



# **Tapiola Mutual Life Assurance Company**

## **Annual Report and Financial Statements 2008**

**REPORT OF THE BOARD OF DIRECTORS 2008**
**LIFE INSURANCE**

*Tapiola Group's life insurance companies comprise Tapiola Mutual Life Assurance Company (Tapiola Life), which provides individual life insurance policies, group life insurance policies and individual pension insurance policies for private customers, and Tapiola Life's subsidiary Tapiola Corporate Life Insurance Ltd (Tapiola Corporate Life), which provides individual life insurance policies, group life insurance policies, individual pension insurance policies and group pension insurance policies for companies.*

The operating profit of Tapiola Mutual Life Assurance Company was EUR 16.9 million (EUR 115.8 million). The change in the difference between current and book values weakened the overall result by EUR 109.7 million (EUR -96.0 million) to EUR -92.8 million (EUR +19.9 million). The strong fluctuation in the financial markets was also reflected in the company's performance.

The life insurance companies increased their insurance policy sales, and premium income development remained positive throughout the year. The Group's premium income increased by 1.3 per cent to EUR 205.0 million (EUR 202.4 million). This can be considered to be good growth, especially since the premium income in the sector decreased by 6.3 per cent.

The rate of return on capital employed from the parent company Tapiola Life's investment operations at current value was -1.1 per cent (+4.0%), while the corresponding return from the subsidiary, Tapiola Corporate Life, totalled -1.2 per cent (+3.5%). Good investment results were achieved under difficult circumstances thanks to a successful vision of interest rates and the reduction of equity risks. The focus in fixed-income investments was on government bonds, which gave a good return in 2008.

The Group's expense ratio in proportion to total expense loadings was 120.6 per cent (110.7%). The increase mainly came from investments in service development – and partly from the time structure of investment portfolios. Measures have been taken to deal with the unfavourable development in the difference between total expense loadings and actual operating expenses. The trend in expenses is managed with a group-wide expense programme. As for income, the goal is to ensure that the returns on service investments are realised and that the insurance portfolio can be bolstered sufficiently to counterbalance the insurance policies falling due.

Value adjustments to investments and the continued strong fluctuations in value weakened the company's solvency and reduced the available solvency margins. Advance preparations were made to deal with the uncertainties in the investment market by boosting the life assurance companies' equities with Tapiola Group's internal additional equity investments totalling EUR 85 million. This put the life insurance companies' solvency at a very good level. Tapiola Life's solvency ratio, or solvency capital in relation to technical provisions, was 15.5 per cent (15.7%). The solvency ratio of Tapiola Corporate Life was 18.8 per cent (14.9%) and that of the Group was 14.7 per cent (15.4%).

A total of EUR 9.7 million (EUR 35.9 million) from Tapiola life insurance companies' result for the financial year was reserved for customer bonuses and rebates. Owing to the highly exceptional conditions on the investment market, customer benefits had to be reduced from the previous year. Nevertheless, customers got an average return of 4.5 per cent on their investment savings (5.6%). In 2008, the benefits received by the customers of Tapiola life insurance companies continued to be among the best in the market.

**REPORT OF THE BOARD OF DIRECTORS 2008**
**KEY FIGURES**
**Key figures**

	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Company size</b>					
Premiums written before reinsurers' share, EUR m	205	202.4	199.3	200.9	208.1
Change in premiums written, %	1.3	1.6	-0.8	-3.5	6.8
Turnover, EUR m	196.3	406.6	397	379.7	325
Technical provisions, EUR million	2557.7	2643.9	2538.5	2388.8	2233.1
<b>Net investment income at current value, %</b>					
Tapiola Life, %	-1.1	4	6.5	8.7	7.8
Tapiola Corporate Life, %	-1.2	3.6	5.5	8.7	7.2
<b>Efficiency of operations</b>					
Expense ratio, % of total expense loadings	120.6	110.7	97	94.6	105.9
<b>Profit development</b>					
Operating profit, EUR m	16.9	115.8	42	40.3	63
Operating profit, % of turnover	8.6	28.5	10.6	10.6	18
Overall result, EUR m	-92.8	19.9	-6.8	63.3	44.4
<b>Solvency</b>					
Solvency margin, EUR m	275.4	301.7	365.4	361.1	301.2
Equalisation provision, EUR m	56.1	48.9	50.6	43.2	54.6
Solvency capital, EUR m	334.4	354.3	420	408.1	360.9
Solvency capital, % of technical provisions	14.7	15.4	18.8	19.1	17.9
<b>Number of employees in relation to payroll 1)</b>	497	333	355	322	

<sup>1)</sup> As of 2008, the company's personnel has employment contracts with the non-life insurance and mutual life assurance companies. The growth in Tapiola Life's and Tapiola Corporate Life's number of employees in relation to payroll comes from the expansion of ancillary operations.

**CUSTOMERS AND CUSTOMER BENEFITS**
**Customer base**

The number of private household customers of the Tapiola Group life insurance companies rose by 9,400 to 235,500. The number of business customers was 5,400.

**Customer benefits**

In their meeting on 11 November 2008, the life insurance companies' Boards of Directors confirmed the additional benefits to be given at 31 December 2008. The overall interest paid on 2008 savings will be between 3.7 and 4.5 per cent, depending on the product. This still ranks among the highest in the market. For eight years, Tapiola has been paying the best overall interest in the market. Tapiola establishes a fixed technical rate of interest of 1.5 per cent for the entire duration of the contract. Many competitors do not apply a technical rate of interest. Instead, income consists of annually determined annual/contractual interest and customer bonuses. As a mutual insurance company, we want to activate competition in the market with our fixed technical rate of interest and the best overall rate in the market. This is a significant customer benefit, and we are working to boost awareness of it in the market.

Tapiola's new benefit programme has been in use for over one year. The programme provides clearly increased benefits for life and pension insurance customers. By favouring Tapiola as a service provider, a customer may receive a discount of up to 17 per cent on the costs for savings insurance products.

*The comparison figure from the previous year is displayed in the brackets.*

## REPORT OF THE BOARD OF DIRECTORS 2008

Furthermore, the new benefit programme makes it easier for our customer service staff to demonstrate Tapiola's products, which particularly promotes the sales of personal insurance products.

A total of EUR 9.7 million (EUR 35.9 million) was reserved for customer bonuses and rebates from Tapiola life insurance companies' result for the financial year. The parent company Tapiola Life reserved a total of EUR 7.0 million (EUR 23.1 million) for customer bonuses and rebates.

### OPERATING ENVIRONMENT

The growth of the world economy slowed down in the latter part of the year, and the slowing trend is expected to continue also in the beginning of 2009. The outlook is weakened by the global credit crisis and the weakness of the US housing market. The outlook of emerging economies has also weakened fast, and the divergence of growth between the industrialised countries and the emerging economies is proving to have been wishful thinking. As growth is slowing down, the world economy is descending into recession, led by the industrial countries.

In Finland, the peak of the economic cycle is behind us and in the period under review, the economy is gradually sliding from an economic boom into a recession. It is forecast that the economy will shrink, the inflation will slow down and unemployment will start to rise. The fast weakening of growth prospects requires structural reforms from the government.

The growth in world economies is anticipated to drop below its potential growth track, and we are facing a period of slow growth lasting several years. The US Federal Reserve, the Fed, and the European Central Bank, the ECB, will have to cut their key interest rates to around zero. There are still cyclical pressures to cut the long interest rates in the euro zone. In the short term, the direction of the US dollar is on the up, but in the longer term, the dollar is facing weakening pressures due to the trade balance deficit, indebtedness and the possible reallocation of emerging economies' dollar reserves. Although the oil price is likely to remain low in the short term, it will rise in the long term.

The greatest single risk is related to the US economy and the economy drifting into deflation. There is a lot of discussion about China and other emerging economies, but the United States economy is still the world's largest economy. In recent years, the US private consumption and investments have produced about a third of the growth in the world economy. It would be difficult for the other continents to compensate for the slowdown of the US economic growth. Should the US economy fall into a consumer-driven recession, the effects would be seen in the international economy as weaker foreign trade, commodity markets and financial markets and as a drop in various trust indicators.

We anticipate that the world economy will descend into recession led by the industrial countries, the Finnish economy will shrink and the ECB will cut its key interest rate close to zero. The dollar will strengthen in the short term, but in the long term, it will face weakening pressures. Changes in housing prices are moderate for the time being.

### FUTURE PROSPECTS IN THE INVESTMENT ENVIRONMENT

#### Investment environment in 2008

In 2008, it became apparent that the financial crises that originated in the US housing market will have serious consequences for the growth prospects of the entire world economy. Because of the excessive indebtedness of households and the financial sector, domestic demand in the United States has been weak already since the last quarter of 2007 and in practice, the country has been in a recession since December 2007. In Europe, the difficulties in obtaining credit began to slow down the consumption and investment demand in the second quarter of 2008, after which economic growth in the euro area has been negative. The world economy continued to grow moderately during the early part of the year thanks to the emerging markets, but the culmination of the financial crisis in the autumn also weakened the outlook for the emerging economies. The economies that are in deficit and where growth had been financed with foreign capital (for example, several East European countries), as well as economies

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**REPORT OF THE BOARD OF DIRECTORS 2008**

dependent on raw material price development (for example, Latin America and Russia) began to bear the brunt of the recession in the industrial countries.

The interest rate policy of the European Central Bank (ECB) in the early part of the year was rigid considering the economic outlook, because the rising prices of oil and raw materials were feared to strengthen the medium term inflation expectations. As late as in July, the ECB even raised interest rates from 4.00 per cent to 4.25 per cent. However, the culmination of the financial crisis and the fact that the world economy was clearly in recession also convinced the ECB of the improbability of the inflation problem, and a rapid descent of the key interest rates followed. At the end of the year, the ECB's key interest rate was 2.50 per cent. The US Federal Reserve (Fed) cut interest rates aggressively already at the beginning of the year. In all, the Fed lowered its key interest rate during the year from 4.25 per cent to a target level of 0–0.25 per cent. The Japanese central bank had to cut its key interest rate again close to zero, to 0.1 per cent.

The deep global recession that is in sight, as well as the unprecedented crisis of the global financial system reflect strongly in equity market yields. In the United States, the total return on equities was over 38 per cent negative in 2008. Since 1920, equity market yields have seen a decline this steep only in 1931. Globally, the return on equity declined by over 40 per cent – in Europe, ca. 44 per cent and in the emerging markets, over 54 per cent.

At the beginning of the year, the interest rate markets reacted to the increased risk of stagflation, i.e., the inflation of consumer prices despite the clear weakening of growth prospects. In Europe, the Central Bank also acted to avert this threat. The rigid monetary policies and the risk of stagflation raised the interest rates across the board. However, long interest rates went into a clear decline in the second half of the year, when the inflation issue seemed to quickly turn into a serious economic recession, combined with considerable deflationary pressures. The interest rate of the ten-year German bond declined in the second half of the year from the level of nearly 4.70 per cent to under 3.00 per cent. In Europe, the annual return on government bonds exceeded 9 per cent.

Since autumn 2007, the crisis in the financial market has weakened the liquidity in the inter-bank money markets and, for example, the Euribor interest rates have for a long time remained at exceptionally high levels in relation to the Central Bank key interest rate. The risk premiums on intra-bank crediting widened further in September-October after the bankruptcy of the Lehman Brothers investment bank. As an asset class, money market investments yielded a good return – over 5 per cent – in 2008.

On the foreign exchange market, the dollar continued to weaken against the euro. In July, however, the news about the growth in the euro area coming to a standstill, as well as the prices of oil and raw materials going into a sharp decline, started to support the dollar. In the second half of the year, also the withdrawal of equity from the border markets increased demand. The dollar strengthened against the euro by about 7.5 per cent during the year. The yen, meanwhile, strengthened against the euro by more than 23 per cent.

The first half of the year was still very brisk in the Finnish real estate investment market. By the middle of the year, however, the long period of decrease in return requirements ended and in the second half of the year, return requirements were already on the rise. Investors also became more cautious as a result of the uncertain economic outlook. Because of the quiet second half of the year, the real estate investment volume for the whole year was down compared to the previous year. The pace was also slowed down by the difficulties that investors faced in obtaining credit as a result of the financial crisis. In particular, this has been apparent in the decreased activity of foreign investors. The financial crisis and real economy have not as yet had any major impact on the rental market. The market values of investment properties have declined in several submarkets during the year, which has weakened the overall result figures.

In the international real estate market, year 2008 was a turning point. The decrease in return requirements that had continued for several years in the 2000s ended, and return requirements started to rise in several European submarkets. The volume of real estate investments turned into a clear decline as investors became more cautious with the weakened economic outlook, particularly in the

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## REPORT OF THE BOARD OF DIRECTORS 2008

United States. The financial crisis that originated in the banking sector in the autumn had a negative impact on the real estate sector and trading almost stopped in several submarkets.

In Europe, the total return on the shares of listed real estate investment companies was clearly lower than the return on real estate market.

### Future prospects in the investment environment

The financial crisis, the global recession in the housing markets and the slowdown of the economic growth in the emerging markets will keep the prospects for 2009 gloomy. The industrial countries are sliding into a severe and long-term recession with very slow economic growth for as long as the next three to five years. In the US, the excessive household indebtedness, rising unemployment and the downward yielding of wages strengthen the need to save and may lead to a negative spiral in which the faster the debts are attempted to be paid off, the more the consumption must be cut. This may lead to deflation, i.e., a decline of the general price level. In deflation, incentives wear thin and investments crumble away even further, as money itself will become an important maintainer of value. The economic imbalances in Europe are not as significant as in the US, but the credit crisis, the slower government reactions and the weak export markets may lead to a shrinkage of the total production in the euro zone that is even more pronounced than that in the US.

Equity market prospects remain very uncertain. The fast shrinkage of private consumption, the possibility of deflation and the weak financing situation create an unfavourable operating environment for companies. Although share prices have already seen a strong decline globally, it remains unclear whether the markets are pricing the significant and possibly long-term weakening of companies' performance to a sufficient extent. Based on many value indicators, shares may already seem very reasonably priced – particularly if the value indicators are compared to real interest rates – but a lasting equity market recovery seems unlikely until the credit markets start to operate normally.

The deep recession of the macroeconomies and the threat of deflation force the central banks of industrial countries to keep monetary economy light. The US Central Bank has even signalled a commitment to keep the key interest rate close to zero until economic recovery is certain. The ECB has been unwilling to lower the interest rates as low as the Fed, but presumably also the ECB will have to lower its key interest rate at least below the 1.00 per cent level. As regards the interest curve, the nominal interest rates in the euro zone do still have room to go lower. As the interest rate levels sink to historically low levels, money market investments and government bonds only offer modest returns. Although the lower interest rate levels may lead to government bonds still achieving a rather good return on equity, the investors will in any case have to seek return potential also from risk-containing asset classes. Because of the great uncertainty prevailing in the macroeconomy, corporate loans with their historically high risk premiums would seem to offer a better return/risk ratio than the equity markets. In 2009, the biggest risks will concern the global financial system's ability to operate effectively, as well as the economic development of the industrial countries. In both the US and Europe, stimulating finance policies must be used to prevent the collapse of aggregate demand and the downward spiral of consumer prices. At the same time, the liquidity of healthy companies must be secured. As the role of governments is emphasised, also the risk of various political errors increases. The rise of protectionism in the global trade would slow down the correction of imbalances in the global economy and the recovery of economic growth. There is also the danger of excessive support to the corporate sector, which may prevent supply adapting to declining demand. If overcapacity becomes chronic, this may lead to a Japanese-style spiral of deflation that lasts for several years, in which the lack of investments lowers the development of productivity and the long-term growth potential of the economy.

In the Finnish real estate market, return requirements are expected to continue to increase slightly in 2009 if the general uncertainty in the financial market continues. The volume of real estate investments is not believed to grow from the late 2008 level, unless the availability of credit improves significantly during the year. The biggest risks concerning the real estate market are associated with general economic development in 2009. The real economy's prospects will also have an impact on the rental market through pressures to lower rents and rising vacancy rates. Based on all this, the return on investment property is expected to fall below the levels seen in previous years.

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## REPORT OF THE BOARD OF DIRECTORS 2008

In the European real estate market, return requirements are expected to continue to rise moderately in several submarkets and to stabilise as the general level of interest rates decreases. The biggest risks concerning the real estate market are associated with general economic development and with the duration and depth of the recession. In the rental market, the impact of the recession on the real economy is likely to be evident in a pressure to lower rents as companies are seeking more affordable offices. The total return on investment property is expected to remain clearly below previous years.

### OPERATING ENVIRONMENT IN LIFE INSURANCE BUSINESS

According to the Federation of Finnish Financial Services, the financial crisis will have a delayed impact on the real economy. Apart from the steep drop in the value of investments, the effects were not yet felt in the insurance sector in 2008. The premium income in the life insurance sector fell by 5.8 per cent, mainly due to the volume of unit-linked continuous savings life insurance policies being halved. The premium income in the individual pension insurance sector grew by a further 4.7 per cent, while that of group pension insurance was over 40 per cent.

Customers are showing growing interest in life insurance policies that cover death, disability and illness. The premium income from risk insurance increased by 13.3 per cent. The main reasons for this are big housing loans and an increasing awareness of risks relating to the possible death and illness of the family's main breadwinner.

An overall reform of the Insurance Companies Act came into effect on 1 October 2008. The Insurance Companies Act has been changed to correspond to the systematics of the new Companies Act. Decrees and regulations have been elevated to the level of an act in accordance with the constitution. One of the key changes is that the purpose of a mutual insurance company's operations has been provided by law for the first time. The purpose of operations is to generate profit or other financial benefit for the shareholders, unless otherwise provided in the company's Articles of Association. The Act lays down provisions on preventive solvency supervision of life insurance companies, including both the basic and continuity requirements tests. Life insurance companies must publish the principles and targets of the distribution of additional benefits on the website. Should the targets not be reached, the company must explain the reasons for this.

The implementation of the preventive solvency supervision laid down in the new Insurance Companies Act has introduced a new feature into the companies' solvency management. They must now simultaneously follow interest rate risks that comply with two different supervisory systems and calculation methods, which call for opposite risk management measures. Moreover, the provisions issued in the new Act concerning failure to reach the limits for preventive supervision are the same as those laid down in the current solvency practice (Solvenssi I) for non-compliance with solvency margin regulations. According to the Financial Supervisory Authority, preventive supervision is only an additional supervisory tool in use while preparing for the solvency supervision in compliance with the framework for Solvenssi II. The existence of two different systems has made solvency management very demanding, as exemplified during the turbulence in the interest rate market in late 2008.

Because of the new insurance company legislation, also the Insurance Supervision Authority's regulations and guidelines were amended and the Ministry of Social Affairs and Health issued several decrees.

The development of the insurance accounting standard has been further delayed. A draft of the standard will be published in 2010 at the earliest. The standard is expected to be completed no earlier than 2012.

The European Parliament and the European Council aim to develop new, uniform solvency requirements for insurance and reinsurance companies in the EU, as well as uniform principles for insurance supervision and obligations to provide information. The Directive Proposal on insurance and reinsurance (Solvency II) aims to bring closer together the principles of supervision in the insurance and other financial service sectors. Because of changes in solvency requirements, the Directive and its implementing provisions require amendments to national insurance legislation. Finland has already

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## REPORT OF THE BOARD OF DIRECTORS 2008

made changes, among other things, to the Insurance Companies Act, whose calculations for preventive solvency testing reflect the calculation principles of the future directive. Other changes have been made, for example, to the Insurance Associations Act and the Act on Foreign Insurance Companies. According to current estimates, the proposed directive will not have significant effects on the finances of Finnish insurance companies. The proposal will provide improved protection for policyholders. The proposal also requires that insurance supervision processes be reviewed and revised.

### APPLICATION OF THE ACT ON THE SUPERVISION OF FINANCIAL AND INSURANCE CONGLOMERATES TO TAPIOLA GROUP

Tapiola General Mutual Insurance Company (Tapiola General) informed the Insurance Supervisory Authority (ISA) that according to the company's September 2007 interim report, Tapiola Group fulfils the preconditions for a financial and insurance conglomerate since it fulfils the precondition set in section 4, subsection 2, paragraph 1 of the Act on the Supervision of Financial and Insurance Conglomerates: the average of relative shares of the balance sheet total and capital adequacy requirements of both sectors calculated in accordance with subsection 3 exceeds 10 per cent. On 21 December 2007, the ISA issued a decision that by virtue of section 9, subsection 2 of the Act on the Supervision of Financial and Insurance Conglomerates, Tapiola Group, which includes Tapiola Life, forms a conglomerate within the meaning of the Act and falls within the scope of the Act. The company at the head of Tapiola Group is Tapiola General Mutual Insurance Company. The coordinating supervisory authority of the conglomerate was the Financial Supervision Authority (before 2009, the Insurance Supervisory Authority).

The forming of a conglomerate has the following consequences, for example: certain duties to disclose; if the group includes companies from both the insurance and the financial sector, figures of both sectors must be presented separately in the consolidated financial statements; the parent company of the conglomerate is responsible for risk management and internal supervision at company and conglomerate level; the company at the head of the conglomerate must quarter-annually draw up and submit to the coordinating supervisory authority a solvency calculation indicating the own funds and the minimum amount of own funds of the conglomerate as well as their difference, and the company at the head of the conglomerate must confirm a plan for the conglomerate to maintain its solvency.

### GROUP STRUCTURE

In addition to the parent company, Tapiola Life Group comprised the subsidiary Tapiola Corporate Life Insurance Ltd, share of ownership 97.5 per cent (96.2%), as well as 23 (32) housing and real estate companies and five other companies that do not engage in business operations.

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

### LIFE INSURANCE BUSINESS

Following a long development project, Tapiola Life implemented a new claims system in the latter part of the year. The tools used for claims processing moved instantly into a new era. We also expanded the electronic claims service of customers so that nearly all private persons can now use online self-service to file their health insurance claims. The service is unique at the moment, giving customers the opportunity to instantly get a decision on compensation. Customers of Tapiola Bank receive the money on their account the following weekday.

Tapiola has long considered the development of online services a top priority. We aim to introduce online services that customers value and that facilitate the everyday lives of customers and their families. In addition to the claims service, we launched the sale of individual pension insurance on

## REPORT OF THE BOARD OF DIRECTORS 2008

Tapiola's website. Similar to personal service, our online services give customers the opportunity to first survey their own savings needs to ensure that the solution is appropriate.

Our Rahasto-Omaeläke and Omavara customers have been able to carry out their investment transactions online for a couple of years already. The number of changes made to savings was record high last year, as customers found an easy and fast way to handle their insurances online.

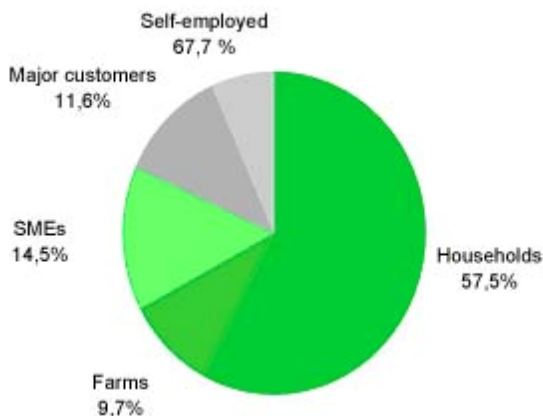
Our product development broke new ground in the latter part of the year, when we introduced a new type of medical expenses insurance policy, Terveysturva, targeting our elderly customers. We have taken the target group's needs into account, for example, by conducting the health survey by phone. The customers have been very positive about the new service model and have also given positive feedback on the possibility to use home help during convalescence, which is also linked to the product.

The Helppo Henkilöstöpaketti ("easy personnel package"), a comprehensive solution created for our corporate customers, is an excellent example of the impact that insurance policies and Tapiola's services have on the daily routines of our customer companies.

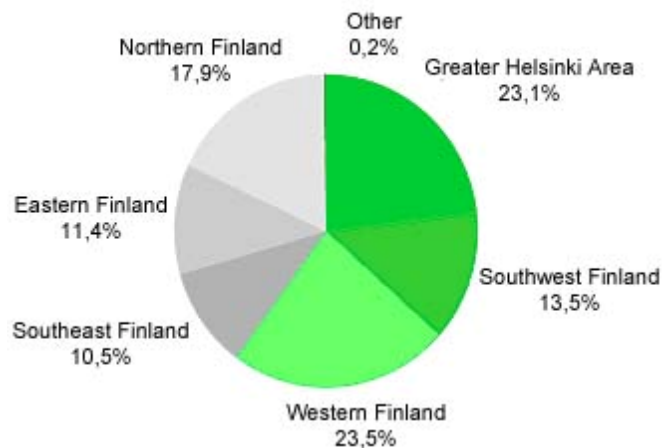
### Premium income

Tapiola Life's direct business (underwritten) premium income was EUR 205.0 million, (EUR 202.3 million), corresponding to a year-over-year increase of 1.3 per cent. According to the Federation of Finnish Financial Services, the total premium income in the sector fell by 5.8 per cent. The Group's market share of premiums rose to 7.9 per cent (7.2%). Excluding the employee group life insurance premium income agreed through a pooling contract, the Group's market share of premiums was 7.7 per cent (7.0%).

PREMIUM INCOME BY CUSTOMER SEGMENT  
TAPIOLA LIFE GROUP



PREMIUM INCOME BY REGION  
TAPIOLA LIFE GROUP



Tapiola Life Group's premium income from individual life insurance fell by 12.1 per cent to EUR 69.2 million (EUR 78.8 million). Premium income from employee group life insurance decreased by 27.3 per cent to EUR 6.8 million (EUR 9.4 million). Premium income from other group life insurance increased by 19.3 per cent to EUR 16.9 million (EUR 14.2 million). Premium income from life insurance fell by 9.1% to EUR 93.0 million (EUR 102.3 million).

Tapiola Life Group's pension insurance income increased by 12.4 per cent to EUR 112.0 million (EUR 99.7 million). Individual pension insurance premium income went up 3.5 per cent to EUR 78.1 million (EUR 75.5 million). Premium income from group pension insurance rose by 40.1 per cent to EUR 33.9 million (EUR 24.2 million).

