

Investor presentation

LocalTapiola Life



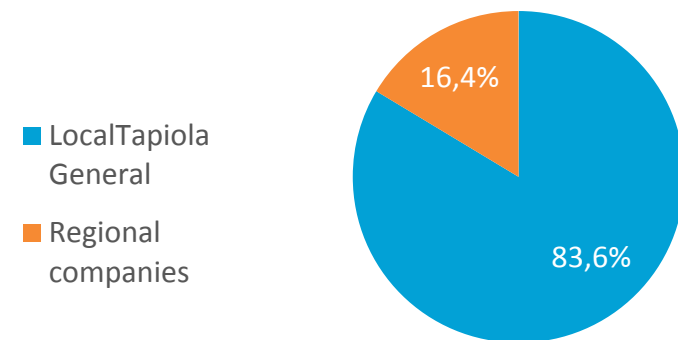
Overview of LocalTapiola Life 2016

LocalTapiola Life in a nutshell

- **Key financials at year-end 2016**
 - Premium income EUR 422 million, +/-0% compared to 2015.
 - Balance sheet EUR 4.6 billion, unit linked AuM EUR 1.8 billion.
 - Premium income market share 9.3%.
 - Solvency ratio 28.2% and solvency margin ratio 4.4.
 - Personnel in Life Insurance: 132.
- **Offering wide range of products for retail and corporate customers**
 - Households the largest customer group comprising around 73% of premium income.
 - Customers including 286,884 private individuals & 24,035 companies.

- **Distribution network based on two key channels**
 - LocalTapiola regional companies throughout the country including cross-selling to non-life insurance clients.
 - Co-operation with S-Bank
 - Digital distribution is increasing

Owner base of LocalTapiola Life guarantee capital



*Guarantee capital amounting to EUR 37.6 million
as of 31 December 2016*

General overview of the product lines

LocalTapiola Life, Premium Income 2016 (€ million)			
	Private customer	Corporate customer	Total
Risk insurance	54	41	95
Savings (guarantee rate)	22	0	22
Savings (UL)	192	0	192
Capital redemption (UL)	2	23	25
Pensions	38	50	88
Premium Income in total	308	114	422



Internal channels



20 regional companies
(primary insurer, representatives
and franchise agents)

-  LÄHITAPIOLA LAPPI
-  LÄHITAPIOLA POHJOINEN
-  LÄHITAPIOLA KAINUU-KOILLISMAA
-  LÄHITAPIOLA POHJANMAA
-  LÄHITAPIOLA ETELÄ-POHJANMAA
-  LÄHITAPIOLA KESKI-SUOMI
-  LÄHITAPIOLA ITÄ
-  LÄHITAPIOLA SAVO
-  LÄHITAPIOLA SAVO-KARJALA
-  LÄHITAPIOLA KAAKKOIS-SUOMI
-  LÄHITAPIOLA VELLAMO
-  LÄHITAPIOLA PIRKANMAA
-  LÄHITAPIOLA SATAKUNTA
-  LÄHITAPIOLA LÄNNEN
-  LÄHITAPIOLA VARSINAIS-SUOMI
-  LÄHITAPIOLA LOIMI-HÄME
-  LÄHITAPIOLA ETELÄ
-  LÄHITAPIOLA ETELÄRANNIKKO
-  LÄHITAPIOLA UUSIMAA
-  LÄHITAPIOLA PÄÄKAUPUNKISEUTU
-  LÄHITAPIOLA SUURASIAKKAAT



