

LocalTapiola Mutual Life Insurance Company

Report of the Board of Directors and financial statements for 2019

Business ID: 0201319-8



LÄHITAPIOLA

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Report of the Board of Directors

LocalTapiola Mutual Life Insurance Company (LocalTapiola Life) offers individual life insurance policies, group life insurance policies, individual pension insurance policies and capital redemption contracts for private individuals and companies, and group pension insurance policies for companies.

LocalTapiola Life Group is part of LocalTapiola Group, headed by LocalTapiola General Mutual Insurance Company (LocalTapiola General, Business ID 0211034-2). The report of the Board of Directors and financial statements of LocalTapiola General are available at www.lahitapiola.fi.

LocalTapiola Life in 2019

LocalTapiola Life provides financial cover to its customers and develops meaningful services for their lifelong security, helping them to live longer in good health with more self-sufficient finances.

- LocalTapiola Life achieved a good result in 2019, and premium income increased in all focus areas.
- We contributed to our customers' financial self-sufficiency by introducing a guaranteed-return investment entitled "Korkoetu" in the life security application. It is a new and easy way to begin saving money and building a financial buffer. The renewal of our investment services in 2017 was well received by our customers, and we continued to get more and more new customers in 2019.
- LocalTapiola Life is Finland's largest pure risk insurance provider, with a 30 per cent market share. In 2019, we made the Smart Life Insurance well-being services part of the Terveyshelpi application. Additionally, in January 2020, a completely revamped digital service for purchasing life insurance policies became available to our customers.
- In group pension insurance, LocalTapiola Life's premiums written have increased by 50 per cent over three years. Due to the renewal of our investment services carried out last autumn, also our group pension customers can now take advantage of LocalTapiola's investment expertise and the benefits of a large investor.

LocalTapiola Life

Summary of results	2019	2018
Operating profit, EUR m	32.3	63.3
Total result, EUR m	96.6	33.0
Result for the financial year, EUR m	37.4	46.7
Return on total assets, excluding unit-linked insurance, %	7.5	3.0

LocalTapiola Life

Key figures	2019	2018
Claims paid, EUR m	521.2	353.4
Technical rate of interest paid to customers, EUR m	53.0	55.2
Bonuses paid to customers, EUR m	9.4	8.0
Net investment income at current value, %	6.3	2.1
Total expense loadings, EUR m	49.9	48.2
0	139.4	37.7
Technical provisions, EUR m	2,422.9	2,289.1
Technical provisions for unit-linked insurance, EUR m	2,349.5	2,066.9
Capital and reserves, EUR m	492.6	457.0
Balance sheet total, EUR m	5,393.4	4,970.5
Solvency ratio, %	190.3	214.8

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).

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 at the end of 2018. The figures for the comparative period or point in time are presented in brackets.

Significant events during the financial year

LocalTapiola Life Group

LocalTapiola Life is included in LocalTapiola Group's consolidated financial statements. LocalTapiola Group is headed by LocalTapiola General.

LocalTapiola Life Group consists of the parent company and 29 (28) housing and real estate companies and one (1) other company. Associated companies comprise the Tapiola Data Ltd Group and six (6) other companies.

The report of the Board of Directors focuses mainly on describing the business of the Group's

parent company, LocalTapiola Life. In matters pertaining to the Group as a whole, the report specifically mentions the Group.

The figures concerning the insurance business of LocalTapiola Life Group do not differ from those of LocalTapiola Life. LocalTapiola Life Group's operating profit for the financial period was EUR 34.7 million (EUR 46.7 million) and the balance sheet total was EUR 5,398.8 million (EUR 4,967.8 million).

Life Insurance

LocalTapiola Life has continued to invest in the implementation of the lifelong security strategy and in its transformation from a life insurance company to a lifelong security company for its owner-customers.

LocalTapiola Life continues to be Finland's largest pure risk insurance provider, with a 30 per cent market share. Excluding the Employee Care Cover product that was transferred to the non-life insurance companies, premium income from pure risk policies has grown by about 30 per cent over the past three years.

In pure risk policies, the insurance for serious illness was introduced in the online service at the beginning of 2020. At the same time, the digital purchasing process for death benefit was revamped in conjunction with the implementation of the digital risk selection process. The Smart Life Insurance services were reconceptualised as HyvinvointiHelsinki and incorporated into the Terveystietohelpi service.

Saving under life insurance has developed favourable among our customers. In October 2019, we made a new guaranteed-return investment, entitled "Korkoetu", available to our customers in the life security application. It is a new and easy way to begin saving money and building a financial buffer. The renewal of our investment services in 2017 was well received by our customers, and we continued to get more and more new customers in 2019.

In group pension insurance, LocalTapiola Life's premiums written have increased by 50 per cent over three years. Due to a renewal of our investment services carried out last autumn, also our group pension customers can now take advantage of LocalTapiola's investment expertise and the benefits of a large investor.

LocalTapiola Life's capital and reserves include a contingency reserve, and the Board may propose that part of the financial year's profit be transferred to it. Funds in the contingency reserve are

used for charitable donations to worthy causes, such as those aiming to improve financial skills and promote health in Finland. In addition, LocalTapiola Group supports local and national projects related to sustainable development, the promotion of well-being and security, environmental diversity, culture, the mobility of children and young people and top-level sport, as well as multi-year partners. The targets and partners are described in more detail in the "Corporate social responsibility" section and in a separate report on non-financial information.

Premiums written	2019	2018	Change, %
Savings life insurance and capital redemption contracts, EUR m	412.3	251.3	64.1
Term life insurance, EUR m	96.9	94.1	2.9
Group pension insurance, EUR m	54.3	50.2	8.1
Individual pension insurance, EUR m	40.7	42.6	-4.6
Employees' group life insurance, EUR m	12.2	11.6	4.9
Total	616.3	449.8	37.0

LocalTapiola Life's **comparable premium income** 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. In savings, the comparable premium income increased by 27 per cent. Premiums written continued to increase in group pension insurance and pure risk insurance as well.

LocalTapiola Life paid out EUR 521.2 million (EUR 353.4 million) in **claims** to its customers. Pensions paid came to EUR 118.0 million (EUR 117.5 million), compensation for medical expenses and disability to EUR 21.6 million (EUR 20.6 million), and death benefits to EUR 27.7 million (EUR 26.1 million). 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). Net investment income at current value was 6.3 per cent, or EUR 189.5 million (EUR 62.0 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. The expense ratio in proportion to total expense loadings was 125 per cent (117 per cent).

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

Investment activities	2019	2018
Net investment income at current value, %	6.3	2.1
Fixed-income investments	3.7	-0.4
Equity investments	15.1	7.4
Real estate investments	4.1	5.0
Other investments	11.8	-5.4
Investment allocation, %		
Fixed-income investments	57.9	57.7
Equity investments	24.7	23.4
Real estate investments	17.2	18.2
Other investments	0.1	0.8
Investment assets at current value, EUR m	3,223.0	3,055.9

Net investment income at current value was 6.3 per cent (2.1 per cent), or EUR 189.5 million (EUR 62.2 million). LocalTapiola Life's average five-year annual return on investment was 4.4 per cent (4.3 per cent).

The decrease in interest rate levels, in addition to being a contributing factor to good investment returns, increased the technical provisions in solvency calculation, thereby contributing to the decrease in solvency capital. The development of solvency is described in more detail in a separate section.

LocalTapiola Life is a substantial co-owner in both 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 result and net investment income at current value. Completion of the acquisition offer is subject to the competition authority's approval.

The weightings assigned to risk-bearing investment classes were reduced slightly during the last quarter of the year as a consequence of a less optimistic outlook on the market and an increase in pricing. In the investment allocation, this shows as a decrease in the weighting of equities and an increase in the weighting of fixed-income investments.

Customers and customer benefits

The surplus generated by LocalTapiola Life'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.

We make the investment instruments and benefits of a large investor available to our customers to enable them to save. We invest our customers' assets in the same instruments that LocalTapiola Life invests in. We also bear some of the risks of the investments by confirming a fixed interest rate for some customer savings for one year ahead. The interest rate for 2020 is 1.5 per cent.

Smart Life Insurance combines the financial security provided by life insurance with well-being services such as self-coaching programmes, well-being tips and monitoring of well-being.

We offer our customers the TerveysHelppi service, which provides quick and easy access to advice relating to health concerns. Our customers with medical expenses insurance also have access to telemedicine services on the TerveysHelppi app on a 24/7 basis.

LocalTapiola Life's application of the principle of reasonability, the objectives related to the distribution of additional benefits and the implementation of the principle of reasonability between 2010 and 2019 have been explained in the notes to the financial statements.

Corporate social responsibility

LocalTapiola 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 Ensiaapu 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.

LocalTapiola Life made charitable donations from its contingency reserve to worthy causes, including those aiming to promote health and well-being, help people with financial difficulties and support families.

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

The credit rating agency Standard & Poor's performed a credit rating evaluation on LocalTapiola Group for the first time in 2019. Standard & Poor's is one of the world's leading and most esteemed credit rating agencies.

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.

LocalTapiola Life's long-term preparations for facing the investment return requirement that will arise out of the interest-linked insurance policies issued in the past were considered on a positive note. The company's strong market position in pure risk policies was also considered a very positive thing.

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

Life Insurance

The premiums written by life insurance companies have remained rather steady over the past few years. Premium 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 activities

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 specified in the legislation. LocalTapiola Group also constitutes a financial and insurance group as referred to in the Act on the Supervision of Financial and Insurance Conglomerates. LocalTapiola General acts as the Group's leading parent company, which is tasked with ensuring that the Group and its companies fulfil legal requirements relating to solvency.

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

Further information on the solvency management of LocalTapiola Life and LocalTapiola Group is 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 Life's solvency ratio, i.e. the amount of eligible own funds in relation to the solvency capital requirement, was at a good level, 190 per cent (215 per cent). The ratio weakened from 2018, mostly owing to the increase in capital requirement.

The company's eligible own funds were EUR 1,089 million (EUR 1,099 million). The decreasing interest rate levels increased the technical provisions in solvency calculation, thereby contributing to the decrease in own funds. The good investment returns largely compensated for the effect of this.

The company's Solvency Capital Requirement (SCR) at the end of 2019 was EUR 573 million (EUR 510 million). The increase in capital requirement was for the most part due to the increase in market risk capital requirement.

Excluding the transitional measure on technical provisions, the company's solvency ratio was 154 per cent (169 per cent). The effect of the transitional measure on the company's solvency will decrease gradually and end by 2032.

Risk position

The most significant risks in operations are associated with investments, life insurance, operational decisions, changes in the operating environment and strategic choices.

Market risks are caused by fluctuations in market values, including fluctuations resulting from changes in interest rates, share prices, and exchange rates. The most significant insurance risks in life insurance are connected with customer behaviour, encompassing the risks of termination of contracts and premium payments, as well as demographic risks. 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, migration, demographic change, internationalisation and climate change.

Further information on LocalTapiola Life's risk management and the most significant risks is provided in the note on risk management and in the report on solvency and financial position at www.lahitapiola.fi.

Corporate governance, personnel and remuneration

LocalTapiola Group's corporate governance and management system

LocalTapiola Group and the Group companies adhere to good corporate governance, which is based on legislation applicable to the insurance 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 Life'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 meeting elected LocalTapiola Life **Jari Annala** (Executive Vice President, Kauniainen, S Group), **Juha Kivelä** (Managing Director, Joensuu, Pohjois-Karjalan Osuuskauppa), **Kati Käsmä** (Business Director, Taivalkoski, Komake Oy), **Arttu Laine** (Executive Vice President, Espoo, S Group) and **Jarmo Rosendahl** (Personnel Risk Manager, Kotka, LocalTapiola Life, representative of the personnel) all reached the end of their terms of office on LocalTapiola's Supervisory Board and were re-elected for three-year terms until the Annual General Meeting in 2022.

Juha Aitamurto (Managing Director, Oulu, Student Housing Foundation of Northern Finland), **Jukka Joensuu** (Business Manager, Alajärvi, Ruukki Construction Oy), **Ari Monni** (Development Director, Vaasa, Ilkka-Yhtymä Oyj), **Ritva Pihlaja** (Freelance Researcher, Sipoo) ja **Tarja Virtanen** Administrative Director, Lohja, Lohja Parish) were elected

as new members of the Supervisory Board for three-year terms until the Annual General Meeting in 2022. **Ville Raunio** (Managing Director, Tampere, Turva Mutual Insurance Company) was elected to replace Minna Metsälä for the remainder of her term of office, which is due to end at the Annual General Meeting in 2021.

LocalTapiola Life's Supervisory Board held its organising meeting on 28 May 2019. The meeting elected the Chair and Deputy Chairs to the Supervisory Board. **Totti Salko** was elected as Chair of the Supervisory Board, **Päivi Uusitalo** was elected as the First Deputy Chair and **Jukka Hertti** was elected as the Second Deputy Chair.

The Supervisory Board convened three times. On average, 87.4 per cent of the members participated in 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 **Totti Salko**, Chair of the Supervisory Board, and the members were **Tiina Brandt**, **Vesa Ekroos** and **Marjut Nordström**, who are also members of the Supervisory Board.

The Nomination Committee convened two times, and 100 per cent of the members were present.

Cooperation Committee

The Cooperation Committee, which comprises the Chairs and Deputy Chairs of the Supervisory Boards of LocalTapiola General and LocalTapiola Life, held its organising meeting on 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 Board was chaired by **Erkki Moisander** (President), the Deputy Chairman was **Jari Eklund** (Group Director) and the members were **Janne Kaippio**, **Olli Latola**, **Lauri Riekkola**, **Kati Sulin** and **Mirel Leino**.

The Board convened 11 times, in addition to which it held three meetings by e-mail. The average attendance rate at the actual meetings was 93 per cent. 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 outlines 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 LifeMinna Kohmo, MSc (Economics & Business Administration), acted as the Managing Director of LocalTapiola Life, and Samu Anttila, eMBA, SHV Actuarial Qualification, served as the Deputy Managing Director.

The salaries and perquisites paid to the Managing Director totalled EUR 343,686, including EUR 59,442 in performance-related pay. EUR 8,942 of the performance-related pay was earned in 2015, EUR 10,639 in 2016, EUR 25,782 in 2017 and EUR 14,079 in 2018.

Performance-related pay has been deferred for subsequent payment in the amount of EUR 59,865, of which EUR 9,850 was earned in 2016 and EUR 50,015 was earned in 2017. 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.

Related parties

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

Auditor

The Annual General Meeting elected KPMG 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 Life 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 Life 146 (140)

LocalTapiola Life Group total 146 (140)

Compensation

The aim of the special compensation system is to incentivise good performance and to boost the motivation and commitment of personnel. LocalTapiola Life'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 Life's salary and special compensation systems are planned and prepared in collaboration between the human resources, finance, compliance and risk management services and the companies' administration and management groups. 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 special compensation for LocalTapiola Life's 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 per cent of the employee's annual salary, with the exception of some experts whose maximum bonus may be up to 30 per cent of the annual salary. 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 per cent of the annual salary.

The implementation of performance-related bonuses is regularly monitored and payment of such bonuses is subject to the decision of the Cooperation Committee and the Board of Directors following the end of the bonus-earning period each year. The Board of Directors may decide not to pay performance-related bonuses if the company's financial position has deteriorated substantially. Similarly, the payment of performance-related bonuses may be withheld if it is found that the targets have been reached by taking a risk that is realised be-

fore the bonus is paid. Performance-related bonuses can be clawed back if it becomes clear after payment that the recipient of the bonus has acted in breach of regulations, official decrees or instructions binding on the company or the company's operating principles, or if the bonus has been paid without justification.

Payments of performance-related bonuses to those members of LocalTapiola Life's 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 per cent – is paid by the salary payment date in June following the end of the earning period. The remaining 60 per cent will be paid one, two and three years after this date in three separate instalments of equal amounts. The value of 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.

The retirement age for senior managers of LocalTapiola Life is 63 years, and the retirement age of the Deputy Managing Director is determined based on employee pension legislation. LocalTapiola Life has improved its employees' pension cover by taking out a supplementary pension insurance policy, which accrues at least 0.2 per cent of supplementary pension annually, subject to certain conditions. This benefit applies to all of the personnel whose employment relationships with the

Group began before 1 January 2013. There is no supplementary pension benefit for employment relationships that began after this date.