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**REPORT OF THE BOARD OF DIRECTORS 2008**

The premium income from savings insurance policies has dropped sharply in the whole sector, mainly due to the attractiveness of fixed-term deposits in the currently uncertain investment markets. However, Tapiola Life's premium income from savings insurance decreased significantly less than that in the industry in general. The market share in individual voluntary pension insurance remained on a par with the previous year's figures.

Growth in the premium income of group pension insurance policies taken out by companies corresponded to that of the sector in general.

Premium income from risk insurance increased in both private and company policies. Growth was seen especially in the premium income from risk insurance taken out by companies.

**Claims paid**

Tapiola Life Group's claims paid decreased by 6.0 percent to EUR 209.5 million (EUR 222.8 million). Repayments of benefits amounted to EUR 54.0 million (EUR 81.8 million), down 33.9% from the previous year. Surrenders totalled EUR 34.2 million (EUR 29.6 million), an increase of 15.4 per cent on the previous year. The amount of other claims paid increased by 8.9 per cent to EUR 121.3 million (EUR 111.4 million).

**Expense ratio**

Tapiola Life's expense ratio in proportion to total expense loadings rose to 120.6 per cent (110.7%). Operating expenses to be covered with total expense loadings, excluding reinsurance commissions and claims handling expenses, were up 6.0 per cent year-over-year, as total expense loadings decreased by 2.8 per cent.

The operating expenses in the profit and loss account increased by 5.2 per cent to EUR 32.4 million (EUR 30.8 million), and claims handling expenses were up 12.1 per cent to EUR 4.9 million (EUR 4.4 million). The increase of operating expenses results from ongoing measures taken to improve customer, insurance and claims service and from investments to strengthen our position in the intense competition.

**Other income and expenses**

Tapiola Life's ancillary operations include offering a sales channel for the products of Tapiola Bank and Tapiola Asset Management, as well as for Tapiola Mutual Pension Insurance Company as of the beginning of 2008. 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".

Other returns and expenses totalled EUR 2.1 million (EUR -0.2 million) net.

**Technical provisions**

At the end of the financial period, Tapiola Life Group's technical provisions stood at EUR 2,557.7 million (EUR 2,634.9 million), of which EUR 2,249.0 (EUR 2,248.8) accounted for ordinary guaranteed-return technical provisions. Technical provisions for unit-linked insurance stood at EUR 308.7 million (EUR 386.1 million).

The parent company Tapiola Life's technical provisions stood at EUR 1,777.2 million at the end of the period (EUR 1,851.3 million). Of this amount, ordinary guaranteed-return technical provisions accounted for EUR 1,517.7 million (EUR 1,523.1 million). Technical provisions for unit-linked insurance totalled EUR 259.5 million (EUR 328.3 million).

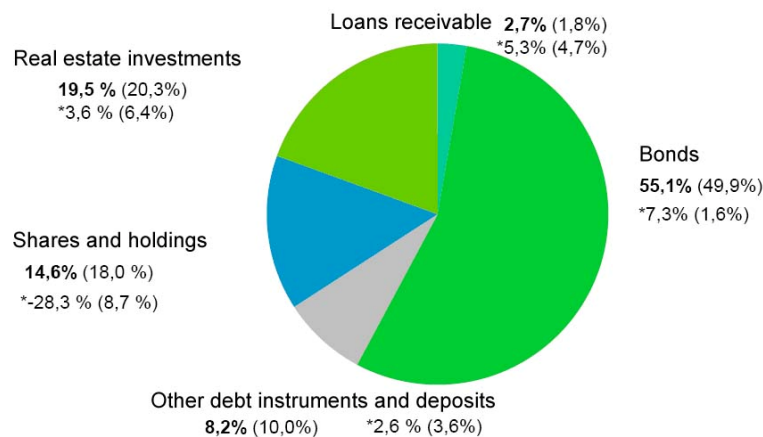
**REPORT OF THE BOARD OF DIRECTORS 2008**
**INVESTMENTS AT CURRENT VALUE – LIFE INSURANCE**

The share of equity and real estate in investments decreased in the review period. Tapiola Group companies, Tapiola General Mutual Insurance Company, Tapiola Mutual Pension Insurance Company, Tapiola Mutual Life Assurance Company and Tapiola Corporate Life Insurance Ltd, signed an agreement on the sale of 30 real estate assets with a fund managed by the Carlyle Group in March 2008. The share of fixed-income investments has increased.

Tapiola Corporate Life's investment income at current value totalled -1.1 per cent (+4.0%), which can be considered to be good in the sector. Investment assets at current value stood at EUR 1,745.1 million (EUR 1,772.0 million).

Financial statements 2008

**Investments, allocation and rate of return**  
**Current value EUR 1,745.1 million (12/2007: EUR 1,772.0 million)**



Return on capital employed -1,1 % (2007: 4,0 %) \* Rate of return by type of investment

**Equity investments**

Tapiola Life's equity investments totalled EUR 254.2 million (EUR 319.0 million), accounting for 14.6 per cent (18.0%) of all investments. Finnish shares accounted for 27 per cent (34%) of direct listed equity investments, which amounted to EUR 89.9 million (EUR 153.9 million). Equity investments yielded a return of -28.3 per cent (8.7%).

**Fixed-income investments**

The market value of Tapiola Life's fixed-income portfolio, including fixed-income funds and money market investments, stood at EUR 1,104.8 million (EUR 1,062.0 million), i.e., 63.3 per cent (59.9%) of investments. Government bonds accounted for 40 per cent (46%) of fixed-income investments, swap and corporate loans for 48 per cent (43%) and money market investments for about 12 per cent (11%). The modified duration of the portfolio, which indicates its interest rate risk, was 5.06 (4.24) years. Fixed-income investments yielded 6.7 per cent (1.9%).

**Real-estate investments**

Tapiola Life's real estate investments totalled EUR 339.7 million (EUR 359.9 million), accounting for 19.5 per cent (20.3%) of all investments. The rate of return from real estate in current value was 3.6 per cent (6.4%). The negative result of real estate investments is explained by the return from mutual funds and undertakings for collective investment in transferable securities, which amounted to -18.9 per cent (-10.6%). The average vacancy rate of the real estate was 5.1 per cent (5.8%).

*The comparison figure from the previous year is displayed in the brackets.*

## REPORT OF THE BOARD OF DIRECTORS 2008

### Loans

The current value of Tapiola Life's loans receivable at the end of the review period was EUR 46.3 million (EUR 31.1 million). Loan receivables accounted for 2.7 per cent (1.8%) of total investments. The majority of the loan portfolio consisted of investment loans tailored for companies. Loans generated a return of 5.3 per cent (4.7%).

## RESULT AND ITS USE

Tapiola Life recorded an operating profit of EUR 7.7 million (EUR 90.3 million). The result for risk premiums collected was EUR 5.2 million (EUR 7.6 million) positive, the difference between total expense loadings and actual operating expenses was EUR 4.2 million negative (EUR 1.4 million negative), and the difference between net investment income and interest requirements regarding technical provisions was EUR 15.6 million (EUR 85.5 million) positive. Other items affecting the operating profit totalled EUR -8.9 million (EUR -1.5 million). The conversion of the claims processing system at the turn of the year led to problems in provisions reporting. As a result, provisions of EUR -8.0 million were made to secure the solidity of technical provisions. A total of EUR 7.0 million (EUR 23.1 million) from the result for the financial year was reserved for customer bonuses and rebates. From the provisions for future additional benefits, an addition of EUR 39.4 million was made to lower the technical interest rate and EUR 5.9 million was transferred to the period's customer bonuses and rebates. A sum of EUR 1.6 million from the result for the financial year was set aside for provisions for future additional benefits. The addition to lower the technical interest rate can be used to cover losses in the difference between net investment income and interest requirements regarding technical provisions in 2009. The share that is not used to cover losses will be returned to the provisions for future additional benefits. An amount of EUR 6.9 million (EUR 50.6 million) has been reserved as provisions for future additional benefits. At the current level of compensation, this equals the amount needed to cover approximately one year's worth of bonuses. The average technical rate of interest was 3.3 per cent (3.3%).

## SOLVENCY – LIFE INSURANCE

The solvency margin of parent company Tapiola Life, i.e., the figure that describes the amount by which an insurance company's assets exceed its liabilities and other comparable commitments, totalled EUR 218.4 million (EUR 225.5 million), while the minimum solvency margin was EUR 74.8 million (EUR 75.2 million). The values of various asset classes have shown big fluctuations over the year. The decrease in the difference between current and book values of investments is reflected in the drop in solvency margin compared to the previous year. Solvency capital, which is a measure of solvency and risk bearing capacity, totalled EUR 241.5 million (EUR 248.6 million). Solvency ratio, which in the case of life insurance companies describes the ratio of company assets to adjusted technical provisions, was 15.5 per cent (15.7%).

Solvency was boosted with internal equity investments within the Group. The guarantee capital of Tapiola Life was raised by EUR 30.0 million and an increase of EUR 30.0 million was made to the capital and reserves of Tapiola Corporate Life. The increase was subscribed in total by parent company Tapiola Life. In addition, the companies took out a subordinated loan: Tapiola Life one of EUR 37.0 million and Tapiola Corporate Life one of EUR 18.0 million.

Tapiola Life Group's solvency margin totalled EUR 275.4 million (EUR 301.7 million) and the minimum solvency margin was EUR 109.7 million (EUR 110.2 million). Solvency capital was EUR 334.4 million (EUR 354.3 million), and solvency ratio 14.7 per cent (15.4%).

## KEY RISKS AND UNCERTAINTIES

Tapiola Life's board of directors bears the overall responsibility for risk management. The Board determines the risk management targets, limits of risk taking, responsibilities, metrics and monitoring principles for each activity. Investment and risk management plans are drawn up annually in the

*The comparison figure from the previous year is displayed in the brackets.*

## REPORT OF THE BOARD OF DIRECTORS 2008

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

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

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

The most significant risks in Tapiola Life's operations are market risks associated with investments, insurance risks in life insurance, operational risks and business risks. Market risks are caused by fluctuations in market values, including fluctuations resulting from changes in interest rates, share prices and exchange rates. The most significant insurance risks in life insurance are risks associated with mortality, life span and morbidity, as well as the customer-related risks of termination of contracts and premiums. Operational risks refer to the risk of losses caused by insufficient or failed internal processes, personnel, systems and external factors. Legal risks are included in operational risks. Business risks include risks associated with the operating environment, such as changes in the market position, competitive situation or customer behaviour, and risks relating to strategic or operational choices.

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

## CORPORATE GOVERNANCE IN TAPIOLA LIFE

Tapiola Group's corporate governance is based on customer-owners. All policyholders and guarantee share owners are shareholders of Tapiola. All guarantee shares are owned by the mutual companies of the Group.

Tapiola Life's Annual General Meeting was held on 24 April 2008. The meeting approved the financial statements for 2007 and elected new members to the Supervisory Board as well as the auditors. The term of a Supervisory Board member is three years. Tapiola Life's Supervisory Board members **Jouko Havunen**, **Seppo Aaltonen**, **Vesa Ekroos**, **Merja Lehtonen** and **Jouko Setälä**, who were in turn to resign, were re-elected.

The new members elected to the Supervisory Board are **Pekka Ilmivalta**, lawyer, Veikkaus Oy, **Marita Modenius**, headteacher, Koulutuskeskus Salpaus, and **Ulla Vanninen**, project manager, Tapiola Data Ltd.

PricewaterhouseCoopers Ltd, a company of Authorised Public Accountants, and Authorised Public Accountant Hannu Pellinen were elected as the company's regular auditors. The auditor with the main responsibility is Authorised Public Accountant Juha Tuomala, appointed by PricewaterhouseCoopers Ltd. Authorised Public Accountants Riitta Hallio and Sari Airola from PricewaterhouseCoopers Ltd were elected as deputy auditors. In accordance with the Insurance Companies Act, PricewaterhouseCoopers Ltd was appointed as supervisory auditor and Authorised Public Accountant Hannu Pellinen as deputy supervisory auditor. The remunerations paid to the company of Authorised Public Accountants are presented in note 3.4 to the profit and loss account.

**An extraordinary shareholders' meeting** of Tapiola Life was held on 10 December 2008. It discussed the Board's proposal to raise the guarantee capital. As proposed by the Board, the shareholders' meeting decided to increase the company's guarantee capital by EUR 30,017,750 by issuing 595,000 new guarantee shares to be subscribed by the current guarantee share holders at a subscription price of EUR 50.45 for each guarantee share. The increase was subscribed in total by Tapiola General. The shareholders' meeting also decided to amend the Articles of Association. In the main, the amendments are based on the reform of the Insurance Companies Act, which came into effect on 1 October 2008.

*The comparison figure from the previous year is displayed in the brackets.*

**REPORT OF THE BOARD OF DIRECTORS 2008**

The **supervisory board** held its organising meeting on 29 May 2008 and elected Jouko Havunen, Lic. Sc. (Econ.), from Laihia, as Chairman of the supervisory board and Marita Ruohonen, Executive Director of the Finnish Association for Mental Health, from Kirkkonummi, as Deputy Chairman. The supervisory board met three times. The average attendance rate at the meetings was 77 per cent. The salaries and remunerations paid to the Supervisory Board members, their pension commitments, money loans and terms thereof, as well as guarantees and contingent liabilities are specified in Section 3 of the Notes to the profit and loss account.

The **Cooperation Committee**, compliant with the Articles of Association, comprises the Chairmen and Deputy Chairmen of the Supervisory Boards and monitors the operations of the entire Tapiola Group, with the exception of Tapiola Pension. Antti Lemmetyinen, Chairman of Tapiola General's Supervisory Board and Chairman of the Board of Directors, was elected as Chairman of the Cooperation Committee of the Supervisory Boards, and Managing Director Marjut Nordström, Chairman of Tapiola Corporate Life's Supervisory Board, was elected as Deputy Chairman of the committee. The Cooperation Committee met ten times. The average attendance rate at the meetings was 95 per cent.

The supervising activities of the **Audit Committee**, established by the Cooperation Committee, include monitoring solvency, risk management and compliance with laws and regulations; monitoring financial reporting; monitoring the work of auditors and their independence; as well as assessing internal auditing, internal supervision and risk management. The Chairman of the Audit Committee was Jouko Havunen, Lic.Sc. (Econ.), and the members were Managing Director Marjut Nordström and Juha Marttila, PhD (Agr. & For.). The Audit Committee held five meetings. The average attendance rate at the meetings was 87 per cent.

The duties of the **Compensation Committee**, established by the Cooperation Committee, include the preparation of suggestions on the remuneration and benefits of the members and deputy members of the insurance companies' Boards of Directors and on matters relating to their employment in general and in individual cases, to be decided by the chairmen and deputy chairmen of the Supervisory Boards in a meeting of the Cooperation Committee. Additional duties include the development of the compensation scheme for the members and deputy members of the insurance companies' Boards of Directors using external benchmarking information, and monitoring the development of the compensation scheme for the management and personnel of the entire Tapiola Group. The Chairman of the Compensation Committee was Antti Lemmetyinen, Chairman of the Board of Directors, and the members were Executive Director Marita Ruohonen and Managing Director Jouko Virranniemi. The Compensation Committee met twice in 2008 and had an average attendance rate of 67 per cent at its meetings.

The **Board of Directors** is responsible for corporate governance and appropriate organisation of operations. Its duties include verifying strategic plans and operating principles as well as annual operating plans. Tapiola Life's Board of Directors comprises four ordinary members and three deputy members. The ordinary Board members are full-time members, and the positions are held by the same persons in Tapiola's life insurance and non-life insurance companies. In its meeting held on 16 November 2006, the Supervisory Board elected the Board of Directors for a three-year term ending on 31 December 2009. The chairman of the Board of Directors is Tapiola's President, Asmo Kalpala. The members are Group Directors Antti Calonius, Juhani Heiskanen and Jari Saine, who also acts as deputy chairman of the Board of Directors. During the financial year, Juhani Heiskanen resigned from the Board of Directors and Arto Jurttila was appointed in his place. The Board convened 14 times. The attendance rate at meetings was 98.2 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 remunerations 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 of the Notes to the profit and loss account.

Minna Kohmo, MSc (Economics & Business Administration), took up the position as Managing Director of Tapiola Life and Tapiola Corporate Life on 1 September 2008. The life insurance companies' former managing director, Juha-Pekka Halmeenmäki, transferred to Tapiola General Mutual Insurance Company, where he holds the position of Managing Director. Minna Kohmo, MSc (Economics &

*The comparison figure from the previous year is displayed in the brackets.*

## REPORT OF THE BOARD OF DIRECTORS 2008

Business Administration), took up the position as Managing Director of Tapiola Life and Tapiola Corporate Life on 1 September 2008. The life insurance companies' former managing director, Juha-Pekka Halmeenmäki, transferred to Tapiola General Mutual Insurance Company, where he holds the position of Managing Director. In 2008, the salaries and perquisites of the life insurance companies' Managing Directors totalled EUR 207,943 and merit pay on the 2007 results, EUR 21,143. The management's merit pay is based, on the one hand, on the achievement of company-specific, three-year strategic objectives (maximum 30 per cent) and, on the other hand, 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.

Tapiola Group has three **Customer Segment Management Groups**, the chairmen of which are Board members responsible for services for each customer group. The purpose of the Customer Segment Management Group is to develop and coordinate the Group's customer service and ensure the creation of added value for owner-customers. The Group also has management groups outlining common issues and services and a corporate Management Group assisting the managing director.

The **Advisory Committees** have an important role as an interactive channel between customers and the Group, supplementing administration. The Advisory Committees comprise ca 340 members, all of whom are customers of Tapiola Group and provide a versatile representation of the Group's customer base. In 2009, there are 22 regional Advisory Committees in various parts of the country in accordance with Tapiola's regional division. The seven Advisory Committees operating in the Helsinki region meet the needs of targeted consumer and business groups. The Advisory Committees of Young Persons, Adults, Seniors, Entrepreneurs, Corporations, Agriculture and Forestry as well as Banking operate in the Helsinki region. Compared to 2007, the number of Advisory Committees has been reduced by one. The merger of the Middle Savo region into the Southern Savo and Kuopio regions also required that the Middle Savo Advisory Committee was divided between the Advisory Committees of these regions. In 2008, the Advisory Committees held two statutory meetings. In addition, some of the Advisory Committees organised an informal meeting during the summer. The 2008 joint meeting was held in February at the Finlandia Hall in Helsinki.

**Internal Audit** assists top management in controlling, supervising and securing the company's operations by carrying out inspections. It evaluates the performance level of operations, efficiency, sufficiency of internal control and supervision, appropriateness of risk management, as well as compliance with legislation, official regulations and internal instructions. Internal audit is managed by the Group's President.

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

For more detailed information on the various governing bodies and their duties, please visit [www.tapiola.fi](http://www.tapiola.fi)

## PERSONNEL

### Number and structure of personnel

As of the beginning of 2008, persons working exclusively for Tapiola Mutual Pension Insurance Company (Tapiola Pension) will be employed solely by Tapiola Pension. Persons working for Tapiola General Mutual Insurance Company, Tapiola Life and the Group services provided by these companies will no longer be employed by Tapiola Pension; they will only have employment relationships with Tapiola General and Tapiola Life. This change did not require amendments to other employment terms or duties.

Group services provide services to the separate legal companies of Tapiola Group, while Tapiola General provides the head office services and Tapiola Mutual Life Assurance Company (Tapiola Life)

*The comparison figure from the previous year is displayed in the brackets.*

## REPORT OF THE BOARD OF DIRECTORS 2008

the regional and web services needed by Tapiola Pension. The said companies and Tapiola Pension have entered into outsourcing agreements on shared services.

If the number of people employed by Tapiola Group's non-life insurance and mutual life assurance companies was divided between the separate legal insurance companies in relation to their payrolls, the share of life assurance companies would be 497 persons (333). The increase in headcount comes from the expansion of ancillary operations. Tapiola Life's ancillary operations include offering a sales channel for the products of Tapiola Pension, Tapiola Bank and Tapiola Asset Management.

### Compensation

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.

A merit pay scheme is a key element of Tapiola's compensation schemes. It covers the whole organisation and forms part of the management system. The amount of merit pay granted to clerical employees at the head office may not exceed seven per cent of the annual payroll. The actual amounts paid have been four per cent on average. 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 estimated in performance appraisal discussions. The regional organisation's salary schemes include various alternatives for rewarding performance, and their proportion of the total salary varies from a few per cent to approximately fifty per cent.

Based on the results, annual payments are also made to Tapiola Group's personnel fund, established in 1991. The amount of payment is affected, for example, by the financial performance of Tapiola Group companies and any increase in market shares. On the basis of the result for the financial period, no payment was made to Tapiola Group's personnel fund. Cumulatively, Tapiola Group has made payments totalling EUR 24.7 million to the personnel fund during its operation.

Tapiola Group's top management, including the President, the ordinary and deputy members of the Board of Directors, managing directors and deputy managing directors, is covered by a management merit pay scheme. The scheme also applies to other executives, unit managers, regional managers and deputy managers or those in similar positions. The management's merit pay is based, on the one hand, on the achievement of company-specific, three-year strategic objectives (maximum 70 per cent of annual earnings depending on the position) and, on the other hand, on the achievement of annual objectives (maximum 50 per cent depending on the position). The actual amounts paid have been, on average, approximately 20 per cent of the maximum amount.

## CORPORATE SOCIAL RESPONSIBILITY

Tapiola Group reports on its social responsibility for the sixth time. The theme of the 2008 Social Responsibility Report is "Making Responsibility an Everyday Issue". The theme refers to the fact that social responsibility is a part of Tapiola Group's strategic planning and operational aims. The report has been prepared in accordance with the Global Reporting Initiative (GRI) reporting standard. It was the first in Finland to achieve application level A+ in 2007. The application level refers to the completeness of the reporting; the report addresses all of the issues required by the reporting system. Tapiola also reports on issues considered to be essential by the most important stakeholders. The GRI indicators have been included in the text for analysts. The 2008 report has not been assured, but it complies with previous practices and comments from the assurance providers.

Tapiola's social responsibility is built on the Group's shared values: customer benefits, ethical activity, shared success and entrepreneurship. As a company form, mutuality places special requirements on openness and responsibility in Tapiola, since our customers are also our owners. External surveys show that our various stakeholders also regard Tapiola as a forerunner of responsibility in Finland.

Tapiola reports on its financial impact nationally and regionally. Social responsibility covers not only responsibility to customers and employees but also responsibility to society, which a company such as

*The comparison figure from the previous year is displayed in the brackets.*

## REPORT OF THE BOARD OF DIRECTORS 2008

Tapiola is connected to in many ways. Responsibility for the environment is addressed from the viewpoints of customer service, real estates owned, and office work. Environmental responsibility is seen to have the most room for development. Even if the direct environmental impact of the Group is fairly minor, its indirect impact through customer relationships is significant. The prevention of problems caused by climate change demands that the matter be addressed in an entirely new way.

Tapiola Life offers the possibility to supplement social security with voluntary insurance policies.

Financial responsibility is foremost in business operations. It creates the conditions for responsible operation in other areas. Financial responsibility comprises profitability, competitiveness and efficiency. Financial responsibility can be measured by the company's result, solvency, expense ratio, customer bonuses and rebates and other customer benefits.

The most important principles in investment activities are the solidity and productivity of investments. When making investment decisions, Tapiola Life strives to avoid investments that would contradict the company's values.

The returns from our operations are put into customer bonuses and rebates and used to strengthen the company's solvency.

Social responsibility is considered to include Tapiola Life's responsibility for people and communities, as well as activities in collaborative networks. The cornerstones of Tapiola's personnel policy are stability and responsibility. The company's management and representatives of the personnel work in close cooperation to develop the company's operations in order to find ways to create new jobs while increasing efficiency in the long run.

Tapiola Group's environmental activities are coordinated by an environmental team, whose management is part of corporate security. All regional offices have a designated person in charge of environmental issues. The insurance and financial business does not have any major adverse impacts on the environment. Tapiola Life's other fields of operation are real estate and building contracting. It is possible to work indirectly for the environment through investment operations. Good environmental management delivers savings and creates a lasting basis for future operations. Tapiola Group's environmental activities are coordinated by an environmental team, whose management is a part of corporate security. All regional offices have a designated person in charge of environmental issues.

Tapiola Group's Social Responsibility Report 2007, "Making Responsibility an Everyday Issue", is available at [www.tapiola.fi](http://www.tapiola.fi)

## GUARANTEE CAPITAL

Tapiola Life has a minimum guarantee capital of EUR 19,990,812.50 and a maximum guarantee capital of EUR 79,963,250, divided into at least 396,250 and at the most 1,585,000 guarantee shares issued to designated persons. 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.

The guarantee share owners and their shares of the guarantee capital were as follows on 31 December 2008:

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

*The comparison figure from the previous year is displayed in the brackets.*

## REPORT OF THE BOARD OF DIRECTORS 2008

The guarantee capital of Tapiola Life was increased during the financial year by EUR 30,017,750 by issuing 595,000 new guarantee shares to be subscribed by the current guarantee share holders at a subscription price of EUR 50.45 for each guarantee share. The increase was subscribed in total by Tapiola General Mutual Insurance Company.

### SUBORDINATED LOAN

In the review period, Tapiola Life concluded a subordinated loan agreement with Tapiola General Mutual Insurance Company, providing Tapiola Life with a loan of EUR 37,000,000. The agreement is valid until further notice. There is no security for the loan. Detailed information on the loan are available in note 18.2 to the balance sheet.

Tapiola Life's subsidiary, Tapiola Corporate Life, concluded a subordinated loan agreement with Tapiola General Mutual Insurance Company, providing Tapiola Corporate Life with a loan of EUR 18,000,000. The agreement is valid until further notice. There is no security for the loan.

### FUTURE PROSPECTS

The population continues to age rapidly especially in growth centres, and people retiring in the coming years will be clearly wealthier than previous generations of retirees. Compared to their predecessors, future pensioners are also more willing to use their assets to improve their quality of life. This enables life insurance companies to develop new kinds of products and services and customise existing products to the needs of this customer group. Tapiola introduced its first products for this particular group in autumn 2008. The Terveysturva policy, which targets those over 55, is one of the unique elements of the new product and service package.

