

Tapiola General  
Annual Report  
and Financial Statement 2010

TAPIOLA



## **Tapiola General Mutual Insurance Company**

### **Annual report and financial statements 31 December 2010**

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*Tapiola General Mutual Insurance Company's line of business covers all types of voluntary and statutory non-life insurance. Tapiola General includes Tapiola Bank Ltd and its subsidiary Tapiola Asset Management Ltd; Alma Insurance Company Ltd, which manages the Group's cancelled reinsurance treaties; and Tapiola Data Ltd, an ICT service provider.*

- Tapiola General Mutual Insurance Company reported an operating profit of EUR 8.0 million (EUR 84.8 million) for non-life insurance operations. The change in the difference between current and book values raised the overall result by EUR 44.1 million to EUR 52.1 million (EUR 151.9 million). Increased losses and supplementation of provisions in motor liability and statutory accident insurance had an impact on the company's result.
- Premium income from non-life insurance grew by 2.5 per cent.
- The combined ratio, excluding the unwinding of discount expenses for non-life insurance operations, was 112.3 per cent (102.5%). If customer bonuses, including discounts, are eliminated, the combined ratio before unwinding of discount expenses is 103.3 per cent (94.5%). In addition to increased claims incurred, the combined expense ratio was weakened by a non-recurring supplementation of the claims provision due to the longer average life span..
- The return on capital employed at current value achieved by Tapiola General was 5.4 per cent (7.2%).
- The parent company, Tapiola General, had solvency capital of EUR 1,355.9 million (EUR 1,317.0 million), and its solvency ratio (solvency capital in relation to premiums earned) was 206.7 per cent (203.6%). The solvency level is excellent. The solvency margin was 6.4 (6.3) times that of the minimum value.
- Tapiola General Group's operating profit for banking and investment services stood at EUR 1.6 million (EUR -0.3 million). The interest margin increased by 9.2 per cent to EUR 14.3 million (EUR 13.0 million). Net commission income was EUR 15.3 million (EUR 11.5 million), an increase of 33.0 per cent year-over-year. The cost/return ratio was 0.9 (1.0).
- Tapiola General Group's banking operation receivables from the public and from public corporations increased by EUR 197.1 million to EUR 1,351.7 million (EUR 1,154.6 million). Over the course of the year, banking deposits increased by EUR 168.7 million to EUR 1,399.7 million (EUR 1,231.0 million).
- The fund capital in the mutual funds managed by Tapiola Asset Management Company increased by 13.6 per cent to EUR 1,810.4 million (EUR 1,594.2 million). The company's market share in the fund market was 2.9 per cent (2.9%). Tapiola Asset Management is the ninth-largest Finnish fund management company.
- The solvency ratio of Tapiola Bank Ltd at the end of the financial year was 13.7 per cent (16.3%). The solvency ratio of Tapiola Asset Management Ltd was 26.4 per cent (37.6%) and the Basel II solvency ratio was 3.2 (4.7) times the minimum value.

**Customers and customer benefits**

The number of customers in Tapiola Group's private household customer sector was 799,300 and there were 27,200 customers in the business customer sector.

The number of customers in Tapiola Bank Ltd, a subsidiary of Tapiola General, rose by about 26,600 to 211,000. The number of account customers grew by 11,900 to 163,700.

The funds managed by Tapiola Asset Management Ltd gained about 6,000 new unit holders during the year, which increased the number of unit holders to nearly 50,900. The majority of the customers have

*Comparison figures for the previous year are in brackets.*

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invested in several funds. The funds received 2,450 new customers, and the total number of customers at the end of the year was nearly 26,800.

The surplus of Tapiola Group's operations is used for the benefit of owner-customers through service development, customer bonuses and premium reductions. The service benefits for owner-customers include a free-of-charge coverage review and Emergency Service. Part of the profit is used to strengthen the company's solvency, thereby securing customers' interests for the future. The overall value of the benefits given to Tapiola Group's owner-customers amounted to EUR 84.4 million (EUR 82.5 million), including customer bonuses, loyalty discounts, service benefits and discounts based on co-operation agreements. The figure includes benefits granted through Tapiola Bank, the value of which increased to EUR 11.0 million (EUR 10.0 million). The bank's benefits were granted as loyalty benefits and as interest rates that are more favourable than market rates.

**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 could be secured with joint support measures put forward 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 crisis 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 consumer confidence and resulted in companies putting recruitment on hold, and as a consequence, the growth in 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 rapid strengthening of its currency. From the second quarter of the year onwards, 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 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. The decline in the unemployment rate was a particularly positive surprise. 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 level of 1.00 per cent 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. Monetary policies were complemented by various quantitative easing measures in order to increase market liquidity and cushion the impacts of lowering 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.

*Comparison figures for the previous year are in brackets.*

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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 returns on investments made in equities outside the euro area. The index describing price development on developed countries' stock markets increased by 17.5 per cent in euros and the emerging market price index increased 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, because the effects of the euro-zone crisis, which began 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 so few transactions were realised that investors could not easily make a comparison. In the latter part of the year, investment activity began to gradually pick up. Obtaining credit for real estate projects started to get easier and the recovery of both the Finnish export trade and consumer confidence began to reflect positively on the real estate markets. Furthermore, foreign investors, who had previously avoided the Finnish real estate market, started to express interest again after the summer, and 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 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 expectations even decreased slightly. In the UK, return expectations decreased more clearly and, as a result, strong growth was seen in the UK 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 the UK continued to be strong.

According to a survey published in early December by the Federation of Finnish Financial Services, non-life insurance companies' premiums written are forecast to grow by two per cent. According to the monthly non-life insurance premium and claim statistics published by the Federation of Finnish Financial Services, compensation paid in the industry increased by 6.4 per cent from the previous year. The reasons behind the increase in compensation paid include the severe winter in the early part of the year, the volcanic ash cloud in Iceland, which disrupted air traffic, the storms in the summer and, in November, the early onset of winter, which reached right down to Southern Finland.

Premium income for motor liability and motor vehicle insurance is affected by the numbers of new vehicles being registered and used cars being imported. Both figures exceeded the previous year's ones. The amount of employers' liability insurance premium income is mainly affected by the rate of employment. The employment situation has improved faster than expected. According to an estimate published in December by the Economics Department of the Ministry of Finance in its Economic Bulletin, seasonally adjusted employment figures continued to increase throughout the year, whereas the preceding 18 months had been a period of steep decline. However, the unemployment rate was slightly higher than in 2009.

The Solvency II Directive aims to harmonise the solvency requirements of insurance and reinsurance companies in 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 current community legislation on insurance, or that have been left unsettled previously. These issues include, for example,

*Comparison figures for the previous year are in brackets.*

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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, in order that they are available when the Commission finalises its proposal for the Solvency II level 2 implementation measures. Tapiola General participated, as it has done previously, in this impact study.

**Group structure**

Tapiola General Mutual Insurance Company Group includes, in addition to the parent company, the following subsidiaries: Tapiola Bank Ltd, a group of companies (share of ownership 73.03%); Alma Insurance Company Ltd (100%); Tapiola Data Ltd (51.1%); Aura-Karelia Ltd (100%); and 13 (13) housing associations and real estate companies and six (6) other companies that do not engage in business operations.

Associated companies include Tapiola Real Estate Ltd, as well as three (4) real estate companies and three (3) other companies that do not engage in business operations.

Turva Mutual Insurance Company is a subsidiary of Tapiola General, since all of the company's guarantee share owners have signed an addendum to the mutual guarantee share owner agreement stating that Tapiola General Mutual Insurance Company has the right to appoint the majority of the Board of Directors of Turva should the company wish to exercise this right. Tapiola General's share of Turva's guarantee capital is 67.41 per cent. Turva's guarantee capital amounts to EUR 10,145,096.82. Mutual guarantee share owners of a mutual company do not have any right to other assets of the company outside the guarantee capital and guarantee capital interest paid from excess funds based on a decision of the general meeting. The interest may not exceed 12 per cent a year. As a result of the above, financial statement data for Turva has not been included in the consolidated financial statements. Thus, a correct depiction is given of the results of the operations and financial position of the Tapiola General Group.

**Non-life insurance**

Tapiola General's premium income is anticipated to outperform the sector as a whole. However, the growth in premium income, both at Tapiola General and in the whole sector, was below the long-term average. This is due to the economic recession and its effect on the premium income of statutory accident insurance, which is affected by payroll development and is thus also dependent on the rate of unemployment.

Claims expenditure rose above the level expected in 2010. During the year, 14 major losses in excess of EUR 1 million occurred, whereas in 2009, there were only eight. The unusually severe winter in the early part of the year, particularly in the larger cities, the ash cloud, major losses, the summer storms and the snowy early winter that reached even Southern Finland in November, have led to the claims incurred rising above the long-term expectation value. Storm damage increased the claims incurred by EUR 10.3 million net, divided between several different insurance lines, but in relative terms, the biggest impact was on forest insurance, in which Tapiola is a market leader. Claims services have been overloaded during the financial year and special arrangements were needed to normalise the service level in various different areas. The above measures increased claims expenditure and claims handling costs. The negative development compared to the comparison year is also explained by the unusually favourable claims experience of 2009.

*Comparison figures for the previous year are in brackets.*

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**Premium income and claims paid**

Tapiola General's premium income increased by 2.5 per cent to EUR 691.9 million (EUR 675.1 million). Direct business (underwritten) premium income increased by 2.7 per cent to EUR 646.7 million (EUR 629.5 million). According to a survey published in December by the Federation of Finnish Financial Services entitled "Finnish insurance market. Estimate of 2010 performance", the sector's premiums written are forecast to grow by two per cent. Tapiola Pension's direct business premium income is also likely to increase by two per cent. Future reinsurance premium income decreased by 0.9 per cent to EUR 45.2 million (EUR 45.6 million).

Claims paid totalled EUR 525.1 million (EUR 451.5 million), up 16.3 per cent on the year before. The compensation paid under direct business (underwritten) increased by 13.9 per cent to EUR 482.1 million (EUR 423.4 million), and compensation paid under future reinsurance increased by 53.0 per cent to EUR 43.0 million (EUR 28.1 million). According to the monthly non-life insurance premium and claim statistics of the Federation of Finnish Financial Services published in January 2011, compensation paid in the industry increased by 6.4 per cent from the previous year.

Employers' liability insurance premium income increased by 6.3 per cent to EUR 109.3 million (EUR 102.8 million). The result of transfers of employers' liability insurance showed a loss of approximately EUR 0.9 million. The Federation of Finnish Financial Services estimates that premium income in the sector decreased by 5 per cent from the previous year. Voluntary accident and health insurance premium income came to EUR 63.4.5 million (EUR 57.9 million), an increase of 9.6 per cent on the previous year. The Federation of Finnish Financial Services estimated the growth of sector premium income to be about six per cent.

Motor liability insurance premium income fell by 1.9 per cent to EUR 141.8 million (EUR 144.5 million). In terms of registrations, Tapiola General was the third largest insurer of motor vehicles with a market share of 18.9 per cent (20.0%). Premiums written for motor vehicle insurance (motor vehicles) increased by 1.0 per cent to EUR 121.0 million (EUR 119.8 million). The Federation of Finnish Financial Services expects premium income in motor liability insurance to grow by three per cent and in motor vehicle insurance by six per cent.

Fire and property insurance premium income was EUR 152.8 million (EUR 149.1 million), an increase of 2.5 per cent compared to the previous year. The Federation of Finnish Financial Services estimated the growth of premium income in the sector to be about four per cent.

General liability insurance premium income was EUR 27.1 million (EUR 27.6 million), showing a decrease of 1.9 per cent compared to the previous year. The Federation of Finnish Financial Services estimated that premium income in the sector will remain at the previous year's level.

Credit losses from outstanding premiums totalled EUR 7.3 million (EUR 5.1 million).

**Technical provision**

Because life spans are getting ever longer, the so-called mortality model used by insurance companies is being updated by the Federation of Accident Insurance Institutions and the Finnish Motor Insurer's Centre. The updated model will be taken into use during 2011. On the basis of the results from the first phase of the review, it is clear that life expectancy has increased substantially from the previous corresponding review conducted in 2004. As a result of the change, Tapiola General increased the provision for pension claims payable by a total of EUR 20.7 million.

The regulations concerning the provision for guarantee scheme of statutory employers' liability insurance and motor liability insurance changed on 31 December 2010. In these lines of insurance, as well as in pension insurance, insurance companies are jointly liable for any compensation receivables not covered by an insurance company that has gone into liquidation or bankruptcy. In statutory employers' liability insurance and motor liability insurance, the law has required that a company

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prepares in advance for the joint liability by creating a specific provision for guarantee scheme in its balance sheet. At Tapiola General, the provision for guarantee scheme totalled EUR 18.6 million at the end of the financial year. The change in the Insurance Companies Act has resulted in advance preparation in the form of the provision for guarantee scheme being abandoned. In other respects, the joint liability system remains in force. Funds belonging to the provision for guarantee scheme are returned to the parties from whom they were collected when establishing the provision for guarantee scheme. In statutory employers' liability insurance, the funds were partly collected from policyholders as premiums and partly from the insurance companies' assessment system balance. The funds will be returned to the assessment system in even instalments over a period of three years. It is estimated that the discontinuation of the provision for guarantee scheme will lower the premiums paid by policyholders by about 3.5 per cent per year. In motor liability insurance, the assets of the provision for guarantee scheme are returned to the equalisation provision from which they were transferred to the provision for guarantee scheme at the time. Equalisation provision refers to the amount calculated for years of high losses. In motor liability insurance, the return of the provision for guarantee scheme does not have a direct effect on the premiums.

**Combined ratio (excl. unwinding of discount expense) and operating expenses**

Tapiola General Group's combined ratio before unwinding of discount expense in the insurance business was 112.3 per cent (102.5%). The risk ratio stood at 79.3 per cent (70.9%), the claims handling cost ratio at 6.4 per cent (5.6%) and the expense ratio at 26.6 per cent (26.0%). If customer bonuses are eliminated, the combined ratio before unwinding of discount expense is 103.3 per cent (94.5%).

Tapiola General's operating expenses as stated in the profit and loss account rose by 3.4 per cent to EUR 171.9 million (EUR 166.2 million). The rise in operating expenses was due in large part to non-recurring personnel expenses. In other respects, the company's measures to increase efficiency have yielded results. Claims handling costs increased by 15.6 per cent to EUR 45.4 million (EUR 39.3 million). The increase was caused by larger losses. Investment management expenses increased by 7.1 per cent to EUR 6.1 million (EUR 5.7 million).

**Other income and expenses**

Tapiola General's service sales include, for example, the provision of marketing, communications, legal, personnel and internal audit services to Tapiola Bank Ltd, Tapiola Asset Management Ltd and Tapiola Mutual Pension Insurance Company. In addition, Tapiola General offers vehicle registration services to the Finnish Vehicle Administration. 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.

The net amount of other returns and expenses from Tapiola General Group's insurance business totalled EUR 1.8 million (EUR 6.0 million).

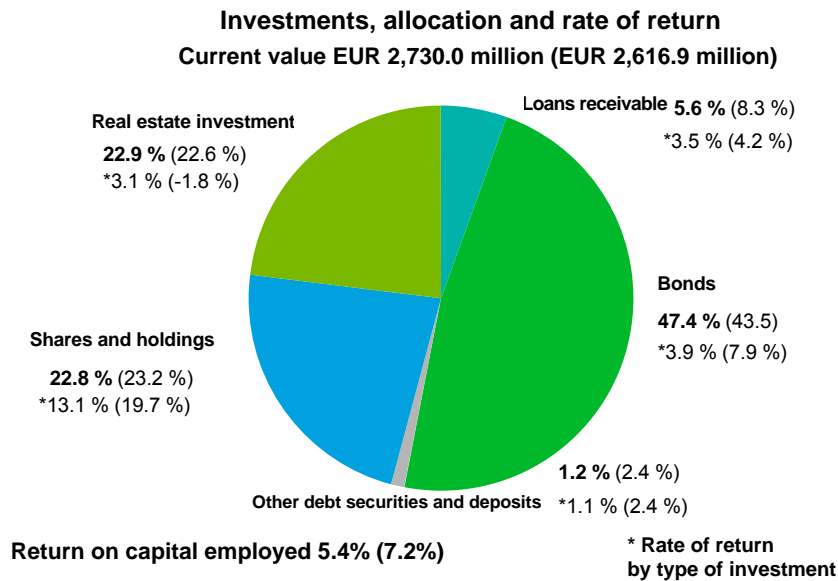
**Investments at current value – non-life insurance**

Net investment income at current value achieved by the parent company of Tapiola General was 5.4 per cent (7.2%). Net investment income at current value was EUR 143.3 million (EUR 180.8 million). The average annual return over the last five years was 3.9 per cent. Investment assets at current value stood at EUR 2,730.0 million (EUR 2,616.9 million).

<i>Comparison figures for the previous year are in brackets.</i>
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**Equity investments**

Tapiola General's equity investments totalled EUR 622.6 million (EUR 607.0 million), accounting for 22.8 per cent (23.2%) of all investments. Finnish shares accounted for 26.3 per cent (22.0%) of listed equity investments, which amounted to EUR 282.4 million (EUR 388.3 million). Equity investments yielded 13.1 per cent (19.7%).

**Fixed-income investments**

The market value of Tapiola General's fixed-income portfolio, including fixed-income funds and money market investments, stood at EUR 1,327.6 million (EUR 1,200.4 million) or 48.6 per cent (45.9%) of investments. Government bonds accounted for 38 per cent (33%) of fixed-income investments, swap and corporate loans for 60 per cent (65%) and money market investments for about two per cent (5%). The modified duration of the portfolio, which indicates its interest rate risk, was 4.88 (4.27) years. Fixed-income investments, including fixed-income funds and money market investments, returned 3.7 per cent (7.4%).

**Real estate investments**

Tapiola General's real estate investments totalled EUR 625.9 million (EUR 591.7 million), accounting for 22.9 per cent (22.6%) of all investments. Direct real estate investments accounted for 78.6 per cent (77.1%) and indirect real estate investments, through mutual funds and undertakings for collective investment in transferable securities (UCITS), for 21.4 per cent (22.9%) of all real estate investments. The rate of return on real estate in current value was 3.1 per cent (-1.8%). The return on real estate investment funds and UCITS was -2.3 per cent (-12.3%). Direct real estate investments returned 4.6 per cent (1.4%). The average vacancy rate of the real estate was 2.7 per cent (4.3%)

**Loans**

Tapiola General's loans receivable were EUR 153.9 million (EUR 217.8 million), or 5.6 per cent (8.3%) of total investments. Loans generated a return of 3.5 per cent (4.2%).

*Comparison figures for the previous year are in brackets.*

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**Result from non-life insurance**

Tapiola General Mutual Insurance Company reported an operating profit of EUR 8.0 million (EUR 84.8 million) for non-life insurance operations. The change in the difference between current and book values raised the overall result by EUR 44.1 million to EUR 52.1 million (EUR 151.9 million).

The parent company, Tapiola General, reported an operating profit totalling EUR 7.2 million (EUR 83.0 million). The change in the difference between current and book values raised the overall result by EUR 44.4 million (EUR 66.1 million) to EUR 51.6 million (EUR 149.1 million). The decrease in operating profit compared to the previous year was mainly due to the result of the insurance business decreasing by EUR 58.9 million and the result of investment operations by EUR 15.8 million.

**Solvency – non-life insurance business**

The solvency capital of Tapiola General's non-life insurance business, which measures solvency and describes risk-bearing capacity, totalled EUR 1,394.5 million (EUR 1,347.5 million). The solvency ratio (solvency capital in relation to premiums earned) was 212.6 per cent (208.3%) at the end of the review period.

The solvency margin of the parent company, Tapiola General, a figure that describes the amount by which an insurance company's assets exceed its liabilities and other comparable commitments, totalled EUR 824.0 million (EUR 759.8 million). The minimum solvency margin was EUR 128.6 million (EUR 120.4 million). The solvency margin was 6.4 (6.3) times that of the minimum value. Tapiola General's solvency capital was EUR 1,355.9 million (EUR 1,317.0 million). The solvency ratio was 206.7 per cent (203.6%). The solvency position of Tapiola General can be considered very strong within the sector.

**Risk-carrying capacity in non-life insurance**

Tapiola General's Board of Directors bears overall responsibility for risk management. The Board determines the risk management targets, limits of risk taking, responsibilities, indicators and monitoring principles for each activity. Investment and risk management plans are drawn up annually by 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 to 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. The Internal Audit supports the management and Board of Directors in implementing and developing risk management. The Audit Committee, which assists the Co-operation Committee of the Supervisory Boards, also monitors and evaluates risks.

The most significant risks in Tapiola General's operations are insurance risks in non-life insurance, market risks associated with investments, operational risks and business risks. The major insurance risks in non-life insurance relate to the pricing of insurance products, inflation, changes in mortality rate, occupational diseases and reinsurance covers. Market risks are caused by fluctuations in market values, including fluctuations resulting from changes in interest rates, share prices and exchange rates. Operational risks refer to the risk of losses caused by insufficient or failed internal processes, personnel, systems and external factors. Legal risks are included in operational risks, 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.

No significant changes took place in risk management principles compared to the previous year.

*Comparison figures for the previous year are in brackets.*

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

**Banking and Investment Services**
**Banking**

Tapiola General Group's banking receivables from the public and from public corporations increased by EUR 197.1 million to EUR 1,351.7 million (EUR 1,154.6 million), and the deposit base grew by EUR 168.1 million to EUR 1,399.7 million (EUR 1,231.0 million). Tapiola Bank's market share of deposits remained at 1.2 per cent (1.2%). The bank's credit risks did not increase significantly.

Market interest rates remained unusually low throughout the financial year. The Tapiola Prime rate stayed at 1.95 per cent throughout the financial year. The 12-month Euribor interest rate rose from 1.24 per cent to 1.51 per cent during the period. However, the low interest rate has continued to reduce banks' interest income. In addition, interest margins have narrowed further.

**Investment service business**

The fund capital in the mutual funds managed by Tapiola Asset Management Company increased by 13.6 per cent to EUR 1,810.4 million (EUR 1,594.2 million). Net subscriptions accrued in the amount of EUR 7.1 million during the year. According to the Federation of Finnish Financial Services, the growth of fund capital in domestic funds was 13.3 per cent, which was almost entirely thanks to positive market development. The OMX index of the Helsinki Stock Exchange rose and ended the year at 7,662 (6,456). The company's market share of funds remained at the same level as at the end of 2009, standing at 2.9 per cent. Tapiola Asset Management is the ninth largest Finnish fund management company.

At the end of the financial year, customer funds managed by Tapiola Asset Management Ltd increased by EUR 329.0 million to EUR 5,893.0 million (EUR 5,564.0 million).

The fund capital in mutual funds managed by Tapiola General's asset management business increased by EUR 191.6 million in 2010, totalling EUR 1,582.8 million (EUR 1,391.2 million). Customer funds managed by the company rose by EUR 447.8 million to EUR 4,076.8 million (EUR 3,629.0 million).

**Banking and Investment Services: financial performance**

Tapiola General Group's interest margin for banking and investment operations stood at EUR 14.3 million (EUR 13.1 million). Credit losses and value adjustment losses on credit totalled EUR 0.4 million (EUR 0.6 million).

The net commission income from banking and investment services was EUR 15.3 million (EUR 11.5 million), increasing 33.0 per cent year-over-year. Commission income from fund operations increased by 44.2 per cent to EUR 13.5 million (EUR 9.4 million). The growth in fund capital contributed to the increase in management fee income from mutual fund services. Commission income from asset management increased by 8.3 per cent to EUR 3.2 million (EUR 2.9 million).

The cost-return ratio of banking and investment services was 0.9 (1.0).

Tapiola General Group's operating profit for banking and investment services stood at EUR 1.6 million (EUR -0.3 million).

*Comparison figures for the previous year are in brackets.*

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**The solvency of Banking and Investment Services**

The solvency ratio of Tapiola Bank Ltd at the end of the financial year was 13.7 per cent (16.3%).

The solvency ratio of Tapiola Asset Management Ltd was 25.9 percent (37.6%). At the end of the financial year, the Basel II solvency ratio was 3.2 (4.7) times the minimum value.

The weakening of the companies' solvency ratio compared to the previous year was impacted by the systems used by the companies being purchased from Tapiola Data Ltd, a company providing ITC services to Tapiola Group, with a transaction dated 31 December 2010. The systems have been capitalised in the companies' balance sheets under intangible assets, and therefore the non-depreciated part of the acquisition cost is deducted when calculating the amount of the company's own primary funds in accordance with Standard 4.3 of the Financial Supervisory Authority.

**The risk position of Banking and Investment Services**

The Bank Group's risk management is based on risk management concepts, the purpose of risk management, strategic intent and the willingness to take risks defined at Tapiola Group, as well as official regulations. The aim is to promote the continuity of customers' financial security and support the achievement of the Group's operational and financial targets. Good solvency is essential as Tapiola Group is a mutual company. The Bank Group complies with the Organisation of Internal Audit and Risk Management (4.1) and Operational Risk Management (4.4b) standards set by the Financial Supervisory Authority, as well as Tapiola Group's risk management policy and other risk management guidelines of the Group, either in original form or adapted to suit banking operations. There are separate guidelines for credit risk management.

The Bank's Managing Director is responsible for organising the risk management function. The organisation has a risk management committee, which, in accordance with its rules of procedure, prepares and supervises risk management guidelines and compliance with them. In daily business operations, the responsibility for risk management is placed with the Credit Director as regards credit risks, the CFO as regards balance sheet risks, and the head of each business area as regards operational risks. This division of responsibility has been implemented in order to ensure that risk management is comprehensive, as well as to identify all material risks and their combined effect on the bank's operational result and own funds.

In accordance with its rules of procedure, Tapiola Bank's Board of Directors annually confirms the company's risk management plan and the related guidelines, ensures that they are taken into account in the annual operational plans and monitors implementation of risk management. Furthermore, on the basis of the Bank's Management Group's proposals, the Board of Directors decides on new product and service concepts, marketing policies, pricing principles and customer benefits, as well as any changes to these that are significant to the company.

More detailed information on the risk management and the most significant risks of the banking and investment service business is available in the section on risks and risk management in the Notes to the financial statements.

**Guarantee capital**

Tapiola General's guarantee capital amounts to EUR1,765,973.23. The guarantee capital is divided into 210 guarantee shares issued to designated persons. 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 guarantee share holding. The guarantee shares yield an equal right to the company.

*Comparison figures for the previous year are in brackets.*

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

	<b>Guarantee shares</b>	<b>Share, %</b>
Tapiola Mutual Life Assurance Company	168	80
Tapiola Mutual Pension Insurance Company	42	20
<b>Total</b>	<b>210</b>	<b>100</b>

**Solvency in an insurance and financial conglomerate**

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 form a conglomerate referred to in the Act on the Supervision of Financial and Insurance Conglomerates. Based on the decision issued by the Financial Supervisory Authority on 24 November 2009, Turva Mutual Insurance Company need not be included in the conglomerate's additional supervision in view of the objectives of supervision. Thus, it need not be taken into account when measuring the conglomerate's solvency.

**Solvency management**

Solvency management is a part of the conglomerate's risk management. Because Tapiola Group is a mutual company, its solvency management focuses on good solvency to ensure the financial security of customers at all times. Solvency management is based on a proactive and comprehensive approach, which builds on strategic and operational plans. The solvency of the conglomerate and its companies, as well as the development of solvency, is monitored regularly and comprehensively with statutory and internal solvency and risk reports. The main risks and the probability of their realisation, as well as their potential impact on the conglomerate and its companies if realised, are assessed as a part of the business planning process. This enables the conglomerate's companies to proactively implement any measures needed to strengthen and maintain solvency. The conglomerate's solvency management is described in greater detail in the section on risks and risk management in the Notes to the financial statements.

Solvency statement of the insurance and financial conglomerate

*Comparison figures for the previous year are in brackets.*

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**SOLVENCY IN AN INSURANCE AND FINANCIAL CONGLOMERATE**

	31.12.2010	31.12.2009
	EUR M	EUR M
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>	<i>707.4</i>	<i>643.1</i>
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>	<i>216.4</i>	<i>206.3</i>
<b>Own funds of the conglomerate</b>	<b>923.8</b>	<b>849.3</b>
The minimum amount of own funds of the company at the head of the conglomerate	128.6	120.4
Combined minimum amount of own funds of subsidiaries and participating interests in the financial and insurance sector	180.1	171.3
<b>Minimum amount of the conglomerate's own funds</b>	<b>308.7</b>	<b>291.6</b>
<b>Conglomerate's solvency</b>	<b>615.2</b>	<b>557.7</b>
<b>Conglomerate's solvency ratio</b>	<b>3.0</b>	<b>2.9</b>

The Act on the Supervision of Financial and Insurance Conglomerates dictates 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.

**Corporate Governance at Tapiola General**

Tapiola General has reported on its corporate governance separately from the annual report and financial statements, in accordance with recommendation 54 concerning Finnish listed companies' corporate governance (15 June 2010). Tapiola General 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](http://www.tapiola.fi).

**Annual General Meeting**

Tapiola General'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. Of Tapiola General's Supervisory Board members whose turn it was to resign, Raimo Leivo, Timo Leppänen and Ulla-Majja Moisio were re-elected. The new members elected were: Risto E.J. Penttilä, Managing Director (the Central Chamber of Commerce), Iiro Ketola, Elected Representative of Tapiola Group personnel, Jouko Virranniemi, Industrial Counsellor (Pölkky Oy), Kati Partanen, farmer, Professor Vuokko Niiranen (Kuopio University) and Jukka Terhonen, Managing Director (Lemminkäinen Talo Oy).

*Comparison figures for the previous year are in brackets.*

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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**

The Supervisory Board of Tapiola General held its organisation meeting on 1 June 2010 and appointed the Chairman and Deputy Chairmen. In addition, the Co-operation Committee of Supervisory Boards held its organisation meeting.

Antti Lemmetyinen, Counsellor of Social Welfare, Director of Helsinki Deaconess Institute was elected as Chairman of the Supervisory Board. Juha Marttila, Ph.D. (Agr. & For.), Chairman of the Central Union of Agricultural Producers and Forest Owners MTK, was elected as First Deputy Chairman of the Supervisory Board. Jouko Virranniemi, Industrial Counsellor, Pölkky Oy, was elected as the Second Deputy Chairman of the Supervisory Board.

