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throughout
your life

LocalTapiola
Mutual Life Insurance Company

Annual Report 2014

LocalTapiola Mutual Life Insurance Company

LocalTapiola Life is the fourth largest life insurance company in Finland. It provides savings and term life insurance and supplementary pension insurance for individuals and companies.

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Close to you throughout your life

LocalTapiola includes enthusiastic drivers, mothers and fathers, athletes, pet owners, boaters, house builders, world travellers, investors and entrepreneurs. Therefore, we offer the same solutions we want and use ourselves. We handle your most important matters with competence and genuine care.

LocalTapiola in brief

LocalTapiola Group is a mutual group of companies owned by its customers. It serves private customers, farmers, entrepreneurs, corporate customers and organisations. We offer non-life and life insurance services as well as investment and saving services. We also provide pension insurance and banking services.

LocalTapiola Life in brief

LocalTapiola Mutual Life Insurance Company offers life insurance for individuals, companies and other organisations. The range of products includes life insurance policies, savings life insurance policies, individual pension insurance policies and capital redemption contracts.



Services for individuals

- Protect yourself and your family against major risks
- Prepare for ageing
- Increase your wealth with our help
- We serve you at all LocalTapiola offices, over the phone and on the web.

Services for corporate customers

- Safeguard your personnel and your company's ability to operate.
- Our experts will help you manage personnel risks.
- You can use our expertise both face-to-face and online.
- Looking to increase the number of efficient working hours at no extra cost? Learn more about our personnel package.

Growth in key business areas



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We encourage our customers to take out sufficient life insurance.

The year was a profitable one. Our market share increased in our key business areas, i.e. term life insurance and defined-contribution group pension insurance. We developed new products and services and stepped up our sales in order to meet the challenges in the operating environment.

Minna Kohmo, Managing Director

Life insurance is part of LocalTapiola Group's standard insurance offering. There is a great deal of sales potential in this market, since life insurance penetration is low both in Finland and among LocalTapiola Group's customers.

Term life insurance is one of LocalTapiola Life's key business areas, as is defined-contribution group pension insurance. In these areas, both the company's premium income and market share increased. In contrast, the targets for unit-linked insurance were not met, which reduced the premium income.

Solvency ratio improved, and the solvency margin was four times the minimum margin.

LocalTapiola's regional companies became owners of LocalTapiola Life's guarantee capital by acquiring a 15 per cent stake.

We made successful investments, and the good return on investment made it possible to continue granting customer bonuses and reinforce solvency. EUR 67.4 million was added to capital and reserves.

Operational efficiency improved as planned: operating expenses decreased and the profits set aside to cover operating expenses increased. The result in terms of risk premiums improved significantly, particularly as a result of long-term profitability efforts related to medical expenses insurance.

Preparations for Solvency II continue

In November, LocalTapiola Life issued a EUR 100 million subordinated loan, which was subscribed in full. The investors came from outside LocalTapiola Group, and most of them were Finnish institutional investors. The company used part of this loan to repay the EUR 55 million subordinated loan taken out from LocalTapiola General in 2008. These arrangements strengthened LocalTapiola Life's and the Group's solvency, improving their competitiveness when transitioning to Solvency II.

Preparations for Solvency II continued. A calculation system was introduced in the spring, and an Own Risk and Solvency Assessment (ORSA) was conducted in late autumn. LocalTapiola Life's system of governance was developed to ensure compliance with future legislation and regulations that are already in force. The company's business planning function has prepared for the adoption of key figures based on a balance sheet at fair value.

Increasing process efficiency

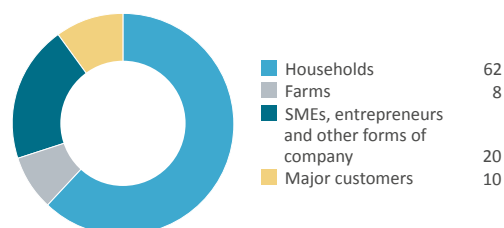
In October, LocalTapiola Life introduced a new management system for risk insurance policies. Both new policies and existing term life insurance policies were transferred to the new system. The system enables better, more flexible customer service and contract management, along with significantly accelerating the product development cycle.

In spring 2014, the Group held collective redundancy consultations to reduce personnel. Following the consultations, operating models have been made more specialist-driven. General services are increasingly purchased from the shared services unit in order to achieve economies of scale. Increasing process efficiency and focusing the operations have been highlighted. Savings have also been made by reducing ICT expenses, improving the control of operating expenses and making more efficient use of premises.

Key figures

	2014	2013	2012
Turnover, EUR m	626.0	644.5	572.7
Operating profit, EUR m	85.6	37.0	30.4
Total result, EUR m	79.1	44.9	119.5
Return on investment at fair value, %	5.3	4.6	9.2
Solvency capital, % of technical provisions	26.3	23.7	23.0
Customer bonuses, EUR m	9.8	12.3	10.8

LocalTapiola Life's premium income by customer category, 31 December 2014, %



Objectives for 2015

LocalTapiola Life's key goals are strong growth, improved customer experience and further development of financial control.

Through financial business planning, we will improve our ability to create value for our customers. In life insurance products, value is delivered in the form of smooth service processes and additional benefits. We will increase our efficiency in order to achieve solvency, return potential, operations and product solutions that support our ability to provide customer value.

- Building cooperation models for specialising in life insurance together with regional companies.
- Increasing the importance of the cooperation with S Group in customer interaction.
- Improving customer experience by developing customer analytics and creating more useful solutions for various life situations.
- Turning customer bonuses into a permanent competitive advantage and improving customer communication and customer processes.

LocalTapiola Mutual Life Insurance Company Report of the Board of Directors 1 January–31 December 2014

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

- LocalTapiola Life's operating profit was EUR 85.6 million (EUR 37.0 million). The total result was EUR 79.1 million (EUR 44.9 million). The change in fair and book values weakened the total result by EUR 6.5 million (improvement of EUR 7.9 million).
- Premium income fell by 8.1 per cent to EUR 389.1 million (EUR 423.3 million).
- The return on capital employed at fair value was 5.3 per cent (4.6%).
- The overall expense ratio, which takes into account bonus payments, was 113.3 per cent (131.6%).
- The solvency ratio – solvency capital in relation to technical provisions – was 26.3 per cent (23.7%). The solvency margin was 4.0 (3.7) times the minimum value.

Customers and customer benefits

The number of private individuals with insurance at LocalTapiola Life was 281,669 (283,221), and corporate policyholders amounted to 20,567 (19,840).

The customer bonuses to be paid on 31 December 2014 on investment savings were approved at a meeting of LocalTapiola Life's Board of Directors held on 22 October 2014. The overall interest rate on pension and savings life insurance policies varies between 2.9 and 4.5 per cent, depending on the commencement date of the contract and the line of insurance. Bonuses for risk insurance policies with insurance savings range from 3.0 to 4.0 per cent.

When determining customer bonuses, the aim is to ensure a stable overall interest on customers' assets, consisting of the technical interest rate and the granted customer bonuses. LocalTapiola Pension's objectives for the overall interest rate it provides on insurance savings over the long term, excluding costs and taxes, are as follows:

- For pension insurance, the interest rate should exceed the interest on eurozone government bonds with a maturity of at least ten years.

- For savings life insurance, the interest rate should exceed the interest on government bonds with a maturity of five years.
- For risk insurance policies with a funded component, the real overall interest rate should be positive.

In addition to fluctuations in interest rates, the following factors are taken into account when determining the level of customer bonuses:

- Success in investments
- The technical interest rate of each insurance policy
- Insurance management costs and items used to finance operating expenses
- Solvency

In 2014, LocalTapiola Life paid out a total of EUR 9.8 million (EUR 12.2 million) of customer bonuses.

Operating environment

Life insurance

The provisions of the Insurance Companies Act for the system of governance became effective on 1 January 2014. The Financial Supervisory Authority's regulations and guidelines for management and the system of governance came into force on 15 December 2014. The regulations for the system of governance are part of a set of regulations related to the calculation of solvency and technical provisions in insurance companies in compliance with the Solvency II Directive. The remaining regulations will come into effect on 1 January 2016.

The Foreign Account Tax Compliance (FATCA) regulations issued by the United States Internal Revenue Service entered into force on 1 July 2014. These regulations oblige foreign finance companies to identify customers who are subject to US taxes and report to the tax authorities on the investments made by such customers.

Economic environment

The atmosphere at the beginning of 2014 was optimistic. The double-dip recession in Europe was over and growth expectations became stronger. In the USA it appeared that the employment rate would continue to improve rapidly and the central bank began reducing its monetary stimulus measures as planned. However, optimists experienced their first setbacks during the first quarter. The unusually harsh winter in the USA led to a surprisingly large reduction in the country's total output and the geopolitical crisis in Ukraine gave rise to additional uncertainty. During the summer,

Western countries imposed financial sanctions on Russia, which responded with its own counter-sanctions. Towards the end of the year, this began to have a clear effect on Europe's economic outlook.

Finland's GDP stopped contracting in 2014 but an upward trend has still not begun. At the end of last year, total output was still more than 5 per cent below its peak at the end of 2007. Trends in domestic demand were weak due to reduced consumer purchasing power and a lower willingness to invest. Additionally, Finland suffered more from the restriction on trade with Russia than other eurozone countries on average. The trend of increasing unemployment, which began in the summer of 2012, continued, growing in strength towards the end of the year.

Similarly, 2014 was quieter than expected in developing economies. The structural deceleration of China's economic growth was no longer surprising, but the rate of deceleration was a surprise. Declining commodity prices were reflected in reduced growth forecasts for several countries in South America and Africa. In the second half of the year, Russia's economy suffered severely from the effects of Western economic sanctions, the plummeting oil price and the sharp weakening of the rouble. However, India was one of 2014's few positive surprises: a successful combination of financial and monetary policy enabled India to strengthen the growth factors of its economy and reduce inflation.

Investments

Investment markets were characterised by three significant trends in 2014: 1) an unexpected decrease in interest rates, 2) the significant strengthening of the dollar and 3) the dramatic decrease in the oil price. The decline in long-term interest rates in the eurozone was due to economic concerns and the dangerously rapid decrease in inflation rates to a level approaching deflation. The dollar benefited from the USA's leading growth position and forecasts that the Federal Reserve will normalise its monetary policy position more quickly than other major central banks. However, the decrease in the oil price gave rise to an imbalance between supply and demand: supply capacity had increased in recent years by more than the actual growth rate.

Government bonds were the best-performing asset class in 2014. Government bonds in the eurozone yielded an average of 13 per cent. Share prices in developed economies yielded approximately 5 per cent in dollar terms but yields increased in euro terms by 19.5 per cent due to the sharp weakening of the euro. Shares of companies in emerging economies returned a total of 11.5% in euro terms. On the currency markets, the euro weakened against the US dollar (-12%) and the pound sterling (-6.5%). The general weakening of the yen continued as a consequence of Japan's extraordinary financial policy experiment. However, the yen weakened only slightly against the euro (-0.1%).

Group structure

The LocalTapiola Life Group comprised the parent company along with 27 (26) housing and real estate companies and five (5) other companies that do not engage in business operations.

Associated companies include the LocalTapiola Real Estate Asset Management Ltd Group, the Tapiola Data Ltd Group, Tapiolan Alueen Kehitys Oy, LocalTapiola Asset Management Ltd, LocalTapiola Services Ltd, the S-Bank Ltd Group as well as three (3) real estate companies and two (2) other companies that do not engage in business operations.

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

Consolidated financial statements

The figures concerning the insurance business of LocalTapiola Life's parent company and the Group are identical. The Group's profit for the financial year was EUR 63,427,635.20 (EUR 12,690,961.00) and the balance sheet total was EUR 3,981,864,363.16 (EUR 3,639,532,904.35).

Life insurance business

Premium income

LocalTapiola Life's premium income was EUR 389.1 million (EUR 423.3 million), showing a decrease of 8.1 per cent compared to the previous year. According to the premium income statistics of the Federation of Finnish Financial Services, the sector's overall premium income increased by 10.4 per cent.

The decrease in premium income was mainly due to reduced sales of single premium unit-linked capital redemption contracts and savings life insurance policies compared to the previous year.

LocalTapiola Life's premium income from term life insurance policies rose by 10.8 per cent to EUR 70.4 million (EUR 63.6 million).

LocalTapiola Life's premium income from pension insurance policies fell by 3.8 per cent to EUR 95.4 million (EUR 99.2 million). Premium income from individual pension insurance policies decreased by 9.3 per cent to EUR 58.6 million (EUR 64.7 million). Meanwhile, premium income from group pension insurance grew by 6.4 per cent to EUR 36.7 million (EUR 34.5 million).

According to the Federation of Finnish Financial Services, LocalTapiola Life's market share was 6.5 per cent (7.9%) in terms of premium income and 7.4 per cent (7.7%) in terms of insurance savings.

Premium income and market shares

EUR m	2014	2013	Change, %	Market share in 2014, %	Market share in 2013, %
Individual life insurance	70.4	63.6	10,8%	20,2%	18,7%
Savings life insurance	191.7	205.6	-6,8%	7,5%	9,3%
Unit-linked individual life insurance	166.0	179.2	-7,3%	6,8%	8,5%
Other individual life insurance	25.7	26.4	-2,8%	28,2%	23,6%
Employees' group life insurance	9.0	10.1	-10,9%	22,7%	24,1%
Life insurance, total	271.2	279.3	-2,9%	9,2%	10,7%
Individual pension insurance	58.6	64.7	-9,3%	12,3%	12,0%
Unit-linked individual pension insurance	34.4	37.2	-7,5%	9,7%	9,4%
Other individual pension insurance	24.3	27.5	-11,7%	19,7%	19,0%
Group pension insurance	36.7	34.5	6,4%	13,2%	12,4%
Unit-linked group pension insurance	5.9	5.8	0,7%	5,6%	6,0%
Other group pension insurance	30.9	28.7	7,6%	17,8%	15,7%
Pension insurance, total	95.4	99.2	-3,8%	12,6%	12,1%
Unit-linked capital redemption policy	22.5	44.8	-49,7%	1,0%	2,3%
Premium income, total	389.0	423.2	-8,1%	6,5%	7,9%

Claims paid

LocalTapiola Life's claims paid amounted to EUR 282.3 million (EUR 288.6 million) in 2014. The total amount of compensation was EUR 276.9 million (EUR 283.1 million), and claims handling expenses came to EUR 5.4 million (EUR 5.5 million).

Repayments of benefits amounted to EUR 47.4 million (EUR 64.7 million) in 2014. Surrenders totalled EUR 69.4 million (EUR 59.7 million), showing an increase of 16.3 per cent on the previous year. Surrenders included EUR 6.3 million (EUR 1.2 million) of contractual repayments of capital for unit-linked capital redemption contracts.

Other savings benefits paid amounted to EUR 7.2 million (EUR 7.6 million).

Benefits paid out under risk insurance totalled EUR 50.2 million (EUR 51.1 million), and EUR 102.7 million (EUR 100.1 million) was paid in pensions.

In December 2014, LocalTapiola Life paid out pensions to 15,200 customers.

Other technical income and expenses

"Other technical income and expenses" includes compensation for the termination of reinsurance. The compensation is related to the reorganisation of reinsurance contracts, whereby LocalTapiola Life's contracts were transferred from Retro to Hannover Re.

Expense ratio and operating expenses

Operating expenses as stated in the profit and loss account decreased by 6.6 per cent to EUR 40.6 million (EUR 43.5 million). Claims handling expenses were EUR 5.4 million (EUR 5.5 million). Investment management expenses totalled EUR 5.4 million (EUR 5.2 million).

The expense ratio in proportion to total expense loadings was 120.2 per cent (138.3%). Total expense loadings increased by 8.4 per cent. Operating expenses to be covered with total expense loadings, excluding reinsurance commissions and investment expenses, declined by 5.9 per cent year-on-year. The total expense ratio is 113.3 per cent (131.6%) if we include the soft commissions from mutual funds used to finance operating expenses, which are not included in key figures.

Other income and expenses

LocalTapiola Life's ancillary operations / service sales consisted mainly of sales to LocalTapiola Asset Management Ltd.

Returns from the sale of these services are included in the profit and loss account under "Other returns", and expenses for providing these services are included in the profit and loss account under "Other expenses". The transactions are carried out under customary commercial terms.

Other returns and expenses totalled EUR -2.6 million (EUR -7.8 million) net.

Technical provisions

LocalTapiola Life's technical provisions stood at EUR 3,607.8 million at the end of the financial year (EUR 3,387.4 million). Of this amount, ordinary guaranteed-return technical provisions accounted for EUR 2,245.8 million (EUR 2,250.2 million). Technical provisions for unit-linked insurance totalled EUR 1,362.0 million (EUR 1,137.3 million). Technical provisions for unit-linked insurance accounted for 37.8 per cent (33.6%) and guaranteed-return technical provisions for 62.2 per cent (66.4%) of all technical provisions.

Investments

Investments at fair value

LocalTapiola Life's net investment income at fair value amounted to EUR 141.9 million (EUR 121.6 million), or 5.3 per cent (4.6%). The average five-year annual return on investment was 5.5 per cent and the average ten-year annual return was 5.3 per cent.

Investment assets at fair value stood at EUR 2,826.0 million (EUR 2,731.1 million). In 2014, listed shares were given a lower weighting and fixed-income investments a higher weighting.

Equity investments

Equity investments totalled EUR 550.9 million (EUR 658.3 million), accounting for 19.5 per cent (24.1%) of all investments. Finnish shares accounted for 9.8% (11.8%) of direct listed equity investments, which amounted to EUR 309.9 million (EUR 465.1 million). Equity investments returned 12.1 per cent (16.5%). The return on equity investments in the financial period was weakened by a EUR 4.8 million non-recurring value adjustment made to fixed-asset shares.

Fixed-income investments

Fixed-income investments totalled EUR 1,709.4 million (EUR 1,555.3 million), accounting for 60.5 per cent (56.9%) of all investments. Government bonds accounted for 28.6 per cent (21.9%) of fixed-income investments. Corporate bonds, covered corporate bonds and other public-sector loans accounted for 68.7 per cent (75.3%) and money market investments for 2.7 per cent (2.8%). The modified duration of the bond portfolio, which indicates its interest rate risk, was 3.4 (3.4) years. Fixed-income investments yielded 4.1 per cent (1.4%).

Real estate investments

Real-estate investments totalled EUR 565.7 million (EUR 517.6 million), or 20.0 per cent (19.0%) of all investments. Direct real estate investments accounted for 70.2 per cent (76.7%) of all real estate investments, while indirect real estate investments in mutual funds and undertakings for collective investment in transferable securities (UCITS) accounted for 29.8 per cent (23.3%) of all real estate investments. The return on real estate at fair value was 3.1 per cent (2.4%). The return on real estate investment funds and UCITS was -0.4 per cent (-0.1%). Direct real estate investments yielded 4.3 per cent (3.1%). The average vacancy rate of real estate was 13.0 per cent (13.4%).

Result and use of profits

LocalTapiola Life's operating profit was EUR 85.6 million (EUR 37.0 million). The result for risk premiums collected excluding defined-benefit group pension insurance was EUR 18.1 million (EUR 11.1 million). The difference between total expense loadings and actual operating expenses was EUR -7.8 million (EUR -13.6 million), and the difference

between net investment income and interest requirements regarding technical provisions was EUR 118.2 million (EUR 72.2 million). Other items affecting the operating profit weakened the result by EUR 43.0 million (EUR -32.6 million). The above total includes an increase in technical provisions of EUR 44.2 million (EUR 36.8 million).

A total of EUR 9.8 million (EUR 12.3 million) was transferred to customer bonuses. EUR 7.1 million of provisions for future additional benefits were cancelled and transferred to customer bonuses. The provision for future additional benefits totalled EUR 77.4 million (EUR 80.6 million).

Principle of reasonability

According to the so-called principle of reasonability as per Chapter 13, section 2 of the Insurance Companies Act, an insurance company must return, if the company's solvency allows it, a reasonable part of the surplus as additional benefits for those insurance policies that, based on the surplus, are entitled to the additional benefits to be distributed.

LocalTapiola Life applies the principle of reasonability by allocating most of its surplus to additional benefits and to boosting its solvency and by paying market-based return to subscribers of guarantee capital and subordinated debt.

The application of the principle of reasonability, the objectives for the distribution of additional benefits and the implementation of the principle of reasonability in 2005–2014 are explained in the notes to the financial statements under "Accounting principles".

Guarantee capital

In accordance with the Articles of Association, LocalTapiola Life has a minimum guarantee capital of EUR 19,990,812.50 and a maximum guarantee capital of EUR 79,963,250, divided into a minimum of 396,250 guarantee shares and a maximum of 1,585,000 guarantee shares issued to designated persons.

LocalTapiola Life's guarantee capital was raised by EUR 5,549,500 by means of an issue of guarantee shares directed at regional mutual non-life insurance companies belonging to LocalTapiola Group (regional companies). A total of 110,000 new guarantee shares issued by LocalTapiola Life were offered to the regional companies for subscription at EUR 50.45 per share. The subscription price was obtained by dividing the existing EUR 32,036,005.12 guarantee capital by the number of guarantee shares before the issue, 635,000. Following the issue, the guarantee capital totalled EUR 37,585,505.12 and the number of guarantee shares was 745,000. The regional companies were registered as owners of LocalTapiola Life on 1 July 2014.

On 20 May 2014, LocalTapiola General Mutual Insurance Company purchased the 8,000 guarantee shares owned by Elo Mutual Pension Insurance Company at the share price used in the issue.

On 31 December 2014, the guarantee share owners and their shares of the guarantee capital were as follows:

Company	Guarantee shares	Share (%)
LocalTapiola General Mutual Insurance Company	635,000	85,2%
LocalTapiola Etelä Mutual Insurance Company	5,747	0,8%
LocalTapiola Etelä-Pohjanmaa Mutual Insurance Company	7,455	1,0%
LocalTapiola Itä Mutual Insurance Company	6,318	0,8%
LocalTapiola Kaakkois-Suomi Mutual Insurance Company	4,865	0,7%
LocalTapiola Kainuu-Koillismaa Mutual Insurance Company	3,293	0,4%
LocalTapiola Keski-Suomi Mutual Insurance Company	5,773	0,8%
LocalTapiola Lappi Mutual Insurance Company	4,433	0,6%
LocalTapiola Loimi-Häme Mutual Insurance Company	4,889	0,7%
LocalTapiola Lännen Mutual Insurance Company	5,857	0,8%
LocalTapiola Pirkanmaa Mutual Insurance Company	7,159	1,0%
LocalTapiola Pohjoinen Mutual Insurance Company	10,478	1,4%
LocalTapiola Satakunta Mutual Insurance Company	3,846	0,5%
LocalTapiola Savo Mutual Insurance Company	4,798	0,6%
LocalTapiola Savo-Karjala Mutual Insurance Company	4,012	0,5%
LocalTapiola Uusimaa Mutual Insurance Company	7,647	1,0%
LocalTapiola Varsinais-Suomi Mutual Insurance Company	7,024	0,9%
LocalTapiola Vellamo Mutual Insurance Company	8,956	1,2%
LocalTapiola Sydäkusten Mutual Insurance Company	1,753	0,2%
LocalTapiola Österbotten Mutual Insurance Company	5,697	0,8%
TOTAL	745,000	100,0%

Subordinated loan

LocalTapiola Life issued a EUR 100,000,000 subordinated loan on 26 November 2014. The loan matures on 26 November 2024, and the earliest possible repayment date is 26 November 2019. There is no collateral for the loan.

At the same time, LocalTapiola Life repaid subordinated loans subject to agreements concluded previously with LocalTapiola General Mutual Insurance Company. These subordinated loan agreements amounted to EUR 55,000,000.

The principal loan terms of the subordinated loan are described in Note 18.3 "Subordinate loans".

Solvency

The solvency margin of LocalTapiola Life, which describes the amount by which the company's assets exceed its liabilities and other comparable commitments, totalled EUR 556.3 million (EUR 486.5 million), while the minimum solvency margin was EUR 137.5 million (EUR 133.1 million). The solvency margin was 4.0 (3.7) times that of the minimum value. Solvency capital was EUR 654.0 million (EUR 578.0 million), and the solvency ratio 26.3 per cent (23.7%).

Solvency in insurance and financial conglomerates

LocalTapiola Group forms a conglomerate as referred to in the Act on the Supervision of Financial and Insurance Conglomerates. The insurance and financial conglomerate includes the following companies: LocalTapiola General Mutual Insurance Company and its non-consolidated subsidiary, Turva Mutual Insurance Company, 19 regional non-life insurance companies, LocalTapiola Mutual Life Insurance Company and companies operating in the financial sector (S-Bank Ltd and LocalTapiola Asset Management Ltd), as well as LocalTapiola Services Ltd, which provides services related to insurance and claims operations and administration, LocalTapiola Real Estate Asset Management Ltd, which provides real estate investment services and real estate services, and Tapiola Data Ltd, which provides ICT services. The company at the head of LocalTapiola Group is LocalTapiola General Mutual Insurance Company. The Financial Supervisory Authority is the coordinating supervisory authority of the conglomerate.

		31.12.2014	31.12.2013
		EUR m	EUR m
Amount of own funds of the company at the head of the conglomerate		1 211,4	1 162,5
Multiple use of capital between the company at the head of the conglomerate and the financial and insurance companies in the conglomerate		-201,5	-221,7
Adjusted amount of own funds of the company at the head of the conglomerate		1 009,8	940,8
Combined amount of own funds of subsidiaries and participating interests in the financial and insurance sectors		492,8	543,9
Multiple use of capital		-31,3	-90,7
Adjusted amount of own funds of subsidiaries and participating interests in the financial and insurance sectors		461,5	453,1
Conglomerate's own funds		1 471,4	1 393,9
Minimum amount of own funds of the company at the head of the conglomerate		142,1	142,1
Combined minimum amount of own funds of subsidiaries and participating interests in the financial and insurance sectors		302,1	280,5
Minimum amount of the conglomerate's own funds		444,2	422,6
Conglomerate's solvency		1 027,2	971,3
Conglomerate's solvency ratio		3,3	3,3

The Act on the Supervision of Financial and Insurance Conglomerates requires the amount of a conglomerate's own funds to be at least equal to the minimum amount of the conglomerate's own funds at all times. On the basis of the calculation, it can be stated that the Group's solvency is approximately 3.3 (3.3) times the required minimum.

