

# Elo Interim Report 1 January–30 September 2019

The comparison figures in brackets are figures for 30 September 2018.

- The return on Elo's investments was 9.4%. The market value of Elo's investments was EUR 25 billion.
- The solvency ratio was 123.7% and solvency capital was 1.5 times the solvency limit.
- The overall result was EUR 879 million.

|  | 1.1.–30.9.2019 | 1.1.–30.9.2018 | 1.1.–31.12.2018 |
|--|----------------|----------------|-----------------|
| Vakuutusmaksutulo, milj. e                               | 3,010.0        | 2,759.6        | 3,639.8         |
| Sijoitustoiminnan nettotuotto käyvin arvoin, milj. e     | 2,101.9        | 510.6          | -331.9          |
| Sijoitustoiminnan nettotuotto sitoutuneelle pääomalle, % | 9.4 %          | 2.2 %          | -1.4 %          |

|  | 30.9.2019 | 30.9.2018 | 31.12.2018 |
|--|-----------|-----------|------------|
| Vastuuvelka, milj.e                        | 21,337.0  | 20,774.7  | 20,431.7   |
| Vakavaraisuuspääoma, milj. e <sup>1)</sup> | 4,813.3   | 4,557.3   | 3,935.1    |
| suhteessa vakavaraisuusrajaan              | 1.5       | 1.8       | 1.6        |
| Eläkevarat, milj e <sup>2)</sup>           | 25,106.9  | 23,893.0  | 23,017.9   |
| % vastuuvelasta <sup>2)</sup>              | 123.7 %   | 123.6 %   | 120.6 %    |
| TyEL-palkkasumma, milj e <sup>3)</sup>     | 14,429.6  | 13,401.0  | 13,312.7   |
| YEL-työtulosumma, milj e <sup>3)</sup>     | 1,723.1   | 1,842.3   | 1,783.7    |

<sup>1)</sup> Laskettuna kunakin ajankohtana voimassa olleiden säädösten mukaisesti (vastaava periaate koskee myös muita vakavaraisuustunnuslukuja)

<sup>2)</sup> STM asetuksen (614/2008) 11 §:n 10 kohdan mukainen vastuuvelka + vakavaraisuuspääoma.

<sup>3)</sup> Arvio vakuutettujen koko vuoden palkka- ja työtulosummasta

## Economic environment and development of the investment market

Concerns over global economic growth continued in the third quarter, with no relief to the prevailing uncertainty regarding trade policy and geopolitical development. The industrial sector, in particular, is affected by the trade policy uncertainties. The service sector and consumer behaviour have remained fairly stable. From the consumer perspective, the development of employment is a highly relevant aspect, and it has remained moderate globally in spite of the uncertainties affecting the industrial sector and the low level of investments.

The global economic growth forecast for the current year shows a slight decline to 3.2 per cent compared to 3.6 per cent last year. Among the main economic areas, economic growth in the United States has held its level, with growth of 2.3 per cent expected this year. Compared to the expectations at the start of the year, the expected U.S. economic growth has only decreased by 0.3 percentage points. The growth of industrial production has stalled even in the United States, but the retail trade continues to grow at the normal rate of approximately 4 per cent.

Growth in the euro zone is expected to decline to just over one per cent this year, compared to 1.9 per cent last year. The significant weakening of the German economy is particularly noteworthy. Economic growth in Germany will be barely positive this year, compared to 1.5 per cent last year. Economic growth in emerging economies has also weakened.

The consensus growth forecast for the Finnish economy declined to 1.4 per cent over the summer, compared to 1.7 per cent last year. While Finnish exports and industrial production have continued to grow for the time being, the weaker economies of Finland's export markets may have a negative impact on growth in the coming months. Housing construction in Finland is also slowing down. Improved employment and wage increases have supported purchasing power, but household confidence has begun to waver as uncertainty regarding the global economy has grown. Several Finnish companies announced statutory personnel negotiations in September, and the growth of employment appears to have stalled.

Global inflation expectations have declined to a worryingly low level as economic growth has slowed down. In the United States, the market expectation for the five-year consumer price index increase is now only just over 1.5 per cent, while the corresponding figure is 0.7 per cent in the euro zone and barely positive in Japan.

Persistent uncertainties regarding trade policy and geopolitical development and the resulting weaker economic growth have forced central banks to again shift to stimulating monetary policy. Stimulus measures in China are quite extensive, although they are not yet at the peak level seen in 2015 and 2016. Globally comments related to economic policy are increasingly including references to stimulating financial policy as the next method to secure economic growth. Active measures in this regard are still some distance away, and it is possible that central banks are waiting for signs of the economic cycle becoming significantly worse than it currently is.

