

elo 

**2016**

**Report of the Board of Directors and  
Financial Statements of Elo 2016**

# Contents

## **THE BOARD OF DIRECTORS' REPORT .....1**

### **FINANCIAL STATEMENTS**

Accounting policies 2016.....	9
Profit and loss account .....	13
Balance sheet .....	14
Cash flow statement .....	16
Notes to the financial statements .....	17
Notes to the balance sheet.....	21

Group structure 31 Dec 2016 .....	51
Elo's risk management .....	52
Board of Directors' Proposal on the Disposal of Profit.....	59
Key figures .....	60
Guide to key figures.....	65

Auditor's report .....	67
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## **CORPORATE GOVERNANCE STATEMENT.....69**

Elo publishes a separate Annual and Responsibility Report which can be found at our website [www.elo.fi](http://www.elo.fi).

# THE BOARD OF DIRECTORS' REPORT

## Economic operating environment

Global economic growth again remained lower than anticipated in 2016, at about 2.9 per cent. US growth was 1.6 per cent, which is nearly a percentage unit lower than what was anticipated at the beginning of the year. Growth was on the same level in the euro zone and at around one per cent in Japan. The largest emerging economies grew nearly 5 per cent. The somewhat poor growth of the US economy is mostly explained by the difficulties experienced in its energy sector, which were a result of the rapid decline of the price of crude oil in the beginning of the year. In the euro area both investment demand and finance policy boosted growth.

The Finnish economy grew much faster than expected in the first part of the year, approximately by 1.6 per cent. All main components of demand grew last year. Exports grew by 1 per cent, in contrast to the slight negative growth in 2015. Private consumption demand increased by as much as 1.9 per cent thanks to improved purchasing power. Both private and public investment grew, with total investment growth reaching 4 per cent. In Finland and in the euro area as a whole, unemployment remained at a historically high level. The Finnish government deficit shrank somewhat from the previous year but was still 2.2 per cent of the GDP.

Underlying the poor performance of the global economy are a number of wide-ranging causes with an enduring impact. These include the problems for employment caused by globalisation and the technology-related structural transformation process, and the restraining effect on consumer demand of the combination of low nominal growth and over-indebtedness. Investment demand is also weakened by the substantial industrial over-capacity of the emerging economies, especially China. The demographic trend of the OECD and many developing countries is also increasingly decelerating growth. The OECD area's potential growth rate is only 1.5 per cent, and even the

emerging economies' growth has fallen to just over 5 per cent – whereas the equivalent figures 10 years ago were over 2 per cent and nearly 7 per cent.

Consumer prices remained almost unchanged in the euro area in 2016, while decreasing in Japan and increasing by 1.3 per cent in the USA. Inflation expectations have persistently remained below the usual 2 per cent goal of OECD central banks, as even aggressive monetary policies have not had sufficient impact on the real economy.

The US Federal Reserve continued the careful normalisation of its monetary policy with a minor rate hike in December. Monetary policy was further eased in the euro area and Japan in 2016. The different monetary policies of the major central banks were clear in the second half-year in the foreign exchange market, reflected especially in the weakened yen and the somewhat weakened euro. The weakening of emerging countries' currencies, which had lasted for several years, terminated at the end of the year as prices took an upward turn in the commodities market and boosted their economies.

## Development of the employment pension system

Finns are living longer on average, and the average life expectancy is expected to continue rising. The key goals set for the pension reform, which took effect at the start of 2017, are to extend careers and decrease the sustainability gap in public finances. Among other things, the reform will gradually raise the retirement age and introduce two new types of pension: the partial early old-age pension and the career pension. The solution encourages people to remain in employment for longer, but it also incorporates arrangements that allow reduced working through the partial early old-age pension, and, in cases of strenuous work, allows individuals to retire early through the new career pension. The part-time pension will be discontinued.

The solvency requirement and the principles for determining it will change as of the beginning of 2017. Implementing these changes required Elo to focus its resources in 2016 to ensure its readiness to serve customers in the most efficient, clear and functional way.

During 2016, the company also prepared for the changing competitive environment. The distribution of bonuses to customers was deregulated to become partly company-specific. The purpose of the change is to better distinguish the pension insurance companies from each other. For the purpose of effecting this change, the expense load was reduced by 7 per cent. Customers will notice the change following the transition period in 2019. Insuring additional TEL benefits was also discontinued at the end of 2016.

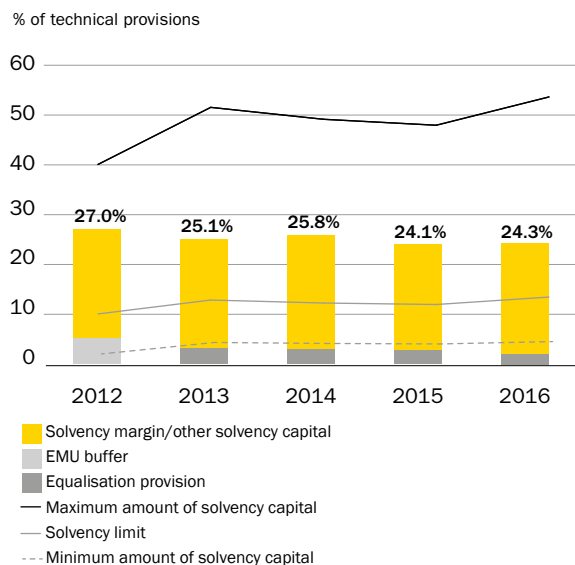
## Result and solvency

The amount of solvency capital grew during the year by EUR 228.8 million, reaching a total of EUR 4,270.9 million (EUR 4,042.1 million) by the year's end.

Excluding the equalisation provision, the solvency capital was EUR 3,917.9 million (EUR 3,591.1 million). The ratio of solvency capital to the technical provisions used in the solvency calculation was 24.3 per cent (24.1 per cent) at the end of 2016. The ratio before the equalisation provision was 22.3 per cent (21.4 per cent). Solvency capital exceeded the solvency limit by a factor of 1.8 (2.0) at the end of the year. The minimum solvency capital was EUR 789.2 million (EUR 672.2 million). The solvency capital used in the customer bonus calculation does not include the equalisation provision and precedes transfer to the provision for current bonuses.

The net return on investment operations at fair values stood at EUR 1,147.4 million (EUR 990.1 million). The return credited in technical provisions for the same period was EUR 798.1 million (EUR 994.8 million), of which technical provisions linked to equity

## Solvency in 2016, solvency ratio and its limits



income accounted for EUR 117.5 million (EUR 207.7 million). The 2016 result of investment operations at current value was thus EUR 349.3 million (EUR -4.8 million). The loading profit came to EUR 29.1 million (EUR 36.2 million). The insurance business surplus was EUR -47.7 million (EUR -1.5 million), and other income EUR 0.3 million. Elo's combined total result at current value was EUR 333.8 million (EUR 29.9 million).

Based on the solvency capital and loading profit, a total of EUR 58.3 million (EUR 58.2 million) was allocated to customer bonuses at the end of 2016. This represents 0.49 per cent (0.52 per cent) of the policyholder payroll.

The technical provisions coverage satisfies the provisions of the Act on the Calculation of the Pension

Provider's Solvency Limit and the Covering of the Technical Provisions, and the regulations set by the Financial Supervisory Authority, and it also takes into account the constraints set out in legislation in regard to assets acceptable for technical provisions coverage. Recorded cover totalled EUR 20,528 million (EUR 20,963 million), or 10.6 per cent (17.4 per cent) above the technical provisions to be covered.

With the new solvency legislation that came into force at the start of 2017, all essential risks of investment operations and all insurance risks will be taken into account in calculating the solvency limit. The presentation of the key solvency figures also changed at the beginning of 2017. The new presentation shows how much the assets exceed the technical provision. The reform also did away with separate margin rules.

## Insurance business

Elo is the market leader both in TyEL and YEL pension insurances in terms of the number of policies. At the end of 2016, Elo administered 45,149 TyEL (46,015) and 84,578 YEL (85,054) insurance policies. The total number of self-employed persons and employees insured by Elo at the end of the year was 492,200 (483,271), or almost half a million.

In 2016, the premiums written by Elo for insurance under the Employees' Pensions Act (TyEL insurance) totalled EUR 2,897.5 million (EUR 2,727.1 million) and the TyEL policyholders' payroll amounted to EUR 11,943.7 million (EUR 11,258.1 million). The premiums written for insurance under the Self-Employed Persons' Pensions Act (YEL insurance) was EUR 422.6 million (EUR 428.3 million), and the YEL confirmed income was EUR 1,861.6 million (EUR 1,888.0 million). EUR 22.0 million (EUR 19.3 million) was entered as credit losses on insurance premiums in 2016.

Policyholders are free to transfer their pension cover to another pension insurance company on

four dates every year, provided they have waited one year from the previous transfer. Elo's profit from this transfer business was the largest ever in 2016. A total of 306 (79) new TyEL and 1,329 (348) new YEL insurance policies were gained. The premiums written for TyEL insurance policies grew by EUR 9.3 million (EUR 1.9 million). During the year, Elo gained 4,994 (5,078) TyEL and 7,933 (7,987) YEL insurance policies through new customer prospecting.

Elo works in close co-operation with Fennia, Local-Tapiola and Turva and serves as the employment pension partner for all three companies. Elo's services are thus available locally everywhere in Finland through our partners' service networks. Successful and effective collaboration with the partners has significantly helped Elo to reinforce its position as the most popular employment pension company in Finland.

2016 was a turning point for managing insurance. Combining Elo's IT systems and databases took up a considerable part of its resources during the first two years of operation. In 2016 we focused on service development to make our services simpler and quicker. To do this, we organised customer panels and systematically collected feedback.

As Finland's largest pension insurer for self-employed persons, Elo invested especially in the digital services of self-employed persons. At the end of the year, we introduced the mobile YEL service that makes it easy for self-employed persons to take care of the most common employment insurance matters with a mobile phone.

The processing times of both insurance applications and premium changes were significantly shortened during the year. The response rates of our telephone service were also above the target level at 94 per cent. More than 89 per cent of TyEL and YEL insurance applications were received electronically.

## Pension services

The number of pension decisions issued on the basis of an application in 2016 was 23,600 (22,700).

Each month, approximately 219,700 (216,800) pensioners were paid their pension by Elo, amounting to a monthly total of about EUR 248.5 million (EUR 238.1 million). Old-age and disability pensions are the two largest items in claims expenditure. A total of EUR 2,473.1 million (EUR 2,331.9 million) was paid in old-age pensions, and EUR 312.7 million (EUR 321.1 million) in disability pensions.

## Pensions paid 2016

Type of pension	No.	EUR million
Old-age pension	166,848	2,473
Disability pension	23,586	313
Survivors' pension	28,148	185
Part-time pension	1,143	11
<b>Total</b>	<b>219,725</b>	<b>2,982</b>

The pension decision process was quick and of a high standard. In 2016, decisions were issued to pension applicants on average about 16 days (17 days) earlier, or 30 per cent (30 per cent) faster, than the average for other employment pension companies.

The quality of our pension decisions is illustrated by the fact that the Pension Appeal Board changed our decisions only for 7.7 per cent of all customer appeals. The corresponding private sector average was 11.2 per cent.

We continued to invest in the development of a multichannel customer service. In all, 85 per cent (85 per cent) of the pension services customer satisfaction survey respondents rated the service they received as very good. The customer call response time at Elo was very short, averaging about 9 seconds, and the call response rate was 99.7 per cent. The

online pension service was renewed in 2016 to enable customers to handle more of their pension matters directly online.

In 2016, Elo successfully introduced a new pension processing system. In addition, preparations were made for the pension reform that came into force in the beginning of 2017. The largest projects concerned changes to IT systems and the launch of business processes especially for processing the new partial early old-age pensions. The pension reform will also require a substantial communications effort in customer service, communications channels and customer visits. Several dozen internal training sessions were provided for pension advisors and processing personnel. Elo's partners were also trained for the pension reform in several training programmes.

## Disability risk management

Elo offers its customer companies support in work capacity management, the purpose of which is to improve the quality of working life and extend careers. The goal of pre-emptive activity is to lower a company's work capacity risks and the costs deriving from sickness absences and disabilities. Working capacity management also supports the personnel's ability to work towards the company's goals.

The Financial Supervisory Authority issued guidelines for the pension insurance companies' disability risk management operations in March 2016. Under the new guidelines, services must be directed to companies in which there is an observed disability risk. The measures must also be effective and help reduce disability risk.

In consideration of the guidelines issued by the Financial Supervision Authority, Elo invested heavily in developing disability risk management tools in 2016. This work focused on digital services that enable Elo to offer tools that meet the customers' needs cost-efficiently and effectively.

An online workplace well-being service is an essential part of Elo's overall offering. It offers information and tools for daily managerial work and the development of workplace well-being. The service also includes the Feeling indicator mobile application for SMEs to monitor the well-being of their employees in real-time.

In 2016 we renewed the popular workplace survey we offer to customers. A new survey will become available during 2017. We also drafted a concept for a completely new type of working capacity management service that makes it easier to monitor the effectiveness of working capacity management measures and rehabilitation, and makes the customer aware of how maintaining working capacity can have a positive effect on a company's employment pension premiums. The service, which will be launched in stages in 2017, is heavily based on a visual presentation and real-time data. The new management services will be included as part of Elo's online services along with its other electronic services.

In 2016, workplace well-being projects were carried out with about 900 customer companies. A total of 33 workplace well-being training events that were available for all customers were arranged in 12 localities. To enhance our offering of training opportunities, we also made training available as webinars. A total of 1,296 people from customer companies took part in training.

## Technical provisions

At the end of 2016, Elo's technical provisions totalled EUR 18,527.4 million (EUR 17,849.7 million). The technical provisions included approximately EUR 2,551.9 million (EUR 2,360.8 million) accrued from employee contributions.

The provision for claims outstanding also includes the equalisation provision for TyEL insurance operations, which stood at EUR 353.0 million (EUR 451.0

## Technical provisions

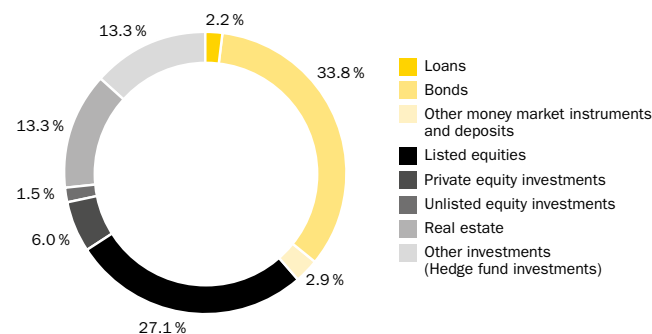
EUR million	31 Dec 2016
<b>Premium reserve</b>	
Future pensions	9 113,7
Provision for current bonuses	58,5
Provision for future bonuses	545,2
Provision linked to equity income	173,5
	<b>9 890,9</b>
<b>Provision for claims outstanding</b>	
Current pensions and clearing reserve	8 272,4
Equalisation provision	364,1
	<b>8 636,4</b>
<b>Total</b>	<b>18 527,4</b>

million) at the end of 2016. The equalisation provision was sufficient. The insurance business surplus was negative for the whole of 2016, which was mainly a result of a temporary discount and a change in the mortality basis. The bonuses to be paid to TyEL policyholders have been reserved in the provision for current bonuses.

The average return on equities of the pension system to be transferred to the technical provisions was around 5.80 per cent (12.32 per cent) on 31 December 2016, and the amount of provision for bonuses linked to return on equities was EUR 173.5 million (EUR 739.2 million) on 31 December 2016. The required return, amounting to a total of EUR 798.1 million (EUR 994.8 million), has been credited in technical provisions. The net investment income at current value was EUR 349.3 million (EUR -4.8 million) greater than the required return, as a result of which the euro-denominated solvency capital increased.

The mortality basis was recalculated under the pension reform that came into force in the beginning of 2017. The cost of the required increase in the mortality basis in old-age pensions will be covered by

## Basic distribution



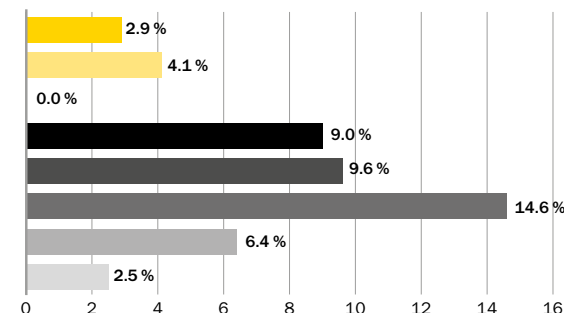
employment pension companies with the equalisation provision and funds released as a result of the decrease in the upper limit of the provision for bonuses linked to return on equities. Any remaining sum will be covered from the clearing reserve.

## Investment operations

The overall return on Elo's investment portfolio in 2016 exceeded expectations and was 5.6 per cent. For investors, 2016 was exceptional. Many political risks actualised, yet markets reached record levels in some cases. The US stock market rose to its highest level of all time, and in Europe interest rates were lower than ever before. Returns from all asset classes were positive, especially from the higher-risk asset types.

Despite an eventful year, the company's investment operation continued to systematically develop its investment strategy. Because of low interest rates and a volatile operating environment, the sources of return were analysed more comprehensively, both geographically and in terms of investment style. International diversification continued in different asset classes.

## Returns on investments



Attention was also paid to the costs of investment instruments and efficient solutions were increasingly selected for portfolios.

In 2016, Elo continued to diversify its stock and bond investments in different areas, and its new investment strategies. Especially fixed income investments made outside of Europe were much larger than those made in Europe.

Investment income varied significantly in all asset classes. This is especially true of the equity markets. Following a very weak beginning of the year, the equity markets improved surprisingly well despite the Brexit referendum and the US presidential election. The end of 2016 was especially strong in the equity markets. The strong performance of food and pharmaceutical companies, that had lasted for several years, began to decline. In contrast, especially industrial and commodity companies performed very well on the equity markets. Elo had made appropriate preparations for this change in the equity markets. A geographically balanced allocation also boosted returns from equities.

The highest equity income came from investments in Finland, the emerging markets and value and small

companies in the United States. Elo's equity investment yielded a return of 9.3 per cent (13.0 per cent), and listed equities a return of 9.0 per cent (11.1 per cent). Direct equity investments in Europe were especially successful, with returns exceeding the market average by more than 4 percentage points. The prices of equities in especially US equity markets were above the long-term average. Central banks' measures and a lack of alternatives helped to support pricing. The decline in corporate profit forecasts levelled off, although the uncertainty related to economic and profit growth continued in 2016.

The year exceeded expectations also in the bond market. Prices of commodities increased after the beginning of the year and supported especially mining and oil companies. The ECB's decision to increase liquidity in the investment markets by purchasing corporate bonds also provided a substantial boost to the market. Banking sector uncertainty decreased substantially towards the end of the year. In Elo's credit risk investments, allocation decisions and company picks were very successful. The return from corporate bonds was 6.5 per cent (-0.2 per cent).

Government bonds developed in a two-fold manner. Interests continued the downward trend that had started in 2015 until the end of September, after which interest rates took a strong upward turn. In the United States interests rose even faster than in Europe. The interest rate risk of government bonds was kept at a moderate level and the share of euro-denominated government bonds in the portfolio was significantly reduced. With these measures the yield of the government bond portfolio was substantially higher at 3.6 per cent than the European fixed income return which remained close to zero per cent.

The beginning of the year was also difficult in the emerging markets. With increasing raw material prices, reduced economic woes in China and attractive returns, capital flows returned to the emerging

markets. The share of fixed income investments in the emerging markets was increased significantly during the year. The yield from fixed income investments in emerging markets was excellent for the year as a whole, exceeding 13.5 per cent. All in all, fixed income investments returned 3.6 per cent.

Portfolio management for the purpose of managing exchange rate risks was successful and had a positive impact on Elo's overall returns in the reporting year. The US dollar began to strengthen after the mid-point of the year, and ended at the highest level in 14 years. Sterling declined significantly after the British referendum. The currencies of emerging economies developed unevenly. The open currency risk was kept at a moderate level throughout the year. The proportion of emerging economies was successfully increased during 2016.

The equity market turbulence at the beginning of the year, the Brexit referendum and the US presidential election kept hedge funds wary of risk. As a result, the volatility and returns of the funds were generally speaking low. Towards the end of the year the performance of all strategies levelled off and also improved significantly. On the whole, the year was especially difficult for funds that focus on undervalued equities and systematic investment strategies. A number of changes were made to Elo's hedge fund portfolio on several occasions during the year, but Elo's overall allocation changed very little. The return from hedge funds was lower than expected at 1.9 per cent. Elo's own internally implemented and alternative investment strategies performed well on the whole and made a positive contribution to the total return.

The real estate investment market remained brisk, and in Finland transaction volumes broke the all-time record. On the whole, real estate prices increased only slightly, as there was a limited supply of prime targets favoured by buyers. As a result, investors have moved to housing investment, which is considered

low-risk, and the share of these transactions was at a record level. In the rental market, the occupancy rate continued to decline, the number of available premises grew somewhat and the supply of rental properties also increased.

The year was busy for Elo's real estate investment operations in Finland, and divestments were made to take advantage of market conditions, their total value coming to approximately EUR 250 million. Similarly, new investments came to some EUR 200 million. The largest was the purchase of 1800 rental apartments from YH-Yhtymä Länsi Oy. Several new rental apartment projects and development plans for office premises were launched in 2016. International real estate investments grew by some EUR 100 million. The largest individual investment was made in the TaunusTurm office tower in Frankfurt. Direct real estate investments returned 6.5 per cent (5.3 per cent) and real estate investment funds 6.3 per cent (13.1 per cent). Returns from real estate investments in Finland and abroad were approximately at an equal level.

Infrastructure investment increased. The most significant was made in a Norwegian wind power company, which will build six new wind power parks with a total power generation of approximately 1,000 megawatts.

Demand for corporate funding was relatively brisk despite limited investment needs. The offering of corporate financing grew rapidly as a result of new public sector providers, banks and other providers. While a high number of new loans were offered for finance acquisitions, for example, the lending volume shrank somewhat. The return from loans was 2.9 per cent (3.5 per cent), which is reasonable considering the current low interest rates.

Elo increased its private equity investments, and their value exceeded one billion euros at the end of the year. New commitments to private equity funds and bond funds totalled more than EUR 500 billion in 2016.

Returns on private equity investments totalled 9.6 per cent (20.4 per cent).

### **Risk management and risk monitoring**

The third year of Elo's operations was rather successful in terms of risk management, as were the preceding years.

For employment pension companies, the most significant risk is related to the management of solvency, where the realisation of investment risks has the biggest individual impact. By accepting market risk the company seeks a return that exceeds the return requirement for technical provisions, in order to improve its solvency ratio. The risk level of investments is primarily regulated by a framework of solvency rules set by the authorities, under which Elo's Board of Directors authorises its investment function to operate. The Board of Directors sets the company's risk appetite and general goals for sufficiency, diversification and liquidity through the company's investment plan. The investment plan defines the annual targets with regard to risk and return for the investment function, as well as the authorisations for risk taking within the framework authorised by the Board of Directors.

Elo employs a solvency management model developed by the company. Solvency is analysed using the internal models and scenario and stress tests available to the company. The solvency management model sets a risk exposure level that accounts for the prevailing market conditions, investment views and solvency. The solvency management model incorporates roles for the Board of Directors and the management, and for the investment, reporting and monitoring functions.

Elo's solvency ratio increased somewhat in 2016 from the level at the end of 2015. The return on investments was excellent, despite the substantial drops at the beginning of the year and in June. The solvency ratio and the risk-taking opportunities were

still at a good level at the end of the year. Investment risk remained moderate in relation to the risk-taking capacity. The overall investment risk varied during the year according to the market situation and investment view, and there were slightly more equity and credit risk investments at the end of the year than at the end of 2015. The overall risk level was slightly higher than at the time of the previous financial statements.

The most significant operating risks in 2016 involved staff competence demands, sufficiency and targeting of resources and improvement of process efficiency and quality. Information system risks began to stabilise at a level that is normal in the financial sector. During 2016, development of operative risk management involved continuity management and the rehearsal and drafting of system recovery plans.

The risk management operating models were already established by 2016, with risk monitoring functions producing reports and monitoring risks in accordance with standard practices. The development of the risk management and investment function operating models was continued. The new systems and procedures will support risk management and improve reporting.

Elo's risk management is described in more detail in the appendix entitled "Risk management at Elo", attached to this report.

### **Total operating expenses**

Total operating expenses for 2016 amounted to EUR 129.9 million (EUR 126.3 million). Operating expenses covered by the expense loading totalled EUR 95.6 million (EUR 90.3 million), and operating expenses covered by investment income came to EUR 24.0 million (EUR 22.4 million). Operating expenses of EUR 2.6 million (EUR 5.5 million) related to disability risks maintenance were paid from the disability loading of the premium. Operating expenses of EUR 0.9 million related to disability risks maintenance were paid from the expense loading of the premium. Total operating

expenses included EUR 7.7 million (EUR 8.0 million) in statutory charges, which are covered by a separate share of the premium.

Personnel costs accounted for 29.2 per cent of the total operating expenses. Expense loading totalled EUR 124.6 million (EUR 126.5 million) for the year. The loading profit was EUR 29.1 million (EUR 36.2 million). Operating expenses were 76.7 per cent (71.4 per cent) of the premium expense loading.

### **Personnel**

Elo had an average of 502 (501) employees in 2016 and the average amount of work performed was 451 (458) man-years. Of the total employees, 88 per cent (89 per cent) were employed on a permanent basis and 12 per cent (11 per cent) on a fixed-term basis. The average age of the employees was 44 (44). Women accounted for 68.1 per cent (68.5 per cent) of the employees and men for 31.9 per cent (31.5 per cent).

The focus of Elo's personnel work during its third year of operation was on strengthening the corporate culture and harmonising performance management. Professional competence, which is one of the focus areas of Elo's personnel strategy, was reinforced by systematically analysing competence and procedures, supporting management work and promoting internal mobility.

Elo conducted its fourth personnel survey in autumn 2016. The PeoplePower index, which indicates the personnel's commitment and the prerequisites for it, further improved. In autumn 2016, the PeoplePower index was 69.1, compared with 67.8 a year earlier and 61.6 in the first survey. In accordance with its target, Elo is slightly ahead of the Finnish norm for specialist roles in improving its workplace atmosphere.

The aim of remuneration is to facilitate achievement of the company's strategic goals. In 2016 a local agreement was made at Elo to combine its various remuneration systems into a single system. Remuneration



systems are used to enhance the profitability of work and the skills and commitment of the personnel. The forms of monetary remuneration at Elo over and above basic salaries are the performance bonus system defined on a uniform basis for the different personnel groups, and the separate 'one-off' bonuses. Elo views remuneration as an integrated whole, where monetary remuneration is supplemented with comprehensive personnel benefits and immaterial remuneration, such as training and development opportunities.

In 2016, the performance bonus system for personnel covered 77 per cent of all employees, while the performance bonus system for the investment management members and the investment unit covered 9 per cent, the performance bonus system for management 5 per cent, the performance bonus system for sales 4 per cent, and the performance bonus system for independent risk management and reporting 5 per cent of the personnel. Employees can be covered by one bonus system at a time. The performance bonuses are usually paid once a year, after the actual results for predetermined targets have been ascertained.