Risk position

LocalTapiola Life's Board of Directors bears the overall responsibility for risk management. The Board determines the risk management targets, limits of risk taking, responsibilities, metrics and monitoring principles for each activity. Investment and risk management plans are drawn

up annually in the company and approved by the Board of Directors. The Board also monitors the status of risk management and the development of key risks on a regular basis.

Business units recognise and analyse risks that threaten their operations and objectives in connection with both strategic and annual planning and daily activities. The importance of preparing for risks is assessed by analysing the probability of the risks occurring, as well as possible implications of their realisation. The managing director and the managers of business units are responsible for risk management activities relating to their own operations.

Risk management supervision is always the responsibility of some other party than the one responsible for operational activities. Internal Audit supports the management and Board of Directors in implementing and developing risk management. The Audit Committee, which assists the Cooperation Committee of the Supervisory Boards, also monitors and evaluates risks.

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

For more detailed information on risk management and the most significant risks, please refer to the Note "Risks and risk management".

Corporate governance in LocalTapiola Life

LocalTapiola Life adheres to good corporate governance, which is based on legislation for the insurance sector, as well as the regulations and guidelines issued by the Financial Supervisory Authority. LocalTapiola Life has reported on its corporate governance separately from the Board of Directors' report, in accordance with recommendation 54 concerning the corporate governance of Finnish listed companies (15 June 2010). More extensive information on LocalTapiola's corporate governance is available on the company's website at www.lahitapiola.fi.

Annual General Meeting

LocalTapiola Life's Annual General Meeting was held on 8 May 2014. The meeting approved the financial statements for 2013, decided on the use of the company's profit, discharged the company's Board of Directors and Managing

Director from liability and elected the company's auditor. The meeting also confirmed the number of members of the Supervisory Board and the remuneration for the members of the Supervisory Board, and the new members were elected.

The following members of LocalTapiola Life's Supervisory Board who were due to resign were re-elected: Hannu Anttila (Executive Vice President, Strategy, Metsä Group), Jari Bachman (CEO, Kasola Oyj), Vesa Ekroos (Chair of the Board of Directors, Balustrade Oy), Jouko Havunen (LicSc [Econ.]), Pekka Ilmivalta (Senior Vice President, Communication and CSR, Veikkaus Oy), Merja Lehtonen (Home Economics Teacher, Riihimäki), Ahti Manninen (kauppaneuvos [Finnish honorary title]), Marita Modenius (opetusneuvos [Finnish honorary title]), Mika Mäkeläinen (CEO, GTW Group Oy), Totti Salko (CEO, Merle Oy) and Jouko Setälä (CEO, Association of ProAgria Centres).

The new members elected to the Supervisory Board are Jari Annala (CFO, SOK), Juha Hakkarainen (Forestry Director, Central Union of Agricultural Producers and Forest Owners), Minna Talvio (Medical Director, Vice President, Eloni Oy), Harri Tuomi (Managing Director, Satakunnan Osuuskauppa) and Yrjö Välimäki (Managing Director).

KPMG Oy Ab was elected as the auditing firm, and the auditor with main responsibility is Mikko Haavisto, Authorised Public Accountant.

The AGM also decided to raise the company's guarantee capital by EUR 5,549,500 by means of an issue of guarantee shares directed at the regional mutual insurance companies belonging to LocalTapiola Group.

Supervisory board

LocalTapiola Life's Supervisory Board held its organising meeting on 5 June 2014. The meeting elected the Chair and Deputy Chair to the Supervisory Board. Jouko Havunen, LicSc (Econ. and Bus. Adm.), was elected as Chair. Marjut Nordström, Managing Director of EL-Kori Oy, was elected as First Deputy Chair, Marita Ruohonen, Executive Director of the Finnish Association for Mental Health, as Second Deputy Chair and Ralf Wickström, vakuutusneuvos (Finnish honorary title), as Third Deputy Chair.

The supervisory board convened three times. The average attendance rate at the meetings was 88.1 per cent. The salaries and remuneration paid to the Supervisory Board members, their pension commitments, money loans and their terms, as well as securities and contingent liabilities are specified in Note 3 to the profit and loss account.

Committees of the Supervisory Board

Cooperation Committee

The Cooperation Committee, which comprises the Chairs of the Supervisory Boards of LocalTapiola General and LocalTapiola Life, held its organising meeting on 5 June 2014. Timo U. Korhonen was elected as Chair and Jouko Havunen as Deputy Chair.

The Cooperation Committee convened 10 times. The average attendance rate at the meetings was 91.25 per cent.

The Cooperation Committee's Audit Committee

Jouko Havunen (Chair), Pauliina Haijanen and Marjut Nordström were elected as members of the Cooperation Committee's Audit Committee.

The Audit Committee convened five times. The average attendance rate at the meetings was 100 per cent.

The Cooperation Committee's Compensation Committee

The Cooperation Committee elected Timo U. Korhonen (Chair), Jouko Virranniemi and Ralf Wickström as members of its Compensation Committee.

The Compensation Committee met six times. The average attendance rate at the meetings was 88.9 per cent.

Board of Directors

In accordance with a decision made by the Supervisory Board on 5 June 2014, the Board of Directors contained two new members as of 1 August 2014. The new members will serve on the Board until the end of 2015, whereupon they will be due to step down in the same manner as the other members of the Board. Economist Philip Aminoff MBA and Authorised Public Accountant Hannu Niileskelä MSc (Econ.) were elected as the new Board members for the period from 1 August 2014 to 31 December 2015.

Board members as of 1 January 2014

- Erkki Moisander, President, Chair
- Philip Aminoff, Chair of the Board of Electrosonic Group Oy Ab, Board member from 1 August 2014
- Harri Lauslahti, Managing Director, LocalTapiola Services Ltd
- Hannu Niilekselä, Managing Director, Hanicon Oy, Board member from 1 August 2014
- Jari Sundström, Managing Director, LocalTapiola General Mutual Insurance Company, Deputy Chair
- Jari Eklund, Group Director
- Marjatta Leiviskä, Managing Director, LocalTapiola Lappi Mutual Insurance Company
- Pentti Kuusela, Managing Director of LocalTapiola Pirkanmaa Mutual Insurance Company

The Board of Directors convened 20 times. The attendance rate at meetings was 93.3 per cent. The salaries and remuneration paid to the members of the Board of Directors, their pension commitments, cash loans and terms thereof, as well as guarantees and contingent liabilities are specified in Section 3.3.2 of the notes to the profit and loss account.

Managing Director

Minna Kohmo, MSc (Econ. and Bus. Adm.), is Managing Director of LocalTapiola Life. Janne Pesonen, MSc, actuary approved by the Ministry of Social Affairs and Health, is Deputy Managing Director.

The salaries and perquisites paid to the Managing Director totalled EUR 278,076, including EUR 32,269 in performance-related pay. The performance-related pay is subject to delayed payment in the amount of EUR 48,403. Management's performance-related pay is based on the achievement of annual targets. The Managing Director's retirement age is 63. The agreed compensation for premature termination of the employment relationship is a sum corresponding to 12 months' salary.

Supervisory authority

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

Personnel

At the beginning of the year, collective redundancy consultations were held in LocalTapiola Group's companies with the intention of reducing the number of personnel. The objective of the redundancy consultations was to improve profitability by cutting costs and to boost operations by reorganisation.

As a result of the redundancy negotiations, the number of personnel employed by LocalTapiola decreased by 244 for financial and production-related reasons (the estimated decrease was 400 employees). The objective of the personnel reductions and other efficiency measures was to realise Group-wide cost savings of approximately EUR 20 million in 2014. Natural departures and other staff turnover were used to full advantage while the redundancy consultations were taking place. The personnel reductions focused mainly on support and development functions, but they also affected LocalTapiola General, LocalTapiola Life and the regional companies. LocalTapiola initiated several support activities for the personnel who were made redundant. These included support for finding a new job, as well as entrepreneurship, change and supervisor coaching.

At the beginning of the year, a redundancy consultation was also held with the aim of merging the S-Bank Group with LocalTapiola Bank and reorganising the business. The objective was to reorganise operations to suit the purpose of the business and to eliminate overlaps. S-Bank and LocalTapiola Bank merged at the beginning of May to form a new S-Bank.

Significant changes were made to the organisational structure of LocalTapiola Group's central functions on 1 June 2014. The aim of the structural changes was to disband the matrix organisation and clarify areas of responsibility and management.

Alongside the changes to the company and the organisation, the activities of the personnel representatives, shop stewards and health and safety organisations have been reorganised and negotiated. Additionally, care has been taken to ensure that legislative obligations are complied with during processes of change.

The number of employees, divided between the life insurance company functions in proportion to wages paid, averaged 268 (405).

On 31 December 2014, the number of employees in LocalTapiola Life's units was 108 (143).

Compensation

LocalTapiola Life's compensation policy is based on the Group's strategy and the targets set on the basis of the strategy. The aim of the compensation system is to incentivise good performance and to boost the motivation and commitment of personnel. The bonus system is a part of employees' overall compensation and it is based on annual bonuses, although some bonus targets may measure periods that are longer than one year.

LocalTapiola Life's salary and compensation systems are planned and prepared in collaboration between the human resources, finance, compliance and risk management services and the companies' administration and management groups. If necessary, Hay Group Oy is used as a consultant. LocalTapiola Life's salary and compensation policy and compensation systems are decided upon by the Supervisory Boards' Cooperation Committee as regards the President and full-time members of the Board of Directors. As regards other members of the management team, decisions are made by the company's Boards of Directors. The Cooperation Committee and its Compensation Committee are also responsible for developing the compensation system with respect to the members of the Board of Directors and for monitoring the development of the compensation system for LocalTapiola Group's management and personnel.

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

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

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

The management's annual bonus is based on the companies' performance and elements affecting the result, as well as each individual's own targets in terms of the operations and the job. The indicators are based primarily on official key figures. The bonus is established as the product of the outcome rate of the aforementioned elements, the maximum remuneration percentage based on the position level and the annual salary. The maximum

performance-related bonus available to the Group's management varies between 30 to 100 per cent of the employee's annual salary.

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. Objectives are determined on the basis of the Group's strategy and can be either team-specific or personal. The achievement of targets is evaluated at performance review discussions.

Personnel belonging to investment organisations have their own performance-related bonus model in which the bonus is determined on the basis of return on investments calculated for different levels depending on the position. The variation between the bonus levels is 10 to 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.

When bonuses are awarded, the first instalment, equal to 40 per cent of the bonus, will be paid to the employee by the salary payment date in June following the earning period. The remaining 60 per cent will be paid one, two and three years after this date in three separate instalments of equal amounts. The value of 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 LocalTapiola General Mutual Insurance Company and LocalTapiola Mutual Life Insurance Company) 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 fund in accordance with the targets that are met. This bonus item is mainly determined by the companies' profits and efficiency in accordance with the Act on Personnel Funds. The payment is subtracted from the preliminary estimate of the result of the financial year.

The retirement age for senior managers of LocalTapiola Life is 63. LocalTapiola Life has improved its employees' pension cover by taking out a supplementary pension insurance policy, which accrues at least 0.2 per cent of supplementary pension annually, subject to certain conditions. This benefit applies to all of the personnel whose

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

Events during the financial year

Growth in key business areas

The year was a profitable one. Our market share increased in our key business areas, i.e. term life insurance and defined-contribution group pension insurance. New products and services were developed and sales were stepped up in order to meet the challenges in the operating environment.

LocalTapiola Group encourages its customers to take out sufficient life insurance. Life insurance is part of LocalTapiola Group's standard insurance offering. Life insurance penetration continues to be low both in Finland and among LocalTapiola Group's customers.

Term life insurance is one of LocalTapiola Life's key business areas, as is defined-contribution group pension insurance. In these areas, both the company's premium income and market share increased. In contrast, the sales targets for unit-linked insurance were not met, which reduced the premium income.

Preparations for Solvency II continue

In November, LocalTapiola Life issued a EUR 100 million subordinated loan, which was subscribed in full. The investors came from outside LocalTapiola Group, and most of them were Finnish institutional investors. The company used part of this loan to repay the EUR 55 million subordinated loan taken out from LocalTapiola General in 2008. These arrangements strengthened LocalTapiola Life's and the Group's solvency, improving their competitiveness when transitioning to Solvency II.

Preparations for Solvency II continued. A calculation system was introduced in the spring, and an Own Risk and Solvency Assessment (ORSA) was conducted in late autumn. LocalTapiola Life's system of governance was developed to ensure compliance with future legislation and regulations that are already in force. The company's business planning function has prepared for the adoption of key figures based on a balance sheet at fair value.

New products and services were developed and sales were stepped up in order to meet the challenges in the operating environment.

Sales models for investment services were developed together with LocalTapiola Asset Management in order to make them even more customer-driven. Early in the year, a new asset management service, Viisas, was launched for small savers and the concept of the Vauras service, targeted for individuals with investments assets worth at least EUR 20,000, was reformed. With Viisas and Vauras, insurance-covered asset management services can also be offered for investments below EUR 100,000. The sales organisation for these products was strengthened starting in August.

Cooperation with the S Group is progressing. The Arkiturva concept was launched with S-Bank, and its further development is under way. Additionally, asset management products S-Säästövakuuutus and S-Säästövakuuutus Plus were developed in collaboration with S-Bank and FIM Asset Management.

The revamped Omavara insurance, which provides protection in case of serious illness, was also brought to the market. Along with risk insurance, it offers an opportunity to accumulate savings.

Increasing process efficiency

In October, LocalTapiola Life introduced a new management system for risk insurance policies. Both new policies and existing term life insurance policies were transferred to the new system. The system enables better, more flexible customer service and contract management, along with significantly accelerating the product development cycle.

In spring 2014, the Group held collective redundancy consultations to reduce personnel. Following the consultations, operating models have been made more specialist-driven. General services are increasingly purchased from the shared services unit in order to achieve economies of scale. Increasing process efficiency and focusing the operations have been highlighted. Savings have also been made by reducing ICT expenses, improving the control of operating expenses and making more efficient use of premises.

Events occurring after the financial year

LocalTapiola General Mutual Insurance Company, LocalTapiola Mutual Life Insurance Company and LocalTapiola Services Ltd signed a business transfer agreement on 30 January 2015, which confirmed the decision made in 2014 to transfer LocalTapiola Group's joint customer, expert and support services to LocalTapiola Services Ltd, which is jointly owned by the LocalTapiola Group's companies. The transfer took place on 1 January 2015. The aim of this arrangement is to provide cost-efficient services to LocalTapiola Services Ltd's customer companies by exploiting synergies within the Group, thereby facilitating the achievement of business and other goals.

In addition to the transfer of business to LocalTapiola Services, the employment relationships of personnel in the joint LocalTapiola General and LocalTapiola Life organisation were separated out. Previously, personnel had been in concurrent employment relationships with both of the aforementioned companies. Following the change, personnel will be employed by only one company. On 1 January 2015, following the business transfer and the separation of employment relationships, LocalTapiola Service had 1,107 employees, LocalTapiola General had 542 and LocalTapiola Life had 149.

Corporate social responsibility

LocalTapiola's social responsibility consists of local and national actions in support of sustainable development

and responsible operations. The bases for this are the Group's various roles and influences on communities and society. Responsible operations mean promoting the safety, well-being and success of people and communities, taking financial responsibility, investing in the working community, decreasing adverse impacts on the environment and climate, managing risk

and actively participating in the development of local communities and society. Practical actions are guided by the Group's joint responsibility principles, as well as responsibility commitments to customers, personnel, the environment, local communities and society. The main theme is promoting the security and prosperity of people throughout their lives.

It is very important for mutual companies to ensure that customers are heard and are able to participate. In the year under review, LocalTapiola developed its customer feedback system and customer engagement practices. Developing the expertise of personnel and promoting well-being in the workplace were key investment areas in 2014. LocalTapiola aims to purposefully reduce its impact on the environment and climate by various means, such as construction solutions, striving for energy efficiency in the properties owned by LocalTapiola and promoting electronic services and operating methods. The company invests in wind power in order to increase the use of renewable energy. Taking care of solvency is part of an insurance company's economic responsibility and also supports social stability.

Through LocalTapiola's regional companies, the promotion of safety and welfare is present in local communities all over Finland. With its corporate social responsibility partners, LocalTapiola aims to address problems in society. LocalTapiola is involved in activities aiming to prevent loneliness and exclusion via the Friend Visitors programme set up by the Finnish Red Cross. With the Martha Association, the company has promoted young people's financial skills through courses entitled "Hold on to Your Money" and contributed to the creation of web pages providing useful advice for young people leaving home. The Finnish Association for Nature Conservation's Negawatt project has increased general awareness of energy-efficient housing and renovation solutions and of saving energy. In 2014, LocalTapiola also promoted fire safety, safety on the water and road traffic safety, and employees participated in the Joulupuu collection for the benefit of families with low income.

LocalTapiola is committed to the ICC Business Charter for Sustainable Development and to the United Nations' Principles for Responsible Investment. The office, which is located in Tapiola, Espoo, is part of the WWF Green Office environmental management system.

More extensive information on corporate social responsibility can be found in LocalTapiola Group's annual report 2014, entitled "Close to you throughout your life". It is available online at www.lahitapiola.fi/vastuullisuus.

Future prospects

Life Insurance

LocalTapiola Life's key goals are improving customer experience by creating customer value, achieving strong growth and, thereby, enhancing earning power.

By further developing financial business planning, the company can improve its ability to deliver value for its customers. In life insurance products, value is provided in the form of smooth service processes, discounts and additional benefits. Efficiency will be increased in order to achieve solvency, return potential, operations and product solutions that support the company's ability to provide customer value.

- Strengthening the sales organisations and building cooperation models for sales together with regional companies.
- Increasing the importance of the cooperation with S Group in customer interaction.
- Improving customer experience by developing processes and customer analytics and by creating more useful solutions for various life situations.
- Turning customer bonuses into a permanent competitive advantage.

Investments

Growth prospects for the eurozone have been chronically weakened by ageing populations, excessive public-sector debt and problems in the banking system. At the same time, the risk of deflation has increased, driven by decreasing oil and commodity prices and the permanent deceleration of economic growth in China. The European Central Bank has been relied upon too heavily to provide growth support measures, which are restricted by the limits to the Central Bank's mandate due to differing opinions among member states. In economic policy, countries have been unable to enact the type of structural reforms that are required to improve long-term growth potential and thereby incentivise companies to hire staff and make investments. Finland is one of the least successful countries in the eurozone by this measure.

In Europe, nominal GDP growth forecasts for the forthcoming years remain low. As a consequence, there is only a limited possibility that interest rates will increase. However, anaemic growth will make it more difficult for governments to rebalance their debt ratios, resulting in a high risk of the euro crisis re-escalating. The US economy appears to have set itself up for annual growth of 2.5–3.0 per cent. As the unemployment rate is already very close to its natural balance, the Federal Reserve is likely to begin raising interest rates mid-way through 2015. There is still a risk that the global economic slow-down will also infect the US economy, which would require the Federal Reserve to deviate from its advance guidelines.

The strengthening of the dollar and the decrease in oil and commodity prices have raised concerns over the sustainability of growth in developing economies. Unquestionably, the appreciation of the dollar poses a risk, since a major proportion of the debt of developing countries and companies operating in these countries is denominated in hard currencies. Fluctuations in the oil price, on the other hand, have a less profound effect. The majority of developing economies are net importers of oil, meaning that for them, the lower price of oil is good news. Countries that rely on high oil prices to balance their budgets (Russia, Nigeria, Venezuela and some countries in North Africa) face the greatest difficulties.

Overall, economic cycles have become shorter and key economic factors have become more variable. A new recession will begin if the unemployment rate rises, unless there is a substantial reinstatement of opportunities for economic stimulus policies. Furthermore, economic policy measures are more difficult to schedule due to delays in economic policies.

The most significant risks for the global economy are associated with geopolitical tensions, unresolved debt problems in the eurozone, deflation in developed countries and an unexpectedly rapid deceleration of the Chinese economy.

Notes to the financial statements

Accounting principles

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

Valuation and allocation of intangible assets

Other long-term expenditure

Other long-term expenditure includes capitalised costs of renovations in apartments and design costs of IT systems. These are stated on 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 fair value, whichever is lower.

Shares in real estate are stated at the lower of cost and fair value.

Real estate and shares in real estate may have been subject to revaluation if the value at the end of the financial period was deemed to be permanently and significantly higher than the acquisition cost. 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 were 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 fair value rises.

Shares and holdings

Shares and holdings are stated at the lower of cost and fair value. Acquisition cost is calculated using the average price method. Previous write-downs of shares and holdings are reversed to the extent that the fair value exceeds the book value.

Loaned securities are included in the balance sheet. Information on loaned securities is presented in the notes to the balance sheet.

Debt securities

Debt securities include bonds and other money market instruments. Debt securities are stated at cost in the balance sheet. Acquisition cost is calculated using the average price method. The difference between the nominal value and acquisition cost of debt securities is entered as deferred interest yield or reductions to the deferred interest yield over the term to maturity. The counter-item is entered as an increase or decrease of the acquisition cost of the debt security. Temporary value adjustments and those owing to interest rate fluctuations are not recognised. Write-downs arising from other reasons are recorded, as have value readjustments, if the fair value of a debt security has subsequently exceeded the adjusted acquisition cost, at most up to the original acquisition cost.

Loans, deposits and deposits with ceding undertakings

Loans, deposits and deposits with reinsurers are stated at nominal value or a permanently lower, likely realisable value.

Derivative contracts

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

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

Non-hedging derivatives

A negative difference between the fair value and higher book value of a non-hedging derivative or a derivative treated as non-hedging is entered as an expense. Unrealised gains are not recognised. The potential maximum loss from non-hedging derivative contracts is deducted from the solvency margin.

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.

Assets held to cover unit-linked insurance policies

Assets held to cover unit-linked insurance policies are stated at fair 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 Finnish currency at the rates quoted by the European Central Bank on the day of closing of the accounts. As regards other investments, the exchange rate that applied at the moment of acquisition or the exchange rate on the day of closing of the accounts is used, whichever is lower.

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

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	5 y
IT system design expenses	5–10 y

Real estate

Residential, office and hotel buildings	
Department store buildings and other store buildings	30–40 y
Industrial buildings, warehouses, etc.	20–30 y
Building components, reducing balance method 25%	

Equipment

Office machinery, equipment, etc., reducing balance method, 25%	
-----------------------------------------------------------------	--

The effect of renovations to 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 cumulative difference between write-offs in the accounts and planned depreciation is entered on the balance sheet under liabilities, in the item "Accumulated appropriations, depreciation difference", and the increase or decrease during the financial period is entered on the balance sheet as a separate item.

Accumulated appropriations**Depreciation difference**

See "Depreciation"

Voluntary provisions

Provisions have been made that must be recognised as revenue according to fiscal and accountancy legislation.

Obligatory provisions

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.

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. Deferred tax liabilities for one year have been taken into account when calculating key figures.

Subordinated loan

Subordinated loan has been recorded in the balance sheet at cost under liabilities. Nominal

Other liabilities

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

Definition of fair value of investments

Real estate investments

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

Residential buildings are valued using a sales value method based on reference sales. Commercial real estate is valued using a yield value method based on cash flow or a sales value method if representative sales price data is available. 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 not available, the bid price is used as the fair 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.

Loans, deposits and deposits with ceding undertakings

The fair value of loans, 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 credit loss.

Zillmerisation

Zillmerisation is not applied.

Technical interest rate used to calculate technical provisions

The technical provisions for life insurance and individual pension insurance granted prior to 1 January 1999 have been calculated using a technical interest rate of 4.5 per cent. The accumulated technical provisions for flexible-

premium individual pension insurance granted prior to 1 January 1999 have been calculated using a technical interest rate of 1.8 per cent, with the additions to reduce the technical interest rate included in the technical provisions. The rate used for insurance policies issued between 1 January 1999 and 31 December 2002 is 3.5 per cent. A rate of 2.5 per cent has been used for all policies granted between 1 January 2003 and 31 December 2004 as well as for term life insurance policies with a funded component granted between 1 January 2005 and 31 December 2013. For individual life and pension insurance policies issued in and after 2005 and for term life insurance policies with a funded component granted in and after 2014, the rate has been 1.5 per cent.

In exception to the above, the technical interest rate used to calculate technical provisions has, however, been decreased to 0 per cent for 2015 and to a maximum level of 1.5 per cent for 2015–2020.

The technical interest rate is not used when calculating the following technical provisions:

- supplementary provision for unearned premiums resulting from changing the terms and conditions of individual life insurance policies.
- provisions for additional customer bonuses, additional sums insured and premium rebates included in the provision for unearned individual life insurance premiums.
- provisions for future bonuses included in the provision for unearned individual life and pension insurance premiums.

Application of the principle of reasonability and targets for the distribution of additional benefits

According to the so-called principle of reasonability as per Chapter 13, section 2 of the Insurance Companies Act, an insurance company must return, if the company's solvency allows it, a reasonable part of the surplus as additional benefits for those insurance policies that, based on the surplus, are entitled to the additional benefits to be distributed.

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

The long-term goal of LocalTapiola Mutual Life Insurance Company is to offer an overall return on insurance savings entitled to distribution of surplus, before taxes and expenses, which exceeds the interest rates of 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 prevent 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.