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

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

[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 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](#)

[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 activities

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 the Annual General Meeting of LocalTapiola Life that the profit for the 2019 financial period of EUR 37,381,204.26 be used as follows: a guarantee capital interest payment of 4.7 per cent – amounting to EUR 1,766,518.74 – a transfer of EUR 35,114,685.52 to the security reserve and a transfer of 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	490,847,320.70
Initial reserve	4,482,208.24
Guarantee capital	37,585,505.12
Security reserve	446,041,469.11
Contingency reserve	2,738,138.23

Financial statements 1.1. – 31.12.2019

Consolidated financial statements, LocalTapiola Life Group

Profit and loss account, LocalTapiola Life Group

TECHNICAL ACCOUNT		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			314,109,694.54			259,357,804.38
Revaluations of investments	K4			265,557,101.10			11,242,640.16
Claims incurred							
Claims paid		-525,402,129.17			-357,667,761.69		
Reinsurers' share		<u>833,228.67</u>		-524,568,900.50	<u>1,267,301.68</u>		-356,400,460.01
Change in provision for outstanding claims		-24,077,442.00			4,955,054.00		
Reinsurers' share		<u>0.00</u>		-24,077,442.00	<u>0.00</u>		4,955,054.00
Total claims incurred				-548,646,342.50			-351,445,406.01
Change in provision for unearned premiums							
Change in provision for unearned premiums		-392,368,515.53			27,798,886.95		
Reinsurers' share		<u>0.00</u>		-392,368,515.53	<u>0.00</u>		27,798,886.95
Operating expenses	K3			-57,219,561.49			-51,527,020.27
Investment charges	K4			-124,245,055.16			-122,159,755.69
Revaluation adjustments on investments	K4			-28,184,622.81			-148,542,224.80
Balance on technical account before change in equalization provision				41,508,115.57			70,744,623.02
NON-TECHNICAL ACCOUNT							
Balance on technical account of life insurance				41,508,115.57			70,744,623.02
Other income	K4						
Other		<u>2,158,881.82</u>		2,158,881.82	<u>2,435,212.47</u>		2,435,212.47
Other expenses	K4						
Depreciation of goodwill on consolidation		0.00			0.00		
Other		<u>-2,182,037.44</u>		-2,182,037.44	<u>-2,937,122.40</u>		-2,937,122.40
Share of profit (loss) from group associated undertakings after taxes				87,786.31			90,174.03
Profit on ordinary activities				41,572,746.26			70,332,887.12
Direct taxes on ordinary activities							
Taxes for the financial period		-7,054,556.47			-23,761,488.81		
Change in deferred tax liabilities		<u>31,166.86</u>		-7,023,389.61	<u>102,441.31</u>		-23,659,047.50
Minority interest in the profit for the financial year				164,635.55			61,077.38
Profit for the accounting period				34,713,992.20			46,734,917.00

Balance sheet, LocalTapiola Life Group

ASSETS		31.12.2019	31.12.2018
Intangible assets	K9		
Intangible rights		358,481.67	228,227.78
Goodwill on consolidation		8,237.44	8,237.44
Other expenses with long-term effects		11,536,891.66	13,995,260.61
Provisional premiums		<u>1,924,022.99</u>	<u>692,031.00</u>
		13,827,633.76	14,923,756.83
Investments	K5		
Real estate investments	K6		
Real estate and shares in real estate		393,102,111.48	331,586,537.83
Loans to group companies		<u>12,626,952.98</u>	<u>33,266,324.98</u>
		405,729,064.46	364,852,862.81
Investments in group companies and participating interests	K7		
Shares and holdings in group companies		214,749,330.95	152,020,834.23
Debt securities and loans of companies in same group		82,603,541.63	89,247,827.02
Shares and holdings in participating interests		44,189,657.52	35,149,900.29
Debt securities and loans in participating interests		<u>4,000,000.00</u>	<u>4,000,000.00</u>
		345,542,530.10	280,418,561.54
Other investments			
Shares and holdings	K7	877,444,784.78	837,380,533.53
Debt securities	K7	1,024,206,108.82	1,010,111,618.32
Loans guaranteed by mortgages		162,441,788.78	147,286,360.81
Other loans	K8	47,331,141.87	81,969,199.78
Deposits		<u>5,121,266.67</u>	<u>5,105,991.25</u>
		2,116,545,090.92	2,081,853,703.69
		2,867,816,685.48	2,727,125,128.04
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		958,757.80	1,014,056.93
Arising out of reinsurance operations		<u>82,357.01</u>	<u>58,778.43</u>
		1,041,114.81	1,072,835.36
Other debtors		8,390,692.16	3,514,483.28
Deferred tax claim	K14	<u>1,042,305.94</u>	<u>1,042,305.94</u>
		10,474,112.91	5,629,624.58
Other assets			
Tangible assets			
Machinery and equipment	K9	<u>1,238,312.89</u>	<u>837,056.09</u>
		1,238,312.89	837,056.09
Cash at bank and in hand		55,970,937.30	89,816,636.94
Other assets		<u>1,067,204.41</u>	<u>767,204.41</u>
		58,276,454.60	91,420,897.44
Prepayments and accrued income			
Accrued interest and rent		9,307,016.87	9,742,438.05
Other prepayments and accrued income		<u>22,728,845.53</u>	<u>11,012,560.82</u>
		32,035,862.40	20,754,998.87
Total assets		<u>5,398,764,684.65</u>	<u>4,967,830,739.16</u>

LIABILITIES		31.12.2019		31.12.2018	
Capital and reserves	K11				
Initial reserve			4,482,208.24		4,482,208.24
Guarantee capital			37,585,505.12		37,585,505.12
Revaluation reserve			9,087,707.83		9,087,707.83
Other reserves					
Muut rahastot		413,164,921.88		368,213,235.84	
Share of voluntary provisions and depreciation difference transferred to capital and reserves		386,799.51	413,551,721.39	511,466.96	368,724,702.80
Profit/loss for previous accounting periods			-28,801,667.22		-29,208,315.46
Profit for the accounting period		34,713,992.20		46,734,917.00	
Change in depreciation difference and voluntary provisions included in the profit for the accounting period		124,667.46	34,838,659.66	409,765.24	47,144,682.24
			470,744,134.88		437,816,490.55
Minority interests			10,241,732.82		5,449,684.52
Subordinated loans	K17		99,721,133.33		106,649,933.33
Technical provisions					
Provision for unearned premiums		1,706,384,124.72		1,593,928,064.19	
Reinsurers' share		0.00	1,706,384,124.72	0.00	1,593,928,064.19
Provision for outstanding claims		716,556,986.00		695,170,646.00	
Reinsurers' share		0.00	716,556,986.00	0.00	695,170,646.00
			2,422,941,110.72		2,289,098,710.19
Provision for unit-linked policies					
Technical provisions			2,349,490,708.00		2,066,887,151.00
Obligatory provisions					
Other obligatory provisions	K13		10,010.36		0.00
Deposits received from reinsurers			1,128,585.75		1,051,311.43
Creditors	K15				
Arising out of direct insurance operations			972,546.83		1,159,282.35
Arising out of reinsurance operations			1,593,747.80		853,393.95
Other creditors			32,546,389.82		49,985,613.49
Deferred tax liabilities	K14		180,687.27		211,854.14
			35,293,371.72		52,210,143.93
Accruals and deferred income			9,193,897.07		8,667,314.21
Total liabilities			5,398,764,684.65		4,967,830,739.16

Indirect cash flow statement, LocalTapiola Life Group

Cash flow from operations	2019	2018
Profit from ordinary activities	34,549,356.51	46,520,990.46
Adjustments		
Changes in technical provisions	416,445,957.53	-32,753,940.95
Value adjustments and revaluation of investments	-255,744,727.25	173,253,654.91
Changes in other obligatory provisions	10,010.36	-88,676.16
Depreciation according to plan	10,766,016.34	17,041,810.37
Other non-cash income and expenses	0.00	-74,659.25
Other adjustments	-80,024,841.13	-83,202,303.44
<i>Cash flow before change in working capital</i>	126,001,772.36	120,696,875.94
Change in working capital:		
Increase (-) / decrease (+) in non-interest-bearing short-term receivables	-16,125,351.86	10,589,043.95
Increase (-) / decrease (+) in non-interest-bearing short-term debts	-16,312,914.95	19,864,337.24
<i>Cash flow from operations before financial items and taxes</i>	93,563,505.55	151,150,257.13
Other financial income and expenses paid/received	-3,728,722.60	-6,891,896.85
Direct taxes paid	-7,054,556.47	-23,761,488.81
Cash flow from operations	82,780,226.48	120,496,871.47
Cash flow from investments		
Investments in assets (excl. cash and c. equivalents)	-197,420,978.71	-203,250,730.63
Capital gains from investments (excl. cash and c. equivalents)	94,106,217.58	114,209,481.82
Minority interest increase/decrease	-164,635.56	-61,077.37
Investments in tangible and intangible assets as well as other assets and capital gains (net)	-4,431,381.70	-6,634,313.84
Cash flow from investments	-107,910,778.39	-95,736,640.02
Cash flow from financial		
Loans raised	-6,928,800.00	6,792,916.66
Interest on guarantee capital paid	-1,691,347.73	-1,879,275.00
Other distribution of profit	-95,000.00	-45,000.00
Cash flow from financial	-8,715,147.73	4,868,641.66
Change in cash and cash equivalents	-33,845,699.64	29,628,873.11
Cash and cash equivalents at the start of the year	89,816,636.94	60,187,763.83
Cash and cash equivalents at the end of the year	55,970,937.30	89,816,636.94

Key figures, LocalTapiola Life Group

	2019				Eur Mill
	2019	2018	2017	2016	2015
General key figures describing financial development					
Operating profit	29.6	63.2	38.9	63.0	101.4
Total result	104.3	37.7	61.6	63.4	63.3
Return on assets, %	7.6	3.2	5.0	5.5	5.2
Average number of personnel during financial year	146	146	132	132	134
Key figures describing the financial development of life insurance					
Premium income	612.5	446.0	513.2	419.6	421.5
Expense ratio, % of total expense loadings	124.5	116.9	127.1	119.5	120.7
Expense ratio, % of total assets	1.4	1.3	1.5	1.2	1.2
Minority interest	10.2	5.4	3.5	3.2	2.9

Notes concerning financial statements, LocalTapiola Life Group

Notes to the profit and loss account, LocalTapiola Life Group

K1. Premium income

	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
<i>Total</i>	<u>522,118,235.38</u>	<u>357,855,781.22</u>
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
<i>Total</i>	<u>94,193,990.41</u>	<u>91,983,453.67</u>
Total premiums written from direct insurance	616,312,225.79	449,839,234.89
Premiums written before reinsurers' share	<u>616,312,225.79</u>	<u>449,839,234.89</u>
<i>Premiums written before reinsurers' share</i>		
Regular premiums	558,641,357.99	486,613,960.06
Single premiums	57,670,867.80	-36,774,725.17
<i>Total</i>	<u>616,312,225.79</u>	<u>449,839,234.89</u>
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
	<u>616,312,225.79</u>	<u>449,839,234.89</u>

K1.1 Impact of life insurance rebates and discounts

	2019	2018
Rebates		
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		
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>
Total rebates	10,175,071.31	8,976,036.89
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
<i>Total</i>	<u>1,524,055.20</u>	<u>1,659,804.78</u>
Total rebates and discounts	<u>11,699,126.51</u>	<u>10,635,841.67</u>

K2. Claims paid before reinsurers' share

	2019	2018
Direct insurance		
Life-insurance	399,576,627.72	232,038,243.12
Pension insurance	125,825,501.45	125,629,518.57
<i>Total</i>	525,402,129.17	357,667,761.69
Reinsurers' share	-833,228.67	-1,267,301.68
Total	524,568,900.50	356,400,460.01
Of which:		
Surrenders	317,830,681.03	149,135,961.31
Repayments of benefits	36,078,967.24	40,147,463.49
Other	171,492,480.90	168,384,336.89
	525,402,129.17	357,667,761.69
Share of unit-linked insurance of claims paid	310,158,067.23	148,801,209.88

K3. Operating expenses and notes concerning personnel and members of corporate bodies**K3.1 Total operating expenses by activity**

	2019	2018
Claims paid	4,200,410.59	4,272,481.99
Operating expenses	57,219,561.49	51,527,020.27
Investment operating expenses	4,675,042.86	4,696,651.99
Other expenses	2,175,599.48	2,366,435.22
<i>Total</i>	68,270,614.42	62,862,589.47

K3.2 Profit and loss account item operating expenses

	2019	2018
Insurance policy acquisition costs		
Commissions for direct insurance	16,836,950.16	12,552,977.92
Other insurance policy acquisition costs	20,799,621.45	20,733,280.13
	37,636,571.61	33,286,258.05
Insurance policy management expenses	10,274,671.49	8,616,619.54
Administrative expenses	10,054,493.46	10,226,110.61
Commissions for reinsurance ceded and profit shares	-746,175.07	-601,967.93
<i>Total</i>	57,219,561.49	51,527,020.27

K3.3 Notes concerning personnel and members of corporate bodies

	2019	2018
3.3.1 Personnel expenses		
Salaries and remunerations	12,198,504.77	12,189,020.14
Pension expenses	2,862,469.24	1,941,761.50
Other personnel expenses	504,827.21	332,140.43
<i>Total</i>	<u>15,565,801.22</u>	<u>14,462,922.07</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	559,781.00	535,646.00
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	166,500.00	161,500.00
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		
Salaries and remunerations	162,000.00	171,500.00
Pension commitments	No pension commitments.	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	

3.3.3 Average number of personnel during the financial year

Office staff	146	140
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K3.4 Auditor's fees by assignment category

	2019	2018
Auditing	71,731.11	46,367.84
Tax advice	4,672.80	0.00
Other services	1,767.00	79,608.00
<i>Total</i>	<u>79,603.11</u>	<u>125,975.84</u>

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

K4.1 Specification of net investment income

	2019	2018
Investment income		
Income from group companies		
Dividend income	24,744,142.56	5,484,542.09
Interest income	2,687,963.30	2,596,556.76
<i>Total</i>	27,432,105.86	8,081,098.85
Income from participating interests		
Dividend income	197,465.04	212,092.08
Interest income	-89,830.15	19,084.47
<i>Total</i>	107,634.89	231,176.55
Income from real estate investments in group companies		
Interest income	511,822.68	1,936,482.29
Other income	34,944.14	0.00
<i>Total</i>	546,766.82	1,936,482.29
Income from real estate investmets in other companies		
Dividend income	858.21	858.21
Interest income	30,009.25	60,814.43
Other income	28,501,381.00	32,584,593.25
<i>Total</i>	28,532,248.46	32,646,265.89
Income from other investments		
Dividend income	38,586,286.88	38,561,233.81
Interest income	16,966,939.53	19,034,337.01
Other income	15,330,679.77	9,252,339.91
<i>Total</i>	70,883,906.18	66,847,910.73
	127,502,662.21	109,742,934.31
Value readjustments	66,239,308.30	20,550,049.47
Realized gains	120,367,724.03	129,064,820.60
Total investment income	314,109,694.54	259,357,804.38
Investment charges	2019	2018
Expenses arising from real estate investments	-26,121,597.30	-15,486,189.94
Expenses arising from other investments	-14,067,713.58	-18,605,467.89
Interest paid and other expenses on liabilities		
Other companies	-3,987,410.12	-7,431,256.36
	-44,176,721.00	-41,522,914.19
Value adjustments and depreciation		
Value adjustments	-47,867,059.34	-56,054,119.74
Planned depreciation on buildings	-5,939,768.37	-9,355,944.17
<i>Total</i>	-53,806,827.71	-65,410,063.91
Realized losses	-26,261,506.45	-15,226,777.59
Total investment charges	-124,245,055.16	-122,159,755.69
Net investment income before revaluations and revaluation adjustments	189,864,639.38	137,198,048.69
Revaluations	265,557,101.10	11,242,640.16
Revaluation adjustments on investments	-28,184,622.81	-148,542,224.80
	237,372,478.29	-137,299,584.64
Net investment income in the profit and loss account	427,237,117.67	-101,535.95

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
Net investment income before revaluations and their adjustment as well as value adjustments and readjustments	52,761,781.85	54,817,139.13
Revaluations	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
	249,155,883.06	-147,642,743.22
Net investment income in the profit and loss account	301,917,664.91	-92,825,604.09

K4.3 Specification of other income and expenses

Other income	2019	2018
Services sold to partner companies	2,143,786.22	2,409,505.96
Other other income	15,095.60	25,706.51
<i>Total</i>	2,158,881.82	2,435,212.47
Other expenses		
Expenses for services sold	-2,175,599.48	-2,348,293.22
Transfer to personnel fund	0.00	-3,799.96
Other expenses	-6,437.96	-585,029.22
<i>Total</i>	-2,182,037.44	-2,937,122.40

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

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

Investments	Remaining acquisition cost	2019 Book value	Current value
Real estate investments			
Real estate	311,892,026.08	342,570,282.77	469,364,454.08
Real estate shares in group companies	37,679,617.70	37,679,617.70	51,458,605.42
Real estate shares in participating interests	15,927.12	15,927.12	71,984.43
Other real estate shares	12,836,283.89	12,836,283.89	19,877,661.66
Loans to group companies	12,626,952.98	12,626,952.98	12,626,952.98
	<u>375,050,807.77</u>	<u>405,729,064.46</u>	<u>553,399,658.57</u>
Investments in group companies			
Shares and holdings	214,749,330.95	214,749,330.95	233,339,363.96
Loans receivable	82,603,541.63	82,603,541.63	82,603,541.63
	<u>297,352,872.58</u>	<u>297,352,872.58</u>	<u>315,942,905.59</u>
Investments in participating interests			
Shares and holdings	44,189,657.37	44,189,657.52	48,897,316.06
Debt securities	4,000,000.00	4,000,000.00	4,000,000.00
	<u>48,189,657.37</u>	<u>48,189,657.52</u>	<u>52,897,316.06</u>
Other investments			
Shares and holdings	877,444,784.78	877,444,784.78	1,021,762,213.43
Debt securities	1,024,206,108.82	1,024,206,108.82	1,037,441,651.14
Loans guaranteed by mortgages	162,441,788.78	162,441,788.78	162,441,788.78
Other loans	47,331,141.87	47,331,141.87	47,331,141.88
Deposits	5,121,266.67	5,121,266.67	5,121,266.67
	<u>2,116,545,090.92</u>	<u>2,116,545,090.92</u>	<u>2,274,098,061.90</u>
	<u>2,837,138,428.64</u>	<u>2,867,816,685.48</u>	<u>3,196,337,942.12</u>

2019

The remaining acquisition cost of debt securities includes:

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

-4,496,529.17

Book value comprises

Revaluations released to income

30,678,256.69

Other revaluations

0.00

30,678,256.69

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

328,521,256.64

Investments	Remaining acquisition cost	2018 Book value	Current value
Real estate investments			
Real estate	268,949,592.40	299,543,755.13	385,818,048.80
Real estate shares in group companies	18,928,701.30	18,928,701.30	29,782,687.96
Real estate shares in participating interests	15,068.34	15,068.34	71,984.43
Other real estate shares	13,099,013.06	13,099,013.06	18,757,619.60
Loans to group companies	33,266,324.98	33,266,324.98	33,266,324.98
	<u>334,258,700.08</u>	<u>364,852,862.81</u>	<u>467,696,665.77</u>
Investments in group companies			
Shares and holdings	152,020,834.23	152,020,834.23	177,823,283.65
Loans receivable	89,247,827.02	89,247,827.02	89,247,827.02
	<u>241,268,661.25</u>	<u>241,268,661.25</u>	<u>267,071,110.67</u>
Investments in participating interests			
Shares and holdings	35,149,900.09	35,149,900.29	34,522,061.34
Debt securities	4,000,000.00	4,000,000.00	4,000,000.00
	<u>39,149,900.09</u>	<u>39,149,900.29</u>	<u>38,522,061.34</u>
Other investments			
Shares and holdings	837,380,533.53	837,380,533.53	961,625,866.63
Debt securities	1,010,111,618.32	1,010,111,618.32	1,011,707,439.23
Loans guaranteed by mortgages	147,286,360.81	147,286,360.81	147,286,360.81
Other loans	81,969,199.78	81,969,199.78	81,969,199.79
Deposits	5,105,991.25	5,105,991.25	5,105,991.25
	<u>2,081,853,703.69</u>	<u>2,081,853,703.69</u>	<u>2,207,694,857.71</u>
	<u>2,696,530,965.11</u>	<u>2,727,125,128.04</u>	<u>2,980,984,695.49</u>

2018

The remaining acquisition cost of debt securities includes:

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

-5,872,451.02

Book value comprises

Revaluations released to income

30,594,162.73

Other revaluations

0.00

30,594,162.73

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

253,859,567.45

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

Derivative contracts	Remaining acquisition cost	2019	Current value
		Book value	
Other debtors			
Assets pledged as security for derivatives	100,000.00	100,000.00	100,000.00
Other deferred income and credits			
Futures and forward contracts	-202,140.88	-202,140.88	393,116.06
	-102,140.88	-102,140.88	493,116.06
Difference in valuation (difference between current value and book value)			595,256.94
Derivative contracts	Remaining acquisition cost	2018	Current value
		Book value	
Other debtors			
Assets pledged as security for derivatives	1,190,000.00	1,190,000.00	1,190,000.00
Other deferred income and credits			
Futures and forward contracts	0.00	0.00	565,399.19
	1,190,000.00	1,190,000.00	1,755,399.19
Difference in valuation (difference between current value and book value)			565,399.19

K6. Real estate investments

Changes in real estate investments:

	2019 Real estate and shares in real estate	2019 Loans to group companies
Acquisition cost on 1 Jan.	389,789,110.31	33,266,324.98
Increase	120,621,082.38	0.00
Decrease	-55,151,924.60	-20,639,372.00
Transfers between items	-84,093.96	0.00
Acquisition cost on 31 Dec.	455,174,174.13	12,626,952.98
Accumulated depreciation on 1 Jan.	-78,518,091.63	
Accumulated depreciation related to deductions and transfers	-37.76	
Depreciation for the financial year	-4,116,546.37	
Accumulated depreciation on 31 Dec.	-82,634,675.76	
Value adjustments on 1 Jan.	-10,278,643.58	
Value adjustments for the financial year	-2,273,000.00	
Value readjustments	2,436,000.00	
Value adjustments on 31 Dec.	-10,115,643.58	
Revaluations on 1 Jan.	30,594,162.73	
Increase	0.00	
Decrease	0.00	
Transfers between items	84,093.96	
Revaluations on 31 Dec.	30,678,256.69	
Book value on 31 Dec.	393,102,111.48	12,626,952.98

Real estate and shares in real estate occupied for own activities

	2019
Remaining acquisition cost	1,952,106.07
Book value	1,952,106.07
Current value	1,952,106.07

K7. Investments in group companies and participating interests

	2019	2018
Shares and holdings in group companies		
Acquisition cost on 1 Jan.	153,249,396.75	145,309,776.57
Increase	72,764,450.10	51,685,555.32
Decrease	-10,991,133.35	-43,745,935.14
Transfers between items	0.00	0.00
Acquisition cost on 31 Dec.	215,022,713.50	153,249,396.75
Value adjustments on 1 Jan.	-1,228,562.52	185,621.36
Value adjustments related to deductions and transfers	0.00	-662,558.39
Value adjustments for the financial year	-489,730.17	-1,171,699.14
Value readjustments	1,444,910.14	420,073.65
Value adjustments on 31 Dec.	-273,382.55	-1,228,562.52
Book value on 31 Dec.	214,749,330.95	152,020,834.23
Debt securities issued by and loans to companies in the same group		
Acquisition cost on 1 Jan.	89,247,827.02	79,980,249.35
Increase	3,825,000.00	29,836,000.00
Decrease	-10,469,285.39	-25,568,422.33
Transfers between items	0.00	5,000,000.00
Acquisition cost on 31 Dec.	82,603,541.63	89,247,827.02
Book value on 31 Dec.	82,603,541.63	89,247,827.02
Shares and holdings in participating interests		
Acquisition cost on 1 Jan.	52,914,924.50	47,565,937.78
Increase	86,927.30	5,348,986.72
Decrease	0.00	0.00
Acquisition cost on 31 Dec.	53,001,851.80	52,914,924.50
Value adjustments on 1 Jan.	-17,765,024.21	-10,192,613.95
Value adjustments related to deductions and transfers	0.00	662,558.39
Value adjustments for the financial year	0.00	-8,234,968.65
Value readjustments	8,952,829.93	0.00
Value adjustments on 31 Dec.	-8,812,194.28	-17,765,024.21
Book value on 31 Dec.	44,189,657.52	35,149,900.29
Debt securities issued by and loans to participating interests		
Acquisition cost on 1 Jan.	4,000,000.00	4,000,000.00
Acquisition cost on 31 Dec.	4,000,000.00	4,000,000.00
Book value on 31 Dec.	4,000,000.00	4,000,000.00
Investments in group companies and participating interests, total		
Book value on 31 Dec.	345,542,530.10	280,418,561.54

K7.1 Investments in companies belonging to the LocalTapiola Group's consolidated financial statements

Shares and holdings		Domicile	Share of stocks %	Equity	Profit for the accounting period
Akapo-Leasing Oy	2)	Espoo	33.3 %	11,852.49	-10.00
Kauppakeskus Seppä Oy	2)	Kuopio	47.0 %	-5,712.50	-4,354.59
Keskinäinen Vakuutusyhtiö Turva	4)	Tampere	3.6 %	49,016,225.97	5,707,086.72
LTC-Otso Oy	3)	Helsinki	18.0 %	7,957,951.95	5,188,215.38
LähiTapiola Aluekiinteistöt Ky -konserni	3)	Espoo	18.9 %	3,101,075.06	-353,924.94
LähiTapiola Core Kiinteistöt Ky -group	1)	Espoo	83.0 %	39,312,887.80	-452,578.65
LähiTapiola Kiinteistövarainhoito Oy -group	3)	Espoo	15.9 %	11,265,595.28	1,537,262.22
LähiTapiola KR PK2 Ky -group	3)	Espoo	10.0 %	13,797,599.84	-2,303,906.08
LähiTapiola Palvelut Oy	3)	Espoo	15.0 %	11,020,896.77	565,181.82
LähiTapiola Pääomasijoitus GP Oy	2)	Espoo	43.1 %	610.89	-61.05
LähiTapiola Pääomasijoitus I Ky	3)	Espoo	30.7 %	120,807,120.85	10,982,593.89
LähiTapiola Pääomasijoitus II Ky	3)	Espoo	37.0 %	86,222,357.56	646,174.58
LähiTapiola Pääomasijoitus III Ky	3)	Espoo	47.2 %	130,516,469.82	18,493,102.06
LähiTapiola Pääomasijoitus IV Ky	3)	Espoo	41.3 %	2,960,817.63	-926,809.67
LähiTapiola Rahoitusyhtiö I Ky	3)	Espoo	5.0 %	451,565,216.16	1,824,879.83
LähiTapiola Tampereen Tornit Ky	3)	Espoo	32.2 %	26,408,666.63	0.00
LähiTapiola Tontit GP I Oy	2)	Espoo	22.6 %	116,954.08	7,567.17
LähiTapiola Tontit I Ky	3)	Espoo	5.0 %	45,374,095.28	4,274,095.20
LähiTapiola Tontit II Ky	3)	Espoo	16.2 %	6,467,625.86	357,707.07
LähiTapiola Varainhoito Oy	3)	Espoo	16.2 %	22,611,911.69	1,142,317.27
LähiTapiola Velkasijoitus I Ky	3)	Espoo	37.2 %	105,690,474.50	5,080,012.79
Tieto-Tapiola Oy	2)	Espoo	33.3 %	4,379,644.87	261,891.89
Vakuutusneuvonta Aura Oy	2)	Espoo	33.3 %	10,729.40	0.00
Vakuutusneuvonta Pohja Oy	2)	Espoo	33.3 %	10,672.17	0.00
Total				1,138,621,740.05	52,026,442.91

In addition, LocalTapiola Life Group has invested in 29 (28) housing associations and real estate companies that are integrated into the consolidated financial statements of LocalTapiola Group, out of which 20 (20) 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.

K7.2 Investments in participating interests

Shares and holdings		Domicile	Share of stocks %	Equity	Profit for the accounting period
Pihlajalinna Oyj -group	3)	Tampere	8.4 %	101,100,000.00	3,400,000.00
Seligson & Co Fund Management Company Plc	3)	Helsinki	19.6 %	12,977,439.25	1,988,256.67
S-Pankki Oy -group	3)	Helsinki	3.5 %	473,439,054.74	24,127,499.00
Total				587,516,493.99	29,515,755.67

In addition, LocalTapiola Life Group has invested in 1 (1) housing associations and real estate companies that are integrated into the consolidated financial statements of LocalTapiola Group.

2) Participating interest

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

K7.3 Other investments

Security	Share of stocks %	Number	Book value	Current value	Home country
Finnish companies, listed					
Huhtamäki Oyj	0.08	90,000.00	3,074,031.60	3,724,200.00	Finland
Kone Oyj B	0.01	73,000.00	1,751,266.76	4,254,440.00	Finland
Nokia Oyj	0.01	843,000.00	2,778,528.00	2,778,528.00	Finland
Stora Enso R	0.04	325,000.00	2,956,312.67	4,213,625.00	Finland
Vaisala Oyj A	0.65	235,158.00	3,189,653.37	7,466,266.50	Finland
Others		127,200.00	225,144.00	225,144.00	
Total		1,693,358.00	13,974,936.40	22,662,203.50	
Finnish companies, non-listed					
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		112,669,846.00	87,399,990.46	87,399,990.56	
Total		113,528,096.00	91,550,630.46	91,797,226.06	

Security	Share of stocks %	Number	Book value	Current value	Home country
Foreign companies, listed					
ASML Holding NV	0.01	26,000.00	4,154,675.01	6,856,200.00	The Netherlands
AbbVie Inc	0.00	58,000.00	3,376,914.58	4,571,230.19	USA
Alphabet Inc Class C	0.00	3,800.00	3,669,637.03	4,522,588.57	USA
Amazon.com Inc	0.00	2,600.00	2,313,009.21	4,276,645.90	USA
Anheuser-Busch InBev NV	0.00	66,000.00	4,798,860.00	4,798,860.00	Belgium
Assa Abloy Ab B	0.02	245,000.00	4,586,195.34	5,136,022.51	Sweden
AstraZeneca PLC	0.00	56,000.00	3,584,353.50	5,006,958.16	UK
Automatic Data Processing Inc	0.01	30,000.00	2,468,512.45	4,553,142.25	USA
Axa Sa	0.01	303,000.00	6,120,359.61	7,608,330.00	France
BASF SE	0.01	60,000.00	4,020,155.03	4,041,000.00	Germany
Brenntag AG	0.06	95,000.00	4,569,264.41	4,605,600.00	Germany
Carl Zeiss Meditec AG	0.04	37,759.00	714,239.77	4,293,198.30	Germany
Danaher Corp	0.00	25,000.00	2,109,378.95	3,415,524.30	USA
Dassault Systemes Sa	0.01	24,000.00	3,129,802.17	3,517,200.00	France
Deutsche Telekom AG	0.01	446,000.00	6,498,220.00	6,498,220.00	Germany
Epiroc AB	0.04	340,000.00	2,985,969.37	3,721,618.10	Sweden
ING Groep NV	0.01	552,000.00	5,899,776.00	5,899,776.00	The Netherlands
Illinois Tool Works Inc	0.01	25,000.00	3,071,847.06	3,997,463.06	USA
Ingersoll-Rand PLC	0.01	34,000.00	2,656,796.02	4,022,859.18	Ireland
Lowe's Cos Inc	0.00	30,000.00	2,491,937.98	3,198,148.48	USA
Medtronic Inc	0.00	45,300.00	2,604,185.17	4,574,759.66	Ireland
Merck & Co Inc	0.00	49,000.00	2,364,331.01	3,967,019.76	USA
Merck KGAA	0.04	57,000.00	4,812,995.35	6,004,950.00	Germany
Mondelez International Inc	0.00	70,000.00	2,804,118.58	3,432,081.18	USA
NIKE Inc	0.00	37,000.00	2,544,106.11	3,336,718.89	USA
National Grid PLC	0.01	425,832.00	4,180,345.34	4,726,294.76	UK
Nestle Sa	0.00	63,000.00	4,829,521.89	6,081,757.88	Switzerland
PepsiCo Inc	0.00	29,000.00	2,181,910.90	3,528,066.58	USA
Procter & Gamble Co	0.00	26,000.00	1,719,128.97	2,890,688.98	USA
RELX PLC	0.01	200,000.00	3,660,683.51	4,479,313.59	UK
Roche Holding Ag	0.00	21,000.00	4,649,197.63	6,075,179.66	Switzerland
Rockwell Automation Inc/DE	0.02	26,000.00	3,888,515.91	4,690,599.96	USA
SAP Ag	0.00	46,000.00	4,249,041.82	5,534,720.00	Germany
SGS SA	0.02	1,800.00	3,927,123.22	4,396,351.58	Switzerland
Schneider Electric Sa	0.01	50,000.00	3,560,585.75	4,575,000.00	France
Siemens Healthineers AG	0.01	146,283.00	4,682,512.91	6,263,838.06	Germany
Swiss Re Ltd	0.02	57,000.00	4,686,194.11	5,708,402.43	Switzerland
Total Sa	0.01	150,000.00	6,978,761.93	7,380,000.00	France
US Bancorp	0.01	106,000.00	4,447,652.39	5,594,392.02	USA
Unilever NV	0.01	126,000.00	4,730,691.61	6,454,980.00	The Netherlands
Visa Inc	0.00	30,000.00	2,590,900.24	5,017,803.10	USA
salesforce.com Inc	0.00	27,000.00	3,144,597.14	3,908,919.35	USA
Total		4,248,374.00	156,457,004.98	203,162,422.44	
Foreign companies, non-listed					
Others		3,083.00	246,923.08	358,164.08	
Total		3,083.00	246,923.08	358,164.08	

Security	Number	Book value	Current value	Home country
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 Global Senior Corporate Loans		13,941,436.95	13,941,436.95	France
Danske Invest Yhteisökorko WK		10,008,296.82	10,009,063.24	Finland
GS Emerging Markets Equity		5,013,192.61	5,277,800.04	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		59,000,000.00	60,356,029.67	Finland
LähiTapiola High Yield A		23,883,408.91	33,200,331.71	Finland
LähiTapiola Kehittyvät Korkomarkkinat A		101,340,531.19	108,834,284.68	Finland
LähiTapiola Korkomaailma A		5,961,872.77	6,291,895.99	Finland
LähiTapiola Reaalikorko A		10,000,000.00	10,201,000.00	Finland
LähiTapiola Suoja A		5,002,636.36	5,932,708.40	Finland
LähiTapiola Vastuullinen Hyvinvointi A		2,411,482.49	9,497,342.50	Finland
LähiTapiola Vastuullinen Infra A		4,119,933.59	7,202,472.35	Finland
LähiTapiola Vastuullinen Kasvu A		3,290,075.10	8,072,931.45	Finland
LähiTapiola Vastuullinen Kehittynyt Aasia A		4,622,087.39	6,805,572.06	Finland
LähiTapiola Vastuullinen Kehittyvät Markkinat A		12,170,165.13	14,483,627.45	Finland
LähiTapiola Vastuullinen Kuluttaja A		2,033,913.95	6,088,717.17	Finland
LähiTapiola Vastuullinen Osinko A		3,778,474.04	6,370,203.12	Finland
LähiTapiola Vastuullinen Pohjoinen Yrityskorko A		25,335,010.63	31,765,826.33	Finland
LähiTapiola Vastuullinen USA Keskisuuret A		2,587,106.29	7,245,870.46	Finland
LähiTapiola Vastuullinen Vaikuttajakorko A		45,000,000.00	45,697,099.01	Finland
LähiTapiola Vastuullinen Yrityskorko A		21,099,401.42	30,885,371.90	Finland
Natixis Loomis Sayles Senior Loan Fund		10,000,000.00	11,174,900.21	Luxembourg
PIMCO GIS Emerging Markets Bond ESG Fund		20,000,000.00	23,339,639.63	Ireland
Total		412,121,621.09	485,434,662.81	

Security	Number	Book value	Current value	Home country
Capital mutual funds				
Altor Fund III		3,414,602.97	3,480,152.63	Jersey
Altor Fund IV (No.2) AB		5,828,819.22	6,273,049.36	Sweden
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.		1,121,235.00	1,121,235.00	UK
Bridgepoint Europe IV F L.P.		1,620,507.00	1,620,507.00	UK
Bridgepoint Europe V C L.P.		7,801,985.18	8,750,756.51	UK
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
ICG Senior Debt Partners Fund		843,213.00	843,213.00	Luxembourg
ICG Senior Debt Partners Fund 2		10,366,963.95	10,470,664.48	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		2,041,124.31	2,072,869.52	Finland
LähiTapiola Asuntosijoitus Suomi Ky		4,965,095.02	6,163,849.89	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.		1,936,069.38	3,179,454.41	Guernsey
Nordic Mezzanine Fund III Limited Partnership		1,949,612.36	2,587,892.20	UK
Real Estate Debt & Secondaries Ky		1,149,441.99	1,149,441.99	Finland
Siguler Guff Small Business Credit Opportunities		6,438,128.15	6,940,587.56	USA
Tapiola KR III Ky		44,933,409.05	44,933,409.05	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.		654,999.93	654,999.93	USA
Top Tier Venture Capital IV, L.P.		2,069,782.94	2,684,043.26	USA
TPG Partners VI, LP		4,536,144.74	4,536,144.74	USA
TPG Partners VII, L.P.		10,245,284.24	13,188,405.73	USA
WasaGroup Fund III Ky		1,427,879.36	1,468,006.44	Finland
VSS Structured Capital Parallel III, L.P.		4,659,038.60	5,175,158.45	USA
Others		4,260,721.19	6,552,521.79	
Total		203,093,668.77	218,347,534.54	
Total other investments, shares and holdings	119,472,911.00	877,444,784.78	1,021,762,213.43	

