

Nordea Pension Foundation

**Financial statements and report on operations
31.12.2023**

Nordea Pension Foundation

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NORDEA PENSION FOUNDATION OPERATIONS 2023

REPORT ON

IN GENERAL

The year under review was the Pension Foundation's 66th year of operation. During the year under review, the Pension Foundation operated as a supplementary pension fund responsible for the supplementary pension cover of the insured persons.

The main theme of the financial year was monitoring the economic outlook and its impacts on the Pension Foundation.

Pension Foundation's insured persons and sponsoring employers

According to the by-laws, the Pension Foundation's insured are:

- The KOP section's individuals who were insured in Department A of Kansallis-Osake-Pankki's Pension Foundation before it closed on 1 July 1991, and
- The SYP section's insured whose employment relationship in the sponsoring employer's service started before the Pension Foundation closed on 1 January 1992, and
- The group pension insurance policies of Nordea Bank Finland Plc that were transferred to the Pension Foundation's responsibility on 30 June 2015 and the group pension insurance policies that were bought back by Nordea Bank AB (publ.), Finnish branch, from Nordea Life Assurance Finland Ltd, and
- Contractual supplementary pensions; this section was established in the Pension Foundation on 1 July 2015. The supplementary pension cover of the section is based on the contracts between the sponsoring employers mentioned in the Pension Foundation's by-laws, their predecessor companies or sponsoring employers belonging to the same group as the predecessor companies and employees or employee groups that are or were employed by said sponsoring employers, and
- Nordea Bank Finland Plc's, Nordea Bank AB's (publ.), the Finnish branch's, and Nordea Finance Finland Ltd's pensions and pension commitments on the balance sheet and rights to a funeral grant under paid-up policies as of 1 November 2015.
- The supplementary pension accrual and funeral grant of persons covered by registered supplementary pension (TEL-L) that transferred to the Pension Foundation's responsibility due to a legislative amendment on 31 December 2016 as of 1 January 2017. Registered supplementary pension covers persons who transferred from Suomen Työväen Säästöpankki to predecessor banks in 1994 whose consecutive employment relationship has continued since the transfer date.

The SYP section continues the payment of old-age and survivors' pensions repurchased from Nordea Life Assurance Finland Ltd on 30 December 2013, granted from Merita Oyj's pension fund before 30 December 1998 or pensions and benefits based on paid-up policies granted before 30 December 1998 to those entitled to them and their beneficiaries. Pensions and benefits are determined according to the by-laws of Merita Oyj's pension fund that were in effect before 30 December 1998.

The Pension Foundation's sponsoring employers are Nordea Bank Oyj, Nordea Life Assurance Finland Ltd, Nordea Funds Oy, Nordea Finance Finland Ltd, Nordea Mortgage Bank Plc and the Finnish branch of Nordea Investment Management AB registered in Sweden.

By-law amendments

The Pension Foundation's by-laws were amended in 2022, because the overall reform of the legislation concerning Institutions for Occupational Retirement Provision (IORPs) entered into force as of 1 January 2022. The Finnish Financial Supervisory Authority approved the amended by-laws with its decision FIVA/2022/1239 issued on 21 February 2023, and the amended by-laws became effective as of 21 February 2023.

Changes in legislation

The act on the directive on whistleblower protection (1171/2022) entered into effect on 1 January 2023 and it is applied as of 1 April 2023. The Pension Foundation has fulfilled the requirements of the act, and the whistleblowing channel can be found on the Pension Foundation's website. The whistleblowing channel services have been outsourced to BDO Oy. No reports were made through the channel during the financial year 2023.

INDEX INCREMENTS OF PENSIONS

The Pension Foundation's pensions are adjusted according to the earnings-related pension index every calendar year. The euro amounts of pensions currently being paid were increased as of 1 January 2024 by 5.67% in accordance with the earnings-related pension index. The corresponding increase as of 1 January 2023 was 6.80%.

GOVERNANCE

Board of Directors

The three-year term of the Pension Foundation's Board of Directors ended on 31 Dec 2023. Representatives operating on the Board of Directors during the financial year:

Representatives of the sponsoring employers

Ordinary members	Personal deputy members
Lauri Hallberg (Chair)	Elina Lampinen
Sakari Wuolijoki	Aleksi Lehtonen until 5 June 2023
Christian Kofoed	Jani Eloranta

Representatives of the insured	Personal deputy members
Tarja Furuholm (Deputy Chair)	Minna Merilampi
Anne Matero	Anne Vanamo-Peltoranta
Mika Pikkarainen	Juha Seljavaara

The new composition of the Pension Foundation's Board of Directors for the three-year-term 1 Jan 2024–31 Dec 2026. Representatives operating on the Board of Directors:

Representatives of the sponsoring employers

Ordinary members	Group-specific deputy member
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Lauri Hallberg (Chair)

Sakari Wuolijoki

Elina Lampinen

Christian Kofoed

Representatives of the insured	Group-specific deputy member
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Tarja Furuholm (Deputy Chair)

Anne Matero

Juha Seljavaara

Mika Pikkarainen

The Board of Directors convened fourteen (14) times during the year under review.

CEO and personnel

Katriina Hyvönen, Mandatum Life Services Ltd, acted as the Pension Foundation's CEO and Kirstian Suominen, Mandatum Life Services Ltd, acted as the secretary at the Board meetings as of 1 September 2023. The Board Chair, Lauri Hallberg, is employed by Nordea Life Assurance Finland Ltd, and the other members of the Board are employed by Nordea Bank Oyj.

The Pension Foundation has no employees.

