



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 Life

LocalTapiola Life offers life insurance, saving, investment and pension insurance services to all of LocalTapiola's customers. Our services include term life insurance, voluntary pension insurance, savings life insurance and capital redemption contracts. We serve customers at all LocalTapiola offices, over the phone and online.

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Review by the Managing Director



Strong growth and new lifelong security services

Minna Kohmo

Our customer base and market share grew faster than expected in the review period. We are now one of Finland's largest term life insurers. In the next few years, we will seek growth in savings and investment solutions, as well as in term life insurance and group pension insurance. The operating result for 2016 was also excellent, and I would like to thank our customers and every member of LocalTapiola's personnel for this.

In 2016, our market share grew to more than 24 per cent, making us one of Finland's largest term life insurers. Our overall financial result also increased to EUR 72.7 million thanks to our successful investment activities and several

years of sustained growth in the insurance portfolio. Our customer satisfaction ratings remain excellent.

In terms of premium income, we expanded particularly rapidly in our focal areas of group pension insurance and term life insurance. As in previous years, we grew faster than the sector as a whole in term life insurance by making use of our regional structure and specialised sales channels. Premium income from savings life insurance policies remained close to the previous year's level, even though premium income in the sector as a whole decreased by 30 per cent. Our Private Banking sales channel succeeded in growing despite the challenging market climate. Our total premium income was EUR 422 million in 2016.

Aiming to offer meaningful benefits

As a lifelong security company, LocalTapiola's duty is to provide its customers with insurance cover to suit each phase of their lives, help its customers to live more healthily and improve their financial positions, and help

when the insurance needs to be used. LocalTapiola Life paid its customers a total of EUR 329 million in compensation and EUR 67 million in the form of technical interest and bonuses.

Our company's strong solvency position enables sustainable long-term investment activities. We have been increasing our profitability for years now, and we have made preparations to combat uncertainty in investment markets and cope with a climate of low interest rates. This effort is reaping rewards, as demonstrated by our 5.0 per cent return on investment in 2016 and the average ten-year annual return of 4.7 per cent. This enables significant benefits to be offered to customers now and in the future.

Preventive risk management

It is more important than ever before that individuals have their insurance and savings in order as people are living longer, there is pressure to reduce social security and the nature of society is changing. In particular, changes in earnings-related pensions are expected to increase the need for customers to save for their retirement. We believe that these changes will create new business opportunities for life insurance companies in the future.

In addition to financial security, we also offer our customers well-being services, which can help them to change their lifestyles and to live more healthily.

The only way to succeed is to offer customers genuinely meaningful services and solutions. We have changed our role: our purpose is no longer simply to pay compensation – we now proactively prevent unpleasant incidents and help our customers to make preparations for the future. This is an essential part of the role of a lifelong security company.

New customer-oriented services

One of our most important lifelong security services is the Smart Life Insurance service concept. This unique concept combines financial security with means for customers to monitor their own lifestyles and services to improve their well-being. In 2016, we significantly increased the number of Smart Life Insurance customers in the personal and corporate segments, and we expanded the concept to cover new proactive health and well-being services as requested by customers. The results were excellent: almost 90 per cent of Smart Life Insurance customers said that they had improved their lifestyles.

We complemented the solutions we offer to private customers by introducing lump sum insurance against severe illness. At the same time, we made changes to our other forms of term life insurance to improve the customer experience.

We launched an extensive campaign to bring security to the lives of families with children by offering insurance against severe illnesses suffered by children free of charge for the first year for all children aged under 16. There has been major interest in the insurance.

As an added value service, all of LocalTapiola Life's customers with medical expenses insurance have been offered the Health Phone service since late 2016, enabling them to seek treatment quickly when the need arises.

We aim to make ourselves available in people's everyday lives, wherever our customers are. To develop new types of saving and investment service, we began collaborating with several start-ups as a result of the LocalTapiola Hack event.

We set up a sales unit specialising in investment services, and we strengthened the channel focusing on term life solutions for private customers. We also invested heavily in corporate sales.

Ongoing transformation into a lifelong security company

In 2016, we made major investments in implementing the new lifelong security strategy. We reformed our management system so as to support customer experience management and our transition into a lifelong security company. This has laid the foundations for change management in and between different functions.

Employee satisfaction has been consistently good at our company for several years now. We have systematically developed our employee communications. Diverse and open communications about important business matters has become an established part of our operations. Competence development is also a key part of our everyday work.

Proactive work is a form of responsibility

We engage in extensive collaboration with our partners to promote health, well-being and security in society.

We made a multi-year agreement with the Finnish Cancer Foundation, involving a two-year grant of EUR 200,000 for preventing cancer. In addition, we participated in developing Finnish society and supporting higher educa-

tion, and we made other charitable donations to promote well-being, culture and sustainable development in Finland.

We help Finnish people to make preparations for the future

In modern society, it is more important than ever for people to secure their livelihoods and wealth through insurance and savings. We are continuing to invest in term insurance and savings to ensure that an increasing proportion of LocalTapiola's customers have their lifelong security in good order.

Lifelong security in investment services means that we always offer solutions based on customers' needs, we look after customers' assets as if they were our own, and customers receive all the benefits of major investors by

working with us. A new investment service model in line with these pledges will be launched in spring 2017 for our owner-customers.

We are also investing in new services so we can help people to live better. We are expanding the service in accordance with the lifelong security strategy to our entire business.

I would like to thank every one of our customers for letting us take care of their lifelong security. Our customer relationships are long – sometimes they are passed on to the next generation. We do everything we can to earn this trust. I would like to thank the personnel and stakeholders for their highly meaningful, expert work in handling customers' affairs.

REPORT OF THE BOARD OF DIRECTORS

1.1. – 31.12.2016

LocalTapiola Mutual Life Insurance Company (LocalTapiola Life) offers life insurance products for private individuals: individual life insurance policies, group life insurance policies and individual pension insurance policies; life insurance products for companies: individual life insurance policies, group life insurance policies, individual pension insurance policies and group pension insurance policies; and capital redemption contracts granted to private individuals and companies. LocalTapiola Life is part of LocalTapiola Group, headed by LocalTapiola General Mutual Insurance Company (LocalTapiola General, Business ID 0211034-2). The report of the Board of Directors and financial statements of LocalTapiola General are available on the LocalTapiola website at www.lahitapiola.fi.

LocalTapiola Life 2016

- LocalTapiola Life paid out EUR 329 million in claims to its customers. EUR 64 million was paid for insurance savings in the form of technical rate of interest and customer bonuses.
- The number of Smart Life Insurance customers grew, and the concept was expanded to cover new proactive health and well-being services in order to meet customer wishes. More than 80 per cent of Smart Life Insurance customers say that the insurance has helped them change their lifestyles.
- Premium income increased in the focal areas of group pension insurance and term life insurance. Market share in term life insurance exceeded 24 per cent in terms of premium income.

- The result was good thanks to the 5.0 per cent return on investment and several years of sustained growth in the insurance portfolio. Solvency also remained solid.

	LocalTapiola Life 2016	Local Tapiola Life 2015
Summary of the results		
Operating result, EUR m	63,4	98,9
Result for the financial year, EUR m	60,0	67,2
Total result, EUR m	72,7	51,7
Return on total assets, excluding unit-linked insurance, %	5,8	4,8
Solvency position, % *	190	197

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).

Key figures	LocalTapiola Life 2016	LocalTapiola Life 2015
Claims paid, EUR m	329,0	294,6
Technical rate of interest paid to customers, EUR m	59,1	60,7
Bonuses and rebates, EUR m	7,6	9,9
Net investment income at current value, %	5,0	4,8
Total expense loadings, EUR m	44,1	41,0
Technical provisions, EUR m	2 265,2	2 269,5
Technical provisions for unit-linked insurance, EUR m	1 796,0	1 594,3
Capital and reserves, EUR m	362,8	305,0
Balance sheet total, EUR m	4 552,9	4 289,8

Group structure

LocalTapiola Life is included in LocalTapiola Group's consolidated financial statements. LocalTapiola Group is headed by LocalTapiola General. LocalTapiola Life Group consists of the parent company and 25 (28) housing and real estate companies.

Associated companies include the LocalTapiola Real Estate Asset Management Ltd Group, the Tapiola Data Ltd Group, LocalTapiola Private Equity GP Ltd, LocalTapiola Private Equity I LP, LähiTapiola Tontit GP I Oy and LähiTapiola Tontit I Ky, as well as three (3) real estate companies and two (2) other companies.

The report of the Board of Directors focuses mainly on describing the business of the parent company of the Group, LocalTapiola Life. In matters pertaining to the Group as a whole, the report specifically mentions the Group.

Changes in the company and the Group

LocalTapiola Life Group is included for the first time in LocalTapiola Group's 2016 consolidated financial statements. Investments have been allocated to Group accounts in accordance with the grouping applied by LocalTapiola Group in 2016.

LocalTapiola Life Group sold three real estate subsidiaries in 2016 and acquired four new real estate and investment companies as its associated companies.

Consolidated financial statements

The figures concerning the insurance business of LocalTapiola Life and LocalTapiola Life Group are identical. LocalTapiola Life Group's profit for the financial year was

EUR 59,465,728.06 (EUR 69,088,759.79) and balance sheet total EUR 4,555,701,860.74 (EUR 4,293,210,365.83).

Life insurance

Premium income	LocalTapiola Life 2016	LocalTapiola Life 2015	Change, %
Savings life insurance and capital redemption contracts, EUR m	238,9	245,6	-2,7
Term life insurance, EUR m	84,5	78,3	7,9
Group pension insurance, EUR m	35,9	32,4	10,7
Individual pension insurance, EUR m	52,3	55,1	-5,1
Employees' group life insurance, EUR m	10,1	11,6	-13,1
Total	421,7	423,0	-0,3

LocalTapiola Life's premium income amounted to EUR 422 million. The market share in premium income rose from 6.7 per cent to 9.3 per cent, although the income remained roughly the same year-on-year. In term life insurance and group pension insurance, premium income grew in line with objectives and a significant improvement was seen in market share. In term life insurance, market share exceeded 24 per cent. Although premium income from savings life insurance and capital redemption contracts decreased from the previous year, their market shares also showed a strong upward trend.

Claims paid totalled EUR 329 million and returns on insurance savings EUR 64 million. Pensions paid came to EUR 114 million, compensation for medical expenses and disability to EUR 23 million and death benefits to EUR 27 million.

Total expense loadings grew by 8 per cent, and the result for risk premiums collected also improved from the previous year. The expense ratio in proportion to total expense loadings decreased year-on-year, standing at 119 per cent. The expense ratio is 111 per cent, the same as the previous year, if we include the soft commissions from unit-linked products used to finance operating expenses, which are not included in key figures.

Total technical provisions increased from EUR 3.9 billion to EUR 4.1 billion. The share of technical provisions for unit-linked insurance rose from 41 per cent to 44 per cent. A more detailed account of the breakdown of and changes in technical provisions is provided in the note on risk management.

The total result improved from the year before due to the strong return on investment and growth in the insurance portfolio.

The information on premium income developments in the sector is based on statistics published by the Federation of Finnish Financial Services, which do not take liability transfers into account.

Investment activities

	LocalTapiola Life 2016	LocalTapiola Life 2015
Net investment income at current value, %	5,0	4,8
Fixed-income investments	4,1	0,9
Equity investments	6,5	18,4
Real estate investments	7,6	5,6
Other investments	4,0	0,0
Investment allocation, %		
Fixed-income investments	58,1	56,8
Equity investments	23,3	21,9
Real estate investments	17,8	21,3
Other investments	0,7	0,0
Investment assets at current value, EUR m	2 939,2	2 844,1

LocalTapiola Life's investment operations aim to generate value for our owner-customers. Investment income enables us to maintain solvency, pay out competitive returns on guaranteed-return insurance savings and provide services for our customers.

LocalTapiola Life has retained its investment portfolio sufficiently straightforward so as 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 (5) years, based on the requirements of our insurance portfolio and 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.

Net investment income at current value was high, 5.0 per cent or EUR 140 million. LocalTapiola Life's average five-year annual return on investment was 5.8 per cent and the average ten-year annual return 4.7 per cent.

The allocation of investments remained mostly unchanged. Within fixed-income investments, we continued to increase the share of secured loans, their weight rising

to 15 per cent of all investments, by reducing the weight of government bonds in particular. We also reduced the weight of real estate through successful sales, which is seen in the excellent return on real estate investments. Equities also recovered towards the end of the year after the US presidential election.

Significant events during the financial year

LocalTapiola Life invested in the implementation of a new lifelong security strategy. At the beginning of the year, we set in motion a project with the aim of executing the lifelong security strategy and driving genuine customer orientation, competence development and change management.

We revised our business model in the spring, and have since continued to develop it. The new model focuses on the development of services that meet customer needs. This means lifelong security services and customer benefits based on 'smart ideology' with which we can proactively take care of the financial security, health and well-being of our customers. We reformed our management system so as to support customer experience management and our transition into a lifelong security company.

In order to develop new services, LocalTapiola Life began to collaborate with several start-ups. We also held a LocalTapiolaHack event, whose purpose was to come up with entirely new savings and investment services.

In June 2015, LocalTapiola Life brought to the market a unique Smart Life Insurance service concept, combining financial security with means for customers to monitor their own lifestyles and well-being. The number of Smart Life Insurance customers has grown rapidly among both private and corporate customers. A survey concluded in the spring of 2016 for customers who had taken out Smart Life Insurance in the pilot phase showed that, over a one-year period, the 'smart life insurance that helps you stay alive' helped customers change their lifestyles and live more healthily. More than 80 per cent of respondents said that they had improved their lifestyles, and 88 per cent said that the changes had become permanent. The Smart Life Insurance concept was expanded in 2016 to cover new health and well-being services, in order to meet customer wishes.

Solutions for private customers were complemented in the spring by introducing lump-sum insurance for critical illness. At the same time, product changes improving the customer experience were made to other forms of term life insurance. As an added value service, all LocalTapiola Life's customers with medical expenses insurance have been offered the Health Phone service since late 2016, enabling them to seek treatment quickly when the need arises.

On 1 June 2016, LocalTapiola Life launched an extensive campaign to bring security to the lives of families with children. The campaign will continue in the spring of 2017. During the campaign, LocalTapiola Life offers children's critical illness insurance free of charge for the first year for families with children who are LocalTapiola's customers. Insurance is provided for all children below 16. LocalTapiola Life introduced the insurance – which is unique in Finland – in the autumn of 2015, and it has generated a great deal of interest.

In early 2016, LocalTapiola Life set up a channel specialising in investment services, strengthened the channel focusing on term life solutions for private customers and invested heavily in sales through the corporate channel. Distribution channel collaboration with S-Bank was successful. In late autumn, LocalTapiola insurance policies were added to S-Mobile, through which customers can also purchase the Smart Life Insurance service concept.

Investments in improving service availability and the launch of new services boosted sales and growth in the number of customers, and enhanced the customer experience. Customer satisfaction remained high in 2016, with customers being especially satisfied with electronic services.

Due to the earnings-related pension reform that took effect on 1 January 2017, the group pension insurance policies of corporate customers were modified over the course of 2016 to conform to the new scheme. The age limits that are the precondition for personal pension scheme contributions being tax-deductible changed as well to conform to the reform. As a result, LocalTapiola Life had to agree in 2016 with pension insurance customers on contract changes so as to ensure that their premiums will continue to be tax-deductible. LocalTapiola Life implemented these changes with the best interests of customers in mind, so that existing customers would be able to continue saving for their pensions and deduct their premiums.

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. In light of the targets set, the company's solvency remained good throughout the year.

Customers and customer benefits

The number of policyholders with insurance from LocalTapiola Life increased to 310,900. The number of corporate customers grew by 1,800 policyholders to 24,000

and the number of private customers by 2,200 policyholders to 286,900.

In 2016, EUR 50 million was paid out to pension customers in the form of technical rate of interest and customer bonuses. EUR 14 million was paid out to other customers.

EUR 2.1 million was paid for term life insurance policies in the form of premium rebates and additional sums, and discounts on savings insurance policies as per the benefit programme amounted to EUR 0.4 million.

In 2016, LocalTapiola Life paid out a total of EUR 66.7 million to its customers in the form of customer bonuses and technical rate of interest. Customer bonuses accounted for EUR 7.6 million and technical rate of interest for EUR 59.1 million of this sum.

The overall interest rate on pension and savings life insurance policies varied between 2.5 per cent and 4.5 per cent, depending on the commencement date of the contract and the line of insurance.

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

Operating environment

Life insurance

The rapid growth experienced in recent years in unit-linked saving evened 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 rebound.

The summer season was dramatic in the political arena. In a referendum held at midsummer, Britain decided to exit the European Union. Although this so-called Brexit decision was quite 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.

The second political shock occurred in November, when Donald Trump, against all the odds, won the US presidential election. Trump's victory had generally been considered a major risk scenario, yet the next day after the election, the markets were already calculating the positive effects of the president-elect's possible stimulus policy.

Central bank policies as a whole were reflationary and supportive of the markets in 2016. The US Federal Re-

serve 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 euros. 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 specified in the legislation.

LocalTapiola Group also forms a financial and insurance conglomerate as referred to in the Finnish Act on the Supervision of Financial and Insurance Conglomerates, but the said Act and the Solvency II regime are consistent in terms of how the Group's solvency is calculated. LocalTapiola General acts as the Group's leading company and is therefore tasked with ensuring Group-level compliance with the legal requirements relating to solvency.

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

Solvency management is handled internally at LocalTapiola Life, but it is supported by risk management within the Group. As LocalTapiola Group is a mutual company, its solvency management focuses on good solvency throughout the Group and its companies so as to ensure the financial security of customers at all times.

Further information on solvency management at LocalTapiola Life and LocalTapiola Group 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. Until then, you can refer to a

shorter summary by LocalTapiola Life, available on the website.

Solvency position

LocalTapiola Life's solvency remained strong in 2016.

LocalTapiola Life's eligible own funds, i.e. the excess of the insurance company's assets over its liabilities and other comparable commitments, totalled EUR 988 million (EUR 942 million). The company's Solvency Capital Requirement (SCR) at the end of 2016 was EUR 520 million (EUR 478 million). Solvency position, i.e. the amount of eligible own funds in relation to the SCR, was 1.9 (1.97). Without the application of the transitional measure on technical provisions, the company's solvency position would have been 1.42. The transitional measure's effect on the company's solvency will decrease gradually and end by 2032.

Risk position

The most significant risks in the operations are market risks associated with investments and market-based val-

uation of technical provisions, insurance risks in life insurance, operational risks, risks related to the operating environment and risks related to strategic intent.

Market risks are caused by fluctuations in market values, including fluctuations resulting from changes in interest rates, share prices and exchange rates. 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. 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 key risks at LocalTapiola Life 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.

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 industry, 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 company 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 Life'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 following members of LocalTapiola Life's Supervisory Board had reached the end of their terms and were re-elected: Jari Annala, Kauniainen (Director, SOK), Saara Lampelo, Helsinki (Managing Director, Acasiatrade Oy) and Ralf Wickström, Sipoo (holder of the honorary Finnish title of 'vakuutusneuvos').

