



Financial statements 2019

Elo Mutual Pension Insurance Company



Summary of key figures

| | 2019 | 2018 |
|---|----------|----------|
| Investment assets at fair value, EUR million | 25,333.8 | 22,595.3 |
| Net return from investment on capital employed, % | 13.0 % | -1.4 % |
| Average nominal return, over 10 years | 5.9 % | 5.9 % |
| Average nominal return, over 5 years | 5.8 % | 4.5 % |
| Premiums written, EUR million | 3,968.5 | 3,639.8 |
| Pensions and other benefits paid, EUR million | 3,915.3 | 3,634.6 |
| Technical provisions, EUR million | 21,876.6 | 20,431.7 |
| Number of TyEL insured | 410,200 | 440,200 |
| Number of YEL policyholders | 83,300 | 83,700 |
| Number of pensioners | 240,900 | 237,900 |
| Loading profit, EUR million | 35.2 | 31.8 |
| Solvency capital, EUR million | 5,081.8 | 3,935.1 |
| Solvency position | 1.6 | 1.6 |
| Solvency ratio, % | 124.4 % | 120.6 % |

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Investments

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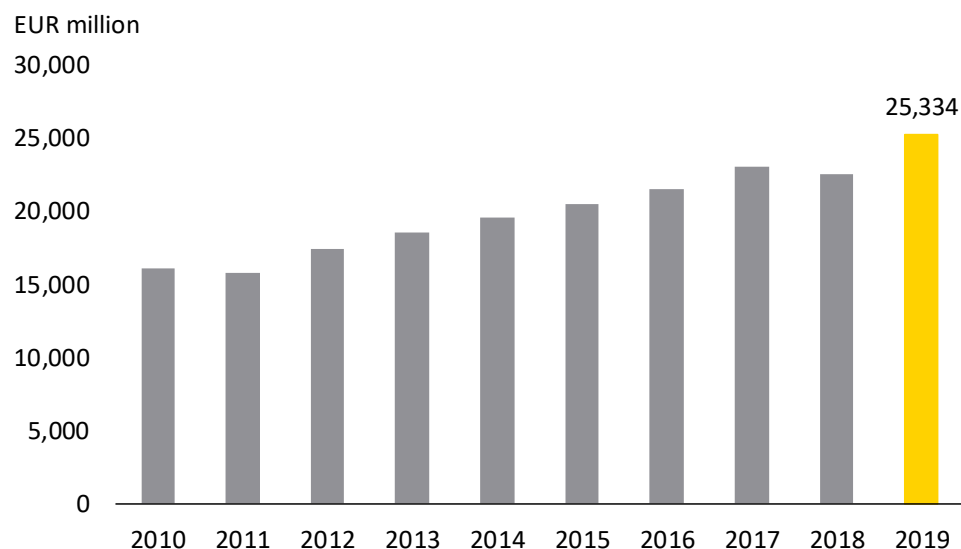


Economic operating environment

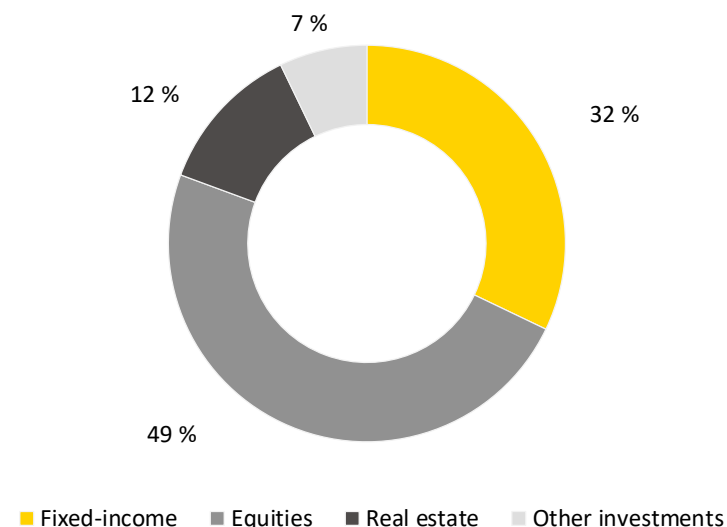
- Global economic growth slowed down in 2019 due to industrial stagnation in key industrial countries.
- The weakening of global industry was caused by a decrease in China's investment-driven growth and the trade conflict between the US and China, which clouded estimates of return on investments and cut back companies' willingness to invest.
- The Finnish economy remained more favourable than that of key competitors in 2019, thanks to strong order books of export industries and the special characteristics of the structure of exports.
- The threat of an economic downturn, which was considered to be significant still in early 2019, ceded during the latter half of the year with central banks returning to stimulating monetary policy in a very early phase.
- The stimulating monetary policy and lightened global financing conditions contributed to excellent investment market returns in almost all asset classes.

