



Interim report
1 January – 30 June 2023

Elo Mutual Pension Insurance Company

Key figures 30 June 2023

Investment assets

EUR **29.0** billion

Return

2.8 %

10-year nominal return

5.7 %

Solvency ratio

121,0 %

Solvency position

1.5

Pensions and other
benefits paid

EUR **2.2** billion



Number of YEL policyholders

84,200

Number of TyEL policyholders

48,300

Total number of self-employed persons and employees insured

522,400

We pay out pensions to

251,100

pensioners

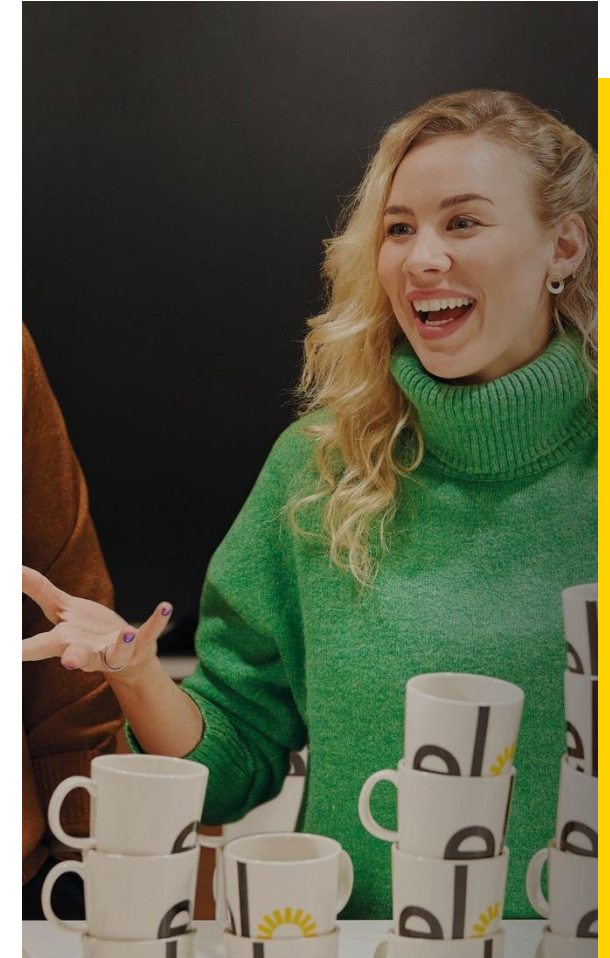
Changes in insurance and pension matters



- The pension legislation for self-employed persons changed with regard to the determination of the self-employed person's earned income and regularity in reviewing earned income. Employment pension companies are required to check the income confirmed for an entrepreneur at three-year intervals.
 - We started reviewing entrepreneurs' earned income in June.
 - Based on feedback from entrepreneurs, our review process was perceived to be clear and responding to it to be smooth.
- 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.

Strong development in our work ability services

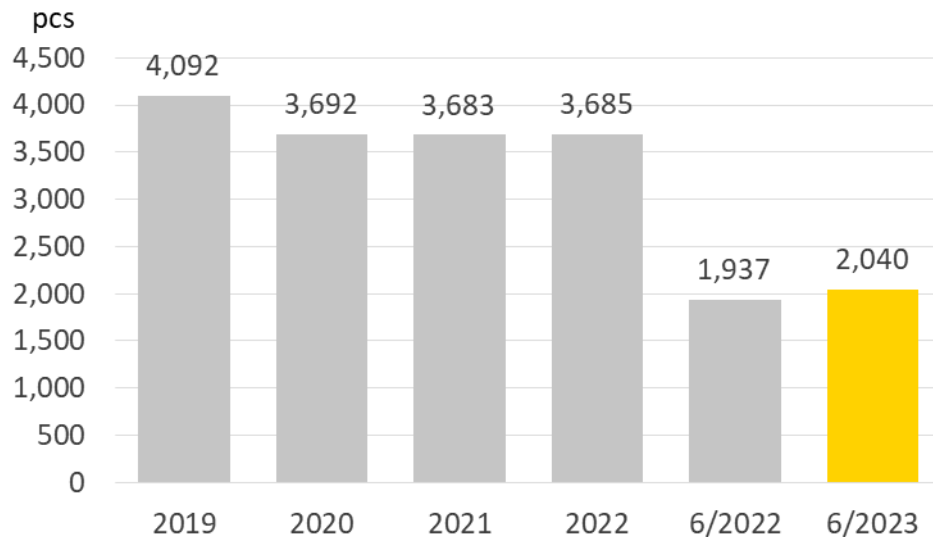
- We developed the employer's online service, providing our customers with a revised view:
 - On the economic impact of preventive measures
 - Automatic alerts about the increased work disability risk and the related increase in costs
- The disability risks of our customer companies are now taken into account better in our online training offering. During the spring, approximately 800 representatives of our customer companies participated in our online training.
- The online service for private customers allows our customers to better monitor their own data and the processing state of their case. The service offers more versatile electronic channels helping get answers to questions quickly.