Implementation of the targets for the distribution of additional benefits in 2005–2014

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 implementation of the target has been reviewed below for 2005–2014 and not just for 2014. As regards 2014, 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 in 2005–2014 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: German government bond yields with maturities of 5 and 10 years were used in 2004–2006, and the euro-zone government bond yield index with maturities of 5 and 10 years published by the European Central Bank was used in 2007–2014. The annual returns have been calculated as mean values of daily or monthly quotes.

Below are listed the overall interest rate levels for each line of insurance and contract group for 2014 and 2005–2014. It should be noted that, due to the large number of different contract types, this is not an exhaustive account of overall interest rates for every 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.

EUR 6.9 million of additional benefits was paid for insurance savings in 2014. EUR 2.5 million was paid for risk insurance policies in the form of increased amounts of benefit or premium rebates.

Report on overall interest rates on insurance savings for each line of insurance in 2005–2014

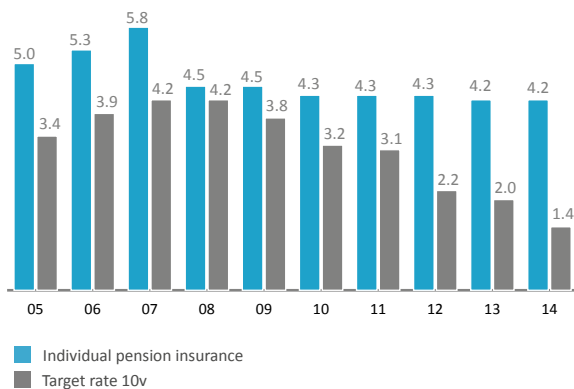
Individual pension insurance policies

In 2014, the overall interest paid on insurance savings in individual pension insurance policies averaged 4.2% and ranged from 3.1% to 4.5% depending on the product and technical rate of interest. The overall interest paid on all products exceeded the target 10-year interest rate, which averaged 1.4% in 2013.

Technical rate of interest	Customer bonus	Overall interest
4,5%	0,0%	4,5%
3,5%	0,0%	3,5%
2,5%	0,6%	3,1%
1,5%	2,1%	3,6%

The following image shows the overall interest rate of individual pension insurance policies in relation to the target in 2004–2014. The overall interest rate exceeded the target rate every year.

Overall interest and 10-year interest yield in individual pension insurance



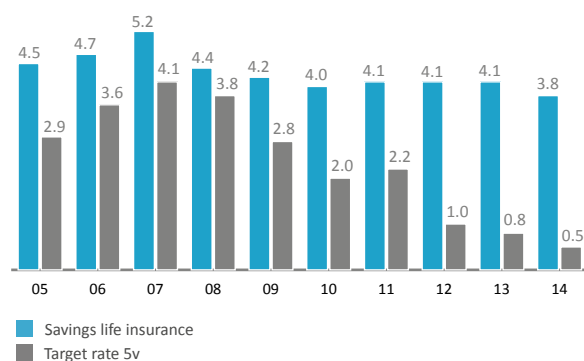
Savings life insurance policies and capital redemption contracts

In 2014, the overall interest paid on insurance savings under savings life insurance policies averaged 3.8% and ranged from 2.9% to 4.5% depending on the product and technical rate of interest. The overall interest paid on all products exceeded the target 5-year interest rate, which averaged 0.5% in 2014.

Technical rate of interest	Customer bonus	Overall interest
4,5%	0,0%	4,5%
3,5%	0,0%	3,5%
2,5%	0,4%	2,9%
1,5%	1,7%	3,2%

The following image shows the lowest applied overall interest rate of savings life insurance policies in relation to the target rate for 2005–2014. On average, the overall interest rate exceeded the target 5-year interest rate in the period in question. However, in 2008, the interest rate remained slightly under the target in some contracts.

Overall interest and 5-year interest yield in savings life insurance



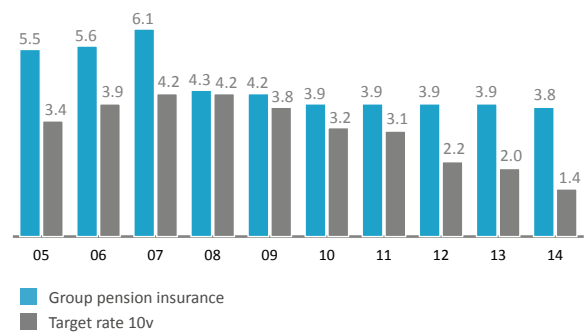
Group pension insurance policies

In 2014, the overall interest paid on insurance savings in group pension insurance policies ranged from 3.5% to 4.25% in the case of Etueläke insurance policies and from 3.5% to 3.7% in the case of TOP pension insurance policies. The overall interest paid on all products exceeded the target 10-year interest rate, which averaged 1.4% in 2014.

Technical rate of interest	Customer bonus	Overall interest
4.25%	0.0%	4.25%
3.5%	0.0%	3.5%
2.5%	1.2%	3.7%
1.5%	2.0%	3.5%

The following image shows the lowest applied overall interest rate of group pension insurance policies in relation to the target rate for the years 2005–2014. On average, the overall interest has exceeded the target 10-year interest rate in all years.

Overall interest and 10-year interest yield in group pension insurance



Account of additional benefits provided for risk insurance policies in 2014

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 2014, additional benefits paid for risk insurance policies amounted to EUR 2.5 million.

Additional benefits for risk insurance policies are confirmed in advance. The benefits confirmed for 2015 are the same as those for 2014.

Account of the personnel's pension cover and the allocation of pension expenditure

Statutory pension cover has been arranged for the personnel through basic Employees Pensions Act (TyEL) insurance taken out from Elo Mutual Pension Insurance Company with supplementary cover from LocalTapiola Mutual Life Insurance Company, which provides old-age,

disability and survivors' pensions, as well as death benefit for next of kin. As a rule, the supplementary pension increases the pension annually by 0.2% of the annual income on which the pension as defined in the Employees Pensions Act is based. Employees whose employment relationship began before 31 December 2012 are entitled to the additional benefit after five years of employment. The supplementary pension encompasses the entire period of employment relationship.

Full-time members of the Board of Directors who are employed by LocalTapiola General and LocalTapiola Life have a retirement age of 63. The retirement age of the managing director is 63 years, and that of other directors is the general retirement age, i.e. 63–68 years. The supplementary pension cover has been arranged through a supplementary pension with LocalTapiola Mutual Life Insurance Company.

Pension insurance contributions have been recorded on an accrual basis.

Employment termination benefits

When benefits are paid to an employee upon dismissal or agreed termination of employment, these benefits are recognised as expense when the company has irrevocably committed to terminate the employee's employment. Other liabilities related to the benefits of dismissed employees that are likely to arise on the basis of various contracts have been estimated at the closing of the accounts and have been recognised as expense and liabilities.

Consolidated financial statements

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

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

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

The change in voluntary 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. According to the Insurance Companies Act, the share transferred to capital and reserves is not included in distributable capital and reserves.

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

The consolidation goodwill arising from the elimination has been allocated primarily to the subsidiary's assets, taking into account their fair value. The consolidation goodwill will be amortised according to plan, similarly to the corresponding item. Unallocated consolidated goodwill is recorded in the balance sheet under "Intangible assets" as a separate item and will be amortised according to plan over five years. Group reserve is included in the balance sheet under "Liabilities" as a separate item and released to income within a maximum of five years.

Intra-group direct insurance business has not been eliminated.

Notes regarding risk management

1. General risk management principles

1.1 Basis for risk management

The purpose of risk management is to prepare for threats and opportunities arising from changes in internal and external circumstances, within the defined willingness to take risks, in order to achieve strategic and operational targets.

The Group's risk management is based on risk management concepts, the purpose of risk management, strategic intent and the willingness to take risks defined in LocalTapiola Group, as well as official regulations. The aim is to promote the continuity of customers' financial security and support reaching of the Group's operational and financial targets. Good solvency is emphasised due to the mutual company form.

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 company's willingness to take risks is based on the following principles:

- Risk-taking supports achievement of strategic business goals and annual plans.
- Risks are defined in such a way that they do not threaten the operations or economic stability of the entire Group or its individual companies.
- The Group, companies and operations must remain within the specifically defined risk limits.
- The repercussions of the risks for the conglomerate or its individual company can be identified and taken into account in the operations.

In accordance with the principles of corporate responsibility, the company manages its risks and provides reliable information on risks and risk management to customers and other stakeholders.

a. Key areas of risk management

The company's risk rating is based on the following division into main categories and sub-categories:



Operating environment and strategic risks

- Risks associated with the general operating environment
- Risks associated with the markets and customer behaviour
- Risks caused by the nature of competition and by competitors
- Risks related to strategic choices
- Risks related to operating as a group and to group investments

Operational risks

- Process risks
- Systemic risks
- Personnel risks
- External factors
- Legal risks
- Risks of damage and incidents
- Risks related to business choices

Financial risks

- Risks related to solvency management
- Market risks
- Credit risks
- Liquidity risks
- Concentration risks
- Insurance risks

b. Risk management implementation and supervision responsibilities

Overall responsibility for the organisation of the companies' risk management lies with the company's Board of Directors. The Board defines risk management targets, the willingness to take risks, limits of risk taking, responsibilities, metrics and monitoring principles. The Board annually confirms the company's risk management plan and other 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 in the company and the development of key risks on a regular basis. Rules of procedure have been prepared as the basis for the work of the Board of Directors. The rules of procedure specify the tasks of the Board, as well as the reports and statements on risk management and the most significant risks that must be discussed regularly.

The Board's central risk management duties are:

- to be in charge of the organisation and monitoring of risk and solvency management so that they fulfil statutory requirements and are at an adequate level taking business risks into account
- approve key policies, principles and plans connected with risk and solvency management and reports on risks and solvency position
- decide on significant risk and solvency management measures
- define the willingness to take risks to guide operations in different target areas.

The company's managing director and executives of the companies are responsible for the practical preparation and implementation of the company's risk management and for monitoring the implementation. The company's business units are responsible for identifying risks and carrying out related risk management measures relating to their own operations. Supervisors are responsible for ensuring that the continuity of the supervision measures included in business processes is secured and that reliable and up-to-date information on supervision results is always available. The rules of procedure of the various Management Groups and committees define their tasks in risk management.

All LocalTapiola employees are responsible for implementing risk management in their work and have an obligation to report any risks observed or areas for improvement identified in risk management, primarily to their supervisors or to another person in charge of risk management.

Risk management supervision is always the responsibility of some other party than the one responsible for operational activities. The various parties associated with risk management, e.g., the actuarial, risk management, financial, controller, compliance and balance sheet management operations, assist the company's Board of Directors and management in the practical implementation of risk management supervision and risk monitoring.

Internal Audit supports the company's Board of Directors and management in the implementation and development of internal control and risk management by assessing, at regular intervals, the realisation and procedures of risk management. The Audit Committee, which assists the Cooperation Committee of the Supervisory Boards, also monitors and evaluates risks. The auditing function also supervises the implementation of risk management.

Detailed risk management responsibilities in various risk categories are described in policies complementing LocalTapiola's risk management policy and in risk category specific operating principles.

c. Reporting

The aim of reporting is to produce reliable, comprehensive and up-to-date financial information in support of decision-making. The accuracy of financial information is ensured through sufficiently up-to-date and frequent reporting, regular balancing routines, extensive and up-to-date documentation on the calculation methods and systems used in reporting, in addition to having organisationally separate decision-making and reporting functions for businesses.

The rules of procedure of the company's Board of Directors, Management Groups and various committees related to risk management define the reports and statements to be discussed regularly, which deal extensively with key risks and risk management. The Insurance Supervision Authority's regulations and guidelines define the reports and other clarifications to be delivered to the authorities regarding risks and risk management.

2. Solvency management

2.1 General solvency management principles

LocalTapiola Group's solvency management is based on safeguarding customers' financial security by ensuring good solvency throughout the Group and its companies, taking into account the mutual nature of the company.

The objective and business idea of LocalTapiola Group is to offer its customers a comprehensive range of insurance, banking and asset management services by utilising synergy benefits within the group of companies or by working with associated companies and partners. LocalTapiola is considered by the market to be a coherent group even though it consists of companies that are legally separate entities. If the solvency of an individual company within the Group is weakened or jeopardised, it may also jeopardise the reputation of other companies within the Group and thus can be very damaging for their business operations.

The bases for LocalTapiola Group's solvency management are defined in LocalTapiola's Memorandum of Association. LocalTapiola Group constitutes a group as referred to in the Act on the Supervision of Financial and Insurance Conglomerates as well as a group as referred to in the upcoming Solvency II legislation. LocalTapiola General

acts as the Group's leading company, and it is tasked with ensuring that the Group and its companies fulfil the legal requirements relating to solvency. In connection with the Memorandum of Association, a Joint Liability Agreement was concluded between LocalTapiola General and the regional companies. This Agreement defines the principles for implementing the capital management measures required to ensure solvency and capital management in the Group's companies.

Solvency management is part of LocalTapiola Group's risk management process and it complies with the Group's risk management policy. Solvency management is based on current legislation on solvency and on the strategies of the Group and its companies. Based on this, an internal solvency target (willingness to take risks as regards solvency management) is defined for the Group and its companies, taking into account their risk-bearing capacity in relation to legal requirements. Risk tolerance and risk limits are defined on the basis of the willingness to take risks.

As LocalTapiola Group is a mutual group of companies, its access to external capital is limited. For this reason, LocalTapiola Group and its companies determine their solvency requirements by setting objectives defining how much solvency capital the companies must maintain in excess of the target stipulated in legislation.

The objectives of solvency management for the entire LocalTapiola Group and its individual companies are as follows:

- Ensuring that the solvency position fulfils legal requirements and meets internal solvency objectives and that the risk level is within the defined risk tolerance boundaries
- Ensuring that the solvency position also fulfils legal requirements in business forecasts and in the event of unexpected but possible stresses or scenarios
- Defining and implementing any necessary measures to ensure that requirements and objectives related to the solvency position are fulfilled.

The implementation and monitoring of LocalTapiola Group's solvency management calls for the use of three lines of defence as defined in the risk management policy (see the section on general principles for risk management). Overall responsibility for the organisation of solvency management lies with the company's Board of Directors. The procedures for implementing and monitoring solvency management are defined in LocalTapiola Group's solvency management principles and LocalTapiola Group's solvency management plan, both of which have been approved by the company's Board of Directors.

LocalTapiola Group and its companies carry out a comprehensive annual assessment of their own risk and solvency positions (the ORSA report). The report includes assessments of the solvency position on the date of calculation and changes in the solvency position if the business develops as planned. Additionally, the ORSA report includes assessments of the solvency position under alternative business plans and in improbable but possible

circumstances (stress tests and scenarios). The solvency of the LocalTapiola conglomerate and its companies is regularly monitored with quarterly solvency reports by the Boards of Directors. The report includes statutory solvency requirements, as well as the values of internal solvency indicators at the time of calculation and their development in different scenarios. In addition to this, the impact of market risks on the solvency of the Group's insurance companies is monitored and managed using monthly solvency reports (which may also be prepared more frequently if deemed necessary), which are submitted to the companies' Boards of Directors.

2.2 Development of risk management in preparation for Solvency II

The EU's Solvency II project, which is currently underway, aims to reform the solvency monitoring system of insurance companies. The project concerns life insurance and non-life insurance companies, as well as groups of insurance companies. The aim of this project is to create a monitoring system that takes the risks of insurance operations into account in a comprehensive manner. In the Solvency II project, the development of new quantitative solvency requirements dependent on a company's specific risk profile is of key importance. The Solvency II solvency system will consist of three pillars:

- Pillar 1: Quantitative solvency requirements.
- Pillar 2: Qualitative requirements for risk management and internal supervision, as well as requirements concerning the company's ability to comprehensively assess and manage its solvency and risks. Regulations on the supervision process of supervisory authorities.
- Pillar 3: Reporting requirements related to solvency and risks.

The adoption of the Solvency II Directive has been postponed to 1 January 2016. However, a significant number of the regulations set out in the Directive regarding management systems, risk management, internal control and companies' own risk and solvency assessments entered into force at the beginning of 2014, when the Insurance Companies Act was amended. Furthermore, the European Insurance and Occupational Pensions Authority (EIOPA) has issued further rules regarding the aforementioned areas and reporting requirements. These were adopted in Finland in early 2014 as part of the Finnish Financial Supervisory Authority's set of rules and guidelines for insurance companies. These requirements will not lead to any genuinely new legally binding solvency requirements. The current requirements will remain in force, but the Group and its insurance companies must be able to assess their solvency positions in accordance with Solvency II.

LocalTapiola's solvency management policies focus on requirements that are currently in force but the solvency of the Group and its individual insurance companies is also monitored based on Solvency II.

LocalTapiola's Solvency project and related follow-up projects, which will prepare the company for the adoption of the new regulations, are scheduled for 2011–2015 and consist of five sub-entities: life insurance, non-life insurance, investment and balance sheet management, the Group and implementation of the Solvency II system. The primary objective of the project is to fulfil the requirements resulting from the Solvency II Directive. In addition to these mandatory requirements, the aim of the project is to develop financial (risk-based) business planning, information management, accounting and reporting to meet the needs of Solvency II and financial business planning, as well as change management when moving to Solvency II and financial business planning.

LocalTapiola Life has participated in the Solvency II quantitative impact studies. In these studies, a significant proportion of insurance companies in the EU region have been testing different alternatives for the solvency requirement under Pillar 1. Additionally, LocalTapiola Life prepared its first Own Risk and Solvency Assessment (ORSA) in 2014 to assess its solvency on the basis of Solvency II. On the basis of the results, LocalTapiola Life clearly meets the solvency requirements under preparation.

3. Insurance operations risk management

The company's insurance operations risks are market risks associated with investments and insurance risks in life insurance. Market risks are changes in the market values of assets or in the amount of liabilities that are the result of changes or fluctuations (volatility) in financial variables, such as interest rates, share prices, exchange rates or real estate values. The most significant insurance risks in life insurance are risks associated with mortality, life span and morbidity, as well as the customer-related risks of termination of contracts and premiums.

3.1 Investment risk management

3.1.1 Definition of risks and risk management strategies

The risks associated with technical provisions include the following: interest risk related to the technical interest rate and surrenders, as well as the risks related to mortality, longevity and morbidity. The interest risk can be managed in several ways: by hedging investment portfolios with derivatives in unstable market conditions; by maintaining sufficient 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 risks related to mortality, longevity and morbidity are managed by careful product planning and risk selection, reinsurance, following the death and morbidity rates of customers through annual analyses and adding liabilities as needed. With regard to sickness insurance, there is also the option of raising premiums to cover any increase in claims expenses.

3.1.2 Risk management processes

The above-mentioned risks are managed by taking them into consideration in the pricing of insurance products, by setting the deductibles of individual risks in right proportion to the company's solvency and by reinsuring liabilities exceeding deductibles and cumulative damage arising from catastrophe situations. Catastrophe risks have been covered by catastrophe reinsurance. Risks are selected using generally accepted guidelines for life insurance, the insurance recording policy drafted for the company and related rules. In addition, financial underwriting is performed in order to confirm that there is an insurable interest.

3.1.3 Technical provisions

The technical interest rate used to calculate the technical reserves with guaranteed return varies between 0 and 3.5 per cent, taking additional technical reserves into consideration. The mortality table used for life insurance and individual pension insurance is the E87 from 1987 for contracts issued by 20 December 2012. New equal mortality rates, which are based on the mortality assessed on the basis of the company's own insurance portfolio, are used as the mortality table when calculating technical provisions for equalised contracts that entered into force on 21 December 2012 or later.

3.1.4 Quantitative information about technical provisions

The table below shows the structure of technical provisions.

Technical provisions with guaranteed return

2014	EUR m	Share
Technical provisions with guaranteed return	2,245.8	62.25%
Life insurance	489.8	13.58%
Pension insurance	1,377.1	38.17%
Additions to lower the technical interest rate	203.8	5.65%
Provisions for future additional benefits	77.4	2.14%
Equalisation provision	97.7	2.71%
Technical provisions for unit-linked insurance	1,362.0	37.75%
Life insurance	814.2	22.57%
Pension insurance	547.8	15.18%
Total technical provisions	3,607.8	100.00%

The following table depicts insurance savings by technical rate of interest: The figures in the table do not include additions to lower the technical interest rate that reduce the technical interest rate used to calculate technical provisions, particularly for savings with a technical interest rate of 4.5% and 4.25%.

Insurance savings with guaranteed return excluding additions to lower the technical interest rate

2014	1,50%	2,50%	3,50%	4,25%	4,50%	Total
Life insurance	116,4	47,1	54,7	0,0	210,0	428,3
Pension insurance	126,5	77,9	403,4	175,8	583,8	1 367,4
Total	243,0	125,0	458,1	175,8	793,9	1 795,7
share	13,5%	7,0%	25,5%	9,8%	44,2%	100,0%

d. Market risk management

3.2.1 Operating principles

Investments aim to reach high and stable returns in the long term in all conditions at moderate risk. Asset allocation is guided by the limits set by solvency, the structure of technical provisions and eligibility for the solvency margin, as well as the return requirement. In the long term, investment returns must exceed the total return target required by the customer benefit policy.

Investments are diversified sufficiently across and within the various classes of instruments. Individual risks and responsibilities are controlled by establishing limits and investment criteria. Investments must ensure adequate liquidity under all circumstances. In addition, the investment portfolio must be sufficiently simple.

3.2.2 Organisation of market risk management

The company's Asset and Liability Committee (ALCO) is an expert organ of managing, monitoring and reviewing balance sheet risks, and it reports directly to the Board of Directors. It is responsible for ensuring that the company's balance sheet risk management is organised in an appropriate manner and that the company's capital is efficiently used. The Committee draws up, at regular intervals, a proposal on strategic market risk-taking and the associated investment targets and restrictions (limits) and submits it to the Board of Directors for approval. The limits cover investment price and interest risks, including the characteristics and requirements of the technical provisions. The defined risk limits and the results of risk-taking are constantly monitored. The Committee is also responsible for making decisions related to the Group's capital management and capitalisation.

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. The Committee makes sure that the investment return target as per the strategy approved by the Board of Directors is achieved. Furthermore, it monitors, develops, controls and decides upon liquidity and concentration risk management.

3.2.3 Risk management processes

The risk management process is based on guidelines, supervision of their implementation in operations, regular risk reporting and self-assessment. The guidelines include

a market risk strategy, an investment plan and a derivatives policy, among others. In addition, the company has approved principles for managing solvency, capital, liquidity, concentration risk and investment risk, which guide the company when it takes market risks.

The company's Board of Directors annually confirms an investment plan that determines the targeted allocation of investments and expected returns, instrument-specific ranges, diversification and liquidity targets, and powers of decision. The purpose of diversification is to secure a sufficient level of return regardless of market conditions, both within and between instrument categories. The diversification principles apply to various business sectors, countries and investment targets. Individual risks and responsibilities are controlled by establishing limits and investment criteria. Sufficient liquidity is ensured by the structure of the investment portfolio.

The Board of Directors has confirmed a derivatives policy, which sets out the principles for using derivatives. Derivatives can be used to reduce risks relating to equity, foreign exchange and fixed-income investments, among others. Adequate analyses, diversification, derivatives and counterparty risk limits are used with the aim of securing freedom of action in all market conditions. Real estate investment risks are analysed separately.

Investment risks and returns are monitored using standard market risk and reporting methods. The reports are used to regularly monitor the development of fixed-income, real estate and equity investments, as well as any risks related to them. The reports also ensure compliance with the operational principles defined in the investment plan. The company uses a risk management system based on investment-specific risk monitoring.

3.2.4 Market risk and solvency management

The effect of market risks on the company's solvency is monitored and managed in accordance with the current solvency practice (Solvency I) and the solvency regulations applicable to conglomerates. Preparations for the future Solvency II framework are underway.

Solvency II values assets and technical provisions at fair value in market terms. The value of technical provisions and the amount of solvency capital will be particularly dependent on the interest rate, and the significance of interest rate risk management will increase. Another significant change is the minimum solvency capital requirement based on the company's risk level.

The purpose of market risk management is to secure the company's solvency for the next twelve months with sufficient probability. The risk of investment value changes is continuously monitored with a probabilistic model based on historic investment values and the correlation of value changes between different investment classes. The risk is monitored using long-term average values for volatility and estimates of key indicators of risk covering a shorter period of time.

Sijoitussalkun herkkyyssanalyysi

	31.12.2014	Impact of change		
		Share quotations –20%	Value of real estate –10%	Interest level +1 percentage point
Solvency capital EUR m	654,0	–110,2	–56,6	–57,9
Solvency ratio, %	26,3	–4,4	–2,3	–2,3
Return on investment, %	5,3	–4,1	–2,1	–2,2

When necessary, investment operations are controlled more strictly, in accordance with the traffic light principle, and are based on continuous market risk monitoring. A green light refers to a situation where asset managers are able to operate in accordance with the normal investment plan limits. A yellow light indicates a situation in which increasing investment market 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, tightened limits for investment risks, and possible risk reduction measures, are defined. The total risk is defined in such a manner that the solvency margin remains on a secure level also in the event of any of the risks occurring.

3.2.5 Quantitative information about the risk structure of the investment portfolio

The table above shows an investment sensitivity analysis that describes the impact of changes occurring in the values of instruments at the closing of the accounts on solvency capital.

4. Operational risk management

4.1 Definition of risks

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, objective setting and business changes.

4.2 Risk management processes

Using a standard risk mapping methodology, operational risks are mapped as part of the annual planning process and whenever the risk situation changes significantly. Mapping is carried out from the perspectives of both the conglomerate's organisational structure (companies, Group services) and, separately, of any risk areas of particular importance (such as law, information security, security and reputation). In addition, risk mapping is carried out separately for each initiative, project, and significant change in business operations.

Risks are assessed with regard to the probability of the risks occurring and their impact. On the basis of the assessment, risks are prioritised as risks requiring immediate action, risks requiring active management and risks which, at the time of assessment, are minimal but may become significant in the future. Specified risk management plans are drawn up for risks requiring immediate action and active management. These plans include, for example, information on the risk owner, supervision and reporting as well as an estimate of the adequacy of current risk management activities.

