



FINANCIAL STATEMENTS 2017


Elo Mutual Pension Insurance Company

Pro forma figures are the combined figures of Pension Fennia and LocalTapiola Pension Company.

A magnifying glass is positioned over a newspaper page, focusing on a section of financial data. The newspaper text is slightly blurred, but the magnified area shows columns of numbers and some text, suggesting a financial report or stock market data.

ELO'S YEAR 2017

- **Elo reached the best result in its history – return on investments EUR 1.6 billion.**
- **Total return on investments was 7.4 %. Listed equities return on investments 17.0 %.**
- **Elo's strong development continues; we aim to offer the best customer experience in the industry.**
- **The pickup of the Finnish economy and success of Elo's customers were visible in premiums earned.**



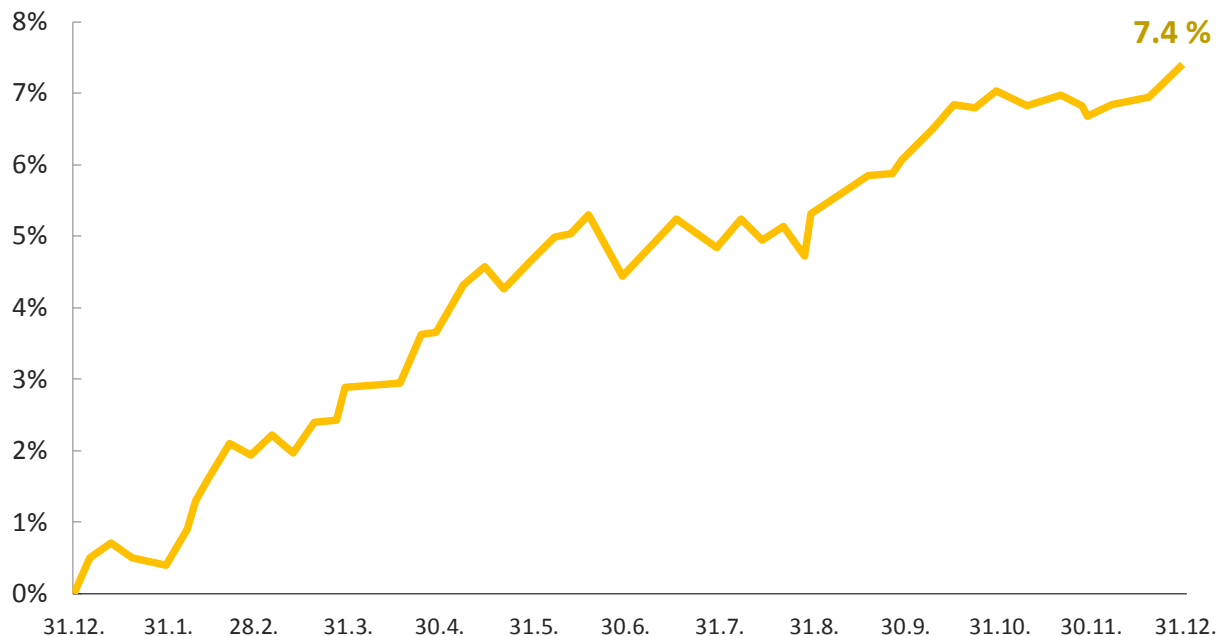
ONE THIRD OF FINNISH COMPANIES AND MORE THAN 40% OF SELF-EMPLOYED PERSONS MANAGE THEIR EMPLOYMENT PENSIONS WITH ELO

- **424,500 TyEL policyholders**
- **84,000 YEL policyholders**
- **227,200 pensioners**
- **Premiums written EUR 3,511 million per year**
- **Pensions and other benefits paid to
pensioners EUR 3,444 million per year**

THE DEVELOPMENT OF INVESTMENT RETURN

1 JANUARY–31 DECEMBER 2017

- The good return on equities contributed significantly to the overall return on investments.

