



# Interim report 1 January – 31 March 2021

Elo Mutual Pension Insurance Company



# Q1 in figures

- Return on investment 3.9%
- Solvency ratio 125.0%
- Solvency position 1.5
- Premiums written EUR 983.1 million
- 49,100 TyEL employee pension insurance policyholders and 83,300 YEL self-employed persons' pension insurance policy holders
- 242,800 pension recipients
- A total of EUR 1 001.4 million was paid in pensions and other benefits



# Development of responsibility

- We joined the CLC network's Call on Carbon initiative at the end of March. The joint initiative is aimed at increasing climate investments and efficient carbon pricing.
- We are participating in the Responsible Employer campaign for the second time.
- We published our Annual and Responsibility Report 2020 in March. It was our third report to include a section on climate change risks and opportunities pertaining to investment operations in accordance with the TCFD.
- Elo passed a WWF Green Office audit in March.

# Customer service remained smooth

- Our customer service remained smooth in spite of the COVID-19 pandemic. The overall NPS index that measures customer satisfaction improved substantially year-on-year.
- Elo's customers have received a decision on old-age pension in two days on average.
- Elo looks after the level of self-employed persons' YEL earned income throughout the insurance life-cycle. The new features developed for our online service include an analytics-driven feature that guides YEL-insured self-employed persons to check their YEL earned income levels at regular intervals.
- The use of the national Incomes Register was expanded at the start of the year. Going forward, employment pension companies report information on paid pensions and benefits to the Incomes Register. The required changes in Elo's information systems were implemented effectively and with good quality.



# Economic environment

- Growth expectations increased particularly in the United States. This was driven by financial policy stimulus measures, COVID-19 vaccinations and the pent-up demand created by saving.
- Stimulus measures and expectations of stronger economic growth have increased inflation expectations and led to higher interest rates, especially in the United States.
- The COVID-19 situation in Finland during the first months of the year restricted economic activity in the service sector and led to caution in the behaviour of consumers and businesses. Consequently, a turn for the better was not yet seen in the labour market situation. The slow recovery in Europe has had a negative impact on Finnish exports despite the fact that the worst of the decline in demand appears to have already passed.
- The stimulus measures in the US economy have had a significant impact on the investment markets. Expectations of higher inflation and the continued rise of interest rates have had an impact on the differences in returns between asset classes.

