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# Financial statements 1 January – 31 December 2022

Elo Mutual Pension Insurance Company

# Key figures 31 December 2022

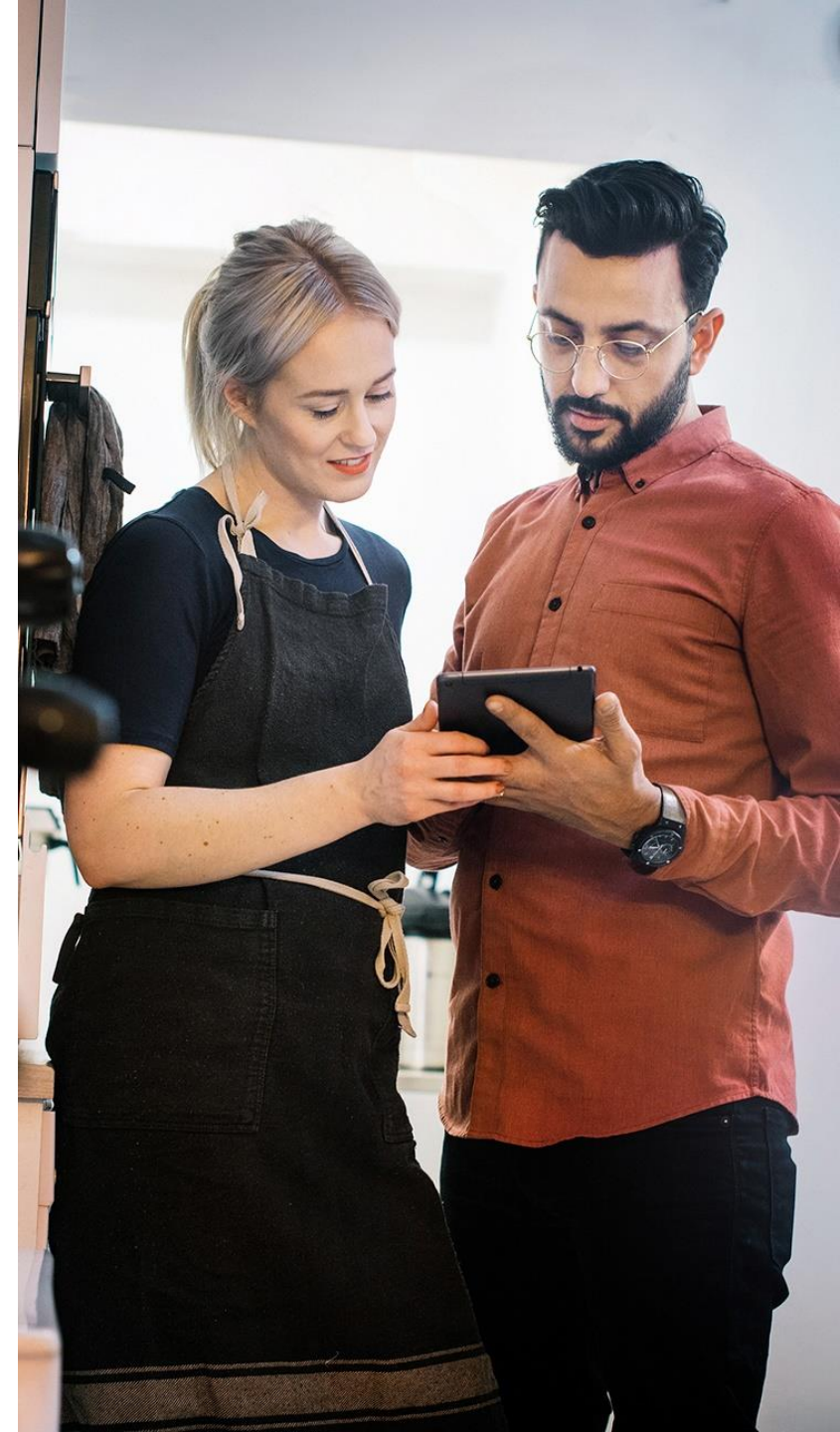
Investment assets	Return	10-year nominal return	Expense loading ratio
<b>28.2</b> EUR billion	<b>-3.7</b> %	<b>5.6</b> %	<b>71.1</b> %
Solvency ratio	Solvency position	Premiums written	Pensions and other benefits paid
<b>121.4</b> %	<b>1.5</b>	<b>4.3</b> EUR billion	<b>4.1</b> EUR billion

# The economy of 2022 was characterised by accelerating inflation

- Inflation was broad-based and also extended to the prices of services, with central banks tightening their monetary policy. The US Federal Reserve raised the interest rate by slightly over 4 percentage points and the European Central Bank by 2.5 percentage points during the year.
- Global economic growth was rapid at the beginning of the year, but slowed down in the second half of the year. This was due to tightening financing conditions, the release of the pent-up demand and strong deterioration in real income. The war in Ukraine gave rise to uncertainty, and the crisis in the prices and availability of energy burdened growth, especially in Europe.
- China's economic weakness was an exception in an otherwise recovering global economy. China's tight COVID-19 policy was not relieved until towards end of the year.
- Balancing between inflation and tightening monetary policy maintained strong fluctuations in the financial market and burdened both equity and interest income.

# Our work ability services help to extend working careers and manage disability risks

- Companies increasingly need to develop their competence in work ability management in order to prevent risks. Our training attracted 40 % more participants than the previous year. We launched the EloChannel work ability management knowledge base in our online services.
- A career need not end prematurely due to a person's reduced capacity for work. Vocational rehabilitation plays an important role in enabling people to continue their careers. We developed the work trial process and piloted the service path of a mental health rehabilitator, among other things.
- In 2022, our work ability services were aggregated into a single entity. We offer even better overall service to customer companies and insured persons. The risk of disability pension will decrease in Elo's insurance portfolio and the benefit service will be more effective and efficient.



# Wanting to be a top employer in the industry and enhance sustainability

- Elo's personnel work is guided by the updated strategy, values and key objectives. The employees actively participated in defining our values in addition to the Executive Group and the Board of Directors.
- We defined management principles according to which management must be innovative, inclusive, effective and fair. We started to implement the management principles and will continue our work in 2023.
- In 2022, we voted a representative of Elo's employees to the Executive Group.
- We participated in a responsible employer study. Elo's strengths include applicant experience, meaningful work, development at work, work-life balance and well-being, as well as managerial work. Our development areas include remuneration, involving the personnel in drawing up the responsibility programme and communicating about responsibility. We will focus on these areas in 2023.
- We will continue responsibility work throughout the organisation, and the responsibility network will support development. The network promotes responsibility as part of Elo's strategy and corporate culture, and updates and coordinates Elo's responsibility programme and its implementation. Our goal is to make responsibility a factor that allows us to stand out.



