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**Interim report**  
**1 January – 30 June 2021**

Elo Mutual Pension Insurance Company

# Key figures January – June 2021

Investment assets

**27.8** EUR billion

Return

**7.8** %

10-year nominal return

**6.0** %

Solvency ratio

**126.6** %

Premiums written

**1,981** EUR million

Pensions and other  
benefits paid

**2,011** EUR million

# The impact of the pandemic levelled off

- The COVID-19 situation improved, which was favourably reflected in the development of the TyEL payroll from March onwards.
- At the end of June, the TyEL payroll was 4.7 per cent higher than at the corresponding time last year.
- Customer satisfaction, as measured by NPS scores, improved year-on-year and was again excellent.
- In May, we launched a wage calculator that helps our customers estimate the TyEL insurance contributions arising from hiring employees, for example.





# A decline in disability pensions

- The number of new disability pension decisions decreased by 13 per cent year-on-year.
- Psychological and musculoskeletal disorders accounted for more than 60 per cent of the new disability pensions.
- The impact of COVID-19 was already reflected in the form of a few applications for disability pension. The overall long-term impact of the COVID-19 pandemic on work ability is being monitored.
- Effectiveness is the main objective of rehabilitation measures. Employer services have been adapted to suit various types of companies. Rehabilitation services for self-employed persons, in particular, have been studied during the first half of the year and development work has begun.
- Pension processing times remain quick and performance indicators suggest that customer satisfaction is at a good level.

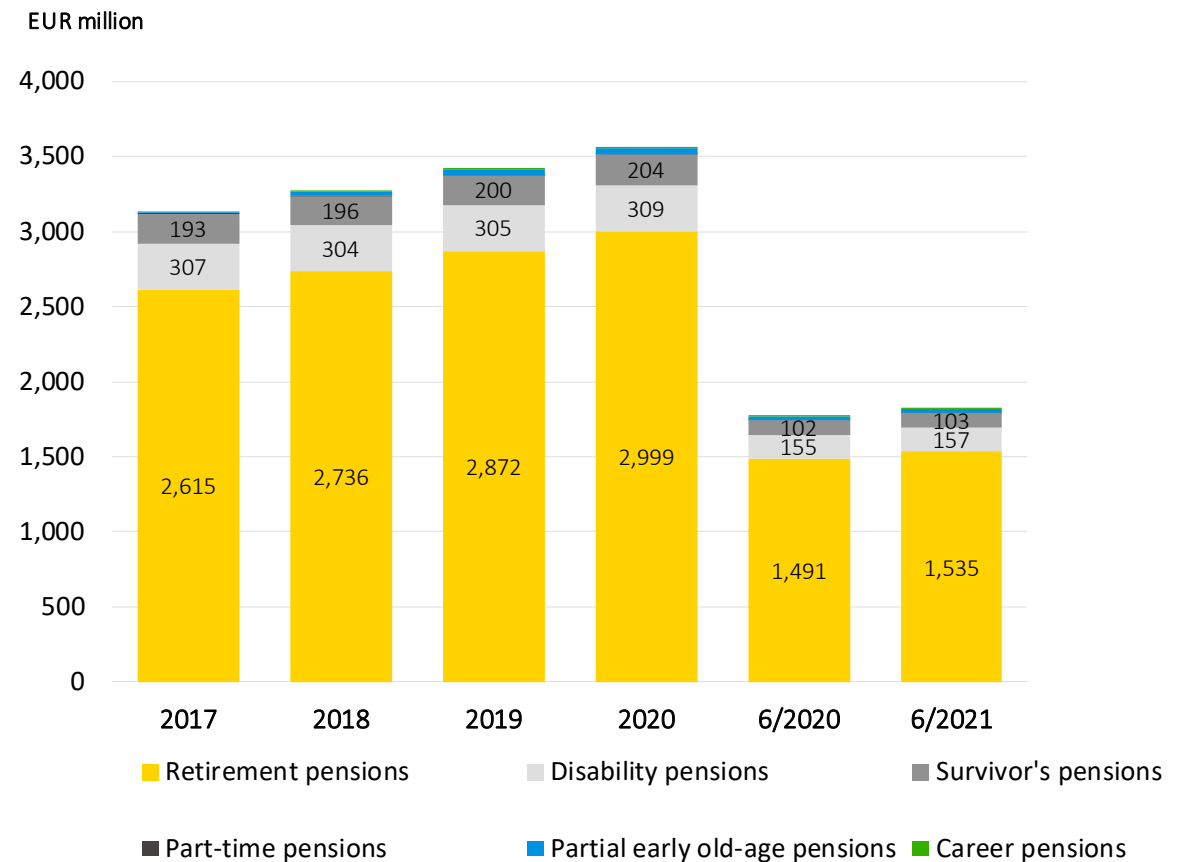
# The number of pension decisions was largely unchanged

