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Financial statements 2021

Elo Mutual Pension Insurance Company

Key figures in 2021: The best return on investments in history

Investment assets
29.4 EUR billion

Return
14.0 %

10-year nominal return
6.9 %

Solvency ratio
128.1 %

Premiums written
4,036 EUR million

Pensions and other benefits paid
4,030 EUR million

A year of strong economic recovery

- The global economy and financial markets recovered briskly. Returns were supported by the extensive monetary and fiscal stimuli measures. In 2021, economic growth was globally stronger than it has been for decades.
- The direction of monetary policy changed globally as several central banks increased their reference rates as a result of inflation. In 2021, interest rates were not increased in the euro zone and the United States. The US Federal Reserve (Fed) announced the beginning of monetary policy tightening in early 2022.
- Economic growth in large economies was uneven. The slowdown in China's growth was reflected in the global industrial cycle towards the end of the year. At the same time, production bottlenecks and component shortages restrained industrial and export growth in most industrialised countries. In the United States and Europe, consumer demand and investments maintained economic growth above the normal level.
- The Finnish economy recovered from the recession as consumption and investments supported growth. The continuation of the coronavirus pandemic challenged the operations of enterprises in several industries.

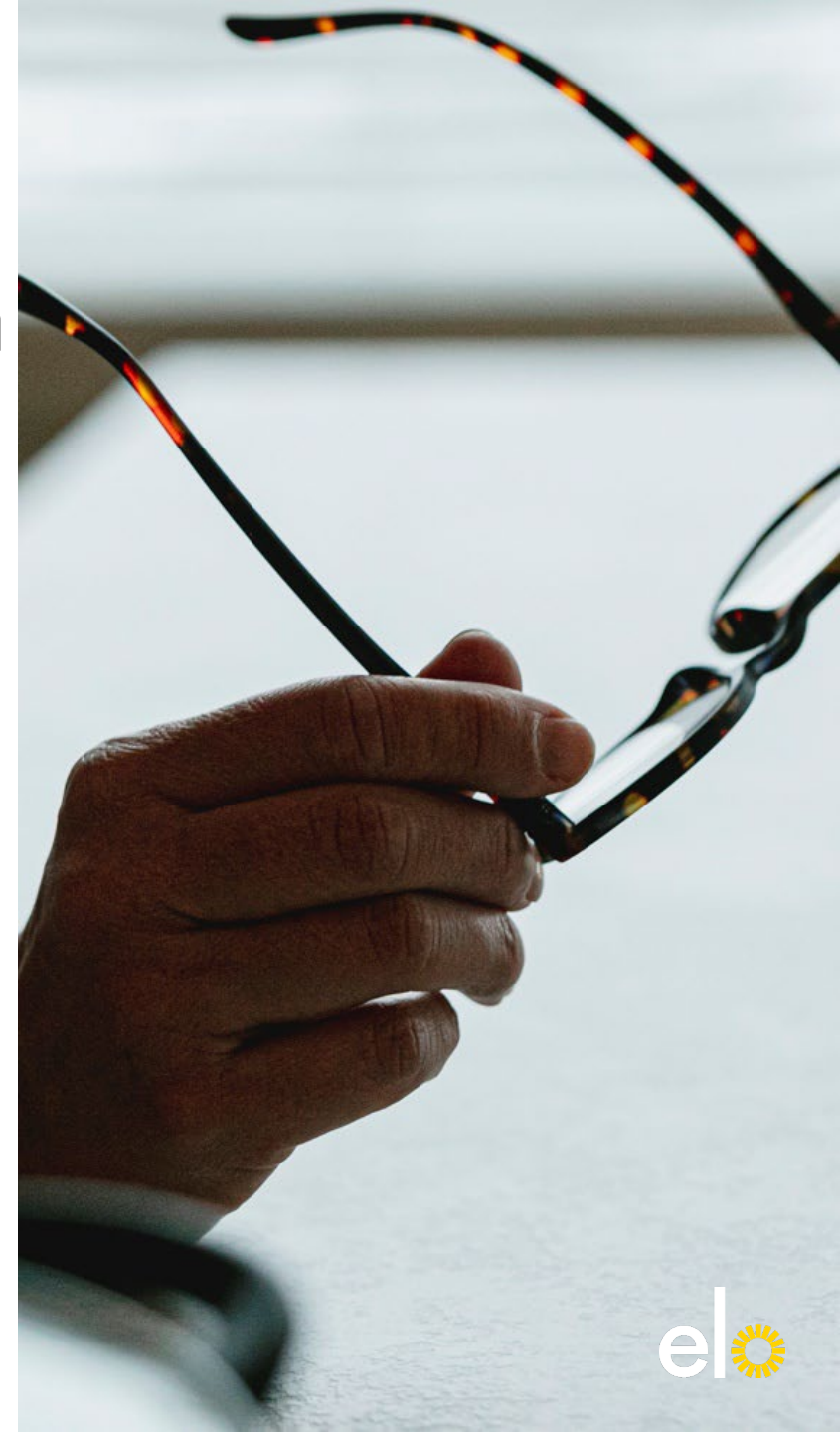


Responsibility is part of our basic task

- Responsibility is included in Elo's basic task. We make sure that our customers receive the pensions they have earned – today and in the future. Our responsibility programme aims to create sustainability for society, working life and the environment for future generations.
- During the year, we participated in the Oikotie Responsible Employer campaign by developing and promoting the six principles of responsible employment, among other things.
- Elo was ranked second in the category of large organisations in Oikotie's study of the most responsible employers in Finland.
- For the first time, we calculated the direct and indirect carbon footprint of Elo's operations.
- The KPI indicators of the responsibility programme were approved in late 2021.
- The development of responsibility at Elo is described in more detail in the Annual and Responsibility Report to be published in March.

Development of Elo's corporate governance and management system

- The Financial Supervisory Authority (FIN-FSA), the regulator of the insurance sector, appointed an authorised representative on 11 December 2020 to supervise the activities of Elo.
- In June 2021, the Financial Supervisory Authority requested the Board of Directors and Supervisory Board of Elo submit plans clarifying Elo's corporate governance and management system, among other things. The plans were submitted within the given schedule.
- A significant part of the planned measures were carried out during 2021, and the rest will be implemented as planned in early 2022.
- The Financial Supervisory Authority has announced that it will re-evaluate the need for a representative in April 2022 at the latest.

