

LocalTapiola  
Mutual  
Life Insurance Company

Report of the Board of Directors and  
financial statements for 2017  
Business ID: 0201319-8



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# REPORT OF THE BOARD OF DIRECTORS

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

## LocalTapiola Life 2017

LocalTapiola Life paid out EUR 323 million in claims to its customers. EUR 63 million was compensated for insurance savings in the form of technical rate of interest and customer bonuses. EUR 2 million was compensated for term life insurance in the form of discounts and additional sums.

- 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.

The number of Smart Life Insurance customers increased. More than 70% of Smart Life Insurance customers say that the insurance has helped them change their lifestyles. We added new well-being services to the Smart Life Insurance based on our customers' wishes.

- Premium income increased by 22% to EUR 516 million. Premium income increased in all focus areas in group pension insurance and term life insurance and savings and capital redemption contracts.
- The result was good thanks to the 5.3% return on investment and several years of sustained growth in the insurance portfolio. Solvency also remained solid.

|   | LocalTapiola<br>Life<br>2017 | LocalTapiola<br>Life<br>2016 |
|---|------------------------------|------------------------------|
| <b>Summary of results</b>                               |                              |                              |
| Operating profit, EUR m                                 | 48.4                         | 63.4                         |
| Result for the financial year, EUR m                    | 51.7                         | 60.0                         |
| Total result, EUR m                                     | 64.0                         | 72.7                         |
| Return on assets,<br>excluding unit-linked insurance, % | 5.1                          | 5.8                          |
| Solvency position, % *                                  | 191.5                        | 190.0                        |

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

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

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.

| <b>Key figures</b>                                    | <b>LocalTapiola<br/>Life 2017</b> | <b>LocalTapiola<br/>Life 2016</b> |
|---|-----------------------------------|-----------------------------------|
| Claims paid, EUR m                                    | 323.4                             | 329.0                             |
| Technical rate of interest paid to customers, EUR m   | 57.4                              | 59.1                              |
| Customer bonuses paid to customers, EUR m             | 7.5                               | 7.3                               |
| Net investment income at current values, %            | 5.3                               | 5.0                               |
| Total expense loadings, EUR m                         | 46.8                              | 44.1                              |
| Technical provisions, EUR m                           | 2,276.4                           | 2,265.2                           |
| Technical provisions for unit-linked insurance, EUR m | 2,112.4                           | 1,796.0                           |
| Capital and reserves, EUR m                           | 412.2                             | 362.8                             |
| Balance sheet total, EUR m                            | 4,929.8                           | 4,552.9                           |

## Group structure

LocalTapiola Life is included in LocalTapiola Group's consolidated financial statements. LocalTapiola Group is headed by LocalTapiola General. LocalTapiola Life Group consists of the parent company and 22 (25) housing and real estate companies and one (0) other company.

Associated companies include the Tapiola Data Ltd Group, LocalTapiola Private Equity GP Ltd, and LähiTapiola Tontit GP I Oy. Furthermore, the associated companies include one (3) real estate company and 3 (5) other companies.

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

## Changes in the company and the Group

Following the 2017 transaction and series A share issue, the company's ownership of the number of votes in LocalTapiola Real Estate Asset Management Ltd is now under 20%.

## Consolidated financial statements

The figures concerning the insurance business of LocalTapiola Life and LocalTapiola Life Group are identical. LocalTapiola Life Group's profit for the financial year amounted to EUR 42.0 million (EUR 59.5 million) and the balance sheet total was EUR 4,927.3 million (EUR 4,555.7 million).

## Life insurance

|  | <b>LocalTapiola<br/>Life<br/>2017</b> | <b>LocalTapiola<br/>Life<br/>2016</b> | <b>Change,<br/>%</b> |
|--|---------------------------------------|---------------------------------------|----------------------|
| <b>Premium income</b>  |                                       |                                       |                      |
| Savings life insurance and capital redemption contracts, EUR m | 329.3                                 | 238.9                                 | 37.8                 |
| Term life insurance, EUR m                                     | 90.1                                  | 84.5                                  | 6.6                  |
| Group pension insurance, EUR m                                 | 40.0                                  | 35.9                                  | 11.4                 |
| Individual pension insurance, EUR m                            | 45.1                                  | 52.3                                  | -13.8                |
| Employee group life insurance, EUR m                           | 11.6                                  | 10.1                                  | 15.2                 |
| <b>Total</b>   | <b>516.0</b>                          | <b>421.7</b>                          | <b>22.4</b>          |

LocalTapiola Life's premium income increased by 22.4% to EUR 516 million. Premium income increased especially in savings life insurance and capital redemption contracts, thanks to the asset management concept featuring insurance launched in March. Premium income also increased in term life insurance and group pension insurance in line with objectives.

Claims paid totalled EUR 323 million (EUR 329 million) and returns on insurance savings EUR 63 million (EUR 64 million). Pensions paid came to EUR 117 million (EUR 114 million), compensation for medical expenses and disability to EUR 22 million (EUR 23 million), and death benefits to EUR 30 million (EUR 27 million).

Total expense loadings grew by 6%, and the result for risk premiums collected was also at a good level. The expense ratio in proportion to total expense loadings increased year-on-year as a result of investments in acquisitions, standing at 127% (119%). The expense ratio is 117% (111%) if we include the soft commissions from unit-linked products used to finance operating expenses, which are not included in key figures. Investments in acquisitions increase the expense ratio. The operating expense ratio continued to decline in 2017, standing at 53.3% (55.4%). The operating expense ratio compares the operating expenses from management, administration, claims handling, and investment activities to total expense loadings and soft commissions.

Total technical provisions increased from EUR 4.1 billion to EUR 4.4 billion. The share of technical provisions for unit-linked insurance rose from 44% to 48%. A more detailed account of the breakdown of and changes in technical provisions is provided in the note on risk management.

The interest rate supplement of EUR 64.2 million and the mortality supplement of EUR 14.1 million, made in the financial statements, reduced the operating profit and the total result. However, the operating profit and total result were at a good level, thanks to investment

income and several years of sustained growth in the insurance portfolio. Solvency also remained solid.

|   | LocalTapiola<br>Life<br>2017 | LocalTapiola<br>Life<br>2016 |
|---|------------------------------|------------------------------|
| <b>Net investment income at current values, %</b> | <b>5.3</b>                   | 5.0                          |
| Fixed-income investments                          | 2.3                          | 4.1                          |
| Equity investments                                | 10.7                         | 6.5                          |
| Real estate investments                           | 9.7                          | 7.6                          |
| Other investments                                 | -5.4                         | 4.0                          |
| <b>Investment allocation, %</b>                   |                              |                              |
| Fixed-income investments                          | 53.1                         | 58.1                         |
| Equity investments                                | 26.6                         | 23.3                         |
| Real estate investments                           | 19.5                         | 17.8                         |
| Other investments                                 | 0.8                          | 0.7                          |
| <b>Investment assets at current value, EUR m</b>  | <b>3,005.7</b>               | 2,939.5                      |

## Investment activities

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

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

Net investment income at current value was high, 5.3% (5.0%), or EUR 153 million (EUR 140 million). LocalTapiola Life's average five-year annual return on investment was 5.1% (5.8%) and the average ten-year annual return was 5.0% (4.7%).

Investment allocations remained largely unchanged, although overall, risk-bearing investment classes gained weight as a result of the positive value development in 2017. In addition, the share of real estate investments, in

particular, grew slightly, as money began to commit with the completion of construction sites.

## Significant events during the financial year

In the context of the decentralisation of the motor liability insurance business between the non-life insurance companies of the LocalTapiola Group, 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 Life has continued to invest in the implementation of the lifelong security strategy in 2016–2018 and in the transformation from a life insurance company to a lifelong security company for its owner-customers. The aim is to respond to true customer orientation through a renewed business model, management system, service concept, and distribution model.

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

Human life and the living environment are changing rapidly. For our customers' lifelong security, we develop meaningful services that help customers to increase the healthy years of their life and enable a more self-sufficient economy. This means personalised services and benefits based on 'smart ideology' that can be used to proactively improve the health and finances of our customers.

Savings life insurance sales were accelerated by the entirely new type of asset management concept featuring insurance that we launched in March, 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.

Based on customer requests, we added new well-being services to the Smart Life Insurance concept that support healthier lifestyles. The Smart Life Insurance service concept combines financial security with tools for customers to monitor their own lifestyle and well-being. The number of Smart Life Insurance customers grew rapidly, and the concept already covers 15,000 people. A survey conducted in the autumn of 2017 among customers who had taken out Smart Life Insurance showed that

the 'smart life insurance that helps you stay alive' helped customers adopt healthier lifestyles. 70% of respondents said that they had improved their lifestyles, and 75% said that the changes had become permanent.

In the spring, we launched a financial counselling service in connection with the popular TerveysHelppi service. It is intended for our customers with insurance against severe illnesses suffered by children so that the family's finances can also be planned when a child falls seriously ill. This additional service is a further step to the 2016–2017 campaign to bring security to the lives of families with children. During the campaign, LocalTapiola Life offered insurance against severe illnesses suffered by children free of charge for the first year for all children below 16 in families who are LocalTapiola's customers.

The digital life insurance proposal was introduced in the spring of 2017, and the functionality was introduced to existing customers.

Services utilising new technologies were introduced internally, which improved customer service and optimised current operations: the first software robot was introduced in group pension insurance, the chatbot pilot responded to questions related to the new investment insurance, personalised video technology is utilised in communications to employees of Smart Life Insurance corporate customers, and a chat service was introduced to respond to term life insurance questions.

Channels focusing on investment services and term life solutions for private customers were further developed, and strong investments in sales through the corporate channel were continued. Distribution channel collaboration with S-Bank developed as expected, and there has been a steady flow of Smart Life Insurance purchases on the S-Mobile.

Investments in improving service availability and the launch of new services boosted sales growth and enhanced customer experience. Customer satisfaction remained high in 2017 and improved compared with the previous year.

Implementation of the requirements of the European-wide consumer regulatory wave to processes and systems has been a major part of activities in 2017. Key information brochures on packaged retail investment and insurance products in accordance with PRIIP regulations have been in use since the beginning of 2018. The implementation of the changes in the Money Laundering Act has been carried out, including the implementation of PEP regulations to identify politically exposed persons.

Preparation for activities in accordance with EU data protection legislation and the regulations on procedures for selling IDD insurance policies, entering into force in 2018, has progressed as planned and on schedule.

The earnings-related pension reforms that took effect on 1 January 2017 were visible in the customer commu-

nications of group pension insurance for corporate customers and individual pension insurance.

## Customers and customer benefits

In 2017, EUR 50 million (EUR 50 million) was paid out to pension customers in the form of technical rate of interest and customer bonuses. EUR 13 million (EUR 14 million) was paid out to other customers. EUR 1.7 million (EUR 2.1 million) was paid for term life insurance policies in the form of premium rebates and additional sums, and discounts on savings insurance policies as per the benefit programme amounted to EUR 0.4 million (EUR 0.4 million).

In 2017, LocalTapiola Life paid out a total of EUR 65 million (EUR 67 million) to its customers in the form of customer bonuses and technical rate of interest. Customer bonuses accounted for EUR 8 million (EUR 8 million) and technical rate of interest for EUR 57 million (EUR 59 million) of this sum.

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

The application of the principle of reasonability, the objectives for the distribution of additional benefits and the implementation of the principle of reasonability in 2008–2017 are explained in the Notes to the financial statements under 'Accounting principles'.

The effect of customer bonuses on the 2017 result was EUR 8.3 million (EUR 7.6 million), taking into account the withdrawal from the 2017 provisions for future bonuses and the additional bonuses confirmed for 2018.

## Operating environment

### 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 particular 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 specified in the legislation. 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 Life's solvency is strong, and LocalTapiola Group's non-life insurance companies are among the most solvent operators in the non-life insurance sector in

Finland. The Group's solvency is therefore built on a strong foundation despite the economic uncertainty that prevails in the operating environment. As LocalTapiola Group is a mutual company, its solvency management focuses on good solvency throughout the Group and its companies so as to ensure the financial security of customers at all times.

Further information on solvency management at LocalTapiola Life and LocalTapiola Group will be provided in a report on the Group's solvency and financial position, to be published by 16 June 2018 on the LocalTapiola website at [www.lahitapiola.fi](http://www.lahitapiola.fi). Until then, you can refer to a shorter summary by LocalTapiola Life, available on the website.

### Solvency position

LocalTapiola Life's solvency remained strong in 2017.

LocalTapiola Life's eligible own funds, i.e. the excess of the insurance company's assets over its liabilities and other comparable commitments, totalled EUR 1,144 million (EUR 988 million). The company's Solvency Capital Requirement (SCR) at the end of 2017 was EUR 598 million (EUR 520 million). Solvency position, i.e. the amount of eligible own funds in relation to the SCR, was 1.92 (1.90). Without the application of the transitional measure on technical provisions, the company's solvency position would have been 1.44 (1.21). The transitional measure's effect on the company's solvency will decrease gradually and end by 2032.

### Risk position

The most significant risks in the operations are market risks associated with investments and market-based valuation of technical provisions, insurance risks in life insurance, operational risks, risks related to the operating environment, and risks related to strategic intent.

Market risks are caused by fluctuations in market values, including fluctuations resulting from changes in interest rates, share prices, and exchange rates. The most significant insurance risks in life insurance are risks associated with technical provisions and the customer-related risks of termination of contracts and premium payments. Operational risks refer to the risk of losses caused by insufficient or failed internal processes, personnel, systems, and external factors. Legal risks are included in operational risks. Risks related to the operating environment and strategic intent include risks associated with the general operating environment, changes in the markets and customer behaviour, the competitive situation and competitors, and the content of the strategy.

In the insurance sector, risks associated with the operating environment and strategy are heightened by

concurrent uncertainty about economic development and the ever-increasing pace of change: digital transformation, consolidation, new operators and consortia, migration, demographic change, internationalisation, and climate change.

Further information on risk management and key risks at LocalTapiola Life will be provided in the note on risk management and in a report on solvency and financial position, to be published by 16 June 2018 on the LocalTapiola website at [www.lahitapiola.fi](http://www.lahitapiola.fi).

## Corporate governance, personnel and remuneration

### LocalTapiola Group's corporate governance and management system

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

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

LocalTapiola Group forms an insurance group 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 report-



ing within the entire LocalTapiola Group and all Group companies.

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

## Annual General Meeting

LocalTapiola Life's Annual General Meeting was held on 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 the proposal to amend sections 3 and 16 of the company's Articles of Association.

The following members of LocalTapiola Life's Supervisory Board who were due to resign were re-elected: Jari Bachmann, CEO, Helsinki (Kasola Oy), Vesa Ekroos, Chairman of the Board, Helsinki (Balustrade Oy), Juha Hakkarainen, Forestry Director, Espoo (Central Union of Agricultural Producers and Forest Owners), Pekka Ilmivalta, Senior Vice President, Communication and CSR, Espoo (Veikkaus Oy), Merja Lehtonen, Home Economics Teacher, Riihimäki (City of Riihimäki), Ahti Manninen, kauppaneuvos [Finnish honorary title], Lappeenranta, Totti Salko, CEO, Helsinki (Merle Oy), Minna Talvio, Leading Occupational Health Physician, Naantali (Diacor Terveyspalvelut Oy), and Harri Tuomi, CEO, Rusko (Satakunnan Osuuskauppa).

The following new members were elected: Saara Perho, Executive Business Strategist, Helsinki (Citrus Solutions Oy) and Satu Ylisiurua-Hemminki, Leading Expert, Seinäjoki (Regional Reform Preparation Project). All members were elected for a three-year period until the 2020 Annual General Meeting.

Arttu Laine, Field Director, Espoo (SOK) was elected to replace Susa Nikula, and Juhani Salo, Lawyer, Master of Laws trained on the bench, Rauma (Asianajotoimisto Juhani Salo) was elected to replace Mikko Koivisto. Susa

Nikula and Mikko Koivisto had resigned from the Supervisory Board, and the replacements are for the remainder of their terms until the 2019 Annual General Meeting.

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

## Supervisory Board

LocalTapiola Life's Supervisory Board held its organising meeting on 1 June 2017. The meeting elected the Chair and Deputy Chairs to the Supervisory Board. Totti Salko, CEO was elected as Chair of the Supervisory Board. Ralf Wickström, holder of the honorary Finnish title of vakuumusneuvos, was elected as First Deputy Chair of the Supervisory Board, and Päivi Uusitalo, Head of Financial Control at Caruna Networks Oy, as the Second Deputy Chair.

The Supervisory Board met three times. On average, 83.8% of the members participated in the meetings. The salaries and remuneration paid to the Supervisory Board members, their pension commitments, money loans and their terms, as well as security and financial commitments are specified in note 3.3.2 to the profit and loss account.

## Committees of the Supervisory Board

### Nomination Committee of the Supervisory Board

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

The Nomination Committee is comprised of the Chair of the Supervisory Board and three 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.

Until 1 June 2017, the Nomination Committee was chaired by Jouko Havunen, Chair of the Supervisory Board, and as of 1 June 2017, by Totti Salko, Chair of the Supervisory Board. Until 1 June 2017, the members of the Nomination Committee were Hannu Anttila, Marita Modenius and Totti Salko, all members of the Supervisory Board, and as of 1 June 2017, Tiina Brandt, Vesa

Ekroos and Marjut Nordström, all members of the Supervisory Board.

The Nomination Committee met two times in 2017, and the average attendance rate of the members was 75%.

## 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
- Janne Kaippio, Actuarial Director, LocalTapiola General Mutual Insurance Company
- Timo Laakso, Finance Director, LocalTapiola General Mutual Insurance Company
- Lauri Riekkola, CEO, LocalTapiola Loimi-Häme Mutual Insurance Company
- Kati Sulin, Chief Digital Officer, DNA Oyj
- Olli Latola, LLB, Master of Laws trained on the bench

The Board of Directors convened 14 times. On average, 98% 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 is chaired by President Erkki Moisander, and it is comprised of the CEOs of LocalTapiola Group companies and directors in charge of the control of the Group and joint functions.

CEO Minna Kohmo is a member of the Management Group. As a rule, the Management Group meets every two weeks.

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

The Board of Directors of LocalTapiola General, the leading company of LocalTapiola Group, is assisted by the Audit and Risk Management Committee. The purpose of

the committee is to assist the Board of Directors with its statutory duties and matters provided for in its rules of procedure regarding the finances, accounts, solvency, risk management, auditing, internal control, and internal audit of the company and LocalTapiola Group. Olli Latola, a member of the Board of Directors of LocalTapiola Life, has had the right of attendance and right of speech at the committee's meetings.

## CEO

Minna Kohmo, Master of Science in Economics, is CEO of LocalTapiola Life. Janne Pesonen, Master of Science in Engineering, SHV (Insurance Mathematician's qualification), is Deputy CEO.

The salaries and perquisites paid to the CEO totalled EUR 314,240, including EUR 58,680 in performance-related pay. Of the performance-related pay, EUR 19,700 was earned in 2016, EUR 8,282 was earned in 2015, EUR 12,224 was earned in 2014, and EUR 18,474 was earned in 2013. EUR 56,338 of the performance-related pay has been deferred for subsequent payment, of which EUR 29,551 was earned in 2016, EUR 15,715 was earned in 2015, and EUR 11,072 was earned in 2014. Performance-related pay for senior managers is based on the achievement of 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.

## Related parties

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

## Auditor

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

## Supervisory authority

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

operating prerequisites and changes in the operating environment of the supervised companies.

## Personnel

LocalTapiola Life had an average of 132 (132) employees during the financial year.

## Remuneration

The aim of the remuneration system is to incentivise good performance and to boost the motivation and commitment of personnel. At LocalTapiola Life, remuneration is based on the strategy of the Group and its companies, and the targets set based on 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 Life'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 company's Board 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 issues 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 Life's management comprises the following elements:

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

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

The management's annual bonus is based on 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 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 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 Life's senior management and investment organisation whose professional activities have a material impact on the company's risk profile are deferred as follows: the first instalment of the bonus –

amounting to 40% – 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 profit-sharing bonus can be up to 3% of the payroll. The criteria for determining the amount of profit-sharing bonus are confirmed annually. The payment is subtracted from the preliminary estimate of the result of the financial year.

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

## **Reporting in compliance with the Corporate Governance Code**

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

# Corporate social responsibility

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

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

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

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 implementing significant system and process changes in the Group, among other things. 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. 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 Life 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.

LocalTapiola Life 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](http://www.lahitapiola.fi).

## Events after the financial year

No material events occurred after the financial year.

## Future prospects

### Life insurance business

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 re-

forms 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 the profit for the financial year, EUR 51,724,640.66, be distributed as follows:

5.0% guarantee capital interest, or EUR 1,879,275.00, be distributed to the owners of guarantee shares, EUR 49,445,365.66 be transferred to the security reserve, and EUR 400,000.00 be transferred 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 | 412,205,224.14 |
| Initial reserve           | 4,482,208.24   |
| Guarantee capital         | 37,585,505.12  |
| Security reserve          | 366,380,097.55 |
| Contingency reserve       | 1,878,138.23   |

# FINANCIAL STATEMENTS FOR 2017

## LocalTapiola Life Group's main statements

# Consolidated profit and loss account

| TECHNICAL ACCOUNT   | 1.1.2017 | -                    | 31.12.2017           | 1.1.2016             | -                    | 31.12.2016 |
|---|----------|----------------------|----------------------|----------------------|----------------------|------------|
| Premiums earned   |          |                      |                      |                      |                      |            |
| Premiums earned   | K1       | 516 017 481,77       |                      | 421 706 014,44       |                      |            |
| Reinsurers' share   |          | <u>-2 837 556,37</u> | 513 179 925,40       | <u>-2 086 478,54</u> | 419 619 535,90       |            |
| Investment income   | K4       |                      | 232 257 056,08       |                      | 231 382 801,53       |            |
| Revaluations of investments   | K4       |                      | 109 299 080,65       |                      | 91 287 760,80        |            |
| Claims incurred   |          |                      |                      |                      |                      |            |
| Claims paid   |          | -327 201 715,78      |                      | -333 461 611,74      |                      |            |
| Reinsurers' share   |          | <u>1 473 851,83</u>  | -325 727 863,95      | <u>383 473,32</u>    | -333 078 138,42      |            |
| Change in provision for outstanding claims                                  |          | -24 143 537,00       |                      | -24 396 308,00       |                      |            |
| Reinsurers' share   |          | <u>0,00</u>          | -24 143 537,00       | <u>0,00</u>          | -24 396 308,00       |            |
| Total claims incurred   |          |                      | -349 871 400,95      |                      | -357 474 446,42      |            |
| Change in provision for unearned premiums                                   |          |                      |                      |                      |                      |            |
| Change in provision for unearned premiums                                   |          | -303 383 721,53      |                      | -173 014 965,35      |                      |            |
| Reinsurers' share   |          | <u>0,00</u>          | -303 383 721,53      | <u>0,00</u>          | -173 014 965,35      |            |
| Operating expenses  | K3       |                      | -55 353 572,34       |                      | -47 831 401,36       |            |
| Investment charges  | K4       |                      | -71 082 533,81       |                      | -71 251 290,21       |            |
| Revaluation adjustments on investments                                      | K4       |                      | -21 988 675,30       |                      | -17 311 738,72       |            |
| <b>Balance on technical account before change in equalization provision</b> |          |                      | <b>53 056 158,20</b> |                      | <b>75 406 256,17</b> |            |
| <b>NON-TECHNICAL ACCOUNT</b>  |          |                      |                      |                      |                      |            |
| <b>Balance on technical account of life insurance</b>                       |          |                      | <b>53 056 158,20</b> |                      | <b>75 406 256,17</b> |            |
| Other income  | K4       |                      |                      |                      |                      |            |
| Other   |          | <u>2 697 326,22</u>  | 2 697 326,22         | <u>2 718 407,71</u>  | 2 718 407,71         |            |
| Other expenses  | K4       |                      |                      |                      |                      |            |
| Depreciation of goodwill on consolidation                                   |          | 0,00                 |                      | -27 981,00           |                      |            |
| Other   |          | <u>-4 878 026,79</u> | -4 878 026,79        | <u>-5 168 500,21</u> | -5 196 481,21        |            |
| Share of profit (loss) from group associated undertakings after taxes       |          |                      | 543 602,26           |                      | -54 134,06           |            |
| <b>Profit on ordinary activities</b>  |          |                      | <b>51 419 059,89</b> |                      | <b>72 874 048,61</b> |            |
| Direct taxes on ordinary activities   |          |                      |                      |                      |                      |            |
| Taxes for the financial period  |          | -9 322 951,12        |                      | -13 436 387,80       |                      |            |
| Change in deferred tax liabilities  |          | <u>18 023,77</u>     | -9 304 927,35        | <u>23 315,49</u>     | -13 413 072,31       |            |
| Minority interest in the profit for the financial year                      |          |                      | -120 727,94          |                      | 4 751,75             |            |
| <b>Profit for the accounting period</b>                                     |          |                      | <b>41 993 404,60</b> |                      | <b>59 465 728,06</b> |            |

