



Financial statements 2020

Elo Mutual Pension Insurance Company

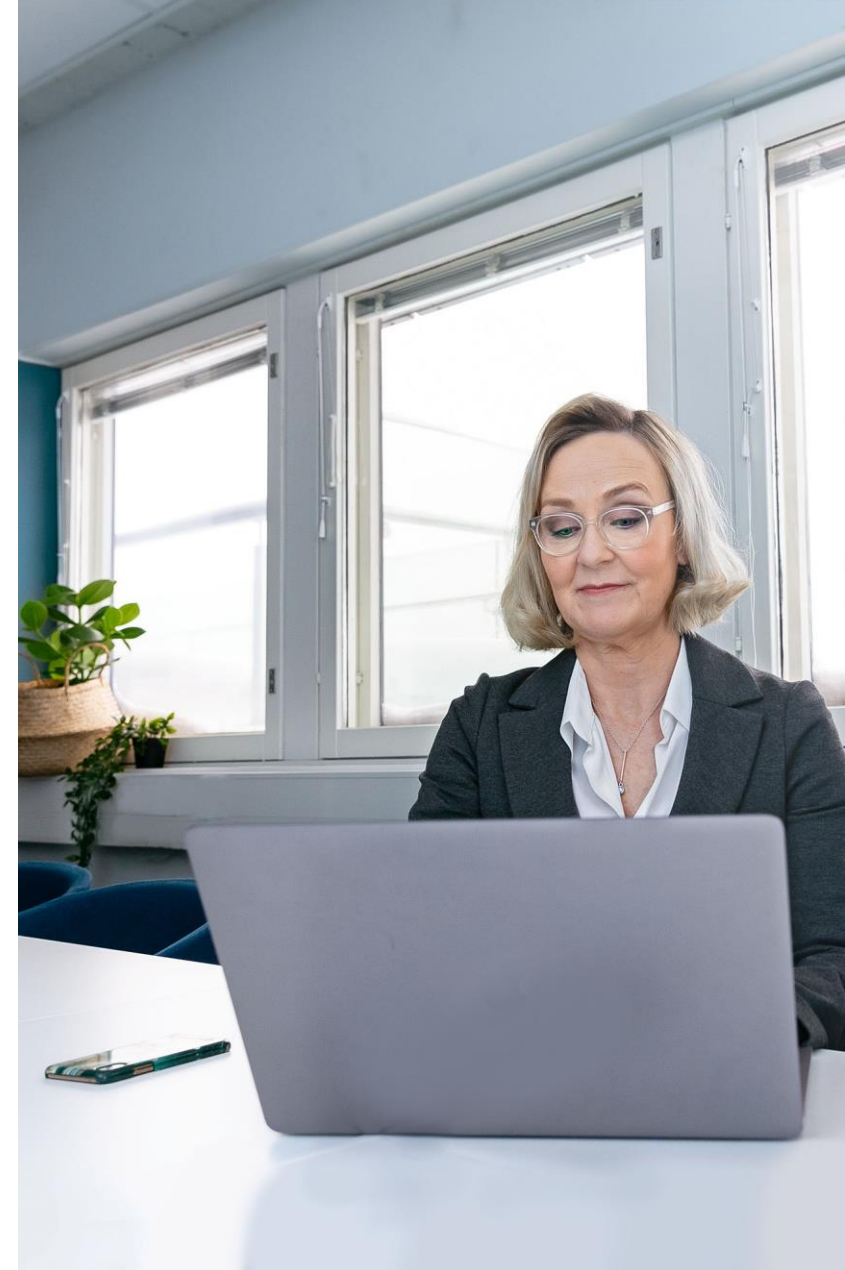


Elo in 2020

- Return on investment 3.6%
- Solvency ratio 123.7%
- Solvency position 1.6%
- Premiums written EUR 3,616 million
- 393,100 employee pension insurance policyholders and 83,600 policy holders of self-employed persons' pension insurance
- 243,600 pension recipients
- The pensions and other compensation paid amounted to EUR 3,892 million.

A year of both successes and challenges

- Elo's insurance services, corporate financing and real estate investments received significantly more inquiries in the spring due to the coronavirus pandemic, with customers requiring additional funding or requesting to extend the deadlines of rent payments or insurance premiums
- We achieved a new record in measured customer experience, with a net promoter score (NPS) of 90.7.
- Pension services accessible and high-quality. The average time to receive an old-age pension decision from Elo is three days, when the average time for the whole industry is 11 days.
- Elo continued the strong development of its electronic services. The online services underwent changes owing to the coronavirus pandemic and new functionalities were added to ease the daily business of our customers.



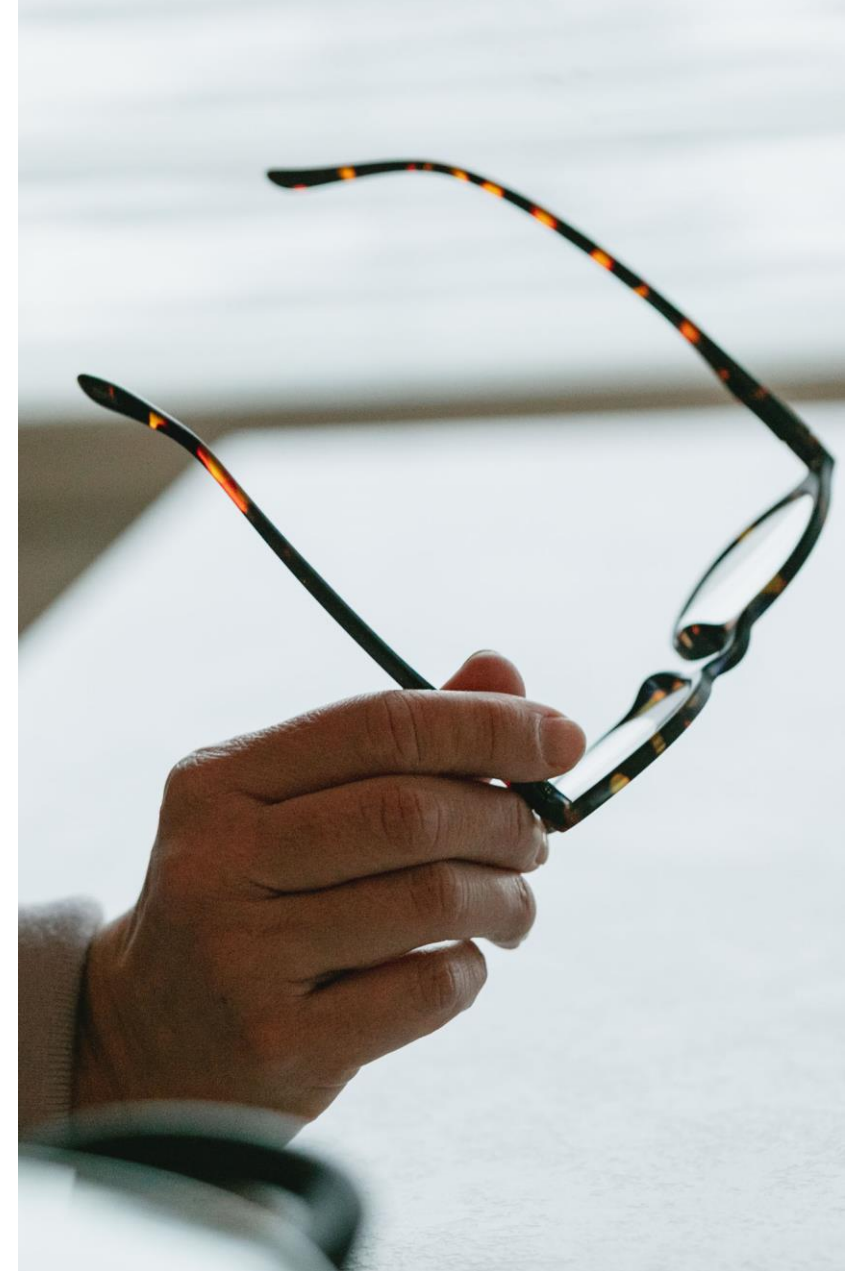
Progress made in corporate responsibility development

- Elo updated its corporate responsibility programme. Our goal is to create a sustainable society, working world and environment.
- We updated our climate strategy, committing to an investment portfolio that is in line with the objectives of the Paris Agreement.
- We joined the Climate Leadership Coalition (CLC).
- We achieved a score in the staff satisfaction survey that earned us the Most Inspiring Workplaces in Finland recognition for the second time.



