

LocalTapiola
General Mutual
Insurance Company

Report of the Board of Directors and
financial statements for 2018
Business ID 0211034-2



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REPORT OF THE BOARD OF DIRECTORS

LocalTapiola General Mutual Insurance Company (LocalTapiola General) prepares consolidated financial statements (LocalTapiola Group) to the extent intended by the Insurance Companies Act for groups of insurance companies. LocalTapiola Group includes the Group's leading parent company LocalTapiola General, 20 regional non-life insurance companies and LocalTapiola Life, as well as the other companies consolidated into the Group by virtue of being owned by these LocalTapiola companies.

LocalTapiola Group in 2018

LocalTapiola Group's business revolves around lifelong security, which means that our customers are provided with comprehensive, proactive service in the areas of security, finance and health. Key events in 2018 include:

Security – We prevent loss and damage and safeguard continuity

- We offer our insurance customers increasingly comprehensive services for motoring, such as LocalTapiola Finance's car financing.
- The LocalTapiola #mydrivingmode challenge campaign, which promotes road safety, aims to prevent traffic accidents, especially among young people.
- We also targeted a new working capacity service towards farmers and participated as a partner in the 'Care for the Farmer' programme, which promotes mental coping capacities.
- We invest in damage prevention work, such as water leak detection and water damage prevention. We continued our Hero Training cooperation to improve the first aid and emergency extinguishing skills of schoolchildren and our private and corporate customers.
- We agreed a portfolio transfer transaction with Alandia Insurance on the transfer of voluntary personal insurance policies to LocalTapiola Etelärannikko as of the beginning of 2019.

Finances – We help customers to achieve financial self-sufficiency

- We provide investment services, which make the benefits of a major insurance company's investment activities available to all of our customers. The service has already been adopted by 18,000 customers.
- Term life insurance enables our customers to prepare for the future by insuring themselves, and the new digital application service makes our services easier to use.

Health – More years of healthy life

- In line with our lifelong security strategy, we make investments in comprehensively maintaining our customers' health and preventing diseases.
- The virtual hospital, which is part of the popular TerveysHelppi service, has been realised in collaboration with Mehiläinen.
- The LemmikkiHelppi remote veterinary service has been realised with our partner Omaeläinklinikka.

	Group 2018	Group 2017	LocalTapiola General 2018
Summary of results			
Operating profit, EUR m	259.1	343.0	66.9
Total result, EUR m	112.0	406.0	76.6
Result for the financial year, EUR m	189.0	265.0	45.2
Profit margin on non-life insurance operations before change in equalisation provision, EUR m	46.8	101.2	18.1
Return on assets excluding unit-linked insurance, %	2.2	5.9	3.2

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

	Group 2018	Group 2017	LocalTapiola General 2018
Key figures			
Risk ratio excluding unwinding of discount expense, %	64.0	57.9	66.5
Risk ratio, %	66.0	60.0	70.2
Cost ratio excluding unwinding of discount expense, %	29.9	31.1	23.6
Cost ratio, %	29.9	31.1	23.6
Combined ratio (excl. unwinding of discount expense), %	93.9	88.9	90.1
Combined ratio, %	96.0	91.1	93.8
Investment net income at current value, %			2.1
Technical provisions for non-life insurance operations, EUR m	3,563.0	3,544.1	1,142.0
Technical provisions for life insurance operations, EUR m	4,356.0	4,388.7	
of which technical provisions for unit-linked insurance	2,066.9	2,112.4	
Capital and reserves, EUR m	2,285.5	2,098.4	1,416.1
Balance sheet total, EUR m	10,557.5	10,343.7	2,608.5
Solvency ratio, %	187.4	175.2	322.2

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

Business sectors

The comparative figures for profit and loss account items and periodic key figures are those for the corresponding period of the previous year. The comparative figures for balance sheet and other cross-sectional key figures are those for the end of 2017. Comparative figures are presented in brackets.

Non-life insurance

The non-life insurance operations comprise the combined result of LocalTapiola General and the 20 regional non-life insurance companies. Due to the business transfer to the regional non-life insurance companies in 2017, the figures for LocalTapiola General for the comparison period are not comparable with the figures for the period under review. In LocalTapiola Group's consolidated financial statements, the effect of the business transfer was eliminated.

2018 was successful, considering the surrounding conditions. Our customers' satisfaction with our products and services remained at a good level. Claims expenditure increased due to growth in the number of major losses and the challenging weather conditions in the early part of the year.

In 2018, LocalTapiola Group's premiums written in direct non-life insurance grew significantly faster than the sector overall, and we managed to increase our market share. **Premiums written in direct insurance** amounted to EUR 1,132.3 million (EUR 1,095.2 million), the change from the comparison period being 3.4 per cent. The amount of supplementary and bank-group-neutral financing, aimed at our corporate customers as part of our investment activities, increased again to a new record level. LocalTapiola Group's direct corporate customer financing is complemented by close cooperation with Fundu Platform Oy and Lähirahoitus Oy. One of the factors contributing to the growth of the corporate customer business is the continued positive result of net transfers of statutory workers' compensation, both in terms of number of customers and payments. Finnish motorists show strong levels of trust in LocalTapiola. Our portfolio of motor liability insurance policies continued its growth, although the record growth figures of the preceding year could not be matched. We are still the clear market leader in motor vehicle insurance. We transferred our customers' motor liability insurance policies from LocalTapiola General to the regional non-life insurance companies in 2017, and this contributed to an improved customer experience and regional competitiveness. In occupational accident insurance, LocalTapiola Group has made progress towards market leadership in the last two years with determined customer work. In LocalTapiola's compensation service for large companies, the case management pilot project for occupational accident insurance was continued. Active claim management enabled us to shorten employee absences due to accidents.

We work closely with Elo Pension Insurance Company for the well-being of Finnish companies and entrepreneurs. The aim of the cooperation is to secure the business operations of our corporate customers and the well-being of their employees through, among other things, a customised working capacity service.

We expanded our financial services for farmers during the year as our partners in banking, OMA Säästöpankki and the Savings Banks, provide farm financing with their local services. Our market leadership in farm insurance was further strengthened.

The **combined ratio**, excluding the unwinding of discount expenses for non-life insurance operations, was 93.9 per cent (88.9 per cent). The profitability of the insurance business weakened due to factors such as the number of major losses and the challenging weather conditions in the early part of the year. LocalTapiola General and the regional non-life insurance companies paid out EUR 724.3 million (EUR 653.0 million) in claims to their customers. In 2018, there were 12 (5) claims in excess of EUR 1 million for loss or damage to property and operations. The gross compensation expense for these claims was EUR 18.8 million (EUR 14.8 million).

	LocalTapiola General 2018	LocalTapiola General 2017
Investment activities		
Return on investment at current value, %	2.1	4.0
Fixed-income investments	-1.4	1.9
Equity investments	3.5	5.7
Real estate investments	7.6	8.5
Other investments	-5.4	-5.4
Investment allocation, %		
Fixed-income investments	33.7	35.0
Equity investments	50.5	49.1
Real estate investments	14.8	15.0
Other investments	0.9	0.9
Investment assets at current value, EUR m	2,600.7	2,532.7

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

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

The **net investment income** in non-life insurance operations was good in the circumstances, reaching EUR 147.9 million (EUR 185.7 million). LocalTapiola General's average five-year annual return on investment

was 3.9% (4.1%) and the average ten-year annual return was 4.8% (4.3%).

Life Insurance

Premiums written continued to increase in term life insurance and group pension insurance. Investment services acquired new customers. **Total premiums written**, EUR 449.8 million (EUR 516.0 million), decreased as savings of sales to Private customers diminished.

LocalTapiola Life paid out EUR 353 million (EUR 323 million) in claims to its customers. Pensions paid came to EUR 117 million (EUR 117 million), compensation for medical expenses and disability to EUR 20 million (EUR 22 million), and death benefits to EUR 26 million (EUR 30 million).

The **balance on the technical account** for life insurance operations before additional benefits (customer benefits) and change in equalisation provision was EUR 57.5 million (EUR 47.2 million). Total expense loadings and bonus payments showed a strong increase of seven per cent, and the result for risk premiums collected was also good.

Asset management and other business

The other business operations in LocalTapiola Group's consolidated financial statements concern services provided by LocalTapiola Asset Management and LocalTapiola Real Estate Asset Management. Additionally, LocalTapiola Finance provides new financing services – instalment and leasing financing – for vehicle sales.

A further important focal point for the business was to provide new asset management services and new fund products. The asset management business offers service packages for various customer segments, the most significant being Private Banking services and various types of funds.

The number of customers using the asset management services increased in 2018. Low interest rates and fluctuations in investment markets increased customers' interest in mutual fund services and asset management services. We continued to develop our online services and improved in several areas, including the transparency of pricing and investment costs on customer reports. In responsible investing, we integrated guidelines formulated in the previous year into practice, and we continued to work on elaborating the responsibility analyses.

For our investor customers, the success of the service provider is one of the key selection criteria. LocalTapiola Asset Management was again highly successful in independent fund comparisons. Thomson Reuters Lipper named LocalTapiola Asset Management the best Nordic asset manager in its class. Several LocalTapiola funds were awarded prizes in the same comparison. In addition, the SFR survey for institutional investors awarded LocalTapiola Asset Management the best asset

manager with the Platinum Award in the Challenger series.

As regards LocalTapiola Real Estate Asset Management, corporate responsibility focused on measures to save energy and the environment. On 30 January 2019, Excellence Finland granted LocalTapiola Real Estate Management the 2018 Finnish Quality Award.

With successful real estate investments and sales as well as efficient lease operations, LocalTapiola Real Estate Asset Management achieved excellent real estate investment returns for our customers. The real estate fund business continued to grow, and the volume of non-group customer accounts increased in line with strategic objectives.

In connection with car purchases, LocalTapiola Finance provides instalment, financial leasing and consignment services through car dealerships. In 2018, instalment and leasing sales totalled EUR 158 million. The market share of new sales in December 2018 was about seven per cent, with LocalTapiola Finance being the fourth largest finance provider. The company's net profit in its first year of operations, EUR -1.6 million (EUR -0.7 million), was significantly better than budgeted.

Significant events during the financial year

In line with our strategy, we have made significant progress towards our goal of transforming into a lifelong security company. The lifelong security strategy for 2019-2021 is in preparation, and we are committed to being our customers' most valued daily partner in lifelong security. In line with our lifelong security strategy, we are increasingly offering different kinds of forecasting, security and well-being solutions and services that make people's everyday lives safer, more financially prosperous and healthier. We serve our customers locally, utilising digitalisation and customer understanding. Our competent staff will continue to provide good and caring service to our customers in the future.

LocalTapiola Finance Ltd's first contracts were financed in February 2018. Sales of car financing got off to a very good start and growth has been strong.

We strengthened our position in Åland, when Alandia Insurance and LocalTapiola Etelärannikko (LocalTapiola Sydskusten) agreed on a portfolio transfer transaction to bring Alandia's voluntary personal insurance policies to LocalTapiola as of the beginning of 2019. The transferred portfolio includes nearly 20,000 personal insurance policies.

The most important updates to insurance products in 2018 are the new level of cover for crop insurance in Kantri farm insurances, the addition of parking cover in comprehensive vehicle insurances, voluntary motor vehicle insurance combining insurance and financing,

insurance against data breaches, and the renewed residential security insurance. The extended service hours and LocalTapiola's own mobile application diversify insurance management and the use of TerveysHelppi. As a result of the good experiences gained from the TerveysHelppi service, realised in cooperation with Mehiläinen, we also extended telemedicine services to remote pet care. The LemmikkiHelppi service, implemented in collaboration with Omaeläinklinikka, offers our pet insurance customers the opportunity to use a mobile application for veterinary services. The user experiences so far are very encouraging.

We increased our holding in the health care service provider Mehiläinen. With a holding of nearly 20 per cent, we are the major Finnish owner of the company. Our cooperation with Mehiläinen is strategic. The parties bring together the expertise of their core businesses and combine services into meaningful entities for customers, such as the TerveysHelppi service. In addition, we cooperate in health services with Pihlajalinna, where we increased our holding.

Our customers want to be better prepared for the future. For this reason, LocalTapiola Life introduced a digital application service for term life insurance, making it the first company in Finland to offer this service. Alongside improving the customer experience, the service significantly boosts the efficiency of the sales process and risk selection work.

LocalTapiola Life renewed its group pension insurance in November. The pricing of the insurance was renewed, and the new range of investments also enables group pension customers to take advantage of LocalTapiola's investment expertise and the benefits of large investors. Group pension insurance is an effective way of engaging and rewarding staff.

We renewed the Smart Life Insurance well-being service to meet today's customer expectations. Smart Life Insurance is Finland's first well-being service package that combines the economic security provided by insurance and helps our customers to live more healthily.

Since 2018, all insurance companies in the LocalTapiola Group have a contingency reserve that enables the Boards of Directors to support science, art and the preservation of Finnish cultural heritage through charitable donations. In addition, we offer nationwide support for 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 report on non-financial information (the NFI report).

Changes in the regulation of insurance supply were taken into account in the product management systems and principles of LocalTapiola Group's product management policy. We actively tested the status of

corporate security and supported it with development measures. The changes required by the European Union General Data Protection Regulation (GDPR), which entered into force in May 2018, were implemented in the processing of the group's customer data. Procedures under the Insurance Distribution Directive (IDD), which entered into force in October 2018, were introduced in the sale and management of insurance policies.

LocalTapiola is comprehensively reforming its insurance systems with the aim of providing clearer and more user-friendly insurance packages and services. The reform progressed well and will be reflected to customers gradually in the coming years.

LocalTapiola Life's capital was strengthened by issuing a private placement capital loan of EUR 100 million and redeeming an old capital loan with EUR 93 million.

Customers and customer benefits

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

A total of EUR 724 million was paid to customers in compensation under non-life insurance. Additionally, we paid EUR 69 million of insurance premiums in loyalty bonuses and EUR 29 million in S Group bonuses. Under life insurance, our customers were paid a total of EUR 353 million in compensation and EUR 62 million in returns on insurance savings. Of this, EUR 8 million was customer bonuses.

Our popular TerveysHelppi service handled 120,000 customer interactions. We expanded our cooperation with the Equestrian Federation of Finland. In the future, membership of the federation will include an increasingly comprehensive accident insurance policy, including the TerveysHelppi remote medical service.

With a market share of 65 per cent, LocalTapiola is the market leader in farm insurance. The mental and physical coping capacity of farm entrepreneurs was widely discussed in public. As a lifelong security company, we want to support the coping of our farmer customers, and that is why we launched a work capacity service for farming entrepreneurs. In addition, we participated as a partner in the Farmers' Social Insurance Institution Mela's 'Care for the Farmer' programme, which promotes farmers' mental coping.

Panostamme vahinkoja ennaltaehkäisevään työhön, kuten vesivuotojen havaitsemiseen ja vesivahinkojen ennaltaehkäisyyn. We aim to play our part in improving traffic safety, and we initiated the LocalTapiola #mydrivingmode challenge campaign, aiming to prevent

accidents by focusing on reducing the use of hand-held phones while driving. The target audience is young drivers who frequently use phones for instant messaging and social media.

In 2018, LocalTapiola Hero Training courses taught first aid skills to 20,000 fifth-year school pupils and 3,000 customers. The training was provided together with Punainen Risti Ensiaapu Oy.

Our customers welcomed the previous year's revamp of investment services, which make the benefits of a major insurance company's investment activities available to all of our customers. There are now 18,000 customers covered by the new insurance asset management services.

The application of the principle of reasonability, the objectives related to the distribution of additional benefits and the implementation of the principle of reasonability between 2008 and 2018 have been clarified in the notes to the financial statements.

Operating environment

Non-life insurance

The Finnish economy developed positively in 2018, accompanying the growth of the international economy. Employment picked up rapidly. Domestic demand, which has sustained the growth of the economy, remained strong, as did the confidence of consumers in their own finances.

Positive economic development was also reflected in non-life insurance premiums written, which began to increase for the first time since 2015. Growth was particularly evident in business insurance, and the number of medical expenses insurance policies continued to grow. In vehicle insurance, price competition weakened premiums written.

Despite this positive tone, the economic outlook is shadowed by many uncertainties, due to the unpredictability of the Finnish economy and the global operating environment.

In the national economy, exceptionally low interest rates maintained consumption and stimulated investment. Insurance sector investment returns in 2018 were lower than in previous years.

The results of non-life insurance companies remained at a good level, but at the same time the combined ratio of the companies has been declining. Increased economic activity led to more incidents of loss or damage, and the sector's claims incurred grew as a result of factors including an increase in major losses. New value-added services, such as health services for corporate customers, were launched for non-life insurance customers.

In the corporate business, competition was particularly intense in statutory workers' compensation,

where premiums written grew due to the favourable development of companies' payrolls in 2018.

Life Insurance

Premiums written by life insurance companies fell slightly from the previous year as a result of lower unit-linked savings premiums written.

One of the effects of the current low interest rate environment, together with Solvency II requirements, was the pressure to change the return on savings life insurance from technical-rate to unit-linked insurance policies where policyholders, insured persons and beneficiaries themselves bear the investment risk.

The Government's draft bill on legislation concerning share savings accounts, income tax on share savings accounts and reforms of the income tax on certain insurance products was submitted to Parliament on 5 December 2018. In accordance with the proposals, the amendments will come into force from 1 January 2020. As a whole, the Government's policies regarding the tax treatment of investments are positive. The new share savings account will bring a new form of indirect investment to small investors.

The tax changes in non-tax-deductible pension insurance are unlikely to revive the market for individual pension savings. However, private preparedness creates new business opportunities for life insurance companies. By international comparison, the number of life insurance policies is low in Finland. According to Finance Finland, only just over a third of people have taken out insurance with death cover. There is a major need for life insurance in Finland, but premiums written for term life insurance have not increased significantly in recent years.

Investment activities

The peak of the global economic cycle occurred in early 2018, when the equity markets experienced momentarily strong fluctuations, but the actual fall in share prices did not start until the last quarter of the year. Prices fell dramatically across the board, so traditional asset classes did not provide much of a diversification benefit. Of the main asset classes, only European government bonds offered positive returns as interest rates fell. Overall, the year was the weakest since the great global financial crisis of 2007–2009.

Of the major central banks, the US Federal Reserve continued to raise interest rates, while the European Central Bank (ECB) and the Bank of Japan (BoJ) continued to pursue light monetary policies. In the United States, the key interest rate has already risen close to the long-term equilibrium rate of the economy.

The annual return on global equity markets, measured in local currencies, was negative. The strengthening of the dollar and the yen improved the return from the point of view of euro investors, but the

change was not enough to lead to positive returns. The strongest fall in share prices was seen in emerging markets.

European real estate investment markets continued to be active in 2018, with the volume likely to rise close to the record high of 2017. In 2018, Finland's transaction volume is estimated to rise to more than nine billion euros, the second highest ever. Property values rose to record levels in Finland and elsewhere in Europe. Improved economic growth increased prime office space rents, especially in the centre of Helsinki. However, rents did not rise in properties where the quality or location did not match current demand. Demand for rental accommodation continued to be strong in growth centres, where housing rents continued to grow moderately.

Solvency and risk management

Solvency management

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

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

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

solvency throughout the Group and its companies so as to ensure the financial security of customers at all times.

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

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

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

Further information on the Group's solvency management are provided in reports on the Group's solvency and financial position at www.lahitapiola.fi. The report on 2018 will be published by 3 June 2019.

Solvency position

LocalTapiola General's solvency ratio (the company's own assets in proportion to the solvency capital requirement) was 322.2 per cent (302.3 per cent), while LocalTapiola Group's solvency ratio was 187.4 per cent (175.2 per cent). As such, the solvency of the company and the Group can be considered strong. The table below shows the solvency ratios of LocalTapiola General, the regional companies (on average), LocalTapiola Life, and LocalTapiola Group:

to life insurance, market risks associated with investments, operational risks, and risks related to the operating environment and strategy. The major insurance risks in non-life insurance relate to the pricing of insurance products, inflation, changes in the mortality rate, occupational diseases, and reinsurance cover. The most significant insurance risks in life insurance are risks

(% / EUR m)	Solvency ratio	Own assets	Solvency capital requirement
LocalTapiola General	322 %	1,641	509
Regional companies	259 %	1,552	599
LocalTapiola Life	215 %	1,096	510
LocalTapiola Group	187 %	2,951	1,575

associated with technical provisions and the customer-related risks of termination of contracts and premium payments. Market risks are caused by fluctuations in market values, including fluctuations resulting from changes in interest rates, share prices and exchange rates. Operational risks refer to the risk of losses caused by insufficient or failed internal processes, personnel, systems and external factors. Legal risks are included in operational risks.

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

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

Risk position

The most significant risks to operations are insurance risks related to non-life insurance, insurance risks related

Structure of LocalTapiola Group

LocalTapiola General Mutual Insurance Company (LocalTapiola General) is domiciled in Espoo and its business ID is 0211034-2. The company's financial statements for 2018 are available at www.lahitapiola.fi / Information on LocalTapiola / Financial Data. LocalTapiola General's line of business covers all types of voluntary and statutory non-life insurance.

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

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

- LocalTapiola Lännen Mutual Insurance Company
- LocalTapiola Satakunta Mutual Insurance Company
- LocalTapiola Pohjoinen Mutual Insurance Company
- LocalTapiola Etelä Mutual Insurance Company
- LocalTapiola Vellamo Mutual Insurance Company
- LocalTapiola Keski-Suomi Mutual Insurance Company
- LocalTapiola Savo Mutual Insurance Company
- LocalTapiola Kaakkois-Suomi Mutual Insurance Company
- LocalTapiola Itä Mutual Insurance Company
- LocalTapiola Uusimaa Mutual Insurance Company

- LocalTapiola Pääkaupunkiseutu Mutual Insurance Company
- LocalTapiola Loimi-Häme Mutual Insurance Company
- LocalTapiola Etelärannikko Mutual Insurance Company
- LocalTapiola Pirkanmaa Mutual Insurance Company
- LocalTapiola Lappi Mutual Insurance Company
- LocalTapiola Pohjanmaa Mutual Insurance Company
- LocalTapiola Etelä-Pohjanmaa Mutual Insurance Company
- LocalTapiola Kainuu-Koillismaa Mutual Insurance Company
- LocalTapiola Varsinais-Suomi Mutual Insurance Company
- LocalTapiola Savo-Karjala Mutual Insurance Company
- LocalTapiola Mutual Life Insurance Company Group
- LocalTapiola Real Estate Asset Management Ltd Group
- LocalTapiola Asset Management Ltd
- LocalTapiola Services Ltd
- LocalTapiola Finance Ltd
- Tapiola Data Ltd Group

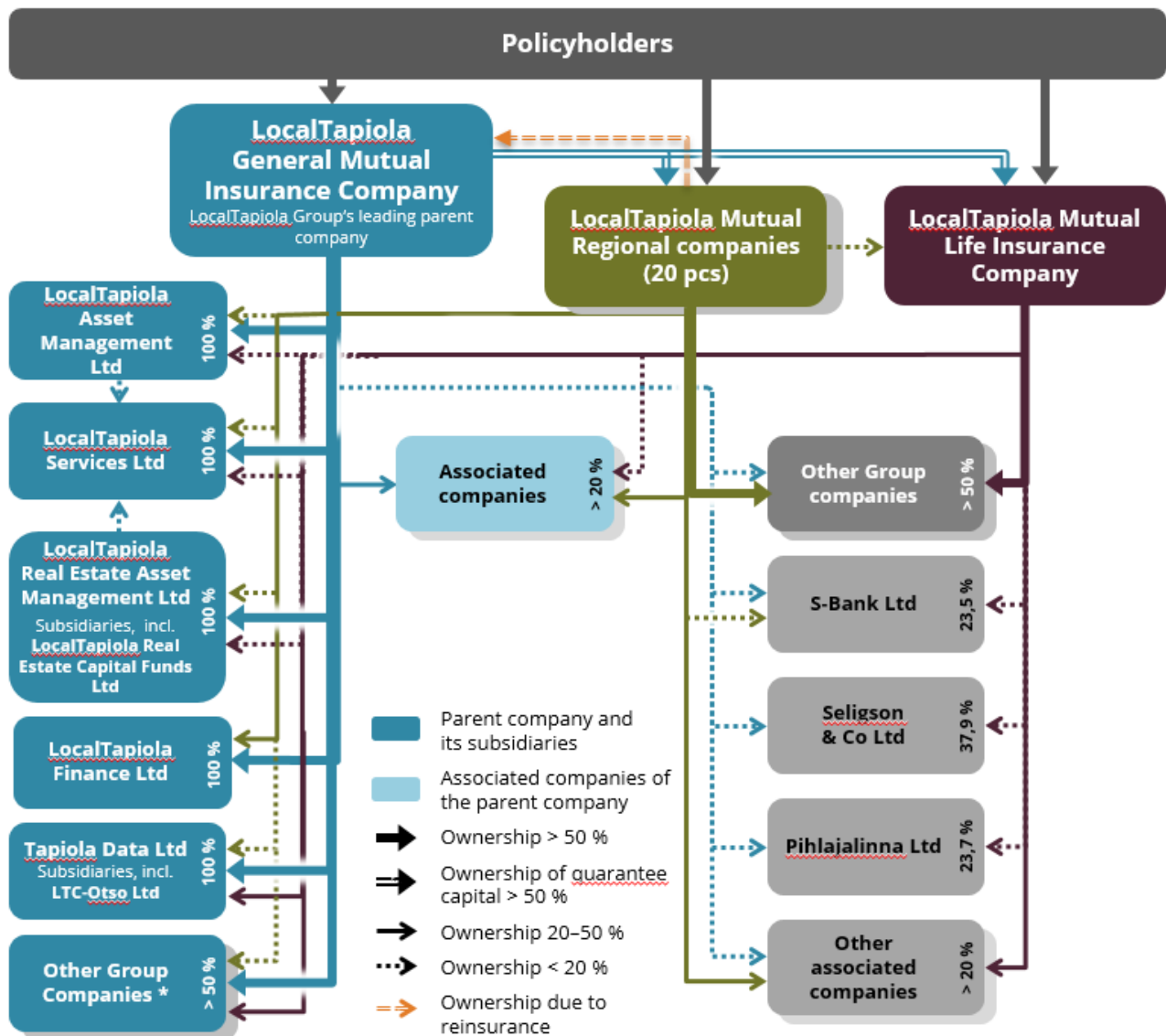
In addition, 72 (66 in 2017) housing associations and real estate companies and 27 (25) other companies are consolidated into the financial statements of LocalTapiola Group. The associated companies are S-Bank Ltd Group, Pihlajalinna Plc Group, Seligson & Co Oyj, two (2) housing and real estate companies and two (2) other companies. Turva Mutual Insurance Company is a subsidiary, as the companies of LocalTapiola Group own 76 per cent of its guarantee capital, but according to the Financial Supervisory Authority's statement, it is not consolidated into LocalTapiola Group's consolidated financial statements.

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

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

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

Structure of LocalTapiola Group on 31 December 2018



The percentages refer to the ownership of the entire LocalTapiola Group. The figure only shows the most significant companies of LocalTapiola Group.

* Turva is a subsidiary of LocalTapiola General Mutual Insurance company, but it is not consolidated into LocalTapiola-group

Corporate governance, personnel and remuneration

LocalTapiola Group's corporate governance and management system

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

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

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

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

authorisations granted to it by the Board of Directors that are in line with the Group agreement signed by and between LocalTapiola Group companies.

Annual General Meeting

LocalTapiola General's Annual General Meeting was held on 15 May 2018. The meeting approved the financial statements for 2017, decided on the use of the company's profit, discharged the Supervisory Board and Board members and the CEO from liability, and elected the company's auditor. The meeting also confirmed the number of members of the Supervisory Board and the remuneration for the members of the Supervisory Board, and the new members were elected.

The meeting also approved the proposal to amend sections 3 and 14 of the company's Articles of Association.

The regional companies re-elected the following Supervisory Board representatives whose terms had ended: Kjell Adolfsson (CEO, Porvoo, Oy Medi+KEM Ab, representative of LocalTapiola Uusimaa), Jaakko Halkilahti (Farmer, Salo, representative of LocalTapiola Etelä), Jouko Huumarkangas (Farmer, Kyyjärvi, representative of LocalTapiola Keski-Suomi), Anssi Keinänen (Professor, Liperi, representative of LocalTapiola Itä), Marjukka Manninen (Mayor, Oulu, Tyrnävä municipality, representative of LocalTapiola Pohjoinen), Tero Mölsä (Agrologist, Heinola, representative of LocalTapiola Vellamo) and Erkki Pärssinen (CEO, Espoo, Federation of Finnish Enterprises, Espoo and Greater Helsinki, representative of LocalTapiola Pääkaupunkiseutu).

