



1 JANUARY-30 JUNE 2021

Elo interim report

- The return on Elo's investments was 7.8 per cent, which is Elo's highest-ever return for a six-month period.
- In the second quarter, return on investments was 3.8 per cent. Return on investments was at the same level in the first two quarters of the year.
- The net return on investment operations at fair values exceeded EUR 2 billion, of which approximately EUR 900 million strengthened solvency, raising the solvency capital to nearly EUR 6 billion.
- The solvency ratio continued to improve and stood at a strong 126.6 per cent. The solvency capital was 1.6 times the solvency limit.
- The market value of Elo's investments was nearly EUR 28 billion.
- A total of EUR 2 billion was paid in pensions and other benefits and premiums written were nearly at the same level.
- The expense loading ratio was 75.1 per cent, which represents a year-on-year improvement.

The comparison figures in brackets are figures for 30 June 2020.

Key figures

	1.1.–30.6.2021	1.1.–30.6.2020	1.1.–31.12.2020
Premiums written, EUR million	1,981.3	1,753.6	3,615.6
Net investment income at current value, EUR million	2,007.5	-1,037.8	900.9
Net return from investment on capital employed, %	7.8 %	-4.1 %	3.6 %
	30.6.2021	30.6.2020	31.12.2020
Technical provisions, EUR million	23,261.7	21,346.4	22,381.4
Solvency capital, EUR million ¹⁾	5,958.7	4,002.9	5,055.4
ratio to solvency limit	1.6	1.4	1.6
Pension assets, EUR million ²⁾	28,366.5	24,623.6	26,419.6
% of technical provisions ²⁾	126.6 %	119.4 %	123.7 %
TyEL payroll, EUR million ³⁾	14,600.6	13,759.3	14,106.8
YEL earned income sum, EUR million ³⁾	1,769.9	1,694.8	1,757.7

1) Calculated in accordance with the regulations in force at each time (the same principle also applies to other solvency indicators)

2) Technical provisions pursuant to section 11, paragraph 10 of the Ministry of Social Affairs and Health's Decree (614/2008) + solvency capital.

3) Estimate of policyholders' salary and reported earnings for the full year

Economic environment

Stimulating economic policy and improved vaccination coverage strengthened expectations of the recovery of global demand in the second quarter. Several industries are suffering from shortages of production inputs due to the COVID-19 pandemic. In the global economy, these supply constraints were reflected in higher producer and raw material prices as well as the significant acceleration of consumer price inflation. Inflation and uncertainty regarding the duration of its acceleration were the dominant theme in the financial markets during the review period.

In Finland, economic growth during the period under review was supported by the quick progress of COVID-19 vaccinations, the gradual lifting of restrictions and strengthened global demand. Growth in employment strengthened and unemployment decreased. The service sector continued to wait 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. Retail data indicates that consumption provided strong support for demand in the second quarter.

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. Uncertainty about the Federal Reserve's future monetary policy measures has increased. It is likely that financing conditions in the US will be kept light until both full employment and the inflation target are met. In June, the Fed indicated that it would not allow inflation to accelerate excessively.

Employment pension system

Significant reports were completed in the employment pension sector in the first half of 2021. At the request of labour market organisations, the Finnish Centre for Pensions (ETK) has conducted studies on how to respond to the challenges in the investment environment. The work began with a preliminary study by Jukka Rantala on the possibilities of improving returns on employment pension investments in early 2020. In spring 2021, a report was completed on options concerning changes to the return requirement for employment pension institutions. Written under the leadership of the Finnish Centre for Pensions, the report was aimed at identifying ways to improve the risk-bearing capacity and return on investment of employment pension institutions.

The employment-related policies discussed during the Finnish Government's budget negotiations in autumn 2020 included the assessment and development of the premium category model. In spring 2021, a proposal on the overall development of the model was made in the employment pension sector. The proposal is being discussed by the labour market organisations and the Ministry of Social Affairs and Health.

A proposal on the reform of employment pension companies' expense loading and bonuses was also completed in the sector. Under the proposed reform, expense loading – which is the proportion of pension insurance contributions collected for the execution of employment pensions and the management of insurance – would become company-specific instead of being based on criteria defined collectively for all companies. However, expense loading would still also involve components that are determined collectively for the sector. Going forward, bonuses would only consist of bonuses taken from solvency capital. For customers, these reforms would be reflected in insurance contributions including a management fee collected by the company. These reforms are proposed to be implemented in 2023.