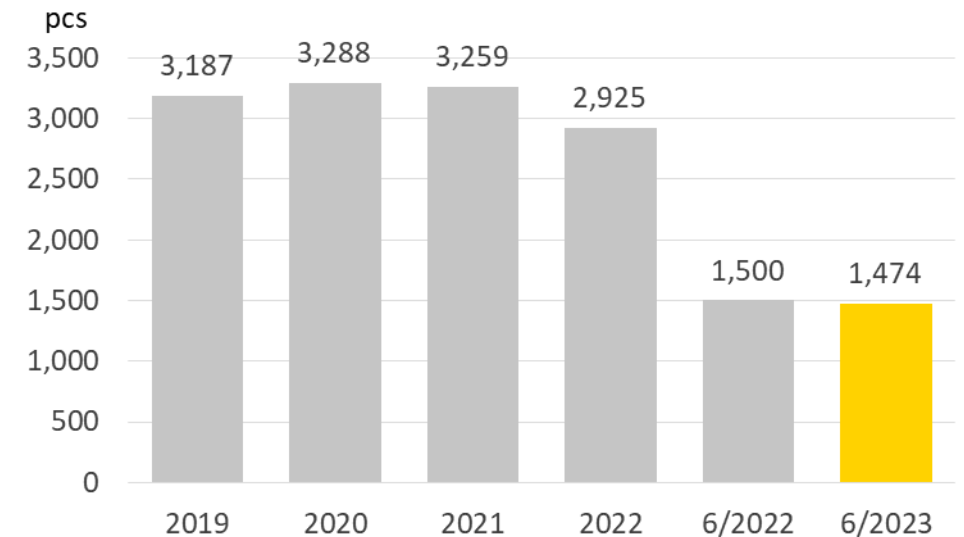
Retirements on disability pension up 5%

- The number of new disability pensions continued to grow during the first half of the year.
- The trend of decreasing rehabilitation decisions stabilised during the review period.

New disability pension decisions



Preliminary decisions on vocational rehabilitation

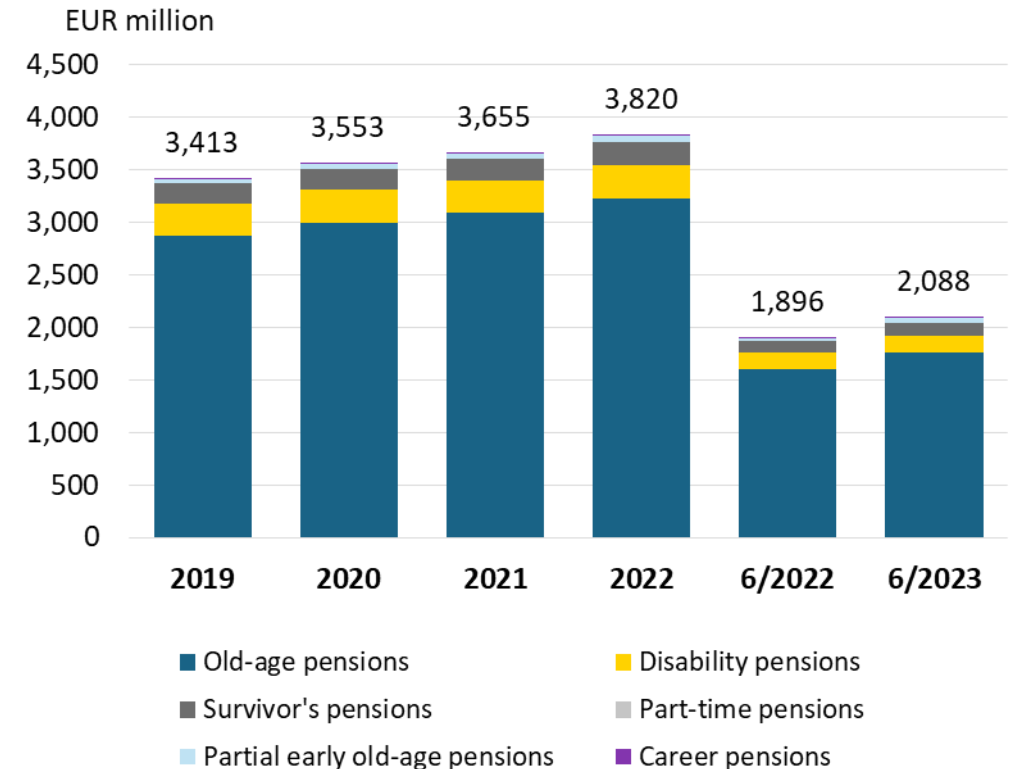


The number of pensioners 250,000

Pensions paid by pension type

Type of pension	pcs.	EUR million
Old-age pension	188,422	1,759
Disability pension	21,570	164
Survivors' pension	31,303	120
Part-time pension	2	0
Partial early old-age pension	9,762	44
Years-of-service pension	34	0
Total	251,093	2,088

Pensions paid by pension type 2019-6/2023



A decrease in the number of old-age pension decisions

- The number of pension decisions issued totalled 13,739, a decrease of 3% from the previous year.
- The number of old-age pension decisions issued was 34% lower. Underlying the low level of decisions is the gradual increase in the lowest retirement age per age group due to the pension reform. As a result, we receive fewer applications over a three-month period annually.
- The number of decisions on partial early old-age pension and survivors' pension increased.
- The number of new disability pension decisions issued was as much as 14% higher than last year.

