

LocalTapiola General Mutual Insurance Company

Report of the Board of Directors and financial statements for 2019

Business ID: 0211034-2



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Report of the Board of Directors 2019

LocalTapiola General Mutual Insurance Company's (LocalTapiola General) domicile is Espoo, and its business ID is 0211034-2. LocalTapiola General's line of business covers all types of voluntary and statutory non-life insurance.

LocalTapiola General prepares consolidated financial statements (LocalTapiola Group) to the extent intended by the Insurance Companies Act for groups of insurance companies. LocalTapiola Group includes the Group's leading parent company LocalTapiola General, 20 regional non-life insurance companies and LocalTapiola Mutual Life Insurance Company (LocalTapiola Life), as well as the other companies consolidated into the Group by virtue of being owned by these LocalTapiola companies. The financial statements are available on the company's website at [www.lahitapiola.fi / en / Information on Local-Tapiola / Financial Data](http://www.lahitapiola.fi/en/Information-on-Local-Tapiola/Financial-Data).

LocalTapiola Group in 2019

LocalTapiola Group's business revolves around lifelong security, which means that our customers are provided with comprehensive, proactive service in the areas of security, finance and health.

Security – We indemnify and prevent loss and damage

- LocalTapiola Group is the market leader in car insurance.
- LocalTapiola Group is the market leader in farm insurance.
- In occupational accident insurance, LocalTapiola Group has made progress towards market leadership in the last two years with determined customer work.
- LocalTapiola Finance significantly increased its market share in the sale of new car financing.
- We invest in providing an outstanding claim and management process in the event of loss or damage and preventive work in collaboration with our partners.

Finances – We help customers to achieve financial self-sufficiency

- Good investment returns in 2019 increased the Group's earnings and our customers' savings.
- We are developing savings and investment services for our customers. The services enable our customers to enjoy the benefits of a major insurance company's investment activities.

Health – More years of healthy life

- LocalTapiola Group is the market leader in working capacity and medical expenses insurance.
- LocalTapiola Life is Finland's largest term life insurer.
- We streamlined the customers' claims handling process. When our customers need help to efficiently deal with illness, they have access to the remote care services TerveysHelppi (for people) and LemmikkiHelppi (for pets) implemented in collaboration with our partners.

LocalTapiola Group

Summary of results	2019	2019 comparable	2018
Non-life insurance *)			
premiums written, EUR m	1,155.5	1,185.5	1,132.3
Life insurance *)			
premiums written, EUR m	616.3		449.8
Operating profit, EUR m	235.5	274.0	259.1
Result for the financial year, EUR m	194.9	208.0	189.0
Total result, EUR m	560.1	598.5	112.0

*) direct insurance

LocalTapiola Group

Key figures	2019	2019 comparable	2018
Risk ratio, %*)	66.7	63.7	64.0
Cost ratio, %*)	30.2	30.0	29.9
Combined ratio, %*)	96.9	93.7	93.9
Balance sheet total, EUR m	11,405.2		10,557.5
Solvency ratio, %	176.3		187.7

*) excluding unwinding of discount expense

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

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

Significant events in each business sector during the financial period

2019 was a good year for our business and investments. Our customers' satisfaction with our products and services remained good.

In line with our strategy, we have made significant progress towards our goal of transforming into a lifelong security company. Our revamped lifelong security strategy contains our commitment to being our customers' most valued daily partner in lifelong security. We are increasingly offering different kinds of forecasting, security and well-being solutions and services that make Finns' everyday lives safer, more economically successful and healthier. We serve our customers locally, utilising digitalisation and customer understanding. Our competent staff will continue to provide good and caring service to our customers in the future.

With the overall reform of LocalTapiola's insurance systems, we aim at clearer and more user-friendly insurance packages and services. The work has progressed on schedule. Our customers will gradually begin enjoying the benefits of the reform in the coming years.

The comparative figures for profit and loss account items and periodic key figures are those reported for the previous year's corresponding period. The comparative figures for balance sheet and other cross-sectional key figures are those representing the situation one year earlier, at the end of 2018. The figures for the comparative period or point in time are presented in brackets.

Non-life insurance

The non-life insurance operations comprise the combined result of LocalTapiola General and the 20 regional non-life insurance companies.

Changes in the accounting policies hindered the comparability of financial periods. Comparable figures have also been presented where figures have materially changed in 2019.

The calculation of LocalTapiola General's provision for unearned premiums was adjusted to account for the impact of insurance contracts with

terms of less than one year on the amount of the provision for unearned premiums. The change had the effect of generating a non-recurring increase of EUR 20.5 million in gross premiums written for non-life insurance in LocalTapiola Group and the impact on LocalTapiola General was not material.

The technical rate of interest was adjusted from 1.4 per cent to 1.2 per cent. The change affected the financial statements for 2019 by generating a non-recurring increase of EUR 56.1 million in provisions for outstanding claims in LocalTapiola Group and, in LocalTapiola General, EUR 21.4 million.

LocalTapiola General's liabilities for patient insurance decreased by EUR 29.9 million, which reduced the claim expenditure and direct insurance premiums written. The change was due to the elimination of the right for municipalities to recover the expenses they incur in relation to providing serviced living for severely disabled patients by charging the patient insurance system under the Act on Services for Disabled People, a change introduced by the new Patient Insurance Act.

LocalTapiola Group's premiums written in **direct non-life insurance** increased by 2.1 per cent, or a comparable figure of 4.7 per cent. Our market share in non-life insurance increased. Our market share in motor liability insurance increased by 0.45 percentage points in terms of the number of insurance contracts, reinforcing our market-leading position. Premiums written in occupational accident insurance increased by 5.9 per cent. A growth in payroll totals and a larger customer base contributed to this rise, as well as a good net customer transfer rate. We are also the market leader in farm insurance, with a market share of 67 per cent (65%).

LocalTapiola General and the regional non-life insurance companies paid out EUR 766 million (EUR 724.3 million) in claims to their customers. In 2019, there were 71 (72) claims in excess of EUR 300,000 for loss or damage to property and operations. The gross compensation expense for these claims was EUR 39.8 million (EUR 50.0 million). The efficiency of our claims operations continued to rise, thanks to developments in automation and software robotics.

The risk ratio of LocalTapiola Group's premiums written in non-life insurance, excluding the unwinding of discount expenses, was 66.7 per cent, and the comparable risk ratio for 2019 was 63.7 per cent (2018: 64.0%). The combined ratio

excluding the unwinding of discount expenses was 96.9 per cent (93.9%). Without the afore-mentioned non-recurring items, it would have been 93.7 per cent.

LocalTapiola General

Summary of results	2019	2019 comparable	2018
Non-life insurance *)			
Premiums written, EUR m	198.2	228.2	218.1
Operating profit, EUR m	135.5	159.7	66.9
Result for the financial year, EUR m	107.0	115.7	45.2
Total result, EUR m	191.0	215.2	76.6

*) direct insurance

LocalTapiola General's profit was very good. The comparable growth in premiums written was 4.3 per cent. Premiums written in occupational accident insurance and accident and health insurance showed strong growth. The comparable combined ratio was 88.4 per cent (90.1%).

LocalTapiola General

Key figures	2019	2019 comparable	2018
Risk ratio, %*)	68.8	63.9	66.5
Cost ratio, %*)	27.2	24.5	23.6
Combined ratio, %*)	96.0	88.4	90.1
Investment net income at current value, %	7.0		2.1
Balance sheet total, EUR m	2,720.7		2,608.5
Solvency ratio, %	304.9		322.2

*) excluding unwinding of discount expense

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

Our long-term investment policy led to outstanding successes in our investment activities in 2019. LocalTapiola Group's **net investment income** in non-life insurance operations was EUR 179.8 million (EUR 147.9 million).

LocalTapiola General

Investment activities	2019	2018
Return on investment at current value, %	7.0	2.1
Fixed-income investments	5.1	-1.4
Equity investments	8.6	3.5
Real estate investments	7.1	7.6
Other investments	11.8	-5.4
Investment allocation, %		
Fixed-income investments	32.5	33.7
Equity investments	52.9	50.5
Real estate investments	14.4	14.8
Other investments	0.1	0.9
Investment assets at current value, EUR m	2,814.7	2,600.7

Investment income was substantially boosted by LocalTapiola General's income. The net rate of return on investments at fair value was 7.0 per cent (2.1%).

General's average five-year annual return on investment was 4.5 per cent (3.9%) and the average ten-year annual return was 4.7 per cent (4.8%). The regional companies had an average rate of return on investments at fair value of 7.5 per cent (–0.5%).

LocalTapiola Group is a substantial co-owner of Pihlajalinna Plc and Mehiläinen, two major private healthcare companies in Finland. In November 2019, Mehiläinen made an offer to acquire the shares of Pihlajalinna Plc, as a result of which the market value of Pihlajalinna shares increased substantially. The effect of this can be seen in the total earnings and the net investment income at fair value of LocalTapiola General and LocalTapiola Life. Completion of the acquisition offer is subject to the competition authority's approval.

LocalTapiola became the first Finnish insurance company to join the InnovFin SME Guarantee scheme financed by the European Investment Fund. The purpose of the scheme is to improve the opportunities for innovative small and medium-sized enterprises to obtain financing.

Life Insurance

LocalTapiola Life is Finland's largest term life insurer, with a 30 per cent market share. Excluding the care cover, which was transferred to LocalTapiola General, premiums written in term life insurance have increased by about 30 per cent over the past three years.

In October 2019, we offered our customers a new alternative savings product in the life security application, entitled "Korkoetu". It is a new and easy way to begin saving money and building a financial buffer. Our customers have become increasingly interested in insurance saving products.

In group pension insurance, LocalTapiola Life's premiums written have increased by 50 per cent over three years. Thanks to the modernisations carried out last autumn, our group pension customers can also take advantage of LocalTapiola's investment expertise and the benefits of a large investor. The revamp has been well received by customers, and we continued to get more and more new customers in 2019.

LocalTapiola Life's comparable premiums written increased in all focus areas. Total premiums written and claims incurred increased in part due to the transfers of savings from old contracts to new ones, brought about by the changes in taxation practices effected at the beginning of 2020. **Total premiums written** increased by 37.0 per cent to EUR 616.3 million (EUR 449.8 million). The comparable premium income increased by 16.1 per cent. We paid our customers a total of EUR 521.2 million (EUR 353.4 million) in **compensation** under life insurance. The comparable claims incurred amounted to EUR 427.2 million.

LocalTapiola Life's **operating profit** was EUR 32.3 million (EUR 63.3 million) and total result EUR 96.6 million (EUR 33.0 million). The rate of return on investments at fair value was 6.3 per cent, for a total income of EUR 189.5 million (EUR 62.0 million), of which an increase in valuation differences accounted for EUR 64.3 million (EUR -30.2 million). An interest rate supplement of EUR 139.4 million (EUR 37.7 million) was made due to decreasing interest rate levels. Total expense loadings and bonus payments showed a good increase of 6 per cent, and the result for risk premiums collected was also at a good level.

Asset management and other business

The most important other business operations in LocalTapiola Group's consolidated financial statements are the services provided by LocalTapiola Asset Management, LocalTapiola Real Estate Asset Management, LocalTapiola Alternative Investment Funds and LocalTapiola Finance.

LocalTapiola Group's asset management business was revamped with supplemented equity, fixed-interest, private equity, debt and real estate

fund products and services. This is possible thanks to the closer cooperation between the asset management organisations and LocalTapiola Life.

LocalTapiola Asset Management had another successful year, placing top in rankings of funds such as Thomson Reuters Lipper's ranking of the best Nordic asset manager and funds, and Scandinavian Financial Research's survey study on the best asset manager for institutional investors and for responsible investments. LocalTapiola Asset Management's turnover amounted to EUR 21.7 million (EUR 21.0 million), and its operating profit was EUR 1.4 million (EUR 2.0 million).

LocalTapiola Real Estate Asset Management Group achieved excellent real estate investment returns for its customers, and its funds were successful. The largest real estate development projects were the opening of the third phase of Ainoa, a shopping centre in Espoo, the project to redevelop the Hamburger Börs hotel in Turku, and the opening of a hotel at Bulevardi 28 in Helsinki. LocalTapiola Real Estate Asset Management Group's turnover amounted to EUR 15.0 million (EUR 15.9 million), and its operating profit was EUR 2.3 million (EUR 2.9 million).

LocalTapiola Alternative Investment Funds Ltd (previously known as LocalTapiola Real Estate Capital Funds) expanded its operations into the management of private equity and debt capital funds. The Financial Supervisory Authority granted marketing permits to LocalTapiola Private Equity IV LP and LocalTapiola Private Dept II LP, which began marketing at the end of the year.

In connection with car purchases, LocalTapiola Finance provides instalment, financial leasing and consignment services through car dealerships. In the new emission compensation system, we compensate for the emissions of cars financed by LocalTapiola Finance, as long as the car has been insured with LocalTapiola Group. We do not charge our customers for this. In 2019, instalment and leasing sales totalled EUR 657.4 million (EUR 158.4 million). The market share of new sales in December, measured by monthly sales, was almost 20 per cent (7%), with LocalTapiola Finance being the third (fourth) largest finance provider. The company's profit was EUR 3.3 million (EUR -1.6 million). To underpin this strong growth, LocalTapiola Finance's bond, in the amount of EUR 32.0 million, was converted into a subordinated loan.

Customers and customer benefits

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

A total of EUR 766 million (**EUR 724 million**) **was paid to customers in compensation** under non-life insurance. Additionally, we paid EUR 73 million (EUR 69 million) of insurance premiums in loyalty bonuses and EUR 31 million (EUR 29 million) in S Group bonuses. **We paid our customers a total of EUR 521 million (EUR 353 million) in compensation** under life insurance.

As a lifelong security company, we have made our services easier to use. We brought our services for helping customers to prevent loss or damage, manage their insurance policies and looking after their financial self-sufficiency into the Lifelong Security App, along with Korkoetu services for investments. We will continue to develop the app in 2020 by adding features such as the option to buy life insurance and cover for serious illnesses.

LocalTapiola's TerveysHelppi service model provides our customers with health advice and care via chat or phone. TerveysHelppi's digital service model and functionality were reinforced with a new online user interface and preventive wellbeing services connected to smart life insurance. In 2019, the TerveysHelppi service handled 120,000 customer interactions. LemmikkiHelppi provides service to pet insurance customers, 3,000 of whom used LemmikkiHelppi to access veterinary services in 2019. The TerveysHelppi service is provided by Mehiläinen Oy, and LemmikkiHelppi is provided by Lähivet and Own Animal Clinic.

We provided new digital services for our life insurance customers, such as the option to pay extra into investment insurance policies and a feature enabling parties insured under group life insurance to submit their statutory information electronically.

We invest in work to prevent loss or damage in collaboration with our partners. Our partnerships and projects are described in more detail in the "Corporate responsibility" section.

The application of the principle of reasonability, the objectives related to the distribution of addi-

tional benefits and the implementation of the principle of reasonability between 2010 and 2019 have been clarified in the notes to the financial statements.

Corporate social responsibility

LocalTapiola Group proactively safeguards the lives and activity of its owner-customers. Responsibility is based on mutuality, and it is embodied in both national and local actions. Our goal is to add to the safety and well-being of our customers and society as a whole.

In 2019, LocalTapiola Group compiled a Code of Conduct to guide the everyday work of our personnel. We also prepared a responsibility roadmap that defines the themes, focuses and objectives of responsibility for the coming years. In our investment operations, we adhere to the principles for responsible investments. With the real estate that we own, we apply responsible and environmentally friendly operating models throughout the life cycle of the real estate.

We revised LocalTapiola Group's personnel strategy, employee surveys as a whole, goal and development dialogues and equality and non-discrimination plan. A new employee survey entitled ROIHU that measures the personnel's work experience has been tailored for LocalTapiola based on the lifelong security strategy, the company's values and the People Power concept by Eezy Spirit. Thanks to the good result achieved in 2019, the company was acknowledged as one of Finland's Most Inspiring Workplaces.

The longstanding collaboration with the Finnish Red Cross focuses on tackling loneliness and preventing social exclusion. Training cooperation on first aid and resuscitation skills continued with Punainen Risti Ensiapu Oy. As a partner of the Cancer Foundation, we sponsor Finnish cancer research and preventive health work. The Finnish National Rescue Association and the Finnish Swimming Teaching and Lifesaving Federation are partners of LocalTapiola in promoting fire safety and safety on the water, respectively. Additionally, we sponsor physical exercise related events and school tours of national sports federations. The Boards of Directors of LocalTapiola Group's insurance companies donated assets from their contingency funds to charitable activities such as health and wellbeing promotion, education and environmental protection.

LocalTapiola Group's social responsibility and actions in 2019 are described in more detail in a separate report. The non-financial report will be published at the same time as the report of the Board of Directors at www.lahitapiola.fi.

Credit rating

Standard & Poor's, a credit rating agency, evaluated LocalTapiola Group's creditworthiness for the first time in 2019. Standard & Poor's is among the world's most respected credit rating agencies and one of the leaders in its sector.

According to the press release issued by Standard & Poor's on 24 September 2019, LocalTapiola General was given the "A" rating due to the group's strong solvency and good profit development. Standard & Poor's believes that LocalTapiola will continue to maintain its leading position on the Finnish insurance market.

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

Operating environment

Non-life insurance

Finland's economic growth slowed down considerably in 2019 compared to the previous year, but it remained positive. LocalTapiola General's premiums written remained at the same approximate level as in the previous year, with growth of a few per cent.

The top growers in the sector were medical expenses insurance and insurance policies for land vehicles. The slightly improved rate of employment underpinned growth in the corporate business for policies such as occupational accident insurance.

The positive trend in premiums written was influenced by better-than-expected economic growth and strong consumer demand. A reduction in price-driven sales campaigns helped to support the growth in premiums written and profitability among the companies in the sector.

Solutions have been sought for covering new risks in non-life insurance by launching entirely new types of products, such as product and service packages related to information security and health. It is essential for every company in the sector to remain competitive in motor vehicle insurance. Brokers are playing an increasingly important role in corporate insurance.

Consumer demand for non-life insurance has been supported by a growth in private consumption. However, consumers' expectations regarding their finances and the Finnish economy are weakening. Growth in the corporate business may be falling off in the wake of the trend in the employment rate.

In general, non-life insurance companies enjoyed good profit trends last year. However, economic growth also gives rise to more incidents of loss or damage, and the combined ratio for the sector has been rising slightly.

Investment income earned by non-life insurance companies was unusually high in 2019. Products and services related to preventing loss or damage are currently trending in the insurance sector, in addition to supplementary services related to health.

Life Insurance

The premiums written by life insurance companies have remained rather steady over the past few years. Income from savings insurance and capital redemption contracts has levelled off since the peak years of 2013–2015. Transfers of savings from old contracts to new ones increased due to the changes in taxation practices effected at the beginning of 2020, increasing the premium income and surrenders from savings life insurance and capital redemption contracts in 2019.

The Act on Equity Savings Accounts took effect on 1 January 2020. On the whole, the government's policies on the tax treatment of investments have been positive, and the various forms of investment, including savings life insurance, now have more consistent tax treatment.

Lower expected returns on investments and a reduction in the birth rate have increased the pressure on the pension system and given rise to discussions of the need for private arrangements. This may present opportunities for life insurance solutions that supplement the statutory pension cover.

By international comparison, the number of pure risk policies is small in Finland. According to the financial sector, only just over a third of the people have taken out insurance for death. The need for life insurance is high in Finland, but premiums written for pure risk policies have not increased significantly in recent years.

Investment Operations

Finland's gross domestic product is expected to grow by about one per cent in 2019. Private consumption and exports have been particularly important factors in maintaining growth. The growth in the rate of employment was slower than in the previous years.

In early 2019, central banks switched from increasing to decreasing interest rates, which was reflected in market expectations and lower interest rates. Return curves became shallower, and some even foresaw negative returns. Long-term interest rates also tended towards the negative. The decrease in long-term interest rates has its roots in monetary policy as well as structural factors, such as population ageing, higher levels of debt, and globalisation.

The European Central Bank (ECB) resumed its bond-buying programme in autumn 2019 and decreased its deposit interest rate to -0.5 per cent. The ECB is using negative interest rates in an attempt to reduce the costs of finance, accelerate lending, increase inflation expectation and reduce the euro's exchange rate. The ECB has no specified target for the exchange rate, but a depreciation in the value of the currency will spur inflation in the euro area through higher import prices. The unfavourable development of economic trends, German industrial recession and structural factors suggest that interest rates should remain low in the euro zone and ECB should maintain its reflationary policy.

Additionally, the US Federal Reserve made a U-turn in early 2019. The final quarter of 2018, when the equity markets plummeted, may have been a contributing factor to this. Disturbances in the financial market may deteriorate the stability of this market and the confidence placed in it. The key interest rate was lowered, and further relief will follow if necessary. The peak of the rate hike cycle fell below the previous peak, which indicates that the US economy is also encountering international economic challenges.

In the corporate bond markets, risk premiums decreased in 2019, and the returns on corporate bonds exceeded expectations.

In the real estate market, demand continued to be strong, but the requirements for net returns were lowered. The commercial estate market re-

mained positive. The exceptionally low level of interest rates boosted the attractiveness of real estate in the investment market.

Solvency and risk management

Solvency management

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

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

Solvency management is a part of the Group's and its companies' risk management. The starting point for solvency management is that the Group and the companies have sufficient solvency capital to meet their obligations, taking into account expected and unexpected losses. As LocalTapiola Group is a mutual company, its solvency management focuses on good solvency throughout the Group and its companies so as to ensure the financial security of customers at all times.

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

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

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

Further information on the Group's solvency management are provided in reports on the Group's solvency and financial position at www.lahitapiola.fi. The report for 2019 will be published by 7 April 2020.

Solvency position

LocalTapiola General's solvency ratio (the company's own assets in proportion to the solvency capital requirement) was 305% (322%), while LocalTapiola Group's solvency ratio was 176% (188%). As such, the solvency of the company and the Group can be considered strong. The table below shows the solvency ratios of LocalTapiola General, the regional companies (on average), LocalTapiola Life, and LocalTapiola Group:

(% / EUR million)	Capital adequacy ratio	Own assets	Solvency capital requirement
LocalTapiola General	305 %	1,737.6	569.9
Regional companies	227 %	1,632.0	720.5
LocalTapiola Life	190 %	1,088.6	572.1
LocalTapiola Group	176 %	3,304.5	1,874.7

Risk position

The most significant risks to operations are insurance risks related to non-life insurance, insurance risks related to life insurance, market risks associated with investments, operational risks, and risks related to the operating environment and strategy.

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

The most significant insurance risks in life insurance are risks associated with technical provisions and the customer-related risks of termination of contracts and premium payments.

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

Operational risks refer to the risk of losses caused by insufficient or failed internal processes, personnel, systems and external factors. Legal risks are included in operational risks.

Risks related to the operating environment and strategy include risks associated with the general operating environment, changes in the markets and customer behaviour, the competitive situation and competitors, and the content and implementation 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, demographic change, internationalisation and climate change.

Further information on risk management and the key risks for LocalTapiola Group are provided in the note on risk management and in the report on solvency and financial position at www.lahitapiola.fi.

LocalTapiola Group's structure and corporate governance

Structure of LocalTapiola Group

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

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

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

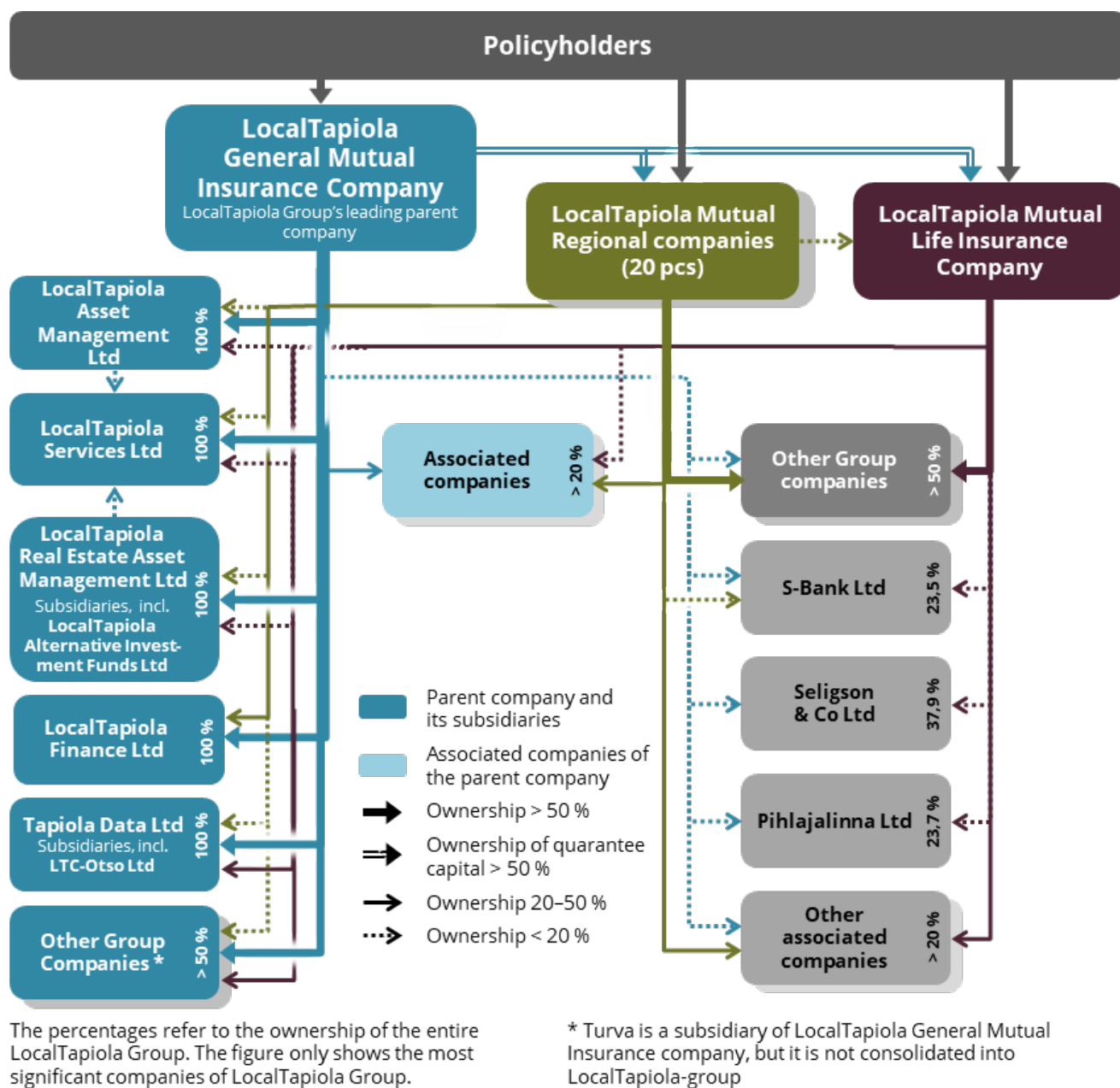
In addition, 73 (72 in 2018) housing associations and real estate companies and 41 (39) other companies are consolidated into the financial statements of LocalTapiola Group. The associated companies are S-Bank Ltd Group, Pihlajalinna Plc Group, Seligson & Co Oyj, two (2) housing and real estate companies and two (2) other companies. Turva Mutual Insurance Company is a subsidiary. The companies of LocalTapiola Group own 76 per cent of its guarantee capital, but according to the Financial Supervisory Authority's statement, it is not consolidated into LocalTapiola Group's consolidated financial statements.

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

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

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

Structure of LocalTapiola Group on 31 December 2019



Corporate governance, personnel and remuneration

LocalTapiola Group's corporate governance and management system

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

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

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

LocalTapiola Group companies have concluded intra-Group agreements on their mutual responsibilities and division of duties. LocalTapiola Group's Management Group, appointed by the Board of Directors of LocalTapiola General, has broad representation from the various LocalTapiola Group companies and the most important shared functions.

Annual General Meeting

LocalTapiola General's Annual General Meeting was held on 21 May 2019. The meeting approved the financial statements for 2018, decided on the use of the company's profit, discharged Supervisory Board and Board members and the Managing Director from liability, and elected the company's auditor. The meeting also confirmed the number of members of the Supervisory Board and their remuneration and elected the Supervisory Board's new members.

Supervisory board

The Annual General Meeting elected the following members to the Supervisory Board from among the regional company representatives who were due to step down: **Jussi Huttunen** (holder of the Finnish honorary title maakuntaneuvos, Siilinjärvi, representative of LocalTapiola Savo), **Markku Karjalainen** (Field Manager, Paltamo, MTK Pohjois-Suomi ry, representative of LocalTapiola Kainuu-Koillismaa) and **Eero Nykänen** (former police officer, Parikkala, representative of LocalTapiola Savo-Karjala).