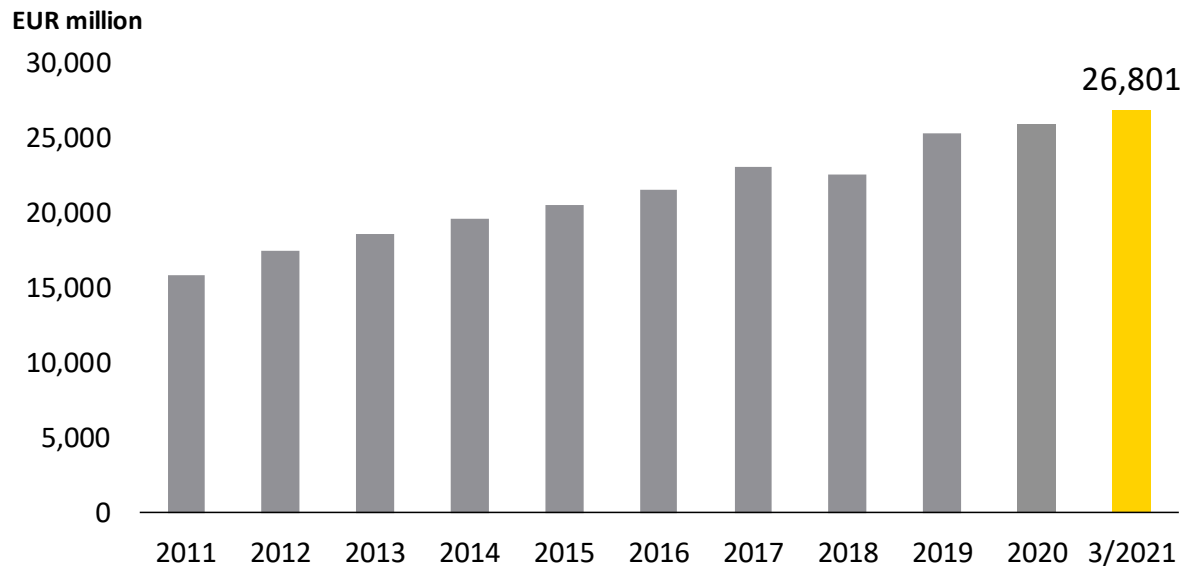


# Key figures for the period

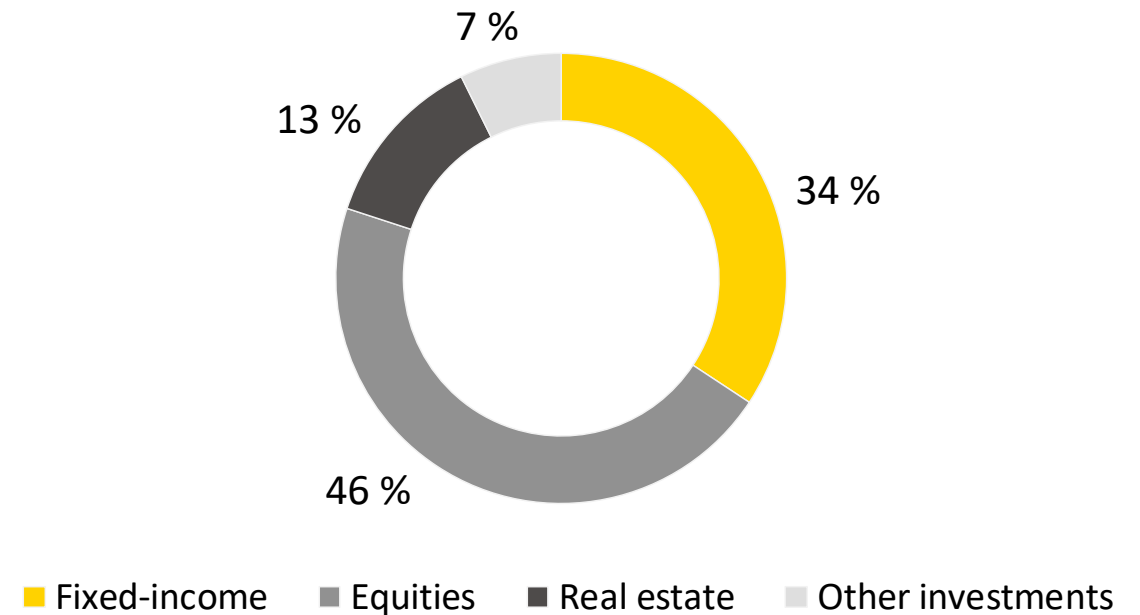
	3/2021	3/2020	2020
Investment assets at fair value, EUR million	26,800.5	22,822.7	25,898.1
Net return from investment on capital employed, %	3.9 %	-9.5 %	3.6 %
Average nominal return, over 10 years	5.6 %	4.5 %	5.3 %
Average nominal return, over 5 years	6.4 %	2.7 %	5.5 %
Premiums written, EUR million	983.1	883.1	3,615.6
Pensions and other benefits paid, EUR million	1,001.4	998.6	3,891.9
Technical provisions, EUR million	22,792.2	20,605.7	22,381.4
Number of TyEL policyholders	49,100	46,700	48,300
Number of YEL policyholders	83,300	82,900	83,600
Number of pensioners	242,800	240,400	243,600
Solvency capital, EUR million	5,479.0	3,328.3	5,055.4
Solvency position	1.5	1.2	1.6
Solvency ratio, %	125.0 %	116.6 %	123.7 %