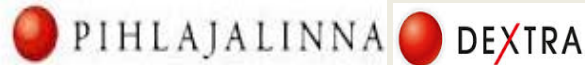
Life internal channels



Strategic partnerships



Lifelong wellbeing and security



For retail clients



External partners

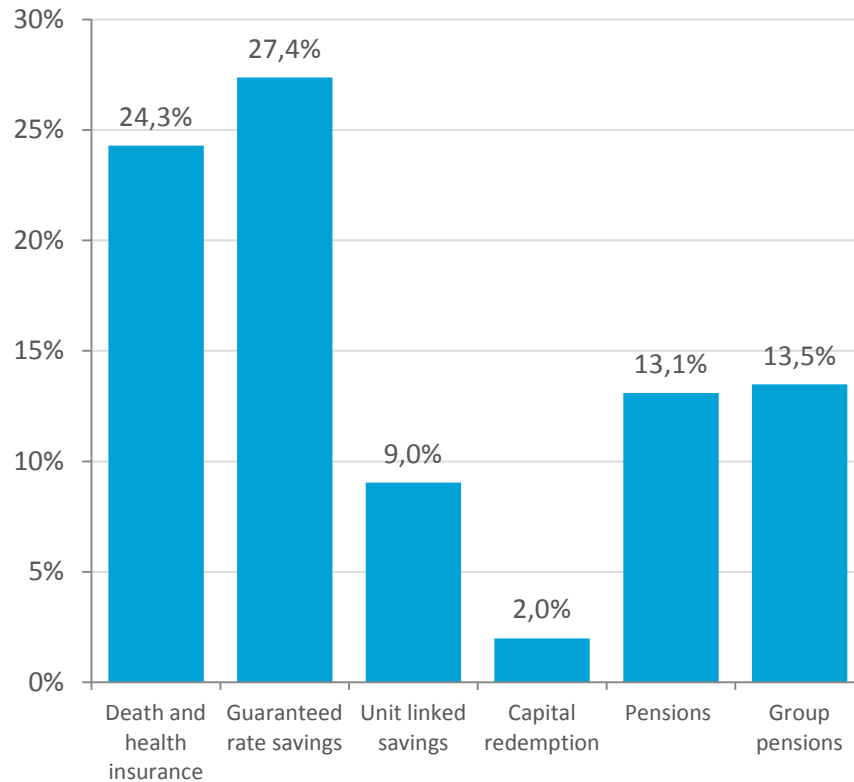


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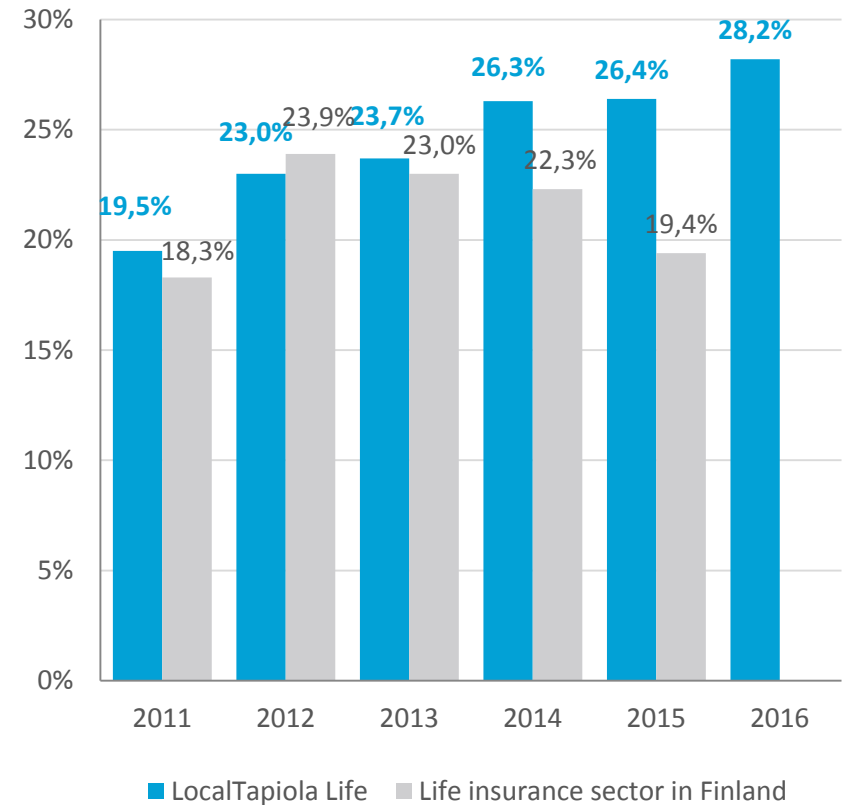


LocalTapiola Life market and solvency position

LocalTapiola Life market shares in different products



Solvency Ratio – LocalTapiola Life vs. the sector

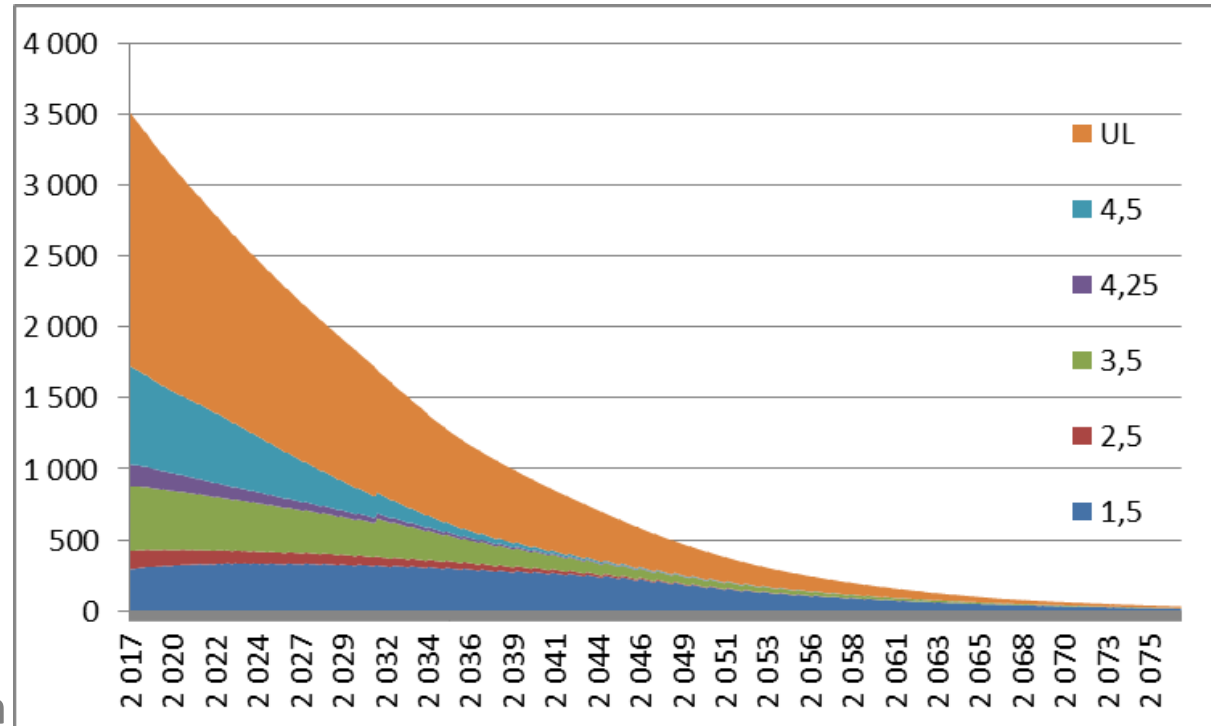


Source: Finnish Financial Supervisory Authority and Federation of Finnish Financial Services. Market shares as of year-end 2016

Savings with high guaranteed rates are declining significantly over next 10 years

LocalTapiola Life follows constantly the development on the savings and pensions portfolio with high guarantee rates. For many years LocalTapiola has been **pre-funding these guaranteed rate provisions** in order to decrease the average guaranteed rate. In the end of 2016 this fund was over EUR 270 million in total.

