



**Interim report**  
**1 January – 30 September 2022**

Elo Mutual Pension Insurance Company



# Key figures 30 September 2022

Investment assets <b>28.0</b> EUR billion	Return <b>-4.9</b> %	10-year nominal return <b>5.7</b> %
Solvency ratio <b>122.2</b> %	Premiums written <b>3,253</b> EUR million	Pensions and other benefits paid <b>3,101</b> EUR million





Number of YEL policyholders

**84,600**

Number of TyEL policyholders

**47,600**



Total number of self-employed persons and employees insured

**515,800**



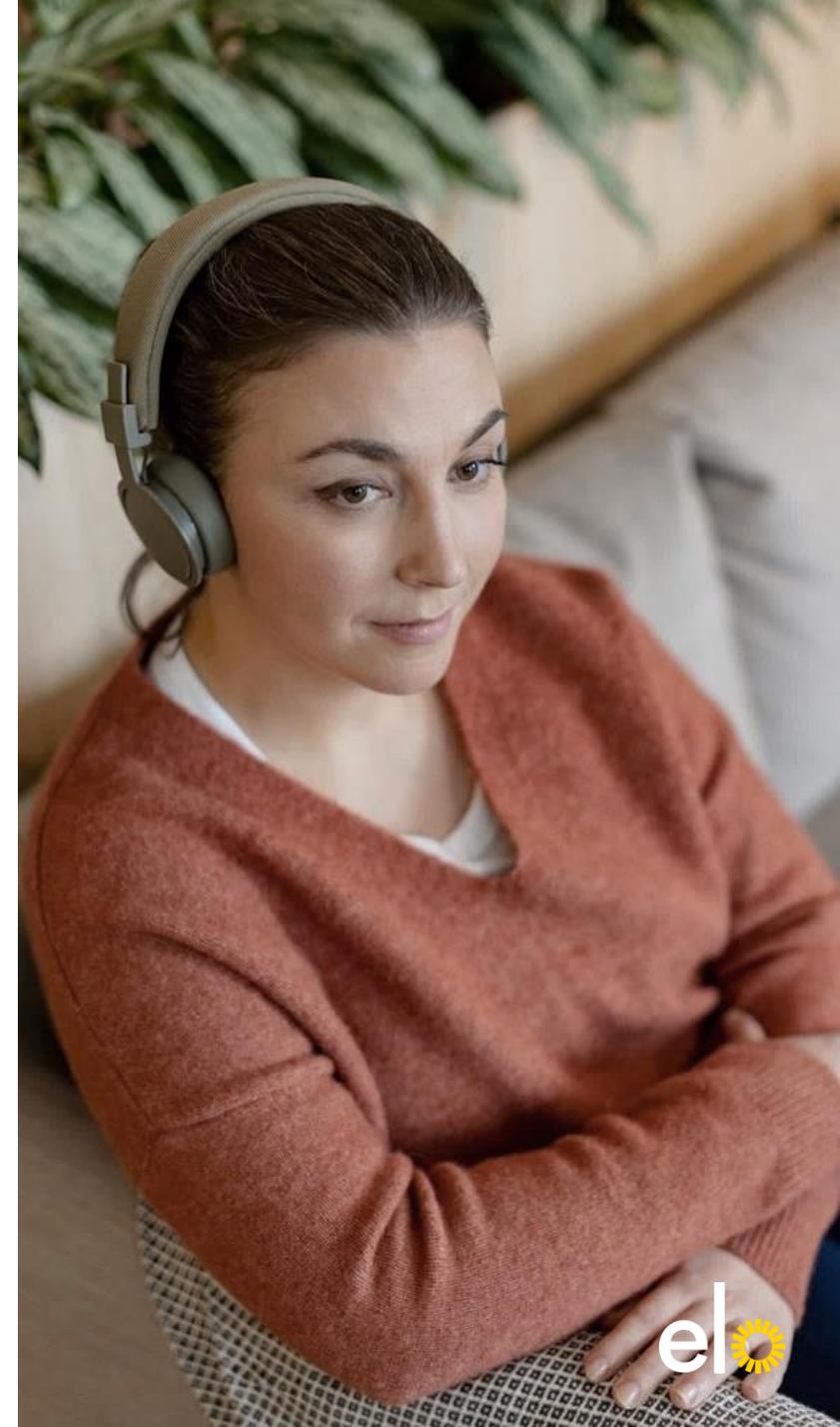
We pay out pensions to

**246,800**

pensioners

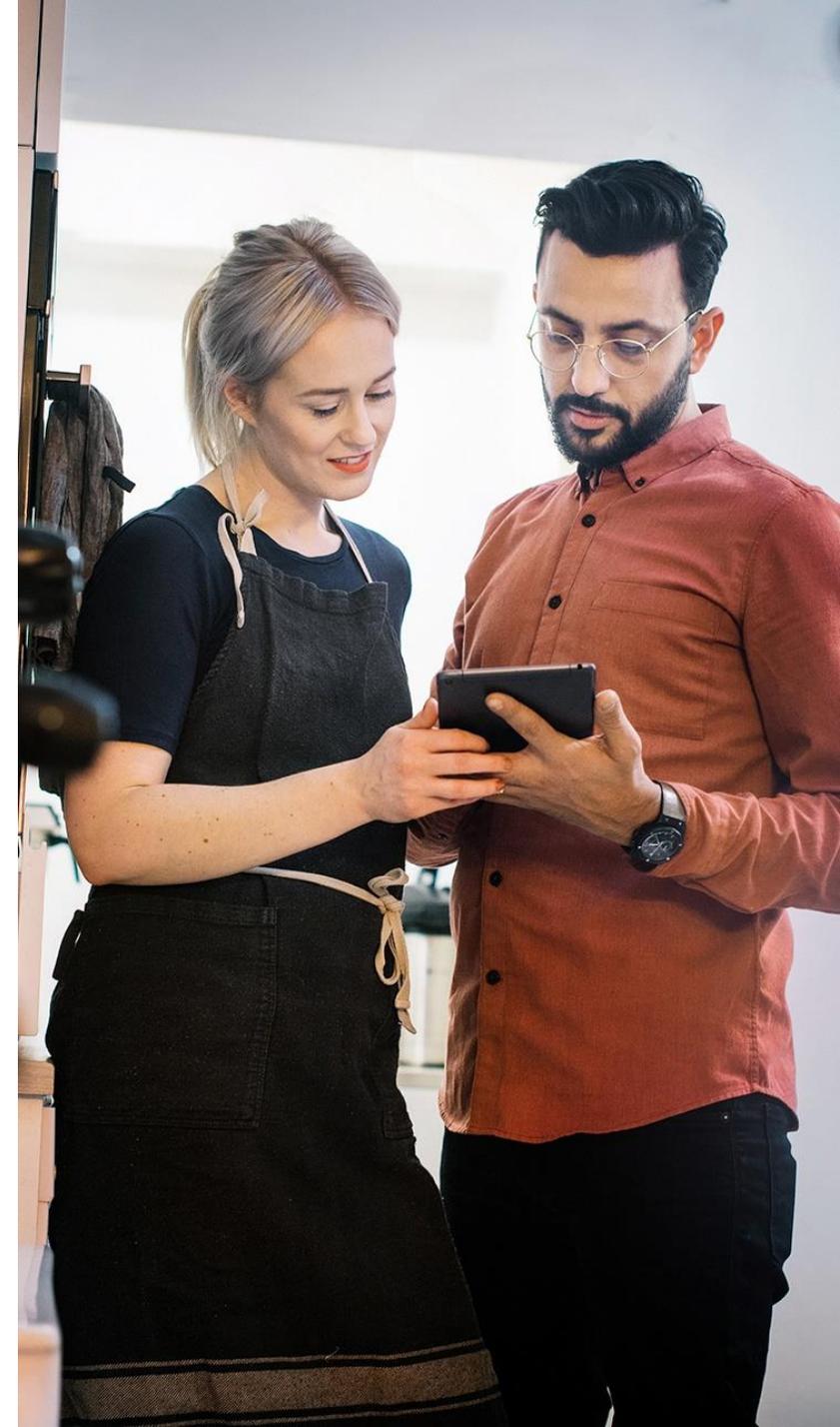
# Elo is involved in changes in insurance and pension matters

- At the turn of the year, an exceptionally large index increase is expected for employment pensions. The increase has activated our customers to contact us and the number of applications has increased. We will provide more information about the impact of the index increase once the indices have been confirmed.
- We are preparing for the amendments to self-employed persons' pension legislation possibly to be introduced at the turn of the year. We communicate the impacts of the amendment, also taking into account the questions raised by self-employed persons.
- We introduced the employment pension sector's joint YEL earned income calculator in the insurance application service. The earned incomes of new YEL insurance policies have continued to increase.



# We support companies in growing mental health challenges

- We examined the views of corporate decision-makers on mental health issues in working life. A total of 79 per cent of corporate decision-makers expect mental health challenges to increase. Corporate decision-makers expect supervisors to receive more support in identifying mental well-being challenges and supporting employees, especially from occupational health care, pension companies and corporate management.
- Elo is responding to the increased need for support, providing our customers with more targeted support in reducing mental health-based risks of work disability.
- The EloKanava online library for work ability management was launched in September. EloKanava provides up-to-date information and self-study material on work ability management.

