



INTERIM REPORT

1 JANUARY – 30 SEPTEMBER 2019

Elo Mutual Pension Insurance Company

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

STRONG PERFORMANCE BY ELO IN Q1–Q3

- During the review period, returns on all main asset classes were positive and Elo's return on investments at the end of September was 9.4%.
- The 10-year nominal return remains excellent at 5.9%.
- Elo's strong focus on digitalisation and the development of the customer experience is reflected in customer satisfaction.
- The UN PRI rated the full range of Elo's investment activities in the best possible categories of A and A+.
- Elo published a survey study "Non-discrimination in working life – does it exist?", revealing that there is a lot of room for improvement when it comes to non-discrimination in Finnish working life.

ELO'S KEY FIGURES

| | 9/2019 | 9/2018 | 2018 |
|---|----------|----------|----------|
| Investment assets at fair value, EUR million | 24,564.6 | 23,650.8 | 22,595.3 |
| Net return from investment on capital employed, % | 9.4 % | 2.2 % | -1.4 % |
| Average nominal return, over 10 years | 5.9 % | 5.8 % | 5.9 % |
| Average nominal return, over 5 years | 5.4 % | 5.7 % | 4.5 % |
| Premiums written, EUR million | 3,010.0 | 2,759.6 | 3,639.8 |
| Pensions and other benefits paid, EUR million | 2,945.2 | 2,740.1 | 3,634.6 |
| Technical provisions, EUR million | 21,337.0 | 20,774.7 | 20,431.7 |
| Number of TyEL insured | 414,400 | 419,000 | 440,200 |
| Number of YEL policyholders | 83,400 | 83,700 | 83,700 |
| Number of pensioners | 239,900 | 236,700 | 237,900 |
| Loading profit, EUR million | 28.1 | 26.9 | 31.8 |
| Solvency capital, EUR million | 4,813.3 | 4,557.3 | 3,935.1 |
| Solvency position | 1.5 | 1.8 | 1.6 |
| Solvency ratio, % | 123.7 % | 123.6 % | 120.6 % |

INVESTMENTS

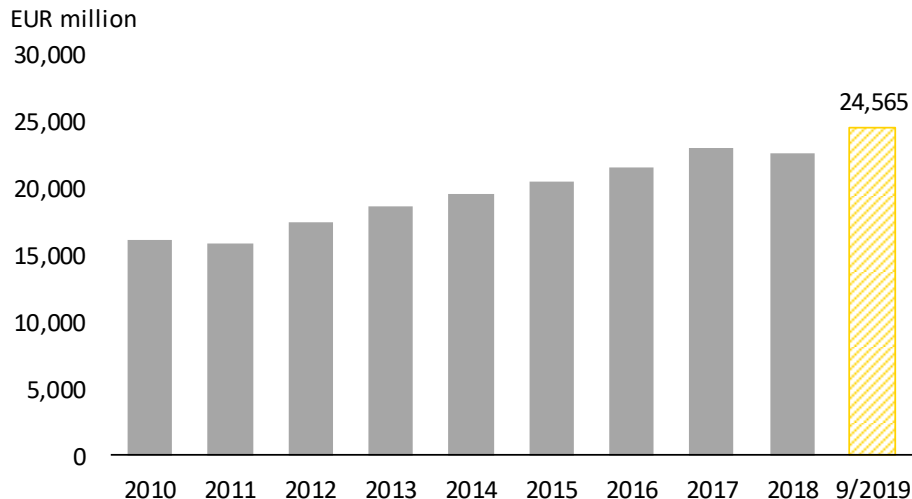


A STRONG YEAR IN INVESTMENTS — EQUITY AND FIXED INCOME INVESTMENTS HAVE GENERATED EXCELLENT RETURNS

- **Global economic growth has decreased slightly, 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, while the service sector and consumer behaviour have remained quite stable**
- **The uncertainty and the resulting slower economic growth have forced central banks to reinitiate monetary stimulus measures.**
- **Elo's return on investments during the review period was 9.4% (2.2%).**
- **Returns on all of Elo's main asset classes have been positive throughout the year.**
- **The highest returns were generated by equities and, in the prevailing exceptional circumstances, fixed income investments.**