Development of the investment assets and investment allocation

Development of investment assets 2010–2019



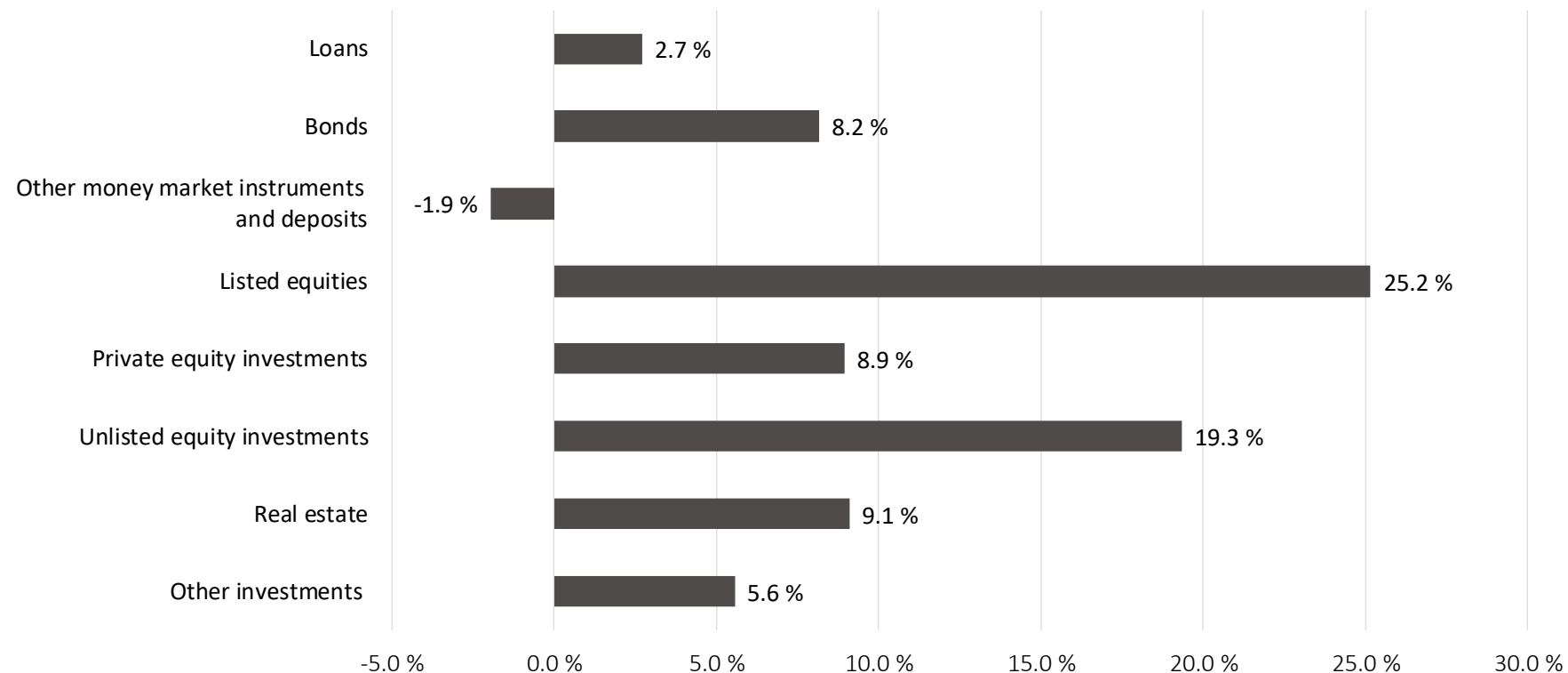
Investment asset allocation 31 December 2019



- Investment assets have increased by EUR 10.7 billion since the beginning of 2010.
- In reaching good investment returns, the key was that we increased the risk level of Elo's managed assets early in the year and kept it sufficiently high throughout the year.
- Moreover, we succeeded in the duration management of fixed income investments and the management of currency exposures.

Listed equities generated the highest return

Return on investments by asset class 1 January –31 December 2019



- In addition to good returns on equity investments, the return on fixed income investments exceeded all expectations in the exceptional interest environment during the year.
- Real estate also generated an excellent return.

Investments generated a return of 13.0 %

| | Basic allocation by market value EUR million | | Actual risk position EUR million % | | Return % | Volatility % |
|---|--|--------------|--|--------------|-------------|-----------------|
| Fixed-income investments | 8,178.7 | 32.3 | 9,953.1 | 39.3 | 6.2 | |
| Loans | 456.0 | 1.8 | 456.0 | 1.8 | 2.7 | |
| Bonds | 6,429.4 | 25.4 | 6,531.5 | 25.8 | 8.2 | 3.4 |
| Public bonds | 3,202.0 | 12.6 | 3,395.0 | 13.4 | 7.5 | |
| Other bonds | 3,227.4 | 12.7 | 3,136.5 | 12.4 | 8.9 | |
| Other money market instruments and deposits incl. any receivables and liabilities related to investments | 1,293.3 | 5.1 | 2,965.7 | 11.7 | -1.9 | |
| Equities | 12,264.4 | 48.4 | 12,288.9 | 48.5 | 21.2 | |
| Listed equities | 9,186.9 | 36.3 | 9,211.4 | 36.4 | 25.2 | 11.5 |
| Private equity investments | 2,631.0 | 10.4 | 2,631.0 | 10.4 | 8.9 | |
| Unlisted equity investments | 446.4 | 1.8 | 446.4 | 1.8 | 19.3 | |
| Real estate | 3,097.2 | 12.2 | 3,097.2 | 12.2 | 9.1 | |
| Direct real estate investments | 2,405.9 | 9.5 | 2,405.9 | 9.5 | 10.2 | |
| Real estate funds and joint investment companies | 691.3 | 2.7 | 691.3 | 2.7 | 5.5 | |
| Other investments | 1,793.5 | 7.1 | 1,812.1 | 7.2 | 5.6 | |
| Hedge fund investments | 1,793.4 | 7.1 | 1,793.4 | 7.1 | 5.5 | 3.5 |
| Commodity investments | 0.0 | 0.0 | 18.6 | -0.1 | - | |
| Other investments | 0.1 | 0.0 | 0.1 | 0.0 | - | |
| Total investments | 25,333.8 | 100.0 | 27,151.4 | 107.2 | 13.0 | 4.2 |
| Effect of derivatives | | | -1,817.6 | -7.2 | | |
| Total | 25,333.8 | 100.0 | 25,333.8 | 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 5.3 years.