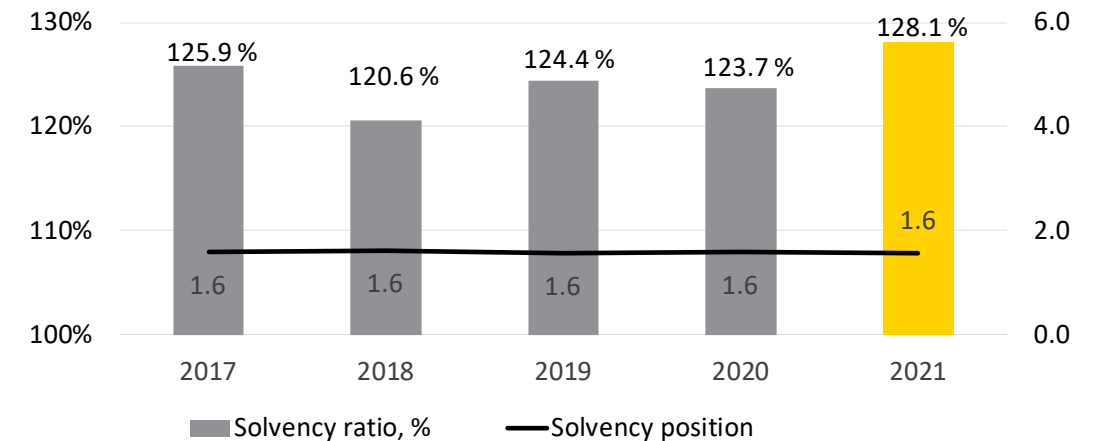


Solvency capital grew to EUR 6.6 billion, solvency ratio 128.1 per cent

Key solvency figures

	31.12.2020	31.12.2021
Solvency limit, EUR million	3,185.1	4,183.5
Maximum amount of solvency capital, EUR million	9,555.4	12,550.6
Solvency capital, EUR million	5,055.4	6,573.4
Solvency ratio, %	123.7	128.1
Solvency position	1.6	1.6

Solvency ratio and position 2017–2021



Investments generated a return of 14.0 %

	Basic allocation by market value		Actual risk position		Return	Volatility
	EUR million		EUR million	%	%	%
Fixed-income investments	8,978.2	30.5	5,818.6	19.8	1.7	
Loans	465.4	1.6	465.4	1.6	3.7	
Bonds	6,434.6	21.9	5,021.5	17.1	2.2	10.5
Public bonds	2,477.5	8.4	1,418.5	4.8	-0.3	
Other bonds	3,957.1	13.4	3,602.9	12.2	3.8	
Other money market instruments and deposits incl. any receivables and liabilities related to	2,078.2	7.1	331.8	1.1	-0.6	
Equities	14,589.3	49.6	14,565.8	49.5	26.6	
Listed equities	9,989.9	34.0	9,966.4	33.9	21.6	16.8
Private equity investments	4,005.5	13.6	4,005.5	13.6	42.3	
Unlisted equity investments	593.9	2.0	593.9	2.0	24.6	
Real estate	3,655.0	12.4	3,655.0	12.4	7.5	
Direct real estate investments	2,600.7	8.8	2,600.7	8.8	6.6	
Real estate funds and joint investment companies	1,054.3	3.6	1,054.3	3.6	9.8	
Other investments	2,199.5	7.5	2,228.1	7.6	10.0	
Hedge fund investments	2,183.9	7.4	2,183.9	7.4	8.2	6.2
Commodity investments	-0.2	0.0	27.0	-0.1	-	
Other investments	15.7	0.1	17.2	0.1	-	
Total investments	29,421.9	100.0	26,267.5	89.3	14.0	7.3
Effect of derivatives			3,154.4	10.7		
Total	29,421.9	100.0	29,421.9	100.0		

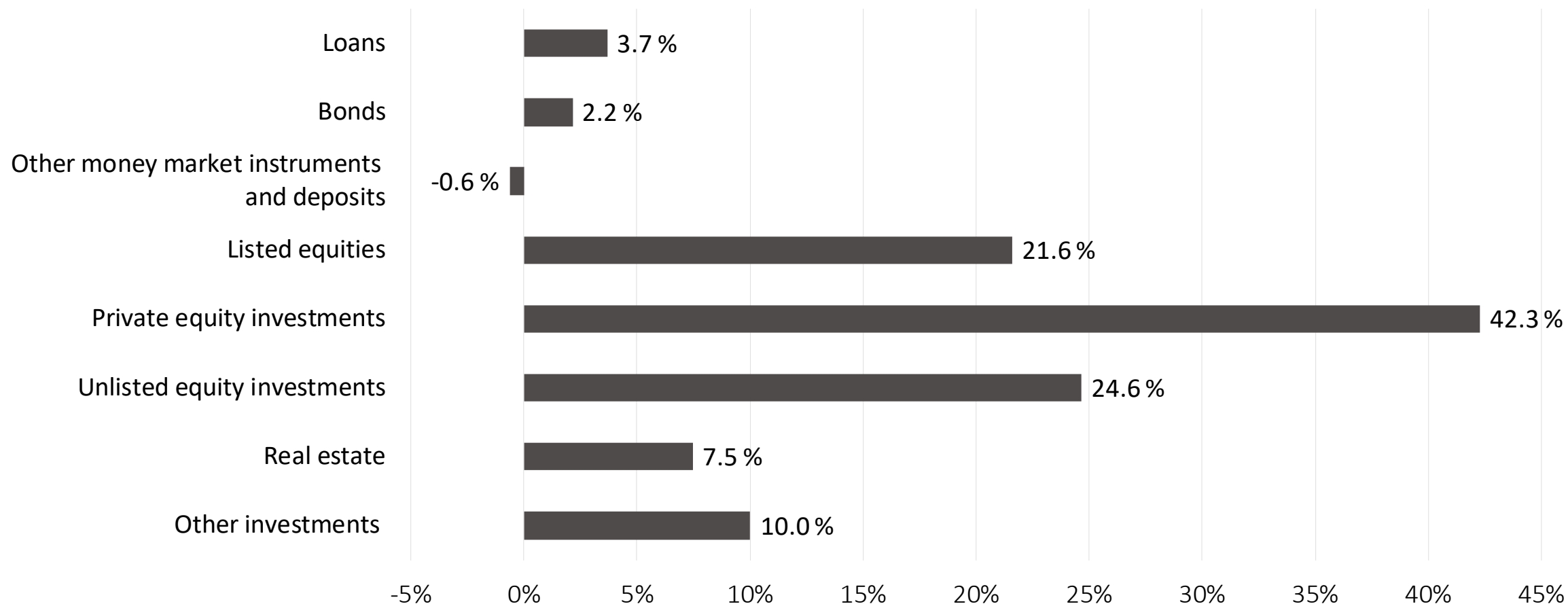
The return on foreign currency derivatives is estimated for asset classes in proportion to the average foreign currency-denominated assets during the reporting period.

The total return includes returns, expenses and operating expenses not allocated to investment classes. The modified duration of bonds is 3.7.