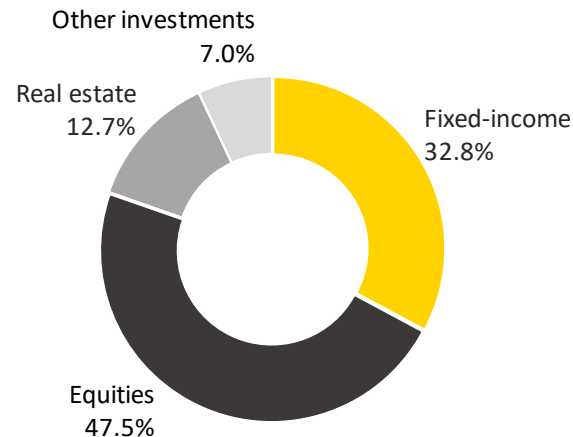
SUCCESSFUL PORTFOLIO MANAGEMENT IN SEVERAL ASSET CLASSES WAS HIGHLIGHTED IN INVESTMENT OPERATIONS

Development of investment assets 2010-9/2019



Investment asset allocation 9/2019

Actual risk position

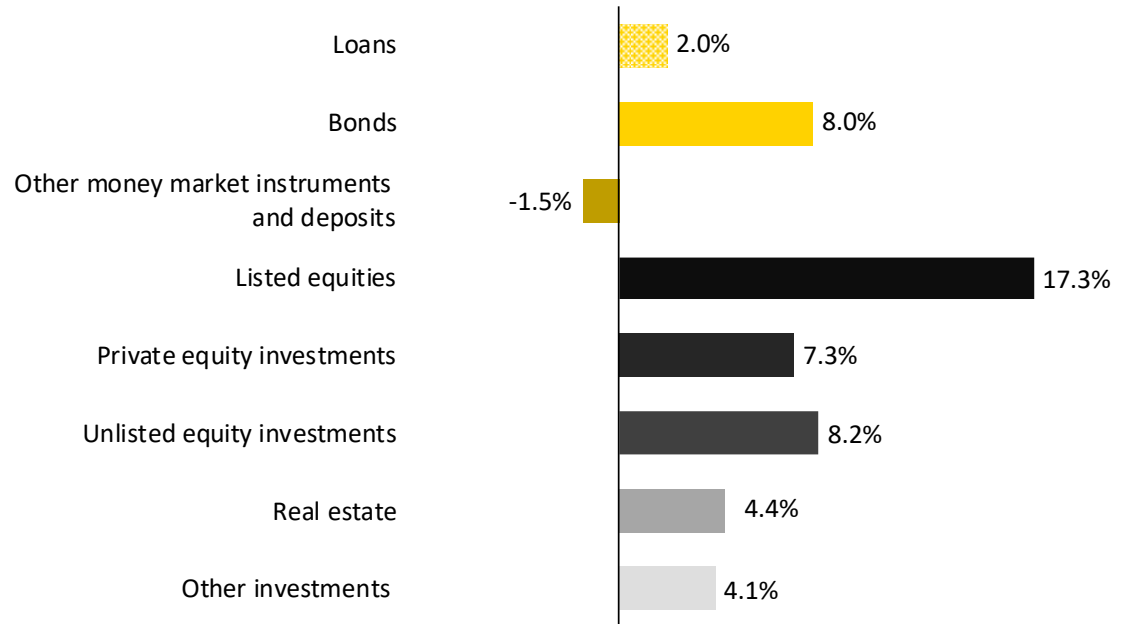


The impact of derivatives has been taken into account in the item "Fixed-income"

- Investment assets have increased by EUR 6.0 billion since the beginning of 2014.