The following Supervisory Board representatives were re-elected at the end of their terms of office: Seppo Haapalainen (CFO, Espoo, ISS Palvelut Oy), Anneli Karhula (SVP, HR, Helsinki, Metsä Group), Mika Kovero (Group Controller, Helsinki, SVP Group Controlling), Vesa Lauronen (CEO, Helsinki, Reaktor Innovations Ltd), Juha Marttila (Ph.D. (Agr. & For.), Chairman, Simo, Central Union of Agricultural Producers and Forest Owners MTK) and Jussi Miilukangas (Director, Raahe, Miilukangas Oy).

Sari Helander (CFO, Helsinki, Posti Group Corporation), Heikki Häggkvist (Chair of Board, Helsinki, Wetteri-yhtiöt Oy) and Anu Ojala (CFO, Espoo, Lujatalo Oy) were elected as new Supervisory Board representatives.

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

Supervisory Board

LocalTapiola General's Supervisory Board held its organising meeting on 31 May 2018. The meeting elected the Chair and Deputy Chairs to the Supervisory Board.

Timo U. Korhonen was elected as the Chair of the Supervisory Board. Juha Marttila, Chair of the Central Union of Agricultural Producers and Forest Owners, was elected as the first Deputy Chair of the Supervisory Board and Ulla-Maija Moisio, Legal Counsel, Teollisuuden Voima Oy, was elected as the second Deputy Chair.

The Supervisory Board convened three times. On average, 79,8% of the members participated in the meetings. The salaries and remuneration paid to the Supervisory Board members, their pension commitments, monetary loans and terms thereof, as well as guarantees and contingent liabilities are presented in section 3.3.2 of the notes to the profit and loss account.

Committees of the Supervisory Board

Nomination Committee of the Supervisory Board

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

The Nomination Committee comprises 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 2018, the Nomination Committee was chaired by Timo U. Korhonen, Chair of the Supervisory Board, and the members were Heikki J. Perälä, Anneli Karhula (until 13 November 2018), Sami Kulla (until 13 November 2018), Anssi Keinänen (from 13 November 2018) and Sanna Leivo (from 13 November 2018), who are also members of the Supervisory Board.

The Nomination Committee convened five times in 2018, and 90 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 31 May 2018.

The Cooperation Committee prepares draft decisions to the Supervisory Board and other matters to be handled at the meetings of the Supervisory Board. The Cooperation Committee monitors the operations of the

Board of Directors, President, CEOs and the entire Group, and presents reports to the Supervisory Board.

In 2018, the Cooperation Committee was chaired by Timo U. Korhonen and the Deputy Chair was Totti Salko.

The other members of the Cooperation Committee in 2018 were Juha Marttila, Ulla-Maija Moisio and Päivi Uusitalo, as well as Ralf Wickström until 31 May 2018 and Jukka Hertti from 31 May 2018.

The Cooperation Committee convened six times. On average, 97 per cent of the members participated in the meetings.

The Cooperation Committee's Compensation Committee

The Compensation Committee has been tasked with assisting the Cooperation Committee of the Supervisory Boards in matters relating to compensation for the Group's senior management in accordance with its rules of procedure.

The duties of the Compensation Committee have included preparing proposals for the remuneration and benefits of the full-time members of the Boards of Directors of LocalTapiola General and LocalTapiola Life and for matters relating to their employment, to be decided by the Chairs and Deputy Chairs of the Supervisory Boards, as well as developing compensation for the members of the Boards of Directors and monitoring the development of the compensation scheme for LocalTapiola Group's management and staff.

Timo U. Korhonen (Chair until 31 May 2018) and Ulla-Maija Moisio, as well as Ralf Wickström until 31 May 2018 and Totti Salko from 31 May 2018 (Chair from 31 May 2018) were members of the Cooperation Committee's Compensation Committee.

The Compensation Committee convened three times. The attendance rate at meetings was 100 per cent.

The Cooperation Committee decided at its meeting on 24 October 2018 to discontinue the Compensation Committee and address matters under its responsibility directly at meetings of the Cooperation Committee. The monitoring and development of Group-level compensation has been mainly transferred to the duties of the joint Human Resources and Compensation Committee of the Boards of LocalTapiola General and LocalTapiola Life, which started operating at the beginning of 2018.

Board of Directors

The Board of Directors is responsible for corporate governance and appropriate organisation of operations. It must also ensure appropriate arrangement of the control of accounts and finances.

Members of the Board of Directors for the term from 1 January 2016 to 31 December 2018:

- Erkki Moisander, President, Chair
- Jari Eklund, Group Director, Deputy Chairman
- Philip Aminoff, Chairman of the Board, Electrosonic Group Oy Ab
- Matti Bergendahl, CEO, Realia Group Oy
- Timo Hiltunen, Chairman of the Board, Tietokeskus
- Hannu Niilekselä, MSc (Economics), Authorised Public Accountant
- Kati Partanen, Farmer, Lecturer in Agricultural Economics
- Pirkko Rantanen-Kervinen, MSc (Economics)

The Board convened 12 times, in addition to which three meetings were held by email. The average attendance rate at the actual meetings was 92 per cent. The salaries and remuneration paid to the members of the Board of Directors, their pension commitments, money loans and terms thereof, as well as guarantees and contingent liabilities, are specified in section 3.3.2 of the notes to the profit and loss account.

In its meeting held on 13 November 2018, the Supervisory Board elected the Board of Directors for the term beginning on 1 January 2019. Erkki Moisander will continue as Chair of the Board, Jari Eklund as Deputy Chair, and Matti Bergendahl, Timo Hiltunen and Hannu Niilekselä as members. Merja Fischer, Doctor of Management Studies, Sami Kulla, CEO (Buorre Oy) and Ulla-Maija Moisio, Legal Counsel (Teollisuuden Voima Oyj) were elected as new members of the Board.

The Group's Management Group

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

The Management Group was chaired by Erkki Moisander (President) and the members were Jari Sundström (CEO of LocalTapiola General), Minna Kohmo (CEO of LocalTapiola Mutual Life Insurance Company), Pekka Antikainen (CEO of LocalTapiola Services Ltd), Tom Liljeström (CEO of LocalTapiola Asset Management, from 12 February), Pasi Haarala (CEO of LocalTapiola Pohjanmaa), Ahti Haataja (CEO of LocalTapiola Vellamo, until 30 October 2018), Ari Lagerström (CEO of LocalTapiola Etelä, from 1 November 2018), Jukka Kinnunen (CEO of LocalTapiola Pääkaupunkiseutu), Pentti Kuusela (CEO of LocalTapiola Pirkanmaa, until 31 May 2018), Jussi Seppälä (CEO of LocalTapiola Lännen, from 1 June 2018), Veli Rajakangas (CEO of LocalTapiola Pohjoinen), Jari Eklund (Director responsible for Group administrative control), Timo Laakso (CFO), Mikko Vastela (CIO), Olli-Pekka Pohjanmäki (Marketing Director), Harri

Aho (Development Director), Harri Lauslahti (Innovation Director, until 11 February 2018) and Nina Gros.

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

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. At their meetings in December 2017, the Boards of Directors of the companies decided that the Audit and Risk Management Committee, which was previously acting only as a committee of the Board of LocalTapiola General, will also act as a committee of the Board of LocalTapiola Life from the beginning of 2018.

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

Considering the company'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 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 one member elected by the Board of LocalTapiola Life from among its members. The Chair and the members must be members of the Board of Directors independent of LocalTapiola Group.

In 2018, the Committee was chaired by Hannu Niilekselä, and the members were Pirkko Rantanen-Kervinen and Olli Latola.

The Committee held five meetings in 2018. 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 decisions on its establishment were made by the Boards in February 2018.

The purpose of the Committee is to assist the Boards of LocalTapiola General and LocalTapiola Life in handling matters related to staff and remuneration, and to outline

matters related to the development of the management and staff of LocalTapiola Group. The Committee addresses and prepares matters related to the remuneration and development of management and staff for the decisions of the Boards and/or for common policies and recommendations of LocalTapiola Group.

The Committee consists of the Chair 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 members of the Board of LocalTapiola General and some from among members of the Board of LocalTapiola Life.

In 2018, the Committee was chaired by Erkki Moisander, and the members were Philip Aminoff, Olli Latola, Kati Partanen and Kati Sulin.

The Committee held three meetings in 2018. Kokouksiin osallistui sata prosenttia valiokunnan jäsenistä.

CEO

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

The salaries and perquisites paid to the CEO totalled EUR 501,564, including EUR 142,008 in performance-related pay. EUR 27,896 of the performance-related pay was earned in 2014, EUR 13,699 in 2015, EUR 32,095 in 2016, and EUR 68,318 in 2017.

Performance-related pay has been deferred for subsequent payment in the amount of EUR 176,194, of which EUR 12,409 was earned in 2015, EUR 61,308 was earned in 2016, and EUR 102,477 was earned in 2017. Performance-related pay for senior managers is based on annual targets.

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

Related parties

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

Auditor

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

Supervisory authority

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

Personnel

Average number of personnel during financial year:

- LocalTapiola General 355 (372)
- LocalTapiola Group, total 3,475 (3,404)

Compensation

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

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

LocalTapiola General's salary and remuneration systems are planned and prepared in collaboration between the human resources, finance, compliance and risk management services and the companies' administration and management groups. The Supervisory Boards' Cooperation Committee decides upon compensation for the CEO and full-time members of the Board of Directors. The Supervisory Board of the company decides upon compensation for members of the Board who are not full-time. As regards other members of management, decisions are made by the companies' Boards of Directors.

The Cooperation Committee develops the compensation system for Board members. The Human Resources and Compensation Committee, established by 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 members of the Supervisory Board.

The compensation for LocalTapiola General's management comprises the following elements:

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

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

The annual bonuses payable to senior managers are based on elements affecting the net profits of the Group and the companies, the personnel and customer experience, and 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 compensation percentage based on the position level and the annual salary. The maximum performance-related bonus available to the Group's management varies between 30–100% of the 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. Targets are determined on the basis of the Group's strategy and can be either team-specific or personal. The achievement of targets is evaluated at performance review discussions. Personnel working for the regional companies may have different maximum bonus levels.

Personnel belonging to investment organisations have their own performance-related bonus model in which the bonus is determined on the basis of return on investments calculated for different levels depending on the position. 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 before the bonus is paid. Performance-related bonuses can be clawed back if it becomes clear after payment that the recipient of the bonus has acted in breach of regulations, official decrees or instructions binding on the company or the company's operating principles, or if the bonus has been paid without justification.

Payments of performance-related bonuses to members of LocalTapiola General's senior management and investment organisation whose professional activities have a material impact on the company's risk profile 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% will be paid one, two and three years after this date in three separate instalments of equal amounts. The value of deferred bonuses will change in the manner of a financial instrument as referred to in applicable legislation in accordance with the ratio of the total result to the balance sheets of LocalTapiola General Mutual Insurance Company and LocalTapiola Mutual Life Insurance Company (total result / balance sheet at fair value (excluding unit-linked life insurance premiums), weighted in proportion to the balance sheets of the aforementioned companies) from the end of the earning period to the end of the year preceding the date on which the bonus is paid.

Additionally, annual bonus payments are also made to LocalTapiola Group's **personnel funds** in accordance with targets. This bonus item is mainly determined by the companies' profits and efficiency in accordance with the Act on Personnel Funds. 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 General is 63. LocalTapiola General has improved its employees' pension cover by taking out a supplementary pension insurance policy, which accrues at least 0.2% of supplementary pension annually, subject to certain conditions. This benefit applies to all of the personnel whose employment relationships with the Group began before 1 January 2013. There is no supplementary pension benefit for employment relationships that began after this date.

Reporting in compliance with the Corporate Governance Code

LocalTapiola General has reported on its corporate governance in a separate document from the Board of Directors' report, in accordance with the recommendation concerning the corporate governance of Finnish listed companies (10/2015). More extensive

information on LocalTapiola's corporate governance is available at www.lahitapiola.fi.

Corporate social responsibility

LocalTapiola Group aims to offer its customers a safer and healthier life. In keeping with our lifelong security strategy, the promotion of the safety, finances and health of our customers is also a key part of our responsibility work. In practice, responsibility is translated into local and national actions to promote sustainable development and cooperation with our partners.

LocalTapiola's investment activities comply with responsible investment principles. Economic responsibility is based on the company's solvency. Prevention of damage and financial preparedness are emphasised in providing holistic lifelong security to the customer. Customer satisfaction and experience are measured and monitored on a regular basis. Owner-customers participate in developing products, services and operations by means such as surveys, the product development process, testing and administration.

During the year 2018, the values of the LocalTapiola Group were renewed and progress was made in the Group's strategy work. The staff were widely involved in defining the values and in the strategy process. In addition, LocalTapiola began renewing its human resources strategy. Succeeding at work emerged as the strategic theme, and the focus areas include strengthening of expertise, leadership and diversity. LocalTapiola was once again awarded the Great Place to Work certificate. During the year, special attention was paid to staff competence and the training of supervisors. As of the beginning of 2018, the occupational health care services were transferred to our partner Mehiläinen.

Extensive collaboration is undertaken with corporate responsibility partners to promote security and well-being in our customers' local habitats and in society. Among our important partners are the Finnish Red Cross, the Finnish National Rescue Association, the Finnish Swimming Teaching and Lifesaving Federation, the Cancer Foundation and the national sports federations.

LocalTapiola aims to decrease its negative effects on the environment and climate. The investment activities consider environmental aspects in accordance with responsible investment principles. LocalTapiola is committed to using responsible and environmentally friendly operating models in real estate operations

throughout the life cycle of the managed properties. LocalTapiola cooperates with the Finnish Association for Nature Conservation and the Keep the Archipelago Tidy Association to improve the condition of local environments and to promote the diversity of Finnish nature.

In 2018, LocalTapiola's contribution to the development of Finnish society included support for education within the framework of the Government's match-funding programme for universities of applied sciences. A total of EUR 1.4 million was directed to 19 universities of applied sciences across Finland. In addition, other donations were made during the year to promote well-being, culture and sustainable development in Finland.

LocalTapiola Group's social responsibility and responsibility work are described in more detail in a separate report on non-financial information. It is available at www.lahitapiola.fi / Information on LocalTapiola / Financial Data.

Credit rating

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

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

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

Events after the financial year

Since the end of the financial year, business has continued largely in line with expectations, and no significant special events or deviations have occurred.

Future prospects

Non-life insurance

In the wake of the global economy, the cyclical peak of the Finnish economy has been reached and the outlook is weakening. In the next few years, the growth outlook for non-life insurance is burdened by uncertainty. The Finnish market is characterised by a relatively high share of statutory insurance and market concentration. The market share of the four largest non-life insurance companies is almost 95 per cent, and no major changes are expected in this regard.

In non-life insurance, premiums written in the sector started to rise in 2018, but the decline in the Finnish economic outlook and the realisation of global political risks may lead to negative growth in premiums written. Efforts will be made to compensate for a decrease in premiums written in non-life insurance by offering insurance policies for new risks, such as information security risks. In non-life insurance, price competition will continue, particularly in vehicles. In occupational accident insurance, companies will seek to hold on to their own profitable customers. The development of preventive services to promote working capacity could play a part in reducing the number of claims and reduce premiums written in corporate insurance.

The reform of social and health service structure and services and the regional government reform will progress in 2019, but their ultimate implementation remains unclear. Even if the social and health services reform is not realised, structural reforms to the arrangement and provision of health care will continue.

In the long term, non-life insurance is prepared for major forces of change in the operating environment. The ageing population, urbanisation, the breakdown of sectoral barriers, changing customer behaviour and fundamental shifts in technology will place additional

demands on customer service and the professional competence of personnel. Increasing regulation will give rise to additional costs for companies in the finance sector.

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

As the sector undergoes a fundamental shift, LocalTapiola is aiming for service leadership. Our strategy revolves around providing the best lifelong security service, which is founded on individual insurance and finance solutions, such as preventive risk management services and health and well-being solutions. In the past, as a traditional insurance company, we became involved in the lives of our customers when damage occurred, whereas now we are helping to prevent and prepare for damage.

Life insurance

LocalTapiola Life offers life insurance, saving and investment, and pension insurance services, combined with proactive services enhancing the customer experience, for all customer groups from private customers to large companies. 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 people's need to prepare themselves by saving and insuring to keep growing in Finland. In the long term, demand for proactive services that boost livelihoods and well-being 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 term life 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 2019, tax changes related to the products of LocalTapiola Life will be implemented. We actively monitor customer needs and are ready to bring new products and services to our customers when needed.

In 2019, 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 2019.

Investment activities

The economic outlook for the world economy is weakening, and growth is expected to slow down in 2019 from the previous year and to fall below its potential growth path.

There are currently a number of political risks associated with the economic outlook. The UK's decision to withdraw from the European Union is causing uncertainty, the US protectionist trade policy is creating tensions, and the new Italian populist government is on a collision course with the European Commission.

In addition to political risks, a fall in asset values, rising interest rates and escalating volatility in emerging market currencies may slow the growth of the global economy more than expected.

On the investment market, the identified risks associated with the 2019 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. Historical experience has shown that a weakening real economy and tightening monetary economy have generally been a challenging investment environment for risk-bearing asset classes.

In Europe, real estate business continues to be brisk. Significant amounts of capital are being invested in the real estate market from several continents, and financial conditions support trading. There is also a positive tone in many places in the rental market, and rents are projected to rise slightly in Europe. The real estate market is expected to be somewhat calmer in 2019, but no significant changes in the values of the best properties are predicted. A stronger global economic downturn than expected or an increase in interest rates would turn the European and Finnish real estate markets to a decline.

Proposal for distribution of profit

Proposal of the Board of Directors

The Board of Directors proposes that of the profit for the financial year 2018, EUR 45,194,562.57, EUR 44,694,562.57 be transferred to the security reserve and EUR 500,000.00 to the contingency reserve.

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

Capital and reserves

Capital and reserves, EUR	1,416,148,513.38
Initial reserve	8,641,380.35
Revaluation reserve	85,090.31
Security reserve	1,404,331,353.01
Contingency reserve	3,090,689.71

FINANCIAL STATEMENTS

LocalTapiola Group's consolidated financial statements

Profit and loss account, LocalTapiola Group

TECHNICAL ACCOUNT - NON-LIFE INSURANCE	1.1.2018	-	31.12.2018	1.1.2017	-	31.12.2017
Premiums earned						
Premiums written	K1	1 196 042 406,73		1 154 146 183,54		
Reinsurers' share		<u>-35 262 410,59</u>	1 160 779 996,14	<u>-34 064 462,22</u>	1 120 081 721,32	
Change in provision for unearned premiums						
Total change		-6 113 483,00		12 447 686,94		
Reinsurers' share						
Total change		<u>2 354 330,87</u>	-3 759 152,13	<u>2 217 824,85</u>	14 665 511,79	
Total premiums earned			<u>1 157 020 844,01</u>		<u>1 134 747 233,11</u>	
Claims incurred						
Claims paid		-850 438 126,41		-773 761 501,12		
Reinsurers' share		<u>15 932 172,83</u>	-834 505 953,58	<u>13 542 486,10</u>	-760 219 015,02	
Change in provision for outstanding claims						
Total change		-17 261 619,33		-7 170 697,33		
Reinsurers' share						
Total change		<u>315 481,65</u>	-16 946 137,68	<u>125 210,32</u>	-7 045 487,01	
Total claims incurred			<u>-851 452 091,26</u>		<u>-767 264 502,03</u>	
Operating expenses	K3		-258 802 396,29		-266 257 604,25	
Balance on technical account before change in equalization provision			<u>46 766 356,46</u>		<u>101 225 126,83</u>	
Change in equalization provision			1 812 891,00		-17 640 769,96	
Balance on technical account	K2		<u>48 579 247,46</u>		<u>83 584 356,87</u>	

TECHNICAL ACCOUNT - LIFE INSURANCE		1.1.2018	-	31.12.2018	1.1.2017	-	31.12.2017
Premiums written							
Premiums written	K1	449 839 234,89			516 017 481,77		
Reinsurers' share		<u>-3 819 536,59</u>		446 019 698,30	<u>-2 837 556,37</u>		513 179 925,40
Investment income	K4			244 061 620,82			230 990 272,18
Revaluations of investments	K4			11 242 640,16			109 299 080,65
Claims incurred							
Claims paid	K2	-357 695 722,35			-327 832 710,42		
Reinsurers' share		<u>1 267 301,68</u>		-356 428 420,67	<u>1 473 851,83</u>		-326 358 858,59
Change in provision for outstanding claims							
Total change		<u>4 955 054,00</u>		4 955 054,00	<u>-24 143 537,00</u>		-24 143 537,00
Reinsurers' share							
Total claims incurred				<u>-351 473 366,67</u>			<u>-350 502 395,59</u>
Change in provision for unearned premiums							
Total change		<u>27 798 886,95</u>		27 798 886,95	<u>-303 383 721,53</u>		-303 383 721,53
Operating expenses	K3			-57 568 358,89			-58 096 264,24
Investment charges	K4			-106 889 815,34			-59 781 444,97
Revaluation adjustments on investments	K4			-148 542 224,80			-21 988 675,30
Balance on technical account before change in equalization provision				64 649 080,53			59 716 776,60
NON-TECHNICAL ACCOUNT							
Balance on technical account, non-life insurance				48 579 247,46			83 584 356,87
Balance on technical account, life insurance				64 649 080,53			59 716 776,60
Investment income	K4	307 234 841,84			305 314 845,28		
Investment charges	K4	-159 205 717,62			-116 040 790,30		
Revaluation adjustments on investments	K4	<u>-156 036,60</u>		147 873 087,62	<u>-3 571 107,40</u>		185 702 947,58
Other income	K4						
Other		<u>72 141 660,16</u>		72 141 660,16	<u>64 636 763,05</u>		64 636 763,05
Other expenses	K4						
Depreciation of consolidated goodwill		-173 052,56			-317 779,29		
Other		<u>-49 191 871,90</u>		-49 364 924,46	<u>-48 841 120,43</u>		-49 158 899,72
Profit on ordinary activities				283 878 151,31			344 481 944,38
Share of profit (loss) from group associated undertakings				-15 812 527,06			-6 602 014,35
Profit before appropriations and taxes				268 065 624,25			337 879 930,03
Direct taxes on ordinary activities							
Taxes for the financial period		-66 641 396,62			-68 871 145,76		
Change in deferred tax liabilities		<u>96 743,44</u>		-66 544 653,18	<u>-56 190,52</u>		-68 927 336,28
Other direct taxes				0,00			-3,71
Minority interests				-12 569 652,06			-4 001 588,46
Profit for the accounting period				188 951 319,01			264 951 001,58

Balance sheet, LocalTapiola Group

ASSETS		31.12.2018	31.12.2017
Intangible assets	K9		
Intangible rights		3 483 270,80	4 501 574,82
Goodwill on consolidation		41 500,42	81 309,31
Other expenses with long-term effects		50 036 164,34	38 381 243,10
Provisional premiums		<u>28 670 323,07</u>	<u>21 589 412,36</u>
		82 231 258,63	64 553 539,59
Investments	K5		
Real estate investments	K6		
Real estate and shares in real estate		<u>1 053 819 853,17</u>	<u>1 010 675 975,15</u>
Investments in group companies and participating interests		1 053 819 853,17	1 010 675 975,15
	K7		
Shares and holdings in group companies		7 097 056,07	7 097 056,07
Shares and holdings in participating interests		157 833 294,92	159 629 262,86
Debt securities and loans in participating interests		<u>13 500 000,00</u>	<u>12 750 000,00</u>
		178 430 350,99	179 476 318,93
Other investments			
Shares and holdings	K7	3 795 224 592,36	3 915 389 364,31
Debt securities	K7	1 580 275 771,66	1 428 747 577,68
Loans guaranteed by mortgages		510 630 197,50	533 250 354,87
Other loans	K8	313 934 149,70	293 603 807,24
Deposits		10 713 422,50	17 725 124,07
Other investments		<u>424 090,21</u>	<u>14 467 685,21</u>
		6 211 202 223,93	6 203 183 913,38
Deposits with ceding undertakings		<u>661 413,85</u>	<u>709 256,78</u>
		7 444 113 841,94	7 394 045 464,24
Assets covering unit linked policies	K7		
	K10	2 107 976 333,40	2 135 773 963,88
Debtors	K15		
Arising out of direct insurance operations			
Policyholders		<u>210 456 296,04</u>	<u>201 355 431,99</u>
Arising out of reinsurance operations		18 500 148,57	12 839 432,70
Receivables from hire-purchase transactions		127 194 181,37	0,00
Other debtors		106 031 806,74	119 350 983,81
Deferred tax claim	K14	<u>2 113 017,84</u>	<u>2 113 017,84</u>
		464 295 450,56	335 658 866,34
Other assets			
Tangible assets			
Machinery and equipment	K9	9 582 406,49	9 295 594,83
Other tangible assets		12 298 099,00	2 541 756,05
Provisional premiums		<u>56 795,00</u>	<u>0,00</u>
Cash at bank and in hand		359 749 321,70	333 162 710,33
Other assets		<u>12 864 670,96</u>	<u>4 268 957,36</u>
		394 551 293,15	349 269 018,57
Prepayments and accrued income			
Accrued interest and rent		20 895 156,93	20 285 442,06
Other prepayments and accrued income		<u>43 449 758,73</u>	<u>44 090 288,52</u>
		64 344 915,66	64 375 730,58
Total assets		<u>10 557 513 093,34</u>	<u>10 343 676 583,20</u>

LIABILITIES**31.12.2018****31.12.2017****Capital and reserves**

K11

Initial fund		8 641 380,35		8 641 380,35
Revaluation reserve		8 710 584,50		8 918 502,41
Other reserves				
Other reserves	1 362 227 480,17		1 205 288 610,48	
The share of voluntary provisions and depreciation difference transferred to capital and reserves	2 756 201,38	1 364 983 681,55	3 143 175,23	1 208 431 785,71
Profit/loss for previous accounting periods		-44 924 570,38		-11 425 452,67
Profit for the accounting period	188 951 319,01		264 951 001,58	
Change in depreciation difference and voluntary provisions included in the profit for the accounting period	386 973,79		-127 577,31	
Share of the mutual insurance companies' result for the financial year included in the profit for the financial year	-121 885 681,40	67 452 611,40	-140 377 039,34	124 446 384,93
Capital and reserves of the mutual insurance companies		880 619 149,44		759 381 555,44
		2 285 482 836,86		2 098 394 156,17

Subordinated loans

106 657 933,33 99 946 016,67

Minority interests

40 094 003,41 15 304 854,27

Accumulated appropriations

K11

Negative goodwill on consolidation

4 600,00 4 600,00

Technical provisions

Provision for unearned premiums in non-life insurance	417 095 890,01		410 982 407,01	
Reinsurers' share	-7 739 118,08	409 356 771,93	-5 384 787,21	405 597 619,80
Provision for unearned premiums in life insurance	1 593 928 064,19		1 573 620 327,14	
Reinsurers' share	0,00	1 593 928 064,19	0,00	1 573 620 327,14
Provision for outstanding claims in non-life insurance	2 209 012 552,55		2 191 750 933,21	
Reinsurers' share	-24 140 568,31	2 184 871 984,24	-23 825 086,66	2 167 925 846,55
Provision for outstanding claims in life insurance	695 170 646,00		702 742 289,00	
Reinsurers' share	0,00	695 170 646,00	0,00	702 742 289,00
Equalization provision		968 763 440,00		970 576 331,00
		5 852 090 906,36		5 820 462 413,49

Technical provisions for unit-linked policies

Technical provisions 2 066 887 151,00 2 112 377 186,00

Obligatory provisions

Other obligatory provisions K14 4 010 812,53 4 002 408,52

Deposits received from reinsurers

1 053 072,34 523 961,97

Creditors

K16

Arising out of direct insurance operations		31 038 744,23		25 033 387,80
Arising out of reinsurance operations		5 295 038,62		4 402 323,24
Loans from financial institutions		438 556,00		8 967 985,02
Pension loans		0,00		7 972,00
Other creditors		95 917 609,86		74 827 709,86
Deferred tax liabilities	K15	871 170,90		967 914,38
		133 561 119,61		114 207 292,30