### Employment pension system

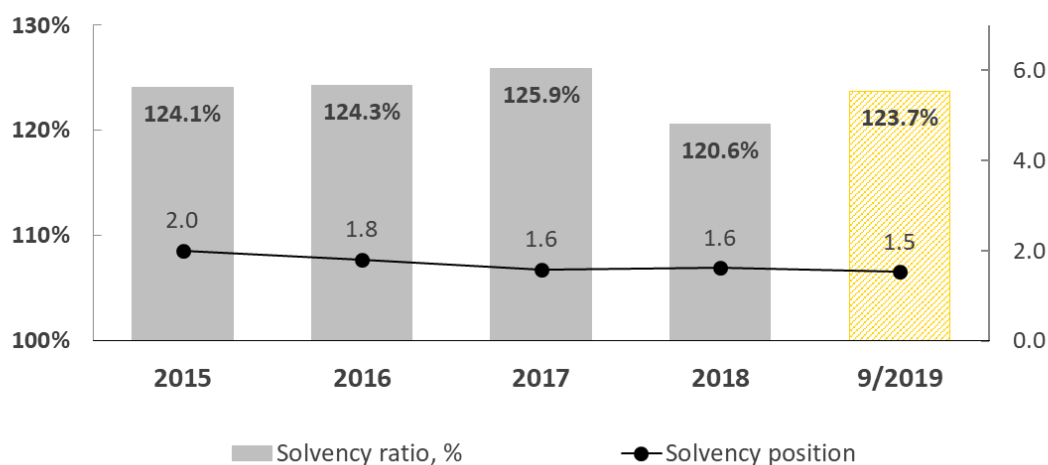
In June 2019, the central labour market organisations agreed on joint proposals concerning changes to the employment pension system. Among other things, the organisations proposed changes to family pensions under the employment pension system, including extending the eligibility for orphan’s pension to 20 years of age and implementing a fixed term for surviving spouse’s pension. Cohabiting widows would also be eligible for surviving spouse’s pension, subject to certain conditions.

The financial sustainability of the employment pension system is affected by several factors, including employment, the birth rate and return on investments. The low birth rate seen in the recent years has been surprising. If sustained, a low birth rate will have a long-term impact on the sustainability of the employment pension system. Labour market organisations have initiated a number of related assessments on various topics, such as the potential for improving the return on investments and the development of disability pensions.

In accordance with the Government Programme, the Ministry of Social Affairs and Health has started to prepare a merger of the public and private sector pension systems.

### Result and solvency

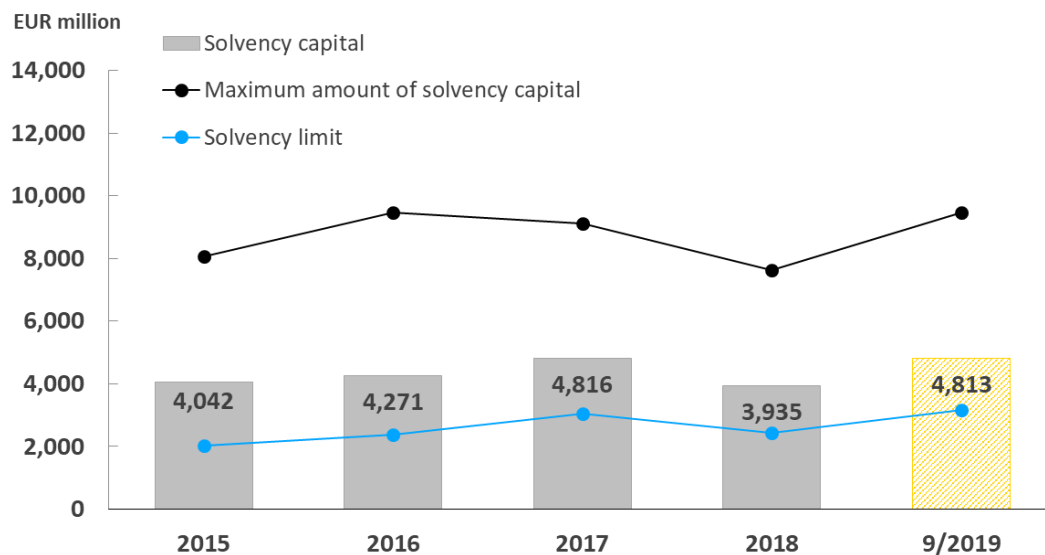
The amount of solvency capital increased from the beginning of the year by EUR 878 million, amounting to EUR 4,813 million (EUR 4,557 million) at the end of September. The ratio of pension assets to technical provisions, i.e. the solvency ratio, was 123.7 per cent (123.6 per cent). Solvency capital was 1.5 (1.8) times the solvency limit.



