



HALF-YEAR FINANCIAL REPORT 1 JANUARY – 30 JUNE 2018

Elo Mutual Pension Insurance Company

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



ELO'S PERFORMANCE DURING THE FIRST HALF OF THE YEAR

- The investment markets have been characterised by volatility during the year, with low returns in many asset classes.
- In Q2, the return on investments was positive and the return on Elo's investments stood at 0.8% at the end of June.
- The nominal 10-year return is still excellent at 5.4%.
- Elo was highlighted as a positive example in a report published by an international association that assesses climate-related risks and opportunities.
- Transfer periods strengthened Elo's market position.

KEY FIGURES JANUARY-JUNE 2018

Investment assets

EUR **23.4** bn

Return on investments

0.8%

Nominal return over 10
years

5.4%

Solvency ratio

123.8%

Premiums written

EUR **1,830** million

Pensions paid

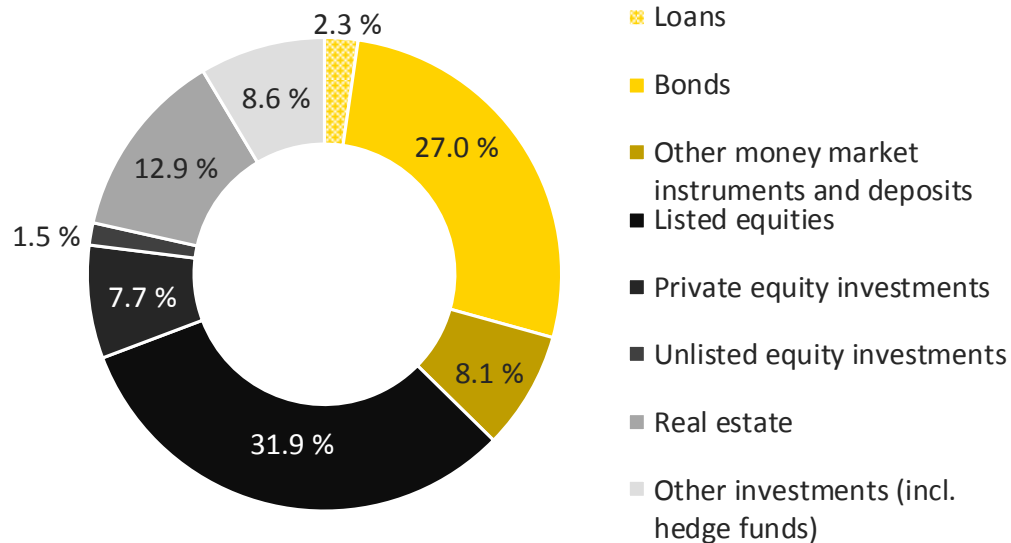
EUR **1,621** million

ASSET ALLOCATION

30 JUNE 2018

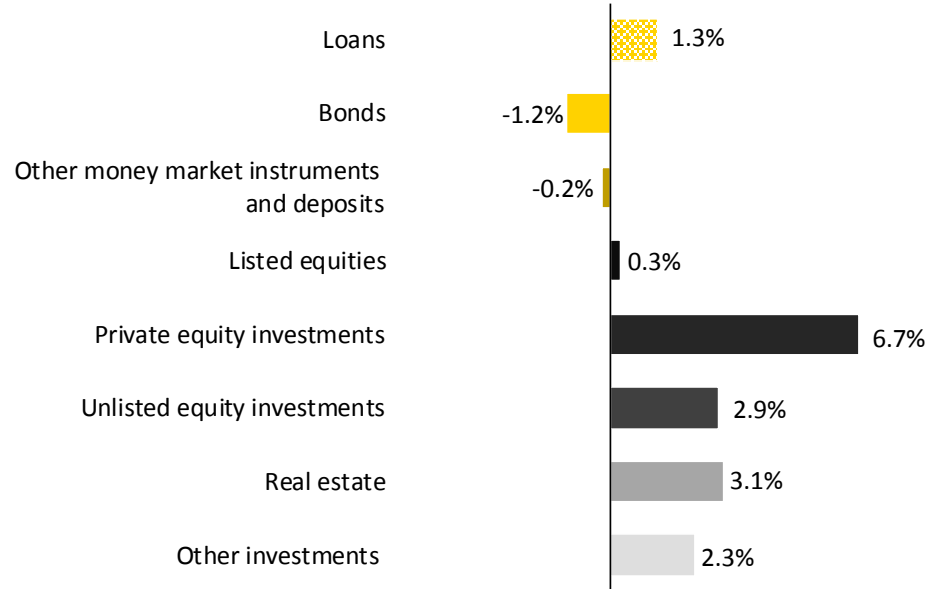
ACTUAL RISK POSITION

- The market value of the investments was EUR 23.4 billion.



RETURN ON INVESTMENTS BY ASSET CLASS 1 JANUARY – 30 JUNE 2018

- Unlisted private equity investments and real estate investments produced steady returns and supported the overall rate of return as the nervous economic climate weighed down on returns in the equity markets.