Accruals and deferred income

67 670 657,90 78 453 693,81

Total liabilities**10 557 513 093,34 10 343 676 583,20**

Indirect cash flow statement, LocalTapiola Group

	2018	2017
Cash flow from operations		
Profit from ordinary activities/profit before extraordinary	201 818 122,11	268 952 590,04
Adjustments		
Changes in technical provisions	-13 861 542,13	337 548 003,71
Value adjustments and revaluation of investments	227 017 420,11	-128 805 089,20
Changes in other obligatory provisions	8 404,01	-314 487,52
Depreciation according to plan	53 967 117,27	38 672 457,12
Other non-cash income and expenses	-207 917,91	0,00
Other adjustments	-125 145 299,46	-25 520 491,93
<i>Cash flow before change in working capital</i>	343 596 304,00	490 532 982,22
Change in working capital:		
Increase (-) / decrease (+) in non-interest-bearing short-term receivables	-128 605 769,28	4 263 335,88
Increase (-) / decrease (+) in non-interest-bearing short-term debts	9 099 901,67	-14 490 809,50
<i>Cash flow from operations before financial items and taxes</i>	224 090 436,39	480 305 508,60
Other financial income and expenses		
paid/received	-6 891 896,85	-3 625 000,00
Direct taxes paid	-74 041 435,28	-88 973 493,14
Cash flow from operations	143 157 104,26	387 707 015,46
Cash flow from investments		
Investments in assets (excl. cash and c. equivalents)	-278 539 305,20	-414 139 845,77
Capital gains from investments (excl. cash and c. equivalents)	205 537 322,09	118 726 549,97
Change in minority interest	12 569 652,09	4 001 588,46
Investments in tangible and intangible assets as well as other assets and capital gains (net)	-61 224 979,53	-35 272 758,74
Cash flow from investments	-121 657 310,55	-326 684 466,08
Cash flow from financial		
Loans raised	6 711 916,66	74 600,00
Interest on guarantee capital paid and other distribution of profit	-1 625 099,00	-940 466,94
Cash flow from financial	5 086 817,66	-865 866,94
Change in cash and cash equivalents	26 586 611,37	60 156 682,44
Cash and cash equivalents at the start of the year	333 162 710,33	273 006 027,89
Cash and cash equivalents at the end of the year	359 749 321,70	333 162 710,33

Key figures, LocalTapiola Group

	M€		
General key figures describing financial development	2018	2017	2016
Operating profit	259,1	343,0	327,4
Total result	112,0	406,0	363,8
Return on assets, %	2,2	5,9	5,8
Average number of personnel during financial year	3 428	3 404	3 370
Key figures describing the financial development of non-life insurance			
Premium income	1 196,0	1 154,1	1 176,7
Loss ratio (excl. unwinding of discount expense), %	71,5	65,5	68,5
Loss ratio, %	73,6	67,6	70,9
Expense ratio, %	22,4	23,5	23,2
Combined ratio (excl. unwinding of discount expense), %	93,9	88,9	91,8
Combined ratio, %	96,0	91,1	94,1
Equalisation provision in reporting currency	968,8	970,6	952,9
Key figures describing the financial development of life insurance			
Premium income	449,8	516,0	421,7
Expense ratio, %	129,5	134,3	120,5

Notes concerning financial statements, LocalTapiola Group

Notes concerning profit and loss account items, LocalTapiola Group

K1. Premiums written

	2018	2017
Non-life insurance		
Direct insurance		
Finland	1 132 301 572,39	1 095 183 370,61
Direct insurance total	1 132 301 572,39	1 095 183 370,61
Reinsurance	63 740 834,34	58 962 812,93
<i>Total</i>	<u>1 196 042 406,73</u>	<u>1 154 146 183,54</u>
Life-insurance		
Direct insurance		
Finland	449 839 234,89	516 017 481,77
Direct insurance total	449 839 234,89	516 017 481,77
<i>Total</i>	<u>449 839 234,89</u>	<u>516 017 481,77</u>
Gross premiums written before reinsurers' share	<u><u>1 645 881 641,62</u></u>	<u><u>1 670 163 665,31</u></u>

K1.1 Items depreciated from premiums written

	2018	2017
Credit loss on outstanding premiums	3 898 189,48	6 382 607,32
PAYG system fees	62 117 910,99	54 930 911,88
Premium tax	200 456 029,46	199 168 130,83
Fire brigade charge	3 250 286,98	3 188 317,16
Road safety charge	1 944 982,06	1 981 070,87
Labour protection charge	2 597 976,23	2 382 671,16
<i>Total</i>	<u><u>274 265 375,20</u></u>	<u><u>268 033 709,22</u></u>

K1.2 Premiums written, life insurance

	2018	2017
Direct insurance		
Life-insurance		
Unit-linked individual life insurance	172 821 908,86	248 834 647,72
Other individual life insurance	65 284 384,69	52 876 421,80
Unit-linked capital redemption policy	35 042 200,14	51 413 665,22
Other redemption policy	4 034 208,29	1 394 622,12
Employees' group life insurance	11 594 872,02	11 596 818,95
Other group life insurance	69 078 207,22	65 304 723,19
<i>Total</i>	<u>357 855 781,22</u>	<u>431 420 899,00</u>
Pension insurance		
Unit-linked individual pension insurance	28 084 857,34	29 303 657,45
Other individual pension insurance	13 718 994,36	15 339 656,81
Unit-linked group pension insurance	15 562 683,90	11 025 947,97
Other group pension insurance	34 616 918,07	28 927 320,54
<i>Total</i>	<u>91 983 453,67</u>	<u>84 596 582,77</u>
Total direct premiums written	449 839 234,89	516 017 481,77
Gross premiums written before reinsurers' share	<u>449 839 234,89</u>	<u>516 017 481,77</u>
<i>Gross premiums written before reinsurers' share</i>		
Regular premiums	486 613 960,06	396 749 060,15
Single premiums	-36 774 725,17	119 268 421,62
<i>Total</i>	<u>449 839 234,89</u>	<u>516 017 481,77</u>
Premiums from contracts entitled to bonuses	198 327 584,65	175 439 563,41
Premiums from unit-linked insurance	251 511 650,24	340 577 918,36
	<u>449 839 234,89</u>	<u>516 017 481,77</u>

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

	2018	2017
Rebates		
Life-insurance		
Unit-linked individual life insurance		
Other individual life insurance	4 182 343,37	2 210 904,75
Other redemption policy	212 708,77	46 001,79
Other group life insurance	131 767,00	229 204,00
<i>Total</i>	<u>4 526 819,14</u>	<u>2 486 110,54</u>
Pension insurance		
Unit-linked individual pension insurance		
Other individual pension insurance	2 228 399,66	2 065 098,81
Other group pension insurance	2 220 818,09	1 796 275,07
<i>Total</i>	<u>4 449 217,75</u>	<u>3 861 373,88</u>
Rebates total	<u>8 976 036,89</u>	<u>6 347 484,42</u>
Discounts		
Life-insurance		
Unit-linked individual life insurance	145 671,00	292 186,00
Other individual life insurance	146 439,32	176 124,54
Other group life insurance	1 367 694,46	1 490 810,42
	<u>1 659 804,78</u>	<u>1 959 120,96</u>
Rebates and discounts total	<u>10 635 841,67</u>	<u>8 306 605,38</u>

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

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

	2018	2017
Direct insurance		
Life-insurance	232 066 203,78	202 532 611,72
Pension insurance	125 629 518,57	125 300 098,70
<i>Total</i>	<u>357 695 722,35</u>	<u>327 832 710,42</u>
Reinsurers' share	-1 267 301,68	-1 473 851,83
Total claims paid	<u>356 428 420,67</u>	<u>326 358 858,59</u>
Of which:		
Surrenders	149 135 961,31	109 634 242,95
Repayments of benefits	40 147 463,49	43 633 853,58
Other	168 412 297,55	174 564 613,89
	<u>357 695 722,35</u>	<u>327 832 710,42</u>
Share of unit-linked insurance of claims paid	148 801 209,88	117 007 189,69

K2.2 Profit by insurance groups

		Premiums written before reinsurers' share	Premiums earned before reinsurers' share	Claims incurred before reinsurers' share	Operating expenses before commissions for reinsurance and profit shares	Reinsurers' share	Balance on technical account before net investment income
Statutory workers' compensation	2018	152 143 538,59	152 872 772,59	-105 088 787,58	-24 623 355,34	-292 518,95	22 868 110,72
	2017	143 578 674,85	143 945 836,24	-110 302 680,11	-28 773 996,12	-301 857,50	4 567 302,51
	2016	145 928 904,96	145 463 974,57	-114 570 650,17	-28 357 448,45	-319 652,13	2 216 223,81
Non-statutory accident and health	2018	158 769 242,49	155 439 351,49	-122 114 840,71	-31 251 324,03	-163 475,12	1 909 711,63
	2017	145 521 361,31	142 864 365,73	-101 810 237,44	-30 444 147,99	-292 142,20	10 317 838,10
	2016	134 859 310,87	130 824 380,35	-97 762 456,77	-29 917 428,42	-286 214,52	2 858 280,65
Motor vehicle liability	2018	194 050 431,99	197 182 495,99	-149 521 588,92	-49 702 991,42	1 415 385,16	-626 699,19
	2017	196 126 065,39	210 844 353,74	-129 198 282,91	-49 187 007,55	1 085 820,07	33 544 883,35
	2016	225 090 542,75	228 270 313,35	-156 039 422,10	-47 273 420,31	-1 641 209,93	23 316 261,01
Land vehicles	2018	219 464 069,74	216 386 596,74	-176 781 243,36	-50 084 359,52	-364 494,24	-10 843 500,38
	2017	212 927 802,79	210 134 533,90	-148 453 195,58	-50 018 277,29	-90 660,43	11 572 400,60
	2016	206 024 710,32	205 654 451,54	-141 948 407,46	-51 250 131,51	132 044,53	12 587 957,10
Marine, aviation, railway rolling stock and transport	2018	12 975 526,92	13 120 905,92	-6 567 858,94	-3 644 678,10	-312 698,14	2 595 670,74
	2017	13 781 629,56	13 818 334,65	-7 040 293,23	-3 791 486,34	-193 871,72	2 792 683,36
	2016	13 375 934,00	13 285 404,04	-5 318 983,23	-3 836 430,96	176 860,45	4 306 850,30
Fire and other damage to property	2018	306 524 480,30	305 456 402,30	-206 427 711,48	-72 437 489,36	-10 116 733,00	16 474 468,46
	2017	301 787 215,00	305 449 406,22	-184 946 598,57	-74 519 828,43	-4 770 394,89	41 212 584,33
	2016	311 161 101,23	311 830 528,52	-208 340 091,68	-76 206 546,82	-3 941 282,61	23 342 607,40
General liability	2018	48 944 041,79	49 009 138,79	-35 607 756,18	-9 540 342,76	-1 052 564,60	2 808 475,25
	2017	42 027 211,64	42 132 866,62	-28 967 006,20	-10 296 408,49	-3 803 438,93	-933 987,00
	2016	44 237 257,34	43 605 999,66	-33 287 994,54	-9 700 002,91	-2 987 168,50	-2 369 166,29
Credit and suretyship	2018	3 747 735,26	2 888 948,26	-428 228,68	-344 345,11	202 538,14	2 318 912,61
	2017	4 130 103,85	2 107 151,51	-641 520,47	-417 875,49	605 216,01	1 652 971,56
	2016	2 742 288,78	2 014 579,12	-214 038,74	-400 994,89	-427 756,80	971 788,69
Legal expenses	2018	23 327 370,95	23 111 168,95	-14 959 611,60	-5 372 982,92	0,00	2 778 574,43
	2017	22 996 820,69	22 941 794,21	-14 336 140,44	-5 483 464,88	0,00	3 122 188,89
	2016	22 313 520,27	22 258 919,52	-14 640 230,75	-5 457 098,89	0,00	2 161 589,89
Other	2018	12 355 134,36	12 535 962,36	-8 172 370,70	-3 067 316,00	3 901 694,95	5 197 970,61
	2017	12 306 485,53	12 474 080,73	-14 965 651,47	-3 245 738,96	-908 273,75	-6 645 583,45
	2016	13 042 426,02	12 874 270,68	-8 471 528,05	-3 274 008,33	-484 896,21	643 838,10
Direct insurance total	2018	1 132 301 572,39	1 128 003 743,39	-825 669 998,15	-250 069 184,56	-6 782 865,80	45 481 694,88
	2017	1 095 183 370,61	1 106 712 723,55	-740 661 606,42	-256 178 231,54	-8 669 603,34	101 203 282,25
	2016	1 118 775 996,54	1 116 082 821,35	-780 593 803,48	-255 673 511,49	-9 779 275,72	70 036 230,66
Reinsurance	2018	63 740 834,34	61 925 180,34	-42 029 747,59	-17 695 261,70	-915 509,47	1 284 661,58
	2017	58 962 812,93	59 881 146,93	-40 270 592,03	-16 634 279,72	-2 954 430,60	21 844,58
	2016	57 932 995,81	56 249 165,81	-41 991 996,04	-16 820 634,01	-665 881,67	-3 229 345,91
Total	2018	1 196 042 406,73	1 189 928 923,73	-867 699 745,74	-267 764 446,26	-7 698 375,27	46 766 356,46
	2017	1 154 146 183,54	1 166 593 870,48	-780 932 198,45	-272 812 511,26	-11 624 033,94	101 225 126,83
	2016	1 176 708 992,35	1 172 331 987,16	-822 585 799,53	-272 494 145,50	-10 445 157,39	66 806 884,74
Change in equalization provision	2018						1 812 891,00
	2017						-17 640 769,96
	2016						28 792 320,40
Balance on technical account	2018						48 579 247,46
	2017						83 584 356,87
	2016						95 599 205,14

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

K3.1 Total operating expenses by activity

	2018	2017
Claims management expenses	91 478 181,86	90 740 887,50
Operating expenses	316 370 755,15	324 353 868,49
Investment operating expenses	22 535 080,06	17 315 894,57
Other expenses	46 174 188,09	43 963 985,18
<i>Total</i>	<u>476 558 205,16</u>	<u>476 374 635,74</u>

K3.2 Profit and loss account item operating expenses

	2018	2017
Insurance policy acquisition costs		
Commissions for direct insurance	31 427 930,19	33 406 075,43
Commissions for reinsurance assumed and profit shares	14 339 280,80	13 758 755,39
Other insurance policy acquisition costs	125 705 006,51	114 133 167,07
	<u>171 472 217,50</u>	<u>161 297 997,89</u>
Insurance policy management expenses	86 865 762,27	97 562 657,64
Administrative expenses	67 596 793,32	72 298 049,11
Commissions for reinsurance ceded and profit shares	-9 564 017,90	-6 804 836,15
<i>Total</i>	<u>316 370 755,19</u>	<u>324 353 868,49</u>

K3.3 Notes concerning personnel and members of corporate bodies

K3.3.1 Personnel expenses

	2018	2017
Salaries and remunerations	202 368 004,68	195 985 617,15
Pension expenses	38 048 695,49	38 642 183,21
Other personnel expenses	6 849 874,97	7 765 184,26
<i>Total</i>	<u>247 266 575,14</u>	<u>242 392 984,62</u>

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

Managing director and deputy managing director		
Salaries and remunerations	8 103 615,59	8 219 679,74
Pension commitments	The pension age/retirement age of the Managing Director and Deputy Managing Director is the age prescribed in the established employee pension legislation or a lower age if the employment has been agreed to expire before the pension age prescribed in the	
Monetary loans and terms thereof	No monetary loans granted.	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted.	
Board members and deputy board members		
Salaries and remunerations	3 771 715,40	3 677 069,29
Pension commitments	The pension age/retirement age of the board members and board deputy members € by the company is the age prescribed in the established employee pension legislation if the employment has been agreed to expire before the pension age prescribed in the	
Monetary loans and terms thereof	No monetary loans granted.	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted.	
Supervisory board		
Salaries and remunerations	986 177,31	933 071,66
Pension commitments	No pension commitments.	
Monetary loans and terms thereof	No monetary loans granted.	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted.	

K3.3.3 Average number of personnel during the financial year

Office staff	3 428	3 404
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K3.4 Auditor's fees by assignment category

	2018	2017
Auditing	373 350,19	397 157,95
Assignments referred to in section 1, subsection 1, paragraph 2 of the Auditing Act	1 317,50	8 218,10
Tax advice	19 263,57	15 872,19
Other services	377 776,17	289 560,31
<i>Total</i>	<u>771 707,43</u>	<u>710 808,55</u>

K4. Net investment income and other income and expenses

K4.1 Specification of net investment income

Investment income	2018	2017
Income from group companies		
Dividend income	271 616,79	347 065,89
<i>Total</i>	271 616,79	347 065,89
Income from participating interests		
Interest income	-70 383,26	58 017,13
Other income	43,58	0,00
<i>Total</i>	-70 339,68	58 017,13
Income from real estate investmets in other companies		
Dividend income	858,21	858,21
Interest income	86 276,15	95 144,16
Other income	70 281 027,86	65 562 287,93
<i>Total</i>	70 368 162,22	65 658 290,30
Income from other investments		
Dividend income	140 477 709,03	121 246 054,38
Interest income	50 257 152,61	67 894 483,70
Other income	18 880 973,18	22 111 905,88
<i>Total</i>	209 615 834,82	211 252 443,96
Total	280 185 274,15	277 315 817,28
Value readjustments	37 504 145,13	104 383 231,40
Realized gains	233 607 043,38	154 606 068,78
Total investment income	551 296 462,66	536 305 117,46

Investment charges	2018	2017
Expenses arising from real estate investments	-34 769 238,43	-31 221 539,54
Expenses arising from other investments	-43 911 132,82	-24 326 190,46
Interest paid and other expenses on liabilities		
From other companies	-7 363 426,04	-4 435 517,47
<i>Total</i>	-7 363 426,04	-4 435 517,47
<i>Total</i>	-86 043 797,29	-59 983 247,47
Value adjustments and depreciation		
Value adjustments	-127 065 944,00	-59 317 440,15
Planned depreciation on buildings	-24 544 631,57	-20 642 028,84
<i>Total</i>	-151 610 575,57	-79 959 468,99
Realized losses	-28 441 160,10	-35 879 518,81
<i>Total investment charges</i>	-266 095 532,96	-175 822 235,27
<i>Net investment income before revaluations and revaluation adjustments</i>	285 200 929,70	360 482 882,19
Revaluations of investments	11 242 640,16	109 299 080,65
Revaluation adjustments on investments	-148 698 261,40	-25 559 782,70
	-137 455 621,24	83 739 297,95
<i>Net investment income in the profit and loss account</i>	147 745 308,46	444 222 180,14

K4.2 Investment income for unit-linked insurance policies

	2018	2017
Investment income	59 897 452,15	38 625 964,58
Investment charges	-5 080 313,02	-4 134 551,98
<i>Net investment income before revaluations and their adjustment as well as value adjustments and readjustments</i>	54 817 139,13	34 491 412,60
Revaluations of investments	11 242 640,16	109 299 080,65
Revaluation adjustments on investments	-151 547 332,17	-19 605 190,30
Value adjustments	-15 185 087,26	-1 158 651,74
Value readjustments	1 918 745,94	242 587,92
	-153 571 033,33	88 777 826,53
<i>Net investment income in the profit and loss account</i>	-98 753 894,20	123 269 239,13

K4.3 Specification of other income and expenses

Other income	2018	2017
Services sold to partner companies	56 534 467,92	51 334 504,66
Other other income	15 607 192,24	13 302 258,39
<i>Total</i>	72 141 660,16	64 636 763,05
Other expenses		
Depreciation of consolidated goodwill	-173 052,56	-317 779,29
Expenses for services sold	-46 428 861,74	-43 963 985,18
Transfer to personnel fund	-9 447,19	-522 445,78
Other expenses	-2 753 562,97	-4 354 689,47
<i>Total</i>	-49 364 924,46	-49 158 899,72

Notes concerning balance sheet items, LocalTapiola Group

K5. Current value of investments and difference between 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	2018 Book value	Current value
Real estate investments			
Real estate	893 240 052,91	917 812 352,24	1 157 205 557,80
Real estate shares in participating interests	38 560,86	38 560,86	71 984,43
Other real estate shares	135 812 903,45	135 968 940,08	170 112 404,97
	1 029 091 517,21	1 053 819 853,17	1 327 389 947,20
Investments in group companies			
Shares and holdings	7 097 056,07	7 097 056,07	7 132 176,15
	7 097 056,07	7 097 056,07	7 132 176,15
Investments in participating interests			
Shares and holdings	157 833 294,92	157 833 294,92	160 830 366,74
Debt securities	12 000 000,00	12 000 000,00	12 000 000,00
Loans receivable	1 500 000,00	1 500 000,00	1 500 000,00
	171 333 294,92	171 333 294,92	174 330 366,74
Other investments			
Shares and holdings	3 795 224 592,36	3 795 224 592,36	4 151 340 941,96
Debt securities	1 580 275 771,66	1 580 275 771,66	1 579 676 704,63
Loans guaranteed by mortgages	510 630 197,50	510 630 197,50	510 630 197,36
Other loans	313 934 149,70	313 934 149,70	313 934 149,72
Deposits	10 713 422,50	10 713 422,50	10 713 422,50
Other investments	424 090,21	424 090,21	507 778,01
	6 211 202 223,93	6 211 202 223,93	6 566 803 194,18
Deposits with ceding undertakings	661 413,85	661 413,85	661 413,85
	7 419 385 505,98	7 444 113 841,94	8 076 317 098,12

2018

The remaining acquisition cost of debt securities includes:

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

-7 087 487,59

Book value comprises

Revaluations released to income

24 728 335,96

Other revaluations

0,00

24 728 335,96

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

632 203 256,18

		2017	
Investments	Remaining acquisition cost	Book value	Current value
Real estate investments			
Real estate	855 612 205,13	872 336 327,35	1 078 882 608,39
Real estate shares in participating interests	40 196,97	40 196,97	71 984,43
Other real estate shares	137 914 194,87	138 299 450,84	170 741 846,47
	993 566 596,97	1 010 675 975,15	1 249 696 439,29
Investments in group companies			
Shares and holdings	7 097 056,07	7 097 056,07	7 097 056,07
	7 097 056,07	7 097 056,07	7 097 056,07
Investments in participating interests			
Shares and holdings	159 629 262,86	159 629 262,86	173 448 508,95
Debt securities	12 000 000,00	12 000 000,00	12 000 000,00
	172 379 262,86	172 379 262,86	186 198 508,95
Other investments			
Shares and holdings	3 915 389 364,31	3 915 389 364,31	4 407 423 324,82
Debt securities	1 428 747 577,68	1 428 747 577,68	1 464 644 796,53
Loans guaranteed by mortgages	533 250 354,87	533 250 354,87	533 250 354,80
Other loans	293 603 807,24	293 603 807,24	293 603 324,39
Deposits	17 725 124,07	17 725 124,07	17 725 124,07
Other investments	14 467 685,21	14 467 685,21	13 942 276,10
	6 203 183 913,38	6 203 183 913,38	6 730 589 200,71
Deposits with ceding undertakings	709 256,78	709 256,78	709 256,78
	7 376 936 086,06	7 394 045 464,24	8 174 290 461,80
The remaining acquisition cost of debt securities includes:			
Difference between the nominal value and acquisition cost released (+) or charged (-) to interest income			-4 309 489,13
Book value comprises			
Revaluations released to income		17 109 378,19	
Other revaluations		0,00	17 109 378,19
Difference in valuation (difference between current value and book value)			780 244 997,56

K5.2 Difference in valuation of non-hedging derivatives

		2018	
Derivative contracts	Remaining acquisition cost	Book value	Current value
Other debtors			
Assets pledged as security for derivatives	1 730 000,00	1 730 000,00	1 730 000,00
Other deferred income and credits			
Futures and forward contracts	0,00	0,00	967 645,02
	1 730 000,00	1 730 000,00	2 697 645,02
Difference in valuation (difference between current value and book value)			967 645,02

		2017	
Derivative contracts	Remaining acquisition cost	Book value	Current value
Other debtors			
Assets pledged as security for derivatives	810 000,00	810 000,00	810 000,00
Other deferred income and credits			
Futures and forward contracts	-725 727,13	-725 727,13	-667 804,35
	84 272,87	84 272,87	142 195,65
Difference in valuation (difference between current value and book value)			57 922,78

K6. Real estate investments

Changes in real estate investments:	2018
	Real estate and shares in real estate
Acquisition cost on 1 Jan.	1 100 932 206,28
Increase	119 326 872,46
Decrease	-150 926 583,65
Transfers between items	146 679 919,21
Acquisition cost on 31 Dec.	1 216 012 414,30
Accumulated depreciation on 1 Jan.	-88 637 172,82
Accumulated depreciation related to deductions and transfers	-54 870 923,93
Depreciation for the financial year	-24 544 631,57
Accumulated depreciation on 31 Dec.	-168 052 728,32
Value adjustments on 1 Jan.	-18 728 436,50
Value adjustments related to deductions and transfers	1 193 049,99
Value adjustments for the financial year	-4 390 129,03
Value readjustments	3 057 346,77
Value adjustments on 31 Dec.	-18 868 168,77
Revaluations on 1 Jan.	17 109 378,19
Decrease	-3 079 219,34
Transfers between items	10 698 177,11
Revaluations on 31 Dec.	24 728 335,96
Book value on 31 Dec.	1 053 819 853,17

Real estate and shares in real estate occupied for own activities:	
Remaining acquisition cost	42 898 675,09
Book value	43 153 343,61
Current value	43 153 343,61

K7. Investments in group companies and participating interests

Shares and holdings in group companies

	2018	2017
Acquisition cost on 1 Jan.	7 097 056,07	7 097 056,07
Book value on 31 Dec.	<u>7 097 056,07</u>	<u>7 097 056,07</u>

Shares and holdings in participating interests

Acquisition cost on 1 Jan.	234 582 688,27	235 742 295,76
Increase	14 471 922,81	4 128 040,95
Decrease	<u>-14 710 113,28</u>	<u>-5 287 648,44</u>
Acquisition cost on 31 Dec.	234 344 497,80	234 582 688,27
Value adjustments on 1 Jan.	-74 953 425,41	-77 457 353,02
Value adjustments for the financial year	-1 557 777,47	0,00
Value readjustments	<u>0,00</u>	<u>2 503 927,61</u>
Value adjustments on 31 Dec.	-76 511 202,88	-74 953 425,41
Book value on 31 Dec.	<u>157 833 294,92</u>	<u>159 629 262,86</u>

Debt securities issued by and loans to participating interests

Acquisition cost on 1 Jan.	12 750 000,00	12 000 000,00
Increase	<u>750 000,00</u>	<u>750 000,00</u>
Acquisition cost on 31 Dec.	13 500 000,00	12 750 000,00
Book value on 31 Dec.	<u>13 500 000,00</u>	<u>12 750 000,00</u>

Total

<u>178 430 350,99</u>	<u>179 476 318,93</u>
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K7.1 Investments in companies included in LocalTapiola Group's consolidated financial statements

