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Interim report
1 January–30 September 2021

Elo Mutual Pension Insurance Company

Key figures January – September 2021

Investment assets

28.3 EUR billion

Return

9.4 %

10-year nominal return

6.7 %

Solvency ratio

126.9 %

Premiums written

2,999 EUR million

Pensions and other
benefits paid

3,010 EUR million

Customer satisfaction in focus

- The customer satisfaction of insurance and pension services has continued to develop favourably in light of the NPS scores.
- Pension processing was smooth and decisions on old-age pensions, for example, were issued in two days on average.
- After the end of the review period, we won a silver prize in the Customer's Voice competition for our telephone service for insurance customers.
- At the beginning of September, we extended our customer service hours so that our availability would meet our customers' expectations even better.
- We continued to develop our online service by introducing new functionalities and expanding the chatbot functions, for example.





The effectiveness of rehabilitation improved

- Some 76 per cent of those in Elo's vocational rehabilitation were able to return to the labour market. The effectiveness of rehabilitation improved year-on-year.
- Based on our observations, self-employed persons 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. Nevertheless, 79 per cent of the self-employed persons in rehabilitation were able to return to the labour market.
- The number of new disability pension decisions decreased by 9 per cent year-on-year.
- COVID-19 was again a factor in a few disability pension applications, but there are no signs of a rising long-term trend in that respect.

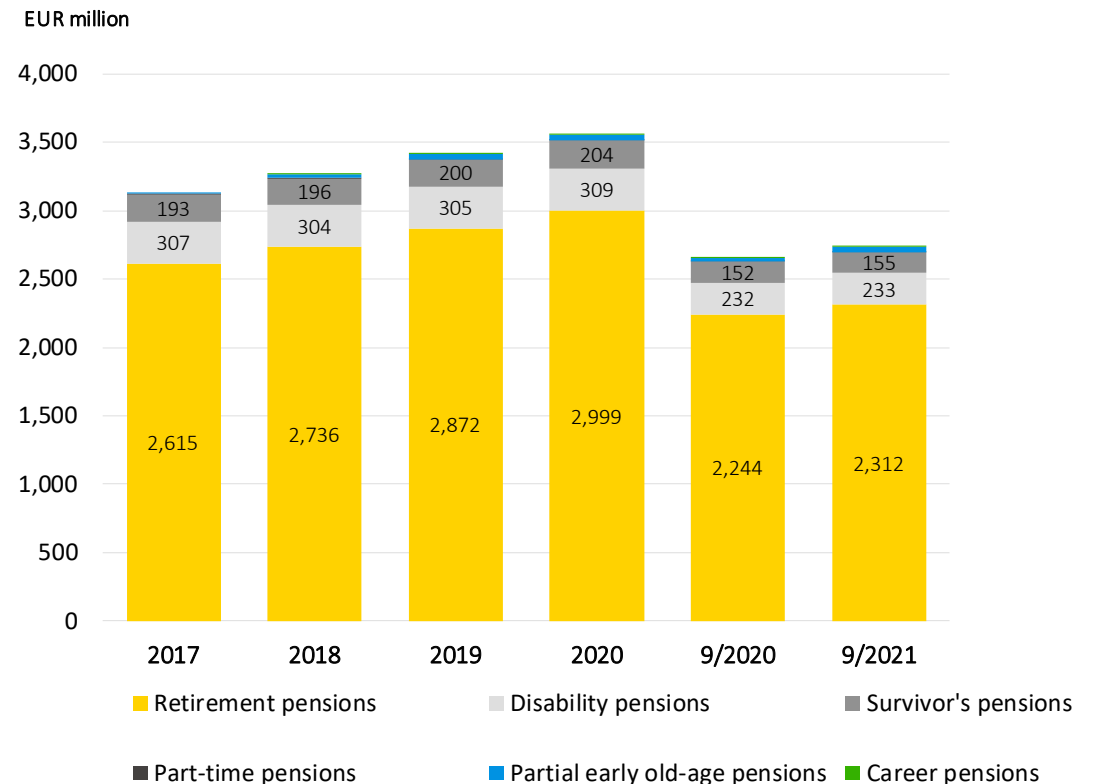
The total number of pension decisions was nearly unchanged