- The asset class that generated the best returns was private equity investments at 6.7%.



Returns from asset types include exchange rate differences.

INVESTMENTS GENERATED A RETURN OF 0.8%

Asset allocation and return on investments 30 June 2018

	Basic allocation by market value		Actual risk position		Return incl. currency hedges	Volatility
	EUR million		EUR million	%	%	%
Fixed-income investments	9,209.7	39.4	4,223.7	18.0	-0.9	
Loans	532.9	2.3	532.9	2.3	1.3	
Bonds	7,023.4	30.0	6,326.7	27.0	-1.2	2.7
Public bonds	3,346.3	14.3	3,337.6	14.3	-1.5	
Other bonds	3,677.2	15.7	2,989.1	12.8	-0.8	
Other money market instruments and deposits inc. any receivables and liabilities related to investments	1,653.4	7.1	-2,635.8	-11.3	-0.2	
Equities	9,166.8	39.2	9,626.6	41.1	1.5	
Listed equities	7,003.7	29.9	7,463.5	31.9	0.3	7.5
Private equity investments	1,807.5	7.7	1,807.5	7.7	6.7	
Unlisted equity investments	355.6	1.5	355.6	1.5	2.9	
Real estate	3,028.1	12.9	3,028.1	12.9	3.1	
Direct real estate investments	2,337.6	10.0	2,337.6	10.0	3.3	
Real estate funds and joint investment companies	690.5	3.0	690.5	3.0	2.3	
Other investments	1,998.9	8.5	2,004.5	8.6	2.3	
Hedge fund investments	2,046.5	8.7	2,046.5	8.7	2.2	3.3
Commodity investments	0.1	0.0	8.7	0.0	-	
Other investments	-47.6	-0.2	-50.8	-0.2	-	
Total investments	23,403.5	100.0	18,882.9	80.7	0.8	2.7
Effect of derivatives			4,520.7	19.3		
Total	23,403.5	100.0	23,403.5	100.0		