## Pension decisions by pension type

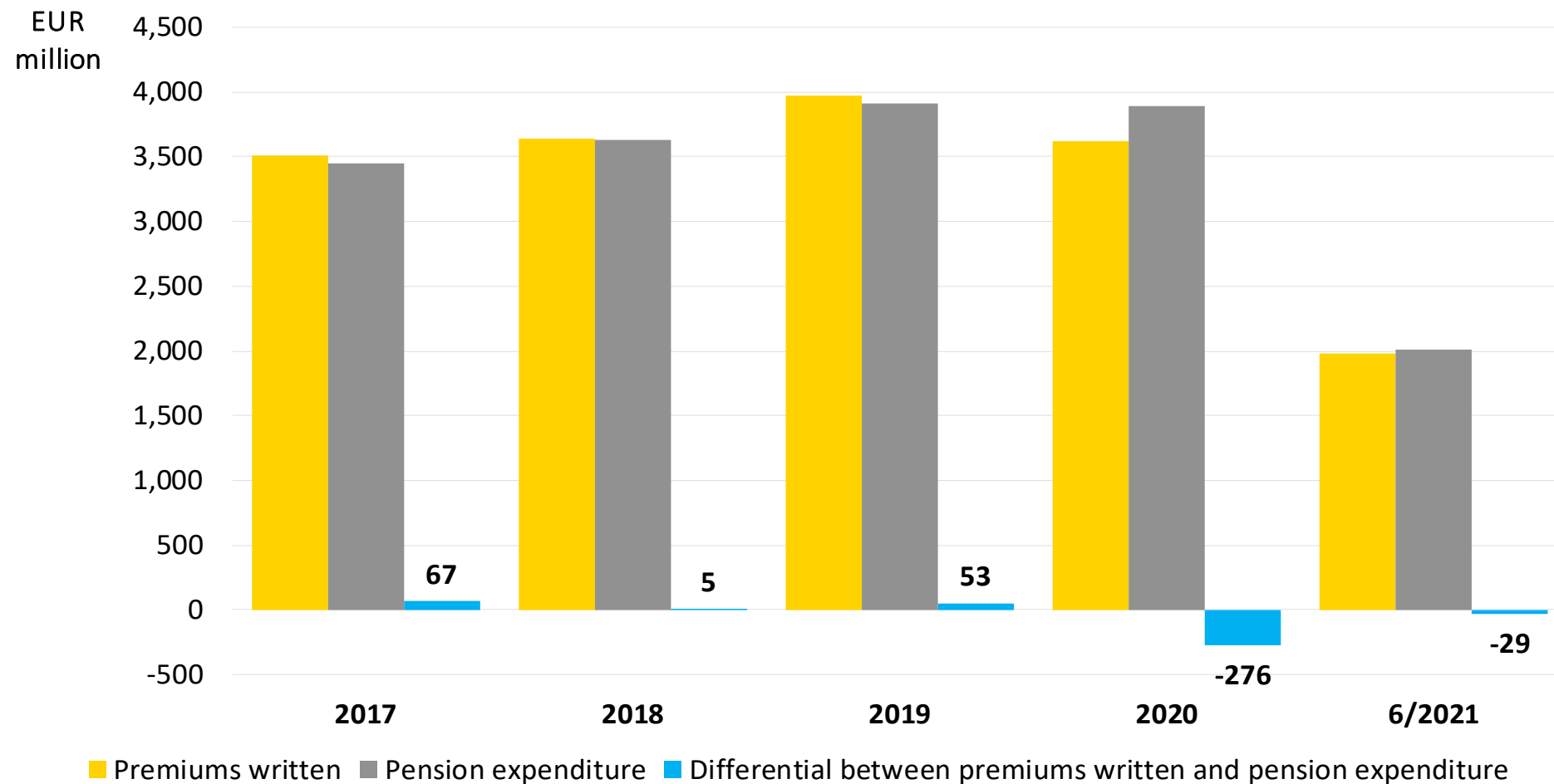
	1-6/2021	1-6/2020
Retirement pensions	4,048	3,991
Partial early old-age pensions	1,149	1,152
Disability pensions	6,046	6,629
Survivor's pensions	1,142	1,131
Decisions on rehabilitation	1,033	1,057
Career pensions	22	14
<b>Total</b>	<b>13,440</b>	<b>13,974</b>

- The total number of new decisions on disability pension was 3,042 (3,489).