Pension decisions by pension type

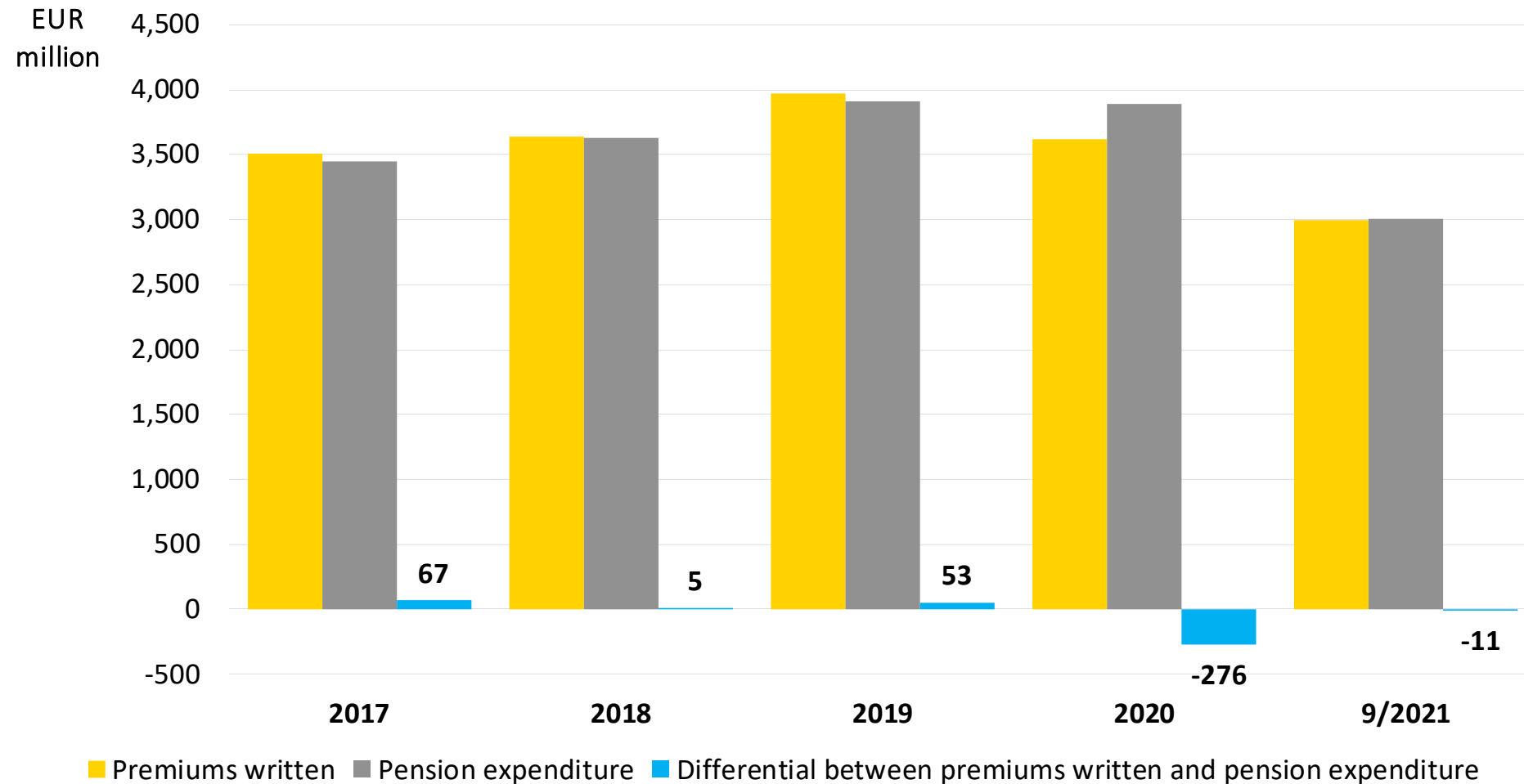
	1-9/2021	1-9/2020
Retirement pensions	5,728	5,057
Partial early old-age pensions	1,671	1,769
Disability pensions	8,891	9,356
Survivor's pensions	1,684	1,644
Decisions on rehabilitation	1,499	1,499
Career pensions	32	22
Total	19,505	19,347

- The total number of new decisions on disability pension was 4,513(4,947).

