

The merger of Ilmarinen and Etera influences the comparability of the figures for different years. For the comparison figures before 2018, only Ilmarinen's figures have been used in the material, unless otherwise indicated.



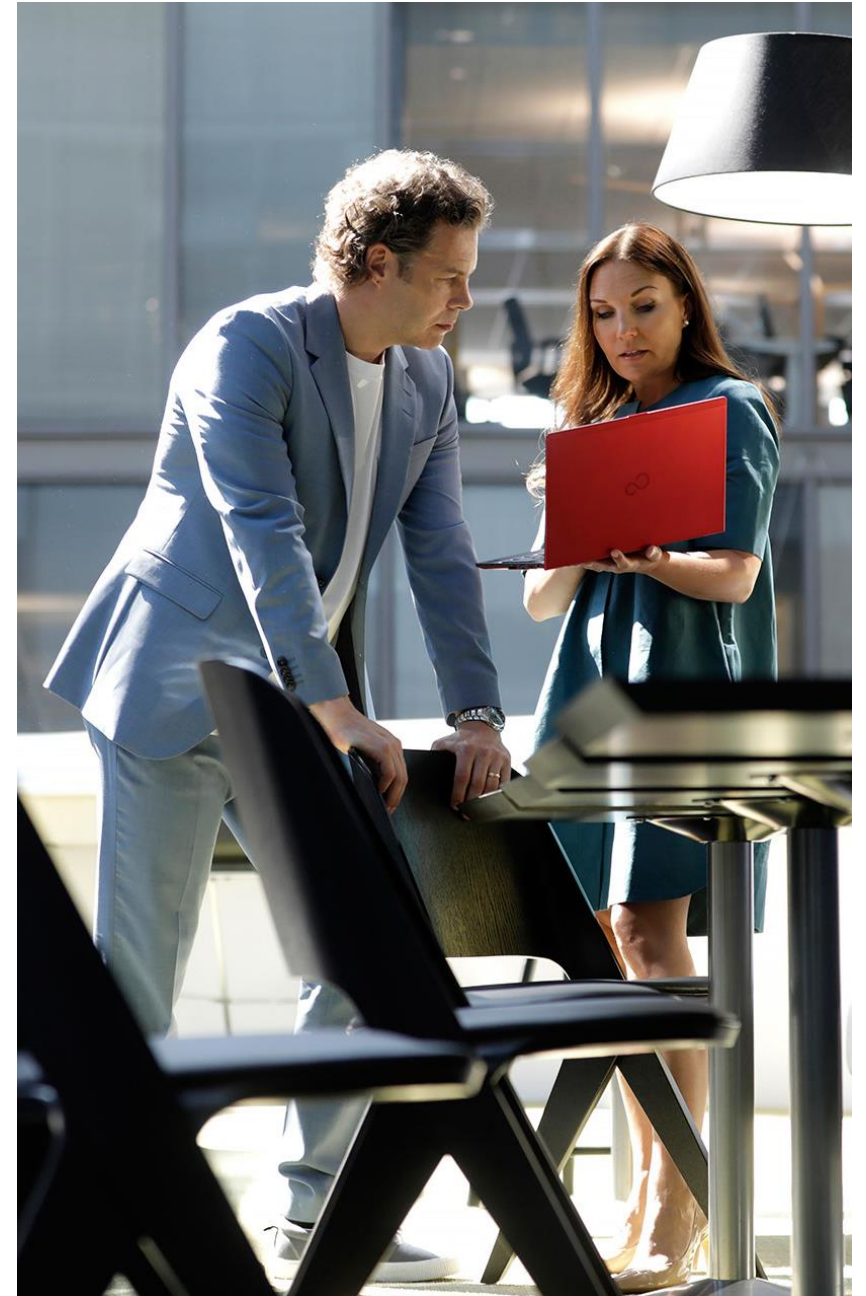
Security for your pension

Ilmarinen in
2020

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Ilmarinen became the most solvent employment pension insurance company and the cost-effectiveness of its operations improved substantially.

- The return on Ilmarinen's investments in the fourth quarter was very strong, at +5.9%, and the full-year return rose to +7.1 per cent.
- Premiums written declined to EUR 5.2 (5.8) billion while EUR 6.1 (6.1) billion was paid in pensions. Premiums written were reduced by a decline in employment as a result of the coronavirus crisis and a temporary 2.6 percentage point reduction in employers' TyEL contribution.
- Net customer acquisition and net transfer rose to record-high levels thanks to excellent customer retention, 97.2%.
- Ilmarinen's cost-effectiveness improved, and the operating expenses to be covered through the expense loading component decreased by EUR 11.5 million, or around 9 per cent, to EUR 118.7 (130.2) million.
- In spite of the exceptional circumstances, operations went smoothly and Ilmarinen managed to consolidate its position as the leading employment pension insurance company.