Shares and holdings	Domicile	Share of stocks %	Equity	Profit for the accounting period
Akapo-Leasing Oy	1) Espoo	100,0 %	11 862,49	0,00
Aura-Karelia Oy	1) Espoo	100,0 %	147 934,04	0,00
Keskinäinen Vakuutusyhtiö Turva	4) Tampere	76,0 %	43 593 201,98	6 470 362,29
LTC-Otso Oy	2) Helsinki	54,0 %	8 369 736,57	4 806 958,31
LähiTapiola Core Kiinteistöt Ky -konserni	3) Espoo	100,0 %	30 265 466,45	-642 627,36
LähiTapiola Etelä Keskinäinen Vakuutusyhtiö	3) Salo	100,0 %	43 174 360,89	4 014 411,69
LähiTapiola Etelä-Pohjanmaa Keskinäinen Vakuutusyhtiö	3) Seinäjoki	100,0 %	43 276 196,46	7 013 296,88
LähiTapiola Etelärannikko Keskinäinen Vakuutusyhtiö	3) Parainen	100,0 %	12 243 134,36	1 126 465,56
LähiTapiola Itä Keskinäinen Vakuutusyhtiö	3) Iisalmi	100,0 %	55 001 555,53	6 046 650,42
LähiTapiola Kaakkois-Suomi Keskinäinen Vakuutusyhtiö	3) Lappeenranta	100,0 %	42 867 489,51	8 886 252,62
LähiTapiola Kainuu-Koillismaa Keskinäinen Vakuutusyhtiö	3) Kajaani	100,0 %	21 299 270,26	2 096 591,31
LähiTapiola Keskinäinen Henkivakuutusyhtiö	3) Espoo	100,0 %	457 018 982,91	46 738 033,77
LähiTapiola Keski-Suomi Keskinäinen Vakuutusyhtiö	3) Jyväskylä	100,0 %	36 857 282,59	4 405 226,04
LähiTapiola Kiinteistösijoitus I GP Oy	1) Espoo	100,0 %	2 328,00	-127,80
LähiTapiola Kiinteistösijoitus I Ky	3) Espoo	100,0 %	45 380 835,41	644 469,85
LähiTapiola Kiinteistövarainhoito Oy -konserni	1) Espoo	100,0 %	10 147 566,49	2 321 941,75
LähiTapiola KR PK2 Ky -konserni	3) Espoo	100,0 %	16 101 505,92	-177 949,75
LähiTapiola Lappi Keskinäinen Vakuutusyhtiö	3) Rovaniemi	100,0 %	20 918 567,77	1 497 841,72
LähiTapiola Loimi-Häme Keskinäinen Vakuutusyhtiö	3) Loimaa	100,0 %	22 430 887,35	1 469 039,72
LähiTapiola Lännen Keskinäinen Vakuutusyhtiö	3) Rauma	100,0 %	42 203 552,74	3 402 056,69
LähiTapiola Palvelut Oy	1) Espoo	100,0 %	10 455 714,95	-1 385 152,13
LähiTapiola Pirkanmaa Keskinäinen Vakuutusyhtiö	3) Tampere	100,0 %	39 254 459,14	5 375 777,97
LähiTapiola Pohjanmaa Keskinäinen Vakuutusyhtiö	3) Vaasa	100,0 %	44 141 813,72	6 396 305,55
LähiTapiola Pohjoinen Keskinäinen Vakuutusyhtiö	3) Oulu	100,0 %	73 679 905,24	9 970 133,11
LähiTapiola Pääkaupunkiseutu Keskinäinen Vakuutusyhtiö	3) Helsinki	100,0 %	58 250 628,34	-5 483 861,73
LähiTapiola Pääomasijoitus GP Oy	3) Espoo	100,0 %	671,94	447,90
LähiTapiola Pääomasijoitus I Ky	3) Espoo	100,0 %	103 307 021,99	12 171 833,66
LähiTapiola Pääomasijoitus II GP Oy	1) Espoo	100,0 %	2 157,18	-132,55
LähiTapiola Pääomasijoitus II Ky	3) Espoo	100,0 %	32 796 047,39	-1 117 343,25
LähiTapiola Pääomasijoitus III GP Oy	1) Espoo	100,0 %	2 328,00	-127,80
LähiTapiola Pääomasijoitus III Ky	3) Espoo	100,0 %	137 281 391,14	20 122 104,17
LähiTapiola Pääomasijoitus IV GP Oy	1) Espoo	100,0 %	-86,65	-86,65
LähiTapiola Rahoitus Oy	1) Espoo	100,0 %	17 736 510,68	-1 638 823,49
LähiTapiola Rahoitusyhtiö I Ky	3) Espoo	99,0 %	165 062 933,85	62 933,85
LähiTapiola Satakunta Keskinäinen Vakuutusyhtiö	3) Rauma	100,0 %	22 523 942,73	2 824 567,53
LähiTapiola Savo Keskinäinen Vakuutusyhtiö	3) Kuopio	100,0 %	38 979 888,76	3 139 254,75
LähiTapiola Savo-Karjala Keskinäinen Vakuutusyhtiö	3) Mikkeli	100,0 %	28 016 034,71	3 007 663,59
LähiTapiola Tampereen Tornit Ky	2) Espoo	95,6 %	13 929 166,67	0,00
LähiTapiola Tontit GP I Oy	3) Espoo	97,6 %	109 386,91	4 125,35
LähiTapiola Tontit GP II Oy	1) Espoo	100,0 %	96 281,04	-1 246,94
LähiTapiola Tontit I Ky	3) Espoo	97,6 %	43 851 718,70	2 751 718,62
LähiTapiola Tontit II Ky	3) Espoo	95,1 %	5 443 562,44	305 400,90
LähiTapiola Uusimaa Keskinäinen Vakuutusyhtiö	3) Porvoo	100,0 %	42 627 462,49	5 323 917,84
LähiTapiola Varainhoito Oy	1) Espoo	100,0 %	22 269 954,42	1 607 664,86
LähiTapiola Varsinais-Suomi Keskinäinen Vakuutusyhtiö	3) Turku	100,0 %	38 053 149,85	2 420 302,21
LähiTapiola Velkasijoitus I GP Oy	1) Espoo	100,0 %	2 220,75	-130,40
LähiTapiola Velkasijoitus I Ky	3) Espoo	99,3 %	65 966 648,01	1 570 923,48
LähiTapiola Vellamo Keskinäinen Vakuutusyhtiö	3) Lahti	100,0 %	42 505 540,90	4 464 286,09
LähiTapiola Yhteiset Kiinteistöt Ky	3) Espoo	100,0 %	183 151 217,48	3 873 924,83
LähiTapiola Yritysrahoitus I GP Oy	1) Espoo	100,0 %	7 574,98	-197,99
LähiTapiola Yritysrahoitus I Ky	3) Espoo	100,0 %	653 820 348,11	16 127 295,52

Shares and holdings	Domicile	Share of stocks %	Equity	Profit for the accounting
Tapiolan Revontuli Oy	1) Espoo	100,0 %	52 751,70	1 409,77
Tieto-Tapiola Oy	1) Espoo	100,0 %	4 117 752,98	267 866,19
Tietotyö Oy	1) Espoo	100,0 %	849 032,30	1 210,95
Vakuutusneuvonta Aura Oy	2) Espoo	66,7 %	10 729,40	0,00
Vakuutusneuvonta Pohja Oy	2) Espoo	66,7 %	10 672,17	0,00
Total			2 839 678 252,13	192 282 859,47

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

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

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

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

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

K7.2 Investments in participating interests

Shares and holdings	Domicile	Share of stocks %	Equity	Profit for the accounting period
Fundu Platform Oy	2) Kurikka	20,9 %	390 241,51	-2 115 092,47
Pihlajalinna Oyj -konserni	3) Tampere	23,8 %	121 900 000,00	3 800 000,00
Project-IT Oy	2) Lohja	25,0 %	2 105 278,58	1 011 488,79
Seligson & Co Oyj -konserni	3) Helsinki	38,9 %	11 999 000,00	2 127 000,00
S-Pankki Oy -konserni	3) Helsinki	23,5 %	441 841 909,26	6 681 948,16
Total			578 236 429,35	11 505 344,48

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

2) Participating interest

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

K7.3 Other investments

Security	Share of stocks %	Number	Book value	Current value	Home country
Finnish companies, listed					
Amer- Sports Oyj	0,22	254 050,00	2 950 542,86	9 747 898,50	Finland
Fortum Oyj	0,00	42 680,00	735 586,03	815 188,00	Finland
Huhtamäki Oyj	0,23	246 300,00	6 610 111,23	6 667 341,00	Finland
Kone Oyj B	0,04	186 000,00	4 813 196,69	7 745 040,00	Finland
Nokia Oyj	0,03	1 612 700,00	8 111 881,00	8 111 881,00	Finland
Stora Enso R	0,08	481 600,00	4 017 407,39	4 856 936,00	Finland
Suomen Hoivatilat Oyj	0,78	199 116,00	563 060,97	1 573 016,40	Finland
UPM-Kymmene Oyj	0,01	53 272,00	617 692,05	1 179 974,80	Finland
Vaisala Oyj A	1,43	422 798,00	4 946 104,98	6 976 167,00	Finland
Wulff-Yhtiöt Oyj	5,95	411 100,00	694 759,00	694 759,00	Finland
Others		2 043 570,00	3 817 462,14	5 462 730,55	
Total		5 953 186,00	37 877 804,34	53 830 932,25	

Security	%	Number	Book value	Current value	Home country
Finnish companies, non-listed					
A-osake - LeaseGreen Group Oy	1,53	69 546,00	616 850,76	1 083 526,00	Finland
CAP-Group Oy	13,34	1 586,00	2 540 753,22	3 076 840,00	Finland
Keski-Pohjanmaan Kirjapaino Oyj A	15,52	32 000,00	699 661,77	825 600,00	Finland
Oy Wedeco Ab	10,90	126,00	1 351 664,62	1 351 664,62	Finland
Plugit Finland Oy	5,88	62 500,00	500 000,00	500 000,00	Finland
Sofigate Group Oy	5,95	1 209 400,00	4 058 785,26	4 244 993,48	Finland
Verso Food Oy	16,15	480 884,00	3 360 990,05	3 360 990,05	Finland
Viria Oyj	5,69	306 300,00	6 168 172,76	6 222 000,00	Finland
Others		211 182 221,38	132 425 966,04	202 299 978,42	
Total		213 344 563,38	151 722 844,48	222 965 592,57	
Foreign companies, listed					
AbbVie Inc	0,01	98 000,00	5 242 948,34	7 890 497,82	USA
Alphabet Inc Class C	0,00	6 400,00	5 788 562,45	5 788 562,45	USA
Amazoncom Inc	0,00	4 900,00	3 593 539,18	6 427 644,54	USA
Anheuser-Busch InBev NV	0,01	103 000,00	5 943 100,00	5 943 100,00	Belgium
Assa Abloy Ab B	0,04	438 000,00	6 754 856,26	6 754 856,26	Sweden
AstraZeneca PLC	0,01	145 000,00	8 928 875,73	9 519 915,49	UK
Automatic Data Processing Inc	0,01	55 000,00	4 512 925,87	6 298 340,62	USA
Axa Sa	0,02	579 000,00	10 918 782,00	10 918 782,00	France
Banco Bilbao Vizcaya Argentaria SA	0,02	1 340 000,00	6 211 570,00	6 211 570,00	Spain
BASF SE	0,01	93 000,00	5 617 200,00	5 617 200,00	Germany
Brenntag AG	0,07	110 000,00	4 147 000,00	4 147 000,00	Germany
Carl Zeiss Meditec AG	0,11	97 885,00	1 884 673,89	6 685 545,50	Germany
Danaher Corp	0,01	50 000,00	4 218 757,90	4 503 056,76	USA
Deutsche Telekom AG	0,01	628 000,00	9 306 960,00	9 306 960,00	Germany
Henkel Kgaa -Vorzug	0,06	113 000,00	10 780 200,00	10 780 200,00	Germany
Illinois Tool Works Inc	0,02	54 000,00	5 974 899,57	5 974 899,57	USA
ING Groep NV	0,02	797 000,00	7 499 770,00	7 499 770,00	The Netherlands
Ingersoll-Rand PLC	0,03	81 000,00	5 930 145,03	6 453 825,33	USA
Lowe's Cos Inc	0,01	63 000,00	4 909 106,82	5 081 816,59	USA
Medtronic Inc	0,01	81 700,00	4 360 537,29	6 490 333,62	Ireland
Merck & Co Inc	0,00	102 000,00	4 573 926,14	6 806 829,69	USA
Merck KGAA	0,10	124 000,00	10 288 869,82	11 157 520,00	Germany
Mondelez International Inc	0,01	110 000,00	3 845 676,85	3 845 676,85	USA
National Grid PLC	0,03	875 832,00	7 482 262,35	7 482 262,35	UK
Nestle Sa	0,00	105 000,00	7 435 442,36	7 435 442,36	Switzerland
NIKE Inc	0,01	67 000,00	4 338 323,14	4 338 323,14	USA
PepsiCo Inc	0,00	67 000,00	4 204 887,92	6 464 768,56	USA
Procter & Gamble Co	0,00	90 000,00	5 949 395,75	7 225 152,84	USA
RELX PLC	0,01	290 000,00	5 236 882,59	5 240 573,27	UK
Roche Holding Ag	0,00	32 000,00	6 805 646,24	6 911 704,68	Switzerland
Rockwell Automation Inc/DE	0,04	47 000,00	6 176 908,30	6 176 908,30	USA
salesforcecom Inc	0,01	57 000,00	6 638 593,96	6 818 593,88	USA
SAP Ag	0,01	108 000,00	9 388 440,00	9 388 440,00	Germany
Schlumberger Ltd	0,01	96 000,00	3 025 048,03	3 025 048,03	Curaçao
Schneider Electric Sa	0,02	90 000,00	5 374 800,00	5 374 800,00	France
Siemens Healthineers AG	0,02	237 062,00	6 983 451,86	8 663 430,80	Germany
Swiss Re Ltd	0,04	144 000,00	11 515 910,91	11 515 910,91	Switzerland
Total Sa	0,01	233 000,00	10 538 533,82	10 759 940,00	France
UniCredit SpA	0,02	500 000,00	4 947 000,00	4 947 000,00	Italy
Unilever Nv -CVA	0,02	262 000,00	9 675 889,35	12 424 040,00	The Netherlands
US Bancorp	0,01	127 000,00	5 068 908,30	5 068 908,30	USA
Verizon Communications Inc	0,00	106 000,00	5 118 684,92	5 204 646,28	USA
Visa Inc	0,00	69 000,00	5 176 958,27	7 950 969,43	USA
Vodafone Group Plc	0,01	2 990 000,00	5 110 739,71	5 110 739,71	UK
Others		23 286,00	113 311,56	113 704,52	
Total		11 890 065,00	277 538 902,48	307 745 210,45	

Security	%	Number	Book value	Current value	Home country
Foreign companies, non-listed					
European Alliance Partners Company AG	12,73	9 248,00	768 146,84	1 034 811,85	Switzerland
Others		98 251,00	168 904,65	168 904,65	
Total		107 499,00	937 051,49	1 203 716,50	
Mutual funds					
Aktia Trade Finance Erikoissijoitusrahasto			11 987 552,40	12 007 971,08	Finland
Amundi ETF MSCI Emerging Markets UCITS ETF			1 999 887,64	2 167 153,20	France
AMUNDI PLANT EM GRN 1-SEURH			19 160 280,00	19 160 280,00	Luxembourg
BNP Paribas FPS FPE			29 805 443,69	29 805 443,69	France
BNP Paribas Global Senior Corporate Loans			60 345 560,22	60 345 560,22	France
eQ Hoivakiinteistöt			1 274 672,98	1 427 791,30	Finland
GS Emerging Markets Equity			12 272 712,59	12 272 712,59	Luxembourg
ISAM Systematic Trend (Class Q)			7 276 514,42	7 276 514,42	Cayman Islands
iShares Barclays Capital Euro Corporate Bond 1-5			6 769 768,11	6 820 936,80	Ireland
iShares Barclays Capital Euro Corporate Bond			48 766 504,26	48 833 710,00	Ireland
iShares Barclays Euro Corporate Bond IR Hedged			1 356 060,25	1 356 060,25	Ireland
iShares Core MSCI Emerging Markets IMI UCITS ETF			4 196 130,05	4 399 362,00	Germany
iShares Euro Corp Bnd ex-fin			31 276 690,27	31 276 690,28	Ireland
Lynx Fund			8 413 076,70	8 413 076,70	Sweden
LähiTapiola AIF Eurooppa			82 578 389,85	82 578 389,85	Finland
LähiTapiola AIF High Yield			27 924 013,46	27 924 013,46	Finland
LähiTapiola AIF Pitkäkorko			75 395 962,44	75 395 962,44	Finland
LähiTapiola AIF USA			40 708 697,66	45 551 016,24	Finland
LähiTapiola AIF Yrityslaina			257 621 855,54	257 621 855,54	Finland
LähiTapiola Asuntosijoitus Kapitalisaatiosopimus			868 057,93	931 426,16	Finland
LähiTapiola Eurooppa Keskisuuret A			27 360 448,16	29 202 078,56	Finland
LähiTapiola Eurooppa Keskisuuret B			1 212 509,88	1 212 509,88	Finland
LähiTapiola Eurooppa Markkina A			23 677 503,93	23 677 503,93	Finland
LähiTapiola High Yield A			98 927 963,27	118 227 535,13	Finland
LähiTapiola High Yield B			2 423 283,76	2 612 570,57	Finland
LähiTapiola Hyvinvointi A			18 835 258,70	32 053 621,46	Finland
LähiTapiola Hyvinvointi B			748 601,42	1 113 445,14	Finland
LähiTapiola Infra A			15 274 735,90	19 721 915,92	Finland
LähiTapiola Kasvu A			16 804 693,18	24 025 930,45	Finland
LähiTapiola Kehittynyt Aasia A			57 582 804,92	64 891 050,45	Finland
LähiTapiola Kehittynyt Aasia B			1 046 923,13	1 189 285,16	Finland
LähiTapiola Kehittyvät Korkomarkkinat A			294 324 574,63	298 352 222,58	Finland
LähiTapiola Kehittyvät Korkomarkkinat B			5 952 691,07	5 952 691,07	Finland
LähiTapiola Kehittyvät Markkinat A			83 848 335,58	89 239 165,36	Finland
LähiTapiola Kehittyvät Markkinat B			637 380,58	637 380,58	Finland
LähiTapiola Korkomaailma A			53 428 433,08	58 848 526,34	Finland
LähiTapiola Korkomaailma B			3 050 117,30	3 050 117,30	Finland
LähiTapiola Kuluttaja A			11 912 510,99	19 288 392,51	Finland
LähiTapiola Lyhytkorko A			101 375 729,90	101 376 966,11	Finland
LähiTapiola Osinko A			14 756 505,62	17 981 805,84	Finland
LähiTapiola Osinko Suomi A			11 427 025,83	15 907 922,26	Finland
LähiTapiola Pitkäkorko A			34 161 398,95	36 397 014,11	Finland
LähiTapiola Pitkäkorko B			2 051 400,68	2 051 400,68	Finland
LähiTapiola Pohjoinen Yrityskorko A			113 036 480,17	126 679 813,96	Finland
LähiTapiola Pohjoinen Yrityskorko B			5 113 825,62	5 113 825,62	Finland
LähiTapiola Reaalikorko A			58 908 638,03	58 908 638,03	Finland
LähiTapiola Sijoituskiinteistöt A			52 804 740,74	55 180 954,07	Finland
LähiTapiola Skandinavia A			26 109 803,02	26 240 525,43	Finland
LähiTapiola Suoja A			39 891 725,05	41 843 300,18	Finland

Security

	Book value	Current value	Home country
LähiTapiola USA Keskisuuret A	33 424 889,23	45 542 031,14	Finland
LähiTapiola USA Keskisuuret B	775 265,81	979 621,95	Finland
LähiTapiola USA Markkina A	24 811 209,05	25 396 306,74	Finland
LähiTapiola Yrityskorko A	268 458 039,99	296 704 916,96	Finland
LähiTapiola Yrityskorko B	10 958 332,01	11 306 875,89	Finland
Natixis Loomis Sayles Senior Loan Fund	11 499 998,50	12 258 528,67	Luxembourg
Pimco Socially Responsible EM Bond Fund I-EUR HA	87 346 047,00	91 223 057,49	Ireland
Robeco QI Global Dynamic Duration I EUR	1 436 304,05	2 197 967,46	Luxembourg
SEB Global High Yield B	501 819,37	821 529,55	Finland
Seligson Euro Corporate Bond	11 650 000,02	12 332 570,71	Finland
Seligson Euro Corporate Bond B	827 948,23	827 948,23	Finland
Seligson OMX Helsinki 25 -indeksiosuus	505 694,48	743 986,50	Finland
Transtrend Fund Alliance - OmniTrend (EUR)	9 019 841,08	9 019 841,08	Luxembourg
UBAM - Euro 10-40 Convertible Bond	12 115 008,96	12 115 008,96	Luxembourg
Winton Diversified Fund (UCITS) EUR I-2 Shares	18 029 052,15	18 029 052,15	Ireland
Ålandsbanken Asuntorahasto C	500 000,00	546 073,79	Finland
Ålandsbanken Tonttirahasto Eriksijrahasto A-laji	500 000,00	508 071,56	Finland
Others	4 433 978,71	5 685 756,63	
Total	2 403 477 302,19	2 562 783 180,36	

Capital mutual funds

Aberdeen Property Fund Finland I Ky	13 105 697,29	13 105 697,29	Finland
Aberdeen Property Fund Finland I Ky	9 486 065,80	9 486 065,80	Finland
Aberdeen Property Funds SICAV Pan-Nordic	920 852,35	920 852,35	Luxembourg
Altor Fund II (No 1) Limited Partnership	1 510 032,00	1 510 032,00	Jersey
Altor Fund III	7 980 010,36	12 024 763,84	Jersey
Altor Fund IV (No2) AB	9 836 684,14	11 956 649,18	Sweden
Amanda III Eastern Private Equity LP	760 099,00	760 099,00	Finland
Amanda V East LP	3 935 058,80	4 128 611,00	Finland
Apax Europe VII - B, LP	3 866 481,46	3 866 481,46	UK
Apax IX L.P.	8 376 267,87	10 439 456,00	Guernsey
Apax VIII - A L.P.	18 951 991,30	18 951 991,30	Guernsey
Ares Private Credit Solutions, L.P.	6 959 500,85	7 254 265,29	Cayman Islands
Armada Mezzanine IV Ky	4 550 041,74	5 015 687,82	Finland
AXA LBO Fund V Core	4 713 946,58	6 674 560,00	France
AXA LBO Fund V Supplementary	3 263 422,00	5 105 466,00	France
Beechbrook Mezzanine II LP	8 747 330,88	8 747 330,88	UK
Beechbrook Private Debt III LP	10 808 982,01	10 957 137,90	UK
Beechbrook UK SME Credit I LP	15 059 891,00	15 059 891,00	UK
BlackRock Europe Property Fund III	627 914,98	627 914,98	UK
Bowmark Capital Partners IV, LP	6 016 567,36	6 016 567,36	UK
Bowmark Capital Partners V, LP	7 505 541,46	7 505 541,46	UK
Bridgepoint Europe III, LP	1 904 340,00	1 904 340,00	UK
Bridgepoint Europe IV F LP	5 668 628,53	6 504 819,89	UK
Bridgepoint Europe V C LP	16 749 278,78	18 964 160,00	UK
Capvis Equity III LP	3 283 312,00	3 283 312,00	Jersey
Capvis Equity IV LP	5 486 124,00	5 486 124,00	Jersey
Cordet Direct Lending SCSp	16 314 582,84	16 352 643,67	Luxembourg
Crescent Mezzanine Partners VI, L.P.	18 427 025,33	18 427 025,33	USA
Crown European Private Debt II SCSp	20 810 391,57	20 810 391,57	Luxembourg
Dasos Timberland Fund II	14 519 582,76	17 096 593,10	Luxembourg
Dasos Timberland Fund II	9 512 834,77	10 164 442,99	Luxembourg
eQ PE VIII North LP	3 066 773,84	3 066 773,84	Finland
EQT Mid-Market Credit II (EUR Unlevered No. 1) SCSp	6 000 000,02	6 158 928,40	Luxembourg
Euro Choice Secondary II L.P.	3 800 130,95	4 022 461,56	UK

Security	Book value	Current value	Home country
FPCI Indigo Capital	13 057 816,16	14 443 760,00	France
FSN Capital V L.P.	2 402 182,11	2 402 182,11	Jersey
Fundu Fund Ky	2 508 434,86	2 508 434,86	Finland
GreenOak UK Secured Lending LP	3 811 663,11	3 811 663,11	Jersey
ICECAPITAL Residential Property Fund I Ky	10 141 732,28	12 825 793,29	Finland
ICG Europe Fund V	13 097 209,34	13 097 209,34	Jersey
ICG Europe Fund VI	31 942 841,26	39 102 099,84	Jersey
ICG Europe Fund VII	1 629 700,61	1 629 700,61	Luxembourg
ICG Senior Debt Partners Fund	3 763 893,56	3 763 893,56	Luxembourg
ICG Senior Debt Partners Fund 2	24 285 224,24	25 132 981,81	Luxembourg
ICG Senior Debt Partners Fund 3	6 822 441,76	6 822 441,76	Luxembourg
ICG-Longbow UK Real Estate Debt Investments III S�rl	12 486 151,52	12 486 151,52	Luxembourg
Infranode I (No 1) AB	8 133 730,66	8 372 677,00	Sweden
Juuri Rahasto I Ky	9 060 082,75	9 741 219,55	Finland
Kasvurahastojen Rahasto III Ky	501 888,00	501 888,00	Finland
Korona Fund III Ky	1 428 818,00	1 428 818,00	Finland
KSK Parking I Ky	7 200 000,00	7 200 000,00	Finland
KSK Parking I Ky	7 200 000,00	7 200 000,00	Finland
KSK Redi Ky	10 800 000,00	10 800 000,00	Finland
KSK Redi Ky	10 800 000,00	10 800 000,00	Finland
Lindsay Goldberg III LP	1 330 392,14	1 330 392,14	USA
Lounais-Suomen Kiinteist�sijoitus Ky	744 000,00	744 000,00	Finland
L�hiTapiola Asuntorahasto Prime Ky	21 640 509,14	23 205 833,19	Finland
L�hiTapiola Asuntosijoitus Suomi Ky	47 013 254,08	54 907 460,64	Finland
M&G Real Estate Debt Fund II, LP	11 294 381,94	11 294 381,94	Guernsey
MB Equity Fund IV Ky	5 862 478,98	5 862 478,98	Finland
MB Equity Fund V Ky	5 140 913,60	5 140 913,60	Finland
mcp Opportunity Secondary Program III, L.P.	9 916 559,09	13 680 062,81	UK
mcp Opportunity Secondary Program IV, L.P.	1 437 972,45	1 437 972,45	UK
NB Private Debt Fund II LP	15 944 351,10	15 944 351,10	USA
NegaWatt Energiatehokkuusrahasto 2 Ky	950 394,38	950 394,38	Finland
Nest Capital 2015 Fund Ky	10 317 729,66	10 568 949,57	Finland
Nexit INFOCOM II LP	1 770 934,62	5 809 245,82	Guernsey
Nordic Mezzanine Fund III Limited Partnership	4 103 471,11	5 654 924,96	UK
Partners Group US Venture 2004, LP	1 837 273,36	1 837 273,36	USA
PBW II Real Estate Fund SA	4 573 695,00	4 573 695,00	Luxembourg
Rantum Capital GmbH & Co. Private Debt Fund I KG	8 687 277,61	8 687 277,61	Germany
Rantum Capital GmbH & Co. Private Debt Fund II KG	6 750 899,44	6 750 899,44	Germany
Real Estate Debt & Secondaries Ky	1 689 546,77	1 689 546,77	Finland
Real Estate Debt & Secondaries Ky	1 689 546,77	1 689 546,77	Finland
Real Estate Fund of Funds II Ky	1 442 089,19	1 487 313,68	Finland
Saga VI EUR K/S	6 019 782,00	6 928 000,00	Denmark
Saga VI USD K/S	4 905 756,33	4 905 756,33	Denmark
Sentica Buyout V Ky	3 626 330,00	4 047 530,00	Finland
Siguler Guff Small Business Credit Opportunities Fund LP	10 804 020,84	10 804 020,84	USA
Tapiola KR I Ky	22 265 242,54	22 265 242,54	Finland
Tapiola KR III Ky	102 135 702,13	102 135 702,13	Finland
The Triton Fund III LP	7 049 700,00	7 727 465,06	Jersey
Tikehau Direct Lending III	16 508 207,48	19 215 983,30	Luxembourg
Tikehau Direct Lending IV	10 494 848,56	10 494 848,56	Luxembourg
Top Tier Venture Capital III, LP	1 964 518,17	1 964 518,17	USA
Top Tier Venture Capital IV, LP	4 204 935,61	7 731 308,20	USA
TPG Partners VI, LP	14 686 767,68	14 686 767,68	USA
TPG Partners VII, LP	17 222 393,40	21 469 764,19	USA
Vaaka Partners Buyout Fund III Ky	2 674 692,90	2 828 391,00	Finland
WasaGroup Fund I Ky	969 940,47	1 286 632,61	Finland
WasaGroup Fund II Ky	922 803,98	1 302 017,08	Finland

Security	Book value	Current value	Home country
WasaGroup Fund III Ky	1 246 069,82	1 483 468,27	Finland
Verdane ETF III SPV K/S	873 337,00	873 337,00	Denmark
VSS Structured Capital Parallel III, LP	7 440 234,06	7 440 234,06	USA
Others	69 918 539,14	83 546 415,98	
Total	923 670 687,38	1 002 812 309,83	
Total other investments, shares and holdings	3 795 224 592,36	4 151 340 941,96	

