

Elo Interim Report 1 January–30 September 2018

The comparison figures in brackets are figures for 30 September 2017.

- **Elo's return on investments was 2.2%. The market value of Elo's investments was EUR 23.7 billion.**
- **The solvency ratio was 123.6% and solvency capital was 1.8 times the solvency limit.**

	1.1.–30.9.2018	1.1.–30.9.2017	1.1.–31.12.2017
Premiums written, EUR million	2,759.6	2,530.2	3,510.8
Net investment income at current value, EUR million	510.6	1,320.4	1,607.6
Net return from investment on capital employed, %	2.2%	6.1%	7.4%

	30.9.2018	30.9.2017	31.12.2017
Technical provisions, EUR million	20,774.7	19,919.8	20,134.5
Solvency capital, EUR million ¹⁾	4,557.3	4,809.2	4,815.5
ratio to solvency limit	1.8	1.7	1.6
Pension assets, EUR million ²⁾	23,893.0	23,088.6	23,443.9
% of technical provisions ²⁾	123.6%	126.3%	125.9%
TyEL payroll, EUR million ³⁾	13,401.0	12,170.3	12,717.0
YEL earned income sum, EUR million ³⁾	1,842.3	1,871.9	1,824.2

¹⁾ Calculated in accordance with the regulations in force at each time (the same principle also applies to other solvency indicators)

²⁾ Technical provisions pursuant to section 11, paragraph 10 of the Ministry of Social Affairs and Health's Decree (614/2008) + solvency capital.

³⁾ Estimate of policyholders' salary and reported earnings for the full year

Economic environment and development of the investment market

Global economic growth remained relatively strong during early autumn, but continued growth now largely depends on the United States. The consensus estimate of global economic growth in 2018 remains at 3.8 per cent, which is slightly higher than last year.

In the United States, growth seems to rise from last year's 2.2 per cent to the current year's approximately 3 per cent. The economy-stimulating tax reform supports growth in the United States this year by at least 0.5 percentage points, and the country is practically already at full employment. For the time being, the wage and inflation development in the United States has remained moderate, but the US inflation development must be monitored closely in the future. The US Federal Reserve (Fed) has continued to cautiously tighten its monetary policy, which is expected to continue.

Growth in the euro zone would seem to be slowing down from last year's 2.4 per cent to approximately 2 per cent this year. In Europe, the European Central Bank's (ECB) monetary policy is still highly stimulative. However, the higher price of crude oil, difficulties in the Brexit process and even the slightest weakening of international economy may weigh down on growth in the euro zone. Political uncertainty is also increased by the deficit budget introduced by Italy.

This year, Finland's economic growth is estimated to reach at least 2.6 per cent, driven by the strong first half of the year. In the autumn, retail trade has grown by more than 2 per cent and industrial production by roughly 4 per cent. However, industrial and consumer confidence has started to decline due to the development of the global economy. There are clear signs of slowing down in the construction activity and the housing market. The overall growth rate of Finnish economy during the remainder of the year appears to be approximately 2 per cent.