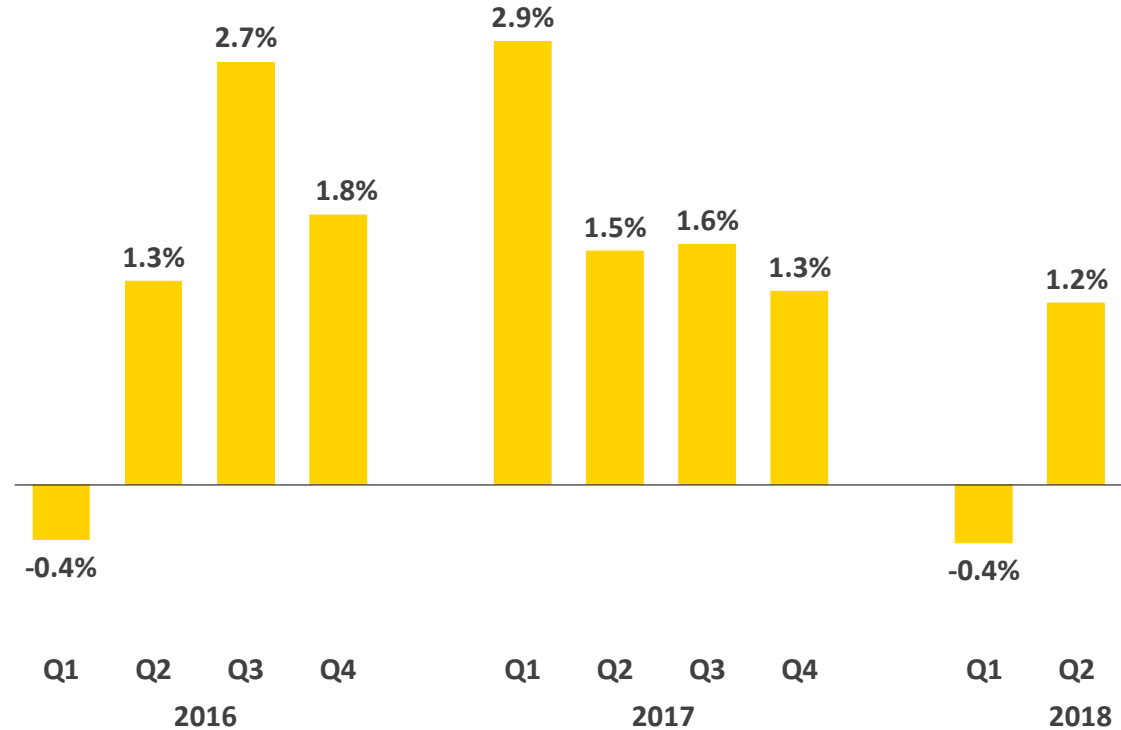
In the Return incl. currency hedges column, the return from foreign currency derivatives is estimated in proportion to the foreign currency-denominated assets on the reporting date.

The overall return includes returns, expenses and operating expenses not allocated to investment classes. The modified duration of bonds is 3.2 years.

The open currency exposure is 21% of market value.

QUARTERLY INVESTMENTS RETURNS

- Return on investments in January–June 2018 was 0,8%.
- Second quarter return was 1,2%.