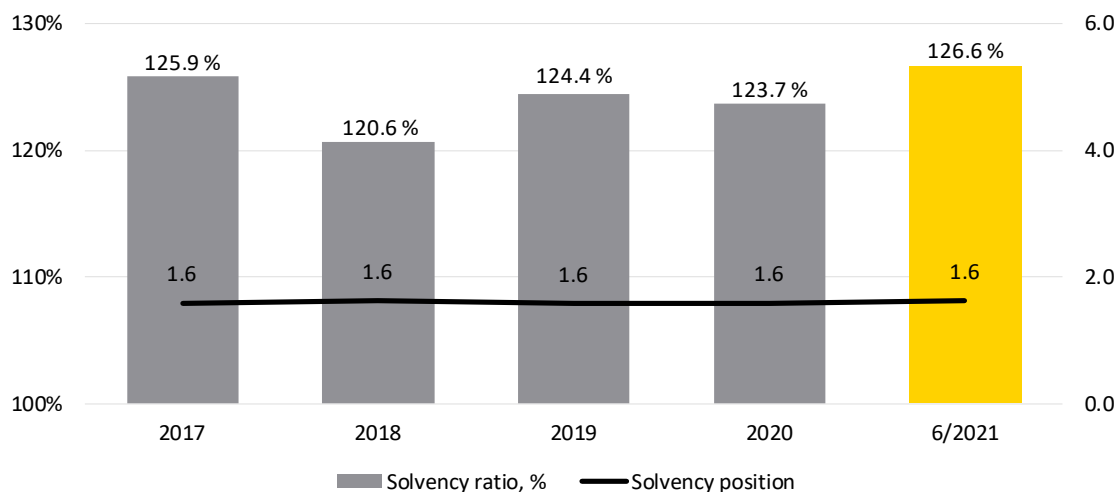
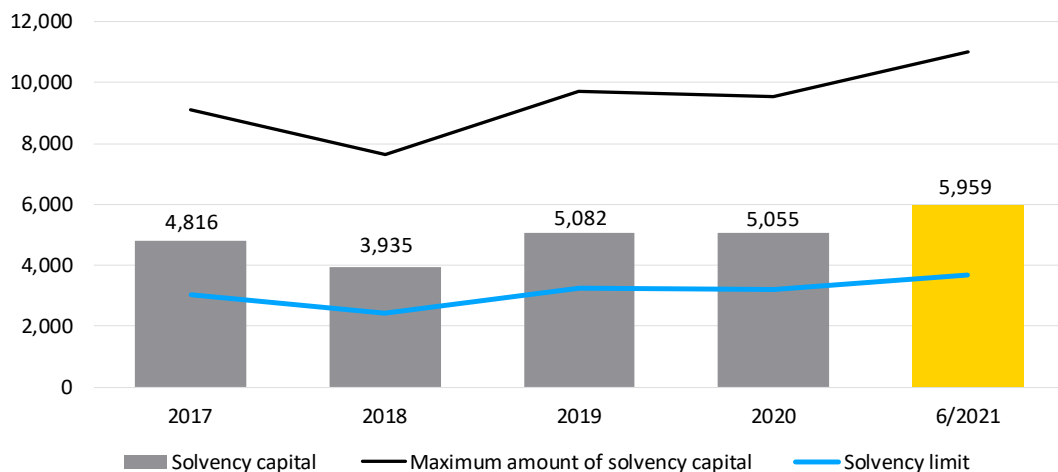
Information on extending careers became available in the first half of 2021. In 2020, the average retirement age in Finland was 61.9 years. This represents an increase of 0.4 years compared to 2019. In addition, according to a study published by the Finnish Centre for Pensions in April, employees have delayed their planned retirement age by almost two years over the past 10 years. These plans concerning retirement are a good predictor of future behaviour. Retirement will take place later in life, in line with the goals of the pension reform implemented in 2017.

The pension liabilities of the bankrupt Viabek pension fund of the transport services sector were transferred to private sector employment pension companies on 30 June 2021. Under the agreement, Viabek’s payable pensions and pension benefits for employees and self-employed persons were transferred to employment pension companies. The agreement has no impact on the benefits for pension recipients and insured persons. Elo’s share of the liability is approximately EUR 33 million, or roughly 20 per cent of the total. The liabilities are covered by assets from Viabek’s bankruptcy estate, joint liability for bankruptcy and, to a small extent, by the company’s solvency capital. The pension system will absorb a loss of approximately EUR 60 million due to Viabek.

Result and solvency

The amount of solvency capital increased from the beginning of the year by EUR 903.4 million, amounting to EUR 5,958.7 million (EUR 4,002.9 million) at the end of June. The ratio of pension assets to technical provisions, i.e. the solvency ratio, was 126.6 per cent (119.4 per cent). The solvency capital was 1.6 times (1.4 times) the solvency limit.

Solvency



The net return on investment operations at fair values was EUR 2,007.5 million (EUR -1,037.8 million). The return credited in technical provisions for the same period was EUR 1,124.5 million (EUR 32.2 million), of which technical provisions linked to equity income accounted for EUR 701.5 million (EUR -332.5 million). The result of investment operations at fair values was EUR -883.0 million (EUR -1,070.1 million).