Number of YEL policyholders

**84,400**

Number of TyEL policyholders

**47,000**



Total number of self-employed persons and employees insured

**503,700**



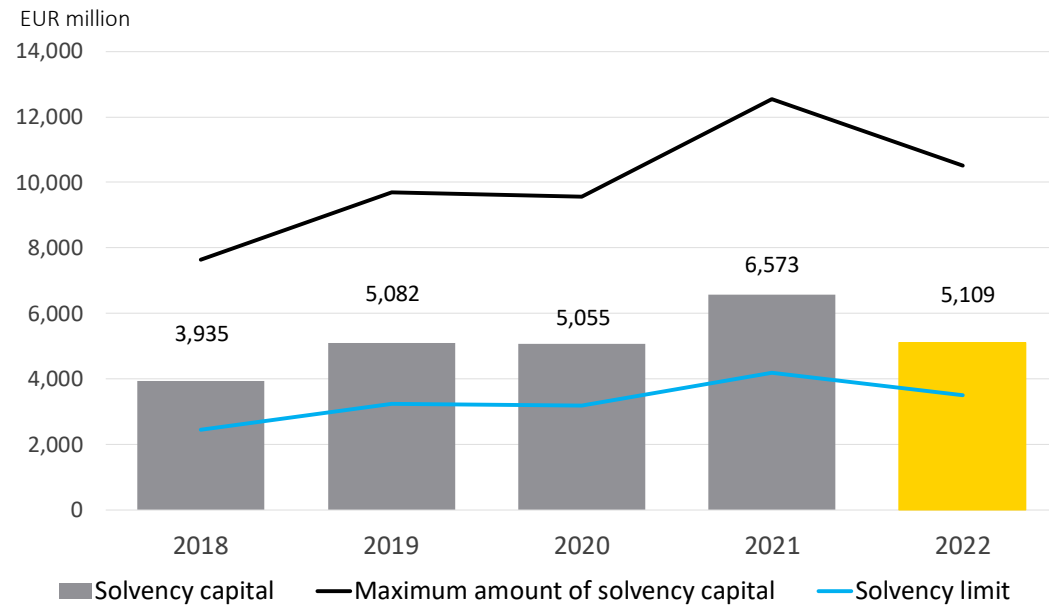
We pay out pensions to

**252,000**

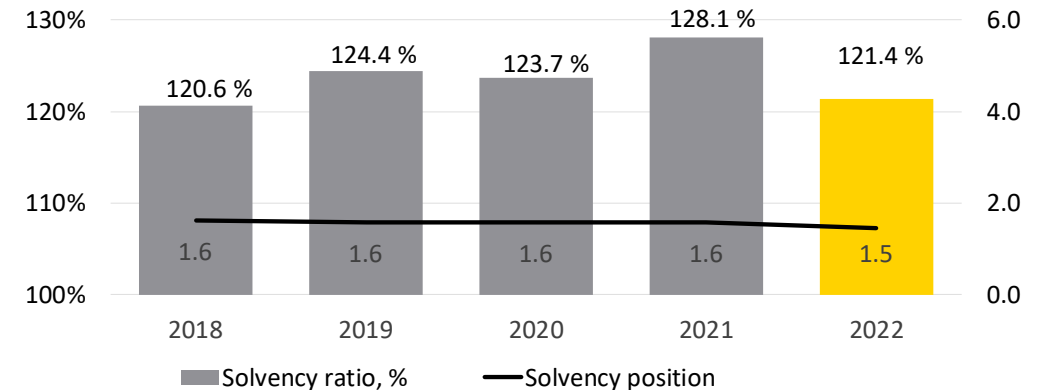
pensioners

# Solvency remained at a secure level

## Key solvency figures



## Solvency ratio and position



# Return on investments -3.7%

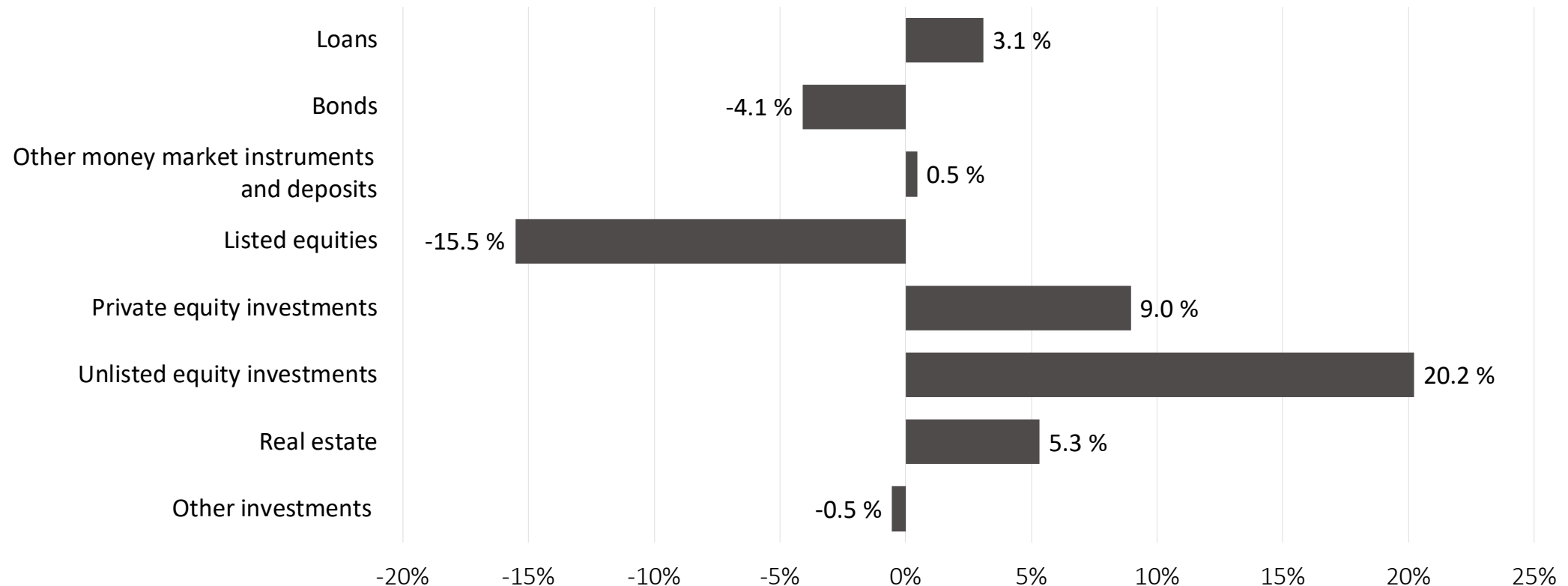
	Basic allocation by market value		Actual risk position		Return		Volatility	
	EUR million	%	EUR million	%	%	%		
Fixed-income investments	8,395.6	29.8	7,000.9	24.8	-2.8			
Loans	497.5	1.8	497.5	1.8	3.1			
Bonds	6,588.9	23.4	4,611.8	16.4	-4.1	4.8		
Public bonds	1,726.5	6.1	330.2	1.2	-7.1			
Other bonds	4,862.4	17.3	4,281.6	15.2	-2.5			
Other money market instruments and deposits incl. any receivables and liabilities related to investments	1,309.2	4.6	1,891.6	6.7	0.5			
Equities	13,221.0	46.9	13,072.5	46.4	-6.9			
Listed equities	7,795.8	27.7	7,647.3	27.1	-15.5	14.2		
Private equity investments	4,775.7	16.9	4,775.7	16.9	9.0			
Unlisted equity investments	649.5	2.3	649.5	2.3	20.2			
Real estate	3,941.6	14.0	3,941.6	14.0	5.3			
Direct real estate investments	2,638.0	9.4	2,638.0	9.4	3.6			
Real estate funds and joint investment companies	1,303.5	4.6	1,303.5	4.6	9.3			
Other investments	2,624.2	9.3	2,624.2	9.3	-0.5			
Hedge fund investments	2,623.5	9.3	2,623.5	9.3	2.3	9.8		
Commodity investments	0.0	0.0	0.0	0.0	-			
Other investments	0.7	0.0	0.7	0.0	-			
Total investments	28,182.3	100.0	26,639.1	94.5	-3.7	4.9		
Effect of derivatives			1,543.2	5.5				
<b>Total</b>	<b>28,182.3</b>	<b>100.0</b>	<b>28,182.3</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 3.1. The open currency exposure is 23.1% of market value.



