



Interim report
1 January – 30 June 2022

Elo Mutual Pension Insurance Company



Key figures 30 June 2022

Investment assets 28.0 EUR billion	Return -4.5 %	10-year nominal return 6.1 %
Solvency ratio 123.6 %	Premiums written 2,110 EUR million	Pensions and other benefits paid 2,058 EUR million



Number of YEL policyholders

84,500

Number of TyEL policyholders

47,100



Total number of self-employed persons and employees insured

523,100



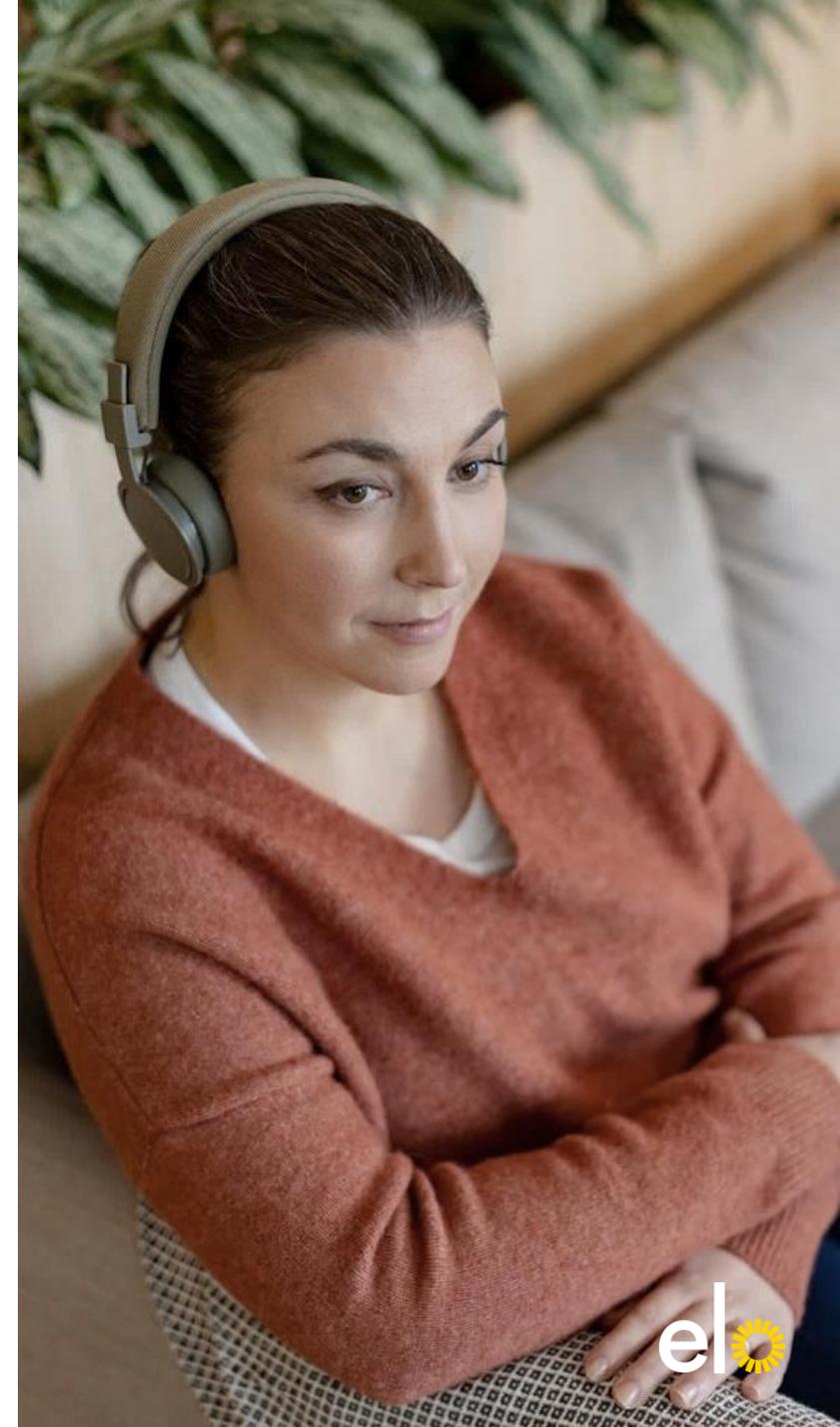
We pay out pensions to

245,600

pensioners

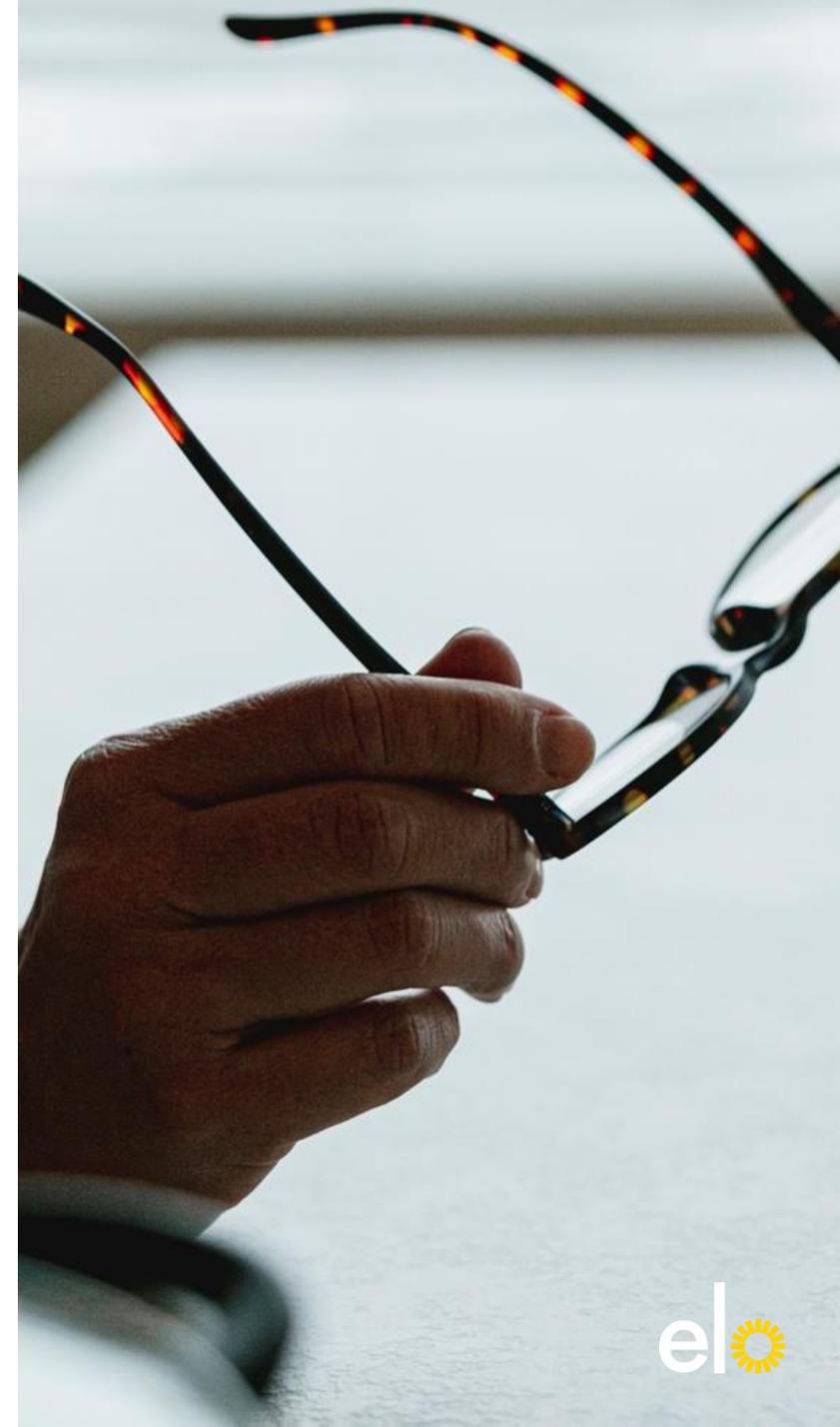
Smooth customer service for companies large and small

- Elo is the largest pension insurer of self-employed persons in Finland. One in three employer companies use Elo to insure their employees.
- Elo prepared for the possible amendments to self-employed persons' pension legislation. It has been identified that self-employed persons will continue to need service and guidance on YEL insurance and the possibility to engage in dialogue with the employment pension company.
- The service level was excellent in insurance, pension and rehabilitation matters, and the NPS results were very good.
- Continuous development was reflected in faster than average pension decisions.



