



1 JANUARY-31 MARCH 2022

Elo interim report

- In the first quarter, Elo's return on investments was -1.9%.
- The market value of the investments was EUR 28.8 billion.
- Solvency has remained at a good level. The solvency ratio was 126.1% and solvency capital was 1.6 times the solvency limit.
- The pensions and other benefits paid amounted to EUR 1,040.0 million.
- The premiums written came to EUR 989.0 million.
- The continuous development of processes was reflected in faster than average pension decisions and good NPS metrics.
- The impacts of Russia's war of aggression on Elo's operations were actively assessed. Particular attention has been paid to the continuity management of Elo's own operations and service providers.

The comparison figures in brackets are figures for 31 March 2021.

Key figures

	1.1.–31.3.2022	1.1.–31.3.2021	1.1.–31.12.2021
Premiums written, EUR million	989.0	983.1	4,035.9
Net investment income at current value, EUR million	-565.5	996.4	3,621.3
Net return from investment on capital employed, %	-1.9 %	3.9 %	14.0 %
	31.3.2022	31.3.2021	31.12.2021
Technical provisions, EUR million	23,947.2	22,792.2	23,750.4
Solvency capital, EUR million ¹⁾	6,070.5	5,479.0	6,573.4
Ratio to solvency limit	1.6	1.5	1.6
Pension assets, EUR million ²⁾	29,340.9	27,371.5	29,982.5
% of technical provisions ²⁾	126.1 %	125.0 %	128.1 %
TyEL payroll, EUR million ³⁾	15,394.5	14,487.7	14,873.9
YEL earned income sum, EUR million ³⁾	1,816.3	1,752.5	1,770.5

1) Calculated in accordance with the regulations in force at each time (the same principle also applies to other solvency indicators)

2) Technical provisions pursuant to section 11, paragraph 10 of the Ministry of Social Affairs and Health's Decree (614/2008) + solvency capital.

3) Estimate of policyholders' salary and reported earnings for the full year

Economic environment

Following the strong recovery last year, economic growth was expected to slow down during 2022, but to remain above permanent trend growth. Accelerating inflation and global tightening of monetary policy were the key risks to growth. Russia's invasion of Ukraine accelerated inflation further, in addition to which the war and the resulting economic sanctions further weakened the prerequisites for economic growth, especially in Europe.

The US Federal Reserve increased its rates in March for the first time since December 2018. The European Central Bank also announced that it will tighten its policy to mitigate inflation.

Employment pension system

Early 2022 saw positive news concerning the retirement age expectancy for the previous year and decreased number of disability pensions. According to Finnish Centre for Pensions statistics, the expected retirement age in Finland was 62.4 years in 2021, six months later than the previous year. The extension of careers has progressed in line with the objectives set out in the employment pension reform of 2017. The aim was for the expectation to increase to a minimum of 62.4 years by 2025, which has now been achieved.

In 2021, a total of 17,500 people retired on a disability pension. The year-on-year decrease was slightly over 8 per cent. The most common individual diagnosis underlying new disability pensions was depression.

Total pension statistics were also completed early in the year. In 2021, the average total pension was EUR 1,784 per month. Women's average pensions (EUR 1,601 per month) was one-fifth lower than men's (EUR 2,006).