Pension decisions by pension type

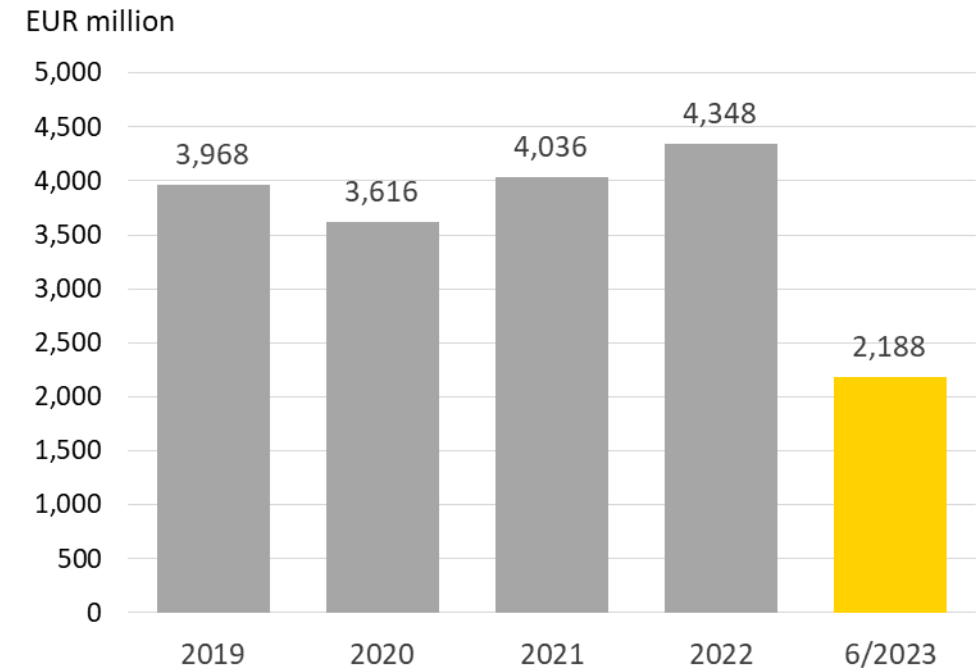
	1-6/2023	1-6/2022
Old-age pensions	2,960	4,458
Partial early old-age pensions	1,502	1,447
Disability pensions	6,819	6,145
Survivor's pensions	1,543	1,242
Decisions on rehabilitation	886	907
Career pensions	29	30
Total	13,739	14,229

38% of those applying for disability pension due to mental health reasons are under 34 years of age

- The number of disability pension applications increased by 6% year-on-year.
- In particular, the number of disability pension applications increased among those over 60 years of age. The increase concerned the transport, construction, industry and commerce sectors in particular.
- Serious mental disorders did not increase in number, but the number of applications for disability pension due to less severe mental health challenges increased. Up to 38% of new applicants for disability pension due to mental health reasons were under the age of 34. In 2022, the corresponding figure was 35%.
- Overweight and lack of exercise can be seen underlying the work ability challenges. The Ministry of Social Affairs and Health estimates that obesity costs the Finnish society EUR 5 billion annually. It is important to prevent problems and invest in work ability. Workplaces can support mental health and encourage good choices with regard to exercise and weight control. Actions are also needed in society as a whole to promote physical exercise.

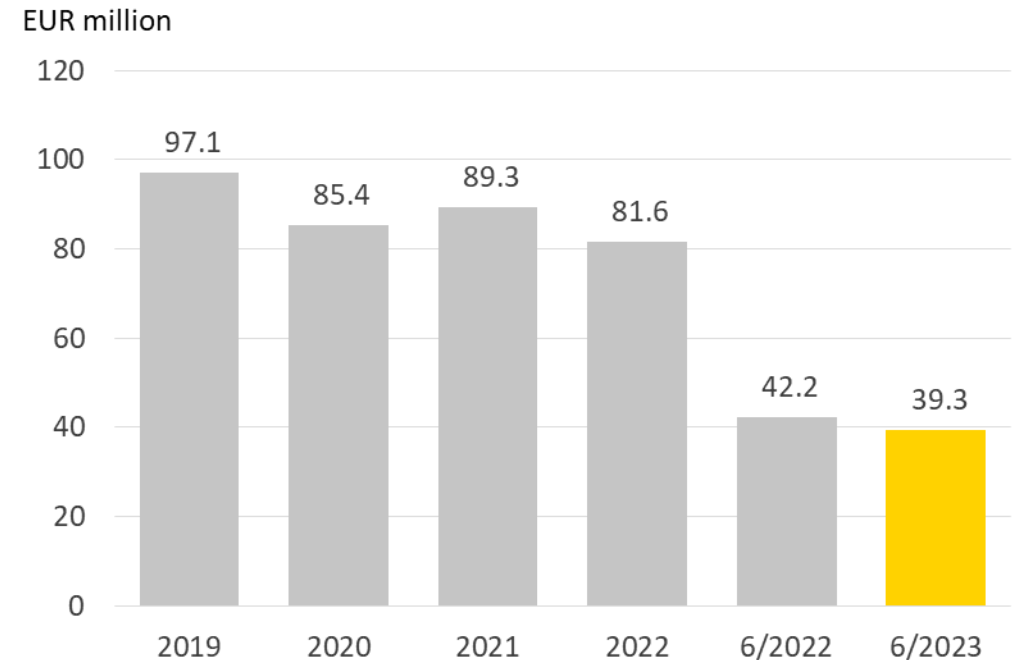
Premiums written increased by 3.7%

- Premiums written amounted to EUR 2.2 billion.
 - TyEL credit losses amounted to EUR 10.3 million during the review period. The amount of credit losses is expected to increase in 2023 compared to previous years.
- In the first half of the year, Elo's total TyEL payroll was approximately 3.6% higher than in the corresponding period in 2022.



Our customers receive management fee refunds thanks to our improved efficiency

- We have enhanced Elo's cost efficiency, and we will refund EUR 7.0 million to our customers as management fee.
- Over the past five years, operating expenses covered by loading profit have decreased significantly.
- Operating expenses decreased to EUR 39 million and were approximately 7% lower than in the corresponding period in 2022.



