



INTERIM REPORT

1 JANUARY – 30 JUNE 2019

Elo Mutual Pension Insurance Company

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

A GOOD FIRST HALF OF THE YEAR FOR ELO

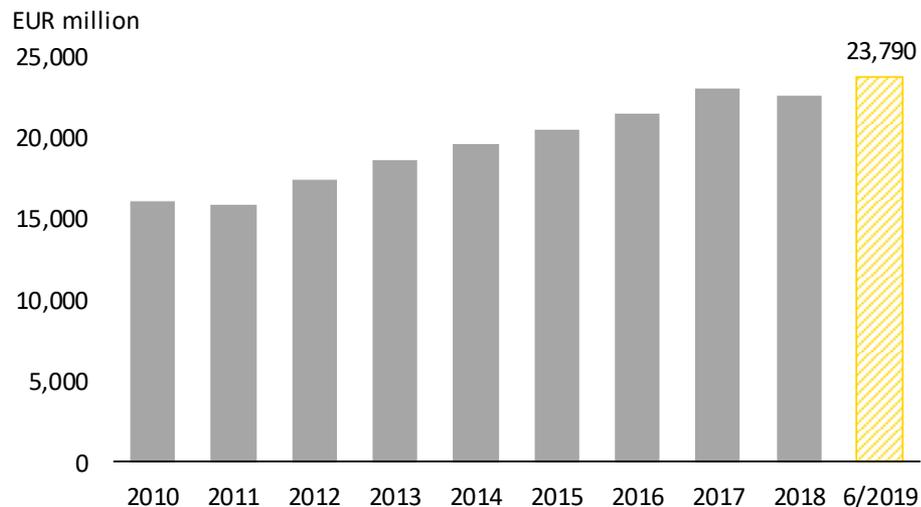
- **Return on investment operations for 1 January–30 June was 7.2%.**
- **Returns on all of Elo's main asset classes were positive, with listed equities and bonds generating the highest returns.**
- **The introduction of the income register went well. The NPS of insurance services was very good (86) in spite of the changes.**
- **On average, Elo made old-age pension decisions approximately 30% faster than the overall average for other employment pension companies.**
- **The number of new customers using Elo to insure their pension security continued to grow.**

ELO'S KEY FIGURES

	6/2019	6/2018	2018
Investment assets at fair value, EUR million	23,790.5	23,403.5	22,595.3
Net return from investment on capital employed, %	7.2 %	0.8 %	-1.4 %
Average nominal return, over 10 years	6.1 %	5.2 %	5.9 %
Average nominal return, over 5 years	5.2 %	5.6 %	4.5 %
Premiums written, EUR million	2,007.5	1,827.8	3,639.8
Pensions and other benefits paid, EUR million	1,967.2	1,824.3	3,634.6
Technical provisions, EUR million	21,109.7	20,612.4	20,431.7
Number of TyEL insured	425,800	419,700	440,200
Number of YEL policyholders	83,300	84,000	83,700
Number of pensioners	238,600	233,500	237,900
Loading profit, EUR million	14.9	15.7	31.8
Solvency capital, EUR million	4,630.6	4,524.5	3,935.1
Solvency position	1.5	1.7	1.6
Solvency ratio, %	123.2 %	123.8 %	120.6 %

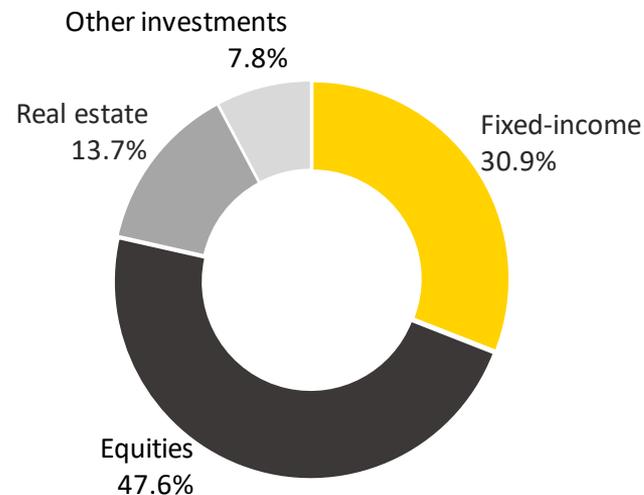
RETURNS ON ALL OF ELO'S ASSET CLASSES WERE POSITIVE DURING THE PERIOD UNDER REVIEW

