



FINANCIAL STATEMENTS 2018

Elo Mutual Pension Insurance Company



ELO'S YEAR 2018

- **The year was a success in terms of customer transfers, and the transfers increased TyEL premiums written by almost EUR 36 million. The result was the best in Elo's history.**
- **Pension decisions were made quickly and ensuring high quality; 20% faster than the industry average.**



ELO'S YEAR 2018

- **Elo's goal is the best customer experience in the industry.**
- **In pension services, 86 per cent of the customers gave an excellent grade for the service.**
- **In May 2018, Elo's insurance services won the category of Bisnode's Customer's Voice competition that measures the quality of customer calls. The category is focused on customer service functions with fewer than one hundred customer service agents. An excellent score of 84.0 was achieved for 2018 in the measurement of the customer experience (NPS).**
- **The introduction of the income register went well. We were lauded for our smooth customer service.**

KEY FIGURES FOR THE YEAR 2018

Investment assets

EUR **22.6** bn

Return on investment

-1.4 %

Average nominal
return over 10 years

5.9 %

Solvency ratio

120.6 %

Premiums written

EUR **3,640** million

Pensions paid
Incl. other benefits

EUR **3,635** million

SUMMARY OF KEY FIGURES

	2018	2017	2016
Investment assets at fair value, EUR million	22,595.3	23,052.8	21,507.3
Net return from investment on capital employed, %	-1.4%	7.4 %	5.6 %
Average nominal return, over 10 years	5.9%	4.9 %	4.6 %
Average nominal return, over 5 years	4.5%	6.3 %	6.7 %
Premiums written, EUR million	3,639.8	3,510.8	3,321.5
Pensions and other benefits paid, EUR million	3,634.6	3,444.2	3,310.7
Technical provisions, EUR million	20,431.7	20,134.5	18,527.4
Number of TyEL insured	440,200	424,500	407,600
Number of YEL policyholders	83,700	84,000	84,600
Number of pensioners	237,900	227,200	219,700
Loading profit, EUR million	31.8	23.3	29.1
Solvency capital, EUR million	3,935.1	4,815.5	4,270.9
Solvency position	1.6	1.6	1.8
Pension assets, % of technical provisions	120.6%	125.9 %	124.3 %

INSURANCE AND PENSIONS



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

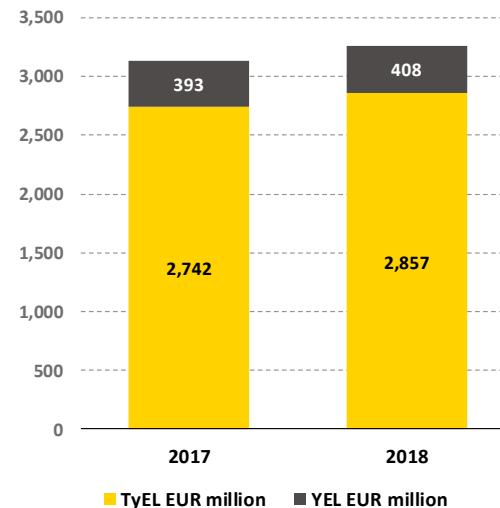
- **440,400 TyEL policyholders**
- **84,000 YEL policyholders**
- **238,000 pensioners**
- **Premiums written EUR 3,640 million**
- **Pensions and other benefits paid to pensioners EUR 3,635 million**

IN 2018, THERE WERE 238,000 PENSION RECIPIENTS

Pensions paid by pension type

Pensions paid 2018		
Type of pension	pcs.	EUR million
Old-age pension	179,857	2,741
Disability pension	24,130	303
Survivors' pension	30,387	191
Part-time pension	230	4
Partial early old-age pension	3,300	25
Years-of-service pension	0	0
Total	237,904	3,265

