



# Interim report 1 January – 31 March 2023

Elo Mutual Pension Insurance Company



# Key figures 31 March 2023

Investment assets

**28.7** EUR billion

Return

**1.6** %

10-year nominal return

**5.4** %

Solvency ratio

**121,2** %

Solvency position

**1.6**

Pensions and other  
benefits paid

**1.1** EUR billion



Number of YEL policyholders

**83,900**

Number of TyEL policyholders

**47,400**

Total number of self-employed  
persons and employees insured

**489,300**

We pay out pensions to

**250,600**

pensioners

# Changes in insurance and pension matters



- The pension legislation for self-employed persons changed from the beginning of 2023. A key change is the further specification of 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.
  - At Elo, we will start reviewing entrepreneurs' earned income at the beginning of June.
  - We prepared for the inspections by introducing the YEL earned income calculator, informing our customers and training them.
- The employment pension index increased by 6.8% at the beginning of 2023.
- 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.

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

- The number of applications for disability pensions continued to grow. During the first quarter of the year, the number of applications increased by 10%.
- We developed our online services to improve our customers' visibility into disability risks. We added new company and group reports and forecast models of disability costs to the online service for private and employer customers. We developed the content of work ability management guidance and training services, for example, with regard to vocational rehabilitation in Elokanava and in support for the development of middle management's work ability management skills.

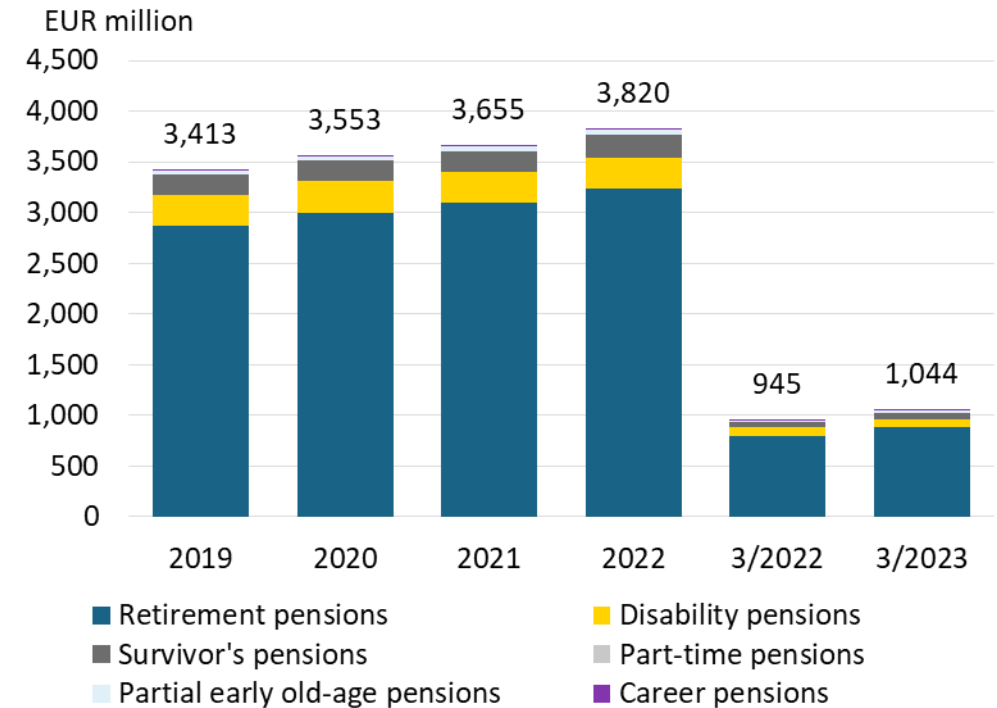


# The number of pensioners approximately 250,600

## Pensions paid by pension type

Type of pension	pcs.	EUR million
Old-age pension	188,927	880.3
Disability pension	21,065	82.2
Survivors' pension	31,084	59.7
Part-time pension	2	0.0
Partial early old-age pension	9,469	21.8
Years-of-service pension	30	0.2
<b>Total</b>	<b>250,577</b>	<b>1,044.3</b>