The Supervisory Board held three meetings in 2010, and the average attendance rate of board members was 68 per cent. The salaries and remuneration paid to the Supervisory Board members, their pension commitments, monetary loans and terms thereof, as well as guarantees and contingent liabilities, are presented in section 3.3.2 of the notes to the profit and loss account.

**Committees of the Supervisory Board**
**Co-operation Committee**

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

The Co-operation Committee met ten times in 2010. On average, 90 per cent of the members participated in the meetings.

**The Co-operation Committee's Audit Committee**

At its meeting held on 1 June 2010, the Co-operation 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 a decision of Tapiola General'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.

*Comparison figures for the previous year are in brackets.*

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The following people were elected as deputy Board members:

- Jari Eklund, Director
- Markku Paakkanen, Director

The Board of Directors met 18 times in 2010, and the average attendance rate of the members was 92 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**

Juha-Pekka Halmeenmäki, Master of Arts, actuary approved by the Ministry of Social Affairs and Health, holds the post of Managing Director of Tapiola General. Jukka Kinnunen, Master of Business Administration, is the company's Acting Managing Director. In 2010, the salaries and perquisites of the Managing Director totalled EUR 330,356, including merit pay on the 2009 result and on the result of the strategy period 2007-2009 totalling EUR 113,039. 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 General is a non-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, standards 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 General Mutual Insurance Company and Tapiola Mutual Life Assurance Company. Group services provide services to the separate legal companies of Tapiola Group: Tapiola General provides the head office services and Tapiola Life the regional and web services. The service providers and service users have signed outsourcing agreements on shared services.

The number of employees in the non-life insurance company averaged 2,052 (2,032) in the financial year. The number of employees, divided between the functions in proportion to wages paid, averaged 1,548 (1,524) in the financial year. The number of employees in Tapiola General's units averaged 623 (619).

Tapiola Bank Ltd employed an average of 117 (109) people, Tapiola Asset Management Ltd an average of 51 (53) people, Tapiola Data Ltd an average of 404 (404) people and Aura-Karelia Oy an average of 18 (18) people.

The number of Tapiola General Group employees during the financial year was 2,641 (2,617). The number of Tapiola General Group employees in relation to payroll was 2,137 (2,088).

*Comparison figures for the previous year are in brackets.*

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**Compensation**

Tapiola Group's salary and compensation schemes are planned and prepared in co-operation with HR, financial administration and risk management services. If necessary, Hay Group Oy is used as a consultant. The Supervisory Boards' Co-operation Committee decides on the Group's salary and compensation schemes, as well as the compensation for 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 consists of elements measuring solvency and growth, and here the remuneration is established using a 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 level and the annual salary. For 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 seven 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 can vary 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 General to the personnel fund was EUR 836,005.00. 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. The salaries of Tapiola Group's management and professional and managerial employees are based on HAY job evaluation and points, which in turn are based on benchmarking information from the financing industry.

**Tapiola General's rating of A (Excellent) by A.M. Best**

The American A.M. Best Co has rated Tapiola General four times, and the rating has been A (Excellent) from 2006 to 2010. According to a press release issued by A.M. Best, Tapiola General received an excellent rating especially because of its high solvency and strong risk-carrying capacity. In addition, Tapiola General has been able to absorb the impact of the financial crisis on its investment portfolio. The company has also been able to increase its surplus in line with the ongoing expansion of its business through improved profitability.

The rating is needed in business and in insurance and banking operations whenever a customer or partner requires it. From the perspective of corporate image and reputation, a good rating increases reliability and respect. The A.M. Best rating A (Excellent) corresponds to Standard & Poor's AA (Very Strong) and Moody's Aa (Excellent), for example (Source: Swiss Re, Sigma No. 4/2003).

*Comparison figures for the previous year are in brackets.*

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**Main events during the financial year**
**Non-life insurance business**

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 Revontulenkujja, Espoo, were completed in early 2010, and the personnel moved into the building in stages, between March and 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 modern requirements for functionality.

An organisational change concerning corporate and private household customer businesses took effect on 1 June 2010. Tapiola's corporate customer business was centralised into one entity. Regional heads of corporate business units, as well as the corporate business operations of Tapiola General and Tapiola Life, became part of the corporate customer business. Company Group Director Jari Sundström has overall responsibility for this area of business. Major Clients Services are a part of the organisation. At the same time, it was decided to develop regional operations, which changed into a national sales and customer service for private customers. The 27 local areas covering the whole country were divided into three groups, for which managers of business units are now responsible. Managers of business units report to Ann Wahlroos-Jaakkola.

Tapiola Data Ltd, a subsidiary of Tapiola General, and Tieto Oyj agreed on the centralisation of selected ICT user services in the beginning of November 2010. The agreement covers mainframe capacity and the related storage and backup capacity, administration and monitoring of the environment, as well as the monitoring of applications on separately defined systems. The transfer project began at the turn of 2011 and implementation will take place in the autumn of 2011. Some employees performing certain tasks relating to Tapiola Data's mainframe services will transfer to Tieto Finland Oy. The term of the service agreement coming into force after the transfer phase is five years and its total value is about EUR 23 million.

During the financial year, Tapiola initiated the transfer of the car damage inspection function, which had been outsourced to Finnish Loss Survey. This function will be transferred back to Tapiola, and will be performed in-house. The main reason for the transfer is the digitalisation of damage inspection and, thus, the reduced need for a fixed site network. In connection with this, Tapiola sold its share of the share capital of Finnish Loss Survey to Mutual Insurance Company Fennia, which had earlier owned Finnish Loss Survey jointly with Tapiola.

Tapiola General has, for several years now, been actively monitoring an ongoing EU-level project for developing solvency provisions for insurance companies called the Solvency II project. In connection with the project, studies have been made on how the planned changes would affect the solvency position of member state companies. Five such studies have already been carried out, and Tapiola General has been involved in all of them. Thanks to Tapiola General's strong solvency position, the company will have no difficulty in complying with the new regulations.

**Banking**

The banking organisation was updated when the bank's financial management and risk management were transferred to Tapiola General at the start of September. The corresponding transfer of Legal and compliance functions was prepared and implemented on 1 January 2011. The reform meets the requirements of the bank's expanding operations.

*Comparison figures for the previous year are in brackets.*

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The bank's associated undertaking Ab Compass Card Oy Ltd began operations in the card business during the financial year. Card services can be customised according to the demands of the bank's customer base better than previously.

The banking business expanded into leasing operations during the spring. For financing operations, the aim is to provide individualised service of high quality.

**Asset management business**

Tapiola Asset Management signed the United Nations' Principles for Responsible Investment in January 2010. Tapiola Asset Management is also one of the founding members of Finsifin (Finland's Sustainable Investment Forum).

The funds' online services were updated in February 2010. In order to improve functionality, the funds were transferred from a separate system and became part of Tapiola Bank's banking system.

Growth continued in all customer segments. In the Institutional Customers segment, we gained significant Asset Management mandates. The growth of the Private sector continued in co-operation with Mutual Life Insurance Company Tapiola. In the private customer segment, the latter part of the year proved that the diamond sales model also works well from the point-of-view of fund sales.

**Development of legislation**
**Insurance**

**A working group set up in 2004 by the Ministry of Social Affairs and Health** to prepare a reform of motor liability insurance legislation, presented its proposal on 11 January 2008. The proposal was circulated for statements in spring 2008. Public servants of the Ministry of Social Affairs and Health continued the preparation of legislation concerning the Finnish Motor Insurers' Centre during autumn 2010. A draft Government bill was circulated for statements in the middle of January 2011 and the deadline for providing statements ends on 4 March 2011.

The purpose of the motor liability insurance legislation reform is to clarify and update the Motor Liability Insurance Act and to pass separate laws on the Finnish Motor Insurer's Centre and road safety charges. In the main, the Motor Liability Insurance Act would only legislate on matters relating to insurance and compensation for road accidents. The validity of the insurance would be precisely defined, as well as the rights and obligations of the policyholder and the insurance company. A further aim is to clarify the Act's scope of application and the obligation to insure, as well as to harmonise compensation practices. A separate law concerning the Finnish Motor Insurers' Centre would legislate on the tasks of the Finnish Motor Insurers' Centre and regulations concerning administration. Separate legislation would also be passed on the road safety charges collected from insurance companies, which are used to fund the promotion of road safety.

The report of the broadly-based working group set up by the Ministry of Social Affairs and Health **on the guidelines for a reform of legislation** regarding employers' liability insurance (2008: 46) was published in autumn 2008. Among other things, the working group proposed that the provisions of the Workers' Compensation Insurance Act, the Occupational Diseases Act and the Act on workers' compensation benefit for civil servants and rehabilitation compensable on the basis of the Employment Accidents Act be incorporated into the same Act. Its scope of application should be as uniform as possible with the statutory earnings-related pension. Other proposals included reducing regulation on premiums in order to increase competition. To solve reinsurance problems related to unlimited liability for damages, the group proposed that damages exceeding a separately determined limit for compensation (e.g., EUR 75 million) would be financed by the pay-as-you-go system. Employers' organisations and trade unions were of different opinion as to the future inclusion of travel between home and work in the employers' liability insurance. There were also disagreements, for example, over the principles for determining compensation for loss of income and the compensation for illnesses linked

*Comparison figures for the previous year are in brackets.*

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to moisture damage microbes and to illnesses caused by mental factors. In October 2009, the labour market parties reached an agreement on launching the next phase of the reform. They also agreed that travel between home and work will remain under the scope of employer's liability insurance in the future, and that amendments to premium regulation and compensation limits will be implemented as a separate project, which took effect when Parliament approved Government Bill 55/2010 (647/2010) in June. The reform reduces the detailed, decree-level regulation concerning insurance premiums. The key principles are legislated on at the Act level. Changes concerning the amendments to premium regulation will take effect as of the beginning of 2012 so that insurance companies will have a sufficient transition period for amending their premium systems. In the change concerning compensation limits, claims incurred in excess of EUR 75 million are to be covered jointly by all the accident insurance companies on basis of the pay-as-you-go principle annually. In this respect, the modifications came into effect as of the beginning of 2011. A Government Bill on the reform of employment accident insurance and occupational disease legislation will be prepared by a tripartite working group led by the Ministry of Social Affairs and Health. The Federation of Accident Insurance Institutions and the Federation of Finnish Financial Services participate in the working group, which aims to finish its work by the end of 2011 so that new legislation could be in force in 2014–2015.

A Government bill was introduced in Parliament in December 2010, proposing that the legislation concerning the compensation system for damages caused by floods be set aside. The purpose of the bill is to create **protection based on non-life insurance that covers flood damage to buildings and content**. Transfer to an insurance-based compensation system will simplify and speed up claims handling for flood damage. Through the insurance model, it is also possible to utilise the expertise of insurance companies in risk assessment and claims handling. The aim is that the legislation be ratified in spring 2011. A three-year transition period is proposed for the law, so the current flood damage legislation would be revoked as of 1 January 2014.

**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, modifications are to be 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. In October 2008, the US Financial Accounting Standards Board (FASB) decided to participate in the project. On 30 July 2010, the IASB published a draft standard (Exposure Draft) on the second phase of an insurance contract. The IASB requested comments on the Exposure Draft by 30 November 2011. The IASB aims to publish the final standard in June 2011.

*Comparison figures for the previous year are in brackets.*

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**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 frontrunner 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 will serve to guide its operations.

In accordance with its responsibility commitments, Tapiola promises to provide clear and comprehensive 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 different means, such as increasing 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. Tapiola Asset Management Ltd and Tapiola Real Estate Ltd, which belong to the Tapiola General group, have signed the United Nations' Principles for Responsible Investment concerning the environment, society and good corporate governance. 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 reported on the realisation of its responsibility commitments and the development of responsible business operations in its annual report, entitled "2010, Making Responsibility an Everyday Issue". It is available online at [Responsible business operations](#).

**Future prospects**
**Future prospects in the non-life insurance business**

The growth of the Finnish national economy is forecast to be rather modest in the next few years. Growth in premium income from non-life insurance largely follows the growth of the national economy, and therefore growth in the non-life insurance market is not likely to exceed a few percentage points. This is likely to increase competition in the markets and create pressure for companies to improve cost efficiency.

In the uncertain investment environment, Tapiola is still facing the challenge of improving the profitability of its insurance business. The weakening of the risk ratio in 2010 was mainly due to extraordinary and non-recurring factors. Nevertheless, measures to improve profitability are focused on lowering both the risk ratio and the operating expenses ratio.

**Banking and Investment Services**

As regards banking operations, the low level of market interest rates will limit profit development in the near future.

On the basis of regular reviews, the risks in banking operations have not been observed to have increased. Arrears of loan repayments, which describe credit risks, are low.

<i>Comparison figures for the previous year are in brackets.</i>
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Expansion of business operations increases risks. The need for capital required by growth is monitored with an internal process. On the basis of the process, decisions are made on any necessary increases of capital.

**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 the decision by President Obama to continue with his predecessor's tax cuts, as well as the strong stimulus policies of the US Federal Reserve. Moreover, the growth in consumer demand is strengthened by the slowdown in household savings. There are, however, still several factors creating uncertainty. In the US, the housing market recovery has come to a halt, unemployment is still very high and underlying inflation is falling dangerously low. In Europe, the biggest risks are political and are 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 the overall level of saving so that investments in productivity can be financed internally. A lasting solution to the problems relating to government debts, however, will require 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 by the second half of 2011.

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; the focus has to move towards the growth of domestic consumer demand. Structural changes do not happen overnight, and some developing countries could see their national economies contract.

Inflation pressures are still low in developed countries. However, inflation may accelerate due to 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 in 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 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 the Nordic countries, particularly in Sweden and Finland. In these challenging

*Comparison figures for the previous year are in brackets.*

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times, the crisis in the euro zone and the strong public-sector stimulus will be particularly evident 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.

*Comparison figures for the previous year are in brackets.*

**NOTES TO THE FINANCIAL STATEMENTS - ACCOUNTING PRINCIPLES**

The accounts of Tapiola General Mutual Insurance 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, are 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 Supervision 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 have been permanently significantly higher 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 reversed to the extent that the current value exceeds the book value.

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

*Debt securities*

Debt securities include bonds and other money market instruments. Debt securities are stated at 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 or 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.

**NOTES TO THE FINANCIAL STATEMENTS - ACCOUNTING PRINCIPLES**
*Loans, deposits and deposits with ceding undertakings*

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

*Derivative contracts*

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

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

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.

**Valuation of receivables**
*Premiums receivable*

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

*Foreign currency items*

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

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

**NOTES TO THE FINANCIAL STATEMENTS - ACCOUNTING PRINCIPLES**
**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 different commodity groups are as follows:

Intangible assets	
Renovations in apartments	5 yrs
IT system design expenses	5–10 yrs
Real estates	
Residential, office and hotel buildings	40–50 yrs
Department store buildings and other store buildings	30–40 yrs
Industrial buildings, warehouses, and so on	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 made 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 balance sheet as a separate item.

**Accumulated appropriations**
*Depreciation difference*

See “Depreciation”

*Voluntary provisions*

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

**Obligatory provisions**

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

**Direct taxes**

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

**NOTES TO THE FINANCIAL STATEMENTS - ACCOUNTING PRINCIPLES**
**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 estates are stated at market-based current values. The valuation principles and practices as set out in the IVS (International Valuation Standards) 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-Subsidized (ARAVA) Rental Dwellings and Buildings (1190/1993).

Valuations are conducted by either 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 not available, the bid price is used as the current value. 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.

**NOTES TO THE FINANCIAL STATEMENTS - ACCOUNTING PRINCIPLES**
**Account of technical provisions deductions and compounding used in calculating claims provision**
*Provision for unearned premiums*

Provision for unearned premiums includes that part of premiums written during the accounting period and previous years whose risk relates to a time after the accounting period. The same compounding is used also for future reinsurance premiums. The amount of provision for unearned premiums is calculated in accordance with the pro rata parte temporis principle. Activated insurance acquisition costs have not been deducted from the provision for unearned premiums, and the provision for unearned premiums does not include provision for unexpired risks.

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

*Provision for claims outstanding*

Provisions for claims outstanding include outstanding claims to be paid by the company after the current accounting period that have been accrued from claims and other occurrences of insured events before or during the accounting period. Provision for claims outstanding includes an equalisation provision. The equalisation provision is a buffer calculated for years with plenty of claims that is used to secure the adequacy of technical provisions also when factors influencing technical provisions fluctuate in an unfavourable manner.

The Financial Supervision Authority confirms the calculation methods for the equalisation provision for each company.

Compounding is applied only to provision for pension benefit claims outstanding with a technical rate of interest of 3.0 per cent.

Because of a longer life expectancy for the public in general, the Federation of Accident Insurance Institutions and the Finnish Motor Insurer's Centre have updated the so-called "mortality model" used by insurance companies. According to the report, life expectancy has risen from the previous update, prepared in 2004, by 1.5 years. As a result of the change, Tapiola General increased the provision for pension claims payable later by a total of EUR 20.7 million.

**Provision for guarantee scheme**

The regulations concerning the provision for guarantee scheme of statutory employers' liability insurance and motor liability insurance changed on 31 December 2010. In these lines of insurance, as well as in pension insurance, insurance companies are jointly liable for any compensation receivables not covered by an insurance company that has gone into liquidation or bankruptcy. In statutory employers' liability insurance and motor liability insurance, the law has required that a company prepares in advance for the joint liability by creating a specific provision for guarantee scheme in its balance sheet. At Tapiola General, the provision for guarantee scheme totalled EUR 18.6 million at the end of the financial year. The change in the Insurance Companies Act has resulted in advance preparation in the form of provision for guarantee scheme being abandoned. In other respects, the joint liability system remains in force. Funds belonging to the provision for guarantee scheme are returned to the parties from whom they were collected when establishing the provision for guarantee scheme. In statutory employers' liability insurance, the funds were partly collected from policyholders as premiums and partly from the insurance companies' assessment system balance. The funds will be returned to the assessment system in even instalments during a period of three years. In motor liability insurance, the assets of the provision for guarantee scheme are returned to the equalisation provision from which they were transferred to the provision for guarantee scheme at the time.

**NOTES TO THE FINANCIAL STATEMENTS - ACCOUNTING PRINCIPLES**
**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, under 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 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.

**Consolidated financial statements**

The Tapiola General Group includes Tapiola Bank Ltd, a group of companies offering banking and investment services; Alma Insurance Company Ltd, which manages the Group's cancelled reinsurance treaties; and Tapiola Data Ltd, which provides IT services. The Tapiola Bank sub-group includes the bank's subsidiary, Tapiola Asset Management Ltd. In addition, the bank is a shareholder in Ab Compass Card Oy Ltd.

The assets and liabilities of the insurance and financial operations are reported separately in the consolidated balance sheet and, correspondingly, the income and expenses of the insurance and financial operations are reported separately in the consolidated profit and loss account. The balance sheets and profit and loss accounts of the Group's service companies have been combined in the line of business that the service has been provided to. The business transactions between the companies in the insurance and financial sectors are presented as elimination items of the profit and loss accounts and balance sheets of the lines of business.

The financial statements of those Group companies that Chapter 9 of the Act on Credit Institutions or Chapter 8 of the Insurance Companies Act are applicable to are combined in the consolidated financial statements without changing the accounting principles required by these provisions.

All of the Turva Mutual Insurance Company guarantee share owners have signed an addendum to the mutual guarantee share owner agreement stating that Tapiola General Mutual Insurance Company has the right to appoint the majority of the board of directors for Turva, should the company wish to exercise this right. Thus, Turva is a subsidiary of Tapiola General. Tapiola General's share of the Turva guarantee capital is 67.41 per cent. The financial statement data of Turva has not been included in the consolidated financial statements based on the Accounting Act, Chapter 6, Section 3, subsection 1. The law states that the financial statements of a subsidiary may be left out from the consolidated financial statements if combination is not necessary in order to offer a correct and adequate depiction of the results of the operations and financial position of the Group. A mutual company guarantee share owner does not have a right to any other assets of the company than guarantee capital. Turva guarantee capital amounts to EUR 10,145,096.82.

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.

**NOTES TO THE FINANCIAL STATEMENTS - ACCOUNTING PRINCIPLES**

The Group's share ownership and share ownership within the Group has been eliminated using the acquisition method. Minority interest in capital and reserves and profit is shown as a separate item in the profit and loss account and balance sheet. Subsidiaries acquired during the financial year are included in the consolidated statements as of the acquisition date, and subsidiaries sold during the period up to the moment of sale.

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

Deferred tax liabilities are stated in the consolidated financial statements and deferred tax assets in the balance sheet. Deferred tax assets and liabilities resulting from combining measures are stated in the balance sheet when their future tax effects must be deemed probable for the Group companies they relate to. The change in 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.

The revaluations of the housing and real estate subsidiaries' shares in the insurance sector 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, similarly to the corresponding item. Unallocated consolidated goodwill is recorded in the balance sheet under "Intangible assets" as a separate item and will be amortised according to plan over five years. Group reserve is included in the balance sheet under "Liabilities" as a separate item and released to income within a maximum of five years.

Intra-group direct insurance business has not been eliminated. However, in the Tapiola General Mutual Insurance Company consolidated financial statements, intra-group reinsurance, excluding equalisation provision, has been eliminated.

### NOTES TO THE FINANCIAL STATEMENTS – RISKS AND RISK MANAGEMENT

#### 1. TAPIOLA GROUP'S GENERAL RISK MANAGEMENT PRINCIPLES

Tapiola General 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.

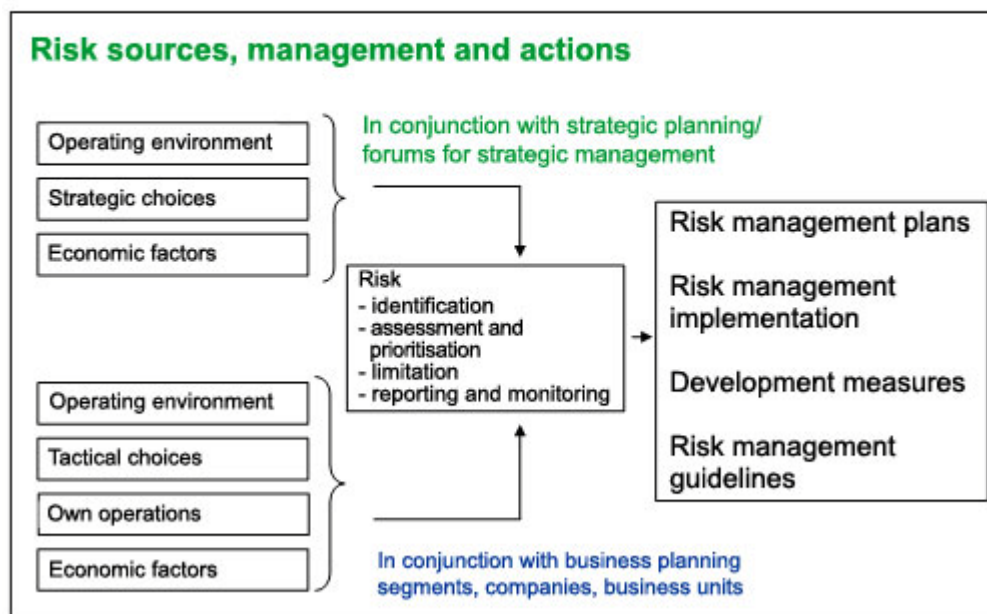
##### 1.1 Basis for risk management

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 promote the continuity of customers' financial security and support the achievement of the Group's operational and financial targets. Good solvency is emphasised due to the mutual company form.

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 in them, risks are viewed from the perspective of the entire company. The key goal in 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.

### NOTES TO THE FINANCIAL STATEMENTS – RISKS AND RISK MANAGEMENT

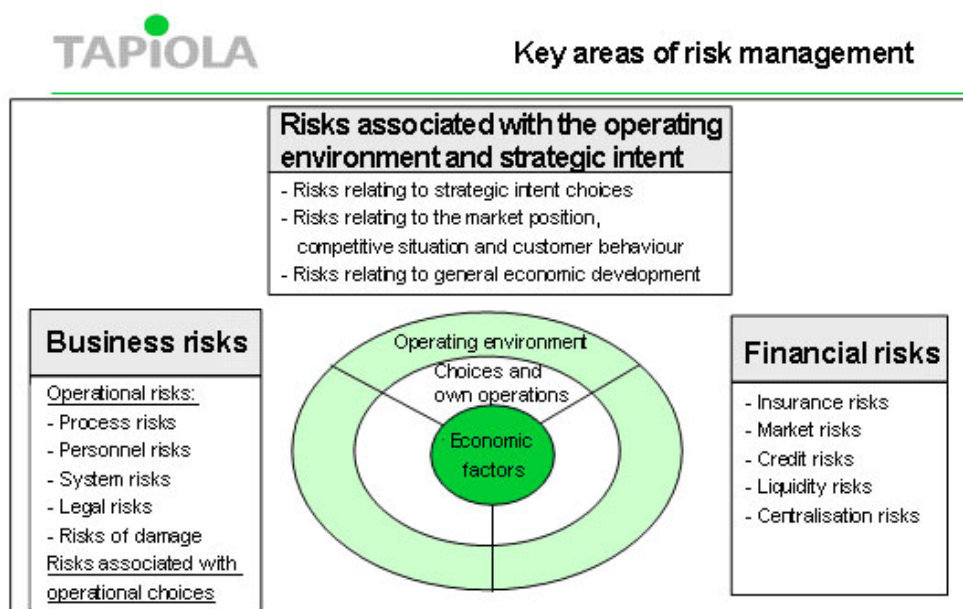
- Tapiola Group companies and functions remain within the risk limits specified for them.
- The effects of risks on all parts of the organisation can be identified.
- Risk linkages between various parts of the Tapiola organisation are clear.

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 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 vary depending on whether it comes to 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.

**NOTES TO THE FINANCIAL STATEMENTS – RISKS AND RISK MANAGEMENT**

- Credit risk is related to counterparty insolvency or other negligence in fulfilling contractual obligations, or to a change in counterparty's credit rating.
- 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 of 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 the obligation to report on any risks observed or areas for improvement identified in risk management, primarily to his/her supervisor 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.

NOTES TO THE FINANCIAL STATEMENTS – RISKS AND RISK MANAGEMENT



Three levels of risk management

<b>Level 1</b>	Business management, Business units	The aim is to manage business risks in compliance with legislation and Tapiola's operating policies.
<b>Level 2</b>	Actuaries, Compliance operations, Controller network, Financial Services and centralised risk management operations	<p>The aim is to support the business in implementing the risk management process, and to develop Tapiola's risk management capacity.</p> <p>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.</p>
<b>Level 3</b>	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 in support of decision-making. The accuracy of financial information is ensured through sufficiently up-to-date and frequent reporting, regular balancing routines, extensive and up-to-date documentation on the calculation methods and systems used in reporting as well as having organisationally separate decision-making and reporting functions for 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 their 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, where necessary, to the Board of Directors.

## NOTES TO THE FINANCIAL STATEMENTS – RISKS AND RISK MANAGEMENT

### 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. Owing to the mutual company form, 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. The requirements for Tapiola Group are set 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,
- cover both the short and long term,
- applies to operations under normal conditions (as defined in business plans) and in exceptional 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.

**NOTES TO THE FINANCIAL STATEMENTS – RISKS AND RISK MANAGEMENT**
**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 in a key role. 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 General has participated in the Solvency II quantitative impact studies (QIS). In these studies, a significant proportion of insurance companies in the EU region have been testing different alternatives for the solvency requirement under Pillar 1. On the basis of the results, both Tapiola General and Tapiola General's insurance conglomerate clearly meet 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, Tapiola General's internal business model was developed, which will enable better management and utilisation of the financial risks of insurance operations. In addition, risk management organisation and administration have been developed and enhanced in this project. The enterprise risk management (ERM) Committee monitors and supervises Tapiola Group's and Tapiola General's risks and solvency and is in charge of developing their risk management. Tapiola Group's Asset and Liability Committee (ALCO) is responsible for managing and supervising the conglomerate's 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 consists of 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 interest rate changes affect the solvency position of Tapiola Group's insurance companies in a different way in Solvency I than in Solvency II. Moreover, the treatment of equalisation provisions, discounting of technical provisions and discretionary bonuses,

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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 and Solvency II. At the moment, the currently valid requirements in accordance with Solvency I are emphasised in solvency management, however, when getting closer to Solvency II coming into force, it will be necessary to assess the solvency of an 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 General's insurance operations risks are market risks associated with investments and insurance risks in non-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 major insurance risks in non-life insurance relate to the pricing of insurance products and risk selection, inflation, interest rate fluctuations, changes in mortality rate, occupational diseases and reinsurance covers.

**3.1 Insurance risk management**
**3.1.1 Definition of risks and risk management strategies**

The major insurance risks concern pricing and risk selection of insurance products, inflation, interest rate fluctuations, adequacy of the technical provision, changes in mortality rate, occupational diseases and reinsurance covers.

Pricing risk refers to the fact that insurance premiums are not enough to cover claims and operating expenses due to insurance contracts. The major pricing risks are connected with the adequacy of risk payments for the tariff models used as well as profitability and claim supervision processes and taking these processes into account in insurance pricing and subscription policies.

The insurance subscribing policy of Tapiola General defines the allowed insurance risks. A Tapiola General financial equity model is used to define profitability objectives for various insurance types. Furthermore, the pricing strategy is used to guide the person in charge of risks and to guarantee justified pricing.

Inflation risk is connected with long-term cash flow claims. These include, for example, claims connected with health care and rehabilitation for personal injuries. An inflation risk is realised if, due to inflation, the level of compensation paid exceeds the level assumed when determining prices and liability for damages. In this case, the premiums and liability for damages prove to be insufficient.