# Consolidated balance sheet

| ASSETS   |     | 31.12.2017                     | 31.12.2016                     |
|--|-----|--------------------------------|--------------------------------|
| <b>Intangible assets</b>                                   | K9  |                                |                                |
| Intangible rights  |     | 187 339,29                     | 237 035,48                     |
| Goodwill on consolidation                                  |     | 8 237,44                       | 0,00                           |
| Other expenses with long-term effects                      |     | 14 278 379,55                  | 14 940 423,44                  |
| Provisional premiums                                       |     | <u>1 670 885,63</u>            | <u>0,00</u>                    |
|  |     | 16 144 841,91                  | 15 177 458,92                  |
| <b>Investments</b>   | K5  |                                |                                |
| Real estate investments                                    | K6  |                                |                                |
| Real estate and shares in real estate                      |     | 318 635 772,86                 | 278 950 491,02                 |
| Loans to group companies                                   |     | <u>38 387 757,69</u>           | <u>15 762 257,69</u>           |
|  |     | 357 023 530,55                 | 294 712 748,71                 |
| Investments in group companies and participating interests | K7  |                                |                                |
| Shares and holdings in group companies                     |     | 145 495 397,93                 | 41 163 478,34                  |
| Debt securities and loans of companies in same group       |     | 79 980 249,35                  | 73 973 000,01                  |
| Shares and holdings in participating interests             |     | 37 373 323,83                  | 40 257 156,42                  |
| Debt securities and loans in participating interests       |     | <u>4 000 000,00</u>            | <u>4 000 000,00</u>            |
|  |     | 266 848 971,11                 | 159 393 634,77                 |
| Other investments  |     |                                |                                |
| Shares and holdings  | K7  | 913 587 470,13                 | 882 672 192,51                 |
| Debt securities  | K7  | 790 089 820,64                 | 958 752 898,24                 |
| Loans guaranteed by mortgages                              |     | 217 981 116,58                 | 174 044 238,03                 |
| Other loans  | K8  | 107 263 446,94                 | 142 109 989,71                 |
| Deposits   |     | <u>10 097 123,11</u>           | <u>11 565 073,75</u>           |
|  |     | 2 052 900 077,40               | 2 169 144 392,24               |
|  |     | 2 676 772 579,06               | 2 623 250 775,72               |
| <b>Assets covering unit-linked policies</b>                | K7  |                                |                                |
|  | K10 | 2 135 773 963,88               | 1 821 742 996,28               |
| <b>Debtors</b>   | K15 |                                |                                |
| Arising out of direct insurance operations                 |     |                                |                                |
| Policyholders  |     | 1 009 218,80                   | 1 106 251,19                   |
| Arising out of reinsurance operations                      |     | <u>116 864,10</u>              | <u>92 535,16</u>               |
|  |     | 1 126 082,90                   | 1 198 786,35                   |
| Other debtors  |     | 3 586 266,20                   | 2 934 068,11                   |
| Deferred tax claim   | K14 | <u>1 042 305,94</u>            | <u>1 047 417,81</u>            |
|  |     | 5 754 655,04                   | 5 180 272,27                   |
| <b>Other assets</b>  |     |                                |                                |
| Tangible assets  |     |                                |                                |
| Machinery and equipment                                    | K9  | <u>685 449,33</u>              | <u>510 723,89</u>              |
| Cash at bank and in hand                                   |     | 60 187 763,83                  | 66 920 296,77                  |
| Other assets   |     | <u>767 204,41</u>              | <u>117 204,41</u>              |
|  |     | 61 640 417,57                  | 67 548 225,07                  |
| <b>Prepayments and accrued income</b>                      |     |                                |                                |
| Accrued interest and rent                                  |     | 10 099 548,12                  | 12 667 410,84                  |
| Other prepayments and accrued income                       |     | <u>21 119 464,24</u>           | <u>10 134 721,64</u>           |
|  |     | 31 219 012,36                  | 22 802 132,48                  |
| <b>Total assets</b>  |     | <u><u>4 927 305 469,82</u></u> | <u><u>4 555 701 860,74</u></u> |

| LIABILITIES   |                  | 31.12.2017              | 31.12.2016              |
|---|------------------|-------------------------|-------------------------|
| <b>Capital and reserves</b>   | K11              |                         |                         |
| Initial reserve   |                  | 4 482 208,24            | 4 482 208,24            |
| Guarantee capital   |                  | 37 585 505,12           | 37 585 505,12           |
| Revaluation reserve   |                  | 9 162 367,08            | 9 162 367,09            |
| Other reserves  |                  |                         |                         |
| Muut rahastot   | 318 412 870,18   |                         | 260 753 178,78          |
| Share of voluntary provisions and depreciation difference transferred to capital and reserves               | 921 232,27       | 319 334 102,45          | 1 026 277,13            |
| Profit/loss for previous accounting periods   |                  | -19 582 124,25          | -19 186 463,88          |
| Profit for the accounting period  | 41 993 404,60    |                         | 59 465 728,06           |
| Change in depreciation difference and voluntary provisions included in the profit for the accounting period | 105 044,86       | 42 098 449,46           | 93 261,97               |
|   |                  | 393 080 508,11          | 353 382 062,50          |
| <b>Minority interests</b>   |                  | 3 475 034,63            | 3 247 810,20            |
| <b>Subordinated loans</b>   |                  | 99 857 016,67           | 99 782 416,67           |
| <b>Technical provisions</b>   |                  |                         |                         |
| Provision for unearned premiums   | 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  | 702 742 289,00   |                         | 679 153 845,00          |
| Reinsurers' share   | 0,00             | 702 742 289,00          | 0,00                    |
|   |                  | 2 276 362 616,14        | 2 265 182 864,61        |
| <b>Provision for unit-linked policies</b>   |                  |                         |                         |
| Technical provisions  |                  | 2 112 377 186,00        | 1 796 029 679,00        |
| <b>Obligatory provisions</b>  |                  |                         |                         |
| Other obligatory provisions   | K13              | 88 676,16               | 184 252,33              |
| <b>Deposits received from reinsurers</b>  |                  | 522 682,50              | 0,00                    |
| <b>Creditors</b>  | K15              |                         |                         |
| Arising out of direct insurance operations  |                  | 1 303 193,80            | 1 230 985,93            |
| Arising out of reinsurance operations   |                  | 259 236,85              | 777 304,23              |
| Pension loans   |                  | 0,00                    | 9 505 565,06            |
| Other creditors   |                  | 29 344 545,60           | 15 573 218,91           |
| Deferred tax liabilities  | K14              | 314 295,47              | 332 319,24              |
|   |                  | 31 221 271,72           | 27 419 393,37           |
| <b>Accruals and deferred income</b>   |                  | 10 320 477,89           | 10 473 382,06           |
| <b>Total liabilities</b>  |                  | <b>4 927 305 469,82</b> | <b>4 555 701 860,74</b> |



# Indirect consolidated cash flow statement

| <b>Cash flow from operations</b>  | <b>2017</b>            | <b>2016</b>            |
|---|------------------------|------------------------|
| Profit from ordinary activities   | 42 114 132,40          | 59 460 976,37          |
| Adjustments   |                        |                        |
| Changes in technical provisions   | 327 527 258,53         | 197 411 273,35         |
| Value adjustments and revaluation of investments  | -105 988 713,62        | -75 502 293,63         |
| Changes in other obligatory provisions  | -95 576,17             | 0,00                   |
| Depreciation according to plan  | 10 562 924,09          | 12 521 934,36          |
| Other adjustments   | -27 687 979,13         | -56 467 866,48         |
| <i>Cash flow before change in working capital</i>   | 246 432 046,10         | 137 424 023,97         |
| Change in working capital:  |                        |                        |
| Increase (-) / decrease (+) in non-interest-bearing short-term receivables                    | -8 991 262,65          | 2 031 822,74           |
| Increase (-) / decrease (+) in non-interest-bearing short-term debts                          | 4 171 656,68           | 7 399 857,57           |
| <i>Cash flow from operations before financial items and taxes</i>                             | 241 612 440,13         | 146 855 704,28         |
| Other financial income and expenses paid/received   | -3 625 000,00          | -3 625 000,00          |
| Direct taxes paid   | -22 277 034,47         | -10 166 493,54         |
| <b>Cash flow from operations</b>  | <b>215 710 405,66</b>  | <b>133 064 210,74</b>  |
| <b>Cash flow from investments</b>   |                        |                        |
| Investments in assets (excl. cash and c. equivalents)   | -267 716 691,97        | -202 374 087,85        |
| Capital gains from investments (excl. cash and c. equivalents)                                | 53 587 835,42          | 70 259 360,02          |
| Minority interest increase/decrease   | 125 479,67             | 378 524,54             |
| Investments in tangible and intangible assets as well as other assets and capital gains (net) | -6 219 202,72          | -3 855 007,20          |
| <b>Cash flow from investments</b>   | <b>-220 222 579,60</b> | <b>-135 591 210,49</b> |
| <b>Cash flow from financial</b>   |                        |                        |
| Loans raised  | 74 600,00              | 74 600,00              |
| Maksetut takuupääoman korot   | -2 179 959,00          | -2 067 203,00          |
| Muu voitonjako  | -115 000,00            | -80 000,00             |
| <b>Cash flow from financial</b>   | <b>-2 220 359,00</b>   | <b>-2 072 603,00</b>   |
| <b>Change in cash and cash equivalents</b>  | <b>-6 732 532,94</b>   | <b>-4 599 602,75</b>   |
| <b>Cash and cash equivalents at the start of the year</b>                                     | <b>66 920 296,77</b>   | <b>71 519 899,52</b>   |
| <b>Cash and cash equivalents at the end of the year</b>                                       | <b>60 187 763,83</b>   | <b>66 920 296,77</b>   |

# Consolidated key figures

|   | 2017  |       |       |       | Eur Mill |
|---|-------|-------|-------|-------|----------|
|   | 2017  | 2016  | 2015  | 2014  | 2013     |
| <b>General key figures describing financial development</b>               |       |       |       |       |          |
| Operating profit  | 38,9  | 63,0  | 101,4 | 86,9  | 42,8     |
| Total result  | 61,6  | 63,4  | 63,3  | 77,9  | 50,5     |
| Return on assets, %   | 5,0   | 5,5   | 5,2   | 3,9   | 3,5      |
| Average number of personnel during financial year 1)                      | 132   | 132   | 134   | 2     | 2        |
| Number of employees in relation to payroll 1)                             | -     | -     | -     | 268   | 405      |
| <b>Key figures describing the financial development of life insurance</b> |       |       |       |       |          |
| Premium income  | 513,2 | 419,6 | 421,5 | 389,1 | 423,3    |
| Expense ratio, % of total expense loadings                                | 127,1 | 119,5 | 120,7 | 122,9 | 138,3    |
| Expense ratio, % of total assets  | 1,5   | 1,2   | 1,2   | 1,5   | 2,1      |
| Minority interest   | 3,5   | 3,2   | 2,9   | 1,3   | 1,3      |

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

# LocalTapiola Life's main statements

# Profit and loss account

## TECHNICAL ACCOUNT - LIFE INSURANCE

|  |   | 1.1.2017        | - | 31.12.2017           |  | 1.1.2016        | - | 31.12.2016           |
|--|---|-----------------|---|----------------------|--|-----------------|---|----------------------|
| Premiums written                           |   |                 |   |                      |  |                 |   |                      |
| Premiums written                           | 1 | 516 017 481,77  |   |                      |  | 421 706 014,44  |   |                      |
| Reinsurers' share                          |   | -2 837 556,37   |   | 513 179 925,40       |  | -2 086 478,54   |   | 419 619 535,90       |
| Investment income                          | 4 |                 |   | 239 984 197,82       |  |                 |   | 235 210 955,13       |
| Revaluations of investments                |   |                 |   | 109 299 080,65       |  |                 |   | 91 287 760,80        |
| Claims incurred                            |   |                 |   |                      |  |                 |   |                      |
| Claims paid                                | 2 | -327 201 715,78 |   |                      |  | -333 461 611,74 |   |                      |
| Reinsurers' share                          |   | 1 473 851,83    |   | -325 727 863,95      |  | 383 473,32      |   | -333 078 138,42      |
| Change in provision for outstanding claims |   | -24 143 537,00  |   |                      |  | -24 396 308,00  |   |                      |
| Reinsurers' share                          |   |                 |   | 0,00                 |  | 0,00            |   | -24 396 308,00       |
| Korvauskulut yhteensä                      |   |                 |   | -349 871 400,95      |  |                 |   | -357 474 446,42      |
| Change in provision for unearned premiums  |   |                 |   |                      |  |                 |   |                      |
| Change in provision for unearned premiums  |   | -303 383 721,53 |   |                      |  | -173 014 965,35 |   |                      |
| Reinsurers' share                          |   |                 |   | 0,00                 |  | 0,00            |   | -173 014 965,35      |
| Net operating expenses                     | 3 |                 |   | -55 354 816,14       |  |                 |   | -47 831 505,96       |
| Investment charges                         | 4 |                 |   | -71 017 441,30       |  |                 |   | -75 587 823,34       |
| Revaluation adjustments on investments     |   |                 |   | -19 605 190,30       |  |                 |   | -17 311 738,72       |
| <b>Balance on technical account</b>        |   |                 |   | <b>63 230 633,65</b> |  |                 |   | <b>74 897 772,04</b> |

## NON-TECHNICAL ACCOUNT

|   |   |               |  |                      |  |                |  |                      |
|---|---|---------------|--|----------------------|--|----------------|--|----------------------|
| <b>Balance on technical account of life insurance</b> |   |               |  | <b>63 230 633,65</b> |  |                |  | <b>74 897 772,04</b> |
| Other income  | 4 |               |  |                      |  |                |  |                      |
| Other   |   | 2 697 326,22  |  | 2 697 326,22         |  | 3 534 055,04   |  | 3 534 055,04         |
| Other expenses  | 4 |               |  |                      |  |                |  |                      |
| Other   |   | -5 037 328,51 |  | -5 037 328,51        |  | -5 168 595,61  |  | -5 168 595,61        |
| <b>Profit on ordinary activities</b>                  |   |               |  | <b>60 890 631,36</b> |  |                |  | <b>73 263 231,47</b> |
| Appropriations  |   |               |  |                      |  |                |  |                      |
| Change in depreciation difference                     |   | 131 306,07    |  | 131 306,07           |  | 126 989,46     |  | 126 989,46           |
| Direct taxes on ordinary activities                   |   |               |  |                      |  |                |  |                      |
| Taxes for financial year                              |   | -6 567 683,65 |  |                      |  | -13 665 761,87 |  |                      |
| Taxes for previous financial years                    |   | -2 729 613,12 |  | -9 297 296,77        |  | 230 191,34     |  | -13 435 570,53       |
| <b>Profit/loss for the accounting period</b>          |   |               |  | <b>51 724 640,66</b> |  |                |  | <b>59 954 650,40</b> |

# Balance sheet

| <b>Assets</b>                                  | <b>31.12.2017</b> |                         | <b>31.12.2016</b> |                         |
|--|-------------------|-------------------------|-------------------|-------------------------|
| <b>Intangible assets</b>                       |                   |                         |                   |                         |
| Other expenses with long-term effects          | 9                 | 16 067 602,69           | 16 067 602,69     | 15 108 457,14           |
| <b>Investments</b>                             | 5                 |                         |                   |                         |
| Real estate investments                        | 6                 |                         |                   |                         |
| Real estate and shares in real estate          |                   | 172 792 509,66          |                   | 155 032 651,05          |
| Loans to group companies                       |                   | 187 693 867,40          | 360 486 377,06    | 155 707 380,91          |
| Investments in group companies                 |                   |                         |                   | 310 740 031,96          |
| and participating interests                    | 7                 |                         |                   |                         |
| Shares and holdings in group companies         |                   | 151 565 447,07          |                   | 40 284 572,28           |
| Debt securities and loans                      |                   |                         |                   |                         |
| in group companies                             |                   | 79 980 249,35           |                   | 73 973 000,01           |
| Shares and holdings in participating interests |                   | 37 299 801,32           |                   | 35 165 699,18           |
| Debt securities and loans                      |                   |                         |                   |                         |
| in participating interests                     |                   | 4 000 000,00            | 272 845 497,74    | 4 000 000,00            |
| Other investments                              |                   |                         |                   | 153 423 271,47          |
| Shares and holdings                            | 7                 | 913 587 470,13          |                   | 878 451 972,29          |
| Debt securities                                |                   | 790 089 820,64          |                   | 958 752 898,24          |
| Loans guaranteed by mortgages                  |                   | 217 981 116,58          |                   | 174 044 238,03          |
| Other loans                                    | 8                 | 107 263 446,94          |                   | 142 109 989,71          |
| Deposits                                       |                   | 10 097 123,11           |                   | 11 565 073,75           |
| Other investments                              |                   | 13 881 100,00           | 2 052 900 077,40  | 0,00                    |
|  |                   | 2 686 231 952,20        |                   | 2 629 087 475,45        |
| <b>Assets covering unit-linked policies</b>    | 10                | 2 135 773 963,88        |                   | 1 821 742 996,28        |
| <b>Debtors</b>                                 | 14                |                         |                   |                         |
| Arising out of direct insurance operations     |                   |                         |                   |                         |
| Policyholders                                  |                   | 1 009 218,80            |                   | 1 106 251,19            |
| Arising out of reinsurance operations          |                   | 116 864,10              | 1 126 082,90      | 92 535,16               |
| Other debtors                                  |                   |                         | 3 124 632,34      | 1 198 786,35            |
|  |                   |                         | 4 250 715,24      | 2 536 390,97            |
| <b>Other assets</b>                            |                   |                         |                   | 3 735 177,32            |
| Tangible assets                                |                   |                         |                   |                         |
| Machinery and equipment                        | 9                 | 332 237,57              | 332 237,57        | 361 186,94              |
| Cash at bank and in hand                       |                   |                         | 55 624 736,64     | 60 476 891,52           |
| Other assets                                   |                   |                         | 767 204,41        | 117 204,41              |
|  |                   |                         | 56 724 178,62     | 60 955 282,87           |
| <b>Prepayments and accrued income</b>          |                   |                         |                   |                         |
| Accrued interest and rent                      |                   | 9 955 480,78            |                   | 12 422 968,95           |
| Other prepayments and accrued income           |                   | 20 810 077,39           | 30 765 558,17     | 9 897 074,89            |
|  |                   |                         |                   | 22 320 043,84           |
| <b>Total assets</b>                            |                   | <b>4 929 813 970,80</b> |                   | <b>4 552 949 432,90</b> |

**Liabilities****31.12.2017****31.12.2016****Capital and reserves**

11

|                                       |                |                |                |                |
|---------------------------------------|----------------|----------------|----------------|----------------|
| Initial reserve                       | 4 482 208,24   |                | 4 482 208,24   |                |
| Guarantee capital                     | 37 585 505,12  |                | 37 585 505,12  |                |
| Other reserves                        | 318 412 870,12 |                | 260 753 178,72 |                |
| Profit/loss for the accounting period | 51 724 640,66  | 412 205 224,14 | 59 954 650,40  | 362 775 542,48 |

**Subordinated loans**

16

|               |               |
|---------------|---------------|
| 99 857 016,67 | 99 782 416,67 |
|---------------|---------------|

**Accumulated appropriations**

12

|                                     |            |            |            |            |
|-------------------------------------|------------|------------|------------|------------|
| Accumulated depreciation difference | 809 964,05 | 809 964,05 | 941 270,12 | 941 270,12 |
|-------------------------------------|------------|------------|------------|------------|

**Technical provisions**

|                                  |                  |                  |                  |                  |
|----------------------------------|------------------|------------------|------------------|------------------|
| Provision for unearned premiums  | 1 573 620 327,14 |                  | 1 586 029 019,61 |                  |
| Reinsurers' share                | 0,00             | 1 573 620 327,14 | 0,00             | 1 586 029 019,61 |
| Provision for outstanding claims | 702 742 289,00   |                  | 679 153 845,00   |                  |
| Reinsurers' share                | 0,00             | 702 742 289,00   | 0,00             | 679 153 845,00   |
|                                  | 2 276 362 616,14 |                  | 2 265 182 864,61 |                  |

**Technical provisions for unit-linked policies**

|                      |                  |                  |                  |                  |
|----------------------|------------------|------------------|------------------|------------------|
| Technical provisions | 2 112 377 186,00 |                  | 1 796 029 679,00 |                  |
| Reinsurers' share    | 0,00             | 2 112 377 186,00 | 0,00             | 1 796 029 679,00 |

**Obligatory provisions**

13

|                             |           |           |            |            |
|-----------------------------|-----------|-----------|------------|------------|
| Other obligatory provisions | 88 676,16 | 88 676,16 | 184 252,33 | 184 252,33 |
|-----------------------------|-----------|-----------|------------|------------|

**Deposits received from reinsurers**

|            |            |      |      |
|------------|------------|------|------|
| 522 682,50 | 522 682,50 | 0,00 | 0,00 |
|------------|------------|------|------|

**Creditors**

|  |               |               |               |               |
|--|---------------|---------------|---------------|---------------|
| Arising out of direct insurance operations | 1 300 420,81  |               | 1 228 212,94  |               |
| Arising out of reinsurance operations      | 259 236,85    |               | 777 304,23    |               |
| Other creditors                            | 15 729 792,48 | 17 289 450,14 | 15 947 215,27 | 17 952 732,44 |

**Accruals and deferred income**

14

|               |               |
|---------------|---------------|
| 10 301 155,00 | 10 100 675,25 |
|---------------|---------------|

**Total liabilities**

|                         |                         |
|-------------------------|-------------------------|
| <b>4 929 813 970,80</b> | <b>4 552 949 432,90</b> |
|-------------------------|-------------------------|



# Indirect cash flow statement

| <b>Cash flow from operations</b>  | <b>2017</b>            | <b>2016</b>            |
|---|------------------------|------------------------|
| Profit on ordinary activities   | 60 890 631,36          | 73 263 231,47          |
| Adjustments   |                        |                        |
| Changes in technical provisions   | 327 527 258,53         | 197 411 273,35         |
| Value adjustments and revaluation of investments  | -109 450 320,99        | -75 605 293,63         |
| Changes in obligatory provisions  | -95 576,17             | 0,00                   |
| Depreciation according to plan  | 6 438 660,28           | 8 611 242,70           |
| Other adjustments   | -56 297 347,07         | -64 361 970,91         |
| <i>Cash flow before change in working capital</i>   | 229 013 305,94         | 139 318 482,98         |
| Change in working capital:  |                        |                        |
| Increase (-) / decrease (+) in non-interest-bearing short-term receivables                    | -8 961 052,25          | 2 554 139,79           |
| Increase (+) / decrease (-) in non-interest-bearing short-term debts                          | 59 879,95              | 7 990 970,43           |
| <i>Cash flow from operations before financial items and taxes</i>                             | 220 112 133,64         | 149 863 593,20         |
| Interest paid and other financial expenses  | -3 625 000,00          | -3 625 000,00          |
| Direct taxes paid   | -9 297 296,77          | -13 435 570,53         |
| <b>Cash flow from operations</b>  | <b>207 189 836,87</b>  | <b>132 803 022,67</b>  |
| <b>Cash flow from investments</b>   |                        |                        |
| Investments in assets (excl. cash and c. equivalents)   | -263 853 046,89        | -194 492 808,08        |
| Capital gains from investments (excl. cash and c. equivalents)                                | 59 922 347,07          | 67 986 970,91          |
| Investments in tangible and intangible assets as well as other assets and capital gains (net) | -5 890 932,93          | -3 867 175,32          |
| <b>Cash flow from investments</b>   | <b>-209 821 632,75</b> | <b>-130 373 012,49</b> |
| <b>Cash flow from financial</b>   |                        |                        |
| Loan funds raised   | 74 600,00              | 74 600,00              |
| Interest on guarantee capital paid  | -2 179 959,00          | -2 067 203,00          |
| Other distribution of profit  | -115 000,00            | -80 000,00             |
| <b>Cash flow from financial</b>   | <b>-2 220 359,00</b>   | <b>-2 072 603,00</b>   |
| <b>Change in cash and cash equivalents</b>  | <b>-4 852 154,88</b>   | <b>357 407,18</b>      |
| <b>Cash and cash equivalents at the start of the year</b>                                     | <b>60 476 891,52</b>   | <b>60 119 484,34</b>   |
| <b>Cash and cash equivalents at the end of the year</b>                                       | <b>55 624 736,64</b>   | <b>60 476 891,52</b>   |

# Key figures

|   | 2017  | 2016  | 2015  | 2014  | M€<br>2013 |
|---|-------|-------|-------|-------|------------|
| <b>General key figures describing financial development</b>               |       |       |       |       |            |
| Operating profit  | 48,4  | 63,4  | 98,9  | 85,6  | 37,0       |
| Total result  | 64,0  | 72,7  | 51,7  | 79,1  | 44,9       |
| Return on capital employed<br>(at current value), %                       | 5,3   | 5,0   | 4,8   | 5,3   | 4,6        |
| Return on assets excluding<br>unit-linked insurance, %                    | 5,1   | 5,8   | 4,8   | 4,0   | 3,3        |
| Average number of personnel during financial year 1)                      | 132   | 132   | 134   | 2     | 2          |
| Number of employees in relation to payroll 1)                             |       | -     |       | 268   | 405        |
| <b>Key figures describing the financial performance of life insurance</b> |       |       |       |       |            |
| Premiums written  | 516,0 | 421,7 | 423,0 | 389,1 | 423,3      |
| Expense ratio, %  | 127,1 | 119,5 | 120,7 | 120,2 | 138,3      |
| Expense ratio, % of balance sheet total                                   | 1,5   | 1,4   | 1,4   | 1,5   | 2,1        |

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

# Notes to the financial statements

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

### Notes to the profit and loss account

#### K1. Premium income

|  | 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                | 58 929 783,63                |
| <i>Total</i>                                     | <u>431 420 899,00</u>        | <u>333 542 764,21</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 premiums written from direct insurance     | 516 017 481,77               | 421 706 014,44               |
| Reinsurance                                      | 0,00                         | 0,00                         |
| <b>Premiums written before reinsurers' share</b> | <b><u>516 017 481,77</u></b> | <b><u>421 706 014,44</u></b> |
| <i>Premiums written before reinsurers' share</i> |                              |                              |
| Regular premiums                                 | 396 749 060,15               | 326 972 742,04               |
| Single premiums                                  | 119 268 421,62               | 94 733 272,40                |
| <i>Total</i>                                     | <u><b>516 017 481,77</b></u> | <u><b>421 706 014,44</b></u> |
| Premiums from contracts entitled to bonuses      | 175 439 563,41               | 162 010 016,78               |
| Premiums from unit-linked insurance              | 340 577 918,36               | 259 695 997,66               |
|  | <u><b>516 017 481,77</b></u> | <u><b>421 706 014,44</b></u> |

### K1.1. 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                     |                            |                            |
| 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>        |
| Total rebates                         | 6 347 484,42               | 5 290 469,65               |
| 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               |
| <i>Total</i>                          | <u>1 959 120,96</u>        | <u>2 341 868,15</u>        |
| Total rebates and discounts           | <u><b>8 306 605,38</b></u> | <u><b>7 632 337,80</b></u> |

### K2. Claims paid before reinsurers' share

|   | 2017                         | 2016                         |
|---|------------------------------|------------------------------|
| Direct insurance                              |                              |                              |
| Life-insurance                                | 201 901 617,08               | 211 996 084,76               |
| Pension insurance                             | 125 300 098,70               | 121 465 526,98               |
| <i>Total</i>                                  | <u><b>327 201 715,78</b></u> | <u><b>333 461 611,74</b></u> |
| Reinsurers' share                             | -1 473 851,83                | -383 473,32                  |
| <b>Total</b>                                  | <u><b>325 727 863,95</b></u> | <u><b>333 078 138,42</b></u> |
| Of which:                                     |                              |                              |
| Surrenders                                    | 109 634 242,95               | 123 951 181,98               |
| Repayments of benefits                        | 43 633 853,58                | 41 255 981,47                |
| Other   | 173 933 619,25               | 168 254 448,29               |
|   | <u><b>327 201 715,78</b></u> | <u><b>333 461 611,74</b></u> |
| Share of unit-linked insurance of claims paid | 117 007 189,69               | 127 694 701,82               |

