

LocalTapiola
General Mutual
Insurance Company

Report of the Board of Directors and
financial statements for 2017
Business ID: 0211034-2



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REPORT OF THE BOARD OF DIRECTORS

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

LocalTapiola Group 2017

LocalTapiola's business revolves around lifelong security, which means that our customers are provided with comprehensive, proactive service in the areas of health, security, and finance. In 2017, we continued to strengthen our position in health and well-being services.

Health

- LocalTapiola and Mehiläinen formed a strategic partnership with the aims of providing a more efficient service for joint customers and developing innovative new insurance and health services.

Security

- We provided free resuscitation and first aid trainings for 38,500 school pupils and 11,500 customers.

Finances

- In March, LocalTapiola Life launched an entirely new type of asset management concept featuring insurance, making the investment instruments and benefits enjoyed by major investors available to all of our customers. The solution involves investing our customers' assets in the same instruments as the investments made by LocalTapiola Life. We also added new well-being services based on customer wishes to the useful Smart Life Insurance that support healthier lifestyles.

To improve customer experience and strengthen regional competitiveness, the motor liability insurance policies of the regional companies' customers were transferred from LocalTapiola General to the regional companies on 30 June 2017.

	Group 2017	Group 2016	Local- Tapiola General 2017
Summary of results			
Operating profit, EUR m	343.0	327.4	174.4
Total result, EUR m	406.0	363.8	129.9
Result for the financial year, EUR m	265.0	289.0	157.9
Profit margin on non-life insurance operations before change in equalisation provision, EUR m	101.2	66.8	-2.8
The balance on technical account for life insurance operations before additional benefits and change in equalisation provision, EUR m	47.2	63.0	
Return on assets excluding unit-linked insurance, %	5.9	5.8	4.4
Solvency ratio, % *	175.7	189.6	302.3

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

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

Comparative figures are presented in brackets. The comparative figures for profit and loss account items and periodic key figures are those for the corresponding period of the previous year. The comparative figures for balance sheet and other cross-sectional key figures are those for the end of 2016.

Business sectors

Key figures	Group 2017	Group 2016	Local- Tapiola 2017
Risk ratio excluding unwinding of discount expense, %	57.9	60.8	67.6
Risk ratio, %	60.0	63.1	72.2
Cost ratio excluding unwinding of discount expense, %	31.1	31.0	28.5
Cost ratio, %	31.1	31.0	28.6
Combined ratio excl. unwinding of discount expense, %	88.9	91.8	96.1
Combined ratio, %	91.1	94.1	100.8
Investment net income at current value, %			4.0
Technical provisions for non-life insurance operations, EUR m	3,544.1	3,534.1	1,122.5
Technical provisions for life insurance operations, EUR m	4,388.7	4,061.2	
of which technical provisions for unit-linked insurance	2,112.4	1,796.0	
Capital and reserves, EUR m	2,098.4	1,834.4	1,372.0
Balance sheet total, EUR m	10,343.7	9,750.3	2,547.2

Non-life insurance

The non-life insurance operations comprise the combined result of LocalTapiola General and the 20 regional companies. The customers' motor liability insurance policies (excluding major customers) were transferred from LocalTapiola General's portfolio to the regional companies on 30 June 2017. When the insurance portfolio was assigned and business operations were transferred, LocalTapiola General relinquished the insurance contracts related to the motor liability insurance portfolio, the technical provisions including the equalisation provisions and the assets held to cover these, and the other assets, liabilities and provisions related to the motor liability insurance operations. These were transferred to the regional companies. The arrangement ensured that the business transfer as a whole fulfilled all solvency requirements. In connection with the transfer, LocalTapiola General subscribed to the regional companies' guarantee shares. LocalTapiola General's figures for the comparison period are not comparable to the figures for the period under review due to the business transfer. In LocalTapiola Group's consolidated financial statements, the effect of the business transfer has been eliminated.

Premiums written in direct insurance amounted to EUR 1,095.2 million (EUR 1,118.8 million), the change from the comparison period being -2.1%. The corporate customer business continued to grow in 2017, supported by another positive result in terms of net transfers of statutory workers' compensation and excellent sales of the new working capacity insurance. Net transfers were very broadly positive, both in terms of number of customers and payments. Real growth was strong in motor vehicle insurance, where LocalTapiola is the market leader. In motor liability insurance, premium income was negative due to tariff reductions and the product reform implemented at the beginning of the year.

The combined ratio, **excluding the unwinding of discount expenses for non-life insurance operations**, was 88.9% (91.8%). The strong profitability of the insurance business is supported by favourable claims trends and risk management work to prevent loss and damage. LocalTapiola General and the regional companies paid out EUR 653.0 million (EUR 639.0 million) in claims to their customers. In 2017, there were 5 (5) claims in excess of EUR 1 million for loss or damage to property and operations. The gross compensation expense for these

	LocalTapiola General 2017	LocalTapiola General 2016
Investment activities		
Return on investment at current value, %	4.0	4.4
Fixed-income investments	1.9	3.9
Equity investments	5.7	4.5
Real estate investments	8.5	7.1
Other investments	-5.4	-0.6
Investment allocation, %		
Fixed-income investments	35.0	58.0
Equity investments	49.1	23.6
Real estate investments	15.0	17.8
Other investments	0.9	0.5
Investment assets at current value, EUR m	2,532.7	3,814.1

claims was EUR 14.8 million (EUR 5.8 million).

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

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

risk-conscious manner. The assets of insurance companies and our customers are thus invested securely and profitably.

The **net investment income** in non-life insurance operations was strong at EUR 185.7 million (EUR 181.4 million). In connection with the motor liability insurance business transfer, EUR 1.6 million in investment assets were transferred from LocalTapiola General to the regional companies.

LocalTapiola General's average five-year annual return on investment was 4.1% (5.1%) and the average ten-year annual return was 4.3% (4.2%). In connection with the transfer of motor liability insurance portfolio, in order to reduce risks, LocalTapiola General reduced its share allocation in the spring. After the portfolio transfer, the allocation was normalised.

Life insurance

LocalTapiola Life paid its customers EUR 117 million (EUR 114 million) in pensions, EUR 22 million (EUR 23 million) in compensation for medical expenses and disability, and EUR 30 million (EUR 27 million) in death benefits.

EUR 50 million (EUR 50 million) was paid out to pension customers in the form of technical interest and customer bonuses to improve their income during their retirement. EUR 13 million was paid out to other customers.

LocalTapiola Life's **premium income** amounted to EUR 516.0 million (EUR 421.7 million).

The **balance on technical account for life insurance operations** before additional benefits (customer benefits) and change in equalisation provision was EUR 47.2 million (EUR 63.0 million). Total expense loadings grew by 6%, and the result for risk premiums collected was also at a good level.

Asset management and other business

Asset management in LocalTapiola Group's consolidated financial statements concerns services provided by LocalTapiola Asset Management and LocalTapiola Real Estate Asset Management. An important focal point for the business has been to provide new asset management services as new fund products. The asset management business offers service packages for different customer segments, the most important being Private Banking services and various types of funds.

The number of customers using the asset management services increased in 2017. Low interest rates and fluctuations in investment markets have increased customers' interest in mutual fund services and asset management services. We continued to develop our online services and improved, for example, the transparency of pricing and investment costs on customer reports. In responsible investing, we integrated guidelines formulated in the previous year into practice, and we continued to work on elaborating the responsibility analyses. As re-

gards LocalTapiola Asset management, the focus of responsibility has been on measures saving energy and the environment.

Significant events during the financial year

To improve customer experience and strengthen regional competitiveness, the motor liability insurance policies of the regional companies' customers were transferred from LocalTapiola General to the regional companies on 30 June 2017. The arrangement continued the regionalisation of the non-life insurance business operated by the LocalTapiola Group and boosted the local impact of the business.

In the context of the decentralisation of the motor liability insurance business, a new Collective Agreement was concluded between all the group companies, replacing the group's Memorandum of Association of 7 February 2012 that had been concluded in connection with the merger of the Tapiola Group and the Local Insurance Group. In addition, the Joint Liability Agreement between the non-life insurance companies of the LocalTapiola Group was updated to reflect the new situation.

LocalTapiola Group's lifelong security strategy was implemented by initiating collaboration on health and well-being services with Mehiläinen, among other things. As part of the lifelong security strategy, the new Smart Home insurance, working capacity and occupational health insurances, and the Terve! insurance were launched. At the same time, an office channel reform was initiated, turning customer service offices into lifelong security offices.

Lifelong security also means contributing to our customers' financial self-sufficiency. In March, LocalTapiola Life launched an entirely new type of asset management concept featuring insurance, making the investment instruments and benefits enjoyed by major investors available to all of our customers. The solution involves investing our customers' assets in the same instruments as the investments made by LocalTapiola Life. Customers have welcomed the revamp, as demonstrated by strong demand. We also added new well-being services based on customer wishes to the useful Smart Life Insurance that support healthier lifestyles.

LocalTapiola Finance Ltd was founded in the LocalTapiola Group, with the aim of expanding the range of products also to vehicle part-payment and financing services.

The comprehensive reform of LocalTapiola Group's information systems proceeded according to plan. The reform is a major investment in technological and digital development as well as in the development of customer experience.

A new data protection policy was adopted in the LocalTapiola Group, and a Data Protection Officer was ap-

pointed. Future information security and cyber threats were prepared for by expanding the cooperation with ethical hackers and by introducing next-generation security services to secure confidential information.

Customers and customer benefits

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

The service benefits enjoyed by owner-customers include TerveysHelppi and the Emergency Service. In 2017, the Hero Training taught first aid skills to about 11,500 customers and 38,500 school pupils.

LocalTapiola Life helped a significant number of its Smart Life Insurance customers to make their lifestyles healthier.

To thank our customers for diligence and exemplary performance, we lowered our current home and motor liability insurance prices by a total of EUR 14 million for 2017. The prices of other types of non-life insurance remained unchanged. The advantages benefited both our current and future customers.

Amongst large insurance companies, we were the best insurance company in a 2017 survey focusing on customer loyalty. The result demonstrates that a mutual company is able to offer its customers the best advantages and benefits.

An additional customer benefit is provided by the bonus partnership with S Group for private household customers. More than 600,000 households also received S Group Bonus for their families' insurance premiums in 2017.

Customers were paid EUR 66,8 million in loyalty bonuses under non-life insurance and EUR 653,0 million in compensation. In addition, a total of EUR 27.4 million was paid to our customers as S Group bonuses for their insurance premiums. Under life insurance, customers were paid a total of EUR 323,4 million in compensation and EUR 64,9 million in technical interest and bonuses.

The application of the principle of reasonability, the objectives for the distribution of additional benefits and the implementation of the principle of reasonability in 2007–2017 are explained in the Notes to the financial statements under 'Accounting principles'.

Operating environment

Non-life insurance

The outlook for the Finnish economy is the most positive for a long time. The strongest growth is projected to

focus on 2017 and stabilise for 2018. In the long term, however, economic growth may remain sluggish. The slow or inadequate implementation of the needed structural reforms is still a threat.

Economic growth has long been driven by domestic demand, but now the base for growth is expanding to exports. Private consumption is supported by the improvements in the employment situation and purchasing power. Exceptionally low interest rates for households and businesses maintain consumption and stimulate investment.

Investments have been growing steadily for a long time, and exports have picked up sharply. However, the characteristics of sustainable and balanced growth are not yet fully met. Regional development prospects are positive. Unemployment has started to decline, and positive employment trends seem to continue in the near future. In addition to construction, the economic outlook is positive for industry, ICT and service sectors.

Developments in the premium income of non-life insurance companies have been slightly negative in 2017. Compared to the previous year, operating profits in non-life insurance have declined, but are still at a good level.

The new Motor Liability Insurance Act, which entered into force from the beginning of 2017, has increased price competition between companies, resulting in lower premium income in motor liability insurance. Moreover, the improved prospects for the national economy have not yet been reflected in the development of premium income for statutory workers' compensation insurance. LocalTapiola General's combined ratio has remained very good.

Life insurance

The premium income of life insurance companies remained at the same level as in the previous year. The growth in the share of unit-linked insurance policies, which has dominated the sector's premium income growth in recent years, has levelled off.

One of the effects of the current low interest rate environment, together with Solvency II, on consumers has been a shift of the savings life insurance offering from traditional technical-rate insurance policies to unit-linked insurance policies where policyholders, insured persons, and beneficiaries themselves bear the investment risk for their part.

Changes in the fixed-income market relevant for life insurance have a greater impact on companies engaged in technical-rate insurance business than on companies engaged in unit-linked insurance business.

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 par-

tical are expected to increase the need of customers to prepare for retirement. This has created new business opportunities for life insurance companies. In line with its strategy, LocalTapiola has been able to increase its market share in term life insurance.

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 entered into force at the beginning of 2018. Despite this, premium income from term life insurance has not significantly increased in recent years.

Investment activities

The recovery in the world economy continued and, for the first time after the global financial crisis (2007–09), all major economies and key economic regions grew at the same time. However, according to leading economic indicators, the fastest growth rate already seems to be over, and growth is expected to slow down in 2018 from the previous year.

Leading economic indicators continued to strengthen in early 2017, which was reflected in strong developments in the stock market and other risk-bearing assets. The stock market and the risk-bearing fixed-income asset classes yielded clearly better than government bonds and cash.

In the late spring, the euro started to strengthen against the dollar and other key currencies. This cut the euro investor's returns in non-euro-denominated investments. With the strengthening of the euro, it is no longer undervalued, and the possible further strengthening of the euro would hamper the economic activity of the euro area. From the investor's point of view, the strengthening of the euro slows down inflation and economic growth and hinders the increase in long-term interest rates and share prices in the eurozone.

In the late summer, the situation in North Korea escalated and at times triggered strong fluctuations in the investment market. However, the overall effects were minor and short-lived. The market has learned to live with geopolitical and political uncertainty.

As a whole, central bank policies were reflationary and supportive of the financial markets in 2017. The US Federal Reserve continued to raise interest rates, while the European Central Bank (ECB) and the Bank of Japan (BoJ) continued to pursue light monetary policies.

Total annual yield in the global stock market was, once again, good. The most vigorous growth was seen in Asia and in emerging markets, but also in Finland the rise in share prices was strong.

In the fixed-income market, the return on government bond investments remained modest. By contrast, the income from risk-bearing fixed-income investments, such as high-risk corporate bonds, emerging market loans, and convertible bonds, was reasonably good. The strongest development was seen in the so-called peripheral markets of the emerging markets.

European real estate investment markets continued to be active in 2017, and volumes seem to be rising slightly compared to 2016. Trading has been strong in Germany and the UK in particular. In Finland, more real estate deals were again struck in 2017 than ever before, with the transaction volume rising to about EUR 10 billion. There has been no significant change in office rents in the larger cities, although the upswing in economic growth has generated demand especially for the best locations. More efficient use of office space is more clearly visible in weaker regions, in which both rents and occupancy rates are declining. Demand for rental accommodation has continued to be strong in growth centres, where housing rents continue to grow moderately.

Solvency and risk management

Solvency management

Solvency monitoring within LocalTapiola Group and its insurance companies is based on the EU-level Solvency II regulatory regime. LocalTapiola Group and its insurance companies calculate solvency using a standard formula. LocalTapiola Group also constitutes a financial and insurance group as referred to in the Act on the Supervision of Financial and Insurance Conglomerates. LocalTapiola General acts as the Group's leading company and is tasked with ensuring that the Group and its companies fulfil legal requirements relating to solvency.

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

Solvency management is a part of the Group's and its companies' risk management. The starting point for solvency management is that the Group and the companies have sufficient solvency capital to meet their obligations, taking into account expected and unexpected losses. 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.

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

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

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

Further information on the Group's solvency management will be provided in a report on the Group's solvency and financial position, to be published by 16 June 2018 on the LocalTapiola website at www.lahitapiola.fi.

(% / EUR million)	Solvency ratio	Own assets	Solvency capital require- ment
LocalTapiola General	302%	1,592	527
Regional com- panies	220%	1,558	710
LocalTapiola Life	192%	1,144	598
LocalTapiola Group	176%	3,104	1,767

Solvency position

LocalTapiola General's solvency ratio (the company's own assets in proportion to the solvency capital requirement) was 302%, while LocalTapiola Group's solvency ratio was 176% on 31 December 2017. As such, the solvency of the company and the Group can be considered strong. The table below shows the solvency ratios of LocalTapiola General, the regional companies (on average), LocalTapiola Life, and LocalTapiola Group:

Risk position

The most significant risks to operations are insurance risks related to non-life insurance, insurance risks related to life insurance, market risks associated with investments, operational risks, and risks related to the operating environment and strategic intent. The major insurance risks in non-life insurance relate to the pricing of insurance products, inflation, changes in the mortality rate, occupational diseases, and reinsurance cover. The most significant insurance risks in life insurance are risks associated with technical provisions and the customer-related risks of termination of contracts and premium payments. Market risks are caused by fluctuations in market values, including fluctuations resulting from changes in interest rates, share prices, and exchange rates. Operational risks refer to the risk of losses caused by insufficient or failed internal processes, personnel, systems, and external factors. Legal risks are included in operational risks.

Risks related to the operating environment and strategic intent include risks associated with the general operating environment, changes in the markets and customer behaviour, the competitive situation and competitors, and the content of the strategy. In the insurance sector, risks associated with the operating environment and strategy are heightened by concurrent uncertainty about economic development and the ever-increasing pace of change: digital transformation, consolidation, new operators and consortia, migration, demographic change, internationalisation, and climate change.

Further information on risk management and the key risks for LocalTapiola Group will be provided in the note on risk management and in a report on solvency and financial position, to be published by 16 June 2018 on the LocalTapiola website at www.lahitapiola.fi.

Structure of LocalTapiola Group

LocalTapiola General Mutual Insurance Company (LocalTapiola General) is domiciled in Espoo and its business ID is 0211034-2. LocalTapiola's financial statements for 2017 have been published and are available online at www.lahitapiola.fi. LocalTapiola General's line of business covers all types of voluntary and statutory non-life insurance.

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

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

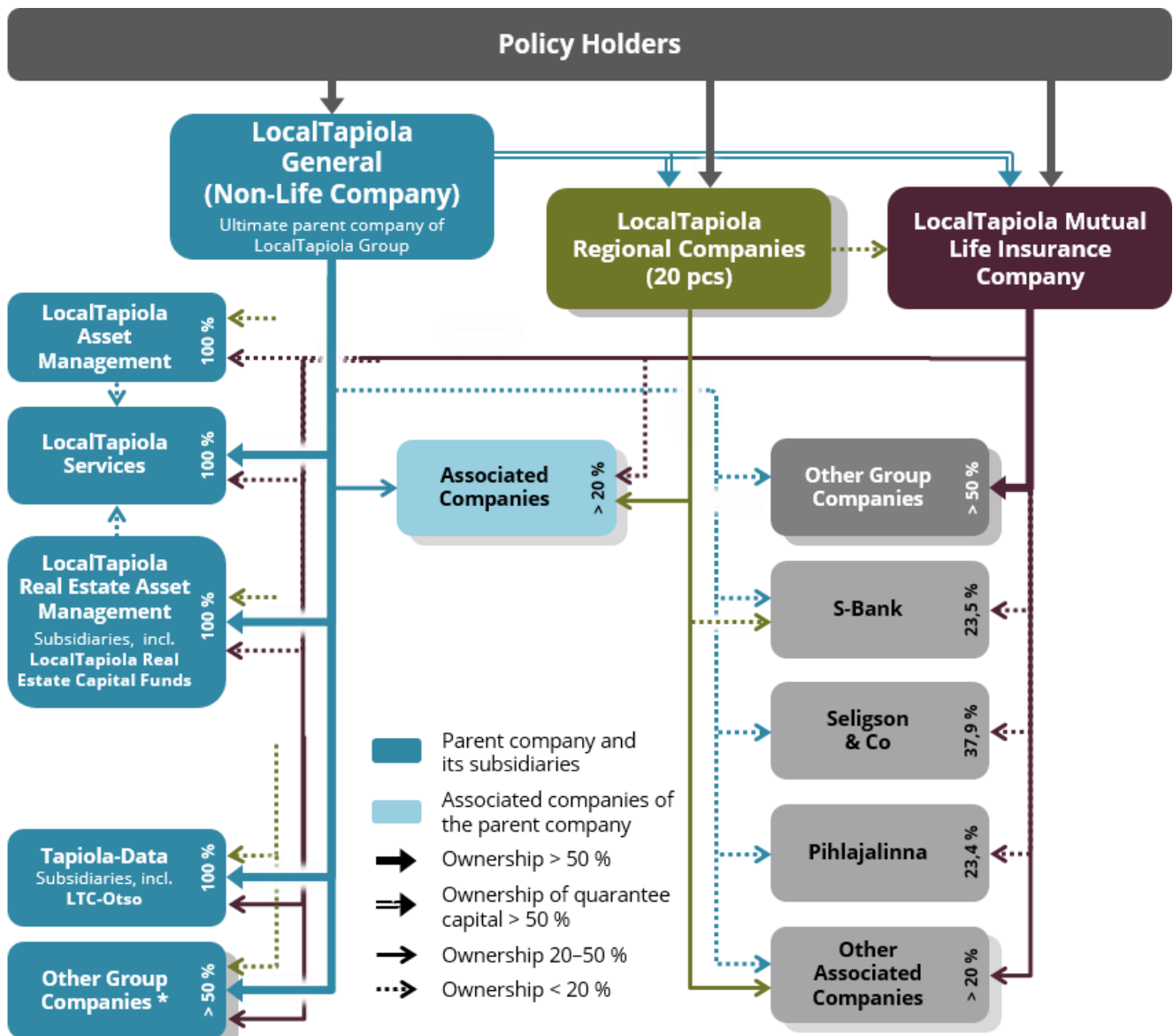
- LocalTapiola Lännen Mutual Insurance Company
- LocalTapiola Satakunta Mutual Insurance Company
- LocalTapiola Pohjoinen Mutual Insurance Company
- LocalTapiola Etelä Mutual Insurance Company
- LocalTapiola Vellamo Mutual Insurance Company
- LocalTapiola Keski-Suomi Mutual Insurance Company
- LocalTapiola Savo Mutual Insurance Company
- LocalTapiola Kaakkois-Suomi Mutual Insurance Company
- LocalTapiola Itä Mutual Insurance Company
- LocalTapiola Uusimaa Mutual Insurance Company
- LocalTapiola Pääkaupunkiseutu Mutual Insurance Company
- LocalTapiola Loimi-Häme Mutual Insurance Company
- LocalTapiola Etelärannikko Mutual Insurance Company
- LocalTapiola Pirkanmaa Mutual Insurance Company
- LocalTapiola Lappi Mutual Insurance Company
- LocalTapiola Pohjanmaa Mutual Insurance Company
- LocalTapiola Etelä-Pohjanmaa Mutual Insurance Company
- LocalTapiola Kainuu-Koillismaa Mutual Insurance Company
- LocalTapiola Varsinais-Suomi Mutual Insurance Company
- LocalTapiola Savo-Karjala Mutual Insurance Company
- LocalTapiola Mutual Life Insurance Company Group
- LocalTapiola Real Estate Asset Management Ltd Group
- LocalTapiola Asset Management Ltd
- LocalTapiola Services Ltd
- Tapiola Data Ltd Group

In addition, 44 (49 in 2016) housing associations and real estate companies and 24 (14) other companies are consolidated into the financial statements of LocalTapiola Group. The associated companies are S-Bank Ltd Group, Pihlajalinna Plc Group, Seligson & Co Oyj, two (2) housing and real estate companies and two (1) other companies. Turva Mutual Insurance Company is a subsidiary of LocalTapiola General on the basis of an agreement between the holders of guarantee shares. To provide a true and fair view of the results of the operations and the financial position of LocalTapiola Group, Turva's financial statements are not consolidated into the financial statements for LocalTapiola Group. Holders of guarantee shares in a mutual company do not have any right to other assets of the company outside the guarantee capital and guarantee capital interest paid from profits based on a decision of the general meeting. LocalTapiola Group owns 76% of Turva's guarantee capital.

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

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

LocalTapiola Group's insurance companies are mutual companies, owned by their policyholders and owners of the guarantee capital.



Presented percentages correspond to total ownership of LocalTapiola Group. Only the most significant companies of LocalTapiola Group are presented in the figure.

* Turva is a subsidiary of LocalTapiola General, but it is not included in the scope of LocalTapiola Group supervision.

Corporate governance, personnel and remuneration

LocalTapiola Group's corporate governance and management system

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

LocalTapiola Group's governance model is strongly affected by the mutual 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 referred to in the Finnish Insurance Companies Act, and LocalTapiola General is the leading parent company of the group, as specified in the said Act. In this role, LocalTapiola General is responsible for reliable management, solvency, the organisation of risk management, internal control and the organisation of related regulatory reporting within the entire LocalTapiola Group and all Group companies.

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

are in line with the collective agreement signed by and between LocalTapiola Group companies.

Annual General Meeting

LocalTapiola General's Annual General Meeting was held on 17 May 2017. The meeting approved the financial statements for 2016, 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.

Furthermore, the meeting approved plans for the business transfer and assignment of part of the portfolio, according to which LocalTapiola General transferred the business and insurance portfolio concerning statutory motor liability insurance to 20 LocalTapiola regional companies, with the exception of insurance policies for companies with more than 50 employees, which remained in LocalTapiola General. The meeting also approved the proposal to amend sections 5 and 14 of the company's Articles of Association.

The regional companies re-elected the following Supervisory Board representatives whose terms were due to end: Hannes Heiskala (Master of Laws trained on the bench, Kankaanpää, Lakitoimisto Hannes Heiskala, representative of LocalTapiola Satakunta), Sami Kulla (CEO, Vaasa, Buorre Oy, representative of LocalTapiola Pohjanmaa), Jyrki Mattinen (Control Room Operator, Farmer, Lappeenranta, representative of LocalTapiola Kaakkois-Suomi), and Mikko Mäkimattila (CEO, Loimaa, Dometal Oy, representative of LocalTapiola Loimi-Häme).

LocalTapiola Lännen elected Mikko Koivisto (Sales and Marketing Director, Rauma, Tukimet Oy) as a new Supervisory Board representative to replace Pauliina Haijanen, whose term was due to end. LocalTapiola Etelä-Pohjanmaa elected Yrjö Ojaniemi (Executive Director, Lapua, The Central Union of Agricultural Producers and Forest Owners (MTK) Etelä-Pohjanmaa) to replace Raimo Alhoke, whose term was due to end. In addition, LocalTapiola Itä elected Anssi Keinänen (Professor, Liperi, University of Eastern Finland) to replace Jari Kääriäinen, who had resigned, for the remainder of the term until the 2018 Annual General Meeting.

Other Supervisory Board representatives of LocalTapiola General who were re-elected were Timo U. Korhonen (Chairman of the Board, holder of the honorary Finnish title 'vuorineuvos', Helsinki, LTQ-Partners Oy), Jorma Mikkonen (Director of Corporate Relations, Vantaa, Lassila & Tikanoja Oy), Katja Taimela (Member of Parliament, Salo, the Parliament, and Pertti Yliniemi (Chairman of the Board, Muonio, North European Invest Oy).

Minna Kahri (Finance Director, Helsinki, Onvest Oy), Markus Oksa (CEO, Vantaa, Barona Group Oy) and Mari Onkamo (CEO, Espoo, Delta Auto Oy; currently Finance Director, Rovaniemi, Polarica Oy) were elected as new Supervisory Board representatives.

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

Supervisory Board

LocalTapiola General's Supervisory Board held its organising meeting on 1 June 2017. The meeting elected the Chair and Deputy Chairs to the Supervisory Board. Timo U. Korhonen was elected as the Chair of the Supervisory Board. Juha Marttila, Chair of the Central Union of Agricultural Producers and Forest Owners, was elected as the first Deputy Chair of the Supervisory Board and Ulla-Maija Moisio, Master of Laws trained at the bench, Teollisuuden Voima Oy, was elected as the second Deputy Chair.