New, alternative forms of pension saving were widely discussed in the public and in the political arena in autumn 2008. The goal is to give customers a wider range of opportunities to prepare for retirement. Individual pension insurance is one option for pension saving. At times, the public discussion around the topic has not drawn enough attention to the strengths of individual pension insurance as a clearly targeted form of retirement preparations. Among other things, individual pension insurance is the only product on the market that can guarantee customers a determined size of pension for the rest of their lives. As a one-stop financial service company, Tapiola will offer its customers a full range of products. We believe that individual pension insurance will continue to be a significant product on this market. To improve the competitiveness of individual pension insurance, we have taken measures that will considerably enhance the service that customers receive.

Owing to the extremely uncertain economy, customers will find guaranteed-return savings an attractive alternative in the coming years.

Online products have been further developed in sales as well as in insurance and claims services. In the latter area, Tapiola introduced a self-service option for children's insurance claims processing over a year ago. It has received excellent feedback from customers, and last autumn it was expanded to cover medical expenses insurance for adults. Moreover, voluntary pension insurance policies have been on sale in our online insurance store since last autumn. Especially banking relations and our electronic claims service system increase the frequency of online transactions compared to the traditional insurance business. We use this development to boost sales and to enhance our service.

In 2008, we conducted a survey among corporate decision-makers to identify uncertainty factors related to personnel. Based on the survey results, Tapiola launched the Helppo henkilöstöpaketti ("easy personnel package") concept for corporate customers in early autumn 2008. It has already proved to be a success. The concept enables companies to increase their value, take better care of their personnel, reduce staff turnover, raise their attractiveness as employers and commit key employees to the company. In the current state of economy, it is important for companies to take care of their employees and professionals because workforce shortage will become a real problem when the next boom gets underway.

*The comparison figure from the previous year is displayed in the brackets.*

**NOTES TO THE FINANCIAL STATEMENTS 2008 – ACCOUNTING PRINCIPLES**

The financial statements of Tapiola Mutual Life Assurance Company have been prepared in accordance with the Accountancy Act, the Companies Act and the Insurance Companies Act, as well as in compliance with the decisions, regulations and instructions of the Insurance Supervisory Authority.

**Valuation and allocation of intangible assets**
*Other long-term expenditure*

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

**Valuation and allocation of investments**
*Real estate and shares in real estate*

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

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

Revaluations may have been made on the values of real estate and shares in real estate if the values 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 write-downs of investments are reversed in the profit and loss account at most up to the historical cost if the current value rises.

*Shares and holdings*

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

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

*Debt securities*

Debt securities include bonds and other money market instruments. Debt securities are stated at cost in the balance sheet. Acquisition cost is calculated using the average price method. The difference between the nominal value and acquisition cost of debt instruments is released or charged to interest income during the term to maturity. The counter-item has been entered as an increase or decrease of the acquisition cost of the debt security. Value adjustments owing to interest rate fluctuations have not been recorded. Write-downs arising from 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 2008 – 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, derivatives are primarily treated as non-hedging, even though they are effective for hedging purposes.

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

*Non-hedging derivatives*

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

*Application of hedging calculation*

When using hedging calculation, a decrease in the value of a derivative is not entered to the extent that an increase in the value of the hedged item covers the change. Any loss exceeding the increase in the value of the hedged item is entered as an expense. The difference between the current value and the lower book value of a derivative is entered as income from the hedged item up to the amount entered as expense. If no value change is entered in the profit and loss account for the hedged balance sheet item, no valuation income or expense arising from the hedging derivative is recognised.

***Assets held to cover unit-linked insurance policies***

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

**Valuation of receivables**

*Premiums receivable*

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

*Foreign currency items*

Receivables and liabilities in foreign currencies have been translated into 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 2008 – ACCOUNTING PRINCIPLES**
**Depreciation**

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

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

Intangible assets	
Renovations in apartments	5 yrs
IT system design expenses	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 “Provisions, accumulated depreciation difference”, and the increase or decrease during the financial year is stated in the balance sheet as a separate item.

The depreciation period for IT system design expenses was extended from the previous five years to ten years in 2008, which corresponds to the economic useful life of the systems.

**Accumulated appropriations**
*Depreciation difference*

See “Depreciation”

*Voluntary provisions*

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

**Direct taxes**

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

**Deferred tax assets and tax liabilities**

Deferred tax assets and liabilities pertaining to timing differences between taxable profit and accounting profit and to other temporary differences are shown in the notes to the financial statements. The notes include deferred tax liability calculated based on the valuation difference between the current and book values that is deemed likely to become payable during the next year. Deferred tax liabilities for one year have been taken into account when calculating key figures.

**NOTES TO THE FINANCIAL STATEMENTS 2008 – ACCOUNTING PRINCIPLES**
**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 appraisal principles and practices as set out in the IFRS (International Financial Reporting Standards), IVS (International Valuation Standards) and good real estate appraisal practices (so-called AKA criteria) are followed in the appraisal 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).

Value appraisals are conducted by either outside appraisers or Tapiola Real Estate Ltd's experts under guidance and auditing by an authorised outside appraiser in accordance with the requirements of the Insurance 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.

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

The personnel's statutory pension cover has been arranged through basic Employee Pension Act insurance taken out from Tapiola Mutual Pension Insurance Company, and supplementary cover from Tapiola Corporate Life Insurance Company Ltd.

Pension insurance contributions have been recorded on an accrual basis.

**Zillmerisation**

Zillmerisation is not applied.

**Technical interest rate used to calculate technical provisions**

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

**NOTES TO THE FINANCIAL STATEMENTS 2008 – ACCOUNTING PRINCIPLES**

flexible-premium individual pension insurance commenced prior to 1 January 1999 has been calculated using a technical interest rate of 1.8%, with the additions to lower the technical interest rate included in the technical provisions.

The rate used for insurance policies issued between 1 January 1999 and 31 December 2002 is 3.5%. A rate of 2.5% has been used for all policies granted between 1 January 2003 and 31 December 2004 as well as for term life insurance policies with a funded component issued after 31 December 2004. As for individual life and pension insurance policies issued in and after 2005, the technical interest rate has been 1.5%.

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

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

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

Tapiola Life applies the principle of reasonability by allocating most of its surplus to additional benefits and to boosting its solvency and by paying market-based income to risk capital subscribers. The general target for additional benefits is to pay a competitive and stable income on the customers' insurance savings. When determining customer bonuses, the aim is to ensure a stable overall interest on customers' assets, consisting of the technical interest rate and the granted customer bonuses. The long-term goal is to offer an overall interest on insurance savings, before taxes and expenses, which exceeds the interest rates of Euro-zone government bonds with a minimum maturity of 10 years in the case of pension insurance and the interest rates of 5-year bonds in the case of continuous savings life insurance. The goal for risk insurance policies with a funded component is that the real overall interest rate is positive. The principle of reasonability and target for additional benefits are not applied to unit-linked insurance policies or pure risk insurance policies with no savings incurred. As for solvency, the target is to achieve a quality and level that does not prevent the payment of targeted additional benefits to customers.

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

The depreciation period for IT system design expenses was extended from the previous five years to ten years in 2008, which corresponds to the economic useful life of the systems.

**Consolidated financial statements**

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

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

**NOTES TO THE FINANCIAL STATEMENTS 2008 – ACCOUNTING PRINCIPLES**

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

The change in voluntary provisions and depreciation difference has been divided between the change in deferred tax liabilities and profit. The corresponding balance sheet items have been divided into deferred tax liabilities and capital and reserves, taking into account the minority interest. According to the Insurance Companies Act, the share transferred to capital and reserves is not included in distributable capital and reserves.

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

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

Intra-group direct insurance business has not been eliminated.

## NOTES TO THE FINANCIAL STATEMENTS 2008 – RISKS AND RISK MANAGEMENT

### TAPIOLA GROUP'S GENERAL RISK MANAGEMENT PRINCIPLES

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

#### 1. 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.

Risk management refers to active and proactive operations aimed at identifying, assessing, limiting, utilising and monitoring business risks and new opportunities arising from changing external and internal conditions or Tapiola's strategic intent.

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

- Risk-taking supports the financial and operational achievement of the strategy and operational plans.
- Risks do not threaten the operations of an individual company, function or group, or economic stability.
- Tapiola Group companies and functions remain within the risk limits defined 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.

#### 2. Key areas of risk management

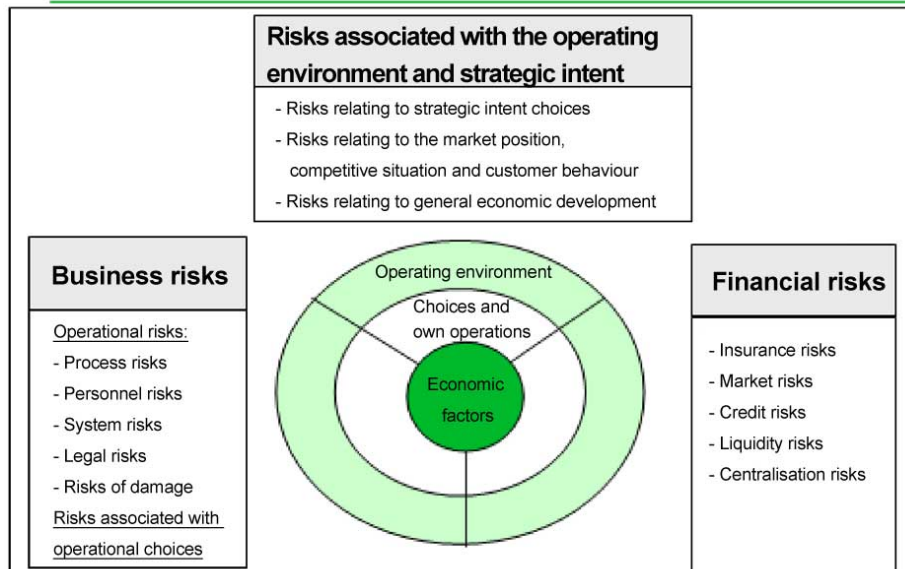
Tapiola Group's insurance, banking and asset management operations' risk classification uses the following general categorisation:

- risks associated with the operating environment and strategic intent
- Financial risks
- business risks.

NOTES TO THE FINANCIAL STATEMENTS 2008 – RISKS AND RISK MANAGEMENT



Key areas of risk management



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 centralisation 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.
- 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.
- Centralisation 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.

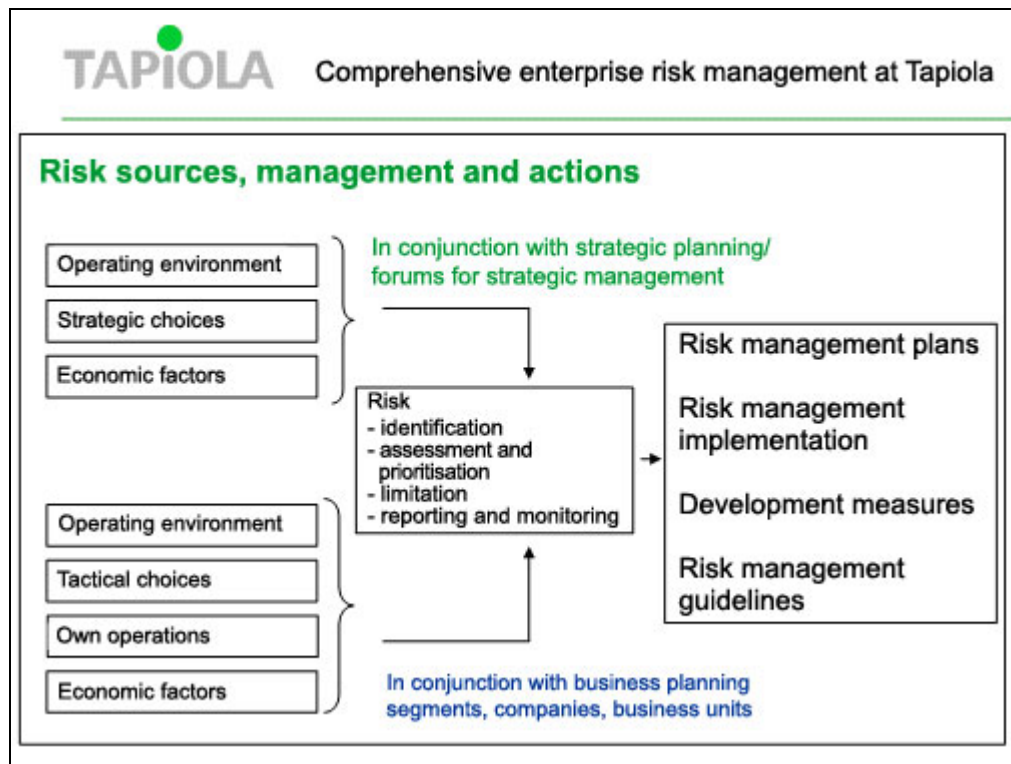
Business risks are divided into operational risks and risks related to practical operational choices. Operational risks refer to the risk of losses caused by insufficient or failed internal processes, personnel, systems and external factors. Legal risks and risks of damage are included in operational 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).

**NOTES TO THE FINANCIAL STATEMENTS 2008 – RISKS AND RISK MANAGEMENT**

**3. Risk management processes**

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 cause 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.



**3.1. Risk management in conjunction with strategy planning and execution**

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 is 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 responsibility 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.

## NOTES TO THE FINANCIAL STATEMENTS 2008 – RISKS AND RISK MANAGEMENT

### 3.2. Financial risk management

Financial risk management is based on the continuous identification, assessment, reporting and supervision of risks in compliance with guidelines. Parties associated with different aspects of risk management, such as the actuary, financial, investment and controller network operations, identify and assess financial risks and report on them regularly and extensively. With respect to financial risks, the organisation of risk management and internal risk reporting in the different companies belonging to Tapiola Group is based on official regulations and reports and studies submitted to the authorities.

### 3.3. Business risk management

Annual planning is carried out using a self-assessment method aimed at

- annually identifying the most significant risks that are associated with tactical choices and the related competitive environments or that constitute operational risks threatening the company's operations,
- assessing the probability of the risks occurring and the significance of this, and
- prioritising the risks as well as introducing measures in annual and periodic plans to eliminate and reduce the risks and utilise opportunities.

The self-assessment procedure is carried out in accordance with the annual planning process's responsibility allocation and order of implementation. Risk management measures are implemented in the annual and periodic programmes of the various business units.

In addition, within operational risk management, there are dedicated procedures in the management of

- process risks
- legal risks
- project risks
- security risks
- information security risks
- risks relating to operating as a Group.

The purpose of contingency planning is to prevent the occurrence of disruptions and crises as well as to enable the management of these situations and their consequences. In addition, all of the insurable risks of any part of the Tapiola Group are managed through Tapiola's own insurance.

## 4. 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

**NOTES TO THE FINANCIAL STATEMENTS 2008 – RISKS AND RISK MANAGEMENT**

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 some other party than the one responsible for operational activities. The various parties associated with risk management, e.g., the actuary, compliance, controller network, financial, risk management 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.

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

**5. 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 2008 – RISKS AND RISK MANAGEMENT**
**TAPIOLA LIFE'S BUSINESS RISKS**

The most significant risks in Tapiola Life's operations are market risks associated with investments, insurance risks in insurance operations, operational risks, risks associated with the operating environment, such as changes in the market position, competitive situation or customer behaviour, and risks relating to strategic choices. Market risk is caused by fluctuations in market values, including fluctuations resulting from changes in interest rates, share prices and exchange rates. The most significant insurance risks in life insurance are risks associated with mortality, life span and morbidity, as well as the customer-related risks of termination of contracts and premiums. Business risks are divided into operational risks and risks relating to practical operational choices.

**INSURANCE RISK MANAGEMENT**
**1. Definition of risks and risk management strategies**

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

**2. Risk management processes**

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

The correctness of claims paid is ensured by strict guidelines, and the quality and correctness of decisions is controlled through random sampling.

**3. Actuarial mathematical suppositions and models**

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

**NOTES TO THE FINANCIAL STATEMENTS 2008 – RISKS AND RISK MANAGEMENT**
**4. Quantitative information about technical provisions**

The tables below show the structure of technical provisions.

**Year 2008**

<b>Technical provisions with guaranteed return</b>	<b>1,517.7</b>	<b>85.4%</b>
Life insurance	627.4	35.3%
Individual pension insurance	737.1	41.5%
Additions to lower the technical interest rate in individual pension insurance	123.3	6.9%
Provisions for future additional benefits	6.9	0.4%
Equalisation provision	23.1	1.3%
<b>Technical provisions for unit-linked insurance</b>	<b>259.5</b>	<b>14.6%</b>
Life insurance	143.0	8.0%
Individual pension insurance	116.4	6.6%
<b>Total technical provisions</b>	<b>1,777.2</b>	<b>100.0%</b>

**MARKET RISK MANAGEMENT**
**1. Bases and operating principles**

Tapiola Life conducts its investment operations with the aim of securing its solvency and maximising the 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 at reaching 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.

**2. Organisation of market risk management**

Tapiola Life established an Asset and Liability Committee (ALCO) in 2007. The Committee is an expert organ of managing and monitoring balance sheet risks, reporting directly to the Board of Directors. It is responsible for ensuring that the company's balance sheet risk management is organised in an appropriate manner. At regular intervals, ALCO prepares a proposal to the Board of Directors on strategic market risk-taking and the associated limits. The limits cover both investment price risks 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 and reports to the Board of Directors on its operations.

The Board of Directors appoints an Investment Management Group, which is responsible for the practical organisation of investment operations and the operational supervision of market risks.

The ERM Committee is responsible to the Board of Directors for the organisation of risk management and the monitoring of solvency.

Compliance with investment guidelines is monitored by internal audit.

## NOTES TO THE FINANCIAL STATEMENTS 2008 – RISKS AND RISK MANAGEMENT

### 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, as well as describing the operating environment. Purpose of diversification is to secure a sufficient level of return in all market conditions both within instrument categories and between them. 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.

The investment plan also includes performance and risk analyses.

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 are used to reduce risks relating to equity, foreign exchange and fixed-income investments, for instance. Adequate analyses, diversification, derivatives and counterparty risk limits are intended to secure freedom of action in all market conditions. Real estate investment risks are analysed separately.

Investment risks and returns are monitored using standard market risk and reporting methods. The reports are used to regularly monitor the development of fixed-income, real estate and equity investments and the related risks, as well as ensuring compliance with the operational principles defined in the investment plan.

#### 3.1. Market risk and solvency management

The effect of market risk on the company's solvency is monitored and managed in accordance with two separate systems: the current solvency practice (Solvency I) and the Solvency II solvency framework, which is estimated to come into force in 2012. Furthermore, solvency is monitored in compliance with current solvency regulations applied to conglomerates. In the short term, the current solvency practice is the more significant and limiting system. The most significant change in solvency calculation will be that under Solvency II, in addition to assets, also technical provision will be valued at market terms to current value. Hence, the value of technical provision will depend, in particular, on interest rate levels, and the significance of interest rate risk management will be emphasised. Since the beginning of 2008, the company has started to monitor its solvency in accordance with Solvency II internally and in the reporting currently required by the authorities (life insurance companies' proactive supervision and quantitative impact studies). Extensive projects are underway within the company to develop internal Solvency II models to meet the needs of both risk management and business operations.

The basis for market risk management is that the company's solvency is 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 as volatility both long term average values and estimated risk key figures from a shorter period of time. In particular, the volatility of the return on equities and at the same time, the expected risk level of equity investments, have risen to remarkably high levels during autumn 2008.

**NOTES TO THE FINANCIAL STATEMENTS 2008 – RISKS AND RISK MANAGEMENT**

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

**4. 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.

	31.12.2008	Impact of change		
		Share quotations -20%	Value of real estate -10%	Interest level +1 percentage point
<b>Solvency capital</b>				
EUR m	241.5	-50.8	-34.0	-55.9
<b>Solvency ratio, %</b>	15.5	-3.3	-2.2	-3.6
<b>Return on investment, %</b>	-1.1	2.9	1.9	-3.2

**OPERATIONAL RISK MANAGEMENT**
**1. Definition of risks and risk management strategy**

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).

**2. Risk management processes**

Annual planning is carried out using a self-assessment method aimed at

- annually identifying the most significant risks that are associated with tactical choices and the related competitive environments or that constitute operational risks threatening the company's operations,
- assessing the probability of the risks occurring and the significance of this, and
- prioritising the risks as well as introducing measures in annual and periodic plans to eliminate and reduce the risks and utilise opportunities.

The company's Board of Directors bears the overall responsibility for operational risk management. The self-assessment procedure for operational risks, implemented during annual planning, the related risk management plans and the required development measures are the responsibility of the Group Directors of customer segments, the Managing Directors and the

## NOTES TO THE FINANCIAL STATEMENTS 2008 – RISKS AND RISK MANAGEMENT

Managers of business units within their own areas of responsibility. The financial services are in charge of overall coordination within the entire Tapiola Group. The members of the controller network coordinate their own business unit's self-assessment process for operational risks and assist the managers responsible for risk management in carrying out the process.

Within operational risk management, there are dedicated procedures and responsibilities for process risk, legal risk, project risk, security risk and information security risk management. Insurable risks are managed through the company's own insurance.

### 3. Description of material operational risks

Material operational risks are often connected with operational choices and the related competitive environments as well as defects in operational processes. The aim of the self-assessment procedure included in annual planning is to identify and assess the most significant operational risks. With respect to the biggest risks, the company also defines measures and responsibilities aimed at managing them.

The operational activities of insurance companies rely heavily on IT systems, which is why special attention is paid to managing risks related to these systems and information security. Insurance institutions are required by law to prepare for maintaining activities regarded as necessary for the operation of the markets under exceptional circumstances. The purpose of contingency plans is to ensure that monetary transactions, pension payments and essential insurance and claims activities, for example, can be continued also under exceptional circumstances. In practice, this means drawing up anticipatory plans, developing organisational preparedness and making emergency arrangements by acquiring material in advance to ensure the continuity of operations.

## 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 purpose of this project is to create a system of supervision that takes into account the risks of insurance operations in a comprehensive manner. According to current estimates, it will come into force in 2012. An integral part of the Solvency II project is the development of new solvency requirements that are dependent on the company's individual risk profile. 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.

An comprehensive enterprise risk management development project was initiated at Tapiola in 2006. As part of this project and in preparation for Solvency II, Tapiola has actively participated in the discussion about the content of Solvency II on various forums through AMICE, an international organisation promoting the interests of mutual companies, the Federation of Finnish Financial Services and through actuary organisations. In addition, Tapiola Life has participated in the Solvency II quantitative impact studies (QIS). In these studies, a significant proportion of insurance companies in the EU region have been testing different alternatives for the solvency requirement under Pillar 1. The latest study (QIS 4) was conducted last summer. On the basis of the results, Tapiola Life clearly met the solvency requirements under preparation.

**NOTES TO THE FINANCIAL STATEMENTS 2008 – RISKS AND RISK MANAGEMENT**

The purpose of the comprehensive enterprise risk management project is to develop for Tapiola the best in risk management practices that will bring clear business benefits while fulfilling official regulations. The life insurance companies are currently carrying out a development project for internal business models, which to date has focused on improving the capacity to calculate technical provisions at market terms. The aim of the project is to create calculation methods and operational models that will enable both the management and business utilisation of, in particular, financial risks (market and insurance risks connected with investment and insurance operations).

In addition, risk management organisation and administration have been developed and enhanced in this project. A so-called controller network has been established at Tapiola. The members' duties include, amongst others, assisting the business unit managers and company management in the practical implementation of risk management supervision and risk reporting. An Asset and Liability Committee (ALCO) has been established for the life insurance and non-life insurance companies. The Committee is responsible for the management and supervision of the companies' balance sheet risks and reporting on them to the Board of Directors. In 2008, also the life insurance and non-life insurance companies' Comprehensive Enterprise Risk Management (ERM) committees started their work. In the initial stage, the task of the committees is to be responsible for the completion of the risk management development process in such a way that the project fulfils the requirements of Solvency II, as well as the business requirements defined for it.

As part of the development of risk management, Tapiola Group's risk management policy and the internal audit policy have undergone a reform. These policies define the common principles applied to the organisation of risk management and internal audit within Tapiola Group.

NOTES TO THE FINANCIAL STATEMENTS – CALCULATION OF KEY FIGURES

1) GENERAL KEY FIGURES DESCRIBING FINANCIAL PERFORMANCE

1.1 Turnover =

**Life insurance turnover:**

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

1.2 Operating profit or loss and overall result

**Life insurance company's performance analysis**

Premium income

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

Claims paid

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

Operating expenses

Other technical income and expenses

---

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

Other income and expenses

Share in profits or losses of associated undertakings 1)

---

**Operating profit or loss**

Change in equalisation provision

Additional benefits (customer benefits)

---

*Profit or loss before extraordinary items*

Extraordinary income

Extraordinary expenses

---

*Profit or loss before appropriations and taxes*

Income taxes and other direct taxes

Minority interests 1)

---

**Profit or loss for the financial year**

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

1) Applies to the consolidated financial statements

**Overall 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 the modified Dietz formula (a time- and money-weighted formula) in which capital employed is calculated by taking the market value at the beginning of the period and adding to it the sum of the period's cash flows, which are weighted by the remaining period's (calculated from the cash flow transaction date or the middle of the transaction month to the end of the period) proportionate share of the whole period.

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

**1.3 B Itemisation of net investment income**

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

**1.4. Investment allocation at current value**

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

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

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

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

Purchase money claims and debts connected with investments are not included in investments.

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

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

- ± 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
- Technical provisions for unit-linked insurance
- ± Unrealised gains/losses from investments

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

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

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

**1.6 Average number of personnel during the financial year**

The key figure is calculated as a mean value 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 salary during the financial year are included in personnel.

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

**2) KEY FIGURES DESCRIBING FINANCIAL PERFORMANCE OF LIFE INSURANCE**

**2.1. Premium income =**

Premiums written before reinsurers' share

**2.2 Expense ratio, % of total expense loadings =**

+ Operating expenses before change in deferred acquisition costs  
 + Claims settlement expenses  
 ----- x 100  
 Total expense loadings

According to the calculation bases, total expense loadings is an item intended to cover operating expenses. Total expense loadings include all expense loadings.

Operating expenses do not include commissions on reinsurance.