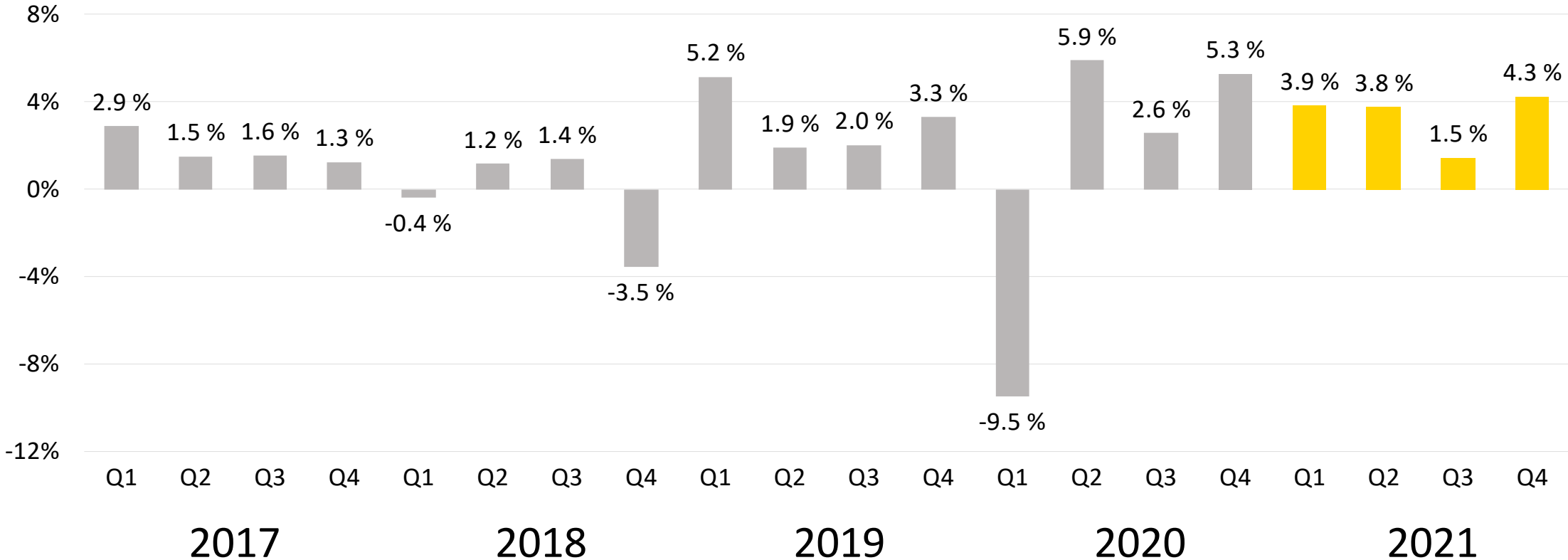
The open currency exposure is 26.3% of market value.