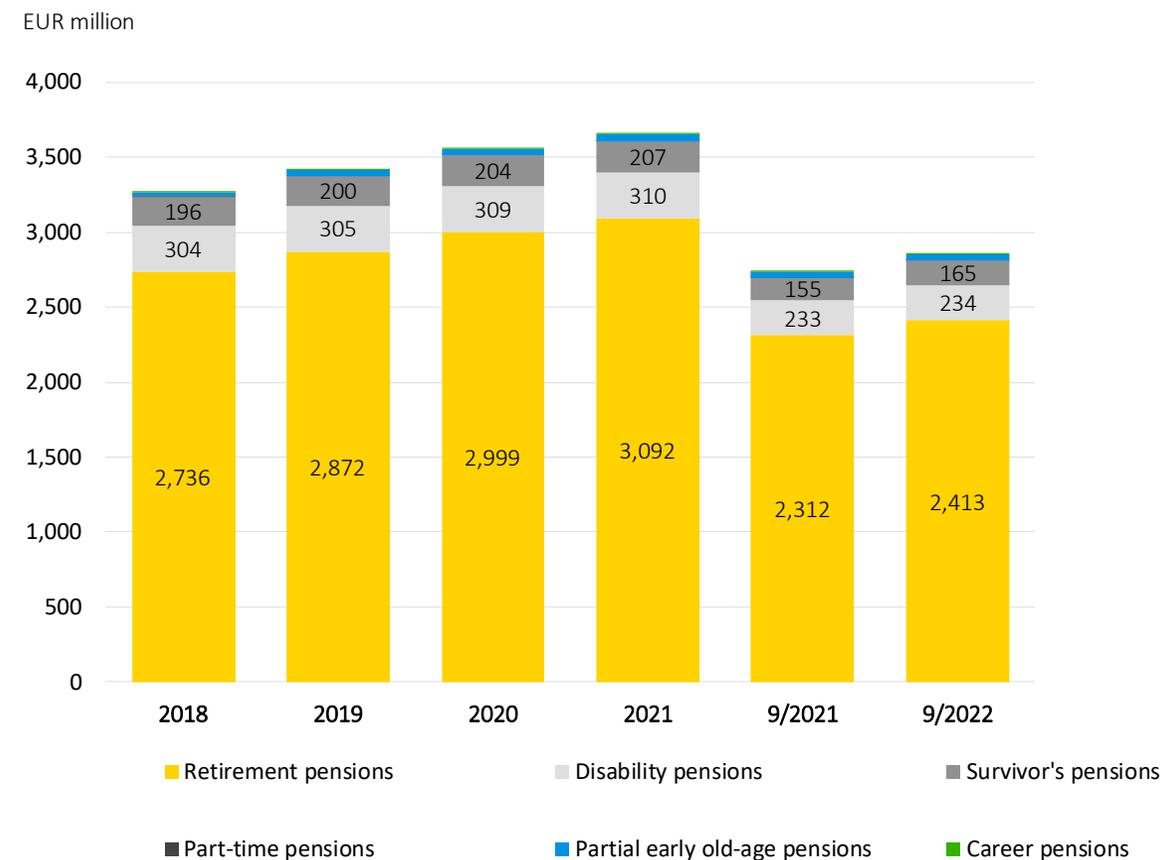


# The number of pensioners approximately 246 800

## Pensions paid by pension type

Type of pension	pcs.	EUR million
Old-age pension	187,703	2,413.0
Disability pension	22,299	234.2
Survivors' pension	30,813	164.9
Part-time pension	5	0.1
Partial early old-age pension	5,945	39.5
Years-of-service pension	22	0.0
<b>Total</b>	<b>246,787</b>	<b>2,852.1</b>

## Pensions paid by pension type 2018–9/2022



# Number of pension decisions is increasing

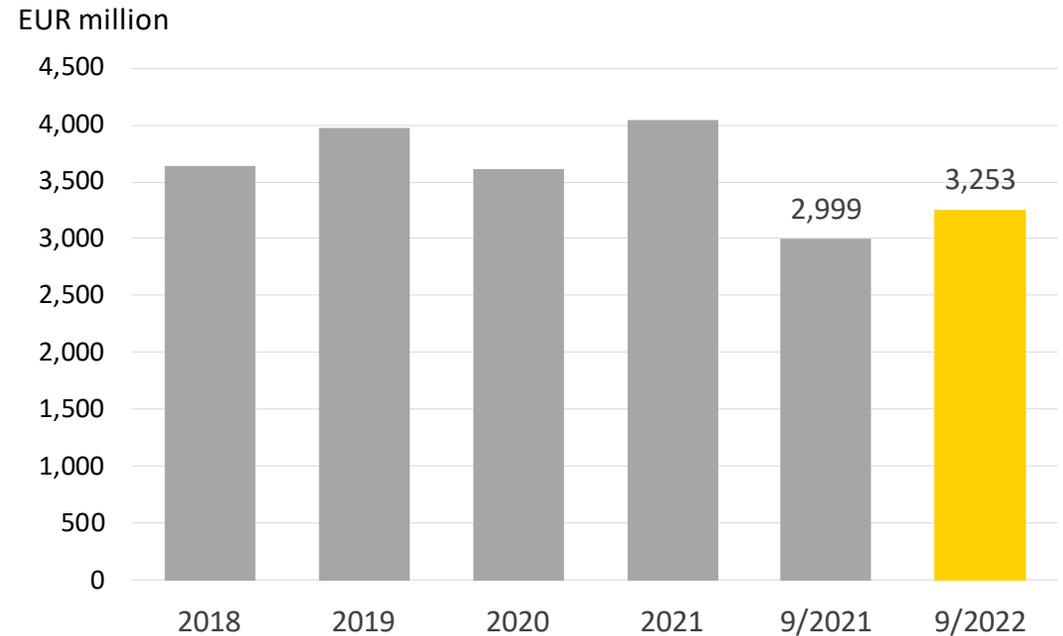
- A total of 8,869 disability pension decisions were issued, of which a total of 4,504 were new.
- The decrease in the number of rehabilitation decisions issued that began in 2020 accelerated, and approximately 13% less rehabilitation decisions were issued than in the previous year.
- The number of applications for partial old-age pensions has risen throughout the year and the number of applications doubled in September. The increase in the number of applications is likely attributable to the exceptionally large increase in the employment pension index next year.
- An increase can also be seen in the number of applications for survivors' pensions and old-age pensions.

## Pension decisions by pension type

	1-9/2022	1-9/2021
Retirement pensions	6,737	5,728
Partial early old-age pensions	2,214	1,671
Disability pensions	8,869	8,891
Survivor's pensions	1,875	1,684
Decisions on rehabilitation	1,304	1,499
Career pensions	37	32
<b>Total</b>	<b>21,036</b>	<b>19,505</b>