The net return on investment operations at fair values was EUR 2,102 million (EUR 511 million). The return credited in technical provisions for the same period was EUR 1,241 million (EUR 792 million), of which technical

provisions linked to equity income accounted for EUR 651 million (EUR 180 million). The result of investment operations at fair values was thus EUR 860 million (EUR -281 million).

The loading profit came to EUR 28 million (EUR 27 million). The insurance business surplus was EUR -15 million (EUR -5 million) and other income EUR 6 million (EUR 3 million). Elo's combined total result at fair values was EUR 879 million (EUR -256 million). Total operating expenses amounted to EUR 99 million (EUR 96 million) for the period under review.



| Solvency capital                                | 30.9.2019 | 30.9.2018 | 31.12.2018 |
|---|-----------|-----------|------------|
| Solvency limit, EUR million                     | 3,159.0   | 2,495.1   | 2,431.3    |
| Maximum amount of solvency capital, EUR millior | 9,476.9   | 7,734.3   | 7,633.1    |
| Solvency capital, EUR million                   | 4,813.3   | 4,557.3   | 3,935.1    |
| Solvency ratio, % <sup>1)</sup>                 | 123.7     | 123.6     | 120.6      |
| Solvency position <sup>2)</sup>                 | 1.5       | 1.8       | 1.6        |

<sup>1)</sup> 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.

<sup>2)</sup> Solvency capital in relation to solvency limit

## Insurance business and customer accounts

At the end of September, Elo administered 46,914 TyEL and 83,356 YEL insurance policies. In the period under review, the total number of self-employed persons and employees insured by Elo was over half a million.

Premiums written by Elo have continued to develop favourably in 2019. At the end of September, the year-on-year growth of premiums written was 9.1 per cent. After the three transfer periods this year, the number of new YEL customers continues to grow, with 236 new YEL customers. The number of new TyEL customers has decreased slightly at 112 customers. Elo is the market leader in YEL pension insurance, and one in three employer companies use Elo to insure their employees.

We have invested strongly in both personal service and utilising the opportunities provided by digitalisation in the development of the customer experience. For customers, this is reflected in even better service than before.

The telephone service of Elo's insurance services has operated at an excellent level throughout the year. The response rate has been approximately 98 per cent and the customer satisfaction indicator NPS (Net Promoter Score) has remained at a very high level, around 86. We have also been even more active than before in maintaining contact with our customers on issues related to the incomes register, for example. With a chat service introduced for electronic TyEL and YEL insurance applications in September, it is now even easier than

before to become an Elo customer. Our experts on the chat service help customers on topics related to TyEL and YEL insurance.

The development of Elo's electronic services continues. New features introduced in the online service for managing TyEL and YEL insurance include a Work community indicator, a tool for monitoring the development of TyEL payments and information on the company's average age of retirement on old-age pension. The new tools support our customers in the planning and development of their operations. The number of e-invoicing customers has continued to increase at a steady rate. A total of 43 per cent of our TyEL customers and 31 per cent of our YEL customers have chosen e-invoicing.

### **Pension services**

Approximately 239,900 (236,700) pensioners were paid their pensions by Elo at the end of September. A total of EUR 2,552 million (EUR 2,438 million) was paid in pensions during the first nine months of the year. Elo issued a total of approximately 19,600 (18,900) pension decisions on the basis of applications during the first nine months of the year, which is more than in the corresponding period last year.

The number of new decisions on disability pensions has continued to increase at Elo and throughout the pension insurance sector. Compared to the same period last year, the number of decisions grew by approximately 7.5 per cent. The number of decisions on applications for vocational rehabilitation increased by approximately 5 per cent year-on-year. The number of decisions on partial early old-age pension has increased, with a total of 1,674 (1,438) decisions issued by the end of September. For old-age pensions and family pensions, the number of decisions is largely on par with the previous year.

The quality of customer service is at a good level. The customer satisfaction indicator NPS (Net Promoter Score) was 70.5, the average waiting time for the telephone service was approximately 11 seconds and the response rate was 99.5. We introduced new online services during the third quarter. For example, we made it easier to apply for pension from outside Finland. The NPS for the online service related to pension and rehabilitation matters was 57.

We have improved our performance by developing automation and processes, which is reflected in faster processing times for pension applications, among other things. As of the end of the third quarter, we had issued pension decisions approximately 29 per cent faster on average than the overall average of other employment pension companies.