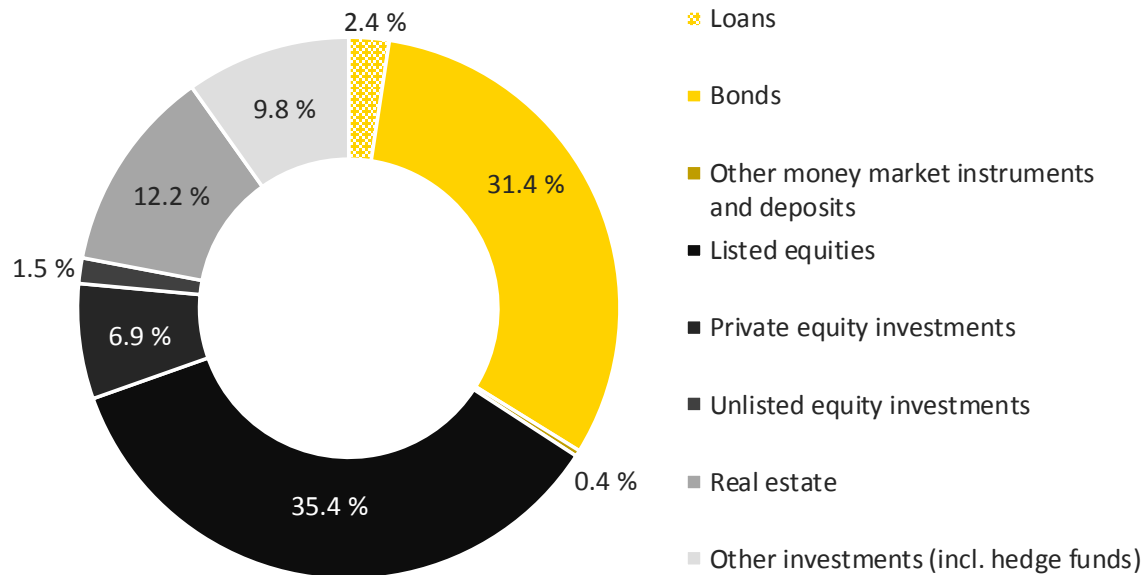


INVESTMENT ALLOCATION

31 DECEMBER 2017

ACTUAL RISK POSITION

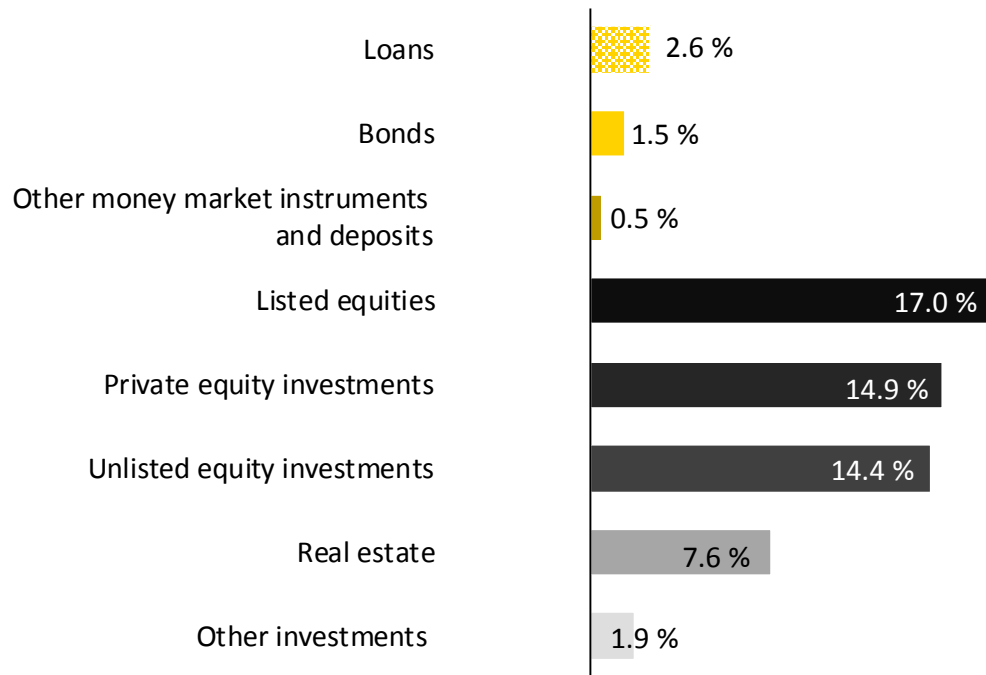
- The market value of Elo's investments was EUR 23.1 billion.



ASSET CLASS RETURNS

1 JANUARY–31 DECEMBER 2017

- All asset classes yielded positive returns.
- The return on investments was EUR 1,607.6 million.
- Listed equities yielded a return of 17.0 %.



In the reported asset class-specific returns, the return from foreign currency derivatives is estimated in proportion to the foreign currency-denominated assets in the financial statements.

THE BEST YIELDED SHARES IN THE PORTFOLIOS

Investment allocation and returns 31 December 2017

	Basic allocation by market value		Actual risk position		Return	Return incl. currency hedges	Volatility
	EUR million		EUR million	%	%	%	%
Fixed-income investments	8,834.2	38.3	8,196.7	35.6	-1.8	1.4	
Loans	553.7	2.4	553.7	2.4	2.6	2.6	
Bonds	7,189.5	31.2	7,241.7	31.4	-2.3	1.5	2.6
Bonds of public corporations	3,548.9	15.4	3,624.8	15.7	-5.7	-0.6	
Bonds of other corporations	3,640.6	15.8	3,616.9	15.7	1.1	3.5	
Other money market instruments and deposits inc. any receivables and liabilities related to investments	1,091.0	4.7	401.3	1.7	-1.0	0.5	
Equities	9,142.8	39.7	10,097.7	43.8	12.8	16.6	
Listed equities	7,208.1	31.3	8,163.0	35.4	13.6	17.0	8.6
Private equity investments	1,584.0	6.9	1,584.0	6.9	9.2	14.9	
Unlisted equity investments	350.8	1.5	350.8	1.5	14.4	14.4	
Real estate	2,811.8	12.2	2,811.8	12.2	7.0	7.6	
Direct real estate investments	2,064.8	9.0	2,064.8	9.0	7.4	7.4	
Real estate funds and joint investment companies	747.0	3.2	747.0	3.2	5.8	8.2	
Other investments	2,263.9	9.8	2,264.4	9.8	26.3	1.9	
Hedge fund investments	2,198.3	9.5	2,198.3	9.5	-2.5	1.9	2.9
Commodity investments	0.0	0.0	0.0	0.0	-	-	
Other investments	65.6	0.3	66.0	0.3	-	-	
Total investments	23,052.8	100.0	23,370.6	101.4	7.4	7.4	2.7
Effect of derivatives			-317.9	-1.4			
Total	23,052.8	100.0	23,052.8	100.0			

In the Return incl. currency hedges column, the return from foreign currency derivatives is estimated in proportion to the foreign currency-denominated assets on the reporting date.