The Supervisory Board met three times. On average, 85,7% of the members participated in the meetings. The salaries and remuneration paid to the Supervisory Board members, their pension commitments, monetary loans and terms thereof, as well as guarantees and contingent liabilities are presented in section 3.3.2 of the notes to the profit and loss account.

Committees of the Supervisory Board

Nomination Committee of the Supervisory Board

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

The Nomination Committee is comprised of the Chair of the Supervisory Board and three 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 2017, the Nomination Committee was chaired by Timo U. Korhonen, Chair of the Supervisory Board, and the members were Sami Kulla, Ulla-Maija Moisio and Heikki J. Perälä until the Supervisory Board's meeting on

1 June 2017 and Anneli Karhula, Sami Kulla and Heikki J. Perälä as of 1 June 2017.

The Nomination Committee convened twice in 2017, and 100% of the members were present.

Cooperation Committee

The Cooperation Committee, which comprises the Chairs and Deputy Chairs of the Supervisory Boards of LocalTapiola General and LocalTapiola Life, held its organising meeting on 1 June 2017.

The Cooperation Committee prepares draft decisions to the Supervisory Board and other matters to be handled at the meetings of the Supervisory Board. The Cooperation Committee monitors the operations of the Board of Directors, President, CEOs and the entire Group, and presents reports to the Supervisory Board.

In 2017, the Cooperation Committee was chaired by Timo U. Korhonen. Until 1 June 2017, the Deputy Chair was Jouko Havunen, and Totti Salko as of 1 June 2017.

The other members of the Cooperation Committee in 2017 were Juha Marttila, Päivi Uusitalo and Ralf Wickström as well as Pauliina Haijanen, Marjut Nordström and Jouko Virranniemi until 1 June 2017, and Ulla-Maija Moisio as of 1 June 2017.

The Cooperation Committee met seven times. On average, 98% of the members participated in the meetings.

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 CEOs 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) and Ralf Wickström were members of the Cooperation Committee's Compensation Committee as well as Jouko Virranniemi until 1 June 2017, and Ulla-Maija Moisio as of 1 June 2017.

The Compensation Committee met six times. On average, 94% of the members participated in the meetings.

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
- Philip Aminoff, Chairman of the Board, Electrosonic Group Oy Ab
- Matti Bergendahl, Managing Director, Realia Group Oy
- Timo Hiltunen, Chairman of the Board, Tietokeskus
- Hannu Niilekselä, CEO, Hanicon Oy
- Kati Partanen, Farmer and Lecturer in Agricultural Economics
- Pirkko Rantanen-Kervinen, MSc (Economics)

The Board of Directors met 13 times. On average, 92% of the members participated in the meetings. The salaries and remuneration paid to the members of the Board of Directors, their pension commitments, cash loans and terms thereof, as well as guarantees and contingent liabilities are specified in section 3.3.2 of the notes to the profit and loss account.

The Group's Management Group

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

The Management Group was chaired by Erkki Moisander (President) and the members were Jari Sundström (CEO of LocalTapiola General), Minna Kohmo (CEO of LocalTapiola Mutual Life Insurance Company), Pekka Antikainen (CEO of LocalTapiola Services Ltd), Pasi Haarala (CEO of LocalTapiola Pohjanmaa), Jukka Hertti (CEO of LocalTapiola Vellamo, until 31 May 2017) and Ahti Haataja (CEO of LocalTapiola Vellamo, as of 1 June 2017), Jukka Kinnunen (CEO of LocalTapiola Pääkaupunkiseutu), Pentti Kuusela (CEO of LocalTapiola Pirkanmaa), Veli Rajakangas (CEO of LocalTapiola Pohjoinen), Jari Eklund (Director responsible for Group administration), Timo Laakso (CFO of LocalTapiola Group), Mikko Vastela (CIO), Olli-Pekka Pohjanmäki (Marketing Director) and Harri Aho (Development Director), Harri Lauslahti (Innovation Director) and Nina Gros (HR Director, as of 1 July 2017).

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

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

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

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

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

In 2017, the Committee was chaired by Hannu Niilekselä, and the members were Jari Eklund and Pirkko Rantanen-Kervinen. Olli Latola, a member of the Board of Directors of LocalTapiola Mutual Life Insurance Company, attended the Committee's meetings, where he held the entitlement to be present and to speak.

In 2017, the Committee held five meetings and one virtual meeting. The attendance rate of ordinary members was 100.

CEO

Jari Sundström, LLM, is CEO of LocalTapiola General. The Deputy CEO is Mika Makkonen, LLM, MBA.

The salaries and perquisites paid to the CEO totalled EUR 497,438, including EUR 136,324 in performance-related pay. EUR 35,296 of the performance-related pay was earned in 2013, EUR 26,641 in 2014, EUR 13,079 in 2015, and EUR 61,308 in 2016.

Performance-related pay has been deferred for subsequent payment in the amount of EUR 140,911, of which EUR 24,132 was earned in 2014, EUR 24,817 was earned in 2015, and EUR 91,962 was earned in 2016. Performance-related pay for senior managers is based on annual targets.

The retirement age of the CEO is 63 years. The agreed compensation for premature termination of the employment relationship is a sum corresponding to 12

months' salary, with an increase covering half of the year in accordance with the maximum bonus level of the applicable bonus scheme.

Related parties

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

Auditor

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

Supervisory authority

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

Personnel

Average number of personnel during financial year:

- LocalTapiola General 372 (408)
- LocalTapiola Group, total 3,404 (3,370)

Remuneration

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

When confirming the remuneration system, the company strives to ensure that the system corresponds to

the business strategies, objectives and values of the company and LocalTapiola Group as a whole, it works in the Group's long-term interests, it is compatible with the Group's principles of good and effective risk management, and it does not encourage excessive risk-taking.

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

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

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

The remuneration for LocalTapiola General'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 elements affecting the Group's and the companies' results, personnel and customer experience, 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 30–100% of the employee's annual salary. The regional companies may have different maximums.

The maximum performance-related bonus available to **office personnel** is 7% of the employee's annual salary, with the exception of some experts whose maximum

bonus may be up to 30% of the annual salary. Targets are determined on the basis of the Group's strategy and can be either team-specific or personal. The achievement of targets is evaluated at performance review discussions. Personnel working for the regional companies may have different maximum bonus levels.

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

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

Payments of performance-related bonuses to members of LocalTapiola General's senior management and investment organisation whose professional activities have a material impact on the company's risk profile are deferred as follows: the first instalment of the bonus – amounting to 40% – is paid by the salary payment date in June following the end of the earning period. The remaining 60% 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 profit-sharing payments are made to LocalTapiola Group's personnel fund in accordance with the targets that are met. This profit-sharing item is mainly determined by the companies' profits and efficiency in accordance with the Act on Personnel Funds. The personnel fund does not cover the employees of all companies. The criteria for determining the amount of profit-sharing bonus are confirmed annually. At LocalTapiola General, the payment is subtracted from the

preliminary estimate of the result of the financial year. Regional companies' personnel are not covered by the personnel fund.

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

Reporting in compliance with the Corporate Governance Code

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

Corporate social responsibility

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

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

It is of paramount importance for mutual companies, which are owned by their customers, to ensure that cus-

tomers are heard and included in the development of operations. Customers participate in developing products, services and operations by means such as surveys, the product development process, testing, and administration. Collecting and processing customer feedback is a regular and systematic process. Customer satisfaction is measured and monitored on a regular basis.

LocalTapiola's Hero Training was continued in 2017, and the training moved from the previous year's emergency fire extinguishing skills to first aid skills. In 2017, 11,500 customers received emergency first aid training, and 38,500 school pupils in years 5 and 6 throughout Finland received resuscitation training. The trainings were provided together with the Finnish Red Cross.

LocalTapiola has made preparations for the entry into force of the EU's new General Data Protection Regulation (GDPR) in May 2018 by, among other things, implementing significant system and process changes in the Group. Everyone who processes personal data is trained to act in accordance with the new legislation.

The model for the strategic management of employees' well-being and working capacity was adopted in spring 2017. During the year, work-related hazard analyses and risk assessments in accordance with the Occupational Safety and Health Act were also carried out in all LocalTapiola companies, paying particular attention to psycho-social stress factors. The result of the Great Place to Work study, which indicates personnel satisfaction, was 74% (in 2016: 71%). During 2017, a competence management system was introduced, which enables better planning and monitoring of training. All employees also had the opportunity to participate in the Hero Training and receive emergency first aid training. The development of personnel systems and remuneration continued.

Extensive collaboration is undertaken with corporate responsibility partners to promote security and well-being in society. The longstanding 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. Support from LocalTapiola enables the training of some 800 new volunteer friends annually. Water safety was improved with the Finnish Swimming Teaching and Lifesaving Federation in a joint lifebuoy campaign, which provided 100 lifebuoys for Finnish beaches and jetties. The Finnish National Rescue Association is LocalTapiola's partner in promoting fire safety.

LocalTapiola and the Finnish Cancer Foundation have a multiannual collaboration agreement, under which support for research collaboration was continued to promote the health of Finns through research projects funded by the Cancer Foundation. 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.

LocalTapiola is involved in promoting the health and well-being of children and young people together with several sports associations. In 2017, the sports events sponsored by LocalTapiola reached up to 200,000 children and young people. LocalTapiola continued its collaboration with the Finnish Association for Nature Conservation and the Keep the Archipelago Tidy Association to promote the condition of local environments and the diversity of Finnish nature.

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. Responsible and environmentally friendly operating models are used in real estate management throughout the life cycle of properties.

The LocalTapiola Group 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.

The Group's social responsibility is described in more detail in a separate report on non-financial information. The report will be published together with the report of the Board of Directors on the LocalTapiola website at www.lahitapiola.fi.

Credit rating

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

According to a press release issued by A.M. Best on 1 March 2018, LocalTapiola General's excellent rating was due to its good income development and strong solvency. Investments in risk selection will continue to contribute to good result trends. A. M. Best raised the prospects of LocalTapiola's long-term ICR rating from stable to positive.

The rating is required in business if demanded by a customer or partner. From the perspective of corporate image and reputation, a good rating increases reliability and respect.

Events after the financial year

No material events occurred after the financial year.

Future prospects

Non-life insurance

Improved employment and purchasing power create the preconditions for more broad-based non-life insurance growth, but at the same time low interest rates and unforeseen events in the investment market can strain insurance companies.

As economic activity increases, the number of claims is expected to increase, especially in the corporate business sector, which has pent-up investment needs.

In non-life insurance, price competition continues, particularly in vehicles. Companies seek to hold on to their own profitable customers.

Digitalisation will reshape the non-life insurance business and make it more efficient. Companies in the sector have been automating their processes and streamlining their operations for several years. The effects of these measures on customers will slowly appear. In the short term, however, extensive development investments weaken profitability in the sector.

The sector also faces new competence needs. New service models change business models, and customer requirements are constantly rising to a new level. Digitalisation, demographic issues, industry disruption, and climate change are the driving forces behind new demands on customer service, technology development, and professional skills. Increasing dependence on technology will also increase susceptibility to cyber risks.

Guidance and, on the other hand, customer access to the Internet will be strengthened from the point of view of sales, claims services, and customer service.

The social and healthcare reform is changing the operating environment, and more industries are interested in the market. Other industries' (e.g. retail) investments in health and well-being services continue. Several acquisitions are also carried out. Distinction in the market will require strong product development and investments in internal renewal from LocalTapiola.

The improved outlook for the national economy is not enough to improve the balance of public finances, which opens up opportunities for an insurance-financed health service. Consumer and business interest in the use of health and well-being services is growing along with the extensive public debate. Demand for accident and health insurance is expected to remain stable in 2018.

Regulation modifies the operating environment of non-life insurance fundamentally. The data protection directive increases companies' obligations and increases costs, but at the same time, together with the PSD2 directive, it opens up new business opportunities. At the same time, increasing regulation creates additional obligations for finance sector operators.

As the sector undergoes a fundamental shift, LocalTapiola is aiming for service leadership. The central part of our strategy is providing the best lifelong security service, in which forecasting and active care play an essential role. At the heart of lifelong security are personal insurance and finance solutions, which combine both forecasting and risk management services and health and well-being solutions. In the past, as a traditional insurance company, we became involved in the lives of our customers when damage occurred, whereas now we are helping to prevent and prepare for damage.

Life insurance

LocalTapiola Life offers life insurance, saving and investment, and pension insurance services, combined with proactive services enhancing the customer experience, for all customer groups from private customers to large companies.

The need for life insurance and saving will grow in Finland. In the long term, demand for proactive livelihood and functional capacity enhancing services will also increase. LocalTapiola Life expects the upward trend in sales and the number of customers to continue in all business sectors in 2018.

Consumers' need to prepare themselves by saving proactively for future cash needs is growing due to reasons such as the reduction of pensions and the change in public health care. At the same time, the role of personal preparation through insuring and saving is more important than ever before due to longer lives, the pressure on social security, and societal transformation. In response to the growing need for saving, we made major investor investment targets and pricing available to our customers in 2017. In 2018, we want to change the supplementary pension market from management remuneration to a benefit for all employees.

The societal importance of insurance for serious personal risks is increasing. We want to continue to provide our customers with the best term life insurance services

in the industry, combining them with proactive services that improve customer experience.

Regulation changes the rules in the life insurance sector. During 2018, a number of consumer legislation reforms affecting life insurance will come into force, and the subsequent changes have been prepared and will be introduced in 2018.

Finance sector investments in digitalisation will also be reflected in life insurance in the next few years. Digitalisation seeks solutions for better customer experience and efficiency. The multi-channel approach and improved customer experience enabled by digitalisation can be rapid and may become a distinguishing factor among the operators in the sector already in the next few years.

In 2018, LocalTapiola Life will invest in further developing the Smart Life Insurance, the new Investment Insurance, and group pension insurance and making them available to everyone through digitalisation. At the same time, we will continue to develop proactive lifelong security services based on a smart ideology, in accordance with the new business model.

LocalTapiola Life aims to invest in its customers' well-being by helping them feel better and be more self-sufficient financially. In order to execute the lifelong security strategy based on service leadership, LocalTapiola Life provides solutions that are meaningful in 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.

Investment activities

At the beginning of 2018, world economic indicators show that global economic growth is slowing down. Growth prospects have also become twofold: growth in industrialised countries is slowing down, while the outlook for emerging markets has rebounded to a strengthening path. The Finnish economy has also participated in the growth of the international economy. Finland's economic growth is expected to slow down in 2018 from the previous year, in the wake of other industrialised countries.

Despite the positive tone, the economic outlook continues to be shadowed by uncertainties, mainly due to the unpredictability of the political operating environment. Negotiations on the UK's exit from the EU are not progressing, and in the United States, Donald Trump continues to pursue a protectionist policy. In addition, an escalation of the situation in North Korea can lead to uncertainty in the financial markets.

Structurally, the major challenges of the global economy are related to excessive indebtedness and the ageing of the population, leading to a decline in potential

growth. The dramatic rise in debt increases the risks associated with rising interest rates. The market is expecting the US Federal Reserve to continue to raise interest rates in 2018. In addition, the CEO of Fed will change in a situation where the central bank is expected to begin normalisation of the balance sheet.

On the investment market, the risks associated with the outlook at the start of the year are largely the same as in the previous year. The stronger than expected weakening of the economic outlook could lead to re-pricing of risks and, consequently, to a decline in share prices. In addition, the traditional valuation indicators for risk-bearing asset classes are historically high. Relative valuation continues to favour higher than normal shares of risk-bearing assets in portfolios.

In 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 2018. In the recovering economy, there is a large amount of capital available in the real estate market, and investors see real estate as an attractive asset class. Put together, all these factors seem to support positive development for real estate in 2018. However, the strongest performance in real estate appears to be over, and the drivers for value increases will shift from falling yield requirements to rising rents.

Proposal for distribution of profit

Proposal of the Board of Directors

The Board of Directors proposes that of the profit for the 2017 financial year, EUR 157,888,869.67, EUR 155,888,869.67 be transferred to the security reserve and EUR 2,000,000.00 to the contingency reserve.

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

Capital and reserves	31.12.2017
Capital and reserves, EUR	1,372,037,209.47
Initial reserve	8,641,380.35
Revaluation reserve	218,348.97
Security reserve	1,359,636,790.44
Contingency reserve	3,540,689.71

FINANCIAL STATEMENTS

LocalTapiola Group's consolidated financial statements main statements

Profit and loss account, LocalTapiola Group

TECHNICAL ACCOUNT - NON-LIFE INSURANCE	1.1.2017	-	31.12.2017	1.1.2016	-	31.12.2016
Premiums earned						
Premiums written	K1	1 154 146 183,54		1 176 708 992,35		
Reinsurers' share		<u>-34 064 462,22</u>	1 120 081 721,32	<u>-34 936 393,17</u>	1 141 772 599,18	
Change in provision for unearned premiums						
Total change		12 447 686,94		-4 377 005,19		
Reinsurers' share						
Total change		<u>2 217 824,85</u>	14 665 511,79	<u>243 815,21</u>	-4 133 189,98	
Total premiums earned			<u>1 134 747 233,11</u>		<u>1 137 639 409,20</u>	
Claims incurred						
Claims paid		-773 761 501,12		-769 410 189,24		
Reinsurers' share		<u>13 542 486,10</u>	-760 219 015,02	<u>16 022 078,93</u>	-753 388 110,31	
Change in provision for outstanding claims						
Total change		-7 170 697,33		-53 175 610,29		
Reinsurers' share						
Total change		<u>125 210,32</u>	-7 045 487,01	<u>132 652,96</u>	-53 042 957,33	
Total claims incurred			<u>-767 264 502,03</u>		<u>-806 431 067,64</u>	
Operating expenses	K3		-266 257 604,25		-264 401 456,82	
Balance on technical account before change in equalization provision			<u>101 225 126,83</u>		<u>66 806 884,74</u>	
Change in equalization provision			-17 640 769,96		28 792 320,40	
Balance on technical account	K2		<u>83 584 356,87</u>		<u>95 599 205,14</u>	

TECHNICAL ACCOUNT - LIFE INSURANCE		1.1.2017	-	31.12.2017	1.1.2016	-	31.12.2016
Premiums written							
Premiums written	K1	516 017 481,77			421 702 710,43		
Reinsurers' share		<u>-2 837 556,37</u>		513 179 925,40	<u>-2 086 478,54</u>		419 616 231,89
Investment income	K4			230 990 272,18			230 801 567,18
Revaluations of investments	K4			109 299 080,65			91 287 760,80
Claims incurred							
Claims paid	K2	-327 832 710,42			-333 586 592,30		
Reinsurers' share		<u>1 473 851,83</u>		-326 358 858,59	<u>383 473,32</u>		-333 203 118,98
Change in provision for outstanding claims							
Total change		<u>-24 143 537,00</u>		-24 143 537,00	<u>-24 396 308,00</u>		-24 396 308,00
Reinsurers' share							
Total claims incurred				<u>-350 502 395,59</u>			<u>-357 599 426,98</u>
Change in provision for unearned premiums							
Total change		<u>-303 383 721,53</u>		-303 383 721,53	<u>-173 014 965,35</u>		-173 014 965,35
Operating expenses	K3			-58 096 264,24			-48 150 976,98
Investment charges	K4			-59 781 444,97			-72 747 801,57
Revaluation adjustments on investments	K4			-21 988 675,30			-17 311 738,72
Balance on technical account before change in equalization provision				59 716 776,60			72 880 650,27
NON-TECHNICAL ACCOUNT							
Balance on technical account, non-life insurance				83 584 356,87			95 599 205,14
Balance on technical account, life insurance				59 716 776,60			72 880 650,27
Investment income	K4	305 314 845,28			299 551 559,91		
Investment charges	K4	-116 040 790,30			-116 290 906,80		
Revaluation adjustments on investments	K4	<u>-3 571 107,40</u>		185 702 947,58	<u>-1 883 000,00</u>		181 377 653,11
Other income	K4						
Other		<u>64 636 763,05</u>		64 636 763,05	<u>62 735 289,52</u>		62 735 289,52
Other expenses	K4						
Depreciation of consolidated goodwill		-317 779,29			-65 327,02		
Other		<u>-48 841 120,43</u>		-49 158 899,72	<u>-50 165 893,83</u>		-50 231 220,85
Profit on ordinary activities				344 481 944,38			362 361 577,19
Share of profit (loss) from group associated undertakings				-6 602 014,35			3 705 938,73
Profit before appropriations and taxes				337 879 930,03			366 067 515,92
Direct taxes on ordinary activities							
Taxes for the financial period		-68 871 145,76			-73 200 424,44		
Change in deferred tax liabilities		<u>-56 190,52</u>		-68 927 336,28	<u>-160 280,39</u>		-73 360 704,83
Other direct taxes				-3,71			0,00
Minority interests				-4 001 588,46			-3 720 292,96
Profit for the accounting period				264 951 001,58			288 986 518,13

Balance sheet, LocalTapiola Group

ASSETS		31.12.2017	31.12.2016
Intangible assets	K9		
Intangible rights		4 501 574,82	4 018 912,31
Goodwill on consolidation		81 309,31	109 607,81
Other expenses with long-term effects		38 381 243,10	41 768 412,67
Provisional premiums		<u>21 589 412,36</u>	<u>2 576 827,66</u>
		64 553 539,59	48 473 760,45
Investments	K5		
Real estate investments	K6		
Real estate and shares in real estate		<u>1 010 675 975,15</u>	<u>961 075 103,67</u>
Investments in group companies and participating interests		1 010 675 975,15	961 075 103,67
Shares and holdings in group companies	K7		
Shares and holdings in participating interests		7 097 056,07	7 097 056,07
Debt securities and loans in participating interests		159 629 262,86	158 284 942,74
		<u>12 750 000,00</u>	<u>12 000 000,00</u>
Other investments		179 476 318,93	177 381 998,81
Shares and holdings	K7	3 915 389 364,31	2 953 788 518,70
Debt securities	K7	1 428 747 577,68	2 279 494 915,26
Loans guaranteed by mortgages		533 250 354,87	436 321 298,40
Other loans	K8	293 603 807,24	345 706 344,97
Deposits		17 725 124,07	30 507 042,11
Other investments		<u>14 467 685,21</u>	<u>792 235,20</u>
Deposits with ceding undertakings		6 203 183 913,38	6 046 610 354,64
		<u>709 256,78</u>	<u>706 068,57</u>
		7 394 045 464,24	7 185 773 525,69
Assets covering unit linked policies	K7		
	K10	2 135 773 963,88	1 821 742 996,28
Debtors	K15		
Arising out of direct insurance operations			
Policyholders		<u>201 355 431,99</u>	<u>209 597 644,43</u>
Arising out of reinsurance operations		12 839 432,70	14 080 619,16
Other debtors		119 350 983,81	114 285 735,08
Deferred tax claim	K14	<u>2 113 017,84</u>	<u>2 118 129,71</u>
		335 658 866,34	340 082 128,38
Other assets			
Tangible assets			
Machinery and equipment	K9	9 295 594,83	10 237 363,27
Other tangible assets		<u>2 541 756,05</u>	<u>3 060 846,12</u>
Cash at bank and in hand		333 162 710,33	273 006 027,89
Other assets		<u>4 268 957,36</u>	<u>3 683 260,56</u>
		349 269 018,57	289 987 497,84
Prepayments and accrued income			
Accrued interest and rent		20 285 442,06	32 079 925,58
Other prepayments and accrued income		<u>44 090 288,52</u>	<u>32 135 878,84</u>
		64 375 730,58	64 215 804,42
Total assets		<u><u>10 343 676 583,20</u></u>	<u><u>9 750 275 713,06</u></u>

LIABILITIES		31.12.2017	31.12.2016
Capital and reserves	K11		
Initial fund		8 641 380,35	8 641 380,35
Revaluation reserve		8 918 502,41	8 918 502,41
Other reserves			
Other reserves	1 205 288 610,48		1 037 196 624,78
The share of voluntary provisions and depreciation difference transferred to capital and reserves	3 143 175,23	1 208 431 785,71	3 015 597,93
Profit/loss for previous accounting periods		-11 425 452,67	-5 594 037,13
Profit for the accounting period	264 951 001,58		288 986 518,13
Change in depreciation difference and voluntary provisions included in the profit for the accounting period	-127 577,31		-531 548,73
Share of the mutual insurance companies' result for the financial year included in the profit for the financial year	-140 377 039,34	124 446 384,93	-124 914 926,92
Capital and reserves of the mutual insurance companies		759 381 555,44	618 665 510,72
		2 098 394 156,17	1 834 383 621,54
Subordinated loans		99 946 016,67	99 871 416,67
Minority interests		15 304 854,27	8 731 825,37
Accumulated appropriations	K11		
Negative goodwill on consolidation		4 600,00	4 600,00
Technical provisions			
Provision for unearned premiums in non-life insurance	410 982 407,01		423 430 094,00
Reinsurers' share	-5 384 787,21	405 597 619,80	-3 166 962,36
Provision for unearned premiums in life insurance	1 573 620 327,14		1 586 029 019,61
Reinsurers' share	0,00	1 573 620 327,14	0,00
Provision for outstanding claims in non-life insurance	2 191 750 933,21		2 184 580 235,87
Reinsurers' share	-23 825 086,66	2 167 925 846,55	-23 699 876,34
Provision for outstanding claims in life insurance	702 742 289,00		679 153 845,00
Reinsurers' share	0,00	702 742 289,00	0,00
Equalization provision		970 576 331,00	952 935 561,00
		5 820 462 413,49	5 799 261 916,78
Technical provisions for unit-linked policies			
Technical provisions		2 112 377 186,00	1 796 029 679,00
Obligatory provisions			
Other obligatory provisions	K14	4 002 408,52	4 316 896,04
Deposits received from reinsurers		523 961,97	2 587,49
Creditors	K16		
Arising out of direct insurance operations		25 033 387,80	20 839 164,38
Arising out of reinsurance operations		4 402 323,24	9 316 100,38
Loans from financial institutions		8 967 985,02	8 968 092,18
Pension loans		7 972,00	28 085,00
Other creditors		74 827 709,86	104 313 101,54
Deferred tax liabilities	K15	967 914,38	911 723,85
		114 207 292,30	144 376 267,33
Accruals and deferred income		78 453 693,81	63 296 902,84
Total liabilities		10 343 676 583,20	9 750 275 713,06

Indirect cash flow statement, LocalTapiola Group

	2017	2016
Cash flow from operations		
Profit from ordinary activities/profit before extraordinary	268 952 590,04	292 706 811,09
Adjustments		
Changes in technical provisions	337 548 003,71	230 025 932,41
Value adjustments and revaluation of investments	-128 805 089,20	-70 872 816,54
Changes in other obligatory provisions	-314 487,52	-183 926,75
Depreciation according to plan	38 672 457,12	48 223 801,83
Other adjustments	-25 520 491,93	-92 057 384,09
<i>Cash flow before change in working capital</i>	490 532 982,22	407 842 417,95
Change in working capital:		
Increase (-) / decrease (+) in non-interest-bearing short-term receivables	4 263 335,88	-3 011 845,23
Increase (-) / decrease (+) in non-interest-bearing short-term debts	-14 490 809,50	13 367 347,89
<i>Cash flow from operations before financial items and taxes</i>	480 305 508,60	418 197 920,61
Other financial income and expenses		
paid/received	-3 625 000,00	-3 625 000,00
Direct taxes paid	-88 973 493,14	-53 296 354,18
Cash flow from operations	387 707 015,46	361 276 566,43
Cash flow from investments		
Investments in assets (excl. cash and c. equivalents)	-414 139 845,77	-470 200 694,02
Capital gains from investments (excl. cash and c. equivalents)	118 726 549,97	144 566 264,19
Change in minority interest	4 001 588,46	2 431 185,82
Investments in tangible and intangible assets as well as other assets and capital gains (net)	-35 272 758,74	-9 169 277,36
Cash flow from investments	-326 684 466,08	-332 372 521,37
Cash flow from financial		
Loans raised	74 600,00	
Repayment of debt	0,00	-227 480,01
Interest on guarantee capital paid and other distribution of profit	-940 466,94	-279 000,00
Cash flow from financial	-865 866,94	-506 480,01
Change in cash and cash equivalents	60 156 682,44	28 397 565,05
Cash and cash equivalents at the start of the year	273 006 027,89	244 608 462,84
Cash and cash equivalents at the end of the year	333 162 710,33	273 006 027,89