Regulatory control

- The Financial Supervisory Authority (FIN-FSA), the regulator of the insurance sector, appointed an authorised representative on 11 December 2020 to supervise Elo's operations.
- From the perspective of the FIN-FSA, there was a need to identify and locate issues, which might undermine the integrity of Elo's internal corporate governance, in a more detailed manner than conventional supervisory instruments would allow and to ensure that any problems identified will be duly addressed and remedied.
- Throughout 2020, Elo has focused on addressing the issues raised by the FIN-FSA and will continue to do so in the future in order to ensure robust corporate governance.
- The FIN-FSA will review the need to continue the appointment of the authorised representative in June 2021 at the latest.





Summary of key figures

	2020	2019
Investment assets at fair value, EUR million	25,898.1	25,333.8
Net return from investment on capital employed, %	3.6 %	13.0 %
Average nominal return, over 10 years	5.3 %	5.9 %
Average nominal return, over 5 years	5.5 %	5.8 %
Premiums written, EUR million	3,615.6	3,968.5
Pensions and other benefits paid, EUR million	3,891.9	3,915.3
Technical provisions, EUR million	22,381.4	21,876.6
Number of TyEL insured	393,100	410,200
Number of TyEL policyholders	48,300	46,300
Number of YEL policyholders	83,600	83,300
Number of pensioners	243,600	240,900
Loading profit, EUR million	33.2	35.2
Operating expenses as % of loading component	72.0 %	73.4 %
Solvency capital, EUR million	5,055.4	5,081.8
Solvency position	1.6	1.6
Solvency ratio, %	123.7 %	124.4 %

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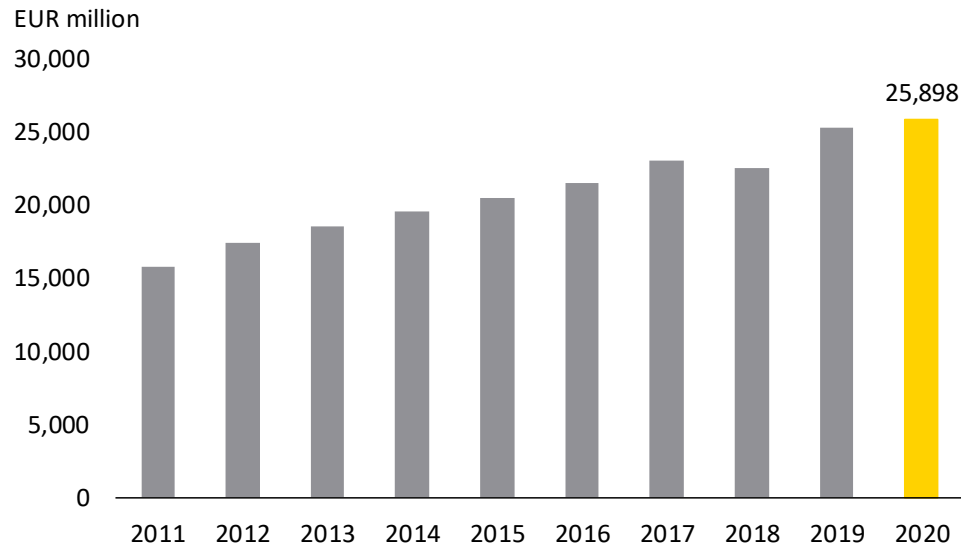


Economic operating environment

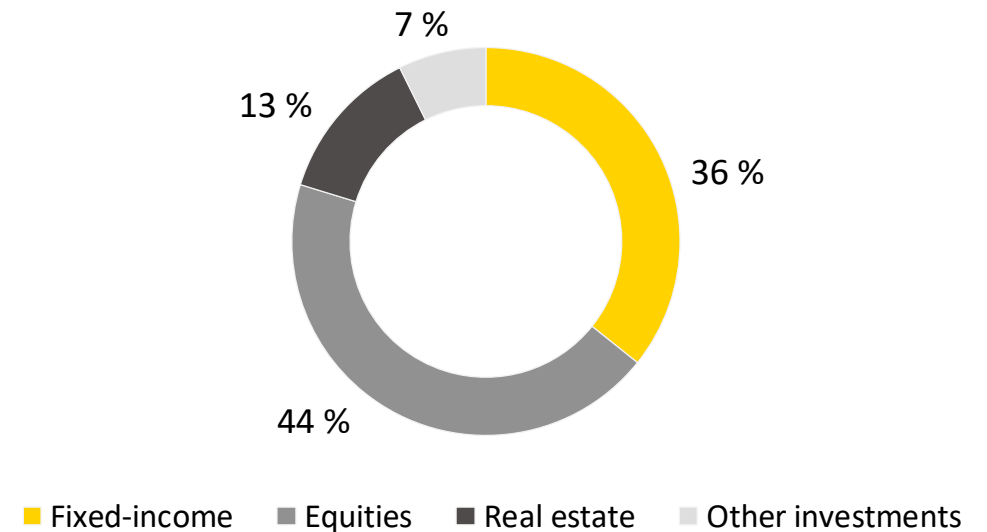
- In early 2020, the coronavirus pandemic resulted in a rapid and deep recession due to the restrictions to stop the spreading of the virus. Economic growth recovered briskly during the summer and early autumn. The second wave of the pandemic and new restrictions affected economic activity towards the end of the year.
- Monetary and financial stimulus policies play a key role in economic recovery. The disparity between China and the rest of the world has widened. The recovery of Chinese demand boosted the global manufacturing cycle towards the end of 2020.
- On the investment market, 2020 will remain in history as a year of a record-breaking deep dive on the equity market and the ensuing speedy recovery. The global GDP for 2020 is expected to contract by 4 per cent.
- Compared to many other economies, Finnish economy has coped with the recession due to the coronavirus relatively well.

Investment assets have grown by EUR 10 billion in 10 years

Development of investment assets 2011–2020



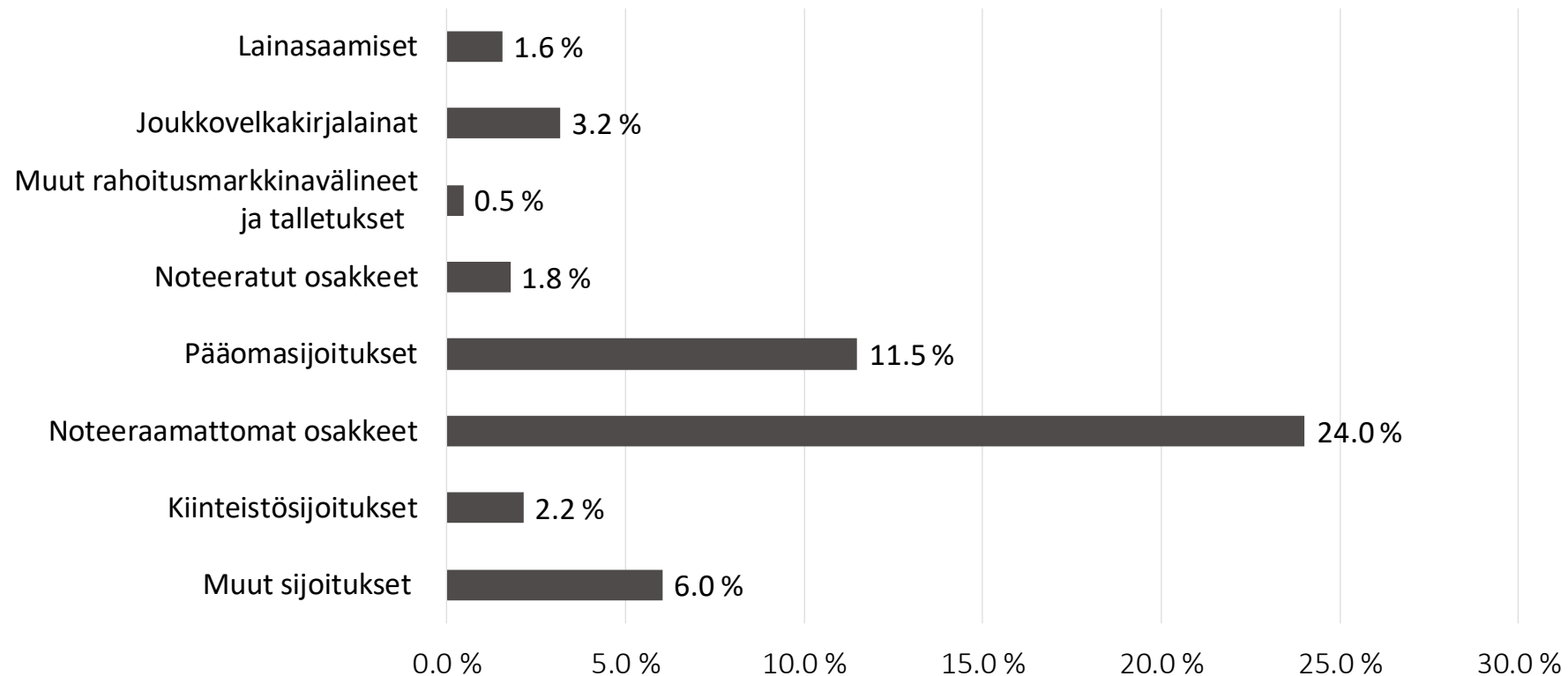
Investment asset allocation 31 December 2020



- The development in the returns on investments in asset classes have been positive and in line with general market development despite the unpredictability of the corona crisis.