Loading profit came to EUR 15.1 million (EUR 13.0 million). The insurance business surplus was EUR 5.8 million (EUR -19.2 million) and other income EUR 0.6 million (EUR -1.0 million). Elo's combined total result at fair values was EUR 904.6 million (EUR -1,077.2 million). Total operating expenses amounted to EUR 65.6 million (EUR 62.8 million) for the period under review. The expense loading ratio was 75.1 (77.6) per cent.

TyEL credit losses for the period 1 January–30 June 2021 decreased by 12 per cent year-on-year. The first half of the year was moderate in terms of credit losses and payment plans were again prepared with customers. Nevertheless, due to the continued uncertainty, credit losses are expected to increase slightly compared to the two previous years and amount to approximately EUR 18 million at the end of 2021.

Solvency

Solvency capital	1.1.–30.6.2021	1.1.–30.6.2020	1.1.–31.12.2020
Solvency limit, EUR million	3,670.5	2,824.6	3,185.1
Maximum amount of solvency capital, EUR million	11,011.6	8,473.8	9,555.4
Solvency capital, EUR million	5,958.7	4,002.9	5,055.4
Solvency ratio, % ¹⁾	126.6	119.4	123.7
Solvency position ²⁾	1.6	1.4	1.6

1) Pension assets in relation to technical provisions as referred to in Section 11, item 10, of the Ministry of Social Affairs and Health's decree 614/2008. All years are presented according to the new presentation method.

2) Solvency capital in relation to solvency limit

Insurance business and customer accounts

At the end of June, Elo administered 50,200 (47,400) TyEL and 83,600 (82,600) YEL insurance policies. The total number of self-employed persons and employees insured by Elo was 501,900 (465,000). In light of Elo's figures, the customer companies are doing better than last year; for example, their number of personnel has increased. Elo is the market leader in YEL pension insurance, and one in three employer companies use Elo to insure their employees.

Activity during the recently completed transfer period was substantially higher than last year and Elo's net result was positive in terms of both customer volume and premiums written. After two quarters, Elo's net result for the acquisition of employer customers was EUR +21.8 million (EUR +55.4 million) and the net result for the acquisition of self-employed customers was +5,042 (+5,704) customers. The figures in brackets refer to the corresponding period last year. The COVID-19 pandemic continued to have an impact on customer acquisition during the first half of the year.

The TyEL payroll was still slightly lower in January–February than in the corresponding period in 2020, but the improved COVID-19 situation was favourably reflected in the development of the TyEL payroll from March onwards. However, in the restaurant and hotel sector, which has been particularly hard hit by the pandemic, a turn for the better was only seen in May and the TyEL payroll in that sector remains lower than before the pandemic. The TyEL payroll total for the period 1 January–30 June 2021 was 4.7 higher than in the corresponding period in 2020.

As Finland's largest pension insurance provider for self-employed persons, we consider it especially important for our self-employed customers to set their earned income at the right level throughout their career, because self-employed persons' pensions and other social security are based on the level of earned income they set for their YEL insurance. We constantly communicate to our customers about the significance of setting their earned income at the right level. In the first half of the year, substantially more customers adjusted their YEL earned income higher than lower.

In June, the Financial Supervisory Authority released a bulletin aimed at all employment pension companies regarding the strengthening of YEL earned income. Employment pension companies are prepared to engage in dialogue on this topic and to develop YEL insurance. Elo takes a favourable view towards the development of the YEL system with consideration for the changing operating environment and the needs of self-employed persons.

The customer satisfaction score (NPS) for telephone services related to insurance remained excellent at above 90 and customers' calls were answered in approximately half a minute on average. We also continued our multichannel and proactive communication with our customers. The customer satisfaction score (NPS) for the online service for corporate customers improved and was at a good level, above 50. In May, we launched a wage calculator that helps our customers estimate the TyEL insurance contributions and other mandatory indirect labour costs arising from hiring employees.

Pension services

A total of 244,000 (241,800) pensioners were paid their pensions by Elo at the end of June. EUR 1,817.3 million (EUR 1,767.2 million) was paid in pensions during the first half of the year. The number of pension and rehabilitation decisions issued on the basis of an application was 13,440 (13,974).

A total of 4,048 (3,991) old-age pension decisions and 1,149 (1,152) partial early old-age pension decisions were issued during the period under review. COVID-19 has not had a significant impact on the number of pension decisions so far, but it has increased people's interest in their future pension security.