Key figures, LocalTapiola Group

	M€	
General key figures describing financial development	2017	2016
Operating profit	343,0	327,4
Total result	406,0	363,8
Return on assets, %	5,9	5,8
Average number of personnel during financial year 1)	3 404	3 370
Key figures describing the financial development of non-life insurance		
Premium income	1 154,1	1 176,7
Loss ratio (excl. unwinding of discount expense), %	65,5	68,5
Loss ratio, %	67,6	70,9
Expense ratio, %	23,5	23,2
Combined ratio (excl. unwinding of discount expense), %	88,9	91,8
Combined ratio, %	91,1	94,1
Equalisation provision in reporting currency	970,6	952,9
Key figures describing the financial development of life insurance		
Premium income	516,0	421,7
Expense ratio, %	134,3	120,5

LocalTapiola General's main statements

Profit and loss account

TECHNICAL ACCOUNT	1.1.2017	-	31.12.2017	1.1.2016	-	31.12.2016
Premiums earned						
Premiums written	1	410 673 204,53		509 448 640,62		
Reinsurers' share		<u>-29 320 687,80</u>	<u>381 352 516,73</u>	<u>-29 896 741,12</u>	<u>479 551 899,50</u>	
Change in provision for unearned premiums						
Business transfer decrease		-108 579 046,05		0,00		
Total change		<u>98 758 522,27</u>	<u>-9 820 523,78</u>	<u>916 977,68</u>	<u>916 977,68</u>	
Reinsurers' share						
Business transfer decrease		266 265,26		0,00		
Total change		<u>2 215 603,17</u>	<u>2 481 868,43</u>	<u>240 957,94</u>	<u>240 957,94</u>	
Change in provision for unearned premiums, total			-7 338 655,35			1 157 935,62
Total premiums earned			374 013 861,38			480 709 835,12
Claims incurred						
Claims paid		-277 726 221,45		-336 075 110,50		
Reinsurers' share		<u>13 508 744,06</u>	<u>-264 217 477,39</u>	<u>15 323 458,35</u>	<u>-320 751 652,15</u>	
Change in provision for outstanding claims						
Business transfer decrease		-1 048 306 904,61		0,00		
Total change		<u>1 014 563 358,02</u>	<u>-33 743 546,59</u>	<u>-45 713 876,35</u>	<u>-45 713 876,35</u>	
Reinsurers' share						
Business transfer decrease		8 203 297,78		0,00		
Total change		<u>-9 232 653,14</u>	<u>-1 029 355,36</u>	<u>163 250,48</u>	<u>163 250,48</u>	
Change in provision for outstanding claims, total			-34 772 901,95			-45 550 625,87
Total claims incurred			-298 990 379,34			-366 302 278,02
Operating expenses	3		-77 829 267,16			-105 569 395,40
Balance on technical account before change in equalization provision			-2 805 785,12			8 838 161,70
Change in equalization provision						
Business transfer decrease		-254 276 905,94		0,00		
Total change		<u>267 439 189,04</u>	<u>13 162 283,10</u>	<u>24 443 010,00</u>	<u>24 443 010,00</u>	
Balance on technical account	2		10 356 497,98			33 281 171,70

NON-TECHNICAL ACCOUNT		1.1.2017	-	31.12.2017	1.1.2016	-	31.12.2016
Balance on technical account				10 356 497,98			33 281 171,70
Investment income	4	254 965 737,02			260 233 445,34		
Investment charges	4	-80 341 003,85			-87 456 991,41		
Revaluation adjustments on investments	4	-3 344 053,70		171 280 679,47	-1 883 000,00		170 893 453,93
Other income		4					
Other				23 002 916,92			19 007 145,97
Other expenses		4					
Other				-17 049 761,02			-15 840 734,97
Profit on ordinary activities				187 590 333,35			207 341 036,63
Profit before appropriations and taxes				187 590 333,35			207 341 036,63
Appropriations							
Change in depreciation difference		22 151,51			-21 694,29		
Change in optional provision		0,00		22 151,51	0,00		-21 694,29
Direct taxes on ordinary activities							
Taxes for the financial period		-29 003 932,66			-39 497 145,10		
Taxes for previous financial periods		-719 682,53			478 788,46		
Change in deferred tax liabilities		0,00		-29 723 615,19	0,00		-39 018 356,64
Profit for the accounting period				157 888 869,67			168 300 985,70

Balance sheet

ASSETS		31.12.2017	31.12.2016
Intangible assets			
Other expenses with long-term effects	9	18 094 931,51	17 953 241,83
Investments	5		
Real estate investments	6		
Real estate and shares in real estate		154 505 404,56	235 658 991,61
Loans to group companies		67 251 651,63	154 666 500,27
Loans to participating interests		<u>7 500 000,00</u>	<u>0,00</u>
Investments in group companies and participating interests	7		
Shares in group companies		644 773 097,92	226 544 540,20
Debt securities and loans of companies in same group		0,00	70 193 120,01
Shares and holdings in participating interests		87 166 472,27	121 580 433,12
Debt securities and loans in participating interests		<u>4 750 000,00</u>	<u>4 000 000,00</u>
Other investments			
Shares and holdings		714 486 235,42	917 105 485,29
Debt securities		588 053 042,10	1 255 548 012,25
Loans guaranteed by mortgages		7 000 000,14	262 277 060,37
Other loans	8	34 898 635,38	203 372 486,00
Deposits		7 126 505,13	16 641 968,36
Other investments		<u>0,00</u>	<u>0,00</u>
Deposits with ceding undertakings		<u>709 256,78</u>	<u>706 068,57</u>
		<u>2 318 220 301,33</u>	<u>3 468 294 666,05</u>
Debtors	15		
Arising out of direct insurance operations			
Policyholders		37 110 142,75	95 952 420,69
Intermediaries		<u>0,00</u>	<u>0,00</u>
Arising out of reinsurance operations		12 650 315,53	13 999 503,53
Deferred tax claim		0,00	0,00
Other debtors		<u>103 871 013,16</u>	<u>99 400 661,84</u>
		<u>153 631 471,44</u>	<u>209 352 586,06</u>
Other assets			
Tangible assets			
Machinery and equipment	9	1 528 961,20	1 706 242,90
Other tangible assets		71 590,50	700 693,67
Provisional premiums		<u>0,00</u>	<u>0,00</u>
Cash at bank and in hand		37 628 224,11	57 216 433,16
Other assets		<u>3 090 436,16</u>	<u>3 156 739,36</u>
		<u>42 319 211,97</u>	<u>62 780 109,09</u>
Prepayments and accrued income			
Accrued interest and rent		6 298 606,52	18 024 285,84
Other prepayments and accrued income		<u>8 636 986,14</u>	<u>8 441 750,82</u>
		<u>14 935 592,66</u>	<u>26 466 036,66</u>
Total assets		<u>2 547 201 508,91</u>	<u>3 784 846 639,69</u>

LIABILITIES		31.12.2017	31.12.2016
Capital and reserves	10		
Initial reserve		8 641 380,35	8 641 380,35
Revaluation reserve		218 348,97	218 348,97
Other reserves		1 205 288 610,48	1 037 196 624,78
Profit for the accounting period		157 888 869,67	168 300 985,70
		<u>1 372 037 209,47</u>	<u>1 214 357 339,80</u>
Accumulated appropriations	11		
Accumulated depreciation difference		51 655,03	73 806,54
		<u>51 655,03</u>	<u>73 806,54</u>
Technical provisions			
Provision for unearned premiums		34 349 552,00	133 108 074,32
Reinsurers' share		<u>-5 384 787,21</u>	<u>-3 169 184,04</u>
Provision for outstanding claims		945 063 683,34	1 959 627 041,35
Reinsurers' share		<u>-14 451 627,34</u>	<u>-23 684 280,48</u>
Equalization provision		162 895 801,00	430 334 990,00
		<u>1 122 472 621,79</u>	<u>2 496 216 641,15</u>
Obligatory provisions			
Other obligatory provisions	13	224 625,89	3 726 083,96
		<u>224 625,89</u>	<u>3 726 083,96</u>
Deposits received from reinsurers		1 279,47	2 587,49
Creditors	15		
Arising out of direct insurance operations		7 476 259,85	9 041 638,40
Arising out of reinsurance operations		13 655 961,51	18 001 206,48
Other creditors		16 495 154,66	26 074 834,89
		<u>37 627 376,02</u>	<u>53 117 679,77</u>
Accruals and deferred income	15	14 786 741,24	17 352 500,98
Total liabilities		<u><u>2 547 201 508,91</u></u>	<u><u>3 784 846 639,69</u></u>

Indirect cash flow statement

	31.12.2017	31.12.2016
Cash flow from operations		
Profit from ordinary activities/profit before extraordinary items	187 590 333,35	207 341 036,63
Adjustments		
Changes in technical provisions	-2 776 437 312,92	19 949 680,25
Business transfer decrease	1 402 693 293,56	0,00
Value adjustments and revaluation of investments	-23 093 916,28	-7 323 345,52
Unrealized exchange rate gain/-loss		
Changes in other obligatory provisions	-3 501 458,07	-2 734,60
Depreciation according to plan	7 691 170,77	7 244 046,20
Other non-cash income and expenses		
Other adjustments	-66 746 527,59	-54 501 670,79
<i>Cash flow before change in working capital</i>	-1 271 804 417,18	172 707 012,17
Change in working capital:		
Increase (-) / decrease (+) in non-interest-bearing short-term receivables	128 129 641,19	-7 392 195,25
Business transfer decrease	-60 878 082,57	0,00
Increase (-) / decrease (+) in non-interest-bearing short-term debts	6 258 494,80	4 233 586,08
Business transfer decrease	-24 315 866,31	0,00
<i>Cash flow from operations before financial items and taxes</i>	-1 222 610 230,07	169 548 403,00
Other financial income and expenses paid/received		
Direct taxes paid	-29 723 615,19	-39 018 356,64
Cash flow from operations	-1 252 333 845,26	130 530 046,36
Cash flow from investments		
Investments in assets (excl. cash and c. equivalents)	2 529 045 822,35	-195 593 575,42
Business transfer decrease	-1 355 995 213,51	0,00
Capital gains from investments (excl. cash and c. equivalents)	66 746 527,59	54 501 670,79
Investments in tangible and intangible assets as well as other assets and capital gains (net)	-6 456 729,22	-6 650 865,41
Business transfer decrease	-385 771,00	0,00
Cash flow from investments	1 232 954 636,21	-147 742 770,04
Cash flow from financial		
other distribution of profit	-209 000,00	-199 000,00
Cash flow from financial	-209 000,00	-199 000,00
Change in cash and cash equivalents	-19 588 209,05	-17 411 723,68
Cash and cash equivalents at the start of the year	57 216 433,16	74 628 156,84
Cash and cash equivalents at the end of the year	37 628 224,11	57 216 433,16

Key figures

	M€				
General key figures describing financial development	2017	2016	2015	2014	2013
Operating profit	174,4	182,9	181,0	72,3	234,1
Total result	129,9	174,4	150,3	61,5	222,7
Return on capital employed (at current value), %	4,0	4,4	4,8	4,1	4,0
Return on assets, %	4,4	5,1	4,7	2,4	6,0
Average number of personnel during financial year	372	408	439	1 667	2 286
Number of employees in relation to payroll	372	408	439	1 400	1 884
Key figures describing the financial development of non-life insurance					
Premium income	410,7	509,4	547,7	585,6	903,6
Loss ratio (excl. unwinding of discount expense), %	75,3	70,7	73,5	81,8	61,6
Loss ratio, %	79,9	76,2	79,2	87,6	65,2
Expense ratio, %	20,8	22,0	24,8	26,0	26,9
Combined ratio (excl. unwinding of discount expense), %	96,1	92,6	98,3	107,8	88,5
Combined ratio, %	100,8	98,2	104,1	113,7	92,2

Notes to the financial statements

Notes to the profit and loss account and balance sheet in LocalTapiola Group's consolidated financial statements

Notes to profit and loss account, LocalTapiola Group

K1. Premium income in life and non-life insurance

	2017	2016
Non-life insurance		
Direct insurance		
Finland	1 095 183 370,61	1 118 775 996,54
Direct insurance total	1 095 183 370,61	1 118 775 996,54
Reinsurance	58 962 812,93	57 932 995,81
<i>Total</i>	<u>1 154 146 183,54</u>	<u>1 176 708 992,35</u>
Life-insurance		
Direct insurance		
Finland	516 017 481,77	421 702 710,43
Direct insurance total	<u>516 017 481,77</u>	<u>421 702 710,43</u>
<i>Total</i>	<u>516 017 481,77</u>	<u>421 702 710,43</u>
Gross premiums written before reinsurers' share	<u><u>1 670 163 665,31</u></u>	<u><u>1 598 411 702,78</u></u>

K1.1. Items depreciated from premium income

	2017	2016
Credit loss on outstanding premiums	6 382 607,32	6 264 736,58
PAYG system fees	54 930 911,88	54 303 726,94
Premium tax	199 168 130,83	204 394 764,13
Fire brigade charge	3 188 317,16	3 263 257,95
Road safety charge	1 981 070,87	2 490 864,32
Labour protection charge	2 382 671,16	2 439 071,62
<i>Total</i>	<u><u>268 033 709,22</u></u>	<u><u>273 156 421,54</u></u>

K1.2 Life insurance premium income

	2017	2016
Direct insurance		
Life-insurance		
Unit-linked individual life insurance	248 834 647,72	191 666 545,11
Other individual life insurance	52 876 421,80	47 488 584,28
Unit-linked capital redemption policy	51 413 665,22	25 388 256,05
Other redemption policy	1 394 622,12	0,00
Employees' group life insurance	11 596 818,95	10 069 595,14
Other group life insurance	65 304 723,19	58 926 479,62
<i>Total</i>	<u>431 420 899,00</u>	<u>333 539 460,20</u>
Pension insurance		
Unit-linked individual pension insurance	29 303 657,45	32 136 548,86
Other individual pension insurance	15 339 656,81	20 138 901,83
Unit-linked group pension insurance	11 025 947,97	10 504 647,64
Other group pension insurance	28 927 320,54	25 383 151,90
<i>Total</i>	<u>84 596 582,77</u>	<u>88 163 250,23</u>
Total direct premiums written	516 017 481,77	421 702 710,43
Gross premiums written before reinsurers' share	<u>516 017 481,77</u>	<u>421 702 710,43</u>
<i>Gross premiums written before reinsurers' share</i>		
Regular premiums	396 749 060,15	326 969 438,03
Single premiums	119 268 421,62	94 733 272,40
<i>Total</i>	<u>516 017 481,77</u>	<u>421 702 710,43</u>
Premiums from contracts entitled to bonuses	175 439 563,41	162 006 712,77
Premiums from unit-linked insurance	340 577 918,36	259 695 997,66
	<u>516 017 481,77</u>	<u>421 702 710,43</u>

K1.3 Impact of life insurance rebates and discounts on the result

	2017	2016
Rebates		
Life-insurance		
Unit-linked individual life insurance		
Other individual life insurance	2 210 904,75	1 721 812,87
Other redemption policy	46 001,79	0,00
Other group life insurance	229 204,00	196 044,00
<i>Total</i>	<u>2 486 110,54</u>	<u>1 917 856,87</u>
Pension insurance		
Unit-linked individual pension insurance		
Other individual pension insurance	2 065 098,81	1 948 365,39
Other group pension insurance	1 796 275,07	1 424 247,39
<i>Total</i>	<u>3 861 373,88</u>	<u>3 372 612,78</u>
Rebates total	<u>6 347 484,42</u>	<u>5 290 469,65</u>
Discounts		
Life-insurance		
Unit-linked individual life insurance	292 186,00	428 556,15
Other individual life insurance	176 124,54	257 950,32
Other group life insurance	1 490 810,42	1 655 361,68
	<u>1 959 120,96</u>	<u>2 341 868,15</u>
Rebates and discounts total	<u>8 306 605,38</u>	<u>7 632 337,80</u>

K2. Claims paid under life insurance and profit for insurance groups for non-life insurance

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

	2017	2016
Direct insurance		
Life-insurance	202 532 611,72	212 121 065,32
Pension insurance	125 300 098,70	121 465 526,98
<i>Total</i>	<u>327 832 710,42</u>	<u>333 586 592,30</u>
Reinsurers' share	-1 473 851,83	-383 473,32
Total claims paid	<u>326 358 858,59</u>	<u>333 203 118,98</u>
Of which:		
Surrenders	109 634 242,95	123 951 181,98
Repayments of benefits	43 633 853,58	41 255 981,47
Other	174 564 613,89	168 379 428,85
	<u>327 832 710,42</u>	<u>333 586 592,30</u>
Share of unit-linked insurance of claims paid	117 007 189,69	127 694 701,82

K2.2 Profit by insurance groups

		Premiums written before reinsurers' share	Premiums earned before reinsurers' share	Claims incurred before reinsurers' share	Operating expenses before commissions for reinsurance and profit shares	Reinsurers' share	Balance on technical account before net investment income
Statutory workers' compensation	2017	143 578 674,85	143 945 836,24	-110 302 680,11	-28 773 996,12	-301 857,50	4 567 302,51
	2016	145 928 904,96	145 463 974,57	-114 570 650,17	-28 357 448,45	-319 652,13	2 216 223,81
Non-statutory accident and health	2017	145 521 361,31	142 864 365,73	-101 810 237,44	-30 444 147,99	-292 142,20	10 317 838,10
	2016	134 859 310,87	130 824 380,35	-97 762 456,77	-29 917 428,42	-286 214,52	2 858 280,65
Motor vehicle liability	2017	196 126 065,39	210 844 353,74	-129 198 282,91	-49 187 007,55	1 085 820,07	33 544 883,35
	2016	225 090 542,75	228 270 313,35	-156 039 422,10	-47 273 420,31	-1 641 209,93	23 316 261,01
Land vehicles	2017	212 927 802,79	210 134 533,90	-148 453 195,58	-50 018 277,29	-90 660,43	11 572 400,60
	2016	206 024 710,32	205 654 451,54	-141 948 407,46	-51 250 131,51	132 044,53	12 587 957,10
Marine, aviation, railway rolling stock and transport	2017	13 781 629,56	13 818 334,65	-7 040 293,23	-3 791 486,34	-193 871,72	2 792 683,36
	2016	13 375 934,00	13 285 404,04	-5 318 983,23	-3 836 430,96	176 860,45	4 306 850,30
Fire and other damage to property	2017	301 787 215,00	305 449 406,22	-184 946 598,57	-74 519 828,43	-4 770 394,89	41 212 584,33
	2016	311 161 101,23	311 830 528,52	-208 340 091,68	-76 206 546,82	-3 941 282,61	23 342 607,40
General liability	2017	42 027 211,64	42 132 866,62	-28 967 006,20	-10 296 408,49	-3 803 438,93	-933 987,00
	2016	44 237 257,34	43 605 999,66	-33 287 994,54	-9 700 002,91	-2 987 168,50	-2 369 166,29
Credit and suretyship	2017	4 130 103,85	2 107 151,51	-641 520,47	-417 875,49	605 216,01	1 652 971,56
	2016	2 742 288,78	2 014 579,12	-214 038,74	-400 994,89	-427 756,80	971 788,69
Legal expenses	2017	22 996 820,69	22 941 794,21	-14 336 140,44	-5 483 464,88	0,00	3 122 188,89
	2016	22 313 520,27	22 258 919,52	-14 640 230,75	-5 457 098,89	0,00	2 161 589,89
Other	2017	12 306 485,53	12 474 080,73	-14 965 651,47	-3 245 738,96	-908 273,75	-6 645 583,45
	2016	13 042 426,02	12 874 270,68	-8 471 528,05	-3 274 008,33	-484 896,21	643 838,10
Direct insurance total	2017	1 095 183 370,61	1 106 712 723,55	-740 661 606,42	-256 178 231,54	-8 669 603,34	101 203 282,25
	2016	1 118 775 996,54	1 116 082 821,35	-780 593 803,48	-255 673 511,49	-9 779 275,72	70 036 230,66
Reinsurance	2017	58 962 812,93	59 881 146,93	-40 270 592,03	-16 634 279,72	-2 954 430,60	21 844,58
	2016	57 932 995,81	56 249 165,81	-41 991 996,04	-16 820 634,01	-665 881,67	-3 229 345,91
Total	2017	1 154 146 183,54	1 166 593 870,48	-780 932 198,45	-272 812 511,26	-11 624 033,94	101 225 126,83
	2016	1 176 708 992,35	1 172 331 987,16	-822 585 799,53	-272 494 145,50	-10 445 157,39	66 806 884,74
Change in equalization provision	2017						-17 640 769,96
	2016						28 792 320,40
Balance on technical account	2017						83 584 356,87
	2016						95 599 205,14

K3. Notes concerning operating expenses and personnel and members of corporate bodies

K3.1 Total operating expenses by activity

	2017	2016
Claims management expenses	90 740 887,50	92 658 820,01
Operating expenses	324 353 868,49	312 552 433,80
Investment operating expenses	17 315 894,57	15 820 600,51
Other expenses	43 963 985,18	45 151 859,91
Total	476 374 635,74	466 183 714,23

K3.2 Profit and loss account item operating expenses

	2017	2016
Insurance policy acquisition costs		
Commissions for direct insurance	33 406 075,43	33 041 638,57
Commissions for reinsurance assumed and profit shares	13 758 755,39	13 888 159,74
Other insurance policy acquisition costs	114 133 167,07	107 792 832,36
	<u>161 297 997,89</u>	<u>154 722 630,67</u>
Insurance policy management expenses	97 562 657,64	101 740 949,43
Administrative expenses	72 298 049,11	64 569 490,61
Commissions for reinsurance ceded and profit shares	-6 804 836,15	-8 480 636,91
<i>Total</i>	<u><u>324 353 868,49</u></u>	<u><u>312 552 433,80</u></u>

K3.3 Notes concerning personnel and members of corporate bodies

K3.3.1 Personnel expenses

	2017	2016
Salaries and remunerations	195 985 617,15	185 589 801,65
Pension expenses	38 642 183,21	38 064 829,08
Other personnel expenses	7 765 184,26	11 154 718,60
<i>Total</i>	<u><u>242 392 984,62</u></u>	<u><u>234 809 349,33</u></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	8 219 679,74	8 213 273,39
Pension commitments	The retirement age of the managing director and deputy managing director is stated by the law.	
Monetary loans and terms thereof	No monetary loans granted.	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted.	
Board members and deputy board members		
Salaries and remunerations	3 677 069,29	3 063 755,22
Pension commitments	The pensionable age of board members and deputy board members is stated by the law.	
Monetary loans and terms thereof	No monetary loans granted.	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted.	
Supervisory board		
Salaries and remunerations	933 071,66	951 810,00
Pension commitments	No pension commitments.	
Monetary loans and terms thereof	No monetary loans granted.	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted.	

K3.3.3 Average number of personnel during the financial year

Office staff	3 404	3 370
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K3.4 Auditor's fees by assignment category

	2017	2016
Auditing	397 157,95	321 654,47
Assignments referred to in section 1, subsection 1, paragraph 2 of the Auditing Act	8 218,10	0,00
Tax advice	15 872,19	45 844,87
Other services	289 560,31	416 778,50
Total	710 808,55	784 277,84

K4. Net investment income and other income and expenses

K4.1 Specification of net investment income

Investment income	2017	2016
Income from group companies		
Dividend income	347 065,89	264 071,86
Total	347 065,89	264 071,86
Income from participating interests		
Interest income	58 017,13	137 002,59
Other income	0,00	1 904 541,10
Total	58 017,13	2 041 543,69
Income from real estate investments in participating interests		
Interest income	0,00	20,00
Other income	0,00	3 205,25
Total	0,00	3 225,25
Income from real estate investments in other companies		
Dividend income	858,21	686,56
Interest income	95 144,16	77 895,47
Other income	65 562 287,93	64 493 123,33
Total	65 658 290,30	64 571 705,36
Income from other investments		
Dividend income	121 246 054,38	105 424 013,68
Interest income	67 894 483,70	82 237 175,82
Other income	22 111 905,88	26 108 627,05
Total	211 252 443,96	213 769 816,55
Total	277 315 817,28	280 650 362,71
Value readjustments	104 383 231,40	71 464 453,84
Realized gains	154 606 068,78	178 238 310,54
Total investment income	536 305 117,46	530 353 127,09

Investment charges	2017	2016
Expenses arising from real estate investments	-31 221 539,54	-35 180 773,26
Expenses arising from other investments	-24 326 190,46	-23 014 256,39
Interest paid and other expenses on liabilities		
From other companies	-4 435 517,47	-4 693 226,75
<i>Total</i>	<u>-4 435 517,47</u>	<u>-4 693 226,75</u>
Total	-59 983 247,47	-62 888 256,40
Value adjustments and depreciation		
Value adjustments	-59 317 440,15	-72 684 659,38
Planned depreciation on buildings	-20 642 028,84	-19 793 746,24
<i>Total</i>	<u>-79 959 468,99</u>	<u>-92 478 405,62</u>
Realized losses	-35 879 518,81	-33 672 046,35
Total investment charges	-175 822 235,27	-189 038 708,37
Net investment income before revaluations and revaluation adjustments	360 482 882,19	341 314 418,72
Revaluations of investments	109 299 080,65	91 287 760,80
Revaluation adjustments on investments	-25 559 782,70	-19 194 738,72
	<u>83 739 297,95</u>	<u>72 093 022,08</u>
Net investment income in the profit and loss account	444 222 180,14	413 407 440,80

K4.2 Unit-linked insurance policies' share of net investment income

	2017	2016
Investment income	38 515 916,00	30 658 167,42
Investment charges	-4 134 551,98	-3 529 765,02
Net investment income before revaluations and their adjustment as well as value adjustments and readjustments	34 381 364,02	27 128 402,40
Revaluations of investments	109 299 080,65	91 287 760,80
Revaluation adjustments on investments	-19 605 190,30	-17 311 738,72
Value adjustments	-1 158 651,74	-11 156,56
Value readjustments	242 587,92	3 092 417,08
	<u>88 777 826,53</u>	<u>77 057 282,60</u>
Net investment income in the profit and loss account	123 159 190,55	104 185 685,00

K4.3 Specification of other income and expenses

	2017	2016
Other income		
Services sold to partner companies	51 334 504,66	51 691 842,32
Other other income	13 302 258,39	11 043 447,20
<i>Total</i>	64 636 763,05	62 735 289,52
Other expenses		
Depreciation of consolidated goodwill	-317 779,29	-65 327,02
Expenses for services sold	-43 963 985,18	-45 151 859,91
Transfer to personnel fund	-522 445,78	-977 505,00
Other expenses	-4 354 689,47	-4 036 528,92
<i>Total</i>	-49 158 899,72	-50 231 220,85

Notes to balance sheet, LocalTapiola Group

K5. Current value of investments and difference in valuation as well as difference in valuation of non-hedging derivatives