Elo's remuneration statement gives more detailed information on the remuneration system at Elo and the criteria involved. The statement is available (in Finnish) on Elo's website at [www.elo.fi](http://www.elo.fi).

### Corporate governance

Elo's Board of Directors comprises representatives of the central labour market organisations and representatives of the customers and stakeholders. The Board of Directors comprises 16 members and four deputy members in 2016. In 2016, Pekka Sairanen was Chairman of the Board (until 11 November 2016), and Ann Selin and Heimo J. Aho were Deputy Chairmen. The other Board members were Eeva-Liisa Inkeroinen, Jari Karlson, Heikki Kauppi, Antti Kuljukka, Reija Lilja, Outi Lähteenmäki-Lindman, Jorma Malinen,

Harri Miettinen, Erkki Moisander, Jussi Mustonen, Antti Neimala, Olavi Nieminen and Sinikka Näätsaari. The deputy Board members were Antti Aho, Jukka Ihanus, Jouko Liimatainen and Daniela Yrjö-Koskinen.

In 2016, the Board's Appointment and Remuneration Committee comprised Pekka Sairanen (until 11 November 2016), Ann Selin and Heimo J. Aho. The Board's Audit Committee members were Jari Karlson, Heikki Kauppi and Jussi Mustonen.

The members of Elo's Supervisory Board are elected by the Annual General Meeting. On 19 April 2016, Elo's Annual General Meeting decided to reduce the number of Supervisory Board members from 54 to 44. In 2016, Klaus Saarikallio served as Chairman of the Supervisory Board, and Håkan Nystrand and Ilkka Brotherus as Deputy Chairmen.

During 2016, the Election Committee of the Supervisory Board included Ilkka Brotherus, Klaus Saarikallio and Jouko Vehmas as members who had been nominated by the policyholders. The Election Committee members who had been nominated by the insured were Håkan Nystrand, Mika Varjonen and Jaana Ylitalo. Klaus Saarikallio was Chairman of the Election Committee, and Håkan Nystrand was Deputy Chairman.

The Managing Director of Elo is Satu Huber. Elo has not appointed a deputy or substitute managing director.

In addition to Satu Huber, Elo's Executive Group in 2016 comprised Mika Ahonen (Legal Affairs, Communications and PR, Compliance), Matti Carpén (Customer Relations and Customer Channels, ICT), Hanna Hiidenpalo (Chief Investment Officer), Mikko Karpoja (Actuarial Services, Appointed Actuary), Erja Ketko (Risk and Business Control), Sarianne Kirvesmäki (Finance and Investment Risk Supervision), Keijo Kouvonen (Insurance Policies and Pensions) and Hilikka Malinen (Human Resources).

Due to the reduced membership of the Supervisory Board, the rotation of Supervisory Board members

was carried out at Elo's Annual General Meeting on 19 April 2016 by a technical measure in which all members resigned and the AGM elected 44 members to terms of differing length in accordance with Elo's Articles of Association. The following were elected as members of the Supervisory Board:

- for the term 2016–2017 Tero Jussila (EK), Olli Vormisto (EK), Terhi Penttilä (EK), Heikki Kyntäjä (EK), Vesa Aallosvirta (SAK), Marko Piirainen (SAK), Pekka Kampman (STTK), Mika Varjonen (Akava), Kimmo Simberg, Mikael Pentikäinen, Markku Holm, Maria Hanho, Johanna Heikkilä, Olavi Kaukonen and Tapio Kuittinen
- for the two-year term 2016–2018 Ilkka Brotherus (EK), Jukka Tikka (EK), Pentti Virtanen (EK), Veli-Matti Kunttonen (SAK), Jaana Ylitalo (SAK), Antti Hakala (STTK), Hannu Saarikangas (Akava), Timo Mäki-Ullakko, Kyösti Pöyry, Maija Hjelt, Kalle Kujanpää, Timo Lehtinen, Timo Lepistö and Sauli Huikuri
- for the three-year term 2016–2019 Jouko Vehmas (EK), Klaus Saarikallio (EK), Heikki Nikku (EK), Ville Laine (EK), Merja Rinne (SAK), Håkan Nystrand (STTK), Jaakko Kiiski (Akava), Kustaa Piha, Esko Jääskeläinen, Janne Ylinen, Antti Ylikorkala, Katariina Poskiparta, Ansu Saarela, Antti Sahi and Paula Salastie.

The Annual General Meeting appointed the firm of authorised public accountants Ernst & Young Oy as Elo's auditor, with Ulla Nykky, APA, as the auditor with principal responsibility.

Elo will issue a separate corporate governance statement in connection with the publication of its financial statements and the Board of Directors' report.

### Elo's capital and reserves and surplus

On 31 December 2016, Elo's capital and reserves consisted of restricted capital and reserves that included an initial fund of EUR 6,693,879.47 (EUR (6,693 879.47)), and of non-restricted capital and reserves that included a contingency fund of EUR

63,705,786.46 (EUR 63,700,086.16), a contingency reserve of EUR 29,091,990.32 (EUR 29,091,990.32), and retained earnings amounting to EUR 1,841,728.24 (EUR 1,841,728.24). Elo has no guarantee capital.

The surplus for the financial year totalled EUR 4,559.94 (EUR 5,700.30). The Board of Directors proposes that the financial year surplus of EUR 4,559.94 be transferred to the contingency reserve.

### Elo Group

Elo is a mutual insurance company whose voting rights at Annual General Meetings are exercised by policyholders and the insured.

At the end of 2016, the parent company Elo's Group included 107 (113) housing and real estate companies as subsidiaries. The Group also includes three other companies (names given in the notes) and Probus Holding Ltd and Tammi-Kodit Ky as affiliated groups. Elo held 79.47 per cent of the shares and votes of Probus Holding Ltd. Elo's share of the silent partner contribution in Tammi-Kodit Ky is 100 per cent. The Group includes nine affiliated companies, the most important of which are Avara Oy and Amplus Holding Oy.

### Future outlook

For 2017, somewhat better global economic growth is expected than a year ago. The growth is expected to rise to above 3 per cent. A strong leap forward is not expected, however. Growth is expected mainly from the United States and emerging economies, while in the euro area and Japan, growth is anticipated to remain at last year's level.

Expectations are somewhat more positive in Finland, as well. Among other things, the competitiveness pact is expected to make it easier to exploit new export opportunities but the positive impact of the pact on the Finnish economy will not be seen until later. Overall, the business outlook has improved in Finland especially in construction, services and new types of export

business such as car manufacturing, but it is still slightly below the normal level.

The post-financial-crisis period of growth has now continued for seven years. The cyclical situation especially in the United States is reminiscent of an approaching end to a boom period, in which typically long-term interest rates tend to increase significantly. Global inflation is still very low. In fact, measures taken by the US Federal Reserve to tighten its monetary policy appear to be very careful, whereas other central banks are still continuing their forceful stimulus policies. As a result, it is unlikely that economies will suffer from monetary policies in the near future. Moreover, the US administration is planning tax cuts and a concurrent increase of public infrastructure investment. These measures may improve US growth by as much as a percentage point for a few years.

President Trump has announced plans, but the markets have already largely priced them. 2017 will show whether the promised stimuli will be carried out and what form the US economic policies will take in practice. Other political risks involve the French presidential elections and Germany's federal elections, both to be held in 2017. They are causing nervousness on the market and may eventually have a very significant impact on Europe's outlook.

On the commodities market the price of crude oil seems to have become less volatile thanks to OPEC's decisions to limit production, settling within a range than suits all parties. This will promote global economic growth. For the emerging economies, all eyes are again on China, eager to see how it will succeed in carrying out its structural changes and in keeping tensions in the finance and currency markets at bay.

At the onset of 2017, the risk exposure of Elo's investment assets was well in hand, considering the pension and solvency reforms. The development of investment income in 2017 will reflect many

uncertainties, including the continued low interest rates on the one hand and the rather high valuations of other asset classes on the other, as a result of which expected incomes are lower than usual.

In 2017, Elo's development measures will concentrate on improving the user experience. We will make new digital services available to our customers and make use of customer feedback and panels in their development. These will include a completely new type of real-time data-driven service for working capacity management.

Within the employment pension sector, Elo is participating in a national income register project the key purpose of which is to reduce the administrative burden on corporate customers and to lower costs. The register will be introduced on 1 January 2019, after which employers will enter income information directly into the register where they will be available to all who need income information.

The competitive environment of the employment pension market is changing and the goal is to increase competition. The Ministry of Social Affairs and Health confirmed the company-specific customer bonus principles on 14 February 2017. They will come into force on 1 January 2018 and affect premiums from 2019. Elo considers it important that, when the competitive environment is improved, the employment pension system will remain sufficiently simple and transparent.

Despite the many changes in the operating environment, the basic mission of employment pension companies has remained the same. It is important to remember, when developing new services and improving the competitive environment, that our fundamental role is to ensure the smooth granting and payment of pensions and the responsible investment of pension assets.

The Elo Board of Directors would like to thank the company's personnel and management for all their good work during 2016.

# ACCOUNTING POLICIES 2016

The financial statements have been prepared in accordance with the Accounting Act and Decree, the Limited Liability Companies Act, the Pension Insurance Companies Act and the Insurance Companies Act. The financial statements comply with the Act on the Calculation of the Pension Provider's Solvency Limit and the Covering of Technical Provisions, the Ministry of Social Affairs and Health decree on the financial statements and consolidated financial statements of insurance companies, the calculation bases adopted by the Ministry of Social Affairs and Health and the regulations and guidelines issued by the Ministry of Social Affairs and Health and the Financial Supervisory Authority.

## Consolidated financial statements

Elo's consolidated financial statements include the subsidiaries in which the Group's share of votes is more than 50 per cent. In 2016, 107 housing and real estate corporations and three other companies (names given in the notes) and the Probus Holding Ltd and Tammi-Kodit Ky affiliated groups were consolidated with the Elo Group as subsidiaries.

The consolidated financial statements have been prepared, in accordance with the accounting principles observed by the parent company, as combinations of the parent company's and the subsidiaries' profit and loss accounts and balance sheets. Intra-group income and expenses, profit distribution, receivables, liabilities and cross-holdings have been eliminated. Subsidiaries acquired during the financial year are consolidated as of their time of acquisition, and divested subsidiaries are consolidated until their time of sale.

Minority interests in the financial result and in the capital and reserves have been reported as separate items.

Intra-group cross-holdings have been eliminated using the acquisition method. The resulting consolidation difference has been allocated to the subsidiaries'

assets within the limits allowed by their current values. When the current value is exceeded, the difference has been entered as goodwill. The consolidation difference is depreciated in accordance with the planned depreciation of the related asset. Goodwill is depreciated over 10 years. Revaluations of group shares in earlier financial years are reported in the consolidated balance sheet as revaluations of real estate owned by the subsidiary.

Associate companies that are included in the notes and in which the Group holds 20 to 50 per cent of the votes have been consolidated in the consolidated financial statements using the equity method. The housing and real estate corporations that are associate companies have not been included in the consolidated financial statements because their impact on the consolidated result and non-restricted capital and reserves is minor.

Copies of the consolidated financial statements are available at Revontulentie 7, Espoo.

## Premiums written

TyEL (Employees' Pensions Act) premiums written is determined by the total TyEL payroll and the contribution percentage. The provisional premium based on the payroll estimate and collected during the financial year has been adjusted in the financial statements using the adjustment premium estimate. The premiums written for the financial year also include the difference between the estimated and actual adjustment payments for the previous year.

The YEL premiums written is determined according to self-employed persons' confirmed income and contribution percentage.

Calculation-based premiums written have been converted to accrual-based premiums written.

## Claims incurred

Claims incurred consist of pensions paid to pension recipients, rehabilitation costs, clearing of division of costs, operating expenses from working capacity maintenance and claims handling, and the change in the provision for claims outstanding.

## Book value of investments

### Real estate investments

Buildings and structures are reported in the balance sheet at the lower of acquisition cost less planned depreciation and current value.

The value adjustments and readjustments made on real estate are entered in the profit and loss account. Value readjustments with effect on profit have been made on divested real estate before entering capital gains. No revaluations were made on the book values of real estate in the 2016 financial year.

### Shares and holdings

Shares and holdings have been entered in the balance sheet at the lower of acquisition cost and current value. The amount corresponding to the increase in value from value readjustment of shares and holdings carried out in previous years has been entered in the profit and loss account at acquisition cost. Shares and holdings have been recorded using the average price principle.

### Financial market instruments

Financial instruments include bonds and money market instruments. The balance sheet value of financial instruments is their acquisition cost, calculated using the average price. Value adjustments due to changes in interest rates are not entered, however. The acquisition cost is adjusted by the amortised difference between the nominal value and the acquisition value. The difference between the nominal value and

the acquisition value is amortised as a decrease or increase in interest income over the maturity of the financial instrument. The amount of matching entries included under acquisition cost is presented in the notes to the balance sheet.

### **Loans, other receivables and deposits**

Loans, other receivables and deposits have been valued at the lower of their nominal value and probable value.

The detail of the presentation of loans to related parties in the financial statements has been improved by presenting loans granted to Group companies and associated undertakings separately. The comparison figures have been adjusted accordingly.

### **Derivative contracts**

Elo uses derivatives to reduce investment risk and for hedging, increasing market risk and enhancing the efficiency of investment operations. Elo used equity, fixed income, credit risk, commodity, volatility and foreign currency derivatives during the financial year.

Profit and loss from the termination or expiration of contracts during the financial year have been entered under income or expenses for the year.

**Hedging calculation** is applied only to derivative contracts that meet the requirements set in the guidelines of the Financial Supervisory Authority. Derivative contracts to which hedge calculation has been applied have been valued together with the hedged item.

Derivative contracts made for hedging purposes are valued together with the hedged balance sheet item. If no change in value is entered on the hedged balance sheet item, no entry is made on the hedging contract under profit and loss unless its negative value change exceeds the positive value change of the hedged

balance sheet item. If a readjustment is entered on the hedged item, the entire value change of the derivative used is entered as an expense. Hedge calculation has not been applied in bookkeeping.

The unrealised loss from derivative contracts made for purposes other than hedging is entered as an expense in the profit and loss account in its entirety. Unrealised profits are not entered under income.

### **Premium receivables**

**Premium receivables** consist of the adjustment premium estimate and overdue insurance premiums unpaid at the close of the financial year. Premium receivables are entered in the balance sheet at the lower of their nominal value and their probable value.

Overdue insurance premiums that have been deemed disqualified for payment or that are receivables from companies that have been declared bankrupt are entered as credit losses. In addition, reduced receivables from confirmed business restructuring and receivables the collection of which has been discontinued due to the small sum of the receivable have also been entered under credit losses. Credit losses have been entered on major business restructuring that is incomplete at the turn of the year on the basis of appraisal. Credit losses on YEL premium receivables are primarily entered due to expiration.

### **Depreciation and calculation principles – general**

The acquisition cost of depreciable assets has been capitalised and is entered as depreciation according to plan under expenses during its useful economic life. Revaluations on depreciable assets entered as income have also been depreciated according to plan.

Software licences presented as intangible rights, and other long-term costs associated with software system projects have been capitalised and entered as

depreciation according to plan under expenses during their useful economic life.

**Straight-line depreciation** is carried out on the original acquisition cost according to the following useful economic lives:

Residential, office and commercial premises	50 yrs
Industrial property and warehouses	40 yrs
Hotels	50 yrs
Intangible rights	5 yrs
Motor vehicles	5 yrs
Computer hardware	3 yrs
Equipment	10 yrs
Office machines	3 yrs
Other long-term expenses	3–10 yrs

Depreciation of the original acquisition cost is calculated using reducing balance depreciation: Technical equipment in buildings, machinery and equipment 20 %

The depreciation plans of the Elo subsidiaries Jalava Kodit Oy and Lehmus Kodit Oy have been modified to correspond to the Elo Group's depreciation principles as of 1 November 2016.

### **Current value of investments**

#### **Real estate investments**

The values of direct real estate investments have been assessed in their entirety by an independent authorised property valuator, with the exception of a few separate buildings and also new buildings completed and sites undergoing modernisation in 2016. The evaluations of all real estate investments have been made on the valuation date 31 December 2016.

Business premises have been valued using the income approach and applying a 10-year cash flow method. Properties undergoing modernisation and new buildings have been valued using the cost value method. Plots and associated project plans have been valued together, taking into account the value of building rights and work in progress capitalised in bookkeeping. Residential properties (owned directly by the parent or subsidiary) have been valued both on a cash-flow basis using the income approach and the comparable sales method, taking overall value adjustment into account so that the market value is determined as an average of the values derived from these methods. The market value of a residential property may not exceed the market value determined using the comparable sales method.

### **Shares and holdings**

The trade quotation used as the current value of listed shares and such securities for which there is an existing market is the closing rate determined by the closing auction of the equity in question. If a share is not traded in the closing auction, the closing rate is the last actual trade quotation.

The current value of non-listed shares and holdings is the probable transfer price, acquisition price or net asset value.

Fixed asset shares have been valued in the balance sheet at their acquisition cost as this is considered to correspond to their current value.

In the case of equity and fixed income funds, quotations are primarily based on the value of the fund unit indicated by the fund management company in a public price monitoring system.

In the case of private equity funds, the acquisition cost or the current value estimate of the fund indicated

by the fund management company has been used as the current value.

The current value used for hedge funds is the market value based on the fund valuation received from the fund's custodian.

### **Financial market instruments**

The current value of financial market instruments – bonds and money market instruments – is based primarily on market prices. If no market price is available or if the current value of the investment cannot be reliably determined, valuations issued by external parties are used or the current value is calculated using commonly accepted models for calculating market prices or the amortised acquisition price is used as the current value.

### **Derivative contracts**

The current value of exchange-listed derivative contracts is primarily the closing rate based on the closing auction or the latest price quotation. The current values of derivative contracts, liabilities and collateral received and given on derivative trades are presented in the notes. The current value of OTC derivatives is calculated using generally accepted valuation models.

When calculating the gross margin, solvency capital and solvency requirement, foreign currency derivatives have been considered as derivatives decreasing investment risk.

### **Foreign-currency denominated receivables and debt**

Foreign-currency denominated receivables and debt have been converted into euros at the exchange rate quoted by the European Central Bank on the closing date.

For other investments, the lower of the acquisition date exchange rate and the closing date exchange rate has been used, adjusted by the change in the market price of the security. Where the closing date value is lower than the original acquisition price, a value readjustment has been made.

Allocated exchange rate differences have been treated as adjustments of the associated income and expenses.

Unallocated exchange rate differences that have arisen during the financial year have been entered under other results and expenses from investment operations.

### **Operating expenses and depreciation by operation**

The company's operating expenses have been allocated in accordance with the regulations of the Financial Supervisory Authority as indicated in the notes. Depreciation of equipment and long-term costs are included in the profit and loss account of the relevant operation. Claims administration and disability management have been included under claims paid in the profit and loss account. Expenses from disability risk management covered by expense loading entered as business expenses are shown separately. Investment management expenses and planned depreciation expenses from buildings have been included in investment management expenses. Expenses from acquiring, processing and managing insurance have been presented as operating expenses. Statutory charges have been included in administrative expenses.

### **Direct taxes**

Direct taxes from the financial year and previous financial years have been entered in the profit and loss account on an accrual basis.

### Provisions and tax liabilities

Because their realisation is unlikely, deferred tax liabilities and assets have not been presented on valuation differences of investments, which are presented in the notes. In the consolidated financial statements, accrued depreciation difference and taxation-based provisions have been divided into change in the deferred tax liabilities and result for the financial year, and into deferred tax liabilities and capital and reserves.

### Other liabilities

Other liabilities than technical provisions are entered at nominal value in the balance sheet.

### Pension arrangements

Statutory pension provision for personnel has been arranged through TyEL insurance. Some members of personnel are provided with a supplementary pension benefit, which is determined on the basis of when the employment relationship started, its duration and the employment history. Some of the investment directors have been provided with a supplementary pension benefit through a voluntary pension arrangement. The retirement age of the Chief Executive Officer is 64. The Chief Executive Officer has supplementary pension insurance with an annual pension accrual of 0.2 per cent.

Pension expenses for the year have been entered on an accrual basis.

### Technical provisions

Liability resulting from insurance contracts has been entered as technical provisions. Technical provisions are calculated in accordance with calculation principles approved by the Ministry of Social Affairs and Health. Technical provisions comprise the premium reserve and the provision for claims outstanding.

The premium reserve comprises the provision for future pensions, provision for current bonuses, which includes the amount reserved for bonuses granted to policyholders, and the provision for future bonuses, which is included in the solvency capital. The premium reserve also includes a provision linked to equity income, the amount of which depends on the average return of pension providers' equity investments.

The provision for claims outstanding comprises the provision for current pensions, the clearing reserve and the equalisation provision.

When calculating the technical provisions for solvency, the provision for future bonuses, the premium reserve under the Self-Employed Persons' Pensions Act, and the equalisation provision excluding the TEL-L share are deducted.

### Solvency capital

The solvency capital is the amount by which the company's assets at current value exceed its liabilities. The equalisation provision included in the solvency capital acts as a buffer primarily against changes in the insurance business, and the rest is intended for covering investment risks. The solvency capital less the equalisation provision comprises the company's capital and reserves, the difference between the current and the book values of its assets, the provision for future bonuses included in its technical provisions and any depreciation difference less intangible assets in the balance sheet.

### Profit for the year

Elo's profit for the financial year is determined in accordance with calculation principles sought by Elo and approved in advance by the Ministry of Social Affairs and Health.

### Key indicators and analysis

The key performance indicators and analyses have been calculated and presented in accordance with the Financial Supervisory Authority's regulations on notes to the financial statements.

The definitions and calculation methods of the most important indicators are presented in the notes in the Guide to key figures.

# PROFIT AND LOSS ACCOUNT

<b>EUR 1,000</b>	<b>Parent company 2016</b>	<b>Parent company 2015</b>	<b>Group 2016</b>	<b>Group 2015</b>
<b>Technical account</b>				
Premiums written	3,321,483	3,157,104	3,321,483	3,157,104
Investment income	2,388,531	2,615,269	2,423,986	2,628,634
Claims incurred				
Claims paid	-3,339,424	-3,177,980	-3,339,424	-3,177,980
Change in provision for claims outstanding	-640,801	-469,338	-640,801	-469,338
Change in premium reserve	-36,915	-301,714	-36,915	-301,714
Operating expenses	-77,091	-72,677	-77,091	-72,677
Investment management expenses	-1,611,283	-1,748,848	-1,638,381	-1,765,998
<b>Balance on technical account</b>	<b>4,500</b>	<b>1,815</b>	<b>12,857</b>	<b>-1,969</b>
<b>Non-technical account</b>				
Other result	887	1,984	466	1,533
Other expenses		-19		
Goodwill amortisation			-108	
Other				-19
Share of the profit/loss of associate companies			895	2,965
Accumulated appropriations				
Change in depreciation difference	-20	-110		
Income taxes				
Taxes from this and earlier financial years	-5,361	-3,664	-6,588	-4,876
Deferred tax liabilities			51	106
<b>Profit (loss) from ordinary activities</b>	<b>5</b>	<b>6</b>	<b>7,572</b>	<b>-2,260</b>
Minority interest as a part of the profit for the financial year.			-1,655	-83
<b>Profit for the accounting period</b>	<b>5</b>	<b>6</b>	<b>5,917</b>	<b>-2,343</b>

# BALANCE SHEET

EUR 1,000	Parent company 2016	Parent company 2015	Group 2016	Group 2015
<b>ASSETS</b>				
<b>Intangible assets</b>				
Intangible rights	7,479	9,501	7,542	9,564
Goodwill			973	
Other long-term expenses	17,308	20,254	17,308	20,254
Projects in progress	1,425	1,130	1,425	1,130
Provisional premiums	1,169		1,169	
	27,381	30,885	28,418	30,948
<b>Investments</b>				
Real estate investments				
Real estate investments	717,250	713,445	1,493,106	1,489,792
Loan receivables from Group companies	581,913	674,640		
Loans to real estate companies			64,234	69,555
	1,299,163	1,388,085	1,557,340	1,559,347
Investments in Group companies and participating interests				
Shares and holdings in Group companies	75,653	32,881		
Shares and holdings in participating interests	4,835	4,834	17,718	16,966
Loan receivables from Group companies	119,742	124,337		
	200,230	162,052	17,718	16,966
Other investments				
Shares and holdings	10,832,840	9,502,673	10,840,176	9,508,552
Financial market instruments	4,969,669	5,546,656	4,969,669	5,546,656
Loans guaranteed by mortgages	132,476	136,643	132,476	136,643
Other loans	311,014	419,020	311,014	419,020
Other investments			2,115	2,113
	16,246,000	15,604,993	16,255,449	15,612,984
	17,745,393	17,155,130	17,830,507	17,189,298
<b>Debtors</b>				
Arising out of direct insurance operations				
Policy holders	273,775	184,556	273,775	184,556
Other debtors				
Other debtors	363,512	364,004	331,988	358,946
Deferred tax assets			2,622	3,270
	637,287	548,560	608,386	546,771
<b>Other assets</b>				
Tangible assets				
Machinery and equipment	4,305	4,513	4,305	4,513
Other tangible assets	380	385	380	385
	4,685	4,898	4,685	4,898
Cash at bank and in hand	371,981	459,836	399,734	480,431
	376,666	464,734	404,418	485,329
<b>Prepayments and accrued income</b>				
Accrued interest and rent	57,700	62,576	57,340	62,189
Other prepayments and accrued income	22,872	38,396	24,162	40,595
	80,571	100,973	81,502	102,784
<b>Total assets</b>	<b>18,867,299</b>	<b>18,300,281</b>	<b>18,953,231</b>	<b>18,355,131</b>



<b>EUR 1,000</b>	<b>Parent company 2016</b>	<b>Parent company 2015</b>	<b>Group 2016</b>	<b>Group 2015</b>
<b>LIABILITIES</b>				
<b>Capital and reserves</b>				
Initial fund	6,694	6,694	6,694	6,694
Guarantee fund			86	86
Loan amortisation reserve			84	88
Revaluation reserve			185	185
Other reserves	92,798	92,792	93,026	93,020
Profit brought forward	1,842	1,842	-14,475	-12,127
Profit for the accounting period	5	6	5,917	-2,343
	101,338	101,333	91,516	85,603
<b>Minority interest</b>			61,085	57,515
<b>Accrued appropriations</b>				
Depreciation difference	748	727		
<b>Group reserve</b>			414	869
<b>Technical provisions</b>				
Premium reserve	9,890,920	9,854,005	9,890,920	9,854,005
Provision for claims outstanding	8,636,449	7,995,649	8,636,449	7,995,649
	18,527,370	17,849,654	18,527,370	17,849,654
<b>Mandatory provisions</b>		22	3,582	4,139
<b>Creditors</b>				
Arising out of direct insurance operations	16,047	12,726	16,047	12,726
Deferred tax liabilities			11,183	5,633
Other liabilities	134,187	278,274	147,393	278,478
	150,233	291,000	174,623	296,837
<b>Accruals and deferred income</b>	87,610	57,544	94,642	60,514
<b>Total liabilities</b>	18,867,299	18,300,281	18,953,231	18,355,131

# CASH FLOW STATEMENT

EUR 1,000	Parent company 2016	Parent company 2015	Group 2016	Group 2015
<b>Cash flow from operating activities</b>				
Profit (loss) from ordinary activities	4,500	1,815	12,857	-1,969
Adjustments				
Changes in technical provisions	677,716	771,052	677,716	771,052
Value adjustments and revaluation of investments	50,550	163,815	50,550	163,815
Depreciation according to plan	9,481	8,736	45,882	48,960
Sales gains and losses	-533,676	-757,116	-535,245	-759,066
Cash flow before change in working capital	208,570	188,303	251,759	222,792
Change in working capital:				
Non-interest-bearing short-term receivables increase(-)/decrease(+)	-68 326	64 637	-40 979	59 050
Non-interest-bearing short-term debt increase(-)/decrease(+)	-110 723	85 233	-94 193	77 874
Cash flow from operations before financial items and taxes	29,521	338,173	116,587	359,716
Direct taxes paid	-5,361	-3,664	-6,588	-4,876
Cash flow from other business items	887	1,965	358	1,514
Cash flow from operating activities	25,046	336,474	110,356	356,354
<b>Cash flow from investing activities</b>				
Investment in assets	-107,137	-358,772	-147,916	-392,301
Investments in tangible and intangible assets as well as other assets and capital gains	-5,764	-11,400	-43,138	-11,400
Cash flow from investing activities	-112,901	-370,173	-191,054	-403,701
<b>Change in cash and cash equivalents</b>	-87,855	-33,699	-80,698	-47,347
<b>Cash and cash equivalents at the start of the year</b>	459,836	493,535	480,431	527,778
<b>Cash and cash equivalents at the end of the year</b>	371,981	459,836	399,734	480,431

# NOTES TO THE FINANCIAL STATEMENTS

EUR 1,000	Parent company 2016	Parent company 2015	Group 2016	Group 2015
<b>PREMIUMS WRITTEN</b>				
Direct insurance				
TyEL pension insurance				
Employers' contribution	2,168,678	2,035,857	2,168,678	2,035,857
Employees' contribution	728,870	691,245	728,870	691,245
	2,897,548	2,727,103	2,897,548	2,727,103
Supplementary TEL insurance	1,359	1,707	1,359	1,707
YEL minimum coverage insurance	422,575	428,294	422,575	428,294
Premium income	3,321,483	3,157,104	3,321,483	3,157,104
Items deducted from premiums written				
Credit losses on insurance premiums				
TyEL / TEL supplementary insurance	17,995	15,066	17,995	15,066
YEL	4,048	4,275	4,048	4,275
	22,043	19,341	22,043	19,341
<b>CLAIMS PAID</b>				
Direct insurance				
Paid to pensioners				
TyEL basic insurance	2,580,324	2,463,452	2,580,324	2,463,452
Supplementary TEL insurance	30,531	31,039	30,531	31,039
YEL minimum coverage insurance	369,466	361,344	369,466	361,344
YEL supplementary pension cover	1,728	1,750	1,728	1,750
	2,982,049	2,857,585	2,982,049	2,857,585
Paid/refunded division of cost compensations				
TyEL pensions	438,487	394,317	438,487	394,317
YEL pensions (*)	25,001	88,389	25,001	88,389
Proportion of the insurance premiums of the Unemployment Insurance Fund and the division of costs for pension elements accrued on the basis of unsalaried periods	-134,285	-156,566	-134,285	-156,566
Government contribution of YEL		-36,475		-36,475
Compensation under the Act for parents receiving child home care allowance to care for a child aged less than 3 years at home and for students for periods of study (VEKL)	-600	-463	-600	-463
	328,604	289,202	328,604	289,202
	3,310,652	3,146,787	3,310,652	3,146,787
Claims administration costs	26,172	25,672	26,172	25,672
Costs from disability risk management	2,600	5,522	2,600	5,522
Total claims paid	3,339,424	3,177,980	3,339,424	3,177,980

(\*) The year 2015 includes retroactive adjustment of the YEL pay-as-you-go (PAYG) pensions.