Pensions paid by pension type 2017–9/2021



Premiums written and pension expenditure nearly at the same level



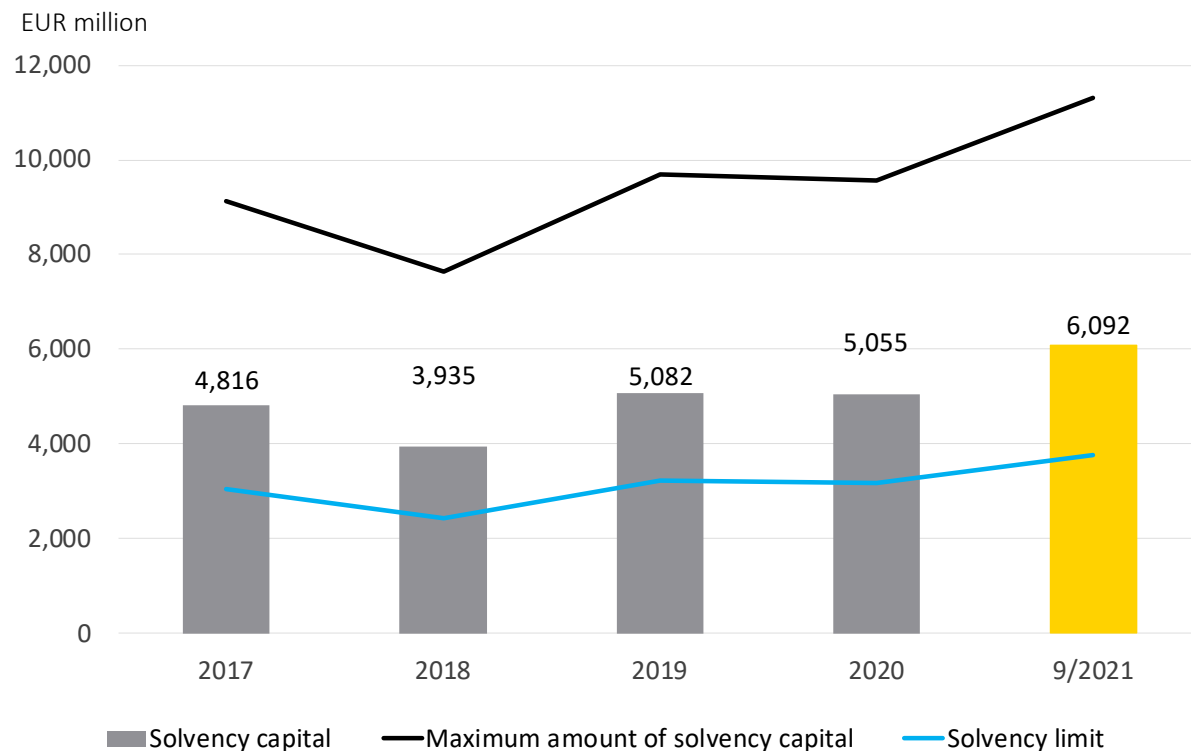
Investment income was EUR 2,4 billion

EUR million	1.1.–30.9.2021	1.1.–30.9.2020
Total surplus	1,038.3	-782.2
Insurance business surplus	9.8	-12.1
Investment surplus at fair values	999.7	-798.0
Net investment income at fair values (+)	2,414.9	-412.2
Yield requirement on technical provision (-)	-1,415.2	-385.9
Loading profit	26.1	24.1
Other income	2.7	3.8

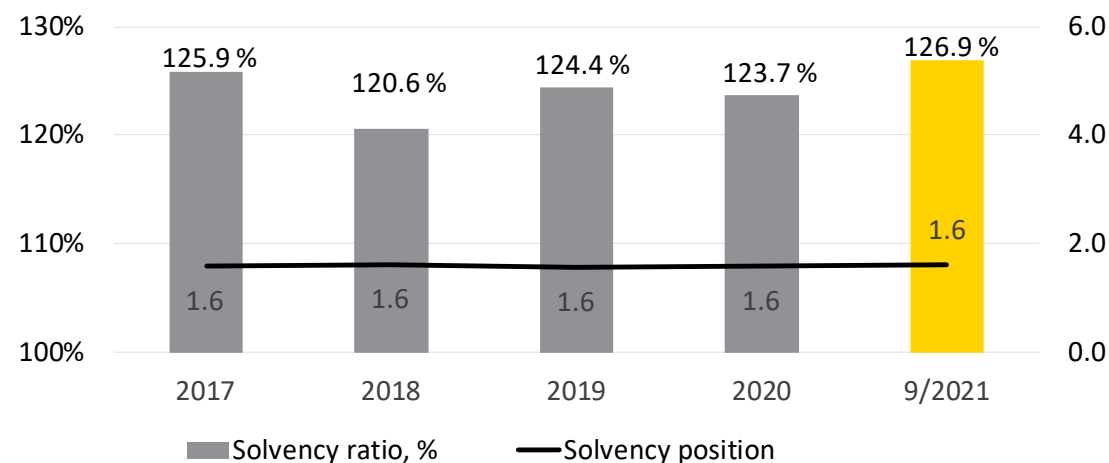
Distribution of surplus	1,038.3	-782.2
Change in solvency	1,038.3	-782.2
Change in provision for future bonuses	-248.8	-303.7
Change in valuation differences	1,287.1	-478.5
Change in accrual of closing entries	0.0	0.0
Profit for the financial year	0.0	0.0
Transfer to client bonuses	0.0	0.0

Solvency capital improved by EUR 1 billion and amounted to approximately EUR 6 billion