# Investment assets grew by approximately EUR 11 billion

Development of investment assets 2011–3/2021



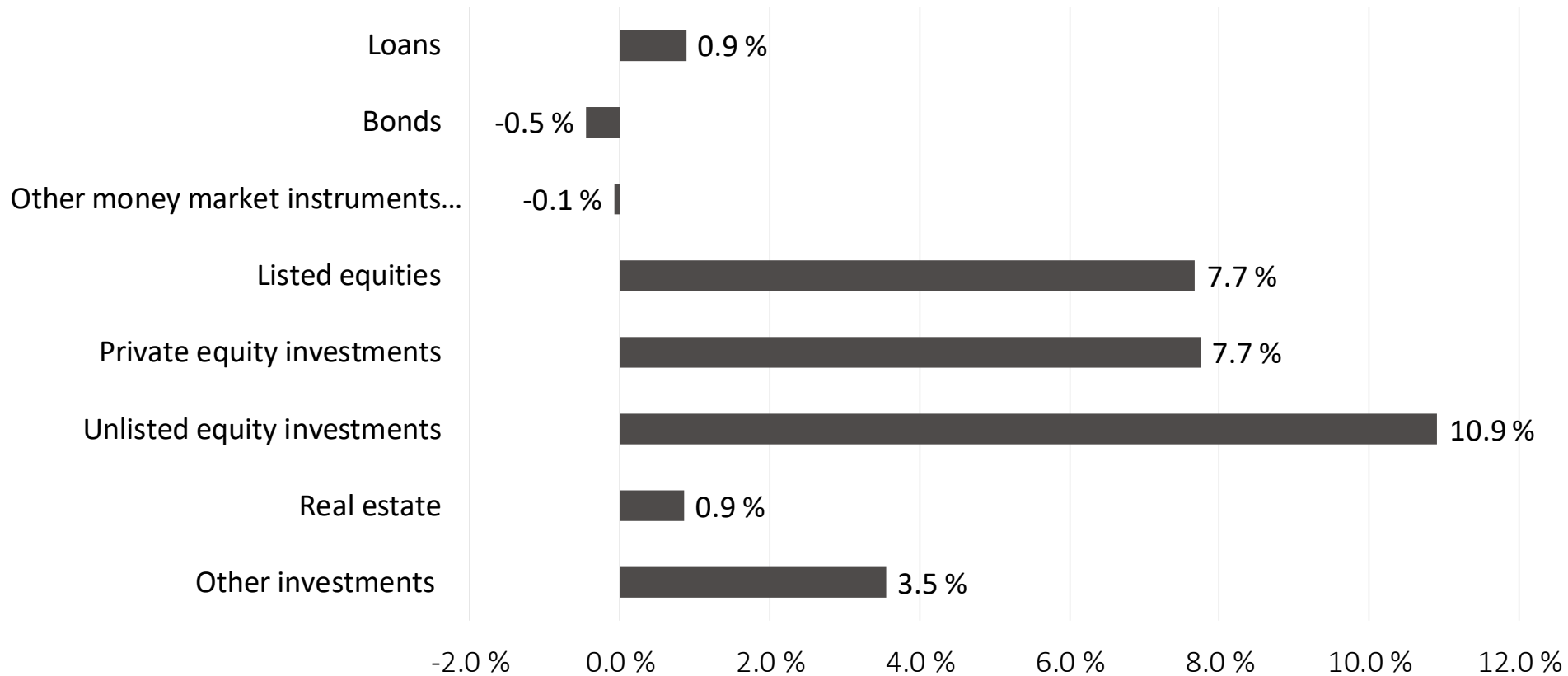
Investment asset allocation 31 March 2021



Equities include listed and unlisted equity investments, private equity investments and infrastructure investments.

# Equity investments generated the highest return

Return on investments by asset class 1 January – 31 March 2021





# Investments generated a return of 3.9 %

	Basic allocation by market value		Actual risk position		Return	Volatility
	EUR million		EUR million	%	%	%
<b>Fixed-income investments</b>	<b>9,075.7</b>	<b>33.9</b>	<b>9,000.3</b>	<b>33.6</b>	<b>-0.3</b>	
Loans	454.2	1.7	454.2	1.7	0.9	
Bonds	6,647.0	24.8	6,319.2	23.6	-0.5	6.4
Public bonds	2,066.6	7.7	1,974.1	7.4	-2.9	
Other bonds	4,580.4	17.1	4,345.1	16.2	0.8	
Other money market instruments and deposits incl. any receivables and liabilities related to	1,974.5	7.4	2,226.9	8.3	-0.1	
<b>Equities</b>	<b>12,414.0</b>	<b>46.3</b>	<b>12,261.7</b>	<b>45.8</b>	<b>7.8</b>	
Listed equities	8,961.7	33.4	8,809.4	32.9	7.7	17.5
Private equity investments	2,868.5	10.7	2,868.5	10.7	7.7	
Unlisted equity investments	583.9	2.2	583.9	2.2	10.9	
<b>Real estate</b>	<b>3,392.3</b>	<b>12.7</b>	<b>3,392.3</b>	<b>12.7</b>	<b>0.9</b>	
Direct real estate investments	2,448.8	9.1	2,448.8	9.1	0.8	
Real estate funds and joint investment companies	943.5	3.5	943.5	3.5	1.1	
<b>Other investments</b>	<b>1,918.5</b>	<b>7.2</b>	<b>1,959.0</b>	<b>7.3</b>	<b>3.5</b>	
Hedge fund investments	1,918.5	7.2	1,918.5	7.2	3.3	6.1
Commodity investments	-0.3	0.0	40.0	-0.1	-	
Other investments	0.4	0.0	0.5	0.0	-	
<b>Total investments</b>	<b>26,800.5</b>	<b>100.0</b>	<b>26,613.3</b>	<b>99.3</b>	<b>3.9</b>	<b>7.4</b>
Effect of derivatives			187.2	0.7		
<b>Total</b>	<b>26,800.5</b>	<b>100.0</b>	<b>26,800.5</b>	<b>100.0</b>		