For the next 10 years the average guaranteed rate is about 1.5%, which has a direct impact on the required net return on future investments and will be **enhancing the company's profitability and solvency.**



MORE INTENSE,
MORE INTERNATIONAL
COMPETITION

DIGITALISATION

PRESSURE BETWEEN
SECTORS AND
NETWORKING

DEMAND FOR WELL-BEING
SERVICES

Our mission is to
safeguard our customers'
lives and prosperity

LOCALTAPIOLA

According to our renewed strategy for 2016 - 2018 traditional Life Insurance Company is transforming into a lifelong security company

STRATEGY FOR LIFELONG SECURITY 2016 - 2018

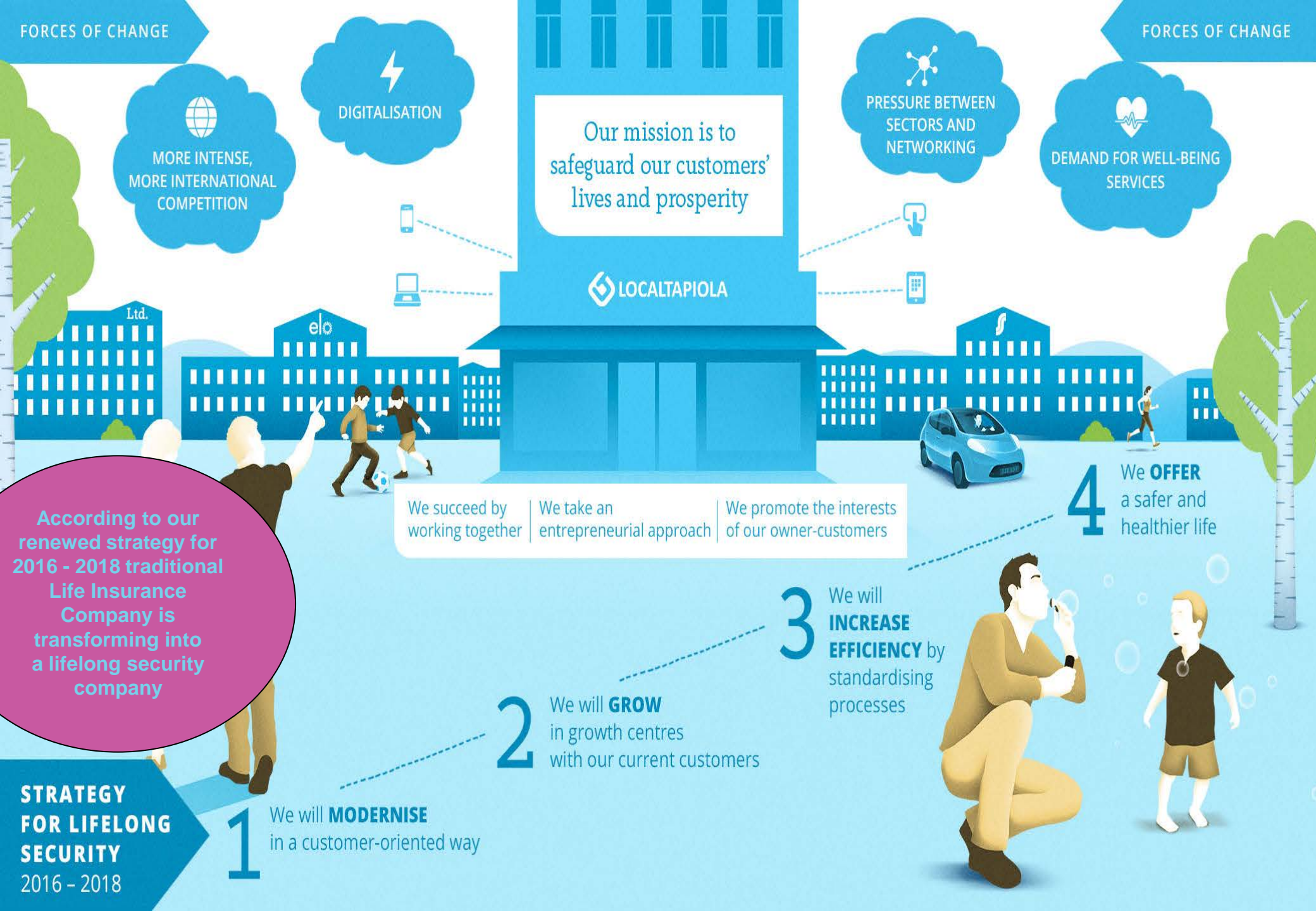
We succeed by working together | We take an entrepreneurial approach | We promote the interests of our owner-customers