The authorised representative's supervision of Elo ended

- The Financial Supervisory Authority appointed an authorised representative on 11 December 2020 to supervise the activities of Elo.
- In November 2021, Elo submitted a plan on developing its administration and management system to the Financial Supervisory Authority. The last measures of the plan were implemented in March 2022.
- On 31 May 2022, the Financial Supervisory Authority decided to end its authorised representative's supervision of Elo's operations on 30 June 2022.
- Elo simplified the Executive Group structure, discontinued separate executive groups and clarified the corporate governance system. In particular, the amendments concerned the roles and responsibilities of the Supervisory Board, Board of Directors and the management. Internal control functions have been reorganised and strengthened.

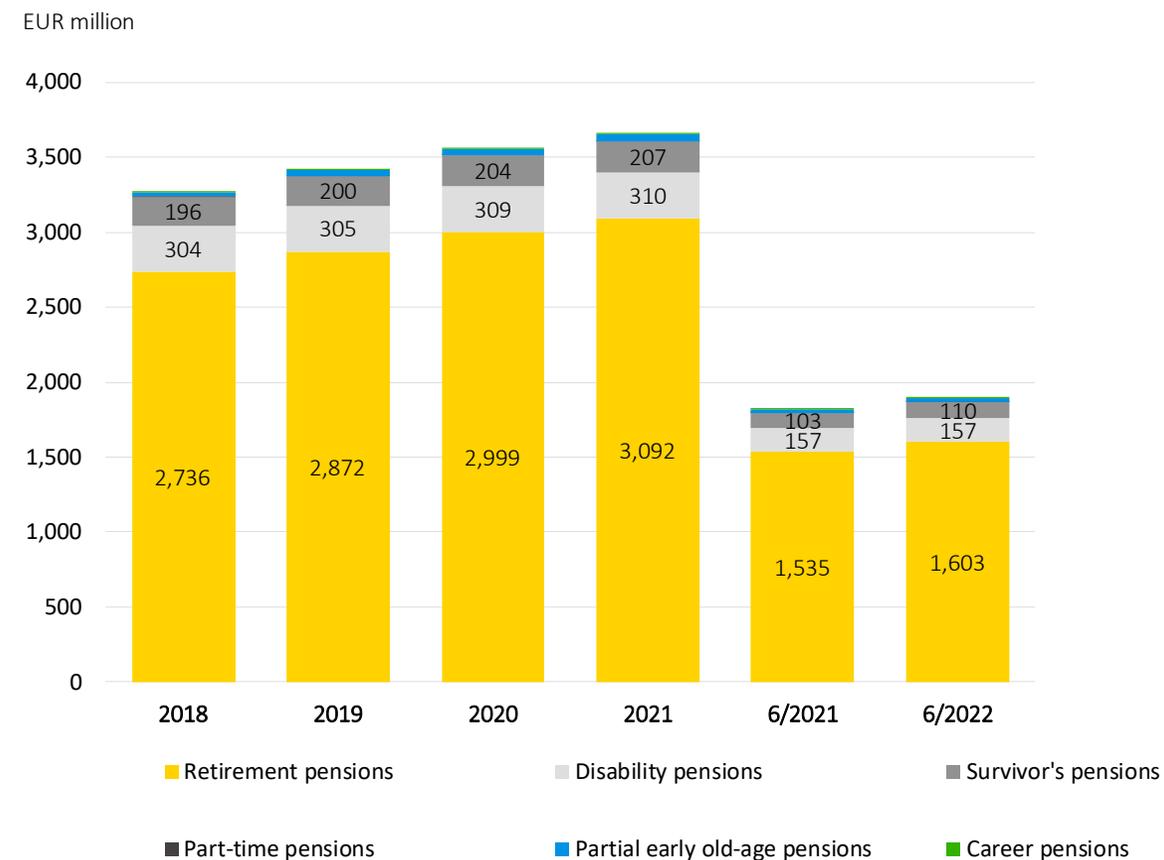


The number of pensioners approximately 245 600

Pensions paid by pension type

Type of pension	pcs.	EUR million
Old-age pension	186,901	1,602.5
Disability pension	21,978	157.1
Survivors' pension	30,713	109.5
Part-time pension	7	0.1
Partial early old-age pension	5,939	26.2
Years-of-service pension	19	0.0
Total	245,557	1,895.7