Early in the year, we redesigned the electronic applications for old-age pension in our online service for private customers to make them more user-friendly. Applying for pension via the online service expedites the processing of customers' pensions. Thanks to the growing use of electronic services and efficient pension processing, Elo issues decisions on old-age pension faster than the other employment pension companies on average. In the first half of the year, the average time to receive an old-age pension decision from Elo was two days, when the average for the other employment pension companies was 11 days.

A total of 3,042 (3,489) new disability pension decisions were issued, representing a year-on-year decrease of 13 per cent. Elo is monitoring the reasons for this decrease and the development of the number of decisions. The total number of disability pension decisions issued was 6,046 (6,629). Psychological disorders remain the largest diagnosis category for new disability pension decisions. Their share of the total was 32.7 (37.0) per cent. Musculoskeletal disorders accounted for 31.2 (28.2) per cent. The impact of COVID-19 was already reflected in the form of a few applications for disability pension.

A total of 1,033 (1,057) decisions on the right to rehabilitation were issued. The most common reason for applying for the right to rehabilitation was musculoskeletal disorders with a share of 44.7 (43.6) per cent. Psychological disorders accounted for 26.8 (27.8) per cent of the applications for the right to rehabilitation.

Effectiveness is the key objective of rehabilitation. We develop our services in various ways, including analytics and service design. Self-employed persons, in particular, tend to be too late in seeking help with problems related to their work ability, and they do not know how to seek rehabilitation through their employment pension company. Rehabilitation services for self-employed persons have been studied during the first half of the year and development work has begun. Employer services have been adapted to suit various types of companies.

The customer satisfaction score (NPS) for Elo's telephone service for pension-related matters developed favourably and exceeded 75. The NPS score for Elo's online service for private customers improved and exceeded 67. On average, we issued pension decisions approximately 33 (17) per cent faster than the overall average of other employment pension companies.

Investment operations

The financial markets generated good returns during the first half of the year. Uncertainty was reflected particularly in the fixed income and foreign exchange markets due to, for example, fears of overheating in the US economy, expectations of potential tighter policy by the Fed and the murky growth outlook caused by the new variant of COVID-19. Increased inflation and the associated expectations saw the correlation between equity market returns and fixed income returns move into positive territory, which weakened the diversification benefits of fixed income investments.

The impacts of the COVID-19 pandemic have varied between sectors and companies. Globally, companies have coped with the challenging business environment better than expected. Strong earnings and moderate default expectations have supported the equity and corporate bond markets.

At the end of June, the average 10-year nominal return of Elo's investments was 6.0 per cent and the average 10-year real return was 5.0 per cent. The average 5-year nominal return was 6.9 per cent and the average 5-year real return was 5.9 per cent. The result of investment operations at fair values was EUR 883.0 million (EUR -1070.1 million). During the first half of the year, the highest returns were generated by investments in private equity funds, listed equities and unlisted equities.

The equity market has continued the rise from last year. Company earnings have been excellent, even rising above pre-pandemic levels in the main markets. Earnings expectations have been adjusted upwards. The valuation causes uncertainty in the equity market. Particularly in the United States,

valuations have risen to levels that are substantially above the average historical levels. Higher long-term interest rates would have a detrimental effect on the attractiveness of equity investments through the re-pricing of the fixed income markets and equity markets. On the other hand, the impact of higher long-term interest rates on equity markets is offset by the improved earning expectation.

The Finnish equity market generated the highest returns. Returns in the US and European markets were slightly below those in Finland. Emerging markets and Japan generated the lowest returns. The geographical diversification of Elo's equity investments was suitable for the market situation. Elo's equity investments generated good returns of 15.2 (-9.7) per cent in January–June.

Private equity fund investments continued the record-breaking performance seen in the early part of the year thanks to the good earnings of the portfolio companies, the positive equity market and the high activity in the exit market. Infrastructure investments continued to develop at a steady pace in line with expectations. Private equity investments generated a return of 16.2 (-5.3) per cent.

Corporate bond markets generated fairly good returns, particularly in the US, due to the tightening of credit risk margins and lower interest rates. The best returns were generated by the highest risk companies and investments with long maturities. Corporate bond investments are expensive relative to historical valuation. On the other hand, the very low bankruptcy expectations support the valuation.

The return on bonds issued by other entities was 2.0 (0.4) per cent in January–June.

In the first half of the year, the rise in interest rates in the US came to a halt and long-term interest rates decreased. In the euro zone, however, long-term interest rates increased. Short-term interest rates remained largely unchanged. No significant changes were made to the geographical distribution of Elo's portfolio of sovereign bonds issued by developed countries. The level of interest rate risk was actively adjusted during the first half of the year.

Fixed-income investments in emerging markets recovered after the weak period seen at the beginning of the year. USD-denominated bonds benefited from a slight decline in US long-term interest rates following the rise in interest rates in the early part of the year. In emerging markets, several countries have started raising interest rates following unprecedented monetary stimulus measures. Interest rate hikes, strong commodity markets and strong stimulus measures in Western countries have supported the currencies of emerging markets. The return on fixed income investments was 0.6 (1.2) per cent in January–June.