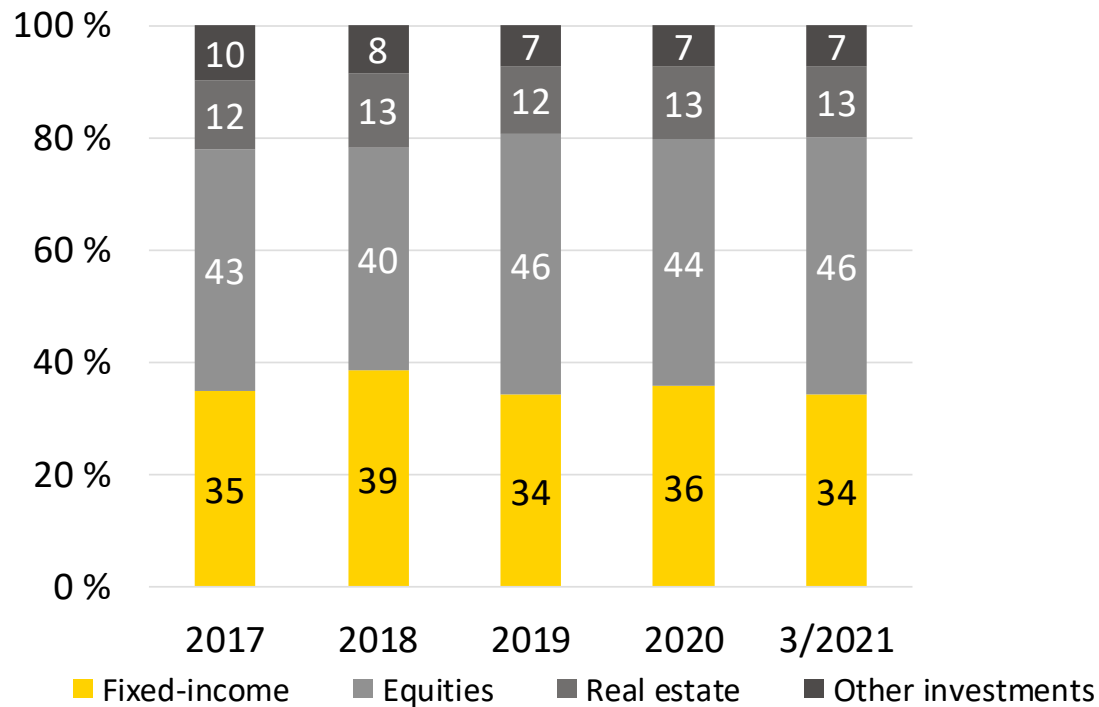
The return on foreign currency derivatives is estimated for asset classes in proportion to the average foreign currency-denominated assets during the reporting period.

The total return includes returns, expenses and operating expenses not allocated to investment classes. The modified duration of bonds is 5.2.

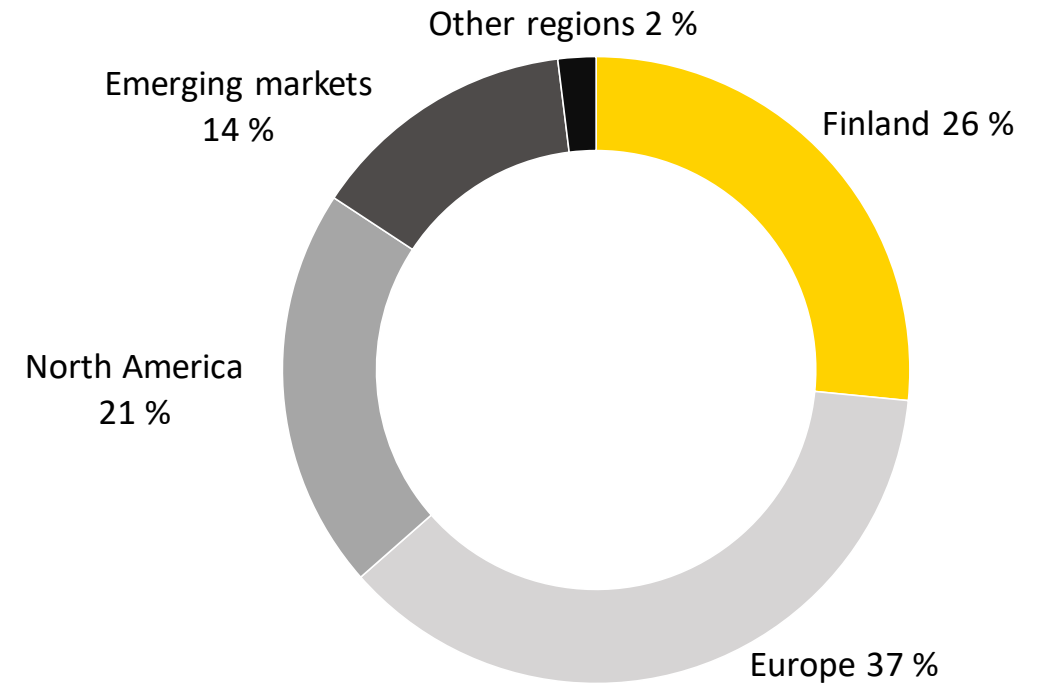
The open currency exposure is 25.7% of market value.