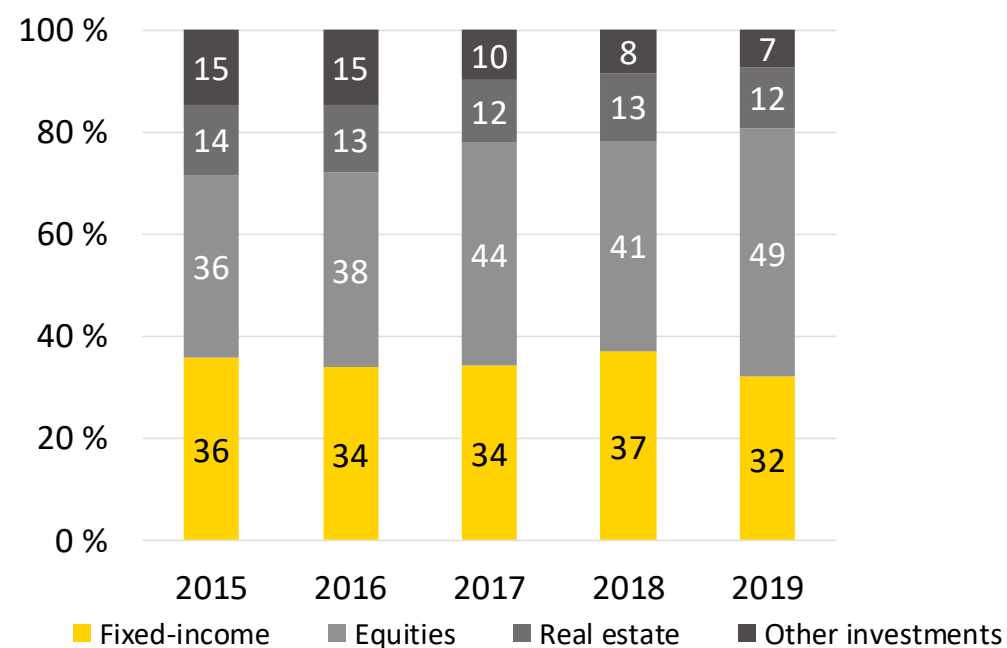
The open currency exposure is 27.4% of market value.

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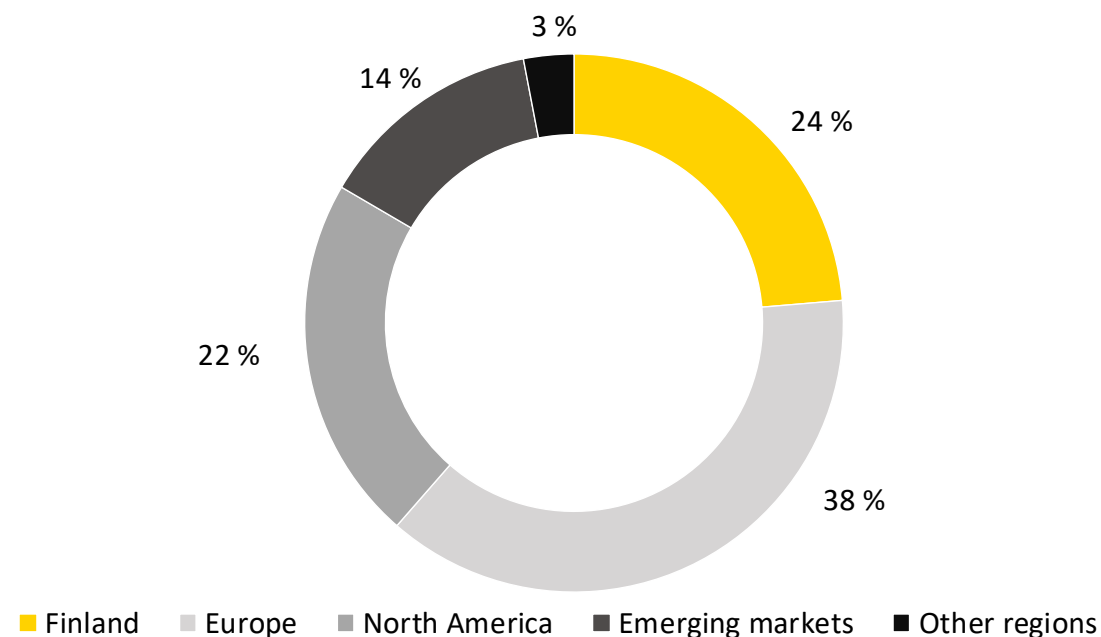
Successful allocation and choice of asset classes