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

#### 3.1 Total operating expenses by activity

|                               | 2017                        | 2016                        |
|-------------------------------|-----------------------------|-----------------------------|
| Claims paid                   | 3 826 841,13                | 4 508 848,52                |
| Operating expenses            | 55 353 572,34               | 47 831 401,36               |
| Investment operating expenses | 5 714 851,66                | 5 336 101,45                |
| Other expenses                | 2 641 529,01                | 2 676 725,88                |
| <i>Total</i>                  | <u><b>67 536 794,14</b></u> | <u><b>60 353 077,21</b></u> |

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

|   | 2017                        | 2016                        |
|---|-----------------------------|-----------------------------|
| Insurance policy acquisition costs                    |                             |                             |
| Commissions for direct insurance                      | 18 442 534,64               | 14 523 852,49               |
| Commissions for reinsurance assumed and profit shares | 0,00                        | 0,00                        |
| Other insurance policy acquisition costs              | 19 608 787,81               | 17 213 348,97               |
|   | <u>38 051 322,45</u>        | <u>31 737 201,46</u>        |
| Insurance policy management expenses                  | 7 704 815,15                | 8 219 989,83                |
| Administrative expenses                               | 9 847 363,88                | 8 262 158,30                |
| Commissions for reinsurance ceded and profit shares   | -249 929,14                 | -387 948,23                 |
| <i>Total</i>  | <u><u>55 353 572,34</u></u> | <u><u>47 831 401,36</u></u> |

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

|                                 | 2017                        | 2016                        |
|---------------------------------|-----------------------------|-----------------------------|
| <b>3.3.1 Personnel expenses</b> |                             |                             |
| Salaries and remunerations      | 10 965 953,10               | 9 744 137,10                |
| Pension expenses                | 2 033 272,01                | 1 962 634,89                |
| Other personnel expenses        | 344 076,70                  | 588 683,27                  |
| <i>Total</i>                    | <u><u>13 343 301,81</u></u> | <u><u>12 295 455,26</u></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                     | 472 973,00   | 436 922,00 |
| 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                     | 144 000,00   | 151 000,00 |
| 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                     | 170 250,00   | 187 250,00 |
| 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

|              |     |     |
|--------------|-----|-----|
| Office staff | 132 | 132 |
|--------------|-----|-----|

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

|                | 2017              | 2016              |
|----------------|-------------------|-------------------|
| Auditing       | 31 130,05         | 47 763,23         |
| Tax advice     | 15 175,29         | 39 948,33         |
| Other services | 86 231,60         | 91 139,57         |
| <i>Total</i>   | <u>132 536,94</u> | <u>178 851,13</u> |

### K4. Specification of net investment income, net income for unit-linked insurance policies, and specification of other income and expenses

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

|   | 2017                  | 2016                  |
|---|-----------------------|-----------------------|
| <b>Investment income</b>                                      |                       |                       |
| <b>Income from group companies</b>                            |                       |                       |
| Dividend income   | 3 022 725,49          | 855 700,47            |
| Interest income   | 2 446 086,49          | 2 667 511,21          |
| <i>Total</i>  | <u>5 468 811,98</u>   | <u>3 523 211,68</u>   |
| <b>Income from participating interests</b>                    |                       |                       |
| Dividend income   | 87 708,24             | 80 519,04             |
| Interest income   | 59 296,62             | 51 761,39             |
| <i>Total</i>  | <u>147 004,86</u>     | <u>132 280,43</u>     |
| <b>Income from real estate investments in group companies</b> |                       |                       |
| Interest income   | 1 589 094,02          | 1 040 741,29          |
| <i>Total</i>  | <u>1 589 094,02</u>   | <u>1 040 741,29</u>   |
| <b>Income from real estate investments in other companies</b> |                       |                       |
| Dividend income   | 858,21                | 686,56                |
| Interest income   | 65 107,57             | 56 801,61             |
| Other income  | 28 328 322,37         | 29 196 208,29         |
| <i>Total</i>  | <u>28 394 288,15</u>  | <u>29 253 696,46</u>  |
| <b>Income from other investments</b>                          |                       |                       |
| Dividend income   | 49 303 219,37         | 45 234 329,11         |
| Interest income   | 29 086 139,09         | 33 079 159,85         |
| Other income  | 9 703 167,56          | 9 194 291,35          |
| <i>Total</i>  | <u>88 092 526,02</u>  | <u>87 507 780,31</u>  |
|   | <b>123 691 725,03</b> | <b>121 457 710,17</b> |
| Value readjustments   | 38 814 978,19         | 26 748 956,76         |
| Realized gains  | 69 750 352,86         | 83 176 134,60         |
| <b>Total investment income</b>                                | <b>232 257 056,08</b> | <b>231 382 801,53</b> |



| <b>Investment charges</b>  | <b>2017</b>           | <b>2016</b>           |
|--|-----------------------|-----------------------|
| Expenses arising from real estate investments                                | -13 852 407,76        | -12 526 925,33        |
| Expenses arising from other investments                                      | -10 426 609,25        | -9 290 865,89         |
| Interest paid and other expenses on liabilities                              |                       |                       |
| Other companies  | -4 351 694,63         | -4 272 009,48         |
| <i>Total</i>   | <u>-4 351 694,63</u>  | <u>-4 272 009,48</u>  |
|  | <b>-28 630 711,64</b> | <b>-26 089 800,70</b> |
| Value adjustments and depreciation   |                       |                       |
| Value adjustments  | -20 136 669,92        | -25 222 685,21        |
| Planned depreciation on buildings  | -6 152 634,81         | -7 022 029,72         |
| <i>Total</i>   | <u>-26 289 304,73</u> | <u>-32 244 714,93</u> |
| Realized losses  | -16 162 517,44        | -12 916 774,58        |
| <b>Total investment charges</b>  | <b>-71 082 533,81</b> | <b>-71 251 290,21</b> |
| <b>Net investment income before revaluations and revaluation adjustments</b> | <b>161 174 522,27</b> | <b>160 131 511,32</b> |
| Revaluations   | 109 299 080,65        | 91 287 760,80         |
| Revaluation adjustments on investments                                       | -21 988 675,30        | -17 311 738,72        |
|  | <u>87 310 405,35</u>  | <u>73 976 022,08</u>  |
| <b>Net investment income in the profit and loss account</b>                  | <b>248 484 927,62</b> | <b>234 107 533,40</b> |

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

|  | <b>2017</b>           | <b>2016</b>           |
|--|-----------------------|-----------------------|
| Investment income  | 38 515 916,00         | 30 658 167,42         |
| Investment charges   | -4 134 551,98         | -3 529 765,02         |
| <b>Net investment income before revaluations and their adjustment as well as value adjustments and readjustments</b> | <b>34 381 364,02</b>  | <b>27 128 402,40</b>  |
| Revaluations   | 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>  |
| <b>Net investment income in the profit and loss account</b>  | <b>123 159 190,55</b> | <b>104 185 685,00</b> |

#### K4.3 Specification of other income and expenses

| <b>Other income</b>                       | <b>2017</b>          | <b>2016</b>          |
|---|----------------------|----------------------|
| Services sold to partner companies        | 2 667 880,00         | 2 659 089,00         |
| Other other income                        | 29 446,22            | 59 318,71            |
| <i>Total</i>                              | <u>2 697 326,22</u>  | <u>2 718 407,71</u>  |
| <b>Other expenses</b>                     |                      |                      |
| Depreciation of goodwill on consolidation | 0,00                 | -27 981,00           |
| Expenses for services sold                | -2 641 529,01        | -2 676 725,88        |
| Transfer to personnel fund                | -145 397,87          | -257 431,00          |
| Other expenses                            | -2 091 099,91        | -2 234 343,33        |
| <i>Total</i>                              | <u>-4 878 026,79</u> | <u>-5 196 481,21</u> |

## Notes to the balance sheet

### 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

| Investments                                   | Remaining acquisition cost | Book value              | Current value           |
|---|----------------------------|-------------------------|-------------------------|
| Real estate investments                       |                            |                         |                         |
| Real estate                                   | 258 187 519,74             | 283 153 585,98          | 361 027 171,80          |
| Real estate shares in group companies         | 22 238 781,56              | 22 238 781,56           | 31 336 663,71           |
| Real estate shares in participating interests | 14 209,52                  | 14 209,52               | 71 984,43               |
| Other real estate shares                      | 13 156 013,06              | 13 229 195,80           | 16 489 417,64           |
| Loans to group companies                      | 38 387 757,69              | 38 387 757,69           | 38 387 757,69           |
|   | <u>331 984 281,57</u>      | <u>357 023 530,55</u>   | <u>447 312 995,27</u>   |
| Investments in group companies                |                            |                         |                         |
| Shares and holdings                           | 145 495 397,93             | 145 495 397,93          | 155 884 750,52          |
| Loans receivable                              | 79 980 249,35              | 79 980 249,35           | 79 980 249,35           |
|   | <u>225 475 647,28</u>      | <u>225 475 647,28</u>   | <u>235 864 999,87</u>   |
| Investments in participating interests        |                            |                         |                         |
| Shares and holdings                           | 37 373 323,83              | 37 373 323,83           | 38 054 779,60           |
| Debt securities                               | 4 000 000,00               | 4 000 000,00            | 4 000 000,00            |
|   | <u>41 373 323,83</u>       | <u>41 373 323,83</u>    | <u>42 054 779,60</u>    |
| Other investments                             |                            |                         |                         |
| Shares and holdings                           | 913 587 470,13             | 913 587 470,13          | 1 072 285 365,10        |
| Debt securities                               | 790 089 820,64             | 790 089 820,64          | 810 457 538,31          |
| Loans guaranteed by mortgages                 | 217 981 116,58             | 217 981 116,58          | 217 981 116,62          |
| Other loans                                   | 107 263 446,94             | 107 263 446,94          | 107 263 446,94          |
| Deposits                                      | 10 097 123,11              | 10 097 123,11           | 10 097 123,11           |
| Other investments                             | 13 881 100,00              | 13 881 100,00           | 13 347 500,00           |
|   | <u>2 052 900 077,40</u>    | <u>2 052 900 077,40</u> | <u>2 231 432 090,08</u> |
|   | <u>2 651 733 330,08</u>    | <u>2 676 772 579,06</u> | <u>2 956 664 864,82</u> |

2017

The remaining acquisition cost of debt securities includes:

Difference between the nominal value and acquisition cost released (+) or charged (-) to interest income

-3 495 954,20

Book value comprises

Revaluations released to income

8 720 335,01

Other revaluations

16 318 913,97

25 039 248,98

Difference in valuation (difference between current value and book value)

279 892 285,76

| Investments                                   | Remaining acquisition cost | 2016<br>Book value      | Current value           |
|---|----------------------------|-------------------------|-------------------------|
| Real estate investments                       |                            |                         |                         |
| Real estate                                   | 224 316 040,46             | 251 665 591,70          | 311 687 575,94          |
| Real estate shares in group companies         | 18 032 342,56              | 18 032 342,43           | 23 682 615,95           |
| Real estate shares in participating interests | 77 767,78                  | 77 767,78               | 77 767,78               |
| Other real estate shares                      | 8 781 606,37               | 9 174 789,11            | 14 166 211,03           |
| Loans to group companies                      | 15 762 257,69              | 15 762 257,69           | 15 762 257,69           |
|   | <u>266 970 014,86</u>      | <u>294 712 748,71</u>   | <u>365 376 428,39</u>   |
| Investments in group companies                |                            |                         |                         |
| Shares and holdings                           | 41 163 478,34              | 41 163 478,34           | 41 163 478,34           |
| Loans receivable                              | 73 973 000,01              | 73 973 000,01           | 73 973 000,01           |
|   | <u>115 136 478,35</u>      | <u>115 136 478,35</u>   | <u>115 136 478,35</u>   |
| Investments in participating interests        |                            |                         |                         |
| Shares and holdings                           | 40 257 156,42              | 40 257 156,42           | 45 572 165,10           |
| Debt securities                               | 4 000 000,00               | 4 000 000,00            | 4 000 000,00            |
| Loans receivable                              | 0,00                       | 0,00                    | 0,00                    |
|   | <u>44 257 156,42</u>       | <u>44 257 156,42</u>    | <u>49 572 165,10</u>    |
| Other investments                             |                            |                         |                         |
| Shares and holdings                           | 882 672 192,51             | 882 672 192,51          | 1 032 548 567,67        |
| Debt securities                               | 958 752 898,24             | 958 752 898,24          | 989 016 732,95          |
| Loans guaranteed by mortgages                 | 174 044 238,03             | 174 044 238,03          | 174 044 238,02          |
| Other loans                                   | 142 109 989,71             | 142 109 989,71          | 142 109 989,73          |
| Deposits                                      | 11 565 073,75              | 11 565 073,75           | 11 565 073,75           |
|   | <u>2 169 144 392,24</u>    | <u>2 169 144 392,24</u> | <u>2 349 284 602,12</u> |
|   | <u>2 595 508 041,87</u>    | <u>2 623 250 775,72</u> | <u>2 879 369 673,96</u> |

## 2016

The remaining acquisition cost of debt securities includes:

Difference between the nominal value and acquisition cost released (+) or charged (-) to interest income

-6 024 365,40

Book value comprises

Revaluations released to income

11 423 820,01

Other revaluations

16 318 913,97

27 742 733,98

Difference in valuation (difference between current value and book value)

256 118 898,24

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

| Derivative contracts  | Remaining acquisition cost | 2017          | Current value            |
|---|----------------------------|---------------|--------------------------|
|   |                            | Book value    |                          |
| Other debtors   |                            |               |                          |
| Assets pledged as security for derivatives                                | 770 000,00                 | 770 000,00    | 770 000,00               |
| Other creditors   |                            |               |                          |
| Assets received as security for derivatives                               | 0,00                       | 0,00          | 0,00                     |
| Other deferred income and credits   |                            |               |                          |
| Futures and forward contracts   | -377 320,22                | -377 320,22   | -325 033,17              |
|   | <hr/>                      | <hr/>         | <hr/>                    |
|   | 392 679,78                 | 392 679,78    | 444 966,83               |
| Difference in valuation (difference between current value and book value) |                            |               | <hr/> <hr/> 52 287,05    |
|   |                            |               |                          |
| Derivative contracts  | Remaining acquisition cost | 2016          | Current value            |
|   |                            | Book value    |                          |
| Other debtors   |                            |               |                          |
| Assets pledged as security for derivatives                                | 0,00                       | 0,00          | 0,00                     |
| Other creditors   |                            |               |                          |
| Assets received 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   | -298 262,46                | -298 262,46   | 818 895,72               |
|   | <hr/>                      | <hr/>         | <hr/>                    |
|   | -1 348 262,46              | -1 348 262,46 | -231 104,28              |
| Difference in valuation (difference between current value and book value) |                            |               | <hr/> <hr/> 1 117 158,18 |

## K6. Real estate investments

### Changes in real estate investments:

|  | 2017                                  | 2017                     |
|--|---------------------------------------|--------------------------|
|  | Real estate and shares in real estate | Loans to group companies |
| Acquisition cost on 1 Jan.                                   | 299 085 384,12                        | 15 762 257,69            |
| Increase   | 74 242 130,25                         | 23 085 000,00            |
| Decrease   | -38 351 784,45                        | -459 500,00              |
| Transfers between items                                      | -10 390,96                            | 0,00                     |
| Hankintameno 31.12.  | 334 965 338,96                        | 38 387 757,69            |
| Kertyneet poistot 1.1.                                       | -27 664 877,51                        |                          |
| Accumulated depreciation related to deductions and transfers | 538 628,43                            |                          |
| Depreciation for the financial year                          | -4 342 794,86                         |                          |
| Kertyneet poistot 31.12.                                     | -31 469 043,94                        |                          |
| Value adjustments on 1 Jan.                                  | -20 212 749,57                        |                          |
| Value adjustments related to deductions and transfers        | -470 000,00                           |                          |
| Value adjustments for the financial year                     | -2 570 000,00                         |                          |
| Value readjustments  | 13 352 978,43                         |                          |
| Arvon alentumiset 31.12.                                     | -9 899 771,14                         |                          |
| Revaluations on 1 Jan.                                       | 27 742 733,98                         |                          |
| Decrease   | -2 703 485,00                         |                          |
| Arvon korotukset 31.12.                                      | 25 039 248,98                         |                          |
| Kirjanpitoarvo 31.12.  | 318 635 772,86                        | 38 387 757,69            |

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

|                            | 2017         |
|----------------------------|--------------|
| Remaining acquisition cost | 1 628 655,16 |
| Book value                 | 1 628 655,16 |
| Current value              | 1 628 655,16 |

## K7. Investments in Group companies and participating interests

|   | 2017           | 2016           |
|---|----------------|----------------|
| <b>Shares and holdings in group companies</b>                             |                |                |
| Acquisition cost on 1 Jan.  | 41 196 168,12  | 0,00           |
| Increase  | 118 987 221,37 | 0,00           |
| Decrease  | -14 884 003,88 | 0,00           |
| Transfers between items   | 10 390,96      | 41 196 168,12  |
| Acquisition cost on 31 Dec.   | 145 309 776,57 | 41 196 168,12  |
| Value adjustments on 1 Jan.   | -32 689,78     | 0,00           |
| Value adjustments related to deductions and transfers                     | 0,00           | -32 689,78     |
| Value adjustments on 31 Dec.  | 185 621,36     | -32 689,78     |
| Book value on 31 Dec.   | 145 495 397,93 | 41 163 478,34  |
| <b>Debt securities issued by and loans to companies in the same group</b> |                |                |
| Acquisition cost on 1 Jan.  | 73 973 000,01  | 0,00           |
| Transfers between items   | 0,00           | 73 973 000,01  |
| Acquisition cost on 31 Dec.   | 79 980 249,35  | 73 973 000,01  |
| Book value on 31 Dec.   | 79 980 249,35  | 73 973 000,01  |
| <b>Shares and holdings in participating interests</b>                     |                |                |
| Acquisition cost on 1 Jan.  | 50 907 472,51  | 27 179 143,74  |
| Increase  | 2 423 336,38   | 9 308 941,36   |
| Decrease  | -5 764 871,11  | -659 416,09    |
| Transfers between items   | 0,00           | 15 078 803,50  |
| Acquisition cost on 31 Dec.   | 47 565 937,78  | 50 907 472,51  |
| Value adjustments on 1 Jan.   | -10 650 316,09 | -1 147 980,99  |
| Value adjustments related to deductions and transfers                     | 0,00           | -9 386 835,10  |
| Value adjustments for the financial year                                  | 0,00           | -115 500,00    |
| Value readjustments   | 457 702,14     | 0,00           |
| Value adjustments on 31 Dec.  | -10 192 613,95 | -10 650 316,09 |
| Book value on 31 Dec.   | 37 373 323,83  | 40 257 156,42  |
| <b>Debt securities issued by and loans to participating interests</b>     |                |                |
| Acquisition cost on 1 Jan.  | 4 000 000,00   | 2 407 493,34   |
| Increase  | 0,00           | 2 000 000,00   |
| Transfers between items   | 0,00           | -407 493,34    |
| Acquisition cost on 31 Dec.   | 4 000 000,00   | 4 000 000,00   |
| Book value on 31 Dec.   | 4 000 000,00   | 4 000 000,00   |
| <b>Investments in group companies and participating interests, total</b>  |                |                |
| Book value on 31 Dec.   | 266 848 971,11 | 159 393 634,77 |

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

| Shares and holdings                            | Domicile    | Share of stocks<br>% | Equity         | Profit for the<br>accounting<br>period |
|--|-------------|----------------------|----------------|--|
| Akapo-Leasing Oy                               | 2) Espoo    | 33,3 %               | 11 862,49      | -20,00                                 |
| Kauppakeskus Seppä Oy                          | 2) Kuopio   | 47,0 %               | 976,26         | -3 329,52                              |
| Keskinäinen Vakuutusyhtiö Turva                | 4) Tampere  | 3,6 %                | 37 563 063,18  | 2 666 617,72                           |
| LTC-Otso Oy                                    | 2) Helsinki | 20,0 %               | 8 057 481,19   | 3 625 680,02                           |
| LähiTapiola Core Kiinteistöt Ky -konserni      | 1) Espoo    | 100,0 %              | 6 908 093,81   | -91 906,19                             |
| LähiTapiola Kiinteistövarainhoito Oy -konserni | 3) Espoo    | 15,9 %               | 8 836 624,74   | 1 856 428,97                           |
| LähiTapiola KR PK2 Ky -konserni                | 3) Espoo    | 10,0 %               | 18 079 455,67  | 444 964,08                             |
| LähiTapiola Palvelut Oy                        | 3) Espoo    | 15,0 %               | 11 840 867,08  | -6 168 966,26                          |
| LähiTapiola Pääomasijoitus GP Oy               | 2) Espoo    | 43,1 %               | 224,04         | -593,92                                |
| LähiTapiola Pääomasijoitus I Ky                | 2) Espoo    | 43,1 %               | 102 770 583,56 | 4 881 281,15                           |
| LähiTapiola Pääomasijoitus II Ky               | 2) Espoo    | 45,0 %               | 12 510 035,31  | -564 761,92                            |
| LähiTapiola Pääomasijoitus III Ky              | 2) Espoo    | 50,0 %               | 161 457 440,91 | 3 931 891,68                           |
| LähiTapiola Tontit GP I Oy                     | 2) Espoo    | 22,6 %               | 105 261,56     | 2 817,97                               |
| LähiTapiola Tontit I Ky                        | 3) Espoo    | 5,0 %                | 43 258 671,99  | 2 158 671,91                           |
| LähiTapiola Tontit II Ky                       | 3) Espoo    | 16,2 %               | 1 231 820,10   | 29 868,78                              |
| LähiTapiola Varainhoito Oy                     | 3) Espoo    | 16,2 %               | 23 026 989,56  | 4 734 285,33                           |
| LähiTapiola Velkasijoitus I Ky                 | 2) Espoo    | 37,2 %               | 8 978 666,83   | -130 912,07                            |
| Tieto-Tapiola Oy                               | 2) Espoo    | 33,3 %               | 3 849 886,79   | 843 392,71                             |
| Vakuutusneuvonta Aura Oy                       | 2) Espoo    | 33,3 %               | 10 729,40      | 0,00                                   |
| Vakuutusneuvonta Pohja Oy                      | 2) Espoo    | 33,3 %               | 10 672,17      | 0,00                                   |
| Total  |             |                      | 448 509 406,64 | 18 215 410,44                          |

In addition, LocalTapiola Life Group has invested in 25 (31) 0 19 (25)

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.

## K7.2 Investments in participating interests

| Shares and holdings | Domicile    | Share of stocks<br>% | Equity                | Profit for the<br>accounting<br>period |
|---------------------|-------------|----------------------|-----------------------|--|
| Pihlajalinna Oyj    | 3) Tampere  | 7,9 %                | 100 300 000,00        | 9 500 000,00                           |
| Seligson & Co Oyj   | 3) Helsinki | 19,0 %               | 11 088 476,09         | 2 230 264,00                           |
| S-Pankki Oy         | 3) Helsinki | 3,5 %                | 413 897 594,61        | 12 352 320,61                          |
| <b>Total</b>        |             |                      | <b>525 286 070,70</b> | <b>24 082 584,61</b>                   |

In addition, LocalTapiola Life Group has invested in 1 (1) housing associations and real estate companies that 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 report

## K7.3 Other investments

| Security                             | Share of stocks<br>% | Number               | Book value           | Current value        | Home country |
|--------------------------------------|----------------------|----------------------|----------------------|----------------------|--------------|
| <b>Finnish companies, listed</b>     |                      |                      |                      |                      |              |
| Amer- Sports Oyj                     | 0,18                 | 209 164,00           | 2 616 952,27         | 4 829 596,76         | Finland      |
| Huhtamäki Oyj                        | 0,11                 | 120 000,00           | 4 182 394,54         | 4 200 000,00         | Finland      |
| Kone Oyj B                           | 0,03                 | 135 000,00           | 3 238 644,00         | 6 045 300,00         | Finland      |
| Nokia Oyj                            | 0,01                 | 813 000,00           | 3 165 822,00         | 3 165 822,00         | Finland      |
| Stora Enso R                         | 0,06                 | 395 000,00           | 3 153 209,64         | 5 221 900,00         | Finland      |
| Vaisala Oyj A                        | 0,93                 | 137 579,00           | 3 732 208,31         | 6 122 265,50         | Finland      |
| Others                               |                      | 507 191,00           | 216 339,85           | 216 339,85           |              |
| <b>Total</b>                         |                      | <b>2 316 934,00</b>  | <b>20 305 570,61</b> | <b>29 801 224,11</b> |              |
| <b>Finnish companies, non-listed</b> |                      |                      |                      |                      |              |
| 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      |
| Sofigate Group Oy                    | 3,11                 | 596 326,00           | 1 999 999,89         | 1 999 999,89         | Finland      |
| Others                               |                      | 18 093 471,59        | 610 826,21           | 673 795,29           |              |
| <b>Total</b>                         |                      | <b>18 789 944,59</b> | <b>4 762 440,90</b>  | <b>4 825 409,98</b>  |              |