# Development of asset allocation and geographical distribution of investments

Development of asset allocation 2017–3/2021

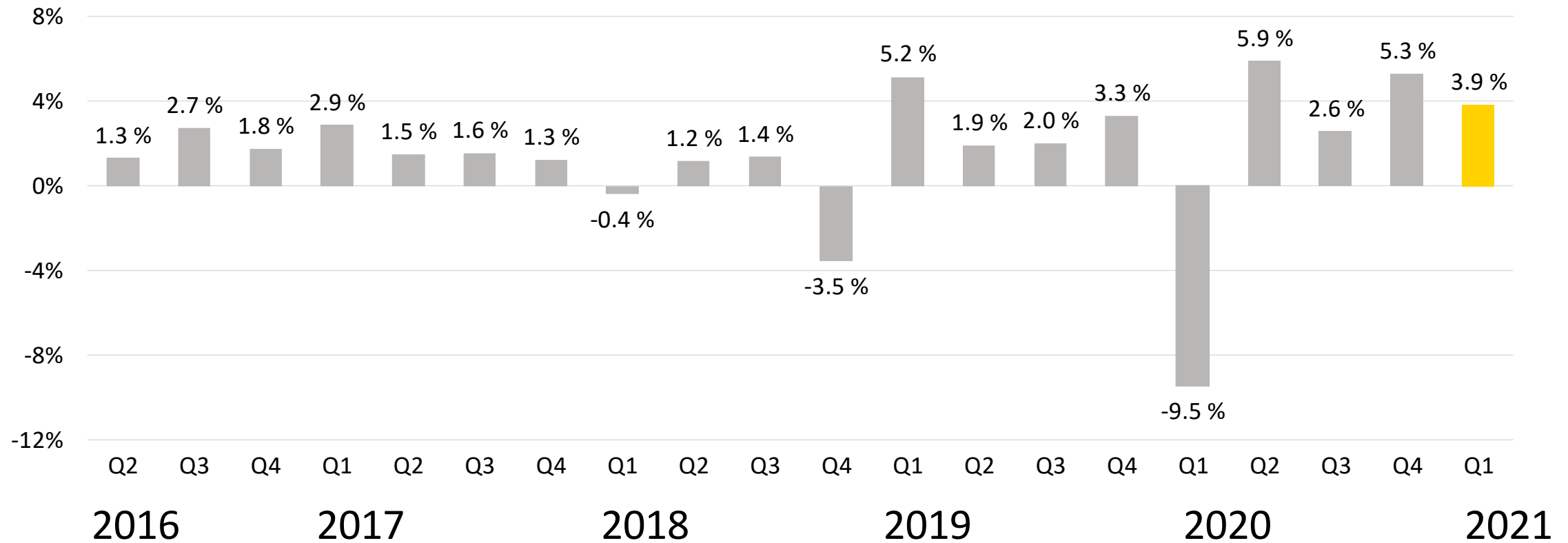


Geographical distribution of investments 31 March 2021



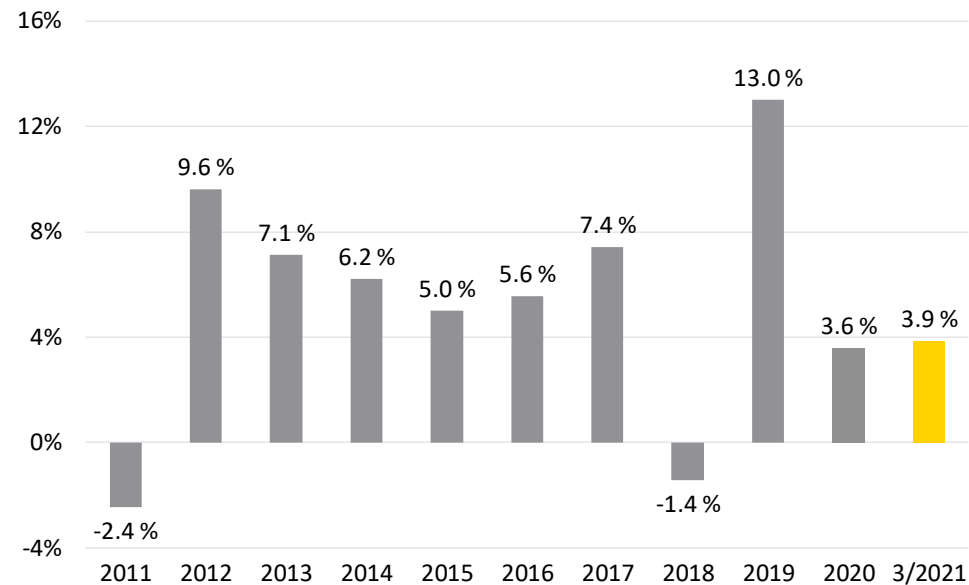
- The geographical distribution of investments has remained unchanged compared to 31 December 2020