All asset classes performed positively

Return on investments by asset class 1 January – 30 December 2020



Luvut ovat 2020 tilinpäätöksen tilintarkastamattomia ennakkotietoja

Investments generated a return of 3.6 %

	Basic allocation by market value		Actual risk position		Return	Volatility
	EUR million		EUR million	%	%	%
Fixed-income investments	8,537.1	33.0	8,606.7	33.2	2.6	
Loans	458.6	1.8	458.6	1.8	1.6	
Bonds	6,397.7	24.7	6,467.4	25.0	3.2	6.6
Public bonds	2,159.6	8.3	2,213.0	8.5	2.5	
Other bonds	4,238.1	16.4	4,254.4	16.4	3.6	
Other money market instruments and deposits incl. any receivables and liabilities related to investments	1,680.8	6.5	1,680.8	6.5	0.5	
Equities	12,153.6	46.9	11,393.3	44.0	4.5	
Listed equities	9,016.8	34.8	8,256.5	31.9	1.8	18.1
Private equity investments	2,608.2	10.1	2,608.2	10.1	11.5	
Unlisted equity investments	528.7	2.0	528.7	2.0	24.0	
Real estate	3,352.4	12.9	3,352.4	12.9	2.2	
Direct real estate investments	2,418.6	9.3	2,418.6	9.3	4.2	
Real estate funds and joint investment companies	933.8	3.6	933.8	3.6	-2.9	
Other investments	1,855.0	7.2	1,896.3	7.3	6.0	
Hedge fund investments	1,850.5	7.1	1,850.5	7.1	7.3	5.9
Commodity investments	3.9	0.0	45.1	-0.2	-	
Other investments	0.6	0.0	0.7	0.0	-	
Total investments	25,898.1	100.0	25,248.8	97.5	3.6	7.6
Effect of derivatives			649.3	2.5		
Total	25,898.1	100.0	25,898.1	100.0		

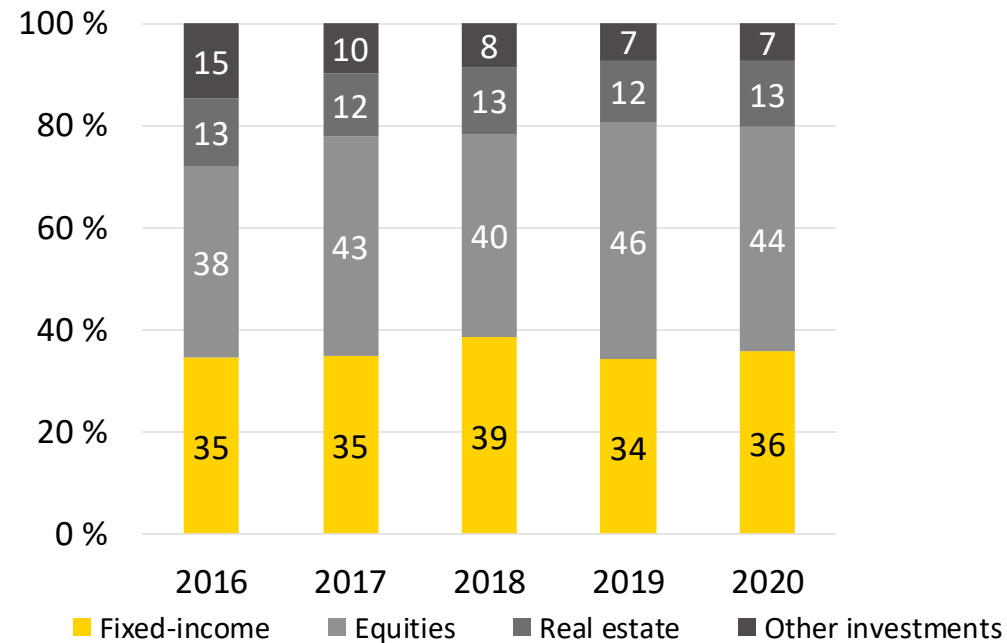
The return on foreign currency derivatives is estimated for asset classes in proportion to the average foreign currency-denominated assets during the reporting period.

The total return includes returns, expenses and operating expenses not allocated to investment classes. The modified duration of bonds is 6.1.

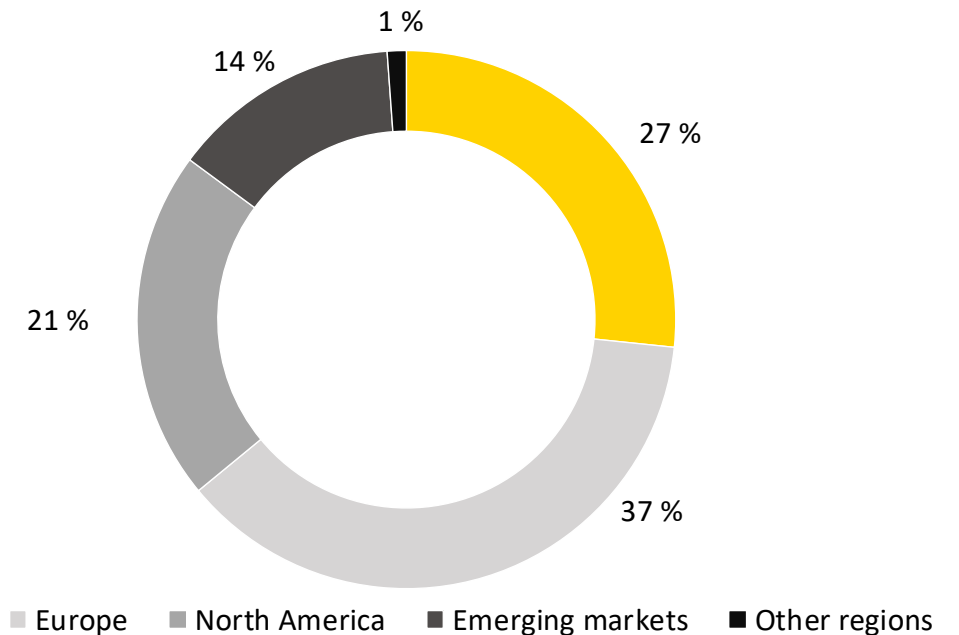
The open currency exposure is 24.6% of market value.