K7.4 Assets covering unit-linked policies

Security	Home country	Current value	Book value
Shares			
Evli Bank PLC	Finland	923,800.80	923,800.80
Fortum Oyj	Finland	743,622.00	743,622.00
Kone Oyj B	Finland	523,995.48	523,995.48
Metso Oyj	Finland	591,903.50	591,903.50
Neste Oyj	Finland	982,403.40	982,403.40
Nokia Oyj	Finland	1,648,646.01	1,648,646.01
Nordea Bank Abp	Finland	2,182,230.12	2,182,230.12
PowerCell Sweden AB	Finland	559,851.04	559,851.04
Sampo Oyj A	Finland	979,675.98	979,675.98
Stora Enso R	Finland	741,325.74	741,325.74
UPM-Kymmene Oyj	Finland	894,597.22	894,597.22
Others		15,158,961.09	15,158,961.09
Total		25,931,012.38	25,931,012.38
Mutual funds			
FUNDSMITH EQUITY FD SICAV-IA	France	1,135,758.69	1,135,758.69
JPM Emerging Markets Opportunities I Acc EUR	France	2,587,831.16	2,587,831.16
X-Trackers - DJ EURO STOXX 50 ETF	Luxembourg	3,450,904.08	3,450,904.08
iShares Core MSCI Emerging Markets IMI UCITS ETF	Luxembourg	2,672,388.07	2,672,388.07
iShares Core S&P 500 UCITS	Germany	7,445,356.89	7,445,356.89
iShares MSCI Europe ETF (Germany)		3,764,067.84	3,764,067.84
Slättö Bostäder Invest AB		957,230.92	957,230.92
Slättö Core Plus AB	Finland	741,853.96	741,853.96
Slättö IV AB	Finland	2,900,009.35	2,900,009.35
Slättö VII AB- B Shares	Finland	3,665,844.95	3,665,844.95
ALANDBANKEN EURO BOND-B	Finland	749,884.32	749,884.32
Alandsbanken Euro High Yield B	Finland	553,509.87	553,509.87
Alandsbanken Global Equity	Finland	571,909.80	571,909.80
EAI Residential asuntorahasto 2015	Finland	1,396,008.00	1,396,008.00
EAI Residential asuntorahasto 2016	Finland	547,920.00	547,920.00
EAI Residential asuntorahasto 2018	Finland	596,200.00	596,200.00
EGP Fund I Ky	Finland	1,536,249.00	1,536,249.00
EQ Eurooppa Indeksi-1 K	Finland	593,514.29	593,514.29
EQ Eurooppa Kiinteistö-1 K	Finland	1,481,658.82	1,481,658.82
EQ Eurooppa Osinko 1 K	Finland	997,411.92	997,411.92
EQ Pohjoismaat Pienyhtiö 2 K	Finland	800,186.08	800,186.08
EVLI EMERGING FRONTIER-B	Finland	4,245,098.20	4,245,098.20
EVLI EMERGING MKT CREDIT-B	Finland	9,837,588.77	9,837,588.77
EVLI EQTY FACTOR EUR -B ACC	Finland	15,160,793.95	15,160,793.95
EVLI EQUITY FACTOR USA-B	Finland	5,104,879.34	5,104,879.34
EVLI FINNISH SMALL CAP	Finland	7,275,578.19	7,275,578.19
EVLI GEM-B	Finland	3,340,478.23	3,340,478.23
EVLI RENTAL YIELD AIF-A	Finland	10,584,105.37	10,584,105.37
Erikoissijoitusrahasto Elite	Finland	984,454.00	984,454.00
Erikoissijoitusrahasto UB Nordic Property	Finland	924,764.40	924,764.40

Evli Euro Likvidi B	Finland	4,203,126.35	4,203,126.35
Evli Eurooppa B	Finland	13,200,714.18	13,200,714.18
Evli European High Yield B	Finland	28,272,222.58	28,272,222.58
Evli European Investment Grade B	Finland	14,086,795.99	14,086,795.99
Evli Healthcare I Ky	Finland	24,262,135.79	24,262,135.79
Evli Lyhyt Yrityslaina B	Finland	25,969,673.49	25,969,673.49
Evli Maaailma B	Finland	646,353.76	646,353.76
Evli Pohjoismaat B	Finland	502,186.46	502,186.46
Evli Suomi Select B	Finland	2,914,349.08	2,914,349.08
Evli Swedish Small Cap B	Finland	2,925,486.61	2,925,486.61
Evli Takt.Alpha-Korko B	Finland	23,615,398.53	23,615,398.53
Evli Varainhoito 30 B	Finland	656,280.34	656,280.34
Evli Varainhoito 50 B	Finland	2,297,260.98	2,297,260.98
Harkitseva Varainhoito	Finland	1,052,370.00	1,052,370.00
Indeksivarainhoito 25	Finland	5,883,000.00	5,883,000.00
Indeksivarainhoito 50	Finland	7,224,479.62	7,224,479.62
Kiinteistö-sijoitussalkku	Finland	66,374,449.05	66,374,449.05
Kiinteistö-sijoitussalkku A	Finland	2,170,637.99	2,170,637.99
Korkovarainhoitosalkku	Finland	2,098,566.94	2,098,566.94
LähiTapiola 2020 A	Luxembourg	86,751,752.24	86,751,752.24
LähiTapiola 2025 A	Finland	185,024,137.58	185,024,137.58
LähiTapiola 2035 A	Finland	88,024,907.10	88,024,907.10
LähiTapiola 2045 A	Finland	22,011,937.16	22,011,937.16
LähiTapiola Asuntosijoitus	Finland	2,507,023.59	2,507,023.59
LähiTapiola Asuntosijoitus Prime	Luxembourg	11,501,765.59	11,501,765.59
LähiTapiola Asuntosijoitus Suomi	Luxembourg	5,536,607.99	5,536,607.99
LähiTapiola Eurooppa Markkina A	Luxembourg	1,356,444.80	1,356,444.80
LähiTapiola High Yield A	Finland	8,270,338.68	8,270,338.68
LähiTapiola Kehittyvät Korkomarkkinat A	Finland	4,247,584.39	4,247,584.39
LähiTapiola Korko 100 A	Finland	969,191.74	969,191.74
LähiTapiola Korkomaailma A	Finland	22,970,873.53	22,970,873.53
LähiTapiola Maaailma 20 A	Finland	24,226,180.51	24,226,180.51
LähiTapiola Maaailma 50 A	Finland	76,856,349.99	76,856,349.99
LähiTapiola Maaailma 80 A	Finland	83,120,575.66	83,120,575.66
LähiTapiola Metsäsijoitus	Finland	3,753,495.16	3,753,495.16
LähiTapiola Pitkäkorko A	Finland	11,260,415.20	11,260,415.20
LähiTapiola Suoja A	Finland	1,386,440.21	1,386,440.21
LähiTapiola Tapiolan Keskus	Finland	2,031,190.66	2,031,190.66
LähiTapiola Toimitila	Finland	812,065.06	812,065.06
LähiTapiola USA Markkina A	Finland	2,514,070.27	2,514,070.27
LähiTapiola Vastuullinen Eurooppa Keskisuuret A	Finland	27,887,725.52	27,887,725.52
LähiTapiola Vastuullinen Hyvinvointi A	Finland	35,775,418.00	35,775,418.00

LähiTapiola Vastuullinen Infra A	Finland	6,075,014.56	6,075,014.56
LähiTapiola Vastuullinen Kasvu A	Finland	16,051,464.52	16,051,464.52
LähiTapiola Vastuullinen Kehittynyt Aasia A	Finland	13,149,352.54	13,149,352.54
LähiTapiola Vastuullinen Kehittyvät Markkinat A	Finland	36,398,566.11	36,398,566.11
LähiTapiola Vastuullinen Kuluttaja A	Finland	25,545,497.72	25,545,497.72
LähiTapiola Vastuullinen Lyhytkorko A	Finland	11,750,951.04	11,750,951.04
LähiTapiola Vastuullinen Osinko A	Finland	909,924.70	909,924.70
LähiTapiola Vastuullinen Osinko Suomi A	Finland	17,287,090.25	17,287,090.25
LähiTapiola Vastuullinen Pohjoinen Yrityskorko A	Finland	5,542,664.47	5,542,664.47
LähiTapiola Vastuullinen Skandinavia A	Finland	1,120,604.33	1,120,604.33
LähiTapiola Vastuullinen USA Keskisuuret A	Finland	9,949,318.75	9,949,318.75
LähiTapiola Vastuullinen Yrityskorko A	Finland	6,128,972.60	6,128,972.60
LähiTapiola Viisas	Finland	21,337,058.50	21,337,058.50
Momentum-varainhoito	Finland	89,478,170.03	89,478,170.03
Osakevarainhoitosalkku	Finland	621,516.96	621,516.96
Private Banking Korkostrategia	Finland	1,049,870.00	1,049,870.00
Private Banking Strategia 10	Finland	6,320,895.41	6,320,895.41
Private Banking Strategia 30	Finland	17,823,387.82	17,823,387.82
Private Banking Strategia 50	Finland	8,733,523.89	8,733,523.89
Private Banking Strategia 70	Finland	2,691,657.60	2,691,657.60
Reipas Varainhoito	Finland	1,105,030.00	1,105,030.00
Rohkea Varainhoito	Finland	1,150,930.00	1,150,930.00
S-Sijoituskori Kohtuullinen	UK	3,562,736.30	3,562,736.30
S-Sijoituskori Varovainen	Finland	5,458,762.44	5,458,762.44
SELIGSON PHAROS-A	Finland	994,716.77	994,716.77
Seligson & Co Tropic LatAm (EUR)	Finland	974,884.21	974,884.21
Seligson Aasia A	Finland	3,784,586.93	3,784,586.93
Seligson Euro-obligaatio	Finland	1,260,066.31	1,260,066.31
Seligson Eurooppa -indeksirahasto A	Finland	8,239,376.98	8,239,376.98
Seligson Glb Top 25 Brands -A	Finland	20,756,928.12	20,756,928.12
Seligson Global Top 25 Pharmaceuticals A	Finland	14,612,580.08	14,612,580.08
Seligson Kehittyvät markkinat	Finland	716,166.86	716,166.86
Seligson Phoebus - A	Finland	2,977,708.48	2,977,708.48
Seligson Phoenix A	Finland	1,132,018.53	1,132,018.53
Seligson Pohjois-Amerikka -indeksirahasto A	Finland	3,335,436.08	3,335,436.08
Seligson Rahamarkkina AAA	Finland	2,684,639.38	2,684,639.38
Seligson Russian Pros Euro A	Finland	10,706,218.90	10,706,218.90
Seligson Suomi-indeksirahasto	Finland	12,577,850.19	12,577,850.19
Suojavarainhoito 10	Finland	5,023,186.80	5,023,186.80
Suojavarainhoito 15	Finland	1,817,384.27	1,817,384.27
Suojavarainhoito 5	Finland	543,836.63	543,836.63
TOP-indeksivarainhoito 25	Finland	4,792,889.10	4,792,889.10
TOP-indeksivarainhoito 50	Finland	1,418,004.00	1,418,004.00
Vakaa Varainhoito	Finland	1,074,620.00	1,074,620.00
Varainhoito 100	Sweden	40,030,063.50	40,030,063.50
Varainhoito 25	Sweden	4,055,804.92	4,055,804.92
Varainhoito 50	Sweden	11,262,489.74	11,262,489.74
Varainhoito 75	Finland	6,042,720.72	6,042,720.72
Varainhoito Eurooppa Plus	Finland	7,605,184.05	7,605,184.05
Varainhoito Maltillinen	Finland	113,862,969.39	113,862,969.39
Varainhoito Nordic Plus	Finland	27,328,224.10	27,328,224.10
Varainhoito Suomi Plus	Finland	31,709,228.76	31,709,228.76
Varainhoito Tasapainoinen	Finland	96,146,824.19	96,146,824.19
Varainhoito Tuottohakuinen	Finland	52,014,098.29	52,014,098.29
Varainhoito Varovainen	Finland	139,026,698.23	139,026,698.23
Varainhoitosalkku 10	Finland	32,932,294.09	32,932,294.09
Varainhoitosalkku 30	Finland	100,260,535.09	100,260,535.09
Varainhoitosalkku 50	Finland	51,429,387.40	51,429,387.40

Varainhoitosalkku 70	Suomi	13 145 270,45	13 145 270,45
Vauras 100	Suomi	522 819,50	522 819,50
Vauras 25	Suomi	26 105 804,54	26 105 804,54
Vauras 50	Suomi	13 809 212,39	13 809 212,39
Vauras 75	Suomi	2 279 186,69	2 279 186,69
Yksilöllinen varainhoito 30	Suomi	52 749 467,62	52 749 467,62
Yksilöllinen varainhoito 50	Suomi	2 433 020,00	2 433 020,00
eQ Euro Investment Grade	Suomi	551 289,94	551 289,94
eQ Euro Investment Grade 1 T	Suomi	539 103,99	539 103,99
eQ High Yield Bond 1 T	Suomi	595 982,01	595 982,01
eQ Hoivakiinteistöt	Suomi	33 160 593,62	33 160 593,62
eQ Kehittyvät Markkinat Osinko 1 T	Suomi	716 824,54	716 824,54
eQ Kehittyvät Markkinat Osinko 1K	Suomi	3 974 891,10	3 974 891,10
eQ Kehittyvät Markkinat Pienyhtiö 1 K	Suomi	1 564 839,81	1 564 839,81
eQ Liikekiinteistöt-1T	Suomi	34 078 507,99	34 078 507,99
eQ Mandaatti-2K	Suomi	849 649,29	849 649,29
eQ PE IX US Feeder	Suomi	1 442 050,92	1 442 050,92
eQ PE VIII North Ky	Suomi	1 321 901,62	1 321 901,62
eQ PE X North Feeder	Suomi	1 400 000,00	1 400 000,00
eQ Sininen Planeetta 1 K	Suomi	1 621 206,74	1 621 206,74
eQ USA Indeksi 1 K	Suomi	2 437 555,82	2 437 555,82
eQ USA Indeksi-1 T	Suomi	556 612,06	556 612,06
Ålandsbanken Asuntorahasto C	Suomi	3 078 143,66	3 078 143,66
Ålandsbanken Europe Value B	Suomi	859 281,44	859 281,44
Muut		18 185 259,75	18 185 256,55
Yhteensä		2 374 106 473,95	2 374 106 470,75
Rahoitusmarkkinavälineet			
Eurooppa Pankit Autocall 4/2018	Ranska	1 187 968,67	1 187 968,67
Evli EM-Korkotuotto 1/2017 Sertifikaatti	Suomi	524 160,00	524 160,00
Muut		9 698 618,02	9 698 618,02
Yhteensä		11 410 746,69	11 410 746,69
Yhteensä		2 411 448 233,02	2 411 448 229,82

K8. Other investments

K8.1 Other loans, itemised by type of security

	2019	2018
Insurance policy	166,215.24	203,551.24
Other security	24,689,926.63	55,588,141.50
Remaining acquisition cost	24,856,141.87	55,791,692.74
Unsecured, total remaining acquisition cost	22,475,000.00	26,177,507.04
Total other loan receivables	47,331,141.87	81,969,199.78

K9. Changes in tangible and intangible assets

	Intangible rights and other expenses with long-term effects	Goodwill	Provisional premium	Machinery and equipment
Acquisition cost on 1 Jan.	45,933,194.60	36,218.44	692,031.00	7,091,859.66
Increase	640,956.94	0.00	2,929,045.99	663,133.56
Decrease	0.00	0.00	0.00	-97,553.17
Transfers between items	1,697,054.00	0.00	-1,697,054.00	0.00
Acquisition cost on 31 Dec.	48,271,205.54	36,218.44	1,924,022.99	7,657,440.05
Accumulated depreciation on 1 Jan.	-31,709,706.21	-27,981.00	0.00	-6,254,803.57
Accumulated depreciation related to deductions and transfers	0.00	0.00	0.00	-4,201.62
Depreciation for the financial year	-4,666,126.00	0.00	0.00	-160,121.97
Accumulated depreciation on 31 Dec.	-36,375,832.21	-27,981.00	0.00	-6,419,127.16
Book value on 31 Dec.	11,895,373.33	8,237.44	1,924,022.99	1,238,312.89

K10. Assets covering unit-linked policies

	2019 Original acquisition cost	2019 Current value (= book value)	2018 Original acquisition cost	2018 Current value (= book value)
Assets covering unit-linked policies				
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. Changes in capital and reserves and itemisation of revaluation reserve

K11.1 Changes in capital and reserves

	1.1.2019	Increase	Decrease	31.12.2019
Initial reserve	4,482,208.24	0.00	0.00	4,482,208.24
Guarantee capital	37,585,505.12	0.00	0.00	37,585,505.12
Revaluation reserve	9,087,707.83	0.00	0.00	9,087,707.83
Security reserve	366,380,097.61	44,546,686.04	0.00	410,926,783.65
Contingency reserve	1,833,138.23	500,000.00	-95,000.00	2,238,138.23
Share of voluntary provisions and depreciation difference transferred to capital and reserves	511,466.96	0.00	-124,667.45	386,799.51
Profit/loss for previous accounting periods	-29,208,315.46	47,144,682.24	-46,738,034.00	-28,801,667.22
Profit for the accounting period	46,734,917.00	34,713,992.20	-46,734,917.00	34,713,992.20
Change in depreciation difference and voluntary provisions included in the profit for the accounting period	409,765.24	124,667.46	-409,765.24	124,667.46
	47,144,682.24	34,838,659.66	-47,144,682.24	34,838,659.66
Total changes in capital and reserves	437,816,490.55	127,030,027.94	-94,102,383.69	470,744,134.88

K11.2 Itemisation of revaluation reserve

	31.12.2019
Revaluation reserve 1.1.	9,087,707.83
Revaluations reversed	0.00
Revaluation reserve 31.12.	9,087,707.83
Total	<u>9,087,707.83</u>

K12. Accumulated appropriations

	2019	2018
Accumulated depreciation difference		
Depreciation difference on 1 Jan.	1,381,762.59	1,522,530.33
Decrease	<u>-527,273.22</u>	<u>-140,767.74</u>
Depreciation difference on 31 Dec.	<u>854,489.37</u>	<u>1,381,762.59</u>
Total accumulated appropriations	<u>854,489.37</u>	<u>1,381,762.59</u>
Divided into		
Capital and reserves	-572,583.70	-994,402.27
Minority interest	-111,007.80	-111,007.80
Deferred tax liabilities	-170,897.87	-276,352.52
Tax base	20.00 %	20.00 %

K13. Other obligatory provisions

	2019	2018
Provision for unemployment security deductible	10,010.36	0.00
	<u>10,010.36</u>	<u>0.00</u>

K14. Deferred tax assets and tax liabilities

K14.1 Deferred tax claim

	2019	2018
Temporary differences between taxable profit and accounting profit	1,042,305.94	1,042,305.94

K14.2 Deferred tax liabilities

	2019	2018
Deferred tax liabilities arising from the division of depreciation difference and provisions	170,897.87	276,352.52

K15. Receivables and liabilities

K15.1 Itemisation of receivables

	2019	2018
Receivables from group companies		
Other receivables	486,305.27	200,008.49
	<u>486,305.27</u>	<u>200,008.49</u>

K15.2 Itemisation of liabilities

	2019	2018
Liabilities to group companies		
Trade creditors	1,660,912.71	232,336.49
Other creditors	85,862.81	67,128.80
	<u>1,746,775.52</u>	<u>299,465.29</u>

K15.3 Itemisation of accruals and deferred income

	2019	2018
Liabilities to personnel	3,181,990.72	3,248,782.93
Valuation loss on derivatives	202,140.88	0.00
Other accruals and deferred income	5,809,765.47	5,418,531.28
	<u>9,193,897.07</u>	<u>8,667,314.21</u>

K16. Notes concerning guarantees and contingent liabilities

	2019 Security/pledges/ guarantees and other commitments	2019 Amount of liability	2018 Security/pledges/ guarantees and other commitments	2018 Amount of liability
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K16.1 Security

As security for own debts

Real estate mortgages	21,716,962.80	13,191,939.64	21,672,170.80	7,675,519.64
	<u>21,716,962.80</u>	<u>13,191,939.64</u>	<u>21,672,170.80</u>	<u>7,675,519.64</u>

K16.2 Off-balance-sheet guarantees and contingent liabilities

	2019	2018
Derivative contracts		
Currency derivatives		
<i>Forward and futures contracts, open</i>		
Underlying instrument	-52,715,731.54	-41,397,720.75
Current value	393,116.06	565,399.19
Rent liabilities		
Amount to be paid in the current financial year	889,130.70	906,913.08
Amount to be paid in the coming years	3,608,650.08	3,782,076.48
	<u>4,497,780.78</u>	<u>4,688,989.56</u>
Value-added tax liabilities		
<i>Joint liability relating to collective value-added tax registration</i>		
Group companies	-2,690,870.12	-86,466.35
Partner companies	1,941,043.52	1,846,176.42
	<u>-749,826.60</u>	<u>1,759,710.07</u>
<i>VAT liability with a positive sign = VAT debt</i>		
<i>VAT liability with a negative sign = VAT receivable</i>		
<i>Inspection responsibility of real estate investments under section 120 of the Value Added Tax Act</i>		
Company	100,535.00	120,612.00
Other companies of the group	42,376,583.25	49,929,906.60
	<u>42,477,118.25</u>	<u>50,050,518.60</u>
Other commitments		
Investment commitments	444,560,794.25	529,844,225.29
Granted limit	12,079,575.79	80,536,525.35
	<u>456,640,370.04</u>	<u>610,380,750.64</u>

K17. Related party loans and transactions (Insurance Companies Act, Chapter 8, section 11 and Accounting Ordinance, Chapter

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

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

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

Subsidiaries	150,604,468.49
Associated undertakings and joint ventures	15,742,441.63
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/>
	166,346,910.12

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

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

K17.2 Subordinated loans

Creditor Multiple
Loan capital EUR 100.000.000

Principal loan terms 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.