In the pursuit of business processes that are flawless and reliable, business processes must include sufficient supervision or control measures to ensure the legitimacy and quality of operations. Supervision measures are described in detail in the company's internal audit policy.

"Close calls" or risks that have occurred are regularly monitored and reported. The aim of monitoring is to

- Learn from the occurred events and prevent them from re-occurring in the future;
- Identify the most significant risks and challenges in our operational activities; and
- Help improve and correct our working methods, processes and information systems.

Risk events are monitored at unit level. The Group's risk management services prepare a quarterly summary report to the management and Board of Directors.

Insurance and financing companies are required by law to prepare for maintaining activities regarded as necessary for the operation of the markets under extraordinary circumstances. In practice, this means drawing up anticipatory plans, developing organisational responses and making important emergency arrangements to ensure continuity of operations. The purpose of contingency and preparedness planning is to prevent the occurrence of disruptions and crises threatening business operations, as well as to enable the management of these emergencies and their consequences.

In addition, there are separate procedures and guidelines for risk management, for example:

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

4.3 Description of material risks and expectations for 2015

Material operational risks are often related to information systems functioning with no disruptions, the reliability and efficiency of customer-facing business processes, and changes and unexpected events in the operating environment. In addition, extensive competence requirements, management of change and focusing of efficiency measures require active risk management measures.

The risk mapping process showed that the operational risks in 2015 are very similar to those in the previous year. Key risks are associated with information systems, business processes and management of change situations.

In 2015, operational risk management will continue to focus on mapping and implementing the requirements of Solvency II. In addition, attention will be paid to improving the continuity and quality of the existing risk management processes.

5. Management of risks associated with the operating environment and strategy

5.1 Definition of risks

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

5.2 Risk management processes

Significant risks related to the operating environment and strategic intent are identified and the probability of their occurrence and the significance of potential occurrence is assessed annually in conjunction with the annual planning process. This is undertaken through self-assessment.

To reduce the risks that are identified and to utilise opportunities, the responsible bodies plan and implement risk management measures, which are implemented as part of the annual plans of the various parts of the organisation.

5.3 Description of material risks and expectations for 2015

The greatest risks in the operating environment were associated with the uncertainty of global economic development, success of the growth strategy of the life insurance business and preparations for digitalisation.

The uncertain nature of economic development was a consequence of the repercussions of the crisis in the financial sector and the problems relating to the indebtedness of the US and some European Union member states. The most significant risks were related to China's economy, the monetary policy of the US Federal Reserve, a currency war, the risk of deflation in developed economies and geopolitical tensions. The greatest challenges for Finland's economy were related to structural changes in industrial sectors, the ageing population and competitiveness.

For the growth strategy of the life insurance business, it is imperative to ensure that sales channels operate efficiently.

It is important to be well prepared for the progress of digitalisation to ensure that the company is able to meet the service expectations of future generations of customers who were born into the new mobile world.

The insurance and banking sectors are highly consolidated and competition focuses mainly on loyalty benefits and service fees, as well as services that provide differentiation and are valued by customers.

Competition was also strongly guided by the formation of new partnerships and the expansion of the range of supplementary services via partner networks. LocalTapiola differentiated itself from its competitors in large part through its regional structure and proximity to its customers. There is the potential risk of partnership networks not being sufficiently extensive or the company not being sufficiently capable of utilising them. A further risk is that providing local customer service is not cost efficient as customers are transferring in ever increasing numbers to electronic service channels.

The company's strategy is derived from mutuality. The congruency of the interests of customers and owners continued to provide a good basis for growth and improvement of profitability.

Expectations for risks in 2015 are very similar to those in the latter half of the previous year. Economic uncertainty will continue or even increase, competition will become increasingly consolidated due to potential structural changes among competitors and the importance of the coverage offered by partnership networks and service channels will increase.

Formulae and principles for the calculation of key figures

1) Key indicators of general financial performance

1.1 Turnover =

Life insurance turnover:

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

1.2 Operating profit or loss and total result

Life insurance company's performance analysis

Premium income

Investment income and expenses as well as revaluations, adjustments thereof and changes in value

Claims paid

Change in technical provisions before additional benefits (customer bonuses) and change in equalisation provision

Operating expenses

Other technical income and expenses

Balance on technical account before additional benefits (customer bonuses) and change in equalisation provision

Other income and expenses

Share in profit/loss of associated undertakings 1)

Operating profit or loss

Change in equalisation provision

Additional benefits (customer bonuses)

Profit or loss before extraordinary items

Extraordinary income

Extraordinary expenses

Profit or loss before appropriations and taxes

Income taxes and other direct taxes

Minority interests 1)

Profit or loss for the financial year

1) Applies to the consolidated financial statements

Total result

- + Operating profit/loss
- +/- Change in off-balance-sheet valuation gains/losses, fair value reserve and revaluation reserve

1.3 A Net return on capital employed (at fair value)

Net investment income at fair value in proportion to capital employed is calculated for each type of investment and the entire 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.

1.3 B Itemisation of net investment income

- + Direct net investment income in books
- + Changes in book values
- + Change in the difference between fair and book value.

1.4. Investment allocation at fair 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 fair 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".

1.5 Return on total assets, excluding unit-linked insurance, % (at fair 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
-
- x 100
- + Balance sheet total
 - Technical provisions for unit-linked insurance
 - ± Unrealised gains/losses from investments

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

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

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

1.6 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.

2) Key figures describing the financial development of life insurance

2.1 Premium income =

Premium income before reinsurers' share

2.2 Expense ratio, % of total expense loadings =

+ Operating expenses before change in deferred acquisition costs
+ Claims settlement expenses

_____ x 100

Total expense loadings

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.

Expense ratio, % of balance sheet total =

+ Operating expenses before change in deferred acquisition costs
+ Claims settlement expenses

_____ x 100

Balance sheet total

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

Balance sheet total is the opening balance sheet total.

2.3 Solvency margin in reporting currency =

+ Capital and reserves after deduction of proposed distribution of profits
+ Accumulated appropriations
± Unrealised gains/losses from investments
± Deferred tax liabilities
+ Subordinated loans (with permission from the Financial Supervisory Authority)
– Intangible assets
± Other items prescribed by law

2.4 Solvency margin ratio

Solvency margin in relation to the minimum value

The minimum value of solvency margin is defined in the Insurance Companies Act. The solvency margin of an insurance company must exceed this value.

2.5 Equalisation provision in reporting currency

2.6 Solvency capital in reporting currency =

+ Solvency margin
+ Equalisation provision
+ Minority interest 1)

1) Applies to the consolidated financial statements

2.7 Solvency capital, % of technical provisions (solvency ratio) =

Solvency capital _____ x 100

Technical provisions – Equalisation provision – 75% of technical provisions for unit-linked insurance

Technical provisions are calculated after the reinsurers' share.

PROFIT AND LOSS ACCOUNT

TECHNICAL ACCOUNT - LIFE INSURANCE

	1.1.2014 - 31.12.2014	1.1.2013 - 31.12.2013
1		
Premiums written	389 104 169,84	423 291 491,71
Reinsurers' share	-1 627 836,24	-1 220 575,57
4		
Investment income	387 476 333,60	422 070 916,14
Revaluations of investments	250 145 578,21	189 596 114,36
Other technical income	83 082 695,10	87 221 682,99
Claims incurred	1 411 812,00	0,00
2		
Claims paid	-282 325 375,14	-288 645 548,88
Reinsurers' share	322 423,63	441 158,19
Change in provision for outstanding claims	-282 002 951,51	-288 204 390,69
Business Transfer decrease	-23 934 337,00	-15 190 834,00
Reinsurers' share	0,00	1 377 503,63
Change in provision for unearned premiums	-23 934 337,00	-13 813 330,37
Change in provision for unearned premiums	0,00	0,00
Business Transfer decrease	-196 394 455,15	-264 680 919,32
Reinsurers' share	0,00	1 267 731,01
3		
Net operating expenses	-196 394 455,15	-263 413 188,31
4		
Investment charge	-40 615 409,17	-43 475 861,39
Revaluation adjustments on investments	-88 329 346,48	-64 490 348,75
Other technical expenses	-10 433 915,42	-8 113 962,53
	-1 065 204,00	0,00
Balance on technical account	79 340 800,18	17 377 631,45

NON-TECHNICAL ACCOUNT

Balance on technical account of life insurance	79 340 800,18	17 377 631,45
4		
Other income		
Other	2 441 070,87	16 975 961,00
4		
Other expenses	-4 993 486,29	-24 729 615,47
Direct taxes on ordinary activities		
Taxes for financial year	-15 354 270,21	-3 583 493,41
Taxes for previous financial years	652 452,17	954 423,95
Profit on ordinary activities	62 086 566,72	6 994 907,52
Profit after extraordinary items	62 086 566,72	6 994 907,52
Appropriations		
Change in depreciation difference	1 337 002,86	201 488,88
Change in voluntary provisions	0,00	0,00
Profit for the accounting period	63 423 569,58	7 196 396,40

LOCALTAPIOLA MUTUAL LIFE INSURANCE COMPANY

BALANCE SHEET

31 Dec 2014

31 Dec 2013

ASSETS

Intangible assets

Other expenses with long-term effects	9	17 610 309,96	17 610 309,96	13 902 633,76	13 902 633,76
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Investments

Real estate investments	6				
Real estate and shares in real estate		177 271 335,11		168 890 050,38	
Loans to group companies		141 930 417,39	319 201 752,50	134 898 319,56	303 788 369,94
Investments in group companies and participating interests	7				
Shares and holdings in group companies		40 837,60		40 837,60	
Shares and holdings in participating interests		19 013 111,11		22 259 298,56	
Debt securities and loans in participating interests		4 400 000,00		4 400 000,00	
Deposits		0,00	23 453 948,71	0,00	26 700 136,16
Other investments					
Shares and holdings	7	690 272 795,35		737 363 713,90	
Debt securities		1 264 798 473,88		1 137 271 443,41	
Loans guaranteed by mortgages		127 866 131,73		129 860 267,11	
Other loans	8	46 413 484,17		27 644 802,52	
Deposits		0,00	2 129 350 885,13	0,00	2 032 140 226,94
			2 472 006 586,34		2 362 628 733,04

Assets covering unit linked policies

	10		1 400 007 151,02		1 161 314 277,48
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Debtors

Arising out of direct insurance operations	14				
Policyholders		1 492 729,73		1 540 120,13	
Debtors arising out of reinsurance operations		170 164,59	1 662 894,32	102 758,28	1 642 878,41
Other debtors			2 267 218,08	5 677 389,96	7 320 268,37
			3 930 112,40		

Other assets

Tangible assets					
Machinery and equipment	9	444 249,55	444 249,55	525 853,67	525 853,67
Cash at bank and in hand			59 873 390,72	66 403 894,74	
Other assets			117 204,41	117 204,41	67 046 952,82
			60 434 844,68		

Prepayments and accrued income

Accrued interest and rent			18 480 449,62	20 116 987,03	
Other prepayments and accrued income			8 199 491,78	7 568 332,65	27 685 319,68
			26 679 941,40		

Total assets

			3 980 668 945,80		3 639 898 185,15
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LIABILITIES

Capital and reserves

Initial reserve	11		4 482 208,24	4 482 208,24	
Guarantee capital			37 585 505,12	32 036 005,12	
Other reserves			134 378 408,40	128 793 812,26	
Profit or loss for the accounting period			63 423 569,58	7 196 396,40	172 508 422,02
			239 869 691,34		

Accumulated appropriations

Accumulated depreciation difference	12		1 195 325,95	2 532 328,81	2 532 328,81
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Subordinated loans

	16		99 633 216,67		55 000 000,00
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Technical provisions

Provision for unearned premiums		1 599 337 526,11		1 626 487 353,96	
Reinsurers' share		0,00	1 599 337 526,11	0,00	1 626 487 353,96
Provision for outstanding claims		646 474 575,00		623 686 259,00	
Reinsurers' share		0,00	646 474 575,00	0,00	623 686 259,00
			2 245 812 101,11		2 250 173 612,96

Technical provisions for Unit-linked policies

Technical provisions			1 361 953 941,00	1 137 263 637,00	1 137 263 637,00
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Obligatory provisions

Other obligatory provisions	13		184 252,33	133 833,74	133 833,74
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Creditors

Arising out of direct insurance operations			569 594,75	274 165,16	
Arising out of reinsurance operations			383 607,24	161 532,60	
Other creditors	14		24 179 152,84	13 914 700,19	14 350 397,95
			25 132 354,83		

Accruals and deferred income

	14		6 888 062,57	7 935 952,67	
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Total liabilities

			3 980 668 945,80		3 639 898 185,15
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LOCALTAPIOLA MUTUAL LIFE INSURANCE COMPANY

Indirect cash flow statement	2014	2013
Cash flow from operations		
Profit from ordinary activities / profit before extraordinary items	62 086 566,72	6 994 907,52
Adjustments		
Changes in technical provisions	220 328 792,15	279 871 753,32
Value adjustments and revaluation of investments	-55 505 792,42	-67 427 666,60
Changes in obligatory provisions	50 418,59	-39 797,52
Depreciation according to plan	4 848 877,10	3 548 907,29
Other non-cash income and expenses		
Other adjustments	-85 014 487,81	-49 007 114,38
<i>Cash flow before change in working capital</i>	<i>146 794 374,33</i>	<i>173 940 989,63</i>
Change in working capital:		
Increase (-) / decrease (+) in non-interest-bearing short-term receivables	4 395 534,25	3 113 808,77
Increase (+) / decrease (-) in non-interest-bearing short-term debts	9 734 066,78	2 730 228,14
<i>Cash flow from operations before financial items and taxes</i>	<i>160 923 975,36</i>	<i>179 785 026,54</i>
Interest paid and other financial expenses	-2 521 351,59	-2 344 273,72
Direct taxes paid	-4 719 724,52	-1 292 573,33
	<i>153 682 899,25</i>	<i>176 148 179,49</i>
Cash flow from operations	153 682 899,25	176 148 179,49
Cash flow from investments		
Investments in assets (excl. cash and cash equivalents)	-293 171 981,97	-210 011 047,60
Capital gains from investments (excl. cash and cash equivalents)	92 255 563,92	52 643 961,43
Investments in tangible and intangible assets as well as other assets and capital gains (net)	-7 867 901,63	-1 981 276,51
Cash flow from investments	-208 784 319,68	-159 348 362,68
Cash flow from financial		
Revaluation of guarantee capital	5 549 500,00	0,00
Loan funds raised	44 633 216,67	0,00
Interest on guarantee capital paid	-1 601 800,26	-1 922 160,31
Other distribution of profit	-10 000,00	-10 000,00
Cash flow from financial	48 570 916,41	-1 932 160,31
Change in cash and cash equivalents	-6 530 504,02	14 867 656,50
Cash and cash equivalents at the start of the year	66 403 894,74	51 536 238,24
Cash and cash equivalents at the end of the year	59 873 390,72	66 403 894,74

LOCALTAPIOLA MUTUAL LIFE INSURANCE COMPANY

NOTES TO THE PROFIT AND LOSS ACCOUNT

1. Premiums written	2014		2013	
Direct insurance				
Life insurance				
Unit-linked individual life insurance	166 046 239,62		179 200 362,17	
Other individual life insurance	50 947 076,72		52 114 176,86	
Unit-linked capital redemption policy	22 494 345,83		44 753 480,93	
Employees' group life insurance	9 009 672,29		10 116 314,50	
Other group life insurance	<u>45 164 591,66</u>	293 661 926,12	<u>37 848 029,80</u>	324 032 364,26
Pension insurance				
Unit-linked individual pension insurance	34 389 922,84		37 174 295,55	
Other individual pension insurance	24 258 080,78		27 526 570,64	
Unit-linked group pension insurance	5 850 598,96		5 808 577,96	
Other group pension insurance	<u>30 859 530,49</u>	95 358 133,07	<u>28 692 757,27</u>	99 202 201,42
Reinsurance			84 110,65	56 926,03
Gross premiums written before reinsurers' share			389 104 169,84	423 291 491,71
Premiums written before reinsurers' share				
Regular premiums			306 416 959,62	355 573 753,89
Single premiums			<u>82 603 099,57</u>	<u>67 660 811,79</u>
Total			<u>389 020 059,19</u>	<u>423 234 565,68</u>
Premiums from contracts entitled to bonuses			160 238 951,94	156 297 849,07
Premiums from unit-linked insurance			<u>228 781 107,25</u>	<u>266 936 716,61</u>
			389 020 059,19	423 234 565,68

1.1. Impact of life insurance rebates and discounts on the result	2014		2013	
Rebates				
Life insurance				
Other individual life insurance	2 642 301,97		4 628 323,63	
Other group life insurance	<u>297 170,00</u>	2 939 471,97	<u>474 987,00</u>	5 103 310,63
Pension insurance				
Other individual pension insurance	2 944 890,97		2 970 688,91	
Other group pension insurance	<u>1 195 870,87</u>	4 140 761,84	<u>1 443 413,12</u>	4 414 102,03
		7 080 233,81		9 517 412,66
Discounts				
Life insurance				
Unit-linked individual life insurance	261 110,00		198 062,00	
Other individual life insurance	332 496,04		457 574,34	
Other group life insurance	<u>2 109 817,22</u>	2 703 423,26	<u>2 109 817,22</u>	2 765 453,56
		9 783 657,07		12 282 866,22

2. Claims paid before reinsurers' share	2014		2013	
Direct insurance				
Life insurance	165 869 398,05		175 168 849,42	
Pension insurance	<u>116 455 977,09</u>	282 325 375,14	<u>113 476 699,46</u>	288 645 548,88
Of which:				
Surrenders	69 404 274,42		59 674 943,43	
Repayments of benefits	53 232 458,80		71 654 199,36	
Other	<u>159 688 641,92</u>	282 325 375,14	<u>157 316 406,09</u>	288 645 548,88
Share of unit-linked insurance of claims paid		68 329 012,85		58 977 509,02

LOCALTAPIOLA MUTUAL LIFE INSURANCE COMPANY

NOTES TO THE PROFIT AND LOSS ACCOUNT

2014

2013

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

3.1. Total operating expenses by activity

Claims paid	5 413 911,31	5 533 742,34
Operating expenses	40 615 409,17	43 475 861,39
Investment operating expenses	5 368 929,45	5 249 174,33
Other expenses	4 993 486,29	24 729 615,47
<i>Total</i>	<u>56 391 736,22</u>	<u>78 988 393,53</u>

3.2. Profit and loss account item operating expenses

Insurance policy acquisition cost		
Commissions for direct insurance	7 869 958,38	8 931 637,18
Commissions on reinsurance assumed and profit shares	5 887,74	3 984,83
Other insurance policy acquisition costs	13 853 062,52	14 866 550,49
	<u>21 728 908,64</u>	<u>23 802 172,50</u>
Insurance policy management expenses	10 161 916,16	9 885 510,68
Administrative expenses	8 990 639,17	9 953 913,60
Commissions for reinsurance ceded and profit shares	-266 054,80	-165 735,39
<i>Total</i>	<u>40 615 409,17</u>	<u>43 475 861,39</u>

3.3. Notes concerning personnel and members of corporate bodies

3.3.1. Personnel expenses

Salaries and remunerations	16 406 008,91	24 819 463,76
Pension expenses	3 630 658,71	5 310 009,51
Other personnel expenses	888 129,24	1 348 780,76
<i>Total</i>	<u>20 924 796,86</u>	<u>31 478 254,03</u>

3.3.2. Management salaries and remunerations, pension commitments, monetary loans and terms thereof, as well as guarantees and contingent liabilities

Managing director and deputy managing director		
Salaries and remuneration	408 327,00	563 745,00
Pension commitments	The retirement age of Managing Director is 63 and that of the Deputy Managing Director as defined by law	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	
Board members and deputy board members		
Salaries and remuneration	547 853,00	901 852,00
Pension commitments	The agreed pensionable age of Board members and deputy Board members is 60-63	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	
Supervisory board		
Salaries and remuneration	117 402,00	115 200,00
Pension commitments	No pension commitments	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	

3.3.3. Average number of personnel during the financial year

Office staff	2	2
Sales staff	-	-
Real estate staff	-	-

3.4 Auditor's fees by assignment category

Auditing	39 542,05	47 714,02
Assignments referred to in section 1, subsection 1, paragraph 2 of the Auditing Act	0,00	0,00
Tax advice	15 388,99	16 205,55
Other services	17 060,37	15 243,76
<i>Total</i>	<u>71 991,41</u>	<u>79 163,33</u>

LOCALTAPIOLA MUTUAL LIFE INSURANCE COMPANY

NOTES TO THE PROFIT AND LOSS ACCOUNT

4.1. Specification of net investment income

	2014		2013	
Investment income				
Income from group companies				
Interest income	0,00		122,87	
Other income	<u>0,00</u>	0,00	<u>0,00</u>	122,87
Income from participating interests				
Dividend income	200 000,00		500 000,00	
Interest income	<u>67 283,33</u>	267 283,33	<u>133 296,78</u>	633 296,78
Income from real estate investments in group companies				
Interest income	8 030 138,37		7 960 490,60	
Other income	<u>55 261,60</u>	8 085 399,97	<u>54 349,39</u>	8 014 839,99
Income from real estate investments in other companies				
Dividend income	0,00		686,56	
Interest income	52 639,50		82 728,56	
Other income	<u>31 028 257,02</u>	31 080 896,52	<u>31 092 306,18</u>	31 175 721,30
Income from other investments				
Dividend income	40 059 032,30		30 301 940,52	
Interest income	38 423 130,12		46 216 078,77	
Other income	<u>7 176 097,53</u>	85 658 259,95	<u>3 642 223,78</u>	80 160 243,07
Total		<u>125 091 839,77</u>		<u>119 984 224,01</u>
Value readjustments		17 634 042,18		10 957 022,60
Realized gains		107 419 696,26		58 654 867,75
Total		<u>250 145 578,21</u>		<u>189 596 114,36</u>
Investment charges				
Expenses arising from real estate investments				
From group companies	-15 381 820,14		-13 761 696,09	
Other companies	<u>-9 278 448,73</u>	-24 660 268,87	<u>-10 949 718,82</u>	-24 711 414,91
Expenses arising from other investments		-9 903 049,67		-7 661 244,22
Interest paid and other expenses on liabilities				
From group companies	-66,46		-99,90	
Other companies	<u>-2 536 854,31</u>	-2 536 920,77	<u>-2 387 899,69</u>	-2 387 999,59
Total		<u>-37 100 239,31</u>		<u>-34 760 658,72</u>
Value adjustments and depreciation				
Value adjustments	-34 777 029,44		-22 637 076,46	
Planned depreciation on buildings	<u>-1 287 945,39</u>	-36 064 974,83	<u>-1 081 707,25</u>	-23 718 783,71
Realized losses		<u>-15 164 132,34</u>		<u>-6 010 906,32</u>
Total		<u>-88 329 346,48</u>		<u>-64 490 348,75</u>
Net investment income before revaluations and revaluation adjustments		<u>161 816 231,73</u>		<u>125 105 765,61</u>
Revaluations	83 082 695,10		87 221 682,99	
Revaluation adjustments	<u>-10 433 915,42</u>	72 648 779,68	<u>-8 113 962,53</u>	79 107 720,46
Net investment income in the profit and loss account		<u>234 465 011,41</u>		<u>204 213 486,07</u>

LOCALTAPIOLA MUTUAL LIFE INSURANCE COMPANY

NOTES TO THE PROFIT AND LOSS ACCOUNT

4.2 Investment income for unit-linked insurance policies

	2014		2013	
Investment income	19 610 936,01		11 945 414,50	
Investment charges	<u>-2 863 047,03</u>	16 747 888,98	<u>-1 673 109,67</u>	10 272 304,83
Net investment income before revaluations and their adjustment as well as value adjustments and readjustments				
Revaluations of investments	83 082 695,10		87 221 682,99	
Revaluation adjustments on investments	-10 433 915,42		-7 204 950,71	
Value adjustments	-3 797 401,51		-94 777,67	
Value readjustment	<u>136 481,77</u>	<u>68 987 859,94</u>	<u>329 955,42</u>	<u>80 251 910,03</u>
Net investment income in the profit and loss account		<u><u>85 735 748,92</u></u>		<u><u>90 524 214,86</u></u>

4.3. Specification of other income and expenses

Other income

Income from ancillary operations	2 402 749,84		16 760 831,60	
Other other income	<u>38 321,03</u>		<u>215 129,40</u>	
	<u><u>2 441 070,87</u></u>		<u><u>16 975 961,00</u></u>	

Other expenses

Expenses for ancillary operations	2 158 811,36		6 723 544,76	
Transfer to personnel fund	473 386,90		571 418,12	
Other other expenses	<u>2,62</u>		<u>0,90</u>	
	<u><u>4 993 486,29</u></u>		<u><u>24 729 615,47</u></u>	