## Pensions paid by pension type 2019-3/2023



# Number of applications for old-age pension decreased

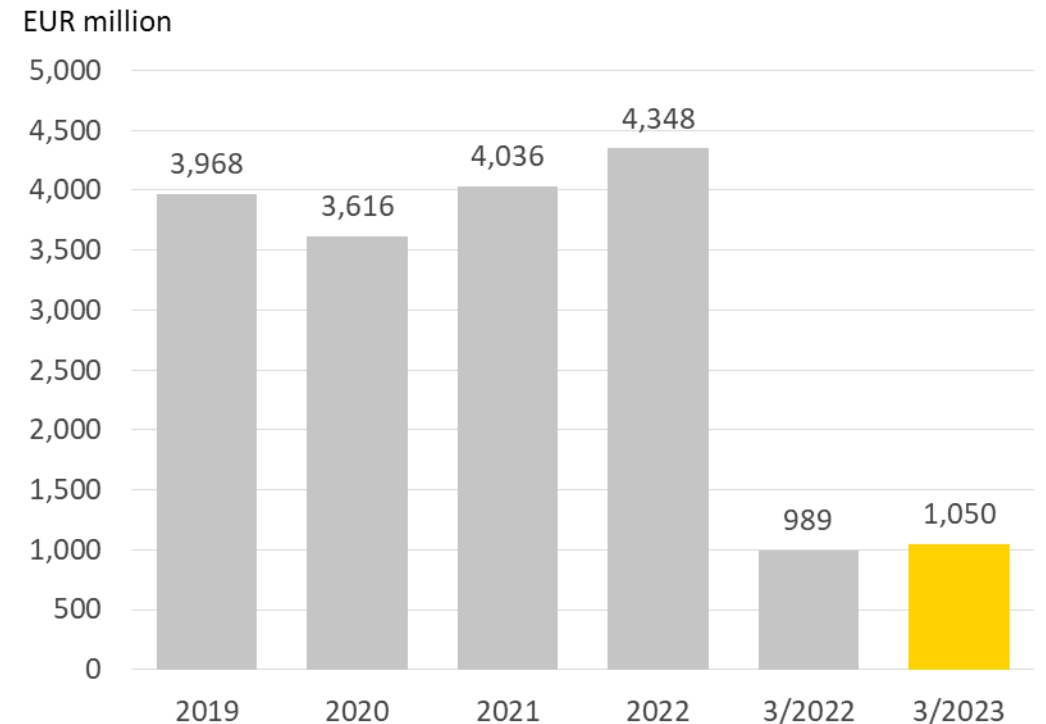
- The number of pension decisions issued totalled 6,418, a decrease of 13% from the previous year.
- The number of applications for old-age pension and partial early old-age pension decreased.
- The number of new disability pension decisions issued was 6 per cent higher than last year.
  - The number of applications for disability pensions, especially among men aged over 60, continues to grow.
- The trend of decreasing rehabilitation decisions continued and the number of decisions made was 12 per cent lower than last year.

## Pension decisions by pension type

	1–3/2023	1–3/2022
Retirement pensions	1,015	2,217
Partial early old-age pensions	721	806
Disability pensions	3,448	3,234
Survivor's pensions	808	610
Decisions on rehabilitation	410	464
Career pensions	16	12
<b>Total</b>	<b>6,418</b>	<b>7,343</b>

# Premiums written increased by 6.2 per cent

- Premiums written amounted to EUR 1.1 billion.
  - The amount of credit losses is expected to increase due to the increase in the number of bankruptcies during the first quarter.
- Early in the year, Elo's total TyEL payroll was approximately 3.6 per cent higher than in the corresponding period in 2022.





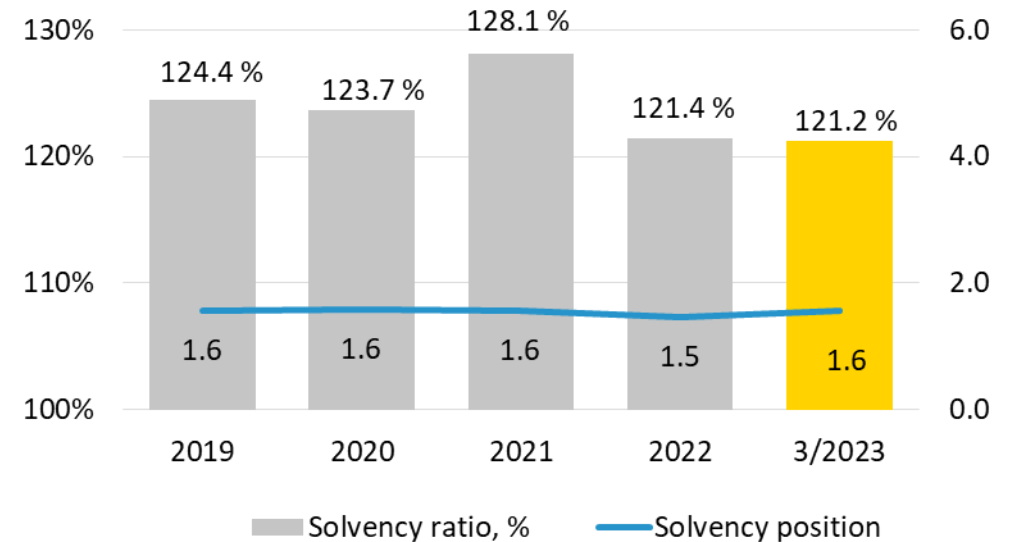
# Total result EUR 34.4 million

EUR million	3/2023	3/2022	2022
Total surplus	34.4	-502.4	-1,381.1
Insurance business surplus	8.6	7.2	68.8
Investment surplus at fair values	23.4	-515.7	-1,493.2
Net investment income at fair values (+)	447.2	-565.5	-1,078.6
Yield requirement on technical provision (-)	-423.8	49.9	-414.6
Loading profit	1.6	6.7	33.2
Other income	0.8	-0.6	10.2

# Solvency remained at a secure level

- The amount of solvency capital increased from the end of 2022 by EUR 32.4 million, amounting to EUR 5,141.4 million at the end of March.
- The solvency position has increased since the end of 2022.