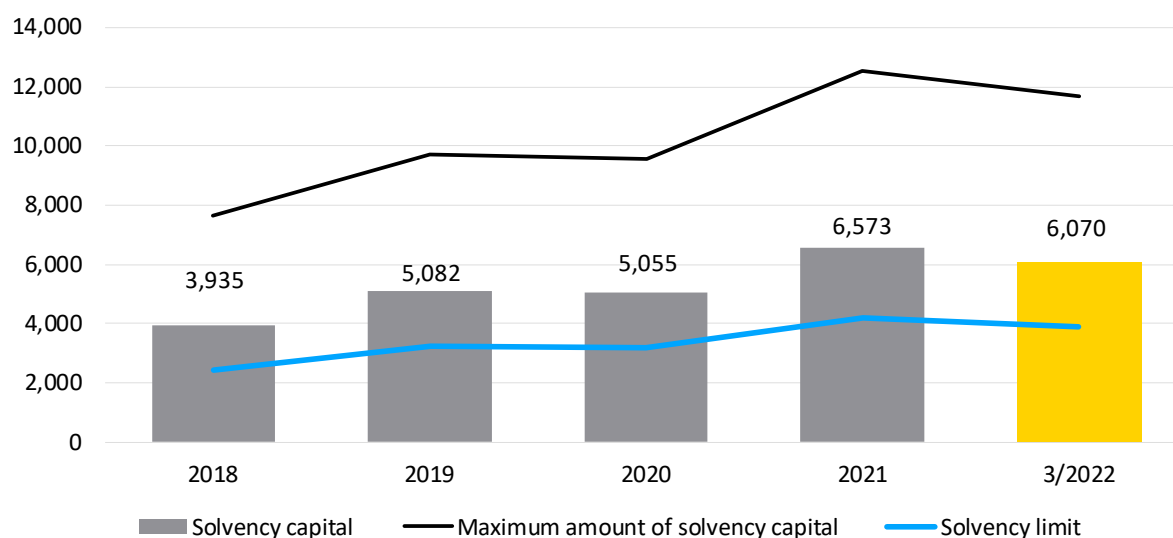
The employment pension sector has conducted investigations to enhance employment pension institution's risk-bearing capacity and investment income, and the proposal to increase the flexibility of the funding of TyEL pensions. According to the proposal, pension institutions' old-age pension liabilities could be adjusted in a weak investment market situation. The aim is to make it possible to pursue good returns on investments through long-term investment operations also when the investment market is weakened.

The proposal submitted to the Parliament of Finland also includes an amendment to the expense loading component of pension insurance companies. In the future, the companies will each determine the proportion of pension insurance contributions needed to execute employment pensions and manage insurance. However, expense loading components would still also involve components that are determined collectively for the sector. The amendments are to enter into force in June 2023.

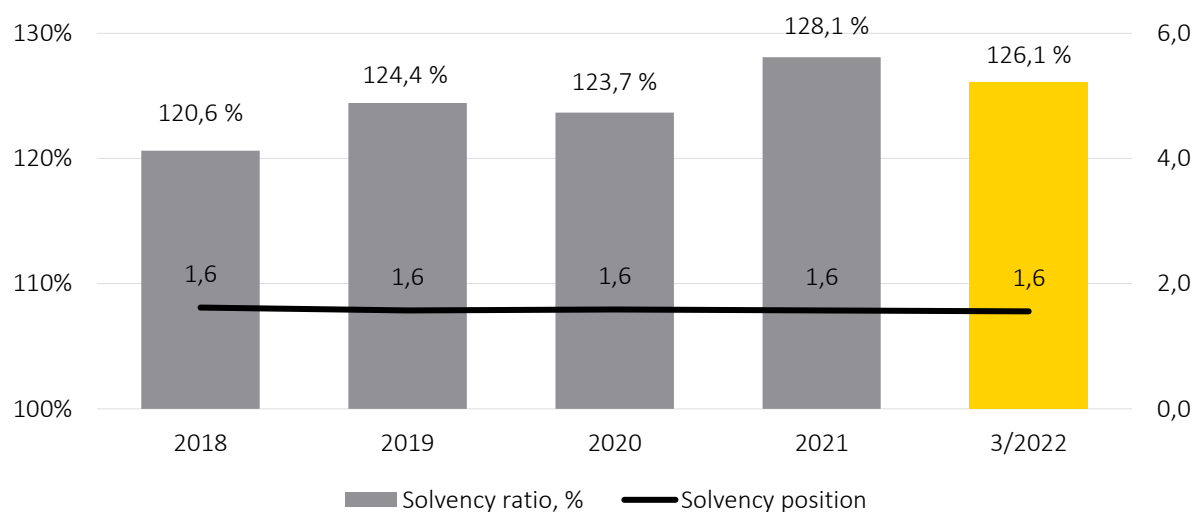
Result and solvency

The amount of solvency capital decreased from the end of 2021 by EUR 502.9 million, amounting to EUR 6,070.5 (5,479.0) million by the end of March. The ratio of pension assets to technical provisions, i.e. the solvency ratio, was 126.1 (125.0) per cent. The solvency capital was 1.6 times (1.5 times) the solvency limit.