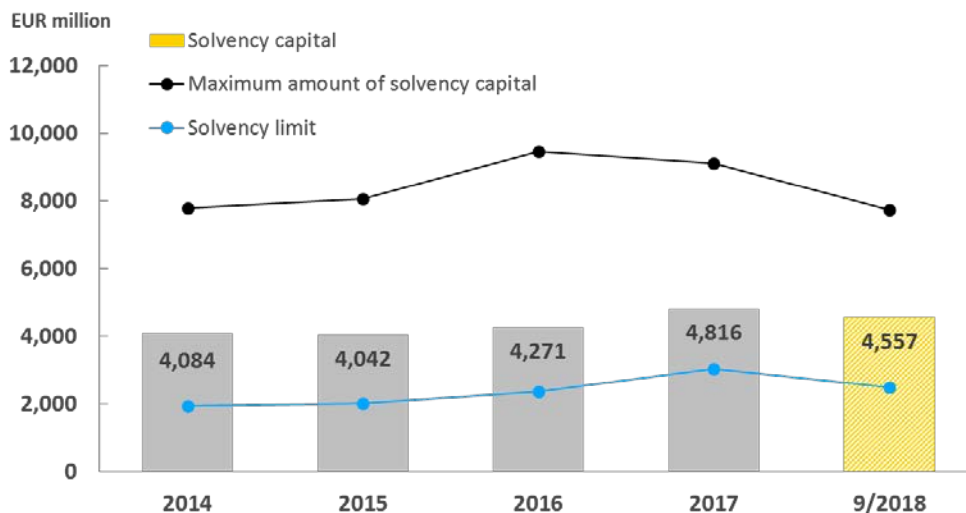
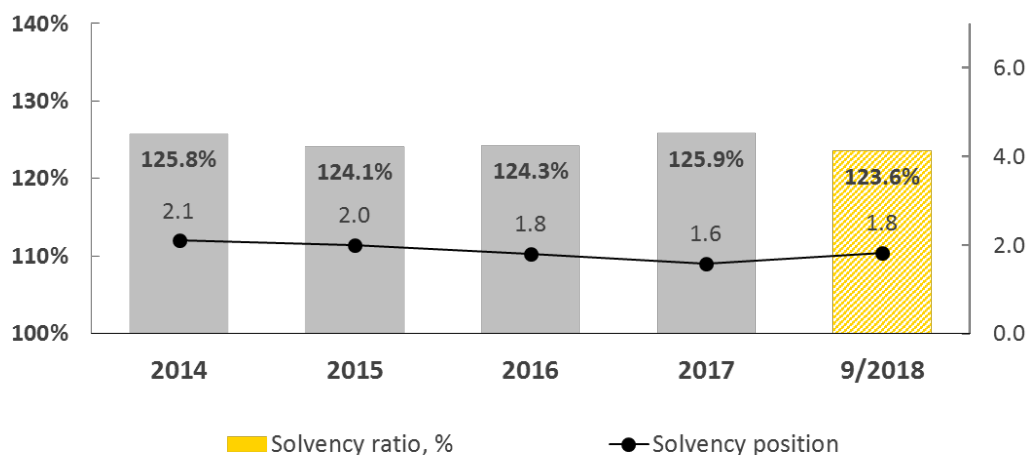
Economic growth in emerging markets has declined from last year. As a result of the Fed's tighter monetary policy and the clear rise in the value of the US dollar during the year, economic problems in the most unstable emerging markets have become clearly more critical during the autumn.

In the investment market, returns have been markedly lower than in the corresponding period last year. Slowing down of economic growth, geopolitical risks, political uncertainties and expectations related to the tightening of the central banks' monetary policy have created uncertainty in the investment market. Interest rates of

sovereign bonds, especially in the United States, started rising in September. Many asset classes produced positive returns during the period. In the uncertain investment environment return on investments was supported by private equity and real estate investments, in addition to equity investments.. US and Japanese equities generated the highest return. The return on Finnish and other European equities as well as on emerging markets' equities remained unchanged in July–September when compared to the earlier periods of the year.

Result and solvency

Solvency capital amounted to EUR 4,557 million (EUR 4,809 million). The ratio of pension assets to technical provisions, i.e. the solvency ratio, was 123.6 per cent (126.3 per cent). Solvency capital was 1.8 (1.7) times the solvency limit.



Solvency capital	30.9.2018	30.9.2017	31.12.2017
Solvency limit, EUR million	2,495.1	2,755.3	3,040.2
Maximum amount of solvency capital, EUR million	7,734.3	8,265.8	9,120.6
Solvency capital, EUR million	4,557.3	4,809.2	4,815.5
Solvency ratio, % ¹⁾	123.6	126.3	125.9
Solvency position ²⁾	1.8	1.7	1.6

¹⁾ Pension assets in relation to technical provisions as referred to in Section 11, item 10, of the Ministry of Social Affairs and Health's decree 614/2008. All years are presented according to the new presentation method.

²⁾ Solvency capital in relation to solvency limit

The net return on investment operations at fair values was EUR 511 million (EUR 1,320 million). The return credited in technical provisions for the same period was EUR 792 million (EUR 780 million), of which technical provisions linked to equity income accounted for EUR 180 million (EUR 211 million). The return requirement for technical provisions was 3.4 per cent (3.9 per cent) in relation to capital employed. The result of investment operations at current value was thus EUR -281 million (EUR 540 million).