Risk of occupational diseases is insured as a part of employers' liability insurance and it is governed by the Accident Insurance Act and also by a separate Occupational Diseases Act that includes a definition of occupational disease. An occupational disease is a health hazard due to an employment relation that is not a short-term injury like accidents at work. Occupational diseases are usually caused by several years of exposure and appear several years after the exposure. An occupational disease is an illness that is caused mainly by physical, chemical or biological factors. Insuring the risk of occupational diseases causes, in particular, a pricing risk. Occupational diseases also involve the risk of inadequate technical provisions, which is realised if the amount reserved for technical provisions is not sufficient to pay compensations for occupational diseases that are unknown in the year of provision and occur at a later time.

Risks due to interest rate fluctuation are connected with pension-type claims. When calculating the claims provision, the resulting long-term cash flows of known damages are discounted using the technical rate of interest. A risk will be realised if profits correspon-

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ding to at least the unwinding of discount expense cannot be acquired for the assets bearing these liabilities.

The risk of inadequate technical provisions is realised if the amount reserved for technical provisions is not sufficient to pay compensations the company is committed to that become payable after the year of provision.

The longevity risk is a part of the risk of inadequate technical provisions. This refers to uncertainty connected with the evaluation of claims incurred due to uncertainty in evaluating future mortality rates. In non-life insurance, the longevity risk mainly refers to pension liability comprising capital value of pension-type claims included in accident, motor vehicle and patient insurance technical provisions. These pension liabilities are mainly life-time ones. The longevity risk of pension liability is realised if the mortality rate proves to be lower than expected in the future, in which case pensions must be paid out for a longer time than had been expected.

A Tapiola General financial equity model is used to define profitability objectives for various insurance types. The Board of Directors approves the entire company's, as well as customer segment- and insurance class -specific combined ratio targets. Furthermore, the pricing strategy is used to guide the person in charge of risks and to guarantee fair pricing. The insurance subscribing policy of Tapiola General defines the allowed insurance risks.

In the determination of technical provisions, defining principles for technical provisions in the various insurance classes are defined. The definitions are prudent with respect to interest rate and mortality as well as other definition principles. The adequacy of the technical provision is monitored annually and revisions are made when necessary.

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

Furthermore, evaluation errors connected with EML evaluations (Estimated Maximum Loss) may be highly detrimental if realised.

**3.1.2 Risk management processes**

The business units of Tapiola General are responsible for reaching the targets defined using the underwriting policy and pricing strategy, as well as the internal business model. Particular attention is paid to taking risks into account when pricing insurance products. For major customers, risks are increasingly often estimated by using the company's own statistics.

Risks connected with pricing and the level of insurance premiums are managed by continuously developing the reporting and calculation methods. The systems provide correct and up-to-date information used to implement the changes required in the insurance premium level as quickly as possible. Risks connected with claims incurred are also being managed by underwriting only a limited number of particularly risky insurance risks or by excluding them completely.

The risk of technical provision's adequacy is connected, in particular, with insurance classes in which long-term continuous pension-type claims are paid out. Most of these are claims for employers' liability insurance and motor liability insurance. For these, a mortality model developed jointly by the Federation of Accident Insurance Institutions and the Finnish Motor Insurer's Centre is used. As of 2003, we have used in our financial statements

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a so-called cohort model in which the mortality of a pensioner is influenced by his or her age, sex and year of birth. The model takes into account the longer lifetimes of the younger age groups.

To manage the interest rate risk, compounding is carried out securely in such a way that the technical rate of interest does not exceed the securely determined level of investment income on the assets covering liabilities over the estimated average settlement of damages.

In statutory insurance classes, index increases paid in connection with pensions are not reserved in technical provisions. Their annual financing is taken care of by a method of distribution that all insurance companies giving out statutory insurance types are obligated by law to participate in. Correspondingly, as concerns the expenses from medical treatment and medical rehabilitation under statutory accident insurance and motor liability insurance, the company only needs to prepare for inflation risk in relation to claims outstanding for ten years after the damage has occurred. After this, the expenses are financed from the pay-as-you-go system. In motor liability insurance, the scheme applies to medical treatment and medical rehabilitation expenses incurred from damages in or after 2005, whereas the expenses incurred from damages that occurred prior to 2005 will be financed by the pay-as-you-go scheme after 2014.

For certain types of claims, establishing the final amount of claims may take several years. These include, in particular, claims for life insurance and general liability insurance. Definition of unfinished and unknown claims is included in the calculation bases for technical provisions. This part of technical provision is defined using statistical and mathematical methods. The adequacy of technical provision is monitored annually and the technical bases are adjusted when necessary.

The structure of the insurance portfolio, different volumes of the insurance classes, possible cumulative risks and the company's solvency are taken into account when planning reinsurance cover and programmes related to direct insurance risks. Based on these factors, excess points are set for each insurance class that define the maximum amount to be held at own risk for single risks. Tapiola General approves as reinsurers only companies that are adequately solvent and creditworthy. Most of the reinsurance is placed with companies whose credit rating by Standard & Poor is at least class A. Reinsurance cover is acquired in a decentralised manner from an adequate number of reinsurers.

The Board of Directors of Tapiola General has set limits for how large a share a single reinsurer may have in the entire outgoing reinsurance or in a single reinsurance cover. Most reinsurance is relative. We prepare for risks connected with availability of reinsurance and adequate coverage through close cooperation between direct business and reinsurance; we make the necessary revisions in direct business contracts and tenders in time.

Customer risks are reduced by using customer selection instructions, by monitoring adherence to these instructions, by using a register of claims and by using insurance investigators, for example. The impact of large risk concentrations are minimised by the Board of Directors reviewing the concentrations on a regular basis.

When striving for improved selection of customers and pricing that correlates with the risks, important means are underwriting and pricing authorisations maintained by the business units.

The Tapiola Research Team studies and prevents insurance crime targeted at insurance operations. Checking potential customers' data prior to selecting customers and studying unclear claims are important aspects of the Research Team's operations. More serious cases are handed over to the authorities. Effective customer selection aims at keeping

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credit losses and claims incurred at the desired level.

**3.1.3 Technical provision**

According to the Insurance Companies Act, insurance companies must apply prudent calculation bases when defining technical provisions. Technical provisions must always be sufficient so that the company can meet its obligations according to reasonable estimates. The Insurance Companies Act contains more detailed provisions on the principles to be complied with when calculating technical provisions. The Financial Supervisory Authority must be notified of the calculation bases for technical provisions prior to the end of a financial year.

The provision for unearned premiums is defined using coefficients defined for each insurance class. The coefficients are determined in compliance with the pro rata clause. In other words, the provision for unexpired risks represents that part of the premium income that corresponds to the share of insurance periods in future financial years of the insurance periods of agreements made in the current financial year.

Compensation for major single claims that become payable after closing of the accounts are reserved on a case-by-case basis by compensation experts in each business unit, in accordance with written instructions issued by an actuary. The limit that compensations must exceed in order to be reserved on a case-by-case basis is defined mainly on the basis of the volume for each insurance class and/or claim type.

When defining the provision for pension-type claims, the mortality model issued to the companies by the Federation of Accident Insurance Institutions and the Finnish Motor Insurer's Centre is used.

The provision for so-called other known and unknown claims (collective provision) is defined statistically by using normal actuarial methods. The methods use so-called run-off triangles formed from the compensation history that describe the settlement of claims. When calculating the collective provision for pension-type compensation of other than statutory insurance classes, future inflation is assumed to be the same as the average for the past years used in the evaluation. In statutory insurance classes, the index increases for pension-type claims are financed by a pay-as-you-go scheme that all insurance companies giving out the said type of insurance are obligated by law to participate in. To increase the coverage of the collective provision, a security supplement is made part of the provision.

A claim handling provision is reserved for future handling of claims that have occurred prior to the closing of the accounts. The provision is defined for each insurance class as a relative share of the total amount of the actual liability.

Compounding is applied only when defining damage-specific provisions for pension-type claims and the provision for unearned premiums of perpetual insurance. The technical rates of interest are 3.0 and 4.5 per cent, respectively.

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**3.1.4 Quantitative information about technical provisions**

The tables below show the structure of technical provisions.

**TECHNICAL PROVISIONS**

	31.12.2010	31.12.2009	Change % points
Provision for unearned premiums	219	215	2 %
Known pension-type claims	636	569	12 %
Other actual provision for claims outstanding	627	601	4 %
Claims settlement provision	117	101	16 %
<b>Total</b>	<b>1599</b>	<b>1486</b>	<b>8 %</b>
Reinsurers' share	-57	-33	73 %
<b>Total at own risk</b>	<b>1543</b>	<b>1453</b>	<b>6 %</b>
Equalisation provision	532	557	-5 %
Provision for guarantee scheme	0	18	
<b>Technical provision</b>	<b>2074</b>	<b>2028</b>	<b>2 %</b>

**ACTUAL TECHNICAL PROVISIONS BY INSURANCE CLASS GROUP**

Statutory accident	523	483	8 %
Motor liability	657	616	7 %
Property *	167	129	29 %
General liability	69	66	3 %
Other direct insurance	151	150	1 %
<b>Total direct business</b>	<b>1566</b>	<b>1444</b>	<b>8 %</b>
Future reinsurance	33	41	-21 %
<b>Non-life insurance, total</b>	<b>1599</b>	<b>1486</b>	<b>8 %</b>
Reinsurers' share	-57	-33	73 %
<b>Actual technical provisions</b>	<b>1543</b>	<b>1453</b>	<b>6 %</b>

\*) Includes insurance classes fire and other forces of nature, other damage to property and other pure financial losses.

**3.2 Risk management**
**3.2.1 Bases and operating principles**

The aim of Tapiola General'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 organ of managing and monitoring balance sheet risks, and it re-

**NOTES TO THE FINANCIAL STATEMENTS – RISKS AND RISK MANAGEMENT**

ports 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 investment price and interest risks, including 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 CEOs 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, as well as any risks related to them. The reports also 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 the current solvency practice (Solvency I). Furthermore, solvency is monitored in compliance with current solvency regulations applied to conglomerates. Preparations for the future Solvency II framework are underway. 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, also technical provision will be valued at market terms to 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

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has implemented quantitative impact studies (QIS5), in compliance with the current requirements set out by authorities, in order to assess its solvency according to the Solvency II model. Extensive projects are also underway within the company to develop internal Solvency II models to meet the needs of both risk management and business operations. It is estimated that Solvency II will come into force at the beginning of 2013.

The basis for market risk management is that the company's solvency is secured for the next 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. The volatility of fixed-income and equity investments and the expected short term risks have decreased from the rather high level of last spring – which was due to the Greek debt crisis – back to the level seen in late 2009.

When necessary, investment operations are controlled more strictly, in accordance with the so-called traffic light principle, and are based on continuous market risk monitoring. A green light refers to a situation when asset managers are allowed and able to operate in accordance with the normal investment plan limits. A yellow light relates to a situation when any increases in investment market risks or a neutral investment allocation within the investment plan are no longer acceptable in view of the balance sheet risks. A red light refers to 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 remains 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 m	1355,9	-124,5	-62,6	-66,6
Solvency ratio, %	87,9	-8,1	-4,1	-4,3
Return on investment, %	5,4	-4,7	-2,3	-2,5

## NOTES TO THE FINANCIAL STATEMENTS – RISKS AND RISK MANAGEMENT

### 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 to the management and Board of Directors.

Insurance and financing companies are required by law to prepare for maintaining activities regarded as necessary for the operation of the markets under exceptional 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 enable the management of these emergencies and their consequences.

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

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

### 4.3 Description of material operational risks

Material operational risks are often connected 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 quarterly 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 have been enhanced

In 2011, the focus in business risk management will be on, e.g., charting and implementing the requirements of Solvency II requirements. 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 choices  
 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. Updating takes place annually in the autumn at the same time with the updating 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 res-

**NOTES TO THE FINANCIAL STATEMENTS – RISKS AND RISK MANAGEMENT**

possibility allocation and order of implementation.

To reduce and diminish the risks identified and to utilise opportunities, those responsible for Tapiola Group's, customer segments' and companies' strategy process plan and introduce risk management actions. They are implemented in Tapiola Group's annual and periodic programmes. The progress with the measures is monitored 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, as well as the problems relating to the indebtedness of the US and some European Union member states.

The insurance and banking sectors are very centralized, 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 not being known sufficiently well in the markets

**5.4 Expectations for 2011**

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

**6. RISK MANAGEMENT OF CREDIT INSTITUTION AND INVESTMENT SERVICE BUSINESS**

Tapiola Bank Group's risk management is based on risk management concepts, the purpose of risk management, strategic intent and the willingness to take risks as defined by the Tapiola Group, as well as on official regulations, taking into account the special requirements of banking.

**6.1 Tapiola Bank risk management**

The bank's operations are guided by the strategy plan, operating principles and annual business plan, principles concerning crediting and investments, limits and decision-making principles approved by the Bank's Board of Directors, as well as the related monitoring measures. It is the task of the Bank's management is to implement the Bank's internal audit, taking into account legislation and official regulations, the Bank's Articles of Association, as well as the decisions and guidelines issued by the Board of Directors. The Bank's Managing Director is responsible for organising the risk management function. The organisation has a risk management committee (ERM), which, in accordance with its rules of procedure, prepares and supervises risk management guidelines and compliance with them. In the daily business operations, the responsibility for risk management is placed with the Credit Director as regards credit risks, the CFO as regards balance sheet risks, and the head of each business area as regards operational risks. This division of responsibility has been implemented in order to ensure the comprehensiveness of risk management, as well as to identify all material risks and their combined effect on the bank's operational result and own funds.

**NOTES TO THE FINANCIAL STATEMENTS – RISKS AND RISK MANAGEMENT**
**6.1.1 Credit risks**

Counterparty risk refers to the counterparty possibly not being able to meet its commitments to the Bank. Of the risks, credit risk is the most significant. (Other examples: guarantee risk, option, forward, interest rate swap or another derivative risk, country risk, bank risk, delivery risk).

Tapiola Bank was founded to supplement Tapiola Group's service range in the private sector. The Bank's customers comprise of those that centralise their business in the Group, as well as new customers coming to the Bank on the basis of the new opportunities offered by it. The customers are households and the main product in crediting is housing loans. Households accounted for 96.1 per cent (98.1 %) of the loan portfolio at the end of the financial year.

The intention is not to strive for a particularly high financial result by risk-taking. As a rule, credit risk is not taken. The customer's solvency and financial buffers must secure a low-risk loan portfolio for the Bank. Careful crediting is based on the customers' credit rating, a centralized credit decision process, careful insurance policies and safe credit-granting authorizations.

The credit-granting of private persons and the assessment of the need for capital relating to credits are based on the risk classification applied since the start of the Bank's operations. The borrower's solvency and financial buffers are taken into account in the risk classification. Both classification criteria use a five-class evaluation scale, so there are a total of 25 risk classes in the matrix. A value of 1–25 has been determined for each cell in the matrix, which are used in the reports when risk classes are combined.

Three risk classes are used in regular reporting. A relative maximum limit has been set in the risk management plan for the most risky credits.

	31.12.2010		31.12.2009	
Risk level	EUR m	share	EUR m	share
Lower than normal	272	20 %	220	19 %
Normal	898	66 %	726	63 %
Higher than normal	183	14 %	210	18 %
Total	1353	100 %	1156	100 %

Credit pricing is based on risk in such a way that risk class guides the margin requirement. In addition to a secure collateral requirement, the customer's solvency as a result of a possible rise in interest rate levels is assessed in risk classification. The management group modifies the guidelines for credit pricing in accordance with the risk management policy and general market situation.

**6.1.2 Market risks**

The aim of taking market risks is to achieve a reasonable return in relation to the risks. The most significant risks for Tapiola Bank's business operations are the interest rate risk and liquidity risk of the balance sheet. Prudent limits are set for these. In addition, the treasury's market risks in wholesale market transactions and hedging activities, as well as market risks arising in dealing securities, are monitored separately.

**NOTES TO THE FINANCIAL STATEMENTS – RISKS AND RISK MANAGEMENT**
**Interest rate risk**

Interest rate risk refers to the Bank's interest margin changing unfavourably (e.g., maturity, reference rate and interest rate adjustment period risks). The interest rate risk is measured both as cash flow interest rate risk based on the current value and as 12-month income risk. A limit in relation to the Bank's own funds has been set for both risks.

**Financing risk**

The financing risk refers to the Bank not being able to meet its obligations (e.g., maturity, liquidity and solvency risks). The financing risk is assessed on the basis of the maturity classes of fund raising and investments. In each of the maturity classes to be assessed, possible underfunding may not exceed the amount defined in the risk management plan. If the risk limit is exceeded, the deficit can be covered with the financial conglomerate's internal financing limits. The conglomerate's internal financing limits must cover 100 per cent of the deficit created.

**Liquidity risks**

The liquidity risk is managed with a strategy approved by the Board of Directors and with a contingency plan safeguarding the implementation of the strategy. Tapiola Bank maintains a sufficient liquidity reserve, which covers sudden changes in the cash situation. The principle is to determine the size of the reserve in such a way that at least one month's unanticipated market disturbance can be managed with it. The Bank's treasury manages the liquidity reserve and invests the funds in such a way that the above intent is realised. Implementation of the strategy is monitored and tested with monthly risk reports. In the testing, the sufficiency of the reserve is compared in the event of a disturbance in fund raising based on two different scenarios.

**Currency risks**

Overall and currency-specific limits have been set for currency operations. Tapiola Bank did not have currency-denominated business operations during the financial year.

**Price risks**

The price risk refers to the risks connected with the development of the market value of investments and holdings. In fixed-income investments, the price risk may affect the current value of investments as a result of changes in credit, interest rate or spread risks. The Groups' most significant price risk mainly concerns the fixed-income investments managed by Tapiola Bank's treasury and the related interest rate risk. The purpose of the investments is to act as the Group's liquidity reserve. The limits set in the risk management plan set the limits for investment activities.

**6.2 Tapiola Asset Management risk management**

The above-mentioned principles of Tapiola Group and the Bank have been followed in the subsidiary's risk management. The methods of risk assessment, reporting, assessment of the need for capital, and contingency planning are consistent within the Bank Group.

**NOTES TO THE FINANCIAL STATEMENTS – CALCULATION OF KEY FIGURES**
**1) GENERAL KEY FIGURES DESCRIBING FINANCIAL DEVELOPMENT**
**1.1 Turnover =**
**Non-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**
**Non-life insurance company performance analysis**

Premiums earned

Claims incurred

Operating expenses

Other technical income and expenses

---

*Balance on technical account before change in equalisation provision*

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

Other income and expenses

Share in profit/loss of associated undertakings 1)

---

**Operating profit or loss**

Change in equalisation provision

Profit or loss before extraordinary items

Extraordinary income

Extraordinary expenses

---

*Profit or loss before appropriations and taxes*

Income taxes and other direct taxes

Minority interests 1)

---

**Profit or loss for the financial year**

1) Applies to the consolidated financial statements

**Total result**

+ Operating profit/loss

+/- Change in off-balance-sheet valuation gains/losses, 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) so 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.

**NOTES TO THE FINANCIAL STATEMENTS – CALCULATION OF KEY FIGURES**
**1.4. Investment allocation at current value**

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 in adjusting items for derivatives and premiums in 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 assets, percentage (current value) =**

± Operating profit or loss	
+ Interest paid and other financial expenses	
+ Unwinding of discount expense	
± Revaluation/reversal entered in revaluation reserve/current value reserve	
± Change in unrealised gains/losses from investments	
	x 100
+ Balance sheet total	
± Unrealised gains/losses from investments	

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

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

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 for 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 a salary during the financial year are included in personnel.

**NOTES TO THE FINANCIAL STATEMENTS – CALCULATION OF KEY FIGURES**
**2) KEY FIGURES DESCRIBING FINANCIAL DEVELOPMENT OF NON-LIFE INSURANCE**
**2.1 Premium income =**

Gross premiums written before reinsurers' share

**2.2. Loss ratio – percentage =**

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

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

The key figure is calculated after the reinsurers' share.

**Risk ratio – percentage =**

$$\frac{\text{Claims incurred excluding claims handling expenses}}{\text{Premiums earned}} \times 100$$
**2.3 Expense ratio, percentage =**

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

The key figure is calculated after the reinsurers' share.

**Operating expenses ratio – percentage =**

$$\frac{\text{Operating expenses + claims handling expenses}}{\text{Premiums earned}} \times 100$$
**2.4 Combined ratio, percentage =**

+ Loss ratio  
+ Expense ratio

**Combined ratio (excl. unwinding of discount expense)=**

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

**2.5 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

**NOTES TO THE FINANCIAL STATEMENTS – CALCULATION OF KEY FIGURES**

- + Subordinated loans (with permission from the Financial Supervision Authority)
- Intangible assets
- ± Other items prescribed by law

**2.6 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.

**2.7 Equalisation provision in reporting currency**

**2.8 Solvency capital in reporting currency =**

- + Solvency margin
- + Equalisation provision
- + Minority interest 1)

1) Applies to the consolidated financial statements

**2.9 Solvency capital's share of technical reserves as percentage =**

$$\frac{\text{Solvency capital}}{\text{Technical provisions – equalisation provision}} \times 100$$

Technical provisions are calculated after the reinsurers' share.

**1.20 Solvency ratio, percentage =**

$$\frac{\text{Solvency capital}}{\text{Premiums earned for 12 months}} \times 100$$

Premiums earned are calculated for twelve previous months after the share of reinsurers.

NOTES TO THE FINANCIAL STATEMENTS – CALCULATION OF KEY FIGURES

**3) KEY FIGURES DESCRIBING FINANCIAL DEVELOPMENT OF THE CREDIT INSTITUTION AND INVESTMENT SERVICE BUSINESS**

**3.1 Cost-return ratio =**

Administrative expenses + depreciation and value adjustments on tangible and intangible assets + other business expenses

-----  
 Interest margin + return on equity investments + net commission income + net return on security trading and currency operations + net return on available-for-sale financial assets + net result for hedging calculation + net income from investment property + other business income + share in results of associated undertakings (net)

**3.2 Turnover =**

Combined sum of interest yield, leasing income, return on equity investments, commission income, net return on security trading and currency operations, net return on saleable financial assets, net return on hedging calculation, net income from investment property and other business income

## PROFIT AND LOSS ACCOUNT

1.1.2010 - 31.12.2010

1.1.2009 - 31.12.2009

## TECHNICAL ACCOUNT

Premiums earned							
Premiums written	1	691 915 599,44			675 086 718,34		
Reinsurers' share		<u>-31 791 339,56</u>	660 124 259,88		<u>-27 248 277,40</u>	647 838 440,94	
Change in provision for unearned premiums		-4 328 839,00			-1 801 224,00		
Reinsurers' share		158 327,00	-4 170 512,00	655 953 747,88	695 759,00	-1 105 465,00	646 732 975,94
Other technical income				18 608 992,00			0,00
Claims incurred							
Claims paid		-525 050 796,43			-451 504 255,73		
Reinsurers' share		<u>27 911 409,72</u>	-497 139 386,71		<u>8 701 178,91</u>	-442 803 076,82	
Change in provision for outstanding claims		-109 109 062,00			-70 869 512,00		
Reinsurers' share		<u>23 716 506,00</u>	-85 392 556,00	-582 531 942,71	<u>-723 485,00</u>	-71 592 997,00	-514 396 073,82
Change in Guarantee fund				-629 290,00			-608 010,00
Operating expenses	3			<u>-171 903 207,69</u>			<u>-166 185 428,57</u>
Other technical charges				-9 601 101,00			0,00
<b>Balance on technical account before change in equalization provision</b>				<b>-90 102 801,52</b>			<b>-34 456 536,45</b>
Change in equalization provision				<u>25 305 000,00</u>			<u>-32 952 000,00</u>
<b>Balance on technical account</b>	2			<b>-64 797 801,52</b>			<b>-67 408 536,45</b>
<b>NON-TECHNICAL ACCOUNT</b>							
<b>Balance on technical account</b>				<b>-64 797 801,52</b>			<b>-67 408 536,45</b>
Investment income	4		212 085 297,73			298 660 607,05	
Investment charges	4		-112 840 957,25			-183 988 973,62	
Revaluation adjustments on investments	4		<u>-300 000,00</u>	98 944 340,48		<u>46 353,24</u>	114 717 986,67
Other income	4						
Other			<u>17 246 807,24</u>	17 246 807,24		<u>18 276 647,20</u>	18 276 647,20
Other expenses	4						
Other			<u>-18 867 263,06</u>	-18 867 263,06		<u>-15 521 673,11</u>	-15 521 673,11
Direct taxes on ordinary activities							
Taxes for the financial period			-7 722 905,98			-2 446 309,52	
Taxes for previous financial periods			<u>-252 718,03</u>	-7 975 624,01		<u>476 256,29</u>	-1 970 053,23
<b>Profit/loss on ordinary activities</b>				<b>24 550 459,13</b>			<b>48 094 371,08</b>
<b>Profit/loss after extraordinary items</b>				<b>24 550 459,13</b>			<b>48 094 371,08</b>
Appropriations							
Change in depreciation difference			<u>46 776,92</u>	46 776,92		<u>115 130,63</u>	115 130,63
<b>Profit for the accounting period</b>				<b><u>24 597 236,05</u></b>			<b><u>48 209 501,71</u></b>

**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY**
**Balance sheet**
**31.12.2010**
**31.12.2009**
**Assets**
**Intangible assets**

Other expenses with long-term effects 9 37 963 477,41 37 727 128,22

**Investments**

Real estate investments	6				
Real estate and shares in real estate		174 888 010,55		160 763 719,78	
Loans to group companies		123 574 884,60		109 309 160,44	
Loans to participating interests		0,00	298 462 895,15	6 694 255,34	276 767 135,56
Investments in group companies and participating interests	7				
Shares in group companies		92 057 654,50		91 600 154,50	
Debt securities and loans of companies in same group		20 750 000,00		23 000 000,00	
Shares and holdings in participating interests		109 538,04		478 725,17	
Debt securities and loans in participating interests		0,00	112 917 192,54	287 500,00	115 366 379,67
Other investments					
Shares and holdings		653 674 747,19		662 395 781,18	
Debt securities		1 144 305 898,39		996 717 679,80	
Loans guaranteed by mortgages		118 773 474,93		124 857 269,11	
Other loans	8	115 507 369,89		165 523 718,71	
Deposits		3 540 000,00	2 035 801 490,40	36 139 366,15	1 985 633 814,95
Deposits with ceding undertakings			618 993,93		663 159,26
			2 447 800 572,02		2 378 430 489,44

**Debtors**

Arising out of direct insurance operations	15				
Policyholders		113 096 665,58			107 150 243,30
Debtors arising out of reinsurance operations		10 610 569,12			7 500 616,73
Other debtors		50 161 773,25	173 869 007,95		68 531 279,89
					183 182 139,92

**Other assets**

Tangible assets					
Machinery and equipment	9	7 601 104,03		4 351 924,74	
Other tangible assets		2 376 919,58	9 978 023,61	1 552 098,19	5 904 022,93
Cash at bank and in hand			64 764 807,18		37 595 147,06
Other assets			1 031 843,91		940 963,91
			75 774 674,70		44 440 133,90

**Prepayments and accrued income**

Accrued interest and rent		27 941 888,10			27 050 496,94
Other prepayments and accrued income		5 409 056,59	33 350 944,69		5 570 369,49
					32 620 866,43

**Total assets**
2 768 758 676,77
2 676 400 757,91
**Liabilities**
**Capital and reserves**

Initial reserve	10	6 875 407,12			6 875 407,12
Guarantee capital		1 765 973,23			1 765 973,23
Revaluation reserve		322 108,19			322 108,19
Other reserves		576 247 069,80			528 970 568,09
Profit for the accounting period		24 597 236,05	609 807 794,39		48 209 501,71
					586 143 558,34

**Accumulated appropriations**

Accumulated depreciation difference	11		1 986 344,55		2 033 121,47
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**Technical provisions**

Provision for unearned premiums		219 128 241,00		214 799 402,00	
Reinsurers' share		-5 569 521,00	213 558 720,00	-5 411 194,00	209 388 208,00
Provision for outstanding claims	12	1 379 968 727,00		1 270 859 665,00	
Reinsurers' share		-51 013 308,00	1 328 955 419,00	-27 296 802,00	1 243 562 863,00
Equalization provision			531 963 000,00		557 268 000,00
Guarantee fund			0,00		17 979 702,00
			2 074 477 139,00		2 028 198 773,00

**Obligatory provisions**

Pension provisions		56 239,00			186 702,00
Other obligatory provisions	13	3 439 270,12	3 495 509,12		3 014 808,23
					3 201 510,23

**Deposits received from reinsurers**

			1 709,32		1 225,96
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**Creditors**

Arising out of direct insurance operations	15	2 019 327,04			1 772 808,98
Arising out of reinsurance operations		3 072 136,72			794 408,38
Other creditors		37 814 608,94	42 906 072,70		24 266 263,38
					26 833 480,74

**Accruals and deferred income**

			36 084 107,69		29 989 088,17
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**Total liabilities**
2 768 758 676,77
2 676 400 757,91

**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY**

<b>Indirect cash flow statement</b>	<b>2010</b>	<b>2009</b>
<b>Cash flow from operations</b>		
Profit from ordinary activities / profit before extraordinary items	24 550 459,13	48 094 371,08
Adjustments		
Changes in technical provisions	46 278 366,00	106 258 472,00
Value adjustments and revaluation of investments	8 606 394,52	-57 405 892,15
Changes in other obligatory provisions	293 998,89	2 891 276,23
Depreciation according to plan	10 764 925,54	8 604 034,39
Other non-cash income and expenses	0,00	-217 369,57
Other adjustments	<u>-35 729 638,58</u>	<u>8 407 684,13</u>
<i>Cash flow before change in working capital</i>	54 764 505,50	116 632 576,11
Change in working capital:		
Increase (-) / decrease (+) in non-interest-bearing short-term receivables	8 583 053,71	-11 626 833,14
Increase (+) / decrease (-) in non-interest-bearing short-term debts	<u>22 168 094,84</u>	<u>-11 647 520,53</u>
<i>Cash flow from operations before financial items and taxes</i>	85 515 654,05	93 358 222,44
Direct taxes paid	<u>-2 516 176,57</u>	<u>-433 743,67</u>
<b>Cash flow from operations</b>	<b>82 999 477,48</b>	<b>92 924 478,77</b>
<b>Cash flow from investments</b>		
Investments in assets (excl. cash and cash equivalents)	-78 653 038,01	-49 089 235,31
Capital gains from investments (excl. cash and cash equivalents)	38 245 815,15	-7 973 940,46
Investments in tangible and intangible assets as well as other assets and capital gains (net)	<u>-14 489 594,50</u>	<u>-9 565 447,15</u>
<b>Cash flow from investments</b>	<b>-54 896 817,36</b>	<b>-66 628 622,92</b>
<b>Cash flow from financial</b>		
Interest on guarantee capital paid and other distribution of profit	<u>-933 000,00</u>	<u>0,00</u>
<b>Cash flow from financial</b>	<b>-933 000,00</b>	<b>0,00</b>
<b>Change in cash and cash equivalents</b>	<b><u>27 169 660,12</u></b>	<b><u>26 295 855,85</u></b>
<b>Cash and cash equivalents at the start of the year</b>	<b>37 595 147,06</b>	<b>11 299 291,21</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>64 764 807,18</b>	<b>37 595 147,06</b>