EUR 1,000	Parent company 2016	Parent company 2015	Group 2016	Group 2015
<b>NET INVESTMENT INCOME</b>				
<b>Investment income</b>				
Income from investments in Group companies				
Dividend income		6,354		
Interest income	2,945	3,209		
	2,945	9,563		
Income from investments in Group companies				
Dividend income	114	684	-114	-61
	114	684	-114	-61
Income from real estate investments				
Interest income				
From Group companies	12,111	17,345		
Others	526	234	526	1,437
Other income				
Others	149,740	166,384	197,494	203,437
	162,377	183,964	198,019	204,874
Income from other investments				
Dividend income	256,000	240,246	245,788	238,501
Interest income	130,534	143,169	141,613	145,709
Other income	909,650	899,107	909,690	899,126
	1,296,185	1,282,522	1,297,091	1,283,336
Total	1,461,621	1,476,732	1,494,996	1,488,148
Value readjustments	119,598	75,299	119,598	75,299
Gains on realisation	807,312	1,063,238	809,392	1,065,187
Total	2,388,531	2,615,269	2,423,986	2,628,634
<b>Investment management expenses</b>				
Costs on real estate investments	-87,716	-101,405	-78,221	-78,735
Costs on other investments	-992,422	-1,060,360	-992,454	-1,060,365
Interest costs and expenses on other liabilities	-87,361	-41,848	-87,261	-41,848
	-1,167,500	-1,203,613	-1,157,936	-1,180,948
Value adjustments and depreciation				
Value adjustments	-167,662	-235,995	-169,898	-238,705
Planned depreciation on buildings	-2,486	-3,118	-36,400	-40,223
	-170,148	-239,114	-206,298	-278,929
Losses on realisation	-273,636	-306,122	-274,147	-306,122
Total	-1,611,283	-1,748,848	-1,638,381	-1,765,998
<b>Net investment income before revaluations and their adjustments</b>	777,248	866,420	785,605	862,636
<b>Net investment income in the profit and loss account</b>	777,248	866,420	785,605	862,636

EUR 1,000	Parent company 2016	Parent company 2015	Group 2016	Group 2015
<b>PROFIT AND LOSS ACCOUNT ITEM OPERATING EXPENSES</b>				
Insurance policy acquisition costs				
Direct insurance remunerations	9,043	7,905	9,043	7,905
Other insurance policy acquisition costs	10,808	11,011	10,808	11,011
	19,852	18,915	19,852	18,915
Insurance management costs	38,699	34,954	38,699	34,954
Administration costs				
Statutory charges				
The Finnish Centre for Pensions' share of costs	6,719	7,035	6,719	7,035
Judicial administration charge	645	690	645	690
Supervisory fee of the Financial Supervisory Authority	334	309	334	309
	7,698	8,034	7,698	8,034
Other administration costs	10,842	10,773	10,842	10,773
Total	77,091	72,677	77,091	72,677
<b>TOTAL OPERATING EXPENSES BY OPERATION</b>				
Claims paid				
Claims administration costs	26,172	25,672	26,172	25,672
Costs from disability risk management	2,600	5,522	2,600	5,522
	28,772	31,193	28,772	31,193
Operating expenses	77,091	72,677	77,091	72,677
Investment management expenses				
Costs on real estate investments	4,588	5,366	6,740	5,369
Costs on other investments	19,430	17,050	19,430	17,050
	24,018	22,416	26,170	22,420
Other expenses		19		19
Operating expenses, total	129,881	126,305	132,033	126,309

EUR 1,000	Parent company 2016	Parent company 2015	Group 2016	Group 2015
<b>NOTES CONCERNING PERSONNEL AND MEMBERS OF THE OPERATIONAL ELEMENTS</b>				
<b>Personnel expenses</b>				
Salaries and bonuses	30,310	30,488	30,304	30,488
Pension expenses	5,523	5,446	5,522	5,446
Other social security expenses	2,094	1,510	2,094	1,510
Total	37,927	37,444	37,920	37,444
<b>Salaries and bonuses</b>				
Managing Director and Deputy Managing Director	704	906	737	906
Board members and deputy Board members	420	424	421	441
Supervisory Board	80	79	80	79
Total	1,203	1,409	1,238	1,426

The salary and benefits paid to Managing Director Satu Huber totalled EUR 486,199.07.

The Chief Executive Officer is entitled to retire at the age of 64. The Chief Executive Officer has supplementary pension insurance inherited from Elo's predecessor company with an annual pension accrual of 0.2 per cent. The cost of the supplementary pension insurance for 2016 was EUR 19,814.55.

No pension commitments, money loans or guarantees have been given to members of the Supervisory Board and the Board of Directors.

<b>Average number of personnel during the financial year</b>	451	457	451	457
<b>Fees paid to the auditors</b>				
Fees paid to Ernst & Young Oy				
Audit	181	263	226	289
Tax consultation	46	30	46	30
Other services	72	57	75	59

# NOTES TO THE BALANCE SHEET

EUR 1,000	Remaining acquisition cost 2016	Book value 2016	Current value 2016	Remaining acquisition cost 2015	Book value 2015	Current value 2015
<b>INVESTMENTS AT CURRENT VALUE AND VALUATION DIFFERENCES, PARENT COMPANY</b>						
Real estate investments						
Real estate	54,411	54,411	69,261	55,254	55,254	73,491
Real estate shares in Group companies	502,108	514,654	867,238	479,656	492,202	865,107
Other real estate shares	145,326	148,185	324,866	163,130	165,989	339,947
Loan receivables from Group companies	581,913	581,913	581,913	674,640	674,640	674,640
Investments in Group companies						
Shares and holdings	75,653	75,653	156,201	32,881	32,881	93,807
Loan receivables from Group companies	119,742	119,742	119,742	124,337	124,337	124,337
Investments in participating interests						
Shares and holdings	4,835	4,835	6,776	4,834	4,834	6,774
Other investment						
Shares and holdings	10,832,840	10,832,840	13,226,231	9,502,673	9,502,673	11,579,304
Financial market instruments	4,969,669	4,969,669	5,164,758	5,546,656	5,546,656	5,691,341
Loans guaranteed by mortgages	132,476	132,476	132,476	136,643	136,643	136,643
Other loans	311,014	311,014	311,014	419,020	419,020	419,020
	17,729,988	17,745,393	20,960,477	17,139,724	17,155,130	20,004,411
The remaining acquisition cost of financial market instruments includes:						
The difference between the nominal value and acquisition cost released (+) or charged (-) to interest income	-35,448			-39,043		
The book value comprises						
Revaluations released as income	15,405			15,405		
Valuation difference (difference between current value and book value)			3,215,083			
Valuation difference of non-hedging derivatives			82,868			
				73,133		

EUR 1,000	Remaining acquisition cost 2016	Book value 2016	Current value 2016	Remaining acquisition cost 2015	Book value 2015	Current value 2015
<b>INVESTMENTS AT CURRENT VALUE AND VALUATION DIFFERENCES, GROUP</b>						
Real estate investments						
Real estate	1,291,431	1,303,977	1,699,239	1,284,181	1,296,727	1,739,769
Real estate shares in participating interests	209	209	209	209	209	209
Other real estate shares	186,061	188,920	365,602	189,997	192,856	366,926
Receivables from real estate companies	64,234	64,234	64,234	69,555	69,555	69,555
Investments in participating interests						
Shares and holdings	17,718	17,718	19,659	16,966	16,966	18,989
Other investment						
Shares and holdings	10,840,176	10,840,176	13,233,567	9,508,552	9,508,552	11,585,183
Financial market instruments	4,969,669	4,969,669	5,164,758	5,546,656	5,546,656	5,691,341
Loans guaranteed by mortgages	132,476	132,476	132,476	136,643	136,643	136,643
Other loans	311,014	311,014	311,014	419,020	419,020	419,020
Other investment	2,115	2,115	2,115	2,113	2,113	2,113
	17,815,102	17,830,507	20,992,871	17,173,893	17,189,298	20,029,748
The remaining acquisition cost of financial market instruments includes:						
The difference between the nominal value and acquisition cost released (+) or charged (-) to interest income	-35,448			-39,043		
The book value comprises						
Revaluations released as income	15,405			15,405		
Valuation difference (difference between current value and book value)			3,162,364			2,840,450
Valuation difference of non-hedging derivatives			82,868			73,133



EUR 1,000	Parent company 2016	Parent company 2015	Group 2016	Group 2015
<b>DERIVATIVES</b>				
<b>Non-hedging derivatives</b>				
Other debtors				
Derivatives, book value	48,358	90,003	48,358	90,003
Other liabilities				
Derivatives, book value	62,643	107,069	62,643	107,069
Derivatives, changes in value	29,221	38,530	29,221	38,530
Other prepayments and accrued income				
Derivatives	95	3,322	95	3,322
Other accruals and deferred income				
Derivatives	-48,880	-37,145	-48,880	-37,145

<b>EUR 1,000</b>	<b>Parent company Real estate and real estate shares 2016</b>	<b>Parent company Loan receivables from Group companies 2016</b>	<b>Group Real estate and real estate shares 2016</b>	<b>Group Loan receivables from Group companies 2016</b>
<b>REAL ESTATE INVESTMENTS</b>				
<b>Changes in real estate investments</b>				
Acquisition cost, 1 Jan	868,321	674,640	2,043,608	69,555
Increase	88,454	143,459	239,002	
Decrease	-90,673	-236,186	-275,810	-5,322
Transfers between items	39		39	
Acquisition cost, 31 Dec	866,141	581,913	2,006,838	64,234
Accumulated depreciations on 1 Jan	-21,818		-411,346	
Accumulated depreciation related to deductions and transfers	1,773		56,866	
Depreciation for the financial year	-2,233		-39,076	
Transfers between items	5,056		5,056	
Accumulated depreciation on 31 Dec	-17,222		-388,500	
Value adjustments, 1 Jan	-149,649		-168,173	
Value adjustments of deductions and transfers			25,270	
Value adjustments during financial year	-10,437		-10,437	
Value readjustments	16,921		7,499	
Transfers between items	-5,095		-5,095	
Value adjustments, 31 Dec	-148,260		-150,936	
Revaluations, 1 Jan	16,591		25,703	
Revaluations, 31 Dec	16,591		25,703	
Book value on 31 Dec	717,250	581,913	1,493,106	64,234

<b>EUR 1,000</b>	<b>Parent company 2016</b>	<b>Group 2016</b>
<b>REAL ESTATE AND SHARES IN REAL ESTATE OCCUPIED FOR OWN ACTIVITIES</b>		
The remaining acquisition cost	15,020	15,020
Book value	15,020	15,020
Current value	15,075	15,075

<b>EUR 1,000</b>	<b>Parent company 2016</b>
<b>SHARES AND HOLDINGS IN GROUP COMPANIES, PARENT COMPANY</b>	
<b>Shares and holdings</b>	
Acquisition cost, 1 Jan	32,881
Increase	42,772
Acquisition cost, 31 Dec	75,653

<b>EUR 1,000</b>	<b>Parent company 2016</b>	<b>Group 2016</b>
<b>SHARES AND HOLDINGS IN PARTICIPATING INTERESTS</b>		
<b>Shares and holdings</b>		
Acquisition cost, 1 Jan	4,834	16,966
Increase	1	752
Acquisition cost, 31 Dec	4,835	17,718

EUR 1,000 Name	Domicile	Holding	Capital and reserves 31 Dec 2016	Profit for the account- ing period 31 Dec 2016
<b>SHARES AND HOLDINGS IN GROUP COMPANIES, PARENT COMPANY</b>				
<b>Shares and holdings</b>				
Probus Holding Oy	Helsinki	79.47%	17,556	2,881
Tammi-Kodit GP Oy	Espoo	100.00%	3	
Tammi-Kodit Ky	Espoo	100.00%	42,682	-88
<b>SHARES AND HOLDINGS IN PARTICIPATING INTERESTS, PARENT COMPANY</b>				
<b>Shares and holdings</b>				
Exilion Capital Oy	Helsinki	49.00%	199	12
Suomen Metsäsijoitus Oy	Espoo	25.00%	8,534	488
Vakuutusneuvonta Aura Oy	Espoo	33.33%	11	
Vakuutusneuvonta Pohja Oy	Espoo	33.33%	11	
Tyvene Oy	Helsinki	40.00%	688	121
Avara Oy	Helsinki	49.12%	904	307
Amplus Holding Oy	Helsinki	49.12%	45,862	907
Glasnost Oy	Espoo	33.40%	1,323	14
Pohja-Yhtymä Oy	Espoo	27.30%	3,721	88
<b>SHARES AND HOLDINGS IN PARTICIPATING INTERESTS, GROUP</b>				
<b>Shares and holdings</b>				
Exilion Capital Oy	Helsinki	49.00%	199	12
Suomen Metsäsijoitus Oy	Espoo	25.00%	8,534	488
Vakuutusneuvonta Aura Oy	Espoo	33.33%	11	
Vakuutusneuvonta Pohja Oy	Espoo	33.33%	11	
Tyvene Oy	Helsinki	40.00%	688	121
Avara Oy	Helsinki	49.12%	904	307
Amplus Holding Oy	Helsinki	49.12%	45,862	907
<b>Real estate shares</b>				
Glasnost Oy	Espoo	33.40%	1,323	14
Pohja-Yhtymä Oy	Espoo	27.30%	3,721	88

EUR 1,000 Name	Proportion of all shares, %	Book value 31 Dec 2016	Market value 31 Dec 2016	Country of domicile
<b>OTHER INVESTMENTS, PARENT COMPANY</b>				
<b>Finnish and foreign unlisted shares and holdings</b>				
3Step IT Group Oy	17.64	6,199	17,540	Finland
Aina Group Oyj A	14.89	2,879	2,879	Finland
Aina Group Oyj K	14.89	103	103	Finland
Fingrid Oyj	4.51	34	250	Finland
Futurice Oy	19.02	4,839	4,839	Finland
Turva Mutual Insurance Company	6.63	702	702	Finland
Keski-Pohjanmaan Kirjapaino A	3.31	306	417	Finland
Kotkamills Group Oy A	9.58	1,107	1,107	Finland
Liguirix Topco Holding Oy	19.95	1,281	7,710	Finland
Midinvest Oy	7.93	673	712	Finland
Oy Wedeco Ab	8.89	956	1,630	Finland
Rederiaktiebolaget Eckero	0.64	248	513	Finland
Sato Oyj	12.89	52,760	130,991	Finland
Seligson & Co Oyj	11.76	1,009	2,441	Finland
S-Pankki Oyj	1.50	5,832	5,832	Finland
Suomi Power Networks TopCo B.V.	7.50	12,878	49,166	Netherlands
TA-Yhtymä Oy B	14.53	566	566	Finland
Teknikum-Yhtiot Oy	19.60	2,470	2,470	Finland
ThermiSol Oy	10.00	100	100	Finland
Other Finnish and foreign unlisted shares and holdings		190	194	
<b>Finnish and foreign unlisted shares and holdings total</b>		<b>95,132</b>	<b>230,163</b>	
<b>Finnish listed shares and holdings</b>				
Alma Media Oyj	2.25	5,443	9,320	Finland
Amer Sports Oyj	1.94	20,071	58,169	Finland
Asiakastieto Group Oyj	2.72	5,951	7,903	Finland
Aspo Plc	0.19	419	491	Finland
Atria Plc	0.45	1,451	1,451	Finland
Bittium Oyj	1.40	901	2,835	Finland
Caverion Corp	1.28	8,995	12,760	Finland
Citycon Oyj	0.11	2,224	2,338	Finland
Componenta Corporation	5.04	1,602	1,602	Finland
DNA Oyj	1.66	22,220	22,330	Finland
Elisa Corporation	0.29	7,491	15,248	Finland
Fit Biotech Oy	1.90	62	62	Finland
Fortum Corporation	0.51	66,221	66,221	Finland
F-Secure Oyj	4.89	15,369	27,040	Finland
Heeros Oyj	7.47	991	991	Finland

EUR 1,000 Name	Proportion of all shares, %	Book value 31 Dec 2016	Market value 31 Dec 2016	Country of domicile
HKScan Corporation	2.08	3,646	3,646	Finland
Ilkka-Yhtymä Oyj	0.36	1,137	1,137	Finland
Ilkka-Yhtymä Oyj	1.64	287	287	Finland
Ixonos Plc	0.43	129	153	Finland
Kesko Corporation	0.90	19,288	42,588	Finland
Kone Corporation	0.38	41,048	85,140	Finland
Kotipizza Oyj	4.93	1,566	3,495	Finland
Lassila & Tikanoja Plc	3.17	15,170	23,598	Finland
Lehto Group Oyj	0.34	1,006	2,010	Finland
Lemminkäinen Corporation	0.25	1,205	1,205	Finland
Metso Corporation	0.65	26,477	26,477	Finland
Metsä Board Oyj	0.98	18,790	23,783	Finland
Neste Oil Oyj	0.48	17,050	44,570	Finland
Nokia Corporation	0.32	84,873	84,873	Finland
Orion Corporation	0.21	4,073	12,409	Finland
Orion Corporation	0.42	15,575	25,374	Finland
Outokumpu Oyj	0.84	19,240	29,768	Finland
Pihlajalinna Plc	6.15	19,046	23,341	Finland
Pöyry Plc	3.87	7,660	7,660	Finland
Raisio Plc	1.71	7,615	8,554	Finland
Rapala VMC Oyj	0.40	640	640	Finland
Restamax Oyj	1.63	1,249	1,632	Finland
Sampo Plc	0.38	63,682	90,717	Finland
Siili Solutions Plc	9.90	5,020	5,658	Finland
Solteq Oyj	11.24	2,200	3,200	Finland
Soprano Oyj	9.83	610	610	Finland
Sponda Oyj	1.44	17,497	21,412	Finland
Suominen Corporation	5.85	12,358	12,522	Finland
Tieto Corporation	1.13	19,436	21,738	Finland
Tokmanni Group Corp	4.59	20,895	22,950	Finland
Tulikivi Corporation	7.59	932	932	Finland
UPM-Kymmene Corporation	0.76	46,357	94,994	Finland
Uutech Group Oyj	0.05	15	15	Finland
Valmet Corp	2.54	37,736	53,264	Finland
Wartsila OYJ Abp	0.76	40,778	64,233	Finland
Vincit Group Oyj	3.18	1,470	2,086	Finland
Wulff Group Plc	5.30	480	480	Finland
YIT Oyj	2.62	25,316	25,316	Finland
<b>Finnish listed shares and holdings total total</b>		<b>760,964</b>	<b>1,101,227</b>	

EUR 1,000 Name	Proportion of all shares, %	Book value 31 Dec 2016	Market value 31 Dec 2016	Country of domicile
<b>Foreign listed equities</b>				
A P Moller - Maersk A/S	0.04	5,298	6,215	Denmark
ABB Ltd	0.01	4,839	5,103	Switzerland
ACEA SpA	0.09	2,119	2,119	Italy
ACS Actividades de Construccion y Servicios SA	0.03	2,071	2,467	Spain
Adidas AG	0.03	3,358	8,564	Germany
Aggreko Plc	0.07	1,906	1,906	United Kingdom
Air Liquide SA	0.01	4,634	5,056	France
Aker Solutions ASA	0.37	3,334	4,563	Norway
Akzo Nobel NV	0.01	1,834	1,848	Netherlands
Allianz SE	0.02	11,936	12,560	Germany
ALSO Holding AG	0.20	1,769	2,195	Switzerland
Alten SA	0.05	1,008	1,168	France
Altice SA	0.01	893	1,037	Luxembourg
Amadeus IT Holding SA	0.04	4,770	7,223	Spain
Anglo American Plc	0.01	1,679	1,679	United Kingdom
Anheuser-Busch InBev NV	0.00	9,227	9,295	Belgium
APERAM	0.13	2,553	4,538	Luxembourg
ArcelorMittal	0.02	3,963	5,100	Luxembourg
Arkema	0.03	2,055	2,268	France
Asian Paints Ltd	0.02	1,789	1,867	India
ASML Holding NV	0.01	4,550	5,040	Netherlands
Assa Abloy AB	0.01	1,867	1,885	Sweden
Assicurazioni Generali SpA	0.01	1,840	1,851	Italy
AstraZeneca Plc	0.01	7,007	7,135	United Kingdom
Atlas Copco AB	0.03	5,157	8,476	Sweden
Atos Origin SA	0.03	2,475	3,177	France
Attendo AB	3.00	26,067	39,571	Sweden
Austevoll Seafood ASA	0.15	2,000	2,719	Norway
Autoneum Holding AG	0.18	1,870	2,055	Switzerland
Aviva Plc	0.01	1,819	1,935	United Kingdom
AXA SA	0.02	8,538	10,798	France
Bajaj Finance Ltd	0.05	2,622	3,411	India
Bakkafrost P/F	0.13	2,088	2,316	Faroe Islands
Banco Bilbao Vizcaya Argentaria SA	0.01	4,617	4,716	Spain
Banco Santander SA	0.01	7,351	8,221	Spain
Barclays Plc	0.01	4,599	4,669	United Kingdom
BASF SE	0.02	8,691	15,507	Germany
Bayer AG	0.00	3,055	3,280	Germany
Bayer AG	0.02	13,878	13,878	Germany
Bayerische Motoren Werke AG	0.00	2,222	2,473	Germany

EUR 1,000 Name	Proportion of all shares, %	Book value 31 Dec 2016	Market value 31 Dec 2016	Country of domicile
Bayerische Motoren Werke AG	0.02	8,964	8,964	Germany
BB Biotech AG	0.09	1,976	2,565	Switzerland
Bellway Plc	0.05	1,704	1,704	United Kingdom
Berkeley Group Holdings Plc	0.04	1,597	1,597	United Kingdom
Bharat Petroleum Corp Ltd	0.02	2,331	3,018	India
BKW AG	0.05	1,046	1,215	Switzerland
BNP Paribas SA	0.02	9,547	13,158	France
Bossard Holding AG	0.13	1,045	1,165	Switzerland
BP Plc	0.01	12,639	13,993	United Kingdom
Brembo SpA	0.04	1,177	1,537	Italy
British American Tobacco Plc	0.01	11,973	12,324	United Kingdom
British Land Co Plc	0.11	7,499	8,455	United Kingdom
BT Group Plc	0.01	4,159	4,271	United Kingdom
Buzzi Unicem SpA	0.07	2,036	2,549	Italy
Cap Gemini SA	0.02	2,869	2,869	France
Carrefour SA	0.01	1,355	1,355	France
Centamin Plc	0.11	1,708	1,990	Jersey
Centrica Plc	0.01	953	1,048	United Kingdom
Christian Dior SA	0.01	2,994	3,554	France
CIE Automotive SA	0.09	1,809	2,205	Spain
Cie de Saint-Gobain	0.01	1,816	1,978	France
Compagnie Financiere Richemont SA	0.01	4,160	4,331	Switzerland
Compagnie Generale des Etablissements Michelin	0.02	4,301	4,646	France
Compass Group Plc	0.01	2,823	3,019	United Kingdom
Continental AG	0.01	2,337	2,515	Germany
Covestro AG	0.02	1,731	2,875	Germany
Credit Agricole SA	0.00	1,410	1,413	France
Credit Suisse Group AG	0.01	2,773	2,869	Switzerland
Crest Nicholson Holdings Plc	0.15	2,006	2,006	United Kingdom
CRH Plc	0.01	2,766	2,907	Ireland
Daimler AG	0.02	12,308	13,797	Germany
Danone	0.03	12,057	12,057	France
Danske Bank A/S	0.03	6,464	7,258	Denmark
Deutsche Boerse AG	0.01	1,836	1,876	Germany
Deutsche Post AG	0.01	3,692	3,891	Germany
Deutsche Telekom AG	0.00	3,066	3,370	Germany
Deutsche Telekom AG	0.01	6,018	6,596	Germany
Diageo Plc	0.01	5,470	5,635	United Kingdom
D'ieren SA/NV	0.04	1,008	1,008	Belgium
Diploma Plc	0.09	1,046	1,298	United Kingdom
Dometic Group AB	0.10	2,065	2,083	Sweden