## Pensions paid by pension type 2017–6/2021



# Premiums written and pension expenditure 2017–6/2021

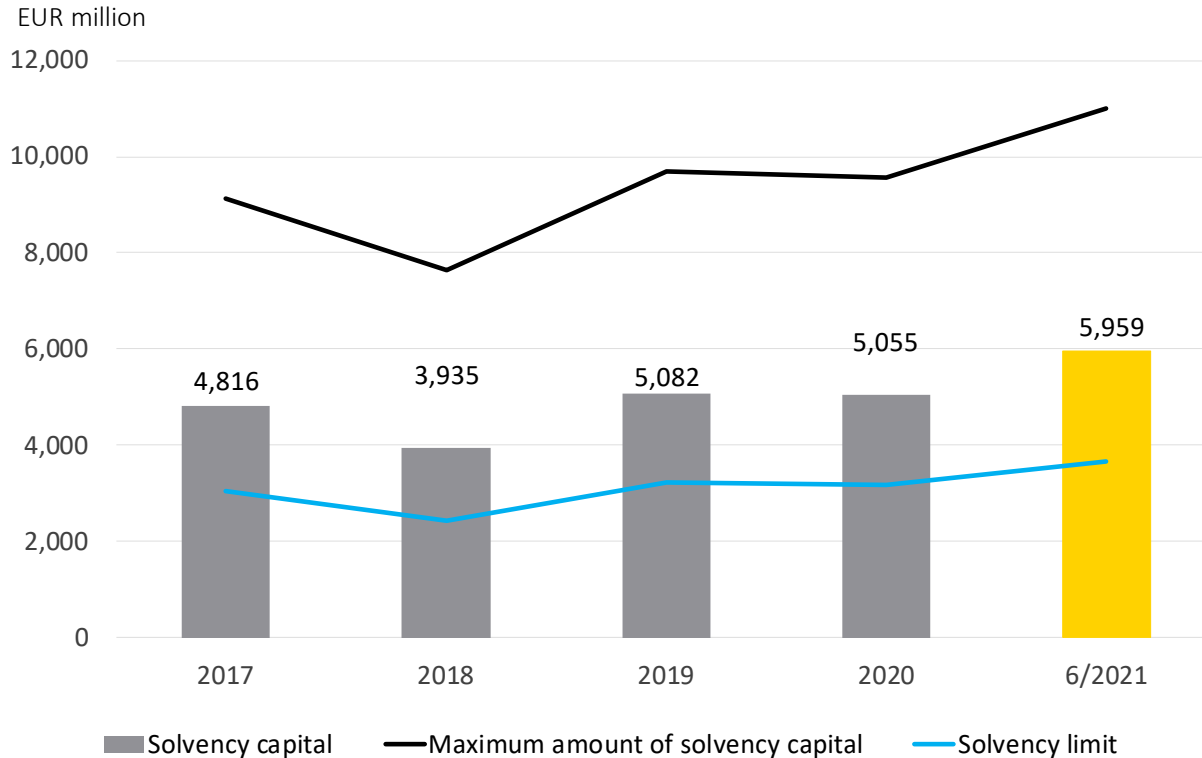


# Investment income exceeded EUR 2 billion

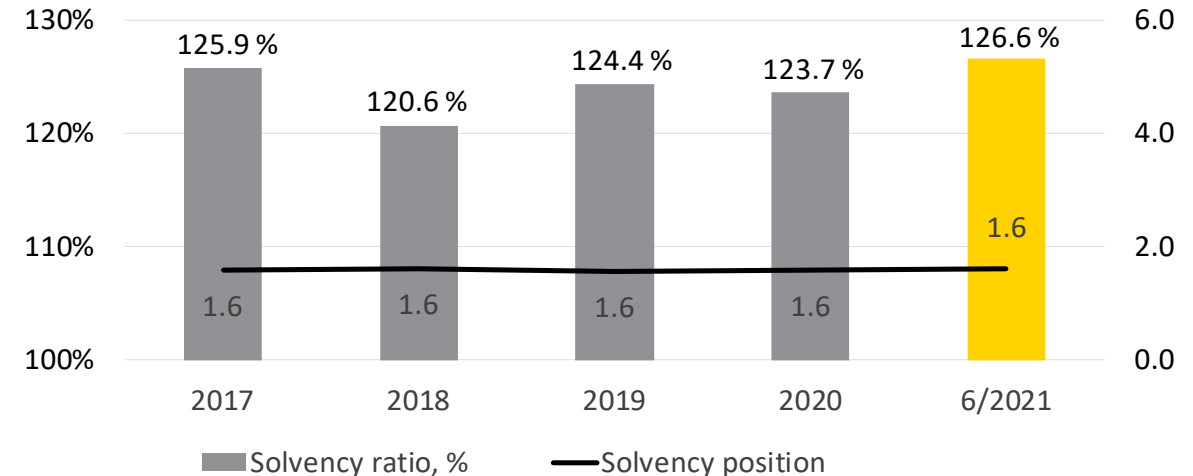
EUR million	1.1.–30.6.2021	1.1.–30.6.2020	1.1.–31.12.2020
<b>Total surplus</b>	<b>904.6</b>	<b>-1,077.2</b>	<b>0.7</b>
Insurance business surplus	5.8	-19.2	-8.0
Investment surplus at fair values	883.0	-1,070.1	-30.0
Net investment income at fair values (+)	2,007.5	-1,037.8	900.9
Yield requirement on technical provision (-)	-1,124.5	-32.2	-930.9
Loading profit	15.1	13.0	33.2
Other income	0.6	-1.0	5.5
<b>Distribution of surplus</b>	<b>904.6</b>	<b>-1,077.2</b>	<b>0.7</b>
Change in solvency	904.6	-1,077.2	-27.0
Change in provision for future bonuses	-163.2	-347.2	-55.1
Change in valuation differences	1,067.8	-730.0	28.1
Change in accrual of closing entries	0.0	0.0	-0.1
Profit for the financial year	0.0	0.0	0.0
Transfer to client bonuses	0.0	0.0	27.7