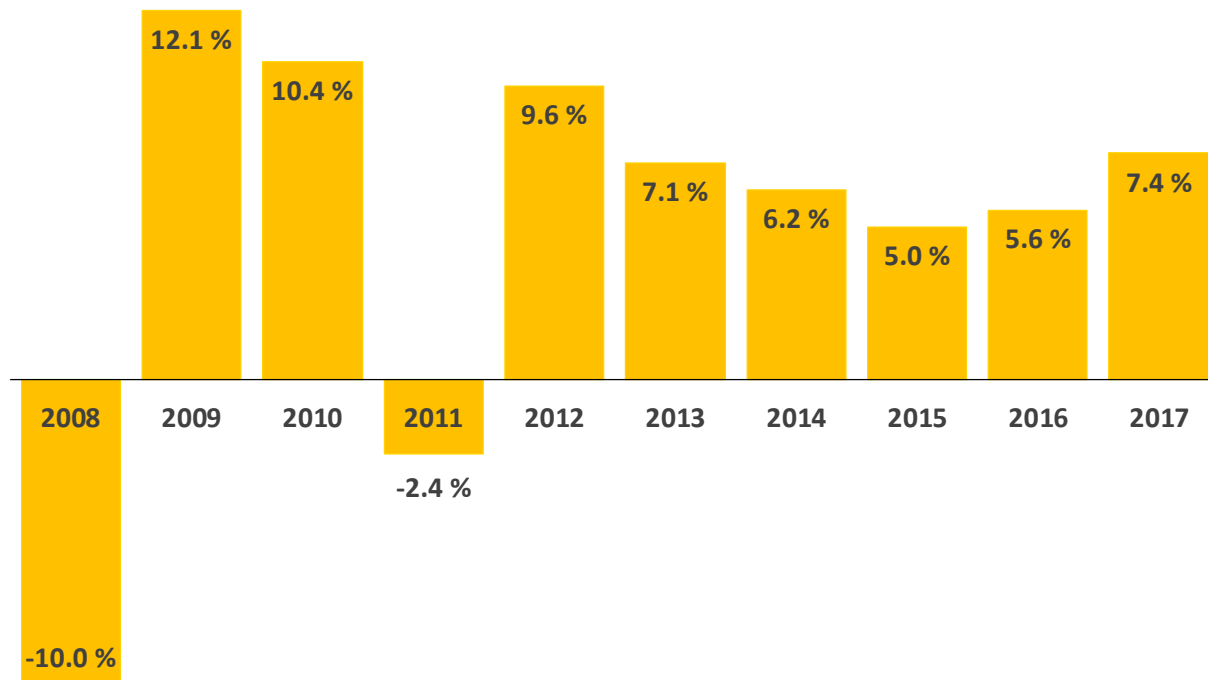
The overall return includes returns, expenses and operating expenses not allocated to investment classes. The modified duration of bonds is 3.7 years. The open currency exposure is 19.7% of market value.

INVESTMENT RETURNS OVER TIME

2008–2017

1 JANUARY–31 DECEMBER 2017

- Investment return 7.4%.
- Real return 6.9%.





STRONG AVERAGE RETURN ON INVESTMENTS OVER TIME

Average over ten years:

- Nominal return 4.9%
- Real return 3.4%

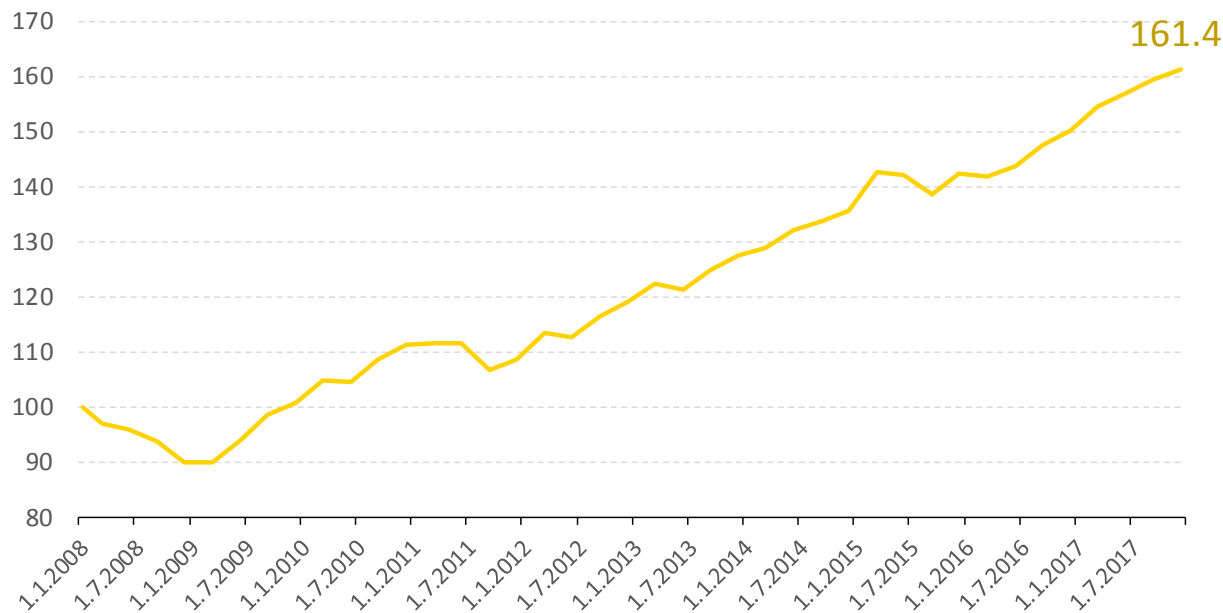
Average over five years:

- Nominal return 6.3%
- Real return 5.5%

CUMULATIVE 10-YEAR RETURN

2008–2017

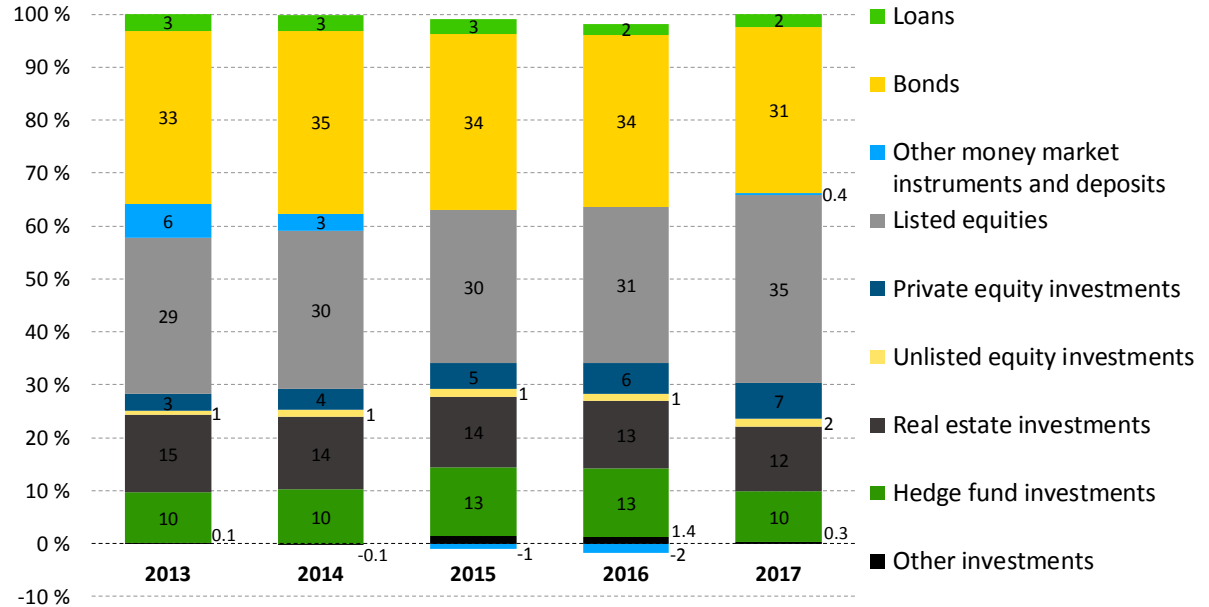
- **Elo's investments have yielded a cumulative return of 61.4 per cent, or EUR 9.0 billion, since 2008.**



DEVELOPMENT OF ASSET ALLOCATION

RISK ALLOCATION

- The allocation of equity investments was increased during the year.



DEVELOPMENT OF INVESTMENT ASSETS

2008–2017

- Investment assets increased to EUR 23 billion.