Pensions paid by pension type 2018–6/2022



Number of pension decisions is increasing

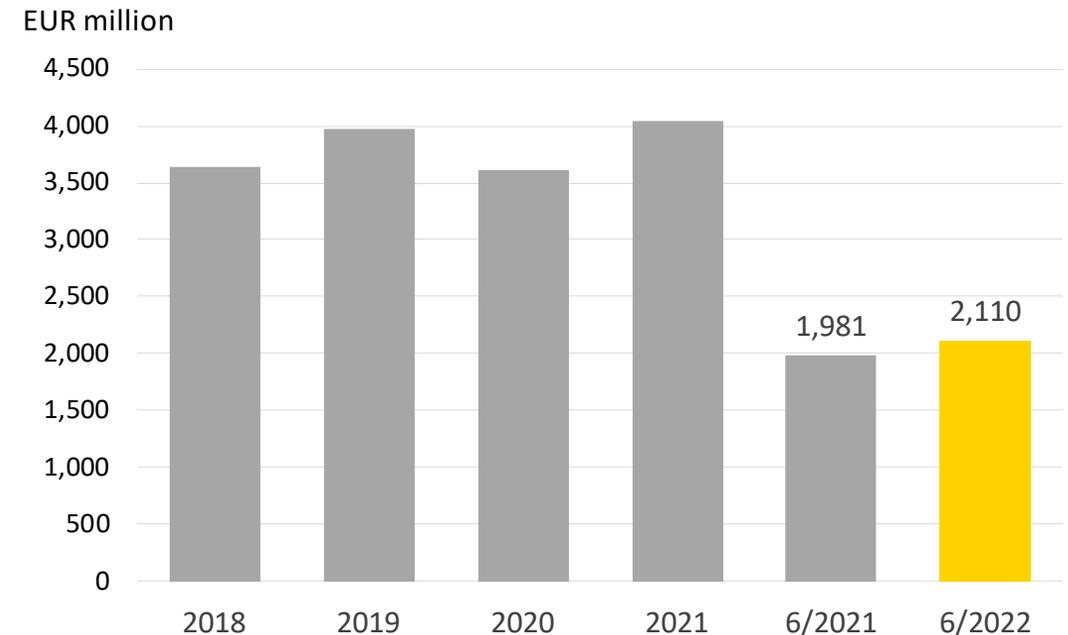
- A total of 6,145 disability pension decisions were issued, of which a total of 3,118 were new. The increase in new decisions was 2.5% year-on-year. The number of new favourable decisions was at the same level.
- The decrease in the number of rehabilitation decisions issued that began in 2020 accelerated, and approximately 12% less rehabilitation decisions were issued than in the previous year. The decrease in the number of applications focused on those aged under 40.
- 42.4% of rehabilitation applications were rejected, which is an increase of 8 percentage points compared to 2021. Mental health reasons are increasing as the reason for applying for rehabilitation. The applicants were younger than before.

Pension decisions by pension type

	1-6/2022	1-6/2021
Retirement pensions	4,458	4,048
Partial early old-age pensions	1,447	1,149
Disability pensions	6,145	6,046
Survivor's pensions	1,242	1,142
Decisions on rehabilitation	907	1,033
Career pensions	30	22
Total	14,229	13,440

Premiums written increased by 6.5 per cent

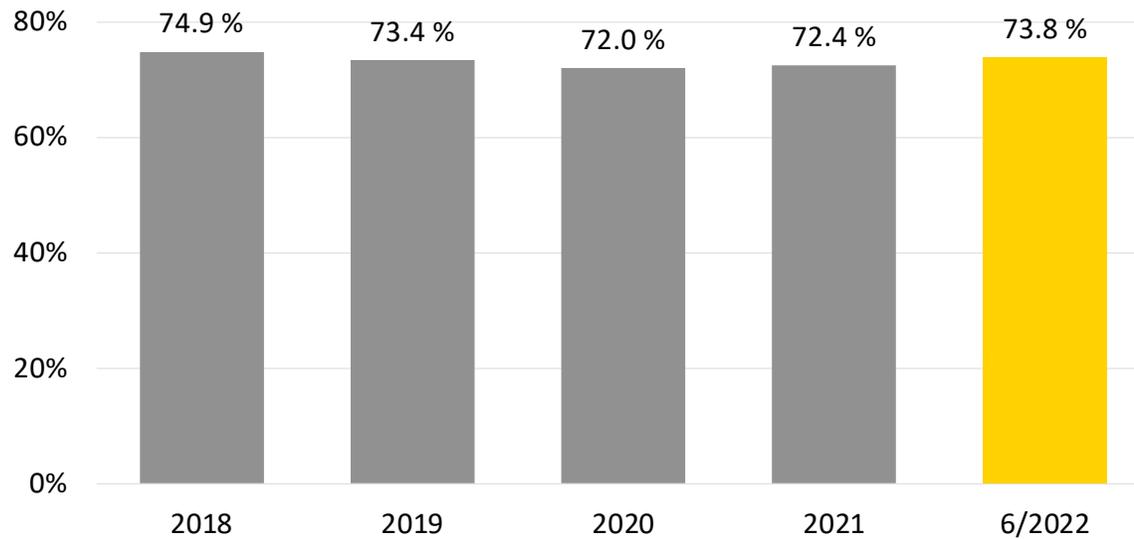
- Premiums written came to EUR 2.1 billion, which was nearly at the same level as the amount paid in pensions and other benefits.
- The first half of the year has been moderate in terms of credit losses.
- Elo's total TyEL payroll in the first half of the year was approximately 6.9 per cent higher than in the corresponding period in 2021.