## Solvency ratio and position



# Summary of key figures

	3/2023	3/2022	2022
Investment assets at fair value, EUR million	28,698.1	28,770.2	28,182.3
Net return from investment on capital employed, %	1.6 %	-1.9 %	-3.7 %
Average nominal return, over 10 years	5.4 %	6.3 %	5.6 %
Average nominal return, over 5 years	5.3 %	6.1 %	4.9 %
Premiums written, EUR million	1,050.3	989.0	4,348.3
Pensions and other benefits paid, EUR million	1,105.4	1,040.0	4,147.9
Technical provisions, EUR million	24,660.1	23,947.2	24,252.8
Number of TyEL insured	405,200	400,900	419,300
Number of TyEL policyholders	47,400	51,800	47,000
Number of YEL policyholders	83,900	84,200	84,400
Number of pensioners	250,600	244,200	252,000
Solvency capital, EUR million	5,141.4	6,070.5	5,109.0
Solvency position	1.6	1.6	1.5
Solvency ratio, %	121.2 %	126.1 %	121.4 %



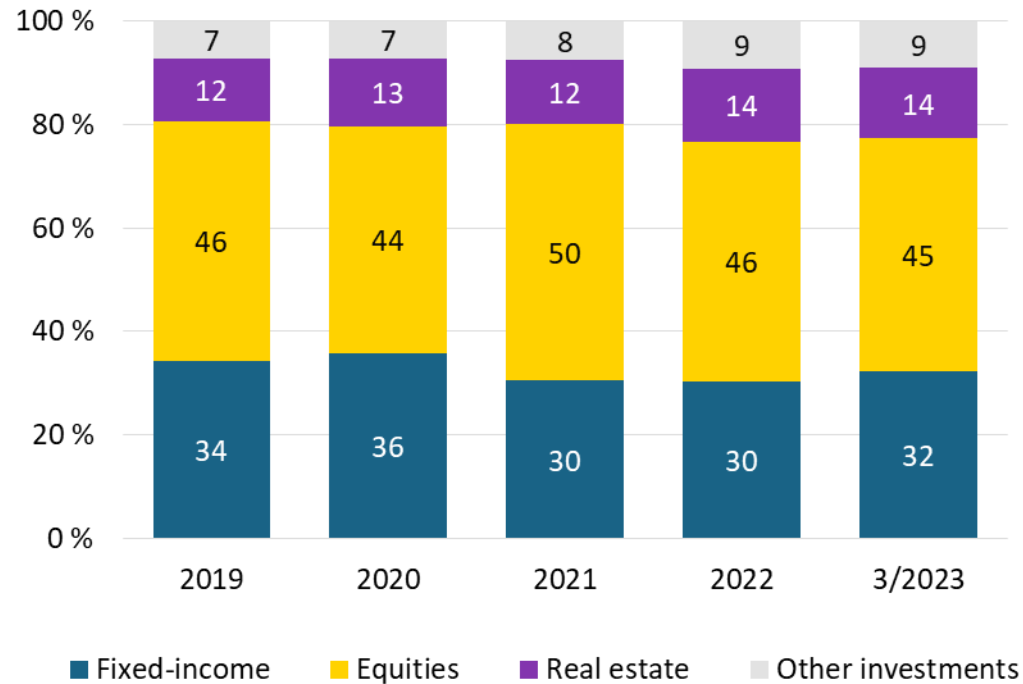
# Investment overview

# Uncertainty in the financial market – rising interest rates and problems in the banking sector

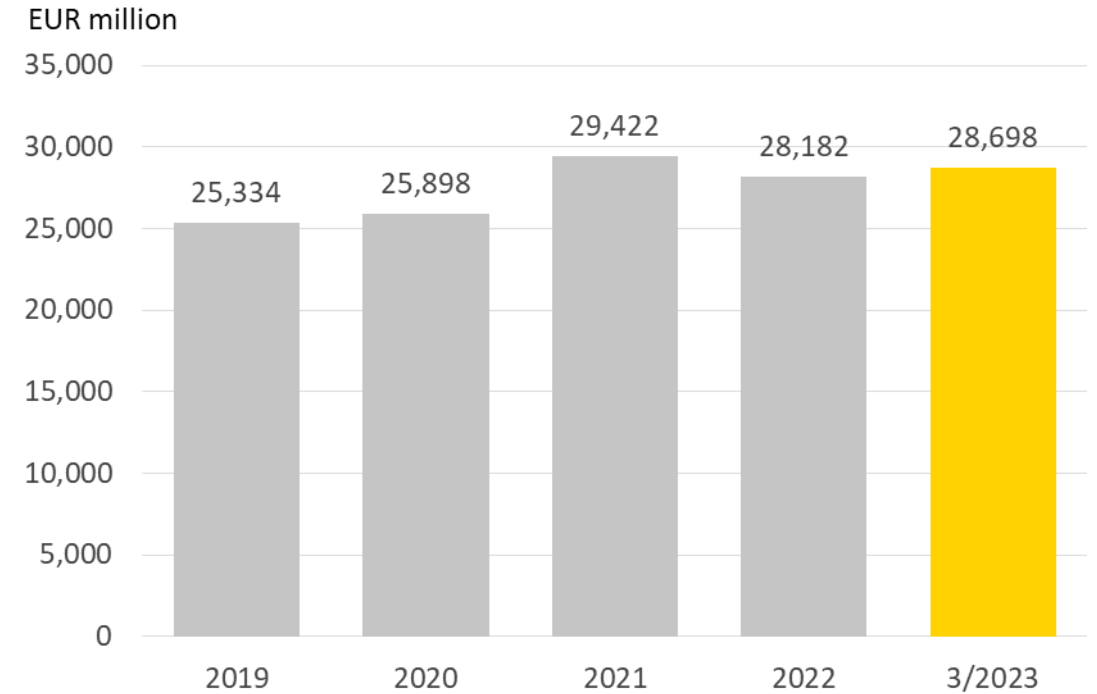
- Economic growth continued to be good and inflation remained at a high level during the first quarter. In March, however, uncertainty in the financial market increased, as certain banks in the United States and Switzerland ran into difficulties as a result of rising interest rates. With the support of central banks and supervisory authorities, the banking sector's problems were limited to individual banks, and the situation has calmed down for the time being.
- The US and European central banks stabilised the financial markets, but still raised interest rates.
- However, due to uncertainty, expectations for economic growth deteriorated. The interest rate market, in particular, saw strong movements.
- The return on equity investments was good during the first quarter. Reduced energy prices and the opening up of China maintained the good dynamics of the economy and the equity market.
- Due to the change in the interest rate environment, the real estate investment market is still in a period of transition, seeking price levels aligned with the new situation. Therefore, trading continued to be soft in the market.