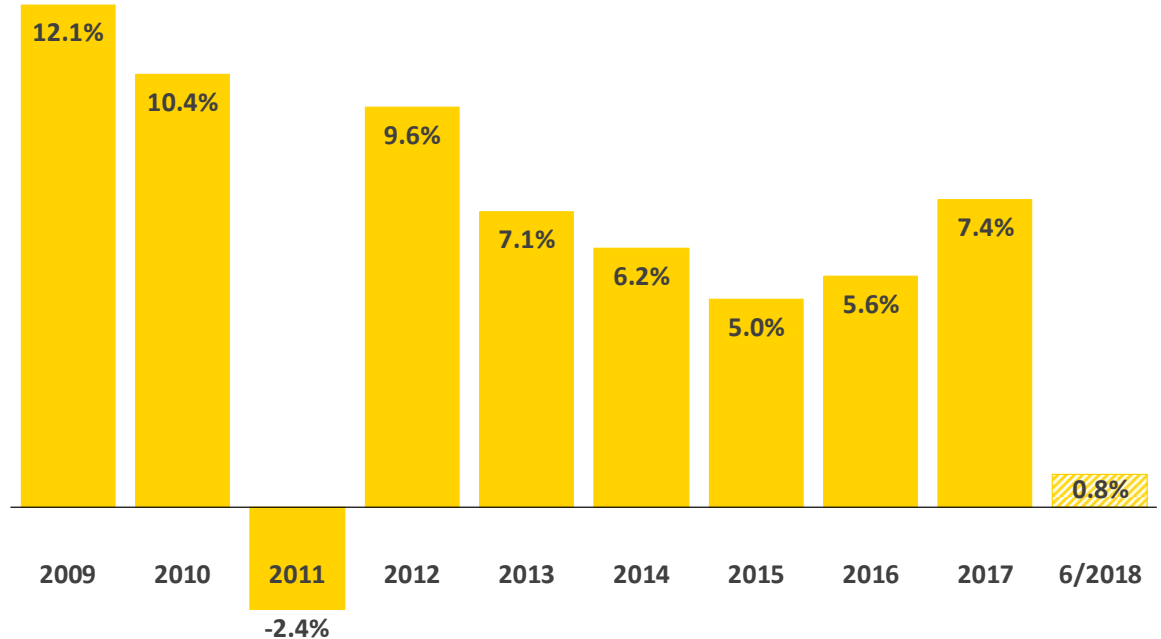
STRONG AVERAGE RETURN ON INVESTMENTS OVER TIME

Average return over ten years:

- Nominal return 5.4%
- Real return 4.2%

Average return over five years:

- Nominal return 6.1%
- Real return 5.4%

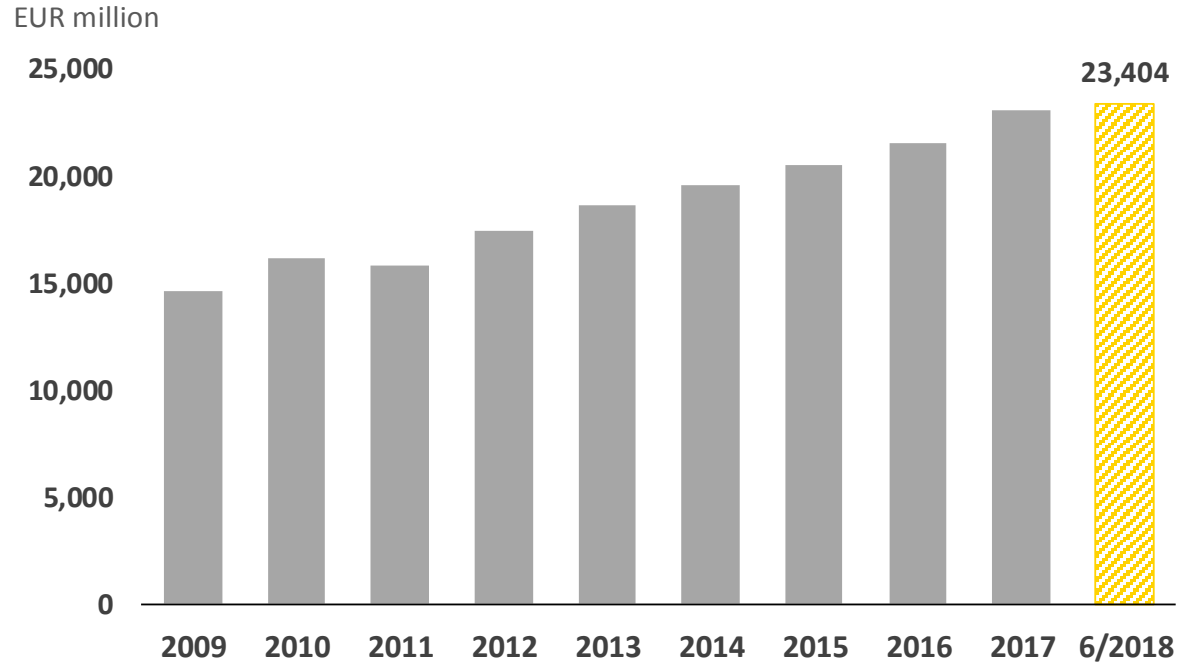


Pro forma figures from 2009-2013 are the combined figures of Pension Fennia and LocalTapiola Pension Company.

DEVELOPMENT OF INVESTMENT ASSETS

31 DECEMBER 2009 – 30 JUNE 2018

- Investment assets increased to EUR 23.4 billion.