K7.4 Assets covering unit linked policies

Security	Current value	Book value	Home country
Shares			
Amer- Sports Oyj	650 870,31	650 870,31	Finland
Aspo Oyj	530 534,00	530 534,00	Finland
Bittium Oyj	544 099,78	544 099,78	Finland
Evli Bank PLC	540 882,16	540 882,16	Finland
Fortum Oyj	1 376 804,40	1 376 804,40	Finland
Ilkka-Yhtymä Oyj II	561 137,50	561 137,50	Finland
KCI Konecranes Oyj	611 139,62	611 139,62	Finland
Kone Oyj B	561 765,24	561 765,24	Finland
Neste Oyj	842 606,24	842 606,24	Finland
Nokia Oyj	3 789 345,47	3 789 345,47	Finland
Nokian Renkaat Oyj	784 029,06	784 029,06	Finland
Nordea Bank AB	509 088,43	509 088,43	Finland
Nordea Bank Abp	2 769 266,59	2 769 266,59	Finland
Outokumpu Oyj	541 919,94	541 919,93	Finland
PowerCell Sweden AB	514 588,29	514 588,29	Sweden
Sampo Oyj A	1 403 155,71	1 403 155,71	Finland
Stora Enso R	534 636,11	534 636,11	Finland
TeliaSonera Ab	1 115 237,28	1 115 237,28	Sweden
UPM-Kymmene Oyj	1 066 899,05	1 066 899,05	Finland
Others	16 415 996,74	16 415 996,74	
Total	35 664 001,92	35 664 001,91	

Security	Current value	Book value	Home country
Mutual funds			
Amundi ETF MSCI EM Asia UCITS ETF	686 043,67	686 043,67	France
Amundi MSCI Nordic Ucits ETF	1 501 955,10	1 501 955,10	France
BGF-EUROPEAN VALUE-I2 EUR	562 422,72	562 422,72	Luxembourg
BLACKROCK GIF I EMMKT EQ-F2E	730 937,89	730 937,89	Luxembourg
DB X-Trackers - DJ EURO STOXX 50 ETF	4 558 640,45	4 558 640,45	Germany
DB X-Trackers DJ Stoxx 600 Index ETF	821 080,65	821 080,65	Germany
EAI Residential asuntorahasto 2015	1 285 200,00	1 285 200,00	Finland
EAI Residential asuntorahasto 2016	504 450,00	504 450,00	Finland
EAI Residential asuntorahasto 2018	550 000,00	550 000,00	Finland
eQ CO2 1 K	1 023 497,49	1 023 497,49	Finland
eQ Euro Investment Grade 1 T	525 093,03	525 093,03	Finland
EQ Eurooppa Indeksi-1 K	510 811,26	510 811,26	Finland
EQ Eurooppa Kiinteistö-1 K	1 144 698,89	1 144 698,89	Finland
EQ Eurooppa Osinko 1 K	998 560,85	998 560,85	Finland
eQ High Yield Bond 1 K	612 498,13	612 498,13	Finland
eQ High Yield Bond 1 T	552 406,20	552 406,20	Finland
eQ Hoivakiinteistöt	25 176 267,08	25 176 267,08	Finland
Eq Kasvava Aasia 1 K	897 061,75	897 061,75	Finland
eQ Kehittyvät Markkinat Osinko 1 T	620 766,43	620 766,43	Finland
eQ Kehittyvät Markkinat Osinko 1K	2 217 735,92	2 217 735,92	Finland
eQ Kehittyvät Markkinat Pienyhtiö 1 K	1 045 391,71	1 045 391,71	Finland
eQ Liikekiinteistöt-1T	31 045 930,65	31 045 930,65	Finland
eQ Mandaatti-2K	1 399 542,11	1 399 542,11	Finland
eQ PE VIII North Ky	1 047 726,86	1 047 726,86	Finland
EQ Pohjoismaat Pienyhtiö 2 K	624 324,39	624 324,39	Finland
eQ Rahamarkkina 1 K	919 704,11	919 704,11	Finland
eQ USA Indeksi 1 K	2 046 527,12	2 046 527,12	Finland
Erikoissijoitusrahasto Elite	1 092 507,78	1 092 507,78	Finland
Erikoissijoitusrahasto UB Nordic Property	519 307,72	519 307,72	Finland
EVLI EMERGING FRONTIER-B	3 981 844,46	3 981 844,46	Finland
EVLI EMERGING MKT CREDIT-B	9 407 724,28	9 407 724,28	Finland
EVLI EQTY FACTOR EUR -B ACC	10 735 838,58	10 735 838,58	Finland
EVLI EQUITY FACTOR USA-B	8 456 068,80	8 456 068,80	Finland
Evli Euro Likvidi B	11 733 680,03	11 733 680,03	Finland
Evli Eurooppa B	8 175 882,95	8 175 882,95	Finland
Evli European High Yield B	27 940 262,65	27 940 262,65	Finland
Evli European Investment Grade B	1 643 854,05	1 643 854,05	Finland
EVLI FINNISH SMALL CAP	5 570 465,86	5 570 465,86	Finland
EVLI GEM-B	6 739 348,08	6 739 348,08	Finland
Evli Healthcare I Ky	23 922 000,00	23 922 000,00	Finland
Evli Lyhyt Yrityslaina B	37 704 328,85	37 704 328,85	Finland
Evli Maaailma B	640 495,73	640 495,73	Finland
EVLI NORTH AMERICA-B	760 616,96	760 616,96	Finland
Evli Pohjoismaat B	3 987 407,50	3 987 407,50	Finland
EVLI RENTAL YIELD AIF-A	8 236 181,41	8 236 181,41	Finland
Evli Suomi Select B	2 778 903,13	2 778 903,13	Finland
Evli Takt.Alpha-Korko B	23 589 183,95	23 589 183,95	Finland
Evli Varainhoito 30 B	596 123,63	596 123,63	Finland
Evli Varainhoito 50 B	1 936 471,74	1 936 471,74	Finland
FUNDSMITH EQUITY FEEDER-TI	516 592,25	516 592,25	Luxembourg
Harkitseva Varainhoito	996 510,00	996 510,00	Finland
Ib Ålandsbanken Bostadsfond Specialp. A	505 939,42	505 939,42	Finland

Security	Current value	Book value	Home country
Indeksivarainhoito 25	5 306 850,00	5 306 850,00	Finland
Indeksivarainhoito 50	6 225 661,38	6 225 661,38	Finland
iShares Core MSCI Emerging Markets IMI UCITS ETF	4 341 219,96	4 341 219,96	Luxembourg
iShares Core S&P 500 UCITS	8 806 528,00	8 806 528,00	Luxembourg
JPM Emerging Markets Opportunities I Acc EUR	2 599 829,98	2 599 829,98	Luxembourg
Kiinteistö-sijoitussalkku	61 097 474,22	61 097 474,22	Finland
Kiinteistö-sijoitussalkku A	1 699 514,60	1 699 514,60	Finland
Korkovarainhoitosalkku	2 532 072,05	2 532 072,05	Finland
LähiTapiola 2020 A	83 248 496,27	83 248 496,27	Finland
LähiTapiola 2025 A	154 262 582,44	154 262 582,44	Finland
LähiTapiola 2035 A	69 290 118,06	69 290 118,06	Finland
LähiTapiola 2045 A	17 364 510,00	17 364 510,00	Finland
LähiTapiola Asuntosijoitus	4 065 906,00	4 065 906,00	Finland
LähiTapiola Asuntosijoitus Prime	23 614 446,47	23 614 446,47	Finland
LähiTapiola Asuntosijoitus Suomi	5 310 687,17	5 310 687,17	Finland
LähiTapiola Eurooppa Keskisuuret A	23 779 725,26	23 779 725,26	Finland
LähiTapiola High Yield A	6 785 787,48	6 785 787,48	Finland
LähiTapiola Hyvinvointi A	27 236 331,45	27 236 331,45	Finland
LähiTapiola Infra A	4 687 977,94	4 687 977,94	Finland
LähiTapiola Kasvu A	12 914 663,34	12 914 663,34	Finland
LähiTapiola Kehittynyt Aasia A	11 809 784,69	11 809 784,69	Finland
LähiTapiola Kehittyvät Korkomarkkinat A	2 705 109,77	2 705 109,77	Finland
LähiTapiola Kehittyvät Markkinat A	31 573 604,40	31 573 604,40	Finland
LähiTapiola Korkomaailma A	25 773 781,20	25 773 781,20	Finland
LähiTapiola Kuluttaja A	21 519 368,89	21 519 368,89	Finland
LähiTapiola Lyhytkorko A	11 237 209,53	11 237 209,53	Finland
LähiTapiola Maailma 20 A	22 763 866,38	22 763 866,38	Finland
LähiTapiola Maailma 50 A	65 334 113,34	65 334 113,34	Finland
LähiTapiola Maailma 80 A	70 366 638,12	70 366 638,12	Finland
LähiTapiola Metsäsijoitus	3 589 968,44	3 589 968,44	Finland
LähiTapiola Osinko A	1 186 302,26	1 186 302,26	Finland
LähiTapiola Osinko Suomi A	14 321 013,47	14 321 013,47	Finland
LähiTapiola Pitkäkorko A	11 268 613,97	11 268 613,97	Finland
LähiTapiola Pohjoinen Yrityskorko A	4 981 107,60	4 981 107,60	Finland
LähiTapiola Skandinavia A	1 032 995,18	1 032 995,18	Finland
LähiTapiola Suoja A	1 234 283,21	1 234 283,21	Finland
LähiTapiola Tapiolan Keskus	2 102 210,66	2 102 210,66	Finland
LähiTapiola Toimitila	716 571,14	716 571,14	Finland
LähiTapiola USA Keskisuuret A	7 965 618,16	7 965 618,16	Finland
LähiTapiola Viisas	20 517 556,53	20 517 556,53	Finland
LähiTapiola Yrityskorko A	5 383 597,17	5 383 597,17	Finland
Momentum-varainhoito	94 473 539,52	94 473 539,52	Finland
Old Mutual North American Equity I EUR	790 686,48	790 686,48	UK
Osakevarainhoitosalkku	742 193,14	742 193,14	Finland
Private Banking Korkostrategia	1 005 060,00	1 005 060,00	Finland
Private Banking Strategia 10	5 949 272,44	5 949 272,44	Finland
Private Banking Strategia 30	15 220 934,51	15 220 934,51	Finland
Private Banking Strategia 50	7 627 153,71	7 627 153,71	Finland
Private Banking Strategia 70	2 260 094,75	2 260 094,75	Finland
Pääomasijoitukset-sij.salkku A	1 228 816,17	1 228 816,17	Finland
Reipas Varainhoito	993 850,00	993 850,00	Finland
Rohkea Varainhoito	989 880,00	989 880,00	Finland
Seligson & Co Tropico LatAm (EUR)	701 325,67	701 325,67	Finland
Seligson Aasia A	3 135 243,78	3 135 243,78	Finland
Seligson Euro-obligaatio	908 382,82	908 382,82	Finland
Seligson Eurooppa -indeksirahasto A	6 356 481,78	6 356 481,78	Finland
Seligson Glb Top 25 Brands -A	15 052 891,18	15 052 891,18	Finland

Security	Current value	Book value	Home country
Seligson Global Top 25 Pharmaceuticals A	12 342 358,96	12 342 358,96	Finland
Seligson Phoebus - A	1 853 061,66	1 853 061,66	Finland
Seligson Phoenix A	935 971,63	935 971,63	Finland
Seligson Pohjois-Amerikka -indeksirahasto A	2 188 236,28	2 188 236,28	Finland
Seligson Rahamarkkina AAA	1 940 936,63	1 940 936,63	Finland
Seligson Russian Pros Euro A	7 565 390,22	7 565 390,22	Finland
Seligson Suomi-indeksirahasto	10 095 323,37	10 095 323,37	Finland
Slättö Bostäder Invest AB	975 153,10	975 153,10	Sweden
Slättö IV AB	3 436 965,93	3 436 965,93	Sweden
Slättö VII AB- B Shares	3 216 990,38	3 216 990,38	Sweden
S-Sijoituskori Kohtuullinen	3 090 292,56	3 090 292,56	Finland
S-Sijoituskori Varovainen	5 003 470,36	5 003 470,36	Finland
Suojavarainhoito 10	8 114 031,56	8 114 031,56	Finland
Suojavarainhoito 15	2 988 826,99	2 988 826,99	Finland
Suojavarainhoito 25	1 128 168,15	1 128 168,15	Finland
Suojavarainhoito 5	520 126,49	520 126,49	Finland
Suomi Plus -sijoitussalkku	32 929 411,52	32 929 411,52	Finland
TOP-indeksivarainhoito 25	2 380 785,45	2 380 785,45	Finland
TOP-indeksivarainhoito 50	1 240 452,00	1 240 452,00	Finland
UB FIXED INC PLUS FD-UB B PL	1 184 776,36	1 184 776,36	Finland
UB SMART FUND-A	545 201,69	545 201,69	Finland
Vakaa Varainhoito	996 490,00	996 490,00	Finland
Varainhoito 100	29 819 579,03	29 819 579,03	Finland
Varainhoito 25	2 709 005,16	2 709 005,16	Finland
Varainhoito 50	9 994 842,02	9 994 842,02	Finland
Varainhoito 75	5 634 291,19	5 634 291,19	Finland
Varainhoito Eurooppa Plus	2 768 840,92	2 768 840,92	Finland
Varainhoito Maltillinen	63 123 855,26	63 123 855,26	Finland
Varainhoito Nordic Plus	34 679 901,06	34 679 901,06	Finland
Varainhoito Tasapainoinen	45 801 767,27	45 801 767,27	Finland
Varainhoito Tuottohakuinen	17 756 404,35	17 756 404,35	Finland
Varainhoito Varovainen	70 506 099,77	70 506 099,77	Finland
Varainhoitosalkku 10	38 313 129,06	38 313 129,06	Finland
Varainhoitosalkku 30	114 528 185,70	114 528 185,70	Finland
Varainhoitosalkku 50	57 079 071,88	57 079 071,88	Finland
Varainhoitosalkku 70	14 023 125,94	14 023 125,94	Finland
Vauras 100	883 793,28	883 793,28	Finland
Vauras 25	40 384 234,43	40 384 234,43	Finland
Vauras 50	21 126 981,72	21 126 981,72	Finland
Vauras 75	3 073 001,97	3 073 001,97	Finland
Yksilöllinen varainhoito 30	46 877 307,99	46 877 307,99	Finland
Yksilöllinen varainhoito 50	2 073 320,00	2 073 320,00	Finland
Ålandsbanken Asuntorahasto C	3 320 944,47	3 320 944,47	Finland
Others	18 983 112,06	18 983 112,06	
Total	2 053 899 532,22	2 053 899 532,22	
Debt securities			
Eurooppa Pankit Autocall 4/2018	897 100,44	897 100,44	France
Others	11 811 029,95	11 811 029,95	
Total	12 708 130,39	12 708 130,39	
Total	2 102 271 664,53	2 102 271 664,52	

K8. Other investments

Other loans, itemised by type of security

	2018	2017
Bank guarantee	28 303,94	41 331,22
Insurance policy	0,00	287 534,04
Other security	224 686 711,20	169 579 353,04
Remaining acquisition cost	224 715 015,14	169 908 218,30
Unsecured, total remaining acquisition cost	89 219 134,56	123 695 588,94
Other loan receivables, total	313 934 149,70	293 603 807,24

K9. Changes in tangible and intangible assets

	Intangible rights and other expenses with long-term effects	Goodwill on consolidation	Provisional premiums	Machinery and equipment	Other tangible assets
Acquisition cost on 1 Jan.	151 669 531,81	500 951,56	21 589 412,36	65 814 492,59	3 134 718,53
Increase	6 671 435,51	133 243,67	36 529 510,98	4 126 467,70	18 335 592,09
Decrease	-12 593,66	0,00	-4 421 165,19	-1 556 465,25	-8 799 808,69
Transfers between items	25 700 679,77	0,00	-25 027 435,08	4 825 589,71	818 608,29
Acquisition cost on 31 Dec.	184 029 053,43	634 195,23	28 670 323,07	73 210 084,75	13 489 110,22
Accumulated depreciation on 1 Jan.	-108 786 713,89	-419 642,25	0,00	-56 518 897,76	-592 962,48
Accumulated depreciation related to deductions and transfers	-242 068,38	0,00	0,00	-4 575 420,86	-463 984,97
Depreciation for the financial year	-21 480 836,02	-173 052,56	0,00	-2 533 359,64	-134 063,77
Accumulated depreciation on 31 Dec.	-130 509 618,29	-592 694,81	0,00	-63 627 678,26	-1 191 011,22
Book value on 31 Dec.	53 519 435,14	41 500,42	28 670 323,07	9 582 406,49	12 298 099,00

K10. Assets covering unit linked policies

	2018		2017	
	Original acquisition cost	Current value (= book value)	Original acquisition cost	Current value (= book value)
Shares and holdings	1 724 257 461,04	2 089 563 531,05	1 608 417 048,22	2 118 277 860,97
Debt securities	14 425 199,45	12 708 130,10	12 910 794,36	13 064 815,53
Recovery from insurance premium mediators	851 823,75	851 823,75	121 080,94	121 080,94
Cash at bank and in hand	4 682 605,09	4 682 605,09	4 189 488,72	4 189 488,72
Accrued interest	170 243,41	170 243,41	120 717,72	120 717,72
Total	1 744 387 332,74	2 107 976 333,40	1 625 759 129,96	2 135 773 963,88

Investments acquired in advance

46 178 884,23	48 997 723,84	20 205 779,80	17 423 561,95
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Investments corresponding to the technical provisions for unit linked insurance

1 698 208 448,51	2 058 978 609,56	1 605 553 350,16	2 118 350 401,93
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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.

5 534 428,84

4 310 569,66

K11. Capital and reserves and itemization of revaluation reserve

K11.1 Changes in capital and reserves

	1.1.2018	Increase	Decrease	31.12.2018
Initial fund	8 641 380,35	0,00	0,00	8 641 380,35
Revaluation reserve	8 918 502,41	0,00	-207 917,91	8 710 584,50
Security reserve	1 203 747 920,78	155 888 869,67	0,00	1 359 636 790,45
Contingency reserve	1 540 689,70	2 000 000,00	-950 000,00	2 590 689,70
The share of voluntary provisions and depreciation difference transferred to capital and reserves	3 143 175,23	0,00	-386 973,85	2 756 201,38
Profit/loss for previous accounting periods	-11 425 452,67	124 446 384,93	-157 945 502,64	-44 924 570,38
Profit for the accounting period	264 951 001,58	188 951 319,01	-264 951 001,58	188 951 319,01
Change in depreciation difference and voluntary provisions included in the profit for the accounting period	-127 577,31	386 973,79	127 577,31	386 973,79
Share of the mutual insurance companies' result for the financial year included in the profit for the financial year	-140 377 039,34	-121 885 681,40	140 377 039,34	-121 885 681,40
	124 446 384,93	67 452 611,40	-124 446 384,93	67 452 611,40
Capital and reserves of the mutual insurance companies	759 381 555,44	404 689 072,92	-283 451 478,92	880 619 149,44
<i>Total changes in capital and reserves</i>	<i>2 098 394 156,17</i>	<i>746 402 425,52</i>	<i>-559 313 744,83</i>	<i>2 285 482 836,86</i>

K11.2 Itemisation of revaluation reserve

	2018
Revaluation of investment assets	40 827,64
Revaluation of fixed assets	8 669 756,86
<i>Total</i>	<i>8 710 584,50</i>

K12. Accumulated appropriations

	2018	2017
Depreciation difference		
Depreciation difference on 1 Jan.	3 545 691,51	3 306 753,10
Increase	1 099 677,48	238 938,41
Depreciation difference on 31 Dec.	<u>4 645 368,99</u>	<u>3 545 691,51</u>
Voluntary provisions		
Residential building provision 1 Jan.	1 211 956,00	1 211 956,00
Decrease	-1 211 956,00	0,00
Residential building provision 31 Dec.	<u>0,00</u>	<u>1 211 956,00</u>
Transition provision 1 Jan.	40 737,27	39 910,27
Increase	0,00	827,00
Transition provision 31 Dec.	<u>40 737,27</u>	<u>40 737,27</u>
Total voluntary provisions	<u>40 737,27</u>	<u>1 252 693,27</u>
Total accumulated appropriations	<u>4 686 106,26</u>	<u>4 798 384,78</u>
Divided into		
Capital and reserves	3 423 576,35	3 143 175,23
Minority interest	339 721,44	695 532,59
Deferred tax liabilities	937 221,25	959 676,96
Tax base	20,00 %	20,00 %

K13. Provision for claims outstanding

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

35 945 413,00	36 091 537,00
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K14. Other obligatory provisions

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

2 527 627,00	0,00
6 538 439,53	4 002 408,52
9 066 066,53	4 002 408,52

K15. Deferred tax claim and deferred tax liabilities

K15.1 Deferred tax claim

Deferred tax relating to the group adjustments

2 113 017,84	2 113 017,84
2 113 017,84	2 113 017,84

K15.2 Deferred tax liabilities

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

871 170,90	967 914,38
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Off-balance-sheet deferred tax liabilities

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

904 428,46	1 190 760,25
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Tax debt calculated based on valuation gains/losses that is
deemed likely to become payable during the next year

26 287 004,00	29 890 000,00
27 191 432,46	31 080 760,25

K16. Receivables and liabilities

K16.1 Itemisation of receivables

Receivables from group companies

Other receivables	16 359,30	790,92
	<u>16 359,30</u>	<u>790,92</u>

K16.2 Itemisation of liabilities

Liabilities to group companies

Trade creditors	0,00	0,00
Other liabilities	0,00	3 265,50
	<u>0,00</u>	<u>3 265,50</u>

Liabilities to participating interests

Trade creditors	22 776,63	94 997,82
Other liabilities	0,00	0,00
	<u>22 776,63</u>	<u>94 997,82</u>

K16.3 Itemisation of accruals and deferred income

Liabilities to personnel	47 937 162,71	42 773 750,27
Valuation loss on derivatives	0,00	725 727,13
Other accruals and deferred income	19 733 495,19	34 954 216,41
	<u>67 670 657,90</u>	<u>78 453 693,81</u>

K17. Notes concerning guarantees and contingent liabilities

Off-balance-sheet guarantees and contingent liabilities

Off-balance-sheet guarantees and contingent liabilities

Derivative contracts	2018	2017
Currency derivatives		
Forward and futures contracts, open		
Underlying instrument	-68 298 712,72	-105 653 866,75
Current value	967 645,02	-667 804,35
Leasing liabilities		
Amount to be paid in the current financial year	650 805,20	1 760 152,39
Amount to be paid in the coming years	1 392 951,03	1 447 353,17
	<u>2 043 756,23</u>	<u>3 207 505,56</u>
Rent liabilities		
Amount to be paid in the current financial year	8 034 988,92	10 028 409,97
Amount to be paid in the coming years	20 732 990,71	25 082 301,76
	<u>28 767 979,63</u>	<u>35 110 711,73</u>
Financing expenses liabilities during construction time		
Amount to be paid in the current financial year	121 520,00	0,00
Amount to be paid in the coming years	60 760,00	0,00
	<u>182 280,00</u>	<u>0,00</u>
Value-added tax liabilities		
Joint liability relating to collective value-added tax registration		
Group companies	12 344,07	20 419,27
Partner companies	1 846 176,42	2 369 617,10
	<u>1 858 520,49</u>	<u>2 390 036,37</u>
Inspection responsibility of real estate investments under section 120 of the Value Added Tax Act		
Company	843 572,00	1 789 005,34
Other companies of the group	49 206 949,60	42 929 469,75
	<u>50 050 521,60</u>	<u>44 718 475,09</u>
Other commitments		
Investment commitments	132 734 759,28	89 536 469,97
Subscription commitments	528 218 737,21	281 336 253,60
Granted limit	87 067 090,35	59 101 961,02
	<u>748 020 586,84</u>	<u>429 974 684,59</u>

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

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

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

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

Loans granted to parties belonging to the insider register of LocalTapiola General Mutual Insurance Company	
Subsidiaries	63 185 245,60
Associated undertakings and joint ventures	14 813 258,68
Key persons who are part of an organisation's or its parent company's management	0,00
Other parties who are insiders	0,00
	<hr/> 77 998 504,28

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

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

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

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

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

K18.2 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.

Creditor	Multiple
Loan capital	EUR 7.000.000
Principal loan terms	<p>The loan contract is valid until Nov 26, 2024. The loan can be repaid at the earliest on Nov 26, 2019 after which it is possible to repay the loan on any interest payment date (Nov 26) if the debtor fulfils the solvency requirements set in legislation.</p> <p>Until the date preceding the first repayment date, the annual interest rate of the loan is 3,625 %. If the debtor does not repay the loan on the first repayment date, the interest rate is revised. After the first repayment date, the interest rate is determined on the basis of the interest rate for Euro 5-y Mid-Swap Rate plus a margin of 3,25 %.</p> <p>The capital can be returned and interest can be paid only to the extent that, at the time of payment, the sum of the company's distributable capital and reserves and all of the subordinated loans exceeds the amount of losses reported on the balance sheet of the financial statements for the last complete financial year, or newer.</p> <p>If no interest can be paid, it will be postponed to be repaid at the earliest after the first such financial statements on the basis of which interest payment can be made. In addition, the company may not end up in a situation after the return of the capital where the company's eligible own funds are below the capital requirement set by the authorities.</p> <p>The terms of the subordinated loan agreement can only be changed with the approval of the Financial Supervisory Authority.</p> <p>The loan is unsecured.</p> <p>The subordinated loan is administered by Euroclear Finland Oy.</p>

Other notes, LocalTapiola Group

Performance analysis

	2018	2017	Change	€1 000 Change %
Non-life insurance				
Premiums earned	1 157 021	1 134 747	22 274	2,0 %
Claims incurred	-851 452	-767 265	-84 188	11,0 %
Operating expenses	-258 802	-266 258	7 455	-2,8 %
Balance on technical account before change in equalization	46 766	101 225	-54 459	-53,8 %
Life insurance				
Premium income	446 020	513 180	-67 160	-13,1 %
Investment income and expenses as well as revaluations and adjustments thereof	-128	258 519	-258 647	-100,0 %
Claims paid	-356 428	-326 359	-30 070	9,2 %
Change in technical provisions before change in customer benefits and equalization provision	25 631	-340 066	365 697	-107,5 %
Operating expenses	-57 568	-58 096	528	-0,9 %
Balance on technical account before change in customer benefits and equalization provision	57 526	47 178	10 348	21,9 %
Investment income and expenses as well as revaluations and adjustments thereof (non-life insurance)	147 873	185 703	-37 830	-20,4 %
Other income and expenses	22 777	15 478	7 299	47,2 %
Share of profit/loss from group associated undertakings	-15 813	-6 602	-9 211	139,5 %
Operating profit	259 129	342 982	-83 853	-24,4 %
Change in equalization provision (non-life insurance)	1 813	-17 641	19 454	-110,3 %
Change in equalization provision (life insurance)	10 274	10 274	0	0,0 %
Additional benefits (customer benefits)	-3 151	2 265	-5 415	-239,1 %
Profit before extraordinary items	268 066	337 880	-69 814	-20,7 %
Direct taxes	-66 545	-68 927	2 383	-3,5 %
Minority interest	-12 570	-4 002	-8 568	214,1 %
Total result	188 951	264 951	-76 000	-28,7 %
Operating profit	259 129	342 982	-83 853	-24,4 %
Change in the difference between current and book values *)	-147 132	62 982	-210 114	-333,6 %
Total result	111 997	405 964	-293 966	-72,4 %

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, based on the surplus, are entitled to the additional benefits to be distributed.

LocalTapiola Mutual Life Insurance Company applies the principle of reasonability by allocating most of its surplus to additional benefits and to boosting its solvency and by paying market-based income to risk capital subscribers.

The long-term goal of LocalTapiola Mutual Life Insurance Company is to offer an overall return on insurance savings entitled to distribution of surplus, before taxes and expenses, which exceeds the interest rates of eurozone government bonds with a minimum maturity of 10 years in the case of pension insurance and the interest rates of 5-year bonds in the case of continuous savings life insurance. The goal for risk insurance policies with a funded component is that the real overall interest rate is positive. The target for additional benefits expressed as a target for overall return on insurance savings is not applied to unit-linked insurance policies or pure risk insurance policies with no savings amassed. In risk insurance policies, the principle of reasonability is followed in such a way that the portion of risk premium surplus not reserved for risk premium fluctuations is returned to the customers as premium reductions or free-of-charge extra risk benefits.