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

- Listed and unlisted equities generated the highest returns during the period.
- Bonds generated excellent 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 9.4 %

Asset allocation and return on investments 30.9.2019

| | Basic allocation by market value | | Actual risk position | | Return | Volatility |
|--|-------------------------------------|--------------|----------------------|--------------|-------------|------------|
| | EUR million | | EUR million | % | % | % |
| Fixed-income investments | 8,245.6 | 33.6 | 10,669.5 | 43.4 | 6.2 | |
| 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 inc. any receivables and liabilities related to investments | 1,254.6 | 5.1 | 3,613.5 | 14.7 | -1.5 | |
| Equities | 11,488.7 | 46.8 | 11,667.8 | 47.5 | 14.6 | |
| 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 | |
| Real estate | 3,119.3 | 12.7 | 3,119.3 | 12.7 | 4.4 | |
| 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 | |
| Other investments | 1,711.1 | 7.0 | 1,710.9 | 7.0 | 4.1 | |
| 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 | - | |
| Total investments | 24,564.6 | 100.0 | 27,167.5 | 110.6 | 9.4 | 4.2 |
| Effect of derivatives | | | -2,602.9 | -10.6 | | |
| Total | 24,564.6 | 100.0 | 24,564.6 | 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.

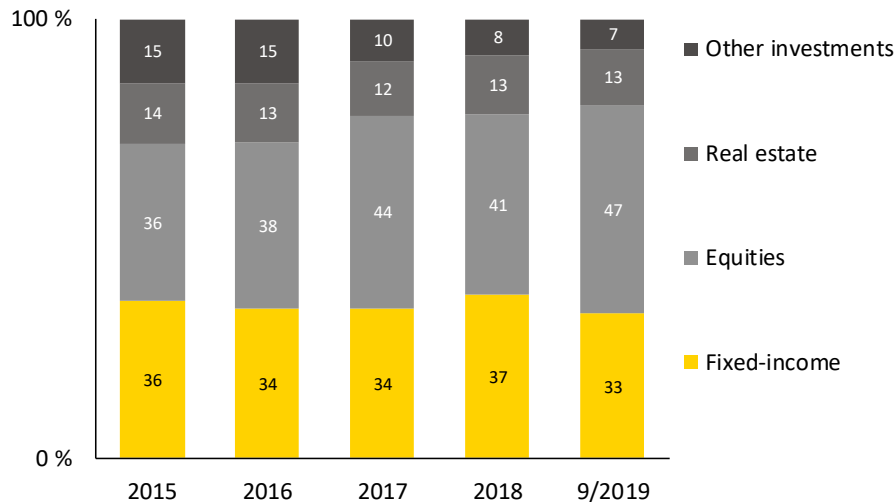
The total return includes returns, expenses and operating expenses not allocated to investment classes. The modified duration of bonds is 5.1 years.

The open currency exposure is 28.7% of market value.