In Elo's corporate financing, solutions have been sought to companies' needs for investment and working capital financing. The number of corporate restructuring and bankruptcies has been minimal and no new credit losses have been recognised.

The US dollar weakened against the euro in the second quarter. In June, the Federal Reserve communicated expectations of the earlier tightening of monetary policy and a tighter stance on inflationary risks. The US dollar has again strengthened as a result. Currency hedging in Elo's non-euro denominated assets increased slightly during the first half of the year.

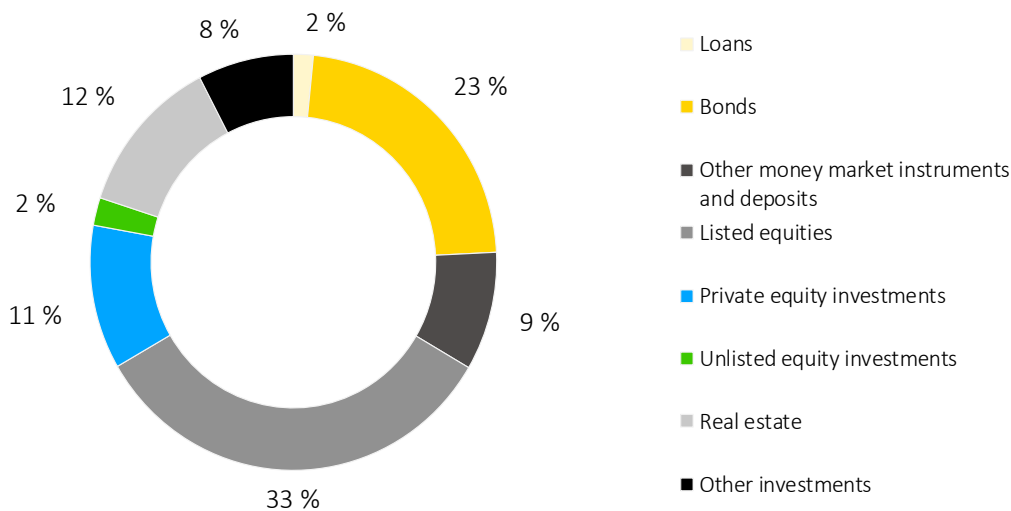
Investor interest in real estate is strong, but the COVID-19 pandemic still slowed down transaction activity in the first half of the year. Transaction volume is expected to grow in the latter part of the year when

restrictions are eased. Market interest is focused on properties with stable cash flow and low risk, such as core offices, housing and public sector real estate. The growth of e-commerce has also substantially increased the attractiveness of logistics properties.

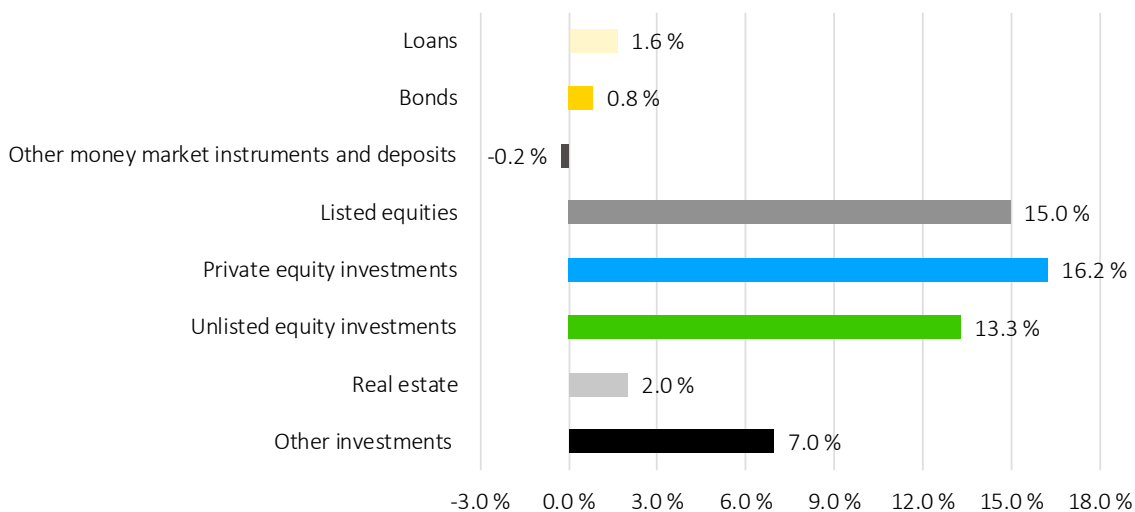
The occupancy rate of business premises has remained at a good level, while the occupancy rate of residential properties has decreased slightly due to the pandemic. The situation is likely to improve in the latter part of the year when students return to contact instruction, for example. Real estate investments generated a return of 2.0 (0.7) per cent in January–June.