Trends in asset allocation and geographic diversification

Development of asset allocation 2016–2020



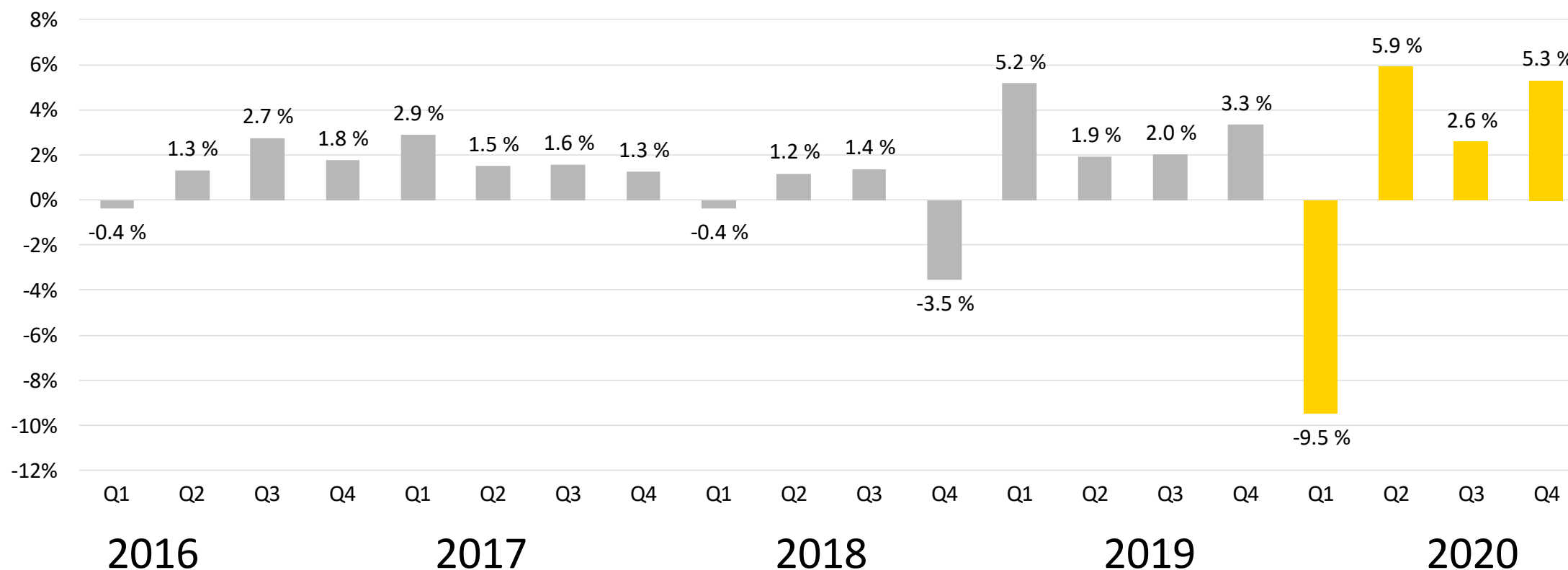
Geographical distribution of investments



- Elo's investments are well-balanced across different geographic areas.

2020 brought the weakest and two of the strongest quarterly returns

Returns on investment by quarter

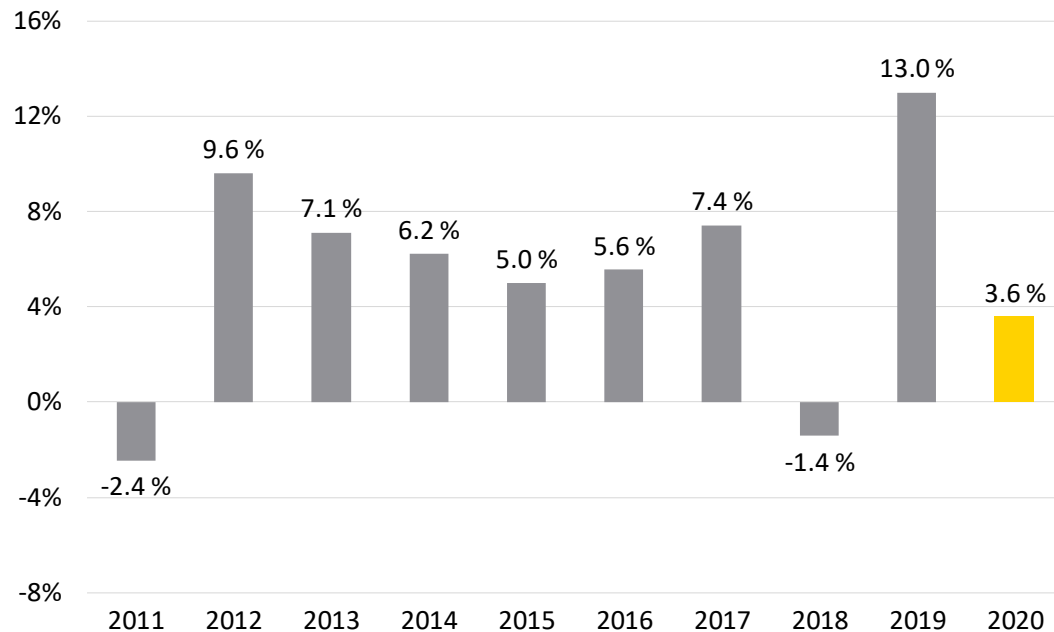


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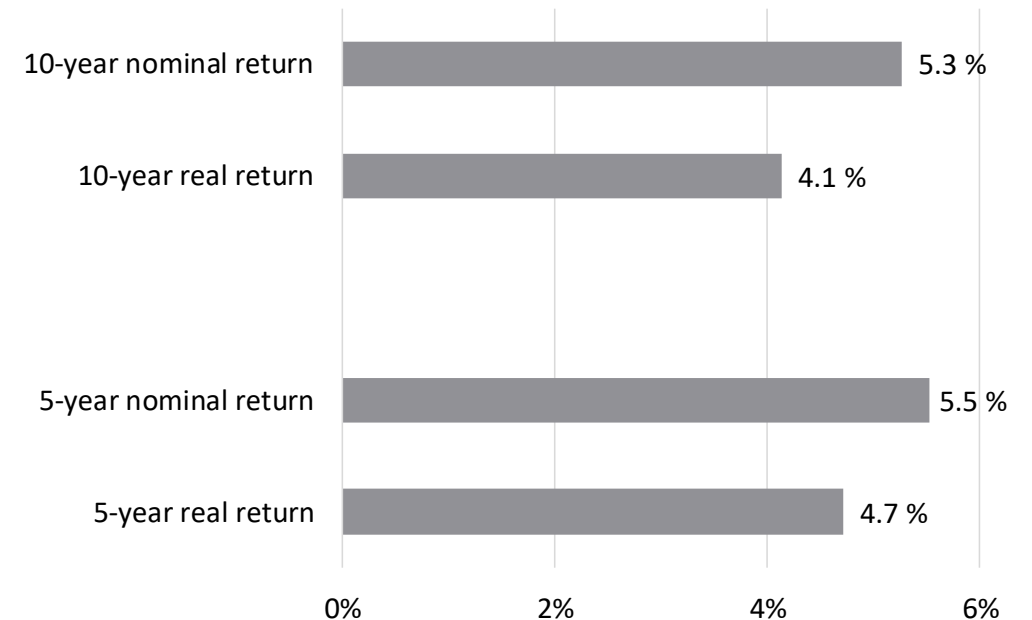