Key figures 2020: Investment assets and solvency capital at record levels

Premiums written

5.2 (5.8)
€ bn



6.1 (6.1)
€ bn

Pensions paid

Loading profit*

43 (55)
€ mill.



73 (70)
%

Ratio of operating expenses to expense loading components*

Return on investments

7.1 (11.8)
%



53.3 (50.5)
€ bn

Investment assets

Solvency ratio

130.2 (126.6)
%



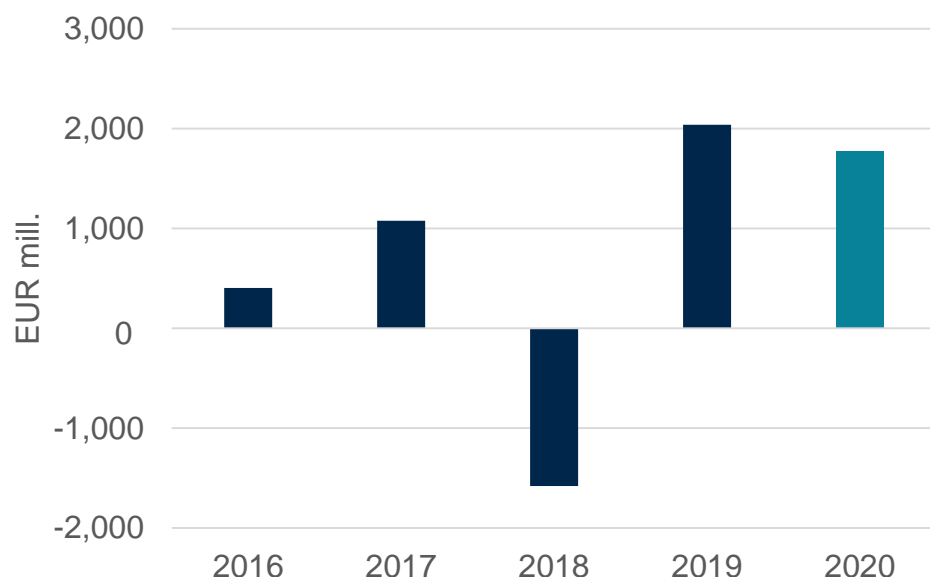
12.5 (10.8)
€ bn

Solvency capital

*The expense loading rate was lowered by 6.9% at the beginning of 2020. The comparable loading profit is €1.4 mill. higher than a year earlier and the comparable ratio of operating expenses to expense loading components improved by 2.4 percentage points.

The overall financial result was EUR +1.8 billion thanks to a strong return on investments

Total financial result, € mill.



Sources of profit, € mill.

EUR mill.	2016	2017	2018	2019	2020
Underwriting result	-36	13	-40	-50	-3
Return on investments at fair value	411	1,039	-1,592	2,063	1,726
+ Net return on investments at fair value	1,743	2,693	-642	5,375	3,529
- Return requirement on technical provisions	-1,333	-1,655	-950	-3,313	-1,803
Loading profit	36	25	30	55	43
Other profit	-6	1	22	-27	3
Total result	405	1,078	-1,581	2,039	1,769

* The expense loading rate was lowered by 6.9% at the beginning of 2020. The comparable loading profit is €1.4 mill. higher than a year earlier.



Operating environment

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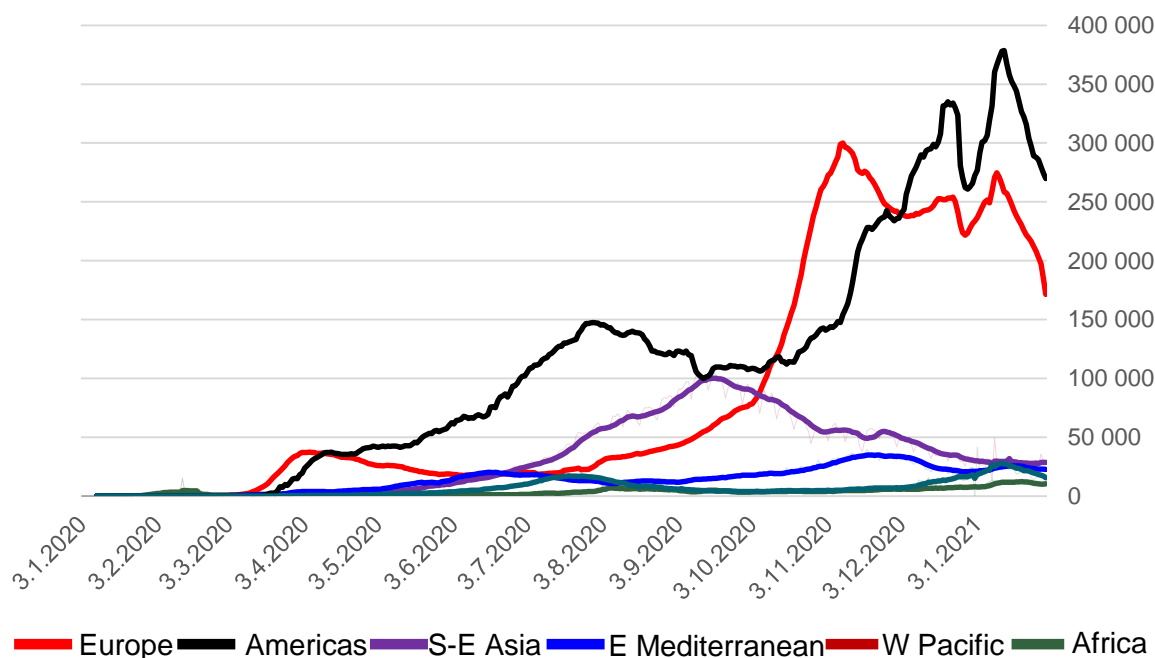
Key observations about the operating environment