Key solvency figures



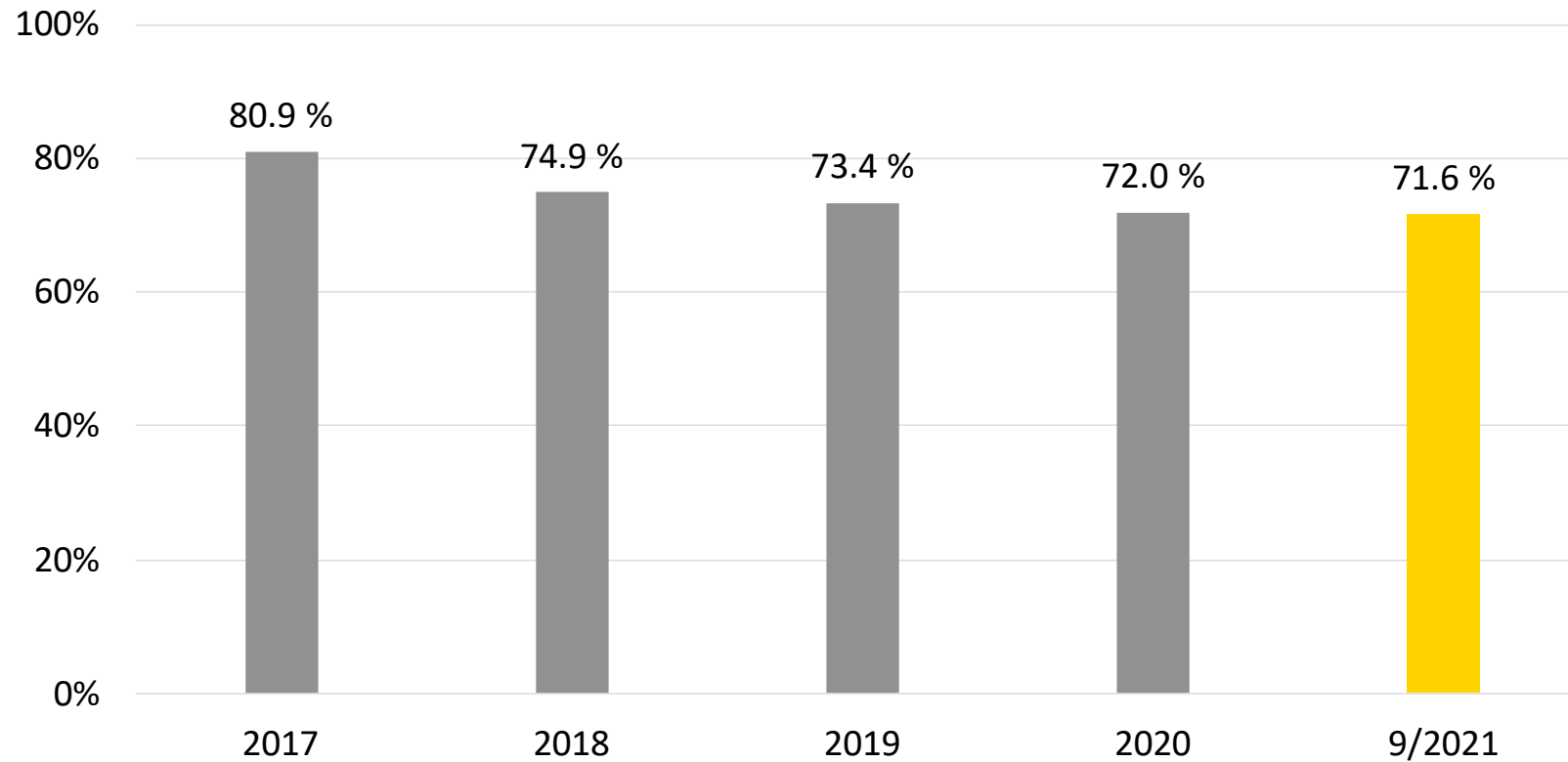
Solvency ratio and position 2017–9/2021



- The amount of solvency capital increased from the beginning of the year by EUR 1,037.1 million
- Elo's solvency ratio, i.e. pension assets in relation to technical provisions, was 126.9 %
- Elo's solvency position, i.e. solvency capital in relation to the solvency limit, was 1.6

Operational efficiency at a good level

Operating expenses as a percentage of loading component





Development of responsibility

- We joined the Net Zero Asset Owner Commitment and commits to achieve net zero investment portfolio emissions by 2050 or sooner.
- We joined over 50 other IIGCC members in signing a letter that set out their expectations of companies in identifying and responding to physical climate risks and opportunities.
- During the period under review, we participated in #IStartedThis, a campaign implemented in collaboration with Inklusiiv that encourages people to consider self-employment regardless of their background.
- We continued to take action under Oikotie's responsible employer campaign. The employers participating in the campaign make a commitment to developing and promoting six principles of responsible employment that are related to employee well-being, motivation and commitment to the employer.

Economic environment

- The global economic growth slowed down due to a wave of COVID-19 infections caused by a new virus variant, the diminishing effectiveness of economic stimulus measures as well as capacity and resource constraints.
- Concerns have arisen at financial markets that the cost pressures created by supply constraints will turn into longer-term inflation. At the same time, the weakening economic cycle in China has also presented challenges to growth.
- In Finland, construction investments and private consumption drove a brisk economic recovery in the summer. The recovery of the global industrial cycle, particularly in Europe, has accelerated the revival of Finnish industry and exports. Industrial production returned to the pre-pandemic level in the summer.
- Despite the growth risks, nearly all key central banks are continuing to implement stimulating monetary policy.