### **Investment operations**

The returns on all of Elo's main asset classes remained positive in the third quarter as they have done the whole year, with share indices rising by a few percentage points and long-term interest rates declining substantially. The measures taken by central banks have helped the investment markets significantly this year.

Elo has had a good year in 2019. Returns on all of Elo's asset classes have been positive throughout the period under review. The highest returns among Elo's investments during the review period were generated by listed and unlisted equity investments. Elo's investments generated a return of 9.4 per cent (2.2 per cent) in January–September and investment assets at fair value amounted to EUR 24,565 million (EUR 23,651 million) at the end of September. The net return on investment operations at fair values was EUR 2,102 million (EUR 511 million).

At the end of September, the average 5-year nominal return of Elo's investments was 5.4 per cent and the average 10-year nominal return was 5.9 per cent. The real returns were 4.8 per cent and 4.5 per cent, respectively. The result of investment operations at fair value was EUR 860 million (EUR -281 million).

The key factors affecting investment operations during the review period were keeping the allocation sufficiently return-oriented and maintaining the appropriate diversification. Managing currency exposure has also played a key role during the review period.

Return on fixed income investments was 6.2 per cent (-0.7 per cent) in January–September. The share of fixed income investments in Elo’s investment assets was 43.4 per cent (46.2 per cent). The return on public bonds classified under fixed income investments was 7.1 per cent (-1.9 per cent), the return on other bonds 9.1 per cent (-0.1 per cent), the return on other money market instruments and deposits -1.5 per cent (-0.4 per cent) and the return on loan receivables 2.0 per cent (2.1 per cent).

On the whole, the interest rates of sovereign bonds of Western countries continued to decline in the third quarter. The majority of the decline was seen in August. Elo’s investments in sovereign bonds outside the euro zone have generated good returns throughout the year.

In fixed income investments in emerging markets, bonds denominated in local currencies generated excellent returns, but the returns on dollar-denominated bonds stalled in the third quarter.

Corporate bonds have generated good returns throughout the year, including the third quarter, in both Europe and the United States. Interest rates and loan margins declined moderately. The number of bankruptcies has remained low. In Elo’s fixed income investments, excellent success was achieved in the diversification of investments in different markets and the management of interest rate risk during the review period.

Return on equity investments was 14.6 per cent (4.1 per cent) in January–September. The share of equity investments in Elo’s investment assets was 47.5 per cent (41.1 per cent). The return on listed equity investments was 17.3 per cent (2.4 per cent) and on unlisted equity investments 8.2 per cent (3.4 per cent). The return on the private equity investments classified under equity investments was 7.3 per cent (11.8 per cent).

While the global equity markets have generated good returns as a whole throughout the year, only slight increase was seen in the third quarter. The volatility of the equity markets has increased during the autumn. Equity market returns in the major markets have been relatively flat, but there have been major fluctuations within the markets that point towards increased uncertainty. Due to the uncertainty in the global economy, the main markets have also seen downward adjustments in profit forecasts, particularly for this year. The diversification of Elo’s equity investments has been effective.

The return on real estate investments was 4.4 per cent (4.7 per cent) in January–September. The share of real estate investments in Elo’s investment assets was 12.7 per cent (12.7 per cent). The return on direct real estate investments was 4.4 per cent (4.8 per cent) and the return on real estate funds and joint investment companies was 4.3 per cent (4.3 per cent).

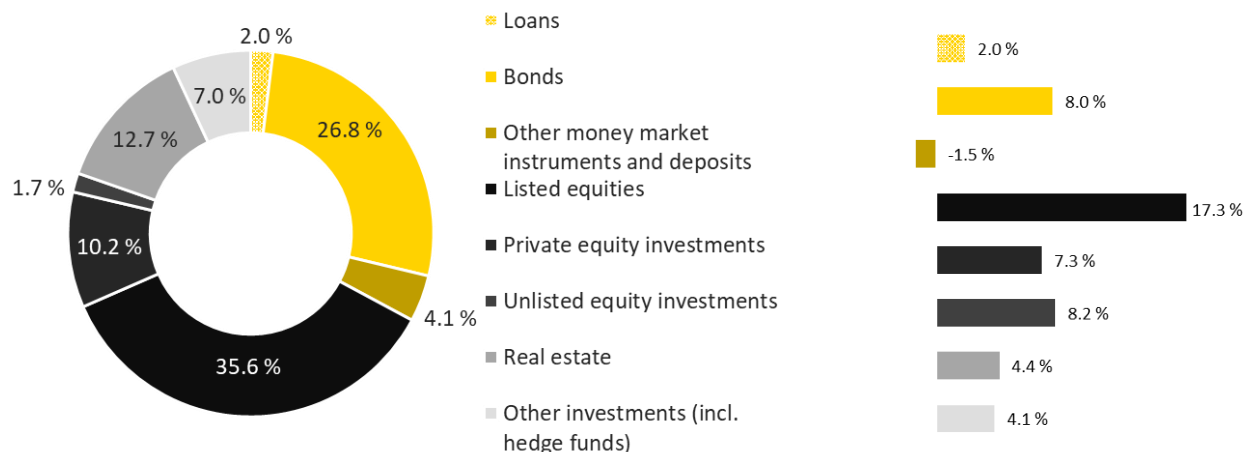
In real estate investments, the occupancy rates of both business premises and housing have remained at a good level. Rental income remained stable during the review period, and the overall return was increased by the liquidation of real estate assets.