The average 10-year nominal return was 5.3% per annum

Investment returns 2011–2020



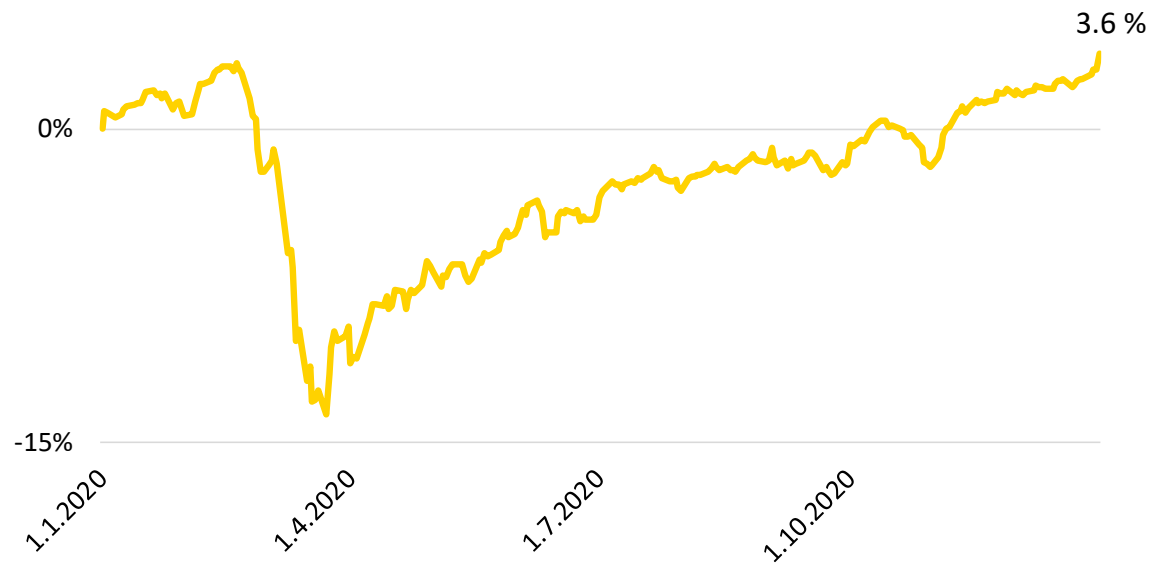
Average return on investments over time



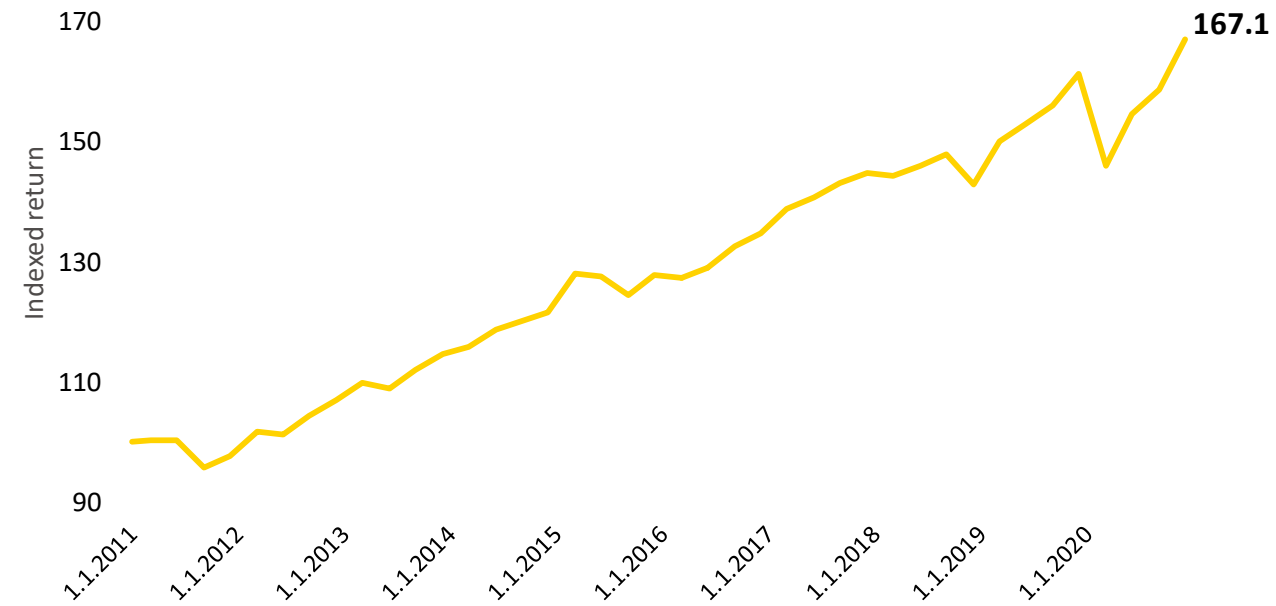
- The pension asset return expectation that the Finnish Centre for Pensions uses in its calculations is an annual real return of 2.5 per cent until 2028, after which the real return expectation will be 3.5 per cent per year.

Investments have returned EUR 10.8 billion in 10 years

Development of investment return during the year 2020



Cumulative return on investments from the beginning of 2011



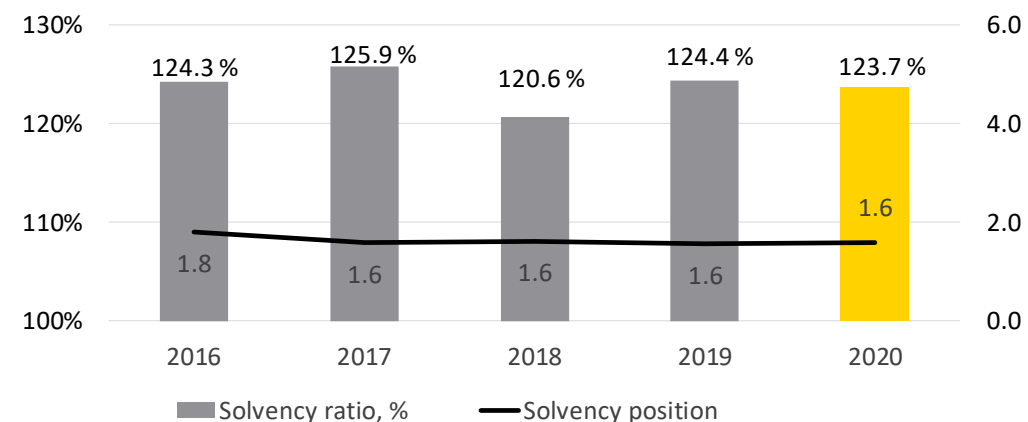
- Besides the pandemic, investments were also impacted by the economic stimulus measures adopted by central banks as well as the strong increase in liquidity on the market, supporting the positive development of returns on investments across the board.
- Returns on investments were evenly generated by several sources and all asset classes generated positive returns.

Solvency capital near previous year's level at EUR 5.1 billion, solvency ratio 123.7%

Key solvency figures

	31.12.2019	31.12.2020
Solvency limit, EUR million	3,233.4	3,185.1
Maximum amount of solvency capital, EUR millior	9,700.2	9,555.4
Solvency capital, EUR million	5,081.8	5,055.4
Solvency ratio, %	124.4	123.7
Solvency position	1.6	1.6

Solvency ratio and position 2015–2019





Future outlook

- The uncertainty following the coronavirus crisis will be reflected in the investment markets in the early part of 2021. The increase in the global GDP for 2021 is estimated in the region of 5 per cent.
- The policies adopted by key economies will affect economic outlook. Central banks are committed to a stimulating monetary policy to sustain growth and to remedy the damages caused by the coronavirus crisis. Financial conditions are expected to remain conducive to economic growth and inflation is an unlikely threat in the next few years.
- The Finnish economy is looking to recover during the second quarter of 2021 with the strongest spurt expected to take place in the second half of the year. The Finnish GDP is estimated to grow by 2.5–3.5 percent in 2021.
- Since the coronavirus, debt ratios have increased considerably and overcoming the debt burden requires sufficient long-term economic growth and inflation rates. The economic policy is increasingly reliant on the financial policy, leading to high public deficit and low interest rates in the long term.
- Finland and Europe at large have benefitted greatly from the assistance of the EU recovery fund. China and the US are set to make progress in their climate policies, which helps improve the outlook for global investments and trailblazing countries in green technologies.