EUR 1,000 Name	Proportion of all shares, %	Book value 31 Dec 2016	Market value 31 Dec 2016	Country of domicile
E.ON SE	0.01	943	1,016	Germany
Eicher Motors Ltd	0.04	2,795	3,045	India
Eiffage SA	0.03	1,949	1,949	France
Electrolux AB	0.04	3,034	3,034	Sweden
Elekta AB	0.16	4,524	4,943	Sweden
Elior	0.06	2,051	2,148	France
Enagas SA	0.03	1,879	1,879	Spain
Enel SpA	0.02	6,781	7,218	Italy
Energias de Portugal SA	0.02	2,030	2,030	Portugal
Engie SA	0.01	1,841	1,902	France
ENI SpA	0.01	4,560	5,351	Italy
Essilor International SA	0.01	1,782	1,908	France
Evonik Industries AG	0.01	1,964	1,964	Germany
Experian Group Ltd	0.01	1,861	1,956	Ireland
Faurecia	0.04	2,041	2,118	France
Ferrari NV	0.02	1,832	2,653	Italy
Fiat Chrysler Automobiles NV	0.02	2,162	3,013	United Kingdom
Fresenius SE & Co KGaA	0.01	4,705	5,221	Germany
Galaxy Entertainment Group Ltd	0.01	1,550	1,861	Hong Kong
Galliford Try Plc	0.17	2,075	2,075	United Kingdom
Geberit AG	0.01	1,855	1,885	Switzerland
Geely Automobile Holdings Ltd	0.02	1,622	1,813	China
Gemalto NV	0.11	5,476	5,476	Netherlands
Genmab A/S	0.06	3,281	5,743	Denmark
Givaudan SA	0.01	1,814	1,894	Switzerland
Gjensidige Forsikring ASA	0.07	4,925	5,037	Norway
GlaxoSmithKline Plc	0.01	10,562	10,823	United Kingdom
Glencore International Plc	0.01	5,159	5,159	Switzerland
Godrej Consumer Products Ltd	0.06	3,745	4,324	India
Grainger Plc	0.50	4,938	5,833	United Kingdom
Guangzhou Automobile Group Co Ltd	0.05	1,078	1,147	China
GVC Holdings Plc	0.08	1,774	1,774	Isle of Man
Havells India Ltd	0.07	2,151	2,151	India
HDFC Bank Ltd	0.01	3,897	4,336	India
HeidelbergCement AG	0.01	2,819	3,157	Germany
Heineken NV	0.02	7,347	7,688	Netherlands
Henkel AG & Co KGaA	0.04	7,619	8,913	Germany
Hennes & Mauritz AB	0.02	6,160	7,663	Sweden
Hill & Smith Holdings Plc	0.11	939	1,187	United Kingdom
HSBC Holdings Plc	0.01	17,199	19,232	United Kingdom
Iberdrola SA	0.02	6,765	7,043	Spain

EUR 1,000 Name	Proportion of all shares, %	Book value 31 Dec 2016	Market value 31 Dec 2016	Country of domicile
Imperial Brands Plc	0.01	3,676	3,676	United Kingdom
IndusInd Bank Ltd	0.02	1,513	1,547	India
Industria de Diseno Textil SA	0.00	4,631	4,683	Spain
Indutrade AB	0.09	1,998	1,998	Sweden
Infineon Technologies AG	0.01	1,794	1,845	Germany
Infosys Ltd	0.01	3,952	3,952	India
ING Groep NV	0.02	9,580	11,409	Netherlands
Inmarsat Plc	0.05	2,046	2,174	United Kingdom
Interpump Group SpA	0.13	1,970	2,132	Italy
Intertek Group Plc	0.09	4,740	5,623	United Kingdom
Intesa Sanpaolo SpA	0.02	6,181	6,672	Italy
Intrum Justitia AB	0.10	2,108	2,314	Sweden
Investor AB	0.01	1,838	2,025	Sweden
IPSOS	0.16	1,978	2,100	France
Iren SpA	0.12	2,138	2,162	Italy
ITV Plc	0.01	895	1,045	United Kingdom
J D Wetherspoon Plc	0.10	1,031	1,141	United Kingdom
JM AB	0.12	2,118	2,341	Sweden
Kering	0.01	1,849	1,905	France
Koninklijke Ahold NV	0.02	4,707	4,824	Netherlands
Koninklijke Philips NV	0.01	3,217	3,388	Netherlands
LafargeHolcim Ltd	0.01	2,240	2,248	Switzerland
Land Securities Group Plc	0.12	10,829	12,152	United Kingdom
Legal & General Group Plc	0.01	1,846	1,873	United Kingdom
Legrand SA	0.01	1,809	1,860	France
Leoni AG	0.20	2,087	2,215	Germany
Leroy Seafood Group ASA	0.08	1,985	2,583	Norway
Lifco AB	0.07	1,401	1,464	Sweden
Linde AG	0.01	3,196	3,275	Germany
Lloyds Banking Group Plc	0.02	9,704	10,802	United Kingdom
London Stock Exchange Group Plc	0.01	1,358	1,406	United Kingdom
Loomis AB	0.11	2,061	2,248	Sweden
L'Oreal SA	0.01	4,191	10,577	France
LVMH Moet Hennessy Louis Vuitton SA	0.01	6,017	6,423	France
Marine Harvest	0.03	2,096	2,447	Norway
Maruti Suzuki India Ltd	0.01	1,635	1,635	India
Meggitt Plc	0.05	2,031	2,031	United Kingdom
Minth Group Ltd	0.07	2,022	2,363	China
Moncler SpA	0.06	2,078	2,282	Italy
Morgan Advanced Materials Plc	0.12	1,070	1,105	United Kingdom
MTU Aero Engines AG	0.04	2,062	2,527	Germany

EUR 1,000 Name	Proportion of all shares, %	Book value 31 Dec 2016	Market value 31 Dec 2016	Country of domicile
Muenchener Rueckversicherungs AG	0.01	3,663	3,771	Germany
National Express Group Plc	0.10	2,074	2,074	United Kingdom
National Grid Plc	0.02	8,447	8,447	United Kingdom
Nestle SA	0.02	19,808	32,692	Switzerland
Nordea Bank AB	0.16	55,841	68,063	Sweden
Novartis AG	0.01	19,163	19,163	Switzerland
Novo Nordisk A/S	0.02	7,496	13,235	Denmark
Novozymes A/S	0.07	2,796	5,860	Denmark
Ocean Yield ASA	0.20	2,096	2,155	Norway
OMV AG	0.03	2,052	2,765	Austria
OPAP SA	0.09	2,103	2,287	Greece
Orange SA	0.01	3,225	3,386	France
Orpea	0.04	1,959	1,959	France
Pandora A/S	0.01	953	1,044	Denmark
Partners Group Holding AG	0.05	1,240	5,635	Switzerland
Pernod-Ricard SA	0.01	1,847	1,875	France
Pershing Square Holdings Ltd	1.39	45,937	45,937	Guernsey
Petronet LNG Ltd	0.03	1,257	1,257	India
Plastic Omnium SA	0.05	2,111	2,166	France
Polymetal International Plc	0.04	1,684	1,684	Russia
Power Grid Corp of India Ltd	0.02	1,573	2,050	India
ProSiebenSat.1 Media AG	0.01	916	1,005	Germany
Prudential Plc	0.01	5,842	6,938	United Kingdom
Publicis Groupe	0.02	2,813	2,980	France
Reckitt Benckiser Group Plc	0.02	9,665	11,461	United Kingdom
Reed Elsevier Plc	0.02	4,065	4,274	United Kingdom
REN - Redes Energeticas Nacionais SGPS SA	0.15	2,189	2,189	Portugal
Renault SA	0.01	1,868	1,937	France
Reply SpA	0.18	2,041	2,041	Italy
Repsol SA	0.02	3,995	4,393	Spain
Rexel SA	0.05	1,997	2,346	France
Roche Holding AG	0.01	14,064	22,309	Switzerland
Salmar ASA	0.07	2,097	2,250	Norway
Sandvik AB	0.01	1,359	1,398	Sweden
Sanofi	0.01	10,709	11,024	France
SAP AG	0.01	10,101	10,765	Germany
Scandinavian Tobacco Group A/S	0.14	2,070	2,228	Denmark
Schindler Holding AG	0.02	1,302	1,320	Switzerland
Schneider Electric SA	0.01	4,632	4,920	France
Scottish & Southern Energy Plc	0.01	1,867	1,904	United Kingdom
SEB SA	0.03	1,901	2,128	France

EUR 1,000 Name	Proportion of all shares, %	Book value 31 Dec 2016	Market value 31 Dec 2016	Country of domicile
Securitas AB	0.06	2,995	2,995	Sweden
Shire Ltd	0.02	10,911	11,308	Ireland
Shree Cement Ltd	0.02	1,355	1,646	India
Siemens AG	0.00	1,788	2,301	Germany
Siemens AG	0.02	13,283	16,516	Germany
Skandinaviska Enskilda Banken AB	0.01	1,814	1,890	Sweden
Sky Plc	0.01	943	1,193	United Kingdom
Smith & Nephew Plc	0.01	1,390	1,410	United Kingdom
Societe Generale SA	0.01	3,232	3,834	France
Sodexo	0.01	939	1,005	France
Solvay SA	0.03	2,782	3,223	Belgium
Sopra Steria Group	0.05	1,004	1,034	France
STADA Arzneimittel AG	0.07	2,035	2,035	Germany
Standard Chartered Plc	0.01	2,766	2,787	United Kingdom
Statoil ASA	0.01	5,334	7,324	Norway
Storebrand ASA	0.20	3,307	4,544	Norway
Subsea 7 S.A.	0.12	2,284	4,623	United Kingdom
Swatch Group AG/The	0.02	1,354	1,377	Switzerland
Sweco AB	0.06	1,143	1,169	Sweden
Swedbank AB	0.01	1,824	1,882	Sweden
Svenska Cellulosa AB	0.01	1,773	1,956	Sweden
Svenska Handelsbanken AB	0.03	3,515	7,145	Sweden
Swiss Re Ltd	0.01	3,222	3,347	Switzerland
Swisscom AG	0.01	1,378	1,410	Switzerland
Symrise AG	0.07	2,177	5,604	Germany
Syngenta AG	0.01	3,681	3,792	Switzerland
Tata Motors Ltd	0.01	2,109	2,110	India
Technip SA	0.07	4,498	5,696	France
Telefonaktiebolaget LM Ericsson	0.01	1,895	1,991	Sweden
Telefonica SA	0.02	10,366	10,366	Spain
Telekom Austria AG	0.06	2,060	2,256	Austria
Telenor ASA	0.02	3,791	3,791	Norway
Telia Company AB	0.10	17,138	17,138	Sweden
Tencent Holdings Ltd	0.00	4,162	5,105	China
Terna Rete Elettrica Nazionale SpA	0.02	1,977	1,977	Italy
Tesco Plc	0.01	1,761	1,761	United Kingdom
TKH Group NV	0.30	4,285	4,759	Netherlands
Tomra Systems ASA	0.21	3,033	3,033	Norway
Topdanmark A/S	0.20	4,216	4,580	Denmark
Total SA	0.01	15,872	17,542	France
UBS Group AG	0.02	7,764	9,580	Switzerland

EUR 1,000 Name	Proportion of all shares, %	Book value 31 Dec 2016	Market value 31 Dec 2016	Country of domicile
UltraTech Cement Ltd	0.03	3,021	3,178	India
Unibail-Rodamco SE	0.01	1,817	1,927	France
Unilever NV	0.03	16,458	19,558	Netherlands
UPL Ltd	0.04	1,898	1,898	India
Valeo SA	0.03	3,665	4,085	France
WH Group Ltd	0.02	1,725	1,841	Hong Kong
Vinci SA	0.02	6,500	9,151	France
Vivendi SA	0.01	2,298	2,298	France
Vodafone Group Plc	0.02	12,783	12,783	United Kingdom
Voestalpine AG	0.04	2,146	2,523	Austria
Wolseley Plc	0.01	1,825	1,863	Switzerland
Volvo AB	0.01	2,303	2,453	Sweden
WPP Group Plc	0.04	9,474	10,327	United Kingdom
Yes Bank Ltd	0.07	3,154	4,523	India
Zurich Financial Services AG	0.01	4,595	4,920	Switzerland
Other foreign listed equities		56,241	57,341	
<b>Foreign listed equities total</b>		<b>1,188,920</b>	<b>1,375,901</b>	
<b>Equity funds</b>				
Allianz Europe Equity Growth W EUR	0.00	42,538	79,612	Luxembourg
Capman Public Market Fund FCP-SIF CA1	7.25	2	99	Luxembourg
Conventum Lyrical Fund - Class I	0.03	30,330	62,059	Luxembourg
db x-trackers MSCI Europe DR	0.10	152,354	159,836	Luxembourg
eQ Kehittyvät Markkinat Osinko 1 K	0.13	42,637	54,156	Finland
Evli Eurooppa B	0.10	63,056	93,241	Finland
Evli GEM B	0.15	20,186	25,362	Finland
Fidelity FAST Asia Fund	0.07	40,196	43,695	Luxembourg
Fidelity Fast Emerging Markets I Acc USD	0.05	70,947	83,638	Luxembourg
Fondita Nordic Micro Cap B	0.09	24,045	73,424	Finland
Fourton Odysseus A	0.09	25,346	47,930	Finland
Fourton Stamina A	0.06	26,566	57,156	Finland
Fullerton Asian Small Cap Equities Class I Acc USD	0.63	19,825	20,215	Luxembourg
GMO Global Real Return UCITS fund Class A EUR	0.10	96,652	96,652	Ireland
Henderson Gartmore Pan European Fund I EUR Acc	0.52	50,195	50,332	Luxembourg
iShares China Large-Cap ETF (USD)	0.03	34,525	34,575	USA
iShares Core MSCI Emerging Markets ETF USD	3.19	111,426	119,807	USA
iShares Core S&P 500 ETF (USD)	0.38	211,022	272,140	USA
iShares Edge MSCI USA Min Vol	0.02	89,279	93,306	USA
iShares Edge MSCI USA Value Weighted Index	0.08	80,343	86,564	USA
iShares MSCI Brazil Capped ETF	0.03	42,060	43,490	USA
iShares MSCI Emerging Markets ETF	0.01	53,971	53,971	USA

EUR 1,000 Name	Proportion of all shares, %	Book value 31 Dec 2016	Market value 31 Dec 2016	Country of domicile
iShares MSCI Europe UCITS ETF (Dist)	0.19	220,591	232,677	Ireland
iShares MSCI Indonesia ETF	0.18	20,374	20,602	USA
iShares MSCI Philippines ETF (USD)	0.20	14,609	14,609	USA
iShares Russell 2000 ETF (JPY)	0.19	43,443	54,370	USA
iShares STOXX Europe 600 UCITS ETF (DE)	0.06	100,670	102,971	Germany
Kempen (Lux) Global High Dividend I	0.01	38,904	70,746	Luxembourg
LähiTapiola Hyvinvointi A	0.55	20,058	33,447	Finland
LähiTapiola USA A	0.85	17,300	36,100	Finland
Mandatum Life SICAV-SIF Slim Tail Equity Fund B2 USD	0.00	8,956	10,364	Luxembourg
MI Somerset Emerging Markets Dividend Growth Fund EUR B Acc	3.27	51,144	62,063	United Kingdom
Mirae Asset Asia Sector Leader Equity I EUR	1.42	45,283	45,283	Luxembourg
Montanaro European Smaller Companies EUR Acc	1.08	31,132	46,416	Ireland
Nomura TOPIX ETF	0.00	98,258	100,875	Japan
Nordea 1 - Emerging Stars Equity Fund BI-EUR	0.05	80,000	87,383	Luxembourg
Nordea 1 - Global Stable Equity Fund Unhedged BI-EUR	0.12	60,979	70,809	Luxembourg
Nordea 1 - Stable Emerging Markets Equity	0.04	45,000	48,919	Luxembourg
SSgA Enhanced Emerging Markets Equity Fund I EUR	0.24	40,093	46,552	Luxembourg
T. Rowe Price Funds SICAV - US Smaller Companies Equity I USD	0.18	48,105	96,823	Luxembourg
Trigon New Europe Fund C	0.88	14,024	17,547	Estonia
UB Aasia REIT Plus K	0.19	10,000	16,990	Finland
Vanguard Emerging Markets Stock Index (Ins) EUR	0.01	105,409	122,785	Ireland
Vanguard S&P 500 Index Fund ETF Class (USD)	0.00	232,731	272,682	USA
Winton Global Equity Fund Class Z USD	0.05	40,098	75,231	Ireland
<b>Equity funds total total</b>		<b>2,714,662</b>	<b>3,337,503</b>	
<b>Fixed income funds</b>				
Aktia Emerging Market Bond+ D	5.49	20,012	20,445	Finland
Aktia Emerging Market Local Currency Bond+ D	5.05	37,405	48,200	Finland
Aktia Emerging Market Local Currency Frontier Bond+	11.28	29,950	32,569	Finland
Ashmore Emerging Markets Local Currency Bond Fund I EUR	0.02	46,026	48,532	Luxembourg
Ashmore SICAV Emerging Markets Local Currency Bond Fund Ins USD Income	0.02	50,976	51,809	Luxembourg
Aviva Investors SICAV Global High Yield Bond Fund I	0.01	61,167	70,012	Luxembourg
Barings Capital Emerging Markets Local Debt Fund AA USD	0.19	42,087	43,907	Ireland
Barings Capital European Loan Fund B EUR	0.01	70,289	78,354	Ireland
Barings Capital Global Loan Fund Tranche A USD Acc	0.00	21,686	38,158	Ireland
Barings Capital Global Loan Fund Tranche B USD Acc	0.00	30,684	38,466	Ireland
Barings Global Senior Secured Bond D USD	0.10	23,945	23,945	Ireland
BlackRock Global Funds - Emerging Markets Bond X2 USD	0.17	66,124	78,302	Luxembourg
BlackRock Global Funds - Emerging Markets Corporate Bond X2 USD	2.20	22,531	33,802	Luxembourg
BlackRock Global Funds - Emerging Markets Local Currency Bond X2 EUR	0.74	74,333	86,123	Luxembourg
BlackRock Global Funds - Global High Yield Bond I2 USD	0.14	66,347	67,755	Luxembourg

EUR 1,000 Name	Proportion of all shares, %	Book value 31 Dec 2016	Market value 31 Dec 2016	Country of domicile
BlackRock Strategic Funds - Emerging Markets Flexi Dynamic Bond X2 USD	0.06	71,066	82,857	Luxembourg
BlueBay Investment Grade Absolute Return Bond Fund - I - EUR	0.02	50,694	50,720	Luxembourg
BlueBay Investment Grade Bond I Fund	0.00	22,430	24,252	Luxembourg
CGS FMS Global Evolution Emerging Markets Debt & FX I	0.02	10,000	10,040	Luxembourg
CGS FMS Global Evolution Frontier Markets I EUR	0.02	30,000	31,297	Luxembourg
Clareant European Loan Fund Class II G EUR	0.00	20,000	20,239	Luxembourg
Clareant European Loan Fund Class IIA EUR	0.00	52,195	60,919	Luxembourg
Credit Suisse Nova Lux Global Senior Loan Fund MB USD	0.00	52,055	52,350	Luxembourg
Evli High Yield Yrityslaina B	0.03	60,440	73,501	Finland
Fidelity European High Yield Fund I-ACC-EUR	0.02	68,007	68,940	Luxembourg
GMO Emerging Country Debt Investment Fund	0.03	22,526	25,655	Ireland
iShares Core Euro Corporate Bond UCITS ETF (EUR)	0.00	1,264	1,301	Ireland
iShares Euro High Yield Corporate Bond UCITS ETF	0.00	1,064	1,064	Ireland
iShares iBoxx \$ Investment Grade Corporate Bond ETF	0.00	1,037	1,112	USA
iShares iBoxx USD High Yield Corporate Bond ETF	0.00	799	821	USA
Julius Baer Multibond Local Emerging Bond Fund C EUR Unhedged	0.01	55,923	64,231	Luxembourg
M&G European Loan Fund C EUR	0.02	78,621	79,336	Ireland
Man GLG Global Emerging Markets Bond Fund I C USD	0.18	4,520	4,623	Ireland
Man GLG Global Emerging Markets Debt Total Return I US	0.10	56,123	57,410	Ireland
Man GLG Global Emerging Markets Local Currency Rates Fund I C EUR	0.10	25,000	25,666	Ireland
Man GLG Global Emerging Markets Local Currency Rates USD	0.11	23,586	24,249	Ireland
Muzinich Bondyield ESG Fund Institutional Hedged EUR Acc	0.16	28,017	36,665	Ireland
Neuberger Berman Emerging Market Debt - Hard Currency Fund USD I2 Acc	0.13	4,645	4,805	Ireland
Neuberger Berman Emerging Market Debt- Blend Fund- EUR I2	0.32	35,000	36,209	Ireland
Neuberger Berman Emerging Markets Debt -Hard Currency Fund- EUR I2 Acc	0.41	15,644	16,897	Ireland
Neuberger Berman Emerging Markets Debt -Local Currency Fund- EUR I2 Unhedged Acc Class	0.70	64,405	72,170	Ireland
NN L FLEX Senior Loans	0.00	51,000	51,178	Luxembourg
Nomura Funds - US High Yield Bond I - USD	0.00	30,443	31,075	Ireland
Nordea 1 SICAV - US Corporate Bond Fund -BI USD	0.12	54,278	54,490	Luxembourg
Nordea 1 SICAV European High Yield Bond Fund X EUR	0.06	68,330	87,072	Luxembourg
Nordea 1 SICAV US High Yield Bond Fund X USD	0.21	35,985	36,903	Luxembourg
Pictet Emerging Local Currency Debt Z EUR	0.00	9,673	10,601	Luxembourg
Pimco Diversified Income Duration Hedged Fund Inst USD A	0.33	49,439	50,594	Ireland
Pimco Emerging Local Bond Fund Inst EUR(Unhgd) Acc	0.10	25,968	27,093	Ireland
Pimco Emerging Markets Corporate Bond Fund Inst USD Acc	0.46	14,216	14,550	Ireland
Pimco Global High Yield Bond Fund Institution Acc	0.04	38,643	45,385	Ireland
Pimco US High Yield Bond Fund USD Inst Acc	0.06	35,172	43,155	Ireland
Schroder International Euro Corporate Bond Fund I Acc	0.03	65,376	70,561	Luxembourg
T. Rowe Price Funds SICAV - Global High Yield Bond I USD	0.14	47,564	67,351	Luxembourg
Wellington USD Core High Yield Bond USD AC	0.95	31,116	32,132	Ireland
<b>Fixed income funds total</b>		<b>2,075,827</b>	<b>2,309,848</b>	

EUR 1,000 Name	Proportion of all shares, %	Book value 31 Dec 2016	Market value 31 Dec 2016	Country of domicile
<b>Private equity funds</b>				
Advent International GPE VII		14,332	20,655	USA
Advent International GPE VIII		711	711	USA
Aino Holdingyhtiö Ky		18,678	18,678	Finland
Altor Fund II (No. 1) Limited Partnership		1,833	1,833	Jersey
Altor Fund III (No. 2) Limited Partnership		8,300	8,300	Jersey
Altor Fund IV (No. 2) AB		4,790	4,858	Sweden
Amanda III Eastern Private Equity Ky		5,706	6,115	Finland
American Securities Partners VI, L.P.		30,545	56,978	USA
American Securities Partners VII, L.P.		13,387	13,387	USA
Apax Europe VII - B, L.P.		9,994	9,994	United Kingdom
Apax VIII - A L.P.		38,824	45,906	Guernsey
Ardian LBO Fund VI A		5,285	5,285	France
Armada Mezzanine Fund III Ky		333	711	Finland
Armada Mezzanine Fund IV L.P.		4,063	4,679	Finland
Auda Capital IV (Cayman) LP (USD)		562	2,171	Cayman Islands
Auda Capital IV Co-Investment Fund LP (USD)		705	900	Cayman Islands
AXA LBO Fund IV FCPR			5,222	France
AXA LBO Fund IV Supplementary FCPR			4,296	France
AXA LBO Fund V Core		20,959	26,599	France
AXA LBO Fund V Supplementary		5,647	5,647	France
AXA Secondary Fund IV L.P.		11	5,388	Jersey
AXA Secondary Fund V L.P.		4,891	34,727	United Kingdom
AXA Secondary Fund VII L.P.		5,753	6,792	United Kingdom
Barings Global Credit Fund (LUX)		20,329	21,914	Luxembourg
Berkshire Fund VIII-A L.P.		19,486	23,184	USA
Bowmark Capital Partners IV, L.P.		6,572	8,280	United Kingdom
Bowmark Capital Partners V, L.P.		7,804	7,804	United Kingdom
Bridgepoint Europe III, L.P.		4,212	4,212	United Kingdom
Bridgepoint Europe IV F L.P.		6,479	7,818	United Kingdom
Bridgepoint Europe V C L.P.		11,252	11,319	United Kingdom
Capvis Equity III L.P.		6,497	6,497	Jersey
Capvis Equity IV L.P.		8,671	10,007	Jersey
Capvis III Co-Investors Arena L.P.		9,316	9,316	Jersey
Conor Technology Fund I Ky		494	754	Finland
Crown Opportunities Fund Ky		1,098	16,180	Finland
Danske Private Equity Partners V (USD - A) K/S		6,487	7,969	Denmark
Danske Private Equity Partners V New (USD - A) K/S		3,508	4,267	Denmark
Dasos FS Partnership SCSp		10,000	11,600	Luxembourg
Dasos Timberland Fund II		23,133	23,371	Luxembourg