The total return target defined above for all pension and savings life insurance policies is applied to individual insurance contracts in such a way that the general interest rate and the strength of its fluctuations, the company's success in investment operations, the technical interest rate of each insurance policy, all insurance management costs, insurance items used to finance operating expenses and the company's solvency are taken into account when determining the bonuses. The need to prepare for the fact that, in the future, claims expenses will significantly increase due, for example, to changes occurring in mortality is taken into account for each line of insurance in the level of customer bonuses.

The overall interest on customers' insurance savings consists of the technical interest rate and any customer bonuses granted.

The following factors affect the overall interest paid on contracts:

- a lower technical interest rate or an increase in the share to be used to cover operating expenses may raise the overall interest rate
- the overall interest rate for long-term linked savings products, such as pension insurance policies, is higher than for insurance policies that can be freely surrendered.

In certain contracts, the overall interest rate may be lower than the maximum applicable technical interest rate.

Efforts are made to obtain stability in the level of customer bonuses by levelling out fluctuations in investment returns 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, 2009–2018

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 2009 and 2018, and not just for 2018. As regards 2018, 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 2009 and 2018 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 2009–2018, 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.

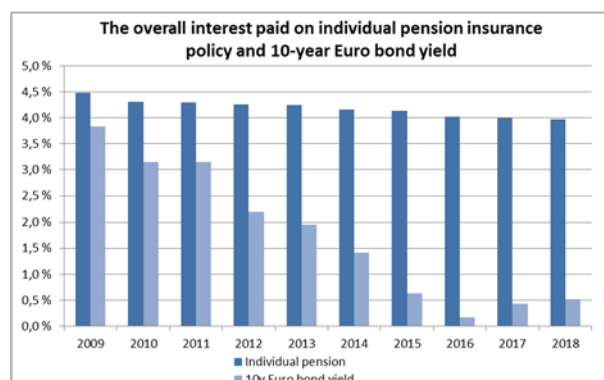
The overall interest rate levels for each line of insurance and contract group for 2018 and between 2009 and 2018 are itemised below. It should be noted that, due to the large number of different contract types, this is not a fully comprehensive account of overall interest rates from the perspective 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 2009–2018

Individual pension insurance policies

In 2018, the overall interest paid on insurance savings under individual pension insurance policies averaged 4.0% 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 0.5% in 2018.

Technical rate of interest	Customer bonus	Overall interest
4.5 %	0.0 %	4.5 %
3.5 %	0.0 %	3.5 %
2.5 %	0.0 %	2.5 %
1.5 %	1.6 %	3.1 %



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

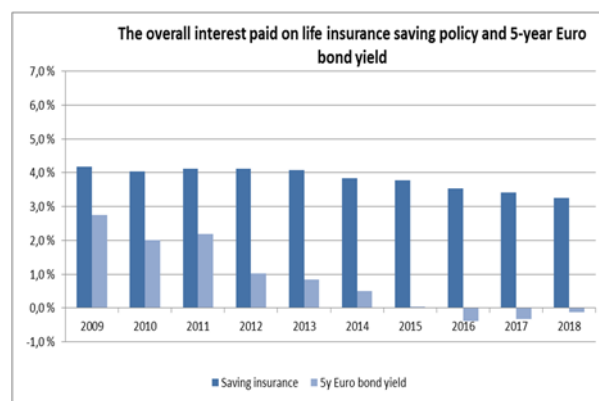
the target between 2009 and 2018. The overall interest rate exceeded the target rate every year.

Savings life insurance policies and capital redemption contracts

In 2018, the overall interest paid on insurance savings under savings life insurance policies averaged 3.2% and ranged from 2.2 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 -0.1 per cent in 2018.

Technical rate of interest	Customer bonus	Overall interest
4.5 %	0.0 %	4.5 %
3.5 %	0.0 %	3.5 %
2.5 %	0.0 %	2.5 %
1.5 %	1.2 %	2.7 %
0.0 %	2.2 – 2.7 %	2.2 – 2.7 %

The customer bonus for zero-interest-linked insurance savings associated with wide asset class allocation asset management portfolios, the so-called Interest Bonus, is 2.2% in 2019. The customer bonus paid in 2018 was 2.2%. Customers can add wide asset class allocation asset management portfolios to the investment insurance policies LocalTapiola Investment Insurance and LocalTapiola Capital Redemption Contract.



The customer bonus for zero-interest-linked insurance savings associated with wide asset class allocation asset management portfolios, the so-called Interest Bonus, is 2.2% in 2019. The customer bonus paid in 2018 was 2.2%. Customers can add wide asset class allocation asset management portfolios to the investment insurance policies LocalTapiola Investment Insurance and LocalTapiola Capital Redemption Contract.

Group pension insurance policies

The overall interest rate paid for insurance savings in group pension insurance policies for 2018 averaged 3.6 per cent. The overall interest on Etueläke insurance policies ranged from 2.9 per cent to 4.25 per cent and on TOP pension insurance policies from 3.3 per cent to 3.5 per cent. The overall interest paid on all products exceeded the target 10-year interest rate, which averaged 0.5 per cent in 2018.

Technical rate of interest	Customer bonus	Overall interest
4.25 %	0.0 %	4.25 %
3.5 %	0.0 %	3.5 %
2.5 %	0.4 – 0.8 %	2.9 – 3.3 %
1.5 %	1.4 – 1.9 %	2.9 – 3.4 %
1.0 %	2.4 %	3.4 %



The following image shows the overall interest rate of group pension insurance policies in relation to the target between 2009 and 2018. On average, the overall interest exceeded the target 10-year interest rate in all years.

LocalTapiola Life's account of additional benefits provided for risk insurance policies in 2018

In risk insurance policies entitled to distribution of profit, the principle of reasonability is applied in the form of increased amounts of benefit or premium rebates for term life insurance. The increase in the amount of benefit and the amount of the premium rebate varies depending on the policy commencement date and the insured's age and gender.

In 2018, additional benefits paid for risk insurance policies amounted to EUR 1.5 million. Additional benefits for risk insurance policies are confirmed in advance. The benefits confirmed for 2019 are the same as those for 2018.

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 37.7 million.

In 2018, EUR 7.9 million of the provision for future additional benefits was used for the interest rate supplement of individual pension insurance policies, EUR 2.4 million for the interest rate supplement of individual life insurance policies participating in the distribution of unit-linked insurance surpluses, and EUR 1.5 million for the interest rate supplement of fixed-sum life insurance policies.

The provision for future additional benefits for individual pension insurance is EUR 16.6 million, the provision for future additional benefits for individual life insurance policies participating in the distribution of unit-linked insurance surpluses is EUR 22.7 million, and there is no provision for future additional benefits for fixed-sum life insurance after the changes.

LocalTapiola General

Profit and loss account, LocalTapiola General

TECHNICAL ACCOUNT	1.1.2018	-	31.12.2018	1.1.2017	-	31.12.2017
Premiums earned						
Premiums written	1	321 838 414,45		410 673 204,53		
Reinsurers' share		-30 055 419,87	291 782 994,58	-29 320 687,80	381 352 516,73	
Change in provision for unearned premiums						
Business transfer decrease		0,00		-108 579 046,05		
Total change		-1 314 000,00	-1 314 000,00	98 758 522,27	-9 820 523,78	
Reinsurers' share						
Business transfer decrease		0,00		266 265,26		
Total change		2 354 330,87	2 354 330,87	2 215 603,17	2 481 868,43	
Change in provision for unearned premiums, total			1 040 330,87		-7 338 655,35	
Total premiums earned			292 823 325,45		374 013 861,38	
Claims incurred						
Claims paid		-227 211 492,88		-277 726 221,45		
Reinsurers' share		15 654 465,68	-211 557 027,20	13 508 744,06	-264 217 477,39	
Change in provision for outstanding claims						
Business transfer decrease		0,00		-1 048 306 904,61		
Total change		-14 597 759,06	-14 597 759,06	1 014 563 358,02	-33 743 546,59	
Reinsurers' share						
Business transfer decrease		0,00		8 203 297,78		
Total change		116 929,76	116 929,76	-9 232 653,14	-1 029 355,36	
Change in provision for outstanding claims, total			-14 480 829,30		-34 772 901,95	
Total claims incurred			-226 037 856,50		-298 990 379,34	
Operating expenses	3		-48 652 916,93		-77 829 267,16	
Balance on technical account before change in equalization provision			18 132 552,02		-2 805 785,12	
Change in equalization provision						
Business transfer decrease		0,00		-254 276 905,94		
Total change		-6 119 528,00	-6 119 528,00	267 439 189,04	13 162 283,10	
Balance on technical account	2		12 013 024,02		10 356 497,98	

NON-TECHNICAL ACCOUNT	1.1.2018	-	31.12.2018	1.1.2017	-	31.12.2017
Balance on technical account			12 013 024,02			10 356 497,98
Investment income	4	144 062 349,85		254 965 737,02		
Investment charges	4	-100 049 961,57		-80 341 003,85		
Revaluation adjustments on investments	4	-156 036,60	43 856 351,68	-3 344 053,70	171 280 679,47	
Other income	4					
Other			24 989 504,11			23 002 916,92
Other expenses	4					
Other			-20 068 984,96			-17 049 761,02
Profit on ordinary activities			60 789 894,85			187 590 333,35
Profit before appropriations and taxes			60 789 894,85			187 590 333,35
Appropriations						
Change in depreciation difference		-28 489,32		22 151,51		
Change in optional provision		0,00	-28 489,32	0,00	22 151,51	
Direct taxes on ordinary activities						
Taxes for the financial period		-10 056 636,69		-29 003 932,66		
Taxes for previous financial periods		-5 510 206,27		-719 682,53		
Change in deferred tax liabilities		0,00	-15 566 842,96	0,00	-29 723 615,19	
Profit for the accounting period			45 194 562,57			157 888 869,67

Balance sheet, LocalTapiola General

ASSETS		31.12.2018	31.12.2017
Intangible assets			
Other expenses with long-term effects	7	18 760 022,38	18 094 931,51
Investments	6		
Real estate investments	6		
Real estate and shares in real estate		150 208 441,40	154 505 404,56
Loans to group companies		80 156 073,93	67 251 651,63
Loans to participating interests		<u>0,00</u>	<u>7 500 000,00</u>
Investments in group companies and participating interests	7		
Shares in group companies		739 286 855,78	644 773 097,92
Shares and holdings in participating interests		80 098 112,81	87 166 472,27
Debt securities and loans in participating interests		<u>5 500 000,00</u>	<u>4 750 000,00</u>
Other investments			
Shares and holdings	7	713 309 197,85	714 486 235,42
Debt securities		527 760 337,29	588 053 042,10
Loans guaranteed by mortgages		45 856 363,14	7 000 000,14
Other loans	8	17 089 035,10	34 898 635,38
Deposits		5 105 935,42	7 126 505,13
Other investments		<u>0,00</u>	<u>0,00</u>
Deposits with ceding undertakings		<u>661 413,85</u>	<u>709 256,78</u>
		<u>2 365 031 766,57</u>	<u>2 318 220 301,33</u>
Debtors	9		
Arising out of direct insurance operations			
Policyholders		41 711 809,22	37 110 142,75
Intermediaries		<u>0,00</u>	<u>0,00</u>
Arising out of reinsurance operations		18 532 509,79	12 650 315,53
Other debtors		<u>88 258 068,38</u>	<u>103 871 013,16</u>
		<u>148 502 387,39</u>	<u>153 631 471,44</u>
Other assets			
Tangible assets			
Machinery and equipment	7	1 342 428,46	1 528 961,20
Other tangible assets		96 011,18	71 590,50
Provisional premiums		<u>0,00</u>	<u>0,00</u>
Cash at bank and in hand		49 309 219,05	37 628 224,11
Other assets		<u>3 440 436,16</u>	<u>3 090 436,16</u>
		<u>54 188 094,85</u>	<u>42 319 211,97</u>
Prepayments and accrued income			
Accrued interest and rent		5 170 383,66	6 298 606,52
Other prepayments and accrued income		<u>16 824 563,86</u>	<u>8 636 986,14</u>
		<u>21 994 947,52</u>	<u>14 935 592,66</u>
Total assets		<u>2 608 477 218,71</u>	<u>2 547 201 508,91</u>

LIABILITIES		31.12.2018	31.12.2017
Capital and reserves	8		
Initial reserve		8 641 380,35	8 641 380,35
Revaluation reserve		85 090,31	218 348,97
Other reserves		1 362 227 480,15	1 205 288 610,48
Profit for the accounting period		45 194 562,57	157 888 869,67
		<u>1 416 148 513,38</u>	<u>1 372 037 209,47</u>
Accumulated appropriations	11		
Accumulated depreciation difference		80 144,35	51 655,03
		<u>80 144,35</u>	<u>51 655,03</u>
Technical provisions			
Provision for unearned premiums		35 663 552,00	34 349 552,00
Reinsurers' share		-7 739 118,08	-5 384 787,21
Provision for outstanding claims		959 661 442,40	945 063 683,34
Reinsurers' share		-14 568 557,10	-14 451 627,34
Equalization provision		169 015 329,00	162 895 801,00
		<u>1 142 032 648,22</u>	<u>1 122 472 621,79</u>
Obligatory provisions			
Other obligatory provisions	13	126 794,92	224 625,89
		<u>126 794,92</u>	<u>224 625,89</u>
Deposits received from reinsurers		1 760,91	1 279,47
Creditors	9		
Arising out of direct insurance operations		11 946 193,50	7 476 259,85
Arising out of reinsurance operations		14 780 858,89	13 655 961,51
Other creditors		12 069 637,43	16 495 154,66
		<u>38 796 689,82</u>	<u>37 627 376,02</u>
Accruals and deferred income	9	11 290 667,11	14 786 741,24
Total liabilities		<u>2 608 477 218,71</u>	<u>2 547 201 508,91</u>

Indirect cash flow statement, LocalTapiola General

Cash flow from operations	31.12.2018	31.12.2017
Profit from ordinary activities/profit before extraordinary items	60 789 894,85	187 590 333,35
Adjustments		
Changes in technical provisions	19 560 026,43	-2 776 437 312,92
Business transfer decrease	0,00	1 402 693 293,56
Value adjustments and revaluation of investments	38 269 056,27	-23 093 916,28
Unrealized exchange rate gain/-loss		
Changes in other obligatory provisions	-97 830,97	-3 501 458,07
Depreciation according to plan	6 919 749,92	7 691 170,77
Other non-cash income and expenses	-133 258,66	0,00
Other adjustments	-27 529 527,06	-66 746 527,59
<i>Cash flow before change in working capital</i>	<i>97 778 110,78</i>	<i>-1 271 804 417,18</i>
Change in working capital:		
Increase (-) / decrease (+) in non-interest-bearing short-term receivables	-1 930 270,81	128 129 641,19
Business transfer decrease	0,00	-60 878 082,57
Increase (-) / decrease (+) in non-interest-bearing short-term debts	-2 326 278,89	6 258 494,80
Business transfer decrease	0,00	-24 315 866,31
<i>Cash flow from operations before financial items and taxes</i>	<i>93 521 561,08</i>	<i>-1 222 610 230,07</i>
Other financial income and expenses paid/received		
Direct taxes paid	-15 566 842,96	-29 723 615,19
Cash flow from operations	77 954 718,12	-1 252 333 845,26
Cash flow from investments		
Investments in assets (excl. cash and c. equivalents)	-85 208 974,93	2 529 045 822,35
Business transfer decrease	0,00	-1 355 995 213,51
Capital gains from investments (excl. cash and c. equivalents)	27 529 527,06	66 746 527,59
Investments in tangible and intangible assets as well as other assets and capital gains (net)	-7 644 275,31	-6 456 729,22
Business transfer decrease	0,00	-385 771,00
Cash flow from investments	-65 323 723,18	1 232 954 636,21
Cash flow from financial		
Interest on guarantee capital paid and other distribution of profit	-950 000,00	-209 000,00
Cash flow from financial	-950 000,00	-209 000,00
Change in cash and cash equivalents	11 680 994,94	-19 588 209,05
Cash and cash equivalents at the start of the year	37 628 224,11	57 216 433,16
Cash and cash equivalents at the end of the year	49 309 219,05	37 628 224,11

Key figures, LocalTapiola General

	M€				
General key figures describing financial development	2018	2017	2016	2015	2014
Operating profit	66,9	174,4	182,9	181,0	72,3
Total result	76,6	129,9	174,4	150,3	61,5
Return on capital employed (at current value), %	2,1	4,0	4,4	4,8	4,1
Return on assets, %	3,2	4,4	5,1	4,7	2,4
Average number of personnel during financial year	326	372	408	439	1 667
Number of employees in relation to payroll	326	372	408	439	1 400
Key figures describing the financial development of non-life insurance					
Premium income	321,8	410,7	509,4	547,7	585,6
Loss ratio (excl. unwinding of discount expense), %	73,6	75,3	70,7	73,5	81,8
Loss ratio, %	77,2	79,9	76,2	79,2	87,6
Expense ratio, %	16,6	20,8	22,0	24,8	26,0
Combined ratio (excl. unwinding of discount expense), %	90,2	96,1	92,6	98,3	107,8
Combined ratio, %	93,8	100,8	98,2	104,1	113,7

Notes concerning financial statements, LocalTapiola General

Notes concerning profit and loss account items, LocalTapiola General

1. Premiums written

	2018	2017
Direct insurance		
Finland	218 093 153,73	321 339 550,80
Direct insurance total	218 093 153,73	321 339 550,80
Reinsurance	103 745 260,72	89 333 653,73
Gross premiums written before reinsurers' share	321 838 414,45	410 673 204,53

1.1 Items depreciated from premiums written

	2018	2017
Credit loss on outstanding premiums	1 727 412,30	4 252 481,40
PAYG system fees	35 269 381,09	45 110 880,42
Premium tax	9 738 095,23	38 502 515,78
Fire brigade charge	266 480,79	228 148,67
Road safety charge	49 004,11	1 191 733,57
Labour protection charge	2 597 976,23	2 382 671,16
Total	49 648 349,75	91 668 431,00

2. Profit by insurance groups

		Premiums written before reinsurers' share	Premiums earned before reinsurers' share	Claims incurred before reinsurers' share	Operating expenses before commissions for reinsurance and profit shares	Reinsurers' share	Balance on technical account before net investment income
Statutory workers' compensation	2018	152 143 538,59	152 872 772,59	-105 480 547,08	-26 249 936,53	-292 518,95	20 849 770,03
	2017	143 578 674,85	143 945 836,24	-110 698 928,97	-29 730 657,84	-301 857,50	3 214 391,93
	2016	145 928 904,96	145 463 974,57	-114 937 868,04	-30 966 158,30	-319 652,13	-759 703,90
Non-statutory accident and health	2018	10 368 128,10	10 381 153,10	-8 306 804,05	-540 658,66	14 431,59	1 548 121,98
	2017	12 115 615,87	12 106 307,34	-8 979 937,95	-594 355,74	-116 311,39	2 415 702,26
	2016	8 007 750,25	7 903 159,78	-6 197 368,60	-625 988,34	-110 950,09	968 852,75
Motor vehicle liability	2018	4 888 510,37	4 794 858,37	-4 414 618,97	-992 628,59	1 474 932,12	862 542,93
	2017	117 981 622,52	108 514 211,87	-84 609 845,54	-24 685 214,02	181 923,79	-598 923,90
	2016	225 090 542,75	228 270 313,35	-157 549 668,82	-51 497 084,65	-1 641 209,93	17 582 349,95
Land vehicles	2018	6 107 771,73	6 174 520,73	-5 740 471,54	-1 957 389,38	-22 191,27	-1 545 531,46
	2017	5 739 859,93	5 833 936,26	-4 921 614,04	-2 157 391,24	255 656,12	-989 412,90
	2016	6 410 227,15	7 537 657,82	-6 716 448,58	-2 274 119,37	482 107,83	-970 802,30
Marine, aviation, railway rolling stock and transport	2018	1 601 478,19	1 808 322,19	-1 295 672,24	-1 066 099,15	-302 340,54	-855 789,74
	2017	2 679 528,81	2 695 939,66	-1 941 723,37	-1 213 449,80	-183 800,52	-643 034,03
	2016	2 401 807,58	2 407 903,73	-1 014 881,51	-1 281 473,68	185 463,60	297 012,14
Fire and other damage to property	2018	13 776 875,87	14 059 342,87	-9 386 606,20	-2 465 309,89	-6 273 978,97	-4 066 552,19
	2017	14 349 719,18	14 516 522,25	-9 074 819,52	-2 490 206,07	-1 021 674,74	1 929 821,92
	2016	16 427 547,11	16 178 548,04	-17 240 530,42	-2 620 556,76	-658 128,74	-4 340 667,88
General liability	2018	19 999 726,06	20 032 987,06	-18 491 762,34	-3 292 262,23	-1 024 133,60	-2 775 171,11
	2017	14 249 339,03	14 265 744,95	-11 682 736,99	-3 824 573,62	-3 783 938,93	-5 025 504,59
	2016	17 226 574,67	17 165 221,75	-15 866 264,56	-3 697 763,14	-2 954 610,97	-5 353 416,92
Credit and suretyship	2018	3 747 735,26	2 888 948,26	-428 677,24	-367 090,72	202 538,14	2 295 718,44
	2017	4 130 103,85	2 107 151,51	-641 997,17	-431 921,50	605 216,01	1 638 448,85
	2016	2 742 288,78	2 014 579,12	-214 498,22	-439 222,10	-427 756,80	933 102,00
Legal expenses	2018	1 147 157,42	1 153 005,42	-1 073 746,89	-464 769,36	0,00	-385 510,83
	2017	2 026 494,05	2 022 161,16	-1 127 060,98	-502 267,23	0,00	392 832,95
	2016	1 868 384,95	1 866 672,84	-603 907,87	-530 730,92	0,00	732 034,05
Other	2018	4 312 232,14	4 428 897,14	-4 137 362,32	-1 207 816,13	3 989 140,31	3 072 859,00
	2017	4 488 592,71	4 592 881,83	-10 069 104,40	-1 349 814,91	-822 616,04	-7 648 653,52
	2016	5 047 651,05	4 944 455,93	-4 473 629,48	-1 428 286,29	-394 533,33	-1 351 993,17
Direct insurance total	2018	218 093 153,73	218 594 807,73	-158 756 268,87	-38 603 960,64	-2 234 121,17	19 000 457,05
	2017	321 339 550,80	310 600 693,07	-243 747 768,93	-66 979 851,97	-5 187 403,20	-5 314 331,03
	2016	431 151 679,25	433 752 486,93	-324 815 066,10	-95 361 383,55	-5 839 270,56	7 736 766,72
Reinsurance	2018	103 745 260,72	101 929 606,72	-83 052 983,07	-18 666 354,48	-1 078 174,20	-867 905,03
	2017	89 333 653,73	90 251 987,73	-67 721 999,12	-17 067 012,06	-2 954 430,60	2 508 545,95
	2016	78 296 961,37	76 613 131,37	-56 973 920,75	-17 868 560,32	-669 255,32	1 101 394,98
Total	2018	321 838 414,45	320 524 414,45	-241 809 251,94	-57 270 315,12	-3 312 295,37	18 132 552,02
	2017	410 673 204,53	400 852 680,80	-311 469 768,05	-84 046 864,03	-8 141 833,80	-2 805 785,08
	2016	509 448 640,62	510 365 618,30	-381 788 986,85	-113 229 943,87	-6 508 525,88	8 838 161,70
Change in equalization provision	2018						-6 119 528,00
	2017						13 162 283,10
	2016						24 443 010,00
Balance on technical account	2018						12 013 024,02
	2017						10 356 498,02
	2016						33 281 171,70

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

3.1 Total operating expenses by activity

	2018	2017
Claims management expenses	20 479 705,14	28 978 207,49
Operating expenses	48 652 916,93	77 829 267,16
Investment operating expenses	4 268 066,69	7 233 410,41
Other expenses	17 776 750,50	14 564 880,15
<i>Total</i>	<u>91 177 439,26</u>	<u>128 605 765,21</u>

3.2 Profit and loss account item operating expenses

	2018	2017
Insurance policy acquisition costs		
Commissions for direct insurance	1 926 149,49	5 496 088,70
Commissions for reinsurance assumed and profit shares	18 392 066,90	17 394 842,94
Other insurance policy acquisition costs	9 607 087,75	10 089 404,65
	<u>29 925 304,14</u>	<u>32 980 336,29</u>
Insurance policy management expenses	14 509 690,21	28 380 820,62
Administrative expenses	12 835 320,77	22 685 707,12
Commissions for reinsurance ceded and profit shares	-8 617 398,19	-6 217 596,87
<i>Total</i>	<u>48 652 916,93</u>	<u>77 829 267,16</u>

3.3 Notes concerning personnel and members of corporate bodies

3.3.1 Personnel expenses

	2018	2017
Salaries and remunerations	25 232 183,10	27 731 697,42
Pension expenses	2 725 728,73	4 609 558,57
Other personnel expenses	870 009,26	1 096 573,88
<i>Total</i>	<u>28 827 921,09</u>	<u>33 437 829,87</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	721 455,00	710 316,00
Pension commitments	The retirement age of the managing director is 63 and that of the deputy managing director is stated by the law.	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	
Board members and deputy board members		
Salaries and remunerations	1 857 577,00	1 796 313,00
Pension commitments	The agreed pensionable age of board members and deputy board members is 63.	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	
Supervisory board and deputy supervisory board members		
Salaries and remunerations	161 750,00	187 750,00
Pension commitments	No pension commitments	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	

3.3.3 Average number of personnel during the financial year

Staff	326	372
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3.4 Auditor's fees by assignment category

	2018	2017
Auditing	45 201,10	60 771,62
Tax advice	9 389,90	0,00
Other services	1 984,00	0,00
<i>Total</i>	<u>56 575,00</u>	<u>60 771,62</u>

4. Net investment income and other income and expenses

4.1 Specification of net investment income

Investment income	2018	2017
Income from group companies		
Dividend income	17 357 343,93	12 465 263,93
Interest income	39 951,39	794 386,26
<i>Total</i>	<u>17 397 295,32</u>	<u>13 259 650,19</u>
Income from participating interests		
Dividend income	476 337,04	341 720,25
Interest income	104 184,29	67 893,59
<i>Total</i>	<u>580 521,33</u>	<u>409 613,84</u>
Income from real estate investments in group companies		
Interest income	3 882 908,45	4 548 288,07
Other income	0,00	7 800,00
<i>Total</i>	<u>3 882 908,45</u>	<u>4 556 088,07</u>
Income from real estate investments in participating interests		
Interest income	0,00	157 586,00
<i>Total</i>	<u>0,00</u>	<u>157 586,00</u>
Income from real estate investments in other companies		
Interest income	24 532,10	27 090,78
Other income	24 282 886,74	27 957 834,28
<i>Total</i>	<u>24 307 418,84</u>	<u>27 984 925,06</u>
Income from other investments		
Dividend income	30 049 244,16	41 041 415,40
Interest income	11 961 149,32	25 211 630,51
Other income	2 502 935,91	3 906 836,03
<i>Total</i>	<u>44 513 329,39</u>	<u>70 159 881,94</u>
Total	90 681 473,33	116 527 745,10
Value readjustments	14 462 822,93	50 298 267,90
Realized gains	38 918 053,59	88 139 724,02
Total investment income	144 062 349,85	254 965 737,02

Investment charges

Expenses arising from real estate investments		
From group companies	-10 135 381,82	-11 510 416,43
Other companies	-11 019 769,24	-10 936 366,18
<i>Total</i>	<u>-21 155 151,06</u>	<u>-22 446 782,61</u>
Expenses arising from other investments	-11 317 624,68	-8 796 401,77
Interest paid and other expenses on liabilities		
Other companies	-234 214,44	-198 415,08
<i>Total</i>	<u>-234 214,44</u>	<u>-198 415,08</u>
<i>Total</i>	-32 706 990,18	-31 441 599,46
Value adjustments and depreciation		
Value adjustments	-52 575 842,60	-23 860 297,92
Planned depreciation on buildings	-3 378 602,26	-3 645 910,04
<i>Total</i>	<u>-55 954 444,86</u>	<u>-27 506 207,96</u>
Realized losses	-11 388 526,53	-21 393 196,43
<i>Total investment charges</i>	-100 049 961,57	-80 341 003,85
<i>Net investment income before revaluations and revaluation adjustments</i>	44 012 388,28	174 624 733,17
Revaluation adjustments on investments	-156 036,60	-3 344 053,70
	<u>-156 036,60</u>	<u>-3 344 053,70</u>
<i>Net investment income in the profit and loss account</i>	<u>43 856 351,68</u>	<u>171 280 679,47</u>