TAPIOLA GENERAL MUTUAL INSURANCE COMPANY

NOTES TO PROFIT AND LOSS ACCOUNT

	2010	2009
<b>1. Premiums written</b>		
Direct insurance		
Finland	646 701 126,50	629 481 173,79
EEA countries	0,00	0,00
Other Countries	0,00	0,00
	<u>646 701 126,50</u>	<u>629 481 173,79</u>
Reinsurance	45 214 472,94	45 605 544,55
<b>Gross premiums written</b>	<u>691 915 599,44</u>	<u>675 086 718,34</u>
<b>before reinsurers' share</b>		

1.1. Items depreciated from premiums written

Credit loss on outstanding premiums	7 311 421,55	5 120 838,31
PAYG system fees	36 662 774,36	31 710 604,85
Premium tax	106 613 725,95	103 044 624,69
Fire brigade charge	1 696 630,51	1 690 504,83
Road safety charge	1 385 918,84	1 418 753,19
Labour protection charge	1 896 049,00	1 724 191,00
<b>Total</b>	<u>155 566 520,21</u>	<u>144 709 516,87</u>

TAPIOLA GENERAL MUTUAL INSURANCE COMPANY

NOTES TO PROFIT AND LOSS ACCOUNT

2. Result divided into groups of insurance class

		Premiums written before reinsurers' share	Premiums earned before reinsurers' share	Claims incurred before reinsurers' share	Operating expenses before commissions reinsurance and profit shares	Reinsurers' share	Balance on technical account before net investment income
Statutory workers' compensation	2010	109 308 682,76	109 208 440,76	-130 313 424,44	-20 031 171,20	-428 081,80	-41 564 236,69
	2009	102 787 183,42	102 794 274,42	-118 056 961,22	-19 042 598,17	-372 736,10	-34 678 021,07
	2008	102 614 616,86	102 688 988,86	-108 678 385,56	-18 470 631,03	-386 195,20	-24 846 222,94
Non-statutory accident and health	2010	63 409 818,98	60 897 395,98	-47 301 976,43	-17 366 187,67	-39 989,30	-3 810 757,42
	2009	57 860 188,68	56 217 657,68	-44 527 609,85	-16 676 195,74	-82 357,99	-5 068 505,90
	2008	54 549 170,92	52 993 310,92	-39 766 376,48	-16 084 602,90	-87 074,52	-2 944 742,98
Motor vehicle liability	2010	141 769 640,70	141 981 304,70	-129 457 290,33	-34 193 877,91	595 506,20	-21 074 357,33
	2009	144 490 130,00	146 033 198,00	-120 482 949,27	-32 735 639,42	-553 067,17	-7 738 457,86
	2008	137 518 238,31	139 006 780,31	-126 235 963,52	-31 623 329,45	-27 632,08	-18 880 144,73
Land vehicles	2010	120 970 010,01	120 730 269,01	-77 183 218,69	-27 821 689,07	84 818,22	15 810 179,47
	2009	119 751 778,17	119 926 577,17	-77 028 882,89	-26 691 009,06	-308 908,25	15 897 776,96
	2008	113 397 879,29	112 441 957,29	-85 533 371,44	-25 757 634,45	-310 884,20	840 067,20
Marine, aviation, railway rolling stock and transport	2010	9 199 243,96	8 888 853,96	-4 493 765,01	-2 331 952,47	-320 048,88	1 743 087,60
	2009	8 432 606,26	8 326 329,26	-3 522 780,48	-2 216 820,02	-277 148,09	2 309 580,67
	2008	8 476 583,82	8 378 838,82	-3 941 967,96	-2 151 475,21	-261 640,26	2 023 755,39
Fire and other damage to property	2010	152 844 467,32	151 426 627,32	-169 283 062,36	-48 360 253,58	22 440 592,87	-43 776 095,76
	2009	149 060 545,99	145 520 516,99	-100 246 862,87	-46 748 965,20	-4 524 627,37	-5 999 938,44
	2008	141 798 905,22	139 565 157,22	-118 519 193,11	-44 897 257,37	4 837 167,59	-19 014 125,67
General liability	2010	27 100 536,28	26 980 097,28	-20 225 660,19	-6 252 243,39	-2 285 904,22	-1 783 710,52
	2009	27 636 484,12	28 079 513,12	-20 820 799,88	-5 929 016,44	-2 313 674,93	-983 978,13
	2008	28 293 758,26	28 005 745,26	-23 019 078,24	-5 758 731,61	-377 094,72	-1 149 159,31
Credit and suretyship	2010	2 676 500,73	2 984 351,71	478 939,24	-272 881,07	-667 807,94	2 522 601,94
	2009	1 295 738,00	2 370 272,21	-585 156,70	-255 360,71	-846 756,69	682 998,11
	2008	1 950 773,10	2 376 783,10	156 014,27	-244 588,07	-786 759,16	1 501 450,14
Legal expenses	2010	10 454 682,45	10 220 800,45	-9 151 882,98	-3 142 922,87	0,00	-2 074 005,40
	2009	9 775 936,08	9 650 778,08	-5 832 669,92	-3 031 379,71	0,00	786 728,45
	2008	9 430 481,01	9 073 964,01	-9 280 274,44	-2 918 627,68	0,00	-3 124 938,11
Other	2010	8 967 543,31	8 824 920,31	-12 597 233,11	-2 268 331,85	960 419,20	-5 080 225,46
	2009	8 390 583,07	8 638 613,07	-9 426 729,17	-2 170 172,86	1 174 217,59	-1 784 071,38
	2008	8 045 769,69	7 889 822,69	-709 246,14	-2 102 201,48	-5 415 520,12	-337 145,05
<b>Direct insurance total</b>	2010	<b>646 701 126,50</b>	<b>642 143 061,48</b>	<b>-599 528 574,31</b>	<b>-162 041 511,09</b>	<b>20 339 504,35</b>	<b>-99 087 519,57</b>
	2009	<b>629 481 173,79</b>	<b>627 557 730,00</b>	<b>-500 531 402,25</b>	<b>-155 497 157,34</b>	<b>-8 105 059,00</b>	<b>-36 575 888,59</b>
	2008	<b>606 076 176,48</b>	<b>602 421 348,48</b>	<b>-515 527 842,61</b>	<b>-150 009 079,25</b>	<b>-2 815 632,67</b>	<b>-65 931 206,05</b>
Reinsurance	2010	45 214 472,94	45 443 698,96	-34 631 284,12	-14 580 740,71	4 374 442,92	606 117,05
	2009	45 605 544,55	45 727 764,34	-21 842 365,48	-14 569 346,04	-6 588 690,68	2 727 362,14
	2008	42 865 227,58	43 000 242,58	-49 538 492,03	-13 697 466,61	12 569 754,08	-7 665 961,98
<b>Total</b>	2010	<b>691 915 599,44</b>	<b>687 586 760,44</b>	<b>-634 159 858,43</b>	<b>-176 622 251,80</b>	<b>24 713 947,27</b>	<b>-98 481 402,52</b>
	2009	<b>675 086 718,34</b>	<b>673 285 494,34</b>	<b>-522 373 767,73</b>	<b>-170 066 503,38</b>	<b>-14 693 749,68</b>	<b>-33 848 526,45</b>
	2008	<b>648 941 404,06</b>	<b>645 421 591,06</b>	<b>-565 066 334,64</b>	<b>-163 706 545,86</b>	<b>9 754 121,41</b>	<b>-73 597 168,03</b>
Change in Guarantee fund	2010	0,00	0,00	0,00	0,00	0,00	-629 290,00
	2009	0,00	0,00	0,00	0,00	0,00	-608 010,00
	2008	0,00	0,00	0,00	0,00	0,00	-603 649,00
Other technical income and charges	2010						9 007 891,00
Change in equalization provision	2010	0,00	0,00	0,00	0,00	0,00	25 305 000,00
	2009	0,00	0,00	0,00	0,00	0,00	-32 952 000,00
	2008	0,00	0,00	0,00	0,00	0,00	10 122 000,00
<b>Balance on technical account</b>	2010	0,00	0,00	0,00	0,00	0,00	<b>-64 797 801,52</b>
	2009	0,00	0,00	0,00	0,00	0,00	<b>-67 408 536,45</b>
	2008	0,00	0,00	0,00	0,00	0,00	<b>-64 078 817,03</b>

**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY**

**NOTES TO PROFIT AND LOSS ACCOUNT**

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

	<b>2010</b>	<b>2009</b>
<b>3.1. Total operating expenses by activity</b>		
Claims management expenses	45 840 958,74	39 715 170,34
Operating expenses	171 903 207,69	166 185 428,57
Investment operating expenses	6 110 247,10	5 704 654,30
Other expenses	18 867 263,06	15 521 673,11
<i>Total</i>	<u>242 721 676,59</u>	<u>227 126 926,32</u>

<b>3.2. Profit and loss account item operating expenses</b>		
Insurance policy acquisition costs		
Commissions for direct insurance	20 847 290,49	21 306 509,23
Commissions for reinsurance assumed and profit shares	12 038 637,22	12 245 017,56
Other insurance policy acquisition costs	47 888 420,75	47 910 336,28
	<u>80 774 348,46</u>	<u>81 461 863,07</u>
Insurance policy management expenses	65 043 879,44	62 194 483,65
Administrative expenses	30 804 023,90	26 410 156,66
Commissions for reinsurance ceded and profit shares	-4 719 044,11	-3 881 074,81
<i>Total</i>	<u>171 903 207,69</u>	<u>166 185 428,57</u>

**3.3. Notes concerning personnel and members of corporate bodies**

<b>3.3.1. Personnel expenses</b>		
Salaries and remunerations	75 659 116,97	71 508 498,29
Pension expenses	18 753 232,61	14 741 051,81
Other personnel expenses	4 600 965,93	3 993 758,80
<i>Total</i>	<u>99 013 315,51</u>	<u>90 243 308,90</u>

**3.3.2. Management's 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	316 660,00	447 339,00
Pension commitments	The retirement age of the managing director is 63 and that of the deputy managing director is stated by the law	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	
Board members and deputy board members		
Salaries and remunerations	2 208 997,00	881 011,00
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	56 440,00	69 480,00
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	1 405	1 391
Sales staff	647	641

**3.4. Auditor's fees by assignment category**

Auditing	80 540,74	160 172,45
Assignments referred to in section 1, subsection 1, paragraph 2 of the Auditing Act	8 172,24	22 861,47
Tax advice	9 649,77	10 019,26
Other services	2 902,87	16 930,38
<i>Total</i>	<u>101 265,62</u>	<u>209 983,56</u>

## 4.1. Specification of net investment income

## Investment income

Income from group companies				
Dividend income	1 224 631,79		224 631,79	
Interest income	1 195 105,80		1 308 857,09	
Other income	<u>685 889,25</u>	3 105 626,84	<u>608 831,65</u>	2 142 320,53
Income from participating interests				
Interest income	<u>10 000,99</u>	10 000,99	<u>13 492,36</u>	13 492,36
Income from real estate investments in group companies				
Interest income	6 943 466,24		5 646 843,90	
Other income	<u>670 203,39</u>	7 613 669,63	<u>1 153 304,93</u>	6 800 148,83
Income from real estate investments in participating interests				
Interest income	<u>0,00</u>	0,00	<u>6 001,44</u>	6 001,44
Income from real estate investments in other companies				
Interest income	56 422,36		225 561,90	
Other income	<u>27 605 420,20</u>	27 661 842,56	<u>25 823 396,19</u>	26 048 958,09
Income from other investments				
Dividend income	21 611 967,16		16 820 289,88	
Interest income	50 319 379,80		56 480 581,96	
Other income	<u>1 841 140,78</u>	<u>73 772 487,74</u>	<u>1 780 088,48</u>	<u>75 080 960,32</u>
<b>Total</b>		<b>112 163 627,76</b>		<b>110 091 881,57</b>
Value readjustments		33 590 567,35		96 880 883,12
Realized gains		<u>66 331 102,62</u>		<u>30 215 036,60</u>
<b>Total</b>		<b>212 085 297,73</b>		<b>237 187 801,29</b>

## Investment charges

Expenses arising from real estate investments				
From group companies	-14 826 031,85		-10 640 507,34	
Other companies	<u>-16 756 706,16</u>	-31 582 738,01	<u>-15 911 465,73</u>	-26 551 973,07
Expenses arising from other investments		-9 906 668,40		-13 473 450,25
Interest paid and other expenses on liabilities				
From group companies	-25 025,23		-63 433,11	
Other companies	<u>-667 715,36</u>	<u>-692 740,59</u>	<u>-3 512 382,72</u>	<u>-3 575 815,83</u>
<b>Total</b>		<b>-42 182 147,00</b>		<b>-43 601 239,15</b>
Value adjustments and depreciation				
Value adjustments	-41 896 961,87		-39 521 344,21	
Planned depreciation on buildings	<u>-676 560,91</u>	<u>-42 573 522,78</u>	<u>-1 204 607,44</u>	<u>-40 725 951,65</u>
Realized losses		<u>-28 085 287,47</u>		<u>-38 188 977,06</u>
<b>Total</b>		<b>-112 840 957,25</b>		<b>-122 516 167,86</b>
<b>Net investment income before revaluations and revaluation adjustments</b>		<b>99 244 340,48</b>		<b>114 671 633,43</b>
Revaluation adjustments on investments	<u>-300 000,00</u>	<u>-300 000,00</u>	<u>46 353,24</u>	<u>46 353,24</u>
<b>Net investment income in the profit and loss account</b>		<b>98 944 340,48</b>		<b>114 717 986,67</b>

## 4.2. Specification of other income and expenses

## Other income

Services sold to partner companies	17 230 115,31		18 247 340,69	
Other other income	<u>16 691,93</u>		<u>29 306,51</u>	
	<u>17 246 807,24</u>		<u>18 276 647,20</u>	

## Other expenses

Expenses for services sold	-17 052 882,55		-14 918 503,99	
Transfer to personnel fund	-1 814 147,48		-603 075,00	
Other other expenses	<u>-233,03</u>		<u>-94,12</u>	
	<u>-18 867 263,06</u>		<u>-15 521 673,11</u>	

**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY**

Notes to balance sheet

31 December 2010

**5.1. Current value of investments and difference between 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	26 065 773,19	26 092 262,79	63 173 588,69	20 439 466,92	20 465 956,52	57 202 981,00
Real estate shares in group companies	70 441 202,33	85 156 913,47	110 907 946,79	68 479 622,03	83 495 333,17	103 672 981,00
Real estate shares in participating interests	1 646 829,47	1 646 829,47	1 557 155,06	2 145 293,25	2 145 293,25	2 024 738,00
Other real estate shares	60 039 174,05	61 992 004,82	90 255 070,46	52 704 306,07	54 657 136,84	79 595 036,00
Loans to group companies	123 574 884,60	123 574 884,60	123 574 884,60	109 309 160,44	109 309 160,44	109 309 160,44
Loan to participating interests	0,00	0,00	0,00	6 694 255,34	6 694 255,34	6 694 255,34
	<b>281 767 863,64</b>	<b>298 462 895,15</b>	<b>389 468 645,60</b>	<b>259 772 104,05</b>	<b>276 767 135,56</b>	<b>358 499 151,78</b>
Investments in group companies						
Shares and holdings	92 057 654,50	92 057 654,50	92 057 654,50	91 600 154,50	91 600 154,50	91 600 154,50
Loans receivable	20 750 000,00	20 750 000,00	20 750 000,00	23 000 000,00	23 000 000,00	23 000 000,00
	<b>112 807 654,50</b>	<b>112 807 654,50</b>	<b>112 807 654,50</b>	<b>114 600 154,50</b>	<b>114 600 154,50</b>	<b>114 600 154,50</b>
Investments in participating interests						
Shares and holdings	109 538,04	109 538,04	109 538,04	478 725,17	478 725,17	478 725,17
Loan receivables	0,00	0,00	0,00	287 500,00	287 500,00	287 500,00
	<b>109 538,04</b>	<b>109 538,04</b>	<b>109 538,04</b>	<b>766 225,17</b>	<b>766 225,17</b>	<b>766 225,17</b>
Other investments						
Shares and holdings	653 674 747,19	653 674 747,19	794 838 695,70	662 395 781,18	662 395 781,18	763 039 206,53
Debt securities	1 144 305 898,39	1 144 305 898,39	1 172 310 781,74	996 717 679,80	996 717 679,80	1 030 119 933,75
Loans guaranteed by mortgages	118 773 474,93	118 773 474,93	118 773 474,93	124 857 269,11	124 857 269,11	124 857 269,11
Other loans	115 507 369,89	115 507 369,89	115 507 369,89	165 523 718,71	165 523 718,71	165 523 718,71
Deposits	3 540 000,00	3 540 000,00	3 540 000,00	36 139 366,15	36 139 366,15	36 139 366,15
	<b>2 035 801 490,40</b>	<b>2 035 801 490,40</b>	<b>2 204 970 322,26</b>	<b>1 985 633 814,95</b>	<b>1 985 633 814,95</b>	<b>2 119 679 494,25</b>
Deposits with ceding undertakings	618 993,93	618 993,93	618 993,93	663 159,26	663 159,26	663 159,26
	<b>2 431 105 540,51</b>	<b>2 447 800 572,02</b>	<b>2 707 975 154,33</b>	<b>2 361 435 457,93</b>	<b>2 378 430 489,44</b>	<b>2 594 208 184,96</b>

**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY****Notes to balance sheet****31 December 2010****5.1. Current value of investments and difference in valuation**

	<b>2010</b>	<b>2009</b>
The remaining acquisition cost of debt securities includes:		
Difference between the nominal value and acquisition cost released (+) or charged (-) to interest income	<u>-189 931,57</u>	<u>-611 075,73</u>
Book value comprises		
Revaluations released to income	14 813 998,11	15 113 998,11
Other revaluations	<u>1 881 033,40</u>	<u>1 881 033,40</u>
	<u>16 695 031,51</u>	<u>16 995 031,51</u>
Difference in valuation (difference between current value and book value)	<u>260 174 582,31</u>	<u>215 777 695,52</u>
<b>5.2 Difference in valuation of non-hedging derivatives</b>	<u>0,00</u>	<u>35 821,01</u>

**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY**

Notes to balance sheet 31 December 2010

**6. Real estate investment**

Changes in real estate investments	2010		
	Real estate and shares in real estate	Loans to group companies	Loans to participating interests
Acquisition cost on 1 Jan.	178 970 615,41	109 309 160,44	6 694 255,34
Increase	16 310 506,25	16 621 230,00	-6 694 255,34
Decrease	-3 230 836,08	-2 355 505,84	0,00
Acquisition cost on 31 Dec.	192 050 285,58	123 574 884,60	0,00
Accumulated depreciation on 1 Jan.	-12 975 762,09		
Accumulated depreciation related to deductions and transfers	55 949,47		
Depreciation for the financial year	-277 300,70		
Accumulated depreciation on 31 Dec.	-13 197 113,32		
Value adjustments on 1 Jan.	-22 226 165,05		
Value adjustments related to deductions and transfers	425 971,83		
Value adjustments for the financial year	-130 000,00		
Value readjustments	1 270 000,00		
Value adjustments on 31 Dec.	-20 660 193,22		
Revaluations on 1 Jan.	16 995 031,51		
Decrease	-300 000,00		
Revaluations on 31 Dec.	16 695 031,51		
Book value on 31 Dec.	174 888 010,55	123 574 884,60	0,00

**Real estate and shares in real estate occupied for own activities**

	2010
Remaining acquisition cost	48 423 951,42
Book value	48 470 271,75
Current value	83 901 968,11

**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY**

Notes to balance sheet                      31 December 2010                      2010                      2009

**7. Investments in group companies and participating interests**

**Shares and holdings in group companies**

Acquisition cost on 1 Jan.	95 882 045,26	95 882 045,26
Increase	457 500,00	0,00
Acquisition cost on 31 Dec.	<u>96 339 545,26</u>	<u>95 882 045,26</u>
Value adjustments on 1 Jan.	-4 281 890,76	-4 281 890,76
Value adjustments on 31 Dec.	<u>-4 281 890,76</u>	<u>-4 281 890,76</u>
Book value on 31 Dec	<u><u>92 057 654,50</u></u>	<u><u>91 600 154,50</u></u>

**Shares and holdings in participating interests**

Acquisition cost on 1 Jan.	478 725,17	481 225,17
Increase	0,00	1 250,00
Decrease	-369 187,13	-3 750,00
Acquisition cost on 31 Dec.	<u>109 538,04</u>	<u>478 725,17</u>
Book value on 31 Dec.	<u><u>109 538,04</u></u>	<u><u>478 725,17</u></u>

<b>Total</b>	<u><u>92 167 192,54</u></u>	<u><u>92 078 879,67</u></u>
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**8. Other investments**

**8.1. Other loans, itemised by type of security:**

Bank guarantee	24 373,00	51 687,99
Other security	8 095 387,37	30 980 034,09
Remaining acquisition cost	<u>8 119 760,37</u>	<u>31 031 722,08</u>
Unsecured, total remaining acquisition cost	<u>107 387 609,52</u>	<u>134 491 996,63</u>
	<u><u>115 507 369,89</u></u>	<u><u>165 523 718,71</u></u>

**8.2. Total subordinated loans**

Other loans receivable	<u>55 417 661,99</u>	<u>55 423 295,79</u>
Total remaining acquisition cost	<u><u>55 417 661,99</u></u>	<u><u>55 423 295,79</u></u>

## TAPIOLA GENERAL MUTUAL INSURANCE COMPANY

### NOTES TO BALANCE SHEET 31 December 2010

#### 7.1. Investments in group companies

##### Shares and holdings

	Domicile	Share of stock, %	Capital and reserves	Profit/loss for the accounting period
Alma Insurance company Ltd	Espoo	100,00	3 919 525,32	12 278,77
Aura-Karelia Oy	Espoo	100,00	280 180,38	-139 292,22
Turva Mutual Insurance Company	Tampere	67,41 <sup>1)</sup>	27 319 369,53	2 693 437,71
Kestap Ky	Espoo	100,00	9 888,71	-167,60
Omre Oy	Espoo	100,00	9 383,92	-175,28
Tapiola Bank Ltd	Espoo	73,03	75 941 675,84	2 550 966,93
Tapiola Safety Oy	Espoo	100,00	8 915,12	-175,98
Tapiolan Revontuli Oy	Espoo	100,00	37 000,40	1 219,68
Tapiola Data Ltd	Espoo	51,10	2 550 956,06	381 568,35
Tietotyö Oy	Espoo	100,00	2 200 595,44	22 124,45
Total			112 277 490,72	5 521 784,81

<sup>1)</sup> Interest in guarantee capital

#### 7.2. Investments in participating interests

##### Shares and holdings

	Domicile	Share of stock, %	Capital and reserves	Profit/loss for the financial
Tapiola Real Estate Ltd	Espoo	50,00	1 658 581,73	548 282,77
Oirabi Oy	Espoo	50,00	9 575,95	-165,33
Vakuutusneuvonta Aura	Espoo	33,33	12 158,74	-137,98
Vakuutusneuvonta Pohja	Espoo	33,33	12 103,04	-150,15
Total			1 692 419,46	547 829,31

**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY**  
**7.3. NOTES TO BALANCE SHEET 31 December 2010**  
**OTHER INVESTMENTS**

Security	Share of stocks, %	Number	Book value	Current value	Home country
<b>Finnish companies, listed</b>					
Amer- Sports Oyj	0,68 %	821 666,00	4 532 719,07	8 569 976,38	
Fortum Oyj	0,04 %	345 432,00	3 346 353,58	7 782 582,96	
Ilkka-Yhtymä Oyj	0,98 %	252 786,00	1 001 274,05	2 317 326,84	
Kone Oyj	0,07 %	190 000,00	3 289 963,94	7 904 000,00	
Lassila & Tikanoja Oyj	1,51 %	584 278,00	3 614 945,82	8 606 414,94	
Metso Oyj	0,13 %	190 000,00	3 615 723,37	7 942 000,00	
Nokia Oyj	0,01 %	370 200,00	2 865 348,00	2 865 348,00	
Nokian Renkaat Oyj	0,15 %	196 300,00	1 573 362,61	5 388 435,00	
Sanoma Oyj	0,18 %	294 017,00	1 158 258,88	4 768 955,74	
Stockmann Oyj	0,29 %	203 916,00	3 973 351,38	5 770 822,80	
Vacon Oyj	0,88 %	133 900,00	937 300,00	5 222 100,00	
Vaisala Oyj	1,12 %	204 700,00	4 060 493,31	4 196 350,00	
Wulff-Yhtiöt Oyj	4,30 %	283 900,00	738 140,00	738 140,00	
Other			895 784,37	2 710 113,00	
<b>Total</b>			<b>35 603 018,38</b>	<b>74 782 565,66</b>	
<b>Finnish companies, non-listed</b>					
Autovahinkokeskus Oy	17,26 %	1 243,00	522 643,98	522 643,98	
Fingrid Oyj	1,50 %	50,00	1 681 879,26	1 681 879,26	
Keskinäinen Henkivakuutusyhtiö Tapiola	98,74 %	627 000,00	31 632 354,09	31 632 354,09	
Rederiaktiebolaget Eckerö 1 sid.	1,41 %	33 920,00	866 291,25	1 960 576,00	
Satel Oy	12,63 %	625,00	1 708 789,33	2 626 750,00	
Sato Oyj	3,68 %	1 878 705,00	10 119 023,61	15 968 992,50	
Seligson & Co Oyj	15,13 %	190 525,00	1 498 955,92	1 648 041,25	
Other			3 344 944,35	4 479 080,32	
<b>Total</b>			<b>51 374 881,79</b>	<b>60 520 317,40</b>	
<b>Foreign companies, listed</b>					
ABB	0,01 %	265 000,00	3 049 241,16	4 414 547,34	Switzerland
AMEC	0,11 %	350 000,00	3 556 492,54	4 676 154,52	United States
Allianz	0,01 %	50 000,00	3 575 041,69	4 446 500,00	Germany
BNP Paribas	0,01 %	102 000,00	4 856 220,00	4 856 220,00	France
Carl Zeiss Meditec	0,37 %	297 868,00	2 939 272,26	4 255 044,38	Germany
DnB NOR	0,04 %	570 444,00	4 027 246,08	5 989 662,00	Norway
E.ON	0,01 %	201 000,00	3 113 886,71	4 609 935,00	Germany
Ekornes	0,69 %	252 770,00	3 931 806,47	5 185 025,64	Norway
Electricite De France	0,01 %	171 000,00	5 248 845,00	5 248 845,00	France
Estee Lauder	0,06 %	66 898,00	2 013 394,79	4 040 314,77	United States
Fresenius Medical Care	0,03 %	85 000,00	2 995 003,67	3 674 550,00	Germany
Gamesa Corp Tecnologica	0,21 %	527 878,00	3 015 239,14	3 015 239,14	Spain
GlaxoSmithKline	0,01 %	372 000,00	5 334 480,81	5 359 047,34	United States
Heineken	0,02 %	119 000,00	3 182 680,41	4 366 110,00	The Netherlands
Hennes & Mauritz	0,02 %	255 000,00	3 297 848,55	6 371 089,18	Sweden
Hochtief	0,12 %	95 000,00	2 699 645,52	6 036 300,00	Germany
Inmarsat	0,09 %	400 000,00	2 938 574,39	3 129 828,64	United States
Kappahl	1,08 %	813 220,00	4 127 099,44	4 127 099,44	Sweden
Kellogg	0,04 %	132 900,00	4 450 761,94	5 080 475,98	United States
Kloekner & Co	0,46 %	308 000,00	4 992 680,20	6 469 540,00	Germany
Life Technologies	0,06 %	118 000,00	4 296 801,05	4 901 212,39	United States
Mednax	0,24 %	114 000,00	4 777 711,21	5 740 951,95	United States
Nestle	0,00 %	124 000,00	2 857 015,45	5 429 462,57	Switzerland
Petroleum Geo-Services	0,28 %	600 000,00	4 870 666,64	6 988 461,54	Norway
Qiagen	0,11 %	260 000,00	3 717 037,24	3 803 800,00	The Netherlands
Reed Elsevier	0,10 %	700 000,00	5 559 511,83	6 479 900,00	The Netherlands
SAP	0,01 %	155 000,00	4 938 903,04	5 905 500,00	Germany
SCA	0,05 %	345 000,00	3 462 401,28	4 086 665,55	Sweden
SES	0,05 %	160 000,00	2 850 400,00	2 850 400,00	Luxembourg
Sanofi-Aventis	0,01 %	85 500,00	4 091 175,00	4 091 175,00	France
Subsea 7	0,07 %	260 000,00	3 385 417,94	4 766 666,67	United States
Symrise	0,15 %	181 000,00	3 146 395,94	3 715 025,00	Germany
TDC	0,03 %	320 000,00	2 080 096,60	2 080 096,60	Denmark
Technip	0,09 %	100 000,00	5 245 281,33	6 910 000,00	France
Telefonica	0,01 %	450 000,00	7 634 250,00	7 634 250,00	Spain
TeliaSonera	0,01 %	659 224,00	2 705 474,25	3 925 678,92	Sweden
Tesco	0,01 %	1 115 000,00	5 505 373,22	5 505 373,22	United States
Thermo Fisher Scientific	0,03 %	118 000,00	4 012 362,64	4 888 848,97	United States
United Technologies	0,01 %	105 000,00	4 270 143,98	6 185 900,31	United States
Vinci	0,02 %	106 000,00	3 940 125,42	4 312 080,00	France
Waste Management	0,04 %	187 000,00	3 819 810,81	5 159 923,66	United States
Zimmer Holdings	0,06 %	113 000,00	4 539 619,82	4 539 619,82	United States
eBay	0,01 %	170 000,00	2 804 246,70	3 540 712,47	United States
Other			584 247,06	1 064 718,46	
<b>Total</b>			<b>168 439 929,22</b>	<b>209 857 951,47</b>	