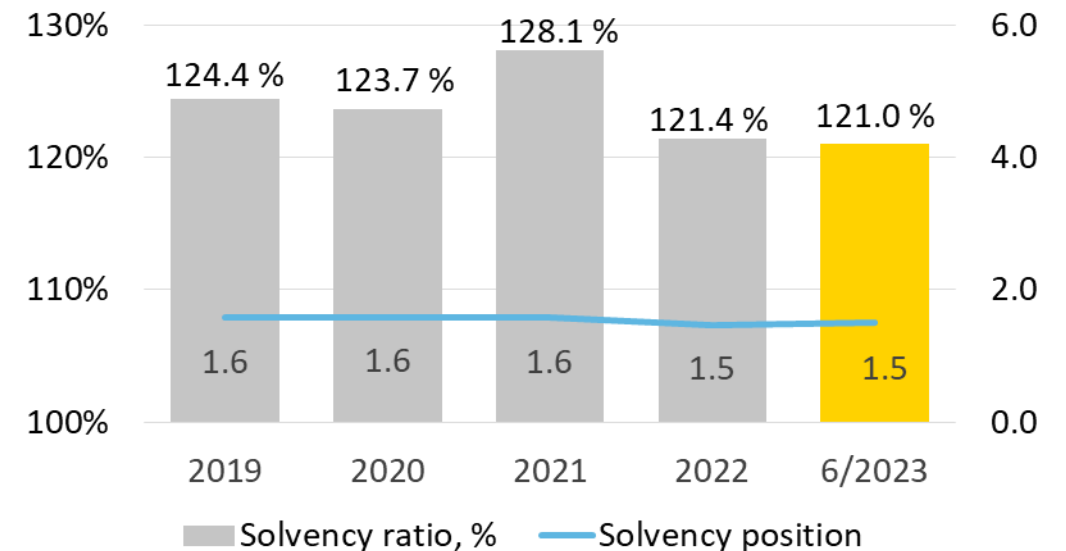
Total result EUR 48.2 million

EUR million	6/2023	6/2022	2022
Total surplus	48.2	-1,102.5	-1,381.1
Insurance business surplus	7.7	22.8	68.8
Investment surplus at fair values	34.1	-1,141.3	-1,493.2
Net investment income at fair values (+)	799.3	-1,326.4	-1,078.6
Yield requirement on technical provision (-)	-765.2	185.1	-414.6
Loading profit	3.5	15.0	33.2
Other income	2.9	10.2	1.9

Solvency at a secure level

- The amount of solvency capital increased from the end of 2022 by EUR 44.3 million, amounting to EUR 5,153.2 million at the end of June.
- The solvency position is at the same level as at the end of 2022.

Solvency ratio and position



Summary of key figures

	6/2023	6/2022	2022
Investment assets at fair value, EUR million	28,987.0	27,991.1	28,182.3
Net return from investment on capital employed, %	2.8 %	-4.5 %	-3.7 %
Average nominal return, over 10 years	5.7 %	6.1 %	5.6 %
Average nominal return, over 5 years	5.3 %	5.3 %	4.9 %
Number of TyEL policyholders	48,300	47,100	47,000
Number of YEL policyholders	84,200	84,500	84,400
Number of pensioners	251,100	245,600	252,000
Solvency capital, EUR million	5,153.2	5,470.4	5,109.0
Solvency position	1.5	1.5	1.5
Solvency ratio, %	121.0 %	123.6 %	121.4 %



Our responsibility measures

- Our responsibility programme “We provide lifelong security” was completed. It is based on three focus areas: We insure responsibly, We Build a Humane Work Life and We Invest in the Future.
- We underwent an EcoVadis assessment and received the Silver rating in recognition of our responsibility work. We are in the top quarter of assessed companies. EcoVadis is a global provider of business sustainability ratings.
- Our responsibility actions have included drawing up Elo’s human rights principles and updating our car policy, in which we take into account our carbon footprint goals.
- As one of Finland’s biggest property owners, Elo plays an important role in reducing emissions of the building stock and in social responsibility. Swing House office building in Espoo received the Platinum-level WELL certification and the hotel on Kluuvikatu, Helsinki, was awarded the LEED Platinum certification. In addition, we introduced the revised customer experience programme for business premises.

Near-term outlook

- The economic outlook is still affected by uncertainty as to whether the impact of the rise in interest rates on economic growth and employment is yet to come. The rapid and strong rise in interest rates has clearly weakened the interest-sensitive areas of the economy.
- The impact of rising interest rates are already visible in the Finnish economy, as household mortgages are mainly tied to short-term variable reference rates. Both the housing trade and construction have weakened and there is no clear turn for the better in construction without a recovery in real income or a decline in interest rates.
- Inflation expectations and actual inflation are not yet at the price stability levels required by central banks in Europe and the United States. However, this should be achieved without a significant deterioration of the labour market.
- The risks affecting Elo's operations are related to the uncertainty in the financial market, the development of employment and the payroll, and the start and duration of pensions. Payroll growth will likely be lower during the second half than the first half of the year. This will affect the development of Elo's premiums written. The amount of credit losses on premiums written is estimated to increase by EUR 7.5 million from the previous year. The overall risk level of investments, proportionate to the risk-bearing capacity, as well as careful and comprehensive risk management ensures the interests of the insured, the achievement of objectives and the continuity of the company.