Development of pensions paid

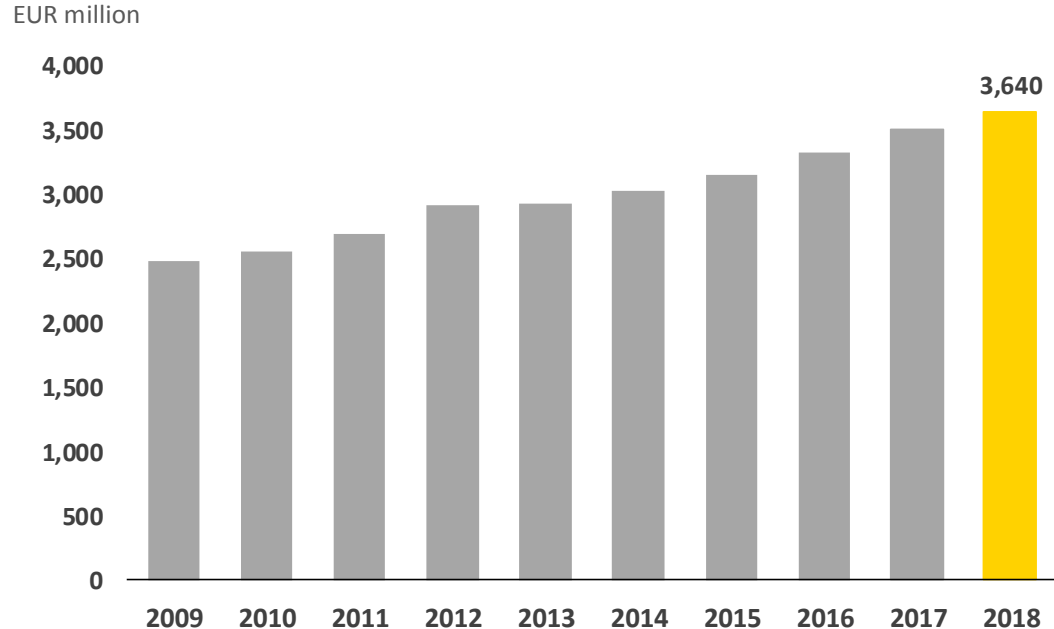


- Old-age and disability pensions are the two largest items in claims expenditure. Paid old-age pensions amounted to EUR 2,741 million, disability pensions to EUR 303 million.