Actuary

Tuomas Marttila, FASF, Mandatum Life Services Ltd, served as the Pension Foundation's actuary.

Key functions

The Pension Foundation's Board has outsourced the risk management function and internal audit to KPMG. The person performing the risk management function was Tuomas Ilveskoski, and the internal auditor was Harri Leppiniemi.

Auditors

PricewaterhouseCoopers Oy served as the accounting firm appointed by the Pension Foundation.

Insured parties

The Pension Foundation's insured included TyEL insured persons who are in a continuous employment relationship as follows:

INSURED	
31 Dec 2022	1,174
31 Dec 2023	1,069
<u>Decrease</u>	105

The number of insured persons on 31 December 2023 (2022) is distributed as follows: SYP section 576 (636) persons, KOP section 441 (482) persons, and 52 (56) persons covered by registered supplementary pension (TEL-L) who transferred to the Pension Foundation's responsibility on 1 January 2017.

Pension applications

The following pensions were granted during the financial year:

- 312 old-age pensions
- 18 disability and partial disability pensions
- 38 survivors' pensions

The figures include processed pension applications in which there is no share left to be paid by the Pension Foundation.

Pension portfolio

Pensions valid at 31 December 2023, year 2022 in parentheses.

Pension type	Pensioners (number)	Share of technical provisions/month (EUR)
Old-age pension	8,488 (8,659)	2,771,296 (2,660,369)
Disability pension	34 (41)	4,775 (4,273)
Survivors' pension	330 (323)	133,244 (130,703)
TOTAL	8,852 (9,023)	2,909,315 (2,795,345)

During the financial year, pensions were paid as follows:		
Pension type	2023 (EUR)	2022 (EUR)
Old-age pensions	34,183,128	32,980,170
Disability pensions	66,846	61,650
Survivors' pensions	1,687,527	1,648,606
Total	35,937,501	34,690,426
Funeral grants	2,241,306	2,056,714
TOTAL	38,178,807	36,747,140

The Nordea Group's TyEL insurance is arranged with Varma Mutual Pension Insurance Company.

PAID-UP POLICIES

The number of new paid-up policies given to resigned insured was 18.

TECHNICAL PROVISIONS

According to the actuarial statements issued for the financial statements, the Pension Foundation's technical provisions amounted to EUR 543,167,775.

FINANCIAL STATEMENTS

Financial statements 31 December 2023	(EUR)
Pension liabilities, pensions under payment	396,181,400
Pension liabilities, future benefits	106,964,000
Index increment liability	40,022,375
TOTAL	543,167,775

The Pension Foundation's accounting complies with the redistributive scheme.

CAPITAL INJECTIONS

The pensions paid by the Pension Foundation, the index increments of pensions and the change in actual liability and other costs were covered with the returns on the investment assets and withdrawals from the index increment liability. The Pension Foundation's sponsoring employers did not have to pay capital injections to cover the costs.

ASSETS COVERING TECHNICAL PROVISIONS

The Pension Foundation's technical provisions during the year under review were fully covered.

The Foundation had assets covering technical provisions and other liabilities with a cover value as follows:	
Asset class	Cover value (EUR)
Bonds	234,563,502
Investment fund units	244,951,859
Real estate shares	124,000,000
Cash at bank	10,915,505
Accrued income and other receivables and liabilities	2,662,852
ASSETS TOTAL	617,093,719
Assets serving as cover	617,093,719
Technical provisions	543,167,775
DIFFERENCE	73,925,944

RISKS AND RISK MANAGEMENT

Per Chapter 3, Section 8, of the Act on Company and Industry-wide Pension Funds (947/2021), a pension fund must have an efficient risk management function which is in the correct proportion to the size and organisation of the pension fund as well as to the volume, type, scope and diversity of the pension fund's activities, and is independent of the risk-taking function. According to the Financial Supervisory Authority's regulations, those responsible for the risk management function must be of good repute, and they must have the competence and experience required to perform the task. The risk management function must enhance the functioning of the risk management system. When arranging risk management, all material internal and external risks affecting the IORP's activities, as well as the risks related to outsourced functions, must be taken into account.

The Board of Directors shall determine risk appetite and risk tolerance and confirm written principles concerning the arrangement of risk management. The Board of Directors is responsible for ensuring that the principles concerning the arrangement of risk management are followed in the IORP and its outsourced services.

The aim of risk management and internal control is to prevent the realisation of risks threatening the Pension Foundation, to safeguard the continuity of the operations with respect to the statutory tasks and to minimise the amount of a possible financial loss. A further aim is to enable the setting of limits in risk-taking such that a controlled increase in the operational risk level makes it possible to improve and manage the operations. Risks threatening the Pension Foundation are related to investment risks, operational risks and insurance risks.

The aim is to identify, assess and limit the risks affecting the Pension Foundation's operations. The Pension Foundation's risk management methods are the outsourcing of governance functions, adequate and real-time reporting, ensuring competence and internal operating instructions and procedures approved by the Board of Directors.

The Pension Foundation's Board of Directors annually conducts an Own Risk Assessment (ORA) as part of its strategic decision-making and risk management to assess the impact of material risks on the Pension Foundation's operations and the measures that are necessary to control the risks that emerged in the assessment. A summary of the assessment and its conclusions are submitted to the Financial Supervisory Authority. If the Pension Foundation's risks materially change, the assessment must be updated without delay.

The Board of Directors regularly monitors the development of key risks. The Board of Directors must annually assess whether risk management is appropriately arranged and take corrective action if necessary.