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 %.

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

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

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

The subordinated loan is administered by Euroclear Finland Oy.

K17.3 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

€1,000

	2019	2018	Change	Change %
Premium income	612,505	446,020	166,486	37.3 %
Investment income and expenses as well as revaluations and adjustments thereof	427,237	-102	427,339	-420874.2 %
Claims paid	-524,569	-356,400	-168,168	47.2 %
Changes in technical provisions before change in bonuses and equalization provision	-428,376	25,631	-454,007	-1771.4 %
Operating expenses	-57,220	-51,527	-5,693	11.0 %
Technical result before change in bonuses and equalization provision	29,578	63,621	-34,044	-53.5 %
Other income and expenses	-23	-502	479	-95.4 %
Share of profit/loss from group associated undertakings	88	90	-2	-2.6 %
Operating profit	29,642	63,209	-33,567	-53.1 %
Change in equalization provision	10,274	10,274	0	0.0 %
Bonuses	1,656	-3,151	4,807	-152.6 %
Profit before appropriations and taxes	41,573	70,333	-28,760	-40.9 %
Direct taxes	-7,023	-23,659	16,636	-70.3 %
Minority interest	165	61	104	169.6 %
Profit for the accounting period	34,714	46,735	-12,021	-25.7 %
Operating profit	29,642	63,209	-33,567	-53.1 %
Change in the difference between current and book values	74,692	-25,520	100,211	-392.7 %
Total result	104,334	37,690	66,644	176.8 %

LocalTapiola Life

Profit and loss account, LocalTapiola Life

TECHNICAL ACCOUNT - LIFE INSURANCE		1.1.2019 - 31.12.2019		1.1.2018 - 31.12.2018	
Premiums written					
Premiums written	1	616,312,225.79		449,839,234.89	
Reinsurers' share		-3,806,808.37	612,505,417.42	-3,819,536.59	446,019,698.30
Investment income	4		312,822,997.52		264,724,691.60
Revaluations of investments			265,557,101.10		11,242,640.16
Claims incurred					
Claims paid	2	-525,402,129.17		-357,667,761.69	
Reinsurers' share		833,228.67	-524,568,900.50	1,267,301.68	-356,400,460.01
Change in provision for outstanding claims		-24,077,442.00		4,955,054.00	
Reinsurers' share		0.00	-24,077,442.00	0.00	4,955,054.00
Claims incurred total			-548,646,342.50		-351,445,406.01
Change in provision for unearned premiums					
Change in provision for unearned premiums		-392,368,515.53		27,798,886.95	
Reinsurers' share		0.00	-392,368,515.53	0.00	27,798,886.95
Net operating expenses	3		-57,221,122.02		-51,528,326.11
Investment charges	4		-115,689,557.05		-124,384,052.56
Revaluation adjustments on investments			-32,667,111.84		-151,547,332.17
Balance on technical account			44,292,867.10		70,880,800.16
NON-TECHNICAL ACCOUNT					
Balance on technical account of life insurance			44,292,867.10		70,880,800.16
Other income	4				
Other		2,158,881.82	2,158,881.82	2,435,212.47	2,435,212.47
Other expenses	4				
Other		-2,177,004.67	-2,177,004.67	-2,938,550.56	-2,938,550.56
Profit on ordinary activities			44,274,744.25		70,377,462.07
Appropriations					
Change in depreciation difference		155,834.32	155,834.32	140,767.74	140,767.74
Direct taxes on ordinary activities					
Taxes for financial year		-1,118,435.32		-18,440,920.18	
Taxes for previous financial years		-5,930,938.99	-7,049,374.31	-5,339,275.86	-23,780,196.04
Profit/loss for the accounting period			37,381,204.26		46,738,033.77

Balance sheet, LocalTapiola Life

Assets		31.12.2019		31.12.2018	
Intangible assets					
Other expenses with long-term effects	9	13,476,380.46	13,476,380.46	14,752,453.61	14,752,453.61
Investments	5				
Real estate investments	6				
Real estate and shares in real estate		201,365,251.10		157,133,417.07	
Loans to group companies		108,223,499.78	309,588,750.88	157,138,636.78	314,272,053.85
Investments in group companies and participating interests	7				
Shares and holdings in group companies		247,882,101.19		180,547,341.71	
Debt securities and loans in group companies		119,413,541.63		111,986,790.54	
Shares and holdings in participating interests		43,277,334.13		34,324,504.20	
Debt securities and loans in participating interests		4,000,000.00	414,572,976.95	4,000,000.00	330,858,636.45
Other investments					
Shares and holdings	7	877,444,784.78		837,380,533.53	
Debt securities		1,024,206,108.82		1,010,111,618.32	
Loans guaranteed by mortgages		193,649,710.47		157,636,360.81	
Other loans	8	47,331,141.87		81,969,199.78	
Deposits		5,121,266.67	2,147,753,012.61	5,105,991.25	2,092,203,703.69
			2,871,914,740.44		2,737,334,393.99
Assets covering unit-linked policies	10		2,416,333,935.50		2,107,976,333.40
Debtors	15				
Arising out of direct insurance operations					
Policyholders		958,757.80		1,014,056.93	
Arising out of reinsurance operations		82,357.01	1,041,114.81	58,778.43	1,072,835.36
Other debtors			7,430,088.26		3,801,933.84
			8,471,203.07		4,874,769.20
Other assets					
Tangible assets					
Machinery and equipment	9	336,461.37	336,461.37	346,214.50	346,214.50
Cash at bank and in hand			49,848,317.11		84,228,224.16
Other assets			1,067,204.41		767,204.41
			51,251,982.89		85,341,643.07
Prepayments and accrued income					
Accrued interest and rent		9,349,930.39		9,902,958.72	
Other prepayments and accrued income		22,647,931.04	31,997,861.43	10,364,132.67	20,267,091.39
Total assets			5,393,446,103.79		4,970,546,684.66

Liabilities

		31.12.2019	31.12.2018
Capital and reserves	11		
Initial reserve		4,482,208.24	4,482,208.24
Guarantee capital		37,585,505.12	37,585,505.12
Other reserves		413,164,921.82	368,213,235.78
Profit/loss for the accounting period		<u>37,381,204.26</u>	<u>46,738,033.77</u>
		492,613,839.44	457,018,982.91
Subordinated loans	17	99,721,133.33	106,649,933.33
Accumulated appropriations	12		
Accumulated depreciation difference		<u>513,361.99</u>	<u>669,196.31</u>
		513,361.99	669,196.31
Technical provisions			
Provision for unearned premiums		1,706,384,124.72	1,593,928,064.19
Reinsurers' share		<u>0.00</u>	<u>0.00</u>
		1,706,384,124.72	1,593,928,064.19
Provision for outstanding claims		716,556,986.00	695,170,646.00
Reinsurers' share		<u>0.00</u>	<u>0.00</u>
		716,556,986.00	695,170,646.00
		<u>2,422,941,110.72</u>	<u>2,289,098,710.19</u>
Technical provisions for unit-linked policies			
Technical provisions		2,349,490,708.00	2,066,887,151.00
Reinsurers' share		<u>0.00</u>	<u>0.00</u>
		2,349,490,708.00	2,066,887,151.00
Obligatory provisions	13		
Other obligatory provisions		<u>10,010.36</u>	<u>0.00</u>
		10,010.36	0.00
Deposits received from reinsurers		<u>1,128,585.75</u>	<u>1,051,311.43</u>
		1,128,585.75	1,051,311.43
Creditors			
Arising out of direct insurance operations		972,546.83	1,159,282.35
Arising out of reinsurance operations		1,593,747.80	853,393.95
Other creditors	15	<u>15,783,387.64</u>	<u>39,890,179.46</u>
		18,349,682.27	41,902,855.76
Accruals and deferred income	15	<u>8,677,671.93</u>	<u>7,268,543.73</u>
Total liabilities		<u>5,393,446,103.79</u>	<u>4,970,546,684.66</u>

Indirect cash flow statement, LocalTapiola Life

	2019	2018
Cash flow from operations		
Profit on ordinary activities	44,274,744.25	70,377,462.07
Adjustments		
Changes in technical provisions	416,445,957.53	-32,753,940.95
Value adjustments and revaluation of investments	-248,826,402.00	173,606,135.06
Changes in obligatory provisions	10,010.36	-88,676.16
Depreciation according to plan	7,010,251.22	12,670,234.10
Other adjustments	-90,377,494.98	-106,578,171.65
<i>Cash flow before change in working capital</i>	128,537,066.38	117,233,042.47
Change in working capital:		
Increase (-) / decrease (+) in non-interest-bearing short-term receivables	-15,327,203.91	9,874,412.82
Increase (+) / decrease (-) in non-interest-bearing short-term debts	-22,066,770.97	22,109,423.28
<i>Cash flow from operations before financial items and taxes</i>	91,143,091.50	149,216,878.57
Interest paid and other financial expenses	-3,728,722.60	-6,891,896.85
Direct taxes paid	-7,049,374.31	-23,780,196.04
Cash flow from operations	80,364,994.59	118,544,785.68
Cash flow from investments		
Investments in assets (excl. cash and c. equivalents)	-196,343,517.93	-201,912,152.33
Capital gains from investments (excl. cash and c. equivalents)	94,106,217.58	113,470,068.50
Investments in tangible and intangible assets as well as other assets and capital gains (net)	-3,792,453.56	-6,367,855.99
Cash flow from investments	-106,029,753.91	-94,809,939.82
Cash flow from financial		
Loan funds raised	-6,928,800.00	6,792,916.66
Interest on guarantee capital paid	-1,691,347.73	-1,879,275.00
Other distribution of profit	-95,000.00	-45,000.00
Cash flow from financial	-8,715,147.73	4,868,641.66
Change in cash and cash equivalents	-34,379,907.05	28,603,487.52
Cash and cash equivalents at the start of the year	84,228,224.16	55,624,736.64
Cash and cash equivalents at the end of the year	49,848,317.11	84,228,224.16

Key figures, LocalTapiola Life

	2019	2018	2017	2016	M€ 2015
General key figures describing financial development					
Operating profit	32.3	63.3	48.4	63.4	98.9
Total result	96.6	33.0	64.0	72.7	51.7
Return on capital employed (at current value), %	6.3	2.1	5.3	5.0	4.8
Return on assets excluding unit-linked insurance, %	7.5	3.0	5.1	5.8	4.8
Average number of personnel during financial year 1)	146	140	132	132	134
Key figures describing the financial performance of life insurance					
Premium income	616.3	449.8	516.0	421.7	423.0
Expense ratio, %	124.5	116.9	127.1	119.5	120.7
Expense ratio, % of balance sheet total	1.4	1.3	1.5	1.4	1.4

Notes, LocalTapiola Life
Notes to the profit and loss account, Life

1. Premium income

	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 capital 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
<i>Total</i>	<u>522,118,235.38</u>	<u>357,855,781.22</u>
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
<i>Total</i>	<u>94,193,990.41</u>	<u>91,983,453.67</u>
Direct insurance total	616,312,225.79	449,839,234.89
Gross premiums written before reinsurers' share	<u>616,312,225.79</u>	<u>449,839,234.89</u>
<i>Premiums written before reinsurers' share</i>		
Regular premiums	558,641,357.99	486,613,960.06
Single premiums	57,670,867.80	-36,774,725.17
<i>Total</i>	<u>616,312,225.79</u>	<u>449,839,234.89</u>
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
	<u>616,312,225.79</u>	<u>449,839,234.89</u>

1.1 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 capital 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>
Total rebates	<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
<i>Total</i>	<u>1,524,055.20</u>	<u>1,659,804.78</u>
Total rebates and discounts	<u>11,699,126.51</u>	<u>10,635,841.67</u>

2. Claims paid before reinsurers' share

	2019	2018
Direct insurance		
Life insurance	399,576,627.72	232,038,243.12
Pension insurance	125,825,501.45	125,629,518.57
<i>Total</i>	<u>525,402,129.17</u>	<u>357,667,761.69</u>
Reinsurers' share	-833,228.67	-1,267,301.68
Total	<u>524,568,900.50</u>	<u>356,400,460.01</u>
Of which:		
Surrenders	317,830,681.03	149,135,961.31
Repayments of benefits	36,078,967.24	40,147,463.49
Other	171,492,480.90	168,384,336.89
	<u>525,402,129.17</u>	<u>357,667,761.69</u>
Share of unit-linked insurance of claims paid	310,158,067.23	148,801,209.88

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

3.1 Total operating expenses by activity

	2019	2018
Claims paid	4,200,410.59	4,272,481.99
Operating expenses	57,221,122.02	51,528,326.11
Investment operating expenses	4,675,042.86	4,696,651.99
Other expenses	2,176,493.57	2,367,543.18
<i>Total</i>	<u>68,273,069.04</u>	<u>62,865,003.27</u>

3.2 Profit and loss account item operating expenses

	2019	2018
Insurance policy acquisition cost		
Commissions for direct insurance	16,746,801.58	12,498,853.12
Other insurance policy acquisition costs	20,891,330.56	20,788,710.77
	<u>37,638,132.14</u>	<u>33,287,563.89</u>
Insurance policy management expenses	10,274,671.49	8,616,619.54
Administrative expenses	10,054,493.46	10,226,110.61
Commissions for reinsurance ceded and profit shares	-746,175.07	-601,967.93
<i>Total</i>	<u>57,221,122.02</u>	<u>51,528,326.11</u>

3.3 Notes concerning personnel and members of corporate bodies

3.3.1 Personnel expenses

	2019	2018
Salaries and remunerations	12,288,653.35	12,243,144.94
Pension expenses	2,862,469.24	1,941,761.50
Other personnel expenses	504,827.21	332,140.43
<i>Total</i>	<u>15,655,949.80</u>	<u>14,517,046.87</u>

3.3.2 Management 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	559,781.00	535,646.00
Pension commitments	The retirement age of Managing Director is 63 and that of the Deputy Managing Director as defined by law.	
Monetary loans and terms thereof	No monetary loans granted.	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted.	
Board members and deputy board members		
Salaries and remunerations	166,500.00	161,500.00
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		
Salaries and remunerations	162,000.00	171,500.00
Pension commitments	No pension commitments.	
Monetary loans and terms thereof	No monetary loans granted.	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted.	