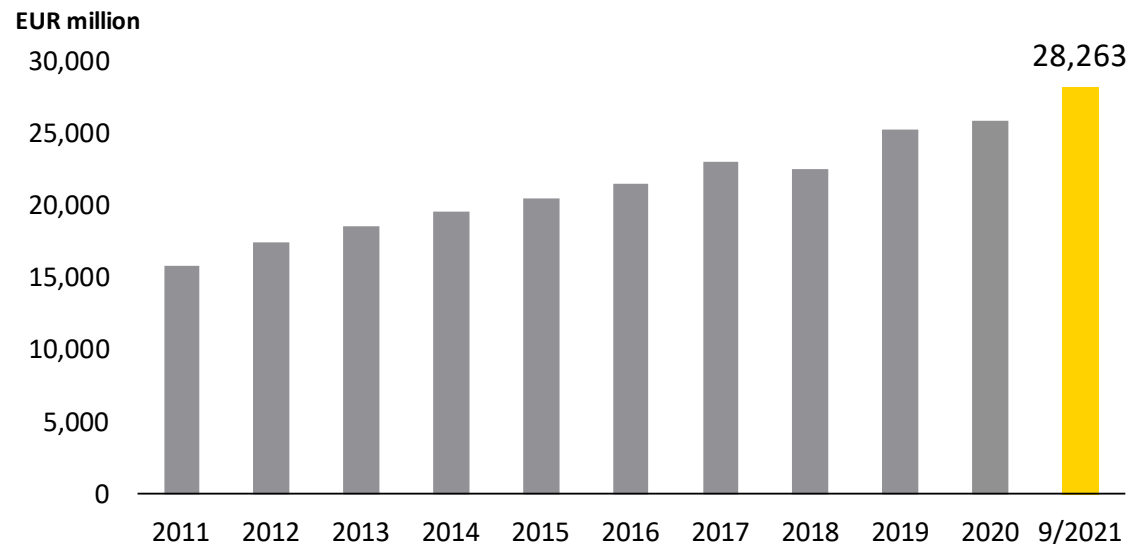


Key figures for the period

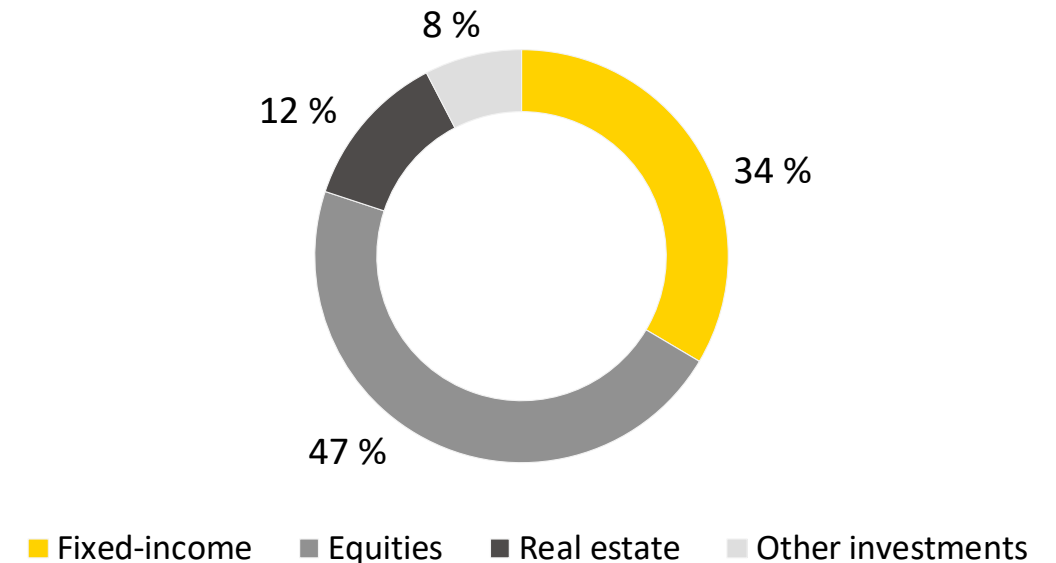
	9/2021	9/2020	2020
Investment assets at fair value, EUR million	28,262.7	24,641.6	25,898.1
Net return from investment on capital employed, %	9.4 %	-1.6 %	3.6 %
Average nominal return, over 10 years	6.7 %	5.0 %	5.3 %
Average nominal return, over 5 years	6.6 %	5.0 %	5.5 %
Premiums written, EUR million	2,998.7	2,686.0	3,615.6
Pensions and other benefits paid, EUR million	3,010.2	2,908.3	3,891.9
Technical provisions, EUR million	23,445.4	21,653.3	22,381.4
Number of TyEL policyholders	51,000	47,800	48,300
Number of YEL policyholders	83,900	83,000	83,600
Number of pensioners	245,800	242,900	243,600
Loading profit, EUR million	26.1	24.1	33.2
Operating expenses as % of loading component	71.6 %	72.6 %	72.0 %
Solvency capital, EUR million	6,092.4	4,297.9	5,055.4
Solvency position	1.6	1.4	1.6
Solvency ratio, %	126.9 %	120.6 %	123.7 %