**Expense ratio, % of balance sheet total =**

+ Operating expenses before change in deferred acquisition costs  
 + Claims settlement expenses  
 ----- x 100  
 Balance sheet total

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

**2.3 Solvency margin in reporting currency =**

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

**2.4 Equalisation provision in reporting currency**

**NOTES TO THE FINANCIAL STATEMENTS – CALCULATION OF KEY FIGURES****2.5 Solvency capital in reporting currency =**

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

1) Applies to the consolidated financial statements

**2.6 Solvency ratio, % of technical provisions =**

$$\frac{\text{Solvency capital}}{\text{Technical provisions - Equalisation provision - 75\% of technical provisions for unit-linked insurance}} \times 100$$

Technical provisions are calculated after the reinsurers' share.



# **Tapiola Mutual Life Assurance Company**

**Parent Company**

**Financial Statements  
2008**

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

INCOME STATEMENT

TECHNICAL ACCOUNT – LIFE INSURANCE

1.1.2008 - 31.12.2008

1.1.2007 - 31.12.2007

Premium income					
Premium income	1	132 555 150,99		139 124 265,00	
Reinsurers' share		<u>-87 159,58</u>	132 467 991,41	<u>-89 689,76</u>	139 034 575,24
Net investment income	4		256 775 097,80		220 858 360,25
Revaluations of investments			1 342 469,21		8 075 086,75
Claims incurred					
Claims paid	2	-147 543 761,52		-154 319 097,20	
Reinsurers' share		<u>0,00</u>	-147 543 761,52	<u>212,36</u>	-154 318 884,84
Change in provision for claims outstanding		<u>-18 961 191,00</u>		<u>-14 865 222,00</u>	
Reinsurers' share		0,00	-18 961 191,00	0,00	-14 865 222,00
Change in provision for unearned premiums					
Change in provision for unearned premiums		93 086 114,00		-44 143 663,00	
Reinsurers' share		<u>0,00</u>	93 086 114,00	<u>0,00</u>	-44 143 663,00
Operating expenses	3		-23 760 161,50		-22 787 616,58
Investment expenses	4		-226 263 118,24		-70 912 366,37
Revaluation adjustments on investments			<u>-64 001 974,07</u>		<u>-13 010 470,98</u>
<b>Balance on technical account</b>			<b>3 141 466,09</b>		<b>47 929 798,47</b>

NON-TECHNICAL ACCOUNT

<b>Balance on technical account of life insurance</b>			<b>3 141 466,09</b>		<b>47 929 798,47</b>
Other income	4				
Other		<u>23 243 189,44</u>	23 243 189,44	<u>6 656 446,00</u>	6 656 446,00
Other expenses	4				
Other		<u>-21 317 225,70</u>	-21 317 225,70	<u>-6 946 927,30</u>	-6 946 927,30
Income taxes on ordinary activities					
Taxes for the financial year		-2 095 789,88		-11 984 639,69	
Taxes for previous financial years		<u>-4 227 311,61</u>	-6 323 101,49	<u>-137 479,62</u>	-12 122 119,31
<b>Profit for ordinary activities</b>			<b>-1 255 671,66</b>		<b>35 517 197,86</b>
<b>Profit after extraordinary items</b>			<b>-1 255 671,66</b>		<b>35 517 197,86</b>
Appropriations					
Change in depreciation difference		364 278,12		-167 177,96	
Change in voluntary provisions		<u>891 393,54</u>	1 255 671,66	<u>-15 793,09</u>	-182 971,05
<b>Profit for financial year</b>			<b>0,00</b>		<b>35 334 226,81</b>

**TAPIOLA MUTUAL LIFE ASSURANCE COMPANY**

**BALANCE SHEET**

**A s s e t s**

		<b>31.12.2008</b>		<b>31.12.2007</b>	
<b>Intangible assets</b>					
Other long-term expenditure	9	<u>12 810 843,95</u>	12 810 843,95	<u>11 582 182,23</u>	11 582 182,23
<b>Investments</b>	5				
Realestate investments	6				
Real estate and shares in real estate		127 601 264,76		205 720 495,62	
Loans to Group companies		94 232 124,76		50 494 163,83	
Loan to participating interests		<u>1 517 952,32</u>	223 351 341,84	<u>0,00</u>	256 214 659,45
Investments in Group companies and participating interests	7				
Shares and holdings in Group companies		42 693 176,34		12 682 636,34	
Shares and holdings in participating interests		17 244 256,04		15 414 672,04	
Debt securities and loans to participating interests		2 730 000,00		2 815 000,00	
Deposits		<u>0,00</u>	62 667 432,38	<u>11 207 812,16</u>	42 120 120,54
Other investments					
Shares and holdings	7	326 536 421,42		351 684 868,00	
Debt securities		946 625 146,69		875 354 851,85	
Loans guaranteed by mortgages		6 576 559,38		6 835 639,90	
Other loans	8	43 919 269,30		29 136 624,19	
Deposits		<u>42 580 000,00</u>	1 366 237 396,79	<u>39 090 000,00</u>	1 302 101 983,94
<b>Assets held to cover unit-linked insurance policies</b>	10		257 663 977,28		331 388 731,96
<b>Debtors</b>	16				
Direct insurance operations					
Policyholders		479 230,00		421 778,00	
Reinsurance operations		<u>43 600,50</u>	522 830,50	<u>79 363,48</u>	501 141,48
Other debtors			2 039 025,45	<u>4 138 200,32</u>	4 639 341,80
<b>Other assets</b>					
Tangible assets					
Equipment	9	<u>828 861,60</u>	828 861,60	<u>789 292,58</u>	789 292,58
Cash at bank and in hand			7 071 302,10	8 697 680,57	
Other assets			<u>86 604,41</u>	<u>86 604,41</u>	9 573 577,56
<b>Prepayments and accrued income</b>					
Interest and rents			18 912 807,41	18 074 334,66	
Other prepayments and accrued income			<u>3 466 587,78</u>	<u>2 412 782,83</u>	20 487 117,49
<b>Total assets</b>			<u><u>1 955 136 180,99</u></u>		<u><u>1 978 107 714,97</u></u>

**TAPIOLA MUTUAL LIFE ASSURANCE COMPANY**

**BALANCE SHEET**

**Capital and reserves and liabilities**

			<b>31.12.2008</b>		<b>31.12.2007</b>	
<b>CAPITAL AND RESERVES</b>	11					
Initial fund			4 482 208,24		4 482 208,24	
Guarantee capital			32 036 005,12		2 018 255,12	
Revaluation reserve			336 375,85		336 375,85	
Unrestricted reserves			81 533 566,81		46 215 197,60	
Profit for financial year			<u>0,00</u>	118 388 156,02	<u>35 334 226,81</u>	88 386 263,62
<b>Accumulated appropriations</b>	12					
Depreciation difference			4 212 605,92		4 576 884,04	
Voluntary provisions			0,00	4 212 605,92	<u>891 393,54</u>	5 468 277,58
<b>Subordinated loans</b>	18			37 000 000,00		0,00
<b>Technical provision</b>						
Provision for unearned premiums	13	1 314 611 452,00		1 336 946 498,00		
Reinsurers' share		0,00	1 314 611 452,00	<u>0,00</u>	1 336 946 498,00	
Provision for claims outstanding		203 108 844,00		186 112 583,00		
Reinsurers' share		0,00	<u>203 108 844,00</u>	1 517 720 296,00	<u>186 112 583,00</u>	1 523 059 081,00
<b>Technical provisions for unit-linked insurance</b>	14					
Technical provision			259 471 608,00	259 471 608,00	<u>328 257 746,00</u>	328 257 746,00
<b>Creditors</b>						
Direct insurance operations			3 404,14		13 932,00	
Reinsurance operations			43 602,02		37 949,55	
Other liabilities	16		<u>13 363 879,92</u>	13 410 886,08	<u>27 968 438,81</u>	28 020 320,36
<b>Accruals and deferred income</b>				<u>4 932 628,97</u>		<u>4 916 026,41</u>
<b>Total capital and reserves and liabilities</b>			<u><u>1 955 136 180,99</u></u>		<u><u>1 978 107 714,97</u></u>	

**TAPIOLA MUTUAL LIFE ASSURANCE COMPANY**

<b>Indirect fund statement</b>	<b>2008</b>	<b>2007</b>
<b>Cash flow from operations</b>		
Profit (loss) from ordinary activities / profit (loss) before extraordinary items	-1 255 671,66	35 517 197,86
Adjustments		
Change in technical provisions	-74 124 923,00	59 008 885,00
Value adjustments and revaluation of investments	145 642 168,54	10 131 441,35
Planned depreciation	6 793 087,17	5 153 818,64
Other non-cash income and expenses		
Other adjustments	-33 682 025,33	-89 568 688,09
<i>Cash flow before change in working capital</i>	<u>43 372 635,72</u>	<u>20 242 654,76</u>
Change in working capital:		
Current receivables, non-interest-bearing, increase (-) / decrease (+)	708 038,65	-1 972 528,93
Current liabilities, non-interest-bearing, increase (+) / decrease (-)	-14 592 831,72	10 281 339,97
<i>Cash flow from operations before financial items and taxes</i>	<u>29 487 842,65</u>	<u>28 551 465,80</u>
Interest paid and other financial expenses	-226 265,28	0,00
Direct taxes paid	-2 224 753,78	-3 483 985,98
<i>Cash flow before extraordinary items</i>	<u>27 036 823,59</u>	<u>25 067 479,82</u>
<b>Cash flow from operations</b>	<b>27 036 823,59</b>	<b>25 067 479,82</b>
<b>Cash flow from investments</b>		
Investments in assets (excl. cash and cash equivalents)	-126 802 792,93	-104 479 480,78
Capital gains from investments (excl. cash and cash equivalents)	36 133 044,39	93 052 674,07
Investments in and capital gains from intangible and tangible assets and other assets (net)	-4 995 345,92	-5 294 495,10
<b>Cash flow from investments</b>	<b>-95 665 094,46</b>	<b>-16 721 301,81</b>
<b>Cash flow from financing activities</b>		
Increase in guarantee capital	30 017 750,00	0,00
Loans raised	37 000 000,00	0,00
Other distribution of profit	-15 857,60	-11 000,00
<b>Cash flow from financing activities</b>	<b>67 001 892,40</b>	<b>-11 000,00</b>
<b>Change in cash and cash equivalents</b>	<b>-1 626 378,47</b>	<b>8 335 178,01</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>8 697 680,57</b>	<b>362 502,56</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>7 071 302,10</b>	<b>8 697 680,57</b>

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

NOTES TO THE INCOME STATEMENT

1.1. Premium income

2008

2007

Direct insurance					
Life insurance					
Unit-linked individual life insurance	19 976 123,80			27 049 705,14	
Other individual life insurance	47 775 776,14			49 856 997,42	
Group Life Insurance	0,00			0,00	
Other group life insurance	<u>7 680 275,68</u>	75 432 175,62		<u>6 556 411,93</u>	83 463 114,49
Pension insurance					
Unit-linked individual pension insurance	30 550 392,32			26 524 559,20	
Other individual pension insurance	26 536 043,91	<u>57 086 436,23</u>	132 518 611,85	28 989 715,56	<u>55 514 274,76</u>
Reinsurance			<u>36 539,14</u>		<u>146 875,75</u>
<b>Premiums written before reinsurers' share</b>			<b><u><u>132 555 150,99</u></u></b>		<b><u><u>139 124 265,00</u></u></b>
<i>Premiums written before reinsurers' share</i>					
Regular premiums			117 175 717,85		120 573 475,56
Single premiums			<u>15 342 894,00</u>		<u>18 403 913,69</u>
Total			<b><u><u>132 518 611,85</u></u></b>		<b><u><u>138 977 389,25</u></u></b>
Premiums written on contracts entitling to a rebate			81 992 095,73		85 403 124,91
Premiums written on unit-linked insurance contracts			<u>50 526 516,12</u>		<u>53 574 264,34</u>
			<b><u><u>132 518 611,85</u></u></b>		<b><u><u>138 977 389,25</u></u></b>
<b>1.2. Impact of life insurance rebates and discounts on the result</b>			<b><u><u>2 682 103,30</u></u></b>		<b><u><u>43 084 665,00</u></u></b>

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

NOTES TO THE INCOME STATEMENT

2. Claims paid before reinsurers' share	2008		2007	
Direct insurance				
Life insurance	101 625 052,48		113 922 854,51	
Pension insurance	45 918 709,04	147 543 761,52	40 329 933,01	154 252 787,52
	<hr/>		<hr/>	
Reinsurance		0,00		66 309,68
<b>Total claims paid</b>		<u><b>147 543 761,52</b></u>		<u><b>154 319 097,20</b></u>
Out of which:				
Surrenders	29 532 779,29		24 631 393,34	
Repayments of benefits	48 631 008,06		65 662 475,06	
Other	69 379 974,17	<u><b>147 543 761,52</b></u>	64 025 228,80	<u><b>154 319 097,20</b></u>
	<hr/>		<hr/>	
Unit-linked insurance of claims paid		<u>20 444 212,64</u>		<u>25 005 533,88</u>

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

Claims paid	3 798 714,61	3 409 106,02
Operating expenses	23 760 161,50	22 787 616,58
Investment management expenses	2 465 672,46	2 172 498,92
Other expenses	21 317 225,70	6 946 927,30
<i>Total</i>	<u>51 341 774,27</u>	<u>35 316 148,82</u>

**3.2. Income statement item operating expenses**

Policy acquisition costs		
Primary insurance remunerations	3 494 762,30	2 530 501,49
Commissions on reinsurance assumed and profit holdings	43,33	30,53
Other policy acquisition costs	6 154 435,86	7 307 820,58
	<u>9 649 241,49</u>	<u>9 838 352,60</u>
Policy management expenses	9 265 087,94	7 889 481,70
Administrative expenses	4 858 461,26	5 081 541,98
Commissions on reinsurance ceded and profit holdings	-12 629,19	-21 759,70
<i>Total</i>	<u>23 760 161,50</u>	<u>22 787 616,58</u>

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

Salaries and remuneration	16 436 103,53	12 725 140,18
Pension expenses	3 666 234,08	2 268 030,46
Other personnel expenses	1 011 219,94	812 806,72
<i>Total</i>	<u>21 113 557,55</u>	<u>15 805 977,36</u>

**3.3.2. Management's salaries and remunerations, pension commitments, money loans and their terms, as well as security and financial commitments**

Managing director and deputy managing director		
Salaries and remuneration	196 210,00	216 164,00
Pension commitments	The (compulsory) retirement age of the managing director is 63 and that of the deputy	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	
Board members and deputy board members		
Salaries and remuneration	254 043,00	294 038,00
Pension commitments	The agreed pensionable age of board members and deputy board members is 60–63.	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	
Supervisory board		
Salaries and remuneration	48 990,00	34 430,00
Pension commitments	No pension commitments.	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	

**3.3.3. Average number of personnel during the financial year**

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

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

Auditing	78 446,67	61 287,19
Assignments referred to in section 1, subsection 1, paragraph 2 of the Auditing Act	0,00	5 405,54
Tax advice	15 987,00	0,00
Other services	3 555,77	0,00
<i>Total</i>	<u>97 989,44</u>	<u>66 692,73</u>

**TAPIOLA MUTUAL LIFE ASSURANCE COMPANY**

**NOTES TO THE INCOME STATEMENT**

**4.1 Net investment income**

	<b>2008</b>		<b>2007</b>	
<b>Net investment income</b>				
Income from Group companies				
Interest income	902 390,27		81 645,45	
Other income	<u>0,00</u>	902 390,27	<u>0,00</u>	81 645,45
Income from participating interests				
Interest income	<u>436 514,31</u>	436 514,31	<u>620 282,14</u>	620 282,14
Income from real estate investments in Group companies				
Interest income	3 087 621,69		3 312 352,40	
Other income	<u>106 412,43</u>	3 194 034,12	<u>151 801,20</u>	3 464 153,60
Income from real estate investments in participating interests				
Interest income	0,00		0,00	
Other income	<u>0,00</u>	0,00	<u>0,00</u>	0,00
Income from real estate investments in other companies				
Interest income	31 004,73		69 937,57	
Other income	<u>21 799 126,95</u>	21 830 131,68	<u>26 006 595,10</u>	26 076 532,67
Income from other investments				
Dividend income	7 205 647,03		13 389 415,70	
Interest income	43 480 560,18		38 160 456,99	
Other income	<u>109 751 797,66</u>	160 438 004,87	<u>36 603 707,21</u>	88 153 579,90
<b>Total</b>		<b><u>186 801 075,25</u></b>		<b><u>118 396 193,76</u></b>
Value readjustment		9 979 539,74		3 533 796,26
Capital gains		<u>59 994 482,81</u>		<u>98 928 370,23</u>
<b>Total</b>		<b><u>256 775 097,80</u></b>		<b><u>220 858 360,25</u></b>

**TAPIOLA MUTUAL LIFE ASSURANCE COMPANY**

**NOTES TO THE INCOME STATEMENT**

**4.1 Net investment income**

	<b>2008</b>		<b>2007</b>	
<b>Investment expenses</b>				
Expenses for real estate investments				
Group companies	-7 675 577,41		-9 099 458,73	
Other companies	-5 717 910,06	-13 393 487,47	-6 947 666,58	-16 047 125,31
Expenses for other investments		-92 174 399,72		-37 076 816,11
Interest and other expenses for liabilities				
Group companies	-250 161,21		-513 761,49	
Other companies	-555 456,01	-805 617,22	-306 149,97	-819 911,46
Total		-106 373 504,41		-53 943 852,88
Value adjustments and depreciation				
Value adjustments	-92 962 203,42		-8 729 853,38	
Planned depreciation on buildings	-3 065 971,99	-96 028 175,41	-2 362 963,95	-11 092 817,33
Capital losses		-23 861 438,42		-5 875 696,16
<b>Total</b>		<b>-226 263 118,24</b>		<b>-70 912 366,37</b>
<b>Net investment income before revaluations and their adjustments</b>		<b>30 511 979,56</b>		<b>149 945 993,88</b>
Revaluations of investments	1 342 469,21		8 075 086,75	
Revaluation adjustments on investments	-64 001 974,07	-62 659 504,86	-13 010 470,98	-4 935 384,23
<b>Net investment income in the income statement</b>		<b>-32 147 525,30</b>		<b>145 010 609,65</b>

**TAPIOLA MUTUAL LIFE ASSURANCE COMPANY**

**NOTES TO THE INCOME STATEMENT**

**4.2 Investment income for unit-linked insurance policies**

	<b>2008</b>		<b>2007</b>	
Net investment income	3 004 636,56		14 994 136,62	
Investment expenses	<u>-10 037 367,37</u>	-7 032 730,81	<u>-435 489,77</u>	14 558 646,85
<b>Net investment income before revaluations and their adjustments as well as value adjustments and readjustments</b>				
Revaluations of investments	1 342 469,21		8 075 086,75	
Revaluation adjustments on investments	-49 093 003,70		-10 558 763,64	
Value adjustments	-38 070 240,31		-843 443,91	
Value readjustment	<u>267 236,71</u>	-85 553 538,09	<u>0,00</u>	-3 327 120,80
<b>Net investment income in the income statement</b>		<u><u>-92 586 268,90</u></u>		<u><u>11 231 526,05</u></u>

**4.3 Specification of other income and expenses**

**Other income**

Income from ancillary operations	23 149 696,06	6 454 721,42
Services sold to partner companies	87 375,00	194 478,63
Other Other income	<u>6 118,38</u>	<u>7 245,95</u>
	<u><u>23 243 189,44</u></u>	<u><u>6 656 446,00</u></u>

**Other expenses**

Expenses for ancillary operations	21 285 410,21	6 744 140,84
Expenses for services sold	20,00	898,00
Transfer to personnel fund	31 793,32	201 888,46
Other Other expenses	<u>2,17</u>	<u>0,00</u>
	<u><u>21 317 225,70</u></u>	<u><u>6 946 927,30</u></u>

**TAPIOLA MUTUAL LIFE ASSURANCE COMPANY**  
**NOTES TO THE BALANCI 31.12.2008**

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

<b>Investments</b>	<b>2008 Remaining acquisition cost</b>	<b>2008 Book value</b>	<b>2008 Current value</b>	<b>2007 Remaining acquisition cost</b>	<b>2007 Book value</b>	<b>2007 Current value</b>
Real estate investments						
Real estate	25 477 428,59	30 441 594,88	58 506 023,00	35 520 674,97	41 157 592,97	74 576 031,00
Real estate shares in Group companies	38 336 420,38	66 094 807,21	83 316 538,00	82 900 794,87	124 538 423,39	159 730 031,00
Real estate shares in participating interests	972 798,98	972 798,98	970 797,00	972 798,98	972 798,98	974 753,00
Other real estate shares	29 354 607,97	30 092 063,69	37 723 642,00	37 957 247,59	39 051 680,28	48 212 276,00
Acquisition costs pertaining to lease of real estate	0,00	0,00	0,00	0,00	0,00	0,00
Loans to Group companies	94 232 124,76	94 232 124,76	94 232 124,76	50 494 163,83	50 494 163,83	50 494 163,83
Loan to participating interests	1 517 952,32	1 517 952,32	1 517 952,32	0,00	0,00	0,00
	<b>189 891 333,00</b>	<b>223 351 341,84</b>	<b>276 267 077,08</b>	<b>207 845 680,24</b>	<b>256 214 659,45</b>	<b>333 987 254,83</b>
Investments in Group companies						
Shares and holdings	42 693 176,34	42 693 176,34	42 693 176,34	12 682 636,34	12 682 636,34	12 682 636,34
Loans receivable	0,00	0,00	0,00	0,00	0,00	0,00
	<b>42 693 176,34</b>	<b>42 693 176,34</b>	<b>42 693 176,34</b>	<b>12 682 636,34</b>	<b>12 682 636,34</b>	<b>12 682 636,34</b>
Investments in participating interests						
Shares and holdings	17 244 256,04	17 244 256,04	17 244 256,04	15 414 672,04	15 414 672,04	15 414 672,04
Money market instruments and loans	2 730 000,00	2 730 000,00	2 730 000,00	2 815 000,00	2 815 000,00	2 815 000,00
Deposits	0,00	0,00	0,00	11 207 812,16	11 207 812,16	11 207 812,16
	<b>19 974 256,04</b>	<b>19 974 256,04</b>	<b>19 974 256,04</b>	<b>29 437 484,20</b>	<b>29 437 484,20</b>	<b>29 437 484,20</b>
Other investments						
Shares and holdings	326 536 421,42	326 536 421,42	341 684 327,38	351 684 868,00	351 684 868,00	445 585 409,75
Debt securities	946 625 146,69	946 625 146,69	951 303 574,78	875 354 851,85	875 354 851,85	857 542 553,41
Loans guaranteed by mortgages	6 576 559,38	6 576 559,38	6 576 559,38	6 835 639,90	6 835 639,90	6 835 639,90
Other loans	43 919 269,30	43 919 269,30	43 919 269,30	29 136 624,19	29 136 624,19	29 136 624,19
Deposits	42 580 000,00	42 580 000,00	42 580 000,00	39 090 000,00	39 090 000,00	39 090 000,00
Other investments	0,00	0,00	0,00	0,00	0,00	0,00
	<b>1 366 237 396,79</b>	<b>1 366 237 396,79</b>	<b>1 386 063 730,84</b>	<b>1 302 101 983,94</b>	<b>1 302 101 983,94</b>	<b>1 378 190 227,25</b>
	<b>1 618 796 162,17</b>	<b>1 652 256 171,01</b>	<b>1 724 998 240,30</b>	<b>1 552 067 784,72</b>	<b>1 600 436 763,93</b>	<b>1 754 297 602,62</b>

**TAPIOLA MUTUAL LIFE ASSURANCE COMPANY**

**NOTES TO THE BALANCE SHEET 31.12.2008**

**2008**

**2007**

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

Remaining acquisition cost of debt securities  
includes

Difference between the nominal value and acquisition cost released (+) or charged (-) to interest income	-1 553 827,86		-5 001 742,42	
Income from index-linked loans	0,00	<u>-1 553 827,86</u>	0,00	<u>-5 001 742,42</u>
Book value comprises:				
Revaluations released to income	27 606 071,57		38 868 284,59	
Other revaluations	5 853 937,27	<u>33 460 008,84</u>	9 500 694,62	<u>48 368 979,21</u>
Difference between current and book value			<u>72 742 069,29</u>	<u>153 860 838,69</u>

**5.2 Difference between current and book value of non-hedging derivatives**

1 651 834,41

648 085,42

# TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

## NOTES TO THE BAL/31.12.2008

### 6. Real estate investments

Changes in real estate investments:	2008	2008	2008
	Real estate and shares in real estate	Loans to Group companies	Loans to participating interests
Acquisition cost on 1 Jan.	201 055 404,50	50 494 163,83	0,00
Increase	120 850,51	62 559 639,01	1 517 952,32
Decrease	-71 112 055,74	-18 821 678,08	0,00
Transfers between items	0,00	0,00	0,00
Acquisition cost on 31 Dec.	<u>130 064 199,27</u>	<u>94 232 124,76</u>	<u>1 517 952,32</u>
Accumulated depreciation on 1 Jan.	-15 071 086,18		
Accumulated depreciation related to deductions and transfers	1 534 615,95		
Depreciation for the financial year	-1 040 652,72		
Accumulated depreciation on 31 Dec.	<u>-14 577 122,95</u>		
Value adjustments on 1 Jan.	-29 891 588,89		
Value adjustments related to deductions and transfers	5 429 666,02		
Value adjustments for the financial year	-850 000,00		
Value readjustment	2 707 315,49		
Value adjustments on 31 Dec.	<u>-22 604 607,38</u>		
Revaluations on 1 Jan.	49 627 766,19		
Increase	0,00		
Decrease	-14 908 970,37		
Transfers between items	0,00		
Revaluations on 31 Dec.	<u>34 718 795,82</u>		
Book value on 31 Dec.	<u><u>127 601 264,76</u></u>	<u><u>94 232 124,76</u></u>	<u><u>1 517 952,32</u></u>