EUR million

25,000

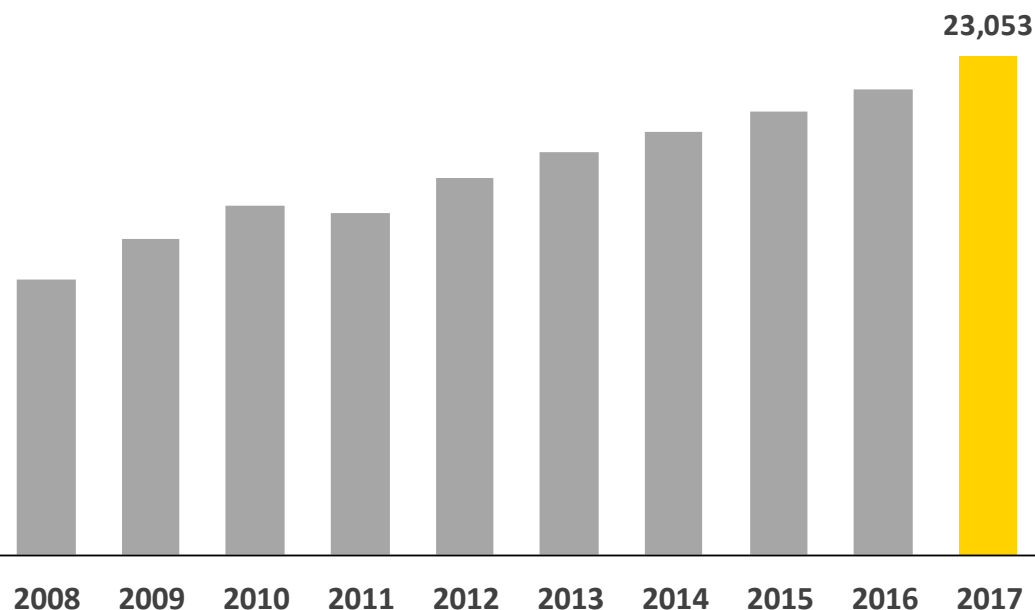
20,000

15,000

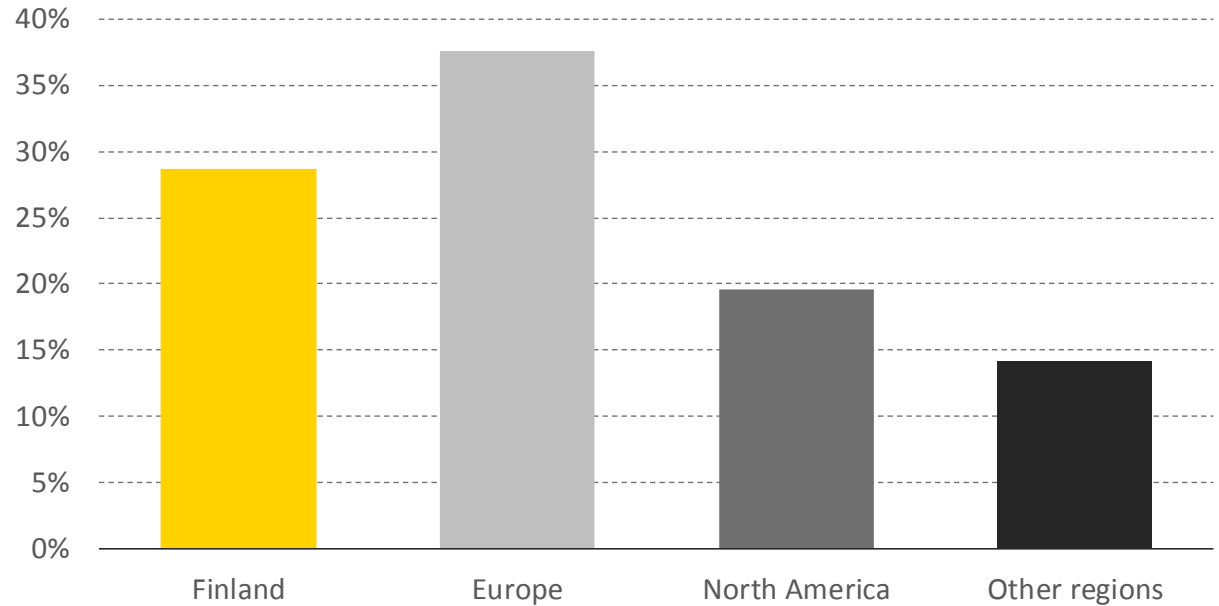
10,000

5,000

0

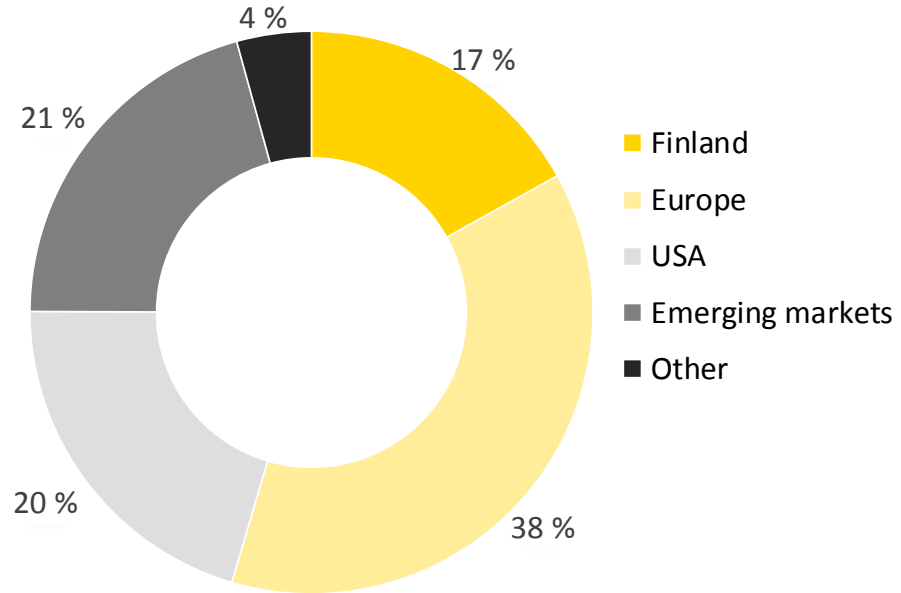


GEOGRAPHICAL DISTRIBUTION OF INVESTMENTS



GEOGRAPHICAL DISTRIBUTION OF LISTED EQUITIES

- Allocation of equity investments in emerging markets was increased.