The loading profit came to EUR 27 million (EUR 19 million). The insurance business surplus was EUR -5 million (EUR -22 million) and other income EUR 3 million (EUR 1 million). Elo's combined total result at current value was EUR -256 million (EUR 538 million). Total operating expenses amounted to EUR 96 million (EUR 95 million). According to the full-year forecast, the expense loading ratio is estimated to remain below 80 per cent.

EUR million	1.1.–30.9.2018	1.1.–30.9.2017	1.1.–31.12.2017
Total surplus	-256.2	538.0	608.5
Insurance business surplus	-5.3	-22.2	-13.3
Investment surplus at fair values	-281.1	540.1	592.7
Net investment income at fair values (+)	510.6	1,320.4	1,607.6
Yield requirement on technical provision (-)	-791.6	-780.3	-1,014.9
Loading profit	26.9	19.0	23.3
Other income	3.3	1.1	5.8

Customer accounts

Policyholders are free to transfer their pension cover to another pension insurance company on four dates each year, provided they have waited one year from the previous transfer. The year's four transfer periods increased Elo's TyEL premiums written by more than EUR 43 (2.7) million. When it comes to impact on premiums written, the current transfer year has been the best in Elo's history. During the reporting period, Elo gained 4,345 TyEL (4,083) and 6,524 YEL (6,391) insurance policies through new customer prospecting. Successful customer acquisition shows that Elo's development measures and good cooperation with partners produce concrete results.

S Group, the Finnish Institute of Occupational Health and Elo cooperated in carrying out a survey about employment expectations among the S Group employees aged under 25, which was published in August. The survey indicated that young people value an encouraging work community, good managerial work and the chance of balancing work and other aspects of life. Young people believe strongly in their own working life skills. However, looking after the ability to cope with work, identifying own personal strengths and resolving work-related problems is difficult for young employees.

Elo and the Federation of Finnish Enterprises conducted a joint survey on entrepreneurship in Finland in 2018. In the 'Menesty yrittäjänä' (Succeed as an entrepreneur) well-being survey, entrepreneurs shared their views on their entrepreneurship, enterprise and well-being. The results were published in October. The survey was now conducted for the third time.

Insurance services

At the end of September, Elo administered 46,100 TyEL (45,200) and 83,700 YEL (83,900) insurance policies. The total number of self-employed persons and employees insured by Elo at the end of the reporting period was 502,700 (484,400), or almost half a million.

Elo's insurance services have invested strongly in system development and automation, which can be seen in better services for customers and short processing times, for instance. Elo processes TyEL and YEL insurance applications in less than a day. Approximately 24 per cent of self-employed customers and 37 per cent of employer customers receive their invoices electronically. From the beginning of the year, the share of e-invoicing has grown by more than 6 percentage points. Customers have been assisted and guided in the transition to electronic services. This also forms a part of Elo's responsibility actions aiming to reduce its environmental impact.

The number of customer service calls has decreased steadily as services have moved online. At the same time, customer experience plays an increasingly crucial role in telephone service. Customer experience is being developed with the aid of a centre of excellence focusing on customer service. The provision of sign language customer service has been continued with the Chabla application. At the end of September, the NPS in insurance services was 83 for telephone service and 28 for online service.

During 2018, many preparations have been made for the adoption of the national income register on 1 January 2019 and customer support for the transition has been provided. This work will be continued during the remainder of the year.

Pension services

Approximately 236,700 (224,800) pensioners were paid their pensions by Elo at the end of September. A total of EUR 2,438 million (EUR 2,338 million) was paid in pensions during the first nine months of the year. Elo issued a total of approximately 18,900 (20,400) pension decisions on the basis of applications during the first nine months of the year, which is fewer than in the corresponding period last year. Earlier this year, there was a lull in applying for old-age pension due to the increase in the pensionable age and the number of applications submitted was lower than in the previous years. In addition, the popularity of partial early old-age pensions levelled off since last year. Nevertheless, the new pension type has remained a popular form of pension this year, too.