Elo’s other investments generated a return of 7.0 (0.8) per cent. The hedge fund portfolio has generated good returns, both in absolute terms and compared to its benchmark index. The hedge fund portfolio generated a return of 6.2 (1.5) per cent.

Distribution



Return



Return-risk table

	Basic allocation by market value		Actual risk position		Return	Volatility
	EURm	%	EURm	%	%	%
Fixed-income investments	9,200.6	33.1	9,534.1	34.3	0.6	
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 investments	1,917.4	6.9	2,802.8	10.1	-0.2	
Equities	13,074.6	47.1	12,935.7	46.6	15.2	
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	
Real estate	3,434.2	12.4	3,434.2	12.4	2.0	
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	
Other investments	2,068.8	7.4	2,115.8	7.6	7.0	
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	-	
Total investments	27,778.3	100.0	28,019.7	100.9	7.8	7.1
Effect of derivatives			-241.4	-0.9		
Total	27,778.3	100.0	27,778.3	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 3.5.

The open currency exposure is 22.9% of market value.

Personnel

In the first half of the year, Elo had an average of 533 (531) employees and the average amount of work performed was 492 (486) man-years. Personnel expenses in January–June amounted to EUR 19.5 million (EUR 20.4 million).

For almost 1.5 years, Elo's employees have largely worked remotely, with a hybrid model also being used to some extent. According to the results of the work ability survey conducted during the reporting period, the level of well-being among Elo's employees is good. The overall index in the survey was higher than the benchmark. Strengths highlighted in the survey included work ability, functional ability, the feeling of

self-efficacy and the social aspects of the workplace community. Challenges highlighted by respondents across the organisation included perceived excessive workload, recovery skills and time management challenges.

Corporate governance

Elo's CEO Satu Huber resigned from her position on 16 March 2021. Elo's Board of Directors appointed Elo's Chief Investment Officer Hanna Hiidenpalo as interim CEO. She serves in this role in addition to her regular duties. During the review period, Elo's Board of Directors appointed B.Sc. (Econ.), EMBA Carl Pettersson (b. 1979) as the company's new CEO. He will take up his post on 7 October 2021.

Elo's Annual General Meeting elected two new members to the Supervisory Board on 19 April 2021. Pii Raulo, EVP, Human Resources at YIT Group and Katja Syvärinen, Vice President, Director at Central Organisation of Finnish Trade Unions SAK were elected as new members of the Supervisory Board. The Annual General Meeting elected the accounting firm Ernst & Young Oy, with Heikki Ilkka as the principal auditor, as the company's auditors for the financial year 2021.

Regulatory control

The Financial Supervisory Authority (FIN-FSA) appointed an authorised representative on 11 December 2020 to supervise the company's activities. Pekka Jaatinen, attorney, Master of Laws with court training, has served as the authorised representative since 14 December 2020. In a letter dated 9 June 2021, FIN-FSA announced that Jaatinen will continue as the authorised representative until further notice. FIN-FSA will review the need to continue the appointment of the authorised representative in April 2022 at the latest.

During the past year, the company has taken several measures to strengthen its governance models and expertise. These determined efforts have continued in good co-operation with the supervisory authority and the authorised representative.

Responsibility

Elo was ranked second in the category of large organisations in Oikotie's report on the most responsible employers in Finland. The study was carried out for the second time, with the first having been conducted in spring 2020. The biggest positive change was seen in the area of sustainable development. Awareness of Elo's responsibility programme and its goals has increased significantly. Elo employees also expressed the view that Elo is taking concrete action to promote sustainability. The most recent example of this is Elo passing the Green Office inspection in spring 2021.

Elo will continue to work in accordance with its climate strategy roadmap for investment operations. 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. Engagement with investments is at the heart of the climate strategy. The entities invested in are encouraged to both reduce their emissions and develop solutions related to climate change.

Elo's engagement strategy for investment operations has been updated in accordance with the new climate strategy and the selected focus areas. Elo continued its cooperation in the area of by signing the Global Investor Statement to Governments on the Climate Crisis. The statement calls on all governments to commit to more ambitious climate policy action by the UN COP26 climate summit.

Elo has published information on its website regarding its participation in annual general meetings as well as votes held during the meetings in Finland and internationally. The list of meetings will be updated until the end of the international AGM season. By the end of June, Elo had participated in a total of 255 general meetings, 28 per cent of which were held in Finland. Elo voted on more than 3,600 agenda items at general meetings. Elo voted against a proposal presented on the agenda in 113 general meetings. The proposals in question were primarily related to the capital structure, the composition of the board or remuneration.