INVESTMENTS

The challenges faced by the economy aside, the market year 2023 was eventful and quite positive for investors. Despite the banking crisis early in the year and the geopolitical challenges that began later, the key equity market and fixed income indices recorded a substantial rise and even the returns on bonds ended in positive territory after two loss-making years. Key market themes during the year were especially inflation and interest rates. The increasing hype around AI's potential growth impact rocked the markets, which, in turn, led to a significant excess return on large technology stocks.

The interest rate hikes introduced in 2022 continued into 2023, and the first signs of the effectiveness of monetary policy tightening became visible. The inflation rate in both the USA and Europe slowed but still remains above the central banks' targets. Starting in the summer, the outlook that interest rates would stay higher for longer than expected led to a massive bond sell-off, which momentarily raised the return on the 10-year government bond to more than 5% for the first time since the financial crisis.

In the Pension Foundation's sustainability risks, consideration has been given to the impacts of investments on the environment and human rights, and to issues related to corporate governance. The asset manager must take into account the principal adverse impacts (PAIs) of investment decisions on sustainability factors for products that belong to sustainability-promoting products and publish and maintain on its website a statement on due diligence policies with respect to those impacts. PAIs of investment decisions on sustainability factors are considered via the asset manager, which publishes and maintains on its own website a statement on due diligence policies with respect to those impacts. The Pension Foundation requires the asset manager it uses to have the capability to manage investment activities in compliance with the United Nations Principles for Responsible Investments (UNPRI). In addition, the asset manager must annually screen the funds for norm violations. In investment activities, the asset manager must take into consideration economic, social and environmental (ESG) responsibility in line with the principles for responsible investment. The asset manager submits to the Pension Foundation a monthly responsible investment report in connection with asset reporting and twice a year an SFDR report on sustainable economic activities, including a PAI (Principle Adverse Impact) statement, in accordance with the EU's standards. The Pension Foundation does not invest its assets in a way that breaches the principles for responsible investment. Success in investment activities is not rewarded. The fees for investment activities have been agreed on with the asset manager in a discretionary portfolio management agreement. The Pension Foundation has received from the asset manager the regulatory reports on the implementation of responsible investment.

During the year under review, the Pension Foundation did not invest in direct equities that would have entitled the Pension Foundation to exercise shareholder rights. This policy for shareholder engagement is published on Nordea Group's website at www.nordea.com.

The Pension Foundation monitored the development of solvency with an enhanced frequency, almost monthly, and reported its solvency development and any measures in different situations to its sponsoring employers. The Pension Foundation's liabilities are long-term and no significant changes were made to the allocation in the reporting year. The amount of assets in relation to the development of technical provisions is taken into account in strategic allocation planning.

The Pension Foundation's Own Risk Assessment (ORA) was updated at the end of the year, and it also assessed the Foundation's operating conditions as being fair in terms of finances.

The Pension Foundation's current financial situation is stable despite the challenging investment year. The Pension Foundation's assets have been invested in accordance with the investment plan approved by the Board of Directors, and the assets have been broadly diversified and invested prudently. The market value of the assets covering the technical provisions exceeded 1.14 times the amount of actual technical provisions.

The investment portfolio's total return in 2023 was 5.3%. At the end of the year, the share of investments exposed to equity risk was 15.0%, the share of fixed income investments was 64.9%, and the share of real estate investments was 20%.

REAL ESTATE SHARES

The Pension Foundation owns the entire share stock of the following companies:

- Asunto Oy Helsingin Kauppiaankatu 5
- Kiinteistö Oy Helsingin Fabianinkatu 6
- Kiinteistö Oy SakkarooSi, Mannerheimintie 15, Helsinki
- Kiinteistö Oy Jätkäsaaren Pacific, Tyynenmerenkatu 9, Helsinki
- Kiinteistö Oy Aleksanterinkatu 36 A, Helsinki
- Kiinteistö Oy Aleksanterinkatu 36 B, Helsinki

The Pension Foundation's Board of Directors makes the decisions related to real estate.

Newsec Asset Management Oy was responsible for the management of the real estate companies.

Real estate-type investments accounted for EUR 124.0 million of the Pension Foundation's assets, and this sum is diversified across six real estate companies in the Helsinki metropolitan area. In 2023, the return on real estate investments was -6%. The total return consists of the net rate of return and the revaluation return on properties during the year.

FINANCIAL STATEMENTS

The 2023 financial statements were drawn up in compliance with the valid provisions, regulations and guidelines. The Pension Foundation's profit for the financial year is EUR 10,056,700.95.

ESTIMATE OF PROBABLE FUTURE DEVELOPMENT

The investment year 2024 has started on an optimistic note, although central banks warn against too early interest rate cut expectations. The early year's economic data has been a positive surprise. The US Fed predicts strong GDP growth of 4.2% for Q1, the number of new jobs created has been clearly higher than expected and the unemployment rate fell to 3.7%, the lowest in half a century. Inflation has slowed significantly, and the annualised 3 and 6 month changes are already now below the Fed's 2% inflation target. The earnings decline coming to an end and the moderate equity valuation level create good conditions for a continued stock rise. The return expectations on fixed income investments are also clearly positive.

The USA is once again likely to avoid recession, although the nation's economic growth will probably slow slightly. As a counterbalance, Europe's largest economies are expected to recover as the outlook for industry gradually picks up and households' purchasing power increases. Challenges in the Chinese real estate sector continue, but the strong development of the new priorities is fuelling overall growth, and some stimulus is also in store.

Inflation has been a key driver for the movements in both the equity and fixed income markets for a couple of years now. The development of inflation will be closely monitored also in 2024, but with greater peace of mind than before. Unless new shocks occur, the slowdown in inflation is likely to continue in 2024 and the monetary policy will reverse its course. The markets are already pricing in multiple interest rate cuts in both the USA and the euro zone. These expectations may be overly optimistic, but at least fears that interest rates would remain at their current levels for long have subsided. However, it looks like there is no going back to a zero interest rate era.