### Foreign companies, listed

|                                     |      |                      |                       |                       |                 |
|-------------------------------------|------|----------------------|-----------------------|-----------------------|-----------------|
| AbbVie Inc                          | 0,00 | 78 000,00            | 4 227 570,01          | 6 289 819,06          | USA             |
| Adecco SA                           | 0,07 | 113 200,00           | 7 211 639,04          | 7 211 639,04          | Switzerland     |
| Allstate Corp/The                   | 0,02 | 68 000,00            | 4 157 018,65          | 5 937 029,93          | USA             |
| Amazon.com Inc                      | 0,00 | 8 000,00             | 5 866 384,75          | 7 801 017,26          | USA             |
| Anheuser-Busch InBev NV             | 0,00 | 65 000,00            | 6 053 450,00          | 6 053 450,00          | Belgium         |
| Assa Abloy Ab B                     | 0,03 | 360 000,00           | 6 231 739,78          | 6 231 739,78          | Sweden          |
| AstraZeneca PLC                     | 0,01 | 130 000,00           | 7 503 465,84          | 7 503 465,84          | UK              |
| Automatic Data Processing Inc       | 0,01 | 54 000,00            | 4 443 322,40          | 5 276 628,03          | USA             |
| Axa Sa                              | 0,01 | 363 000,00           | 7 414 029,07          | 8 978 805,00          | France          |
| BASF SE                             | 0,01 | 57 000,00            | 3 860 870,81          | 5 229 180,00          | Germany         |
| Bayer AG                            | 0,01 | 70 000,00            | 5 693 449,12          | 7 280 000,00          | Germany         |
| Boliden AB                          | 0,10 | 265 000,00           | 6 939 155,31          | 7 553 891,79          | Sweden          |
| Bunzl PLC                           | 0,06 | 200 000,00           | 4 670 716,73          | 4 670 716,73          | UK              |
| Carl Zeiss Meditec AG               | 0,19 | 155 759,00           | 2 946 298,11          | 8 062 085,84          | Germany         |
| Cellnex Telecom SAU                 | 0,16 | 360 000,00           | 5 588 890,19          | 7 686 000,00          | Spain           |
| Cognizant Technology Solutions Corp | 0,02 | 92 000,00            | 4 870 460,14          | 5 448 044,69          | USA             |
| Compass Group PLC                   | 0,02 | 394 230,00           | 6 333 599,74          | 7 109 407,93          | UK              |
| Continental Ag                      | 0,02 | 35 000,00            | 7 046 280,79          | 7 876 750,00          | Germany         |
| Danske Bank A/S                     | 0,03 | 274 000,00           | 6 917 887,42          | 8 891 778,26          | Denmark         |
| Deutsche Telekom AG                 | 0,01 | 386 000,00           | 5 710 870,00          | 5 710 870,00          | Germany         |
| Eaton Corp PLC                      | 0,01 | 54 000,00            | 3 515 351,78          | 3 557 525,22          | Ireland         |
| Henkel Kgaa -Vorzug                 | 0,04 | 78 000,00            | 8 061 111,24          | 8 607 300,00          | Germany         |
| ING Groep NV                        | 0,02 | 632 000,00           | 7 611 421,21          | 9 685 400,00          | The Netherlands |
| Infineon Technologies AG            | 0,05 | 380 000,00           | 7 125 388,91          | 8 677 300,00          | Germany         |
| Ingersoll-Rand PLC                  | 0,02 | 56 000,00            | 4 064 936,16          | 4 164 629,37          | USA             |
| Innogy SE                           | 0,03 | 170 000,00           | 5 554 750,00          | 5 554 750,00          | Germany         |
| Johnson Matthey PLC                 | 0,10 | 212 000,00           | 7 347 587,44          | 7 347 587,44          | UK              |
| Medtronic Inc                       | 0,01 | 93 300,00            | 4 872 481,67          | 6 281 976,99          | Ireland         |
| National Grid PLC                   | 0,02 | 595 832,00           | 5 876 859,25          | 5 876 859,25          | UK              |
| Novartis Ag                         | 0,00 | 97 000,00            | 6 830 285,42          | 6 830 285,42          | Switzerland     |
| PepsiCo Inc                         | 0,00 | 52 000,00            | 3 404 085,75          | 5 199 566,41          | USA             |
| SAP Ag                              | 0,01 | 75 000,00            | 6 912 311,93          | 7 008 750,00          | Germany         |
| SGS SA                              | 0,04 | 3 330,00             | 5 966 622,34          | 7 230 840,88          | Switzerland     |
| Sandvik Ab                          | 0,04 | 505 000,00           | 6 522 016,77          | 7 372 000,65          | Sweden          |
| Schlumberger Ltd                    | 0,01 | 75 000,00            | 4 214 333,36          | 4 214 333,36          | Curaçao         |
| Skanska AB                          | 0,08 | 320 000,00           | 5 526 321,14          | 5 526 321,14          | Sweden          |
| Snap-on Inc                         | 0,06 | 32 000,00            | 4 494 845,14          | 4 650 712,92          | USA             |
| TeliaSonera Ab                      | 0,02 | 962 000,00           | 3 582 488,00          | 3 582 488,00          | Sweden          |
| Temenos Group Ag                    | 0,13 | 90 000,00            | 6 794 348,59          | 9 613 741,24          | Switzerland     |
| Total Sa                            | 0,01 | 195 000,00           | 8 889 715,82          | 8 978 775,00          | France          |
| Unilever Nv -CVA                    | 0,01 | 181 000,00           | 6 506 384,24          | 8 498 855,00          | The Netherlands |
| Visa Inc                            | 0,00 | 80 000,00            | 5 984 276,22          | 7 605 770,03          | USA             |
| Vodafone Group Plc                  | 0,01 | 2 175 000,00         | 5 760 907,54          | 5 760 907,54          | UK              |
| <b>Total</b>                        |      | <b>10 641 651,00</b> | <b>249 105 927,82</b> | <b>288 628 995,04</b> |                 |

### 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 |
| Mehiläinen Holding AB                             | 4,50 | 654 049,00        | 31 507 143,50        | 31 507 143,50        | Sweden     |
| Others  |      | 3 083,00          | 246 923,08           | 332 209,27           |            |
| <b>Total</b>                                      |      | <b>825 816,00</b> | <b>34 789 783,08</b> | <b>34 875 069,27</b> |            |

## Mutual funds

|  |               |               |                |
|--|---------------|---------------|----------------|
| Aktia Trade Finance Erikoissijoitusrahasto     | 4 000 000,00  | 4 048 421,73  | Finland        |
| BNP Paribas Global Senior Corporate Loans      | 14 143 313,95 | 14 143 313,95 | France         |
| GS Emerging Markets Equity                     | 4 950 767,09  | 4 950 767,09  | 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                  | 4 873 311,83  | 8 258 626,56  | Finland        |
| LähiTapiola High Yield A                       | 52 813 865,98 | 84 142 282,29 | Finland        |
| LähiTapiola Hyvinvointi A                      | 2 948 862,00  | 8 701 102,78  | Finland        |
| LähiTapiola Infra A                            | 4 840 728,34  | 7 121 127,08  | Finland        |
| LähiTapiola Japani A                           | 7 916 995,82  | 10 043 764,31 | Finland        |
| LähiTapiola Kasvu A                            | 3 791 259,76  | 7 273 719,38  | Finland        |
| LähiTapiola Kehittyvät Korkomarkkinat A        | 89 000 000,00 | 96 903 447,38 | Finland        |
| LähiTapiola Kehittyvät Markkinat A             | 26 831 289,38 | 32 458 633,68 | Finland        |
| LähiTapiola Korkomailma A                      | 11 000 000,00 | 11 045 988,57 | Finland        |
| LähiTapiola Kuluttaja A                        | 2 405 461,68  | 6 581 404,84  | Finland        |
| LähiTapiola Osinko A                           | 4 446 350,74  | 7 025 173,42  | Finland        |
| LähiTapiola Pohjoinen Yrityskorko A            | 25 335 010,63 | 30 286 646,57 | Finland        |
| LähiTapiola Suoja A                            | 5 002 636,36  | 5 706 200,67  | Finland        |
| LähiTapiola USA Keski-suuret A                 | 2 587 106,29  | 5 905 880,72  | Finland        |
| LähiTapiola Yrityskorko A                      | 21 099 401,42 | 29 704 773,24 | Finland        |
| Natixis Loomis Sayles Senior Loan Fund         | 10 000 000,00 | 10 998 509,76 | Luxembourg     |
| Pimco Socially Responsible EM Bond Fund I-EUR  | 20 000 000,00 | 22 522 372,12 | 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        |

### Capital mutual funds

|  |                       |                       |                |
|--|-----------------------|-----------------------|----------------|
| Aberdeen Property Funds SICAV Pan-Nordic         | 1 485 540,32          | 1 485 540,32          | Luxembourg     |
| Altor Fund III                                   | 4 500 058,06          | 5 430 648,28          | Jersey         |
| Altor Fund IV (No.2) AB                          | 3 145 289,75          | 3 770 869,92          | Sweden         |
| Apax Europe VII - B, L.P.                        | 2 429 904,19          | 2 429 904,19          | 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.                 | 3 437 545,54          | 3 437 545,54          | UK             |
| Beechbrook UK SME Credit I L.P.                  | 5 363 649,01          | 5 514 501,93          | UK             |
| Bow mark Capital Partners IV, L.P.               | 2 667 019,04          | 3 659 573,05          | UK             |
| Bow mark Capital Partners V, L.P.                | 1 770 624,30          | 1 770 624,30          | UK             |
| Bridgepoint Europe III, L.P.                     | 2 072 744,98          | 2 197 884,00          | UK             |
| Bridgepoint Europe IV F L.P.                     | 3 213 548,18          | 4 925 995,00          | 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         |
| Dasos Timberland Fund II                         | 13 673 094,18         | 15 145 292,30         | Luxembourg     |
| Gresham 4A                                       | 633 432,14            | 633 432,14            | UK             |
| ICG Senior Debt Partners Fund                    | 3 824 023,51          | 3 824 023,51          | Luxembourg     |
| ICG Senior Debt Partners Fund 2                  | 10 679 195,54         | 10 966 954,55         | Luxembourg     |
| ICG-Longbow UK Real Estate Debt Investments III  | 8 272 333,69          | 8 272 333,69          | Luxembourg     |
| KSK Parking I Ky                                 | 7 200 000,00          | 7 200 000,00          | Finland        |
| KSK Redi Ky                                      | 10 800 000,00         | 10 800 000,00         | Finland        |
| Lindsay Goldberg III L.P.                        | 5 542 612,22          | 6 376 648,04          | USA            |
| LähiTapiola Asuntorahasto Prime Ky               | 4 571 437,25          | 4 800 557,69          | Finland        |
| LähiTapiola Asuntosijoitus Suomi Ky              | 5 705 162,06          | 6 418 471,85          | 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 Energiategohkuusrahoitus 2 Ky           | 631 990,02            | 631 990,02            | Finland        |
| Nexit INFOCOM II L.P.                            | 3 737 118,38          | 4 375 004,12          | Guernsey       |
| Nordic Mezzanine Fund III Limited Partnership    | 2 358 380,26          | 2 918 171,41          | UK             |
| PBW II Real Estate Fund S.A.                     | 2 128 000,00          | 2 128 000,00          | Luxembourg     |
| Partners Group U.S. Venture 2004, L.P.           | 799 422,84            | 807 378,84            | USA            |
| Real Estate Debt & Secondaries Ky                | 2 817 802,33          | 2 950 890,78          | Finland        |
| Russian and Baltics Retail Properties Ky         | 5 200 000,00          | 5 200 000,00          | Finland        |
| Siguler Guff Small Business Credit Opportunities | 2 614 825,16          | 2 614 825,16          | USA            |
| TPG Partners VI, LP                              | 8 794 078,36          | 9 345 320,60          | USA            |
| TPG Partners VII, L.P.                           | 5 222 600,38          | 5 994 205,79          | USA            |
| Tapiola KR I Ky                                  | 21 110 898,71         | 21 110 898,71         | Finland        |
| Tapiola KR III Ky                                | 43 251 968,66         | 44 713 952,01         | Finland        |
| The Triton Fund III L.P.                         | 4 920 338,00          | 6 201 891,10          | Jersey         |
| Tikehau Direct Lending III                       | 10 942 228,63         | 11 603 334,65         | Luxembourg     |
| Top Tier Venture Capital III, L.P.               | 1 427 347,64          | 1 427 347,64          | USA            |
| Top Tier Venture Capital IV, L.P.                | 2 279 291,88          | 3 726 981,97          | USA            |
| TuuliTapiola Ky                                  | 5 100 394,00          | 5 100 394,00          | Finland        |
| VSS Structured Capital Parallel III, L.P.        | 6 373 541,23          | 6 373 541,23          | USA            |
| eQ PE VIII North LP                              | 2 105 946,71          | 2 105 946,71          | Finland        |
| Others   | 3 281 239,29          | 6 836 485,63          |                |
| <b>Total</b>                                     | <b>267 800 567,57</b> | <b>287 434 827,19</b> |                |

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

| Security                                | Home country | Current value        | Book value           |
|---|--------------|----------------------|----------------------|
| <b>Shares</b>                           |              |                      |                      |
| Amer- Sports Oyj                        | Finland      | 533 725,35           | 533 725,35           |
| Aspo Oyj                                | Finland      | 766 500,00           | 766 500,00           |
| Evli Pankki B                           | Finland      | 545 184,00           | 545 184,00           |
| Fortum Oyj                              | Finland      | 1 225 884,00         | 1 225 884,00         |
| Global Gaming 555 AB                    | Sweden       | 673 235,95           | 673 235,95           |
| Kemira Oyj                              | Finland      | 531 806,00           | 531 806,00           |
| Kone Oyj B                              | Finland      | 545 465,18           | 545 465,18           |
| Konecranes                              | Finland      | 543 606,84           | 543 606,84           |
| Neste Oil Oyj                           | Finland      | 598 266,90           | 598 266,90           |
| Nokia Oyj                               | Finland      | 2 394 607,51         | 2 394 607,51         |
| Nokian Renkaat Oyj                      | Finland      | 765 185,40           | 765 185,40           |
| Nordea Bank Ab                          | Sweden       | 3 283 508,35         | 3 283 508,35         |
| Novo-Nordisk A/S B                      | Denmark      | 702 586,01           | 702 586,01           |
| Outokumpu Oyj                           | Finland      | 1 204 235,64         | 1 204 235,64         |
| Outotec Oyj                             | Finland      | 547 765,00           | 547 765,00           |
| Ponsse Oyj                              | Finland      | 513 671,36           | 513 671,36           |
| Sampo Oyj A                             | Finland      | 1 394 610,00         | 1 394 610,00         |
| Statoil Asa                             | Norway       | 551 929,15           | 551 929,15           |
| Stora Enso R                            | Finland      | 679 349,36           | 679 349,36           |
| TeliaSonera Ab                          | Sweden       | 1 255 237,91         | 1 255 237,91         |
| UPM-Kymmene Oyj                         | Finland      | 1 187 766,22         | 1 187 766,22         |
| Other                                   |              | 19 121 995,64        | 19 121 995,64        |
| <b>Total</b>                            |              | <b>39 566 121,77</b> | <b>39 566 121,77</b> |
| <b>Mutual funds</b>                     |              |                      |                      |
| Amundi ETF MSCI Em Asia UCITS           | France       | 564 120,71           | 564 120,71           |
| BGF European Value I2 EUR               | Luxembourg   | 6 088 940,00         | 6 088 940,00         |
| C Worldwide Asia Class 1A USD           | Luxembourg   | 907 324,67           | 907 324,67           |
| DB X-Trackers DJS 600 ETF               | Germany      | 1 113 187,26         | 1 113 187,26         |
| EAI Residential asuntorahasto 2015      | Finland      | 1 270 753,35         | 1 270 753,35         |
| eQ CO2 1 K                              | Finland      | 1 040 694,00         | 1 040 694,00         |
| eQ Euro Investment Grade 1 T            | Finland      | 560 926,73           | 560 926,73           |
| EQ Eurooppa Indeksi-1 K                 | Finland      | 817 617,11           | 817 617,11           |
| EQ Eurooppa Kiinteistö-1 K              | Finland      | 1 059 185,97         | 1 059 185,97         |
| EQ Eurooppa Osinko 1 K                  | Finland      | 1 050 229,38         | 1 050 229,38         |
| eQ High Yield Bond 1 T                  | Finland      | 607 867,30           | 607 867,30           |
| eQ High Yield Bond 1 K                  | Finland      | 697 567,62           | 697 567,62           |
| eQ Hoivakiinteistöt                     | Finland      | 20 258 498,72        | 20 258 498,72        |
| Eq Kasvava Aasia 1 K                    | Finland      | 1 197 742,66         | 1 197 742,66         |
| eQ Kehittyvät Markkinat Osinko 1 T      | Finland      | 707 155,90           | 707 155,90           |
| eQ Kehittyvät Markkinat Osinko 1K       | Finland      | 2 203 438,28         | 2 203 438,28         |
| eQ Kehittyvät Markkinat Pienyhtiö 1 K   | Finland      | 1 058 608,88         | 1 058 608,88         |
| eQ Kehittyvät Markkinat Yrityslaina 1 K | Finland      | 535 899,59           | 535 899,59           |
| eQ Liikekiinteistöt-1T                  | Finland      | 26 185 714,22        | 26 185 714,22        |
| eQ Mandaatti-2K                         | Finland      | 1 366 877,07         | 1 366 877,07         |
| eQ PE VIII North Ky                     | Finland      | 715 277,21           | 715 277,21           |
| EQ Pohjoismaat Pienyhtiö 2 K            | Finland      | 725 580,45           | 725 580,45           |
| eQ USA Indeksi 1 K                      | Finland      | 2 126 544,96         | 2 126 544,96         |
| eQ Vaihtuva Korko 1 K                   | Finland      | 3 707 763,19         | 3 707 763,19         |
| Evli Emerging Frontier B                | Finland      | 5 806 189,47         | 5 806 189,47         |
| Evli Eurooppa B                         | Finland      | 19 484 086,37        | 19 484 086,37        |
| Evli GEM B                              | Finland      | 6 411 025,68         | 6 411 025,68         |
| Evli High Yield Yrityslaina B           | Finland      | 31 502 441,75        | 31 502 441,75        |

|  |            |                |                |
|--|------------|----------------|----------------|
| Evli Investment Grade Yrityslaina B              | Finland    | 2 040 572,51   | 2 040 572,51   |
| Evli Kehittyvät Markkinat Yrityslaina B          | Finland    | 17 337 173,90  | 17 337 173,90  |
| Evli Likvidi B                                   | Finland    | 10 980 099,10  | 10 980 099,10  |
| Evli Lyhyt Yrityslaina B                         | Finland    | 41 796 574,77  | 41 796 574,77  |
| Evli Maaailma B                                  | Finland    | 898 505,01     | 898 505,01     |
| Evli Osakefaktori Eurooppa B                     | Finland    | 14 661 702,04  | 14 661 702,04  |
| Evli Osakefaktori USA B                          | Finland    | 8 908 814,78   | 8 908 814,78   |
| Evli Pohjoismaat B                               | Finland    | 7 477 205,81   | 7 477 205,81   |
| Evli Pohjoismaat Yrityslaina B                   | Finland    | 12 535 435,17  | 12 535 435,17  |
| Evli Ruotsi Pienyhtiöt B                         | Finland    | 4 120 133,10   | 4 120 133,10   |
| Evli Suomi Pienyhtiöt B                          | Finland    | 9 761 934,43   | 9 761 934,43   |
| Evli Varainhoito 40 B                            | Finland    | 627 424,60     | 627 424,60     |
| Evli Varainhoito 75 B                            | Finland    | 2 072 937,44   | 2 072 937,44   |
| Evli Yrityslaina B                               | Finland    | 664 313,97     | 664 313,97     |
| Indeksivarainhoito 25                            | Finland    | 5 450 500,00   | 5 450 500,00   |
| Indeksivarainhoito 50                            | Finland    | 6 451 716,70   | 6 451 716,70   |
| iShares Core MSCI Emerging Markets IMI UCITS ETF | Germany    | 7 925 774,29   | 7 925 774,29   |
| iShares Core S&P 500 UCITS ETF                   | Germany    | 7 750 986,20   | 7 750 986,20   |
| iShares Emerg. Mark. Eq. Ind. A2 Acc USD         | Luxembourg | 555 112,80     | 555 112,80     |
| JPM China A Acc - USD                            | Luxembourg | 576 309,62     | 576 309,62     |
| Kiinteistö-sijoitussalkku                        | Finland    | 49 410 747,38  | 49 410 747,38  |
| Korkovarainhoitosalkku                           | Finland    | 4 071 015,65   | 4 071 015,65   |
| Lyxor ETF EURSTX600 Telecom                      | France     | 553 153,99     | 553 153,99     |
| Lyxor Stoxx Europe 600 Retail ETF                | France     | 555 489,84     | 555 489,84     |
| LähiTapiola 2020 A                               | Finland    | 87 022 992,18  | 87 022 992,18  |
| LähiTapiola 2025 A                               | Finland    | 160 475 308,60 | 160 475 308,60 |
| LähiTapiola 2035 A                               | Finland    | 72 171 116,68  | 72 171 116,68  |
| LähiTapiola 2045 A                               | Finland    | 17 790 234,81  | 17 790 234,81  |
| LähiTapiola Aasia-Tyynimeri A                    | Finland    | 12 450 081,40  | 12 450 081,40  |
| LähiTapiola Asuntosijoitus                       | Finland    | 14 247 873,66  | 14 247 873,66  |
| LähiTapiola Asuntosijoitus Prime                 | Finland    | 30 279 846,73  | 30 279 846,73  |
| LähiTapiola Asuntosijoitus Suomi                 | Finland    | 6 358 948,83   | 6 358 948,83   |
| LähiTapiola Asuntosijoitus Suomi I               | Finland    | 333 686,64     | 333 686,64     |
| LähiTapiola Eurooppa Keskisuuret A               | Finland    | 28 427 949,33  | 28 427 949,33  |
| LähiTapiola High Yield A                         | Finland    | 7 783 826,74   | 7 783 826,74   |
| LähiTapiola Hyvinvointi A                        | Finland    | 27 772 847,18  | 27 772 847,18  |
| LähiTapiola Infra A                              | Finland    | 5 435 111,23   | 5 435 111,23   |
| LähiTapiola Japani A                             | Finland    | 2 445 758,76   | 2 445 758,76   |
| LähiTapiola Kasvu A                              | Finland    | 12 696 555,31  | 12 696 555,31  |
| LähiTapiola Kehittyvät Korkomarkkinat A          | Finland    | 3 576 081,21   | 3 576 081,21   |
| LähiTapiola Kehittyvät Markkinat A               | Finland    | 37 134 971,80  | 37 134 971,80  |
| LähiTapiola Korko 100 A                          | Finland    | 684 760,40     | 684 760,40     |
| LähiTapiola Korkomaaailma A                      | Finland    | 32 070 248,37  | 32 070 248,37  |
| LähiTapiola Kuluttaja A                          | Finland    | 24 583 104,63  | 24 583 104,63  |
| LähiTapiola Lyhytkorko A                         | Finland    | 9 283 580,20   | 9 283 580,20   |
| LähiTapiola Maaailma 20 A                        | Finland    | 24 167 709,26  | 24 167 709,26  |
| LähiTapiola Maaailma 50 A                        | Finland    | 65 775 112,35  | 65 775 112,35  |
| LähiTapiola Maaailma 80 A                        | Finland    | 74 576 799,67  | 74 576 799,67  |
| LähiTapiola Metsäsijoitus                        | Finland    | 3 438 298,07   | 3 438 298,07   |
| LähiTapiola Osake 100 A                          | Finland    | 527 961,30     | 527 961,30     |
| LähiTapiola Osinko A                             | Finland    | 967 996,62     | 967 996,62     |
| LähiTapiola Osinko Suomi A                       | Finland    | 15 101 022,21  | 15 101 022,21  |
| LähiTapiola Pitkäkorko A                         | Finland    | 8 015 919,23   | 8 015 919,23   |
| LähiTapiola Pohjoinen Yrityskorko A              | Finland    | 3 598 064,31   | 3 598 064,31   |
| LähiTapiola Skandinavia A                        | Finland    | 1 452 100,71   | 1 452 100,71   |
| LähiTapiola Suoja A                              | Finland    | 1 366 828,87   | 1 366 828,87   |

|   |         |                |                |
|---|---------|----------------|----------------|
| LähiTapiola Tapiolan Keskus                 | Finland | 2 216 656,40   | 2 216 656,40   |
| LähiTapiola Toimitila                       | Finland | 707 073,95     | 707 073,95     |
| LähiTapiola USA Keskisuuret A               | Finland | 9 226 532,25   | 9 226 532,25   |
| LähiTapiola Viisas                          | Finland | 20 866 093,25  | 20 866 093,25  |
| LähiTapiola Yrityskorko A                   | Finland | 5 408 188,57   | 5 408 188,57   |
| Momentum-varainhoito                        | Finland | 67 727 110,76  | 67 727 110,76  |
| Osake-sijoitussalkku                        | Finland | 1 004 736,19   | 1 004 736,19   |
| Osakevarainhoitosalkku                      | Finland | 824 586,61     | 824 586,61     |
| Private Banking Korkostrategia              | Finland | 1 021 130,00   | 1 021 130,00   |
| Private Banking Strategia 10                | Finland | 4 054 616,94   | 4 054 616,94   |
| Private Banking Strategia 30                | Finland | 9 152 038,21   | 9 152 038,21   |
| Private Banking Strategia 50                | Finland | 4 075 985,53   | 4 075 985,53   |
| Private Banking Strategia 70                | Finland | 1 347 416,64   | 1 347 416,64   |
| PYN Elite A - EUR                           | Finland | 1 056 418,22   | 1 056 418,22   |
| PYN ELITE ERIK.SIJ.RAHASTO                  | Finland | 719 327,51     | 719 327,51     |
| Seligson Aasia A                            | Finland | 3 624 249,34   | 3 624 249,34   |
| Seligson Euro-obligaatio                    | Finland | 947 411,51     | 947 411,51     |
| Seligson Eurooppa -indeksirahasto A         | Finland | 7 041 452,10   | 7 041 452,10   |
| Seligson Glb Top 25 Brands -A               | Finland | 15 773 878,70  | 15 773 878,70  |
| Seligson Global Top 25 Pharmaceuticals A    | Finland | 12 141 606,49  | 12 141 606,49  |
| Seligson Phoebus - A                        | Finland | 2 016 480,47   | 2 016 480,47   |
| Seligson Phoenix A                          | Finland | 1 172 294,32   | 1 172 294,32   |
| Seligson Pohjois-Amerikka -indeksirahasto A | Finland | 1 995 603,71   | 1 995 603,71   |
| Seligson Rahamarkkina AAA                   | Finland | 1 993 350,14   | 1 993 350,14   |
| Seligson Russian Pros Euro A                | Finland | 8 776 934,41   | 8 776 934,41   |
| Seligson Suomi-indeksirahasto               | Finland | 10 712 154,40  | 10 712 154,40  |
| Slättö Bostäder Invest AB                   | Finland | 878 725,70     | 878 725,70     |
| Slättö IV AB                                | Finland | 3 352 363,92   | 3 352 363,92   |
| SPDR Gold Shares                            | USA     | 727 692,57     | 727 692,57     |
| SPDR S&P Bank ETF                           | USA     | 706 093,49     | 706 093,49     |
| S-Sijoituskori Kohtuullinen                 | Finland | 4 447 704,94   | 4 447 704,94   |
| S-Sijoituskori Varovainen                   | Finland | 6 482 667,97   | 6 482 667,97   |
| Suojavarainhoito 10                         | Finland | 8 345 882,36   | 8 345 882,36   |
| Suojavarainhoito 15                         | Finland | 3 122 359,36   | 3 122 359,36   |
| Suojavarainhoito 20                         | Finland | 1 115 669,25   | 1 115 669,25   |
| Suojavarainhoito 25                         | Finland | 1 202 156,64   | 1 202 156,64   |
| Suojavarainhoito 5                          | Finland | 1 542 480,98   | 1 542 480,98   |
| TOP-indeksivarainhoito 25                   | Finland | 2 460 982,09   | 2 460 982,09   |
| TOP-indeksivarainhoito 50                   | Finland | 1 301 784,00   | 1 301 784,00   |
| Varainhoito 100                             | Finland | 30 399 944,45  | 30 399 944,45  |
| Varainhoito 25                              | Finland | 2 825 788,53   | 2 825 788,53   |
| Varainhoito 50                              | Finland | 10 028 777,87  | 10 028 777,87  |
| Varainhoito 75                              | Finland | 6 125 260,41   | 6 125 260,41   |
| Varainhoito Maltillinen                     | Finland | 19 767 357,24  | 19 767 357,24  |
| Varainhoito Nordic Plus                     | Finland | 38 969 903,01  | 38 969 903,01  |
| Varainhoito Suomi Plus                      | Finland | 51 810 389,17  | 51 810 389,17  |
| Varainhoito Tasapainoinen                   | Finland | 15 865 987,69  | 15 865 987,69  |
| Varainhoito Tuottohakuinen                  | Finland | 7 669 172,91   | 7 669 172,91   |
| Varainhoito Varovainen                      | Finland | 16 532 364,16  | 16 532 364,16  |
| Varainhoitosalkku 10                        | Finland | 56 844 016,02  | 56 844 016,02  |
| Varainhoitosalkku 30                        | Finland | 159 801 509,29 | 159 801 509,29 |
| Varainhoitosalkku 50                        | Finland | 81 191 299,19  | 81 191 299,19  |
| Varainhoitosalkku 70                        | Finland | 19 443 143,50  | 19 443 143,50  |
| Varainhoitosalkku 90                        | Finland | 1 347 306,28   | 1 347 306,28   |
| Vauras 100                                  | Finland | 1 470 058,76   | 1 470 058,76   |

|                              |         |                         |                         |
|------------------------------|---------|-------------------------|-------------------------|
| Vauras 25                    | Finland | 68 932 469,63           | 68 932 469,63           |
| Vauras 50                    | Finland | 35 343 371,39           | 35 343 371,39           |
| Vauras 75                    | Finland | 5 608 258,44            | 5 608 258,44            |
| Yksilöllinen varainhoito 30  | Finland | 43 251 987,51           | 43 251 987,51           |
| Yksilöllinen varainhoito 50  | Finland | 2 148 440,00            | 2 148 440,00            |
| Ålandsbanken Asuntorahasto C | Finland | 3 360 677,33            | 3 360 677,33            |
| Ålandsbanken Cash Manager B  | Finland | 833 577,93              | 833 577,93              |
| ÅLANDSBANKEN EURO BOND-B     | Finland | 1 803 992,87            | 1 803 992,87            |
| Ålandsbanken Europe Value B  | Finland | 544 113,65              | 544 113,65              |
| Other                        |         | 16 535 094,94           | 16 535 094,94           |
| <b>Total</b>                 |         | <b>2 078 711 740,95</b> | <b>2 078 711 740,95</b> |