Total surplus -1.1 EUR billion

EUR million	1.1.–30.6.2022	1.1.–30.6.2021
Total surplus	-1,102.5	904.6
Insurance business surplus	22.8	5.8
Investment surplus at fair values	-1,141.3	883.0
Net investment income at fair values (+)	-1,326.4	2,007.5
Yield requirement on technical provision (-)	185.1	-1,124.5
Loading profit	15.0	15.1
Other income	1.1	0.6
Distribution of surplus	-1,102.5	904.6
Change in solvency	-1,102.5	904.6
Change in provision for future bonuses	124.6	-163.2
Change in valuation differences	-1,227.0	1,067.8
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

Expense loading ratio less than 74 per cent

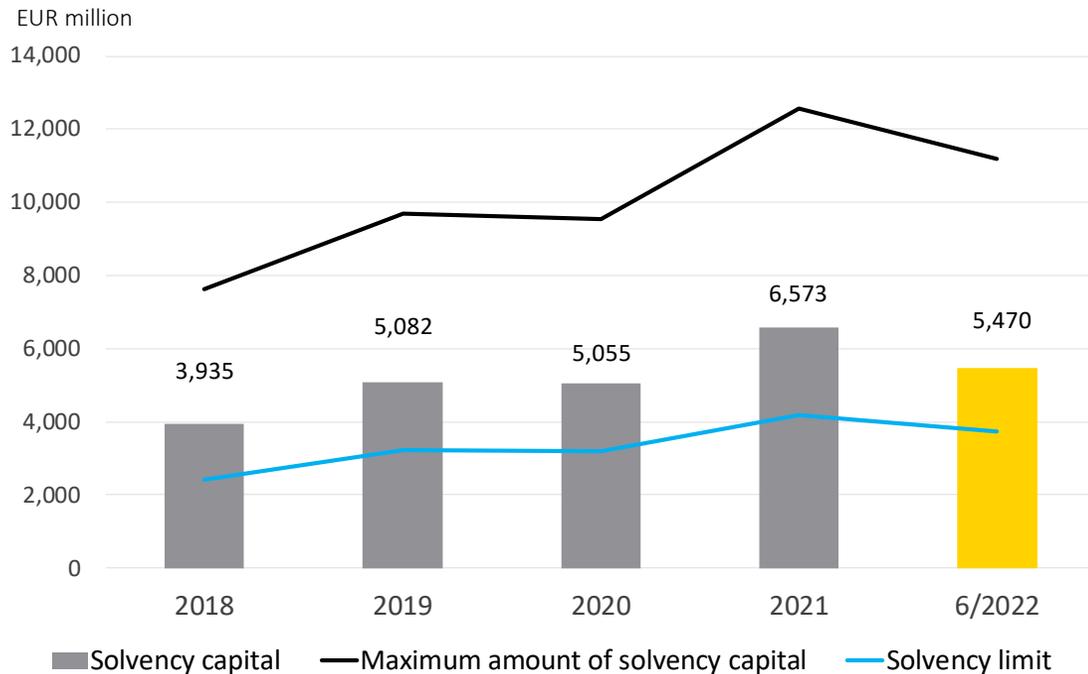


EUR million	2018	2019	2020	0	6/2022
Loading income	126.6	132.3	118.7	123.2	57.1
Activity-based operating expenses	-94.8	-97.1	-85.4	-89.3	-42.2
Loading profit	31.8	35.2	33.2	34.0	15.0

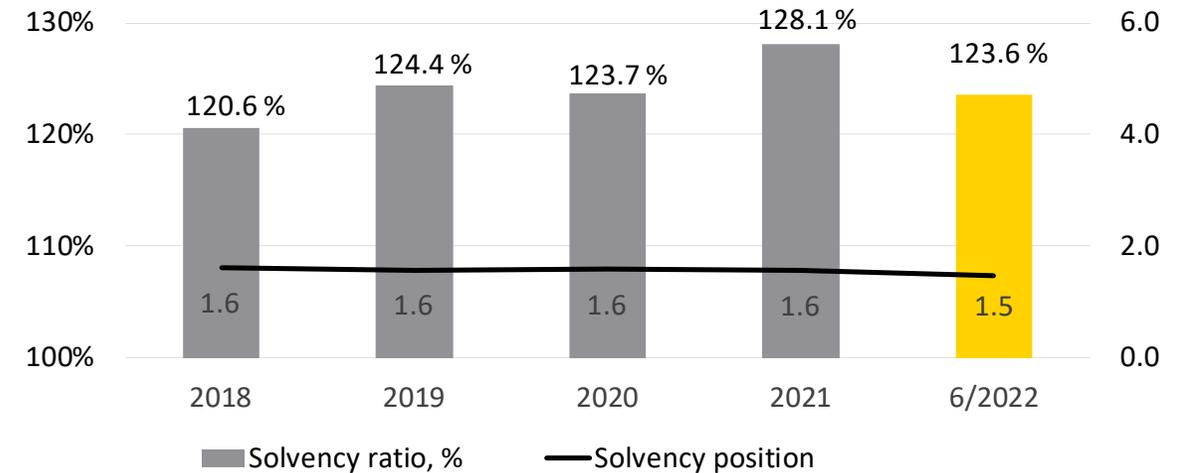
- Function-specific operating expenses are clearly decreasing.
- The loading profit was cut by approximately 10% in 2022.

