



Interim report 1 January – 31 March 2020

Elo Mutual Pension Insurance Company

Quarter of adapting to exceptional situation

- The coronavirus pandemic had several impacts on the employment pension sector and its regulations during the first quarter.
- Several customers made use of the offered payment flexibility.
- The number of pension applications showed signs of an increase.
- Customer contacts were more frequent than usual.
- Customer service has been managed without congestion and customer satisfaction improved.
- The investment market suffered as a result of the coronavirus shock after increasing early in the year.



Responsibility – together over the challenging times

- Responsibility is emphasised during the exceptional situation, and we focused on smoothly managing our basic mission.
- We offered our customers e.g. flexibility in paying pension contributions and commercial property rents and the possibility of postponing loan instalments.
- During the period under review, we invested particularly in informing customers of the changes caused by the exceptional situation by increasing customer communications and allocating resources to customer service.
- We investigated our own employees' well-being at remote work with a survey and increased e.g. communications about remote work ergonomics.



Psychological disorders are the most common cause of disability

- The number of disability pension applications and new pensions granted increased.
- Psychological disorders were the reason for 36 per cent of new disability pension decisions, musculoskeletal disorders for 29 per cent.
- Customer service has been kept at an excellent level in spite of the increase in contacts brought about by the coronavirus situation.



Elo increased its market share

- The first transfer period of 2020 was favourable for Elo.
- The net increase in TyEL customer accounts was 135 employer customers and approximately EUR 6.2 million in premiums written.
- As for Self-employed Persons' Pension Insurance customers, the growth was 336 entrepreneur customers. Elo also increased its market share in insuring new entrepreneurs during the first quarter of the year.
- Elo is the market leader in YEL pension insurance, and one in three employer companies use Elo to insure their employees.



Economic environment

- The coronavirus pandemic dominated the economic environment during the first quarter of 2020, stopping economic growth first in China and slightly later globally.
- The world economy is estimated to decrease clearly more than during the financial crisis of 2009.
- The Finnish economy is not safe from the extensive economic impacts of the pandemic. As an open economy, Finland will suffer from decreasing foreign trade and weakening of domestic demand.
- The biggest economic risks relating to the coronavirus pandemic both in Finland and globally are a wave of bankruptcies, triggered by any cash and financial crisis, and increasing unemployment.
- Financial policy is the key support for economies. This aims to secure growth over the crisis.
- Central banks are supporting economic growth and the investment market by decreasing interest rates and purchasing securities.