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

	2008
Remaining acquisition cost	5 807 148,22
Book value	7 342 775,42
Current value	9 597 753,00

# TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

## NOTES TO THE BALANC 31.12.2008

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

	<b>2008</b>
<b>Shares and holdings in Group companies</b>	
Acquisition cost on 1 Jan.	12 682 636,34
Increase	30 010 540,00
Decrease	0,00
Transfers between items	0,00
Acquisition cost on 31 Dec.	<u>42 693 176,34</u>
Book value on 31 Dec.	<u><u>42 693 176,34</u></u>
<b>Shares and holdings in participating interests</b>	
Acquisition cost on 1 Jan.	15 414 672,04
Increase	1 829 584,00
Decrease	0,00
Transfers between items	0,00
Acquisition cost on 31 Dec.	<u>17 244 256,04</u>
Book value on 31 Dec.	<u><u>17 244 256,04</u></u>
<b>Total</b>	<u><u>59 937 432,38</u></u>

## TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

### NOTES TO THE BALANCE SHEET 31.12.2008

#### 7.1. Investments in Group companies

##### Shares and holdings

	Domicile	Share of stock, %	Capital and reserves	Profit/loss for the financial year
Omaeläke Oy	Espoo	90,00	9 645,48	364,74
Tapiola Pankkineuvonta Oy	Espoo	100,00	9 316,88	136,22
Varepa Ky	Espoo	100,00	9 936,37	441,19
Tapiola Corporate Life Insurance Ltd	Espoo	96,20	68 383 550,08	0,00
Total			68 412 448,81	942,15

#### 7.2. Investments in participating interests

##### Shares and holdings

	Domicile	Share of stock, %	Capital and reserves	Profit/loss for the financial year
Tapiola Real Estate Ltd.	Espoo	50,00	588 820,78	343 390,46
Palokärki Oy	Espoo	50,00	31 544,12	27 437,57
Pohjantikka Oy	Espoo	50,00	4 250,85	1 750,85
Tapiola Bank Ltd.	Espoo	14,79	64 818 133,80	-1 436 441,31
Tapiolan Alueen Kehitys Oy	Espoo	27,42	34 025,22	6 375,25
Tapiola Data Ltd	Espoo	33,33	1 892 201,94	-78 649,02
Vakuutusneuvonta Aura Oy	Espoo	33,33	12 187,55	404,38
Vakuutusneuvonta Pohja Oy	Espoo	33,33	12 144,44	402,98
Total			67 393 308,70	-1 135 328,84

7.3 NOTES TO THE BALANCE SHEET 31 DECEMBER 2008  
TAPIOLA MUTUAL LIFE ASSURANCE COMPANY  
OTHER INVESTMENTS

Security	Share of stock, %	Number	Book value	Current value	Home country
<b>Domestic companies, listed</b>					
Fortum Corporation	0,02 %	181 625	822 540,48	2 766 148,75	
Huhtamäki Oyj	0,30 %	311 500	1 370 600,00	1 370 600,00	
Kemira Group	0,08 %	98 879	587 341,26	587 341,26	
Kesko Corporation	0,09 %	88 340	1 572 452,00	1 572 452,00	
Kone Corporation	0,05 %	140 000	2 174 200,00	2 174 200,00	
Lassila & Tikanoja plc	0,80 %	310 161	2 526 926,29	3 411 771,00	
Neste Oil Corporation	0,05 %	132 206	1 398 739,48	1 398 739,48	
Nokia Corporation	0,00 %	121 300	1 346 430,00	1 346 430,00	
Sanoma Corporation	0,10 %	161 513	1 487 534,73	1 487 534,73	
Stockmann plc	0,19 %	118 756	1 160 246,12	1 160 246,12	
Tamfelt Group	0,38 %	105 222	571 387,80	571 387,80	
Vacon Plc	0,65 %	98 800	691 600,00	1 808 040,00	
Vaisala Oyj	0,44 %	65 000	1 437 150,00	1 437 150,00	
YIT Corporation	0,23 %	287 000	473 166,05	1 314 460,00	
Other		353 931	922 473,60	1 604 251,41	
<b>Total</b>		<b>2 574 233</b>	<b>18 542 787,81</b>	<b>24 010 752,55</b>	
<b>Domestic companies, non-listed</b>					
Fingrid Oyj	1,05 %	35	1 177 315,49	1 177 315,49	
Retro Life Assurance Company Ltd	19,31 %	13 515	1 182 957,85	1 182 957,85	
Tapiola General Mutual Insurance Company	80,00 %	168	1 412 778,58	1 412 778,58	
Moventas Corporation	0,28 %	6 897	700 045,50	700 045,50	
Satel Oy	6,30 %	312	853 027,64	970 320,00	
Sato Corporation	2,56 %	1 138 580	5 968 488,80	5 968 488,80	
Seligson & Co Oyj	7,07 %	87 308	567 502,00	567 502,00	
Other		1 326 239	2 035 585,11	2 137 845,72	
<b>Total</b>		<b>2 573 054</b>	<b>13 897 700,97</b>	<b>14 117 253,94</b>	
<b>Foreign companies, listed</b>					
Adidas	0,03 %	54 000	1 465 560,00	1 465 560,00	Germany
Carl Zeiss Meditec	0,28 %	225 000	1 957 500,00	1 957 500,00	Germany
Carrefour	0,01 %	40 000	1 100 800,00	1 100 800,00	France
Coca-Cola	0,00 %	74 511	2 423 735,70	2 423 735,70	United States
Drägerwerk Ag -Vorzugakt	0,74 %	47 000	1 231 400,00	1 231 400,00	Germany
E.ON	0,00 %	90 000	1 402 969,12	2 559 600,00	Germany
Ekornes	0,42 %	153 860	1 057 294,36	1 057 294,36	Norway
Electricite De France	0,00 %	68 000	2 822 000,00	2 822 000,00	France
Eriks Group	0,44 %	47 000	1 222 000,00	1 222 000,00	The Netherlands
Estee Lauder	0,04 %	45 401	1 009 998,53	1 009 998,53	United States
France Telecom	0,00 %	130 000	2 594 800,00	2 594 800,00	France
Fresenius Medical Care	0,02 %	60 000	1 998 600,00	1 998 600,00	Germany
Gdf Suez	0,00 %	82 000	2 309 073,60	2 896 650,00	France
GlaxoSmithKline	0,00 %	137 000	1 847 522,31	1 847 522,31	United Kingdom
Heineken	0,01 %	54 150	1 185 885,00	1 185 885,00	The Netherlands
Hennes & Mauritz	0,01 %	48 000	944 417,10	1 349 034,04	Sweden
Johnson & Johnson	0,00 %	33 500	1 440 184,67	1 440 184,67	United States
Kappahl Holding	0,44 %	332 130	711 925,39	711 925,39	Sweden
Kellogg	0,01 %	30 000	945 246,82	945 246,82	United States
Medtronic	0,00 %	52 000	1 173 988,65	1 173 988,65	United States
Nestle Sa	0,00 %	48 000	1 035 231,88	1 344 646,46	Switzerland
Pfizer	0,00 %	144 000	1 832 463,89	1 832 463,89	United States
Polo Ralph Lauren	0,06 %	31 000	1 011 503,92	1 011 503,92	United States
Roche Holding	0,00 %	23 700	2 032 762,96	2 593 434,34	Switzerland
Royal Dutch Shell	0,00 %	119 000	2 255 065,62	2 255 065,62	The Netherlands
Sandvik	0,02 %	190 000	856 485,74	856 485,74	Sweden
Sanofi-Aventis	0,00 %	48 000	2 179 200,00	2 179 200,00	France
Siemens	0,00 %	25 000	1 317 000,00	1 317 000,00	Germany
Statoil Hydro	0,00 %	127 000	1 436 359,10	1 483 620,51	Norway
Symrise	0,13 %	155 000	1 546 900,00	1 546 900,00	Germany
Synthes	0,02 %	19 800	1 701 316,04	1 778 666,67	United States
SCA	0,05 %	286 500	1 759 326,13	1 759 326,13	Sweden
Telefonica	0,00 %	140 000	2 219 000,00	2 219 000,00	Spain
TeliaSonera	0,01 %	372 900	1 312 608,00	1 312 608,00	Sweden
Tesco	0,01 %	520 000	1 965 354,33	1 965 354,33	United Kingdom
Total	0,00 %	59 800	2 024 951,27	2 326 818,00	France
Ubs	0,00 %	77 220	771 680,00	771 680,00	Switzerland
Vivendi	0,01 %	98 000	2 279 970,00	2 279 970,00	France
Zimmer Holdings	0,03 %	58 100	1 687 434,07	1 687 434,07	United States
Other		85 097	316 333,30	417 513,74	
<b>Total</b>		<b>4 431 669</b>	<b>62 385 847,50</b>	<b>65 932 416,89</b>	
<b>Foreign companies, non-listed</b>					
Other		147 572	2 386,99	2 387,10	
<b>Total</b>		<b>147 572</b>	<b>2 386,99</b>	<b>2 387,10</b>	

**Mutual funds**

Aventum Global Reit	1 097 027,63	1 097 027,63 Finland
CAAM Dynarbitrage	2 460 062,19	2 460 062,19 Luxembourg
Deutsche Bank Croci Japan	1 966 709,55	1 966 709,55 United Kingdom
Dimensional Us Small Co Fd	713 326,73	713 326,73 Ireland
Fourton Odysseus	1 210 399,44	1 265 475,18 Finland
Fourton Stamina	1 218 417,83	1 333 823,68 Finland
Liongate Multi-Strategy Fund Segregated Portfolio	5 155 836,35	5 155 836,35 Luxembourg
Ram Partners Diversified Fund	5 713 612,95	5 713 612,95 Finland
Robeco Lux-o-rente	2 043 420,42	2 453 809,38 France
Seligson Phoebus	570 219,06	781 976,66 Finland
Tapiola Asia-Pacific	2 536 227,56	2 536 227,56 Finland
Tapiola Europe	2 366 690,83	2 483 445,42 Finland
Tapiola High Yield	24 260 971,69	24 260 971,69 Finland
Tapiola Wellbeing	5 358 032,28	5 358 032,28 Finland
Tapiola East Europe	1 269 815,21	1 269 815,21 Finland
Tapiola Japan	4 494 008,52	4 494 008,52 Finland
Tapiola Cash Interest	10 000 666,56	10 316 769,95 Finland
Tapiola Emerging Markets	3 261 671,49	4 208 278,99 Finland
Tapiola Real Estate	1 398 612,09	1 398 612,09 Finland
Tapiola Money Market	22 082 098,78	22 316 753,06 Finland
Tapiola World 20	959 100,00	959 100,00 Finland
Tapiola Euro Bond	14 118 819,92	15 918 398,68 Finland
Tapiola Finland	2 505 174,96	2 505 174,96 Finland
Tapiola Trend	4 372 133,16	4 544 071,64 Finland
Mutual Fund Tapiola Future	1 920 284,12	1 920 284,12 Finland
Tapiola USA	2 985 517,59	2 985 517,59 Finland
Tapiola Corporate Interest	15 577 148,73	15 577 148,73 Finland
Tapiola 2035	1 884 600,00	1 884 600,00 Finland
Tapiola 2045	540 720,00	540 720,00 Finland
Ubam Nb Us Equity Value	2 743 329,80	2 743 329,80 Luxembourg
Other	344 190,72	344 190,72
<b>Total</b>	<b>147 128 846,16</b>	<b>151 507 111,31</b>

**Private equity funds**

Aberdeen European Shopping Property Fund SICAV	905 191,09	905 191,09 Luxembourg
Aberdeen Property Funds SICAV Pan-Nordic	3 947 393,62	3 947 393,62 Luxembourg
Apax Europe VII - B, L.P.	2 074 486,02	2 074 486,02 United Kingdom
AXA LBO Fund IV FCPR	1 196 774,56	1 196 774,56 France
AXA Secondary Fund IV L.P.	1 115 670,04	1 115 670,04 Jersey
Bio Fund Ventures III Ky	597 110,07	597 110,07 Finland
Bridgepoint Europe III, L.P.	3 040 952,21	3 040 952,21 United Kingdom
Capman Equity VII A L.P.	1 232 137,48	1 445 699,00 Guernsey
Capvis Equity III L.P.	918 000,00	918 000,00 Jersey
Eqvitec Technology Fund II Ky	1 119 220,54	1 119 220,54 Finland
European Added Value Fund, L.P.	3 289 165,96	3 289 165,96 United Kingdom
Indigo Capital V L.P.	1 814 556,00	1 814 556,00 United Kingdom
Industri Kapital 2000 Limited Partnership XI	1 112 149,19	1 308 022,50 Jersey
Industri Kapital 2004 Limited Partnership III	1 270 873,87	1 270 873,87 Jersey
Industri Kapital 2007 Limited Partnership III	1 018 762,40	1 018 762,40 Jersey
ING Real Estate European Industrial Fund C.V.	2 592 184,60	2 592 184,60 The Netherlands
MB Equity Fund III Ky	1 051 288,38	1 138 330,00 Finland
MGP Europe Fund III L.P.	838 053,71	838 053,71 United Kingdom
Partners Group Secondary L.P.	1 056 788,53	1 379 495,57 United States
Partners Group U.S. Venture 2004, L.P.	919 955,45	919 955,45 United States
Paul Capital Top Tier Investments III, L.P.	1 102 029,58	1 105 308,90 United States
PBW II Real Estate Fund S.A.	2 259 927,34	2 259 927,34 Luxembourg
The PanEuropean Property Limited Partnership	4 769 443,90	4 769 443,90 United Kingdom
Tapiola KR I Ky	17 765 744,15	17 765 744,15 Finland
Tapiola KR III Ky	18 868 003,87	18 868 003,87 Finland
The Fourth Cinven Fund (No. 4) Limited Partnership	2 068 454,33	2 068 454,33 United Kingdom
Other	6 634 535,09	7 347 625,89
<b>Total</b>	<b>84 578 851,98</b>	<b>86 114 405,59</b>
<b>Total other investments, shares and holdings</b>	<b>9 726 528</b>	<b>326 536 421,41</b>
		<b>341 684 327,38</b>

7.3 NOTES TO THE BALANCE SHEET 31 DECEMBER 2008

**TAPIOLA MUTUAL LIFE ASSURANCE COMPANY  
ASSETS HELD TO COVER UNIT-LINKED INSURANCE POLICIES**

Security	Home country	Current value	Book value
<b>Mutual funds</b>			
BGF World Healthscience Fund Acc EUR	Luxembourg	1 821 953,24	1 821 953,24
Evli 17.10.2011 I/2006 Europe & Japan index-linked	Finland	559 080,00	559 080,00
Evli Alpha Bond B	Finland	1 971 025,02	1 971 025,02
Evli Euro Government Bond B	Finland	9 424 645,82	9 424 645,82
Evli Europe B	Finland	612 283,04	612 283,04
Evli European Investment Grade B	Finland	3 937 598,52	3 937 598,52
Evli Global Infrastructure B	Finland	831 327,73	831 327,73
EVLI GLOBAL MULTI MANAG 75-B	Finland	1 105 296,22	1 105 296,22
Evli Greater Russia 13.12.2010 index-linked	Finland	1 387 974,00	1 387 974,00
Evli Money Manager+ B	Finland	24 032 786,00	24 032 786,00
Evli Select B	Finland	2 644 736,75	2 644 736,75
Evli Sustainable Climate B	Finland	803 717,39	803 717,39
Evli Target Return B	Finland	3 991 682,86	3 991 682,86
Evli USA Quant Index B	Finland	680 848,84	680 848,84
Invesco Asia Infrastructure A - USD	Luxembourg	1 024 341,05	1 024 341,05
Pictet US Equity Selection P Cap - USD	Luxembourg	798 841,81	798 841,81
Seligson & Co Euro Obligaatio A	Finland	1 507 730,96	1 507 730,96
Seligson & Co Europe Index Fund A	Finland	2 077 480,96	2 077 480,96
SELIGSON & Co GLB TOP 25-A	Finland	3 483 178,52	3 483 178,52
SELIGSON & Co GLOBAL TOP 25 PHA-A	Finland	3 308 901,38	3 308 901,38
Seligson & Co Money Market Fund AAA	Finland	2 047 716,75	2 047 716,75
Seligson & Co Russian Pros Euro A	Finland	1 665 500,20	1 665 500,20
Seligson & Co Finland Index Fund	Finland	3 102 291,82	3 102 291,82
Tapiola 2010	Finland	8 405 375,54	8 405 375,54
Tapiola 2015	Finland	14 481 364,84	14 481 364,84
Tapiola 2020	Finland	17 145 425,30	17 145 425,30
Tapiola 2025	Finland	27 379 705,25	27 379 705,25
Tapiola 2035	Finland	5 701 896,81	5 701 896,81
Tapiola Asia-Pacific	Finland	1 565 719,86	1 565 719,86
Tapiola Europe	Finland	7 650 210,59	7 650 210,59
Tapiola High Yield	Finland	2 367 782,50	2 367 782,50
Tapiola Wellbeing	Finland	3 235 959,21	3 235 959,21
Tapiola Japan	Finland	599 138,99	599 138,99
Tapiola Cash Interest	Finland	6 376 840,74	6 376 840,74
Tapiola Emerging Markets	Finland	6 705 867,68	6 705 867,68
Tapiola Real Estate	Finland	981 589,65	981 589,65
Tapiola Money Market	Finland	4 175 131,57	4 175 131,57
Tapiola World 20	Finland	677 562,11	677 562,11
Tapiola World 50	Finland	16 090 464,95	16 090 464,95
Tapiola World 80	Finland	26 144 594,33	26 144 594,33
Tapiola Euro Bond	Finland	14 063 449,86	14 063 449,86
Tapiola Finland	Finland	1 672 883,01	1 672 883,01
Tapiola Trend	Finland	5 769 657,21	5 769 657,21
Mutual Fund Tapiola Future	Finland	2 012 039,95	2 012 039,95
Tapiola USA	Finland	2 143 564,17	2 143 564,17
Tapiola Corporate Interest	Finland	739 813,29	739 813,29
Other		6 793 531,47	6 793 531,47
<b>Total</b>		<b>255 700 507,76</b>	<b>255 700 507,76</b>
Other investments		1 963 469,52	1 963 469,52
<b>Assets held to cover unit-linked insurance policies</b>		<b>257 663 977,28</b>	<b>257 663 977,28</b>

# TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

## NOTES TO THE BAL/31.12.2008

### 8. Other investments

	2008	2007
<b>8.1. Other loans, itemised by type of security</b>		
Insurance policy	2 044 506,94	2 244 245,39
Other security	19 720,09	892 378,80
Remaining acquisition cost	<u>2 064 227,03</u>	<u>3 136 624,19</u>
Unsecured, total remaining acquisition cost	<u>41 000 000,00</u>	<u>26 000 000,00</u>
Total other loans	<u><u>43 064 227,03</u></u>	<u><u>29 136 624,19</u></u>
<b>8.2. Subordinated loans total</b>		
Other loans	855 042,27	869 126,77
<i>Total remaining acquisition cost</i>	<u>855 042,27</u>	<u>869 126,77</u>

# TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

## NOTES TO THE BAL/31.12.2008

### 9. Changes in tangible and intangible assets

	2008 Intangible rights and long-term expenditure	2008 Equipment
Acquisition cost on 1 Jan.	19 156 652,65	3 073 921,41
Items written off in the previous year	-1 595 187,96	0,00
Acquisitions	4 834 490,22	332 389,14
Sales and discards	-155 000,00	-16 533,44
Transfers between items	0,00	0,00
Acquisition cost on 31 Dec.	<u>22 240 954,91</u>	<u>3 389 777,11</u>
Accumulated depreciation according to plan on 1 Jan.	-7 574 470,42	-2 284 628,83
Items written off in the previous year	1 595 187,96	0,00
Accumulated depreciation related to deductions and transfers	0,00	0,00
Depreciation for the financial year	-3 450 828,50	-276 286,68
Accumulated depreciation according to plan on 31 Dec.	<u>-9 430 110,96</u>	<u>-2 560 915,51</u>
Book value on 31 Dec.	<u><u>12 810 843,95</u></u>	<u><u>828 861,60</u></u>

# TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

## NOTES TO THE BAL/31.12.2008

### 10. ASSETS HELD TO COVER UNIT-LINKED INSURANCE POLICIES

	2008 Original acquisition cost	2008 Current value (=book value)	2007 Original acquisition cost	2007 Current value (=book value)
<i>Assets held to cover unit-linked insurance policies</i>				
Shares and holdings	288 998 572,98	252 729 588,76	278 959 097,40	328 091 768,59
Debt securities	3 122 800,00	2 970 919,00	0,00	0,00
Derivative contracts	0,00	0,00	0,00	0,00
Deposits and other investments	0,00	0,00	0,00	0,00
Recovery from insurance premium mediators	1 837 501,46	1 837 501,46	51 342,77	51 342,77
Cash at bank and in hand	125 968,06	125 968,06	3 242 984,00	3 242 984,00
Accrued interest	0,00	0,00	2 636,60	2 636,60
<i>Total</i>	<u>294 084 842,50</u>	<u>257 663 977,28</u>	<u>282 256 060,77</u>	<u>331 388 731,96</u>
<i>Investments acquired in advance</i>	0,00	0,00	3 130 985,96	3 130 985,96
<b>Investments corresponding to the technical provisions for unit-linked insurance</b>	<u>294 084 842,50</u>	<u>257 663 977,28</u>	<u>279 125 074,81</u>	<u>328 257 746,00</u>

Cash at bank and in hand etc. include as yet uninvested net premiums for paid insurance policies valid at the closing of the accounts.

125 968,06

114 634,64

## TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

### NOTES TO THE BAL/31.12.2008

#### 11.1. Changes in capital and reserves

	1.1.2008	Increase	Decrease	31.12.2008
Initial fund	4 482 208,24	0,00	0,00	4 482 208,24
Guarantee capital	2 018 255,12	30 017 750,00	0,00	32 036 005,12
Revaluation reserve	336 375,85	0,00	0,00	336 375,85
Equity issue	0,00	30 017 750,00	-30 017 750,00	0,00
Legal reserve	0,00	0,00	0,00	0,00
Security reserve	46 134 529,84	35 320 000,00	0,00	81 454 529,84
Contingency reserve	80 667,76	14 226,81	-15 857,60	79 036,97
Profit for financial year	35 334 226,81	0,00	-35 334 226,81	0,00
Total changes in capital and reserves	<u>88 386 263,62</u>	<u>95 369 726,81</u>	<u>-65 367 834,41</u>	<u>118 388 156,02</u>

#### 11.2. Itemisation of revaluation reserve

Revaluation of investment assets	336 375,85
Increase for the financial year	0,00
Decrease for the financial year	0,00
Revaluation of investment assets	<u>336 375,85</u>

#### 11.3. Account of distributable profits

Profit for financial year	0,00
+ Other unrestricted capital and reserves	
Security reserve	81 454 529,84
Contingency reserve	79 036,97
Total distributable profits	<u>81 533 566,81</u>

# TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

## NOTES TO THE BAL/31.12.2008

### 12. Accumulated appropriations

	2008	2007
<b>Depreciation difference</b>		
Accumulated depreciation difference on 1 Jan.	4 576 884,04	4 409 706,08
Increase	87 421,49	167 177,96
Decrease	-451 699,61	0,00
Accumulated depreciation difference on 31 Dec.	<u>4 212 605,92</u>	<u>4 576 884,04</u>
<b>Voluntary provisions</b>		
Credit loss provision on 1 Jan.	891 393,54	875 600,45
Increase	0,00	15 793,09
Decrease	-891 393,54	0,00
Credit loss provision on 31 Dec.	<u>0,00</u>	<u>891 393,54</u>
<b>Total accumulated appropriations</b>	<u>4 212 605,92</u>	<u>5 468 277,58</u>

# TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

## NOTES TO THE BALANCE 31.12.2008

### 13. Provision for unearned premiums

Activated acquisition costs deducted from the provision for unearned life insurance premiums (zillmerisation)

	2008	2007
Life insurance	0,00	0,00
Pension insurance	0,00	0,00
	<u>0,00</u>	<u>0,00</u>

### 14. Technical provisions for unit-linked insurance

	2008	2007
Technical provision		
Provision for unearned premiums	257 271 608,00	328 022 676,00
Provision for claims outstanding	2 200 000,00	235 070,00
	<u>259 471 608,00</u>	<u>328 257 746,00</u>
Reinsurers' share	0,00	0,00
Total	<u>259 471 608,00</u>	<u>328 257 746,00</u>

### 15. Deferred tax liabilities

	2008	2007
Tax liability calculated on the basis of timing differences and other temporary differences between taxable profit and accounting profit.	<u>0,00</u>	<u>11 119 600,60</u>

# TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

## NOTES TO THE BAL/31.12.2008

### 16. Receivables and liabilities

#### 16.1 Itemisation of receivables

##### Receivables from Group companies

Other debtors

2008

2007

213 458,50

142 036,49

213 458,50

142 036,49

##### Receivables from participating interests

Other debtors

9 131,23

9 383,68

9 131,23

9 383,68

#### 16.2. Itemisation of liabilities

##### Liabilities to Group companies

Other liabilities

2008

2007

2 573 491,44

11 835 412,78

2 573 491,44

11 835 412,78

##### Liabilities to participating interests

Other liabilities

77 003,89

987 350,48

77 003,89

987 350,48

#### 16.3. Itemisation of accruals and deferred income

Provisional premiums

326 039,00

348 973,00

Liabilities to personnel

3 898 124,67

3 365 791,83

Valuation loss on derivatives

136 611,83

700 332,09

Other accruals and deferred income

571 853,47

500 929,49

4 932 628,97

4 916 026,41

**TAPIOLA MUTUAL LIFE ASSURANCE COMPANY**

**NOTES TO THE BALAN 31.12.2008**

**17. Notes concerning guarantees and contingent liabilities**

**17.1. Off-balance-sheet commitments and liabilities**

<b>Derivative contracts</b>	<b>2008</b>	<b>2007</b>
<b>Interest derivatives</b>		
<i>Forward and futures contracts, closed</i>		
Underlying instrument	140 000 000,00	102 700 000,00
Current value	0,00	0,00
<b>Currency derivatives</b>		
<i>Forward and futures contracts, open</i>		
Underlying instrument	21 178 856,09	76 139 697,68
Current value	1 651 834,41	648 085,42
<b>Value-added tax liabilities</b>		
<i>Joint liability relating to collective value-added tax registration</i>		
Group companies	-1 274 906,41	-184 125,67
Associated undertakings	0,00	0,00
Partner companies	<u>2 200 509,60</u>	<u>1 051 346,35</u>
	<u>925 603,19</u>	<u>867 220,68</u>
<i>Obligation to return value-added tax deductions based on section 33 of the Value-</i>		
	455 914,15	360 328,75
<b>Other commitments</b>		
Subscription commitments	139 786 769,78	85 057 600,82
Purchase commitments	1 967 500,00	0,00

# TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

## NOTES TO THE BALANCE SI 31.12.2008

### 18.1 Insider loans

**Money loans to a managing director, member of the board of directors or supervisory board, or auditor of the insurance company, an affiliated corporation, or a corporation or fund exercising a right of decision in the insurance company or a corporation or fund controlled by such a corporation or fund, or to the relatives of these persons as defined in Chapter 12, section 5, subsection 1 of the Insurance Companies Act.**

The company has granted no loans of the kind mentioned above.