Development of investment assets 2010-6/2019



Investment asset allocation 6/2019

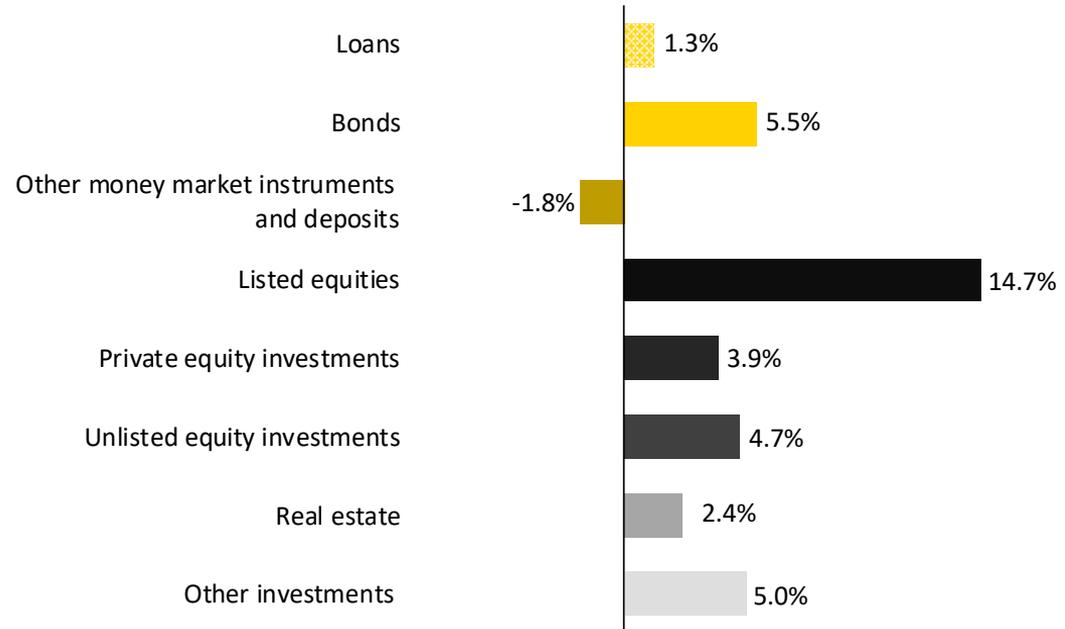
Actual risk position



- Investment assets have increased by approximately EUR 5 billion since the beginning of 2014.
- The return on equity investments has been 69 per cent since the beginning of 2014.

RETURN ON INVESTMENT BY ASSET CLASS 1 JANUARY – 30 JUNE 2019

- **Listed equities generated the highest returns during the period.**
- **Bonds, hedge fund investments and unlisted equities also generated good returns.**



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 7.2%

Asset allocation and return on investments 30.6.2019

	Basic allocation by market value		Actual risk position		Return	Volatility
	EUR million		EUR million	%	%	%
Fixed-income investments	7,583.7	31.9	8,101.7	34.1	4.1	
Loans	562.9	2.4	562.9	2.4	1.3	
Bonds	6,280.2	26.4	6,140.6	25.8	5.5	2.9
Public bonds	3,219.2	13.5	3,316.2	13.9	4.7	
Other bonds	3,060.9	12.9	2,824.4	11.9	6.2	
Other money market instruments and deposits inc. any receivables and liabilities related to investments	740.6	3.1	1,398.2	5.9	-1.8	
Equities	11,072.8	46.5	11,318.0	47.6	11.9	
Listed equities	8,337.2	35.0	8,582.3	36.1	14.7	11.4
Private equity investments	2,338.9	9.8	2,338.9	9.8	3.9	
Unlisted equity investments	396.7	1.7	396.7	1.7	4.7	
Real estate	3,260.6	13.7	3,260.6	13.7	2.4	
Direct real estate investments	2,519.5	10.6	2,519.5	10.6	2.1	
Real estate funds and joint investment companies	741.1	3.1	741.1	3.1	3.4	
Other investments	1,873.4	7.9	1,853.5	7.8	5.0	
Hedge fund investments	1,819.8	7.6	1,819.8	7.6	5.0	3.5
Commodity investments	0.0	0.0	-21.4	0.1	-	
Other investments	53.6	0.2	55.1	0.2	-	
Total investments	23,790.5	100.0	24,533.7	103.1	7.2	4.1
Effect of derivatives			-743.3	-3.1		
Total	23,790.5	100.0	23,790.5	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.