Risk management

In an employment pension company, the most significant risk in terms of impact concerns a considerable impairment of solvency, which can happen if the investment risks are realised or if investment returns fall significantly short of the yield requirement concerning the technical provisions. The overall risk of investments is maintained at a level that makes it possible to keep the ratio of solvency capital to the solvency requirement at a level that is safe even if risks were to materialise. Generating returns requires risk-taking, and the company keeps its risk appetite proportionate to its risk-bearing capacity at all times. Elo's solvency management procedures have been further developed and tested in 2021. Elo also further specified its solvency strategy during the first half of the year.

Elo's solvency ratio has continued to improve in 2021, which reduces the short-term likelihood of a significant decline in solvency. However, long-term return expectations in the investment markets are low, which may present challenges to the solvency of pension companies over a time horizon of several years. During the first half of 2021, significant reports were completed in the pension insurance sector with the aim of solving these long-term challenges.

During the early part of the year, Elo has assessed its internal control and risk management procedures by using the organisation's internal resources and by commissioning an external report. The development of internal control has continued as part of the measures aimed at the development of the governance system in cooperation with the supervisory authority and the authorised representative. The development of governance and the dialogue with the supervisory authority has led to an increase in the company's internal and external communications, among other things.

Elo has successfully continued to operate under a remote work model. Particular attention has been paid to managerial work and the coping and stress levels of personnel have been assessed. Based on the results of the assessment, Elo's personnel-related risk management is at a good level and preventive measures will be used to maintain the good situation even as the COVID-19 pandemic continues. With regard to data security, which is always a key consideration, Elo continued to invest in improving data security and data protection by developing processes and technological solutions as well as by conducting data security exercises for the company's personnel.

Future economic outlook

The economic cycle in Europe lags slightly behind the US due to the slower rate of vaccinations in Europe and more prolonged COVID-19 restrictions. At the same time, the strong industry-driven recovery of the cyclical peak in the US economy has also supported European economic growth during the spring. The reopening of the service sector in the US and Europe will support economic growth during the latter part 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 slight deterioration in the global industrial cycle during the remainder of the year.

New COVID-19 variants create uncertainty with regard to the growth outlook of the global economy. Increasing vaccination coverage is a critical factor for growth and investment prospects.

For now, it remains unclear whether economies will see a significant and long-term increase in inflation or slow growth paired with low inflation.

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. The global economy is expected to grow by 6 per cent this year. The US economy is expected to grow by 6.5 per cent, the euro zone by 4.6 per cent, China by 8.5 per cent and Finland by 2.6 per cent.

Asset allocation at fair value

	Basic allocation by market value					Actual risk position ⁸⁾						
	30.6.2021		30.6.2020		31.12.2020	30.6.2021		30.6.2020		31.12.2020		
	EURm	%	EURm	%	EURm	%	EURm	% ¹⁰⁾	EURm	% ¹⁰⁾	EURm	% ¹⁰⁾
Fixed-income investments	9,200.6	33.1	8,121.6	33.9	8,537.1	33.0	9,534.1	34.3	8,157.1	34.0	8,606.7	33.2
Loans ¹⁾	438.5	1.6	487.5	2.0	458.6	1.8	438.5	1.6	487.5	2.0	458.6	1.8
Bonds	6,844.7	24.6	6,062.5	25.3	6,397.7	24.7	6,292.8	22.7	6,652.0	27.7	6,467.4	25.0
Other money market instruments and deposits including any receivables and liabilities related to investments ¹⁾²⁾	1,917.4	6.9	1,571.6	6.6	1,680.8	6.5	2,802.8	10.1	1,017.7	4.2	1,680.8	6.5
Equities	13,074.6	47.1	10,641.4	44.4	12,153.6	46.9	12,935.7	46.6	10,317.3	43.0	11,393.3	44.0
Listed equities ³⁾	9,362.5	33.7	7,967.6	33.2	9,016.8	34.8	9,223.6	33.2	7,643.5	31.9	8,256.5	31.9
Private equity investments ⁴⁾	3,111.7	11.2	2,221.9	9.3	2,608.2	10.1	3,111.7	11.2	2,221.9	9.3	2,608.2	10.1
Unlisted equity investments ⁵⁾	600.4	2.2	451.9	1.9	528.7	2.0	600.4	2.2	451.9	1.9	528.7	2.0
Real estate	3,434.2	12.4	3,356.9	14.0	3,352.4	12.9	3,434.2	12.4	3,356.9	14.0	3,352.4	12.9
Direct real estate investments	2,470.8	8.9	2,393.0	10.0	2,418.6	9.3	2,470.8	8.9	2,393.0	10.0	2,418.6	9.3
Real estate funds and joint investment companies	963.4	3.5	963.9	4.0	933.8	3.6	963.4	3.5	963.9	4.0	933.8	3.6
Other investments	2,068.8	7.4	1,858.2	7.7	1,855.0	7.2	2,115.8	7.6	1,841.8	7.7	1,896.3	7.3
Hedge fund investments ⁶⁾	2,061.7	7.4	1,858.1	7.7	1,850.5	7.1	2,061.7	7.4	1,858.1	7.7	1,850.5	7.1
Commodity investments	0.1	0.0	0.0	0.0	3.9	0.0	52.5	0.2	-18.9	-0.1	45.1	0.2
Other investments ⁷⁾	7.0	0.0	0.0	0.0	0.6	0.0	1.5	0.0	2.5	0.0	0.7	0.0
Total	27,778.3	100.0	23,978.0	100.0	25,898.1	100.0	28,019.7	100.9	23,673.1	98.7	25,248.8	97.5
Effect of derivatives ⁹⁾							-241.4	-0.9	304.9	1.3	649.3	2.5
Total at fair values	27,778.3	100.0	23,978.0	100.0	25,898.1	100.0	27,778.3	100.0	23,978.0	100.0	25,898.1	100.0
Modified duration of bond portfolio	3.5											