#### Debt securities

|                                      |         |                      |                      |
|--------------------------------------|---------|----------------------|----------------------|
| Eurooppa Pankit Autocall 1/2017      | Finland | 524 000,00           | 524 000,00           |
| Evli Eurooppa Bonus IV Sertifikaatti | Finland | 580 300,00           | 580 300,00           |
| Other                                |         | 11 960 515,79        | 11 960 515,79        |
| <b>Total</b>                         |         | <b>13 064 815,79</b> | <b>13 064 815,79</b> |

## K8. Other investments

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

|   | 2017           | 2016           |
|---|----------------|----------------|
| Insurance policy                            | 287 534,04     | 353 149,72     |
| Other security                              | 59 016 576,64  | 89 324 729,37  |
| Remaining acquisition cost                  | 59 304 110,68  | 89 677 879,09  |
| Unsecured, total remaining acquisition cost | 47 959 336,26  | 52 432 110,62  |
| Total other loan receivables                | 107 263 446,94 | 142 109 989,71 |

## K9. Changes in tangible and intangible assets

|  | Intangible rights and other expenses with long-term effects | Goodwill   | Provisional premium | Machinery and equipment |
|--|---|------------|---------------------|-------------------------|
| Acquisition cost on 1 Jan.                                   | 35 133 550,97   | 27 981,00  | 0,00                | 3 452 461,75            |
| Increase   | 987 764,11  | 8 237,44   | 4 171 372,34        | 433 031,48              |
| Decrease   | 0,00  | 0,00       | 0,00                | -35 069,77              |
| Transfers between items                                      | 2 500 486,71  | 0,00       | -2 500 486,71       | 0,00                    |
| Hankintameno 31.12.  | 38 621 801,79   | 36 218,44  | 1 670 885,63        | 3 850 423,46            |
| Accumulated depreciation on 1 Jan.                           | -19 956 092,05  | -27 981,00 | 0,00                | -2 941 737,86           |
| Accumulated depreciation related to deductions and transfers | 0,00  | 0,00       | 0,00                | 3 867,12                |
| Depreciation for the financial year                          | -4 199 990,90   | 0,00       | 0,00                | -227 103,39             |
| Kertyneet poistot 31.12.                                     | -24 156 082,95  | -27 981,00 | 0,00                | -3 164 974,13           |
| Kirjanpitoarvo 31.12.  | 14 465 718,84   | 8 237,44   | 1 670 885,63        | 685 449,33              |

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

|  | 2017<br>Original<br>acquisition cost | 2017<br>Current value<br>(= book value) | 2016<br>Original<br>acquisition cost | 2016<br>Current value<br>(= book value) |
|--|--------------------------------------|---|--------------------------------------|---|
| <b>Assets covering unit-linked policies</b>  |                                      |   |                                      |   |
| 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                              |
| <b>Total</b>   | <b>1 625 759 129,96</b>              | <b>2 135 773 963,88</b>                 | <b>1 400 430 231,15</b>              | <b>1 821 742 996,28</b>                 |
| <b>Investments acquired in advance</b>   | <b>20 205 779,80</b>                 | <b>17 423 561,95</b>                    | <b>22 429 738,17</b>                 | <b>21 371 671,56</b>                    |
| <b>Investments corresponding to the technical provisions for unit-linked insurance</b> | <b>1 605 553 350,16</b>              | <b>2 118 350 401,93</b>                 | <b>1 378 000 492,98</b>              | <b>1 800 371 324,72</b>                 |

Cash at bank and in hand, and other debtors includes net premiums for paid insurance policies valid at the closing of the accounts that have not yet been invested.

4 310 569,66

6 599 235,54

## K11. Changes in capital and reserves and itemisation of revaluation reserve

### K11.1 Changes in capital and reserves

|   | 1.1.2017              | Increase             | Decrease           | 31.12.2017            |
|---|-----------------------|----------------------|--------------------|-----------------------|
| Initial reserve   | 4 482 208,24          | 0,00                 | 0,00               | 4 482 208,24          |
| Guarantee capital   | 37 585 505,12         | 0,00                 | 0,00               | 37 585 505,12         |
| Revaluation reserve   | 9 162 367,08          | 0,00                 | 0,00               | 9 162 367,08          |
| Security reserve  | 259 660 731,95        | 57 274 000,00        | 0,00               | 316 934 731,95        |
| Contingency reserve   | 1 092 446,83          | 500 691,40           | -115 000,00        | 1 478 138,23          |
| Share of voluntary provisions and depreciation difference transferred to capital and reserves               | 1 026 277,13          | 0,00                 | -105 044,86        | 921 232,27            |
| Profit/loss for previous accounting periods   | -19 186 463,88        | -59 558 990,03       | 59 163 329,66      | -19 582 124,25        |
| Profit for the accounting period  | 59 465 728,06         | 41 993 404,60        | -59 465 728,06     | 41 993 404,60         |
| Change in depreciation difference and voluntary provisions included in the profit for the accounting period | 93 261,97             | 105 044,86           | -93 261,97         | 105 044,86            |
|   | 59 558 990,03         | 42 098 449,46        | -59 558 990,03     | 42 098 449,46         |
| <b>Total changes in capital and reserves</b>  | <b>353 382 062,50</b> | <b>40 314 150,83</b> | <b>-615 705,23</b> | <b>393 080 508,11</b> |

### K11.2 Itemisation of revaluation reserve

|                            | 31.12.2017          |
|----------------------------|---------------------|
| Revaluation reserve 1.1.   | 9 162 367,08        |
| Revaluation reserve 31.12. | 9 162 367,08        |
| <b>Total</b>               | <b>9 162 367,08</b> |



## K12. Accumulated appropriations

|  | 2017                | 2016                |
|--|---------------------|---------------------|
| <b>Accumulated depreciation difference</b> |                     |                     |
| Depreciation difference on 1 Jan.          | 1 653 836,40        | 1 892 280,60        |
| Decrease                                   | -131 306,07         | -238 444,20         |
| Depreciation difference on 31 Dec.         | <u>1 522 530,33</u> | <u>1 653 836,40</u> |
| <b>Total accumulated appropriations</b>    | <u>1 522 530,33</u> | <u>1 653 836,40</u> |
| <b>Divided into</b>                        |                     |                     |
| Capital and reserves                       | -1 107 016,46       | -1 212 061,32       |
| Minority interest                          | -111 007,80         | -111 007,80         |
| Deferred tax liabilities                   | -304 506,07         | -330 767,28         |
| Tax base                                   | 20,00 %             | 20,00 %             |

## K13. Other obligatory provisions

|  | 2017             | 2016              |
|--|------------------|-------------------|
| Provision for unemployment security deductible | <u>88 676,16</u> | <u>184 252,33</u> |
|  | <u>88 676,16</u> | <u>184 252,33</u> |

## K14. Other obligatory provisions

### K14.1 Deferred tax assets

|  | 2017         | 2016         |
|--|--------------|--------------|
| Temporary differences between taxable profit and accounting profit | 1 042 305,94 | 1 047 417,81 |

### K14.2 Deferred tax liabilities

|  | 2017       | 2016       |
|--|------------|------------|
| Deferred tax liabilities arising from the division of depreciation difference and provisions | 304 506,07 | 330 767,28 |

## K15. Receivables and liabilities

### K15.1 Itemisation of receivables

|   | 2017              | 2016        |
|---|-------------------|-------------|
| <b>Receivables from group companies</b> |                   |             |
| Other receivables                       | <u>131 723,72</u> | <u>0,00</u> |
|   | <u>131 723,72</u> | <u>0,00</u> |

### K15.2 Itemisation of liabilities

|   | 2017                | 2016             |
|---|---------------------|------------------|
| <b>Liabilities to group companies</b>         |                     |                  |
| Trade creditors                               | 1 511 356,91        | 0,00             |
| Other creditors                               | <u>51 144,68</u>    | <u>0,00</u>      |
|   | <u>1 562 501,59</u> | <u>0,00</u>      |
| <b>Liabilities to participating interests</b> |                     |                  |
| Other creditors                               | <u>0,00</u>         | <u>42 844,50</u> |
|   | <u>0,00</u>         | <u>42 844,50</u> |

## K16. Notes concerning guarantees and contingent liabilities

|  | 2017<br>Security/pledges<br>/ guarantees<br>and other | 2017<br>Amount of<br>liability | 2016<br>Security/pledges<br>/ guarantees<br>and other | 2016<br>Amount of<br>liability |
|--|---|--------------------------------|---|--------------------------------|
| <b>K16.1 Security</b>  |   |                                |   |                                |
| <b>As security for own debts</b>   |   |                                |   |                                |
| Real estate mortgages  | 21 672 170,80   | 7 946 679,03                   | 71 476 224,00   | 8 299 715,73                   |
|  | <u>21 672 170,80</u>                                  | <u>7 946 679,03</u>            | <u>71 476 224,00</u>                                  | <u>8 299 715,73</u>            |
| <b>K16.2 Off-balance-sheet guarantees and contingent liabilities</b>                                     |   |                                |   |                                |
| <b>Derivative contracts</b>  |   |                                |   |                                |
| <b>Currency derivatives</b>  |   |                                |   |                                |
| <i>Forward and futures contracts, open</i>   |   |                                |   |                                |
| Underlying instrument  |   | -61 089 377,22                 |   | -80 142 044,35                 |
| Current value  |   | -325 033,17                    |   | -428 138,99                    |
| <b>Rent liabilities</b>  |   |                                |   |                                |
| Amount to be paid in the current financial year  |   | 1 548 895,35                   |   | 3 680 539,92                   |
| Amount to be paid in the coming years  |   | 3 369 714,24                   |   | 4 446 484,23                   |
|  |   | <u>4 918 609,59</u>            |   | <u>8 127 024,15</u>            |
| <b>Value-added tax liabilities</b>   |   |                                |   |                                |
| <i>Joint liability relating to collective value-added tax registration</i>                               |   |                                |   |                                |
| Group companies  |   | 244 324,56                     |   | 441 049,72                     |
| Associated undertakings  |   | 2 369 617,10                   |   | 0,00                           |
| Partner companies  |   | 0,00                           |   | 3 767 866,44                   |
|  |   | <u>2 613 941,66</u>            |   | <u>4 208 916,16</u>            |
| <i>Inspection responsibility of real estate investments under section 120 of the Value Added Tax Act</i> |   |                                |   |                                |
| Company  |   | 1 474 849,86                   |   | 1 031 066,53                   |
| Other companies of the group   |   | 44 718 475,09                  |   | 55 897 024,33                  |
|  |   | <u>46 193 324,95</u>           |   | <u>56 928 090,86</u>           |
| <b>Other commitments</b>   |   |                                |   |                                |
| Investment commitments   |   | 1 756 638,60                   |   | 500 000,00                     |
| Subscription commitments   |   | 482 891 191,96                 |   | 308 244 150,25                 |
| Granted limit  |   | 42 306 881,86                  |   | 41 650 636,36                  |
|  |   | <u>525 198 073,82</u>          |   | <u>349 894 786,61</u>          |

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

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

A report has been issued today on the audit performed.

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

|  |                |
|--|----------------|
| Subsidiaries   | 149 306 109,71 |
| Associated undertakings and joint ventures                                       | 341 189,35     |
| 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/>          |
|  | 149 647 299,06 |

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

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

The guarantees and contingent liabilities of LocalTapiola Mutual Life Insurance Company in favour of LocalTapiola Group companies are presented in Appendix 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.

A report has been issued today on the audit performed.

## K17.2 Subordinated loans

|                             |                 |
|-----------------------------|-----------------|
| <b>Creditor</b>             | Multiple        |
| <b>Loan capital</b>         | EUR 100.000.000 |
| <b>Principal loan terms</b> | EUR 100.000.000 |

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

Until the date preceding the first repayment date, the annual interest rate of the loan is 3,625 %. If the debtor does not repay the loan on the first repayment date, the interest rate is revised. After the first repayment date, the interest rate is determined on the basis of the interest rate for Euro 5-y Mid-Swap Rate plus a margin of 3,25 %.

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

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

The subordinated loan is administered by Euroclear Finland Oy.

## Other notes

### Performance analysis

|   | 2017          | 2016          | Change         | Change %       |
|---|---------------|---------------|----------------|----------------|
| Premium income  | 513 180       | 419 620       | 93 560         | 22,3 %         |
| Investment income and expenses as well as revaluations and adjustments thereof      | 248 485       | 234 108       | 14 377         | 6,1 %          |
| Claims paid   | -325 728      | -333 078      | 7 350          | -2,2 %         |
| Changes in technical provisions before change in bonuses and equalization provision | -340 066      | -207 257      | -132 809       | 64,1 %         |
| Operating expenses  | -55 354       | -47 831       | -7 522         | 15,7 %         |
| <b>Technical result before change in bonuses and equalization provision</b>         | <b>40 517</b> | <b>65 561</b> | <b>-25 044</b> | <b>-38,2 %</b> |
| Other income and expenses   | -2 181        | -2 478        | 297            | -12,0 %        |
| Share of profit/loss from group associated undertakings                             | 544           | -54           | 598            | -1104,2 %      |
| <b>Operating profit</b>   | <b>38 880</b> | <b>63 029</b> | <b>-24 149</b> | <b>-38,3 %</b> |
| Change in equalization provision  | 10 274        | 10 274        | 0              | 0,0 %          |
| Bonuses   | 2 265         | -429          | 2 693          | -628,5 %       |
| <b>Profit before appropriations and taxes</b>                                       | <b>51 419</b> | <b>72 874</b> | <b>-21 455</b> | <b>-29,4 %</b> |
| Direct taxes  | -9 305        | -13 413       | 4 108          | -30,6 %        |
| Minority interest   | -121          | 5             | -125           | -2640,7 %      |
| <b>Profit for the accounting period</b>   | <b>41 993</b> | <b>59 466</b> | <b>-17 473</b> | <b>-29,4 %</b> |
| Operating profit  | 38 880        | 63 029        | -24 149        | -38,3 %        |
| Change in the difference between current and book values                            | 22 709        | 362           | 22 347         | 6181,6 %       |
| <b>Total result</b>   | <b>61 589</b> | <b>63 390</b> | <b>-1 802</b>  | <b>-2,8 %</b>  |

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

## Notes to the profit and loss account

### 1. 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 capital 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                | 58 929 783,63                |
| <i>Total</i>   | <u>431 420 899,00</u>        | <u>333 542 764,21</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>         |
| Direct insurance total                                 | 516 017 481,77               | 421 706 014,44               |
| Reinsurance  | 0,00                         | 0,00                         |
| <b>Gross premiums written before reinsurers' share</b> | <b><u>516 017 481,77</u></b> | <b><u>421 706 014,44</u></b> |
| <i>Premiums written before reinsurers' share</i>       |                              |                              |
| Regular premiums                                       | 396 749 060,15               | 326 972 742,04               |
| Single premiums  | 119 268 421,62               | 94 733 272,40                |
| <i>Total</i>   | <u>516 017 481,77</u>        | <u>421 706 014,44</u>        |
| Premiums from contracts entitled to bonuses            | 175 439 563,41               | 162 010 016,78               |
| Premiums from unit-linked insurance                    | 340 577 918,36               | 259 695 997,66               |
|  | <b><u>516 017 481,77</u></b> | <b><u>421 706 014,44</u></b> |

## 1.1 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 capital 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>        |
| Total rebates                            | <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               |
| <i>Yhteensä</i>                          | <u>1 959 120,96</u>        | <u>2 341 868,15</u>        |
| Pension insurance                        |                            |                            |
| <i>Total</i>                             | <u>0,00</u>                | <u>0,00</u>                |
| Total discounts                          | <u>1 959 120,96</u>        | <u>2 341 868,15</u>        |
| <b>Total rebates and discounts</b>       | <b><u>8 306 605,38</u></b> | <b><u>7 632 337,80</u></b> |

## 2. Claims paid before reinsurers' share

|   | 2017                         | 2016                         |
|---|------------------------------|------------------------------|
| Direct insurance                              |                              |                              |
| Life insurance                                | 201 901 617,08               | 211 996 084,76               |
| Pension insurance                             | 125 300 098,70               | 121 465 526,98               |
| <i>Total</i>                                  | <u>327 201 715,78</u>        | <u>333 461 611,74</u>        |
| Reinsurers' share                             | -1 473 851,83                | -383 473,32                  |
| <b>Total</b>                                  | <b><u>325 727 863,95</u></b> | <b><u>333 078 138,42</u></b> |
| Of which:                                     |                              |                              |
| Surrenders                                    | 109 634 242,95               | 123 951 181,98               |
| Repayments of benefits                        | 43 633 853,58                | 41 255 981,47                |
| Other   | 173 933 619,25               | 168 254 448,29               |
|   | <u>327 201 715,78</u>        | <u>333 461 611,74</u>        |
| Share of unit-linked insurance of claims paid | 117 007 189,69               | 127 694 701,82               |

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

#### 3.1 Total operating expenses by activity

|                               | 2017                 | 2016                 |
|-------------------------------|----------------------|----------------------|
| Claims paid                   | 3 826 841,13         | 4 508 848,52         |
| Operating expenses            | 55 354 816,14        | 47 831 505,96        |
| Investment operating expenses | 5 714 851,66         | 5 336 101,45         |
| Other expenses                | 2 642 686,36         | 2 676 821,28         |
| <i>Total</i>                  | <u>67 539 195,29</u> | <u>60 353 277,21</u> |

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

|  | 2017                 | 2016                 |
|--|----------------------|----------------------|
| Insurance policy acquisition cost                    |                      |                      |
| Commissions for direct insurance                     | 18 442 534,64        | 14 523 852,49        |
| Commissions on reinsurance assumed and profit shares | 0,00                 | 0,00                 |
| Other insurance policy acquisition costs             | 19 610 031,61        | 17 213 453,57        |
|  | <u>38 052 566,25</u> | <u>31 737 306,06</u> |
| Insurance policy management expenses                 | 7 704 815,15         | 8 219 989,83         |
| Administrative expenses                              | 9 847 363,88         | 8 262 158,30         |
| Commissions for reinsurance ceded and profit shares  | -249 929,14          | -387 948,23          |
| <i>Total</i>   | <u>55 354 816,14</u> | <u>47 831 505,96</u> |

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

##### 3.3.1 Personnel expenses

|                            | 2017                 | 2016                 |
|----------------------------|----------------------|----------------------|
| Salaries and remunerations | 10 965 953,10        | 9 744 137,10         |
| Pension expenses           | 2 033 272,01         | 1 962 634,89         |
| Other personnel expenses   | 344 076,70           | 588 683,27           |
| <i>Total</i>               | <u>13 343 301,81</u> | <u>12 295 455,26</u> |

##### 3.3.2 Management salaries and remunerations, pension commitments, monetary loans and terms thereof, as well as guarantees and contingencies

|  |   |            |
|--|---|------------|
| Managing director and deputy managing director |   |            |
| Salaries and remunerations                     | 472 973,00  | 436 922,00 |
| Pension commitments                            | The retirement age of Managing Director is 63 and that of the Deputy Managing Director as defined by 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                     | 144 000,00  | 151 000,00 |
| 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                     | 170 250,00  | 187 250,00 |
| 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

|              |     |     |
|--------------|-----|-----|
| Office staff | 132 | 132 |
|--------------|-----|-----|



### 3.4 Auditor's fees by assignment category

|   | 2017             | 2016              |
|---|------------------|-------------------|
| Auditing  | 29 642,05        | 35 363,23         |
| Assignments referred to in section 1, subsection 1, paragraph 2 of the Auditing Act | 0,00             | 0,00              |
| Tax advice  | 15 175,29        | 39 948,33         |
| Other services  | 0,00             | 91 139,57         |
| <b>Total</b>  | <b>44 817,34</b> | <b>166 451,13</b> |

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

### 4.1 Specification of net investment income

| Investment income   | 2017                  | 2016                  |
|---|-----------------------|-----------------------|
| <b>Income from group companies</b>                            |                       |                       |
| Dividend income   | 2 196 520,62          | 1 105 700,47          |
| Interest income   | 2 446 086,49          | 2 667 511,21          |
| Other income  | 826 204,87            | 400 000,00            |
| <b>Total</b>  | <b>5 468 811,98</b>   | <b>4 173 211,68</b>   |
| <b>Income from participating interests</b>                    |                       |                       |
| Dividend income   | 87 708,24             | 80 519,04             |
| Interest income   | 59 296,62             | 51 761,39             |
| <b>Total</b>  | <b>147 004,86</b>     | <b>132 280,43</b>     |
| <b>Income from real estate investments in group companies</b> |                       |                       |
| Interest income   | 9 836 403,46          | 9 273 581,57          |
| Other income  | 55 991,50             | 55 591,32             |
| <b>Total</b>  | <b>9 892 394,96</b>   | <b>9 329 172,89</b>   |
| <b>Income from real estate investments in other companies</b> |                       |                       |
| Dividend income   | 858,21                | 686,56                |
| Interest income   | 58 943,62             | 58 025,34             |
| Other income  | 26 295 962,44         | 27 164 816,59         |
| <b>Total</b>  | <b>26 355 764,27</b>  | <b>27 223 528,49</b>  |
| <b>Income from other investments</b>                          |                       |                       |
| Dividend income   | 49 303 219,37         | 45 234 329,11         |
| Interest income   | 29 086 139,09         | 33 078 175,18         |
| Other income  | 9 171 669,26          | 8 387 555,10          |
| <b>Total</b>  | <b>87 561 027,72</b>  | <b>86 700 059,39</b>  |
|   | <b>129 425 003,79</b> | <b>127 558 252,88</b> |
| Value readjustments   | 39 934 402,56         | 26 748 956,76         |
| Realized gains  | 70 624 791,47         | 80 903 745,49         |
| <b>Total investment income</b>                                | <b>239 984 197,82</b> | <b>235 210 955,13</b> |

| <b>Investment charges</b>  | <b>2017</b>                  | <b>2016</b>                  |
|--|------------------------------|------------------------------|
| Expenses arising from real estate investments                                |                              |                              |
| From group companies   | -19 605 246,02               | -15 911 242,60               |
| Other companies  | -4 249 010,30                | -5 514 648,17                |
| <i>Total</i>   | <u>-23 854 256,32</u>        | <u>-21 425 890,77</u>        |
| Expenses arising from other investments                                      | -10 426 609,25               | -9 290 865,89                |
| Interest paid and other expenses on liabilities                              |                              |                              |
| Other companies  | -3 728 235,88                | -3 715 209,98                |
| <i>Total</i>   | <u>-3 728 235,88</u>         | <u>-3 715 209,98</u>         |
|  | <b>-38 009 101,45</b>        | <b>-34 431 966,64</b>        |
| Value adjustments and depreciation   |                              |                              |
| Value adjustments  | -20 177 971,92               | -25 119 685,21               |
| Planned depreciation on buildings  | -2 127 923,53                | -3 119 396,91                |
| <i>Total</i>   | <u>-22 305 895,45</u>        | <u>-28 239 082,12</u>        |
| Realized losses  | -10 702 444,40               | -12 916 774,58               |
| <b>Total investment charges</b>  | <b><u>-71 017 441,30</u></b> | <b><u>-75 587 823,34</u></b> |
| <b>Net investment income before revaluations and revaluation adjustments</b> | <b>168 966 756,52</b>        | <b>159 623 131,79</b>        |
| Revaluations   | 109 299 080,65               | 91 287 760,80                |
| Revaluation adjustments  | -19 605 190,30               | -17 311 738,72               |
|  | <u>89 693 890,35</u>         | <u>73 976 022,08</u>         |
| <b>Net investment income in the profit and loss account</b>                  | <b><u>258 660 646,87</u></b> | <b><u>233 599 153,87</u></b> |

#### 4.2 Investment income and expenses for unit-linked insurance policies (included in 4.1. investment specification)

|  | <b>2017</b>                  | <b>2016</b>                  |
|--|------------------------------|------------------------------|
| Investment income  | 38 515 916,00                | 30 658 167,42                |
| Investment charges   | -4 134 551,98                | -3 529 765,02                |
| <b>Net investment income before revaluations and their adjustment as well as value adjustments and readjustments</b> | <u>34 381 364,02</u>         | <u>27 128 402,40</u>         |
| 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>         |
| <b>Net investment income in the profit and loss account</b>  | <b><u>123 159 190,55</u></b> | <b><u>104 185 685,00</u></b> |