Strong growth in investment assets

Development of investment assets 2011–9/2021



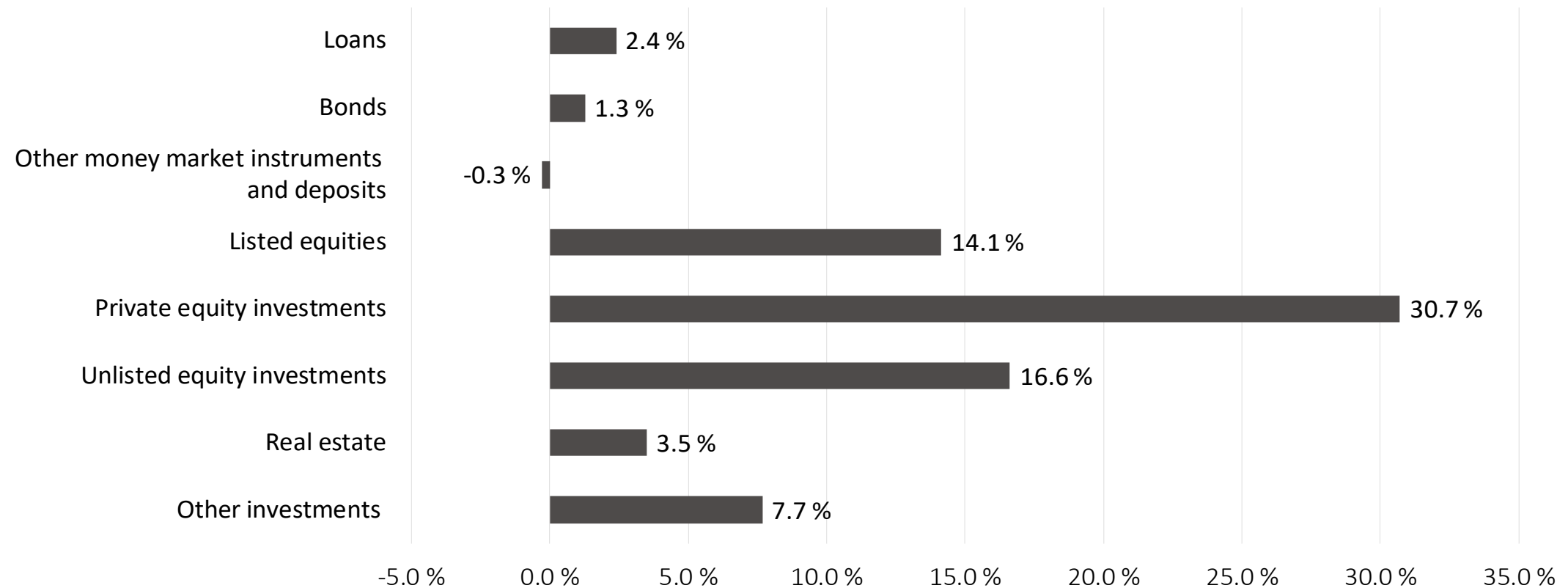
Investment asset allocation 30 September 2021



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 September 2021



Investments generated a return of 9.4 %

	Basic allocation by market value		Actual risk position		Return	Volatility
	EUR million		EUR million	%	%	%
Fixed-income investments	9,345.0	33.1	8,267.5	29.3	1.0	
Loans	446.0	1.6	446.0	1.6	2.4	
Bonds	6,973.1	24.7	5,760.9	20.4	1.3	10.5
Public bonds	3,211.2	11.4	2,133.7	7.5	-1.4	
Other bonds	3,761.9	13.3	3,627.2	12.8	3.0	
Other money market instruments and deposits incl. any receivables and liabilities related to	1,925.9	6.8	2,060.6	7.3	-0.3	
Equities	13,320.3	47.1	13,159.6	46.6	18.1	
Listed equities	9,299.6	32.9	9,139.0	32.3	14.1	16.7
Private equity investments	3,451.8	12.2	3,451.8	12.2	30.7	
Unlisted equity investments	568.9	2.0	568.9	2.0	16.6	
Real estate	3,483.1	12.3	3,483.1	12.3	3.5	
Direct real estate investments	2,499.0	8.8	2,499.0	8.8	2.6	
Real estate funds and joint investment companies	984.1	3.5	984.1	3.5	5.9	
Other investments	2,114.3	7.5	2,149.7	7.6	7.7	
Hedge fund investments	2,101.6	7.4	2,101.6	7.4	6.7	6.4
Commodity investments	5.3	0.0	46.4	-0.2	-	
Other investments	7.4	0.0	1.7	0.0	-	
Total investments	28,262.7	100.0	27,059.9	95.7	9.4	7.2
Effect of derivatives			1,202.8	4.3		
Total	28,262.7	100.0	28,262.7	100.0		

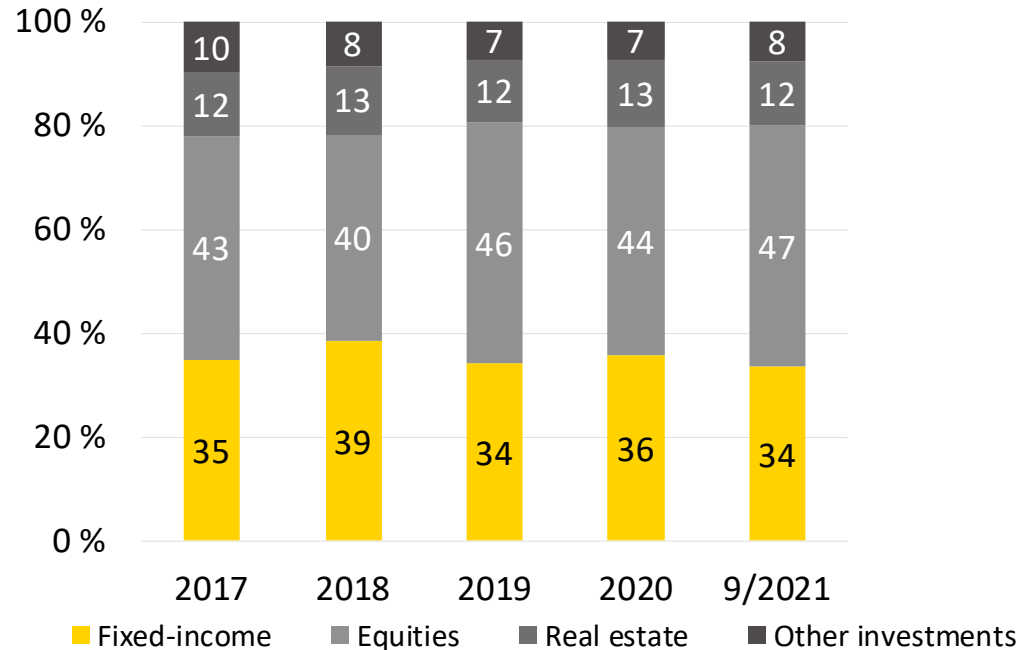
The return on foreign currency derivatives is estimated for asset classes in proportion to the average foreign currency-denominated assets during the reporting period.