In addition, the Annual General Meeting confirmed that the regional companies had elected the following new representatives to the Supervisory Board: **Markus Granlund** (Professor, Lieto, Turku School of Economics, representative of LocalTapiola Varsinais-Suomi), **Bo-Erik Nyström** (agricultural entrepreneur, Korppoo, representative of LocalTapiola Sydäkusten), **Risto Rantala** (entrepreneur Tornio, Tiltoimisto Rantala Ky, representative of LocalTapiola Lappi), all for a three-year term until

the Annual General Meeting in 2022. **Ann-Mari Pihjalämäki**, (Entrepreneur, Kokkola, Passiflora Oy, representative of LocalTapiola Pohjanmaa) was elected to replace Sami Kulla for the remainder of his term until the 2020 Annual General Meeting.

From other LocalTapiola General's Supervisory Board members, **Taavi Heikkilä** (CEO, Helsinki, S-Group), **Iiro Ketola** (Chief Shop Steward, Espoo, LocalTapiola General Mutual Insurance Company, representative of personnel groups), **Sanna Leivo** (Chair of the Board, Tampere, Leivo's Bakery Ltd), **Timo Leppänen** (Managing Director, Kajaani, Kajaanin tilitaito Oy) and **Heikki J. Perälä** (Managing Director, Helsinki, Helsinki Region Chamber of Commerce), were due to step down, and were re-elected.

The following were elected as new members of the Supervisory Board: **Philip Aminoff** (Chairman of the Board, Helsinki, Helvar Merca Oy Ab), **Timo Holopainen** (CFO, Tuusula, Skanska Oy), both until the Annual General Meeting in 2022, and **Jouni Huttunen** (Group Treasurer, Helsinki, Fortum Corporation) was elected to replace Minna Kahri for the remainder of her term until the Annual General Meeting in 2020.

LocalTapiola General's Supervisory Board held its organising meeting on 28 May 2019. The meeting elected the Chair and Deputy Chairs to the Supervisory Board. The elected Chairman of the Supervisory Board from 28 May to 31 December 2019 was **Timo U. Korhonen**, holder of the Finnish honorary title of vuorineuvos, and **Jussi Huttunen**, holder of the Finnish honorary title of maakuntaneuvos from 1 January 2020. **Juha Marttila**, Chairman of the Central Union of Agricultural Producers and Forest Owners MTK, was elected as First Deputy Chairman of the Supervisory Board. The elected Second Deputy Chairman from 28 May to 31 December 2019 was Jussi Huttunen, and from 1 January 2020 Timo U. Korhonen.

The Supervisory Board convened three times. On average, 89.5 per cent of the members attended the meetings. The salaries paid to and the commitments of the Supervisory Board members are presented in the section "Management's salaries and remunerations, pension commitments, monetary loans and terms thereof, as well as guarantees and contingent liabilities" of the notes to the profit and loss account.

Committees of the Supervisory Board

Nomination Committee of the Supervisory Board

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

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

In 2019, the Nomination Committee was chaired by **Timo U. Korhonen**, Chair of the Supervisory Board, and the members were **Anssi Keinänen**, **Sanna Leivo**, **Heikki J. Perälä**, **Anssi Keinänen** as of 28 May 2019 and **Anneli Karhula** until 28 May 2019.

The Nomination Committee convened six times, and 95.8 per cent of the members attended the meetings.

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 28 May 2019.

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, Managing Directors and the entire Group, and presents related reports to the Supervisory Board.

In 2019, the Cooperation Committee was chaired by **Timo U. Korhonen** and the Deputy Chair was **Totti Salko**. The other members of the Cooperation Committee in 2019 were **Juha Marttila**, **Päivi Uusitalo** and **Jukka Hertti**, as well as **Anneli Karhula** until 28 May 2019 and **Jussi Huttunen** from 28 May 2019.

The Cooperation Committee convened nine times, in addition to which it held three meetings

by e-mail. On average, 100 per cent 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 asset management.

During the term from 1 January 2019 to 31 December 2019, the Chairman of the Board was **Erkki Moisander** (President), the Deputy Chair was **Jari Eklund** (Group Director), and the members were **Matti Bergendahl** (CEO, Realia Group Oy) until 24 April 2019, **Merja Fischer** (Doctor of Managerial Sciences) until 12 October 2019, **Timo Hiltunen** (Chairman of the Board, Tietokeskus), **Sami Kulla** (CEO, Buorre Oy), **Ulla-Maija Moisio** (Senior Vice President, Legal Affairs, Industrial Power Corporation), **Hannu Niilekselä** (MSc (Econ.), authorised public accountant) and **Anu Kallio** (CEO, Humana Suomi) as of 24 April 2019 and **Minna Metsälä** (Partner, Ocio Oy) as of 12 November 2019.

The Board convened 14 times, in addition to which it held three meetings by e-mail. The average attendance rate at the actual meetings was 91%. The salaries paid to and the commitments of the Board of Directors are presented in the section "Management's salaries and remunerations, pension commitments, monetary loans and terms thereof, as well as guarantees and contingent liabilities" of the notes to the profit and loss account.

In its meeting held on 24 April 2019, the Supervisory Board elected **Juha Koponen** as Chairman of the Board for the term beginning 1 January 2020, and in its meeting held on 12 November 2019, the Supervisory Board elected **Jari Eklund** as Deputy Chairman.

Audit and Risk Management Committee of the Boards of LocalTapiola General and LocalTapiola Life

The Audit and Risk Management Committee assists the Boards of LocalTapiola General and LocalTapiola Life.

The committee assists the Boards with their statutory duties and matters provided for in the rules of procedure regarding the finances, accounts, solvency, risk management, auditing, internal control and internal audit of the companies and LocalTapiola Group.

Considering LocalTapiola General's role as the leading parent company of LocalTapiola Group (Insurance Companies Act, Chapter 26, Section 3), the Committee's activities also involve matters pertaining to LocalTapiola's regional companies and other companies in the Group to the extent that they qualify as Group-level matters for which the company is responsible.

In accordance with its rules of procedure, the Committee consists of the committee Chair and one committee member elected by the Board of LocalTapiola General from among its members, as well as no fewer than one member and no more than two members elected by the Board of LocalTapiola Life from among its members. The Chair and the members must be such members of the Board of Directors that are independent of LocalTapiola Group.

In 2019, the Committee was chaired by **Hannu Niilekselä** (LocalTapiola General), and the members were **Ulla-Maija Moisio** (LocalTapiola General), **Olli Latola** and **Mirel Leino** (LocalTapiola Life).

The Committee held five meetings. The attendance rate was 100 per cent.

Human Resources and Compensation Committee of the Boards of LocalTapiola General and LocalTapiola Life

The Human Resources and Compensation Committee assists the Boards of LocalTapiola General and LocalTapiola Life.

The Committee assists the Boards of LocalTapiola General and LocalTapiola Life in handling matters related to the personnel and remuneration, and it makes policy on matters related to the development of the management and personnel of LocalTapiola Group. The Committee addresses and prepares matters related to the remuneration and development of the management and personnel for the Boards to decide on, to establish policies and recommendations that concern the entire LocalTapiola Group.

The Committee consists of the Chairman of the Board of LocalTapiola General Mutual Insurance Company, acting as Chair of the Committee, and two to four other members of Board independent of LocalTapiola Group, some of whom are elected from among the members of the Board of LocalTapiola General and some from among the members of the Board of LocalTapiola Life.

In 2019, the Committee was chaired by **Erkki Moisander**, and the members were **Merja Fischer** from 22 February 2019 to 12 October 2019, **Anu Kallio** from 21 October 2019, **Sami Kulla** from 22 February 2019, **Olli Latola** and **Kati Sulin**.

The Committee held seven meetings. The attendance rate was 97.0 per cent.

The Group's Management Group

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.

The Management Group was chaired by **Erkki Moisander** (President), and the members were **Jari Sundström** (Managing Director of LocalTapiola General), **Minna Kohmo** (Managing Director of LocalTapiola Mutual Life Insurance Company), **Pekka Antikainen** (Managing Director of LocalTapiola Services Ltd), **Tom Liljeström** (Managing Director of LocalTapiola Asset Management), **Pasi Haarala** (Managing Director of LocalTapiola Pohjanmaa), **Ari Lagerström** (Managing Director of LocalTapiola Etelä), **Jukka Kinnunen** (Managing Director of LocalTapiola Pääkaupunkiseutu), **Jussi Seppälä** (Managing Director of LocalTapiola Lännen), **Veli Rajakangas** (Managing Director of LocalTapiola Pohjoinen), **Jari Eklund** (Director responsible for steering Group governance), **Timo Laakso** (CFO), **Mikko Vastela** (CIO), **Olli-Pekka Pohjanmäki** (Marketing Director), **Harri Aho** (Development Director) and **Toni Sinisaari** (Personnel Director).

As a rule, the Group's Management Group met every two weeks.

Managing Director

LocalTapiola General's CEO is **Jari Sundström**, LL.M., and its Deputy CEO is **Mika Makkonen**, LL.M., MBA.

The salaries and perquisites paid to the Managing Director totalled EUR 508,956 (EUR 501,564 in 2018), including EUR 147,888 (EUR 142,008) in performance-related pay. EUR 14,121 of the performance-related pay was earned in 2015, EUR 33,106 in 2016, EUR 35,218 in 2017, and EUR 65,443 in 2018.

Performance-related pay has been deferred for subsequent payment in the amount of

EUR 197,136, of which EUR 30,654 was earned in 2016, EUR 68,318 was earned in 2017, and EUR 98,164 was earned in 2018. Performance-related pay for senior managers is based on annual targets.

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

Related parties

LocalTapiola General's related parties are described in the notes to the financial statements.

Auditor

The Annual General Meeting elected GeneralKPMG Oy Ab to continue as LocalTapiola's auditor, and the principal auditor, appointed by KPMG Oy Ab, is Mikko Haavisto, Authorised Public Accountant.

Supervisory authority

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

Personnel

Average number of personnel during the financial period:

LocalTapiola Group, total 3,259 (3,420)

LocalTapiola General 331 (333)

Compensation

The aim of the special compensation system is to incentivise good performance and to boost the motivation and commitment of personnel. LocalTapiola General's remuneration policy is based on the strategy of the Group and its companies, and the targets set on the basis of the strategy. Special compensation is based on good work performance in relation to targets. The bonus system is a part of employees' overall compensation and it is based

on annual bonuses, although some bonus targets may measure periods that are longer than one year. The special compensation system is for senior managers and all personnel.

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

LocalTapiola General's salary and 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 Cooperation Committee of the Supervisory Boards of LocalTapiola General and LocalTapiola Life decides upon the compensation for the President and full-time members of the Board of Directors. The Supervisory Board of the company decides upon the compensation for those members of the Board who are not full-time. The decisions concerning the other members of management are made by the companies' Boards of Directors.

The Cooperation Committee develops the compensation system for Board members. The Human Resources and Compensation Committee of the Boards of LocalTapiola General and LocalTapiola Life monitors the development of the compensation system for all of LocalTapiola Group's management and personnel.

The Annual General Meeting decides on the compensation payable to the members of the Supervisory Board. The remuneration for the management comprises the following elements:

- Salary
- Perquisites (car, lunch and telephone)
- Annual performance-related bonuses
- Supplementary pension arrangements, if applicable

The salaries of the management are based on comparative data for the finance sector obtained from Korn Ferry 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 per cent of the individual's annual salary. The regional companies may have different maximums.

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

Personnel belonging to investment organisations have their own performance-related bonus model in which the bonus is determined on the basis of return on investments calculated for different levels depending on the position. Compensation 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.

The LocalTapiola General personnel in the senior management and investment organisation whose professional activities have a material impact on the company's risk profile and whose performance-related bonus for the earning period exceeds EUR 50,000 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 per cent will be paid one, two and three years after this date in three separate instalments of equal amounts. The value of the 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 current value (excluding unit-linked life insurance premiums), weighted in proportion to the balance sheets of the aforementioned companies) from the end of the earning period to the end of the year preceding the date on which the bonus is paid.

Additionally, annual bonus payments are also made to LocalTapiola Group's **personnel funds** in line with the targets reached. This bonus item is mainly determined based on targets derived from the strategy. The personnel funds do not cover the employees of all companies. The criteria for determining the amount of profit-sharing bonus are confirmed annually. The bonus transfers are deducted from the net profits for the financial periods in accordance with preliminary estimates.

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

[Reporting in compliance with the Corporate Governance Code](#)

LocalTapiola General reports 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 the corporate governance of LocalTapiola General and LocalTapiola Life is available on the company's website at [www.lahitapiola.fi / en / Information on LocalTapiola / Financial Data](http://www.lahitapiola.fi/en/Information%20on%20LocalTapiola/Financial%20Data).

Events after the financial year

Since the end of the financial year, business has continued largely in line with expectations.

On 1 January 2020, Juha Koponen assumed the position of Chairman of the Boards of LocalTapiola General and LocalTapiola Life.

The insurance companies in LocalTapiola Group injected EUR 31.7 million of additional capital into LocalTapiola Finance in January 2020 by executing a share issue in order to support the company's profitable growth.

The Boards of two regional companies in LocalTapiola Group, LocalTapiola Lännen and LocalTapiola Satakunta, signed a merger plan on 28 January 2020. The merger is planned to take place on 31 December 2020, and the new merged company, LocalTapiola Länsi-Suomi, is set out to commence operations as from the beginning of 2021.

Future prospects

Non-life insurance

The cyclical forecast for 2020 has been revised downwards recently. Weakened economic outlooks for Finland's most important trading partners (Germany, Sweden and Russia) will affect Finland's economic growth, with some delay. Consumers and businesses have been losing confidence in economic growth in the near future.

The OECD's forecast cyclical indicators reflect the economic outlook, and they indicate that Finland's economy will slow by more than the average for the euro area in 2020. Finland was late to join the recovery of the global economy, and the same phenomenon appears to be occurring as the latest downturn begins.

Due to the uncertainties related to Finland's economic growth and the unpredictable nature of the international operating environment, the outlook for the insurance sector is difficult to forecast. Consumer demand is expected to remain stable, and this should continue to underpin the profitability and earnings development of insurance companies. The outlook for corporate insurance is highly dependent on employment trends. The outlooks for investment markets that are important to insurance companies are highly uncertain.

From the perspective of long-term development, one risk is the comparatively low level of investments made by Finnish companies. New jobs have been created in increasing numbers at small

and medium-sized enterprises, and a deterioration in the outlook for SMEs will have a negative impact on the outlook for non-life insurance.

The market for health and well-being services will continue to grow. In 2020, further clarity is expected concerning the outlines for the reform of the social and health care service structure. The changes are likely to take a long time to implement, and, consequently, the growth outlook for private service providers is limited unless the field for private health services supplementing publicly funded services is opened to competition more widely.

It is also essential to respond to changes in customer behaviour. Customer interactions are increasingly taking place online. Operators in the insurance sector are modernising their systems with the aim of providing more extensive, easier-to-use online services. From the customer's perspective, services should be more seamless. The customer experience is becoming more and more important as customer interactions increasingly take place in many channels.

In the long term, the requirements of sustainable development will alter the expectations of customers and other stakeholders with regard to the operations of non-life insurance companies. The effects of climate change will be extensive and the risks often unpredictable, which increases the importance of proactive risk management.

Life Insurance

LocalTapiola Life offers life insurance, saving and investment, and pension insurance services, combined with proactive services enhancing the customer experience, for all customer groups from private customers to large companies. Our aim is to invest in our customers' well-being by helping them feel better and prepare financially for future needs. This means the continuous development of our services to ensure their relevance to our customers.

Personal preparations are important due to longer lives, the pressure on social security and the societal change. We expect that people in Finland will increasingly need savings and insurance to make preparations for the future. In the long term, demand for proactive, livelihood and well-being enhancing services is expected to increase.

The societal importance of insurance for serious personal risks is increasing. We want to continue to

provide our customers with the best pure risk insurance services in the industry, combining them with well-being services that improve customer experience. With the growing need for savings, we continue to develop investment and pension insurance services, which make the benefits of a major insurance company's investment activities available to all of our customers.

In 2020, we will continue to develop our digital services to improve our customer experience. Our goal is to be a forerunner in customer experience in personal insurance.

LocalTapiola Life expects an upward trend in sales and the number of customers in all business sectors in 2020.

Investment Operations

The growth of the world economy is expected to remain slow this year as well. However, the economic outlook has gradually become more stable, and general expectations are growing stronger. According to OECD's business tendency indicators, the economic low point seems to have been experienced in late 2019, and a positive surprise in the form of growth is possible for 2020.

Similarly, Finland's long-term growth outlook remained modest. An average of the forecasts of the main Finnish research institutes and institutes for economic forecasting predicts a mere 1.4 per cent growth rate per capita for the next ten years. This average forecast is in line with the Finnish economy's long-term growth potential.

There are still a number of political and geopolitical risks associated with the economic outlook. The details of the UK's withdrawal from the European Union remain to be settled, the US president's protectionist trade policy creates tensions, and the escalation of the situation in the Middle East may increase the risks of a downward trend in the international economy. Moreover, the coronavirus pandemic that broke out early in the year causes uncertainty in the outlooks of the business and the investment activities.

On the investment market, the identified risks associated with the 2020 outlook are largely the same as in the previous year. A sudden economic slowdown could lead to a decline in share prices and other risk-bearing assets. Conversely, should a positive growth surprise materialise, long-term interest rates do have room to rise from their cur-

rent record-low levels. Additionally, negative interest rates may lead to excessive indebtedness and bubbles in the financial markets.

Equity market prospects for 2020 are ambivalent. The idea that the economic low point may have been passed and the pricing of new recovery already encourage risk-taking, but the pricing of equities based on conventional valuation multiples is up.

The challenge now lies with the negative interest rates. How should the risk be priced in relation to negative interest rates? This may easily lead to a situation where buyers are prepared to pay too much for equities, as there are no viable alternatives. If this continues for long, it may lead to an equity pricing bubble.

From the viewpoint of insurance companies and other long-term investors, this is a challenge, because further risks have to be taken to reach the return targets, and further risk-taking in bad times results in more substantial periods of losses in investment portfolios. In this current world of high-priced asset classes, the significance of risk management and strategic allocation is amplified.

Proposal for distribution of profit

Proposal of the Board of Directors

The Board of Directors proposes to LocalTapiola General's Annual General Meeting that EUR 106,498,484.59 of the profit for the 2019 financial period, which amounted to EUR 106,998,484.59, be transferred to the security reserve and EUR 500,000.00 to the contingency reserve.

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

Capital and reserves after the proposal:

Capital and reserves, EUR	1,522,946,147.97
Initial reserve	8,641,380.35
Revaluation reserve	85,090.31
Security reserve	1,510,829,837.60
Contingency reserve	3,389,839.71

Financial statements 1 January – 31.12.2019

Consolidated financial statements, LocalTapiola Group

Profit and loss account, LocalTapiola Group

TECHNICAL ACCOUNT - NON-LIFE INSURANCE		1.1.2019	-	31.12.2019	1.1.2018	-	31.12.2018
Premiums earned							
Premiums written	K1	1,220,782,564.78			1,196,042,406.73		
Reinsurers' share		<u>-35,716,571.79</u>		1,185,065,992.99	<u>-35,262,410.59</u>		1,160,779,996.14
Change in provision for unearned premiums							
Total change		-1,835,083.04			-6,113,483.00		
Reinsurers' share							
Total change		<u>1,168,638.01</u>		-666,445.03	<u>2,354,330.87</u>		-3,759,152.13
Total premiums earned				1,184,399,547.96			1,157,020,844.01
Claims incurred							
Claims paid		-891,352,680.04			-850,438,126.41		
Reinsurers' share		<u>14,563,729.33</u>		-876,788,950.71	<u>15,932,172.83</u>		-834,505,953.58
Change in provision for outstanding claims							
Total change		-27,003,411.13			-17,261,619.33		
Reinsurers' share							
Total change		<u>2,307,235.62</u>		-24,696,175.51	<u>315,481.65</u>		-16,946,137.68
Total claims incurred				-901,485,126.22			-851,452,091.26
Operating expenses	K3			-270,196,951.10			-258,802,396.29
Balance on technical account before change in equalization provision				12,717,470.64			46,766,356.46
Change in equalization provision				17,737,054.00			1,812,891.00
Balance on technical account	K2			30,454,524.64			48,579,247.46
TECHNICAL ACCOUNT - LIFE INSURANCE		1.1.2019	-	31.12.2019	1.1.2018	-	31.12.2018
Premiums written							
Premiums written	K1	616,312,225.79			449,839,234.89		
Reinsurers' share		<u>-3,806,808.37</u>		612,505,417.42	<u>-3,819,536.59</u>		446,019,698.30
Investment income	K4			289,146,183.26			244,061,620.82
Revaluations of investments	K4			265,557,101.10			11,242,640.16
Claims incurred							
Claims paid	K2	-525,570,072.71			-357,695,722.35		
Reinsurers' share		<u>833,228.67</u>		-524,736,844.04	<u>1,267,301.68</u>		-356,428,420.67
Change in provision for outstanding claims							
Total change		<u>-24,077,442.00</u>		-24,077,442.00	<u>4,955,054.00</u>		4,955,054.00
Reinsurers' share							
Total claims incurred				-548,814,286.04			-351,473,366.67
Change in provision for unearned premiums							
Total change		<u>-392,368,515.53</u>		-392,368,515.53	<u>27,798,886.95</u>		27,798,886.95
Operating expenses	K3			-59,369,298.94			-57,568,358.89
Investment charges	K4			-121,993,969.32			-106,889,815.34
Revaluation adjustments on investments	K4			-28,184,622.81			-148,542,224.80
Balance on technical account before change in equalization provision				16,478,009.14			64,649,080.53

NON-TECHNICAL ACCOUNT

Balance on technical account, non-life insurance		30,454,524.64		48,579,247.46
Balance on technical account, life insurance		16,478,009.14		64,649,080.53
Investment income	K4	328,885,760.97		307,234,841.84
Investment charges	K4	-149,721,567.46		-159,205,717.62
Revaluation adjustments on investments	K4	-156,036.63	179,008,156.88	-156,036.60
				147,873,087.62
Other income	K4			
Other		86,410,698.17	86,410,698.17	72,141,660.16
Other expenses	K4			
Depreciation of consolidated goodwill		-36,535.94		-173,052.56
Other		-49,600,258.52	-49,636,794.46	-49,191,871.90
				-49,364,924.46
Profit on ordinary activities		262,714,594.37		283,878,151.31
Share of profit (loss) from group associated undertakings			2,489,101.32	-15,812,527.06
Profit before appropriations and taxes		265,203,695.69		268,065,624.25
Direct taxes on ordinary activities				
Taxes for the financial period		-62,245,657.12		-66,641,396.62
Change in deferred tax liabilities		-3,768.43	-62,249,425.55	96,743.44
				-66,544,653.18
Other direct taxes			0.00	0.00
Minority interests			-8,081,837.96	-12,569,652.06
Profit for the accounting period		194,872,432.18		188,951,319.01

Balance sheet, LocalTapiola Group

ASSETS		31.12.2019	31.12.2018
Intangible assets	K9		
Intangible rights		2,552,615.87	3,483,270.80
Goodwill on consolidation		1,078,130.41	41,500.42
Other expenses with long-term effects		54,376,955.96	50,036,164.34
Provisional premiums		<u>46,952,920.44</u>	<u>28,670,323.07</u>
		104,960,622.68	82,231,258.63
Investments	K5		
Real estate investments	K6		
Real estate and shares in real estate		<u>1,114,449,277.36</u>	<u>1,053,819,853.17</u>
Investments in group companies and participating interests		1,114,449,277.36	1,053,819,853.17
Shares and holdings in group companies	K7		
Shares and holdings in participating interests		7,097,056.07	7,097,056.07
Debt securities and loans in participating interests		164,057,647.70	157,833,294.92
		<u>13,500,000.00</u>	<u>13,500,000.00</u>
Other investments		184,654,703.77	178,430,350.99
Shares and holdings	K7	3,907,481,345.86	3,795,224,592.36
Debt securities	K7	1,463,070,446.22	1,580,275,771.66
Loans guaranteed by mortgages		496,708,033.74	510,630,197.50
Other loans	K8	287,826,951.59	313,934,149.70
Deposits		10,746,309.23	10,713,422.50
Other investments		<u>424,090.21</u>	<u>424,090.21</u>
Deposits with ceding undertakings		6,166,257,176.85	6,211,202,223.93
		<u>636,421.94</u>	<u>661,413.85</u>
		7,465,997,579.92	7,444,113,841.94
Assets covering unit linked policies	K7		
	K10	2,416,333,935.50	2,107,976,333.40
Debtors	K15		
Arising out of direct insurance operations			
Policyholders		222,451,886.60	210,456,296.04
Intermediaries		<u>0.00</u>	<u>0.00</u>
		222,451,886.60	210,456,296.04
Arising out of reinsurance operations		16,062,807.20	18,500,148.57
Receivables from hire-purchase transactions		574,609,358.39	127,194,181.37
Other debtors		87,811,226.73	106,031,806.74
Deferred tax claim	K14	<u>2,113,017.84</u>	<u>2,113,017.84</u>
		903,048,296.76	464,295,450.56
Other assets			
Tangible assets			
Machinery and equipment	K9	9,102,437.36	9,582,406.49
Other tangible assets		34,912,696.02	12,298,099.00
Provisional premiums		<u>0.00</u>	<u>56,795.00</u>
Cash at bank and in hand		334,670,058.18	359,749,321.70
Other assets		<u>67,520,379.36</u>	<u>12,864,670.96</u>
		446,205,570.92	394,551,293.15
Prepayments and accrued income			
Accrued interest and rent		19,465,048.63	20,895,156.93
Other prepayments and accrued income		<u>49,224,190.11</u>	<u>43,449,758.73</u>
		68,689,238.74	64,344,915.66
Total assets		<u>11,405,235,244.52</u>	<u>10,557,513,093.34</u>

LIABILITIES		31.12.2019		31.12.2018	
Capital and reserves	K11				
Initial fund		8,641,380.35		8,641,380.35	
Revaluation reserve		8,710,584.50		8,710,584.50	
Other reserves					
Other reserves		1,407,221,192.75		1,362,227,480.17	
The share of voluntary provisions and depreciation difference transferred to capital and reserves		<u>2,732,880.01</u>	1,409,954,072.76	<u>2,756,201.38</u>	1,364,983,681.55
Profit/loss for previous accounting periods			-21,923,104.99		-44,924,570.38
Profit for the accounting period		194,872,432.18		188,951,319.01	
Change in depreciation difference and voluntary provisions included in the profit for the accounting period		17,516.12		386,973.79	
Share of the other mutual insurance companies' result for the financial year included in the profit for the financial year		<u>-109,021,703.60</u>	85,868,244.70	<u>-121,885,681.40</u>	67,452,611.40
Capital and reserves of the other mutual insurance companies			<u>988,768,553.49</u>		<u>880,619,149.44</u>
			2,480,019,730.81		2,285,482,836.86
Subordinated loans		99,729,133.33		106,657,933.33	
Minority interests		60,506,682.34		40,094,003.41	
Accumulated appropriations	K11				
Negative goodwill on consolidation		4,600.00		4,600.00	
Technical provisions					
Provision for unearned premiums in non-life insurance		419,918,105.01		417,095,890.01	
Reinsurers' share		<u>-8,907,756.09</u>	411,010,348.92	<u>-7,739,118.08</u>	409,356,771.93
Provision for unearned premiums in life insurance		1,706,384,124.72		1,593,928,064.19	
Reinsurers' share		<u>0.00</u>	1,706,384,124.72	<u>0.00</u>	1,593,928,064.19
Provision for outstanding claims in non-life insurance	K13	<u>2,237,884,676.83</u>		<u>2,209,012,552.55</u>	
Reinsurers' share		<u>-26,492,178.93</u>	2,211,392,497.90	<u>-24,140,568.31</u>	2,184,871,984.24
Provision for outstanding claims in life insurance		716,556,986.00		695,170,646.00	
Reinsurers' share		<u>0.00</u>	716,556,986.00	<u>0.00</u>	695,170,646.00
Equalization provision			<u>951,151,103.00</u>		<u>968,763,440.00</u>
			5,996,495,060.54		5,852,090,906.36
Technical provisions for unit-linked policies					
Technical provisions		2,349,490,708.00		2,066,887,151.00	
Obligatory provisions					
Other obligatory provisions	K14	3,398,860.43		4,010,812.53	
Deposits received from reinsurers		1,130,011.58		1,053,072.34	
Creditors	K16				
Arising out of direct insurance operations		24,600,191.62		31,038,744.23	
Arising out of reinsurance operations		5,354,433.33		5,295,038.62	
Loans from financial institutions		100,260,716.00		438,556.00	
Other creditors		208,194,322.46		95,917,609.86	
Deferred tax liabilities	K15	<u>866,791.87</u>		<u>871,170.90</u>	
			339,276,455.28		133,561,119.61
Accruals and deferred income		75,184,002.21		67,670,657.90	
Total liabilities		<u>11,405,235,244.52</u>		<u>10,557,513,093.34</u>	