Private equity investments generated excellent returns

Return on investments by asset class 2021

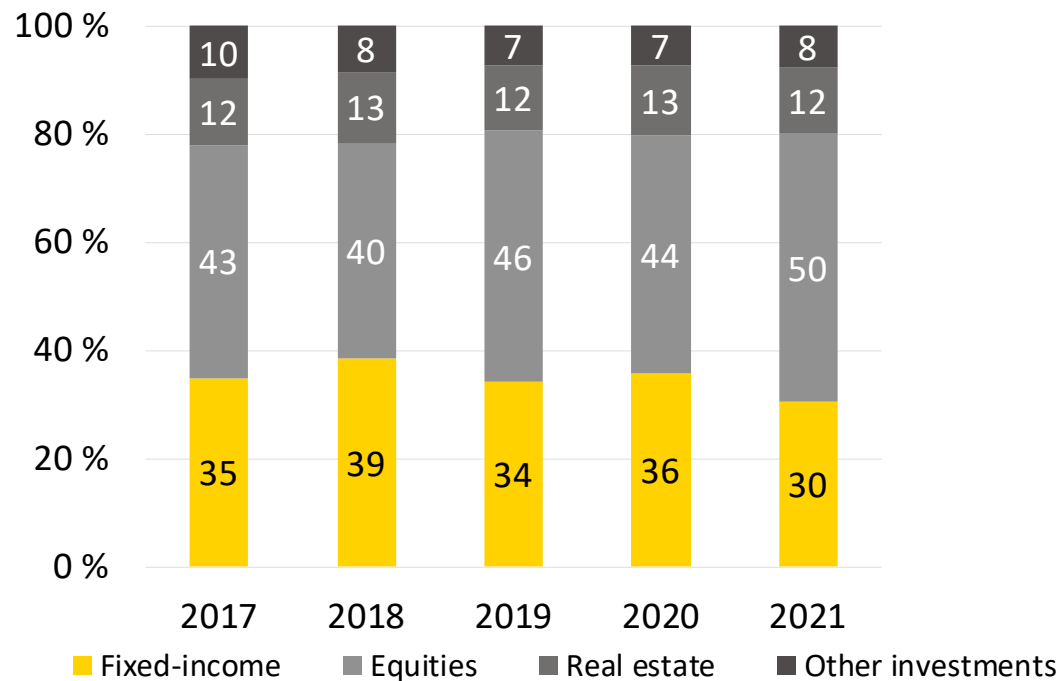


Quarterly returns were positive in 2021

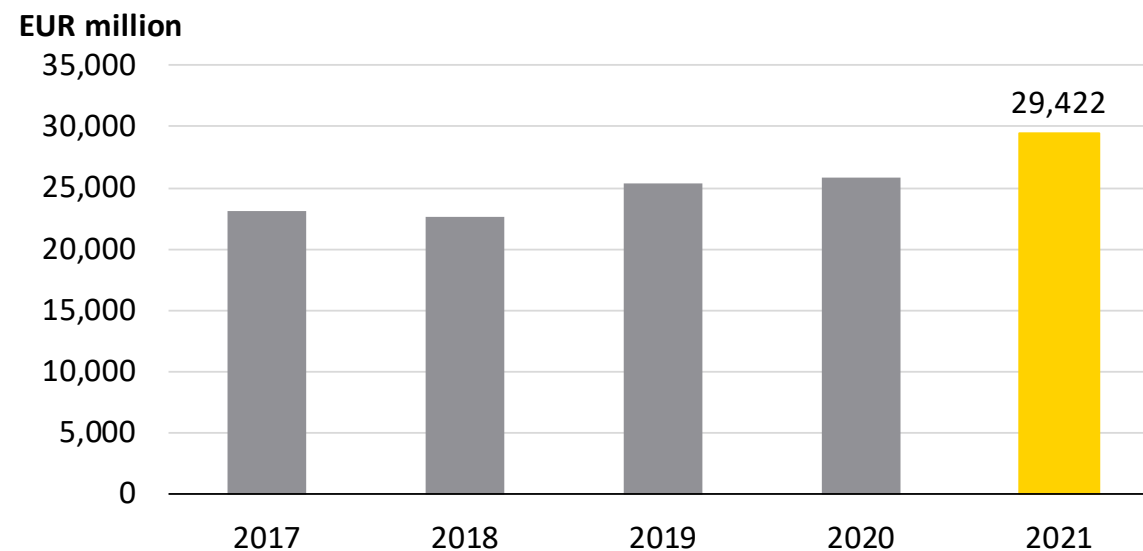


Investment assets increased to EUR 29.4 billion

Asset allocation

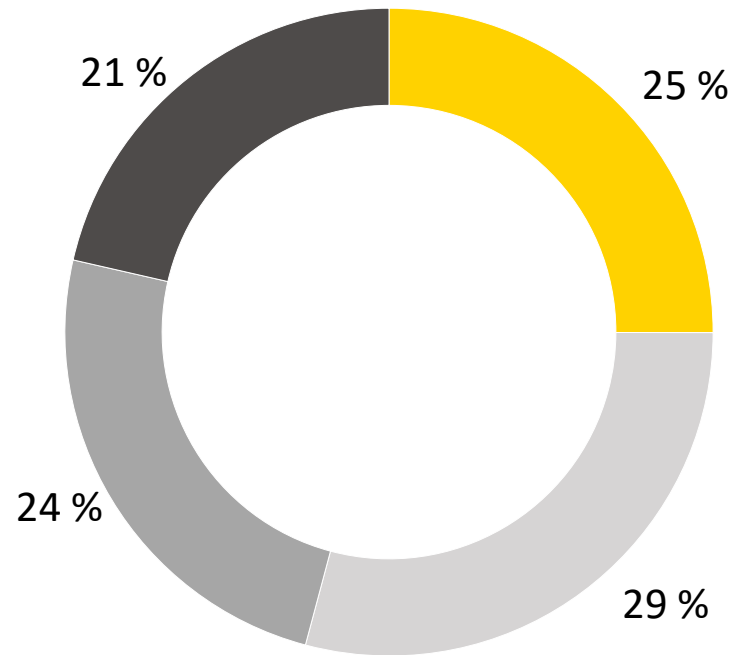


Investment assets



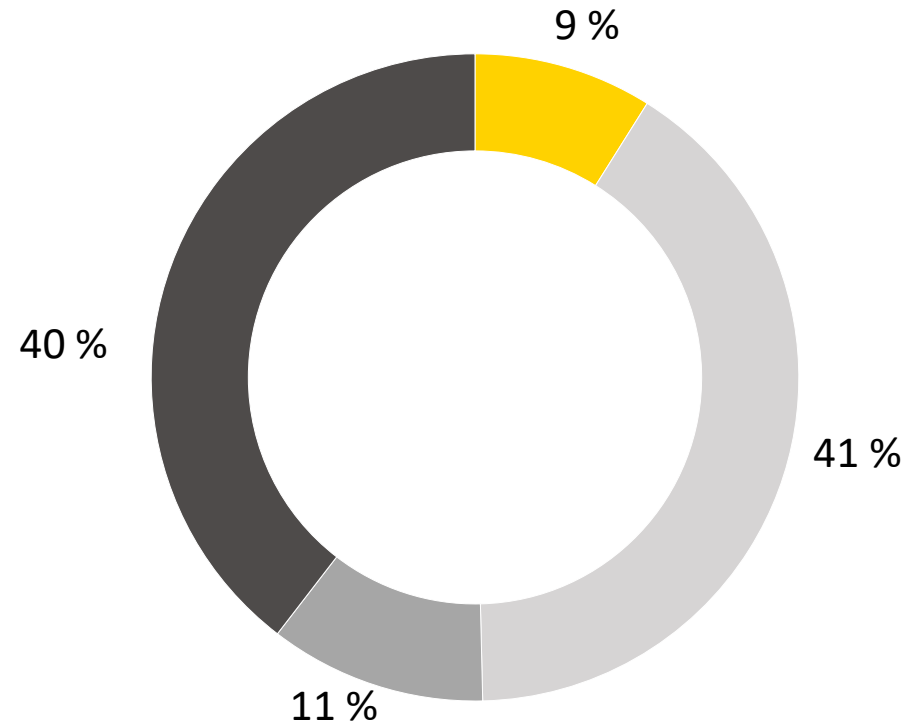
25 % of investments in Finland

Geographical distribution of investments



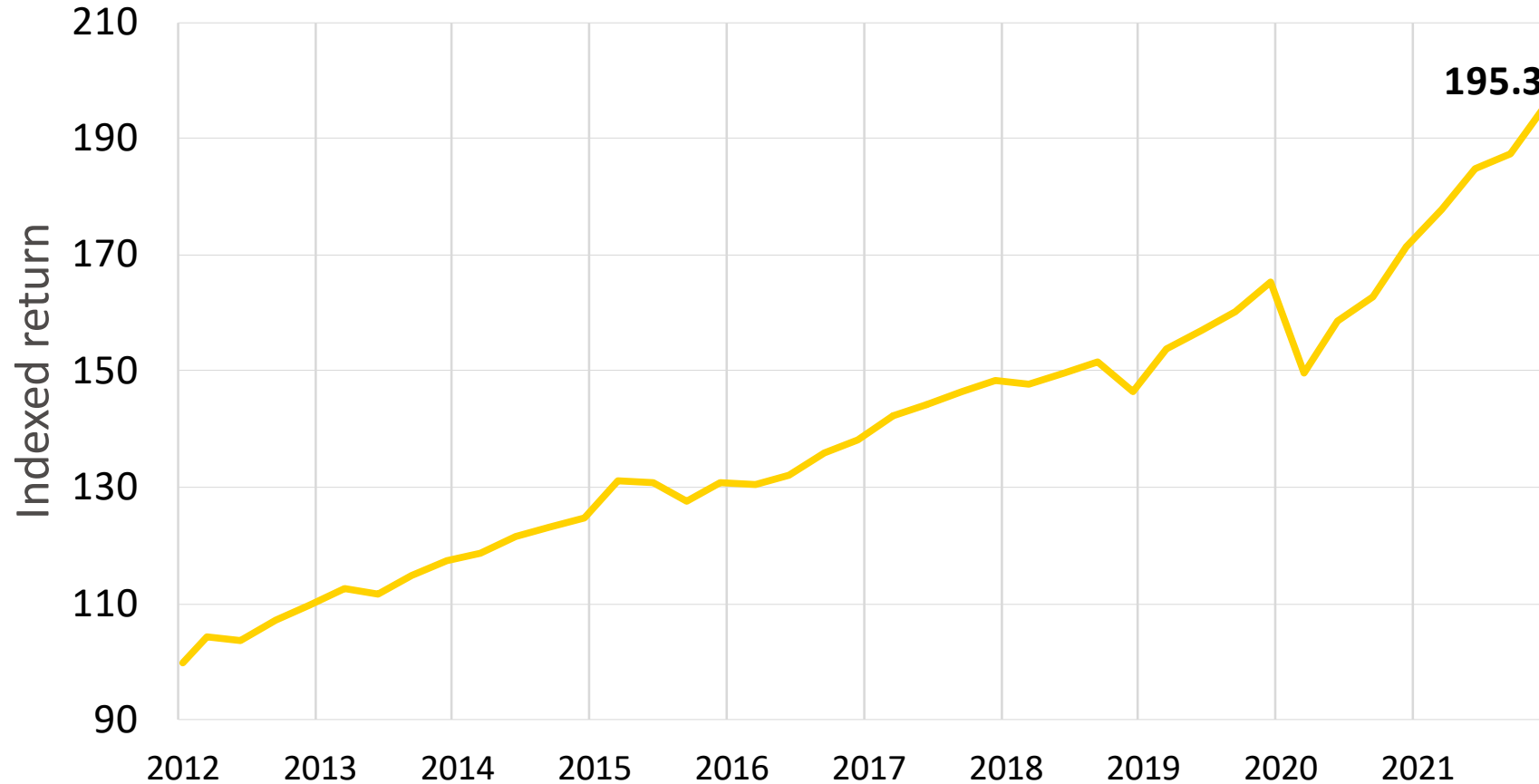
■ Finland ■ Europe ■ North America ■ Other regions