Solvency development

Key solvency figures



Solvency ratio and position



Summary of key figures

	6/2022	6/2021	2021
Investment assets at fair value, EUR million	27,991.1	27,778.3	29,421.9
Net return from investment on capital employed, %	-4.5 %	7.8 %	14.0 %
Average nominal return, over 10 years	6.1 %	6.0 %	6.9 %
Average nominal return, over 5 years	5.3 %	6.9 %	7.2 %
Premiums written, EUR million	2,110.3	1,981.3	4,035.9
Pensions and other benefits paid, EUR million	2,058.1	2,010.6	4,030.2
Technical provisions, EUR million	23,655.5	23,261.7	23,750.4
Number of TyEL insured	438,700	418,300	415,500
Number of TyEL policyholders	47,100	50,200	51,200
Number of YEL policyholders	84,500	83,600	84,500
Number of pensioners	245,600	244,000	246,100
Loading profit, EUR million	15.0	15.1	34.0
Operating expenses as % of loading component	73.8 %	75.1 %	72.4 %
Solvency capital, EUR million	5,470.4	5,958.7	6,573.4
Solvency position	1.5	1.6	1.6
Solvency ratio, %	123.6 %	126.6 %	128.1 %

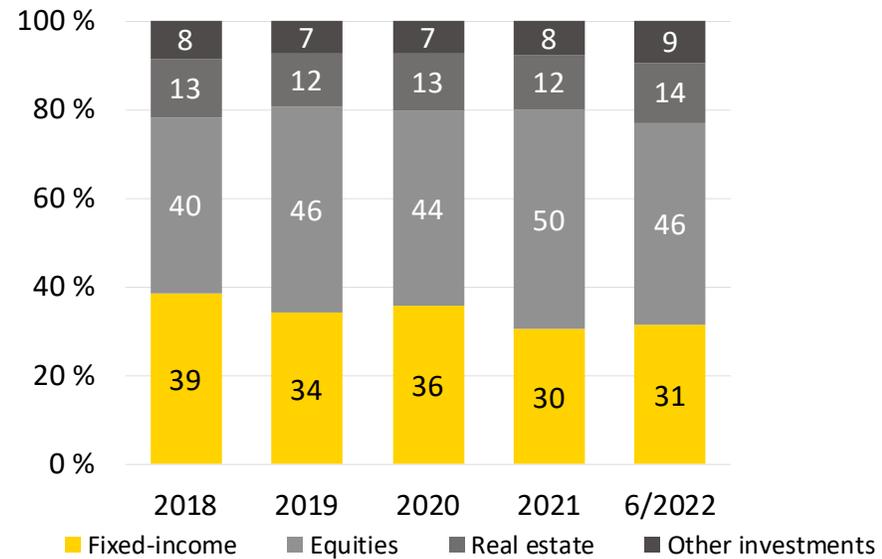
Investment Overview

Central banks play a major role to rein in inflation

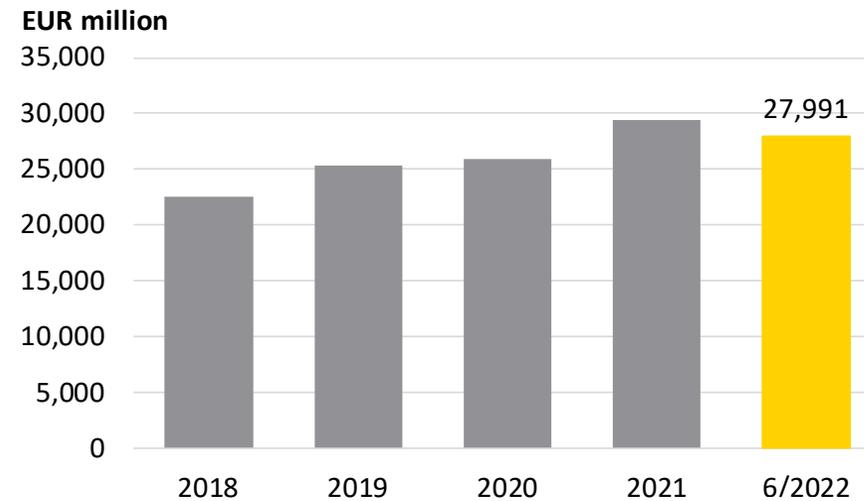
- Economic growth slowed down during the first half of the year due to accelerating inflation, tightening monetary policy and interest hikes. Russia's war of aggression in Ukraine and COVID-19 lockdowns in China weakened the economic outlook further. In Finland, inflation was more moderate and economic growth slower than in Europe on average.
- Central banks tightened their monetary policy to rein in inflation. The US Federal Reserve (Fed) increased interest rates with the biggest individual interest hike in almost 30 years.
- Expectations of interest hikes by the European Central Bank increased interest rates in indebted euro zone countries in particular and brought up concerns over economic growth and the financial market fragmentation in the euro zone. In order to avoid this, the ECB introduced a new stability instrument that is independent of the monetary policy focusing on increasing interest rates.
- The investment environment was exceptional during the first half of the year. Long-term market rates increased considerably and investors had to assess the pricing of the equity market in the new interest rate environment