# Premiums written increased by 8.5 per cent

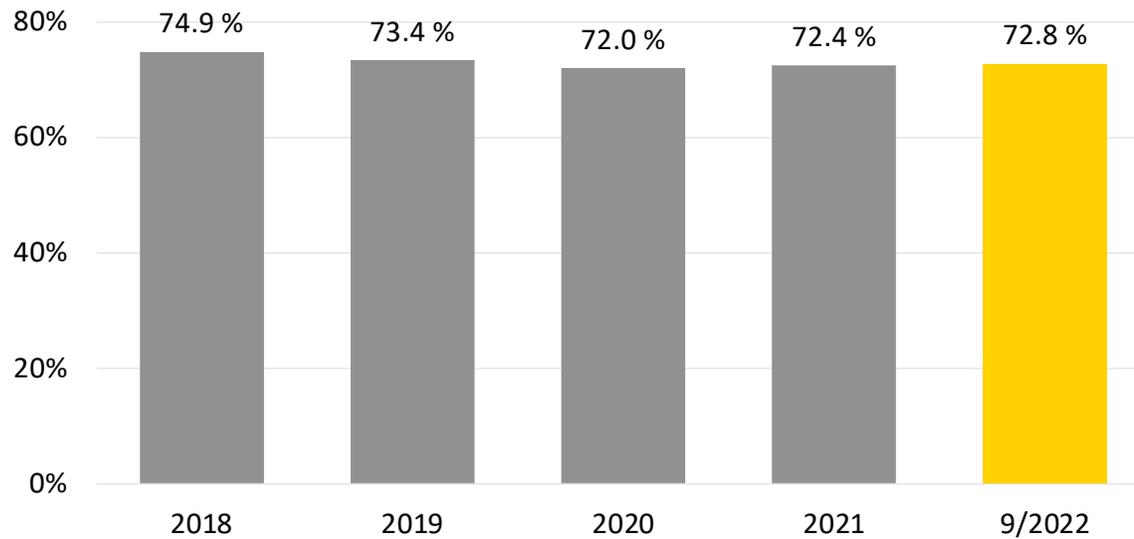
- Premiums written came to EUR 3.3 billion, which was nearly at the same level as the amount paid in pensions and other benefits.
- Elo's TyEL payroll is estimated to be 7.5 per cent higher than in the Q3 2021 interim report.



# Total surplus -1.4 EUR billion

EUR million	1.1.–30.9.2022	1.1.–30.9.2021
<b>Total surplus</b>	<b>-1,382.5</b>	<b>1,038.3</b>
Insurance business surplus	30.4	9.8
Investment surplus at fair values	-1,445.2	999.7
Net investment income at fair values (+)	-1,443.6	2,414.9
Yield requirement on technical provision (-)	-1.6	-1,415.2
Loading profit	23.4	26.1
Other income	9.0	2.7
<b>Distribution of surplus</b>	<b>-1,382.5</b>	<b>1,038.3</b>
Change in solvency	-1,382.5	1,038.3
Change in provision for future bonuses	-394.9	-248.8
Change in valuation differences	-987.6	1,287.1
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 below 73 per cent

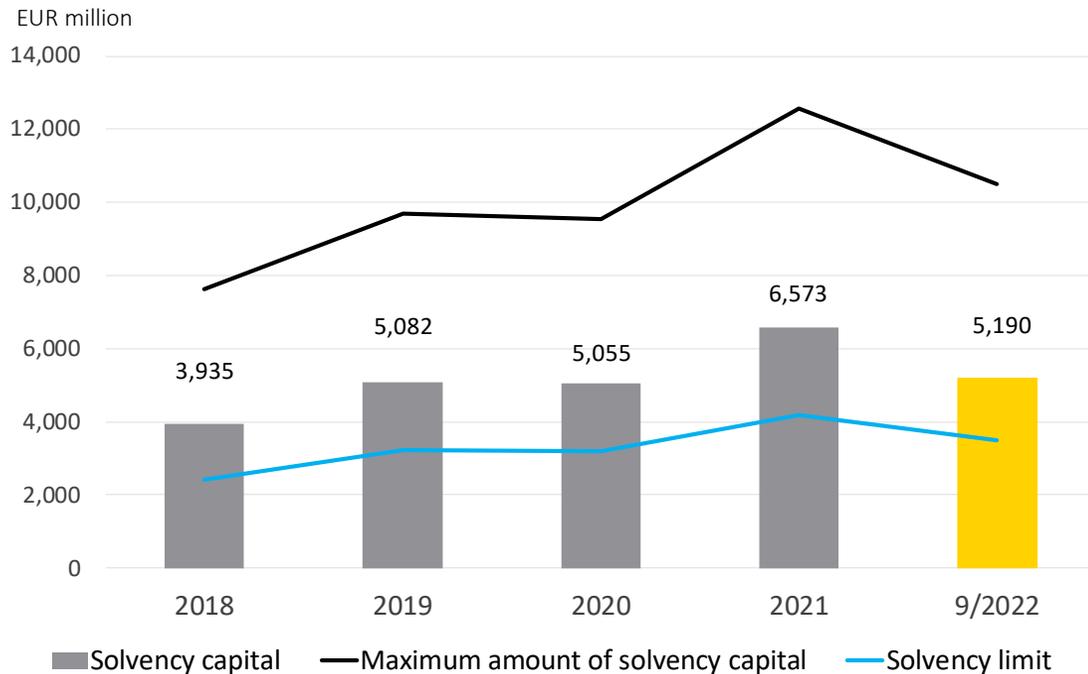


EUR million	2018	2019	2020	2021	9/2022
Loading income	126.6	132.3	118.7	123.2	86.1
Activity-based operating expenses	-94.8	-97.1	-85.4	-89.3	-62.7
Loading profit	31.8	35.2	33.2	34.0	23.4