DEVELOPMENT OF PREMIUMS WRITTEN

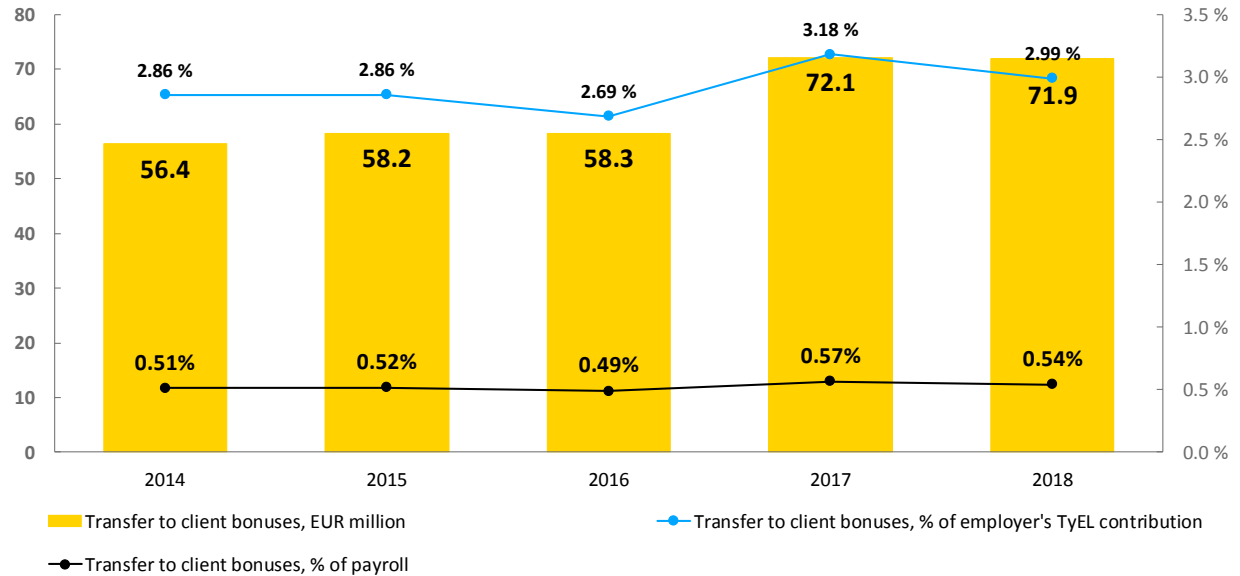
31.12.2009–31.12.2018

- **The year was a success in terms of customer transfers**
 - TyEL premiums written increased by almost EUR 36 million
- **From the beginning of the year 2014, premiums written have increased by 24.3%.**



TRANSFER TO CLIENT BONUSES IN 2014–2018

- 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.



INVESTMENTS AND SOLVENCY

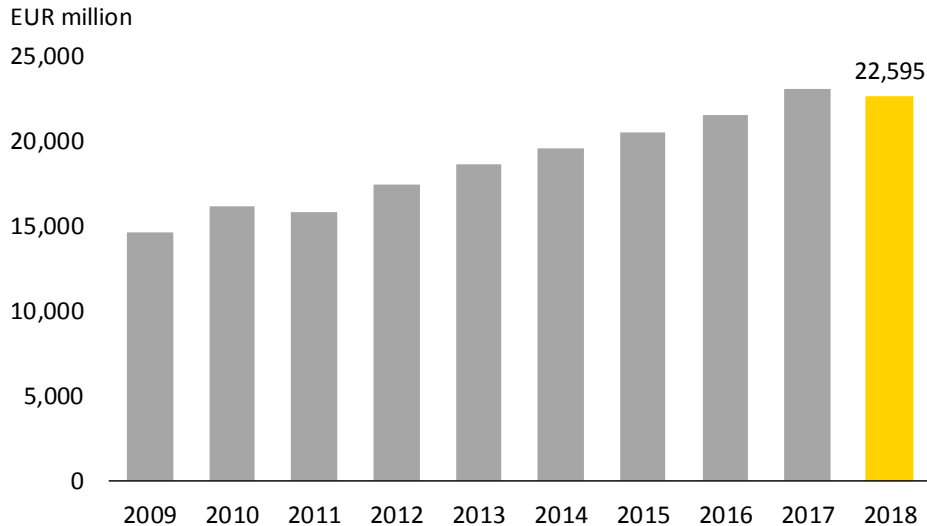


CYCLE PEAK IS OVER

- **Global economic growth remained relatively strong throughout the year but began to diverge between the main economic areas during the year. The United States was the driver of global growth.**
- **The rate and extent of slowing down of economic growth, political uncertainties and expectations related to the tightening of monetary policy created uncertainty in the investment market.**
- **Elo's return on investments during the period under review was -1.4%.**
- **Private equity, real estate 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.**