**Foreign companies, non-listed**

European Alliance Partners Company	9,52 %	7 047,00	595 792,99	710 648,06 Switzerland
Other			172 986,33	436 290,33
<b>Total</b>			<b>768 779,32</b>	<b>1 146 938,39</b>

**Mutual funds**

Liongate Multi-Strategy Fund Segregated Portfolio			8 406 848,94	8 406 848,94 Luxembourg
Robeco Lux-o-rente			4 105 442,88	5 026 598,57 France
Tapiola Aasia-Tyynimeri			6 208 963,16	7 345 922,26 Finland
Tapiola High Yield			27 149 635,47	40 444 599,97 Finland
Tapiola Hyvinvointi			5 220 920,02	6 371 074,60 Finland
Tapiola Itä-Eurooppa			9 728 753,97	11 614 053,34 Finland
Tapiola Japani			7 784 681,51	7 784 681,51 Finland
Tapiola Kassakorko			9 006 282,40	9 039 210,08 Finland
Tapiola Kehittyvät Markkinat			10 586 739,70	25 157 255,74 Finland
Tapiola Kiinteistö			4 908 811,56	4 908 811,56 Finland
Tapiola Lyhytkorko			15 665 776,82	16 821 606,62 Finland
Tapiola Maailma 20			1 207 471,01	1 442 830,72 Finland
Tapiola Pitkäkorko			19 691 080,55	23 388 349,34 Finland
Tapiola Finland			4 578 937,09	6 337 555,01 Finland
Tapiola Trendi			4 145 575,99	6 531 215,86 Finland
Tapiola Tulevaisuus			2 140 867,19	2 140 867,19 Finland
Tapiola USA			9 958 522,43	10 272 078,84 Finland
Tapiola Yrityskorko			29 839 900,70	33 710 569,41 Finland
Other			386 741,93	788 960,82
<b>Total</b>			<b>180 721 953,32</b>	<b>227 533 090,38</b>

**Capital mutual funds**

AXA LBO Fund IV			4 699 575,00	5 204 033,70 France
AXA Secondary Fund IV L.P.			3 989 751,28	4 366 157,01 Jersey
Aberdeen European Shopping Property Fund SICAV			10 578 722,85	10 578 722,85 Luxembourg
Aberdeen Property Funds SICAV Pan-Nordic			6 739 725,96	6 739 725,96 Luxembourg
Altor Fund II (No. 1) Limited Partnership			4 614 170,69	5 318 772,34 Jersey
Altor Fund III			1 350 791,84	2 042 552,00 Jersey
Apax Europe VII - B, L.P.			6 139 687,32	6 139 687,32 United States
Bowmark Capital Partners IV, L.P.			853 234,97	853 234,97 United States
Bridgepoint Europe III, L.P.			2 552 869,00	2 552 869,00 United States
Bridgepoint Europe IV F L.P.			1 729 900,07	1 729 900,07 United States
Capman Equity VII A L.P.			1 778 526,36	2 094 826,00 Guernsey
Capvis Equity III L.P.			1 871 457,47	1 871 457,47 Jersey
Charterhouse Capital Partners VIII LP No. 1.2			6 297 761,59	6 297 761,59 United States
European Added Value Fund, L.P.			6 618 650,10	6 618 650,10 United States
European Fund Investments II Limited Partnership			864 776,89	864 776,89 United States
Exilion Real Estate I Ky			6 462 117,88	6 462 117,88 Finland
Gresham 4A			1 806 017,61	1 806 017,61 United States
HealthCap IV Bis L.P.			965 804,12	973 845,41 United States
ING Real Estate European Industrial Fund C.V.			6 641 800,00	6 641 800,00 The Netherlands
Indigo Capital V L.P.			2 590 867,11	2 590 867,11 United States
Industri Kapital 2000 Limited Partnership XI			1 593 079,00	1 593 079,00 Jersey
Industri Kapital 2004 Limited Partnership III			1 974 630,08	1 974 630,08 Jersey
Industri Kapital 2007 Limited Partnership III			4 536 646,97	4 682 677,18 Jersey
Lindsay Goldberg III L.P.			1 903 617,72	1 903 617,72 United States
MB Equity Fund III Ky			2 256 575,30	2 256 575,30 Finland
MB Equity Fund IV Ky			931 658,00	931 658,00 Finland
MGP Europe Fund III			4 952 891,94	4 952 891,94 United States
Nexit INFOCOM II L.P.			1 687 949,00	1 687 949,00 Guernsey
Nordic Mezzanine Fund III Limited Partnership			997 365,81	997 365,81 United States
PBW II Real Estate Fund S.A.			6 453 422,00	6 453 422,00 Luxembourg
Partners Group Secondary 2004 L.P.			1 156 132,00	1 156 132,00 United States
Partners Group U.S. Venture 2004, L.P.			2 558 691,06	2 558 691,06 United States
Paul Capital Top Tier Investments III, L.P.			2 013 661,96	2 063 380,44 United States
Paul Capital Top Tier Investments IV, L.P.			1 417 225,69	1 529 418,66 United States
Rockspring PanEuropean Limited Partnership			6 751 477,04	6 751 477,04 United States
TPG Partners VI, LP			6 196 234,10	6 196 234,10 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			6 820 564,44	7 139 827,45 United States
Other			9 757 518,57	10 752 321,86
<b>Total</b>			<b>216 766 185,15</b>	<b>220 997 832,40</b>

**Total other investments, shares and holdings**

<b>653 674 747,18</b>	<b>794 838 695,70</b>
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**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY**

**Notes to balance sheet 31 December 2010**

**9. Changes in tangible and intangible assets**

	<b>2010</b>	<b>2010</b>
	<b>Intangible rights and other expenses with long-term effects</b>	<b>Machinery and equipment</b>
Acquisition cost on 1 Jan.	63 056 427,63	40 578 956,07
Items written off the previous year	-2 320 871,77	0,00
Increase	7 791 020,84	5 916 138,78
Decrease	0,00	-133 266,51
Transfers between items	0,00	0,00
Acquisition cost on 31 Dec.	<u>68 526 576,70</u>	<u>46 361 828,34</u>
Accumulated depreciation on 1 Jan.	-25 329 299,41	-36 227 031,33
Items written off the previous year	2 320 871,77	0,00
Accumulated depreciation related to deductions and transfers	0,00	0,00
Depreciation for the financial year	-7 554 671,65	-2 533 692,98
Accumulated depreciation on 31 Dec.	<u>-30 563 099,29</u>	<u>-38 760 724,31</u>
Book value on 31 Dec.	<u><u>37 963 477,41</u></u>	<u><u>7 601 104,03</u></u>

**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY**

Notes to balance sheet

31 December 2010

**10.1. Changes in capital and reserves**

	1 Jan.	Increase	Decrease	31 Dec.
Initial reserve	6 875 407,12	0,00	0,00	6 875 407,12
Guarantee capital	1 765 973,23	0,00	0,00	1 765 973,23
Revaluation reserve	322 108,19	0,00	0,00	322 108,19
Security reserve	528 970 568,09	47 209 501,71	0,00	576 180 069,80
Contingency reserve	0,00	1 000 000,00	-933 000,00	67 000,00
Profit for the financial year	48 209 501,71	24 597 236,05	-48 209 501,71	24 597 236,05
Total changes in capital and reserves	<u>586 143 558,34</u>	<u>72 806 737,76</u>	<u>-49 142 501,71</u>	<u>609 807 794,39</u>

**10.2. Itemisation of revaluation reserve**

Revaluation of fixed assets	<u>322 108,19</u>
Total	<u>322 108,19</u>

**10.3. Account of distributable profits**

Profit for the financial year	24 597 236,05
+ Other unrestricted capital and reserves	
Security reserve	576 180 069,80
Contingency reserve	67 000,00
Total distributable profits	<u>600 844 305,85</u>

**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY**

Notes to balance sheet	31 December 2010	2010	2009
<b>11. Accumulated appropriations</b>			
<b>Depreciation difference</b>			
Depreciation difference on 1 Jan.		2 033 121,47	2 148 252,10
Increase		0,00	997,34
Decrease		<u>-46 776,92</u>	<u>-116 127,97</u>
Depreciation difference on 31 Dec.		<u>1 986 344,55</u>	<u>2 033 121,47</u>
		<u>1 986 344,55</u>	<u>2 033 121,47</u>
<b>12. Provision for claims outstanding</b>			
Uncontested recourse receivables deducted from provisions for claims outstanding			
Statutory accident		<u>21 461 506,00</u>	<u>20 906 413,00</u>
<b>13. Other obligatory provisions</b>			
Provision for interest on late payments for unfinished claims		3 096 916,20	2 878 816,20
Provision for unemployment security deductible		<u>342 353,92</u>	<u>135 992,03</u>
		<u>3 439 270,12</u>	<u>3 014 808,23</u>
<b>14. Deferred tax liabilities</b>			
Tax liability calculated on the basis of timing differences and other temporary differences between taxable profit and accounting profit		489 068,68	489 068,68
Tax debt calculated based on valuation gains/losses that is deemed likely to become payable during the next year.		<u>8 216 000,00</u>	<u>5 980 000,00</u>
		<u>8 705 068,68</u>	<u>6 469 068,68</u>



TAPIOLA GENERAL MUTUAL INSURANCE COMPANY

Notes to balance sheet 31 December 2010

16. Notes concerning guarantees and contingent liabilities

	2010		2009	
16.1. Security	Security/pledges/ guarantees and other commitments	Amount of liability	Security/pledges/ guarantees and other commitments	Amount of liability
<b>As security for own debts</b>				
Assets pledged as security for derivative contracts	0,00	0,00	229 350,10	0,00
Guarantees, reinsurance	0,00	0,00	139 366,15	15 540,05
	<u>0,00</u>	<u>0,00</u>	<u>368 716,25</u>	<u>15 540,05</u>

16.2. Off-balance-sheet guarantees and contingent liabilities

Derivative contracts	2010		2009	
<b>Interest derivatives</b>				
<i>Forward and futures contracts, open</i>				
Underlying instrument	37 000 000,00		115 000 000,00	
Current value	0,00		0,00	
<b>Currency derivatives</b>				
<i>Forward and futures contracts, open</i>				
Underlying instrument	46 650 836,28		44 036 321,34	
Current value	0,00		0,00	
<b>Leasing liabilities</b>				
Amount to be paid in the current financial year	101 311,17		88 603,68	
Amount to be paid in the coming years	59 501,67		99 597,55	
	<u>160 812,84</u>		<u>188 201,23</u>	
<b>Value-added tax liabilities</b>				
<i>Joint liability relating to collective value-added tax registration</i>				
Group companies	648 528,48		336 188,47	
Associated undertakings	263 182,35		24 191,59	
Partner companies	1 537 229,01		245 054,97	
	<u>2 448 939,84</u>		<u>605 435,03</u>	
<i>Obligation to return value-added tax deductions under section 33 of the Value Added Tax Act</i>				
	<u>94 740,57</u>		<u>99 103,00</u>	
<b>Other commitments</b>				
Purchase commitments	0,00		0,00	
Subscription commitments	119 425 160,42		165 766 188,50	

**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY**

**Notes to balance sheet**

**31 December 2010**

**17. Related party loans (Insurance Companies Act, Chapter 8, section 11)**

Tapiola General Mutual Insurance Company's loans to participating interests and to group companies are 224 031 010,85

The loan period is in principal 10-40 years and the interest rate fixed.

**17.1 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.

**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY**

Notes to balance sheet 31 December 2010

**18. Notes concerning solvency**

<b>Solvency margin</b>	<b>2010</b>	<b>2009</b>
Capital and reserves after deduction of proposed distribution of profits	609 807 794,39	586 143 558,34
Accumulated appropriations	1 986 344,55	2 033 121,47
Difference between current and book values of assets	260 174 582,31	215 813 516,53
Intangible assets (-)	-37 963 477,41	-37 727 128,22
Off-balance-sheet commitments		-
Other items	-9 942 623,16	-6 500 887,91
	<u>824 062 620,68</u>	<u>759 762 180,21</u>
 Minimum solvency margin (Insurance Companies Act, Chapter 11, section 7)	 128 573 282,00	 120 374 070,00
 An equalisation provision calculated for years with plenty of claims that is used to secure adequacy of technical provisions.	 531 963 000,00	 557 268 000,00
 Equalisation provision in relation to full amount %	 82,8	 88,2
 Solvency ratio percentage, i.e., solvency margin and equalisation provision in relation to premiums earned at own risk for the 12 prior months (%) 1)		
2010	206,7	
2009	203,6	
2008	189,2	
2007	227,8	
2006	219,4	
 Solvency capital percentage in technical provisions, i.e., solvency margin and equalisation provision in relation to technical provisions at own risk minus equalisation provision (%) 1)		
2010	87,9	
2009	89,5	
2008	84,0	
2007	105,8	
2006	105,4	

1) Tax debt calculated based on valuation gains/losses that is deemed likely to become payable during the next year.

**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY**

**NOTES TO THE FINANCIAL STATEMENTS**

**KEY FIGURES**

**EUR Mill**

**General key figures describing financial development**

	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Operating profit/loss	7,2	83,0	-52,8	144,7	95,8
Total profit/loss	51,6	149,1	-195,2	100,5	105,5
Return on capital employed (at current value), %	5,4	7,2	-4,6	4,9	7,1
Return on assets, %	2,3	5,9	-6,6	4,1	4,7
Average number of personnel during financial year	2 052	2 032	2 082	1 978	2 071
Number of employees in relation to payroll	1 548	1 504	1 557	1 505	1 360

**Key figures describing the financial development of non-life insurance**

	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Premium income	691,9	675,1	648,9	628,7	622,9
Loss ratio (excl. unwinding of discount expense), %	86,2	77,0	83,8	76,7	85,1
Loss ratio %	88,8	79,5	86,2	79,1	87,3
Expense ratio, %	26,2	25,7	25,7	24,5	22,3
Combined ratio (excl. unwinding of discount expense), %	112,4	102,7	109,5	101,2	107,4
Combined ratio, %	115,0	105,2	111,9	103,7	109,6
Solvency margin in reporting currency	824,0	759,8	650,2	834,1	809,7
Minimum solvency margin (Insurance Companies Act, Chapter 11, section 7)	128,6	120,4	120,2	116,3	112,5
Solvency margin in relation to minimum value	6,4	6,3	5,4	7,2	7,2
Equalisation provision in reporting currency	532,0	557,3	524,3	534,4	485,5
Solvency capital in reporting currency	1 355,9	1 317,0	1 174,5	1 368,5	1 295,2
Solvency capital's share of technical reserves, %	87,9	89,5	84,0	105,8	105,4
Solvency ratio, %	206,7	203,6	189,2	227,8	219,4

TAPIOLA GENERAL MUTUAL INSURANCE COMPANY

OTHER NOTES

Performance analysis

€1 000	2010	2009	Change	Change %
Premiums earned	655 954	646 733	9 221	1,4
Claims incurred	-582 532	-514 396	-68 136	13,2
Operating expenses	-171 903	-166 185	-5 718	3,4
Other technical income and charges <sup>*)</sup>	9 008		9 008	-
Change in guarantee fund	-629	-608	-21	3,5
<b>Balance on technical account before change in equalisation provision</b>	<b>-90 103</b>	<b>-34 457</b>	<b>-55 646</b>	<b>161,5</b>
Investment income and expenses as well as revaluations and adjustments thereof	98 944	114 718	-15 774	-13,7
Other income and expenses	-1 621	2 755	-4 376	-158,8
<b>Operating profit</b>	<b>7 221</b>	<b>83 016</b>	<b>-75 795</b>	<b>-91,3</b>
Change in equalisation provision	25 305	-32 952	58 257	-176,8
<b>Profit before extraordinary items</b>	<b>32 526</b>	<b>50 064</b>	<b>-17 538</b>	<b>-35,0</b>
<b>Profit before appropriations and taxes</b>	<b>32 526</b>	<b>50 064</b>	<b>-17 538</b>	<b>-35,0</b>
Income taxes and other direct taxes	-7 976	-1 970	-6 006	304,8
Appropriations	47	115	-68	-59,3
<b>Profit for the financial year</b>	<b>24 597</b>	<b>48 210</b>	<b>-23 612</b>	<b>-49,0</b>
<b>Operating profit</b>	<b>7 221</b>	<b>83 016</b>	<b>-75 795</b>	<b>-91,3</b>
Change in the difference between current and book values	44 361	66 118	-21 757	-32,9
<b>Total result</b>	<b>51 582</b>	<b>149 134</b>	<b>-97 552</b>	<b>-65,4</b>

<sup>\*)</sup> Release of guarantee fund

TAPIOLA GENERAL MUTUAL INSURANCE 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 <sup>1)</sup>	Capital employed <sup>2)</sup>	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 <sup>5)</sup>	6,7	192,3	3,5	4,2	1,3	4,2	3,4
Bonds <sup>3)</sup>	47,1	1 218,8	3,9	7,9	7,5	1,5	1,0
* of which fixed-income funds	6,4	96,1	6,7	19,4	-9,4	2,8	6,1
Other money market instruments and deposits <sup>3)</sup>	0,7	62,5	1,1	2,4	3,0	3,6	3,1
* of which fixed-income funds	0,4	23,0	1,6	4,8	-0,4	2,9	3,7
Shares and participations	76,8	588,6	13,0	19,7	-28,8	9,2	17,9
Real estate investments <sup>4), 5)</sup>	18,5	604,9	3,1	-1,8	-0,7	8,3	9,3
* of which collective funds and mutual investment undertakings	-3,1	135,6	-2,3	-12,3	-19,2	-11,3	33,7
Other investments							
<b>Investments, total</b>	<b>149,7</b>	<b>2 667,1</b>	<b>5,6</b>	<b>7,4</b>	<b>-4,5</b>	<b>5,0</b>	<b>7,2</b>
Income, costs and expenses unallocated to investment classes	-6,4						
<b>Net income from investment operations at current values</b>	<b>143,3</b>	<b>2 667,1</b>	<b>5,4</b>	<b>7,2</b>	<b>-4,6</b>	<b>4,9</b>	<b>7,1</b>

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 <sup>1), 5)</sup>	153,9	8,3	217,8	8,3	190,3	7,8	97,4	3,8	93,7	3,8
Bonds <sup>1), 2)</sup>	1 294,2	47,4	1 137,8	43,5	1 077,2	44,1	1 093,8	42,8	1 065,0	43,6
* of which fixed-income funds	102,6	3,8	96,1	3,7	78,6	3,2	96,5	3,8	56,7	2,3
Other money market instruments and deposits <sup>1), 2), 3)</sup>	33,4	1,2	62,6	2,4	116,5	4,8	235,7	9,2	132,7	5,4
* of which fixed-income funds	25,9	0,9	16,5	0,6	37,8	1,5	75,0	2,9	44,4	1,8
Shares and participations	622,6	22,8	607,0	23,2	523,0	21,4	632,5	24,7	719,2	29,4
Real estate investments <sup>4), 5)</sup>	625,9	22,9	591,7	22,6	537,2	22,0	499,0	19,5	432,9	17,7
* of which collective funds and mutual investment undertakings	133,8	4,9	135,2	5,2	108,6	4,4	49,0	1,9	16,6	0,7
<b>Investments, total</b>	<b>2 730,0</b>	<b>100,0</b>	<b>2 616,9</b>	<b>100,0</b>	<b>2 444,2</b>	<b>100,0</b>	<b>2 558,4</b>	<b>100,0</b>	<b>2 443,5</b>	<b>100,0</b>

Bonds, modified duration 4,88

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
<b>Direct net return</b>	<b>67,6</b>	<b>72,5</b>	<b>115,7</b>	<b>84,7</b>	<b>84,2</b>
Loans receivable	7,1	8,9	5,5	3,2	2,2
Bonds	40,1	37,9	74,5	37,4	42,9
Other debt instruments and deposits	0,5	2,0	8,5	6,3	5,0
Shares and holdings	8,0	12,8	16,1	26,5	20,9
Real estate investments	18,3	18,4	14,7	13,4	15,6
Other investments	0,0	0,0	0,0	0,0	0,0
Unallocated income, costs and operating expenses	-6,4	-7,4	-3,7	-2,2	-2,4
<b>Changes in book values 1)</b>	<b>31,4</b>	<b>42,2</b>	<b>-96,9</b>	<b>82,2</b>	<b>69,7</b>
Shares and holdings	34,8	39,5	-81,3	81,1	73,7
Bonds	6,2	25,9	-0,4	-16,3	-13,7
Real estate investments	-9,0	-23,9	-10,3	17,5	9,6
Other investments	-0,6	0,6	-4,9	-0,1	0,0
<b>Net investment income in books</b>	<b>98,9</b>	<b>114,7</b>	<b>18,8</b>	<b>167,0</b>	<b>153,8</b>
<b>Change in the difference between current and book values 2)</b>	<b>44,3</b>	<b>66,1</b>	<b>-142,5</b>	<b>-44,3</b>	<b>9,7</b>
Shares and holdings	34,0	46,7	-143,7	-47,0	14,9
Bonds	0,7	24,8	9,9	-3,8	-19,3
Real estate investments	9,3	-5,3	-8,0	5,3	13,7
Other investments	0,3	0,0	-0,7	1,2	0,4
<b>Net investment income at current value</b>	<b>143,3</b>	<b>180,8</b>	<b>-123,7</b>	<b>122,7</b>	<b>163,5</b>
<b>Derivatives of net investment income</b>	<b>-6,3</b>	<b>-9,5</b>	<b>34,8</b>	<b>7,6</b>	<b>9,4</b>

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

2) Off-balance-sheet changes in values

**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP**

**PROFIT AND LOSS ACCOUNT**

<b>Technical account:</b>	<b>1.1.2010 - 31.12.2010</b>		<b>1.1.2009 - 31.12.2009</b>	
Premiums earned				
Premiums written	1	691 952 618,19	675 151 592,85	
Reinsurers' share		<u>-31 791 339,56</u>	<u>-27 248 277,40</u>	647 903 315,45
Change in provision for unearned premiums		-4 328 839,00	-1 801 224,00	
Reinsurers' share		<u>158 327,00</u>	<u>695 759,00</u>	<u>-1 105 465,00</u>
Other technical income		18 608 992,00		646 797 850,45
Claims incurred				0,00
Claims paid		-522 148 577,57	-449 231 172,71	
Reinsurers' share		<u>27 912 014,42</u>	<u>8 701 783,61</u>	<u>-440 529 389,10</u>
Change in provision for outstanding claims		-109 138 713,00	-70 809 698,00	
Reinsurers' share		<u>23 716 506,00</u>	<u>-723 485,00</u>	<u>-71 533 183,00</u>
Change in Guarantee fund		-629 290,00		-512 062 572,10
Operating expenses	3	-172 676 309,22		-608 010,00
Other technical charges		<u>-9 601 101,00</u>		<u>-168 279 267,92</u>
<b>Balance on technical account before change in equalization provision</b>		<b>-87 965 711,74</b>		<b>-34 151 999,57</b>
Change in equalization provision		<u>25 305 000,00</u>		<u>-32 952 000,00</u>
<b>Balance on technical account</b>	2	<b>-62 660 711,74</b>		<b>-67 103 999,57</b>
<b>Non-technical account:</b>				
Balance on technical account		<b>-62 660 711,74</b>		<b>-67 103 999,57</b>
Investment income	4	207 876 535,84	231 270 613,44	
Investment charges	4	-114 461 048,93	-122 242 702,78	
Revaluation adjustments on investments	4	<u>-300 000,00</u>	<u>46 353,24</u>	109 074 263,90
Other income	4			
Other		17 155 865,88		18 256 346,56
Other expenses	4			
Other		-12 335 110,91		-9 751 556,96
Share of profit/loss of participating interests		305 990,53		432 920,63
Elimination items	1	<u>-2 266 042,22</u>		<u>911 265,28</u>
<b>Profit/loss before extraordinary items</b>		<b>33 315 478,44</b>		<b>51 819 239,84</b>
<b>Credit institution and investment service business calculation:</b>				
Interest income	18	31 402 655,24		35 606 004,75
Net income from leasing business	19	110 023,30		0,00
Interest expenses	18	<u>-17 338 577,33</u>		<u>-22 464 393,99</u>
<b>Interest margin</b>		<b>14 174 101,21</b>		<b>13 141 610,76</b>
Return on equity investments	20	509 886,58		5 902,53
Commission income	21	35 177 578,55		28 439 488,91
Commission expenses	21	-6 824 275,37		-5 179 149,88
Net income from security trading	22	485,16		342,00
Net income from available-for-sale financial assets	23	1 783 253,43		185 067,82
Other business income	24	6 057 261,62		6 292 472,95
Administrative expenses				
Personnel expenses				
Salaries and remuneration		-9 049 906,48		-8 560 850,38
Other personnel expenses				
Pension expenses		-1 932 385,96	-1 665 821,13	
Other personnel expenses		<u>-433 663,66</u>	<u>-368 196,13</u>	<u>-2 034 017,26</u>
Other administrative expenses		<u>-32 140 494,41</u>	<u>-25 122 688,36</u>	<u>-35 717 556,00</u>
Depreciation and value adjustments on tangible and intangible assets	26	-3 713 161,42		-3 435 473,80
Other business expenses	25	-2 627 300,39		-2 277 904,05
Value adjustment loss on credits and other commitments	27	-386 464,94		-616 953,54
Share of profit/loss of associated undertakings		-388 971,56		-163 794,61
Elimination items	1	<u>1 347 513,64</u>		<u>-1 004 636,87</u>
<b>Operating profit/loss</b>		<b>1 553 456,00</b>		<b>-330 583,78</b>
Non-life insurance profit/loss before extraordinary items		33 315 478,44		51 819 239,84
Credit institution and investment service business operating profit/loss		<u>1 553 456,00</u>		<u>-330 583,78</u>
<b>Profit/loss before taxes</b>		<b>34 868 934,45</b>		<b>51 488 656,06</b>
Direct taxes on ordinary activities				
Taxes for the period		-8 814 295,14	-2 752 814,98	
Taxes for previous periods		-239 899,02	472 622,26	
Deferred taxes		<u>973 078,30</u>	<u>-60 287,06</u>	<u>-2 340 479,78</u>
Minority interest in profit/loss for the financial year		-1 934 587,26		-580 797,95
<b>Profit/loss for the accounting period</b>		<b>24 853 231,33</b>		<b>48 567 378,33</b>

**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP**
**BALANCE SHEET**
**31.12.2010**
**31.12.2009**
**ASSETS**
**Insurance operations, assets:**

Intangible assets	9						
Intangible rights		3 586 961,59				5 332 338,37	
Other expenses with long-term effects		<u>38 114 715,45</u>	41 701 677,04			<u>37 743 454,78</u>	43 075 793,15
Investments	5						
Real estate investments	6						
Real estate and shares in real estate		355 017 777,89				318 865 887,46	
Loans to participating interests		<u>0,00</u>	355 017 777,89			<u>6 694 255,34</u>	325 560 142,80
Investments in group companies and participating interests	7						
Shares and holdings in group companies		84 828 976,96				84 318 057,96	
Shares and holdings in participating interests		847 886,92				1 311 838,94	
Debt securities and loans in participating interests		<u>0,00</u>	85 676 863,88			<u>287 500,00</u>	85 917 396,90
Other investments							
Shares and holdings		658 782 720,13				667 492 121,39	
Debt securities		1 144 305 898,39				996 717 679,80	
Loans guaranteed by mortgages		118 773 474,93				124 857 269,11	
Other loans	8	115 507 369,89				165 523 718,71	
Deposits		7 006 359,49				39 630 070,54	
Other investments		<u>0,00</u>	2 044 375 822,83			<u>0,00</u>	1 994 220 859,55
Deposits with ceding undertakings		<u>764 273,12</u>	2 485 834 737,71			<u>823 803,04</u>	2 406 522 202,29
Debtors	15						
Arising out of direct insurance operations							
Policyholders		113 096 665,58				107 150 243,30	
Intermediaries		<u>0,00</u>	113 096 665,58			<u>0,00</u>	107 150 243,30
Debtors arising out of reinsurance operations			10 775 486,41				7 682 305,53
Other debtors			62 283 771,62				72 785 816,80
Deferred tax receivables	14		<u>2 014 713,19</u>	188 170 636,80		<u>1 748 620,28</u>	189 366 985,91
Other assets							
Tangible assets							
Machinery and equipment	9	16 810 609,98				12 158 791,92	
Other tangible assets		<u>2 398 378,50</u>	19 208 988,48			<u>1 579 890,18</u>	13 738 682,10
Cash at bank and in hand			69 167 594,56				40 077 838,02
Other assets			<u>1 031 843,91</u>	89 408 426,95		<u>940 963,91</u>	54 757 484,03
Prepayments and accrued income							
Accrued interest and rent			28 661 388,59				26 958 429,23
Other prepayments and accrued income			<u>8 960 293,30</u>	37 621 681,89		<u>7 675 009,39</u>	34 633 438,62
Elimination items	II						
<b>Total</b>			<b><u>2 715 297 165,38</u></b>			<b><u>2 646 663 272,04</u></b>	