LOCALTAPIOLA MUTUAL LIFE INSURANCE COMPANY
NOTES TO BALANCE SHEET 31 Dec 2014

5. Current value of investments and difference in valuation

Investments	2014		2014		2013		2013	
	Remaining acquisition cost	Book value	Current value	Remaining acquisition cost	Book value	Current value	Book value	Current value
Real estate Investments								
Real estate	8 150 190,12	12 777 980,56	21 985 171,80	13 241 066,23	17 868 856,67	32 138 478,80		
Real estate shares in group companies	89 592 080,66	114 061 863,50	137 806 794,98	80 348 940,11	106 657 147,50	126 151 697,76		
Real estate shares in participating interests	967 626,54	967 626,54	886 159,74	966 626,54	966 626,54	910 355,70		
Other real estate shares	49 070 681,77	49 463 864,51	54 964 983,64	43 004 236,93	43 397 419,67	54 566 138,75		
Loans to group companies	141 930 417,39	141 930 417,39	141 930 417,39	134 898 319,56	134 898 319,56	134 898 319,56		
	289 710 996,48	319 201 752,50	357 573 527,55	272 459 189,37	303 788 369,94	348 664 990,57		
Investments in group companies								
Shares and holdings	40 837,60	40 837,60	40 837,60	40 837,60	40 837,60	40 837,60		
	40 837,60	40 837,60	40 837,60	40 837,60	40 837,60	40 837,60		
Investments in participating interests								
Shares and holdings	19 013 111,11	19 013 111,11	19 013 111,11	22 259 298,56	22 259 298,56	22 259 298,56		
Debt securities and loans	4 400 000,00	4 400 000,00	4 400 000,00	4 400 000,00	4 400 000,00	4 400 000,00		
	23 413 111,11	23 413 111,11	23 413 111,11	26 659 298,56	26 659 298,56	26 659 298,56		
Other investments								
Shares and holdings	690 272 795,35	690 272 795,35	866 912 821,88	737 363 713,90	737 363 713,90	930 386 862,10		
Debt securities	1 264 798 473,88	1 264 798 473,88	1 324 895 745,12	1 137 271 443,41	1 137 271 443,41	1 180 490 250,49		
Loans guaranteed by mortgages	127 866 131,73	127 866 131,73	127 866 131,73	129 860 267,11	129 860 267,11	129 860 267,11		
Other loans receivable	46 413 484,17	46 413 484,17	46 413 484,17	27 644 802,52	27 644 802,52	27 644 802,52		
Deposits	0,00	0,00	0,00	0,00	0,00	0,00		
	2 129 350 885,13	2 129 350 885,13	2 366 088 182,90	2 032 140 226,94	2 032 140 226,94	2 268 382 182,22		
	2 442 515 830,32	2 472 006 586,34	2 747 115 659,16	2 331 299 552,47	2 362 628 733,04	2 643 747 308,95		

NOTES TO BALANS SHEET 31 Dec 2012

5.2 Difference in valuation of non-hedging derivatives

Other deferred income and credits
Futures and forward contracts

	2014	2014	2014	2013	2013	2013
	Remaining acquisition cost	Book value	Current value	Remaining acquisition cost	Book value	Current value
Other deferred income and credits						
Futures and forward contracts	0,00	0,00	0,00	0,00	0,00	485 364,81
	0,00	0,00	0,00	0,00	0,00	485 364,81
Difference in valuation (difference between current value and book value)			0,00			485 364,81

LOCALTAPIOLA MUTUAL LIFE INSURANCE COMPANY

NOTES TO BALANCE SHEET 31 Dec 2014

6. Real estate investments

Changes in real estate investments:

	2014	2014
	Real estate and shares in real estate	Loans to group companies
Acquisition cost on 1 Jan.	178 935 447,75	134 898 319,56
Increases	19 957 530,00	9 421 858,00
Decreases	-16 137 810,13	-6 907 260,17
Transfers between items	0,00	4 517 500,00
Acquisition cost on 31 Dec.	182 755 167,62	141 930 417,39
Accumulated depreciation on 1 Jan.	-17 402 550,87	
Accumulated depreciation related to deductions and transfers	7 636 585,90	
Depreciation for the financial year	-607 047,55	
Accumulated depreciation on 31 Dec.	-10 373 012,52	
Value adjustments on 1 Jan	-25 327 362,99	
Value adjustments related to deductions and transfers	0,00	
Value adjustments for the financial year	-3 573 000,00	
Value readjustments	3 040 000,00	
Value adjustments on 31 Dec.	-25 860 362,99	
Revaluations on 1 Jan.	32 587 967,55	
Increases	0,00	
Decreases	-1 838 424,55	
Transfers between items	0,00	
Revaluations on 31 Dec.	30 749 543,00	
Book value on 31 Dec.	177 271 335,11	141 930 417,39

Real estate and shares in real estate occupied for own activities

	2014
Remaining acquisition cost	4 460 110,39
Book value	5 625 913,31
Current value	5 071 355,31

LOCALTAPIOLA MUTUAL LIFE INSURANCE COMPANY

NOTES TO BALANCE SHEET 31 Dec 2014

7. Investments in group companies and participating interests

	2014	2013
Shares and holdings in group companies		
Acquisition cost on 1 Jan.	40 837,60	40 837,60
Increases	0,00	0,00
Decreases	0,00	0,00
Acquisition cost on 31 Dec.	40 837,60	40 837,60
Book value on 31 Dec.	<u>40 837,60</u>	<u>40 837,60</u>
Shares and holdings in participating interests		
Acquisition cost on 1 Jan.	28 187 754,04	28 187 754,04
Increases	1 250,00	0,00
Decreases	-3 323 796,37	0,00
Acquisition cost on 31 Dec.	<u>29 840 207,67</u>	<u>28 187 754,04</u>
Value adjustments on 1 Jan	0,00	0,00
Value adjustments related to deductions and transfers	0,00	0,00
Value adjustments for the financial year	-10 827 096,56	-5 928 455,48
Value readjustments	0,00	0,00
Value adjustments on 31 Dec.	<u>-10 827 096,56</u>	<u>-5 928 455,48</u>
Book value on 31 Dec.	<u>19 013 111,11</u>	<u>28 187 754,04</u>
Debt securities and loans in participating interests		
Acquisition cost on 1 Jan.	4 400 000,00	4 400 000,00
Increases	0,00	0,00
Decreases	0,00	0,00
Transfers between items	0,00	0,00
Acquisition cost on 31 Dec.	<u>4 400 000,00</u>	<u>4 400 000,00</u>
Book value on 31 Dec.	<u>4 400 000,00</u>	<u>4 400 000,00</u>

LOCALTAPIOLA MUTUAL LIFE INSURANCE COMPANY

NOTES TO BALANCE SHEET 31 DECEMBER 2014

7.1. Investments in group companies

Shares and holdings

	Domicile	Share stocks %	Equity	Profit/ loss for the financial year
Omaeläke Oy	Espoo	90,00	8 484,62	-236,64
Rekra Oy	Espoo	100,00	8 008,40	-237,35
Sasnep Ky	Espoo	100,00	8 820,50	-236,09
Tapiolan Pankkineuvonta Oy	Espoo	100,00	8 012,04	-237,36
Varepa Ky	Espoo	100,00	8 823,91	-236,10
Total			42 149,47	-1 183,54

7.2. Investments in participating interests

Shares and holdings

	Domicile	Share stocks %	Equity	Profit/ loss for the financial year
LähiTapiola Kiinteistövarainhoito Oy	Espoo	50,00	7 084 805,50	2 901 128,08
LähiTapiola Palvelut Oy	Espoo	14,99	18 007 815,27	-246,70
LähiTapiola Varainhoito Oy	Espoo	19,44	15 275 749,15	8 928 695,79
S-Pankki Oy	Helsinki	3,49	382 778 443,00	11 151 052,00
Tapiolan Alueen Kehitys Oy	Espoo	27,42	25 227,83	-52 134,40
Tieto-Tapiola Oy	Espoo	33,33	1 018 815,00	47 337,00
Vakuutusneuvonta Aura Oy	Espoo	33,33	11 144,40	-232,18
Vakuutusneuvonta Pohja Oy	Espoo	33,33	11 087,17	-232,26
Total			424 213 087,32	22 975 367,33

7.3 NOTES TO BALANCE SHEET 31 DECEMBER 2014
 LOCALTAPIOLA MUTUAL LIFE INSURANCE COMPANY
 Other investments

Security	Share stocks %	Number	Book value	Current value	Home country
Finnish companies, listed					
Amer- Sports Oyj	0,26	309 164,00	2 228 331,90	4 965 173,84	Finland
Componenta Oyj	1,28	1 242 145,00	888 133,67	888 133,68	Finland
Kone Oyj B	0,03	140 000,00	1 614 104,93	5 294 800,00	Finland
Nokia Oyj	0,02	750 000,00	3 972 668,70	4 920 000,00	Finland
Nokian Renkaat Oyj	0,10	132 655,00	2 087 699,25	2 691 569,95	Finland
Stockmann Oyj B	0,35	144 003,00	915 859,08	915 859,08	Finland
Vaisala Oyj A	1,05	155 891,00	3 412 453,99	3 412 453,99	Finland
Other			125 292,00	125 292,00	Finland
Total		3 020 158,00	15 244 543,52	23 213 282,54	
Finnish companies, non-listed					
Diacor terveyspalvelut Oy	3,75	844,00	3 362 960,00	3 362 960,00	Finland
Fingrid Oyj	1,41	47,00	1 580 966,51	11 750 000,00	Finland
Henkivakuutusosakeyhtiö Retro	19,43	13 598,00	1 208 589,69	1 208 589,69	Finland
LähiTapiola Varainhoito Oy	19,44	350,00	2 275 000,00	2 275 000,00	Finland
Pihlajalinna Oy	3,40	455 380,00	2 236 826,56	2 267 292,99	Finland
Sato Oyj	2,39	1 219 395,00	6 109 731,12	17 815 360,95	Finland
Seligson & Co Oyj	11,27	143 784,00	953 937,26	2 084 868,00	Finland
Other			997 852,64	1 115 064,35	
Total		1 946 580,59	18 725 863,78	41 879 135,98	
Foreign companies, listed					
ABB Ltd	0,01	230 000,00	3 449 756,67	4 043 745,84	Switzerland
Amec Foster Wheeler Plc	0,08	300 000,00	3 285 402,49	3 285 402,49	Great Britain
Axa Sa	0,01	180 000,00	3 441 542,40	3 456 900,00	France
BASF SE	0,01	70 000,00	4 707 432,03	4 891 600,00	Germany
BG Group PLC	0,01	290 000,00	3 220 567,47	3 220 567,47	Great Britain
Bayer AG	0,01	50 000,00	2 960 827,82	5 650 000,00	Germany
Carl Zeiss Meditec AG	0,29	234 746,00	2 658 895,04	4 953 140,60	Germany
DNB ASA	0,03	442 400,00	3 349 108,95	5 416 244,19	Norway
Deutsche Bank Ag-Registered	0,01	176 000,00	4 397 360,00	4 397 360,00	Germany
Eaton Corp PLC	0,02	115 000,00	4 147 234,72	6 437 196,28	Ireland
Exova Group Ltd	0,59	1 489 455,00	3 059 607,14	3 059 607,14	Great Britain
Fresenius Medical Care Ag	0,04	113 000,00	5 550 087,74	6 989 050,00	Germany
Gemalto NV	0,06	52 400,00	3 559 532,00	3 559 532,00	France
Heineken Nv	0,01	50 000,00	2 947 500,00	2 947 500,00	Netherlands
Hennes & Mauritz Ab B	0,01	140 000,00	2 187 498,81	4 852 975,62	Sweden
Hologic Inc	0,10	285 000,00	4 581 026,00	6 276 995,31	The United States of America
ING Groep NV -CVA	0,01	290 000,00	3 140 700,00	3 140 700,00	Netherlands
Inmarsat PLC	0,14	640 000,00	4 524 589,34	6 569 264,35	Great Britain
Lloyds Tsb Group Plc	0,00	3 400 000,00	3 309 641,80	3 309 641,80	Great Britain
Medtronic Inc	0,01	94 300,00	4 455 257,44	5 607 824,73	The United States of America
Mondelez International Inc	0,01	170 000,00	4 190 985,60	5 086 277,90	The United States of America
National Grid PLC	0,01	490 000,00	3 543 517,98	5 775 696,50	Great Britain
Nestle Sa	0,00	55 000,00	3 275 629,67	3 336 867,93	Switzerland
PepsiCo Inc	0,01	82 000,00	4 169 890,03	6 386 557,94	The United States of America
Reed Elsevier NV	0,07	465 000,00	3 937 306,88	9 225 600,00	Netherlands
SES SA	0,06	205 000,00	3 971 281,49	6 091 575,00	Luxembourg
Sanofi	0,00	61 800,00	3 993 159,06	4 675 788,00	France
Stada Arzneimittel AG	0,21	130 000,00	2 987 166,79	3 282 500,00	Germany
StatOil Asa	0,01	190 000,00	2 600 164,41	2 756 912,19	Norway
Syngenta AG	0,02	20 000,00	5 322 687,96	5 322 687,96	Switzerland
Telenor Asa	0,02	310 000,00	3 643 311,41	5 194 094,23	Norway
TeliaSonera Ab	0,03	1 090 000,00	5 327 195,50	5 809 700,00	Sweden
Thermo Fisher Scientific	0,02	70 000,00	2 412 756,56	7 223 704,80	The United States of America
Total Sa	0,00	70 000,00	2 976 400,00	2 976 400,00	France
US Bancorp	0,01	212 000,00	5 294 438,73	7 848 941,60	The United States of America
Unilever Nv -CVA	0,01	105 000,00	3 427 200,00	3 427 200,00	Netherlands
United Technologies Corp	0,01	66 500,00	3 431 770,27	6 298 904,54	The United States of America
VF Corp	0,03	108 000,00	3 124 048,10	6 662 713,12	The United States of America
Vienna Insurance Group AG	0,07	88 463,00	3 280 208,04	3 280 208,04	Austria
Vinci SA	0,02	117 000,00	4 266 596,05	5 324 670,00	France
WPP PLC	0,03	430 000,00	3 739 879,86	7 425 215,05	Great Britain
Zurich Insurance Group AG	0,02	30 000,00	6 145 737,36	7 776 946,11	Switzerland
Other			634 558,82	2 317 848,43	
Total		13 228 341,00	158 629 458,43	215 572 257,16	
Foreign companies, non-listed					
Other			300 252,92	371 842,37	
Total		3 608,00	300 252,92	371 842,37	
Mutual funds					
BNP Paribas Global Senior Corporate Loans			14 807 665,67	14 807 665,67	France
LähiTapiola Aasia-Tyynimeri A			4 873 311,83	6 189 446,19	Finland
LähiTapiola High Yield A			27 813 865,98	51 128 690,27	Finland
LähiTapiola Hyvinvointi A			4 132 477,43	8 725 185,86	Finland
LähiTapiola Infra A			4 840 728,34	5 497 985,36	Finland
LähiTapiola Itä-Eurooppa A			4 233 404,16	4 233 404,16	Finland
LähiTapiola Japani A			6 866 143,61	6 866 143,61	Finland
LähiTapiola Kassakorko A			7 820,85	8 104,11	Finland
LähiTapiola Kasvu A			3 791 259,76	5 071 107,91	Finland
LähiTapiola Kehittyvät Korkomarkkinat A			6 000 000,00	6 432 000,00	Finland
LähiTapiola Kehittyvät Markkinat A			3 818 284,36	9 214 723,83	Finland
LähiTapiola Kuluttaja A			3 582 066,90	7 911 208,13	Finland

LähiTapiola Lyhytkorko A	11 698 637,37	13 741 982,84	Finland
LähiTapiola Osinko A	4 446 350,74	5 768 833,78	Finland
LähiTapiola Pitkäkorko A	5 458 432,69	7 899 395,40	Finland
LähiTapiola Pohjoinen Yrityskorko A	30 000 000,00	31 286 101,73	Finland
LähiTapiola Suoja A	5 002 636,36	5 506 604,75	Finland
LähiTapiola USA A	2 587 106,29	4 382 262,75	Finland
LähiTapiola Yrityskorko A	18 882 798,85	27 324 788,17	Finland
Natixis Loomis Sayles Senior Loan Fund	10 000 000,00	10 285 219,96	Luxembourg
Robeco Lux-o-rente I EUR	2 306 033,68	3 355 292,74	Luxembourg
Other	812 970,60	1 775 671,90	
Total	175 961 995,47	237 411 819,12	
Capital mutual funds			
AXA LBO Fund IV Supplementary FCPR	933 975,00	1 669 730,48	France
AXA LBO Fund V Core	5 415 390,71	5 498 218,71	France
AXA Secondary Fund IV L.P.	927 912,77	3 978 092,41	Jersey
AXA Secondary Fund V L.P.	1 641 879,45	3 001 209,95	Jersey
Aberdeen European Shopping Property Fund SICAV	4 385 086,46	4 385 086,46	Luxembourg
Aberdeen Property Funds SICAV Pan-Nordic	4 146 118,68	4 146 118,68	Luxembourg
Altor Fund III	5 448 351,65	7 026 080,40	Jersey
Apax Europe VII - B, L.P.	7 752 069,29	8 919 055,77	Great Britain
Apax VIII - A L.P.	3 152 691,42	3 313 162,90	Guernsey
Armada Mezzanine IV Ky	521 837,78	521 837,78	Finland
Beechbrook Mezzanine II L.P.	3 815 824,50	3 821 154,03	Great Britain
BlackRock Europe Property Fund III	4 565 658,73	4 565 658,73	Great Britain
Bowmark Capital Partners IV, L.P.	4 151 952,87	4 890 702,27	Great Britain
Bowmark Capital Partners V, L.P.	876 773,66	876 773,66	Great Britain
Bridgepoint Europe III, L.P.	2 240 298,00	2 240 298,00	Great Britain
Bridgepoint Europe IV F L.P.	5 217 299,80	6 062 174,78	Great Britain
Capvis Equity III L.P.	3 589 409,27	3 589 409,27	Jersey
Capvis Equity IV L.P.	982 160,00	982 160,00	Jersey
Crescent Mezzanine Partners VI, L.P.	12 107 993,71	13 644 765,67	The United States of America
Dasos Timberland Fund II	2 252 803,34	2 252 803,34	Luxembourg
European Added Value Fund, L.P.	1 715 805,06	1 715 805,06	Great Britain
FPCI Indigo Capital	1 417 860,00	1 417 860,00	France
Gresham 4A	1 290 510,94	1 290 510,94	Great Britain
ICG Europe Fund V	15 773 032,63	17 503 944,74	Jersey
ICG Senior Debt Partners Fund	7 607 190,44	7 674 850,76	Luxembourg
ICG-Longbow UK Real Estate Debt Investments III S.ä.r.l.	14 195 825,76	14 741 324,03	Luxembourg
Indigo Capital V L.P.	2 996 811,80	2 996 811,80	Great Britain
Industri Kapital 2007 Limited Partnership III	5 247 148,97	6 132 350,88	Jersey
Lindsay Goldberg III L.P.	7 924 944,52	9 517 529,86	The United States of America
LähiTapiola Asuntorahasto Prime Ky	19 396 973,67	19 396 973,67	Finland
LähiTapiola KR PK2 Ky	3 725 428,00	3 725 428,00	Finland
M&G Real Estate Debt Fund II, L.P.	3 970 206,52	4 050 615,86	Guernsey
MB Equity Fund IV Ky	1 922 106,23	2 332 283,00	Finland
MezzVest III, L.P.	4 529 236,21	4 698 090,07	Jersey
Nexit INFOCOM II L.P.	3 565 716,36	3 565 716,36	Guernsey
Nordic Mezzanine Fund III Limited Partnership	4 402 767,70	4 417 357,47	Great Britain
PBW II Real Estate Fund S.A.	2 651 503,75	2 651 503,75	Luxembourg
Partners Group U.S. Venture 2004, L.P.	1 045 448,82	1 179 551,81	The United States of America
Real Estate Debt & Secondaries Ky	2 296 921,17	2 660 037,57	Finland
Rockspring PanEuropean Limited Partnership	3 475 626,86	3 475 626,86	Great Britain
Russian and Baltics Retail Properties Ky	5 600 000,00	5 928 000,00	Finland
TPG Partners VI, LP	12 261 554,96	16 557 712,71	The United States of America
Taaleritehtaan Asuntorahasto I	20 600 608,47	20 600 608,47	Finland
Taaleritehtaan Asuntorahasto III	6 980 758,32	6 980 758,32	Finland
Tapiola KR I Ky	22 711 237,73	22 711 237,73	Finland
Tapiola KR III Ky	44 425 536,86	44 425 536,86	Finland
The Fourth Cinven Fund (No. 4) Limited Partnership	4 965 924,14	4 965 924,14	Great Britain
The Triton Fund III L.P.	5 921 063,00	6 569 653,00	Jersey
Top Tier Venture Capital III, L.P.	3 007 961,82	3 264 510,49	The United States of America
Top Tier Venture Capital IV, L.P.	3 156 872,44	4 709 199,18	The United States of America
TuuliTapiola Ky	5 604 792,00	5 604 792,00	Finland
Other	5 172 818,96	7 892 886,03	
Total	323 685 681,20	350 739 484,71	
Total other investments, shares and holdings	18 198 687,59	692 547 795,32	869 187 821,88

NOTES TO BALANCE SHEET 31 DEC 2014

LOCALTAPIOLA MUTUAL LIFE INSURANCE COMPANY

7.4 ASSETS HELD TO COVER UNIT-LINKED INSURANCE POLICIES

Security	Home country	Current value	Book value
Mutual funds			
Alken European Opportunities R	Luxembourg	5 145 549,55	5 145 549,55
BGF Fixed Income Global Opportunity A2 Hed.Acc EUR	Luxembourg	2 211 267,30	2 211 267,30
Carnegie Worldwide Asia Acc - USD	Luxembourg	7 305 607,77	7 305 607,77
DB X-Trackers S&P 500 ETF	Germany	3 509 284,40	3 509 284,40
eQ Kehittyvät Markkinat Osinko 1 K	Finland	676 394,15	676 394,15
eQ USA Indeks 1 K	Finland	909 658,73	909 658,73
ERIK.SIJ.RAHASTO ELITE	Finland	585 874,01	585 874,01
Evli Emerging Frontier B	FI	1 125 581,74	1 125 581,74
Evli Eurooppa B	Finland	10 967 788,12	10 967 788,12
Evli High Yield Yrityslaina B	Finland	24 337 532,69	24 337 532,69
Evli Likvidi B	Finland	940 240,93	940 240,93
Evli Lyhyt Yrityslaina B	Finland	17 336 203,70	17 336 203,70
Evli Pohjois-Amerikka B	Finland	4 526 745,21	4 526 745,21
Evli Pohjoismaat B	Finland	2 101 448,40	2 101 448,40
Evli Ruotsi Pienyhtiöt B	Finland	2 902 149,29	2 902 149,29
Evli Suomi Pienyhtiöt B	Finland	3 918 701,98	3 918 701,98
Evli Taktinen Alfa-Korko B	Finland	22 924 549,44	22 924 549,44
Evli Varainhoito 40 B	Finland	680 716,75	680 716,75
Evli Varainhoito 75 B	Finland	1 847 046,24	1 847 046,24
Invesco Pan European Structured Equity Acc EUR	Irlanti	5 450 231,40	5 450 231,40
iShares \$ High Yield Corporate Bond	Luxembourg	577 841,00	577 841,00
iShares Core S&P 500 UCITS ETF	Germany	9 297 853,68	9 297 853,68
iShares S&P 500 - B UCITS ETF	Irlanti	549 028,09	549 028,09
JPM Income Opportunity Plus Fund A Acc EUR hedged	Luxembourg	4 517 115,01	4 517 115,01
JPM US Select Equity A Acc EUR	Luxembourg	1 520 566,27	1 520 566,27
Korkovarainhoitosalkku	Finland	7 878 420,38	7 878 420,38
LähiTapiola 2015 A	Finland	36 999 105,03	36 999 105,03
LähiTapiola 2020 A	Finland	70 523 378,75	70 523 378,75
LähiTapiola 2025 A	Finland	115 625 441,96	115 625 441,96
LähiTapiola 2035 A	Finland	48 668 468,61	48 668 468,61
LähiTapiola 2045 A	Finland	11 602 026,57	11 602 026,57
LähiTapiola Aasia-Tyynimeri A	Finland	9 096 877,92	9 096 877,92
LähiTapiola Asuntosijoitus	Finland	34 714 551,39	34 714 551,39
LähiTapiola Asuntosijoitus Prime	Finland	28 946 999,95	28 946 999,95
LähiTapiola Eurooppa A	Finland	24 381 680,86	24 381 680,86
LähiTapiola High Yield A	Finland	8 101 836,11	8 101 836,11
LähiTapiola Hyvinvointi A	Finland	21 340 078,71	21 340 078,71
LähiTapiola Infra A	Finland	4 189 707,42	4 189 707,42
LähiTapiola Itä-Eurooppa A	Finland	1 226 224,33	1 226 224,33
LähiTapiola Japani A	Finland	1 547 042,22	1 547 042,22
LähiTapiola Kassakorko A	Finland	3 531 840,53	3 531 840,53
LähiTapiola Kasvu A	Finland	8 949 016,30	8 949 016,30
LähiTapiola Kehittyvät Korkomarkkinat A	Finland	2 767 701,23	2 767 701,23
LähiTapiola Kehittyvät Markkinat A	Finland	29 236 341,73	29 236 341,73
LähiTapiola Korko 100 A	Finland	4 615 229,03	4 615 229,03
LähiTapiola Korkomaailma A	Finland	12 367 719,58	12 367 719,58
LähiTapiola Kuluttaja A	Finland	21 861 360,17	21 861 360,17
LähiTapiola Lyhytkorko A	Finland	8 744 799,34	8 744 799,34
LähiTapiola Maailma 20 A	Finland	16 734 438,59	16 734 438,59
LähiTapiola Maailma 50 A	Finland	50 726 508,92	50 726 508,92
LähiTapiola Maailma 80 A	Finland	62 199 865,21	62 199 865,21
LähiTapiola Metsäsijoitus	Finland	3 368 259,29	3 368 259,29
LähiTapiola Osake 100 A	Finland	1 156 995,02	1 156 995,02
LähiTapiola Osinko A	Finland	935 680,09	935 680,09
LähiTapiola Pitkäkorko A	Finland	14 311 985,33	14 311 985,33
LähiTapiola Pohjoinen Yrityskorko A	Finland	3 595 897,23	3 595 897,23
LähiTapiola Suoja A	Finland	1 707 610,66	1 707 610,66