Indirect cash flow statement, LocalTapiola Group

	2019	2018
Cash flow from operations		
Profit from ordinary activities/profit before extraordinary items	202,954,270.14	201,818,122.11
Adjustments		
Changes in technical provisions	427,007,711.18	-13,861,542.13
Value adjustments and revaluation of investments	-256,066,256.49	227,017,420.11
Changes in other obligatory provisions	-611,952.10	8,404.01
Depreciation according to plan	45,861,215.23	53,967,117.27
Other non-cash income and expenses	0.00	-207,917.91
Other adjustments	-91,558,609.33	-125,145,299.46
<i>Cash flow before change in working capital</i>	327,586,378.63	343,596,304.00
Change in working capital:		
Increase (-) / decrease (+) in non-interest-bearing short-term receivables	-443,097,169.30	-128,605,769.28
Increase (-) / decrease (+) in non-interest-bearing short-term debts	213,305,619.24	9,099,901.67
<i>Cash flow from operations before financial items and taxes</i>	97,794,828.57	224,090,436.39
Other financial income and expenses		
paid/received	-3,728,722.60	-6,891,896.85
Direct taxes paid	-65,375,413.37	-74,041,435.28
Cash flow from operations	28,690,692.60	143,157,104.26
Cash flow from investments		
Investments in assets (excl. cash and c. equivalents)	-92,549,434.25	-278,539,305.20
Capital gains from investments (excl. cash and c. equivalents)	165,649,359.60	205,537,322.09
Change in minority interest	8,081,837.97	12,569,652.09
Investments in tangible and intangible assets as well as other assets and capital gains (net)	-126,949,769.89	-61,224,979.53
Cash flow from investments	-45,768,006.57	-121,657,310.55
Cash flow from financial		
Loans raised	-6,928,800.00	6,711,916.66
Interest on guarantee capital paid and other distribution of profit	-1,073,149.55	-1,625,099.00
Cash flow from financial	-8,001,949.55	5,086,817.66
Change in cash and cash equivalents	-25,079,263.52	26,586,611.37
Cash and cash equivalents at the start of the year	359,749,321.70	333,162,710.33
Cash and cash equivalents at the end of the year	334,670,058.18	359,749,321.70

Key figures, LocalTapiola Group

	EUR million		
General key figures describing financial development	2019	2018	2017
Operating profit	235.5	259.1	343.0
Total result	560.1	112.0	406.0
Return on assets, %	7.6	2.2	5.9
Average number of personnel during financial year	3,534	3,428	3,404
Key figures describing the financial development of non-life insurance			
Premium income	1,220.8	1,196.0	1,154.1
Loss ratio (excl. unwinding of discount expense), %	74.1	71.5	65.5
Loss ratio, %	76.1	73.6	67.6
Expense ratio, %	22.8	22.4	23.5
Combined ratio (excl. unwinding of discount expense), %	96.9	93.9	88.9
Combined ratio, %	98.9	96.0	91.1
Equalisation provision in reporting currency	951.2	968.8	970.6
Key figures describing the financial development of life insurance			
Premium income	616.3	449.8	516.0
Expense ratio, %	129.1	129.5	134.3

Notes to the consolidated financial statements, LocalTapiola Group

Notes to profit and loss account, LocalTapiola Group

K1. Premiums written	2019	2018
Non-life insurance		
Direct insurance		
Finland	1,155,547,444.97	1,132,301,572.39
Direct insurance total	1,155,547,444.97	1,132,301,572.39
Reinsurance	65,235,119.81	63,740,834.34
<i>Total</i>	<u>1,220,782,564.78</u>	<u>1,196,042,406.73</u>
Life-insurance		
Direct insurance		
Finland	616,312,225.79	449,839,234.89
Direct insurance total	616,312,225.79	449,839,234.89
<i>Total</i>	<u>616,312,225.79</u>	<u>449,839,234.89</u>
Gross premiums written before reinsurers' share	<u><u>1,837,094,790.57</u></u>	<u><u>1,645,881,641.62</u></u>

K1.1 Items depreciated from premiums written

Credit loss on outstanding premiums	4,366,747.57	3,898,189.48
PAYG system fees	62,678,061.91	62,117,910.99
Premium tax	205,324,222.96	200,456,029.46
Fire brigade charge	3,276,439.27	3,250,286.98
Road safety charge	1,976,138.97	1,944,982.06
Labour protection charge	2,753,886.37	2,597,976.23
Total	280,375,497.05	274,265,375.20

K1.2 Premiums written, life insurance

	2019	2018
Direct insurance		
Life-insurance		
Unit-linked individual life insurance	282,535,845.94	172,821,908.86
Other individual life insurance	99,679,960.43	65,284,384.69
Unit-linked capital redemption policy	42,607,898.49	35,042,200.14
Other redemption policy	11,735,713.88	4,034,208.29
Employees' group life insurance	12,162,634.53	11,594,872.02
Other group life insurance	73,396,182.11	69,078,207.22
Total	522,118,235.38	357,855,781.22
Pension insurance		
Unit-linked individual pension insurance	27,455,306.74	28,084,857.34
Other individual pension insurance	12,476,804.47	13,718,994.36
Unit-linked group pension insurance	18,720,769.90	15,562,683.90
Other group pension insurance	35,541,109.30	34,616,918.07
Total	94,193,990.41	91,983,453.67
Total direct premiums written	616,312,225.79	449,839,234.89
Gross premiums written before reinsurers' share	616,312,225.79	449,839,234.89
Gross premiums written before reinsurers' share		
Regular premiums	558,641,357.99	486,613,960.06
Single premiums	57,670,867.80	-36,774,725.17
Total	616,312,225.79	449,839,234.89
Premiums from contracts entitled to bonuses	244,992,404.72	198,327,584.65
Premiums from unit-linked insurance	371,319,821.07	251,511,650.24
Total	616,312,225.79	449,839,234.89

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

	2019	2018
Rebates		
Life-insurance		
Unit-linked individual life insurance		
Other individual life insurance	6,210,495.45	4,182,343.37
Other redemption policy	567,023.55	212,708.77
Other group life insurance	147,165.00	131,767.00
<i>Total</i>	<u>6,924,684.00</u>	<u>4,526,819.14</u>
Pension insurance		
Unit-linked individual pension insurance		
Other individual pension insurance	1,667,371.07	2,228,399.66
Other group pension insurance	1,583,016.24	2,220,818.09
<i>Total</i>	<u>3,250,387.31</u>	<u>4,449,217.75</u>
Rebates total	<u>10,175,071.31</u>	<u>8,976,036.89</u>
Discounts		
Life-insurance		
Unit-linked individual life insurance	112,046.00	145,671.00
Other individual life insurance	131,243.11	146,439.32
Other group life insurance	1,280,766.09	1,367,694.46
	<u>1,524,055.20</u>	<u>1,659,804.78</u>
Rebates and discounts total	<u>11,699,126.51</u>	<u>10,635,841.67</u>

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

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

Direct insurance		
Life-insurance	399,744,571.26	232,066,203.78
Pension insurance	125,825,501.45	125,629,518.57
<i>Total</i>	<u>525,570,072.71</u>	<u>357,695,722.35</u>
Reinsurers' share	-833,228.67	-1,267,301.68
Total claims paid	<u>524,736,844.04</u>	<u>356,428,420.67</u>
Of which:		
Surrenders	317,830,681.03	149,135,961.31
Repayments of benefits	36,078,967.24	40,147,463.49
Other	171,660,424.44	168,412,297.55
	<u>525,570,072.71</u>	<u>357,695,722.35</u>
Share of unit-linked insurance of claims paid	310,158,067.23	148,801,209.88

K2.2 Profit by insurance groups

		Premiums written before reinsurers' share	Premiums earned before reinsurers' share	Claims incurred before reinsurers' share	Operating expenses before commissions for reinsurance and profit shares	Reinsurers' share	Balance on technical account before net investment income
Statutory workers' compensation	2019	161,173,429.86	159,813,212.86	-133,856,342.19	-22,021,271.66	-282,891.54	3,652,707.47
	2018	152,143,538.59	152,872,772.59	-105,088,787.58	-24,623,355.34	-292,518.95	22,868,110.72
	2017	143,578,674.85	143,945,836.24	-110,302,680.11	-28,773,996.12	-301,857.50	4,567,302.51
Non-statutory accident and health	2019	175,026,591.25	172,290,092.90	-128,683,216.63	-36,114,276.64	-250,858.24	7,241,741.39
	2018	158,769,242.49	155,439,351.49	-122,114,840.71	-31,251,324.03	-163,475.12	1,909,711.63
	2017	145,521,361.31	142,864,365.73	-101,810,237.44	-30,444,147.99	-292,142.20	10,317,838.10
Motor vehicle liability	2019	197,158,503.48	200,859,946.48	-164,272,742.25	-50,566,052.78	180,479.67	-13,798,368.88
	2018	194,050,431.99	197,182,495.99	-149,521,588.92	-49,702,991.42	1,415,385.16	-626,699.19
	2017	196,126,065.39	210,844,353.74	-129,198,282.91	-49,187,007.55	1,085,820.07	33,544,883.35
Land vehicles	2019	234,400,477.51	234,342,342.51	-187,739,024.67	-52,707,975.76	-359,116.48	-6,463,774.40
	2018	219,464,069.74	216,386,596.74	-176,781,243.36	-50,084,359.52	-364,494.24	-10,843,500.38
	2017	212,927,802.79	210,134,533.90	-148,453,195.58	-50,018,277.29	-90,660.43	11,572,400.60
Marine, aviation, railway rolling stock and transport	2019	13,293,086.81	13,302,770.81	-5,212,908.93	-3,297,215.10	-54,266.65	4,738,380.13
	2018	12,975,526.92	13,120,905.92	-6,567,858.94	-3,644,678.10	-312,698.14	2,595,670.74
	2017	13,781,629.56	13,818,334.65	-7,040,293.23	-3,791,486.34	-193,871.72	2,792,683.36
Fire and other damage to property	2019	315,542,418.50	315,626,206.81	-224,347,993.14	-73,283,920.00	-4,825,968.01	13,168,325.66
	2018	306,524,480.30	305,456,402.30	-206,427,711.48	-72,437,489.36	-10,946,082.63	15,645,118.83
	2017	301,787,215.00	305,449,406.22	-184,946,598.57	-74,519,828.43	-7,221,222.54	38,761,756.68
General liability	2019	18,427,435.13	18,156,294.13	-2,155,398.26	-9,329,761.45	-3,113,703.37	3,557,431.05
	2018	48,944,041.79	49,009,138.79	-35,607,756.18	-9,540,342.76	-1,052,564.60	2,808,475.25
	2017	42,027,211.64	42,132,866.62	-28,967,006.20	-10,296,408.49	-3,803,438.93	-933,987.00
Credit and suretyship	2019	3,146,556.91	2,616,975.91	228,662.61	-345,351.40	-306,270.37	2,194,016.75
	2018	3,747,735.26	2,888,948.26	-428,228.68	-344,345.11	202,538.14	2,318,912.61
	2017	4,130,103.85	2,107,151.51	-641,520.47	-417,875.49	605,216.01	1,652,971.56
Legal expenses	2019	24,555,503.36	24,279,937.36	-16,617,009.02	-5,553,348.43	0.00	2,109,579.91
	2018	23,327,370.95	23,111,168.95	-14,959,611.60	-5,372,982.92	0.00	2,778,574.43
	2017	22,996,820.69	22,941,794.21	-14,336,140.44	-5,483,464.88	0.00	3,122,188.89
Other	2019	12,823,442.16	12,701,493.16	-5,254,163.11	-2,390,777.88	17,678.37	5,074,230.54
	2018	12,355,134.36	12,535,962.36	-8,172,370.70	-3,067,316.00	3,777,735.71	5,074,011.37
	2017	12,306,485.53	12,474,080.73	-14,965,651.47	-3,245,738.96	-1,021,560.25	-6,758,869.95
Direct insurance total	2019	1,155,547,444.97	1,153,989,272.93	-867,910,135.59	-255,609,951.10	-8,994,916.62	21,474,269.62
	2018	1,132,301,572.39	1,128,003,743.39	-825,669,998.15	-250,069,184.56	-7,736,174.67	44,528,386.01
	2017	1,095,183,370.61	1,106,712,723.55	-740,661,606.42	-256,178,231.54	-11,233,717.49	98,639,168.10
Reinsurance	2019	65,235,119.81	64,958,208.81	-50,445,955.58	-22,452,516.21	-816,536.00	-8,756,798.98
	2018	63,740,834.34	61,925,180.34	-42,029,747.59	-17,695,261.70	37,799.40	2,237,970.45
	2017	58,962,812.93	59,881,146.93	-40,270,592.03	-16,634,279.72	-390,316.45	2,585,958.73
Total	2019	1,220,782,564.78	1,218,947,481.74	-918,356,091.17	-278,062,467.31	-9,811,452.62	12,717,470.64
	2018	1,196,042,406.73	1,189,928,923.73	-867,699,745.74	-267,764,446.26	-7,698,375.27	46,766,356.46
	2017	1,154,146,183.54	1,166,593,870.48	-780,932,198.45	-272,812,511.26	-11,624,033.94	101,225,126.83
Change in equalization provision	2019						17,737,054.00
	2018						1,812,891.00
	2017						-17,640,769.96
Balance on technical account	2019						30,454,524.64
	2018						48,579,247.46
	2017						83,584,356.87

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

K3.1 Total operating expenses by activity	2019	2018
Claims management expenses	92,459,473.46	91,478,181.86
Operating expenses	329,566,250.01	316,370,755.15
Investment operating expenses	26,752,721.38	22,535,080.06
Other expenses	48,200,284.00	46,174,188.09
<i>Total</i>	<u>496,978,728.85</u>	<u>476,558,205.16</u>

K3.2 Profit and loss account item operating expenses	2019	2018
Insurance policy acquisition costs		
Commissions for direct insurance	34,193,052.26	31,427,930.19
Commissions for reinsurance assumed and profit shares	14,521,976.56	14,339,280.80
Other insurance policy acquisition costs	129,686,809.70	125,705,006.51
	<u>178,401,838.52</u>	<u>171,472,217.50</u>
Insurance policy management expenses	88,933,993.95	86,865,762.27
Administrative expenses	70,842,108.87	67,596,793.32
Commissions for reinsurance ceded and profit shares	-8,611,691.28	-9,564,017.90
<i>Total</i>	<u>329,566,250.06</u>	<u>316,370,755.19</u>

K3.3 Notes concerning personnel and members of corporate bodies

K3.3.1 Personnel expenses

Salaries and remunerations	209,632,900.32	202,368,004.68
Pension expenses	43,743,925.72	38,048,695.49
Other personnel expenses	6,046,755.76	6,849,874.97
<i>Total</i>	<u>259,423,581.80</u>	<u>247,266,575.14</u>

K3.3.2 Managements' salaries and remunerations, pension commitments, monetary loans and terms thereof, as well as guarantees and contingent liabilities

Managing directors and deputy managing directors		
Salaries and remunerations	9,109,130.10	8,103,615.59
Pension commitments	The pension age/retirement age of the Managing Director and Deputy Managing Director is the age prescribed in the established employee pension legislation or a lower age if the employment has been agreed to expire before the pension age prescribed in the law.	
Monetary loans and terms thereof	No monetary loans granted.	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted.	
Board members and deputy board members		
Salaries and remunerations	3,910,803.20	3,771,715.40
Pension commitments	The pension age/retirement age of the board members and board deputy members employed by the company is the age prescribed in the established employee pension legislation or a lower age if the employment has been agreed to expire before the pension age prescribed in the law.	
Monetary loans and terms thereof	No monetary loans granted.	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted.	
Supervisory boards		
Salaries and remunerations	1,113,981.50	986,177.31
Pension commitments	No pension commitments.	
Monetary loans and terms thereof	No monetary loans granted.	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted.	

K3.3.3 Average number of personnel during the financial year

Office staff	3,537	3,420
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K3.4 Auditor's fees by assignment category

Auditing	583,769.62	373,350.19
Assignments referred to in section 1, subsection 1, paragraph 2 of the Auditing Act	6,005.32	1,317.50
Tax advice	66,045.16	19,263.57
Other services	285,603.69	377,776.17
Total	941,423.79	771,707.43

K4. Net investment income and other income and expenses

K4.1 Specification of net investment income	2019	2018
Investment income		
Income from group companies		
Dividend income	211,257.51	271,616.79
Total	211,257.51	271,616.79
Income from participating interests		
Interest income	-303,227.87	-70,383.26
Other income	0.00	43.58
Total	-303,227.87	-70,339.68
Income from real estate investments in other companies		
Dividend income	1,458.24	858.21
Interest income	50,150.40	86,276.15
Other income	70,675,527.42	70,281,027.86
Total	70,727,136.06	70,368,162.22
Income from other investments		
Dividend income	132,758,414.14	140,477,709.03
Interest income	47,526,239.53	50,257,152.61
Other income	30,777,402.81	18,880,973.18
Total	211,062,056.48	209,615,834.82
Total	281,697,222.18	280,185,274.15
Value readjustments	127,803,307.73	37,504,145.13
Realized gains	208,531,414.32	233,607,043.38
Total investment income	618,031,944.23	551,296,462.66

Investment charges

Expenses arising from real estate investments	-46,785,425.47	-34,769,238.43
Expenses arising from other investments	-44,495,835.50	-43,911,132.82
Interest paid and other expenses on liabilities		
From other companies	-3,692,838.39	-7,363,426.04
<i>Total</i>	<u>-3,692,838.39</u>	<u>-7,363,426.04</u>
<i>Total</i>	-94,974,099.36	-86,043,797.29
Value adjustments and depreciation		
Value adjustments	-108,953,492.90	-127,065,944.00
Planned depreciation on buildings	-24,905,889.81	-24,544,631.57
<i>Total</i>	<u>-133,859,382.71</u>	<u>-151,610,575.57</u>
Realized losses	-42,882,054.72	-28,441,160.10
<i>Total investment charges</i>	-271,715,536.78	-266,095,532.96
<i>Net investment income before revaluations and revaluation adjustments</i>	346,316,407.45	285,200,929.70
Revaluations of investments	265,557,101.10	11,242,640.16
Revaluation adjustments on investments	-28,340,659.44	-148,698,261.40
	<u>237,216,441.66</u>	<u>-137,455,621.24</u>
<i>Net investment income in the profit and loss account</i>	<u>583,532,849.11</u>	<u>147,745,308.46</u>

K4.2 Investment income for unit-linked insurance policies

	2019	2018
Investment income	61,467,129.43	59,897,452.15
Investment charges	-8,705,347.58	-5,080,313.02
<i>Net investment income before revaluations and their adjustment as well as value adjustments and readjustments</i>	52,761,781.85	54,817,139.13
Revaluations of investments	265,557,101.10	11,242,640.16
Revaluation adjustments on investments	-28,184,622.81	-145,619,042.06
Value adjustments	-2,204,087.90	-15,185,087.26
Value readjustments	13,987,492.67	1,918,745.94
	<u>249,155,883.06</u>	<u>-147,642,743.22</u>
<i>Net investment income in the profit and loss account</i>	<u>301,917,664.91</u>	<u>-92,825,604.09</u>

K4.3 Specification of other income and expenses**Other income**

Services sold to partner companies	67,773,387.32	56,534,467.92
Other other income	18,637,310.85	15,607,192.24
<i>Total</i>	<u>86,410,698.17</u>	<u>72,141,660.16</u>

Other expenses

Depreciation of consolidated goodwill	-36,535.94	-173,052.56
Expenses for services sold	-48,482,920.96	-46,428,861.74
Transfer to personnel fund	0.00	-9,447.19
Other expenses	-1,117,337.56	-2,753,562.97
<i>Total</i>	<u>-49,636,794.46</u>	<u>-49,364,924.46</u>

K5. Current value of investments and difference between in valuation as well as difference in valuation of nonhedging derivat

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

Investments	Remaining acquisition cost	2019 Book value	Current value
Real estate investments			
Real estate	936,070,865.34	960,643,164.67	1,270,280,379.95
Real estate shares in participating interests	37,176.94	37,176.94	71,984.43
Other real estate shares	153,768,935.94	153,768,935.94	193,779,647.26
	1,089,876,978.21	1,114,449,277.36	1,464,132,011.64
Investments in group companies			
Shares and holdings	7,097,056.12	7,097,056.07	7,097,056.07
	7,097,056.12	7,097,056.07	7,097,056.07
Investments in participating interests			
Shares and holdings	164,057,647.70	164,057,647.70	203,214,638.81
Debt securities	12,000,000.00	12,000,000.00	12,000,000.00
Loans receivable	1,500,000.00	1,500,000.00	1,500,000.00
	177,557,647.70	177,557,647.70	216,714,638.81
Other investments			
Shares and holdings	3,904,964,721.11	3,907,481,345.86	4,456,268,705.69
Debt securities	1,463,070,446.22	1,463,070,446.22	1,482,453,846.16
Loans guaranteed by mortgages	496,708,033.74	496,708,033.74	496,708,033.74
Other loans	287,826,951.59	287,826,951.59	287,826,951.59
Deposits	10,746,309.23	10,746,309.23	10,746,309.23
Other investments	424,090.21	424,090.21	530,267.19
	6,163,740,552.10	6,166,257,176.85	6,734,534,113.60
Deposits with ceding undertakings	636,421.94	636,421.94	636,421.94
	7,438,908,656.07	7,465,997,579.92	8,423,114,242.06

2019

The remaining acquisition cost of debt securities includes:

Difference between the nominal value and acquisition cost released (+) or charged (-) to interest income	-5,746,005.94
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Book value comprises

Revaluations released to income	24,572,299.33
Other revaluations	0.00

Difference in valuation (difference between current value and book value)	957,116,662.14
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		2018	
Investments	Remaining acquisition cost	Book value	Current value
Real estate investments			
Real estate	893,240,052.91	917,812,352.24	1,157,205,557.80
Real estate shares in participating interests	38,560.86	38,560.86	71,984.43
Other real estate shares	135,812,903.45	135,968,940.08	170,112,404.97
	1,029,091,517.21	1,053,819,853.17	1,327,389,947.20
Investments in group companies			
Shares and holdings	7,097,056.07	7,097,056.07	7,132,176.15
	7,097,056.07	7,097,056.07	7,132,176.15
Investments in participating interests			
Shares and holdings	157,833,294.92	157,833,294.92	160,830,366.74
Debt securities	12,000,000.00	12,000,000.00	12,000,000.00
Loans receivable	1,500,000.00	1,500,000.00	1,500,000.00
	171,333,294.92	171,333,294.92	174,330,366.74
Other investments			
Shares and holdings	3,795,224,592.36	3,795,224,592.36	4,151,340,941.96
Debt securities	1,580,275,771.66	1,580,275,771.66	1,579,676,704.63
Loans guaranteed by mortgages	510,630,197.50	510,630,197.50	510,630,197.36
Other loans	313,934,149.70	313,934,149.70	313,934,149.72
Deposits	10,713,422.50	10,713,422.50	10,713,422.50
Other investments	424,090.21	424,090.21	507,778.01
	6,211,202,223.93	6,211,202,223.93	6,566,803,194.18
Deposits with ceding undertakings	661,413.85	661,413.85	661,413.85
	7,419,385,505.98	7,444,113,841.94	8,076,317,098.12

The remaining acquisition cost of debt securities includes:

Difference between the nominal value and acquisition cost released (+) or charged (-) to interest income	-7,087,487.59
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Book value comprises

Revaluations released to income	24,728,335.96
Other revaluations	0.00

Difference in valuation (difference between current value and book value)	632,203,256.18
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K5.2 Difference in valuation of non-hedging derivatives

	Remaining acquisition cost	2019 Book value	Current value
Derivative contracts			
Other debtors			
Assets pledged as security for derivatives	190,000.00	190,000.00	190,000.00
Other deferred income and credits			
Futures and forward contracts	-395,974.60	-395,974.60	199,282.34
	-205,974.60	-205,974.60	389,282.34
Difference in valuation (difference between current value and book value)			595,256.94

	Remaining acquisition cost	2018 Book value	Current value
Derivative contracts			
Other debtors			
Assets pledged as security for derivatives	1,730,000.00	1,730,000.00	1,730,000.00
Other deferred income and credits			
Futures and forward contracts	0.00	0.00	967,645.02
	1,730,000.00	1,730,000.00	2,697,645.02
Difference in valuation (difference between current value and book value)			967,645.02

K6. Real estate investment

Changes in real estate investments:

	2019 Real estate and shares in real estate
Acquisition cost on 1 Jan.	1,216,012,414.30
Increase	170,755,183.13
Decrease	-72,454,501.26
Transfers between items	-15,741,676.89
Acquisition cost on 31 Dec.	1,298,571,419.28
Accumulated depreciation on 1 Jan.	-168,052,728.32
Accumulated depreciation related to deductions and transfers	537,790.60
Depreciation for the financial year	-18,364,030.03
Accumulated depreciation on 31 Dec.	-185,878,967.75
Value adjustments on 1 Jan.	-18,868,168.77
Value adjustments related to deductions and transfers	163,089.45
Value adjustments for the financial year	-6,550,269.18
Value readjustments	2,439,875.00
Value adjustments on 31 Dec.	-22,815,473.50
Revaluations on 1 Jan.	24,728,335.96
Decrease	-156,036.63
Revaluations on 31 Dec.	24,572,299.33
Book value on 31 Dec.	1,114,449,277.36

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

Remaining acquisition cost	44,035,897.64
Book value	44,290,566.16
Current value	44,290,566.16

K7. Investments in group companies and participating interests

Shares and holdings in group companies

	2019	2018
Acquisition cost on 1 Jan.	7,097,056.07	7,097,056.07
Book value on 31 Dec.	<u>7,097,056.07</u>	<u>7,097,056.07</u>

Shares and holdings in participating interests

Acquisition cost on 1 Jan.	234,344,497.80	234,582,688.27
Increase	3,010,493.57	14,471,922.81
Decrease	<u>-1,217,133.16</u>	<u>-14,710,113.28</u>
Acquisition cost on 31 Dec.	234,187,850.07	234,344,497.80
Value adjustments on 1 Jan.	-76,511,202.88	-74,953,425.41
Value adjustments for the financial year	-1,666,688.14	-1,557,777.47
Value readjustments	<u>6,381,000.51</u>	<u>0.00</u>
Value adjustments on 31 Dec.	-70,130,202.37	-76,511,202.88
Book value on 31 Dec.	<u>164,057,647.70</u>	<u>157,833,294.92</u>

Debt securities issued by and loans to participating interests

Acquisition cost on 1 Jan.	13,500,000.00	12,750,000.00
Increase	<u>0.00</u>	<u>750,000.00</u>
Acquisition cost on 31 Dec.	13,500,000.00	13,500,000.00
Book value on 31 Dec.	<u>13,500,000.00</u>	<u>13,500,000.00</u>

Total	<u>184,654,703.77</u>	<u>178,430,350.99</u>
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K7.1 Investments in companies included in LocalTapiola Group's consolidated financial statements