K5.1 Current value of investments and difference in valuation

	2017 Remaining acquisition cost	2017 Book value	Current value
Investments			
Real estate investments			
Real estate	855 612 205,13	872 336 327,35	1 078 882 608,39
Real estate shares in participating interests	40 196,97	40 196,97	71 984,43
Other real estate shares	137 914 194,87	138 299 450,83	170 741 846,47
	993 566 596,97	1 010 675 975,15	1 249 696 439,29
Investments in group companies			
Shares and holdings	7 097 056,07	7 097 056,07	7 097 056,07
	7 097 056,07	7 097 056,07	7 097 056,07
Investments in participating interests			
Shares and holdings	159 629 262,86	159 629 262,86	173 448 508,95
Debt securities	12 000 000,00	12 000 000,00	12 000 000,00
Loans receivable	750 000,00	750 000,00	750 000,00
	172 379 262,86	172 379 262,86	186 198 508,95
Other investments			
Shares and holdings	3 915 389 364,31	3 915 389 364,31	4 407 423 324,82
Debt securities	1 428 747 577,68	1 428 747 577,68	1 464 644 796,53
Loans guaranteed by mortgages	533 250 354,87	533 250 354,87	533 250 354,80
Other loans	293 603 807,24	293 603 807,24	293 603 324,39
Deposits	17 725 124,07	17 725 124,07	17 725 124,07
Other investments	14 467 685,21	14 467 685,21	13 942 276,10
	6 203 183 913,38	6 203 183 913,38	6 730 589 200,71
Deposits with ceding undertakings	709 256,78	709 256,78	709 256,78
	7 376 936 086,06	7 394 045 464,24	8 174 290 461,80

2017

The remaining acquisition cost of debt securities includes:

Difference between the nominal value and acquisition cost released (+) or charged (-) to interest income	-4 309 489,13
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Book value comprises

Revaluations released to income	17 109 378,19
Other revaluations	0,00
	<u>17 109 378,19</u>

Difference in valuation (difference between current value and book value)	<u><u>780 244 997,56</u></u>
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		2016	
Investments	Remaining acquisition cost	Book value	Current value
Real estate investments			
Real estate	788 435 177,59	811 985 258,89	986 521 199,26
Real estate shares in participating interests	36 970,42	36 970,42	71 984,43
Other real estate shares	148 301 579,40	149 052 874,36	183 602 348,12
	<u>936 773 727,41</u>	<u>961 075 103,67</u>	<u>1 170 195 531,81</u>
Investments in group companies			
Shares and holdings	7 097 056,07	7 097 056,07	7 097 056,07
	<u>7 097 056,07</u>	<u>7 097 056,07</u>	<u>7 097 056,07</u>
Investments in participating interests			
Shares and holdings	158 284 942,75	158 284 942,74	187 931 833,57
Debt securities	12 000 000,00	12 000 000,00	12 000 000,00
	<u>170 284 942,75</u>	<u>170 284 942,74</u>	<u>199 931 833,57</u>
Other investments			
Shares and holdings	2 953 788 518,70	2 953 788 518,70	3 363 834 029,46
Debt securities	2 279 494 915,26	2 279 494 915,26	2 347 808 947,72
Loans guaranteed by mortgages	436 321 298,40	436 321 298,40	436 321 298,30
Other loans	345 706 344,97	345 706 344,97	345 706 344,97
Deposits	30 507 042,11	30 507 042,11	30 507 042,11
Other investments	792 235,20	792 235,20	801 124,34
	<u>6 046 610 354,64</u>	<u>6 046 610 354,64</u>	<u>6 524 978 786,90</u>
Deposits with ceding undertakings	706 068,57	706 068,57	706 068,57
	<u><u>7 161 472 149,44</u></u>	<u><u>7 185 773 525,69</u></u>	<u><u>7 902 909 276,92</u></u>

The remaining acquisition cost of debt securities includes:

Difference between the nominal value and acquisition cost released (+) or charged (-) to interest income	-12 966 511,95
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Book value comprises

Revaluations released to income	24 301 376,27
Other revaluations	0,00
	<u>24 301 376,27</u>

Difference in valuation (difference between current value and book value)	<u><u>717 135 751,23</u></u>
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K5.2 Difference in valuation of non-hedging derivatives

		2017	
Derivative contracts	Remaining acquisition cost	Book value	Current value
Other debtors			
Assets pledged as security for derivatives	810 000,00	810 000,00	810 000,00
Other deferred income and credits			
Futures and forward contracts	-725 727,13	-725 727,13	-667 804,35
	84 272,87	84 272,87	142 195,65
Difference in valuation (difference between current value and book value)			57 922,78
		2016	
Derivative contracts	Remaining acquisition cost	Book value	Current value
Other debtors			
Assets pledged as security for derivatives	1 050 000,00	1 050 000,00	1 050 000,00
Other deferred income and credits			
Futures and forward contracts	-1 252 946,31	-1 252 946,31	-1 067 395,38
	-202 946,31	-202 946,31	-17 395,38
Difference in valuation (difference between current value and book value)			185 550,93

K6. Real estate investments

Changes in real estate investments:	2017
	Real estate and shares in real estate
Acquisition cost on 1 Jan.	1 059 981 385,05
Increase	209 379 053,79
Decrease	-168 780 878,44
Transfers between items	352 645,88
Acquisition cost on 31 Dec.	1 100 932 206,28
Accumulated depreciation on 1 Jan.	-81 074 477,38
Accumulated depreciation related to deductions and transfers	13 079 333,40
Depreciation for the financial year	-20 642 028,84
Accumulated depreciation on 31 Dec.	-88 637 172,82
Value adjustments on 1 Jan.	-42 133 180,26
Value adjustments related to deductions and transfers	1 086 910,67
Value adjustments for the financial year	-6 090 566,80
Value readjustments	28 408 399,89
Value adjustments on 31 Dec.	-18 728 436,50
Revaluations on 1 Jan.	24 301 376,27
Decrease	-3 571 107,40
Transfers between items	-3 620 890,68
Revaluations on 31 Dec.	17 109 378,19
Book value on 31 Dec.	1 010 675 975,15
Real estate and shares in real estate occupied for own activities:	
Remaining acquisition cost	42 249 659,81
Book value	42 621 872,02
Current value	42 621 872,02

K7. Investments in Group companies and participating interests

	2017	2016
Shares and holdings in group companies		
Acquisition cost on 1 Jan.	7 097 056,07	7 097 056,07
Book value on 31 Dec.	<u>7 097 056,07</u>	<u>7 097 056,07</u>
Shares and holdings in participating interests		
Acquisition cost on 1 Jan.	235 742 295,76	169 308 140,21
Increase	4 128 040,95	66 434 155,55
Decrease	-5 287 648,44	0,00
Acquisition cost on 31 Dec.	<u>234 582 688,27</u>	<u>235 742 295,76</u>
Value adjustments on 1 Jan.	-77 457 353,02	-63 698 505,20
Value adjustments for the financial year	0,00	-13 758 847,82
Value readjustments	2 503 927,61	0,00
Value adjustments on 31 Dec.	<u>-74 953 425,41</u>	<u>-77 457 353,02</u>
Book value on 31 Dec.	<u>159 629 262,86</u>	<u>158 284 942,74</u>
Debt securities issued by and loans to participating interests		
Acquisition cost on 1 Jan.	12 000 000,00	4 300 000,00
Increase	750 000,00	8 000 000,00
Decrease	0,00	-300 000,00
Acquisition cost on 31 Dec.	<u>12 750 000,00</u>	<u>12 000 000,00</u>
Book value on 31 Dec.	<u>12 750 000,00</u>	<u>12 000 000,00</u>
Total	<u>179 476 318,93</u>	<u>177 381 998,81</u>

K7.1 Investments in companies included in LocalTapiola Group's consolidated financial statements

Shares and holdings	Domicile	Share of stocks %	Equity	Profit for the accounting period
Akapo-Leasing Oy	1) Espoo	100,0 %	11 862,49	-20,00
Aura-Karelia Oy	1) Espoo	100,0 %	147 934,04	-8 843,48
Keskinäinen Vakuutusyhtiö Turva	4) Tampere	76,0 %	37 563 063,18	2 666 617,72
LTC-Otso Oy	2) Helsinki	60,0 %	8 057 481,19	3 625 680,02
LähiTapiola Core Kiinteistöt Ky -konserni	3) Espoo	100,0 %	6 908 093,81	-91 906,19
LähiTapiola Etelä Keskinäinen Vakuutusyhtiö	3) Salo	100,0 %	39 577 832,53	6 357 650,62
LähiTapiola Etelä-Pohjanmaa Keskinäinen Vakuutusyhtiö	3) Seinäjoki	100,0 %	36 761 687,39	4 839 250,68
LähiTapiola Etelärannikko Keskinäinen Vakuutusyhtiö	3) Parainen	100,0 %	11 325 464,72	3 033 171,05
LähiTapiola Itä Keskinäinen Vakuutusyhtiö	3) Iisalmi	100,0 %	49 365 511,58	4 762 160,16
LähiTapiola Kaakkois-Suomi Keskinäinen Vakuutusyhtiö	3) Lappeenranta	100,0 %	34 337 580,56	5 887 847,53
LähiTapiola Kainuu-Koillismaa Keskinäinen Vakuutusyhtiö	3) Kajaani	100,0 %	19 604 184,16	3 545 970,10
LähiTapiola Keskinäinen Henkivakuutusyhtiö	3) Espoo	100,0 %	412 205 224,14	51 724 640,66
LähiTapiola Keski-Suomi Keskinäinen Vakuutusyhtiö	3) Jyväskylä	100,0 %	32 937 661,21	6 657 010,51
LähiTapiola Kiinteistösi joitus I GP Oy	1) Espoo	100,0 %	2 455,80	-44,20
LähiTapiola Kiinteistösi joitus I Ky	3) Espoo	100,0 %	51 190 992,52	65 593,59
LähiTapiola Kiinteistövarainhoito Oy -konserni	1) Espoo	100,0 %	8 836 624,74	1 856 428,97
LähiTapiola KR PK2 Ky -konserni	3) Espoo	100,0 %	18 079 455,67	444 964,08
LähiTapiola Lappi Keskinäinen Vakuutusyhtiö	3) Rovaniemi	100,0 %	19 782 983,15	2 236 359,52
LähiTapiola Loimi-Häme Keskinäinen Vakuutusyhtiö	3) Loimaa	100,0 %	21 364 363,73	5 942 342,20
LähiTapiola Lännen Keskinäinen Vakuutusyhtiö	3) Rauma	100,0 %	39 223 216,57	5 771 144,49
LähiTapiola Palvelut Oy	1) Espoo	100,0 %	11 840 867,08	-6 168 966,26
LähiTapiola Pirkanmaa Keskinäinen Vakuutusyhtiö	3) Tampere	100,0 %	34 333 803,13	4 900 810,06
LähiTapiola Pohjanmaa Keskinäinen Vakuutusyhtiö	3) Vaasa	100,0 %	38 153 960,79	5 310 187,80
LähiTapiola Pohjoinen Keskinäinen Vakuutusyhtiö	3) Oulu	100,0 %	64 531 773,14	13 041 000,95
LähiTapiola Pääkaupunkiseutu Keskinäinen Vakuutusyhtiö	3) Helsinki	100,0 %	65 826 356,97	6 242 481,97
LähiTapiola Pääomasijoitus GP Oy	3) Espoo	100,0 %	224,04	-593,92
LähiTapiola Pääomasijoitus I Ky	3) Espoo	100,0 %	102 770 583,56	4 881 281,15
LähiTapiola Pääomasijoitus II GP Oy	1) Espoo	100,0 %	2 289,73	-205,22
LähiTapiola Pääomasijoitus II Ky	3) Espoo	100,0 %	12 510 035,31	-564 761,92
LähiTapiola Pääomasijoitus III GP Oy	1) Espoo	100,0 %	2 455,80	-44,20
LähiTapiola Pääomasijoitus III Ky	3) Espoo	100,0 %	161 457 440,91	3 931 891,68
LähiTapiola Rahoitus Oy	1) Espoo	100,0 %	19 375 334,17	-615 665,83
LähiTapiola Satakunta Keskinäinen Vakuutusyhtiö	3) Rauma	100,0 %	20 019 412,82	2 421 302,23
LähiTapiola Savo Keskinäinen Vakuutusyhtiö	3) Kuopio	100,0 %	36 154 095,81	4 914 438,69
LähiTapiola Savo-Karjala Keskinäinen Vakuutusyhtiö	3) Mikkeli	100,0 %	25 831 435,25	2 778 196,22
LähiTapiola Tontit GP I Oy	3) Espoo	97,6 %	105 261,56	2 817,97
LähiTapiola Tontit GP II Oy	1) Espoo	100,0 %	97 527,98	-2 472,02
LähiTapiola Tontit I Ky	3) Espoo	80,0 %	43 258 671,99	2 158 671,91
LähiTapiola Tontit II Ky	3) Espoo	95,1 %	1 231 820,10	29 868,78
LähiTapiola Uusimaa Keskinäinen Vakuutusyhtiö	3) Porvoo	100,0 %	37 909 104,15	3 174 953,70
LähiTapiola Varainhoito Oy	1) Espoo	100,0 %	23 026 989,56	4 734 285,33
LähiTapiola Varsinais-Suomi Keskinäinen Vakuutusyhtiö	3) Turku	100,0 %	36 082 739,19	4 490 904,71
LähiTapiola Velkasijoitus I GP Oy	1) Espoo	100,0 %	2 351,15	-143,80
LähiTapiola Velkasijoitus I Ky	3) Espoo	99,3 %	8 978 666,83	-130 912,07
LähiTapiola Vellamo Keskinäinen Vakuutusyhtiö	3) Lahti	100,0 %	38 611 456,89	4 382 450,95
LähiTapiola Yhteiset Kiinteistöt Ky	3) Espoo	100,0 %	182 277 292,65	1 020 394,83
LähiTapiola Yritysrahoitus I GP Oy	1) Espoo	100,0 %	7 772,97	-76,25
LähiTapiola Yritysrahoitus I Ky	3) Espoo	100,0 %	580 651 301,80	6 696 367,26

Shares and holdings	Domicile	Share of stocks %	Equity	Profit for the accounting
Tapiolan Revontuli Oy	1) Espoo	100,0 %	51 341,93	2 600,56
Tieto-Tapiola Oy	1) Espoo	100,0 %	3 849 886,79	843 392,71
Tietotyö Oy	1) Espoo	100,0 %	847 821,35	1 547,33
Vakuutusneuvonta Aura Oy	2) Espoo	66,7 %	10 729,40	0,00
Vakuutusneuvonta Pohja Oy	2) Espoo	66,7 %	10 672,17	0,00
Total			2 397 105 150,15	177 792 023,33

In addition, 62 (73) housing associations and real estate companies are integrated into the consolidated financial statements of LocalTapiola

1) A subsidiary in the consolidated financial statements of LocalTapiola Group

2) A subsidiary in the consolidated financial statements of LocalTapiola Group, which is a participating interest for the group in accordance with

3) A subsidiary in the consolidated financial statements of LocalTapiola Group, which is treated as other investment in the group in accordance with

4) A subsidiary in accordance with the Accounting Act, which is not consolidated.

K7.2 Investments in participating interests

Shares and holdings	Domicile	Share of stocks %	Equity	Profit for the accounting period
Fundu Platform Oy	2) Kurikka	20,9 %	421 315,16	-551 322,09
Pihlajalinna Oyj -konserni	3) Tampere	23,4 %	100 300 000,00	9 500 000,00
Project-IT Oy	2) Lohja	25,0 %	1 752 344,50	972 331,45
Seligson & Co Oyj -konserni	3) Helsinki	37,9 %	11 088 476,09	2 230 264,00
S-Pankki Oy -konserni	3) Helsinki	23,5 %	413 897 594,61	12 352 320,61
Total			527 459 730,36	24 503 593,97

In addition, 2 (2) housing associations and real estate companies are integrated into the consolidated financial statements of LocalTapiola Group

2) Participating interest

3) A participating interest in the consolidated financial statements of LocalTapiola Group, which is treated as other investment in the group

K7.3 Other investments

Security	Share of stocks %	Number	Book value	Current value	Home country
Finnish companies, listed					
Amer- Sports Oyj	0,31	364 050,00	4 489 995,87	8 405 914,50	Finland
Fortum Oyj	0,00	42 680,00	704 038,12	704 220,00	Finland
Huhtamäki Oyj	0,28	298 160,00	9 568 526,52	10 435 600,00	Finland
Ilkka-Yhtymä Oyj	0,99	252 786,00	806 295,72	909 307,74	Finland
Kemira Oyj	0,15	227 600,00	2 521 842,84	2 617 400,00	Finland
Kone Oyj B	0,06	316 576,00	8 961 766,27	14 176 273,28	Finland
Nokia Oyj	0,03	1 877 242,00	7 309 980,35	7 309 980,35	Finland
Outokumpu Oyj	0,02	66 379,00	513 773,46	513 773,46	Finland
Stora Enso	0,12	958 000,00	8 028 034,56	12 664 760,00	Finland
Suomen Hoivatilat Oyj	0,96	199 116,00	563 060,97	1 453 546,80	Finland
UPM-Kymmene Oyj	0,01	53 272,00	617 692,05	1 380 277,52	Finland
Vaisala Oyj A	1,54	280 799,00	6 768 007,82	12 495 555,50	Finland
Wulff-Yhtiöt Oyj	6,22	411 100,00	678 315,00	678 315,00	Finland
Others		1 743 897,00	2 787 581,52	4 469 735,79	
Total		7 091 657,00	54 318 911,07	78 214 659,94	

Security	%	Number	Book value	Current value	Home country
Finnish companies, non-listed					
Autovahinkokeskus Oy	18,55	1 356,00	570 157,07	570 157,07	Finland
CAP-Group Oy	13,34	1 586,00	2 540 753,22	2 540 753,22	Finland
Keski-Pohjanmaan Kirjapaino Oyj A	7,56	32 000,00	699 661,77	825 600,00	Finland
LeaseGreen Group Oy	5,08	198 708,00	1 762 476,38	1 762 476,38	Finland
LähiRahoitus Oy	11,83	136,00	647 196,83	647 196,83	Finland
Oy Wedeco Ab	100,00	126,00	1 351 664,62	1 351 664,62	Finland
Sofigate Group Oy	6,23	1 192 652,00	3 999 999,78	3 999 999,78	Finland
Others		36 847 045,67	2 906 383,70	3 150 227,84	
Total		38 273 609,67	14 478 293,37	14 848 075,74	
Foreign companies, listed					
AbbVie Inc	0,01	151 000,00	8 070 305,10	12 176 444,59	USA
Adecco SA	0,12	207 000,00	13 187 361,14	13 187 361,14	Switzerland
Allstate Corp/The	0,03	123 000,00	7 494 656,56	10 739 039,44	USA
Amazon.com Inc	0,00	13 000,00	9 533 698,06	12 676 653,05	USA
Anheuser-Busch InBev NV	0,01	114 000,00	10 616 820,00	10 616 820,00	Belgium
Assa Abloy Ab B	0,06	618 000,00	10 697 819,95	10 697 819,95	Sweden
AstraZeneca PLC	0,02	229 000,00	13 217 643,67	13 217 643,67	UK
Automatic Data Processing Inc	0,02	88 000,00	7 223 724,65	8 598 949,38	USA
Axa Sa	0,03	634 000,00	13 112 384,47	15 681 990,00	France
BASF SE	0,01	102 000,00	7 097 597,67	9 357 480,00	Germany
Bayer AG	0,01	123 000,00	10 473 039,66	12 792 000,00	Germany
Boliden AB	0,17	467 000,00	12 118 294,73	13 311 952,70	Sweden
Bunzl PLC	0,11	380 000,00	8 874 361,78	8 874 361,78	UK
Carl Zeiss Meditec AG	0,35	285 885,00	5 501 123,61	14 797 407,60	Germany
Cellnex Telecom SAU	0,28	642 000,00	10 309 508,57	13 706 700,00	UK
Cognizant Technology Solutions Corp	0,03	153 000,00	8 088 730,14	9 060 335,19	USA
Compass Group PLC	0,04	659 614,00	10 670 579,82	11 895 251,51	UK
Continental Ag	0,03	66 000,00	13 299 589,42	14 853 300,00	Germany
Danske Bank A/S	0,05	479 000,00	12 225 827,53	15 544 386,09	Denmark
Deutsche Telekom AG	0,01	688 000,00	10 178 960,00	10 178 960,00	Germany
Eaton Corp PLC	0,02	78 000,00	5 075 787,03	5 138 647,54	Ireland
Henkel Kgaa -Vorzug	0,08	136 000,00	14 259 178,01	15 007 600,00	Germany
Infineon Technologies AG	0,03	662 000,00	12 478 270,01	15 116 770,00	Germany
ING Groep NV	0,09	1 147 000,00	14 052 614,93	17 577 775,00	The Netherlands
Ingersoll-Rand PLC	0,03	81 000,00	5 871 907,07	6 023 838,91	USA
Innogy SE	0,05	292 000,00	9 541 100,00	9 541 100,00	Germany
Johnson Matthey PLC	0,17	365 000,00	12 650 327,43	12 650 327,43	UK
Medtronic Inc	0,01	151 700,00	8 065 085,29	10 214 104,06	Ireland
National Grid PLC	0,03	1 015 832,00	10 019 437,84	10 019 437,84	UK
Nordea Bank Ab	0,01	294 210,00	2 821 907,07	2 971 521,00	Sweden
Novartis Ag	0,01	171 743,00	12 072 946,23	12 093 337,21	Switzerland
PepsiCo Inc	0,01	83 000,00	5 252 298,92	8 299 307,93	USA
Sandvik Ab	0,01	880 000,00	11 456 364,20	12 846 258,56	Sweden
SAP Ag	0,08	130 000,00	12 011 302,65	12 148 500,00	Germany
Schlumberger Ltd	0,07	121 000,00	6 799 124,49	6 799 124,49	USA
SGS SA	0,01	5 970,00	10 853 244,67	12 963 399,42	Switzerland
Skanska AB	0,14	566 000,00	9 774 680,51	9 774 680,51	Sweden
Snap-on Inc	0,09	51 000,00	7 163 533,42	7 412 073,71	USA
TeliaSonera Ab	0,05	2 186 133,00	8 141 159,29	8 141 159,29	Sweden
Temenos Group Ag	0,22	159 000,00	12 078 834,11	16 984 276,19	Switzerland
Total Sa	0,01	343 000,00	15 527 371,05	15 793 435,00	France
Unilever Nv -CVA	0,02	322 000,00	11 875 314,75	15 119 510,00	The Netherlands
Visa Inc	0,01	131 000,00	9 824 785,25	12 454 448,43	USA
Vodafone Group Plc	0,02	4 090 000,00	10 833 154,87	10 833 154,87	UK
Others		9 674,00	141 260,74	276 672,88	
Total		19 694 761,00	440 633 016,36	508 165 316,36	

Security	%	Number	Book value	Current value	Home country
Foreign companies, non-listed					
Actor General Partner S.á r.l. Finland 2 S.C.A. - Pr	2,39	337 368,00	6 071 433,00	6 071 433,00	Luxembourg
European Alliance Partners Company AG	12,73	9 248,00	768 146,84	996 521,51	Switzerland
Mehiläinen Holding AB	9	1 308 098,00	63 014 287,00	63 014 287,00	Sweden
Others		98 251,00	168 904,65	168 904,65	
Total		1 752 965,00	70 022 771,49	70 251 146,16	
Mutual funds					
Aktia Trade Finance Erikoissijoitusrahasto			8 000 000,00	8 096 843,46	Finland
Amundi ETF MSCI EM Asia UCITS ETF			20 260 045,41	25 302 451,50	France
Amundi ETF MSCI Emerging Markets UCITS ETF			21 890 002,28	26 833 224,60	France
Amundi ETF MSCI Japan Ucits ETF			5 773 584,55	6 030 177,60	France
BNP Paribas FPS FPE			30 000 000,00	30 040 524,22	France
BNP Paribas Global Senior Corporate Loans			61 287 884,15	61 287 884,15	France
eQ Hoivakiinteistöt			1 196 266,67	1 267 253,53	Finland
GS Emerging Markets Equity			14 852 301,28	14 852 301,28	Luxembourg
ISAM Systematic Trend (Class Q)			8 536 900,70	8 536 900,70	Cayman Islands
iShares Barclays Capital Euro Corporate Bond 1-5			6 769 768,11	6 907 617,20	Ireland
iShares Barclays Capital Euro Corporate Bond			38 934 677,24	39 838 301,40	Ireland
iShares Barclays Euro Corporate Bond IR Hedged			1 415 377,50	1 415 377,50	Ireland
iShares Core MSCI Emerging Markets IMI UCITS ETF			17 540 729,26	20 255 905,50	Germany
iShares Euro Corp Bnd ex-fin			31 657 571,44	32 084 243,60	Ireland
iShares JPM Emerging Market Bond			3 170 759,20	3 170 759,20	Ireland
Lynx Fund			9 143 633,58	9 143 633,58	Sweden
LähiTapiola Aasia-Tyynimeri A			44 510 331,13	57 459 143,99	Finland
LähiTapiola Aasia-Tyynimeri B			879 602,26	1 111 923,46	Finland
LähiTapiola AIF Eurooppa			118 950 750,66	118 950 750,66	Finland
LähiTapiola AIF High Yield			27 500 000,00	27 862 999,97	Finland
LähiTapiola AIF Pitkäkorko			93 983 277,93	93 983 277,93	Finland
LähiTapiola AIF USA			45 641 028,21	47 589 900,10	Finland
LähiTapiola AIF Yrityslaina			164 388 609,75	165 579 356,06	Finland
LähiTapiola Asuntosijoitus Kapitalisaatiosopimus			1 297 886,14	1 392 631,84	Finland
LähiTapiola Eurooppa Keskisuuret A			27 898 363,32	34 695 229,92	Finland
LähiTapiola Eurooppa Keskisuuret B			1 294 620,46	1 459 593,37	Finland
LähiTapiola Eurooppa Markkina A			23 559 928,60	23 559 928,60	Finland
LähiTapiola High Yield A			171 453 368,84	225 609 414,47	Finland
LähiTapiola High Yield B			3 319 245,60	3 951 878,08	Finland
LähiTapiola Hyvinvointi A			28 173 172,17	48 756 264,28	Finland
LähiTapiola Hyvinvointi B			748 601,42	1 116 901,94	Finland
LähiTapiola Infra A			22 173 599,95	31 800 503,12	Finland
LähiTapiola Japani A			29 127 442,88	38 178 776,59	Finland
LähiTapiola Kasvu A			21 261 120,39	30 573 128,80	Finland
LähiTapiola Kehittyvät Korkomarkkinat A			330 103 904,85	357 239 675,49	Finland
LähiTapiola Kehittyvät Korkomarkkinat B			6 513 200,48	6 755 435,93	Finland
LähiTapiola Kehittyvät Markkinat A			101 134 858,39	122 408 169,67	Finland
LähiTapiola Kehittyvät Markkinat B			662 563,71	739 714,17	Finland
LähiTapiola Korkomaailma A			62 356 979,01	70 190 321,70	Finland
LähiTapiola Korkomaailma B			3 092 668,04	3 211 171,42	Finland
LähiTapiola Kuluttaja A			17 374 959,20	31 735 732,17	Finland
LähiTapiola Lyhytkorko A			31 059 935,10	31 440 352,50	Finland
LähiTapiola Osinko A			23 097 926,74	32 672 182,52	Finland
LähiTapiola Osinko Suomi A			11 675 938,93	16 767 843,82	Finland
LähiTapiola Pitkäkorko A			21 233 185,83	23 620 650,26	Finland
LähiTapiola Pitkäkorko B			1 509 187,44	1 545 479,90	Finland
LähiTapiola Pohjoinen Yrityskorko A			138 724 457,72	159 316 591,05	Finland
LähiTapiola Pohjoinen Yrityskorko B			6 622 400,61	6 818 015,63	Finland
LähiTapiola Sijoituskiinteistöt A			52 614 801,00	52 614 801,00	Finland

