

Press release, 24 October 2013

LocalTapiola Pension's quarterly statement for 1 January–30 September 2013

The strong performance of equity markets supported investment returns in the third quarter of 2013

- LocalTapiola Pension's return on investment at current value was 3.5% for the period 1 January–30 September 2013.
- At the end of September, the solvency ratio was at a strong level of 24.7%. The solvency position was 2.0.
- The average ten-year return on investment was 5.2% (30 September 2003–30 September 2013) and the average five-year return was 6.0% (30 September 2008–30 September 2013).

For the first three quarters of 2013, LocalTapiola Pension's return on investment at current value was 3.5% (6.8% in September 2012). At the end of September, the fair value of investments was EUR 10,338.9 million (EUR 9,785.1 million).

Strong summer in financial markets

Good progress in the financial markets continued in the third quarter of 2013. Equity markets performance was particularly strong, with many of them experiencing double-digit growth within one quarter. The corporate loan markets remained stable and the spread in interest rates between Germany's government bonds and those of Southern European countries decreased. Instead, German and U.S. government bond interest rates increased slightly.

"The excellent performance of equity investments supported our investment returns in the third quarter of the year. All in all, LocalTapiola Pension's investment returns more than doubled from the end of June. The main driver for the strong markets was the unexpected decision from the Federal Reserve to continue its securities purchasing programme until further notice. Also, during the summer there were early signs of improvement in the economic environment in both the U.S. and Europe," says **Hanna Hiidenpalo**, Chief Investment Officer.

Best performing asset class from the start of the year has been direct equity investments with returns reaching 10%. Especially Finnish shares performed exceptionally well with returns of 21.5%. Alternative investments returns stood at a good level of 3.4%. Real estate investments performance was 2.3%. Fixed income investments were unchanged from the start of the year.

"Market uncertainty grew somewhat in early autumn due to the lengthy disagreement over the U.S. budget. On the other hand, the real economy has shown signs of recovery, which together with the ongoing reflationary monetary policy of central banks supports the markets," states Hanna Hiidenpalo.

LocalTapiola Pension's solvency remained at a strong level 24.7% at the end of September (26.1% in September 2012). The solvency position (solvency margin in relation to the solvency limit) was 2.0 (3.0).

The merger of LocalTapiola Pension and Pension-Fennia is in its final stages

LocalTapiola Pension and Pension-Fennia will form a new pension insurance company on 1 January 2014. The new company will be called Elo Mutual Pension Insurance Company. Elo will play a major role in the Finnish pension insurance market. Elo's combined investment assets amount to over EUR 17 billion. Elo's premium income of approximately EUR 3 billion corresponds to a market share of about 25% in the pension insurance market for the private sector.

The cornerstones of the new company are cost-efficiency and the provision of high-quality pension services to its customers. "The preparations for the merger have progressed as planned. Despite autumn's merger hurries we will do our very best to ensure that our services run smoothly for our customers during the implementation of the merger. The foundation of all our planning is customer benefits," says **Satu Huber**, Chief Executive Officer of LocalTapiola Pension. "Elo will continue to collaborate closely with both LocalTapiola and Fennia. Through our partner network, Elo's services will be offered close to our customers everywhere in Finland."

For more information:

LocalTapiola Pension's Interim Report 30 September 2013 (PDF)

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