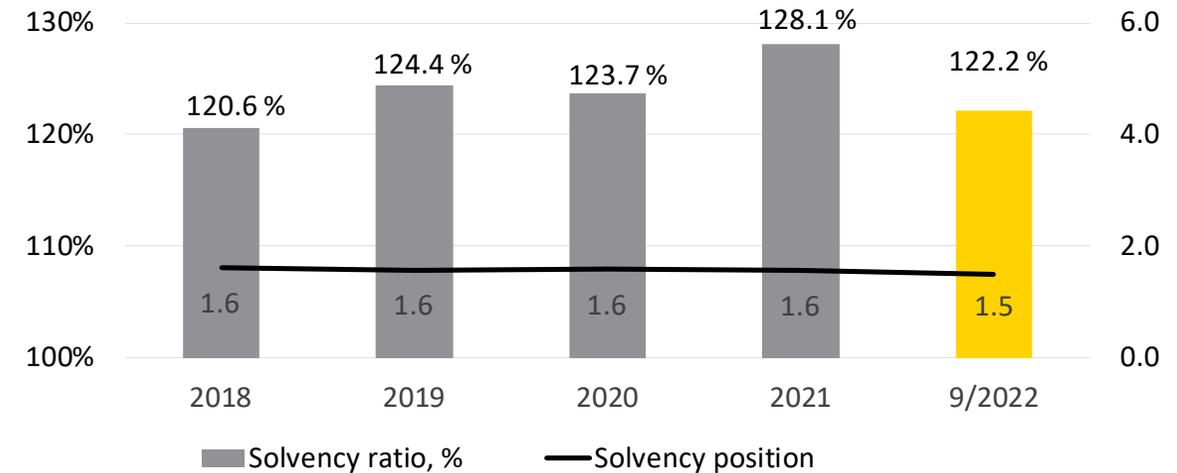
- Function-specific operating expenses are clearly decreasing.
- The loading profit was cut by approximately 10% in 2022.

# Solvency development

## Key solvency figures



## Solvency ratio and position



# Summary of key figures

	9/2022	9/2021	2021
Investment assets at fair value, EUR million	27,989.9	28,262.7	29,421.9
Net return from investment on capital employed, %	-4.9 %	9.4 %	14.0 %
Average nominal return, over 10 years	5.7 %	6.7 %	6.9 %
Average nominal return, over 5 years	4.8 %	6.6 %	7.2 %
Premiums written, EUR million	3,252.5	2,998.7	4,035.9
Pensions and other benefits paid, EUR million	3,101.1	3,010.2	4,030.2
Technical provisions, EUR million	23,374.7	23,445.4	23,750.4
Number of TyEL insured	431,200	416,800	415,500
Number of TyEL policyholders	47,600	51,000	51,200
Number of YEL policyholders	84,600	83,900	84,500
Number of pensioners	246,800	245,800	246,100
Loading profit, EUR million	23.4	26.1	34.0
Operating expenses as % of loading component	72.8 %	71.6 %	72.4 %
Solvency capital, EUR million	5,190.4	6,092.4	6,573.4
Solvency position	1.5	1.6	1.6
Solvency ratio, %	122.2 %	126.9 %	128.1 %