The merger of the Jumbo Shopping Centre with the Varma-owned Flamingo Entertainment Centre, which was agreed upon earlier in the year, was approved by the competition authorities in September. The merger will proceed as planned during the remainder of the year. During the review period, Elo and its partner investors sold their holdings in Probus Holding Oy.

Other smaller liquidations and investments were also carried out during the third quarter in accordance with the company’s strategy.

At the end of September, Elo’s other investments consisted mainly of hedge fund investments, with a return of 4.1 per cent (3.4 per cent). The increased market fluctuations in the third quarter were reflected in fund returns.

The U.S. dollar steadily appreciated against the euro in the third quarter. Only minor changes were made to Elo’s currency exposure in the third quarter and the amount of the open currency exposure increased slightly.



The impact of derivatives has been taken into account in the item "Other money market instruments and deposits"

|  | Basic allocation by market value |              | Actual risk position |              | Return      | Volatility |
|--|----------------------------------|--------------|----------------------|--------------|-------------|------------|
|  | EUR million                      | EUR million  | EUR million          | %            | %           | %          |
| <b>Fixed-income investments</b>  | <b>8,245.6</b>                   | <b>33.6</b>  | <b>10,669.5</b>      | <b>43.4</b>  | <b>6.2</b>  |            |
| Loans  | 481.1                            | 2.0          | 481.1                | 2.0          | 2.0         |            |
| Bonds  | 6,509.9                          | 26.5         | 6,574.9              | 26.8         | 8.0         | 3.2        |
| Public bonds   | 3,368.9                          | 13.7         | 3,438.5              | 14.0         | 7.1         |            |
| Other bonds  | 3,141.1                          | 12.8         | 3,136.5              | 12.8         | 9.1         |            |
| Other money market instruments and deposits<br>inc. any receivables and liabilities related to investments | 1,254.6                          | 5.1          | 3,613.5              | 14.7         | -1.5        |            |
| <b>Equities</b>  | <b>11,488.7</b>                  | <b>46.8</b>  | <b>11,667.8</b>      | <b>47.5</b>  | <b>14.6</b> |            |
| Listed equities  | 8,569.3                          | 34.9         | 8,748.5              | 35.6         | 17.3        | 11.6       |
| Private equity investments   | 2,506.0                          | 10.2         | 2,506.0              | 10.2         | 7.3         |            |
| Unlisted equity investments  | 413.4                            | 1.7          | 413.4                | 1.7          | 8.2         |            |
| <b>Real estate</b>   | <b>3,119.3</b>                   | <b>12.7</b>  | <b>3,119.3</b>       | <b>12.7</b>  | <b>4.4</b>  |            |
| Direct real estate investments   | 2,336.1                          | 9.5          | 2,336.1              | 9.5          | 4.4         |            |
| Real estate funds and joint investment companies   | 783.2                            | 3.2          | 783.2                | 3.2          | 4.3         |            |
| <b>Other investments</b>   | <b>1,711.1</b>                   | <b>7.0</b>   | <b>1,710.9</b>       | <b>7.0</b>   | <b>4.1</b>  |            |
| Hedge fund investments   | 1,789.8                          | 7.3          | 1,789.8              | 7.3          | 4.1         | 3.6        |
| Commodity investments  | 0.0                              | 0.0          | 0.2                  | 0.0          | -           |            |
| Other investments  | -78.7                            | -0.3         | -79.1                | -0.3         | -           |            |
| <b>Total investments</b>   | <b>24,564.6</b>                  | <b>100.0</b> | <b>27,167.5</b>      | <b>110.6</b> | <b>9.4</b>  | <b>4.2</b> |
| Effect of derivatives  |                                  |              | -2,602.9             | -10.6        |             |            |
| <b>Total</b>   | <b>24,564.6</b>                  | <b>100.0</b> | <b>24,564.6</b>      | <b>100.0</b> |             |            |

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 5,1 years.