Development of asset allocation 2015–2019



Geographical distribution of investments

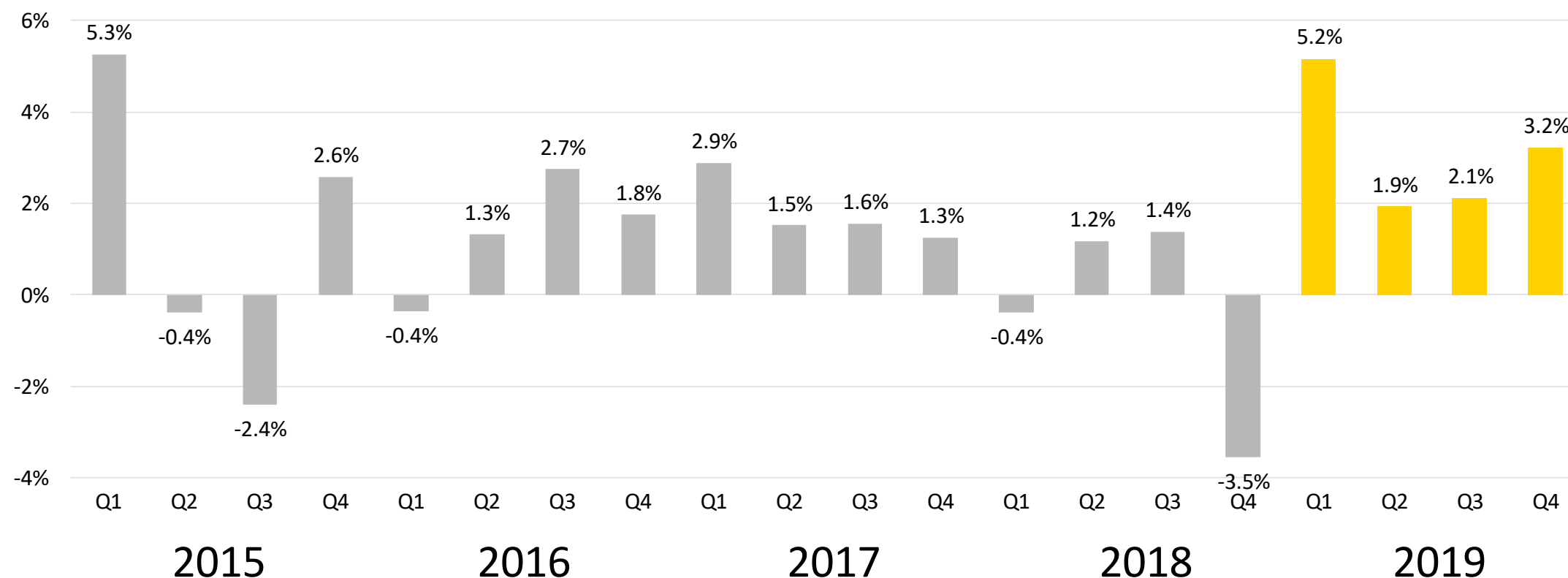
31 December 2019



- The risk level of investment assets was increased early in the year and was kept sufficiently high throughout the year.
- The equities with the highest return were US and European equities.

Quarterly returns

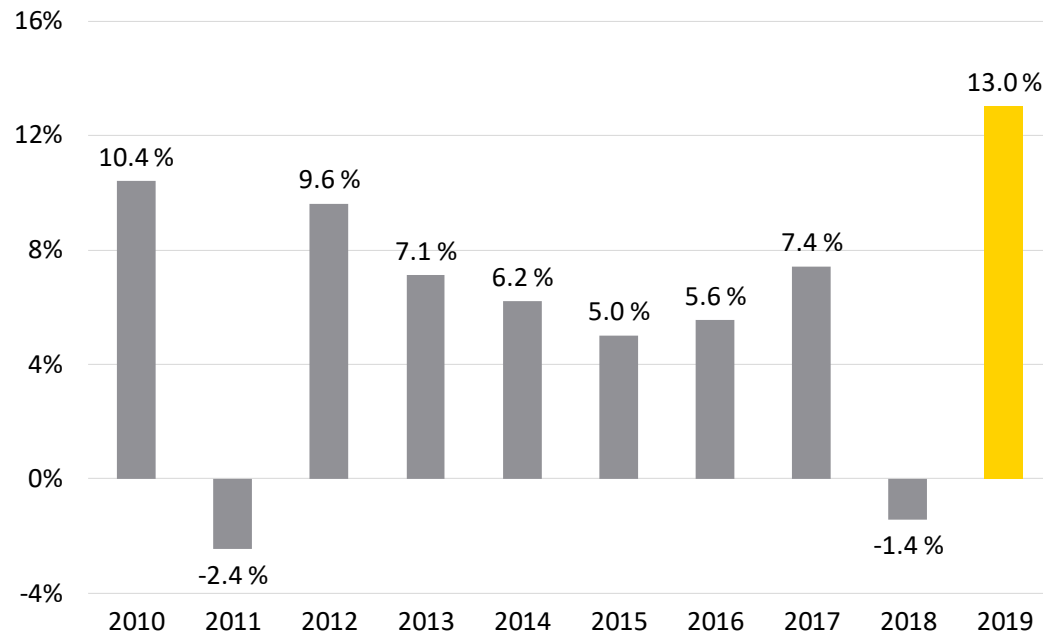
Return on investments 1 January – 31 December was 13.0 %



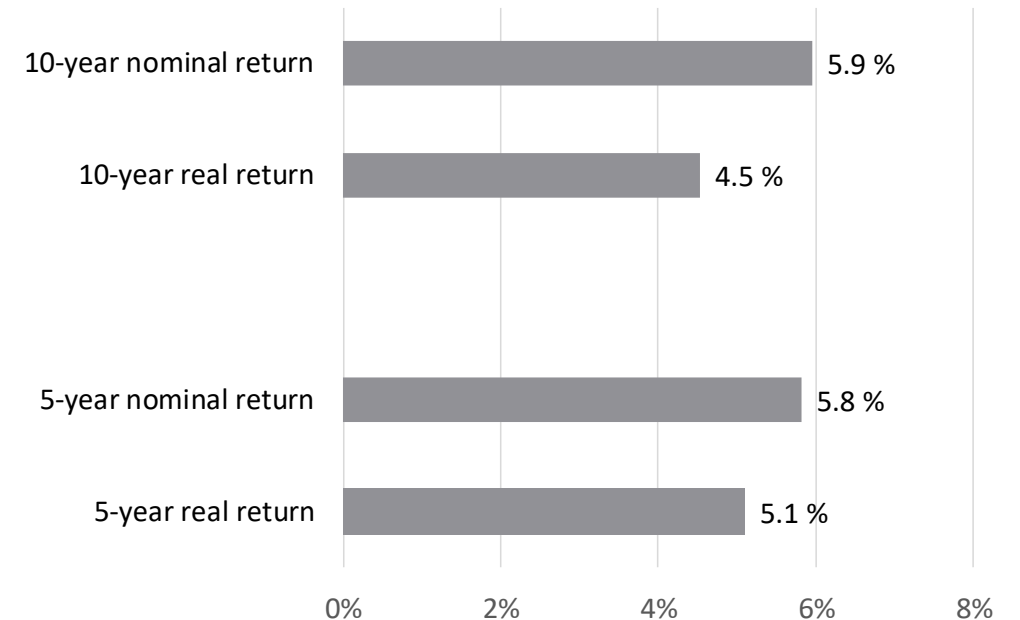
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Strong average returns on investments over time