# Accelerating inflation and tightening monetary policy weakened the equity market

## Return on investments by asset class

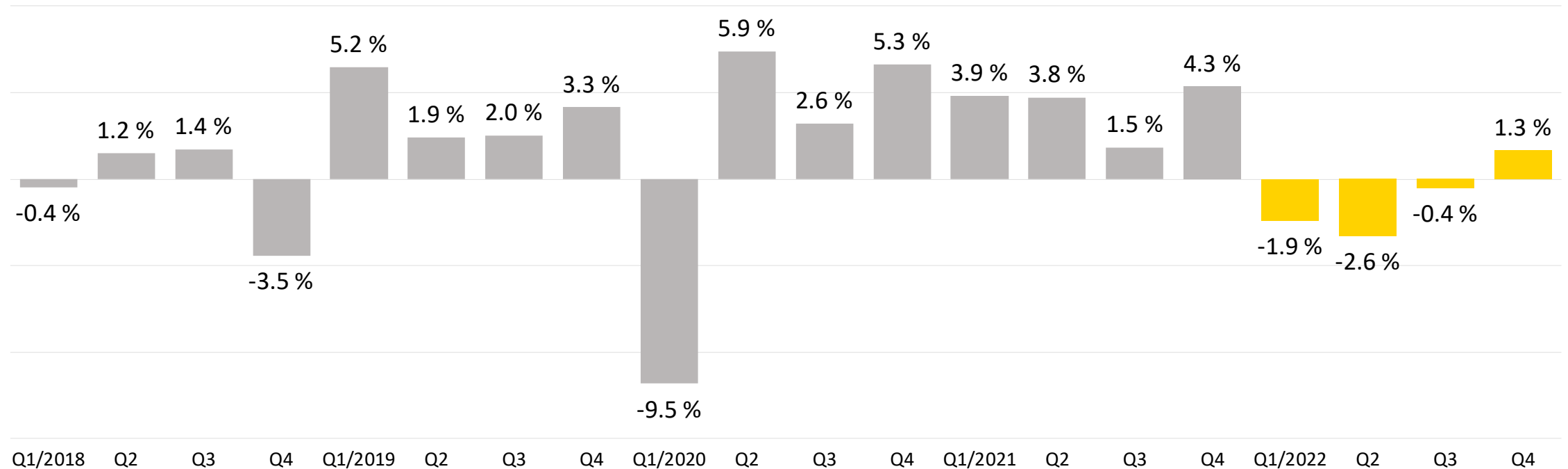


Financial statements 2022. The figures presented are preliminary and unaudited.



# Positive fourth-quarter return of 1.3%

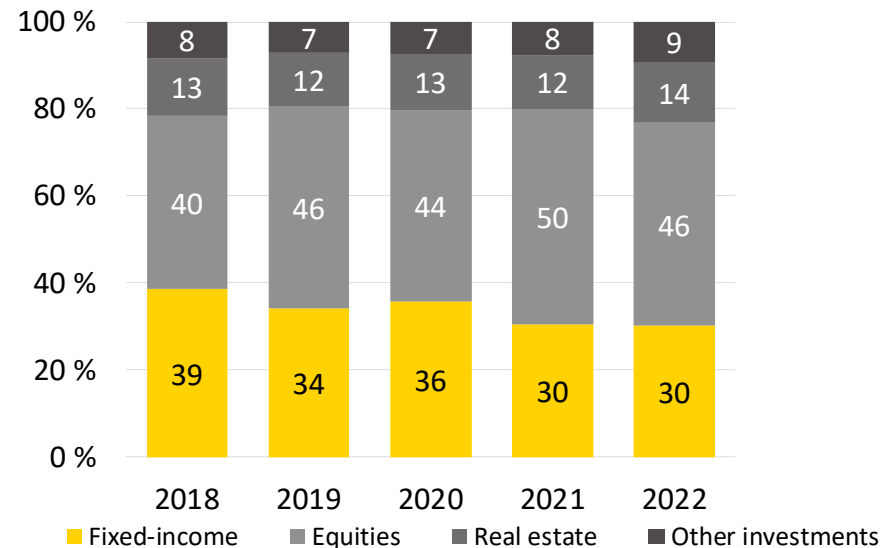
Return 1 January – 31 December 2022 was -3.7%



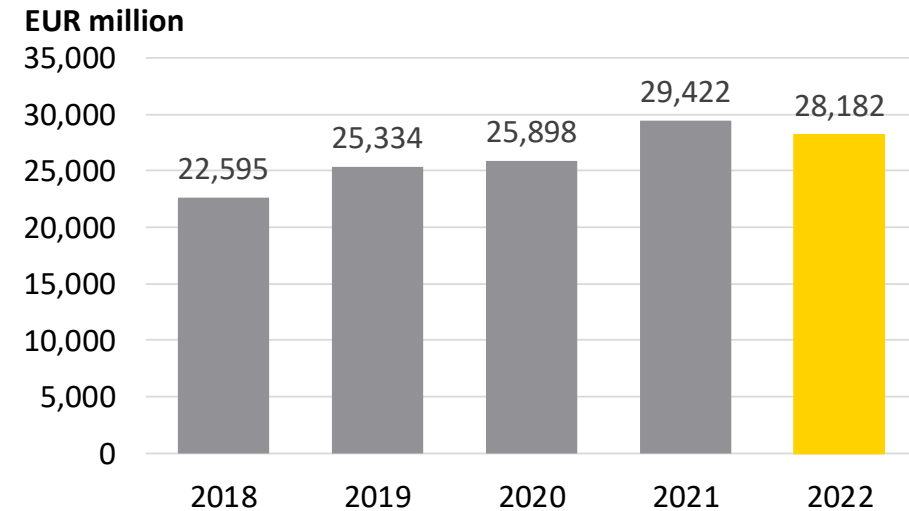
# Investment assets EUR 28.2 billion

Equity risk was reduced during the year

## Asset allocation

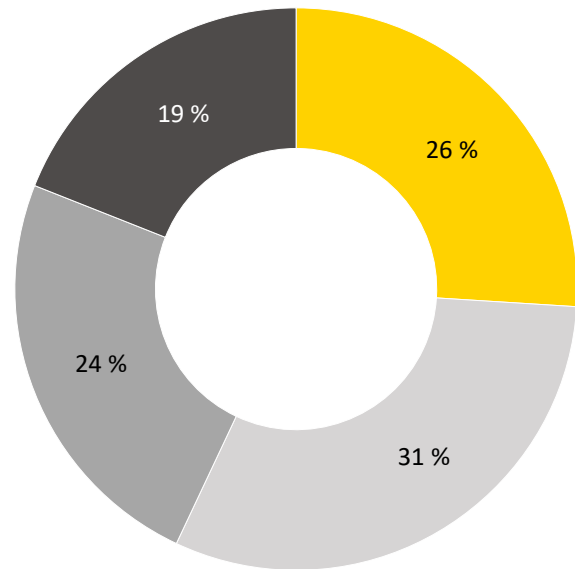


## Investment assets



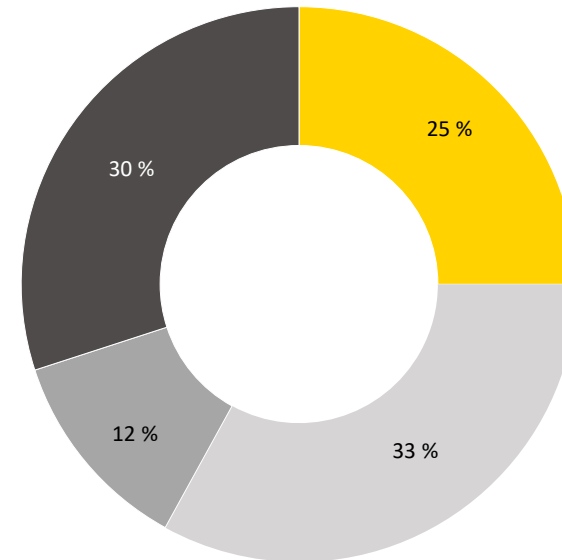
# 26% of investments in Finland

## Geographical distribution of investments



■ Finland ■ Europe ■ North America ■ Other regions

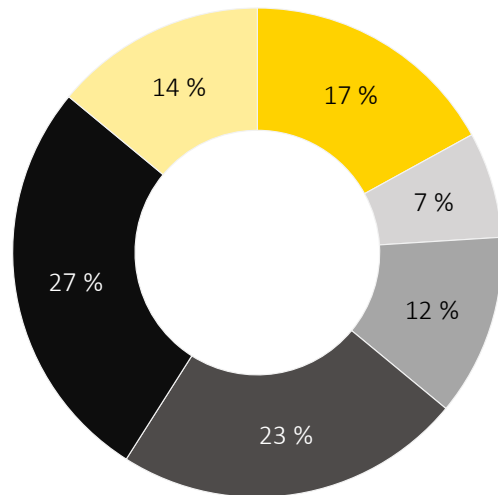
## Investments in Finland by asset class



