

Tapiola Life
Annual Report and
Financial Statements 2010

TAPIOLA



Tapiola Mutual Life Assurance Company

Annual report and financial statements 31 December 2010

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Auditor's note

Tapiola Mutual Life Assurance Company 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, as well as capital redemption contracts granted to private individuals and companies.

- The operating profit of Tapiola Mutual Life Assurance Company was EUR 4.1 million (EUR 66.8 million). The operating profit was strained by additions of EUR 20.0 million to lower the technical interest rate in life insurance and provisions for future losses from medical expenses insurance. The overall result was EUR 28.5 million (EUR 123.8 million). The change in the difference between current and book values improved the overall result by EUR 24.4 million (EUR 56.9 million).
- Premiums written increased by 9.9 per cent year-on-year.
- The return on capital employed at current value was 4.9 per cent (7.0%).
- The expense ratio in proportion to total expense loadings was 136.9 per cent (127.5%).
- The solvency ratio, or solvency capital in relation to technical provisions, rose to 18.1 per cent (17.3%).

Customers and customer benefits

Tapiola Group life insurance companies had 238,400 private household customers and 5,400 corporate customers.

Customer bonuses to be paid on investment savings were approved in a meeting of Tapiola Life's Board of Directors held on 9 November 2010. The overall interest rate on pension and savings life insurance policies varies between 2.8 and 4.5 per cent, depending on the commencement date of the contract and the line of insurance. The overall interest rate on risk insurance policies with insurance savings is 2.8 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 any customer bonuses that have been granted. The long-term goal is to offer an overall interest on insurance savings, before taxes and expenses, which exceeds the interest rates of euro-zone 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.

Tapiola Life reserved a total of EUR 8.4 million (EUR 9.8 million) for customer bonuses from its result for the financial year.

Operating environment

In 2010, the recovery of the global economy continued at a relatively steady pace, although uncertainty regarding the sustainability of growth and concern about rapidly increasing government debt levels did at times cause strong market reactions. The theme dominating the year was the debt crises in Europe's peripheral states, which was a consequence of weak budget discipline that had been going on for years, as well as the unexpectedly deep recession in the real economy. The difficulties began in the spring after the state of Greece lost the confidence of investors. Although Greece's liquidity was secured with joint support measures by the EU and IMF, the crisis created a permanent lack of confidence in the European peripheral states' management of their finances. The second phase of the euro crises culminated in Ireland being forced to ask the EU for support credit in the amount of EUR 85

billion in November.

In addition to the debt problems in the euro-zone, developed countries' confidence in the economy was strained by the temporary weakening of the economic outlook for the US around the middle of the year. The expiry of tax benefits connected to sales of residential property in the US nearly brought residential property sales and new construction to a standstill. Housing prices started to decline again, which weakened consumers' confidence and resulted in companies putting recruitment on hold and, as a consequence, the improvement in the rate of employment stopped. Fears of a so-called double-dip recession only started to dissipate in August after the US Federal Reserve indicated its willingness to launch a new, extensive government bond purchasing programme.

Of the emerging economies, Brazil suffered the most from the problems of the developed countries, as well as from the currency's rapid strengthening. From the second quarter of the year, China's economic growth also clearly slowed as a result of fiscal stimulus policies coming to an end. However, at the end of the year, China's growth outlook began to strengthen again. The recovery of the Russian economy, in contrast, continued steadily, supported by the rising prices of oil and energy. In several emerging markets, cost inflation management became the greatest challenge.

In Finland, the confidence of companies and consumers remained high. It was a particularly positive surprise that the rate of unemployment began to decrease during 2010. Due to the strong recovery of exports, Finland's economic growth is likely to reach three per cent in 2010.

In developed countries, the focus of stimulus measures moved increasingly from fiscal policy to monetary policy. The ECB kept its key interest rate at the historically low 1.00 per cent level throughout the year. In the US, the key interest rate of the Federal Reserve (Fed) remained within the range of 0 to 0.25 per cent, where it had been since December 2008. The monetary policies were complemented by various quantitative stimulus measures in order to increase market liquidity and cushion the impact of declining debt/equity ratios on the real economy.

In the interest market, the debt crises in the peripheral states of the euro-zone increased the demand for "core state" government bonds considered to be safe, which lowered the interest rates of loans to countries such as Germany and Finland. In the peripheral states of the euro zone, however, interest rates rose very steeply and at the index level, the return on euro-zone government bonds remained at about 1.2 per cent in 2010.

Macroeconomic stress periods caused several significant value losses during the year. Despite share price fluctuations, equity market returns were excellent in the end. The weakening of the euro against other major currencies significantly improved the return on investments made in equities outside the euro area. The index describing price development in the developed countries' stock markets increased by 17.5 per cent in euro terms and the emerging markets' price index by nearly 25 per cent. The dollar strengthened against the euro by 6.5 per cent, the yen by as much as 18.6 per cent and the pound by 3.3 per cent.

The Finnish real estate investment market continued to be quiet in 2010. The increased activity that started in Europe at the end of 2009 did not have time to stimulate the Finnish commercial real estate market; the effects of the euro-zone crisis originating in Greece kept trading activity low in Finland. The increase in return requirements that started in the autumn of 2008 ended in 2010. In the early part of the year, investors had difficulties in determining the real return requirement level, as there were not enough realised comparison transactions on the quiet markets. In the latter part of the year, investment activity began to gradually pick up on the market. Obtaining credit for real estate projects started to get easier and the recovery of Finnish export trade and consumers' strong confidence in the economy began to reflect positively on the real estate markets. Furthermore, foreign investors, who had been avoiding the Finnish real estate market, started to express interest again after the summer and, indeed, some transactions were concluded by foreign buyers.

In the international real estate market, 2010 was a time of growth. In most of the major European submarkets, the volume of real estate investments increased compared to the previous years.

Return expectations had long been increasing but, by the middle of the year, this trend came to a halt in most submarkets and even decreased slightly. In Great Britain, return expectations decreased more clearly and as a result, strong growth was seen in the British market in the early part of the year. However, the expected decrease in lease levels caused by the economic recession continued to weigh down on the market outlook and fears of a double-dip recession in Great Britain persisted.

In the beginning of April 2010, the range of pension savings products was extended with the introduction of long-term savings accounts (PS accounts). The new product alternatives confused customers, and confidence in the continuity of tax-subsidised pension savings declined. For the time being, the new PS legislation has practically wound down the entire market for voluntary pension savings in Finland. The objectives of the legislation on the role of individual preparedness in filling in the sustainability gap have thus not yet been met.

The premium income of life insurance companies increased significantly in 2010. Unit-linked capital redemption contract markets grew markedly as premium income doubled to almost EUR 1.5 billion. The strategies of life insurance companies have diverged perhaps more than ever before – the share of traditional life insurance business in the sector's premium income growth and volume has thus significantly decreased.

The Solvency II Directive aims to harmonise the solvency requirements of insurance and reinsurance companies in the European Union member states, as well as the principles of insurance supervision. Furthermore, it aims to improve the protection of policyholders and beneficiaries and increase the international competitiveness of the European insurance sector. The Directive has been passed and was published in the Official Journal of the EU in December 2009. The Directive will be applied as of 1 January 2013. The Solvency II Directive must be nationally implemented by 31 December 2012. For the purpose of implementation, the Ministry of Social Affairs and Health established a broad-based working group on 15 October 2009. The group's term ends on 31 December 2011. Another objective is to handle and settle certain issues that have been found to be problematic in the current community legislation on insurance, or which have been left unsettled previously. These issues include, for example, the structure, principle of reasonability, provision for guarantee scheme, equalisation provision and the integration of the Insurance Companies Act and the Insurance Associations Act.

The European Commission asked the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) to organise a QIS5 impact study during the period August–November 2010 and to publish the results of the study in April 2011, so that they are available when the Commission finalises its proposal for the Solvency II level 2 implementation measures. Tapiola Life participated, as it has done previously, in this impact study.

Group structure

In addition to the parent company, Tapiola Life Group includes 25 (23) housing and real estate companies and five other companies that do not engage in business operations.

Associated companies include Tapiola Bank Ltd, Tapiola Data Ltd, Tapiolan Alueen kehitys Oy and Tapiola Real Estate Ltd, as well as three real estate companies and two other companies that do not engage in business operations.

Life insurance business

Tapiola Life increased its overall premium income by 9.9 per cent. The most significant increases were seen in savings life insurance, term life insurance and group pension insurance.

An excellent result was achieved in new sales of term life insurance, which is based on the packaging of products and services driven by customer demand. The personal insurance service model, which is driven by customer demand and has been successful in the private customer segment, was expanded

in 2010 to cover Tapiola's other services. In the entrepreneur and farmer segments, sales have been boosted particularly by customer-driven product packages, called Yrittäjän Omaturva and Maatilayrittäjän Omaturva respectively.

The Tapiola Private concept increased the sales of insurance-covered asset management solutions. New asset management products were launched in cooperation with Tapiola Asset Management Ltd. The most significant of these was Tapiola Asuntosijoitus, investing in the housing market of growth centres. No other service provider has a similar product whereby the customer has the opportunity, via a capital redemption contract, to invest in a real estate venture capital fund which invests in the smaller housing in growth centres.

Our progress in individual pension insurance outperformed the sector despite the challenging market situation. At the start of the year, a completely overhauled pension insurance product was launched. It suits customers who are looking for an option that offers care and service when preparing for retirement. Throughout the contract period, Tapiola Life as a service provider gives allocation recommendations where the investment risk corresponds with the risk-carrying capacity stated by the customer.

Premium income

Tapiola Life's premium income was EUR 256.1 million (EUR 233.1 million), corresponding to a year-on-year increase of 9.9 per cent. Tapiola Life increased its premium income in all its key business areas: term life insurance, savings life insurance and group pension insurance. In particular, an excellent result was achieved in new sales of term life insurance.

According to the premium income statistics of the Federation of Finnish Financial Services, the sector's overall premium income without liability transfers increased by 37.9 per cent. The growth in the industry's premium income can be explained particularly by the capital redemption market's strong year-on-year growth. Without the capital redemption contract, the premium income growth would have been 8.3 per cent.

Tapiola Life's life insurance premium income increased by 19.3 per cent to EUR 149.1 million (EUR 125.0 million). Tapiola Life's individual life insurance premium income increased by 1.3 per cent to EUR 98.6 million (EUR 97.3 million). Premium income from employee group life insurance stood at EUR 7.1 million (EUR 6.9 million), an increase of 2.9 per cent. Premium income from other group life insurance increased by 19.5 per cent to EUR 24.8 million (EUR 20.8 million). In March, Tapiola started to provide unit-linked capital redemption contracts. Capital redemption contract income was EUR 18.6 million.

Tapiola Life's pension insurance income decreased by 1.0% to EUR 107.0 million (EUR 108.1 million). Individual pension insurance premium income came down by 7.6 per cent to EUR 72.8 million (EUR 78.8 million). Premium income from group pension insurance rose by 16.7 per cent to EUR 34.2 million (EUR 29.3 million).

Claims paid

Tapiola Life's claims paid increased by 14.0 percent to EUR 244.2 million (EUR 214.3 million). Repayments of benefits increased by 13.1%, amounting to EUR 68.7 million (EUR 60.8 million). Surrenders totalled EUR 33.7 million (EUR 25.1 million), an increase of 34.5 per cent on the previous year. The amount of other claims paid increased by 10.3 per cent to EUR 141.7 million (EUR 128.5 million).

Expense ratio and operating expenses

Operating expenses as stated in the profit and loss account increased by 12.1 per cent to EUR 37.8 million (EUR 33.7 million). Claims handling costs increased by 14.7 per cent to EUR 5.7 million (EUR

5.0 million). Investment management expenses increased by 22.7 per cent to EUR 5.0 million (EUR 4.1 million). The rise in operating expenses was mainly due to non-recurring personnel expenses. In other respects, the company's measures to increase efficiency have brought results. Soft commissions from mutual funds used to finance operating expenses but not included in key figures grew from EUR 1.0 million to EUR 1.4 million.

Tapiola Life's expense ratio in proportion to total expense loadings rose to 136.9 per cent (127.5 %). Operating expenses to be covered with total expense loadings, excluding reinsurance commissions and investment expenses, were up 11.8 per cent year-on-year. Expense loading charged for contracts to finance operating expenses rose to 4.1 per cent. The total expense ratio is 132.4 per cent (124.2%) 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

Tapiola Life's ancillary operations include offering a sales channel for the products of Tapiola Bank Ltd, Tapiola Asset Management Ltd and Tapiola Mutual Pension Insurance Company. Returns from the sale of these services are included in the profit and loss account under "Other returns", and expenses for producing 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 1.0 million (EUR 2.3 million) net. The EUR 26.8 million merger profit recorded in conjunction with the subsidiary merger has been eliminated from the figure for the comparison year.

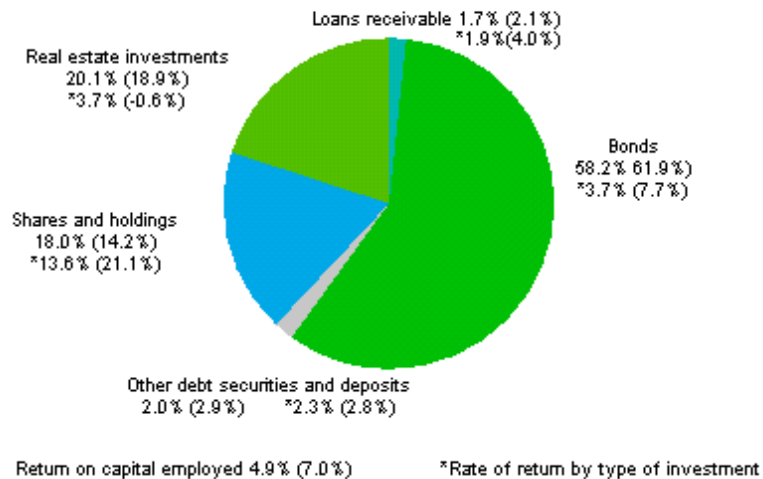
Technical provisions

Tapiola Life's technical provisions stood at EUR 2,893.7 million at the end of the financial year (EUR 2,744.0 million). Of this amount, ordinary guaranteed-return technical provisions accounted for EUR 2,272.4 million (EUR 2,279.3 million). The amount of technical provisions on unit-linked insurance policies was EUR 621.3 million (EUR 464.7 million).

Investments at current value

Tapiola Life's return on investment at current value was 4.9 per cent (7.0%). Net investment income at current value was EUR 123.2 million (EUR 174.1 million). The average annual return over the last five years was 4.1 per cent. Investment assets at current value stood at EUR 2,586.6 million (EUR 2,565.1 million).

Investments, allocation and rate of return
Current value EUR 2,586.6 million (12/2009 EUR 2,565.1 million)



Equity investments

Tapiola Life's equity investments totalled EUR 466.8 million (EUR 363.6 million), accounting for 18.0 per cent (14.2%) of all investments. Finnish shares accounted for 23.5 per cent of listed equity investments, which amounted to EUR 266.2 million (EUR 222.4 million). Equity investments yielded a return of 13.6 per cent (21.1%).

Fixed-income investments

The market value of Tapiola Life's fixed-income portfolio, including fixed-income funds and money market investments, stood at EUR 1,555.8 million (EUR 1,660.7 million), i.e., 60.1 per cent (64.7%) of investments. Government bonds accounted for 33 per cent (29%) of fixed-income investments, swap and corporate loans for 64 per cent (68%) and money market investments for about 3 per cent (3%). The modified duration of the portfolio, which indicates its interest rate risk, was 5.1 years. Fixed-income investments yielded 3.6 per cent (7.3%).

Real estate investments

Tapiola Life's real estate investments totalled EUR 519.3 million (EUR 485.8 million), accounting for 20.1 per cent (18.9%) of all investments. Direct real estate investments accounted for 77.9 per cent (75.2%) and indirect real estate investments in mutual funds and undertakings for collective investment in transferable securities (UCITS) accounted for 22.1 per cent (24.8%) of all real estate investments. The rate of return from real estate at current value was 3.7 percent (-0.6%). The return from real estate investment funds and UCITS was -2.7 per cent (-10.3%). Direct real estate investments returned 5.7 per cent (2.7%). The average vacancy rate of the real estate was 8.9 per cent (5.9%).

Loans

The current value of Tapiola Life's loan receivables was EUR 44.7 million (EUR 55.1 million). Loan receivables accounted for 1.7 per cent (2.1%) of total investments. Loans generated a return of 1.9 per cent (4.0%).

Result and use of profits

Tapiola Life recorded an operating profit of EUR 4.1 million (EUR 66.8 million). The result for risk premiums collected was EUR 3.5 million (EUR 6.2 million) positive, the difference between total expense loadings and actual operating expenses was EUR 11.8 million (EUR 8.4 million) negative, and the difference between net investment income and interest requirements regarding technical provisions was EUR 34.5 million (EUR 49.2 million) positive. The EUR 3.0 million decrease in the Employees' Group Life Insurance Pool year-on-year was a significant contributor to the weakened result for risk premiums collected. Extraordinary items affecting the operating profit totalled EUR -22.1 million (EUR +19.7 million), of which additions to liability accounted for EUR -10.7 million and provisions for future losses from the medical expense insurance business for EUR -9.3 million. Other such items for the comparison year include the EUR 26.8 million merger profit arising from the subsidiary merger. A total of EUR 8.4 million (EUR 9.8 million) from the result for the financial year was transferred to customer bonuses and rebates. From the provisions for future additional benefits, a total of EUR 16.0 million was unwound (accrued EUR 44.0 million), of which EUR 9.5 million was used for additions to lower the technical interest rate of accumulated liabilities and EUR 6.4 million was used for customer bonuses and rebates. An amount of EUR 50.9 million (EUR 66.8 million) has been reserved as provisions for future additional benefits. The average technical rate of interest for technical provisions was 2.9 per cent (3.0 per cent).

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.

Tapiola Mutual Life Assurance 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 application of the principle of reasonability, the objectives related to the distribution of additional benefits and the implementation of the principle of reliability in 1999–2010 have been clarified in the section "Accounting principles" in the Notes to the financial statements.

Guarantee capital

Tapiola Life has a minimum guarantee capital of EUR 19,990,812.50 and a maximum guarantee capital of EUR 79,963,250, divided into at least 396,250 and at the most 1,585,000 guarantee shares issued to designated persons. Tapiola Life's guarantee capital amounted to EUR 32,036,005.12 at the end of the financial year. If the guarantee capital is increased, guarantee shares of the type described above are issued in an amount corresponding to the amount of the increase. Holders of the company's guarantee shares have a pre-emptive right to acquire new guarantee shares in proportion to their previous holding. The guarantee shares yield their holders an equal right to the company.

The guarantee share owners and their shares of the guarantee capital were as follows on 31 December 2010:

	Guarantee shares	Share, %
Tapiola General Mutual Insurance Company	627 000	98.7
Tapiola Mutual Pension Insurance Company	8 000	1.3
Total	635 000	100.00

Subordinated loan

Tapiola Life has subordinated loan agreements with Tapiola General Mutual Insurance Company, valid until further notice. The subordinated loan agreements amount to EUR 55,000,000. There is no security for the loans.

The principal loan terms of the subordinated loans are described in note 18.3 – Subordinated loans – of the Notes to the balance sheet.

Solvency

The solvency margin of Tapiola Life, i.e., the figure that describes the amount by which an insurance company's assets exceed its liabilities and other comparable commitments, totalled EUR 366.0 million (EUR 337.9 million), while the minimum solvency margin was EUR 119.4 million (EUR 114.8 million). The solvency margin was 3.1 (2.9) times the minimum value. Solvency capital was EUR 428.8 million (EUR 402.4 million) and solvency ratio 18.1 per cent (17.3%).

Solvency in an insurance and financial conglomerate

Tapiola Group forms a conglomerate referred to in the Act on the Supervision of Financial and Insurance Conglomerates. The insurance and financial conglomerate includes the following companies: Tapiola General Mutual Insurance Company and its subsidiary Alma Insurance Ltd, as well as the non-consolidated subsidiary Turva Mutual Insurance Company, Tapiola Mutual Life Assurance Company and its subsidiaries, and companies in the financial sector: Tapiola Bank Ltd and its subsidiary Tapiola Asset Management Ltd, as well as Tapiola Data Ltd, an ICT service provider. The company at the head of Tapiola Group is Tapiola General Mutual Insurance Company. The coordinating supervisory authority of the conglomerate was the Financial Supervisory Authority.

Solvency statement of the insurance and financial conglomerate

SOLVENCY IN AN INSURANCE AND FINANCIAL CONGLOMERATE

	31 Dec 2010	31 Dec 2009
	EUR million	EUR million
The amount of own funds of the company at the head of the conglomerate	824.1	759.8
Multiple use of capital between the company at the head of the conglomerate and the financial and insurance companies in the conglomerate	-116.7	-116.7
<i>Adjusted own funds of the company at the head of the conglomerate</i>	707.4	643.1
Total adjusted own funds of subsidiaries and participating interests in the financial and insurance sector	299.7	289.5
Multiple use of capital	-83.3	-83.3
<i>Total adjusted own funds of subsidiaries and participating interests in the financial and insurance sector</i>	216.4	206.3
Own funds of the conglomerate	923.8	849.3
The minimum amount of own funds of the company at the head of the conglomerate	128.6	120.4
Minimum amount of own funds of subsidiaries and participating interests in the financial and insurance sector	180.1	171.3
Minimum amount of the conglomerate's own funds	308.7	291.6
Conglomerate's solvency	615.2	557.7
Conglomerate's solvency ratio	3.0	2.9

The Act on the Supervision of Financial and Insurance Conglomerates provides that the amount of a conglomerate's own funds must at all times be at least equal to the minimum amount of the conglomerate's own funds. On the basis of the calculation, it can be noted that the Group's solvency is approximately 3.0 times the required minimum.

Risk position

Tapiola Life's board of directors bears the overall responsibility for risk management. The Board determines the risk management targets, limits for risk taking, responsibilities, indicators 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 must recognise and analyse risks threatening their operations and goals 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 a party other 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 Tapiola Life's operations are market risks associated with investments, insurance risks in life insurance, operational risks and business risks. 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, longevity and morbidity, as well as the customer-related risks of termination of contracts and premiums. Operational risks refer to the risk of losses caused by insufficient or failed internal processes, personnel, systems and external factors. Legal risks are included in operational risks. Business risks include risks associated with the operating environment, such as changes in the market position, competitive situation or customer behaviour, and risks relating to strategic or operational choices.

For more detailed information on Tapiola Life's risk management and the most significant risks, please refer to the section "Risks and risk management" in the Notes to the financial statements.

Corporate governance in Tapiola Life

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

Annual General Meeting

An extraordinary shareholders' meeting of Tapiola Mutual Life Assurance Company was held on 12 January 2010. Tapiola Corporate Life Insurance Ltd, a subsidiary of Tapiola Mutual Life Assurance Company, merged with its parent company on 31 December 2009. In conjunction with the merger, the policyholders of the merging company became shareholders of the receiving mutual insurance company. In order for the owner-customers to continue being well represented in the company's Supervisory Board after the merger, a decision was made to elect the members of the Supervisory Board of the merged Tapiola Corporate Life Insurance Ltd to the Supervisory Board of Tapiola Mutual Life Assurance Company. At the same time, the number of Supervisory Board members was increased to 31.

Tapiola Life's Annual General Meeting was held on 15 April 2010. The meeting approved the financial statements for 2009 and elected the company's auditors and new members to the Supervisory Board.

Tapiola Life's Supervisory Board members Arttu Laine, Riitta Laitila, Saara Lampelo, Juha Moilanen and Eeva Parkkivaara-Anttinen, who were due to resign, were re-elected. Vesa Kyllönen, Managing Director (Osuuskauppa Ympyrä), Asko Lammela, Account Manger (Tapiola Group) and Leena Olkkonen, responsible for HR management (SOK) were elected as new members.

PricewaterhouseCoopers Ltd was elected as the auditing firm, and the auditor with the main responsibility is Juha Tuomala, Authorised Public Accountant. The remuneration paid to the company of Authorised Public Accountants is presented in note 3.4 to the profit and loss account.

