7	585,6	903,6	726,7
Loss ratio (excl. unwinding of discount expense), %	70,7	73,5	81,8	61,6	71,2
Loss ratio, %	76,2	79,2	87,6	65,2	74,3
Expense ratio, %	22,0	24,8	26,0	26,9	25,5
Combined ratio (excl. unwinding of discount expense), %	92,6	98,3	107,8	88,5	96,7
Combined ratio, %	98,2	104,1	113,7	92,2	99,8

1) Until year 2014 personnel were contracted by both LocalTapiola General and LocalTapiola Life Insurance Companies

2) Total profit, return on assets (%) and solvency ratio in year 2013 are before business transfer and solvency ratio in year 2012 is a pro forma figure

3) Notes for year 2015 have been calculated by taking into account the business transfer to LocalTapiola Pääkaupunkiseutu General Mutual Insurance Company

# Notes to the financial statements

## Notes to the profit and loss account and balance sheet (LocalTapiola Group)

### Notes to the profit and loss account

#### K1. Premium income in life and non-life insurance

	2016	
<b>Non-life insurance</b>		
Direct insurance		
Finland	1 118 775 996,54	
Reinsurance	<u>57 932 995,81</u>	1 176 708 992,35
<b>Life insurance</b>		
Direct insurance		
Finland	421 702 710,43	
Reinsurance	<u>0,00</u>	<u>421 702 710,43</u>
<b>Gross premiums written before reinsurers' share</b>		<u>1 598 411 702,78</u>

#### K1.1. Items depreciated from premiums written

	2016
Credit loss on outstanding premiums	6 264 736,58
PAYG system fees	54 303 726,94
Premium tax	204 394 764,13
Fire brigade charge	3 263 257,95
Road safety charge	2 490 864,32
Labour protection charge	<u>2 439 071,62</u>
<b>Total</b>	<u>273 156 421,54</u>

## K1.2. Life insurance premium income

		2016	
Direct insurance			
Life insurance			
Unit-linked individual life insurance	191 666 545,11		
Other individual life insurance	46 670 883,93		
Unit-linked capital redemption policy	25 388 256,05		
Employees' group life insurance	9 859 961,83		
Other group life insurance	<u>57 870 752,35</u>	331 456 399,27	
Pension insurance			
Unit-linked individual pension insurance	32 136 548,86		
Other individual pension insurance	20 135 484,22		
Unit-linked group pension insurance	10 504 647,64		
Other group pension insurance	<u>25 383 151,90</u>	88 159 832,62	419 616 231,89
Reinsurance			<u>0,00</u>
<b>Gross premiums written before reinsurers' share</b>			<b><u>419 616 231,89</u></b>
<i>Premiums written before reinsurers' share</i>			
Regular premiums			324 882 959,49
Single premiums			<u>94 733 272,40</u>
Total			<b><u>419 616 231,89</u></b>
Premiums from contracts entitled to bonuses			159 920 234,23
Premiums from unit-linked insurance			<u>259 695 997,66</u>
			<b><u>419 616 231,89</u></b>

## K1.3. Impact of customer benefits and discounts on the result for life insurance

		2016	
Rebates			
Life insurance			
Other individual life insurance	1 721 812,87		
Other group life insurance	<u>196 044,00</u>	1 917 856,87	
Pension insurance			
Other individual pension insurance	1 948 365,39		
Other group pension insurance	<u>1 424 247,39</u>	3 372 612,78	5 290 469,65
Discounts			
Life insurance			
Unit-linked individual life insurance		428 556,15	
Other individual life insurance		257 950,32	
Other group life insurance		<u>1 655 361,68</u>	2 341 868,15
			<b><u>7 632 337,80</u></b>

## K2.1. Claims paid under life insurance before reinsurers' share

	2016	
Direct insurance		
Life insurance	212 121 065,32	
Pension insurance	121 465 526,98	<b>333 586 592,30</b>
Of which:		
Surrenders	123 951 181,98	
Repayments of benefits	41 255 981,47	
Other	168 379 428,85	<b>333 586 592,30</b>
Share of unit-linked insurance of claims paid		127 694 701,82

## K2.2. Result divided into groups of insurance classes

	Premiums written before reinsurers' share	Premiums earned before reinsurers' share	Claims incurred before reinsurers' share	Operating expenses before comissions for reinsurance and profit shares	Reinsurers' share	Balance on technical account before net investment income
Statutory workers'	145 928 904,96	145 463 974,57	-114 570 650,17	-28 357 448,45	-319 652,13	2 216 223,81
Non-statutory accident	134 859 310,87	130 824 380,35	-97 762 456,77	-29 917 428,42	-286 214,52	2 858 280,65
Motor vehicle liability	225 090 542,75	228 270 313,35	-156 039 422,10	-47 273 420,31	-1 641 209,93	23 316 261,01
Land vehicles	206 024 710,32	205 654 451,54	-141 948 407,46	-51 250 131,51	132 044,53	12 587 957,10
Marine, aviation,	13 375 934,00	13 285 404,04	-5 318 983,23	-3 836 430,96	176 860,45	4 306 850,30
Fire and other	311 161 101,23	311 830 528,52	-208 340 091,68	-76 206 546,82	-3 941 282,61	23 342 607,40
General liability	44 237 257,34	43 605 999,66	-33 287 994,54	-9 700 002,91	-2 987 168,50	-2 369 166,29
Credit and suretyship	2 742 288,78	2 014 579,12	-214 038,74	-400 994,89	-427 756,80	971 788,69
Legal expenses	22 313 520,27	22 258 919,52	-14 640 230,75	-5 457 098,89	0,00	2 161 589,89
Other	13 042 426,02	12 874 270,68	-8 471 528,05	-3 274 008,33	-484 896,21	643 838,10
<b>Direct insurance</b>	<b>1 118 775 996,54</b>	<b>1 116 082 821,35</b>	<b>-780 593 803,48</b>	<b>-255 673 511,49</b>	<b>-9 779 275,72</b>	<b>70 036 230,66</b>
Reinsurance	57 932 995,81	56 249 165,81	-41 991 996,04	-16 820 634,01	-665 881,67	-3 229 345,91
<b>Total</b>	<b>1 176 708 992,35</b>	<b>1 172 331 987,16</b>	<b>-822 585 799,53</b>	<b>-272 494 145,50</b>	<b>-10 445 157,39</b>	<b>66 806 884,74</b>
Change in equalization provision						28 792 320,40
<b>Balance on technical account</b>						<b>95 599 205,14</b>



### K3. Operating expenses and notes concerning personnel and members of corporate bodies

#### K3.1. Total operating expenses by activity

	2016
Claims management expenses	92 658 820,01
Operating expenses	312 552 433,80
Investment operating expenses	15 820 600,51
Other expenses	45 151 859,91
<i>Total</i>	<u>466 183 714,23</u>

#### K3.2. Profit and loss account item operating expenses

	2016
Insurance policy acquisition costs	
Commissions for direct insurance	33 041 638,57
Commissions for reinsurance assumed and profit shares	13 888 159,74
Other insurance policy acquisition costs	107 792 832,35
	<u>154 722 630,66</u>
Insurance policy management expenses	101 740 949,43
Administrative expenses	64 569 490,62
Commissions for reinsurance ceded and profit shares	-8 480 636,91
<i>Total</i>	<u>312 552 433,80</u>

### K3.3. Notes concerning personnel and members of corporate bodies

	2016
<b>K3.3.1. Personnel expenses</b>	
Salaries and remunerations	185 589 801,65
Pension expenses	38 064 829,08
Other personnel expenses	11 154 718,60
<i>Total</i>	<u>234 809 349,33</u>
<b>K3.3.2. Managements' salaries and remunerations, pension commitments, monetary loans and terms thereof, as well as guarantees and contingent liabilities</b>	
Managing director and deputy managing director	
Salaries and remunerations	8 213 273,39
	The retirement age of the managing director is 63 and that of the deputy managing director is stated by the law
Monetary loans and terms thereof	No monetary loans granted
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted
Board members and deputy board members	
Salaries and remunerations	3 063 755,22
Pension commitments	The agreed pensionable age of board members and deputy board members is 60-63.
Monetary loans and terms thereof	No monetary loans granted
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted
Supervisory board	
Salaries and remunerations	951 810,00
Pension commitments	No pension commitments
Monetary loans and terms thereof	No monetary loans granted
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted
<b>K3.3.3. Average number of personnel during the financial year</b>	
Office staff	3 083

### K3.4. Auditor's fees by assignment category

	2016
Auditing	321 654,47
Tax advice	45 844,87
Other services	416 778,50
<i>Total</i>	<u>784 277,84</u>

#### K4.1. Itemisation of net investment income

	2016	
<b>Investment income</b>		
<b>Income from group companies</b>		
Dividend income	264 071,86	264 071,86
<b>Income from participating interests</b>		
Interest income	137 002,59	
Other income	1 904 541,10	2 041 543,69
<b>Income from real estate investments in participating interests</b>		
Interest income	20,00	
Other income	3 205,25	3 225,25
<b>Income from real estate investmets in other companies</b>		
Dividend income	686,56	
Interest income	77 895,47	
Other income	64 493 123,33	64 571 705,36
<b>Income from other investments</b>		
Dividend income	105 424 013,68	
Interest income	82 237 175,82	
Other income	26 108 627,05	213 769 816,55
<b>Total</b>		280 650 362,71
Value readjustments		71 464 453,84
Realized gains		178 238 310,54
<b>Total</b>		530 353 127,09
<b>Investment charges</b>		
		2016
Expenses arising from real estate investments		-35 180 773,26
Expenses arising from other investments		-23 014 256,39
Interest paid and other expenses on liabilities		
Other companies	-4 693 226,75	-4 693 226,75
<b>Total</b>		-62 888 256,40
Value adjustments and depreciation		
Value adjustments	-72 684 659,38	
Planned depreciation on buildings	-19 793 746,24	-92 478 405,62
Realized losses		-33 672 046,35
<b>Total</b>		-189 038 708,37
<b>Net investment income before revaluations and revaluation adjustments</b>		341 314 418,72
Revaluations	91 287 760,80	
Revaluation adjustments on investments	-19 194 738,72	72 093 022,08
<b>Net investment income in the profit and loss account</b>		413 407 440,80

K4.2. Investment income and expenses for unit-linked insurance policies (included in K4.1. itemisation of investment)

2016

Investment income	30 658 167,42	
Investment charges	<u>-3 529 765,02</u>	27 128 402,40
<b>Net investment income before revaluations and their adjustment as well as value adjustments and readjustments</b>		
Revaluations of investments	91 287 760,80	
Revaluation adjustments on investments	-17 311 738,72	
Value adjustments	-11 156,56	
Value readjustment	<u>3 092 417,08</u>	77 057 282,60
<b>Net investment income in the profit and loss account</b>		<u><u>104 185 685,00</u></u>

K4.3. Specification of other income and expenses

**Other income**

Services sold to partner companies	44 959 284,35
Other other income	<u>17 776 005,17</u>
<b>Total</b>	<u><u>62 735 289,52</u></u>

**Other expenses**

Depreciation of consolidated goodwill	-65 327,02
Expenses for services sold	-45 151 859,91
Transfer to personnel fund	-977 505,00
Other other expenses	<u>-4 036 528,92</u>
<b>Total</b>	<u><u>-50 231 220,85</u></u>

## Notes to the balance sheet

### K5.1. Fair value of investments and difference between fair value and book value

	2016	2016	2016
Investments	Remaining acquisition cost	Book value	Current value
Real estate investments			
Real estate	788 435 177,59	811 985 258,89	981 069 490,44
Real estate shares in participating interests	36 970,42	36 970,42	71 984,43
Other real estate shares	148 301 579,40	149 052 874,37	183 602 348,12
	<u>936 773 727,41</u>	<u>961 075 103,68</u>	<u>1 164 743 822,99</u>
Investments in group companies			
Shares and holdings	7 061 668,18	7 061 668,18	7 061 668,18
	<u>7 061 668,18</u>	<u>7 061 668,18</u>	<u>7 061 668,18</u>
Investments in participating interests			
Shares and holdings	158 284 942,75	158 284 942,75	187 931 833,57
Debt securities	12 000 000,00	12 000 000,00	12 000 000,00
	<u>170 284 942,75</u>	<u>170 284 942,75</u>	<u>199 931 833,57</u>
Other investments			
Shares and holdings	2 953 823 906,59	2 953 823 906,59	3 363 869 417,35
Debt securities	2 279 494 915,26	2 279 494 915,26	2 347 808 947,72
Loans guaranteed by mortgages	436 321 298,40	436 321 298,40	436 321 298,40
Other loans	345 706 344,97	345 706 344,97	345 706 344,97
Deposits	30 507 042,11	30 507 042,11	30 507 042,11
Other investments	792 235,20	792 235,20	801 124,34
	<u>6 046 645 742,53</u>	<u>6 046 645 742,53</u>	<u>6 525 014 174,89</u>
Deposits with ceding undertakings	706 068,57	706 068,57	706 068,57
	<u>7 161 472 149,44</u>	<u>7 185 773 525,71</u>	<u>7 897 457 568,20</u>
The remaining acquisition cost of debt securities includes:			
Difference between the nominal value and acquisition cost released (+) or charged (-) to interest income			<u>-12 966 511,95</u>
Book value comprises			
Revaluations released to income		24 301 376,27	
Other revaluations		<u>0,00</u>	<u>24 301 376,27</u>
Difference in valuation (difference between current value and book value)			<u>711 684 042,49</u>

## K5.2. Difference between fair value and book value of non-hedging derivatives

Derivative contracts	Remaining acquisition cost	Book value	Current value
Other debtors			
Assets pledged as security for derivatives	1 050 000,00	1 050 000,00	1 050 000,00
Other creditors			
Other deferred income and credits			
Futures and forward contracts	-1 252 946,31	-1 252 946,31	-1 067 395,38
	<u>-202 946,31</u>	<u>-202 946,31</u>	<u>-17 395,38</u>
Difference in valuation (difference between current value and book value)			<u>185 550,93</u>

## K6. Real estate investments

### Changes in real estate investments:

2016

	Real estate and shares in real estate
Acquisition cost on 1 Jan.	971 369 540,90
Increase	4 380 167,06
Decrease	0,00
Transfers between items	84 231 677,09
Acquisition cost on 31 Dec.	<u>1 059 981 385,05</u>
Accumulated depreciation on 1 Jan.	-61 280 731,14
Accumulated depreciation related to deductions and transfers	0,00
Depreciation for the financial year	-19 793 746,24
Accumulated depreciation on 31 Dec.	<u>-81 074 477,38</u>
Value adjustments on 1 Jan.	-35 178 796,64
Value adjustments related to deductions and transfers	0,00
Value adjustments for the financial year	-6 954 383,62
Value readjustments	0,00
Value adjustments on 31 Dec.	<u>-42 133 180,26</u>
Revaluations on 1 Jan.	26 184 376,27
Increase	0,00
Decrease	-1 883 000,00
Transfers between items	0,00
Revaluations on 31 Dec.	<u>24 301 376,27</u>
Book value on 31 Dec.	<u><u>961 075 103,68</u></u>

### Real estate and shares in real estate occupied for own activities

2016

Remaining acquisition cost	16 569 651,72
Book value	36 839 263,89
Current value	36 839 263,89



## K7. Investments in Group companies and participating interests

	2016
<b>Shares and holdings in group companies</b>	
Acquisition cost on 1 Jan.	7 061 668,18
Acquisition cost on 31 Dec.	7 061 668,18
Book value on 31 Dec.	7 061 668,18
<b>Shares and holdings in participating interests</b>	
Acquisition cost on 1 Jan.	169 308 140,21
Increase	66 434 155,55
Acquisition cost on 31 Dec.	235 742 295,76
Value adjustments on 1 Jan.	-63 698 505,20
Value adjustments for the financial year	-13 758 847,82
Value adjustments on 31 Dec.	-77 457 353,02
Book value on 31 Dec.	158 284 942,74
<b>Debt securities issued by and loans to participating interests</b>	
Acquisition cost on 1 Jan.	4 300 000,00
Increase	8 000 000,00
Decrease	-300 000,00
Acquisition cost on 31 Dec.	12 000 000,00
Book value on 31 Dec.	12 000 000,00
<b>Total</b>	177 346 610,92

## K7.1. Investments in Group companies

Shares and holdings	Domicile	31.12.2016		
		Share of stocks (%)	Equity	Profit/loss for the financial year
Vakuutusneuvonta Aura Oy	Espoo	66,67 %	10 729,40	0,00
Vakuutusneuvonta Pohja Oy	Espoo	66,67 %	10 672,17	0,00
Aura-Karelia Oy	Espoo	100,00 %	156 777,52	-8 563,33
Kestap Ky	Espoo	100,00 %	8 571,02	0,00
LähiTapiola KR PK2 Ky -konserni	Espoo	100,00 %	21 109 491,63	-235 041,45
LähiTapiola Palvelut Oy	Espoo	100,00 %	18 009 833,34	844 406,06
LähiTapiola Pääomasijoitus GP Oy	Espoo	100,00 %	817,96	-47,33
LähiTapiola Pääomasijoitus I Ky	Espoo	100,00 %	54 401 226,75	-265 857,25
LähiTapiola Pääomasijoitus II GP Oy	Espoo	100,00 %	2 494,95	-5,05
LähiTapiola Tontit GP I Oy	Espoo	97,56 %	102 443,59	3 205,25
LähiTapiola Tontit I Ky	Espoo	92,68 %	43 120 555,38	1 904 541,10
LähiTapiola Varainhoito Oy	Espoo	100,00 %	22 382 004,23	4 279 075,80
LähiTapiola Velkasijoitus I GP Oy	Espoo	100,00 %	2 494,95	-5,05
LähiTapiola Lännen Keskinäinen Vakuutusyhtiö	Rauma	100,00 %	26 152 000,20	4 190 097,02
LähiTapiola Satakunta Keskinäinen Vakuutusyhtiö	Pori	100,00 %	11 929 564,10	1 897 899,72
LähiTapiola Pohjoinen Keskinäinen Vakuutusyhtiö	Oulu	100,00 %	34 690 948,01	8 884 758,64
LähiTapiola Etelä Keskinäinen Keskinäinen Vakuutusyhtiö	Salo	100,00 %	25 871 490,50	5 532 476,62
LähiTapiola Vellamo Keskinäinen Vakuutusyhtiö	Lahti	100,00 %	21 171 008,90	5 750 735,12
LähiTapiola Keski-Suomi Keskinäinen Vakuutusyhtiö	Jyväskylä	100,00 %	18 546 403,01	4 212 061,19
LähiTapiola Savo Keskinäinen Vakuutusyhtiö	Kuopio	100,00 %	25 109 700,48	3 352 541,68
LähiTapiola Kaakkois-Suomi Keskinäinen Vakuutusyhtiö	Lappeenranta	100,00 %	21 051 301,78	4 524 804,87
LähiTapiola Itä Keskinäinen Vakuutusyhtiö	Iisalmi	100,00 %	35 116 793,98	4 153 848,08
LähiTapiola Uusimaa Keskinäinen Vakuutusyhtiö	Porvoo	100,00 %	25 480 533,80	4 816 543,37
LähiTapiola Etelä-Pohjanmaa Keskinäinen Vakuutusyhtiö	Seinäjoki	100,00 %	20 475 738,27	4 956 470,18
LähiTapiola Pääkaupunkiseutu Keskinäinen Vakuutusyhtiö	Helsinki	100,00 %	42 901 075,89	628 416,95
LähiTapiola Loimi-Häme Keskinäinen Vakuutusyhtiö	Loimaa	100,00 %	8 659 076,89	1 436 292,55
LähiTapiola Etelärannikko Keskinäinen Vakuutusyhtiö	Parainen	100,00 %	6 522 220,80	1 013 423,68
LähiTapiola Pirkanmaa Keskinäinen Vakuutusyhtiö	Tampere	100,00 %	20 459 047,32	3 977 845,86
LähiTapiola Lappi Keskinäinen Keskinäinen Vakuutusyhtiö	Rovaniemi	100,00 %	10 146 054,17	613 094,11
LähiTapiola Pohjanmaa Keskinäinen Vakuutusyhtiö	Vaasa	100,00 %	25 998 268,74	4 415 579,47
LähiTapiola Kainuu - Koillismaa	Kajaani	100,00 %	11 271 977,22	3 554 257,80
LähiTapiola Varsinais-Suomi	Turku	100,00 %	21 606 117,18	2 405 437,83
LähiTapiola Savo-Karjala	Mikkeli	100,00 %	17 527 643,20	1 729 306,28
LähiTapiola Keskinäinen Henkivakuutusyhtiö	Espoo	100,00 %	362 775 542,48	59 954 650,40
LähiTapiola Kiinteistövarainhoito Oy -konserni	Espoo	100,00 %	9 916 722,73	2 685 825,54
Omre Oy	Espoo	100,00 %	7 849,22	0,00
Tapiolan Revontuli Oy	Espoo	100,00 %	48 741,37	2 470,61
Tietotyö Oy	Espoo	100,00 %	846 274,02	1 177,32
Tieto-Tapiola Oy -konserni	Espoo	100,00 %	3 006 494,08	1 263 287,92
LTC-Otso Oy	Helsinki	60,00 %	7 131 801,17	3 471 017,69
Akapo-Leasing Oy	Espoo	100,00 %	11 882,49	0,00
Keskinäinen Vakuutusyhtiö Turva, (not consolidated into the Group)	Tampere	75,79 %	35 463 119,93	2 485 489,98
Total			1 009 213 504,82	148 431 519,23

In addition, 73 housing associations and real estate companies are integrated into the consolidated financial statements of LocalTapiola Group.

## K7.2. Investments in participating interests

### Shares and holdings

	Domicile	Share of stocks (%)	31.12.2016	
			Equity	Profit/loss for the financial year
Project-IT Oy	Lohja	25,00 %	1 330 013,05	830 635,54
Seligson & Co Oy	Helsinki	26,11 %	10 205 280,34	1 480 002,97
Pihlajalinna Oy	Tampere	23,42 %	97 769 631,24	8 048 602,15
S-Pankki Oy	Helsinki	23,50 %	401 428 095,13	18 403 918,85
Total			510 733 019,76	28 763 159,51

In addition, 2 housing associations are integrated into the consolidated financial statements of LocalTapiola Group as participating interests.