EUR 1,000 Name	Proportion of all shares, %	Book value 31 Dec 2016	Market value 31 Dec 2016	Country of domicile
Dover Street IX Cayman L.P.		1,833	1,833	USA
Dover Street VIII L.P.		29,548	39,754	USA
EQT VII (No. 2) L.P.		11,730	11,730	United Kingdom
Finnmezzanine Rahasto III A Ky		273	671	Finland
First State Investments European Diversified Infrastructure FCP-SIF		19,705	21,144	Luxembourg
FSN Capital IV L.P.		19,129	22,273	Jersey
FSN Capital V L.P.		2,171	2,171	Jersey
GHO Capital Fund I L.P.		11,464	11,464	United Kingdom
Gresham 4A		1,221	1,221	United Kingdom
Hellman & Friedman Capital Partners VIII, L.P.		1,510	1,510	USA
Hermes GPE Global Secondary Feeder I LP		8,425	12,757	United Kingdom
Hermes GPE Global Secondary Feeder II LP		11,267	13,412	United Kingdom
HgCapital 7E L.P.		24,334	26,032	United Kingdom
ICG Senior Debt Partners II		17,629	17,985	Luxembourg
Indigo Capital V L.P.		2,602	2,602	United Kingdom
Industri Kapital 2007 Limited Partnership		5,207	6,585	United Kingdom
Industrie & Finance Investissements 2 FCPR		5,615	5,740	France
Intera Fund I Ky		341	565	Finland
Intera Fund II Ky		13,261	20,677	Finland
Intera Fund III Ky		3,720	3,720	Finland
Juuri Rahasto I Ky		3,154	3,154	Finland
Kasvurahastojen Rahasto II Ky		2,092	2,092	Finland
Kasvurahastojen Rahasto Ky		6,465	7,822	Finland
Levine Leichtman Capital Partners V, L.P.		26,658	31,638	USA
Lexington Capital Partners VIII		11,890	11,890	USA
Lindsay Goldberg III L.P.		23,143	35,116	USA
Lindsay Goldberg IV L.P.		6,920	7,099	USA
LT Fund Investments		46,000	50,722	Luxembourg
Macquarie European Infrastructure Fund II		4,169	6,160	United Kingdom
MB Equity Fund IV Ky		16,552	24,125	Finland
Monroe Capital Private Credit Fund II		13,697	14,417	Ireland
Nexit Infocom II L.P.		6,195	8,477	Guernsey
Nordic Capital VII Alpha, L.P.		22,904	32,281	Jersey
Nordic Mezzanine Fund II Limited Partnership		1,580	1,580	United Kingdom
Nordic Mezzanine Fund III Limited Partnership		9,503	13,763	United Kingdom
OCM Opportunities Fund VII			805	Cayman Islands
OCM Opportunities Fund VIIIb			659	Cayman Islands
Palvelurahasto I Ky		598	1,423	Finland
Partners Group Direct Mezzanine 2011 S.C.A. SICAR		17,432	21,958	Luxembourg
Partners Group Secondary 2011 (EUR) L.P. Inc		14,401	21,094	Guernsey
Partners Group U.S. Venture 2004, L.P.		4,133	5,199	USA

EUR 1,000 Name	Proportion of all shares, %	Book value 31 Dec 2016	Market value 31 Dec 2016	Country of domicile
Platinum Equity Capital Partners III, L.P		21,022	25,458	USA
Platinum Equity Capital Partners IV, L.P		6,298	6,309	USA
Power Fund II Ky		1,620	1,620	Finland
Rocket Internet Capital Partners Growth Fund		3,034	3,618	Luxembourg
Sentica Buyout IV		7,669	7,725	Finland
Sentica Kasvurahasto II Ky		636	636	Finland
Silverfleet Capital II		6,118	6,118	United Kingdom
Sponsor Fund IV		3,099	3,260	Finland
The Fourth Cinven Fund (No. 4) Limited Partnership		2,304	2,304	United Kingdom
Top Tier Venture Capital III, L.P		4,710	5,118	USA
Top Tier Venture Capital IV, L.P		5,693	10,769	USA
TPG Partners VI, LP		20,932	29,879	USA
TPG Partners VII, L.P		14,537	15,126	USA
TSG 7 A L.P		4,424	4,424	USA
TuuliTapiola Ky		11,093	11,093	Finland
Waterland Private Equity Fund VI		6,848	6,848	Netherlands
Wind Power Central Norway SCS		15,356	15,356	Luxembourg
Vista Equity Partners Fund IV, L.P		20,653	42,125	USA
Vista Equity Partners Fund V-A		50,368	55,285	Cayman Islands
Vista Equity Partners Fund VI-A, L.P		20,921	21,637	Cayman Islands
Other private equity funds		11,874	20,200	
<b>Private equity funds total</b>		<b>1,008,325</b>	<b>1,284,552</b>	
<b>Real estate investment funds</b>				
Aberdeen European Shopping Property Fund SICAV		586	586	Luxembourg
Aberdeen Property Funds SICAV Pan-Nordic		8,390	8,390	Luxembourg
BlackRock Europe Property Fund III		1,620	1,620	United Kingdom
Capman Hotels RE Ky		26,535	31,392	Finland
CBRE Dutch Office Fund II BV		12,836	12,836	Netherlands
CBRE European Industrial Fund CV		22,936	22,936	Netherlands
CBRE Office Fund The Netherlands		285	285	Netherlands
CBRE Property Fund Central and Eastern Europe		5,934	5,934	Netherlands
DOF Development Fund CV		65	159	Luxembourg
EPI Russia I Ky		1,800	1,800	Finland
Erikoissijoitusrahasto Fennica Toimitilat I		9,920	9,920	Finland
European Added Value Fund, L.P		2,302	2,302	United Kingdom
Exilion Real Estate I Ky		93,719	113,815	Finland
Henderson Central London Office Fund II LP		1,801	8,989	United Kingdom
ICG-Longbow United Kingdom Real Estate Debt Investments III S.a.r.l.		26,167	26,167	Luxembourg
Kauppakeskus Hansa ky		14,315	16,131	Finland
LähiTapiola Asuntorahasto Prime Ky		25,000	26,272	Finland

EUR 1,000 Name	Proportion of all shares, %	Book value 31 Dec 2016	Market value 31 Dec 2016	Country of domicile
Morgan Stanley Prime Property Fund, LLC.		53,808	62,253	USA
Nordika Fastigheter AB		1,534	9,079	Sweden
Nordika II Fastigheter AB		10,953	16,720	Sweden
PBW II Real Estate Fund S.A.		6,542	6,542	Luxembourg
Prologis European Properties Fund II FCP-FIS		26,005	26,005	Luxembourg
Real Estate Debt & Secondaries Ky		16,175	16,666	Finland
Rockspring Peripheral Europe Limited Partnership		102	673	United Kingdom
Russian and Baltics Retail Properties Ky		9,920	9,920	Finland
Scandinavian Property Fund - Unleveraged		12,422	12,948	Luxembourg
Sentinel Real Estate Fund, LP		49,403	57,077	USA
Standard Life Investments UK Shopping Centre Feeder Fund L.P.		16,491	16,491	Jersey
Tapiola KR I Ky		27,481	27,481	Finland
Tapiola KR III Ky		54,270	55,334	Finland
Tapiola KR IV Ky		1,674	9,709	Finland
Tishman Speyer European Core Fund FCP-SIF		7,983	7,983	Luxembourg
Tishman Speyer European Strategic Office Fund Scots Feeder L.P.			2,292	United Kingdom
TT Holdings SCSp		29,677	29,677	Luxembourg
UBS Trumbull Property Fund LP		46,590	49,170	USA
UK Property Income Fund			167	United Kingdom
UK Property Income Fund II		18,367	18,367	United Kingdom
<b>Real estate investment funds total</b>		<b>643,610</b>	<b>724,089</b>	
<b>Hedge fund investments</b>				
AHL Dimension(Cayman) Ltd Class A USD		60,455	67,800	Cayman Islands
AIM Insurance Strategies Fund Class B		12,179	16,252	Ireland
AIM Insurance Strategies Fund Side Pocket II Class B		554	573	Ireland
Aleutian Fund Ltd Class A Unrestricted		80,781	86,305	Cayman Islands
Anchorage Capital Partners Offshore Ltd Class D		89,431	101,319	Cayman Islands
Black Diamond Relative Value Ltd Series D Unrestricted		51,852	70,155	Cayman Islands
Blue Mountain Credit Alternatives Fund Ltd		83,810	113,602	Cayman Islands
Brevan Howard Fund Limited Class E		66,575	68,746	Cayman Islands
Canyon Value Realization Fund (Cayman) Ltd Class B		46,547	65,970	Cayman Islands
Capula Global Relative Value Fund Ltd Class E		118,555	149,903	Cayman Islands
Davidson Kempner International (BVI) Ltd Class C		45,456	74,699	British Virgin Islands
Elliot International Ltd Class B		39,933	80,336	Cayman Islands
Eton Park Overseas Fund Ltd		807	809	Cayman Islands
Field Street Offshore Fund Ltd Class A2 Main		107,660	116,567	Cayman Islands
GoldenTree Offshore Fund Ltd. Class C		58,148	74,239	Cayman Islands
GSO Special Situations Overseas Fund Ltd.		440	729	Cayman Islands
HBK Multi-Strategy Offshore Fund Ltd. Class A		60,023	64,926	Cayman Islands
High Restoration Capital Partners Offshore L.P.		2,923	7,961	USA

EUR 1,000 Name	Proportion of all shares, %	Book value 31 Dec 2016	Market value 31 Dec 2016	Country of domicile
Hudson Bay International Fund Ltd. Class A		69,587	83,707	Ireland
IPM Systematic Macro Fund Class C EUR		80,467	95,439	Cayman Islands
Kepos Alpha Fund Ltd. Class A		80,590	91,971	Cayman Islands
King Street Capital Ltd. Class A		50,285	52,245	British Virgin Islands
KLS Diversified Fund Ltd.		82,444	96,269	Cayman Islands
Man AHL (Cayman) SPC Class A1 Evolution EUR		52,490	69,765	Cayman Islands
Man AHL Evolution Frontier Limited A EUR		19,616	19,616	Cayman Islands
Marathon Special Opportunities Fund Holdback		3,053	3,297	Cayman Islands
Marathon Special Opportunity Fund Ltd		862	911	Cayman Islands
Marshall Wace Market Neutral TOPS Fund Class B EUR		78,599	92,404	Ireland
Millennium International Ltd. Class EE		82,464	120,192	Cayman Islands
Moore Macro Managers Fund Ltd Class B		130,000	147,722	USA
OxAM Quant Fund Limited Series A		48,302	48,302	Cayman Islands
OxAM Quant Fund Ltd Series A 0416 EUR		18,768	18,768	Cayman Islands
Pharo Gaia Fund Ltd. Class B Series 8 EUR		69,720	69,720	Cayman Islands
Pharo Macro Fund Ltd. Class B		74,033	83,639	Cayman Islands
Pine River Fund Ltd. Class A		64,078	82,505	USA
Samlyn Offshore Ltd. Class AS		82,492	87,797	Cayman Islands
Silver Point Capital Offshore Fund Ltd.		70,402	92,556	Cayman Islands
Treesdale Fixed Income Fund Ltd. Class B		409	525	USA
Two Sigma Absolute Return Cayman Fund Ltd. Class A1		94,828	140,911	Cayman Islands
Wexford Offshore Spectrum Fund		3,051	4,661	Cayman Islands
Viking Global Equities III Ltd. Class H		54,464	78,766	Cayman Islands
Winton Futures Fund Ltd. Class C		106,464	118,324	British Virgin Islands
Other hedge fund investments		1,803	2,043	
<b>Hedge fund investments total</b>		<b>2,345,400</b>	<b>2,862,948</b>	
<b>Elo's other investments total</b>		<b>10,832,840</b>	<b>13,226,231</b>	

EUR 1,000 Name	Proportion of all shares, %	Book value 31 Dec 2016	Market value 31 Dec 2016	Country of domicile
<b>OTHER INVESTMENTS, SUBSIDIARIES</b>				
<b>Finnish unlisted shares and holdings</b>				
Soittokunnanpolun Pysäköinti Oy		414	414	Finland
Herttoniemen Pysäköinti Oy		9	9	Finland
Ruukinpuiston Pysäköinti Oy		134	134	Finland
Kiinteistö Oy Espoon Biiliparkki 64 shares		1,886	1,886	Finland
Vaneritorin Parkki Oy		83	83	Finland
Nelikkokujan autopaikoitus Oy		355	355	Finland
Rooppi Oy		360	360	Finland
Chydenia Carpark Oy		257	257	Finland
Jätkäsaaren jätteen putkikeräys Oy		945	945	Finland
Stella Business Park Oy		1,415	1,415	Finland
Stella Park		1,363	1,363	Finland
Kiinteistö Oy Uusi Maapohja		109	109	Finland
Other equities		4	4	Finland
<b>Subsidiaries' other investments, total</b>		<b>7,335</b>	<b>7,335</b>	
<b>Other investments total</b>		<b>10,840,176</b>	<b>13,233,567</b>	

Holdings with a book value of over EUR 1,000 have been specified.

EUR 1,000	Parent company 2016	Parent company 2015	Group 2016	Group 2015
<b>LOAN RECEIVABLES</b>				
<b>Loan receivables itemised by guarantee</b>				
Bank guarantee	76,317	82,719	76,317	82,719
Guarantee insurance	39,810	51,327	39,810	51,327
Insurance policy	5	6	5	6
Other guarantee	32,426	111,977	32,426	111,977
The remaining acquisition cost	148,559	246,029	148,559	246,029
Non-guarantee remaining acquisition cost, total	162,455	172,991	162,455	172,991
<b>Total pension loan receivables</b>				
Other loans guaranteed by mortgages	397	361	397	361
Other loans	113,628	193,331	113,628	193,331
The remaining acquisition cost, total	114,025	193,692	114,025	193,692
<b>Loans to related parties</b>				
Loans granted to Group companies	637,422	734,704		
Loans granted to associated undertakings	74,183	74,223	74,183	74,223
The original loan period of loans is no more than 20 years.				
The loans have either fixed interest or are linked to the market rate.				
Securities for loans consist of mortgages on property or mortgages on an installation on the property of a third party, unless a subordinated loan is in question.				
Other loans to related parties	83,443	80,088	83,443	80,088

The original loan period of loans is no more than 10 years. The interest basis of the loans is the TyEL loan interest rate and the Euribor rate.

<b>EUR 1,000</b>	<b>Intangible rights 2016</b>	<b>Other long-term expenses 2016</b>	<b>Projects in progress of long-term expenses 2016</b>	<b>Provisional premiums 2016</b>	<b>Machinery and equipment 2016</b>	<b>Other tangible assets 2016</b>
<b>CHANGES IN TANGIBLE AND INTANGIBLE ASSETS, PARENT COMPANY</b>						
Acquisition cost, 1 Jan	13,965	29,072	1,130		6,892	385
Items written off in the previous year	-175	-473			-85	
Increase	847	1,822	878		1,347	
Decrease					-921	-5
Transfers between items		583	-583	1,169		
Acquisition cost, 31 Dec	14,638	31,002	1,425	1,169	7,232	380
Accumulated depreciations on 1 Jan	-4,464	-8,817			-2,379	
Items written off in the previous year	175	473			85	
Accumulated depreciation related to deductions and transfers					648	
Depreciation for the financial year	-2,869	-5,351			-1,282	
Accumulated depreciation on 31 Dec	-7,158	-13,695			-2,928	
Book value on 31 Dec	7,479	17,308	1,425	1,169	4,305	380
<b>EUR 1,000</b>	<b>Intangible rights 2016</b>	<b>Other long-term expenses 2016</b>	<b>Projects in progress of long-term expen- ses 2016</b>	<b>Provisional pre- miums 2016</b>	<b>Machinery and equipment 2016</b>	<b>Other tangible assets 2016</b>
<b>CHANGES IN TANGIBLE AND INTANGIBLE ASSETS, GROUP</b>						
Acquisition cost, 1 Jan	14,028	29,072	1,130		6,892	385
Items written off in the previous year	-175	-473			-85	
Increase	847	1,822	878		1,347	
Decrease					-921	-5
Transfers between items		583	-583	1,169		
Acquisition cost, 31 Dec	14,701	31,002	1,425	1,169	7,232	380
Accumulated depreciations on 1 Jan	-4,464	-8,817			-2,379	
Items written off in the previous year	175	473			85	
Accumulated depreciation related to deductions and transfers					648	
Depreciation for the financial year	-2,869	-5,351			-1,282	
Accumulated depreciation on 31 Dec	-7,158	-13,695			-2,928	
Book value on 31 Dec	7,542	17,308	1,425	1,169	4,305	380

EUR 1,000	Parent company 2016	Parent company 2015	Group 2016	Group 2015
<b>OTHER PREPAYMENT AND ACCRUED INCOME, ACCRUALS AND DEFERRED INCOME</b>				
<b>Other prepayments and accrued income</b>				
Receivables from funds	3,728	3,508	3,728	3,508
Dividends from foreign investments	7,048	4,709	7,048	4,709
Receivables from division of cost	10,685	24,043	10,685	24,043
Other prepayments and accrued income	1,411	6,136	2,701	8,335
Total	22,872	38,396	24,162	40,595
<b>Accruals and deferred income</b>				
Accruals and deferred income from derivatives	48,880	37,145	48,880	37,145
Debt from division of cost	18,183	700	18,183	700
Other accruals and deferred income	20,547	19,700	27,579	22,669
Total	87,610	57,544	94,642	60,514

EUR 1,000	1 Jan 2016	Increase	Decrease	31 Dec 2016
<b>CAPITAL AND RESERVES, PARENT COMPANY</b>				
<b>Change in capital and reserves</b>				
Initial fund	6,694			6,694
Other reserves	92,792	6		92,798
Profit brought forward	1,842			1,842
Profit for the accounting period	6	5	-6	5
Total	101,333	10	-6	101,338
<b>Distribution of capital and reserves after the proposed distribution of profit</b>				
Share of policyholders after the proposed distribution	101,338			
Total	101,338			
<b>Distributable profits</b>				
Profit for the year	5			
Other distributable reserves				
Other reserves	92,798			
Accumulated profit	1,842			
Total distributable profits	94,644			



EUR 1,000	1 Jan 2016	Increase	Decrease	31 Dec 2016
<b>CAPITAL AND RESERVES, GROUP</b>				
Change in capital and reserves				
Initial fund	6 694			6 694
Guarantee fund	86			86
Revaluation reserve	185			185
Loan amortisation reserve	88		-4	84
Other reserves	93 020	6		93 026
Profit brought forward	-12 127		-2 348	-14 475
Profit for the accounting period	-2 343	8 260		5 917
Total	85 603	8 265	-2 352	91 516
<b>Distribution of capital and reserves after the proposed distribution of profit</b>				
Share of policyholders after the proposed distribution	91 516			
Total	91 516			
<b>Distributable profits</b>				
Profit for the year	5 917			
Other distributable reserves				
Other reserves	93 026			
Accumulated profit	-14 475			
Total distributable profits	84 468			

EUR 1,000	Parent company 2016	Parent company 2015	Group 2016	Group 2015
<b>TECHNICAL PROVISIONS</b>				
Premium reserve				
Future pensions	9,113,660	8,458,974	9,113,660	8,458,974
Provision for future bonuses	545,237	597,539	545,237	597,539
Provision for current bonuses	58,478	58,321	58,478	58,321
Provision linked to equity income	173,545	739,172	173,545	739,172
Total premium reserve	9,890,920	9,854,005	9,890,920	9,854,005
Provision for claims outstanding				
Current pensions	8,272,398	7,534,077	8,272,398	7,534,077
Equalisation provision	364,052	461,571	364,052	461,571
Total provision for claims outstanding	8,636,449	7,995,649	8,636,449	7,995,649
Total technical provisions	18,527,370	17,849,654	18,527,370	17,849,654

EUR 1,000	Parent company 2016	Parent company 2015	Group 2016	Group 2015
<b>COLLATERAL AND CONTINGENT LIABILITIES</b>				
<b>Collateral given on own behalf</b>				
Pledges given as security for derivatives trading	125,159	88,496	125,159	88,496
<b>Liabilities resulting from derivative contracts</b>				
<b>Non-hedging derivatives</b>				
<b>Interest rate derivatives</b>				
Option contracts				
Options bought				
Value of underlying instruments		458,419		458,419
Fair value of contracts		11		11
<b>Foreign currency derivatives</b>				
Forward contracts, open				
Value of underlying instruments	7,422,799	6,261,796	7,422,799	6,261,796
Fair value of open contracts	-2,901	8,158	-2,901	8,158
Fair value of closed contracts		3,147		3,147
Option contracts, open				
Options bought				
Value of underlying instruments	109,105	255,625	109,105	255,625
Fair value of contracts	7,744	744	7,744	744
Options sold				
Value of underlying instruments	252,820	182,600	252,820	182,600
Fair value of contracts	-5,281	-554	-5,281	-554
<b>Equity-linked derivatives</b>				
Forward and future contracts, open				
Value of underlying instruments	575,686	436,790	575,686	436,790
Current value	8,378	-5,672	8,378	-5,672
Option contracts, open				
Options bought				
Value of underlying instruments	-304,899	5,263,425	-304,899	5,263,425
Fair value of contracts	46,885	93,056	46,885	93,056

<b>EUR 1,000</b>	<b>Parent company 2016</b>	<b>Parent company 2015</b>	<b>Group 2016</b>	<b>Group 2015</b>
<b>Options sold</b>				
Value of underlying instruments	337,104	2,715,126	337,104	2,715,126
Fair value of contracts	-34,816	-76,400	-34,816	-76,400
<b>Other derivatives</b>				
<b>Forward and future contracts, open</b>				
Value of underlying instruments	-3,749	752	-3,749	752
Fair value of contracts	707	447	707	447
<b>Total return swaps, open</b>				
Value of underlying instruments	298,267	284,308	298,267	284,308
Fair value of contracts	-918	-693	-918	-693
<b>Collateral received</b>				
Collateral for derivatives trade	2,200	43,600	2,200	43,600
<b>Investment commitments</b>				
Private equity funds	1,588,462	1,122,181	1,588,462	1,122,181
Fund investments	578	565	578	565
Real estate investment funds	115,362	136,956	115,362	136,956
<b>Other contingent liabilities</b>				
Liability for the VAT debt of the tax liability group in accordance with the Value Added Tax Act, Section 188	4,818	3,146	4,818	3,146
Refund liability for the real estate investments of the tax liability group in accordance with the Value Added Tax Act, Section 120	55,897	53,322	55,897	53,322
<b>Mortgages issued in exchange for right of lease</b>				
Mortgaged debentures			295	343
<b>Other security</b>				
Deposits			297	299

The company has no liabilities or contingent liabilities to related parties. The company has not engaged in related-party transactions other than those conducted under normal commercial terms.

<b>EUR 1,000</b>	<b>2016</b>	<b>2015</b>
<b>SOLVENCY CAPITAL, PARENT COMPANY</b>		
Capital and reserves after the proposed distribution of profit	101,338	101,333
Accrued appropriations	748	727
Valuation difference between current values of assets and book values of balance sheet items	3,297,951	2,922,414
Provision for future bonuses	545,237	597,539
Deferred acquisition costs and intangible assets	-27,381	-30,885
Equalisation provision	353,033	451,016
	4,270,926	4,042,145
Solvency margin required under the Act on Employment Pension Insurance Companies, Section 17	789,215	672,187

# GROUP STRUCTURE 31 DEC 2016

The Group comprises the following subsidiaries:

Asunto Oy Asematie 13	Asunto Oy Tampereen Lapinkaari 18	Kiinteistö Oy Kokkolan Rantakatu 6	Asunto Oy Sodankylän Kaivola
Asunto Oy Bulevardi 32	Asunto Oy Tampereen Lapinniemen Majakka	Kiinteistö Oy Kouvolan Kauppalankatu 13	Asunto Oy Vuohelmi Helsinki
Asunto Oy Espoon Kalaonnettie 3	Asunto Oy Tampereen Sammonkatu 66	Kiinteistö Oy Kouvolan Mikko	Avara Anterius Oy
Asunto Oy Espoon Moodi	Asunto Oy Tampereen Sarvijaakonkatu 13 ja 19	Kiinteistö Oy Kouvolan Tapiola	Avara Aptus Oy
Asunto Oy Espoon Nelikkokuja 5	Asunto Oy Tampereen Sarvijaakonkatu 14	Kiinteistö Oy Kuopion Kauppakatu 26–30	Avara Artus Oy
Asunto Oy Espoon Puistopiha	Asunto Oy Tampereen Sarvijaakonkatu 15–17	Kiinteistö Oy Kuparitalo 1	Avara Domus Oy
Asunto Oy Espoon Punakaneli	Asunto Oy Tapiolan Caritas, Oulu	Kiinteistö Oy Kyttälän Keskus	Avara Orientis Oy
Asunto Oy Espoon Ratsukatu 4	Asunto Oy Tervatori	Kiinteistö Oy Liiketalo Lanterna	Avara Probus Oy
Asunto Oy Espoon Viirikuja 1	Asunto Oy Turun Itäinen Rantakatu 68	Kiinteistö Oy Linnanrakentajantie 4	Kiinteistö Oy Levin Kätkänsiisa
Asunto Oy Helsingin Aleksis Kiven katu 11	Asunto Oy Turun Purserinpuisto	Kiinteistö Oy Martinsillantie 2 a	Kiinteistö Oy Ollinrinne
Asunto Oy Helsingin Henrikintie 5	Asunto Oy Turun Merimiehenkatu 7	Kiinteistö Oy Oulun Cinematori	Simonkentän HotelliKiinteistö Oy
Asunto Oy Helsingin Kerttulipuisto	Asunto Oy Vantaan Kulonpohja	Kiinteistö Oy Oulun Hotellitori	Tammi-Kodit GP Oy
Asunto Oy Helsingin Kokkokalliontie 1	Asunto Oy Vantaan Lähettäläntie 1	Kiinteistö Oy Oulun Kirkkokatu 21	Tammi-Kodit Ky
Asunto Oy Helsingin Kokkokalliontie 3	Asunto Oy Vantaan Martinteeri	Kiinteistö Oy Pendoliino	Asunto Oy Kangasalan Fennentie 15
Asunto Oy Helsingin Kokkokalliontie 5	Asunto Oy Vantaan Neilikkatie 15	Kiinteistö Oy Pitkänsillanranta 3	Asunto Oy Nokian Hinttalanenkatu 12
Asunto Oy Helsingin Kokkokalliontie 9	Asunto Oy Vantaan Tikkurilan Verso	Kiinteistö Oy Rauman Hakunintie 12	Asunto Oy Raision Kerttulantie 18
Asunto Oy Helsingin Konalantie 7	Dynamo Business Park Oy	Kiinteistö Oy Rauman Hakunintie 26	Asunto Oy Raision Kruunuvoudinkatu
Asunto Oy Helsingin Konalantie 9	Jalava-Kodit Oy	Kiinteistö Oy Robert Huberin tie 7	Asunto Oy Raision Martinkatu 5 ja 7
Asunto Oy Helsingin Linnankoskenkatu 4	Kampintalo Oy	Kiinteistö Oy Stella Nova	Asunto Oy Tampereen Aapelinraitti 3
Asunto Oy Helsingin Puuskakuja 23	Kiinteistö Oy Annankatu 32	Kiinteistö Oy Stella Solaris	Asunto Oy Tampereen Aapelinraitti 5
Asunto Oy Helsingin Puuskarinne 7	Kiinteistö Oy Dynamo	Kiinteistö Oy Tampereen Tornihotelli	Asunto Oy Tampereen Aapelinraitti 7
Asunto Oy Helsingin Yliskyläntie 2	Kiinteistö Oy Espoon Revontulentie 7	Kiinteistö Oy Tapiolankynny	Asunto Oy Tampereen Alasniitynkatu 23
Asunto Oy Jyväskylän Schaumanin Puistotie 19	Kiinteistö Oy Espoon Swing Plus A	Kiinteistö Oy Tullintori	Asunto Oy Tampereen Hussankatu 31
Asunto Oy Jyväskylän Suuruspääntie 8	Kiinteistö Oy Espoon Swing Plus C	Kiinteistö Oy Turun Ovakonkatu 2	Asunto Oy Tampereen Insinöörinkatu 80
Asunto Oy Järvenpään Kartanontie 15	Kiinteistö Oy Espoon Tietäjätie 14	Kiinteistö Oy Valimontie 27	Asunto Oy Tampereen Junailijankatu 1
Asunto Oy Järvenpään Paja	Kiinteistö Oy Haapaniemenkatu 5	Kiinteistö Oy Vantaan Hakintie 7	Asunto Oy Tampereen Melakatu 5
Asunto Oy Järvenpään Sahankaari 13	Kiinteistö Oy Hauki	Kiinteistö Oy Vantaan Rajatorpantie 8	Asunto Oy Tampereen Oraskuja
Asunto Oy Keravan Lintulammenkatu 5 A	Kiinteistö Oy Helsingin Erottajankulma	Kiinteistö Oy Vantaanportin Maamerkki	Asunto Oy Tampereen Peltovainionkatu 16
Asunto Oy Keravan Palokorvenkatu 9	Kiinteistö Oy Helsingin Paperitie 7	Kiinteistö Oy Vantaanportin Seisake	Asunto Oy Tampereen Uittotunnelinkatu
Asunto Oy Keravan Solina	Kiinteistö Oy Helsinki-Vantaa Logistics Center 1	Kiinteistö Oy Verkko	Asunto Oy Tampereen Vaakonraitti 8
Asunto Oy Kotkan Kirkkokatu 4	Kiinteistö Oy Joensuun Torikatu 29	Kokkokallion Pysäköinti Oy	Asunto Oy Tampereen Vestonkatu 59
Asunto Oy Lahden Purserinsaari	Kiinteistö Oy Jyväskylän Kolmikulma	Lappeenrannan Kulmatalo Oy	Asunto Oy Tampereen Vestonkatu 67
Asunto Oy Lappeenrannan Pikisaarenranta	Kiinteistö Oy Järvenkynny	Lehmus-Kodit Oy	Asunto Oy Tampereen Ylöjärven Asemantie 10
Asunto Oy Oulun Hallituskatu 25	Kiinteistö Oy Kaartinkaupungin Helmi	Possesif Oy	
Asunto Oy Pitäjämäentie 35	Kiinteistö Oy Kampinmäki	Probus Holding Oy	
Asunto Oy Rovaniemen Lapintapiola	Kiinteistö Oy Kasarmintorin Kauppakeskus	Asunto Oy Helsingin Hiekkalaituri	
Asunto Oy Slottsveden Helsinki	Kiinteistö Oy Kokkolan Rantakatu 2–4	Asunto Oy Kuopion Lakeissuontie 5	

# ELO'S RISK MANAGEMENT

## Risk management as part of internal control

Elo's risk management forms a part of the company's internal control. Elo's risk management is arranged so as to comply with official regulations and to attain the best European practices in risk management. Risk management contributes to the assurance of the continuity of operations and supports the company in achieving its business objectives and enhancing its competitive edge.