Supervisory board

In connection with the subsidiary merger implemented at the end of 2009, the Supervisory Board elected new chairpersons at its meeting on 12 January 2010. Marjut Nordström, Managing Director of EL-Kori Oy, who previously served as Chairwoman of Tapiola Corporate Life's Supervisory Board, was elected as First Deputy Chairwoman of the Supervisory Board and Marita Ruohonen, Executive Director of the Finnish Association for Mental Health, as Second Deputy Chairwoman.

The Supervisory Board of Tapiola Life held its organisational meeting on 1 June 2010 and appointed the Chairman and Deputy Chairman for the Supervisory Board. In addition, the Cooperation Committee of Supervisory Boards held its organisational meeting.

Jouko Havunen, Director of Corporate Relations at the University of Vaasa, was elected as Chairman of the Supervisory Board. Marjut Nordström, Managing Director of EL-Kori Oy was elected as First Deputy Chairwoman of the Supervisory Board, and Marita Ruohonen, Executive Director of the Finnish Association for Mental Health, as the Second Deputy Chairwoman.

The supervisory board met four times. On average, 83% of the members participated in the meetings. The salaries and remuneration paid to the Supervisory Board members, their pension commitments, money loans and terms thereof, as well as guarantees and contingent liabilities, are specified in Section 3 of the Notes to the profit and loss account.

Committees of the Supervisory Board

Cooperation Committee

The Cooperation Committee, which comprises the Chairmen and Deputy Chairmen of the Supervisory Boards of Tapiola General and Tapiola Life, held its organisational meeting on 1 June 2010 and elected Antti Lemmetyinen as its Chairman and Jouko Havunen as its Deputy Chairman.

The Cooperation Committee met ten times in 2010. On average, 90% of the members participated in the meetings.

The Cooperation Committee's Audit Committee

At its meeting held on 1 June 2010, the Cooperation Committee elected Jouko Havunen (Chairman), Juha Marttila and Marjut Nordström as members of the Audit Committee.

The Audit Committee held five meetings in 2010. On average, 93% of the members participated in the meetings.

Board of Directors

On the basis of the decision of Tapiola Life's Supervisory Board dated 1 June 2009, the members of the Board of Directors were elected for a three-year term.

Board members 2010-2012

- Asmo Kalpala, President, Chairman of the Board of Directors
- Arto Jurttila, Group Director
- Jari Saine, Group Director
- Antti Calonius, Group Director, from 1 January to 31 May 2010.
- Jari Sundström, Group Director, as of 1 June 2010.

The following people were elected as deputy Board members:

- Jari Eklund, Director
- Markku Paakkanen, Director

The Board of Directors met 16 times in 2010. The average attendance rate of members was 91 per cent. Along with their Board duties, ordinary members are responsible for the Group's services to different customer groups: private households and corporate customers, major customers and organisations, as well as banking, savings and investment customers. The salaries and remuneration paid to the members of the Board of Directors, their pension commitments, money loans and terms thereof, as well as guarantees and contingent liabilities, are specified in Section 3.3.2 of the Notes to the profit and loss account.

Managing Director

Minna Kohmo, M.Sc. (Economics and Business Administration), acted as Managing Director of Tapiola Life. Janne Pesonen, M.Sc., actuary approved by the Ministry of Social Affairs and Health, is the Deputy Managing Director. In 2010, the salaries and perquisites of the life insurance company's Managing Director totalled EUR 270,893, including merit pay on the 2009 result and on the strategy period 2007-2009 result, EUR 60,196. The management's merit pay is based on the achievement of company-specific, three-year strategic objectives (maximum 30 per cent) and on the achievement of annual objectives (maximum 40 per cent). 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

Tapiola Life is a life insurance company subject to public supervision by the 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.

Human Resources

Number and structure of personnel

The insurance companies' personnel have an employment relationship with both Tapiola Mutual Life Assurance Company and Tapiola General Mutual Insurance Company. Group services provide services to the separate legal companies of Tapiola Group, Tapiola Life provides the regional and web services and Tapiola General the head office services. The service providers and service users have signed outsourcing agreements on shared services.

The number of employees in the life insurance companies, divided between the functions in proportion to wages paid, averaged 505 (502). The number of employees in Tapiola Life Group's units averaged 161 (175).

Compensation

Tapiola Group's salary and compensation schemes are planned and prepared in cooperation with HR, financial administration and risk management services. If necessary, Hay Group Oy is used as consultants. The Supervisory Boards' Cooperation Committee decides on the Group's salary and compensation schemes, as well as the compensation for the President and members and deputy members of the Board of Directors. Otherwise, decisions are made in the companies' Boards of Directors.

The management's annual remuneration is based on the performance of the companies and elements affecting the result. The indicators are based on the official key figures. The management's strategy-based remuneration, on the other hand, consists of elements measuring solvency and growth, and here the remuneration is established using competitor comparison based on the official key figures. The remuneration is established as the product of the outcome rate of the above-mentioned elements, the maximum remuneration percentage based on the position and the annual salary. In annual remuneration, the maximum remuneration percentages vary between 20 and 70 per cent and in strategy-based remuneration, between 10 and 70 per cent.

The amount of merit pay granted to clerical employees at the head office may not exceed 7 per cent of the annual payroll, except for some experts in investments and asset management, as well as in risk management, whose maximum merit pay may not exceed 20 per cent of their annual salary. Objectives are determined on the basis of the Group's strategy, and they can be either team-specific or personal. The achievement of objectives is assessed in performance appraisal discussions. The regional organisation's salary schemes include various alternatives for rewarding performance, and their proportion of the total salary varies from a few per cent to approximately fifty per cent.

Employees in the Group's investment organisation have their own long-term merit pay model in which the merit pay is determined for a three-year period on the basis of investment returns compared to an index. Remuneration levels vary annually between 10 and 33 per cent of the annual salary.

Based on the results, annual payments are also made to Tapiola Group's personnel fund, established in 1991. This profit bonus item is mainly determined by the companies' profits in accordance with the Act on Personnel Funds. Other elements include efficiency and growth as well as service quality. The contribution made by Tapiola Life to the personnel fund was EUR 283,972.00. The payment was calculated according to a preliminary estimate and is included in the profit and loss account under "Other expenses". Cumulatively, Tapiola Group has made payments totalling EUR 29.4 million to the personnel fund during its operation.

Main events during the financial year

On 31 December 2009, Tapiola Group's life insurance operations consisted of one single mutual life insurance company serving private and corporate customers. On that date, Tapiola Corporate Life Insurance Ltd merged with its parent company Tapiola Mutual Life Assurance Company. The operational activities of the life insurance companies had already been organised at the Group level, so the merger did not have a significant effect on the operations.

A new strategy was prepared for Tapiola Group for the period 2010-2012. In the new strategy period, we will involve our owner-customers and other stakeholders even more closely in the development of their own company group's operations. The group's values and strategy were updated, and responsibility was selected as a key policy alongside customer benefits and shared success.

Tapiola Group's new headquarters in Revontulenkujä, Espoo, was completed in early 2010, and the personnel had moved into the building by May. The new building can accommodate 1,500 employees. The head office is the largest office building under one roof in Espoo. The new head office was elected Steel Structure of the Year in 2010. The Steel Structure of the Year award can be granted to a construction site in which the characteristics of steel have been skilfully utilised and which is architecturally of high quality, technologically innovative and which meets the modern requirements for functionality.

Tapiola's corporate customer businesses were centralised into one entity. Regional heads of corporate business units, as well as Tapiola General's head of corporate business operations and Tapiola Life's heads of corporate business operations, became a part of the corporate customer business. Company Group Director Jari Sundström has overall responsibility for this business area. Major Clients Services are a part of the organisation. At the same time, it was decided to rethink regional operations, which changed into a national sales and customer service operation for private customers. The 27 local areas covering the whole country were divided into three groups for which managers of business units are responsible. Managers of business units report to Ann Wahlroos-Jaakkola.

Between 1 April 2010 and 31 March 2012, Tapiola Life is participating in the University of Eastern Finland's project 'Vakuutetut vanhuuspalveluiden vaihtoehtot (VVV)' (Long-term care insurance options) and involved in the research and cooperation consortium. The research project focuses on future perspectives of elderly care covered by insurance. Its results can be used by private insurance companies, financiers, service providers and public bodies in planning and developing operational strategies and product service packages.

In 2010, significant progress was made in the development of products and processes. An example of this is the advanced electronic invoicing service implemented by Tapiola and a company providing health services. The insurance customer's treatment invoices are sent from the company providing health services fully electronically to Tapiola where invoices are processed and paid automatically. The service was implemented in the invoicing of Employee Care Cover, which is an insurance product supplementing occupational health care in companies. In the product side, new investment alternatives were launched to the customer, such as the unit-linked capital redemption contract and Tapiola-Asuntosijoitus, investing in housing markets in growth centres.

Tapiola Life has, for several years now, been actively monitoring the ongoing EU-level project for developing solvency provisions for insurance companies, called the Solvency II project, and has carried out preparatory measures in relation to it. The preparations for the Solvency II project have included the completion of a first phase related to creating an information system architecture solution and the most important parts required for implementation.

Development of legislation

Acts on long-term saving and long-term saving taxation entered into force on 1 January 2010. Thus, a new tool was created for long-time saving and deduction rights corresponding to the tax deduction right of individual pension insurance policies were granted to new long-term savings agreements.

A government bill concerning the revision of the Insurance Contracts Act (63/2009) was presented to Parliament in May 2009. In April 2010, Parliament approved the Government Bill concerning the revision of the Insurance Contracts Act (HE 63/2009) with minor amendments. The purpose of the amendments was to eliminate ambiguities and problems that had come up in the practical application of the Insurance Contracts Act. It did not include significant reforms involving the principles of the Act. The amendments took effect on 1 November 2010. The scope of application of the Insurance Contracts Act was extended to apply as a rule to all lines of insurance except for reinsurance

and statutory insurance. The mandatory nature of the provisions of the Act was also extended. For example, housing companies and most non-profit-making associations are now covered by the mandatory protection. An obligation was imposed on the insurer to state the reasons for its decision to reject an insurance application or terminate an insurance policy. The reasons must comply with legislation and good insurance practices. Insurance companies' obligations to provide information were revised, particularly as regards unit-linked insurance policies. Moreover, specifications were made to the regulations on group insurance, beneficiary clauses, amendment of the terms and conditions of life insurance policies, distraint of a right held under life insurance, as well as the expiry of the right to compensation and the period for taking legal action.

The predecessor of the International Accounting Standards Board (IASB) launched an insurance accounting project in 1997. The decision to develop an **insurance accounting standard** was made because there was no previous IFRS standard on insurance contracts, and insurance contracts were left out of other key standards (e.g., financial instruments and intellectual property rights). The recording methods for insurance contracts vary greatly and are often different from those applied in other fields of business. The project concerns accounting principles from the points of view of both the policyholder and the insurer. In May 2007, the IASB published a Discussion Paper for comments to be submitted by mid-November 2007. The IASB began the analysis of the comments received in the first quarter of 2008. In October 2008, the US Financial Accounting Standards Board (FASB) decided to participate in the project. A draft standard (Exposure Draft, ED) was published on 30 July 2010, and the period for the submission of comments to the IASB ended on 30 November 2010. The IASB aims to publish the final standard in June 2011.

Corporate social responsibility

At Tapiola, responsibility is a part of the Group's strategy and policies, and it is based on the Group's common values: customer benefits, shared success and making responsibility an everyday issue. As a company form, mutuality places special requirements for openness and responsibility on Tapiola, since the company's customers are also its owners. In its operations, Tapiola aims for sustainable solutions, transparency and continuous improvement.

Tapiola's goal is to be the forerunner in responsible business operations in the Finnish insurance and financial sector and to exceed legal requirements concerning corporate responsibility in its operations. In order to achieve this goal, Tapiola has defined responsibility commitments to customers, personnel, the environment and society, which guide its operations.

In accordance with its responsibility commitments, Tapiola promises to provide clear and comprehensible information about its products and services. Listening to customers is important, which is why customers will be involved even more closely in the development of the company's operations. Supervisors at Tapiola are encouraged to take a responsible approach to management and personnel to assume personal responsibility. Tapiola promises to decrease its environmental footprint by various means, such as encouraging the use of online services and developing work methods. Furthermore, Tapiola wants to promote societal responsibility in its activities. Taking care of the company's solvency supports social stability. Promoting financial literacy in society is also important for Tapiola.

Tapiola is committed to the ICC Business Charter for Sustainable Development. Through the Federation of Finnish Financial Services, Tapiola is a participant in the climate commitment of Nordic companies in the sector. Tapiola Group's head office operations have joined the Green Office Environmental System of the WWF.

Tapiola Group has reported on the realisation of its responsibility commitments and the development of responsible business operations in its annual report 2010, Making Responsibility an Everyday Issue. It is available online at www.tapiola.fi/vastuullisuus.

Future prospects

Life Insurance

In 2011, the systematic work will continue to improve savings life and term life insurance services so that they better serve our customers' needs as regards coverage for their economy and health. We will particularly focus on customer-oriented business skills. Despite the challenging economic environment, solvency has remained at a good level, and the company will focus on profitable increase in volumes both in term life and savings life insurance. Excellent customer-driven service is subject to continual improvement, utilising the Group's synergies.

The principles of mutuality and responsible business are the cornerstones for Tapiola's business development. The income enhancement programme aiming at cost management will continue in 2011. Tapiola Life's long history and good reputation as a responsible and financially sound player ensure excellent conditions for business in the continually challenging economic situation.

In order to meet the requirements of the Solvency II Directive on new solvency regulations for insurance companies in the EU, Tapiola Life will need to invest significantly in improving solvency and risk management in the coming years. A technical infrastructure was created in the 'Internal business models' project, which ended in March 2010. The technical processes of Solvency II will be built on this infrastructure. After the project, further preparations for the Solvency II project were started and the project plan for the 'Life insurance' sub-project for 2011–2013 was completed in May 2010.

Investments

Tension between the short-term outlook for developed countries and the long-term structural problems is on the increase again. Cyclical recovery may even strengthen during the first half of 2011. In particular, confidence in the US economy's outlook in the near future has clearly increased. Growth is supported by President Obama's decision to continue with his predecessor's tax cuts, as well as the strong stimulus policies of the US Federal Reserve. Moreover, growth of consumer demand is strengthened by the slowdown in the increase of household saving level. There are, however, still several factors creating uncertainty. In the US, housing market recovery has come to a halt, unemployment is still at an intolerably high level and underlying inflation is falling dangerously low. In Europe, the biggest risks are political and connected with upholding the credibility of the monetary union.

The further the year progresses, the more developed countries' structural problems will begin to weigh down growth opportunities. For countries with a trade balance deficit, balancing of the economy requires the improvement of competitiveness, as well as a rise in overall saving level so that investments in productivity can be financed internally. A lasting solution to the problems relating to government debts, on the other hand, requires cost cuts, tax increases and efficiency-improvement measures in public service provision. The restoration of budget discipline will begin to reflect on developed countries' growth prospects during the second half of 2011 at the latest.

In many developing economies, especially in China, the greatest pressure for change is on the demand structure of the economy. Economic growth cannot continue to build as strongly on net exports and investments; instead, the focus has to move towards the growth of domestic consumer demand. Structural changes do not happen overnight, and the growth of the economy will probably also drop in developing economies.

Inflation pressures are still low in developed countries. However, inflation may accelerate because of an increase in energy and raw material prices, as was the case in 2007–2008, or eventually as a result of possible tax increases.

Since the leeway in financial policies has largely been used up, economic recovery is almost entirely dependent on Central Bank policies. The ECB is not likely to raise interest rates until the very end of 2011 at the earliest. As regards the foreseeable trends for the nominal gross domestic product, there are still no bases for a significant rise in interest rate levels. In Europe, the basic problem of government

bond markets is, however, that the return levels of countries considered safe are very low, whereas risks have not decreased sufficiently in the high-return countries.

The equity market outlook for the near future is boosted by the possible recovery of US economic growth and moderate valuation levels – particularly compared to the low interest rate. The structural problems of the global economy and Europe's political risks will, however, sustain uncertainty and increase the possibility of sharp corrective moves.

In 2011, the return requirements on Finnish real estate investments are expected to decline slightly in the Helsinki metropolitan area. The volume of real estate investments is expected to turn slightly upward after a slack period of two years. Many investors continue to find it difficult to secure financing, although investors with good financial standing do already obtain financing at reasonable terms for sound projects. The biggest risks concerning the real estate market in 2011 are associated with the crisis of the euro and general economic stability. In the Helsinki metropolitan area, the rentability and saleability of old commercial properties, in particular, continues to be challenging, and vacancy rates are expected to remain high. Domestic and foreign investors are expected to become more active in the market.

In the European real estate market, return requirements are expected to continue to decline slightly, particularly in the key submarkets. In 2011, the strongest growth prospects in real estate markets are in France, Germany and, of the Nordic countries, particularly in Sweden and Finland. In these challenging times, the crisis in the euro-zone and the significant public-sector stimulus will be evident particularly in the real estate markets of Greece, Spain, Portugal and Ireland. The biggest risks concerning the real estate market are associated with the crisis in the euro-zone and the sustainability of economic growth.

The accounts of Tapiola Mutual Life Assurance Company 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, have been complied with, as well as the decisions, regulations and instructions issued by the authorities regulating insurance companies, the Ministry of Social Affairs and Health and Financial Supervisory Authority.

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 in the balance sheet at cost less planned depreciation.

Valuation and allocation of investments

Real estate and shares in real estate

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

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

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

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

Shares and holdings

Shares and holdings are stated at the lower of cost and current value. Acquisition cost is calculated using the average price method. Previous value adjustments of shares and holdings are readjusted to the extent that the current value exceeds the book value.

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

Debt securities

Debt securities include bonds and other money market instruments. Debt securities are stated at cost in the balance sheet. Acquisition cost is calculated using the average price method. The difference between the nominal value and acquisition cost of debt instruments is released or charged to interest income during the term to maturity. The counter-item has been entered as an increase or decrease of the acquisition cost of the debt security. Value adjustments owing to interest rate fluctuations have not been recorded. Write-downs arising for other reasons have been recorded, as have value readjustments, if the current value of a debt security has, at a later date, exceeded the adjusted acquisition cost, at most up to the original acquisition cost.

Loans, deposits and deposits with ceding undertakings

Loans, deposits and deposits with ceding undertakings 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.

A change was made to the accounting of derivative contracts as of 1 January 2010, which changed the content of profit and loss account items. The figures for the comparison year have been made comparable.

Non-hedging derivatives

A negative difference between the current value and higher book value of a non-hedging derivative or a derivative treated as non-hedging is entered as an expense. Unrealised gains are not recognised. 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 current 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 current value in the balance sheet.

Valuation of receivables

Premiums receivable

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

Foreign currency items

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

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

Depreciation

Acquisition costs of buildings and their components, equipment, intangible rights and long-term expenditure have been capitalised and are entered as expenses under planned depreciation over their expected useful lives.

The estimated average depreciation periods of the various commodity groups are as follows:

Intangible assets	
Renovations in apartments	5 yrs
IT system design expenses	5–10 yrs
Real estate	
Residential, office and hotel buildings	40–50 yrs
Department store buildings and other store buildings	30–40 yrs
Industrial buildings, warehouses, and similar buildings	20–30 yrs
Building components, reducing balance method 25%	
Equipment	
Office machinery, equipment, etc., reducing balance method, 25%	

The effect of renovations in buildings on their lifetime is assessed separately.

As regards revaluations released to income, depreciation has been carried out according to the expected useful life of the item in question.

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

Accumulated appropriations

Depreciation difference

See “Depreciation”

Voluntary provisions

Provisions have been made that must be recognised 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 current 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.

Other liabilities

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

Definition of current value of investments

Real estate investments

Real estate and shares in real estate are stated at market-based current values. The valuation principles and practices as set out in the International Valuation Standards (IVS) and good real estate valuation practices (so-called 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 current 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 Tapiola Real Estate Ltd's experts, instructed and audited by an external authorised property valuer in accordance with the requirements of the Financial Supervisory Authority.

Shares, holdings and debt securities

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

Loans, deposits and deposits with ceding undertakings

The current 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%. 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%, 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%. A rate of 2.5% 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 after 31 December 2004. As for individual life and pension insurance policies granted in and after 2005, the technical interest rate has been 1.5%.

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.

Tapiola Mutual Life Assurance 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 Tapiola Mutual Life Assurance Company and Tapiola Corporate Life Insurance Ltd is to offer an overall return on insurance savings entitled to distribution of surplus, before taxes and expenses, which exceeds the interest rates of euro-zone 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. For risk insurance policies, the principle of reasonability is followed such that the portion of the risk premium surplus not reserved for risk premium fluctuations is returned to the customers in the form of premium reductions or free 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 when deciding the amount 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 by allocating part of the investment returns of 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 1999–2010

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 1999–2010 and not just for 2010. As regards 2010, 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 1999–2010 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 1999–2006, and the euro-zone government bond yield index with maturities of 5 and 10 years published by the European Central Bank was used in 2007–2010. 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 2010 and 1999–2010. It should be noted that, due to the large number of different contract types, this is not a fully comprehensive study on overall interest rates from the point of view of each single insurance contract. The annual bulletins sent to policyholders clarify in detail the level of the technical rate of interest and customer bonuses for each contract.

Study on overall interest rates on insurance savings for each line of insurance in 1999–2010

Individual pension insurance policies

In 2010, the overall interest paid on insurance savings in individual pension insurance policies averaged 3.5% and ranged from 2.8 to 4.5 per cent depending on the product and technical rate of interest. The overall interest paid on all products exceeded the target 10-year interest rate, which averaged 3.2% in 2010.

Technical rate of interest	Customer bonus	Overall interest
4.5 %	0.0 %	4.5 %
3.5 %	0.0 – 0.2 %	3.5 – 3.7 %
2.5 %	0.3 – 1.2 %	2.8 - 3.7 %
1.5 %	2.4 %	3.9 %

The following image shows the overall interest rate of individual pension insurance policies in relation to the target rate for the years 1999–2010. The overall interest rate exceeded the target rate in all years.

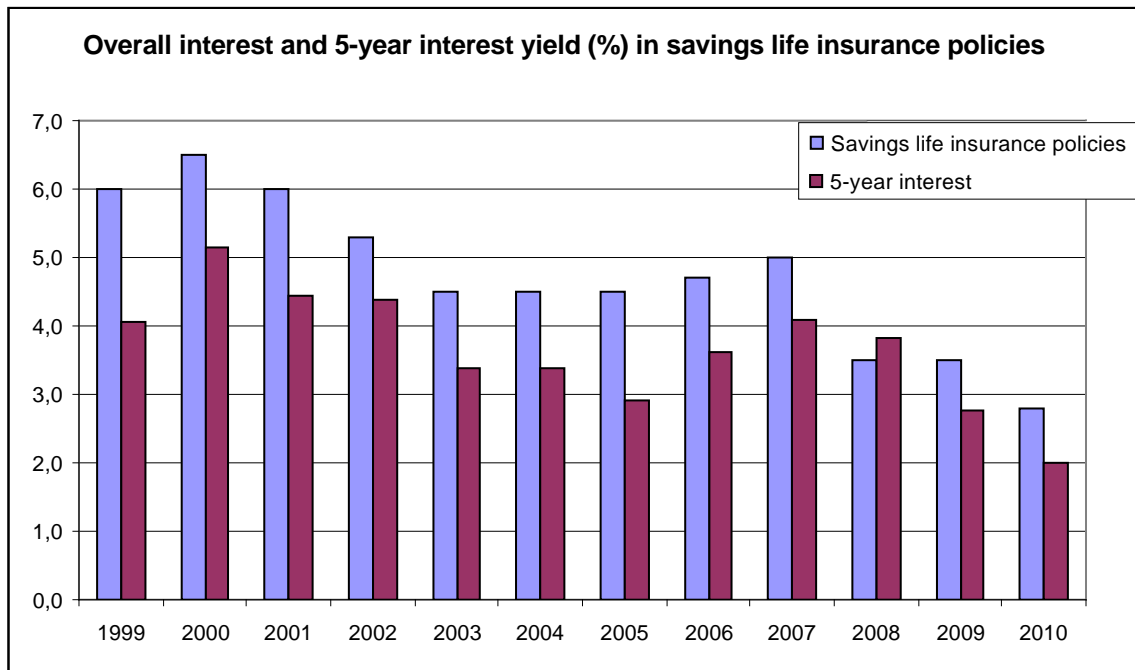


Savings life insurance policies and capital redemption contracts

In 2010, the overall interest paid on insurance savings in savings life insurance policies ranged from 2.8 to 4.5 per cent, depending on the product and technical rate of interest. The overall interest paid on all products exceeded the target 5-year interest rate, which averaged 2.0% in 2010. In capital redemption contracts, the overall interest paid for 2010 was 3.9%, which corresponded to the interest income of the maturity determined by the contract length on the date the contracts were granted.