# The first quarter's return on investments rose to 3.9 per cent

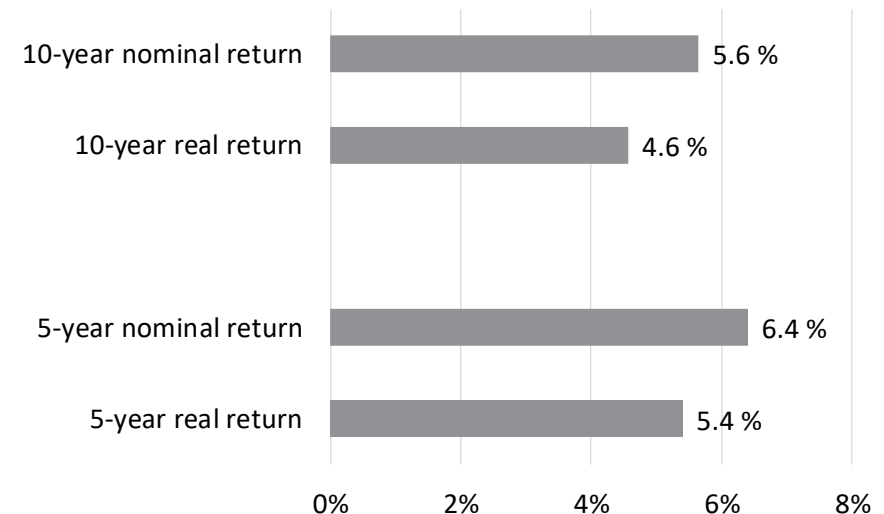


# Development of investment returns over time

## Investment returns 2012–3/2021



## Average return on investments over time



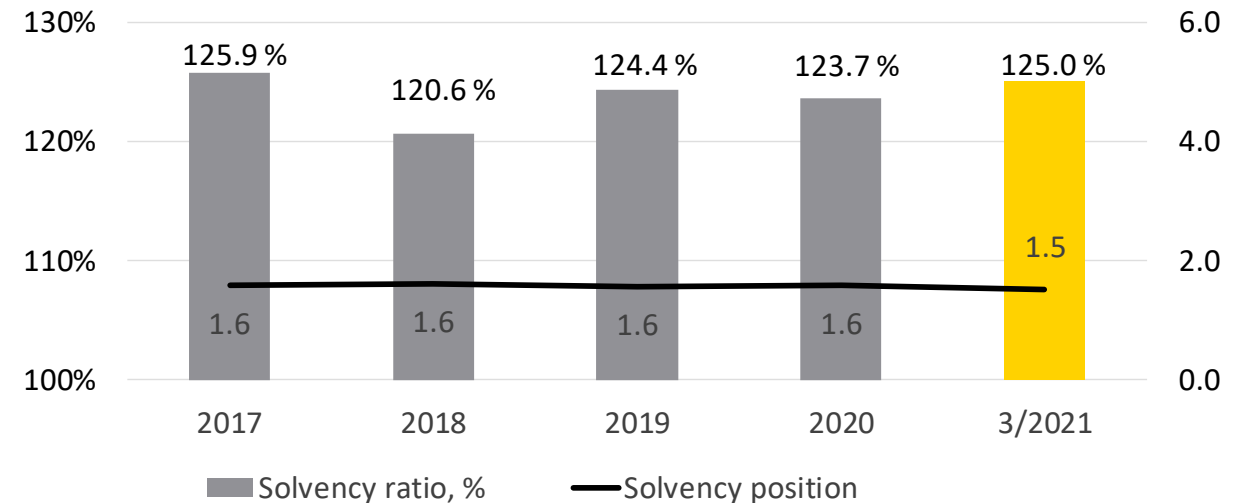
- The pension asset return expectation that the Finnish Centre for Pensions uses in its calculations is an annual real return of 2.5 per cent until 2028, after which the real return expectation will be 3.5 per cent per year.