Security	Book value	Current value	Home country
LähiTapiola Skandinavia A	35 922 604,80	39 587 088,76	Finland
LähiTapiola Suoja A	40 356 151,08	43 861 052,22	Finland
LähiTapiola USA Keskisuuret A	36 786 375,28	58 013 227,34	Finland
LähiTapiola USA Keskisuuret B	645 961,35	976 800,62	Finland
LähiTapiola USA Markkina A	10 105 000,00	10 365 709,00	Finland
LähiTapiola Yrityskorko A	197 307 086,57	231 792 528,42	Finland
LähiTapiola Yrityskorko B	6 168 367,58	6 893 764,06	Finland
Natixis Loomis Sayles Senior Loan Fund	20 000 000,00	21 997 019,55	Luxembourg
OP-High Yield A	653 878,70	1 061 511,60	Finland
Pimco Socially Responsible EM Bond Fund I-EUR HA	87 283 143,40	96 892 323,12	Ireland
Robeco QI Global Dynamic Duration I EUR	1 436 304,05	2 178 137,67	Luxembourg
SEB Global High Yield B	501 819,37	859 087,71	Finland
Seligson Euro Corporate Bond	11 650 000,02	12 447 549,21	Finland
Seligson Euro Corporate Bond B	862 493,98	862 493,98	Finland
Seligson OMX Helsinki 25 -indeksiosuus	505 694,48	769 850,00	Finland
Seligson Rahamarkkina AAA	1 996 902,80	1 996 902,80	Finland
Transtrend Fund Alliance - OmniTrend (EUR)	9 786 823,64	9 786 823,64	Luxembourg
UBAM - Euro 10-40 Convertible Bond	12 743 736,97	13 127 887,39	Luxembourg
Winton Diversified Fund (UCITS) EUR I-2 Shares	18 049 168,71	18 264 437,94	Ireland
Ålandsbanken Asuntorahasto C	500 000,00	532 281,91	Finland
Ålandsbanken Tonttirahasto Erik.sij.rahasto A-laji	500 000,00	503 384,09	Finland
Others	5 274 350,40	8 054 760,07	
Total	2 413 403 281,31	2 746 595 760,53	
Capital mutual funds			
Aberdeen Property Fund Finland I Ky	13 966 370,33	13 966 370,33	Finland
Aberdeen Property Fund Finland I Ky	10 109 031,51	10 109 031,51	Finland
Aberdeen Property Funds SICAV Pan-Nordic	3 713 850,80	3 713 850,80	Luxembourg
Altor Fund II (No. 1) Limited Partnership	1 540 719,63	1 540 719,63	Jersey
Altor Fund III	8 499 946,33	10 257 890,53	Jersey
Altor Fund IV (No.2) AB	6 290 579,50	7 541 739,84	Sweden
Amanda III Eastern Private Equity L.P.	1 004 410,11	1 015 796,32	Finland
Amanda V East L.P.	3 760 471,60	3 760 471,60	Finland
Apax Europe VII - B, L.P.	4 859 809,38	4 859 809,38	UK
Apax IX L.P.	8 878 426,00	8 878 426,00	Guernsey
Apax VIII - A L.P.	20 813 840,24	20 813 840,24	Guernsey
Ares Private Credit Solutions, L.P.	4 342 529,80	4 342 529,80	Cayman Islands
Armada Mezzanine IV Ky	3 660 948,30	3 782 139,12	Finland
AXA LBO Fund V Core	13 273 946,58	16 376 079,00	France
AXA LBO Fund V Supplementary	3 725 422,00	4 384 319,00	France
Beechbrook Mezzanine II L.P.	10 628 836,94	10 628 836,94	UK
Beechbrook Private Debt III L.P.	7 200 124,07	7 209 496,08	UK
Beechbrook UK SME Credit I L.P.	10 727 298,02	11 029 116,57	UK
BlackRock Europe Property Fund III	820 641,00	820 641,00	UK
Bowmark Capital Partners IV, L.P.	5 333 780,95	7 319 146,10	UK
Bowmark Capital Partners V, L.P.	3 541 248,60	3 541 248,60	UK
Bridgepoint Europe III, L.P.	3 627 303,71	3 846 297,00	UK
Bridgepoint Europe IV F L.P.	6 025 402,79	9 236 244,00	UK
Bridgepoint Europe V A L.P.	10 687 165,16	11 167 488,00	UK
CapMan Hotels RE Ky	5 038 730,20	5 038 730,20	Finland
CapMan RE II Ky	2 208 880,00	2 208 880,00	Finland
Capvis Equity III L.P.	2 984 342,00	2 984 342,00	Jersey
Capvis Equity IV LP	6 843 542,88	7 225 080,00	Jersey
Cordet Direct Lending SCSp	7 052 460,36	7 080 709,17	Luxembourg
Crescent Mezzanine Partners VI, L.P.	21 748 961,06	21 748 961,06	USA
Crescent Mezzanine Partners VIIC, L.P.	8 650 976,40	8 650 976,40	USA
Danske Private Equity Partners VI (EUR) K/S	3 432 282,00	3 624 000,00	Denmark
Danske Private Equity Partners VI (USD) K/S	1 891 749,35	1 891 749,35	Denmark

Security	Book value	Current value	Home country
Dasos Timberland Fund II	9 004 335,99	9 004 335,99	Luxembourg
Dasos Timberland Fund II	13 673 094,18	15 145 292,30	Luxembourg
eQ PE VIII North LP	2 105 946,71	2 105 946,71	Finland
Euro Choice Secondary II L.P.	3 426 628,73	4 348 493,07	UK
FPCI Indigo Capital	13 984 320,38	14 612 002,14	France
FSN Capital V L.P.	2 398 084,45	2 586 618,58	Jersey
GreenOak UK Secured Lending LP	11 374 524,08	11 374 524,08	Jersey
Gresham 4A	1 266 864,28	1 266 864,28	UK
ICECAPITAL Residential Property Fund I Ky	10 500 000,00	11 922 304,67	Finland
ICG Europe Fund V	24 096 191,98	24 266 640,13	Jersey
ICG Europe Fund VI	23 775 152,97	29 487 625,06	Jersey
ICG Senior Debt Partners Fund	10 197 400,36	10 197 400,36	Luxembourg
ICG Senior Debt Partners Fund 2	24 028 189,96	24 675 647,75	Luxembourg
ICG-Longbow UK Real Estate Debt Investments III S.á.r.l.	16 544 667,38	16 544 667,38	Luxembourg
IK Small Cap Fund I No. 2 SCSp	11 502 507,83	13 813 845,11	Luxembourg
Indigo Capital V L.P.	907 691,63	907 691,63	UK
Industri Kapital 2007 Limited Partnership III	689 284,83	689 284,83	Jersey
Juuri Rahasto I Ky	5 035 166,10	5 035 166,10	Finland
Korona Fund III Ky	845 388,00	845 388,00	Finland
KSK Parking I Ky	7 200 000,00	7 200 000,00	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
KSK Redi Ky	10 800 000,00	10 800 000,00	Finland
Lindsay Goldberg III L.P.	11 058 090,71	12 753 295,25	USA
Lounais-Suomen Kiinteistösi joitus Ky	864 000,00	864 000,00	Finland
LähiTapiola Asuntorahasto Prime Ky	28 171 437,25	29 583 391,69	Finland
LähiTapiola Asuntosijoitus Suomi Ky	56 537 395,78	63 605 877,81	Finland
M&G Real Estate Debt Fund II, L.P.	15 912 838,70	15 912 838,70	Guernsey
MB Equity Fund IV Ky	13 363 780,60	13 363 780,60	Finland
MB Equity Fund V Ky	2 311 792,00	2 311 792,00	Finland
mcp Opportunity Secondary Program III, L.P.	8 006 136,92	9 935 758,97	UK
MezzVest Co-Invest III, L.P.	7 526 893,47	7 604 813,32	Jersey
MezzVest III, L.P.	21 066 100,37	21 066 100,37	Jersey
NB Private Debt Fund II LP	8 371 678,48	8 371 678,48	USA
NB Private Equity Credit Opportunities Fund LP	2 022 195,45	2 022 195,45	USA
NegaWatt Energiategohokkuusrahas to 2 Ky	1 263 980,04	1 263 980,04	Finland
Nest Capital 2015 Fund Ky	6 023 892,76	6 023 892,76	Finland
Nexit INFOCOM II L.P.	7 474 236,72	8 749 994,24	Guernsey
Nordic Mezzanine Fund III Limited Partnership	4 262 724,14	5 471 571,52	UK
Partners Group U.S. Venture 2004, L.P.	2 799 033,50	2 825 824,68	USA
PBW II Real Estate Fund S.A.	5 317 000,00	5 317 000,00	Luxembourg
Rantum Capital GmbH & Co. Private Debt Fund II KG	3 200 000,00	3 200 000,00	Germany
Rantum Capital Private Debt Fund I GmbH & Co. KG	19 387 657,68	19 557 897,66	Germany
Real Estate Debt & Secondaries Ky	2 940 411,26	2 950 708,78	Finland
Real Estate Debt & Secondaries Ky	2 817 802,33	2 950 890,78	Finland
Real Estate Fund of Funds II Ky	2 020 903,87	2 020 903,87	Finland
Russian and Baltics Retail Properties Ky	10 400 000,00	10 400 000,00	Finland
Sentica Buyout V Ky	787 545,00	787 545,00	Finland
Siguler Guff Small Business Credit Opportunities Fund LP	5 229 650,32	5 229 650,32	USA
Tapiola KR I Ky	21 110 898,71	21 110 898,71	Finland
Tapiola KR III Ky	100 540 243,99	103 429 372,98	Finland
The Triton Fund III L.P.	9 840 677,00	12 403 780,18	Jersey
Tikehau Direct Lending III	21 884 457,26	23 206 669,30	Luxembourg
Top Tier Venture Capital III, L.P.	2 569 224,41	2 569 224,41	USA
Top Tier Venture Capital IV, L.P.	4 560 807,29	7 453 964,78	USA
TPG Partners VI, LP	18 736 300,55	19 965 449,84	USA

Security	Book value	Current value	Home country
TPG Partners VII, L.P.	10 445 200,76	11 987 818,73	USA
TuuliTapiola Ky	10 200 789,00	10 200 789,00	Finland
WasaGroup Fund I Ky	1 379 761,91	1 565 262,03	Finland
WasaGroup Fund II Ky	1 365 124,52	1 385 766,89	Finland
WasaGroup Fund III Ky	4 000 000,00	4 045 219,41	Finland
Verdane ETF III SPV K/S	619 835,00	619 835,00	Denmark
VSS Structured Capital Parallel III, L.P.	12 747 082,46	12 747 082,46	USA
Others	5 156 043,06	17 087 156,34	
Total	922 533 090,71	989 348 366,09	
Total other investments, shares and holdings	3 915 389 364,31	4 407 423 324,82	

K7.4 Assets held to cover unit-linked insurance policies

Security	Book value	Current value	Home country
Shares			
Amer- Sports Oyj	533 725,35	533 725,35	Finland
Aspo Oyj	766 500,00	766 500,00	Finland
Evli Pankki B	545 184,00	545 184,00	Finland
Fortum Oyj	1 225 884,00	1 225 884,00	Finland
Global Gaming 555 AB	673 235,95	673 235,95	Sweden
Kemira Oyj	531 806,00	531 806,00	Finland
Kone Oyj B	545 465,18	545 465,18	Finland
Konecranes	543 606,84	543 606,84	Finland
Neste Oil Oyj	598 266,90	598 266,90	Finland
Nokia Oyj	2 394 607,51	2 394 607,51	Finland
Nokian Renkaat Oyj	765 185,40	765 185,40	Finland
Nordea Bank Ab	3 283 508,35	3 283 508,35	Sweden
Novo-Nordisk A/S B	702 586,01	702 586,01	Denmark
Outokumpu Oyj	1 204 235,64	1 204 235,64	Finland
Outotec Oyj	547 765,00	547 765,00	Finland
Ponsse Oyj	513 671,36	513 671,36	Finland
Sampo Oyj A	1 394 610,00	1 394 610,00	Finland
Statoil Asa	551 929,15	551 929,15	Norway
Stora Enso R	679 349,36	679 349,36	Finland
TeliaSonera Ab	1 255 237,91	1 255 237,91	Sweden
UPM-Kymmene Oyj	1 187 766,22	1 187 766,22	Finland
Other	19 121 995,64	19 121 995,64	
Total	39 566 121,77	39 566 121,77	

Security	Book value	Current value	Home country
Mutual funds			
Amundi ETF MSCI Em Asia UCITS	564 120,71	564 120,71	France
BGF European Value I2 EUR	6 088 940,00	6 088 940,00	Luxembourg
C Worldwide Asia Class 1A USD	907 324,67	907 324,67	Luxembourg
DB X-Trackers DJS 600 ETF	1 113 187,26	1 113 187,26	Germany
EAI Residential asuntorahasto 2015	1 270 753,35	1 270 753,35	Finland
eQ CO2 1 K	1 040 694,00	1 040 694,00	Finland
eQ Euro Investment Grade 1 T	560 926,73	560 926,73	Finland
EQ Eurooppa Indeksi-1 K	817 617,11	817 617,11	Finland
EQ Eurooppa Kiinteistö-1 K	1 059 185,97	1 059 185,97	Finland
EQ Eurooppa Osinko 1 K	1 050 229,38	1 050 229,38	Finland
eQ High Yield Bond 1 T	607 867,30	607 867,30	Finland
eQ High Yield Bond 1 K	697 567,62	697 567,62	Finland
eQ Hoivakiinteistöt	20 258 498,72	20 258 498,72	Finland
Eq Kasvava Aasia 1 K	1 197 742,66	1 197 742,66	Finland
eQ Kehittyvät Markkinat Osinko 1 T	707 155,90	707 155,90	Finland
eQ Kehittyvät Markkinat Osinko 1K	2 203 438,28	2 203 438,28	Finland
eQ Kehittyvät Markkinat Pienyhtiö 1 K	1 058 608,88	1 058 608,88	Finland
eQ Kehittyvät Markkinat Yrityslaina 1 K	535 899,59	535 899,59	Finland
eQ Liikekiinteistöt-1T	26 185 714,22	26 185 714,22	Finland
eQ Mandaatti-2K	1 366 877,07	1 366 877,07	Finland
eQ PE VIII North Ky	715 277,21	715 277,21	Finland
EQ Pohjoismaat Pienyhtiö 2 K	725 580,45	725 580,45	Finland
eQ USA Indeksi 1 K	2 126 544,96	2 126 544,96	Finland
eQ Vaihtuva Korko 1 K	3 707 763,19	3 707 763,19	Finland
Evli Emerging Frontier B	5 806 189,47	5 806 189,47	Finland
Evli Eurooppa B	19 484 086,37	19 484 086,37	Finland
Evli GEM B	6 411 025,68	6 411 025,68	Finland
Evli High Yield Yrityslaina B	31 502 441,75	31 502 441,75	Finland
Evli Investment Grade Yrityslaina B	2 040 572,51	2 040 572,51	Finland
Evli Kehittyvät Markkinat Yrityslaina B	17 337 173,90	17 337 173,90	Finland
Evli Likvidi B	10 980 099,10	10 980 099,10	Finland
Evli Lyhyt Yrityslaina B	41 796 574,77	41 796 574,77	Finland
Evli Maailma B	898 505,01	898 505,01	Finland
Evli Osakefaktori Eurooppa B	14 661 702,04	14 661 702,04	Finland
Evli Osakefaktori USA B	8 908 814,78	8 908 814,78	Finland
Evli Pohjoismaat B	7 477 205,81	7 477 205,81	Finland
Evli Pohjoismaat Yrityslaina B	12 535 435,17	12 535 435,17	Finland
Evli Ruotsi Pienyhtiöt B	4 120 133,10	4 120 133,10	Finland
Evli Suomi Pienyhtiöt B	9 761 934,43	9 761 934,43	Finland
Evli Varainhoito 40 B	627 424,60	627 424,60	Finland
Evli Varainhoito 75 B	2 072 937,44	2 072 937,44	Finland
Evli Yrityslaina B	664 313,97	664 313,97	Finland
Indeksivarainhoito 25	5 450 500,00	5 450 500,00	Finland
Indeksivarainhoito 50	6 451 716,70	6 451 716,70	Finland
iShares Core MSCI Emerging Markets IMI UCITS ETF	7 925 774,29	7 925 774,29	Germany
iShares Core S&P 500 UCITS ETF	7 750 986,20	7 750 986,20	Germany
iShares Emerg. Mark. Eq. Ind. A2 Acc USD	555 112,80	555 112,80	Luxembourg
JPM China A Acc - USD	576 309,62	576 309,62	Luxembourg
Kiinteistö-sijoitusalkku	49 410 747,38	49 410 747,38	Finland
Korkovarainhoitosalkku	4 071 015,65	4 071 015,65	Finland
Lyxor ETF EURSTX600 Telecom	553 153,99	553 153,99	France
Lyxor Stoxx Europe 600 Retail ETF	555 489,84	555 489,84	France

Security

	Book value	Current value	Home country
LähiTapiola 2020 A	87 022 992,18	87 022 992,18	Finland
LähiTapiola 2025 A	160 475 308,60	160 475 308,60	Finland
LähiTapiola 2035 A	72 171 116,68	72 171 116,68	Finland
LähiTapiola 2045 A	17 790 234,81	17 790 234,81	Finland
LähiTapiola Aasia-Tyynimeri A	12 450 081,40	12 450 081,40	Finland
LähiTapiola Asuntosijoitus	14 247 873,66	14 247 873,66	Finland
LähiTapiola Asuntosijoitus Prime	30 279 846,73	30 279 846,73	Finland
LähiTapiola Asuntosijoitus Suomi	6 358 948,83	6 358 948,83	Finland
LähiTapiola Asuntosijoitus Suomi I	333 686,64	333 686,64	Finland
LähiTapiola Eurooppa Keskisuuret A	28 427 949,33	28 427 949,33	Finland
LähiTapiola High Yield A	7 783 826,74	7 783 826,74	Finland
LähiTapiola Hyvinvointi A	27 772 847,18	27 772 847,18	Finland
LähiTapiola Infra A	5 435 111,23	5 435 111,23	Finland
LähiTapiola Japani A	2 445 758,76	2 445 758,76	Finland
LähiTapiola Kasvu A	12 696 555,31	12 696 555,31	Finland
LähiTapiola Kehittyvät Korkomarkkinat A	3 576 081,21	3 576 081,21	Finland
LähiTapiola Kehittyvät Markkinat A	37 134 971,80	37 134 971,80	Finland
LähiTapiola Korko 100 A	684 760,40	684 760,40	Finland
LähiTapiola Korkomaailma A	32 070 248,37	32 070 248,37	Finland
LähiTapiola Kuluttaja A	24 583 104,63	24 583 104,63	Finland
LähiTapiola Lyhytkorko A	9 283 580,20	9 283 580,20	Finland
LähiTapiola Maaailma 20 A	24 167 709,26	24 167 709,26	Finland
LähiTapiola Maaailma 50 A	65 775 112,35	65 775 112,35	Finland
LähiTapiola Maaailma 80 A	74 576 799,67	74 576 799,67	Finland
LähiTapiola Metsäsijoitus	3 438 298,07	3 438 298,07	Finland
LähiTapiola Osake 100 A	527 961,30	527 961,30	Finland
LähiTapiola Osinko A	967 996,62	967 996,62	Finland
LähiTapiola Osinko Suomi A	15 101 022,21	15 101 022,21	Finland
LähiTapiola Pitkäkorko A	8 015 919,23	8 015 919,23	Finland
LähiTapiola Pohjoinen Yrityskorko A	3 598 064,31	3 598 064,31	Finland
LähiTapiola Skandinavia A	1 452 100,71	1 452 100,71	Finland
LähiTapiola Suoja A	1 366 828,87	1 366 828,87	Finland
LähiTapiola Tapiolan Keskus	2 216 656,40	2 216 656,40	Finland
LähiTapiola Toimitila	707 073,95	707 073,95	Finland
LähiTapiola USA Keskisuuret A	9 226 532,25	9 226 532,25	Finland
LähiTapiola Viisas	20 866 093,25	20 866 093,25	Finland
LähiTapiola Yrityskorko A	5 408 188,57	5 408 188,57	Finland
Momentum-varainhoito	67 727 110,76	67 727 110,76	Finland
Osake-sijoitussalkku	1 004 736,19	1 004 736,19	Finland
Osakevarainhoitosalkku	824 586,61	824 586,61	Finland
Private Banking Korkostrategia	1 021 130,00	1 021 130,00	Finland
Private Banking Strategia 10	4 054 616,94	4 054 616,94	Finland
Private Banking Strategia 30	9 152 038,21	9 152 038,21	Finland
Private Banking Strategia 50	4 075 985,53	4 075 985,53	Finland
Private Banking Strategia 70	1 347 416,64	1 347 416,64	Finland
PYN Elite A - EUR	1 056 418,22	1 056 418,22	Finland
PYN ELITE ERIK.SIJ.RAHASTO	719 327,51	719 327,51	Finland
Seligson Aasia A	3 624 249,34	3 624 249,34	Finland
Seligson Euro-obligaatio	947 411,51	947 411,51	Finland
Seligson Eurooppa -indeksirahasto A	7 041 452,10	7 041 452,10	Finland
Seligson Glb Top 25 Brands -A	15 773 878,70	15 773 878,70	Finland
Seligson Global Top 25 Pharmaceuticals A	12 141 606,49	12 141 606,49	Finland
Seligson Phoebus - A	2 016 480,47	2 016 480,47	Finland
Seligson Phoenix A	1 172 294,32	1 172 294,32	Finland
Seligson Pohjois-Amerikka -indeksirahasto A	1 995 603,71	1 995 603,71	Finland
Seligson Rahamarkkina AAA	1 993 350,14	1 993 350,14	Finland
Seligson Russian Pros Euro A	8 776 934,41	8 776 934,41	Finland

Security	Book value	Current value	Home country
Seligson Suomi-indeksirahasto	10 712 154,40	10 712 154,40	Finland
Slättö Bostäder Invest AB	878 725,70	878 725,70	Finland
Slättö IV AB	3 352 363,92	3 352 363,92	Finland
SPDR Gold Shares	727 692,57	727 692,57	USA
SPDR S&P Bank ETF	706 093,49	706 093,49	USA
S-Sijoituskori Kohtuullinen	4 447 704,94	4 447 704,94	Finland
S-Sijoituskori Varovainen	6 482 667,97	6 482 667,97	Finland
Suojavarainhoito 10	8 345 882,36	8 345 882,36	Finland
Suojavarainhoito 15	3 122 359,36	3 122 359,36	Finland
Suojavarainhoito 20	1 115 669,25	1 115 669,25	Finland
Suojavarainhoito 25	1 202 156,64	1 202 156,64	Finland
Suojavarainhoito 5	1 542 480,98	1 542 480,98	Finland
TOP-indeksivarainhoito 25	2 460 982,09	2 460 982,09	Finland
TOP-indeksivarainhoito 50	1 301 784,00	1 301 784,00	Finland
Varainhoito 100	30 399 944,45	30 399 944,45	Finland
Varainhoito 25	2 825 788,53	2 825 788,53	Finland
Varainhoito 50	10 028 777,87	10 028 777,87	Finland
Varainhoito 75	6 125 260,41	6 125 260,41	Finland
Varainhoito Maltillinen	19 767 357,24	19 767 357,24	Finland
Varainhoito Nordic Plus	38 969 903,01	38 969 903,01	Finland
Varainhoito Suomi Plus	51 810 389,17	51 810 389,17	Finland
Varainhoito Tasapainoinen	15 865 987,69	15 865 987,69	Finland
Varainhoito Tuottohakuinen	7 669 172,91	7 669 172,91	Finland
Varainhoito Varovainen	16 532 364,16	16 532 364,16	Finland
Varainhoitosalkku 10	56 844 016,02	56 844 016,02	Finland
Varainhoitosalkku 30	159 801 509,29	159 801 509,29	Finland
Varainhoitosalkku 50	81 191 299,19	81 191 299,19	Finland
Varainhoitosalkku 70	19 443 143,50	19 443 143,50	Finland
Varainhoitosalkku 90	1 347 306,28	1 347 306,28	Finland
Vauras 100	1 470 058,76	1 470 058,76	Finland
Vauras 25	68 932 469,63	68 932 469,63	Finland
Vauras 50	35 343 371,39	35 343 371,39	Finland
Vauras 75	5 608 258,44	5 608 258,44	Finland
Yksilöllinen varainhoito 30	43 251 987,51	43 251 987,51	Finland
Yksilöllinen varainhoito 50	2 148 440,00	2 148 440,00	Finland
Ålandsbanken Asuntorahasto C	3 360 677,33	3 360 677,33	Finland
Ålandsbanken Cash Manager B	833 577,93	833 577,93	Finland
ÅLANDSBANKEN EURO BOND-B	1 803 992,87	1 803 992,87	Finland
Ålandsbanken Europe Value B	544 113,65	544 113,65	Finland
Other	16 535 094,94	16 535 094,94	
Total	2 078 711 740,95	2 078 711 740,95	
Debt securities			
Eurooppa Pankit Autocall 1/2017	524 000,00	524 000,00	Finland
Evli Eurooppa Bonus IV Sertifikaatti	580 300,00	580 300,00	Finland
Other	11 960 515,79	11 960 515,79	
Total	13 064 815,79	13 064 815,79	
Total	2 131 342 678,51	2 131 342 678,51	

K8. Other investments

Other loans, itemised by type of security

	2017	2016
Bank guarantee	41 331,22	54 358,50
Insurance policy	287 534,04	353 149,72
Other security	169 579 353,04	216 408 880,00
Remaining acquisition cost	169 908 218,30	216 816 388,22
Unsecured, total remaining acquisition cost	123 695 588,94	128 889 956,75
Other loan receivables, total	293 603 807,24	345 706 344,97

K9. Changes in tangible and intangible assets

	Intangible rights and other expenses with	Goodwill on consolidation	Provisional premiums	Machinery and equipment	Other tangible assets
Acquisition cost on 1 Jan.	138 242 650,03	211 470,77	2 576 827,66	63 486 016,80	3 509 801,17
Increase	5 507 007,78	289 480,79	27 758 874,49	3 760 166,28	-375 082,64
Decrease	-828 318,37	0,00	0,00	-1 441 322,75	0,00
Transfers between items	8 748 192,37	0,00	-8 746 289,79	9 632,26	0,00
Acquisition cost on 31 Dec.	151 669 531,81	500 951,56	21 589 412,36	65 814 492,59	3 134 718,53
Accumulated depreciation on 1 Jan.	-92 455 325,05	-101 862,96	0,00	-53 248 653,53	-448 955,05
Depreciation for the financial year	-16 331 388,84	-317 779,29	0,00	-3 270 244,23	-144 007,43
Accumulated depreciation on 31 Dec.	-108 786 713,89	-419 642,25	0,00	-56 518 897,76	-592 962,48
Book value on 31 Dec.	42 882 817,92	81 309,31	21 589 412,36	9 295 594,83	2 541 756,05

K10. Assets held to cover unit-linked insurance policies

	2017		2016	
	Original acquisition cost	Current value (= book value)	Original acquisition cost	Current value (= book value)
Shares and holdings	1 608 417 048,22	2 118 277 860,97	1 380 984 689,03	1 802 143 483,45
Debt securities	12 910 794,36	13 064 815,53	12 695 454,18	12 849 424,89
Recovery from insurance premium mediators	121 080,94	121 080,94	134 007,89	134 007,89
Cash at bank and in hand	4 189 488,72	4 189 488,72	6 465 227,65	6 465 227,65
Accrued interest	120 717,72	120 717,72	150 852,40	150 852,40
Total	1 625 759 129,96	2 135 773 963,88	1 400 430 231,15	1 821 742 996,28
Investments acquired in advance	20 205 779,80	17 423 561,95	22 429 738,17	21 371 671,56
Investments corresponding to the technical provisions for unit linked insurance	1 605 553 350,16	2 118 350 401,93	1 378 000 492,98	1 800 371 324,72

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.