Solvency



The net return of investments at fair value was EUR -565.5 million (EUR 996.4 million). The investment result at fair value was EUR -515.7 (416.3) million, with EUR 277.7 (198.4) million of interest credited on technical provisions and EUR 327.6 million of provision linked to equity income reversed (381.7 increased).



Solvency capital	1.1.–31.3.2022	1.1.–31.3.2021	1.1.–31.12.2021
Solvency limit, EUR million	3,897.6	3,591.0	4,183.5
Maximum amount of solvency capital, EUR million	11,692.8	10,773.1	12,550.6
Solvency capital, EUR million	6,070.5	5,479.0	6,573.4
Solvency ratio, % ¹⁾	126.1	125.0	128.1
Solvency position ²⁾	1.6	1.5	1.6

1) Pension assets in relation to technical provisions as referred to in Section 11, item 10, of the Ministry of

2) Solvency capital in relation to solvency limit

Insurance business and customer accounts

At the end of March, Elo administered 51,800 (49,100) TyEL and 84,200 (83,300) YEL insurance policies. In the period under review, the total number of self-employed persons and employees insured by Elo was almost half a million. Elo is the market leader in YEL pension insurance, and one in three employer companies use Elo to insure their employees.

In the first quarter, the customer acquisition of TyEL insurance amounted to a net of EUR +19.5 (+0.3) million, measured in terms of premiums written. The net result of YEL insurance customer acquisition was +2,784 (+2,681) in terms of the number of customers.

With regard to the acquisition of new YEL customers, the content and tools of customer encounters were revised in the first quarter. The NPS (Net Promoter Score) of the survey of major customers remained high.

Insurance services customer service was at an excellent level in the first quarter. Proactive multichannel communication with customers was continued.

As Finland's largest pension insurance provider for self-employed persons, it is especially important for Elo that our self-employed customers set their earned income at the right level throughout their career, because self-employed persons' pensions and other social security are based on the level of earned income they set for their YEL insurance. Elo replied to the Financial Supervisory Authority's theme assessment on the process of confirming YEL earned income in new insurance policies in September 2021. The Financial Supervisory Authority found that the measures taken by Elo are sufficient and support the statutory requirement for case-by-case deliberation to confirm self-employed persons' YEL earned income.

The amount of TyEL credit losses decreased by 28% year-on-year between 1 January and 31 March 2022. The start of the year has been moderate in terms of credit losses and further payment plans have been prepared with customers, which has made it easier for them to cope with their payments. Nevertheless, the amount of credit losses is expected to increase compared to the two previous years amidst the uncertainty.

Pension and rehabilitation

Approximately 244,200 (242,800) pensioners were paid their pensions by Elo at the end of March. A total of EUR 944.9 (905.7) million was paid in pensions in January–March. The number of pension decisions issued on the basis of an application was 7,343 (6,973). The service level was excellent in pension and rehabilitation matters during the review period. The continuous development of processes was reflected in faster than average pension decisions and good NPS metrics. The introduction of the survivors' pension reform went well.

Elo is prepared for paying pensions in any disruptions and exceptional conditions in accordance with the continuity and contingency plans and taken other advance measures to prepare for it. Following the war in Ukraine, Russian banks have been subject to sanctions that have had impacts on the situation of some individual pension recipients.

Investments

Financial market returns weakened early in the year. The equity market declined strongly. The steepest decline was seen after Russia invaded Ukraine. Accelerating inflation and surged inflation expectations have considerably increased interest rates.