- The global economy contracted by around 4 per cent in 2020 year-on-year as a result of the coronavirus and the measures imposed to contain its spread.
- Central banks and many governments supported economies with massive money and fiscal policy measures, which substantially limited the economic impacts caused by the coronavirus.
- Finland's gross domestic product is estimated to have contracted by some 3 per cent in 2020. The decrease in economic activity was also reflected in employment, which declined. The greatest negative impact caused by the Covid-19 containment measures was seen in businesses operating in the hospitality sector.
- The investment market performance in the early part of the year was marked by a sharp and exceptionally rapid stock price fall. During early spring, however, stock prices took a clear upward turn and the full-year equity market performance was good, regardless of the coronavirus crisis.
- Corporate bond credit risk margins widened substantially in the early part of the year, but the latter part of the year saw them rebound close to the average level of the pre-crisis years.
- The US dollar depreciated by some 9 per cent against the euro during the year.
- In the real estate markets, the Covid-19 pandemic has led to a higher vacancy rate of premises, impacting the expected long-term rental income and weakening valuations.



The spread of the Covid-19 pandemic accelerated during the year, with substantial regional differences in the evolution of the disease

Daily Covid-19 infections in different areas

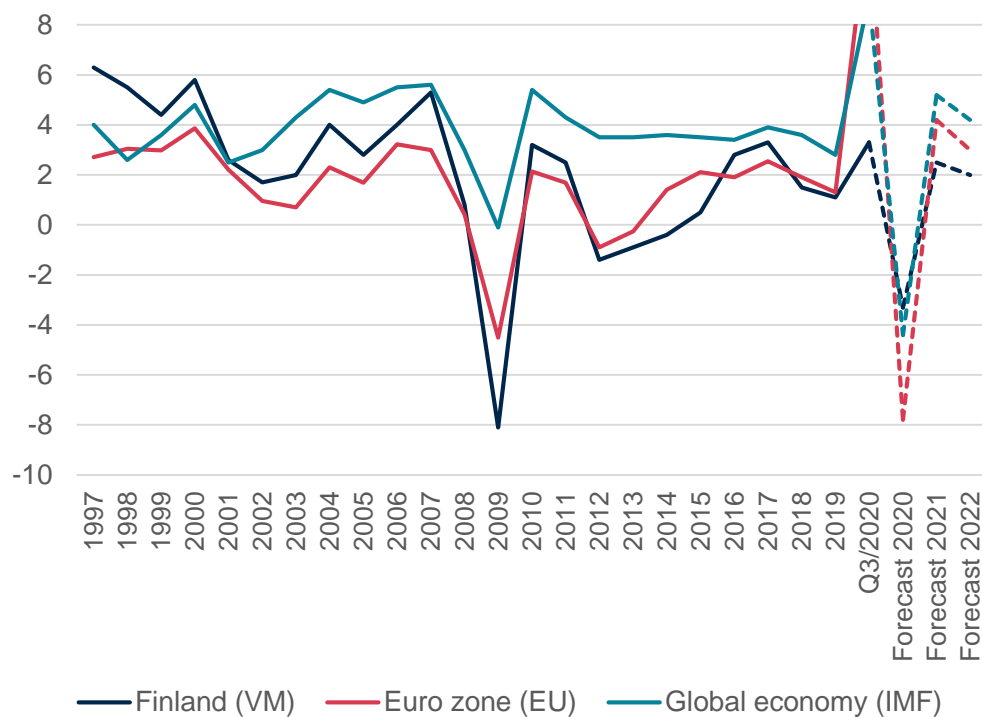


- So far, more than 100 million cases have been confirmed and more than 2 million people have died worldwide.
- In Europe, the rate of infections rose sharply in autumn to remain on a high level during winter, although the numbers have slightly improved from their peaks. In late 2020, the new variants of the virus were a cause for concern.
- The progress made in vaccination efforts brings us hope that the pandemic will subside. So far, the pace of vaccination in Europe has not met expectations.
- In Finland, a total of more than 40,000 cases and 660 deaths have been reported. In proportion to the population, the number of infections and deaths has remained relatively low in Finland.