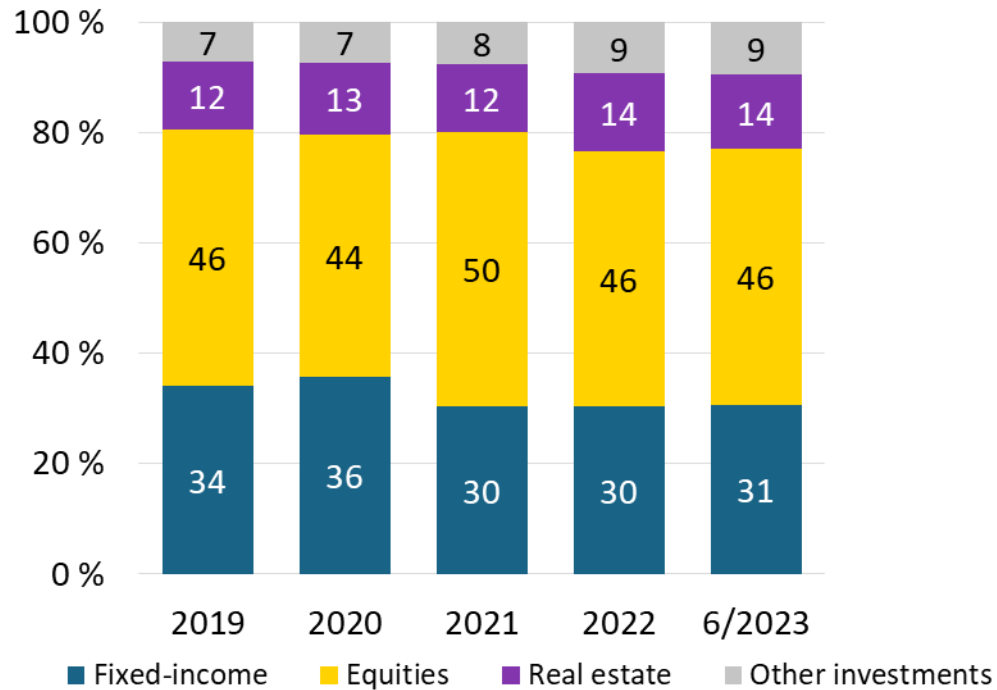
Investment overview

Financial market returns were better than expected, thanks to good economic development

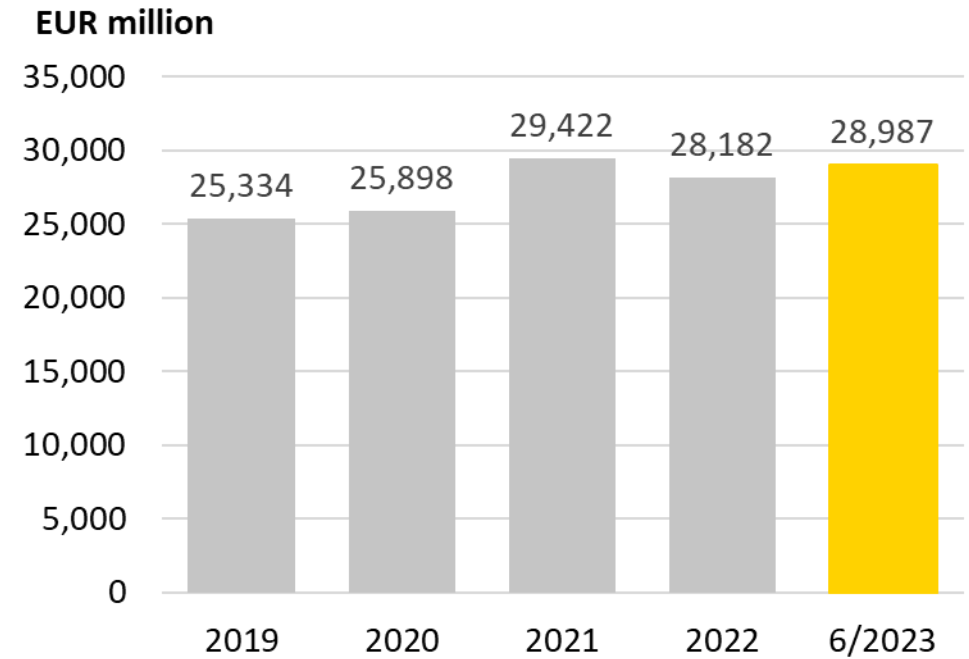
- Equity market returns diverged strongly, especially in late spring, both geographically and by sector:
 - In particular, the US equity market was boosted by around a dozen of the largest growth companies, and the Nasdaq technology index rose by almost 40%.
 - European and emerging market equities rose by about 11% and 6%, respectively.
 - The development of the Finnish equity market differed from the main markets and the return was about -3%.
- Interest hikes by central banks continued steadily during the first half of the year. In the United States, interest rates were raised three times and the European Central Bank raised its interest rate four times. The shortest market rates increased with the rate hikes, but the longer rates remained in place or even decreased slightly.
- The uncertain economic outlook and rising interest rates had an impact on the real estate investment market. Trade continued to be soft, construction was in a decline and yield requirements increased.