The new members elected for a three-year term until the AGM to be held in 2019 were: Juha Kivelä, Joensuu (Managing Director, Pohjois-Karjalan Osuuskauppa), Mikko Koivisto, Rauma (Sales and Marketing Director, Tukimet Oy), Petri Korhonen, Lapinlahti (entrepreneur, Lapinlahden Torikulma Oy & Puukolmoset Oy), Kati Määttä, Taivalkoski (Business Director, Komake Oy), Susa Nikula, Helsinki (Executive Vice President, HR, S Group), Ari Nopanen, Hamina (Managing Director, ProAgria Meat Competence Center), Susanna Paloheimo, Helsinki (Director, Customer Experience and Brand, Fredman Group Oy), Jukka Rinnevaara, Turku (CEO, Teleste Corporation), Jarmo Rosendahl, Kotka (Personnel Risk Manager, LocalTapiola Mutual Life Insurance Company, representative of personnel groups) and Katja Saraketo, Varkaus (Executive Director, Varkauden Työterapinen Yhdistys ry).

Kari Ahlbom, Muurame (Managing Director, Allaslaite Oy) was elected to replace the resigned Jouko Huumarkangas for the rest of his term, until the AGM to be held in 2018. KPMG Oy Ab was elected as auditor, and the principal auditor is Mikko Haavisto, Authorised Public Accountant.

Supervisory Board

LocalTapiola Life's Supervisory Board held its organising meeting on 1 June 2016. The meeting elected the Chair and Deputy Chairs to the Supervisory Board. Jouko Havunen, LicSc (Econ. and Bus. Adm.), was elected as

Chair. Marjut Nordström, Managing Director of EL-Kori Oy, was elected as First Deputy Chair, Ralf Wickström, holder of the honorary Finnish title of 'vakuutusneuvos', as Second Deputy Chair and Päivi Uusitalo, Head of Financial Control of Caruna Networks Oy, as Third Deputy Chair.

The Supervisory Board met three times. On average, 85.6 per cent of the members participated in the meetings. The salaries and remuneration paid to the Supervisory Board members, their pension commitments, money loans and their terms, as well as security and financial commitments are specified in note 3.3.2 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 is comprised 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 AGM, to 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 Jouko Havunen, Chair of the Supervisory Board, and the members were Hannu Anttila, Marita Modenius and Totti Salko, who are also members of the Supervisory Board.

The Nomination Committee met two (2) times in 2016, and the average attendance rate of the members was 87.5 per cent.

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 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 met six (6) 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 and replaced by the Board of Directors' Audit and Risk Management Committee.

The Audit Committee met two (2) times 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 met five (5) 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 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 Chair
- Janne Kaippio, Actuarial Director, LocalTapiola Mutual Insurance Company
- Timo Laakso, Finance Director, LocalTapiola General Mutual Insurance Company
- Lauri Riekkola, Managing Director, LocalTapiola Loimi-Häme Mutual Insurance Company
- Kati Sulin, Chief Digital Officer, DNA Oy
- Olli Latola, LLB, Master in Law trained on the bench

The Board of Directors met 13 times. The attendance rate at the 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 is chaired by President Erkki Moisander, and it is comprised of the Managing Directors of LocalTapiola Group companies and directors in charge of the control of the Group and joint functions.

Managing Director Minna Kohmo is a member of the Management Group. 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 of LocalTapiola General, the leading company of LocalTapiola Group, is assisted by the Audit and Risk Management Committee, which started operations 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. Olli Latola, a member of the Board of Directors of LocalTapiola Life, has had the right of attendance and right of speech at the committee's meetings.

Chief Executive Officer

Minna Kohmo, MSc (Econ. and Bus. Adm.), is Managing Director of LocalTapiola Life. Janne Pesonen, MSc, actuary approved by the Ministry of Social Affairs and Health, is Deputy Managing Director.

The salaries and perquisites paid to the Managing Director totalled EUR 291,181.91, including EUR 44,845.37 in performance-related pay. EUR 15,714.92 of the performance-related pay was earned in 2015, EUR 11,592.40 in 2014 and EUR 17,538.05 in 2013. Performance-related pay has been deferred for subsequent payment in the amount of EUR 61,850.77, of which EUR 23,572.37 was earned in 2015, EUR 22,144.04 in 2014 and EUR 16,134.36 in 2013. 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.

Related parties

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

Auditor

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

Supervisory authority

LocalTapiola Life is a life insurance company subject to public supervision by the Finnish 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

At the end of the financial year, LocalTapiola Life employed 146 people (147 in 12/2015).

Compensation

The aim of the compensation system is to incentivise good performance and to boost the motivation and commitment of personnel. LocalTapiola Life's special compensation policy is based on the Group's strategy and the targets 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 Life'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, 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 company's Board 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 issues 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 LocalTapiola Life's management 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.

The management's 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 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 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 Life'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 profit-related bonus can be up to 3 per cent of the payroll. The criteria for determining the amount of profit-sharing compensation are confirmed annually. The payment is subtracted from the preliminary estimate of the result of the financial year.

The retirement age for senior managers of LocalTapiola Life is 63. LocalTapiola Life 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 Life has issued a separate Corporate Governance Statement, as recommended by the Finnish Corporate Governance Code (10/2015). In addition, further information on LocalTapiola's corporate governance is available on the company website at www.lahitapiola.fi.

Corporate social responsibility

LocalTapiola Life 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 health, well-being and security, 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. Economic responsibility is based on ensuring the company's solvency. LocalTapiola Life'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 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 continuous, methodical process. Customer satisfaction is measured and monitored on a regular basis.

In 2016, preventive activities aimed at promoting lifelong security included the Hero Training campaign and projects for the improvement of information security. LocalTapiola's Hero Training campaign promoted fire safety by providing about 27,000 Finns with emergency fire extinguishing skills. Training in these skills was offered to 100,000 customers and people interested in becoming customers. 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.

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. In addition, extensive collaboration is undertaken with corporate responsibility partners to promote people's health, well-being and security.

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. 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 Mutual Life Insurance Company 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 and the Martha Organisation continued their collaboration to improve financial literacy among young people. A survey conducted by the organisations showed that financial behaviour runs in the family in Finland and that 70 per cent of Finns think of themselves as people who plan their spending. LocalTapiola Life also conducted a survey entitled 'Raha ja rakkaus' ('Money and Love') to find out how much couples talk about money. The survey indicated that discussing money openly at an early stage of the relationship is important.

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. It is available online at www.lahitapiola.fi/talous.

Events after the financial year

The collective agreement strengthening the unity and decision-making in the LocalTapiola Group and clarifying the distribution of work and roles in the companies included in the group has been revised. The revised agreement takes effect on 1 July 2017.

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.

Future prospects

Life insurance business

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 exceptionally many 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 rather 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 any time soon 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 of the profit for the financial year, EUR 59,954,650.40, a 5.8 per cent guarantee capital interest, corresponding to EUR 2,179,959.00, be transferred to the owners of guarantee shares, and:

Transferred to the security reserve	57 274 000,00
Transferred to the contingency reserve	500 691,40

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

Initial fund	4 482 208,24
Guarantee capital	37 585 505,12
Security reserve	316 934 731,89
Contingency reserve	1 593 138,23
	<hr/>
	360 595 583,48

FINANCIAL STATEMENTS

1.1. – 31.12.2016

LocalTapiola Life Group's main statements

Profit and loss account, Group

TECHNICAL ACCOUNT		1.1.2016 - 31.12.2016		1.1.2015 - 31.12.2015	
Premiums written					
Premiums written	1	421 706 014,44		422 957 687,97	
Reinsurers' share		<u>-2 086 478,54</u>	419 619 535,90	<u>-1 500 692,21</u>	421 456 995,76
Investment income	4		231 382 801,53		281 353 214,97
Revaluations of investments			91 287 760,80		73 189 269,64
Other technical income			0,00		0,00
Claims incurred					
Claims paid		-333 461 611,74		-299 422 639,31	
Reinsurers' share		<u>383 473,32</u>	-333 078 138,42	<u>405 211,76</u>	-299 017 427,55
Change in provision for outstanding claims		-24 396 308,00		-11 467 063,00	
Reinsurers' share		<u>0,00</u>	-24 396 308,00	<u>0,00</u>	-11 467 063,00
Change in provision for unearned premiums					
Total change		-173 014 965,35		-244 568 165,15	
Reinsurers' share		<u>0,00</u>	-173 014 965,35	<u>0,00</u>	-244 568 165,15
Operating expenses	3		-47 831 401,36		-44 400 015,53
Investment charges	4		-71 251 290,21		-79 854 867,36
Revaluation adjustments on investments			-17 311 738,72		-11 047 444,13
Other technical expenses			<u>0,00</u>		<u>0,00</u>
Balance on technical account			75 406 256,17		85 644 497,65

NON-TECHNICAL ACCOUNT

Balance on technical account of life insurance		75 406 256,17		85 644 497,65
Other income	4			
Other		<u>2 718 407,71</u>	<u>2 718 407,71</u>	<u>3 048 325,31</u>
Other expenses	4			
Depreciation of consolidated goodwill		-27 981,00		0,00
Other		<u>-5 168 500,21</u>	<u>-5 196 481,21</u>	<u>-5 444 956,99</u>
Share of profit/loss of associated undertakings		<u>-54 134,06</u>		<u>2 971 321,34</u>
Profit on ordinary activities		72 874 048,61		86 219 187,31
Direct taxes on ordinary activities				
Taxes for the financial period and for previous financial periods		-13 436 387,80		-16 641 107,56
Change in deferred tax liabilities		<u>23 315,49</u>	<u>-13 413 072,31</u>	<u>30 330,48</u>
Minority interest in profit/loss for the financial year		<u>4 751,75</u>		<u>-519 650,44</u>
Profit for the accounting period		59 465 728,06		69 088 759,79

Balance sheet, Group

		31.12.2016		31.12.2015	
Intangible assets	9				
Intangible rights		237 035,48		608 714,51	
Other expenses with long-term effects		<u>14 940 423,44</u>	15 177 458,92	<u>16 108 497,01</u>	16 717 211,52
Investments	5				
Real estate investments	6				
Real estate and shares in real estate		278 950 491,02		297 714 251,46	
Loans to group companies		<u>15 762 257,69</u>	294 712 748,71	<u>0,00</u>	297 714 251,46
Investments in group companies and participating interests	7				
Shares in group companies		41 163 478,34		0,00	
Debt securities and loans of companies in same group		73 973 000,01		0,00	
Shares and holdings in participating interests		40 257 156,42		26 031 162,75	
Debt securities and loans in participating interests		<u>4 000 000,00</u>	159 393 634,77	<u>2 407 493,34</u>	28 438 656,09
Other investments					
Shares and holdings	7	882 672 192,51		892 960 476,63	
Debt securities	7	958 752 898,24		979 480 719,74	
Loans guaranteed by mortgages		174 044 238,03		192 777 970,59	
Other loans	8	142 109 989,71		132 934 912,03	
Deposits		<u>11 565 073,75</u>	<u>2 169 144 392,24</u>	<u>7 500 000,00</u>	<u>2 205 654 078,99</u>
			2 623 250 775,72		2 531 806 986,54
Assets covering unit linked policies	7				
	10		1 821 742 996,28		1 642 401 658,46
Debtors	15				
Arising out of direct insurance operations					
Policyholders		1 106 251,19		1 444 918,76	
Debtors arising out of reinsurance operations		<u>92 535,16</u>	1 198 786,35	<u>54 534,49</u>	1 499 453,25
Other debtors			2 934 068,11		2 845 285,84
Deferred tax claim	14	<u>1 047 417,81</u>	5 180 272,27	<u>1 086 318,17</u>	5 431 057,26
Other assets					
Tangible assets					
Machinery and equipment	9	510 723,89		633 177,89	
Cash at bank and in hand		66 920 296,77		71 519 899,52	
Other assets		<u>117 204,41</u>	67 548 225,07	<u>117 204,41</u>	72 270 281,82
Prepayments and accrued income					
Accrued interest and rent		12 667 410,84		14 983 354,57	
Other prepayments and accrued income		<u>10 134 721,64</u>	<u>22 802 132,48</u>	<u>9 599 815,66</u>	<u>24 583 170,23</u>
Total assets		<u>4 555 701 860,74</u>		<u>4 293 210 365,83</u>	

		31.12.2016		31.12.2015	
Capital and reserves	11				
Initial reserve		4 482 208,24		4 482 208,24	
Guarantee capital		37 585 505,12		37 585 505,12	
Revaluation reserve		9 162 367,09		9 162 367,09	
Other reserves		260 753 178,78		195 734 775,04	
The share of voluntary provisions and depreciation difference transferred to capital and reserves		<u>1 026 277,13</u>	261 779 455,91	<u>1 210 824,65</u>	196 945 599,69
Profit/loss for previous accounting periods			-19 186 463,88		-21 227 808,96
Profit for the accounting period		59 465 728,06		69 088 759,79	
Change in depreciation difference and voluntary provisions included in the profit for the accounting period		93 261,97	<u>59 558 990,03</u>	<u>118 192,03</u>	<u>69 206 951,82</u>
			353 382 062,50		296 154 823,00
Minority interest			3 247 810,20		2 869 285,71
Subordinated loans			99 782 416,67		99 707 816,67
Technical provisions					
Provision for unearned premiums		1 586 029 019,61		1 611 838 033,26	
Reinsurers' share		<u>0,00</u>	1 586 029 019,61	<u>0,00</u>	1 611 838 033,26
Provision for outstanding claims		679 153 845,00		657 638 340,00	
Reinsurers' share		<u>0,00</u>	679 153 845,00	<u>0,00</u>	657 638 340,00
			2 265 182 864,61		2 269 476 373,26
Technical provisions for Unit-linked policies					
Technical provisions		<u>1 796 029 679,00</u>	1 796 029 679,00	<u>1 594 324 897,00</u>	1 594 324 897,00
Obligatory provisions					
Other obligatory provisions	13	<u>184 252,33</u>	184 252,33	<u>184 252,33</u>	184 252,33
Creditors	15				
Arising out of direct insurance operations		1 230 985,93		968 809,49	
Arising out of reinsurance operations		777 304,23		307 800,69	
Premium loan		9 505 565,06		9 478 965,06	
Other creditors		15 573 218,91		10 399 150,00	
Deferred tax liabilities	14	<u>332 319,24</u>	27 419 393,37	<u>378 456,11</u>	21 533 181,35
Accruals and deferred income			<u>10 473 382,06</u>		<u>8 959 736,51</u>
Total liabilities			<u>4 555 701 860,74</u>		<u>4 293 210 365,83</u>

Indirect cash flow statement, Group

	2016	2015
Cash flow from operations		
Profit from ordinary activities/profit before extraordinary items	59 460 976,37	69 608 410,23
Adjustments		
Changes in technical provisions	197 411 273,35	256 035 228,15
Value adjustments and revaluation of investments	-75 502 293,63	-38 146 562,87
Changes in obligatory provisions	0,00	0,00
Depreciation according to plan	12 521 934,36	10 240 310,95
Other adjustments	-56 467 866,48	-75 323 601,96
<i>Cash flow before change in working capital</i>	137 424 023,97	222 413 784,50
Change in working capital:		
Increase (-) / decrease (+) in non-interest-bearing short-term receivables	2 031 822,74	2 000 692,85
Increase (+) / decrease (-) in non-interest-bearing short-term debts	7 399 857,57	-11 957 980,14
<i>Cash flow from operations before financial items and taxes</i>	146 855 704,28	212 456 497,21
Interest paid and other financial expenses	-3 625 000,00	-3 625 000,00
Direct taxes paid	-10 166 493,54	-29 829 458,48
Cash flow from operations	133 064 210,74	179 002 038,73
Cash flow from investments		
Investments in assets (excl. cash and cash equivalents)	-202 374 087,85	-275 098 619,21
Capital gains from investments (excl. cash and cash equivalents)	70 259 360,02	108 773 078,64
Change in minority interest	378 524,54	1 556 270,98
Investments in tangible and intangible assets as well as other assets and capital gains (net)	-3 855 007,20	-8 430 017,39
Cash flow from investments	-135 591 210,49	-173 199 286,98
Cash flow from financial		
Revaluation of guarantee capital	0,00	0,00
Loan funds raised	74 600,00	74 600,00
Dividends/interest on guarantee capital paid and Other distribution of profit	-2 147 203,00	0,00
Cash flow from financial	-2 072 603,00	74 600,00
Change in cash and cash equivalents	-4 599 602,75	5 877 351,75
Cash and cash equivalents at the start of the year	71 519 899,52	65 642 547,77
Cash and cash equivalents at the end of the year	66 920 296,77	71 519 899,52

Key figures, Group

	EUR Mill				
	2016	2015	2014	2013	2012
General key figures describing financial development					
Operating profit	63,0	101,4	86,9	42,8	31,1
Total profit	63,4	63,3	77,9	50,5	120,8
Return on assets excluding unit-linked insurance, %	5,5	5,2	3,9	3,5	6,6
Average number of personnel during financial year 1)	132	134	2	2	2
Number of employees in relation to payroll 1)	-	-	268	405	474
Key figures describing the financial development of non-life insurance					
Premium income	419,6	421,5	389,1	423,3	326,5
Expense ratio, % of total expense loadings	119,5	120,7	122,9	138,3	131,8
Expense ratio, % of balance sheet total	1,2	1,2	1,5	2,1	2,2
Minority interests	3,2	2,9	1,3	1,3	1,2

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

LocalTapiola Life's main statements

Profit and loss account

TECHNICAL ACCOUNT - LIFE INSURANCE

1.1.2016 - 31.12.2016

1.1.2015 - 31.12.2015

Premiums written					
Premiums written	1	421 706 014,44		422 957 687,97	
Reinsurers' share		<u>-2 086 478,54</u>	419 619 535,90	<u>-1 500 692,21</u>	421 456 995,76
Investment income	4		235 210 955,13		285 874 765,30
Revaluations of investments			91 287 760,80		73 189 269,64
Other technical income			0,00		0,00
Claims incurred					
Claims paid	2	-333 461 611,74		-299 422 639,31	
Reinsurers' share		<u>383 473,32</u>	-333 078 138,42	<u>405 211,76</u>	-299 017 427,55
Change in provision for outstanding claims		<u>-24 396 308,00</u>		<u>-11 467 063,00</u>	
Reinsurers' share		0,00	-24 396 308,00	0,00	-11 467 063,00
Change in provision for unearned premiums					
Change in provision for unearned premiums		-173 014 965,35		-244 568 165,15	
Reinsurers' share		<u>0,00</u>	-173 014 965,35	<u>0,00</u>	-244 568 165,15
Net operating expenses	3		-47 831 505,96		-44 400 015,53
Investment charge	4		-75 587 823,34		-83 946 206,13
Revaluation adjustments on investments			-17 311 738,72		-11 047 444,13
Other technical expenses			0,00		0,00
Balance on technical account			74 897 772,04		86 074 709,21