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

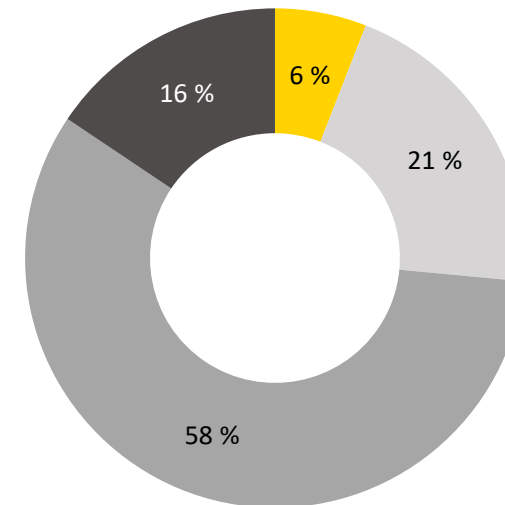
# Breakdowns of bonds

## Bonds by credit rating



■ AAA ■ AA ■ A ■ BBB ■ BB+ or below ■ NR

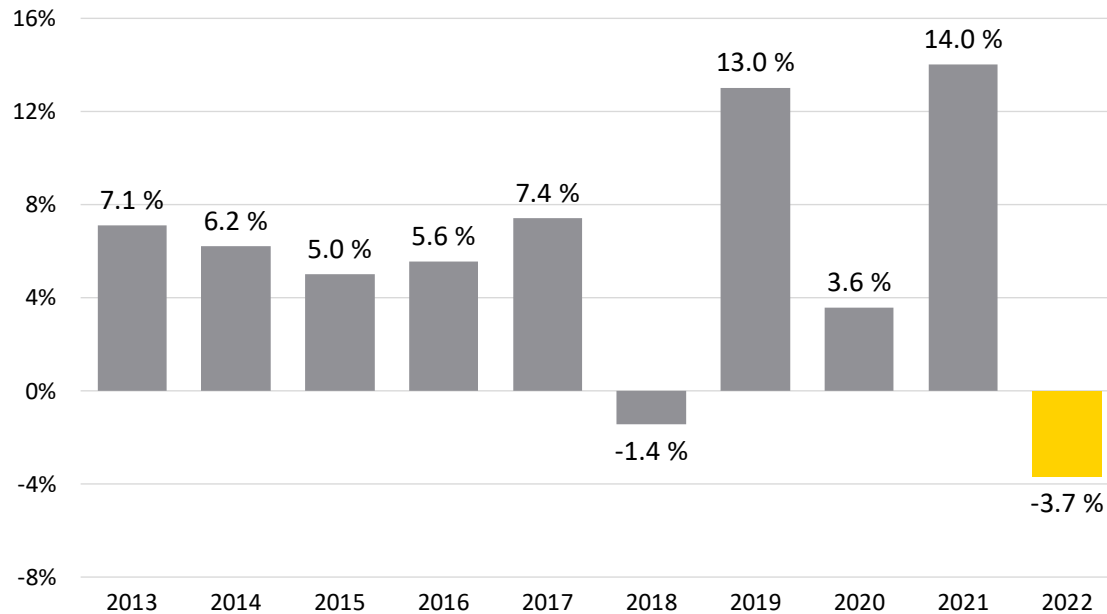
## Fixed income investments distribution



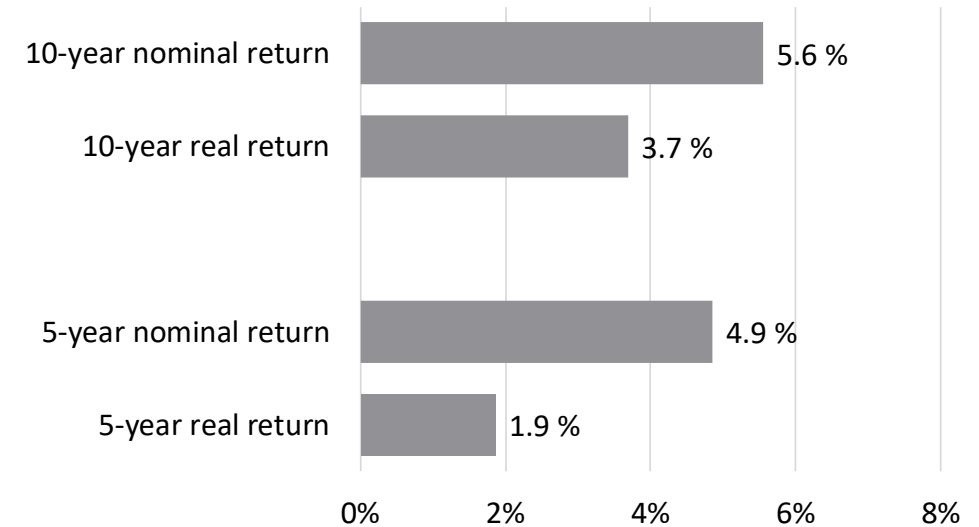
■ Loans ■ Public bonds ■ Other bonds ■ Other money market instruments and deposits