Investments in Finland by asset class



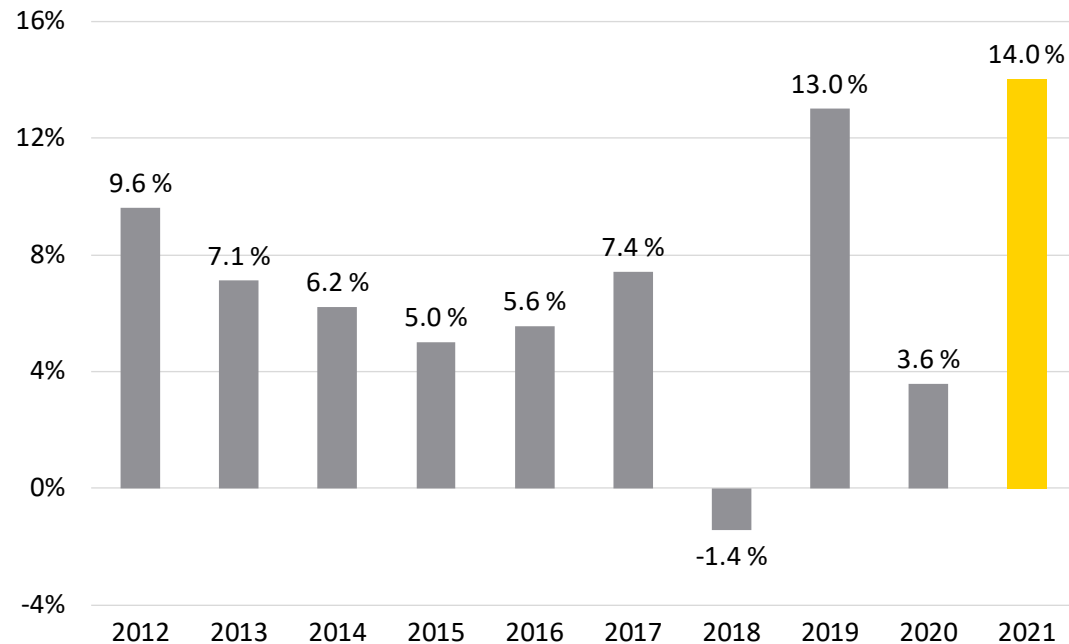
■ Fixed-income investments ■ Listed equities
■ Unlisted equities and private equity investments ■ Real estate

Investments have returned almost EUR 15 billion in 10 years

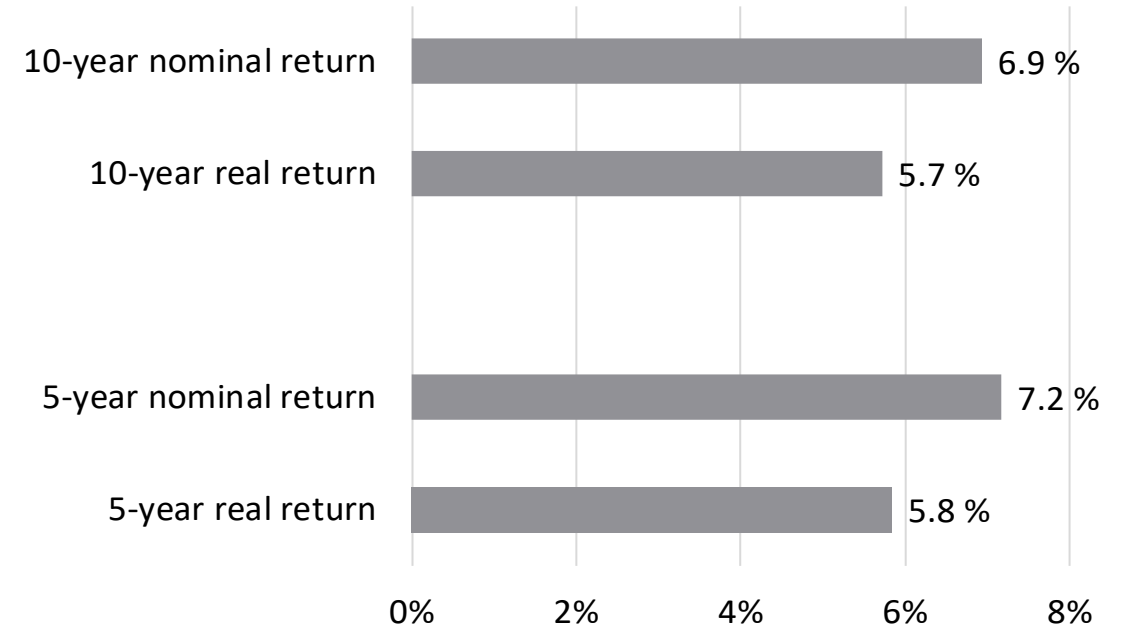


Ten-year return was 6.9 per cent per annum

Investment returns 2012–2021



Average return on investments over time



Elo's investments in line with the climate roadmap

- We have joined the following climate and human rights initiatives:
 - Paris Aligned Investment Initiative (PAII) **Net Zero Asset Owner Commitment**. Our objectives are to decarbonise our investment portfolio, to engage in line with this commitment and increase our investments in climate solutions. In addition, we are committed to setting short-term targets and using the Net Zero Investment Framework to align our portfolio with the 1.5°C target and a carbon-neutral future.
 - **Investor Alliance for Human Rights**.
- During the year, we continued to work according to the climate roadmap: we developed a climate risk tool for investments in emerging market debt, improved the assessment of climate risks and opportunities in private equity investments, introduced new carbon metrics and refined the measurement of sustainable solutions.
- We updated our engagement strategy, including the targets set in the climate strategy for 2020–2025.