3.3.3 Average number of personnel during the financial year

Office staff	146	140
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3.4 Auditor's fees by assignment category

	2019	2018
Auditing	57,213.82	36,356.17
Assignments referred to in section 1, subsection 1, paragraph 2 of the Auditing Act	1,432.20	0.00
Tax advice	4,672.80	0.00
Other services	1,767.00	79,608.00
<i>Total</i>	<u>65,085.82</u>	<u>115,964.17</u>

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

4.1 Specification of net investment income

Investment income	2019	2018
Income from group companies		
Dividend income	658,460.38	1,127,320.49
Interest income	3,179,781.19	2,825,922.25
Other income	24,085,682.18	4,357,221.60
<i>Total</i>	<u>27,923,923.75</u>	<u>8,310,464.34</u>
Income from participating interests		
Dividend income	197,465.04	212,092.08
Interest income	-89,830.15	19,084.47
<i>Total</i>	<u>107,634.89</u>	<u>231,176.55</u>
Income from real estate investments in group companies		
Interest income	4,357,680.97	10,647,175.06
Other income	91,876.72	56,294.74
<i>Total</i>	<u>4,449,557.69</u>	<u>10,703,469.80</u>
Income from real estate investments in other companies		
Dividend income	858.21	858.21
Interest income	28,956.11	58,789.14
Other income	24,596,663.91	29,229,000.12
<i>Total</i>	<u>24,626,478.23</u>	<u>29,288,647.47</u>
Income from other investments		
Dividend income	38,586,286.88	38,561,233.81
Interest income	17,352,724.79	19,130,464.16
Other income	15,330,679.77	9,252,339.91
<i>Total</i>	<u>71,269,691.44</u>	<u>66,944,037.88</u>
	128,377,286.00	115,477,796.04
Value readjustments	64,077,987.49	20,550,049.47
Realized gains	<u>120,367,724.03</u>	<u>128,696,846.09</u>
Total investment income	312,822,997.52	264,724,691.60

Investment charges	2019	2018
Expenses arising from real estate investments		
From group companies	-17,695,280.68	-20,868,461.71
Other companies	-3,370,248.79	-3,729,404.62
<i>Total</i>	-21,065,529.47	-24,597,866.33
Expenses arising from other investments	-14,067,713.58	-18,605,467.89
Interest paid and other expenses on liabilities		
Other companies	-3,921,261.42	-7,101,242.27
<i>Total</i>	-3,921,261.42	-7,101,242.27
	-39,054,504.47	-50,304,576.49
Value adjustments and depreciation		
Value adjustments	-48,141,574.75	-53,851,492.52
Planned depreciation on buildings	-2,231,971.38	-5,001,205.96
<i>Total</i>	-50,373,546.13	-58,852,698.48
Realized losses	-26,261,506.45	-15,226,777.59
Total investment charges	-115,689,557.05	-124,384,052.56
Net investment income before revaluations and revaluation adjustments	197,133,440.47	140,340,639.04
Revaluations	265,557,101.10	11,242,640.16
Revaluation adjustments	-32,667,111.84	-151,547,332.17
	232,889,989.26	-140,304,692.01
Net investment income in the profit and loss account	430,023,429.73	35,947.03

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

	2019	2018
Investment income	61,467,129.43	59,897,452.15
Investment charges	-8,705,347.58	-5,080,313.02
Net investment income before revaluations and their adjustment as well as value adjustments and readjustments	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
	249,155,883.06	-147,642,743.22
Net investment income in the profit and loss account	301,917,664.91	-92,825,604.09

4.3 Specification of other income and expenses

Other income	2019	2018
Income from ancillary operations	2,143,786.22	2,409,505.96
Other other income	15,095.60	25,706.51
<i>Total</i>	2,158,881.82	2,435,212.47
Other expenses		
Expenses for ancillary operations	2,176,493.57	2,349,401.18
Transfer to personnel fund	0.00	3,799.96
Other other expenses	511.10	585,349.42
<i>Total</i>	2,177,004.67	2,938,550.56

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

5.1 Current value of investments and difference in valuation

Investments	Remaining acquisition cost	2019 Book value	Current value
Real estate investments			
Real estate	7,275,377.58	11,903,168.02	20,400,000.00
Real estate shares in group companies	166,448,855.59	180,581,041.90	263,140,518.72
Real estate shares in participating interests	71,927.75	71,927.75	71,984.43
Other real estate shares	11,276,346.99	8,809,113.43	16,495,732.03
Loans to group companies	108,223,499.78	108,223,499.78	108,223,499.78
	<u>293,296,007.69</u>	<u>309,588,750.88</u>	<u>408,331,734.96</u>
Investments in group companies			
Shares and holdings	247,882,101.19	247,882,101.19	272,249,836.76
Loans	119,413,541.63	119,413,541.63	119,413,541.63
	<u>367,295,642.82</u>	<u>367,295,642.82</u>	<u>391,663,378.39</u>
Investments in participating interests			
Shares and holdings	43,277,334.13	43,277,334.13	48,897,316.06
Debt securities and loans	4,000,000.00	4,000,000.00	4,000,000.00
	<u>47,277,334.13</u>	<u>47,277,334.13</u>	<u>52,897,316.06</u>
Other investments			
Shares and holdings	877,444,784.78	877,444,784.78	1,021,762,213.43
Debt securities	1,024,206,108.82	1,024,206,108.82	1,037,441,651.14
Loans guaranteed by mortgages	193,649,710.47	193,649,710.47	193,649,710.47
Other loans	47,331,141.87	47,331,141.87	47,331,141.88
Deposits	5,121,266.67	5,121,266.67	5,121,266.67
	<u>2,147,753,012.61</u>	<u>2,147,753,012.61</u>	<u>2,305,305,983.59</u>
	<u>2,855,621,997.25</u>	<u>2,871,914,740.44</u>	<u>3,158,198,413.00</u>
The remaining acquisition cost of debt securities includes:			
Difference between the nominal value and acquisition cost released (+) or charged (-) to interest income			<u>-4,496,529.17</u>
Book value comprises			
Revaluations released to income		15,019,463.40	
Other revaluations		<u>3,740,513.35</u>	<u>18,759,976.75</u>
Difference in valuation (difference between current value and book value)			<u>286,283,672.56</u>

Investments	Remaining acquisition cost	2018 Book value	Current value
Real estate investments			
Real estate	7,714,890.98	12,342,681.42	19,000,000.00
Real estate shares in group companies	117,997,526.19	136,612,201.53	193,566,331.66
Real estate shares in participating interests	71,927.75	71,927.75	71,984.43
Other real estate shares	10,183,839.93	8,106,606.37	14,538,387.08
Loans to group companies	157,138,636.78	157,138,636.78	157,138,636.78
	<u>293,106,821.63</u>	<u>314,272,053.85</u>	<u>384,315,339.95</u>
Investments in group companies			
Shares and holdings	180,547,341.71	180,547,341.71	206,528,619.15
Loans	111,986,790.54	111,986,790.54	111,986,790.54
	<u>292,534,132.25</u>	<u>292,534,132.25</u>	<u>318,515,409.69</u>
Investments in participating interests			
Shares and holdings	34,324,504.20	34,324,504.20	34,522,061.34
Debt securities and loans	4,000,000.00	4,000,000.00	4,000,000.00
	<u>38,324,504.20</u>	<u>38,324,504.20</u>	<u>38,522,061.34</u>
Other investments			
Shares and holdings	837,380,533.53	837,380,533.53	961,625,866.63
Debt securities	1,010,111,618.32	1,010,111,618.32	1,011,707,439.23
Loans guaranteed by mortgages	157,636,360.81	157,636,360.81	157,636,360.81
Other loans	81,969,199.78	81,969,199.78	81,969,199.79
Deposits	5,105,991.25	5,105,991.25	5,105,991.25
Other investments	0.00	0.00	0.00
	<u>2,092,203,703.69</u>	<u>2,092,203,703.69</u>	<u>2,218,044,857.71</u>
	<u>2,716,169,161.77</u>	<u>2,737,334,393.99</u>	<u>2,959,397,668.69</u>
The remaining acquisition cost of debt securities includes:			
Difference between the nominal value and acquisition cost released (+) or charged (-) to interest income			<u>-5,872,451.02</u>
Book value comprises			
Revaluations released to income		19,501,952.43	
Other revaluations		3,740,513.35	23,242,465.78
Difference in valuation (difference between current value and book value)			<u>222,063,274.70</u>

5.2 Difference in valuation of non-hedging derivatives

Derivative contracts	Remaining acquisition cost	2019 Book value	Current value
Other debtors			
Assets pledged as security for derivatives	100,000.00	100,000.00	100,000.00
Other deferred income and credits			
Futures and forward contracts	-202,140.88	-202,140.88	393,116.06
	<u>-102,140.88</u>	<u>-102,140.88</u>	<u>493,116.06</u>
Difference in valuation (difference between current value and book value)			<u>595,256.94</u>

Derivative contracts	Remaining acquisition cost	2018 Book value	Current value
Other debtors			
Assets pledged as security for derivatives	1,190,000.00	1,190,000.00	1,190,000.00
Other deferred income and credits			
Futures and forward contracts	0.00	0.00	565,399.19
	<u>1,190,000.00</u>	<u>1,190,000.00</u>	<u>1,755,399.19</u>
Difference in valuation (difference between current value and book value)			<u>565,399.19</u>

6. Real estate investments

Changes in real estate investments:	2019 Real estate and shares in real estate	2019 Loans to group companies
Acquisition cost on 1 Jan.	149,711,518.21	157,138,636.78
Increase	51,718,554.74	0.00
Decrease	0.00	-48,915,137.00
Acquisition cost on 31 Dec.	201,430,072.95	108,223,499.78
Accumulated depreciation on 1 Jan.	-12,151,329.97	
Depreciation for the financial year	<u>-456,720.68</u>	
Accumulated depreciation on 31 Dec.	-12,608,050.65	
Value adjustments on 1 Jan.	-4,928,024.06	
Value adjustments for the financial year	-2,547,511.00	
Value adjustments on 31 Dec.	-7,475,535.06	
Revaluations on 1 Jan.	24,501,252.89	
Decrease	<u>-4,482,489.03</u>	
Revaluations on 31 Dec.	20,018,763.86	
Book value on 31 Dec.	<u>201,365,251.10</u>	<u>108,223,499.78</u>

Real estate and shares in real estate occupied for own activities

Remaining acquisition cost	1,952,106.07
Book value	1,952,106.07
Current value	2,000,000.00

7. Investments in group companies and participating interests

Shares and holdings in group companies	2019	2018
Acquisition cost on 1 Jan.	182,276,669.48	152,309,776.57
Increase	77,096,038.08	73,712,828.05
Decrease	-10,991,133.35	-43,745,935.14
Acquisition cost on 31 Dec.	248,381,574.21	182,276,669.48
Value adjustments on 1 Jan.	-1,729,327.77	-744,329.50
Value adjustments for the financial year	-489,734.58	-1,405,071.92
Value readjustments	1,719,589.33	420,073.65
Value adjustments on 31 Dec.	-499,473.02	-1,729,327.77
Book value on 31 Dec.	<u>247,882,101.19</u>	<u>180,547,341.71</u>
Debt securities and loans in group companies		
Acquisition cost on 1 Jan.	111,986,790.54	79,980,249.35
Increase	40,228,991.08	42,679,067.54
Decrease	-32,802,239.99	-34,584,883.51
Transfers between items	0.00	23,912,357.16
Acquisition cost on 31 Dec.	119,413,541.63	111,986,790.54
Book value on 31 Dec.	<u>119,413,541.63</u>	<u>111,986,790.54</u>
Shares and holdings in participating interests		
Acquisition cost on 1 Jan.	51,873,180.74	46,613,509.21
Increase	0.00	5,259,671.53
Acquisition cost on 31 Dec.	51,873,180.74	51,873,180.74
Value adjustments on 1 Jan.	-17,548,676.54	-9,313,707.89
Value adjustments for the financial year	0.00	-8,234,968.65
Value readjustments	8,952,829.93	0.00
Value adjustments on 31 Dec.	-8,595,846.61	-17,548,676.54
Book value on 31 Dec.	<u>43,277,334.13</u>	<u>34,324,504.20</u>
Debt securities and loans in participating interests		
Acquisition cost on 1 Jan.	4,000,000.00	4,000,000.00
Acquisition cost on 31 Dec.	4,000,000.00	4,000,000.00
Book value on 31 Dec.	<u>4,000,000.00</u>	<u>4,000,000.00</u>
Total investments in group companies and participating interests		
Book value on 31 Dec.	<u>414,572,976.95</u>	<u>330,858,636.45</u>

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

Shares and holdings, fixed assets		Domicile	Share of stocks %	Equity	Profit for the accounting period
Akapo-Leasing Oy	2)	Espoo	33.3	11,852.49	-10.00
Keskinäinen Vakuutusyhtiö Turva	4)	Tampere	3.6	49,016,225.97	5,707,086.72
LähiTapiola Kiinteistövarainhoito Oy -group	3)	Espoo	15.9	11,265,595.28	1,537,262.22
LähiTapiola Palvelut Oy	3)	Espoo	15.0	11,020,896.77	565,181.82
LähiTapiola Varainhoito Oy	3)	Espoo	16.2	22,611,911.69	1,142,317.27
Tieto-Tapiola Oy	2)	Espoo	33.3	4,379,644.87	261,891.89
Vakuutusneuvonta Aura	2)	Espoo	33.3	10,729.40	0.00
Vakuutusneuvonta Pohja	2)	Espoo	33.3	10,672.17	0.00
Total				98,327,528.64	9,213,729.92

Shares and holdings, investment assets		Domicile	Share of stocks %	Equity	Profit for the accounting period
Kauppakeskus Seppä Oy	2)	Kuopio	47.0	-5,712.50	-4,354.59
LähiTapiola Core Kiinteistöt Ky -group	1)	Espoo	83.0	39,312,887.80	-452,578.65
LähiTapiola KR PK2 Ky -group	3)	Espoo	10.0	13,797,599.84	-2,303,906.08
LähiTapiola Pääomasijoitus GP Oy	2)	Espoo	43.1	610.89	-61.05
LähiTapiola Pääomasijoitus I Ky	2)	Espoo	30.7	120,807,120.85	10,982,593.89
LähiTapiola Pääomasijoitus II Ky	2)	Espoo	37.0	86,222,357.56	646,174.58
LähiTapiola Pääomasijoitus III Ky	2)	Espoo	47.2	130,516,469.82	18,493,102.06
LähiTapiola Rahoitusyhtiö I Ky	3)	Espoo	5.0	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	2)	Espoo	22.6	116,954.08	7,567.17
LähiTapiola Tontit I Ky	3)	Espoo	5.0	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 Ky	2)	Espoo	37.2	105,690,474.50	5,080,012.79
Total				1,026,274,366.77	38,905,232.22

In addition, LocalTapiola Mutual Life Insurance Company has invested in () housing associations and real estate companies that are integrated into the consolidated financial statements of LocalTapiola Group, out of which () 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	3)	Helsinki	18.0	7,957,951.95	5,188,215.38
Pihlajalinna Oyj -group	3)	Helsinki	8.4	101,100,000.00	3,400,000.00
S-Pankki Oy -group	3)	Helsinki	3.5	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
Seligson & Co Rahastoyhtiö Oyj	3)	Helsinki	19.6	12,977,439.25	1,988,256.67
Total				12,977,439.25	1,988,256.67

In addition, LocalTapiola Mutual Life Insurance Company has invested in () 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	0.08	90,000.00	3,074,031.60	3,724,200.00	Finland
Kone Oyj B	0.01	73,000.00	1,751,266.76	4,254,440.00	Finland
Nokia Oyj	0.01	843,000.00	2,778,528.00	2,778,528.00	Finland
Stora Enso R	0.04	325,000.00	2,956,312.67	4,213,625.00	Finland
Vaisala Oyj A	0.65	235,158.00	3,189,653.37	7,466,266.50	Finland
Others		127,200.00	225,144.00	225,144.00	Finland
Total		1,693,358.00	13,974,936.40	22,662,203.50	
Finnish companies, non-listed					
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
Muut		112,669,846.00	87,399,990.47	87,399,990.59	
Total		113,528,096.00	91,550,630.47	91,797,226.09	

Foreign companies, listed

ASML Holding NV	0.01	26,000.00	4,154,675.01	6,856,200.00	The Netherlands
AbbVie Inc	0.00	58,000.00	3,376,914.58	4,571,230.19	USA
Alphabet Inc Class C	0.00	3,800.00	3,669,637.03	4,522,588.57	USA
Amazon.com Inc	0.00	2,600.00	2,313,009.21	4,276,645.90	USA
Anheuser-Busch InBev NV	0.00	66,000.00	4,798,860.00	4,798,860.00	Belgium
Assa Abloy Ab B	0.02	245,000.00	4,586,195.34	5,136,022.51	Sweden
AstraZeneca PLC	0.00	56,000.00	3,584,353.50	5,006,958.16	UK
Automatic Data Processing Inc	0.01	30,000.00	2,468,512.45	4,553,142.25	USA
Axa Sa	0.01	303,000.00	6,120,359.61	7,608,330.00	France
BASF SE	0.01	60,000.00	4,020,155.03	4,041,000.00	Germany
Brenntag AG	0.06	95,000.00	4,569,264.41	4,605,600.00	Germany
Carl Zeiss Meditec AG	0.04	37,759.00	714,239.77	4,293,198.30	Germany
Danaher Corp	0.00	25,000.00	2,109,378.95	3,415,524.30	USA
Dassault Systemes Sa	0.01	24,000.00	3,129,802.17	3,517,200.00	France
Deutsche Telekom AG	0.01	446,000.00	6,498,220.00	6,498,220.00	Germany
Epiroc AB	0.04	340,000.00	2,985,969.37	3,721,618.10	Sweden
ING Groep NV	0.01	552,000.00	5,899,776.00	5,899,776.00	The Netherlands
Illinois Tool Works Inc	0.01	25,000.00	3,071,847.06	3,997,463.06	USA
Ingersoll-Rand PLC	0.01	34,000.00	2,656,796.02	4,022,859.18	Ireland
Lowe's Cos Inc	0.00	30,000.00	2,491,937.98	3,198,148.48	USA
Medtronic Inc	0.00	45,300.00	2,604,185.17	4,574,759.66	Ireland
Merck & Co Inc	0.00	49,000.00	2,364,331.01	3,967,019.76	USA
Merck KGAA	0.04	57,000.00	4,812,995.35	6,004,950.00	Germany
Mondelez International Inc	0.00	70,000.00	2,804,118.58	3,432,081.18	USA
NIKE Inc	0.00	37,000.00	2,544,106.11	3,336,718.89	USA
National Grid PLC	0.01	425,832.00	4,180,345.34	4,726,294.76	UK
Nestle Sa	0.00	63,000.00	4,829,521.89	6,081,757.88	Switzerland
PepsiCo Inc	0.00	29,000.00	2,181,910.90	3,528,066.58	USA
Procter & Gamble Co	0.00	26,000.00	1,719,128.97	2,890,688.98	USA
RELX PLC	0.01	200,000.00	3,660,683.51	4,479,313.59	UK
Roche Holding Ag	0.00	21,000.00	4,649,197.63	6,075,179.66	Switzerland
Rockwell Automation Inc/DE	0.02	26,000.00	3,888,515.91	4,690,599.96	USA
SAP Ag	0.00	46,000.00	4,249,041.82	5,534,720.00	Germany
SGS SA	0.02	1,800.00	3,927,123.22	4,396,351.58	Switzerland
Schneider Electric Sa	0.01	50,000.00	3,560,585.75	4,575,000.00	France
Siemens Healthineers AG	0.01	146,283.00	4,682,512.91	6,263,838.06	Germany
Swiss Re Ltd	0.02	57,000.00	4,686,194.11	5,708,402.43	Switzerland
Total Sa	0.01	150,000.00	6,978,761.93	7,380,000.00	France
US Bancorp	0.01	106,000.00	4,447,652.39	5,594,392.02	USA
Unilever NV	0.01	126,000.00	4,730,691.61	6,454,980.00	The Netherlands
Visa Inc	0.00	30,000.00	2,590,900.24	5,017,803.10	USA
salesforce.com Inc	0.00	27,000.00	3,144,597.14	3,908,919.35	USA
Total		4,248,374.00	156,457,004.98	203,162,422.44	