NON-TECHNICAL ACCOUNT

Balance on technical account of life insurance			74 897 772,04		86 074 709,21
Other income	4				
Other		<u>3 534 055,04</u>	3 534 055,04	<u>3 048 325,31</u>	3 048 325,31
Other expenses	4				
Other		<u>-5 168 595,61</u>	-5 168 595,61	<u>-5 443 321,99</u>	-5 443 321,99
Profit on ordinary activities			73 263 231,47		83 679 712,53
Appropriations					
Change in depreciation difference		126 989,46		127 066,37	
Change in voluntary provisions		<u>0,00</u>	126 989,46	<u>0,00</u>	127 066,37
Direct taxes on ordinary activities					
Taxes for financial year		-13 665 761,87		-15 763 499,02	
Taxes for previous financial years		<u>230 191,34</u>	-13 435 570,53	<u>-877 673,14</u>	-16 641 172,16
		0,00		0,00	
Profit for the accounting period			59 954 650,40		67 165 606,74

Balance sheet

BALANCE SHEET

Assets

		31.12.2016		31.12.2015	
Intangible assets					
Other expenses with long-term effects	9	15 108 457,14	15 108 457,14	16 648 209,74	16 648 209,74
Investments	5				
Real estate investments	6				
Real estate and shares in real estate		155 032 651,05		182 089 784,09	
Loans to group companies		155 707 380,91	310 740 031,96	136 486 311,89	318 576 095,98
Investments in group companies and participating interests	7				
Shares and holdings in group companies		40 284 572,28		24 018,80	
Debt securities and loans of companies in same group		73 973 000,01		0,00	
Shares and holdings in participating interests		35 165 699,18		19 326 691,58	
Debt securities and loans in participating interests		4 000 000,00	153 423 271,47	2 407 493,34	21 758 203,72
Other investments					
Shares and holdings	7	878 451 972,29		888 949 835,41	
Debt securities		958 752 898,24		979 480 719,74	
Loans guaranteed by mortgages		174 044 238,03		192 777 970,59	
Other loans	8	142 109 989,71		132 407 283,03	
Deposits		11 565 073,75	2 164 924 172,02	7 500 000,00	2 201 115 808,77
			2 629 087 475,45		2 541 450 108,47
Assets covering unit linked policies	10		1 821 742 996,28		1 642 401 658,46
Debtors	14				
Arising out of direct insurance operations					
Policyholders		1 106 251,19		1 444 918,76	
Debtors arising out of reinsurance operations		92 535,16	1 198 786,35	54 534,49	1 499 453,25
Other debtors			2 536 390,97	3 735 177,32	3 038 837,43
					4 538 290,68
Other assets					
Tangible assets					
Machinery and equipment	9	361 186,94	361 186,94	446 104,81	446 104,81
Cash at bank and in hand			60 476 891,52		60 119 484,34
Other assets			117 204,41		117 204,41
			60 955 282,87		60 682 793,56
Prepayments and accrued income					
Accrued interest and rent			12 422 968,95		14 734 874,38
Other prepayments and accrued income			9 897 074,89	22 320 043,84	9 336 195,89
					24 071 070,27
Total assets			4 552 949 432,90		4 289 792 131,18

Liabilities		31.12.2016		31.12.2015	
Capital and reserves	11				
Initial reserve		4 482 208,24		4 482 208,24	
Guarantee capital		37 585 505,12		37 585 505,12	
Other reserves		260 753 178,72		195 734 774,98	
Profit or loss for the accounting period		<u>59 954 650,40</u>	362 775 542,48	<u>67 165 606,74</u>	304 968 095,08
Subordinated loans	16		99 782 416,67		99 707 816,67
Accumulated appropriations	12				
Accumulated depreciation difference		<u>941 270,12</u>	941 270,12	<u>1 068 259,58</u>	1 068 259,58
Technical provisions					
Provision for unearned premiums		1 586 029 019,61		1 611 838 033,26	
Reinsurers' share		<u>0,00</u>	1 586 029 019,61	<u>0,00</u>	1 611 838 033,26
Provision for outstanding claims		679 153 845,00		657 638 340,00	
Reinsurers' share		<u>0,00</u>	2 265 182 864,61	<u>0,00</u>	2 269 476 373,26
Technical provisions for Unit-linked policies					
Technical provisions		<u>1 796 029 679,00</u>	1 796 029 679,00	<u>1 594 324 897,00</u>	1 594 324 897,00
Obligatory provisions	13				
Other obligatory provisions		<u>184 252,33</u>	184 252,33	<u>184 252,33</u>	184 252,33
Creditors					
Arising out of direct insurance operations		1 228 212,94		965 438,00	
Arising out of reinsurance operations		777 304,23		307 800,69	
Loans from financial institutions	15	0,00		0,00	
Other creditors	14	<u>15 947 215,27</u>	17 952 732,44	<u>10 145 041,26</u>	11 418 279,95
Accruals and deferred income	14		<u>10 100 675,25</u>		<u>8 644 157,31</u>
Total liabilities			<u>4 552 949 432,90</u>		<u>4 289 792 131,18</u>

Indirect cash flow statement

Cash flow from operations	2016	2015
Profit from ordinary activities/profit before extraordinary items	59 827 660,94	67 038 540,37
Adjustments		
Changes in technical provisions	197 411 273,35	256 035 228,15
Value adjustments and revaluation of investments	-75 605 293,63	-55 371 614,48
Changes in obligatory provisions	0,00	0,00
Depreciation according to plan	8 611 242,70	5 200 826,88
Other adjustments	-54 196 294,64	-75 249 001,96
<i>Cash flow before change in working capital</i>	136 048 588,72	197 653 978,96
Change in working capital:		
Increase (-) / decrease (+) in non-interest-bearing short-term receivables	2 554 139,79	2 000 692,85
Increase (+) / decrease (-) in non-interest-bearing short-term debts	7 990 970,43	-11 957 980,14
<i>Cash flow from operations before financial items and taxes</i>	146 593 698,94	187 696 691,67
Interest paid and other financial expenses	-3 625 000,00	-3 699 600,00
Direct taxes paid	-10 165 676,27	-29 824 476,68
Cash flow from operations	132 803 022,67	154 172 614,99
Cash flow from investments		
Investments in assets (excl. cash and cash equivalents)	-194 492 808,08	-257 873 567,60
Capital gains from investments (excl. cash and cash equivalents)	67 986 970,91	108 773 078,64
Investments in tangible and intangible assets as well as other assets and capital gains (net)	-3 867 175,32	-2 833 429,41
Cash flow from investments	-130 373 012,49	-151 933 918,37
Cash flow from financial		
Revaluation of guarantee capital	0,00	0,00
Loan funds raised	74 600,00	74 600,00
Interest on guarantee capital paid	-2 067 203,00	-2 067 203,00
Other distribution of profit	-80 000,00	0,00
Cash flow from financial	-2 072 603,00	-1 992 603,00
Change in cash and cash equivalents	357 407,18	246 093,62
Cash and cash equivalents at the start of the year	60 119 484,34	59 873 390,72
Cash and cash equivalents at the end of the year	60 476 891,52	60 119 484,34

Key figures

	2016	2015	2014	2013	2012
General key figures describing financial development					
Operating profit M€	63,4	98,9	85,6	37,0	30,4
Total result M€	72,7	51,7	79,1	44,9	119,5
Return on capital employed (at current value), %	5,0	4,8	5,3	4,6	9,2
Return on assets excluding unit-linked insurance, %	5,8	4,8	4,0	3,3	6,6
Average number of personnel during financial year ¹⁾	132	134	2	2	2
Number of employees in relation to payroll ¹⁾		-	268	405	474
Key figures describing the financial performance of life insurance					
Premium income M€	421,7	423,0	389,1	423,3	326,5
Expense ratio, % of total expense loadings	119,5	120,7	120,2	138,3	131,9
Expense ratio, % of balance sheet total	1,4	1,4	1,5	2,1	2,2

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

Notes to the financial statements

Notes to LocalTapiola Life Group's profit and loss account and balance sheet

Notes to the profit and loss account

K1. Premium income

	2016			2015		
Direct insurance						
Life insurance						
Unit-linked individual life insurance	191 666 545,11			201 030 213,65		
Other individual life insurance	47 488 584,28			43 443 746,76		
Unit-linked capital redemption policy	25 388 256,05			26 365 367,54		
Employees' group life insurance	10 069 595,14			11 590 212,19		
Other group life insurance	<u>58 929 783,63</u>	333 542 764,21		<u>53 012 241,25</u>	335 441 781,39	
Pension insurance						
Unit-linked individual pension insurance	32 136 548,86			33 343 087,11		
Other individual pension insurance	20 138 901,83			21 763 286,02		
Unit-linked group pension insurance	10 504 647,64			6 849 796,02		
Other group pension insurance	<u>25 383 151,90</u>	88 163 250,23	421 706 014,44	<u>25 568 515,08</u>	87 524 684,23	422 966 465,62
Reinsurance			0,00			-8 777,65
Gross premiums written before reinsurers' share			<u>421 706 014,44</u>			<u>422 957 687,97</u>
Premiums written before reinsurers' share						
Regular premiums			326 972 742,04			314 003 103,04
Single premiums			<u>94 733 272,40</u>			<u>108 963 362,58</u>
Total			<u>421 706 014,44</u>			<u>422 966 465,62</u>
Premiums from contracts entitled to bonuses			162 010 016,78			155 378 001,30
Premiums from unit-linked insurance			<u>259 695 997,66</u>			<u>267 588 464,32</u>
			<u>421 706 014,44</u>			<u>422 966 465,62</u>

K1.1. Impact of life insurance rebates and discounts on the result

	2016			2015		
Rebates						
Life insurance						
Other individual life insurance	1 721 812,87			2 255 356,20		
Other group life insurance	<u>196 044,00</u>	1 917 856,87		<u>284 852,00</u>	2 540 208,20	
Pension insurance						
Other individual pension insurance	1 948 365,39			3 266 919,73		
Other group pension insurance	<u>1 424 247,39</u>	3 372 612,78	5 290 469,65	<u>1 482 836,85</u>	4 749 756,58	7 289 964,78
Discounts						
Life insurance						
Unit-linked individual life insurance	428 556,15			338 428,00		
Other individual life insurance	257 950,32			192 644,15		
Other group life insurance	<u>1 655 361,68</u>	2 341 868,15		<u>2 109 817,22</u>	2 640 889,37	
		<u>7 632 337,80</u>			<u>9 930 854,15</u>	

K2. Claims paid before reinsurers' share

	2016	2015
Direct insurance		
Life insurance	211 996 084,76	180 923 480,06
Pension insurance	121 465 526,98	118 499 159,25
	333 461 611,74	299 422 639,31
Reinsurers' share	-383 473,32	-405 211,76
Total	333 078 138,42	299 017 427,55
Of which:		
Surrenders	123 951 181,98	85 994 410,09
Repayments of benefits	41 255 981,47	50 500 918,67
Other	168 254 448,29	162 927 310,55
	333 461 611,74	299 422 639,31
Share of unit-linked insurance of claims paid	127 694 701,82	88 553 315,41

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

K3.1. Total operating expenses by activity

3.1. Total operating expenses by activity	2016	2015
Claims management expenses	4 508 848,52	4 831 952,82
Operating expenses	47 831 401,36	44 053 015,53
Investment operating expenses	5 336 101,45	5 286 106,82
Other expenses	2 676 725,88	0,00
Total	60 353 077,21	54 171 075,17

K3.2. Profit and loss account item operating expenses

	2016	2015
Insurance policy acquisition costs		
Commissions for direct insurance	14 523 852,49	14 247 193,80
Commissions for reinsurance assumed and profit shares	0,00	-614,43
Other insurance policy acquisition costs	17 213 348,97	15 469 364,96
	31 737 201,46	29 715 944,33
Insurance policy management expenses	8 219 989,83	9 278 684,99
Administrative expenses	8 262 158,30	5 635 167,46
Commissions for reinsurance ceded and profit shares	-387 948,23	-229 781,25
Total	47 831 401,36	44 400 015,53

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

	2016	2015
K3.3.1. Personnel expenses		
Salaries and remunerations	9 744 137,10	9 643 672,85
Pension expenses	1 962 634,89	1 539 704,77
Other personnel expenses	588 683,27	568 340,57
<i>Total</i>	<u>12 295 455,26</u>	<u>11 751 718,19</u>
K3.3.2. 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	436 922,00	424 899,00
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	151 000,00	99 410,00
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	187 250,00	179 100,00
Pension commitments	No pension commitments	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	
K3.3.3. Average number of personnel during the financial year		
Office staff	132	134

K3.4. Auditor's fees by assignment category

3.4 Auditor's fees by assignment category	2016	2015
Auditing	47 763,23	34 372,80
Tax advice	39 948,33	15 327,85
Other services	91 139,57	0,00
<i>Total</i>	<u>178 851,13</u>	<u>49 700,65</u>

K4.1. Specification of net investment income

	2016	2015	
Investment income			
Income from group companies			
Dividend income	855 700,47	0,00	
Interest income	<u>2 667 511,21</u>	<u>3 523 211,68</u>	<u>0,00</u>
Income from participating interests			
Dividend income	80 519,04	0,00	
Interest income	<u>51 761,39</u>	<u>132 280,43</u>	<u>89 365,18</u>
Income from real estate investments in group companies			
Interest income	<u>1 040 741,29</u>	<u>1 040 741,29</u>	<u>0,00</u>
Income from real estate investments in other companies			
Dividend income	686,56	1 373,12	
Interest income	56 801,61	589 190,32	
Other income	<u>29 196 208,29</u>	<u>34 047 623,19</u>	<u>34 638 186,63</u>
Income from other investments			
Dividend income	45 234 329,11	49 878 693,31	
Interest income	33 079 159,85	35 606 595,07	
Other income	<u>9 194 291,35</u>	<u>13 412 954,39</u>	<u>98 898 242,77</u>
Total		<u>121 457 710,17</u>	<u>133 625 794,58</u>
Value readjustments		26 748 956,76	23 782 745,55
Realized gains		<u>83 176 134,60</u>	<u>123 944 674,84</u>
Total		231 382 801,53	281 353 214,97
Investment charges	2016	2015	
Expenses arising from real estate investments	-12 526 925,33	-15 145 994,62	
Expenses arising from other investments	-9 290 865,89	-9 063 127,13	
Interest paid and other expenses on liabilities			
Other companies	<u>-4 272 009,48</u>	<u>-4 272 009,48</u>	<u>-4 313 762,63</u>
Total	-26 089 800,70	-28 522 884,38	
Value adjustments and depreciation			
Value adjustments	-25 222 685,21	-30 389 868,38	
Planned depreciation on buildings	<u>-7 022 029,72</u>	<u>-5 787 128,82</u>	<u>-36 176 997,20</u>
Realized losses	<u>-12 916 774,58</u>	<u>-15 154 985,78</u>	
Total	-71 251 290,21	-79 854 867,36	
Net investment income before revaluations and revaluation adjustments	160 131 511,32	201 498 347,61	
Revaluations	91 287 760,80	73 189 269,64	
Revaluation adjustments on investments	<u>-17 311 738,72</u>	<u>-11 047 444,13</u>	<u>62 141 825,51</u>
Net investment income in the profit and loss account	234 107 533,40	263 640 173,12	

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

	2016		2015	
Investment income	30 658 167,42		27 200 951,31	
Investment charges	<u>-3 529 765,02</u>	27 128 402,40	<u>-4 723 805,64</u>	22 477 145,67
Net investment income before revaluations and their adjustment as well as value adjustments and readjustments				
Revaluations of investments	91 287 760,80		73 189 269,64	
Revaluation adjustments on investments	<u>-17 311 738,72</u>		<u>-11 047 444,13</u>	
Value adjustments	-11 156,56		-1 116 379,95	
Value readjustment	<u>3 092 417,08</u>	77 057 282,60	<u>1 552 051,70</u>	62 577 497,26
Net investment income in the profit and loss account		<u>104 185 685,00</u>		<u>85 054 642,93</u>

K4.3. Specification of other income and expenses

	2016	2015
Other income		
Services sold to partner companies	2 659 089,00	3 011 668,88
Other other income	<u>59 318,71</u>	<u>36 656,43</u>
Total	<u>2 718 407,71</u>	<u>3 048 325,31</u>
Other expenses		
Depreciation of consolidated goodwill	-27 981,00	0,00
Expenses for services sold	-2 676 725,88	-2 937 379,73
Transfer to personnel fund	-257 431,00	-174 383,11
Other other expenses	<u>-2 234 343,33</u>	<u>-2 333 194,15</u>
Total	<u>-5 196 481,21</u>	<u>-5 444 956,99</u>

Notes to the balance sheet

K5.1. Current value of investments and difference in valuation

	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	224 316 040,46	251 665 591,70	311 687 575,94	224 040 661,56	250 381 085,24	317 008 171,80
Real estate shares in group companies	18 032 342,56	18 032 342,43	23 682 615,95	0,00	0,00	0,00
Real estate shares in participating interests	77 767,78	77 767,78	77 767,78	943 492,76	943 492,76	888 288,83
Other real estate shares	8 781 606,37	9 174 789,11	14 166 211,03	45 996 490,72	46 389 673,46	53 971 811,34
Loans to group companies	15 762 257,69	15 762 257,69	15 762 257,69	0,00	0,00	0,00
	<u>266 970 014,86</u>	<u>294 712 748,71</u>	<u>365 376 428,39</u>	<u>270 980 645,04</u>	<u>297 714 251,46</u>	<u>371 868 271,97</u>
Investments in group companies						
Shares and holdings	41 163 478,34	41 163 478,34	41 163 478,34	0,00	0,00	0,00
Loans receivable	73 973 000,01	73 973 000,01	73 973 000,01	0,00	0,00	0,00
	<u>115 136 478,35</u>	<u>115 136 478,35</u>	<u>115 136 478,35</u>	<u>0,00</u>	<u>0,00</u>	<u>0,00</u>
Investments in participating interests						
Shares and holdings	40 257 156,42	40 257 156,42	45 572 165,10	26 031 162,74	26 031 162,74	26 031 162,74
Debt securities	4 000 000,00	4 000 000,00	4 000 000,00	2 000 000,00	2 000 000,00	2 000 000,00
Loans receivable	0,00	0,00	0,00	407 493,34	407 493,34	407 493,34
	<u>44 257 156,42</u>	<u>44 257 156,42</u>	<u>49 572 165,10</u>	<u>28 438 656,08</u>	<u>28 438 656,08</u>	<u>28 438 656,08</u>
Other investments						
Shares and holdings	882 672 192,51	882 672 192,51	1 032 548 567,67	892 960 476,63	892 960 476,63	1 046 500 695,51
Debt securities	958 752 898,24	958 752 898,24	989 016 732,95	979 480 719,74	979 480 719,74	1 006 899 257,41
Loans guaranteed by mortgages	174 044 238,03	174 044 238,03	174 044 238,02	192 777 970,59	192 777 970,59	192 777 970,63
Other loans	142 109 989,71	142 109 989,71	142 109 989,73	132 934 912,03	132 934 912,03	132 576 945,06
Deposits	11 565 073,75	11 565 073,75	11 565 073,75	7 500 000,00	7 500 000,00	7 500 000,00
	<u>2 169 144 392,24</u>	<u>2 169 144 392,24</u>	<u>2 349 284 602,12</u>	<u>2 205 654 078,99</u>	<u>2 205 654 078,99</u>	<u>2 386 254 868,61</u>
	<u>2 595 508 041,87</u>	<u>2 623 250 775,72</u>	<u>2 879 369 673,96</u>	<u>2 505 073 380,11</u>	<u>2 531 806 986,53</u>	<u>2 786 561 796,66</u>
The remaining acquisition cost of debt securities includes:						
Difference between the nominal value and acquisition cost released (+) or charged (-) to interest income			-6 024 365,40			-6 761 115,94
Book value comprises						
Revaluations released to income		11 423 820,01			10 414 692,45	
Other revaluations		<u>16 318 913,97</u>	<u>27 742 733,98</u>		<u>16 318 913,97</u>	<u>26 733 606,42</u>
Difference in valuation (difference between current value and book value)			<u>256 118 898,24</u>			<u>254 754 810,13</u>