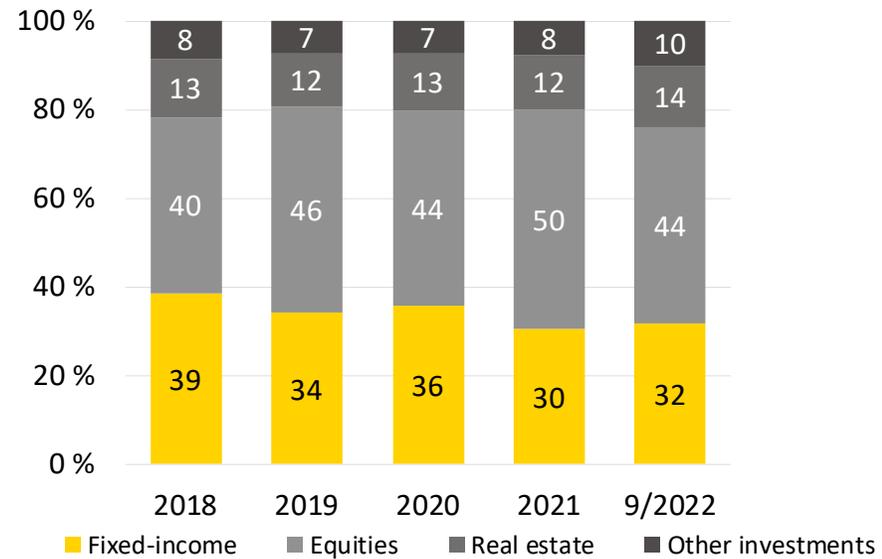
# Investment Overview

# Central banks control inflation with rate hikes

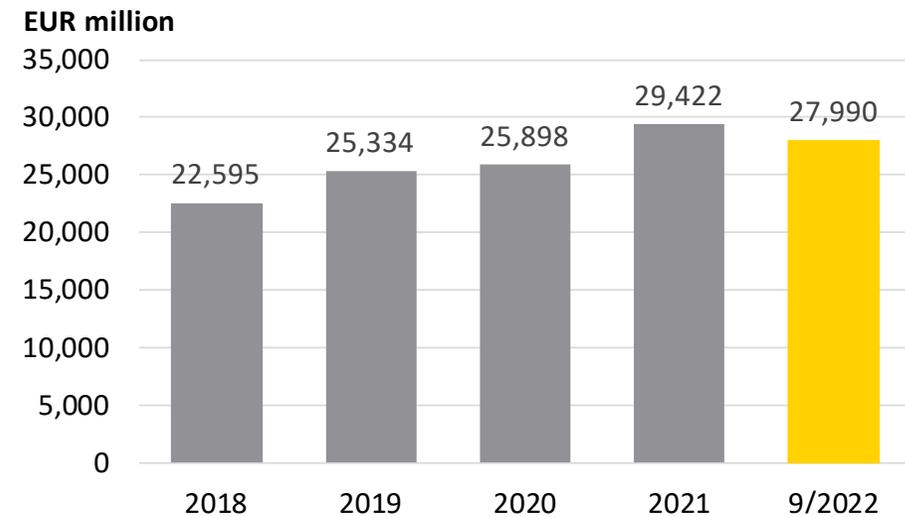
- Global growth slowed down further in the third quarter. Growth was limited by tighter financing conditions and a reduction in real purchasing power as a result of inflation.
- Financial market volatility was strong in late summer and early autumn. Market interest rates rose substantially almost everywhere in the world and returns on equities weakened.
- Europe is facing an energy crisis and a recession is considered to be possible. The EU member states introduced extensive fiscal support measures to support businesses and households and to achieve a positive growth impact.
- The United States economy overheated after the pandemic. Labour markets remained tight and consumer demand relative to supply is not yet fully balanced. The challenge is broad-based inflation, and the Federal Reserve has set combatting it as its primary objective.