# Solvency capital increased by approximately EUR 900 million and now amounts to nearly EUR 6 billion

## Key solvency figures



## Solvency ratio and position 2017–6/2021

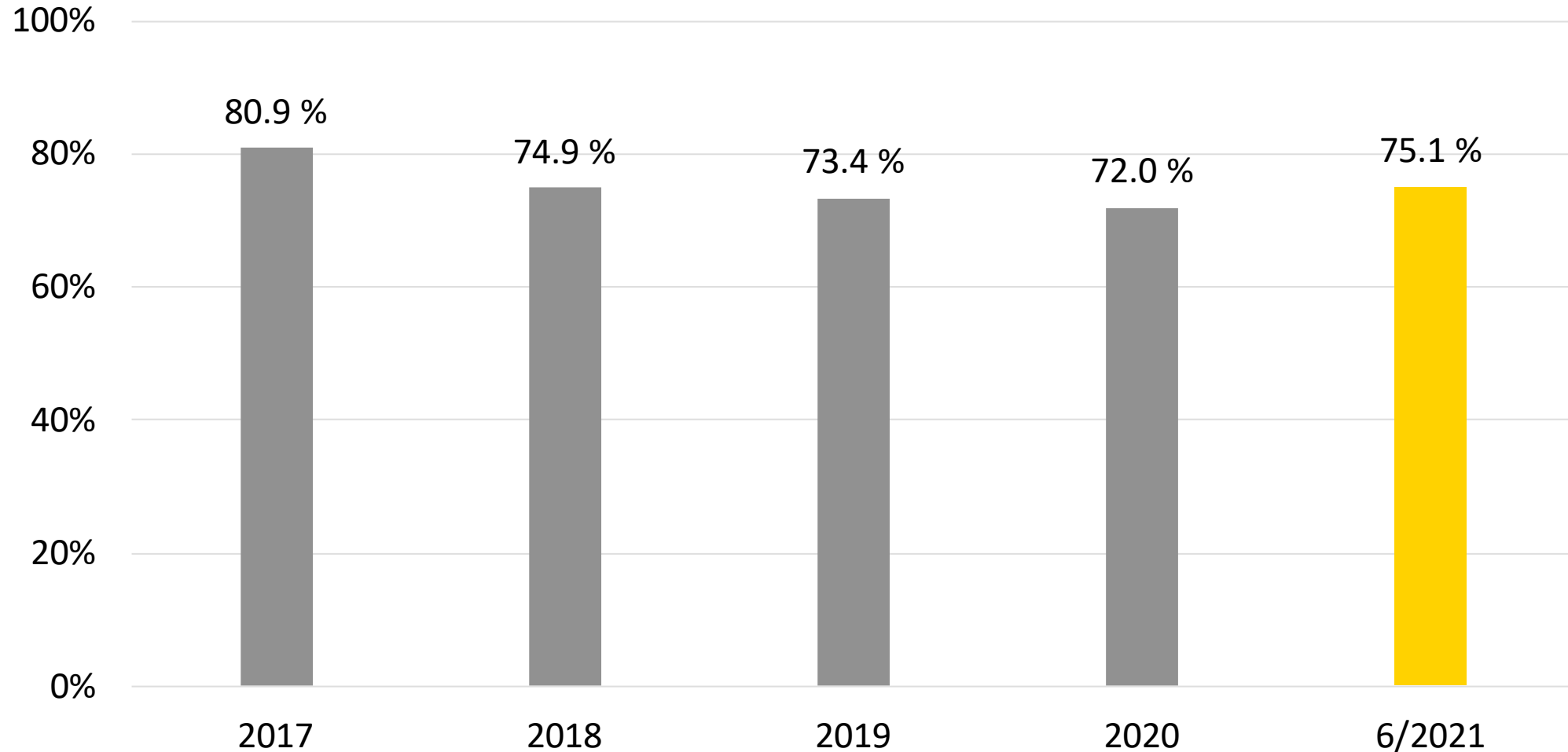


- The amount of solvency capital increased from the beginning of the year by EUR 903.4 million.
- Elo's solvency ratio, i.e. pension assets in relation to technical provisions, was 126.6%
- Elo's solvency position, i.e. solvency capital in relation to the solvency limit, was 1.6



# Operational efficiency

## Operating expenses as a percentage of loading component





# Development of responsibility

- Elo was ranked second in the category of large organisations in Oikotie's report on the most responsible employers in Finland.
- Elo joined 457 investors in signing The Investor Agenda's 2021 Global Investor Statement to Governments on the Climate Crisis, which calls on all governments to commit to more ambitious climate policy action by UN COP26 climate summit.
- Elo will continue to work in accordance with its climate strategy roadmap. The goal for 2021 is to set targets for climate change mitigation and adaptation solutions and for the climate risks of sovereign bonds and private equity investments.

# Economic environment

- Stimulating economic policy and improved vaccination coverage strengthened expectations of the recovery of global demand in the period under review.
- Inflation and uncertainty regarding the duration of its acceleration were the dominant theme in the financial markets. The acceleration of inflation in the early summer and signs of demand and supply imbalances in the US economy have increased volatility, especially in the fixed income market.
- Several industries are suffering from a shortage of factors of production and these constraints were reflected in the global economy in higher producer and raw material prices as well as the acceleration of consumer price inflation.
- In Finland, economic growth was supported by the quick progress of COVID-19 vaccinations, the gradual lifting of restrictions and strengthened global demand. Unemployment decreased. The service sector still waited for the resumption of normal operating conditions and uncertainty regarding the economic outlook was reflected in the low level of investment, except in the construction industry. Consumption provided a strong foundation for demand during the review period.