Technical rate of interest	Customer bonus	Overall interest
4.5 %	0.0 %	4.5 %
3.5 %	0.0 %	3.5 %
2.5 %	0.3 – 0.7 %	2.8 – 3.2 %
1.5 %	1.8 %	3.3 %

The following image shows the lowest applied overall interest rate of savings life insurance policies in relation to the target rate for the years 1999–2010. 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.



Group pension insurance policies

In 2010, the overall interest paid on insurance savings in group pension insurance policies ranged from 3.5 to 4.25 per cent in the case of Etueläke insurance policies and from 3.6 to 3.8 per cent in the case of TOP pension insurance policies. The overall interest paid on all products exceeded the target 10-year interest rate, which averaged 3.2% in 2010.

Technical rate of interest	Customer bonus	Overall interest
4.25 %	0.0 %	4.25 %
3.5 %	0.0 - 0.1 %	3.5 – 3.6 %
2.5 %	1.3 %	3.8 %
1.5 %	2.3 %	3.8 %

The following image shows the lowest applied overall interest rate of group pension insurance policies in relation to the target rate for the years 1999–2001. On average, the overall interest rate exceeded the target 10-year interest rate in the period in question. However, in 2000 and 2008, the interest rate remained slightly under the target. This was due, for example, to the additions made due to the decrease in mortality and interest rate.



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

The personnel's statutory pension cover has been arranged through basic Employees Pensions Act (TyEL) insurance taken out from Tapiola Mutual Pension Insurance Company and supplementary cover from Tapiola Mutual Life Assurance Company, in which the benefits include old-age, disability and survivors' pension, as well as death benefit for family members. The supplementary pension increases the pension annually by approximately 0.2 per cent of the annual income defining the statutory earnings-related pension. Employees are entitled to the additional benefit after a five-year employment relationship. The supplementary pension encompasses the entire period of the employment relationship.

The retirement age of the members of the Board of Directors is 60, or the general retirement age, i.e. 63–68 years. The retirement age of the managing director is 63 years. The retirement age 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 Tapiola Mutual Life Assurance Company.

Pension insurance contributions have been recorded on an accrual basis.

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

Tapiola Corporate Life's merger with its parent company Tapiola Life

Tapiola Corporate Life Insurance Ltd merged with its parent company Tapiola Mutual Life Assurance Company in accordance with the plan approved on 1 June 2009 by the Supervisory Boards and on 9 June 2009 by the Boards of Directors of both companies. An extraordinary shareholders' meeting of Tapiola Mutual Life Assurance Company was held on 14 October 2009. The subsidiary merger of Tapiola Corporate Life Insurance Ltd with Tapiola Mutual Life Assurance Company was approved at the meeting. The Financial Supervisory Authority approved the merger on 16 November 2009.

The merger profit has been recorded in Tapiola Life's profit and loss account under "Other returns".

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

Associated companies, 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 current value. The consolidation goodwill will be amortised according to plan, in line with other assets. Unallocated consolidated goodwill is recorded in the balance sheet under "Intangible assets" as a separate item and will be amortised according to plan 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.

1. TAPIOLA GROUP'S GENERAL RISK MANAGEMENT PRINCIPLES

Tapiola Life complies with Tapiola Group's risk management policy, which describes as procedures the common principles applied permanently to the organisation of risk management in Tapiola Group.

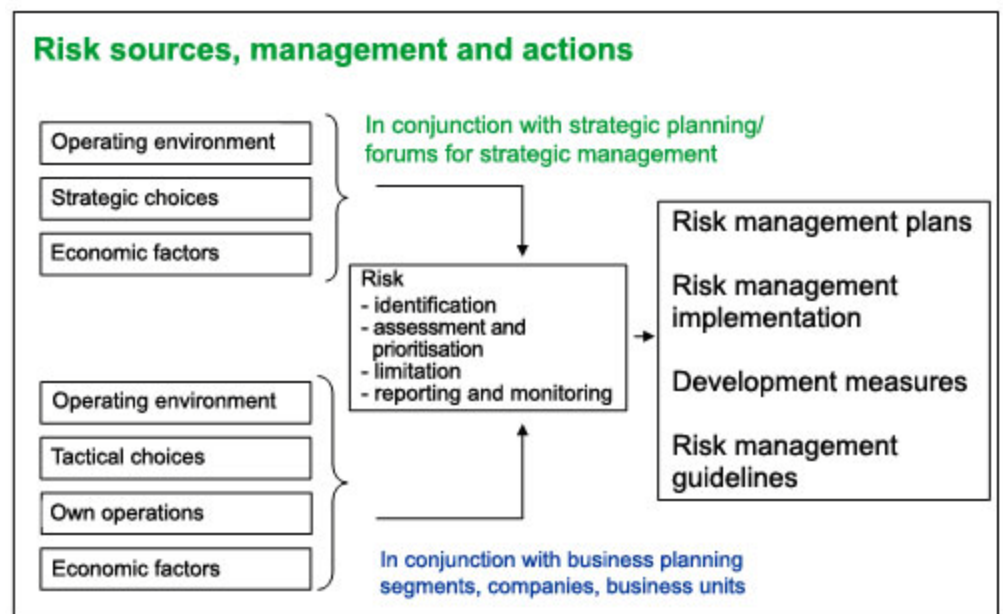
1.1 Basis for risk management

Tapiola's risk management is based on risk management concepts, purpose, strategic intent and the willingness to take risks defined by Tapiola, as well as official regulations. The aim is to ensure the continuity of customers' financial security and support the achievement of the Group's operational and financial targets. Good solvency is essential for Tapiola because it is a mutual company.

Tapiola's aim is to manage risks in a comprehensive manner as part of its strategic and operational business planning. Risk management must be extensive and organised in such a way that the risk linkages between customer segments, companies and other operations are clear and unambiguous, and the causality and significance of risks are identified.

In comprehensive enterprise risk management, risk management is linked to the company's strategic, financial and operational goals. Instead of individual operations and the risks involved therein, risks are viewed from the perspective of the entire company. The key goal for risk management is the optimisation of the total financial and operational benefit using risk management methods.

TAPIOLA Comprehensive enterprise risk management at Tapiola



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

- Risk-taking supports the financial and operational realisation of the strategy and operational plans.
- Risks do not threaten the operations of an individual company, function, or

group, or economic stability.

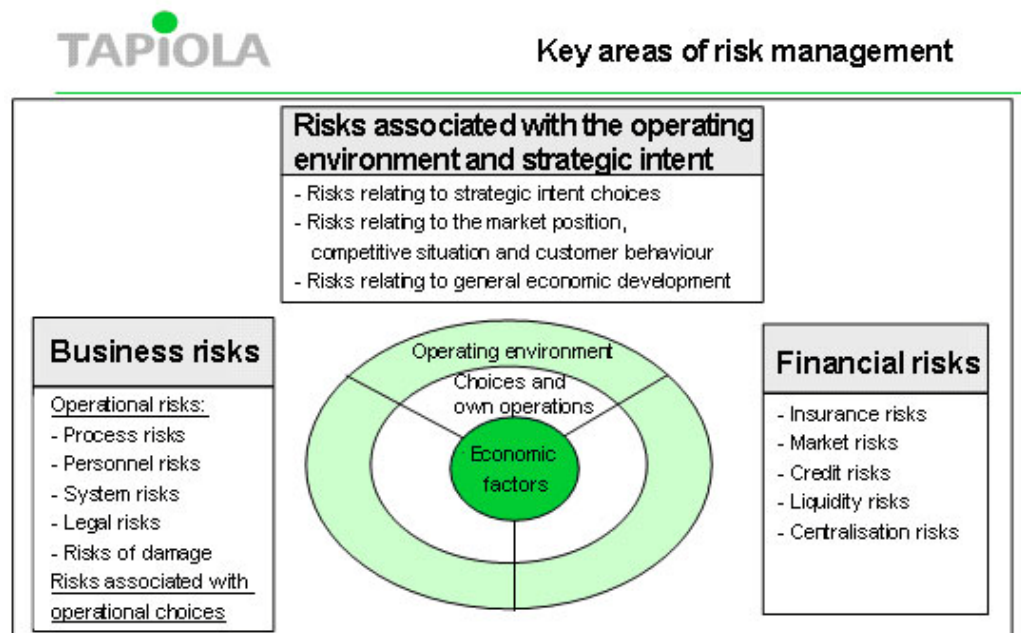
- Tapiola Group companies and functions remain within the risk limits specified for them.
- The effects of risks on all parts of the organisation can be identified.
- Risk linkages between the various parts of the Tapiola organisation are clear.

In accordance with the principles of corporate responsibility, Tapiola manages its risks and communicates on them in such a way that customers and other stakeholders can rely on Tapiola as their partner.

1.2 Key areas of risk management

Tapiola Group's insurance, banking and asset management operations' risk classification uses the following general categorisation:

- Risks associated with the operating environment and strategic intent
- Financial risks
- Business risks



Risks associated with the operating environment and strategic intent include

- Risks related to strategic intent and choices
- Changes in the market position, competitive situation or customer behaviour
- Risks related to general economic development

Financial risks mainly consist of insurance, market, credit, liquidity and concentration risks. The content of these sub-risk categories varies between the insurance, banking or asset management operations.

- Insurance risk refers to the risk associated with insurance contracts, which results from customer and risk selection and the risk related to the adequacy of technical provisions.
- Market risk is caused by fluctuations in market values or risks and is the result of changes in financial variables, such as interest rates, share prices,

- exchange rates or the value of real estate.
- Credit risk is related to counterparty insolvency or other negligence in fulfilling contractual obligations, or to changes in counterparties' credit ratings.
- Liquidity risk means that a company does not have sufficient liquid assets to fulfil its future obligations or that making assets liquid is only possible at extra cost.
- Concentration risk means that, on a company or company group level, a significant share of assets, liabilities, off-balance-sheet commitments and/or customer risks are concentrated in one counterparty or an entity consisting of the same counterparties.

Business risks are divided into operational risks and risks relating to practical operational choices. 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. Risks relating to operational choices include risks associated with various business change situations (e.g., the introduction of a new product or service, changes in delivery channels).

1.3 Risk management implementation and supervision responsibilities

Overall responsibility for the organisation of risk management lies with the companies' Boards of Directors. The Boards determine the risk management targets, limits for risk taking, responsibilities, indicators and monitoring principles for each activity. The Boards annually confirm the companies' risk management plans, ensure that they are taken into account in the operational plans and monitor compliance with the risk management plans. The Boards also monitor on a regular basis the status of risk management in their respective companies and the development of key risks.

The managing directors and other executives of the companies are responsible for the practical preparation, implementation and monitoring of the companies' risk management plans. The rules of procedure of the Segment Management Groups, companies' Management Groups and various committees related to risk management define the duties of these organs in risk management and supervision. Business units must recognise and analyse risks threatening their operations and goals in connection with both strategic and annual planning and daily activities. Business units are responsible for risk management activities relating to their operations.

All Tapiola 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 a party other than the one responsible for operational activities. The various parties associated with risk management (e.g., the actuary, risk management, financial, controller, compliance and investment operations) assist the companies' management and Boards of Directors in the practical implementation of risk management supervision and risk monitoring.

Internal Audit supports the companies' management and Boards of Directors in the implementation and development of supervision 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.



Three levels of risk management

Level 1	Business management, Business units	The aim is to manage business risks in compliance with legislation and Tapiola's operating policies.
Level 2	Actuaries, Compliance operations, Controller network, Financial Services and centralised risk management operations	The aim is to support the business in implementing the risk management process, and to develop Tapiola's risk management capacity. The aim is to monitor and report to the Boards of Directors and management that the risks and solvency position comply with legal requirements and Tapiola's targets.
Level 3	Internal audit, Audit Committee, Auditors	The aim is to ensure the operation of the risk management process in compliance with legislation and Tapiola's operating policies.

1.4 Reporting

The aim of reporting is to produce reliable, comprehensive and up-to-date financial information to support 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 of the calculation methods and systems used in reporting and the organisational separation of decision-making and reporting functions within businesses.

The rules of procedure of the companies' Boards of Directors, Management Groups, Investment Management Group 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.

"Close calls" or significant risks that have occurred must be reported to the next higher-level party responsible for risk management and, if necessary, to the Board of Directors.

2. SOLVENCY MANAGEMENT

2.1 General principles of solvency management in the Tapiola General financial and insurance conglomerate

Solvency management is a part of Tapiola General's comprehensive risk management concerning the conglomerate (Tapiola Group) referred to in the Act on the Supervision of Financial and Insurance Conglomerates. The objective is to ensure that the amount and quality of capital is sufficient so that operations can also be continued in the event of unexpected losses. Solvency management is based on a proactive and comprehensive approach, which builds on strategic and operational plans. Because Tapiola is a mutual company, solvency management emphasises good solvency to ensure the financial security of customers at all times. This ensures that the Tapiola Group companies can proactively carry out measures that either reduce business risks, and consequently reduce the risk of additional losses, or that improve business profitability and thus strengthen the solvency position. Such measures include:

- making the investment allocation less risky with active or passive measures
- increasing reinsurance
- specifying risk selection and enhancing risk premium pricing
- reducing expenses/improving cost-effectiveness.

The Boards of Directors of Tapiola General and Tapiola Life have overall responsibility for the organisation of solvency management in the Tapiola Group. The principles of solvency management are defined in a plan approved by the companies' Boards of Directors in order to maintain the solvency of the Tapiola conglomerate. Solvency management is based on effective legislation on solvency. Requirements are set for Tapiola Group by the Act on the Supervision of Financial and Insurance Conglomerates, for insurance companies by the Insurance Companies Act and for financial companies by the Acts on Credit Institutions and Investment Services. In addition, solvency management takes into account the internal solvency objectives for Tapiola Group and its companies, as well as the new solvency requirements for insurance and finance companies (Solvency II and Basel III) currently under preparation.

In addition to fulfilling the requirements and objectives concerning solvency, the goal is to arrange the supervision and management of solvency in compliance with the following principles. Solvency supervision and management

- covers all material risks related to business and the operating environment,
- takes into account the strategic and operational plans, while also influencing strategic and operational target-setting,
- covers both the short and long term,
- applies to operations under normal conditions, as defined in business plans, and in extraordinary situations.

The solvency of Tapiola Group 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. The scenarios include alternative development paths for the economy and investment markets. The impact of market risks on the solvency of Tapiola

Group and its insurance companies is monitored and managed with the Asset and Liability Committee's monthly (or, if required, more frequently issued) market risk report (see the section on Market risk management). In addition, the main business risks and risks related to the operating environment and strategic intent are identified and the probability of their occurrence and the significance of potential occurrence to Tapiola Group and its companies is assessed in connection with strategic and annual planning.

2.2 Development of risk management in preparation for Solvency II

The ongoing Solvency II EU project aims at reforming the solvency system of insurance companies. The project concerns life insurance and non-life 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. According to current estimates, the system will come into force as of the beginning of 2013. In the Solvency II project, the development of new quantitative solvency requirements dependent on a company's specific risk profile are 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 supervising bodies.
- Pillar 3: Requirement to communicate on solvency and risk.

Tapiola has actively participated in the discussion about the content of Solvency II on various forums through AMICE, an international organisation promoting the interests of mutual companies, the Federation of Finnish Financial Services and through actuary organisations. In addition, Tapiola Life has participated in the Solvency II quantitative impact studies (QIS). In these studies, a significant proportion of the insurance companies in the EU have been testing different alternatives for the solvency requirement under Pillar 1. On the basis of the results, Tapiola General's insurance conglomerate clearly meets the solvency requirements under preparation.

As a part of the preparations for Solvency II, a comprehensive enterprise risk management development project was launched at Tapiola in 2006. During this project, the conglomerate's companies' internal business models were developed, which will enable better management and utilisation of the financial risks of insurance operations. In addition, the risk management organisation and administration have been developed and enhanced in this project. The enterprise risk management (ERM) Committee monitors and supervises the risks and solvency of Tapiola Group and its companies and is in charge of developing their risk management. Tapiola Group's Asset and Liability Committee (ALCO) is responsible for managing and supervising the insurance companies' balance sheet risks and reporting on them to the Board of Directors. In 2010, an actuary and risk management unit was established, which assists Tapiola Group's Boards of Directors and management in the development and implementation of comprehensive risk management.

The preparation of Tapiola's actual Solvency II project was started in the spring of 2010 and the project plan was approved in the project's management group in November 2010. The project has been scheduled for the years 2011–2013,

and it focuses on four elements: Tapiola Life, Tapiola General, Investments and Balance Sheet Management, and the Group. 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 risk-based business planning, information management, accounting and reporting to meet the needs of Solvency II and risk-based business planning, as well as change management when moving to Solvency II and more risk-based business planning.

During the transition from the current insurance company solvency requirements (Solvency I) to Solvency II, solvency management will be extremely challenging, especially because the effect of the interest rate on the solvency position of Tapiola Group's insurance companies will change. Moreover, the treatment of equalisation provisions, discounting of technical provisions and discretionary bonuses, among other things, may give a very different picture of the solvency position of an individual insurance company or the entire Group in Solvency I compared with Solvency II. Tapiola's solvency management policies currently focus on Solvency I, which is valid at the moment. However, as we come ever closer to adopting Solvency II, it will be necessary to assess the solvency of each individual insurance company and the conglomerate in accordance with the solvency requirements of both systems. In 2011, the aim is to include Solvency II indicators in solvency monitoring and management.

3. INSURANCE OPERATIONS RISK MANAGEMENT

Tapiola Life's insurance operations risks are market risks associated with investments and insurance risks in life insurance. 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, longevity and morbidity, as well as the customer-related risks of termination of contracts and premiums.

3.1 Insurance 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 for 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 the correct proportion to the company's solvency and by reinsuring liabilities exceeding deductibles and cumulative damage arising from natural catastrophes. Catastrophe risks have been covered by catastrophe reinsurance through a catastrophe pool. Risk selection is carried out using generally accepted guidelines for life insurance. In addition, financial underwriting is performed in order to confirm that there is an insurable interest.

3.1.3 Technical provision

The technical interest rate used in calculating the technical provisions with guaranteed return varies between 1.5 and 4.5 per cent. The mortality table used for life insurance and individual pension insurance is the E87 from 1987.

3.1.4 Quantitative information about technical provisions

The tables below show the structure of technical provisions.

STRUCTURE OF TECHNICAL PROVISIONS

2010	EUR million	share
Technical provisions with guaranteed return	2 272.4	78.5 %
Life insurance	643.1	22.2 %
Pension insurance	1 366.9	47.2 %
Additions to lower the technical interest rate in pension insurance	148.8	5.1 %
Provisions for future additional benefits	50.9	1.8 %
Equalisation provision	62.7	2.2 %
Technical provisions for unit-linked insurance	621.3	21.5 %
Life insurance	284.6	9.8 %
Pension insurance	336.7	11.6 %
Total technical provisions	2 893.7	100.0 %

3.2 Risk management

3.2.1 Bases and operating principles

The aim of Tapiola Life Group's investment operations is to secure its solvency and maximise returns with a managed risk position. 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 requirements. In the long term, investment returns must exceed the total return targets required by the customer bonus policy. Investment operations aim to reach a high and stable return in the long term in all conditions while avoiding the risk of losing capital.

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

3.2.2 Organisation of market risk management

Tapiola General established an Asset and Liability Committee (ALCO) in 2007. The Committee is an expert body which manages and monitors 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. At regular intervals, ALCO prepares a proposal to the Board of Directors on strategic market risk-taking and the associated limits. The limits cover both investment price and interest rate risks, as well as the characteristics and requirements of the technical provisions. ALCO monitors the defined risk limits as well as the results of risk-taking.

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 Investment Control Committee includes the investment manager, the managing directors of the insurance companies, the actuarial managers and members appointed from among Tapiola Group by the Board of Directors.

The ERM Committee reports to the Board of Directors on the organisation of risk management and the monitoring of solvency.

Compliance with investment guidelines is monitored by internal audit.

3.2.3 Risk management processes

The risk management process is based on instructions (investment plan, derivatives policy and the Balance Sheet Management Committee's investment plan frameworks), monitoring their implementation in operations, regular risk reporting and self-assessment.

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 in all market conditions, both within and between instrument categories. The diversification principles apply to different 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.

As regards derivatives, a more detailed policy approved by the Board of Directors is used. The policy defines the principles governing the use of 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 and related risks, as well as to ensure compliance with the operational principles defined in the investment plan.

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 two separate systems. One is the current solvency practice (Solvency I) and the other is the Solvency II solvency framework, which is expected to come into force at the beginning of 2013. Furthermore, solvency is monitored in compliance with the solvency regulations applied to conglomerates. In the short term, the current solvency practice is the more significant and limiting system.

The most significant change in solvency calculation will be that, under Solvency II, in addition to assets, technical provision will also be valued in market terms at current value. Hence, the value of technical provisions will be particularly dependent on interest rate levels, and the significance of interest rate risk management will increase. The company has monitored its solvency in accordance with Solvency II in the reporting currently required by the authorities (life insurance companies' proactive supervision and quantitative impact studies) since the beginning of 2008. Extensive projects are underway within the company to develop internal Solvency II models to meet the needs of both risk management and business operations.

The basis for market risk management is that the company's solvency is secure for the coming twelve months with sufficient probability. The risk of investment value changes is continuously monitored with a probabilistic model that is based on historic investment value fluctuation and the correlation of value changes between different investment classes. The risk is monitored by using both long term average values for volatility and estimated key risk figures from a shorter period of time.

When necessary, investment operations are controlled more tightly in accordance with the so-called traffic light principle, based on continuous market risk monitoring. A green light signifies a situation where asset managers are allowed and able to operate in accordance with the normal investment plan limits. A yellow light signifies a situation in which any increases in investment market risks or 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 signifies a situation when the balance sheet risks are too high and risk reduction measures are required. In the yellow and red light risk positions, tightened limits for investment risks, as well as possible risk reduction measures, are defined. The total risk is defined in such a manner that the solvency margin will remain at a secure level, also in the event of any of the risks occurring.

3.2.5 Quantitative information on the risk structure of the investment portfolio

An investment sensitivity analysis that describes the impact of changes in the values of instruments at the closing of the accounts on solvency capital.

	31.12.2010	Impact of change		
		Share quotations -20%	Value of real estate -10%	Interest level +1 percentage point
Solvency capital				
EUR million	428.8	-116.2	-67.1	-109.0
Solvency ratio, %	18.1	-4.9	-2.8	-4.6
Return on investment, %	4.9	-4.6	-2.7	-4.3

4. Business risk management

4.1 Definition of risks

Business risks are divided into operational risks and risks relating to practical operational choices. 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. Risks relating to operational choices include risks associated with various business change situations (e.g., the introduction of a new product or service, changes in delivery channels).

4.2 Risk management processes

Using a standard risk assessment procedure, business risks are mapped and assessed as part of the annual planning process and whenever the risk situation changes significantly. Mapping is done from the point of view of both the Group's organisation structure (customer segments, companies, Group services) and, separately, risk areas of particular importance (such as law, information security and security).

In this procedure, 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 which can 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. Risk management activities identified in the mappings are included as part of the annual and periodic plans of the various business units.

"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.
- help improve and correct our working methods, processes and information systems.

Risk events are monitored at unit level. The Group's risk management services create a quarterly summary report for 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 (contingency planning). 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 planning is to prevent the occurrence of disruptions

and crises threatening business operations, as well as to facilitate the management of these emergencies and their consequences.

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

- process risks
- systemic risks
- legal risks
- security risks
- information security risks
- project risks
- insurable risks (own insurance cover)

4.3 Description of material business risks

Material business risks are often connected with the disturbance-free functioning of information systems, the reliability of business processes that are visible to the customer, as well as 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.