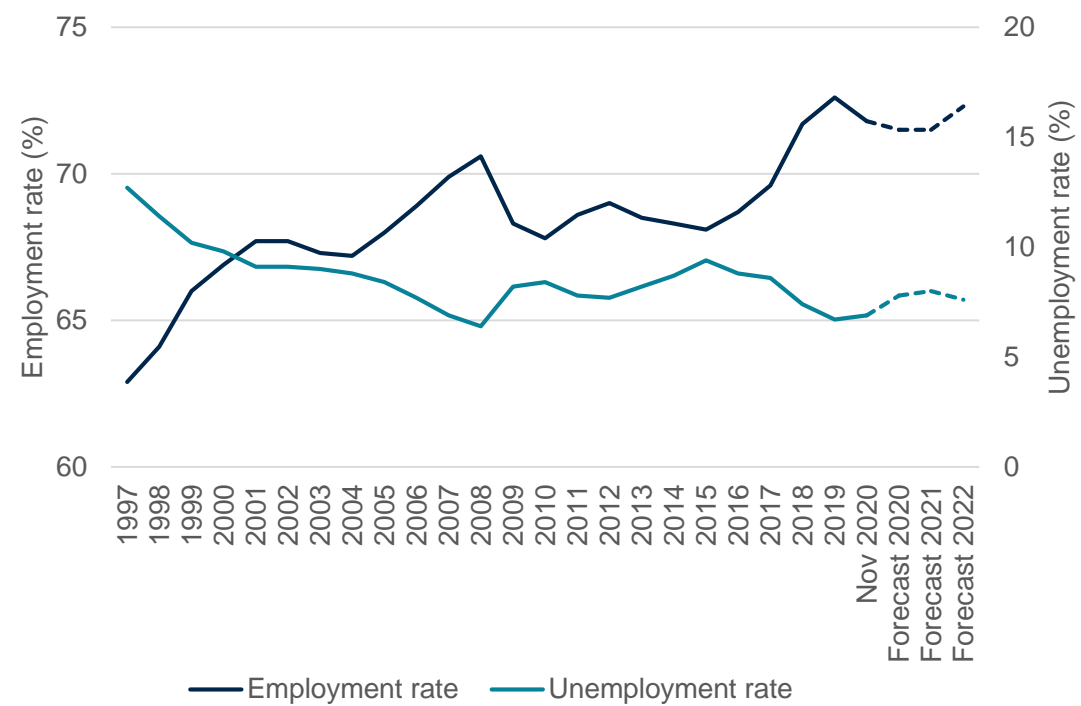
Source: WHO 31 Jan 2021

The global economy slid into a deep recession; in Finland, the decline was relatively more moderate

GDP growth, %



Development of Finland's employment and unemployment rates, %



Sources: Statistics Finland, World Bank (EU) and IMF

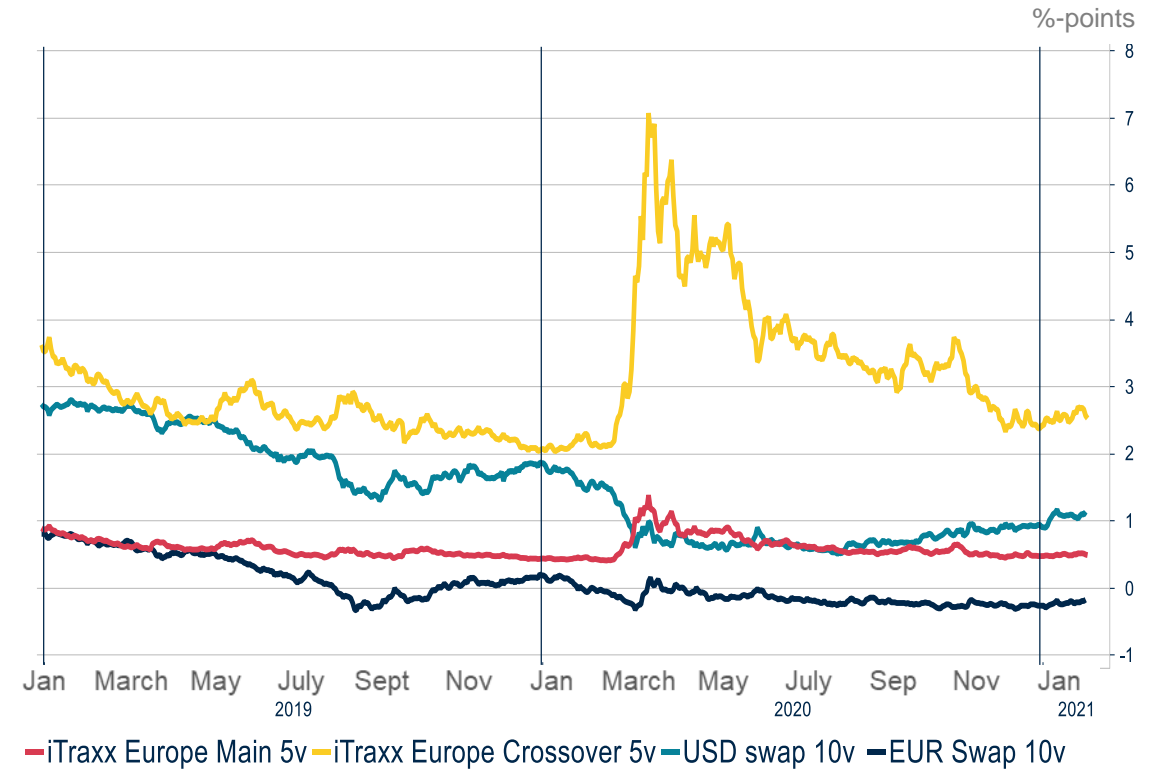
Equity markets quickly rebounded from the March crash, rising throughout the rest of the year