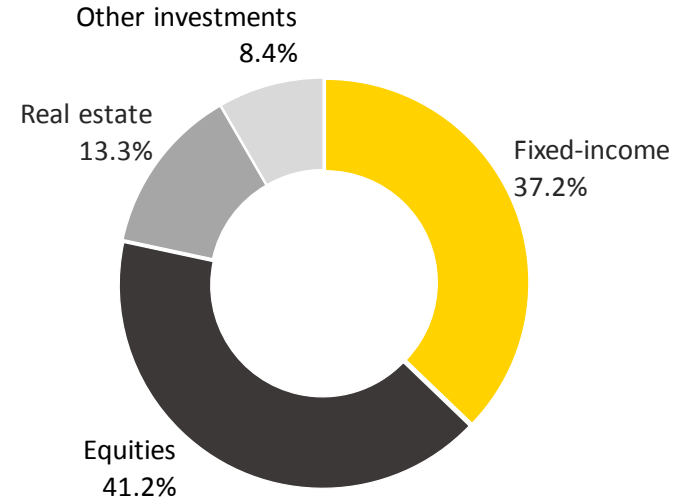
DEVELOPMENT OF THE INVESTMENT ASSETS AND INVESTMENT ALLOCATION

Development of investment assets 2009-2018



Investment asset allocation 2018

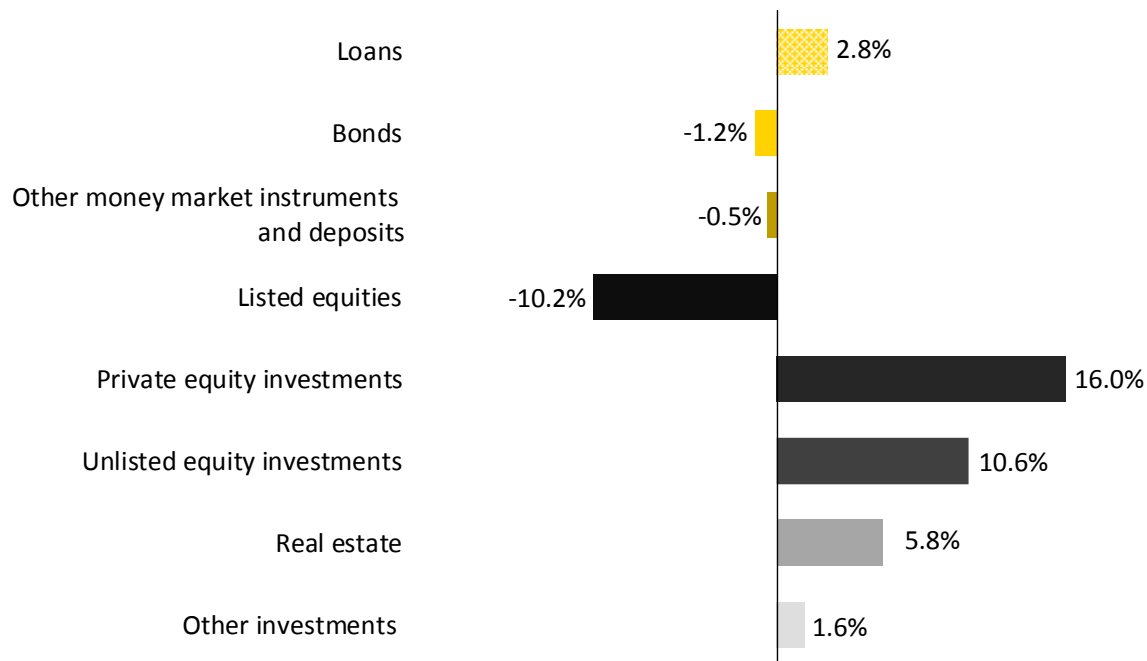
Actual risk position



- Investment assets have increased by approximately EUR 4 billion since the beginning of 2014.
- As uncertainty increased and liquidity decreased, market fluctuations grew.

RETURN ON INVESTMENTS BY ASSET CLASS 1 JANUARY – 31 DECEMBER 2018

- During the reporting period private equity investments generated the highest return.
- 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 -1.4%

Asset allocation and return on investments 31 December 2018

	Basic allocation by market value		Actual risk position		Return	Volatility
	EUR million		EUR million	%	%	%
Fixed-income investments	8,441.9	37.4	6,302.0	27.9	-0.8	
Loans	560.2	2.5	560.2	2.5	2.8	
Bonds	6,435.1	28.5	6,327.4	28.0	-1.2	2.6
Public bonds	3,221.1	14.3	3,160.5	14.0	-0.9	
Other bonds	3,214.0	14.2	3,166.9	14.0	-1.5	
Other money market instruments and deposits inc. any receivables and liabilities related to investments	1,446.6	6.4	-585.5	-2.6	-0.5	
Equities	9,251.4	40.9	9,303.7	41.2	-4.7	
Listed equities	6,802.4	30.1	6,854.7	30.3	-10.2	9.2
Private equity investments	2,067.4	9.1	2,067.4	9.1	16.0	
Unlisted equity investments	381.7	1.7	381.7	1.7	10.6	
Real estate	3,002.8	13.3	3,002.8	13.3	5.8	
Direct real estate investments	2,284.4	10.1	2,284.4	10.1	5.7	
Real estate funds and joint investment companies	718.4	3.2	718.4	3.2	6.3	
Other investments	1,899.2	8.4	1,887.0	8.4	1.6	
Hedge fund investments	1,860.8	8.2	1,860.8	8.2	1.7	3.6
Commodity investments	0.0	0.0	-12.2	0.1	-	
Other investments	38.4	0.2	38.4	0.2	-	
Total investments	22,595.3	100.0	20,495.6	90.7	-1.4	3.1
Effect of derivatives			2,099.8	9.3		
Total	22,595.3	100.0	22,595.3	100.0		