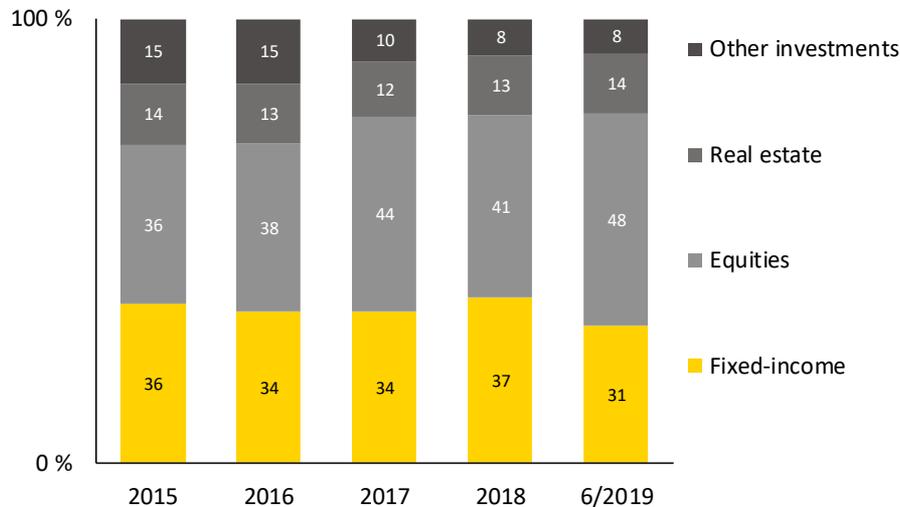
The total return includes returns, expenses and operating expenses not allocated to investment classes. The modified duration of bonds is 5 years.

The open currency exposure is 27.2% of market value.

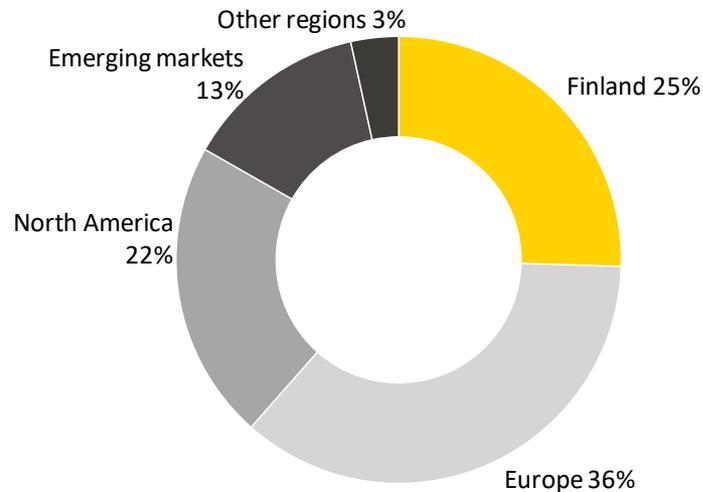
INTERNATIONAL DIVERSIFICATION WAS INCREASED IN THE INVESTMENT PORTFOLIO

Development of asset allocation 2015-6/2019

Risk allocation



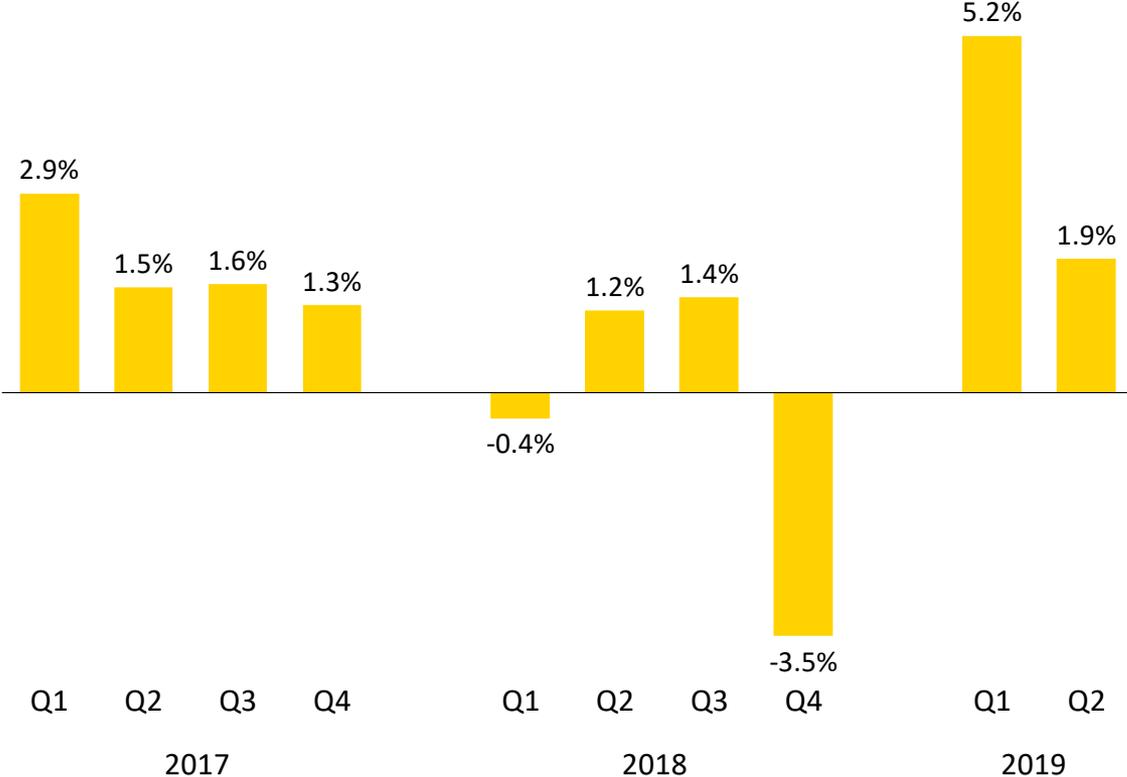
Geographical distribution of investments 6/2019