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

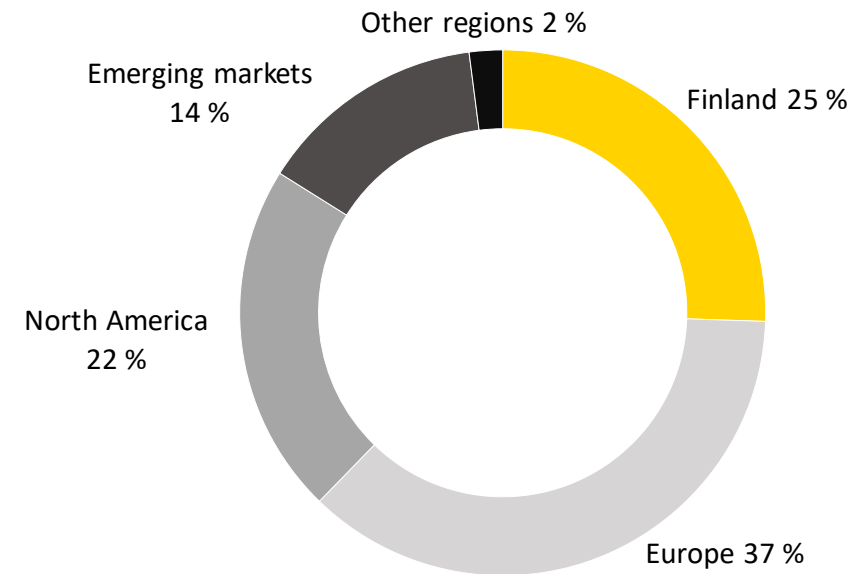
15 The open currency exposure is 24.9% of market value.