Shares and holdings		Domicile	Share of stocks %	Equity	Profit for the accounting period
Akapo-Leasing Oy	1)	Espoo	100.0 %	11,852.49	-10.00
Aura-Karelia Oy	1)	Espoo	100.0 %	147,934.04	0.00
Keskinäinen Vakuutusyhtiö Turva	4)	Tampere	76.0 %	49,016,225.97	5,707,086.72
LTC-Otso Oy	2)	Helsinki	54.0 %	7,957,951.95	5,188,215.38
LähiTapiola Aluekiinteistöt Ky -group	3)	Espoo	96.2 %	3,101,075.06	-353,924.94
LähiTapiola Core Kiinteistöt Ky -group	3)	Espoo	83.0 %	39,312,887.80	-452,578.65
LähiTapiola Etelä Keskinäinen Vakuutusyhtiö	3)	Salo	100.0 %	50,134,788.67	6,982,527.78
LähiTapiola Etelä-Pohjanmaa Keskinäinen Vakuutusyhtiö	3)	Seinäjoki	100.0 %	48,906,389.71	5,630,193.25
LähiTapiola Etelärannikko Keskinäinen Vakuutusyhtiö	3)	Parainen	100.0 %	11,130,232.95	-1,061,206.80
LähiTapiola Itä Keskinäinen Vakuutusyhtiö	3)	Iisalmi	100.0 %	61,256,153.11	6,404,135.18
LähiTapiola Kaakkois-Suomi Keskinäinen Vakuutusyhtiö	3)	Lappeenranta	100.0 %	51,262,045.41	8,408,441.72
LähiTapiola Kainuu-Koillismaa Keskinäinen Vakuutusyhtiö	3)	Kajaani	100.0 %	26,042,851.26	4,757,581.00
LähiTapiola Keskinäinen Henkivakuutusyhtiö	3)	Espoo	100.0 %	492,613,839.44	37,381,204.26
LähiTapiola Keski-Suomi Keskinäinen Vakuutusyhtiö	3)	Jyväskylä	100.0 %	44,452,744.30	7,680,887.71
LähiTapiola Kiinteistösijoitus I GP Oy	1)	Espoo	100.0 %	2,200.20	-127.80
LähiTapiola Kiinteistösijoitus I Ky	3)	Espoo	100.0 %	25,154,435.64	-16,655,361.52
LähiTapiola Kiinteistövarainhoito Oy -group	1)	Espoo	100.0 %	11,265,595.28	1,537,262.22
LähiTapiola KR PK2 Ky -konserni	3)	Espoo	100.0 %	13,797,599.84	-2,303,906.08
LähiTapiola Lappi Keskinäinen Vakuutusyhtiö	3)	Rovaniemi	100.0 %	20,897,418.97	8,851.20
LähiTapiola Loimi-Häme Keskinäinen Vakuutusyhtiö	3)	Loimaa	100.0 %	25,591,535.84	3,160,648.49
LähiTapiola Lännen Keskinäinen Vakuutusyhtiö	3)	Rauma	100.0 %	47,399,122.47	5,228,687.65
LähiTapiola Palvelut Oy	1)	Espoo	100.0 %	11,020,896.77	565,181.82
LähiTapiola Pirkanmaa Keskinäinen Vakuutusyhtiö	3)	Tampere	100.0 %	46,620,417.73	7,406,458.59
LähiTapiola Pohjanmaa Keskinäinen Vakuutusyhtiö	3)	Vaasa	100.0 %	51,981,651.16	7,895,201.57
LähiTapiola Pohjoinen Keskinäinen Vakuutusyhtiö	3)	Oulu	100.0 %	83,268,125.70	9,673,220.46
LähiTapiola Pääkaupunkiseutu Keskinäinen Vakuutusyhtiö	3)	Helsinki	100.0 %	54,431,125.43	-3,319,079.23
LähiTapiola Pääomasijoitus GP Oy	3)	Espoo	100.0 %	610.89	-61.05
LähiTapiola Pääomasijoitus I Ky	3)	Espoo	87.6 %	120,807,120.85	10,982,593.89
LähiTapiola Pääomasijoitus II GP Oy	1)	Espoo	100.0 %	2,026.78	-130.40
LähiTapiola Pääomasijoitus II Ky	3)	Espoo	92.0 %	86,222,357.56	646,174.58
LähiTapiola Pääomasijoitus III GP Oy	1)	Espoo	100.0 %	2,200.20	-127.80
LähiTapiola Pääomasijoitus III Ky	3)	Espoo	97.2 %	130,516,469.82	18,493,102.06
LähiTapiola Pääomasijoitus IV GP Oy	1)	Espoo	100.0 %	3,857.98	1,444.63
LähiTapiola Pääomasijoitus IV Ky	3)	Espoo	98.6 %	2,960,817.63	-926,809.67
LähiTapiola Rahoitus Oy	1)	Espoo	100.0 %	20,535,841.51	2,799,330.83
LähiTapiola Rahoitusyhtiö I Ky	3)	Espoo	99.0 %	451,565,216.16	1,824,879.83
LähiTapiola Satakunta Keskinäinen Vakuutusyhtiö	3)	Rauma	100.0 %	26,045,214.49	3,558,107.20
LähiTapiola Savo Keskinäinen Vakuutusyhtiö	3)	Kuopio	100.0 %	42,076,585.94	3,131,074.59
LähiTapiola Savo-Karjala Keskinäinen Vakuutusyhtiö	3)	Mikkeli	100.0 %	30,794,657.23	2,785,843.66
LähiTapiola Tampereen Tornit Ky	3)	Espoo	95.6 %	26,408,666.63	0.00
LähiTapiola Tontit GP I Oy	3)	Espoo	97.6 %	116,954.08	7,567.17
LähiTapiola Tontit GP II Oy	1)	Espoo	100.0 %	96,302.81	21.77
LähiTapiola Tontit I Ky	3)	Espoo	97.6 %	45,374,095.28	4,274,095.20
LähiTapiola Tontit II Ky	3)	Espoo	95.1 %	6,467,625.86	357,707.07
LähiTapiola Uusimaa Keskinäinen Vakuutusyhtiö	3)	Porvoo	100.0 %	47,364,844.82	4,887,382.33
LähiTapiola Varainhoito Oy	1)	Espoo	100.0 %	22,611,911.69	1,142,317.27
LähiTapiola Varsinais-Suomi Keskinäinen Vakuutusyhtiö	3)	Turku	100.0 %	39,984,417.31	1,956,267.46
LähiTapiola Velkasijoitus I GP Oy	1)	Espoo	100.0 %	2,090.35	-130.40
LähiTapiola Velkasijoitus I Ky	3)	Espoo	99.3 %	105,690,474.50	5,080,012.79
LähiTapiola Vellamo Keskinäinen Vakuutusyhtiö	3)	Lahti	100.0 %	50,311,232.82	7,805,691.92
LähiTapiola Yhteiset Kiinteistöt Ky	3)	Espoo	100.0 %	185,653,265.80	4,502,048.32
LähiTapiola Yritysrahoitus I GP Oy	1)	Espoo	100.0 %	7,356.45	-218.53
LähiTapiola Yritysrahoitus I Ky	3)	Espoo	100.0 %	621,289,707.74	15,841,311.65

Shares and holdings		Domicile	Share of stocks %	Equity	Profit for the accounting period
Tapiolan Revontuli Oy	1)	Espoo	100.0 %	52,613.36	-138.34
Tieto-Tapiola Oy	1)	Espoo	100.0 %	4,379,644.87	261,891.89
Tietotyö Oy	1)	Espoo	100.0 %	849,974.15	941.85
Vakuutusneuvonta Aura Oy	2)	Espoo	66.7 %	10,729.40	0.00
Vakuutusneuvonta Pohja Oy	2)	Espoo	66.7 %	10,672.17	0.00
Total				3,344,992,654.32	188,881,781.75

In addition, 61 (62) housing associations and real estate companies are integrated into the consolidated financial statements of LocalTapiola Group.

1) A subsidiary belonging to the consolidated financial statements of LocalTapiola Group

2) A subsidiary, which belongs to the consolidated financial statements of LocalTapiola Group, and is a participating interest for the group in accordance with the Accounting Act.

3) A subsidiary, which belongs to the consolidated financial statements of LocalTapiola Group, and is classified as other investment in the group in accordance with the Accounting Act.

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

K7.2 Investments in participating interests

Shares and holdings		Domicile	Share of stocks %	Equity	Profit for the accounting period
Cinematic Productions S Oy	3)	Helsinki	20.0 %	41,458.36	-737.25
Pihlajalinna Oyj -group	3)	Tampere	23.8 %	101,100,000.00	3,400,000.00
Project-IT Oy	2)	Lohja	25.0 %	2,693,892.67	1,288,614.09
Seligson & Co Rahastoyhtiö Oyj	3)	Helsinki	38.9 %	12,977,439.25	1,988,256.67
S-Pankki Oy -group	3)	Helsinki	23.5 %	473,439,054.74	24,127,499.00
Total				590,251,845.02	30,803,632.51

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

2) Participating interest

3) A participating interest, which belongs to the consolidated financial statements of LocalTapiola Group, and is classified as other investment in the group in accordance with the Accounting Act.

K7.3 Other investments

Security	Share of stocks %	Number	Book value	Current value	Home country
Finnish companies, listed					
Fortum Oyj	0.00	42,680.00	741,799.84	938,960.00	Finland
Hoivatilat Oyj	0.78	199,116.00	563,060.97	3,185,856.00	Finland
Huhtamäki Oyj	0.19	200,300.00	6,757,739.98	8,288,414.00	Finland
Kone Oyj B	0.03	156,000.00	4,055,749.10	9,091,680.00	Finland
NoHo Partners Oyj	0.33	62,500.00	500,450.00	643,750.00	Finland
Nokia Oyj	0.03	1,606,000.00	5,293,376.00	5,293,376.00	Finland
Stora Enso R	0.08	651,600.00	6,053,136.34	8,447,994.00	Finland
UPM-Kymmene Oyj	0.01	53,272.00	617,692.05	1,646,637.52	Finland
Vaisala Oyj A	1.22	422,798.00	4,946,104.98	13,423,836.50	Finland
Wulff-Yhtiöt Oyj	5.95	411,100.00	727,647.00	727,647.00	Finland
Muut		1,270,121.00	3,729,972.82	6,037,171.03	
Total		5,075,487.00	33,986,729.08	57,725,322.05	

	%	Number	Book value	Current value	Home country
Finnish companies, non-listed					
GT Invest Oy	13.28	1,328.00	1,500,331.75	1,500,331.75	Finland
Keski-Pohjanmaan Kirjapaino Oyj A	14.88	32,000.00	607,999.77	608,000.00	Finland
LähiRahoitus Oy A	16.47	2,000,000.00	1,047,196.83	1,720,000.00	Finland
LähiTuuli Oy	19.90	207,100.00	1,000,000.00	1,493,191.00	Finland
Sofigate Group Oy	5.95	1,209,400.00	1,451,280.00	1,451,280.00	Finland
Viria Oyj	5.69	306,600.00	5,926,672.76	5,978,700.00	Finland
Muut		211,123,498.49	179,570,643.84	179,828,143.93	
Total		214,879,926.49	191,104,124.95	192,579,646.68	
Foreign companies, listed					
ASML Holding NV	0.01	47,000.00	7,504,964.43	12,393,900.00	The Netherlands
AbbVie Inc	0.01	122,000.00	7,167,886.51	9,615,346.27	USA
Alphabet Inc Class C	0.00	7,300.00	7,059,266.25	8,688,130.67	USA
Amazon.com Inc	0.00	5,000.00	4,765,719.03	8,224,319.04	USA
Anheuser-Busch InBev NV	0.01	127,000.00	9,234,170.00	9,234,170.00	Belgium
Assa Abloy Ab B	0.05	518,000.00	9,716,641.34	10,859,019.03	Sweden
AstraZeneca PLC	0.01	131,000.00	8,384,690.65	11,712,705.69	UK
Automatic Data Processing Inc	0.01	60,000.00	5,460,290.64	9,106,284.50	USA
Axa Sa	0.02	579,000.00	11,808,447.12	14,538,690.00	France
BASF SE	0.01	115,000.00	7,724,405.03	7,745,250.00	Germany
Brenntag AG	0.12	180,000.00	8,656,149.20	8,726,400.00	Germany
Carl Zeiss Meditec AG	0.06	57,759.00	2,746,793.54	6,567,198.30	Germany
Danaher Corp	0.01	50,000.00	4,218,757.90	6,831,048.60	USA
Dassault Systemes Sa	0.02	49,000.00	6,336,040.46	7,180,950.00	France
Deutsche Telekom AG	0.02	848,000.00	12,355,360.00	12,355,360.00	Germany
Epiroc AB	0.08	690,000.00	6,117,123.56	7,552,695.56	Sweden
ING Groep NV	0.03	1,067,000.00	11,404,096.00	11,404,096.00	The Netherlands
Illinois Tool Works Inc	0.01	48,000.00	5,955,106.90	7,675,129.07	USA
Ingersoll-Rand PLC	0.03	71,000.00	5,723,850.14	8,400,676.52	Ireland
Lowe's Cos Inc	0.01	60,000.00	4,995,742.73	6,396,296.96	USA
Medtronic Inc	0.01	87,700.00	5,169,204.89	8,856,653.91	Ireland
Merck & Co Inc	0.00	94,000.00	4,565,232.39	7,610,201.17	USA
Merck KGAA	0.09	114,000.00	9,752,242.93	12,009,900.00	Germany
Mondelez International Inc	0.01	144,000.00	5,807,101.95	7,060,281.29	USA
NIKE Inc	0.01	86,000.00	5,940,625.55	7,755,616.88	USA
National Grid PLC	0.03	945,832.00	9,360,159.59	10,497,756.91	UK
Nestle Sa	0.00	136,000.00	10,447,704.66	13,128,874.15	Switzerland
PepsiCo Inc	0.00	66,000.00	4,763,077.36	8,029,392.91	USA
Procter & Gamble Co	0.00	26,000.00	1,719,128.97	2,890,688.98	USA
Procter & Gamble Co	0.00	35,000.00	2,313,095.73	3,891,312.09	USA
RELX PLC	0.01	200,000.00	3,660,683.51	4,479,313.59	UK
RELX PLC	0.01	170,000.00	3,118,937.04	3,807,416.55	UK
Roche Holding Ag	0.01	45,000.00	9,978,760.98	13,018,242.13	Switzerland
Rockwell Automation Inc/DE	0.04	52,000.00	7,764,230.59	9,381,199.92	USA
SAP Ag	0.01	103,000.00	9,518,612.27	12,392,960.00	Germany
SGS SA	0.05	3,950.00	8,636,731.22	9,647,549.30	Switzerland
Schneider Electric Sa	0.02	100,000.00	7,108,492.62	9,150,000.00	France
Siemens Healthineers AG	0.03	298,062.00	9,561,551.18	12,763,014.84	Germany
Swiss Re Ltd	0.04	124,000.00	10,224,193.31	12,418,278.97	Switzerland
Total Sa	0.01	293,000.00	13,525,271.05	14,415,600.00	France
US Bancorp	0.01	206,000.00	8,653,581.84	10,872,120.34	USA
Unilever NV	0.02	262,000.00	10,126,609.18	13,422,260.00	The Netherlands
Visa Inc	0.00	59,000.00	5,198,304.34	9,868,346.09	USA
salesforce.com Inc	0.01	54,000.00	6,433,806.58	7,817,838.70	USA
Muut		2,336.00	27,919.36	33,451.52	
Total		8,538,939.00	320,710,760.52	410,425,936.45	

	%	Number	Book value	Current value	Home country
Foreign companies, non-listed					
European Alliance Partners Company AG	12.73	9,248.00	768,146.84	1,074,377.62	Switzerland
Muut		98,251.00	168,904.65	168,904.65	
Total		107,499.00	937,051.49	1,243,282.27	
Mutual funds					
			Book value	Current value	Home country
AMUNDI PLANT EM GRN 1-SEURH			20,627,120.00	20,983,818.52	Luxembourg
Aktia Trade Finance Erikoissijoitusrahasto			4,418,070.90	4,418,070.90	Finland
Amundi ETF MSCI EM Asia UCITS ETF			12,760,092.15	13,404,772.80	France
Amundi ETF MSCI Emerging Markets UCITS ETF			1,999,887.64	2,582,272.80	France
BNP Paribas FPS FPE			23,831,946.23	23,831,946.23	France
BNP Paribas Global Senior Corporate Loans			60,413,081.12	60,413,081.12	France
Danske Invest Yhteisökorko WK			20,003,353.80	20,004,120.22	Finland
GS Emerging Markets Equity			15,039,577.83	15,833,400.13	Luxembourg
Ishares Barclays Capital Euro Corp Bond ex-Financ			11,729,063.51	12,191,462.60	Ireland
LähiTapiola AIF Eurooppa			102,921,838.87	113,167,307.04	Finland
LähiTapiola AIF High Yield			28,930,000.00	30,210,696.77	Finland
LähiTapiola AIF Pitkäkorko			58,916,247.83	59,510,382.92	Finland
LähiTapiola AIF USA			43,181,127.16	59,612,430.66	Finland
LähiTapiola AIF Yrityslaina			289,256,793.33	297,720,392.40	Finland
LähiTapiola Eurooppa Markkina A			35,567,510.87	39,087,224.69	Finland
LähiTapiola Eurooppa Markkina A			2,599,826.49	2,740,535.54	Finland
LähiTapiola High Yield A			104,326,074.08	128,498,419.87	Finland
LähiTapiola High Yield A			3,310,859.49	4,149,766.24	Finland
LähiTapiola High Yield B			2,423,283.76	2,730,921.37	Finland
LähiTapiola Kehittyvät Korkomarkkinat A			280,370,300.87	300,578,517.90	Finland
LähiTapiola Kehittyvät Korkomarkkinat A			6,265,780.79	7,064,641.23	Finland
LähiTapiola Kehittyvät Korkomarkkinat B			4,575,207.96	4,575,207.96	Finland
LähiTapiola Korkomaailma A			48,533,456.80	57,311,751.52	Finland
LähiTapiola Korkomaailma A			1,477,238.30	1,795,845.71	Finland
LähiTapiola Korkomaailma B			2,135,310.66	2,228,447.74	Finland
LähiTapiola Pitkäkorko A			1,710,791.12	2,011,799.79	Finland
LähiTapiola Pitkäkorko A			29,672,107.55	33,264,201.99	Finland
LähiTapiola Pitkäkorko B			4,198,701.89	4,317,478.81	Finland
LähiTapiola Reaalikorko A			1,651,277.81	1,691,063.64	Finland
LähiTapiola Reaalikorko A			53,285,214.24	54,485,433.10	Finland
LähiTapiola Sijoituskiinteistöt A			52,804,740.74	57,979,605.33	Finland
LähiTapiola Suoja A			1,247,456.78	1,456,453.07	Finland
LähiTapiola Suoja A			38,648,577.53	43,626,052.55	Finland
LähiTapiola USA Markkina A			31,347,229.15	40,473,832.96	Finland
LähiTapiola USA Markkina A			1,528,537.76	2,063,016.87	Finland
LähiTapiola Vastuullinen Eurooppa Keskiuuret A			26,542,399.72	34,094,441.47	Finland
LähiTapiola Vastuullinen Eurooppa Keskiuuret A			1,823,971.08	2,581,287.65	Finland
LähiTapiola Vastuullinen Hyvinvointi A			19,939,198.74	41,107,297.86	Finland
LähiTapiola Vastuullinen Hyvinvointi A			992,496.13	2,145,471.43	Finland
LähiTapiola Vastuullinen Hyvinvointi B			767,589.40	1,486,830.53	Finland
LähiTapiola Vastuullinen Infra A			15,600,293.79	25,451,287.70	Finland
LähiTapiola Vastuullinen Kasvu A			17,430,661.19	30,966,197.10	Finland
LähiTapiola Vastuullinen Kehittynyt Aasia A			48,304,020.67	61,600,447.51	Finland
LähiTapiola Vastuullinen Kehittynyt Aasia A			2,324,009.15	3,127,422.73	Finland
LähiTapiola Vastuullinen Kehittynyt Aasia B			1,046,923.13	1,352,275.24	Finland
LähiTapiola Vastuullinen Kehittyvät Markkinat A			73,710,813.17	88,496,289.91	Finland
LähiTapiola Vastuullinen Kehittyvät Markkinat A			1,799,054.14	2,339,630.49	Finland
LähiTapiola Vastuullinen Kehittyvät Markkinat B			712,563.71	753,687.18	Finland
LähiTapiola Vastuullinen Kuluttaja A			11,368,114.06	21,835,832.93	Finland
LähiTapiola Vastuullinen Lyhytkorko A			39,838,928.52	39,990,100.90	Finland
LähiTapiola Vastuullinen Osinko A			14,138,549.82	20,895,075.22	Finland

	Book value	Current value	Home country
LähiTapiola Vastuullinen Osinko Suomi A	1,448,057.97	2,134,584.29	Finland
LähiTapiola Vastuullinen Osinko Suomi A	22,537,532.63	30,951,733.62	Finland
LähiTapiola Vastuullinen Osinko Suomi B	859,046.18	1,028,091.68	Finland
LähiTapiola Vastuullinen Pohjoinen Yrityskorko A	98,633,072.68	115,822,927.32	Finland
LähiTapiola Vastuullinen Pohjoinen Yrityskorko A	3,324,032.22	3,934,915.31	Finland
LähiTapiola Vastuullinen Pohjoinen Yrityskorko B	2,205,973.68	2,205,973.68	Finland
LähiTapiola Vastuullinen Skandinavia A	34,201,158.66	42,025,218.69	Finland
LähiTapiola Vastuullinen Skandinavia A	1,014,683.13	1,303,483.33	Finland
LähiTapiola Vastuullinen USA Keski-suuret A	689,268.93	1,561,226.09	Finland
LähiTapiola Vastuullinen USA Keski-suuret A	31,815,600.78	57,094,376.25	Finland
LähiTapiola Vastuullinen USA Keski-suuret B	502,691.64	855,005.75	Finland
LähiTapiola Vastuullinen Vaikuttajakorko A	1,400,000.00	1,443,782.18	Finland
LähiTapiola Vastuullinen Vaikuttajakorko A	112,295,279.97	114,410,489.77	Finland
LähiTapiola Vastuullinen Yrityskorko A	13,258,587.63	15,239,754.71	Finland
LähiTapiola Vastuullinen Yrityskorko A	233,357,840.30	272,906,429.67	Finland
LähiTapiola Vastuullinen Yrityskorko B	15,109,919.18	15,959,814.74	Finland
Natixis Loomis Sayles Senior Loan Fund	11,499,998.50	12,851,133.56	Luxembourg
PIMCO GIS Emerging Markets Bond ESG Fund	88,483,143.40	101,653,280.05	Ireland
Robeco QI Global Dynamic Duration I EUR	1,436,304.05	2,300,112.24	Luxembourg
SEB Global High Yield B	501,819.37	904,599.37	Finland
Seligson Euro Corporate Bond	2,437,312.54	2,607,927.39	Finland
Seligson OMX Helsinki 25 -indeksiosuus	505,694.48	887,836.00	Finland
X-Trackers iBoxx Sovereigns Eurozone Ind. ETF	1,787,571.07	1,828,121.67	Germany
X-trackers MSCI EM UCITS ETF	39,076,431.99	41,220,134.55	Luxembourg
eQ Hoivakiinteistöt	1,360,299.51	1,558,063.29	Finland
iShares Barclays Capital Euro Corporate Bond	2,134,797.49	2,201,401.50	Ireland
iShares Core MSCI Emerging Markets IMI UCITS ETF	3,517,609.98	4,469,548.40	Germany
Ålandsbanken Asuntorahasto C	500,000.00	549,821.17	Finland
Ålandsbanken Tonttirahasto Erik.sij.rahasto A-laji	500,000.00	513,647.17	Finland
Muut	4,540,626.02	7,130,240.09	
Total	2,408,981,625.41	2,763,791,622.37	

Capital mutual funds	Book value	Current value	Home country
Aberdeen Property Fund Finland I Ky	9,780,749.38	9,780,749.38	Finland
Aberdeen Property Fund Finland I Ky	20,180,361.16	20,180,361.16	Finland
Altor Fund II (No. 1) Limited Partnership	1,229,767.74	1,229,767.74	Jersey
Altor Fund III	6,449,642.19	6,573,620.88	Jersey
Altor Fund IV (No.2) AB	11,657,638.44	12,546,098.72	Sweden
Amanda III Eastern Private Equity L.P.	551,380.00	551,380.00	Finland
Amanda V East L.P.	4,022,458.80	4,440,857.00	Finland
Apax Europe VII - B, L.P.	816,194.92	816,194.92	UK
Apax IX L.P.	17,551,547.05	23,745,809.68	Guernsey
Apax VIII - A L.P.	14,975,500.09	14,975,500.09	Guernsey
Ares Private Credit Solutions, L.P.	14,769,025.35	15,212,052.76	Cayman Islands
Armada Mezzanine IV Ky	3,153,742.54	3,426,056.10	Finland
AXA LBO Fund V Core	4,785,946.58	5,576,255.83	France
AXA LBO Fund V Supplementary	1,588,222.00	4,150,431.00	France
BE VI A L.P.	2,613,141.40	2,613,141.40	UK
Beechbrook Mezzanine II L.P.	5,952,561.32	5,952,561.32	UK
Beechbrook Private Debt III L.P.	16,049,151.46	16,049,151.46	UK
Beechbrook UK SME Credit I L.P.	11,607,540.46	11,607,540.46	UK
BlackRock Europe Property Fund III	540,120.00	540,120.00	UK
Bowmark Capital Partners IV, L.P.	4,016,736.93	4,016,736.93	UK
Bowmark Capital Partners V, L.P.	5,933,141.26	5,933,141.26	UK
Bowmark Capital Partners VI, L.P.	3,935,092.85	3,935,092.85	UK
Bridgepoint Europe III, L.P.	1,962,161.00	1,962,161.00	UK
Bridgepoint Europe IV F L.P.	3,038,455.37	3,038,455.37	UK
Bridgepoint Europe V C L.P.	15,603,970.36	17,501,513.02	UK
Cordet Direct Lending SCSp	19,919,338.39	19,919,338.39	Luxembourg
Crescent Mezzanine Partners VI, L.P.	15,887,159.52	15,887,159.52	USA
Crown European Private Debt II SCSP	20,046,957.46	20,046,957.46	Luxembourg
Dasos Timberland Fund II	9,697,197.07	10,920,661.99	Luxembourg
Dasos Timberland Fund II	14,829,680.13	18,310,414.51	Luxembourg
Dyal Capital Partners IV LP	615,078.32	615,078.32	Cayman Islands
eQ PE VIII North LP	3,885,972.00	3,885,972.00	Finland
eQ PE X North LP	577,755.00	577,755.00	Finland
EQT Mid-Market Credit II (EUR Unlevered No. 1) SCSp	12,475,056.00	12,475,056.00	Luxembourg
Euro Choice Secondary II L.P.	5,897,277.12	6,474,769.11	UK
FPCI Indigo Capital	8,375,708.91	8,499,200.00	France
FSN Capital V L.P.	9,471,906.69	9,471,906.69	Jersey
Fundu Fund Ky	4,497,384.49	4,742,988.45	Finland
GreenOak Europe Secured Lending II SLP	393,392.00	393,392.00	UK
GreenOak UK Secured Lending LP	1,955,725.83	2,070,078.75	Jersey
ICECAPITAL Residential Property Fund I Ky	10,141,732.28	13,426,597.59	Finland
ICG Europe Fund V	7,551,495.03	7,551,495.03	Jersey
ICG Europe Fund VI	31,237,833.86	36,503,222.05	Jersey
ICG Europe Fund VII	8,204,872.36	9,260,609.66	Luxembourg
ICG Senior Debt Partners Fund	2,248,571.00	2,248,571.00	Luxembourg
ICG Senior Debt Partners Fund 2	23,325,668.12	23,558,994.33	Luxembourg
ICG Senior Debt Partners Fund 3	20,011,584.31	20,117,497.00	Luxembourg
ICG-Longbow UK Real Estate Debt Investments III S.á.r.l.	11,899,706.49	11,899,706.49	Luxembourg
Infranode I (No. 1) AB	14,260,464.46	14,261,130.49	Sweden
Juuri Rahasto I Ky	13,591,977.05	13,848,162.40	Finland
Kasvurahastojen Rahasto III Ky	988,173.00	988,173.00	Finland
Korona Fund III Ky	1,917,542.80	1,917,542.80	Finland
Lounais-Suomen Kiinteistösi joitus Ky	744,000.00	744,000.00	Finland
Luotsi Asuntorahasto Ky	4,003,080.00	4,003,080.00	Finland
LähiTapiola Asuntorahasto Prime Ky	11,666,881.31	11,962,811.85	Finland
LähiTapiola Asuntosijoitus Suomi Ky	49,203,467.12	61,082,624.59	Finland

	Book value	Current value	Home country
M&G Real Estate Debt Fund II, L.P.	8,445,939.54	8,445,939.54	Guernsey
MB Equity Fund IV Ky	4,565,064.00	4,565,064.00	Finland
MB Equity Fund V Ky	9,674,562.69	9,674,562.69	Finland
mcp Opportunity Secondary Program III, L.P.	8,583,196.89	11,924,790.88	UK
mcp Opportunity Secondary Program IV, L.P.	5,847,931.78	7,706,209.77	UK
NB Private Debt Fund II LP	21,248,086.16	21,248,086.16	USA
NegaWatt Energiatehokkuusraho 2 Ky	600,493.68	600,493.68	Finland
Nest Capital 2015 Fund Ky	13,215,217.09	14,520,226.67	Finland
Nexit INFOCOM II L.P.	3,872,138.72	6,358,907.82	Guernsey
Nordic Mezzanine Fund III Limited Partnership	3,486,284.37	4,852,297.51	UK
Partners Group U.S. Venture 2004, L.P.	1,338,311.38	1,338,311.38	USA
PBW II Real Estate Fund S.A.	628,232.65	628,232.65	Luxembourg
Rantum Capital GmbH & Co. Private Debt Fund I KG	8,904,581.16	8,904,581.16	Germany
Rantum Capital GmbH & Co. Private Debt Fund II KG	13,683,298.34	13,683,298.34	Germany
Real Estate Debt & Secondaries Ky	1,149,441.99	1,149,441.99	Finland
Real Estate Debt & Secondaries Ky	1,149,441.99	1,149,441.99	Finland
Real Estate Fund of Funds II Ky	526,788.61	526,788.61	Finland
Saga VI EUR K/S	8,344,933.00	9,120,032.00	Denmark
Saga VI USD K/S	6,278,462.15	6,953,378.14	Denmark
Saga VII EUR K/S	593,000.00	593,000.00	Denmark
Saga VII USD K/S	254,584.30	254,584.30	Denmark
Sentica Buyout V Ky	3,900,062.00	3,900,062.00	Finland
Siguler Guff Small Business Credit Opportunities Fund II, LP	1,669,040.41	1,669,040.41	USA
Siguler Guff Small Business Credit Opportunities Fund LP	12,876,256.30	13,881,175.11	USA
Tapiola KR III Ky	104,091,961.13	104,091,961.13	Finland
The Triton Fund III L.P.	6,849,254.00	6,957,926.46	Jersey
Tikehau Direct Lending III	12,425,926.86	12,425,926.86	Luxembourg
Tikehau Direct Lending IV	21,600,000.00	21,804,278.51	Luxembourg
Top Tier Venture Capital III, L.P.	1,178,999.34	1,178,999.34	USA
Top Tier Venture Capital IV, L.P.	4,140,803.46	5,368,086.52	USA
TPG Partners VI, LP	9,691,215.95	9,691,215.95	USA
TPG Partners VII, L.P.	20,490,568.48	26,375,406.80	USA
TPG Partners VIII	132,049.14	132,049.14	USA
Vaaka Partners Buyout Fund III Ky	4,099,137.35	5,507,528.56	Finland
WasaGroup Fund I Ky	969,940.47	1,463,559.42	Finland
WasaGroup Fund II Ky	1,159,505.25	1,477,770.09	Finland
WasaGroup Fund III Ky	6,346,069.82	7,259,389.21	Finland
Verdane ETF III SPV K/S	770,399.00	770,399.00	Denmark
VSS Structured Capital Parallel III, L.P.	9,318,077.20	10,350,316.90	USA
Muut	85,374,910.99	97,980,438.38	
Total	951,761,054.41	1,030,502,895.87	
Total other investments, shares and holdings	3,907,481,345.86	4,456,268,705.69	