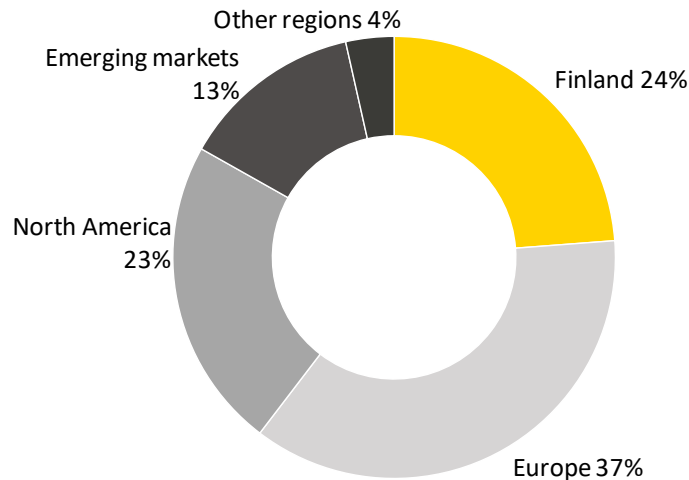
THE DIVERSIFICATION OF ELO'S INVESTMENT PORTFOLIO HAS BEEN SUCCESSFUL IN 2019

Development of asset allocation 2015-9/2019

Risk allocation



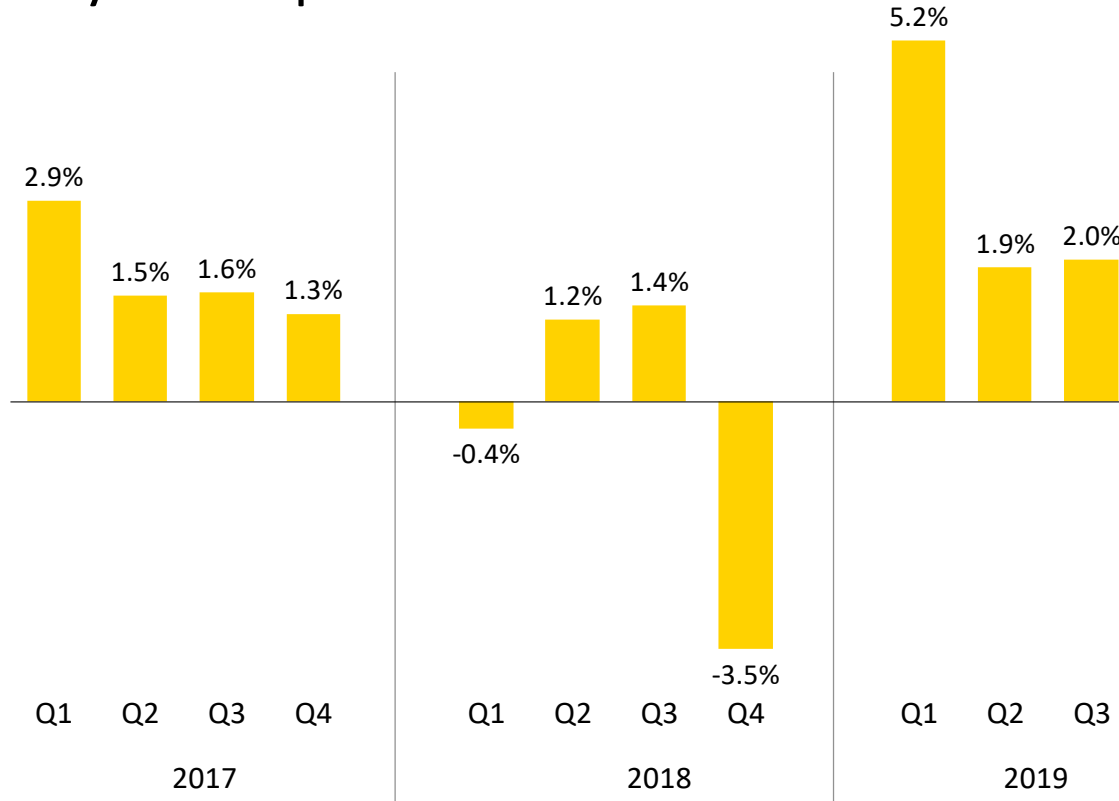
Geographical distribution of investments 9/2019



- The diversification of Elo's managed assets has been effective.
- The management of interest rate risk and currency exposure was excellent during the review period