Investment assets EUR 28.0 billion

Asset allocation

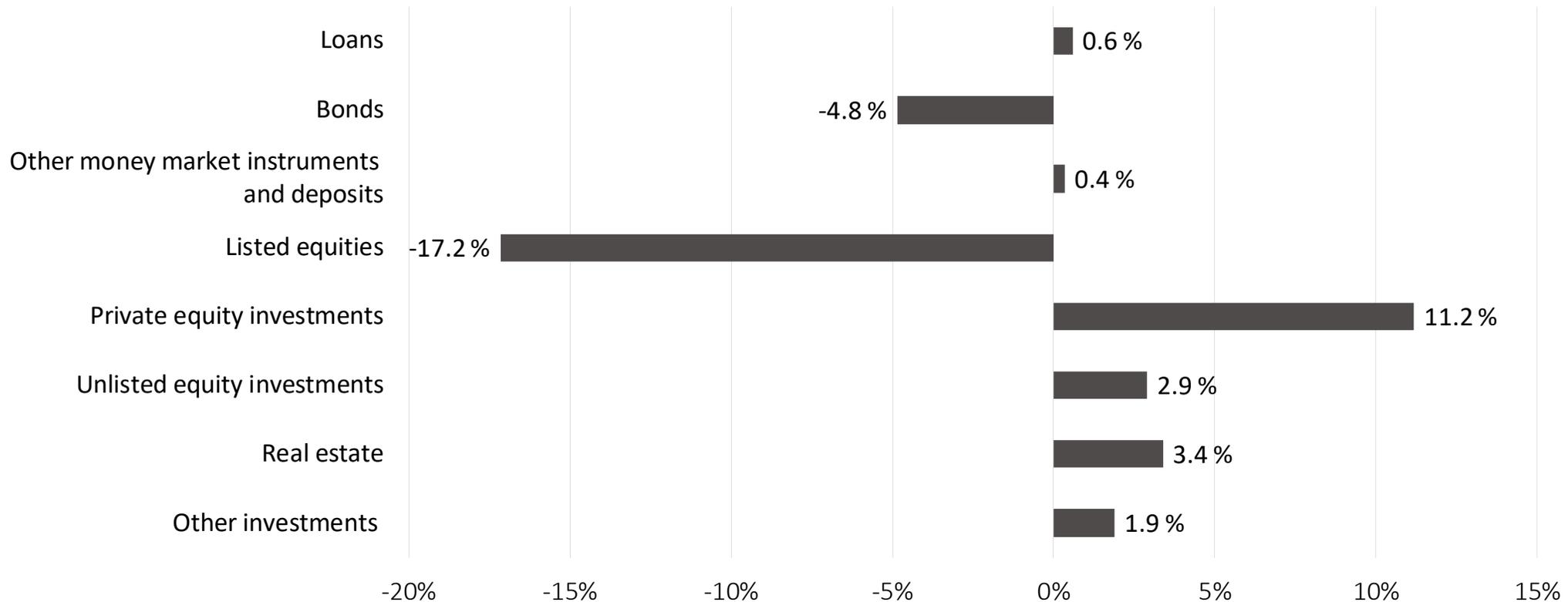


Investment assets



Alternative investments yielded positive returns

Return on investments by asset class



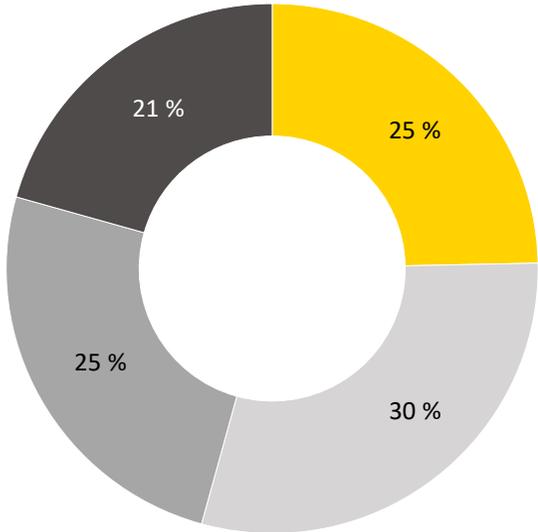
H1 return on investments -4.5%

	Basic allocation by market value		Actual risk position		Return		Volatility	
	EUR million	%	EUR million	%	%	%	%	
Fixed-income investments	8,483.8	30.3	7,802.2	27.9	-3.5			
Loans	477.9	1.7	477.9	1.7	0.6			
Bonds	6,132.6	21.9	3,472.6	12.4	-4.8		9.2	
Public bonds	2,014.7	7.2	1,311.4	4.7	-5.8			
Other bonds	4,117.9	14.7	2,161.2	7.7	-4.3			
Other money market instruments and deposits incl. any receivables and liabilities related to investments	1,873.3	6.7	3,851.7	13.8	0.4			
Equities	13,146.9	47.0	12,822.1	45.8	-8.2			
Listed equities	7,906.8	28.2	7,582.0	27.1	-17.2		11.6	
Private equity investments	4,637.7	16.6	4,637.7	16.6	11.2			
Unlisted equity investments	602.4	2.2	602.4	2.2	2.9			
Real estate	3,784.8	13.5	3,784.8	13.5	3.4			
Direct real estate investments	2,631.4	9.4	2,631.4	9.4	1.8			
Real estate funds and joint investment companies	1,153.4	4.1	1,153.4	4.1	7.3			
Other investments	2,575.6	9.2	2,603.8	9.3	1.9			
Hedge fund investments	2,628.1	9.4	2,628.1	9.4	3.4		7.2	
Commodity investments	-3.5	0.0	24.7	-0.1	-			
Other investments	-49.0	-0.2	-49.0	-0.2	-			
Total investments	27,991.1	100.0	27,012.9	96.5	-4.5		4.8	
Effect of derivatives			978.2	3.5				
Total	27,991.1	100.0	27,991.1	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 2.6.
The open currency exposure is 23.1% of market value.