Customer satisfaction is good. Of the customers of Elo's pension services, 85 per cent gave an excellent grade for the service in connection with the processing of their pension. Investments in online service development can be seen in good customer feedback. The customer satisfaction NPS for the insurance and pension customers' online service at the end of September was 59. The NPS for telephone service at the end of September was 72. Key factors highlighted in customer feedback were competent and easy-to-reach customer service, fast and high-quality pension processing and the electronic services used.

Investment operations

Elo's investments generated a return of 2.2 per cent (6.1 per cent) in January–September and investment assets at current value amounted to EUR 23,651 million (EUR 22,886 million) at the end of September 2018. The net return on investment operations at fair values was EUR 510.6 million (EUR 1,320.4 million). At the end of September, the average 5-year nominal return of Elo's investments was 5.7 per cent and the average 10-year nominal return was 5.8 per cent. The real returns were 5.1 per cent and 4.7 per cent, respectively. The result of investment operations at current value was EUR -281.1 million (EUR 540.1 million).

During the reporting period, the impact of the Fed's tighter interest rate policy on the liquidity of the investment market, the versatile diversification of investments and active portfolio management were emphasised in investment operations.

For a company like a pension insurance company, that diversifies its assets extensively into many different asset classes and invests in the global market the years after the 2008 financial crisis have mainly generated good returns. The central banks have exercised highly stimulative monetary policy with the aid of interest rates and

intervention purchases of securities. At the same time, the companies' results have improved and are historically high in relation to the GDP. Thanks to the expansive monetary policy, a great deal of money has flowed into different asset classes and the expected returns of risk-bearing asset classes appear to be low. Considering the post financial crisis development, it is good to be prepared for clearly lower returns.

Uncertainty related to international economic development and the political climate is currently reflected in the investment markets. The post-financial crisis boost to the investment markets in the form of the expansive monetary policy by central banks has levelled off and started to decrease. As a result of the above, Elo has started to lower its risk levels. During the year, we have sold investments especially in emerging markets and decreased the share of equity in investments.

During the reporting period, returns on nearly all the main asset classes were positive. Private equity fund investments generated the highest return, with a return of 11.8 per cent (10.0 per cent) from the beginning of the year. The return on real estate investments remained stable and was 4.7 per cent (4.4 per cent) from the beginning of the year. The development of the return on hedge fund investments during the reporting period was positive, with the return being 3.4 per cent (2.4 per cent).

The return on fixed income investments by the end of September was negative, -0.7 per cent (1.5 per cent). The share of fixed income investments in Elo's investment assets was 39.1 per cent (39.8 per cent). The return on public bonds classified under fixed income investments was -1.9 per cent (0.4 per cent), the return on other bonds -0.1 per cent (2.9 per cent), the return on other money market instruments and deposits -0.4 per cent (0.5 per cent) and the return on loan receivables 2.1 per cent (2.1 per cent).

The weak development of fixed income investments is attributable to increasing political uncertainty, moderate economic growth expectations, geopolitical risks and uncertainty regarding the tightening of the monetary policy by the central banks. The demand for debt financing has increased throughout the year, driven by Finland's economic growth. The supply of debt financing to companies has remained good, enabling new investments as well as mergers and acquisitions. Elo has participated in many financing solutions related to mergers and acquisitions.

By the end of September, the return on equity investments was 4.1 per cent (13.5 per cent). The share of equity investments in Elo's investment assets was 40.1 per cent (37.0 per cent). The return on listed equity investments was 2.4 per cent (14.5 per cent) and on unlisted equity investments 3.4 per cent (9.4 per cent). The return on the private equity investments classified under equity investments was 11.8 per cent (10.0 per cent).

This year, return on equities has fluctuated considerably. At the end of September, the return on listed equity investments was 2.4 per cent (14.5 per cent) when calculated from the beginning of the year and clearly lower than in the corresponding period last year. In July–September, US and Japanese equities generated the highest return. The return on Finnish and other European equities as well as on emerging markets' equities have remained stable when compared to the first half of the year. Private equity investments generated the highest return again. In private equity investments, the large number of exits and the high profitability of the companies that Elo has invested in contributed to the high level of returns. M&A activity has remained high throughout the year. Several large-scale mergers have also been carried out in 2018. The amounts of capital raised have increased as funds have become larger, particularly because the share of public-to-private transactions of listed companies has increased.