Investment returns 2010–2019

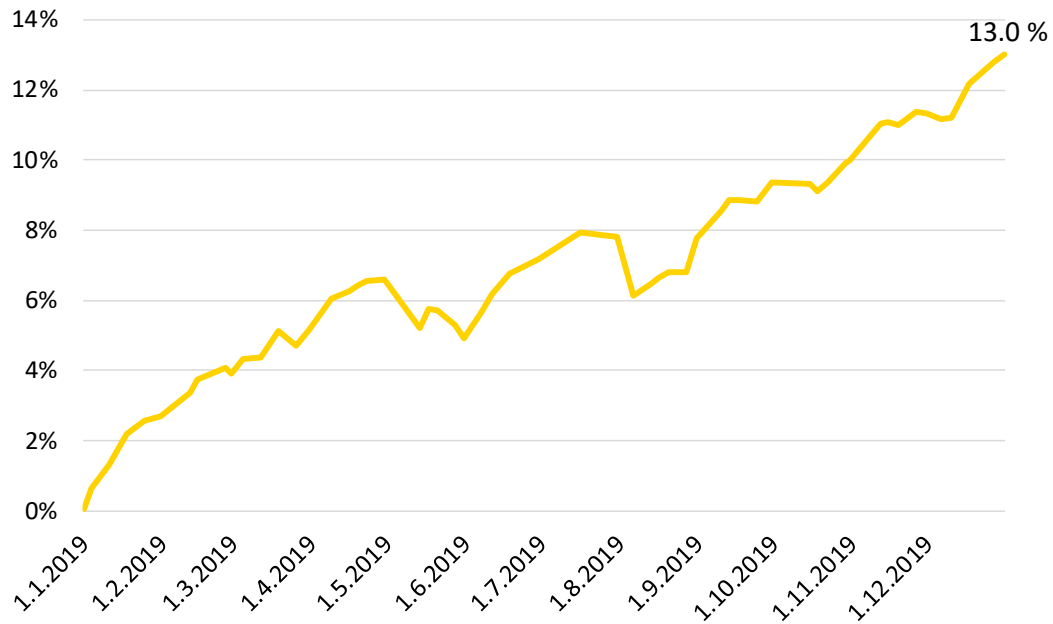


Average return on investments over time

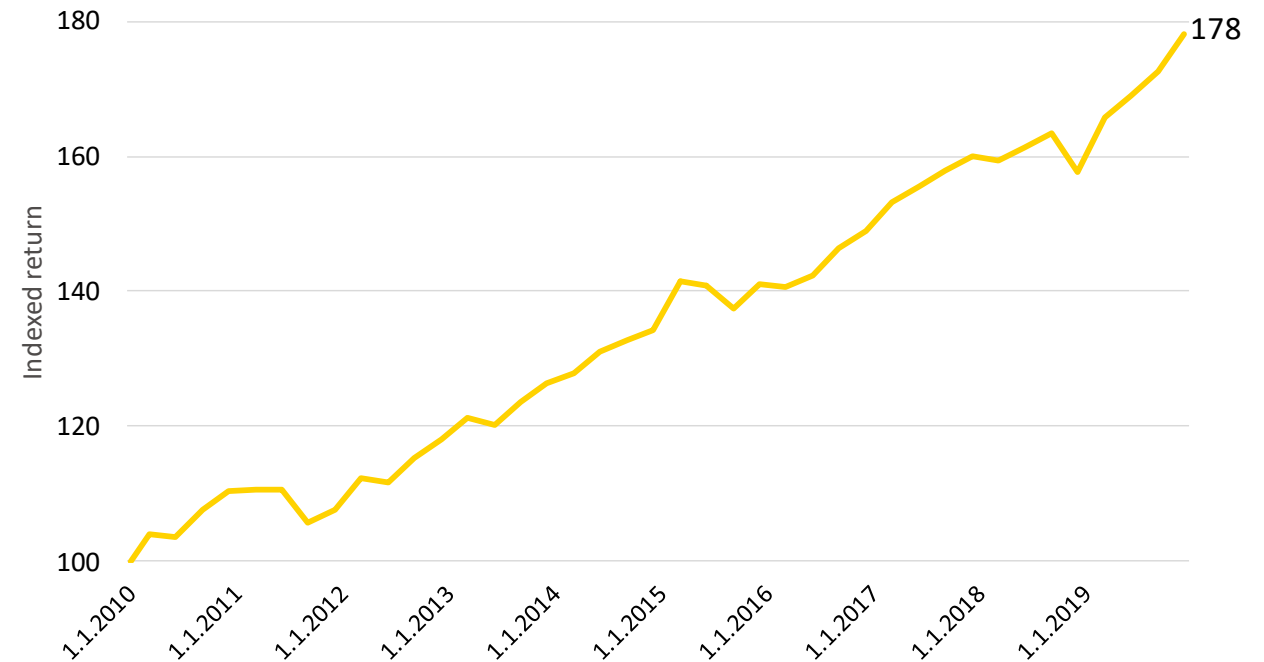


The return on investments over ten years has been EUR 11.4 billion

Development of investment return during the year 2019



Kumulatiivinen tuotto vuoden 2010 alusta



- The investment market provided historically high returns throughout the year.
- The strong return of central banks' stimulating measures as well as the continued economic growth were a significant theme in investments during the year.
- Elo's investments have yielded a cumulative return of 78 per cent, or EUR 11.4 billion, since the beginning of 2010.