**Monetary loans to persons who, based on share ownership or guarantee share ownership, right of option or a convertible bond, own or may own a minimum of 10 per cent of the shares, guarantee shares or votes based on shares or guarantee shares of the insurance company, or who have a similar right to vote in a company included in the same Group as the said insurance company.**

The company has granted no loans of the kind mentioned above.

### 18.2 Subordinated loans

**Creditor** Tapiola General Mutual Insurance Company

**Loan capital** EUR 37,000,000

**Principal loan terms** The loan contract is valid until further notice. The creditor is entitled to terminate the loan with a five-year period of notice. However, the loan can be repaid after the period of notice only to the extent that, at the time of payment, the sum of the debtor's distributable capital and reserves and all of the subordinated loans exceeds the amount of losses reported on the balance sheet of the financial statements for the last complete financial year, or newer, and that the debtor fulfills the solvency requirements in compliance with Chapter 11 of the Insurance Companies Act after loan payment.

The annual interest rate of the loan is determined on the basis of the interest rate for Germany's 12-month government bond (GTDEM1YR) plus a margin of 4.25 per cent.

Interest or other compensation on the loan can be paid only to the extent that, at the time of payment, the sum of the debtor's distributable capital and reserves and all of the subordinated loans exceeds the amount of losses reported on the balance sheet of the financial statements for the last complete financial year, or newer. If no interest can be paid, it will be postponed to such a time that the financial statements allow interest payment.

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

There is no security for the loan.

# TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

## NOTES TO THE BAL/31.12.2008

### 19. Notes concerning solvency

<b>Solvency margin</b>	<b>2008</b>	<b>2007</b>
Capital and reserves after deduction of proposed distribution of profits	118 388 156,02	88 386 263,62
Accumulated appropriations	4 212 605,92	5 468 277,58
Difference between current and book values of assets	74 393 903,70	155 209 256,20
Subordinated loans	37 000 000,00	-
Intangible assets	- 12 810 843,95	- 11 582 182,23
Off-balance-sheet commitments	- 2 773 281,58	- 207 742,82
Other items	-	- 11 119 600,60
	<u>218 410 540,11</u>	<u>226 154 271,75</u>
Minimum solvency margin (Insurance Companies Act, Chapter 11, se	74 832 000,00	75 232 000,00
An equalisation provision calculated for years with plenty of claims that is used to secure adequacy of technical provisions.	23 103 588,00	23 166 995,00
Solvency capital, % of technical provisions, i.e., solvency margin and equalisation provision in proportion to technical provisions on own account less equalisation provision (%)		
2008	15,5	
2007	15,7	
2006	18,7	
2005	19,6	
2004	17,4	

**TAPIOLA MUTUAL LIFE ASSURANCE COMPANY**
**€M**
**NOTES TO THE FINANCIAL STATEMENTS**
**KEY FIGURES 2008 FINANCIAL STATEMENTS**

<b>General key figures describing financial development</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Operating profit	7,7	90,3	21,0	23,8	48,6
Total result	-72,4	26,0	16,9	71,7	72,8
Return on capital employed (at current value), %	-1,1	4,0	6,5	8,7	7,8
Return on assets excluding unit-linked insurance, %	-1,5	4,2	3,8	7,3	7,6
Average number of personnel during the financial year <sup>1)</sup>	2	2	2	2	2
Number of employees in relation to payroll <sup>1)</sup>	497	333	355	332	
<b>Key figures describing the financial performance of life insurance</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Premium income	132,6	139,1	138,7	141,3	157,7
Expense ratio, %	118,1	105,4	95,8	89,5	100,9
Expense ratio, % of balance sheet total	2,6	1,8	1,7	1,6	1,7
Solvency margin in reporting currency	218,4	225,5	265,6	262,9	219,4
Minimum solvency margin (Insurance Companies Act, Chapter 11, section 12)	74,8	75,2	73,1	65,4	63,2
Equalisation provision in reporting currency	23,1	23,2	23,6	24,4	25,1
Solvency capital	241,5	248,6	289,2	287,3	244,6
Solvency ratio, % of technical provisions	15,5	15,7	18,7	19,6	17,4

1) As of 1 January 2008, the personnel will have employment contracts with the non-life insurance and mutual life assurance companies in Tapiola Group. The company's managing director and deputy managing director have an employment relationship with Tapiola Mutual Life Assurance Company

# TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

## OTHER NOTES

## PERFORMANCE ANALYSIS

EUR m

	2008	2007	Change	Change %
Premium income	132.5	139.0	-6.6	-4.7
Investment income and expenses as well as revaluations and adjustments thereof	-32.1	145.0	-177.2	-122.2
Claims paid	-147.5	-154.3	6.8	-4.4
Change in technical provisions before change in (customer bonuses) and equalisation provision	76.7	-16.4	93.1	-566.1
Operating expenses	-23.8	-22.8	-1.0	4.3
Other technical income and expenses	.	.	.	.
<b>Balance on technical account before changes in additional benefits (customer benefits) and equalisation provision</b>	<b>5.8</b>	<b>-90.5</b>	<b>-84.8</b>	<b>-93.6</b>
Other income and expenses	1.9	-0.3	2.2	-763
<b>Operating profit</b>	<b>7.7</b>	<b>90.3</b>	<b>-82.6</b>	<b>-91.5</b>
Change in equalisation provision	0.1	0.5	2.2	-763.0
Additional benefits (customer benefits)	-2.7	-43.1	40.4	-93.8
<b>Profit/loss before extraordinary items</b>	<b>5.1</b>	<b>47.6</b>	<b>-42.6</b>	<b>-89.4</b>
Extraordinary income	.	.	.	.
Extraordinary expenses	.	.	.	.
<b>Profit/loss before appropriations and taxes</b>	<b>5.1</b>	<b>47.6</b>	<b>-42.6</b>	<b>-89.4</b>
Appropriations	1.3	-0.2	1.4	-786.3
Income taxes and other direct taxes	-6.3	-12.1	5.8	-47.8
<b>Profit for the financial year</b>	<b>-0.0</b>	<b>35.3</b>	<b>-35.3</b>	<b>-100.0</b>
Operating profit	7.7	90.3	-82.6	-91.5
Change in the difference between current and book values	-80.1	-63.9	-16.2	-25.3
Change in revaluation reserve	0.0	-336	-0.3	-100.0
<b>Total result</b>	<b>-72.4</b>	<b>26</b>	<b>-98.4</b>	<b>-378.8</b>

**TAPIOLA MUTUAL LIFE ASSURANCE COMPANY**

**Net investment income at current value 1.1.-31.12.2008**

	Net investment income at current value <sup>1)</sup> 1-12/2008 EUR million	Capital employed <sup>2)</sup> 1-12/2008 EUR million	Return % on capital employed				
			1-12/2008	1-12/2007	1-12/2006	1-12/2005	1-12/2004
			%	%	%	%	%
Loan receivables <sup>5)</sup>	2,2	42,2	5,3	4,7	3,4	3,6	3,5
Bonds <sup>3)</sup>	67,2	919,5	7,3	1,6	1,0	4,8	6,4
<i>* of which fixed-income funds</i>	-8,3	71,1	-11,7	2,5	6,2	4,4	7,3
Other debt instruments and deposits <sup>3)</sup>	3,5	136,5	2,6	3,6	3,0	2,2	2,1
<i>* of which fixed-income funds</i>	-0,3	41,2	-0,7	2,9	3,7	2,5	2,2
Shares and holdings	-101,1	357,6	-28,3	8,7	18,1	27,0	13,7
Real estate investments <sup>4), 5)</sup>	10,9	301,9	3,6	6,4	9,7	4,3	5,5
<i>* of which mutual funds and undertakings for collective investment in transferable securities</i>	-6,2	33,0	-18,9	-10,6	32,2	16,1	
Other investments							
<b>Total investments</b>	<b>-17,2</b>	<b>1 757,8</b>	<b>-1,0</b>	<b>4,2</b>	<b>6,6</b>	<b>8,9</b>	<b>7,4</b>
Unallocated return, costs, and operating expenses	-2,5						
<b>Net investment income at current value<sup>6)</sup></b>	<b>-19,7</b>	<b>1 757,8</b>	<b>-1,1</b>	<b>4,0</b>	<b>6,5</b>	<b>8,7</b>	<b>7,8</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.

6) The figures do not include investments used as guarantee funds for unit-linked insurance.

**Tapiola Mutual Life Assurance Company**

**Investment allocation (at current value)**

	31.12.2008		31.12.2007		31.12.2006		31.12.2005		31.12.2004	
	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%
Loans receivable <sup>1), 5)</sup>	46,3	2,7	31,1	1,8	34,2	1,9	34,2	2,0	36,0	2,2
Bonds <sup>1), 2)</sup>	961,9	55,1	885,1	49,9	840,5	47,4	857,9	50,2	824,9	51,2
<i>* includes fixed-income funds</i>	58,2	3,3	65,4	3,7	44,2	2,5	40,0	2,3	37,8	2,3
Other debt instruments and deposits <sup>1), 2), 3)</sup>	142,9	8,2	176,9	10,0	120,7	6,8	89,7	5,3	43,2	2,7
<i>* includes fixed-income funds</i>	32,6	1,9	68,9	3,9	36,4	2,0	2,0	0,1	8,5	0,5
Shares and holdings	254,2	14,6	319,0	18,0	413,2	23,3	369,8	21,6	328,5	20,4
Real estate investments <sup>4), 5)</sup>	339,7	19,5	359,9	20,3	365,6	20,6	357,0	20,9	379,1	23,5
<i>* includes mutual funds and undertakings for collective investment in transferable securities</i>	58,1	3,3	20,3	1,1	6,6	0,4	2,1	0,1	0,0	0,0
<b>Total investments</b>	<b>1 745,1</b>	<b>100,0</b>	<b>1 772,0</b>	<b>100,0</b>	<b>1 774,2</b>	<b>100,0</b>	<b>1 708,6</b>	<b>100,0</b>	<b>1 611,8</b>	<b>100,0</b>

Bonds, modified duration

5,06

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.

## TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

### Itemisation of net investment income

	31.12.2008	31.12.2007	31.12.2006	31.12.2005	31.12.2004
	EUR million	EUR million	EUR million	EUR million	EUR million
<b>Direct net return</b>	<b>80,2</b>	<b>59,2</b>	<b>65,5</b>	<b>58,5</b>	<b>67,2</b>
Loans receivable	2,2	1,5	1,1	1,4	1,3
Bonds	56,3	29,3	36,1	33,3	26,4
Other debt instruments and deposits	4,6	4,4	3,1	1,3	1,0
Shares and holdings	7,4	12,2	11,7	10,1	15,0
Realestate investments	12,1	13,9	15,3	15,2	18,1
Other investments	0,0	0,0		0,0	0,0
Unallocated income, costs and operating expenses	-2,4	-2,2	-1,9	-2,7	5,4
<b>Changes in book values <sup>1)</sup></b>	<b>-19,8</b>	<b>74,6</b>	<b>46,7</b>	<b>32,0</b>	<b>25,4</b>
Shares and holdings	-39,8	57,1	35,3	22,8	17,3
Bonds	-4,0	0,8	-2,4	9,9	5,5
Realestate investments	24,0	16,9	13,8	-1,6	2,6
Other investments	0,0	-0,2	0,0	0,9	0,0
<b>Net investment income in books</b>	<b>60,4</b>	<b>133,8</b>	<b>112,1</b>	<b>90,5</b>	<b>92,6</b>
<b>Change in the difference between current and book value <sup>2)</sup></b>	<b>-80,1</b>	<b>-63,9</b>	<b>-3,8</b>	<b>47,2</b>	<b>24,3</b>
Shares and holdings	-68,8	-39,6	16,6	50,1	10,8
Bonds	14,9	-16,6	-25,1	-3,9	13,4
Real estate investments	-25,2	-9,1	4,4	1,7	0,1
Other investments	-1,0	1,4	0,3	-0,8	0,0
<b>Net investment income at current value</b>	<b>-19,7</b>	<b>69,8</b>	<b>108,3</b>	<b>137,7</b>	<b>116,9</b>
<b>Derivatives of net investment income</b>	<b>21,4</b>	<b>1,6</b>	<b>6,1</b>	<b>-2,2</b>	<b>-0,3</b>

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

2) Off-balance-sheet changes in values



# **Tapiola Mutual Life Assurance Company**

**Group**

**Financial Statements  
2008**

**TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP**

**INCOME STATEMENT**

**TECHNICAL ACCOUNT – LIFE INSURANCE**

**1.1.2008 - 31.12.2008**

**1.1.2007 - 31.12.2007**

Premium income					
Premium income	1	205 001 411,22		202 431 592,60	
Reinsurers' share		<u>-1 554 024,06</u>	203 447 387,16	<u>-1 591 773,59</u>	200 839 819,01
Net investment income	4		369 930 813,06		309 342 123,81
Revaluations of investments	4		1 532 043,23		10 185 741,92
Claims incurred					
Claims paid	2	-209 525 190,55		-222 847 533,47	
Reinsurers' share		<u>594 013,97</u>	-208 931 176,58	<u>714 683,66</u>	-222 132 849,81
Change in provision for claims outstanding		<u>-28 820 787,98</u>		<u>-19 620 345,81</u>	
Reinsurers' share		0,00	-28 820 787,98	0,00	-19 620 345,81
Change in provision for unearned premiums					
Change in provision for unearned premiums		106 012 581,35		-76 827 494,25	
Reinsurers' share		<u>0,00</u>	106 012 581,35	<u>0,00</u>	-76 827 494,25
Operating expenses	3		-32 437 608,11		-30 824 624,61
Investment expenses	4		-328 890 841,57		-108 041 254,14
Revaluation adjustments on investments	4		-74 658 767,72		-14 101 191,16
<b>Balance on technical account</b>			<b>7 183 642,84</b>		<b>48 819 924,96</b>

**NON-TECHNICAL ACCOUNT**

<b>Balance on technical account of life insurance</b>			<b>7 183 642,84</b>		<b>48 819 924,96</b>
Other income					
Decrease in group reserve		89 085,60		89 085,60	
Other		<u>23 313 194,93</u>	23 402 280,53	<u>6 701 085,31</u>	6 790 170,91
Other expenses					
Amortisation of consolidated goodwill		-17 346,32		-8 653,16	
Other		<u>-21 278 105,81</u>	-21 295 452,13	<u>-6 993 439,29</u>	-7 002 092,45
Share of profit/loss of associated undertakings after taxes			2 038 038,87		-1 201 783,97
Income taxes on ordinary activities					
Taxes for financial year		-2 133 463,40		-12 338 366,13	
Taxes for previous financial years		-4 217 199,95		-157 272,27	
Change in deferred tax liabilities		<u>683 959,39</u>	-5 666 703,96	<u>10 145,43</u>	-12 485 492,97
<b>Profit for ordinary activities</b>			<b>5 661 806,15</b>		<b>34 920 726,48</b>
<b>Profit after extraordinary items</b>			<b>5 661 806,15</b>		<b>34 920 726,48</b>
Minority interest in profit/loss for the financial year			<u>-240 957,26</u>		<u>47 985,74</u>
<b>Profit for financial year</b>			<b>5 420 848,90</b>		<b>34 968 712,21</b>

**TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP**

**BALANCE SHEET**

<b>Assets</b>		<b>31.12.2008</b>		<b>31.12.2007</b>	
<b>Intangible assets</b>					
Consolidated goodwill	9	60 572,11		77 878,42	
Other long-term expenditure	9	<u>15 608 929,65</u>	15 669 501,76	<u>13 925 992,00</u>	14 003 870,42
<b>Investments</b>	5				
Realestate investments	6				
Real estate and shares in real estate		267 087 952,03		291 489 462,85	
Loans to participating interests		<u>1 517 952,32</u>	268 605 904,35	<u>0,00</u>	291 489 462,85
Investments in Group companies and participating interests	7				
Shares and holdings in participating interests		13 579 223,58		9 131 487,63	
Debt securities and loans to participating interests		2 730 000,00		2 815 000,00	
Deposits in participating interests		<u>0,00</u>	16 309 223,58	<u>11 207 812,16</u>	23 154 299,79
Other investments					
Shares and holdings	7	489 035 621,00		524 667 948,10	
Debt securities		1 450 006 915,26		1 325 011 397,28	
Loans guaranteed by mortgages		32 604 958,83		31 080 699,05	
Other loans	8	49 164 407,80		35 161 184,95	
Deposits		84 060 000,00		70 930 000,00	
Other investments		<u>0,00</u>	2 104 871 902,89	<u>0,00</u>	1 986 851 229,38
Deposits with ceding undertakings		<u>0,00</u>	2 389 787 030,82	<u>0,00</u>	2 301 494 992,02
<b>Assets held to cover unit-linked insurance policies</b>	10		306 433 460,79		388 912 878,08
<b>Debtors</b>	17				
Direct insurance operations					
Policyholders		655 741,24		841 238,43	
Reinsurance operations		<u>61 556,31</u>	717 297,55	<u>191 709,79</u>	1 032 948,22
Other debtors		<u>4 091 978,83</u>	4 809 276,38	<u>8 180 394,47</u>	9 213 342,69
<b>Other assets</b>					
Tangible assets					
Equipment	9	1 581 331,02		1 184 816,58	
Other tangible assets		<u>0,00</u>	1 581 331,02	<u>5 548,84</u>	1 190 365,42
Cash at bank and in hand		10 367 133,16		12 392 058,84	
Other assets		<u>117 204,41</u>	12 065 668,59	<u>117 204,41</u>	13 699 628,67
<b>Prepayments and accrued income</b>					
Interest and rents		29 267 484,92		27 373 409,22	
Other prepayments and accrued income		<u>8 734 334,96</u>	38 001 819,88	<u>5 939 260,09</u>	33 312 669,31
		<u><u>2 766 766 758,21</u></u>		<u><u>2 760 637 381,19</u></u>	

**TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP**

**BALANCE SHEET**

<b>Liabilities</b>		<b>31.12.2008</b>		<b>31.12.2007</b>	
<b>Capital and reserves</b>	11				
Initial fund		4 482 208,24		4 482 208,24	
Guarantee capital		32 036 005,12		2 018 255,12	
Revaluation reserve		7 153 564,82		9 995 671,18	
Unrestricted reserves		81 533 566,81		46 215 197,59	
Share of voluntary provisions and depreciation difference transferred to capital and reserves		4 009 036,83		6 138 108,76	
Consolidated profit/loss brought forward		-15 622 945,65		-15 043 542,42	
Consolidated profit/loss for the financial year	5 420 848,90		34 968 712,21		
Share of change in depreciation difference and voluntary provisions included in profit for the		<u>2 129 070,81</u>	<u>7 549 919,71</u>	<u>-213 888,62</u>	<u>34 754 823,59</u>
			121 141 355,87		88 560 722,07
<b>Minority interest</b>			2 868 535,47		3 634 789,26
<b>Subordinated loans</b>			55 000 000,00		0,00
<b>Group reserve</b>	12		89 085,52		178 171,12
<b>Technical provision</b>					
Provision for unearned premiums	13	1 709 124 732,94		1 735 719 945,29	
Reinsurers' share		<u>0,00</u>	<u>1 709 124 732,94</u>	<u>0,00</u>	<u>1 735 719 945,29</u>
Provision for claims outstanding		539 909 223,75		513 063 391,20	
Reinsurers' share		<u>0,00</u>	<u>539 909 223,75</u>	<u>0,00</u>	<u>513 063 391,20</u>
			2 249 033 956,69		2 248 783 336,49
<b>Technical provisions for unit-linked insurance</b>	14				
Technical provision		308 696 611,19		386 139 024,76	
Reinsurers' share		<u>0,00</u>	<u>308 696 611,19</u>	<u>0,00</u>	<u>386 139 024,76</u>
<b>Creditors</b>	17				
Direct insurance operations		4 036,14		35 417,47	
Reinsurance operations		270 605,96		414 280,93	
Loans from financial institutions	15	8 171 411,80		5 244 950,58	
Deferred tax liabilities	12/16	1 433 680,67		2 190 350,13	
Other liabilities		<u>13 823 656,26</u>	<u>23 703 390,83</u>	<u>19 105 126,97</u>	<u>26 990 126,08</u>
<b>Accruals and deferred income</b>			<u>6 233 822,65</u>		<u>6 351 211,41</u>
			<u><b>2 766 766 758,21</b></u>		<u><b>2 760 637 381,19</b></u>

**TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP**

	2008	2007
<b>Indirect fund statement</b>		
<b>Cash flow from operations</b>		
Profit (loss) from ordinary activities / profit (loss) before extraordinary items	5 661 806,15	34 920 726,48
Adjustments		
Change in technical provisions	-77 191 793,37	96 447 840,06
Value adjustments and revaluation of investments	191 291 236,90	12 077 463,92
Unrealised exchange gains/losses		
Change in uncovered liabilities resulting from statutory reductions		
Planned depreciation	15 224 710,67	14 194 152,65
Other non-cash income and expenses		
Other adjustments	-45 709 898,74	-106 962 850,67
Cash flow before change in working capital	89 276 061,61	50 677 332,44
Change in working capital:		
Current receivables, non-interest-bearing, increase / decrease	-285 084,26	-8 232 772,95
Current liabilities, non-interest-bearing, increase / decrease	-5 646 625,84	10 882 609,34
Cash flow from operations before financial items and taxes	83 344 351,51	53 327 168,83
Interest paid and other financial expenses	-1 448 452,95	-904 864,64
Direct taxes paid	-2 807 241,28	-12 495 638,40
Cash flow before extraordinary items	79 088 657,28	39 926 665,79
Cash flow from extraordinary items (net)		
<b>Cash flow from operations</b>	<b>79 088 657,28</b>	<b>39 926 665,79</b>
<b>Cash flow from investments</b>		
Investments in assets (excl. cash and cash equivalents)	-204 623 399,23	-144 565 969,41
Capital gains from investments (excl. cash and cash equivalents)	47 243 594,71	121 554 992,25
Increase/decrease in minority share	-1 007 211,05	-326 649,75
Investments in and capital gains from intangible and tangible assets and other assets (net)	-7 812 813,51	-6 378 630,31
<b>Cash flow from investments</b>	<b>-166 199 829,07</b>	<b>-29 716 257,22</b>
<b>Cash flow from financing activities</b>		
Increase in guarantee capital	30 017 750,00	
Loans raised	71 926 461,22	
Repayment of debt	-14 000 000,00	-113 892,01
Increase/decrease in capital and reserves	-2 842 107,50	1 368 294,16
Other distribution of profit	-15 857,60	-11 000,00
<b>Cash flow from financing activities</b>	<b>85 086 246,12</b>	<b>1 243 402,15</b>
<b>Change in cash and cash equivalents</b>	<b>-2 024 925,68</b>	<b>11 453 810,72</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>12 392 058,84</b>	<b>938 248,12</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>10 367 133,16</b>	<b>12 392 058,84</b>

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

NOTES TO THE INCOME STATEMENT

1.1. Premium income

	2008			2007		
Direct insurance						
Life insurance						
Unit-linked individual life insurance	20 127 776,90			27 399 102,36		
Other individual life insurance	49 101 688,43			51 372 145,44		
Other capital redemption contract	0,00			250 000,00		
Group Life Insurance	6 807 387,90			9 367 716,38		
Other group life insurance	<u>16 938 955,83</u>	92 975 809,06		<u>14 199 240,63</u>	102 588 204,81	
Pension insurance						
Unit-linked individual pension insurance	41 218 929,42			36 215 192,85		
Other individual pension insurance	36 862 055,33			39 254 637,98		
Unit-linked individual group pension insurance	3 736 175,15			3 559 136,75		
Other group pension insurance	<u>30 171 903,12</u>	<u>111 989 063,02</u>	204 964 872,08	<u>20 644 034,46</u>	<u>99 673 002,04</u>	202 261 206,85
Reinsurance			<u>36 539,14</u>			<u>170 385,75</u>
<b>Premiums written before reinsurers' share</b>			<b><u>205 001 411,22</u></b>			<b><u>202 431 592,60</u></b>
<i>Premiums written before reinsurers' share</i>						
Regular premiums			181 280 079,08			179 710 378,16
Single premiums			<u>23 684 793,00</u>			<u>22 550 828,69</u>
Total			<u>204 964 872,08</u>			<u>202 261 206,85</u>
Premiums written on contracts entitling to a rebate			139 881 990,61			135 087 774,89
Premiums written on unit-linked insurance contracts			<u>65 082 881,47</u>			<u>67 173 431,96</u>
			<u>204 964 872,08</u>			<u>202 261 206,85</u>
<b>1.2. Impact of life insurance rebates and discounts on the result</b>			<b><u>-1 652 510,35</u></b>			<b><u>70 079 846,00</u></b>

TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

NOTES TO THE INCOME STATEMENT

2. Claims paid before reinsurers' share

	2008		2007	
Direct insurance				
Life insurance	122 360 152,89		143 758 044,58	
Pension insurance	87 165 037,66	209 525 190,55	79 023 179,21	222 781 223,79
		<u>                    </u>	<u>                    </u>	<u>                    </u>
Reinsurance		0,00		66 309,68
<b>Total claims paid</b>		<u><b>209 525 190,55</b></u>		<u><b>222 847 533,47</b></u>
Out of which:				
Surrenders	34 161 351,73		29 599 336,01	
Repayments of benefits	54 039 517,90		81 811 997,03	
Other	121 324 320,92	<u><b>209 525 190,55</b></u>	111 436 200,43	<u><b>222 847 533,47</b></u>
		<u>                    </u>	<u>                    </u>	<u>                    </u>
Unit-linked insurance of claims paid		<u>21 231 179,56</u>		<u>26 259 733,79</u>

**TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP**

**NOTES TO THE INCOME STATEMENT**

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

	<b>2008</b>	<b>2007</b>
<b>3.1. Total operating expenses by activity</b>		
Claims paid	4 907 035,35	4 376 180,11
Operating expenses	32 437 608,11	30 824 624,61
Investment management expenses	3 831 190,72	3 258 830,30
Other expenses	21 295 452,13	7 002 092,45
Total	<u>62 471 286,31</u>	<u>45 461 727,47</u>

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

Policy acquisition costs		
Direct insurance remunerations	4 156 719,23	3 192 458,42
Commissions on reinsurance assumed and profit holdings	43,33	30,53
Other policy acquisition costs	8 234 091,32	9 174 814,90
	<u>12 390 853,88</u>	<u>12 367 303,85</u>
Policy management expenses	13 357 193,68	12 160 158,03
Administrative expenses	7 041 339,09	6 672 391,77
Commissions on reinsurance ceded and profit holdings	-351 778,54	-375 229,04
Total	<u>32 437 608,11</u>	<u>30 824 624,61</u>

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

**3.3.1. Personnel expenses**

Salaries and remuneration	20 512 747,03	16 410 596,99
Pension expenses	4 434 935,65	2 886 640,09
Other personnel expenses	1 246 661,06	1 040 542,83
Total	<u>26 194 343,74</u>	<u>20 337 779,91</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 remuneration	274 738,00	310 075,00
Pension commitments	The retirement age of the managing director is 63 and that of the deputy	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	

Board and deputy board members

Salaries and remuneration	350 504,00	422 460,00
Pension commitments	The agreed retirement age of board members and deputy board members is 60–63 years.	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	

Supervisory board

Salaries and remuneration	81 025,00	62 785,00
Pension commitments	No pension commitments	
Monetary loans and terms thereof	No monetary loans granted	
Guarantees and contingent liabilities	No guarantees or contingent liabilities granted	

**3.3.3. Average number of personnel during the financial year**

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

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

Auditing	131 715,10	105 917,53
Assignments referred to in section 1, subsection 1, paragraph 2 of the Auditing Act	0,00	6 863,87
Tax advice	28 867,78	0,00
Other services	4 447,17	0,00
Total	<u>165 030,05</u>	<u>112 781,40</u>

# TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

## NOTES TO THE INCOME STATEMENT

### 4.1. Itemisation of net investment income

	<b>2008</b>		<b>2007</b>	
<b>Net investment income</b>				
Income from participating interests				
Dividend income	0,00		0,00	
Interest income	436 514,31		620 282,14	
Other income	<u>0,00</u>	436 514,31	<u>0,00</u>	620 282,14
Income from real estate investments in other companies				
Dividend income	0,00		0,00	
Interest income	373 579,00		160 362,40	
Other income	<u>32 584 915,67</u>	32 958 494,67	<u>37 801 728,60</u>	37 962 091,00
Income from other investments				
Dividend income	10 772 137,46		20 524 436,20	
Interest income	66 725 266,10		59 860 324,56	
Other income	<u>167 893 057,92</u>	245 390 461,48	<u>54 761 154,88</u>	135 145 915,64
<b>Total</b>		<u>278 785 470,46</u>		<u>173 728 288,78</u>
Value readjustment		15 122 102,52		5 679 192,57
Capital gains		<u>76 023 240,08</u>		<u>129 934 642,46</u>
<b>Total</b>		<b>369 930 813,06</b>		<b>309 342 123,81</b>
<b>Investment expenses</b>				
Expenses for real estate investments				
Participating interests	0,00		0,00	
Other companies	<u>-15 242 568,11</u>	-15 242 568,11	<u>-19 312 681,57</u>	-19 312 681,57
Expenses for other investments		-140 665 066,12		-55 351 871,15
Interest and other expenses for liabilities				
Participating interests	-42 300,39		-31 777,48	
Other	<u>-1 406 152,56</u>	-1 448 452,95	<u>-873 087,16</u>	-904 864,64
<b>Total</b>		<u>-157 356 087,18</u>		<u>-75 569 417,36</u>
Value adjustments and depreciation				
Value adjustments	-133 286 614,93		-13 841 207,25	
Planned depreciation on buildings	<u>-9 468 494,09</u>	-142 755 109,02	<u>-10 250 979,32</u>	-24 092 186,57
Capital losses		<u>-28 779 645,37</u>		<u>-8 379 650,21</u>
<b>Total</b>		<b>-328 890 841,57</b>		<b>-108 041 254,14</b>
<b>Net investment income before revaluations and their adjustments</b>				
		<b>41 039 971,49</b>		<b>201 300 869,67</b>
Revaluations of investments	1 532 043,23		10 185 741,92	
Revaluation adjustments on investments	<u>-74 658 767,72</u>	-73 126 724,49	<u>-14 101 191,16</u>	-3 915 449,24
<b>Net investment income in the income statement</b>		<b><u>-32 086 753,00</u></b>		<b><u>197 385 420,43</u></b>

**TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP**

**NOTES TO THE INCOME STATEMENT**

**4.2 Investment income for unit-linked insurance policies**

	<b>2008</b>	<b>2007</b>
Net investment income	3 305 431,00	16 160 268,48
Investment expenses	<u>-10 336 381,50</u>	<u>-481 549,24</u>
<b>Net investment income before revaluations and their adjustments as well as value adjustments and readjustments</b>	-7 030 950,50	15 678 719,24
Revaluations of investments	1 532 043,23	10 185 741,92
Revaluation adjustments on investments	-59 749 797,35	-11 649 483,82
Value adjustments	-47 184 683,38	-1 058 629,76
Value readjustment	313 186,94	0,00
<b>Net investment income in the income statement</b>	<u><u>-112 120 201,06</u></u>	<u><u>-2 522 371,66</u></u> <u><u>13 156 347,58</u></u>

**4.3 Specification of other income and expenses**

**Other income**

Decrease in group reserve	89 085,60	89 085,60
Income from ancillary operations	23 149 696,06	6 454 721,42
Services sold to partner companies	89 685,00	228 504,21
Other Other income	73 813,87	17 859,68
	<u><u>23 402 280,53</u></u>	<u><u>6 790 170,91</u></u>

**Other expenses**

Amortisation of consolidated goodwill	17 346,32	8 653,16
Expenses for ancillary operations	21 237 286,23	6 731 461,75
Expenses for services sold	20,00	3 158,05
Transfer to personnel fund	40 797,22	258 819,30
Other Other expenses	2,36	0,19
	<u><u>21 295 452,13</u></u>	<u><u>7 002 092,45</u></u>

**TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP**

**NOTES TO THE BALANCE SHEET 31.12.2008**

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

<b>Investments</b>	<b>2008 Remaining acquisition cost</b>	<b>2008 Book value</b>	<b>2008 Current value</b>
Realestate investments			
Real estates	188 526 144,64	221 987 639,01	294 187 195,11
Real estate shares in participating interests	792 203,34	792 203,34	1 042 781,00
Other real estate shares	43 570 653,95	44 308 109,67	56 638 075,00
Loans to participating interests	1 517 952,32	1 517 952,32	1 517 952,32
	<u>234 406 954,26</u>	<u>268 605 904,35</u>	<u>353 386 003,43</u>
Investments in participating interests			
Shares and holdings	13 579 223,58	13 579 223,58	13 579 223,58
Debt securities	2 400 000,00	2 400 000,00	2 400 000,00
Loans receivable	330 000,00	330 000,00	330 000,00
Deposits	0,00	0,00	0,00
	<u>16 309 223,58</u>	<u>16 309 223,58</u>	<u>16 309 223,58</u>
Other investments			
Shares and holdings	489 035 621,00	489 035 621,00	511 243 723,14
Debt securities	1 450 006 915,26	1 450 006 915,26	1 458 945 725,37
Loans guaranteed by mortgages	32 604 958,83	32 604 958,83	32 604 958,83
Other loans	49 164 407,80	49 164 407,80	49 164 407,80
Deposits	84 060 000,00	84 060 000,00	84 060 000,00
Other investments	0,00	0,00	0,00
	<u>2 104 871 902,89</u>	<u>2 104 871 902,89</u>	<u>2 136 018 815,14</u>
	<u><u>2 355 588 080,73</u></u>	<u><u>2 389 787 030,82</u></u>	<u><u>2 505 714 042,15</u></u>

Remaining acquisition cost of debt securities includes

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

-2 580 088,49

Income from index-linked loans

0,00

-2 580 088,49

Book value comprises

Revaluations released to income

19 196 675,25

Other revaluations

15 002 274,84

34 198 950,09

Difference between current and book value

115 927 011,33

**5.2. Difference between current and book value of non-hedging derivatives**

2 490 598,93

**TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP**

**NOTES TO THE BALANCE SHEET 31.12.2007**

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

<b>Investments</b>	<b>2007 Remaining acquisition cost</b>	<b>2007 Book value</b>	<b>2007 Current value</b>
Realestate investments			
Real estates	183 497 955,55	234 130 225,84	334 680 247,00
Real estate shares in participating interests	772 979,00	772 979,00	1 046 737,00
Other real estate shares	55 491 825,32	56 586 258,01	71 200 026,00
Loan to participating interests	0,00	0,00	0,00
	<u>239 762 759,87</u>	<u>291 489 462,85</u>	<u>406 927 010,00</u>
Investments in participating interests			
Shares and holdings	9 131 487,63	9 131 487,63	9 131 487,63
Debt securities	2 400 000,00	2 400 000,00	2 400 000,00
Loans receivable	415 000,00	415 000,00	415 000,00
Deposits	11 207 812,16	11 207 812,16	11 207 812,16
	<u>23 154 299,79</u>	<u>23 154 299,79</u>	<u>23 154 299,79</u>
Other investments			
Shares and holdings	524 667 948,10	524 667 948,10	660 340 547,88
Debt securities	1 325 011 397,28	1 325 011 397,28	1 298 227 883,69
Loans guaranteed by mortgages	31 080 699,05	31 080 699,05	31 080 699,05
Other loans	35 161 184,95	35 161 184,95	35 161 184,95
Deposits	70 930 000,00	70 930 000,00	70 930 000,00
Other investments	0,00	0,00	0,00
	<u>1 986 851 229,38</u>	<u>1 986 851 229,38</u>	<u>2 095 740 315,57</u>
	<u><u>2 249 768 289,04</u></u>	<u><u>2 301 494 992,02</u></u>	<u><u>2 525 821 625,36</u></u>

Remaining acquisition cost of debt securities includes

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

-6 927 149,92

Income from index-linked loans

0,00

-6 927 149,92

Book value comprises

Revaluations released to income

32 295 946,96

Other revaluations

19 430 756,02

51 726 702,98

Difference between current and book value

224 326 633,34

**5.2. Difference between current and book value of non-hedging derivatives**

965 006,62

**TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP**

**NOTES TO THE BALANCE SHEET 31.12.2008**

**6. Realestate investments**

<b>Changes in real estate investments:</b>	<b>2008</b>	<b>2008</b>
	<b>Real estate and</b>	<b>Loans to participating</b>
	<b>shares in real</b>	<b>interests</b>
Acquisition cost on 1 Jan.	370 911 719,60	0,00
Items written off in the previous year	-4 339 882,96	
Increase	66 060 770,59	1 517 952,32
Decrease	-104 526 287,52	0,00
Transfers between items	0,00	0,00
Acquisition cost on 31 Dec.	<u>328 106 319,71</u>	<u>1 517 952,32</u>
Accumulated depreciation on 1 Jan.	-100 920 387,29	
Items written off in the previous year	4 339 882,96	
Accumulated depreciation related to deductions and transfers	32 400 887,70	
Depreciation for the financial year	<u>-5 949 331,87</u>	
Accumulated depreciation on 31 Dec.	<u>-70 128 948,50</u>	
Value adjustments on 1 Jan.	-30 228 572,44	
Value adjustments related to deductions and transfers	9 288 655,29	
Value adjustments for the financial year	-5 648 452,13	
Value readjustment	<u>1 500 000,00</u>	
Value adjustments on 31 Dec.	<u>-25 088 369,28</u>	
Revaluations on 1 Jan.	51 726 702,98	
Increase	0,00	
Decrease	-17 527 752,89	
Transfers between items	<u>0,00</u>	
Revaluations on 31 Dec.	<u>34 198 950,09</u>	
Book value on 31 Dec	<u><u>267 087 952,03</u></u>	<u><u>1 517 952,32</u></u>

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

Remaining acquisition cost	9 482 623,68
Book value	10 565 623,99
Current value	13 089 830,00

**TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP**

**NOTES TO THE BALANCE SHEET 31.12.2008**

**7. Investments in participating interests**

	<b>2008</b>
<b>Shares and holdings in participating interests</b>	
Acquisition cost on 1 Jan.	9 131 487,63
Increase	4 798 744,35
Decrease	-351 008,40
Transfers between items	0,00
Acquisition cost on 31 Dec.	<u>13 579 223,58</u>
Book value on 31 Dec.	<u><u>13 579 223,58</u></u>

## TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

### NOTES TO THE BALANCE SHEET 31.12.2008

#### 7.1. 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	588 820,78	343 390,46
Palokärki Oy	Espoo	50,00	31 544,12	27 437,57
Pohjantikka Oy	Espoo	50,00	4 250,85	1 750,85
Tapiola Bank Ltd	Espoo	19,47	64 818 133,80	-1 436 441,31
Tapiolan Alueen Kehitys Oy	Espoo	32,37	34 025,22	6 375,25
Tapiola Data Ltd	Espoo	33,33	1 892 201,94	-78 649,02
Vakuutusneuvonta Aura Oy	Espoo	33,33	12 187,55	404,38
Vakuutusneuvonta Pohja Oy	Espoo	33,33	12 144,44	402,98
Total			67 393 308,70	-1 135 328,84

**7.2 NOTES TO THE BALANCE**  
**TAPIOLA MUTUAL LIFE ASSURANCE GROUP**  
**OTHER INVESTMENTS**

Security	Share of stock, %	Number	Book value	Current value Home country
<b>Domestic companies, listed</b>				
Fortum Corporation	0,03 %	274 646	1 423 313,76	4 182 858,58
Huhtamäki Oyj	0,42 %	440 200	1 936 880,00	1 936 880,00
Kemira Group	0,15 %	190 279	1 130 257,26	1 130 257,26
Kesko Corporation	0,13 %	127 960	2 277 688,00	2 277 688,00
Kone Corporation	0,08 %	200 000	3 106 000,00	3 106 000,00
Lassila & Tikanoja plc	1,19 %	460 267	3 851 511,19	5 062 937,00
Neste Oil Corporation	0,08 %	195 111	2 064 274,38	2 064 274,38
Nokia Corporation	0,00 %	175 300	1 945 830,00	1 945 830,00
Sanoma Corporation	0,15 %	242 113	2 229 860,73	2 229 860,73
Stockmann plc	0,28 %	173 656	1 696 619,12	1 696 619,12
Tamfelt Group	0,51 %	139 221	758 134,69	763 480,50
Vacon Oyj	0,97 %	147 700	1 033 900,00	2 702 910,00
Vaisala Oyj	0,64 %	95 000	2 100 450,00	2 100 450,00
YIT Corporation	0,32 %	408 960	727 632,18	1 873 036,80
Other		481 332	1 457 210,42	2 209 471,27
<b>Total</b>		<b>3 751 745</b>	<b>27 739 561,73</b>	<b>35 282 553,64</b>
<b>Domestic companies, non-listed</b>				
Fibox Oy Ab	4,20 %	1 801	540 300,00	540 300,00
Fingrid Oyj	1,41 %	47	1 580 966,51	1 580 966,51
Retro Life Assurance Company Ltd	19,43 %	13 598	1 208 589,69	1 208 589,69
Tapiola General Mutual Insurance Company	80% <sup>1)</sup>	168	1 412 778,58	1 412 778,58
Moventas Corporation	0,41 %	9 852	999 978,00	999 978,00
Satel Oy	9,90 %	490	1 339 690,84	1 523 900,00
Sato Corporation	3,66 %	1 625 860	8 611 804,82	8 611 804,82
Seligson & Co Oyj	11,64 %	143 784	934 596,00	934 596,00
Tapiola Bank Ltd.	4,86 %	2 348	0,00	0,00
Other		1 900 826	2 379 474,51	2 510 267,66
<b>Total</b>		<b>3 698 774</b>	<b>19 008 178,95</b>	<b>19 323 181,26</b>
<b>Foreign companies, listed</b>				
Adidas	0,04 %	79 000	2 144 060,00	2 144 060,00 Germany
Carl Zeiss Meditec	0,40 %	327 500	2 849 250,00	2 849 250,00 Germany
Carrefour	0,01 %	60 000	1 651 200,00	1 651 200,00 France
Coca-Cola	0,00 %	114 594	3 727 578,06	3 727 578,06 United States
Drägerwerk Ag -Vorzugakt	1,10 %	69 600	1 823 520,00	1 823 520,00 Germany
E.ON	0,01 %	135 900	2 179 702,49	3 864 996,00 Germany
Ekornes	0,62 %	227 980	1 566 631,80	1 566 631,80 Norway
Electricite De France	0,01 %	99 000	4 108 500,00	4 108 500,00 France
Eriks Group	0,64 %	69 000	1 794 000,00	1 794 000,00 The Netherlands
Estee Lauder	0,06 %	66 102	1 470 516,57	1 470 516,57 United States
France Telecom	0,01 %	180 000	3 592 800,00	3 592 800,00 France
Fresenius Medical Care	0,03 %	93 000	3 097 830,00	3 097 830,00 Germany
Gdf Suez	0,01 %	120 500	3 386 792,20	4 256 662,50 France
GlaxoSmithKline	0,00 %	200 900	2 709 249,87	2 709 249,87 United Kingdom
Heineken	0,02 %	79 375	1 738 312,50	1 738 312,50 The Netherlands
Hennes & Mauritz	0,01 %	70 000	1 393 276,93	1 967 341,31 Sweden
Johnson & Johnson	0,00 %	48 200	2 072 146,30	2 072 146,30 United States
Kappahl Holding	0,63 %	475 980	1 020 269,92	1 020 269,92 Sweden
Kellogg	0,01 %	44 100	1 389 512,83	1 389 512,83 United States
Medtronic	0,01 %	76 000	1 715 829,56	1 715 829,56 United States
Nestle	0,00 %	63 000	1 358 741,84	1 764 848,48 Switzerland
Pfizer	0,00 %	212 500	2 704 156,78	2 704 156,78 United States
Polo Ralph Lauren	0,08 %	45 000	1 468 312,14	1 468 312,14 United States
Roche Holding	0,00 %	35 000	2 995 623,71	3 829 966,33 Switzerland
Royal Dutch Shell	0,00 %	177 200	3 357 963,26	3 357 963,26 The Netherlands
Sandvik	0,02 %	290 000	1 307 267,71	1 307 267,71 Sweden
Sanofi-Aventis	0,01 %	69 800	3 168 920,00	3 168 920,00 France
Siemens	0,00 %	37 000	1 949 160,00	1 949 160,00 Germany
Statoil Hydro	0,01 %	186 000	2 104 648,67	2 172 861,54 Norway
Symrise	0,18 %	218 000	2 175 640,00	2 175 640,00 Germany

<sup>1)</sup>share of guarantee capital

Security	Share of stock, %	Number	Book value	Current value Home country
Synthes	0,02 %	29 000	2 491 826,55	2 605 117,85 United States
SCA	0,07 %	424 800	2 608 592,46	2 608 592,46 Sweden
Telefonica	0,00 %	200 000	3 170 000,00	3 170 000,00 Spain
TeliaSonera	0,01 %	542 776	1 910 571,52	1 910 571,52 Sweden
Tesco	0,01 %	765 000	2 891 338,58	2 891 338,58 United Kingdom
Total	0,00 %	89 400	3 077 562,96	3 478 554,00 France
Ubs	0,00 %	112 455	1 123 792,73	1 123 792,73 Switzerland
Vivendi	0,01 %	143 000	3 326 895,00	3 326 895,00 France
Zimmer Holdings	0,04 %	84 900	2 465 802,97	2 465 802,97 United States
Other		114 856	586 846,73	789 207,61
<b>Total</b>		<b>6 476 418</b>	<b>91 674 642,64</b>	<b>96 829 176,18</b>

#### Foreign companies, non-listed

Other		245 892	2 386,99	2 387,17
<b>Total</b>		<b>245 892</b>	<b>2 386,99</b>	<b>2 387,17</b>

#### Mutual funds

Aventum Aasia REIT Plus			573 651,20	573 651,20 Finland
Aventum Global Reit			2 742 569,07	2 742 569,07 Finland
CAAM Dynarbitrage			3 279 986,82	3 279 986,82 Luxembourg
Deutsche Bank Croci Japan			3 277 849,27	3 277 849,27 United Kingdom
Dimensional Us Small Co Fd			1 069 990,16	1 069 990,16 Ireland
Fourton Odysseus			1 996 034,10	2 086 854,35 Finland
Fourton Stamina			2 009 928,67	2 200 301,06 Finland
Liongate Multi-Strategy Fund Segregated			7 688 154,15	7 688 154,15 Luxembourg
Ram Partners Diversified Fund			8 658 296,20	8 658 296,20 Finland
Robeco Lux-o-rente			2 565 130,64	3 080 296,92 France
Seligson Phoebus			855 328,35	1 172 964,66 Finland
Tapiola Asia-Pacific			3 623 778,53	3 623 778,53 Finland
Tapiola Europe			3 294 000,85	3 451 488,18 Finland
Tapiola High Yield			30 999 090,05	30 999 090,05 Finland
Tapiola Wellbeing			7 154 868,94	7 154 868,94 Finland
Tapiola East Europe			1 692 965,21	1 692 965,21 Finland
Tapiola Japan			6 167 916,99	6 167 916,99 Finland
Tapiola Cash Interest			15 002 442,54	15 479 740,02 Finland
Tapiola Emerging Markets			5 268 189,40	6 845 248,09 Finland
Tapiola Real Estate			3 401 200,01	3 401 200,01 Finland
Tapiola Money Market			41 734 096,67	42 184 416,46 Finland
Tapiola World 20			1 438 650,00	1 438 650,00 Finland
Tapiola Euro Bond			22 161 939,69	24 989 151,94 Finland
Tapiola Finland			3 260 959,27	3 260 959,27 Finland
Tapiola Trend			5 155 494,13	5 373 994,76 Finland
Mutual Fund Tapiola Future			2 275 937,28	2 275 937,28 Finland
Tapiola USA			4 890 675,09	4 890 675,09 Finland
Tapiola Corporate Interest			22 847 372,75	22 847 372,75 Finland
Tapiola 2035			2 591 325,00	2 591 325,00 Finland
Tapiola 2045			720 960,00	720 960,00 Finland
Ubam Nb Us Equity Value			3 921 945,32	3 921 945,32 Luxembourg
<b>Total</b>			<b>222 320 726,35</b>	<b>229 142 597,75</b>

#### Private equity funds

Aberdeen European Shopping Property Fund			1 448 305,73	1 448 305,73 Luxembourg
Aberdeen Property Funds SICAV Pan-Nordic			6 315 829,46	6 315 829,46 Luxembourg
Apax Europe VII - B, L.P.			2 963 552,03	2 963 552,03 United Kingdom
AXA LBO Fund IV FCPR			1 795 161,84	1 795 161,84 France
AXA Secondary Fund IV L.P.			1 593 814,04	1 593 814,04 Jersey
Bio Fund Ventures III Ky			895 541,89	895 541,89 Finland
Bridgepoint Europe III, L.P.			3 040 952,21	3 040 952,21 United Kingdom
Capman Equity VII A L.P.			1 848 236,74	2 168 549,00 Guernsey
Capvis Equity III L.P.			1 530 000,00	1 530 000,00 Jersey
Eqvitec Technology Fund II Ky			1 865 367,57	1 865 367,57 Finland
Eqvitec Technology Fund III K/S			728 153,66	728 153,66 Denmark
European Added Value Fund, L.P.			6 578 331,92	6 578 331,92 United Kingdom
Gresham 4A			543 443,99	543 443,99 United Kingdom
Indigo Capital V L.P.			2 881 942,00	2 881 942,00 United Kingdom
Industri Kapital 2000 Limited Partnership XI			1 946 261,33	2 289 039,80 Jersey
Industri Kapital 2004 Limited Partnership I			635 446,29	635 446,29 Jersey
Industri Kapital 2004 Limited Partnership III			1 270 873,87	1 270 873,87 Jersey

Security	Share of stock, %	Number	Book value	Current value Home country
ING Real Estate European Industrial Fund			5 184 369,20	5 184 369,20 The Netherlands
MB Equity Fund III Ky			1 752 147,30	1 897 217,00 Finland
MGP Europe Fund III L.P.			1 339 785,75	1 339 785,75 United Kingdom
Nexit INFOCOM II L.P.			665 032,05	665 032,05 Guernsey
Partners Group Secondary L.P.			1 690 861,65	2 207 190,31 United States
Partners Group U.S. Venture 2004, L.P.			919 955,45	919 955,45 United States
Paul Capital Top Tier Investments III, L.P.			1 836 718,92	1 842 183,89 United States
PBW II Real Estate Fund S.A.			3 615 883,54	3 615 883,54 Luxembourg
The PanEuropean Property Limited			9 538 887,80	9 538 887,80 United Kingdom
Tapiola KR I Ky			26 648 616,22	26 648 616,22 Finland
Tapiola KR III Ky			23 585 004,84	23 585 004,84 Finland
The Fourth Cinven Fund (No. 4) Limited			3 447 423,89	3 447 423,89 United Kingdom
Other			8 554 202,81	9 597 951,55
<b>Total</b>			<b>128 290 124,34</b>	<b>130 663 827,14</b>
<b>Total other investments, shares and holdings</b>		<b>14 172 829</b>	<b>489 035 621,00</b>	<b>511 243 723,14</b>