### K7.3. Other investments

		31.12.2016			
	Share of stocks %	Number	Book value	Current value	Home country
Finnish companies, listed					
Amer- Sports Oyj	0,31	372 050,00	2 633 722,57	9 405 424,00	Finland
Fortum Oyj	0,00	42 680,00	621 847,60	621 847,60	Finland
Huhtamäki Oyj	0,32	346 160,00	11 336 155,49	12 212 524,80	Finland
Ilkka-Yhtymä Oyj	0,98	252 786,00	738 044,04	739 941,06	Finland
Kemira Oyj	0,15	227 600,00	2 521 842,84	2 760 788,00	Finland
Kone Oyj B	0,07	383 576,00	8 503 908,54	16 328 830,32	Finland
Nokia Oyj	0,04	2 312 242,00	10 608 566,30	10 608 566,30	Finland
Outokumpu Oyj	0,02	66 379,00	564 553,40	564 553,40	Finland
Stockmann Oyj B	0,41	292 042,00	2 061 816,52	2 061 816,52	Finland
Stora Enso	0,18	1 448 000,00	11 725 909,50	14 784 080,00	Finland
Suomen Hoivatilat Oyj	1,44	298 616,00	844 427,44	2 484 485,12	Finland
UPM-Kymmene Oyj	0,01	53 272,00	617 692,05	1 243 368,48	Finland
Vaisala Oyj A	1,59	289 111,00	6 993 493,65	9 743 040,70	Finland
Wulff-Yhtiöt Oyj	6,22	411 100,00	563 207,00	563 207,00	Finland
Other		1 782 552,00	2 793 224,61	4 221 129,33	
Total		8 578 166,00	63 128 411,55	88 343 602,63	
Finnish companies, non-listed					
Autovahinkokeskus Oy	18,83	1 356,00	570 157,07	570 157,07	Finland
Diacor terveystalvelut Oy	12,50	2 813,00	11 684 000,00	11 684 000,00	Finland
Keski-Pohjanmaan Kirjapaino Oyj A	7,56	32 000,00	699 661,77	825 600,00	Finland
PPG Rahoitus Oy	10,00	115,00	629 216,93	629 216,93	Finland
Rederiaktiebolaget Eckerö 1 sid.	1,69	33 920,00	866 291,25	1 356 800,00	Finland
Visedo Oy C	7,80	291 906,00	1 999 993,96	1 999 993,96	Finland
Other		36 886 187,63	6 150 862,86	6 358 596,87	
Total		37 248 297,63	22 600 183,84	23 424 364,83	
Foreign companies, listed					
ABB Ltd	0,02	369 000,00	5 847 959,71	7 380 687,22	Switzerland
AbbVie Inc	0,01	209 000,00	11 108 467,21	12 415 880,85	United States (USA)
Adecco SA	0,11	180 000,00	11 171 431,23	11 171 431,23	Switzerland
Allstate Corp/The	0,04	160 000,00	9 751 184,15	11 250 545,49	United States (USA)
Amazon.com Inc	0,00	13 000,00	9 247 993,55	9 247 993,55	United States (USA)
AstraZeneca PLC	0,02	196 000,00	10 158 494,71	10 158 494,71	Great Britain
Automatic Data Processing Inc	0,03	118 000,00	9 510 168,21	11 505 587,71	United States (USA)
Axa Sa	0,02	499 000,00	9 908 283,72	11 968 515,00	France
BASF SE	0,01	94 000,00	6 402 029,26	8 301 140,00	Germany
Bayer AG	0,01	95 000,00	7 079 491,23	9 417 350,00	Germany
BorgWarner Inc	0,10	220 000,00	7 243 618,03	8 231 477,09	United States (USA)
Bunzl PLC	0,10	350 000,00	8 621 434,75	8 621 434,75	Great Britain
Carl Zeiss Meditec AG	0,32	260 885,00	4 318 830,26	9 130 975,00	Germany
Cellnex Telecom SAU	0,21	490 000,00	6 695 850,00	6 695 850,00	Spain
Cognizant Technology Solutions Corp	0,03	203 000,00	10 708 267,83	10 790 332,98	United States (USA)
Compass Group PLC	0,03	570 000,00	8 576 984,40	9 992 875,33	Great Britain
Continental Ag	0,03	55 000,00	10 103 500,00	10 103 500,00	Germany
Danske Bank A/S	0,04	441 000,00	10 922 064,83	12 706 095,99	Denmark
Deutsche Telekom AG	0,01	632 000,00	10 089 292,61	10 336 360,00	Germany
East West Bancorp Inc	0,19	272 000,00	8 901 732,37	13 116 174,94	United States (USA)
F5 Networks Inc	0,12	77 000,00	7 786 146,02	10 571 520,73	United States (USA)
Gemalto NV	0,14	128 800,00	7 073 696,00	7 073 696,00	France
Heineken Nv	0,03	172 000,00	11 476 492,66	12 256 720,00	Netherlands

Henkel Kgaa -Vorzug	0,06	113 000,00	11 454 176,00	12 797 250,00	Germany
Hennes & Mauritz Ab B	0,02	358 000,00	7 700 458,78	9 496 697,20	Sweden
Honeywell International Inc	0,01	102 000,00	9 159 698,68	11 210 226,73	United States (USA)
ING Groep NV	0,02	960 000,00	11 348 910,66	12 835 200,00	Netherlands
Innogy SE	0,04	200 000,00	6 602 000,00	6 602 000,00	Germany
Kroger Co/The	0,03	330 000,00	10 008 803,71	10 803 813,68	United States (USA)
Lloyds Tsb Group Plc	0,02	13 426 000,00	9 802 369,36	9 802 369,36	Great Britain
Medtronic Inc	0,01	151 700,00	8 065 085,29	10 251 011,29	Ireland
National Grid PLC	0,02	938 000,00	8 267 243,38	10 425 387,18	Great Britain
Nordea Bank Ab	0,01	294 210,00	2 867 331,24	3 118 626,00	Sweden
Novartis Ag	0,01	157 743,00	10 865 059,17	10 884 399,19	Switzerland
PepsiCo Inc	0,01	139 000,00	8 264 267,51	13 797 144,49	United States (USA)
SGS SA	0,07	5 470,00	9 748 965,15	10 553 906,32	Switzerland
Schlumberger Ltd	0,01	125 000,00	8 791 574,91	9 955 175,04	Curaçao
Snap-on Inc	0,13	75 000,00	10 534 594,32	12 185 988,05	United States (USA)
TeliaSonera Ab	0,06	2 571 133,00	9 857 723,92	9 857 723,92	Sweden
Total Sa	0,01	261 803,00	11 755 648,63	12 755 042,16	France
Unilever Nv -CVA	0,02	281 000,00	9 980 725,33	10 991 315,00	Netherlands
United Technologies Corp	0,01	103 000,00	6 652 534,24	10 711 374,63	United States (USA)
Visa Inc	0,01	130 000,00	9 622 047,24	9 622 047,24	United States (USA)
Vodafone Group Plc	0,01	3 730 000,00	8 706 586,23	8 706 586,23	Great Britain
WPP PLC	0,04	462 000,00	5 618 919,95	9 799 247,83	Great Britain
Other		9 981,00	664 273,60	2 598 053,54	

<b>Total</b>		<b>30 728 725,00</b>	<b>399 042 410,04</b>	<b>462 205 223,65</b>	
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#### Foreign companies, non-listed

<b>European Alliance Partners Company AG</b>	12,73	9 248,00	768 146,84	1 085 882,74	Sveitsi
<b>Other</b>		982 501,00	168 904,65	168 904,65	

<b>Total</b>		<b>991 749,00</b>	<b>937 051,49</b>	<b>1 254 787,39</b>	
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#### Mutual Funds

Amundi ETF MSCI EM Asia UCITS ETF		11 944 446,35	12 552 145,50	France
Amundi ETF MSCI Emerging Markets UCITS ETF		26 312 767,49	26 886 276,20	France
Amundi ETF S&P 500 UCITS ETF		17 986 134,01	19 566 006,20	Luxembourg
BNP Paribas FPS FPE		30 000 000,00	30 272 917,07	France
BNP Paribas Global Senior Corporate Loans		61 977 560,20	61 977 560,20	France
DB X-TRACKERS II IBOX CORP		2 064 702,71	2 212 031,80	Germany
DB X-Trackers iTraxx Europe 5y Index ETF		700 525,97	732 125,00	Germany
ISAM Systematic Trend (Class Q)		9 915 269,52	9 985 393,22	Cayman Islands
Ishares Barclays Capital Euro Corporate Bond 1-5		10 924 844,58	11 095 635,85	Ireland
Lynx Fund		9 890 681,94	9 940 123,44	Sweden
LähiTapiola Aasia-Tyynimeri A		24 333 745,33	30 079 819,94	Finland
LähiTapiola Aasia-Tyynimeri B		840 319,72	918 746,57	Finland
LähiTapiola Eurooppa A		21 330 858,77	25 003 712,56	Finland
LähiTapiola Eurooppa B		1 249 265,68	1 294 574,83	Finland
LähiTapiola High Yield A		164 371 133,74	210 656 592,78	Finland
LähiTapiola High Yield B		2 467 701,54	3 100 729,77	Finland
LähiTapiola Hyvinvointi A		24 621 066,81	43 914 788,47	Finland
LähiTapiola Hyvinvointi B		748 601,42	1 045 779,40	Finland
LähiTapiola Infra A		19 857 560,23	27 801 030,37	Finland
LähiTapiola Japani A		21 439 335,67	26 286 759,19	Finland
LähiTapiola Kassakorko A		1 998 910,48	1 998 910,48	Finland
LähiTapiola Kasvu A		17 756 876,39	23 012 328,31	Finland
LähiTapiola Kehittyvät Korkomarkkinat A		196 126 074,43	206 564 654,21	Finland
LähiTapiola Kehittyvät Korkomarkkinat B		5 779 141,55	5 866 021,62	Finland
LähiTapiola Kehittyvät Markkinat A		42 259 993,24	50 891 782,65	Finland
LähiTapiola Kehittyvät Markkinat B		557 205,96	557 205,96	Finland

LähiTapiola Korkomaailma A	62 210 517,81	73 262 082,09 Finland
LähiTapiola Korkomaailma B	2 772 082,05	2 968 491,40 Finland
LähiTapiola Kuluttaja A	14 889 931,13	26 529 293,25 Finland
LähiTapiola Lyhytkorko A	29 046 182,04	29 477 660,23 Finland
LähiTapiola Osinko A	20 519 634,16	29 120 814,34 Finland
LähiTapiola Osinko Suomi A	8 260 533,37	12 184 678,82 Finland
LähiTapiola Pitkäkorko A	31 356 958,42	34 885 505,89 Finland
LähiTapiola Pitkäkorko B	2 229 070,55	2 364 828,20 Finland
LähiTapiola Pohjoinen Yrityskorko A	137 989 024,30	153 649 392,85 Finland
LähiTapiola Pohjoinen Yrityskorko B	6 567 613,56	6 743 041,38 Finland
LähiTapiola Skandinavia A	26 166 670,63	27 589 300,55 Finland
LähiTapiola Suoja A	40 263 866,47	42 838 958,14 Finland
LähiTapiola USA A	36 957 757,33	62 605 021,33 Finland
LähiTapiola USA B	645 961,35	938 794,76 Finland
LähiTapiola Yrityskorko A	173 710 229,46	203 443 037,10 Finland
LähiTapiola Yrityskorko B	5 719 759,86	6 380 010,46 Finland
Muzinich High Yield Short Duration R	548 964,37	620 166,30 Ireland
Natixis Loomis Sayles Senior Loan Fund	20 000 000,00	21 842 140,12 Luxembourg
OP-High Yield A	653 878,70	1 001 611,27 Finland
Pimco Socially Responsible EM Bond Fund I-EUR HA	59 283 143,40	62 718 426,31 Ireland
Robeco Lux-o-rente I EUR	1 758 480,05	2 664 093,77 Luxembourg
SEB Global High Yield B	501 819,37	825 101,26 Finland
Seligson Euro Corporate Bond	12 849 999,99	13 713 733,08 Finland
Seligson Euro Corporate Bond B	882 605,04	882 605,04 Finland
Seligson OMX Helsinki 25 -indeksiosuus	505 694,48	686 810,00 Finland
Seligson Rahamarkkina AAA	2 000 000,00	2 000 158,83 Finland
Transtrend Fund Alliance - OmniTrend (EUR)	10 000 000,00	10 354 712,82 Luxembourg
UBAM - Euro 10-40 Convertible Bond	29 029 308,02	29 642 883,60 Luxembourg
Winton Diversified Fund Lux-B Eur May 2016 series	10 000 000,00	10 015 097,30 Luxembourg
Winton Diversified Fund Lux-B Eur Oct 2016 series1	7 660 000,00	7 714 957,29 Luxembourg
eQ Hoivakiinteistöt	1 125 011,72	1 162 680,26 Finland
iShares Barclays Capital Euro Corporate Bond	42 902 059,20	43 659 231,55 Ireland
iShares Barclays Euro Corporate Bond IR Hedged	1 874 691,63	1 874 691,63 Ireland
iShares Core MSCI Emerging Markets IMI UCITS ETF	10 114 217,47	10 131 420,00 Germany
iShares Euro Corp Bnd ex-fin	39 123 515,04	39 593 009,16 Ireland
iShares JPM Emerging Market Bond	2 935 931,40	2 935 931,40 Ireland
iShares STOXX Europe 600 (DE)	3 629 297,95	3 645 517,00 Germany
Ålandsbanken Asuntorahasto C	500 000,00	515 438,03 Finland
Ålandsbanken Tonttirahasto Erik.sij.rahasto A-laji	500 000,00	500 670,30 Finland
Other	6 638 809,76	10 432 303,54

**Total**

**1 591 777 943,81    1 838 327 952,24**

**Capital Mutual Funds**

AXA LBO Fund IV Supplementary FCPR	889 650,00	3 093 307,36 France
AXA LBO Fund V Core	13 976 381,42	17 732 612,00 France
AXA LBO Fund V Supplementary	3 764 900,00	3 764 900,00 France
AXA Secondary Fund V L.P.	1 052 423,87	6 091 493,22 Jersey
Aberdeen European Shopping Property Fund SICAV	1 610 524,33	1 610 524,33 Luxembourg
Aberdeen Property Fund Finland I Ky	24 940 803,58	24 940 803,58 Finland
Aberdeen Property Funds SICAV Pan-Nordic	8 386 605,70	8 386 605,70 Luxembourg
Altor Fund II (No. 1) Limited Partnership	1 832 569,00	1 832 569,00 Jersey
Altor Fund III	7 838 455,96	7 838 455,96 Jersey
Altor Fund IV (No.2) AB	4 288 178,98	4 288 178,98 Sweden
Amanda III Eastern Private Equity L.P.	1 149 509,39	1 223 090,43 Finland
Amanda V East L.P.	2 729 997,00	2 729 997,00 Finland
Apax Europe VII - B, L.P.	6 624 994,54	6 624 994,54 Great Britain
Apax VIII - A L.P.	18 294 753,32	22 945 106,66 Guernsey
Armada Mezzanine IV Ky	4 325 507,86	4 427 495,94 Finland
Beechbrook Mezzanine II L.P.	11 611 904,72	11 611 904,72 Great Britain
Beechbrook Private Debt III L.P.	2 481 002,42	2 481 002,42 Great Britain
Beechbrook UK SME Credit I L.P.	4 242 576,16	4 242 576,16 Great Britain



BlackRock Europe Property Fund III	793 745,04	793 745,04	Great Britain
Bowmark Capital Partners IV, L.P.	5 545 449,35	7 939 360,88	Great Britain
Bowmark Capital Partners V, L.P.	4 819 068,42	4 819 068,42	Great Britain
Bridgepoint Europe III, L.P.	3 685 232,00	3 685 232,00	Great Britain
Bridgepoint Europe IV F L.P.	6 814 185,35	7 732 168,33	Great Britain
Bridgepoint Europe V A L.P.	5 626 205,60	5 659 702,00	Great Britain
CapMan Hotels RE Ky	4 474 750,91	5 004 672,39	Finland
CapMan RE II Ky	4 077 713,00	4 077 713,00	Finland
CapMan Real Estate I Ky	1 230 725,00	1 230 725,00	Finland
Capvis Equity III L.P.	4 331 400,00	4 331 400,00	Jersey
Capvis Equity IV LP	3 335 677,78	3 335 677,78	Jersey
Crescent Mezzanine Partners VI, L.P.	23 767 063,64	30 555 279,38	United States (USA)
Dasos Timberland Fund II	20 680 572,64	20 894 000,17	Luxembourg
European Added Value Fund, L.P.	2 473 495,91	2 473 495,91	Great Britain
FPCI Indigo Capital	12 182 546,50	12 380 062,86	France
FSN Capital V L.P.	1 302 733,10	1 302 733,10	Jersey
Gresham 4A	1 219 369,76	1 219 369,76	Great Britain
ICECAPITAL Residential Property Fund I Ky	10 500 000,00	11 468 462,53	Finland
ICG Europe Fund V	28 966 379,86	33 407 613,00	Jersey
ICG Senior Debt Partners Fund	21 041 057,11	21 041 057,11	Luxembourg
ICG Senior Debt Partners Fund 2	15 843 721,02	15 949 243,39	Luxembourg
ICG-Longbow UK Real Estate Debt Investments III S.á.r.l.	25 553 904,80	25 553 904,80	Luxembourg
Indigo Capital V L.P.	1 789 560,04	1 789 560,04	Great Britain
Industri Kapital 2007 Limited Partnership III	2 469 768,46	2 469 768,46	Jersey
Juuri Rahasto I Ky	3 153 693,54	3 153 693,54	Finland
KSK Parking I Ky	14 400 000,00	14 400 000,00	Finland
KSK Redi Ky	21 600 000,00	21 600 000,00	Finland
Lindsay Goldberg III L.P.	13 102 319,57	16 197 634,95	United States (USA)
Lounais-Suomen Kiinteistösihtti Ky	864 000,00	864 000,00	Finland
LähiTapiola Asuntorahasto Prime Ky	39 275 878,92	40 959 545,79	Finland
LähiTapiola Asuntosihtti Suomi Ky	56 167 872,02	58 891 451,87	Finland
M&G Real Estate Debt Fund II, L.P.	18 241 538,34	18 241 538,34	Guernsey
MB Equity Fund IV Ky	9 454 402,44	13 190 159,00	Finland
MezzVest Co-Invest III, L.P.	4 916 442,60	5 101 412,00	Jersey
MezzVest III, L.P.	19 801 624,86	20 404 262,12	Jersey
NB Private Debt Fund II LP	8 771 682,00	8 771 682,00	United States (USA)
NB Private Equity Credit Opportunities Fund LP	3 197 624,94	3 590 114,78	United States (USA)
NegaWatt Energiatehokkuusrahasto 2 Ky	1 737 728,60	1 737 728,60	Finland
Nexit INFOCOM II L.P.	8 476 975,02	8 476 975,02	Guernsey
Nordic Mezzanine Fund III Limited Partnership	7 082 287,55	7 953 986,54	Great Britain
PBW II Real Estate Fund S.A.	6 550 000,00	6 550 000,00	Luxembourg
Partners Group U.S. Venture 2004, L.P.	3 068 911,43	4 043 777,55	United States (USA)
Real Estate Debt & Secondaries Ky	6 697 821,90	7 142 669,66	Finland
Real Estate Fund of Funds II Ky	1 886 204,97	2 360 127,49	Finland
Russian and Baltics Retail Properties Ky	9 920 000,00	9 920 000,00	Finland
Siguler Guff Small Business Credit Opportunities Fund LP	9 243 904,76	9 243 904,76	United States (USA)
TPG Partners VI, LP	21 522 903,85	28 533 215,06	United States (USA)
TPG Partners VII, L.P.	5 803 501,58	6 050 671,66	United States (USA)
Tapiola KR I Ky	40 578 561,13	40 578 561,13	Finland
Tapiola KR III Ky	88 668 279,73	88 668 279,73	Finland
Tapiola KR IV Ky	909 495,75	4 854 473,71	Finland
The Fourth Cinven Fund (No. 4) Limited Partnership	2 303 844,00	2 303 844,00	Great Britain
The Triton Fund III L.P.	10 730 449,00	11 172 003,32	Jersey
Tikehau Direct Lending III	11 815 528,40	11 839 742,44	Luxembourg
Top Tier Venture Capital III, L.P.	4 610 033,26	4 610 033,26	United States (USA)
Top Tier Venture Capital IV, L.P.	5 733 327,33	10 789 948,72	United States (USA)
TuuliTapiola Ky	11 093 109,20	11 093 109,20	Finland
VSS Structured Capital Parallel III, L.P.	4 943 665,68	4 943 665,68	United States (USA)
Verdane ETF III SPV K/S	662 238,00	662 238,00	Denmark
WasaGroup Fund I Ky	1 379 761,91	1 453 813,22	Finland
WasaGroup Fund II Ky	1 000 000,00	1 201 630,03	Finland
WasaGroup Fund III Ky	2 550 000,00	2 553 663,07	Finland
eQ PE VIII North LP	575 086,00	575 086,00	Finland
Other	61 282 144,04	70 655 211,02	
<b>Total</b>	<b>876 337 905,86</b>	<b>950 313 486,61</b>	
<b>Total other investments, shares and holdings</b>	<b>2 953 823 906,59</b>	<b>3 363 869 417,35</b>	