K5.2. Current value of non-hedging derivatives and difference in valuation

Derivative contracts	Remaining acquisition cost	Book value	Current value	Remaining acquisition cost	Book value	Current value
Other debtors						
Assets pledged as security for derivatives	0,00	0,00	0,00	582 041,56	582 041,56	582 041,56
Other creditors						
Assets received as security for derivatives	0,00	0,00	0,00	-1 050 000,00	-1 050 000,00	-1 050 000,00
Other deferred income and credits						
Futures and forward contracts	-543 043,07	-543 043,07	-428 138,99	-298 262,46	-298 262,46	818 895,72
	<u>-543 043,07</u>	<u>-543 043,07</u>	<u>-428 138,99</u>	<u>-766 220,90</u>	<u>-766 220,90</u>	<u>350 937,28</u>
Difference in valuation (difference between current value and book value)			<u>114 904,08</u>			<u>1 117 158,18</u>

K6. Real-estate investments

Changes in real estate investments:	2016	2016
	Real estate and shares in real estate	Loans to group companies
Acquisition cost on 1 Jan.	331 897 362,43	0,00
	-10 494 726,78	0,00
Increase	25 081,54	0,00
Decrease	-40 895 585,29	0,00
Transfers between items	18 553 252,22	15 762 257,69
Acquisition cost on 31 Dec.	299 085 384,12	15 762 257,69
Accumulated depreciation on 1 Jan.	-35 754 553,59	
	10 494 726,78	
Accumulated depreciation related to deductions and transfers	804 818,51	
Depreciation for the financial year	-3 209 869,21	
Accumulated depreciation on 31 Dec.	-27 664 877,51	
Value adjustments on 1 Jan.	-25 162 163,65	
Value adjustments related to deductions and transfers	5 259 414,08	
Value adjustments for the financial year	-1 253 000,00	
Value readjustments	943 000,00	
Value adjustments on 31 Dec.	-20 212 749,57	
Revaluations on 1 Jan.	26 733 606,42	
Transfers between items	1 009 127,56	
Revaluations on 31 Dec.	27 742 733,98	
Book value on 31 Dec.	278 950 491,02	15 762 257,69

Real estate and shares in real estate occupied for own activities

	2016
Remaining acquisition cost	1 129 832,42
Book value	1 129 832,42
Current value	1 293 372,25

K7. Investments in Group companies and participating interests

	2016	2015
Shares and holdings in group companies		
Acquisition cost on 1 Jan.	0,00	0,00
Transfers between items	41 196 168,12	0,00
Acquisition cost on 31 Dec.	41 196 168,12	0,00
Value adjustments on 1 Jan.	0,00	0,00
Value adjustments related to deductions and transfers	-32 689,78	0,00
Value adjustments on 31 Dec.	-32 689,78	0,00
Book value on 31 Dec.	41 163 478,34	0,00
Debt securities issued by and loans to companies in the same group		
Acquisition cost on 1 Jan.	0,00	0,00
Transfers between items	73 973 000,01	0,00
Acquisition cost on 31 Dec.	73 973 000,01	0,00
Book value on 31 Dec.	73 973 000,01	0,00
Shares and holdings in participating interests		
Acquisition cost on 1 Jan.	27 179 143,74	29 380 168,96
Increase	9 308 941,36	3 016 936,24
Decrease	-659 416,09	-646 500,00
Transfers between items	15 078 803,50	-4 571 461,46
Acquisition cost on 31 Dec.	50 907 472,51	27 179 143,74
Value adjustments on 1 Jan.	-1 147 980,99	-6 642 432,26
Value adjustments related to deductions and transfers	-9 386 835,10	4 571 461,60
Value adjustments for the financial year	-115 500,00	0,00
Value readjustments	0,00	922 989,67
Value adjustments on 31 Dec.	-10 650 316,09	-1 147 980,99
Book value on 31 Dec.	40 257 156,42	26 031 162,75
Debt securities issued by and loans to participating interests		
Acquisition cost on 1 Jan.	2 407 493,34	4 400 000,00
Increase	2 000 000,00	2 000 000,00
Decrease	0,00	-4 455 253,33
Transfers between items	-407 493,34	462 746,67
Acquisition cost on 31 Dec.	4 000 000,00	2 407 493,34
Book value on 31 Dec.	4 000 000,00	2 407 493,34
Total	159 393 634,77	28 438 656,09

K7.1. Investments in Group companies

Shares and holdings

	Domicile	Share of stocks %	Equity	Profit/loss for the financial year
Keskinäinen Vakuutusyhtiö Turva	Tampere	3,60	35 463 119,93	2 485 489,98
LähiTapiola Kiinteistövarainhoito Oy -konserni	Espoo	50,00	9 916 722,73	2 685 825,54
LähiTapiola Palvelut Oy	Espoo	15,60	18 009 833,34	844 406,06
LähiTapiola Varainhoito Oy	Espoo	19,40	22 382 004,23	4 279 075,80
Tieto-Tapiola Oy	Espoo	33,33	3 006 494,08	1 263 287,92
Vakuutusneuvonta Aura Oy	Espoo	33,33	10 729,40	0,00
Vakuutusneuvonta Pohja Oy	Espoo	33,33	10 672,17	0,00
LähiTapiola Pääomasijoitus I Ky	Espoo	43,10	54 401 226,75	-265 857,25
LähiTapiola KR PK2 Ky -konserni	Espoo	10,00	21 109 491,63	-235 041,45
LähiTapiola Tontit I Ky	Espoo	22,51	43 120 555,38	1 904 541,10
LähiTapiola Pääomasijoitus GP Oy	Espoo	43,10	817,96	-47,33
LähiTapiola Tontit GP I Oy	Espoo	22,60	102 443,59	3 205,25
Total			207 534 111,19	12 964 885,62

In addition, 25 (28 in 2015) housing associations and real estate companies are integrated into the consolidated financial statements of LocalTapiola Life.

K7.2. Investments in participating interests

Shares and holdings

	Domicile	Share of stocks %	Equity	Profit/loss for the financial year
Pihlajalinna Oyj	Helsinki	7,85	97 769 631,24	8 048 602,15
S-Pankki Oy	Helsinki	3,50	401 315 202,34	17 282 743,39
Seligson & Co Oyj	Helsinki	11,20	10 205 280,34	1 480 002,97
Glasnost Oy	Espoo	33,33	1 323 179,82	14 174,69
Pohja-yhtymä Oy	Espoo	23,73	3 601 290,51	105 680,65
Total			514 214 584,25	26 931 203,85

In addition, 3 (3 in 2015) housing associations are integrated into the consolidated financial statements of LocalTapiola Life as participating interests.

K7.3. Other investments

31.12.2016

Security	Share of stocks %	Number	Book value	Cuurent value	Home country
Finnish companies, listed					
Amer- Sports Oyj	0,18	209 164,00	1 507 571,43	5 287 665,92	Finland
Huhtamäki Oyj	0,14	155 000,00	5 468 400,00	5 468 400,00	Finland
Kone Oyj B	0,04	185 000,00	3 387 657,32	7 875 450,00	Finland
Nokia Oyj	0,02	1 113 000,00	5 106 444,00	5 106 444,00	Finland
Stockmann Oyj B	0,20	144 003,00	1 016 661,18	1 016 661,18	Finland
Stora Enso R	0,11	695 000,00	5 548 052,40	7 095 950,00	Finland
Vaisala Oyj A	0,80	145 891,00	3 957 694,14	4 916 526,70	Finland
Others		507 191,00	205 043,27	205 043,27	
Total		3 154 249,00	26 197 523,74	36 972 141,07	
Finnish companies, non-listed					
Diacor terveystalvelut Oy	3,75	844,00	3 362 960,00	3 362 960,00	Finland
Visedo Oy C	3,90	145 953,00	999 996,98	999 996,98	Finland
Others		18 069 690,59	4 631 078,43	4 694 047,55	
Total		18 216 487,59	8 994 035,41	9 057 004,53	
Foreign companies, listed					
ABB Ltd	0,01	223 000,00	3 489 182,48	4 460 415,31	Sw itzerland
AbbVie Inc	0,01	123 000,00	6 581 409,43	7 306 953,80	United States (USA)
Adecco SA	0,07	113 200,00	7 025 588,97	7 025 588,97	Sw itzerland
Allstate Corp/The	0,03	93 000,00	5 685 334,33	6 539 379,57	United States (USA)
Amazon.com Inc	0,00	8 000,00	5 691 072,95	5 691 072,95	United States (USA)
AstraZeneca PLC	0,01	115 000,00	5 960 341,28	5 960 341,28	Great Britain
Automatic Data Processing Inc	0,02	72 000,00	5 799 908,01	7 020 358,60	United States (USA)
Axa Sa	0,01	298 000,00	5 902 378,24	7 147 530,00	France
BASF SE	0,01	57 000,00	3 860 870,81	5 033 670,00	Germany
Bayer AG	0,01	56 000,00	4 118 429,20	5 551 280,00	Germany
BorgWarner Inc	0,06	129 000,00	4 248 268,99	4 826 638,84	United States (USA)
Bunzl PLC	0,06	200 000,00	4 926 534,14	4 926 534,14	Great Britain
Carl Zeiss Meditec AG	0,19	155 759,00	2 946 298,11	5 451 565,00	Germany
Cellnex Telecom SAU	0,11	260 000,00	3 552 900,00	3 552 900,00	Spain
Cognizant Technology Solutions Corp	0,02	117 000,00	6 171 034,71	6 219 058,91	United States (USA)
Compass Group PLC	0,02	345 000,00	5 218 984,41	6 048 319,28	Great Britain
Continental Ag	0,01	30 000,00	5 511 000,00	5 511 000,00	Germany
Danske Bank A/S	0,03	274 000,00	6 917 887,42	7 894 490,48	Denmark
Deutsche Telekom AG	0,01	386 000,00	6 170 489,40	6 313 030,00	Germany
East West Bancorp Inc	0,12	167 000,00	5 460 323,20	8 052 945,64	United States (USA)
F5 Netw orks Inc	0,07	46 000,00	4 652 496,01	6 315 453,94	United States (USA)
Gemalto NV	0,08	71 400,00	3 921 288,00	3 921 288,00	France
Heineken Nv	0,02	107 000,00	7 177 930,74	7 624 820,00	Netherlands
Henkel Kgaa -Vorzug	0,04	70 000,00	7 134 777,10	7 927 500,00	Germany
Hennes & Mauritz Ab B	0,01	197 000,00	4 136 229,13	5 225 836,17	Sw eden
Honeyw ell International Inc	0,01	60 000,00	5 365 548,01	6 594 251,02	United States (USA)
ING Groep NV	0,02	582 000,00	6 926 473,91	7 781 340,00	Netherlands
Innogy SE	0,02	100 000,00	3 301 000,00	3 301 000,00	Germany
Kroger Co/The	0,02	198 000,00	5 999 473,48	6 482 288,21	United States (USA)
Lloyds Tsb Group Plc	0,01	8 276 000,00	6 042 336,42	6 042 336,42	Great Britain
Medtronic Inc	0,01	93 300,00	4 872 481,67	6 304 676,03	Ireland
National Grid PLC	0,02	566 000,00	4 928 383,23	6 290 798,66	Great Britain
Novartis Ag	0,00	97 000,00	6 693 081,29	6 693 081,29	Sw itzerland
PepsiCo Inc	0,01	88 000,00	5 223 658,74	8 734 882,84	United States (USA)
SGS SA	0,04	3 330,00	5 966 622,34	6 424 955,77	Sw itzerland
Schlumberger Ltd	0,00	64 000,00	4 502 564,90	5 097 049,62	Curaçao
Snap-on Inc	0,08	45 000,00	6 320 875,98	7 311 592,83	United States (USA)
TeliaSonera Ab	0,02	1 062 000,00	4 071 708,00	4 071 708,00	Sw eden
Total Sa	0,01	156 000,00	7 033 477,95	7 600 320,00	France
Unilever Nv -CVA	0,01	166 000,00	5 922 436,41	6 493 090,00	Netherlands
United Technologies Corp	0,01	63 500,00	4 054 932,31	6 603 614,46	United States (USA)

Visa Inc	0,00	80 000,00	5 921 259,84	5 921 259,84	United States (USA)
Vodafone Group Plc	0,01	2 175 000,00	5 076 896,80	5 076 896,80	Great Britain
WPP PLC	0,02	271 000,00	3 201 462,47	5 748 043,64	Great Britain
Others		10,00	491 754,24	2 315 918,79	
Total		17 859 499,00	234 177 385,05	272 437 075,10	

Foreign companies, non-listed

Others		3 083,00	246 923,08	361 999,53	
Total		3 083,00	246 923,08	361 999,53	

Mutual funds

BNP Paribas Global Senior Corporate Loans			14 302 469,46	14 302 469,46	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			4 873 311,83	6 861 893,13	Finland
LähiTapiola High Yield A			52 813 865,98	80 596 027,20	Finland
LähiTapiola Hyvinvointi A			2 948 862,00	8 092 295,32	Finland
LähiTapiola Infra A			4 840 728,34	6 632 938,94	Finland
LähiTapiola Japani A			7 916 995,82	8 840 518,00	Finland
LähiTapiola Kasvu A			3 791 259,76	6 213 583,96	Finland
LähiTapiola Kehittyvät Korkomarkkinat A			56 000 000,00	59 230 545,74	Finland
LähiTapiola Kehittyvät Markkinat A			6 831 289,38	9 854 472,32	Finland
LähiTapiola Kuluttaja A			2 405 461,68	5 948 394,83	Finland
LähiTapiola Osinko A			4 446 350,74	6 760 727,72	Finland
LähiTapiola Pohjoinen Yrityskorko A			25 335 010,63	28 840 225,48	Finland
LähiTapiola Suoja A			5 002 636,36	5 581 060,76	Finland
LähiTapiola USA A			2 587 106,29	5 607 844,01	Finland
LähiTapiola Yrityskorko A			21 099 401,42	28 586 810,85	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			18 000 000,00	18 844 157,87	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
Total			511 892 981,38	649 422 928,62	

Capital mutual funds

Aberdeen European Shopping Property Fund SICAV			644 209,74	644 209,74	Luxembourg
Aberdeen Property Funds SICAV Pan-Nordic			3 354 642,28	3 354 642,28	Luxembourg
Altor Fund III			4 149 769,86	4 149 769,86	Jersey
Altor Fund IV (No.2) AB			2 144 089,49	2 144 089,49	Sweden
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
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
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.			2 772 853,24	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.			2 105 848,00	2 105 848,00	Great Britain
Bridgepoint Europe IV F L.P.			3 634 232,21	4 123 819,90	Great Britain
Bridgepoint Europe V A L.P.			2 813 102,80	2 829 851,00	Great Britain

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.	11 883 501,96	15 277 639,69	United States (USA)
Dasos Timberland Fund II	12 969 695,44	13 103 545,22	Luxembourg
eQ PE V/III North LP	575 086,00	575 086,00	Finland
European Added Value Fund, L.P.	989 309,01	989 309,01	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	13 714 825,24	15 572 707,74	Jersey
ICG Senior Debt Partners Fund	7 890 396,16	7 890 396,16	Luxembourg
ICG Senior Debt Partners Fund 2	7 041 653,78	7 088 552,84	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.	966 362,48	966 362,48	Great Britain
Industri Kapital 2007 Limited Partnership III	1 317 211,17	1 317 211,17	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.	6 564 726,65	8 098 819,85	United States (USA)
LähiTapiola Asuntorahasto Prime Ky	15 675 878,92	16 347 867,79	Finland
LähiTapiola Asuntosijoitus Suomi Ky	12 128 168,08	12 903 247,59	Finland
M&G Real Estate Debt Fund II, L.P.	9 120 769,17	9 120 769,17	Guernsey
MB Equity Fund IV Ky	5 022 651,30	7 007 272,00	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.	4 238 494,51	4 238 494,51	Guernsey
Nordic Mezzanine Fund III Limited Partnership	3 862 147,41	4 242 125,82	Great Britain
Partners Group U.S. Venture 2004, L.P.	876 530,82	1 155 365,01	United States (USA)
PBW II Real Estate Fund S.A.	2 622 000,00	2 622 000,00	Luxembourg
Real Estate Debt & Secondaries Ky	3 348 910,95	3 571 334,83	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)
Tapiola KR I Ky	19 968 057,13	19 968 057,13	Finland
Tapiola KR III Ky	37 228 842,70	37 228 842,70	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.	5 365 224,00	5 586 002,67	Jersey
Tikehau Direct Lending III	5 907 764,20	5 919 871,22	Luxembourg
Top Tier Venture Capital III, L.P.	2 561 129,90	2 561 129,90	United States (USA)
Top Tier Venture Capital IV, L.P.	2 865 551,90	5 394 974,36	United States (USA)
TPG Partners VI, LP	10 181 479,30	13 615 696,80	United States (USA)
TPG Partners VII, L.P.	2 901 750,79	3 025 483,35	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	3 976 712,73	11 629 459,76	
Total	349 958 599,81	381 857 648,40	

Total other investments, shares and holdings	39 233 318,59	882 672 192,51	1 032 548 567,67
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K7.4. Assets held to cover unit-linked insurance policies

31.12.2016

Security	Book value	Current value	Home country
Shares			
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
Others	15 202 662,33	15 202 662,33	
Total	29 202 781,79	29 202 781,79	
Mutual funds			
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 Indeksä 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 Maaailma 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 Pieniyhtiöt B	3 716 632,27	3 716 632,27	Finland

Evli Suomi Pieniyhtiöt 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
Kiinteistösiijoituskori	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 Korkomaaailma 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 Maaailma 20 A	23 665 729,92	23 665 729,92 Finland
LähiTapiola Maaailma 50 A	60 318 052,42	60 318 052,42 Finland
LähiTapiola Maaailma 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
Others	18 583 267,61	18 583 267,61	
Total	1 772 940 701,37	1 772 940 701,37	

Debt securities

Evli Eurooppa Bonus IV Sertifikaatti	540 450,00	540 450,00	Finland
Others	12 308 975,18	12 308 975,18	
Total	12 849 425,18	12 849 425,18	

K8.1. Other loans, itemised by type of security

	2016	2015
Insurance policy	353 149,72	436 096,13
Other security	89 324 729,37	54 189 606,73
Remaining acquisition cost	89 677 879,09	54 625 702,86
Unsecured, total remaining acquisition cost	52 432 110,62	78 309 209,17
Total other loan receivables	142 109 989,71	132 934 912,03