# Investment assets EUR 28.7 billion

## Asset allocation

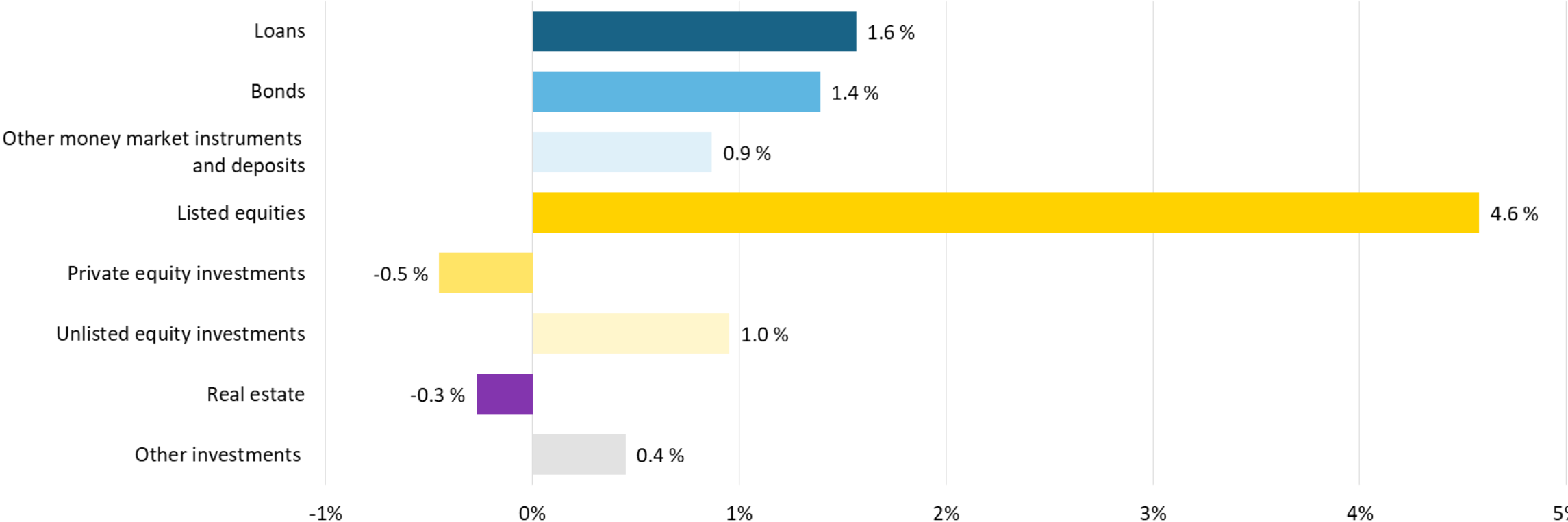


## Investment assets



# The equity market recovered quickly from the decline that caused bank stress

## Return on investments by asset class



# Return on investments 1.6 per cent

	Basic allocation by market value		Actual risk position		Return		Volatility	
	EUR million	%	EUR million	%	%	%	%	
Fixed-income investments	8,810.4	30.7	8,449.1	29.4	1.3			
Loans	530.8	1.8	530.8	1.8	1.6			
Bonds	6,623.4	23.1	6,157.7	21.5	1.4	3.4		
Public bonds	1,546.7	5.4	1,184.5	4.1	0.7			
Other bonds	5,076.7	17.7	4,973.3	17.3	1.6			
Other money market instruments and deposits incl. any receivables and liabilities related to investments	1,656.2	5.8	1,760.6	6.1	0.9			
Equities	13,367.3	46.6	12,936.3	45.1	2.6			
Listed equities	7,880.0	27.5	7,449.0	26.0	4.6	13.3		
Private equity investments	4,837.5	16.9	4,837.5	16.9	-0.5			
Unlisted equity investments	649.8	2.3	649.8	2.3	1.0			
Real estate	3,922.8	13.7	3,922.8	13.7	-0.3			
Direct real estate investments	2,653.0	9.2	2,653.0	9.2	0.7			
Real estate funds and joint investment companies	1,269.8	4.4	1,269.8	4.4	-2.3			
Other investments	2,597.7	9.1	2,597.7	9.1	0.4			
Hedge fund investments	2,602.0	9.1	2,602.0	9.1	0.6	4.9		
Commodity investments	0.0	0.0	0.0	0.0	-			
Other investments	-4.3	0.0	-4.3	0.0	-			
Total investments	28,698.1	100.0	27,905.8	97.2	1.6	4.8		
Effect of derivatives			792.3	2.8				
<b>Total</b>	<b>28,698.1</b>	<b>100.0</b>	<b>28,698.1</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.

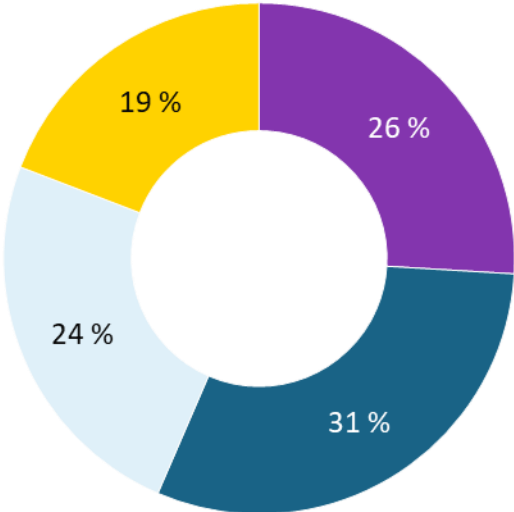
The total return includes returns, expenses and operating expenses not allocated to investment classes. The modified duration of bonds is 4,3.

The open currency exposure is 23,1% of market value.