4.4 Changes during 2010 and expectations for 2011

In 2010, business risk management has been developed within the Group in the following ways, among others:

- the efficiency of managing risks occurred and 'close calls' has been improved: company Group-level guidelines have been drawn up for the management of events, and the events are reported on a quarterly basis to the companies' management groups, the Group's risk management group and Board of Directors.
- preparedness for unexpected changes in the operating environment has been enhanced
- guidelines for the management of changes in business operations (taking into use of new products and services) have been developed
- preparedness for information security and security risks has been enhanced

In 2011, business risk management will 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 strategic intent

5.1 Definition of risks

Risks associated with the operating environment and strategic intent include

- Risks related to strategic intent.
- Changes in the market position, competitive situation or customer behaviour.
- Risks related to general economic development.

5.2 Risk management processes

Significant risks related to the operating environment and Tapiola's strategic intent are identified and the probability of their occurrence and the significance of potential occurrence are assessed in a thorough manner in conjunction with the strategy process every three years. This assessment is updated every autumn, along with the assessments of business and financial risks. This is undertaken through self-assessment that covers the Tapiola Group of companies, customer segments and the so-called supporting strategies. The procedure is carried out in accordance with the strategy process's responsibility allocation and order of implementation.

To reduce the risks identified and to utilise opportunities, risk management actions are planned and introduced by those responsible for the strategy process of Tapiola Group, the customer segments and the companies. The actions are implemented in Tapiola Group's annual and periodic programmes. Progress is measured at least twice a year.

5.3 Description of material risks associated with the operating environment and strategic intent

The biggest risks concerning the operating environment were associated with the uncertainty of global economic development. This was a consequence of both 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 insurance and banking sectors are very centralised, and competition focuses mainly on loyalty benefits and service fees. As a repercussion of this, the intensity of competition may become unbalanced and alternatives limited in the markets. Competition was also strongly guided by the aim of expanding the selection of supplementary services through networks.

Tapiola'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. A possible risk may arise from the bases and benefits of mutuality being insufficiently well known in the markets.

5.4 Expectations for 2011

Expectations for risks in 2011 are very similar to those in 2010. Uncertainty is likely to continue to prevail at a global level and competition is likely to be increasingly centralised, partly due to possible structural changes of competitors.

An increasingly visible trend which may represent a new operating environment risk involves private preparedness. This has so far been considered an essential part of social security as a whole and has been based on insurance. However, it will soon be limited or directly forbidden by legislation. Instead of insuring against risks by means of life insurance, this will lead to a situation where citizens will be less able to acquire financial security by themselves.

1) GENERAL KEY FIGURES DESCRIBING FINANCIAL DEVELOPMENT

1.1 Turnover =

Life insurance turnover:

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

1.2 Operating profit or loss and overall result

Life insurance company's performance analysis

Premium income

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

Claims paid

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

Operating expenses

Other technical income and expenses

Balance on technical account before additional benefits (customer benefits) 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 benefits)

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

"Other technical income and expenses" includes the change in the provision for the guarantee scheme.

1) Applies to the consolidated financial statements

Total result

+ Operating profit/loss

+/- Change in off-balance-sheet valuation gains/losses, current value reserve and revaluation reserve

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

Net investment income at current value in proportion to capital employed is calculated for each type of investment and the whole investment portfolio taking into account cash flows during the period.

Yield for the financial period is calculated using a so-called modified Dietz formula (a time- and money-weighted formula) such that capital employed is calculated by adding the cash flows

during the period to the market value at the start of the period, weighted by the relative share of the length of the entire period that remains from the transaction date or from the middle of the transaction month to the end of the period.

1.3 B Itemisation of net investment income

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

1.4. Investment allocation at current value

The investments covering unit-linked insurance are not included in the investment allocation.

Long-term fixed-income funds are included in bonds and short-term funds in money market investments.

Investments in mutual funds and similar undertakings for collective investments in transferable securities that invest in real estate and real estate undertakings are included in real estate investments.

Estimated differences between current and book value when adjusting items for derivatives and premiums for provisional premiums are allocated to the underlying asset.

Purchase price receivables and debts connected with investments are not included in investments.

The investment allocation includes deposits with credit institutions included in balance sheet investments.

1.5 Return on total assets, excluding unit-linked insurance, % (at current value) =

$$\begin{array}{r}
 \pm \text{ Operating profit or loss} \\
 + \text{ Interest paid and other financial expenses} \\
 + \text{ Unwinding of discount expense} \\
 \pm \text{ Revaluation/reversal entered in revaluation reserve} \\
 / \text{ current value reserve} \\
 \pm \text{ Change in unrealised gains/losses from investments} \\
 \hline
 \phantom{\pm \text{ Change in unrealised gains/losses from investments}} \quad \times 100 \\
 + \text{ Balance sheet total} \\
 - \text{ Technical provisions for unit-linked insurance} \\
 \pm \text{ Unrealised gains/losses from investments}
 \end{array}$$

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 PERFORMANCE OF LIFE INSURANCE

2.1 Premium income =

Gross premiums written 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 Insurance Supervision 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 ratio, % of technical provisions =

Solvency capital
----- x 100
Technical provisions - Equalisation provision - 75% of technical provisions for unit-linked insurance

Technical provisions are calculated after the reinsurers' share.

Tapiola Mutual Life Assurance Company

Parent company

**Financial
statements
2010**

PROFIT AND LOSS ACCOUNT

TECHNICAL ACCOUNT - LIFE INSURANCE		1.1.2010 31.12.2010		1.1.2009 - 31.12.2009	
Premiums written					
Premiums written	1	256 130 355,83		163 781 597,42	
Reinsurers' share		<u>-877 973,12</u>	255 252 382,71	<u>-83 308,78</u>	163 698 288,64
Investment income	4		200 053 673,81		189 541 278,32
Revaluations of investments			66 199 331,68		34 220 728,84
Claims incurred					
Claims paid	2	-244 179 119,16		-151 338 965,13	
Reinsurers' share		<u>878 433,29</u>	-243 300 685,87	<u>1 967,18</u>	-151 336 997,95
Change in provision for outstanding claims		-17 229 671,99		-405 341,00	
Reinsurers' share		0,00	-17 229 671,99	0,00	-151 742 338,95
Change in provision for unearned premiums					
Change in provision for unearned premiums		-132 422 289,58		-145 416 673,00	
Reinsurers' share		<u>0,00</u>	-132 422 289,58	<u>0,00</u>	-145 416 673,00
Operating expenses	3		-37 781 924,65		-24 625 608,34
Investment charges	4		-81 407 674,66		-66 073 279,88
Revaluation adjustments on investments			<u>-6 425 816,00</u>		<u>-1 120 413,89</u>
Balance on technical account			2 937 325,45		-1 518 018,26
NON-TECHNICAL ACCOUNT					
Balance on technical account of life insurance			2 937 325,45		-1 518 018,26
Other income	4				
Other		<u>25 013 064,31</u>	25 013 064,31	<u>51 265 226,41</u>	51 265 226,41
Other expenses	4				
Other		<u>-24 021 810,10</u>	-24 021 810,10	<u>-22 133 066,09</u>	-22 133 066,09
Direct taxes on ordinary activities					
Taxes for financial year		-859 689,62		-525 886,79	
Taxes for previous financial years		<u>3 454 963,32</u>	2 595 273,70	<u>5 948,33</u>	-519 938,46
Profit on ordinary activities			6 523 853,36		27 094 203,60
Profit after extraordinary items			6 523 853,36		27 094 203,60
Appropriations					
Change in depreciation difference		173 853,61		935 106,52	
Change in voluntary provisions		<u>0,00</u>	173 853,61	<u>0,00</u>	935 106,52
Profit for the accounting period			6 697 706,97		28 029 310,12

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

BALANCE SHEET

31 Dec 2010

31 Dec 2009

ASSETS

Intangible assets					
Other expenses with long-term effects	9		<u>15 186 850,62</u>	15 186 850,62	<u>15 736 600,63</u> 15 736 600,63
Investments	5				
Real estate investments	6				
Real estate and shares in real estate		175 203 480,32			158 781 545,10
Loans to group companies		<u>128 872 386,13</u>	304 075 866,45		<u>121 481 632,92</u> 280 263 178,02
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		22 472 308,04			22 472 308,04
Debt securities and loans in participating interests		4 400 000,00			2 687 500,00
Deposits		<u>20 000 000,00</u>	46 913 145,64		<u>20 000 000,00</u> 45 200 645,64
Other investments					
Shares and holdings	7	573 388 877,30			521 652 442,32
Debt securities		1 357 286 893,93			1 416 119 260,47
Loans guaranteed by mortgages		57 864 083,36			44 699 434,40
Other loans	8	41 660 045,98			52 150 940,89
Deposits		<u>4 310 000,00</u>	<u>2 034 509 900,57</u>	2 385 498 912,66	<u>22 000 000,00</u> <u>2 056 622 078,08</u> 2 382 085 901,74
Assets covering unit linked policies	10			637 358 941,23	466 089 064,18
Debtors	14				
Arising out of direct insurance operations					
Policyholders		1 080 191,87			1 274 996,50
Debtors arising out of reinsurance operations		<u>39 737,30</u>	1 119 929,17		<u>29 260,22</u> 1 304 256,72
Other debtors			<u>2 414 938,11</u>	3 534 867,28	<u>7 669 886,27</u> 8 974 142,99
Other assets					
Tangible assets					
Machinery and equipment	9	<u>2 187 669,10</u>	2 187 669,10		<u>1 088 709,24</u> 1 088 709,24
Cash at bank and in hand			48 964 092,60		58 155 149,67
Other assets			<u>117 204,41</u>	51 268 966,11	<u>117 204,41</u> 59 361 063,32
Prepayments and accrued income					
Accrued interest and rent			28 558 338,15		32 049 717,04
Other prepayments and accrued income			<u>8 818 854,21</u>	<u>37 377 192,36</u>	<u>7 543 468,87</u> 39 593 185,91
Total assets			<u><u>3 130 225 730,26</u></u>		<u><u>2 971 839 958,77</u></u>

LIABILITIES

Capital and reserves	11				
Initial reserve			4 482 208,24		4 482 208,24
Guarantee capital			32 036 005,12		32 036 005,12
Other reserves			107 868 476,67		81 485 466,81
Profit or loss for the accounting period			<u>6 697 706,97</u>	151 084 397,00	<u>28 029 310,12</u> 146 032 990,29
Accumulated appropriations	12				
Accumulated depreciation difference			<u>3 103 645,79</u>	3 103 645,79	<u>3 277 499,40</u> 3 277 499,40
Subordinated loans	16			55 000 000,00	55 000 000,00
Technical provisions					
Provision for unearned premiums		1 705 865 030,38			1 729 026 200,80
Reinsurers' share		<u>0,00</u>	1 705 865 030,38		<u>0,00</u> 1 729 026 200,80
Provision for outstanding claims		566 550 786,00			550 278 750,31
Reinsurers' share		<u>0,00</u>	<u>566 550 786,00</u>	2 272 415 816,38	<u>0,00</u> <u>550 278 750,31</u> 2 279 304 951,11
Technical provisions for Unit-linked policies					
Technical provisions			<u>621 266 233,00</u>	621 266 233,00	<u>464 725 136,70</u> 464 725 136,70
Obligatory provisions	13				
Other obligatory provisions			<u>135 706,95</u>	135 706,95	<u>52 715,84</u> 52 715,84
Creditors					
Arising out of direct insurance operations			4 145,55		62 342,17
Arising out of reinsurance operations			108 975,73		341 121,97
Other creditors	14		<u>17 250 603,10</u>	17 363 724,38	<u>16 815 690,21</u> 17 219 154,35
Accruals and deferred income	14			<u>9 856 206,76</u>	<u>6 227 511,08</u>
Total liabilities			<u><u>3 130 225 730,26</u></u>		<u><u>2 971 839 958,77</u></u>

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

Indirect cash flow statement	2010	2009
Cash flow from operations		
Profit from ordinary activities / profit before extraordinary items	6 523 853,36	27 094 203,60
Adjustments		
Changes in technical provisions	149 651 961,57	145 822 014,00
Value adjustments and revaluation of investments	-59 000 551,88	-94 054 391,99
Changes in obligatory provisions	82 991,11	52 715,84
Depreciation according to plan	5 599 445,30	4 334 159,52
Other non-cash income and expenses		
Effect of subsidiary merger	0,00	-26 786 474,57
Cancellation of revaluation reserve	0,00	-336 375,85
Other adjustments	-51 021 924,36	68 975 481,75
<i>Cash flow before change in working capital</i>	<u>51 835 775,10</u>	<u>125 101 332,30</u>
Change in working capital:		
Increase (-) / decrease (+) in non-interest-bearing short-term receivables	7 655 269,26	16 456 114,78
Increase (+) / decrease (-) in non-interest-bearing short-term debts	3 773 265,71	-6 336 192,04
<i>Cash flow from operations before financial items and taxes</i>	<u>63 264 310,07</u>	<u>135 221 255,04</u>
Interest paid and other financial expenses	-2 757 514,47	-2 068 845,45
Direct taxes paid	2 496 709,57	-4 762 086,42
	<u>63 003 505,17</u>	<u>128 390 323,17</u>
Cash flow from operations	63 003 505,17	128 390 323,17
Cash flow from investments		
Investments in assets (excl. cash and cash equivalents)	-117 565 840,74	-15 587 891,42
Capital gains from investments (excl. cash and cash equivalents)	51 282 729,26	-62 144 549,88
Investments in tangible and intangible assets as well as other assets and capital gains (net)	-4 265 150,50	-2 555 990,58
Cash flow from investments	-70 548 261,98	-80 288 431,88
Cash flow from financial		
Interest on guarantee capital paid	-1 601 800,26	0,00
Other distribution of profit	-44 500,00	-48 100,00
Cash flow from financial	<u>-1 646 300,26</u>	<u>-48 100,00</u>
Change in cash and cash equivalents	-9 191 057,07	48 053 791,29
Cash and cash equivalents at the start of the year	58 155 149,67	7 071 302,10
Effect of subsidiary merger in cash	0,00	3 030 056,28
Cash and cash equivalents at the end of the year	48 964 092,60	58 155 149,67

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

NOTES TO PROFIT AND LOSS ACCOUNT

2010

2009

1. Premiums written

Direct insurance							
Life insurance							
Unit-linked individual life insurance	51 125 976,48				46 676 178,84		
Other individual life insurance	47 440 333,10				49 367 463,11		
Unit-linked capital redemption policy	18 605 333,02				0,00		
Employees' group life insurance	7 086 181,28				0,00		
Other group life insurance	<u>24 813 937,66</u>	149 071 761,54			<u>9 234 556,34</u>	105 278 198,29	
Pension insurance							
Unit-linked individual pension insurance	41 029 851,57				32 050 922,43		
Other individual pension insurance	31 737 601,25				26 425 356,87		
Unit-linked group pension insurance	4 050 986,86				0,00		
Other group pension insurance	<u>30 195 937,50</u>	107 014 377,18	256 086 138,72		<u>0,00</u>	58 476 279,30	163 754 477,59
Reinsurance				44 217,11			27 119,83
Gross premiums written before reinsurers' share				<u>256 130 355,83</u>			<u>163 781 597,42</u>
<i>Premiums written before reinsurers' share</i>							
Regular premiums				196 356 310,34			117 215 781,59
Single premiums				<u>59 729 828,38</u>			<u>46 538 696,00</u>
Total				<u>256 086 138,72</u>			<u>163 754 477,59</u>
Premiums from contracts entitled to bonuses				141 273 711,79			85 027 376,32
Premiums from unit-linked insurance				<u>114 812 426,93</u>			<u>78 727 101,27</u>
				<u>256 086 138,72</u>			<u>163 754 477,59</u>

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

Rebates							
Life insurance							
Other individual life insurance	-615 658,92				31 251 914,00		
Other capital redemption policy	6 799,28				0,00		
Other group life insurance	<u>542 433,00</u>	-66 426,64			<u>9 488,00</u>	31 261 402,00	
Pension insurance							
Other individual pension insurance	0,00				16 036 408,00		
Other group pension insurance	<u>0,00</u>	0,00	-66 426,64		<u>0,00</u>	16 036 408,00	47 297 810,00
Discounts							
Life insurance							
Unit-linked individual life insurance		156 490,00				0,00	
Other individual life insurance		615 658,92				340 766,00	
Other group life insurance		<u>1 270 171,10</u>	2 042 320,02			<u>1 270 171,00</u>	1 610 937,00
			<u>1 975 893,38</u>				<u>48 908 747,00</u>

2. Claims paid before reinsurers' share

Direct insurance							
Life insurance		140 862 062,49				100 208 083,57	
Pension insurance		<u>103 317 050,67</u>	244 179 113,16			<u>51 079 948,16</u>	151 288 031,73
Reinsurance				6,00			50 933,40
Total claims paid				<u>244 179 119,16</u>			<u>151 338 965,13</u>
Of which:							
Surrenders		33 787 511,46				20 388 995,93	
Repayments of benefits		68 735 932,53				57 918 586,90	
Other		<u>141 655 675,17</u>	<u>244 179 119,16</u>			<u>73 031 382,30</u>	<u>151 338 965,13</u>
Share of unit-linked insurance of claims paid				<u>27 756 667,17</u>			<u>12 939 617,25</u>

3. Operating expenses and notes concerning personnel and members of corporate bodies**3.1. Total operating expenses by activity**

Claims management expenses	5 736 710,53	3 883 321,79
Operating expenses	37 781 924,65	24 625 608,34
Investment operating expenses	4 992 199,93	2 712 834,48
Other expenses	24 021 810,10	22 133 066,09
<i>Total</i>	<u>72 532 645,21</u>	<u>53 354 830,70</u>

3.2. Profit and loss account item operating expenses

Insurance policy acquisition cost		
Commissions for direct insurance	3 867 585,12	3 337 181,84
Commissions on reinsurance assumed and profit shares	-16,34	16,52
Other insurance policy acquisition costs	10 328 253,21	6 215 418,39
	<u>14 195 821,99</u>	<u>9 552 616,75</u>
Insurance policy management expenses	14 024 563,67	9 871 213,52
Administrative expenses	9 709 886,27	5 213 393,69
Commissions for reinsurance ceded and profit shares	-148 347,28	-11 615,62
<i>Total</i>	<u>37 781 924,65</u>	<u>24 625 608,34</u>

3.3. Notes concerning personnel and members of corporate bodies**3.3.1. Personnel expenses**

Salaries and remunerations	25 517 623,80	18 886 232,63
Pension expenses	6 058 837,80	3 765 558,02
Other personnel expenses	1 500 560,18	1 028 239,61
<i>Total</i>	<u>33 077 021,78</u>	<u>23 680 030,26</u>

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

Managing director and deputy managing director		
Salaries and remunerations	377 227,00	203 189,00
Pension commitments		The retirement age of managing director is 63 and that of the deputy managing director as defined by law
Monetary loans and terms thereof		No monetary loans granted
Guarantees and contingent liabilities		No guarantees or contingent liabilities granted
Board members and deputy board members		
Salaries and remunerations	661 252,00	244 672,00
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 remunerations	71 250,00	53 150,00
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	91 073,03	81 242,71
Assignments referred to in section 1, subsection 1, paragraph 2 of the Auditing Act	4 135,80	12 810,00
Tax advice	17 003,36	3 367,74
Other services	0,00	16 620,77
<i>Total</i>	<u>112 212,19</u>	<u>114 041,22</u>

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

NOTES TO PROFIT AND LOSS ACCOUNT

	2010		2009	
4.1. Specification of net investment income				
Investment income				
Income from group companies				
Interest income	0,00		312 642,82	
Other income	<u>0,00</u>	0,00	<u>0,00</u>	312 642,82
Income from participating interests				
Interest income	<u>835 791,09</u>	835 791,09	<u>103 265,19</u>	103 265,19
Income from real estate investments in group companies				
Interest income	7 657 476,72		4 729 101,02	
Other income	<u>0,00</u>	7 657 476,72	<u>71 239,73</u>	4 800 340,75
Income from real estate investments in other companies				
Interest income	67 104,97		90 776,88	
Other income	<u>27 766 269,95</u>	27 833 374,92	<u>18 393 346,42</u>	18 484 123,30
Income from other investments				
Dividend income	17 163 728,93		8 194 534,64	
Interest income	48 688 267,74		39 523 397,01	
Other income	<u>2 224 135,19</u>	68 076 131,86	<u>1 351 097,50</u>	49 069 029,15
Total		<u>104 402 774,59</u>		<u>72 769 401,21</u>
Value readjustments		23 413 382,51		78 963 300,40
Realized gains		<u>72 237 516,71</u>		<u>37 808 576,71</u>
Total		<u>200 053 673,81</u>		<u>189 541 278,32</u>
Investment charges				
Expenses arising from real estate investments				
Group companies	-14 273 223,55		-9 280 287,71	
Other companies	<u>-11 037 279,66</u>	-25 310 503,21	<u>-4 659 738,66</u>	-13 940 026,37
Expenses arising from other investments		-6 195 464,49		-5 566 821,49
Interest paid and other expenses on liabilities				
Group companies	-399,04		-26 914,94	
Other companies	<u>-2 876 669,51</u>	-2 877 068,55	<u>-2 381 456,05</u>	-2 408 370,99
Total		<u>-34 383 036,25</u>		<u>-21 915 218,85</u>
Value adjustments and depreciation				
Value adjustments	-24 186 346,31		-18 009 223,36	
Planned depreciation on buildings	<u>-1 883 504,65</u>	-26 069 850,96	<u>-1 812 864,50</u>	-19 822 087,86
Realized losses		<u>-20 954 787,45</u>		<u>-24 335 973,17</u>
Total		<u>-81 407 674,66</u>		<u>-66 073 279,88</u>
Net investment income before revaluations and revaluation adjustments		<u>118 645 999,15</u>		<u>123 467 998,44</u>
Revaluations	66 199 331,68		34 220 728,84	
Revaluation adjustments	<u>-6 425 816,00</u>	59 773 515,68	<u>-1 120 413,89</u>	33 100 314,95
Net investment income in the profit and loss account		<u>178 419 514,83</u>		<u>156 568 313,39</u>

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

NOTES TO PROFIT AND LOSS ACCOUNT

2010

2009

4.2 Investment income for unit-linked insurance policies

Investment income	19 088 208,56		5 190 740,49	
Investment charges	<u>-647 284,78</u>	18 440 923,78	<u>-3 846 153,75</u>	1 344 586,74
Net investment income before revaluations and their adjustment as well as value adjustments and readjustments				
Revaluations of investments	66 199 331,68		34 155 822,54	
Revaluation adjustments on investments	-6 425 816,00		-944 333,80	
Value adjustments	-94 476,56		-23 579,45	
Value readjustment	<u>1 511 976,68</u>	61 191 015,80	<u>37 352 379,76</u>	70 540 289,05
Net investment income in the profit and loss account		<u>79 631 939,58</u>		<u>71 884 875,79</u>

4.3. Specification of other income and expenses

Other income

Income from ancillary operations	25 012 255,86		24 476 984,95	
Services sold to partner companies	0,00		1 422,00	
Subsidiary merger	0,00		26 786 474,57	
Other other income	808,45		344,89	
	<u>25 013 064,31</u>		<u>51 265 226,41</u>	

Other expenses

Expenses for ancillary operations	23 420 750,00		21 969 915,84	
Expenses for services sold	318,83		0,00	
Transfer to personnel fund	600 741,11		163 150,00	
Other other expenses	0,16		0,25	
	<u>24 021 810,10</u>		<u>22 133 066,09</u>	

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY
NOTES TO BALANCE SHEET **31 Dec 2010**