K9. Changes in tangible and intangible assets

	Intangible rights and other expenses with long-term effects	Goodwill
Acquisition cost on 1 Jan.	31 300 446,57	0,00
Increase	957 259,48	27 981,00
Decrease	0,00	0,00
Decrease, business transfer	0,00	0,00
Transfers between items	2 875 844,92	0,00
Acquisition cost on 31 Dec.	35 133 550,97	27 981,00
Accumulated depreciation on 1 J	-14 583 235,05	0,00
Depreciation for the financial year	-5 372 857,00	-27 981,00
Accumulated depreciation on 31	-19 956 092,05	-27 981,00
Book value on 31 Dec.	15 177 458,92	0,00

	Machinery and equipment
Acquisition cost on 1 Jan.	3 457 180,79
Increase	95 684,69
Decrease	-22 397,70
Transfers between items	-78 006,03
Acquisition cost on 31 Dec.	3 452 461,75
Accumulated depreciation on 1 J	-2 824 002,90
Depreciation for the financial year	-117 734,96
Accumulated depreciation on 31	-2 941 737,86
Book value on 31 Dec.	510 723,89

K10. Assets held to cover unit-linked insurance policies

	2016	2016	2015	2015
	Original acquisition cost	Current value (=book value)	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	1 277 407 268,78	1 624 700 728,94
Debt securities	12 695 454,18	12 849 424,89	14 448 730,93	14 474 901,68
Recovery from insurance premium mediators	134 007,89	134 007,89	856 053,76	856 053,76
Cash at bank and in hands	6 465 227,65	6 465 227,65	2 258 716,64	2 258 716,64
Accrued interest	150 852,40	150 852,40	111 257,44	111 257,44
Total	1 400 430 231,15	1 821 742 996,28	1 295 082 027,55	1 642 401 658,46
Investments acquired in advance	22 367 385,52	21 371 671,56	46 771 799,98	48 076 761,46
Investments corresponding to the technical provisions for unit linked insurance	1 378 062 845,63	1 800 371 324,72	1 248 310 227,57	1 594 324 897,00

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

3 114 770,40

K11.1. Changes in capital and reserves

	1 Jan.	Increase	Decrease	31 Dec.
Initial reserve	4 482 208,24	0,00	0,00	4 482 208,24
Guarantee capital	37 585 505,12	0,00	0,00	37 585 505,12
Revaluation reserve	9 162 367,09	0,00	0,00	9 162 367,09
Security reserve	194 562 328,21	65 098 403,74	0,00	259 660 731,95
Contingency reserve	1 172 446,83	0,00	-80 000,00	1 092 446,83
The share of voluntary provisions and depreciation difference transferred to capital and reserves	1 210 824,65	0,00	-184 547,52	1 026 277,13
Profit for previous accounting periods	-21 227 808,96	-69 206 951,82	71 248 296,90	-19 186 463,88
Profit for the accounting period	69 088 759,79	59 465 728,06	-69 088 759,79	59 465 728,06
Change in depreciation difference and voluntary provisions included in the profit for the accounting period	118 192,03	93 261,97	-118 192,03	93 261,97
	69 206 951,82	59 558 990,03	-69 206 951,82	59 558 990,03
Total changes in capital and reserves	296 154 823,00	55 450 441,95	1 776 797,56	353 382 062,50

K11.2. Itemisation of revaluation reserve

	31.12.2016
Revaluation reserve on 1 Jan.	9 162 367,09
Revaluation reserve on 31 Dec.	9 162 367,09
Total	9 162 367,09

K12. Accumulated appropriations

	2016	2015
Depreciation difference		
Depreciation difference on 1 Jan.	1 892 280,60	2 019 673,61
Decrease	-238 444,20	-127 393,01
Depreciation difference on 31 Dec.	<u>1 653 836,40</u>	<u>1 892 280,60</u>
Total accumulated appropriations	<u>1 653 836,40</u>	<u>1 892 280,60</u>
Divided into		
Capital and reserves	-1 212 061,32	-1 513 824,48
Minority interest	-111 007,80	0,00
Deferred tax liabilities	-330 767,28	-378 456,12
Tax base	20,00 %	20,00 %

K.13. Other obligatory provisions

	2016	2015
Provision for unemployment security deductible	<u>184 252,33</u>	<u>184 252,33</u>
	<u>184 252,33</u>	<u>184 252,33</u>

K.14.1. Deferred tax assets

	2016	2015
Temporary differences between taxable profit and accounting profit	1 047 417,81	1 266 567,86

K.14.2. Deferred tax liabilities

	2016	2015
Deferred tax liabilities arising from the division of depreciation difference and provisions	330 767,28	380 008,08

K15. Receivables and liabilities

K15.1. Itemisation of receivables

	2016	2015
Receivables from participating interests		
Other receivables	<u>0,00</u>	<u>897,24</u>
	<u>0,00</u>	<u>897,24</u>

K15.2. Itemisation of liabilities

	2016	2015
Liabilities to participating interests		
Other liabilities	<u>42 844,50</u>	<u>65 908,02</u>
	<u>42 844,50</u>	<u>65 908,02</u>

K16. Notes concerning guarantees and contingent liabilities

	2016	2016	2015	2015
16.1. Security	Security/pledges/ guarantees and other commitments	Amount of liability	Security/pledges/ guarantees and other commitments	Amount of liability
As security for participating interests' debts				
Real estate mortgages	71 476 224,00	8 299 715,73	26 503 480,00	2 993 028,33
	71 476 224,00	8 299 715,73	26 503 480,00	2 993 028,33
16.2. Off-balance-sheet guarantees and contingent liabilities				
Derivative contracts		2016		2015
Currency derivatives				
<i>Forward and futures contracts, open</i>				
Underlying instrument		-80 142 044,35		-57 044 601,84
Current value		-428 138,99		818 895,72
Rent liabilities				
Amount to be paid in the current financial year		3 680 539,92		3 157 309,32
Amount to be paid in the coming years		4 446 484,23		5 020 404,48
		<u>8 127 024,15</u>		<u>8 177 713,80</u>
Value-added tax liabilities				
<i>Joint liability relating to collective value-added tax registration</i>				
Associated undertakings		0,00		-509 383,14
Partner companies		3 767 866,44		2 982 726,41
		<u>3 767 866,44</u>		<u>2 473 343,27</u>
<i>Inspection responsibility of real estate investments under section 120 of the Value Added Tax Act</i>				
Company		1 031 066,53		6 281 037,13
Other companies of the group		55 897 024,33		47 041 336,71
		<u>56 928 090,86</u>		<u>53 322 373,84</u>
Other commitments				
Subscription commitments		308 244 150,25		341 311 557,03
Granted limit		41 650 636,36		63 669 709,78
		<u>349 894 786,61</u>		<u>404 981 266,81</u>

K17.1. Related party loans and transactions (Insurance Companies Act, Chapter 8, section 11 and Accounting Ordinance, Chapter 2, section 7b)

LocalTapiola Mutual Life 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 Life 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 Life'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 Mutual Life Insurance Company

Subsidiaries	140 485 123,22
Associated undertakings and joint ventures	77 689 432,72
Key persons who are part of an organisation's or its parent company's management	0,00
Other parties who are insiders	0,00
	<hr/> 218 174 555,94

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 Mutual Life Insurance Company in favour of LocalTapiola Group companies are presented in Appendix K16. 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.

K17.2. Subordinated loans

Creditor	Multiple
Loan capital	EUR 100,000,000

Principal loan terms

The loan contract is valid until Nov 26, 2024. The loan can be repaid at the earliest on Nov 26, 2019 after which it is possible to repay the loan on any interest payment date (Nov 26) if the debtor fulfils the solvency requirements set in legislation.

Until the date preceding the first repayment date, the annual interest rate of the loan is 3.625%. If the debtor does not repay the loan on the first repayment date, the interest rate is revised. After the first repayment date, the interest rate is determined on the basis of the interest rate for Euro 5-y Mid-Swap Rate plus a margin of 3.25%.

The capital can be returned and interest can be paid only to the extent that, at the time of payment, the sum of the company's distributable capital and reserves and all of the subordinated loans exceeds the amount of losses reported on the balance sheet of the financial statements for the last complete financial year, or newer.

If no interest can be paid, it will be postponed to be repaid at the earliest after the first such financial statements on the basis of which interest payment can be made. In addition, the company may not end up in a situation after the return of the capital where the company's eligible own funds are below the capital requirement set by the authorities.

The terms of the subordinated loan agreement can only be changed with the approval of the Financial Supervisory Authority.

The loan is unsecured.

The subordinated loan is administered by Euroclear Finland Oy.

Other notes

Performance analysis

	6826	6826	EUR 1 000 Change
Premiums earned	419 620	421 457	-1 837
Investment income and expenses as well as revaluations and adjustments thereof	234 108	263 640	-29 533
Claims paid	-333 078	-299 017	-34 061
Change in technical provisions before change in customer benefits and equalisation provision	-207 257	-240 806	33 549
Operating expenses	-47 831	-44 400	-3 431
Balance on technical account before change in customer benefits and equalisation provision	65 561	100 874	-35 313
Other income and expenses	-2 478	-2 397	-81
Share of profit/loss of associated undertakings	-54	2 971	-3 025
Operating profit	63 029	101 449	-38 420
Change in equalisation provision	10 274	-5 031	15 305
Additional benefits (customer benefits)	-429	-10 198	9 770
Profit before appropriations and taxes	72 874	86 219	-13 345
Income taxes and other direct taxes	-13 413	-16 611	3 198
Minority interests	5	-520	524
Total result	59 466	69 089	-9 623
Operating profit	63 029	101 449	-38 420
Change in the difference between current and book values *)	362	-38 147	38 509
Total result	63 390	63 302	89

Subsidiaries and associated undertakings

Subsidiaries		Registered office	Share of ownership
Real estate company	Helsingintie 22	Espoo	100,0 %
Real estate company	Järvennuotta	Espoo	100,0 %
Real estate company	Vantaanpohja	Espoo	100,0 %
Housing cooperative	Kuopion Pohjapuisto	Kuopio	100,0 %
Limited company	Hamburger Börs Ab	Espoo	100,0 %
Real estate company	Eteläespa 18	Espoo	100,0 %
Real estate company	Kouvolan Kauppалankatu 12	Kouvola	66,6 %
Real estate company	Fredrikinkatu 48	Espoo	90,0 %
Real estate company	Mäkelänkatu 58	Espoo	90,0 %
Real estate company	Elimäenkatu 12	Espoo	100,0 %
Real estate company	Tapiola Garden	Espoo	100,0 %
Real estate company	Vantaankulma	Espoo	62,1 %
Real estate company	Vantaanportti	Espoo	62,1 %
Real estate company	Vantaanpää	Espoo	62,1 %
Real estate company	Tapiolan Länsikulma	Espoo	100,0 %
Real estate company	Panimonkatu 4	Espoo	100,0 %
Housing cooperative	Helsingin Radiokatu 17	Helsinki	100,0 %
Real estate company	Lahden Vuorikatu	Espoo	80,9 %
Real estate company	Runskivuori	Espoo	80,9 %
Housing cooperative	Espoon Pinova	Espoo	100,0 %
Real estate company	Vantaan Teeritie 2	Vantaa	100,0 %
Real estate company	Hyvinkään Maa	Espoo	100,0 %
Real estate company	Tammimaa	Espoo	100,0 %
Limited company	Tietotaitotalo	Espoo	100,0 %
Real estate company	Väylän Varsi	Espoo	100,0 %

Associates		Registered office	Share of ownership
Limited company	Glasnost	Espoo	33,3 %
Limited company	LähiTapiola Kiinteistövarainhoito -konserni	Espoo	50,0 %
Limited company	LähiTapiola Pääomasijoitus GP	Espoo	43,1 %
Limited partnership	LähiTapiola Pääomasijoitus I	Espoo	43,1 %
Limited company	LähiTapiola Tontit GP I	Espoo	22,6 %
Limited partnership	LähiTapiola Tontit I	Espoo	22,6 %
Real estate company	Mariankatu 27	Kokkola	20,5 %
Limited company	Pohja-yhtymä	Espoo	23,7 %
Limited company	Tieto-Tapiola -konserni	Espoo	33,3 %
Limited company	Vakuutusneuvonta Aura	Espoo	33,3 %
Limited company	Vakuutusneuvonta Pohja	Espoo	33,3 %

Notes to LocalTapiola Life's profit and loss account and balance sheet

Notes to the profit and loss account

1. Premium income

Direct insurance	2016			2015		
Life insurance						
Unit-linked individual life insurance	191 666 545,11			201 030 213,65		
Other individual life insurance	47 488 584,28			43 443 746,76		
Unit-linked capital redemption policy	25 388 256,05			26 365 367,54		
Employees' group life insurance	10 069 595,14			11 590 212,19		
Other group life insurance	<u>58 929 783,63</u>	333 542 764,21		<u>53 012 241,25</u>	335 441 781,39	
Pension insurance						
Unit-linked individual pension insurance	32 136 548,86			33 343 087,11		
Other individual pension insurance	20 138 901,83			21 763 286,02		
Unit-linked group pension insurance	10 504 647,64			6 849 796,02		
Other group pension insurance	<u>25 383 151,90</u>	88 163 250,23	421 706 014,44	<u>25 568 515,08</u>	87 524 684,23	422 966 465,62
Reinsurance			0,00			-8 777,65
Gross premiums written before reinsurers' share			<u>421 706 014,44</u>			<u>422 957 687,97</u>
<i>Premiums written before reinsurers' share</i>						
Regular premiums			326 972 742,04			314 003 103,04
Single premiums			<u>94 733 272,40</u>			<u>108 963 362,58</u>
Total			<u>421 706 014,44</u>			<u>422 966 465,62</u>
Premiums from contracts entitled to bonuses			162 010 016,78			155 378 001,30
Premiums from unit-linked insurance			<u>259 695 997,66</u>			<u>267 588 464,32</u>
			<u>421 706 014,44</u>			<u>422 966 465,62</u>

1.1. Impact of life insurance rebates and discounts on the result

Rebates	2016			2015		
Life insurance						
Other individual life insurance	1 721 812,87			2 255 356,20		
Other group life insurance	<u>196 044,00</u>	1 917 856,87		<u>284 852,00</u>	2 540 208,20	
Pension insurance						
Other individual pension insurance	1 948 365,39			3 266 919,73		
Other group pension insurance	<u>1 424 247,39</u>	3 372 612,78	5 290 469,65	<u>1 482 836,85</u>	4 749 756,58	7 289 964,78
Discounts						
Life insurance						
Unit-linked individual life insurance		428 556,15			338 428,00	
Other individual life insurance		257 950,32			192 644,15	
Other group life insurance		<u>1 655 361,68</u>	<u>2 341 868,15</u>		<u>2 109 817,22</u>	<u>2 640 889,37</u>
			<u>7 632 337,80</u>			<u>9 930 854,15</u>

2. Claims paid before reinsurers' share

	2016	2015
Direct insurance		
Life insurance	211 996 084,76	180 923 480,06
Pension insurance	121 465 526,98	118 499 159,25
	333 461 611,74	299 422 639,31
Reinsurers' share	-383 473,32	-405 211,76
Total	333 078 138,42	299 017 427,55
Of which:		
Surrenders	123 951 181,98	85 994 410,09
Repayments of benefits	41 255 981,47	50 500 918,67
Other	168 254 448,29	162 927 310,55
	333 461 611,74	299 422 639,31
Share of unit-linked insurance of claims paid	127 694 701,82	88 553 315,41

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

3.1. Total operating expenses by activity

	2016	2015
Claims management expenses	4 508 848,52	4 831 952,82
Operating expenses	47 831 505,96	44 400 015,53
Investment operating expenses	5 336 101,45	5 252 552,73
Other expenses	2 676 821,28	5 443 321,99
Total	60 353 277,21	59 927 843,07

3.2. Profit and loss account item operating expenses

	2016	2015
Insurance policy acquisition costs		
Commissions for direct insurance	14 523 852,49	14 247 193,80
Commissions for reinsurance assumed and profit shares	0,00	-614,43
Other insurance policy acquisition costs	17 213 453,57	15 469 364,96
	31 737 306,06	29 715 944,33
Insurance policy management expenses	8 219 989,83	9 278 684,99
Administrative expenses	8 262 158,30	5 635 167,46
Commissions for reinsurance ceded and profit shares	-387 948,23	-229 781,25
Total	47 831 505,96	44 400 015,53

3.3. Notes concerning personnel and members of corporate bodies

3.3.1. Personnel expenses

	2016	2015
Salaries and remunerations	9 744 137,10	9 643 672,85
Pension expenses	1 962 634,89	1 539 704,77
Other personnel expenses	588 683,27	568 340,57
<i>Total</i>	<u>12 295 455,26</u>	<u>11 751 718,19</u>

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	436 922,00	424 899,00
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

Monetary loans and terms thereof	151 000,00	99 410,00
Guarantees and contingent liabilities	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	187 250,00	179 100,00
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	132	134
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3.4. Auditor's fees by assignment category

	2016	2015
Auditing	35 363,23	34 372,80
Assignments referred to in section 1, subsection 1, paragraph 2 of the Auditing Act	0,00	0,00
Tax advice	39 948,33	15 327,85
Other services	91 139,57	0,00
Total	166 451,13	49 700,65

4.1. Specification of net investment income

Investment income	2016		2015	
Income from group companies				
Dividend income	1 105 700,47		0,00	
Interest income	2 667 511,21		0,00	
Other income	<u>400 000,00</u>	4 173 211,68	<u>0,00</u>	0,00
Income from participating interests				
Dividend income	80 519,04		619 000,00	
Interest income	<u>51 761,39</u>	132 280,43	<u>89 365,18</u>	708 365,18
Income from real estate investments in group companies				
Interest income	9 273 581,57		7 971 556,13	
Other income	<u>55 591,32</u>	9 329 172,89	<u>55 564,49</u>	8 027 120,62
Income from real estate investments in other companies				
Dividend income	686,56		1 373,12	
Interest income	58 025,34		59 319,56	
Other income	<u>27 164 816,59</u>	27 223 528,49	<u>31 041 849,01</u>	31 102 541,69
Income from other investments				
Dividend income	45 234 329,11		49 878 693,31	
Interest income	33 078 175,18		35 605 814,95	
Other income	<u>8 387 555,10</u>	86 700 059,39	<u>13 412 128,78</u>	98 896 637,04
Total		127 558 252,88		138 734 664,53
Value readjustments		26 748 956,76		23 212 036,35
Realized gains		<u>80 903 745,49</u>		<u>123 928 064,42</u>
Total		235 210 955,13		285 874 765,30