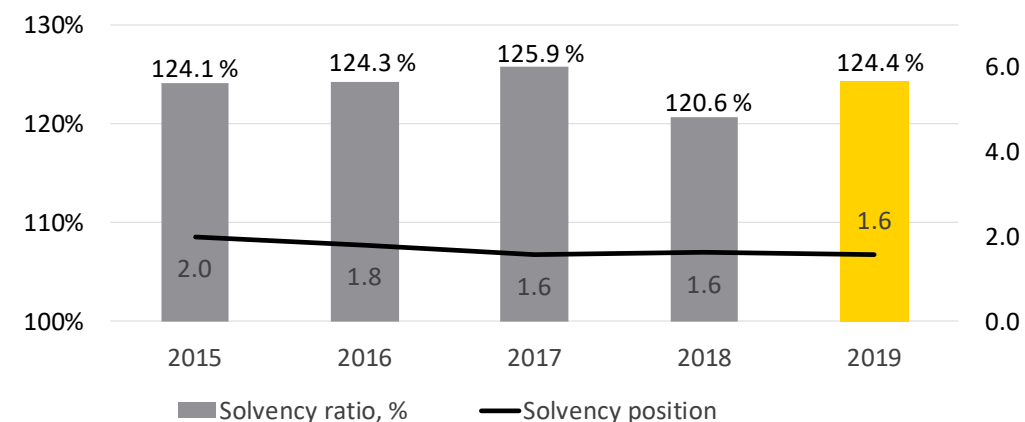
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Development of solvency figures

Key solvency figures

| | 31.12.2018 | 31.12.2019 |
|---|------------|------------|
| Solvency limit, EUR million | 2,431.3 | 3,233.4 |
| Maximum amount of solvency capital, EUR millior | 7,633.1 | 9,700.2 |
| Solvency capital, EUR million | 3,935.1 | 5,081.8 |
| Solvency ratio, % | 120.6 | 124.4 |
| Solvency position | 1.6 | 1.6 |

Solvency ratio and position 2015–2019



- Elo's solvency ratio, i.e. pension assets in relation to technical provisions, was 124.4%.
- Elo's solvency position, i.e. solvency capital in relation to the solvency limit, was 1.6.



Future outlook

- At the beginning of 2020, the outlook for the global economy has moderately recovered in the light of confidence surveys and economic data. The expected global economic growth for 2020 is 3.1 per cent.
- The change in global trade policy continues to be a key risk to companies' investments – increased obstacles to trade threaten the structures of both global trade and companies' production processes.
- Consumers and the service sector are the driver of economic growth in key economies. A strong labour market supports the growth in household income.
- Unemployment rates are already below the level preceding the financial crisis in most economies; nevertheless, inflation remains low. Therefore, the global monetary policy is not expected to tighten in 2020.
- According to most forecasts, the growth in the Finnish GDP is slowing down to approximately one per cent from the approximately 1.5 per cent in 2019. A soft global industrial cycle is the key risk to Finland's growth through exports and investments.
- The risks of the global economy and market are associated with China balancing between economic growth and indebtedness, the UK's departure from the EU and the US election year, which may cause turbulence in US policy, especially trade policy.

A photograph of two women standing in a modern, brightly lit interior space, possibly a hallway or a lounge. The woman on the left has long, straight blonde hair and is wearing a light green long-sleeved top. The woman on the right has short, wavy reddish-brown hair tied back and is wearing a black top with a light-colored shawl draped over her shoulders. They are both looking towards the right side of the frame, engaged in conversation. The background is slightly blurred, showing architectural details like glass panels and warm lighting.

Insurance and pensions

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Elo's year at a glance



- 410,200 TyEL insurance policyholders
- 83,300 YEL insurance policyholders
- 240,900 pension recipients
- The pensions and other compensation paid amounted to EUR 3,915 million.



- The transition to the incomes register era was very smooth.
- Pension decisions were of a high quality and 25% faster than the industry average.
- Investments in digitalisation in the development of the customer experience produced good results.
- We again won the Customer's Voice competition.