## K7.4. Assets held to cover linked liabilities

Security	31.12.2016	
	Book value	Current value Home country
Aspo Oyj	785 280,00	785 280,00 Finland
Fortum Oyj	1 054 736,87	1 054 736,87 Finland
Kesko B	557 177,80	557 177,80 Finland
Kone B	627 226,38	627 226,38 Finland
Neste Oil Oyj	504 393,50	504 393,50 Finland
Nokia Oyj	2 179 676,80	2 179 676,80 Finland
Nordea	2 240 846,10	2 240 846,10 Finland
Outokumpu Oyj	502 441,39	502 441,39 Finland
Outotec Oyj	572 183,04	572 183,04 Finland
Privanet Group Oyj	1 016 636,00	1 016 636,00 Finland
Sampo Oyj A	1 240 135,62	1 240 135,62 Finland
Statoil ASA	541 101,14	541 101,14 Norway
Stora Enso Oyj R	644 383,73	644 383,73 Finland
Telia Company Ab	823 128,07	823 128,07 Finland
UPM-Kymmene Oyj	710 773,02	710 773,02 Finland
Other	15 202 662,33	15 202 662,33
<b>Total</b>	<b>29 202 781,79</b>	<b>29 202 781,79</b>
<b>Mutual funds</b>		
BSF Multi-Manager Alt. Strat. Fund I2 EUR Hedged	7 773 541,55	7 773 541,55 Luxembourg
DB X-Trackers Euro Stoxx 50 ETF DR	4 952 061,61	4 952 061,61 Germany
EAI Residential asuntorahasto 2015	1 146 960,00	1 146 960,00 Finland
eQ Euro Investment Grade 1 K	1 210 847,80	1 210 847,80 Finland
eQ Eurooppa Osinko 1 K	504 815,14	504 815,14 Finland
eQ High Yield 1 K	1 014 368,00	1 014 368,00 Finland
eQ Hoivakiinteistöt 1 T	13 578 406,98	13 578 406,98 Finland
eQ Kehittyvä Aasia 1 K	728 464,30	728 464,30 Finland
eQ Kehittyvät Markkinat Osinko 1 K	2 015 798,43	2 015 798,43 Finland
eQ Liikekiinteistöt 1 T	12 687 074,90	12 687 074,90 Finland
eQ Mandaatti 2 K	529 263,84	529 263,84 Finland
eQ Rahamarkkina 1 K	519 904,29	519 904,29 Finland
eQ USA Indeks 1 K	1 159 114,00	1 159 114,00 Finland
Evli Emerging Frontier B	5 657 618,42	5 657 618,42 Finland
Evli Eurooppa B	14 894 956,78	14 894 956,78 Finland
Evli GEM B	6 671 869,66	6 671 869,66 Finland
Evli High Yield Yrityslaina B	31 123 342,26	31 123 342,26 Finland
Evli Investment Grade Yrityslaina B	1 904 577,04	1 904 577,04 Finland
Evli Kehittyvät Markkinat Yrityslaina B	12 627 257,84	12 627 257,84 Finland
Evli Likvidi B	4 581 805,81	4 581 805,81 Finland
Evli Lyhyt Yrityslaina B	44 342 435,69	44 342 435,69 Finland
Evli Maa- ja metsä B	782 084,77	782 084,77 Finland
Evli Osakefaktori Eurooppa B	7 828 068,98	7 828 068,98 Finland
Evli Osakefaktori USA B	8 321 037,41	8 321 037,41 Finland
Evli Pohjois-Amerikka B	1 150 146,65	1 150 146,65 Finland
Evli Pohjoismaat B	3 181 357,20	3 181 357,20 Finland
Evli Ruotsi Pienyhtiöt B	3 716 632,27	3 716 632,27 Finland
Evli Suomi Pienyhtiöt B	6 481 551,65	6 481 551,65 Finland
Evli Taktinen Alfa-Korko B	3 265 324,92	3 265 324,92 Finland
Evli Varainhoito 40 B	675 323,92	675 323,92 Finland
Evli Varainhoito 75 B	1 987 687,83	1 987 687,83 Finland
Hysesrättsfonden 3 BTA PR 140826	2 129 147,40	2 129 147,40 Sweden
Invesco Pan European Structured Equity Acc EUR	5 359 666,78	5 359 666,78 Luxembourg
iShares \$ HY Corporate Bond	642 227,50	642 227,50 Luxembourg
iShares \$ Short Duration HY Corporate Bond UCITS	541 755,15	541 755,15 United States (USA)
iShares Core S&P 500 UCITS ETF	14 297 022,06	14 297 022,06 Germany
JPM Emerging Markets Small Cap Acc EUR	5 805 142,22	5 805 142,22 Luxembourg
Kiinteistösiirtokorot	16 444 890,98	16 444 890,98 Finland
Korkovarainhoitosalkku	5 461 761,04	5 461 761,04 Finland

LähiTapiola 2020 A	84 527 139,78	84 527 139,78 Finland
LähiTapiola 2025 A	146 069 628,52	146 069 628,52 Finland
LähiTapiola 2035 A	64 486 015,65	64 486 015,65 Finland
LähiTapiola 2045 A	15 578 155,51	15 578 155,51 Finland
LähiTapiola Aasia-Tyynimeri A	10 364 924,27	10 364 924,27 Finland
LähiTapiola Asuntosij. Suomi	5 980 011,12	5 980 011,12 Finland
LähiTapiola Asuntosijoitus	15 493 576,49	15 493 576,49 Finland
LähiTapiola Asuntosijoitus Prime	30 459 932,16	30 459 932,16 Finland
LähiTapiola Eurooppa A	25 680 408,57	25 680 408,57 Finland
LähiTapiola High Yield A	9 132 600,41	9 132 600,41 Finland
LähiTapiola Hyvinvointi A	27 020 149,83	27 020 149,83 Finland
LähiTapiola Indeksivarainh. 25	5 249 200,04	5 249 200,04 Finland
LähiTapiola Indeksivarainh. 50	6 070 976,11	6 070 976,11 Finland
LähiTapiola Infra A	5 216 399,59	5 216 399,59 Finland
LähiTapiola Japani A	2 161 224,45	2 161 224,45 Finland
LähiTapiola Kassakorko A	2 961 106,15	2 961 106,15 Finland
LähiTapiola Kasvu A	11 334 315,08	11 334 315,08 Finland
LähiTapiola Kehittyvät Korkomarkkinat A	5 224 094,18	5 224 094,18 Finland
LähiTapiola Kehittyvät Markkinat A	31 994 368,60	31 994 368,60 Finland
LähiTapiola Korko 100 A	1 385 536,98	1 385 536,98 Finland
LähiTapiola Korkomaailma A	39 693 195,52	39 693 195,52 Finland
LähiTapiola Kuluttaja A	22 958 556,93	22 958 556,93 Finland
LähiTapiola Lyhytkorko A	8 606 379,18	8 606 379,18 Finland
LähiTapiola Maailma 20 A	23 665 729,92	23 665 729,92 Finland
LähiTapiola Maailma 50 A	60 318 052,42	60 318 052,42 Finland
LähiTapiola Maailma 80 A	69 205 343,43	69 205 343,43 Finland
LähiTapiola Metsäsijoitus	3 288 083,36	3 288 083,36 Finland
LähiTapiola Momentum	10 589 037,07	10 589 037,07 Finland
LähiTapiola Osinko A	1 137 234,18	1 137 234,18 Finland
LähiTapiola Osinko Suomi A	14 333 336,28	14 333 336,28 Finland
LähiTapiola Pitkäkorko A	12 232 010,39	12 232 010,39 Finland
LähiTapiola Pohjoinen Yrityskorko A	3 678 259,36	3 678 259,36 Finland
LähiTapiola Skandinavia A	1 076 850,46	1 076 850,46 Finland
LähiTapiola Suoja A	1 501 521,95	1 501 521,95 Finland
LähiTapiola Tapiolan Keskus	2 081 710,88	2 081 710,88 Finland
LähiTapiola Toimitila	651 632,04	651 632,04 Finland
LähiTapiola USA A	10 923 944,79	10 923 944,79 Finland
LähiTapiola Viisas	20 471 446,61	20 471 446,61 Finland
LähiTapiola Vrh Nordic Plus	18 303 584,70	18 303 584,70 Finland
LähiTapiola Yrityskorko A	6 872 839,42	6 872 839,42 Finland
Osakevarainhoitosalkku	1 106 631,38	1 106 631,38 Finland
PYN Elite A - EUR	871 560,72	871 560,72 Finland
PYN ELITE ERIK.SIJ.RAHASTO	614 874,96	614 874,96 Finland
Seligson Aasia A	3 360 295,02	3 360 295,02 Finland
Seligson Euro-obligaatio	1 045 401,35	1 045 401,35 Finland
Seligson Eurooppa -indeksirahasto A	6 316 189,92	6 316 189,92 Finland
Seligson Glb Top 25 Brands -A	14 498 633,26	14 498 633,26 Finland
Seligson Global Top 25 Pharmaceuticals A	12 843 956,05	12 843 956,05 Finland
Seligson Phoebus - A	1 646 609,77	1 646 609,77 Finland
Seligson Phoenix A	1 026 908,97	1 026 908,97 Finland
Seligson Pohjois-Amerikka -indeksirahasto A	2 048 818,89	2 048 818,89 Finland
Seligson Rahamarkkina AAA	1 891 943,60	1 891 943,60 Finland
Seligson Russian Pros Euro A	9 759 213,45	9 759 213,45 Finland
Seligson Suomi-indeksirahasto	9 894 366,61	9 894 366,61 Finland
Slättö IV AB	3 131 099,12	3 131 099,12 Sweden
SPDR Gold Shares	577 217,64	577 217,64 United States (USA)
S-Sijoituskori Kohtuullinen	5 339 577,10	5 339 577,10 Finland
S-Sijoituskori Rohkea	566 738,55	566 738,55 Finland
S-Sijoituskori Varovainen	7 508 976,11	7 508 976,11 Finland
Suojavarainhoito 10	7 556 942,26	7 556 942,26 Finland
Suojavarainhoito 15	2 930 593,84	2 930 593,84 Finland
Suojavarainhoito 20	1 032 114,90	1 032 114,90 Finland
Suojavarainhoito 25	1 105 384,06	1 105 384,06 Finland
Suojavarainhoito 5	1 512 454,13	1 512 454,13 Finland
Suomi Plus -varainhoito	37 403 384,00	37 403 384,00 Finland

TOP-indeksivarainhoito 25	1 216 644,00	1 216 644,00 Finland
TOP-indeksivarainhoito 50	1 223 040,00	1 223 040,00 Finland
Varainhoito 100	24 561 185,02	24 561 185,02 Finland
Varainhoito 25	2 804 988,75	2 804 988,75 Finland
Varainhoito 50	8 740 627,08	8 740 627,08 Finland
Varainhoito 75	5 394 906,57	5 394 906,57 Finland
Varainhoitosalkku 10	64 876 345,02	64 876 345,02 Finland
Varainhoitosalkku 30	161 420 296,51	161 420 296,51 Finland
Varainhoitosalkku 50	83 895 609,74	83 895 609,74 Finland
Varainhoitosalkku 70	22 085 917,99	22 085 917,99 Finland
Varainhoitosalkku 90	2 277 081,08	2 277 081,08 Finland
Vauras 100	1 135 103,53	1 135 103,53 Finland
Vauras 25	73 531 252,36	73 531 252,36 Finland
Vauras 50	35 422 523,29	35 422 523,29 Finland
Vauras 75	5 617 419,91	5 617 419,91 Finland
Yksilöllinen varainhoito 30	19 956 901,93	19 956 901,93 Finland
Yksilöllinen varainhoito 50	2 026 360,00	2 026 360,00 Finland
Yrityslaina Plus	912 029,78	912 029,78 Finland
Ålandsbanken Asuntorahasto C	3 144 260,49	3 144 260,49 Finland
Ålandsbanken Cash Manager B	847 340,75	847 340,75 Finland
ÅLANDSBANKEN EURO BOND-B	875 811,54	875 811,54 Finland
Ålandsbanken Euro High Yield B	573 110,79	573 110,79 Finland
Ålandsbanken Europe Value B	554 966,52	554 966,52 Finland
Other	18 583 267,61	18 583 267,61

<b>Total</b>	<b>1 772 940 701,37</b>	<b>1 772 940 701,37</b>
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#### Debt security

Evli Eurooppa Bonus IV Sertifikaatti	540 450,00	540 450,00 Finland
Other	12 308 975,18	12 308 975,18

<b>Total</b>	<b>12 849 425,18</b>	<b>12 849 425,18</b>
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## K8. Other investments

### K8.1. Other loan receivables itemised by type of security

	2016
Bank guarantee	54 358,50
Insurance policy	353 149,72
Other security	216 408 880,00
Remaining acquisition cost	216 816 388,22
Unsecured, total remaining acquisition cost	128 889 956,75
Total other loan receivables	345 706 344,97

## K9. Changes in tangible and intangible assets

	31.12.2016	
	Intangible rights and other expenses with long-term effects	Goodwill
Acquisition cost on 1 Jan.	132 707 026,44	183 489,77
Increase	8 112 451,25	27 981,00
Acquisition cost on 31 Dec.	140 819 477,69	211 470,77
Accumulated depreciation on 1 J	-70 570 805,74	-36 535,94
Depreciation for the financial year	-21 884 519,31	-65 327,02
Accumulated depreciation on 31	-92 455 325,05	-101 862,96
Book value on 31 Dec.	48 364 152,64	109 607,81

	Machinery and equipment	Other tangible assets
Acquisition cost on 1 Jan.	57 846 742,95	2 691 568,56
Increase	5 639 273,85	818 232,61
Acquisition cost on 31 Dec.	63 486 016,80	3 509 801,17
Accumulated depreciation on 1 J	-46 768 444,27	-304 708,33
Depreciation for the financial year	-6 480 209,26	-144 246,72
Accumulated depreciation on 31	-53 248 653,53	-448 955,05
Book value on 31 Dec.	10 237 363,27	3 060 846,12

### K10.1. Assets held to cover unit-linked insurance policies

	2016	2016
	Original acquisition cost	Current value (=book value)
<i>Assets covering unit linked policies</i>		
Shares and holdings	1 380 984 689,03	1 802 143 483,45
Debt securities	12 695 454,18	12 849 424,89
Recovery from insurance premium mediators	134 007,89	134 007,89
Cash at bank and in hands	6 465 227,65	6 465 227,65
Accrued interest	150 852,40	150 852,40
<b>Total</b>	<b>1 400 430 231,15</b>	<b>1 821 742 996,28</b>
Investments acquired in advance	22 355 822,37	21 371 671,56
<b>Investments corresponding to the technical provisions for unit linked insurance</b>	<b>1 378 074 408,78</b>	<b>1 800 371 324,72</b>
Cash at bank and in hand, and other debtors includes net premiums for paid insurance policies valid at the closing of the accounts that have not yet been invested.	6 599 235,54	

### K11.1. Changes in capital and reserves

	1 Jan.	Increase	Decrease	31 Dec.
Initial reserve	8 641 380,35	0,00	0,00	8 641 380,35
Revaluation reserve	8 940 082,73	0,00	-21 580,32	8 918 502,41
Fair value reserve	2 356,40	0,00	-2 356,40	0,00
Security reserve	920 247 920,78	116 000 000,00	0,00	1 036 247 920,78
Contingency reserve	1 032 832,31	114 871,69	-199 000,00	948 704,00
The share of voluntary provisions and depreciation difference transferred to capital and reserves	2 572 124,88	443 473,05	0,00	3 015 597,93
Profit for previous accounting periods	111 117 649,37	0,00	-116 711 686,50	-5 594 037,13
Profit for the accounting period	0,00	288 986 518,13	0,00	288 986 518,13
Change in depreciation difference and voluntary provisions included in the profit for the accounting period	0,00	-531 548,73	0,00	-531 548,73
Share of the mutual insurance companies' result for the financial year included in the profit for the financial year	0,00	-124 914 926,92	0,00	-124 914 926,92
	0,00	163 540 042,48	0,00	163 540 042,48
Capital and reserves of the mutual insurance companies	493 958 184,42	124 707 326,30		618 665 510,72
<b>Total changes in capital and reserves</b>	<b>1 546 512 531,24</b>	<b>404 805 713,52</b>	<b>-116 934 623,22</b>	<b>1 834 383 621,54</b>

### K11.2. Itemisation of revaluation reserve

Revaluation reserve on 1 Jan.	8 940 082,73
Revaluation of fixed assets	-21 580,32
Revaluation reserve on 31 Dec.	8 918 502,41
<b>Total</b>	<b>8 918 502,41</b>

## K12. Accumulated appropriations

	2016
<b>Depreciation difference</b>	
Depreciation difference on 31 Dec.	<u>-3 306 753,10</u>
<b>Voluntary provisions</b>	
Residential building provision 31 Dec.	<u>-1 211 956,00</u>
Transition provision 31 Dec.	<u>-39 910,27</u>
Total voluntary provisions	-1 251 866,27
<b>Total accumulated appropriations</b>	<u>-4 558 619,37</u>
<b>Divided into</b>	
Capital and reserves	3 015 597,93
Minority interest	631 297,57
Deferred tax liabilities	911 723,87
Tax base	20,00 %

## K13. Provision for claims outstanding

	2016
Uncontested recourse receivables deducted from provisions for claims outstanding	
Statutory accident	<u>35 414 556,00</u>

## K14. Other obligatory provisions

	2016
Provision for interest on late payments for unfinished claims	2 947 000,16
Provision for unemployment security deductible	<u>1 369 895,88</u>
	<u>4 316 896,04</u>

## K15.1. Deferred tax assets

	2016
Temporary differences between taxable profit and accounting profit	<u>2 118 129,71</u>

## K15.2. Deferred tax liabilities

	2016
Deferred tax liabilities arising from the division of depreciation difference and provisions	911 723,85
	<u>911 723,85</u>

## K16. Receivables and liabilities

### K16.1. Itemisation of receivables

<b>Receivables from group companies</b>	2016
Other receivables	278 268,41
	<u>278 268,41</u>

### K16.2. Itemisation of liabilities

<b>Liabilities to group companies</b>	2016
Trade creditors	192,41
	<u>192,41</u>



## K17. Notes concerning guarantees and contingent liabilities

### Off-balance-sheet guarantees and contingent liabilities

Derivative contracts	2016
<b>Currency derivatives</b>	
<i>Forward and futures contracts, open</i>	
Underlying instrument	-174 649 838,62
Current value	-1 067 395,38
<b>Leasing liabilities</b>	
Amount to be paid in the current financial year	85 916,27
Amount to be paid in the coming years	<u>126 473,35</u>
	<u>212 389,62</u>
<b>Rent liabilities</b>	
Amount to be paid in the current financial year	9 645 725,23
Amount to be paid in the coming years	<u>20 655 142,24</u>
	<u>30 300 867,47</u>
<b>Value-added tax liabilities</b>	
<i>Joint liability relating to collective value-added tax registration</i>	
Group companies	19 804,82
Partner companies	<u>2 885 767,00</u>
	<u>2 905 571,82</u>
<i>Inspection responsibility of real estate investments under section 120 of the Value Added Tax Act</i>	
Company	2 013 147,11
Other companies of the group	<u>53 883 877,22</u>
	<u>55 897 024,33</u>
<b>Other commitments</b>	
Subscription commitments	654 311 002,78
Granted limit	<u>161 757 277,39</u>
	<u>816 068 280,17</u>

A joint liability agreement concluded between LocalTapiola General Mutual Insurance Company and regional mutual insurance companies. LocalTapiola group determines the principles for ensuring the solvency of the companies in the group.

## K18. Related party loans and transactions (Insurance Companies Act, Chapter 8, Section 11 and Accounting Ordinance, Chapter 2, Section 7b)

LocalTapiola General Mutual Insurance Company's related parties comprise the companies belonging, according to the Accounting Act, to the Group as well as the other companies in which LocalTapiola General has significant influence (further information concerning the companies is provided in Appendices K7.1 and K7.2 as well as in section LocalTapiola Group structure of the board's annual report). In addition to these companies, members of LocalTapiola General's supervisory board and board of directors, its managing director and acting managing director as well as members of the management group and persons responsible for functions of corporate governance and key functions of group governance as well as their close family members and companies where these persons exercise significant voting powers, are considered as related parties.

Loans granted to parties belonging to the insider register of LocalTapiola General Mutual Insurance Company

Subsidiaries	100 138 901,46
Associated undertakings and joint ventures	116 421 003,10
Key persons who are part of an organisation's or its parent company's management	0,00
Other parties who are insiders	<u>0,00</u>
	216 559 904,56

Normal credit terms are applied to related party loans. As a rule, the loan period is 10-40 years and the interest rate is fixed.

The company has not carried out related party transactions involving any other than conventional commercial terms and conditions.

The guarantees and contingent liabilities of LocalTapiola General Mutual Insurance Company in favour of LocalTapiola Group companies are presented in Appendix K17. No guarantees and contingent liabilities have been granted to other related parties.

Management's salaries and remunerations, pension commitments, monetary loans and terms thereof, as well as guarantees and contingent liabilities, are reported in Appendix K3.

## Other notes

### Performance analysis

€1 000	2016
<b>Non-life insurance</b>	
Premiums earned	1 137 639
Claims incurred	-806 431
Operating expenses	-264 401
<b>Balance on technical account before change in equalisation provision</b>	<b>66 807</b>
<b>Life insurance</b>	
Premiums earned	419 616
Investment income and expenses as well as revaluations and adjustments thereof, life insurance	232 030
Claims paid	-333 203
Change in technical provisions before change in customer benefits and equalisation provision	-207 257
Operating expenses	-48 151
<b>Balance on technical account before change in customer benefits and equalisation provision</b>	<b>63 035</b>
Investment income and expenses as well as revaluations and adjustments thereof, non-life insurance	181 378
Other income and expenses	12 504
Share of profit/loss of associated undertakings	3 706
<b>Operating profit</b>	<b>327 430</b>
Change in equalisation provision, non-life insurance	28 792
Change in equalisation provision, life insurance	10 274
Additional benefits (customer benefits)	-429
<b>Profit before extraordinary items</b>	<b>366 068</b>
Income taxes and other direct taxes	-73 361
Minority interests	-3 720
<b>Total result</b>	<b>288 987</b>
Operating profit	327 430
Change in the difference between current and book values *)	36 404
<b>Total result</b>	<b>363 834</b>

# Equity bridge calculation

## BRIDGE CALCULATION 1 JAN 2016 ON SWITCHING FROM LOCALTAPIOLA GENERAL GROUP TO LOCALTAPIOLA GROUP'S CONSOLIDATED FINANCIAL STATEMENT

CAPITAL AND RESERVES		31.12.2015 reported		Regional	Mutual – transfer of	Impact of	LocalTapiola
		General Group	Life Group	companies	capital and reserves	other changes	Group
Initial fund	6)	8 641 380,34	4 482 208,24	59 816 256,03	-64 298 464,27	0,01	8 641 380,35
Guarantee capital	1)		37 585 505,12	129 978 788,15		-167 564 293,27	0,00
Revaluation reserve	2)	218 348,97	9 162 367,09			-440 633,33	8 940 082,73
Current value reserve	3)	13 905,53				-11 549,13	2 356,40
Security reserve	6)	920 247 920,77	194 562 328,21	135 661 501,00	-330 223 829,15	-0,06	920 247 920,77
Contingency reserve	6)	1 032 832,31	1 172 446,83		-1 172 446,83	0,01	1 032 832,32
The share of voluntary provisions and depreciation difference transferred to capital and reserves	4)	1 331 851,25	1 210 824,65			29 448,95	2 572 124,85
Profit/loss brought forward	5)	133 482 185,86	47 979 142,86	35 135 673,87	-98 263 444,17	-7 215 909,03	111 117 649,39
Initial fund of mutual insurance companies					64 298 464,27		64 298 464,27
Security reserve of mutual insurance companies					330 223 829,15		330 223 829,15
Contingency reserve of mutual insurance companies					1 172 446,83		1 172 446,83
Profit/loss brought forward by mutual insurance companies					98 263 444,17		98 263 444,17
Capital and reserves of mutual insurance companies	6)	0,00	0,00	0,00	493 958 184,42	0,00	493 958 184,42
Capital and reserves		1 064 968 425,03	296 154 823,00	360 592 219,05	0,00	-175 202 935,84	1 546 512 531,24

LocalTapiola General Mutual Insurance Company reported its financial statements for the first time on 31 Dec 2016 as LocalTapiola Group.