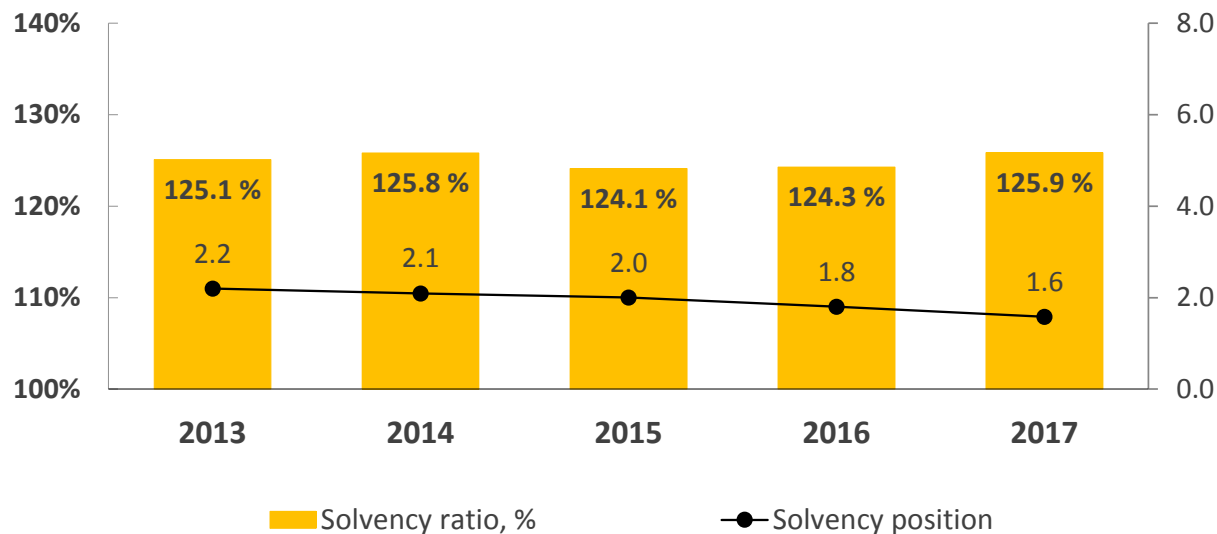


SOLVENCY RATIO AT A GOOD LEVEL

SOLVENCY RATIO AND POSITION

31 December 2017

- The solvency ratio was 125.9%.
- The solvency position was 1.6.



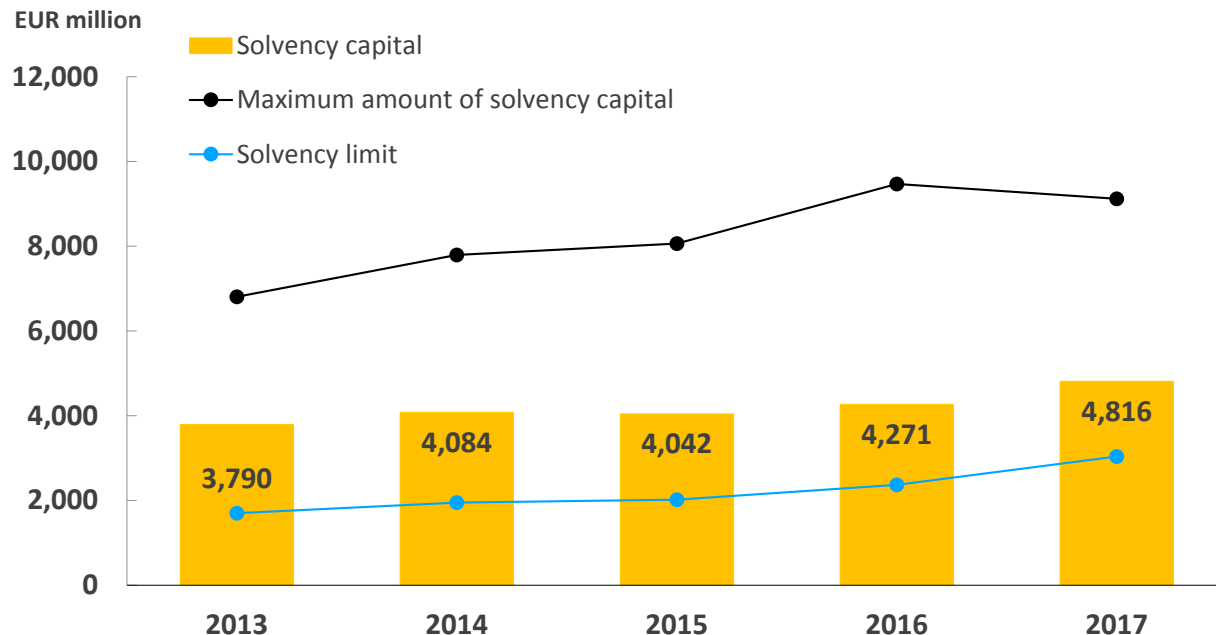
In previous years, the legislation in force at the time has been complied with.
All years are presented according to the new presentation method.

THE SOLVENCY CAPITAL STRENGTHENED

SOLVENCY CAPITAL AND ITS LIMITS

31 December 2017

- The solvency capital was EUR 4,816 million.
- The solvency limit was EUR 3,040 million.



In previous years, the legislation in force at the time has been complied with.

FORMATION OF ELO'S PROFIT

- Insurance business surplus was EUR -13.3 million.
- Result of investment operations at current value EUR 592.7 million
- Loading profit EUR 23.3 million
- The equalisation provision was merged with other solvency capital at the beginning of 2017, and it is no longer monitored as a separate item

EUR million	2017	2016	2015
Total surplus	608.5	333.8	29.9
Insurance business surplus	-13.3	-47.7	-1.5
Investment surplus at fair values	592.7	349.3	-4.8
Net investment income at fair values (+)	1,607.6	1,147.4	990.1
Yield requirement on technical provision (-)	-1,014.9	-798.1	-994.8
Loading profit	23.3	29.1	36.2
Other income	5.8	3.2	

Distribution of surplus	608.5	333.8	29.9
Change in solvency	536.4	275.1	-28.4
Change in equalisation provision included in the solvency capital	0.0	-48.2	-1.6
Change in provision for future bonuses	568.9	-52.3	-158.5
Change in valuation differences	-32.5	375.5	131.6
Change in accrual of closing entries	0.1	0.0	0.1
Profit for the financial year	0.0	0.0	0.0
Change in TEL supplementary pension insurance equalisation provision	0.0	0.5	0.2
Transfer to client bonuses	72.1	58.3	58.2