Summary of key figures

	2021	2020
Investment assets at fair value, EUR million	29,421.9	25,898.1
Net return from investment on capital employed, %	14.0 %	3.6 %
Average nominal return, over 10 years	6.9 %	5.3 %
Average nominal return, over 5 years	7.2 %	5.5 %
Premiums written, EUR million	4,035.9	3,615.6
Pensions and other benefits paid, EUR million	4,030.2	3,891.9
Technical provisions, EUR million	23,750.4	22,381.4
Number of TyEL policyholders	51,200	48,300
Number of YEL policyholders	84,500	83,600
Number of pensioners	246,100	243,600
Loading profit, EUR million	34.0	33.2
Operating expenses as % of loading component	72.4 %	72.0 %
Solvency capital, EUR million	6,573.4	5,055.4
Solvency position	1.6	1.6
Solvency ratio, %	128.1 %	123.7 %

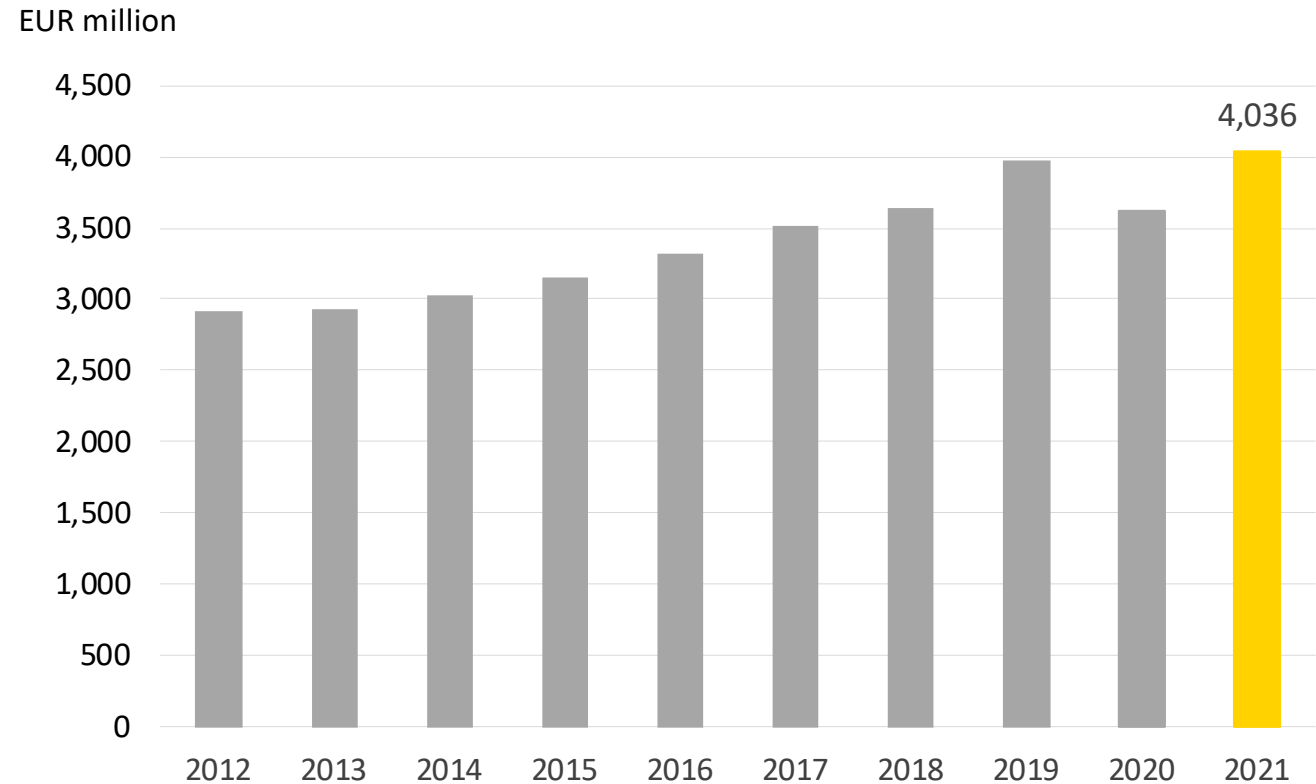


Largest pension insurer of self-employed persons in Finland

- In terms of the number of policies, Elo is the market leader in self-employed persons' YEL pension insurance. One in three employer companies are insured by Elo.
- At the end of the year, a total of half a million employees and self-employed persons were insured by Elo.
- TyEL insurance premiums written increased to EUR 3,623 million and YEL insurance premiums written to EUR 413 million.
- As the net result of transfer business, +53 TyEL insurance policies and +573 YEL insurance policies were transferred to Elo in 2021. The impact of the transfer business on premiums written was EUR -73 million.

Premiums written grew to over EUR 4 billion

- Premiums written in 2021 increased above the level of 2019.
- TyEL pension contributions were temporarily lowered in 2020, in addition to which the decrease in payroll lowered the premiums written.
- Since 2014 (Elo's foundation), the premiums written have increased by 37.8%.
- Credit losses from premiums were EUR 17.8 million in 2021, showing a decrease of approximately 2% from the previous year.