5.1 Current value of investments and difference in valuation

Investments	2010 Remaining acquisition cost	2010 Book value	2010 Current value	2009 Remaining acquisition cost	2009 Book value	2009 Current value
Real estate Investments						
Real estate	15 011 493,68	19 639 284,12	33 765 710,28	15 614 151,48	20 241 941,92	30 954 009,00
Real estate shares in group companies	70 550 061,29	98 138 738,49	119 769 175,60	57 454 864,44	85 043 541,64	104 101 377,00
Real estate shares in participating interests	1 054 126,73	1 054 126,73	998 996,36	1 048 026,73	1 048 026,73	976 033,00
Other real estate shares	55 640 245,72	56 371 330,98	65 797 366,08	51 716 949,55	52 448 034,81	65 221 145,00
Loans to group companies	128 872 386,13	128 872 386,13	128 872 386,13	121 481 632,92	121 481 632,92	121 481 632,92
	<u>271 128 313,55</u>	<u>304 075 866,45</u>	<u>349 203 634,45</u>	<u>247 315 625,12</u>	<u>280 263 178,02</u>	<u>322 734 196,92</u>
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
	<u>40 837,60</u>	<u>40 837,60</u>	<u>40 837,60</u>	<u>40 837,60</u>	<u>40 837,60</u>	<u>40 837,60</u>
Investments in participating interests						
Shares and holdings	22 472 308,04	22 472 308,04	22 472 308,04	22 472 308,04	22 472 308,04	22 472 308,04
Debt securities and loans	4 400 000,00	4 400 000,00	4 400 000,00	2 687 500,00	2 687 500,00	2 687 500,00
Deposits	20 000 000,00	20 000 000,00	20 000 000,00	20 000 000,00	20 000 000,00	20 000 000,00
	<u>46 872 308,04</u>	<u>46 872 308,04</u>	<u>46 872 308,04</u>	<u>45 159 808,04</u>	<u>45 159 808,04</u>	<u>45 159 808,04</u>
Other investments						
Shares and holdings	573 388 877,30	573 388 877,30	687 043 690,92	521 652 442,32	521 652 442,32	589 411 700,02
Debt securities	1 357 286 893,93	1 357 286 893,93	1 373 830 212,37	1 416 119 260,47	1 416 119 260,47	1 456 789 557,96
Loans guaranteed by mortgages	57 864 083,36	57 864 083,36	57 864 083,36	44 699 434,40	44 699 434,40	44 699 434,40
Other loans receivable	41 660 045,98	41 660 045,98	41 660 045,98	52 150 940,89	52 150 940,89	52 150 940,89
Deposits	4 310 000,00	4 310 000,00	4 310 000,00	22 000 000,00	22 000 000,00	22 000 000,00
	<u>2 034 509 900,57</u>	<u>2 034 509 900,57</u>	<u>2 164 708 032,63</u>	<u>2 056 622 078,08</u>	<u>2 056 622 078,08</u>	<u>2 165 051 633,27</u>
	<u><u>2 352 551 359,76</u></u>	<u><u>2 385 498 912,66</u></u>	<u><u>2 560 824 812,72</u></u>	<u><u>2 349 138 348,84</u></u>	<u><u>2 382 085 901,74</u></u>	<u><u>2 532 986 475,83</u></u>

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

NOTES TO BALANCE SHEET

31 Dec 2010

2010

2009

5.1 Current value of investments and difference in valuation

The remaining acquisition cost of debt securities includes

Difference between the nominal value and acquisition cost released (+) or charged (-) to interest income	-1 089 295,59	-1 089 295,59	-2 917 101,30	-2 917 101,30
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Book value comprises

Revaluations released to income	27 429 991,48		27 429 991,48	
Other revaluations	5 517 561,42	32 947 552,90	5 517 561,42	32 947 552,90

Difference in valuation (difference between current value and book value)		175 325 900,06		150 900 574,09
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5.2 Difference in valuation of non-hedging derivatives

	0,00	16 603,17
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TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

NOTES TO BALANCE SHEET 31 Dec 2010

6. Real estate investments

Changes in real estate investments:

	2010	2010
	Real estate and shares in real estate	Loans to group companies
Acquisition cost on 1 Jan.	169 352 485,84	121 481 632,92
Increases	18 849 993,49	25 139 536,27
Decreases	-4 535 060,03	-17 748 783,06
Acquisition cost on 31 Dec.	183 667 419,30	128 872 386,13
Accumulated depreciation on 1 Jan.	-14 380 219,36	
Accumulated depreciation related to deductions and transfers	8 662,09	
Depreciation for the financial year	-860 832,28	
Accumulated depreciation on 31 Dec.	<u>-15 232 389,55</u>	
Value adjustments on 1 Jan	-30 397 061,26	
Value adjustments related to deductions and transfers	677 500,00	
Value adjustments for the financial year	-1 020 000,00	
Value readjustments	3 301 671,95	
Value adjustments on 31 Dec.	<u>-27 437 889,31</u>	
Revaluations on 1 Jan.	34 206 339,88	
Revaluations on 31 Dec.	<u>34 206 339,88</u>	
Book value on 31 Dec.	<u><u>175 203 480,32</u></u>	<u><u>128 872 386,13</u></u>

Real estate and shares in real estate occupied for own activities

	2010
Remaining acquisition cost	14 273 098,60
Book value	15 808 725,80
Current value	19 657 655,37

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

NOTES TO BALANCE SHEET 31 Dec 2010

7. Investments in group companies and participating interests

	2010	2009
Shares and holdings in group companies		
Acquisition cost on 1 Jan.	40 837,60	42 693 176,34
Increases	0,00	2 133 758,90
Increase, subsidiary merger	0,00	-44 786 097,64
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.	22 472 308,04	17 244 256,04
Increases	0,00	1 250,00
Increase, subsidiary merger	0,00	5 230 552,00
Decreases	0,00	-3 750,00
Acquisition cost on 31 Dec.	22 472 308,04	22 472 308,04
Book value on 31 Dec.	<u>22 472 308,04</u>	<u>22 472 308,04</u>
Total	<u>22 513 145,64</u>	<u>22 513 145,64</u>

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

NOTES TO BALANCE SHEET 31 Dec 2010

7.1. Investments in group companies

Shares and holdings

	Domicile	Share of stocks, %	Capital and reserves	Profit/loss for the accounting period
Omaeläke Oy	Espoo	90,00	9 309,27	-420,61
Rekra Oy	Espoo	100,00	8 844,31	-526,77
Sasnep Ky	Espoo	100,00	9 637,69	-417,67
Tapiolan Pankkineuvonta Oy	Espoo	100,00	8 847,42	-523,92
Varepa Ky	Espoo	100,00	9 640,77	-417,60
Total			46 279,46	-2 306,57

7.2. Investments in participating interests

Shares and holdings

	Domicile	Share of stocks, %	Capital and reserves	Profit/loss for the accounting period
Tapiola Real Estate Ltd	Espoo	50,00	1 670 023,44	551 406,02
Tapiola Bank Ltd	Espoo	19,65	75 941 675,84	2 550 966,93
Tapiolan Alueen Kehitys Oy	Espoo	27,42	31 530,35	-20 138,35
Tapiola Data Ltd	Espoo	33,33	2 550 956,06	381 568,35
Vakuutusneuvonta Aura Oy	Espoo	33,33	12 158,74	-137,98
Vakuutusneuvonta Pohja Oy	Espoo	33,33	12 103,04	-150,15
Total			80 218 447,47	3 463 514,82

NOTES TO BALANCE SHEET 31 DEC 2010
TAPIOLA MUTUAL LIFE ASSURANCE COMPANY
7.3 OTHER INVESTMENTS

Security	Share stocks %	Number	Book value	Current value Home country
Finnish companies, listed				
Amer- Sports Oyj	0,49	596 664,00	3 552 777,60	6 223 205,52
Fortum Oyj	0,04	391 668,00	4 787 457,79	8 824 280,04
Kone Oyj	0,07	194 000,00	3 509 431,40	8 070 400,00
Lassila & Tikanoja Oyj	1,34	520 267,00	4 781 704,39	7 663 532,91
Metso Oyj	0,11	171 000,00	3 783 920,66	7 147 800,00
Nokia Oyj	0,01	345 300,00	2 672 622,00	2 672 622,00
Nokian Renkaat Oyj	0,15	197 655,00	2 201 113,87	5 425 629,75
Sanoma Oyj	0,12	202 113,00	2 018 258,82	3 278 272,86
Stockmann Oyj	0,25	179 003,00	3 160 765,45	5 065 784,90
Vacon Oyj	0,73	111 400,00	779 800,00	4 344 600,00
Vaisala Oyj	1,05	191 500,00	3 925 750,00	3 925 750,00
Other			330 720,00	330 720,00
Total			35 504 321,98	62 972 597,98
Finnish companies, non-listed				
Fingrid Oyj	1,41	47,00	1 580 966,50	1 580 966,51
Henkivakuutusosakeyhtiö Retro	19,43	13 598,00	1 208 589,69	1 208 589,69
Keskinäinen Vakuutusyhtiö Tapiola	80,00	168,00	1 412 778,58	1 412 778,58
Satel Oy	9,90	490,00	1 339 690,84	2 059 372,00
Sato Oyj	3,59	1 829 092,00	9 932 812,82	15 547 282,00
Seligson & Co Oyj	11,42	143 784,00	1 155 234,86	1 243 731,60
Other			2 626 449,39	2 925 086,84
Total			19 256 522,68	25 977 807,22
Foreign companies, listed				
ABB Ltd	0,01	241 000,00	2 990 892,69	4 014 739,28 Switzerland
AMEC PLC	0,11	350 000,00	3 556 492,70	4 676 154,52 United Kingdom
Allianz SE	0,01	51 300,00	3 996 444,56	4 562 109,00 Germany
BNP Paribas	0,01	110 000,00	5 237 100,00	5 237 100,00 France
Carl Zeiss Meditec AG	0,40	327 500,00	3 259 819,61	4 678 337,50 Germany
DnB NOR ASA	0,04	675 666,00	5 104 874,72	7 094 493,00 Norway
E.ON Ag	0,01	175 900,00	3 243 466,11	4 034 266,50 Germany
Ekornes Asa	0,58	211 980,00	3 379 738,31	4 348 307,69 Norway
Electricite De France	0,01	149 000,00	4 573 555,00	4 573 555,00 France
Estee Lauder	0,06	66 102,00	1 992 670,81	3 992 240,23 United States
Fresenius Medical Care Ag	0,03	75 000,00	2 643 884,18	3 242 250,00 Germany
Gamesa Corp Tecnologica SA	0,19	466 969,00	2 667 326,93	2 667 326,93 Spain
GlaxoSmithKline Plc	0,01	307 400,00	4 400 426,81	4 428 417,08 United Kingdom
Heineken Nv	0,03	154 375,00	4 760 825,17	5 664 018,75 The Netherlands
Hennes & Mauritz Ab B	0,02	260 000,00	3 671 647,80	6 496 012,49 Sweden
Hochtief AG	0,13	96 500,00	4 002 169,28	6 131 610,00 Germany
Inmarsat PLC	0,08	350 000,00	2 569 974,17	2 738 600,06 United Kingdom
Kappahl Ab	1,01	754 854,00	3 830 891,42	3 830 891,42 Sweden
Kellogg Co	0,03	114 100,00	4 174 130,39	4 361 793,14 United States
Kloekner & Co AG	0,46	303 500,00	5 075 584,33	6 375 017,50 Germany
Life Technologies Corp	0,06	104 000,00	3 789 425,69	4 319 712,62 United States
Mednax Inc	0,22	105 000,00	4 415 423,84	5 287 718,90 United States
Nestle Sa	0,00	158 000,00	4 636 387,62	6 918 186,18 Switzerland
Petroleum Geo-Services ASA	0,23	500 000,00	4 079 846,96	5 823 717,95 Norway
Qiagen NV	0,12	290 000,00	4 166 808,27	4 242 700,00 The Netherlands
Reed Elsevier NV	0,09	625 000,00	5 035 217,93	5 785 625,00 The Netherlands
SAP Ag	0,01	155 000,00	5 130 207,42	5 905 500,00 Germany
SCA Ab B	0,06	386 000,00	3 916 271,61	4 572 327,25 Sweden
SES SA	0,04	140 000,00	2 494 100,00	2 494 100,00 Luxembourg
Sanofi-Aventis	0,01	83 800,00	4 009 830,00	4 009 830,00 France
Subsea 7 S.A.	0,09	300 000,00	3 906 251,46	5 500 000,00 United Kingdom
Symrise Ag	0,17	203 500,00	3 499 073,75	4 176 837,50 Germany
TDC A/S	0,03	320 000,00	2 080 096,60	2 080 096,60 Denmark
Technip SA	0,08	90 000,00	4 720 753,20	6 219 000,00 France
Telefonica Sa	0,01	410 000,00	6 955 650,00	6 955 650,00 Spain
TeliaSonera Ab	0,01	542 776,00	2 122 909,52	3 232 231,08 Sweden
Tesco PLC	0,01	1 185 000,00	5 851 002,03	5 851 002,03 United Kingdom
Thermo Fisher Scientific	0,03	111 000,00	3 825 942,54	4 598 832,51 United States
United Technologies Corp	0,01	106 800,00	4 491 203,23	6 291 944,32 United States
Vinci SA	0,02	89 000,00	3 308 218,46	3 620 520,00 France
Waste Management Inc	0,04	168 700,00	3 502 686,26	4 654 968,57 United States
Zimmer Holdings Inc	0,05	94 900,00	3 812 477,17	3 812 477,17 United States
eBay Inc	0,02	200 000,00	3 288 508,52	4 165 544,08 United States
Other			987 599,23	1 797 876,91
Total			169 157 806,30	205 463 638,76
Foreign companies, non-listed				
Other			308 202,92	628 913,82
Total			308 202,92	628 913,82

Mutual funds

Liongate Multi-Strategy Fund Segregated Portfolio	8 406 849,30	8 406 849,30 Luxembourg
Robeco Lux-o-rente	2 306 033,68	2 823 448,27 France
Tapiola 2045	746 737,58	746 737,58 Finland
Tapiola Aasia-Tyynimeri	5 326 052,60	6 228 378,54 Finland
Tapiola Eurooppa	600 844,00	869 828,82 Finland
Tapiola High Yield	28 824 609,16	43 644 830,13 Finland
Tapiola Hyvinvointi	8 552 289,30	10 586 114,93 Finland
Tapiola Itä-Eurooppa	4 837 359,18	6 057 395,56 Finland
Tapiola Japani	6 472 509,72	6 472 509,72 Finland
Tapiola Kehittyvät Markkinat	4 013 708,10	10 424 649,18 Finland
Tapiola Kiinteistö	4 448 315,72	4 448 315,72 Finland
Tapiola Lyhytkorko	20 581 503,77	22 188 024,09 Finland
Tapiola Maailma 20	1 112 407,92	1 322 653,02 Finland
Tapiola Pitkäkorko	20 161 997,58	24 094 581,04 Finland
Tapiola Finland	1 045 694,20	1 423 924,31 Finland
Tapiola Trendi	4 916 598,22	7 243 755,38 Finland
Tapiola Tulevaisuus	3 781 380,11	3 897 068,49 Finland
Tapiola USA	5 886 014,09	6 010 043,36 Finland
Tapiola Yrityskorko	29 182 807,14	32 794 667,99 Finland
Other	812 245,41	1 546 433,07
Total	162 015 956,78	201 230 208,50

Capital mutual funds

AXA LBO Fund IV FCPR	4 288 275,00	4 707 310,13 France
AXA Secondary Fund IV L.P.	3 989 751,22	4 366 157,01 Jersey
Aberdeen European Shopping Property Fund SICAV	7 052 482,00	7 052 482,00 Luxembourg
Aberdeen Property Funds SICAV Pan-Nordic	4 493 138,83	4 493 138,83 Luxembourg
Altor Fund III	1 519 640,82	2 297 871,00 Jersey
Apax Europe VII - B, L.P.	6 139 687,32	6 139 687,32 United Kingdom
Bowmark Capital Partners IV, L.P.	853 234,97	853 234,97 United Kingdom
Bridgepoint Europe III, L.P.	3 403 828,00	3 403 828,00 United Kingdom
Bridgepoint Europe IV F L.P.	1 977 031,22	1 977 031,22 United Kingdom
Capman Equity VII A L.P.	1 778 556,38	2 094 826,00 Guernsey
Capvis Equity III L.P.	1 871 457,47	1 871 457,47 Jersey
Capvis III Co-investors BARTEC L.P.	2 687 500,00	2 945 932,34 Jersey
European Added Value Fund, L.P.	4 412 433,40	4 412 433,40 United Kingdom
Gresham 4A	1 806 017,61	1 806 017,61 United Kingdom
ING Real Estate European Industrial Fund C.V.	6 641 800,00	6 641 800,00 The Netherlands
Indigo Capital V L.P.	3 041 452,57	3 041 452,57 United Kingdom
Industri Kapital 2000 Limited Partnership XI	2 230 312,00	2 230 312,00 Jersey
Industri Kapital 2004 Limited Partnership III	986 462,59	986 462,59 Jersey
Industri Kapital 2007 Limited Partnership III	5 184 739,40	5 351 629,78 Jersey
Lindsay Goldberg III L.P.	1 903 613,98	1 903 613,98 United States
MB Equity Fund III Ky	2 256 575,30	2 256 575,30 Finland
MB Equity Fund IV Ky	1 055 880,00	1 055 880,00 Finland
MGP Europe Fund III	3 304 087,19	3 304 087,19 United Kingdom
Nexit INFOCOM II L.P.	1 687 952,00	1 687 952,00 Guernsey
Nordic Mezzanine Fund III Limited Partnership	1 139 846,79	1 139 846,79 United Kingdom
PBW II Real Estate Fund S.A.	4 302 281,33	4 302 281,33 Luxembourg
Partners Group Secondary 2004 L.P.	1 321 294,00	1 321 294,00 United States
Partners Group U.S. Venture 2004, L.P.	1 023 476,28	1 023 476,28 United States
Paul Capital Top Tier Investments III, L.P.	2 517 928,25	2 579 224,99 United States
Paul Capital Top Tier Investments IV, L.P.	1 416 930,83	1 529 418,66 United States
Rockspring PanEuropean Limited Partnership	6 688 868,66	6 688 868,66 United Kingdom
TPG Partners VI, LP	5 452 709,18	5 452 709,18 United States
Tapiola KR I Ky	24 809 779,19	24 809 779,19 Finland
Tapiola KR III Ky	43 566 999,57	43 566 999,57 Finland
Tapiola KR IV Ky	5 283 857,60	5 291 929,72 Finland
The Fourth Cinven Fund (No. 4) Limited Partnership	6 820 564,42	7 139 827,45 United Kingdom
Other	8 235 621,27	9 043 696,11
Total	187 146 066,64	190 770 524,64

Total other investments, shares and holdings

573 388 877,30 **687 043 690,92**

NOTES TO BALANCE SHEET 31 Dec 2010
TAPIOLA MUTUAL LIFE ASSURANCE COMPANY
7.4 ASSETS HELD TO COVER UNIT-LINKED INSURANCE POLICIES

Security	Home country	Current value	Book value
Mutual funds			
BGF European A2 - EUR	Luxembourg	2 727 349,79	2 727 349,79
BGF India A2 EUR	Luxembourg	529 379,57	529 379,57
Evli Aasian Helmet 2013 PP	Finland	579 061,80	579 061,80
Evli Alpha Bond B	Finland	10 372 752,28	10 372 752,28
Evli Corporate Bond B	Finland	964 479,23	964 479,23
Evli Emerging Markets Equity B	Finland	3 371 838,93	3 371 838,93
Evli Euro Likvidi B	Finland	9 008 073,03	9 008 073,03
Evli Europe & Japan 2011	Finland	595 620,00	595 620,00
Evli Europe B	Finland	3 907 803,34	3 907 803,34
Evli European High Yield B	Finland	3 648 157,51	3 648 157,51
Evli European Investment Grade B	Finland	2 548 572,85	2 548 572,85
Evli Global Asset Allocation B	Finland	3 627 910,63	3 627 910,63
Evli Global Multi Manager 40 B	Finland	711 774,73	711 774,73
Evli Global Multi Manager 75 B	Finland	1 593 177,11	1 593 177,11
Evli Greater Russia B	Finland	3 170 286,01	3 170 286,01
Evli Nordic Dividend B	Finland	3 661 308,29	3 661 308,29
Evli Ruble Debt B	Finland	1 314 110,68	1 314 110,68
Evli Select B	Finland	3 403 842,32	3 403 842,32
Evli Tavoitekorko B	Finland	8 866 627,29	8 866 627,29
ICECAPITAL Qualifying Money Market B	Finland	618 471,57	618 471,57
Invesco Asean Equity Fund Dis USD	Ireland	950 171,74	950 171,74
JPM Emerging Markets Small Cap Acc EUR	Luxembourg	1 004 499,99	1 004 499,99
JPM Europe Strategic Dividend A Acc EUR	Luxembourg	1 530 801,21	1 530 801,21
Robeco Lux-o-rente	Luxembourg	550 179,74	550 179,74
Seligson Aasia A	Finland	1 949 574,84	1 949 574,84
Seligson Euro-obligaatio	Finland	1 251 207,41	1 251 207,41
Seligson Eurooppa -indeksirahasto A	Finland	4 346 786,53	4 346 786,53
SELIGSON GLB TOP 25-A	Finland	7 204 543,35	7 204 543,35
Seligson Global Top 25 Pharmaceuticals A	Finland	5 401 187,21	5 401 187,21
SELIGSON PHOEBUS-A	Finland	672 324,47	672 324,47
Seligson Rahamarkkina AAA	Finland	1 213 232,68	1 213 232,68
Seligson Russian Pros Euro A	Finland	13 614 002,03	13 614 002,03
Seligson Finland-indeksirahasto	Finland	7 649 640,64	7 649 640,64
Tapiola 2010	Finland	12 145 466,54	12 145 466,54
Tapiola 2015	Finland	32 636 637,23	32 636 637,23
Tapiola 2020	Finland	44 122 992,34	44 122 992,34
Tapiola 2025	Finland	68 672 099,78	68 672 099,78
Tapiola 2035	Finland	22 780 068,29	22 780 068,29
Tapiola 2045	Finland	4 298 904,94	4 298 904,94
Tapiola Aasia-Tyynimeri	Finland	9 767 667,49	9 767 667,49
Tapiola Eurooppa	Finland	26 907 867,94	26 907 867,94
Tapiola High Yield	Finland	17 887 090,77	17 887 090,77
Tapiola Hyvinvointi	Finland	9 558 888,58	9 558 888,58
Tapiola Itä-Eurooppa	Finland	1 400 433,06	1 400 433,06
Tapiola Japani	Finland	2 763 427,54	2 763 427,54
Tapiola Kassakorko	Finland	16 282 987,92	16 282 987,92
Tapiola Kehittyvät Markkinat	Finland	41 016 130,53	41 016 130,53
Tapiola Kiinteistö	Finland	2 831 866,83	2 831 866,83
Tapiola KR IV Ky	Finland	10 232 754,18	10 232 754,18
Tapiola Lyhytkorko	Finland	5 627 691,82	5 627 691,82
Tapiola Maailma 20	Finland	3 308 212,71	3 308 212,71
Tapiola Maailma 50	Finland	31 782 768,37	31 782 768,37
Tapiola Maailma 80	Finland	51 084 714,79	51 084 714,79
Tapiola Pitkäkorko	Finland	33 237 760,74	33 237 760,74
Tapiola Suoja	Finland	1 083 754,53	1 083 754,53
Tapiola Finland	Finland	10 412 766,06	10 412 766,06
Tapiola Trendi	Finland	13 826 893,87	13 826 893,87
Tapiola Tulevaisuus	Finland	7 778 943,46	7 778 943,46
Tapiola USA	Finland	17 851 243,05	17 851 243,05
Tapiola Yrityskorko	Finland	19 189 368,96	19 189 368,96
Other		6 105 581,80	6 105 581,80
Total		637 153 732,92	637 153 732,92
Other investments		205 208,31	205 208,31
Assets held to cover unit-linked insurance policies		637 358 941,23	637 358 941,23

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

NOTES TO BALANCE SHEET 31 Dec 2010

8. Other investments

	2010	2009
8.1. Other loans receivable, itemised by type of security		
Insurance policy	<u>1 624 722,01</u>	<u>1 863 780,92</u>
Remaining acquisition cost	<u>1 624 722,01</u>	<u>1 863 780,92</u>
Unsecured, total remaining acquisition cost	<u>40 035 323,97</u>	<u>50 287 159,97</u>
Total other loan receivables	<u><u>41 660 045,98</u></u>	<u><u>52 150 940,89</u></u>
8.2. Total subordinated loans		
Other loans receivable	<u>835 323,97</u>	<u>846 591,57</u>
<i>Total remaining acquisition cost</i>	<u><u>835 323,97</u></u>	<u><u>846 591,57</u></u>