At the end of March, the average 10-year nominal return of Elo's investments was 6.3 per cent and the average 10-year real return was 4.9 per cent. The average 5-year nominal return was 6.1 per cent and the average 5-year real return was 4.1 per cent. The result of investment operations at fair values was EUR -515.7 (EUR 416.3) million.

Elo's equity investments generated a return of -3.3 (7.8) per cent in the first quarter. The decline was moderated by private equity investments, which generated a positive return. In listed equities, the returns were negative in all main markets. The impact of the war in Ukraine was most visible in Finnish and European equity market returns.

Elo started to reduce its listed equity allocation already at the end of January, taking into account the expected weakening of economic growth and accelerating inflation. In the first quarter Elo also made some changes in the geographical allocation by decreasing the weight of European equities and correspondingly increasing the weight of US equities. No significant change took place in the allocation of Finnish equities during the first quarter.

Elo's fixed income investments generated a return of -1.7 (-0.3) per cent since the start of the year. Interest rate sensitivity of Elo's investments was decreased already during 2021. Interest rate hedges helped to mitigate losses from rising market rates.

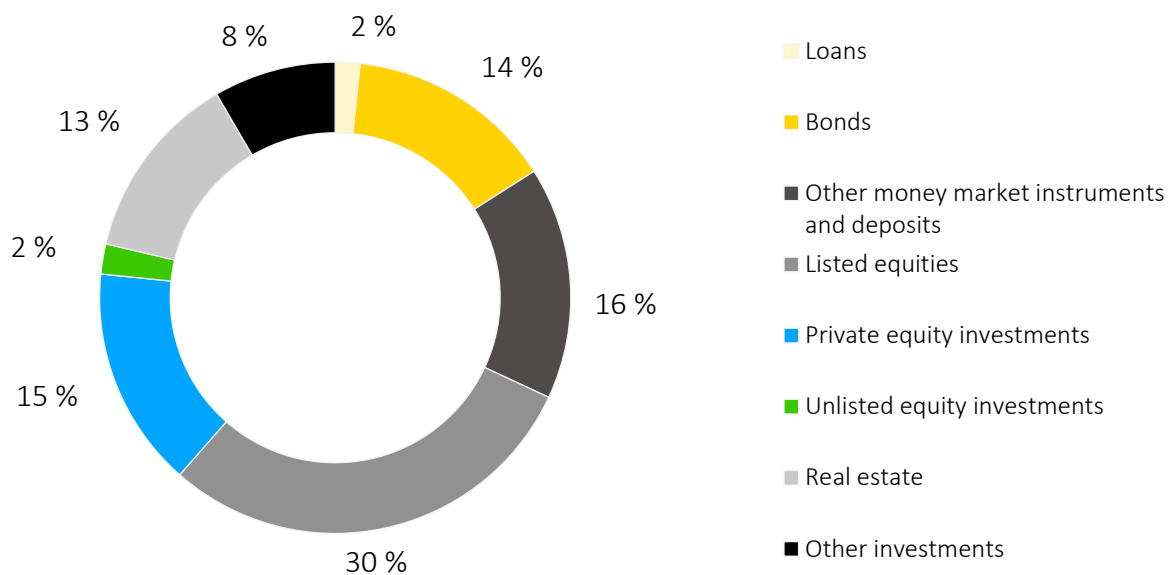
Sovereign bonds issued by developed countries had a negative return due to strongly rising interest rates. However, our allocation to inflation-linked bonds managed offset some of these losses. Performance of Emerging Market Debt was unsatisfactory in the first quarter with the war in Ukraine being reflected in their returns. Allocation to Emerging Market Debt was decreased early in the year and currently it plays a minor role in the investment allocation.

Corporate bond investment also had a negative return in the first quarter. Aforementioned increase in interest rates impacted bonds with higher credit ratings especially. Also, widening credit spreads affected returns to some extent. The number of bankruptcies and credit defaults has been low.