Investment assets EUR 29.0 billion

Asset allocation

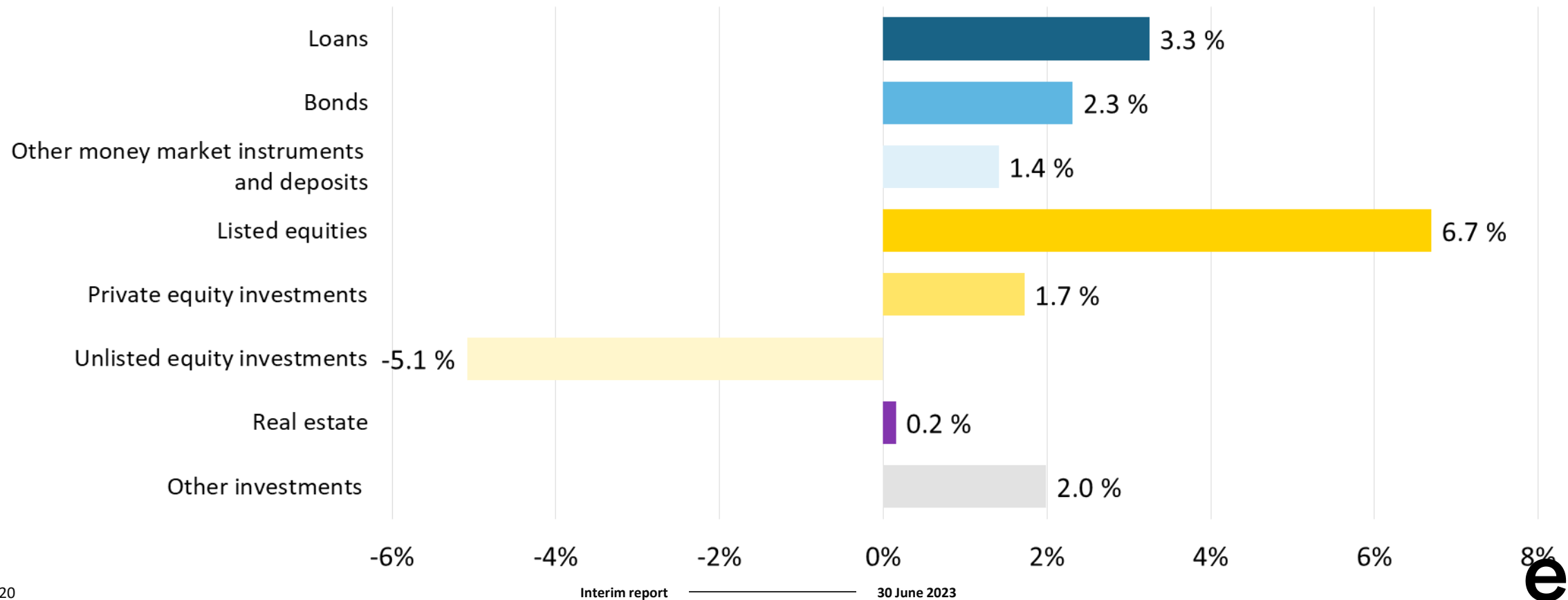


Investment assets



Elo's listed equities performed well

Return on investments by asset class



Return on investments 2.8%

	Basic allocation by market value		Actual risk position		Return		Volatility	
	EUR million	%	EUR million	%	%	%	%	
Fixed-income investments	8,537.2	29.5	8,672.3	29.9	2.2			
Loans	531.8	1.8	531.8	1.8	3.3			
Bonds	6,634.0	22.9	6,718.6	23.2	2.3		3.4	
Public bonds	1,535.9	5.3	1,598.1	5.5	1.4			
Other bonds	5,098.1	17.6	5,120.5	17.7	2.6			
Other money market instruments and deposits incl. any receivables and liabilities related to investments	1,371.4	4.7	1,421.8	4.9	1.4			
Equities	13,773.4	47.5	13,403.3	46.2	4.3			
Listed equities	8,208.1	28.3	7,838.1	27.0	6.7		13.2	
Private equity investments	4,942.4	17.1	4,942.4	17.1	1.7			
Unlisted equity investments	622.8	2.1	622.8	2.1	-5.1			
Real estate	3,927.3	13.5	3,927.3	13.5	0.2			
Direct real estate investments	2,677.5	9.2	2,677.5	9.2	1.7			
Real estate funds and joint investment companies	1,249.8	4.3	1,249.8	4.3	-3.0			
Other investments	2,749.1	9.5	2,749.1	9.5	2.0			
Hedge fund investments	2,754.9	9.5	2,754.9	9.5	2.6		4.8	
Commodity investments	0.0	0.0	0.0	0.0	-			
Other investments	-5.8	0.0	-5.8	0.0	-			
Total investments	28,987.0	100.0	28,752.1	99.2	2.8		4.6	
Effect of derivatives			234.9	0.8				
Total	28,987.0	100.0	28,987.0	100.0				

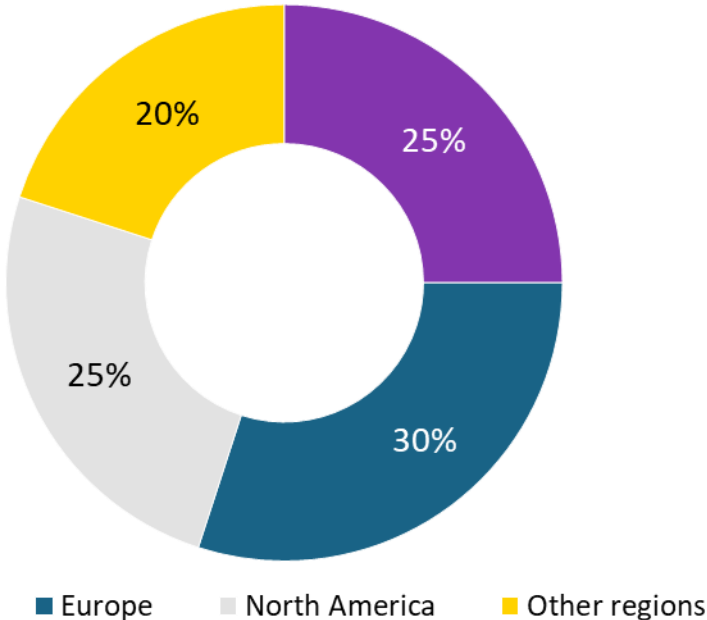
The return on foreign currency derivatives is estimated for asset classes in proportion to the average foreign currency-denominated assets during the reporting period.

The total return includes returns, expenses and operating expenses not allocated to investment classes. The modified duration of bonds is 4,2.