LOADING PROFIT

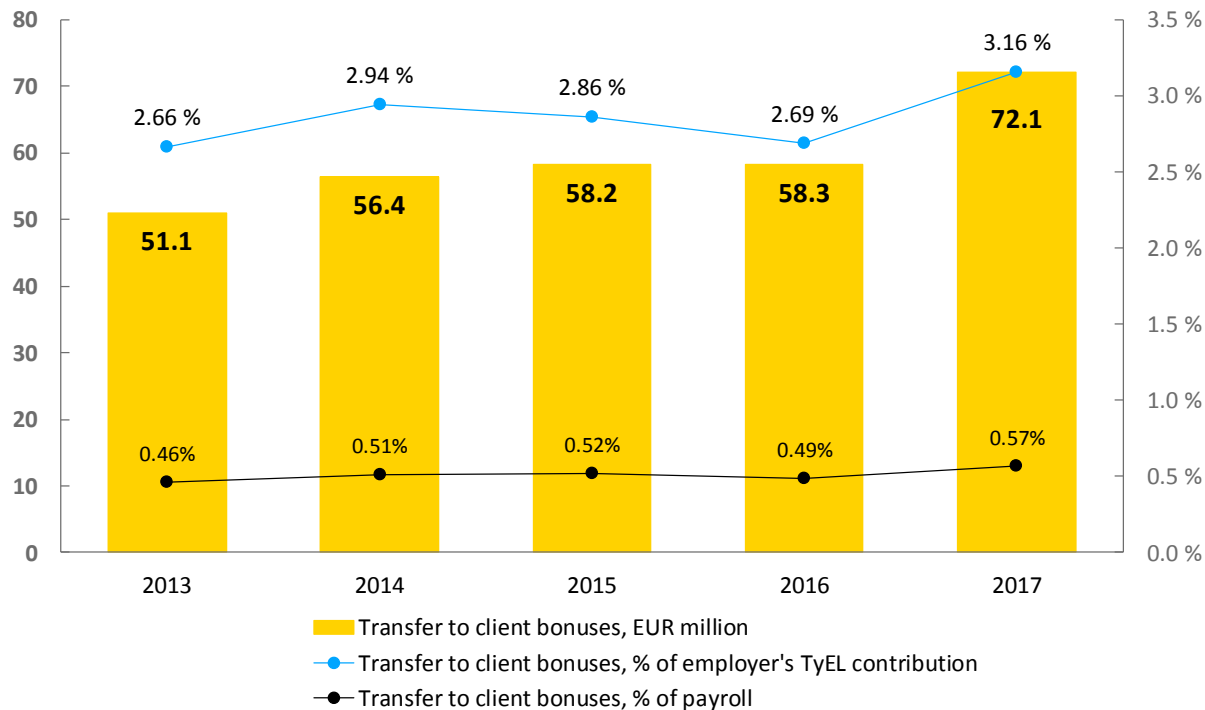
- In 2017, premium loading profits were burdened by a decrease in calculation basis applicable to all pension insurance companies, so the loading ratio is not comparable with previous years.

EUR million	2017	2016	2015
Expense loading components	116.2	118.2	118.9
Premium components available to be used to cover operating expenses resulting from claims settlements	5.1	5.6	5.7
Other income	0.7	0.9	2.0
Total loading income	121.9	124.6	126.5
Activity-based operating expenses ¹⁾	-98.7	-95.6	-90.3
Other expenses	0.0	0.0	0.0
Total operating expenses	-98.7	-95.6	-90.3
Loading profit, total	23.3	29.1	36.2
Operating expenses as a percentage of loading income	80.9 %	76.7 %	71.4 %

¹⁾ Excluding operating expenses from investment activities and activities to maintain ability to work and statutory charges

TRANSFER TO CLIENT BONUSES IN 2013–2017

- Pension insurance company's solvency and operational efficiency affect the amount of customer bonuses.
- The pension insurance company may transfer to client bonuses the entire loading profit and 1% of the solvency capital.



APPENDICES

ELO'S KEY FIGURES

- Premiums earned increased by 5.7%.
- Pensions and benefits paid to pensioners increased by 5.1%.
- Number of insured increased by 16,300 (TyEL + YEL).
- Solvency ratio strengthened and was 125.9%.
- Investment assets increased approximately EUR 1.5 billion.