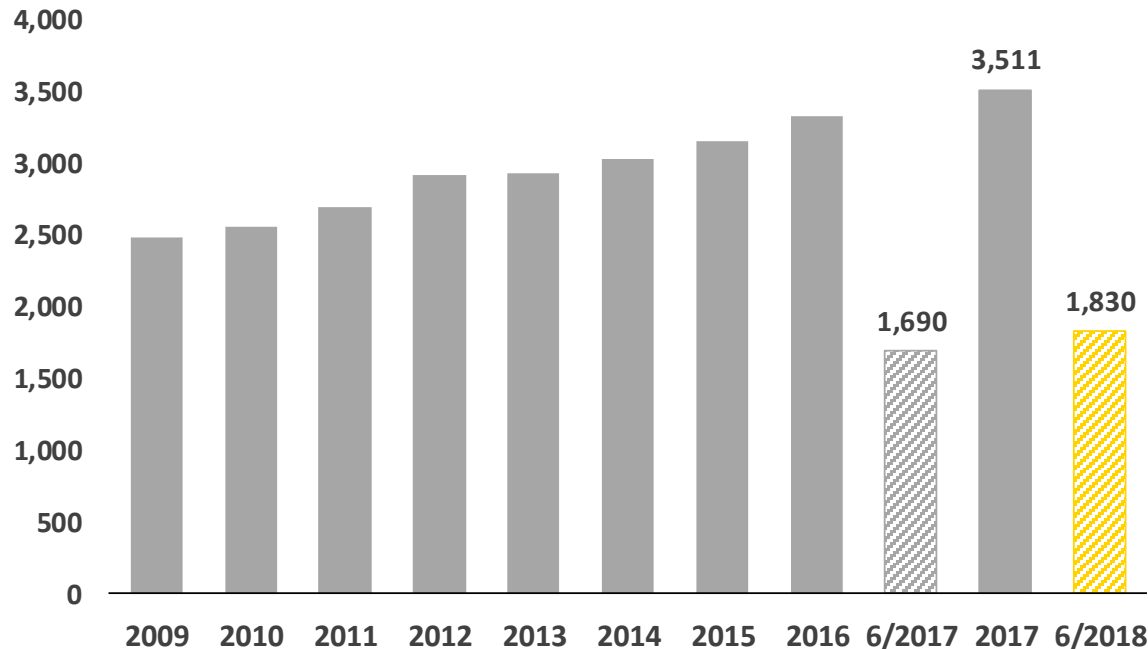


DEVELOPMENT OF PREMIUMS WRITTEN

31 DECEMBER 2009 – 30 JUNE 2018

- **Elo's overall market share at the end of 2017 stood at 25%.**
- **During the transfer periods that took place in the first half of the year, TyEL premiums written increased by EUR 18.1 million.**