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

| <b>Other income</b>               | <b>2017</b>         | <b>2016</b>         |
|-----------------------------------|---------------------|---------------------|
| Income from ancillary operations  | 2 667 880,00        | 2 659 089,00        |
| Other other income                | 29 446,22           | 874 966,04          |
| <i>Total</i>                      | <u>2 697 326,22</u> | <u>3 534 055,04</u> |
| <b>Other expenses</b>             |                     |                     |
| Expenses for ancillary operations | 2 642 686,36        | 2 676 821,28        |
| Transfer to personnel fund        | 145 397,87          | 257 431,00          |
| Other other expenses              | 2 249 244,28        | 2 234 343,33        |
| <i>Total</i>                      | <u>5 037 328,51</u> | <u>5 168 595,61</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<br>acquisition cost | 2017<br>Book value      | Current value           |
|--|-------------------------------|-------------------------|-------------------------|
| Real estate investments  |                               |                         |                         |
| Real estate  | 7 738 169,02                  | 12 365 959,46           | 18 585 171,80           |
| Real estate shares in group companies  | 127 648 050,63                | 152 117 833,34          | 200 658 528,01          |
| Real estate shares in participating interests  | 71 927,75                     | 71 927,75               | 71 984,43               |
| Other real estate shares   | 10 257 022,67                 | 8 236 789,11            | 13 931 417,64           |
| Loans to group companies   | 187 693 867,40                | 187 693 867,40          | 187 693 867,40          |
|  | <u>333 409 037,47</u>         | <u>360 486 377,06</u>   | <u>420 940 969,28</u>   |
| Investments in group companies   |                               |                         |                         |
| Shares and holdings  | 151 565 447,07                | 151 565 447,07          | 162 843 448,52          |
| Loans  | 79 980 249,35                 | 79 980 249,35           | 79 980 249,35           |
|  | <u>231 545 696,42</u>         | <u>231 545 696,42</u>   | <u>242 823 697,87</u>   |
| Investments in participating interests   |                               |                         |                         |
| Shares and holdings  | 37 299 801,32                 | 37 299 801,32           | 39 838 229,04           |
| Debt securities and loans  | 4 000 000,00                  | 4 000 000,00            | 4 000 000,00            |
|  | <u>41 299 801,32</u>          | <u>41 299 801,32</u>    | <u>43 838 229,04</u>    |
| Other investments  |                               |                         |                         |
| Shares and holdings  | 913 587 470,13                | 913 587 470,13          | 1 072 285 365,10        |
| Debt securities  | 790 089 820,64                | 790 089 820,64          | 810 457 538,31          |
| Loans guaranteed by mortgages  | 217 981 116,58                | 217 981 116,58          | 217 981 116,62          |
| Other loans  | 107 263 446,94                | 107 263 446,94          | 107 263 446,93          |
| Deposits   | 10 097 123,11                 | 10 097 123,11           | 10 097 123,11           |
| Other investments  | 13 881 100,00                 | 13 881 100,00           | 13 347 500,00           |
|  | <u>2 052 900 077,40</u>       | <u>2 052 900 077,40</u> | <u>2 231 432 090,07</u> |
|  | <u>2 659 154 612,61</u>       | <u>2 686 231 952,20</u> | <u>2 939 034 986,26</u> |
| The remaining acquisition cost of debt securities includes:  |                               |                         |                         |
| Difference between the nominal value and acquisition cost released (+) or charged (-) to interest income |                               |                         | <u>-3 495 954,20</u>    |
| Book value comprises   |                               |                         |                         |
| Revaluations released to income  |                               | 24 458 784,09           |                         |
| Other revaluations   |                               | <u>4 711 971,80</u>     | <u>29 170 755,89</u>    |
| Difference in valuation (difference between current value and book value)                                |                               |                         | <u>252 803 034,06</u>   |

| Investments  | Remaining<br>acquisition cost | 2016<br>Book value      | Current value           |
|--|-------------------------------|-------------------------|-------------------------|
| Real estate investments  |                               |                         |                         |
| Real estate  | 7 640 539,93                  | 12 268 330,37           | 19 685 171,80           |
| Real estate shares in group companies  | 109 047 821,11                | 133 517 603,82          | 167 369 708,67          |
| Real estate shares in participating interests  | 71 927,75                     | 71 927,75               | 71 984,43               |
| Other real estate shares   | 54 733 367,16                 | 9 174 789,11            | 14 166 211,03           |
| Loans to group companies   | 155 707 380,91                | 155 707 380,91          | 155 707 380,91          |
|  | <u>327 201 036,86</u>         | <u>310 740 031,96</u>   | <u>357 000 456,84</u>   |
| Investments in group companies   |                               |                         |                         |
| Shares and holdings  | 40 284 572,28                 | 40 284 572,28           | 40 607 841,35           |
|  | <u>114 257 572,29</u>         | <u>114 257 572,29</u>   | <u>114 580 841,36</u>   |
| Investments in participating interests   |                               |                         |                         |
| Shares and holdings  | 35 165 699,18                 | 35 165 699,18           | 45 572 165,10           |
| Debt securities and loans  | 4 000 000,00                  | 4 000 000,00            | 4 000 000,00            |
|  | <u>39 165 699,18</u>          | <u>39 165 699,18</u>    | <u>49 572 165,10</u>    |
| Other investments  |                               |                         |                         |
| Shares and holdings  | 878 451 972,29                | 878 451 972,29          | 1 028 328 347,41        |
| Debt securities  | 958 752 898,24                | 958 752 898,24          | 989 016 732,95          |
| Loans guaranteed by mortgages  | 174 044 238,03                | 174 044 238,03          | 174 044 238,02          |
| Other loans  | 142 109 989,71                | 142 109 989,71          | 142 109 989,73          |
| Deposits   | 11 565 073,75                 | 11 565 073,75           | 11 565 073,75           |
|  | <u>2 164 924 172,02</u>       | <u>2 164 924 172,02</u> | <u>2 345 064 381,86</u> |
|  | <u>2 645 548 480,35</u>       | <u>2 629 087 475,45</u> | <u>2 866 217 845,16</u> |
| The remaining acquisition cost of debt securities includes:  |                               |                         |                         |
| Difference between the nominal value and acquisition cost released (+) or charged (-) to interest income |                               |                         | <u>-6 024 365,40</u>    |
| Book value comprises   |                               |                         |                         |
| Revaluations released to income  |                               | 24 574 946,54           |                         |
| Other revaluations   |                               | <u>4 711 971,80</u>     | <u>29 286 918,34</u>    |
| Difference in valuation (difference between current value and book value)                                |                               |                         | <u>237 130 369,71</u>   |

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

### Derivative contracts

|   | Remaining<br>acquisition cost | 2017<br>Book value | Current value     |
|---|-------------------------------|--------------------|-------------------|
| Other debtors   |                               |                    |                   |
| Assets pledged as security for derivatives                                | 770 000,00                    | 770 000,00         | 770 000,00        |
| Other creditors   |                               |                    |                   |
| Assets received as security for derivatives                               | 0,00                          | 0,00               | 0,00              |
| Other deferred income and credits   |                               |                    |                   |
| Futures and forward contracts   | -377 320,22                   | -377 320,22        | -325 033,17       |
|   | <u>392 679,78</u>             | <u>392 679,78</u>  | <u>444 966,83</u> |
| Difference in valuation (difference between current value and book value) |                               |                    | <u>52 287,05</u>  |

### Derivative contracts

|   | Remaining<br>acquisition cost | 2016<br>Book value   | Current value       |
|---|-------------------------------|----------------------|---------------------|
| Other debtors   |                               |                      |                     |
| Assets pledged as security for derivatives                                | 0,00                          | 0,00                 | 0,00                |
| Other creditors   |                               |                      |                     |
| Assets received 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   | -298 262,46                   | -298 262,46          | 818 895,72          |
|   | <u>-1 348 262,46</u>          | <u>-1 348 262,46</u> | <u>-231 104,28</u>  |
| Difference in valuation (difference between current value and book value) |                               |                      | <u>1 117 158,18</u> |

## 6. Real estate investments

### Changes in real estate investments:

|  | 2017                                     |                             |
|--|--|-----------------------------|
|  | Real estate and<br>shares in real estate | Loans to group<br>companies |
| Acquisition cost on 1 Jan.   | 154 419 811,45                           | 155 707 380,91              |
| Increase   | 12 639 025,83                            | 35 600 000,00               |
| Decrease   | -6 016 737,94                            | -3 613 513,51               |
| Acquisition cost on 31 Dec.  | 161 031 708,38                           | 187 693 867,40              |
| Accumulated depreciation on 1 Jan.                                       | -11 249 148,98                           |                             |
| Depreciation for the financial year                                      | -434 441,12                              |                             |
| Accumulated depreciation on 31 Dec.                                      | -11 683 590,10                           |                             |
| Value adjustments on 1 Jan.  | -18 887 554,42                           |                             |
| Value adjustments for the financial year                                 | -2 579 742,80                            |                             |
| Value readjustments  | 14 472 402,80                            |                             |
| Value adjustments on 31 Dec.   | -6 985 151,62                            |                             |
| Revaluations on 1 Jan.   | 30 749 543,00                            |                             |
| Revaluations on 31 Dec.  | 30 429 543,00                            |                             |
| Book value on 31 Dec.  | 172 792 509,66                           | 187 693 867,40              |
| <b>Real estate and shares in real estate occupied for own activities</b> |  |                             |
| Remaining acquisition cost   | 1 628 655,16                             |                             |
| Book value   | 1 628 655,16                             |                             |
| Current value  | 985 171,80                               |                             |

## 7. Investments in Group companies and participating interests

### Shares and holdings in group companies

|   | 2017           | 2016          |
|---|----------------|---------------|
| Acquisition cost on 1 Jan.                            | 41 196 168,12  | 24 018,80     |
| Increase  | 125 987 221,37 | 8 272 597,90  |
| Decrease  | -14 884 003,88 | -3 410 375,65 |
| Transfers between items                               | 10 390,96      | 36 309 927,07 |
| Acquisition cost on 31 Dec.                           | 152 309 776,57 | 41 196 168,12 |
| Value adjustments on 1 Jan.                           | -911 595,84    | 0,00          |
| Value adjustments related to deductions and transfers | -9 742,80      | -1 030 239,06 |
| Value adjustments for the financial year              | -244 086,83    | -122 819,20   |
| Value readjustments                                   | 421 095,97     | 241 462,42    |
| Value adjustments on 31 Dec.                          | -744 329,50    | -911 595,84   |
| Book value on 31 Dec.                                 | 151 565 447,07 | 40 284 572,28 |

### Debt securities and loans in participating interests

|                             |               |               |
|-----------------------------|---------------|---------------|
| Acquisition cost on 1 Jan.  | 73 973 000,01 | 0,00          |
| Increase                    | 6 018 300,00  | 17 270 760,00 |
| Decrease                    | -11 050,66    | -55 253,33    |
| Transfers between items     | 0,00          | 56 757 493,34 |
| Acquisition cost on 31 Dec. | 79 980 249,35 | 73 973 000,01 |
| Book value on 31 Dec.       | 79 980 249,35 | 73 973 000,01 |

### Shares and holdings in participating interests

|   |               |                |
|---|---------------|----------------|
| Acquisition cost on 1 Jan.                            | 44 937 109,21 | 29 861 507,67  |
| Increase  | 1 676 400,00  | 0,00           |
| Decrease  | 0,00          | -3 201,96      |
| Transfers between items                               | 0,00          | 15 078 803,50  |
| Acquisition cost on 31 Dec.                           | 46 613 509,21 | 44 937 109,21  |
| Value adjustments on 1 Jan.                           | -9 771 410,03 | -10 534 816,09 |
| Value adjustments related to deductions and transfers | 0,00          | 878 906,06     |
| Value adjustments for the financial year              | 0,00          | -115 500,00    |
| Value readjustments                                   | 457 702,14    | 0,00           |
| Value adjustments on 31 Dec.                          | -9 313 707,89 | -9 771 410,03  |
| Book value on 31 Dec.                                 | 37 299 801,32 | 35 165 699,18  |

### Debt securities and loans in participating interests

|                             |              |              |
|-----------------------------|--------------|--------------|
| Acquisition cost on 1 Jan.  | 4 000 000,00 | 2 407 493,34 |
| Increase                    | 0,00         | 2 000 000,00 |
| Decrease                    | 0,00         | 0,00         |
| Transfers between items     | 0,00         | -407 493,34  |
| Acquisition cost on 31 Dec. | 4 000 000,00 | 4 000 000,00 |
| Book value on 31 Dec.       | 4 000 000,00 | 4 000 000,00 |

### Total investments in group companies and participating interests

|                       |                |                |
|-----------------------|----------------|----------------|
| Book value on 31 Dec. | 272 845 497,74 | 153 423 271,47 |
|-----------------------|----------------|----------------|



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

| Shares and holdings, fixed assets              | Domicile    | Share of stocks<br>% | Equity         | Profit for the<br>accounting<br>period |
|--|-------------|----------------------|----------------|--|
| Akapo-Leasing Oy                               | 2) Espoo    | 33,3                 | 11 862,49      | -20,00                                 |
| Keskinäinen Vakuutusyhtiö Turva                | 4) Tampere  | 3,6                  | 37 563 063,18  | 2 666 617,72                           |
| LTC-Otso Oy                                    | 2) Helsinki | 20,0                 | 8 057 481,19   | 3 625 680,02                           |
| LähiTapiola Kiinteistövarainhoito Oy -konserni | 3) Espoo    | 15,9                 | 8 836 624,74   | 1 856 428,97                           |
| LähiTapiola Palvelut Oy                        | 3) Espoo    | 15,0                 | 11 840 867,08  | -6 168 966,26                          |
| LähiTapiola Varainhoito Oy                     | 3) Espoo    | 16,2                 | 23 026 989,56  | 4 734 285,33                           |
| Tieto-Tapiola Oy                               | 2) Espoo    | 33,3                 | 3 849 886,79   | 843 392,71                             |
| Vakuutusneuvonta Aura                          | 2) Espoo    | 33,3                 | 10 729,40      | 0,00                                   |
| Vakuutusneuvonta Pohja                         | 2) Espoo    | 33,3                 | 10 672,17      | 0,00                                   |
| Total  |             |                      | 93 196 314,11  | 7 557 438,49                           |
| Shares and holdings, investment assets         | Domicile    | Share of stocks<br>% | Equity         | Profit for the<br>accounting<br>period |
| Kaupparkeskus Seppä Oy                         | 2) Kuopio   | 47,0                 | 976,26         | -3 329,52                              |
| LähiTapiola Core Kiinteistöt Ky -konserni      | 1) Espoo    | 100,0                | 6 908 093,81   | -91 906,19                             |
| LähiTapiola KR PK2 Ky -konserni                | 3) Espoo    | 10,0                 | 18 079 455,67  | 444 964,08                             |
| LähiTapiola Pääomasijoitus GP Oy               | 2) Espoo    | 43,1                 | 224,04         | -593,92                                |
| LähiTapiola Pääomasijoitus I Ky                | 2) Espoo    | 43,1                 | 102 770 583,56 | 4 881 281,15                           |
| LähiTapiola Pääomasijoitus II Ky               | 2) Espoo    | 45,0                 | 12 510 035,31  | -564 761,92                            |
| LähiTapiola Pääomasijoitus III Ky              | 2) Espoo    | 50,0                 | 161 457 440,91 | 3 931 891,68                           |
| LähiTapiola Tontit GP I Oy                     | 2) Espoo    | 22,6                 | 105 261,56     | 2 817,97                               |
| LähiTapiola Tontit I Ky                        | 3) Espoo    | 5,0                  | 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 Ky                 | 2) Espoo    | 37,2                 | 8 978 666,83   | -130 912,07                            |
| Total  |             |                      | 355 300 253,78 | 10 661 321,47                          |

In addition, LocalTapiola Mutual Life Insurance Company has invested in 25 (31) housing associations and real estate companies that are integrated into the consolidated financial statements of LocalTapiola Group, out of which 19 (25) are its own subsidiaries.

1) Subsidiary

2) A subsidiary in the consolidated financial statements of LocalTapiola Group, which is treated as a participating interest in 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<br>% | Equity         | Profit for the<br>accounting<br>period |
|--|-------------|----------------------|----------------|--|
| Pihlajalinna Oyj -konserni             | 3) Helsinki | 7,9                  | 100 300 000,00 | 9 500 000,00                           |
| S-Pankki Oy -konserni                  | 3) Helsinki | 3,5                  | 414 118 071,89 | 12 571 296,83                          |
| Total                                  |             |                      | 514 418 071,89 | 22 071 296,83                          |
| Shares and holdings, investment assets | Domicile    | Share of stocks<br>% | Equity         | Profit for the<br>accounting<br>period |
| Seligson & Co Oyj -konserni            | 3) Helsinki | 19,0                 | 11 088 476,09  | 2 230 264,00                           |
| Total                                  |             |                      | 11 088 476,09  | 2 230 264,00                           |

In addition, LocalTapiola Mutual Life Insurance Company has invested in 1 (1) 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<br>% | Number               | Book value           | Current value        | Home country |
|--------------------------------------|----------------------|----------------------|----------------------|----------------------|--------------|
| <b>Finnish companies, listed</b>     |                      |                      |                      |                      |              |
| Amer- Sports Oyj                     | 0,18                 | 209 164,00           | 2 616 952,27         | 4 829 596,76         | Finland      |
| Huhtamäki Oyj                        | 0,11                 | 120 000,00           | 4 182 394,54         | 4 200 000,00         | Finland      |
| Kone Oyj B                           | 0,03                 | 135 000,00           | 3 238 644,00         | 6 045 300,00         | Finland      |
| Nokia Oyj                            | 0,01                 | 813 000,00           | 3 165 822,00         | 3 165 822,00         | Finland      |
| Stora Enso R                         | 0,06                 | 395 000,00           | 3 153 209,64         | 5 221 900,00         | Finland      |
| Vaisala Oyj A                        | 0,93                 | 137 579,00           | 3 732 208,31         | 6 122 265,50         | Finland      |
| Others                               |                      | 507 191,00           | 216 339,85           | 216 339,85           |              |
| <b>Total</b>                         |                      | <b>2 316 934,00</b>  | <b>20 305 570,61</b> | <b>29 801 224,11</b> |              |
| <b>Finnish companies, non-listed</b> |                      |                      |                      |                      |              |
| CAP-Group Oy                         | 6,67                 | 793,00               | 1 270 376,61         | 1 270 376,61         | Suomi        |
| LeaseGreen Group Oy                  | 2,54                 | 99 354,00            | 881 238,19           | 881 238,19           | Suomi        |
| Sofigate Group Oy                    | 3,11                 | 596 326,00           | 1 999 999,89         | 1 999 999,89         | Suomi        |
| Others                               |                      | 18 093 471,59        | 610 826,17           | 673 795,29           |              |
| <b>Total</b>                         |                      | <b>18 789 944,59</b> | <b>4 762 440,86</b>  | <b>4 825 409,98</b>  |              |

# Foreign companies, listed

|                                     |      |                      |                       |                       |                 |
|-------------------------------------|------|----------------------|-----------------------|-----------------------|-----------------|
| AbbVie Inc                          | 0,00 | 78 000,00            | 4 227 570,01          | 6 289 819,06          | USA             |
| Adecco SA                           | 0,07 | 113 200,00           | 7 211 639,04          | 7 211 639,04          | Switzerland     |
| Allstate Corp/The                   | 0,02 | 68 000,00            | 4 157 018,65          | 5 937 029,93          | USA             |
| Amazon.com Inc                      | 0,00 | 8 000,00             | 5 866 384,75          | 7 801 017,26          | USA             |
| Anheuser-Busch InBev NV             | 0,00 | 65 000,00            | 6 053 450,00          | 6 053 450,00          | Belgium         |
| Assa Abloy Ab B                     | 0,03 | 360 000,00           | 6 231 739,78          | 6 231 739,78          | Sweden          |
| AstraZeneca PLC                     | 0,01 | 130 000,00           | 7 503 465,84          | 7 503 465,84          | UK              |
| Automatic Data Processing Inc       | 0,01 | 54 000,00            | 4 443 322,40          | 5 276 628,03          | USA             |
| Axa Sa                              | 0,01 | 363 000,00           | 7 414 029,07          | 8 978 805,00          | France          |
| BASF SE                             | 0,01 | 57 000,00            | 3 860 870,81          | 5 229 180,00          | Germany         |
| Bayer AG                            | 0,01 | 70 000,00            | 5 693 449,12          | 7 280 000,00          | Germany         |
| Boliden AB                          | 0,10 | 265 000,00           | 6 939 155,31          | 7 553 891,79          | Sweden          |
| Bunzl PLC                           | 0,06 | 200 000,00           | 4 670 716,73          | 4 670 716,73          | UK              |
| Carl Zeiss Meditec AG               | 0,19 | 155 759,00           | 2 946 298,11          | 8 062 085,84          | Germany         |
| Cellnex Telecom SAU                 | 0,16 | 360 000,00           | 5 588 890,19          | 7 686 000,00          | Spain           |
| Cognizant Technology Solutions Corp | 0,02 | 92 000,00            | 4 870 460,14          | 5 448 044,69          | USA             |
| Compass Group PLC                   | 0,02 | 394 230,00           | 6 333 599,74          | 7 109 407,93          | UK              |
| Continental Ag                      | 0,02 | 35 000,00            | 7 046 280,79          | 7 876 750,00          | Germany         |
| Danske Bank A/S                     | 0,03 | 274 000,00           | 6 917 887,42          | 8 891 778,26          | Denmark         |
| Deutsche Telekom AG                 | 0,01 | 386 000,00           | 5 710 870,00          | 5 710 870,00          | Germany         |
| Eaton Corp PLC                      | 0,01 | 54 000,00            | 3 515 351,78          | 3 557 525,22          | Ireland         |
| Henkel Kgaa -Vorzug                 | 0,04 | 78 000,00            | 8 061 111,24          | 8 607 300,00          | Germany         |
| ING Groep NV                        | 0,02 | 632 000,00           | 7 611 421,21          | 9 685 400,00          | The Netherlands |
| Infineon Technologies AG            | 0,05 | 380 000,00           | 7 125 388,91          | 8 677 300,00          | Germany         |
| Ingersoll-Rand PLC                  | 0,02 | 56 000,00            | 4 064 936,16          | 4 164 629,37          | USA             |
| Innogy SE                           | 0,03 | 170 000,00           | 5 554 750,00          | 5 554 750,00          | Germany         |
| Johnson Matthey PLC                 | 0,10 | 212 000,00           | 7 347 587,44          | 7 347 587,44          | UK              |
| Medtronic Inc                       | 0,01 | 93 300,00            | 4 872 481,67          | 6 281 976,99          | Ireland         |
| National Grid PLC                   | 0,02 | 595 832,00           | 5 876 859,25          | 5 876 859,25          | UK              |
| Novartis Ag                         | 0,00 | 97 000,00            | 6 830 285,42          | 6 830 285,42          | Switzerland     |
| PepsiCo Inc                         | 0,00 | 52 000,00            | 3 404 085,75          | 5 199 566,41          | USA             |
| SAP Ag                              | 0,01 | 75 000,00            | 6 912 311,93          | 7 008 750,00          | Germany         |
| SGS SA                              | 0,04 | 3 330,00             | 5 966 622,34          | 7 230 840,88          | Switzerland     |
| Sandvik Ab                          | 0,04 | 505 000,00           | 6 522 016,77          | 7 372 000,65          | Sweden          |
| Schlumberger Ltd                    | 0,01 | 75 000,00            | 4 214 333,36          | 4 214 333,36          | Curaçao         |
| Skanska AB                          | 0,08 | 320 000,00           | 5 526 321,14          | 5 526 321,14          | Sweden          |
| Snap-on Inc                         | 0,06 | 32 000,00            | 4 494 845,14          | 4 650 712,92          | USA             |
| TeliaSonera Ab                      | 0,02 | 962 000,00           | 3 582 488,00          | 3 582 488,00          | Sweden          |
| Temenos Group Ag                    | 0,13 | 90 000,00            | 6 794 348,59          | 9 613 741,24          | Switzerland     |
| Total Sa                            | 0,01 | 195 000,00           | 8 889 715,82          | 8 978 775,00          | France          |
| Unilever Nv -CVA                    | 0,01 | 181 000,00           | 6 506 384,24          | 8 498 855,00          | The Netherlands |
| Visa Inc                            | 0,00 | 80 000,00            | 5 984 276,22          | 7 605 770,03          | USA             |
| Vodafone Group Plc                  | 0,01 | 2 175 000,00         | 5 760 907,54          | 5 760 907,54          | UK              |
| <b>Total</b>                        |      | <b>10 641 651,00</b> | <b>249 105 927,82</b> | <b>288 628 995,04</b> |                 |

**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 |
| Mehiläinen Holding AB                             | 4,50 | 654 049,00        | 31 507 143,50        | 31 507 143,50        | Sweden     |
| Others  |      | 3 083,00          | 246 923,08           | 332 209,27           |            |
| <b>Total</b>                                      |      | <b>825 816,00</b> | <b>34 789 783,08</b> | <b>34 875 069,27</b> |            |

**Mutual funds**

|  |  |  |                       |                       |                |
|--|--|--|-----------------------|-----------------------|----------------|
| Aktia Trade Finance Erikoissijoitusrahasto     |  |  | 4 000 000,00          | 4 048 421,73          | Finland        |
| BNP Paribas Global Senior Corporate Loans      |  |  | 14 143 313,95         | 14 143 313,95         | France         |
| GS Emerging Markets Equity                     |  |  | 4 950 767,09          | 4 950 767,09          | 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                  |  |  | 4 873 311,83          | 8 258 626,56          | Finland        |
| LähiTapiola High Yield A                       |  |  | 52 813 865,98         | 84 142 282,29         | Finland        |
| LähiTapiola Hyvinvointi A                      |  |  | 2 948 862,00          | 8 701 102,78          | Finland        |
| LähiTapiola Infra A                            |  |  | 4 840 728,34          | 7 121 127,08          | Finland        |
| LähiTapiola Japani A                           |  |  | 7 916 995,82          | 10 043 764,31         | Finland        |
| LähiTapiola Kasvu A                            |  |  | 3 791 259,76          | 7 273 719,38          | Finland        |
| LähiTapiola Kehittyvät Korkomarkkinat A        |  |  | 89 000 000,00         | 96 903 447,38         | Finland        |
| LähiTapiola Kehittyvät Markkinat A             |  |  | 26 831 289,38         | 32 458 633,68         | Finland        |
| LähiTapiola Korkomailma A                      |  |  | 11 000 000,00         | 11 045 988,57         | Finland        |
| LähiTapiola Kuluttaja A                        |  |  | 2 405 461,68          | 6 581 404,84          | Finland        |
| LähiTapiola Osinko A                           |  |  | 4 446 350,74          | 7 025 173,42          | Finland        |
| LähiTapiola Pohjoinen Yrityskorko A            |  |  | 25 335 010,63         | 30 286 646,57         | Finland        |
| LähiTapiola Suoja A                            |  |  | 5 002 636,36          | 5 706 200,67          | Finland        |
| LähiTapiola USA Keskisuuret A                  |  |  | 2 587 106,29          | 5 905 880,72          | Finland        |
| LähiTapiola Yrityskorko A                      |  |  | 21 099 401,42         | 29 704 773,24         | Finland        |
| Natixis Loomis Sayles Senior Loan Fund         |  |  | 10 000 000,00         | 10 998 509,76         | Luxembourg     |
| Pimco Socially Responsible EM Bond Fund I-EUR  |  |  | 20 000 000,00         | 22 522 372,12         | 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        |
| <b>Total</b>                                   |  |  | <b>336 823 180,15</b> | <b>426 719 839,51</b> |                |