Equity market performance



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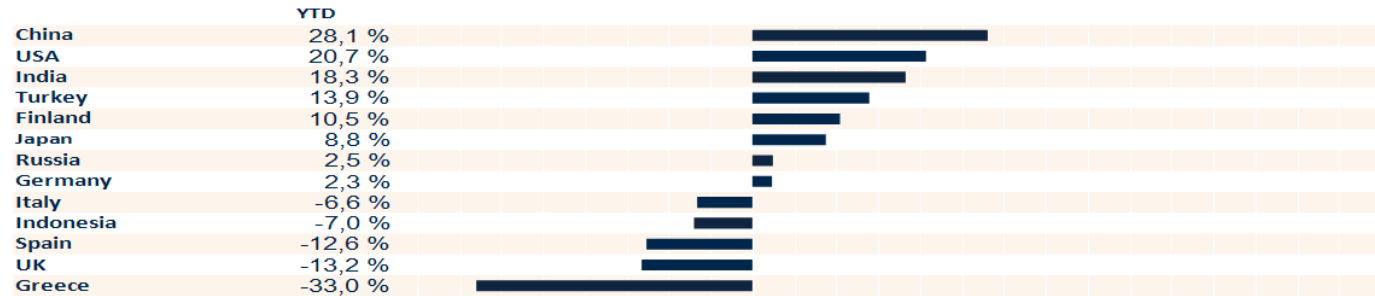
Development of interest rates and credit risk premiums



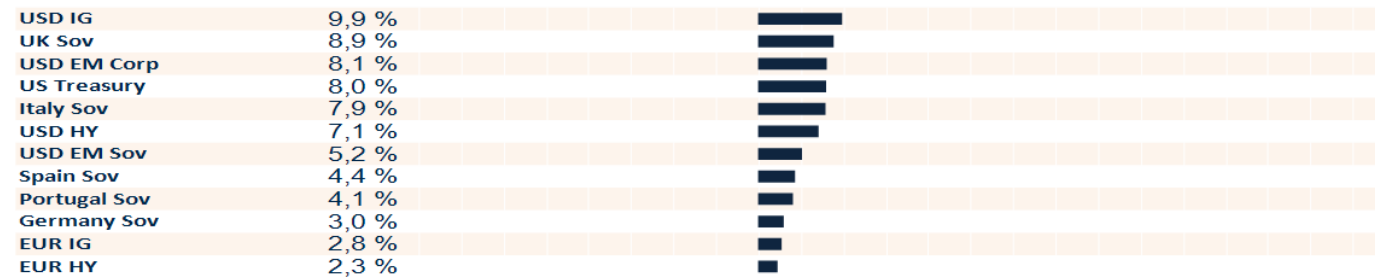
MACROBOND

Market prices rose extensively across the asset classes and the euro strengthened in 2020