Summary of key figures

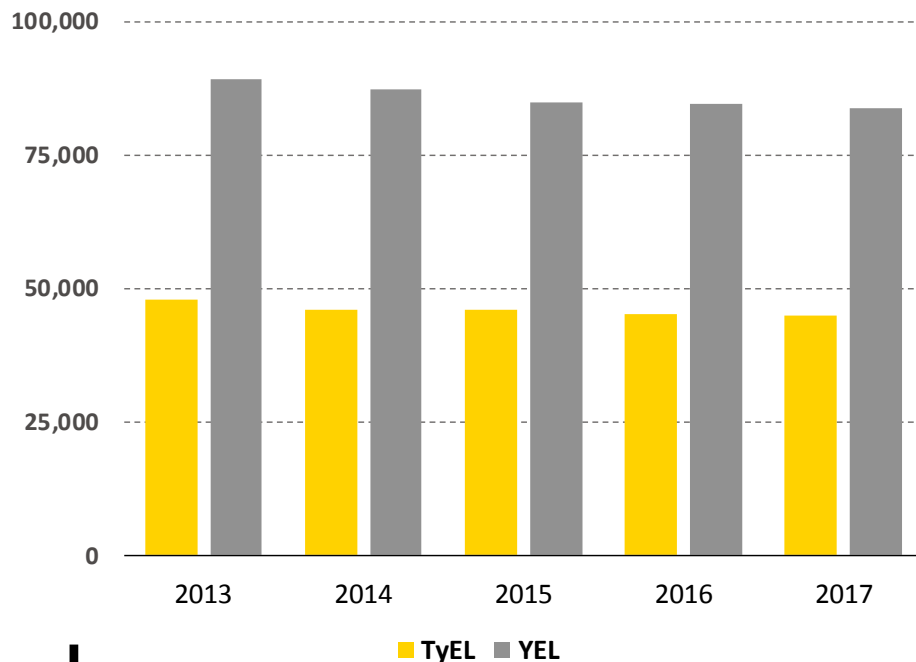
		2017	2016
Company size	Premiums written, EUR million	3,510.8	3,321.5
	Pensions and benefits paid to pensioners, EUR million	3,134.6	2,982.0
	Pensions and other benefits paid, EUR million *)	3,444.2	3,310.7
	Technical provisions, EUR million	20,134.5	18,527.4
	Pension assets, EUR million ¹⁾	23,443.9	21,825.3
	Investment assets at fair value, EUR million	23,052.8	21,507.3
	TyEL payroll, EUR million	12,717.0	11,943.7
	YEL earned income sum, EUR million	1,824.2	1,861.6
	Number of TyEL policyholders	45,100	45,100
	Number of TyEL insured	424,500	407,600
	Number of YEL policyholders	84,000	84,600
	Number of pensioners	227,200	219,700
	Number of personnel (average work contribution)	462	451
Result	Loading profit, EUR million	23.3	29.1
	Operating expenses as % of loading component	80.9 %	76.7 %
	Transfer to client bonuses, EUR million	72.1	58.3
	Transfer to client bonuses (%) of TyEL payroll	0.57 %	0.49 %
	Solvency capital, EUR million	4,815.5	4,270.9
	ratio to solvency limit	1.6	1.8
	Pension assets, % of technical provisions	125.9 %	124.3 %
	Net investment income at fair values, EUR million	1,607.6	1,147.4
	Net return from investment on capital employed, %	7.4 %	5.6 %

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

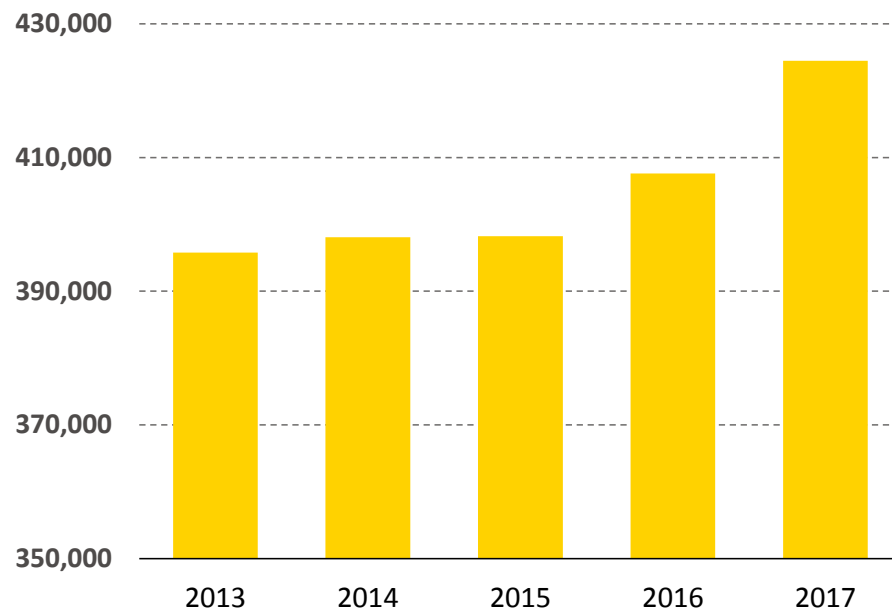
¹⁾ Technical provisions + solvency capital

POLICYHOLDERS AND INSURED

TyEL and YEL policyholders



TyEL insured



BREAKDOWN OF TECHNICAL PROVISIONS

- In the beginning of 2017 the equalisation provision was combined with provision for future bonuses.

EUR million	2017	2016	2015
Provision for unearned premiums			
Future pensions	9,350.6	9,113.7	8,459.0
Provision for current bonuses	72.5	58.5	58.3
Provision for future bonuses	1,468.8	545.2	597.5
Supplementary insurance liability tied to income from shares	412.0	173.5	739.2
	11,303.8	9,890.9	9,854.0
Provision for claims outstanding			
New pension awarded	8,830.6	8,272.4	7,534.1
Equalisation provision	0.0	364.1	461.6
	8,830.6	8,636.4	7,995.6
Total	20,134.5	18,527.4	17,849.7

THE RETURN ON INVESTMENTS EXCEEDED THE TOTAL RETURN REQUIREMENT BY 2.7 PERCENTAGE POINTS

- The part of the total returns that exceeds the return requirement strengthens the solvency.
- Required return in proportion to technical provisions was 5.7%.
- The share exceeding the discount rate includes the shares from the supplementary coefficient and the technical rate of interest.
- The amount of technical provisions linked to equity income increased from 10% at the beginning of 2017 to 15%.
- The supplementary coefficient was 1.09% over the period Jan 1–Mar 31, 2017, 1.23% over the period Apr 1–Jun 30, 2017, 1.52% over the period Jul 1–Sep 30, 2017, 1.61% over the period Oct 1–Dec 31, 2017.

In proportion to capital employed