The open currency exposure is 28,7% of market value.

## Personnel

Elo's HR work is guided by the personnel strategy. In accordance with its personnel vision, Elo wants to be an appreciated and developing work community where everyone can experience success. There are four focal areas in the implementation of the vision: reforming competence, responsible and inspiring leadership, personnel committed to development and prepared to change, as well as flexible resourcing.

A survey of psychosocial stress factors was conducted in 2018. The company has responded to the development areas highlighted by the survey during autumn 2019 by supporting the well-being of the personnel in various ways, including two online training courses focused on well-being at Elo and being a manager at Elo.

Elo conducted an equality survey for its personnel in autumn 2018. Issues related to equality and non-discrimination were seen as being at a good level in general. Measures to further develop equality and diversity have continued in cooperation with the personnel in 2019.

During the review period, Elo had an average of 533 (512) employees and the average amount of work performed was 487 (463) man-years. Personnel expenses in January–September amounted to EUR 28.1 million (EUR 25.7 million).

## **Responsibility**

The PRI (Principles for Responsible Investment) assessment of the responsibility of Elo's investment activities in 2018 was published in August. The responsibility of Elo's investments was again rated very good. The PRI rated the full range of Elo's investment activities in the best possible categories. Elo received the highest possible grade of A+ for its strategy of responsible investment, the management of responsible investment and the company's direct equity investments. The grade received for the other asset classes was A. By being a signatory of the PRI since 2008, Elo is committed to reporting on its actions and the progress of responsible investment.

In September, Elo published information on its website regarding its participation in annual general meetings as well as votes held during the meetings in 2019 in Finland and internationally. The published list contains information on participations in general meetings by the end of July, and the list will be updated later once the international season of annual general meetings has ended. By the end of July, Elo had participated in a total of 135 general meetings. Slightly over a third of the meetings were held in Finland. Altogether, we have cast our vote on approximately 1,000 items. Elo voted against a proposal presented on the AGM agenda in 31 general meetings. For the most part, these proposals concerned the composition of the Board of Directors or the capital structure.

Elo's memberships in the nomination committees of Finnish listed companies were updated in September. Elo is currently a member in the nomination committees of eight Finnish companies.

In September, Elo published a survey study "Non-discrimination in working life – does it exist?", focused on Finns' experiences regarding non-discrimination in working life. According to the survey, more than one third of Finns have experienced unequal treatment in working life related to factors such as age, reduced work ability or ethnic background. Two out of five respondents nevertheless indicated that diversity is valued more than before in today's working life.

## **Near-term outlook**

The uncertainty in the global economy has continued during the review period and affected the outlook for industry. While the level of sustainable growth has been maintained for the most part, there are signs in Europe of capacity underutilization. The central risk is that the originally moderate industrial recession would, in the coming months, deepen and turn into a broad global depression that would presumably begin to weaken employment as well. Weaker employment would influence consumer attitudes and further weaken the uncertain outlook.

The continuation of global economic growth still depends mostly on the unpredictable trade negotiations between the United States and China. The economic outlook and markets are also substantially affected by the significant geopolitical uncertainty, which is not showing signs of decreasing.

As expected, central banks have begun to take action to secure economic growth. While central banks have room to manoeuvre when it comes to stimulus measures, their potential moves are more limited than before. The need for more active financial policy has been highlighted. The expectations regarding the measures to be taken are shifting to the coming years.

The development of the Finnish economy during the remainder of the year will involve exposure to the risks and fluctuations of the global economy due to the significance of the export sector. Next year's national budget is slightly stimulating, but increasing the employment rate will be a big challenge in the years to come.