- Equity investments include listed equity investments accounting for 36.1 per cent of managed assets, unlisted equity investments 1.7 per cent and private equity investments 9.8 per cent respectively.

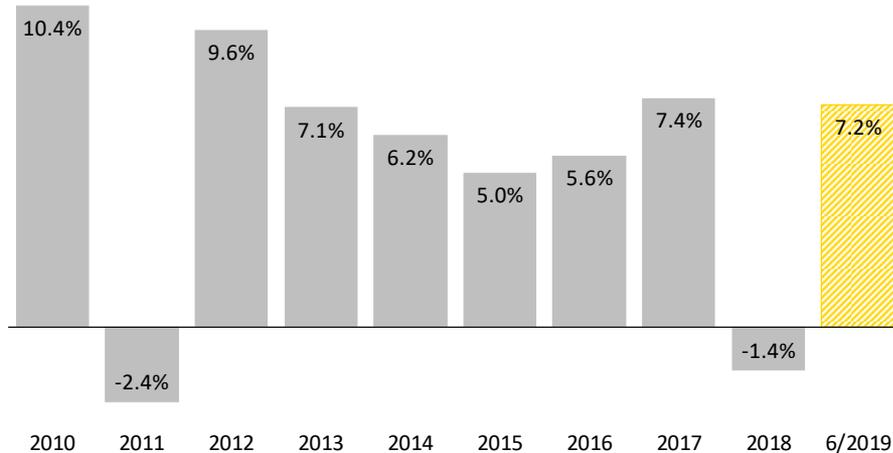
QUARTERLY RETURNS

- Return 1 January–30 June 7.2%
- Q2 return: 1.9%

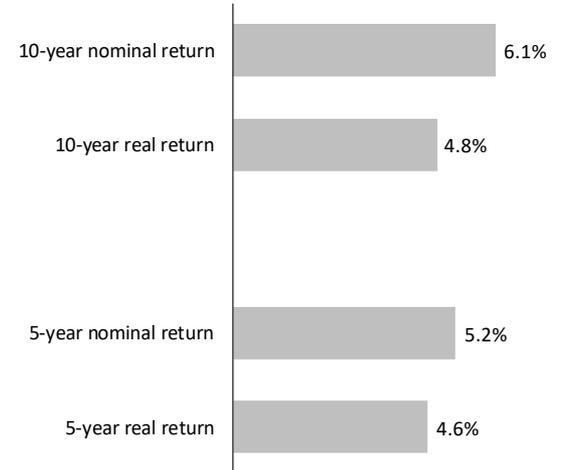


STRONG AVERAGE RETURN ON INVESTMENTS OVER TIME

Investment returns over time 2010–6/2019



Average return on investments over time



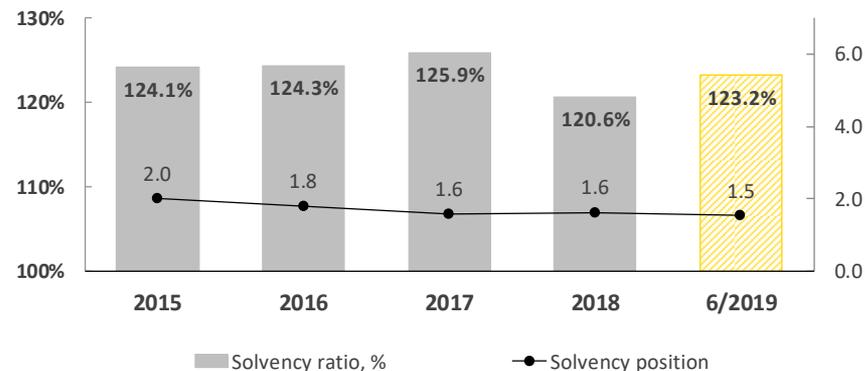
- Average long-term nominal and real returns remained at a good level.