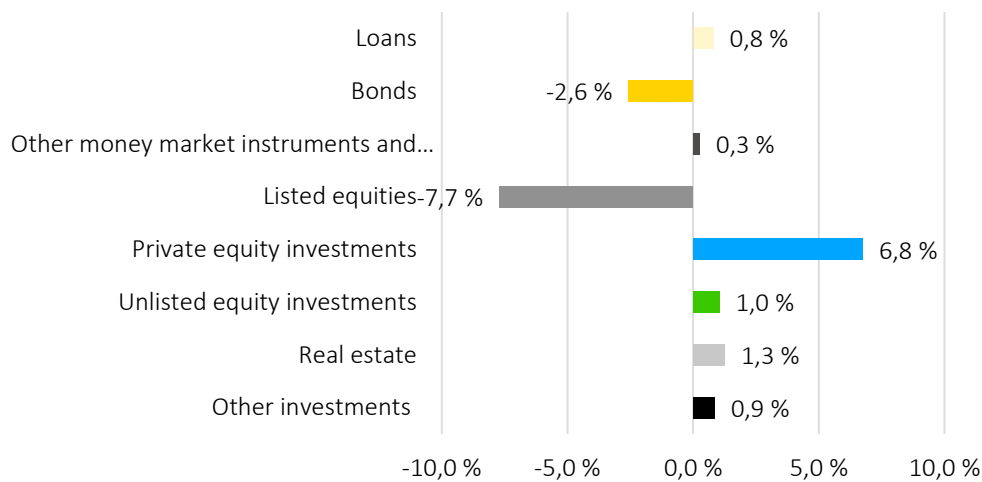
The positive development of real estate transaction volumes in the real estate investment market continued in the first quarter. The occupancy rates of Elo's real estate remained at a good level. The focus of investments was on on-going construction projects, and approximately 500 apartments were under construction or renovation. Real estate investments returned 1.3 (0.9) per cent in the first quarter.

Elo does not have direct equity, corporate bond or real estate investments in Russia. The share of Elo's sovereign bond investments in Russia was very low in the first quarter.

Distribution



Return



Return-risk table

	Basic allocation by market value		Actual risk position		Return	Volatility
	EURm	%	EURm	%	%	%
Fixed-income investments	8,965.8	31.2	7,986.1	27.8	-1.7	
Loans	490.3	1.7	490.3	1.7	0.8	
Bonds	6,419.4	22.3	4,108.5	14.3	-2.6	9.2
Public bonds	2,488.4	8.6	1,508.7	5.2	-2.9	
Other bonds	3,931.0	13.7	2,599.9	9.0	-2.3	
Other money market instruments and deposits incl. any receivables and liabilities related to investments	2,056.1	7.1	3,387.2	11.8	0.3	
Equities	13,701.2	47.6	13,444.4	46.7	-3.3	
Listed equities	8,752.0	30.4	8,495.1	29.5	-7.7	12.2
Private equity investments	4,355.4	15.1	4,355.4	15.1	6.8	
Unlisted equity investments	593.9	2.1	593.9	2.1	1.0	
Real estate	3,721.5	12.9	3,721.5	12.9	1.3	
Direct real estate investments	2,619.3	9.1	2,619.3	9.1	0.6	
Real estate funds and joint investment companies	1,102.2	3.8	1,102.2	3.8	2.8	
Other investments	2,381.7	8.3	2,413.9	8.4	0.9	
Hedge fund investments	2,389.5	8.3	2,389.5	8.3	0.1	5.5
Commodity investments	1.1	0.0	31.7	0.1	-	
Other investments	-8.9	0.0	-7.2	0.0	-	
Total investments	28,770.2	100.0	27,565.8	95.8	-1.9	4.8
Effect of derivatives			1,204.4	4.2		
Total	28,770.2	100.0	28,770.2	100.0		

The return on foreign currency derivatives is estimated for asset classes in proportion to the average foreign currency-denominated assets during the period. The total return includes returns, expenses and operating expenses not allocated to investment classes. The modified duration of bonds is 2.9. The open currency exposure is 25.1% of market value.