2024 is also an important election year, culminating in the US presidential election in November. The outcome of that election may also have an impact on economic expectations.

The Pension Foundation's liabilities are estimated to decrease by nearly 50% over the next decade.

The Pension Foundation is capable of handling its task of paying out supplementary pensions and other benefits falling under its responsibility even in challenging market conditions and in light of the future outlook. If necessary, capital injections can be collected from the sponsoring employers.

The Pension Foundation's Board of Directors regularly monitors the market situation and the development of solvency, and will take action if required.

SIGNIFICANT EVENTS AFTER THE FINANCIAL YEAR

After the financial year, a project concerning individual properties was launched. It is a continuation of a previous study on the need to make changes in the Pension Foundation's investment allocation in the longer term to reflect the decreasing amount of liabilities. The project will continue at least for the first half of 2024 with an aim to explore the development opportunities of individual real estate

investments. In the current real estate market, however, no plans have been made to implement any actual real estate sale processes.

Changes may still take place in real estate values and in tenants' ability to pay rent as they face financial difficulties due to the current general economic situation. Prolonged geopolitical challenges may impact the Pension Foundation's investments despite their broad diversification. The Pension Foundation is monitoring the development of the markets and will take corrective action if required.

Nordea Pension Foundation

INCOME STATEMENT	1.1.-31.12.2023	1.1.-31.12.2022
Actuarial account		
Premiums written		
Capital injections, other pensions	0,00	0,00
Investment income	45 863 678,94	43 393 473,01
Claims incurred		
Other pensions paid	-38 178 806,34	-36 747 139,95
Change in provision for claims outstanding	-6 713 100,00	-5 175 827,00
	<u>-44 891 906,34</u>	<u>-41 922 966,95</u>
Change in provision for unearned premiums		
Other pensions	36 927 151,00	31 470 510,00
Administrative expenses	-1 163 199,32	-1 071 250,62
Investment expenses	-26 679 023,33	-41 935 117,96
<i>Actuarial profit or loss</i>	<i>10 056 700,95</i>	<i>-10 065 352,52</i>
Non-actuarial account		
<i>Surplus (deficit) of the ordinary operation</i>	<i>10 056 700,95</i>	<i>-10 065 352,52</i>
Refund to employers	0,00	0,00
<i>Surplus (deficit) of the period</i>	<i>10 056 700,95</i>	<i>-10 065 352,52</i>

Nordea Pension Foundation

BALANCE SHEET	31.12.2023	31.12.2022
ASSETS		
Investments		
Real estate investments		
Real estate and real estate shares	69 807 785,25	69 960 216,23
Loan receivables from own real estate companies	<u>24 780 110,54</u>	<u>30 752 153,71</u>
	94 587 895,79	100 712 369,94
Other investments		
Shares and participations	210 614 943,76	204 716 760,40
Money market instruments	<u>276 894 389,31</u>	<u>297 830 689,67</u>
	487 509 333,07	502 547 450,07
Total investments	582 097 228,86	603 259 820,01
Receivables		
Other receivables	2 592 777,76	2 343 245,54
Other assets		
Cash in bank and in hand	10 915 505,09	10 452 096,74
Accrued income	1 553 822,93	1 122 024,03
Total assets	597 159 334,64	617 177 186,32
LIABILITIES		
Capital and reserves		
Legal reserve	4 284,53	4 284,53
Surplus (deficit) of previous periods	42 446 825,12	52 512 177,64
Surplus (deficit) of the period	<u>10 056 700,95</u>	<u>-10 065 352,52</u>
	52 507 810,60	42 451 109,65
Actuarial provisions		
Other pensions		
Provision for unearned premiums	106 964 000,00	114 093 400,00
Provision for claims outstanding	396 181 400,00	389 468 300,00
Index increment liability	<u>40 022 375,00</u>	<u>69 820 126,00</u>
	543 167 775,00	573 381 826,00
Liabilities		
Other liabilities	1 370 843,70	1 271 752,58
Accrued expenses	112 905,34	72 498,09
Liabilities total	597 159 334,64	617 177 186,32

Nordea Pension Foundation

CASH FLOW STATEMENT

	1.1.-31.12.2023	1.1.-31.12.2022
Cash flow from operating activities		
Premiums written	0,00	0,00
Claims paid	-38 232 707,66	-36 821 396,20
Interest received	2 480 181,34	5 464 903,19
Other investment income received and income from other returns	7 450 947,62	7 427 340,44
Payments for administrative expenses	-1 366 177,21	-1 596 743,05
Cash flow from operating activities before financial items and taxes	-29 667 755,91	-25 525 895,62
Interest and other financial expenses paid	-11 465 314,69	-5 148 399,48
Cash flow from operating activities	-41 133 070,60	-30 674 295,10
Cash flow from investments		
Capital expenditure on investments (excl. cash and cash equivalents)	24 831 257,92	41 662 210,31
Capital gains on investments (excl. cash and cash equivalents)	16 765 221,00	9 189 141,24
Cash flow from investments	41 596 478,92	50 851 351,55
Cash flow from financing		
Others		
Refund of surplus to employers	0,00	-26 874 857,00
Cash flow from financing	0,00	-26 874 857,00
Change in cash and cash equivalents	463 408,32	-6 697 800,55
Cash and cash equivalents at 1 January	10 452 096,74	17 149 897,29
Cash and cash equivalents at 31 December	10 915 505,09	10 452 096,74