No significant changes in asset allocation

Development of asset allocation 2017–9/2021

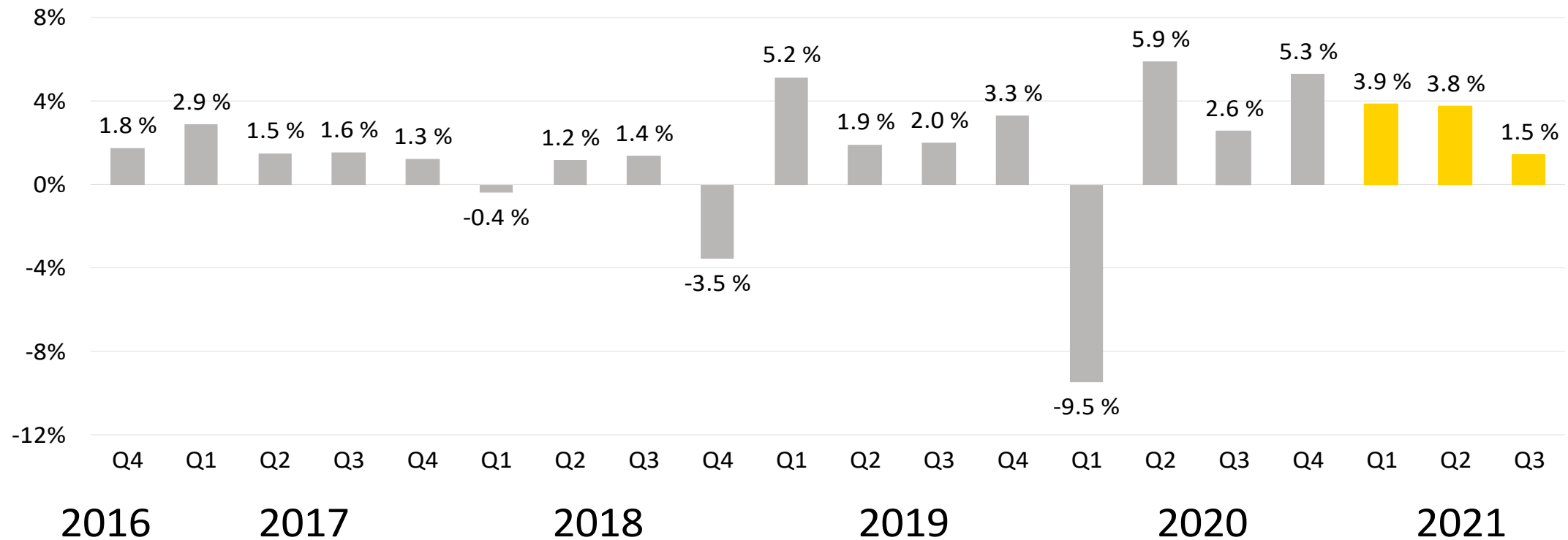


Geographical distribution of investments 30 September 2021



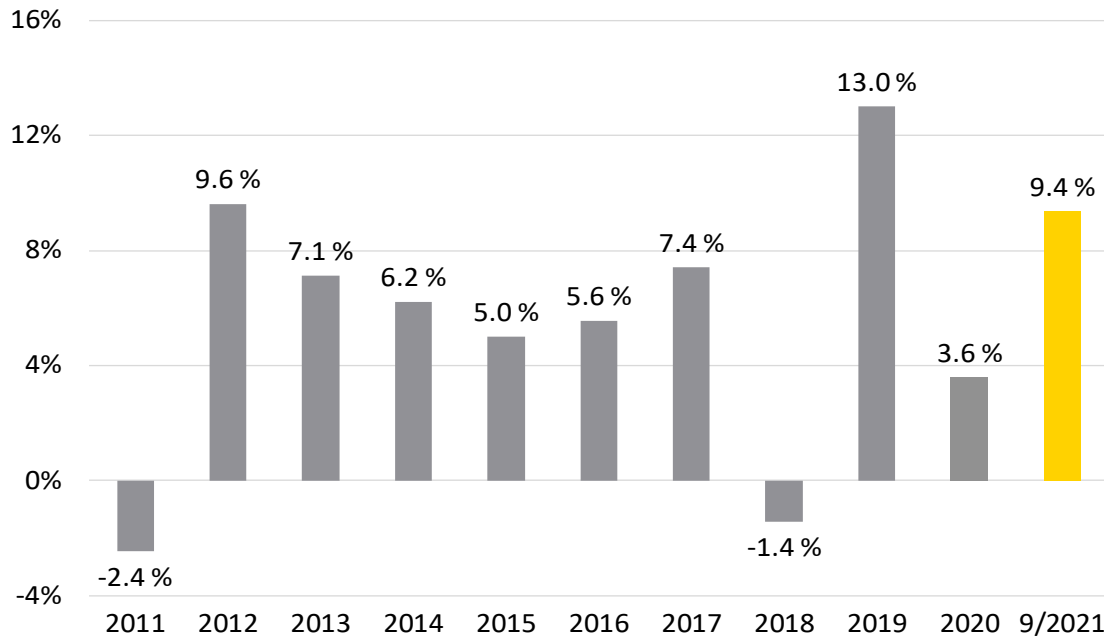
Return on investments was 1.5 per cent in the third quarter

Return 1 January – 30 September 2021 was 9.4 %

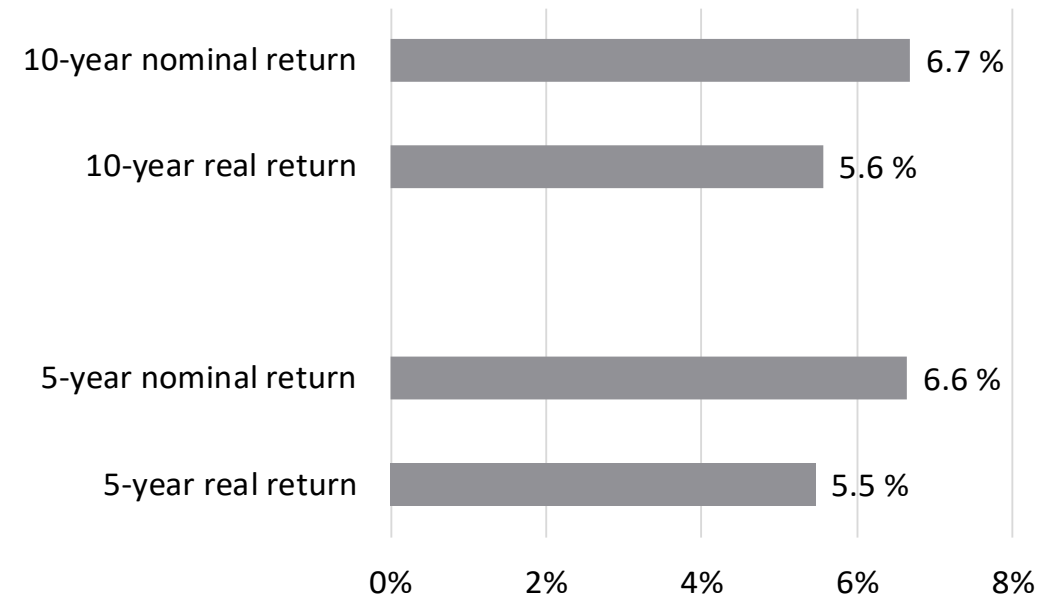


Development of investment returns over time

Investment returns 2011–9/2021



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

- Central banks are performing a balancing act between growth risk and inflation risk.
- A more substantial dampening of growth – and, at worst, a downswing – would leave the global economy in a situation where the losses caused by the COVID-19 pandemic would not be compensated by a strong upturn. This would make it challenging for the Fed and the ECB to pull back from dovish monetary policy.
- Global economic growth is generally predicted to be 4.5 per cent and the growth of the Finnish economy is expected to increase to nearly 3 per cent in 2022.