In accordance with Elo's principles, risk management shall be comprehensive and apply to all risk categories and all parts of the organisation. The risk management processes must also be systematic and continuous. A comprehensive risk management process includes the following stages: identification, measurement and assessment of risks; measures to change risk position and prepare for risks; and oversight, monitoring and reporting of risks.

Risk management must especially cover risks that are related to managing assets and liabilities, investments, liquidity, concentration risk, operational risks, strategic risks, reputation risk, the combined effect of individual risks, and external risks.

Risk bearing capacity is the amount of risk a company can take on to achieve its strategic and business objectives. Risk bearing capacity is primarily represented by the company's solvency, on the basis of which the company prepares for investment risks and the technical risks carried by the company. The company's risk bearing capacity is also affected by the quality of the company's management system and risk management. High-quality and reliable governance, internal control and risk management will increase the company's risk bearing capacity.

Risk appetite is the amount of risk a company is willing to take on in order to achieve its business objectives. Risk taking in its various forms takes place within the limits set by the Board of Directors and is



determined in such a way that it does not endanger the company's operations or stability. The most important decision regarding the company's risk appetite is related to the risk position of the company's investments and its solvency management.

**Organisation of risk management**

The responsibilities of the company's risk management and the duties of the various parties are described at Elo using the three levels ('lines of defence') of risk management.

The Board of Directors decides upon the company's strategy and business objectives. Elo's Board of Directors has overall responsibility for arranging risk management. The Board of Directors confirms the general principles, distribution of responsibility and key policies related to risk management. Annually, the

Board of Directors confirms the more detailed targets and limits regarding risks as set in the risk management plan, and, correspondingly, regarding investments in the investment plan. In autumn 2016, Elo's Board of Directors and senior management conducted Elo's own risk and solvency assessment (ORSA), which will be done annually in the future. Aims, measures and limits concerning risks may also be incorporated into business plans. Risk management matters are also discussed by the Audit Committee of the Board of Directors.

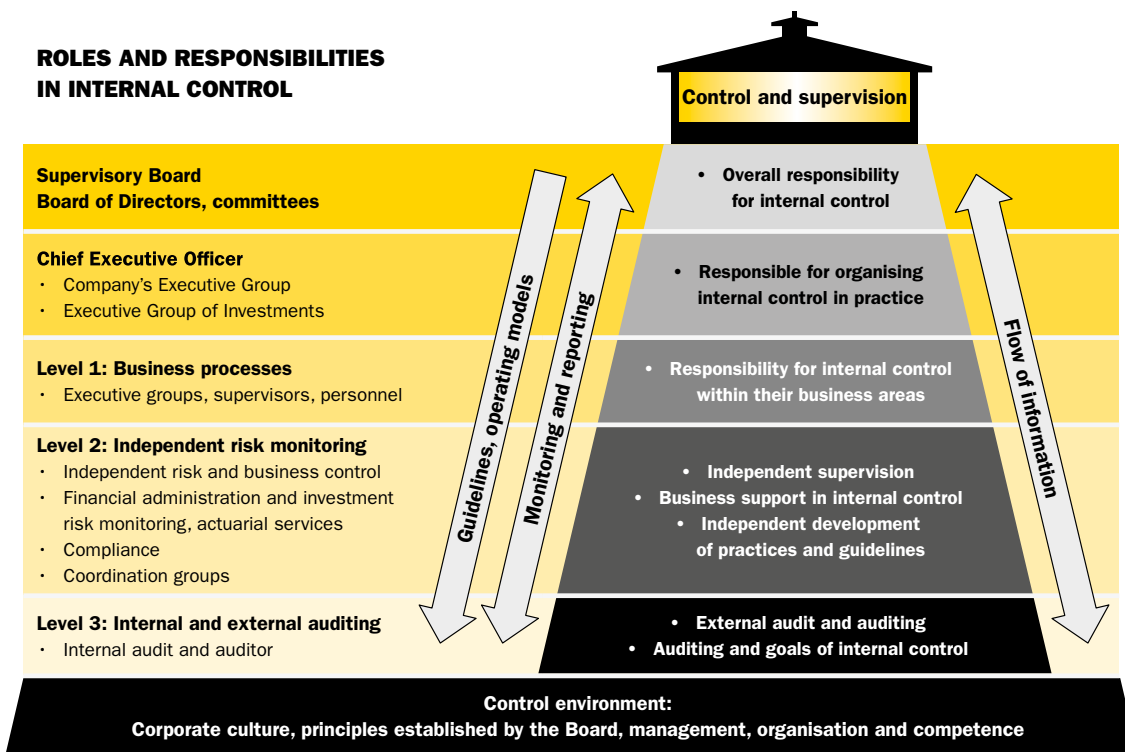
The Board of Directors regularly monitors the state of the company's risk management and any developments regarding key risks. Solvency details and investment risks are reported to the Board of Directors in a standardised manner on a monthly basis

and in slightly greater detail on a quarterly basis. The overall risk and risk management situation is reported semi-annually.

The company's Chief Executive Officer is accountable to the Board of Directors for the company's operations, including the company's risks and the organisation of risk management.

At the first level of risk management, reporting to the Chief Executive Officer, the heads of the business areas are responsible for the business risks and operational risks within their relevant areas of responsibility, as well as for the implementation of necessary risk management measures, compliance with the company's risk management policy, risk management plan and risk management guidelines, and for the oversight of risks.

The second level of risk management comprises independent risk monitoring functions. An independent risk monitoring and business control unit functions as the company's centralised, independent risk monitoring unit. It assesses the state of the company's risks and risk management as a whole, supports risk management development work and prepares the company's risk management plan for approval by the Board of Directors. Some areas also have separate entities that take care of independent monitoring: the finance and investment risk monitoring unit carries out oversight and reporting for solvency supervision and investment risks; the actuarial services unit monitors technical risks and contributes to solvency supervision; and the compliance unit – which operates in



conjunction with the legal department – supports and monitors business activities in relation to compliance with official regulations (acts, decrees, regulations, guidelines).

The third level consists of the internal and external audit. Internal auditing is intended to assess the adequacy and efficiency of risk management processes, while also issuing recommendations for their improvement and providing consultation on their development. The task of external auditing is to assess the adequacy of the risk management process from the point of view of the reliability of the financial statements.

To implement risk management in the company, there are risk management coordination groups in the areas of comprehensive risk management, solvency, investment risk management and security.

### Classification and general principles of risk management

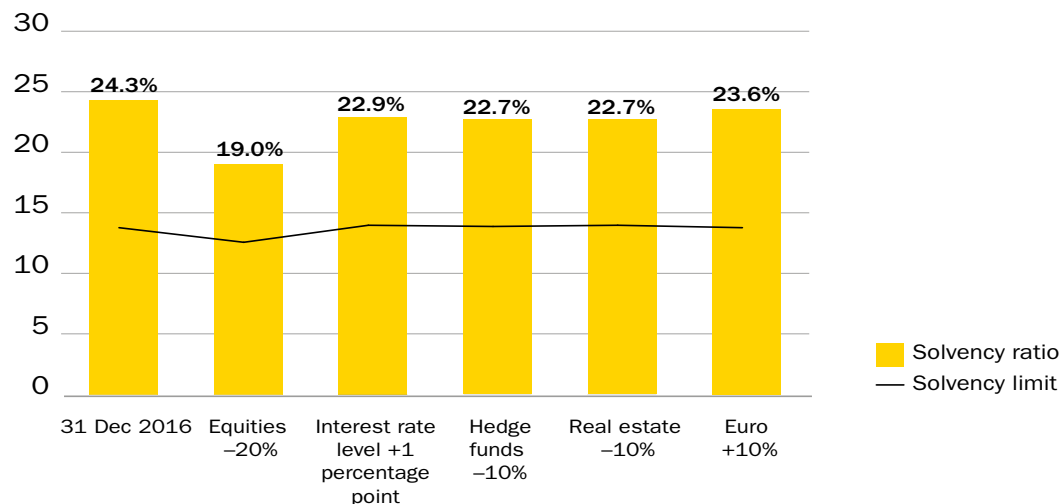
Risks are divided into three categories in Elo's risk management planning and documentation:

- Strategic risks
- Financial risks
- Operational risks.

Strategic risks include, among others, risks related to strategic choices or changes in market position, competitive situation or customer behaviour, and general financial trends. Depending on the situation, a financial or operational risk may turn into a strategic risk. Financial risks are primarily related to solvency and the risks of investment operations, risk concentrations, the company's operating expenses, liquidity and risks associated with insurance operations. Operational risks refer to risks that are caused by processes, people, information systems or external factors. Legal and compliance risks are also considered in conjunction with operational risks.

In accordance with the risk management principles, Elo pursues a corporate culture where internal control and risk management are an integral part of operations, the management system and day-to-day decision

### Solvency sensitivity analysis 31 December 2016



making. The corporate culture is based on openness and trust, thus supporting risk management as well. In all circumstances, the aim is to secure the company's solvency and liquidity.

### Financial risks

#### Solvency

For employment pension companies, the risk with the most substantial impact is the risk of a significant reduction in solvency, which may result from the realisation of investment risks or the failure of investments to satisfy the return requirement on technical provisions. Elo aims to achieve profitable investment operations and to ensure the company's solvency. Investment operations are guided by the principles included in the investment plan. The risks of investment operations are analysed within the context of a solvency framework set by the authorities and the company's internal risk models. The riskiness of investments affects the amount of solvency capital

required. Investment operations are also bound by the limits set in the investment plan concerning risk diversification, the return requirement on technical provisions and the requirement to secure liquidity.

Solvency capital is used as a buffer against fluctuations in the employment pension company's investment assets and in insurance business. The management of investment risks is based on securing the company's solvency with sufficient probability. The amount of solvency capital shall be large enough to even out the anticipated variations in the values and returns of assets covering the technical provisions. The overall risk is dimensioned so as to ensure that the ratio of the solvency capital to the solvency requirement remains at a sufficient level even in cases where risks may be realised.

The purpose of the equalisation provision, which has been included in the solvency capital since 2013, is to cover any losses from insurance business. The purpose of the other parts of the solvency capital, primarily the provision for future bonuses and



investment valuation items, is to serve as a buffer in case of any losses from investment operations. If the investment income exceeds the return requirement on technical provisions, the surplus amount will be added to the solvency capital. If the investment income is less than the return requirement, the accumulated solvency capital will be reduced correspondingly. As part of the pension reform in 2017, the equalisation provision was abolished as a separate item and integrated into the provision for future bonuses, which is included in the solvency capital.

Elo's solvency is monitored using a solvency framework determined by the authorities. The solvency capital, solvency ratio and solvency position are reported as key solvency figures. The limits and decision authorisations included in the investment plan

are in place to ensure the diversification of investment risks and to avoid concentration risks. The solvency situation is also monitored with internal models developed by the company, which are intended to describe the actual investment risks better than the framework set by the authorities does. The models are used to carry out solvency sensitivity analyses, to monitor the development of risk indicators and to evaluate future solvency development by utilising various economic scenarios.

The scenario model used at Elo to support risk management and to supplement solvency management is based on actual financial key figures and their correlations. The solvency framework of the Finnish private sector employment pension system is incorporated in the model, which is designed to

take into account the special technical characteristics of the system. The scenario model is founded on a comprehensive analysis of observed historical variables, which are used to create possible and relevant solvency scenarios.

At the end of 2016, Elo's solvency capital was EUR 4,270.9 million, which represented 24.3 per cent of the technical provisions used in the solvency calculation. The solvency limit was 13.5 per cent of the technical provisions used in the solvency calculation. The solvency capital was 1.8 times the solvency limit.

### Investment risks

The management of risks associated with investment activities is a part of Elo's core processes and an essential part of the investment strategy. In line with the company's investment strategy, risk limits and risk diversification targets are set so that the company's solvency, with an acceptable level of security, would not be endangered. An investment distribution target, together with the authority granted to the investment function to deviate from the target, is specified in the investment plan confirmed annually by the Board of Directors. The investment plan also defines the risk appetite and general targets and limits in terms of security, diversification and liquidity.

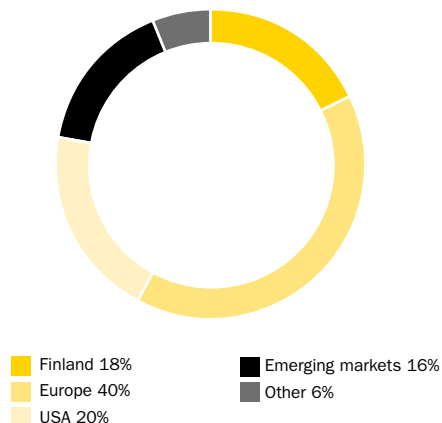
Elo uses its own internal analysis tool to support its investment category decisions and optimal asset class planning. The tool takes into consideration expected returns, dispersions and asset class correlations. The calculations also take into account the overall solvency development of the employment pension industry. The model is used to analyse various allocations and market situations in order to enable the company to achieve, within any given period, the best probable return as permitted by the solvency of the company. The markets and investment environment are continually monitored, and the risk-taking opportunities are always considered when determining risk appetite.

### Asset allocation and investment income 31 December 2016

	Basic allocation		Actual risk position		Return	Volatility
	EUR million	%	EUR million	%		
<b>Fixed income investments</b>	8,352.2	38.8	8,053.0	37.4	3.6	
Loans	469.1	2.2	469.1	2.2	2.9	
Bonds	7,265.4	33.8	7,265.4	33.8	4.1	2.8
Bonds of public corporations	3,774.0	17.5	3,774.0	17.5	2.4	
Bonds of other corporations	3,491.4	16.2	3,491.4	16.2	6.5	
Other money market instruments and deposits inc. any receivables and liabilities related to investments	617.7	2.9	318.5	1.5	0.0	
<b>Equities</b>	7,435.5	34.6	8,165.9	38.0	9.3	
Listed equities	5,831.6	27.1	6,562.0	30.5	9.0	17.7
Private equity investments	1,289.8	6.0	1,289.8	6.0	9.6	
Unlisted equity investments	314.2	1.5	314.2	1.5	14.6	
<b>Real estate</b>	2,855.9	13.3	2,855.9	13.3	6.4	
Direct real estate investments	2,125.5	9.9	2,125.5	9.9	6.5	
Real estate funds and joint investment companies	730.4	3.4	730.4	3.4	6.3	
<b>Other investments</b>	2,863.7	13.3	3,158.5	14.7	2.5	
Hedge fund investments	2,862.7	13.3	2,862.7	13.3	1.9	2.6
Commodity investments	0.0	0.0	0.0	0.0	-	
Other investments	1.1	0.0	295.8	1.4	-	
<b>Total investments</b>	21,507.3	100.0	22,233.3	103.4	5.6	6.4
Effect of derivatives			-725.9	-3.4		
<b>Total</b>	21,507.3	100.0	21,507.3	100.0		

The total return percentage includes income, expenses and operating expenses not allocated to any investment types. Modified duration of bonds 3.8.

**Geographical distribution of investments in listed equities 31 December 2016**

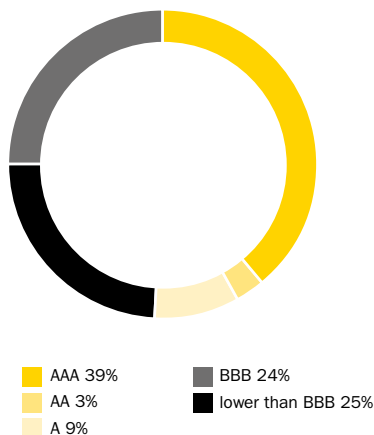


Key factors for investment operations include market risks, credit and counterparty risks, liquidity risk and operational risks. Market risks refer to the possibility of losses from investments as a result of changes in market prices or volatility. Market risks include equity risks, interest risks, currency risks, commodity risks and the risks caused by changes in real estate values.

For equity investments, the market risk concerns changes in share prices in the markets. This so-called systematic equity risk may be created as a result of changes in the general economic situation and sudden market disturbances. Any risk that is independent of the markets and instead caused by, for example, an individual company or industry, is referred to as unsystematic risk. The unsystematic equity risk can be reduced by diversifying investments across a range of investment objects, industries and geographical regions. Risks associated with equities can be limited by means of hedging equity derivatives and equity index derivatives.

Interest risk refers to the impact of changes in the general interest rate level and credit risk margins on

**Credit rating distribution of bonds 31 December 2016**



fixed income investments. Interest risk is managed by changing the distribution of investments on the yield curve within the framework of investment limits for both cash investments and derivatives. Credit risk is managed by diversifying investments across different industries and credit classes, as well as geographically. For bonds, the credit risk is managed by limiting both individual investments by credit class and the combined share of a specific credit class within the bond portfolio. In order to manage the counterparty risk of OTC derivatives, Elo uses standard agreements approved by the International Swaps and Derivatives Association (ISDA) and limits the amount of open counterparty risk with security measures.

The risks related to Elo's investments are continuously monitored by a party that is independent of investment operations. Stress tests, return calculations with various scenarios and maximum loss calculations are conducted on a regular basis in order to manage market risks. Limits and authorisations are set on investments to ensure sufficient diversification and liquidity of the investment assets.

**Insurance risks**

The insurance premium and technical provisions include a component for business under the company's own liability and a component for business under the joint liability of pension providers.

The key insurance risks regarding the insurance premium are created by the differences between the forecasts used in determining the pension insurance contributions and the actual expenditure, especially in terms of new pensions granted and other similar costs. When determining the bases for technical provisions, the key insurance risks arise from the difference between the realised and forecasted duration of pensions in the long term. All employment pension companies are obligated to apply the same calculation bases for insurance premiums and technical provisions, which meet the securing requirements and are confirmed by the Ministry of Social Affairs and Health. Their accuracy is assessed by the calculation basis division of the Finnish Pension Alliance TELA and the division's sub-groups. The law requires companies to co-operate in developing the calculation bases. Each company analyses the sufficiency of the risk bases annually. The common bases include a risk that an individual company's result may, in principle, be systematically poorer in comparison with the other companies, for example, if the distribution of industries as represented by the company's policyholders significantly differs from the portfolios of other companies. The structure of the insurance portfolio may also lead to a similar situation regarding the expense loading of the common premium.

Employment pension companies jointly prepare and apply for the calculation bases for the insurance premium, technical provisions and return requirement. Elo participates in the preparation of the calculation bases under the supervision of an actuary. Co-operation between authorised pension providers is compulsory by law.

In 2016, the majority of Elo's insurance business under the company's own liability consisted of pension insurance under the Employees' Pensions Act (TyEL). The company also offered supplementary coverage under the Employees' Pensions Act (TEL) and provided insurance under the Self-employed Persons' Pension act (YEL).

### **TyEL pension insurance**

The company's risks in terms of TyEL pension insurance involve old-age pensions, disability pensions and credit losses on premiums. For survivors' pensions and part-time pensions, there is no liability for the company.

The risk involved in old-age pensions lies in the insured and pension recipients living beyond the life expectancy used as a calculation basis. However, the risk is significantly reduced by the fact that there is joint responsibility for changes in calculation bases pertaining to the increasingly longer lifetimes, and these are covered by the clearing reserve.

For disability pensions, the risk concerns the sufficiency of premiums in terms of covering the costs of pension cases. If the disability pension expenditure level increases, the calculation basis will be adjusted upwards. Any risk that deviates from the average is, however, the company's responsibility. Pricing based on premium categories is applicable to large-scale employers. Here, the company's risks lie in the fact that the pricing is based on information that dates back several years and no longer represents the current disability risk for the policyholder. There is an additional risk of the policyholder transferring to another company when the premium category rises, which means that the provisions remaining in the company must be sufficient to cover future disability expenses.

Credit losses on premiums are the company's responsibility. The pension contribution includes a premium loss component to cover this risk. Here, too,

the company's risk lies in how well the premium loss component corresponds to the actual risk.

Solvency capital and clearing reserve are used to prepare for risks related to insurance business. The result of company-specific risk-bearing business has a direct impact on the solvency capital. A positive result from insurance business under the joint liability of pension providers will be transferred to the clearing reserve, and correspondingly, a negative result is covered by the clearing reserve. There is no need for the company to reinsure any risks.

An employment pension company has no influence over the old-pensions already granted, but it can encourage activities to promote working capacity. The aim is to proactively support the maintenance of working capacity, thereby reducing the need to grant disability pensions. The company seeks to avoid credit losses on premiums, although it cannot refuse to grant a policy applied for by a potential new customer. As regards existing policies, the company tries to reduce credit losses through the efficient collection of premiums.

### **Supplementary TEL pension insurance**

The provision of supplementary pension insurance under TEL was discontinued on 31 December 2016. Future benefits of the existing policies were converted into paid-up policies and the funding was transferred to the distribution system.

### **Basic YEL insurance**

Elo has responsibility for basic YEL insurance only with respect to the operational part. The pension providers have joint liability for this business, and the State of Finland bears the ultimate responsibility for the payment of pensions.

### **Supplementary YEL pension insurance**

In supplementary YEL insurance, the company also has an operational responsibility, and the financing is arranged through the distribution system.

### **Clearing reserve with joint liability**

The non-funded share of the pension expenditure is the joint liability of the pension providers. The share of the pooled pension expenditure that is being paid during any given year is financed with the pooled component of the TyEL contribution of the current year and the clearing reserve. The annual pension expenditure is buffered with the clearing reserve, which is included in the company's technical provisions. The financing of pensions with joint liability does not present a risk for individual pension providers, but instead this risk is carried by the insured and policyholders. However, the company has an operational responsibility for pensions with joint liability.

### **Other financial risks**

Liquidity risk refers to the weakening of a company's own ability to meet commitments and the insufficiency of liquid funds to cover expenses. Liquidity risk management is based on the forecasting of incoming and outgoing payments with various time frames, and on taking the liquidity requirement into account in the structure of the investments in the investment portfolio. Liquidity management is made easier if the forecasting of monthly pension payments is at an accurate level.

Model risk concerns the models used in decision-making, which are very simplified descriptions of reality. Model risk is managed by testing results with various data and assumptions, and by systematically evaluating models in order to obtain a sufficiently in-depth and broad understanding of the structures and assumptions of the models.

The company's efficiency and operating expenses are subject to an operating expenses management risk. The management of operating expenses is included in the management of the company's operations and monitoring thereof in individual projects and day-to-day business.

Concentration risk may arise from large-scale operations with a single counterparty or from investments in a single industry. The risk is managed by limiting concentrations through the use of, for example, investment diversification objectives.

### **Operational risks**

Operational risk refers to a risk caused by defective operations. At Elo, operational risks are classified, by their cause, into process, personnel and information system risks, and risks caused by external factors. Legal risks, reputation risk and compliance matters are also handled in connection with operational risks.

It is not possible or practical to protect against all operational risks. The aim is to create a comprehensive and systematic risk management system to reduce the probabilities or effects of operational risks and to ensure the continuity of business operations.

Elo's most substantial operational risks are related to information systems and personnel competence. Paying pensions accurately and on time, and securing investment operations and solvency are examples of critical processes for an employment pension company. For such processes, it is vital that the information systems operate without disruption and that the personnel possess broad expertise. ICT project risks are managed using project management methods such as careful planning and testing of projects. Prior identification of the risks in the systems in use is part of the risk survey operation. Deviations are monitored and dealt with immediately. Information system risks are monitored regularly in a project and information management coordination group that includes representatives from each of Elo's processes and units. The management of risks related to information systems is constantly developed by, for example, recovery planning, development of bug detection and fixing processes, and by training the personnel to manage abnormal situations in co-operation with service providers. Personnel risk is managed through, for example, coordinated HR planning, development of supervisory work and competence surveys. No significant personnel or process risks were realised.

Elo's risk management models and meeting practices are well established, as are the registration and monitoring of operational risk deviations. In 2016, Elo's continuity management was developed through, for example, several continuity-related drills and the ongoing preparation of recovery plans for information systems. The aim of continuity planning is to create conditions for managing abnormal situations and for the most controlled and smooth recovery possible. Continuity management is particularly aimed at ensuring that citizens' livelihood is secured, in other words, that pensions are paid and financed under all circumstances.

The key processes of operational risk management include risk surveys (prior identification and assessment of risks) and the monitoring of deviations (actual cases or close calls). In the semi-annual risk surveys facilitated by independent risk monitoring, each business area identifies the operational risks associated with its activities, assesses its impact and defines adequate control and management measures, the implementation of which is monitored regularly. The recording and monitoring of deviations is established. The recording of deviations is monitored regularly by process management groups, the project and information management coordination group and the risk management coordination group. In addition, the Board of Directors is provided with reports on deviation analyses on a quarterly basis. The results of risk surveys and deviation monitoring are utilised in the planning of process and unit operations and in the preparation of the company's risk management plan.