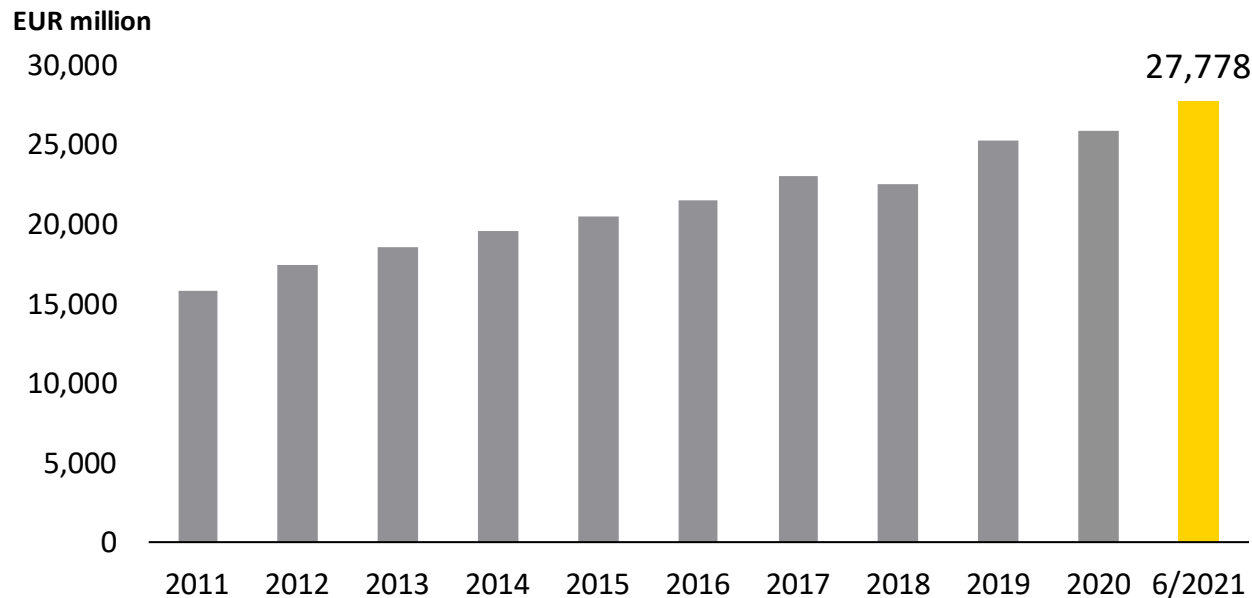


# Key figures for the period

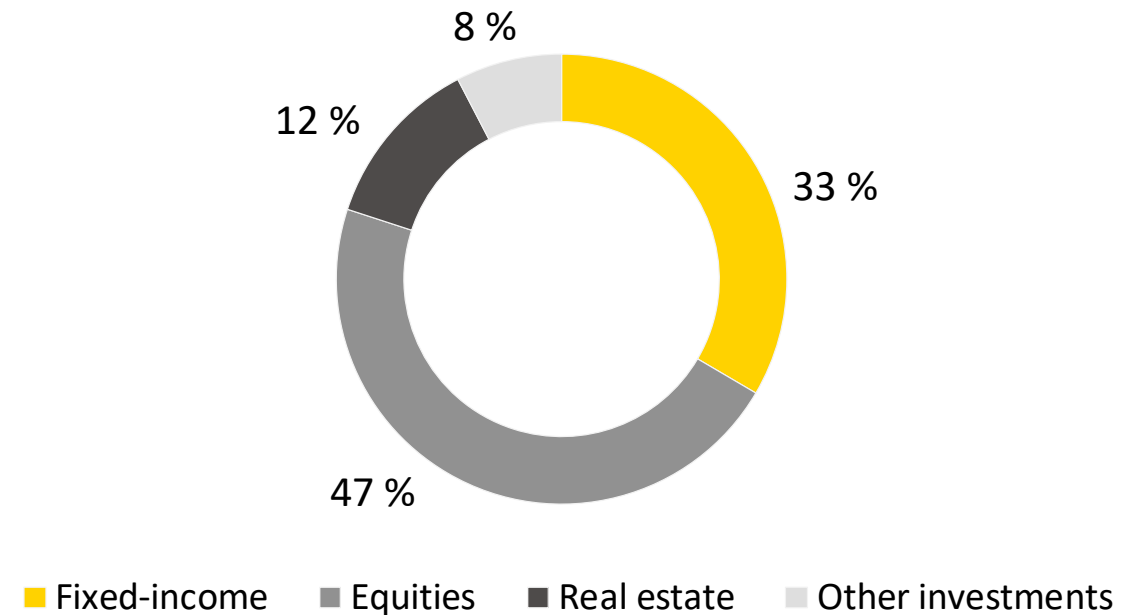
	6/2021	6/2020	2020
Investment assets at fair value, EUR million	27,778.3	23,978.0	25,898.1
Net return from investment on capital employed, %	7.8 %	-4.1 %	3.6 %
Average nominal return, over 10 years	6.0 %	5.1 %	5.3 %
Average nominal return, over 5 years	6.9 %	3.9 %	5.5 %
Premiums written, EUR million	1,981.3	1,753.6	3,615.6
Pensions and other benefits paid, EUR million	2,010.6	1,928.4	3,891.9
Technical provisions, EUR million	23,261.7	21,346.4	22,381.4
Number of TyEL policyholders	50,200	47,400	48,300
Number of YEL policyholders	83,600	82,600	83,600
Number of pensioners	244,000	241,800	243,600
Loading profit, EUR million	15.1	13.0	33.2
Operating expenses as % of loading component	75.1 %	77.6 %	72.0 %
Solvency capital, EUR million	5,958.7	4,002.9	5,055.4
Solvency position	1.6	1.4	1.6
Solvency ratio, %	126.6 %	119.4 %	123.7 %

# Steady growth in investment assets

## Development of investment assets 2011–6/2021



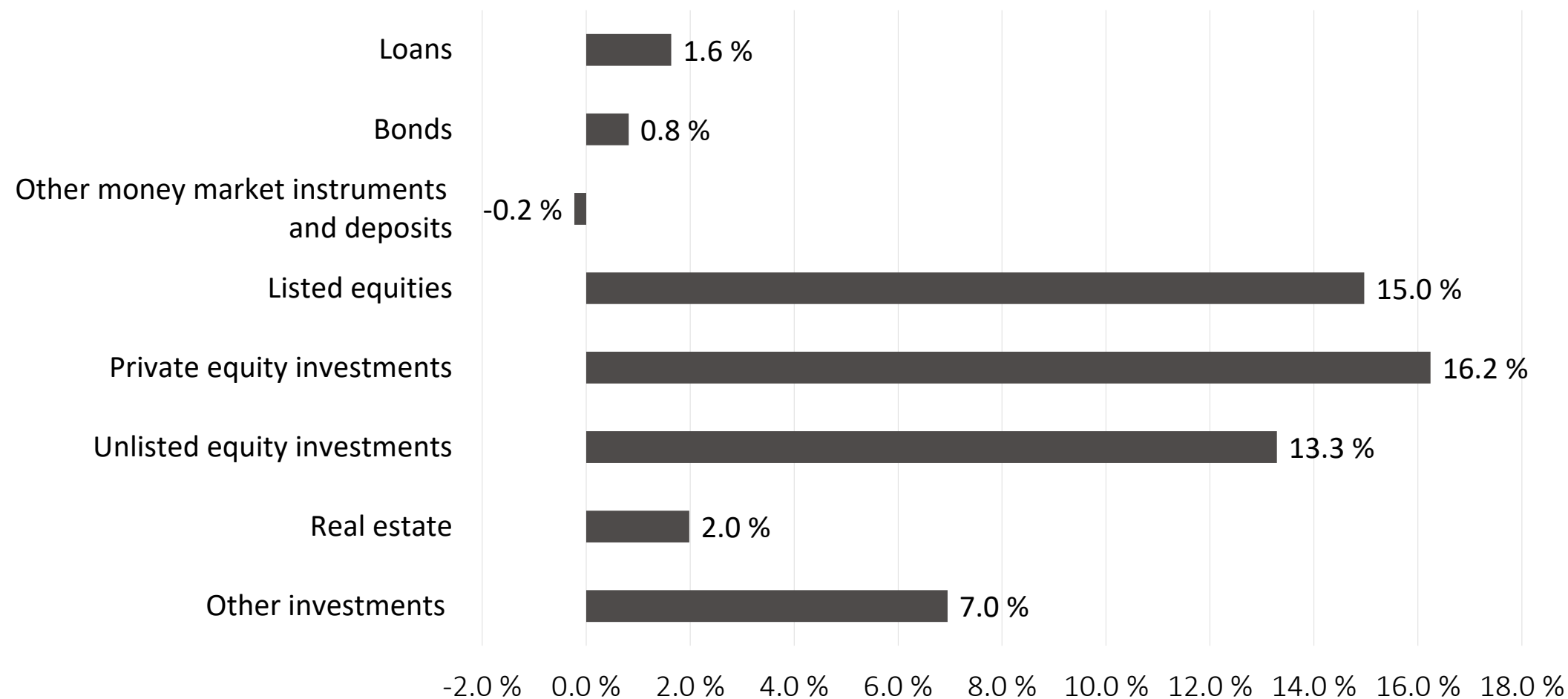
## Investment asset allocation 30 June 2021