EUR million

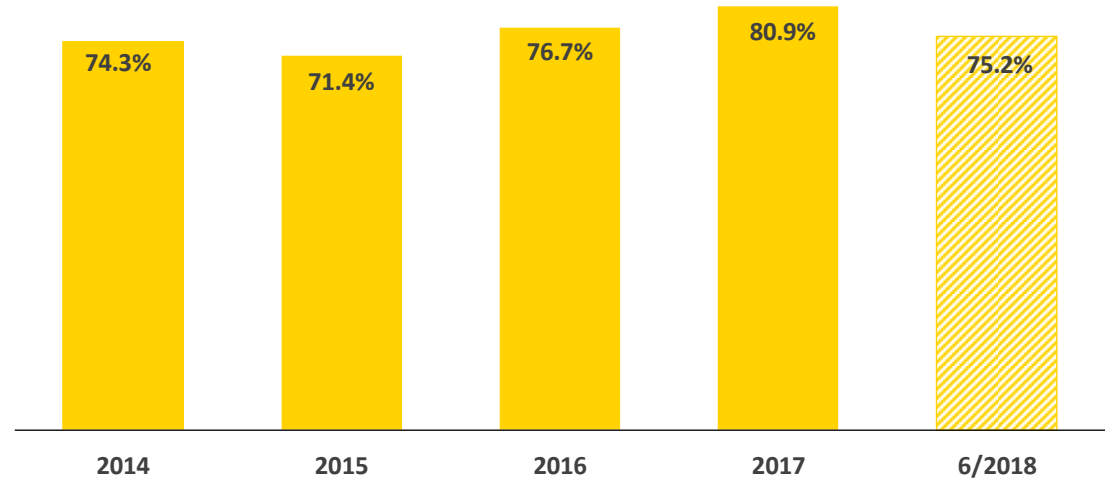


OPERATIONAL EFFICIENCY

OPERATING EXPENSES AS % OF LOADING COMPONENT

30 June 2018

- Strong loading profit is reflected in better customer bonuses.
- The loading profit is distributed to customers in full.



FORMATION OF ELO'S PROFIT

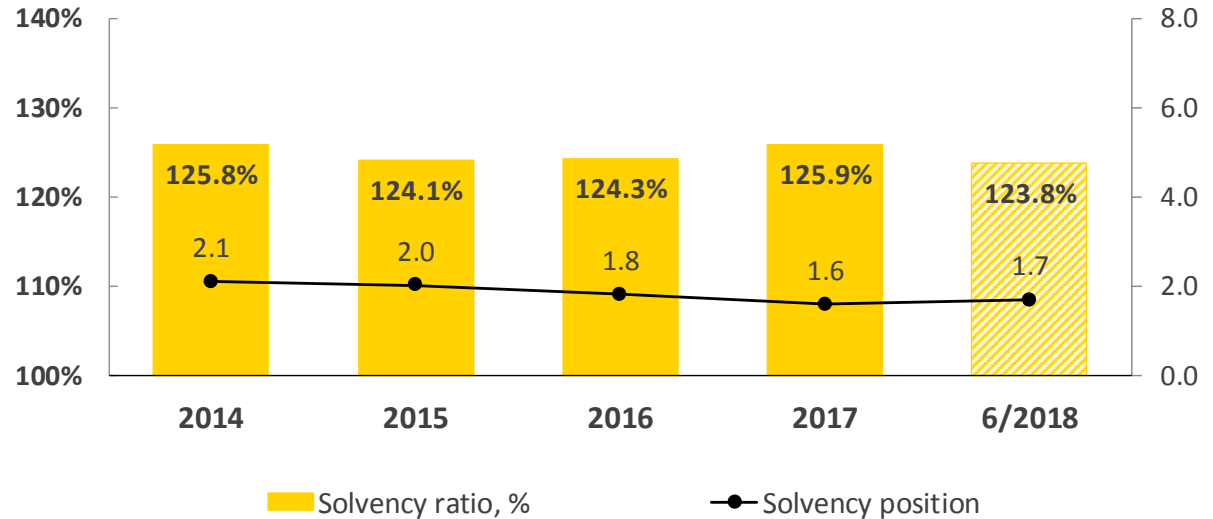
EUR million	1.1.–30.6.2018	1.1.–30.6.2017	1.1.–31.12.2017
Total surplus	-289.9	436.6	608.5
Insurance business surplus	-2.0	-13.3	-13.3
Investment surplus at fair values	-303.6	439.5	592.7
Net investment income at fair values (+)	186.3	967.3	1,607.6
Yield requirement on technical provision (-)	-489.9	-527.8	-1,014.9
Loading profit	15.7	10.2	23.3
Other income	0.1	0.2	5.8
Distribution of surplus	-289.9	436.6	608.5
Change in solvency	-289.9	436.6	536.4
Change in equalisation provision included in the solvency capital	0.0	-353.0	-353.0
Change in provision for future bonuses	60.5	793.1	921.9
Change in valuation differences	-350.4	-3.5	-32.5
Change in accrual of closing entries	0.0	0.0	0.1
Profit for the financial year	0.0	0.0	0.0
Transfer to client bonuses	0.0	0.0	72.1

SOLVENCY RATIO

SOLVENCY RATIO AND POSITION

30 June 2018

- The solvency ratio was 123.8%.
- The solvency position was 1.7.