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

NOTES TO BALANCE SHEET 31 Dec 2010

9. Changes in tangible and intangible assets

	2010	2010
	Intangible assets and other expenses with long-term effects	Machinery and equipment
Acquisition cost on 1 Jan.	24 284 228,90	3 967 138,49
Items written off the previous year	-1 062 188,15	0,00
Increases	2 439 328,73	1 840 819,39
Decreases	-2 369,02	-12 628,60
Acquisition cost on 31 Dec.	25 659 000,46	5 795 329,28
Accumulated depreciations on 1 Jan.	-8 547 628,27	-2 878 429,25
Items written off the previous year	1 062 188,15	0,00
Depreciation for the financial year	-2 986 709,72	-729 230,93
Accumulated depreciations on 31 Dec.	<u>-10 472 149,84</u>	<u>-3 607 660,18</u>
Book value on 31 Dec.	<u><u>15 186 850,62</u></u>	<u><u>2 187 669,10</u></u>

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

NOTES TO BALANCE SHEET 31 Dec 2010

10. ASSETS COVERING UNIT LINKED POLICIES

	2010 Original acquisition cost	2010 Current value =(book value)	2009 Original acquisition cost	2009 Current value =(book value)
<i>Assets covering unit linked policies</i>				
Shares and holdings	532 255 366,92	634 308 945,12	421 568 444,95	462 516 368,85
Debt securities	2 694 520,00	2 844 787,80	3 421 880,00	3 486 786,30
Recovery from insurance premium mediators	0,00	0,00	24 004,62	24 004,62
Cash at bank and in hands	205 208,31	205 208,31	61 904,41	61 904,41
<i>Total</i>	<u>535 155 095,23</u>	<u>637 358 941,23</u>	<u>425 076 233,98</u>	<u>466 089 064,18</u>
<i>Investments acquired in advance</i>	<u>15 867 031,01</u>	<u>16 092 708,23</u>	<u>1 586 292,09</u>	<u>1 746 798,04</u>
Investments corresponding to the technical provisions for unit linked insurance	<u><u>519 288 064,22</u></u>	<u><u>621 266 233,00</u></u>	<u><u>423 489 941,89</u></u>	<u><u>464 342 266,14</u></u>
Cash at bank and in hand, and other debtors premiums for paid insurance policies valid at the closing of the accounts that have not yet been invested.	205 208,31		61 904,41	

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

NOTES TO BALANCE SHEET 31 Dec 2010

11.1. Changes in capital and reserves

	1 Jan 2010	Increase	Decrease	31 Dec 2010
Initial reserve	4 482 208,24	0,00	0,00	4 482 208,24
Guarantee capital	32 036 005,12	0,00	0,00	32 036 005,12
Security reserve	81 454 529,84	26 200 000,00	0,00	107 654 529,84
Contingency reserve	30 936,97	227 509,86	-44 500,00	213 946,83
Profit for the financial year	28 029 310,12	6 697 706,97	-28 029 310,12	6 697 706,97
Total changes in capital and reserves	<u>146 032 990,29</u>	<u>33 125 216,83</u>	<u>-28 073 810,12</u>	<u>151 084 397,00</u>

11.2. Account of distributable profits

Profit for financial year	6 697 706,97
+ Other unrestricted capital and reserves	
Security reserve	107 654 529,84
Contingency reserve	213 946,83
Total distributable profits	<u>114 566 183,64</u>

12. Accumulated appropriations

	2010	2009
Depreciation difference		
Depreciation difference on 1 Jan.	3 277 499,40	4 212 605,92
Decreases	-173 853,61	-935 106,52
Depreciation difference on 31 Dec.	<u>3 103 645,79</u>	<u>3 277 499,40</u>

13. Other obligatory provisions

	2010	2009
Provision for unemployment security deductible	<u>135 706,95</u>	<u>52 715,84</u>
	<u>135 706,95</u>	<u>52 715,84</u>

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

NOTES TO BALANCE SHEET

31 Dec 2010

2010

2009

14. Receivables and liabilities

14.1. Itemisation of receivables

Receivables from group companies

Other receivables

191 699,86

2 360 423,11

191 699,86

2 360 423,11

Receivables from participating interests

Other receivables

0,00

5 351,07

0,00

5 351,07

14.2. Itemisation of liabilities

Liabilities to group companies

Other liabilities

573 831,44

2 459 767,60

573 831,44

2 459 767,60

Liabilities to partner companies

Other liabilities

24 261,96

99 000,33

24 261,96

99 000,33

14.3 Itemisation of accruals and deferred income

Provisional premiums

248 368,41

348 202,77

Liabilities to personnel

6 601 540,84

5 381 948,10

Valuation loss on derivatives

2 225 160,61

158 785,50

Other accruals and deferred income

781 136,90

338 574,71

9 856 206,76

6 227 511,08

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

NOTES TO BALANCE SHEET 31 Dec 2010

15. Notes concerning guarantees and contingent liabilities

15.1. Off-balance-sheet guarantees and contingent liabilities

Derivative contracts	2010	2009
Interest derivatives		
<i>Forward and futures contracts, open</i>		
Underlying instrument	50 000 000,00	82 000 000,00
Current value	0,00	0,00
Currency derivatives		
<i>Forward and futures contracts, open</i>		
Underlying instrument	48 250 907,86	19 574 507,78
Current value	0,00	16 603,17
Leasing liabilities		
Amount to be paid in the current financial year	31 495,30	32 064,66
Amount to be paid in the coming years	14 113,40	30 005,79
	<u>45 608,70</u>	<u>62 070,45</u>
Value-added tax liabilities		
<i>Joint liability relating to collective value-added tax registration</i>		
Group companies	-476 815,56	-269 621,40
Participating interest	465 861,74	293 596,57
Partner companies	3 148 953,66	370 985,32
	<u>3 137 999,84</u>	<u>394 960,49</u>
<i>Obligation to return value-added tax deductions pursuant to section 33 of Value-Added Tax Act</i>	<u>508 976,43</u>	<u>553 038,91</u>
Other commitments		
Subscription commitments	<u>116 153 356,31</u>	<u>158 183 922,16</u>

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

NOTES TO BALANCE SHEET

31 Dec 2010

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

Tapiola Mutual Life Assurance Company group companies and associated companies loans totalling EUR 176 108 881,84.

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 Tapiola General Mutual Insurance Company

Loan capital EUR 55.000.000

Principal loan terms The loan contract is valid until further notice. The creditor is entitled to terminate the loan with a five-year period of notice. However, the loan can be repaid after the period of notice only to the extent that, as 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, and that the debtor fulfils the solvency requirements in compliance with Chapter 11 of Insurance Companies Act after loan payment.

The annual interest rate of the loan is determined on the basis of the interest rate for Germany's 12-month government bond (GTDEM1YR) plus a margin of 4,25 per cent.

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 a 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.

There is no security for the loan.

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

NOTES TO BALANCE SHEET 31 Dec 2010

17. Notes concerning solvency

Solvency margin	2010	2009
Capital and reserves after deduction of proposed distribution of profits	149 482 596,74	144 431 190,03
Accumulated appropriations	3 103 645,79	3 277 499,40
Difference between current and book values of assets	175 325 900,06	150 917 177,26
Subordinated loans	55 000 000,00	55 000 000,00
Intangible assets	- 15 186 850,62	- 15 736 600,63
Off-balance-sheet commitments	- 1 681 338,03	- 9 714,83
	<u>366 043 953,94</u>	<u>337 879 551,23</u>
Minimum solvency margin (Insurance Companies Act, Chapter 11, section 12)	119 390 000,00	114 770 000,00
Equalisation provision included in technical provisions for years of high losses	62 735 301,00	64 514 890,00
Solvency capital, % of technical provisions, i.e., solvency margin and equalisation provision in proportion to technical provisions on own account less equalisation provision (%)		
2010	18,1	
2009	17,3	
2008	15,5	
2007	15,7	
2006	18,7	

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

EUR Mill

NOTES TO THE FINANCIAL STATEMENTS

KEY FIGURES

General key figures describing financial development	2010	2009	2008	2007	2006
Operating profit 1)	4,1	77,2	7,7	90,3	21,0
Total result 1)	28,5	153,4	-72,4	26,0	16,9
Return on capital employed (at current value), %	4,9	7,0	-1,1	4,0	6,5
Return on assets excluding unit-linked insurance, % 1)	3,5	9,1	-1,5	4,2	3,8
Average number of personnel during financial year 2)	2	2	2	2	2
Number of employees in relation to payroll 2)	505	502	497	333	355
Key figures describing the financial performance of life insurance	2010	2009	2008	2007	2006
Premium income	256,1	163,8	132,6	139,1	138,7
Expense ratio, % 1)	136,9	132,5	118,1	105,4	95,8
Expense ratio, % of balance sheet total 1)	2,4	1,8	2,6	1,8	1,7
Solvency margin in reporting currency 1)	366,0	337,9	218,4	225,5	265,6
Minimum solvency margin (Insurance Companies Act, Chapter 11, section 12) 1)	119,4	114,8	74,8	75,2	73,1
Equalisation provision in reporting currency 1)	62,7	64,5	23,1	23,2	23,6
Solvency capital 1)	428,8	402,4	241,5	248,6	289,2
Solvency ratio, % of technical provisions	18,1	17,3	15,5	15,7	18,7

1) Tapiola Corporate Life Insurance Ltd's merger affects the comparability of the key figure

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

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY
OTHER NOTES TO THE FINANCIAL STATEMENTS

Performance analysis

	2010	2009	Chance	Chance-%
1000 e				
Premium income	255 252	163 698	91 554	55,9
Investment income and expenses as well as revaluations and adjustments thereof	178 420	156 568	21 851	14,0
Claims paid	-243 301	-151 337	-91 964	60,8
Change in technical provisions before change in (customer benefits) and equalisation provision	-149 456	-96 227	-53 229	55,3
Operating expenses	-37 782	-24 626	-13 156	53,4
Other technical income and expenses				
Balance on technical account before change in (customer benefits) and equalisation provision	3 134	48 077	-44 944	-93,5
Other income and expenses	991	29 132	-28 141	-96,6
Operating profit	4 125	77 210	-73 085	-94,7
Change in equalisation provision	1 780	-687	2 466	-359,1
Additional benefits (customer benefits)	-1 976	-48 909	46 933	-96,0
Profit/loss before extraordinary items	3 929	27 614	-23 686	-85,8
Extraordinary income				
Extraordinary expenses				
Profit/loss before appropriations and taxes	3 929	27 614	-23 686	-85,8
Appropriations	174	935	-761	-81,4
Income taxes and other direct taxes	2 595	-520	3 115	-599,2
Profit for financial year	6 698	28 029	-21 332	-76,1
Operating profit	4 125	77 210	-73 085	-94,7
Change in the difference between current and book values	24 409	76 523	-52 114	-68,1
Change in revaluations reserve	0	-336	-336	-100,0
Total result	28 534	153 396	-124 862	-81,4

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

NOTES TO THE FINANCIAL STATEMENTS

Net income from investment operations at current values 1.1.-31.12.2010

	Net investment income at current value ¹⁾	Capital employed ²⁾	Return on capital employed				
	1-12/2010	1-12/2010	1-12/2010	1-12/2009	1-12/2008	1-12/2007	1-12/2006
	EUR million	EUR million	%	%	%	%	%
Loan receivables ⁵⁾	0,9	47,8	1,9	4,0	5,3	4,7	3,4
Bonds ³⁾	55,8	1 515,7	3,7	7,9	7,3	1,6	1,0
* of which fixed-income funds	6,7	96,6	7,0	21,4	-11,7	2,5	6,2
Other money market instruments and deposits ³⁾	1,2	53,4	2,3	2,5	2,6	3,6	3,0
* of which fixed-income funds	0,6	24,1	2,5	5,0	-0,7	2,9	3,7
Shares and participations	54,8	402,9	13,6	17,3	-28,3	8,7	18,1
Real estate investments ^{4), 5)}	18,2	491,6	3,7	-0,3	3,6	6,4	9,7
* of which collective funds and mutual investment undertakings	-3,2	118,5	-2,7	-9,1	-18,9	-10,6	32,2
Other investments							
Investments, total	131,0	2 511,5	5,2	7,3	-1,0	4,2	6,6
Income, costs and expenses unallocated to investment classes	-7,8						
Net income from investment operations at current values	123,2	2 511,5	4,9	7,0	-1,1	4,0	6,5

1) Net investment income at current value = Change in market values at the end and beginning of the reporting period - cash flows -during the period. Cash flow refers to the difference between purchases/expenses and sales/income.

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

3) Includes return on fixed-income funds.

4) Includes returns from mutual funds and undertakings for collective investment in transferable securities that are recorded under real estate investments.

5) All loans to own property and receivables from construction time are included in real estate investments.

Investment allocation (at current value)

	31.12.2010		31.12.2009		31.12.2008		31.12.2007		31.12.2006	
	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%
Loan receivables ^{1), 5)}	44,7	1,7	55,1	2,1	46,3	2,7	31,1	1,8	34,2	1,9
Bonds ^{1), 2)}	1 504,3	58,2	1 587,1	61,9	961,9	55,1	885,1	49,9	840,5	47,4
* of which fixed-income funds	103,4	4,0	96,6	3,8	58,2	3,3	65,4	3,7	44,2	2,5
Other money market instruments and deposits ^{1), 2), 3)}	51,5	2,0	73,6	2,9	142,9	8,2	176,9	10,0	120,7	6,8
* of which fixed-income funds	22,2	0,9	31,6	1,2	32,6	1,9	68,9	3,9	36,4	2,0
Shares and participations	466,8	18,0	363,6	14,2	254,2	14,6	319,0	18,0	413,2	23,3
Real estate investments ^{4), 5)}	519,3	20,1	485,8	18,9	339,7	19,5	359,9	20,3	365,6	20,6
* of which collective funds and mutual investment undertakings	115,0	4,4	120,0	4,7	58,1	3,3	20,3	1,1	6,6	0,4
Investments, total	2 586,6	100,0	2 565,1	100,0	1 745,1	100,0	1 772,0	100,0	1 774,2	100,0

Bonds, modified duration

5,1

1) Accrued interest included.

2) Long-term fixed-income funds are included in bonds and short-term funds in other debt instruments.

3) Deposits with credit institutions included.

4) Includes units of such mutual funds and their investments in similar undertakings for collective investment in transferable securities that invest in real estate and real estate corporations.

5) All loans to own property and receivables from construction time are included in real estate investments.

NOTES TO THE FINANCIAL STATEMENTS

Itemisation of net investment income

	31.12.2010	31.12.2009	31.12.2008	31.12.2007	31.12.2006
	EUR million	EUR million	EUR million	EUR million	EUR million
Direct net return	71,1	53,7	80,2	59,2	65,5
Loans receivable	0,9	1,9	2,2	1,5	1,1
Bonds	49,0	37,0	56,3	29,3	36,1
Other debt instruments and deposits	1,0	0,9	4,6	4,4	3,1
Shares and holdings	7,4	5,5	7,4	12,2	11,7
Real estate investments	20,6	13,6	12,1	13,9	15,3
Other investments	0,0	0,0	0,0	0,0	0,0
Unallocated income, costs and operating expenses	-7,8	-5,1	-2,4	-2,2	-1,9
Changes in book values ¹⁾	27,7	30,7	-19,8	74,6	46,7
Shares and holdings	7,7	16,9	-39,8	57,1	35,3
Bonds	24,6	10,1	-4,0	0,8	-2,4
Real estate investments	-5,0	3,1	24,0	16,9	13,8
Other investments	0,4	0,6	0,0	-0,2	0,0
Net investment income in books	98,8	84,5	60,4	133,8	112,1
Change in the difference between current and book values ²⁾	24,4	34,1	-80,1	-63,9	-3,8
Shares and holdings	39,7	19,6	-68,8	-39,6	16,6
Bonds	-17,8	31,8	14,9	-16,6	-25,1
Real estate investments	2,7	-17,6	-25,2	-9,1	4,4
Other investments	-0,2	0,2	-1,0	1,4	0,3
Net investment income at current value	123,2	118,5	-19,7	69,8	108,3
Derivatives of net investment income	-9,4	-4,9	21,4	1,6	6,1

1) Capital gains and losses as well as other changes in book values

2) Off-balance-sheet changes in values

Tapiola Mutual Life Assurance Company

Group

**Financial
statements
2010**

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP
PROFIT AND LOSS ACCOUNT
TECHNICAL ACCOUNT - LIFE INSURANCE

		1.1.2010 - 31.12.2010		1.1.2009 - 31.12.2009	
Premiums written					
Premiums written	1	256 130 355,83		233 095 200,45	
Reinsurers' share		<u>-877 973,12</u>	255 252 382,71	<u>-1 609 061,86</u>	231 486 138,59
Investment income	4		197 007 363,91		279 690 525,27
Revaluation of investments	4		66 199 331,68		40 921 571,76
Claims incurred					
Claims paid	2	-244 179 119,16		-214 274 713,03	
Reinsurers' share		<u>878 433,29</u>	-243 300 685,87	<u>636 378,19</u>	-213 638 334,84
Change in provision for claims outstanding		<u>-17 229 671,99</u>		<u>-8 414 224,07</u>	
Reinsurers' share		0,00	-17 229 671,99	-8 414 224,07	-222 052 558,91
Change in provision for unearned premiums					
Change in provision for unearned premiums		-132 422 289,58		-177 885 295,86	
Reinsurers' share		<u>0,00</u>	-132 422 289,58	<u>0,00</u>	-177 885 295,86
Operating expenses	3		-37 783 174,65		-33 652 839,89
Investment charges	4		-78 860 027,23		-115 584 368,90
Revaluation adjustments on investments	4		<u>-6 425 816,00</u>		<u>-1 195 481,09</u>
			0,00		0,00
Balance on technical account			2 437 412,98		1 727 690,97

NON-TECHNICAL ACCOUNT

Balance on technical account of life insurance			2 437 412,98		1 727 690,97
Other income					
Decrease in group reserve		0,00		144 557,15	
Other		<u>25 013 064,31</u>	25 013 064,31	<u>24 479 267,45</u>	24 623 824,60
Other expenses					
Amortisation of consolidated goodwill		-17 306,32		-482 504,19	
Other		<u>-24 021 810,10</u>	-24 039 116,42	<u>-22 117 561,01</u>	-22 600 065,20
Share of profit/loss of associated undertakings after taxes			800 209,58		610 875,51
Income taxes on ordinary activities					
Taxes for the financial year		-905 985,97		-1 265 753,69	
Taxes for previous financial years		3 454 860,71		56 164,28	
Deferred tax liabilities		<u>45 201,94</u>	2 594 076,68	<u>66 856,70</u>	-1 142 732,71
Profit for ordinary activities			6 805 647,14		3 219 593,17
			0,00		0,00
			<u>0,00</u>		<u>0,00</u>
Profit after extraordinary items			6 805 647,14		3 219 593,17
		0,00		0,00	
		<u>0,00</u>	0,00	<u>0,00</u>	0,00
Minority interest in profit/loss for the financial year			-9 593,61		512 728,33
Profit for the financial year			6 796 053,53		3 732 321,50

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

BALANCE SHEET

Assets	31.12.2010		31.12.2009	
Intangible assets				
		0,00		0,00
Consolidated goodwill	9	25 959,47		43 265,79
Other expenses with long-term effects	9	<u>15 255 852,40</u>	15 281 811,87	<u>15 805 602,41</u>
				15 848 868,20
Investments	5			
Real estate investments	6			
Real estate and shares in real estate		294 604 475,64		274 707 722,37
Loans to participating interests		<u>0,00</u>		<u>0,00</u>
		294 604 475,64		274 707 722,37
Investments in Group companies and participating interests	7			
Shares and holdings in participating interests		15 171 448,42		14 383 699,98
Debt securities and loans receivable from participating interests		4 400 000,00		2 687 500,00
Deposits in participating interests		<u>20 000 000,00</u>		<u>20 000 000,00</u>
		39 571 448,42		37 071 199,98
Other investments				
Shares and holdings	7	573 396 482,45		521 660 047,47
Debt securities		1 357 286 893,93		1 416 119 260,47
Loans guaranteed by mortgages		57 864 083,36		44 699 434,40
Other loans	8	42 499 474,98		52 990 369,89
Deposits		4 310 000,00		22 000 000,00
Other investments		<u>0,00</u>		<u>0,00</u>
		2 035 356 934,72		2 057 469 112,23
Deposits with ceding undertakings		<u>0,00</u>	2 369 532 858,78	<u>0,00</u>
				2 369 248 034,58
Assets covering Unit-linked policies	10		637 358 941,23	466 089 064,18
Debtors	17			
Direct insurance operations				
From policyholders		1 080 191,87		1 274 996,50
Reinsurance operations		<u>39 737,30</u>		<u>29 260,22</u>
		1 119 929,17		1 304 256,72
Other debtors		2 311 260,86		5 887 645,06
	16	<u>1 437 925,88</u>	4 869 115,91	<u>1 437 925,88</u>
				8 629 827,66
Other assets				
Tangible assets				
Equipment	9	2 246 622,57		1 288 573,59
Other tangible assets		<u>0,00</u>		<u>0,00</u>
		2 246 622,57		1 288 573,59
Cash at bank and in hand		54 740 148,53		59 427 404,68
Other assets		<u>117 204,41</u>	57 103 975,51	<u>117 204,41</u>
				60 833 182,68
Prepayments and accrued income				
Accrued interest and rent		28 689 258,56		32 115 854,26
Other prepayments and accrued income		<u>9 323 348,25</u>	<u>38 012 606,81</u>	<u>7 846 434,59</u>
			<u>3 122 159 310,11</u>	<u>39 962 288,85</u>
				<u>2 960 611 266,15</u>

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP
BALANCE SHEET

Liabilities		31.12.2010		31.12.2009	
Capital and reserves	11				
Initial reserve		4 482 208,24		4 482 208,24	
Guarantee capital		32 036 005,12		32 036 005,12	
Revaluation reserve		8 000 461,04		7 360 461,04	
Unrestricted reserves		107 868 476,67		81 485 466,81	
The share of voluntary provisions and depreciation difference transferred to capital and reserves		2 779 608,37		2 908 113,65	
Consolidated profit/loss brought forward		-29 749 681,15		-6 553 649,66	
Consolidated profit/loss for the financial year	6 796 053,53		3 732 321,50		
Change in depreciation difference and voluntary provisions included in profit for the financial year	128 505,28	6 924 558,81	132 341 637,10	1 100 957,14	4 833 278,64
			126 551 883,84		
Minority interest			1 236 752,94		1 160 825,67
Accumulated appropriations	12				
Accumulated depreciation difference		0,00		0,00	
		<u>0,00</u>	0,00	<u>0,00</u>	0,00
Subordinated loans			55 000 000,00		55 000 000,00
Group reserve	12		0,00		0,00
Technical provisions					
Provision for unearned premiums	13	1 705 865 030,38		1 729 026 200,80	
Reinsurers' share		0,00	1 705 865 030,38	0,00	1 729 026 200,80
Provision for claims outstanding		566 550 786,00		550 278 750,31	
Reinsurers' share		0,00	566 550 786,00	0,00	550 278 750,31
			2 272 415 816,38		2 279 304 951,11
Technical provisions for Unit-linked policies	14				
Technical provisions		621 266 233,00		464 725 136,70	
Reinsurers' share		0,00	621 266 233,00	0,00	464 725 136,70
Obligatory provisions					
Other obligatory provisions			135 706,95		52 715,84
			0,00		0,00
Creditors	17				
Direct insurance operations		4 145,55		62 342,17	
Reinsurance operations		108 975,73		341 121,97	
		0,00		0,00	
Loans from financial institutions	15	8 712 536,50		11 704 787,30	
	15	0,00		0,00	
Deferred tax liabilities	12/16	995 859,07		1 041 061,01	
Other liabilities		20 079 389,96	29 900 906,81	14 427 414,36	27 576 726,81
Accruals and deferred income			9 862 256,94		6 239 026,18
			<u>3 122 159 310,11</u>		<u>2 960 611 266,15</u>

