



INTERIM REPORT

1 JANUARY – 30 SEPTEMBER 2018

Elo Mutual Pension Insurance Company

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



POSITIVE RETURNS THROUGH SUCCESSFUL DIVERSIFICATION

- During the reporting period returns on nearly all main asset classes were positive and Elo's return on investments at the end of September was 2.2%.
- The 10-year average nominal return is still excellent at 5.8%.
- Successful customer work continued; the transfer year has been the best in Elo's history.
- Together with the global investor community, we work to combat climate change. PRI ranks almost all Elo's asset classes into the best categories.

KEY FIGURES JANUARY-SEPTEMBER 2018

Investment assets

EUR **23.7** bn

Return on investments

2.2%

Average nominal return
over 10 years

5.8%

Solvency ratio

123.6%

Premiums written

EUR **2,760** million

Pensions paid

EUR **2,740** million

SUMMARY OF KEY FIGURES

| | 1–9/2018 | 1–9/2017 | 1–12/2017 |
|---|----------|----------|-----------|
| Investment assets at fair value, EUR million | 23,650.8 | 22,886.2 | 23,052.8 |
| Net return from investment on capital employed, % | 2.2% | 6.1% | 7.4% |
| Nominal average return over 10 years | 5.8% | 4.7% | 4.9% |
| Nominal average return over 5 years | 5.7% | 6.5% | 6.3% |
| Premiums written, EUR million | 2,759.6 | 2,530.2 | 3,510.8 |
| Pensions and other benefits paid, EUR million | 2,740.1 | 2,553.5 | 3,444.2 |
| Technical provisions, EUR million | 20,774.7 | 19,919.8 | 20,134.5 |
| Number of TyEL insured | 419,000 | 400,500 | 424,500 |
| Number of YEL policyholders | 83,700 | 83,900 | 84,000 |
| Number of pensioners | 236,700 | 224,800 | 227,200 |
| Loading profit, EUR million | 26.9 | 19.0 | 23.3 |
| Solvency capital, EUR million | 4,557.3 | 4,809.2 | 4,815.5 |
| Solvency position | 1.8 | 1.7 | 1.6 |
| Pension assets, % of technical provisions | 123.6% | 126.3% | 125.9% |