# Ten-year return was 5.6 per cent per annum

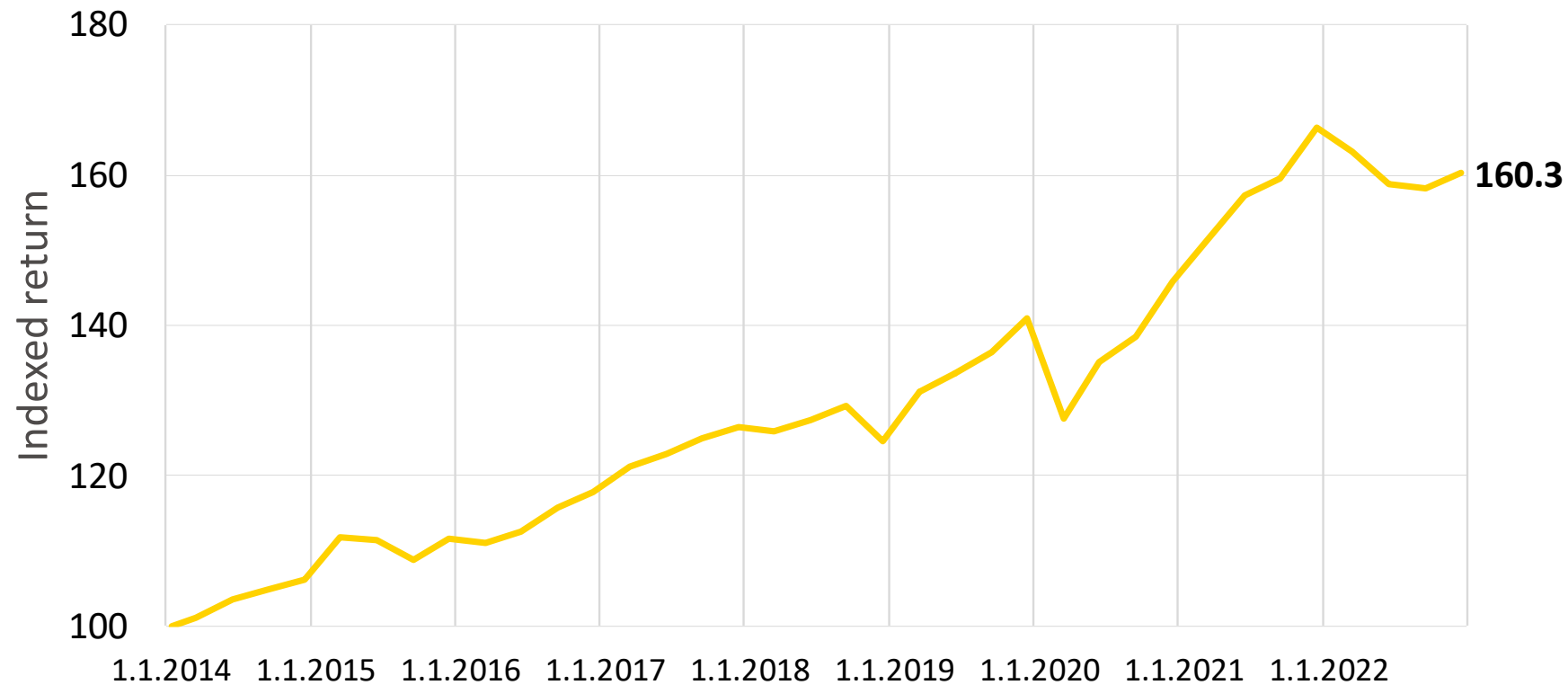
## Investment returns



## Average return on investments over time



# Cumulative return since 2014 of EUR 10.9 billion, or around 60%



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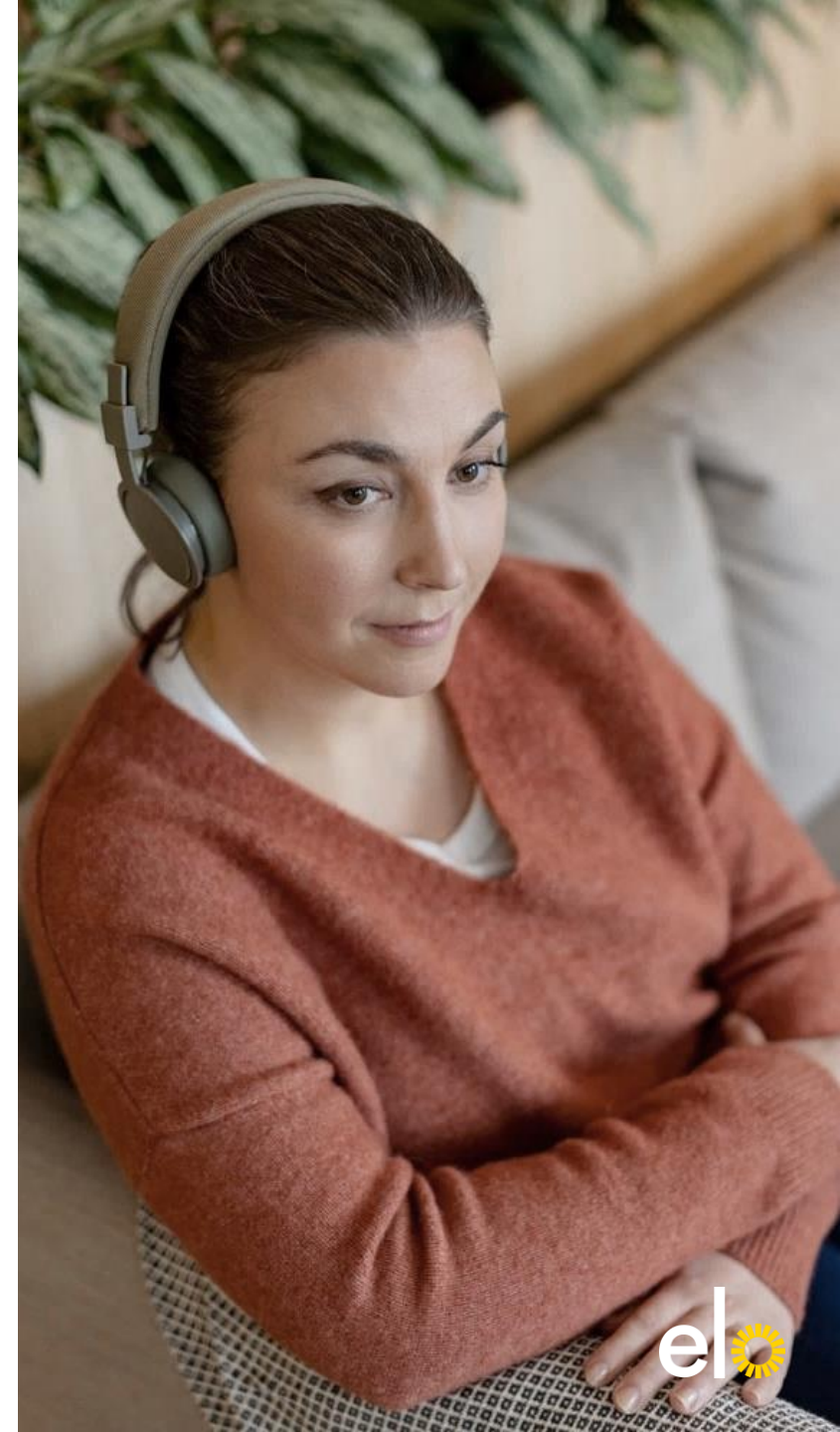
# We set up a responsibility programme for Elo's direct Finnish real estate

- Responsible investment is integrated into Elo's investment process and analysis. During the year, we focused on asset class-specific responsible investment practices and processes.
- We created a responsibility programme for Elo's direct Finnish real estate and expanded the ESG analysis tool for sovereign bonds to assess environmental, social and governance factors in addition to climate goals.
- During the year, we worked on the climate policy for investments and the principles of responsible investment.
- The biggest environmental impacts of Elo come indirectly through investments.
- Collaboration and engagement are key elements of Elo's responsible investing. In 2022, Elo focused particularly on the environmental and social initiatives for global institutional investors.



# Preparation for changes in with insurance and pension matters

- Due to inflation, the employment pension index increased by 6.8% at the beginning of 2023. The increase increased the number of applications for both old-age pensions and partial early old-age pensions in 2022.
- The amendments to the pension legislation for self-employed persons entered into force at the beginning of 2023. A key change is the further specification of the determination of the self-employed person's earned income and new regularity in reviewing earned income. Employment pension companies are required to check the income confirmed for an entrepreneur at three-year intervals.
- Employment pension companies introduced a company-specific employee pension insurance management fee from the beginning of 2023. Elo gives its customers a discount based on a long-term customer relationship.



# Number of pension applications is increasing

The number of pension decisions issued in 2022 totalled 31,713, an increase of 26% from the previous year.