Foreign companies, non-listed

Others	3,083.00	246,923.08	358,164.08	
Total	3,083.00	246,923.08	358,164.08	
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 Global Senior Corporate Loans	13,941,436.95	13,941,436.95		France
Danske Invest Yhteisökorko WK	10,008,296.82	10,009,063.24		Finland
GS Emerging Markets Equity	5,013,192.61	5,277,800.04		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	59,000,000.00	60,356,029.67		Finland
LähiTapiola High Yield A	23,883,408.91	33,200,331.71		Finland
LähiTapiola Kehittyvät Korkomarkkinat A	101,340,531.19	108,834,284.68		Finland
LähiTapiola Korkomaailma A	5,961,872.77	6,291,895.99		Finland
LähiTapiola Reaalikorko A	10,000,000.00	10,201,000.00		Finland
LähiTapiola Suoja A	5,002,636.36	5,932,708.40		Finland
LähiTapiola Vastuullinen Hyvinvointi A	2,411,482.49	9,497,342.50		Finland
LähiTapiola Vastuullinen Infra A	4,119,933.59	7,202,472.35		Finland
LähiTapiola Vastuullinen Kasvu A	3,290,075.10	8,072,931.45		Finland
LähiTapiola Vastuullinen Kehittynyt Aasia A	4,622,087.39	6,805,572.06		Finland
LähiTapiola Vastuullinen Kehittyvät Markkinat A	12,170,165.13	14,483,627.45		Finland
LähiTapiola Vastuullinen Kuluttaja A	2,033,913.95	6,088,717.17		Finland
LähiTapiola Vastuullinen Osinko A	3,778,474.04	6,370,203.12		Finland
LähiTapiola Vastuullinen Pohjoinen Yrityskorko A	25,335,010.63	31,765,826.33		Finland
LähiTapiola Vastuullinen USA Keskisuuret A	2,587,106.29	7,245,870.46		Finland
LähiTapiola Vastuullinen Vaikuttajakorko A	45,000,000.00	45,697,099.01		Finland
LähiTapiola Vastuullinen Yrityskorko A	21,099,401.42	30,885,371.90		Finland
Natixis Loomis Sayles Senior Loan Fund	10,000,000.00	11,174,900.21		Luxembourg
PIMCO GIS Emerging Markets Bond ESG Fund	20,000,000.00	23,339,639.63		Ireland
Total	412,121,621.09	485,434,662.81		

Capital mutual funds

Altor Fund III	3,414,602.97	3,480,152.63	Jersey
Altor Fund IV (No.2) AB	5,828,819.22	6,273,049.36	Sweden
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.	1,121,235.00	1,121,235.00	UK
Bridgepoint Europe IV F L.P.	1,620,507.00	1,620,507.00	UK
Bridgepoint Europe V C L.P.	7,801,985.18	8,750,756.51	UK
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
ICG Senior Debt Partners Fund	843,213.00	843,213.00	Luxembourg
ICG Senior Debt Partners Fund 2	10,366,963.95	10,470,664.48	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	2,041,124.31	2,072,869.52	Finland
LähiTapiola Asuntosijoitus Suomi Ky	4,965,095.02	6,163,849.89	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.	1,936,069.38	3,179,454.41	Guernsey
Nordic Mezzanine Fund III Limited Partnership	1,949,612.36	2,587,892.20	UK
Real Estate Debt & Secondaries Ky	1,149,441.99	1,149,441.99	Finland
Siguler Guff Small Business Credit Opportunities Fund	6,438,128.15	6,940,587.56	USA
Tapiola KR III Ky	44,933,409.05	44,933,409.05	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.	654,999.93	654,999.93	USA
Top Tier Venture Capital IV, L.P.	2,069,782.94	2,684,043.26	USA
TPG Partners VI, LP	4,536,144.74	4,536,144.74	USA
TPG Partners VII, L.P.	10,245,284.24	13,188,405.73	USA
WasaGroup Fund III Ky	1,427,879.36	1,468,006.44	Finland
VSS Structured Capital Parallel III, L.P.	4,659,038.60	5,175,158.45	USA
Others	4,260,721.19	6,552,521.79	
Total	203,093,668.77	218,347,534.54	
Total other investments, shares and holdings	119,472,911.00	877,444,784.79	1,021,762,213.46

7.4 Assets held to cover unit-linked insurance policies

Security	Home country	Current value	Book value
Shares			
Evli Bank PLC	Finland	923,800.80	923,800.80
Fortum Oyj	Finland	743,622.00	743,622.00
Kone Oyj B	Finland	523,995.48	523,995.48
Metso Oyj	Finland	591,903.50	591,903.50
Neste Oyj	Finland	982,403.40	982,403.40
Nokia Oyj	Finland	1,648,646.01	1,648,646.01
Nordea Bank Abp	Finland	2,182,230.12	2,182,230.12
PowerCell Sweden AB	Finland	559,851.04	559,851.04
Sampo Oyj A	Finland	979,675.98	979,675.98
Stora Enso R	Finland	741,325.74	741,325.74
UPM-Kymmene Oyj	Finland	894,597.22	894,597.22
Others		15,158,961.09	15,158,961.09
Total		25,931,012.38	25,931,012.38
Mutual funds			
FUNDSMITH EQUITY FD SICAV-IA	Luxemburg	1,135,758.69	1,135,758.69
JPM Emerging Markets Opportunities I Acc EUR	Luxemburg	2,587,831.16	2,587,831.16
X-Trackers - DJ EURO STOXX 50 ETF	Luxemburg	3,450,904.08	3,450,904.08
iShares Core MSCI Emerging Markets IMI UCITS ETF	Luxemburg	2,672,388.07	2,672,388.07
iShares Core S&P 500 UCITS	Luxemburg	7,445,356.89	7,445,356.89
iShares MSCI Europe ETF (Germany)	Luxemburg	3,764,067.84	3,764,067.84
Slättö Bostäder Invest AB	Ruotsi	957,230.92	957,230.92
Slättö Core Plus AB	Ruotsi	741,853.96	741,853.96
Slättö IV AB	Ruotsi	2,900,009.35	2,900,009.35
Slättö VII AB- B Shares	Ruotsi	3,665,844.95	3,665,844.95
ALANDBANKEN EURO BOND-B	Suomi	749,884.32	749,884.32
Alandsbanken Euro High Yield B	Suomi	553,509.87	553,509.87
Alandsbanken Global Equity	Suomi	571,909.80	571,909.80
EAI Residential asuntorahasto 2015	Suomi	1,396,008.00	1,396,008.00
EAI Residential asuntorahasto 2016	Suomi	547,920.00	547,920.00
EAI Residential asuntorahasto 2018	Suomi	596,200.00	596,200.00
EGP Fund I Ky	Suomi	1,536,249.00	1,536,249.00
EQ Eurooppa Indeksi-1 K	Suomi	593,514.29	593,514.29
EQ Eurooppa Kiinteistö-1 K	Suomi	1,481,658.82	1,481,658.82
EQ Eurooppa Osinko 1 K	Suomi	997,411.92	997,411.92
EQ Pohjoismaat Pieniyhtiö 2 K	Suomi	800,186.08	800,186.08
EVLI EMERGING FRONTIER-B	Suomi	4,245,098.20	4,245,098.20
EVLI EMERGING MKT CREDIT-B	Suomi	9,837,588.77	9,837,588.77
EVLI EQTY FACTOR EUR -B ACC	Suomi	15,160,793.95	15,160,793.95
EVLI EQUITY FACTOR USA-B	Suomi	5,104,879.34	5,104,879.34
EVLI FINNISH SMALL CAP	Suomi	7,275,578.19	7,275,578.19
EVLI GEM-B	Suomi	3,340,478.23	3,340,478.23
EVLI RENTAL YIELD AIF-A	Suomi	10,584,105.37	10,584,105.37

Erikoissijoitusrahasto Elite	Suomi	984,454.00	984,454.00
Erikoissijoitusrahasto UB Nordic Property	Suomi	924,764.40	924,764.40
Evli Euro Likvidi B	Suomi	4,203,126.35	4,203,126.35
Evli Eurooppa B	Suomi	13,200,714.18	13,200,714.18
Evli European High Yield B	Suomi	28,272,222.58	28,272,222.58
Evli European Investment Grade B	Suomi	14,086,795.99	14,086,795.99
Evli Healthcare I Ky	Suomi	24,262,135.79	24,262,135.79
Evli Lyhyt Yrityslaina B	Suomi	25,969,673.49	25,969,673.49
Evli Maailma B	Suomi	646,353.76	646,353.76
Evli Pohjoismaat B	Suomi	502,186.46	502,186.46
Evli Suomi Select B	Suomi	2,914,349.08	2,914,349.08
Evli Swedish Small Cap B	Suomi	2,925,486.61	2,925,486.61
Evli Takt.Alpha-Korko B	Suomi	23,615,398.53	23,615,398.53
Evli Varainhoito 30 B	Suomi	656,280.34	656,280.34
Evli Varainhoito 50 B	Suomi	2,297,260.98	2,297,260.98
Harkitseva Varainhoito	Suomi	1,052,370.00	1,052,370.00
Indeksivarainhoito 25	Suomi	5,883,000.00	5,883,000.00
Indeksivarainhoito 50	Suomi	7,224,479.62	7,224,479.62
Kiinteistö-sijoitussalkku	Suomi	66,374,449.05	66,374,449.05
Kiinteistö-sijoitussalkku A	Suomi	2,170,637.99	2,170,637.99
Korkovarainhoitosalkku	Suomi	2,098,566.94	2,098,566.94
LähiTapiola 2020 A	Suomi	86,751,752.24	86,751,752.24
LähiTapiola 2025 A	Suomi	185,024,137.58	185,024,137.58
LähiTapiola 2035 A	Suomi	88,024,907.10	88,024,907.10
LähiTapiola 2045 A	Suomi	22,011,937.16	22,011,937.16
LähiTapiola Asuntosijoitus	Suomi	2,507,023.59	2,507,023.59
LähiTapiola Asuntosijoitus Prime	Suomi	11,501,765.59	11,501,765.59
LähiTapiola Asuntosijoitus Suomi	Suomi	5,536,607.99	5,536,607.99
LähiTapiola Eurooppa Markkina A	Suomi	1,356,444.80	1,356,444.80
LähiTapiola High Yield A	Suomi	8,270,338.68	8,270,338.68
LähiTapiola Kehittyvät Korkomarkkinat A	Suomi	4,247,584.39	4,247,584.39
LähiTapiola Korko 100 A	Suomi	969,191.74	969,191.74
LähiTapiola Korkomaailma A	Suomi	22,970,873.53	22,970,873.53
LähiTapiola Maailma 20 A	Suomi	24,226,180.51	24,226,180.51
LähiTapiola Maailma 50 A	Suomi	76,856,349.99	76,856,349.99
LähiTapiola Maailma 80 A	Suomi	83,120,575.66	83,120,575.66
LähiTapiola Metsäsijoitus	Suomi	3,753,495.16	3,753,495.16
LähiTapiola Pitkäkorko A	Suomi	11,260,415.20	11,260,415.20
LähiTapiola Suoja A	Suomi	1,386,440.21	1,386,440.21
LähiTapiola Tapiolan Keskus	Suomi	2,031,190.66	2,031,190.66
LähiTapiola Toimitila	Suomi	812,065.06	812,065.06
LähiTapiola USA Markkina A	Suomi	2,514,070.27	2,514,070.27
LähiTapiola Vastuullinen Eurooppa Keskisuuret A	Suomi	27,887,725.52	27,887,725.52
LähiTapiola Vastuullinen Hyvinvointi A	Suomi	35,775,418.00	35,775,418.00
LähiTapiola Vastuullinen Infra A	Suomi	6,075,014.56	6,075,014.56
LähiTapiola Vastuullinen Kasvu A	Suomi	16,051,464.52	16,051,464.52
LähiTapiola Vastuullinen Kehittynyt Aasia A	Suomi	13,149,352.54	13,149,352.54
LähiTapiola Vastuullinen Kehittyvät Markkinat A	Suomi	36,398,566.11	36,398,566.11
LähiTapiola Vastuullinen Kuluttaja A	Suomi	25,545,497.72	25,545,497.72
LähiTapiola Vastuullinen Lyhytkorko A	Suomi	11,750,951.04	11,750,951.04
LähiTapiola Vastuullinen Osinko A	Suomi	909,924.70	909,924.70
LähiTapiola Vastuullinen Osinko Suomi A	Suomi	17,287,090.25	17,287,090.25
LähiTapiola Vastuullinen Pohjoinen Yrityskorko A	Suomi	5,542,664.47	5,542,664.47
LähiTapiola Vastuullinen Skandinavia A	Suomi	1,120,604.33	1,120,604.33
LähiTapiola Vastuullinen USA Keskisuuret A	Suomi	9,949,318.75	9,949,318.75
LähiTapiola Vastuullinen Yrityskorko A	Suomi	6,128,972.60	6,128,972.60
LähiTapiola Viisas	Suomi	21,337,058.50	21,337,058.50
Momentum-varainhoito	Suomi	89,478,170.03	89,478,170.03

Osakevarainhoitosalkku	Suomi	621,516.96	621,516.96
Private Banking Korkostrategia	Suomi	1,049,870.00	1,049,870.00
Private Banking Strategia 10	Suomi	6,320,895.41	6,320,895.41
Private Banking Strategia 30	Suomi	17,823,387.82	17,823,387.82
Private Banking Strategia 50	Suomi	8,733,523.89	8,733,523.89
Private Banking Strategia 70	Suomi	2,691,657.60	2,691,657.60
Reipas Varainhoito	Suomi	1,105,030.00	1,105,030.00
Rohkea Varainhoito	Suomi	1,150,930.00	1,150,930.00
S-Sijoituskori Kohtuullinen	Suomi	3,562,736.30	3,562,736.30
S-Sijoituskori Varovainen	Suomi	5,458,762.44	5,458,762.44
SELIGSON PHAROS-A	Suomi	994,716.77	994,716.77
Seligson & Co Tropico LatAm (EUR)	Suomi	974,884.21	974,884.21
Seligson Aasia A	Suomi	3,784,586.93	3,784,586.93
Seligson Euro-obligaatio	Suomi	1,260,066.31	1,260,066.31
Seligson Eurooppa -indeksirahasto A	Suomi	8,239,376.98	8,239,376.98
Seligson Glb Top 25 Brands -A	Suomi	20,756,928.12	20,756,928.12
Seligson Global Top 25 Pharmaceuticals A	Suomi	14,612,580.08	14,612,580.08
Seligson Kehittyvät markkinat	Suomi	716,166.86	716,166.86
Seligson Phoebus - A	Suomi	2,977,708.48	2,977,708.48
Seligson Phoenix A	Suomi	1,132,018.53	1,132,018.53
Seligson Pohjois-Amerikka -indeksirahasto A	Suomi	3,335,436.08	3,335,436.08
Seligson Rahamarkkina AAA	Suomi	2,684,639.38	2,684,639.38
Seligson Russian Pros Euro A	Suomi	10,706,218.90	10,706,218.90
Seligson Suomi-indeksirahasto	Suomi	12,577,850.19	12,577,850.19
Suojavarainhoito 10	Suomi	5,023,186.80	5,023,186.80
Suojavarainhoito 15	Suomi	1,817,384.27	1,817,384.27
Suojavarainhoito 5	Suomi	543,836.63	543,836.63
TOP-indeksivarainhoito 25	Suomi	4,792,889.10	4,792,889.10
TOP-indeksivarainhoito 50	Suomi	1,418,004.00	1,418,004.00
Vakaa Varainhoito	Suomi	1,074,620.00	1,074,620.00
Varainhoito 100	Suomi	40,030,063.50	40,030,063.50
Varainhoito 25	Suomi	4,055,804.92	4,055,804.92
Varainhoito 50	Suomi	11,262,489.74	11,262,489.74
Varainhoito 75	Suomi	6,042,720.72	6,042,720.72
Varainhoito Eurooppa Plus	Suomi	7,605,184.05	7,605,184.05
Varainhoito Maltillinen	Suomi	113,862,969.39	113,862,969.39
Varainhoito Nordic Plus	Suomi	27,328,224.10	27,328,224.10
Varainhoito Suomi Plus	Suomi	31,709,228.76	31,709,228.76
Varainhoito Tasapainoinen	Suomi	96,146,824.19	96,146,824.19
Varainhoito Tuottohakuinen	Suomi	52,014,098.29	52,014,098.29
Varainhoito Varovainen	Suomi	139,026,698.23	139,026,698.23
Varainhoitosalkku 10	Suomi	32,932,294.09	32,932,294.09
Varainhoitosalkku 30	Suomi	100,260,535.09	100,260,535.09
Varainhoitosalkku 50	Suomi	51,429,387.40	51,429,387.40
Varainhoitosalkku 70	Suomi	13,145,270.45	13,145,270.45
Vauras 100	Suomi	522,819.50	522,819.50
Vauras 25	Suomi	26,105,804.54	26,105,804.54
Vauras 50	Suomi	13,809,212.39	13,809,212.39
Vauras 75	Suomi	2,279,186.69	2,279,186.69
Yksilöllinen varainhoito 30	Suomi	52,749,467.62	52,749,467.62
Yksilöllinen varainhoito 50	Suomi	2,433,020.00	2,433,020.00
eQ Euro Investment Grade	Suomi	551,289.94	551,289.94
eQ Euro Investment Grade 1 T	Suomi	539,103.99	539,103.99
eQ High Yield Bond 1 T	Suomi	595,982.01	595,982.01
eQ Hoivakiinteistöt	Suomi	33,160,593.62	33,160,593.62
eQ Kehittyvät Markkinat Osinko 1 T	Suomi	716,824.54	716,824.54
eQ Kehittyvät Markkinat Osinko 1K	Suomi	3,974,891.10	3,974,891.10
eQ Kehittyvät Markkinat Pienyhtiö 1 K	Suomi	1,564,839.81	1,564,839.81

eQ Liikekiinteistöt-1T	Suomi	34,078,507.99	34,078,507.99
eQ Mandaatti-2K	Suomi	849,649.29	849,649.29
eQ PE IX US Feeder	Suomi	1,442,050.92	1,442,050.92
eQ PE VIII North Ky	Suomi	1,321,901.62	1,321,901.62
eQ PE X North Feeder	Suomi	1,400,000.00	1,400,000.00
eQ Sininen Planeetta 1 K	Suomi	1,621,206.74	1,621,206.74
eQ USA Indeksi 1 K	Suomi	2,437,555.82	2,437,555.82
eQ USA Indeksi-1 T	Suomi	556,612.06	556,612.06
Ålandsbanken Asuntorahasto C	Suomi	3,078,143.66	3,078,143.66
Ålandsbanken Europe Value B	Suomi	859,281.44	859,281.44
Others		18,185,259.75	18,185,256.55
Total		2,374,106,473.95	2,374,106,470.75
Debt securities			
Eurooppa Pankit Autocall 4/2018	Ranska	1,187,968.67	1,187,968.67
Evli EM-Korkotuotto 1/2017 Sertifikaatti	Suomi	524,160.00	524,160.00
Others		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