Nordea Pension Foundation

Notes to the Income Statement	1.1.-31.12.2023	1.1.-31.12.2022
Claims paid		
Other pensions		
Pensions paid	-35 937 500,84	-34 674 225,46
Other payments	-2 241 305,50	-2 072 914,49
Total	<u>-38 178 806,34</u>	<u>-36 747 139,95</u>
Administrative expenses		
Salaries and remunerations	0,00	0,00
Pension expenses	0,00	0,00
Other social security costs	0,00	0,00
Statutory payments		
Financial Supervisory Authority supervision fee	-16 191,26	-16 400,86
Other administrative expenses	-1 147 008,06	-1 054 849,76
	<u>-1 163 199,32</u>	<u>-1 071 250,62</u>
Other administrative expenses include auditors' fees	-48 317,96	-25 121,76
Breakdown of net investment income		
	1.1.-31.12.2023	1.1.-31.12.2022
Investment income:		
Income from real estate investments		
Other income	6 924 075,57	6 891 775,26
Income from other investments		
Interest income	2 754 015,13	5 109 484,41
Other income	526 872,05	535 565,18
Total	<u>10 204 962,75</u>	<u>12 536 824,85</u>
Impairment reversals	4 071 032,52	2 923 723,30
Capital gains	31 587 683,67	27 932 924,86
Total	<u>45 863 678,94</u>	<u>43 393 473,01</u>
Expenses from investments:		
Expenses from real estate investments	-5 096 355,96	-3 616 398,81
Expenses from other investments	-1 146 172,61	-1 467 576,36
Interest expenses and other borrowing costs	-12 673,60	-64 424,41
	<u>-6 255 202,17</u>	<u>-5 148 399,58</u>
Impairments and depreciations		
Impairment losses	-391 246,00	-18 042 934,76
Impairment losses of loans	-5 210 112,49	0,00
Capital losses	-14 822 462,67	-18 743 783,62
Total	<u>-26 679 023,33</u>	<u>-41 935 117,96</u>
Net investment income on the income statement	<u>19 184 655,61</u>	<u>1 458 355,05</u>
Investment management expenses included in investment expenses	-724 351,10	-981 943,89

Nordea Pension Foundation

NOTES TO THE BALANCE SHEET

1. Investments at fair value and valuation differences

	31.12.2023		
	Remaining acquisition	Book value	Market value
Real estate investments			
Real estate shares	69 807 785,25	69 807 785,25	99 219 889,46
Loan receivables from own real estate companies	24 780 110,54	24 780 110,54	24 780 110,54
	<u>94 587 895,79</u>	<u>94 587 895,79</u>	<u>124 000 000,00</u>
Other investments			
Shares and participations	210 614 943,76	210 614 943,76	244 951 859,30
Money market instruments	276 894 389,31	276 894 389,31	234 563 502,61
	<u>487 509 333,07</u>	<u>487 509 333,07</u>	<u>479 515 361,91</u>
Total investments	582 097 228,86	582 097 228,86	603 515 361,91
Total valuation differences			<u>21 418 133,05</u>
(difference between market value and book value)			

The remaining acquisition cost of money-market instruments includes the difference between the nominal value and the acquisition cost amortised as interest income or as a deduction of the interest income. (+/-)

-3 781 494,63

	31.12.2022		
	Remaining acquisition	Book value	Market value
Real estate investments			
Real estate shares	69 960 216,23	69 960 216,23	103 047 846,29
Loan receivables from own real estate companies	30 752 153,71	30 752 153,71	30 752 153,71
	<u>100 712 369,94</u>	<u>100 712 369,94</u>	<u>133 800 000,00</u>
Other investments			
Shares and participations	204 716 760,40	204 716 760,40	249 767 905,17
Money market instruments	297 830 689,67	297 830 689,67	225 836 949,49
	<u>502 547 450,07</u>	<u>502 547 450,07</u>	<u>475 604 854,66</u>
Total investments	603 259 820,01	603 259 820,01	609 404 854,66
Total valuation differences			<u>6 145 034,65</u>
(difference between market value and book value)			

The remaining acquisition cost of money-market instruments includes the difference between the nominal value and the acquisition cost amortised as interest income or as a deduction of the interest income. (+/-)

-2 717 169,08

Nordea Pension Foundation

Notes to the balance sheet

31.12.2023

2. Real estate investments

Changes in real estate investments

	2023		2022	
	Real estate and real estate shares	Loan receivables from own real estate companies	Real estate and real estate shares	Loan receivables from own real estate companies
Acquisition cost 1.1.	76 432 666,25	30 752 153,71	73 601 651,91	31 424 989,95
Additions	0,00	0,00	2 831 014,34	0,00
Disposals	0,00	-5 972 043,17	0,00	-672 836,24
Acquisition cost 31.12.	<u>76 432 666,25</u>	<u>24 780 110,54</u>	<u>76 432 666,25</u>	<u>30 752 153,71</u>
Impairments 1.1.	-6 472 450,02		-2 496 509,64	
Impairments for the financial year	-152 430,98		-4 654 350,84	
Impairment reversals	0,00		678 410,46	
Impairments 31.12.	<u>-6 624 881,00</u>		<u>-6 472 450,02</u>	
Book value 31.12.	69 807 785,25	24 780 110,54	69 960 216,23	30 752 153,71