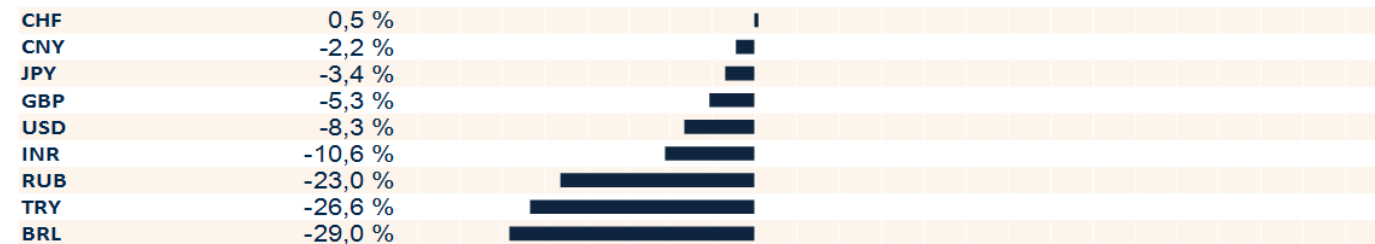
Equities and shares



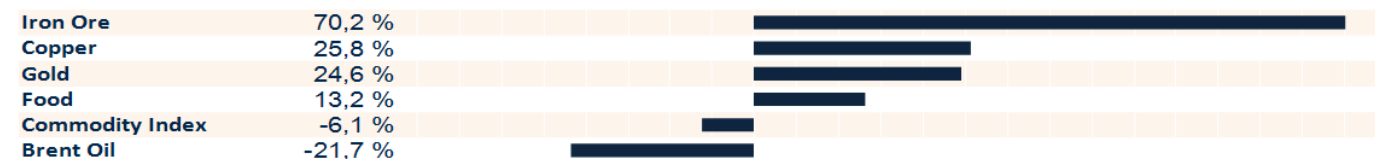
Fixed income markets



Currencies



Commodities



■ YTD

-40 -35 -30 -25 -20 -15 -10 -5 0 5 10 15 20 25 30 35 40 45 50 55 60 65 70 75

Covid-19 impacted the financing and regulation of the pension system

- The acceleration of the spread of the coronavirus in spring led to the fastest stock market crash on record worldwide. However, the markets swiftly rebounded from the crash, and the crisis left no longer-term impacts on pension institutions' capacity to operate.
- In the spring's difficult economic situation, declining premiums written and increasing demand for TyEL premium loans created pressure on pension institutions' liquidity. The insurance terms and conditions were amended as of 1 April 2020 regarding TyEL premium loans by adding the possibility to restrict premium lending in order to secure the liquidity of pension institutions.
- Fixed-term changes were immediately prepared for insurance terms and conditions regarding self-employed persons' and employers' earnings-related pension contributions, based on which a three-month payment extension could be granted for pension contributions falling due between 20 March and 30 June 2020. Roughly 17 per cent of Ilmarinen's customers on average made use of the payment extension possibility during that period.
- A temporary 2.6 percentage point discount was granted on employers' TyEL contributions for the period from 1 May to 31 December 2020. This resulted in a cost impact of some EUR 1 billion on the whole pension system, and it was financed from the earnings-related pension system's provision for pooled claims. The contribution reduction will be compensated for by raising employers' contributions in 2022–2025.
- Employment pension insurance companies will refrain from paying client bonuses to customer companies during the period in which the employers' contribution is reduced. The client bonus for 2020 will thus only be a third of a normal year's client bonus. These bonuses will be paid in 2021.
- In Finland, a temporary (1 May 2020–31 Jan 2021) amendment to the Bankruptcy Act made it more difficult to file for bankruptcy. The goal was to prevent a wave of coronavirus-induced bankruptcies. This had an impact on pension institutions' premium loss risks related to outstanding premiums.
- During spring, the Ministry of Social Affairs and Health prepared temporary reliefs to pension institutions' solvency regulations with the objective to ease the need to realise investment assets in an unfavourable market situation. The plan was to present a draft bill to Parliament, if required by the development of the financial market. As the investment market recovered from the spring crash, this, however, proved unnecessary.



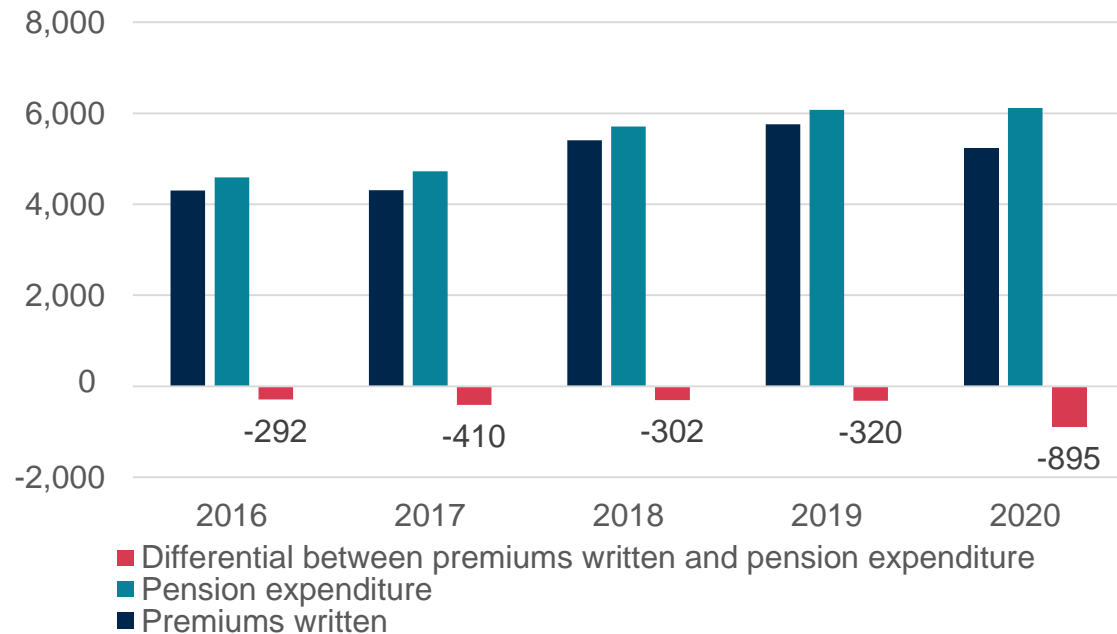
Pension cover for you

Insurance and pensions

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Full-year premiums written €5.2 billion, pensions paid €6.1 billion