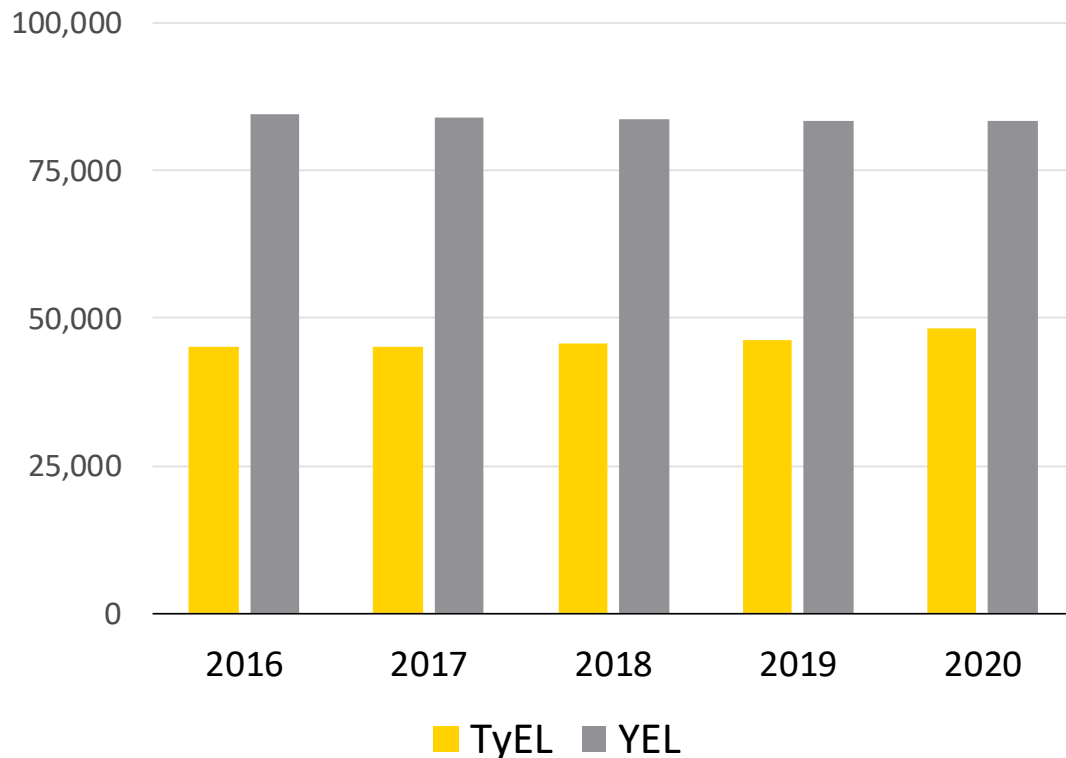


Customer accounts

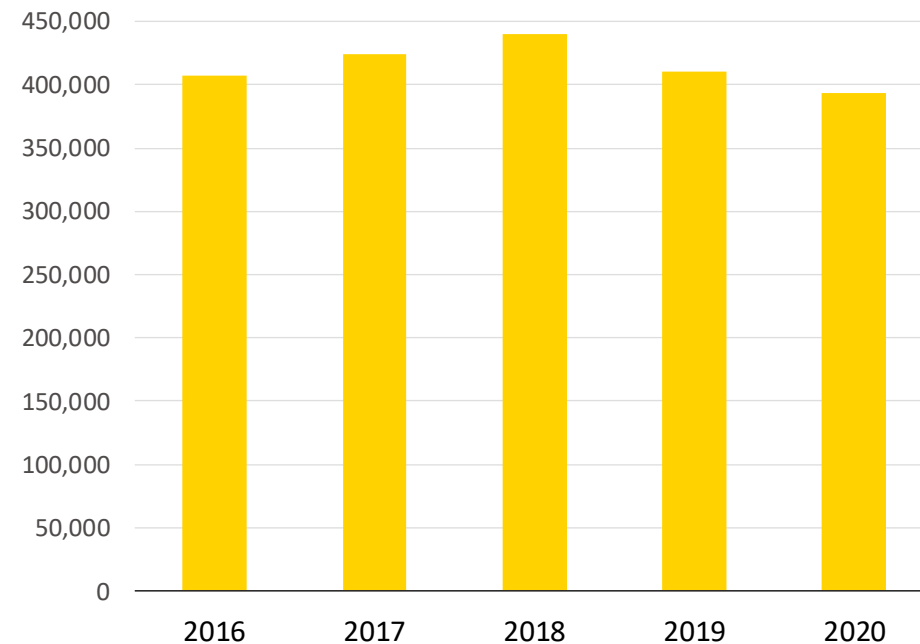
- Elo is the market leader in YEL pension insurance in terms of the number of policies. One in three employer companies are insured by Elo.
- In 2020, the premiums written by Elo for insurance under the Employees' Pensions Act (TyEL insurance) amounted to EUR 3,205.0 million. The TyEL policyholders' payroll amounted to EUR 14,106.8 million, showing a change of -1.5 per cent.
- Elo's result from transfer business showed a decrease of EUR 26 million in 2020. However, the net number of TyEL insurance policies transferred was +358. The net number of YEL policies transferred was +1043.

At the end of 2020, Elo administered 48,300 TyEL and 83,600 YEL insurance policies

TyEL and YEL insurances



TyEL pension insurance policyholders



- In 2019, the calculation of TyEL policyholders changed as the Incomes Register was introduced: The calculation concerns the number of TyEL policyholders who have had earnings during the last month. However, each person is only calculated once.

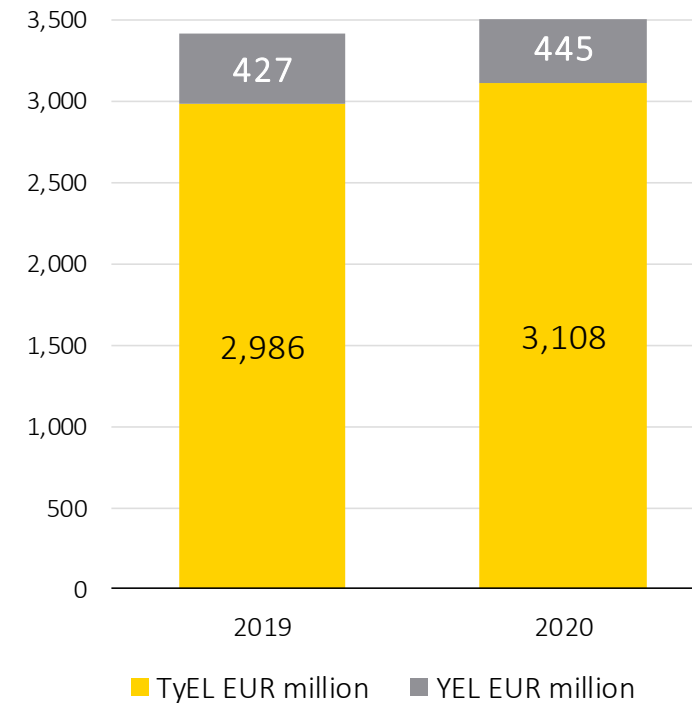
Luvut ovat 2020 tilinpäätöksen tilintarkastamattomia ennakkotietoja

In 2020, there were 243,600 pension recipients

Pensions paid by pension type

Pensions paid 2020		
Type of pension	pcs.	EUR million
Old-age pension	184,335	2,998.7
Disability pension	23,613	309.4
Survivors' pension	30,553	203.6
Part-time pension	26	0.4
Partial early old-age pension	5,016	40.6
Years-of-service pension	9	0.0
Total	243,552	3,552.9

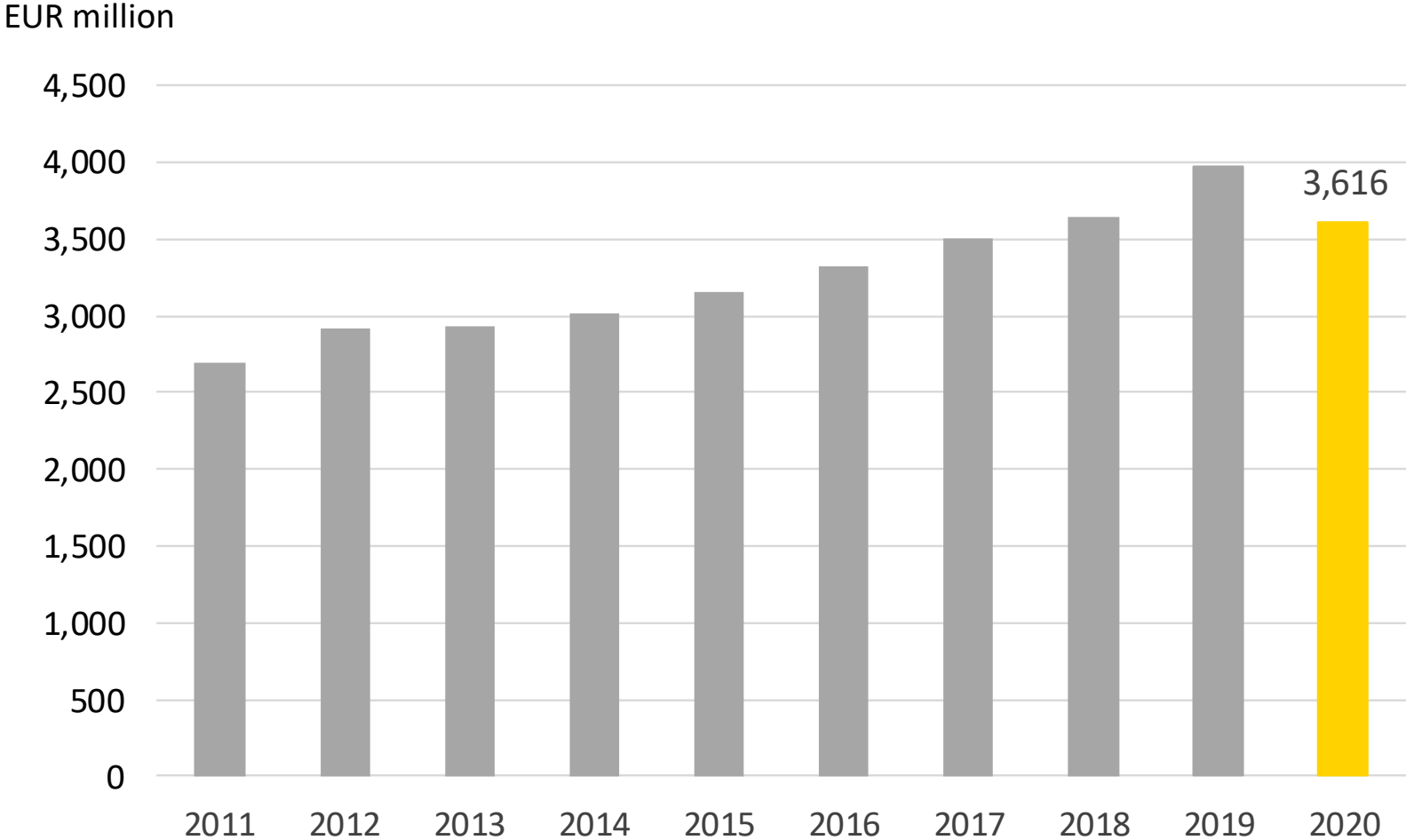
Development of pensions paid



Premiums written decreased

- TyEL pension contributions were temporarily lowered from May until the end of 2020. This decreased premiums written by approx. 7%.
- Additionally, the premiums written decreased, for example, due to the decline in the payroll of TyEL policyholders. In total, premiums written decreased by approximately 9% year-on-year.
- Since 2014 when Elo was founded, the premiums written have increased by 23.4% and in the last ten years by 41.7%.
- Credit losses from premiums were EUR 18.1 million in 2020, showing a decrease of approx. 15% from the previous year.