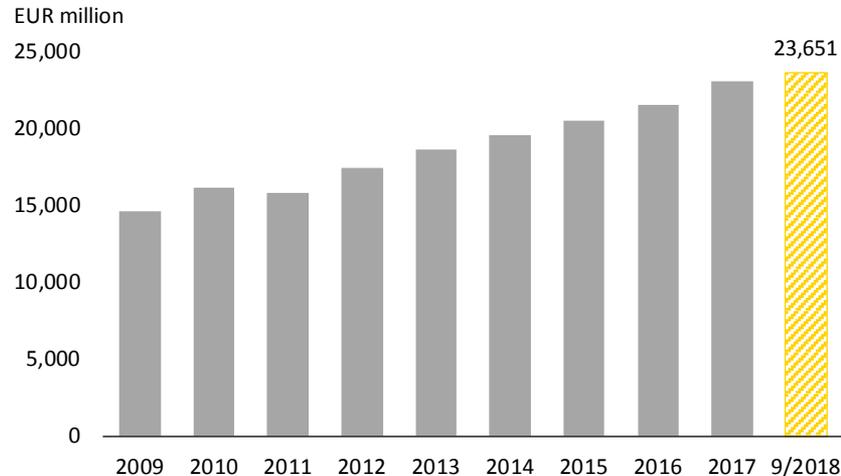
INVESTMENTS

RETURN ON INVESTMENTS INCREASED IN A CHALLENGING INVESTMENT ENVIRONMENT

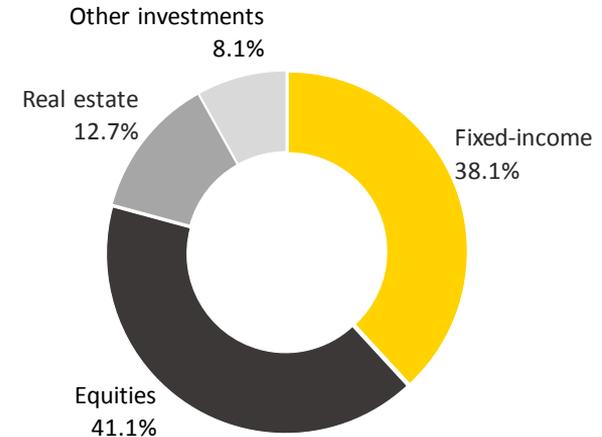
- **Global economic growth remained relatively strong during early autumn, but it seems to take divergent paths in different countries. Continued growth largely depends on the United States.**
- **Slower economic growth, political uncertainties and expectations related to the tightening of monetary policy create uncertainty in the investment market.**
- **Elo's return on investments during the reporting period was 2.2% (6.1%).**
- **During the reporting period, returns on nearly all the main asset classes were positive.**
- **Private equity fund investments, real estate investments and hedge fund investments generated the highest returns.**
- **The impact of the Fed's tighter monetary policy on the liquidity of the investment market, the versatile diversification of investments and active portfolio management were emphasised in investment operations.**

ACTIVE PORTFOLIO MANAGEMENT WAS EMPHASISED IN INVESTMENT OPERATIONS

Development of investment assets 2009–9/2018



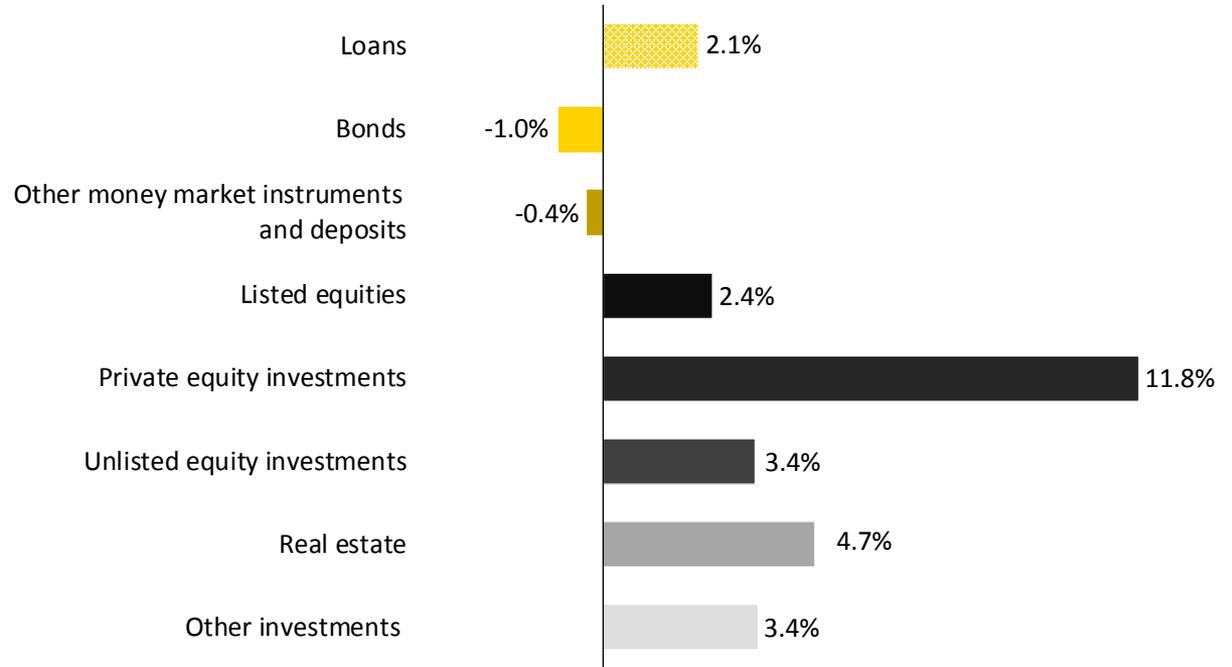
Investment asset allocation 30.9.2018 Actual risk position



- Investment assets have increased by EUR 5.1 billion since the beginning of 2014.
- During the reporting period active portfolio management was emphasised in investment operations in the equity, fixed income and currency markets.

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

- Nearly all asset classes generated positive returns.
- During the reporting period private equity investments generated the highest return.
- In addition to equity investments, private equity and real estate investments supported return on investments in the uncertain investment environment.