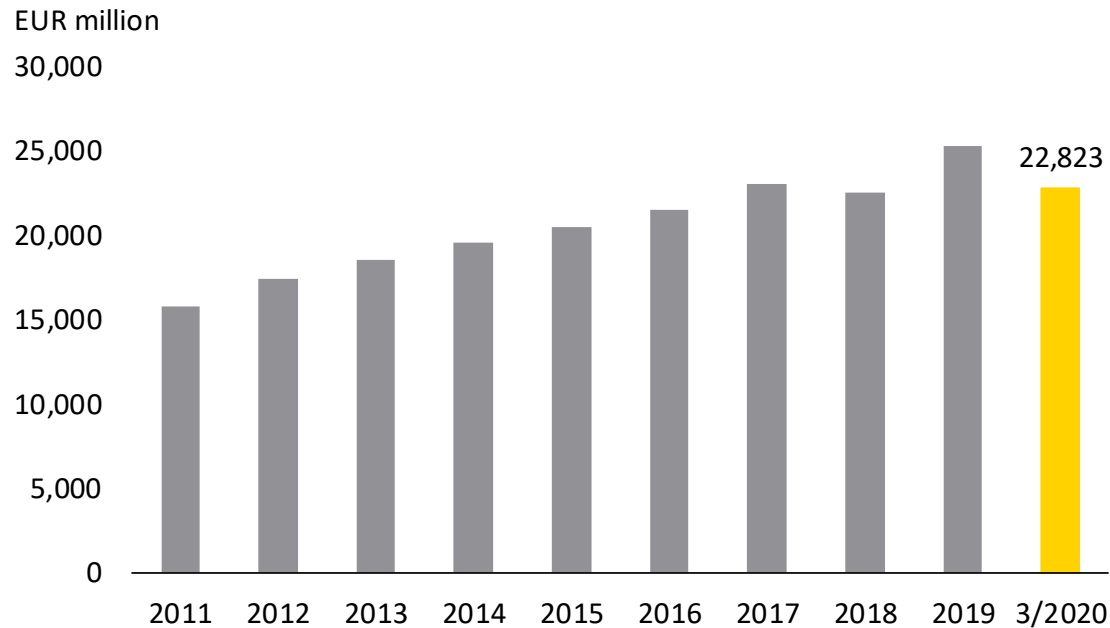


Key figures

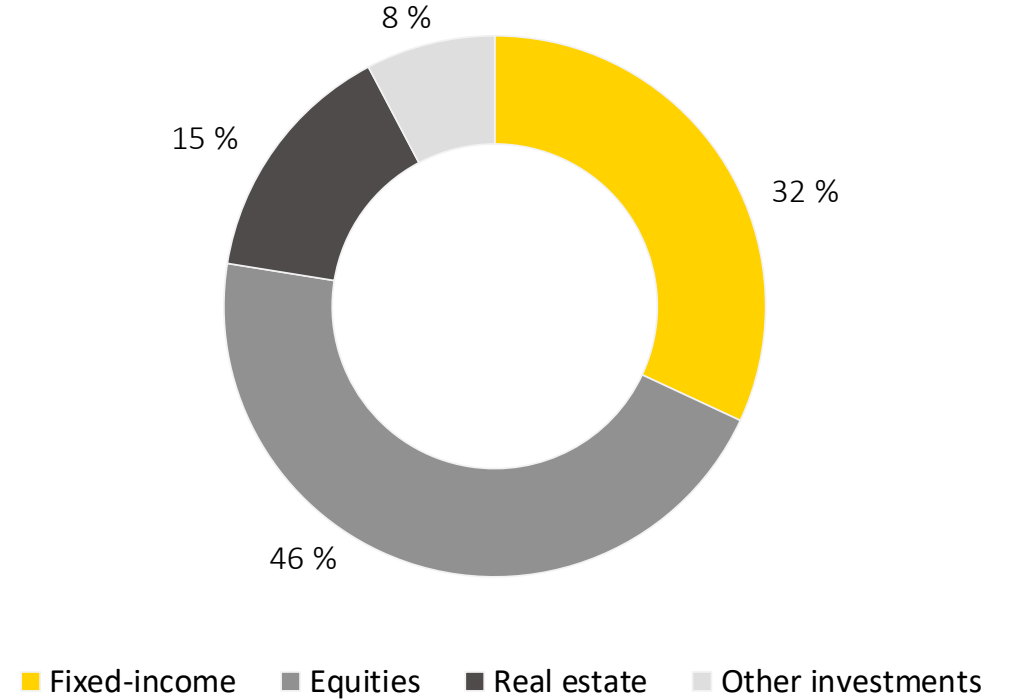
	3/2020	3/2019	2019
Investment assets at fair value, EUR million	22,822.7	23,418.1	25,333.8
Net return from investment on capital employed, %	-9.5 %	5.2 %	13.0 %
Average nominal return, over 10 years	4.5 %	6.4 %	5.9 %
Average nominal return, over 5 years	2.7 %	5.3 %	5.8 %
Number of TyEL policyholders	46,700	46,200	46,300
Number of YEL policyholders	82,900	83,000	83,300
Number of pensioners	240,400	238,000	240,900
Solvency capital, EUR million	3,328.3	4,414.1	5,081.8
Solvency position	1.2	1.6	1.6
Solvency ratio, %	116.6 %	122.4 %	124.4 %