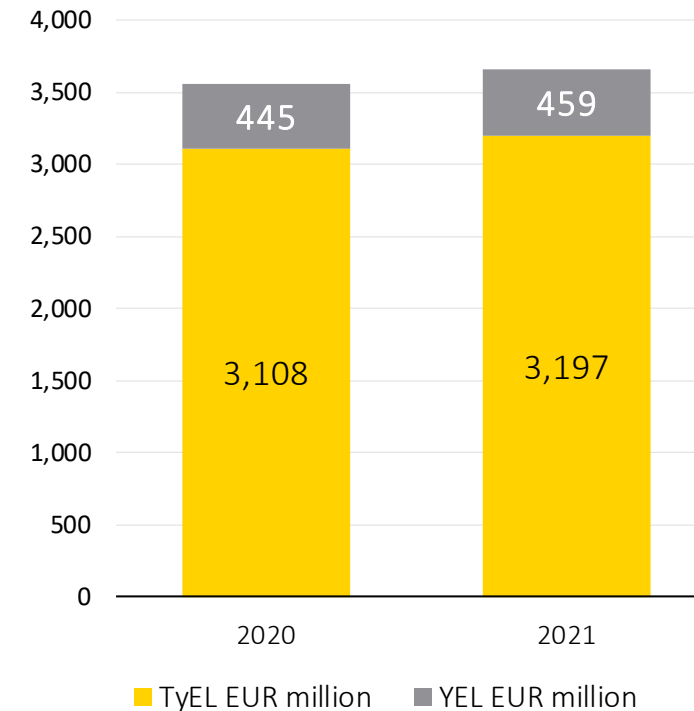


In 2021, there were approximately 250,000 pensioners

Pensions paid by pension type

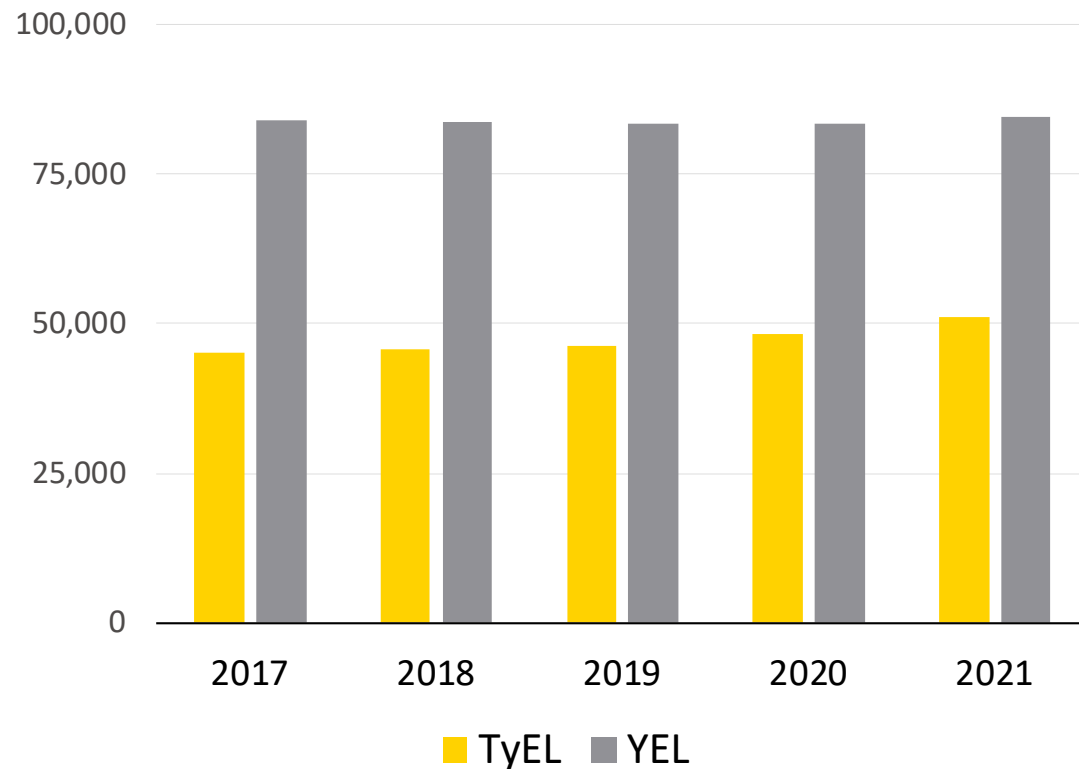
Pensions paid 2021		
Type of pension	pcs.	EUR million
Old-age pension	186,639	3,091.8
Disability pension	23,133	309.9
Survivors' pension	30,847	206.6
Part-time pension	12	0.2
Partial early old-age pension	5,489	46.5
Years-of-service pension	21	0.0
Total	246,141	3,655.4

Development of pensions paid

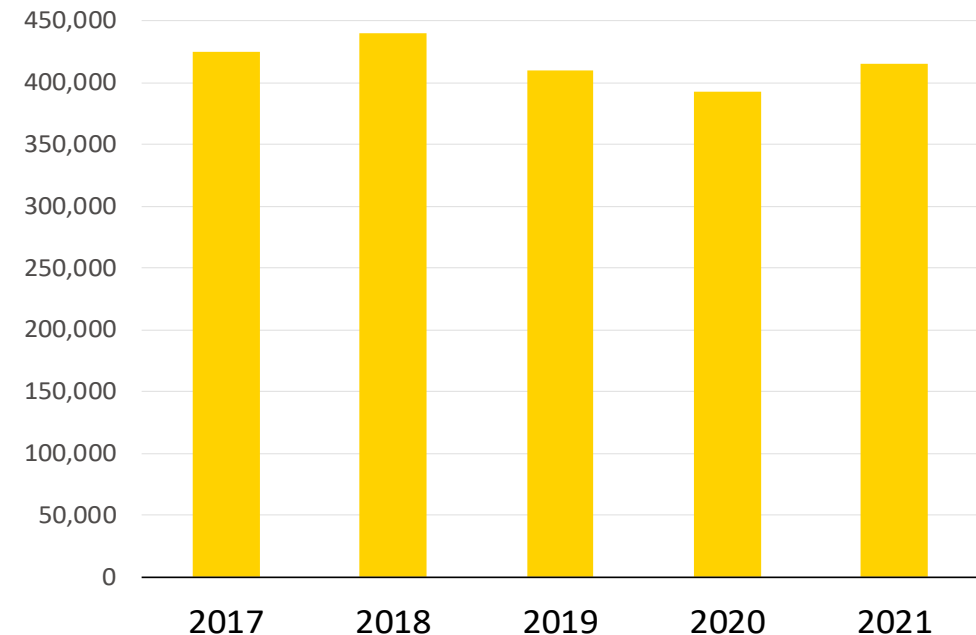


At the end of 2021, the total number of insured employees and self-employed persons was approximately 500,000

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.



High net promoter score for customer service

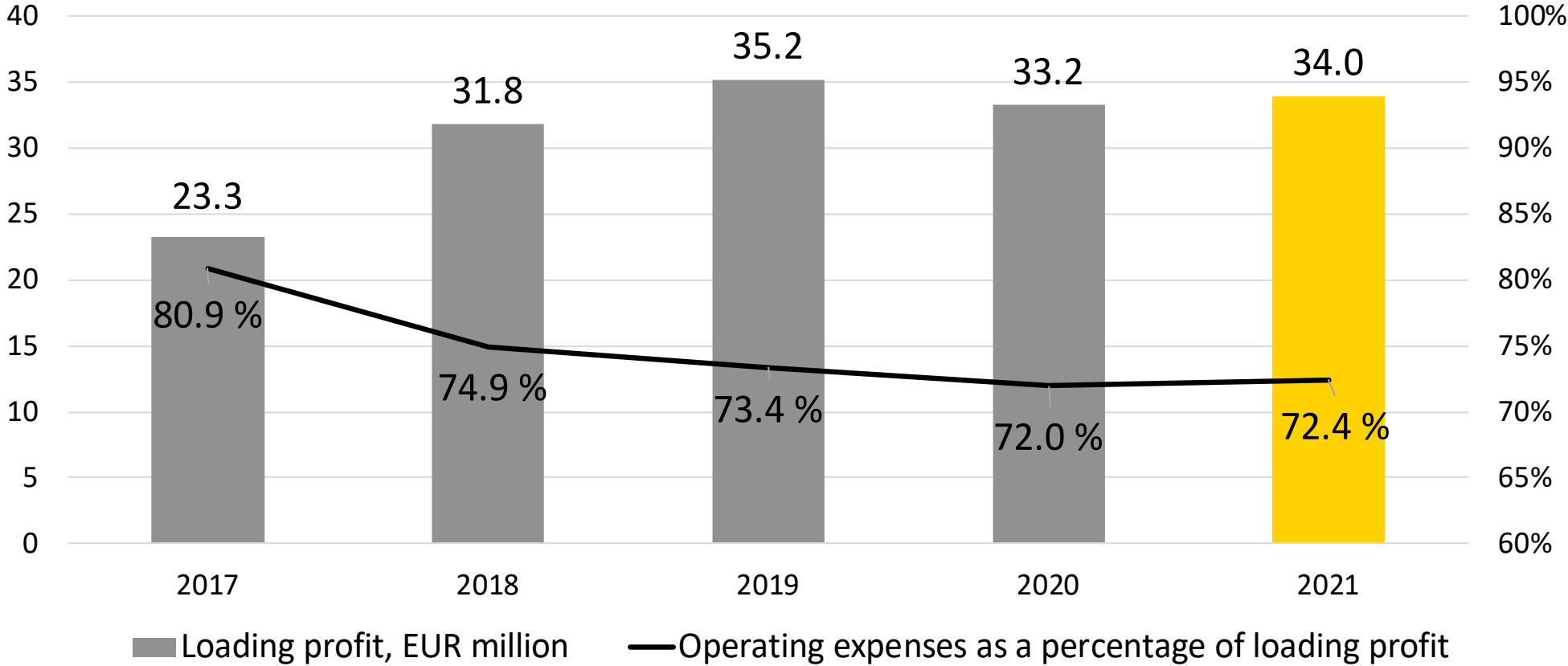
- In 2021, our insurance customer service received a total of approximately 60,000 customer calls. The response rate was 97 and the average waiting time was 34 seconds. The NPS for the service was 90.9.
- Systematic development has succeeded in making Elo's pension application processing smooth and quick. In 2021, Elo made decisions on old-age pension decisions on average within two days, while the sector's average was nine days.
- Elo invested strongly in operating models that aim to keep self-employed persons' YEL earned income at the correct level at all stages of their working career. The competence of Elo personnel and partners in defining the level of earned income was strengthened through training, a feature that gives reminders to check YEL earned income was added to the online service, and the importance of earned income was also emphasised in customer communications.