1 We will **MODERNISE** in a customer-oriented way

2 We will **GROW** in growth centres with our current customers

3 We will **INCREASE EFFICIENCY** by standardising processes

4 We **OFFER** a safer and healthier life



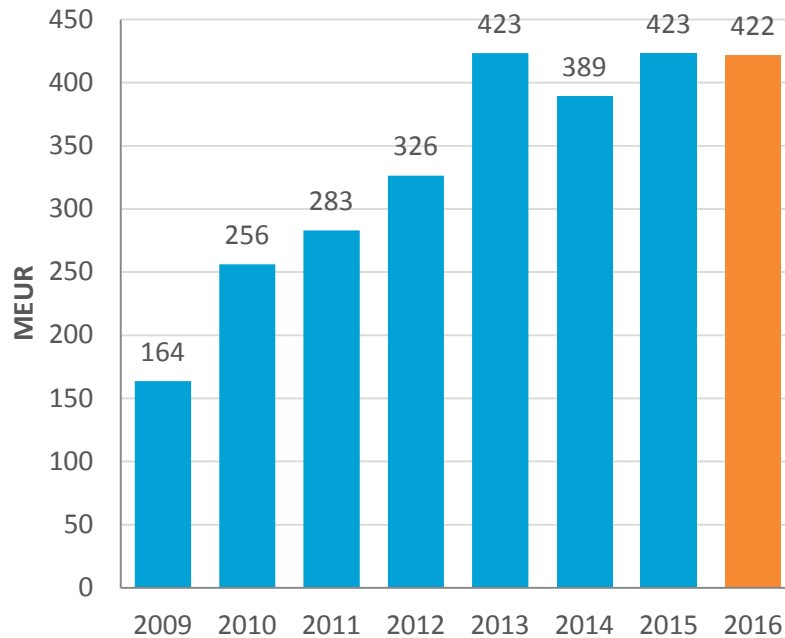
LocalTapiola Life - Financial review

LocalTapiola Life - Income analysis

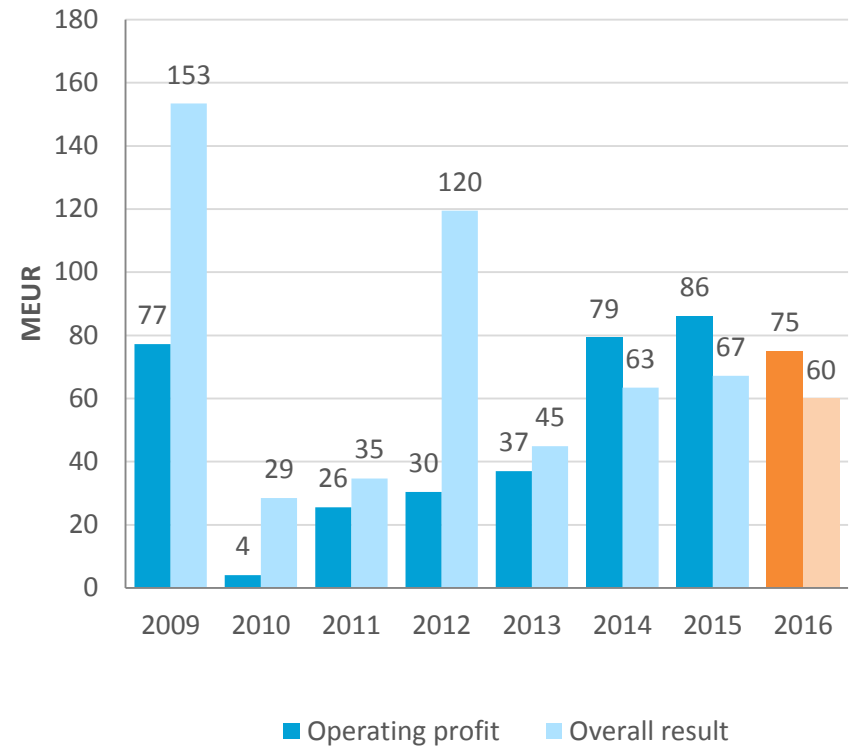
(EUR million)	1-12/2016	1-12/2015	1-12/2014	1-12/2013	1-12/2012
Premium income (incl. reinsurers' share)	419.6	421.5	388.9	422.1	325.5
Net investment income	233.6	264.1	234.5	204.2	225.6
Claims paid	-357.5	-310.5	-305.9	-288.2	-283.1
Change in technical provisions before additional benefits and change in equalisation provision	-173.0	-244.6	-197.5	-249.8	-198.0
Operating expenses	-47.8	-44.4	-40.6	-43.5	-39.6
Balance on technical account before additional benefits and change in equalisation provision	74.9	86.1	79.4	44.8	30.6
Other income and expenses	-1.6	-2.4	-2.6	-7.8	-0.2
Operating profit	73.3	83.7	76.8	37.0	30.4

Positive income development

Premium income*



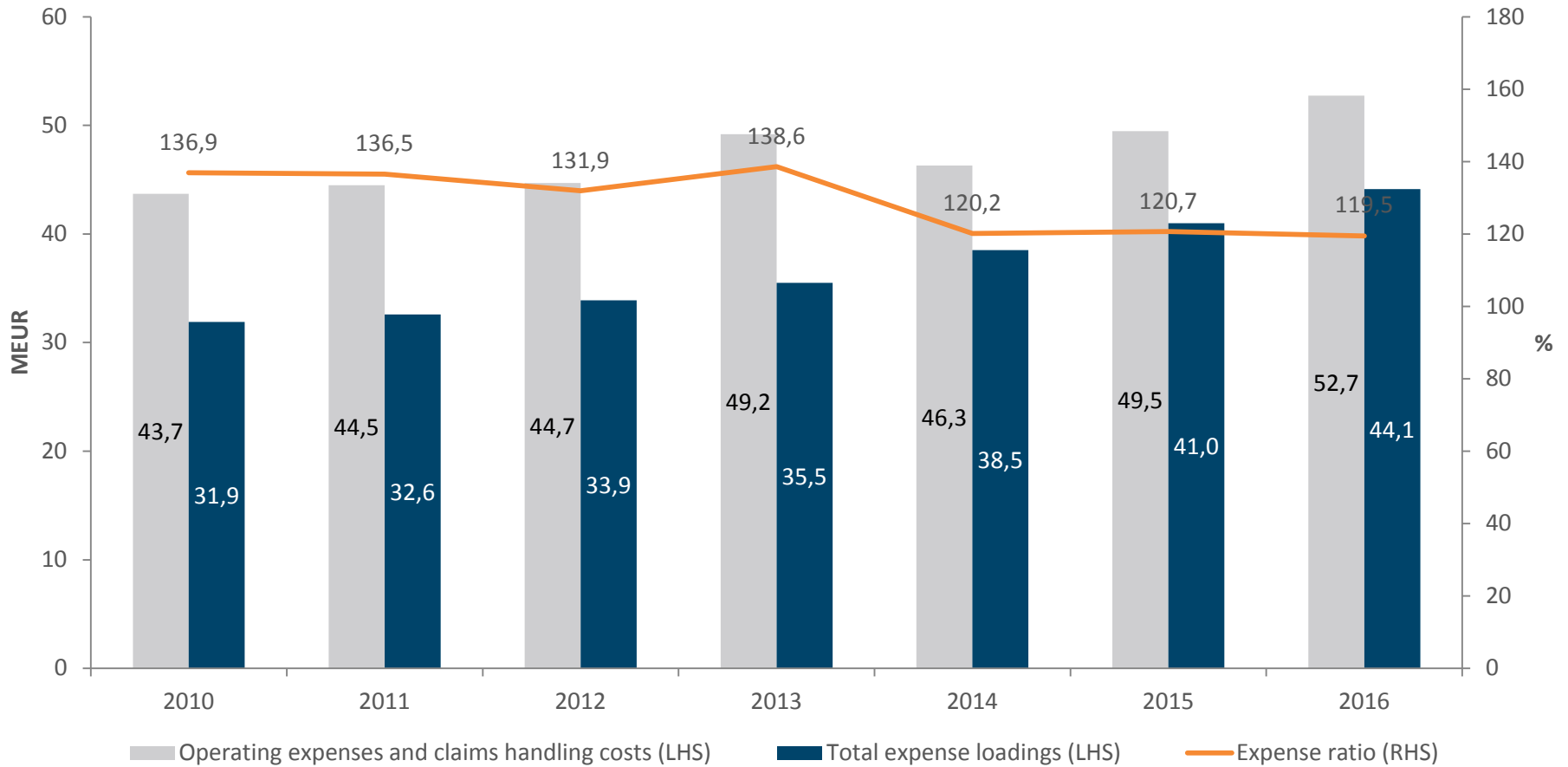
Profit development**



* Premium income excluding reinsurers' share

** Overall result = Operating profit +/- change in off balance sheet valuation gains/losses, current value reserve and revaluation reserve