Development of the investment assets and investment allocation

Development of investment assets 2011–3/2020

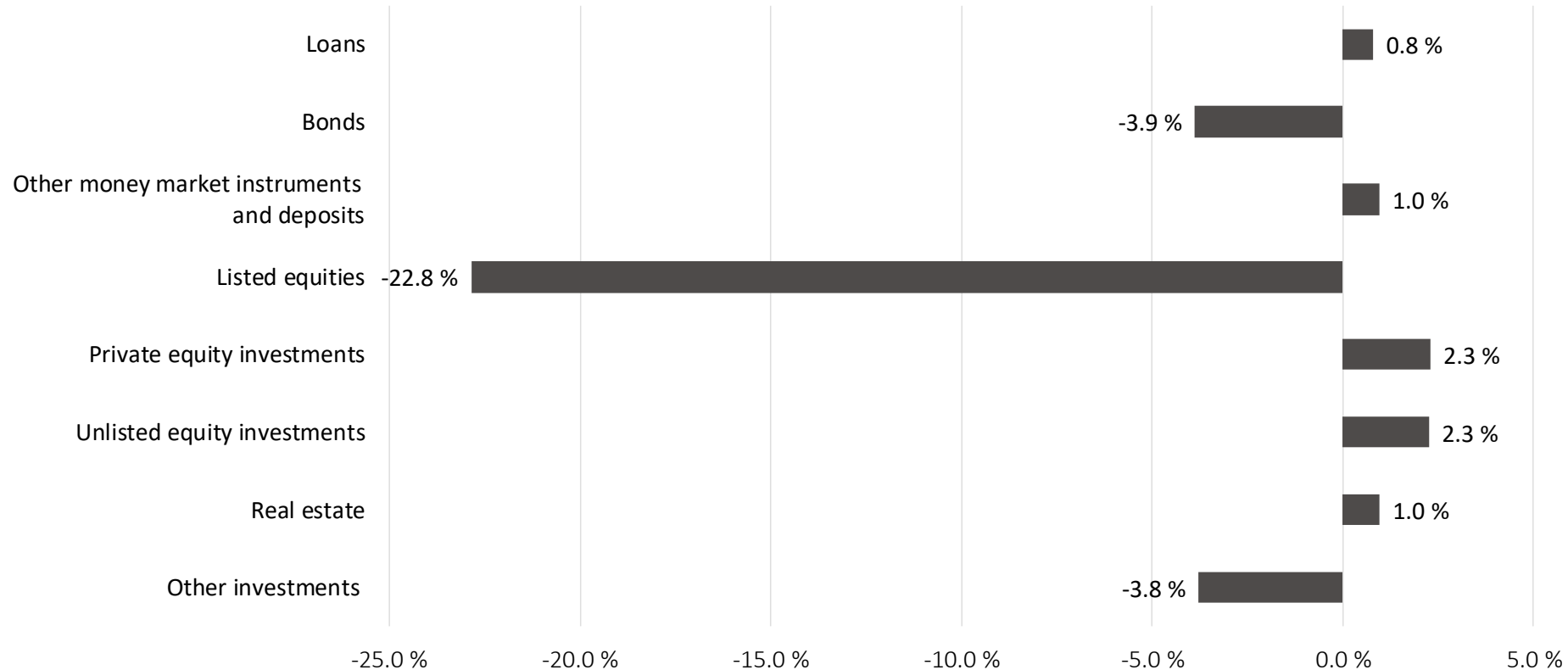


Investment asset allocation 31 March 2020



Unlisted investments generated the highest return

Return on investments by asset class 1 January – 31 March 2020



- Market price changes caused by the pandemic affected listed securities during the period under review.
- The modified duration of bonds is 7.4 years.
- The open currency exposure is 25.5 % of market value.