### **Strategic risks**

Elo's strategic risks are assessed in conjunction with the company's planning of operations (strategic or annual planning) and the associated risk management planning. The identification of strategic risks and the planning of risk management methods are based on the management experience of the company management. Elo's most substantial strategic risks in 2016 were associated with the investment operations and

solvency management, the competition mechanisms within the industry, and partnership co-operation.

### **Outsourced operations**

Elo is responsible to its customers for the risks related to externally procured services, just as it is for the risks of the services it produces itself. The key external service providers are ICT providers (including Otso and Tieto) and strategic distribution channel partners (LocalTapiola and Fennia). Risk management regarding the external services takes into account the clarity and transparency of the purchaser-provider model, the clear agreement of responsibilities and service contents, and the assurance of service provision in all circumstances. In terms of outsourcing, Elo complies with the outsourcing principles approved by the Board of Directors.

# BOARD OF DIRECTORS' PROPOSAL ON THE DISPOSAL OF PROFIT

The Board of Directors proposes that the financial year surplus of 4,559.94 euro be transferred to the contingency fund. Elo has no guarantee capital.

## Signatures for the Board of Directors' report and financial statements 31 December 2016

Espoo 13 March 2017

### BOARD OF DIRECTORS

Eeva-Liisa Inkeroinen

Ann Selin

Antti Aho

Jari Karlson

Antti Kuljukka

Outi Lähteenmäki-Lindman

Janne Makkula

Jorma Malinen

Marjo Matikainen-Kallström

Erkki Moisander

Olavi Nieminen

Susa Nikula

Satu Huber  
CEO

Mikko Karpoja  
Fellow of the Actuarial Society of Finland,  
Actuary in accordance with Chapter 18,  
Section 8 of the Insurance  
Companies Act

# KEY FIGURES

## Key figures for financial development

Elo Mutual Pension Insurance Company was established on 1 January 2014, when Mutual Insurance Company Pension Fennia was merged with LocalTapiola Mutual Pension Insurance Company. The figures for 2012–2013 used for comparison purposes in Elo's key figures are those for LocalTapiola Mutual Pension Insurance Company. The concepts in the key figure tables are the same as in the profit and loss account and balance sheet, unless otherwise specified. As each of the figures is rounded, they will not necessarily add up to the final sum given.

Summary key figures	2016	2015	2014	2013	2012
Premiums written, EUR million	3,321.5	3,157.1	3,022.9	1,602.7	1,561.6
Pensions paid to pension recipients, EUR million <sup>*)</sup>	2,982.0	2,857.6	2,731.9	1,490.4	1,384.7
Pensions paid and other compensations <sup>1)</sup>	3,310.7	3,146.8	3,057.0	1,598.5	1,486.6
Net investment income at current value, EUR million <sup>7)</sup>	1,147.4	990.1	1,163.8	544.3	828.7
Net investment income on capital employed, % <sup>7)</sup>	5.6%	5.0%	6.2%	5.4%	9.1%
Turnover, EUR million	4,116.3	4,041.2	4,067.0	2,066.5	1,924.9
Total operating expenses, EUR million	129.9	126.3	128.3	68.5	61.6
% of turnover	3.2%	3.1%	3.2%	3.3%	3.2%
Operating expenses covered by expense loading (%) of TyEL payroll and YEL reported earnings	0.7%	0.7%	0.7%	0.7%	0.7%
Total result, EUR million	333.8	29.9	362.5	70.2	464.1
Technical provisions, EUR million	18,527.4	17,849.7	17,078.6	9,236.2	8,844.1
Solvency capital, EUR million <sup>2)</sup>	4,270.9	4,042.1	4,084.0	2,123.0	2,147.7
% of technical provisions <sup>3)</sup>	24.3%	24.1%	25.8%	25.1%	27.0%
Without temporary changes in legislation/equalisation provision	22.3%	21.4%	22.9%	22.0%	21.9%
Ratio to the solvency limit	1.8	2.0	2.1	1.9	2.7
Without temporary changes in legislation/equalisation provision	1.7	1.8	1.9	1.7	2.2
Equalisation provision, EUR million	364.1	461.6	463.0	258.5	268.6
Pension assets, EUR million <sup>4)</sup>	21,825.3	20,772.1	19,869.4	10,558.2	10,071.5
Transfer to client bonuses (%), % of TyEL payroll <sup>5)</sup>	0.49%	0.52%	0.51%	0.48%	0.47%
TyEL payroll, EUR million	11,943.7	11,258.1	11,025.9	6,054.2	5,932.2
Confirmed YEL income, EUR million	1,861.6	1,888.0	1,937.1	1,050.5	999.4
No. of TyEL insurance policies <sup>6)</sup>	45,149	46,015	46,103	26,265	25,314
No. of TyEL insurance policyholders <sup>7)</sup>	407,622	398,217	398,079	219,133	211,726
No. of YEL insurance policies	84,578	85,054	87,350	51,953	50,997
No. of pension recipients	219,725	216,769	217,443	125,266	122,729

\*) Pensions and other compensation paid to pension recipients

1) Claims paid as shown in the income statement without expense loading components available for claims and working ability maintenance

2) Solvency margin up to and including 2012 calculated in accordance with the provisions in force at the time (the corresponding principle applies also to other solvency key figures)

3) Ratio calculated as a percentage of the technical provisions used in the calculation of the solvency limit

4) Technical provisions + valuation difference

5) Rounded to the nearest two decimal places

6) Insurances of employers that have made an insurance contract

7) Comparison periods have been converted to correspond to current calculation practice

## Investment distribution at current value

	Basic distribution				Risk distribution <sup>8)</sup>					
	31 Dec 2016		31 Dec 2015		31 Dec 2016		31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
	EUR million	%	EUR million	%	EUR million	% <sup>10)</sup>	% <sup>10)</sup>	% <sup>10)</sup>	% <sup>10)</sup>	% <sup>10)</sup>
<b>Fixed income investments, total</b>	<b>8,352.2</b>	<b>38.8</b>	<b>8,326.4</b>	<b>40.6</b>	<b>8,053.0</b>	<b>37.4</b>	<b>39.1</b>	<b>42.3</b>	<b>44.3</b>	<b>51.5</b>
Loan receivables <sup>1)</sup>	469.1	2.2	585.1	2.9	469.1	2.2	2.9	3.0	2.9	3.3
Bonds	7,265.4	33.8	6,947.2	33.9	7,265.4	33.8	33.9	34.7	36.1	44.6
Other money market instruments and deposits <sup>1), 2)</sup>	617.7	2.9	794.1	3.9	318.5	1.5	2.4	4.6	5.3	3.6
<b>Equity investments, total</b>	<b>7,435.5</b>	<b>34.6</b>	<b>6,659.3</b>	<b>32.5</b>	<b>8,165.9</b>	<b>38.0</b>	<b>35.9</b>	<b>35.3</b>	<b>34.9</b>	<b>30.7</b>
<b>Listed equities <sup>3)</sup></b>	<b>5,831.6</b>	<b>27.1</b>	<b>5,360.2</b>	<b>26.1</b>	<b>6,562.0</b>	<b>30.5</b>	<b>29.5</b>	<b>30.0</b>	<b>30.0</b>	<b>26.2</b>
Private equity investments <sup>4)</sup>	1,289.8	6.0	1,019.0	5.0	1,289.8	6.0	5.0	3.9	4.1	3.7
Unlisted equities and shares <sup>5)</sup>	314.2	1.5	280.0	1.4	314.2	1.5	1.4	1.4	0.8	0.8
<b>Real estate investments</b>	<b>2,855.9</b>	<b>13.3</b>	<b>2,806.8</b>	<b>13.7</b>	<b>2,855.9</b>	<b>13.3</b>	<b>13.7</b>	<b>13.7</b>	<b>13.2</b>	<b>12.6</b>
Direct real estate investments	2,125.5	9.9	2,149.6	10.5	2,125.5	9.9	10.5	11.0	10.3	10.1
Real estate funds and joint investments	730.4	3.4	657.2	3.2	730.4	3.4	3.2	2.7	2.9	2.5
<b>Other investments</b>	<b>2,863.7</b>	<b>13.3</b>	<b>2,721.1</b>	<b>13.3</b>	<b>3,158.5</b>	<b>14.7</b>	<b>14.7</b>	<b>10.2</b>	<b>8.4</b>	<b>6.6</b>
Hedge fund investments <sup>6)</sup>	2,862.7	13.3	2,721.1	13.3	2,862.7	13.3	13.3	10.3	8.4	6.9
Commodity investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.3
Other investments <sup>7)</sup>	1.1	0.0	0.0	0.0	295.8	1.4	1.4	-0.1	0.0	0.0
<b>Investments, total</b>	<b>21,507.3</b>	<b>100.0</b>	<b>20,513.6</b>	<b>100.0</b>	<b>22,233.3</b>	<b>103.4</b>	<b>103.3</b>	<b>101.5</b>	<b>100.9</b>	<b>101.4</b>
Effect of derivatives <sup>9)</sup>					-725.9	-3.4	-3.3	-1.5	-0.9	-1.4
<b>Investments at current value, total</b>	<b>21,507.3</b>	<b>100.0</b>	<b>20,513.6</b>	<b>100.0</b>	<b>21,507.3</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Modified duration of bond portfolio	3.8									

<sup>1)</sup> Includes accrued interest

<sup>2)</sup> Includes cash at bank and in hand and purchase money claims and purchase money obligations

<sup>3)</sup> Includes also mixed funds if these cannot be allocated elsewhere

<sup>4)</sup> Includes private equity funds, mezzanine funds and also infrastructure investments

<sup>5)</sup> Includes also unlisted real estate investment companies

<sup>6)</sup> Includes all types of hedge fund investments regardless of the strategy of the fund

<sup>7)</sup> Includes items that cannot be included in other investment classes

<sup>8)</sup> Risk breakdown can be shown from reference periods as the knowledge accumulates (not with retroactive effect). If the numbers are shown from reference periods and the periods are not completely comparable, it must be informed.

<sup>9)</sup> Includes the effect of derivatives on the difference between the risk distribution and the basic distribution. The effect of derivatives can be +/- . After the adjustment, the final sum of the risk distribution will equal that of the basic distribution.

<sup>10)</sup> The proportion is calculated by using the total amount of the line "Total investments at current value" as the divisor.

## Net investment income on capital employed

	Net return from investment operations market value <sup>8)</sup>	Capital employed <sup>9)</sup>	Return, % on capital employed	Return, % on capital employed	Return, % on capital employed	Return, % on capital employed	Return, % on capital employed
	31 Dec 2016			31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
Return EUR / % on capital employed	EUR million	EUR million	%	%	%	%	%
<b>Fixed income investments, total</b>	<b>311.3</b>	<b>8,688.4</b>	<b>3.6</b>	<b>0.0</b>	<b>3.8</b>	<b>0.2</b>	<b>7.4</b>
Loan receivables <sup>1)</sup>	15.2	533.8	2.9	3.5	3.1	3.0	2.9
Bonds	296.0	7,253.2	4.1	-0.3	4.5	0.0	8.9
Other money market instruments and deposits <sup>1) 2)</sup>	0.1	901.4	0.0	0.1	0.2	-0.1	0.9
<b>Equity investments, total</b>	<b>619.0</b>	<b>6,650.3</b>	<b>9.3</b>	<b>13.0</b>	<b>9.8</b>	<b>14.1</b>	<b>16.3</b>
Listed equities <sup>3)</sup>	475.4	5,298.4	9.0	11.1	8.0	14.7	16.9
Private equity investments <sup>4)</sup>	103.5	1,078.2	9.6	20.4	18.9	10.7	11.7
Unlisted equities and shares <sup>5)</sup>	40.1	273.7	14.6	26.2	26.0	9.8	18.2
<b>Real estate investments</b>	<b>168.8</b>	<b>2,635.8</b>	<b>6.4</b>	<b>6.9</b>	<b>5.4</b>	<b>4.2</b>	<b>4.5</b>
Direct real estate investments	127.0	1,968.9	6.5	5.3	4.7	3.8	5.2
Real estate funds and joint investments	41.8	666.9	6.3	13.1	8.6	5.4	1.1
<b>Other investments</b>	<b>66.7</b>	<b>2,686.4</b>	<b>2.5</b>	<b>2.5</b>	<b>7.1</b>	<b>5.5</b>	<b>1.7</b>
Hedge fund investments <sup>6)</sup>	50.1	2,695.0	1.9	1.6	7.2	5.0	3.1
Commodity investments	0.1	0.0	-	-	-	-	-
Other investments <sup>7)</sup>	16.6	-8.6	-	-	-	-	-
<b>Investments, total</b>	<b>1,165.9</b>	<b>20,660.9</b>	<b>5.6</b>	<b>5.1</b>	<b>6.3</b>	<b>5.5</b>	<b>9.0</b>
Unallocated return, expenses and operating expenses	-18.5	20,660.9	-0.1	-0.1	-0.1	-0.1	0.0
<b>Net investment income at current value</b>	<b>1,147.4</b>	<b>20,660.9</b>	<b>5.6</b>	<b>5.0</b>	<b>6.2</b>	<b>5.4</b>	<b>9.1</b>

<sup>1)</sup> Includes accrued interest

<sup>2)</sup> Includes cash at bank and in hand and purchase money claims and purchase money obligations

<sup>3)</sup> Includes also mixed funds if these cannot be allocated elsewhere

<sup>4)</sup> Includes private equity funds, mezzanine funds and also infrastructure investments

<sup>5)</sup> Includes also unlisted real estate investment companies

<sup>6)</sup> Includes all types of hedge fund investments regardless of the strategy of the fund

<sup>7)</sup> Includes items that cannot be included in other investment classes

<sup>8)</sup> Change in market values at the end and beginning of the reporting period – cash. Cash refers to the difference between sales/returns and purchases/expenses

<sup>9)</sup> Capital employed = market value at beginning of reporting period + daily / monthly time-weighted cash flows



**Loading profit**

EUR million	2016	2015	2014	2013	2012
Expense loading	118.2	118.9	117.7	64.6	61.7
Share of premium available to cover operating expenses resulting from claims decisions	5.6	5.7	5.4	3.0	2.9
Other income	0.9	2.0	1.0	0.1	0.2
Loading profit, total	124.6	126.5	124.1	67.6	64.8
Operating expenses by operation <sup>1)</sup>	-95.6	-90.3	-92.2	-50.3	-46.3
Other expenses	0.0	0.0	0.0	-0.3	-0.6
Operating expenses, total	-95.6	-90.3	-92.2	-50.6	-46.9
Loading profit	29.1	36.2	31.8	17.0	17.9
Operating expenses/loading profit, %	76.7%	71.4%	74.3%	74.9%	72.3%

<sup>1)</sup> Does not include operating expenses for investment activities and working capacity maintenance and statutory charges.

**Solvency capital and its limits**

(as a percentage of the technical provisions used in the calculation of the solvency limit of technical provisions)

%	2016	2015	2014	2013	2012
Solvency limit	13.5	12.0	12.3	12.9	10.1
Maximum amount of solvency capital <sup>1)</sup>	53.8	48.1	49.3	51.7	40.2
Solvency capital before equalisation provision <sup>2)</sup>	22.3	21.4	22.9	22.0	
Solvency capital (solvency ratio) <sup>3)</sup>	24.3	24.1	25.8	25.1	27.0

<sup>1)</sup> Maximum solvency margin up to and including 2012.

<sup>2)</sup> Reported as of 2013

<sup>3)</sup> Solvency margin up to and including 2012 calculated in accordance with the provisions in force at the time (the corresponding principle applies also to other solvency key figures)

**PERFORMANCE ANALYSIS**

EUR million	2016	2015	2014	2013	2012
<b>Creation of result</b>					
Insurance business surplus/shortfall <sup>1)</sup>	-47.7	-1.5	-11.3	-9.5	-7.9
Result of investment operations at current value	349.3	-4.8	342.0	62.7	454.1
+ Net investment income at current value <sup>2)</sup>	1,147.4	990.1	1,163.8	544.3	828.7
- Required return for technical provisions	-798.1	-994.8	-821.8	-481.6	-374.6
Loading profit <sup>3)</sup>	29.1	36.2	31.8	17.0	17.9
Other income	3.2				
<b>Total result</b>	<b>333.8</b>	<b>29.9</b>	<b>362.5</b>	<b>70.2</b>	<b>464.1</b>
<b>Use of result</b>					
For change in solvency	275.1	-28.4	306.2	40.9	436.3
For change in equalisation provision included in solvency capital	-48.2	-1.6	-12.3	-10.1	-8.8
For change in provision for future bonuses	-52.3	-158.5	163.5	-46.3	-24.5
For change in valuation differences	375.5	131.6	151.7	94.6	467.5
For accumulated appropriations	0.0	0.1	0.3	0.0	0.0
For profit for the year	0.0	0.0	2.9	2.6	2.1
For change in equalisation provision	0.5	0.2			
For transfer into customer bonuses	58.3	58.2	56.4	29.3	27.8
<b>Total</b>	<b>333.8</b>	<b>29.9</b>	<b>362.5</b>	<b>70.2</b>	<b>464.1</b>

<sup>1)</sup> Insurance business surplus/shortfall is reported in a separate table

<sup>2)</sup> Result of investment operations at current value is reported in a separate table

<sup>3)</sup> Loading profit is reported in a separate table

**Insurance business surplus/shortfall**

EUR million	2016	2015	2014	2013	2012
Premiums written of business under the company's responsibility	410.1	423.0	424.8	209.6	234.8
Technical provisions of business under the company's responsibility	419.3	405.2	387.4	213.0	207.9
Insurance business surplus	829.3	828.2	812.1	422.6	442.7
Paid pension assets	516.4	490.4	453.0	242.0	232.2
Credit losses on premiums	18.4	15.8	17.2	11.0	11.1
Change in technical provisions of business under the company's responsibility	392.0	323.5	353.3	179.2	207.3
Total claims expenditure	926.8	829.7	823.4	432.2	450.6
For old-age pension liabilities (so-called supplement to the mortality basis)	49.8				
<b>Insurance business surplus/shortfall</b>	<b>-47.7</b>	<b>-1.5</b>	<b>-11.3</b>	<b>-9.5</b>	<b>-7.9</b>

**Disability risk management**

EUR million	2016	2015	2014	2013	2012
Premiums written; disability risk management	3.4	3.2	3.1	1.7	1.7
Expenses covered by disability management and entered under claims incurred	2.6	5.5	4.8	2.1	1.8
Expenses from disability risk management covered by expense loading entered as business expenses <sup>2)</sup>	0.9	0.0	0.0	0.0	0.0
Expenses covered by disability management / Disability management, %	76.7%	174.4%	154.0%	123.7%	108.8%

<sup>2)</sup> Does not include personnel expenses related to the management of the disability risk of own employed personnel as of 2016

# GUIDE TO KEY FIGURES

Elo Mutual Pension Insurance Company was established on 1 January 2014, when Mutual Insurance Company Pension Fennia was merged with LocalTapiola Mutual Pension Insurance Company. The figures for 2012–2013 used for comparison purposes in Elo's key figures are those for LocalTapiola Mutual Pension Insurance Company.

**Valuation difference** is the difference between the current value and book value of investments.

The **customer bonus** reduces a contract employer's TyEL pension insurance premium.

#### Loading profit =

- + Expense loading
- + Share of premium available to cover operating expenses resulting from claims decisions
- + Other income
- Operating expenses for each operation, excluding operating expenses for investment activities and working capacity maintenance and statutory charges
- Other expenses

Loading profit is transferred to solvency capital insofar as it is not used for client bonuses.

Costs from disability risk management covered by the expense loading are shown separately in the itemisation of disability risk management. Investment management expenses are covered by investment income, and disability risk management maintenance expenses are covered by the disability loading.

**Technical provisions to be covered** are calculated by adding liabilities in respect of the division of costs and policyholders to the technical provisions in the financial statements.

**Total operating expenses** comprise the operating expenses for each business, which consist of the investment and disability risk management expenses, and statutory charges and other expenses.

**Total result** comprises the insurance business surplus, the loading profit, other income and the result of investment operations at current value.

**Statutory charges** comprise the share of costs of the Finnish Centre for Pensions, the judicial administration charge of the Pension Appeal Board and the supervision charge of the Financial Supervisory Authority.

**Turnover** = premiums written before credit losses and reinsurers' share + book net investment income + other income.

#### Claims paid =

- + Pensions paid to pension recipients
- + Paid/refunded division of cost compensations
- + Share of the Unemployment Insurance Fund insurance contribution and division of the costs of pension components accrued on the basis of unsalaried periods
- + Claims handling expenses
- + Costs from disability risk management

**Other income** includes other income and expenses, fixed income items from the uneven distribution of premiums, cost division compensation and share of the costs of the Finnish Centre for Pensions, interests included in YEL premiums and transfer fees written off, the income from statutory charges and the change in the provision for future bonuses due to transfer of liability.

**Provision linked to equity income** is a part of the premium reserve that serves as a buffer for part of

the equity investments. This share of the technical provisions changes depending on how equity income is realised in the pension system on average.

**Provision for current bonuses** comprises assets that have been transferred to be used for client bonuses granted to policyholders.

**Provision for future bonuses** is part of the company's solvency capital, and serves as a buffer against investment return fluctuations. Part of the total result is transferred to the provision for future bonuses.

#### Report on investment distribution at current value

**Basic distribution** refers to the combined market value of cash investments and derivatives.

**Risk distribution** refers to the combined total of the delta-adjusted values of the underlying assets of cash investments and derivatives (the underlying assets of futures or forward contracts, or of options multiplied by the delta of the option, i.e. the risk effect of derivatives). The risk distribution shows on a separate line the effect of derivatives on the difference between the risk distribution and the basic distribution. After the adjustment, the final sum of the risk distribution will equal that of the basic distribution. Risk distribution is also referred to by the abbreviation "risk-adjusted."

**Net investment income on capital employed (at current value)** is calculated for each type of investment and for the whole investment portfolio, taking into account daily or monthly time-weighted cash flows. The return for the financial period is calculated using a so-called modified Dietz formula (a time- and money-weighted formula) such that capital employed is calculated by

adding the cash flows during the period to the market value at the start of the period, weighted by the relative share of the length of the entire period that remains from the transaction date or from the middle of the transaction month to the end of the period. When calculating capital employed, cash in hand and at banks is taken into account, as well as purchase price receivables and liabilities.

**Result of investment operations at current value** is calculated by subtracting the return requirement on technical provisions from the net investment income at current value. Net investment income at current value is obtained by adding together the net investment income in the profit and loss account and the change in valuation differences.

**Equalisation** serves as a buffer against insurance business fluctuations and is a part of the technical provisions. Positive returns from insurance operations generated annually are added to the equalisation provision, and losses are covered by the equalisation provision.

**Performance analysis** describes the sources and use of the surplus. The surplus comprises the insurance business surplus, the loading profit and the result of investment operations at current value. The surplus is used for the change of solvency and for transfer to client bonuses. The change of solvency comprises the changes in the equalisation provision, in the provision for future bonuses, in accrued valuation differences and in accumulated appropriations, and the transfer to the profit for the financial year.

**Disability risk management** is an employee well-being service provided by the pension company to its customers and is concerned with coping at work and extending careers. It can include various forms of consulting, mentoring and tools. Authorised pension providers must report the amount of working capacity maintenance expenses recorded in claims incurred and the amount of disability risk management included in the premiums written for the financial year, along with the ratio of these items. In addition, a pension company must report costs from disability risk management covered by the expense loading entered as business expenses.

**Requirements for solvency capital** are based on the examination of theoretical risks. The main variable in the examination of solvency is the **solvency limit**. The riskier a company's investment distribution is, the higher its solvency limit is, and the more solvency capital it requires. The solvency limit is also affected by insurance risk. **The indicators of solvency** are the ratio of solvency capital to the technical provisions or the solvency ratio, and the ratio of solvency capital to the solvency limit or the solvency position. The minimum amount of solvency capital is one third of the solvency limit. If the amount of solvency capital is more than four times the solvency limit (target zone upper limit) for a second consecutive year, the company must make an additional transfer to client bonuses.

**Insurance business surplus** for the pensions within the company's responsibility is calculated by subtracting the pension expenditure under the company's responsibility from the profit of the equalisation provision and the premium's risk elements. The insurance business surplus is added to the equalisation provision.

**Numbers of insurance policies, insurance policyholders and pension recipients** are as at the time of closing the accounts. In the case of TyEL policyholders whose information is submitted monthly to the pension insurance company, the calculation concerns the number of persons who have had earnings during the last month. However, each person is only calculated once. For survivors' pension, the number of pension recipients will always be one, regardless of the number of beneficiaries.

**Return requirement on technical provisions** is determined on the basis of the discount rate (3%) used in the calculation of the technical provisions, the supplementary coefficient for pension liabilities, the requirement for the technical rate of interest and the average equity income of authorised pension providers.

# AUDITOR'S REPORT

To the Annual General Meeting of Elo Mutual Pension Insurance Company

## Report on the Audit of Financial Statements

### Opinion

We have audited the financial statements of Elo Mutual Pension Insurance Company (business identity code 0201103-7) for the year ended 31 December, 2016. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

In our opinion, the financial statements give a true and fair view of the group's and the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

### Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or

in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in

the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### Other reporting requirements

#### Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our report thereon. We obtained the report of the Board of Directors prior to the date of the auditor's report, and the Annual Report is expected to be made available to us after the date of the auditor's report. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement in the information included in the report of the Board of Directors, we are required to report this fact. We have nothing to report in this regard.

Helsinki 20 March 2017

Ernst & Young Oy  
Authorized Public Accountant Firm

**Ulla Nykky**  
Authorized Public Accountant

# CORPORATE GOVERNANCE STATEMENT

## Contents

1. Deviations from the recommendations of the Corporate Governance Code
2. General Meeting
3. Supervisory Board
  - 3.1 Election Committee
4. Board of Directors
  - 4.1 Audit Committee
  - 4.2 Appointment and Remuneration Committee
5. Chief Executive Officer
6. Other management
7. Internal control and risk management
8. Description of the main characteristics of the internal control and risk management systems related to the financial reporting process
9. Auditor

Elo's Corporate Governance Statement for the financial period covering 1 January – 31 December 2016 is based on the 2015 Finnish Corporate Governance Code for listed companies and is issued separately from the Board of Directors' report. Elo complies with the parts of the Governance Code that are applicable to the operations of employment pension companies. Deviations from the recommendations of the Governance Code are presented in the early part of this Corporate Governance Statement. The Finnish Corporate Governance Code is available on the website of the Securities Market Association at [www.cgfinland.fi](http://www.cgfinland.fi).

## 1. Deviations from the recommendations of the Corporate Governance Code

**Recommendation 5** – Election of the Board of Directors: In accordance with the Act on Pension Insurance Companies (TVYL), the Board of Directors is elected by the Supervisory Board in accordance with the election procedure outlined in the relevant legislation and the Articles of Association.

**Recommendation 6** – Term of Office of the Board of Directors According to the Articles of Association, the term of the members of Elo's Board of Directors is three years.