Overall result EUR 1.6 billion

- Investment income amounted to EUR 3.6 billion and exceeded the return requirement by EUR 1.6 billion.
- The insurance business surplus was EUR 17.9 million positive. The growth in the number of new disability pensions stopped.

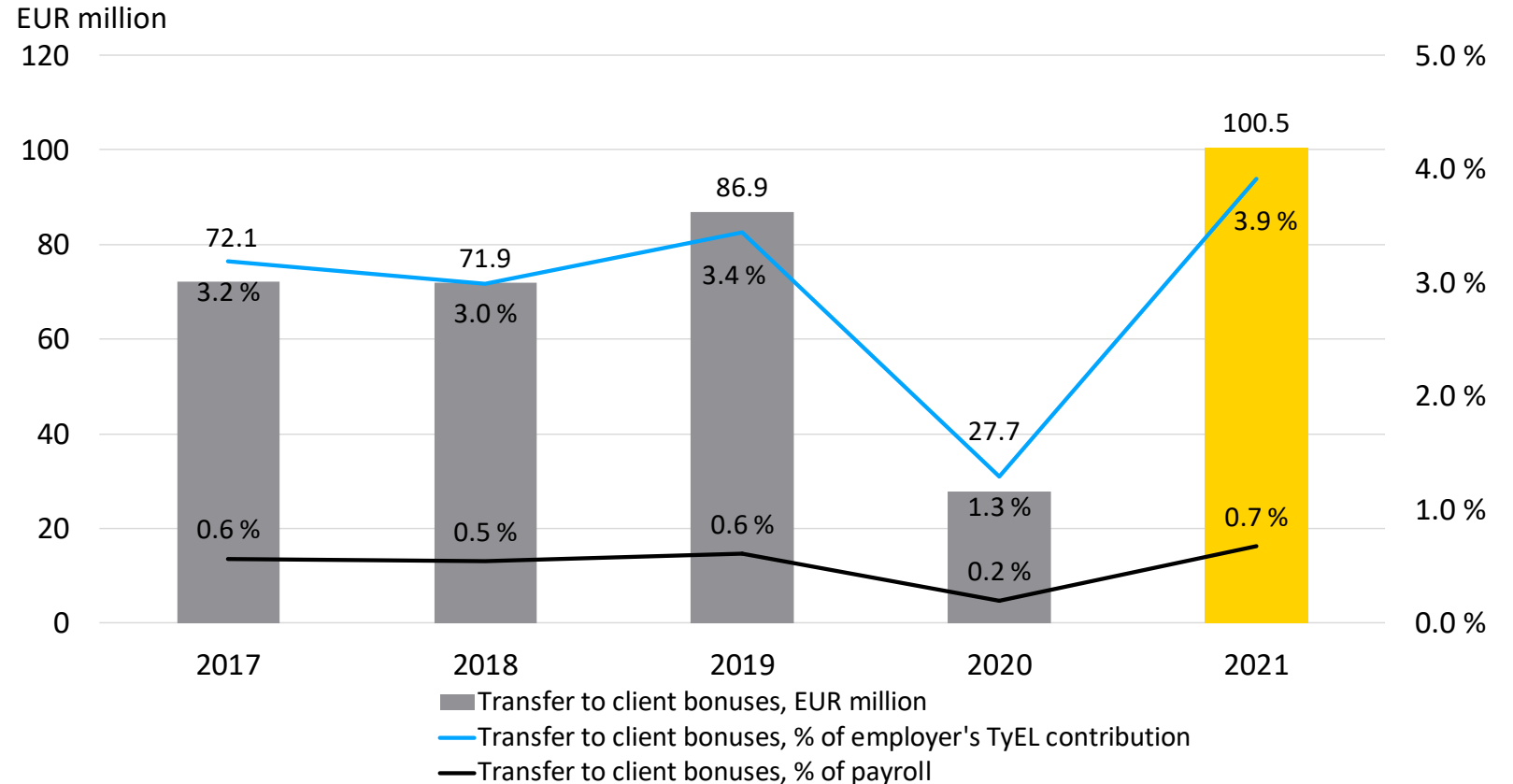
EUR million	1.1.–31.12.2021	1.1.–31.12.2020
Total surplus	1,616.5	0.7
Insurance business surplus	17.9	-8.0
Investment surplus at fair values	1,562.8	-30.0
Net investment income at fair values (+)	3,621.3	900.9
Yield requirement on technical provision (-)	-2,058.5	-930.9
Loading profit	34.0	33.2
Other income	1.9	5.5
Distribution of surplus	1,616.5	0.7
Change in solvency	1,516.1	-27.0
Change in provision for future bonuses	-673.8	-55.1
Change in valuation differences	2,189.9	28.1
Change in accrual of closing entries	-0.1	-0.1
Profit for the financial year	0.0	0.0
Transfer to client bonuses	100.5	27.7

The strong loading profit is reflected in better client bonuses



Transfer to client bonuses at the best level in Elo's history

- 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 could not be paid due to the temporarily discounted premiums. The amount reducing the 2021 fee was therefore equal to one third of the normal amount.



Future outlook

- The growth forecasts for the world economy for the current year are lower than in the previous year, at around 4 per cent. In many industrialised countries, the availability of skilled labour and inflation pressure, including rising energy prices, pose challenges to business operations.
- Finland's economic growth will continue, but it is likely to remain slightly below 3 per cent. Growth is likely to remain strong and broad-based, relying on both exports and consumption and investment demand. In particular, the consumption of services is expected to recover.
- The actions of central banks and the fiscal stimulus measures will have a decisive impact on the development of the financial markets. Monetary policy is expected to tighten, and the rise in market interest rates is also likely to continue in 2022. Financial markets will have to adjust to higher interest rates and lower liquidity in the market.