Investments generated a return of -9.5 %

	Basic allocation by market value		Actual risk position		Return	Volatility
	EUR million		EUR million	%	%	%
Fixed-income investments	7,308.4	32.0	10,878.3	47.7	-2.9	
Loans	477.2	2.1	477.2	2.1	0.8	
Bonds	5,917.0	25.9	6,474.0	28.4	-3.9	6.1
Public bonds	2,246.0	9.8	2,262.3	9.9	-2.3	
Other bonds	3,671.1	16.1	4,211.7	18.5	-5.0	
Other money market instruments and deposits incl. any receivables and liabilities related to investments	914.1	4.0	3,927.1	17.2	1.0	
Equities	10,368.3	45.4	10,407.1	45.6	-17.4	
Listed equities	7,605.5	33.3	7,644.3	33.5	-22.8	17.2
Private equity investments	2,319.4	10.2	2,319.4	10.2	2.3	
Unlisted equity investments	443.4	1.9	443.4	1.9	2.3	
Real estate	3,364.5	14.7	3,364.5	14.7	1.0	
Direct real estate investments	2,380.2	10.4	2,380.2	10.4	1.4	
Real estate funds and joint investment companies	984.4	4.3	984.4	4.3	-0.3	
Other investments	1,781.5	7.8	1,762.6	7.7	-3.8	
Hedge fund investments	1,781.6	7.8	1,781.6	7.8	-3.3	4.6
Commodity investments	0.0	0.0	-15.9	0.1	-	
Other investments	-0.2	0.0	-3.2	0.0	-	
Total investments	22,822.7	100.0	26,412.5	115.7	-9.5	7.2
Effect of derivatives			-3,589.8	-15.7		
Total	22,822.7	100.0	22,822.7	100.0		

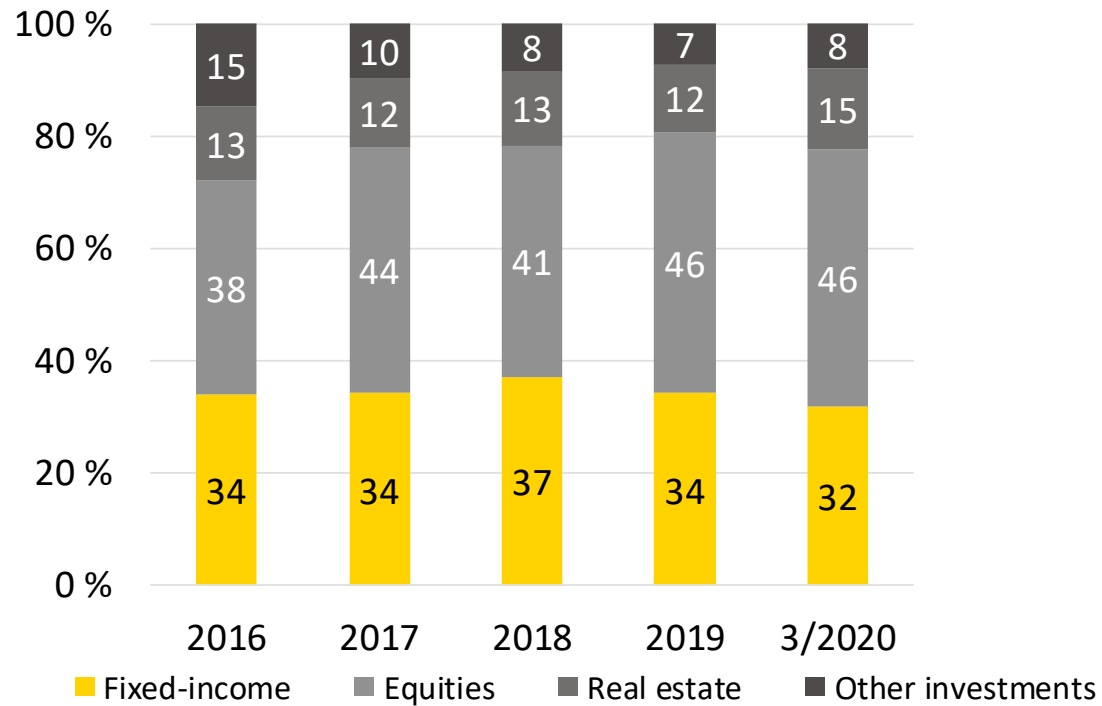
The return on foreign currency derivatives is estimated for asset classes in proportion to the average foreign currency-denominated assets during the reporting period.