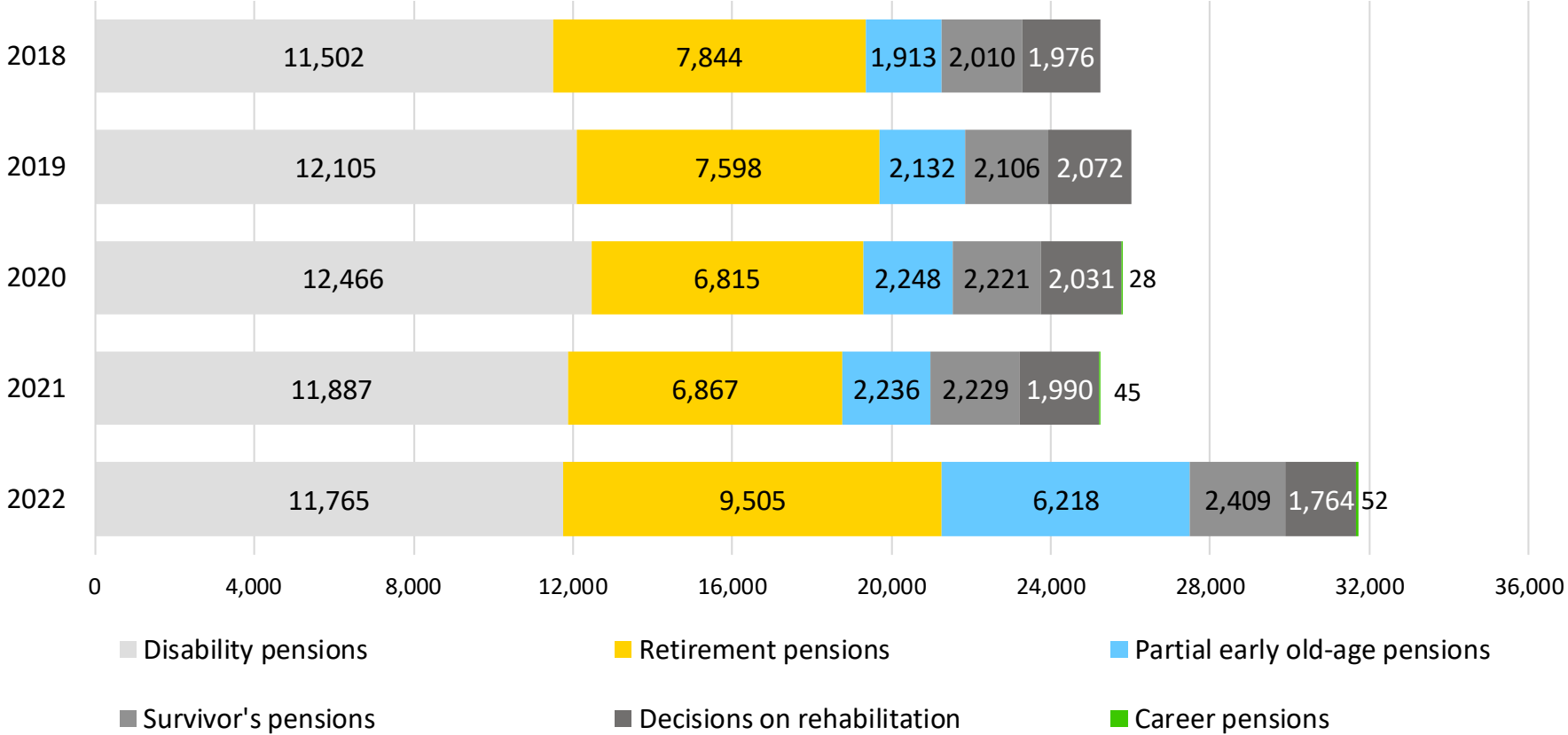
The increase in the number of applications was attributable to the exceptionally large increase in the employment pension index.

- The number of old-age pension decisions issued was 38% higher than in the previous year.
- The number of decisions on partial early old-age pension issued was 178% higher than in 2021.
- Decisions on disability pensions, in turn, decreased slightly, by 1%, and 11,765 were issued.

## Pension decisions by pension type

	1-12/2022	1-12/2021
Retirement pensions	9,505	6,867
Partial early old-age pensions	6,218	2,236
Disability pensions	11,765	11,887
Survivor's pensions	2,409	2,229
Decisions on rehabilitation	1,764	1,990
Career pensions	52	45
<b>Total</b>	<b>31,713</b>	<b>25,254</b>

# Number of pension decisions by pension type



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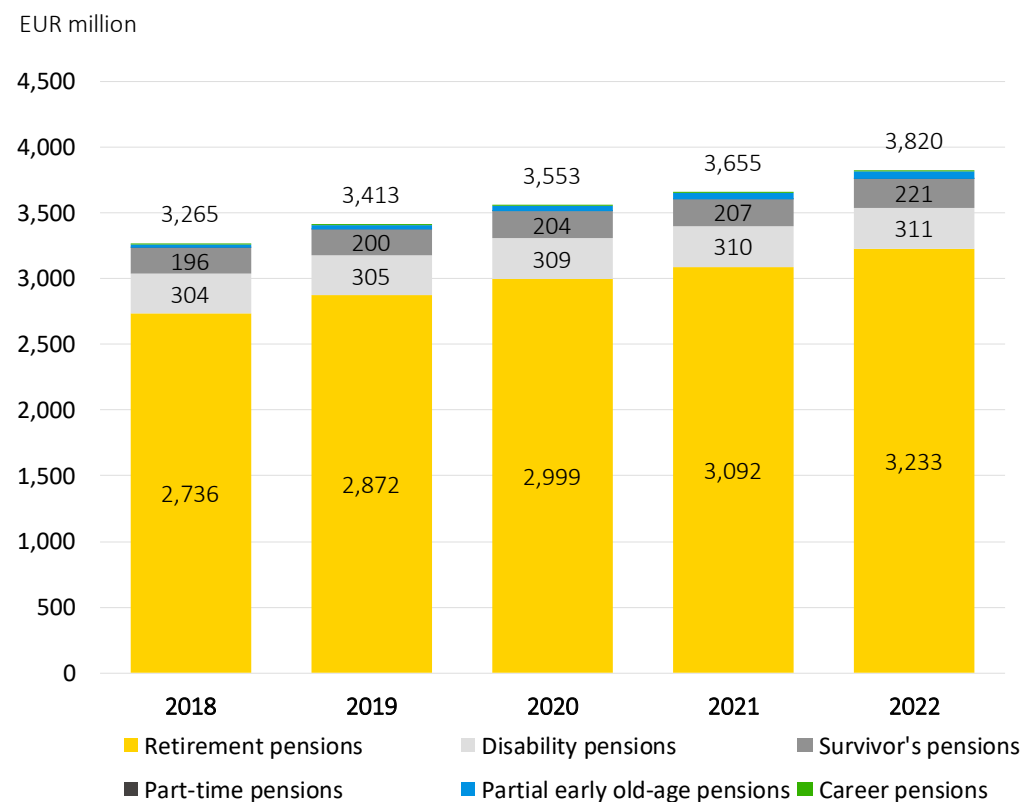


# Approximately 252,000 pensioners

## Pensions paid by pension type

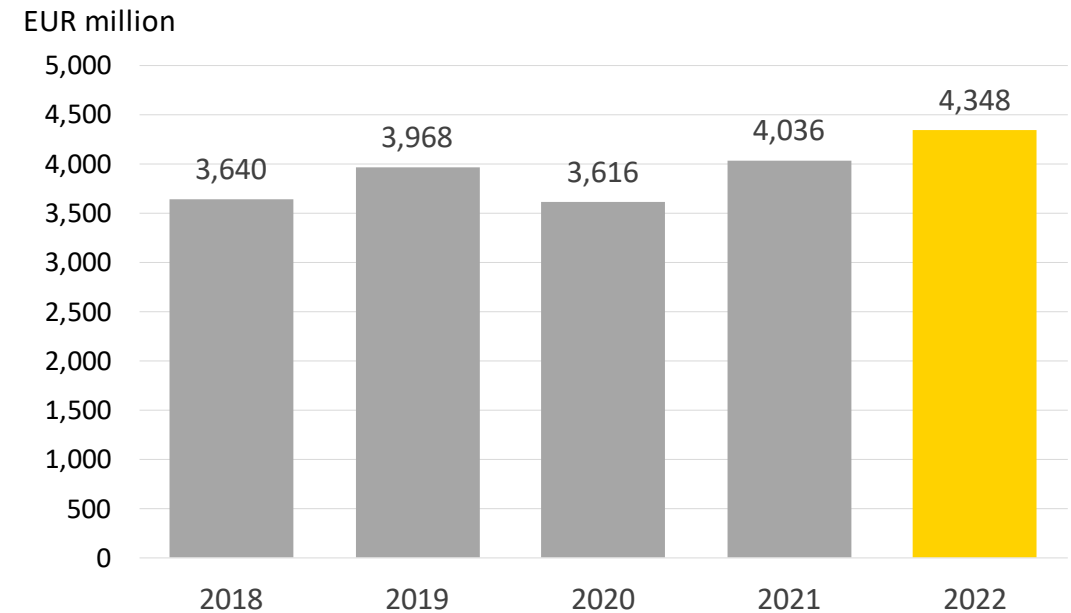
Type of pension	pcs.	EUR million
Old-age pension	189,329	3,232.5
Disability pension	22,608	310.7
Survivors' pension	30,832	220.5
Part-time pension	2	0.1
Partial early old-age pension	9,200	55.8
Years-of-service pension	25	0.1
<b>Total</b>	<b>251,996</b>	<b>3,820.2</b>