3. Other investments 31.12.2023

		Units	Book value 31.12.2023	Market value 31.12.2023	% of fair value
SHARES AND PARTICIPATIONS					
Nordea 2 SICAV-Emerging Markets Sustainable	Luxembourg	264 337,56	22 492 662,14	22 492 662,14	9,18 %
Nordea 1 - European High Yield Bond Fund II X-EUR	Luxembourg	434 297,59	33 618 339,20	41 710 808,85	17,03 %
Nordea Corporate Baond I Growth	Finland	20 437 486,77	44 828 387,08	46 959 417,73	19,17 %
NORDEA MODERATE YIELD-S ACC	Finland	1 935 768,81	21 135 055,26	21 249 669,78	8,68 %
Nordea Pro Finland G	Finland	171 729,75	22 849 082,30	24 056 021,22	9,82 %
Nordea 1 - North American High Yield Stars Bond	Luxembourg	371 665,55	39 287 363,24	41 688 200,47	17,02 %
Nordea 2 SICAV-European Sustainable Enhanced	Luxembourg	163 516,99	14 638 991,17	22 711 855,19	9,27 %
Nordea 2 SICAV-North American Sustainable	Luxembourg	180 166,98	11 765 063,37	24 083 223,93	9,83 %
Total shares and participations			210 614 943,76	244 951 859,31	100,00 %

4. Other financial liabilities not entered in the balance sheet

Bank account limit

A EUR 5,000,000.00 limit has been granted for the bank account (Nordea FI72 2490 1800 0000 86), of which EUR 0.00 has been used.

5. Capital and reserves

	2023	2022
Legal reserve 1.1.	4 284,53	4 284,53
Change during the period	0,00	0,00
Legal reserve 31.12.	<u>4 284,53</u>	<u>4 284,53</u>
Surplus (deficit) of previous periods 1.1.	52 512 177,64	52 512 177,64
Change during the period	-10 065 352,52	0,00
Surplus (deficit) of previous periods 31.12.	<u>42 446 825,12</u>	<u>52 512 177,64</u>
Surplus (deficit) of the period 1.1.	0,00	0,00
Change during the period	10 056 700,95	-10 065 352,52
Surplus (deficit) of the period 31.12.	<u>10 056 700,95</u>	<u>-10 065 352,52</u>
Total capital and reserves	52 507 810,60	42 451 109,65

6. Technical provisions

	2023	2022
Technical provisions for other pensions		
Provision for unearned premiums	106 964 000	114 093 400
Provision for claims outstanding	396 181 400	389 468 300
Index increment liability	40 022 375	69 820 126
Total technical provisions	543 167 775	573 381 826

RISKS AND RISK MANAGEMENT

The aim of risk management and internal control is to prevent the realisation of risks that threaten the Pension Foundation, to guarantee the continuity of the operations and to minimise the amount of a possible financial loss. A further aim is to enable the setting of limits in risk-taking such that a controlled increase in the operational risk level makes it possible to improve and manage the operations. Risks threatening the Pension Foundation are related to investment risks, operational risks and insurance risks.

Per Chapter 3, Section 8, of the Act on Company and Industry-wide Pension Funds (947/2021), a pension fund must have an efficient risk management function which is in the correct proportion to the size and organisation of the pension fund as well as to the volume, type, scope and diversity of the pension fund's activities, and is independent of the risk-taking function. According to the Financial Supervisory Authority's regulations, those responsible for the risk management function must be of good repute, and they must have the competence and experience required to perform the task. The risk management function must enhance the functioning of the risk management system. When arranging risk management, all material internal and external risks affecting the IORP's activities, as well as the risks related to outsourced functions, must be taken into account.

The aim is to identify, assess and limit the risks affecting the Pension Foundation's operations. The Pension Foundation's risk management methods are the outsourcing of governance functions, adequate and real-time reporting, ensuring competence and internal operating instructions and procedures approved by the Board of Directors. The objective of risk management is to support the Pension Foundation in achieving the goals defined in the Pension Foundation's by-laws and to ensure that if the risks materialise, they cannot affect the continuity of the Pension Foundation's operations.

The Pension Foundation's Board of Directors annually conducts an Own Risk Assessment as part of its strategic decision-making and risk management to assess the impact of material risks on the Pension Foundation's operations and the measures that are necessary to control the risks that emerged in the assessment. The Pension Foundation's risk management reports to the Board of Directors and management on the direction in which the risks are developing and on significant changes in the Pension Foundation's overall risk situation.

The reports prepared by risk management provide management with information about whether it is appropriate to take action to prevent the risks from materialising. This action aims to avoid loss and unfavourable impacts on the Pension Foundation's operations.

INVESTMENT RISKS

The Pension Foundation's assets are invested in a way that ensures profitability, security and liquidity in accordance with the Pension Funds Act, the decree on assets covering pension liability and the Finnish Financial Supervisory Authority's regulations and guidelines concerning investment activities.

The investment activity is based on a balanced portfolio structure, which takes into account the maturity distribution of the technical provisions and aims at covering the pension liability in all circumstances.

The assets are invested in equities, real estate, bonds and money-market instruments, including bank deposits. Investments in the aforementioned asset classes can also be made through investment funds. The Pension Foundation does not have direct equity investments, except for the shares in the real estate companies it owns.

The Pension Foundation's goal is to diversify the assets across various asset classes at market value as indicated in the following table.

Asset classes	31 Dec 2023	Benchmark index	Variation range
Equities	15%	16%	10%–22%
Bonds	63%	66%	50%–82%
Alternative investments	0%	0%	0%
Real estate	20%	17%	0%–25%
Cash	2%	1%	0%–23%

The purpose of the benchmark indices is to serve as indicative weights. Actual weights can be changed within the variation ranges according to the designated asset manager's expectations regarding changes in the return expectations of different asset classes or other factors affecting the Pension Foundation's investment activities.