	2016		2015	
Investment charges				
Expenses arising from real estate investments				
From group companies	-15 911 242,60		-15 961 270,13	
Other companies	<u>-5 514 648,17</u>	-21 425 890,77	<u>-8 659 319,41</u>	-24 620 589,54
Expenses arising from other investments		-9 290 865,89		-9 063 127,13
Interest paid and other expenses on liabilities				
Other companies	<u>-3 715 209,98</u>	-3 715 209,98	<u>-3 718 103,79</u>	-3 718 103,79
Total		-34 431 966,64		-37 401 820,46
Value adjustments and depreciation				
Value adjustments	-25 119 685,21		-29 982 247,38	
Planned depreciation on buildings	<u>-3 119 396,91</u>	-28 239 082,12	<u>-1 407 152,51</u>	-31 389 399,89
Realized losses		-12 916 774,58		-15 154 985,78
Total		<u>-75 587 823,34</u>		<u>-83 946 206,13</u>
Net investment income before revaluations and revaluation adjustments		159 623 131,79		201 928 559,17
Revaluations	91 287 760,80		73 189 269,64	
Revaluation adjustments	<u>-17 311 738,72</u>	73 976 022,08	<u>-11 047 444,13</u>	62 141 825,51
Net investment income in the profit and loss account		<u>233 599 153,87</u>		<u>264 070 384,68</u>

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

	2016		2015	
Investment income	30 658 167,42		27 200 951,31	
Investment charges	<u>-3 529 765,02</u>	27 128 402,40	<u>-4 723 805,64</u>	22 477 145,67
Net investment income before revaluations and their adjustment as well as value adjustments and readjustments				
Revaluations of investments	91 287 760,80		73 189 269,64	
Revaluation adjustments on investments	-17 311 738,72		-11 047 444,13	
Value adjustments	-11 156,56		-1 116 379,95	
Value readjustment	<u>3 092 417,08</u>	77 057 282,60	<u>1 552 051,70</u>	62 577 497,26
Net investment income in the profit and loss account		<u>104 185 685,00</u>		<u>85 054 642,93</u>

4.3. Specification of other income and expenses

	2016		2015	
Other income				
Income from ancillary operations	2 659 089,00		3 011 668,88	
Other other income	<u>874 966,04</u>		<u>36 656,43</u>	
	<u>3 534 055,04</u>		<u>3 048 325,31</u>	
Other expenses				
Expenses for ancillary operations	2 676 821,28		2 935 744,73	
Transfer to personnel fund	257 431,00		174 383,11	
Other other expenses	<u>2 234 343,33</u>		<u>2 333 194,15</u>	
	<u>5 168 595,61</u>		<u>5 443 321,99</u>	

Notes to the balance sheet

5.1. Current value of investments and difference in valuation

	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	7 640 539,93	12 268 330,37	19 685 171,80	7 741 132,22	12 368 922,66	21 785 171,80
Real estate shares in group companies	109 047 821,11	133 517 603,82	167 369 708,67	97 893 778,59	122 363 561,30	151 114 816,41
Real estate shares in participating interests	71 927,75	71 927,75	71 984,43	967 626,54	967 626,54	888 288,83
Other real estate shares	54 733 367,16	9 174 789,11	14 166 211,03	55 318 205,47	46 389 673,59	53 971 811,34
Loans to group companies	155 707 380,91	155 707 380,91	155 707 380,91	136 486 311,89	136 486 311,89	136 486 311,89
	<u>327 201 036,86</u>	<u>310 740 031,96</u>	<u>357 000 456,84</u>	<u>298 407 054,71</u>	<u>318 576 095,98</u>	<u>364 246 400,27</u>
Investments in group companies						
Shares and holdings	40 284 572,28	40 284 572,28	40 607 841,35	24 018,80	24 018,80	24 018,80
Loans	73 973 000,01	73 973 000,01	73 973 000,01	0,00	0,00	0,00
	<u>114 257 572,29</u>	<u>114 257 572,29</u>	<u>114 580 841,36</u>	<u>24 018,80</u>	<u>24 018,80</u>	<u>24 018,80</u>
Investments in participating interests						
Shares and holdings	35 165 699,18	35 165 699,18	45 572 165,10	19 326 691,58	19 326 691,58	19 326 691,58
Debt securities and loans	4 000 000,00	4 000 000,00	4 000 000,00	2 407 493,34	2 407 493,34	2 407 493,34
	<u>39 165 699,18</u>	<u>39 165 699,18</u>	<u>49 572 165,10</u>	<u>21 734 184,92</u>	<u>21 734 184,92</u>	<u>21 734 184,92</u>
Other investments						
Shares and holdings	878 451 972,29	878 451 972,29	1 028 328 347,41	888 949 835,41	888 949 835,41	1 042 490 054,29
Debt securities	958 752 898,24	958 752 898,24	989 016 732,95	979 480 719,74	979 480 719,74	1 006 899 257,41
Loans guaranteed by mortgages	174 044 238,03	174 044 238,03	174 044 238,02	192 777 970,59	192 777 970,59	192 777 970,63
Other loans receivable	142 109 989,71	142 109 989,71	142 109 989,73	132 407 283,03	132 407 283,03	132 576 945,06
Deposits	11 565 073,75	11 565 073,75	11 565 073,75	7 500 000,00	7 500 000,00	7 500 000,00
	<u>2 164 924 172,02</u>	<u>2 164 924 172,02</u>	<u>2 345 064 381,86</u>	<u>2 201 115 808,77</u>	<u>2 201 115 808,77</u>	<u>2 382 244 227,39</u>
	<u>2 645 548 480,35</u>	<u>2 629 087 475,45</u>	<u>2 866 217 845,16</u>	<u>2 521 281 067,20</u>	<u>2 541 450 108,47</u>	<u>2 768 248 831,38</u>
The remaining acquisition cost of debt securities includes:						
Difference between the nominal value and acquisition cost released (+) or charged (-) to interest income	-6 024 365,40	-6 024 365,40		-6 761 115,94	-6 761 115,94	
Book value comprises						
Revaluations released to income	24 574 946,54			24 574 946,54		
Other revaluations	4 711 971,80	29 286 918,34		4 915 809,35	29 490 755,89	
Difference in valuation (difference between current value and book value)			<u>237 130 369,71</u>			<u>226 798 722,91</u>

5.2. Current value of non-hedging derivatives and difference in valuation

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	0,00	0,00	0,00	582 041,56	582 041,56	582 041,56
Other creditors						
Assets received as security for derivatives	0,00	0,00	0,00	-1 050 000,00	-1 050 000,00	-1 050 000,00
Other deferred income and credits						
Futures and forward contracts	-543 043,07	-543 043,07	-428 138,99	-298 262,46	-298 262,46	818 895,72
	<u>-543 043,07</u>	<u>-543 043,07</u>	<u>-428 138,99</u>	<u>-766 220,90</u>	<u>-766 220,90</u>	<u>350 937,28</u>
Difference in valuation (difference between current value and book value)			<u>114 904,08</u>			<u>1 117 158,18</u>

6. Real-estate investments

Changes in real estate investments:	2016	2016
	Real estate and shares in real estate	Loans to group companies
Acquisition cost on 1 Jan.	187 695 947,52	136 486 311,89
Increase	8 006 771,46	34 827 000,00
Decrease	-41 391 017,21	-55 224 378,46
Transfers between items	108 109,68	39 618 447,48
Acquisition cost on 31 Dec.	154 419 811,45	155 707 380,91
Accumulated depreciation on 1 Jan.	-10 815 343,44	
Depreciation for the financial year	-433 805,54	
Accumulated depreciation on 31 Dec.	-11 249 148,98	
Value adjustments on 1 Jan.	-25 540 362,99	
Value adjustments for the financial year	-1 150 000,00	
Value readjustments	943 000,00	
	-18 887 554,42	
Revaluations on 1 Jan.	30 749 543,00	
Revaluations on 31 Dec.	30 749 543,00	
Book value on 31 Dec.	155 032 651,05	155 707 380,91

Real estate and shares in real estate occupied for own activities

	2016
Remaining acquisition cost	2 680 542,87
Book value	2 665 920,59
Current value	4 112 888,35

7. Investments in Group companies and participating interests

	2016	2015
Shares and holdings in group companies		
Acquisition cost on 1 Jan.	24 018,80	40 837,60
Increase	8 272 597,90	0,00
Decrease	-3 410 375,65	-16 818,80
Transfers between items	35 398 331,23	0,00
Acquisition cost on 31 Dec.	40 284 572,28	24 018,80
Book value on 31 Dec.	40 284 572,28	24 018,80
Debt securities and loans in participating interests		
Acquisition cost on 1 Jan.	0,00	0,00
Increase	17 270 760,00	0,00
Decrease	-55 253,33	0,00
Transfers between items	56 757 493,34	0,00
Acquisition cost on 31 Dec.	73 973 000,01	0,00
	73 973 000,01	0,00
Shares and holdings in participating interests		
Acquisition cost on 1 Jan.	29 861 507,67	29 840 207,67
Increase	0,00	48 800,00
Decrease	-3 201,96	-27 500,00
Transfers between items	15 957 709,56	0,00
Acquisition cost on 31 Dec.	45 816 015,27	29 861 507,67
Value adjustments on 1 Jan.	-10 534 816,09	-10 827 096,56
Value adjustments	-115 500,00	0,00
Value readjustments	0,00	292 280,47
Value adjustments on 31 Dec.	-10 650 316,09	-10 534 816,09
Book value on 31 Dec.	35 165 699,18	19 326 691,58
Debt securities and loans in participating interests		
Acquisition cost on 1 Jan.	2 407 493,34	4 400 000,00
Increase	2 000 000,00	2 000 000,00
Decrease	0,00	-4 455 253,33
Transfers between items	-407 493,34	462 746,67
Acquisition cost on 31 Dec.	4 000 000,00	2 407 493,34
Book value on 31 Dec.	4 000 000,00	2 407 493,34
	153 423 271,47	21 758 203,72

7.1. Investments in companies included in LocalTapiola Group's consolidated financial statements

Shares and holdings, fixed assets

	Domicile	Share of stocks %	Equity	Profit/loss for the financial year
Keskinäinen Vakuutusyhtiö Turva	Tampere	3,60	35 463 119,93	2 485 489,98
LähiTapiola Kiinteistövarainhoito Oy	Espoo	50,00	9 182 750,20	2 534 406,05
LähiTapiola Palvelut Oy	Espoo	15,60	18 009 833,34	844 406,06
LähiTapiola Varainhoito Oy	Espoo	19,40	22 382 004,23	4 279 075,80
Tieto-Tapiola Oy	Espoo	33,33	3 006 494,08	1 263 287,92
Vakuutusneuvonta Aura Oy	Espoo	33,33	10 729,40	0,00
Vakuutusneuvonta Pohja Oy	Espoo	33,33	10 672,17	0,00
Total			88 065 603,35	11 406 665,81

Shares and holdings, investment assets

	Domicile	Share of stocks %	Equity	Profit/loss for the financial year
LähiTapiola Pääomasijoitus I Ky	Espoo	43,10	54 401 226,75	-265 857,25
LähiTapiola KR PK2 Ky	Espoo	10,00	21 109 491,63	-235 041,45
LähiTapiola Tontit I Ky	Espoo	22,51	43 120 555,38	1 904 541,10
LähiTapiola Pääomasijoitus GP Oy	Espoo	43,10	817,96	-47,33
LähiTapiola Tontit GP I Oy	Espoo	22,60	102 443,59	3 205,25
Total			118 734 535,31	1 406 800,32

In addition, 25 (28 in 2015) housing associations and real estate companies are integrated into the consolidated financial statements of LocalTapiola Life.

7.2. Investments in participating interests, fixed assets

Shares and holdings

	Domicile	Share of stocks %	Equity	Profit/loss for the financial year
Pihlajalinna Oyj	Helsinki	7,85	99 699 999,99	7 599 999,99
S-Pankki Oy	Helsinki	3,50	401 315 202,34	17 282 743,39
Total			501 015 202,33	24 882 743,38

7.2. Investments in participating interests, investment assets

Shares and holdings

	Domicile	Share of stocks %	Equity	Profit/loss for the financial year
Seligson & Co Oyj	Helsinki	11,20	10 205 280,34	1 480 002,97
Total			10 205 280,34	1 480 002,97

LähiTapiola Keskinäisen Henkivakuutusyhtiön konserniin kuuluu lisäksi osakkuusyhtiönä 3 (2015 3) kiinteistöyhtiötä.
In addition, 3 (3 in 2015) housing associations are integrated into the consolidated financial statements of LocalTapiola Life as participating interests.

7.3. Other investments

Security	Share of stocks %	Number	Book value	Current value	Home country
Finnish companies, listed					
Amer- Sports Oyj	0,18	209 164,00	1 507 571,43	5 287 665,92	Finland
Huhtamäki Oyj	0,14	155 000,00	5 468 400,00	5 468 400,00	Finland
Kone Oyj B	0,04	185 000,00	3 387 657,32	7 875 450,00	Finland
Nokia Oyj	0,02	1 113 000,00	5 106 444,00	5 106 444,00	Finland
Stockmann Oyj B	0,20	144 003,00	1 016 661,18	1 016 661,18	Finland
Stora Enso R	0,11	695 000,00	5 548 052,40	7 095 950,00	Finland
Vaisala Oyj A	0,80	145 891,00	3 957 694,14	4 916 526,70	Finland
Others		507 191,00	205 043,27	205 043,27	
Total		3 154 249,00	26 197 523,74	36 972 141,07	
Finnish companies, non-listed					
Diacor terveystalvet Oy	3,75	844,00	3 362 960,00	3 362 960,00	Finland
Visedo Oy C	3,90	145 953,00	999 996,98	999 996,98	Finland
Others		18 069 690,59	410 858,17	473 827,29	
Total		18 216 487,59	4 773 815,15	4 836 784,27	
Foreign companies, listed					
ABB Ltd	0,01	223 000,00	3 489 182,48	4 460 415,31	Switzerland
AbbVie Inc	0,01	123 000,00	6 581 409,43	7 306 953,80	United States (USA)
Adecco SA	0,07	113 200,00	7 025 588,97	7 025 588,97	Switzerland
Allstate Corp/The	0,03	93 000,00	5 685 334,33	6 539 379,57	United States (USA)
Amazon.com Inc	0,00	8 000,00	5 691 072,95	5 691 072,95	United States (USA)
AstraZeneca PLC	0,01	115 000,00	5 960 341,28	5 960 341,28	Great Britain
Automatic Data Processing Inc	0,02	72 000,00	5 799 908,01	7 020 358,60	United States (USA)
Axa Sa	0,01	298 000,00	5 902 378,24	7 147 530,00	France
BASF SE	0,01	57 000,00	3 860 870,81	5 033 670,00	Germany
Bayer AG	0,01	56 000,00	4 118 429,20	5 551 280,00	Germany
BorgWarner Inc	0,06	129 000,00	4 248 268,99	4 826 638,84	United States (USA)
Bunzl PLC	0,06	200 000,00	4 926 534,14	4 926 534,14	Great Britain
Carl Zeiss Meditec AG	0,19	155 759,00	2 946 298,11	5 451 565,00	Germany
Cellnex Telecom SAU	0,11	260 000,00	3 552 900,00	3 552 900,00	Spain
Cognizant Technology Solutions Corp	0,02	117 000,00	6 171 034,71	6 219 058,91	United States (USA)
Compass Group PLC	0,02	345 000,00	5 218 984,41	6 048 319,28	Great Britain
Continental Ag	0,01	30 000,00	5 511 000,00	5 511 000,00	Germany
Danske Bank A/S	0,03	274 000,00	6 917 887,42	7 894 490,48	Denmark
Deutsche Telekom AG	0,01	386 000,00	6 170 489,40	6 313 030,00	Germany
East West Bancorp Inc	0,12	167 000,00	5 460 323,20	8 052 945,64	United States (USA)
F5 Networks Inc	0,07	46 000,00	4 652 496,01	6 315 453,94	United States (USA)
Gemalto NV	0,08	71 400,00	3 921 288,00	3 921 288,00	France
Heineken Nv	0,02	107 000,00	7 177 930,74	7 624 820,00	Netherlands
Henkel KgaA -Vorzug	0,04	70 000,00	7 134 777,10	7 927 500,00	Germany
Hennes & Mauritz Ab B	0,01	197 000,00	4 136 229,13	5 225 836,17	Sweden
Honeywell International Inc	0,01	60 000,00	5 365 548,01	6 594 251,02	United States (USA)
ING Groep NV	0,02	582 000,00	6 926 473,91	7 781 340,00	Netherlands
Innogy SE	0,02	100 000,00	3 301 000,00	3 301 000,00	Germany

Kroger Co/The	0,02	198 000,00	5 999 473,48	6 482 288,21	United States (USA)
Lloyds Tsb Group Plc	0,01	8 276 000,00	6 042 336,42	6 042 336,42	Great Britain
Medtronic Inc	0,01	93 300,00	4 872 481,67	6 304 676,03	Ireland
National Grid PLC	0,02	566 000,00	4 928 383,23	6 290 798,66	Great Britain
Novartis Ag	0,00	97 000,00	6 693 081,29	6 693 081,29	Switzerland
PepsiCo Inc	0,01	88 000,00	5 223 658,74	8 734 882,84	United States (USA)
SGS SA	0,04	3 330,00	5 966 622,34	6 424 955,77	Switzerland
Schlumberger Ltd	0,00	64 000,00	4 502 564,90	5 097 049,62	Curaçao
Snap-on Inc	0,08	45 000,00	6 320 875,98	7 311 592,83	United States (USA)
TeliaSonera Ab	0,02	1 062 000,00	4 071 708,00	4 071 708,00	Sweden
Total Sa	0,01	156 000,00	7 033 477,95	7 600 320,00	France
Unilever Nv -CVA	0,01	166 000,00	5 922 436,41	6 493 090,00	Netherlands
United Technologies Corp	0,01	63 500,00	4 054 932,31	6 603 614,46	United States (USA)
Visa Inc	0,00	80 000,00	5 921 259,84	5 921 259,84	United States (USA)
Vodafone Group Plc	0,01	2 175 000,00	5 076 896,80	5 076 896,80	Great Britain
WPP PLC	0,02	271 000,00	3 201 462,47	5 748 043,64	Great Britain
Others		10,00	491 754,24	2 315 918,79	
Total		17 859 499,00	234 177 385,05	272 437 075,10	

Foreign companies, non-listed

Others		3 083,00	246 923,08	361 999,53	
Total		3 083,00	246 923,08	361 999,53	

Mutual funds

BNP Paribas Global Senior Corporate Loans			14 302 469,46	14 302 469,46	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			4 873 311,83	6 861 893,13	Finland
LähiTapiola High Yield A			52 813 865,98	80 596 027,20	Finland
LähiTapiola Hyvinvointi A			2 948 862,00	8 092 295,32	Finland
LähiTapiola Infra A			4 840 728,34	6 632 938,94	Finland
LähiTapiola Japani A			7 916 995,82	8 840 518,00	Finland
LähiTapiola Kasvu A			3 791 259,76	6 213 583,96	Finland
LähiTapiola Kehittyvät Korkomarkkinat A			56 000 000,00	59 230 545,74	Finland
LähiTapiola Kehittyvät Markkinat A			6 831 289,38	9 854 472,32	Finland
LähiTapiola Kuluttaja A			2 405 461,68	5 948 394,83	Finland
LähiTapiola Osinko A			4 446 350,74	6 760 727,72	Finland
LähiTapiola Pohjoinen Yrityskorko A			25 335 010,63	28 840 225,48	Finland
LähiTapiola Suoja A			5 002 636,36	5 581 060,76	Finland
LähiTapiola USA A			2 587 106,29	5 607 844,01	Finland
LähiTapiola Yrityskorko A			21 099 401,42	28 586 810,85	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			18 000 000,00	18 844 157,87	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
Total			263 097 725,42	331 862 699,04	