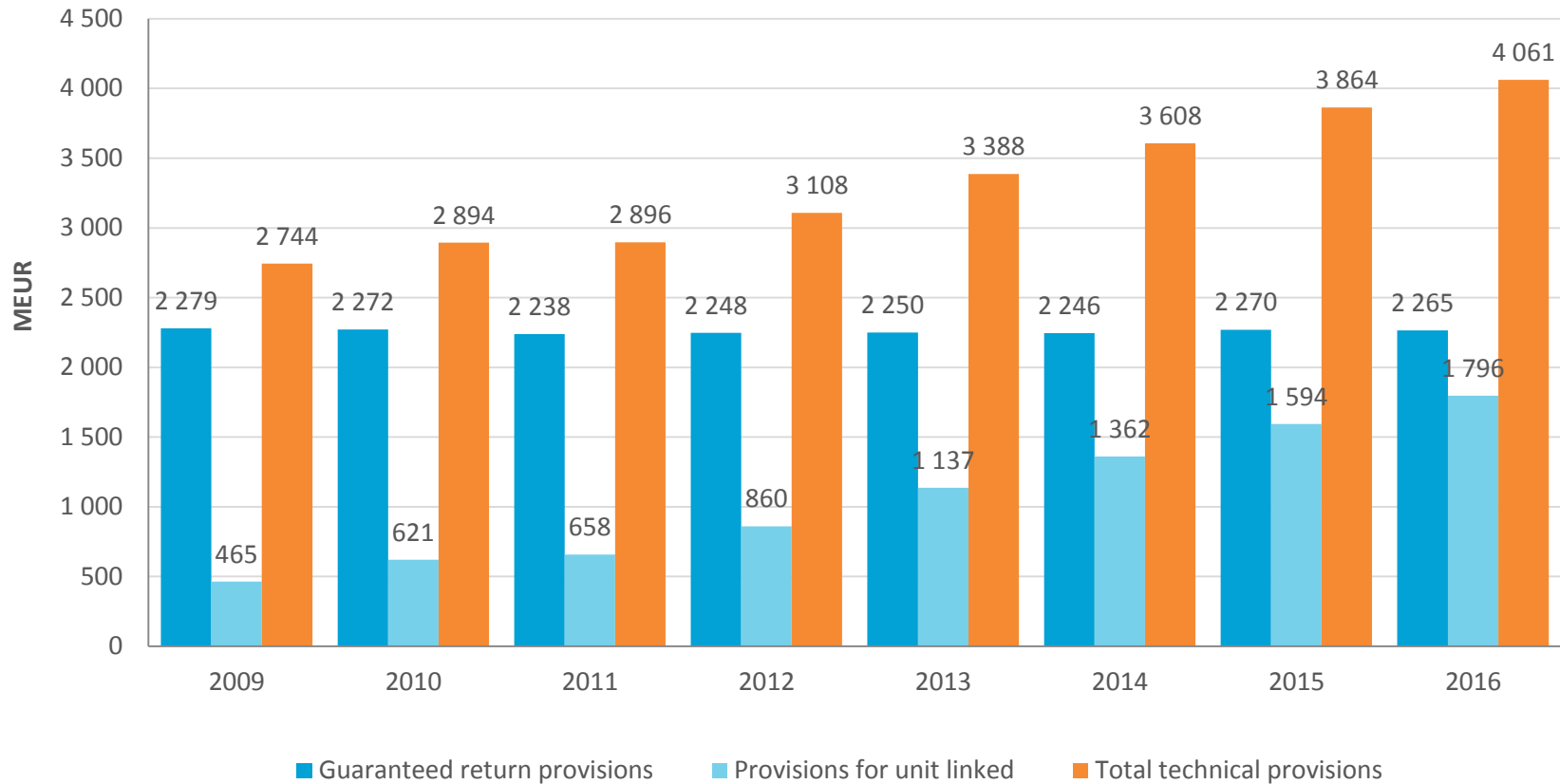
Expense ratio stable



LocalTapiola Life – Compressed balance sheet

(EUR million)	12/2016 (unaudited)	12/2015	12/2014	12/2013	12/2012
Intangible assets	15,1	16.6	17.6	13.9	13.5
Investments	2,629.1	2,541.5	2,472.0	2,362.6	2,361.4
Assets covering unit linked policies	1,821.7	1,642.4	1,400.0	1,161.3	885.9
Debtors	3.7	4.5	3.9	7.3	4.6
Other assets	61.0	60.7	60.4	67.0	53.4
Prepayments and accrued income	22.3	24.1	26.7	27.7	33.6
Total assets	4,552.9	4,289.8	3,980.7	3,639.9	3,352.3
(EUR million)	12/2016 (unaudited)	12/2015	12/2014	12/2013	12/2012
Capital and reserves	362.8	305.0	239.9	172.5	167.2
Accumulated appropriations	0.9	1.1	1.2	2.5	2.7
Subordinated loan	99.8	99.7	99.6	55.0	55.0
Technical provisions	2,265.2	2,269.5	2,245.8	2,250.2	2,247.8
Technical provisions for unit linked policies	1,796.0	1,594.3	1,362.0	1,137.3	859.8
Obligatory provisions	0.2	0.2	0.2	0.1	0.2
Creditors	18.0	11.4	25.1	14.4	10.8
Accruals and deferred income	10.1	8.6	6.9	7.9	8.7
Total liabilities	4,552.9	4,289.8	3,980.7	3,639.9	3,352.3