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

	2010	2009
Indirect cash flow statement		
Cash flow from operations		
Profit (loss) from ordinary activities / profit (loss) before extraordinary items	6 805 647,14	3 219 593,17
Adjustments		
Change in technical provisions	149 651 961,57	186 299 519,93
Value adjustments and revaluations of investments	-59 320 551,88	-119 399 276,34
	82 991,11	52 715,84
Change in uncovered liabilities resulting from statutory reductions		
Planned depreciation	10 523 163,52	11 769 950,85
Other non-cash income and expenses		
Other adjustments	-51 022 512,53	-4 037 469,01
Cash flow before change in working capital	56 720 698,93	77 905 034,44
Change in working capital:		
Current receivables, non-interest-bearing, increase (-) / decrease (+)	5 710 393,79	-4 167 692,79
Current liabilities, non-interest-bearing, increase (+) / decrease (-)	3 259 901,54	587 422,30
Cash flow from operations before financial items and taxes	65 690 994,26	74 324 763,95
Interest paid and other financial expenses	-3 602 337,82	-4 051 130,48
Direct taxes paid	2 496 709,57	-5 455 324,01
Cash flow before extraordinary items	64 585 366,01	64 818 309,46
Cash flow from extraordinary items (net)		
Cash flow from operations	64 585 366,01	64 818 309,46
Cash flow from investments		
Investments in assets (excl. cash and cash equivalents)	-118 084 420,79	-27 319 533,76
Capital gains from investments (excl. cash and cash equivalents)	51 282 729,26	12 690 789,71
Increase/decrease in minority share	66 333,66	-1 288 935,16
Investments in tangible and intangible assets as well as other assets and capital gains (net)	-4 263 675,17	-3 532 566,93
Cash flow from investments	-70 999 033,04	-19 450 246,14
Cash flow from financing activities		
Loan funds raised	2 732 711,16	3 533 375,50
Repayment of debt		
Increase/decrease in capital and reserves	-961 800,28	206 932,71
other distribution of profit	-44 500,00	-48 100,00
Cash flow from financing activities	1 726 410,88	3 692 208,21
Change in cash and cash equivalents	-4 687 256,15	49 060 271,52
Cash and cash equivalents at the beginning of the year	59 427 404,68	10 367 133,16
Cash and cash equivalents at the end of the year	54 740 148,53	59 427 404,68

NOTES TO PROFIT AND LOSS ACCOUNT

1. Premiums written			2010			2009
Direct insurance						
Life insurance						
Unit-linked individual life insurance	51 125 976,48			46 751 143,89		
Other individual life insurance	47 440 333,10			50 583 185,50		
Unit-linked capital redemption policy	18 605 333,02			0,00		
Employees' group life insurance	7 086 181,28			6 885 049,96		
Other group life insurance	<u>24 813 937,66</u>	149 071 761,54		<u>20 756 821,63</u>	124 976 200,98	
Pension insurance						
Unit-linked individual pension insurance	41 029 851,57			42 186 518,07		
Other individual pension insurance	31 737 601,25			36 565 446,90		
Unit-linked group pension insurance	4 050 986,86			3 890 887,34		
Other group pension insurance	<u>30 195 937,50</u>	<u>107 014 377,18</u>	256 086 138,72	<u>25 449 027,33</u>	<u>108 091 879,64</u>	233 068 080,62
Reinsurance			<u>44 217,11</u>			<u>27 119,83</u>
Gross premiums written before reinsurers' share			<u>256 130 355,83</u>			<u>233 095 200,45</u>
<i>Premiums written before reinsurers' share</i>						
Regular premiums			196 356 310,34			186 064 984,62
Single premiums			<u>59 729 828,38</u>			<u>47 003 096,00</u>
Total			<u>256 086 138,72</u>			<u>233 068 080,62</u>
Premiums from contracts entitled to bonuses			141 273 711,79			140 239 531,32
Premiums from unit-linked insurance			<u>114 812 426,93</u>			<u>92 828 549,30</u>
			<u>256 086 138,72</u>			<u>233 068 080,62</u>

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

2010

Rebates						
Life insurance						
Other individual life insurance	-615 658,92			35 507 348,81		
Other capital redemption policy	6 799,28			31 538,00		
Employees' group life insurance	<u>542 433,00</u>	-66 426,64		<u>322 637,00</u>	35 861 523,81	
Pension insurance						
Unit-linked individual pension insurance	0,00			15 314 379,27		
Other individual pension insurance	<u>0,00</u>	<u>0,00</u>	-66 426,64	<u>1 033 304,92</u>	<u>16 347 684,19</u>	52 209 208,00
Discounts						
Life insurance						
Unit-linked individual life insurance		156 490,00			0,00	
Other individual life insurance		615 658,92			340 766,00	
Other group life insurance		<u>1 270 171,10</u>	2 042 320,02		<u>1 270 449,00</u>	1 611 215,00
			<u>1 975 893,38</u>			<u>53 820 423,00</u>

2. Claims paid before reinsurers' share

Direct insurance						
Life insurance	140 862 062,49					116 751 565,93
Pension insurance	<u>103 317 050,67</u>	<u>244 179 113,16</u>				<u>97 472 213,70</u>
Reinsurance			6,00			50 933,40
Total claims paid			<u>244 179 119,16</u>			<u>214 274 713,03</u>
Of which:						
Surrenders	33 787 511,46					25 055 689,86
Repayments of benefits	68 735 932,53					60 764 180,71
Other	<u>141 655 675,17</u>	<u>244 179 119,16</u>				<u>128 454 842,46</u>
Share of unit-linked insurance of claims paid			<u>27 756 667,17</u>			<u>13 441 837,54</u>

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

NOTES TO THE INCOME STATEMENT

2010

2009

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

3.1. Total operating expenses, by activity

Claims paid	5 736 710,53	4 999 457,61
Operating expenses	37 783 174,65	33 652 839,89
Investment management expenses	5 131 635,48	4 241 619,59
Other expenses	24 039 116,42	22 600 065,20
Total	<u>72 690 637,08</u>	<u>65 493 982,29</u>

3.2. Profit and loss account item operating expenses

Policy acquisition costs		
Direct insurance remuneration	3 867 585,12	3 758 714,02
Commissions on reinsurance assumed and profit holdings	-16,34	16,52
Other policy acquisition costs	10 328 253,21	9 210 544,47
	<u>14 195 821,99</u>	<u>12 969 275,01</u>
Policy management expenses	14 024 563,67	13 634 074,62
Administrative expenses	9 711 136,27	7 415 009,73
Commissions on reinsurance ceded and profit holdings	-148 347,28	-365 519,47
Total	<u>37 783 174,65</u>	<u>33 652 839,89</u>

3.3. Notes concerning personnel and members of corporate bodies

3.3.1. Personnel expenses

Salaries and remuneration	25 517 623,80	23 341 583,10
Pension expenses	6 058 837,80	4 596 304,21
Other personnel expenses	1 500 560,18	1 249 089,05
Total	<u>33 077 021,78</u>	<u>29 186 976,36</u>

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	377 227,00	290 270,00
Pension commitments	The retirement age of managing director is 63 and that of the deputy managing director as defined by law	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	
Board members and deputy board members		
Salaries and remunerations	661 252,00	354 606,00
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	71 250,00	88 150,00
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
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3.4 Auditors` s fees by assignment category

Auditing	91 073,03	146 570,46
Assignments referred to in section1, subsection 1, paragraph 2 of Auditing Act	4 135,80	12 810,00
Tax Advice	17 003,36	6 057,36
Other services	0	16 806,82
Total	<u>112 212,19</u>	<u>182 244,64</u>

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

NOTES TO PROFIT AND LOSS ACCOUNT

4.1. Specification of net investment income

	2010		2009	
Investment income				
Income from participating interests				
Interest income	835 791,09		103 265,19	
Other income	<u>0,00</u>	835 791,09	<u>0,00</u>	103 265,19
Income from real estate investments in other companies				
Dividend income	0,00		0,00	
Interest income	183 835,44		100 599,41	
Other income	<u>31 930 734,22</u>	32 114 569,66	<u>29 014 211,52</u>	29 114 810,93
Income from other investments				
Dividend income	17 165 006,93		11 907 895,38	
Interest income	48 696 961,82		64 630 873,01	
Other income	<u>2 224 135,19</u>	68 086 103,94	<u>17 397 651,81</u>	93 936 420,20
Total		101 036 464,69		123 154 496,32
Value readjustments		23 733 382,51		108 117 788,65
Capital gains		<u>72 237 516,71</u>		<u>48 418 240,30</u>
Total		197 007 363,91		279 690 525,27
Investment charges				
Expenses for real estate investments				
Other companies	<u>-17 270 610,15</u>	-17 270 610,15	<u>-13 525 099,96</u>	-13 525 099,96
Expenses for other investments		-6 195 464,49		-25 712 091,96
Interest and other expenses for liabilities				
Participating interests	-201,39		-1 171,60	
Other	<u>-3 600 384,42</u>	-3 602 337,82	<u>-4 049 958,88</u>	-4 051 130,48
Total		-27 068 412,46		-43 288 322,40
Value adjustments and depreciation				
Value adjustments	-24 186 346,31		-28 444 602,98	
Planned depreciation on buildings	<u>-6 650 481,01</u>	-30 836 827,32	<u>-8 123 992,93</u>	-36 568 595,91
Capital losses		<u>-20 954 787,45</u>		<u>-35 727 450,59</u>
Total		-78 860 027,23		-115 584 368,90
Net investment income before revaluations and their adjustments		118 147 336,68		164 106 156,37
Revaluation of investments	66 199 331,68		40 921 571,76	
Revaluation adjustments on investments	<u>-6 425 816,00</u>	59 773 515,68	<u>-1 195 481,09</u>	39 726 090,67
Net investment income in the profit and loss account		177 920 852,36		203 832 247,04

4.2 Net investment income for unit-linked insurance policies

Investment income		19 088 208,56		5 495 342,27
Investment charges		-647 284,78		-4 224 311,81
Net investment income before revaluations and their adjustment as well as value adjustments and readjustments		18 440 923,78		1 271 030,46
Revaluations of investments	66 199 331,68		40 856 665,46	
Revaluation adjustments on investments	-6 425 816,00		-1 019 401,00	
Value adjustments	-94 476,56		-23 579,45	
Value readjustment	1 511 976,68	61 191 015,80	46 323 285,88	86 136 970,89
Net investment income in the profit and loss account		<u>79 631 939,58</u>		<u>87 408 001,35</u>

4.3. Specification of other income and expenses**Other income**

Decrease in group reserve		0,00		144 557,15
Income from ancillary operations		25 012 255,86		24 476 984,95
Services sold to partner companies		0,00		1 843,00
Other other income		808,45		439,50
		<u>25 013 064,31</u>		<u>24 623 824,60</u>

Other expenses

Amortisation of consolidated goodwill		17 306,32		482 504,19
Expenses for ancillary operations		23 420 750,00		21 916 990,68
Expenses for services sold		318,83		0,00
Transfer to personnel fund		600 741,11		200 570,00
Other other expenses		0,16		0,33
		<u>24 039 116,42</u>		<u>22 600 065,20</u>

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

NOTES TO BALANCE SHEET 31 DECEMBER 2010

5.1. Current value of investments and difference between current and book value

Investments	Remaining acquisition cost	Book value	Current value
Real estate investments			
Real estate	204 454 941,22	237 410 350,12	294 658 710,28
Real-estate shares in participating interests	822 794,54	822 794,54	998 996,36
Other real estate shares	55 640 245,72	56 371 330,98	65 797 366,08
	<u>260 917 981,48</u>	<u>294 604 475,64</u>	<u>361 455 072,72</u>
Investments in participating interests			
Shares and holdings	15 171 448,42	15 171 448,42	15 171 448,42
Debt securities	4 400 000,00	4 400 000,00	4 400 000,00
Deposits	20 000 000,00	20 000 000,00	20 000 000,00
	<u>39 571 448,42</u>	<u>39 571 448,42</u>	<u>39 571 448,42</u>
Other investments			
Shares and holdings	573 396 482,45	573 396 482,45	687 062 177,85
Debt securities	1 357 286 893,93	1 357 286 893,93	1 373 830 212,37
Loans guaranteed by mortgages	57 864 083,36	57 864 083,36	57 864 083,36
Other loan receivables	42 499 474,98	42 499 474,98	42 499 474,98
Deposits	4 310 000,00	4 310 000,00	4 310 000,00
	<u>2 035 356 934,72</u>	<u>2 035 356 934,72</u>	<u>2 165 565 948,56</u>
	<u>2 335 846 364,62</u>	<u>2 369 532 858,78</u>	<u>2 566 592 469,70</u>
Remaining acquisition cost of debt securities includes:			
Difference between the nominal value and acquisition cost released (+) or charged (-) to interest income	-1 089 295,59		
Income from index-linked loans	0,00	<u>-1 089 295,59</u>	
Book value comprises:			
Revaluations released to income	18 936 501,20		
Other revaluations	14 749 992,96	<u>33 686 494,16</u>	
Difference between current and book value			<u>197 059 610,92</u>
5.2. Difference between current and book value of non-hedging derivatives			<u>0,00</u>

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

NOTES TO BALANCE SHEET 31 DECEMBER 2010

6. Real estate investments 2010 2010

Changes in real estate investments:

	Real estates and shares in real estate	Loans to participating interests
Acquisition cost on 1 Jan.	341 120 063,45	0,00
Items written off in the previous year	-3 837 213,46	
Increase	24 707 690,09	0,00
Decrease	-3 102 300,03	0,00
Transfers between items	0,00	0,00
Acquisition cost on 31 Dec.	<u>358 888 240,05</u>	<u>0,00</u>
Accumulated depreciation on 1 Jan.	-74 645 410,20	
Items written off in the previous year	3 837 213,46	
Accumulated depreciation related to deduct	0,00	
Depreciation for the financial year	-5 627 808,64	
Accumulated depreciation on 31 Dec.	<u>-76 436 005,37</u>	
Value adjustments on 1 Jan.	-25 453 425,15	
Value adjustments related to deductions an	177 500,00	
Value adjustments for the financial year	-520 000,00	
Value readjustments	4 261 671,95	
Value adjustments on 31 Dec.	<u>-21 534 253,20</u>	
Revaluations on 1 Jan.	33 686 494,16	
Increase	0,00	
Decrease	0,00	
Transfers between items	0,00	
Revaluations on 31 Dec.	<u>33 686 494,16</u>	
Book value on 31 Dec.	<u><u>294 604 475,64</u></u>	<u><u>0,00</u></u>

Real estate and shares in real estate occupied for own activities

Remaining acquisition cost	12 280 795,00
Book value	13 363 795,31
Current value	16 559 178,42

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

NOTES TO BALANCE SHEET 31 DECEMBER 2010

7. Investments in participating interests

	2010
Shares and holdings in participating interests	
Acquisition cost on 1 Jan.	14 383 699,96
Increase	795 691,22
Decrease	-7 942,76
Transfers between items	0,00
Acquisition cost on 31 Dec.	<u>15 171 448,42</u>
Book value on 31 Dec.	<u>15 171 448,42</u>

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

NOTES TO BALANCE SHEET 31 Dec 2010

7.1. Investments in participating interests

Shares and holdings

	Domicile	Share of stocks %	Capital and reserves	Profit/loss for the accounting period
Tapiola Real Estate Ltd	Espoo	50,00	1 670 023,44	551 406,02
Tapiola Bank Ltd	Espoo	19,65	75 941 675,84	2 550 966,93
Tapiolan Alueen Kehitys Oy	Espoo	27,42	31 530,35	-20 138,35
Tapiola Data Ltd	Espoo	33,33	2 550 956,06	381 568,35
Vakuutusneuvonta Aura Oy	Espoo	33,33	12 158,74	-137,98
Vakuutusneuvonta Pohja Oy	Espoo	33,33	12 103,04	-150,15
Yhteensä			80 218 447,47	3 463 514,82

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

NOTES TO BALANCE SHEET 31 DEC 2010

7.2 OTHER INVESTMENTS

Security	Share stocks %	Number	Book value	Current value Home country
Finnish companies, listed				
Amer- Sports Oyj	0,49	596 664,00	3 552 777,60	6 223 205,52
Fortum Oyj	0,04	391 668,00	4 787 457,79	8 824 280,04
Kone Oyj	0,07	194 000,00	3 509 431,40	8 070 400,00
Lassila & Tikanoja Oyj	1,34	520 267,00	4 781 704,39	7 663 532,91
Metso Oyj	0,11	171 000,00	3 783 920,66	7 147 800,00
Nokia Oyj	0,01	345 300,00	2 672 622,00	2 672 622,00
Nokian Renkaat Oyj	0,15	197 655,00	2 201 113,87	5 425 629,75
Sanoma Oyj	0,12	202 113,00	2 018 258,82	3 278 272,86
Stockmann Oyj	0,25	179 003,00	3 160 765,45	5 065 784,90
Vacon Oyj	0,73	111 400,00	779 800,00	4 344 600,00
Vaisala Oyj	1,05	191 500,00	3 925 750,00	3 925 750,00
Other			330 720,00	330 720,00
Total			35 504 321,98	62 972 597,98
Finnish companies, non-listed				
Fingrid Oyj	1,41	47,00	1 580 966,50	1 580 966,51
Henkivakuutusosakeyhtiö Retro	19,43	13 598,00	1 208 589,69	1 208 589,69
Keskinäinen Vakuutusyhtiö Tapiola	80,00	168,00	1 412 778,58	1 412 778,58
Satel Oy	9,90	490,00	1 339 690,84	2 059 372,00
Sato Oyj	3,59	1 829 092,00	9 932 812,82	15 547 282,00
Seligson & Co Oyj	11,42	143 784,00	1 155 234,86	1 243 731,60
Other			2 634 054,54	2 943 573,77
Total			19 264 127,83	25 996 294,15
Foreign companies, listed				
ABB Ltd	0,01	241 000,00	2 990 892,69	4 014 739,28 Switzerland
AMEC PLC	0,11	350 000,00	3 556 492,70	4 676 154,52 United Kingdom
Allianz SE	0,01	51 300,00	3 996 444,56	4 562 109,00 Germany
BNP Paribas	0,01	110 000,00	5 237 100,00	5 237 100,00 France
Carl Zeiss Meditec AG	0,40	327 500,00	3 259 819,61	4 678 337,50 Germany
DnB NOR ASA	0,04	675 666,00	5 104 874,72	7 094 493,00 Norway
E.ON Ag	0,01	175 900,00	3 243 466,11	4 034 266,50 Germany
Ekornes ASA	0,58	211 980,00	3 379 738,31	4 348 307,69 Norway
Electricite De France	0,01	149 000,00	4 573 555,00	4 573 555,00 France
Estee Lauder	0,06	66 102,00	1 992 670,81	3 992 240,23 United States
Fresenius Medical Care Ag	0,03	75 000,00	2 643 884,18	3 242 250,00 Germany
Gamesa Corp Tecnologica SA	0,19	466 969,00	2 667 326,93	2 667 326,93 Spain
GlaxoSmithKline Plc	0,01	307 400,00	4 400 426,81	4 428 417,08 United Kingdom
Heineken Nv	0,03	154 375,00	4 760 825,17	5 664 018,75 The Netherlands
Hennes & Mauritz Ab B	0,02	260 000,00	3 671 647,80	6 496 012,49 Sweden
Hochtief AG	0,13	96 500,00	4 002 169,28	6 131 610,00 Germany
Inmarsat PLC	0,08	350 000,00	2 569 974,17	2 738 600,06 United Kingdom
Kappahl Ab	1,01	754 854,00	3 830 891,42	3 830 891,42 Sweden
Kellogg Co	0,03	114 100,00	4 174 130,39	4 361 793,14 United States
Kloeckner & Co AG	0,46	303 500,00	5 075 584,33	6 375 017,50 Germany
Life Technologies Corp	0,06	104 000,00	3 789 425,69	4 319 712,62 United States
Mednax Inc	0,22	105 000,00	4 415 423,84	5 287 718,90 United States
Nestle Sa	0,00	158 000,00	4 636 387,62	6 918 186,18 Switzerland
Petroleum Geo-Services ASA	0,23	500 000,00	4 079 846,96	5 823 717,95 Norway
Qiagen NV	0,12	290 000,00	4 166 808,27	4 242 700,00 The Netherlands
Reed Elsevier NV	0,09	625 000,00	5 035 217,93	5 785 625,00 The Netherlands
SAP Ag	0,01	155 000,00	5 130 207,42	5 905 500,00 Germany
SCA Ab B	0,06	386 000,00	3 916 271,61	4 572 327,25 Sweden
SES SA	0,04	140 000,00	2 494 100,00	2 494 100,00 Luxembourg
Sanofi-Aventis	0,01	83 800,00	4 009 830,00	4 009 830,00 France
Subsea 7 S.A.	0,09	300 000,00	3 906 251,46	5 500 000,00 United Kingdom
Symrise Ag	0,17	203 500,00	3 499 073,75	4 176 837,50 Germany
TDC A/S	0,03	320 000,00	2 080 096,60	2 080 096,60 Denmark
Technip SA	0,08	90 000,00	4 720 753,20	6 219 000,00 France
Telefonica Sa	0,01	410 000,00	6 955 650,00	6 955 650,00 Spain
TeliaSonera Ab	0,01	542 776,00	2 122 909,52	3 232 231,08 Sweden
Tesco PLC	0,01	1 185 000,00	5 851 002,03	5 851 002,03 United Kingdom
Thermo Fisher Scientific	0,03	111 000,00	3 825 942,54	4 598 832,51 United States
United Technologies Corp	0,01	106 800,00	4 491 203,23	6 291 944,32 United States
Vinci SA	0,02	89 000,00	3 308 218,46	3 620 520,00 France
Waste Management Inc	0,04	168 700,00	3 502 686,26	4 654 968,57 United States
Zimmer Holdings Inc	0,05	94 900,00	3 812 477,17	3 812 477,17 United States
eBay Inc	0,02	200 000,00	3 288 508,52	4 165 544,08 United States
Other			987 599,23	1 797 876,91
Total			169 157 806,30	205 463 638,76
Foreign companies, non-listed				
Other			308 202,92	628 913,82
Total			308 202,92	628 913,82

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

NOTES TO BALANCE SHEET 31 DEC 2010

7.2 OTHER INVESTMENTS

Mutual funds

Liongate Multi-Strategy Fund Segregated Portfolio	8 406 849,30	8 406 849,30 Luxembourg
Robeco Lux-o-rente	2 306 033,68	2 823 448,27 France
Tapiola 2045	746 737,58	746 737,58 Finland
Tapiola Aasia-Tyynimeri	5 326 052,60	6 228 378,54 Finland
Tapiola Eurooppa	600 844,00	869 828,82 Finland
Tapiola High Yield	28 824 609,16	43 644 830,13 Finland
Tapiola Hyvinvointi	8 552 289,30	10 586 114,93 Finland
Tapiola Itä-Eurooppa	4 837 359,18	6 057 395,56 Finland
Tapiola Japani	6 472 509,72	6 472 509,72 Finland
Tapiola Kehittyvät Markkinat	4 013 708,10	10 424 649,18 Finland
Tapiola Kiinteistö	4 448 315,72	4 448 315,72 Finland
Tapiola Lyhytkorko	20 581 503,77	22 188 024,09 Finland
Tapiola Maailma 20	1 112 407,92	1 322 653,02 Finland
Tapiola Pitkäkorko	20 161 997,58	24 094 581,04 Finland
Tapiola Finland	1 045 694,20	1 423 924,31 Finland
Tapiola Trendi	4 916 598,22	7 243 755,38 Finland
Tapiola Tulevaisuus	3 781 380,11	3 897 068,49 Finland
Tapiola USA	5 886 014,09	6 010 043,36 Finland
Tapiola Yrityskorko	29 182 807,14	32 794 667,99 Finland
Other	812 245,41	1 546 433,07
Total	162 015 956,78	201 230 208,50