## Pensions paid by pension type 2018–2022



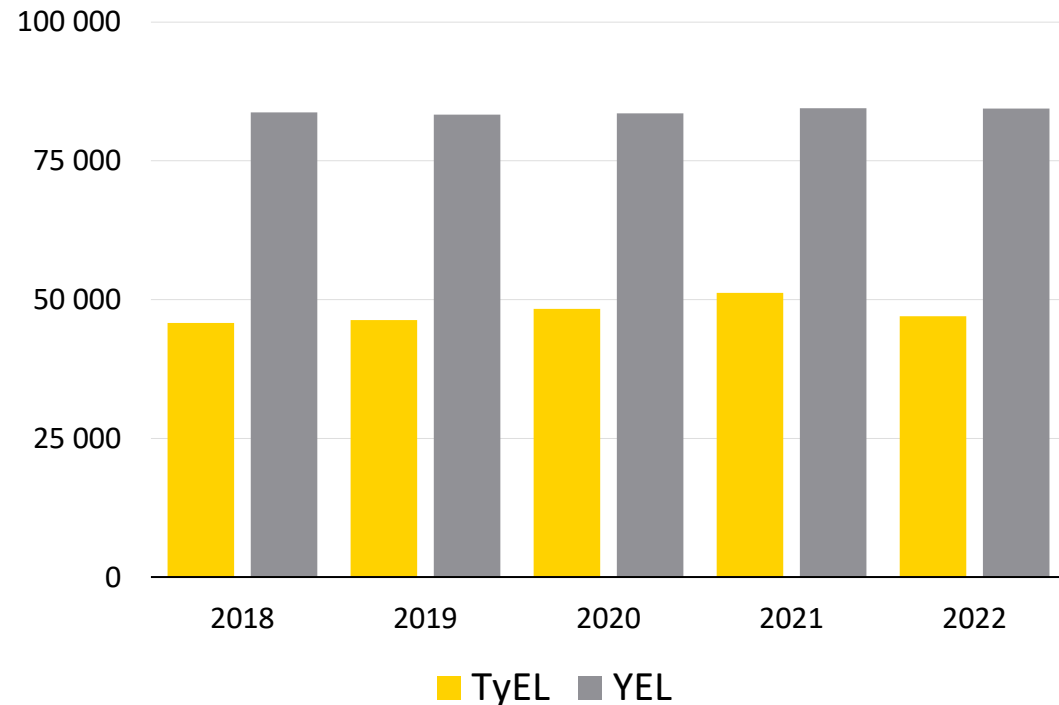
# Premiums written increased by 7.7 per cent

- Premiums written amounted to EUR 4.3 billion.
  - TyEL premiums written grew by 8.3% and YEL premiums written by 2.7%.
  - Credit losses on premium written remained at the previous year's level.
- The increase in the TyEL payroll was 5.5 per cent.

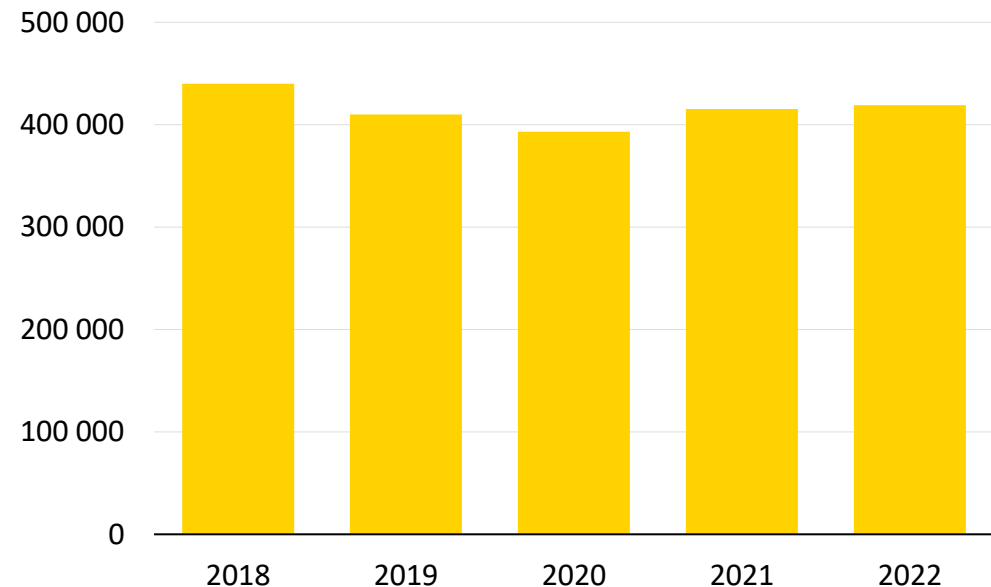


# At the end of 2022, the total number of employees and self-employed persons insured was over 500,000

## TyEL and YEL insurances



## TyEL insurance policyholders



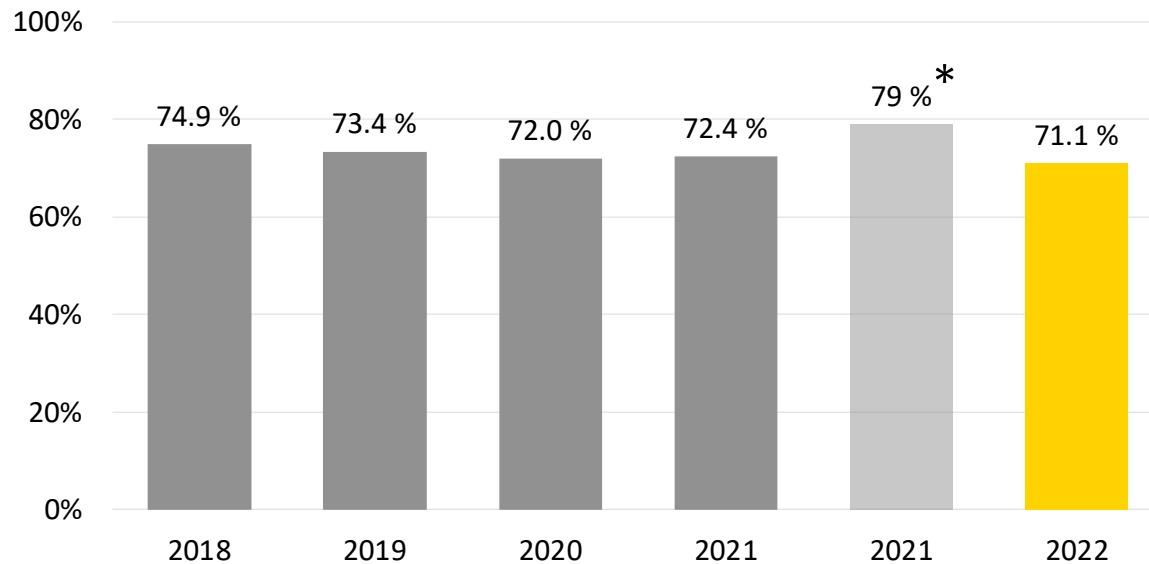
- In 2022, TyEL insurance policies in which wages and salaries were not paid were terminated from the insurance portfolio.
- In 2019, the calculation of TyEL policyholders changed as the Incomes Register was introduced.