LähiTapiola Suomi A	Finland	10 432 168,38	10 432 168,38
LähiTapiola Tapiolan Keskus	Finland	2 000 971,67	2 000 971,67
LähiTapiola Toimitila	Finland	727 579,43	727 579,43
LähiTapiola USA A	Finland	8 929 066,42	8 929 066,42
LähiTapiola Viisas	Finland	25 797 930,24	25 797 930,24
LähiTapiola Yrityskorko A	Finland	6 868 449,88	6 868 449,88
Morgan Stanley Diversified Alpha Plus A Acc EUR	Luxembourg	2 325 387,95	2 325 387,95
Osakevarainhoitosalkku	Finland	1 117 760,71	1 117 760,71
PYN Elite A - EUR	Finland	797 345,28	797 345,28
Seligson Aasia A	Finland	2 647 038,83	2 647 038,83
Seligson Euro-obligaatio	Finland	1 986 253,38	1 986 253,38
Seligson Eurooppa -indeksirahasto A	Finland	6 101 281,60	6 101 281,60
Seligson Glb Top 25 Brands -A	Finland	12 530 606,17	12 530 606,17
Seligson Global Top 25 Pharmaceuticals A	Finland	12 570 398,47	12 570 398,47
Seligson Phoebus - A	Finland	1 314 333,60	1 314 333,60
Seligson Phoenix A	Finland	856 410,05	856 410,05
Seligson Pohjois-Amerikka -indeksirahasto A	Finland	1 305 160,46	1 305 160,46
Seligson Rahamarkkina AAA	Finland	1 627 255,00	1 627 255,00
Seligson Russian Pros Euro A	Finland	4 804 527,24	4 804 527,24
Seligson Suomi-indeksirahasto	Finland	8 097 052,40	8 097 052,40
S-Sijoituskori Kohtuullinen	Finland	1 312 835,30	1 312 835,30
S-Sijoituskori Varovainen	Finland	2 454 096,00	2 454 096,00
Suojavarainhoito 10	Finland	4 703 191,57	4 703 191,57
Suojavarainhoito 15	Finland	3 594 935,23	3 594 935,23
Suojavarainhoito 20	Finland	2 643 590,34	2 643 590,34
Suojavarainhoito 25	Finland	1 974 251,36	1 974 251,36
Suomi Plus -varainhoito	Finland	19 412 671,19	19 412 671,19
Varainhoito 100	Finland	14 727 777,42	14 727 777,42
Varainhoito 25	Finland	2 392 023,83	2 392 023,83
Varainhoito 50	Finland	6 401 954,66	6 401 954,66
Varainhoito 75	Finland	3 571 730,63	3 571 730,63
Varainhoitosalkku 10	Finland	63 332 714,65	63 332 714,65
Varainhoitosalkku 30	Finland	133 747 417,62	133 747 417,62
Varainhoitosalkku 50	Finland	66 732 451,92	66 732 451,92
Varainhoitosalkku 70	Finland	16 101 967,91	16 101 967,91
Varainhoitosalkku 90	Finland	2 081 246,67	2 081 246,67
Vauras 100	Finland	1 198 178,59	1 198 178,59
Vauras 25	Finland	60 148 911,79	60 148 911,79
Vauras 50	Finland	26 905 963,22	26 905 963,22
Vauras 75	Finland	4 204 586,68	4 204 586,68
VISIO ALLOCATOR ERIKOISSIJ.RAH.	Finland	557 864,19	557 864,19
Yrityslaina Plus	Finland	2 387 345,44	2 387 345,44
Muut		11 421 214,75	11 421 214,75
Total		1 372 363 962,43	1 372 363 962,43

Other investments

eQ Hoivakiinteistöt	Finland	2 130 155,91	2 130 155,91
Kone Oyj	Finland	667 976,84	667 976,84
Nokia Oyj	Finland	756 844,80	756 844,80
Sampo	Finland	558 270,42	558 270,42
Suomi 175 Booster	Finland	856 250,00	856 250,00
Muut		22 673 690,83	22 673 690,83
Total		27 643 188,80	27 643 188,80

Total

1 400 007 151,23

NOTES TO BALANCE SHEET 31 Dec 2014

8. Other investments

	2014	2013
8.1. Other loans receivable, itemised by type of security		
Insurance policy	566 117,76	825 281,37
Remaining acquisition cost	566 117,76	825 281,37
Unsecured, total remaining acquisition cost	45 847 366,41	26 819 521,15
Total other loan receivables	46 413 484,17	27 644 802,52
8.2. Total subordinated loans		
Other loans receivable	1 247 366,41	1 319 521,15
Total remaining acquisition cost	1 247 366,41	1 319 521,15

NOTES TO BALANCE SHEET 31 Dec 2014

9. Changes in tangible and intangible assets

	2014 Intangible assets and other expenses with long-term effects	2014 Machinery and equipment
Acquisition cost on 1 Jan.	29 272 099,17	5 484 430,14
Items written off the previous year	-3 578 586,27	-2 469 992,52
Increases	7 801 422,67	133 544,44
Decreases	0,00	-67 065,48
Acquisition cost on 31 Dec.	<u>33 494 935,57</u>	<u>3 080 916,58</u>
Accumulated depreciations on 1 Jan.	-15 369 465,41	-4 958 576,47
Items written off the previous year	3 578 586,27	0,00
Depreciation for the financial year	-4 093 746,47	-148 083,08
Accumulated depreciations on 31 Dec.	<u>-15 884 625,61</u>	<u>-2 636 667,03</u>
Book value on 31 Dec.	<u><u>17 610 309,96</u></u>	<u><u>444 249,55</u></u>

NOTES TO BALANCE SHEET 31 Dec 2014

10. ASSETS COVERING UNIT LINKED POLICIES

	2014 Original acquisition cost	2014 Current value =(book value)	2013 Original acquisition cost	2013 Current value =(book value)
<i>Assets covering unit linked policies</i>				
Shares and holdings	1 104 393 300,65	1 385 143 190,99	937 505 649,48	1 149 351 445,32
Debt securities	12 290 692,26	12 812 643,64	10 299 123,76	10 737 309,49
Recovery from insurance premium mediators	466 669,58	466 669,58	44 186,88	44 186,88
Cash at bank and in hands	1 429 550,32	1 429 550,32	1 066 555,66	1 066 555,66
Accrued interest	155 096,70	155 096,70	114 780,13	114 780,13
<i>Total</i>	1 118 735 309,51	1 400 007 151,23	949 030 295,91	1 161 314 277,48
<i>Investments acquired in advance</i>	36 919 147,04	24 050 637,05	21 780 173,67	26 112 886,61
Investments corresponding to the technical provisions for unit linked insurance	1 081 816 162,47	1 375 956 514,18	927 250 122,24	1 135 201 390,87
Cash at bank and in hand, and other debtors in premiums for paid insurance policies valid at the closing of the accounts that have not yet been invested.	1 896 219,90		1 110 742,54	

LOCALTAPIOLA MUTUAL LIFE INSURANCE COMPANY

NOTES TO BALANCE SHEET 31 Dec 2014

11.1. Changes in capital and reserves	1.1.2014	Increase	Decrease	31.12.2014
Initial reserve	4 482 208,24	0,00	0,00	4 482 208,24
Guarantee capital	32 036 005,12	5 549 500,00	0,00	37 585 505,12
Security reserve	127 611 365,43	5 594 596,14	0,00	133 205 961,57
Contingency reserve	1 182 446,83	0,00	-10 000,00	1 172 446,83
Profit for the financial year	7 196 396,40	63 423 569,58	-7 196 396,40	63 423 569,58
Total changes in capital and reserves	172 508 422,02	74 567 665,72	-7 206 396,40	239 869 691,34

11.2. Account of distributable profits

Profit for financial year	63 423 569,58
+ Other unrestricted capital and reserves	
Security reserve	133 205 961,57
Contingency reserve	1 172 446,83
Total distributable profits	197 801 977,98

12. Accumulated appropriations

	2014	2013
Depreciation difference		
Depreciation difference on 1 Jan.	2 532 328,81	2 733 817,69
Increases	-156 855,94	-1,10
Decreases	-1 180 146,92	-201 487,78
Depreciation difference on 31 Dec.	1 195 325,95	2 532 328,81

13. Other obligatory provisions

	2014	2013
Provision for unemployment security deductible	184 252,33	133 833,74
	184 252,33	133 833,74

Deferred tax liabilities

	2014	2013
Tax liability calculated on the basis of timing differences and other temporary differences between taxable profit and accounting profit	239 065,19	506 465,76
Tax debt calculated based on valuation gains/losses that is deemed likely to become payable during the next year.	8 983 161,87	9 634 986,13
	9 222 227,06	10 141 451,89

LOCALTAPIOLA MUTUAL LIFE INSURANCE COMPANY

NOTES TO BALANCE SHEET	31 Dec 2014	2014	2013
14. Receivables and liabilities			
14.1. Itemisation of receivables			
Receivables from group companies			
Other receivables	4 659,47	317 882,60	
	<u>4 659,47</u>	<u>317 882,60</u>	
14.2. Itemisation of liabilities			
Liabilities to group companies			
Accounts payable	1 129 587,14	734 930,83	
Other liabilities	42 149,71	43 333,25	
	<u>1 171 736,85</u>	<u>778 264,08</u>	
Liabilities to partner companies			
Other liabilities	1 848 725,64	259 234,51	
	<u>1 848 725,64</u>	<u>259 234,51</u>	

LOCALTAPIOLA MUTUAL LIFE INSURANCE COMPANY

NOTES TO BALANCE SHEET 31 Dec 2014

15. Notes concerning guarantees and contingent liabilities

15.1. Off-balance-sheet guarantees and contingent liabilities

Derivative contracts	2014	2013
Currency derivatives		
<i>Forward and futures contracts, open</i>		
Underlying instrument	0,00	19 718 266,02
Current value	0,00	431 696,20
Leasing liabilities		
Amount to be paid in the current financial year	36 505,19	58 830,65
Amount to be paid in the coming years	30 606,23	68 412,32
	<u>67 111,42</u>	<u>127 242,97</u>
Rent liabilities		
Amount to be paid in the current financial year	2 669 966,16	2 669 966,16
Amount to be paid in the coming years	6 007 423,86	8 677 390,02
	<u>8 677 390,02</u>	<u>11 347 356,18</u>
Value-added tax liabilities		
<i>Joint liability relating to collective value-added tax registration</i>		
Group companies	-125 278,42	-155 428,77
Participating interest	187 204,73	85 118,18
Partner companies	3 386 504,92	909 211,02
	<u>3 448 431,23</u>	<u>838 900,43</u>
<i>Obligation to return value-added tax deductions pursuant to section 33 of Value-Added Tax Act</i>		
Company	918 312,02	381 455,77
Other companies of the group	45 879 538,07	46 427 419,72
	<u>46 797 850,09</u>	<u>46 808 875,49</u>
Other commitments		
Subscription commitments	197 792 603,54	208 490 966,13
Granted limit	30 000 000,00	30 000 000,00
	<u>227 792 603,54</u>	<u>238 490 966,13</u>

NOTES TO BALANCE SHEET

31 Dec 2014

16.1 Related party loans (Insurance Companies Act, Chapter 8, section 11)

Tapiola Mutual Life Assurance Company group companies and associated companies loans totaling EUR 179.291.978,44.

The loan period is usually 10-40 years and the interest rate is generally fixed.

16.2 Related party transactions (Accounting Ordinance, Chapter 2, section 7b)

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

16.3 Subordinated loans

Creditor Multiple

Loan capital EUR 100.000.000

Principal loan terms The loan contract is valid until Nov 26, 2024. The loan can be repaid 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.

Prior to the first repayment date, the annual interest rate of the loan is 3,625 %. If the loan is not repaid on the first possible repayment date, the interest rate is revised. After the first possible repayment date, the annual interest rate is determined on the basis of the interest rate for Euro 5-y Mid-Swap Rate plus a margin of 3,25 %.

Interest or other compensation on the loan can be paid only to the extent that, at the time of payment, the sum of the debtor'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 such time that the financial statements allow interest payment.

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

LOCALTAPIOLA MUTUAL LIFE INSURANCE COMPANY

NOTES TO BALANCE SHEET 31 Dec 2014

17. Notes concerning solvency

Solvency margin	2014	2013
Capital and reserves after deduction of proposed distribution of profits	237 802 488,34	170 906 621,76
Accumulated appropriations	1 195 325,95	2 532 328,81
Difference between current and book values of assets	275 109 072,82	281 603 940,72
Subordinated loans	68 756 311,00	55 000 000,00
Intangible assets	- 17 610 309,96	- 13 902 633,76
Off-balance-sheet commitments	- 8 983 161,87	- 9 634 986,13
	<u>556 269 726,28</u>	<u>486 505 271,40</u>
Minimum solvency margin (Insurance Companies Act, Chapter 11, section 12)	137 512 622,00	133 125 559,00
Equalisation provision included in technical provisions for years of high losses	97 709 460,00	91 529 905,00
Solvency capital, % of technical provisions, i.e., solvency margin and equalisation provision in proportion to technical provisions on own account less equalisation provision (%)		
2014	26,3	
2013	23,7	
2012	23,0	
2011	19,5	
2010	18,1	

LOCALTAPIOLA MUTUAL LIFE INSURANCE COMPANY

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NOTES TO THE FINANCIAL STATEMENTS

General key figures describing financial development

	KEY FIGURES					M€
	2014	2013	2012	2011	2010	
Operating profit	85,6	37,0	30,4	25,5	4,1	
Total result	79,1	44,9	119,5	34,7	28,5	
Return on capital employed (at current value), %	5,3	4,6	9,2	3,7	4,9	
Return on assets excluding unit-linked insurance, %	4,0	3,3	6,6	3,7	3,5	
Average number of personnel during financial year 1)	2	2	2	2	2	
Number of employees in relation to payroll 1)	268	405	474	495	505	
Key figures describing the financial performance of life insurance						
Premium income	389,1	423,3	326,5	282,9	256,1	
Expense ratio, %	120,2	138,3	131,9	136,5	136,9	
Expense ratio, % of balance sheet total	1,5	2,1	2,2	2,2	2,4	
Solvency margin in reporting currency	556,3	486,5	473,6	380,2	366,0	
Minimum solvency margin (Insurance Companies Act, Chapter 11, section 12)	137,5	133,1	124,1	119,9	119,4	
Equalisation provision in reporting currency	97,7	91,5	76,4	73,4	62,7	
Solvency capital 1	654,0	578,0	550,0	453,6	428,8	
Solvency ratio, % of technical provisions	26,3	23,7	23,0	19,5	18,1	

1) As of 2008, the personnel will have employment contracts with the non-life insurance and mutual life assurance companies in LocalTapiola Group.

OTHER NOTES TO THE FINANCIAL STATEMENTS

Performance analysis

	2014	2013	Chance	Chance-%
1000 e				
Premium income	387 476	422 071	-34 595	-8,2
Investment income and expenses as well as revaluations and adjustments thereof	234 465	204 213	30 252	14,8
Claims paid	-282 003	-288 204	6 201	-2,2
Change in technical provisions before change in (customer benefits) and equalisation provision	-211 481	-249 811	38 330	-15,3
Operating expenses	-40 615	-43 476	2 861	-6,6
Other technical income and expenses	347		347	
Balance on technical account before change in (customer benefits) and equalisation provision	88 188	44 793	43 395	46,4
Other income and expenses	-2 552	-7 754	5 201	3 090,5
Operating profit	85 636	37 040	48 597	22,0
Change in equalisation provision	-6 180	-15 133	8 953	405,9
Additional benefits (customer benefits)	-2 668	-12 283	9 615	-78,3
Profit/loss before extraordinary items	76 788	9 624	67 164	697,9
Extraordinary income				
Extraordinary expenses				
Profit/loss before appropriations and taxes	76 788	9 624	67 164	697,9
Appropriations	1 337	201	1 136	13,5
Income taxes and other direct taxes	-14 702	-2 629	-12 073	459,2
Profit for financial year	63 424	7 196	56 227	781,4
Operating profit	85 636	37 040	48 596	131,2
Change in the difference between current and book values	-6 495	7 890	-14 385	-182,3
Total result	79 141	44 930	34 211	76,1

LOCALTAPIOLA MUTUAL LIFE INSURANCE GROUP

LOCALTAPIOLA MUTUAL LIFE INSURANCE COMPANY GROUP

PROFIT AND LOSS ACCOUNT

TECHNICAL ACCOUNT - LIFE INSURANCE		1.1.2014 - 31.12.2014		1.1.2013 - 31.12.2013	
Premiums written					
Premiums written	1	389 104 169,84		423 291 491,71	
Reinsurers' share		<u>-1 627 836,24</u>	387 476 333,60	<u>-1 220 575,57</u>	422 070 916,14
Investment income	4		245 592 359,71		185 366 235,60
Revaluation of investments	4		83 082 695,10		87 221 682,99
Other technical income			1 411 812,00		0,00
Claims incurred					
Claims paid	2	-282 325 375,14		-288 645 548,88	
Reinsurers' share		322 423,63	-282 002 951,51	441 158,19	-288 204 390,69
Change in provision for outstanding claims					
Change in provision for outstanding claims		-23 934 337,00		-13 813 330,37	
Business Transfer decrease		<u>0,00</u>		<u>1 377 503,63</u>	
Reinsurers' share		0,00	-23 934 337,00	0,00	-13 813 330,37
Change in provision for unearned premiums					
Change in provision for unearned premiums		-196 394 455,15		-263 413 188,31	
Business Transfer decrease		<u>0,00</u>	-196 394 455,15	<u>1 267 731,01</u>	
Reinsurers' share		0,00	-196 394 455,15	0,00	-263 413 188,31
Operating expenses	3		-40 612 587,76		-43 473 449,76
Investment charges	4		-79 408 637,52		-57 177 825,26
Revaluation adjustments on investments	4		-10 433 915,42		-8 113 962,53
Other technical expenses			<u>-1 065 204,00</u>		<u>0,00</u>
Balance on technical account			83 711 112,05		20 462 687,81
NON-TECHNICAL ACCOUNT					
Balance on technical account of life insurance			83 711 112,05		20 462 687,81
Other income					
Other		<u>2 441 070,87</u>	2 441 070,87	<u>16 975 961,00</u>	16 975 961,00
Other expenses					
Amortisation of consolidated goodwill		0,00		-9 756,00	
Other		<u>-4 986 419,18</u>	-4 986 419,18	<u>-24 723 977,24</u>	-24 733 733,24
Share of profit/loss of associated undertakings after taxes			-3 125 157,68		2 672 926,45
Income taxes on ordinary activities					
Taxes for the financial year		-15 519 436,27		-3 616 971,62	
Taxes for previous financial years		654 021,17		954 423,95	
Deferred tax liabilities		<u>244 533,11</u>	-14 620 881,99	<u>-46 371,42</u>	-2 708 919,09
Profit for ordinary activities			63 419 724,07		12 668 922,93
Profit after extraordinary items			63 419 724,07		12 668 922,93
Minority interest in profit/loss for the financial year			7 911,13		22 038,07
Profit for the financial year			<u>63 427 635,20</u>		<u>12 690 961,00</u>

LOCALTAPIOLA MUTUAL LIFE INSURANCE COMPANY GROUP

BALANCE SHEET

		31.12.2014		31.12.2013	
Assets					
Intangible assets					
Other expenses with long-term effects	9	17 679 311,74	17 679 311,74	13 971 635,54	13 971 635,54
Investments					
Real estate investments	6				
Real estate and shares in real estate		306 552 081,76		292 520 399,67	
Loans to participating interests		0,00	306 552 081,76	0,00	292 520 399,67
Investments in Group companies and participating interests	7				
Shares and holdings in participating interests		22 737 736,70		24 417 908,91	
Debt securities and loans receivable from participating interests		4 400 000,00		4 400 000,00	
Deposits in participating interests		0,00	27 137 736,70	0,00	28 817 908,91
Other investments					
Shares and holdings	7	692 939 206,57		738 908 348,57	
Debt securities		1 264 798 473,88		1 137 271 443,41	
Loans guaranteed by mortgages		127 866 131,73		129 860 267,11	
Other loans	8	46 981 113,17		28 269 631,52	
Other investments		0,00	2 132 584 925,35	0,00	2 034 309 690,61
Deposits with ceding undertakings		0,00	2 466 274 743,81	0,00	2 355 647 999,19
Assets covering Unit-linked policies	10		1 400 007 151,02		1 161 314 277,48
Debtors					
Direct insurance operations	17				
From policyholders		1 492 729,73		1 540 120,13	
Reinsurance operations		170 164,59	1 662 894,32	102 758,28	1 642 878,41
Other debtors			2 313 392,19		5 683 755,72
Deferred tax assets	16		1 081 466,31		1 081 466,31
			5 057 752,82		8 408 100,44
Other assets					
Tangible assets					
Equipment	9	225 682,16		348 992,48	
Other tangible assets		0,00	225 682,16	0,00	348 992,48
Cash at bank and in hand			65 642 547,77		71 762 683,77
Other assets			117 204,41		117 204,41
			65 985 434,34		72 228 880,66
Prepayments and accrued income					
Accrued interest and rent			18 510 142,15		20 162 364,53
Other prepayments and accrued income			8 349 827,28		7 799 646,51
			26 859 969,43		27 962 011,04
			3 981 864 363,16		3 639 532 904,35

LOCALTAPIOLA MUTUAL LIFE INSURANCE COMPANY GROUP

BALANCE SHEET

Liabilities		31.12.2014		31.12.2013	
Capital and reserves	11				
Initial reserve		4 482 208,24		4 482 208,24	
Guarantee capital		37 585 505,12		32 036 005,12	
Revaluation reserve		9 162 367,09		9 162 367,09	
Unrestricted reserves		134 378 408,40		128 793 812,26	
The share of voluntary provisions and depreciation difference transferred to capital and reserves		1 318 942,05		2 326 685,93	
Consolidated profit/loss brought forward		-22 242 780,26		-27 911 046,62	
Consolidated profit/loss for the financial year		63 427 635,20		12 690 961,00	
Change in depreciation difference and voluntary provisions included in profit for the financial year		1 007 743,88	64 435 379,08	173 702,27	12 864 663,27
			229 120 029,72		161 754 695,29
Minority interest			1 313 014,72		1 260 543,71
Subordinated loans			99 633 216,67		55 000 000,00
Technical provisions					
Provision for unearned premiums	13	1 599 337 526,11		1 626 487 353,96	
Reinsurers' share		0,00	1 599 337 526,11	0,00	1 626 487 353,96
Provision for claims outstanding		646 474 575,00		623 686 259,00	
Reinsurers' share		0,00	646 474 575,00	0,00	623 686 259,00
			2 245 812 101,11		2 250 173 612,96
Technical provisions for Unit-linked policies	14				
Technical provisions		1 361 953 941,00		1 137 263 637,00	
Reinsurers' share		0,00	1 361 953 941,00	0,00	1 137 263 637,00
Obligatory provisions					
Other obligatory provisions			184 252,33		133 833,74
			0,00		0,00
Creditors	17				
Direct insurance operations		128 665,37		5 715,02	
Reinsurance operations		383 607,24		161 532,60	
Deferred tax liabilities	12/16	403 934,72		647 685,37	
Other liabilities		35 256 437,10	36 172 644,43	24 882 693,30	25 697 626,29
Accruals and deferred income			7 675 163,18		8 248 955,36
			3 981 864 363,16		3 639 532 904,35

LOCALTAPIOLA MUTUAL LIFE INSURANCE COMPANY GROUP

	2014	2013
Indirect cash flow statement		
Cash flow from operations		
Profit (loss) from ordinary activities / profit (loss)		
before extraordinary items	63 419 724,07	12 668 922,93
Adjustments		
Change in technical provisions	220 328 792,15	279871753,3
Value adjustments and revaluations of investments	-60 466 721,64	-71 994 309,90
Change in obligatory provisions	50 418,59	-39 797,52
Change in uncovered liabilities resulting from statutory reductions		
Planned depreciation	11 055 564,28	9 101 826,43
Other non-cash income and expenses		
Other adjustments	-81 467 293,75	-51 188 130,72
Cash flow before change in working capital	152 920 483,70	178 420 264,54
Change in working capital:		
Current receivables, non-interest-bearing,		
increase (-) / decrease (+)	4 452 389,23	3 561 407,13
Current liabilities, non-interest-bearing,		
increase (+) / decrease (-)	9 822 336,99	2 924 390,84
Cash flow from operations before financial items and taxes	167 195 209,92	184 906 062,51
Interest paid and other financial		
expenses	-3 187 921,08	-3 033 142,33
Direct taxes paid	-4 719 724,52	-1 292 573,33
Cash flow before extraordinary items	159 287 564,32	180 580 346,85
Cash flow from extraordinary items (net)		
Cash flow from operations	159 287 564,32	180 580 346,85
Cash flow from investments		
Investments in assets (excl. cash and cash equivalents)	-298 735 867,88	-213 889 569,55
Capital gains from investments (excl. cash and cash equivalents)	92 255 563,92	52 643 961,43
Increase/decrease in minority share	60 382,14	37 549,03
Investments in tangible and intangible assets		
as well as other assets and capital gains (net)	-7 882 116,48	-1 985 853,94
Cash flow from investments	-214 302 038,30	-163 193 913,03
Cash flow from financing activities		
Revaluation of guarantee capital		
Loan funds raised	44 956 638,75	
Repayment of debt		-37 695,20
Increase/decrease in capital and reserves	3 947 699,23	-1 441 160,30
Other distribution of profit	-10 000,00	-10 000,00
Cash flow from financing activities	48 894 337,98	-1 488 855,50
Change in cash and cash equivalents	-6 120 136,00	15 897 578,32
Cash and cash equivalents at the beginning of the year	71 762 683,77	55 865 105,46
Cash and cash equivalents at the end of the year	65 642 547,77	71 762 683,77