# Investment assets EUR 28.0 billion

## Asset allocation

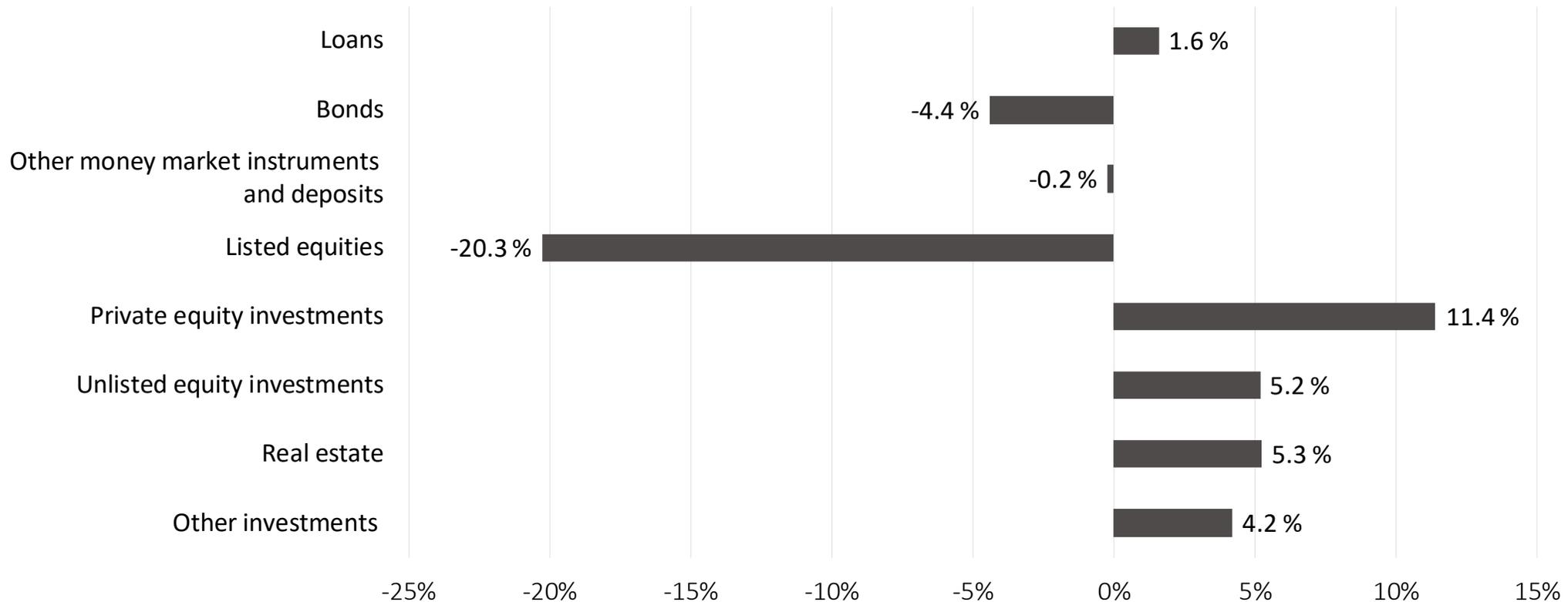


## Investment assets



# Accelerating inflation and tightening monetary policy weakened the equity market

## Return on investments by asset class



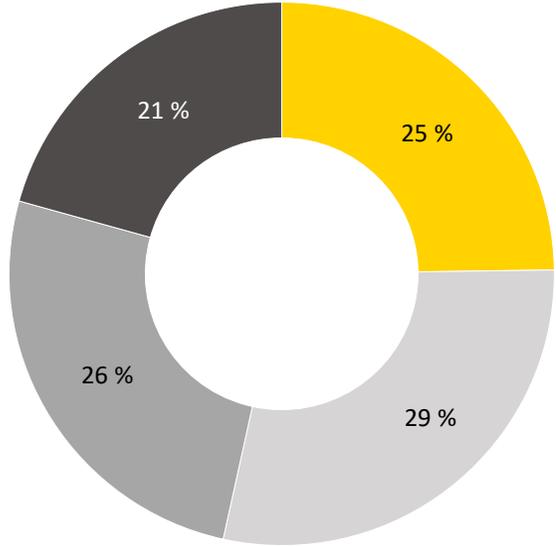
# Return on investments -4.9%

	Basic allocation by market value		Actual risk position		Return		Volatility	
	EUR million	%	EUR million	%	%	%		
Fixed-income investments	8,531.8	30.5	8,576.9	30.6	-3.2			
Loans	474.1	1.7	474.1	1.7	1.6			
Bonds	6,078.0	21.7	4,336.7	15.5	-4.4	9.3		
Public bonds	1,718.1	6.1	1,761.0	6.3	-7.5			
Other bonds	4,359.9	15.6	2,575.7	9.2	-2.6			
Other money market instruments and deposits incl. any receivables and liabilities related to investments	1,979.7	7.1	3,766.1	13.5	-0.2			
Equities	12,800.1	45.7	12,409.9	44.3	-10.1			
Listed equities	7,444.4	26.6	7,054.2	25.2	-20.3	13.2		
Private equity investments	4,789.0	17.1	4,789.0	17.1	11.4			