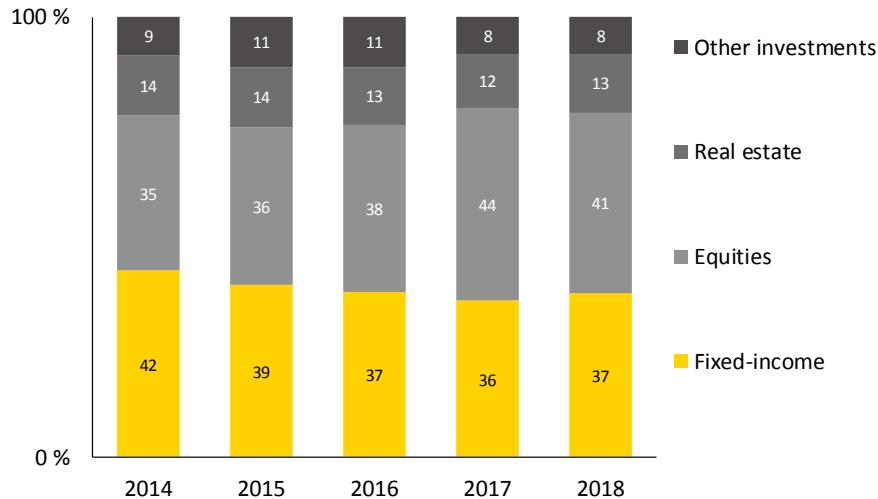
The return on foreign currency derivatives is estimated for asset classes in proportion to the average foreign currency-denominated assets during the reporting period.

The total return includes returns, expenses and operating expenses not allocated to investment classes. The modified duration of bonds is 3.7 years.

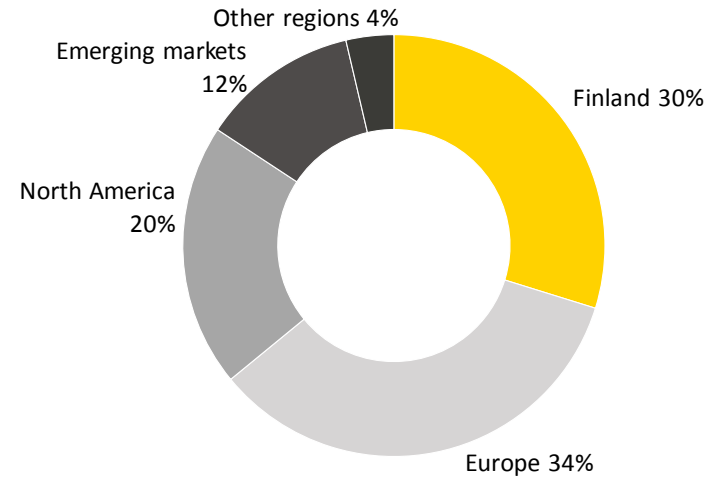
The open currency exposure is 20.6% of market value.