Technical provisions – Steady growth in unit linked business

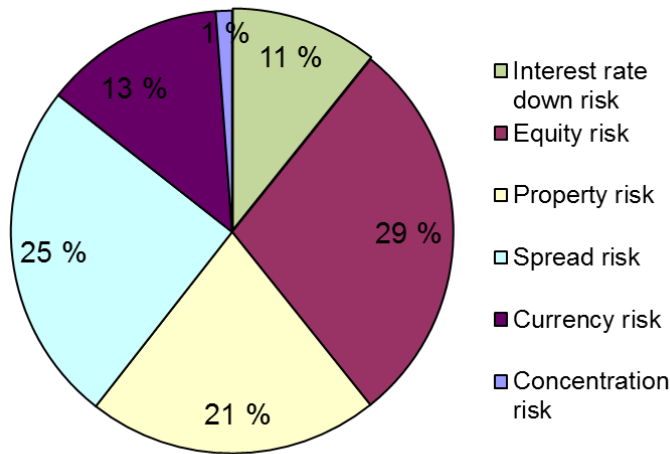


Solvency position

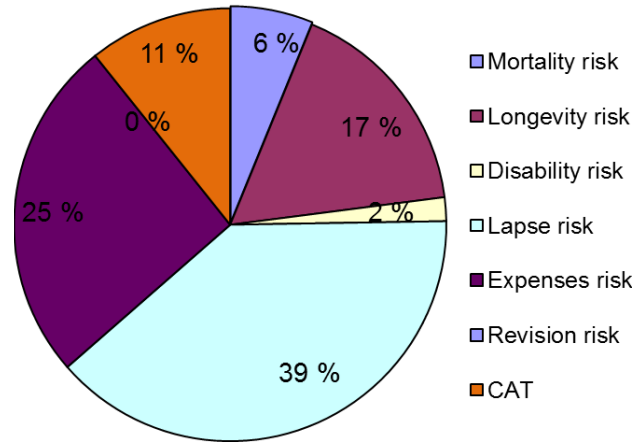
Year 2016 end solvency position (million €) *

31.12.2016	Capital requiremen	Eligible own funds	Net capital	Solvency position
SCR (solvency capital requirement)	520	990	470	190 %
MCR (minimum capital requirement)	130	916	786	704 %

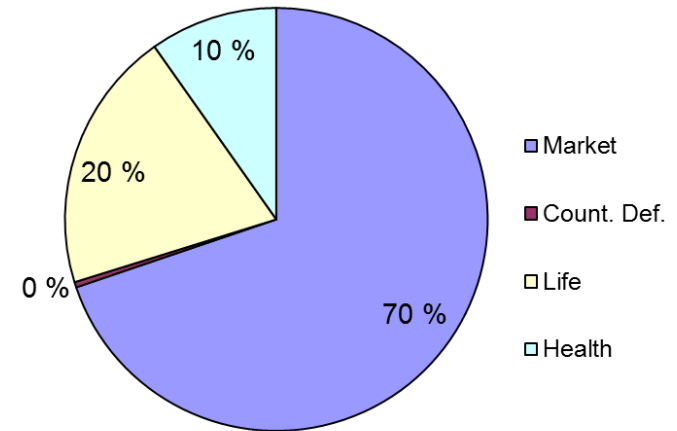
SCR market



SCR Life



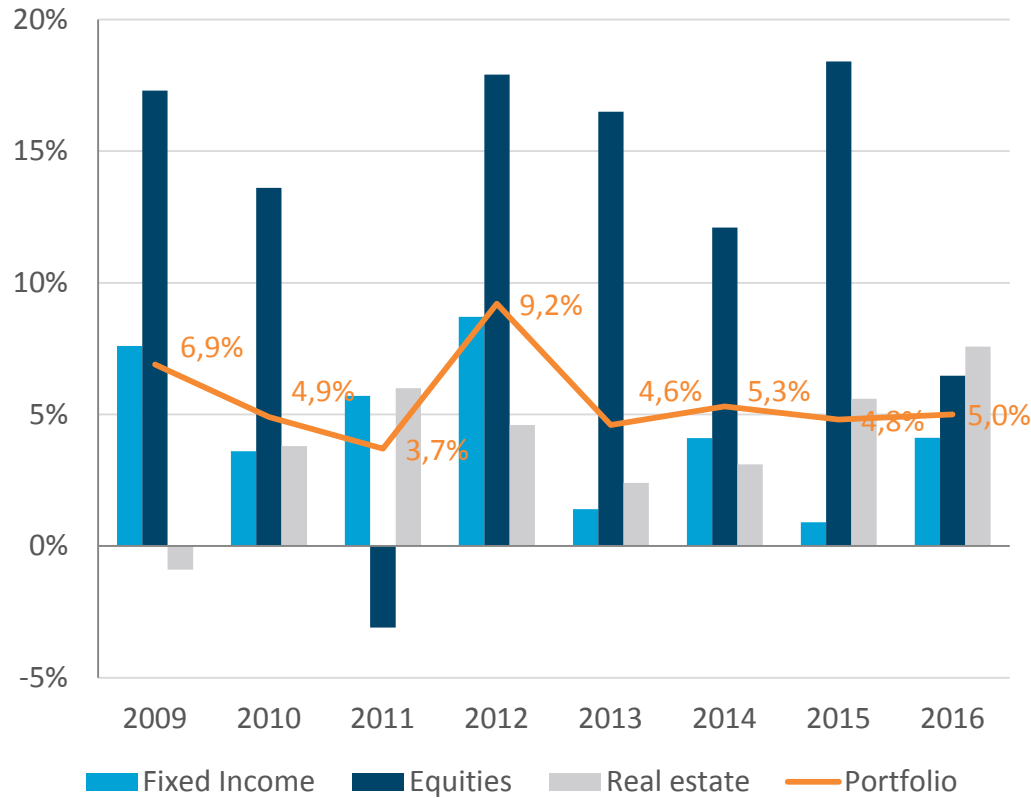
SCR requirement



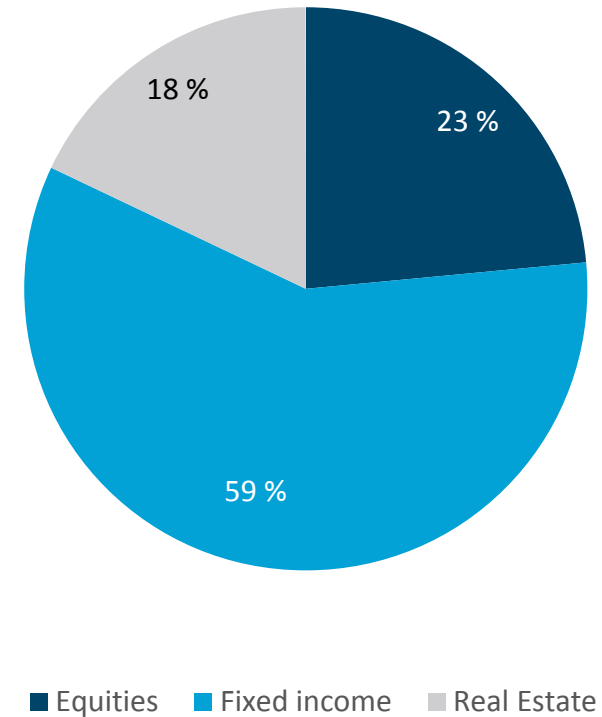
*) incl. transitional measures. Solvency position was 142% without taking into account the impact of the transitional on technical provisions