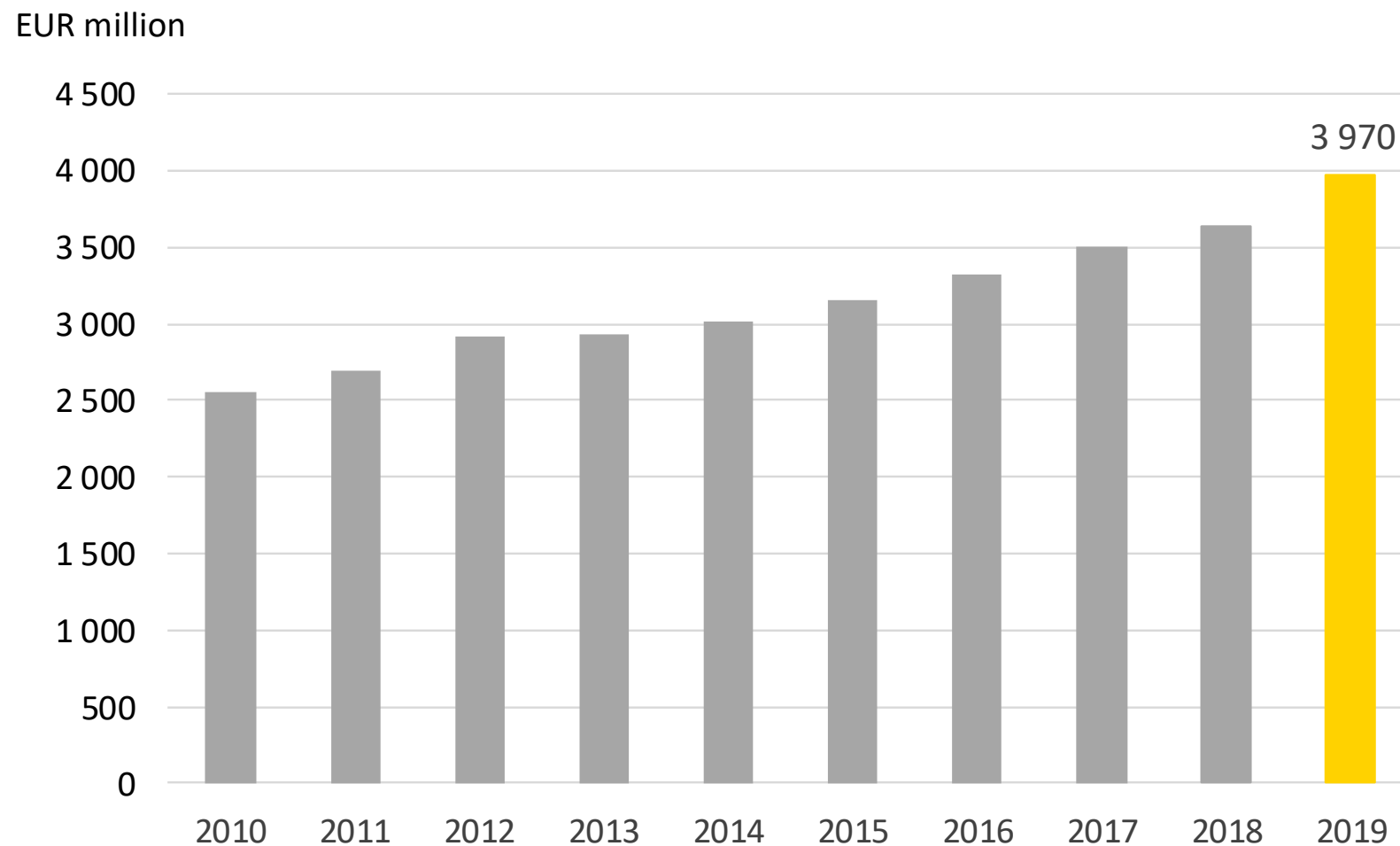
- We received the Most Inspiring Workplace recognition.
- We launched a diversity and equality project to promote equality.
- We took part in a campaign for responsible summer jobs.

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Development of premiums written

31 Dec 2010–31 Dec 2019

- From the beginning of the year 2010, premiums written have increased by 31.3%.