4.2 Specification of other income and expenses

Other income	2018	2017
Services sold to partner companies	23 254 952,44	21 120 413,58
Other income	1 734 551,67	1 882 503,34
<i>Total</i>	<u>24 989 504,11</u>	<u>23 002 916,92</u>
Other expenses		
Expenses for services sold	-17 776 750,50	-14 564 880,15
Transfer to personnel fund	-5 647,23	-377 047,91
Other expenses	-2 286 587,23	-2 107 832,96
<i>Total</i>	<u>-20 068 984,96</u>	<u>-17 049 761,02</u>

Notes concerning balance sheet items, LocalTapiola General

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

5.1 Current value of investments and difference between in valuation

Investments	Remaining acquisition cost	2018 Book value	Current value
Real estate investments			
Real estate	3 774 688,16	3 774 688,16	5 632 046,98
Real estate shares in group companies	81 091 650,15	84 249 653,57	146 678 579,27
Other real estate shares	62 028 063,04	62 184 099,67	84 240 120,56
Loans to group companies	80 156 073,93	80 156 073,93	80 156 073,94
	<u>227 050 475,28</u>	<u>230 364 515,33</u>	<u>316 706 820,75</u>
Investments in group companies			
Shares and holdings	739 286 855,78	739 286 855,78	754 868 516,89
	<u>739 286 855,78</u>	<u>739 286 855,78</u>	<u>754 868 516,89</u>
Investments in participating interests			
Shares and holdings	80 098 112,81	80 098 112,81	82 312 837,50
Debt securities	4 000 000,00	4 000 000,00	4 000 000,00
Loans receivable	1 500 000,00	1 500 000,00	1 500 000,00
	<u>85 598 112,81</u>	<u>85 598 112,81</u>	<u>87 812 837,50</u>
Other investments			
Shares and holdings	713 309 197,85	713 309 197,85	792 433 721,52
Debt securities	527 760 337,29	527 760 337,29	524 774 164,56
Loans guaranteed by mortgages	45 856 363,14	45 856 363,14	45 856 363,00
Other loans	17 089 035,10	17 089 035,10	17 089 035,11
Deposits	5 105 935,42	5 105 935,42	5 105 935,42
	<u>1 309 120 868,80</u>	<u>1 309 120 868,80</u>	<u>1 385 259 219,61</u>
Deposits with ceding undertakings	661 413,85	661 413,85	661 413,85
	<u>2 361 717 726,52</u>	<u>2 365 031 766,57</u>	<u>2 545 308 808,60</u>
The remaining acquisition cost of debt securities includes:			
Difference between the nominal value and acquisition cost released (+) or charged (-) to interest income			-1 251 761,06
Book value comprises			
Revaluations released to income		2 573 235,73	
Other revaluations		740 804,32	3 314 040,05
Difference in valuation (difference between current value and book value)			<u>180 277 042,03</u>

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

5.2 Difference in valuation of non-hedging derivatives

		2018	
Derivative contracts	Remaining acquisition cost	Book value	Current value
Other debtors			
Assets pledged as security for derivatives	540 000,00	540 000,00	540 000,00
Other deferred income and credits			
Futures and forward contracts	0,00	0,00	402 245,83
	540 000,00	540 000,00	942 245,83
Difference in valuation (difference between current value and book value)			402 245,83
		2017	
Derivative contracts	Remaining acquisition cost	Book value	Current value
Other debtors			
Assets pledged as security for derivatives	40 000,00	40 000,00	40 000,00
Other deferred income and credits			
Futures and forward contracts	-348 406,91	-348 406,91	-342 771,18
	-308 406,91	-308 406,91	-302 771,18
Difference in valuation (difference between current value and book value)			5 635,73

6. Real estate investment

Changes in real estate investments:	2018		
	Real estate and shares in real estate	Loans to group companies	Loans to participating interests
Acquisition cost on 1 Jan.	158 000 005,57	67 251 651,63	7 500 000,00
Increase	9 736 870,57	8 711 000,00	0,00
Decrease	-15 687 458,21	-3 306 577,70	0,00
Transfers between items	0,00	7 500 000,00	-7 500 000,00
Acquisition cost on 31 Dec.	152 049 417,93	80 156 073,93	0,00
Accumulated depreciation on 1 Jan.	-1 415 716,21		
Depreciation for the financial year	-128 453,42		
Accumulated depreciation on 31 Dec.	-1 544 169,63		
Value adjustments on 1 Jan.	-5 548 961,45		
Value adjustments for the financial year	-130 000,00		
Value readjustments	2 068 114,50		
Value adjustments on 31 Dec.	-3 610 846,95		
Revaluations on 1 Jan.	3 470 076,65		
Decrease	-156 036,60		
Revaluations on 31 Dec.	3 314 040,05		
Book value on 31 Dec.	150 208 441,40	80 156 073,93	0,00

Real estate and shares in real estate occupied for own activities

Remaining acquisition cost	8 554 895,51
Book value	8 554 895,51
Current value	8 693 665,02

7. Investments in group companies and participating interests

Shares in group companies	2018	2017
Acquisition cost on 1 Jan.	646 592 934,80	228 300 252,57
Increase	128 593 171,34	935 880 534,94
Decrease	-30 442 488,36	-24 613 931,24
Increase, business transfer	0,00	-489 091 035,46
Transfers between items	-752 601,03	-3 882 886,01
Acquisition cost on 31 Dec.	743 991 016,75	646 592 934,80
Value adjustments on 1 Jan.	-1 819 836,88	-1 755 712,37
Value adjustments related to deductions and transfers	752 601,03	-597 840,52
Value adjustments for the financial year	-3 885 912,05	-1 265 611,84
Value readjustments	248 986,93	1 799 327,85
Value adjustments on 31 Dec.	-4 704 160,97	-1 819 836,88
Book value on 31 Dec.	739 286 855,78	644 773 097,92

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

Acquisition cost on 1 Jan.	0,00	70 193 120,01
Increase	23 000 000,00	868 200,00
Decrease	-31 000 000,00	-71 061 320,01
Transfers between items	8 000 000,00	0,00
Acquisition cost on 31 Dec.	0,00	0,00
Book value on 31 Dec.	0,00	0,00

Shares and holdings in participating interests

Acquisition cost on 1 Jan.	140 531 021,55	176 283 028,29
Increase	7 861 865,99	3 569 381,59
Increase, business transfer	0,00	-39 321 388,33
Transfers between items	-27 345 308,79	0,00
Acquisition cost on 31 Dec.	121 047 578,75	140 531 021,55
Value adjustments on 1 Jan.	-53 364 549,28	-54 702 595,17
Value adjustments related to deductions and transfers	27 345 308,79	0,00
Value adjustments for the financial year	-14 930 225,45	-0,02
Value readjustments	0,00	1 338 045,91
Value adjustments on 31 Dec.	-40 949 465,94	-53 364 549,28
Book value on 31 Dec.	80 098 112,81	87 166 472,27

Debt securities issued by and loans to participating interests

Acquisition cost on 1 Jan.	4 750 000,00	4 000 000,00
Increase	750 000,00	2 750 000,00
Transfers between items	0,00	-2 000 000,00
Acquisition cost on 31 Dec.	5 500 000,00	4 750 000,00
Book value on 31 Dec.	5 500 000,00	4 750 000,00
Total	824 884 968,59	736 689 570,19

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

Shares and holdings, fixed assets	Domicile	Share of stocks %	Equity	Profit for the accounting period
Aura-Karelia Oy	1) Espoo	100,0	147 934,04	0,00
Keskinäinen Vakuutusyhtiö Turva	4) Tampere	67,4	43 593 201,98	6 470 362,29
LokalTapiola Sydskusten Ömsesidigt Försäkringsbolag	3) Parainen	100,0	12 243 134,36	1 126 465,56
LähiTapiola Etelä Keskinäinen Vakuutusyhtiö	3) Salo	100,0	43 174 360,89	4 014 411,69
LähiTapiola Etelä-Pohjanmaa Keskinäinen Vakuutusyhtiö	3) Seinäjoki	100,0	43 276 196,46	7 013 296,88
LähiTapiola Itä Keskinäinen Vakuutusyhtiö	3) Iisalmi	100,0	55 001 555,53	6 046 650,42
LähiTapiola Kaakkois-Suomi Keskinäinen Vakuutusyhtiö	3) Lappeenranta	100,0	42 867 489,51	8 886 252,62
LähiTapiola Kainuu-Koillismaa Keskinäinen Vakuutusyhtiö	3) Kajaani	100,0	21 299 270,26	2 096 591,31
LähiTapiola Keskinäinen Henkivakuutusyhtiö	3) Espoo	66,7	457 018 982,91	46 738 033,77
LähiTapiola Keski-Suomi Keskinäinen Vakuutusyhtiö	3) Jyväskylä	100,0	36 857 282,59	4 405 226,04
LähiTapiola Kiinteistövarainhoito Oy -konserni	1) Espoo	68,2	10 147 566,49	2 321 941,75
LähiTapiola Lappi Keskinäinen Vakuutusyhtiö	3) Rovaniemi	100,0	20 918 567,77	1 497 841,72
LähiTapiola Loimi-Häme Keskinäinen Vakuutusyhtiö	3) Loimaa	100,0	22 430 887,35	1 469 039,72
LähiTapiola Lännen Keskinäinen Vakuutusyhtiö	3) Rauma	100,0	42 203 552,74	3 402 056,69
LähiTapiola Palvelut Oy	1) Espoo	64,4	10 455 714,95	-1 385 152,13
LähiTapiola Pirkanmaa Keskinäinen Vakuutusyhtiö	3) Tampere	100,0	39 254 459,14	5 375 777,97
LähiTapiola Pohjanmaa Keskinäinen Vakuutusyhtiö	3) Vaasa	100,0	44 141 813,72	6 396 305,55
LähiTapiola Pohjoinen Keskinäinen Vakuutusyhtiö	3) Oulu	100,0	73 679 905,24	9 970 133,11
LähiTapiola Pääkaupunkiseutu Keskinäinen Vakuutusyhtiö	3) Helsinki	100,0	58 250 628,34	-5 483 861,73
LähiTapiola Rahoitus Oy	1) Espoo	51,0	17 736 510,68	-1 638 823,49
LähiTapiola Satakunta Keskinäinen Vakuutusyhtiö	3) Pori	100,0	22 523 942,73	2 824 567,53
LähiTapiola Savo Keskinäinen Vakuutusyhtiö	3) Kuopio	100,0	38 979 888,76	3 139 254,75
LähiTapiola Savo-Karjala Keskinäinen Vakuutusyhtiö	3) Mikkeli	100,0	28 016 034,71	3 007 663,59
LähiTapiola Uusimaa Keskinäinen Vakuutusyhtiö	3) Porvoo	100,0	42 627 462,49	5 323 917,84
LähiTapiola Varainhoito Oy	1) Espoo	67,6	22 269 954,42	1 607 664,86
LähiTapiola Varsinais-Suomi Keskinäinen Vakuutusyhtiö	3) Turku	100,0	38 053 149,85	2 420 302,21
LähiTapiola Vellamo Keskinäinen Vakuutusyhtiö	3) Lahti	100,0	42 505 540,90	4 464 286,09
Tieto-Tapiola Oy	1) Espoo	66,7	4 117 752,98	267 866,19
Tietotyö Oy	1) Espoo	100,0	849 032,30	1 210,95
Vakuutusneuvonta Aura	2) Espoo	33,3	10 729,40	0,00
Vakuutusneuvonta Pohja	2) Espoo	33,3	10 672,17	0,00
Total			1 334 663 175,66	131 779 283,75

Shares and holdings, investment assets	Domicile	Share of stocks %	Equity	Profit for the accounting period
Kauppakeskus Seppä Oy	2) Kuopio	30,0	-1 357,91	-2 334,17
LähiTapiola Kiinteistösijoitus I GP Oy	1) Espoo	100,0	2 328,00	-127,80
LähiTapiola Kiinteistösijoitus I Ky	2) Espoo	30,0	45 380 835,41	644 469,85
LähiTapiola KR PK2 Ky -konserni	2) Espoo	32,4	16 101 505,92	-177 949,75
LähiTapiola Pääomasijoitus GP Oy	3) Espoo	12,9	671,94	447,90
LähiTapiola Pääomasijoitus I Ky	3) Espoo	12,9	103 307 021,99	12 171 833,66
LähiTapiola Pääomasijoitus II GP Oy	1) Espoo	100,0	2 157,18	-132,55
LähiTapiola Pääomasijoitus II Ky	2) Espoo	30,0	32 796 047,39	-1 117 343,25
LähiTapiola Pääomasijoitus III GP Oy	1) Espoo	100,0	2 328,00	-127,80
LähiTapiola Pääomasijoitus III Ky	3) Espoo	12,5	137 281 391,14	20 122 104,17
LähiTapiola Pääomasijoitus IV GP Oy	1) Espoo	100,0	-86,65	-86,65
LähiTapiola Rahoitusyhtiö I Ky	2) Espoo	24,8	165 062 933,85	62 933,85
LähiTapiola Tampereen Tornit Ky	2) Espoo	32,2	13 929 166,67	0,00
LähiTapiola Tontit GP I Oy	3) Espoo	7,3	109 386,91	4 125,35
LähiTapiola Tontit GP II Oy	1) Espoo	100,0	96 281,04	-1 246,94
LähiTapiola Tontit I Ky	3) Espoo	7,3	43 851 718,70	2 751 718,62
LähiTapiola Tontit II Ky	3) Espoo	16,2	5 443 562,44	305 400,90
LähiTapiola Velkasijoitus I GP Oy	1) Espoo	100,0	2 220,75	-130,40
LähiTapiola Velkasijoitus I Ky	2) Espoo	37,2	65 966 648,01	1 570 923,48
LähiTapiola Yhteiset Kiinteistöt Ky	3) Espoo	3,0	183 151 217,48	3 873 924,83
LähiTapiola Yritysrahoitus I GP Oy	1) Espoo	100,0	7 574,98	-197,99
LähiTapiola Yritysrahoitus I Ky	2) Espoo	38,4	653 820 348,11	16 127 295,52
Tapiolan Revontuli Oy	1) Espoo	100,0	52 751,70	1 409,77
Total			1 466 366 653,05	56 336 910,60

In addition, LocalTapiola General Mutual Insurance Company has invested in 34 (33) housing associations and real estate companies that are integrated into the consolidated financial statements of LocalTapiola Group, out of which 12 (11) are its own subsidiaries.

1) Subsidiary

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

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

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

7.2 Investments in participating interests

Shares and holdings, fixed assets	Domicile	Share of stocks %	Equity	Profit for the accounting period
Pihlajalinna Oyj -konserni	3) Helsinki	15,4	121 900 000,00	3 800 000,00
S-Pankki Oyj -konserni	3) Helsinki	10,0	441 841 909,26	6 681 948,16
Total			563 741 909,26	10 481 948,16

Shares and holdings, investment assets	Domicile	Share of stocks %	Equity	Profit for the accounting period
Fundu Platform Oy	2) Kurikka	20,9	390 241,51	-2 115 092,47
Seligson & Co Oyj -konserni	3) Helsinki	19,3	11 999 000,00	2 127 000,00
Project-IT Oy	2) Espoo	25,0	2 105 278,58	1 011 488,79
Total			14 494 520,09	1 023 396,32

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

2) Participating interest

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

7.3 Other investments

Security	Share of stocks %	Number	Book value	Current value	Home country
Finnish companies, listed					
Amer- Sports Oyj	0,10	119 886,00	1 365 866,77	4 600 025,82	Finland
Huhtamäki Oyj	0,10	112 000,00	3 031 840,00	3 031 840,00	Finland
Kone Oyj B	0,02	93 000,00	2 582 130,82	3 872 520,00	Finland
Nokia Oyj	0,01	743 000,00	3 737 290,00	3 737 290,00	Finland
Stora Enso R	0,03	235 000,00	2 061 605,06	2 369 975,00	Finland
Vaisala Oyj A	0,51	187 640,00	1 756 451,61	3 096 060,00	Finland
Other		1 482 342,00	1 308 576,48	1 703 435,00	
Total		2 972 868,00	15 843 760,74	22 411 145,82	
Finnish companies, non-listed					
CAP-Group Oy	6,67	793,00	1 270 376,61	1 538 420,00	Finland
Plugit Finland Oy	5,88	62 500,00	500 000,00	500 000,00	Finland
Sofigate Group Oy	2,98	604 700,00	2 029 392,63	2 122 496,74	Finland
Verso Food Oy	8,08	240 442,00	1 680 654,77	1 680 654,77	Finland
Viria Oyj	2,79	150 000,00	3 048 000,00	3 048 000,00	Finland
Other		97 816 366,00	67 791 434,80	102 938 442,24	
Total		98 874 801,00	76 319 858,81	111 828 013,75	

Foreign companies, listed

AbbVie Inc	0,00	44 000,00	2 316 169,10	3 542 672,49	USA
Alphabet Inc Class C	0,00	3 000,00	2 713 388,65	2 713 388,65	USA
Amazon.com Inc	0,00	2 300,00	1 686 964,13	3 017 057,64	USA
Anheuser-Busch InBev NV	0,00	48 000,00	2 769 600,00	2 769 600,00	Belgium
Assa Abloy Ab B	0,02	213 000,00	3 284 895,85	3 284 895,85	Sweden
AstraZeneca PLC	0,01	68 000,00	4 169 538,48	4 464 512,09	UK
Automatic Data Processing Inc	0,01	25 000,00	2 044 413,42	2 862 882,10	USA
Axa Sa	0,01	276 000,00	5 204 808,00	5 204 808,00	France
BASF SE	0,00	45 000,00	2 718 000,00	2 718 000,00	Germany
Banco Bilbao Vizcaya Argentaria SA	0,01	660 000,00	3 059 430,00	3 059 430,00	Spain
Brenntag AG	0,03	50 000,00	1 885 000,00	1 885 000,00	Germany
Carl Zeiss Meditec AG	0,05	46 126,00	905 613,64	3 150 405,80	Germany
Danaher Corp	0,00	25 000,00	2 109 378,95	2 251 528,38	USA
Deutsche Telekom AG	0,01	302 000,00	4 475 640,00	4 475 640,00	Germany
Henkel Kgaa -Vorzug	0,03	53 000,00	5 056 200,00	5 056 200,00	Germany
ING Groep NV	0,01	365 000,00	3 434 650,00	3 434 650,00	The Netherlands
Illinois Tool Works Inc	0,01	24 000,00	2 655 510,92	2 655 510,92	USA
Ingersoll-Rand PLC	0,02	39 000,00	2 881 442,91	3 107 397,38	USA
Lowe's Cos Inc	0,00	30 000,00	2 337 669,91	2 419 912,66	USA
Medtronic Inc	0,00	38 400,00	2 099 246,22	3 050 536,24	Ireland
Merck & Co Inc	0,00	48 000,00	2 152 394,58	3 203 213,97	USA
Merck KGAA	0,04	57 000,00	4 744 554,32	5 128 860,00	Germany
Mondelez International Inc	0,00	50 000,00	1 748 034,93	1 748 034,93	USA
NIKE Inc	0,00	32 000,00	2 072 034,93	2 072 034,93	USA
National Grid PLC	0,01	400 000,00	3 417 213,51	3 417 213,51	UK
Nestle Sa	0,00	50 000,00	3 540 686,84	3 540 686,84	Switzerland
PepsiCo Inc	0,00	31 000,00	1 848 213,17	2 991 161,57	USA
Procter & Gamble Co	0,00	45 000,00	2 973 980,23	3 612 576,42	USA
RELX PLC	0,01	130 000,00	2 347 568,06	2 349 222,50	UK
Roche Holding Ag	0,00	15 000,00	3 189 530,07	3 239 861,57	Switzerland
Rockwell Automation Inc/DE	0,02	21 000,00	2 759 895,20	2 759 895,20	USA
SAP Ag	0,00	52 000,00	4 520 360,00	4 520 360,00	Germany
Schlumberger Ltd	0,00	46 000,00	1 449 502,18	1 449 502,18	Curaçao
Schneider Electric Sa	0,01	40 000,00	2 388 800,00	2 388 800,00	France
Siemens Healthineers AG	0,01	113 779,00	3 350 932,80	4 158 053,56	Germany
Swiss Re Ltd	0,02	67 000,00	5 358 097,44	5 358 097,44	Switzerland
Total Sa	0,00	113 000,00	5 067 939,47	5 218 340,00	France
US Bancorp	0,00	60 000,00	2 394 759,83	2 394 759,83	USA
UniCredit SpA	0,01	250 000,00	2 473 500,00	2 473 500,00	Italy
Unilever Nv -CVA	0,01	121 000,00	4 607 380,08	5 737 820,00	The Netherlands
Verizon Communications Inc	0,00	50 000,00	2 414 474,02	2 455 021,83	USA
Visa Inc	0,00	31 000,00	2 334 427,06	3 572 174,67	USA
Vodafone Group Plc	0,01	1 365 000,00	2 333 163,78	2 333 163,78	UK
salesforce.com Inc	0,00	25 000,00	2 911 664,02	2 990 611,35	USA
Total		5 569 605,00	130 206 666,70	144 236 994,28	
Foreign companies, non-listed					
European Alliance Partners Company AG	8,48	6 165,00	521 223,76	689 837,77	Switzerland
Other		98 250,00	165 036,33	165 036,33	
Total		104 415,00	686 260,09	854 874,10	

Mutual funds

AMUNDI PLANT EM GRN 1-SEURH	9 580 140,00	9 580 140,00	Luxembourg
Aktia Trade Finance Erikoissijoitusrahasto	5 993 776,20	6 003 985,54	Finland
BNP Paribas FPS FPE	4 470 800,09	4 470 800,09	France
BNP Paribas Global Senior Corporate Loans	2 020 425,74	2 020 425,74	France
GS Emerging Markets Equity	8 181 808,40	8 181 808,40	Luxembourg
ISAM Systematic Trend (Class Q)	3 638 257,21	3 638 257,21	Cayman Islands
Lynx Fund	4 206 538,35	4 206 538,35	Sweden
LähiTapiola AIF Yrityslaina	17 824 547,68	17 824 547,68	Finland
LähiTapiola High Yield A	13 496 719,05	13 496 719,05	Finland
LähiTapiola Hyvinvointi A	6 183 071,86	6 875 740,47	Finland
LähiTapiola Infra A	4 659 037,07	5 101 015,35	Finland
LähiTapiola Kasvu A	4 615 658,99	5 662 354,91	Finland
LähiTapiola Kehittynyt Aasia A	10 042 289,05	10 042 289,05	Finland
LähiTapiola Kehittyvät Korkomarkkinat A	76 237 354,61	76 237 354,61	Finland
LähiTapiola Kehittyvät Markkinat A	21 164 400,37	21 164 400,37	Finland
LähiTapiola Korkomaailma A	1 742 475,14	2 093 164,90	Finland
LähiTapiola Kuluttaja A	3 826 110,95	4 658 527,86	Finland
LähiTapiola Osinko A	4 633 412,81	4 828 332,34	Finland
LähiTapiola Pohjoinen Yrityskorko A	23 698 069,86	23 856 909,20	Finland
LähiTapiola Reaalikorko A	14 764 854,81	14 764 854,81	Finland
LähiTapiola Sijoituskiinteistöt A	5 541 983,27	5 791 372,52	Finland
LähiTapiola Suoja A	843 252,44	912 315,45	Finland
LähiTapiola USA Keskisuuret A	11 386 065,93	11 826 460,75	Finland
LähiTapiola Yrityskorko A	35 296 741,11	35 356 028,79	Finland
Natixis Loomis Sayles Senior Loan Fund	1 499 998,50	1 598 937,13	Luxembourg
Pimco Socially Responsible EM Bond Fund I-	22 347 644,73	22 347 644,73	Ireland
Transtrend Fund Alliance - OmniTrend (EUR)	4 509 920,54	4 509 920,54	Luxembourg
Winton Diversified Fund (UCITS) EUR I-2 Shares	5 097 452,81	5 097 452,81	Ireland
Total	327 502 807,57	332 148 298,65	

Capital mutual funds

Aberdeen Property Funds SICAV Pan-Nordic	552 511,41	552 511,41	Luxembourg
Altor Fund II (No. 1) Limited Partnership	1 510 032,00	1 510 032,00	Jersey
Altor Fund III	3 755 212,47	5 658 713,11	Jersey
Altor Fund IV (No.2) AB	4 918 342,07	5 978 324,59	Sweden
Amanda III Eastern Private Equity L.P.	760 099,00	760 099,00	Finland
Amanda V East L.P.	3 935 058,80	4 128 611,00	Finland
Apax Europe VII - B, L.P.	1 933 240,73	1 933 240,73	UK
Armada Mezzanine IV Ky	2 275 020,87	2 507 843,91	Finland
Beechbrook Mezzanine II L.P.	4 373 665,44	4 373 665,44	UK
Beechbrook Private Debt III L.P.	5 404 491,01	5 478 568,95	UK
Beechbrook UK SME Credit I L.P.	7 529 945,50	7 529 945,50	UK
BlackRock Europe Property Fund III	376 749,19	376 749,19	UK
Bowmark Capital Partners IV, L.P.	3 008 283,68	3 008 283,68	UK
Bowmark Capital Partners V, L.P.	3 752 770,73	3 752 770,73	UK
Bridgepoint Europe III, L.P.	816 146,00	816 146,00	UK
Bridgepoint Europe IV F L.P.	2 645 359,96	3 035 585,08	UK
Bridgepoint Europe V C L.P.	8 374 639,39	9 482 080,00	UK
Capvis Equity III L.P.	1 641 656,00	1 641 656,00	Jersey
Capvis Equity IV LP	2 743 062,00	2 743 062,00	Jersey
Fundu Fund Ky	2 085 577,72	2 085 577,72	Finland
ICG Senior Debt Partners Fund	2 352 434,22	2 352 434,22	Luxembourg
ICG Senior Debt Partners Fund 2	13 491 791,25	13 962 767,69	Luxembourg
ICG-Longbow UK Real Estate Debt Investments	6 243 075,76	6 243 075,76	Luxembourg
Infranode I (No. 1) AB	4 066 865,33	4 186 338,50	Sweden
Lindsay Goldberg III L.P.	665 195,63	665 195,63	USA
LähiTapiola Asuntorahasto Prime Ky	2 194 573,33	2 355 885,66	Finland
LähiTapiola Asuntosijoitus Suomi Ky	2 680 135,88	3 130 168,01	Finland
LähiTapiola KR PK2 Ky	3 002 142,00	3 002 142,00	Finland
LähiTapiola Kiinteistösijoitus I Ky	13 394 026,58	13 862 545,14	Finland
LähiTapiola Pääomasijoitus I Ky	11 925 512,03	14 716 543,05	Finland
LähiTapiola Pääomasijoitus II Ky	10 139 600,63	10 139 600,63	Finland
LähiTapiola Pääomasijoitus III Ky	14 640 726,52	18 555 153,59	Finland
LähiTapiola Rahoitusyhtiö I Ky	40 873 959,60	40 876 988,66	Finland
LähiTapiola Tampereen Tornit Ky	4 488 287,00	4 488 287,00	Finland
LähiTapiola Tontit I Ky	2 990 000,00	3 257 767,62	Finland
LähiTapiola Tontit II Ky	829 268,30	888 304,93	Finland
LähiTapiola Velkasijoitus I Ky	23 869 358,26	24 698 991,89	Finland
LähiTapiola Yhteiset Kiinteistöt Ky	5 303 142,72	5 573 288,00	Finland
LähiTapiola Yritysrahoitus I Ky	246 381 241,45	250 222 181,80	Finland
M&G Real Estate Debt Fund II, L.P.	5 647 190,97	5 647 190,97	Guernsey

NB Private Debt Fund II LP	7 972 175,55	7 972 175,55	USA
Nexit INFOCOM II L.P.	885 467,29	2 904 615,91	Guernsey
Nordic Mezzanine Fund III Limited Partnership	1 824 692,48	2 638 964,91	UK
PBW II Real Estate Fund S.A.	2 743 371,82	2 743 371,82	Luxembourg
Partners Group U.S. Venture 2004, L.P.	1 312 337,99	1 312 337,99	USA
Siguler Guff Small Business Credit	5 402 010,42	5 402 010,42	USA
TPG Partners VI, LP	7 812 283,84	7 812 283,84	USA
TPG Partners VII, L.P.	8 611 196,70	10 734 368,56	USA
Tapiola KR III Ky	5 229 618,28	5 229 618,28	Finland
The Triton Fund III L.P.	3 524 850,00	3 863 731,52	Jersey
Tikehau Direct Lending III	8 254 103,74	9 607 991,65	Luxembourg
Top Tier Venture Capital III, L.P.	873 118,41	873 118,41	USA
Top Tier Venture Capital IV, L.P.	2 103 579,57	3 865 654,10	USA
VSS Structured Capital Parallel III, L.P.	3 720 117,03	3 720 117,03	USA
Other	2 747 794,46	6 377 512,45	
Total	540 587 109,01	571 236 189,23	