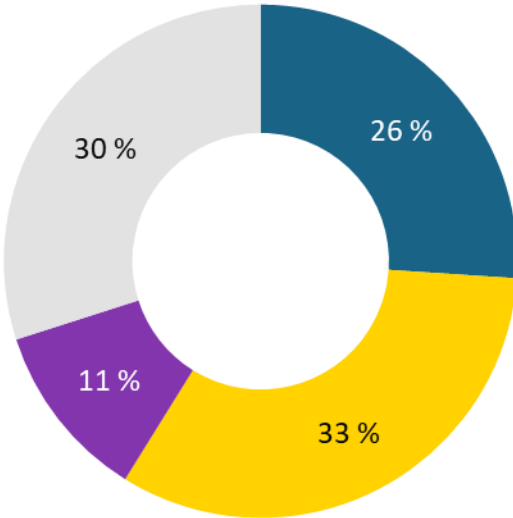
# 26 per cent of investments in Finland

### Geographical distribution of investments



■ Finland ■ Europe ■ North America ■ Other regions

### Investments in Finland by asset class

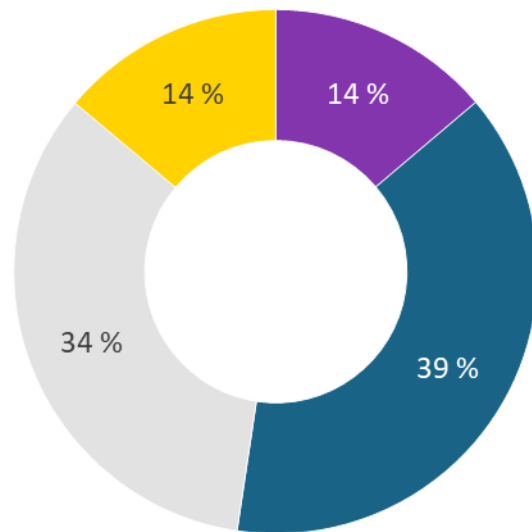


■ Fixed-income investments ■ Listed equities ■ Unlisted equities ■ Real estate and private equity investments



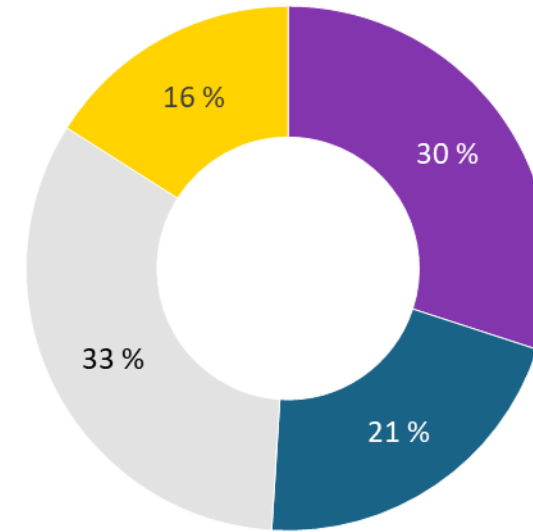
# Diversifying investments manages risks

## Geographical distribution of bonds



■ Finland ■ Europe ■ North America ■ Other regions

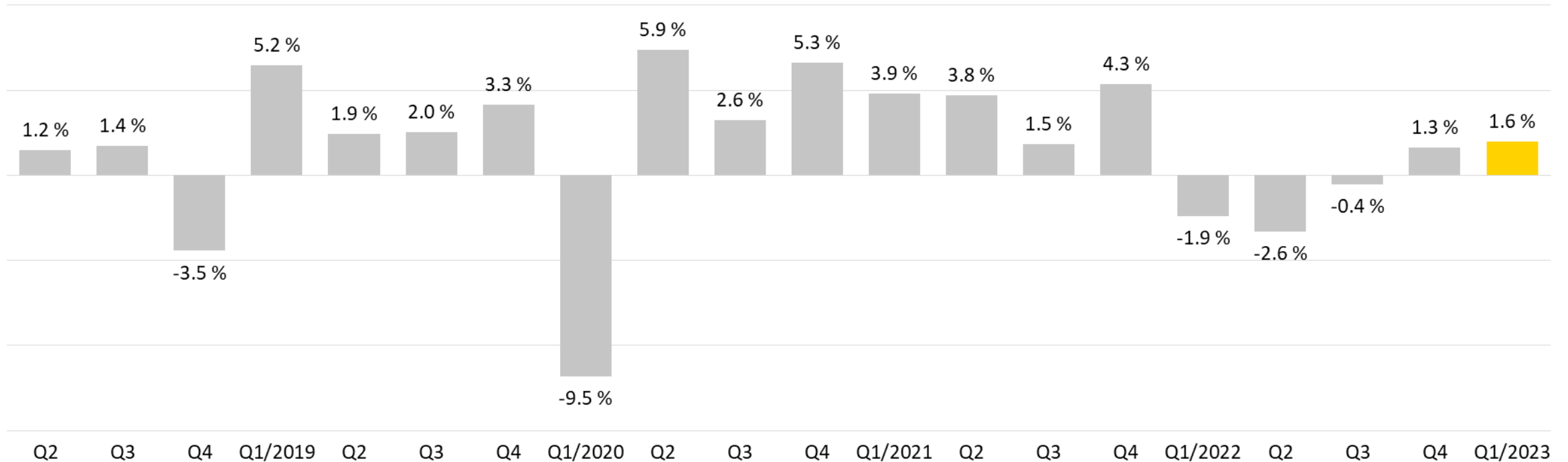
## Geographical distribution of listed equities



