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Preliminary Information on LocalTapiola Pension's Financial Statements for 1 January to 31 December 2012

Strong year for LocalTapiola Pension's investments

- LocalTapiola Pension's return on investments at current values was 9.0 per cent for the period of 1 January to 31 December 2012.
- The solvency ratio strengthened to 27.0 per cent by the end of the year and the solvency position was 2.7.
- The average ten-year return on investments is 5.4 per cent (1 January 2003–31 December 2012) and the average five-year return is 4.0 per cent (1 January 2008–31 December 2012).

LocalTapiola Pension's investment returns continued a strong performance in the last quarter of 2012. The return on investments at current values was 9.0 per cent (–3.1% in 12/2011). At the end of the year, the fair value of investments was EUR 9.706,3 million (EUR 9,047.5 million in 12/2011).

"The gradual improvement of the financial markets conditions and the return of investor confidence seen in the third quarter continued in the final quarter of the year. LocalTapiola Pension had a positive performance in all asset classes in 2012," says **Hanna Hiidenpalo**, Chief Investment Officer at LocalTapiola Pension.

Equity investments were the best performing asset class, with a return of 16.3 per cent. Unlisted equities generated an excellent return of 30.9 per cent. European equities were the strongest performers among listed equities, reaching a return of 25.6 per cent.

Fixed income investments also had a good year and returned 7.4 per cent by the end of the year. The return on corporate loans was particularly good in 2012, with a return of 13.8 per cent by the end of the year.

Real estate investments returned 4.5 per cent. Direct real estate investments returned 5.2 per cent and real estate investment funds 1.1 per cent. Alternative investments generated a return of 1.6 per cent.

LocalTapiola Pension's investment organisation was named Europe's best hedge fund investor 2012 in the annual Investment and Pensions Europe (IPE) awards.

Despite a successful investment year, the economic environment remains challenging and strong solvency is increasingly important

The latter half of 2012 was particularly strong for investment returns. This was largely the result of central banks' commitment to reflationary monetary policy and the gradual stabilisation of the economy, especially in the United States. LocalTapiola Pension responded to the positive developments in the financial markets and increased the proportion of equity investments in the asset allocation, with good results.

Global economic growth remains weak and structural challenges in the West are slowing down economic recovery. In this investment environment, preparations must be made for unforeseen changes and the importance of LocalTapiola Pension's strong solvency is emphasised.

LocalTapiola Pension's solvency ratio of per cent is strong and one of the best in the industry (22.3% in 12/2011). The solvency position (the solvency margin in relation to the solvency limit) was 2.7 (3.6).

Strong solvency is also beneficial for customers. The high solvency margin level enables competitive customer bonuses. The bonuses for 2012 amount to an estimated EUR 27.8 million (EUR 21.2 million), representing 0.47 per cent (0.36%) of the insured payroll.

Aiming to establish a new, strong pension insurance company with Pension Fennia

In late 2012, LocalTapiola Pension and Pension Fennia announced a plan to join forces from the start of next year. "The news about the merger plan has been well received by our customers and partners. We see this merger as a good opportunity to both improve our customer service and increase the efficiency of the earnings-related pension insurance sector. The merger will require a lot of work this year, but I can promise our customers that we will go to great lengths to further develop our services, while listening carefully to our customers," says **Satu Huber**, Chief Executive Officer of LocalTapiola Pension.

The planning of the merger will continue early in the year. The aim is for both companies' Annual General Meetings to decide on the merger by the end of June and for the new company to launch operations on 1 January 2014.

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