The Pension Foundation's Board has concluded an Investment Management Agreement (IMA) based on the discretionary asset management model with Nordea Investment Management Ab, Finnish Branch.

As part of this agreement, the Board decides on the diversification of the assets/the benchmark index as described above. The agreement sets constraints on the deviations that the asset manager is allowed to make with regard to the benchmark index.

The Board also decides on other investments, including real estate acquisition and sale decisions.

The diversification of assets and the result of investment activities are reported on to the Board regularly, at least once a month.

In addition, stress test calculations are reported on to the Board of Directors monthly. In these calculations, the Pension Foundation's investment assets are compared to the European Insurance and Occupational Pensions Authority's (EIOPA) stress scenarios and scenarios defined by Nordea with an aim to gain an overall picture of the adequacy of the assets in relation to liabilities, also in exceptional market situations. Due to the general economic uncertainty caused by the markets and geopolitics, the Pension Foundation's administration paid special attention to monitoring the stress tests during the financial year.

It is possible that, after the financial year, changes still take place in real estate values and in tenants' solvency as they face financial difficulties due to the current general economic situation. Prolonged geopolitical challenges may impact the Pension Foundation's investments despite their broad diversification. The Pension Foundation is monitoring the development of the markets and will take corrective action if required.

OPERATIONAL RISKS

Operational risk means a risk of loss, an endangerment of the continuity of operations or a loss of reputation and/or confidence in the Pension Foundation resulting from flawed operations caused by internal processes or unexpected external events. Operational risks are managed as part of the normal management of operations. Also non-compliance with legislation can cause operational risk.

The Board of Directors is the Pension Foundation's highest authority in accordance with the Pension Foundation's by-laws. The Board of Directors is responsible for decision-making in accordance with the by-laws. The Board of Directors comprises three representatives elected by the sponsoring employers and three representatives elected by the employees. In addition, each Board member has a personal deputy. The Board of Directors is elected for a term of three years at a time. The Board of Directors and CEO manage the Pension Foundation's operations in accordance with the internal operating instructions and procedures approved by the Board of Directors.

The Pension Foundation does not have its own personnel. The members of the Board of Directors are employed by Nordea and manage their tasks as members of the Board of Directors alongside their own positions.

The Pension Foundation's main stakeholders are:

- Mandatum Life Services Ltd, as per a service agreement, provides CEO services and carries out the calculation and payment of pensions and the Pension Foundation's actuarial accounts and bookkeeping.
To guarantee continuous access services, Mandatum has valid maintenance contracts with hardware, software and telecommunications suppliers and also an updated and well-functioning back-up policy. Duties, decision-making powers and responsibilities have been allocated so that no one person handles all of the measures throughout the processing chain. This ensures that there are no work combinations that present a risk for the operations.
- Nordea Investment Management AB, Finnish branch, manages the Pension Foundation's investment assets under a discretionary asset management agreement.
- Newsec Property Asset Management Finland Oy has been in charge of the administration and management of the real estate companies.
- KPMG Oy Ab provides the services required by the Pension Foundation's risk management and internal audit functions (Pension Foundation's key functions).

For describing and measuring the Pension Foundation's risks (incl. operational risks), the risk management function has prepared a risk card, which has been approved by the Pension Foundation's Board. The Risk Management function regularly reports on its work to the Board.

The Pension Foundation and the main stakeholders have valid continuity plans. The Pension Foundation's continuity plan is updated annually.

A data protection risk related to the personal data of the Pension Foundation can take the form of a threat from outside or inside the Foundation. Identified risks can be, for example, penetration of systems or premises or careless or improper processing of data. The Pension Foundation has outsourced the processing of personal data to a service company and the sponsoring employer, which have their own instructions and operating methods regarding data protection. An agreement concerning data protection has been concluded between the Pension Foundation and service company.

The application of the European Commission's Digital Operational Resilience Act (DORA regulation) will begin on 17 January 2025. Digital operational resilience means an organisation's ability to continue operating in a weakened state following a possible cyber attack. Efforts must be made to manage risks efficiently and comprehensively, and the Pension Foundation must supervise the implementation of the DORA regulation. The Pension Foundation will prepare for the measures required by the DORA regulation during 2024.

Risks linked to IT are minimised through smooth and well-secured telecommunications systems, telecommunication connections and back-up systems.

Actuarial risks and management

Actuarial risks are related to the sufficiency of the technical provisions to cover the compensation payments in accordance with the benefits pursuant to the Pension Foundation's by-laws and to the fluctuations the compensation payments and the coverage of technical provisions cause to the insurance premium level.

Accrued benefits pursuant to the Pension Foundation's by-laws have been funded, and they are the Pension Foundation's responsibility in their entirety. The fund which is based on the accrued benefit is supplemented, if necessary, at the onset of a disability or survivors' pension.

The Pension Foundation's supplementary pension cover includes old-age, disability pension and limited survivors' pension benefits and the funeral grant.

The Pension Foundation's KOP section has been closed since 1 July 1991 and the SYP section since 1 January 1992. The contractual supplementary pensions section has been added to the Pension Foundation's by-laws as a closed section. At the balance sheet date on 31 December 2023, there are approximately 1,100

employees under an employment contract (active insured persons), around 1,800 vested pension beneficiaries and some 9,000 pensioners.

At the balance sheet date, the technical provisions of the Pension Foundation are divided as follows:

	(MEUR)
Pension liabilities, pensions under payment	396.2
Pension liabilities, future benefits (excluding the index increment liability)	107.0
Index increment liability	40.0
Total	543.2

Technical provisions are long-term; almost 40% of the Pension Foundation's actual technical provisions will fall due in more than 10 years. Due to the Pension Foundation's portfolio structure, the technical provisions continuously decline.