Total other investments, shares and holdings **107 521 689,00** **1 091 146 462,92** **1 182 715 515,83**

8. Other investments

	2018	2017
Bank guarantee	28 303,94	41 331,22
Remaining acquisition cost	28 303,94	41 331,22
Unsecured, total remaining acquisition cost	17 060 731,17	34 857 304,16
	17 089 035,11	34 898 635,38

9. Changes in tangible and intangible assets

		2018	
	Intangible rights and other expenses with long-term effects	Provisional premiums	Machinery and equipment
Acquisition cost on 1 Jan.	66 004 436,35	3 704 310,99	33 799 127,94
Increase	587 273,43	6 426 210,35	623 740,33
Decrease	0,00	-11 622,60	-355 746,88
Transfers between items	7 676 391,30	-7 676 391,30	0,00
Acquisition cost on 31 Dec.	74 268 101,08	2 442 507,44	34 067 121,39
Accumulated depreciation on 1 Jan.	-51 613 815,83	0,00	-32 270 166,74
Depreciation for the financial year	-6 336 770,31	0,00	-454 526,19
Accumulated depreciation on 31 Dec.	-57 950 586,14	0,00	-32 724 692,93
Book value on 31 Dec.	16 317 514,94	2 442 507,44	1 342 428,46

10. Capital and reserves and itemization of revaluation reserve

10.1 Changes in capital and reserves

	1.1.2018	Increase	Decrease	31.12.2018
Initial reserve	8 641 380,35	0,00	0,00	8 641 380,35
Revaluation reserve	218 348,97	0,00	-133 258,66	85 090,31
Security reserve	1 203 747 920,77	155 888 869,67	0,00	1 359 636 790,44
Contingency reserve	1 540 689,71	2 000 000,00	-950 000,00	2 590 689,71
Profit for the accounting period	157 888 869,67	45 194 562,57	-157 888 869,67	45 194 562,57
Total changes in capital and reserves	1 372 037 209,47	203 083 432,24	-158 972 128,33	1 416 148 513,38

10.2 Itemisation of revaluation reserve

	31.12.2018
Revaluation of fixed assets	85 090,31
<i>Total</i>	<u>85 090,31</u>

10.3 Account of distributable profits

	31.12.2018
Profit for the accounting period	45 194 562,57
+ Other unrestricted capital and reserves	
Security reserve	1 359 636 790,44
Contingency reserve	2 590 689,71
<i>Total distributable profits</i>	<u>1 407 422 042,72</u>

11. Accumulated appropriations

Depreciation difference

Depreciation difference on 1 Jan.	51 655,03	73 806,54
Increase	28 489,32	0,00
Decrease	0,00	-22 151,51
Depreciation difference on 31 Dec.	<u>80 144,35</u>	<u>51 655,03</u>
Total accumulated appropriations	<u>80 144,35</u>	<u>51 655,03</u>

12. Provision for claims outstanding

	2018	2017
Uncontested recourse receivables deducted from provisions for claims outstanding		
Statutory workers' compensation	<u>35 945 413,00</u>	<u>36 091 537,00</u>

13. Other obligatory provisions

	2018	2017
Provision for interest on late payments for unfinished claims	38 781,00	0,00
Provision for unemployment security deductible	<u>88 013,92</u>	<u>224 625,89</u>
	<u>126 794,92</u>	<u>224 625,89</u>

14. Deferred tax liabilities

	2018	2017
Tax liability calculated on the basis of timing differences and other temporary differences between taxable profit and accounting profit	148 160,86	152 931,40
Tax debt calculated based on valuation gains/losses that is deemed likely to become payable during the next year	<u>7 000 000,00</u>	<u>9 000 000,00</u>
	<u>7 148 160,86</u>	<u>9 152 931,40</u>

15. Receivables and liabilities

15.1 Itemisation of receivables

	2018	2017
Receivables from group companies		
Other receivables	1 632 681,03	3 058 013,26
	<u>1 632 681,03</u>	<u>3 058 013,26</u>

15.2 Itemisation of liabilities

	2018	2017
Liabilities to group companies		
Trade creditors	1 335 890,38	1 160 186,26
Other liabilities	2 008 125,76	1 441 008,03
	<u>3 344 016,14</u>	<u>2 601 194,29</u>

15.3 Itemisation of accruals and deferred income

	2018	2017
Liabilities to personnel	8 872 983,82	9 408 238,43
Valuation loss on derivatives	0,00	348 406,91
Other accruals and deferred income	2 417 683,29	5 030 095,90
	<u>11 290 667,11</u>	<u>14 786 741,24</u>

16. Notes concerning guarantees and contingent liabilities

16.1 Off-balance-sheet guarantees and contingent liabilities

	2018	2017
Derivative contracts		
Currency derivatives		
Forward and futures contracts, open		
Underlying instrument	-26 900 991,97	-44 564 489,53
Current value	402 245,83	-342 771,18

Rent liabilities

Amount to be paid in the current financial year	4 107 602,79	4 715 879,92
Amount to be paid in the coming years	15 156 610,94	16 480 510,42
	<u>19 264 213,73</u>	<u>21 196 390,34</u>

Value-added tax liabilities

Joint liability relating to collective value-added tax registration		
Group companies	503 493,24	-5 430,22
Partner companies	1 846 176,42	2 369 617,10
	<u>2 349 669,66</u>	<u>2 364 186,88</u>
Inspection responsibility of real estate investments under section 120 of the Value Added Tax Act		
Company	843 572,00	1 789 005,34
Other companies of the group	49 206 949,60	42 929 469,75
	<u>50 050 521,60</u>	<u>44 718 475,09</u>

Other commitments

Subscription commitments	478 503 628,90	403 949 859,58
Granted limit	6 530 565,00	16 795 079,16
	<u>485 034 193,90</u>	<u>420 744 938,74</u>

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

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

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

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

Loans granted to parties belonging to the insider register of LocalTapiola General Mutual Insurance Company	
Subsidiaries	63 185 245,60
Associated undertakings and joint ventures	14 813 258,68
	<u>77 998 504,28</u>

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

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

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

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

18. Business transfer, 30 June 2017

Asiakkaiden liikennevakuutukset suurasiaikkaita lukuun ottamatta siirrettiin 30.6.2017 LähiTapiola Vahinkoyhtiön kannasta alueyhtiöihin. Vakuutuskannan luovutuksessa ja liiketoimintasiirrossa LähiTapiola Vahinkoyhtiö luovutti liikennevakuutuksen vakuutuskantaan liittyvät vakuutus sopimukset, vastuuvelan mukaan lukien tasoitussuorituksen ja sen katteena olevat varat sekä muut liikennevakuutuksen vakuutustoimintaan kuuluvat varat, velat ja varaukset alueyhtiöille.

LähiTapiola Vahinkoyhtiö merkitsi siirtoon liittyen alueyhtiöiden takuuosuuksia 174 918 763,71 eurolla.

	LähiTapiola Vahinkoyhtiö
Liiketoimintasiirrossa siirtyneet erät	
Sijoitusomaisuus kirjanpitoarvoin	1 518 057 755,15
Sijoitusomaisuus käyvin arvoin	1 573 153 370,32
Muut saamiset	66 277 921,64
Muut velat	6 723 619,93
Vastuuvelka	1 402 693 293,15

Other notes, LocalTapiola General

Performance analysis

	2018	2017	Change	€1 000 Change %
Premiums earned	292 823	374 014	-81 191	-21,7 %
Claims incurred	-226 038	-298 990	72 953	-24,4 %
Operating expenses	-48 653	-77 829	29 176	-37,5 %
Balance on technical account before change in equalization provision	18 133	-2 806	20 938	-746,3 %
Investment income and expenses as well as revaluations and adjustments thereof	43 856	171 281	-127 424	-74,4 %
Other income and expenses	4 921	5 953	-1 033	-17,3 %
Operating profit	66 909	174 428	-107 519	-61,6 %
Change in equalization provision	-6 120	13 162	-19 282	-146,5 %
Profit before appropriations and taxes	60 790	187 590	-126 800	-67,6 %
Appropriations	-28	22	-51	-228,6 %
Direct taxes	-15 567	-29 724	14 157	-47,6 %
Total result	45 195	157 889	-112 694	-71,4 %
Operating profit	66 909	174 428	-107 519	-61,6 %
Change in the difference between current and book values	9 723	-44 573	54 296	-121,8 %
Total result	76 632	129 856	-53 223	-41,0 %

Investment allocation at current value

	Basic breakdown				Risk breakdown		
	31.12.2018		31.12.2017		31.12.2018		31.12.2017
	EUR million	%	EUR million	%	EUR million	%	%
Fixed-income investments	877,6	33,7	886,4	35,0	877,6	33,7	35,0
Loan receivables ¹⁾	65,6	2,5	43,7	1,7	65,6	2,5	1,7
Bonds	756,5	29,1	797,4	31,5	756,5	29,1	31,5
Other money market instruments and deposits ^{1) 2)}	55,5	2,1	45,3	1,8	55,5	2,1	1,8
Equities and shares	1314,3	50,5	1244,4	49,1	1314,3	50,5	49,1
Listed equities and shares ³⁾	275,9	10,6	371,3	14,7	275,9	10,6	14,7
Private equity investments ⁴⁾	508,8	19,6	421,0	16,6	508,8	19,6	16,6
Unlisted equities and shares ⁵⁾	529,6	20,4	452,1	17,8	529,6	20,4	17,8
Real estate investments	385,4	14,8	379,0	15,0	385,4	14,8	15,0
Direct real estate investments	316,8	12,2	305,9	12,1	316,8	12,2	12,1
Real estate funds and joint investments	68,6	2,6	73,1	2,9	68,6	2,6	2,9
Other investments	23,5	0,9	22,9	0,9	23,5	0,9	0,9
Hedge fund investments ⁶⁾	5,1	0,2	5,2	0,2	5,1	0,2	0,2
Commodity investments	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other investments ⁷⁾	18,4	0,7	17,8	0,7	18,4	0,7	0,7
Investments total	2600,7	100,0	2532,7	100,0	2600,7	100,0	100,0
Effect of derivatives ⁹⁾							0,0
Investments total	2600,7	100,0	2532,7	100,0	2600,7	100,0	100,0

The modified duration of bond investments

3,9

1) Accrued interest included

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

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

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

5) Includes also unlisted real estate investment companies

Unlisted equities and shares include strategic investments,

e.g. the guarantee capital of LocalTapiola regional non-life insurance companies and share ownerships of Mehiläinen and S-Pankki

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

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

8) Risk breakdown can be shown from reference periods as the knowledge cumulates (not with retroactive effect).

If the numbers are shown from reference periods and the periods are not completely comparable, it must be informed.

9) Includes derivatives effect on difference between risk and basic allocation. The effect of derivatives can be +/-.

After the difference correction the total sum of the risk allocation tallies with the basic allocation.

10) The ratio is calculated by using the total sum of the row "Investments current value in total" as divisor.

Return on capital employed (at current value)

	Net investment income at current value ⁸⁾	Capital employed	Return-% on capital employed				
			2018	2017	2016	2015	2014
	milj. eur	milj. eur	%	%	%	%	%
Fixed-income investments	-13,2	943,9	-1,4	1,9	3,9	0,9	3,9
Loan receivables ¹⁾	1,8	53,6	3,3	3,1	3,3	4,0	4,3
Bonds	-14,6	834,0	-1,7	2,0	4,4	0,4	4,2
Other money market instruments and deposits ^{1) 2)}	-0,4	56,3	-0,7	-0,8	-0,4	-0,4	0,4
Equities and shares	44,2	1 254,1	3,5	5,7	4,5	14,0	5,4
Listed equities and shares ³⁾	-32,5	336,0	-9,7	2,4	3,1	19,3	7,3
Private equity investments ⁴⁾	30,8	456,0	6,7	6,2	7,3	18,4	16,6
Unlisted equities and shares ⁵⁾	45,9	462,1	9,9	8,4	4,5	3,1	-4,5
Real estate investments	28,0	369,0	7,6	8,5	7,1	6,1	4,3
Direct real estate investments	24,3	301,6	8,1	8,4	8,3	6,7	5,7
Real estate funds and joint investments	3,7	67,4	5,5	8,9	4,1	4,5	-0,1
Other investments	-1,3	24,7	-5,4	-5,4	-0,6	0,0	0,0
Hedge fund investments ⁶⁾	-0,1	5,2	-1,3	23,5	0,0	0,0	0,0
Commodity investments	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other investments ⁷⁾	-1,3	19,6	-6,5	-5,7	-0,6	0,0	0,0
Investments total	57,6	2 591,6	2,2	4,2	4,6	4,9	4,3
Unallocated return, costs and operating expenses	-4,0						
Net investment income at current value	53,6	2 591,6	2,1	4,0	4,4	4,8	4,1

1) Accrued interest included

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

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

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

5) Includes also unlisted real estate investment companies

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

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

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

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

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

Accounting principles

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

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

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

Despite issuing consolidated financial statements, LocalTapiola Group as a whole does not constitute a group in accordance with the Accounting Act, mainly due to the insurance companies being mutual companies. The owners of mutual insurance companies are the

policyholders and, as such, the companies do not meet the Accounting Act's definition of a group as the parent company does not hold a majority stake in or exercise control over the subsidiary. LocalTapiola General is also not entitled to nominate the majority of the members of the Boards of Directors of the other insurance companies in LocalTapiola Group, nor are there any valid contractual or other arrangements between LocalTapiola Group's companies that could lead to LocalTapiola General exercising de facto control over the other mutual insurance companies in LocalTapiola Group. Turva Mutual Insurance Company is reported as a subsidiary in the consolidated financial statements of LocalTapiola Group, based on a 76 per cent holding in the guarantee capital. Since the owner of the guarantee capital of a mutual company has no right to the assets of the company other than the guarantee capital and the interest on guarantee capital paid from retained earnings by decision of the general meeting, in accordance with the Financial Supervision Authority's statement, Turva is not consolidated into LocalTapiola Group's consolidated financial statements.

Valuation and allocation of intangible assets

Other long-term expenditure

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

Valuation and allocation of investments

Real estate and shares in real estate

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

Shares in real estate are stated at the lower of acquisition cost and current value. Revaluations may have been made on the values of real estate and shares in real estate if the values were significantly higher over a long period of time than the historical acquisition cost at the end of the financial year. The counter-item of the revaluation of real estate or shares in real estate classified as investments has been recognised as income since 1978, and earlier revaluations have been entered in the revaluation reserve in restricted capital and reserves. The counter-item of an investment classified as fixed assets has been entered in the revaluation reserve of restricted capital and reserves.

Previous value adjustments of investments are reversed in the profit and loss account at most up to the historical cost if the current value rises.

Shares and holdings

Shares and holdings are stated at the lower of 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 fair value exceeds the book value.

Securities given as loan are included in the balance sheet. Information on securities given as loan 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. Hankintameno lasketaan keskihintaa käyttäen. The difference between the nominal value and acquisition cost of debt securities is released or charged to interest income during the term to maturity. The counter-item has been entered as an increase or decrease of the acquisition cost of the debt security. Temporary value adjustments and those owing to interest rate fluctuations have not been recognised. Write-downs arising from other reasons have been recognised.

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

Loan receivables, deposits and deposits with ceding undertakings

Loan receivables, deposits and deposits with ceding undertakings are stated at nominal value or a permanently lower, likely realisable value. Korkotason vaihtelusta aiheutuvia ja muita tilapäisiä arvomuutoksia ei ole kirjattu. Write-downs arising from other reasons have been recognised.

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

Derivative contracts

Derivative contracts are mainly used for hedging investment portfolios. In the accounts, however, derivatives are primarily treated as non-hedging, even though they are effective for hedging purposes.

Gains and losses incurred during the financial year from the closing or lapsing of contracts have been entered as income or expenses for the financial year.

Non-hedging derivatives

A negative difference between the 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 fair value and the lower book value of a derivative is entered as income from the hedged item up to the amount entered as expense. If no value change is entered in the profit and loss account for the hedged balance sheet item, no valuation income or expense arising from the hedging derivative is recognised.

Definition of 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 fair value of private equity funds is the acquisition cost or the management company's estimate of the fund's fair value.

Loan receivables, deposits and deposits with ceding undertakings

The fair value of loans receivables, deposits and deposits with ceding undertakings is the nominal value, taking into

consideration any reduction in the nominal value to the likely value required by the risk of potential credit losses.

Zillmerisation

Zillmerisation is not applied.

Assets held to cover unit-linked insurance policies

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

Valuation of receivables

Premiums receivable

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

Foreign currency items

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

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

Depreciation

Acquisition costs of buildings and their components, 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%
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The effect of renovations in buildings on their lifetime is assessed separately. As regards revaluations released to income, depreciation has been carried out according to the expected useful life of the item in question.

The accumulated difference between write-offs in the accounts and depreciation according to plan is recorded in the balance sheet under liabilities, in the item "Accumulated appropriations, depreciation difference", and the increase or decrease during the financial year is stated in the profit and loss account as a separate item.

Accumulated appropriations

Depreciation difference

See "Depreciation"

Voluntary provisions

Provisions have been made that must be recognised in profit or loss according to fiscal and accountancy legislation.

Obligatory provisions

Pension and unemployment pension expenditure arising from future obligations that concerns the most recently or previously ended financial year has been deducted from income as obligatory pension provisions. Provisions for interest on late payments for unfinished claims have been deducted from income as other provisions.

Direct taxes

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

Deferred tax assets and tax liabilities

Deferred tax assets and liabilities pertaining to timing differences between taxable profit and accounting profit and to other temporary differences are shown in the notes to the financial statements. The notes include deferred tax liability calculated based on the valuation difference between the fair and book values that is deemed likely to become payable during the next year.

Subordinated loan

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

Other creditors

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

Account of 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.

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

Pension insurance contributions have been recorded on an accrual basis.

Technical provisions, non-life insurance

Provision for unearned premiums

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

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

Provision for claims outstanding

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

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

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

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

Technical provisions, life insurance

Technical provisions

Contracts are recorded when the company becomes obliged to pay compensation in the event of a potential insured event. Technical provisions contain provisions for unearned premiums and provisions for claims outstanding. Life insurance provisions for unearned premiums are a net debt arising from the expected future compensation of outstanding remaining periods of existing contracts and the deduction of operating costs. Provisions for claims outstanding are a debt arising from the costs of compensation and settlement of known

or unknown insured events that have already occurred. The provision for claims outstanding includes the equalisation provision.

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

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

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

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

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

Expected return

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

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

LocalTapiola Group's consolidated financial statements

LähiTapiola Vahinkoyhtiö laatii LähiTapiola-ryhmän ylimpänä emoyrityksenä konsernitilinpäätöksen vakuutusyhtiölain tarkoittaman vakuutusyrittäjäryhmän mukaisessa laajuudessa. LocalTapiola Group includes LocalTapiola General, 20 regional non-life insurance companies and LocalTapiola Life, as well as the other

companies consolidated into the Group by virtue of being under the de facto control of these LocalTapiola companies. LocalTapiola Group's financial statements consolidate LocalTapiola General's group of companies in accordance with the Accounting Act as well as the other companies that, in combination with LocalTapiola General's group, constitute LocalTapiola's group of insurance companies in accordance with Chapter 26, Section 2 of the Insurance Companies Act. The subsidiaries and participating interests combined in LocalTapiola Group's consolidated financial statements are stated in the notes. The group-related terms used in the financial statements refer to LocalTapiola Group.

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

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

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

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

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

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

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

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

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

Intra-group direct insurance business has not been eliminated in LocalTapiola Group's consolidated financial

statements; intra-group reinsurance, excluding the equalisation provision, has been eliminated.

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

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

Business transfers, 30 June 2017

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

LocalTapiola General's figures for the comparison period are not comparable to the figures for the period under review due to the business transfer. In LocalTapiola Group's consolidated financial statements, the effect of the business transfer has been eliminated.

Calculation of key figures

General key figures describing financial development

Non-life insurance turnover

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

Life insurance turnover

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

+ Other income

Performance analysis

Non-life insurance

Premiums earned

Claims incurred

Operating expenses

Other technical income and expenses

Balance on technical account before change in equalisation provision

Life insurance ¹

Premiums written ¹

Investment income and expenses as well as revaluations, revaluation adjustments and value changes 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 technical account before (additional benefits) and change in equalisation provision ¹

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

Other income and expenses

Share in profit/loss of associated undertakings ¹

Operating profit or loss

Change in equalisation provision, non-life insurance

Change in equalisation provision, life insurance ¹

Additional benefits (customer bonuses) ¹ and ²

Profit or loss before appropriations and taxes

Appropriations

Income taxes and other direct taxes

Minority interests ¹

Profit or loss for the financial year

¹ Applies to the consolidated financial statements

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

Total result

= Operating profit or loss

+ Change in off-balance-sheet valuation differences, fair 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, % (at current value)

Operating profit or loss

+ Interest paid and other financial expenses

+ Unwinding of discount expense

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

+ Change in unrealised gains/losses from investments

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

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

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

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

In this key figure, other financial expenses include items due to liabilities other than interest expenses, 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 key figure is calculated as a mean value of the number of personnel at the end of each calendar month. Any part-time employees are taken into account in the number of personnel. All persons receiving salary during the financial year are included in personnel.

Key figures describing the financial development of non-life insurance

Premiums written

= Premiums written before reinsurers' share

Loss ratio

Loss ratio, %

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

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

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

The key figure is calculated after the reinsurers' share.

Expense ratio

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

Combined ratio

Combined ratio, %

= Loss ratio + Expense ratio

Combined ratio (excl. unwinding of discount expense)

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

Risk ratio (report of the Board of Directors)

Risk ratio, %

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

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

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

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

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

Key figures describing the financial performance of life insurance

Premiums written

= Premiums written before reinsurers' share

Expense ratio, %

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

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

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

Notes 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	Risks 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 for purposes such as assisting the Board with matters related to risk management. The CEO and executives are responsible for the practical preparation and implementation risk management and for monitoring the implementation. Business units are responsible for identifying risks related to their own operations and taking the required risk management measures. All employees have the obligation to report on any risks observed or areas for improvement identified in risk management.

Risk management supervision is always the responsibility of a party other than the one responsible for operational activities. The actuarial, risk management 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 Directors 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 control committee, which is responsible for the practical organisation of investment operations and the operational supervision of market risks.

Reporting

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

Insurance operations risk management

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

Non-life insurance risks

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

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

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

insurance risks are underwritten to a limited extent or not at all.

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

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

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

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

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

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

occur than were expected, and the insurance premiums and provisions for claims outstanding prove insufficient.

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

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

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

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

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

Risks associated with life insurance

The most significant insurance risks in life insurance are risks associated with technical provisions and the customer-related risks of termination of contracts and premium payments. The risks associated with technical provisions include the following: interest rate risk related to the technical interest rate and surrenders as well as the risks related to mortality, longevity, and morbidity. The *interest rate risk* can be managed in several ways: by hedging investment portfolios with derivatives; by changing the interest portfolio's maturity structure or the company's entire strategic allocation in unstable market conditions; by maintaining sufficiently high solvency; by lowering the technical interest rate of insurance portfolios through additions to liability; by using sanctions for surrenders; and by using a safe and low technical interest rate in new products. The company can, if necessary, substantially reduce the interest rate risk on the balance sheet by combining interest rate investments to better match the maturity profile of technical provisions or by using interest rate derivatives.

Risks related to mortality, longevity and morbidity can be managed through careful product planning and risk selection, and by reinsuring liabilities exceeding the selected deductible and cumulative damage arising from catastrophes. Risks are selected using generally accepted guidelines for life insurance, the insurance recording policy and related instructions. If required, financial underwriting is also performed in order to confirm that there is an insurable interest. The mortality and morbidity rates of the insured are monitored annually and liabilities are added as needed. With regard to sickness insurance, there is also the option of raising premiums to cover any increase in claims expenses.

The technical interest rate used to calculate the technical reserves with guaranteed return varies between 0 and 3.5 per cent, taking additional technical reserves into consideration. The mortality table used for life insurance and individual pension insurance is the E87 from 1987 for contracts issued by 20 December 2012. New equal mortality rates (HT 2012), which are based on the mortality assessed on the basis of LocalTapiola Life's own insurance portfolio, are used as the mortality table

when calculating technical provisions for equalised contracts that entered into force on or after 21 December 2012.

Investment risks

The Board of Directors sets return targets and risk-taking limits for investment operations, with the aim of securing solvency and liquidity in all market conditions.

Market risks are changes in the market values of assets and liabilities that are the result of changes or fluctuations (volatility) in financial variables, such as interest rates, exchange rates, share prices, or real estate values.

Investment risks also include credit/counterparty and liquidity risks. Credit/counterparty risk is the risk that the counterparty of a derivative contract, transaction, loan or similar is unable to meet its obligations or its ability to meet obligations changes. Liquidity risk refers to funding liquidity or market liquidity risk. The former is related to mismatched funding needs and sources and the management thereof. The latter refers to a situation in which it is not possible to sell investment assets quickly enough without affecting the market price level.

The investment plan approved by the Board of Directors describes the target return on investment, the solvency target, the strategic allocation of investment assets, the limits for investment risks, indicators describing the risk and solvency position, investment steering and reporting processes, and measures to safeguard solvency.

The main task of balance sheet management is to define a strategic allocation presented to the Board of Directors so that solvency remains at the required level with a sufficient probability over a five-year time horizon and is designed considering the company's individual risk-taking capability and willingness.

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

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

Market, credit and liquidity risks are measured and monitored continuously with widely-used methods. Risks are managed using limits and diversification.

Investment traffic lights are a key tool for monitoring solvency. A green light refers to a situation where asset managers are able to operate within the normal investment plan limits. A yellow light indicates a situation in which increasing investment risks or maintaining a neutral investment allocation within the investment plan are no longer acceptable in view of the risk content of the balance sheet. A red light indicates that the balance sheet risks are too high and active risk reduction measures are needed. In the yellow and red light risk positions, stricter limits are defined for investment risks, as well as any applicable risk reduction measures.

The impact of long-term market scenarios on solvency and the company's operations are reviewed in the Own Risk and Solvency Assessment (ORSA), which is prepared annually.

Operational risk management

Operational risks refer to the risk of losses caused by insufficient or failed internal processes, personnel, systems and external factors. Legal risks and risks of damage are included in operational risks. Operational planning risks are related to the risks inherent in the choices made for annual planning, targets, and business changes. In principle, operational risks are managed by attempting to prevent the realisation of risks and minimising the harm they can cause.

The key means of managing operational risks are comprehensively identifying, assessing and reporting on risks in different organisations and different risk areas, as well as ensuring the quality and correctness of operations by taking supervision and control measures.

Using a standard risk 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)

Risk management for non-insurance companies in the Group

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

Management of risks associated with the operating environment and strategy

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

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

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

In Espoo, 25 March 2019

Erkki Moisander
Chairman of the Board

Matti Bergendahl

Jari Eklund

Merja Fischer

Timo Hiltunen

Sami Kulla

Ulla-Maija Moisio

Hannu Niilekselä

Jari Sundström
CEO

Auditor's note

A report has been issued today on the audit performed.

In Espoo, 8 April 2019

KPMG Oy Ab

Mikko Haavisto
Authorised Public Accountant



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

Auditor's Report

To the Annual General Meeting of LocalTapiola General Mutual Insurance Company

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of LocalTapiola General Mutual Insurance Company (business identity code 0211034-2) for the financial year 1 January–31 December 2018. The financial statements comprise the balance sheets, profit and loss accounts, cash flow statements and notes for the group as well as for the parent company.

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

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

Basis for Opinion

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

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

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

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

Materiality

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

Most significant assessed risks of material misstatement

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

**MOST SIGNIFICANT ASSESSED RISKS OF
MATERIAL MISSTATEMENT**

AUDITOR'S RESPONSE TO THE RISKS

1 Valuation of investments (accounting principles pp. 90–91)

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

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

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

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

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

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

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

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

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

2 Technical provisions (accounting principles pp. 93–94)

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

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

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

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting LocalTapiola General Mutual Insurance Company in 2013, and our appointment represents a total period of uninterrupted engagement of 6 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, 8 April 2019

KPMG OY AB

MIKKO HAAVISTO

Authorised Public Accountant, KHT