By the end of September, the return on real estate investments was 4.7 per cent (4.4 per cent). The share of real estate investments in Elo's investment assets was 12.7 per cent (12.3 per cent) at the end of September. The return on direct real estate investments was 4.8 per cent (4.8 per cent) and the return on real estate funds and joint investment companies was 4.3 per cent (3.2 per cent).

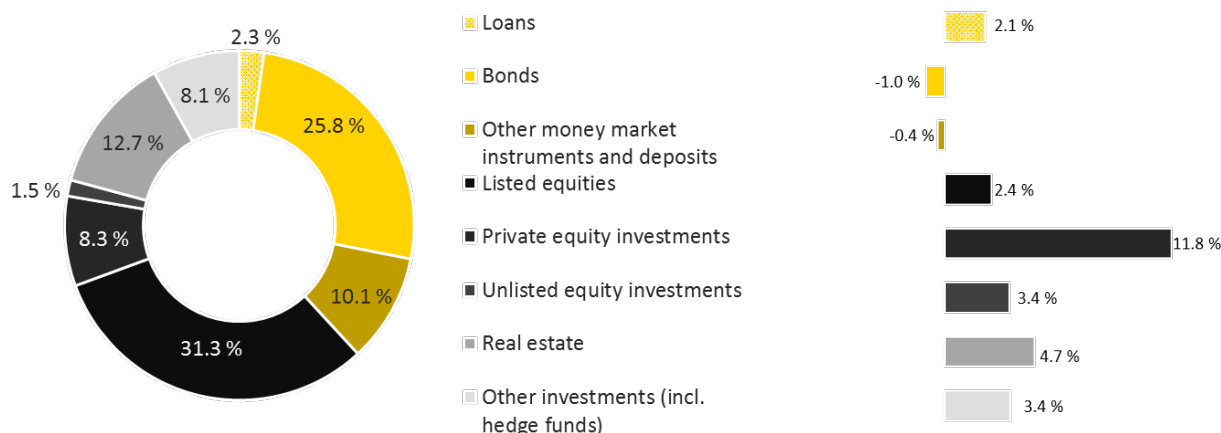
Return on real estate investments was good. The development of the existing real estate portfolio was continued as planned. The occupancy rate of business premises improved slightly and a logistics centre in Aviapolis in Vantaa was sold during the reporting period.

At the end of September, Elo's other investments consisted of hedge fund investments, with a return of 3.4 per cent (2.4 per cent). Hedge fund investments generated good return in the third quarter. Especially market-

neutral funds, the returns on which are not dependent on the return trend of the main asset classes, performed excellently. Quantitative investment strategies also started showing a positive trend during the summer.

With regard to currencies, the US dollar continued to appreciate against the euro. Elo has dollar-denominated investments in corporate bonds, equity, private equity funds and hedge funds. In line with the investment policy, the exchange rate risk has been partly hedged. Operationally, the currency risk is managed as a whole and, terms of return, the currency impact is included in the return on different asset classes.