In the reported asset class-specific returns, the return on foreign currency derivatives is estimated for asset classes in proportion to the average foreign currency-denominated assets during the reporting period.

INVESTMENTS GENERATED A RETURN OF 2.2%

Asset allocation and return on investments 30 September 2018

| | 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.

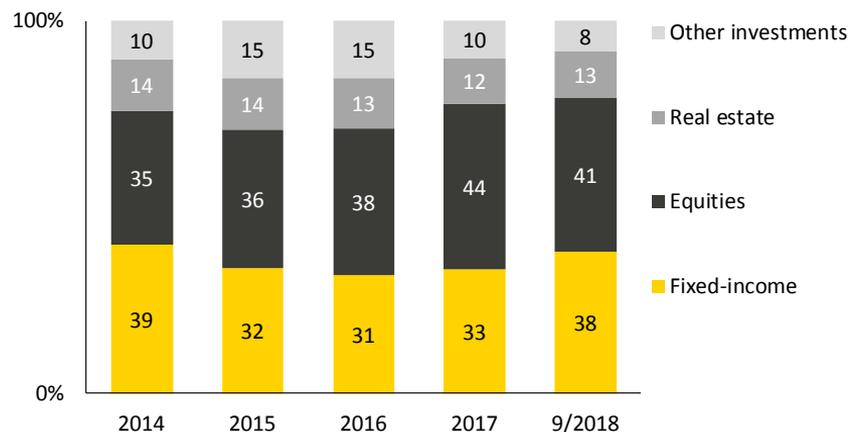
The total return includes returns, expenses and operating expenses not allocated to investment classes. The modified duration of bonds is 3.5 years.

The open currency exposure is 21.1% of market value.

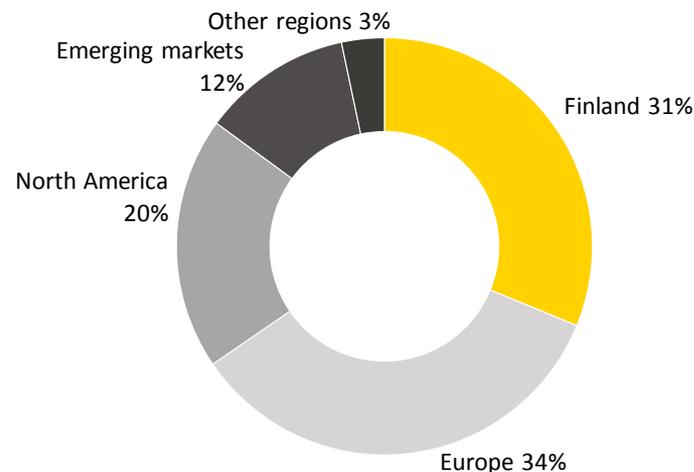
RISK LEVELS HAVE BEEN LOWERED DUE TO INCREASING UNCERTAINTY

Development of asset allocation 2014–9/2018

Risk allocation



Geographical distribution of investments 9/2018



- The share of equity investments has been decreased during the reporting period.
- Approximately 30% of the portfolio is invested in Finland.