Personnel

In January–March, Elo had an average of 516 (528) employees. The average amount of work performed was 469.4 (487.3) man-years. Personnel expenses amounted to EUR 10.6 (10.6) million.

During the review period, Elo began to operate in line with Elo's hybrid model after almost two years of remote work. Going forward, we will combine working from home and at the office in the optimum way from the point of view of well-being and performance. Based on feedback from the personnel, the model has received a positive welcome.

Elo received a lot of summer job applications this year, too. We want to bear responsibility for employment early into careers and will hire some 30 summer employees during the 2022 summer season.

Corporate governance

In its meeting on 24 January 2022, Elo's Board of Directors elected the Board's Chair and Deputy Chairs for 2022. Antti Aho, Managing Director of Aava Terveyspalvelut Oy, will continue as the Chair of the Board of Directors.

Sture Fjäder, President of Akava, will continue as the first Deputy Chair, with Susa Nikula, Business Management Consultant, continuing as the second Deputy Chair. The Board of Directors is assisted in its tasks by the Appointment and Remuneration Committee and the Audit and Risk Committee.

The Appointment and Remuneration Committee is comprised of the presiding officers of Elo's Board of Directors, and it is chaired by the Chair of the Board of Directors. Jari Karlson (Chair) and Timo Viherkenttä will continue as members of the Audit and Risk Committee. Minna Helle and Sinikka Näätsaari were elected as new members of the Audit and Risk Committee.

Elo's Board of Directors is comprised of twelve ordinary members and four deputy members.

Regulatory control

The FIN-FSA appointed attorney Pekka Jaatinen, LL.M., as an authorised representative on 11 December 2020 to supervise the activities of Elo. In November 2021 Elo submitted a plan for developing the management and administration system to FIN-FSA. The last measures included in this plan were implemented in March 2022. These determined efforts have continued in good co-operation with the supervisory authority and the authorised representative. Elo is in the third and final stage of the authorised representative oversight, where the authorised representative monitors the functionality and efficiency of the measures taken.

Responsibility

Elo published the Annual and Responsibility Report 2021 in March. For the first time, the report included the carbon footprint from Elo's own operations in line with the GHG Protocol. We also introduced new carbon metrics of our investments. Elo disclosed absolute emissions and scope 3 upstream emissions of its listed equity and corporate bond investments, among other things. For the fourth time, Elo reported climate-related financial information in accordance with the TCFD (Task Force on Climate-related Financial Disclosures).

Elo is participating in the Responsible Employer campaign for the third time. The employers participating in the campaign make a commitment to developing and promoting the principles of responsible employment that are related to employee well-being, motivation and commitment to the employer.

Risk management and compliance

In a pension insurance company, the most significant risk in terms of impact concerns a considerable impairment of solvency. The overall risk of Elo's investments is proportioned to the risk-bearing capacity in an uncertain market situation, and thus Elo's solvency position and ratio have remained at a secure level.

Following the organisational changes carried out early in the year, the risk management and compliance functions make up a joint area of responsibility independent of the business functions in the second line of Elo's internal control. The development of Elo's internal control, risk management and compliance has continued with a revision of the operating principles, among other things. Both risk management and compliance will increasingly pay attention to the risk-based approach. The process of preparing the own risk and solvency assessment (ORSA) has also been developed, and the need for updating the ORSA will be reviewed quarterly and whenever necessary.

Elo has actively assessed the potential impacts of the war in Ukraine on Elo's operations. Particular attention has been paid to the continuity management of Elo's own operations and service providers. Elo has a legal obligation to ensure the continuity of its operations in all disruptions in normal conditions, and preparations have also been made for states of emergency with the contingency plan, among other measures. Elo's continuous investments in information security also prepare for increased cyber threats.