LocalTapiola Group's consolidated financial statements consolidate the General Group (reported until 31 Dec 2015), LocalTapiola Mutual Life Insurance Group, and regional non-life insurance companies that are included in the LocalTapiola Group and other companies consolidated as a result of these. The consolidation principles for LocalTapiola Group's consolidated financial statements are described in the accounting principles. Companies that left the LocalTapiola Group in 2016 have not been consolidated in the balance sheet of 1 Jan 2016. These irrelevant differences are included in the Impact of other changes co

- 1) Guarantee capital  
The guarantee capital of mutual companies (EUR 167,564,293.27) is eliminated in acquisition cost alignments from capital and reserves.
- 2) Revaluation reserve  
The change (EUR +8,721,733.76) is due to Life Group and the treatment of consolidated goodwill incurred from the differences in the share of ownership of its subsidiaries.
- 3) Current value reserve  
The change (EUR -11,549.13) is due to treatment of consolidated goodwill incurred from the difference in the share of ownership of the subsidiary.
- 4) The share of voluntary provisions and depreciation difference transferred to capital and reserves  
Of the change (EUR +1,240,273.60) EUR +1,208,345.38 is due to Life Group and the differences in the share of ownership of its subsidiaries, and EUR +31,928.22 is due to the handling of the depreciation difference of the new companies being consolidated to the LocalTapiola Group.
- 5) Profit/loss brought forward  
Of the change (EUR -22,364,536.47) EUR +47,979,142.86 is due to Life Group, EUR +35,135,673.87 is due to consolidating the profit/loss of regional companies to the LocalTapiola Group, EUR -98,263,444.17 is due to the transfer of mutual insurance companies' capital and reserves to a separate balance sheet, and EUR -7,215,909.03 is due to other changes in the Group structure.
- 6) Capital and reserves of the mutual insurance companies  
The guarantee capital of mutual companies is eliminated 100%. The mutual company distributes earnings in accordance with the decision made by the shareholders' meeting: as interest on guarantee capital to owners of guarantee capital and through fundings, e.g. as customer bonuses to policyholders.  
Fundings have been transferred to the mutual insurance companies' capital and reserves, with the exception of funds from valuations, consolidation exports, and interest reserve of guarantee capital.  
A minority interest is not established by the mutual insurance companies for which companies belonging to the LocalTapiola group own 100% of the guarantee capital.

# Notes to profit and loss account and balance sheet (LocalTapiola General)

## Notes to the profit and loss account

### 1. Premium income

	2016		2015	
Direct insurance				
Finland	431 151 679,25	431 151 679,25	471 537 196,58	471 537 196,58
Reinsurance		78 296 961,37		76 209 739,08
<b>Gross premiums written</b>				
<b>before reinsurers' share</b>		509 448 640,62		547 746 935,66

### 1.1. Items depreciated from premiums written

Credit loss on outstanding premiums	5 867 879,62	7 323 781,75
PAYG system fees	54 303 726,94	50 455 377,63
Premium tax	69 409 175,75	78 585 781,31
Fire brigade charge	277 523,12	379 647,55
Road safety charge	2 490 864,32	2 197 154,72
Labour protection charge	2 439 071,62	2 349 610,51
<b>Total</b>	<b>134 788 241,37</b>	<b>141 291 353,47</b>

## 2. Result divided into groups of insurance classes

		Premiums written before reinsurers' share	Premiums earned before reinsurers' share	Claims incurred before reinsurers' share	Operating expenses before commissions for reinsurance and profit shares	Reinsurers' share	Balance on technical account before net investment income
Statutory workers' compensation	2016	145 928 904,96	145 463 974,57	-114 937 868,04	-30 966 158,30	-319 652,13	-759 703,90
	2015	145 488 941,09	144 651 877,09	-117 008 297,19	-27 565 236,35	-400 964,58	-322 621,03
	2014	133 884 448,62	134 050 202,62	-103 298 533,34	-32 605 549,10	-372 936,00	-2 226 815,82
Non-statutory accident and health	2016	8 007 750,25	7 903 159,78	-6 197 368,60	-625 988,34	-110 950,09	968 852,75
	2015	13 400 349,35	12 000 495,35	-10 502 800,71	-4 107 042,21	-11 532,38	-2 620 879,95
	2014	20 234 193,57	19 803 803,57	-18 288 505,81	-4 727 757,35	-50 971,53	-3 263 431,12
Motor vehicle liability	2016	225 090 542,75	228 270 313,35	-157 549 668,82	-51 497 084,65	-1 641 209,93	17 582 349,95
	2015	232 402 687,21	229 095 405,21	-172 858 859,11	-50 444 237,50	119 141,81	5 911 450,41
	2014	227 033 883,70	221 629 833,70	-207 671 148,90	-54 253 924,31	3 731 630,93	-36 563 608,58
Land vehicles	2016	6 410 227,15	7 537 657,82	-6 716 448,58	-2 274 119,37	482 107,83	-970 802,30
	2015	20 863 599,52	18 666 158,52	-15 031 992,60	-7 969 069,56	-238 592,52	-4 573 496,16
	2014	29 516 109,69	28 207 318,69	-21 245 600,45	-9 184 910,86	-428 270,72	-2 651 463,35
Marine, aviation, railway rolling stock and transport	2016	2 401 807,58	2 407 903,73	-1 014 881,51	-1 281 473,68	185 463,60	297 012,14
	2015	3 593 291,94	3 294 135,94	-1 789 856,05	-2 089 402,10	-293 458,94	-878 581,15
	2014	3 881 596,66	3 916 045,66	-1 813 020,07	-2 474 527,84	-62 018,50	-433 520,75
Fire and other damage to property	2016	16 427 547,11	16 178 548,04	-17 240 530,42	-2 620 556,76	-658 128,74	-4 340 667,88
	2015	28 079 501,48	25 615 814,48	-21 518 911,10	-14 193 712,38	-4 032 498,73	-14 129 307,73
	2014	38 654 378,02	38 291 312,02	-32 403 801,74	-16 040 731,18	-1 714 930,42	-11 868 151,32
General liability	2016	17 226 574,67	17 165 221,75	-15 866 264,56	-3 697 763,14	-2 954 610,97	-5 353 416,92
	2015	17 286 663,78	16 382 018,78	-17 708 914,77	-4 197 425,73	-1 706 807,42	-7 231 129,14
	2014	46 818 147,48	46 682 496,48	-48 527 347,57	-5 194 380,07	18 644,53	-7 020 586,63
Credit and suretyship	2016	2 742 288,78	2 014 579,12	-214 498,22	-439 222,10	-427 756,80	933 102,00
	2015	2 287 838,53	2 131 993,53	353 135,43	-380 142,76	-344 876,80	1 760 109,40
	2014	2 324 596,63	2 418 204,63	-18 470,89	-466 086,50	-561 403,44	1 372 243,80
Legal expenses	2016	1 868 384,95	1 866 672,84	-603 907,87	-530 730,92	0,00	732 034,05
	2015	3 443 743,16	3 013 879,16	-3 037 195,46	-1 276 709,74	0,00	-1 300 026,04
	2014	4 086 651,10	3 971 497,10	-4 308 932,78	-1 451 677,97	0,00	-1 789 113,65
Other	2016	5 047 651,05	4 944 455,93	-4 473 629,48	-1 428 286,29	-394 533,33	-1 351 993,17
	2015	4 690 580,52	4 395 648,52	-1 977 519,70	-1 569 891,99	-1 089 266,59	-241 029,76
	2014	6 268 385,86	6 579 302,86	-2 691 299,19	-1 824 864,93	-865 716,98	1 197 421,76
<b>Direct insurance total</b>	2016	<b>431 151 679,25</b>	<b>433 752 486,93</b>	<b>-324 815 066,10</b>	<b>-95 361 383,55</b>	<b>-5 839 270,56</b>	<b>7 736 766,72</b>
	2015	<b>471 537 196,58</b>	<b>459 247 426,58</b>	<b>-361 081 211,26</b>	<b>-113 792 870,32</b>	<b>-7 998 856,15</b>	<b>-23 625 511,15</b>
	2014	<b>512 702 391,33</b>	<b>505 550 017,33</b>	<b>-440 266 660,75</b>	<b>-128 224 410,11</b>	<b>-305 972,13</b>	<b>-63 247 025,66</b>
Reinsurance	2016	78 296 961,37	76 613 131,37	-56 973 920,75	-17 868 560,32	-669 255,32	1 101 394,98
	2015	76 209 739,08	77 481 670,08	-53 557 420,63	-18 616 963,74	-2 348 247,74	2 959 037,97
	2014	72 862 524,27	72 515 202,27	-63 873 222,23	-19 025 102,41	-1 171 763,23	-11 554 885,60
<b>Total</b>	2016	<b>509 448 640,62</b>	<b>510 365 618,30</b>	<b>-381 788 986,85</b>	<b>-113 229 943,87</b>	<b>-6 508 525,88</b>	<b>8 838 161,70</b>
	2015	<b>547 746 935,66</b>	<b>536 729 096,66</b>	<b>-414 638 631,89</b>	<b>-132 409 834,06</b>	<b>-10 347 103,89</b>	<b>-20 666 473,18</b>
	2014	<b>585 564 915,60</b>	<b>578 065 219,60</b>	<b>-504 139 882,98</b>	<b>-147 249 512,52</b>	<b>-1 477 735,36</b>	<b>-74 801 911,26</b>
Change in equalization provision	2016						24 443 010,00
	2015						-38 004 164,00
	2014						9 418 000,00
<b>Balance on technical account</b>	2016						<b>33 281 171,70</b>
	2015						<b>-58 670 637,18</b>
	2014						<b>-65 383 911,26</b>

### 3. Operating expenses and notes concerning personnel and members of corporate bodies

#### 3.1. Total operating expenses by activity

	2016	2015
Claims management expenses	33 544 086,55	36 801 889,71
Operating expenses	105 569 395,40	125 851 806,59
Investment operating expenses	7 104 864,31	7 132 028,73
Other expenses	13 249 186,29	12 392 876,94
<b>Total</b>	<b>159 467 532,55</b>	<b>182 178 601,97</b>

#### 3.2. Profit and loss account item operating expenses

	2016	2015
Insurance policy acquisition costs		
Commissions for direct insurance	5 925 623,33	8 847 004,79
Commissions for reinsurance assumed and profit shares	17 521 444,61	20 815 854,32
Other insurance policy acquisition costs	19 530 107,17	28 211 253,00
	<b>42 977 175,11</b>	<b>57 874 112,11</b>
Insurance policy management expenses	44 819 969,92	52 217 561,69
Administrative expenses	25 432 798,84	22 318 160,26
Commissions for reinsurance ceded and profit shares	-7 660 548,47	-6 558 027,47
<b>Total</b>	<b>105 569 395,40</b>	<b>125 851 806,59</b>

#### 3.3. Notes concerning personnel and members of corporate bodies

##### 3.3.1. Personnel expenses

	2016	2015
Salaries and remunerations	27 577 288,45	28 323 972,83
Pension expenses	4 873 825,96	2 736 038,70
Other personnel expenses	1 954 657,83	1 198 027,42
<b>Total</b>	<b>34 405 772,24</b>	<b>32 258 038,95</b>

##### 3.3.2. Managements' salaries and remunerations, pension commitments, monetary loans and terms thereof, as well as guarantees and contingent liabilities

Managing director and deputy managing director		
Salaries and remunerations	678 053,00	611 600,00
Pension commitments	The retirement age of the managing director is 63 and that of the deputy managing director is stated by the law	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	
Board members and deputy board members		
Salaries and remunerations	1 651 729,00	1 429 624,00
Pension commitments	The agreed pensionable age of board members and deputy board members is 60-63.	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	
Supervisory board		
Salaries and remunerations	202 000,00	191 115,00
Pension commitments	No pension commitments	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	

##### 3.3.3. Average number of personnel during the financial year

Staff	408	439
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### 3.4. Auditor's fees by assignment category

	2016	2015
Auditing	58 699,43	57 089,60
Tax advice	4 960,00	17 035,50
Other services	41 584,73	9 393,00
<b>Total</b>	<b>105 244,16</b>	<b>83 518,10</b>

### 4.1. Itemisation of net investment income

Investment income	2016	2015
<b>Income from group companies</b>		
Dividend income	7 497 395,57	732 348,24
Interest income	<u>2 720 417,50</u>	<u>306 910,56</u>
	10 217 813,07	1 039 258,80
<b>Income from participating interests</b>		
Dividend income	237 944,00	500 000,00
Interest income	<u>49 442,99</u>	<u>7 908,98</u>
	287 386,99	507 908,98
<b>Income from real estate investments in group companies</b>		
Interest income	6 312 627,02	4 814 492,22
Other income	<u>5 520,00</u>	<u>0,00</u>
	6 318 147,02	4 814 492,22
<b>Income from real estate investments in other companies</b>		
Interest income	21 059,73	60 570,73
Other income	<u>38 420 073,60</u>	<u>40 710 931,90</u>
	38 441 133,33	40 771 502,63
<b>Income from other investments</b>		
Dividend income	47 284 113,95	59 432 966,79
Interest income	39 386 767,76	40 483 634,98
Other income	<u>10 492 685,68</u>	<u>12 613 153,67</u>
	97 163 567,39	112 529 755,44
<b>Total</b>	<b>152 428 047,80</b>	<b>159 662 918,07</b>
Value readjustments	36 455 520,87	25 968 571,78
Realized gains	<u>71 349 876,67</u>	<u>108 256 073,18</u>
<b>Total</b>	<b>260 233 445,34</b>	<b>293 887 563,03</b>



<b>Investment charges</b>	<b>2016</b>		<b>2015</b>	
Expenses arising from real estate investments				
From group companies	-16 132 734,96		-15 060 876,22	
Other companies	<u>-13 060 405,88</u>	<u>-29 193 140,84</u>	<u>-18 432 894,80</u>	<u>-33 493 771,02</u>
Expenses arising from other investments		-11 482 015,34		-8 099 327,49
Interest paid and other expenses on liabilities				
From group companies	0,00		-14,61	
Other companies	<u>-499 617,91</u>	<u>-499 617,91</u>	<u>1 019 635,82</u>	<u>1 019 621,21</u>
<b>Total</b>		<b>-41 174 774,09</b>		<b>-40 573 477,30</b>
Value adjustments and depreciation				
Value adjustments	-27 249 175,35		-36 320 428,39	
Planned depreciation on buildings	<u>-2 184 836,09</u>	<u>-29 434 011,44</u>	<u>-1 032 714,88</u>	<u>-37 353 143,27</u>
Realized losses		<u>-16 848 205,88</u>		<u>-14 726 610,59</u>
<b>Total</b>		<b>-87 456 991,41</b>		<b>-92 653 231,16</b>
<b>Net investment income before revaluations and revaluation adjustments</b>		<b>172 776 453,93</b>		<b>201 234 331,87</b>
Revaluation adjustments on investments	<u>-1 883 000,00</u>	<u>-1 883 000,00</u>	<u>0,00</u>	<u>0,00</u>
<b>Net investment income in the profit and loss account</b>		<b>170 893 453,93</b>		<b>201 234 331,87</b>

#### 4.2. Specification of other income and expenses

<b>Other income</b>	<b>2016</b>	<b>2015</b>
Services sold to partner companies	16 535 668,67	13 361 966,60
Other other income	<u>2 471 477,30</u>	<u>1 127 691,25</u>
<b>Total</b>	<b>19 007 145,97</b>	<b>14 489 657,85</b>
<b>Other expenses</b>		
Expenses for services sold	-13 249 186,29	-12 392 876,94
Transfer to personnel fund	-720 074,00	-383 903,95
Other other expenses	<u>-1 871 474,68</u>	<u>-1 290 564,70</u>
<b>Total</b>	<b>-15 840 734,97</b>	<b>-14 067 345,59</b>

## Notes to the balance sheet

### 5.1. Fair value of investments and difference between fair value and book value

	2016	2016	2016	2015	2015	2015
Investments	Remaining acquisition cost	Book value	Current value	Remaining acquisition cost	Book value	Current value
Real estate investments						
Real estate	7 728 801,10	7 728 801,10	11 757 375,18	7 395 654,54	7 395 654,54	10 069 274,13
Real estate shares in group companies	132 853 008,72	139 355 065,84	211 516 448,67	110 029 642,75	114 811 869,10	174 997 670,02
Real estate shares in participating interests	0,00	0,00	0,00	1 411 329,28	1 411 329,28	1 367 359,06
Other real estate shares	88 263 051,44	88 575 124,67	110 654 078,22	105 780 575,28	107 763 320,71	136 616 000,54
Loans to group companies	154 666 500,27	154 666 500,27	154 666 500,28	103 867 297,70	103 867 297,70	103 867 297,71
	383 511 361,53	390 325 491,88	488 594 402,35	328 484 499,55	335 249 471,33	426 917 601,46
Investments in group companies						
Shares and holdings	226 544 540,20	226 544 540,20	226 920 867,57	28 802 776,86	28 802 776,86	28 802 776,86
Loans receivable	70 193 120,01	70 193 120,01	70 193 120,01	6 185 669,34	6 185 669,34	6 185 669,34
	296 737 660,21	296 737 660,21	297 113 987,58	34 988 446,20	34 988 446,20	34 988 446,20
Investments in participating interests						
Shares and holdings	121 580 433,12	121 580 433,12	142 359 668,47	80 722 813,34	80 722 813,34	80 722 813,34
Debt securities	4 000 000,00	4 000 000,00	4 000 000,00	2 300 000,00	2 300 000,00	2 302 358,00
	125 580 433,12	125 580 433,12	146 359 668,47	83 022 813,34	83 022 813,34	83 025 171,34
Other investments						
Shares and holdings	917 105 485,29	917 105 485,29	1 032 558 352,55	1 197 367 431,02	1 197 367 431,02	1 351 967 275,58
Debt securities	1 255 548 012,25	1 255 548 012,25	1 291 224 848,27	1 119 665 877,39	1 119 665 877,39	1 151 064 092,71
Loans guaranteed by mortgages	262 277 060,37	262 277 060,37	262 277 060,28	312 074 764,90	312 074 764,90	312 074 764,87
Other loans	203 372 486,00	203 372 486,00	203 372 485,99	169 987 546,88	169 987 546,88	170 157 208,88
Deposits	16 641 968,36	16 641 968,36	16 641 968,36	12 531 911,11	12 531 911,11	12 531 911,11
	2 654 945 012,27	2 654 945 012,27	2 806 074 715,45	2 811 627 531,30	2 811 627 531,30	2 997 795 253,15
Deposits with ceding undertakings	706 068,57	706 068,57	706 068,57	666 296,45	666 296,45	666 296,45
	3 461 480 535,70	3 468 294 666,05	3 738 848 842,42	3 258 789 586,84	3 265 554 558,62	3 543 392 768,60
The remaining acquisition cost of debt securities includes:						
Difference between the nominal value and acquisition cost released (+) or charged (-) to interest income			-7 486 873,40			-7 662 716,19
Book value comprises						
Revaluations released to income		6 049 473,34			6 432 473,34	
Other revaluations		764 657,01	6 814 130,35		332 498,44	6 764 971,78
Difference in valuation (difference between current value and book value)			270 554 176,37			277 838 209,98

## 5.2. Difference between fair value and book value of non-hedging derivatives

Derivative contracts	2016 Remaining acquisition cost	2016 Book value	2016 Current value	2015 Remaining acquisition cost	2015 Book value	2015 Current value
Other debtors						
Assets pledged as security for derivatives	1 050 000,00	1 050 000,00	1 050 000,00	602 410,49	602 410,49	602 410,49
Other creditors						
Assets received as security for derivatives	0,00	0,00	0,00	-1 250 000,00	-1 250 000,00	-1 250 000,00
Other deferred income and credits						
Futures and forward contracts	-709 903,24	-709 903,24	-639 256,39	-326 676,58	-326 676,58	910 677,05
	340 096,76	340 096,76	410 743,61	-974 266,09	-974 266,09	263 087,54
Difference in valuation (difference between current value and book value)			70 646,85			1 237 353,63

## 6. Real estate investments

### Changes in real estate investments:

	2016 Real estate and share in real estate	2016 Loans in group companies	2016 Loans in participating interests
Acquisition cost on 1 Jan.	259 748 438,49	103 867 297,70	0,00
Increase	13 513 027,50	45 293 109,44	0,00
Decrease	-13 125 505,65	-41 293 460,44	0,00
Transfers between items	116 065,63	46 799 553,57	0,00
Acquisition cost on 31 Dec.	260 252 025,97	154 666 500,27	0,00
Accumulated depreciation on 1 Jan.	-7 900 011,61		
Depreciation for the financial year	-176 813,51		
Accumulated depreciation on 31 Dec.	-8 076 825,12		
Value adjustments on 1 Jan.	-27 231 225,03		
Value adjustments related to deductions and transfers	-1 499 955,99		
Value adjustments for the financial year	-1 440 000,00		
Value readjustments	6 840 841,43		
Value adjustments on 31 Dec.	-23 330 339,59		
Revaluations on 1 Jan.	6 764 971,78		
Decrease	-1 883 000,00		
Transfers between items	1 932 158,57		
Revaluations on 31 Dec.	6 814 130,35		
Book value on 31 Dec.	235 658 991,61	154 666 500,27	0,00