RISK LEVELS HAVE BEEN LOWERED DUE TO GROWING UNCERTAINTY

Development of asset allocation 2014–2018
Risk allocation



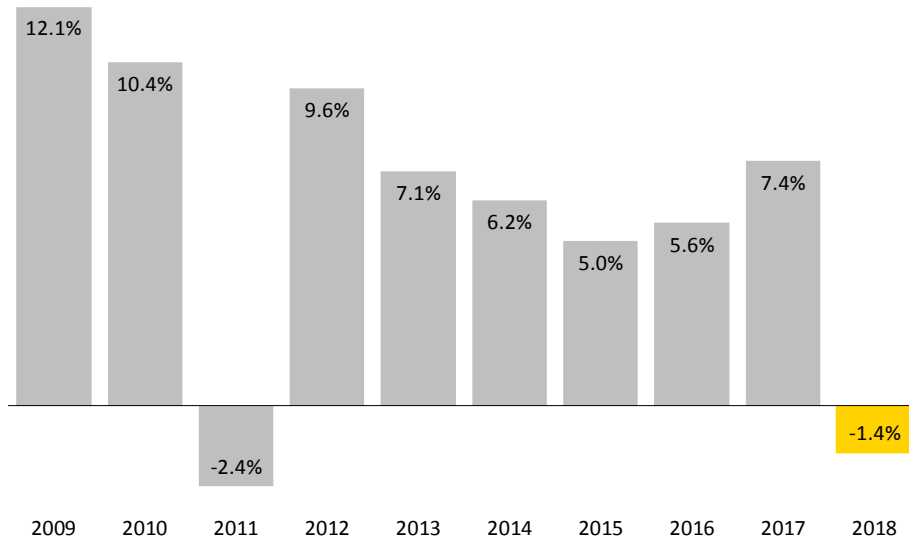
Geographical distribution of investments 2018



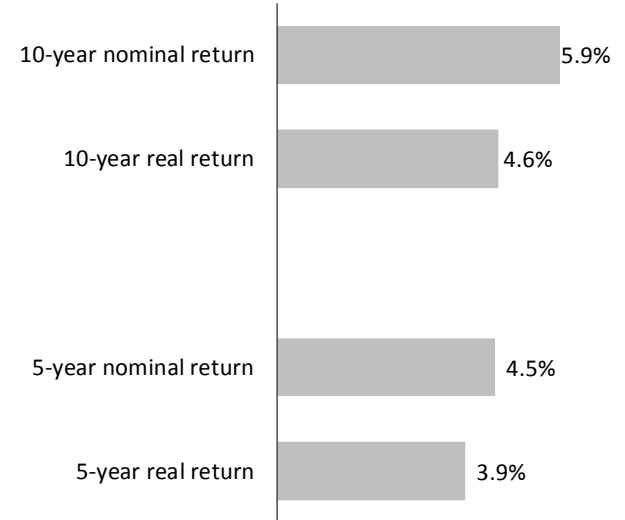
- The share of equity and emerging market investments has been decreased during the year.