**Credit institution and investment service business, assets:**

Cash assets	46			135 000 000,00			33 000 000,00
Certificates of claim entitling to central bank financing	30,44,45,46						
Government obligations		42 362 778,85				55 455 243,64	
Other		<u>0,00</u>	42 362 778,85			<u>0,00</u>	55 455 243,64
Receivables from credit institutions	28,44,45,46						
Payable on demand			285 674,96			38 049 730,33	
Other			<u>23 358 670,40</u>	23 644 345,36		<u>19 895 280,88</u>	57 945 011,21
Receivables from the public and public corporations	29,44,45,46						
Payable on demand			1 356 577,35			1 370 498,61	
Other			<u>1 350 344 764,73</u>	1 351 701 342,08		<u>1 153 206 791,70</u>	1 154 577 290,31
Leasing objects	31			6 554 604,60			0,00
Certificates of claim	30,44,45,46						
From others			<u>22 222 156,28</u>	22 222 156,28		<u>65 874 705,79</u>	65 874 705,79
Shares and holdings	32,46			14 605 174,44			13 947 078,39
Shares and holdings in participating interests	32,46			209 067,40			598 038,96
Derivative contracts	33			545 204,46			360 918,90
Intangible assets	34,35			16 050 823,11			14 222 984,98
Tangible assets	35						
Other tangible assets			<u>168 565,84</u>	168 565,84		<u>78 304,98</u>	78 304,98
Other assets	36			3 493 605,68			2 094 157,52
Prepayments and accrued income	37			3 053 259,86			2 665 617,98
Tax receivables	38			738 920,00			0,00
Elimination items	II						
<b>Total</b>			<b><u>1 618 469 281,68</u></b>			<b><u>1 400 392 207,40</u></b>	

**TOTAL ASSETS**
**4 333 766 447,05**
**4 047 055 479,44**

**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP**

**BALANCE SHEET**

<b>LIABILITIES</b>	<b>31.12.2010</b>		<b>31.12.2009</b>	
<b>Capital and reserves:</b>	10			
Initial reserve		6 875 407,12		6 875 407,12
Guarantee capital		1 765 973,23		1 765 973,23
Revaluation reserve		381 429,60		381 429,60
Fair value reserve		1 319 312,30		2 106 441,83
Other reserves		576 247 069,80		528 970 568,09
The share of voluntary provisions and depreciation difference transferred to capital and reserves		2 314 248,24		2 282 304,63
Loss/profit brought forward		-39 987 142,11		-40 585 537,56
Profit/loss for the accounting period	24 853 231,33		48 567 378,33	
Change in depreciation difference and voluntary provisions included in the profit for the accounting period		<u>-31 943,61</u>	<u>24 821 287,72</u>	<u>573 737 585,90</u>
				<u>-171 586,26</u>
				<u>48 395 792,07</u>
				550 192 379,01
<b>Minority interest</b>		<b>45 221 164,26</b>		<b>42 865 851,16</b>
<b>Insurance operations, liabilities:</b>				
Technical provisions				
Provision for unearned premiums		219 128 241,00		214 799 402,00
Reinsurers' share		<u>-5 569 521,00</u>	213 558 720,00	<u>-5 411 194,00</u>
Provision for outstanding claims	12	1 383 245 643,00		1 274 106 930,00
Reinsurers' share		<u>-51 013 308,00</u>	1 332 232 335,00	<u>-27 296 802,00</u>
Equalization provision		531 963 000,00		557 268 000,00
Guarantee fund		<u>0,00</u>	2 077 754 055,00	<u>17 979 702,00</u>
Obligatory provisions				
Pension provisions		56 239,00		186 702,00
Other obligatory provisions	13	<u>3 439 270,12</u>	3 495 509,12	<u>3 014 808,23</u>
Deposits received from reinsurers			15 480,57	
Creditors				
Arising out of direct insurance operations		2 019 327,04		1 772 808,98
Arising out of reinsurance operations		4 712 818,47		2 461 023,63
Loans from insurance companies		45 240 359,76		36 804 419,76
Other creditors		39 402 913,75		23 602 108,92
Deferred tax liabilities	11/14	<u>841 399,81</u>	92 216 818,83	<u>809 465,20</u>
Accruals and deferred income	15		42 175 618,98	
Elimination items	II		<u>-857 132,00</u>	<u>-427 145,25</u>
<b>Total</b>		<b>2 214 800 350,50</b>		<b>2 135 064 835,48</b>
<b>Credit institution and investment service business, liabilities:</b>				
Liabilities to credit institutions	44,45,46			
Payable on demand			15 654,40	
Liabilities to the public and public corporations	44,45,46			123 471,94
Deposits				
Payable on demand		982 959 207,34		838 071 673,33
Other		<u>451 699 870,34</u>	1 434 659 077,68	<u>395 350 563,05</u>
Bonds issued to the public	39,44,45,46		52 957 850,34	
Derivative contracts and other liabilities held for trading	40,45,46		544 288,75	
Other liabilities	41		34 613 565,79	
Accruals and deferred income	42		4 698 486,73	
Liabilities that have lower priority than other liabilities	43,44,46		20 000 000,00	
Tax liabilities			1 325 912,32	
Elimination items	II		<u>-48 807 489,62</u>	<u>-2 955 220,86</u>
<b>Total</b>		<b>1 500 007 346,39</b>		<b>1 318 932 413,79</b>
<b>TOTAL LIABILITIES</b>		<b>4 333 766 447,05</b>		<b>4 047 055 479,44</b>

## Indirect cash flow statement

**Cash flow from operations - Insurance**

Profit/loss from ordinary activities, insurance	25 313 072,05	49 565 328,58
Adjustments		
Change in technical provisions	46 308 017,00	106 198 658,00
Value adjustments and revaluation of investments	8 534 385,00	-57 538 150,32
Change in obligatory provisions	293 998,89	2 891 276,23
Planned depreciation	22 249 919,51	17 730 438,60
Other adjustments	-31 886 226,61	12 798 182,20
Cash flow before change in working capital	70 813 165,84	131 645 733,29
Change in working capital:		
Current receivables, non-interest-bearing, increase (-) / decrease (+)	11 535 289,76	-11 365 978,03
Current liabilities, non-interest-bearing, increase (+) / decrease (-)	8 081 252,52	-11 441 126,18
Cash flow from operations before financial items and taxes	90 429 708,12	108 838 629,08
Interest paid and other financial expenses	-3 328 395,85	-4 419 814,91
Direct taxes paid	-2 896 897,61	-627 550,41
<b>Cash flow from operations - Insurance</b>	<b>84 204 414,66</b>	<b>103 791 263,76</b>

**Cash flow from operations - Credit institution and investment services**

Credit institution and investment service business operating profit	1 553 456,00	-330 583,78
Adjustments		
Depreciation and value adjustments	3 713 161,42	3 435 473,80
Unrealised changes in values	859 771,30	-447 535,28
Value adjustment loss on credits and other receivables	386 464,94	616 953,54
Other adjustments	2 089 293,40	-2 888 437,88
Adjusted operating profit	8 602 147,06	385 870,40
Change in the assets and liabilities of the business:		
Certificates of claim (over three months)	28 005 341,09	-40 540 391,23
Receivables from the public and public corporations	-197 510 516,71	-183 649 658,60
Leasing objects	-6 554 604,60	0,00
Shares, holdings and derivative contracts	-842 381,61	-592 165,24
Other prepayments, assets, and accrued income	-1 080 293,58	-1 012 845,58
Liabilities to credit institutions	-107 817,54	-70 140,99
Liabilities to the public and public corporations	169 022 626,98	43 091 366,35
Bonds and derivative contracts issued	14 905 564,75	38 477 457,19
Other liabilities, accruals, and deferred income	-5 935 139,22	1 618 577,66
Direct taxes paid	-126 100,00	-67,51
<b>Cash flow from operations - Credit institution and investment services</b>	<b>8 378 826,62</b>	<b>-142 291 997,55</b>

**Cash flow from investments - Insurance**

Investments in assets (excl. cash and cash equivalents)	-93 657 940,05	-87 260 512,94
Capital gains from investments (excl. cash and cash equivalents)	37 878 570,63	-8 030 078,86
Increase/decrease in minority share 1)	420 725,84	14 559 730,65
Investments in tangible and intangible assets as well as other assets and capital gains (net)	-20 319 979,63	-17 081 732,72
<b>Cash flow from investments - Insurance</b>	<b>-75 678 623,21</b>	<b>-97 812 593,87</b>

**Cash flow from investments - Credit institution and investment services**

Investments in tangible and intangible assets	-4 607 826,13	-3 704 751,45
Investments in shares and holdings	0,00	-435 707,80
Investments in shares in participating interests	0,00	-510 000,00
<b>Cash flow from investments - Credit institution and investment services</b>	<b>-4 607 826,13</b>	<b>-4 650 459,25</b>

**Cash flow from financing activities**

Loans raised - insurance operations	25 020 312,00	24 905 636,85
Increase/decrease in capital and reserves	0,00	-135 676,11
Dividends/interest on guarantee capital paid and other distribution of profit	-933 000,00	-81 693,37
<b>Cash flow from financing activities</b>	<b>24 087 312,00</b>	<b>24 688 267,37</b>

**Change in cash and cash equivalents**

<b>Change in cash and cash equivalents</b>	<b>36 384 103,94</b>	<b>-116 275 519,54</b>
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Cash and cash equivalents at the beginning of the financial year - insurance	37 670 277,24	11 598 229,20
Cash and cash equivalents at the beginning of the financial year - credit institution and investment services	125 916 956,80	268 264 524,38
<b>Cash and cash equivalents at the beginning of the financial year</b>	<b>163 587 234,04</b>	<b>279 862 753,58</b>

Cash and cash equivalents at the end of the financial year - insurance	34 234 948,94	37 670 277,24
Cash and cash equivalents at the end of the financial year - credit institution and investment services	165 736 389,04	125 916 956,80
<b>Cash and cash equivalents at the end of the financial year</b>	<b>199 971 337,98</b>	<b>163 587 234,04</b>

**Cash and cash equivalents in insurance operations =**

+ Cash at bank and in hand  
- Elimination item

**Cash and cash equivalents in credit institution and investment service business =**

+ Cash assets  
+ Receivables from credit institutions  
+ Certificates of claim (under 3 months)

1) Changes due to sale and acquisition of shares

## TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP

### ELIMINATION ITEMS

I NOTES TO PROFIT AND LOSS ACCOUNT	1.1.2010 - 31.12.2010	1.1.2009 - 31.12.2009
<b>Insurance operations:</b>		
Claims paid	382 809,24	573 845,03
Operating expenses	-2 140 844,43	237 390,95
Investment income	-1 201 098,07	-873 575,54
Investment charges	3 558 883,52	3 579 892,26
Other income	-2 976 698,18	-2 520 115,83
Other expenses	6 000,00	7 200,00
Share of profit/loss of participating interests	104 905,70	-93 371,59
<b>Total</b>	<b>-2 266 042,22</b>	<b>911 265,28</b>
<b>Credit institution and investment service operations:</b>		
Interest expenses	136 150,12	5 675,81
Commission income	-13 691 940,69	-12 319 990,41
Commission expenses	688 409,25	608 831,65
Other business income	-4 164 197,12	-4 143 808,21
Administrative expenses	17 822 222,46	14 381 193,46
Other business expenses	556 869,62	463 460,83
<b>Total</b>	<b>1 347 513,64</b>	<b>-1 004 636,87</b>
II NOTES TO BALANCE SHEET	31.12.2010	31.12.2009
<b>Assets</b>		
<b>Insurance operations:</b>		
Shares and holdings in group companies	-78 576 120,00	-78 576 120,00
Shares and holdings in participating interests	-56 385,40	-161 291,10
Other debtors	-13 814 184,00	-493 454,96
Cash at bank and in hand	-34 932 645,62	-2 407 560,78
Other prepayments and accrued income	-60 660,00	-54 205,12
<b>Total</b>	<b>-127 439 995,02</b>	<b>-81 692 631,96</b>
<b>Credit institution and investment service operations:</b>		
Intangible rights	-1 023 434,28	0,00
Other assets	-857 132,00	-427 145,25
<b>Total</b>	<b>-1 880 566,28</b>	<b>-427 145,25</b>
<b>Liabilities</b>		
<b>Insurance operations:</b>		
Other creditors	0,00	-122,66
Accruals and deferred income	-857 132,00	-427 022,59
<b>Total</b>	<b>-857 132,00</b>	<b>-427 145,25</b>
<b>Credit institution and investment service operations:</b>		
Liabilities to the public and public corporations		
Payable on demand	-34 932 645,62	-2 407 560,78
Other liabilities	-13 814 184,00	-493 454,96
Accruals and deferred income	-60 660,00	-54 205,12
<b>Total</b>	<b>-48 807 489,62</b>	<b>-2 955 220,86</b>

TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP

NOTES TO PROFIT AND LOSS ACCOUNT - INSURANCE

	2010	2009
<b>1. Premiums written</b>		
Direct insurance		
Finland	646 701 126,50	629 481 173,79
EEA countries	0,00	0,00
Other Countries	0,00	0,00
	<u>646 701 126,50</u>	<u>629 481 173,79</u>
Reinsurance	45 251 491,69	45 670 419,06
<b>Gross premiums written</b>	<u>691 952 618,19</u>	<u>675 151 592,85</u>
<b>before reinsurers' share</b>		

1.1. Items depreciated from premiums written

Credit loss on outstanding premiums	7 311 421,55	5 120 838,31
PAYG system fees	36 662 774,36	31 710 604,85
Premium tax	106 613 725,95	103 044 624,69
Fire brigade charge	1 696 630,51	1 690 504,83
Road safety charge	1 385 918,84	1 418 753,19
Labour protection charge	1 896 049,00	1 724 191,00
<b>Total</b>	<u>155 566 520,21</u>	<u>144 709 516,87</u>

**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP**
**NOTES TO PROFIT AND LOSS ACCOUNT - INSURANCE**
**2. Result divided into groups of insurance class**

		Premiums written before reinsurers' share	Premiums earned before reinsurers' share	Claims incurred before reinsurers' share	Operating expenses before commissions for reinsurance and profit shares	Reinsurers' share	Balance on technical account before net investment income
Statutory workers' compensation	2010	109 308 682,76	109 208 440,76	-130 313 424,44	-20 379 692,33	-428 081,80	-41 912 757,82
	2009	102 787 183,42	102 794 274,42	-118 056 961,22	-19 261 326,34	-372 736,10	-34 896 749,24
	2008	102 614 616,86	102 688 988,86	-108 678 385,56	-18 657 087,60	-386 195,20	-25 032 679,51
Non-statutory accident and health	2010	63 409 818,98	60 897 395,98	-47 301 976,43	-17 668 340,91	-39 989,30	-4 112 910,66
	2009	57 860 188,68	56 217 657,68	-44 527 609,85	-16 867 742,81	-82 357,99	-5 260 052,97
	2008	54 549 170,92	52 993 310,92	-39 766 376,48	-16 246 973,09	-87 074,52	-3 107 113,17
Motor vehicle liability	2010	141 769 640,70	141 981 304,70	-129 457 290,33	-34 788 815,11	595 506,20	-21 669 294,53
	2009	144 490 130,00	146 033 198,00	-120 482 949,27	-33 111 649,38	-553 067,17	-8 114 467,82
	2008	137 518 238,31	139 006 780,31	-126 235 963,52	-31 942 559,34	-27 632,08	-19 199 374,62
Land vehicles	2010	120 970 010,01	120 730 269,01	-77 183 218,69	-28 305 756,94	84 818,22	15 326 111,60
	2009	119 751 778,17	119 926 577,17	-77 028 882,89	-26 997 588,85	-308 908,25	15 591 197,17
	2008	113 397 879,29	112 441 957,29	-85 533 371,44	-26 017 651,56	-310 884,20	580 050,09
Marine, aviation, railway rolling stock and transport	2010	9 199 243,96	8 888 853,96	-4 493 765,01	-2 372 525,97	-320 048,88	1 702 514,10
	2009	8 432 606,26	8 326 329,26	-3 522 780,48	-2 242 282,98	-277 148,09	2 284 117,71
	2008	8 476 583,82	8 378 838,82	-3 941 967,96	-2 173 193,83	-261 640,26	2 002 036,77
Fire and other damage to property	2010	152 844 467,32	151 426 627,32	-169 283 062,36	-49 201 670,69	22 440 592,87	-44 617 512,87
	2009	149 060 545,99	145 520 516,99	-100 246 862,87	-47 285 935,82	-4 524 627,37	-6 536 909,06
	2008	141 798 905,22	139 565 157,22	-118 519 193,11	-45 350 484,36	4 837 167,59	-19 467 352,66
General liability	2010	27 100 536,28	26 980 097,28	-20 225 660,19	-6 361 025,79	-2 285 904,22	-1 892 492,92
	2009	27 636 484,12	28 079 513,12	-20 820 799,88	-5 997 118,65	-2 313 674,93	-1 052 080,34
	2008	28 293 758,26	28 005 745,26	-23 019 078,24	-5 816 864,62	-377 094,72	-1 207 292,32
Credit and suretyship	2010	2 676 500,73	2 984 351,71	478 939,24	-277 628,91	-667 807,94	2 517 854,10
	2009	1 295 738,00	2 370 272,21	-585 156,70	-258 293,85	-846 756,69	680 064,97
	2008	1 950 773,10	2 376 783,10	156 014,27	-247 057,13	-786 759,16	1 498 981,08
Legal expenses	2010	10 454 682,45	10 220 800,45	-9 151 882,98	-3 197 606,39	0,00	-2 128 688,92
	2009	9 775 936,08	9 650 778,08	-5 832 669,92	-3 066 198,92	0,00	751 909,24
	2008	9 430 481,01	9 073 964,01	-9 280 274,44	-2 948 090,52	0,00	-3 154 400,95
Other	2010	8 967 543,31	8 824 920,31	-9 150 302,43	-2 307 798,42	960 419,20	-1 672 761,35
	2009	8 390 583,07	8 638 613,07	-6 541 123,30	-2 195 100,02	1 174 217,59	1 076 607,33
	2008	8 045 769,69	7 889 822,69	2 041 364,22	-2 123 422,70	-5 415 520,12	2 392 244,09
<b>Direct insurance</b>	2010	<b>646 701 126,50</b>	<b>642 143 061,48</b>	<b>-596 081 643,63</b>	<b>-164 860 861,47</b>	<b>20 339 504,35</b>	<b>-98 459 939,27</b>
<b>total</b>	2009	<b>629 481 173,79</b>	<b>627 557 730,00</b>	<b>-497 645 796,38</b>	<b>-157 283 237,63</b>	<b>-8 105 059,00</b>	<b>-35 476 368,01</b>
	2008	<b>606 076 176,48</b>	<b>602 421 348,48</b>	<b>-512 777 232,25</b>	<b>-151 523 384,75</b>	<b>-2 815 632,67</b>	<b>-64 694 901,19</b>
Reinsurance	2010	45 251 491,69	45 480 717,71	-34 822 837,70	-14 675 336,28	4 375 047,62	357 591,35
	2009	45 670 419,06	45 792 638,85	-21 821 229,30	-14 639 714,15	-6 588 085,98	2 743 609,42
	2008	42 846 409,86	42 981 424,86	-49 556 670,90	-13 771 987,48	12 589 170,33	-7 758 063,19
<b>Total</b>	2010	<b>691 952 618,19</b>	<b>687 623 779,19</b>	<b>-630 904 481,33</b>	<b>-179 536 197,75</b>	<b>24 714 551,97</b>	<b>-98 102 347,92</b>
	2009	<b>675 151 592,85</b>	<b>673 350 368,85</b>	<b>-519 467 025,68</b>	<b>-171 922 951,78</b>	<b>-14 693 144,98</b>	<b>-32 732 753,59</b>
	2008	<b>648 922 586,34</b>	<b>645 402 773,34</b>	<b>-562 333 903,15</b>	<b>-165 295 372,23</b>	<b>9 773 537,66</b>	<b>-72 452 964,38</b>
Change in Guarantee fund	2010						-629 290,00
	2009						-608 010,00
	2008						-603 649,00
Other technical income and charges	2010						9 007 891,00
	2009						0,00
	2008						0,00
Change in equalization provision	2010						25 305 000,00
	2009						-32 952 000,00
	2008						10 122 000,00
<b>Balance on technical account</b>	2010						<b>-64 418 746,92</b>
	2009						<b>-66 292 763,59</b>
	2008						<b>-62 934 613,38</b>
<b>Elimination items</b>	2010			-382 809,24	2 140 844,43		1 758 035,19
	2009			-573 845,03	-237 390,95		-811 235,98
	2008			-944 034,82	219 181,97		-724 852,85
<b>Profit and loss account Balance on technical account</b>	2010						<b>-62 660 711,74</b>
	2009						<b>-67 103 999,57</b>
	2008						<b>-63 659 466,22</b>

**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP**

**NOTES TO PROFIT AND LOSS ACCOUNT - INSURANCE**

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

**3.1. Total operating expenses by activity**

	2010			2009		
	Group	Elimination items	Income statement	Group	Elimination items	Income statement
Claims management expenses	42 429 094,75	382 809,24	42 811 903,99	36 875 976,70	573 845,03	37 449 821,73
Operating expenses	174 817 153,65	-2 140 844,43	172 676 309,22	168 041 876,97	237 390,95	168 279 267,92
Investment operating expenses	6 371 553,84	30 308,65	6 401 862,49	6 017 772,49	53 259,96	6 071 032,45
Other expenses	12 329 110,91	6 000,00	12 335 110,91	9 744 356,96	7 200,00	9 751 556,96
Total	<u>235 946 913,15</u>	<u>-1 721 726,54</u>	<u>234 225 186,61</u>	<u>220 679 983,12</u>	<u>871 695,94</u>	<u>221 551 679,06</u>

**3.2. Profit and loss account item operating expenses**

Insurance policy acquisition costs						
Commissions for direct insurance	20 847 290,49	0,00	20 847 290,49	21 306 509,23	0,00	21 306 509,23
Commissions for reinsurance assumed and profit shares	12 046 002,06	0,00	12 046 002,06	12 239 644,70	0,00	12 239 644,70
Other insurance policy acquisition costs	49 980 697,17	1 009 810,13	50 990 507,30	48 305 248,09	578 885,03	48 884 133,12
Total	<u>82 873 989,72</u>	<u>1 009 810,13</u>	<u>83 883 799,85</u>	<u>81 851 402,02</u>	<u>578 885,03</u>	<u>82 430 287,05</u>
Insurance policy management expenses	52 057 255,16	12 596 043,57	64 653 298,73	51 725 325,40	11 099 277,54	62 824 602,94
Administrative expenses	44 604 952,88	-15 746 698,13	28 858 254,75	38 333 943,36	-11 428 490,62	26 905 452,74
Commissions for reinsurance ceded and profit shares	-4 719 044,11	0,00	-4 719 044,11	-3 881 074,81	0,00	-3 881 074,81
Total	<u>174 817 153,65</u>	<u>-2 140 844,43</u>	<u>172 676 309,22</u>	<u>168 029 595,97</u>	<u>249 671,95</u>	<u>168 279 267,92</u>

**3.3. Notes concerning personnel and members of corporate bodies**

**3.3.1. Personnel expenses**

	2010	2009
Salaries and remunerations	99 994 869,15	94 858 307,18
Pension expenses	23 437 089,02	18 901 627,11
Other personnel expenses	5 910 256,96	5 861 290,76
Total	<u>129 342 215,13</u>	<u>119 621 225,05</u>

**3.3.2. Management's 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	513 386,00	594 525,00
Pension commitments		The retirement age of the managing director is 63 and that of the deputy managing director is stated by the law
Monetary loans and terms thereof		No monetary loans granted
Guarantees and contingent liabilities		No guarantees or contingent liabilities granted
Board members and deputy board members		
Salaries and remunerations	2 208 997,00	884 119,00
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	56 440,00	69 480,00
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	1 826	1 814
Sales staff	647	641
Real estate staff	-	-

**3.4. Auditor's fees by assignment category**

Auditing	82 540,32	162 014,32
Assignments referred to in section 1, subsection 1, paragraph 2 of the Auditing Act	8 172,24	22 861,47
Tax advice	9 649,77	10 019,26
Other services	2 902,87	16 930,38
Total	<u>103 265,20</u>	<u>211 825,43</u>

**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP**

**NOTES TO PROFIT AND LOSS ACCOUNT - INSURANCE**

**4.1. Specification of net investment income**

	<b>2010</b>		<b>2009</b>
<b>Investment income</b>			
Income from group companies			
Dividend income	224 631,79		224 631,79
Income from participating interests			
Interest income	10 000,99		13 492,36
Income from real estate investments in participating interests			
Interest income	0,00		6 001,44
Income from real estate investments in other companies			
Interest income	56 422,36		225 561,90
Other income	<u>32 696 571,42</u>	32 752 993,78	<u>27 015 558,68</u>
Income from other investments			
Dividend income	21 613 996,48		16 822 778,54
Interest income	50 359 602,80		56 897 599,74
Other income	<u>2 037 776,96</u>	<u>74 011 376,24</u>	<u>1 855 287,11</u>
<b>Total</b>		<b>106 999 002,80</b>	<b>103 060 911,56</b>
Value readjustments		33 712 576,87	97 136 487,24
Realized gains		<u>65 963 858,10</u>	<u>30 199 639,10</u>
<b>Total</b>		<b>206 675 437,77</b>	<b>230 397 037,90</b>
<b>Including elimination items:</b>			
Income from group companies			
Interest income	136 150,12		5 675,81
Other income	<u>685 889,25</u>	822 039,37	<u>608 831,65</u>
Income from real estate investments in group companies			
Other income		<u>379 058,70</u>	<u>259 068,08</u>
<b>Total</b>		<b>1 201 098,07</b>	<b>873 575,54</b>
<b>Investment income in the profit and loss account</b>		<b><u>207 876 535,84</u></b>	<b><u>231 270 613,44</u></b>

## TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP

### NOTES TO PROFIT AND LOSS ACCOUNT - INSURANCE

#### 4.2. Specification of net investment income

	2010	2009
<b>Investment charges</b>		
Expenses arising from real estate investments		
Other companies	-21 373 685,83	-18 711 027,07
Expenses arising from other investments	-10 050 824,24	-14 315 457,16
Interest paid and other expenses on liabilities		
Participating interests	0,00	-12 081,18
Other companies	-3 328 395,85	-4 419 814,91
<b>Total</b>	<u>-34 752 905,92</u>	<u>-37 446 299,14</u>
Value adjustments and depreciation		
Value adjustments	-41 946 961,87	-39 644 690,16
Planned depreciation on buildings	-6 117 010,15	-3 342 103,26
Realized losses	-28 085 287,47	-38 229 717,96
<b>Total</b>	<u>-110 902 165,41</u>	<u>-118 662 810,52</u>

#### Including elimination items:

Expenses arising from real estate investments		
Other companies	-30 308,65	-53 259,96
Expenses arising from other investments	-3 528 574,87	-3 526 632,30
<b>Total</b>	<u>-3 558 883,52</u>	<u>-3 579 892,26</u>

#### Investment charges in the profit and loss account

<u>-114 461 048,93</u>	<u>-122 242 702,78</u>
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#### Net investment income before revaluations and revaluation adjustments

95 773 272,36	111 734 227,38
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#### Revaluation adjustments on investments

-300 000,00	46 353,24
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#### Net investment income

<u>95 473 272,36</u>	<u>111 780 580,62</u>
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#### Net investment income in the profit and loss account

<u>93 115 486,91</u>	<u>109 074 263,90</u>
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#### 4.3. Specification of other income and expenses

##### Other income

Services sold to partner companies	14 162 475,77	15 706 923,70
Other other income	16 691,93	29 307,03
	14 179 167,70	15 736 230,73

##### Including elimination items:

Other income		
Services sold to partner companies	2 976 698,18	2 520 115,83
<b>Other income in the profit and loss account</b>	<u>17 155 865,88</u>	<u>18 256 346,56</u>

##### Other expenses

Amortisation of consolidated goodwill	0,00	0,00
Expenses for services sold	-10 513 703,97	-9 141 187,84
Transfer to personnel fund	-1 815 173,92	-603 075,00
Other other expenses	-233,02	-94,12
	-12 329 110,91	-9 744 356,96

##### Including elimination items:

Other expenses		
Expenses for services sold	-6 000,00	-7 200,00
<b>Other expenses in the profit and loss account</b>	<u>-12 335 110,91</u>	<u>-9 751 556,96</u>

**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP**

**NOTES TO BALANCE SHEET - INSURANCE 31 DECEMBER 2010**

**5.1. Current value of investments and difference in valuation**

<b>Investments</b>	<b>2010 Remaining acquisition cost</b>	<b>2010 Book value</b>	<b>2010 Current value</b>	<b>2009 Remaining acquisition cost</b>	<b>2009 Book value</b>	<b>2009 Current value</b>
Real estate investments						
Real estates	277 522 774,56	291 755 914,50	370 266 058,31	247 979 482,10	262 473 938,82	335 442 981,00
Real estate shares in participating interests	1 269 858,57	1 269 858,57	1 557 155,06	1 734 811,80	1 734 811,80	2 024 738,00
Other real estate shares	60 039 174,05	61 992 004,82	90 255 070,46	52 704 306,07	54 657 136,84	79 595 036,00
Loans to participating interests	0,00	0,00	0,00	6 694 255,34	6 694 255,34	6 694 255,34
	<b>338 831 807,18</b>	<b>355 017 777,89</b>	<b>462 078 283,83</b>	<b>309 112 855,31</b>	<b>325 560 142,80</b>	<b>423 757 010,34</b>
Investments in group companies						
Shares and holdings	6 252 856,96	6 252 856,96	6 252 856,96	5 741 937,96	5 741 937,96	5 741 937,96
Investments in participating interests						
Shares and holdings	791 501,52	791 501,52	791 501,52	1 150 547,84	1 150 547,84	1 150 547,84
Loans receivable	0,00	0,00	0,00	287 500,00	287 500,00	287 500,00
	<b>791 501,52</b>	<b>791 501,52</b>	<b>791 501,52</b>	<b>1 438 047,84</b>	<b>1 438 047,84</b>	<b>1 438 047,84</b>
Other investments						
Shares and holdings	658 782 720,13	658 782 720,13	800 760 511,41	667 492 121,39	667 492 121,39	768 847 926,54
Debt securities	1 144 305 898,39	1 144 305 898,39	1 172 310 781,74	996 717 679,80	996 717 679,80	1 030 119 933,75
Loans guaranteed by mortgages	118 773 474,93	118 773 474,93	118 773 474,93	124 857 269,11	124 857 269,11	124 857 269,11
Other loans receivable	115 507 369,89	115 507 369,89	115 507 369,89	165 523 718,71	165 523 718,71	165 523 718,71
Deposits	7 006 359,49	7 006 359,49	7 006 359,49	39 630 070,54	39 630 070,54	39 630 070,54
	<b>2 044 375 822,83</b>	<b>2 044 375 822,83</b>	<b>2 214 358 497,46</b>	<b>1 994 220 859,55</b>	<b>1 994 220 859,55</b>	<b>2 128 978 918,65</b>
Deposits with ceding undertakings	764 273,12	764 273,12	764 273,12	823 803,04	823 803,04	823 803,04
	<b>2 391 016 261,60</b>	<b>2 407 202 232,31</b>	<b>2 684 245 412,89</b>	<b>2 311 337 503,70</b>	<b>2 327 784 791,19</b>	<b>2 560 739 717,83</b>
<b>Including elimination items:</b>						
Investments in group companies						
Shares and holdings	78 576 120,00	78 576 120,00	78 576 120,00	78 576 120,00	78 576 120,00	78 576 120,00
Investments in participating interests						
Shares and holdings	56 385,40	56 385,40	56 385,40	161 291,10	161 291,10	161 291,10
<b>Investments in balance sheet</b>	<b>2 469 648 767,00</b>	<b>2 485 834 737,71</b>	<b>2 762 877 918,29</b>	<b>2 390 074 914,80</b>	<b>2 406 522 202,29</b>	<b>2 639 477 128,93</b>

## TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP

## NOTES TO BALANCE SHEET - INSURANCE 31 DECEMBER 2010

## 5.1. Current value of investments and difference in valuation

	<b>2010</b>	<b>2009</b>
Remaining acquisition cost of debt securities includes:		
Difference between the nominal value and acquisition cost released (+) or charged (-) to interest income	<u>-189 931,57</u>	<u>-611 075,73</u>
Book value comprises		
Revaluations released to income	14 813 998,11	15 075 314,89
Other revaluations	<u>1 371 972,60</u>	<u>1 371 972,60</u>
	<u>16 185 970,71</u>	<u>16 447 287,49</u>
Difference in valuation gains/losses	<u>277 043 180,57</u>	<u>232 954 926,64</u>
<b>5.2. Difference in valuation of non-hedging derivatives</b>	<u>0,00</u>	<u>35 821,01</u>

**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP**

**NOTES TO BALANCE SHEET - INSURANCE 31 DECEMBER 2010**

**6. Real estate investments**

<b>Changes in real estate investments:</b>	<b>2010</b>	<b>2010</b>
	<b>Real estate and shares in real estate</b>	<b>Loans to participating interests</b>
Acquisition cost on 1 Jan.	358 040 577,27	6 694 255,34
Items written off in the previous year	-104 749,47	
Increase	43 827 311,69	-6 694 255,34
Decrease	-3 413 490,39	0,00
Transfers between items	0,00	0,00
Acquisition cost on 31 Dec.	<u>398 349 649,10</u>	<u>0,00</u>
Accumulated depreciation on 1 Jan.	-32 712 922,67	
Items written off in the previous year	104 749,47	
Accumulated depreciation related to deductions and transfers	110 427,72	
Depreciation for the financial year	-5 717 750,13	
Accumulated depreciation on 31 Dec.	<u>-38 215 495,61</u>	
Value adjustments on 1 Jan.	-22 909 054,63	
Value adjustments related to deductions and transfers	425 971,83	
Value adjustments for the financial year	-180 000,00	
Value readjustments	1 360 736,49	
Value adjustments on 31 Dec.	<u>-21 302 346,31</u>	
Revaluations on 1 Jan.	16 447 287,49	
Increase	0,00	
Decrease	-261 316,78	
Transfers between items	0,00	
Revaluations on 31 Dec.	<u>16 185 970,71</u>	
Book value on 31 Dec.	<u><u>355 017 777,89</u></u>	<u><u>0,00</u></u>

**Real estate and shares in real estate occupied for own activities**

Remaining acquisition cost	22 481 019,97
Book value	22 527 340,30
Current value	57 920 880,18

## TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP

### NOTES TO BALANCE SHEET - INSURANCE 31 DECEMBER 2010

#### 7. Investments in Group companies and participating interests

	<b>2010</b>
<b>Shares and holdings in group companies</b>	
Acquisition cost on 1 Jan.	5 741 937,96
Increase	510 919,00
Decrease	0,00
Transfers between items	0,00
Acquisition cost on 31 Dec.	<u>6 252 856,96</u>
Book value on 31 Dec.	<u>6 252 856,96</u>
<b>Including elimination items:</b>	
Acquisition cost on 1 Jan.	78 576 120,00
Increase	0,00
Decrease	0,00
Acquisition cost on 31 Dec.	<u>78 576 120,00</u>
<b>Balance sheet item Shares and holdings in group companies</b>	<b><u>84 828 976,96</u></b>
<b>Shares and holdings in participating interests</b>	
Acquisition cost on 1 Jan.	1 150 547,84
Increase	384 767,93
Decrease	-743 814,25
Transfers between items	0,00
Acquisition cost on 31 Dec.	<u>791 501,52</u>
Book value on 31 Dec.	<u>791 501,52</u>
<b>Including elimination items:</b>	
Acquisition cost on 1 Jan.	161 291,10
Increase	-104 905,70
Decrease	0,00
Acquisition cost on 31 Dec.	<u>56 385,40</u>
<b>Balance sheet item Shares and holdings in participating interests</b>	<b><u>847 886,92</u></b>

**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP**

**NOTES TO BALANCE SHEET - INSURANCE 31 DECEMBER 2010**

7.1. Investments in group companies

Shares and holdings

	Registered office	Share of guarantee capital, %	Capital and reserves	Profit/loss for the accounting period
Turva Mutual Insurance Company	Tampere	70,70	27 319 369,53	2 693 437,71
<b>Total</b>			<b>27 319 369,53</b>	<b>2 693 437,71</b>

7.2. Investments in participating interests

Shares and holdings

	Registered office	Share of stock, %	Capital and reserves	Profit/loss for the accounting period
Tapiola Real Estate Ltd.	Espoo	50,00	1 658 581,73	548 282,77
Oirabi Oy	Espoo	50,00	9 575,95	-165,33
Vakuutusneuvonta Aura	Espoo	33,33	12 158,74	-137,98
Vakuutusneuvonta Pohja	Espoo	33,33	12 103,04	-150,15
<b>Total</b>			<b>1 692 419,46</b>	<b>547 829,31</b>

**7.3. NOTES TO BALANCE SHEET - INSURANCE 31 DECEMBER 2010**  
**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP**  
**OTHER INVESTMENTS**

Shares and holdings	Share of stock %	Number	Book value	Current value	Home country
<b>Finnish companies, listed</b>					
Amer- Sports Oyj	0,68 %	821 666,00	4 532 719,07	8 569 976,38	
Fortum Oyj	0,04 %	345 432,00	3 346 353,58	7 782 582,96	
Ilkka-Yhtymä Oyj	0,98 %	252 786,00	1 001 274,05	2 317 326,84	
Kone Oyj	0,07 %	190 000,00	3 289 963,94	7 904 000,00	
Lassila & Tikanoja Oyj	1,51 %	584 278,00	3 614 945,82	8 606 414,94	
Metso Oyj	0,13 %	190 000,00	3 615 723,37	7 942 000,00	
Nokia Oyj	0,01 %	370 200,00	2 865 348,00	2 865 348,00	
Nokian Renkaat Oyj	0,15 %	196 300,00	1 573 362,61	5 388 435,00	
Sanoma Oyj	0,18 %	294 017,00	1 158 258,88	4 768 955,74	
Stockmann Oyj	0,29 %	203 916,00	3 973 351,38	5 770 822,80	
Vacon Oyj	0,88 %	133 900,00	937 300,00	5 222 100,00	
Vaisala Oyj	1,12 %	204 700,00	4 060 493,31	4 196 350,00	
Wulff-Yhtiöt Oyj	4,30 %	283 900,00	738 140,00	738 140,00	
Other			895 784,37	2 710 113,00	
<b>Total</b>			<b>35 603 018,38</b>	<b>74 782 565,66</b>	
<b>Finnish companies, non-listed</b>					
Autovahinkokeskus Oy	17,26 %	1 243,00	522 643,98	522 643,98	
Fingrid Oyj	1,50 %	50,00	1 681 879,26	1 681 879,26	
Keskinäinen Henkivakuutusyhtiö Tapiola	98,74 %	627 000,00	31 632 354,09	31 632 354,09	
Rederiaktiebolaget Eckerö 1 sid.	1,41 %	33 920,00	866 291,25	1 960 576,00	
Satel Oy	12,63 %	625,00	1 708 789,33	2 626 750,00	
Sato Oyj	3,68 %	1 878 705,00	10 119 023,61	15 968 992,50	
Seligson & Co Oyj	15,13 %	190 525,00	1 498 955,92	1 648 041,25	
Other			3 389 996,64	4 529 638,51	
<b>Total</b>			<b>51 419 934,08</b>	<b>60 570 875,59</b>	
<b>Foreign companies, listed</b>					
ABB	0,01 %	265 000,00	3 049 241,16	4 414 547,34	Switzerland
AMEC	0,11 %	350 000,00	3 556 492,54	4 676 154,52	United Kingdom
Allianz	0,01 %	50 000,00	3 575 041,69	4 446 500,00	Germany
BNP Paribas	0,01 %	102 000,00	4 856 220,00	4 856 220,00	France
Carl Zeiss Meditec	0,37 %	297 868,00	2 939 272,26	4 255 044,38	Germany
DnB NOR	0,04 %	570 444,00	4 027 246,08	5 989 662,00	Norway
E.ON	0,01 %	201 000,00	3 113 886,71	4 609 935,00	Germany
Ekornes	0,69 %	252 770,00	3 931 806,47	5 185 025,64	Norway
Electricite De France	0,01 %	171 000,00	5 248 845,00	5 248 845,00	France
Estee Lauder	0,06 %	66 898,00	2 013 394,79	4 040 314,77	United States
Fresenius Medical Care	0,03 %	85 000,00	2 995 003,67	3 674 550,00	Germany
Gamesa Corp Tecnologica	0,21 %	527 878,00	3 015 239,14	3 015 239,14	Spain
GlaxoSmithKline	0,01 %	372 000,00	5 334 480,81	5 359 047,34	United Kingdom
Heineken	0,02 %	119 000,00	3 182 680,41	4 366 110,00	The Netherlands
Hennes & Mauritz	0,02 %	255 000,00	3 297 848,55	6 371 089,18	Sweden
Hochtief	0,12 %	95 000,00	2 699 645,52	6 036 300,00	Germany
Inmarsat	0,09 %	400 000,00	2 938 574,39	3 129 828,64	United Kingdom
Kappahl	1,08 %	813 220,00	4 127 099,44	4 127 099,44	Sweden
Kellogg	0,04 %	132 900,00	4 450 761,94	5 080 475,98	United States
Kloeckner & Co	0,46 %	308 000,00	4 992 680,20	6 469 540,00	Germany
Life Technologies	0,06 %	118 000,00	4 296 801,05	4 901 212,39	United States
Mednax	0,24 %	114 000,00	4 777 711,21	5 740 951,95	United States
Nestle	0,00 %	124 000,00	2 857 015,45	5 429 462,57	Switzerland
Petroleum Geo-Services	0,28 %	600 000,00	4 870 666,64	6 988 461,54	Norway
Qiagen	0,11 %	260 000,00	3 717 037,24	3 803 800,00	The Netherlands
Reed Elsevier	0,10 %	700 000,00	5 559 511,83	6 479 900,00	The Netherlands
SAP	0,01 %	155 000,00	4 938 903,04	5 905 500,00	Germany
SCA	0,05 %	345 000,00	3 462 401,28	4 086 665,55	Sweden
SES	0,05 %	160 000,00	2 850 400,00	2 850 400,00	Luxembourg
Sanofi-Aventis	0,01 %	85 500,00	4 091 175,00	4 091 175,00	France
Subsea 7	0,07 %	260 000,00	3 385 417,94	4 766 666,67	United Kingdom
Symrise	0,15 %	181 000,00	3 146 395,94	3 715 025,00	Germany
TDC	0,03 %	320 000,00	2 080 096,60	2 080 096,60	Denmark
Technip	0,09 %	100 000,00	5 245 281,33	6 910 000,00	France
Telefonica	0,01 %	450 000,00	7 634 250,00	7 634 250,00	Spain
TeliaSonera	0,01 %	659 224,00	2 705 474,25	3 925 678,92	Sweden
Tesco	0,01 %	1 115 000,00	5 505 373,22	5 505 373,22	United Kingdom
Thermo Fisher Scientific	0,03 %	118 000,00	4 012 362,64	4 888 848,97	United States
United Technologies	0,01 %	105 000,00	4 270 143,98	6 185 900,31	United States
Vinci	0,02 %	106 000,00	3 940 125,42	4 312 080,00	France
Waste Management	0,04 %	187 000,00	3 819 810,81	5 159 923,66	United States
Zimmer Holdings	0,06 %	113 000,00	4 539 619,82	4 539 619,82	United States
eBay	0,01 %	170 000,00	2 804 246,70	3 540 712,47	United States

Other			584 247,06	1 064 718,46
<b>Total</b>			<b>168 439 929,22</b>	<b>209 857 951,47</b>
<b>Foreign companies, non-listed</b>				
European Alliance Partners Company	9,52 %	7 047,00	595 792,99	710 648,06 Switzerland
Other			172 986,33	436 290,33
<b>Total</b>			<b>768 779,32</b>	<b>1 146 938,39</b>
<b>Mutual funds</b>				
Liongate Multi-Strategy Fund Segregated Portfolio			8 406 848,94	8 406 848,94 Luxembourg
Robeco Lux-o-rente			4 105 442,88	5 026 598,57 France
Tapiola Aasia-Tyynimeri			6 208 963,16	7 345 922,26 Finland
Tapiola High Yield			27 149 635,47	40 444 599,97 Finland
Tapiola Hyvinvointi			5 220 920,02	6 371 074,60 Finland
Tapiola Itä-Eurooppa			9 728 753,97	11 614 053,34 Finland
Tapiola Japani			7 784 681,51	7 784 681,51 Finland
Tapiola Kassakorko			9 029 120,32	9 062 133,51 Finland
Tapiola Kehittyvät Markkinat			10 586 739,70	25 157 255,74 Finland
Tapiola Kiinteistö			4 908 811,56	4 908 811,56 Finland
Tapiola Lyhytkorko			20 705 859,55	22 669 940,81 Finland
Tapiola Maaailma 20			1 207 471,01	1 442 830,72 Finland
Tapiola Pitkäkorko			19 691 080,55	23 388 349,34 Finland
Tapiola Suomi			4 578 937,09	6 337 555,01 Finland
Tapiola Trendi			4 145 575,99	6 531 215,86 Finland
Tapiola Tulevaisuus			2 140 867,19	2 140 867,19 Finland
Tapiola USA			9 958 522,43	10 272 078,84 Finland
Tapiola Yrittyskorko			29 839 900,70	33 710 569,41 Finland
Other			386 741,93	788 960,82
<b>Total</b>			<b>185 784 873,97</b>	<b>233 404 348,00</b>
<b>Private equity funds</b>				
AXA LBO Fund IV			4 699 575,00	5 204 033,70 France
AXA Secondary Fund IV L.P.			3 989 751,28	4 366 157,01 Jersey
Aberdeen European Shopping Property Fund SICAV			10 578 722,85	10 578 722,85 Luxembourg
Aberdeen Property Funds SICAV Pan-Nordic			6 739 725,96	6 739 725,96 Luxembourg
Altor Fund II (No. 1) Limited Partnership			4 614 170,69	5 318 772,34 Jersey
Altor Fund III			1 350 791,84	2 042 552,00 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.			2 552 869,00	2 552 869,00 United Kingdom
Bridgepoint Europe IV F L.P.			1 729 900,07	1 729 900,07 United Kingdom
Capman Equity VII A L.P.			1 778 526,36	2 094 826,00 Guernsey
Capvis Equity III L.P.			1 871 457,47	1 871 457,47 Jersey
Charterhouse Capital Partners VIII LP No. 1.2			6 297 761,59	6 297 761,59 United Kingdom
European Added Value Fund, L.P.			6 618 650,10	6 618 650,10 United Kingdom
European Fund Investments II Limited Partnership			864 776,89	864 776,89 United Kingdom
Exilion Real Estate I Ky			6 462 117,88	6 462 117,88 Finland
Gresham 4A			1 806 017,61	1 806 017,61 United Kingdom
HealthCap IV Bis L.P.			965 804,12	973 845,41 United States
ING Real Estate European Industrial Fund C.V.			6 641 800,00	6 641 800,00 The Netherlands
Indigo Capital V L.P.			2 590 867,11	2 590 867,11 United Kingdom
Industri Kapital 2000 Limited Partnership XI			1 593 079,00	1 593 079,00 Jersey
Industri Kapital 2004 Limited Partnership III			1 974 630,08	1 974 630,08 Jersey
Industri Kapital 2007 Limited Partnership III			4 536 646,97	4 682 677,18 Jersey
Lindsay Goldberg III L.P.			1 903 617,72	1 903 617,72 United States
MB Equity Fund III Ky			2 256 575,30	2 256 575,30 Finland
MB Equity Fund IV Ky			931 658,00	931 658,00 Finland
MGP Europe Fund III			4 952 891,94	4 952 891,94 United Kingdom
Nexit INFOCOM II L.P.			1 687 949,00	1 687 949,00 Guernsey
Nordic Mezzanine Fund III Limited Partnership			997 365,81	997 365,81 United Kingdom
PBW II Real Estate Fund S.A.			6 453 422,00	6 453 422,00 Luxembourg
Partners Group Secondary 2004 L.P.			1 156 132,00	1 156 132,00 United States
Partners Group U.S. Venture 2004, L.P.			2 558 691,06	2 558 691,06 United States
Paul Capital Top Tier Investments III, L.P.			2 013 661,96	2 063 380,44 United States
Paul Capital Top Tier Investments IV, L.P.			1 417 225,69	1 529 418,66 United States
Rockspring PanEuropean Limited Partnership			6 751 477,04	6 751 477,04 United Kingdom
TPG Partners VI, LP			6 196 234,10	6 196 234,10 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			6 820 564,44	7 139 827,45 United Kingdom
Other			9 757 518,57	10 752 321,86
<b>Total</b>			<b>216 766 185,15</b>	<b>220 997 832,40</b>
<b>Total other investments, shares and holdings</b>			<b>658 782 720,13</b>	<b>800 760 511,41</b>

**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP**

**NOTES TO BALANCE SHEET - INSURANCE 31 DECEMBER 2010**

**8. Other investments**

	<b>2010</b>	<b>2009</b>
<b>8.1. Other loans receivable, itemised by type of security:</b>		
Bank guarantee	24 373,00	51 687,99
Insurance policy	0,00	0,00
Other security	<u>8 095 387,37</u>	<u>30 980 034,09</u>
Remaining acquisition cost	<u>8 119 760,37</u>	<u>31 031 722,08</u>
Unsecured, total remaining acquisition cost	<u>107 387 609,52</u>	<u>134 491 996,63</u>
	<u><u>115 507 369,89</u></u>	<u><u>165 523 718,71</u></u>
<b>8.2. Total subordinated loans</b>		
Other loans receivable	<u>55 417 661,99</u>	<u>55 423 295,79</u>
Total remaining acquisition cost	<u><u>55 417 661,99</u></u>	<u><u>55 423 295,79</u></u>

TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP

NOTES TO BALANCE SHEET - INSURANCE 31 DECEMBER 2010

9. Changes in tangible and intangible assets

	2010 Intangible rights and other expenses with long-term effects	2010 Machinery and Equipment
Acquisition cost on 1 Jan.	79 589 586,76	80 142 121,99
Items written off in the previous year	-2 320 871,77	0,00
Increase	9 465 939,69	10 168 343,13
Decrease	-155 559,19	-148 875,23
Transfers between items	0,00	0,00
Acquisition cost on 31 Dec.	<u>86 579 095,49</u>	<u>90 161 589,89</u>
Accumulated depreciation on 1 Jan.	-36 513 793,61	-67 983 330,07
Items written off in the previous year	2 320 871,77	0,00
Accumulated depreciation related to deductions and transfers	65 154,19	15 608,72
Depreciation for the financial year	-10 749 650,80	-5 383 258,56
Accumulated depreciation on 31 Dec.	<u>-44 877 418,45</u>	<u>-73 350 979,91</u>
<b>Book value on 31 Dec.</b>	<u><u>41 701 677,04</u></u>	<u><u>16 810 609,98</u></u>

**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP**

**NOTES TO BALANCE SHEET 31 DECEMBER 2010**

<b>10.1. Changes in capital and reserves</b>	<b>1 Jan.</b>	<b>Increase</b>	<b>Decrease</b>	<b>31 Dec.</b>
Initial reserve	6 875 407,12	0,00	0,00	6 875 407,12
Guarantee capital	1 765 973,23	0,00	0,00	1 765 973,23
Revaluation reserve	381 429,60	0,00	0,00	381 429,60
Current value reserve	2 106 441,83	0,00	-787 129,53	1 319 312,30
Security reserve	528 970 568,09	47 209 501,71	0,00	576 180 069,80
Legal reserve	0,00	0,00	0,00	0,00
Contingency reserve	0,00	1 000 000,00	-933 000,00	67 000,00
The share of voluntary provisions and depreciation difference transferred to capital and reserves	2 282 304,63	31 943,61	0,00	2 314 248,24
Loss/profit brought forward	-40 585 537,56	598 395,45	0,00	-39 987 142,11
Profit/loss for the accounting period	48 567 378,33	24 853 231,33	-48 567 378,33	24 853 231,33
Change in depreciation difference and voluntary provisions included in profit for the financial year	-171 586,26	-31 943,61	171 586,26	-31 943,61
	<u>48 395 792,07</u>	<u>24 821 287,72</u>	<u>-48 395 792,07</u>	<u>24 821 287,72</u>
Total changes in capital and reserves	<u>550 192 379,01</u>	<u>73 661 128,49</u>	<u>-50 115 921,60</u>	<u>573 737 585,90</u>

**10.2. Itemisation of revaluation reserve**

Revaluation reserve on 1 Jan.	381 429,60
Increase	0,00
Cancellation of revaluations	0,00
Revaluation reserve on 31 Dec.	<u>381 429,60</u>
Relating to fixed assets	381 429,60

**10.3. Account of distributable profits**

Profit/loss for the financial year	24 821 287,72
+ other unrestricted capital and reserves by balance sheet item	
Security reserve	576 180 069,80
Legal reserve	0,00
Contingency reserve	67 000,00
The share of voluntary provisions and depreciation difference transferred to capital and reserves	<u>2 314 248,24</u>
Other unrestricted capital and reserves, total	<u>578 561 318,04</u>
- loss shown in the balance sheet	-39 987 142,11
- amount to be transferred to the legal reserve or otherwise left undistributed in accordance with the Articles of Association	0,00
- other undistributable items	0,00
- amount of appropriations from affiliated undertakings that has been included in capital and reserves in the consolidated financial statements	<u>-2 314 248,24</u>
<b>Distributable profits, total</b>	<u><u>561 081 215,41</u></u>

**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP**

**NOTES TO BALANCE SHEET - INSURANCE 31 DECEMBER 2010**

**11. Accumulated appropriations**

	<b>2010</b>
<b>Depreciation difference</b>	
Accumulated depreciation difference on 1 Jan.	2 437 941,68
Increase	201 208,34
Decrease	<u>-46 776,92</u>
Accumulated depreciation difference on 31 Dec.	2 592 373,10
Residential building provision on 1 Jan.	675 386,00
Increase	0,00
Decrease	<u>-31 606,00</u>
Residential building provision on 31 Dec.	643 780,00
<b>Total voluntary provisions</b>	<u>643 780,00</u>
<b>Total accumulated appropriations</b>	<u><b>3 236 153,10</b></u>
<b>Divided into</b>	
Capital and reserves	-2 314 248,24
Minority interest	-80 505,06
Deferred tax liabilities	-841 399,80
	0,00
Tax base	26 %

TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP

NOTES TO BALANCE SHEET - INSURANCE 31 DECEMBER 2010

**12. Provision for outstanding claims**

	<b>2010</b>	<b>2009</b>
Uncontested recourse receivables deducted from provisions for claims outstanding		
Statutory accident	21 461 506,00	20 906 413,00

**13. Other obligatory provisions**

	<b>2010</b>	<b>2009</b>
Provision for interest on late payments for unfinished claims	3 096 916,20	2 878 816,20
Provision for unemployment security deductible	342 353,92	135 992,03
	<u>3 439 270,12</u>	<u>3 014 808,23</u>

**14.1. Deferred tax assets**

	<b>2010</b>	<b>2009</b>
Deferred tax asset from negative depreciation difference	1 748 620,28	1 748 620,28
Deferred tax relating to the elimination of the internal system trade	266 092,92	0,00
	<u>2 014 713,20</u>	<u>1 748 620,28</u>

**14.2. Deferred tax liabilities**

Deferred tax liabilities arising from the division of depreciation difference and provisions	841 399,81	809 465,20
Tax liability calculated on the basis of timing differences and other temporary differences between taxable profit and accounting profit	489 068,68	489 068,68
Tax debt calculated based on valuation gains/losses that is deemed likely to become payable during the next year	8 216 000,00	5 980 000,00
	<u>9 546 468,49</u>	<u>7 278 533,88</u>

TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP

NOTES TO BALANCE SHEET - INSURANCE 31 DECEMBER 2010

15. Receivables and liabilities

	2010	2009
<b>15.1 Itemisation of receivables</b>		
<b>Receivables from participating interests</b>		
Other receivables	124 761,00	84 988,87
	<u>124 761,00</u>	<u>84 988,87</u>
<b>15.2. Itemisation of liabilities</b>	<b>2010</b>	<b>2009</b>
<b>Liabilities to participating interests</b>		
Other liabilities	0,00	783 444,51
	<u>0,00</u>	<u>783 444,51</u>
<b>15.3. Itemisation of accruals and deferred income</b>	<b>2010</b>	<b>2009</b>
Provisional premiums	12 520 700,00	11 024 886,00
Liabilities to personnel	19 376 187,28	17 004 216,26
Valuation loss on derivatives	2 245 009,53	367 689,70
Other accruals and deferred income	7 176 590,17	6 556 382,43
	<u>41 318 486,98</u>	<u>34 953 174,39</u>
Including an elimination item:		
Other accruals and deferred income	857 132,00	427 022,59
<b>Balance sheet item Accruals and deferred income</b>	<u><b>42 175 618,98</b></u>	<u><b>35 380 196,98</b></u>

TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP

NOTES TO BALANCE SHEET - INSURANCE 31 DECEMBER 2010

16. Notes concerning guarantees and contingent liabilities

	2010	2010	2009	2009
16.1. Security	Security/pledges/ guarantees and other commitments	Amount of liability	Security/pledges/ guarantees and other commitments	Amount of liability
<b>As security for own debts</b>				
Real estate mortgages	147 850 000,00	45 134 524,00	147 850 000,00	36 237 590,00
Guarantee, reinsurance	0,00	0,00	139 366,15	15 540,05
	<u>147 850 000,00</u>	<u>45 134 524,00</u>	<u>147 989 366,15</u>	<u>36 253 130,05</u>

16.2. Off-balance-sheet guarantees and contingent liabilities

Derivative contracts	2010	2009
<b>Interest derivatives</b>		
<i>Forward and futures contracts, open</i>		
Underlying instrument	37 000 000,00	115 000 000,00
Current value	0,00	0,00
<b>Currency derivatives</b>		
<i>Forward and futures contracts, open</i>		
Underlying instrument	46 650 836,28	44 036 321,34
Current value	0,00	0,00
<b>Leasing liabilities</b>		
Amount to be paid in the current financial year	101 311,17	88 603,68
Amount to be paid in the coming years	59 501,67	99 597,55
	<u>160 812,84</u>	<u>188 201,23</u>
<b>Value-added tax liabilities</b>		
<i>Joint liability relating to collective value-added tax registration</i>		
Participating interests	263 182,35	24 191,59
Partner companies	1 537 229,01	245 054,97
	<u>1 800 411,36</u>	<u>269 246,56</u>
<i>Obligation to return value-added tax deductions pursuant to section 33 of Value-Added Tax Act</i>	<u>4 769 634,36</u>	<u>4 622 323,71</u>
<b>Other commitments</b>		
Purchase commitments	0,00	0,00
Subscription commitments	119 425 160,42	165 766 188,50
	<u>119 425 160,42</u>	<u>165 766 188,50</u>

**17. Related party loans (Insurance Companies Act, Chapter 8, section 11)**

Tapiola General Mutual Insurance Company's loans to participating interests are 100 456 126,25 euro.

The loan period is in principal 10-40 years and the interest rate fixed.