### Real estate and shares in real estate occupied for own activities

	2016
Remaining acquisition cost	6 140 813,07
Book value	6 296 849,67
Current value	7 562 929,03

## 7. Investments in Group companies and participating interests

	2016	2015
<b>Shares and holdings in group companies</b>		
Acquisition cost on 1 Jan.	30 153 160,93	30 292 115,50
Increase	10 277 503,85	161 157,92
Decrease	-5 133 556,85	0,00
Decrease, business transfer	0,00	-297 012,49
Transfers between items	193 003 144,64	-3 100,00
Acquisition cost on 31 Dec.	228 300 252,57	30 153 160,93
Value adjustments on 1 Jan.	-1 350 384,07	-1 371 905,81
Value adjustments related to deductions and transfers	-490 319,00	0,00
Value adjustments for the financial year	-397 934,14	0,00
Value readjustments	482 924,84	21 521,74
Value adjustments on 31 Dec.	-1 755 712,37	-1 350 384,07
Book value on 31 Dec.	226 544 540,20	28 802 776,86
<b>Debt securities issued by and loans to companies in the same group</b>		
Acquisition cost on 1 Jan.	6 185 669,34	7 998 978,67
Increase	9 470 760,00	0,00
Decrease	-1 813 309,33	-1 813 309,33
Transfers between items	56 350 000,00	0,00
Acquisition cost on 31 Dec.	70 193 120,01	6 185 669,34
Book value on 31 Dec.	70 193 120,01	6 185 669,34
<b>Shares and holdings in participating interests</b>		
Acquisition cost on 1 Jan.	134 765 408,51	133 469 178,51
Increase	0,00	1 318 800,00
Decrease	0,00	-25 670,00
Transfers between items	41 517 619,78	3 100,00
Acquisition cost on 31 Dec.	176 283 028,29	134 765 408,51
Value adjustments on 1 Jan.	-54 042 595,17	-55 622 595,17
Value adjustments for the financial year	-660 000,00	0,00
Value readjustments	0,00	1 580 000,00
Value adjustments on 31 Dec.	-54 702 595,17	-54 042 595,17
	121 580 433,12	80 722 813,34
<b>Debt securities issued by and loans to participating interests</b>		
Acquisition cost on 1 Jan.	2 300 000,00	300 000,00
Increase	2 000 000,00	2 000 000,00
Decrease	-300 000,00	0,00
Acquisition cost on 31 Dec.	4 000 000,00	2 300 000,00
Value adjustments on 1 Jan.	0,00	-1 500,00
Value readjustments	0,00	1 500,00
Value adjustments on 31 Dec.	0,00	0,00
Book value on 31 Dec.	4 000 000,00	2 300 000,00
<b>Total</b>	<b>422 318 093,33</b>	<b>118 011 259,54</b>

## 7.1. Investments in Group companies

### Shares and holdings, fixed assets

	Domicile	Share of stocks (%)	Equity	Profit/loss for the period
Aura-Karelia Oy	Espoo	100	156 777,52	-8 563,33
Keskinäinen Vakuutusyhtiö Turva	Tampere	67,4	35 463 119,93	2 485 489,98
Kestap Ky	Espoo	100	8 571,02	0,00
LokalTapiola Sydysten	Parainen	100	6 522 220,80	1 013 423,68
LähiTapiola Etelä	Salo	100	25 871 490,50	5 532 476,62
LähiTapiola Etelä-Pohjanmaa	Seinäjoki	100	20 475 738,27	4 956 470,18
LähiTapiola Itä	Iisalmi	100	35 116 793,98	4 153 848,08
LähiTapiola Kaakkois-Suomi	Lappeenranta	100	21 051 301,78	4 524 804,87
LähiTapiola Kainuu-Koillismaa	Kajaani	92,4	11 271 977,22	3 554 257,80
LähiTapiola Keski-Suomi	Jyväskylä	100	18 546 403,01	4 212 061,19
LähiTapiola Keskinäinen Henkivakuutusyhtiö	Espoo	83,6	362 775 542,48	59 954 650,40
LähiTapiola Kiinteistövarainhoito Oy	Espoo	50	9 182 750,20	2 534 406,05
LähiTapiola Lappi	Rovaniemi	100	10 146 054,17	613 094,11
LähiTapiola Loimi-Häme	Loimaa	100	8 659 076,89	1 436 292,55
LähiTapiola Lännen	Rauma	100	26 152 000,20	4 190 097,02
LähiTapiola Palvelut Oy	Espoo	67	18 009 833,34	844 406,06
LähiTapiola Pirkanmaa	Tampere	100	20 459 047,32	3 977 845,86
LähiTapiola Pohjanmaa	Vaasa	100	25 998 268,74	4 415 579,47
LähiTapiola Pohjoinen	Oulu	100	34 690 948,01	8 884 758,64
LähiTapiola Pääkaupunkiseutu	Helsinki	100	42 901 075,89	628 416,95
LähiTapiola Satakunta	Pori	100	11 929 564,10	1 897 899,72
LähiTapiola Savo	Kuopio	100	25 109 700,48	3 352 541,68
LähiTapiola Savo-Karjala	Mikkeli	43	17 527 643,20	1 729 306,28
LähiTapiola Uusimaa	Porvoo	84,1	25 480 533,80	4 816 543,37
LähiTapiola Varainhoito Oy	Espoo	80,6	22 382 004,23	4 279 075,80
LähiTapiola Varsinais-Suomi	Turku	100	21 606 117,18	2 405 437,83
LähiTapiola Vellamo	Lahti	100	21 171 008,90	5 750 735,12
Omre Oy	Espoo	100	7 849,22	0,00
Tieto-Tapiola Oy	Espoo	66,7	3 006 494,08	1 263 287,92
Tietotyö Oy	Espoo	100	846 274,02	1 177,32
Vakuutusneuvonta Aura	Espoo	33,33	10 729,40	0,00
Vakuutusneuvonta Pohja	Espoo	33,33	10 672,17	0,00
Total			882 547 582,05	143 399 821,22

### Shares and holdings, investment assets

	Domicile	Share of stocks (%)	Equity	Profit/loss for the period
LähiTapiola Pääomasijoitus I Ky	Espoo	43,1	54 401 226,75	-265 857,25
LähiTapiola KR PK2 Ky	Espoo	32,4	21 109 491,63	-235 041,45
LähiTapiola Tontit I Ky	Espoo	24,33	43 120 555,38	1 904 541,10
LähiTapiola Pääomasijoitus GP Oy	Espoo	43,1	817,96	-47,33
LähiTapiola Pääomasijoitus II GP Oy	Espoo	100	2 494,95	-5,05
LähiTapiola Tontit GP I Oy	Espoo	24,4	102 443,59	3 205,25
LähiTapiola Velkasijoitus I GP Oy	Espoo	100	2 494,95	-5,05
Tapiolan Revontuli Oy	Espoo	100	48 741,37	2 470,61
Total			118 788 266,58	1 409 260,83

In addition, 26 (25 in 2015) housing associations and real estate companies are integrated into the consolidated financial statements of LocalTapiola Group.

## 7.2. Investments in participating interests, fixed assets

Osakkeet ja osuudet  
Shares and holdings

	Domicile	Share of stocks (%)	Equity	Profit/loss for the period
Pihlajalinna Oyj	Helsinki	23,4	97 769 631,24	8 048 602,15
S-Pankki Oy	Helsinki	20	401 428 095,13	18 403 918,85
<b>Total</b>			<b>499 197 726,37</b>	<b>26 452 521,00</b>

## 7.2. Investments in participating interests, investment assets

Osakkeet ja osuudet  
Shares and holdings

	Domicile	Share of stocks (%)	Equity	Profit/loss for the period
Seligson & Co Oyj	Helsinki	14,9	10 205 280,34	1 480 002,97
Project-IT Oy	Espoo	25	1 330 013,05	830 635,54
<b>Total</b>			<b>11 535 293,39</b>	<b>2 310 638,51</b>

In addition, 0 (1 in 2015) housing associations are integrated into the consolidated financial statements of LocalTapiola Group as participating interests.

## 7.3. Other loan receivables itemised by type of security

Security	Share of stocks %	Number	Book value	Current value	Home country
<b>Finnish companies, listed</b>					
Amer- Sports Oyj	0,14	162 886,00	1 126 151,14	4 117 758,08	Finland
Huhtamäki Oyj	0,09	100 000,00	3 526 623,51	3 528 000,00	Finland
Ilkka-Yhtymä Oyj	0,98	252 786,00	738 044,04	739 941,06	Finland
Kone Oyj	0,02	120 000,00	2 252 908,24	5 108 400,00	Finland
Nokia Oyj	0,01	728 000,00	3 340 064,00	3 340 064,00	Finland
Stockmann Oyj	0,21	148 039,00	1 045 155,34	1 045 155,34	Finland
Stora Enso	0,06	475 000,00	3 803 276,62	4 849 750,00	Finland
Vaisala Oyj	0,51	93 820,00	1 756 451,61	3 161 734,00	Finland
Others		4 582 483,00	803 902,35	1 032 462,75	
<b>Total</b>		<b>6 663 014,00</b>	<b>18 392 576,85</b>	<b>26 923 265,23</b>	
<b>Finnish companies, non-listed</b>					
Autovahinkokeskus Oy	18,83	1 356,00	570 157,07	570 157,07	Finland
Diacor terveystalvet Oy	8,75	1 969,00	8 321 040,00	8 321 040,00	Finland
PPG Rahoitus Oy	10,00	115,00	629 216,93	629 216,93	Finland
Rederiaktiebolaget Eckerö 1 sid.	1,69	33 920,00	866 291,25	1 356 800,00	Finland
Visedo Oy C	3,90	145 953,00	999 996,98	999 996,98	Finland
Others		18 300 650,00	1 386 469,17	1 470 691,26	
<b>Total</b>		<b>18 483 963,00</b>	<b>12 773 171,40</b>	<b>13 347 902,24</b>	

**Foreign companies, listed**

ABB Ltd	0,01	146 000,00	2 358 777,23	2 920 271,91	Switzerland
AbbVie Inc	0,01	86 000,00	4 527 057,78	5 108 927,05	United States (USA)
Adecco SA	0,04	66 800,00	4 145 842,26	4 145 842,26	Switzerland
Allstate Corp/The	0,02	67 000,00	4 065 849,82	4 711 165,92	United States (USA)
Amazon.com Inc	0,00	5 000,00	3 556 920,60	3 556 920,60	United States (USA)
AstraZeneca PLC	0,01	81 000,00	4 198 153,43	4 198 153,43	Great Britain
Automatic Data Processing Inc	0,01	46 000,00	3 710 260,20	4 485 229,11	United States (USA)
Axa Sa	0,01	201 000,00	4 005 905,48	4 820 985,00	France
BASF SE	0,00	37 000,00	2 541 158,45	3 267 470,00	Germany
Bayer AG	0,00	39 000,00	2 961 062,03	3 866 070,00	Germany
BorgWarner Inc	0,04	91 000,00	2 995 349,04	3 404 838,25	United States (USA)
Bunzl PLC	0,04	150 000,00	3 694 900,61	3 694 900,61	Great Britain
Carl Zeiss Meditec AG	0,13	105 126,00	1 372 532,15	3 679 410,00	Germany
Cellnex Telecom SAU	0,10	230 000,00	3 142 950,00	3 142 950,00	Spain
Cognizant Technology Solutions Corp	0,01	86 000,00	4 537 233,12	4 571 274,07	United States (USA)
Compass Group PLC	0,01	225 000,00	3 357 999,99	3 944 556,05	Great Britain
Continental Ag	0,01	25 000,00	4 592 500,00	4 592 500,00	Germany
Danske Bank A/S	0,02	167 000,00	4 004 177,41	4 811 605,51	Denmark
Deutsche Telekom AG	0,01	246 000,00	3 918 803,21	4 023 330,00	Germany
East West Bancorp Inc	0,07	105 000,00	3 441 409,17	5 063 229,30	United States (USA)
F5 Networks Inc	0,05	31 000,00	3 133 650,01	4 256 066,79	United States (USA)
Gemalto NV	0,06	57 400,00	3 152 408,00	3 152 408,00	France
Heineken Nv	0,01	65 000,00	4 298 561,92	4 631 900,00	Netherlands
Henkel Kgaa -Vorzug	0,02	43 000,00	4 319 398,90	4 869 750,00	Germany
Hennes & Mauritz Ab B	0,01	161 000,00	3 564 229,65	4 270 861,03	Sweden
Honeywell International Inc	0,01	42 000,00	3 794 150,67	4 615 975,71	United States (USA)
ING Groep NV	0,01	378 000,00	4 422 436,75	5 053 860,00	Netherlands
Innogy SE	0,02	100 000,00	3 301 000,00	3 301 000,00	Germany
Kroger Co/The	0,01	132 000,00	4 009 330,23	4 321 525,47	United States (USA)
Lloyds Tsb Group Plc	0,01	5 150 000,00	3 760 032,94	3 760 032,94	Great Britain
Medtronic Inc	0,00	58 400,00	3 192 603,62	3 946 335,26	Ireland
National Grid PLC	0,01	372 000,00	3 338 860,15	4 134 588,52	Great Britain
Novartis Ag	0,00	60 000,00	4 140 050,28	4 140 050,28	Switzerland
PepsiCo Inc	0,00	51 000,00	3 040 608,77	5 062 261,65	United States (USA)
SGS SA	0,03	2 140,00	3 782 342,81	4 128 950,55	Switzerland
Schlumberger Ltd	0,00	61 000,00	4 289 010,01	4 858 125,42	Curaçao
Snap-on Inc	0,05	30 000,00	4 213 718,34	4 874 395,22	United States (USA)
TeliaSonera Ab	0,02	941 000,00	3 607 794,00	3 607 794,00	Sweden
Total Sa	0,00	105 000,00	4 691 269,74	5 115 600,00	France
Unilever Nv -CVA	0,01	115 000,00	4 058 288,92	4 498 225,00	Netherlands
United Technologies Corp	0,00	39 500,00	2 597 601,93	4 107 760,17	United States (USA)
Visa Inc	0,00	50 000,00	3 700 787,40	3 700 787,40	United States (USA)
Vodafone Group Plc	0,01	1 555 000,00	3 629 689,43	3 629 689,43	Great Britain
WPP PLC	0,01	191 000,00	2 417 457,48	4 051 204,19	Great Britain
<b>Total</b>		<b>11 995 366,00</b>	<b>159 584 123,93</b>	<b>184 098 776,10</b>	

**Foreign companies, non-listed**

European Alliance Partners Company AG	8,48	6 165,00	521 223,76	723 883,21 Switzerland
Others		982 500,00	165 036,33	165 036,33
<b>Total</b>		<b>988 665,00</b>	<b>686 260,09</b>	<b>888 919,54</b>

**Mutual funds**

BNP Paribas FPS FPE			30 000 000,00	30 272 917,07 France
BNP Paribas Global Senior Corporate Loans			13 831 082,19	13 831 082,19 France
ISAM Systematic Trend (Class Q)			4 957 634,76	4 992 696,61 Cayman Islands
Lynx Fund			4 945 340,97	4 970 061,72 Sweden
LähiTapiola Aasia-Tyynimeri A			2 025 146,59	2 716 848,56 Finland
LähiTapiola High Yield A			75 555 162,13	83 332 660,05 Finland
LähiTapiola Hyvinvointi A			6 689 242,83	9 937 722,48 Finland
LähiTapiola Infra A			7 182 189,90	10 516 832,33 Finland
LähiTapiola Japani A			4 467 999,69	5 713 198,20 Finland
LähiTapiola Kasvu A			7 422 638,85	10 034 154,49 Finland
LähiTapiola Kehittyvät Korkomarkkinat A			49 694 169,04	51 898 927,24 Finland
LähiTapiola Kehittyvät Markkinat A			10 251 181,37	11 173 138,46 Finland
LähiTapiola Korkomaailma A			20 390 899,97	25 187 192,97 Finland
LähiTapiola Kuluttaja A			5 537 230,39	10 524 857,49 Finland
LähiTapiola Osinko A			7 066 066,37	10 493 994,52 Finland
LähiTapiola Pohjoinen Yrityskorko A			10 063 735,37	10 776 778,15 Finland
LähiTapiola Suoja A			4 196 616,07	4 603 877,86 Finland
LähiTapiola USA A			5 630 158,45	10 989 836,85 Finland
LähiTapiola Yrityskorko A			45 731 079,69	49 591 309,26 Finland
Natixis Loomis Sayles Senior Loan Fund			10 000 000,00	10 921 070,06 Luxembourg
Pimco Socially Responsible EM Bond Fund I-EUR HA			17 231 607,60	17 717 697,20 Ireland
Transtrend Fund Alliance - OmniTrend (EUR)			5 000 000,00	5 177 356,41 Luxembourg
Winton Diversified Fund Lux-B Eur May 2016 series			5 000 000,00	5 007 548,65 Luxembourg
<b>Total</b>			<b>352 869 182,23</b>	<b>400 381 758,82</b>



## Capital mutual funds

AXA LBO Fund V Core	6 988 190,71	8 866 306,00 France
AXA LBO Fund V Supplementary	1 882 450,00	1 882 450,00 France
AXA Secondary Fund V L.P.	573 201,64	3 322 630,68 Jersey
Aberdeen European Shopping Property Fund SICAV	966 314,59	966 314,59 Luxembourg
Aberdeen Property Fund Finland I Ky	10 657 021,21	10 657 021,21 Finland
Aberdeen Property Funds SICAV Pan-Nordic	5 031 963,42	5 031 963,42 Luxembourg
Altor Fund II (No. 1) Limited Partnership	1 832 569,00	1 832 569,00 Jersey
Altor Fund III	3 688 686,10	3 688 686,10 Jersey
Altor Fund IV (No.2) AB	2 144 089,49	2 144 089,49 Sweden
Amanda III Eastern Private Equity L.P.	1 149 509,39	1 223 090,43 Finland
Amanda V East L.P.	2 729 997,00	2 729 997,00 Finland
Apax Europe VII - B, L.P.	3 312 497,27	3 312 497,27 Great Britain
Apax VIII - A L.P.	9 147 376,66	11 472 553,33 Guernsey
Armada Mezzanine IV Ky	2 162 753,93	2 213 747,97 Finland
Beechbrook Mezzanine II L.P.	5 805 952,36	5 805 952,36 Great Britain
Beechbrook Private Debt III L.P.	1 240 501,21	1 240 501,21 Great Britain
Beechbrook UK SME Credit I L.P.	2 121 288,08	2 121 288,08 Great Britain
Bowmark Capital Partners IV, L.P.	2 772 596,11	3 969 680,44 Great Britain
Bowmark Capital Partners V, L.P.	2 409 534,21	2 409 534,21 Great Britain
Bridgepoint Europe III, L.P.	1 579 384,00	1 579 384,00 Great Britain
Bridgepoint Europe IV F L.P.	3 179 953,14	3 608 348,43 Great Britain
Bridgepoint Europe V A L.P.	2 813 102,80	2 829 851,00 Great Britain
CapMan Hotels RE Ky	4 474 750,91	5 004 672,39 Finland
CapMan RE II Ky	4 077 713,00	4 077 713,00 Finland
CapMan Real Estate I Ky	1 230 725,00	1 230 725,00 Finland
Capvis Equity III L.P.	2 165 700,00	2 165 700,00 Jersey
Capvis Equity IV LP	1 667 838,89	1 667 838,89 Jersey
Crescent Mezzanine Partners VI, L.P.	11 883 561,68	15 277 639,69 United States (USA)
Dasos Timberland Fund II	7 710 877,20	7 790 454,95 Luxembourg
European Added Value Fund, L.P.	1 484 186,90	1 484 186,90 Great Britain
FPCI Indigo Capital	6 091 273,25	6 190 031,43 France
FSN Capital V L.P.	651 366,55	651 366,55 Jersey
Gresham 4A	609 684,88	609 684,88 Great Britain
ICG Europe Fund V	15 251 554,62	17 834 905,26 Jersey
ICG Senior Debt Partners Fund	13 150 660,95	13 150 660,95 Luxembourg
ICG Senior Debt Partners Fund 2	8 802 067,24	8 860 690,55 Luxembourg
ICG-Longbow UK Real Estate Debt Investments III S.á.r.l.	12 776 952,40	12 776 952,40 Luxembourg
Indigo Capital V L.P.	823 197,56	823 197,56 Great Britain
Industri Kapital 2007 Limited Partnership III	1 152 557,29	1 152 557,29 Jersey
Juuri Rahasto I Ky	1 576 846,77	1 576 846,77 Finland

KSK Parking I Ky	7 200 000,00	7 200 000,00	Finland
KSK Redi Ky	10 800 000,00	10 800 000,00	Finland
Lindsay Goldberg III L.P.	6 537 592,92	8 098 815,10	United States (USA)
LähiTapiola Asuntorahasto Prime Ky	10 000 000,00	10 428 677,00	Finland
LähiTapiola Asuntosijoitus Suomi Ky	10 862 635,99	11 274 999,58	Finland
LähiTapiola KR PK2 Ky	9 868 546,87	9 868 546,87	Finland
LähiTapiola Pääomasijoitus I Ky	23 918 102,68	24 028 770,39	Finland
LähiTapiola Tontit I Ky	10 000 000,00	10 265 659,66	Finland
M&G Real Estate Debt Fund II, L.P.	9 120 769,17	9 120 769,17	Guernsey
MB Equity Fund IV Ky	4 431 751,14	6 182 887,00	Finland
MezzVest Co-Invest III, L.P.	2 458 221,30	2 550 706,00	Jersey
MezzVest III, L.P.	9 900 812,43	10 202 131,06	Jersey
NB Private Debt Fund II LP	4 385 841,00	4 385 841,00	United States (USA)
NB Private Equity Credit Opportunities Fund LP	1 598 812,47	1 795 057,39	United States (USA)
NegaWatt Energiatehokkuusrahasto 2 Ky	868 864,30	868 864,30	Finland
Nexit INFOCOM II L.P.	4 238 480,51	4 238 480,51	Guernsey
Nordic Mezzanine Fund III Limited Partnership	3 220 140,14	3 711 860,72	Great Britain
PBW II Real Estate Fund S.A.	3 928 000,00	3 928 000,00	Luxembourg
Partners Group U.S. Venture 2004, L.P.	2 192 380,61	2 888 412,54	United States (USA)
Real Estate Debt & Secondaries Ky	3 348 910,95	3 571 334,83	Finland
Real Estate Fund of Funds II Ky	1 886 204,97	2 360 127,49	Finland
Russian and Baltics Retail Properties Ky	4 960 000,00	4 960 000,00	Finland
Siguler Guff Small Business Credit Opportunities Fund LP	4 621 952,38	4 621 952,38	United States (USA)
TPG Partners VI, LP	11 341 424,55	14 917 518,26	United States (USA)
TPG Partners VII, L.P.	2 901 750,79	3 025 188,31	United States (USA)
Tapiola KR I Ky	1 030 525,00	1 030 525,00	Finland
Tapiola KR III Ky	51 439 437,03	51 439 437,03	Finland
The Fourth Cinven Fund (No. 4) Limited Partnership	1 151 922,00	1 151 922,00	Great Britain
The Triton Fund III L.P.	5 365 225,00	5 586 000,65	Jersey
Tikehau Direct Lending III	5 907 764,20	5 919 871,22	Luxembourg
Top Tier Venture Capital III, L.P.	2 048 903,36	2 048 903,36	United States (USA)
Top Tier Venture Capital IV, L.P.	2 867 775,43	5 394 974,36	United States (USA)
TuuliTapiola Ky	5 546 554,60	5 546 554,60	Finland
VSS Structured Capital Parallel III, L.P.	2 471 832,84	2 471 832,84	United States (USA)
Others	4 395 238,28	9 961 806,24	
<b>Total</b>	<b>416 586 820,32</b>	<b>451 080 707,54</b>	
<b>Total other investments, shares and holdings</b>	<b>38 131 008,00</b>	<b>960 892 134,82</b>	<b>1 076 721 329,47</b>