STRONG AVERAGE RETURN ON INVESTMENTS OVER TIME

Investment returns over time 2009–2018



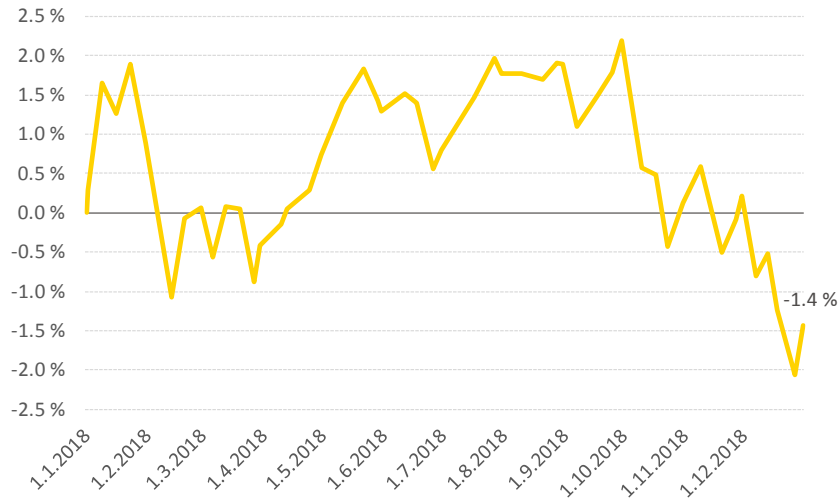
Average return on investments over time



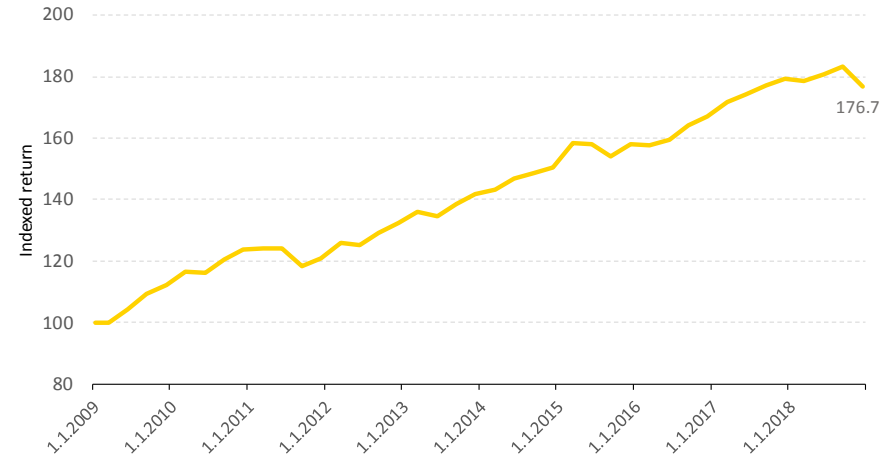
- Long-term nominal and real returns remained at a good level.

THE RETURN ON INVESTMENTS OVER TEN YEARS HAS BEEN EUR 10 BILLION

Development of investment return during the year 2018



Cumulative 10-year return



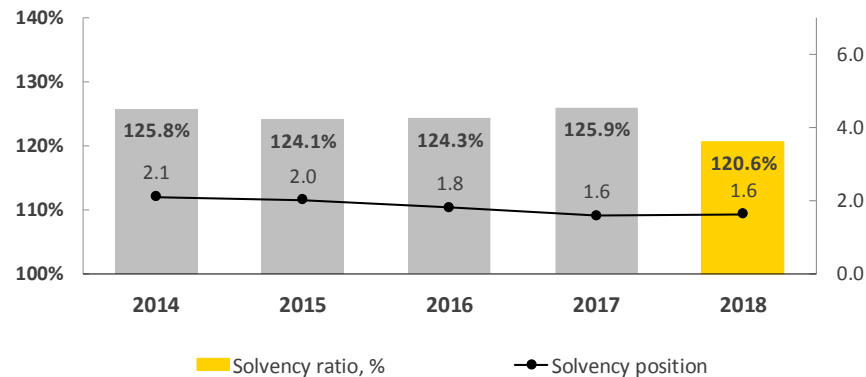
- The strong fluctuation in the equity market was reflected in the development of return on investment in 2018.
- Elo's investments have yielded a cumulative return of 76.7 per cent, or EUR 10 billion, since 2009.

DEVELOPMENT OF SOLVENCY FIGURES

Key solvency figures

	31.12.2016	31.12.2017	31.12.2018
Solvency limit, EUR million	2,367.6	3,040.2	2,431.3
Maximum amount of solvency capital, EUR million	9,470.6	9,120.6	7,633.1
Solvency capital, EUR million	4,270.9	4,815.5	3,935.1
Solvency ratio, %	124.3	125.9	120.6
Solvency position	1.8	1.6	1.6

Solvency ratio and position 2018



- Solvency ratio, i.e. pension assets in relation to technical provisions, was 120.6%.
- Solvency position, i.e. solvency capital in relation to solvency limit, was 1.6.



FUTURE OUTLOOK

- **The slowing down of economic development, trade disputes, geopolitical tensions and political uncertainty create uncertainty in the investment market.**
- **The expectations concerning economic development are still relatively positive, but the risks of growth slowing down have increased more than predicted.**
- **Inflation expectations for the next couple of years remain very low.**
- **Considering the development of returns during the past few years and the monetary policy of central banks, one should be prepared for an era of clearly lower returns.**
- **Following the weak end of last year, moods have been very uncertain in economies and markets during the first months of this year.**