Risk allocation and return on investments



Asset allocation and returns

	Basic allocation by market value		Actual risk position		Return	Volatility
	EUR million		EUR million	%	%	%
Fixed-income investments	9,252.1	39.1	10,934.7	46.2	-0.7	
Loans	538.0	2.3	538.0	2.3	2.1	
Bonds	6,757.8	28.6	6,101.6	25.8	-1.0	2.7
Public bonds	3,168.0	13.4	3,403.3	14.4	-1.9	
Other bonds	3,589.8	15.2	2,698.3	11.4	-0.1	
Other money market instruments and deposits inc. any receivables and liabilities related to investments	1,956.4	8.3	4,295.2	18.2	-0.4	
Equities	9,483.7	40.1	9,711.6	41.1	4.1	
Listed equities	7,164.2	30.3	7,392.1	31.3	2.4	6.7
Private equity investments	1,967.8	8.3	1,967.8	8.3	11.8	
Unlisted equity investments	351.7	1.5	351.7	1.5	3.4	
Real estate	3,007.3	12.7	3,007.3	12.7	4.7	
Direct real estate investments	2,303.2	9.7	2,303.2	9.7	4.8	
Real estate funds and joint investment companies	704.1	3.0	704.1	3.0	4.3	
Other investments	1,907.6	8.1	1,911.6	8.1	3.4	
Hedge fund investments	1,968.3	8.3	1,968.3	8.3	3.4	3.4
Commodity investments	1.4	0.0	5.4	0.0	-	
Other investments	-62.1	-0.3	-62.1	-0.3	-	
Total investments	23,650.8	100.0	25,565.3	108.1	2.2	2.5
Effect of derivatives			-1,914.5	-8.1		
Total	23,650.8	100.0	23,650.8	100.0		

The return on foreign currency derivatives is estimated for asset classes in proportion to the average foreign currency-denominated assets during the reporting period.

The total return includes returns, expenses and operating expenses not allocated to investment classes. The modified duration of bonds is 3.5 years.

The open currency exposure is 21.1% of market value.

Responsibility

Responsibility is incorporated into Elo's strategy and associated with all of our strategic target areas: solvency, performance and growth. Responsibility is included in our basic task. Our goal is to be an influential force in the Finnish employment pensions sector, a competitive and efficient company, a solvent and responsible investor and an expert partner in pensions.

Responsible investment is an integral part of Elo's investment operations, the objective of which is to ensure the profitable and secure investment of employment pension assets. Responsibility is present in the selection and monitoring of investments, and it is also subject to constant development.

Elo participated in The Investor Agenda, which has been developed for the global investor community to accelerate and expand the actions that are critical to combatting against climate change and achieving the goals of the Paris Agreement. At the end of August, Elo decided to join CDP's (Carbon Disclosure Project) Investor Action Request, which we see as a natural additional element in exercising corporate influence. It provides investors with greater visibility into how the companies in their portfolio manage carbon emissions and energy efficiency.

The goal of Elo's climate strategy is to increase the share of positive-impact companies from 34 per cent to 50 per cent by 2025. During the summer, Elo used MSCI's ESG Sustainable Impact Metrics methodology in making an analysis of how much of Finnish companies' turnover is generated by products and/or services that have a positive impact on the environment and society. According to the analysis, half of the Finnish companies that are currently included in Elo's investment portfolio have a positive environmental and/or social impact, approximately a third have a positive environmental impact and roughly a fifth have a positive social impact.

Together with the global investor community, we work to combat climate change. PRI ranks almost all Elo's asset classes into the best categories.

During the reporting period, Elo organised two responsible investment seminars: Finsif's social responsibility seminar on human rights in August and Elo's internal seminar on good governance in September.

The EU Member States must enforce the regulations required by SHRD II, the directive amending the Shareholder Rights Directive, by 10 June 2019. The directive does not set direct obligations for pension insurance companies but, as a result, the Act on Earnings-Related Pension Insurance Companies will change with regard to provisions associated with ownership steering. Consequently, Elo will update its ownership steering principles in early 2019.

Forecasts indicate that working life and duties at work change faster than before. Elo's view is that a responsible employer ensures that preparations are made for changes taking place in working life. In September, Elo launched the 'Elossa 2030' concept with coaching events for the entire personnel. Led by supervisors, the 'Elossa 2030' concept develops the personnel's working life skills for future needs, from the point of view of both the individual and the company.

The fourth 'Taloudenpuolustuskurssi' (Economics Defence Course) event was organised by Aalto EE and Helsingin Sanomat in September. This year, the leading economy experts, Members of Parliament and other opinion leaders discussed reconstruction. The purpose of the Economics Defence Course is to bring economy experts, MPs and business world decision-makers together to exchange new ideas and innovate. Elo was one of the event's partners. Elo wants to take part in dialogue in society and highlight the points of view of Elo's customers and stakeholders.