# Solvency capital has strengthened and now amounts to nearly EUR 5.5 billion

## Key solvency figures

	31.12.2020	31.3.2021
Solvency limit, EUR million	3,185.1	3,591.0
Maximum amount of solvency capital, EUR million	9,555.4	10,773.1
Solvency capital, EUR million	5,055.4	5,479.0
Solvency ratio, %	123.7	125.0
Solvency position	1.6	1.5

## Solvency ratio and position 2017–3/2021



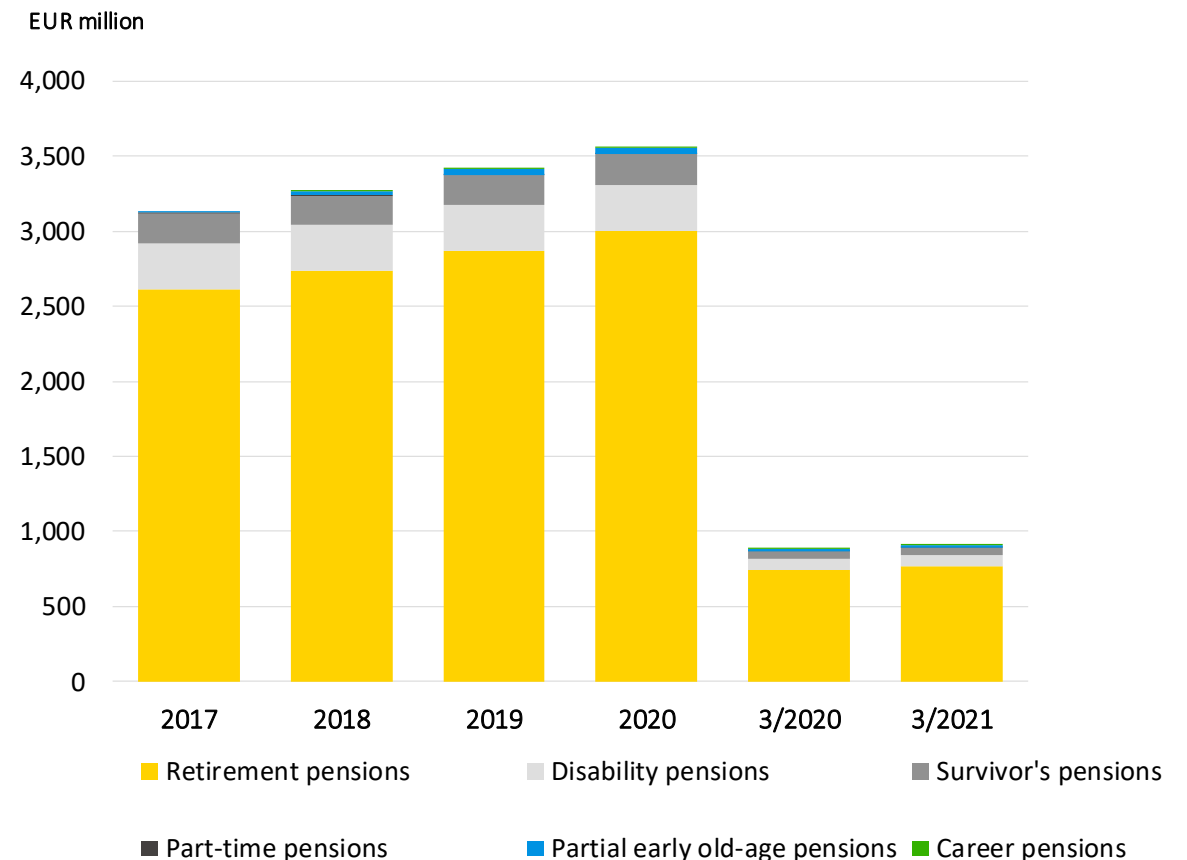
- Elo's solvency ratio, i.e. pension assets in relation to technical provisions, was 125.0%
- Elo's solvency position, i.e. solvency capital in relation to the solvency limit, was 1.5