Development of premiums written 2011–2020



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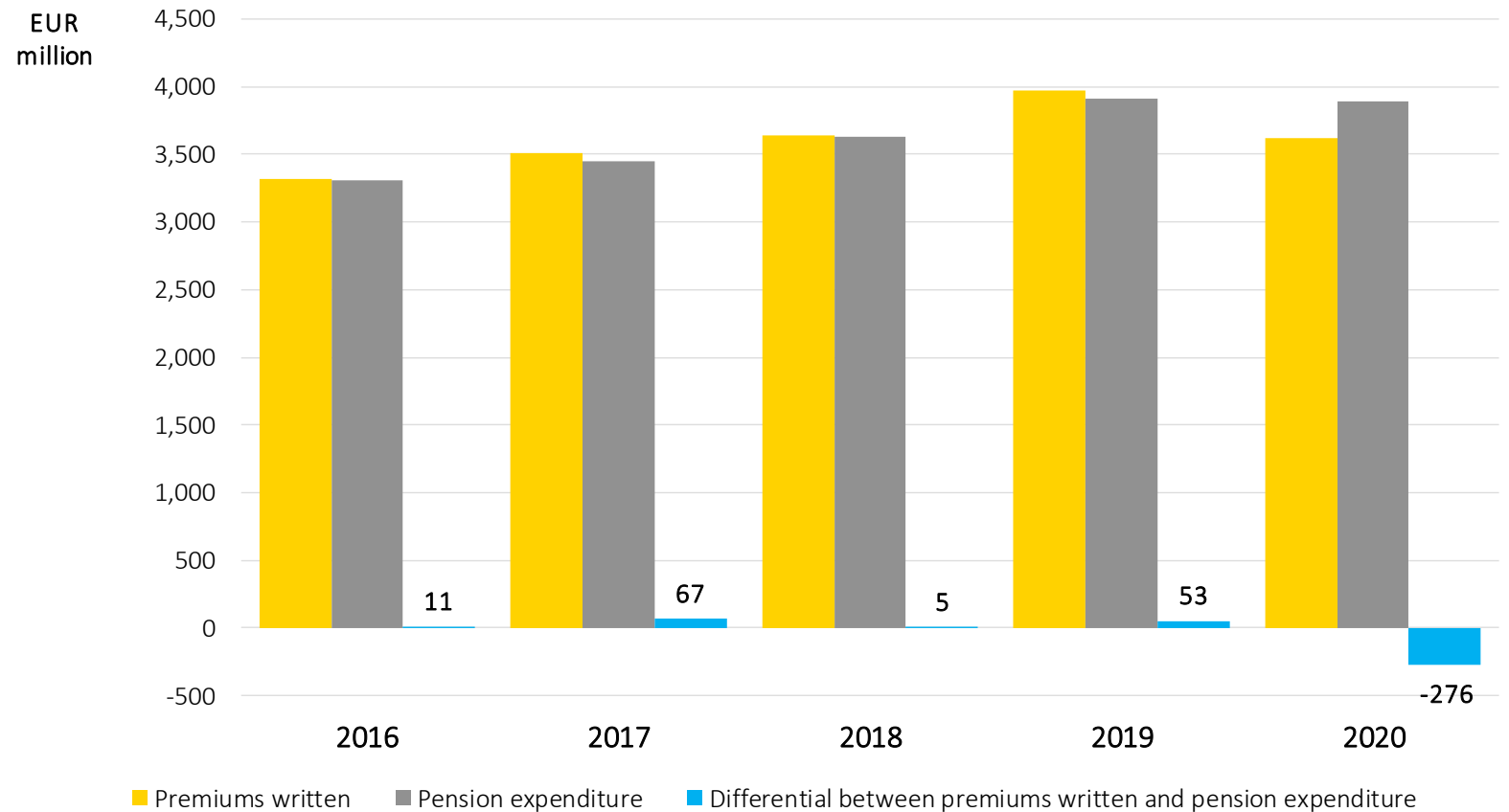


The 2020 premiums written totalled EUR 3.6 billion, pension expenditure

EUR 3.9 billion

- In 2020, the pension expenditure (pensions and other compensations paid to customers) exceeded the premiums written by EUR 276 million. This was the first time that the expenditure exceeded the premiums written in the five-year period 2016–2020.
- The difference between premiums written and pension expenditure will be covered by the company's net assets.

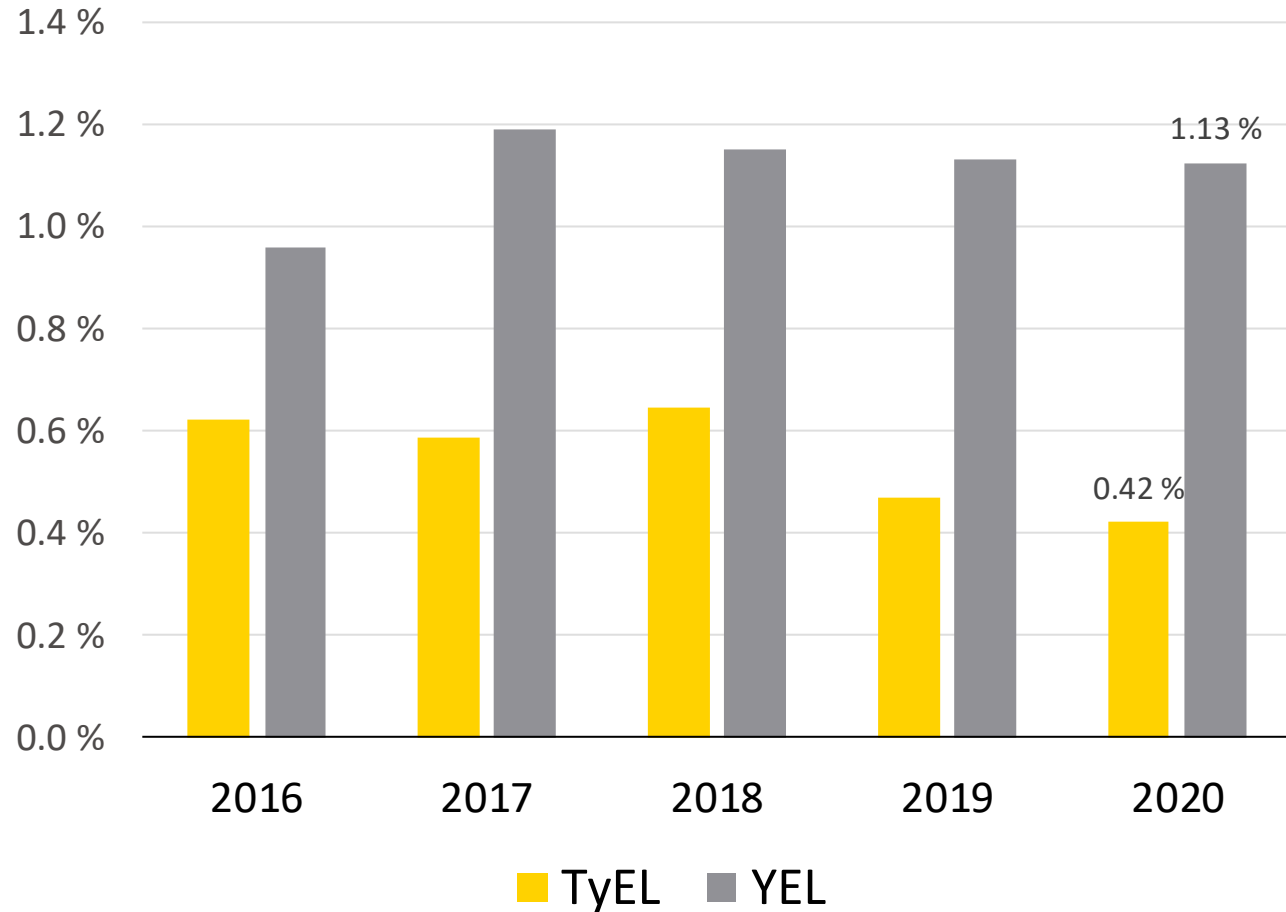
Premiums written and pension expenditure 2016–2020



Credit losses from premiums have so far remained at an even level

- As a coronavirus relief measure, the Government enacted temporary legislation (1 May 2020–31 January 2021) that restricted creditors' right to file the bankruptcy of a debtor. The measure was reflected on the amount of credit losses in 2020.