**17.1 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.

## TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP

### NOTES TO PROFIT AND LOSS ACCOUNT - CREDIT INSTITUTION AND INVESTMENT SERVICES

#### Notes concerning profit and loss account

	2010	2009
<b>18. Specification of interest income and expenses by balance sheet item</b>		
<b>Interest income</b>		
Receivables from credit institutions	409 289,54	1 743 296,67
Receivables from the public and public corporations	27 995 583,47	30 939 653,45
Certificates of claim	2 997 782,23	2 921 893,63
Recorded from value-adjusted credits and other receivables	0,00	1 161,00
<b>Total</b>	<b>31 402 655,24</b>	<b>35 606 004,75</b>
<b>Interest expenses</b>		
Liabilities to credit institutions	933,79	5 376,55
Liabilities to the public and public corporations	16 124 953,83	21 680 770,35
Bonds issued to the public	522 353,77	67 635,46
Derivative contracts and liabilities held for trading	262 296,65	103 268,99
Liabilities that have lower priority than other liabilities	291 889,17	601 469,61
Other interest expenses	0,00	197,22
<b>Total</b>	<b>17 202 427,21</b>	<b>22 458 718,18</b>
Including an elimination item:		
Liabilities to the public and public corporations	136 150,12	5 675,81
<b>Interest expenses in profit and loss account</b>	<b>17 338 577,33</b>	<b>22 464 393,99</b>
<b>19. Net income from leasing business</b>		
Rental income	651 875,20	0,00
Planned depreciation	-541 949,46	0,00
Commission income	97,56	0,00
<b>Net income</b>	<b>110 023,30</b>	<b>0,00</b>
<b>20. Return on equity investments</b>		
<b>Dividend income from equity investments</b>		
From companies in the same group and participating interests	509 886,58	5 902,53
<b>21. Commission income and expenses</b>		
<b>Commission income</b>		
From credit-granting	2 065 422,43	1 765 372,96
From deposits	238 362,92	203 905,78
From payment transactions	1 257 412,61	1 143 124,96
From funds	13 538 642,16	9 375 177,54
From asset management	3 170 167,30	2 926 255,62
From trading in securities	37 800,00	0,00
From granting sureties	56 757,99	57 757,81
From other operations	1 121 072,45	647 903,83
<b>Total</b>	<b>21 485 637,86</b>	<b>16 119 498,50</b>
Including elimination items:		
From payment transactions	438 174,53	444 137,44
From asset management	2 952 710,96	2 514 694,97
From other operations	10 301 055,20	9 361 158,00
<b>Total</b>	<b>13 691 940,69</b>	<b>12 319 990,41</b>
<b>Commission income in profit and loss account</b>	<b>35 177 578,55</b>	<b>28 439 488,91</b>

## TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP

### NOTES TO PROFIT AND LOSS ACCOUNT - CREDIT INSTITUTION AND INVESTMENT SERVICES

#### Notes concerning profit and loss account

	2010	2009
<b>Commission expenses</b>		
From service charges paid	427 068,49	448 518,84
From other	5 708 797,63	4 121 799,39
<b>Total</b>	<b>6 135 866,12</b>	<b>4 570 318,23</b>
Including elimination items:		
From service charges paid	2 520,00	0,00
From other	685 889,25	608 831,65
Total	688 409,25	608 831,65

<b>Commission expenses in profit and loss account</b>	<b>6 824 275,37</b>	<b>5 179 149,88</b>
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#### 22. Net income from security trading

From derivative contracts	-51 787,67	-79 512,00
From valuation at current value	-51 787,67	-79 512,00
From derivative contracts and other liabilities	52 272,83	79 854,00
From valuation at current value	52 272,83	79 854,00
<b>Total</b>	<b>485,16</b>	<b>342,00</b>

#### 23. Net income from available-for-sale financial assets

Net income from available-for-sale certificates of claim		
From transfers (profit/loss)	1 506 930,51	0,00
Net income from available-for-sale shares and holdings		
From transfers (profit/loss)	276 322,92	185 067,82
<b>Total</b>	<b>1 783 253,43</b>	<b>185 067,82</b>

#### 24. Other business income

Other income	1 893 064,50	2 148 664,74
Including an elimination item:		
Other income	4 164 197,12	4 143 808,21

<b>Other business income in profit and loss account</b>	<b>6 057 261,62</b>	<b>6 292 472,95</b>
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#### 25. Other business expenses

Rent expenses	582 713,08	587 930,89
Deposit Guarantee Fund payments	811 063,37	614 977,87
Other expenses	676 654,32	611 534,46
<b>Total</b>	<b>2 070 430,77</b>	<b>1 814 443,22</b>

Including elimination items:

Rent expenses	469 369,70	348 097,08
Other expenses	87 499,92	115 363,75
Total	556 869,62	463 460,83

<b>Other business expenses in profit and loss account</b>	<b>2 627 300,39</b>	<b>2 277 904,05</b>
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#### 26. Depreciation and value adjustments on tangible and intangible assets

##### Intangible assets

Consolidated goodwill		
Planned depreciation	1 475 342,12	1 883 474,33
Other intangible assets		
Planned depreciation	2 181 027,09	1 515 661,26

##### Tangible assets

Other tangible assets		
Planned depreciation	56 792,21	36 338,21

<b>Depreciation and value adjustments on tangible and intangible assets, total</b>	<b>3 713 161,42</b>	<b>3 435 473,80</b>
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**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP**

**NOTES TO PROFIT AND LOSS ACCOUNT - CREDIT INSTITUTION AND INVESTMENT SERVICES**

**Notes concerning profit and loss account**

**27. Value adjustment losses from credits, other commitments and other financial assets**

	Contract-specific value adjustment losses, gross	Group-specific value adjustment losses, gross	Decrease	Recorded in the profit and loss statement
<b>Value adjustment losses 2010</b>				
Receivables from the public and public corporations	320 186,09	149 400,14	-82 668,29	386 917,94
Other	1 263,00	0,00	-1 716,00	-453,00
<b>Value adjustment losses, total</b>	<b>321 449,09</b>	<b>149 400,14</b>	<b>-84 384,29</b>	<b>386 464,94</b>
<b>Value adjustment losses 2009</b>				
Receivables from the public and public corporations	453 311,03	187 365,00	-49 275,00	591 401,03
Other	40 606,51	0,00	-15 054,00	25 552,51
<b>Value adjustment losses, total</b>	<b>493 917,54</b>	<b>187 365,00</b>	<b>-64 329,00</b>	<b>616 953,54</b>

TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP

NOTES TO BALANCE SHEET - CREDIT INSTITUTION AND INVESTMENT SERVICES 31 DECEMBER 2010

Notes concerning balance sheet items

<b>28. Receivables from credit institutions</b>	Payable on demand	Other than those payable on demand	<b>2010 Total</b>	Payable on demand	Other than those payable on demand	<b>2009 Total</b>
From the central bank	0,00	23 358 670,40	23 358 670,40	0,00	19 895 280,88	19 895 280,88
From Finnish credit institutions	285 674,96	0,00	285 674,96	38 049 730,33	0,00	38 049 730,33
<b>Receivables from credit institutions, total</b>	<b>285 674,96</b>	<b>23 358 670,40</b>	<b>23 644 345,36</b>	<b>38 049 730,33</b>	<b>19 895 280,88</b>	<b>57 945 011,21</b>
<b>29. Receivables from the public and public corporations</b>	<b>2010</b>	<b>2009</b>				
Corporate customers and housing associations	47 292 215,26	18 759 420,56				
Financial and insurance institutions	104 896,90	57 000,00				
Households	1 298 320 869,41	1 132 188 081,67				
Non-profit-making corporations serving households	80 557,15	47 034,24				
Foreign countries	5 902 803,36	3 525 753,84				
<b>Receivables from the public and public corporations, total</b>	<b>1 351 701 342,08</b>	<b>1 154 577 290,31</b>				
Value adjustment losses at the beginning of the year	1 523 639,00	1 456 966,00				
Receivable-specific value adjustment losses recorded during the financial year	77 480,00	-71 417,00				
Receivable-specific cancellations of value adjustment losses recorded during the financial year	0,00	-49 275,00				
Group-specific value adjustment losses recorded during the financial year	149 400,14	187 365,00				
<b>Value adjustment losses at the end of the year included in the balance sheet item</b>	<b>1 750 519,14</b>	<b>1 523 639,00</b>				
<b>30. Certificates of claim</b>						
<b>Issued by public corporations, entitling to central bank financing</b>						
Government-issued bonds kept until due date, publicly listed	0,00	15 780 190,65				
Available-for-sale, publicly listed government-issued bonds	42 362 778,85	39 675 052,99				
<b>Total</b>	<b>42 362 778,85</b>	<b>55 455 243,64</b>				
<b>Issued by parties other than public corporations</b>						
Available-for-sale, publicly listed commercial papers issued by banks for which interest income has not been accrued	7 092 043,68	5 891 550,75				
Available-for-sale, publicly listed bonds issued by banks	13 090 410,02	13 073 300,48				
Available-for-sale, publicly listed bonds issued by companies	2 039 702,58	2 035 778,57				
Available-for-sale, publicly listed commercial papers	0,00	44 874 075,99				
<b>Total</b>	<b>22 222 156,28</b>	<b>65 874 705,79</b>				
<b>31. Property rented by financial leasing</b>						
Machinery and equipment	6 554 604,60	0,00				
<b>32. Shares and holdings</b>	<b>Publicly listed</b>	<b>Other</b>	<b>Total</b>	,of which in credit institutions		
Shares and holdings available-for-sale	14 248 593,51	356 580,93	14 605 174,44	0,00		
Shares and holdings in participating interests	0,00	209 067,40	209 067,40	0,00		
<b>Total</b>	<b>14 248 593,51</b>	<b>565 648,33</b>	<b>14 814 241,84</b>	<b>0,00</b>		
- of which at acquisition cost	0,00	356 580,93	356 580,93	0,00		
<b>33. Derivative contracts</b>	<b>2010</b>	<b>2009</b>				
Share derivatives, liabilities held for trading						
Options contracts						
Purchased	545 204,46	360 918,90				
	Nominal value of underlying asset			Current value		
	Remaining maturity					
<b>Contracts concluded for purposes other than hedging</b>	under 1 yr	1 - 5 yrs	over 5 yrs	Total	positive	negative
Share derivatives						
Options contracts						
Purchased	14 417 827,01	7 677 000,00	0,00	22 094 827,01	545 204,46	-

**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP**

**NOTES TO BALANCE SHEET - CREDIT INSTITUTION AND INVESTMENT SERVICES 31 DECEMBER 2010**

<b>34. Intangible assets</b>	<b>2010</b>	<b>2009</b>
IT expenses	14 154 917,78	11 807 771,81
Goodwill	737 671,05	2 213 013,17
Other intangible assets	134 800,00	202 200,00
<b>Total</b>	<b>15 027 388,83</b>	<b>14 222 984,98</b>

Including an elimination item:		
IT expenses	1 023 434,28	0,00

**Intangible assets in balance sheet** **16 050 823,11** **14 222 984,98**

**35. Changes in tangible and intangible assets during the financial year**

Intangible assets	
Acquisition cost on 1 Jan.	33 338 513,84
Increase	4 008 865,22
Decrease	
Transfers	
Acquisition cost on 31 Dec.	37 347 379,06
Accumulated depreciation and value adjustments on 1 Jan.	-19 115 528,86
Accumulated depreciation related to deductions	
Depreciation for the financial year	-2 181 027,09
Accumulated depreciation and value adjustments on 31 Dec.	-21 296 555,95

**Book value on 31 Dec.** **16 050 823,11**

Tangible assets	
Acquisition cost on 1 Jan.	2 097 953,58
Increase	147 053,07
Decrease	0,00
Transfers	
Acquisition cost on 31 Dec.	2 245 006,65
Accumulated depreciation and value adjustments on 1 Jan.	-2 019 648,60
Accumulated depreciation related to deductions and transfers	0,00
Depreciation for the financial year	-56 792,21
Accumulated depreciation and value adjustments on 31 Dec.	-2 076 440,81

**Book value on 31 Dec.** **168 565,84**

<b>36. Other assets</b>	<b>2010</b>	<b>2009</b>
Receivables on payment intermediation	0,63	79,75
Other receivables	2 636 473,05	1 666 932,52
<b>Total</b>	<b>2 636 473,68</b>	<b>1 667 012,27</b>

Including an elimination item:		
Other receivables	857 132,00	427 145,25

**Other assets in balance sheet** **3 493 605,68** **2 094 157,52**

**37. Prepayments and accrued income**

Interest receivable	2 631 950,30	2 314 160,93
Other prepayments and accrued income	350 996,56	329 644,05
Prepayments paid	70 313,00	21 813,00
<b>Total</b>	<b>3 053 259,86</b>	<b>2 665 617,98</b>

**38. Deferred tax assets and liabilities**

Deferred tax assets		
On balanced loss	738 920,00	0,00
Deferred tax liabilities		
Booked from the current value fund	-634 382,86	0,00
Deferred taxes in profit and loss account	738 920,00	0,00
Deferred taxes calculated from the current value reserve	0,00	-744 466,20

**39. Bonds issued to the public by credit institutions**

Certificates of deposit and commercial papers, book value	52 957 850,34	38 099 090,06
- nominal value	53 150 000,00	38 200 000,00

**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP**

**NOTES TO BALANCE SHEET - CREDIT INSTITUTION AND INVESTMENT SERVICES 31 DECEMBER 2010**

**40. Derivative contracts and other liabilities held for trading**

Share derivatives	<b>2010</b>	<b>2009</b>
Financial liabilities managed together with financial assets held for trading	544 288,75	360 488,35

**41. Other liabilities**

Liabilities on payment intermediation	17 158 404,82	21 993 017,55
Other	3 640 976,97	3 349 164,15
<b>Total</b>	<b>20 799 381,79</b>	<b>25 342 181,70</b>

Including an elimination item:		
Other	13 814 184,00	493 454,96

**Other liabilities in balance sheet** **34 613 565,79** **25 835 636,66**

**42. Accruals and deferred income**

Interest payable	1 242 077,71	1 073 672,92
Other accruals and deferred income	3 361 583,75	2 802 002,58
Prepayments received	34 165,27	30 327,63
<b>Total</b>	<b>4 637 826,73</b>	<b>3 906 003,13</b>

Including an elimination item:		
Other accruals and deferred income	60 660,00	54 205,12

**Accruals and deferred income in balance sheet** **4 698 486,73** **3 960 208,25**

**43. Liabilities that have lower priority than other liabilities**

	<b>2010</b>	<b>2009</b>
Tapiola Bank Ltd debenture loan 1/2006, nominal value EUR 10,000,000 Loan period of 30 June 2006 to 30 June 2016, right to premature repayment after 5 years, interest 12-month Euribor + 0.25% units p.a. until 30 June 2011 and 12-month Euribor + 1.00 % units p.a. thereafter	10 000 000,00	10 000 000,00
Tapiola Bank Ltd debenture loan 1/2007, nominal value EUR 10,000,000 Loan period of 21 May 2007 to 21 May 2017, right to premature repayment after 5 years, interest 3-month Euribor + 0.45% units p.a. until 21 May 2012 and 3-month Euribor + 1.95% units p.a. thereafter	10 000 000,00	10 000 000,00

**44. Maturity distribution of financial assets and liabilities**

	under 3 months	3 to 12 months	1 to 5 years	5 to 10 years	over 10 years	Total
Certificates of claim entitling to central bank finance	4 029 778,85	0,00	38 333 000,00	0,00	0,00	42 362 778,85
Receivables from credit institutions	23 644 345,36	0,00	0,00	0,00	0,00	23 644 345,36
Receivables from the public and public corporations	12 875 742,08	6 630 000,00	102 313 000,00	178 427 600,00	1 051 455 000,00	1 351 701 342,08
Leasing objects	203 243,93	973 747,42	5 377 613,25	0,00	0,00	6 554 604,60
Certificates of claim	7 092 043,68	0,00	15 130 112,60	0,00	0,00	22 222 156,28
Liabilities to credit institutions	15 654,40	0,00	0,00	0,00	0,00	15 654,40
Liabilities to the public and public corporations	1 046 384 432,06	224 448 000,00	128 894 000,00	0,00	0,00	1 399 726 432,06
Bonds issued to the public	30 119 850,34	22 838 000,00	0,00	0,00	0,00	52 957 850,34
Liabilities that have lower priority than other liabilities	0,00	0,00	0,00	20 000 000,00	0,00	20 000 000,00

Including an elimination item:						
Liabilities to the public and public corporations	34 932 645,62					34 932 645,62

Balance sheet item Liabilities to the public and public corporations **1 434 659 077,68**

**45. Specification of balance sheet items into Finnish and foreign-currency items**

Balance sheet item, Finnish currency	<b>2010</b>	<b>2009</b>
Receivables from credit institutions	23 644 345,36	57 945 011,21
Receivables from the public and public corporations	1 351 701 342,08	1 154 577 290,31
Certificates of claim	64 584 935,13	121 329 949,43
Derivative contracts	545 204,46	360 918,90
Other assets, incl. cash assets	177 993 454,65	66 179 037,55
<b>Credit institution and investment service business, assets</b>	<b>1 618 469 281,68</b>	<b>1 400 392 207,40</b>

Including an elimination item:		
Other assets, incl. cash assets	1 880 566,28	427 145,25

**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP**

**NOTES TO BALANCE SHEET - CREDIT INSTITUTION AND INVESTMENT SERVICES 31 DECEMBER 2010**

	<b>2010</b>	<b>2009</b>
Liabilities to credit institutions	15 654,40	123 471,94
Liabilities to the public and public corporations	1 399 726 432,06	1 231 014 675,60
Bonds issued to the public	52 957 850,34	38 099 090,06
Derivative contracts and liabilities held for trading	544 288,75	360 488,35
Other liabilities	46 763 120,84	49 334 687,84
<b>Credit institution and investment service business, liabilities</b>	<b>1 500 007 346,39</b>	<b>1 318 932 413,79</b>

Including elimination items:		
Liabilities to the public and public corporations	34 932 645,62	2 407 560,78
Other liabilities	13 874 844,00	547 660,08
<b>Total</b>	<b>48 807 489,62</b>	<b>2 955 220,86</b>

**46. Current values and book values of financial assets and liabilities**

	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	Book value	Current value	Book value	Current value
<b>Financial assets</b>				
Cash assets	135 000 000,00	135 000 000,00	33 000 000,00	33 000 000,00
Receivables from credit institutions	23 644 345,36	23 644 345,36	57 945 011,21	57 945 011,21
Receivables from the public and public corporations	1 351 701 342,08	1 351 701 342,08	1 154 577 290,31	1 154 577 290,31
Leasing objects	6 554 604,60	6 554 604,60	0,00	0,00
Certificates of claim	64 584 935,13	64 584 935,13	121 329 949,43	121 773 758,78
Shares and holdings	14 605 174,44	14 605 174,44	13 947 078,39	13 947 078,39
Shares and holdings in participating interests	209 067,40	209 067,40	598 038,96	598 038,96
Derivative contracts	545 204,46	545 204,46	360 918,90	360 918,90
<b>Financial liabilities</b>				
Liabilities to credit institutions	15 654,40	15 654,40	123 471,94	123 471,94
Liabilities to the public and public corporations	1 399 726 432,06	1 399 726 432,06	1 231 014 675,60	1 231 014 675,60
Bonds issued to the public	52 957 850,34	52 957 850,34	38 099 090,06	38 099 090,06
Derivative contracts and liabilities held for trading	544 288,75	544 288,75	360 488,35	360 488,35
Other liabilities that have lower priority than other liabilities	20 000 000,00	20 000 000,00	20 000 000,00	20 000 000,00
Including an elimination item:				
Liabilities to the public and public corporations	34 932 645,62	34 932 645,62	2 407 560,78	2 407 560,78
<b>Balance sheet item Liabilities to the public and public corporations</b>	<b>1 434 659 077,68</b>	<b>1 434 659 077,68</b>	<b>1 233 422 236,38</b>	<b>1 233 422 236,38</b>

**Notes concerning guarantees and contingent liabilities**

	<b>2010</b>	<b>2009</b>
	Other collateral	Other collateral
<b>47. Guarantees given</b>		
Given for own credits		
Liabilities to credit institutions	39 985 000,00	27 000 000,00
Given on behalf of others	8 011 451,89	6 985 970,77
of which to related-party management	303 300,00	0,00

**48. Pension liabilities**

Personnel's statutory pension cover	arranged through insurance	
Personnel's supplementary pension cover	arranged through insurance	
Pension liabilities outside the accounts	16 811,00	55 808,00

**49. Off-balance-sheet commitments**

Itemisation by capital commitment type		
Guarantees	8 011 451,89	6 985 970,77
Unused credit facilities	55 466 890,04	60 779 907,85
<b>Total</b>	<b>63 478 341,93</b>	<b>67 765 878,62</b>

**50. Other off-balance-sheet facilities**

Joint liability relating to collective registering for value-added taxation (Value Added Tax Act, section 188)	3 906 915,52	1 013 895,89
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**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP**

**NOTES TO BALANCE SHEET - CREDIT INSTITUTION AND INVESTMENT SERVICES 31 DECEMBER 2010**

**Notes concerning personnel and management**

**51. Number of personnel**

	<b>2010</b>	<b>2009</b>
Average		
Permanent full-time personnel	162	150
Permanent part-time personnel	3	5
Fixed-term personnel	3	7
<b>Total</b>	<b>168</b>	<b>162</b>

**52. Salaries and remuneration paid to the management**

Salaries and remuneration		
Ordinary and deputy board members, managing director	590 995,00	563 421,21
and acting managing director	15 600,00	20 000,00
<b>Total</b>	<b>606 595,00</b>	<b>583 421,21</b>

**53. Credits, guarantees and off-balance-sheet commitments granted to the management**

Ordinary and deputy board members, managing director and acting managing director		
Credits granted	818 136,00	675 694,00
Guarantees and other off-balance-sheet commitments granted	0,00	180 000,00

**54. Pension commitments of the management**

The management's statutory and supplementary pension cover have been arranged through insurance.

**55. Shareholdings**

	Registered office	Share of ownership	Capital and reserves on 31 Dec.	Profit/loss for the financial year
Tapiola Asset Management Ltd	Espoo	100,0	8 663 334,68	2 314 571,77
Ab Compass Card Oy Ltd	Maarianhamina	34,0	614 903,24	-1 144 034,87

**56. Information on asset management services**

	<b>2010</b>	<b>2009</b>
Customer assets	0,00	0,00
Assets in discretionary asset management	4 076 785 000,00	3 628 987 000,00
Including an elimination item:	1 816 231 975,00	1 935 000 158,00

**57. Auditor's fees**

Auditing	46 121,61	65 985,10
Assignments within the meaning of the provisions of the Auditing	52 938,17	62 153,69
Tax advice	0,00	6 710,00
Other services	96 877,86	6 167,10
<b>Total</b>	<b>195 937,64</b>	<b>141 015,89</b>

**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP**

**NOTES TO THE FINANCIAL STATEMENTS**

**KEY FIGURES**

**EUR Mill**

**Key figures describing financial development of non-life insurance business**

	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Operating profit/loss	8,0	84,8	-53,1	141,9
Total result	52,1	151,9	-198,3	97,3
Return on capital employed (at current value), parent company, %	5,4	7,2	-4,6	4,9
Return on assets, %	2,4	6,1	-6,9	4,1

**Key figures describing financial development of non-life insurance**

Premium income	692,0	675,2	648,9	628,7
Loss ratio (excl. unwinding of discount expense), %	85,7	76,5	83,3	76,4
Loss ratio %	88,3	79,1	85,7	78,8
Expense ratio, %	26,6	26,0	26,0	24,3
Combined ratio (excl. unwinding of discount expense), %	112,3	102,5	109,3	100,7
Combined ratio %	115,0	105,1	111,7	103,1
Solvency margin in reporting currency	817,3	747,4	623,3	812,0
Minimum solvency margin (Insurance Companies Act, Chapter 11, section 7)	132,1	123,9	123,4	119,5
Solvency margin in relation to minimum value	6,2	6,0	5,0	6,8
Equalisation provision in reporting currency	532,0	557,3	524,3	534,4
Minority interest	45,2	42,9	27,7	24,9
Solvency capital in reporting currency	1 394,5	1 347,5	1 175,3	1 371,3
Solvency capital's share of technical reserves, %	90,2	91,4	83,9	105,7
Solvency ratio, %	212,6	208,3	189,3	228,3

**TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP**

**NOTES TO THE FINANCIAL STATEMENTS**

**KEY FIGURES**

**EUR Mill**

**Key figures describing financial development of the credit institution and investment service**

	<b>31.12.2010</b>	<b>31.12.2009</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
Receivables from credit institutions	23,6	57,9	265,8	188,0
Receivables from the public and public corporations	1 351,7	1 154,6	971,6	679,6
Liabilities to credit institutions	0,0	0,1	0,2	0,1
Liabilities to the public and public corporations	1 399,7	1 231,0	1 187,9	796,7
Fund capital	1 582,8	1 391,2	838,0	
Managed customer funds	4 076,8	3 629,0	2 954,5	
Interest margin	14,3	13,1	13,2	9,9
Turnover	57,1	54,1	71,4	47,8
Net commission income	15,3	11,5	9,1	9,3
Operating profit/loss	1,6	-0,3	-0,5	-3,7
and its share of turnover, %	2,7	-0,6	-0,7	-7,8
Cost/return ratio	0,9	1,0	1,0	1,2

**Numbers of Group employees**

Number of employees	2 641	2 617	2 651	2 499
Insurance	2 473	2 455	2 498	2 370
Credit institution and investment service business	168	162	153	129
Number of employees in relation to payroll	2 137	2 088	2 125	2 026

## TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP

## OTHER NOTES

## PERFORMANCE ANALYSIS

1 000 €

## Non-life insurance

	2010	2009	Change	Change%
Premiums earned	655 991	646 798	9 193	1,4
Claims incurred	-579 276	-511 489	-67 787	13,3
Operating expenses	-174 817	-168 042	-6 775	4,0
Other technical income and charges	9 008	0	9 008	0,0
Change in provision for guarantee scheme	-629	-608	-21	3,5
<b>Balance on technical account before change in equalisation provision</b>	<b>-89 724</b>	<b>-33 341</b>	<b>-56 383</b>	<b>169,1</b>
Investment income and expenses as well as revaluation and adjustments thereof	95 473	111 781	-16 307	-14,6
Other income and expenses	1 850	5 992	-4 142	-69,1
Share of profit/loss of associated undertakings	411	340	71	21,0
<b>Operating profit/loss</b>	<b>8 010</b>	<b>84 771</b>	<b>-76 761</b>	<b>-90,6</b>
Change in equalisation provision	25 305	-32 952	58 257	-176,8
<b>Profit or loss before extraordinary items</b>	<b>33 315</b>	<b>51 819</b>	<b>-18 504</b>	<b>-35,7</b>
Operating profit/loss	8 010	84 771	-76 761	-90,6
Change in the difference between current and book values	44 052	67 118	-23 066	-34,4
<b>Total result</b>	<b>52 063</b>	<b>151 890</b>	<b>-99 827</b>	<b>-65,7</b>
Including elimination items				
Claims incurred	383	574	-191	-33,3
Operating expenses	-2 141	237	-2 378	-1 001,8
Investment income and expenses as well as revaluation and adjustments thereof	2 358	2 706	-349	-12,9
Other income and expenses	-2 971	-2 513	-458	18,2
Share of profit/loss of associated undertakings	105	-93	198	-212,4
Total	-2 266	911	-3 177	-348,7

## TAPIOLA GENERAL MUTUAL INSURANCE COMPANY GROUP

### SUBSIDIARIES AND PARTICIPATING INTERESTS 31 Dec. 2010

SUBSIDIARIES			Registered office	Share of ownership
1	Real estate company	Adoxa	Espoo	100,0 %
2	Limited company	Akapo-Leasing	Espoo	100,0 %
3	Limited company	Alma Insurance	Helsinki	100,0 %
4	Limited company	Aura-Karelia	Espoo	100,0 %
5	Real estate company	Auralax	Espoo	100,0 %
6	Real estate company	Espoon Revontulenkujä 1	Espoo	60,4 %
7	Housing cooperative	Espoon Valkeakuulas	Espoo	100,0 %
8	Housing cooperative	Helsingin Puistokulma	Helsinki	100,0 %
9	Limited company	Kaisaniemenkatu 1	Helsinki	78,1 %
10	Limited company	Kestap	Espoo	100,0 %
11	Department store facilities	L.Kela	Espoo	100,0 %
12	Real estate company	Lahden Vapaudenkatu 13	Lahti	100,0 %
13	Real estate company	Lappeenrannan Myllymäki 2	Espoo	100,0 %
14	Limited company	Omre	Espoo	100,0 %
15	Real estate company	Raision Nikkari	Espoo	80,0 %
16	Limited company	Tapiola Bank Group	Espoo	73,0 %
17	Limited company	Tapiolan Revontuli	Espoo	100,0 %
18	Limited company	Tapiola-Safety	Espoo	100,0 %
19	Limited company	Tapiola Data	Espoo	51,1 %
20	Limited company	Tietotyö	Espoo	100,0 %
21	Limited company	Tukholmakatu 2	Espoo	100,0 %
22	Real estate company	Vaasan Lemmenpolku 1	Espoo	100,0 %
23	Real estate company	Vantaan Tuupakantie 32	Espoo	100,0 %
PARTICIPATING INTERESTS			Registered office	Share of ownership
1	Limited company	Glasnost	Espoo	33,3 %
2	Limited company	Kampintorni	Espoo	50,0 %
3	Limited company	Tapiola Real Estate, Group	Espoo	50,0 %
4	Limited company	Oirabi	Espoo	50,0 %
5	Limited company	Pohja-yhtymä	Espoo	28,8 %
6	Limited company	Vakuutusneuvonta Aura	Espoo	33,3 %
7	Limited company	Vakuutusneuvonta Pohja	Espoo	33,3 %

## TAPIOLA GENERAL MUTUAL INSURANCE COMPANY

### PROPOSAL FOR DISTRIBUTION OF PROFIT

The Board of Directors proposes that EUR 24 597 236,05 of the profit for the financial year be transferred to the owners of guarantee shares with a 5 % guarantee capital interest corresponding to EUR 88 298,66 and

Transferred to the security reserve	24 358 937,39
Transferred to the contingency reserve	150 000,00

If the Board's proposal for the handling of the result is adopted, the company's capital and reserves will stand as follows:

Initial reserve	6 875 407,12
Guarantee capital	1 765 973,23
Revaluation reserve	322 108,19
Security reserve	600 539 007,19
Contingency reserve	217 000,00
	<u>609 719 495,73</u>

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

Espoo, 3 March 2011

Asmo Kalpala

Jari Saine

Arto Jurtila

Jari Sundström

Juha-Pekka Halmeenmäki  
Managing Director

## TAPIOLA GENERAL MUTUAL INSURANCE 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 Genreal Mutual Insurance Company

We have audited the accounting records, financial statements, the report of the Board of Directors and the administration of Tapiola General Mutual Insurance Company for the financial year 1 January – 31 December 2010. The financial statements comprise both the consolidated and the parent company's balance sheet, profit and loss account, cash flow statements and notes to the financial statements.

### Responsibility of the Board of Directors and the Managing Director

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

### Auditor's responsibility

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

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

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

### Statement

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

Espoo, 15 March 2011

**PricewaterhouseCoopers Ltd**  
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

**Antti Lemmetyinen**  
Chairman of the  
Supervisory Board