K7.4 Assets covering unit linked policies

Security	Current value	Book value	Home country
Shares			
Evli Bank PLC	923,800.80	923,800.80	Finland
Fortum Oyj	743,622.00	743,622.00	Finland
Kone Oyj B	523,995.48	523,995.48	Finland
Metso Oyj	591,903.50	591,903.50	Finland
Neste Oyj	982,403.40	982,403.40	Finland
Nokia Oyj	1,648,646.01	1,648,646.01	Finland
Nordea Bank Abp	2,182,230.12	2,182,230.12	Finland
PowerCell Sweden AB	559,851.04	559,851.04	Finland
Sampo Oyj A	979,675.98	979,675.98	Finland
Stora Enso R	741,325.74	741,325.74	Finland
UPM-Kymmene Oyj	894,597.22	894,597.22	Finland
Muut	15,158,961.09	15,158,961.09	
Total	25,931,012.38	25,931,012.38	

Mutual funds	Current value	Book value	Home country
FUNDSMITH EQUITY FD SICAV-IA	1,135,758.69	1,135,758.69	France
JPM Emerging Markets Opportunities I Acc EUR	2,587,831.16	2,587,831.16	France
X-Trackers - DJ EURO STOXX 50 ETF	3,450,904.08	3,450,904.08	Luxembourg
iShares Core MSCI Emerging Markets IMI UCITS ETF	2,672,388.07	2,672,388.07	Luxembourg
iShares Core S&P 500 UCITS	7,445,356.89	7,445,356.89	Germany
iShares MSCI Europe ETF (Germany)	3,764,067.84	3,764,067.84	Germany
Slättö Bostäder Invest AB	957,230.92	957,230.92	Finland
Slättö Core Plus AB	741,853.96	741,853.96	Finland
Slättö IV AB	2,900,009.35	2,900,009.35	Finland
Slättö VII AB- B Shares	3,665,844.95	3,665,844.95	Finland
ALANDBANKEN EURO BOND-B	749,884.32	749,884.32	Finland
Alandsbanken Euro High Yield B	553,509.87	553,509.87	Finland
Alandsbanken Global Equity	571,909.80	571,909.80	Finland
EAI Residential asuntorahasto 2015	1,396,008.00	1,396,008.00	Finland
EAI Residential asuntorahasto 2016	547,920.00	547,920.00	Finland
EAI Residential asuntorahasto 2018	596,200.00	596,200.00	Finland
EGP Fund I Ky	1,536,249.00	1,536,249.00	Finland
EQ Eurooppa Indeksi-1 K	593,514.29	593,514.29	Finland
EQ Eurooppa Kiinteistö-1 K	1,481,658.82	1,481,658.82	Finland
EQ Eurooppa Osinko 1 K	997,411.92	997,411.92	Finland
EQ Pohjoismaat Pienyhtiö 2 K	800,186.08	800,186.08	Finland
EVLI EMERGING FRONTIER-B	4,245,098.20	4,245,098.20	Finland
EVLI EMERGING MKT CREDIT-B	9,837,588.77	9,837,588.77	Finland
EVLI EQTY FACTOR EUR -B ACC	15,160,793.95	15,160,793.95	Finland
EVLI EQUITY FACTOR USA-B	5,104,879.34	5,104,879.34	Finland
EVLI FINNISH SMALL CAP	7,275,578.19	7,275,578.19	Finland
EVLI GEM-B	3,340,478.23	3,340,478.23	Finland
EVLI RENTAL YIELD AIF-A	10,584,105.37	10,584,105.37	Finland
Erikoissijoitusrahasto Elite	984,454.00	984,454.00	Finland
Erikoissijoitusrahasto UB Nordic Property	924,764.40	924,764.40	Finland
Evli Euro Likvidi B	4,203,126.35	4,203,126.35	Finland
Evli Eurooppa B	13,200,714.18	13,200,714.18	Finland
Evli European High Yield B	28,272,222.58	28,272,222.58	Finland
Evli European Investment Grade B	14,086,795.99	14,086,795.99	Finland
Evli Healthcare I Ky	24,262,135.79	24,262,135.79	Finland
Evli Lyhyt Yrityslaina B	25,969,673.49	25,969,673.49	Finland
Evli Maaailma B	646,353.76	646,353.76	Finland
Evli Pohjoismaat B	502,186.46	502,186.46	Finland
Evli Suomi Select B	2,914,349.08	2,914,349.08	Finland
Evli Swedish Small Cap B	2,925,486.61	2,925,486.61	Finland
Evli Takt.Alpha-Korko B	23,615,398.53	23,615,398.53	Finland
Evli Varainhoito 30 B	656,280.34	656,280.34	Finland
Evli Varainhoito 50 B	2,297,260.98	2,297,260.98	Finland
Harkitseva Varainhoito	1,052,370.00	1,052,370.00	Finland
Indeksivarainhoito 25	5,883,000.00	5,883,000.00	Finland
Indeksivarainhoito 50	7,224,479.62	7,224,479.62	Finland
Kiinteistö-sijoitussalkku	66,374,449.05	66,374,449.05	Finland
Kiinteistö-sijoitussalkku A	2,170,637.99	2,170,637.99	Finland
Korkovarainhoitosalkku	2,098,566.94	2,098,566.94	Finland
LähiTapiola 2020 A	86,751,752.24	86,751,752.24	Luxembourg
LähiTapiola 2025 A	185,024,137.58	185,024,137.58	Finland
LähiTapiola 2035 A	88,024,907.10	88,024,907.10	Finland
LähiTapiola 2045 A	22,011,937.16	22,011,937.16	Finland

	Current value	Book value	Home country
LähiTapiola Asuntosijoitus	2,507,023.59	2,507,023.59	Finland
LähiTapiola Asuntosijoitus Prime	11,501,765.59	11,501,765.59	Luxembourg
LähiTapiola Asuntosijoitus Suomi	5,536,607.99	5,536,607.99	Luxembourg
LähiTapiola Eurooppa Markkina A	1,356,444.80	1,356,444.80	Luxembourg
LähiTapiola High Yield A	8,270,338.68	8,270,338.68	Finland
LähiTapiola Kehittyvät Korkomarkkinat A	4,247,584.39	4,247,584.39	Finland
LähiTapiola Korko 100 A	969,191.74	969,191.74	Finland
LähiTapiola Korkomaailma A	22,970,873.53	22,970,873.53	Finland
LähiTapiola Maailma 20 A	24,226,180.51	24,226,180.51	Finland
LähiTapiola Maailma 50 A	76,856,349.99	76,856,349.99	Finland
LähiTapiola Maailma 80 A	83,120,575.66	83,120,575.66	Finland
LähiTapiola Metsäsijoitus	3,753,495.16	3,753,495.16	Finland
LähiTapiola Pitkäkorko A	11,260,415.20	11,260,415.20	Finland
LähiTapiola Suoja A	1,386,440.21	1,386,440.21	Finland
LähiTapiola Tapiolan Keskus	2,031,190.66	2,031,190.66	Finland
LähiTapiola Toimitila	812,065.06	812,065.06	Finland
LähiTapiola USA Markkina A	2,514,070.27	2,514,070.27	Finland
LähiTapiola Vastuullinen Eurooppa Keskisuuret A	27,887,725.52	27,887,725.52	Finland
LähiTapiola Vastuullinen Hyvinvointi A	35,775,418.00	35,775,418.00	Finland
LähiTapiola Vastuullinen Infra A	6,075,014.56	6,075,014.56	Finland
LähiTapiola Vastuullinen Kasvu A	16,051,464.52	16,051,464.52	Finland
LähiTapiola Vastuullinen Kehittynyt Aasia A	13,149,352.54	13,149,352.54	Finland
LähiTapiola Vastuullinen Kehittyvät Markkinat A	36,398,566.11	36,398,566.11	Finland
LähiTapiola Vastuullinen Kuluttaja A	25,545,497.72	25,545,497.72	Finland
LähiTapiola Vastuullinen Lyhytkorko A	11,750,951.04	11,750,951.04	Finland
LähiTapiola Vastuullinen Osinko A	909,924.70	909,924.70	Finland
LähiTapiola Vastuullinen Osinko Suomi A	17,287,090.25	17,287,090.25	Finland
LähiTapiola Vastuullinen Pohjoinen Yrityskorko A	5,542,664.47	5,542,664.47	Finland
LähiTapiola Vastuullinen Skandinavia A	1,120,604.33	1,120,604.33	Finland
LähiTapiola Vastuullinen USA Keskisuuret A	9,949,318.75	9,949,318.75	Finland
LähiTapiola Vastuullinen Yrityskorko A	6,128,972.60	6,128,972.60	Finland
LähiTapiola Viisas	21,337,058.50	21,337,058.50	Finland
Momentum-varainhoito	89,478,170.03	89,478,170.03	Finland
Osakevarainhoitosalkku	621,516.96	621,516.96	Finland
Private Banking Korkostrategia	1,049,870.00	1,049,870.00	Finland
Private Banking Strategia 10	6,320,895.41	6,320,895.41	Finland
Private Banking Strategia 30	17,823,387.82	17,823,387.82	Finland
Private Banking Strategia 50	8,733,523.89	8,733,523.89	Finland
Private Banking Strategia 70	2,691,657.60	2,691,657.60	Finland
Reipas Varainhoito	1,105,030.00	1,105,030.00	Finland
Rohkea Varainhoito	1,150,930.00	1,150,930.00	Finland
S-Sijoituskori Kohtuullinen	3,562,736.30	3,562,736.30	UK
S-Sijoituskori Varovainen	5,458,762.44	5,458,762.44	Finland
SELIGSON PHAROS-A	994,716.77	994,716.77	Finland
Seligson & Co Tropico LatAm (EUR)	974,884.21	974,884.21	Finland
Seligson Aasia A	3,784,586.93	3,784,586.93	Finland
Seligson Euro-obligaatio	1,260,066.31	1,260,066.31	Finland
Seligson Eurooppa -indeksirahasto A	8,239,376.98	8,239,376.98	Finland
Seligson Glb Top 25 Brands -A	20,756,928.12	20,756,928.12	Finland
Seligson Global Top 25 Pharmaceuticals A	14,612,580.08	14,612,580.08	Finland
Seligson Kehittyvät markkinat	716,166.86	716,166.86	Finland
Seligson Phoebus - A	2,977,708.48	2,977,708.48	Finland
Seligson Phoenix A	1,132,018.53	1,132,018.53	Finland
Seligson Pohjois-Amerikka -indeksirahasto A	3,335,436.08	3,335,436.08	Finland
Seligson Rahamarkkina AAA	2,684,639.38	2,684,639.38	Finland
Seligson Russian Pros Euro A	10,706,218.90	10,706,218.90	Finland
Seligson Suomi-indeksirahasto	12,577,850.19	12,577,850.19	Finland

	Current value	Book value	Home country
Suojavarainhoito 10	5,023,186.80	5,023,186.80	Finland
Suojavarainhoito 15	1,817,384.27	1,817,384.27	Finland
Suojavarainhoito 5	543,836.63	543,836.63	Finland
TOP-indeksivarainhoito 25	4,792,889.10	4,792,889.10	Finland
TOP-indeksivarainhoito 50	1,418,004.00	1,418,004.00	Finland
Vakaa Varainhoito	1,074,620.00	1,074,620.00	Finland
Varainhoito 100	40,030,063.50	40,030,063.50	Sweden
Varainhoito 25	4,055,804.92	4,055,804.92	Sweden
Varainhoito 50	11,262,489.74	11,262,489.74	Sweden
Varainhoito 75	6,042,720.72	6,042,720.72	Finland
Varainhoito Eurooppa Plus	7,605,184.05	7,605,184.05	Finland
Varainhoito Maltillinen	113,862,969.39	113,862,969.39	Finland
Varainhoito Nordic Plus	27,328,224.10	27,328,224.10	Finland
Varainhoito Suomi Plus	31,709,228.76	31,709,228.76	Finland
Varainhoito Tasapainoinen	96,146,824.19	96,146,824.19	Finland
Varainhoito Tuottohakuinen	52,014,098.29	52,014,098.29	Finland
Varainhoito Varovainen	139,026,698.23	139,026,698.23	Finland
Varainhoitosalkku 10	32,932,294.09	32,932,294.09	Finland
Varainhoitosalkku 30	100,260,535.09	100,260,535.09	Finland
Varainhoitosalkku 50	51,429,387.40	51,429,387.40	Finland
Varainhoitosalkku 70	13,145,270.45	13,145,270.45	Finland
Vauras 100	522,819.50	522,819.50	Finland
Vauras 25	26,105,804.54	26,105,804.54	Finland
Vauras 50	13,809,212.39	13,809,212.39	Finland
Vauras 75	2,279,186.69	2,279,186.69	Finland
Yksilöllinen varainhoito 30	52,749,467.62	52,749,467.62	Finland
Yksilöllinen varainhoito 50	2,433,020.00	2,433,020.00	
eQ Euro Investment Grade	551,289.94	551,289.94	
eQ Euro Investment Grade 1 T	539,103.99	539,103.99	Finland
eQ High Yield Bond 1 T	595,982.01	595,982.01	Finland
eQ Hoivakiinteistöt	33,160,593.62	33,160,593.62	Finland
eQ Kehittyvät Markkinat Osinko 1 T	716,824.54	716,824.54	Finland
eQ Kehittyvät Markkinat Osinko 1K	3,974,891.10	3,974,891.10	Finland
eQ Kehittyvät Markkinat Pienyhtiö 1 K	1,564,839.81	1,564,839.81	Finland
eQ Liikekiinteistöt-1T	34,078,507.99	34,078,507.99	Finland
eQ Mandaatti-2K	849,649.29	849,649.29	Finland
eQ PE IX US Feeder	1,442,050.92	1,442,050.92	Finland
eQ PE VIII North Ky	1,321,901.62	1,321,901.62	Finland
eQ PE X North Feeder	1,400,000.00	1,400,000.00	Finland
eQ Sininen Planeetta 1 K	1,621,206.74	1,621,206.74	Finland
eQ USA Indeksi 1 K	2,437,555.82	2,437,555.82	Finland
eQ USA Indeksi-1 T	556,612.06	556,612.06	Finland
Ålandsbanken Asuntorahasto C	3,078,143.66	3,078,143.66	Finland
Ålandsbanken Europe Value B	859,281.44	859,281.44	Finland
Muut	18,185,259.75	18,185,256.55	
Total	2,374,106,473.95	2,374,106,470.75	
Debt securities	Current value	Book value	Home country
Eurooppa Pankit Autocall 4/2018	1,187,968.67	1,187,968.67	France
Evli EM-Korkotuotto 1/2017 Sertifikaatti	524,160.00	524,160.00	Finland
Muut	9,698,618.02	9,698,618.02	
Total	11,410,746.69	11,410,746.69	
Total	2,411,448,233.02	2,411,448,229.82	

K8. Other investments

Other loans, itemised by type of security

	2019	2018
Bank guarantee	186,639.90	28,303.94
Other security	197,751,692.60	224,686,711.20
Remaining acquisition cost	197,938,332.50	224,715,015.14
Unsecured, total remaining acquisition cost	89,888,619.09	89,219,134.56
Other loan receivables, total	287,826,951.59	313,934,149.70

K9. Changes in tangible and intangible assets

2019

	Intangible rights and other expenses with long-term effects	Goodwill on consolidation	Provisional premiums	Machinery and equipment	Other tangible assets
Acquisition cost on 1 Jan.	184,029,053.43	634,195.23	28,670,323.07	73,210,084.75	13,489,110.22
Increase	9,400,595.07	1,192,406.59	30,638,543.20	3,128,119.95	97,238,314.36
Decrease	-12,151,258.99	0.00	-29,586.03	-7,692,726.24	-74,468,598.36
Transfers between items	13,441,176.51	0.00	-12,326,359.80	69,620.90	0.00
Acquisition cost on 31 Dec.	194,719,566.02	1,826,601.82	46,952,920.44	68,715,099.36	36,258,826.22
Accumulated depreciation on 1 Jan.	-130,509,618.29	-592,694.81	0.00	-63,627,678.26	-1,191,011.22
Accumulated depreciation related to deductions and transfers	11,438,145.21	0.00	0.00	6,397,276.35	-4,201.62
Depreciation for the financial year	-18,718,521.11	-155,776.60	0.00	-2,382,260.09	-150,917.36
Accumulated depreciation on 31 Dec.	-137,789,994.19	-748,471.41	0.00	-59,612,662.00	-1,346,130.20
Book value on 31 Dec.	56,929,571.83	1,078,130.41	46,952,920.44	9,102,437.36	34,912,696.02

K10. Assets covering unit linked policies

	2019		2018	
	Original acquisition cost	Current value (= book value)	Original acquisition cost	Current value (= book value)
Shares and holdings	1,786,872,257.37	2,400,036,767.42	1,724,257,461.04	2,089,563,531.05
Debt securities	11,790,542.18	11,411,462.40	14,425,199.45	12,708,130.10
Recovery from insurance premium mediators	1,516,813.16	1,516,813.16	851,823.75	851,823.75
Cash at bank and in hand	3,259,845.73	3,259,845.73	4,682,605.09	4,682,605.09
Accrued interest	109,046.79	109,046.79	170,243.41	170,243.41
Total	1,803,548,505.23	2,416,333,935.50	1,744,387,332.74	2,107,976,333.40
Investments acquired in advance	52,054,012.73	62,118,257.54	46,178,884.23	48,997,723.84
Investments corresponding to the technical provisions for unit linked insurance	1,751,494,492.50	2,354,215,677.96	1,698,208,448.51	2,058,978,609.56

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.

4,776,658.89

5,534,428.84

K11. Capital and reserves and itemization of revaluation reserve

K11.1 Changes in capital and reserves

	1.1.2019	Increase	Decrease	31.12.2019
Initial fund	8,641,380.35	0.00	0.00	8,641,380.35
Initial fund, other mutual insurance companies	64,298,464.27	0.00	0.00	64,298,464.27
Revaluation reserve	8,710,584.50	0.00	0.00	8,710,584.50
Security reserve	1,359,636,790.47	44,694,562.58	0.00	1,404,331,353.05
Security reserve, other mutual insurance companies	688,271,964.54	118,936,641.68	0.00	807,058,606.22
Contingency reserve	2,590,689.70	500,000.00	-200,850.00	2,889,839.70
Contingency reserve, other mutual insurance companies	6,163,039.23	2,949,039.72	-872,299.55	8,389,779.40
The share of voluntary provisions and depreciation difference transferred to capital and reserves	2,756,201.38	0.00	-23,321.37	2,732,880.01
Profit/loss for previous accounting periods	-44,924,570.38	23,001,465.39	0.00	-21,923,104.99
Profit for the accounting period	188,951,319.01	194,872,432.18	-188,951,319.01	194,872,432.18
Change in depreciation difference and voluntary provisions included in the profit for the accounting period	386,973.79	17,516.12	-386,973.79	17,516.12
Share of the other mutual insurance companies' result for the financial year included in the profit for the financial year	-121,885,681.40	-109,021,703.60	121,885,681.40	-109,021,703.60
Profit/loss for the accounting period, other mutual insurance companies	121,885,681.40	109,021,703.60	-121,885,681.40	109,021,703.60
Total changes in capital and reserves	2,285,482,836.86	384,971,657.67	-190,434,763.72	2,480,019,730.81
of which capital and reserves of the other mutual insurance companies	880,619,149.44	230,907,385.00	-122,757,980.95	988,768,553.49

K11.2 Itemisation of revaluation reserve

	2019
Revaluation of investment assets	40,827.64
Revaluation of fixed assets	8,669,756.86
Total	8,710,584.50

K12. Accumulated appropriations

	2019	2018
Depreciation difference		
Depreciation difference on 1 Jan.	4,645,368.99	3,545,691.51
Increase	-352,596.68	1,099,677.48
Depreciation difference on 31 Dec.	<u>4,292,772.31</u>	<u>4,645,368.99</u>
Voluntary provisions		
Residential building provision 1 Jan.	0.00	1,211,956.00
Decrease	0.00	-1,211,956.00
Residential building provision 31 Dec.	<u>0.00</u>	<u>0.00</u>
Transition provision 1 Jan.	40,737.27	40,737.27
Increase	0.00	0.00
Transition provision 31 Dec.	<u>40,737.27</u>	<u>40,737.27</u>
Total voluntary provisions	<u>40,737.27</u>	<u>40,737.27</u>
Total accumulated appropriations	<u>4,333,509.58</u>	<u>4,686,106.26</u>
Divided into		
Capital and reserves	3,119,829.69	3,423,576.35
Minority interest	346,977.97	339,721.44
Deferred tax liabilities	866,701.92	937,221.25
Tax base	20.00 %	20.00 %

K13. Provision for claims outstanding

Uncontested recourse receivables deducted
from provisions for claims outstanding
Statutory workers' compensation

36,910,387.00	35,945,413.00
---------------	---------------

K14. Other obligatory provisions

Provision for interest on late payments for unfinished claims
Provision for unemployment security deductible
Provision for ICT projects

1,347,383.00	2,527,627.00
154,470.69	313,090.29
1,897,006.74	1,170,095.24
3,398,860.43	4,010,812.53

K15. Deferred tax claim and deferred tax liabilities**K15.1 Deferred tax claim**

Deferred tax relating to the group adjustments

2,113,017.84	2,113,017.84
2,113,017.84	2,113,017.84

K15.2 Deferred tax liabilities

Deferred tax liabilities arising from the division of depreciation
difference and provisions

866,791.87	871,170.90
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Off-balance-sheet deferred tax liabilities

Tax liability calculated on the basis of timing differences and other
temporary differences between taxable profit and accounting profit

899,657.92	904,428.46
------------	------------

Tax debt calculated based on valuation gains/losses that is deemed
likely to become payable during the next year

32,682,509.17	26,287,004.00
33,582,167.09	27,191,432.46

K16. Receivables and liabilities**K16.1 Itemisation of receivables**

2019	2018
------	------

Receivables from group companies

Other receivables

286,145.85	16,359.30
286,145.85	16,359.30

K16.2 Itemisation of liabilities**Liabilities to participating interests**

Trade creditors

0.00	22,776.63
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Other liabilities

0.00	0.00
------	------

0.00	22,776.63
------	-----------

K16.3 Itemisation of accruals and deferred income

Liabilities to personnel

50,504,003.37	47,937,162.71
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Valuation loss on derivatives

395,974.60	0.00
------------	------

Other accruals and deferred income

24,284,024.24	19,733,495.19
75,184,002.21	67,670,657.90

Off-balance-sheet guarantees and contingent liabilities

Derivative contracts	2019	2018
Currency derivatives		
Forward and futures contracts, open		
Underlying instrument	-69,205,878.80	-68,298,712.72
Current value	199,282.34	967,645.02

K17. Notes concerning guarantees and contingent liabilities

Leasing liabilities

Amount to be paid in the current financial year	1,573,978.36	650,805.20
Amount to be paid in the coming years	1,450,341.16	1,392,951.03
	<u>3,024,319.52</u>	<u>2,043,756.23</u>

Rent liabilities

Amount to be paid in the current financial year	5,377,805.23	7,352,681.46
Amount to be paid in the coming years	11,634,943.37	18,185,151.19
	<u>17,012,748.60</u>	<u>25,537,832.65</u>

Financing expenses liabilities during construction time

Amount to be paid in the current financial year	60,760.00	121,520.00
Amount to be paid in the coming years	0.00	60,760.00
	<u>60,760.00</u>	<u>182,280.00</u>

Value-added tax liabilities

Joint liability relating to collective value-added tax registration		
Group companies	25,599.10	12,344.07
Partner companies	1,941,043.52	1,846,176.42
	<u>1,966,642.62</u>	<u>1,858,520.49</u>
VAT liability with a positive sign = VAT debt		
VAT liability with a negative sign = VAT receivable		

Inspection responsibility of real estate investments under section 120 of the Value Added Tax Act

Company	789,170.00	843,572.00
Other companies of the group	41,687,948.25	49,206,949.60
	<u>42,477,118.25</u>	<u>50,050,521.60</u>

Other commitments

Investment commitments	771,500,496.42	660,753,473.05
Subscription commitments	0.00	200,023.44
Granted limit	90,981,159.93	87,067,090.35
	<u>862,481,656.35</u>	<u>748,020,586.84</u>

A joint liability agreement concluded between LocalTapiola General Mutual Insurance Company and regional mutual insurance companies of the LocalTapiola group determines the principles for ensuring the solvency of the companies in the group. More information regarding the joint liability agreement can be found in the Risk Management notes in section General principles for solvency management.

K18.1 Related party loans and transactions (Insurance Companies Act, Chapter 8, section 11 and Accounting Ordinance, Chapter 2, section 7b)

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

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

Subsidiaries	56,871,430.24
Associated undertakings and joint ventures	3,713,258.68
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/> 60,584,688.92

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

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

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

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

K18.2 Subordinated loans

Creditor	Multiple
Loan capital	EUR 100.000.000
Principal loan terms	<p>The loan contract is valid until Nov 23, 2043. The loan can be repaid at the earliest on Nov 23, 2023 after which it is possible to repay the loan on any interest payment date (Nov 23) 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 3,5 %. 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>

Subordinated loan repaid in 2019

The €7 million, relating to the subordinated loan taken out in 2014, which was not refunded in connection with the issue of the subordinated loan the previous year, was recalled on the first possible recalling day in November 2019. After that, LocalTapiola Life Insurance Company only has the subordinated loan of €100 million presented in appendix 17.2.

Performance analysis

Performance analysis

	2019	2018	Change	€1,000 Change %
Non-life insurance				
Premiums earned	1,184,400	1,157,021	27,379	2.4 %
Claims incurred	-901,485	-851,452	-50,033	5.9 %
Operating expenses	-270,197	-258,802	-11,395	4.4 %
Balance on technical account before change in equalization provision	12,717	46,766	-34,049	-72.8 %
Life insurance				
Premium income	612,505	446,020	166,486	37.3 %
Investment income and expenses as well as revaluations and adjustments thereof	404,525	-128	404,652	-316681.1 %
Claims paid	-524,737	-356,428	-168,308	47.2 %
Change in technical provisions before change in customer benefits and equalization provision	-428,376	25,631	-454,007	-1771.4 %
Operating expenses	-59,369	-57,568	-1,801	3.1 %
Balance on technical account before change in customer benefits and equalization provision	4,547	57,526	-52,978	-92.1 %
Investment income and expenses as well as revaluations and adjustments thereof (non-life insurance)	179,822	147,873	31,949	21.6 %
Other income and expenses	35,960	22,777	13,183	57.9 %
Share of profit/loss from group associated undertakings	2,489	-15,813	18,302	-115.7 %
Operating profit	235,536	259,129	-23,593	-9.1 %
Change in equalization provision (non-life insurance)	17,737	1,813	15,924	878.4 %
Change in equalization provision (life insurance)	10,274	10,274	0	0.0 %
Additional benefits (customer benefits)	1,656	-3,151	4,807	-152.6 %
Profit before extraordinary items	265,204	268,066	-2,862	-1.1 %
Direct taxes	-62,249	-66,545	4,295	-6.5 %
Minority interest	-8,082	-12,570	4,488	-35.7 %
Total result	194,872	188,951	5,921	3.1 %
Operating profit	235,536	259,129	-23,593	-9.1 %
Change in the difference between current and book values	324,541	-147,132	471,673	-320.6 %
Total result	560,077	111,997	448,080	400.1 %

Notes on additional benefits of life insurance

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 in the form of additional benefits for those insurance policies that are entitled to additional benefits distributed based on surplus.

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, in the case of pension insurance, exceeds the interest rates of eurozone government bonds with a minimum maturity of 10 years, and, in the case of continuous savings life insurance, exceeds the interest rates of 5-year bonds. The goal for pure risk policies featuring 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 policies with no savings amassed. In pure risk 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 rebates 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 through the allocation of a proportion of the investment returns in 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 Life, 2010–2019

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.

Due to this, the realisation of the target has been reviewed below for the period between 2010 and 2019. and not just for 2019. As regards 2019, 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 between 2010 and 2019 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 2010–2019, 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.