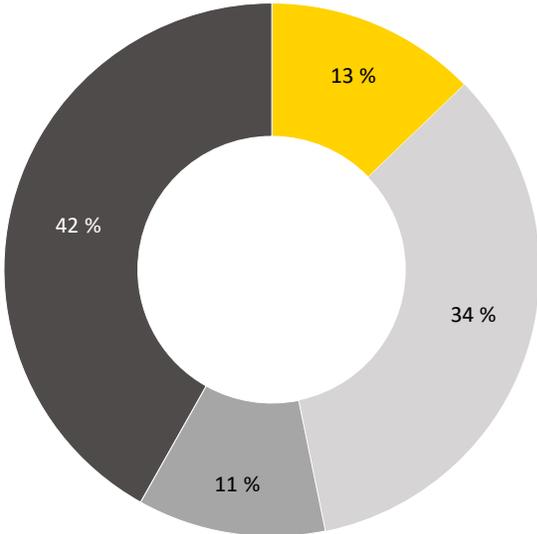
One-fourth of investments in Finland

Geographical distribution of investments



■ Finland ■ Europe ■ North America ■ Other regions

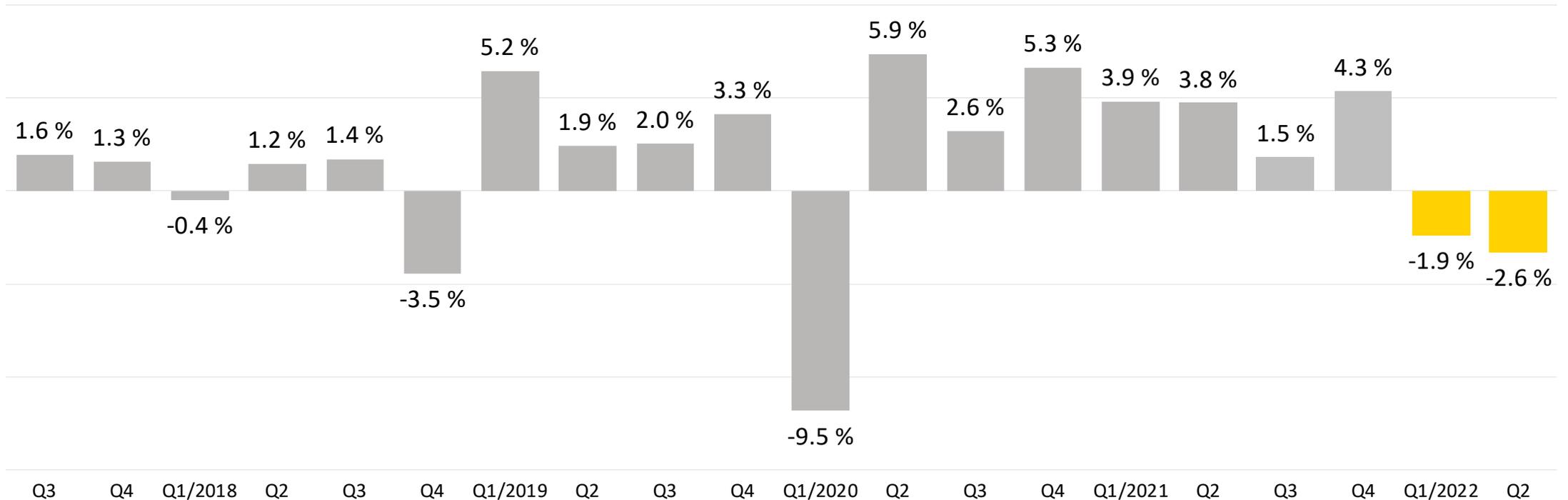
Investments in Finland by asset class



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

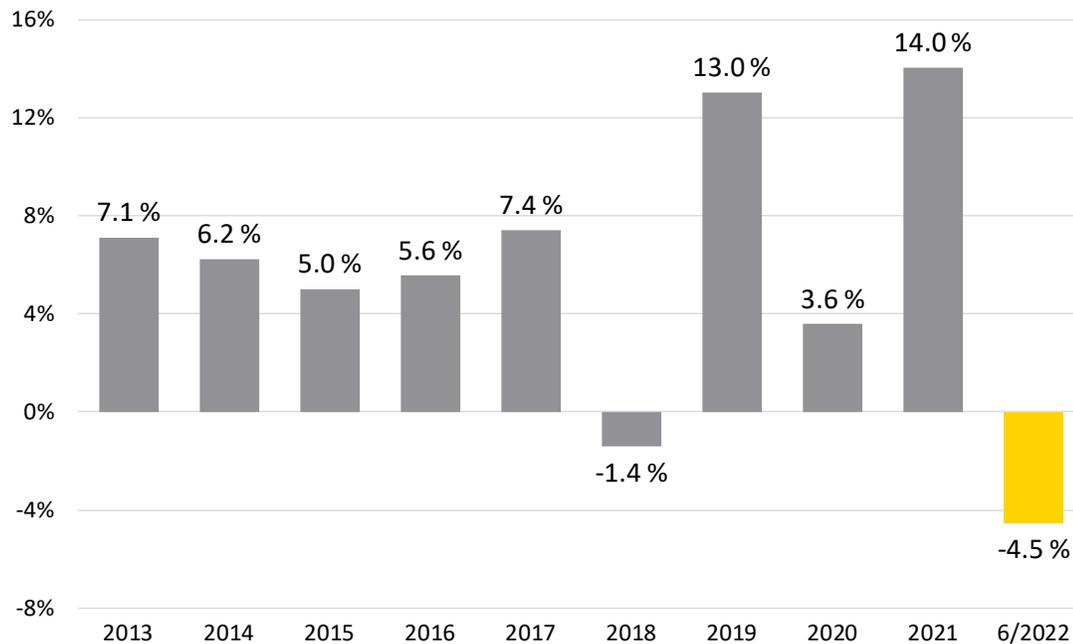


Returns weakened in the first quarter due to accelerating inflation and tightening of monetary policy