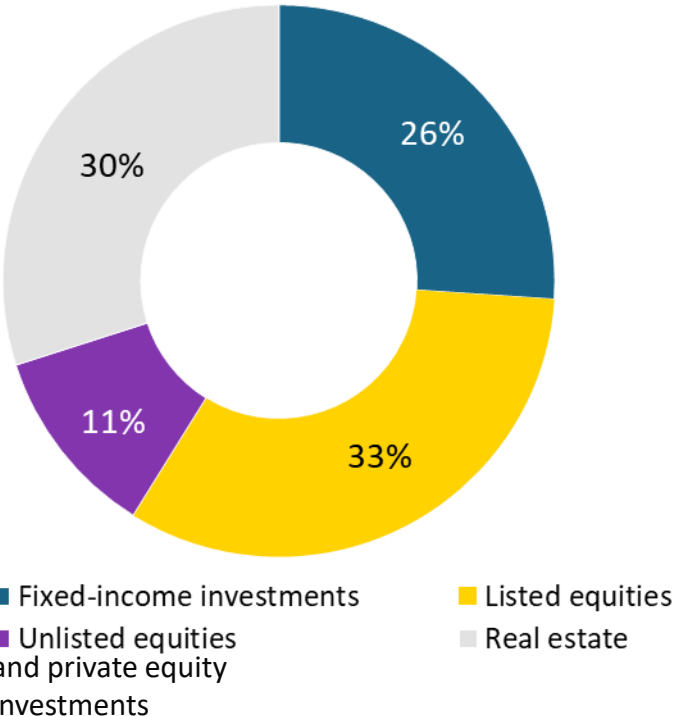
The open currency exposure is 23,8% of market value.

25% of investments in Finland

Geographical distribution of investments

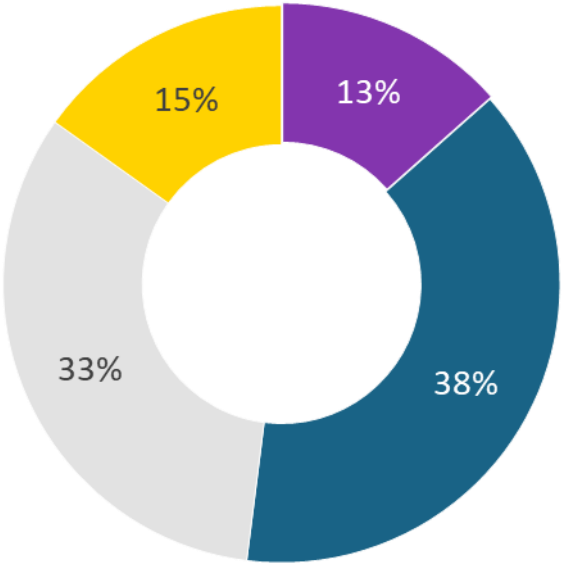


Investments in Finland by asset class



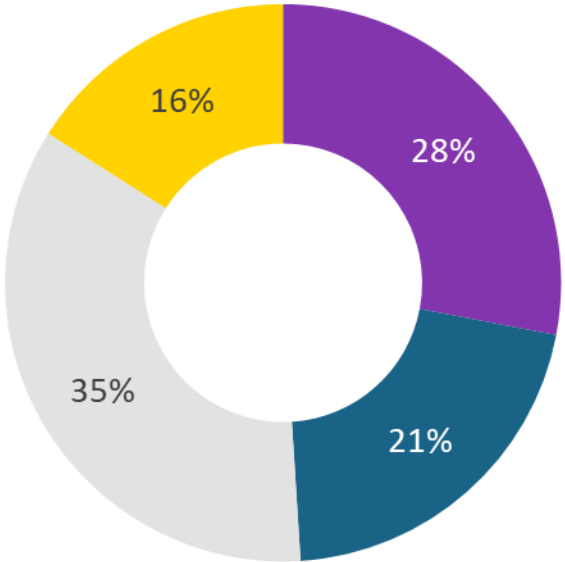
Geographical distribution of bonds and listed equities

Bonds EUR 5 billion *



■ Finland ■ Europe ■ North America ■ Other regions

Listed equities EUR 8 billion

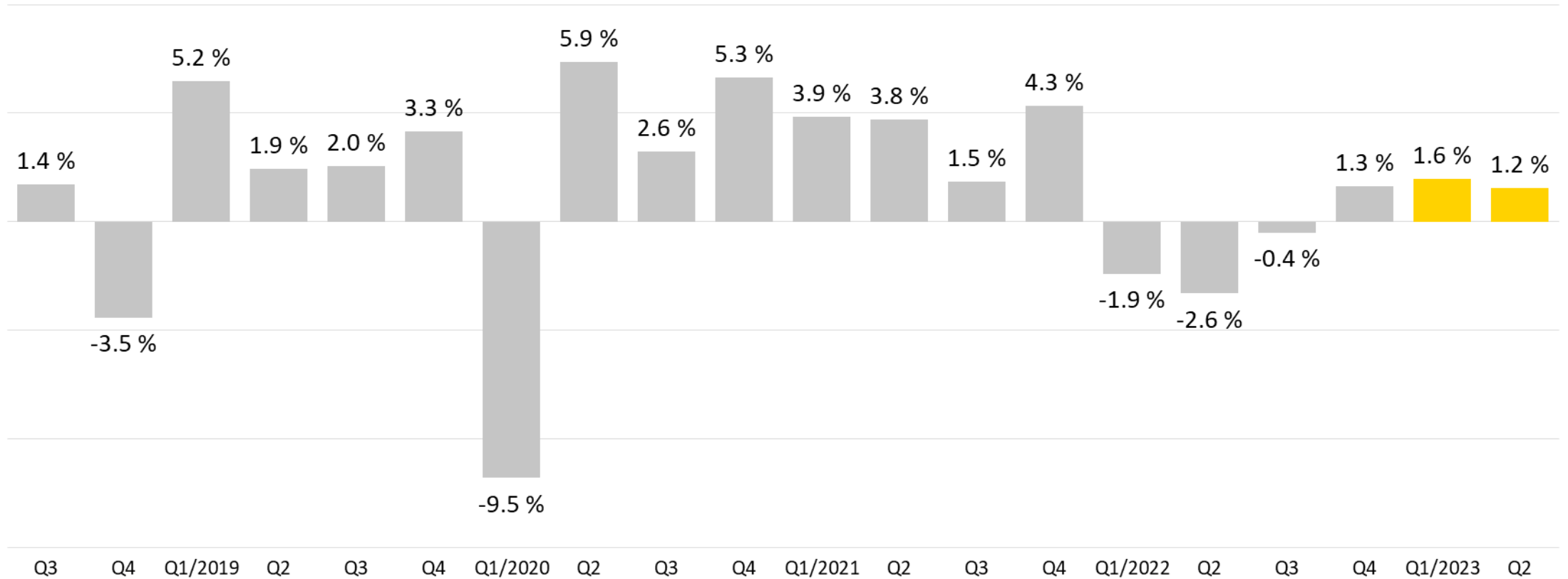


■ Finland ■ Europe ■ North America ■ Other regions

*Unlisted investments excluded.