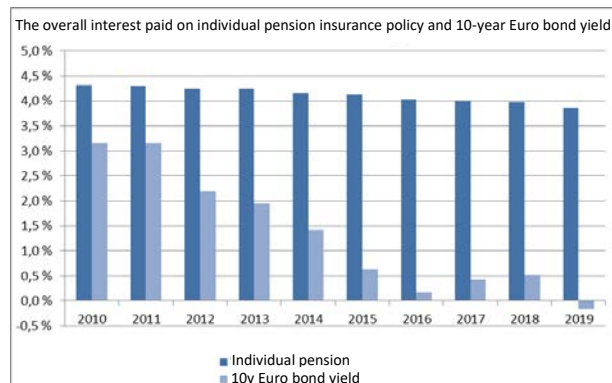
The overall interest rate levels for each line of insurance and contract group for 2019 and between 2010 and 2019 are itemised below. It should be noted that, due to the large number of different contract types, this is not a fully comprehensive account of overall interest rates from the perspective 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.

[LocalTapiola Life's report on overall interest rates on insurance savings for each line of insurance in 2010–2019](#)

Individual pension insurance policies

In 2019, the overall interest paid on insurance savings under individual pension insurance policies averaged 3.9 per cent and ranged from 2.5 to 4.5 per cent, depending on the product and technical rate of interest. The overall interest paid on all products exceeded the target 10-year interest rate, which averaged -0.1 per cent in 2019.

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 %	1,0 %	2,5 %



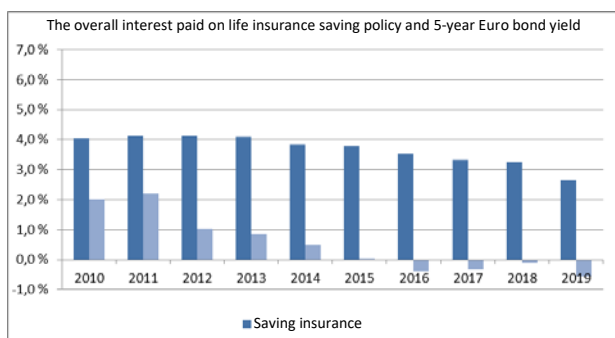
The image shows the overall interest rate of individual pension insurance policies in relation to the target between 2010 and 2019. The overall interest rate exceeded the target rate every year.

[Savings life insurance policies and capital redemption contracts](#)

In 2019, the overall interest paid on insurance savings under savings life insurance policies averaged 2.9 per cent and ranged from 2.0 to 4.5 per cent depending on the product and technical rate of interest. The overall interest paid on all products exceeded the target 5-year interest rate, which averaged -0.5 per cent in 2019.

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 %	0,5 %	2,0 %
0,0 %	2,0 – 2,2 %	2,0 – 2,2 %

The customer bonus for zero-interest-linked insurance savings, the so-called Interest Bonus, which is an investment in wide asset class allocation asset management portfolios and available as an independent investment in the Korkoetu product, is 1.5% in 2020, as decided in 2019. The customer bonus paid in 2019 was 2.2%, as decided in 2018. Customers can add wide asset class allocation asset management portfolios to the investment insurance policies LocalTapiola Investment Insurance and LocalTapiola Capital Redemption Contract.

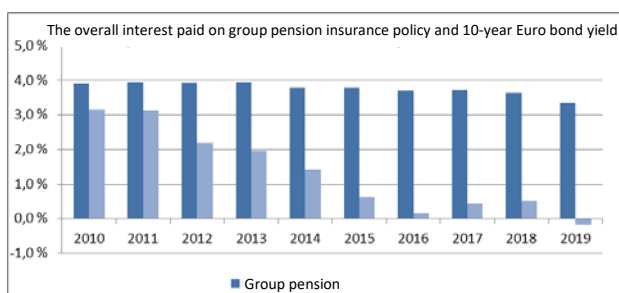


The image shows the overall interest rate of savings life insurance policies in relation to the target rate between 2010 and 2019. On average, the overall interest exceeded the target 5-year interest rate in the period.

Group pension insurance policies

The overall interest rate paid for insurance savings in group pension insurance policies for 2019 averaged 3.4%. The overall interest on Etueläke insurance policies ranged from 2.2 per cent to 4.25 per cent and on TOP pension insurance policies from 2.7 per cent to 3.5 per cent. The overall interest paid on all products exceeded the target 10-year interest rate, which averaged -0.1 per cent in 2019.

Technical rate of interest	Customer bonus	Overall interest
4,25 %	0,0 %	4,25 %
3,5 %	0,0 %	3,5 %
2,5 %	0,0 - 0,2 %	2,5 - 2,7 %
1,5 %	0,7 - 1,2 %	2,2 - 2,7 %
1,0 %	1,7 %	2,7 %



The image shows the overall interest rate of group pension insurance policies in relation to the target between 2010 and 2019. On average, the overall interest has exceeded the target 10-year interest rate in all years.

LocalTapiola Life's account of additional benefits provided for pure risk policies in 2019

In pure risk policies entitled to distribution of profit, the principle of reasonability is applied in the form of increased amounts of benefit or premium rebates. 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 2019, additional benefits paid for pure risk policies amounted to EUR 1.4 million. Additional benefits for pure risk policies are confirmed in advance. The benefits confirmed for 2020 are the same as those for 2019.

LocalTapiola Life's 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 interest rate supplement made in the financial statements increased the technical provisions by EUR 139.4 million.

In 2019, EUR 4.0 million of the provision for future additional benefits was used for the interest rate supplement of individual pension insurance policies, and EUR 6.0 million was used for the interest rate supplement of group pension insurance policies.

The provision of future additional benefits for individual pension insurance is EUR 10.9 million, and the provision for future additional benefits for group pension insurance policies is EUR 15.1 million. The change in the provision for future additional benefits totalled EUR -13.4 million in the financial period.

LocalTapiola General

Profit and loss account, LocalTapiola General

TECHNICAL ACCOUNT		1.1.2019	-	31.12.2019		1.1.2018	-	31.12.2018
Premiums earned								
Premiums written	1	305,755,835.27				321,838,414.45		
Reinsurers' share		-30,097,615.88		275,658,219.39		-30,055,419.87		291,782,994.58
Change in provision for unearned premiums								
Total change		-3,865,820.00		-3,865,820.00		-1,314,000.00		-1,314,000.00
Reinsurers' share								
Total change		1,168,638.01		1,168,638.01		2,354,330.87		2,354,330.87
Change in provision for unearned premiums, total				-2,697,181.99				1,040,330.87
Total premiums earned				272,961,037.40				292,823,325.45
Claims incurred								
Claims paid		-234,671,416.65				-227,211,492.88		
Reinsurers' share		14,066,641.74		-220,604,774.91		15,654,465.68		-211,557,027.20
Change in provision for outstanding claims								
Total change		-1,448,728.02		-1,448,728.02		-14,597,759.06		-14,597,759.06
Reinsurers' share								
Total change		1,858,552.74		1,858,552.74		116,929.76		116,929.76
Change in provision for outstanding claims, total				409,824.72				-14,480,829.30
Total claims incurred				-220,194,950.19				-226,037,856.50
Operating expenses	3			-52,640,700.97				-48,652,916.93
Balance on technical account before change in equalization provision				125,386.24				18,132,552.02
Change in equalization provision								
Total change				0.00		-6,119,528.00		-6,119,528.00
Balance on technical account	2			125,386.24				12,013,024.02

NON-TECHNICAL ACCOUNT		1.1.2019	-	31.12.2019	1.1.2018	-	31.12.2018
Balance on technical account				125,386.24			12,013,024.02
Investment income	4	212,819,413.09			144,062,349.85		
Investment charges	4	-79,955,942.81			-100,049,961.57		
Revaluation adjustments on investments	4	-156,036.63		132,707,433.65	-156,036.60		43,856,351.68
Other income							
Other	4			21,305,926.40			24,989,504.11
Other expenses							
Other	4			-18,674,047.41			-20,068,984.96
Profit on ordinary activities				135,464,698.88			60,789,894.85
Profit before appropriations and taxes				135,464,698.88			60,789,894.85
Appropriations							
Change in depreciation difference		-50,676.45			-28,489.32		
Change in optional provision		0.00		-50,676.45	0.00		-28,489.32
Direct taxes on ordinary activities							
Taxes for the financial period		-20,021,379.32			-10,056,636.69		
Taxes for previous financial periods		-8,394,158.52			-5,510,206.27		
Change in deferred tax liabilities		0.00		-28,415,537.84	0.00		-15,566,842.96
Profit for the accounting period				106,998,484.59			45,194,562.57

Balance sheet, LocalTapiola General

ASSETS		31.12.2019	31.12.2018
Intangible assets			
Other expenses with long-term effects	9	15,821,433.74	18,760,022.38
Investments	6		
Real estate investments	6		
Real estate and shares in real estate		167,489,687.18	150,208,441.40
Loans to group companies		62,742,258.57	80,156,073.93
Loans to participating interests		0.00	0.00
		<u>230,231,945.75</u>	<u>230,364,515.33</u>
Investments in group companies and participating interests	7		
Shares in group companies		835,047,116.21	739,286,855.78
Shares and holdings in participating interests		95,631,334.45	80,098,112.81
Debt securities and loans in participating interests		5,500,000.00	5,500,000.00
		<u>936,178,450.66</u>	<u>824,884,968.59</u>
Other investments			
Shares and holdings	7	851,529,548.15	713,309,197.85
Debt securities		411,915,524.28	527,760,337.29
Loans guaranteed by mortgages		59,008,404.64	45,856,363.14
Other loans	8	16,161,120.46	17,089,035.10
Deposits		5,121,210.68	5,105,935.42
Other investments		0.00	0.00
		<u>1,343,735,808.21</u>	<u>1,309,120,868.80</u>
Deposits with ceding undertakings		636,421.94	661,413.85
		<u>2,510,782,626.56</u>	<u>2,365,031,766.57</u>
Debtors	15		
Arising out of direct insurance operations			
Policyholders		42,074,364.04	41,711,809.22
Intermediaries		0.00	0.00
		<u>42,074,364.04</u>	<u>41,711,809.22</u>
Arising out of reinsurance operations		16,152,869.69	18,532,509.79
Other debtors		65,794,331.40	88,258,068.38
		<u>124,021,565.13</u>	<u>148,502,387.39</u>
Other assets			
Tangible assets			
Machinery and equipment	9	1,103,383.82	1,342,428.46
Other tangible assets		98,360.18	96,011.18
Provisional premiums		0.00	0.00
		<u>1,201,744.00</u>	<u>1,438,439.64</u>
Cash at bank and in hand		58,986,950.80	49,309,219.05
Other assets		3,457,536.16	3,440,436.16
		<u>63,646,230.96</u>	<u>54,188,094.85</u>
Prepayments and accrued income			
Accrued interest and rent		4,563,498.21	5,170,383.66
Other prepayments and accrued income		1,866,221.76	16,824,563.86
		<u>6,429,719.97</u>	<u>21,994,947.52</u>
Total assets		<u>2,720,701,576.36</u>	<u>2,608,477,218.71</u>

LIABILITIES		31.12.2019	31.12.2018
Capital and reserves	10		
Initial reserve		8,641,380.35	8,641,380.35
Revaluation reserve		85,090.31	85,090.31
Other reserves		1,407,221,192.72	1,362,227,480.15
Profit for the accounting period		106,998,484.59	45,194,562.57
		<u>1,522,946,147.97</u>	<u>1,416,148,513.38</u>
Accumulated appropriations	11		
Accumulated depreciation difference		130,820.80	80,144.35
		<u>130,820.80</u>	<u>80,144.35</u>
Technical provisions			
Provision for unearned premiums		39,529,372.00	35,663,552.00
Reinsurers' share		<u>-8,907,756.09</u>	<u>-7,739,118.08</u>
Provision for outstanding claims		961,110,170.42	959,661,442.40
Reinsurers' share		<u>-16,427,109.84</u>	<u>-14,568,557.10</u>
Equalization provision		169,015,329.00	169,015,329.00
		<u>1,144,320,005.49</u>	<u>1,142,032,648.22</u>
Obligatory provisions			
Other obligatory provisions	13	46,914.78	126,794.92
		<u>46,914.78</u>	<u>126,794.92</u>
Deposits received from reinsurers		1,425.83	1,760.91
Creditors	15		
Arising out of direct insurance operations		7,775,602.03	11,946,193.50
Arising out of reinsurance operations		15,191,925.41	14,780,858.89
Other creditors		<u>18,149,734.59</u>	<u>12,069,637.43</u>
		<u>41,117,262.03</u>	<u>38,796,689.82</u>
Accruals and deferred income	15	12,138,999.46	11,290,667.11
Total liabilities		<u>2,720,701,576.36</u>	<u>2,608,477,218.71</u>

Indirect cash flow statement, LocalTapiola General

Cash flow from operations	31.12.2019	31.12.2018
Profit from ordinary activities/profit before extraordinary items	135,464,698.88	60,789,894.85
Adjustments		
Changes in technical provisions	2,287,357.27	19,560,026.43
Value adjustments and revaluation of investments	-24,498,270.71	38,269,056.27
Unrealized exchange rate gain/-loss		
Changes in other obligatory provisions	-79,880.14	-97,830.97
Depreciation according to plan	6,228,406.70	6,919,749.92
Other non-cash income and expenses	0.00	-133,258.66
Other adjustments	-44,660,846.08	-27,529,527.06
<i>Cash flow before change in working capital</i>	74,741,465.92	97,778,110.78
Change in working capital:		
Increase (-) / decrease (+) in non-interest-bearing short-term receivables	40,046,049.81	-1,930,270.81
Increase (-) / decrease (+) in non-interest-bearing short-term debts	3,168,569.48	-2,326,278.89
<i>Cash flow from operations before financial items and taxes</i>	117,956,085.21	93,521,561.08
Other financial income and expenses paid/received		
Direct taxes paid	-28,415,537.84	-15,566,842.96
Cash flow from operations	89,540,547.37	77,954,718.12
Cash flow from investments		
Investments in assets (excl. cash and c. equivalents)	-121,369,241.31	-85,208,974.93
Capital gains from investments (excl. cash and c. equivalents)	44,660,846.08	27,529,527.06
Investments in tangible and intangible assets as well as other assets and capital gains (net)	-2,953,570.39	-7,644,275.31
Cash flow from investments	-79,661,965.62	-65,323,723.18
Cash flow from financial		
other distribution of profit	-200,850.00	-950,000.00
Cash flow from financial	-200,850.00	-950,000.00
Change in cash and cash equivalents	9,677,731.75	11,680,994.94
Cash and cash equivalents at the start of the year	49,309,219.05	37,628,224.11
Cash and cash equivalents at the end of the year	58,986,950.80	49,309,219.05

Key figures, LocalTapiola General

	EUR million				
General key figures describing financial development	2019	2018	2017	2016	2015
Operating profit	135.5	66.9	174.4	182.9	181.0
Total result	191.0	76.6	129.9	174.4	150.3
Return on capital employed (at current value), %	7.0	2.1	4.0	4.4	4.8
Return on assets, %	7.0	3.2	4.4	5.1	4.7
Average number of personnel during the financial year	331	333	372	408	439
Number of employees in relation to payroll	331	333	372	408	439
Key figures describing the financial development of non-life insurance					
Premium income	305.8	321.8	410.7	509.4	547.7
Loss ratio (excl. unwinding of discount expense), %	76.7	73.5	75.3	70.7	73.5
Loss ratio, %	80.7	77.2	79.9	76.2	79.2
Expense ratio, %	19.3	16.6	20.8	22.0	24.8
Combined ratio (excl. unwinding of discount expense), %	96.0	90.1	96.1	92.6	98.3
Combined ratio, %	100.0	93.8	100.8	98.2	104.1

Notes to the consolidated financial statements, LocalTapiola General

Notes to profit and loss account, LocalTapiola General

1. Premiums written

	2019	2018
Direct insurance		
Finland	198,239,283.64	218,093,153.73
Direct insurance total	198,239,283.64	218,093,153.73
Reinsurance	107,516,551.63	103,745,260.72
Gross premiums written before reinsurers' share	305,755,835.27	321,838,414.45

1.1 Items depreciated from premiums written

	2019	2018
Credit loss on outstanding premiums	1,879,534.64	1,727,412.30
PAYG system fees	35,445,822.19	35,269,381.09
Premium tax	9,827,994.91	9,738,095.23
Fire brigade charge	263,930.15	266,480.79
Road safety charge	52,021.39	49,004.11
Labour protection charge	2,753,886.37	2,597,976.23
Total	50,223,189.65	49,648,349.75

2. Profit by insurance groups

		Premiums written before reinsurers' share	Premiums earned before reinsurers' share	Claims incurred before reinsurers' share	Operating expenses before commissions for reinsurance and profit shares	Reinsurers' share	Balance on technical account before net investment income
Statutory workers' compensation	2019	161,173,429.86	159,813,212.86	-134,344,915.97	-23,193,744.46	-282,891.54	1,991,660.89
	2018	152,143,538.59	152,872,772.59	-105,480,547.08	-26,249,936.53	-292,518.95	20,849,770.03
	2017	143,578,674.85	143,945,836.24	-110,698,928.97	-29,730,657.84	-301,857.50	3,214,391.93
Non-statutory accident and health	2019	12,228,347.60	12,356,413.60	-11,629,060.16	-2,192,191.77	-62,186.20	-1,527,024.53
	2018	10,368,128.10	10,381,153.10	-8,306,804.05	-540,658.66	14,431.59	1,548,121.98
	2017	12,115,615.87	12,106,307.34	-8,979,937.95	-594,355.74	-116,311.39	2,415,702.26
Motor vehicle liability	2019	5,189,102.60	5,138,530.60	-6,255,225.57	-1,687,005.20	79,750.22	-2,723,949.95
	2018	4,888,510.37	4,794,858.37	-4,414,618.97	-992,628.59	1,474,932.12	862,542.93
	2017	117,981,622.52	108,514,211.82	-84,609,845.53	-24,685,214.02	181,923.79	-598,923.94
Land vehicles	2019	6,663,724.17	6,581,185.17	-6,747,300.14	-1,531,880.89	-15,541.16	-1,713,537.02
	2018	6,107,771.73	6,174,520.73	-5,740,471.54	-1,957,389.38	-22,191.27	-1,545,531.46
	2017	5,739,859.93	5,833,936.26	-4,921,614.04	-2,157,391.24	255,656.12	-989,412.90
Marine, aviation, railway rolling stock and transport	2019	1,779,315.34	1,752,869.34	314,354.82	-511,708.02	-41,413.56	1,514,102.58
	2018	1,601,478.19	1,808,322.19	-1,295,672.24	-1,066,099.15	-302,340.54	-855,789.74
	2017	2,679,528.81	2,695,939.66	-1,941,723.37	-1,213,449.80	-183,800.52	-643,034.03
Fire and other damage to property	2019	14,124,160.11	14,127,313.11	-10,921,489.98	-3,863,547.90	-271,247.03	-928,971.80
	2018	13,776,875.87	14,059,342.87	-9,386,606.20	-2,465,309.89	-6,273,978.97	-4,066,552.19
	2017	14,349,719.18	14,516,522.25	-9,074,819.52	-2,490,206.07	-1,021,674.74	1,929,821.92
General liability	2019	-11,939,256.46	-11,943,894.46	11,458,645.69	-2,432,190.14	-3,091,958.63	-6,009,397.54
	2018	19,999,726.06	20,032,987.06	-18,491,762.34	-3,292,262.23	-1,024,133.60	-2,775,171.11
	2017	14,249,339.03	14,265,744.95	-11,682,736.99	-3,824,573.62	-3,783,938.93	-5,025,504.59
Credit and suretyship	2019	3,146,556.91	2,616,975.91	225,700.18	-365,345.25	-306,270.37	2,171,060.47
	2018	3,747,735.26	2,888,948.26	-428,677.24	-367,090.72	202,538.14	2,295,718.44
	2017	4,130,103.85	2,107,151.51	-641,997.17	-431,921.50	605,216.01	1,638,448.85
Legal expenses	2019	1,226,834.91	1,215,673.91	-1,953,184.76	-206,541.08	0.00	-944,051.93
	2018	1,147,157.42	1,153,005.42	-1,073,746.89	-464,769.36	0.00	-385,510.83
	2017	2,026,494.05	2,022,161.16	-1,127,060.98	-502,267.23	0.00	392,832.95
Other	2019	4,647,068.60	4,602,508.60	-363,249.47	-396,706.85	242,744.07	4,085,296.35
	2018	4,312,232.14	4,428,897.14	-4,137,362.32	-1,207,816.13	3,989,140.31	3,072,859.00
	2017	4,488,592.71	4,592,881.83	-10,069,104.40	-1,349,814.91	-822,616.04	-7,648,653.52
Direct insurance total	2019	198,239,283.64	196,260,788.64	-160,215,725.36	-36,380,861.56	-3,749,014.20	-4,084,812.48
	2018	218,093,153.73	218,594,807.73	-158,756,268.87	-38,603,960.64	-2,234,121.17	19,000,457.05
	2017	321,339,550.80	310,600,693.02	-243,747,768.92	-66,979,851.97	-5,187,403.20	-5,314,331.07
Reinsurance	2019	107,516,551.63	105,629,226.63	-75,904,419.31	-23,766,310.52	-1,748,298.08	4,210,198.72
	2018	103,745,260.72	101,929,606.72	-83,052,983.07	-18,666,354.48	-1,078,174.20	-867,905.03
	2017	89,333,653.73	90,251,987.73	-67,721,999.12	-17,067,012.06	-2,954,430.60	2,508,545.95
Total	2019	305,755,835.27	301,890,015.27	-236,120,144.67	-60,147,172.08	-5,497,312.28	125,386.24
	2018	321,838,414.45	320,524,414.45	-241,809,251.94	-57,270,315.12	-3,312,295.37	18,132,552.02
	2017	410,673,204.53	400,852,680.75	-311,469,768.04	-84,046,864.03	-8,141,833.80	-2,805,785.12
Change in equalization provision	2019						0.00
	2018						-6,119,528.00
	2017						13,162,283.10
Balance on technical account	2019						125,386.24
	2018						12,013,024.02
	2017						10,356,497.98

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

3.1 Total operating expenses by activity

	2019	2018
Claims management expenses	21,623,039.54	20,479,705.14
Operating expenses	52,640,700.97	48,652,916.93
Investment operating expenses	3,929,029.59	4,268,066.69
Other expenses	16,404,636.29	17,776,750.50
<i>Total</i>	<u>94,597,406.39</u>	<u>91,177,439.26</u>

3.2 Profit and loss account item operating expenses

	2019	2018
Insurance policy acquisition costs		
Commissions for direct insurance	2,379,925.57	1,926,149.49
Commissions for reinsurance assumed and profit shares	18,667,639.06	18,392,066.90
Other insurance policy acquisition costs	9,488,363.00	9,607,087.75
	<u>30,535,927.63</u>	<u>29,925,304.14</u>
Insurance policy management expenses	14,793,476.91	14,509,690.21
Administrative expenses	14,817,767.54	12,835,320.77
Commissions for reinsurance ceded and profit shares	-7,506,471.11	-8,617,398.19
<i>Total</i>	<u>52,640,700.97</u>	<u>48,652,916.93</u>

3.3 Notes concerning personnel and members of corporate bodies

3.3.1 Personnel expenses

	2019	2018
Salaries and remunerations	24,807,300.71	25,232,183.10
Pension expenses	5,871,583.95	2,725,728.73
Other personnel expenses	789,951.19	870,009.26
<i>Total</i>	<u>31,468,835.85</u>	<u>28,827,921.09</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	745,180.00	721,455.00
Pension commitments	The retirement age of the managing director is 63 and that of the deputy managing director is stated by the law.	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	
Board members and deputy board members		
Salaries and remunerations	1,813,740.00	1,857,577.00
Pension commitments	The agreed pensionable age of board members and deputy board members is 63.	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	
Supervisory board and deputy supervisory board members		
Salaries and remunerations	197,250.00	161,750.00
Pension commitments	No pension commitments	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	

3.3.3 Average number of personnel during the financial year

Staff	331	333
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3.4 Auditor's fees by assignment category

	2019	2018
Auditing	58,655.34	45,201.10
Tax advice	10,919.57	9,389.90
Other services	0.00	1,984.00
<i>Total</i>	<u>69,574.91</u>	<u>56,575.00</u>

4. Net investment income and other income and expenses

4.1 Specification of net investment income

Investment income	2019	2018
Income from group companies		
Dividend income	15,861,257.60	17,357,343.93
<i>Total</i>	15,861,257.60	17,397,295.32
Income from participating interests		
Dividend income	482,365.52	476,337.04
Interest income	40,187.79	104,184.29
<i>Total</i>	522,553.31	580,521.33
Income from real estate investments in group companies		
Interest income	2,333,280.28	3,882,908.45
Other income	9,492.81	0.00
<i>Total</i>	2,342,773.09	3,882,908.45
Income from real estate investments in other companies		
Interest income	19,949.63	24,532.10
Other income	25,530,574.56	24,282,886.74
<i>Total</i>	25,550,524.19	24,307,418.84
Income from other investments		
Dividend income	31,788,518.67	30,049,244.16
Interest income	11,119,402.28	11,961,149.32
Other income	6,733,191.74	2,502,935.91
<i>Total</i>	49,641,112.69	44,513,329.39
Total	93,918,220.88	90,681,473.33
Value readjustments	58,854,517.33	14,462,822.93
Realized gains	60,046,674.88	38,918,053.59
Total investment income	212,819,413.09	144,062,349.85

Investment charges

Expenses arising from real estate investments		
From group companies	-7,778,636.22	-10,135,381.82
Other companies	-10,863,999.11	-11,019,769.24
<i>Total</i>	<u>-18,642,635.33</u>	<u>-21,155,151.06</u>
Expenses arising from other investments	-7,890,288.17	-11,317,624.68
Interest paid and other expenses on liabilities		
Other companies	-168,806.78	-234,214.44
<i>Total</i>	<u>-168,806.78</u>	<u>-234,214.44</u>
Total	-26,701,730.28	-32,706,990.18
Value adjustments and depreciation		
Value adjustments	-34,200,209.99	-52,575,842.60
Planned depreciation on buildings	-3,668,173.74	-3,378,602.26
<i>Total</i>	<u>-37,868,383.73</u>	<u>-55,954,444.86</u>
Realized losses	-15,385,828.80	-11,388,526.53
Total investment charges	-79,955,942.81	-100,049,961.57
Net investment income before revaluations and revaluation adjustments	132,863,470.28	44,012,388.28
Revaluation adjustments on investments	-156,036.63	-156,036.60
	<u>-156,036.63</u>	<u>-156,036.60</u>
Net investment income in the profit and loss account	<u>132,707,433.65</u>	<u>43,856,351.68</u>

4.2 Specification of other income and expenses

Other income	2019	2018
Services sold to partner companies	19,864,980.87	23,254,952.44
Other income	1,440,945.53	1,734,551.67
<i>Total</i>	<u>21,305,926.40</u>	<u>24,989,504.11</u>
Other expenses		
Expenses for services sold	-16,404,636.29	-17,776,750.50
Transfer to personnel fund	0.00	-5,647.23
Other expenses	-2,269,411.12	-2,286,587.23
<i>Total</i>	<u>-18,674,047.41</u>	<u>-20,068,984.96</u>

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

5.1 Current value of investments and difference between in valuation

		2019	
Investments	Remaining acquisition cost	Book value	Current value
Real estate investments			
Real estate	3,754,152.85	3,754,152.85	5,060,000.00
Real estate shares in group companies	99,078,833.53	102,236,836.95	182,093,640.16
Other real estate shares	61,498,697.38	61,498,697.38	89,414,521.86
Loans to group companies	62,742,258.57	62,742,258.57	62,742,258.58
	227,073,942.33	230,231,945.75	339,310,420.60
Investments in group companies			
Shares and holdings	835,047,116.21	835,047,116.21	846,499,550.76
	835,047,116.21	835,047,116.21	846,499,550.76
Investments in participating interests			
Shares and holdings	95,631,334.45	95,631,334.45	107,586,832.53
Debt securities	4,000,000.00	4,000,000.00	4,000,000.00
Loans receivable	1,500,000.00	1,500,000.00	1,500,000.00
	101,131,334.45	101,131,334.45	113,086,832.53
Other investments			
Shares and holdings	851,529,548.15	851,529,548.15	949,268,223.81
Debt securities	411,915,524.28	411,915,524.28	417,886,380.80
Loans guaranteed by mortgages	59,008,404.64	59,008,404.64	59,008,404.50
Other loans	16,161,120.46	16,161,120.46	16,161,120.47
Deposits	5,121,210.68	5,121,210.68	5,121,210.68
	1,343,735,808.21	1,343,735,808.21	1,447,445,340.26
Deposits with ceding undertakings	636,421.94	636,421.94	636,421.94
	2,507,624,623.14	2,510,782,626.56	2,746,978,566.09
The remaining acquisition cost of debt securities includes:			
Difference between the nominal value and acquisition cost released (+) or charged (-) to interest income			-1,234,235.10
Book value comprises			
Revaluations released to income		2,441,051.81	
Other revaluations		716,951.61	3,158,003.42
Difference in valuation (difference between current value and book value)			236,195,939.53