4 310 569,66

6 599 235,54

K11. Capital and reserves and itemisation of revaluation reserve

K11.1 Changes in capital and reserves

	1.1.2017	Increase	Decrease	31.12.2017
Initial fund	8 641 380,35	0,00	0,00	8 641 380,35
Revaluation reserve	8 918 502,41	0,00	0,00	8 918 502,41
Security reserve	1 036 247 920,78	167 500 000,00	0,00	1 203 747 920,78
Contingency reserve	948 704,00	800 985,70	-209 000,00	1 540 689,70
The share of voluntary provisions and depreciation difference transferred to capital and reserves	3 015 597,93	0,00	127 577,30	3 143 175,23
Profit/loss for previous accounting periods	-5 594 037,13	163 540 042,48	-169 371 458,02	-11 425 452,67
Profit for the accounting period	288 986 518,13	264 951 001,58	-288 986 518,13	264 951 001,58
Change in depreciation difference and voluntary provisions included in the profit for the accounting period	-531 548,73	-127 577,31	531 548,73	-127 577,31
Share of the mutual insurance companies' result for the financial year included in the profit for the financial year	-124 914 926,92	-140 377 039,34	124 914 926,92	-140 377 039,34
	163 540 042,48	124 446 384,93	-163 540 042,48	124 446 384,93
Capital and reserves of the mutual insurance companies	618 665 510,72	391 130 277,07	-250 414 232,35	759 381 555,44
<i>Total changes in capital and reserves</i>	<i>1 834 383 621,54</i>	<i>847 417 690,18</i>	<i>-583 407 155,55</i>	<i>2 098 394 156,17</i>

K11.2 Itemisation of revaluation reserve

	2017
Revaluation of investment assets	0,00
Revaluation reserve 1 Jan.	8 918 502,41
Revaluation reserve 31 Dec.	8 918 502,41
<i>Total</i>	<i>8 918 502,41</i>

K12. Accumulated appropriations

	2017	2016
Depreciation difference		
Depreciation difference on 1 Jan.	3 306 753,10	3 306 753,10
Increase	238 938,41	0,00
Depreciation difference on 31 Dec.	3 545 691,51	3 306 753,10
Voluntary provisions		
Residential building provision 1 Jan.	1 211 956,00	1 211 956,00
Residential building provision 31 Dec.	1 211 956,00	1 211 956,00
Transition provision 1 Jan.	39 910,27	39 910,27
Increase	827,00	0,00
Transition provision 31 Dec.	40 737,27	39 910,27
Total voluntary provisions	1 252 693,27	1 251 866,27
Total accumulated appropriations	4 798 384,78	4 558 619,37
Divided into		
Capital and reserves	3 143 175,23	3 015 597,93
Minority interest	695 532,59	631 297,57
Deferred tax liabilities	959 676,96	911 723,87
Tax base	20,00 %	20,00 %

K13. Provision for outstanding claims

	2017	2016
Uncontested recourse receivables deducted from provisions for claims outstanding		
Statutory workers' compensation	36 091 537,00	35 414 556,00

K14. Other obligatory provisions

	2017	2016
Provision for interest on late payments for unfinished claims	0,00	2 947 000,16
Provision for unemployment security deductible	4 002 408,52	1 369 895,88
	4 002 408,52	4 316 896,04

K15. Deferred tax assets and deferred tax liabilities

K15.1 Deferred tax assets

	2017	2016
Deferred tax relating to the group adjustments	2 113 017,84	2 118 129,71
	2 113 017,84	2 118 129,71

K15.2 Deferred tax liabilities

	2017	2016
Deferred tax liabilities arising from the division of depreciation difference and provisions	967 914,38	911 723,85

Off-balance-sheet deferred tax liabilities

Tax liability calculated on the basis of timing differences and other temporary differences between taxable profit and accounting profit	1 190 760,25	4 891 375,11
Tax debt calculated based on valuation gains/losses that is deemed likely to become payable during the next year	29 890 000,00	27 292 118,89
	31 080 760,25	32 183 494,00

K16. Receivables and liabilities

K16.1 Itemisation of receivables

	2017	2016
Receivables from group companies		
Other receivables	790,92	278 268,41
	790,92	278 268,41

K16.2 Itemisation of liabilities

	2017	2016
Liabilities to group companies		
Trade creditors	0,00	192,41
Other liabilities	3 265,50	0,00
	<u>3 265,50</u>	<u>192,41</u>
Liabilities to participating interests		
Trade creditors	94 997,82	16 329,87
Other liabilities	0,00	42 844,50
	<u>94 997,82</u>	<u>59 174,37</u>

K17. Notes concerning guarantees and contingent liabilities

Off-balance-sheet guarantees and contingent liabilities

Off-balance-sheet guarantees and contingent liabilities

	2017	2016
Derivative contracts		
Currency derivatives		
Forward and futures contracts, open		
Underlying instrument	-105 653 866,75	-174 649 838,62
Current value	-667 804,35	-1 067 395,38
Leasing liabilities		
Amount to be paid in the current financial year	1 760 152,39	1 462 380,88
Amount to be paid in the coming years	<u>1 447 353,17</u>	<u>951 577,91</u>
	<u>3 207 505,56</u>	<u>2 413 958,79</u>
Rent liabilities		
Amount to be paid in the current financial year	10 028 409,97	9 645 725,23
Amount to be paid in the coming years	<u>25 082 301,76</u>	<u>20 655 142,24</u>
	<u>35 110 711,73</u>	<u>30 300 867,47</u>
Value-added tax liabilities		
Joint liability relating to collective value-added tax registration		
Group companies	20 419,27	19 804,82
Partner companies	<u>2 369 617,10</u>	<u>2 885 767,00</u>
	<u>2 390 036,37</u>	<u>2 905 571,82</u>
Inspection responsibility of real estate investments under section 120 of the Value Added Tax Act		
Company	1 789 005,34	2 013 147,11
Other companies of the group	<u>42 929 469,75</u>	<u>53 883 877,22</u>
	<u>44 718 475,09</u>	<u>55 897 024,33</u>
Other commitments		
Investment commitments	89 536 469,97	14 533 934,64
Subscription commitments	281 336 253,60	654 311 002,78
Granted limit	<u>59 101 961,02</u>	<u>161 757 277,39</u>
	<u>429 974 684,59</u>	<u>830 602 214,81</u>

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

More information regarding the joint liability agreement can be found in the Risk Management notes in section General principles for

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

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

Loans granted to parties belonging to the insider register of LocalTapiola General Mutual Insurance Company	
Subsidiaries	192 765 850,44
Associated undertakings and joint ventures	17 241 178,69
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/> 210 007 029,13

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

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

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

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

The motor liability insurance policies of the customers, excluding major customers, were transferred from the insurance portfolio of LocalTapiola General to the regional companies on 30/06/2017. The effect of the business transfer has been eliminated in the consolidated financial statements of the LocalTapiola Group.

Other notes

Performance analysis

	2017	2016	Change	€1 000 Change %
Non-life insurance				
Premiums earned	1 134 747	1 137 639	-2 892	-0,3 %
Claims incurred	-767 265	-806 431	39 167	-4,9 %
Operating expenses	-266 258	-264 401	-1 856	0,7 %
Balance on technical account before change in equalization	101 225	66 807	34 418	51,5 %
Life insurance				
Premium income	513 180	419 616	93 564	22,3 %
Investment income and expenses as well as revaluations and adjustments thereof	258 519	232 030	26 489	11,4 %
Claims paid	-326 359	-333 203	6 844	-2,1 %
Change in technical provisions before change in customer benefits and equalization provision	-340 066	-207 257	-132 809	64,1 %
Operating expenses	-58 096	-48 151	-9 945	20,7 %
Balance on technical account before change in customer benefits and equalization provision	47 178	63 035		
Investment income and expenses as well as revaluations and adjustments thereof (non-life insurance)	185 703	181 378	4 325	2,4 %
Other income and expenses	15 478	12 504	2 974	23,8 %
Share of profit/loss from group associated undertakings	-6 602	3 706	-10 308	-278,1 %
Operating profit	342 982	327 430	-112 430	-34,3 %
Change in equalization provision (non-life insurance)	-17 641	28 792	-46 433	-161,3 %
Change in equalization provision (life insurance)	10 274	10 274	0	0,0 %
Additional benefits (customer benefits)	2 265	-429	2 693	-628,5 %
Profit before extraordinary items	337 880	366 068	-158 863	-43,4 %
Direct taxes	-68 927	-73 361	4 433	-6,0 %
Minority interest	-4 002	-3 720	-281	7,6 %
Total result	264 951	288 987	-154 711	-53,5 %
Operating profit	342 982	327 430	-112 430	-34,3 %
Change in the difference between current and book values *)	62 982	36 404	26 578	73,0 %
Total result	405 964	363 834	-85 852	-23,6 %

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

Notes to the profit and loss account

1. Premium income

	2017	2016
Direct insurance		
Finland	321 339 550,80	431 151 679,25
Direct insurance total	321 339 550,80	431 151 679,25
Reinsurance	89 333 653,73	78 296 961,37
Gross premiums written before reinsurers' share	410 673 204,53	509 448 640,62

1.1 Items depreciated from premium income

	2017	2016
Credit loss on outstanding premiums	4 252 481,40	5 867 879,62
PAYG system fees	45 110 880,42	54 303 726,94
Premium tax	38 502 515,78	69 409 175,75
Fire brigade charge	228 148,67	277 523,12
Road safety charge	1 191 733,57	2 490 864,32
Labour protection charge	2 382 671,16	2 439 071,62
Total	91 668 431,00	134 788 241,37

2. Profit by insurance groups

		Premiums written before reinsurers' share	Premiums earned before reinsurers' share	Claims incurred before reinsurers' share	Operating expenses before commissions for reinsurance and profit shares	Reinsurers' share	Balance on technical account before net investment income
Statutory workers' compensation	2017	143 578 674,85	143 945 836,24	-110 698 928,97	-29 730 657,84	-301 857,50	3 214 391,93
	2016	145 928 904,96	145 463 974,57	-114 937 868,04	-30 966 158,30	-319 652,13	-759 703,90
	2015	145 488 941,09	144 651 877,09	-117 008 297,19	-27 565 236,35	-400 964,58	-322 621,03
Non-statutory accident and health	2017	12 115 615,87	12 106 307,34	-8 979 937,95	-594 355,74	-116 311,39	2 415 702,26
	2016	8 007 750,25	7 903 159,78	-6 197 368,60	-625 988,34	-110 950,09	968 852,75
	2015	13 400 349,35	12 000 495,35	-10 502 800,71	-4 107 042,21	-11 532,38	-2 620 879,95
Motor vehicle liability	2017	117 981 622,52	108 514 211,87	-84 609 845,54	-24 685 214,02	181 923,79	-598 923,90
	2016	225 090 542,75	228 270 313,35	-157 549 668,82	-51 497 084,65	-1 641 209,93	17 582 349,95
	2015	232 402 687,21	229 095 405,21	-172 858 859,11	-50 444 237,50	119 141,81	5 911 450,41
Land vehicles	2017	5 739 859,93	5 833 936,26	-4 921 614,04	-2 157 391,24	255 656,12	-989 412,90
	2016	6 410 227,15	7 537 657,82	-6 716 448,58	-2 274 119,37	482 107,83	-970 802,30
	2015	20 863 599,52	18 666 158,52	-15 031 992,60	-7 969 069,56	-238 592,52	-4 573 496,16
Marine, aviation, railway rolling stock and transport	2017	2 679 528,81	2 695 939,66	-1 941 723,37	-1 213 449,80	-183 800,52	-643 034,03
	2016	2 401 807,58	2 407 903,73	-1 014 881,51	-1 281 473,68	185 463,60	297 012,14
	2015	3 593 291,94	3 294 135,94	-1 789 856,05	-2 089 402,10	-293 458,94	-878 581,15
Fire and other damage to property	2017	14 349 719,18	14 516 522,25	-9 074 819,52	-2 490 206,07	-1 021 674,74	1 929 821,92
	2016	16 427 547,11	16 178 548,04	-17 240 530,42	-2 620 556,76	-658 128,74	-4 340 667,88
	2015	28 079 501,48	25 615 814,48	-21 518 911,10	-14 193 712,38	-4 032 498,73	-14 129 307,73
General liability	2017	14 249 339,03	14 265 744,95	-11 682 736,99	-3 824 573,62	-3 783 938,93	-5 025 504,59
	2016	17 226 574,67	17 165 221,75	-15 866 264,56	-3 697 763,14	-2 954 610,97	-5 353 416,92
	2015	17 286 663,78	16 382 018,78	-17 708 914,77	-4 197 425,73	-1 706 807,42	-7 231 129,14
Credit and suretyship	2017	4 130 103,85	2 107 151,51	-641 997,17	-431 921,50	605 216,01	1 638 448,85
	2016	2 742 288,78	2 014 579,12	-214 498,22	-439 222,10	-427 756,80	933 102,00
	2015	2 287 838,53	2 131 993,53	353 135,43	-380 142,76	-344 876,80	1 760 109,40
Legal expenses	2017	2 026 494,05	2 022 161,16	-1 127 060,98	-502 267,23	0,00	392 832,95
	2016	1 868 384,95	1 866 672,84	-603 907,87	-530 730,92	0,00	732 034,05
	2015	3 443 743,16	3 013 879,16	-3 037 195,46	-1 276 709,74	0,00	-1 300 026,04
Other	2017	4 488 592,71	4 592 881,83	-10 069 104,40	-1 349 814,91	-822 616,04	-7 648 653,52
	2016	5 047 651,05	4 944 455,93	-4 473 629,48	-1 428 286,29	-394 533,33	-1 351 993,17
	2015	4 690 580,52	4 395 648,52	-1 977 519,70	-1 569 891,99	-1 089 266,59	-241 029,76
Direct insurance total	2017	321 339 550,80	310 600 693,07	-243 747 768,93	-66 979 851,97	-5 187 403,20	-5 314 331,03
	2016	431 151 679,25	433 752 486,93	-324 815 066,10	-95 361 383,55	-5 839 270,56	7 736 766,72
	2015	471 537 196,58	459 247 426,58	-361 081 211,26	-113 792 870,32	-7 998 856,15	-23 625 511,15
Reinsurance	2017	89 333 653,73	90 251 987,73	-67 721 999,12	-17 067 012,06	-2 954 430,60	2 508 545,95
	2016	78 296 961,37	76 613 131,37	-56 973 920,75	-17 868 560,32	-669 255,32	1 101 394,98
	2015	76 209 739,08	77 481 670,08	-53 557 420,63	-18 616 963,74	-2 348 247,74	2 959 037,97
Total	2017	410 673 204,53	400 852 680,80	-311 469 768,05	-84 046 864,03	-8 141 833,80	-2 805 785,08
	2016	509 448 640,62	510 365 618,30	-381 788 986,85	-113 229 943,87	-6 508 525,88	8 838 161,70
	2015	547 746 935,66	536 729 096,66	-414 638 631,89	-132 409 834,06	-10 347 103,89	-20 666 473,18
Change in equalization provision	2017						13 162 283,10
	2016						24 443 010,00
	2015						-38 004 164,00
Balance on technical account	2017						10 356 498,02
	2016						33 281 171,70
	2015						-58 670 637,18

3. Notes concerning operating expenses and personnel and members of corporate bodies

3.1 Total operating expenses by activity

	2017	2016
Claims management expenses	28 978 207,49	33 544 086,55
Operating expenses	77 829 267,16	105 569 395,40
Investment operating expenses	7 233 410,41	7 104 864,31
Other expenses	14 564 880,15	13 249 186,29
<i>Total</i>	<u>128 605 765,21</u>	<u>159 467 532,55</u>

3.2 Profit and loss account item operating expenses

	2017	2016
Insurance policy acquisition costs		
Commissions for direct insurance	5 496 088,70	5 925 623,33
Commissions for reinsurance assumed and profit shares	17 394 842,94	17 521 444,61
Other insurance policy acquisition costs	10 089 404,65	19 530 107,17
	<u>32 980 336,29</u>	<u>42 977 175,11</u>
Insurance policy management expenses	28 380 820,62	44 819 969,92
Administrative expenses	22 685 707,12	25 432 798,84
Commissions for reinsurance ceded and profit shares	-6 217 596,87	-7 660 548,47
<i>Total</i>	<u>77 829 267,16</u>	<u>105 569 395,40</u>

3.3 Notes concerning personnel and members of corporate bodies

3.3.1 Personnel expenses

	2017	2016
Salaries and remunerations	27 731 697,42	27 577 288,45
Pension expenses	4 609 558,57	4 873 825,96
Other personnel expenses	1 096 573,88	1 954 657,83
<i>Total</i>	<u>33 437 829,87</u>	<u>34 405 772,24</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	710 316,00	678 053,00
Pension commitments	The retirement age of the managing director is 63 and that of the deputy managing director is stated by the law.	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	
Board members and deputy board members		
Salaries and remunerations	1 796 313,00	1 651 729,00
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	187 750,00	202 000,00
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	372	408
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3.4 Auditor's fees by assignment category

	2017	2016
Auditing	60 771,62	58 699,43
Tax advice	0,00	4 960,00
Other services	0,00	41 584,73
<i>Total</i>	<u>60 771,62</u>	<u>105 244,16</u>

4. Specification of net investment income and specification of other income and expenses

4.1 Specification of net investment income

Investment income	2017	2016
Income from group companies		
Dividend income	12 465 263,93	7 497 395,57
Interest income	794 386,26	2 720 417,50
<i>Total</i>	<u>13 259 650,19</u>	<u>10 217 813,07</u>
Income from participating interests		
Dividend income	341 720,25	237 944,00
Interest income	67 893,59	49 442,99
<i>Total</i>	<u>409 613,84</u>	<u>287 386,99</u>
Income from real estate investments in group companies		
Interest income	4 548 288,07	6 312 627,02
Other income	7 800,00	5 520,00
<i>Total</i>	<u>4 556 088,07</u>	<u>6 318 147,02</u>
Income from real estate investments in participating interests		
Interest income	157 586,00	0,00
<i>Total</i>	<u>157 586,00</u>	<u>0,00</u>
Income from real estate investments in other companies		
Interest income	27 090,78	21 059,73
Other income	27 957 834,28	38 420 073,60
<i>Total</i>	<u>27 984 925,06</u>	<u>38 441 133,33</u>
Income from other investments		
Dividend income	41 041 415,40	47 284 113,95
Interest income	25 211 630,51	39 386 767,76
Other income	3 906 836,03	10 492 685,68
<i>Total</i>	<u>70 159 881,94</u>	<u>97 163 567,39</u>
	116 527 745,10	152 428 047,80
Value readjustments	50 298 267,90	36 455 520,87
Realized gains	88 139 724,02	71 349 876,67
Total investment income	254 965 737,02	260 233 445,34

Investment charges

Expenses arising from real estate investments		
From group companies	-11 510 416,43	-16 132 734,96
Other companies	-10 936 366,18	-13 060 405,88
<i>Total</i>	<u>-22 446 782,61</u>	<u>-29 193 140,84</u>
Expenses arising from other investments	-8 796 401,77	-11 482 015,34
Interest paid and other expenses on liabilities		
Other companies	-198 415,08	-499 617,91
<i>Total</i>	<u>-198 415,08</u>	<u>-499 617,91</u>
	-31 441 599,46	-41 174 774,09
Value adjustments and depreciation		
Value adjustments	-23 860 297,92	-27 249 175,35
Planned depreciation on buildings	-3 645 910,04	-2 184 836,09
<i>Total</i>	<u>-27 506 207,96</u>	<u>-29 434 011,44</u>
Realized losses	-21 393 196,43	-16 848 205,88
<i>Total investment charges</i>	-80 341 003,85	-87 456 991,41
<i>Net investment income before revaluations and revaluation adjustments</i>	174 624 733,17	172 776 453,93
Revaluation adjustments on investments	-3 344 053,70	-1 883 000,00
	<u>-3 344 053,70</u>	<u>-1 883 000,00</u>
<i>Net investment income in the profit and loss account</i>	<u>171 280 679,47</u>	<u>170 893 453,93</u>

4.2 Specification of other income and expenses

Other income	2017	2016
Services sold to partner companies	21 120 413,58	16 535 668,67
Other income	1 882 503,34	2 471 477,30
<i>Total</i>	<u>23 002 916,92</u>	<u>19 007 145,97</u>
Other expenses		
Expenses for services sold	-14 564 880,15	-13 249 186,29
Transfer to personnel fund	-377 047,91	-720 074,00
Other expenses	-2 107 832,96	-1 871 474,68
<i>Total</i>	<u>-17 049 761,02</u>	<u>-15 840 734,97</u>

Notes to the balance sheet

5. Current value of investments and difference in valuation as well as difference in valuation of non-hedging derivatives

5.1. Current value of investments and difference in valuation

Investments	Remaining acquisition cost	2017 Book value	Current value
Real estate investments			
Real estate	3 046 682,89	3 046 682,89	4 012 375,18
Real estate shares in group companies	72 276 238,53	75 434 241,95	128 580 447,26
Other real estate shares	75 712 406,49	76 024 479,72	98 453 408,51
Loans to group companies	67 251 651,63	67 251 651,63	67 251 651,64
Loans to participating interests	7 500 000,00	7 500 000,00	7 500 000,00
	<u>225 786 979,54</u>	<u>229 257 056,19</u>	<u>305 797 882,59</u>
Investments in group companies			
Shares and holdings	644 773 097,92	644 773 097,92	651 719 734,86
	<u>644 773 097,92</u>	<u>644 773 097,92</u>	<u>651 719 734,86</u>
Investments in participating interests			
Shares and holdings	87 166 472,27	87 166 472,27	92 951 431,50
Debt securities	4 000 000,00	4 000 000,00	4 000 000,00
Loans receivable	750 000,00	750 000,00	750 000,00
	<u>91 916 472,27</u>	<u>91 916 472,27</u>	<u>97 701 431,50</u>
Other investments			
Shares and holdings	714 486 235,42	714 486 235,42	782 597 738,60
Debt securities	588 053 042,10	588 053 042,10	601 619 735,92
Loans guaranteed by mortgages	7 000 000,14	7 000 000,14	7 000 000,00
Other loans	34 898 635,38	34 898 635,38	34 898 635,37
Deposits	7 126 505,13	7 126 505,13	7 126 505,13
	<u>1 351 564 418,17</u>	<u>1 351 564 418,17</u>	<u>1 433 242 615,02</u>
Deposits with ceding undertakings	709 256,78	709 256,78	709 256,78
	<u>2 314 750 224,68</u>	<u>2 318 220 301,33</u>	<u>2 489 170 920,75</u>
The remaining acquisition cost of debt securities includes:			
Difference between the nominal value and acquisition cost released (+) or charged (-) to interest income			-1 969 107,70
Book value comprises			
Revaluations released to income		2 705 419,64	
Other revaluations		764 657,01	3 470 076,65
Difference in valuation (difference between current value and book value)			<u>170 950 619,42</u>

		2016	
Investments	Remaining acquisition cost	Book value	Current value
Real estate investments			
Real estate	7 728 801,10	7 728 801,10	11 757 375,18
Real estate shares in group companies	132 853 008,72	139 355 065,84	211 516 448,67
Other real estate shares	88 263 051,44	88 575 124,67	110 654 078,22
Loans to group companies	154 666 500,27	154 666 500,27	154 666 500,28
	383 511 361,53	390 325 491,88	488 594 402,35
Investments in group companies			
Shares and holdings	226 544 540,20	226 544 540,20	226 920 867,57
Loans receivable	70 193 120,01	70 193 120,01	70 193 120,01
	296 737 660,21	296 737 660,21	297 113 987,58
Investments in participating interests			
Shares and holdings	121 580 433,12	121 580 433,12	142 359 668,47
Debt securities	4 000 000,00	4 000 000,00	4 000 000,00
	125 580 433,12	125 580 433,12	146 359 668,47
Other investments			
Shares and holdings	917 105 485,29	917 105 485,29	1 032 558 352,55
Debt securities	1 255 548 012,25	1 255 548 012,25	1 291 224 848,27
Loans guaranteed by mortgages	262 277 060,37	262 277 060,37	262 277 060,28
Other loans	203 372 486,00	203 372 486,00	203 372 485,99
Deposits	16 641 968,36	16 641 968,36	16 641 968,36
	2 654 945 012,27	2 654 945 012,27	2 806 074 715,45
Deposits with ceding undertakings	706 068,57	706 068,57	706 068,57
	3 461 480 535,70	3 468 294 666,05	3 738 848 842,42
The remaining acquisition cost of debt securities includes:			
Difference between the nominal value and acquisition cost released (+) or charged (-) to interest income			-7 486 873,40
Book value comprises			
Revaluations released to income		6 049 473,34	
Other revaluations		764 657,01	6 814 130,35
Difference in valuation (difference between current value and book value)			270 554 176,37

5.2 Difference in valuation of non-hedging derivatives

		2017	
Derivative contracts	Remaining acquisition cost	Book value	Current value
Other debtors			
Assets pledged as security for derivatives	40 000,00	40 000,00	40 000,00
Other deferred income and credits			
Futures and forward contracts	-348 406,91	-348 406,91	-342 771,18
	-308 406,91	-308 406,91	-302 771,18
Difference in valuation (difference between current value and book value)			5 635,73
		2016	
Derivative contracts	Remaining acquisition cost	Book value	Current value
Other debtors			
Assets pledged as security for derivatives	1 050 000,00	1 050 000,00	1 050 000,00
Other deferred income and credits			
Futures and forward contracts	-709 903,24	-709 903,24	-639 256,39
	340 096,76	340 096,76	410 743,61
Difference in valuation (difference between current value and book value)			70 646,85

6. Real estate investments

		2017	
Changes in real estate investments:	Real estate and shares in real estate	Loans to group companies	Loans to participating interests
Acquisition cost on 1 Jan.	260 381 915,24	154 666 500,27	0,00
Increase	6 710 394,54	31 352 000,00	17 500 000,00
Decrease	-108 962 414,94	-125 766 848,64	-5 000 000,00
Transfers between items	0,00	7 000 000,00	-5 000 000,00
Acquisition cost on 31 Dec.	158 129 894,84	67 251 651,63	7 500 000,00
Accumulated depreciation on 1 Jan.	-8 076 825,12		
Accumulated depreciation related to deductions and transfers	6 778 781,07		
Depreciation for the financial year	-117 672,16		
Accumulated depreciation on 31 Dec.	-1 415 716,21		
Value adjustments on 1 Jan.	-23 430 339,59		
Value adjustments for the financial year	-230 000,00		
Value readjustments	18 011 378,14		
Value adjustments on 31 Dec.	-5 648 961,45		
Revaluations on 1 Jan.	6 814 130,35		
Decrease	-3 344 053,70		
Revaluations on 31 Dec.	3 470 076,65		
Book value on 31 Dec.	154 535 293,83	67 251 651,63	7 500 000,00
Real estate and shares in real estate occupied for own activities			
Remaining acquisition cost	8 207 950,03		
Book value	8 207 950,03		
Current value	8 207 950,03		

7. Investments in Group companies and participating interests

Shares in group companies

	2017	2016
Acquisition cost on 1 Jan.	228 300 252,57	30 153 160,93
Increase	935 880 534,94	10 277 503,85
Decrease	-24 613 931,24	-5 133 556,85
Decrease, business transfer	-489 091 035,46	0,00
Transfers between items	-3 882 886,01	193 003 144,64
Acquisition cost on 31 Dec.	646 592 934,80	228 300 252,57
Value adjustments on 1 Jan.	-1 755 712,37	-1 350 384,07
Value adjustments related to deductions and transfers	-597 840,52	-490 319,00
Value adjustments for the financial year	-1 265 611,84	-397 934,14
Value readjustments	1 799 327,85	482 924,84
Value adjustments on 31 Dec.	-1 819 836,88	-1 755 712,37
Book value on 31 Dec.	644 773 097,92	226 544 540,20

Debt securities issued by and loans to companies in the same group

Acquisition cost on 1 Jan.	70 193 120,01	6 185 669,34
Increase	868 200,00	9 470 760,00
Decrease	-71 061 320,01	-1 813 309,33
Transfers between items	0,00	56 350 000,00
Acquisition cost on 31 Dec.	0,00	70 193 120,01
Book value on 31 Dec.	0,00	70 193 120,01

Shares and holdings in participating interests

Acquisition cost on 1 Jan.	176 283 028,29	134 765 408,51
Increase	3 569 381,59	0,00
Increase, business transfer	-39 321 388,33	0,00
Transfers between items	0,00	41 517 619,78
Acquisition cost on 31 Dec.	140 531 021,55	176 283 028,29
Value adjustments on 1 Jan.	-54 702 595,17	-54 042 595,17
Value adjustments for the financial year	-0,02	-660 000,00
Value readjustments	1 338 045,91	0,00
Value adjustments on 31 Dec.	-53 364 549,28	-54 702 595,17
Book value on 31 Dec.	87 166 472,27	121 580 433,12