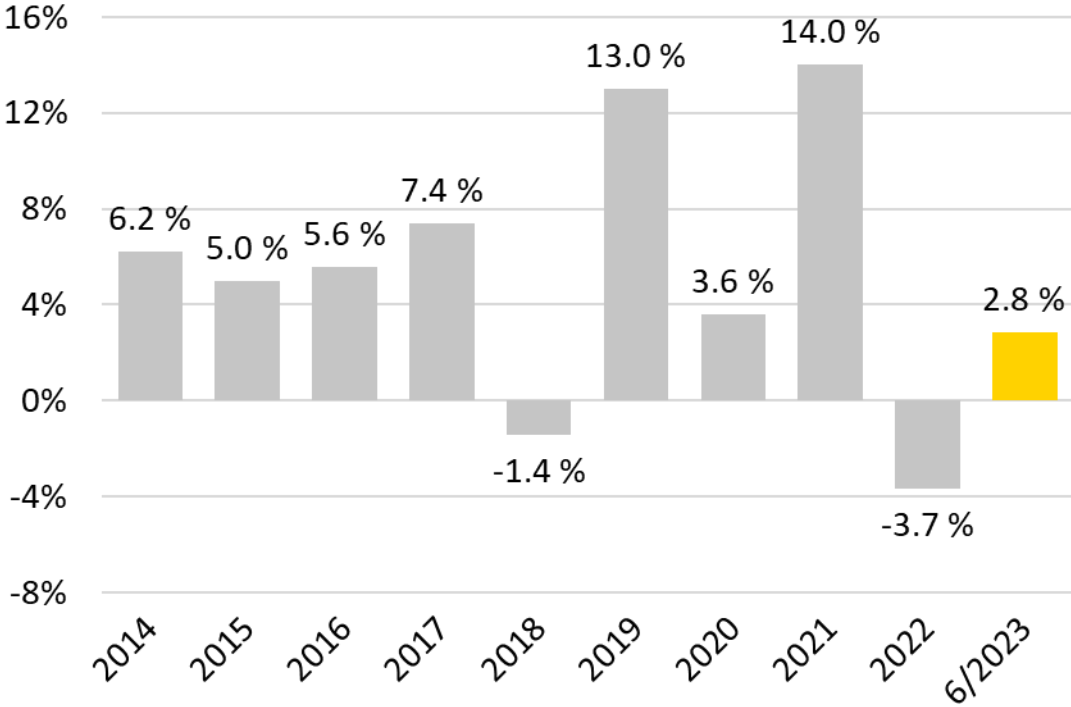


Positive second-quarter return of 1.2%

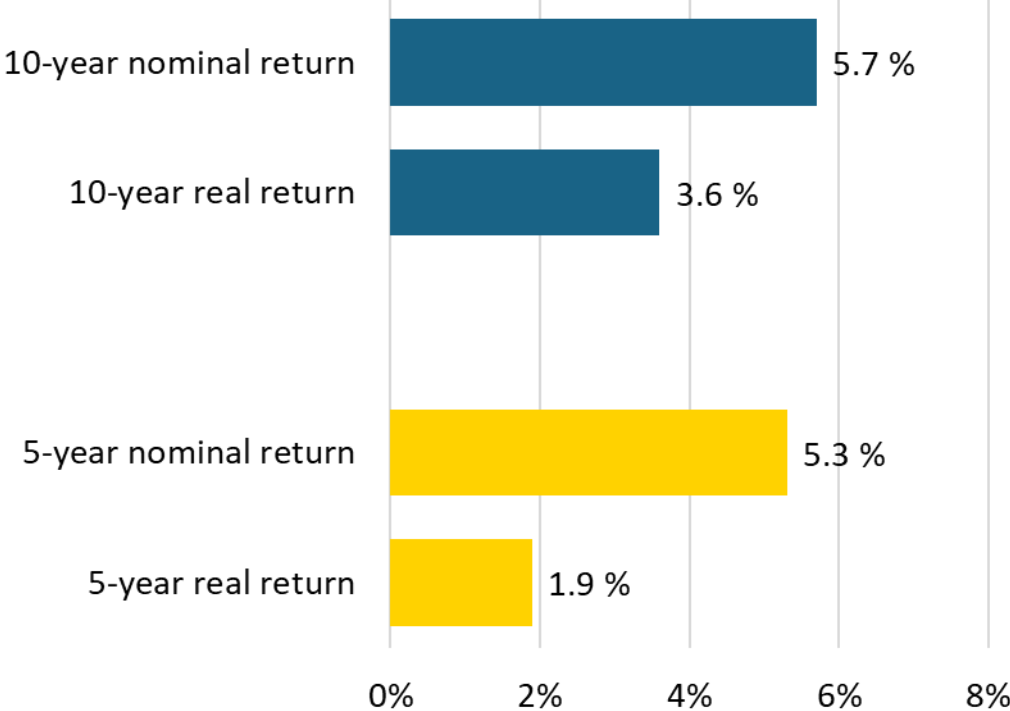


Ten-year return was 5.7% per annum

Investment returns



Average return on investments over time



Cumulative long-term return 65%