Economic outlook

There is an exceptional amount of uncertainty related to international economic development, and it is currently reflected in the investment markets. Trade disputes and geopolitical tensions in the Korean Peninsula, the Middle East and Ukraine, for instance, create uncertainty in world economy and increase inflation risk. In the euro zone, political risk and uncertainty are increased by the Italian government's deficit budget proposal and the challenges associated with the Brexit process. Globally, economic growth seems to be slowing down, but it still appears to remain moderate. There is no recession on the horizon. In addition, economic growth seems to take diverge between different countries.

Thanks to the expansive monetary policy, a great deal of money has flowed into different asset classes during the years post- financial crisis and the expected returns for also risk-bearing asset classes appear to be lower. Considering the development during the past few years, it is prudent to be prepared for an era of clearly lower returns in the coming years.

After a long highly stimulative period, the central banks are finally starting to tighten their monetary policies, which will lead to a rise in interest rates and a decrease in liquidity, creating uncertainty in the investment

markets. A major open question is how the central banks are going to reduce holdings of sovereign bonds from their balance sheets. The Fed has started to tighten its monetary policy moderately and economy-stimulating financial policy has replaced monetary policy as the growth driver in the United States. The US inflation development must be monitored closely in the future.

In the near future, economic development in Finland seems to be declining slightly but still remaining at a moderate level and, during the remainder of the year, Finland's economic growth rate would seem to be approximately 2 per cent. Both retail trade and industrial production have been growing in 2018. However, industrial and consumer confidence has started to decline and there are clear signs of slowing down in the construction activity and the housing market. The rise of the employment rate to the targeted 72 per cent by the end of September is positive news, but its further improvement would be crucial for the development of Finnish economy over a longer term.

However, regardless of economic cycles, there are always sectors that do well and especially technological transformation opens up opportunities. Economic growth generated by digitalisation is only just beginning.

After the reporting period, a clear change has taken place in market sentiment. Share prices have declined and market volatility has grown as political risks have increased and market liquidity has decreased. The current earnings season plays a key role for market sentiment.

Asset allocation at current value

	Basic allocation ¹⁰ by market value						Actual risk position ⁸⁾					
	30.9.2018		30.9.2017		31.12.2017		30.9.2018		30.9.2017		31.12.2017	
	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%
Fixed-income investments	9,252.1	39.1	9,115.2	39.8	8,834.2	38.3	10,934.7	46.2	10,913.6	47.7	8,196.7	35.6
Loans ¹⁾	538.0	2.3	522.2	2.3	553.7	2.4	538.0	2.3	522.2	2.3	553.7	2.4
Bonds	6,757.8	28.6	7,187.1	31.4	7,189.5	31.2	6,101.6	25.8	7,230.5	31.6	7,241.7	31.4
Other money market instruments and deposits including any receivables and liabilities related to investments ¹⁾²⁾	1,956.4	8.3	1,405.9	6.1	1,091.0	4.7	4,295.2	18.2	3,161.0	13.8	401.3	1.7
Equities	9,483.7	40.1	8,476.7	37.0	9,142.8	39.7	9,711.6	41.1	8,806.7	38.5	10,097.7	43.8
Listed equities ³⁾	7,164.2	30.3	6,683.7	29.2	7,208.1	31.3	7,392.1	31.3	7,013.7	30.6	8,163.0	35.4
Private equity investments ⁴⁾	1,967.8	8.3	1,453.9	6.4	1,584.0	6.9	1,967.8	8.3	1,453.9	6.4	1,584.0	6.9
Unlisted equity investments ⁵⁾	351.7	1.5	339.1	1.5	350.8	1.5	351.7	1.5	339.1	1.5	350.8	1.5
Real estate	3,007.3	12.7	2,820.3	12.3	2,811.8	12.2	3,007.3	12.7	2,820.3	12.3	2,811.8	12.2
Direct real estate investments	2,303.2	9.7	2,038.6	8.9	2,064.8	9.0	2,303.2	9.7	2,038.6	8.9	2,064.8	9.0
Real estate funds and joint investment companies	704.1	3.0	781.7	3.4	747.0	3.2	704.1	3.0	781.7	3.4	747.0	3.2
Other investments	1,907.6	8.1	2,474.0	10.8	2,263.9	9.8	1,911.6	8.1	2,474.0	10.8	2,264.4	9.8
Hedge fund investments ⁶⁾	1,968.3	8.3	2,503.5	10.9	2,198.3	9.5	1,968.3	8.3	2,503.5	10.9	2,198.3	9.5
Commodity investments	1.4	0.0	0.0	0.0	0.0	0.0	5.4	0.0	0.0	0.0	0.0	0.0
Other investments ⁷⁾	-62.1	-0.3	-29.5	-0.1	65.6	0.3	-62.1	-0.3	-29.5	-0.1	66.0	0.3
Total	23,650.8	100.0	22,886.2	100.0	23,052.8	100.0	25,565.3	108.1	25,014.6	109.3	23,370.6	101.4
Effect of derivatives ⁹⁾							-1,914.5	-8.1	-2,128.4	-9.0	-317.9	-1.4
Total at fair values	23,650.8	100.0	22,886.2	100.0	23,052.8	100.0	23,650.8	100.0	22,886.2	100.2	23,052.8	100.0
Modified duration of bond portfolio	3.5											