## 8.1. Other loan receivables itemised by type of security

	2016	2015
Bank guarantee	54 358,50	37 064,50
Other security	127 084 150,63	79 915 293,72
Remaining acquisition cost	127 138 509,13	79 952 358,22
Unsecured, total remaining acquisition cost	76 233 976,87	90 035 188,66
	203 372 486,00	169 987 546,88

## 8.2. Total subordinated loans

	2016	2015
Loans to group real estate companies	154 666 500,28	0,00
Loans to other group companies	70 193 120,01	1 257 093,34
Other loans guaranteed by mortgages	262 277 060,28	0,00
Other loans receivable	203 372 486,00	11 136 676,09
Total remaining acquisition cost	690 509 166,57	12 393 769,43

## 9. Changes in tangible and intangible assets

	Intangible rights and other expenses with long-term effects	Advance payments	Business value	2016 Machinery
Acquisition cost on 1 Jan.	55 014 070,79	1 055 317,89	0,00	33 393 229,96
Increase	2 735 322,53	3 836 126,83	0,00	280 574,44
Decrease	0,00	0,00	0,00	-252 757,89
Transfers between items	4 265 771,70	-4 381 837,33	0,00	24 149,77
Acquisition cost on 31 Dec.	62 015 165,02	509 607,39	0,00	33 445 196,28
Accumulated depreciation on 1 Jan.	-38 094 605,14	0,00	0,00	-31 124 496,36
Accumulated depreciation related to deductions and transfers	0,00	0,00	0,00	-24 149,77
Depreciation for the financial year	-6 476 925,44	0,00	0,00	-590 307,25
Accumulated depreciation on 31 Dec.	-44 571 530,58	0,00	0,00	-31 738 953,38
Book value on 31 Dec.	17 443 634,44	509 607,39	0,00	1 706 242,90

## 10.1. Changes in capital and reserves

	1 Jan.	Increase	Decrease	31 Dec.
Initial reserve	8 641 380,35	0,00	0,00	8 641 380,35
Revaluation reserve	218 348,97	0,00	0,00	218 348,97
Security reserve	920 247 920,77	116 000 000,00	0,00	1 036 247 920,77
Contingency reserve	1 032 832,32	114 871,69	-199 000,00	948 704,01
Profit for the accounting period	116 114 871,69	168 300 985,70	-116 114 871,69	168 300 985,70
Total changes in capital and reserves	1 046 255 354,10	284 415 857,39	-116 313 871,69	1 214 357 339,80

## 10.2. Itemisation of revaluation reserve

Revaluation of fixed assets	218 348,97
Total	218 348,97

## 10.3. Calculation of distributable profits

Profit for the accounting period	168 300 985,70
+ Other unrestricted capital and reserves	
Security reserve	1 036 247 920,77
Contingency reserve	948 704,01
Total distributable profits	1 205 497 610,48

## 11. Accumulated appropriations

	2016	2015
<b>Depreciation difference</b>		
Depreciation difference on 1 Jan.	52 112,25	0,00
Increase	21 694,29	52 112,25
Depreciation difference on 31 Dec.	<u>73 806,54</u>	<u>52 112,25</u>

## 12. Provision for claims outstanding

	2016	2015
Uncontested recourse receivables deducted from provisions for claims outstanding		
Statutory accident	<u>35 414 556,00</u>	<u>31 977 911,00</u>

## 13. Other obligatory provisions

	2016	2015
Provision for interest on late payments for unfinished claims	2 947 000,16	2 792 700,00
Provision for unemployment security deductible	<u>779 083,80</u>	<u>936 118,56</u>
	<u>3 726 083,96</u>	<u>3 728 818,56</u>

## 14. Deferred tax liabilities

	2016	2015
Tax liability calculated on the basis of timing differences and other temporary differences between taxable profit and accounting profit	66 499,69	152 931,40
Tax debt calculated based on valuation gains/losses that is deemed likely to become payable during the next year.	<u>12 000 000,00</u>	<u>14 000 000,00</u>
	<u>12 066 499,69</u>	<u>14 152 931,40</u>

## 15.1. Itemisation of receivables

	2016	2015
<b>Receivables from group companies</b>		
Other receivables	<u>1 581 574,57</u>	<u>154 213,88</u>
	<u>1 581 574,57</u>	<u>154 213,88</u>

## 15.2. Itemisation of liabilities

	2016	2015
<b>Liabilities to group companies</b>		
Trade creditors	2 352 551,88	132 852,44
Other liabilities	<u>1 867 825,85</u>	<u>5 463 585,36</u>
	<u>4 220 377,73</u>	<u>5 596 437,80</u>
<b>Liabilities to participating interests</b>		
Other liabilities	<u>3 105,16</u>	<u>2 442,87</u>
	<u>3 105,16</u>	<u>2 442,87</u>

## 15.3. Itemisation of accruals and deferred income

	2016	2015
Liabilities to personnel	9 192 590,31	9 249 859,21
Valuation loss on derivatives	709 903,24	326 676,58
Other accruals and deferred income	<u>7 450 007,43</u>	<u>6 010 270,62</u>
	<u>17 352 500,98</u>	<u>15 586 806,41</u>

## 16. Notes concerning guarantees and contingent liabilities

### Off-balance-sheet guarantees and contingent liabilities

Derivative contracts	2016	2015
<b>Currency derivatives</b>		
<i>Forward and futures contracts, open</i>		
Underlying instrument	-94 507 794,27	-72 115 433,53
Current value	-639 256,39	910 677,05
<b>Leasing liabilities</b>	<b>2016</b>	<b>2015</b>
Amount to be paid in the current financial year	12 302,00	18 768,00
Amount to be paid in the coming years	0,00	11 879,36
	<u>12 302,00</u>	<u>30 647,36</u>
<b>Rent liabilities</b>		
Amount to be paid in the current financial year	5 801 779,58	12 024 972,00
Amount to be paid in the coming years	21 598 707,04	112 296 533,38
	<u>27 400 486,62</u>	<u>124 321 505,38</u>
<b>Value-added tax liabilities</b>		
<i>Joint liability relating to collective value-added tax registration</i>		
Group companies	-288 077,11	-743 306,09
Associated undertakings	0,00	-590 986,01
Partner companies	2 885 767,00	3 798 006,21
	<u>2 597 689,89</u>	<u>2 463 714,11</u>
<i>Inspection responsibility of real estate investments under section 120 of the Value Added Tax Act</i>		
Company	2 013 147,11	1 062 611,60
Other companies of the group	53 883 877,22	52 259 762,24
	<u>55 897 024,33</u>	<u>53 322 373,84</u>
<b>Other commitments</b>		
Subscription commitments	314 896 455,31	347 042 808,46
Granted limit	120 106 641,03	107 627 461,14
	<u>435 003 096,34</u>	<u>454 670 269,60</u>

A joint liability agreement concluded between LocalTapiola General Mutual Insurance Company and regional mutual insurance companies of the LocalTapiola group determines the principles for ensuring the solvency of the companies in the group.

## 17. Related party loans and transactions (Insurance Companies Act, Chapter 8, section 11 and Accounting Ordinance, Chapter 2, section 7b)

LocalTapiola General Mutual Insurance Company's related parties comprise the companies belonging, according to the Accounting Act, to the Group as well as the other companies in which LocalTapiola General has significant influence (further information concerning the companies is provided in Appendices 7.1 and 7.2 as well as in section LocalTapiola Group structure of the board's annual report). In addition to these companies, members of LocalTapiola General's supervisory board and board of directors, its managing director and acting managing director as well as members of the management group and persons responsible for functions of corporate governance and key functions of group governance as well as their close family members and companies where these persons exercise significant voting powers, are considered as related parties.

Loans granted to parties belonging to the insider register of LocalTapiola General Mutual Insurance Company

Subsidiaries	100 138 901,46
Associated undertakings and joint ventures	116 421 003,10
Key persons who are part of an organisation's or its parent company's management	0,00
Other parties who are insiders	0,00
	<u>216 559 904,56</u>

Normal credit terms are applied to related party loans. As a rule, the loan period is 10-40 years and the interest rate is fixed.

The company has not carried out related party transactions involving any other than conventional commercial terms and conditions.

The guarantees and contingent liabilities of LocalTapiola General Mutual Insurance Company in favour of LocalTapiola Group companies are presented in Appendix 16. No guarantees and contingent liabilities have been granted to other related parties.

Management's salaries and remunerations, pension commitments, monetary loans and terms thereof, as well as guarantees and contingent liabilities, are reported in Appendix 3.

## Other notes

### Performance analysis

	2016	2015	Change	Change %
Premiums earned	480 710	506 582	-25 872	-5,1 %
Claims incurred	-366 302	-401 397	35 095	-8,7 %
Operating expenses	-105 569	-125 852	20 282	-16,1 %
<b>Balance on technical account before change in equalisation provision</b>	<b>8 838</b>	<b>-20 666</b>	<b>29 505</b>	<b>-142,8 %</b>
Investment income and expenses as well as revaluations and adjustments thereof	170 893	201 234	-30 341	-15,1 %
Other income and expenses	3 166	422	2 744	649,8 %
<b>Operating profit</b>	<b>182 898</b>	<b>180 990</b>	<b>1 908</b>	<b>1,1 %</b>
Change in equalisation provision	24 443	-38 004	62 447	-164,3 %
<b>Profit before appropriations and taxes</b>	<b>207 341</b>	<b>142 986</b>	<b>64 355</b>	<b>45,0 %</b>
Appropriations	-22	-52	30	-58,4 %
Direct taxes	-39 018	-26 819	-12 199	45,5 %
<b>Total result</b>	<b>168 301</b>	<b>116 115</b>	<b>52 186</b>	<b>44,9 %</b>
Operating profit	182 898	180 990	1 908	1,1 %
Change in the difference between current and book values *)	-8 451	-30 678	22 227	-72,5 %
<b>Total result</b>	<b>174 447</b>	<b>150 312</b>	<b>24 135</b>	<b>16,1 %</b>

\*) Change in the difference between current and book values has been modified to take into account the differences in valuation transferred

## Investment allocation at fair value

	Basic breakdown				Risk breakdown <sup>8)</sup>		
	31.12.2016		31.12.2015		31.12.2016		31.12.2015
	EUR million	%	EUR million	%	EUR million	%	%
<b>Fixed-income investments</b>	<b>2212,4</b>	<b>58,0</b>	<b>1961,4</b>	<b>54,0</b>	<b>2212,4</b>	<b>58,0</b>	<b>54,0</b>
Loan receivables <sup>1)</sup>	534,3	14,0	439,1	12,1	534,3	14,0	12,1
Bonds	1499,3	39,3	1388,8	38,2	1499,3	39,3	38,2
Other money market instruments and deposits <sup>1), 2)</sup>	178,7	4,7	133,5	3,7	178,7	4,7	3,7
<b>Equities and shares</b>	<b>901,2</b>	<b>23,6</b>	<b>1003,7</b>	<b>27,6</b>	<b>901,2</b>	<b>23,6</b>	<b>27,6</b>
Listed equities and shares <sup>3)</sup>	356,7	9,4	494,4	13,6	356,7	9,4	13,6
Private equity investments <sup>4)</sup>	264,3	6,9	235,8	6,5	264,3	6,9	6,5
Unlisted equities and shares <sup>5)</sup>	280,2	7,3	273,6	7,5	280,2	7,3	7,5
<b>Real estate investments</b>	<b>680,3</b>	<b>17,8</b>	<b>670,4</b>	<b>18,4</b>	<b>680,3</b>	<b>17,8</b>	<b>18,4</b>
Direct real estate investments	493,6	12,9	478,7	13,2	493,6	12,9	13,2
Real estate funds and joint investments	186,7	4,9	191,6	5,3	186,7	4,9	5,3
<b>Other investments</b>	<b>20,1</b>	<b>0,5</b>	<b>0,0</b>	<b>0,0</b>	<b>20,1</b>	<b>0,5</b>	<b>0,0</b>
Hedge fund investments <sup>6)</sup>	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Commodity investments	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other investments <sup>7)</sup>	20,1	0,5	0,0	0,0	20,1	0,5	0,0
<b>Investments total</b>	<b>3814,1</b>	<b>100,0</b>	<b>3635,5</b>	<b>100,0</b>	<b>3814,1</b>	<b>100,0</b>	<b>100,0</b>
Effect of derivatives <sup>9)</sup>							
<b>Investments total</b>	<b>3814,1</b>	<b>100,0</b>	<b>3635,5</b>	<b>100,0</b>	<b>3814,1</b>	<b>100,0</b>	<b>100,0</b>

The modified duration of bond investments 3,4

1) Accrued interest included

2) Includes cash at bank and in hand and purchase money claims and purchase money obligations

3) Includes also mixed funds if those can't set elsewhere

4) Includes fixed assets and mezzanine funds and also infrastructure investments

5) Includes also unlisted real estate investment companies

6) Includes all types of hedge fund investments regardless of the strategy of the fund

7) Includes items that can not be included in other investments classes

8) Risk breakdown can be shown from reference periods as the knowledge cumulates (not with retroactive effect).

If the numbers are shown from reference periods and the periods are not completely comparable, it must be informed.

9) Includes derivatives effect on difference between risk and basic allocation. The effect of derivatives can be +/-.

After the difference correction the total sum of the risk allocation tallies with the basic allocation.

10) The ratio is calculated by using the total sum of the row "Investments current value in total" as divisor.

## Net investment income on capital employed

	Net investment income at current value <sup>8)</sup>	Capital employed <sup>2)</sup>	Return % on capital employed	Return % on capital employed	Return % on capital employed	Return % on capital employed	Return % on capital employed
		31.12.2016		31.12.2015	31.12.2014	31.12.2013	31.12.2012
Return % on capital employed	EUR million	EUR million	%	%	%	%	%
<b>Fixed-income investments</b>	<b>79,1</b>	<b>2 054,3</b>	<b>3,9</b>	<b>0,9</b>	<b>3,9</b>	<b>1,2</b>	<b>8,1</b>
Loan receivables <sup>1)</sup>	15,7	480,4	3,3	4,0	4,3	3,8	3,3
Bonds	63,9	1 457,7	4,4	0,4	4,2	1,1	9,0
Other money market instruments and deposits <sup>1), 2)</sup>	-0,4	116,2	-0,4	-0,4	0,4	0,3	1,5
<b>Equities and shares</b>	<b>44,2</b>	<b>976,6</b>	<b>4,5</b>	<b>14,0</b>	<b>5,4</b>	<b>11,1</b>	<b>13,0</b>
Listed equities and shares <sup>3)</sup>	14,7	469,4	3,1	19,3	7,3	19,0	16,7
Private equity investments <sup>4)</sup>	17,4	238,0	7,3	18,4	16,6	9,7	12,9
Unlisted equities and shares <sup>5)</sup>	12,1	269,3	4,5	3,1	-4,5	-9,0	4,2
<b>Real estate investments</b>	<b>46,1</b>	<b>652,2</b>	<b>7,1</b>	<b>6,1</b>	<b>4,3</b>	<b>5,0</b>	<b>4,4</b>
Direct real estate investments	38,2	459,0	8,3	6,7	5,7	5,0	4,3
Real estate funds and joint investments	7,9	193,2	4,1	4,5	-0,1	5,1	4,8
<b>Other investments</b>	<b>0,0</b>	<b>6,1</b>	<b>-0,6</b>	<b>0,0</b>	<b>0,0</b>	<b>-2,6</b>	<b>0,0</b>
Hedge fund investments <sup>6)</sup>	0,0	0,0	0,0	0,0	0,0	-2,6	0,0
Commodity investments	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other investments <sup>7)</sup>	0,0	6,1	-0,6	0,0	0,0	0,0	0,0
<b>Investments total</b>	<b>169,4</b>	<b>3 689,2</b>	<b>4,6</b>	<b>4,9</b>	<b>4,3</b>	<b>4,2</b>	<b>8,3</b>
Unallocated return, costs and operating expenses	-7,0						
<b>Net investment income at current value</b>	<b>162,4</b>	<b>3 689,2</b>	<b>4,4</b>	<b>4,8</b>	<b>4,1</b>	<b>4,0</b>	<b>8,1</b>

1) Accrued interest included

2) Includes cash at bank and in hand and purchase money claims and purchase money obligations

3) Includes also mixed funds if those can't set elsewhere

4) Includes fixed assets and mezzanine funds and also infrastructure investments

5) Includes also unlisted real estate investment companies

6) Includes all types of hedge fund investments regardless of the strategy of the fund

7) Includes items that can not be included in other investments classes

8) Change in market values at the end and beginning of the reporting period – cash flows during the period.

By cash flow is meant the difference between sales/profits and purchases/expenses.

9) Capital employed = Market value at the beginning of the period + daily/monthly time-weighted cash flows.



# Accounting principles

The financial statements of LocalTapiola General Mutual Insurance Company (LocalTapiola General) have been prepared in accordance with the Accounting Act, the Limited Liability Companies Act and the Insurance Companies Act. In addition, the Decree of the Ministry of Social Affairs and Health on the financial statements and consolidated financial statements of insurance companies and the provisions of the Accounting Decree, as prescribed in the above Decree, are complied with. Finally, the decisions, regulations and instructions issued by the authorities regulating insurance companies – the Ministry of Social Affairs and Health and the Financial Supervisory Authority – are adhered to.

## Grounds for the scope of LocalTapiola Group's consolidated financial statements

LocalTapiola General prepares consolidated financial statements for the LocalTapiola Group to the extent intended by Insurance Companies Act for groups of insurance companies. LocalTapiola's Group-level financial statements provide customers and stakeholders with a better and more extensive picture of LocalTapiola Group's financial position than the financial statements of individual companies. It is necessary to prepare consolidated financial statements for the Financial Supervisory Authority to exercise group control on the basis of the Insurance Companies Act.

Despite issuing consolidated financial statements, LocalTapiola Group as a whole does not constitute a group in accordance with the Accounting Act, mainly due to the insurance companies being mutual companies. The owners of mutual insurance companies are the policyholders and, as such, the companies do not meet the Accounting Act's definition of a group as the parent company does not hold a majority stake in or exercise control over the subsidiary. LocalTapiola General is also not entitled to nominate the majority of the members of the Boards of Directors of the other insurance companies in LocalTapiola Group, nor are there any valid contractual or other arrangements between LocalTapiola Group's companies that could lead to LocalTapiola General exercising de facto control over the other mutual insurance companies in LocalTapiola Group.

## Valuation and allocation of intangible assets

### Other long-term expenditure

Other long-term expenditure includes capitalised costs of renovations in apartments and design costs of IT systems. These are stated in the balance sheet at cost less planned depreciation.

## Valuation and allocation of investments

### Real estate and shares in real estate

Buildings and other constructions are stated at cost less planned depreciation or at fair value, whichever is lower.

Shares in real estate are stated at the lower of cost and fair value. Revaluations may have been made on the values of real estate and shares in real estate if the values were significantly higher over a long period of time than the historical cost at the end of the financial year. The counter-item of the revaluation of real estate or shares in real estate classified as investments has been recognised as income since 1978, and earlier revaluations have been entered in the revaluation reserve in restricted capital and reserves. The counter-item of an investment classified as fixed assets has been entered in the revaluation reserve of restricted capital and reserves.

Previous value adjustments of investments are reversed in the profit and loss account at most up to the historical cost if the fair value rises.

### Shares and holdings

Shares and holdings are stated at the lower of cost and fair value. Acquisition cost is calculated using the average price method. Previous write-downs of shares and holdings are reversed to the extent that the fair value exceeds the book value.

Loaned securities are included in the balance sheet. Information on loaned securities is presented in the notes to the balance sheet.

### Debt securities

Debt securities include bonds and other money market instruments. Debt securities are stated at cost in the balance sheet. Acquisition cost is calculated using the average price method. The difference between the nominal value and acquisition cost of debt instruments is released or charged to interest income during the term to maturity. The counter-item has been entered as an increase or decrease of the acquisition cost of the debt security. Impairments owing to interest rate fluctuations or other causes have been recognised. For the investment operations in the life insurance business, only impairments due to other causes have been recognised.

Similarly, value readjustments have been recognised if the fair value of a debt security has at a later date exceeded the adjusted acquisition cost, at most up to the original acquisition cost.

### Loan receivables, deposits and deposits with ceding undertakings

Loans, deposits and deposits with ceding undertakings are stated at nominal value or a permanently lower, likely realisable value.

### Derivative contracts

Derivative contracts are mainly used for hedging investment portfolios. In the accounts, however, derivatives are primarily treated as non-hedging, even though they are effective for hedging purposes.

Gains and losses incurred during the financial year from the closing or lapsing of contracts have been entered as income or expenses for the financial year.

### Non-hedging derivatives

A negative difference between the fair value and higher book value of a non-hedging derivative or a derivative treated as non-hedging is entered as an expense. Unrealised gains are not recognised. The potential maximum loss from non-hedging derivative contracts is deducted from the solvency margin.

### Application of hedging calculation

When using hedging calculation, a decrease in the value of a derivative is not entered to the extent that an increase in the value of the hedged item covers the change. Any loss exceeding the increase in the value of the hedged item is entered as an expense. The difference between the fair value and the lower book value of a derivative is entered as income from the hedged item up to the amount entered as expense. If no value

change is entered in the profit and loss account for the hedged balance sheet item, no valuation income or expense arising from the hedging derivative is recognised.

## Definition of fair value of investments

### Real estate investments

Real estate and shares in real estate are stated at market-based fair values. The valuation principles and practices as set out in the International Valuation Standards (IVS) and good real estate valuation practices (known as AKA criteria) are applied in the valuation of real estate investments.

Residential buildings are primarily valued using a sales value method based on reference sales. The primary valuation method for commercial premises is the cash flow method based on the income approach. Values of special items are defined using a market-based evaluation method deemed best suited for the item. The fair value of real estate funded by state housing loans is the assignment price as defined in Section 10 of the Act on the Use, Assignment and Redemption of State-Subsidised (ARAVA) Rental Dwellings and Buildings (1190/1993).

Valuations are either conducted by external authorised property valuers or LocalTapiola Real Estate Asset Management's experts, instructed and audited by an external authorised property valuer in accordance with the requirements of the Financial Supervisory Authority.

### Shares, holdings and debt securities

As regards quoted securities and securities for which there is a market, the latest trading price or, if not available, the bid price is used as the fair value. The fair value of other investments is the likely realisable value, book value or value based on substance. The fair value of private equity funds is the acquisition cost or the management company's estimate of the fund's fair value.