■ Finland ■ Europe ■ North America ■ Other regions

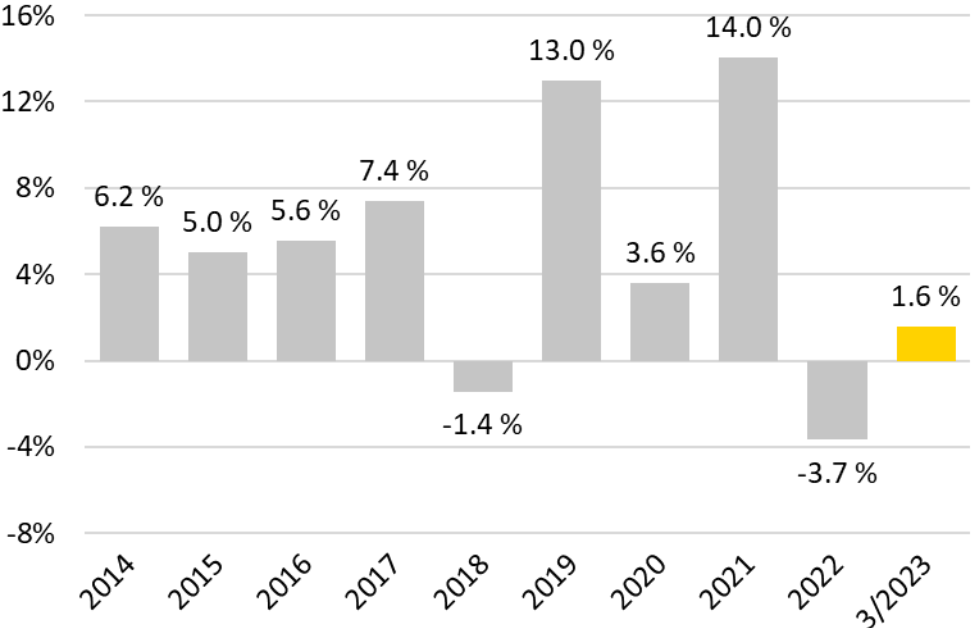
Unlisted investments excluded.