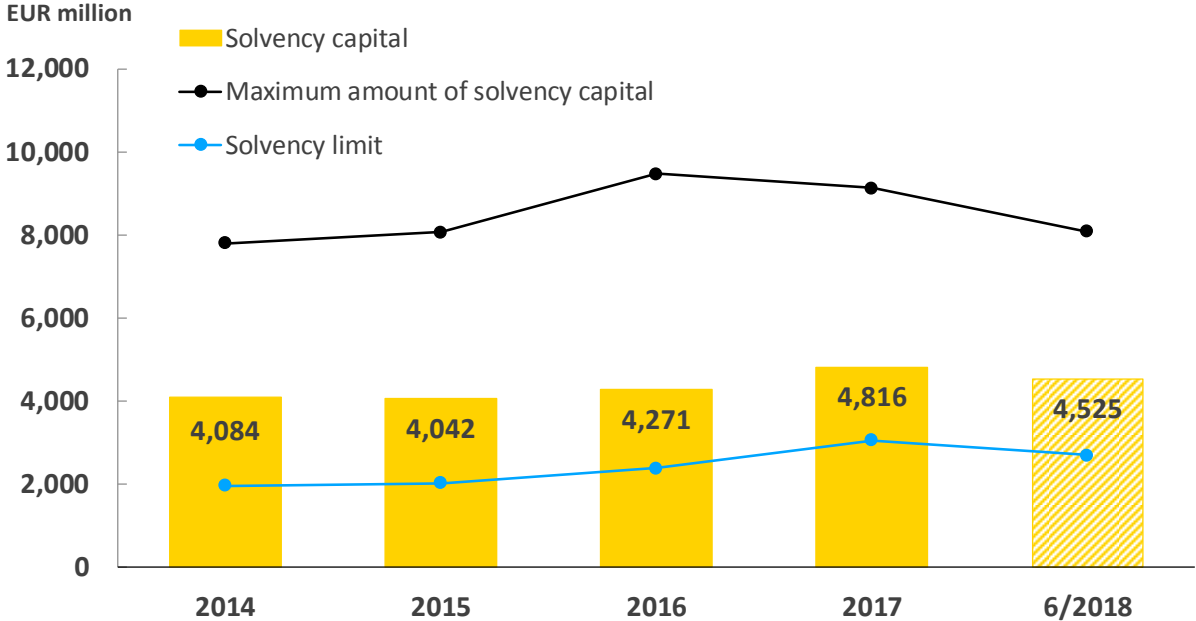


In previous years, the legislation in force at the time has been complied with.
All years are presented according to the new presentation method.

SOLVENCY CAPITAL AND ITS LIMITS

30 June 2018

- The solvency capital was EUR 4,525 million.
- The solvency limit was EUR 2,690 million.