Actuarial risks

The Pension Foundation's most important actuarial risks relate to the life expectancy of the insured, commencement rate of pensions and level of benefits.

Should the average life expectancy of the insured deviate from the calculation assumption, the future benefits payable under old-age and survivors' pensions will differ from the Pension Foundation's funded sum.

Preparing for future disability pensions is based on the average commencement rate of disability pensions. A higher-than-average commencement rate of new disability pensions may increase the technical provisions.

Fluctuations in the pay level of active members have an effect on the pensionable salary on which benefits are based. In particular, as a result of a strong increase in pay level during the last years of a member's career, the benefits may be higher than expected.

The Pension Foundation's benefits are tied to the earnings-related pension index. The annual growth of the earnings-related pension index causes an increase in the technical provisions for pensioners and deferred members, and the increase may be exceptionally large in individual years.

Actuarial risk management

In the calculation of technical provisions, the Pension Foundation complies with the calculation criteria laid down in the Finnish Financial Supervisory Authority's Regulation (Reg. no. 15/01.00/2021) and the attached indicative formulas, with a few deviations specifying the calculation of technical provisions.

The technical rate of interest applied to calculate the technical provisions is 3.0%. This is more prudent than the Finnish Financial Supervisory Authority's regulation's maximum rate of 3.1% in 2023.

The Pension Foundation's mortality rate has been found to be lower than the mortality rate assumed in the calculation principles according to the aforementioned regulation. For this reason, a mortality model is applied where a one-year deduction is made to the general age transfers. This results in a more prudent calculation of the technical provisions.

The Pension Foundation has prepared for future index increments and technical rate changes through the index increment liability. The amount of index increment liability is EUR 40 million (8.0% of the actual technical provisions). The upper limit of index increment liability calculated for the Pension Foundation in 2023 is EUR 108 million (21.5% of the actual technical provisions).

The Pension Foundation may use its capital and reserves and valuation differences as a buffer for fluctuations in the capital injection level. At the balance sheet date, capital and reserves and valuation differences amount to EUR 74 million, which is close to 14% of the technical provisions and 15% of the actual technical provisions.

Nordea Pension Foundation

ACCOUNTING POLICIES

Valuation of investments on the balance sheet

Real estate investments

Real estate has been valued at its acquisition cost on the balance sheet; however, not more than the probable selling price.

Money market instruments

Bonds on the balance sheet are valued at amortised cost. The book value of bonds includes the difference between the acquisition cost and the nominal value amortised as interest income and as a deduction of the interest income.

Other investments

Shares and participations included in other investments have been valued at their acquisition cost; however, not more than the probable selling price.

Definition methods for the investments' fair values

Real estate investments

The fair value of real estate shares is based on Retta Management Oy's and Kiinteistöaito Peltola & Co Oy's estimate of the probable selling price.

Money market instruments

The fair value of bonds is based on the closing date's market value announced by credit institutions.

Other investments

The fair value of financial instruments with reliable markets is the public trading bid price at the closing date or, in the absence of such, the latest closing price. If a published price quotation does not exist for a financial instrument in its entirety, but active markets exist for its component parts, the fair value is determined on the basis of the relevant market prices of the component parts.

Technical rate of interest of technical provisions for voluntary additional benefits

The Pension Foundation's technical provisions have been calculated using the technical rate of interest of 3.0%.

No consolidated financial statements were drawn up for 2023

The Pension Foundation together with the real estate companies it owns forms a group as referred to in the Finnish Accounting Act. The real estate companies owned by the Pension Foundation do not have debts outside the group. Consolidated financial statements were not drawn up because the information is not material, and consolidating real estate companies into the financial statements of the Pension Foundation could compromise the true and fair view.

Nordea Pension Foundation

Signing of the report on operations and financial statements

Helsinki, 25 March 2024

Lauri Hallberg
Chairman

Tarja Furuholm

Christian Kofoed

Anne Matero

Mika Pikkarainen

Sakari Wuolijoki

Katriina Hyvönen
CEO

Audit statement

The auditor's report has been issued today.

Helsinki, 9 April 2024

PricewaterhouseCoopers Oy
Authorised Public Accountant Firm

Jukka Paunonen
Authorised public accountant

Nordea Pension Foundation

LIST OF BOOKKEEPING AND DOCUMENTS

Ledger and journal		electronically as a .pdf file
Financial statements and report on operations		electronically as a .pdf file
Itemised income statement and balance sheet		electronically as a .pdf file
Bank vouchers (Nomentia)	voucher type 15	electronically as a .pdf file
Purchase vouchers (MediusFlow)	voucher type 19	electronically as a .pdf file
Memo vouchers	voucher type 77/55	electronically as a .pdf file
Trading vouchers (Wall Street Suite)	voucher type 81	electronically as a .pdf file
Memo vouchers, investment periodisation	voucher type 90/60	electronically as a .pdf file
Investment periodisation reversing entries	voucher type 99/69	electronically as a .pdf file

The Pension Foundation's bookkeeping has been carried out in the Intime Plus accounting system. The electronic flow of purchase invoices is carried out in the MediusFlow system. Memo vouchers are carried out in Aico from November 2023. The payment transaction system is Nomentia. The investment bookkeeping system is Wall Street Suite.

Vouchers are stored for six (6) years from the end of the year in which the accounting period ended. Accounting books are stored for ten (10) years after the accounting period has ended (bookkeeping act 2:10).

Electronic archive storage:
Mandatum Life Services Ltd
Bulevardi 56, 00120 Helsinki