The total return includes returns, expenses and operating expenses not allocated to investment classes. The modified duration of bonds is 7.4 years.

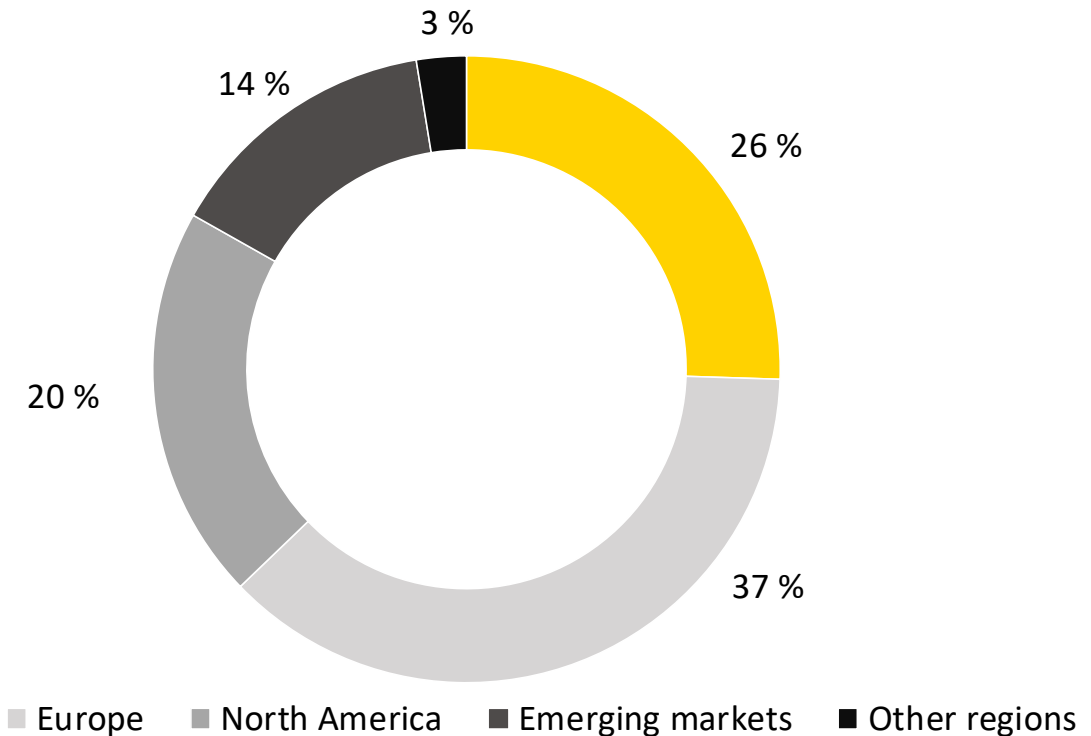
The open currency exposure is 25.5% of market value.