1) Includes accrued interest

2) Includes cash at bank and in hand and purchase money claims and purchase money obligations

3) Includes also mixed funds if these cannot be allocated elsewhere

4) Includes private equity funds, mezzanine funds and also infrastructure investments

5) Includes also unlisted real estate investment companies

6) Includes all types of hedge fund investments regardless of the strategy of the fund

7) Includes items that cannot be included in other investment classes

8) 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.

9) 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.

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

Net return on investment operations for capital employed

The asset class-specific returns for the comparison periods have been adjusted according to the current calculation method.

	Net return on investments at current value, EUR million	Invested capital ⁹⁾ , EUR million	Return on invested capital, %	Return on invested capital, %	Return on invested capital, %
	1.1.–30.9.2018	1.1.–30.9.2018	1.1.–30.9.2018	1.1.–30.9.2017	1.1.–31.12.2017
Fixed-income investments	-63.3	9,075.8	-0.7	1.5	1.4
Loans ¹⁾	10.9	520.5	2.1	2.1	2.6
Bonds	-68.6	7,057.7	-1.0	1.7	1.5
Bonds of public corporations	-64.1	3,415.4	-1.9	0.4	-0.6
Bonds of other corporations	-4.6	3,642.2	-0.1	2.9	3.5
Other money market instruments and deposits including any receivables and liabilities related to investments ¹⁾²⁾	-5.6	1,497.5	-0.4	0.5	0.5
Equities	383.2	9,270.9	4.1	13.5	16.6
Listed equities ³⁾	176.7	7,272.5	2.4	14.5	17.0
Private equity investments ⁴⁾	194.9	1,653.8	11.8	10.0	14.9
Unlisted equity investments ⁵⁾	11.6	344.6	3.4	9.4	14.4
Real estate	137.4	2,940.8	4.7	4.4	7.6
Direct real estate investments	108.6	2,269.1	4.8	4.8	7.4
Real estate funds and joint investment companies	28.8	671.7	4.3	3.2	8.2
Other investments	69.7	2,042.1	3.4	2.5	1.9
Hedge fund investments ⁶⁾	68.6	2,039.1	3.4	2.4	1.9
Commodity investments	1.2	0.1	-	-	-
Other investments ⁷⁾	-0.1	2.9	-	-	-
Total investments	526.9	23,329.6	2.3	6.1	7.5
Unallocated income, costs and operating expenses from investment operations	-16.4		-0.1	-0.1	-0.1
Net investment income at current value	510.6	23,329.6	2.2	6.1	7.4

1) Includes accrued interest

2) Includes cash at bank and in hand and purchase money claims and purchase money obligations

3) Includes also mixed funds if these cannot be allocated elsewhere

4) Includes private equity funds, mezzanine funds and also infrastructure investments

5) Includes also unlisted real estate investment companies

6) Includes all types of hedge fund investments regardless of the strategy of the fund

7) Includes items that cannot be included in other investment classes

8) 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

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