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# Total result EUR -1.4 billion due to negative investment income

EUR million	2022	2021	2020	2019	2018
Total surplus	-1,381.1	1,616.5	0.7	1,229.9	-806.2
Insurance business surplus	68.8	17.9	-8.0	-17.8	-14.2
Investment surplus at fair values	-1,493.2	1,562.8	-30.0	1,207.0	-827.4
Net investment income at fair values (+)	-1,078.6	3,621.3	900.9	2,915.7	-331.9
Yield requirement on technical provision (-)	-414.6	-2,058.5	-930.9	-1,708.7	-495.5
Loading profit	33.2	34.0	33.2	35.2	31.8
Other income	10.2	1.9	5.5	5.5	3.6

# Record-low expense loading ratio of 71.1%



\*Expense loading ratio estimated according to 2022 criteria.

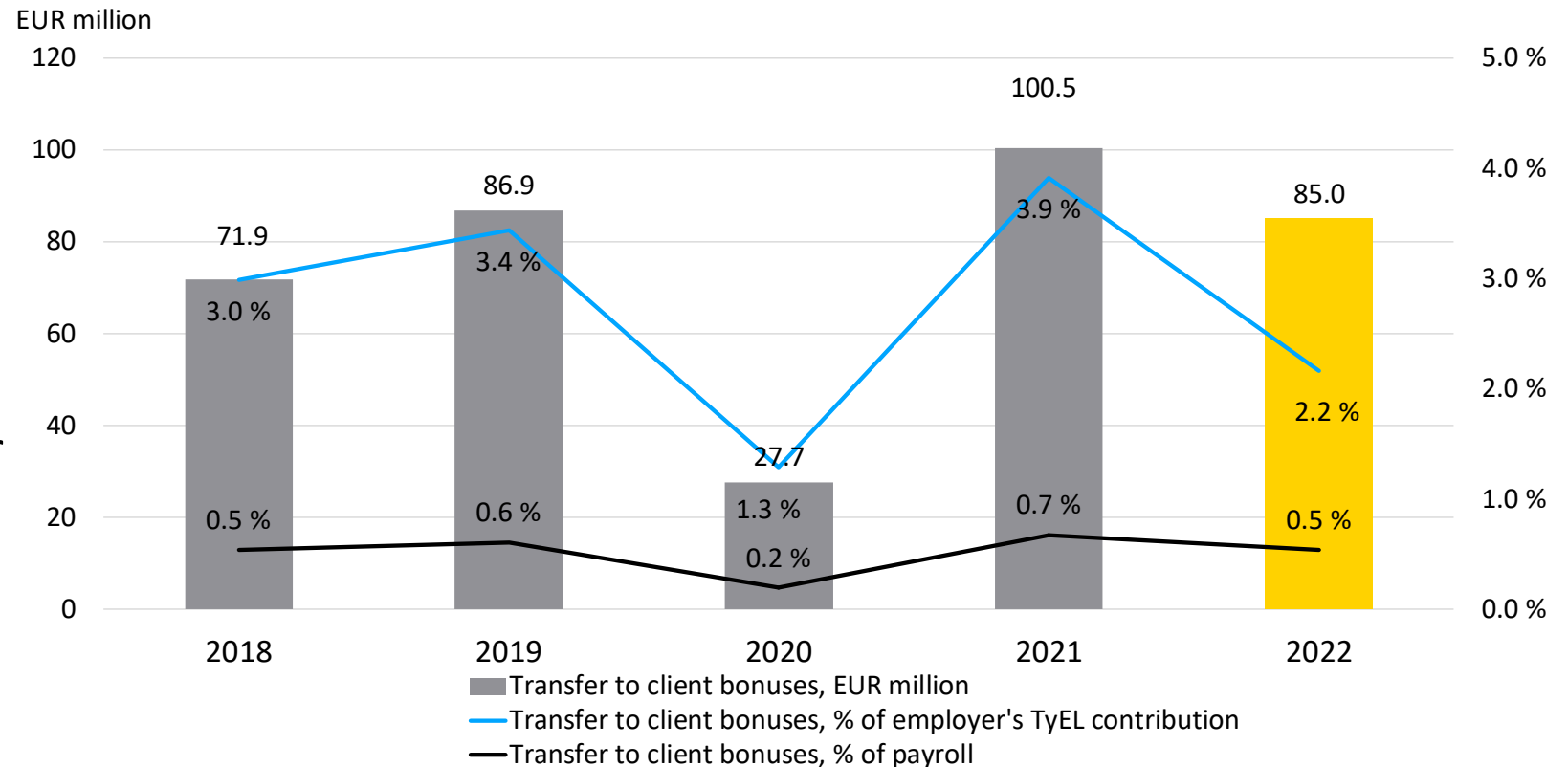
EUR million	2018	2019	2020	2021	2022
Loading income	126.6	132.3	118.7	123.2	114.7
Activity-based operating expense	-94.8	-97.1	-85.4	-89.3	-81.6
<b>Loading profit</b>	<b>31.8</b>	<b>35.2</b>	<b>33.2</b>	<b>34.0</b>	<b>33.2</b>

- Function-specific operating expenses decreased by 8.6 per cent and the loading profit came to EUR 33.2 million.
- The loading income was cut by approximately 10 per cent in 2022.



# Transfer to client bonuses at a good level

- The employment pension company's solvency and operational efficiency influence the amount of the customer bonus.
- The TyEL loading profit and 1% of the solvency capital were transferred as customer bonuses.



In 2020, full bonuses could not be paid due to the temporarily discounted premiums.

# Significant uncertainty surrounding the economic outlook

- The outlook for economic growth and inflation is subject to significant uncertainty at the beginning of 2023. Central banks are likely to continue to focus on fighting inflation, and further interest rate hikes will probably be seen during the early part of the year.
- The war in Ukraine and the energy crisis overshadow Europe's growth prospects, especially during the winter.
- The US economy is still showing signs of strength at the beginning of the year and the labour market situation remains favourable. On the other hand, business cycle barometers and housing market statistics suggest a gloomier picture.
- The Finnish economy will fall into a short recession in 2023 as the result of a decline in consumer purchasing power caused by inflation and the resulting weakening of confidence.
- The effects of the tightening of monetary policy will only be visible in the economy with a delay, and expectations are split between recession and increasing overheating. Such an environment maintains the fluctuation of investment returns.

# Summary of key figures

	2022	2021
Investment assets at fair value, EUR million	28,182.3	29,421.9
Net return from investment on capital employed, %	-3.7 %	14.0 %
Average nominal return, over 10 years	5.6 %	6.9 %
Average nominal return, over 5 years	4.9 %	7.2 %
Premiums written, EUR million	4,348.3	4,035.9
Pensions and other benefits paid, EUR million	4,147.9	4,030.2
Technical provisions, EUR million	24,252.8	23,750.4
Number of TyEL insured	419,300	415,500
Number of TyEL policyholders	47,000	51,200
Number of YEL policyholders	84,400	84,500
Number of pensioners	252,000	246,100
Loading profit, EUR million	33.2	34.0
Operating expenses as % of loading component	71.1 %	72.4 %
Solvency capital, EUR million	5,109.0	6,573.4
Solvency position	1.5	1.6
Solvency ratio, %	121.4 %	128.1 %