# The number of pension decisions was largely unchanged – a slight decrease in new decisions on disability pensions

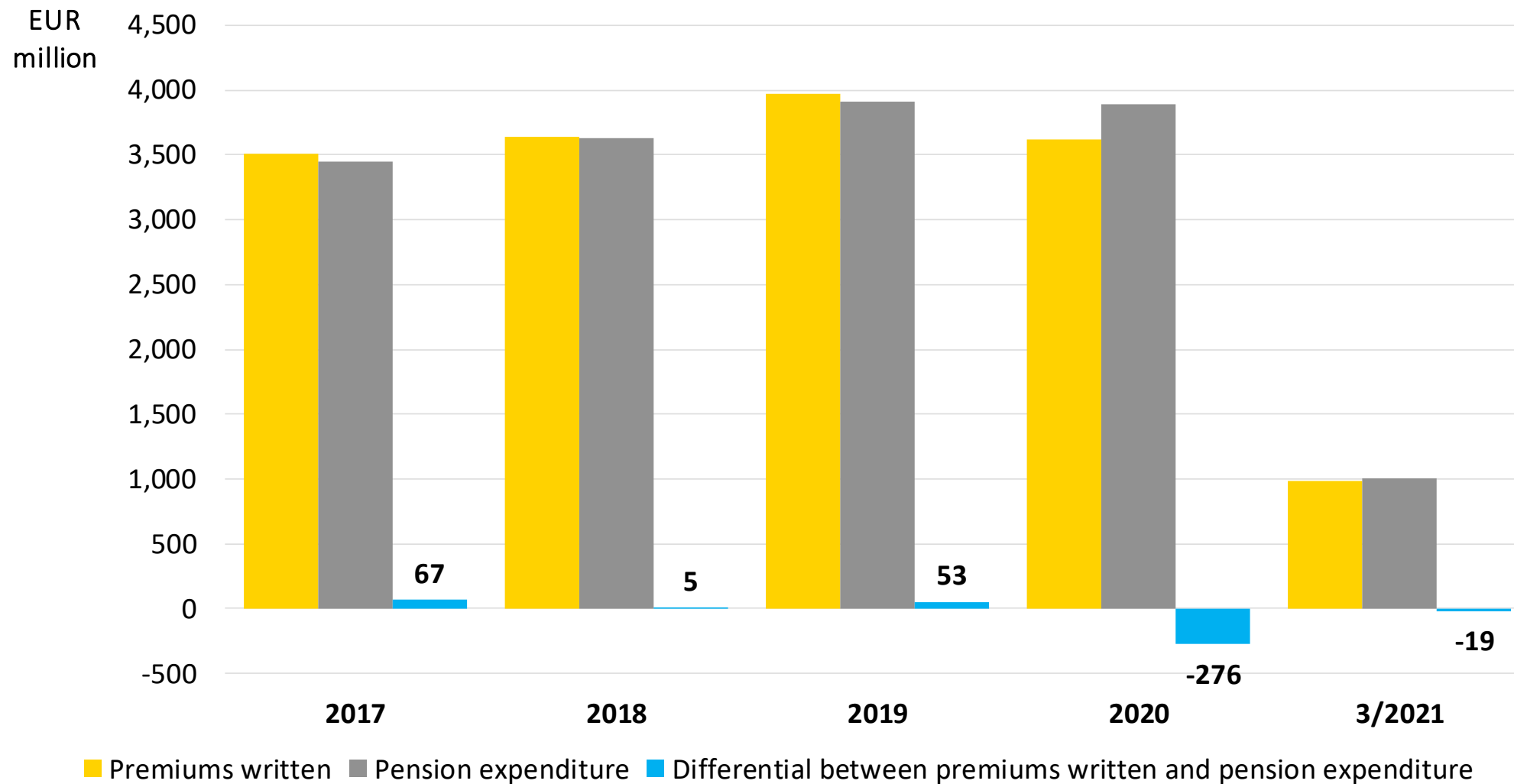
## Pension decisions by pension type

	1-3/2020	1-3/2021
Retirement pensions	2,188	2,041
Partial early old-age pensions	619	666
Disability pensions	3,314	3,152
Survivor's pensions	580	593
Decisions on rehabilitation	597	511
Career pensions	7	10

## Pensions paid by pension type 2017–3/2021



# Premiums written and pension expenditure 2017–3/2021



# Future outlook

- The economic outlook in Europe is substantially weaker than in the United States. In China and much of Asia, the COVID-19 situation has remained better under control than in Europe and the United States.
- The improving vaccination coverage in Europe and Finland support consumption and investments in the near future.
- The outlook in Finland is positive due to pent-up consumption and investment demand. The strong housing market also indicates an economic recovery as well as the recovery of employment.
- The growth forecast for the global economy is approximately 6 per cent for this year. The growth forecast for Finland is nearly 3 per cent. The major risks to the near-term economic growth outlook are related to the availability of vaccines and their efficacy.
- The concern is the risk of overheating in the US economy, with the Fed indicating that it will maintain light financing conditions for a long time still. It remains unclear whether a significant and long-term increase in inflation will follow the end of the COVID-19 pandemic or will there be a return to the previous conditions of slow growth and low inflation.