NOTES TO THE PROFIT AND LOSS ACCOUNT

1.1. Premiums written

2014

2013

Direct insurance					
Life insurance					
Unit-linked individual life insurance	166 046 239,62		179 200 362,17		
Other individual life insurance	50 947 076,72		52 114 176,86		
Unit-linked capital redemption policy	22 494 345,83		44 753 480,93		
Employees' group life insurance	9 009 672,29		10 116 314,50		
Other group life insurance	45 164 591,66	293 661 926,12	37 848 029,80	324 032 364,26	
Pension insurance					
Unit-linked individual pension insurance	34 389 922,84		37 174 295,55		
Other individual pension insurance	24 258 080,78		27 526 570,64		
Unit-linked group pension insurance	5 850 598,96		5 808 577,96		
Other group pension insurance	30 859 530,49	95 358 133,07	28 692 757,27	99 202 201,42	423 234 565,68
Reinsurance			84 110,65		56 926,03
Gross premiums written before reinsurers' share			389 104 169,84		423 291 491,71
Premiums written before reinsurers' share					
Regular premiums			306 416 959,62		355 573 753,89
Single premiums			82 603 099,57		67 660 811,79
Total			389 020 059,19		423 234 565,68
Premiums from contracts entitled to bonuses			160 238 951,94		156 297 849,07
Premiums from unit-linked insurance			228 781 107,25		266 936 716,61
			389 020 059,19		423 234 565,68

LOCALTAPIOLA MUTUAL LIFE INSURANCE COMPANY GROUP

NOTES TO THE PROFIT AND LOSS ACCOUNT

1.2. Impact of life insurance rebates and discounts on the result

2014

2013

Rebates					
Life insurance					
Other individual life insurance	2 642 301,97		4 628 323,63		
Other group life insurance	297 170,00	2 939 471,97	474 987,00	5 103 310,63	
Pension insurance					
Other individual pension insurance	2 944 890,97		2 970 688,91		
Other group pension insurance	1 195 870,87	4 140 761,84	7 080 233,81	4 414 102,03	9 517 412,66
Discounts					
Life insurance					
Unit-linked individual life insurance		261 110,00		198 062,00	
Other individual life insurance		332 496,04		457 574,34	
Other group life insurance		2 109 817,22	2 703 423,26	2 109 817,22	2 765 453,56
			9 783 657,07		12 282 866,22

LOCALTAPIOLA MUTUAL LIFE INSURANCE COMPANY GROUP

NOTES TO THE PROFIT AND LOSS ACCOUNT

2. Claims paid before reinsurers' share

2014

2013

Direct insurance					
Life insurance	165 869 398,05		175 168 849,42		
Pension insurance	116 455 977,09	282 325 375,14	113 476 699,46	288 645 548,88	
Reinsurance			-322 423,63		-779 417,38
Total claims paid		282 002 951,51		287 866 131,50	
Of which:					
Surrenders	69 404 274,42		59 674 943,43		
Repayments of benefits	53 232 458,80		71 654 199,36		
Other	159 366 218,29	282 002 951,51	156 536 988,71	287 866 131,50	
Share of unit-linked insurance of claims paid		68 329 012,85		58 977 509,02	

NOTES TO THE INCOME STATEMENT

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

	2014	2013
3.1. Total operating expenses, by activity		
Claims paid	5 413 911,31	5 533 742,34
Operating expenses	40 612 587,76	43 473 449,76
Investment management expenses	5 414 528,45	5 309 113,65
Other expenses	4 986 419,18	24 733 733,24
Total	56 427 446,70	79 050 038,99

3.2. Profit and loss account item operating expenses

Policy acquisition costs		
Direct insurance remuneration	7 869 958,38	8 931 637,18
Commissions on reinsurance assumed and profit holdings	5 887,74	3 984,83
Other policy acquisition costs	13 849 805,38	14 863 970,01
	21 725 651,50	23 799 592,02
Policy management expenses	10 161 101,89	9 885 055,37
Administrative expenses	8 991 889,17	9 953 287,76
Commissions on reinsurance ceded and profit holdings	-266 054,80	-165 735,39
Total	40 612 587,76	43 472 199,76

3.3. Notes concerning personnel and members of corporate bodies

3.3.1. Personnel expenses

Salaries and remuneration	16 406 008,91	49 502 865,71
Pension expenses	3 630 658,71	5 310 009,51
Other personnel expenses	888 129,24	1 348 780,76
Total	20 924 796,86	56 161 655,98

3.3.2. Management's salaries and remuneration, pension commitments, monetary loans, and terms thereof, as well as guarantees and contingent liabilities

Managing director and deputy managing director		
Salaries and remuneration	408 327,00	563 745,00
Pension commitments	The retirement age of Managing Director is 63 and that of the Deputy Managing Director as defined by law	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	
Board of Directors and deputy board members		
Salaries and remuneration	547 853,00	901 852,00
Pension commitments	The agreed pensionable age of Board members and deputy Board members is 60-63	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	
Supervisory board		
Salaries and remuneration	117 402,00	115 200,00
Pension commitments	No pension commitments	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	

3.3.3. Average number of personnel during the financial year

Office staff	2	2
Sales staff	-	-
Real estate staff	-	-

3.4 Auditors's fees by assignment category

Auditing	39 542,05	47 714,02
Tax Advice	15 388,99	16 205,55
Other services	17 060,37	15 243,76
Total	71 991,41	79 163,33

NOTES TO PROFIT AND LOSS ACCOUNT

4.1. Specification of net investment income

	2014		2013	
Investment income				
Income from participating interests				
Interest income	67 283,33		133 296,78	
Other income	0,00	67 283,33	0,00	133 296,78
Income from real estate investments in other companies				
Dividend income	0,00		686,56	
Interest income	52 639,50		82 728,56	
Other income	35 282 229,37	35 334 868,87	35 274 009,31	35 357 424,43
Income from other investments				
Dividend income	40 058 735,30		30 302 228,52	
Interest income	38 425 301,27		46 219 171,74	
Other income	7 176 097,53	85 660 134,10	3 642 223,78	80 163 624,04
Total		121 069 330,47		115 654 345,25
Value readjustments		17 103 332,98		11 057 022,60
Capital gains		107 419 696,26		58 654 867,75
Total		245 592 359,71		185 366 235,60
Investment charges				
Expenses for real estate investments				
Other companies	-15 110 329,73	-15 110 329,73	-16 024 234,13	-16 024 234,13
Expenses for other investments		-9 903 049,67		-7 661 244,22
Interest and other expenses for liabilities				
Participating interests	-35,56		-52,12	
Other	-3 187 885,52	-3 187 921,08	-3 032 298,90	-3 033 142,33
Total		-28 201 300,48		-26 718 620,68
Value adjustments and depreciation				
Value adjustments	-29 285 391,02		-18 170 433,16	
Planned depreciation on buildings	-6 757 813,68	-36 043 204,70	-6 277 865,10	-24 448 298,26
Capital losses		-15 164 132,34		-6 010 906,32
Total		-79 408 637,52		-57 177 825,26
Net investment income before revaluations and their adjustments		166 183 722,19		128 188 410,34
Revaluation of investments	83 082 695,10		87 221 682,99	
Revaluation adjustments on investments	-10 433 915,42	72 648 779,68	-8 113 962,53	79 107 720,46
Net investment income in the profit and loss account		238 832 501,87		207 296 130,80

NOTES TO THE PROFIT AND LOSS ACCOUNT

4.2. Investment income for unit-linked insurance policies

2014

2013

Investment income	19 610 936,01		11 945 414,50	
Investment charges	<u>-2 863 047,03</u>	16 747 888,98	<u>-1 673 109,67</u>	10 272 304,83
Net investment income before revaluations and their adjustment as well as value adjustments and readjustments				
Revaluations of investments	83 082 695,10		87 221 682,99	
Revaluation adjustments on investments	-10 433 915,42		-7 204 950,71	
Value adjustments	-3 797 401,51		-94 777,67	
Value readjustment	<u>136 481,77</u>	68 987 859,94	<u>329 955,42</u>	80 251 910,03
Net investment income in the profit and loss account		<u>85 735 748,92</u>		<u>90 524 214,86</u>

4.3. Specification of other income and expenses

Other income

Services sold to partner companies	2 402 749,84	16 760 831,60
Other other income	<u>38 321,03</u>	<u>215 129,40</u>
	<u>2 441 070,87</u>	<u>16 975 961,00</u>

Other expenses

Amortisation of consolidated goodwill	0,00	9 756,00
Expenses for ancillary operations	2 361 285,41	17 434 651,69
Transfer to personnel fund	473 386,90	571 418,12
Other other expenses	<u>2 151 746,87</u>	<u>6 723 545,66</u>
	<u>4 986 419,18</u>	<u>24 739 371,47</u>

NOTES TO BALANCE SHEET 31 DECEMBER 2014**5.1. Current value of investments and difference between current and book value**

Investments	2014 Remaining acquisition cost	2014 Book value	2014 Current value
Real estate investments			
Real estate	222 186 600,43	254 197 915,37	311 612 171,80
Real-estate shares in participating interests	940 307,69	940 307,69	886 159,74
Other real estate shares	51 020 675,98	51 413 858,72	51 334 983,64
	<u>274 147 584,10</u>	<u>306 552 081,78</u>	<u>363 833 315,18</u>
Investments in participating interests			
Shares and holdings	22 737 736,70	22 737 736,70	22 737 736,70
Debt securities	4 400 000,00	4 400 000,00	4 400 000,00
	<u>27 137 736,70</u>	<u>27 137 736,70</u>	<u>27 137 736,70</u>
Other investments			
Shares and holdings	692 939 206,57	692 939 206,57	869 579 233,10
Debt securities	1 264 798 473,88	1 264 798 473,88	1 324 895 745,12
Loans guaranteed by mortgages	127 866 131,73	127 866 131,73	127 866 131,73
Other loan receivables	46 981 113,17	46 981 113,17	46 981 113,17
	<u>2 132 584 925,35</u>	<u>2 132 584 925,35</u>	<u>2 369 322 223,12</u>
	<u>2 433 870 246,15</u>	<u>2 466 274 743,83</u>	<u>2 760 293 275,00</u>
Book value comprises:			
Revaluations released to income		16 165 550,35	
Other revaluations		16 318 913,97	
		<u>32 484 464,32</u>	
Difference between current and book value			<u>294 018 531,17</u>

5.2. Difference between current and book value of non-hedging derivatives0,00

NOTES TO BALANCE SHEET 31 DECEMBER 2014

6. Real estate investments

Changes in real estate investments:

	2014
	Real estate and shares in real estate
Acquisition cost on 1 Jan.	370 917 169,45
Increase	35 037 050,72
Decrease	-17 632 542,79
Transfers between items	0,00
Acquisition cost on 31 Dec.	<u>388 321 677,38</u>
Accumulated depreciation on 1 Jan.	-93 194 903,27
Accumulated depreciation related to deductions and transfers	7 636 585,90
Depreciation for the financial year	-8 700 275,33
Accumulated depreciation on 31 Dec.	<u>-94 258 592,70</u>
Value adjustments on 1 Jan.	-17 686 330,83
Value adjustments related to deductions and transfers	0,00
Value adjustments for the financial year	-5 449 136,41
Value readjustments	3 140 000,00
Value adjustments on 31 Dec.	<u>-19 995 467,24</u>
Revaluations on 1 Jan.	32 484 464,32
Increase	0,00
Decrease	0,00
Revaluations on 31 Dec.	<u>32 484 464,32</u>
Book value on 31 Dec.	<u><u>306 552 081,76</u></u>

Real estate and shares in real estate occupied for own activities

Remaining acquisition cost	2 887 956,63
Book value	3 970 956,94
Current value	2 653 011,23

NOTES TO BALANCE SHEET 31 DECEMBER 2014

7.1 Investments in participating interests

	2014	2013
Shares and holdings in participating interests		
Acquisition cost on 1 Jan.	25 594 193,19	23 420 069,04
Increase	2 334 772,14	2 675 722,94
Decrease	-3 523 796,37	-501 598,79
Transfers between items	4 975 000,00	0,00
Acquisition cost on 31 Dec.	29 380 168,96	25 594 193,19
Value adjustments on 1 Jan	-1 176 284,28	0,00
Value adjustments related to deductions and transfers	0,00	0,00
Value adjustments for the financial year	-5 466 147,98	-1 176 284,28
Value readjustments	0,00	0,00
Value adjustments on 31 Dec.	-6 642 432,26	-1 176 284,28
Book value on 31 Dec.	22 737 736,70	24 417 908,91

7.2. Investments in participating interests

Shares and holdings

	Domicile	Share of stocks, %	Capital and reserves	Profit/loss for the accounting period
LähiTapiola Kiinteistövarainhoito Ltd, group	Espoo	50,00	7 178 932,25	2 979 011,81
S-Pankki Ltd, group	Helsinki	3,50	392 991 140,77	8 236 515,26
LähiTapiola Varainhoito Ltd	Espoo	19,44	15 275 749,15	8 928 695,79
Tapiolan Alueen Kehitys Ltd	Espoo	29,75	25 227,83	-52 134,40
Tieto-Tapiola Ltd	Espoo	33,33	1 018 815,10	47 337,60
LähiTapiola Palvelut Ltd	Espoo	14,99	18 007 815,27	-246,70
Vakuutusneuvonta Aura Ltd	Espoo	33,33	11 144,40	-232,18
Vakuutusneuvonta Pohja Ltd	Espoo	33,33	11 087,17	-232,26
Total			434 519 911,94	20 138 714,92

7.3 NOTES TO BALANCE SHEET 31.12.2014
LOCAL TAPIOLA MUTUAL LIFE INSURANCE COMPANY GROUP
OTHER INVESTMENTS

Security	Share stocks %	Number	Book value	Current value Home country
Finnish companies, listed				
Amer- Sports Oyj	0,26	309 164,00	2 228 331,90	4 965 173,84 Finland
Componenta Oyj	1,28	1 242 145,00	888 133,67	888 133,68 Finland
Kone Oyj B	0,03	140 000,00	1 614 104,93	5 294 800,00 Finland
Nokia Oyj	0,02	750 000,00	3 972 668,70	4 920 000,00 Finland
Nokian Renkaat Oyj	0,10	132 655,00	2 087 699,25	2 691 569,95 Finland
Stockmann Oyj B	0,35	144 003,00	915 859,08	915 859,08 Finland
Vaisala Oyj A	1,05	155 891,00	3 412 453,99	3 412 453,99 Finland
Other		127 200,00	125 292,00	125 292,00 Finland
Total		3 001 058	15 244 543,52	23 213 282,54
Finnish companies, non-listed				
Diacor terveyspalvelut Oy	3,75	844,00	3 362 960,00	3 362 960,00 Finland
Fingrid Oyj	1,41	47,00	1 580 966,51	11 750 000,00 Finland
Henkivakuutusosakeyhtiö Retro	19,43	13 598,00	1 208 589,69	1 208 589,69 Finland
Pihlajalinna Oy	3,40	455 380,00	2 236 826,56	2 267 292,99 Finland
Sato Oyj	2,39	1 219 395,00	6 109 731,12	17 815 360,95 Finland
Seligson & Co Oyj	11,27	143 784,00	953 937,26	2 084 868,00 Finland
Other			3 664 263,89	3 781 475,57 Finland
Total		1 946 230,59	19 117 275,03	42 270 547,20
Foreign companies, listed				
ABB Ltd	0,01	230 000,00	3 449 756,67	4 043 745,84 Switzerland
Amec Foster Wheeler Plc	0,08	300 000,00	3 285 402,49	3 285 402,49 Great Britain
Axa Sa	0,01	180 000,00	3 441 542,40	3 456 900,00 France
BASF SE	0,01	70 000,00	4 707 432,03	4 891 600,00 Germany
BG Group PLC	0,01	290 000,00	3 220 567,47	3 220 567,47 Great Britain
Bayer AG	0,01	50 000,00	2 960 827,82	5 650 000,00 Germany
Carl Zeiss Meditec AG	0,29	234 746,00	2 658 895,04	4 953 140,60 Germany
DNB ASA	0,03	442 400,00	3 349 108,95	5 416 244,19 Norway
Deutsche Bank Ag-Registered	0,01	176 000,00	4 397 360,00	4 397 360,00 Germany
Eaton Corp PLC	0,02	115 000,00	4 147 234,72	6 437 196,28 Ireland
Exova Group Ltd	0,59	1 489 455,00	3 059 607,14	3 059 607,14 Great Britain
Fresenius Medical Care Ag	0,04	113 000,00	5 550 087,74	6 989 050,00 Germany
Gemalto NV	0,06	52 400,00	3 559 532,00	3 559 532,00 France
Heineken Nv	0,01	50 000,00	2 947 500,00	2 947 500,00 Netherlands
Hennes & Mauritz Ab B	0,01	140 000,00	2 187 498,81	4 852 975,62 Sweden
Hologic Inc	0,10	285 000,00	4 581 026,00	6 276 995,31 The United States
ING Groep Nv -CVA	0,01	290 000,00	3 140 700,00	3 140 700,00 Netherlands
Inmarsat PLC	0,14	640 000,00	4 524 589,34	6 569 264,35 Great Britain
Lloyds Tsb Group Plc	0,00	3 400 000,00	3 309 641,80	3 309 641,80 Great Britain
Medtronic Inc	0,01	94 300,00	4 455 257,44	5 607 824,73 The United States
Mondelez International Inc	0,01	170 000,00	4 190 985,60	5 086 277,90 The United States
National Grid PLC	0,01	490 000,00	3 543 517,98	5 775 696,50 Great Britain
Nestle Sa	0,00	55 000,00	3 275 629,67	3 336 867,93 Switzerland
PepsiCo Inc	0,01	82 000,00	4 169 890,03	6 386 557,94 The United States
Reed Elsevier NV	0,07	465 000,00	3 937 306,88	9 225 600,00 Netherlands
SES SA	0,06	205 000,00	3 971 281,49	6 091 575,00 Luxembourg
Sanofi	0,00	61 800,00	3 993 159,06	4 675 788,00 France
Stada Arzneimittel AG	0,21	130 000,00	2 987 166,79	3 282 500,00 Germany
Statoil Asa	0,01	190 000,00	2 600 164,41	2 756 912,19 Norway
Syngenta AG	0,02	20 000,00	5 322 687,96	5 322 687,96 Switzerland
Telenor Asa	0,02	310 000,00	3 643 311,41	5 194 094,23 Norway
TeliaSonera Ab	0,03	1 090 000,00	5 327 195,50	5 809 700,00 Sweden
Thermo Fisher Scientific	0,02	70 000,00	2 412 756,56	7 223 704,80 The United States
Total Sa	0,00	70 000,00	2 976 400,00	2 976 400,00 France
US Bancorp	0,01	212 000,00	5 294 438,73	7 848 941,60 The United States
Unilever Nv -CVA	0,01	105 000,00	3 427 200,00	3 427 200,00 Netherlands
United Technologies Corp	0,01	66 500,00	3 431 770,27	6 298 904,54 The United States
VF Corp	0,03	108 000,00	3 124 048,10	6 662 713,12 The United States
Vienna Insurance Group AG	0,07	88 463,00	3 280 208,04	3 280 208,04 Austria
Vinci SA	0,02	117 000,00	4 266 596,05	5 324 670,00 France
WPP PLC	0,03	430 000,00	3 739 879,86	7 425 215,05 Great Britain
Zurich Insurance Group AG	0,02	30 000,00	6 145 737,36	7 776 946,11 Switzerland
Other			634 558,82	2 317 848,43
Total		13 228 341,00	158 629 458,43	215 572 257,16

Foreign companies, non-listed

Other		300 252,92	371 842,37
Total	3 608,00	300 252,92	371 842,37

Mutual funds

BNP Paribas Global Senior Corporate Loans	14 807 665,67	14 807 665,67	France
LähiTapiola Aasia-Tyynimeri A	4 873 311,83	6 189 446,19	Finland
LähiTapiola High Yield A	27 813 865,98	51 128 690,27	Finland
LähiTapiola Hyvinvointi A	4 132 477,43	8 725 185,86	Finland
LähiTapiola Infra A	4 840 728,34	5 497 985,36	Finland
LähiTapiola Itä-Eurooppa A	4 233 404,16	4 233 404,16	Finland
LähiTapiola Japani A	6 866 143,61	6 866 143,61	Finland
LähiTapiola Kasvu A	3 791 259,76	5 071 107,91	Finland
LähiTapiola Kehittyvät Korkomarkkinat A	6 000 000,00	6 432 000,00	Finland
LähiTapiola Kehittyvät Markkinat A	3 818 284,36	9 214 723,83	Finland
LähiTapiola Kuluttaja A	3 582 066,90	7 911 208,13	Finland
LähiTapiola Lyhytkorko A	11 698 637,37	13 741 982,84	Finland
LähiTapiola Osinko A	4 446 350,74	5 768 833,78	Finland
LähiTapiola Pitkäkorko A	5 458 432,69	7 899 395,40	Finland
LähiTapiola Pohjoinen Yrityskorko A	30 000 000,00	31 286 101,73	Finland
LähiTapiola Suoja A	5 002 636,36	5 506 604,75	Finland
LähiTapiola USA A	2 587 106,29	4 382 262,75	Finland
LähiTapiola Yrityskorko A	18 882 798,85	27 324 788,17	Finland
Natixis Loomis Sayles Senior Loan Fund	10 000 000,00	10 285 219,96	Luxembourg
Robeco Lux-o-rente I EUR	2 306 033,68	3 355 292,74	Luxembourg
Other	820 791,45	1 783 776,01	
Total	175 961 995,47	237 411 819,12	

Capital mutual funds

AXA LBO Fund IV Supplementary FCPR	933 975,00	1 669 730,48	France
AXA LBO Fund V Core	5 415 390,71	5 498 218,71	France
AXA Secondary Fund IV L.P.	927 912,77	3 978 092,41	Jersey
AXA Secondary Fund V L.P.	1 641 879,45	3 001 209,95	Jersey
Aberdeen European Shopping Property Fund SICAV	4 385 086,46	4 385 086,46	Luxembourg
Aberdeen Property Funds SICAV Pan-Nordic	4 146 118,68	4 146 118,68	Luxembourg
Altor Fund III	5 448 351,65	7 026 080,40	Jersey
Apax Europe VII - B, L.P.	7 752 069,29	8 919 055,77	Great Britain
Apax VIII - A L.P.	3 152 691,42	3 313 162,90	Guernsey
Armada Mezzanine IV Ky	521 837,78	521 837,78	Finland
Beechbrook Mezzanine II L.P.	3 815 824,50	3 821 154,03	Great Britain
BlackRock Europe Property Fund III	4 565 658,73	4 565 658,73	Great Britain
Bowmark Capital Partners IV, L.P.	4 151 952,87	4 890 702,27	Great Britain
Bowmark Capital Partners V, L.P.	876 773,66	876 773,66	Great Britain
Bridgepoint Europe III, L.P.	2 240 298,00	2 240 298,00	Great Britain
Bridgepoint Europe IV F L.P.	5 217 299,80	6 062 174,78	Great Britain
Capvis Equity III L.P.	3 589 409,27	3 589 409,27	Jersey
Capvis Equity IV LP	982 160,00	982 160,00	Jersey
Crescent Mezzanine Partners VI, L.P.	12 107 993,71	13 644 765,67	The United States
Dasos Timberland Fund II	2 252 803,34	2 252 803,34	Luxembourg
European Added Value Fund, L.P.	1 715 805,06	1 715 805,06	Great Britain
FPCI Indigo Capital	1 417 860,00	1 417 860,00	France
Gresham 4A	1 290 510,94	1 290 510,94	Great Britain
ICG Europe Fund V	15 773 032,63	17 503 944,74	Jersey
ICG Senior Debt Partners Fund	7 607 190,44	7 674 850,76	Luxembourg
ICG-Longbow UK Real Estate Debt Investments III S.ä.r.l.	14 195 825,76	14 741 324,03	Luxembourg
Indigo Capital V L.P.	2 996 811,80	2 996 811,80	Great Britain
Industri Kapital 2007 Limited Partnership III	5 247 148,97	6 132 350,88	Jersey
Lindsay Goldberg III L.P.	7 924 944,52	9 517 529,86	The United States
LähiTapiola Asuntorahasto Prime Ky	19 396 973,67	19 396 973,67	Finland
LähiTapiola KR PK2 Ky	3 725 428,00	3 725 428,00	Finland
M&G Real Estate Debt Fund II, L.P.	3 970 206,52	4 050 615,86	Guernsey
MB Equity Fund IV Ky	1 922 106,23	2 332 283,00	Finland
MezzVest III, L.P.	4 529 236,21	4 698 090,07	Jersey
Next INFOCOM II L.P.	3 565 716,36	3 565 716,36	Guernsey
Nordic Mezzanine Fund III Limited Partnership	4 402 767,70	4 417 357,47	Great Britain
PBW II Real Estate Fund S.A.	2 651 503,75	2 651 503,75	Luxembourg
Partners Group U.S. Venture 2004, L.P.	1 045 448,82	1 179 551,81	The United States
Real Estate Debt & Secondaries Ky	2 296 921,17	2 660 037,57	Finland
Rockspring PanEuropean Limited Partnership	3 475 626,86	3 475 626,86	Great Britain
Russian and Baltics Retail Properties Ky	5 600 000,00	5 928 000,00	Finland
TPG Partners VI, LP	12 261 554,96	16 557 712,71	The United States
Taaleritehtaan Asuntorahasto I	20 600 608,47	20 600 608,47	Finland
Taaleritehtaan Asuntorahasto III	6 980 758,32	6 980 758,32	Finland
Tapiola KR I Ky	22 711 237,73	22 711 237,73	Finland
Tapiola KR III Ky	44 425 536,86	44 425 536,86	Finland
The Fourth Cinven Fund (No. 4) Limited Partnership	4 965 924,14	4 965 924,14	Great Britain
The Triton Fund III L.P.	5 921 063,00	6 569 653,00	Jersey
Top Tier Venture Capital III, L.P.	3 007 961,82	3 264 510,49	The United States
Top Tier Venture Capital IV, L.P.	3 156 872,44	4 709 199,18	The United States
TuuliTapiola Ky	5 604 792,00	5 604 792,00	Finland
Other	5 172 818,96	7 892 886,03	
Total	323 685 681,20	350 739 484,71	