Return on investment portfolio

Investment portfolio return*



Composition of investment portfolio**

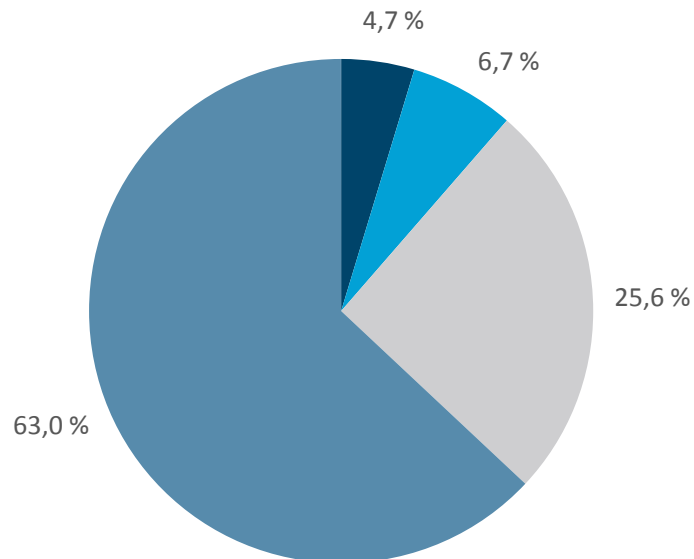


* For 2009-2011 return on Tapiola Life investment portfolio

**Based on market values as of 31.12.2016

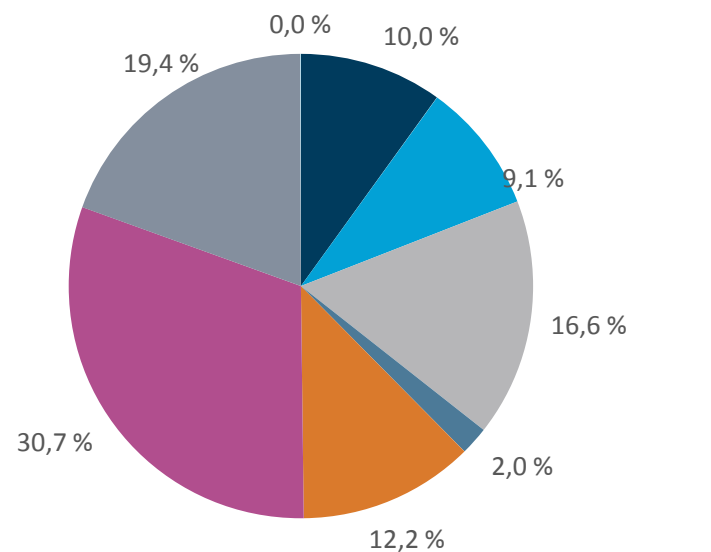
Composition of fixed income portfolio

Composition of fixed income portfolio



- Covered
- Money market
- Sovereign & sub-sovereign
- Corporate

Bonds by rating



- A
- AA
- AAA
- B
- BB
- BBB
- NR
- Below B

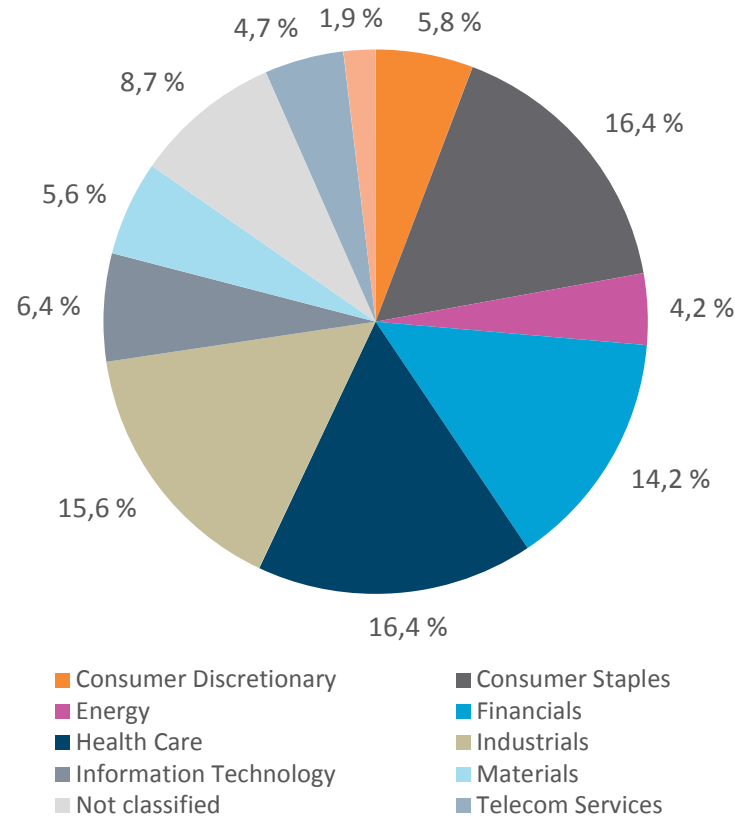
Modified duration of the portfolio as of 31.12.2016: 3.1 years