**Recommendations 10, 16, 17 and 18** – Independence of the members of the Board of Directors and its Committees The number of independent members on the Board of Directors and its committees, and the evaluation of their independence are based on law (TVYL). The composition of the Board of Directors and the eligibility criteria of the members are prescribed by law. Members of the Board of Directors of Elo may include such persons who act in the operational management or administration of Elo's major client companies. This is attributed to the fact that Elo is a mutual company. The Chief Executive Officer of Elo may not be on the Board of Directors.

**Recommendation 22** – Decision-Making Relating to Remuneration: According to the Act on Pension Insurance Companies (TVYL), decisions concerning the remuneration of the Board of Directors are made by the Supervisory Board.

**Recommendation 28:** Elo complies with the regulations on the related party transactions of employment pension companies in accordance with the Act on Pension Insurance Companies (TVYL).

## 2. General Meeting

The highest power of decision at Elo is exercised by the owners at General Meetings. The policyholders have the right to vote at General Meetings. In addition, an elected representative of the insured under each TyEL basic insurance policy has the right to vote.

The General Meeting decides on the number of Supervisory Board members and the number of auditors, elects the members of the Supervisory Board and the auditors, and makes decisions concerning the confirmation of the financial statements and the use of the profit shown in the balance sheet. The General

Meeting decides on the granting of discharge from liability to the members of the Board of Directors and the Supervisory Board, and to the Chief Executive Officer. In addition, the General Meeting decides on the remuneration of the members of the Supervisory Board and the auditors, as well as any other matters mentioned in the notice of the meeting.

Elo's Annual General Meeting was held on 19 April 2016.

## 3. Supervisory Board

A pension insurance company must have a Supervisory Board as stipulated by the Act on Pension Insurance Companies (TVYL).

The Supervisory Board supervises the company's administration by the Board of Directors and the Chief Executive Officer. The Supervisory Board decides on the number of members on the Board of Directors and elects members and deputy members of the Board of Directors as well as the members of the Election Committee. It also issues decisions on the remuneration payable to the Board of Directors and Election Committee. The Supervisory Board cannot be given duties other than those mentioned in the law. The rules of procedure of the Supervisory Board describe its composition, duties and meeting practices.

Elo's Supervisory Board had 54 members until the Annual General Meeting in 2016. The Annual General Meeting on 19 April 2016 made the decision to reduce this number to 44 members. The members are elected by the Annual General Meeting for a term of three years. The term of one third of the members expires each year. Half of the Supervisory Board members are elected from among candidates nominated by the central labour market organisations representing employers and employees. There must be an equal number of members elected from among those nominated by the employers and employees.

The Supervisory Board elects a Chairman and Deputy Chairmen from among its members each year. One of these must be a person nominated by the representatives of the insured.

Elo's Supervisory Board convened twice in 2016, on 22 March and 22 November. An average of 78 per cent of the Supervisory Board members attended the meetings. The members' attendance at the meetings of the Supervisory Board and Election Committee and the remuneration paid to them are specified in Elo's remuneration report, available at <http://www.elo.fi> – About Elo – Governance.

The Supervisory Board members, their spouses, persons under the members' guardianship and controlled companies are considered to be related parties of Elo. Transactions with related parties are handled in accordance with the relevant related-party guidelines. Significant transactions with Elo's management and related parties will always be decided on by Elo's Board of Directors. Any transactions carried out with related parties are reported on Elo's website.

Elo's Supervisory Board as of 19 April 2016

#### Chairman

**Klaus Saarikallio**,  
born 1955, Member of the Board, Normek Oy, term expires in 2019

#### Deputy Chairmen

**Håkan Nystrand**,  
born 1955, Chairman, METO Forestry Experts' Association, term expires in 2019

**Ilkka Brotherus**,  
born 1951, Managing Director, Sinituote Oy, terms expires in 2018

#### Members

**Vesa Aallosvirta**,  
born 1961, Organisational Manager, Finnish Metalworkers' Union, term expires in 2017

**Antti Hakala**,  
born 1967, Director, Trade Union Pro, term expires in 2018

**Maria Hanho**,  
born 1982, Managing Director, Vaissi Oy, term expires in 2017

**Johanna Heikkilä**,  
born 1962, HR Director, Apetit Plc, term expires in 2017

**Maija Hjelt**,  
born 1970, Senior Vice President, Finance, Veikkaus Oy, term expires in 2018

**Markku Holm**,  
born 1953, Managing Director, RTV-Yhtymä Oy, term expires in 2017

**Sauli Huikuri**,  
born 1958, CEO, Joutsen Media Oy, term expires in 2018

**Tero Jussila**,  
born 1958, CFO, Maintpartner Group Oy, term expires in 2017

**Esko Jääskeläinen**,  
born 1956, Managing Director, Suur-Seutu Cooperative Society SSO, term expires in 2019

**Pekka Kampman**,  
born 1962, Project Manager, Y-Foundation, term expires in 2017

**Olavi Kaukonen**,  
born 1956, Managing Director, A-Clinic Foundation, term expires in 2017

**Jaakko Kiiski**,  
born 1956, Executive Director, YTY – Association for Managers and Professional, term expires in 2019

**Tapio Kuittinen**,  
born 1959, Business Area Director, Lehto Group Oyj, membership ended on 22 November 2016

**Kalle Kujanpää**,  
born 1969, CFO, Finn-Power Corporation, term expires in 2018

**Veli-Matti Kuntonen**,  
born 1965, Chairman, Finnish Foodworkers' Union SEL, term expires in 2018

**Heikki Kytäjä**,  
born 1952, CFO, Atria Group, term expires in 2017

**Ville Laine**,  
born 1970, Managing Director, Lojer Oy, term expires in 2019

**Timo Lehtinen**,  
born 1964, term expires in 2018

**Timo Lepistö**,  
born 1959, CEO, Nordic Morning Plc, term expires in 2018

**Timo Mäki-Ullakko**,  
born 1963, CEO, Pirkanmaa Cooperative Society, term expires in 2018

**Heikki Nikku**,  
born 1956, President, CGI Suomi Oy, term expires in 2019

**Mikael Pentikäinen**,  
born 1964, CEO, Federation of Finnish Enterprises, term expires in 2017

**Terhi Penttilä**,  
born 1972, Managing Director, Länsilinjat Oy, term expires in 2017

**Kustaa Piha**,  
born 1978, Member of Board, Med Group, membership ended on 5 October 2016

**Marko Piirainen**,  
born 1975, Chairman, Transport Workers' Union AKT, term expires in 2017

**Katariina Poskiparta**,  
born 1961, Managing Director, Finnish Student Health Service, term expires in 2019

**Kyösti Pöyry**,  
born 1952, Managing Director, Paperinkeräys Oy, term expires in 2018

**Merja Rinne**,  
born 1963, Executive Manager, Industrial Union TEAM, term expires in 2019

**Ansu Saarela**,  
born 1978, CFO, Bauhaus & Co Ky, term expires in 2019



**Hannu Saarikangas,**

born 1952, Director, Union of Professional Engineers in Finland, term expires in 2018

**Antti Sahi,**

born 1956, Secretary General, Central Union of Agricultural Producers and Forest Owners MTK, term expires in 2019

**Paula Salastie,**

born 1978, CEO, Teknos Group Oy, term expires in 2019

**Kimmo Simberg,**

born 1959, CEO, Etelä-Pohjanmaan Osuuskauppa, term expires in 2017

**Jukka Tikka,**

born 1953, Chairman of the Board, Länsi-Savo Oy, term expires in 2018

**Mika Varjonen,**

born 1974, Executive Director, Tradenomiliitto TRAL, term expires in 2017

**Jouko Vehmas,**

born 1956, Commercial Counsellor, Kymen Seudun Osuuskauppa, term expires in 2019

**Pentti Virtanen,**

born 1964, Managing Director, FSP Finnish Steel Painting Oy, term expires in 2018

**Olli Vormisto,**

born 1967, Managing Director, Osuuskauppa Hämeenmaa, term expires in 2017

**Antti Ylikorkala,**

born 1974, Vice President, Attendo Finland, membership ended on 20 December 2016

**Janne Ylinen,**

born 1975, Managing Director, Kokkolan Halpa-Halli Oy, term expires in 2019

**Jaana Ylitalo**

born 1969, Collective Bargaining Director, Service Union United PAM, term expires in 2018

**3.1 Election Committee**

The task of the Election Committee elected by Elo's Supervisory Board is to prepare proposals concerning the election and remuneration of the members of the Supervisory Board and the Board of Directors.

Either the Chairman or Deputy Chairman of the Election Committee must be elected from among the candidates nominated by those Supervisory Board members who represent the insured.

During 2016, the six-member Election Committee included Ilkka Brotherus, Klaus Saarikallio and Jouko Vehmas, all from Elo's Supervisory Board, as members who had been nominated by the policyholders. The Election Committee members proposed by the insured included Håkan Nystrand, Mika Varjonen and Jaana Ylitalo, all from Elo's Supervisory Board. Klaus Saarikallio served as Chairman of the Election Committee and Håkan Nystrand as Deputy Chairman.

Elo's Election Committee convened twice in 2016, on 9 February and 4 October. Members' attendance at the Election Committee meetings was an average of 92 per cent.

**4. Board of Directors**

The general task of the Board of Directors is to oversee the governance of the company and proper arrangement of the company operations, and to ensure that the supervision of accounting and asset management is appropriately arranged. In accordance with the Act on Pension Insurance Companies (TVYL), the Board of Directors must, together with the Chief Executive Officer, manage the company in a professional manner, and in compliance with sound and prudent business practices and reliable governance principles.

The tasks of Elo's Board of Directors are specified in the rules of procedure of the Board of Directors and in the Articles of Association. The tasks of Elo's Board of Directors include the following:

- To appoint and give notice to the Chief Executive Officer, the Deputy Managing Director, the members of the company's Executive Group, the members of the Executive Group of Investments, the Director of Internal Auditing and the Medical Director and to decide on the terms and remunerations related to their employment relationship
- to decide on the general structure of the company's organisation

- to approve the company's strategy and budget and oversee their implementation
- to approve the company's personnel strategy and remuneration policy and the principles of the performance bonus system for personnel, and to assess and oversee their implementation
- to approve the investment plan and oversee its implementation
- to approve the risk management policy and plan, and oversee their implementation
- to approve the auditing plan for internal auditing on an annual basis
- to assess the state of the company's internal control on an annual basis
- to approve the financial statements
- to decide on the convening of General Meetings
- to confirm the written operational principles required by the Act on Pension Insurance Companies (TVYL).

Elo's Board of Directors comprises representatives of the central labour market organisations, as well as of the customers and stakeholders. In 2016, the Board of Directors comprised of 16 ordinary members and four deputy members. The Supervisory Board of Elo decided to reduce the number of members on the Board of Directors to 12 ordinary members and four deputy members as of the start of 2017. The Supervisory Board elects the members and deputy members of the Board of Directors for a term of three calendar years. Half of the members of the Board of Directors are elected from among candidates put forward by the central employer and employee organisations. There must be an equal number of members elected from among those nominated by the employers and employees.

In addition to compliance with regulations, the diversity of the Board is also taken into consideration in the selection process for the members of the Board of Directors. The diversity of the Board is intended to facilitate the effective management of the Board's tasks and to support the realisation of Elo's strategic goals. When the Board, as a whole and through the competence, experience and characteristics of each

individual member, is able to proactively challenge and support the company's management, the diversity of the Board will have been achieved in the intended manner.

For Elo, the essential factors for diversity include the complementary experience of the members, their own personal characteristics, the geographic distribution and the age and gender distribution.

One aim of the diversity policy at Elo is to maintain the balance of the gender distribution on Elo's Board. In order to achieve that aim, the Election Committee endeavours to find representatives of both genders as part of its search and assessment process for new members. The realisation of the aim will be evaluated and monitored at the meetings of the Election Committee. On the basis of the Election Committee's proposal in 2016, the share of women as the minority gender on the Board for 2017 is 42 per cent.

The Board of Directors elects a Chairman and Deputy Chairmen for one calendar year at a time from among its members. One of these must be a person nominated by representatives of the insured. The Chairman and both Deputy Chairmen of the Board of Directors constitute the presiding officers of the Board.

The Board of Directors is assisted in its tasks by the Audit Committee and the Appointment and Remuneration Committee.

Elo's Board of Directors convened 11 times in 2016. An average of 87 per cent of the members of the Board of Directors attended the meetings. The members' attendance at the meetings of the Board of Directors and its committees, and the remuneration paid to them are specified in Elo's remuneration report, available at <http://www.elo.fi> – About Elo – Governance.

The members of the Board of Directors, their spouses, persons under the members' guardianship and controlled companies are considered to be related parties of Elo. Transactions with related parties are handled in accordance with the relevant related-party

guidelines. Significant transactions with Elo's management and related parties will always be decided on by Elo's Board of Directors. Any transactions carried out with related parties are reported on Elo's website.

Elo's Board of Directors in 2016

Chairman

**Pekka Sairanen** (until 11 November 2016)

Deputy Chairmen

**Heimo J. Aho**,

born 1949, B.Sc. (Econ.), Chairman of the Board, SKS Group Oy and subsidiaries of SKS Group

**Ann Selin**,

born 1960, eMBA, President, Service Union United PAM

Ordinary members

**Eeva-Liisa Inkeroinen**,

born 1963, LL.M., Executive Vice President, Federation of Finnish Technology Industries

**Jari Karlson**,

born 1961, M.Sc. (Econ.), Chief Financial Officer, Orion Corporation

**Heikki Kauppi**,

born 1955, M.Sc. (Eng.), MBA, Director, Academic Engineers and Architects in Finland - TEK

**Antti Kuljukka**,

born 1961, M.Sc.Sc., eMBA, Managing Director, Fennia Mutual Insurance Company

**Reija Lilja**,

born 1954, Ph.D., Docent, School of Business, Aalto University

**Jorma Malinen**,

born 1959, Automation Designer, President, Trade Union Pro

**Harri Miettinen**,

born 1962, M.Sc. (Econ.), Director, SOK Corporation, Field Division

**Antti Neimala**,

born 1963, LL.M. trained on the bench, Deputy Managing Director, Federation of Finnish Enterprises

**Outi Lähteenmäki-Lindman**,

born 1965, LL.M. trained on the bench, Senior Vice President, Accountant

**Erkki Moisander**,

born 1953, M.Sc, CEO, LocalTapiola Group

**Jussi Mustonen**,

born 1955, Lic.Soc.Sc., Director, Confederation of Finnish Industries EK

**Olavi Nieminen**,

born 1952, Optician, Chairman of the Board, Piiliset by Finnsusp Oy

**Sinikka Näätsaari**,

born 1961, M.Soc.Sc., Head of Unit, Social Affairs, Central Organisation of Finnish Trade Unions SAK

Deputy members

**Antti Aho**,

born 1969, M.Sc. (Econ.), Managing Director, Aava Terveyspalvelut Oy

**Jukka Ihanus**,

born 1977, Master of Laws, Director, Finnish Confederation of Salaried Employees (STTK)

**Jouko Liimatainen**,

born 1954, M.Sc. (Econ.), Vice Managing Director, Scandic Hotels Oy

**Daniela Yrjö-Koskinen**,

born 1971, M.Sc. (Econ.), Managing Director, Novita Oy

#### 4.1. Audit Committee

The task of the Audit Committee is to monitor the company's financial reporting, internal control, the sufficiency and appropriateness of risk management, and the operations of internal auditing. The Committee also monitors the work of the auditors and prepares the proposal for the appointment of auditors.

The members of the Audit Committee are elected by the Board of Directors from among its own members for one year at a time, and the Board also confirms the Committee's rules of procedure. One of the members of the Committee must be a representative of the

central employee organisations, one a representative of the central employer organisations and one from among the other members of the Board of Directors.

In 2016, Elo's Audit Committee comprised Jarl Karlson (Chairman), Heikki Kauppi and Jussi Mustonen. The Audit Committee convened five times and the members' attendance rate at these meetings was 100 per cent.

#### 4.2. Appointment and Remuneration Committee

The task of the Appointment and Remuneration Committee is to assist the Board of Directors in preparing and developing matters related to the remuneration systems and the appointment and remuneration of the company's senior management.

The Committee is comprised of the presiding officers of Elo's Board of Directors. In 2016, the members of the Appointment and Remuneration Committee included Pekka Sairanen (Chairman), Ann Selin and Heimo J. Aho. The Committee convened seven times and the members' attendance rate at these meetings was an average of 95 per cent.

#### 5. Chief Executive Officer

Elo's Chief Executive Officer is Satu Huber, M.Sc. (Econ.) (born 1958). She assumed the position of Chief Executive Officer on 1 June 2015 after working as the company's Deputy CEO from 1 January 2014 – 31 May 2015.

The Chief Executive Officer manages the company's administration in accordance with the guidelines and instructions issued by the Board of Directors. The Chief Executive Officer is appointed by the Board of Directors.

The Chief Executive Officer leads the company in a professional manner and in compliance with sound and prudent business practices and reliable governance principles. The Chief Executive Officer ensures that the company's accounting is in compliance with the law and that asset management is arranged in a reliable manner.

#### 6. Other management

The Executive Group, consisting of directors appointed by the Board of Directors, assists the Chief Executive Officer in the company's operational management and in the planning of operations. The Executive Group is involved in preparing for the Board of Directors, for example, the matters related to the company's strategy, budgeting and organisation.

Composition and responsibilities of the Executive Group:

**Mika Ahonen,**

born 1967, LL.M., Director, Legal Affairs, Communications and PR, Compliance

**Matti Carpén,**

born 1960, M.Sc. (Eng.), Director, Customer Relations and Customer Channels, ICT

**Hanna Hiidenpalo,**

born 1966, M. Sc. (Econ.), Director, Chief Investment Officer

**Mikko Karpoja,**

born 1962, M.Soc.Sc., Fellow of the Actuarial Society of Finland, Director, Actuarial Services, Appointed Actuary

**Erja Ketko,**

born 1967, M.Sc. (Econ.), Forester, Director, Risk and Business Control

**Sarianne Kirvesmäki,**

born 1966, B.Sc., MBA, Director, Finance and Investment Risk Supervision

**Keijo Kouvonen,**

born 1953, M.Sc., Director, Insurance Policies and Pensions

**Hilkka Malinen,**

born 1963, M.A. (Educ.), Director, Human Resources

The objective of Elo's investment activities is to ensure the profitable and secure investment of employment pension assets. The Executive Group of Investments oversees the implementation of this objective.

Elo's Executive Group of Investments comprises Satu Huber (Chairman), Hanna Hiidenpalo, Erja Ketko, Sarianne Kirvesmäki, Jonna Ryhänen and Timo Stenius.

The remuneration of the Chief Executive Officer and members of the Executive Groups is decided by the Board of Directors. Information about this is given in Elo's remuneration report.

The members of the Executive Groups, their spouses, persons under the members' guardianship and controlled companies are considered to be related parties of Elo. Transactions with related parties are handled in accordance with the relevant related-party guidelines. Significant transactions with Elo's management and related parties will always be decided on by Elo's Board of Directors. Any transactions carried out with related parties are reported on Elo's website.

#### 7. Internal control and risk management

The Board of Directors bears overall responsibility for arranging internal control and risk management and for the annual evaluation of the state of internal control. The Board of Directors must regularly assess the administrative system, the written operating principles (including the principles of internal control and risk management) and continuity plan. The Board of Directors approves the principles of internal control, general risk management principles, division of responsibilities and key policies (risk management policy) as well as the annual risk management plan related to the steering of the company, and it also monitors the progress of the administrative measures presented in the plan. The Audit Committee assists the Board of Directors in this task.

The Chief Executive Officer is responsible to the Board of Directors for the arrangement of internal control and risk management, the preparation of the content of the risk management plan concerning the company's key risks, drawn up for the approval of the Board of Directors, and for the monitoring of risk management. The Chief Executive Officer is supported in these tasks through independent supervision provided by the Risk and Business Control, Finance

and Investment Risk Supervision, Actuarial Services and Compliance functions.

The directors of the business functions and support units are responsible, within the scope of their respective duties, for internal control, the implementation of risk management measures and compliance with the company's risk management policies and practices. The business functions participate in the drafting of the company's risk management plan and the related continuity planning.

Elo has an internal control coordination group that prepares and coordinates matters for the purpose of strengthening good governance and internal control. The group comprises the Chief Executive Officer and representatives of the second and third levels ('lines of defence') of risk management. The group prepares, analyses and processes matters that deviate from normal business operations.

The task of Elo's Internal Auditing is to assess the sufficiency and effectiveness of the governance, risk management and control processes, to issue recommendations, and consult on their development. Assigned by the Board of Directors, Internal Auditing is a unit that operates independently from the rest of the organisation. It reports to the Audit Committee and the Board of Directors, which confirms its operational guidelines and annual plan. The head of the Internal Auditing unit is an administrative subordinate to the Chief Executive Officer.

The activities of Internal Auditing are governed by the requirements of the law and the regulations and guidelines issued by the Financial Supervisory Authority regarding internal auditing and the standards of the Institute of Internal Auditors (IIA).

The Compliance function is part of Elo's internal control, the foundation of which is compliance with regulations issued by the authorities and the best practices for internal control in general. The Compliance activities function as part of Elo's risk management, with the aim of supporting business operations, particularly as regards the management of legal and compliance risks, and to monitor and report on these to the Audit Committee and management. In addition

to supervising compliance with regulations, Elo's Compliance Officer is responsible for, among other things, Elo's insider and related party issues and the avoidance of conflict of interest situations. The Compliance Officer's job is a full-time position.

Elo follows the insider trading regulations as stipulated by the Act on Pension Insurance Companies (TVYL). The purpose is to advance the public reliability of investment activities and to ensure the knowledge of personnel concerning insider trading regulations in order to prevent unintentional violations as well. Elo's Compliance Officer is also responsible for maintaining the insider registers, and for the training and guidance related to insider matters, and for the supervision of trading among those within the insider sphere.

Elo's Board of Directors has approved the insider trading guidelines, and public information about Elo's insiders is available from Euroclear's NetSire service.

## **8. Description of the main characteristics of the internal control and risk management systems related to the financial reporting process**

Elo's financial reports have been drawn up in accordance with the Accounting Act, Limited Liability Companies Act, the Insurance Companies Act, and the Act on Pension Insurance Companies, which regulate the accounting, financial statements and reporting of pension insurance companies, as well as in accordance with the Act on the Calculation of the Pension Provider's Solvency Border and the Covering of the Technical Provisions, the Decree of the Ministry of Social Affairs and Health concerning the financial statements and consolidated financial statements of insurance companies, the Accounting Decree, the calculation bases confirmed by the Ministry of Social Affairs and Health, and the regulations and guidelines issued by the Financial Supervisory Authority.

The Board of Directors has approved the company's risk management policy and plan, in which the financial risk reporting has been taken into consideration.

Elo publishes the preliminary information about its financial statements and the official financial

statements on its website. Mid-year, Elo also publishes its six-month interim review. Additionally, Elo publishes more concise interim reports for the first and third quarters of the year, with a focus on investment operations and solvency.

Financial reporting produced for the Board of Directors, management, authorities and the public is the responsibility of the Finance and Investment Risk Supervision unit, which is independent of the functions subject to reporting. Independent reporting on operating expenses is carried out by the Risk and Business Control unit.

The Finance and Investment Risk Supervision unit reports to the Board of Directors, at least twice a month, on the key figures and stress tests related to the company's solvency, the generation and use of the overall result, the investments and returns at market values and by risk categories, the objectives and outcomes of investment activities, and the risk limits as set in the investment plan and compliance with these limits. Furthermore, the Board of Directors is provided with a report on the overall risk position and risk figures related to the solvency as calculated on the basis of the company's own models.

The solvency situation is monitored daily by the Finance and Investment Risk Supervision unit, and the management receives reports on the solvency situation several times each week in accordance with the instructions issued by the authorities and the company's own models. Other key figures reflecting the company's result and investment activities are reported to the management on a weekly basis. The asset category-specific risks and returns, including derivatives, are reported weekly to the portfolio managers and members of the Executive Group of Investments. The investment systems maintain daily position information, so it is also possible to report on a daily basis if necessary. The Finance and Investment Risk Supervision unit also monitors, on a daily basis, the risk limits and compliance in accordance with the investment plan.

The most important key figures in terms of evaluating Elo's total risk position and risk-bearing

capacity are the amount of the solvency capital in relation to the technical provisions (solvency ratio) and the amount of the solvency capital in relation to the solvency limit in accordance with regulations (solvency position). The calculation of the key figures in terms of the solvency capital and solvency is described in the accounting principles and key figure guide included in the financial statements. Other key items for financial reporting are the yield requirement concerning the technical provisions, valuation of investments, and investment result at fair values.

The accuracy of the technical provisions used in the systems, the financial statements and the calculation of the solvency limit is ensured by the Actuarial Services unit and the Appointed Actuary. The mid-year evaluation of the technical provisions is conducted by the Finance and Investment Risk Supervision unit, and its accuracy is ensured by means of work instructions, balancing routines and close co-operation with Actuarial Services and the Appointed Actuary. In the financial statements, the percentage change in the TyEL payroll is an estimate based on portfolio extracts from the Arek earnings records and on the analyses of Actuarial Services. During the course of the year, the change in payroll is estimated on the basis of forecasts issued by the Finnish Centre for Pensions and Elo's own analyses. The payroll estimate affects the TyEL premium income and technical provisions, but it has little effect on the company's overall result. The exact technical provisions for each year are calculated once all the annual calculations are completed.

The investment values used in the financial statements are determined in accordance with the accounting principles presented in the financial statements. As for unlisted equities, private equity funds and real estate funds, the Finance and Investment Risk Supervision unit ensures that the market values are priced in accordance with the agreed principles. The Finance and Investment Risk Supervision unit has a regular balancing routine to ensure the accuracy of the market values and credit ratings of the investment systems. There is a temporal delay related to the

determination of the market values, but its effect is minimal.

The company's business accounting for the financial year is implemented using the matching principle, and the information in the general ledger accounting is balanced with the partial accounting systems. During the financial year, the balancing is carried out monthly. The accuracy of the financial reports is ensured through regular balancing routines between different source systems and the data storage system, and through work instructions, process descriptions, good professional competence, and close co-operation and fluent communication between the Finance and Investment Risk Supervision unit and the Investment unit.

Operational risks related to financial reporting, investment risk supervision, accounting and transactions are surveyed every six months in risk survey meetings coordinated by the independent Risk and Business Control unit. The significance of the effects of identified risks and the probability of their realisation are estimated separately for each risk and a risk management plan for each risk is drawn up and monitored in terms of its implementation. The near miss cases and realised risks within the reporting and supervision processes, as well as in accounting and transactions are reported in the deviation reports related to compliance and operational risks. In addition, the independent Risk and Business Control unit coordinates the updating of the Finance and Investment Risk Supervision unit's continuity plan each year.

## **9. Auditor and fees**

Elo's Annual General Meeting for 2016 appointed the Authorised Public Accountant Firm Ernst & Young Oy as the company's auditor. The company's Appointed Auditor is Ulla Nykky, Authorised Public Accountant (KHT).

Ulla Nykky has acted as the Appointed Auditor for Elo since 23 April 2014.

In 2016, Elo paid to the audit firm a total of €181,400 euro as auditing fees and €115,385 euro for services not related to auditing.



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