## Asset allocation at fair value

|  | Basic allocation by market value |              |                 |              |                 |              | Actual risk position <sup>8)</sup> |                  |                 |                  |                 |                  |
|--|----------------------------------|--------------|-----------------|--------------|-----------------|--------------|------------------------------------|------------------|-----------------|------------------|-----------------|------------------|
|  | 30.9.2019                        |              | 30.9.2018       |              | 31.12.2018      |              | 30.9.2019                          |                  | 30.9.2018       |                  | 31.12.2018      |                  |
|  | EUR million                      | %            | EUR million     | %            | EUR million     | %            | EUR million                        | % <sup>10)</sup> | EUR million     | % <sup>10)</sup> | EUR million     | % <sup>10)</sup> |
| <b>Fixed-income investments</b>  | <b>8,245.6</b>                   | <b>33.6</b>  | <b>9,252.1</b>  | <b>39.1</b>  | <b>8,441.9</b>  | <b>37.4</b>  | <b>10,669.5</b>                    | <b>43.4</b>      | <b>10,934.7</b> | <b>46.2</b>      | <b>6,302.0</b>  | <b>27.9</b>      |
| Loans <sup>1)</sup>  | 481.1                            | 2.0          | 538.0           | 2.3          | 560.2           | 2.5          | 481.1                              | 2.0              | 538.0           | 2.3              | 560.2           | 2.5              |
| Bonds  | 6,509.9                          | 26.5         | 6,757.8         | 28.6         | 6,435.1         | 28.5         | 6,574.9                            | 26.8             | 6,101.6         | 25.8             | 6,327.4         | 28.0             |
| Other money market instruments and deposits including any receivables and liabilities related to investments <sup>1)2)</sup> | 1,254.6                          | 5.1          | 1,956.4         | 8.3          | 1,446.6         | 6.4          | 3,613.5                            | 14.7             | 4,295.2         | 18.2             | -585.5          | -2.6             |
| <b>Equities</b>  | <b>11,488.7</b>                  | <b>46.8</b>  | <b>9,483.7</b>  | <b>40.1</b>  | <b>9,251.4</b>  | <b>40.9</b>  | <b>11,667.8</b>                    | <b>47.5</b>      | <b>9,711.6</b>  | <b>41.1</b>      | <b>9,303.7</b>  | <b>41.2</b>      |
| Listed equities <sup>3)</sup>  | 8,569.3                          | 34.9         | 7,164.2         | 30.3         | 6,802.4         | 30.1         | 8,748.5                            | 35.6             | 7,392.1         | 31.3             | 6,854.7         | 30.3             |
| Private equity investments <sup>4)</sup>   | 2,506.0                          | 10.2         | 1,967.8         | 8.3          | 2,067.4         | 9.1          | 2,506.0                            | 10.2             | 1,967.8         | 8.3              | 2,067.4         | 9.1              |
| Unlisted equity investments <sup>5)</sup>  | 413.4                            | 1.7          | 351.7           | 1.5          | 381.7           | 1.7          | 413.4                              | 1.7              | 351.7           | 1.5              | 381.7           | 1.7              |
| <b>Real estate</b>   | <b>3,119.3</b>                   | <b>12.7</b>  | <b>3,007.3</b>  | <b>12.7</b>  | <b>3,002.8</b>  | <b>13.3</b>  | <b>3,119.3</b>                     | <b>12.7</b>      | <b>3,007.3</b>  | <b>12.7</b>      | <b>3,002.8</b>  | <b>13.3</b>      |
| Direct real estate investments   | 2,336.1                          | 9.5          | 2,303.2         | 9.7          | 2,284.4         | 10.1         | 2,336.1                            | 9.5              | 2,303.2         | 9.7              | 2,284.4         | 10.1             |
| Real estate funds and joint investment companies   | 783.2                            | 3.2          | 704.1           | 3.0          | 718.4           | 3.2          | 783.2                              | 3.2              | 704.1           | 3.0              | 718.4           | 3.2              |
| <b>Other investments</b>   | <b>1,711.1</b>                   | <b>7.0</b>   | <b>1,907.6</b>  | <b>8.1</b>   | <b>1,899.2</b>  | <b>8.4</b>   | <b>1,710.9</b>                     | <b>7.0</b>       | <b>1,911.6</b>  | <b>8.1</b>       | <b>1,887.0</b>  | <b>8.4</b>       |
| Hedge fund investments <sup>6)</sup>   | 1,789.8                          | 7.3          | 1,968.3         | 8.3          | 1,860.8         | 8.2          | 1,789.8                            | 7.3              | 1,968.3         | 8.3              | 1,860.8         | 8.2              |
| Commodity investments  | 0.0                              | 0.0          | 1.4             | 0.0          | 0.0             | 0.0          | 0.2                                | 0.0              | 5.4             | 0.0              | -12.2           | -0.1             |
| Other investments <sup>7)</sup>  | -78.7                            | -0.3         | -62.1           | -0.3         | 38.4            | 0.2          | -79.1                              | -0.3             | -62.1           | -0.3             | 38.4            | 0.2              |
| <b>Total</b>   | <b>24,564.6</b>                  | <b>100.0</b> | <b>23,650.8</b> | <b>100.0</b> | <b>22,595.3</b> | <b>100.0</b> | <b>27,167.5</b>                    | <b>110.6</b>     | <b>25,565.3</b> | <b>108.1</b>     | <b>20,495.6</b> | <b>90.7</b>      |
| Effect of derivatives <sup>9)</sup>  |                                  |              |                 |              |                 |              | -2,602.9                           | -10.6            | -1,914.5        | -8.1             | 2,099.8         | 9.3              |
| <b>Total at fair values</b>  | <b>24,564.6</b>                  | <b>100.0</b> | <b>23,650.8</b> | <b>100.0</b> | <b>22,595.3</b> | <b>100.0</b> | <b>24,564.6</b>                    | <b>100.0</b>     | <b>23,650.8</b> | <b>100.0</b>     | <b>22,595.3</b> | <b>100.0</b>     |
| <b>Modified duration of bond portfolio</b>   | <b>5.1</b>                       |              |                 |              |                 |              |                                    |                  |                 |                  |                 |                  |