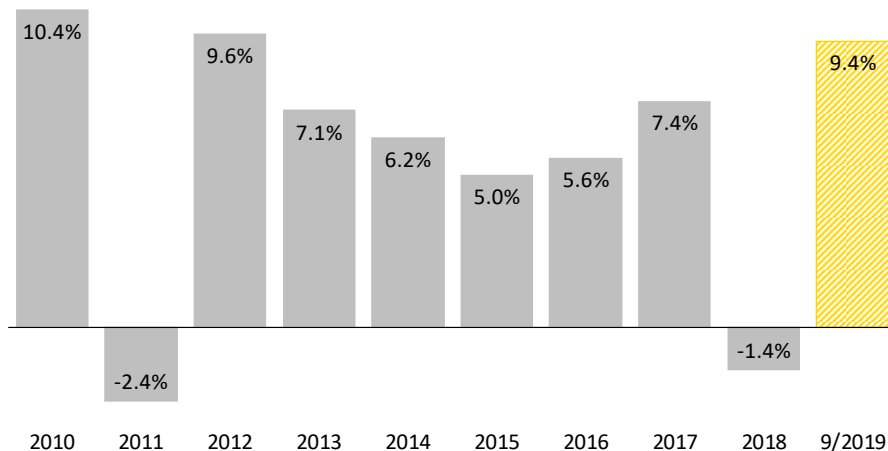
QUARTERLY RETURNS

Return 1 July –30 September 2.0 %

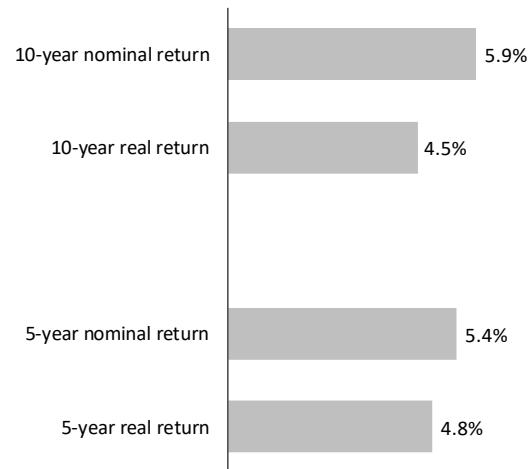


STRONG AVERAGE RETURN ON INVESTMENTS OVER TIME

Investment returns over time 2010–9/2019



Average return on investments over time



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



FUTURE OUTLOOK

- **Global economic growth has continued to slow due to the uncertainty faced by the industrial sector.**
- **The central risk is that the originally moderate industrial recession would, in the coming months, deepen and turn into a broad global depression.**
- **The continuation of global economic growth still depends mostly on the unpredictable trade negotiations between the United States and China.**
- **Central banks have begun to take action to safeguard the global economy.**
- **The need for more active financial policy has emerged as a significant topic of discussion.**
- **The development of the Finnish economy during the remainder of the year will involve exposure to the potential realisation of the risks of the global economy due to the significance of export sector.**

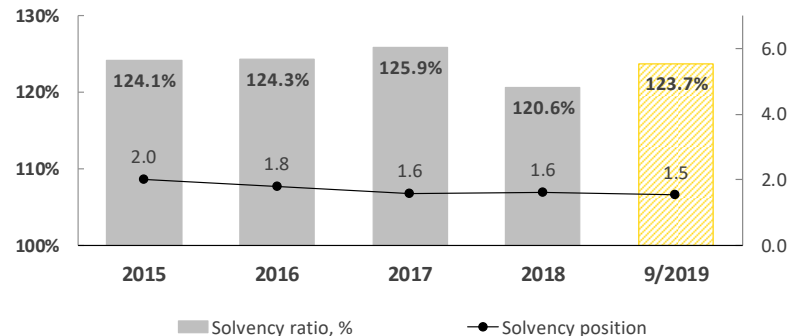
RESULT AND SOLVENCY

DEVELOPMENT OF SOLVENCY FIGURES

Key solvency figures

| | 31.12.2018 | 30.9.2019 |
|---|------------|-----------|
| Solvency limit, EUR million | 2,431.3 | 3,159.0 |
| Maximum amount of solvency capital, EUR million | 7,633.1 | 9,476.9 |
| Solvency capital, EUR million | 3,935.1 | 4,813.3 |
| Solvency ratio, % | 120.6 | 123.7 |
| Solvency position | 1.6 | 1.5 |

Solvency ratio and position 2015–9/2019



- Solvency ratio, i.e. pension assets in relation to technical provisions, was 123.7 %.
- Solvency position, i.e. solvency capital in relation to solvency limit, was 1.5.

FORMATION OF ELO'S PROFIT

| EUR million | 1.1.–30.9.2019 | 1.1.–30.9.2018 | 1.1.–31.12.2018 |
|--|----------------|----------------|-----------------|
| Total surplus | 879.3 | -256.2 | -806.2 |
| Insurance business surplus | -15.2 | -5.3 | -14.2 |
| Investment surplus at fair values | 860.5 | -281.1 | -827.4 |
| Net investment income at fair values (+) | 2,101.9 | 510.6 | -331.9 |
| Yield requirement on technical provision (-) | -1,241.5 | -791.6 | -495.5 |
| Loading profit | 28.1 | 26.9 | 31.8 |
| Other income | 5.8 | 3.3 | 3.6 |

| | | | |
|---|--------------|---------------|---------------|
| Distribution of surplus | 879.3 | -256.2 | -806.2 |
| Change in solvency | 879.3 | -256.2 | -878.0 |
| Change in equalisation provision included in the solvency capital | 0.0 | 0.0 | 0.0 |
| Change in provision for future bonuses | -305.2 | -67.1 | -149.8 |
| Change in valuation differences | 1,184.5 | -189.1 | -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 |