1) Includes accrued interest

2) Includes cash at bank and in hand and purchase money claims and purchase money obligations

3) Includes also mixed funds if these cannot be allocated elsewhere

4) Includes private equity funds, mezzanine funds and also infrastructure investments

5) Includes also unlisted real estate investment companies

6) Includes all types of hedge fund investments regardless of the strategy of the fund

7) Includes items that cannot be included in other investment classes

8) Risk breakdown can be shown from reference periods as the knowledge accumulates (not with retroactive effect).

If the numbers are shown from reference periods and the periods are not completely comparable, it must be informed.

9) Includes the effect of derivatives on the difference between the risk distribution and the basic distribution.

The effect of derivatives can be +/- . After the adjustment, the final sum of the risk distribution will equal that of the basic distribution.

10) The proportion is calculated by using the total amount of the line "Total investments at current value" as the divisor

Net return on investment operations for capital employed

	Net return on investments at current value, EUR million	Invested capital 9), EUR million	Return on invested capital, %	Return on invested capital, %	Return on invested capital, %
	1.1.–30.6.2021	1.1.–30.6.2021	1.1.–30.6.2021	1.1.–31.3.2020	1.1.–31.12.2020
Fixed-income investments	57.8	8,941.0	0.6	1.2	2.6
Loans ¹⁾	7.4	451.3	1.6	0.6	1.6
Bonds	54.5	6,666.4	0.8	1.6	3.2
Bonds of public corporations	-30.9	2,404.1	-1.3	3.6	2.5
Bonds of other corporations	85.4	4,262.3	2.0	0.4	3.6
Other money market instruments and deposits including any receivables and liabilities related to investments ^{1) 2)}	-4.1	1,823.4	-0.2	-0.5	0.5
Equities	1,764.7	11,622.5	15.2	-9.7	4.5
Listed equities ³⁾	1,263.6	8,441.5	15.0	-11.4	1.8
Private equity investments ⁴⁾	430.9	2,652.7	16.2	-5.3	11.5
Unlisted equity investments ⁵⁾	70.2	528.3	13.3	5.1	24.0
Real estate	66.7	3,369.3	2.0	0.7	2.2
Direct real estate investments	42.4	2,432.7	1.7	2.0	4.2
Real estate funds and joint investment companies	24.4	936.6	2.6	-2.7	-2.9
Other investments	131.3	1,889.3	7.0	0.8	6.0
Hedge fund investments ⁶⁾	117.7	1,891.4	6.2	1.5	7.3
Commodity investments	4.0	-1.0 -	-	-	-
Other investments ⁷⁾	9.7	-1.1 -	-	-	-
Total investments	2,020.5	25,822.1	7.8	-4.1	3.7
Unallocated income, costs and operating expenses from investment operations	-13.0	0.0	-0.1	0.0	-0.1
Net investment income at current value	2,007.5	25,822.1	7.8	-4.1	3.6

1) Includes accrued interest

2) Includes cash at bank and in hand and purchase money claims and purchase money obligations

3) Includes also mixed funds if these cannot be allocated elsewhere

4) Includes private equity funds, mezzanine funds and also infrastructure investments

5) Includes also unlisted real estate investment companies

6) Includes all types of hedge fund investments regardless of the strategy of the fund

7) Includes items that cannot be included in other investment classes

8) Change in market value between the beginning and end of the reporting period less cash flows during the period.

Cash flow means the difference between purchases/costs and sales/revenues.

9) Capital employed = market value at the beginning of the reporting period + daily / monthly time-weighted cash flows