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

# Record-strong performance in private equity fund investments

## Return on investments by asset class 1 January – 30 June 2021



# Investments generated a return of 7.98 %

	Basic allocation by market value		Actual risk position		Return	Volatility
	EUR million		EUR million	%	%	%
<b>Fixed-income investments</b>	<b>9,200.6</b>	<b>33.1</b>	<b>9,534.1</b>	<b>34.3</b>	<b>0.6</b>	
Loans	438.5	1.6	438.5	1.6	1.6	
Bonds	6,844.7	24.6	6,292.8	22.7	0.8	6.4
Public bonds	3,181.4	11.5	2,362.6	8.5	-1.3	
Other bonds	3,663.3	13.2	3,930.2	14.1	2.0	
Other money market instruments and deposits incl. any receivables and liabilities related to	1,917.4	6.9	2,802.8	10.1	-0.2	
<b>Equities</b>	<b>13,074.6</b>	<b>47.1</b>	<b>12,935.7</b>	<b>46.6</b>	<b>15.2</b>	
Listed equities	9,362.5	33.7	9,223.6	33.2	15.0	16.7
Private equity investments	3,111.7	11.2	3,111.7	11.2	16.2	
Unlisted equity investments	600.4	2.2	600.4	2.2	13.3	
<b>Real estate</b>	<b>3,434.2</b>	<b>12.4</b>	<b>3,434.2</b>	<b>12.4</b>	<b>2.0</b>	
Direct real estate investments	2,470.8	8.9	2,470.8	8.9	1.7	
Real estate funds and joint investment companies	963.4	3.5	963.4	3.5	2.6	
<b>Other investments</b>	<b>2,068.8</b>	<b>7.4</b>	<b>2,115.8</b>	<b>7.6</b>	<b>7.0</b>	
Hedge fund investments	2,061.7	7.4	2,061.7	7.4	6.2	6.4
Commodity investments	0.1	0.0	52.5	-0.2	-	
Other investments	7.0	0.0	1.5	0.0	-	
<b>Total investments</b>	<b>27,778.3</b>	<b>100.0</b>	<b>28,019.7</b>	<b>100.9</b>	<b>7.8</b>	<b>7.1</b>
Effect of derivatives			-241.4	-0.9		
<b>Total</b>	<b>27,778.3</b>	<b>100.0</b>	<b>27,778.3</b>	<b>100.0</b>		

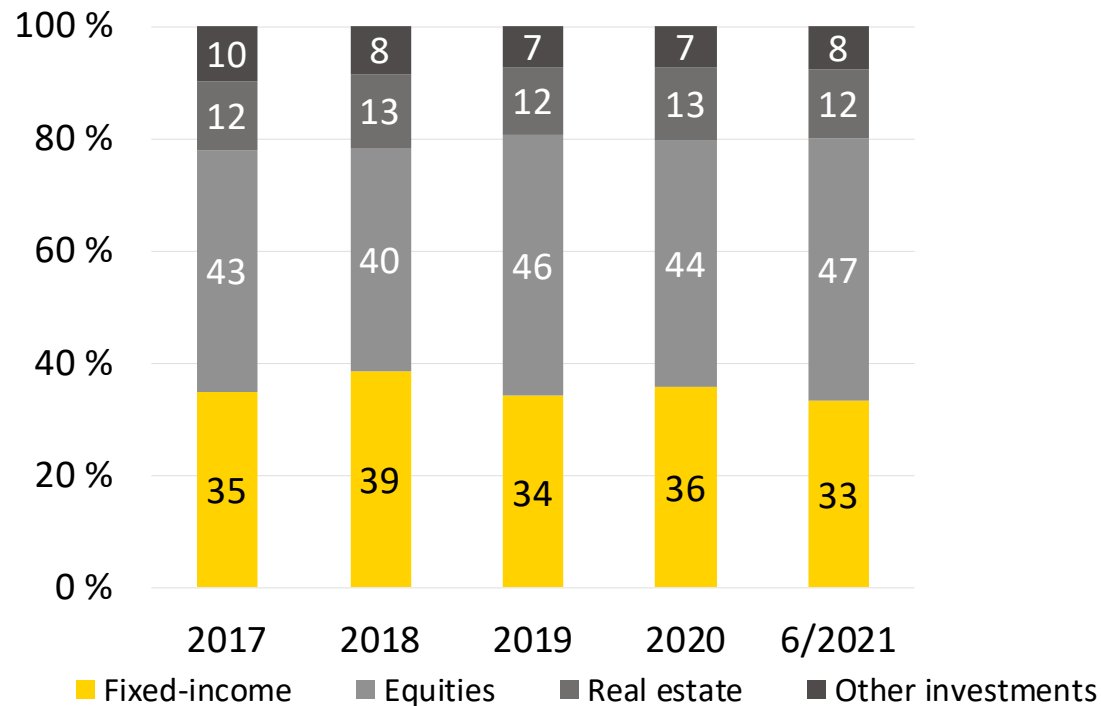
The return on foreign currency derivatives is estimated for asset classes in proportion to the average foreign currency-denominated assets during the reporting period.