Near-term outlook

The outlook of the global economy and financial markets is very uncertain. If prolonged, the war in Ukraine will accelerate inflation as a result of steep increases in the prices of energy, food and other raw materials. Furthermore, the production and delivery issues caused by COVID-19 still cause problems in the global economy and will sustain inflation for longer than expected. Central banks have announced that they will mitigate inflation by further tightening monetary policy.

The global economy is expected to grow by 3,5 per cent this year. The United States is expected to grow by slightly over three per cent, the euro zone by less than three per cent, China by five per cent and Finland by slightly over two per cent.

The European economy is associated with particularly many challenges, such as soft economic growth combined with high inflation. In addition, major European countries are significantly dependent on energy imported from Russia, and the transition to renewable energy sources is, despite the good start, still in progress.

Finland's economic development also involves a lot of uncertainty. In Finland, inflation development is more moderate than in the EU on average. From the point of view of the equity market, it is essential how companies will be able to maintain profitability with a risk of cost increases.

Elo's investment assets are carefully distributed among different geographical areas and asset classes. As a Finnish pension insurance company, Elo operates as a stable, long-term, responsible and active shareholder in several companies, both in Finland and abroad.

Asset allocation at fair value

	Basic allocation by market value						Actual risk position ⁸⁾					
	31.3.2022		31.3.2021		31.12.2021		31.3.2022		31.3.2021		31.12.2021	
	EURm	%	EURm	%	EURm	%	EURm	% ¹⁰⁾	EURm	% ¹⁰⁾	EURm	% ¹⁰⁾
Fixed-income investments	8,965.8	31.2	9,075.7	33.9	8,978.2	30.5	7,986.1	27.8	9,000.3	33.6	5,818.6	19.8
Loans ¹⁾	490.3	1.7	454.2	1.7	465.4	1.6	490.3	1.7	454.2	1.7	465.4	1.6
Bonds	6,419.4	22.3	6,647.0	24.8	6,434.6	21.9	4,108.5	14.3	6,319.2	23.6	5,021.5	17.1
Other money market instruments and deposits including any receivables and liabilities related to investments ^{1) 2)}	2,056.1	7.1	1,974.5	7.4	2,078.2	7.1	3,387.2	11.8	2,226.9	8.3	331.8	1.1
Equities	13,701.2	47.6	12,414.0	46.3	14,589.3	49.6	13,444.4	46.7	12,261.7	45.8	14,565.8	49.5
Listed equities ³⁾	8,752.0	30.4	8,961.7	33.4	9,989.9	34.0	8,495.1	29.5	8,809.4	32.9	9,966.4	33.9
Private equity investments ⁴⁾	4,355.4	15.1	2,868.5	10.7	4,005.5	13.6	4,355.4	15.1	2,868.5	10.7	4,005.5	13.6
Unlisted equity investments ⁵⁾	593.9	2.1	583.9	2.2	593.9	2.0	593.9	2.1	583.9	2.2	593.9	2.0
Real estate	3,721.5	12.9	3,392.3	12.7	3,655.0	12.4	3,721.5	12.9	3,392.3	12.7	3,655.0	12.4
Direct real estate investments	2,619.3	9.1	2,448.8	9.1	2,600.7	8.8	2,619.3	9.1	2,448.8	9.1	2,600.7	8.8
Real estate funds and joint investment companies	1,102.2	3.8	943.5	3.5	1,054.3	3.6	1,102.2	3.8	943.5	3.5	1,054.3	3.6
Other investments	2,381.7	8.3	1,918.5	7.2	2,199.5	7.5	2,413.9	8.4	1,959.0	7.3	2,228.1	7.6
Hedge fund investments ⁶⁾	2,389.5	8.3	1,918.5	7.2	2,183.9	7.4	2,389.5	8.3	1,918.5	7.2	2,183.9	7.4
Commodity investments	1.1	0.0	-0.3	0.0	-0.2	0.0	31.7	0.1	40.0	0.1	27.0	0.1
Other investments ⁷⁾	-8.9	0.0	0.4	0.0	15.7	0.1	-7.2	0.0	0.5	0.0	17.2	0.1
Total	28,770.2	100.0	26,800.5	100.0	29,421.9	100.0	27,565.8	95.8	26,613.3	99.3	26,267.5	89.3
Effect of derivatives ⁹⁾							1,204.4	4.2	187.2	0.7	3,154.4	10.7
Total at fair values	28,770.2	100.0	26,800.5	100.0	29,421.9	100.0	28,770.2	100.0	26,800.5	100.0	29,421.9	100.0
Modified duration of bond portfolio	2.9											