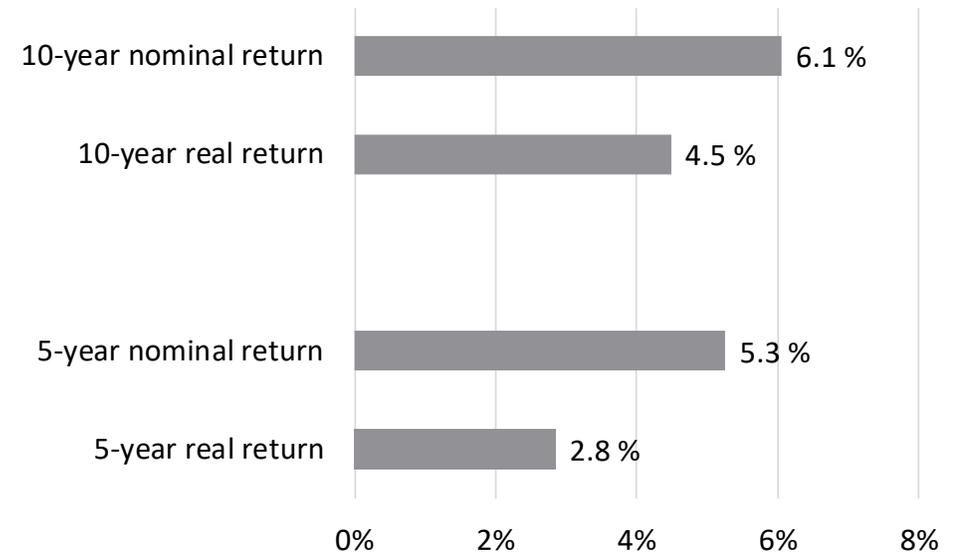


Ten-year return was 6.1 per cent per annum

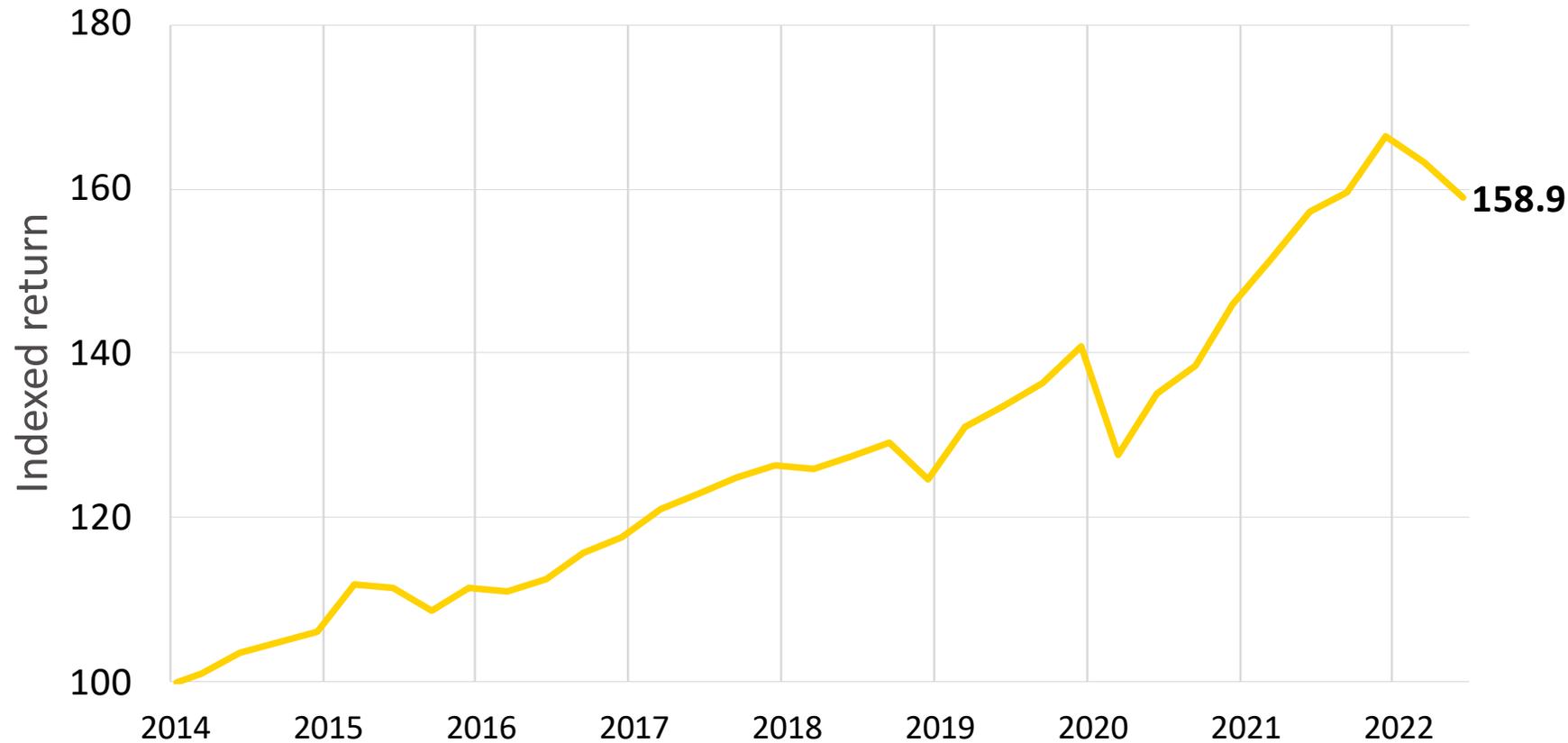
Investment returns



Average return on investments over time



Investments have returned almost EUR 10.1 billion, or some 60 per cent, since Elo started operations



Responsibility is about continuous small and major actions

- According to Oikotie's responsible employer survey published in May, Elo is seen as a responsible employer. Elo received the best grades for good applicant experience, meaningfulness of work and development at work, work-life balance and well-being and non-discrimination. Room for development was found in the engagement of personnel and increasing awareness of sustainability and remuneration.
- The environmental efficiency of Elo's own operations is improved with the Green Office model. During the period, Elo employees' consumption habits were surveyed through a questionnaire.
- Elo organised responsible investment workshops for every asset class team during the spring. Key themes in the workshops were integrating sustainability risks into investment decisions, Elo's climate strategy, active ownership and engagement as well as reporting.
- Elo will update its principles of responsible investment, prepare a climate road map for 2030 and assess the material sustainability risks of different asset classes during 2022.
- Elo participated through the CDP's non-disclosure campaign in encouraging companies to report on risks and management relating to climate change, water, and deforestation.

Future outlook

- Central banks play a major role in restraining inflationary pressures in an economy. The challenge is to raise interest rates and curb inflation without bringing economic growth into a standstill. The European Central Bank began interest hikes in July in spite of the risk of a recession.
- Economic growth is likely to slow down in the near-term future and inflation will probably stay high due to increased raw material prices and supply disruptions, among other factors.
- Energy prices have increased strongly as global demand has increased and supply has weakened. The supply of clean and sustainable energy is not sufficient to offset the energy shortage in the current geopolitical situation, and governments are forced to slow down their decisions on the green transition.
- The earnings season of Finnish companies has been good compared to the forecasts. Nevertheless, companies' uncertainty over the future has risen, and hence, earnings forecasts for this year have already been lowered. Companies' earnings may decrease further due to increasing costs and weakening economic environment