The total return includes returns, expenses and operating expenses not allocated to investment classes. The modified duration of bonds is 3.5.

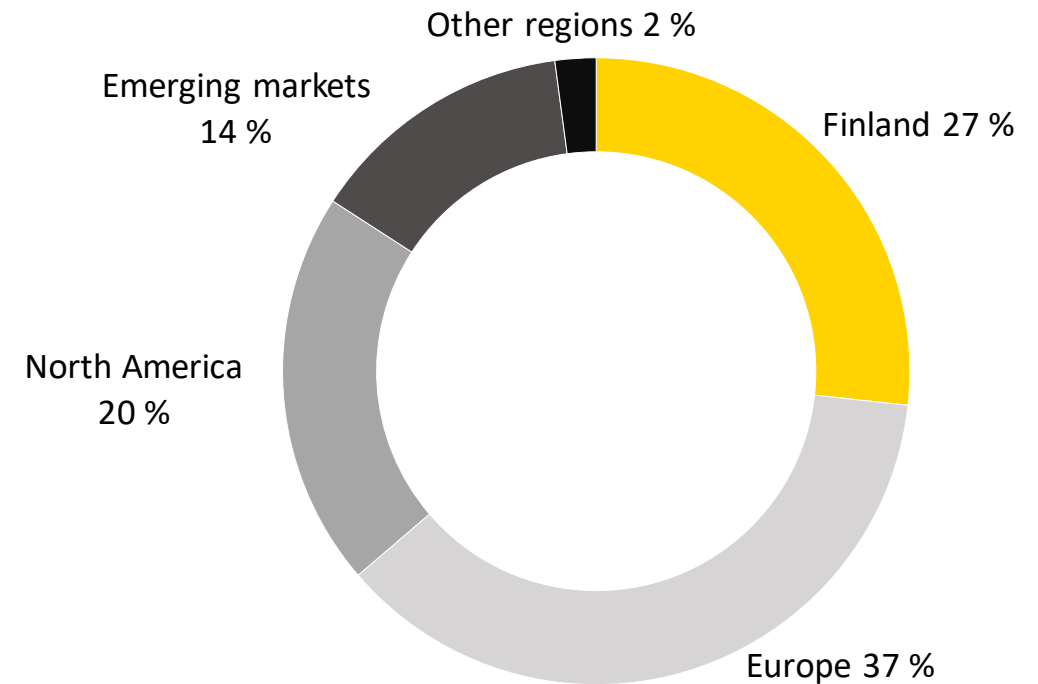
15 The open currency exposure is 22.9% of market value.

# The geographical diversification of equity investments suited the market situation well

Development of asset allocation 2017–6/2021



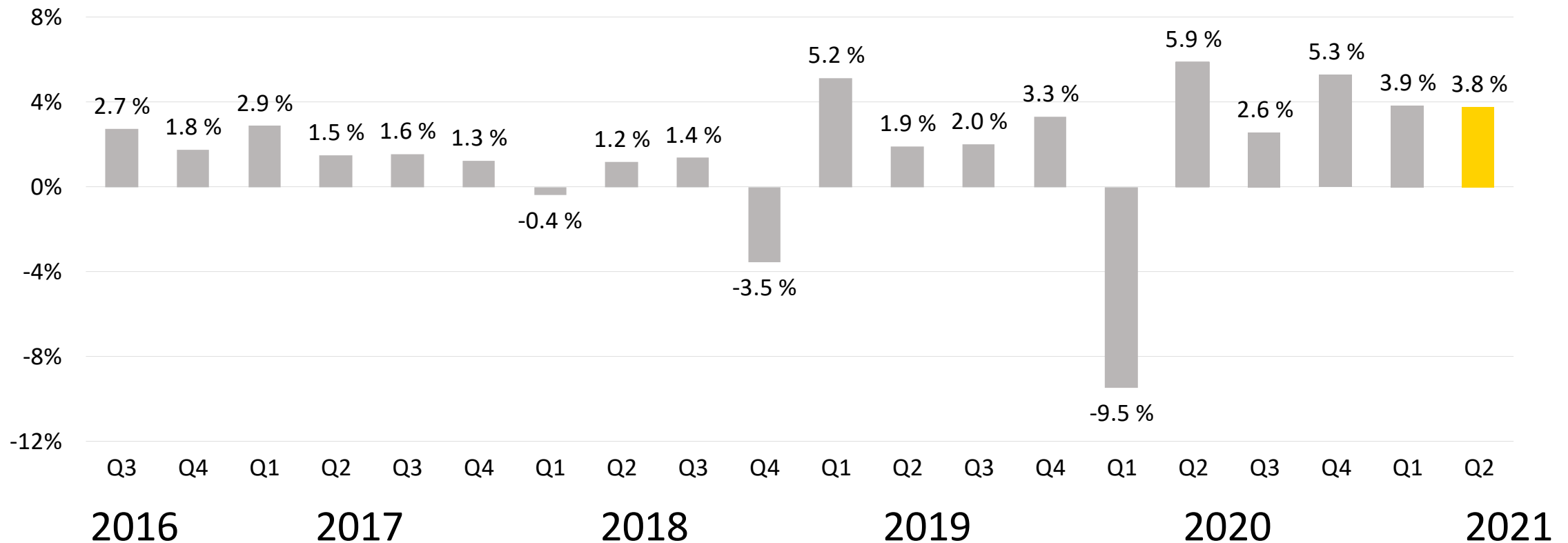
Geographical distribution of investments 30 June 2021