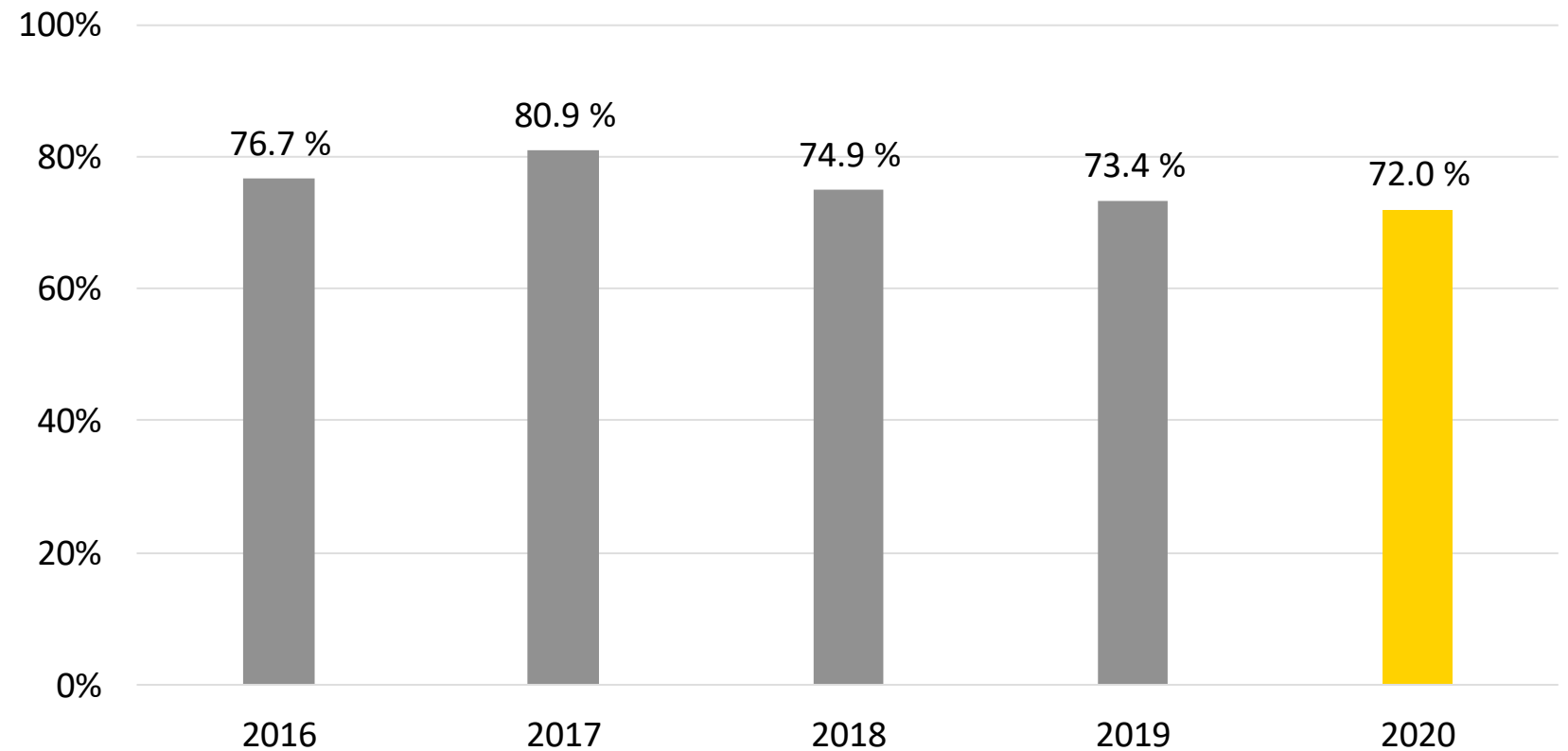
Credit losses % of premiums written 2016–2020



Loading profit

Operating expenses,
% of loading profit

- The loading profit was burdened by a 7% decrease in calculation basis applicable to all employment pension companies
- Strong loading profit is reflected in better customer bonuses.



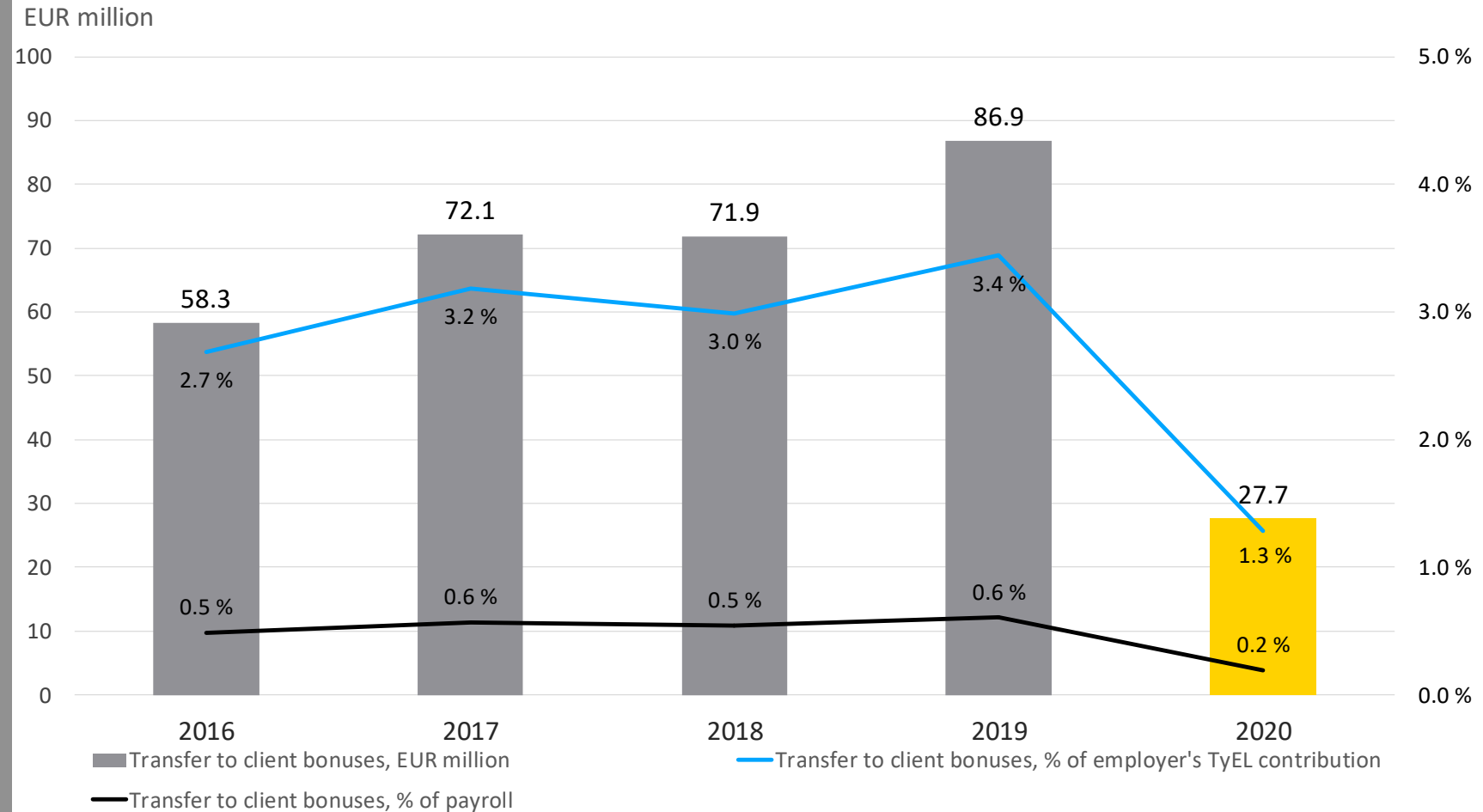
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Transfer to client bonuses

2016–2020

- The employment pension company's solvency and operational efficiency influence the amount of the customer bonus.
- Normally, the entire TyEL loading profit and 1% of the solvency capital can be transferred as customer bonuses.
- In 2020, full bonuses cannot be paid as result of the temporarily discounted premiums. The bonus amount for 2021 will equal one third of the normal amount.



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