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

	2019	2018
Insurance policy	166,215.24	203,551.24
Other security	24,689,926.63	55,588,141.50
Remaining acquisition cost	24,856,141.87	55,791,692.74
Unsecured, total remaining acquisition cost	22,475,000.00	26,177,507.04
	47,331,141.87	81,969,199.78

9. Changes in tangible and intangible assets

	Intangible rights and other expenses with long-term effects	Provisional premiums	Goodwill	2019 Machinery and equipment
Acquisition cost on 1 Jan.	45,770,128.82	692,031.00	0.00	3,478,129.53
Increase	461,006.86	2,929,045.99	0.00	199,950.71
Decrease	0.00	0.00	0.00	-97,550.00
Transfers between items	1,697,054.00	-1,697,054.00	0.00	0.00
Acquisition cost on 31 Dec.	47,928,189.68	1,924,022.99	0.00	3,580,530.24
Accumulated depreciation on 1 Jan.	-31,709,706.21	0.00	0.00	-3,131,915.03
Depreciation for the financial year	-4,666,126.00	0.00	0.00	-112,153.84
Accumulated depreciation on 31 Dec.	-36,375,832.21	0.00	0.00	-3,244,068.87
Book value on 31 Dec.	11,552,357.47	1,924,022.99	0.00	336,461.37

10. Assets held to cover unit-linked insurance policies

	2019 Original acquisition cost	2019 Current value (=book value)	2018 Original acquisition cost	2018 Current value (=book value)
<i>Assets held to cover unit-linked insurance policies</i>				
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
<i>Total</i>	1,803,548,505.23	2,416,333,935.50	1,744,387,332.74	2,107,976,333.40
<i>Investments acquired in advance</i>	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

11. Changes in capital and reserves

11.1 Changes in capital and reserves

	1.1.2019	Increase	Decrease	31.12.2019
Initial reserve	4,482,208.24	0.00	0.00	4,482,208.24
Guarantee capital	37,585,505.12	0.00	0.00	37,585,505.12
Security reserve	366,380,097.55	44,546,686.04	0.00	410,926,783.59
Contingency reserve	1,833,138.23	500,000.00	-95,000.00	2,238,138.23
Profit for the financial year *)	46,738,033.77	37,381,204.26	-46,738,033.77	37,381,204.26
Total changes in capital and reserves	457,018,982.91	82,427,890.30	-46,833,033.77	492,613,839.44

*) Includes the paid guarantee capital interest EUR 1,691,347.73.

11.2 Account of distributable profits

	31.12.2019
Profit for financial year	37,381,204.26
+ Other unrestricted capital and reserves	
Security reserve	410,926,783.59
Contingency reserve	2,238,138.23
Total distributable profits	450,546,126.08

12. Accumulated appropriations

Depreciation difference	2019	2018
Depreciation difference on 1 Jan.	669,196.31	809,964.05
Decrease	-155,834.32	-140,767.81
Depreciation difference on 31 Dec.	513,361.99	669,196.24

13. Other obligatory provisions

	2019	2018
Provision for unemployment security deductible	10,010.36	0.00
	10,010.36	0.00

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	748,102.67	748,102.67
Tax debt calculated based on valuation gains/losses that is deemed likely to become payable during the next year.	10,038,811.54	10,600,000.00
	<u>10,786,914.21</u>	<u>11,348,102.67</u>

15. Receivables and liabilities

15.1 Itemisation of receivables

	2019	2018
Receivables from group companies		
Other receivables	516,305.27	534,008.49
	<u>516,305.27</u>	<u>534,008.49</u>

15.2 Itemisation of liabilities

	2019	2018
Liabilities to group companies		
Accounts payable	1,919,750.82	1,475,446.64
Other liabilities	3,085,862.81	67,128.80
	<u>5,005,613.63</u>	<u>1,542,575.44</u>

15.3 Itemisation of accruals and deferred income

	2019	2018
Liabilities to personnel	3,181,990.72	3,248,782.93
Valuation loss on derivatives	202,140.88	0.00
Other accruals and deferred income	5,293,540.33	4,019,760.80
	<u>8,677,671.93</u>	<u>7,268,543.73</u>

16. Notes concerning guarantees and contingent liabilities

16.1 Security

	2019	2019	2018	2018
	Security/pledges/ guarantees and other commitments	Amount of liability	Security/pledges/ guarantees and other commitments	Amount of liability
As security for own debts				
Real estate mortgages	23,396,480.00	2,390,828.34	23,396,480.00	2,390,828.34
	<u>23,396,480.00</u>	<u>2,390,828.34</u>	<u>23,396,480.00</u>	<u>2,390,828.34</u>

16.2 Off-balance-sheet guarantees and contingent liabilities

Derivative contracts	2019	2018
Currency derivatives		
<i>Forward and futures contracts, open</i>		
Underlying instrument	-52,715,731.54	-41,397,720.75
Current value	393,116.06	565,399.19
Rent liabilities		
Amount to be paid in the current financial year	889,130.70	906,913.08
Amount to be paid in the coming years	3,608,650.08	3,782,076.48
	4,497,780.78	4,688,989.56
Value-added tax liabilities		
<i>Joint liability relating to collective value-added tax registration</i>		
Group companies	-3,013,893.56	-134,414.46
Partner companies	1,941,043.52	1,846,176.42
	-1,072,850.04	1,711,761.96
<i>VAT liability with a positive sign = VAT debt</i>		
<i>VAT liability with a negative sign = VAT receivable</i>		
<i>Obligation to return value-added tax deductions pursuant to section 33 of Value-Added Tax Act</i>		
Company	100,535.00	120,612.00
Other companies of the group	42,376,583.25	49,929,906.60
	42,477,118.25	50,050,518.60
Other commitments		
Investment commitments	464,301,933.54	552,316,952.56
Granted limit	52,487,492.76	80,536,525.35
	516,789,426.30	632,853,477.91

17. Related party loans and transactions

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

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

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

Subsidiaries	150,604,468.49
Associated undertakings and joint ventures	15,742,441.63
Key persons who are part of an organisation's or its parent company's management	
Other parties who are insiders	
	<hr/>
	166,346,910.12

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

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

17.2 Subordinated loans

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>

17.3 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

	Realization 1-12/2019	Realization 1-12/2018	Change	EUR 1 000 Change %
Premium income	612,505	446,020	166,486	37.3
Investment income and expenses as well as revaluations and adjustments thereof	430,023	36	429,987	1,196,169.7
Claims paid	-524,569	-356,400	-168,168	47.2
Change in technical provisions before change in customer benefits and equalization provision	-428,376	25,631	-454,007	-1,771.4
Operating expenses	-57,221	-51,528	-5,693	11.0
Balance on technical account before change in customer benefits and equalization provision	32,362	63,757	-31,395	-49.2
Other income and expenses	-18	-503	485	-96.4
Operating profit	32,344	63,254	-30,910	-48.9
Change in equalization provision	10,274	10,274	0	0.0
Additional benefits (customer benefits)	1,656	-3,151	4,807	-152.6
Profit before appropriations and taxes	44,275	70,377	-26,103	-37.1
Appropriations	156	141	15	10.7
Income taxes and other direct taxes	-7,049	-23,780	16,731	-70.4
Total result	37,381	46,738	-9,357	-20.0
Operating profit	32,344	63,254	-30,910	-48.9
Change in the difference between current and book values	64,250	-30,227	94,477	-312.6
Total result	96,594	33,027	63,567	192.5

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

	Basic breakdown				Risk breakdown ⁸		
	31.12.2019		31.12.2018		31.12.2019		31.12.2018
	EUR million	%	milj.eur	%	EUR million	%	%
Fixed-income investments	1,867.5	57.9	1,762.5	57.7	1,867.5	57.9	57.7
Loan receivables ¹	362.8	11.3	353.3	11.6	362.8	11.3	11.6
Bonds	1,430.5	44.4	1,317.9	43.1	1,430.5	44.4	43.1
Other money market instruments and deposits ^{1 2}	74.2	2.3	91.3	3.0	74.2	2.3	3.0
Equities and shares	797.6	24.7	713.8	23.4	797.6	24.7	23.4
Listed equities and shares ³	341.8	10.6	279.5	9.1	341.8	10.6	9.1
Private equity investments ⁴	333.1	10.3	297.5	9.7	333.1	10.3	9.7
Unlisted equities and shares ⁵	122.8	3.8	136.8	4.5	122.8	3.8	4.5
Real estate investments	555.6	17.2	556.2	18.2	555.6	17.2	18.2
Direct real estate investments	408.3	12.7	384.4	12.6	408.3	12.7	12.6
Real estate funds and joint investments	147.3	4.6	171.7	5.6	147.3	4.6	5.6
Other investments	2.2	0.1	23.5	0.8	2.2	0.1	0.8
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	0.6	2.2	0.1	0.6
Investments total	3,223.0	100.0	3,055.9	100.0	3,223.0	100.0	100.0
Effect of derivatives ⁹					0	0	
Investments at current value, total	3,223.0	100.0	3,055.9	100.0	3,223.0	100.0	100.0

The modified duration of bond investments

3.7

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 at current value 1.1. – 31.12.2019

Net investment income at current value ⁸	Capital employed ⁹	Return-% on capital employed	Return-% on capital employed	Return-% on capital employed	Return-% on capital employed	Return-% on capital employed
	31.12.2019		31.12.2018	31.12.2017	31.12.2016	31.12.2015
EUR million	EUR million	%	%	%	%	%
Return €/ % on capital employed						
Fixed-income investments	64.9	3.7	-0.4	2.3	4.1	0.9
Loan receivables ¹	8.7	2.4	2.5	2.6	3.1	4.2
Bonds	56.6	4.3	-1.3	2.4	4.6	0.6
Other money market instruments and deposits ^{1 2}	-0.3	-0.4	-0.6	-1.5	-0.6	-0.4
Equities and shares	109.1	15.1	7.4	10.7	6.5	18.4
Listed equities and shares ³	89.8	31.5	-6.0	8.9	5.2	18.7
Private equity investments ⁴	27.9	9.3	13.5	10.7	7.9	19.0
Unlisted equities and shares ⁵	-8.6	-6.4	44.4	28.2	11.5	13.6
Real estate investments	22.2	4.1	5.0	9.7	7.6	5.6
Direct real estate investments	29.0	7.6	5.7	9.7	9.6	6.4
Real estate funds and joint investments	-6.8	-4.1	3.1	9.8	3.6	3.9
Other investments	1.9	11.8	-5.4	-5.4	4.0	0.0
Hedge fund investments ⁶	0.3	6.6	-1.3	23.5	0.0	0.0
Commodity investments	0.0	0.0	0.0	0.0	0.0	0.0
Other investments ⁷	1.5	14.3	-6.5	-5.7	4.0	0.0
Investments total	198.1	6.5	2.5	5.6	5.3	5.1
Unallocated return, costs and operating expenses	-8.6					
Net investment income at current value	189.5	6.3	2.1	5.3	5.0	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

Notes concerning 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.

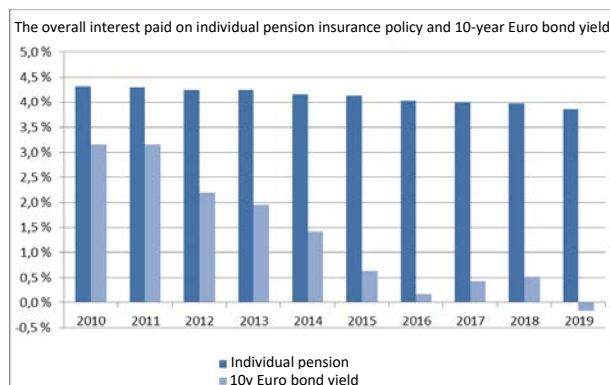
The overall interest rate levels for each line of insurance and contract group for 2019 and between 2010 and 2019 are itemised below. It should be noted that, due to the large number of different contract types, this is not a fully comprehensive account of overall interest rates from the perspective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

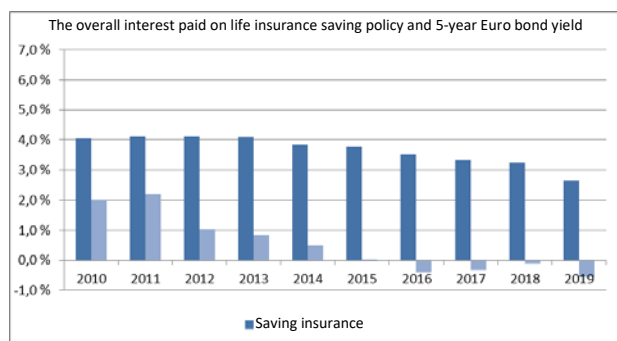
Savings life insurance policies and capital redemption contracts

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 as-

set management portfolios to the investment insurance policies LocalTapiola Investment Insurance and LocalTapiola Capital Redemption Contract.

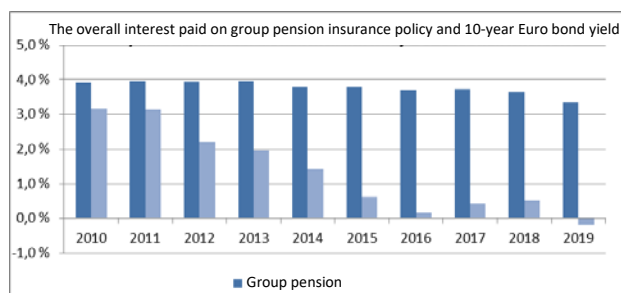


The image shows the overall interest rate of savings life insurance policies in relation to the target rate between 2010 and 2019. On average, the overall interest exceeded the target 5-year interest rate in the period.

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.

Accounting principles

LocalTapiola Mutual Life Insurance Company's (LähiTapiola Life) 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.

General information

LocalTapiola Group is headed by LocalTapiola General Mutual Insurance Company (LocalTapiola General, Business ID 0211034-2). LocalTapiola Life prepares consolidated financial statements for its own subgroup. LocalTapiola Group's financial statements are available at [www.lahitapiola.fi / en /](http://www.lahitapiola.fi/en/) Information on LocalTapiola / Financial Data.

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

Accumulated 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 pension provisions. Provisions for interest on late payments for unfinished claims have been deducted from income as other provisions.

Direct taxes

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

Deferred tax assets and tax liabilities

Deferred tax assets and liabilities pertaining to timing differences between taxable profit and accounting profit and to other temporary differences are shown in the notes to the financial statements. The notes include deferred tax liability calculated based on the valuation difference between the 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 Life's Director's retirement age is 63 years. Full-time Board members in employment LocalTapiola Life 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 provision

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.

Consolidated financial statements

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

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

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

year are included in the consolidated statements as of the acquisition date, and subsidiaries sold during the period up to the moment of sale.

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

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

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

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

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

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

Life insurance turnover

= Premiums written before reinsurers' share

+ Net investment income in the profit and loss account

+ Other income

Performance analysis

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

Other income and expenses

Share in profit/loss of associated undertakings ¹

Operating profit or loss

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

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 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 performance of life insurance

Premiums written

= Premiums written before reinsurers' share

Expense ratio, %

Operating expenses before change in deferred acquisition costs + Claims settlement expenses x100
= Total expense loadings (and balance sheet total)

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 concerning risk management

General risk management principles

Basis for risk management

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

Key areas of risk management and risk categories:

Financial risks

- 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 Managing Director and the senior managers are responsible for the practical preparation and implementation of risk management and for monitoring the implementation. 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.

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 Control and Auditing also supervise 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 (ALCO) is an expert organ for managing, monitoring and reviewing balance sheet risks, and it reports directly to the Board of Directors. The committee is responsible for ensuring that balance sheet risk management is organised in an appropriate manner and that capital is efficiently used. The Board of Directors appoints an Investment Management Group, which is responsible for the practical organisation of investment operations and the operational supervision of market risks.

Reporting

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

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 and disability cover, there is also the option of raising premiums to cover any increase in claims expenses.

The technical interest rate used in accounting to calculate the technical reserve with guaranteed return varies between 0 and 3.5 per cent, taking additional technical provisions into consideration. The mortality expectations in pension insurance policies are essential in view of the adequacy of the technical reserve. The mortality table applied in defined-benefit pension insurance is based on the group pension mortality as determined in life insurance companies' K2012 mortality study and the mortality model applied in TyEL insurance. In defined-contribution pension insurance, the mortality

criteria are based on generational mortality as applied in employment insurance. The mortality table used for individual pension insurance is the E87 from 1987.

Investment risks

Investment risks consist of 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 formation of the strategic allocation takes into account, in particular, fluctuations in the company's capital and reserves resulting from a change in interest rates and the resulting risk to the company's balance sheet. Given that the strategic allocation represents long-term objectives, it is only modified for sufficiently serious reasons related to changes in solvency, insurance portfolio, long-term return on investment and risk expectations, the company's customer bonus policy, or solvency strategy.

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 is a key tool for monitoring solvency. 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 appropriately, discharging the corresponding obligations and managing operational continuity. This also applies to all of the operations they outsource.

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

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

Management of risks associated with the operating environment and strategy

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

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.

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

Espoo, 11 March 2020

Juha Koponen
Chairman of the Board of Directors

Jari Eklund

Janne Kaippio

Mirel Leino

Olli Latola

Lauri Riekkola

Kati Sulin

Minna Kohmo
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



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

Auditor's Report

To the Annual General Meeting of LocalTapiola Mutual Life Insurance Company

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of LocalTapiola Mutual Life Insurance Company (business identity code 0201319-8) 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 consolidated 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 SUBSTANTIAL RISKS OF MATERIAL MISSTATEMENT

MEASURES WE HAVE TAKEN BASED ON THESE RISKS

1 Valuation of investments (accounting principles pp. 78–79)

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

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

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

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

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

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

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

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

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

2 Technical provisions (accounting principles p. 81)

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

The company's own risk has guaranteed interest rate of pension and savings life insurances with promised technical rate of interest. Promised

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, including by

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. Furthermore, the calculation involves assumptions including management judgement and complex actuarial calculation models.

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

making analyses of development of provisions for unearned premiums and claims outstanding against the period of comparison and an appropriateness assessment of discretionary add-ons of the technical provision.

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 of LocalTapiola Mutual Life 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