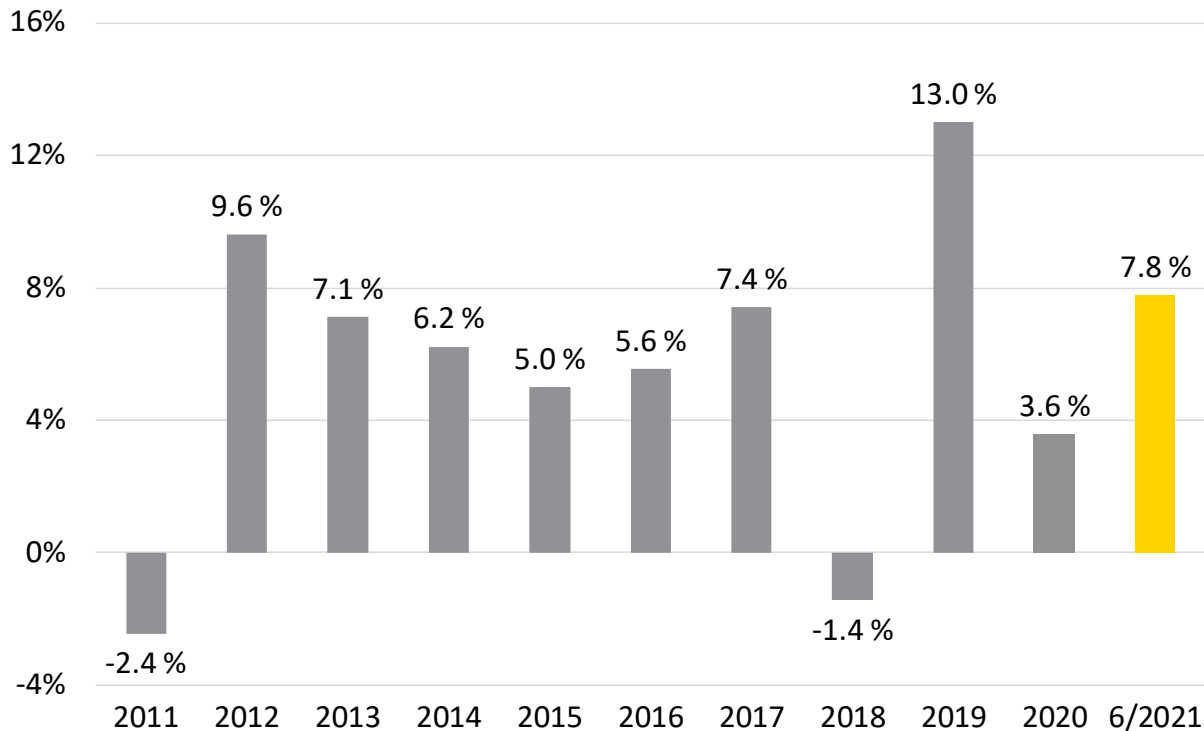
# The second quarter's return on investments 3.8 per cent

Return 1 January – 30 June 2021 was 7.8%

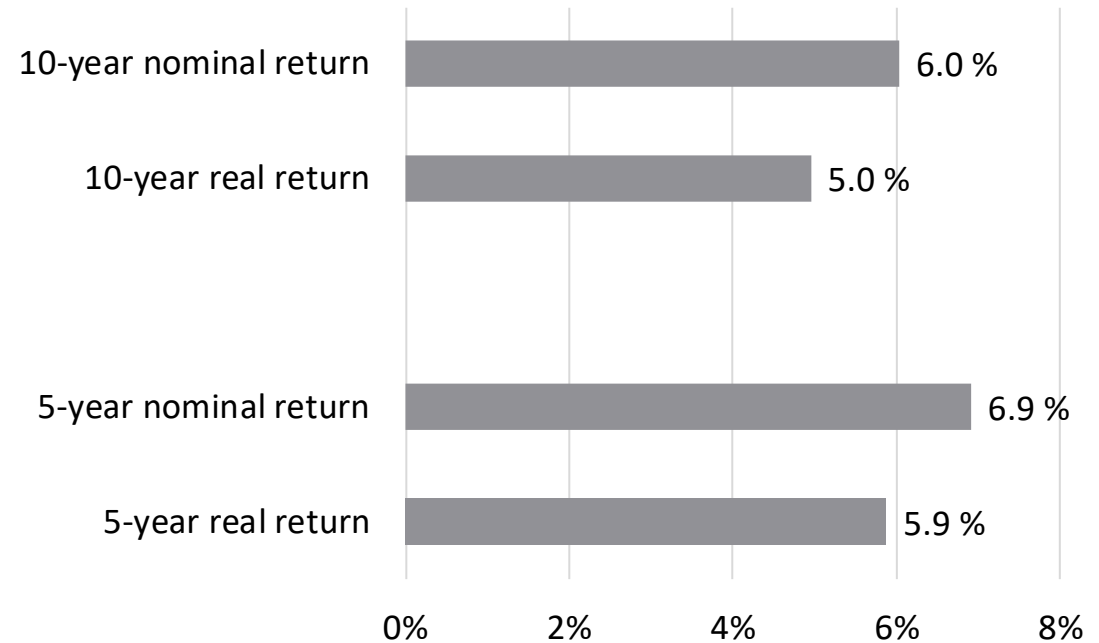


# Development of investment returns over time

## Investment returns 2011–6/2021



## 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.

# Future outlook

- The economic cycle in Europe lags slightly behind the US. At the same time, the strong industry-driven recovery in the US also supported European economic growth during the spring. The reopening of the service sector will support economic growth during the remainder of the year.
- In Asia, the new wave of COVID-19 has slowed down economic activity. The slowdown of investments and overall economic growth in China is likely to be reflected in a deterioration in the global industrial cycle in the second half of the year.
- New COVID-19 variants create uncertainty for the growth outlook of the global economy. Increasing vaccination coverage is a critical factor for growth and investment prospects.
- The global economy is expected to grow by 6 per cent this year. The growth forecast for Finland is 2.6 per cent.
- If the COVID-19 pandemic remains under control, the simultaneously recovering global economy will strengthen Finland's exports and industry during the remainder of this year and through next year. Improving confidence will allow the release of pent-up consumer demand as well as investment demand. The increased savings in the private sector will maintain strong domestic demand in Finland in 2021–22.