Investments	Remaining acquisition cost	2018	Current value
		Book value	
Real estate investments			
Real estate	3,774,688.16	3,774,688.16	5,632,046.98
Real estate shares in group companies	81,091,650.15	84,249,653.57	146,678,579.27
Other real estate shares	62,028,063.04	62,184,099.67	84,240,120.56
Loans to group companies	80,156,073.93	80,156,073.93	80,156,073.94
	227,050,475.28	230,364,515.33	316,706,820.75
Investments in group companies			
Shares and holdings	739,286,855.78	739,286,855.78	754,868,516.89
	739,286,855.78	739,286,855.78	754,868,516.89
Investments in participating interests			
Shares and holdings	80,098,112.81	80,098,112.81	82,312,837.50
Debt securities	4,000,000.00	4,000,000.00	4,000,000.00
Loans receivable	1,500,000.00	1,500,000.00	1,500,000.00
	85,598,112.81	85,598,112.81	87,812,837.50
Other investments			
Shares and holdings	713,309,197.85	713,309,197.85	792,433,721.52
Debt securities	527,760,337.29	527,760,337.29	524,774,164.56
Loans guaranteed by mortgages	45,856,363.14	45,856,363.14	45,856,363.00
Other loans	17,089,035.10	17,089,035.10	17,089,035.11
Deposits	5,105,935.42	5,105,935.42	5,105,935.42
	1,309,120,868.80	1,309,120,868.80	1,385,259,219.61
Deposits with ceding undertakings	661,413.85	661,413.85	661,413.85
	2,361,717,726.52	2,365,031,766.57	2,545,308,808.60
The remaining acquisition cost of debt securities includes:			
Difference between the nominal value and acquisition cost released (+) or charged (-) to interest income			-1,251,761.06
Book value comprises			
Revaluations released to income		2,573,235.73	
Other revaluations		740,804.32	3,314,040.05
Difference in valuation (difference between current value and book value)			180,277,042.03

5.2 Difference in valuation of non-hedging derivatives

		2019	
Derivative contracts	Remaining acquisition cost	Book value	Current value
Other debtors			
Assets pledged as security for derivatives	90,000.00	90,000.00	90,000.00
Other deferred income and credits			
Futures and forward contracts	-193,833.72	-193,833.72	-193,833.72
	-103,833.72	-103,833.72	-103,833.72
Difference in valuation (difference between current value and book value)			0.00

		2018	
Derivative contracts	Remaining acquisition cost	Book value	Current value
Other debtors			
Assets pledged as security for derivatives	540,000.00	540,000.00	540,000.00
Other deferred income and credits			
Futures and forward contracts	0.00	0.00	402,245.83
	540,000.00	540,000.00	942,245.83
Difference in valuation (difference between current value and book value)			402,245.83

6. Real estate investments

Changes in real estate investments:	Real estate and shares in real estate	2019 Loans to group companies	Loans to participating interests
Acquisition cost on 1 Jan.	152,049,417.93	80,156,073.93	0.00
Increase	19,899,158.73	2,994,372.19	0.00
Decrease	-823,606.86	-20,408,187.55	0.00
Acquisition cost on 31 Dec.	171,124,969.80	62,742,258.57	0.00
Accumulated depreciation on 1 Jan.	-1,544,169.63		
Accumulated depreciation related to deductions and transfers	417,427.57		
Depreciation for the financial year	-116,652.03		
Accumulated depreciation on 31 Dec.	-1,243,394.09		
Value adjustments on 1 Jan.	-3,610,846.95		
Value adjustments for the financial year	-1,945,000.00		
Value readjustments	5,955.00		
Value adjustments on 31 Dec.	-5,549,891.95		
Revaluations on 1 Jan.	3,314,040.05		
Decrease	-156,036.63		
Revaluations on 31 Dec.	3,158,003.42		
Book value on 31 Dec.	167,489,687.18	62,742,258.57	0.00

Real estate and shares in real estate occupied for own activities

Remaining acquisition cost	8,076,197.19
Book value	8,076,197.19
Current value	8,275,437.04

7. Investments in group companies and participating interests

Shares in group companies	2019	2018
Acquisition cost on 1 Jan.	743,991,016.75	646,592,934.80
Increase	132,439,807.75	128,593,171.34
Decrease	-36,035,583.39	-30,442,488.36
Transfers between items	-0.05	-752,601.03
Acquisition cost on 31 Dec.	840,395,241.06	743,991,016.75
Value adjustments on 1 Jan.	-4,704,160.97	-1,819,836.88
Value adjustments related to deductions and transfers	0.05	752,601.03
Value adjustments for the financial year	-5,348,124.79	-3,885,912.05
Value readjustments	4,704,160.86	248,986.93
Value adjustments on 31 Dec.	-5,348,124.85	-4,704,160.97
Book value on 31 Dec.	835,047,116.21	739,286,855.78
Debt securities issued by and loans to companies in the same group		
Acquisition cost on 1 Jan.	0.00	0.00
Increase	0.00	23,000,000.00
Decrease	0.00	-31,000,000.00
Transfers between items	0.00	8,000,000.00
Acquisition cost on 31 Dec.	0.00	0.00
Book value on 31 Dec.	0.00	0.00
Shares and holdings in participating interests		
Acquisition cost on 1 Jan.	121,047,578.75	140,531,021.55
Increase	500,008.14	7,861,865.99
Transfers between items	-1,950,008.14	-27,345,308.79
Acquisition cost on 31 Dec.	119,597,578.75	121,047,578.75
Value adjustments on 1 Jan.	-40,949,465.94	-53,364,549.28
Value adjustments related to deductions and transfers	1,666,688.14	27,345,308.79
Value adjustments for the financial year	-1,666,688.14	-14,930,225.45
Value readjustments	16,983,221.64	0.00
Value adjustments on 31 Dec.	-23,966,244.30	-40,949,465.94
Book value on 31 Dec.	95,631,334.45	80,098,112.81
Debt securities issued by and loans to participating interests		
Acquisition cost on 1 Jan.	5,500,000.00	4,750,000.00
Increase	0.00	750,000.00
Acquisition cost on 31 Dec.	5,500,000.00	5,500,000.00
Book value on 31 Dec.	5,500,000.00	5,500,000.00
Total	936,178,450.66	824,884,968.59

7.1 Investments in companies belonging to the LocalTapiola Group's consolidated financial statements

Shares and holdings, fixed assets		Domicile	Share of stocks %	Equity	Profit for the accounting period
Akapo-Leasing Oy	1)	Espoo	66.7	11,852.49	-10.00
Aura-Karelia Oy	1)	Espoo	100.0	147,934.04	0.00
Keskinäinen Vakuutusyhtiö Turva	4)	Tampere	67.4	49,016,225.97	5,707,086.72
LokalTapiola Sydkusten Ömsesidigt Försäkringsbolag	3)	Parainen	100.0	11,130,232.95	-1,061,206.80
LähiTapiola Etelä Keskinäinen Vakuutusyhtiö	3)	Salo	100.0	50,134,788.67	6,982,527.78
LähiTapiola Etelä-Pohjanmaa Keskinäinen Vakuutusyhtiö	3)	Seinäjoki	100.0	48,906,389.71	5,630,193.25
LähiTapiola Itä Keskinäinen Vakuutusyhtiö	3)	Iisalmi	100.0	61,256,153.11	6,404,135.18
LähiTapiola Kaakkois-Suomi Keskinäinen Vakuutusyhtiö	3)	Lappeenranta	100.0	51,262,045.41	8,408,441.72
LähiTapiola Kainuu-Koillismaa Keskinäinen Vakuutusyhtiö	3)	Kajaani	100.0	26,042,851.26	4,757,581.00
LähiTapiola Keskinäinen Henkivakuutusyhtiö	3)	Espoo	66.7	492,613,839.44	37,381,204.26
LähiTapiola Keski-Suomi Keskinäinen Vakuutusyhtiö	3)	Jyväskylä	100.0	44,452,744.30	7,680,887.71
LähiTapiola Kiinteistövarainhoito Oy -group	1)	Espoo	68.2	11,265,595.28	1,537,262.22
LähiTapiola Lappi Keskinäinen Vakuutusyhtiö	3)	Rovaniemi	100.0	20,897,418.97	8,851.20
LähiTapiola Loimi-Häme Keskinäinen Vakuutusyhtiö	3)	Loimaa	100.0	25,591,535.84	3,160,648.49
LähiTapiola Lännen Keskinäinen Vakuutusyhtiö	3)	Rauma	100.0	47,399,122.47	5,228,687.65
LähiTapiola Palvelut Oy	1)	Espoo	64.4	11,020,896.77	565,181.82
LähiTapiola Pirkanmaa Keskinäinen Vakuutusyhtiö	3)	Tampere	100.0	46,620,417.73	7,406,458.59
LähiTapiola Pohjanmaa Keskinäinen Vakuutusyhtiö	3)	Vaasa	100.0	51,981,651.16	7,895,201.57
LähiTapiola Pohjoinen Keskinäinen Vakuutusyhtiö	3)	Oulu	100.0	83,268,125.70	9,673,220.46
LähiTapiola Pääkaupunkiseutu Keskinäinen Vakuutusyhtiö	3)	Helsinki	100.0	54,431,125.43	-3,319,079.23
LähiTapiola Rahoitus Oy	1)	Espoo	51.0	20,535,841.51	2,799,330.83
LähiTapiola Satakunta Keskinäinen Vakuutusyhtiö	3)	Pori	100.0	26,045,214.49	3,558,107.20
LähiTapiola Savo Keskinäinen Vakuutusyhtiö	3)	Kuopio	100.0	42,076,585.94	3,131,074.59
LähiTapiola Savo-Karjala Keskinäinen Vakuutusyhtiö	3)	Mikkeli	100.0	30,794,657.23	2,785,843.66
LähiTapiola Uusimaa Keskinäinen Vakuutusyhtiö	3)	Porvoo	100.0	47,364,844.82	4,887,382.33
LähiTapiola Varainhoito Oy	1)	Espoo	67.6	22,611,911.69	1,142,317.27
LähiTapiola Varsinais-Suomi Keskinäinen Vakuutusyhtiö	3)	Turku	100.0	39,984,417.31	1,956,267.46
LähiTapiola Vellamo Keskinäinen Vakuutusyhtiö	3)	Lahti	100.0	50,311,232.82	7,805,691.92
Tieto-Tapiola Oy	1)	Espoo	66.7	4,379,644.87	261,891.89
Tietotyö Oy	1)	Espoo	100.0	849,974.15	941.85
Vakuutusneuvonta Aura	2)	Espoo	33.3	10,729.40	0.00
Vakuutusneuvonta Pohja	2)	Espoo	33.3	10,672.17	0.00
Total				1,472,426,673.10	142,376,122.59

Shares and holdings, investment assets		Domicile	Share of stocks %	Equity	Profit for the accounting period
Kauppakeskus Seppä Oy	2)	Kuopio	30.0	-5,712.50	-4,354.59
LähiTapiola Aluekiinteistöt Ky -group	2)	Espoo	28.3	3,101,075.06	-353,924.94
LähiTapiola Kiinteistösi joitus I GP Oy	1)	Espoo	100.0	2,200.20	-127.80
LähiTapiola Kiinteistösi joitus I Ky	2)	Espoo	30.0	25,154,435.64	-16,655,361.52
LähiTapiola KR PK2 Ky -group	2)	Espoo	32.4	13,797,599.84	-2,303,906.08
LähiTapiola Pääomasijoitus GP Oy	3)	Espoo	12.9	610.89	-61.05
LähiTapiola Pääomasijoitus I Ky	3)	Espoo	12.9	120,807,120.85	10,982,593.89
LähiTapiola Pääomasijoitus II GP Oy	1)	Espoo	100.0	2,026.78	-130.40
LähiTapiola Pääomasijoitus II Ky	2)	Espoo	30.0	86,222,357.56	646,174.58
LähiTapiola Pääomasijoitus III GP Oy	1)	Espoo	100.0	2,200.20	-127.80
LähiTapiola Pääomasijoitus III Ky	3)	Espoo	12.5	130,516,469.82	18,493,102.06
LähiTapiola Pääomasijoitus IV Ky	2)	Espoo	34.4	2,960,817.63	-926,809.67
LähiTapiola Rahoitusyhtiö I Ky	2)	Espoo	24.8	451,565,216.16	1,824,879.83
LähiTapiola Tampereen Tornit Ky	2)	Espoo	32.2	26,408,666.63	0.00
LähiTapiola Tontit GP I Oy	3)	Espoo	7.3	116,954.08	7,567.17
LähiTapiola Tontit GP II Oy	1)	Espoo	100.0	96,302.81	21.77
LähiTapiola Tontit I Ky	3)	Espoo	7.3	45,374,095.28	4,274,095.20
LähiTapiola Tontit II Ky	3)	Espoo	16.2	6,467,625.86	357,707.07
LähiTapiola Velkasijoitus I GP Oy	1)	Espoo	100.0	2,090.35	-130.40
LähiTapiola Velkasijoitus I Ky	2)	Espoo	37.2	105,690,474.50	5,080,012.79
LähiTapiola Yhteiset Kiinteistöt Ky	3)	Espoo	3.0	185,653,265.80	4,502,048.32
LähiTapiola Yritysrahoitus I GP Oy	1)	Espoo	100.0	7,356.45	-218.53
LähiTapiola Yritysrahoitus I Ky	2)	Espoo	38.4	621,289,707.74	15,841,311.65
Tapiolan Revontuli Oy	1)	Espoo	100.0	52,613.36	-138.34
Total				1,825,285,570.99	41,764,223.21

In addition, LocalTapiola General Mutual Insurance Company has invested in 33 (34) housing associations and real estate companies that are integrated into the consolidated financial statements of LocalTapiola Group, out of which 13 (12) are its own subsidiaries.

1) Subsidiary

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

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

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

7.2 Investments in participating interests

Shares and holdings, fixed assets		Domicile	Share of stocks %	Equity	Profit for the accounting period
LTC-Otso Oy	2)	Helsinki	36.0	7,957,951.95	5,188,215.38
Pihlajalinna Oyj -group	3)	Helsinki	15.4	101,100,000.00	3,400,000.00
S-Pankki Oy -group	3)	Helsinki	10.0	473,439,054.74	24,127,499.00
Total				582,497,006.69	32,715,714.38
Shares and holdings, investment assets		Domicile	Share of stocks %	Equity	Profit for the accounting period
Cinematic Productions S Oy	3)	Helsinki	7.7	41,458.36	-737.25
Seligson & Co Rahastoyhtiö Oyj	3)	Helsinki	19.3	12,977,439.25	1,988,256.67
Project-IT Oy	2)	Espoo	25.0	2,693,892.67	1,288,614.09
Total				15,712,790.28	3,276,133.51

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

2) Participating interest

3) A participating interest, which belongs to the consolidated financial statements of LocalTapiola Group, and is classified as other investment in the reporting entity.

7.3 Other investments

Security	Share of stocks %	Number	Book value	Current value	Home country
Finnish companies, listed					
Huhtamäki Oyj	0.10	106,000.00	3,624,537.15	4,386,280.00	Finland
Kone Oyj B	0.02	83,000.00	2,304,482.34	4,837,240.00	Finland
Nokia Oyj	0.01	763,000.00	2,514,848.00	2,514,848.00	Finland
Stora Enso R	0.04	315,000.00	3,016,981.51	4,083,975.00	Finland
Vaisala Oyj A	0.51	187,640.00	1,756,451.61	5,957,570.00	Finland
Wulff-Yhtiöt Oyj	4.11	283,900.00	502,503.00	502,503.00	Finland
Others		818,450.00	828,633.48	1,182,473.00	
Total		2,556,990.00	14,548,437.09	23,464,889.00	
Finnish companies, non-listed					
A-sarjan osake - LähiRahoitus Oy	16.47	2,000,000.00	1,047,196.83	1,720,000.00	Finland
LähiTuuli Oy	9.95	103,550.00	500,000.00	746,595.50	Finland
Sofigate Group Oy	2.98	604,700.00	725,640.00	725,640.00	Finland
Viria Oyj	2.79	150,000.00	2,925,000.00	2,925,000.00	Finland
Others		97,670,526.00	90,585,268.52	90,597,000.15	
Total		100,528,776.00	95,783,105.35	96,714,235.65	

Foreign companies, listed

ASML Holding NV	0.00	21,000.00	3,350,289.42	5,537,700.00	The Netherlands
AbbVie Inc	0.00	64,000.00	3,790,971.93	5,044,116.08	USA
Alphabet Inc Class C	0.00	3,500.00	3,389,629.22	4,165,542.10	USA
Amazon.com Inc	0.00	2,400.00	2,452,709.82	3,947,673.14	USA
Anheuser-Busch InBev NV	0.00	61,000.00	4,435,310.00	4,435,310.00	Belgium
Assa Abloy Ab B	0.03	273,000.00	5,130,446.00	5,722,996.52	Sweden
AstraZeneca PLC	0.01	75,000.00	4,800,337.15	6,705,747.53	UK
Automatic Data Processing Inc	0.01	30,000.00	2,991,778.19	4,553,142.25	USA
Axa Sa	0.01	276,000.00	5,688,087.51	6,930,360.00	France
BASF SE	0.01	55,000.00	3,704,250.00	3,704,250.00	Germany
Brenntag AG	0.06	85,000.00	4,086,884.79	4,120,800.00	Germany
Carl Zeiss Meditec AG	0.02	20,000.00	2,032,553.77	2,274,000.00	Germany
Danaher Corp	0.00	25,000.00	2,109,378.95	3,415,524.30	USA
Dassault Systemes Sa	0.01	25,000.00	3,206,238.29	3,663,750.00	France
Deutsche Telekom AG	0.01	402,000.00	5,857,140.00	5,857,140.00	Germany
Epiroc AB	0.04	350,000.00	3,131,154.19	3,831,077.46	Sweden
ING Groep NV	0.01	515,000.00	5,504,320.00	5,504,320.00	The Netherlands
Illinois Tool Works Inc	0.01	23,000.00	2,883,259.84	3,677,666.01	USA
Ingersoll-Rand PLC	0.02	37,000.00	3,067,054.12	4,377,817.34	Ireland
Lowe's Cos Inc	0.00	30,000.00	2,503,804.75	3,198,148.48	USA
Medtronic Inc	0.00	42,400.00	2,565,019.72	4,281,894.25	Ireland
Merck & Co Inc	0.00	45,000.00	2,200,901.38	3,643,181.41	USA
Merck KGAA	0.04	57,000.00	4,939,247.58	6,004,950.00	Germany
Mondelez International Inc	0.01	74,000.00	3,002,983.37	3,628,200.11	USA
NIKE Inc	0.00	49,000.00	3,396,519.44	4,418,897.99	USA
National Grid PLC	0.01	520,000.00	5,179,814.25	5,771,462.15	UK
Nestle Sa	0.00	73,000.00	5,618,182.77	7,047,116.27	Switzerland
PepsiCo Inc	0.00	37,000.00	2,581,166.46	4,501,326.33	USA
Procter & Gamble Co	0.00	35,000.00	2,313,095.73	3,891,312.09	USA
RELX PLC	0.01	170,000.00	3,118,937.04	3,807,416.55	UK
Roche Holding Ag	0.00	24,000.00	5,329,563.35	6,943,062.47	Switzerland
Rockwell Automation Inc/DE	0.02	26,000.00	3,875,714.68	4,690,599.96	USA
SAP Ag	0.00	57,000.00	5,269,570.45	6,858,240.00	Germany
SGS SA	0.03	2,150.00	4,709,608.00	5,251,197.72	Switzerland
Schneider Electric Sa	0.01	50,000.00	3,547,906.87	4,575,000.00	France
Siemens Healthineers AG	0.02	151,779.00	4,879,038.27	6,499,176.78	Germany
Swiss Re Ltd	0.02	67,000.00	5,537,999.20	6,709,876.54	Switzerland
Total Sa	0.01	143,000.00	6,546,509.12	7,035,600.00	France
US Bancorp	0.01	100,000.00	4,205,929.45	5,277,728.32	USA
Unilever NV	0.01	136,000.00	5,395,917.57	6,967,280.00	The Netherlands
Visa Inc	0.00	29,000.00	2,607,404.10	4,850,542.99	USA
salesforce.com Inc	0.00	27,000.00	3,289,209.44	3,908,919.35	USA
Total		4,288,229.00	164,225,836.18	207,230,062.49	

Foreign companies, non-listed

European Alliance Partners Company AG	8.48	6,165.00	521,223.76	716,213.54	Switzerland
Others		98,250.00	165,036.33	165,036.33	
Total		104,415.00	686,260.09	881,249.87	

Mutual funds

AMUNDI PLANT EM GRN 1-SEURH	10,313,560.00	10,491,909.26	Luxembourg
Aktia Trade Finance Erikoissijoitusrahasto	2,209,035.45	2,209,035.45	Finland
BNP Paribas FPS FPE	3,574,778.56	3,574,778.56	France
BNP Paribas Global Senior Corporate Loans	2,022,686.40	2,022,686.40	France
Danske Invest Yhteisökorko WK	9,995,056.98	9,995,056.98	Finland
GS Emerging Markets Equity	10,026,385.22	10,555,600.09	Luxembourg
LähiTapiola AIF Eurooppa	7,000,000.00	7,791,781.10	Finland
LähiTapiola AIF USA	2,000,000.00	2,267,812.68	Finland
LähiTapiola AIF Yrityslaina	62,275,956.48	64,018,532.97	Finland
LähiTapiola High Yield A	23,811,300.34	25,152,694.89	Finland
LähiTapiola Kehittyvät Korkomarkkinat A	85,970,889.04	87,916,090.54	Finland
LähiTapiola Korkomaailma A	1,747,298.22	2,275,094.85	Finland
LähiTapiola Reaalikorko A	15,083,552.17	15,385,937.10	Finland
LähiTapiola Sijoituskiinteistöt A	5,541,983.27	6,085,097.63	Finland
LähiTapiola Suoja A	844,573.38	984,262.16	Finland
LähiTapiola Vastuullinen Hyvinvointi A	6,270,258.87	9,230,304.97	Finland
LähiTapiola Vastuullinen Infra A	4,723,416.58	6,622,090.21	Finland
LähiTapiola Vastuullinen Kasvu A	4,686,865.83	7,329,075.27	Finland
LähiTapiola Vastuullinen Kehittynyt Aasia A	10,212,705.18	11,798,727.47	Finland
LähiTapiola Vastuullinen Kehittyvät Markkinat A	18,488,786.50	20,032,186.35	Finland
LähiTapiola Vastuullinen Kuluttaja A	3,884,647.83	5,723,145.46	Finland
LähiTapiola Vastuullinen Osinko A	4,692,157.71	5,964,705.55	Finland
LähiTapiola Vastuullinen Pohjoinen Yrityskorko A	23,835,580.38	25,223,461.05	Finland
LähiTapiola Vastuullinen USA Keskisuuret A	11,550,187.84	16,320,668.57	Finland
LähiTapiola Vastuullinen Vaikuttajakorko A	33,068,943.53	33,486,488.63	Finland
LähiTapiola Vastuullinen Yrityskorko A	35,502,353.29	37,784,943.34	Finland
Natixis Loomis Sayles Senior Loan Fund	1,499,998.50	1,676,233.35	Luxembourg
PIMCO GIS Emerging Markets Bond ESG Fund	23,484,741.13	24,902,820.08	Ireland
Total	424,317,698.68	456,821,220.96	

Capital mutual funds

Altor Fund II (No. 1) Limited Partnership	1,229,767.74	1,229,767.74	Jersey
Altor Fund III	3,035,039.22	3,093,468.25	Jersey
Altor Fund IV (No.2) AB	5,828,819.22	6,273,049.36	Sweden
Amanda III Eastern Private Equity L.P.	551,380.00	551,380.00	Finland
Amanda V East L.P.	4,022,458.80	4,440,857.00	Finland
Armada Mezzanine IV Ky	1,576,871.27	1,713,028.05	Finland
Beechbrook Mezzanine II L.P.	2,976,280.66	2,976,280.66	UK
Beechbrook Private Debt III L.P.	8,024,575.73	8,024,575.73	UK
Beechbrook UK SME Credit I L.P.	5,803,770.23	5,803,770.23	UK
Bowmark Capital Partners IV, L.P.	2,008,368.47	2,008,368.47	UK
Bowmark Capital Partners V, L.P.	2,966,570.63	2,966,570.63	UK
Bridgepoint Europe III, L.P.	840,926.00	840,926.00	UK
Bridgepoint Europe IV F L.P.	1,417,948.37	1,417,948.37	UK
Bridgepoint Europe V C L.P.	7,801,985.18	8,750,756.51	UK
Fundu Fund Ky	4,000,000.00	4,245,603.96	Finland
ICG Senior Debt Partners Fund	1,405,358.00	1,405,358.00	Luxembourg
ICG Senior Debt Partners Fund 2	12,958,704.17	13,088,329.85	Luxembourg
ICG-Longbow UK Real Estate Debt Investments III	5,949,853.24	5,949,853.24	Luxembourg
Infranode I (No. 1) AB	7,130,232.23	7,130,565.25	Sweden
LähiTapiola Asuntorahasto Prime Ky	1,182,038.00	1,214,479.33	Finland
LähiTapiola Asuntosijoitus Suomi Ky	2,804,996.25	3,482,202.48	Finland
M&G Real Estate Debt Fund II, L.P.	4,222,969.77	4,222,969.77	Guernsey
NB Private Debt Fund II LP	10,624,043.08	10,624,043.08	USA
Nexit INFOCOM II L.P.	1,936,069.34	3,179,453.41	Guernsey
Nordic Mezzanine Fund III Limited Partnership	1,536,672.01	2,264,405.31	UK
Partners Group U.S. Venture 2004, L.P.	955,936.44	955,936.44	USA
Siguler Guff Small Business Credit Opportunities	6,438,128.15	6,940,587.56	USA
TPG Partners VI, LP	5,155,071.21	5,155,071.21	USA
TPG Partners VII, L.P.	10,245,284.24	13,187,001.07	USA
Tapiola KR III Ky	5,330,254.28	5,330,254.28	Finland
The Triton Fund III L.P.	3,424,627.00	3,478,963.23	Jersey
Tikehau Direct Lending III	6,212,963.43	6,212,963.43	Luxembourg
Top Tier Venture Capital III, L.P.	523,999.41	523,999.41	USA
Top Tier Venture Capital IV, L.P.	2,071,020.52	2,684,043.25	USA
VSS Structured Capital Parallel III, L.P.	4,659,038.60	5,175,158.45	USA
WasaGroup Fund III Ky	1,427,879.36	1,468,006.44	Finland
Others	3,688,310.52	6,146,570.41	
Total	151,968,210.77	164,156,565.86	

Total other investments, shares and holdings **107,478,410.00** **851,529,548.16** **949,268,223.83**

8. Other investments

8.1 Other loans, itemised by type of security

	2019	2018
Bank guarantee	20,424.66	28,303.94
Remaining acquisition cost	20,424.66	28,303.94
Unsecured, total remaining acquisition cost	16,140,695.81	17,060,731.17
	16,161,120.47	17,089,035.11

9. Changes in tangible and intangible assets

	Intangible rights and other expenses with long-term effects	Provisional premiums	2019 Machinery and equipment
Acquisition cost on 1 Jan.	74,268,101.08	2,442,507.44	34,067,121.39
Increase	654,545.57	2,274,834.63	585,035.25
Decrease	-124,008.84	0.00	-456,285.22
Transfers between items	2,555,831.73	-2,555,831.73	0.00
Acquisition cost on 31 Dec.	77,354,469.54	2,161,510.34	34,195,871.42
Accumulated depreciation on 1 Jan.	-57,950,586.14	0.00	-32,724,692.93
Depreciation for the financial year	-5,743,960.00	0.00	-367,794.67
Accumulated depreciation on 31 Dec.	-63,694,546.14	0.00	-33,092,487.60
Book value on 31 Dec.	13,659,923.40	2,161,510.34	1,103,383.82

10. Capital and reserves and itemization of revaluation reserve

10.1 Changes in capital and reserves

	1.1.2019	Increase	Decrease	31.12.2019
Initial reserve	8,641,380.35	0.00	0.00	8,641,380.35
Revaluation reserve	85,090.31	0.00	0.00	85,090.31
Security reserve	1,359,636,790.44	44,694,562.57	0.00	1,404,331,353.01
Contingency reserve	2,590,689.71	500,000.00	-200,850.00	2,889,839.71
Profit for the accounting period	45,194,562.57	106,998,484.59	-45,194,562.57	106,998,484.59
<i>Total changes in capital and reserves</i>	1,416,148,513.38	152,193,047.16	-45,395,412.57	1,522,946,147.97

10.2 Itemisation of revaluation reserve

	31.12.2019
Revaluation of fixed assets	85,090.31
<i>Total</i>	85,090.31

10.3 Account of distributable profits

	31.12.2019
Profit for the accounting period	106,998,484.59
+ Other unrestricted capital and reserves	
Security reserve	1,404,331,353.01
Contingency reserve	2,889,839.71
<i>Total distributable profits</i>	1,514,219,677.31

11. Accumulated appropriations

	2019	2018
Depreciation difference		
Depreciation difference on 1 Jan.	80,144.35	51,655.03
Increase	50,676.45	28,489.32
Depreciation difference on 31 Dec.	130,820.80	80,144.35
Total accumulated appropriations	130,820.80	80,144.35

12. Provision for outstanding claims

	2019	2018
Uncontested recourse receivables deducted from provisions for claims outstanding		
Statutory workers' compensation	36,910,387.00	35,945,413.00

13. Other obligatory provisions

	2019	2018
Provision for interest on late payments for unfinished claims	0.00	38,781.00
Provision for unemployment security deductible	46,914.78	88,013.92
	<u>46,914.78</u>	<u>126,794.92</u>

14. Deferred tax liabilities

	2019	2018
Tax liability calculated on the basis of timing differences and other temporary differences between taxable profit and accounting profit	143,390.32	148,160.86
Tax debt calculated based on valuation gains/losses that is deemed likely to become payable during the next year	6,654,416.07	7,000,000.00
	<u>6,797,806.39</u>	<u>7,148,160.86</u>

15. Receivables and liabilities

15.1 Itemisation of receivables

	2019	2018
Receivables from group companies		
Other receivables	2,164,065.15	1,632,681.03
	<u>2,164,065.15</u>	<u>1,632,681.03</u>

15.2 Itemisation of liabilities

	2019	2018
Liabilities to group companies		
Trade creditors	1,307,525.32	1,335,890.38
Other liabilities	1,319,361.23	2,008,125.76
	<u>2,626,886.55</u>	<u>3,344,016.14</u>

15.3 Itemisation of accruals and deferred income

	2019	2018
Liabilities to personnel	9,165,807.77	8,872,983.82
Valuation loss on derivatives	193,833.72	0.00
Other accruals and deferred income	2,779,357.97	2,417,683.29
	<u>12,138,999.46</u>	<u>11,290,667.11</u>

16. Notes concerning guarantees and contingent liabilities

Off-balance-sheet guarantees and contingent liabilities

	2019	2018
Derivative contracts		
Currency derivatives		
Forward and futures contracts, open		
Underlying instrument	-16,490,147.26	-26,900,991.97
Current value	-193,833.72	402,245.83

Leasing liabilities

Amount to be paid in the current financial year	77,858.99	0.00
Amount to be paid in the coming years	176,952.25	0.00
	<u>254,811.24</u>	<u>0.00</u>

Rent liabilities

Amount to be paid in the current financial year	4,081,767.21	4,107,602.79
Amount to be paid in the coming years	14,099,122.56	15,156,610.94
	<u>18,180,889.77</u>	<u>19,264,213.73</u>

Value-added tax liabilities

Joint liability relating to collective value-added tax registration		
Group companies	-2,664,962.68	503,493.24
Partner companies	1,941,043.52	1,846,176.42
	<u>-723,919.16</u>	<u>2,349,669.66</u>
<i>VAT liability with a positive sign = VAT debt</i>		
<i>VAT liability with a negative sign = VAT receivable</i>		

Inspection responsibility of real estate investments under section 120 of the Value Added Tax Act

Company	789,170.00	843,572.00
Other companies of the group	41,687,948.25	49,206,949.60
	<u>42,477,118.25</u>	<u>50,050,521.60</u>

Other commitments

Investment commitments	398,636,065.83	478,303,605.46
Subscription commitments	0.00	200,023.44
Granted limit	3,390,540.00	6,530,565.00
	<u>402,026,605.83</u>	<u>485,034,193.90</u>

A joint liability agreement concluded between LocalTapiola General Mutual Insurance Company and regional mutual insurance companies of the LocalTapiola group determines the principles for ensuring the solvency of the companies in the group. More information regarding the joint liability agreement can be found in the Report of the Board of Directors, section Solvency and risk management.