### Loan receivables, deposits and deposits with ceding undertakings

The fair value of loans, deposits and deposits with ceding undertakings is the nominal value, taking into consideration any reduction in the nominal value to the likely value required by the risk of potential credit losses.

## Zillmerisation

Zillmerisation is not applied.

## Assets held to cover unit-linked insurance policies

Assets held to cover unit-linked insurance policies are stated at fair value in the balance sheet.

## Valuation of receivables

### Premiums receivable

Premiums receivable are stated at their maximum likely realisable value. Lapsed contracts have been deducted from the nominal value of premiums receivable based on experience, which gives the likely realisable value. Receivables that are not likely to be settled are recognised as credit losses.

### Foreign currency items

Receivables and liabilities in foreign currencies have been translated into euros at the rates quoted by the European Central Bank on the day of closing of the accounts. The rate used for other investments is that of the moment of acquisition or of the day of closing of the accounts, whichever is lower.

Exchange rate differences have been entered as adjustments on the income and expenses concerned. Exchange rate differences concerning cash at bank and in hand and deposits, as well as items that cannot be entered directly as adjustments on income or expenses, have been recognised as exchange gains or losses from investment activities.

## Depreciation

Acquisition costs of buildings and their components, equipment, intangible rights and long-term expenditure have been capitalised and are entered as expenses under planned depreciation over their expected useful lives.

The estimated average depreciation periods of different commodity groups are as follows:

### Intangible assets

Renovations in apartments	5–10 years
ICT system design expenses	5–10 years

### Real estate

Residential, office and hotel buildings	40–50 years
Department store buildings and other store buildings	30–40 years

Industrial buildings, warehouses and similar buildings	20–30 years
Building components, reducing balance method	25 %

### Equipment

Office machinery, equipment, etc., reducing balance method	25 %
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The effect of renovations in buildings on their lifetime is assessed separately. As regards revaluations released to income, depreciation has been carried out according to the expected useful life of the item in question.

The accumulated difference between write-offs in the accounts and depreciation according to plan is recorded in the balance sheet under liabilities, in the item “Accumulated appropriations, depreciation difference”, and the increase or decrease during the financial year is stated in the balance sheet as a separate item.

## Accumulated appropriations

### Depreciation difference

See “Depreciation”

### Taxation-based provisions

Provisions have been made that must be recognised as revenue according to accountancy and taxation legislation.

## Obligatory provisions

Pension and unemployment pension expenditure arising from future obligations that concerns the most recently or previously ended financial year has been deducted from income as obligatory pension provisions. Provisions for interest on late payments for unfinished claims have been deducted from income as other provisions.

## Direct taxes

Direct taxes have been entered in the profit and loss account on an accrual basis.

## Deferred tax assets and tax liabilities

Deferred tax assets and liabilities pertaining to timing differences between taxable profit and accounting profit and to other temporary differences are shown in the notes to the financial statements. The notes include deferred tax liability calculated on the basis of valuation

difference between the fair and book values that is deemed likely to become payable during the next year. Deferred tax liabilities for one year have been taken into account when calculating key figures.

## Subordinated loan

The subordinated loan has been recorded in the balance sheet at cost under liabilities. The difference between the face value and acquisition price of the debt is deferred as an interest expense and the counterpart is recognised as an addition to the loan acquisition price.

## Other liabilities

Liabilities other than technical provisions are stated in the balance sheet at nominal value.

## Technical provisions, non-life insurance

### Provision for unearned premiums

Provisions for unearned premiums include the proportion of premium income received during the financial period for which the risk could be realised after the financial period. The same compounding is used also for future reinsurance premiums. The amount of provisions for unearned premiums is calculated in accordance with the pro rata parte temporis principle. Activated insurance acquisition costs have not been deducted from the provisions for unearned premiums, and the provisions for unearned premiums do not include provisions for unexpired risks.

Compounding is applied only to provisions for unearned premiums for perpetual forest and perpetual fire insurance with a technical rate of interest of 4.5 per cent.

### Provision for claims outstanding

Provisions for claims outstanding include outstanding claims to be paid by the company after the current accounting period that have been accrued from claims and other occurrences of insured events before or during the accounting period. The provision for claims outstanding includes the equalisation provision. The equalisation provision is a buffer that is reserved for years with large numbers of claims so as to secure the adequacy of technical provisions in the event of unfavourable fluctuations.

The Insurance Supervision Authority confirms the calculation methods for each company's equalisation provision.

A technical rate of interest of 1.4 per cent is applied to calculations of provisions for pension claims outstanding, including unidentified claims.

Provisions for pension claims outstanding are calculated using the non-life insurance reference mortality rate K2016, which is prepared by the Workers' Compensation Center and the Insurance Centre.

## Technical provisions, life insurance

The technical provisions for life insurance and individual pension insurance granted prior to 1 January 1999 have been calculated using a technical interest rate of 4.5 per cent. The accumulated technical provisions for flexible-premium individual pension insurance and individual life insurance policies granted prior to 1 January 1999 have been calculated using technical interest rates of 1.8 per cent and 3.9 per cent respectively, with the additions to reduce the technical interest rate included in the technical provisions.

The rate used for insurance policies granted between 1 January 1999 and 31 December 2002 is 3.5 per cent. A rate of 2.5 per cent has been used for all policies granted between 1 January 2003 and 31 December 2004 as well as for term life insurance policies with a funded component granted between 1 January 2005 and 31 December 2013. For individual life and pension insurance policies issued in and after 2005 and for term life insurance policies with a funded component granted in and after 2014, the rate has been 1.5 per cent.

In exception to the above, the technical interest rate used for calculating technical provisions has, however, been decreased to 0 per cent for 2017, 0.75 per cent for 2018, 1 per cent for 2019–2021 and 1.5 per cent for 2022–2025.

The technical interest rate is not used when calculating the following technical provisions:

- Supplementary provision for unearned premiums resulting from changing the terms and conditions of individual life insurance policies.
- Provisions for additional customer bonuses, additional sums insured and premium rebates included in the provision for unearned individual life insurance premiums.
- Provisions for future bonuses included in the provision for unearned individual life and pension insurance premiums.

## Application of the principle of reasonability and targets for the distribution of additional benefits

According to the principle of reasonability as per Chapter 13, section 2 of the Insurance Companies Act, an insurance company must return, if the company's solvency allows it, a reasonable part of the surplus as additional benefits for those insurance policies that, based on the surplus, are entitled to the additional benefits to be distributed.

LocalTapiola Mutual Life Insurance Company applies the principle of reasonability by allocating most of its surplus to additional benefits and to boosting its solvency, as well as by paying market-based income to risk capital subscribers.

The long-term goal of LocalTapiola Mutual Life Insurance Company is to offer an overall return on insurance savings entitled to distribution of surplus, before taxes and expenses, which exceeds the interest rates of eurozone government bonds with a minimum maturity of 10 years in the case of pension insurance and the interest rates of 5-year bonds in the case of continuous savings life insurance. The goal for risk insurance policies with a funded component is that the real overall interest rate is positive.

The target for additional benefits expressed as a target for overall return on insurance savings is not applied to unit-linked insurance policies or pure risk insurance policies with no savings amassed. In risk insurance policies, the principle of reasonability is followed in such a way that the portion of risk premium surplus not reserved for risk premium fluctuations is returned to the customers as premium reductions or free-of-charge extra risk benefits.

The total return target defined above for all pension and savings life insurance policies is applied to individual insurance contracts in such a way that the general interest rate and the strength of its fluctuations, the company's success in investment operations, the technical interest rate of each insurance policy, all insurance management costs, insurance items used to finance operating expenses and the company's solvency are taken into account when determining the bonuses. The need to prepare for the fact that, in the future, claims expenses will significantly increase due to factors such as changes in mortality is taken into account for each line of insurance in the level of customer bonuses.

The overall interest on customers' insurance savings consists of the technical interest rate and any customer bonuses granted.

The following factors affect the overall interest paid on contracts:

- A lower technical interest rate or an increase in the share to be used to cover operating expenses may raise the overall interest rate
- The overall interest rate for long-term linked savings products, such as pension insurance policies, is higher than for insurance policies that can be freely surrendered.

In certain contracts, the overall interest rate may be lower than the maximum applicable technical interest rate.

Efforts are made to keep the level of customer bonuses stable by evening out fluctuations in investment returns by allocating part of the investment returns of good investment years for distribution in later years.

As for solvency, the target is to achieve a quality and level that does not restrict the company's activities or the payment of targeted additional benefits to policyholders.

Publishing the targets for additional benefits in this form is required by the Insurance Companies Act, and the targets describe the distribution of surplus between capital, reserves and technical provisions resulting from insurance contracts.

The targets for additional benefits do not correspond to the information that, according to the Insurance Contracts Act, must be provided to the policyholder in connection with a single insurance contract. Therefore, they are not part of any single insurance contract.

The targets for additional benefits are not binding on the company and are in force until further notice. The company's Board of Directors decides every year on additional benefits and the changes that have to be made to the targets for the distribution of additional benefits.

The targets and a study on their implementation are published on the company's website and in the financial statements.

## Realisation of the targets for the distribution of additional benefits by LocalTapiola Mutual Life Insurance Company, 2007–2016

The company's target for additional benefits is a long-term goal and its implementation must be reviewed for periods of several years. In some years, the benefits may remain below the target.

For this reason, the realisation of the target has been reviewed below for 2007–2016 and not just for 2016. As regards 2016, it can be stated that the company was able to pay the overall interest according to the target for additional benefits for all contract groups. The overall interest paid in from 2007 to 2016 clearly



exceeded the target for additional benefits in all contract groups.

#### The interest rates selected as the target for additional benefits have been defined as follows:

In 2007–2016, the interest rate used as the target for additional benefits was the eurozone government bond yield index with maturities of 5 and 10 years published by the European Central Bank. The annual returns have been calculated as mean values of daily or monthly quotes.

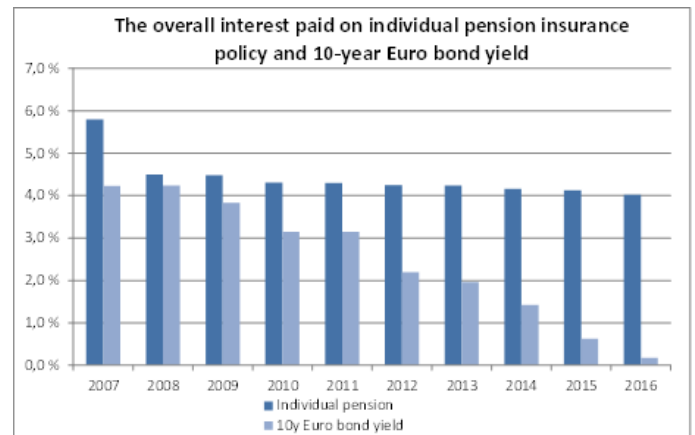
The following is a list of the overall interest rate levels for each line of insurance and contract group for 2016 and 2007–2016. It should be noted that, due to the large number of different contract types, this is not a fully comprehensive account of overall interest rates from the perspective of each single insurance contract. The annual bulletins sent to the policyholders clarify in detail the level of the technical rate of interest and customer bonuses of each contract.

### Report on overall interest rates on insurance savings for each line of insurance from 2007 to 2016

#### Individual pension insurance policies

In 2016, the overall interest paid on insurance savings under individual pension insurance policies averaged 4.0 per cent and ranged from 2.5 per cent to 4.5 per cent, depending on the product and technical rate of interest. The overall interest paid on all products exceeded the target 10-year interest rate, which averaged 0.2 per cent in 2016.

Technical rate of interest	Customer bonus	Overall interest
4,5 %	0,0 %	4,5 %
3,5 %	0,0 %	3,5 %
2,5 %	0,0 %	2,5 %
1,5 %	1,6 %	3,1 %



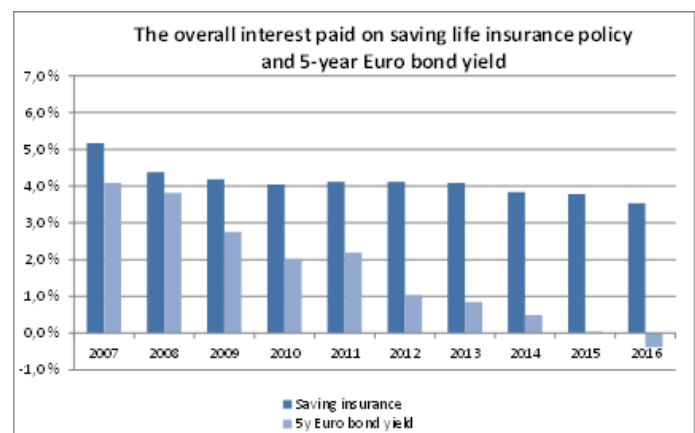
The following image shows the overall interest rate of individual pension insurance policies in relation to the target between 2007 and 2016.

The overall interest rate exceeded the target rate every year.

#### Savings life insurance policies

In 2016, the overall interest paid on insurance savings under savings life insurance policies averaged 3.5 per cent and ranged from 2.5 per cent to 4.5 per cent depending on the product and technical rate of interest. The overall interest paid on all products exceeded the target 5-year interest rate, which averaged -0.4 per cent in 2016.

Technical rate of interest	Customer bonus	Overall interest
4,5 %	0,0 %	4,5 %
3,5 %	0,0 %	3,5 %
2,5 %	0,0 %	2,5 %
1,5 %	1,2 %	2,7 %



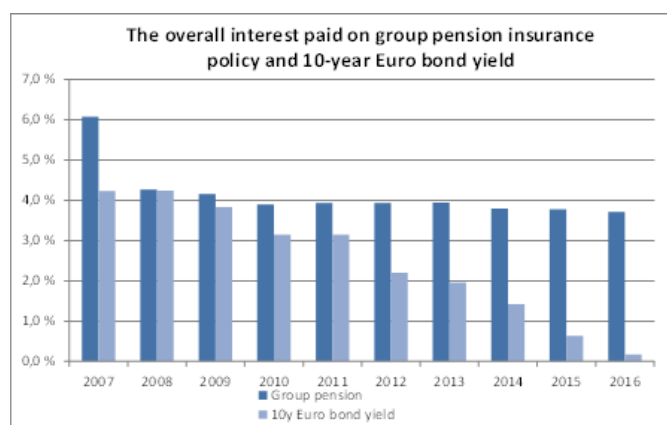
The following image shows the lowest applied overall interest rate of savings life insurance policies in relation to the target rate between 2007 and 2016.

On average, the overall interest rate exceeded the target 5-year interest rate in the period in question. However, in 2008, the interest rate remained slightly under the target in some contracts.

#### Group pension insurance policies

In 2016, the overall interest paid on insurance savings in group pension insurance policies ranged from 3.5 per cent to 4.25 per cent in the case of Etueläke insurance policies and from 3.3 per cent to 3.5 per cent in the case of TOP pension insurance policies. The overall interest paid on all products exceeded the target 10-year interest rate, which averaged 0.2 per cent in 2016.

Technical rate of interest	Customer bonus	Overall interest
4,25 %	0,0 %	4,25 %
3,5 %	0,0 %	3,5 %
2,5 %	0,8 %	3,3 %
1,5 %	1,9 %	3,4 %



The following image shows the lowest applied overall interest rate of group pension insurance policies in relation to the target rate between 2007 and 2016.

On average, the overall interest has exceeded the target 10-year interest rate in all years.

#### Account of additional benefits provided for risk insurance policies in 2016

In risk insurance policies entitled to distribution of profit, the principle of reasonability is applied in the form of increased amounts of benefit or premium rebates for term life insurance. The increase in the amount of benefit and the amount of the premium rebate varies depending on the policy commencement date and the insured's age and gender.

In 2016, additional benefits paid for risk insurance policies amounted to EUR 2.1 million. Additional benefits for risk insurance policies are confirmed in advance.

The benefits confirmed for 2017 are the same as those for 2016.

#### Account of the personnel's pension cover and the allocation of pension expenditure

Statutory pension cover has been arranged for the personnel through basic Employees Pensions Act (TyEL) insurance taken out from Elo Mutual Pension Insurance Company with supplementary cover from LocalTapiola Mutual Life Insurance Company, which provides old-age, disability and survivors' pensions, as well as death benefit for next of kin. As a rule, the supplementary pension increases the pension annually by 0.2% of the annual income on which the pension as defined in the Employees Pensions Act is based. Employees whose employment relationship began before 31 December 2012 are entitled to the additional benefit after five years of employment. The supplementary pension encompasses the entire period of employment relationship.

Full-time members of the Board of Directors who are employed by LocalTapiola General and LocalTapiola Life have a retirement age of 63. The retirement age of the Managing Director is 63 years, and that of other directors is the general retirement age: 63–68 years. The supplementary pension cover has been arranged through a supplementary pension with LocalTapiola Mutual Life Insurance Company.

Pension insurance contributions have been recorded on an accrual basis.

#### LocalTapiola Group's consolidated financial statements

As the leading company in LocalTapiola Group, LocalTapiola General prepares consolidated financial statements to the extent intended by the Insurance Companies Act for groups of insurance companies. LocalTapiola Group is headed by LocalTapiola General, and it also includes 20 regional non-life insurance companies and LocalTapiola Life, as well as the other companies consolidated into the Group by virtue of being under the de facto control of these LocalTapiola companies. LocalTapiola Group's financial statements consolidate LocalTapiola General's group of companies in accordance with the Accounting Act as well as the other companies that, in combination with LocalTapiola General's group, constitute LocalTapiola's group of insurance companies in accordance with Chapter 26, Section 2 of the Insurance Companies Act. The subsidiaries and participating interests combined in LocalTapiola Group's consolidated financial statements are stated in the

notes. The group-related terms used in the financial statements refer to LocalTapiola Group.

However, preparing the financial statements to cover the entire group of insurance companies as defined in the Solvency II directive does not extend the legal liability of LocalTapiola General's Board of Directors beyond the Group structure specified in the Accounting Act.

All of the Turva Mutual Insurance Company guarantee share owners have signed an addendum to the mutual guarantee share owner agreement stating that LocalTapiola General has the right to appoint the majority of Turva's Board of Directors, should the company wish to exercise this right. As such, Turva is a subsidiary of LocalTapiola General. LocalTapiola Group's share of Turva's guarantee capital is 75.79 per cent. The financial statement data of Turva has not been included in LocalTapiola Group's consolidated financial statements based on the Accounting Act, Chapter 6, Section 3, Subsection 1. The law states that the financial statements of a subsidiary may be left out of the consolidated financial statements if combination is not necessary in order to offer a correct and adequate depiction of the results of the operations and financial position of the Group. Holders of guarantee shares in a mutual company do not have any right to other assets of the company outside the guarantee capital and guarantee capital interest paid based on a decision of the general meeting.

LocalTapiola Group's first consolidated financial statements were prepared on 31 December 2016 as a combination of the profit and loss accounts, balance sheets and notes to the statements of the highest parent company of the Group and the LocalTapiola Group companies being consolidated. The following are eliminated in these consolidated statements: intra-group receivables and liabilities, income and expenses, profit distribution, internal gains and losses, and mutual share ownership. The change from LocalTapiola General Group on 31 December 2015 to LocalTapiola Group's consolidated financial statements on 31 December 2016 is shown in the equity bridge calculation, but no comparable data for the balance sheet, profit and loss account or key figures is available in LocalTapiola Group's consolidated financial statements.

The intra-Group share and guarantee capital ownership in LocalTapiola Group's consolidated financial statements has been eliminated using the acquisition cost method. Equity contains a separate balance sheet item presenting "Mutual insurance companies' equity". The mutual insurance companies' initial reserve, security reserve, contingency reserve and retained earnings that are not paid to owners of guarantee capital in the form of interest, are transferred to the balance sheet item, "Mutual insurance companies' equity". Local-

Tapiola Group owns 100 per cent of the guarantee capital of the mutual regional companies and LocalTapiola Life. In mutual companies, equity is used to distribute part of the retained earnings as customer benefits to owner-customers. For the sake of clarity, mutual companies' equity is presented as a separate balance sheet item.

Minority interest in capital and reserves and profit is shown as a separate item in the profit and loss account and balance sheet. Subsidiaries acquired during the financial year are included in the consolidated statements as of the acquisition date, and subsidiaries sold during the period up to the moment of sale.

Associated companies – those in which LocalTapiola Group holds 20–50 per cent of the shares or votes – have been included in LocalTapiola Group's consolidated statements using the equity method. Housing companies, mutual real estate companies and real estate investment funds are not combined as associated companies in LocalTapiola Group's consolidated financial statements even when the requirements for control and ownership are met. Non-mutual real estate associated undertakings have been combined into LocalTapiola Group's consolidated financial statements as associated companies.

Deferred tax liabilities and deferred tax assets are recognised in LocalTapiola Group's consolidated financial statements in the balance sheet. Deferred tax assets and liabilities resulting from combination measures are stated in the balance sheet when their future tax effects must be deemed probable for the companies they relate to. The change in taxation-based provisions and depreciation difference has been divided between the change in deferred tax liabilities and profit. The corresponding balance sheet items have been divided into deferred tax liabilities and capital and reserves, taking into account the minority interest.

The revaluations of the housing and real estate subsidiaries' shares in the insurance sector have been entered as revaluations of LocalTapiola Group's subsidiaries' real estate.

The consolidation goodwill arising from the elimination has been allocated primarily to the subsidiary's assets, taking into account their fair value. The consolidation goodwill will be amortised according to plan, similarly to the corresponding item. Unallocated consolidated goodwill is recorded in the balance sheet under "Intangible assets" as a separate item and will be amortised according to plan. The Group reserve is included in the balance sheet under "Liabilities" as a separate item and released to income from earnings if possible.

Intra-group direct insurance business has not been eliminated in LocalTapiola Group's consolidated financial statements; intra-group reinsurance, excluding the equalisation provision, has been eliminated.



## Changes in accounting principles affecting the comparability of the results for the financial period with those for the previous financial period

No comparable figures are presented because 2016 is the first financial period for which consolidated financial statements have been prepared for LocalTapiola Group.

### Information for the comparison year, business transfers 30 June 2015

LocalTapiola General transferred its voluntary non-life insurance premiums for customers in the municipalities of Espoo, Helsinki, Kauniainen and Vantaa, with certain exceptions, to LocalTapiola Pääkaupunkiseutu. The

transfer did not apply to business and insurance premiums for organisations that employ more than 50 people and who have taken out voluntary non-life insurance. When the insurance portfolios and business operations were transferred, LocalTapiola General relinquished the insurance contracts related to the insurance portfolio in Greater Helsinki, the technical provisions including the equalisation provisions and the assets held to cover these, along with the other assets, liabilities and provisions related to the insurance operations in Greater Helsinki. These were transferred to LocalTapiola Pääkaupunkiseutu. In return, LocalTapiola General received new guarantee shares issued by LocalTapiola Pääkaupunkiseutu.