### Capital mutual funds

|  |               |               |                |
|--|---------------|---------------|----------------|
| Aberdeen Property Funds SICAV Pan-Nordic         | 1 485 540,32  | 1 485 540,32  | Luxembourg     |
| Altor Fund III                                   | 4 500 058,06  | 5 430 648,28  | Jersey         |
| Altor Fund IV (No.2) AB                          | 3 145 289,75  | 3 770 869,92  | Sweden         |
| Apax Europe VII - B, L.P.                        | 2 429 904,19  | 2 429 904,19  | 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.                 | 3 437 545,54  | 3 437 545,54  | UK             |
| Beechbrook UK SME Credit I L.P.                  | 5 363 649,01  | 5 514 501,93  | UK             |
| Bow mark Capital Partners IV, L.P.               | 2 667 019,04  | 3 659 573,05  | UK             |
| Bow mark Capital Partners V, L.P.                | 1 770 624,30  | 1 770 624,30  | UK             |
| Bridgepoint Europe III, L.P.                     | 2 072 744,98  | 2 197 884,00  | UK             |
| Bridgepoint Europe IV F L.P.                     | 3 213 548,18  | 4 925 995,00  | 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         |
| Dasos Timberland Fund II                         | 13 673 094,18 | 15 145 292,30 | Luxembourg     |
| Gresham 4A                                       | 633 432,14    | 633 432,14    | UK             |
| ICG Senior Debt Partners Fund                    | 3 824 023,51  | 3 824 023,51  | Luxembourg     |
| ICG Senior Debt Partners Fund 2                  | 10 679 195,54 | 10 966 954,55 | Luxembourg     |
| ICG-Longbow UK Real Estate Debt Investments III  | 8 272 333,69  | 8 272 333,69  | Luxembourg     |
| KSK Parking I Ky                                 | 7 200 000,00  | 7 200 000,00  | Finland        |
| KSK Redi Ky                                      | 10 800 000,00 | 10 800 000,00 | Finland        |
| Lindsay Goldberg III L.P.                        | 5 542 612,22  | 6 376 648,04  | USA            |
| LähiTapiola Asuntorahasto Prime Ky               | 4 571 437,25  | 4 800 557,69  | Finland        |
| LähiTapiola Asuntosijoitus Suomi Ky              | 5 705 162,06  | 6 418 471,85  | 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.                            | 3 737 118,38  | 4 375 004,12  | Guernsey       |
| Nordic Mezzanine Fund III Limited Partnership    | 2 358 380,26  | 2 918 171,41  | UK             |
| PBW II Real Estate Fund S.A.                     | 2 128 000,00  | 2 128 000,00  | Luxembourg     |
| Partners Group U.S. Venture 2004, L.P.           | 799 422,84    | 807 378,84    | USA            |
| Real Estate Debt & Secondaries Ky                | 2 817 802,33  | 2 950 890,78  | Finland        |
| Russian and Baltics Retail Properties Ky         | 5 200 000,00  | 5 200 000,00  | Finland        |
| Siguler Guff Small Business Credit Opportunities | 2 614 825,16  | 2 614 825,16  | USA            |
| TPG Partners VI, LP                              | 8 794 078,36  | 9 345 320,60  | USA            |
| TPG Partners VII, L.P.                           | 5 222 600,38  | 5 994 205,79  | USA            |
| Tapiola KR I Ky                                  | 21 110 898,71 | 21 110 898,71 | Finland        |
| Tapiola KR III Ky                                | 43 251 968,66 | 44 713 952,01 | Finland        |
| The Triton Fund III L.P.                         | 4 920 338,00  | 6 201 891,10  | Jersey         |
| Tikehau Direct Lending III                       | 10 942 228,63 | 11 603 334,65 | Luxembourg     |
| Top Tier Venture Capital III, L.P.               | 1 427 347,64  | 1 427 347,64  | USA            |
| Top Tier Venture Capital IV, L.P.                | 2 279 291,88  | 3 726 981,97  | USA            |
| TuuliTapiola Ky                                  | 5 100 394,00  | 5 100 394,00  | Finland        |
| VSS Structured Capital Parallel III, L.P.        | 6 373 541,23  | 6 373 541,23  | USA            |
| eQ PE VIII North LP                              | 2 105 946,71  | 2 105 946,71  | Finland        |
| Others   | 3 281 239,29  | 6 836 485,63  |                |

|              |                       |                       |  |
|--------------|-----------------------|-----------------------|--|
| <b>Total</b> | <b>267 800 567,57</b> | <b>287 434 827,19</b> |  |
|--------------|-----------------------|-----------------------|--|

|   |                      |                       |                         |
|---|----------------------|-----------------------|-------------------------|
| <b>Total other investments, shares and holdings</b> | <b>32 574 345,59</b> | <b>913 587 470,09</b> | <b>1 072 285 365,10</b> |
|---|----------------------|-----------------------|-------------------------|

## 7.4 Assets held to cover unit-linked insurance policies

| Security                                | Home country | Current value        | Book value           |
|---|--------------|----------------------|----------------------|
| <b>Shares</b>                           |              |                      |                      |
| Amer- Sports Oyj                        | Finland      | 533 725,35           | 533 725,35           |
| Aspo Oyj                                | Finland      | 766 500,00           | 766 500,00           |
| Evli Pankki B                           | Finland      | 545 184,00           | 545 184,00           |
| Fortum Oyj                              | Finland      | 1 225 884,00         | 1 225 884,00         |
| Global Gaming 555 AB                    | Finland      | 673 235,95           | 673 235,95           |
| Kemira Oyj                              | Finland      | 531 806,00           | 531 806,00           |
| Kone Oyj B                              | Finland      | 545 465,18           | 545 465,18           |
| Konecranes                              | Finland      | 543 606,84           | 543 606,84           |
| Neste Oil Oyj                           | Finland      | 598 266,90           | 598 266,90           |
| Nokia Oyj                               | Finland      | 2 394 607,51         | 2 394 607,51         |
| Nokian Renkaat Oyj                      | Finland      | 765 185,40           | 765 185,40           |
| Nordea Bank Ab                          | Sweden       | 3 283 508,35         | 3 283 508,35         |
| Novo-Nordisk A/S B                      | Denmark      | 702 586,01           | 702 586,01           |
| Outokumpu Oyj                           | Finland      | 1 204 235,64         | 1 204 235,64         |
| Outotec Oyj                             | Finland      | 547 765,00           | 547 765,00           |
| Ponsse Oyj                              | Finland      | 513 671,36           | 513 671,36           |
| Sampo Oyj A                             | Finland      | 1 394 610,00         | 1 394 610,00         |
| Statoil Asa                             | Norja        | 551 929,15           | 551 929,15           |
| Stora Enso R                            | Finland      | 679 349,36           | 679 349,36           |
| TeliaSonera Ab                          | Sweden       | 1 255 237,91         | 1 255 237,91         |
| UPM-Kymmene Oyj                         | Finland      | 1 187 766,22         | 1 187 766,22         |
| Other                                   |              | 19 121 995,64        | 19 121 995,64        |
| <b>Total</b>                            |              | <b>39 566 121,77</b> | <b>39 566 121,77</b> |
| <b>Mutual funds</b>                     |              |                      |                      |
| Amundi ETF MSCI Em Asia UCITS           | France       | 564 120,71           | 564 120,71           |
| BGF European Value I2 EUR               | Luxembourg   | 6 088 940,00         | 6 088 940,00         |
| C Worldwide Asia Class 1A USD           | Luxembourg   | 907 324,67           | 907 324,67           |
| DB X-Trackers DJS 600 ETF               | Germany      | 1 113 187,26         | 1 113 187,26         |
| EAI Residential asuntorahasto 2015      | Finland      | 1 270 753,35         | 1 270 753,35         |
| eQ CO2 1 K                              | Finland      | 1 040 694,00         | 1 040 694,00         |
| eQ Euro Investment Grade 1 T            | Finland      | 560 926,73           | 560 926,73           |
| EQ Eurooppa Indeks-1 K                  | Finland      | 817 617,11           | 817 617,11           |
| EQ Eurooppa Kiinteistö-1 K              | Finland      | 1 059 185,97         | 1 059 185,97         |
| EQ Eurooppa Osinko 1 K                  | Finland      | 1 050 229,38         | 1 050 229,38         |
| eQ High Yield Bond 1 T                  | Finland      | 607 867,30           | 607 867,30           |
| eQ High Yield Bond 1 K                  | Finland      | 697 567,62           | 697 567,62           |
| eQ Hoivakiinteistöt                     | Finland      | 20 258 498,72        | 20 258 498,72        |
| Eq Kasvava Aasia 1 K                    | Finland      | 1 197 742,66         | 1 197 742,66         |
| eQ Kehittyvät Markkinat Osinko 1 T      | Finland      | 707 155,90           | 707 155,90           |
| eQ Kehittyvät Markkinat Osinko 1K       | Finland      | 2 203 438,28         | 2 203 438,28         |
| eQ Kehittyvät Markkinat Pienyhtiö 1 K   | Finland      | 1 058 608,88         | 1 058 608,88         |
| eQ Kehittyvät Markkinat Yrityslaina 1 K | Finland      | 535 899,59           | 535 899,59           |
| eQ Liikekiinteistöt-1T                  | Finland      | 26 185 714,22        | 26 185 714,22        |
| eQ Mandaatti-2K                         | Finland      | 1 366 877,07         | 1 366 877,07         |
| eQ PE VIII North Ky                     | Finland      | 715 277,21           | 715 277,21           |
| EQ Pohjoismaat Pienyhtiö 2 K            | Finland      | 725 580,45           | 725 580,45           |
| eQ USA Indeks 1 K                       | Finland      | 2 126 544,96         | 2 126 544,96         |
| eQ Vaihtuva Korko 1 K                   | Finland      | 3 707 763,19         | 3 707 763,19         |
| Evli Emerging Frontier B                | Finland      | 5 806 189,47         | 5 806 189,47         |
| Evli Eurooppa B                         | Finland      | 19 484 086,37        | 19 484 086,37        |
| Evli GEM B                              | Finland      | 6 411 025,68         | 6 411 025,68         |
| Evli High Yield Yrityslaina B           | Finland      | 31 502 441,75        | 31 502 441,75        |

|  |            |                |                |
|--|------------|----------------|----------------|
| Evli Investment Grade Yrityslaina B              | Finland    | 2 040 572,51   | 2 040 572,51   |
| Evli Kehittyvät Markkinat Yrityslaina B          | Finland    | 17 337 173,90  | 17 337 173,90  |
| Evli Likvidi B                                   | Finland    | 10 980 099,10  | 10 980 099,10  |
| Evli Lyhyt Yrityslaina B                         | Finland    | 41 796 574,77  | 41 796 574,77  |
| Evli Maaailma B                                  | Finland    | 898 505,01     | 898 505,01     |
| Evli Osakefaktori Eurooppa B                     | Finland    | 14 661 702,04  | 14 661 702,04  |
| Evli Osakefaktori USA B                          | Finland    | 8 908 814,78   | 8 908 814,78   |
| Evli Pohjoismaat B                               | Finland    | 7 477 205,81   | 7 477 205,81   |
| Evli Pohjoismaat Yrityslaina B                   | Finland    | 12 535 435,17  | 12 535 435,17  |
| Evli Ruotsi Pienyhtiöt B                         | Finland    | 4 120 133,10   | 4 120 133,10   |
| Evli Suomi Pienyhtiöt B                          | Finland    | 9 761 934,43   | 9 761 934,43   |
| Evli Varainhoito 40 B                            | Finland    | 627 424,60     | 627 424,60     |
| Evli Varainhoito 75 B                            | Finland    | 2 072 937,44   | 2 072 937,44   |
| Evli Yrityslaina B                               | Finland    | 664 313,97     | 664 313,97     |
| Indeksivarainhoito 25                            | Finland    | 5 450 500,00   | 5 450 500,00   |
| Indeksivarainhoito 50                            | Finland    | 6 451 716,70   | 6 451 716,70   |
| iShares Core MSCI Emerging Markets IMI UCITS ETF | Germany    | 7 925 774,29   | 7 925 774,29   |
| iShares Core S&P 500 UCITS ETF                   | Germany    | 7 750 986,20   | 7 750 986,20   |
| iShares Emerg. Mark. Eq. Ind. A2 Acc USD         | Luxembourg | 555 112,80     | 555 112,80     |
| JPM China A Acc - USD                            | Luxembourg | 576 309,62     | 576 309,62     |
| Kiinteistö-sijoitussalkku                        | Finland    | 49 410 747,38  | 49 410 747,38  |
| Korkovarainhoitosalkku                           | Finland    | 4 071 015,65   | 4 071 015,65   |
| Lyxor ETF EURSTX600 Telecom                      | France     | 553 153,99     | 553 153,99     |
| Lyxor Stoxx Europe 600 Retail ETF                | France     | 555 489,84     | 555 489,84     |
| LähiTapiola 2020 A                               | Finland    | 87 022 992,18  | 87 022 992,18  |
| LähiTapiola 2025 A                               | Finland    | 160 475 308,60 | 160 475 308,60 |
| LähiTapiola 2035 A                               | Finland    | 72 171 116,68  | 72 171 116,68  |
| LähiTapiola 2045 A                               | Finland    | 17 790 234,81  | 17 790 234,81  |
| LähiTapiola Aasia-Tyynimeri A                    | Finland    | 12 450 081,40  | 12 450 081,40  |
| LähiTapiola Asuntosijoitus                       | Finland    | 14 247 873,66  | 14 247 873,66  |
| LähiTapiola Asuntosijoitus Prime                 | Finland    | 30 279 846,73  | 30 279 846,73  |
| LähiTapiola Asuntosijoitus Suomi                 | Finland    | 6 358 948,83   | 6 358 948,83   |
| LähiTapiola Asuntosijoitus Suomi I               | Finland    | 333 686,64     | 333 686,64     |
| LähiTapiola Eurooppa Keskisuuret A               | Finland    | 28 427 949,33  | 28 427 949,33  |
| LähiTapiola High Yield A                         | Finland    | 7 783 826,74   | 7 783 826,74   |
| LähiTapiola Hyvinvointi A                        | Finland    | 27 772 847,18  | 27 772 847,18  |
| LähiTapiola Infra A                              | Finland    | 5 435 111,23   | 5 435 111,23   |
| LähiTapiola Japani A                             | Finland    | 2 445 758,76   | 2 445 758,76   |
| LähiTapiola Kasvu A                              | Finland    | 12 696 555,31  | 12 696 555,31  |
| LähiTapiola Kehittyvät Korkomarkkinat A          | Finland    | 3 576 081,21   | 3 576 081,21   |
| LähiTapiola Kehittyvät Markkinat A               | Finland    | 37 134 971,80  | 37 134 971,80  |
| LähiTapiola Korko 100 A                          | Finland    | 684 760,40     | 684 760,40     |
| LähiTapiola Korkomaailma A                       | Finland    | 32 070 248,37  | 32 070 248,37  |
| LähiTapiola Kuluttaja A                          | Finland    | 24 583 104,63  | 24 583 104,63  |
| LähiTapiola Lyhytkorko A                         | Finland    | 9 283 580,20   | 9 283 580,20   |
| LähiTapiola Maaailma 20 A                        | Finland    | 24 167 709,26  | 24 167 709,26  |
| LähiTapiola Maaailma 50 A                        | Finland    | 65 775 112,35  | 65 775 112,35  |
| LähiTapiola Maaailma 80 A                        | Finland    | 74 576 799,67  | 74 576 799,67  |
| LähiTapiola Metsäsijoitus                        | Finland    | 3 438 298,07   | 3 438 298,07   |
| LähiTapiola Osake 100 A                          | Finland    | 527 961,30     | 527 961,30     |
| LähiTapiola Osinko A                             | Finland    | 967 996,62     | 967 996,62     |
| LähiTapiola Osinko Suomi A                       | Finland    | 15 101 022,21  | 15 101 022,21  |
| LähiTapiola Pitkäkorko A                         | Finland    | 8 015 919,23   | 8 015 919,23   |
| LähiTapiola Pohjoinen Yrityskorko A              | Finland    | 3 598 064,31   | 3 598 064,31   |
| LähiTapiola Skandinaavia A                       | Finland    | 1 452 100,71   | 1 452 100,71   |
| LähiTapiola Suoja A                              | Finland    | 1 366 828,87   | 1 366 828,87   |
| LähiTapiola Tapiolan Keskus                      | Finland    | 2 216 656,40   | 2 216 656,40   |
| LähiTapiola Toimitila                            | Finland    | 707 073,95     | 707 073,95     |

|   |         |                |                |
|---|---------|----------------|----------------|
| LähiTapiola USA Keskisuuret A               | Finland | 9 226 532,25   | 9 226 532,25   |
| LähiTapiola Viisas                          | Finland | 20 866 093,25  | 20 866 093,25  |
| LähiTapiola Yrityskorko A                   | Finland | 5 408 188,57   | 5 408 188,57   |
| Momentum-varainhoito                        | Finland | 67 727 110,76  | 67 727 110,76  |
| Osake-sijoitussalkku                        | Finland | 1 004 736,19   | 1 004 736,19   |
| Osakevarainhoitosalkku                      | Finland | 824 586,61     | 824 586,61     |
| Private Banking Korkostrategia              | Finland | 1 021 130,00   | 1 021 130,00   |
| Private Banking Strategia 10                | Finland | 4 054 616,94   | 4 054 616,94   |
| Private Banking Strategia 30                | Finland | 9 152 038,21   | 9 152 038,21   |
| Private Banking Strategia 50                | Finland | 4 075 985,53   | 4 075 985,53   |
| Private Banking Strategia 70                | Finland | 1 347 416,64   | 1 347 416,64   |
| PYN Elite A - EUR                           | Finland | 1 056 418,22   | 1 056 418,22   |
| PYN ELITE ERIK.SIJ.RAHASTO                  | Finland | 719 327,51     | 719 327,51     |
| Seligson Aasia A                            | Finland | 3 624 249,34   | 3 624 249,34   |
| Seligson Euro-obligaatio                    | Finland | 947 411,51     | 947 411,51     |
| Seligson Eurooppa -indeksirahasto A         | Finland | 7 041 452,10   | 7 041 452,10   |
| Seligson Glb Top 25 Brands -A               | Finland | 15 773 878,70  | 15 773 878,70  |
| Seligson Global Top 25 Pharmaceuticals A    | Finland | 12 141 606,49  | 12 141 606,49  |
| Seligson Phoebus - A                        | Finland | 2 016 480,47   | 2 016 480,47   |
| Seligson Phoenix A                          | Finland | 1 172 294,32   | 1 172 294,32   |
| Seligson Pohjois-Amerikka -indeksirahasto A | Finland | 1 995 603,71   | 1 995 603,71   |
| Seligson Rahamarkkina AAA                   | Finland | 1 993 350,14   | 1 993 350,14   |
| Seligson Russian Pros Euro A                | Finland | 8 776 934,41   | 8 776 934,41   |
| Seligson Suomi-indeksirahasto               | Finland | 10 712 154,40  | 10 712 154,40  |
| Slättö Bostäder Invest AB                   | Finland | 878 725,70     | 878 725,70     |
| Slättö IV AB                                | Finland | 3 352 363,92   | 3 352 363,92   |
| SPDR Gold Shares                            | USA     | 727 692,57     | 727 692,57     |
| SPDR S&P Bank ETF                           | USA     | 706 093,49     | 706 093,49     |
| S-Sijoituskori Kohtuullinen                 | Finland | 4 447 704,94   | 4 447 704,94   |
| S-Sijoituskori Varovainen                   | Finland | 6 482 667,97   | 6 482 667,97   |
| Suojavarainhoito 10                         | Finland | 8 345 882,36   | 8 345 882,36   |
| Suojavarainhoito 15                         | Finland | 3 122 359,36   | 3 122 359,36   |
| Suojavarainhoito 20                         | Finland | 1 115 669,25   | 1 115 669,25   |
| Suojavarainhoito 25                         | Finland | 1 202 156,64   | 1 202 156,64   |
| Suojavarainhoito 5                          | Finland | 1 542 480,98   | 1 542 480,98   |
| TOP-indeksivarainhoito 25                   | Finland | 2 460 982,09   | 2 460 982,09   |
| TOP-indeksivarainhoito 50                   | Finland | 1 301 784,00   | 1 301 784,00   |
| Varainhoito 100                             | Finland | 30 399 944,45  | 30 399 944,45  |
| Varainhoito 25                              | Finland | 2 825 788,53   | 2 825 788,53   |
| Varainhoito 50                              | Finland | 10 028 777,87  | 10 028 777,87  |
| Varainhoito 75                              | Finland | 6 125 260,41   | 6 125 260,41   |
| Varainhoito Maltillinen                     | Finland | 19 767 357,24  | 19 767 357,24  |
| Varainhoito Nordic Plus                     | Finland | 38 969 903,01  | 38 969 903,01  |
| Varainhoito Suomi Plus                      | Finland | 51 810 389,17  | 51 810 389,17  |
| Varainhoito Tasapainoinen                   | Finland | 15 865 987,69  | 15 865 987,69  |
| Varainhoito Tuottohakuinen                  | Finland | 7 669 172,91   | 7 669 172,91   |
| Varainhoito Varovainen                      | Finland | 16 532 364,16  | 16 532 364,16  |
| Varainhoitosalkku 10                        | Finland | 56 844 016,02  | 56 844 016,02  |
| Varainhoitosalkku 30                        | Finland | 159 801 509,29 | 159 801 509,29 |
| Varainhoitosalkku 50                        | Finland | 81 191 299,19  | 81 191 299,19  |
| Varainhoitosalkku 70                        | Finland | 19 443 143,50  | 19 443 143,50  |
| Varainhoitosalkku 90                        | Finland | 1 347 306,28   | 1 347 306,28   |
| Vauras 100                                  | Finland | 1 470 058,76   | 1 470 058,76   |
| Vauras 25                                   | Finland | 68 932 469,63  | 68 932 469,63  |
| Vauras 50                                   | Finland | 35 343 371,39  | 35 343 371,39  |
| Vauras 75                                   | Finland | 5 608 258,44   | 5 608 258,44   |
| Yksilöllinen varainhoito 30                 | Finland | 43 251 987,51  | 43 251 987,51  |
| Yksilöllinen varainhoito 50                 | Finland | 2 148 440,00   | 2 148 440,00   |



|                              |         |                         |                         |
|------------------------------|---------|-------------------------|-------------------------|
| Ålandsbanken Asuntorahasto C | Finland | 3 360 677,33            | 3 360 677,33            |
| Ålandsbanken Cash Manager B  | Finland | 833 577,93              | 833 577,93              |
| ÅLANDSBANKEN EURO BOND-B     | Finland | 1 803 992,87            | 1 803 992,87            |
| Ålandsbanken Europe Value B  | Finland | 544 113,65              | 544 113,65              |
| Other                        |         | 16 535 094,94           | 16 535 094,94           |
| <b>Total</b>                 |         | <b>2 078 711 740,95</b> | <b>2 078 711 740,95</b> |

#### Debt securities

|                                      |         |                      |                      |
|--------------------------------------|---------|----------------------|----------------------|
| Eurooppa Pankit Autocall 1/2017      | Finland | 524 000,00           | 524 000,00           |
| Evli Eurooppa Bonus IV Sertifikaatti | Finland | 580 300,00           | 580 300,00           |
| Other                                |         | 11 960 515,79        | 11 960 515,79        |
| <b>Total</b>                         |         | <b>13 064 815,79</b> | <b>13 064 815,79</b> |

|              |  |                         |                         |
|--------------|--|-------------------------|-------------------------|
| <b>Total</b> |  | <b>2 131 342 678,51</b> | <b>2 131 342 678,51</b> |
|--------------|--|-------------------------|-------------------------|

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

|   | 2017                  | 2016                  |
|---|-----------------------|-----------------------|
| Insurance policy                            | 287 534,04            | 353 149,72            |
| Other security                              | 59 016 576,64         | 89 324 729,37         |
| Remaining acquisition cost                  | 59 304 110,68         | 89 677 879,09         |
| Unsecured, total remaining acquisition cost | 47 959 336,26         | 52 432 110,62         |
|   | <u>107 263 446,94</u> | <u>142 109 989,71</u> |

### 9. Changes in tangible and intangible assets

|  | Intangible rights and other expenses<br>with long-term effects | Provisional premiums | 2017<br>Machinery and<br>equipment |
|--|--|----------------------|------------------------------------|
| Acquisition cost on 1 Jan.                                   | 34 230 331,62  | 834 217,57           | 3 266 951,24                       |
| Items written off the previous year                          | 0,00   | 0,00                 | 0,00                               |
| Increase   | 987 764,11   | 4 171 372,34         | 111 296,48                         |
| Decrease   | 0,00   | 0,00                 | -29 500,00                         |
| Transfers between items                                      | 3 334 704,28   | -3 334 704,28        | 0,00                               |
| Acquisition cost on 31 Dec.                                  | <u>38 552 800,01</u>   | <u>1 670 885,63</u>  | <u>3 348 747,72</u>                |
| Accumulated depreciation on 1 Jan.                           | -19 956 092,05   | 0,00                 | -2 905 764,30                      |
| Items written off the previous year                          | 0,00   | 0,00                 | 0,00                               |
| Accumulated depreciation related to deductions and transfers | 0,00   | 0,00                 | 0,00                               |
| Depreciation for the financial year                          | -4 199 990,90  | 0,00                 | -110 745,85                        |
| Accumulated depreciation on 31 Dec.                          | <u>-24 156 082,95</u>  | <u>0,00</u>          | <u>-3 016 510,15</u>               |
| Book value on 31 Dec.  | <u>14 396 717,06</u>   | <u>1 670 885,63</u>  | <u>332 237,57</u>                  |

## 10. Assets held to cover unit-linked insurance policies

|  | 2017                         |                                | 2016                         |                                |
|--|------------------------------|--------------------------------|------------------------------|--------------------------------|
|  | Original<br>acquisition cost | Current value<br>(=book value) | Original<br>acquisition cost | Current value<br>(=book value) |
| <i>Assets covering unit-linked policies</i>  |                              |                                |                              |                                |
| 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                     |
| <i>Total</i>   | 1 625 759 129,96             | 2 135 773 963,88               | 1 400 430 231,15             | 1 821 742 996,28               |
| <i>Investments acquired in advance</i>   | 20 205 779,80                | 17 423 561,95                  | 22 429 738,17                | 21 371 671,56                  |
| <b>Investments corresponding to the technical provisions for unit-linked insurance</b> | 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

## 11. Changes in capital and reserves

### 11.1 Changes in capital and reserves

|                                       | 1.1.2017       | Increase       | Decrease       | 31.12.2017     |
|---------------------------------------|----------------|----------------|----------------|----------------|
| Initial reserve                       | 4 482 208,24   | 0,00           | 0,00           | 4 482 208,24   |
| Guarantee capital                     | 37 585 505,12  | 0,00           | 0,00           | 37 585 505,12  |
| Security reserve                      | 259 660 731,89 | 57 274 000,00  | 0,00           | 316 934 731,89 |
| Contingency reserve                   | 1 092 446,83   | 500 691,40     | -115 000,00    | 1 478 138,23   |
| Profit for the financial year *)      | 59 954 650,40  | 51 724 640,66  | -59 954 650,40 | 51 724 640,66  |
| Total changes in capital and reserves | 362 775 542,48 | 109 499 332,06 | -60 069 650,40 | 412 205 224,14 |

\*) Includes the paid guarantee capital interest EUR 2.179.959,00.