Debt securities issued by and loans to participating interests

Acquisition cost on 1 Jan.	4 000 000,00	2 300 000,00
Increase	2 750 000,00	2 000 000,00
Decrease	0,00	-300 000,00
Transfers between items	-2 000 000,00	0,00
Acquisition cost on 31 Dec.	4 750 000,00	4 000 000,00
Book value on 31 Dec.	4 750 000,00	4 000 000,00

Total

736 689 570,19	422 318 093,33
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7.1 Investments in companies included in LocalTapiola Group's consolidated financial statements

Shares and holdings, fixed assets	Domicile	Share of stocks %	Equity	Profit for the accounting period
Aura-Karelia Oy	1) Espoo	100,0	147 934,04	-8 843,48
Keskinäinen Vakuutusyhtiö Turva	4) Tampere	67,4	37 563 063,18	2 666 617,72
LokalTapiola Sydusten	3) Parainen	100,0	11 325 464,72	3 033 171,05
LähiTapiola Etelä	3) Salo	100,0	39 577 832,53	6 357 650,62
LähiTapiola Etelä-Pohjanmaa	3) Seinäjoki	100,0	36 761 687,39	4 839 250,68
LähiTapiola Itä	3) Iisalmi	100,0	49 365 511,58	4 762 160,16
LähiTapiola Kaakkois-Suomi	3) Lappeenranta	100,0	34 337 580,56	5 887 847,53
LähiTapiola Kainuu-Koillismaa	3) Kajaani	92,4	19 604 184,16	3 545 970,10
LähiTapiola Keskinäinen Henkivakuutusyhtiö	3) Espoo	66,7	412 205 224,14	51 724 640,66
LähiTapiola Keski-Suomi	3) Jyväskylä	100,0	32 937 661,21	6 657 010,51
LähiTapiola Kiinteistövarainhoito Oy -konserni	1) Espoo	68,2	8 836 624,74	1 856 428,97
LähiTapiola Lappi	3) Rovaniemi	100,0	19 782 983,15	2 236 359,52
LähiTapiola Loimi-Häme	3) Loimaa	100,0	21 364 363,73	5 942 342,20
LähiTapiola Lännen	3) Rauma	100,0	39 223 216,57	5 771 144,49
LähiTapiola Palvelut Oy	1) Espoo	64,4	11 840 867,08	-6 168 966,26
LähiTapiola Pirkanmaa	3) Tampere	100,0	34 333 803,13	4 900 810,06
LähiTapiola Pohjanmaa	3) Vaasa	100,0	38 153 960,79	5 310 187,80
LähiTapiola Pohjoinen	3) Oulu	100,0	64 531 773,14	13 041 000,95
LähiTapiola Pääkaupunkiseutu	3) Helsinki	100,0	65 826 356,97	6 242 481,97
LähiTapiola Rahoitus Oy	1) Espoo	51,0	19 375 334,17	-615 665,83
LähiTapiola Satakunta	3) Pori	100,0	20 019 412,82	2 421 302,23
LähiTapiola Savo	3) Kuopio	100,0	36 154 095,81	4 914 438,69
LähiTapiola Savo-Karjala	3) Mikkeli	43,0	25 831 435,25	2 778 196,22
LähiTapiola Uusimaa	3) Porvoo	84,1	37 909 104,15	3 174 953,70
LähiTapiola Varainhoito Oy	1) Espoo	67,6	23 026 989,56	4 734 285,33
LähiTapiola Varsinais-Suomi	3) Turku	100,0	36 082 739,19	4 490 904,71
LähiTapiola Vellamo	3) Lahti	100,0	38 611 456,89	4 382 450,95
Tieto-Tapiola Oy	1) Espoo	66,7	3 849 886,79	843 392,71
Tietotyö Oy	1) Espoo	100,0	847 821,35	1 547,33
Vakuutusneuvonta Aura	2) Espoo	33,3	10 729,40	0,00
Vakuutusneuvonta Pohja	2) Espoo	33,3	10 672,17	0,00
Total			1 219 449 770,36	155 723 071,29

Shares and holdings, investment assets	Domicile	Share of stocks %	Equity	Profit for the accounting period
Kauppakeskus Seppä Oy	2) Kuopio	30,0	976,26	-3 329,52
LähiTapiola Kiinteistösijoitus I GP Oy	1) Espoo	100,0	2 455,80	-44,20
LähiTapiola Kiinteistösijoitus I Ky	2) Espoo	30,0	51 190 992,52	65 593,59
LähiTapiola KR PK2 Ky -konserni	2) Espoo	32,4	18 079 455,67	444 964,08
LähiTapiola Pääomasijoitus GP Oy	3) Espoo	12,9	224,04	-593,92
LähiTapiola Pääomasijoitus I Ky	3) Espoo	12,9	102 770 583,56	4 881 281,15
LähiTapiola Pääomasijoitus II GP Oy	1) Espoo	100,0	2 289,73	-205,22
LähiTapiola Pääomasijoitus II Ky	2) Espoo	30,0	12 510 035,31	-564 761,92
LähiTapiola Pääomasijoitus III GP Oy	1) Espoo	100,0	2 455,80	-44,20
LähiTapiola Pääomasijoitus III Ky	3) Espoo	12,5	161 457 440,91	3 931 891,68
LähiTapiola Tontit GP I Oy	3) Espoo	7,3	105 261,56	2 817,97
LähiTapiola Tontit GP II Oy	1) Espoo	100,0	97 527,98	-2 472,02
LähiTapiola Tontit I Ky	3) Espoo	7,3	43 258 671,99	2 158 671,91
LähiTapiola Tontit II Ky	3) Espoo	16,2	1 231 820,10	29 868,78
LähiTapiola Velkasijoitus I GP Oy	1) Espoo	100,0	2 351,15	-143,80
LähiTapiola Velkasijoitus I Ky	2) Espoo	37,2	8 978 666,83	-130 912,07
LähiTapiola Yhteiset Kiinteistöt Ky	3) Espoo	3,0	182 277 292,65	1 020 394,83
LähiTapiola Yritysrahoitus I GP Oy	1) Espoo	100,0	7 772,97	-76,25
LähiTapiola Yritysrahoitus I Ky	2) Espoo	38,4	580 651 301,80	6 696 367,26
Tapiolan Revontuli Oy	1) Espoo	100,0	51 341,93	2 600,56
Total			1 162 677 942,30	18 535 198,21

In addition, LocalTapiola General Mutual Insurance Company has invested in 33 (36) housing associations and real estate companies that are integrated into the consolidated financial statements of LocalTapiola Group, out of which 11 (25) are its own subsidiaries.

1) Subsidiary

2) A subsidiary in the consolidated financial statements of LocalTapiola Group, which is a participating interest for the reporting entity.

3) A subsidiary in the consolidated financial statements of LocalTapiola Group, which is treated as other investment in the reporting entity.

4) A subsidiary in the consolidated financial statements of LocalTapiola Group, which is not consolidated.

7.2 Investments in participating interests

Shares and holdings, fixed assets	Domicile	Share of stocks %	Equity	Profit for the accounting period
Pihlajalinna Oyj -konserni	3) Helsinki	15,6	100 300 000,00	9 500 000,00
S-Pankki Oyj -konserni	3) Helsinki	10,0	413 897 594,61	12 352 320,61
Total			514 197 594,61	21 852 320,61

Shares and holdings, investment assets	Domicile	Share of stocks %	Equity	Profit for the accounting period
Fundu Platform Oy	2) Kurikka	20,9	421 315,16	-551 322,09
Seligson & Co Oyj -konserni	3) Helsinki	18,8	11 088 476,09	2 230 264,00
Project-IT Oy	2) Espoo	25,0	1 752 344,50	972 331,45
Total			12 840 820,59	3 202 595,45

In addition, LocalTapiola General Mutual Insurance Company has invested in 0 (0) housing associations and real estate companies that are integrated into the consolidated financial statements of LocalTapiola Group as participating interests.

2) Participating interest

3) A participating interest in the consolidated financial statements of LocalTapiola Group, which is treated as other investment in the report

7.3 Other investments

Security	Share of stocks %	Number	Book value	Current value	Home country
Finnish companies, listed					
Amer- Sports Oyj	0,13	154 886,00	1 873 043,60	3 576 317,74	Finland
Huhtamäki Oyj	0,08	87 000,00	3 045 000,00	3 045 000,00	Finland
Ilkka-Yhtymä Oyj	0,99	252 786,00	806 295,72	909 307,74	Finland
Kone Oyj	0,02	103 000,00	2 859 779,29	4 612 340,00	Finland
Nokia Oyj	0,01	593 000,00	2 309 142,00	2 309 142,00	Finland
Stora Enso	0,04	285 000,00	2 500 244,44	3 767 700,00	Finland
Vaisala Oyj	0,51	93 820,00	1 756 451,61	4 174 990,00	Finland
Others		1 337 892,00	859 074,86	1 148 894,86	
Total		2 907 384,00	16 009 031,52	23 543 692,34	
Finnish companies, non-listed					
Autovahinkokeskus Oy	18,55	1 356,00	570 157,07	570 157,07	Finland
CAP-Group Oy	6,67	793,00	1 270 376,61	1 270 376,61	Finland
LeaseGreen Group Oy	2,54	99 354,00	881 238,19	881 238,19	Finland
LähiRahoitus Oy	11,83	136,00	647 196,83	647 196,83	Finland
Sofigate Group Oy	3,11	596 326,00	1 999 999,89	1 999 999,89	Finland
Others		255 163,00	1 056 220,15	1 139 133,15	
Total		953 128,00	6 425 188,74	6 508 101,74	

Security	%	Number	Book value	Current value	Home country
Foreign companies, listed					
AbbVie Inc	0,00	73 000,00	3 842 735,09	5 886 625,53	USA
Adecco SA	0,05	93 800,00	5 975 722,10	5 975 722,10	Switzerland
Allstate Corp/The	0,01	55 000,00	3 337 637,91	4 802 009,51	USA
Amazon.com Inc	0,00	5 000,00	3 667 313,31	4 875 635,79	USA
Anheuser-Busch InBev NV	0,00	49 000,00	4 563 370,00	4 563 370,00	Belgium
Assa Abloy Ab B	0,02	258 000,00	4 466 080,17	4 466 080,17	Sweden
AstraZeneca PLC	0,01	99 000,00	5 714 177,83	5 714 177,83	UK
Automatic Data Processing Inc	0,01	34 000,00	2 780 402,25	3 322 321,35	USA
Axa Sa	0,01	271 000,00	5 698 355,40	6 703 185,00	France
BASF SE	0,00	45 000,00	3 236 726,86	4 128 300,00	Germany
Bayer AG	0,01	53 000,00	4 779 590,54	5 512 000,00	Germany
Boliden AB	0,07	202 000,00	5 179 139,42	5 758 060,91	Sweden
Bunzl PLC	0,05	180 000,00	4 203 645,05	4 203 645,05	UK
Carl Zeiss Meditec AG	0,16	130 126,00	2 554 825,50	6 735 321,76	Germany
Cellnex Telecom SAU	0,12	282 000,00	4 720 618,38	6 020 700,00	Spain
Cognizant Technology Solutions Corp	0,01	61 000,00	3 218 270,00	3 612 290,50	USA
Compass Group PLC	0,02	265 384,00	4 336 980,08	4 785 843,58	UK
Continental Ag	0,02	31 000,00	6 253 308,63	6 976 550,00	Germany
Danske Bank A/S	0,02	205 000,00	5 307 940,11	6 652 607,83	Denmark
Deutsche Telekom AG	0,01	302 000,00	4 468 090,00	4 468 090,00	Germany
Eaton Corp PLC	0,01	24 000,00	1 560 435,25	1 581 122,32	Ireland
Henkel Kgaa -Vorzug	0,03	58 000,00	6 198 066,77	6 400 300,00	Germany
ING Groep NV	0,01	515 000,00	6 441 193,72	7 892 375,00	The Netherlands
Infineon Technologies AG	0,04	282 000,00	5 352 881,10	6 439 470,00	Germany
Ingersoll-Rand PLC	0,01	25 000,00	1 806 970,91	1 859 209,54	USA
Innogy SE	0,02	122 000,00	3 986 350,00	3 986 350,00	Germany
Johnson Matthey PLC	0,07	153 000,00	5 302 739,99	5 302 739,99	UK
Medtronic Inc	0,00	58 400,00	3 192 603,62	3 932 127,07	Ireland
National Grid PLC	0,01	420 000,00	4 142 578,59	4 142 578,59	UK
Novartis Ag	0,00	74 000,00	5 210 733,21	5 210 733,21	Switzerland
PepsiCo Inc	0,00	31 000,00	1 848 213,17	3 099 741,52	USA
SAP Ag	0,00	55 000,00	5 098 990,72	5 139 750,00	Germany
SGS SA	0,03	2 640,00	4 886 622,33	5 732 558,54	Switzerland
Sandvik Ab	0,03	375 000,00	4 934 347,43	5 474 257,91	Sweden
Schlumberger Ltd	0,00	46 000,00	2 584 791,13	2 584 791,13	Curaçao
Skanska AB	0,06	246 000,00	4 248 359,37	4 248 359,37	Sweden
Snap-on Inc	0,03	19 000,00	2 668 688,28	2 761 360,79	USA
TeliaSonera Ab	0,02	656 000,00	2 442 944,00	2 442 944,00	Sweden
Temenos Group Ag	0,10	69 000,00	5 284 485,52	7 370 534,95	Switzerland
Total Sa	0,01	148 000,00	6 637 655,23	6 814 660,00	France
Unilever Nv -CVA	0,01	141 000,00	5 368 930,51	6 620 655,00	The Netherlands
Visa Inc	0,00	51 000,00	3 840 509,03	4 848 678,40	USA
Vodafone Group Plc	0,01	1 915 000,00	5 072 247,33	5 072 247,33	UK
Total		8 180 350,00	186 416 265,84	214 120 081,57	
Foreign companies, non-listed					
Actor General Partner S.á r.l. Finland 2 S.C.A. -	1,19	168 684,00	3 035 716,50	3 035 716,50	Luxembourg
European Alliance Partners Company AG	8,48	6 165,00	521 223,76	664 312,24	Switzerland
Mehiläinen Holding AB	4,50	654 049,00	31 507 143,50	31 507 143,50	Sweden
Others		98 250,00	165 036,33	165 036,33	
Total		927 148,00	35 229 120,09	35 372 208,57	

Security	Book value	Current value	Home country
Mutual funds			
Aktia Trade Finance Erikoissijoitusrahasto	4 000 000,00	4 048 421,73	Finland
BNP Paribas FPS FPE	4 499 983,43	4 506 062,03	France
BNP Paribas Global Senior Corporate Loans	2 051 975,62	2 051 975,62	France
GS Emerging Markets Equity	9 901 534,19	9 901 534,19	Luxembourg
ISAM Systematic Trend (Class Q)	4 268 450,35	4 268 450,35	Cayman Islands
Lynx Fund	4 571 816,79	4 571 816,79	Sweden
LähiTapiola Aasia-Tyynimeri A	5 731 753,30	6 329 999,73	Finland
LähiTapiola High Yield A	13 032 727,04	14 799 371,87	Finland
LähiTapiola Hyvinvointi A	6 106 242,26	6 767 316,99	Finland
LähiTapiola Infra A	4 600 294,06	5 453 007,46	Finland
LähiTapiola Japani A	6 732 075,35	7 688 546,70	Finland
LähiTapiola Kasvu A	4 547 114,34	5 608 177,64	Finland
LähiTapiola Kehittyvät Korkomarkkinat A	95 822 276,30	97 689 148,72	Finland
LähiTapiola Kehittyvät Markkinat A	22 853 910,20	24 538 430,43	Finland
LähiTapiola Korkomaailma A	1 737 769,94	2 155 315,06	Finland
LähiTapiola Kuluttaja A	3 768 835,50	5 117 759,71	Finland
LähiTapiola Osinko A	4 574 591,25	5 469 147,41	Finland
LähiTapiola Pohjoinen Yrityskorko A	3 581 070,82	3 856 754,09	Finland
LähiTapiola Sijoituskiinteistöt A	5 522 049,00	5 522 049,00	Finland
LähiTapiola Suoja A	841 935,76	944 047,83	Finland
LähiTapiola USA Keskisuuret A	11 227 047,56	12 999 838,54	Finland
LähiTapiola Yrityskorko A	35 095 697,08	35 938 019,94	Finland
Natixis Loomis Sayles Senior Loan Fund	1 499 998,50	1 649 774,81	Luxembourg
Pimco Socially Responsible EM Bond Fund I-	23 484 741,13	24 030 815,79	Ireland
Transtrend Fund Alliance - OmniTrend (EUR)	4 893 411,82	4 893 411,82	Luxembourg
Winton Diversified Fund (UCITS) EUR I-2 Shares	5 103 139,92	5 164 004,41	Ireland
Total	290 050 441,51	305 963 198,66	

Security	Book value	Current value	Home country
Capital mutual funds			
Aberdeen Property Funds SICAV Pan-Nordic	2 228 310,48	2 228 310,48	Luxembourg
Altor Fund II (No. 1) Limited Partnership	1 540 719,63	1 540 719,63	Jersey
Altor Fund III	3 999 888,27	4 827 242,25	Jersey
Altor Fund IV (No.2) AB	3 145 289,75	3 770 869,92	Sweden
Amanda III Eastern Private Equity L.P.	1 004 410,11	1 015 796,32	Finland
Amanda V East L.P.	3 760 471,60	3 760 471,60	Finland
Apax Europe VII - B, L.P.	2 429 905,19	2 429 905,19	UK
Ares Private Credit Solutions, L.P.	2 171 264,90	2 171 264,90	Cayman Islands
Armada Mezzanine IV Ky	1 830 474,15	1 891 069,56	Finland
Beechbrook Mezzanine II L.P.	5 314 418,47	5 314 418,47	UK
Beechbrook Private Debt III L.P.	3 762 578,53	3 771 950,54	UK
Beechbrook UK SME Credit I L.P.	5 363 649,01	5 514 614,64	UK
Bowmark Capital Partners IV, L.P.	2 666 761,91	3 659 573,05	UK
Bowmark Capital Partners V, L.P.	1 770 624,30	1 770 624,30	UK
Bridgepoint Europe III, L.P.	1 554 558,73	1 648 413,00	UK
Bridgepoint Europe IV F L.P.	2 811 854,61	4 310 249,00	UK
Bridgepoint Europe V A L.P.	5 343 582,58	5 583 744,00	UK
Capvis Equity III L.P.	1 492 171,00	1 492 171,00	Jersey
Capvis Equity IV LP	3 421 771,44	3 612 540,00	Jersey
Gresham 4A	633 432,14	633 432,14	UK
ICG Senior Debt Partners Fund	6 373 376,85	6 373 376,85	Luxembourg
ICG Senior Debt Partners Fund 2	13 348 994,42	13 708 693,20	Luxembourg
ICG-Longbow UK Real Estate Debt Investments	8 272 333,69	8 272 333,69	Luxembourg
Lindsay Goldberg III L.P.	5 515 478,49	6 376 647,21	USA
LähiTapiola Asuntorahasto Prime Ky	2 860 000,00	3 003 343,00	Finland
LähiTapiola Asuntosijoitus Suomi Ky	3 223 089,34	3 626 047,70	Finland
M&G Real Estate Debt Fund II, L.P.	7 956 419,35	7 956 419,35	Guernsey
NB Private Debt Fund II LP	4 185 839,24	4 185 839,24	USA
NegaWatt Energiatohokkuusrahoitus 2 Ky	631 990,02	631 990,02	Finland
Nexit INFOCOM II L.P.	3 737 118,34	4 374 990,12	Guernsey
Nordic Mezzanine Fund III Limited Partnership	1 904 343,88	2 553 400,11	UK
PBW II Real Estate Fund S.A.	3 189 000,00	3 189 000,00	Luxembourg
Partners Group U.S. Venture 2004, L.P.	1 999 610,66	2 018 445,84	USA
Russian and Baltics Retail Properties Ky	5 200 000,00	5 200 000,00	Finland
Siguler Guff Small Business Credit	2 614 825,16	2 614 825,16	USA
TPG Partners VI, LP	9 942 222,19	10 620 129,24	USA
TPG Partners VII, L.P.	5 222 600,38	5 993 612,94	USA
Tapiola KR III Ky	5 167 324,76	5 304 220,16	Finland
The Triton Fund III L.P.	4 920 339,00	6 201 889,08	Jersey
Tikehau Direct Lending III	10 942 228,63	11 603 334,65	Luxembourg
Top Tier Venture Capital III, L.P.	1 141 876,77	1 141 876,77	USA
Top Tier Venture Capital IV, L.P.	2 281 515,41	3 726 982,81	USA
TuuliTapiola Ky	2 963 329,00	2 963 329,00	Finland
VSS Structured Capital Parallel III, L.P.	6 373 541,23	6 373 541,23	USA
Others	4 142 654,11	8 128 808,36	
Total	180 356 187,72	197 090 455,72	
Total other investments, shares and holdings	12 968 010,00	714 486 235,42	782 597 738,60

8. Other investments, other loan receivables, itemisation by type of security

	2017	2016
Bank guarantee	41 331,22	54 358,50
Other security	0,00	127 084 150,63
Remaining acquisition cost	41 331,22	127 138 509,13
Unsecured, total remaining acquisition cost	34 857 304,16	76 233 976,87
	34 898 635,38	203 372 486,00

9. Changes in tangible and intangible assets

	Intangible rights and other expenses with long-term effects	Provisional premiums	2017 Machinery and equipment
Acquisition cost on 1 Jan.	62 015 165,02	509 607,39	33 445 196,28
Increase	814 683,05	6 645 597,84	923 177,23
Decrease	-276 305,96	0,00	-569 245,57
Transfers between items	3 450 894,24	-3 450 894,24	0,00
Acquisition cost on 31 Dec.	66 004 436,35	3 704 310,99	33 799 127,94
Accumulated depreciation on 1 Jan.	-44 571 530,58	0,00	-31 738 953,38
Depreciation for the financial year	-7 042 285,25	0,00	-531 213,36
Accumulated depreciation on 31 Dec.	-51 613 815,83	0,00	-32 270 166,74
Book value on 31 Dec.	14 390 620,52	3 704 310,99	1 528 961,20

10. Changes in capital and reserves and itemisation of revaluation reserve

10.1 Changes in capital and reserves

	1.1.2017	Increase	Decrease	31.12.2017
Initial reserve	8 641 380,35	0,00	0,00	8 641 380,35
Revaluation reserve	218 348,97	0,00	0,00	218 348,97
Security reserve	1 036 247 920,77	167 500 000,00	0,00	1 203 747 920,77
Contingency reserve	948 704,01	800 985,70	-209 000,00	1 540 689,71
Profit for the accounting period	168 300 985,70	157 888 869,67	-168 300 985,70	157 888 869,67
<i>Total changes in capital and reserves</i>	1 214 357 339,80	326 189 855,37	-168 509 985,70	1 372 037 209,47

10.2 Itemisation of revaluation reserve

	31.12.2017
Revaluation of fixed assets	218 348,97
<i>Total</i>	218 348,97

10.3 Account of distributable profits

	31.12.2017
Profit for the accounting period	157 888 869,67
+ Other unrestricted capital and reserves	
Security reserve	1 203 747 920,77
Contingency reserve	1 540 689,71
<i>Total distributable profits</i>	1 363 177 480,15

11. Accumulated appropriations

Depreciation difference

Depreciation difference on 1 Jan.	73 806,54	52 112,25
Increase	0,00	21 694,29
Decrease	-22 151,51	0,00
Depreciation difference on 31 Dec.	<u>51 655,03</u>	<u>73 806,54</u>

Total accumulated appropriations

<u>51 655,03</u>	<u>73 806,54</u>
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12. Provision for outstanding claims

	2017	2016
Uncontested recourse receivables deducted from provisions for claims outstanding		
Statutory workers' compensation	<u>36 091 537,00</u>	<u>35 414 556,00</u>

13. Other obligatory provisions

	2017	2016
Provision for interest on late payments for unfinished claims	0,00	2 947 000,16
Provision for unemployment security deductible	<u>224 625,89</u>	<u>779 083,80</u>
	<u>224 625,89</u>	<u>3 726 083,96</u>

14. Deferred tax liabilities

	2017	2016
Tax liability calculated on the basis of timing differences and other temporary differences between taxable profit and accounting profit	152 931,40	66 499,69
Tax debt calculated based on valuation gains/losses that is deemed likely to become payable during the next year	<u>9 000 000,00</u>	<u>12 000 000,00</u>
	<u>9 152 931,40</u>	<u>12 066 499,69</u>

15. Receivables and liabilities

15.1 Itemisation of receivables

	2017	2016
Receivables from group companies		
Other receivables	<u>3 058 013,26</u>	<u>1 581 574,57</u>
	<u>3 058 013,26</u>	<u>1 581 574,57</u>

15.2 Itemisation of liabilities

	2017	2016
Liabilities to group companies		
Trade creditors	323 390,26	2 352 551,88
Other liabilities	1 441 008,03	1 867 825,85
	<u>1 764 398,29</u>	<u>4 220 377,73</u>
Liabilities to participating interests		
Other liabilities	0,00	3 105,16
	<u>0,00</u>	<u>3 105,16</u>

15.3 Itemisation of accruals and deferred income

	2017	2016
Liabilities to personnel	9 408 238,43	9 192 590,31
Valuation loss on derivatives	348 406,91	709 903,24
Other accruals and deferred income	5 030 095,90	7 450 007,43
	<u>14 786 741,24</u>	<u>17 352 500,98</u>

16. Notes concerning guarantees and contingent liabilities

16.1 Off-balance-sheet guarantees and contingent liabilities

Derivative contracts	2017	2016
Currency derivatives		
Forward and futures contracts, open		
Underlying instrument	-44 564 489,53	-94 507 794,27
Current value	-342 771,18	-639 256,39
Leasing liabilities		
Amount to be paid in the current financial year	0,00	12 302,00
	<u>0,00</u>	<u>12 302,00</u>
Rent liabilities		
Amount to be paid in the current financial year	4 715 879,92	5 801 779,58
Amount to be paid in the coming years	16 480 510,42	21 598 707,04
	<u>21 196 390,34</u>	<u>27 400 486,62</u>
Value-added tax liabilities		
Joint liability relating to collective value-added tax registration		
Group companies	-5 430,22	288 077,11
Partner companies	2 369 617,10	2 885 767,00
	<u>2 364 186,88</u>	<u>3 173 844,11</u>
Inspection responsibility of real estate investments under section 120 of the Value Added Tax Act		
Company	1 789 005,34	2 013 147,11
Other companies of the group	42 929 469,75	53 883 877,22
	<u>44 718 475,09</u>	<u>55 897 024,33</u>
Other commitments		
Subscription commitments	403 949 859,58	314 896 455,31
Granted limit	16 795 079,16	120 106 641,03
	<u>420 744 938,74</u>	<u>435 003 096,34</u>

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

More information regarding the joint liability agreement can be found in the Risk Management notes in section 2.1 General principles for solvency management.

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

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

Loans granted to parties belonging to the insider register of LocalTapiola General Mutual Insurance Company	
Subsidiaries	43 094 092,64
Associated undertakings and joint ventures	14 999 989,34
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/> 58 094 081,98

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

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

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

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

18. Business transfer, 30 June 2017

The motor liability insurance policies of the customers, excluding major customers, were transferred from the insurance portfolio of LocalTapiola General to the regional companies on 30/06/2017. In the transfer of the insurance portfolio and business, insurance contracts of the motor liability insurance portfolio, the technical provisions including the equalization provision and assets covering the technical provisions as well as other assets, liabilities and provisions relating to the motor liability insurance business were transferred from LocalTapiola General to the regional companies.