Unlisted equity investments	566.8	2.0	566.8	2.0	5.2			
Real estate	3,876.4	13.8	3,876.4	13.8	5.3			
Direct real estate investments	2,648.9	9.5	2,648.9	9.5	2.8			
Real estate funds and joint investment companies	1,227.4	4.4	1,227.4	4.4	11.2			
Other investments	2,781.6	9.9	2,818.2	10.1	4.2			
Hedge fund investments	2,803.3	10.0	2,803.3	10.0	7.0	6.7		
Commodity investments	-2.2	0.0	34.3	-0.1	-			
Other investments	-19.5	-0.1	-19.5	-0.1	-			
Total investments	27,989.9	100.0	27,681.3	98.9	-4.9	5.2		
Effect of derivatives			308.6	1.1				
<b>Total</b>	<b>27,989.9</b>	<b>100.0</b>	<b>27,989.9</b>	<b>100.0</b>				

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 3.2.  
The open currency exposure is 23.7% of market value.

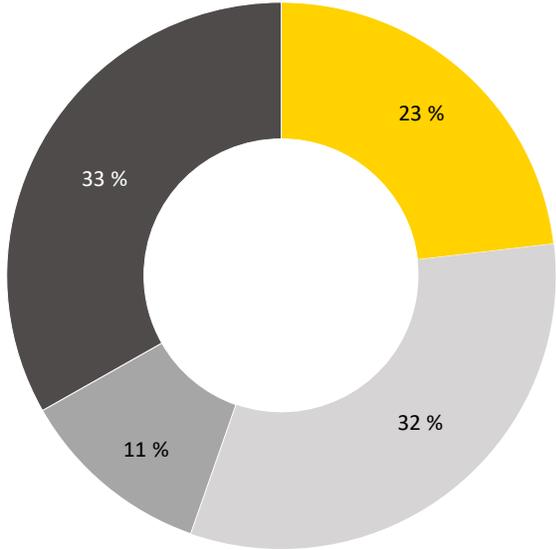
# Diversifying investments manages risks

## Geographical distribution of investments



■ Finland ■ Europe ■ North America ■ Other regions

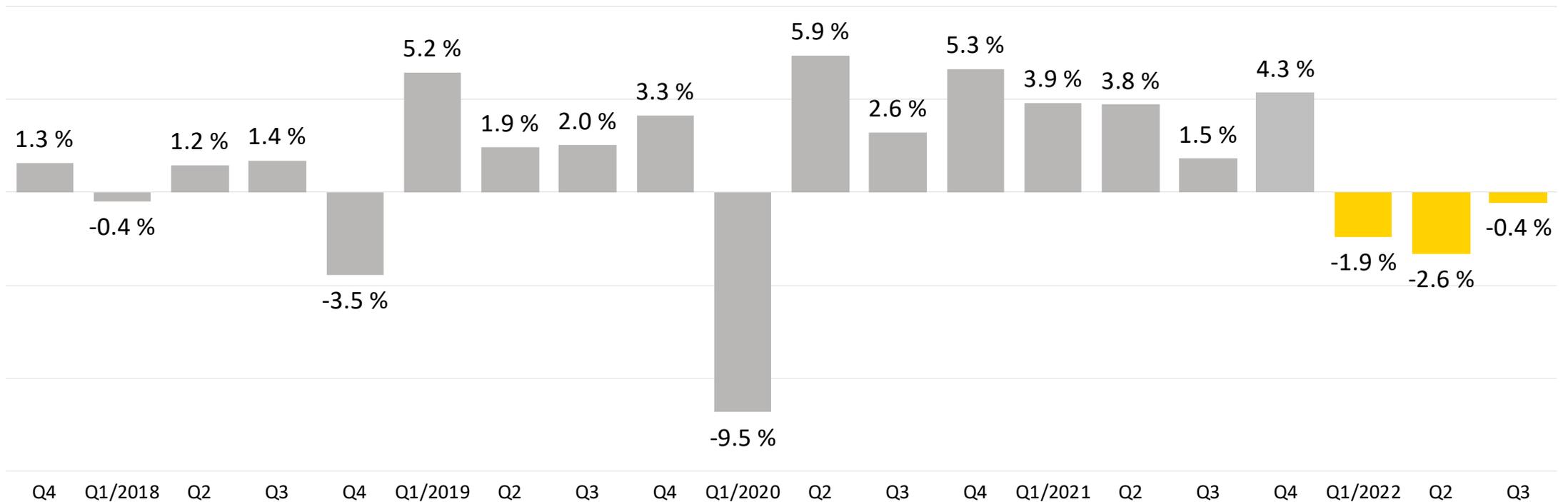
## Investments in Finland by asset class