Total other investments, shares and holdings

18 198 337,59	692 939 206,57	869 579 233,10
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7.4 NOTES TO BALANCE SHEET 31.12.2014

LOCAL TAPIOLA MUTUAL LIFE INSURANCE COMPANY GROUP
ASSETS HELD TO COVER UNIT-LINKED INSURANCE POLICY

Security	Home country	Book value	Current value
Mutual funds			
Alken European Opportunities R	Luxembourg	5 145 549,55	5 145 549,55
BGF Fixed Income Global Opportunity A2 Hed.Acc EUR	Luxembourg	2 211 267,30	2 211 267,30
Carnegie Worldwide Asia Acc - USD	Luxembourg	7 305 607,77	7 305 607,77
DB X-Trackers S&P 500 ETF	Germany	3 509 284,40	3 509 284,40
eQ Kehittyvät Markkinat Osinko 1 K	Finland	676 394,15	676 394,15
eQ USA Indeks 1 K	Finland	909 658,73	909 658,73
ERIK.SIJ.RAHASTO ELITE	Finland	585 874,01	585 874,01
Evli Emerging Frontier B	Finland	1 125 581,74	1 125 581,74
Evli Eurooppa B	Finland	10 967 788,12	10 967 788,12
Evli High Yield Yrityslaina B	Finland	24 337 532,69	24 337 532,69
Evli Likvidi B	Finland	940 240,93	940 240,93
Evli Lyhyt Yrityslaina B	Finland	17 336 203,70	17 336 203,70
Evli Pohjois-Amerikka B	Finland	4 526 745,21	4 526 745,21
Evli Pohjoismaat B	Finland	2 101 448,40	2 101 448,40
Evli Ruotsi Pienyhtiöt B	Finland	2 902 149,29	2 902 149,29
Evli Suomi Pienyhtiöt B	Finland	3 918 701,98	3 918 701,98
Evli Taktinen Alfa-Korko B	Finland	22 924 549,44	22 924 549,44
Evli Varainhoito 40 B	Finland	680 716,75	680 716,75
Evli Varainhoito 75 B	Finland	1 847 046,24	1 847 046,24
Invesco Pan European Structured Equity Acc EUR	Ireland	5 450 231,40	5 450 231,40
iShares \$ High Yield Corporate Bond	Luxembourg	577 841,00	577 841,00
iShares Core S&P 500 UCITS ETF	Germany	9 297 853,68	9 297 853,68
iShares S&P 500 - B UCITS ETF	Ireland	549 028,09	549 028,09
JPM Income Opportunity Plus Fund A Acc EUR hedged	Luxembourg	4 517 115,01	4 517 115,01
JPM US Select Equity A Acc EUR	Luxembourg	1 520 566,27	1 520 566,27
Korkovarainhoitosalkku	Finland	7 878 420,38	7 878 420,38
LähiTapiola 2015 A	Finland	36 999 105,03	36 999 105,03
LähiTapiola 2020 A	Finland	70 523 378,75	70 523 378,75
LähiTapiola 2025 A	Finland	115 625 441,96	115 625 441,96
LähiTapiola 2035 A	Finland	48 668 468,61	48 668 468,61
LähiTapiola 2045 A	Finland	11 602 026,57	11 602 026,57
LähiTapiola Aasia-Tyynimeri A	Finland	9 096 877,92	9 096 877,92
LähiTapiola Asuntosijoitus	Finland	34 714 551,39	34 714 551,39
LähiTapiola Asuntosijoitus Prime	Finland	28 946 999,95	28 946 999,95
LähiTapiola Eurooppa A	Finland	24 381 680,86	24 381 680,86
LähiTapiola High Yield A	Finland	8 101 836,11	8 101 836,11
LähiTapiola Hyvinvointi A	Finland	21 340 078,71	21 340 078,71
LähiTapiola Infra A	Finland	4 189 707,42	4 189 707,42
LähiTapiola Itä-Eurooppa A	Finland	1 226 224,33	1 226 224,33
LähiTapiola Japani A	Finland	1 547 042,22	1 547 042,22
LähiTapiola Kassakorko A	Finland	3 531 840,53	3 531 840,53
LähiTapiola Kasvu A	Finland	8 949 016,30	8 949 016,30
LähiTapiola Kehittyvät Korkomarkkinat A	Finland	2 767 701,23	2 767 701,23
LähiTapiola Kehittyvät Markkinat A	Finland	29 236 341,73	29 236 341,73
LähiTapiola Korko 100 A	Finland	4 615 229,03	4 615 229,03
LähiTapiola Korkomaailma A	Finland	12 367 719,58	12 367 719,58
LähiTapiola Kuluttaja A	Finland	21 861 360,17	21 861 360,17
LähiTapiola Lyhytkorko A	Finland	8 744 799,34	8 744 799,34
LähiTapiola Maaailma 20 A	Finland	16 734 438,59	16 734 438,59
LähiTapiola Maaailma 50 A	Finland	50 726 508,92	50 726 508,92
LähiTapiola Maaailma 80 A	Finland	62 199 865,21	62 199 865,21
LähiTapiola Metsäsijoitus	Finland	3 368 259,29	3 368 259,29
LähiTapiola Osake 100 A	Finland	1 156 995,02	1 156 995,02
LähiTapiola Osinko A	Finland	935 680,09	935 680,09
LähiTapiola Pitkäkorko A	Finland	14 311 985,33	14 311 985,33
LähiTapiola Pohjoinen Yrityskorko A	Finland	3 595 897,23	3 595 897,23
LähiTapiola Suoja A	Finland	1 707 610,66	1 707 610,66

LähiTapiola Suomi A	Finland	10 432 168,38	10 432 168,38
LähiTapiola Tapiolan Keskus	Finland	2 000 971,67	2 000 971,67
LähiTapiola Toimitila	Finland	727 579,43	727 579,43
LähiTapiola USA A	Finland	8 929 066,42	8 929 066,42
LähiTapiola Viisas	Finland	25 797 930,24	25 797 930,24
LähiTapiola Yrityskorko A	Finland	6 868 449,88	6 868 449,88
Morgan Stanley Diversified Alpha Plus A Acc EUR	Luxembourg	2 325 387,95	2 325 387,95
Osakevarainhoitosalkku	Finland	1 117 760,71	1 117 760,71
PYN Elite A - EUR	Finland	797 345,28	797 345,28
Seligson Aasia A	Finland	2 647 038,83	2 647 038,83
Seligson Euro-obligaatio	Finland	1 986 253,38	1 986 253,38
Seligson Eurooppa -indeksirahasto A	Finland	6 101 281,60	6 101 281,60
Seligson Glb Top 25 Brands -A	Finland	12 530 606,17	12 530 606,17
Seligson Global Top 25 Pharmaceuticals A	Finland	12 570 398,47	12 570 398,47
Seligson Phoebus - A	Finland	1 314 333,60	1 314 333,60
Seligson Phoenix A	Finland	856 410,05	856 410,05
Seligson Pohjois-Amerikka -indeksirahasto A	Finland	1 305 160,46	1 305 160,46
Seligson Rahamarkkina AAA	Finland	1 627 255,00	1 627 255,00
Seligson Russian Pros Euro A	Finland	4 804 527,24	4 804 527,24
Seligson Suomi-indeksirahasto	Finland	8 097 052,40	8 097 052,40
S-Sijoituskori Kohtuullinen	Finland	1 312 835,30	1 312 835,30
S-Sijoituskori Varovainen	Finland	2 454 096,00	2 454 096,00
Suojavarainhoito 10	Finland	4 703 191,57	4 703 191,57
Suojavarainhoito 15	Finland	3 594 935,23	3 594 935,23
Suojavarainhoito 20	Finland	2 643 590,34	2 643 590,34
Suojavarainhoito 25	Finland	1 974 251,36	1 974 251,36
Suomi Plus -varainhoito	Finland	19 412 671,19	19 412 671,19
Varainhoito 100	Finland	14 727 777,42	14 727 777,42
Varainhoito 25	Finland	2 392 023,83	2 392 023,83
Varainhoito 50	Finland	6 401 954,66	6 401 954,66
Varainhoito 75	Finland	3 571 730,63	3 571 730,63
Varainhoitosalkku 10	Finland	63 332 714,65	63 332 714,65
Varainhoitosalkku 30	Finland	133 747 417,62	133 747 417,62
Varainhoitosalkku 50	Finland	66 732 451,92	66 732 451,92
Varainhoitosalkku 70	Finland	16 101 967,91	16 101 967,91
Varainhoitosalkku 90	Finland	2 081 246,67	2 081 246,67
Vauras 100	Finland	1 198 178,59	1 198 178,59
Vauras 25	Finland	60 148 911,79	60 148 911,79
Vauras 50	Finland	26 905 963,22	26 905 963,22
Vauras 75	Finland	4 204 586,68	4 204 586,68
VISIO ALLOCATOR ERIKOISSIJ.RAH.	Finland	557 864,19	557 864,19
Yrityslaina Plus	Finland	2 387 345,44	2 387 345,44
Other		11 421 214,75	11 421 214,75
Total		1 372 363 962,43	1 372 363 962,43
Other investments			
eQ Hoivakiinteistöt	Finland	2 130 155,91	2 130 155,91
Kone Oyj	Finland	667 976,84	667 976,84
Nokia Oyj	Finland	756 844,80	756 844,80
Sampo	Finland	558 270,42	558 270,42
Suomi 175 Booster	Finland	856 250,00	856 250,00
Other		22 715 656,45	22 715 656,45
Total		27 685 154,42	27 685 154,42

NOTES TO BALANCE SHEET 31 Dec 2014

8. Other investments

	2014	2013
8.1. Other loans receivable, itemised by type of security		
Insurance policy	566 117,76	825 281,37
Remaining acquisition cost	<u>566 117,76</u>	<u>825 281,37</u>
Unsecured, total remaining acquisition cost	<u>46 414 995,41</u>	<u>26 819 521,15</u>
Total other loan receivables	<u>46 981 113,17</u>	<u>27 644 802,52</u>
8.2. Total subordinated loans		
Other loans receivable	1 247 366,41	1 319 521,15
Total remaining acquisition cost	<u>1 247 366,41</u>	<u>1 319 521,15</u>

9. Changes in tangible and intangible assets

	2014 Intangible assets and other expenses with long-term effects	2014 Machinery and equipment
Acquisition cost on 1 Jan.	29 341 100,95	8 536 766,91
Items written off in the previous year	-3 578 586,27	-2 469 992,52
Increase	7 801 422,67	147 759,29
Decrease	0,00	-67 065,48
Acquisition cost on 31 Dec.	<u>33 563 937,35</u>	<u>6 147 468,20</u>
Accumulated depreciation on 1 Jan.	-15 369 465,41	-8 187 774,43
Items written off in the previous year	3 578 586,27	0,00
Accumulated depreciation related to deductions and transfers	0,00	2 469 992,52
Depreciation for the financial year	-4 093 746,47	-204 004,13
Accumulated depreciation on 31 Dec.	<u>-15 884 625,61</u>	<u>-5 921 786,04</u>
Book value on 31 Dec.	<u><u>17 679 311,74</u></u>	<u><u>225 682,16</u></u>

NOTES TO BALANCE SHEET 31 DECEMBER 2014

11.1. Changes in capital and reserves	1.1.2014	Increase	Decrease	31.12.2014
Initial fund	4 482 208,24	0,00	0,00	4 482 208,24
Guarantee capital	32 036 005,12	5 549 500,00	0,00	37 585 505,12
Revaluation reserve	9 162 367,09	0,00	0,00	9 162 367,09
Security reserve	127 611 365,43	5 594 596,14	0,00	133 205 961,57
Contingency reserve	1 182 446,83	0,00	-10 000,00	1 172 446,83
The share of voluntary provisions and depreciation difference transferred to capital and reserves	2 326 685,93	-1 007 743,88	0,00	1 318 942,05
Consolidated profit/loss brought forward	-27 911 046,62	5 668 266,36	0,00	-22 242 780,26
Consolidated profit/loss for the financial year	12 690 961,00	63 427 635,20	-12 690 961,00	63 427 635,20
Change in depreciation difference and voluntary provisions included in profit for the financial year	173 702,27	0,00	834 041,61	1 007 743,88
	12 864 663,27	63 427 635,20	-11 856 919,39	64 435 379,08
Total changes in capital and reserves	161 754 695,29	79 232 253,82	-11 866 919,39	229 120 029,72
11.2. Specification of revaluation reserve				
Revaluation reserve on 1 Jan.				9 162 367,09
Increase				0,00
Cancellation of revaluations				0,00
Revaluation reserve on 31 Dec.				9 162 367,09
Relating to fixed assets				9 162 367,09

NOTES TO BALANCE SHEET 31 DECEMBER 2014

12. Accumulated appropriations and changes in group reserve

	2014	2013
Depreciation difference		
Accumulated depreciation difference on 1 Jan.	3 258 910,27	3 460 399,15
Increase	-156 855,94	-1,10
Decrease	-1 082 380,72	-201 487,78
Accumulated depreciation difference on 31 Dec.	2 019 673,61	3 258 910,27
Total accumulated appropriations	2 019 673,61	3 258 910,27
Divided into		
Capital and reserves	-1 526 927,73	-2 547 182,79
Minority interest	-88 811,16	-59 023,67
Deferred tax liabilities	-403 934,72	-652 703,81
	0,00	0,00
 Tax base	 20,0 %	 20,0 %

NOTES TO BALANCE SHEET 31 Dec 2014

13. Other obligatory provisions	2014	2013
Provision for unemployment security deductible	184 252,33	133 833,74
	<u>184 252,33</u>	<u>133 833,74</u>
14. Deferred tax assets	2014	2013
Deferred tax assets from negative depreciation difference	1 081 466,31	1 081 466,31
15. Deferred tax liabilities	2014	2013
Taxliability calculated on the basis of timing difference and other temporary differences between taxable profit and accounting profit	403 934,72	652 703,81

NOTES TO BALANCE SHEET 31 Dec 2014

16. Liabilities

16.1. Itemisation of liabilities

	2014	2013
Liabilities to partner companies		
Other liabilities	1 848 725,64	259 234,51
	<u>1 848 725,64</u>	<u>259 234,51</u>

NOTES TO BALANCE SHEET 31 Dec 2014

17. Notes concerning guarantees and contingent liabilities

	2014 Security/pledges/ guarantees and other liability commitments	2014 Amount of liability	2013 Security/pledges/ guarantees and other liability commitments	2013 Amount of liability
17.1. Security				
As security for own debts				
Real estate mortgages	26 503 480,00	3 166 162,59	18 803 480,00	2 634 577,00
17.2. Off-balance-sheet guarantees and contingent liabilities				
Derivative contracts	2014		2013	
Currency derivatives				
<i>Forward and futures contracts, open</i>				
Underlying instrument	0,00		25 419 756,88	
Current value	0,00		485 364,81	
Leasing liabilities				
Amount to be paid in the current financial year	36 505,19		58 830,65	
Amount to be paid in the coming years	30 606,23		68 412,32	
	<u>67 111,42</u>		<u>127 242,97</u>	
Rent liabilities				
Amount to be paid in the current financial year	2 669 966,16		2 669 966,16	
Amount to be paid in the coming years	6 007 423,86		8 677 390,02	
	<u>8 677 390,02</u>		<u>11 347 356,18</u>	
Value-added tax liabilities				
<i>Joint liability relating to collective value-added tax registration</i>				
Participating interest	187 204,73		85 118,18	
Partner companies	3 386 504,92		909 211,02	
	<u>3 573 709,65</u>		<u>994 329,20</u>	
<i>Inspection responsibility of real estate investments under section 120 of the Value Added Tax Act - 10 years inspection period</i>				
Group	8 849 607,25		9 525 519,71	
Other companies of the group	37 948 242,84		36 901 900,01	
	<u>46 797 850,09</u>		<u>46 427 419,72</u>	
Other commitments				
Subscription commitments	197 792 603,54		208 490 966,13	
Granted limit	30 000 000,00		30 000 000,00	

18.1 Related party loans (Insurance Companies Act, Chapter 8, section 11)

Tapiola Mutual Life Assurance Company group companies and associated companies loans totaling EUR 179.291.978,44.

The loan period is usually 10-40 years and the interest rate is generally fixed.

18.2 Related party transactions (Accounting Ordinance, Chapter 2, section 7b)

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

18.3 Subordinated loans

Creditor Multiple

Loan capital EUR 100.000.000

Principal loan terms The loan contract is valid until Nov 26, 2024. The loan can be repaid 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.

Prior to the first repayment date, the annual interest rate of the loan is 3,625 %. If the loan is not repaid on the first possible repayment date, the interest rate is revised. After the first possible repayment date, the annual interest rate is determined on the basis of the interest rate for Euro 5-y Mid-Swap Rate plus a margin of 3,25 %.

Interest or other compensation on the loan can be paid only to the extent that, at the time of payment, the sum of the debtor'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 such time that the financial statements allow interest payment.

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

LOCALTAPIOLA MUTUAL LIFE INSURANCE COMPANY GROUP

	KEY FIGURES				M €
	2014	2013	2012	2011	2010
General key figures describing financial development					
Life insurance turnover	630,4	647,6	571,5	343,0	459,1
and change percentage compared to the previous year	-2,7	13,3	66,6	-25,3	-0,5
Operating profit/loss	86,9	42,8	31,1	26,5	4,4
and its share of turnover, (%)	13,8	6,6	5,4	7,7	1,0
Total result	77,9	50,5	120,8	36,3	28,9
Return on assets excluding unit-linked insurance, percentage	3,9	3,5	6,6	3,7	7,3
Number of personnel	2	2	2	2	2
Number of personnel, relative to total payroll	268	405	474	495	505
Key figures describing the financial development of life insurance					
Premium income	389,1	423,3	326,5	282,9	256,1
and percentage change from the previous year	-8,1	29,7	15,4	10,4	9,9
Expense ratio, % of total expense loadings	122,9	138,3	131,8	136,5	136,9
Expense ratio, % of balance sheet total	1,5	2,1	2,2	2,2	2,4
Solvency margin	572,6	504,9	490,5	385,6	366,8
Equalisation provision	97,7	91,5	76,4	73,4	62,7
Minority interest	1,3	1,3	1,2	1,2	1,2
Solvency capital	671,6	597,7	568,2	460,2	430,8
Solvency ratio, % of technical provisions	27,0	24,5	23,8	19,8	18,2

OTHER NOTES	PERFORMANCE ANALYSIS				1 000 €
	01-12 2014	01-12 2013	Change	Change-%	
Premium income	387 476	422 071	-34 595	-8,2	
Investment income and expenses as well as revaluations and their adjustments	238 833	207 296	31 536	15,2	
Claims paid	-282 003	-288 204	6 201	-2,2	
Change in technical provisions before change in (customer benefits) and equalisation provision	-211 481	-249 811	38 330	-15,3	
Operating expenses	-40 613	-43 473	2 861	-6,6	
Other technical income and expenses	347	0	347	0,0	
Balance on technical account before change in (customer benefits) and equalisation provision	92 559	47 879	44 680	93,3	
Other income and expenses	-2 545	-7 758	5 212	-67,2	
Share of profit/loss of associated undertakings	-3 125	2 673	-5 798	-216,9	
Operating profit	86 888	42 794	44 095	103,0	
Change in equalisation provision	-6 180	-15 133	8 953	-59,2	
Additional benefits (customer benefits)	-2 668	-12 283	9 615	-78,3	
Profit before extraordinary items	78 041	15 378	62 663	407,5	
Profit before appropriations and taxes	78 041	15 378	62 663	407,5	
Income taxes and other direct taxes	-14 621	-2 709	-11 912	439,7	
Minority interests	8	22	-14	-64,1	
Profit for the financial year	63 428	12 691	50 737	399,8	
Operating profit	86 888	42 794	44 094	103,0	
Change in the difference between current and book values	-9 025	7 205	-16 231	-225,3	
Change in revaluations reserve	0	481	-481	-100,0	
Total result	77 863	50 480	27 382	54,2	

SUBSIDIARIES AND ASSOCIATED UNDERTAKINGS 31 Dec. 2014

SUBSIDIARIES			Registered office	Share of ownership
1	Real estate company	Elimäenkatu 12-16	Espoo	100,0 %
2	Real estate company	Eteläespa 18	Espoo	100,0 %
3	Real estate company	Fredrikinkatu 48	Espoo	90,0 %
4	Limited company	Hamburger Börs Ab	Espoo	100,0 %
5	Real estate company	Harkkokuja 2	Espoo	100,0 %
6	Real estate company	Helsingintie 22	Espoo	100,0 %
7	Real estate company	Järvennuotta	Espoo	100,0 %
8	Real estate company	Kouvola Kauppalaankatu 12	Kouvola	66,6 %
9	Limited company	Kuopionpohja	Espoo	100,0 %
10	Real estate company	Metsänpojankuja 4	Espoo	100,0 %
11	Real estate company	Mäkelänkatu 58	Espoo	90,0 %
12	Limited company	Omaeläke	Espoo	90,0 %
13	Real estate company	Oulun Liusketie 23	Espoo	100,0 %
14	Real estate company	Panimokatu 4	Helsinki	100,0 %
15	Real estate company	Runskivuori	Espoo	80,9 %
16	Real estate company	Tapiola Garden	Espoo	100,0 %
17	Limited company	Tapiolan Pankkineuvonta	Espoo	100,0 %
18	Real estate company	Vantaankulma	Espoo	62,1 %
19	Real estate company	Vantaanportti	Espoo	62,1 %
20	Real estate company	Vantaanpää	Espoo	62,1 %
21	Real estate company	Vantaanpohja	Espoo	100,0 %
22	Limited partnership	Varepa	Espoo	100,0 %
23	Real estate company	Hyvinkään Maa	Espoo	100,0 %
24	Real estate company	Mikkelin Graanintie 6	Mikkeli	100,0 %
25	Real estate company	Oulun Kallisensuora	Espoo	100,0 %
26	Limited company	Rekra	Espoo	100,0 %
27	Limited partnership	Sasnep	Espoo	100,0 %
28	Real estate company	Tammimaa	Espoo	100,0 %
29	Real estate company	Tapiolan Länsikulma	Espoo	100,0 %
30	Limited company	Tietotaitotalo	Espoo	100,0 %
31	Housing cooperative	Vantaan Teeritie 2	Vantaa	100,0 %
32	Real estate company	Väylän varsi	Espoo	100,0 %
ASSOCIATED UNDERTAKINGS			Registered office	Share of ownership
1	Limited company	Vakuutusneuvonta Aura	Espoo	33,3 %
2	Limited company	Vakuutusneuvonta Pohja	Espoo	33,3 %
3	Limited company	Tapiolan alueen kehitys	Espoo	29,8 %
4	Limited company	LähiTapiola Kiinteistövarainhoito	Espoo	50,0 %
5	Limited company	Tieto-Tapiola	Espoo	33,3 %
6	Limited company	S-Pankki	Helsinki	3,5 %
7	Limited company	Glasnost	Espoo	33,3 %
8	Limited company	Pohja-yhtymä	Espoo	13,6 %
9	Limited company	LähiTapiola Varainhoito	Espoo	19,4 %
10	Limited company	LähiTapiola Palvelut	Espoo	15,0 %
11	Real estate company	Mariankatu 27	Kokkola	20,5 %

PROPOSAL FOR DISTRIBUTION OF PROFIT

The Board of Directors proposes that EUR 63 423 569,58 of the profit for the financial year be transferred to the owners of guarantee shares with a 5,5 % guarantee capital interest corresponding to EUR 2 067 203,00 and

Transferred to the security reserve	61 356 366,58
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If the Board's proposal for the distribution of profit is adopted, the company's capital and reserves will stand as follows

Initial fund	4 482 208,24
Guarantee capital	37 585 505,12
Security reserve	194 562 328,15
Contingency reserve	1 172 446,83
	<u>237 802 488,34</u>

SIGNATURES TO THE REPORT OF THE BOARD OF DIRECTORS AND THE FINANCIAL STATEMENTS ON 31 DECEMBER 2013

Espoo March 31 2015

Erkki Moisander

Philip Aminoff

Jari Eklund

Pentti Kuusela

Harri Lauslahti

Marjatta Leiviskä

Hannu Niilekselä

Jari Sundström

Minna Kohmo
Chief Executive Officer

Auditor's note

A report has been issued today on the audit performed.

Espoo 15. April 2015

KPMG Ltd
Authorised Public Accountants

Mikko Haavisto
Authorised Public Accountant

Auditor's report

To the Annual General Meeting of LocalTapiola Mutual Life Insurance Company

We have audited the accounting records, financial statements, the report of the Board of Directors and the administration of LocalTapiola Mutual Life Insurance Company for the financial year 1 January – 31 December 2014. The financial statements comprise the balance sheets, profit and loss accounts, cash flow statements and notes to the financial statements for both the consolidated company and the parent company.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company, or whether they have violated the Insurance Companies Act, the Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

Statement

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Espoo, 14 April 2015

KPMG OY AB

Mikko Haavisto

Authorised Public Accountant

STATEMENT OF THE SUPERVISORY BOARD

After examining the financial statements, consolidated financial statements and auditors' report for 2014, the Supervisory Board proposes that the financial statements and the consolidated financial statements be approved and the proposal by the Board of Directors for distribution of profit be adopted.

Espoo, 15 April 2015

Jouko Havunen
Chairman of the Supervisory Board

LocalTapiola is close to you throughout your life

LocalTapiola is close to you everywhere in Finland. Our 20 regional companies offer you comprehensive insurance, banking, savings and investment services. We are your partner in matters related to security, well-being and finance.

Welcome to the LocalTapiola.



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