# Positive first-quarter return of 1.6 per cent

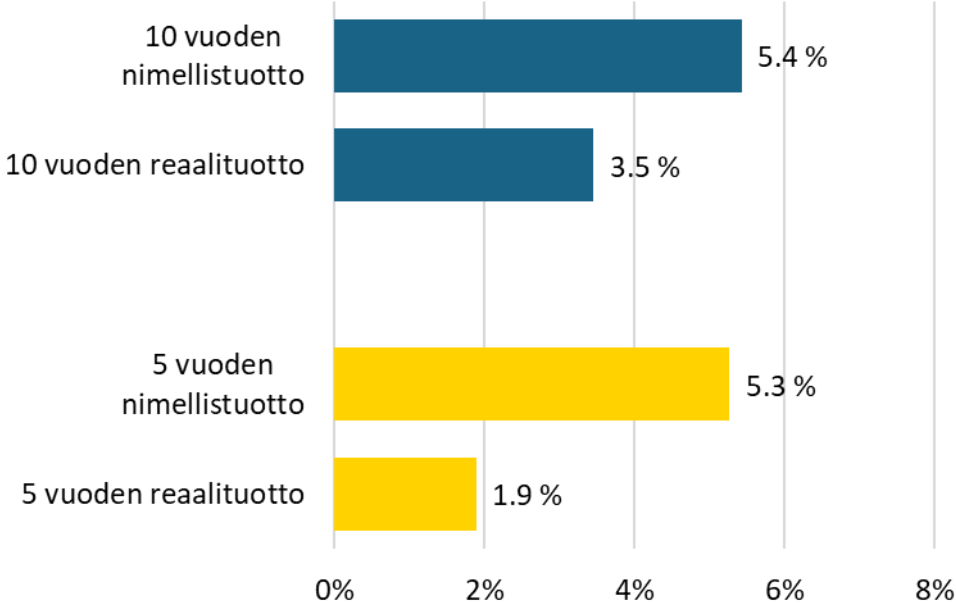


# Ten-year return was 5.4 per cent per annum

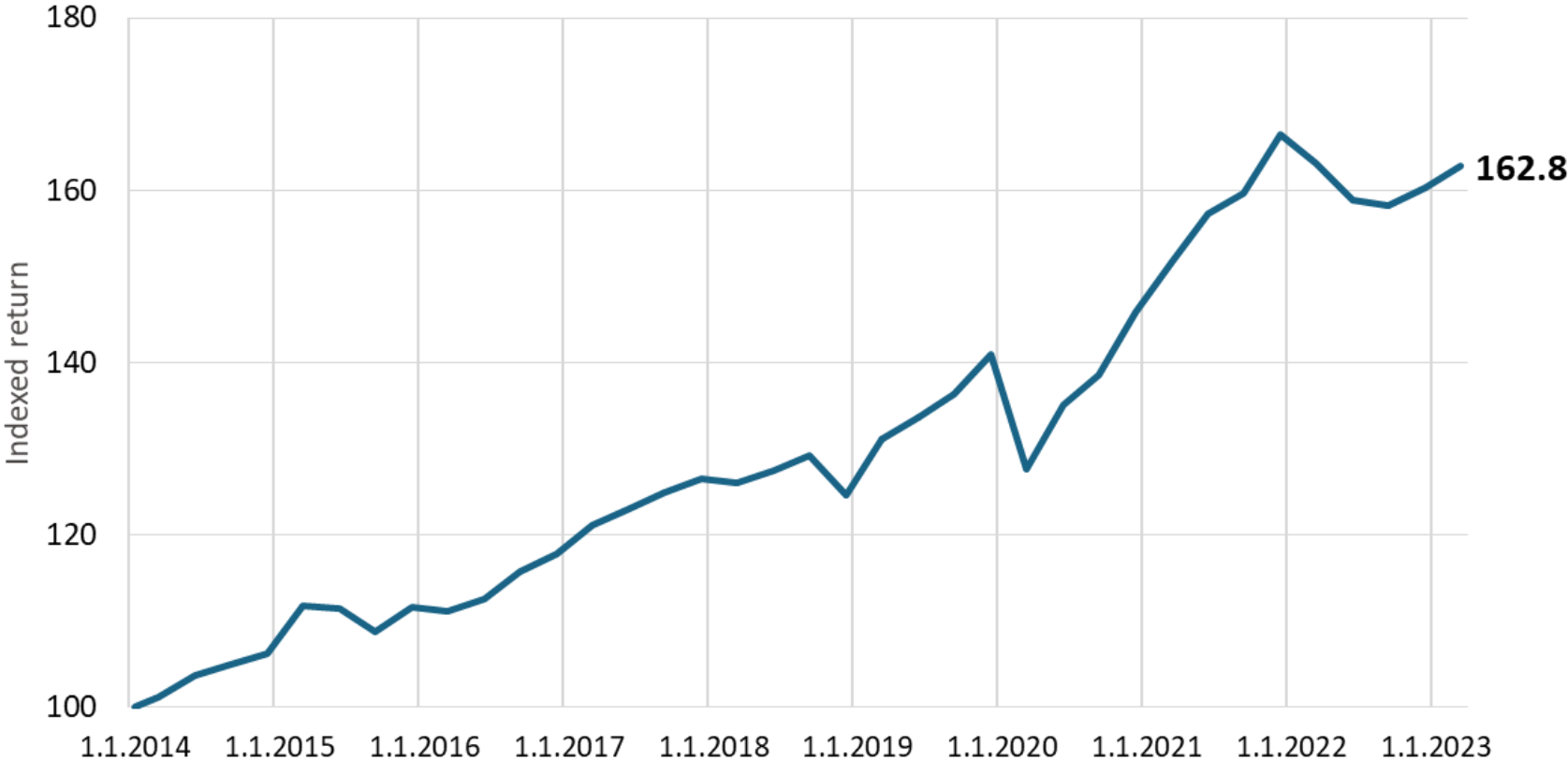
### Investment returns



### Average return on investments over time



# Cumulative long-term return



# Tightening climate interim targets for investments

**Elo's Board of Directors approved the climate policy 2023–2030 for investments. The main targets are:**

- We will reduce the weighted average carbon intensity of listed equity and corporate bond investments by 25% by 2025 and by 60% by 2030.
- We will double our investments in sustainable solutions in direct equity investments by 2030.
- The majority of direct equity investments have a science-based target and plan. Climate change is part of the risk assessment and allocation work. We will refine our actions in fossil energy production in investments.

## **Carbon-neutral energy use of real estate investments by 2027**

- The responsibility programme for real estate investments 2023–2030 focuses on reducing the environmental impact. By 2027, Elo will be carbon neutral in terms of the energy use of direct real estate investments in Finland.
- All electricity purchased by Elo is already carbon-free, and we will gradually switch to renewable district heat. We will increase our own energy production in our properties and increase the share of environmentally certified properties.

# The economic outlook remains uncertain

- Inflation in the euro zone remains high. In the United States, growth expectations are split between recession and increasing overheating. The likelihood of a recession increases if, for example, the challenges in the banking sector continue.
- China's growth expectations strengthened after the COVID-19 restrictions were lifted. If the savings accumulated during China's COVID-19 restrictions erupt into service demand, China's impact on global growth may be smaller than during previous booms.
- In Finland, the profitability of companies has remained good, but the domestic market is challenged by rising costs and weak demand growth. Domestic demand is also overshadowed by the weakened construction cycle. Due to increased interest rates and the challenging economic outlook, growth in other investments may also fall short of the previous year.
- The outlook for the global economy is uncertain. Even if central banks succeeded in preventing contagion effects in the banking sector and maintaining stable financial markets during the first half of the year, financing conditions may tighten significantly due to weakened risk appetite among investors and financial institutions. This is weakening the conditions for growth in the real economy.