In the transfer, LocalTapiola General subscribed guarantee shares of the regional companies for an amount of € 174 918 763,71.

Items transferred	LocalTapiola General
Investments, book value	1 518 057 755,15
Investments, current value	1 573 153 370,32
Other receivables	66 277 921,64
Other liabilities	6 723 619,93
Technical provisions	1 402 693 293,15

Other notes

Performance analysis

	2017	2016	Change	€1 000 Change %
Premiums earned	374 014	480 710	-106 696	-22,2 %
Claims incurred	-298 990	-366 302	67 312	-18,4 %
Operating expenses	-77 829	-105 569	27 740	-26,3 %
Balance on technical account before change in equalization provision	-2 806	8 838	-11 644	-131,7 %
Investment income and expenses as well as revaluations and adjustments thereof	171 281	170 893	387	0,2 %
Other income and expenses	5 953	3 166	2 787	88,0 %
Operating profit	174 428	182 898	-8 470	-4,6 %
Change in equalization provision	13 162	24 443	-11 281	-46,2 %
Profit before appropriations and taxes	187 590	207 341	-19 751	-9,5 %
Appropriations	22	-22	44	-202,1 %
Direct taxes	-29 724	-39 018	9 295	-23,8 %
Total result	157 889	168 301	-10 412	-6,2 %
Operating profit	174 428	182 898	-8 470	-4,6 %
Change in the difference between current and book values	-44 573	-8 451	-36 122	427,4 %
Total result	129 856	174 447	-44 591	-25,6 %

Investment allocation at current value

	Basic breakdown				Risk breakdown		
	31.12.2017		31.12.2016		31.12.2017		31.12.2016
	EUR million	%	EUR million	%	EUR million	%	%
Fixed-income investments	886,4	35,0	2212,4	58,0	886,4	35,0	58,0
Loan receivables ¹⁾	43,7	1,7	534,3	14,0	43,7	1,7	14,0
Bonds	797,4	31,5	1499,3	39,3	797,4	31,5	39,3
Other money market instruments and deposits ^{1) 2)}	45,3	1,8	178,7	4,7	45,3	1,8	4,7
Equities and shares	1244,4	49,1	901,2	23,6	1244,4	49,1	23,6
Listed equities and shares ³⁾	371,3	14,7	356,7	9,4	371,3	14,7	9,4
Private equity investments ⁴⁾	421,0	16,6	264,3	6,9	421,0	16,6	6,9
Unlisted equities and shares ⁵⁾	452,1	17,8	280,2	7,3	452,1	17,8	7,3
Real estate investments	379,0	15,0	680,3	17,8	379,0	15,0	17,8
Direct real estate investments	305,9	12,1	493,6	12,9	305,9	12,1	12,9
Real estate funds and joint investments	73,1	2,9	186,7	4,9	73,1	2,9	4,9
Other investments	22,9	0,9	20,1	0,5	22,9	0,9	0,5
Hedge fund investments ⁶⁾	5,2	0,2	0,0	0,0	5,2	0,0	0,0
Commodity investments	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other investments ⁷⁾	17,8	0,7	20,1	0,5	17,8	0,9	0,5
Investments total	2532,7	100,0	3814,1	100,0	2532,7	100,0	100,0
Effect of derivatives ⁹⁾						0,0	
Investments total	2532,7	100,0	3814,1	100,0	2532,7	100,0	100,0

The modified duration of bond investments

3,9

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 as well as 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.

Return on capital employed (at current value)

	investment income at current value ⁸⁾	Capital employed	Return-% on capital employed				
			2017	2016	2015	2014	2013
	EUR million	EUR million	%	%	%	%	%
Fixed-income investments	29,4	1 525,2	1,9	3,9	0,9	3,9	1,2
Loan receivables ¹⁾	6,4	206,8	3,1	3,3	4,0	4,3	3,8
Bonds	24,0	1 192,9	2,0	4,4	0,4	4,2	1,1
Other money market instruments and deposits ^{1) 2)}	-1,0	125,5	-0,8	-0,4	-0,4	0,4	0,3
Equities and shares	63,0	1 111,5	5,7	4,5	14,0	5,4	11,1
Listed equities and shares ³⁾	8,5	356,7	2,4	3,1	19,3	7,3	19,0
Private equity investments ⁴⁾	25,5	409,5	6,2	7,3	18,4	16,6	9,7
Unlisted equities and shares ⁵⁾	29,0	345,3	8,4	4,5	3,1	-4,5	-9,0
Real estate investments	42,8	501,4	8,5	7,1	6,1	4,3	5,0
Direct real estate investments	30,2	361,0	8,4	8,3	6,7	5,7	5,0
Real estate funds and joint investments	12,5	140,4	8,9	4,1	4,5	-0,1	5,1
Other investments	-1,2	21,8	-5,4	-0,6	0,0	0,0	-2,6
Hedge fund investments ⁶⁾	0,1	0,3	23,5	0,0	0,0	0,0	-2,6
Commodity investments	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other investments ⁷⁾	-1,2	21,6	-5,7	-0,6	0,0	0,0	0,0
Investments total	134,0	3 159,9	4,2	4,6	4,9	4,3	4,2
Unallocated return, costs and operating expenses	-7,3						
Net investment income at current value	126,7	3 159,9	4,0	4,4	4,8	4,1	4,0

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 as well as infrastructure investments

5) Includes also unlisted real estate investment companies

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

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

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

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

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

Accounting principles

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

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

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

Despite issuing consolidated financial statements, LocalTapiola Group as a whole does not constitute a group in accordance with the Accounting Act, mainly due to the insurance companies being mutual companies. The owners of mutual insurance companies are the policyholders and, as such, the companies do not meet the Accounting Act's definition of a group as the parent company does

not hold a majority stake in or exercise control over the subsidiary. LocalTapiola General is also not entitled to nominate the majority of the members of the Boards of Directors of the other insurance companies in LocalTapiola Group, nor are there any valid contractual or other arrangements between LocalTapiola Group's companies that could lead to LocalTapiola General exercising de facto control over the other mutual insurance companies in LocalTapiola Group.

Valuation and allocation of intangible assets

Other long-term expenditure

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

Valuation and allocation of investments

Real estate and shares in real estate

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

Shares in real estate are stated at the lower of acquisition cost and current 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 acquisition 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 acquisition cost if the fair value rises.

Shares and holdings

Shares and holdings are stated at the lower of acquisition 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 current 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 acquisition 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 securities 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 have not been recognised. Write-downs arising from other reasons have been recognised.

Similarly, value readjustments have been recognised 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.

Loan receivables, deposits and deposits with ceding undertakings

Loan receivables, deposits and deposits with ceding undertakings are stated at nominal value or a permanently lower, likely realisable value. Temporary value adjustments and those owing to interest rate fluctuations have not been recognised. Write-downs arising from other reasons have been recognised.

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

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.

Application of hedge accounting

When using hedge accounting, 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 en-

tered 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 current 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 current value. The current 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 current value.

Loan receivables, deposits and deposits with ceding undertakings

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

Zillmerisation

Zillmerisation is not applied.

Assets held to cover unit-linked insurance policies

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

Valuation of receivables

Premiums receivable

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

Foreign currency items

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

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

Depreciation

Acquisition costs of buildings and their components, machinery and 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 estate

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%

Machinery and 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.

Subordinated loan

Subordinated loan has been recorded in the balance sheet at acquisition cost under liabilities. The difference between the nominal value and acquisition cost of the debt is deferred as an interest expense and the counter-item is recognised as an addition to the loan acquisition cost.

Other liabilities

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

Technical provisions, non-life insurance

Provision for unearned premiums

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

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

Provision for outstanding claims

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

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

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

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

Technical provisions, life insurance

The technical provisions for life insurance and individual pension insurance policies granted prior to 1 January 1999 have been calculated using a technical interest rate of 4.5%, and for group pension insurance, 4.25%. 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 1.9% and 3.9% respectively, with the additions to reduce the technical interest rate included in the technical provisions. The accumulated technical provisions for group pension insurance granted prior to 1 January 1999 have been calculated using a technical interest rate of 3.5%, 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%. A rate of 2.5% 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%. As for individual life insurance policies, the technical interest rate has been 0.0% since 27 March 2017.

In exception to the above, the technical interest rate used for calculating technical provisions has, however, been decreased to 0.5% for 2018–2020, 0.75% for 2021–2022, 1.0% for 2023–2024, and 1.5% for 2025–2027.

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
- equalisation provision

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 euro-zone 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, 2008–2017

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 2008–2017 and not just for 2017. As regards 2017, 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 from 2008 to 2017 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 2008–2017, 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.

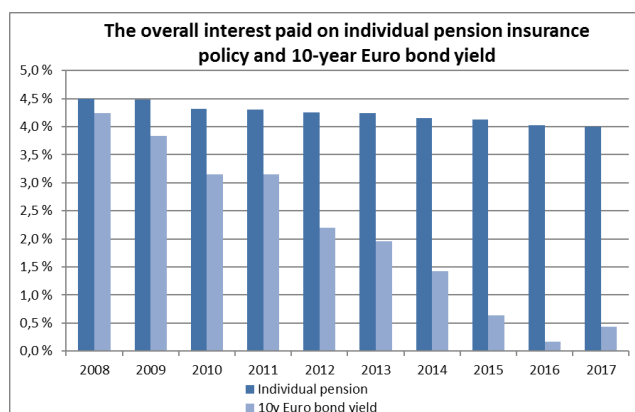
The following is a list of the overall interest rate levels for each line of insurance and contract group for 2017 and 2008–2017. It should be noted that, due to the large number of different contract types, this is not a fully comprehensive account of overall interest rates from the perspective of each 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 2008 to 2017

Individual pension insurance policies

In 2017, the overall interest paid on insurance savings under individual pension insurance policies averaged 4.0% and ranged from 2.5% to 4.5%, 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 0.4% in 2017.

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%



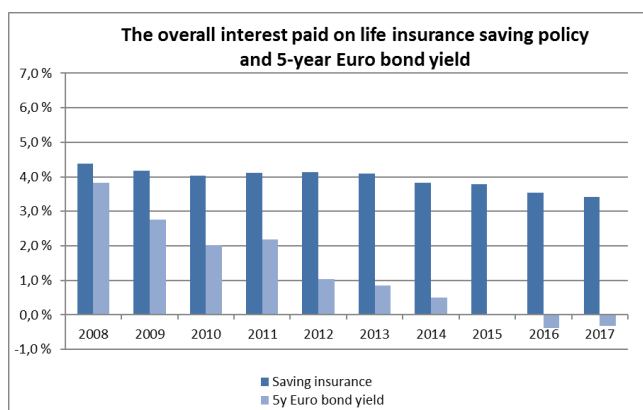
The following image shows the overall interest rate of individual pension insurance policies in relation to the target between 2008 and 2017. The overall interest rate exceeded the target rate every year.

Savings life insurance policies and capital redemption contracts

In 2017, the overall interest paid on insurance savings under savings life insurance policies averaged 3.4% and ranged from 2.0% to 4.5% 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 -0.3% in 2017.

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%
0.0%	2.0–2.7%	2.0–2.7%

The customer bonus for zero-interest-linked insurance savings associated with wide asset class allocation asset management portfolios, the so-called Interest Bonus, is 2.2% in 2018. The customer bonus paid in 2017 was 2.0%. LocalTapiola savings policies and capital redemption contracts, to which asset management portfolios can be attached, have been issued since 27 March 2017.

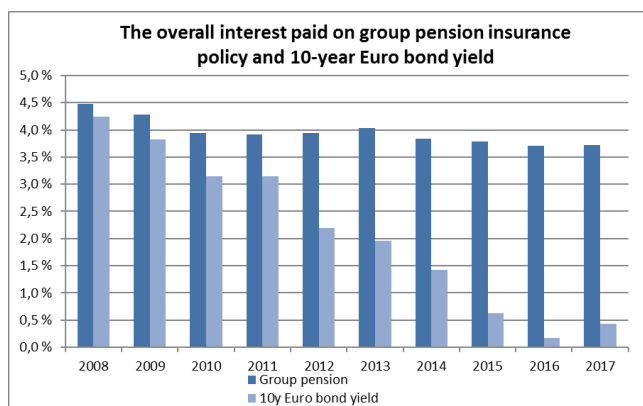


The following image shows the overall interest rate of savings life insurance policies in relation to the target rate between 2008 and 2017. On average, the overall interest rate exceeded the target 5-year interest rate in the period in question. However, in 2008, the interest rate remained slightly under the target in some contracts.

Group pension insurance policies

In 2017, the overall interest paid on insurance savings in group pension insurance policies ranged from 2.9% to 4.25% in the case of Etueläke insurance policies and from 3.3% to 3.5% in the case of TOP pension insurance policies. The overall interest paid on all products exceeded the target 10-year interest rate, which averaged 0.4% in 2017.

Technical rate of interest	Customer bonus	Overall interest
4.25%	0.0%	4.25%
3.5%	0.0%	3.5%
2.5%	0.4–0.8 %	2.9–3.3 %
1.5%	1.9%	3.4%



The following image shows the overall interest rate of group pension insurance policies in relation to the target

between 2008 and 2017. 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 2017

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 2017, additional benefits paid for risk insurance policies amounted to EUR 1.7 million. Additional benefits for risk insurance policies are confirmed in advance. The benefits confirmed for 2018 are the same as those for 2017.

Report on the use of provisions for future bonuses to cover the loss caused by the change in the calculation basis

The calculation basis for provisions for future bonuses allows for the liability to be used to cover a loss that has arisen from changing the calculation basis for technical provisions. The mortality supplement and the interest rate supplement made in the financial statements increased the technical provisions by EUR 14.1 million and EUR 64.2 million, respectively.

In 2017, EUR 22.1 million of the provision for future additional benefits was used for the mortality supplement and interest rate supplement of individual pension insurance policies granted before 1 January 1999, and EUR 5.5 million was used for the interest rate supplement of fixed-sum individual life insurance policies.

Flexible-sum individual pension insurance policies granted before 1 January 1999 do not have any provision for future additional benefits after the changes, and the provision for future additional benefits of fixed-sum individual life insurance policies is EUR 1.6 million.

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

Statutory pension cover has been arranged for the personnel through basic Employees Pensions Act (TyEL) insurance taken out from Elo Mutual Pension Insurance Company with supplementary cover from LocalTapiola Mutual Life Insurance Company, which provides old-age, disability and survivors' pensions, as well as death benefit for next of kin. As a rule, the supplementary pension

increases the pension annually by 0.2% of the annual income on which the pension as defined in the Employees Pensions Act is based. Employees whose employment relationship began before 31 December 2012 are entitled to the additional benefit after five years of employment. The supplementary pension encompasses the entire period of employment relationship.

Full-time members of the Board of Directors who are employed by LocalTapiola General and LocalTapiola Life have a retirement age of 63. The retirement age of the CEO 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.

LocalTapiola Group's consolidated financial statements

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

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

LocalTapiola Group's consolidated financial statements were prepared as a combination of the profit and loss accounts, balance sheets and notes to the statements of the Group's leading company and the subsidiaries being consolidated. The following are eliminated in these consolidated statements: intra-group receivables and liabilities, income and expenses, profit distribution, internal gains and losses, and mutual share ownership.

The intra-Group share and guarantee capital ownership in LocalTapiola Group's consolidated financial statements has been eliminated using the acquisition cost method. In mutual companies, capital and reserves is used to distribute part of the retained earnings as customer bonuses to owner-customers. Capital and reserves contains a separate balance sheet item presenting "Mutual insurance companies' capital and reserves". The mutual insurance companies' initial reserve, security reserve, contingency reserve and retained earnings that are not paid to owners of guarantee capital in the form of interest, are stated under the balance sheet item, "Mutual insurance companies' capital and reserves". This applies to mutual insurance companies consolidated as subsidiaries. LocalTapiola Group owns 100% of the guarantee capital of the mutual regional companies and LocalTapiola Life. Profit and loss account items of the housing and real estate companies included in the LocalTapiola Life Group are presented in the technical account of life insurance business.

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

Associated companies – those in which LocalTapiola Group holds 20–50% of the shares or votes – have been included in LocalTapiola Group's consolidated statements using the equity method. However, mutual companies, such as housing, real estate and investment funds, are not consolidated as associated companies in LocalTapiola Group's financial statements even when the above-mentioned requirements for control and ownership were met at closing of accounts.

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

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

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

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

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

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

The consolidated financial statements of the LocalTapiola Group were first prepared for 2016. The comparative figures for the Group's key figures are presented only for 2016.

Business transfers, 30 June 2017

The customers' motor liability insurance policies (excluding major customers) were transferred from LocalTapiola General's portfolio to the regional companies on 30 June 2017. When the insurance portfolio was assigned and business operations were transferred, LocalTapiola General relinquished the insurance contracts related to the motor liability insurance portfolio, the technical provisions including the equalisation provisions and the assets held to cover these, and the other assets, liabilities and provisions related to the motor liability insurance operations. These were transferred to the regional companies.

In connection with the transfer, LocalTapiola General subscribed to the regional companies' guarantee shares.

LocalTapiola General's figures for the comparison period are not comparable to the figures for the period under review due to the business transfer. In LocalTapiola Group's consolidated financial statements, the effect of the business transfer has 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 changes in the markets and customer behaviour
	Risks caused by the nature of competition and by competitors
	Risks associated with strategic choices
	Group-level special risks

Organisation of risk management

The Board of Directors has overall responsibility for organising risk management. The Board defines risk management targets, the willingness to take risks, limits of risk taking, responsibilities, metrics, and monitoring principles. The Board annually confirms plans associated with risk management, ensures that they are taken into account in the operational plans and monitors the implementation of and compliance with these plans. The Board also monitors the status of risk management and the development of key risks on a regular basis. The Board of Directors has established a separate Audit and Risk Management Committee for purposes such as assisting the Board with matters related to risk management. The CEO 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. All employees have the obligation to report on any risks observed or areas for improvement identified in risk management.

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

As the Board of Directors of LocalTapiola Group's leading company, 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. The Board of Directors appoints an investment control committee, which is responsible for the practical organisation of investment operations and the operational supervision of market risks.

Reporting

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

Insurance operations risk management

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

Non-life insurance risks

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks associated with life insurance

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

The interest rate risk can be managed in several ways: by hedging investment portfolios with derivatives; by changing the interest portfolio's maturity structure or the company's entire strategic allocation in unstable market conditions; by maintaining sufficiently high 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. The company can, if necessary, substantially reduce the interest rate risk on the balance sheet by replicating changes in the company's technical provisions in the difference between net investment

income and interest requirements regarding technical provisions in part of its investment portfolio, using either derivatives or the so-called replicating portfolio.

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 0–3.5%, 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.

The main task of balance sheet management is to define a strategic allocation presented to the Board of Directors so that solvency remains at the required level

with a sufficient probability over a five-year time horizon and is designed considering the company's individual risk-taking capability and willingness.

The formation of the strategic allocation takes into account, in particular, fluctuations in the company's capital and reserves resulting from a change in interest rates and the resulting risk to the company's balance sheet.

Balance sheet management continuously monitors the appropriateness of the strategic allocation and prepares an amendment proposal to the Board of Directors as required. Given that the strategic allocation represents long-term objectives, it is only modified for sufficiently serious reasons related to changes in solvency, insurance portfolio, long-term return on investment and risk expectations, the company's customer bonus policy, or solvency strategy. The objective of balance sheet management is to ensure the efficient and effective use of capital allocated in market risks in the LocalTapiola Group and to ensure the continuity of operations.

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. In addition, risk assessment is carried out separately for each initiative, project, and significant change in business operations.

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 updating and testing the continuity and preparedness plans. 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, 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.

Calculation of key figures

General key figures describing financial development

Non-life insurance turnover

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

Life insurance turnover

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

LocalTapiola General's performance analysis

Premiums earned
Claims incurred
Operating expenses
Other technical income and expenses

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

Operating profit or loss

Change in equalisation provision

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

Profit or loss for the financial year

¹ Applies to the consolidated financial statements

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

LocalTapiola Life'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
<i>Balance on technical account before (additional benefits) and change in equalisation provision</i>
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
<i>Profit or loss before appropriations and taxes</i>
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

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 assets, excluding unit-linked insurance (%) (at current value)

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

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

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

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

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

Average number of personnel during the financial year

The key figure is calculated as a mean value of the number of personnel at the end of each calendar month. Any part-time employment is taken into account in the number of personnel. All persons receiving salary during the financial year are included in personnel.

Key figures describing financial development of non-life insurance

Premium income

= Premium income before reinsurers' share

Loss ratio

Loss ratio (%)

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

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

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

The key figure is calculated after the reinsurers' share.

Expense ratio

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

Combined ratio

Combined ratio (%)

= Loss ratio + Expense ratio

Combined ratio (excl. unwinding of discount expense)

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

Risk ratio (report of the Board of Directors)

Risk ratio (%)

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

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

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

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

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

Expense ratio (%)

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

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

Key figures describing the financial performance of life insurance

Premium income

= Premium income before reinsurers' share

Signatures to the report of the Board of Directors and financial statements

In Espoo, 26 March 2018

Erkki Moisander
Chairman of the Board

Jari Eklund
Deputy Chairman of the Board

Philip Aminoff

Matti Bergendahl

Timo Hiltunen

Hannu Niilekselä

Kati Partanen

Pirkko Rantanen-Kervinen

Jari Sundström
CEO

Auditor's note

A report has been issued today on the audit performed.

In Espoo, 9 April 2018

KPMG Oy Ab

Mikko Haavisto
Authorised Public Accountant



Auditor's report

To the Annual General Meeting of LocalTapiola General Mutual Insurance Company

Auditing of financial statement

Opinion

We have audited the, financial statements of LocalTapiola General Mutual Insurance Company (business ID: 0211034-2) for the financial year 1 January – 31 December 2017. The financial statements comprise the balance sheets, profit and loss accounts, cash flow statements and notes to the financial statements for both the consolidated company and the parent company.

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

Our opinion is consistent with the additional report given to the Board of Directors.

Basis of opinion

We have conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described under section *Auditor's responsibilities for the audit of financial statements*.

We are independent of the company 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.

In our best knowledge and understanding, the non-audit services that we have provided to the company are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any of the prohibited services referred to in Article 5(1) of EU regulation 537/2014. The non-audit services that we have provided have been disclosed in appendix 3.4 of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Materiality

The extent of our audit has been affected by the materiality we have applied. The definition of materiality is based on our professional judgement and it directs the definition of the nature, timing and extent of the auditing measures as well as the assessment of the consequences of observed misstatements on the financial statements as a whole. The level of materiality is based on our assessment on the extent of such a falsities that, individually or in aggregate, can be reasonably assumed to influence the economic decisions made by the users of the financial statement. We have also taken into account such falsities that we due to qualitative aspects consider material for the users of the financial statements.

Most substantial risks of material misstatement

Below we have described our assessment of the most substantial risks of material misstatement, including risks of material misstatement caused by fraud, as well as presented a summary of measures we have taken based on these risks.

**MOST SUBSTANTIAL RISKS OF MATERIAL
MISSTATEMENT**

**MEASURES WE HAVE TAKEN BASED ON
THESE RISKS**

1 Technical provisions (accounting principles pp. 85-88)

As per Chapter 9 of the Insurance Companies Act, the technical provisions form the most significant item of the liabilities.

The calculation of technical provisions is based on complex insurance-mathematical calculation models and assumptions requiring consideration by the management, which are related, for example, in pension-type insurance lines to the life expectancy of the insured and to the discount interest rate used. The definition of the discount rate used in the calculation of provision for pension-type claims and the assessment of incidents of loss must be made securely.

The group's mutual life insurance company's own risk has guaranteed interest rate of pension and savings life insurances with promised technical rate of interest. Promised technical rate of interest involves an investment returns risk. The interest used for calculating technical provisions must be selected securely.

The calculation of technical provisions is based on data produced by and combined from several different information systems. The databases are extensive and the systems process a large amount of data.

Based on these factors the audit has assessed technical provisions to be an item entailing a risk of material misstatement.

During the financial year, the company transferred a significant part of its motor liability insurance portfolio to group's regional companies, which includes a significant amount of pension-type claims. The validity of the business transfer has a significant impact on the company's technical provisions.

We have assessed the principles and calculation bases for the recording and calculation of technical provisions.

Our actuary has participated in the auditing and evaluated the appropriateness of the assumptions and methods used by, for example, assessing especially the rationale behind the calculation of key figures for collective provision and claims handling provisions.

We have also examined the appropriateness of transfer of technical provisions and assessed the accuracy of the notes regarding technical provisions.

We have assessed the principles and methods related to the business transfer. In addition, we have assured the appropriateness and accuracy of the handling of the transfer.

**MOST SUBSTANTIAL RISKS OF MATERIAL
MISSTATEMENT**

**MEASURES WE HAVE TAKEN BASED ON
THESE RISKS**

2 Valuation of investments (accounting principles pp. 82-83)

The investment assets of the group, including assets held to cover unit-linked insurance policies, form the most significant share of the balance sheet assets.

Investments are as a rule stated at historical cost or, as with real estate, at acquisition value from which intended depreciations have been deducted, or at a market value below the aforementioned.

The appendices of the financial statements describe the investment book value as well as the current value of investments and the net investment income at current value.

The current value of assets is based on either market quotation or current values defined by commonly accepted principles. The definition of current value of investments requires discretion especially for those assets and instruments for which a market value from public market quotations is not available; examples of such include private equity investments and real estate investments.

Because of the discretion associated with the significant book value of investment assets and its valuation, investment assets and its presentation has for the purposes of audit been defined as an item that entails a risk of material misstatement.

We have assessed the appropriateness of the accounting principles and valuation methods employed by the company.

We have tested the internal controls related to the valuation process and the recording of securities, derivatives and real estate assets.

In conjunction with the audit, we have compared the current values used for valuation of investment assets with external price quotations and results yielded by other applied valuation methods, as well as assessed the appropriateness of the company's own valuation methods.

In addition, we have assessed the accuracy of the notes concerning investment assets.

Responsibilities of the Board of Directors and the CEO for the financial statements

The Board of Directors and the CEO are responsible for preparing the financial statements in such a way that they give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements in Finland and fulfil legal requirements. The Board of directors and the CEO are also responsible for any internal control they consider necessary for the preparation of financial statements that do not contain material misstatements, whether due to fraud or error.

When preparing the financial statements, the Board of Directors and the CEO are obliged to assess the company's ability to continue its operations and to disclose, as applicable, matters relating to business continuity and the use of business continuity as the basis of the financial statement. The financial statements are prepared using business continuity as basis of the accounting, unless there is an intention to liquidate the company 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 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 material misstatements will be detected by an audit conducted in accordance with good auditing practice. 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 judgement and maintain professional scepticism throughout the audit. In addition:

- We 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.
- We 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 company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of the Board of Directors' and the CEO's use of business continuity as basis of accounting and based on the audit evidence obtained, whether such a material uncertainty related to events or conditions exists that may cast significant doubt on the company's ability to continue its operations. 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 result in that the company can no longer continue its operations.
- We evaluate the financial statement, all data disclosed in the financial statements, including overall presentation, structure and content, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

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



Other reporting obligations

Information concerning the auditing assignment

We have been the auditor of LocalTapiola General Mutual Insurance Company appointed by the annual general meeting since 2013, for a total period of uninterrupted engagement of 5 years.

Other information

The Board of Directors and the CEO are responsible for other information. Other information includes the annual report. Our opinion regarding the financial statements does not extend to cover the other information.

It is our duty to review the other information as part of the auditing process and to assess whether the other information is materially inconsistent with the financial statements or the understanding we have gained by auditing the financial statement or whether the information appears to otherwise be materially misstated. Furthermore, it is our duty to assess whether the annual report is in accordance with the laws and regulations governing the preparation of the annual report.

In our opinion, the annual report is consistent with the financial statements and the annual report is in accordance with the laws and regulations governing the preparation of the annual report.

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

Espoo, 9 April 2018

KPMG OY AB

Mikko Haavisto
Authorised Public Accountant