Capital mutual funds

Tapiola KR III Ky	37 228 842,70	37 228 842,70	Finland
Tapiola KR I Ky	19 968 057,13	19 968 057,13	Finland
LähiTapiola Asuntorahasto Prime Ky	15 675 878,92	16 347 867,79	Finland
ICG Europe Fund V	13 714 825,24	15 572 707,74	Jersey
Dasos Timberland Fund II	12 969 695,44	13 103 545,22	Luxembourg
ICG-Longbow UK Real Estate Debt Investments III S.á.r.l.	12 776 952,40	12 776 952,40	Luxembourg
LähiTapiola Asuntosijoitus Suomi Ky	12 128 168,08	12 903 247,59	Finland
Crescent Mezzanine Partners VI, L.P.	11 883 501,96	15 277 639,69	United States (USA)
KSK Redi Ky	10 800 000,00	10 800 000,00	Finland
TPG Partners VI, LP	10 181 479,30	13 615 696,80	United States (USA)
MezzVest III, L.P.	9 900 812,43	10 202 131,06	Jersey
Apax VIII - A L.P.	9 147 376,66	11 472 553,33	Guernsey
M&G Real Estate Debt Fund II, L.P.	9 120 769,17	9 120 769,17	Guernsey
ICG Senior Debt Partners Fund	7 890 396,16	7 890 396,16	Luxembourg
KSK Parking I Ky	7 200 000,00	7 200 000,00	Finland
ICG Senior Debt Partners Fund 2	7 041 653,78	7 088 552,84	Luxembourg
AXA LBO Fund V Core	6 988 190,71	8 866 306,00	France
Lindsay Goldberg III L.P.	6 564 726,65	8 098 819,85	United States (USA)
FPCI Indigo Capital	6 091 273,25	6 190 031,43	France
Tikehau Direct Lending III	5 907 764,20	5 919 871,22	Luxembourg
Beechbrook Mezzanine II L.P.	5 805 952,36	5 805 952,36	Great Britain
TuuliTapiola Ky	5 546 554,60	5 546 554,60	Finland
The Triton Fund III L.P.	5 365 224,00	5 586 002,67	Jersey
MB Equity Fund IV Ky	5 022 651,30	7 007 272,00	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)
NB Private Debt Fund II LP	4 385 841,00	4 385 841,00	United States (USA)
Nexit INFOCOM II L.P.	4 238 494,51	4 238 494,51	Guernsey
Altor Fund III	4 149 769,86	4 149 769,86	Jersey
Nordic Mezzanine Fund III Limited Partnership	3 862 147,41	4 242 125,82	Great Britain
Bridgepoint Europe IV F L.P.	3 634 232,21	4 123 819,90	Great Britain
Aberdeen Property Funds SICAV Pan-Nordic	3 354 642,28	3 354 642,28	Luxembourg
Real Estate Debt & Secondaries Ky	3 348 910,95	3 571 334,83	Finland
Apax Europe VII - B, L.P.	3 312 497,27	3 312 497,27	Great Britain
TPG Partners VII, L.P.	2 901 750,79	3 025 483,35	United States (USA)
Top Tier Venture Capital IV, L.P.	2 865 551,90	5 394 974,36	United States (USA)
Bridgepoint Europe V A L.P.	2 813 102,80	2 829 851,00	Great Britain
Bowmark Capital Partners IV, L.P.	2 772 853,24	3 969 680,44	Great Britain
PBW II Real Estate Fund S.A.	2 622 000,00	2 622 000,00	Luxembourg
Top Tier Venture Capital III, L.P.	2 561 129,90	2 561 129,90	United States (USA)
VSS Structured Capital Parallel III, L.P.	2 471 832,84	2 471 832,84	United States (USA)
MezzVest Co-Invest III, L.P.	2 458 221,30	2 550 706,00	Jersey
Bowmark Capital Partners V, L.P.	2 409 534,21	2 409 534,21	Great Britain
Capvis Equity III L.P.	2 165 700,00	2 165 700,00	Jersey
Armada Mezzanine IV Ky	2 162 753,93	2 213 747,97	Finland
Altor Fund IV (No.2) AB	2 144 089,49	2 144 089,49	Sweden
Beechbrook UK SME Credit I L.P.	2 121 288,08	2 121 288,08	Great Britain
Bridgepoint Europe III, L.P.	2 105 848,00	2 105 848,00	Great Britain
AXA LBO Fund V Supplementary	1 882 450,00	1 882 450,00	France
Capvis Equity IV LP	1 667 838,89	1 667 838,89	Jersey
NB Private Equity Credit Opportunities Fund LP	1 598 812,47	1 795 057,39	United States (USA)
Juuri Rahasto I Ky	1 576 846,77	1 576 846,77	Finland
Industri Kapital 2007 Limited Partnership III	1 317 211,17	1 317 211,17	Jersey
Beechbrook Private Debt III L.P.	1 240 501,21	1 240 501,21	Great Britain
The Fourth Cinven Fund (No. 4) Limited Partnership	1 151 922,00	1 151 922,00	Great Britain
European Added Value Fund, L.P.	989 309,01	989 309,01	Great Britain
Indigo Capital V L.P.	966 362,48	966 362,48	Great Britain
Partners Group U.S. Venture 2004, L.P.	876 530,82	1 155 365,01	United States (USA)
NegaWatt Energiatehokkuusrahasto 2 Ky	868 864,30	868 864,30	Finland
FSN Capital V L.P.	651 366,55	651 366,55	Jersey
Aberdeen European Shopping Property Fund SICAV	644 209,74	644 209,74	Luxembourg
Gresham 4A	609 684,88	609 684,88	Great Britain
eQ PE VIII North LP	575 086,00	575 086,00	Finland
Others	3 976 712,73	11 629 459,76	
Total	349 958 599,81	381 857 648,40	

Total other investments, shares and holdings

39 233 318,59

878 451 972,25 1 028 328 347,41

7.4. Assets held to cover unit-linked insurance policies

Security	Home country	Current value	Book value
Mutual funds			
BSF Multi-Manager Alt. Strat. Fund I2 EUR Hedged	Luxembourg	7 773 541,55	7 773 541,55
DB X-Trackers Euro Stoxx 50 ETF DR	Germany	4 952 061,61	4 952 061,61
EAI Residential asuntorahasto 2015	Finland	1 146 960,00	1 146 960,00
eQ Euro Investment Grade 1 K	Finland	1 210 847,80	1 210 847,80
eQ Eurooppa Osinko 1 K	Finland	504 815,14	504 815,14
eQ High Yield 1 K	Finland	1 014 368,00	1 014 368,00
eQ Hoivakiinteistöt 1 T	Finland	13 578 406,98	13 578 406,98
eQ Kehittyvä Aasia 1 K	Finland	728 464,30	728 464,30
eQ Kehittyvät Markkinat Osinko 1 K	Finland	2 015 798,43	2 015 798,43
eQ Liikekiinteistöt 1 T	Finland	12 687 074,90	12 687 074,90
eQ Mandaatti 2 K	Finland	529 263,84	529 263,84
eQ Rahamarkkina 1 K	Finland	519 904,29	519 904,29
eQ USA Indeks 1 K	Finland	1 159 114,00	1 159 114,00
Evli Emerging Frontier B	Finland	5 657 618,42	5 657 618,42
Evli Eurooppa B	Finland	14 894 956,78	14 894 956,78
Evli GEM B	Finland	6 671 869,66	6 671 869,66
Evli High Yield Yrityslaina B	Finland	31 123 342,26	31 123 342,26
Evli Investment Grade Yrityslaina B	Finland	1 904 577,04	1 904 577,04
Evli Kehittyvät Markkinat Yrityslaina B	Finland	12 627 257,84	12 627 257,84
Evli Likvidi B	Finland	4 581 805,81	4 581 805,81
Evli Lyhyt Yrityslaina B	Finland	44 342 435,69	44 342 435,69
Evli Maailma B	Finland	782 084,77	782 084,77
Evli Osakefaktori Eurooppa B	Finland	7 828 068,98	7 828 068,98
Evli Osakefaktori USA B	Finland	8 321 037,41	8 321 037,41
Evli Pohjois-Amerikka B	Finland	1 150 146,65	1 150 146,65
Evli Pohjoismaat B	Finland	3 181 357,20	3 181 357,20
Evli Ruotsi Pienyhtiöt B	Finland	3 716 632,27	3 716 632,27
Evli Suomi Pienyhtiöt B	Finland	6 481 551,65	6 481 551,65
Evli Taktinen Alfa-Korko B	Finland	3 265 324,92	3 265 324,92
Evli Varainhoito 40 B	Finland	675 323,92	675 323,92
Evli Varainhoito 75 B	Finland	1 987 687,83	1 987 687,83
Hyesrättsfonden 3 BTA PR 140826	Sweden	2 129 147,40	2 129 147,40
Invesco Pan European Structured Equity Acc EUR	Luxembourg	5 359 666,78	5 359 666,78
iShares \$ HY Corporate Bond	Luxembourg	642 227,50	642 227,50
iShares \$ Short Duration HY Corporate Bond UCITS	United States (USA)	541 755,15	541 755,15
iShares Core S&P 500 UCITS ETF	Germany	14 297 022,06	14 297 022,06
JPM Emerging Markets Small Cap Acc EUR	Luxembourg	5 805 142,22	5 805 142,22
Kiinteistösijoituskori	Finland	16 444 890,98	16 444 890,98
Korkovarainhoitosalkku	Finland	5 461 761,04	5 461 761,04
LähiTapiola 2020 A	Finland	84 527 139,78	84 527 139,78
LähiTapiola 2025 A	Finland	146 069 628,52	146 069 628,52
LähiTapiola 2035 A	Finland	64 486 015,65	64 486 015,65
LähiTapiola 2045 A	Finland	15 578 155,51	15 578 155,51
LähiTapiola Aasia-Tyynimeri A	Finland	10 364 924,27	10 364 924,27
LähiTapiola Asuntosij. Suomi	Finland	5 980 011,12	5 980 011,12
LähiTapiola Asuntosijoitus	Finland	15 493 576,49	15 493 576,49
LähiTapiola Asuntosijoitus Prime	Finland	30 459 932,16	30 459 932,16
LähiTapiola Eurooppa A	Finland	25 680 408,57	25 680 408,57
LähiTapiola High Yield A	Finland	9 132 600,41	9 132 600,41
LähiTapiola Hyvinvointi A	Finland	27 020 149,83	27 020 149,83
LähiTapiola Indeksivarainh. 25	Finland	5 249 200,04	5 249 200,04
LähiTapiola Indeksivarainh. 50	Finland	6 070 976,11	6 070 976,11
LähiTapiola Infra A	Finland	5 216 399,59	5 216 399,59

LähiTapiola Japani A	Finland	2 161 224,45	2 161 224,45
LähiTapiola Kassakorko A	Finland	2 961 106,15	2 961 106,15
LähiTapiola Kasvu A	Finland	11 334 315,08	11 334 315,08
LähiTapiola Kehittyvät Korkomarkkinat A	Finland	5 224 094,18	5 224 094,18
LähiTapiola Kehittyvät Markkinat A	Finland	31 994 368,60	31 994 368,60
LähiTapiola Korko 100 A	Finland	1 385 536,98	1 385 536,98
LähiTapiola Korkomaailma A	Finland	39 693 195,52	39 693 195,52
LähiTapiola Kuluttaja A	Finland	22 958 556,93	22 958 556,93
LähiTapiola Lyhytkorko A	Finland	8 606 379,18	8 606 379,18
LähiTapiola Maailma 20 A	Finland	23 665 729,92	23 665 729,92
LähiTapiola Maailma 50 A	Finland	60 318 052,42	60 318 052,42
LähiTapiola Maailma 80 A	Finland	69 205 343,43	69 205 343,43
LähiTapiola Metsäsijoitus	Finland	3 288 083,36	3 288 083,36
LähiTapiola Momentum	Finland	10 589 037,07	10 589 037,07
LähiTapiola Osinko A	Finland	1 137 234,18	1 137 234,18
LähiTapiola Osinko Suomi A	Finland	14 333 336,28	14 333 336,28
LähiTapiola Pitkäkorko A	Finland	12 232 010,39	12 232 010,39
LähiTapiola Pohjoinen Yrityskorko A	Finland	3 678 259,36	3 678 259,36
LähiTapiola Skandinavia A	Finland	1 076 850,46	1 076 850,46
LähiTapiola Suoja A	Finland	1 501 521,95	1 501 521,95
LähiTapiola Tapiolan Keskus	Finland	2 081 710,88	2 081 710,88
LähiTapiola Toimitila	Finland	651 632,04	651 632,04
LähiTapiola USA A	Finland	10 923 944,79	10 923 944,79
LähiTapiola Viisas	Finland	20 471 446,61	20 471 446,61
LähiTapiola Vrh Nordic Plus	Finland	18 303 584,70	18 303 584,70
LähiTapiola Yrityskorko A	Finland	6 872 839,42	6 872 839,42
Osakevarainhoitosalkku	Finland	1 106 631,38	1 106 631,38
PYN Elite A - EUR	Finland	871 560,72	871 560,72
PYN ELITE ERIK.SIJ.RAHASTO	Finland	614 874,96	614 874,96
Seligson Aasia A	Finland	3 360 295,02	3 360 295,02
Seligson Euro-obligaatio	Finland	1 045 401,35	1 045 401,35
Seligson Eurooppa -indeksirahasto A	Finland	6 316 189,92	6 316 189,92
Seligson Glb Top 25 Brands -A	Finland	14 498 633,26	14 498 633,26
Seligson Global Top 25 Pharmaceuticals A	Finland	12 843 956,05	12 843 956,05
Seligson Phoebus - A	Finland	1 646 609,77	1 646 609,77
Seligson Phoenix A	Finland	1 026 908,97	1 026 908,97
Seligson Pohjois-Amerikka -indeksirahasto A	Finland	2 048 818,89	2 048 818,89
Seligson Rahamarkkina AAA	Finland	1 891 943,60	1 891 943,60
Seligson Russian Pros Euro A	Finland	9 759 213,45	9 759 213,45
Seligson Suomi-indeksirahasto	Finland	9 894 366,61	9 894 366,61
Slättö IV AB	Sweden	3 131 099,12	3 131 099,12
SPDR Gold Shares	United States (USA)	577 217,64	577 217,64
S-Sijoituskori Kohtuullinen	Finland	5 339 577,10	5 339 577,10
S-Sijoituskori Rohkea	Finland	566 738,55	566 738,55
S-Sijoituskori Varovainen	Finland	7 508 976,11	7 508 976,11
Suojavarainhoito 10	Finland	7 556 942,26	7 556 942,26
Suojavarainhoito 15	Finland	2 930 593,84	2 930 593,84
Suojavarainhoito 20	Finland	1 032 114,90	1 032 114,90
Suojavarainhoito 25	Finland	1 105 384,06	1 105 384,06
Suojavarainhoito 5	Finland	1 512 454,13	1 512 454,13
Suomi Plus -varainhoito	Finland	37 403 384,00	37 403 384,00
TOP-indeksivarainhoito 25	Finland	1 216 644,00	1 216 644,00
TOP-indeksivarainhoito 50	Finland	1 223 040,00	1 223 040,00
Varainhoito 100	Finland	24 561 185,02	24 561 185,02
Varainhoito 25	Finland	2 804 988,75	2 804 988,75
Varainhoito 50	Finland	8 740 627,08	8 740 627,08
Varainhoito 75	Finland	5 394 906,57	5 394 906,57

Varainhoitosalkku 10	Finland	64 876 345,02	64 876 345,02
Varainhoitosalkku 30	Finland	161 420 296,51	161 420 296,51
Varainhoitosalkku 50	Finland	83 895 609,74	83 895 609,74
Varainhoitosalkku 70	Finland	22 085 917,99	22 085 917,99
Varainhoitosalkku 90	Finland	2 277 081,08	2 277 081,08
Vauras 100	Finland	1 135 103,53	1 135 103,53
Vauras 25	Finland	73 531 252,36	73 531 252,36
Vauras 50	Finland	35 422 523,29	35 422 523,29
Vauras 75	Finland	5 617 419,91	5 617 419,91
Yksilöllinen varainhoito 30	Finland	19 956 901,93	19 956 901,93
Yksilöllinen varainhoito 50	Finland	2 026 360,00	2 026 360,00
Yrityslaina Plus	Finland	912 029,78	912 029,78
Ålandsbanken Asuntorahasto C	Finland	3 144 260,49	3 144 260,49
Ålandsbanken Cash Manager B	Finland	847 340,75	847 340,75
ÅLANDSBANKEN EURO BOND-B	Finland	875 811,54	875 811,54
Ålandsbanken Euro High Yield B	Finland	573 110,79	573 110,79
Ålandsbanken Europe Value B	Finland	554 966,52	554 966,52
Others		18 583 268,88	18 583 268,88
Total		1 772 940 702,64	1 772 940 702,64

Other investments

Aspo Oyj	Finland	785 280,00	785 280,00
Fortum Oyj	Finland	1 054 736,87	1 054 736,87
Kesko B	Finland	557 177,80	557 177,80
Kone B	Finland	627 226,38	627 226,38
Neste Oil Oyj	Finland	504 393,50	504 393,50
Nokia Oyj	Finland	2 179 676,80	2 179 676,80
Nordea	Finland	2 240 846,10	2 240 846,10
Outokumpu OYJ	Finland	502 441,39	502 441,39
Outotec Oyj	Finland	572 183,04	572 183,04
PRIVANET GROUP OYJ	Finland	1 016 636,00	1 016 636,00
Sampo Oyj A	Finland	1 240 135,62	1 240 135,62
Statoil ASA	Norway	541 101,14	541 101,14
Stora Enso Oyj R	Finland	644 383,73	644 383,73
TELIA COMPANY AB	Finland	823 128,07	823 128,07
UPM-Kymmene OYJ	Finland	710 773,02	710 773,02
Others		15 847 046,04	15 847 046,04
Total		29 847 165,50	29 847 165,50

Total	1 802 787 868,13	1 802 787 868,13
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8.1. Other loans, itemised by type of security

	2016	2015
Insurance policy	353 149,72	436 096,13
Other security	89 324 729,37	53 661 977,73
Remaining acquisition cost	89 677 879,09	54 098 073,86
Unsecured, total remaining acquisition cost	52 432 110,62	78 309 209,17
Total	142 109 989,71	132 407 283,03

9. Changes in tangible and intangible assets

	2016	2016	2016
	Intangible rights and other expenses with long-term effects	Machinery and equipment	Total
Acquisition cost on 1 Jan.	31 232 851,65	3 231 473,46	34 464 325,11
Items written off the previous year	0,00	0,00	0,00
Increase	3 939 807,22	57 827,78	3 997 635,00
Decrease	0,00	-22 350,00	-22 350,00
Acquisition cost on 31 Dec.	35 064 549,19	3 266 951,24	38 331 500,43
Accumulated depreciation on 1 Jan.	-14 584 641,91	-2 785 368,65	-17 370 010,56
Items written off the previous year	0,00	0,00	0,00
Depreciation for the financial year	-5 371 450,14	-120 395,65	-5 491 845,79
Accumulated depreciation on 31 Dec.	-19 956 092,05	-2 905 764,30	-22 861 856,35
Book value on 31 Dec.	15 108 457,14	361 186,94	15 469 644,08

10. Assets held to cover unit-linked insurance policies

	2016	2016	2015	2015
	Original acquisition cost	Current value (=book value)	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	1 277 407 268,78	1 624 700 728,94
Debt securities	12 695 454,18	12 849 424,89	14 448 730,93	14 474 901,68
Recovery from insurance premium mediators	134 007,89	134 007,89	856 053,76	856 053,76
Cash at bank and in hands	6 465 227,65	6 465 227,65	2 258 716,64	2 258 716,64
Accrued interest	150 852,40	150 852,40	111 257,44	111 257,44
Total	1 400 430 231,15	1 821 742 996,28	1 295 082 027,55	1 642 401 658,46
Investments acquired in advance	22 367 385,52	21 371 671,56	46 759 564,44	48 076 761,46
Investments corresponding to the technical provisions for unit linked insurance	1 378 062 845,63	1 800 371 324,72	1 248 322 463,11	1 594 324 897,00
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		3 114 770,40	

11.1. Changes in capital and reserves

	1.1.2016	Increase	Decrease	31.12.2016
Initial reserve	4 482 208,24	0,00	0,00	4 482 208,24
Guarantee capital	37 585 505,12	0,00	0,00	37 585 505,12
Security reserve	194 562 328,15	65 098 403,74	0,00	259 660 731,89
Contingency reserve	1 172 446,83	0,00	-80 000,00	1 092 446,83
Profit for the financial year ^{*)}	67 165 606,74	59 954 650,40	-67 165 606,74	59 954 650,40
Total changes in capital and reserves	304 968 095,08	125 053 054,14	-67 245 606,74	362 775 542,48

^{*)} Includes the paid guarantee capital interest EUR 2 067 203.00.