Development of asset allocation and geographical distribution of investments

Development of asset allocation 2016–3/2020

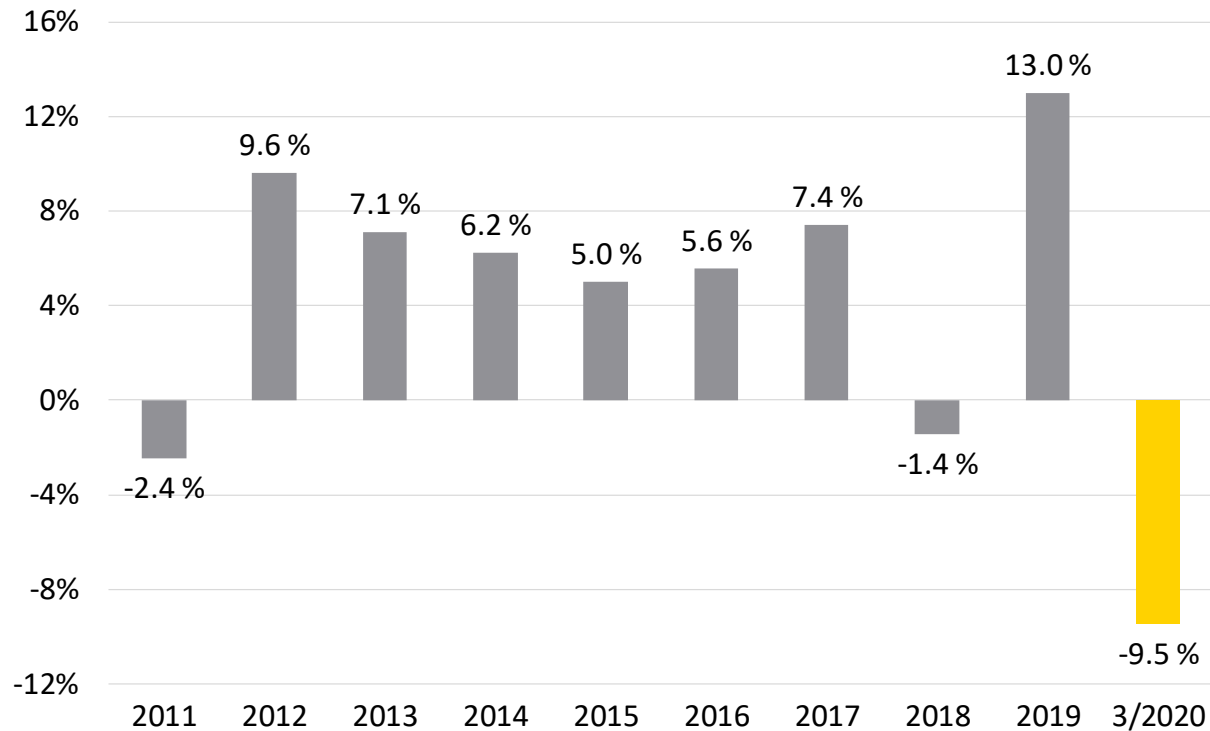


Geographical distribution of investments 31 March 2020

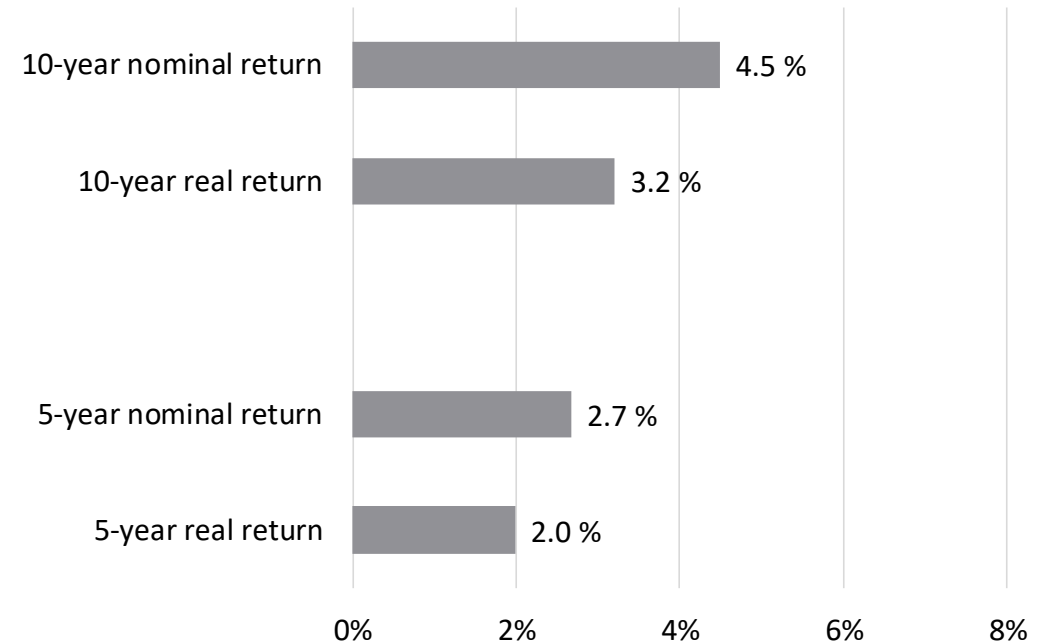


Development of investment returns over time

Investment returns 2011–3/2020



Average return on investments over time

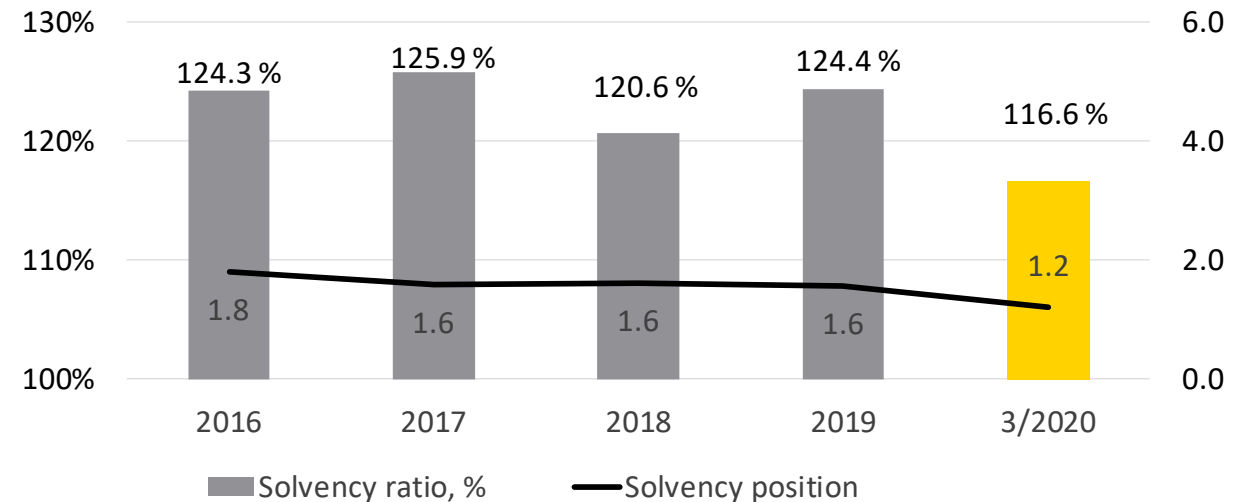


Development of solvency figures

Key solvency figures

	31.12.2019	31.3.2020
Solvency limit, EUR million	3,233.4	2,762.5
Maximum amount of solvency capital, EUR millior	9,700.2	8,287.5
Solvency capital, EUR million	5,081.8	3,328.3
Solvency ratio, %	124.4	116.6
Solvency position	1.6	1.2

Solvency ratio and position 2016–3/2020



- Elo's solvency ratio, i.e. pension assets in relation to technical provisions, was 116.6%
- Elo's solvency position, i.e. solvency capital in relation to the solvency limit, was 1.2

Future outlook

- There is major uncertainty concerning the economic outlook for the rest of the year.
- Economies will need to exploit all possible financial policy flexibility to prevent the prolonging of the recession triggered by the coronavirus and potential financial crisis.
- Finland's GDP is estimated to decrease by 5–8 per cent this year. The disease situation and related restrictions being prolonged would translate into a deeper drop in economic growth and permanent loss of production potential.
- Globally, governments and central banks have simultaneously launched exceptionally extensive stimulus measures, and therefore the outlook of the economy and investment market can stabilise if the pandemic is credibly brought under control.