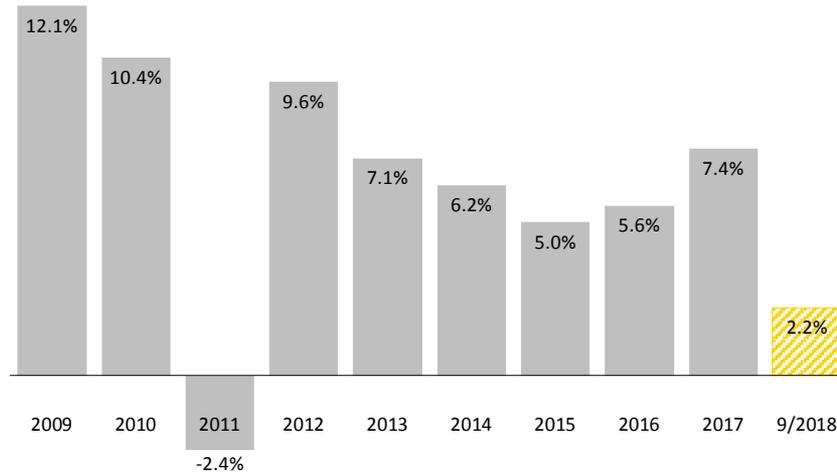
QUARTERLY INVESTMENTS RETURNS

Return on investments january–september 2018 was 2.2%

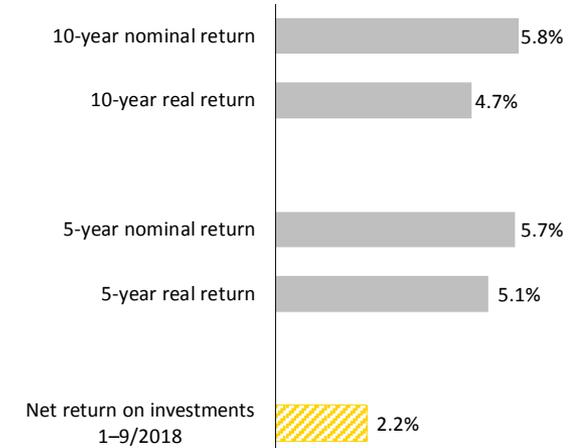


STRONG AVERAGE RETURN ON INVESTMENTS OVER TIME

Investment returns over time 2009–9/2018



Long-term average returns on investments



- Long-term nominal and real returns remained at a good level.

A magnifying glass is positioned over a document, likely a financial report or contract. The document contains a table with columns and rows of text, though the details are blurred. The magnifying glass's lens is focused on a specific area of the document, highlighting the importance of the information being presented.

FUTURE CHALLENGES

- **Trade disputes, geopolitical tensions, political uncertainty, the slowing down and divergence of economic development as well as expectations related to the tightening of monetary policy create uncertainty in the investment market.**
- **Economic growth is slowing down but it still continues – there is no recession on the horizon.**
- **Continued global growth largely depends on the United States, where economy-stimulating financial policy now acts as the growth driver.**
- **Thanks to the expansive monetary policy that has continued for a long time, the expected returns for risk-bearing asset classes are low.**
- **Considering the development of returns during the past few years, one should be prepared for clearly lower returns in the coming years.**

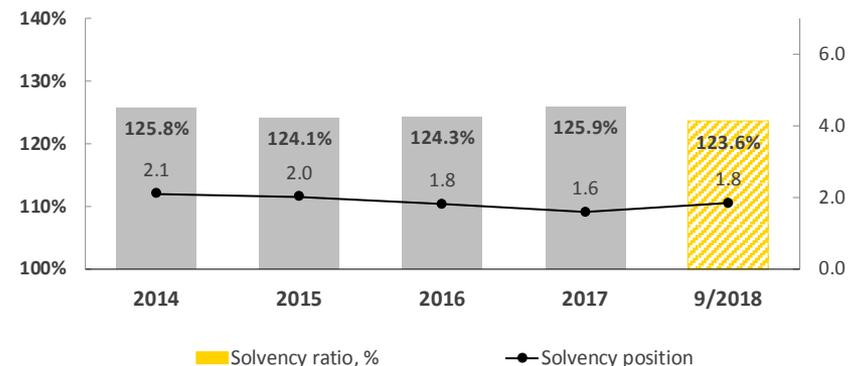
RESULT AND SOLVENCY

DEVELOPMENT OF SOLVENCY FIGURES

Key solvency figures

| | 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, % | 123.6 | 126.3 | 125.9 |
| Solvency position | 1.8 | 1.7 | 1.6 |

Solvency ratio and position 2014–9/2018



- Solvency ratio, i.e. pension assets in relation to technical provisions, was 123.6%.
- Solvency position, i.e. solvency capital in relation to solvency limit, was 1.8.

FORMATION OF ELO'S PROFIT

| 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 |

| | | | |
|---|---------------|--------------|--------------|
| Distribution of surplus | -256.2 | 538.0 | 608.5 |
| Change in solvency | -256.2 | 538.0 | 536.4 |
| Change in equalisation provision included in the solvency capital | 0.0 | -353.0 | -353.0 |
| Change in provision for future bonuses | -67.1 | 1,055.9 | 921.9 |
| Change in valuation differences | -189.1 | -164.9 | -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 |