### 11.2 Account of distributable profits

|   | 31.12.2017     |
|---|----------------|
| Profit for financial year                 | 51 724 640,66  |
| + Other unrestricted capital and reserves |                |
| Security reserve                          | 316 934 731,89 |
| Contingency reserve                       | 1 478 138,23   |
| Total distributable profits               | 370 137 510,78 |

## 12. Accumulated appropriations

|                                    | 2017        | 2016         |
|------------------------------------|-------------|--------------|
| <b>Depreciation difference</b>     |             |              |
| Depreciation difference on 1 Jan.  | 941 270,12  | 1 068 259,58 |
| Increase                           | -162 425,70 | 0,00         |
| Decrease                           | 31 119,63   | -126 989,46  |
| Depreciation difference on 31 Dec. | 809 964,05  | 941 270,12   |

### 13. Other obligatory provisions

|  | 2017             | 2016              |
|--|------------------|-------------------|
| Provision for unemployment security deductible | 88 676,16        | 184 252,33        |
|  | <u>88 676,16</u> | <u>184 252,33</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 | 942 394,36          | 983 161,87           |
| Tax debt calculated based on valuation gains/losses that is deemed likely to become payable during the next year.                        | 7 600 000,00        | 10 000 000,00        |
|  | <u>8 542 394,36</u> | <u>10 983 161,87</u> |

### 15. Receivables and liabilities

#### 15.1 Itemisation of receivables

|   | 2017              | 2016        |
|---|-------------------|-------------|
| <b>Receivables from group companies</b> |                   |             |
| Other receivables                       | 490 947,92        | 0,00        |
|   | <u>490 947,92</u> | <u>0,00</u> |

#### 15.2 Itemisation of liabilities

|   | 2017                | 2016                |
|---|---------------------|---------------------|
| <b>Liabilities to group companies</b>         |                     |                     |
| Accounts payable                              | 2 119 550,21        | 232 361,26          |
| Other liabilities                             | 51 144,68           | 1 024 348,19        |
|   | <u>2 170 694,89</u> | <u>1 256 709,45</u> |
| <b>Liabilities to participating interests</b> |                     |                     |
| Other liabilities                             | 0,00                | 42 844,50           |
|   | <u>0,00</u>         | <u>42 844,50</u>    |

## 16. Notes concerning guarantees and contingent liabilities

### 16.1 Security

|                                  | 2017   | 2017                | 2016   | 2016                |
|----------------------------------|--|---------------------|--|---------------------|
|                                  | Security/pledges/<br>guarantees and<br>other commitments | Amount of liability | Security/pledges/<br>guarantees and<br>other commitments | Amount of liability |
| <b>As security for own debts</b> |  |                     |  |                     |
| Real estate mortgages            | 23 396 480,00  | 14 255 888,00       | 71 476 224,00  | 8 299 715,73        |
|                                  | 23 396 480,00  | 14 255 888,00       | 71 476 224,00  | 8 299 715,73        |

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

|  | 2017           | 2016           |
|--|----------------|----------------|
| <b>Derivative contracts</b>  |                |                |
| <b>Currency derivatives</b>  |                |                |
| <i>Forward and futures contracts, open</i>   |                |                |
| Underlying instrument  | -61 089 377,22 | -80 142 044,35 |
| Current value  | -325 033,17    | -428 138,99    |
| <b>Rent liabilities</b>  |                |                |
| Amount to be paid in the current financial year  | 1 548 895,35   | 3 680 539,92   |
| Amount to be paid in the coming years  | 3 369 714,24   | 4 446 484,23   |
|  | 4 918 609,59   | 8 127 024,15   |
| <b>Value-added tax liabilities</b>   |                |                |
| <i>Joint liability relating to collective value-added tax registration</i>                           |                |                |
| Group companies  | -244 324,56    | 441 049,72     |
| Participating interests  | 2 369 617,10   | 0,00           |
| Partner companies  | 0,00           | 3 767 866,44   |
|  | 2 125 292,54   | 4 208 916,16   |
| <i>Obligation to return value-added tax deductions pursuant to section 33 of Value-Added Tax Act</i> |                |                |
| Company  | 1 474 849,86   | 1 031 066,53   |
| Other companies of the group   | 44 718 475,09  | 55 897 024,33  |
|  | 46 193 324,95  | 56 928 090,86  |
| <b>Other commitments</b>   |                |                |
| Investment commitments   | 1 756 638,60   | 500 000,00     |
| Subscription commitments   | 515 891 191,96 | 308 244 150,25 |
| Granted limit  | 42 306 881,86  | 41 650 636,36  |
|  | 558 198 073,82 | 349 894 786,61 |

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

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

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

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

|  |                |
|--|----------------|
| Subsidiaries   | 149 306 109,71 |
| Associated undertakings and joint ventures                                       | 341 189,35     |
| 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/>          |
|  | 149 647 299,06 |

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

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

The guarantees and contingent liabilities of LocalTapiola Mutual Life Insurance Company in favour of LocalTapiola Group companies are presented in Appendix 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.

## 17.2 Subordinated loans

|                             |  |
|-----------------------------|--|
| <b>Creditor</b>             | Multiple   |
| <b>Loan capital</b>         | EUR 100.000.000  |
| <b>Principal loan terms</b> | <p>The loan contract is valid until Nov 26, 2024. The loan can be repaid at the earliest on Nov 26, 2019 after which it is possible to repay the loan on any interest payment date (Nov 26) if the debtor fulfils the solvency requirements set in legislation.</p> <p>Until the date preceding the first repayment date, the annual interest rate of the loan is 3,625 %. If the debtor does not repay the loan on the first repayment date, the interest rate is revised. After the first repayment date, the interest rate is determined on the basis of the interest rate for Euro 5-y Mid-Swap Rate plus a margin of 3,25 %.</p> <p>The capital can be returned and interest can be paid only to the extent that, at the time of payment, the sum of the company's distributable capital and reserves and all of the subordinated loans exceeds the amount of losses reported on the balance sheet of the financial statements for the last complete financial year, or newer.</p> <p>If no interest can be paid, it will be postponed to be repaid at the earliest after the first such financial statements on the basis of which interest payment can be made. In addition, the company may not end up in a situation after the return of the capital where the company's eligible own funds are below the capital requirement set by the authorities.</p> <p>The terms of the subordinated loan agreement can only be changed with the approval of the Financial Supervisory Authority.</p> <p>The loan is unsecured.</p> <p>The subordinated loan is administered by Euroclear Finland Oy.</p> |

## Other notes

### Performance analysis

|   | Realization<br>1-12/2017 | Realization<br>1-12/2016 | Change         | EUR 1 000<br>Change % |
|---|--------------------------|--------------------------|----------------|-----------------------|
| Premiums earned   | 513 180                  | 419 620                  | 93 560         | 22,3                  |
| Investment income and expenses as well as revaluations<br>and adjustments thereof                     | 258 661                  | 233 599                  | 25 061         | 10,7                  |
| Claims paid   | -325 728                 | -333 078                 | 7 350          | -2,2                  |
| Change in technical provisions before change<br>in customer benefits and equalization provision       | -340 066                 | -207 257                 | -132 809       | 64,1                  |
| Operating expenses  | -55 355                  | -47 832                  | -7 523         | 15,7                  |
| <b>Balance on technical account before change in customer<br/>benefits and equalization provision</b> | <b>50 692</b>            | <b>65 052</b>            | <b>-14 360</b> | <b>-22,1</b>          |
| Other income and expenses   | -2 340                   | -1 635                   | -705           | 43,2                  |
| <b>Operating profit</b>   | <b>48 352</b>            | <b>63 418</b>            | <b>-15 066</b> | <b>-23,8</b>          |
| Change in equalization provision  | 10 274                   | 10 274                   | 0              | 0,0                   |
| Additional benefits (customer benefits)   | 2 265                    | -429                     | 2 693          | -628,5                |
| <b>Profit before appropriations and taxes</b>   | <b>60 891</b>            | <b>73 263</b>            | <b>-12 373</b> | <b>-16,9</b>          |
| Appropriations  | 131                      | 127                      | 4              | 3,4                   |
| Income taxes and other direct taxes   | -9 297                   | -13 436                  | 4 138          | -30,8                 |
| <b>Total result</b>   | <b>51 725</b>            | <b>59 955</b>            | <b>-8 230</b>  | <b>-13,7</b>          |
| Operating profit  | 48 352                   | 63 418                   | -15 066        | -23,8                 |
| Change in the difference between current and book values  | 15 610                   | 9 329                    | 6 281          | 67,3                  |
| <b>Total result</b>   | <b>63 962</b>            | <b>72 747</b>            | <b>-8 785</b>  | <b>-12,1</b>          |

## Investment allocation at current value 1.1. – 31.12.2017

|  | Basic breakdown |              |                |              | Risk breakdown |              |              |
|--|-----------------|--------------|----------------|--------------|----------------|--------------|--------------|
|  | 31.12.2017      |              | 31.12.2016     |              | 31.12.2017     |              | 31.12.2016   |
|  | EUR million     | %            | EUR million    | %            | EUR million    | %            | %            |
| <b>Fixed-income investments</b>                              | <b>1 595,8</b>  | <b>53,1</b>  | <b>1 709,3</b> | <b>58,1</b>  | <b>1 595,8</b> | <b>53,1</b>  | <b>58,1</b>  |
| Loan receivables <sup>1)</sup>                               | 406,8           | 13,5         | 391,1          | 13,3         | 406,8          | 13,5         | 13,3         |
| Bonds  | 1 121,6         | 37,3         | 1 235,2        | 42,0         | 1 121,6        | 37,3         | 42,0         |
| Other money market instruments and deposits <sup>1) 2)</sup> | 67,5            | 2,2          | 83,1           | 2,8          | 67,5           | 2,2          | 2,8          |
| <b>Equities and shares</b>                                   | <b>800,8</b>    | <b>26,6</b>  | <b>686,2</b>   | <b>23,3</b>  | <b>800,8</b>   | <b>26,6</b>  | <b>23,3</b>  |
| Listed equities and shares <sup>3)</sup>                     | 444,0           | 14,8         | 409,7          | 13,9         | 444,0          | 14,8         | 13,9         |
| Private equity investments <sup>4)</sup>                     | 287,3           | 9,6          | 249,5          | 8,5          | 287,3          | 9,6          | 8,5          |
| Unlisted equities and shares <sup>5)</sup>                   | 69,5            | 2,3          | 27,0           | 0,9          | 69,5           | 2,3          | 0,9          |
| <b>Real estate investments</b>                               | <b>586,1</b>    | <b>19,5</b>  | <b>523,8</b>   | <b>17,8</b>  | <b>586,1</b>   | <b>19,5</b>  | <b>17,8</b>  |
| Direct real estate investments                               | 434,7           | 14,5         | 357,0          | 12,1         | 434,7          | 14,5         | 12,1         |
| Real estate funds and joint investments                      | 151,3           | 5,0          | 166,8          | 5,7          | 151,3          | 5,0          | 5,7          |
| <b>Other investments</b>                                     | <b>22,9</b>     | <b>0,8</b>   | <b>20,1</b>    | <b>0,7</b>   | <b>22,9</b>    | <b>0,8</b>   | <b>0,7</b>   |
| Hedge fund investments <sup>6)</sup>                         | 5,2             | 0,2          | 0,0            | 0,7          | 5,2            | 0,0          | 0,7          |
| Commodity investments  | 0,0             | 0,0          | 0,0            | 0,0          | 0,0            | 0,0          | 0,0          |
| Other investments <sup>7)</sup>                              | 17,8            | 0,6          | 20,1           | 0,0          | 17,8           | 0,8          | 0,0          |
| <b>Investments total</b>                                     | <b>3 005,7</b>  | <b>100,0</b> | <b>2 939,5</b> | <b>100,0</b> | <b>3 005,7</b> | <b>100,0</b> | <b>100,0</b> |
| Effect of derivatives <sup>9)</sup>                          |                 |              |                |              | 0,0            | 0,0          |              |
| <b>Investments total</b>                                     | <b>3 005,7</b>  | <b>100,0</b> | <b>2 939,5</b> | <b>100,0</b> | <b>3 005,7</b> | <b>100,0</b> | <b>100,0</b> |

### The modified duration of bond investments

3,8

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.



## Net investment income at current value 1.1. – 31.12.2017

|  | investment<br>income at<br>current<br>value <sup>8)</sup> | Capital<br>employed | Return-% on capital employed |            |             |             |             |
|--|---|---------------------|------------------------------|------------|-------------|-------------|-------------|
|  |   |                     | 2017                         | 2016       | 2015        | 2014        | 2013        |
|  | EUR million   | EUR million         | %                            | %          | %           | %           | %           |
| <b>Fixed-income investments</b>                              | <b>37,1</b>   | <b>1 636,0</b>      | <b>2,3</b>                   | <b>4,1</b> | <b>0,9</b>  | <b>4,1</b>  | <b>1,4</b>  |
| Loan receivables <sup>1)</sup>                               | 10,3  | 399,9               | 2,6                          | 3,1        | 4,2         | 4,4         | 3,9         |
| Bonds  | 27,9  | 1 162,4             | 2,4                          | 4,6        | 0,6         | 4,3         | 1,3         |
| Other money market instruments and deposits <sup>1) 2)</sup> | -1,1  | 73,8                | -1,5                         | -0,6       | -0,4        | 1,0         | -0,1        |
| <b>Equities and shares</b>                                   | <b>76,1</b>   | <b>713,7</b>        | <b>10,7</b>                  | <b>6,5</b> | <b>18,4</b> | <b>12,1</b> | <b>16,5</b> |
| Listed equities and shares <sup>3)</sup>                     | 36,8  | 415,1               | 8,9                          | 5,2        | 18,7        | 8,3         | 22,0        |
| Private equity investments <sup>4)</sup>                     | 27,3  | 256,2               | 10,7                         | 7,9        | 19,0        | 18,0        | 8,3         |
| Unlisted equities and shares <sup>5)</sup>                   | 12,0  | 42,5                | 28,2                         | 11,5       | 13,6        | 21,6        | -2,7        |
| <b>Real estate investments</b>                               | <b>50,5</b>   | <b>518,6</b>        | <b>9,7</b>                   | <b>7,6</b> | <b>5,6</b>  | <b>3,1</b>  | <b>2,4</b>  |
| Direct real estate investments                               | 36,4  | 375,6               | 9,7                          | 9,6        | 6,4         | 4,3         | 3,1         |
| Real estate funds and joint investments                      | 14,1  | 143,0               | 9,8                          | 3,6        | 3,9         | -0,4        | 0,1         |
| <b>Other investments</b>                                     | <b>-1,2</b>   | <b>21,8</b>         | <b>-5,4</b>                  | <b>4,0</b> | <b>0,0</b>  | <b>0,0</b>  | <b>-2,3</b> |
| Hedge fund investments <sup>6)</sup>                         | 0,1   | 0,3                 | 23,5                         | 0,0        | 0,0         | 0,0         | -2,3        |
| Commodity investments  | 0,0   | 0,0                 | 0,0                          | 0,0        | 0,0         | 0,0         | 0,0         |
| Other investments <sup>7)</sup>                              | -1,2  | 21,6                | -5,7                         | 4,0        | 0,0         | 0,0         | 0,0         |
| <b>Investments total</b>                                     | <b>162,5</b>  | <b>2 890,2</b>      | <b>5,6</b>                   | <b>5,3</b> | <b>5,1</b>  | <b>5,6</b>  | <b>4,9</b>  |
| Unallocated return, costs and operating expenses             | -9,4  |                     |                              |            |             |             |             |
| <b>Net investment income at current value</b>                | <b>153,1</b>  | <b>2 890,2</b>      | <b>5,3</b>                   | <b>5,0</b> | <b>4,8</b>  | <b>5,3</b>  | <b>4,6</b>  |

1) Accrued interest included

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

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

4) Includes fixed assets and mezzanine funds 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 Mutual Life Insurance Company (LocalTapiola Life) have been prepared in accordance with the Accountancy Act, the Companies Act, and the Insurance Companies Act. In addition, the Decree of the Ministry of Social Affairs and Health on financial statements and consolidated financial statements of insurance companies and the provisions of the Accounting Decree, as prescribed in the above Decree, are complied with. Finally, the decisions, regulations and instructions issued by the authorities regulating insurance companies – the Ministry of Social Affairs and Health and the Financial Supervisory Authority – are adhered to. LocalTapiola Mutual Life Insurance Company is included in LocalTapiola Group's consolidated financial statements.

## General information

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

## Valuation and allocation of intangible assets

### Other long-term expenditure

Other long-term expenditure includes capitalised costs of renovations in apartments and design costs of IT systems. These are stated in the balance sheet at 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 entered in the profit and loss account for the hedged balance sheet item, no valuation income or expense arising from the hedging derivative is recognised.

## Definition of current value of investments

### Real estate investments

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

Residential buildings are primarily valued using a sales value method based on reference sales. The primary valuation method for commercial premises is the cash flow method based on the income approach. Values of special items are defined using a market-based evaluation method deemed best suited for the item. The 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.

## 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% |
|--|-----|

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, 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.

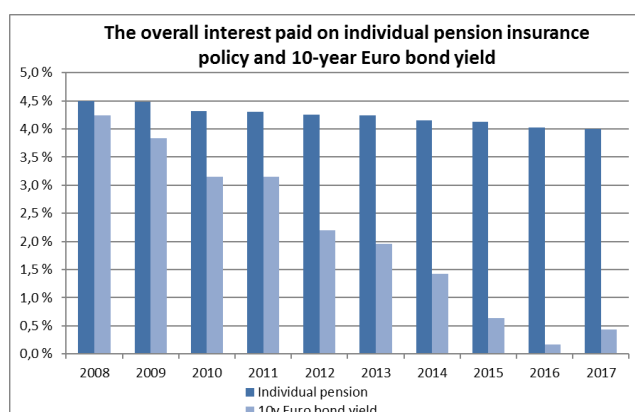
The following is a list of the overall interest rate levels for each line of insurance and contract group for 2017 and 2008–2017. It should be noted that, due to the large number of different contract types, this is not a fully comprehensive account of overall interest rates from the perspective of each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

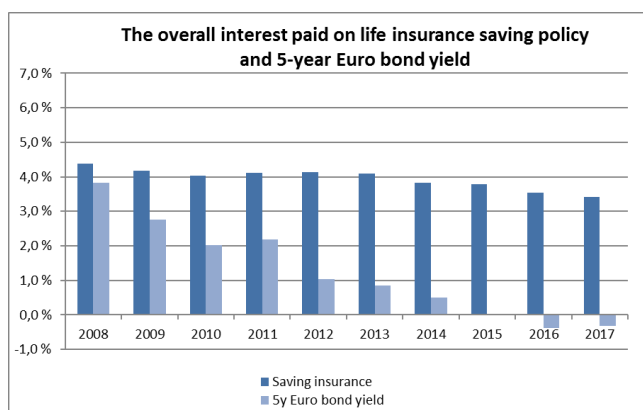
In 2017, the overall interest paid on insurance savings under savings life insurance policies averaged 3.4% and ranged from 2.0% to 4.5% depending on the product and technical rate of interest. The overall interest paid on all products exceeded the target 5-year interest rate, which averaged -0.3% in 2017.

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 portfo-



| 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%         |

liors can be attached, have been issued since 27 March 2017.

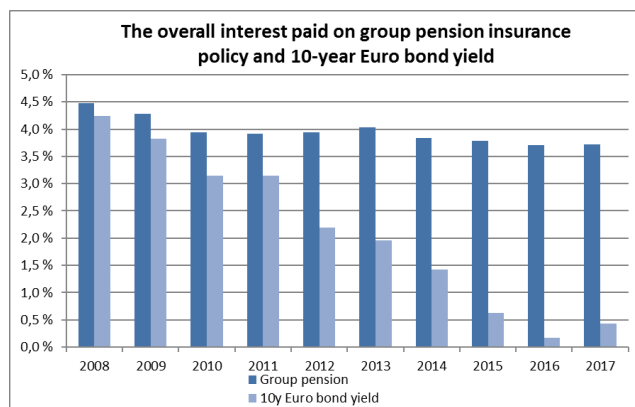


The following image shows the overall interest rate of savings life insurance policies in relation to the target rate between 2008 and 2017. On average, the overall interest rate exceeded the target 5-year interest rate in the period in question. However, in 2008, the interest rate remained slightly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

These policies do not have any provision for future additional benefits after the changes.

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 or 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.

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

### Consolidated financial statements

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

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

Group, and the Group structure, are described in the Report of the Board of Directors.

The consolidated financial statements are a combination of the profit and loss accounts, balance sheets and notes to the statements of the parent company and its subsidiaries. The following are eliminated in these consolidated statements: intra-group receivables and liabilities, income and expenses, profit distribution, internal gains and losses, and mutual share ownership. Share ownership within the Group has been eliminated using the acquisition cost method. Minority interest in capital and reserves and profit is shown as a separate item in the profit and loss account and balance sheet. Subsidiaries acquired during the financial year are included in the consolidated statements as of the acquisition date, and subsidiaries sold during the period up to the moment of sale.

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

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

The revaluations of the housing and real estate subsidiaries' shares have been entered as revaluations of the subsidiaries' real estate.

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



# Notes on risk management

## General risk management principles

### Basis for risk management

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

Key areas of risk management and risk categories:

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

### Organisation of risk management

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

ber of LocalTapiola Life's Board of Directors participates in the work of the Audit and Risk Management Committee, established by LocalTapiola General's Board of Directors 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. Supervisors are responsible for ensuring that business processes are monitored sufficiently and that reliable and up-to-date information on supervision results is always available. All employees have the obligation to report on any risks observed or areas for improvement identified in risk management.

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

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

### Reporting

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

## Risk management in life insurance

### Risks associated with life insurance

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

*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. The supervision measures (control measures) included in processes help to ensure the correctness and quality of operations. As part of operational risk management, all realised risks and close calls are logged in the risk event register, along with any further measures required. Any losses caused by disruptions and errors in operations and by operational risks are reported to the authorities in accordance with set requirements. Operational continuity management is verified by regularly assessing, testing and updating the continuity and preparedness plans. In addition, risk assessment is carried out separately for each initiative, project, and significant change in business operations. The Group's companies are responsible for organising their operations appropriately, discharging the corresponding obligations and managing operational continuity. This also applies to all of the operations they outsource.

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

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

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

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

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

# Calculation of key figures

## General key figures describing financial development

### Life insurance turnover

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

### 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  

---

*Balance on technical account before (additional benefits) and change in equalisation provision*  
Other income and expenses  
Share in profit/loss of associated undertakings <sup>1</sup>

### Operating profit or loss

Change in equalisation provision

Additional benefits (customer bonuses) <sup>2</sup>

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*Profit or loss before appropriations and taxes*

Appropriations

Income taxes and other direct taxes

Minority interests <sup>1</sup>

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**Profit or loss for the financial year**

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

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

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

### Total result

= Operating profit or loss

+ Change in off-balance-sheet valuation differences, fair value reserve and revaluation reserve

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

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

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

### Itemisation of net investment income

= Direct net investment income in accounting

+ Changes in book values

+ Change in the difference between current and book values

### Investment allocation at current value

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

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

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

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

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

Operating profit or loss

+ Interest paid and other financial expenses

+ Unwinding of discount expense

+ Revaluation/reversal entered in revaluation reserve/fair value reserve

=  $\frac{+ \text{Change in unrealised gains/losses from investments}}{\text{Balance sheet total} - \text{Technical provisions for unit-linked insurance} + \text{Unrealized gains/losses from investments}} \times 100$

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

In 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 the financial performance of life insurance

### Premium income

= Premium income before reinsurers' share

### Expense ratio (%)

Operating expenses before change in deferred acquisition costs

+ Claims settlement expenses

=  $\frac{\text{Total expense loadings (and balance sheet total)}}{\text{Total expense loadings (and balance sheet total)}} \times 100$

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 in-

tended 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.

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

In Espoo, 27 March 2018.

Erkki Moisander  
Chairman of the Board

Jari Eklund

Janne Kaippio

Timo Laakso

Olli Latola

Lauri Riekkola

Kati Sulin

Minna Kohmo  
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 Mutual Life Insurance Company

## ***Auditing of financial statement***

### **Opinion**

We have audited the financial statements of LocalTapiola Mutual Life Insurance Company (business ID: 0201319-8) 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.





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**MOST SUBSTANTIAL RISKS OF MATERIAL  
MISSTATEMENT**

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

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**1 Technical provisions (accounting principles pp. 83-86)**

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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, for example, for pension-type insurance lines are related to the life expectancy of the insured and to the discount interest rate used.

The 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.

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.

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**MOST SUBSTANTIAL RISKS OF MATERIAL MISSTATEMENT**

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

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**2 Valuation of investments (accounting principles pp. 81-82)**

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The investment assets, including assets held to cover unit-linked insurance policies, form the most significant item 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 since 2013 been the auditor of LocalTapiola Mutual Life Insurance Company appointed by the annual general meeting 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*