The figures for the comparison period are not comparable with the figures for the period under review due to the business transfer.

# Notes on risk management

## General risk management principles

### Basis for risk management

Risk management refers to active and proactive operations that aim to identify, assess, limit, utilise and monitor business threats and new opportunities arising from changing external and internal conditions or LocalTapiola's strategic intent. The aim is to promote the continuity of customers' financial security and support reaching of the Group's operational and financial targets. In accordance with the principles of corporate responsibility, the Group manages its risks and provides reliable information on risks and risk management to customers and other stakeholders.

Key areas of risk management and risk categories:

<b>Financial risks</b>	Risks associated with solvency management
	Market risks
	Credit risks
	Liquidity risks
	Concentration risks
	Insurance risks
<b>Operational risks</b>	Risks associated with business planning
	Process risks
	Systemic risks
	Personnel risks
	Legal risks
	Risks of damage
<b>Risks associated with the operating environment and strategy</b>	Risks associated with the general operating environment
	Risks associated with the markets and customer behaviour
	Risks caused by the nature of competition and by competitors
	Risks associated with strategic choices
	Group-level special risks

### Organisation of risk management

The Board of Directors has overall responsibility for organising risk management. The Board defines risk management targets, the willingness to take risks, limits of risk taking, responsibilities, metrics and monitoring principles. The Board annually confirms plans associated with risk management, ensures that they are taken into account in the operational plans and monitors the implementation of and compliance with these plans. The Board also monitors the status of risk management and the development of key risks on a regular basis. The Board of Directors has established a separate Audit and Risk Management Committee for purposes such as as-

sisting the Board with matters related to risk management. The managing director and executives are responsible for the practical preparation and implementation risk management and for monitoring the implementation. Business units are responsible for identifying risks related to their own operations and taking the required risk management measures. Supervisors are responsible for ensuring that business processes are monitored sufficiently and that reliable and up-to-date information on supervision results is always available. All employees have the obligation to report on any risks observed or areas for improvement identified in risk management.

Risk management supervision is always the responsibility of a party other than the one responsible for operational activities. The actuarial, risk management, financial, controller, compliance and balance sheet management functions, as well as internal audit assist the Board of Directors and management in the practical implementation of risk management supervision and risk monitoring. The auditing function also supervises the implementation of risk management.

As the Board of Directors of LocalTapiola Group's leading company, the company's Board of Directors is responsible for arranging and monitoring the Group's risk and solvency management. The Group's Risk Management Committee plays a key role in drafting the operating principles for the Group's risk management, as well as in monitoring and supervising the Group's risks. The Group's Asset and Liability Committee (ALCO) is an expert organ for managing, monitoring and reviewing balance sheet risks, and it reports directly to the Board of Directors. The committee is responsible for ensuring that balance sheet risk management is organised in an appropriate manner and that capital is efficiently used. The Board of Directors appoints an investment control committee, which is responsible for the practical organisation of investment operations and the operational supervision of market risks.

### Reporting

The accuracy of financial information is ensured through sufficiently up-to-date and frequent reporting, regular balancing routines, and extensive and up-to-date documentation on the accounting methods and systems used in reporting. In addition, the decision-making and reporting functions of businesses are organisationally separate.

## Insurance operations risk management

The Group's insurance risks are life insurance risks, non-life insurance risks and investment risks.

### Non-life insurance risks

The major insurance risks in non-life insurance relate to the pricing of insurance products and risk selection, inflation, interest rate fluctuations, changes in the mortality rate, occupational diseases and reinsurance covers.

**Pricing risk** refers to insurance premiums being too low to cover claims and operating expenses due to insurance contracts. The major pricing risks are connected with the adequacy of risk payments for the tariff models used as well as profitability and claim supervision processes and taking these processes into account in insurance pricing and underwriting policies.

The underwriting policy defines the permitted insurance risks. The Board of Directors approves the profitability targets for the insurance business and the pricing strategy is used to guide the person in charge of risks and to guarantee fair pricing. The business units are responsible for reaching the targets set out in the underwriting policy and pricing strategy. Risks connected with pricing and the level of insurance premiums are managed by continuously developing the reporting and calculation methods to enable any necessary changes to be made to premiums more rapidly. Particularly high insurance risks are underwritten to a limited extent or not at all.

**Customer risks** are managed by using customer selection instructions, by monitoring adherence to these instructions, by using a register of claims and by using insurance investigators. The impact of large risk concentrations are minimised by the Board of Directors reviewing the concentrations on a regular basis. When striving for improved selection of customers and pricing that correlates with the risks, important means are underwriting and pricing authorisations maintained by the business units.

The Group's Research Team investigates and prevents insurance-related crime. Checking potential customers' data prior to selecting customers and studying unclear claims are important aspects of the Research Team's operations. More serious cases are handed over to the authorities. Effective customer selection aims at keeping credit losses and claims incurred at the desired level.

**Inadequate technical provision risk** means that the amount reserved for technical provisions is not sufficient to pay the compensation that the company is committed to and that become payable after the year of provision. The sub-risks include inflation risk, interest risk, longevity risk and occupational disease risk.

*Inflation risk* is related to long-term compensation in terms of cash flow in relation to matters such as medical care and rehabilitation for personal injuries. This risk is

realised if, due to inflation, the level of compensation paid exceeds the level assumed when determining prices and liability for damages, and the premiums and provision for claims outstanding prove insufficient.

*Interest risk and longevity risk* mainly apply to long-term, pension-like compensation liabilities under motor liability and occupational accident insurance. When calculating liabilities, cash flows are discounted using unwinding of discount expenses. Interest risk is realised if returns corresponding to at least the unwinding of discount expense are not obtained for the assets covering these liabilities. Longevity risk refers to uncertainty connected with estimating future mortality trends when determining provisions for claims outstanding. Longevity risk is realised if the mortality rate proves to be lower than expected in the future, and pensions must be paid out for a longer time than had been expected.

*Occupational disease risk* only applies to occupational accident insurance. In accordance with the Occupational Accident and Disease Act, occupational disease refers to adverse health effects related to an employment relationship, usually caused as the result of long-term exposure to physical, chemical or biological factors and appears several years after exposure. Occupational disease risk is realised if more occupational diseases occur than were expected, and the insurance premiums and provisions for claims outstanding prove insufficient.

The calculation bases for technical provisions in accounting set out the principles for determining the technical provisions for different insurance classes. The technical rate of interest (1.4 per cent), which is used to discount the provisions for claims outstanding, is determined in such a way that it does not exceed the level of investment income defined as secure over the estimated period for the settlement of damages. The definitions are prudent with respect to interest rate and mortality, as well as other definition principles. The adequacy of technical provisions is monitored annually and revisions are made when necessary. The valuation of technical provisions in solvency calculations differs from the book value. Attempts are made to value technical provisions on market terms by means such as discounting the technical provisions using the risk-free interest rate curve.

The provision for unearned premiums in accounting is determined as a "deferred provision" using coefficients defined for each insurance class derived in accordance with the pro rata rule. Provisions for pension-like claims outstanding are assessed using a mortality model jointly developed by the Workers' Compensation Center and the Insurance Centre. Under this model, the pensioner's mortality depends on age, gender and the year of birth. Funds are reserved for specific large claims in excess of a certain value from the provision for claims outstanding. The provision for other known and unknown claims (the collective provision) is defined statistically using normal

actuarial methods. To increase coverage, a security supplement is made part of the provision. The provision to be made for handling claims is determined as a relative proportion of the actual amount of provisions for claims outstanding.

**Risks connected with reinsurance cover** concern the trustworthiness of reinsurers, the diversification principles to be followed in acquiring cover and the principles followed for individual major risk targets, especially with respect to securing reinsurance cover before stating direct business premium risks. Furthermore, evaluation errors connected with Estimated Maximum Loss (EML) evaluations may be detrimental if realised.

The risks related to reinsurance cover are managed using a reinsurance programme and instructions that apply to procuring reinsurance cover as confirmed by the Board of Directors. The structure of the insurance portfolio, the different volumes of each insurance class, possible cumulative risks and the solvency position are taken into consideration when planning reinsurance cover and programmes. Based on these factors, excess points are set for each insurance class that define the maximum amount to be held at own risk for single risks.

Reinsurers are only approved if they are sufficiently solvent companies in terms of their credit ratings. The majority of the reinsurance is underwritten by companies with a Standard & Poor's credit rating of A or better. Reinsurance cover is procured in a diversified manner from a sufficiently large number of reinsurance providers on the basis of limits set by the Board of Directors. Preparations are made for risks connected with the availability of reinsurance and adequate coverage through close cooperation between direct business and reinsurance; all necessary revisions in direct business contracts and tenders are made in good time.

### Risks associated with life insurance

The most significant insurance risks in life insurance are risks associated with technical provisions and the customer-related risks of termination of contracts and premium payments. The risks associated with technical provisions include the following: interest rate risk related to the technical interest rate and surrenders as well as the risks related to mortality, longevity and morbidity.

*Interest rate risk* can be managed by hedging investment portfolios with derivatives in unstable market conditions; by maintaining sufficient solvency; by lowering the technical interest rate of insurance portfolios through additions to liability; by using sanctions for surrenders; and by using a safe and low technical interest rate in new products.

*Risks related to mortality, longevity and morbidity* can be managed through careful product planning and risk selection, and by reinsuring liabilities exceeding the selected deductible and cumulative damage arising from catastrophes. Risks are selected using generally accepted

guidelines for life insurance, the insurance recording policy and related instructions. If required, financial underwriting is also performed in order to confirm that there is an insurable interest. The mortality and morbidity rates of the insured are monitored annually and liabilities are added as needed. With regard to sickness insurance, there is also the option of raising premiums to cover any increase in claims expenses.

The technical interest rate used to calculate the technical provisions with guaranteed return varies between 0 and 3.5 per cent, taking additional technical provisions into consideration. The mortality table used for life insurance and individual pension insurance is the E87 from 1987 for contracts issued by 20 December 2012. New equal mortality rates, which are based on the mortality assessed on the basis of LocalTapiola Life's own insurance portfolio, are used as the mortality table when calculating technical provisions for equalised contracts that entered into force on or after 21 December 2012.

### Investment risks

The Board of Directors sets return targets and risk-taking limits for investment operations, with the aim of securing solvency and liquidity in all market conditions.

Market risks are changes in the market values of assets and liabilities that are the result of changes or fluctuations (volatility) in financial variables, such as interest rates, exchange rates, share prices or real estate values.

Investment risks also include credit/counterparty and liquidity risks. Credit/counterparty risk is the risk that the counterparty of a derivative contract, transaction, loan or similar is unable to meet its obligations or its ability to meet obligations changes. Liquidity risk refers to funding liquidity or market liquidity risk. The former is related to mismatched funding needs and sources, and the management thereof. The latter refers to a situation in which it is not possible to sell invested assets quickly enough without affecting the market price level.

The investment plan approved by the Board of Directors describes the target return on investment, the solvency target, the strategic allocation of investment assets, the limits for investment risks, indicators describing the risk and solvency position, investment steering and reporting processes, and measures to safeguard solvency.

In principle, the strategic allocation is designed to ensure that solvency will be retained over five years with a sufficiently high probability.

Market, credit and liquidity risks are measured and monitored continuously with widely-used methods. Risks are managed using limits and diversification.

Investment traffic lights are a key tool for monitoring solvency. A green light refers to a situation where asset managers are able to operate within the normal investment plan limits. A yellow light indicates a situation in

which increasing investment risks or maintaining a neutral investment allocation within the investment plan are no longer acceptable in view of the risk content of the balance sheet. A red light indicates that the balance sheet risks are too high and active risk reduction measures are needed. In the yellow and red light risk positions, stricter limits are defined for investment risks, as well as any applicable risk reduction measures.

The impact of long-term market scenarios on solvency and the company's operations are reviewed in the risk and solvency assessment (ORSA), which is prepared annually.

## Operational risk management

Operational risks refer to the risk of losses caused by insufficient or failed internal processes, personnel, systems and external factors. Legal risks and risks of damage are included in operational risks. Operational planning risks are related to the risks inherent in the choices made for annual planning, targets and business changes. In principle, operational risks are managed by attempting to prevent the realisation of risks and minimising the harm they can cause.

The key means of managing operational risks are comprehensively identifying, assessing and reporting on risks in different organisations and different risk areas, as well as ensuring the quality and correctness of operations by taking supervision and control measures. Using a standard risk assessment methodology, operational risks are assessed as part of the annual planning process and whenever the risk situation changes significantly. The risk management measures identified in these assessments are incorporated into the annual plans for the various business units. The supervision measures (control measures) included in processes help to ensure the correctness and quality of operations. As part of operational risk management, all realised risks and close calls are logged in the risk event register, along with any further measures required. Any losses caused by disruptions and errors in operations and by operational risks are reported to the authorities in accordance with set re-

quirements. Operational continuity management is verified by regularly assessing, testing and updating the continuity and preparedness plans. In addition, risk assessment is carried out separately for each initiative, project, and significant change in business operations. The Group's companies are responsible for organising their operations appropriately, discharging the corresponding obligations and managing operational continuity. This also applies to all of the operations they outsource.

In addition, there are separate procedures and guidelines for managing operational risks, including the following:

- Process risks
- System risks
- Legal risks
- Security risks
- Information security risks
- Project risks
- Insurable risks (own insurance cover)

## Management of risks associated with the operating environment and strategy

Risks related to the operating environment and strategic intent include risks associated with the general operating environment, changes in the markets and customer behaviour, the nature of competition and competitors, own strategic choices and operating as a Group and group investments.

Risks related to the operating environment and strategic intent are identified and their significance is evaluated annually in conjunction with the annual planning process. This is undertaken through self-assessment. To reduce the risks that have been identified and to exploit opportunities, the responsible bodies plan and implement risk management measures, which are implemented as part of the annual plans of the various parts of the organisation. The risk management work conducted in conjunction with strategic development projects is an essential part of strategic risk management. The risk situation is regularly discussed at meetings of project steering groups.



# Guide to key figures

## General key figures describing financial development

### Non-life insurance turnover

= Premium income before the reinsurers' share  
+ Net investment income in the profit and loss account  
+ Other income

### Life insurance turnover

= Premium income before the reinsurers' share  
+ Net investment income in the profit and loss account  
+ Other income

### Non-life insurance company performance analysis

Premiums earned  
Claims incurred  
Operating expenses  
Other technical income and expenses  

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*Balance on technical account before change in equalisation provision*  
Investment income and expenses as well as revaluations, revaluation adjustments and value changes  
Other income and expenses  
Share in profit/loss of associated undertakings <sup>1</sup>

### Operating profit or loss

Change in equalisation provision  

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*Profit or loss before appropriations and taxes*  
Income taxes and other direct taxes  
Minority interests <sup>1</sup>

### Profit or loss for the financial year

<sup>1</sup> Applies to the consolidated financial statements

The report of the Board of Directors uses the term "operating result" to refer to operating profit (loss), and the term "result for the financial year" to describe the profit (loss) for the financial period.

### Life insurance company's performance analysis

Premium income  
Investment income and expenses as well as revaluations, revaluation adjustments and value changes  
Pay-outs  
Change in technical provisions before additional benefits (customer bonuses) and change in equalisation provision  
Operating expenses

Other technical income and expenses

*Balance on technical account excluding (additional benefits) and change in equalisation provision*

Other income and expenses

Share in profit/loss of associated undertakings <sup>1</sup>

### Operating profit or loss

Change in equalisation provision  
Additional benefits (customer benefits) <sup>2</sup>  

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*Profit or loss before appropriations and taxes*  
Appropriations  
Income taxes and other direct taxes  
Minority interests <sup>1</sup>

### Profit or loss for the financial year

<sup>1</sup> Applies to the consolidated financial statements

<sup>2</sup> Additional benefits include interest in excess of the guaranteed interest rate

### Total result

= Operating profit or loss  
+ Off-balance-sheet valuation differences, change in the fair value reserve and revaluation reserve

### Net investment income on capital employed (at fair value)

Net investment income at fair value in proportion to capital employed is calculated for each type of investment and the entire investment portfolio taking into account cash flows during the period.

Yield for the financial period is calculated using a so-called modified Dietz formula (a time- and money-weighted formula) such that capital employed is calculated by adding the cash flows during the period to the market value at the start of the period, weighted by the relative share of the length of the entire period that remains from the transaction date or from the middle of the transaction month to the end of the period.

### Itemisation of net investment income

= Direct net investment income in accounting  
+ Changes in book values  
+ Change in the difference between fair and book value

### Investment allocation at fair value

The investments covering unit-linked insurance are not included in the investment allocation. Long-term fixed-income funds are included in bonds and short-term funds in money market investments.

Investments in mutual funds and similar undertakings for collective investments in transferable securities that invest in real estate and real estate undertakings are included in real estate investments.

Estimated differences between fair and book value when adjusting items for derivatives and premiums for provisional premiums are allocated to the underlying asset.

The section of the report entitled "Other money market instruments and deposits" includes the balance sheet item "Cash at bank and in hand, purchase price receivables and debts and collateral for derivatives".

#### Return on total assets, excluding unit-linked insurance (%) (at fair value)

$$\begin{aligned}
 & \text{Operating profit or loss} \\
 & + \text{Interest paid and other financial expenses} \\
 & + \text{Unwinding of discount expense} \\
 & + \text{Revaluation/reversal entered in revaluation reserve/fair value reserve} \\
 & + \text{Change in unrealised gains/losses from investments} \\
 & = \frac{\text{Balance sheet total} - \text{Technical provisions for unit-linked insurance} + \text{Unrealized gains/losses from investments}}{\text{Balance sheet total}} \times 100
 \end{aligned}$$

The divisor is calculated as an average value of the balance sheet values for the current financial year and the previous financial year.

In non-life insurance, technical rate of interest expense refers to the impact of dissolution of discounted provisions for claims outstanding in the company's claims incurred when the company discounts capital-like pensions and/or any other provisions for claims outstanding. The rate is calculated by multiplying discounted provisions for claims outstanding at the beginning of the year by the effective technical rate of interest at the end of the previous year.

In life insurance, unwinding of discount expense means the technical interest rate credited to insurance policies during the year, plus/minus any changes in the provision for decreasing the technical interest rate.

In this key figure, other financial expenses include items due to liabilities other than interest expenses, such as exchange gains and losses for interest-bearing liabilities entered in the profit and loss account.

#### Average number of personnel in the financial period

The key figure is calculated as a mean value of the number of personnel at the end of each calendar month. Any part-time employees are taken into account in the number of personnel. Every person who receives a salary during the financial period is included in personnel.

## Key figures describing financial development of non-life insurance

### Premium income

= Premium income before the reinsurers' share

### Loss ratio

Loss ratio (%)

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

Loss ratio (excl. unwinding of discount expense) (%)

$$= \frac{\text{Claims incurred (excl. unwinding of discount expense)}}{\text{Premium income (excl. unwinding of discount expense)}} \times 100$$

The key figure is calculated after the reinsurers' share.

### Expense ratio

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

### Combined ratio

Combined ratio (%)

= Loss ratio + Expense ratio

Combined ratio (excl. unwinding of discount expense)

= Loss ratio (excl. unwinding of discount expense) + Expense ratio

### Risk ratio (report of the Board of Directors)

Risk ratio (%)

$$= \frac{\text{Claims incurred (excl. claims handling expenses)}}{\text{Premiums earned}} \times 100$$

Risk ratio (excl. unwinding of discount expense) (%)

$$= \frac{\text{Claims incurred (excl. claims handling expenses, excl. unwinding of discount expense)}}{\text{Premium income (excl. unwinding of discount expense)}} \times 100$$

### Operating expenses ratio (%) (report of the Board of Directors)

$$= \frac{\text{Operating expenses + Claims handling expenses}}{\text{Premiums earned}} \times 100$$

## Key figures describing the financial performance of life insurance

### Premium income

= Premium income before the reinsurers' share

**Expense ratio (%)**

$$\frac{\begin{array}{l} \text{Operating expenses before change in} \\ \text{deferred acquisition costs} \\ + \text{Claims settlement expenses} \end{array}}{\text{Total expense loadings (and balance sheet total)}} \times 100$$

The numerator is separately prorated to the expense loading and the balance sheet total. According to the cal-

culatation bases, total expense loadings is an item intended to cover operating expenses. Total expense loadings include all expense loadings. Operating expenses do not include commissions on reinsurance.

Operating expenses are total operating expenses in relation to the balance sheet total. Balance sheet total is the opening balance sheet total.



# Proposal for distribution of profit

The Board of Directors proposes that the profit for the financial year, EUR 168,300,985.70, be used as follows:

Transferred to the security reserve	167 500 000,00
Transferred to the contingency reserve	800 985,70

If the Board's proposal for the distribution of profit is adopted, the company's capital and reserves will stand as follows:

Initial fund	8 641 380,35
Guarantee capital	0,00
Revaluation reserve	218 348,97
Security reserve	1 203 747 920,77
Contingency reserve	1 749 689,71
	<hr/>
	1 214 357 339,80
	<hr/>

# Signatures to the annual report and financial statements 31 December 2016

Espoo, 28 March 2017.

Erkki Moisander  
Chairman of the Board of Directors

Jari Eklund

Philip Aminoff

Matti Bergendahl

Timo Hiltunen

Hannu Niilekselä

Kati Partanen

Pirkko Rantanen-Kervinen

Jari Sundström  
Chief Executive Officer

# Auditor's note

A report has been issued today on the audit performed.

**Espoo, 7 April 2017**

KPMG Oy Ab

Mikko Haavisto  
Authorised Public Accountant

*This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.*

# Auditor's Report

To the Annual General Meeting of LocalTapiola General Mutual Insurance Company

## Report on the Audit of Financial Statements

### Opinion

We have audited the financial statements of LocalTapiola General Mutual Insurance Company (business identity code 0211034-2) for the year ended 31 December, 2016. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

In our opinion, the financial statements give a true and fair view of the group's and the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

### Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report. We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related

to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **Other Reporting Requirements**

#### **Other Information**

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the information included in the report of the Board of Directors and, in doing so, consider whether the information included in the report of the Board of Directors is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement in the information included in the report of the Board of Directors, we are required to report this fact. We have nothing to report in this regard.

Espoo, 7 April 2017

KPMG OY AB

[Signed]

Mikko Haavisto

*Authorised Public Accountant*

# Contact information

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