1) Includes accrued interest

2) Includes cash at bank and in hand and purchase money claims and purchase money obligations

3) Includes also mixed funds if these cannot be allocated elsewhere

4) Includes private equity funds, mezzanine funds and also infrastructure investments

5) Includes also unlisted real estate investment companies

6) Includes all types of hedge fund investments regardless of the strategy of the fund

7) Includes items that cannot be included in other investment classes

8) Risk breakdown can be shown from reference periods as the knowledge accumulates (not with retroactive effect). If the numbers are shown from reference periods and the periods are not completely comparable, it must be informed.

9) Includes the effect of derivatives on the difference between the risk distribution and the basic distribution. The effect of derivatives can be +/- . After the adjustment, the final sum of the risk distribution will equal that of the basic distribution.

10) The proportion is calculated by using the total amount of the line "Total investments at current value" as the divisor

Net return on investment operations for capital employed

	Net return on investments at current value, EUR million	Invested capital 9), EUR million	Return on invested capital, %	Return on invested capital, %	Return on invested capital, %
	1.1.–31.3.2022	1.1.–31.3.2022	1.1.–31.3.2022	1.1.–31.3.2021	1.1.–31.12.2021
Fixed-income investments	-158.8	9,211.5	-1.7	-0.3	1.7
Loans ¹⁾	3.9	471.7	0.8	0.9	3.7
Bonds	-168.7	6,592.8	-2.6	-0.5	2.2
Other money market instruments and deposits including any receivables and liabilities related to investments ^{1) 2)}	6.0	2,147.1	0.3	-0.1	-0.6
Equities	-466.4	14,266.0	-3.3	7.8	26.6
Listed equities ³⁾	-744.3	9,651.2	-7.7	7.7	21.6
Private equity investments ⁴⁾	271.7	4,021.7	6.8	7.7	42.3
Unlisted equity investments ⁵⁾	6.2	593.1	1.0	10.9	24.6
Real estate	46.6	3,674.6	1.3	0.9	7.5
Direct real estate investments	16.3	2,610.9	0.6	0.8	6.6
Real estate funds and joint investment companies	30.3	1,063.7	2.8	1.1	9.8
Other investments	19.9	2,288.1	0.9	3.5	10.0
Hedge fund investments ⁶⁾	2.7	2,283.3	0.1	3.3	8.2
Commodity investments	7.8	-3.1 -	-	-	-
Other investments ⁷⁾	9.4	7.9 -	-	-	-
Total investments	-558.8	29,440.2	-1.9	3.9	14.1
Unallocated income, costs and operating expenses from investment operations	-6.8	0.0	0.0	0.0	-0.1
Net investment income at current value	-565.5	29,440.2	-1.9	3.9	14.0

1) Includes accrued interest

2) Includes cash at bank and in hand and purchase money claims and purchase money obligations

3) Includes also mixed funds if these cannot be allocated elsewhere

4) Includes private equity funds, mezzanine funds and also infrastructure investments

5) Includes also unlisted real estate investment companies

6) Includes all types of hedge fund investments regardless of the strategy of the fund

7) Includes items that cannot be included in other investment classes

8) Change in market value between the beginning and end of the reporting period less cash flows during the period.

Cash flow means the difference between purchases/costs and sales/revenues.

9) Capital employed = market value at the beginning of the reporting period + daily / monthly time-weighted cash flows