Capital mutual funds

AXA LBO Fund IV FCPR	4 288 275,00	4 707 310,13 France
AXA Secondary Fund IV L.P.	3 989 751,22	4 366 157,01 Jersey
Aberdeen European Shopping Property Fund SICAV	7 052 482,00	7 052 482,00 Luxembourg
Aberdeen Property Funds SICAV Pan-Nordic	4 493 138,83	4 493 138,83 Luxembourg
Altor Fund III	1 519 640,82	2 297 871,00 Jersey
Apax Europe VII - B, L.P.	6 139 687,32	6 139 687,32 United Kingdom
Bowmark Capital Partners IV, L.P.	853 234,97	853 234,97 United Kingdom
Bridgepoint Europe III, L.P.	3 403 828,00	3 403 828,00 United Kingdom
Bridgepoint Europe IV F L.P.	1 977 031,22	1 977 031,22 United Kingdom
Capman Equity VII A L.P.	1 778 556,38	2 094 826,00 Guernsey
Capvis Equity III L.P.	1 871 457,47	1 871 457,47 Jersey
Capvis III Co-investors BARTEC L.P.	2 687 500,00	2 945 932,34 Jersey
European Added Value Fund, L.P.	4 412 433,40	4 412 433,40 United Kingdom
Gresham 4A	1 806 017,61	1 806 017,61 United Kingdom
ING Real Estate European Industrial Fund C.V.	6 641 800,00	6 641 800,00 The Netherlands
Indigo Capital V L.P.	3 041 452,57	3 041 452,57 United Kingdom
Industri Kapital 2000 Limited Partnership XI	2 230 312,00	2 230 312,00 Jersey
Industri Kapital 2004 Limited Partnership III	986 462,59	986 462,59 Jersey
Industri Kapital 2007 Limited Partnership III	5 184 739,40	5 351 629,78 Jersey
Lindsay Goldberg III L.P.	1 903 613,98	1 903 613,98 United States
MB Equity Fund III Ky	2 256 575,30	2 256 575,30 Finland
MB Equity Fund IV Ky	1 055 880,00	1 055 880,00 Finland
MGP Europe Fund III	3 304 087,19	3 304 087,19 United Kingdom
Nexit INFOCOM II L.P.	1 687 952,00	1 687 952,00 Guernsey
Nordic Mezzanine Fund III Limited Partnership	1 139 846,79	1 139 846,79 United Kingdom
PBW II Real Estate Fund S.A.	4 302 281,33	4 302 281,33 Luxembourg
Partners Group Secondary 2004 L.P.	1 321 294,00	1 321 294,00 United States
Partners Group U.S. Venture 2004, L.P.	1 023 476,28	1 023 476,28 United States
Paul Capital Top Tier Investments III, L.P.	2 517 928,25	2 579 224,99 United States
Paul Capital Top Tier Investments IV, L.P.	1 416 930,83	1 529 418,66 United States
Rockspring PanEuropean Limited Partnership	6 688 868,66	6 688 868,66 United Kingdom
TPG Partners VI, LP	5 452 709,18	5 452 709,18 United States
Tapiola KR I Ky	24 809 779,19	24 809 779,19 Finland
Tapiola KR III Ky	43 566 999,57	43 566 999,57 Finland
Tapiola KR IV Ky	5 283 857,60	5 291 929,72 Finland
The Fourth Cinven Fund (No. 4) Limited Partnership	6 820 564,42	7 139 827,45 United Kingdom
Other	8 235 621,27	9 043 696,11
Total	187 146 066,64	190 770 524,64

Total other investments, shares and holdings

573 396 482,45 **687 062 177,85**

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

NOTES TO BALANCE SHEET 31 Dec 2010

7.3 ASSETS HELD TO COVER UNIT-LINKED INSURANCE POLICIES

Security	Home country	Current value	Book value
Mutual funds			
BGF European A2 - EUR	Luxembourg	2 727 349,79	2 727 349,79
BGF India A2 EUR	Luxembourg	529 379,57	529 379,57
Evli Aasian Helmet 2013 PP	Finland	579 061,80	579 061,80
Evli Alpha Bond B	Finland	10 372 752,28	10 372 752,28
Evli Corporate Bond B	Finland	964 479,23	964 479,23
Evli Emerging Markets Equity B	Finland	3 371 838,93	3 371 838,93
Evli Euro Likvidi B	Finland	9 008 073,03	9 008 073,03
Evli Europe & Japan 2011	Finland	595 620,00	595 620,00
Evli Europe B	Finland	3 907 803,34	3 907 803,34
Evli European High Yield B	Finland	3 648 157,51	3 648 157,51
Evli European Investment Grade B	Finland	2 548 572,85	2 548 572,85
Evli Global Asset Allocation B	Finland	3 627 910,63	3 627 910,63
Evli Global Multi Manager 40 B	Finland	711 774,73	711 774,73
Evli Global Multi Manager 75 B	Finland	1 593 177,11	1 593 177,11
Evli Greater Russia B	Finland	3 170 286,01	3 170 286,01
Evli Nordic Dividend B	Finland	3 661 308,29	3 661 308,29
Evli Ruble Debt B	Finland	1 314 110,68	1 314 110,68
Evli Select B	Finland	3 403 842,32	3 403 842,32
Evli Tavoitekorko B	Finland	8 866 627,29	8 866 627,29
ICECAPITAL Qualifying Money Market B	Finland	618 471,57	618 471,57
Invesco Asean Equity Fund Dis USD	Ireland	950 171,74	950 171,74
JPM Emerging Markets Small Cap Acc EUR	Luxembourg	1 004 499,99	1 004 499,99
JPM Europe Strategic Dividend A Acc EUR	Luxembourg	1 530 801,21	1 530 801,21
Robeco Lux-o-rente	Luxembourg	550 179,74	550 179,74
Seligson Aasia A	Finland	1 949 574,84	1 949 574,84
Seligson Euro-obligaatio	Finland	1 251 207,41	1 251 207,41
Seligson Eurooppa -indeksirahasto A	Finland	4 346 786,53	4 346 786,53
SELIGSON GLB TOP 25-A	Finland	7 204 543,35	7 204 543,35
Seligson Global Top 25 Pharmaceuticals A	Finland	5 401 187,21	5 401 187,21
SELIGSON PHOEBUS-A	Finland	672 324,47	672 324,47
Seligson Rahamarkkina AAA	Finland	1 213 232,68	1 213 232,68
Seligson Russian Pros Euro A	Finland	13 614 002,03	13 614 002,03
Seligson Finland-indeksirahasto	Finland	7 649 640,64	7 649 640,64
Tapiola 2010	Finland	12 145 466,54	12 145 466,54
Tapiola 2015	Finland	32 636 637,23	32 636 637,23
Tapiola 2020	Finland	44 122 992,34	44 122 992,34
Tapiola 2025	Finland	68 672 099,78	68 672 099,78
Tapiola 2035	Finland	22 780 068,29	22 780 068,29
Tapiola 2045	Finland	4 298 904,94	4 298 904,94
Tapiola Aasia-Tyynimeri	Finland	9 767 667,49	9 767 667,49
Tapiola Eurooppa	Finland	26 907 867,94	26 907 867,94
Tapiola High Yield	Finland	17 887 090,77	17 887 090,77
Tapiola Hyvinvointi	Finland	9 558 888,58	9 558 888,58
Tapiola Itä-Eurooppa	Finland	1 400 433,06	1 400 433,06
Tapiola Japani	Finland	2 763 427,54	2 763 427,54
Tapiola Kassakorko	Finland	16 282 987,92	16 282 987,92
Tapiola Kehittyvät Markkinat	Finland	41 016 130,53	41 016 130,53
Tapiola Kiinteistö	Finland	2 831 866,83	2 831 866,83
Tapiola KR IV Ky	Finland	10 232 754,18	10 232 754,18
Tapiola Lyhytkorko	Finland	5 627 691,82	5 627 691,82
Tapiola Maailma 20	Finland	3 308 212,71	3 308 212,71
Tapiola Maailma 50	Finland	31 782 768,37	31 782 768,37
Tapiola Maailma 80	Finland	51 084 714,79	51 084 714,79
Tapiola Pitkäkorko	Finland	33 237 760,74	33 237 760,74
Tapiola Suoja	Finland	1 083 754,53	1 083 754,53
Tapiola Finland	Finland	10 412 766,06	10 412 766,06
Tapiola Trendi	Finland	13 826 893,87	13 826 893,87
Tapiola Tulevaisuus	Finland	7 778 943,46	7 778 943,46
Tapiola USA	Finland	17 851 243,05	17 851 243,05
Tapiola Yrityskorko	Finland	19 189 368,96	19 189 368,96
Other		6 105 581,80	6 105 581,80
Total		637 153 732,92	637 153 732,92
Other investments		205 208,31	205 208,31
Assets held to cover unit-linked insurance policies		637 358 941,23	637 358 941,23

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

NOTES TO BALANCE SHEET

8. Other investments

8.1. Other loan receivables, itemised by type of security

	2010	2009
Insurance policy	1 624 722,01	1 863 780,92
Other guarantee	0,00	0,00
Total remaining acquisition cost	<u>1 624 722,01</u>	<u>1 863 780,92</u>
Unsecured, total remaining acquisition cost	<u>40 035 323,97</u>	<u>50 287 159,97</u>
Total other loan receivables	<u><u>41 660 045,98</u></u>	<u><u>52 150 940,89</u></u>

8.2. Total premium loans

Other loan receivables	<u>835 323,97</u>	<u>846 591,57</u>
Total remaining acquisition cost	<u><u>835 323,97</u></u>	<u><u>846 591,57</u></u>

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

NOTES TO BALANCE SHEET

9. Changes in tangible and intangible assets

	2010	2010	2010
	Intangible rights and long-term expenditure	Consolidated goodwill	Equipment
Acquisition cost on 1 Jan.	27 700 718,06	550 071,31	7 634 915,03
Items written off the previous year	-1 062 188,15	-463 539,73	0,00
Increases	2 439 328,73	0,00	1 840 819,39
Decreases	-3 349 856,40	0,00	-623 089,18
Transfers between items	0,00	0,00	0,00
Acquisition cost on 31 Dec.	<u>25 728 002,24</u>	<u>86 531,58</u>	<u>8 852 645,24</u>
Accumulated depreciations on 1 Jan.	-11 895 115,65	-506 805,52	-6 346 341,44
Items written off the previous year	1 062 188,15	463 539,73	0,00
Accumulated depreciation related to deductions	3 347 487,38	0,00	608 985,25
Depreciation for the financial year	-2 986 709,72	-17 306,32	-868 666,48
Accumulated depreciations on 31 Dec.	<u>-10 472 149,84</u>	<u>-60 572,11</u>	<u>-6 606 022,67</u>
Book value on 31 Dec.	<u><u>15 255 852,40</u></u>	<u><u>25 959,47</u></u>	<u><u>2 246 622,57</u></u>

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

NOTES TO BALANCE SHEET

10. ASSETS COVERING UNIT LINKED POLICIES

	2010 Original acquisition cost	2010 Current value =(book value)	2009 Original acquisition cost	2009 Current value =(book value)
<i>Assets covering unit linked policies</i>				
Shares and holdings	532 255 366,92	634 308 945,12	421 568 444,95	462 516 368,85
Dept securities	2 694 520,00	2 844 787,80	3 421 880,00	3 486 786,30
Recovery from insurance premium mediators	0,00	0,00	24 004,62	24 004,62
Cash at bank and in hands	205 208,31	205 208,31	61 904,41	61 904,41
<i>Total</i>	<u>535 155 095,23</u>	<u>637 358 941,23</u>	<u>425 076 233,98</u>	<u>466 089 064,18</u>
<i>Investments acquired in advance</i>	15 867 031,01	16 092 708,23	1 586 292,09	1 746 798,04
Investments corresponding to the technical provisions for unit linked insurance	<u>519 288 064,22</u>	<u>621 266 233,00</u>	<u>423 489 941,89</u>	<u>464 342 266,14</u>
Cash at bank and in hand, and other debtors premiums for paid insurance policies valid at the closing of the accounts that have not yet been invested.	205 208,31		61 904,41	

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

NOTES TO BALANCE SHEET 31 DECEMBER 2010

11.1. Changes in capital and reserves	1.1.2010	Increase	Decrease	31.12.2010
Initial fund	4 482 208,24	0,00	0,00	4 482 208,24
Guarantee capital	32 036 005,12	0,00	0,00	32 036 005,12
Revaluation reserve	7 360 461,04	640 000,00	0,00	8 000 461,04
Security reserve	81 454 529,84	26 200 000,00	0,00	107 654 529,84
Contingency reserve	30 936,97	227 509,86	-44 500,00	213 946,83
The share of voluntary provisions and depreciation				
difference transferred to capital and reserves	2 908 113,65	0,00	-128 505,28	2 779 608,37
Consolidated profit/loss brought forward	-6 553 649,66	0,00	-23 196 031,49	-29 749 681,15
Consolidated profit/loss for the financial year	3 732 321,50	6 796 053,53	-3 732 321,50	6 796 053,53
Change in depreciation difference and voluntary provisions included in profit for the financial year	1 100 957,14	0,00	-972 451,86	128 505,28
Total changes in capital and reserves	126 551 883,84	33 863 563,39	-28 073 810,13	132 341 637,10

11.2. Specification of revaluation reserve

Revaluation reserve on 1 Jan.	7 360 461,04
Increase	640 000,00
Cancellation of revaluations	0,00
Revaluation reserve on 31 Dec.	8 000 461,04
Relating to fixed assets	8 000 461,04

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

NOTES TO BALANCE SHEET

	2010	2009
12. Accumulated appropriations		
Accumulated depreciation difference		
Accumulated depreciation difference 1.1	4 004 080,80	5 514 156,42
Increases	0	1 386 465,22
Decreases	-173 853,61	-2 896 540,85
Accumulated depreciation difference 31.12.	3 830 227,19	4 004 080,79
Total voluntary provisions		
Total accumulated appropriations	3 830 227,19	4 004 080,79
Divided into		
Capital and reserves	-2 779 608,37	-2 908 113,65
Minority interest	-54 759,75	-54 906,13
Deferred tax liabilities	-995 859,07	-1 041 061,01
 Tax Base	 26 %	 26 %

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

NOTES TO BALANCE SHEET

2010

2009

13. Other obligatory provisions

Provision for unemployment security deductible	<u>135 706,95</u>	<u>52 715,84</u>
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14. Deferred tax assets

Deferred tax asset from negative depreciation difference	<u>1 437 925,88</u>	<u>1 437 925,88</u>
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15. Deferred tax liabilities

Taxliability calculated on the basis of timing difference and other temporary differences between taxable profit and accounting	<u>995 859,07</u>	<u>1 041 061,01</u>
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16. Receivables and liabilities

16.1. Receivables from participating interests

Other receivables	<u>0,00</u>	<u>5 351,07</u>
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16.2. Itemisation of liabilities

Liabilities to partner companies

Other liabilities	<u>24261,96</u>	<u>99 000,33</u>
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16.3 Itemisation of accruals and deferred income

Provisional premiums	248 368,41	348 202,77
Liabilities to personnel	6 601 540,84	5 381 948,10
Valuation loss on derivatives	2 225 160,61	158 785,50
Other accruals and deferred income	787 187,08	350 089,81
	<u>9 862 256,94</u>	<u>6 239 026,18</u>

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

NOTES TO BALANCE SHEET

2010

2009

17. Notes concerning guarantees and contingent liabilities

17.1. Security	Security/pledges/ guarantees and other liability commitments	Amount of liability	Security/pledges/ guarantees and other liability commitments	Amount of liability
As security for own debts				
Real estate mortgages	18 803 480,00	2 761 980,80	47 476 224,00	11 744 787,30
17.2. Off-balance-sheet guarantees and contingent liabilities				
Derivative contracts				
Interest derivatives				
<i>Forward and futures contracts, closed</i>				
Underlying instrument	50 000 000,00		82 000 000,00	
Current value	0,00		0,00	
Currency derivatives				
<i>Forward and futures contracts, open</i>				
Underlying instrument	48 250 907,86		19 574 507,78	
Current value	0,00		16 603,17	
Leasing liabilities				
Amount to be paid in the current financial year	31 495,30		32 064,66	
Amount to be paid in the coming years	14 113,40		30 005,79	
	<u>45 608,70</u>		<u>62 070,45</u>	
Value-added tax liabilities				
<i>Joint liability relating to collective value-added tax registration</i>				
Associated undertakings	465 861,74		293 596,57	
Partner companies	3 148 953,66		370 985,32	
	<u>3 614 815,40</u>		<u>664 581,89</u>	
<i>Obligation to return value-added tax deductions pursuant to section 33 of Value-Added Tax Act</i>				
	<u>8 448 062,47</u>		<u>11 303 944,86</u>	
Other commitments				
Subscription commitments	<u>116 153 356,31</u>		<u>158 183 922,16</u>	

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

NOTES TO BALANCE SHEET 31.12.2010

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

Tapiola Mutual Life Assurance Company Groups loans to participating interests are 176 108 8981,84 euro.

The loan period is in principal 10-40 years and the interest rate 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 Tapiola General Mutual Insurance Company

Loan capital EUR 55.000.000

Principal loan terms The loan contract is valid until further notice. The creditor is entitled to terminate the loan with a five-year period of notice. However, the loan can be repaid after the period of notice only to extent that, as 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, and that the debtor fulfils the solvency requirements in compliance with Chapter 11 of Insurance Companies Act after loan payment.

The annual interest rate of the loan is determined on the basis of the interest rate for Germany's 12-month government bond (GTDEM1YR) plus a margin of 4,25 per cent.

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 a 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.

There is no security for the loan.

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

EUR MILL

NOTES TO THE FINANCIAL STATEMENTS
KEY FIGURES

	2010	2009	2008	2007	2006
General key figures describing financial development					
Operating profit	4,4	66,6	16,9	115,8	42,0
Total result	28,9	121,6	-92,8	19,9	103,6
Return on assets excluding unit-linked insurance, %	3,5	7,3	-0,9	8,1	7,2
Average number of personnel during financial year 1)	2	2	2	2	2
Number of employees in relation to payroll 1)	505	498	497	333	355
Key figures describing the financial performance of life insurance					
Premium income	256,1	233,1	205,0	202,4	199,3
Expense ratio, %	136,9	127,2	120,6	110,7	97,0
Expense ratio, % of balance sheet total	2,4	2,3	2,3	1,7	1,5
Solvency margin in reporting currency	366,8	338,4	276,9	301,7	361,1
Minimum solvency margin (Insurance Companies Act, Chapter 11, section 12)	119,4	114,8	109,7	110,2	105,8
Equalisation provision in reporting currency	62,7	64,5	56,1	48,9	50,6
Solvency capital	430,8	404,0	336,0	354,3	408,1
Solvency ratio, % of technical provisions	18,2	17,3	14,8	15,4	18,3

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

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

OTHER NOTES TO THE FINANCIAL STATEMENTS

Performance analysis

1000 eur	2010	2009	Change	Change-%
Premium income	255 252	231 486	23 766	10,3
Investment income and expenses as well as revaluations and adjustments thereof	177 921	203 832	-25 911	-12,7
Claims paid	-243 301	-213 638	-29 662	13,9
Change in technical provisions before change in customer benefits and equalisations provision	-149 456	-124 107	-25 349	20,4
Operating expenses	-37 783	-33 653	-4 130	12,3
Other technical income and expenses	0	0	0	0,0
Vakuutustekninen tulos ennen lisäetujen (asiakasetujen) ja tasoitusmäärän muutosta	2 634	63 920	-61 287	-95,9
Other income and expenses	974	2 024	-1 050	-51,9
Share of profit/loss of associated undertakings	800	611	189	31,0
Operating profit	4 408	66 555	-62 147	-93,4
Change in equalisation provision	1 780	-8 372	10 152	-121,3
Additional benefits(customer benefits)	-1 976	-53 820	51 845	-96,3
Profit before extraordinary items	4 212	4 362	-151	-3,5
Profit before appropriations and taxes	4 212	4 362	-151	-3,5
Income taxes and other direct taxes	2 594	-1 143	3 737	-327,0
Minority interests	-10	513	-522	-101,9
Profit for financial year	6 796	3 732	3 064	82,1
Operating profit	4 408	66 555	-61 287	-93,4
Change in difference between current and book values	23 840	54 802	-30 962	-56,5
Change in revaluations reserve	640	207	433	209,3
Total result	28 888	121 564	-92 676	-76,2

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

SUBSIDIARIES AND PARTICIPATING INTERESTS 31 Dec. 2010

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	Harkkuja 2	Espoo	100,0 %
6	Housing cooperative	Helsingin Pihlajatie 24	Espoo	100,0 %
7	Real estate company	Helsingintie 22	Espoo	100,0 %
8	Real estate company	Järvennuotta	Espoo	100,0 %
9	Real estate company	Kouvola Kauppalankatu 12	Kouvola	66,6 %
10	Limited company	Kuopionpohja	Espoo	100,0 %
11	Real estate company	Metsänpojanpuu 4	Espoo	100,0 %
12	Real estate company	Mäkelänkatu 58	Espoo	90,0 %
13	Limited company	Omaeläke	Espoo	90,0 %
14	Real estate company	Runskivuori	Espoo	80,9 %
15	Real estate company	Tapiola Garden	Espoo	100,0 %
16	Limited company	Tapiolan Pankkineuvonta	Espoo	100,0 %
17	Real estate company	Vantaankulma	Espoo	62,1 %
18	Real estate company	Vantaanportti	Espoo	62,1 %
19	Real estate company	Vantaanpää	Espoo	62,1 %
20	Real estate company	Vantaanpohja	Espoo	100,0 %
21	Limited partnership	Varepa	Espoo	100,0 %
22	Real estate company	Hyvinkään Maa	Espoo	100,0 %
23	Real estate company	Mikkelin Graanintie 6	Mikkeli	100,0 %
24	Real estate company	Oulun Kallisensuora	Espoo	100,0 %
25	Limited company	Rekra	Espoo	100,0 %
26	Limited partnership	Sasnep	Espoo	100,0 %
27	Real estate company	Tammimaa	Espoo	100,0 %
28	Limited company	Tietotaitotalo	Espoo	100,0 %
29	Housing cooperative	Vantaan Teeritie 2	Vantaa	100,0 %
30	Real estate company	Väylän varsi	Espoo	100,0 %

PARTICIPATING INTERESTS			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	32,4 %
4	Limited company	Kiinteistö-Tapiola	Espoo	50,0 %
5	Limited company	Tieto-Tapiola	Espoo	33,3 %
6	Limited company	Tapiola Pankki	Espoo	19,7 %
7	Limited company	Glasnost	Espoo	33,3 %
8	Limited company	Pohja-yhtymä	Espoo	13,6 %
9	Real estate company	Mariankatu 27	Kokkola	20,5 %

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

PROPOSAL FOR DISTRIBUTION OF PROFIT

The Board of Directors proposes that EUR 6 697 706,97 of the profit for the financial year be transferred to the owners of guarantee shares with a 5 % guarantee capital interest corresponding to EUR 1 601 800,26 and

Transferred to the security reserve	5 095 906,71
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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	32 036 005,12
Security reserve	112 750 436,55
Contingency reserve	213 946,83
	<u>149 482 596,74</u>

SIGNATURES TO THE REPORT OF THE BOARD OF DIRECTORS AND THE FINANCIAL STATEMENTS ON 31 DECEMBER 2010

Espoo 15. March 2011

Asmo Kalpala

Jari Saine

Arto Jurtila

Jari Sundström

Minna Kohmo
Managing Director

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

AUDITOR'S NOTE

A report has been issued today on the audit performed.

Espoo 15. March 2011

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Tuomala
Authorised Public Accountant

Auditors' report

To the Annual General Meeting of Tapiola Mutual Life Assurance Company

We have audited the accounting records, financial statements, the report of the Board of Directors and the administration of Tapiola Mutual Life Assurance Company for the financial year 1 January – 31 December 2010. 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. These must give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and reports of Boards 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 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 controls 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 controls. Auditing also includes evaluating the suitability of accounting policies used and the rationality 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.

Opinion

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

Espoo, 15 March 2011

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Tuomala
Authorised Public Accountant

STATEMENT OF THE SUPERVISORY BOARD

After examining the financial statements, consolidated financial statements and auditors' report for 2010, 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, 17 March 2011

Jouko Havunen
Chairman of the
Supervisory Board