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



APPENDICES

INVESTMENT DISTRIBUTION AT CURRENT VALUE

	Basic allocation by market value						Actual risk position					
	30.6.2018		30.6.2017		31.12.2017		30.6.2018		30.6.2017		31.12.2017	
	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%
Fixed-income investments	9,209.7	39.4	8,835.0	39.1	8,834.2	38.3	4,223.7	18.0	8,844.3	39.1	8,196.7	35.6
Loans ¹⁾	532.9	2.3	508.1	2.2	553.7	2.4	532.9	2.3	508.1	2.2	553.7	2.4
Bonds	7,023.4	30.0	6,784.5	30.0	7,189.5	31.2	6,326.7	27.0	6,793.8	30.1	7,241.7	31.4
Other money market instruments and deposits including any receivables and liabilities related to investments ¹⁾²⁾	1,653.4	7.1	1,542.3	6.8	1,091.0	4.7	-2,635.8	-11.3	1,542.3	6.8	401.3	1.7
Equities	9,166.8	39.2	8,183.2	36.2	9,142.8	39.7	9,626.6	41.1	8,826.4	39.0	10,097.7	43.8
Listed equities ³⁾	7,003.7	29.9	6,507.5	28.8	7,208.1	31.3	7,463.5	31.9	7,150.7	31.6	8,163.0	35.4
Private equity investments ⁴⁾	1,807.5	7.7	1,340.1	5.9	1,584.0	6.9	1,807.5	7.7	1,340.1	5.9	1,584.0	6.9
Unlisted equity investments ⁵⁾	355.6	1.5	335.5	1.5	350.8	1.5	355.6	1.5	335.5	1.5	350.8	1.5
Real estate	3,028.1	12.9	2,784.3	12.3	2,811.8	12.2	3,028.1	12.9	2,784.3	12.3	2,811.8	12.2
Direct real estate investments	2,337.6	10.0	2,030.1	9.0	2,064.8	9.0	2,337.6	10.0	2,030.1	9.0	2,064.8	9.0
Real estate funds and joint investment companies	690.5	3.0	754.2	3.3	747.0	3.2	690.5	3.0	754.2	3.3	747.0	3.2
Other investments	1,998.9	8.5	2,804.2	12.4	2,263.9	9.8	2,004.5	8.6	2,814.4	12.4	2,264.4	9.8
Hedge fund investments ⁶⁾	2,046.5	8.7	2,680.9	11.9	2,198.3	9.5	2,046.5	8.7	2,680.9	11.9	2,198.3	9.5
Commodity investments	0.1	0.0	-0.2	0.0	0.0	0.0	8.7	0.0	15.2	0.1	0.0	0.0
Other investments ⁷⁾	-47.6	-0.2	123.5	0.5	65.6	0.3	-50.8	-0.2	118.2	0.5	66.0	0.3
Total	23,403.5	100.0	22,606.7	100.0	23,052.8	100.0	18,882.9	80.7	23,269.4	102.9	23,370.6	101.4
Effect of derivatives ⁹⁾							4,520.7	19.3	-662.6	-2.8	-317.9	-1.4
Total at fair values	23,403.5	100.0	22,606.7	100.0	23,052.8	100.0	23,403.5	100.0	22,606.7	100.0	23,052.8	100.0

Modified duration of bond portfolio

3.2

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 INVESTMENT INCOME AT CURRENT VALUE

INCOME EXCLUDING THE ALLOCATION OF CURRENCY DERIVATIVES

	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.–30.6.2018	1.1.–30.6.2018	1.1.–30.6.2018	1.1.–30.6.2017	1.1.–31.12.2017
Fixed-income investments	-27.6	8,963.9	-0.3	-1.0	-1.8
Loans ¹⁾	6.8	520.0	1.3	1.3	2.6
Bonds	-35.1	7,137.7	-0.5	-1.3	-2.3
Bonds of public corporations	-24.8	3,485.2	-0.7	-3.1	-5.7
Bonds of other corporations	-10.3	3,652.4	-0.3	0.3	1.1
Other money market instruments and deposits including any receivables and liabilities related to investments ¹⁾²⁾	0.7	1,306.2	0.0	0.0	-1.0
Equities	223.1	9,396.9	2.4	8.0	12.8
Listed equities ³⁾	86.3	7,429.7	1.2	8.9	13.6
Private equity investments ⁴⁾	126.7	1,623.0	7.8	3.4	9.2
Unlisted equity investments ⁵⁾	10.1	344.2	2.9	9.4	14.4
Real estate	94.0	2,957.7	3.2	3.1	7.0
Direct real estate investments	75.1	2,288.6	3.3	3.7	7.4
Real estate funds and joint investment companies	18.8	669.1	2.8	1.2	5.8
Other investments	-89.5	2,052.6	-4.4	14.1	26.3
Hedge fund investments ⁶⁾	76.0	2,091.8	3.6	-2.1	-2.5
Commodity investments	0.1	0.0	-	-	-
Other investments ⁷⁾	-165.6	-39.3	-	-	-
Total investments	200.0	23,371.1	0.9	4.5	7.5
Unallocated income, costs and operating expenses from investment operations	-13.7		-0.1	-0.1	-0.1
Net investment income at current value	186.3	23,371.1	0.8	4.4	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