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

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

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

Subsidiaries	56,871,430.24
Associated undertakings and joint ventures	3,713,258.68
	<u>60,584,688.92</u>

Normal credit terms are applied to related party loans. The loan period is 10-40 years and the loans have a floating interest rate, which is tied to commonly used interest quotations.

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

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

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

PERFORMANCE ANALYSIS

	2019	2018	Change	€1,000 Change %
Premiums earned	272,961	292,823	-19,862	-6.8 %
Claims incurred	-220,195	-226,038	5,843	-2.6 %
Operating expenses	-52,641	-48,653	-3,988	8.2 %
Balance on technical account before change in equalization provision	125	18,133	-18,007	-99.3 %
Investment income and expenses as well as revaluations and adjustments thereof	132,707	43,856	88,851	202.6 %
Other income and expenses	2,632	4,921	-2,289	-46.5 %
Operating profit	135,465	66,909	68,555	102.5 %
Change in equalization provision	0	-6,120	6,120	-100.0 %
Profit before appropriations and taxes	135,465	60,790	74,675	122.8 %
Appropriations	-51	-28	-22	77.9 %
Direct taxes	-28,416	-15,567	-12,849	82.5 %
Total result	106,998	45,195	61,804	136.8 %
Operating profit	135,465	66,909	68,555	102.5 %
Change in the difference between current and book values	55,517	9,723	45,794	471.0 %
Total result	190,981	76,632	114,349	149.2 %

Investment allocation at current value

Investment allocation at current value 1 Jan. - 31 Dec. 2019

	Basic breakdown				Risk breakdown		
	31.12.2019		31.12.2018		31.12.2019		31.12.2018
	EUR million	%	EUR million	%	EUR million	%	%
Fixed-income investments	916.2	32.5	877.6	33.7	916.2	32.5	33.7
Loan receivables ¹	78.1	2.8	65.6	2.5	78.1	2.8	2.5
Bonds	759.0	27.0	756.5	29.1	759.0	27.0	29.1
Other money market instruments and deposits ^{1 2}	79.1	2.8	55.5	2.1	79.1	2.8	2.1
Equities and shares	1489.7	52.9	1314.3	50.5	1489.7	52.9	50.5
Listed equities and shares ³	388.5	13.8	275.9	10.6	388.5	13.8	10.6
Private equity investments ⁴	586.0	20.8	508.8	19.6	586.0	20.8	19.6
Unlisted equities and shares ⁵	515.2	18.3	529.6	20.4	515.2	18.3	20.4
Real estate investments	406.6	14.4	385.4	14.8	406.6	14.4	14.8
Direct real estate investments	339.3	12.1	316.8	12.2	339.3	12.1	12.2
Real estate funds and joint investments	67.3	2.4	68.6	2.6	67.3	2.4	2.6
Other investments	2.2	0.1	23.5	0.9	2.2	0.1	0.9
Hedge fund investments ⁶	0.0	0.0	5.1	0.2	0.0	0.0	0.2
Commodity investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investments ⁷	2.2	0.1	18.4	0.7	2.2	0.1	0.7
Investments total	2814.7	100.0	2600.7	100.0	2814.7	100.0	100.0
Effect of derivatives ⁹							
Investments at current value, total	2814.7	100.0	2600.7	100.0	2814.7	100.0	100.0

The modified duration of bond investments

4.0

1) Accrued interest included

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

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

4) Includes fixed assets and mezzanine funds as well as infrastructure investments

5) Includes also unlisted real estate investment companies

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

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

8) 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 at current value, total" as divisor.

Net investment income on capital employed

Net investment income on capital employed 1 Jan. - 31 Dec. 2019

	Net investment income at current value ⁸	Capital employed	Return-% on capital employed				
			2019	2018	2017	2016	2015
	EUR million	EUR million	%	%	%	%	%
Fixed-income investments	46.5	918.7	5.1	-1.4	1.9	3.9	0.9
Loan receivables ¹	2.5	74.2	3.3	3.3	3.1	3.3	4.0
Bonds	44.1	786.7	5.6	-1.7	2.0	4.4	0.4
Other money market instruments and deposits ^{1 2}	-0.2	57.9	-0.3	-0.7	-0.8	-0.4	-0.4
Equities and shares	116.4	1,358.4	8.6	3.5	5.7	4.5	14.0
Listed equities and shares ³	98.6	294.6	33.5	-9.7	2.4	3.1	19.3
Private equity investments ⁴	24.4	538.4	4.5	6.7	6.2	7.3	18.4
Unlisted equities and shares ⁵	-6.6	525.3	-1.3	9.9	8.4	4.5	3.1
Real estate investments	27.2	384.8	7.1	7.6	8.5	7.1	6.1
Direct real estate investments	29.0	315.0	9.2	8.1	8.4	8.3	6.7
Real estate funds and joint investments	-1.8	69.8	-2.6	5.5	8.9	4.1	4.5
Other investments	1.9	15.8	11.8	-5.4	-5.4	-0.6	0.0
Hedge fund investments ⁶	0.3	5.3	6.6	-1.3	23.5	0.0	0.0
Commodity investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investments ⁷	1.5	10.5	14.3	-6.5	-5.7	-0.6	0.0
Investments total	191.9	2,677.7	7.2	2.2	4.2	4.6	4.9
Unallocated return, costs and operating expenses	-3.6						
Net investment income at current value	188.2	2,677.7	7.0	2.1	4.0	4.4	4.8

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) 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

General Mutual Insurance Company (LocalTapiola General) financial statements have been prepared in accordance with the Accounting 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.

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

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

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

panies in LocalTapiola Group. Turva Mutual Insurance Company is reported as a subsidiary in the consolidated financial statements of LocalTapiola Group, based on a 76 per cent holding in the guarantee capital. Since the owner of the guarantee capital of a mutual company has no right to the assets of the company other than the guarantee capital and the interest on guarantee capital paid from retained earnings by decision of the general meeting, in accordance with the Financial Supervision Authority's statement, Turva is not consolidated into LocalTapiola Group's consolidated financial statements.

Valuation and allocation of intangible assets

Other long-term expenditure

Other long-term expenditure includes capitalised costs of renovations in apartments, and design and programming costs of ICT 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 in the balance sheet 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 acquisition cost if the current value rises.

Shares and holdings

Shares and holdings are stated in the balance sheet at the lower of acquisition cost and current 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 instruments is released or charged to interest income during the term to maturity. The counter-item has been entered as an increase or decrease of the acquisition cost of the debt security. Temporary value adjustments and those owing to interest rate fluctuations are not recognised. Write-downs arising for 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.

Loans receivable, deposits and deposits with ceding undertakings

Loans receivable, deposits and deposits with ceding undertakings are stated in the balance sheet at nominal value or a permanently lower, likely realisable value. Temporary value adjustments and those owing to interest rate fluctuations are not recognised. Write-downs arising for 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 current 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 hedging calculation

When using hedging calculation, a decrease in the value of a derivative is not entered to the extent that an increase in the value of the hedged item covers the change. Any loss exceeding the increase in the value of the hedged item is entered as an expense. The difference between the current value and the lower book value of a derivative is entered as income from the hedged balance sheet item up to the amount entered as an expense. If no value change is entered in the profit and loss account for the hedged balance sheet item, no valuation income or expense arising from the hedging derivative is recognised.

Definition of fair value of investments

Real estate investments

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

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

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

Shares, holdings and debt securities

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

Loan receivables, deposits and deposits with ceding undertakings

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

Zillmerisation

Zillmerisation is not applied.

Assets held to cover unit-linked insurance policies

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

Valuation of receivables

Premiums receivable

Premiums receivable are stated in the balance sheet 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

The 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 the various commodity groups are as follows:

Intangible assets

- Renovations in apartments 3–10 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 profit and loss account as a separate item.

Accumulated appropriations

Depreciation difference

See "Depreciation"

Voluntary provisions

Provisions have been made that must be recognised in profit or loss 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 pen-

sion 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 current and book values that is deemed likely to become payable during the next year.

Other liabilities

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

Subordinated loan

The subordinated loan is recognised as a liability in the balance sheet at acquisition cost. 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.

Account of the pension cover and the allocation of pension expenditure

The personnel's statutory pension cover has been arranged through TyEL insurance.

Any supplementary pension cover has been arranged through insurance. The benefits include old-age, disability and survivors' pension, as well as death benefit for family members. 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.

LocalTapiola General's Managing Director's retirement age is 63 years. Full-time Board members in employment LocalTapiola General and LocalTapiola Life have a retirement age of 63. The retirement/resignation age of other senior managers is in accordance with or lower than the applicable employment pension legislation if the employment relationship is agreed to expire before the statutory retirement age.

Pension insurance contributions have been recorded on an accrual basis.

Technical provisions, non-life insurance

Provision for unearned premiums

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

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

Provision for claims outstanding

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

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

A technical rate of interest of 1.2 per cent (1.4 per cent in the 2018 financial statements) is applied to calculations of provisions for pension claims outstanding, including unidentified claims.

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

Technical provisions, life insurance

Technical provisions

Contracts are recorded when the company becomes obliged to pay compensation in the event of

a potential insured event. Technical provisions contain provisions for unearned premiums and provisions for claims outstanding. Life insurance provisions for unearned premiums are a net debt arising from the expected future compensation of outstanding remaining periods of existing contracts and the deduction of operating costs. Provisions for claims outstanding are a debt arising from the costs of compensation and settlement of known or unknown insured events that have already occurred. The provision for claims outstanding includes the equalisation provision.

The portion of premiums written for pure risk policies for the period after the balance sheet date, less any unearned premiums, is recognised as a provision for unearned premiums in the balance sheet.

The provision for unearned premiums for savings insurance policies is calculated as the capital value of future benefits, contract management costs and future insurance premiums. In calculating the capital value, pricing interest, mortality and expected operating expenses are primarily used.

Established customer bonuses are taken into account when calculating technical provisions. Technical provisions include liability for future additional benefits, primarily used to pay future customer bonuses to ensure continuity.

Provision for outstanding claims consists of both case-specific outstanding claims and statistically outstanding claims.

Technical provisions include risk supplements that have been used to change the mortality or morbidity estimate of insurance contracts to match the observed level deviating from pricing.

Expected return

In accordance with the Insurance Companies Act, the maximum discount rate for technical provisions other than unit-linked contracts is the interest used for pricing the insurance. The interest may not exceed the expected return on the assets covering the liability or the level prescribed by the regulations of the authorities. The company is liable for savings with a guaranteed interest rate between 0 per cent and 4.5 per cent. In addition, this insurance portfolio is subject to interest rate additions which have reduced the discount rate for technical provisions to a level lower than the interest rate guarantee which is credited to savings. The provision for outstanding claims for life insurance other than pension insurance is not discounted.

The key assumption in the valuation of technical provisions for unit-linked insurance contracts is that the insurance will be credited the market-based return on assets covering the technical provisions.

LocalTapiola Group's consolidated financial statements

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

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

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

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

100% of the guarantee capital of the mutual regional companies and LocalTapiola Life. Profit and loss account items of the housing and real estate companies included in the LocalTapiola Life Group are presented in the technical account of life insurance business.

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

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

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

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

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

The consolidation goodwill arising from the elimination has been allocated primarily to the subsidiary's assets, taking into account their current value. The consolidation goodwill will be amortised according to plan, 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 in LocalTapiola Group's consolidated financial statements; intra-group reinsurance, excluding the equalisation provision, has been eliminated.

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

The consolidated financial statements of the LocalTapiola Group were first prepared for 2016, so comparative figures are presented from 2016.

[Changes in the calculation of technical provisions](#)

The technical rate of interest was reduced from 1.4 per cent to 1.2 per cent. The change affected the financial statements for 2019 by generating a non-recurring increase in provisions for outstanding claims. In addition, the company stopped discounting the daily allowance compensation paid under occupational accident insurance.

LocalTapiola General's liability for claims expenditure under patient insurance was unwound from the provisions for outstanding claims due to an amendment to the Patient Insurance Act. This will also decrease premiums written in direct insurance because public patient insurance is a form of full-liability insurance in which the insurance premium is equal to the compensation paid and the claims management expenses.

The calculation of LocalTapiola General's provision for unearned premiums was adjusted to account for the impact of insurance contracts with terms of less than one year on the amount of the provision for unearned premiums. The impact of the change will result in a non-recurring increase in gross premiums written.

[Alandia Insurance portfolio transfer, 1 January 2019](#)

LocalTapiola Group's operating expenses for 2019 include a non-recurring acquisition cost associated with the transfer of Alandia Insurance's portfolio of personal insurance policies to LocalTapiola Ete-lärannikko.

Changes affecting the comparability of life insurance operations

No changes have taken place in LocalTapiola Life's accounting principles to affect comparability.

Total premiums written and claims incurred increased in part due to the transfers of savings from old contracts to new ones, brought about by the changes in taxation practices effected at the beginning of 2020. The comparable growth in premium income and claims expenditure has been described in the annual report, with consideration to the above.

Calculation of key figures

General key figures describing financial development

Non-life insurance turnover

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

Life insurance turnover

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

Performance analysis

Non-life insurance

Premiums earned
Claims incurred
Operating expenses
Other technical income and expenses

Balance on technical account before change in equalisation provision

Life insurance ¹

Premiums written ¹
Investment income and expenses as well as revaluations, adjustments thereof and changes in value ¹
Claims paid ¹
Change in technical provisions before additional benefits (customer bonuses) and change in equalisation provision ¹
Operating expenses ¹
Other technical income and expenses ¹

Balance on the technical account before (additional benefits) and change in equalisation provision ¹

Non-life insurance investment income and expenses as well as revaluations, adjustments thereof and changes in value

Other income and expenses

Share in profit/loss of associated undertakings ¹

Operating profit or loss

Change in equalisation provision, non-life insurance

Change in equalisation provision, life insurance ¹

Additional benefits (customer bonuses) ^{1 and 2}

Profit or loss before appropriations and taxes

Appropriations

Income taxes and other direct taxes

Minority interests ¹

Profit or loss for the financial year

¹ Applies to the consolidated financial statements

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

Total result

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

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.

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 value when adjusting items for derivatives and premiums for provisional premiums are allocated to the underlying asset.

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

Return on total assets, excluding unit-linked insurance in percentage terms (at current value)

Operating profit or loss	
+ Interest paid and other financial expenses	
+ Unwinding of discount expense	
+ Revaluation/reversal entered in revaluation reserve/current value reserve	
+ Change in the difference between current and book values of investments	x100
<hr/>	
Balance sheet total	
- Technical provisions for unit-linked insurance	
+ Unrealised gains/losses from investments	

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

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

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

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

Average number of personnel during the financial year

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

Key figures describing the financial development of non-life insurance

Premiums written

= Premiums written before reinsurers' share

Loss ratio

Loss ratio (%)

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

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

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

The key figure is calculated after the reinsurers' share.

Expense ratio

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

Combined ratio

Combined ratio (%)

= Loss ratio + Expense ratio

Combined ratio (excl. unwinding of discount expense)

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

Risk ratio (report of the Board of Directors)

Risk ratio (%)

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

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

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

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

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

Key figures describing the financial performance of life insurance

Premiums written

= Premiums written before reinsurers' share

Expense ratio, %

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

The numerator is separately prorated to the expense loading and the balance sheet total. According to the calculation bases, total expense loadings is an item intended to cover operating expenses. Total expense loadings include all expense loadings. Operating expenses do not include commissions on reinsurance.

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

Notes on risk management

General details on the organisation of 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.

LocalTapiola's risk management is steered by the risk management policy, which is approved by the Boards of Directors of LocalTapiola Group's companies and which describes the general principles that apply as permanent guidelines for the organisation of risk management. The policy specifies the concepts, main areas, processes, and responsibilities for the implementation and monitoring of risk management. The risk management policy is updated annually, and whenever significant changes occur in the business conditions.

Key areas of risk management and risk categories:

Financial risks

- Risk relating to solvency management
- Market risks
- Credit risks
- Liquidity risks
- Concentration risks
- Insurance risks

Operational risks

- Risks relating to business planning
- Process risks
- Systemic risks
- Personnel risks
- Legal risks
- Risks of damage

Risks associated with the operating environment and strategy

- Risks associated with the general operating environment
- Risks associated with changes in the markets and customer behaviour
- Risks caused by the nature of competition and by competitors
- Risks related to 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, risk appetite, limits of risk-taking, responsibilities, metrics and monitoring principles. The Board annually confirms plans associated with risk management, ensures that they are taken into account in the operational plans and monitors the implementation of and compliance with these plans. The Board also monitors the status of risk management and the development of key risks on a regular basis. The Board of Directors has established a separate Audit and Risk Management Committee, which assists the Board in matters related to risk management, among other things.

The delegation of risk management responsibility and the duties of various parties can be described with the help of three lines of defence. Every line of defence and every party involved has a role to play in the risk management system.

The managing directors and other executives of the companies are the first line of defence, and they are responsible for the practical preparation, implementation and monitoring of risk management. The rules of procedure of the companies' Management Groups and various committees related to risk management define the duties of these organs in risk management and supervision. The business units are responsible for identifying risks related to their own operations and taking the required risk management measures. All employees have the obligation to report on any risks observed or areas for improvement identified in risk management.

The second line of defence consists of the support and control functions. Risk management supervision is always the responsibility of a party other than the one responsible for operational activities. The actuarial, risk management and compliance functions assist the Board of Directors and management in risk management supervision. The finance and balance sheet management functions also assist the Boards in the practical implementation of business monitoring. Internal audit, which is the third line of control, supports supervisors in fulfilling their duties of control by evaluating the status of internal control within the businesses and by providing the management and people responsible for functions with information and proposals of measures for enhancing control. The auditing function also supervises the implementation of risk management.

As the Board of LocalTapiola Group's leading parent 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 is a decision-making organ for managing, monitoring and reviewing balance sheet risks, and it reports directly to the Board of Directors. The committee is responsible for ensuring that balance sheet risk management is

organised in an appropriate manner and that capital is efficiently used. The Board of Directors appoints an Investment Management Group, which is responsible for the practical organisation of investment operations and the operational supervision of market risks.

The risk management function is tasked with assisting the companies' Boards of Directors and other functions in ensuring effective risk management. The function monitors the functionality of the risk management system and the companies' risk profiles as a whole, and it reports on the risk exposure. In addition, the function advises the Board of Directors on matters concerning risk management, and it identifies and assesses developing risks.

Reporting

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

Insurance operations risk management

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

Non-life insurance risks

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

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

The underwriting policy defines the permitted insurance risks. The Board of Directors approves the profitability targets for the insurance business and the pricing strategy is used to guide the person in charge of risks and to guarantee fair pricing. The business units are responsible for reaching the targets set out in the underwriting policy and pricing strategy. Risks connected with pricing and the level of insurance premiums are managed by continuously developing the reporting and calculation methods to enable any necessary changes to be

made to premiums more rapidly. Particularly high insurance risks are underwritten to a limited extent or not at all.

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

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

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

Inflation risk is related to long-term compensation in terms of cash flow in relation to matters such as medical care and rehabilitation for bodily injuries. This risk is realised if, due to inflation, the level of compensation paid exceeds the level assumed when determining prices and liability for damages, and the premiums and provision for claims outstanding prove insufficient.

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

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

The calculation bases for technical provisions in accounting set out the principles for determining the technical provisions for different insurance classes. The technical rate of interest (1.2%), which is used to discount the provisions for claims outstanding, is determined in such a way that it does not exceed the level of investment income defined as secure over the estimated period for the settlement of damages. The definitions are prudent with respect to interest rate and mortality, as well as other definition principles. The adequacy of technical provisions is monitored annually and revisions are made when necessary. The valuation of technical provisions in solvency calculations differs from the book value. In solvency calculations, attempts are made to value technical provisions on market terms by means such as discounting the technical provisions using the risk-free interest rate curve.

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

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

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

Reinsurers are only approved if they are sufficiently solvent companies in terms of their credit ratings. The

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

Risks associated with life insurance

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

The **interest rate risk** can be managed in several ways: by hedging investment portfolios with derivatives; by changing the interest portfolio's maturity structure or the company's entire strategic allocation in unstable market conditions; by maintaining sufficiently high solvency; by lowering the technical interest rate of insurance portfolios through additions to liability; by using sanctions for surrenders; and by using a safe and low technical interest rate in new products. The company can, if necessary, substantially reduce the interest rate risk on the balance sheet by combining interest rate investments to better match the maturity profile of technical provisions or by using interest rate derivatives.

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 reserves with guaranteed return varies between 0 and 3.5 per cent, taking additional technical reserves 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

Investment risks also include market risks, credit/counterparty risks, and liquidity risks. 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. Credit/counterparty risk is the risk that the counterparty of a loan, derivative contract, transaction or similar is unable to meet its obligations. 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 target level and limits for investment risks, the indicators used to monitor the risk and solvency position, investment steering and reporting processes, and measures to safeguard solvency.

The balance sheet management function prepares a proposal on the strategic allocation, taking into consideration the company's risk-bearing capacity and the risk appetite defined by the Board of Directors. Risk-taking is measured in such a way that the company's solvency will remain at the target level over a five-year horizon with a sufficiently high probability. When the strategic allocation is formulated, the nature and structure of the company's technical provisions are taken into consideration.

The balance sheet management function 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 that may be related to factors such as changes in solvency, insurance portfolio, long-term return on investment and risk expectations, the company's customer bonus policy, or solvency strategy.

Investment risks are measured and monitored in accordance with the model used by the authorities for calculating solvency, as well as widely-used methods. Risks are monitored by setting limits on investments and investment risks, as well as by assuring sufficient diversification. If necessary, risks are hedged in whole or in part using derivative instruments.

The traffic light framework for solvency described in the Group's joint liability agreement is a crucial tool for steering the solvency and investments of the companies. The framework is based on solvency according to the model used by the authorities, which is based on traffic light zones with predetermined actions. The green zone means that solvency is at the target level,

and the asset managers are operating within their mandates as normal. The light-green zone means that monitoring of solvency and investment risks should be enhanced. In the yellow zone, it is not acceptable to actively increase investment risks. In the red and black zone, active measures are required to mitigate investment risks and reinforce solvency.

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 mapping methodology, operational risks are mapped as part of the annual planning process and whenever the risk situation changes significantly. The risk management measures identified in these assessments are incorporated into the annual plans for the various business units. In addition, risk assessment is carried out separately for each initiative, project, and significant change in business operations.

The supervision measures (control measures) included in processes help to ensure the correctness and quality of operations. As part of operational risk management, all realised risks and close calls are logged in the risk event register, along with any further measures required. Any losses caused by disruptions and errors in operations and by operational risks are reported to the authorities in accordance with set requirements.

Operational continuity management is verified by regularly updating and testing the continuity and preparedness plans. The Group's companies are responsible for organising their operations ap-

propriately, 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)

Risk management for non-insurance companies in the Group

The Group's non-insurance companies follow the same risk management principles as the Group's insurance companies, insofar as they are not specifically related to the insurance company's business or sector. The companies' Boards of Directors bear overall responsibility for each company's risk management. The executive management is responsible for maintaining and developing the risk management process in collaboration with the Group's risk management function.

Management of risks associated with the operating environment and strategy

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

Risks related to the operating environment and strategic intent are identified and their significance is evaluated annually in conjunction with the annual planning process. This is undertaken through self-assessment. To reduce the risks that have been identified and to exploit opportunities, the responsible bodies plan and implement risk management measures, which are implemented as part of the annual plans. 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. The risks of strategy implementation are managed by defining strategy indicators and regular monitoring.

Signatures to the annual report and financial statements

Espoo, 10 March 2020

Juha Koponen
Chairman of the Board

Jari Eklund

Timo Hiltunen

Anu Kallio

Sami Kulla

Minna Metsälä

Ulla-Maija Moisio

Hannu Niilekselä

Jari Sundström
Managing Director

Auditor's note

A report has been issued today on the audit performed.

Espoo, 23 March 2020

KPMG Oy Ab

Mikko Haavisto

Authorised Public Accountant

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

Auditor's Report

To the Annual General Meeting of LocalTapiola General Mutual Insurance Company

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of LocalTapiola General Mutual Insurance Company (business identity code 0211034-2) for the financial year 1 January–31 December 2019. The financial statements comprise the balance sheets, profit and loss accounts, cash flow statements and notes for the group as well as for the parent company.

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

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

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Most significant assessed risks of material misstatement

Below we have described our assessment of the most significant risks of material misstatement, including risks of material misstatement due to fraud, and presented a summary of our response to those risks.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

**MOST SIGNIFICANT ASSESSED RISKS OF
MATERIAL MISSTATEMENT**

AUDITOR'S RESPONSE TO THE RISKS

1 Valuation of investments (accounting principles pp. 83–84)

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

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

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

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

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

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

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

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

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

2 Technical provisions (accounting principles pp. 86–88)

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

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

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

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

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

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

Our actuary has participated in the audit 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.

Responsibilities of the Board of Directors and the CEO for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the CEO's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting LocalTapiola General Mutual Insurance Company in 2013, and our appointment represents a total period of uninterrupted engagement of 7 years.



Other Information

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

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

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

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

Espoo, 23 March 2020

KPMG OY AB

MIKKO HAAVISTO

Authorised Public Accountant, KHT