Based on market values as of 31.12.2016

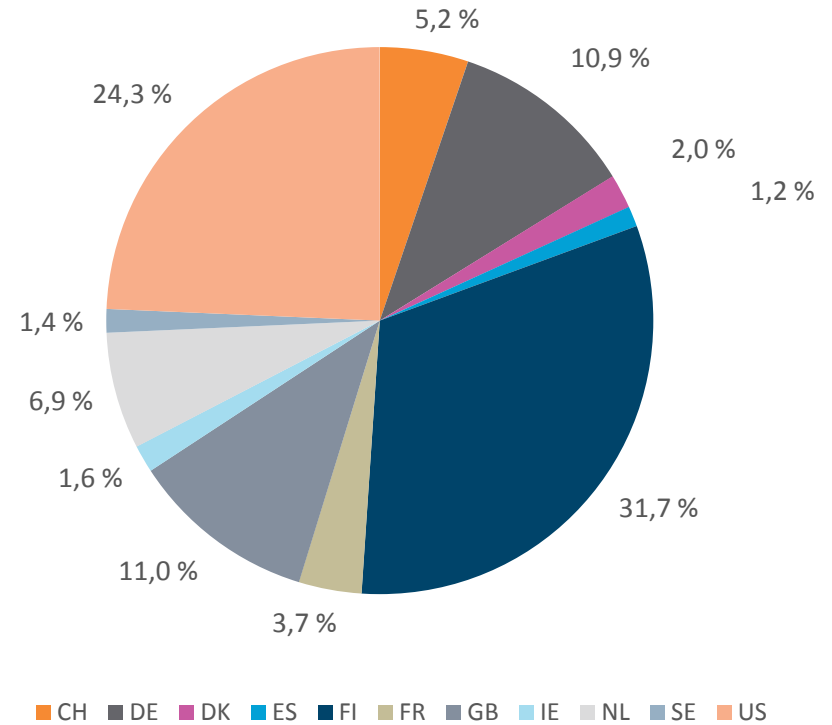
4/18/2017

Composition of equity portfolio

Equity portfolio by industry



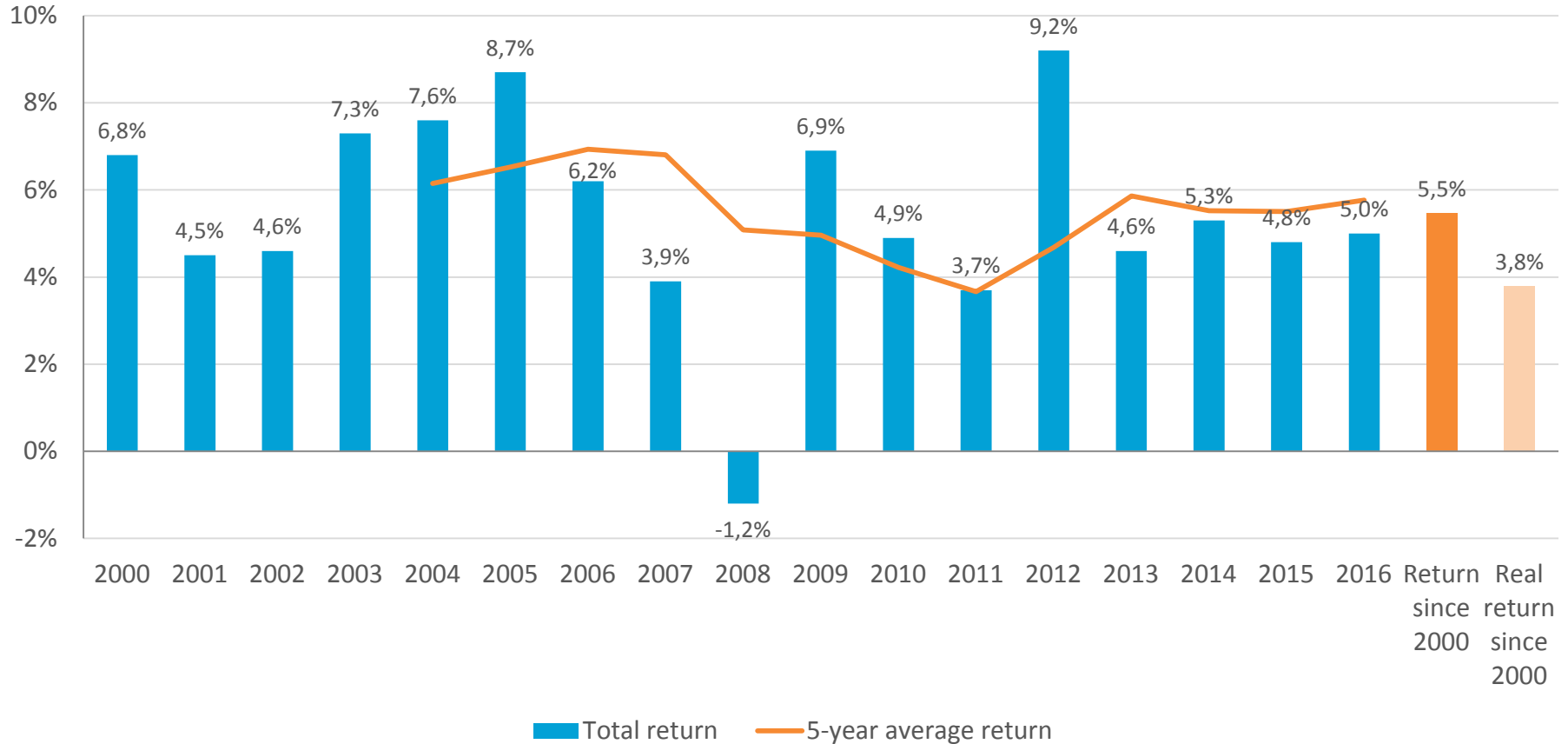
Equity portfolio by geographical area



Based on market values as of 31.12.2016

4/18/2017

Long-term return on LocalTapiola Life investment portfolio excl. Unit-linked



* For 2000-2011 return on Tapiola Life investment portfolio

Appendix

Contact details

Minna Kohmo	CEO LocalTapiola Life	Email: minna.kohmo@lahitapiola.fi Tel. +358 50 556 6507
Samu Anttila	Chief Investment Officer LocalTapiola Life	Email: samu.anttila@lahitapiola.fi Tel. +358 40 503 9427

LocalTapiola Group
Revontulenkujä 1
FI-02100 Espoo
Finland

www.localtapiola.fi

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