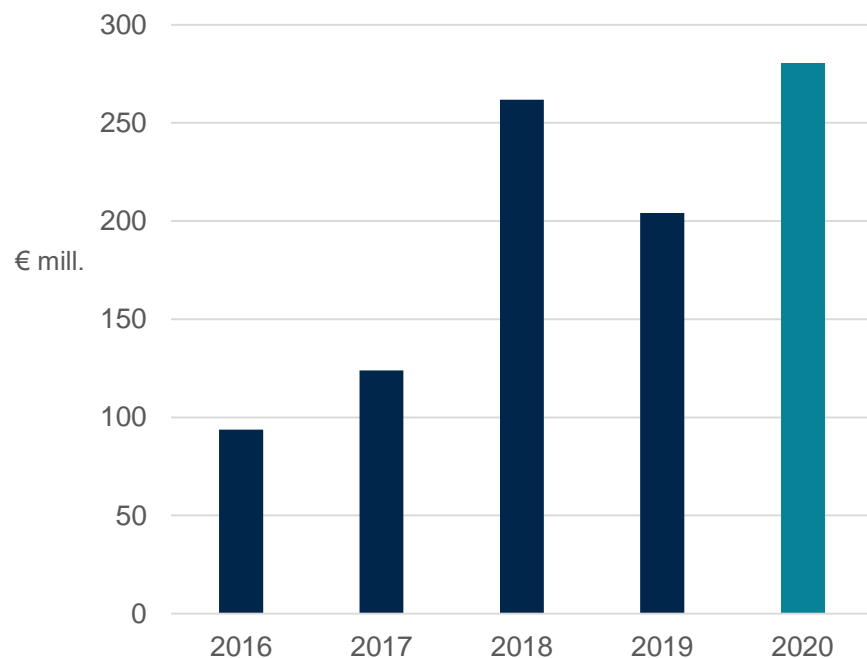
Premiums written and pension expenditure 2020



	2016	2017	2018	2019	2020
Premiums written TyEL	3,967	3,969	5,026	5,364	4,833
Premiums written YEL	334	343	384	394	388
Total premiums written	4,302	4,312	5,410	5,758	5,220
Pensions paid TyEL	4,255	4,373	5,365	5,673	5,701
Pensions paid YEL	339	349	347	405	415
Pension expenditure total	4,594	4,722	5,712	6,078	6,116

Net customer acquisition rose to EUR 281 million thanks to excellent customer retention

Net customer acquisition 2016–2020, € mill.

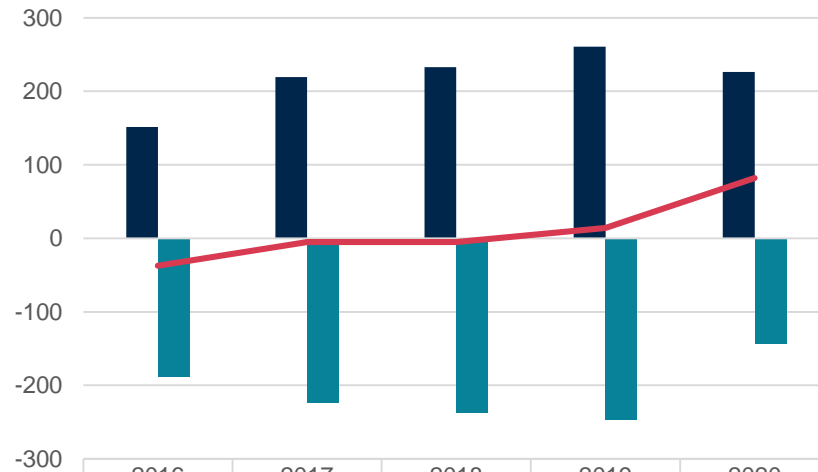


Net customer acquisition, € mill.