11.2. Account of distributable profits

31.12.2016

Profit for financial year	59 954 650,40
+ Other unrestricted capital and reserves	
Security reserve	259 660 731,89
Contingency reserve	1 092 446,83
Total distributable profits	<u>320 707 829,12</u>

12. Accumulated appropriations

Depreciation difference	2016	2015
Depreciation difference on 1 Jan.	1 068 259,58	1 195 325,95
Increases	0,00	0,00
Decreases	-126 989,46	-127 066,37
Depreciation difference on 31 Dec.	<u>941 270,12</u>	<u>1 068 259,58</u>

13. Other obligatory provisions

	2016	2015
Provision for unemployment security deductible	184 252,33	184 252,33
	<u>184 252,33</u>	<u>184 252,33</u>

Deferred tax liabilities	2016	2015
Tax liability calculated on the basis of timing differences and other temporary differences between taxable profit and accounting profit	983 161,87	213 651,92
Tax debt calculated based on valuation gains/losses that is deemed likely to become payable during the next year.	10 000 000,00	13 383 161,87
	<u>10 983 161,87</u>	<u>13 596 813,79</u>

14. Receivables and liabilities

14.1. Itemisation of receivables

Receivables from group companies	2016	2015
Other receivables	0,00	885,00
	<u>0,00</u>	<u>885,00</u>
Receivables from partner companies		
Other receivables	0,00	897,24
	<u>0,00</u>	<u>897,24</u>

14.2. Itemisation of liabilities

Liabilities to group companies	2016	2015
Accounts payable	232 361,26	0,00
Other liabilities	1 024 348,19	155 952,34
	<u>1 256 709,45</u>	<u>155 952,34</u>
Liabilities to partner companies		
Other liabilities	42 844,50	65 908,02
	<u>42 844,50</u>	<u>65 908,02</u>

15. Notes concerning guarantees and contingent liabilities

15.1. Off-balance-sheet guarantees and contingent liabilities

Derivative contracts	2016	2015
Currency derivatives		
<i>Forward and futures contracts, open</i>		
Underlying instrument	-80 142 044,35	-57 044 601,84
Current value	-428 138,99	818 895,72
Rent liabilities		
Amount to be paid in the current financial year	3 680 539,92	3 157 309,32
Amount to be paid in the coming years	4 446 484,23	5 020 404,48
	<u>8 127 024,15</u>	<u>8 177 713,80</u>
Value-added tax liabilities		
<i>Joint liability relating to collective value-added tax registration</i>		
Group companies	441 049,72	-196 683,36
Participating interest	0,00	-509 383,14
Partner companies	3 767 866,44	2 982 726,41
	<u>4 208 916,16</u>	<u>2 276 659,91</u>
<i>Obligation to return value-added tax deductions pursuant to section 33 of Value-Added Tax Act</i>		
Company	1 031 066,53	1 062 611,60
Other companies of the group	0,00	53 322 373,84
	<u>1 031 066,53</u>	<u>54 384 985,44</u>
Other commitments		
Subscription commitments	308 244 150,25	341 311 557,03
Granted limit	41 650 636,36	63 669 709,78
	<u>349 894 786,61</u>	<u>404 981 266,81</u>

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

LocalTapiola Mutual Life 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 Life 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 Life'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 Mutual Life Insurance Company	
Subsidiaries	140 485 123,22
Associated undertakings and joint ventures	77 689 432,72
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>218 174 555,94</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 Mutual Life Insurance Company in favour of LocalTapiola Group companies are presented in Appendix 15. 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.

16.2. Subordinated loans

Creditor	Multiple
Loan capital	EUR 100,000,000

Principal loan terms	<p>The loan contract is valid until Nov 26, 2024. The loan can be repaid at the earliest on Nov 26, 2019 after which it is possible to repay the loan on any interest payment date (Nov 26) if the debtor fulfils the solvency requirements set in legislation.</p> <p>Until the date preceding the first repayment date, the annual interest rate of the loan is 3.625%. If the debtor does not repay the loan on the first repayment date, the interest rate is revised. After the first repayment date, the interest rate is determined on the basis of the interest rate for Euro 5-y Mid-Swap Rate plus a margin of 3.25%.</p> <p>The capital can be returned and interest can be paid only to the extent that, at the time of payment, the sum of the company's distributable capital and reserves and all of the subordinated loans exceeds the amount of losses reported on the balance sheet of the financial statements for the last complete financial year, or newer.</p> <p>If no interest can be paid, it will be postponed to be repaid at the earliest after the first such financial statements on the basis of which interest payment can be made. In addition, the company may not end up in a situation after the return of the capital where the company's eligible own funds are below the capital requirement set by the authorities.</p> <p>The terms of the subordinated loan agreement can only be changed with the approval of the Financial Supervisory Authority.</p> <p>The loan is unsecured.</p> <p>The subordinated loan is administered by Euroclear Finland Oy.</p>
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Other notes

Performance analysis

EUR 1 000

	2016	2015	Change	Change %
Premiums earned	419 620	421 457	-1 837	-0,4
Investment income and expenses as well as revaluations and adjustments thereof	233 599	264 070	-30 471	-11,5
Claims paid	-333 078	-299 017	-34 061	11,4
Change in technical provisions before change in customer benefits and equalisation provision	-207 257	-240 806	33 549	-13,9
Operating expenses	-47 832	-44 400	-3 431	7,7
Balance on technical account before change in customer benefits and equalisation provision	65 052	101 304	-36 252	-35,8
Other income and expenses	-1 635	-2 395	760	-31,8
Operating profit	63 418	98 909	-35 491	-35,9
Change in equalisation provision	10 274	-5 031	15 305	-304,2
Additional benefits (customer benefits)	-429	-10 198	9 770	-95,8
Profit before appropriations and taxes	73 263	83 680	-10 416	-12,4
Income taxes and other direct taxes	127	127	0	-0,1
Minority interests	-13 436	-16 641	3 206	-19,3
Total result	59 955	67 166	-7 211	-10,7
Operating profit	63 418	98 909	-35 491	-35,9
Change in the difference between current and book values *)	9 329	-47 193	56 523	-119,8
Total result	72 747	51 716	21 031	40,7

Investment allocation at current value 1.1. – 31.12.2016

	Basic breakdown				Risk breakdown ⁸⁾		
	31.12.2016		31.12.2015		31.12.2016		31.12.2015
	EUR million	%	milj.eur	%	EUR million	%	%
Fixed-income investments	1 709,0	58,1	1 616,5	56,8	1 709,0	58,1	56,8
Loan receivables ¹⁾	390,7	13,3	281,8	9,9	390,7	13,3	9,9
Bonds	1 235,2	42,0	1 232,8	43,3	1 235,2	42,0	43,3
Other money market instruments and deposits ^{1), 2)}	83,0	2,8	101,8	3,6	83,0	2,8	3,6
Equities and shares	686,2	23,3	622,6	21,9	686,2	23,3	21,9
Listed equities and shares ³⁾	409,7	13,9	378,7	13,3	409,7	13,9	13,3
Private equity investments ⁴⁾	249,5	8,5	218,6	7,7	249,5	8,5	7,7
Unlisted equities and shares ⁵⁾	27,0	0,9	25,4	0,9	27,0	0,9	0,9
Real estate investments	523,8	17,8	605,0	21,3	523,8	17,8	21,3
Direct real estate investments	357,0	12,1	409,2	14,4	357,0	12,1	14,4
Real estate funds and joint investments	166,8	5,7	195,8	6,9	166,8	5,7	6,9
Other investments	20,1	0,7	0,0	0,0	20,1	0,7	0,0
Hedge fund investments ⁶⁾	0,0	0,7	0,0	0,0	0,0	0,7	0,0
Commodity investments	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other investments ⁷⁾	20,1	0,0	0,0	0,0	20,1	0,0	0,0
Investments total	2 939,2	100,0	2 844,1	100,0	2 939,2	100,0	100,0
Effect of derivatives ⁹⁾							
Investments total	2 939,2	100,0	2 844,1	100,0	2 939,2	100,0	100,0

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3,5

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 at current value 1.1. – 31.12.2016

Net investment income current value ⁸⁾	Capita employed ⁹⁾	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
EUR million	EUR million	%	%	%	%	%
Return % on capital employed						
Fixed-income investments	67,2	1 633,6	4,1	0,9	4,1	1,4
Loan receivables ¹⁾	9,9	315,3	3,1	4,2	4,4	3,9
Bonds	57,7	1 242,0	4,6	0,6	4,3	1,3
Other money market instruments and deposits ^{1), 2)}	-0,5	76,2	-0,6	-0,4	1,0	-0,1
Equities and shares	39,4	609,0	6,5	18,4	12,1	16,5
Listed equities and shares ³⁾	18,9	361,3	5,2	18,7	8,3	22,0
Private equity investments ⁴⁾	17,6	223,4	7,9	19,0	18,0	8,3
Unlisted equities and shares ⁵⁾	2,8	24,3	11,5	13,6	21,6	-2,7
Real estate investments	43,4	572,2	7,6	5,6	3,1	2,4
Direct real estate investments	36,3	377,3	9,6	6,4	4,3	3,1
Real estate funds and joint investments	7,1	194,9	3,6	3,9	-0,4	0,1
Other investments	0,2	6,1	4,0	0,0	0,0	-2,3
Hedge fund investments ⁶⁾	0,0	0,0	0,0	0,0	0,0	-2,3
Commodity investments	0,0	0,0	0,0	0,0	0,0	0,0
Other investments ⁷⁾	0,2	6,1	4,0	0,0	0,0	0,0
Investments total	150,1	2 820,8	5,3	5,1	5,6	4,9
Unallocated return, costs and operating expenses	-9,7					
Net investment income at current value	140,4	2 820,8	5,0	4,8	5,3	4,6

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 Mutual Life Insurance Company (LocalTapiola Life) have been prepared in accordance with the Accountancy Act, the 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. LocalTapiola Mutual Life Insurance Company is included in LocalTapiola Group's consolidated financial statements from 1 January 2016.

General information

LocalTapiola Group is headed by LocalTapiola General Mutual Insurance Company (LocalTapiola General, Business ID 0211034-2). LocalTapiola General is domiciled in Espoo, and its financial statements are available on the LocalTapiola website at www.lahitapiola.fi.

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 participations

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. Temporary value adjustments and those owing to interest rate fluctuations are not recognised. Write-downs arising from other reasons are recorded, as have value readjustments, if the current value of a debt security has at a later date exceeded the adjusted acquisition cost, at most up to the original acquisition cost.

Loans, 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 current 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.

Loans, 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.

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 yrs
ICT system design expenses	5–10 yrs

Real estates

Residential, office and hotel buildings	40–50 yrs
Department store buildings and other store buildings	30–40 yrs
Industrial buildings, warehouses and similar buildings	20–30 yrs
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 fiscal and accountancy 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 based on the 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

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, 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%. 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 and 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, for example, to changes occurring 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 obtain stability in the level of customer bonuses by levelling 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.

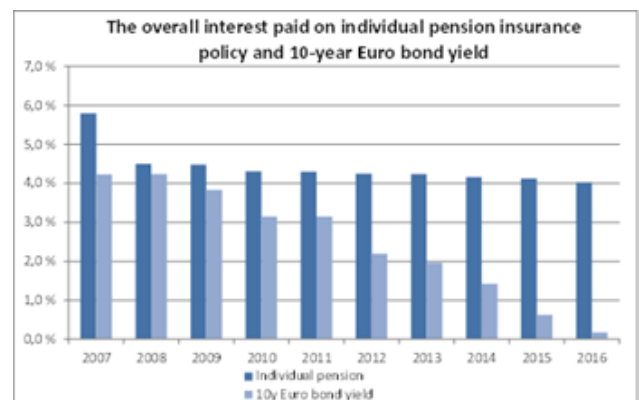
The following is a list of the overall interest rate levels for each line of insurance and contract group for 2016 and 2007–2016. It should be noted that, due to the large number of different contract types, this is not a fully comprehensive account of overall interest rates from the perspective of each 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 %



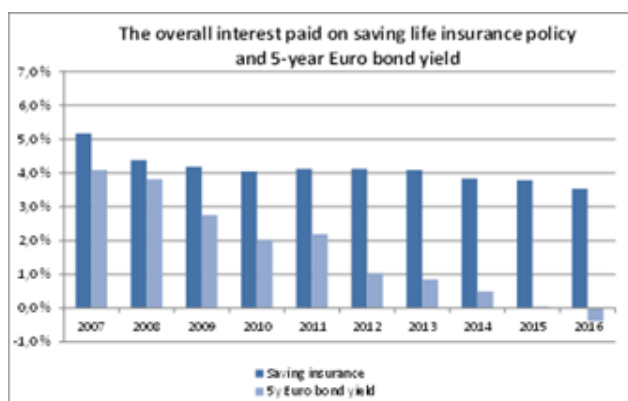
The following image shows the overall interest rate of individual pension insurance policies in relation to the target between 2007 and 2016.

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 or 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, i.e., 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.

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

The financial statements dated 31 December 2016 are the first financial statements that have been included in LocalTapiola Group's consolidated financial statements. For this reason, the grouping of intra-group financial statement items has been changed.

Consolidated financial statements

LocalTapiola Life Group is included in LocalTapiola Group's consolidated financial statements as a subgroup. This section describes LocalTapiola Life Group's accounting principles.

The Insurance Companies Act stipulates that limited companies and other comparable companies in which the parent company holds more than half of the voting rights either directly or indirectly must be included in the consolidated accounts. The companies included in the Group, and the Group structure, are described in the annual report.

The consolidated financial statements are a combination of the profit and loss accounts, balance sheets and notes to the statements of the parent company and its subsidiaries. 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.

Share ownership within the Group has been eliminated using the acquisition method. 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 – companies in which the Group holds 20–50 per cent of the shares or votes – have been included in the consolidated statements using the equity method. Housing and mutual real estate companies are not combined as associated companies in the consolidated financial statements even when the requirements for votes and ownership are met. Non-mutual real estate associated undertakings have been consolidated as associated corporations.

Deferred tax liabilities are stated in the consolidated financial statements and deferred tax assets in the balance sheet. Deferred tax assets and liabilities resulting from combining measures are stated in the balance sheet when their future tax effects must be deemed probable for the Group 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 have been entered as revaluations of the subsidiaries' real estate.

The consolidation goodwill arising from the elimination has been allocated primarily to the subsidiary's assets, taking into account their current value. The consolidation goodwill will be amortised according to plan, in line with other assets. Unallocated consolidated goodwill is recorded in the balance sheet under "Intangible assets" as a separate item and will be amortised according to plan. 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.

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:

Financial risks	Risks associated with solvency management
	Market risks
	Credit risks
	Liquidity risks
	Concentration risks
	Insurance risks
Operational risks	Risks associated with business planning
	Process risks
	Systemic risks
	Personnel risks
	Legal risks
	Risks of damage
Risks associated with the operating environment and strategy	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. A member of LocalTapiola Life's Board of Directors participates in the work of the Audit and Risk Management Commit-

tee, established by LocalTapiola General's Board of Directors for purposes such as assisting 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 LocalTapiola Group's leading company, LocalTapiola General'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. LocalTapiola General's Board of Directors appoints an Investment Management Group, 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.

Risk management in life insurance

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 investment 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 Own 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 requirements. 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

Life insurance turnover

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

Life insurance company's performance analysis

Premium income
Investment income and expenses as well as revaluations, adjustments thereof and changes in value
Claims paid
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 ¹

Operating profit or loss

Change in equalisation provision
Additional benefits (customer bonuses) ²

Profit or loss before appropriations and taxes
Appropriations
Income taxes and other direct taxes
Minority interests ¹

Profit or loss for the financial year

¹ Applies to the consolidated financial statements

² Additional benefits include interest in excess of the guaranteed interest rate

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.

Total result

= Operating profit or loss
+ Change in off-balance-sheet valuation differences, fair value reserve and revaluation reserve

Net investment income on capital employed (at current value)

Net investment income at current value in proportion to capital employed is calculated for each type of investment and the whole 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 current and book values

Investment allocation at current 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 current and book values 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 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. All persons receiving salary during the financial year are included in personnel.

Key figures for the financial performance of life insurance

Premium income

= Premium income before reinsurers' share

Expense ratio (%)

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

The numerator is separately prorated to the expense loading and the balance sheet total. According to the calculation 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 of the profit for the financial year, EUR 59,954,650.40, a 5.8 per cent guarantee capital interest, corresponding to EUR 2,179,959.00, be transferred to the owners of guarantee shares, and:

Transferred to the security reserve	57 274 000,00
Transferred to the contingency reserve	500 691,40

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

Initial fund	4 482 208,24
Guarantee capital	37 585 505,12
Security reserve	316 934 731,89
Contingency reserve	1 593 138,23
	<hr/>
	360 595 583,48

Signatures to the financial statements dated 31 December 2016

Espoo, 29 March 2017.

Erkki Moisander
Chairman of the Board of Directors

Jari Eklund

Janne Kaippio

Timo Laakso

Olli Latola

Lauri Riekkola

Kati Sulin

Minna Kohmo
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 Mutual Life Insurance Company

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of LocalTapiola Mutual Life Insurance Company (business identity code 0201319-8) 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 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

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