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

|  | Net return on investments at current value, EUR million |                 | Invested capital <sup>9)</sup> , EUR million |                | Return on invested capital, % |                |
|--|---|-----------------|--|----------------|-------------------------------|----------------|
|  | 1.1.–30.9.2019  | 1.1.–30.9.2018  | 1.1.–30.9.2019                               | 1.1.–30.9.2018 | 1.1.–30.9.2019                | 1.1.–30.9.2018 |
| <b>Fixed-income investments</b>  | <b>484.5</b>  | <b>7,800.7</b>  | <b>6.2</b>                                   | <b>-0.7</b>    | <b>-0.8</b>                   | <b>-0.8</b>    |
| Loans <sup>1)</sup>  | 11.0  | 545.2           | 2.0  | 2.1            | 2.8                           | 2.8            |
| Bonds  | 490.7   | 6,100.0         | 8.0  | -1.0           | -1.2                          | -1.2           |
| Bonds of public corporations   | 226.9   | 3,191.2         | 7.1  | -1.9           | -0.9                          | -0.9           |
| Bonds of other corporations  | 263.8   | 2,908.8         | 9.1  | -0.1           | -1.5                          | -1.5           |
| Other money market instruments and deposits including any receivables and liabilities related to investments <sup>1)2)</sup> | -17.1   | 1,155.5         | -1.5   | -0.4           | -0.5                          | -0.5           |
| <b>Equities</b>  | <b>1,423.1</b>  | <b>9,723.7</b>  | <b>14.6</b>                                  | <b>4.1</b>     | <b>-4.7</b>                   | <b>-4.7</b>    |
| Listed equities <sup>3)</sup>  | 1,229.7   | 7,123.4         | 17.3   | 2.4            | -10.2                         | -10.2          |
| Private equity investments <sup>4)</sup>   | 161.7   | 2,215.8         | 7.3  | 11.8           | 16.0                          | 16.0           |
| Unlisted equity investments <sup>5)</sup>  | 31.7  | 384.5           | 8.2  | 3.4            | 10.6                          | 10.6           |
| <b>Real estate</b>   | <b>138.2</b>  | <b>3,137.3</b>  | <b>4.4</b>                                   | <b>4.7</b>     | <b>5.8</b>                    | <b>5.8</b>     |
| Direct real estate investments   | 107.0   | 2,406.7         | 4.4  | 4.8            | 5.7                           | 5.7            |
| Real estate funds and joint investment companies   | 31.2  | 730.6           | 4.3  | 4.3            | 6.3                           | 6.3            |
| <b>Other investments</b>   | <b>71.5</b>   | <b>1,761.4</b>  | <b>4.1</b>                                   | <b>3.4</b>     | <b>1.6</b>                    | <b>1.6</b>     |
| Hedge fund investments <sup>6)</sup>   | 71.7  | 1,761.9         | 4.1  | 3.4            | 1.7                           | 1.7            |
| Commodity investments  | -0.8  | -0.4            | -  | -              | -                             | -              |
| Other investments <sup>7)</sup>  | 0.6   | -0.1            | -  | -              | -                             | -              |
| <b>Total investments</b>   | <b>2,117.4</b>  | <b>22,423.0</b> | <b>9.4</b>                                   | <b>2.3</b>     | <b>-1.3</b>                   | <b>-1.3</b>    |
| Unallocated income, costs and operating expenses from investment operations  | -15.5   |                 | -0.1   | -0.1           | -0.1                          | -0.1           |
| <b>Net investment income at current value</b>  | <b>2,101.9</b>  | <b>22,423.0</b> | <b>9.4</b>                                   | <b>2.2</b>     | <b>-1.4</b>                   | <b>-1.4</b>    |

1) Includes accrued interest

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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 value between the beginning and end of the reporting period less cash flows during the period.

Cash flow means the difference between purchases/costs and sales/revenues.

9) Capital employed = market value at the beginning of the reporting period +

daily / monthly time-weighted cash flows