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

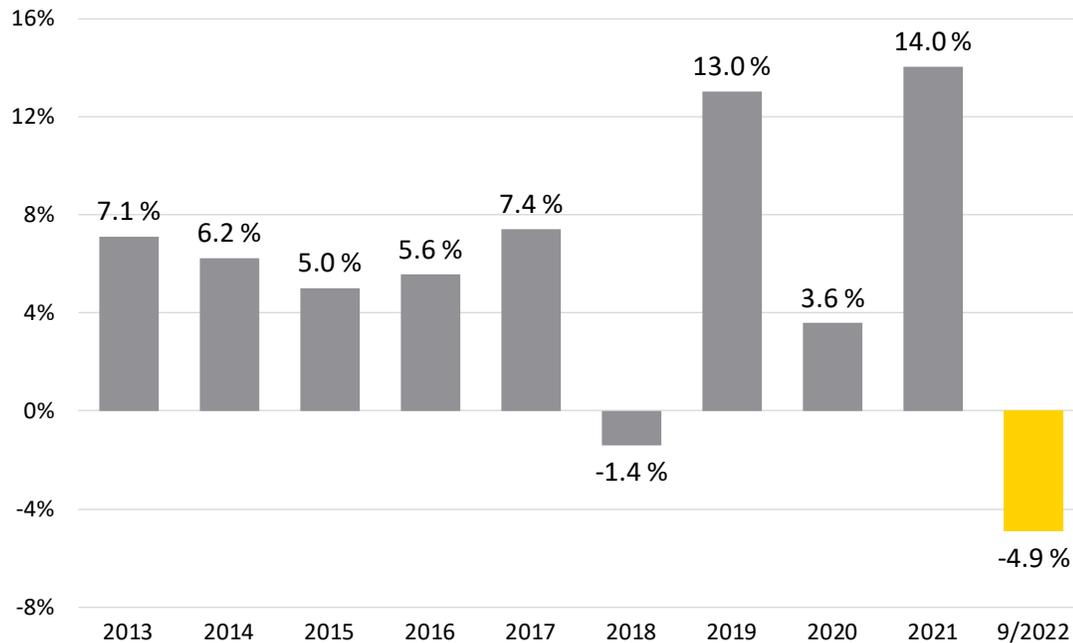


# The investment environment remained exceptionally challenging also in the third quarter

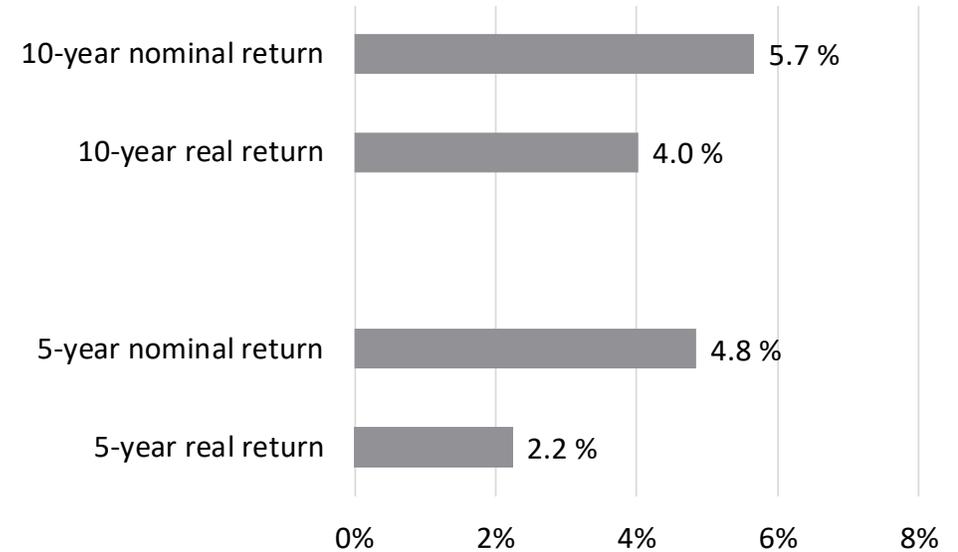


# Ten-year return was 5.7 per cent per annum

## Investment returns



## Average return on investments over time



# Responsible employment and energy

- We participated in the Responsible Summer Job campaign and committed ourselves to the principles of a responsible workplace. Elo employed more than 30 young people in diverse jobs and they also took part in the development of our operations.
- We will continue active responsibility work throughout the organisation, and the responsibility network will support continuous development. The network's task is to promote Elo's responsibility as part of strategy and corporate culture.

## Clean energy production

- We have invested in a total of 24 wind farms in the Nordic countries, 15 of which are located in Finland. The wind farms' combined maximum capacity is almost 2,000 MW, which is somewhat more than the capacity of the Olkiluoto 3 reactor. Naturally, the production of wind turbines varies a lot from year to year and is always far from the nominal capacity. The production of wind farms corresponds to the consumption of more than 400,000 households.
- Elo aims to achieve a steady and predictable cash flow from its wind farm investments. In addition, wind power is a clean and domestic way of generating electricity, which modern society increasingly needs.

# Future outlook

- Inflation will also be crucial for the success of the financial market next year. The rate of increase in consumer prices is too high in relation to central banks' objectives and the risk of inflation taking root has increased. On the other hand, the likelihood of a global recession has increased significantly.
- From the point of view of diversification of investment assets, the interdependence between the equity and fixed income markets is crucial. If central banks manage to contain inflation, the benefits of investment diversification will increase.
- Uncertainty is testing the Finnish business sector and the outlook for exports has become gloomier. However, Finnish companies have the advantage of diversified domestic energy production, especially compared to Central Europe. They also have a low level of indebtedness.
- Finland's economic growth for next year is likely to be significantly slower than this year and a recession is possible.