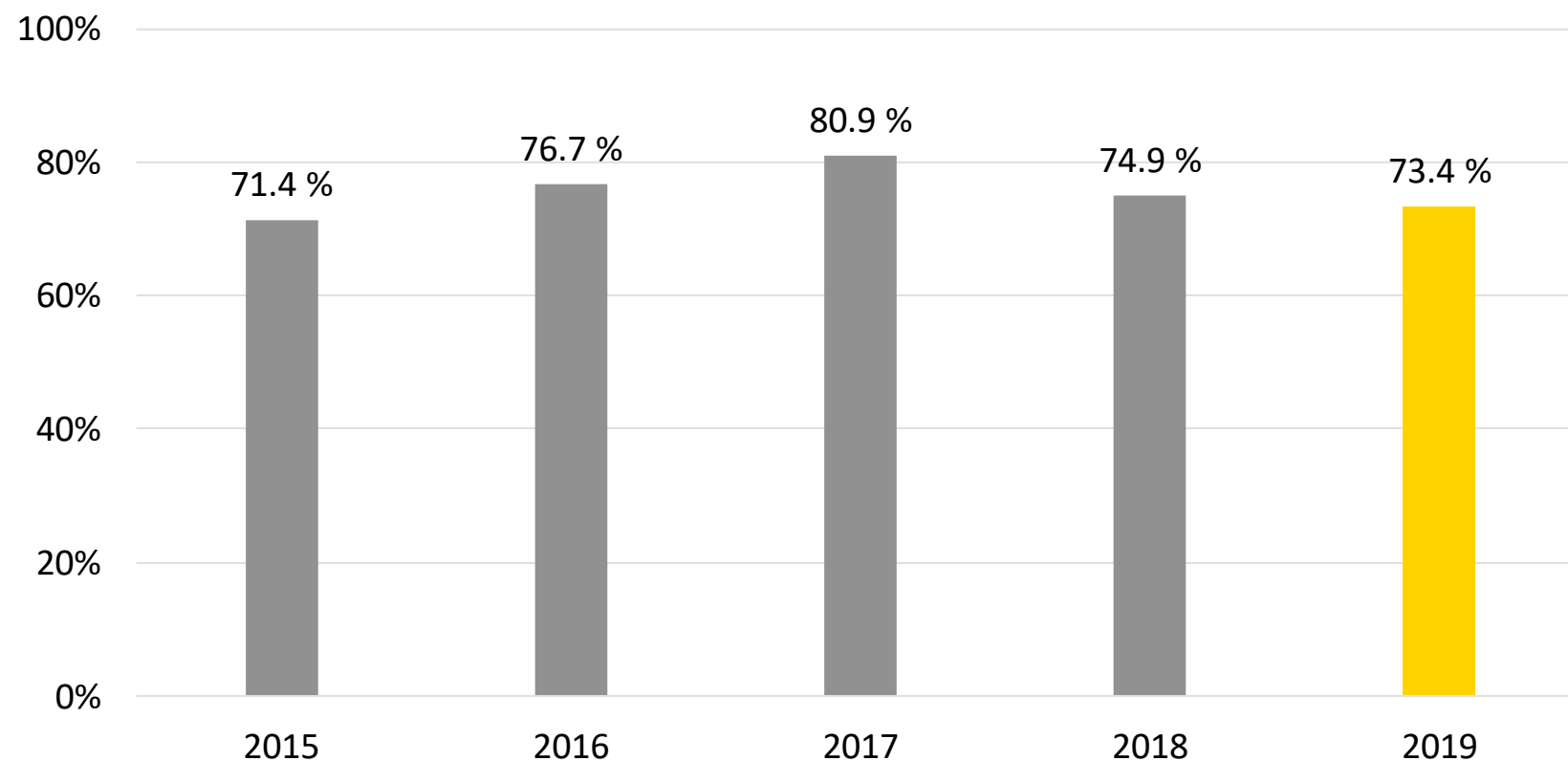


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Loading profit

Operating expenses as a percentage of loading income

- Strong loading profit is reflected in better customer bonuses.
- The loading profit is distributed to customers in full.



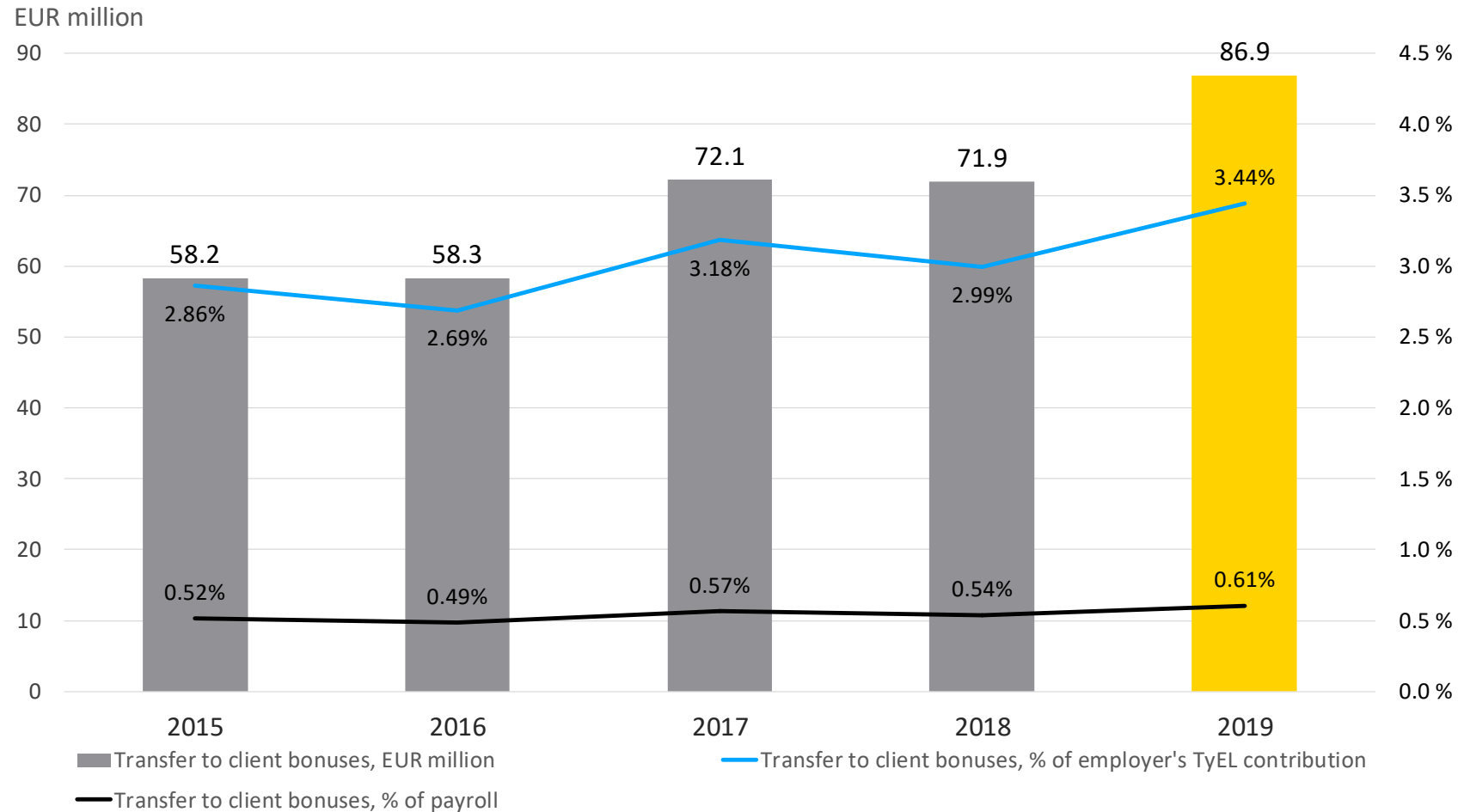
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Transfer to client bonuses

2015–2019

- The 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.



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