### 7.3 NOTES TO THE BALANCE

SHEET 31.12.2008

TAPIOLA MUTUAL LIFE ASSURANCE GROUP

ASSETS HELD TO COVER UNIT-LINKED INSURANCE POLICIES

Security	Home country	Current value	Book value
<b>Mutual funds</b>			
BGF World Healthscience Fund Acc EUR	Luxembourg	1 821 953,24	1 821 953,24
Evli 17.10.2011 I/2006 Europe & Japan index-linked	Finland	559 080,00	559 080,00
Evli Alpha Bond B	Finland	1 971 025,02	1 971 025,02
Evli Euro Government Bond B	Finland	9 424 645,82	9 424 645,82
Evli Europe B	Finland	612 283,04	612 283,04
Evli European Investment Grade B	Finland	3 937 598,52	3 937 598,52
Evli Global Infrastructure B	Finland	831 327,73	831 327,73
EVLI GLOBAL MULTI MANAG 75-B	Finland	1 161 983,70	1 161 983,70
Evli Greater Russia 13.12.2010 index-linked	Finland	1 387 974,00	1 387 974,00
Evli Money Manager+ B	Finland	24 032 786,00	24 032 786,00
Evli Select B	Finland	2 644 736,75	2 644 736,75
Evli Sustainable Climate B	Finland	803 717,39	803 717,39
Evli Target Return B	Finland	3 991 682,86	3 991 682,86
Evli USA Quant Index B	Finland	680 848,84	680 848,84
Invesco Asia Infrastructure A - USD	Luxembourg	1 024 341,05	1 024 341,05
Pictet US Equity Selection P Cap - USD	Luxembourg	798 841,81	798 841,81
SELIGSON APS FAR EAST	Finland	550 562,24	550 562,24
Seligson & Co Euro Obligaatio A	Finland	1 711 297,25	1 711 297,25
Seligson & Co Europe Index Fund A	Finland	2 832 224,11	2 832 224,11
SELIGSON & Co GLB TOP 25-A	Finland	4 625 503,90	4 625 503,90
SELIGSON & Co GLOBAL TOP 25 PHA-A	Finland	4 136 930,62	4 136 930,62
SELIGSON JAPAN INDEX-A	Finland	520 505,86	520 505,86
Seligson & Co Money Market Fund AAA	Finland	2 305 290,98	2 305 290,98
Seligson & Co Russian Pros Euro A	Finland	2 068 515,07	2 068 515,07
Seligson & Co Finland Index Fund	Finland	4 062 462,65	4 062 462,65
Tapiola 2010	Finland	11 620 986,81	11 620 986,81
Tapiola 2015	Finland	19 323 958,26	19 323 958,26
Tapiola 2020	Finland	22 295 113,47	22 295 113,47
Tapiola 2025	Finland	32 893 641,61	32 893 641,61
Tapiola 2035	Finland	6 784 849,81	6 784 849,81
Tapiola 2045	Finland	544 514,72	544 514,72
Tapiola Asia-Pacific	Finland	1 848 255,86	1 848 255,86
Tapiola Europe	Finland	10 914 781,83	10 914 781,83
Tapiola High Yield	Finland	3 295 476,95	3 295 476,95
Tapiola Wellbeing	Finland	4 500 838,93	4 500 838,93
Tapiola Japan	Finland	705 285,91	705 285,91
Tapiola Cash Interest	Finland	7 262 420,64	7 262 420,64
Tapiola Emerging Markets	Finland	9 150 573,41	9 150 573,41
Tapiola Real Estate	Finland	1 400 514,35	1 400 514,35
Tapiola Money Market	Finland	6 054 646,06	6 054 646,06
Tapiola World 20	Finland	746 462,52	746 462,52
Tapiola World 50	Finland	19 640 944,73	19 640 944,73
Tapiola World 80	Finland	28 944 837,89	28 944 837,89
Tapiola Euro Bond	Finland	16 520 641,31	16 520 641,31
Tapiola Finland	Finland	2 124 296,50	2 124 296,50
Tapiola Trend	Finland	7 664 020,78	7 664 020,78
Mutual Fund Tapiola Future	Finland	2 797 444,98	2 797 444,98
Tapiola USA	Finland	2 604 062,82	2 604 062,82
Tapiola Corporate Interest	Finland	787 158,23	787 158,23
Other		5 538 523,03	5 538 523,03
<b>Total</b>		<b>304 462 369,86</b>	<b>304 462 369,86</b>
Other investments		1 971 090,93	1 971 090,93
<b>Assets held to cover unit-linked insurance policies</b>		<b>306 433 460,79</b>	<b>306 433 460,79</b>

## TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

### NOTES TO THE BAL31.12.2008

#### 8. Other investments

	2008	2007
<b>8.1. Other loans, itemised by type of security</b>		
Insurance policy	2 044 506,94	2 244 245,39
Other insurance	19 720,09	892 378,80
Remaining acquisition cost	<u>2 064 227,03</u>	<u>3 136 624,19</u>
Unsecured, total remaining acquisition cost	<u>47 100 180,77</u>	<u>30 491 709,50</u>
Total other loans	<u><u>49 164 407,80</u></u>	<u><u>33 628 333,69</u></u>
<b>8.2. Total subordinated loans</b>		
Other loans	855 042,27	869 126,77
<i>Total remaining acquisition cost</i>	<u><u>855 042,27</u></u>	<u><u>869 126,77</u></u>

**TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP**

**NOTES TO THE BALANCE SHEET 31.12.2008**

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

	<b>2008</b>	<b>2008</b>	<b>2008</b>
	<b>Intangible rights and long-term expenditure</b>	<b>Consolidated goodwill</b>	<b>Equipment</b>
Acquisition cost on 1 Jan.	24 695 241,09	86 531,58	7 433 081,90
Items written off in the previous year	-2 084 959,06	0,00	0,00
Increase	7 073 623,39	0,00	993 138,19
Decrease	-155 000,00	0,00	-1 162 400,88
Transfers between items	0,00	0,00	0,00
Acquisition cost on 31 Dec.	<u>29 528 905,42</u>	<u>86 531,58</u>	<u>7 263 819,21</u>
Accumulated depreciation on 1 Jan.	-10 769 249,09	-8 653,16	-6 248 265,32
Items written off in the previous year	2 084 959,06	0,00	0,00
Accumulated depreciation related to deductions and transfers	0,00	0,00	1 069 001,65
Depreciation for the financial year	-5 235 685,74	-17 306,32	-503 224,52
Accumulated depreciation on 31 Dec.	<u>-13 919 975,77</u>	<u>-25 959,47</u>	<u>-5 682 488,19</u>
<b>Book value on 31 Dec.</b>	<u><u>15 608 929,65</u></u>	<u><u>60 572,11</u></u>	<u><u>1 581 331,02</u></u>

## TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

### NOTES TO THE BAL31.12.2008

#### 10. ASSETS HELD TO COVER UNIT-LINKED INSURANCE POLICIES

	2008 Original acquisition cost	2008 Current value (=book value)	2007 Original acquisition cost	2007 Current value (=book value)
<i>Assets held to cover unit-linked insurance policies</i>				
Shares and holdings	346 680 497,85	301 491 450,86	325 107 503,87	384 855 818,91
Debt securities	3 122 800,00	2 970 919,00	0,00	0,00
Derivative contracts	0,00	0,00	0,00	0,00
Deposits and other investments	0,00	0,00	0,00	0,00
Recovery from insurance premium mediators	1 837 501,46	1 837 501,46	51 342,77	51 342,77
Cash at bank and in hand	133 589,47	133 589,47	4 002 488,05	4 002 488,05
Accrued interest	0,00	0,00	3 228,35	3 228,35
<i>Total</i>	<u>351 774 388,78</u>	<u>306 433 460,79</u>	<u>329 164 563,04</u>	<u>388 912 878,08</u>
<i>Investments acquired in advance</i>	0,00	0,00	3 130 985,96	3 130 985,96
<b>Investments corresponding to the technical provisions for unit-linked insurance</b>	<u>351 774 388,78</u>	<u>306 433 460,79</u>	<u>326 033 577,08</u>	<u>385 781 892,12</u>

Cash at bank and in hand etc. include as yet uninvested net premiums for paid insurance policies valid at the closing of the accounts.

133 589,47

874 138,69

## TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

### NOTES TO THE BALANCE SHEET 31.12.2008

11.1. Changes in capital and reserves	1.1.2008	Increase	Decrease	31.12.2008
Initial fund	4 482 208,24	0,00	0,00	4 482 208,24
Guarantee capital	2 018 255,12	30 017 750,00	0,00	32 036 005,12
Revaluation reserve	9 995 671,18	0,00	-2 842 106,36	7 153 564,82
Security reserve	46 134 529,84	35 320 000,00	0,00	81 454 529,84
Equity issue	0,00	30 017 750,00	-30 017 750,00	0,00
Contingency reserve	80 667,76	14 226,81	-15 857,60	79 036,97
The share of voluntary provisions and depreciation difference transferred to capital and				
Consolidated profit/loss brought forward	6 138 108,76	0,00	-2 129 071,93	4 009 036,83
Consolidated profit/loss for the financial year	-15 043 542,42	0,00	-579 403,24	-15 622 945,65
Change in depreciation difference and voluntary provisions included in the profit for the financial year	34 968 712,21	5 420 848,90	-34 968 712,21	5 420 848,90
	-213 888,62	2 342 959,43	0,00	2 129 070,81
	<u>34 754 823,59</u>	<u>7 763 808,33</u>	<u>-34 968 712,21</u>	<u>7 549 919,71</u>
Total changes in capital and reserves	<u>88 560 722,07</u>	<u>103 133 535,14</u>	<u>-70 552 901,34</u>	<u>121 141 355,87</u>
<b>11.2. Itemisation of revaluation reserve</b>				
Revaluation reserve on 1 Jan				9 995 671,18
Increase				0,00
Cancellation of revaluations				-2 842 106,36
Revaluation reserve on 31 Dec				<u>7 153 564,82</u>
Relating to fixed assets				7 153 564,82
<b>11.3. Account of distributable profits</b>				
Profit/loss for the financial year				7 549 919,71
+ Other unrestricted capital and reserves by balance sheet item				
Security reserve				81 454 529,84
Legal reserve				0,00
Contingency reserve				79 036,97
Other unrestricted reserves				0,00
The share of voluntary provisions and depreciation difference transferred to capital and reserves				<u>4 009 036,83</u>
Total other unrestricted capital and reserves				<u>85 542 603,64</u>
- Loss shown in the balance sheet				-15 622 945,65
- Amount to be transferred to the legal reserve or otherwise left undistributed in accordance with the Articles of Association				
- Other undistributable items				
- Amount of appropriations from affiliated undertakings that has been included in capital and reserves in the consolidated financial statements				-4 009 036,83
<b>Total distributable profits</b>				<u><u>73 460 540,86</u></u>

**TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP**

**NOTES TO THE BALANCE SHEET 31.12.2008**

**12. Accumulated appropriations and changes in group reserve**

	<b>2008</b>	<b>2007</b>
<b>Depreciation difference</b>		
Accumulated depreciation difference on 1 Jan.	7 078 716,57	6 750 070,12
Increase	2 745 257,10	328 646,45
Decrease	-4 309 817,25	0,00
Accumulated depreciation difference on 31 Dec.	<u>5 514 156,42</u>	<u>7 078 716,57</u>
<b>Voluntary provisions</b>		
Credit loss provision on 1 Jan.	1 345 707,27	1 414 367,96
Increase	0,00	15 793,09
Decrease	-1 345 707,27	-84 453,78
Credit loss provision on 31 Dec.	<u>0,00</u>	<u>1 345 707,27</u>
Residential building provision on 1 Jan	0,00	0,00
Increase	0,00	0,00
Decrease	0,00	0,00
Residential building provision on 31 Dec	<u>0,00</u>	<u>0,00</u>
<b>Voluntary provisions, total</b>	<u>0,00</u>	<u>1 345 707,27</u>
<b>Total accumulated appropriations</b>	<u><u>5 514 156,42</u></u>	<u><u>8 424 423,84</u></u>
<b>Divided into</b>		
Capital and reserves	-4 018 146,46	-6 147 218,23
Minority interest	-62 329,29	-86 855,48
Deferred tax liabilities	-1 433 680,67	-2 190 350,13
	0,00	0,00
Tax base	26 %	26 %
<b>Group reserve</b>		
Group reserve on 1 Jan	178 171,12	267 256,72
Increase	0,00	0,00
Decrease	-89 085,60	-89 085,60
Group reserve on 31 Dec	<u>89 085,52</u>	<u>178 171,12</u>

# TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

NOTES TO THE BALANCE SHEET

31.12.2008

## 13. Provision for unearned premiums

Activated acquisition costs deducted from the provision for unearned life insurance premiums (zillmerisation)

	2008	2007
Life insurance	0,00	0,00
Pension insurance	0,00	0,00
	<u>0,00</u>	<u>0,00</u>

## 14. Technical provisions for unit-linked insurance

	2008	2007
Technical provision		
Provision for unearned premiums	306 357 680,00	385 775 049,00
Provision for claims outstanding	2 338 931,19	363 975,76
	<u>308 696 611,19</u>	<u>386 139 024,76</u>
Reinsurers' share	0,00	0,00
Total	<u><b>308 696 611,19</b></u>	<u><b>386 139 024,76</b></u>

## 15. Liabilities

	2008	2007
Loans from financial institutions	<u>8 171 411,80</u>	<u>5 244 950,58</u>

## 16. Deferred tax liabilities

	2008	2007
Deferred tax liabilities arising from the division of depreciation difference and	<u>1 433 680,67</u>	<u>2 190 350,13</u>

## TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

### NOTES TO THE BAL31.12.2008

#### 17. Receivables and liabilities

##### 17.1 Itemisation of receivables

	2008	2007
<b>Receivables from participating interests</b>		
Other debtors	9 131,23	9 383,68
	<u>9 131,23</u>	<u>9 383,68</u>

##### 17.2. Itemisation of liabilities

	2008	2007
<b>Liabilities to participating interests</b>		
Other liabilities	77 003,89	987 350,48
	<u>77 003,89</u>	<u>987 350,48</u>

##### 17.3. Itemisation of accruals and deferred income

	2008	2007
Provisional premiums	420 237,70	415 810,64
Liabilities to personnel	4 787 290,64	4 257 727,11
Difference between current and book value of derivatives	195 936,30	1 029 856,90
Other accruals and deferred income	830 358,01	647 816,76
	<u>6 233 822,65</u>	<u>6 351 211,41</u>

**TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP**

**NOTES TO THE BALAN 31.12.2008**

**18. Notes concerning guarantees and contingent liabilities**

	<b>2008</b>	<b>2008</b>	<b>2007</b>	<b>2007</b>
<b>18.1. Security</b>	<b>Security/pledges/ guarantees and other commitments</b>	<b>Amount of liability</b>	<b>Security/pledges/ guarantees and other commitments</b>	<b>Amount of liability</b>
<b>As security for own debts</b>				
Real estate mortgages	25 476 224,00	8 171 411,80	31 161 249,00	4 780 386,80
	<u>25 476 224,00</u>	<u>8 171 411,80</u>	<u>31 161 249,00</u>	<u>4 780 386,80</u>

**18.2. Off-balance-sheet guarantees and contingent liabilities**

<b>Derivative contracts</b>	<b>2008</b>	<b>2007</b>
<b>Interest derivatives</b>		
<i>Forward and futures contracts, open</i>		
Underlying instrument	81 000 000,00	60 000 000,00
Current value		0,00
<b>Interest derivatives</b>		
<i>Forward and futures contracts, closed</i>		
Underlying instrument	140 000 000,00	102 700 000,00
Current value	0,00	0,00
<b>Currency derivatives</b>		
<i>Forward and futures contracts, open</i>		
Underlying instrument	31 494 271,46	112 570 726,86
Current value	2 490 598,93	965 006,62
<b>Value-added tax liabilities</b>		
<i>Joint liability relating to collective value-added tax registration</i>		
Partner companies	<u>2 200 509,60</u>	<u>2 115 982,38</u>
	<u>2 200 509,60</u>	<u>2 115 982,38</u>
<i>Obligation to return value-added tax deductions pursuant to section 33 of Value-</i>	10 776 156,11	2 331 022,11
<b>Other commitments</b>		
Subscription commitments	209 266 110,28	134 293 835,72
Purchase commitments	2 267 500,00	0,00

## TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

### NOTES TO THE BALANCE SI 31.12.2008

#### 19.1 Insider loans

**Money loans to a managing director, member of the board of directors or supervisory board, or auditor of the insurance company, an affiliated corporation, or a corporation or fund exercising a right of decision in the insurance company or a corporation or fund controlled by such a corporation or fund, or to the relatives of these persons as defined in chapter 12, section 5, subsection 1 of the Insurance Companies Act.**

The company has granted no loans of the kind mentioned above.

**Monetary loans to persons who, based on share ownership or guarantee share ownership, option right or a convertible bond, own or may own a minimum of 10 per cent of the shares, guarantee shares or votes based on shares or guarantee shares of the insurance company, or who have a similar right to vote in a company included in the same Group as the said insurance company.**

The company has granted no loans of the kind mentioned above.

#### 19.2 Subordinated loans

**Creditor** Tapiola General Mutual Insurance Company

**Loan capital** EUR 55,000,000

**Principal loan terms** The loan contract is valid until further notice. The creditor is entitled to terminate the loan with a five-year period of notice. However, the loan can be repaid after the period of notice only to the extent that, at the time of payment, the sum of the debtor's distributable capital and reserves and all of the subordinated loans exceeds the amount of losses reported on the balance sheet of the financial statements for the last complete financial year, or newer, and that the debtor fulfills the solvency requirements in compliance with Chapter 11 of the Insurance Companies Act after loan payment.

The annual interest rate of the loan is determined on the basis of the interest rate for Germany's 12-month government bond (GTDEM1YR) plus a margin of 4.25 per cent.

Interest or other compensation on the loan can be paid only to the extent that, at the time of payment, the sum of the debtor's distributable capital and reserves and all of the subordinated loans exceeds the amount of losses reported on the balance sheet of the financial statements for the last complete financial year, or newer. If no interest can be paid, it will be postponed to such a time that the financial statements allow interest payment.

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

There is no security for the loan.

**TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP**

**NOTES TO THE FINANCIAL STATEMENTS**

**KEY FIGURES**

**EUR m**

**General key figures describing financial development**

	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Operating profit	16,9	115,8	42,0	40,3	63,0
and its share of turnover, %	8,6	28,5	10,6	10,6	18,0
Overall result	-92,8	19,9	35,2	103,6	107,4
Return on assets excluding unit-linked insurance, %	-0,9	3,4	8,1	7,2	7,7
Average number of personnel during the financial year <sup>1)</sup>	2	2	2	2	2
Number of employees in relation to payroll <sup>1)</sup>	497	333	355	332	

**Key figures describing the financial performance of life insurance**

	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Premium income	205,0	202,4	199,3	200,9	208,1
Expense ratio, % of total expense loadings	120,6	110,7	97,0	94,6	105,9
Expense ratio, % of balance sheet total	2,3	1,7	1,5	1,5	1,6
Solvency margin in reporting currency	275,4	301,7	365,4	361,1	301,2
Minimum solvency margin (Insurance Companies Act, Chapter 11, section 12)	109,7	110,2	105,8	96,9	88,6
Equalisation provision in reporting currency	56,1	48,9	50,6	43,2	54,6
Minority interest	2,9	3,6	4,0	3,7	5,1
Solvency capital	334,4	354,3	420,0	408,1	360,9
Solvency ratio, % of technical provisions	14,7	15,4	18,8	19,1	17,9

1) As of 1 January 2008, the personnel will have employment contracts with the non-life insurance and mutual life assurance companies in Tapiola Group. The company's managing director and deputy managing director have an employment relationship with Tapiola Mutual Life Assurance Company and Tapiola Corporate Life Insurance Ltd.

**TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP**

**OTHER NOTES**

**PERFORMANCE ANALYSIS**

**EUR 1,000**

	<b>2008</b>	<b>2007</b>	<b>Change</b>	<b>Change %</b>
Premium income	203 447	200 840	2 608	1,3
Investment income and expenses as well as revaluations and adjustments thereof	-32 087	197 385	-229 472	-116,3
Claims paid	-208 931	-222 133	13 202	-5,9
Change in technical provisions before change in additional benefits (customer benefits) and equalisation provision	82 768	-28 011	110 779	-395,5
Operating expenses	-32 438	-30 825	-1 613	5,2
Other technical income and expenses	0	0	0	0,0
<b>Balance on technical account before changes in additional benefits (customer benefits) and equalisation provision</b>	<b>12 760</b>	<b>117 257</b>	<b>-104 497</b>	<b>-89,1</b>
Other income and expenses	2 107	-212	2 319	-1 094,2
Share of profit/loss of associated undertakings	2 038	-1 202	3 240	-269,6
<b>Operating profit</b>	<b>16 905</b>	<b>115 843</b>	<b>-98 938</b>	<b>-85,4</b>
Change in equalisation provision	-7 229	1 643	-8 872	-539,9
Additional benefits (customer benefits)	1 653	-70 080	71 732	-102,4
<b>Profit or loss before extraordinary items</b>	<b>11 329</b>	<b>47 406</b>	<b>-36 078</b>	<b>-76,1</b>
<b>Profit or loss before appropriations and taxes</b>	<b>11 329</b>	<b>47 406</b>	<b>-36 078</b>	<b>-76,1</b>
Income taxes and other direct taxes	-5 667	-12 485	6 819	-54,6
Minority interests	-241	48	-289	-602,1
<b>Profit for financial year</b>	<b>5 421</b>	<b>34 969</b>	<b>-29 548</b>	<b>-84,5</b>
Operating profit	16 905	115 843	-98 938	-85,4
Change in the difference between current and book values of investments	-106 874	-97 331	-9 543	9,8
Change in revaluation reserve	-2 842	1 368	-4 210	-307,7
<b>Overall result</b>	<b>-92 812</b>	<b>19 880</b>	<b>-112 691</b>	<b>-566,9</b>

## TAPIOLA MUTUAL LIFE ASSURANCE COMPANY GROUP

### SUBSIDIARIES AND ASSOCIATED UNDERTAKINGS 31.12.2008

SUBSIDIARIES			Domicile	Share of ownership
<b>Tapiola Mutual Life Assurance Company</b>				
1	Real estate company	Elimäenkatu 12-16	Espoo	98,8 %
2	Real estate company	Eteläespa 18	Espoo	100,0 %
3	Real estate company	Fredrikinkatu 48	Espoo	88,8 %
4	Limited company	Hamburger Börs Ab	Espoo	100,0 %
5	Real estate company	Harkkokuja 2	Espoo	100,0 %
6	Housing cooperative	Helsingin Pihlajatie 24	Espoo	100,0 %
7	Real estate company	Helsingintie 22	Espoo	100,0 %
8	Real estate company	Järvennuotta	Espoo	100,0 %
9	Real estate company	Kouvolan Kauppalankatu 12	Kouvola	65,3 %
10	Real estate company	Kuopion Suokatu 23	Espoo	100,0 %
11	Limited company	Kuopionpohja	Espoo	100,0 %
12	Real estate company	Metsänpojankuja 4	Espoo	88,0 %
13	Real estate company	Mäkelänkatu 58	Espoo	88,8 %
14	Limited company	Omaeläke	Espoo	90,0 %
15	Real estate company	Runskivuori	Espoo	80,5 %
16	Real estate company	Tapiola Garden	Espoo	98,8 %
17	Limited company	Tapiolan Pankkineuvonta	Espoo	100,0 %
18	Real estate company	Vantaankynnys	Espoo	61,7 %
19	Real estate company	Vantaanpohja	Espoo	100,0 %
20	Limited partnership	Varepa	Espoo	100,0 %
21	Limited company	Tapiola Corporate Life Insurance Ltd	Espoo	97,5 %
<b>Tapiola Corporate Life Insurance Ltd</b>				
22	Real estate company	Hyvinkään Maa	Espoo	100,0 %
23	Real estate company	Mikkelin Graanintie 6	Mikkeli	100,0 %
24	Real estate company	Oulun Kallisensuora	Espoo	100,0 %
25	Limited company	Rekra	Espoo	100,0 %
26	Limited partnership	Sasnep	Espoo	100,0 %
27	Real estate company	Tammimaa	Espoo	100,0 %
28	Limited company	Tietotaitotalo	Espoo	100,0 %
29	Housing cooperative	Vantaan Teeritie 2	Vantaa	100,0 %
30	Real estate company	Väylän varsi	Espoo	100,0 %
<b>ASSOCIATED UNDERTAKINGS</b>				
<b>Tapiola Mutual Life Assurance Company</b>				
1	Limited company	Vakuutusneuvonta Aura	Espoo	33,3 %
2	Limited company	Vakuutusneuvonta Pohja	Espoo	33,3 %
3	Limited company	Tapiolan Alueen Kehitys Oy	Espoo	32,4 %
4	Limited company	Tapiola Real Estate	Espoo	50,0 %
5	Limited company	Palokärki	Espoo	50,0 %
6	Limited company	Tapiola Data	Espoo	33,3 %
7	Limited company	Tapiola Bank	Espoo	19,5 %
8	Limited company	Glasnost	Espoo	33,3 %
9	Limited company	Pohja-yhtymä	Espoo	13,6 %
10	Limited company	Pohjantikka	Espoo	50,0 %
<b>Tapiola Corporate Life Insurance Ltd</b>				
11	Real estate company	Mariankatu 27	Kokkola	20,5 %

# TAPIOLA MUTUAL LIFE ASSURANCE COMPANY

## PROPOSAL FOR DISTRIBUTION OF PROFIT

The Board of Directors proposes that the result for the financial year, EUR 0.00, be left in the profit and loss account.

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

Initial fund	4 482 208,24
Guarantee capital	32 036 005,12
Revaluation reserve	336 375,85
Security reserve	81 454 529,84
Contingency reserve	79 036,97
	<u>118 388 156,02</u>

## SIGNATURES TO THE ANNUAL REPORT AND FINANCIAL STATEMENTS DATED 31 DECEMBER 2008

Espoo, 27 February 2009

Asmo Kalpala

Arto Jurttila

Antti Calonius

Jari Saine

Minna Kohmo  
Managing Director

**TAPIOLA MUTUAL LIFE ASSURANCE COMPANY**

An auditors' report has been issued today on the audit performed.

Espoo, 19 March 2009

PricewaterhouseCoopers Ltd  
Authorised Public Accountants

Juha Tuomala  
Authorised Public Accountant

Hannu Pellinen  
Authorised Public Accountant