DEVELOPMENT OF SOLVENCY FIGURES

Key solvency figures

	31.12.2018	30.6.2019
Solvency limit, EUR million	2,431.3	3,030.0
Maximum amount of solvency capital, EUR million	7,633.1	9,090.1
Solvency capital, EUR million	3,935.1	4,630.6
Solvency ratio, %	120.6	123.2
Solvency position	1.6	1.5

Solvency ratio and position 2015–6/2019



- Solvency ratio, i.e. pension assets in relation to technical provisions, was **123.2%**.
- Solvency position, i.e. solvency capital in relation to solvency limit, was **1.5**.



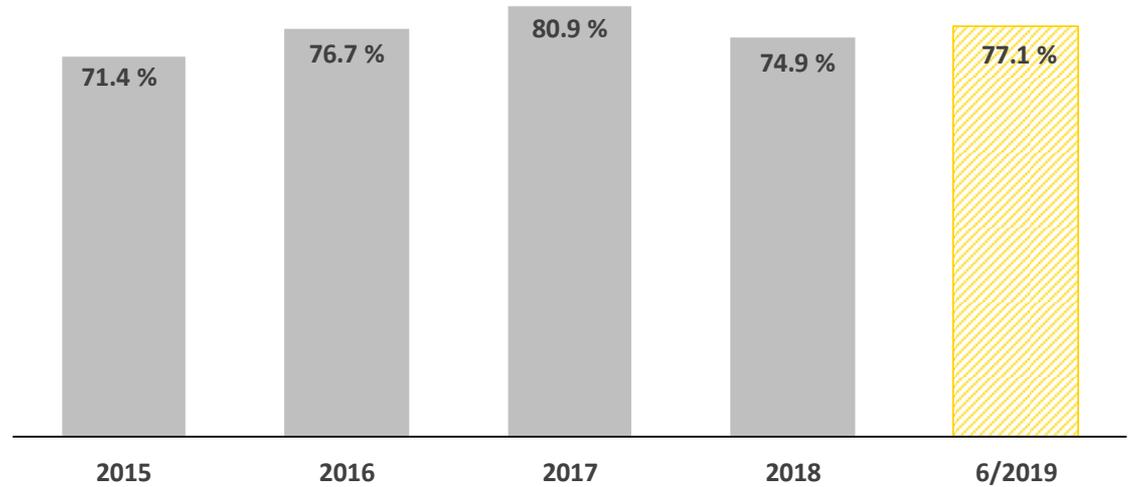
FUTURE OUTLOOK

- **The weakening of economic growth has been moderate thus far.**
- **Central banks on a broad front have begun to ease monetary policy, which contributes to economic development.**
- **The continuation of global economic growth depends largely on the trade negotiations between the United States and China.**
- **In the current environment of easy monetary policy, the expected returns of investments will remain low.**
- **The domestic outlook of the Finnish economic environment remains positive, but the challenges associated with global economic development increase the risk of economic development being weaker than the current forecasts would suggest.**

OPERATIONAL EFFICIENCY

OPERATING EXPENSES AS % OF LOADING COMPONENT

- The loading profit is distributed to customers in full.



FORMATION OF ELO'S PROFIT

EUR million	1.1.–30.6.2019	1.1.–30.6.2018	1.1.–31.12.2018
Total surplus	696.3	-289.9	-806.2
Insurance business surplus	-5.4	-2.0	-14.2
Investment surplus at fair values	682.9	-303.6	-827.4
Net investment income at fair values (+)	1,613.9	186.3	-331.9
Yield requirement on technical provision (-)	-931.0	-489.9	-495.5
Loading profit	14.9	15.7	31.8
Other income	3.9	0.1	3.6

Distribution of surplus	696.3	-289.9	-806.2
Change in solvency	696.3	-289.9	-878.0
Change in equalisation provision included in the solvency capital	0.0	0.0	0.0
Change in provision for future bonuses	-225.6	60.5	-149.8
Change in valuation differences	921.9	-350.4	-728.3
Change in accrual of closing entries	0.0	0.0	0.0
Profit for the financial year	0.0	0.0	0.0
Transfer to client bonuses	0.0	0.0	71.9