€ mill.	2020	2019	Change
Net customer acquisition	281	204	76
Sales of new insurance	200	195	5
Net transfer of insurance and other losses	81	9	72
Customer retention, % of premiums written	97.2%	95.1%	2.1% points

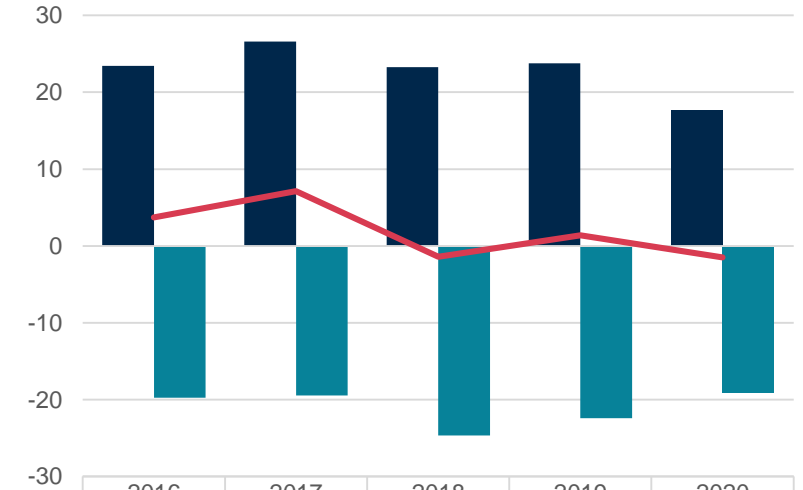
Net transfer result rose to EUR 81 mill. while customer retention increased to 97.2 per cent

TyEL transfer result, premiums written (€ mill).



	2016	2017	2018	2019	2020
TyEL premiums written, outgoing, € mill.	-189	-224	-237	-247	-144
TyEL premiums written, incoming, € mill.	151	219	233	261	226
TyEL premiums written, net, € mill.	-37	-5	-5	14	82

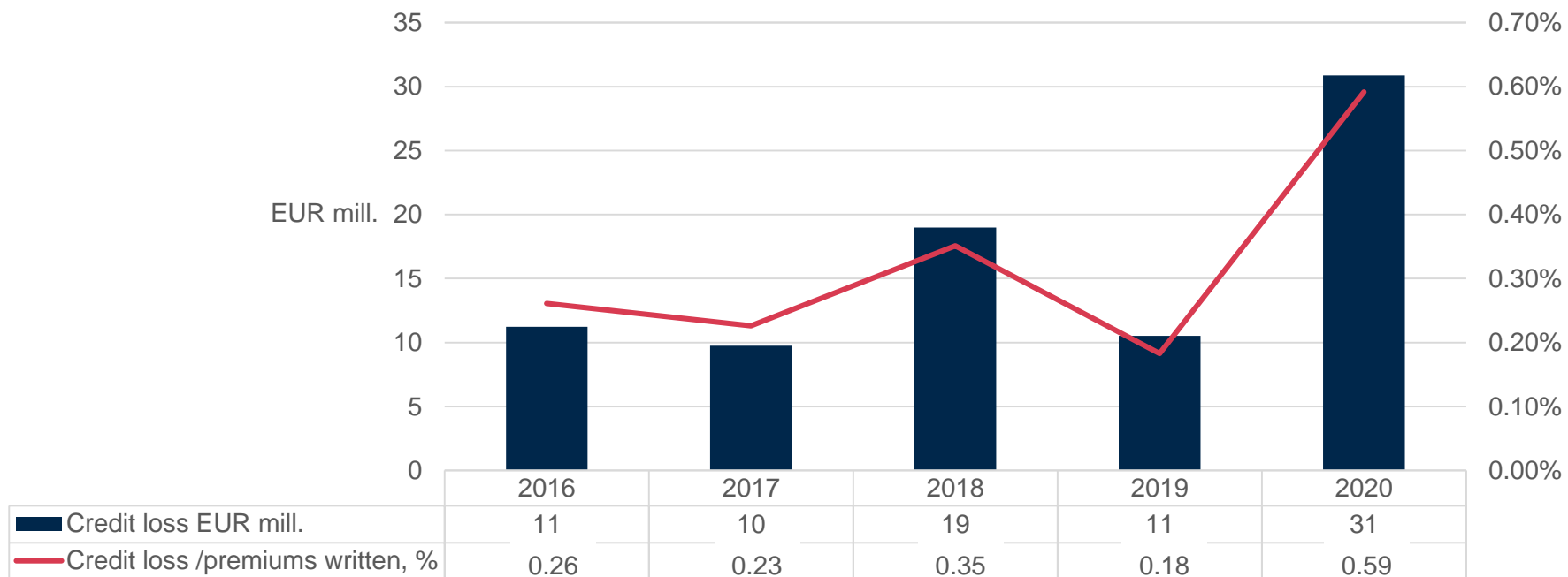
YEL transfer result, premiums written (€ mill).



	2016	2017	2018	2019	2020
YEL premiums written, outgoing, € mill.	-20	-19	-25	-22	-19
YEL premiums written, incoming, € mill.	23	27	23	24	18
YEL premiums written, net, € mill.	4	7	-1	1	-1

Credit losses rose to EUR 28 million, or 0.6 per cent of premiums written

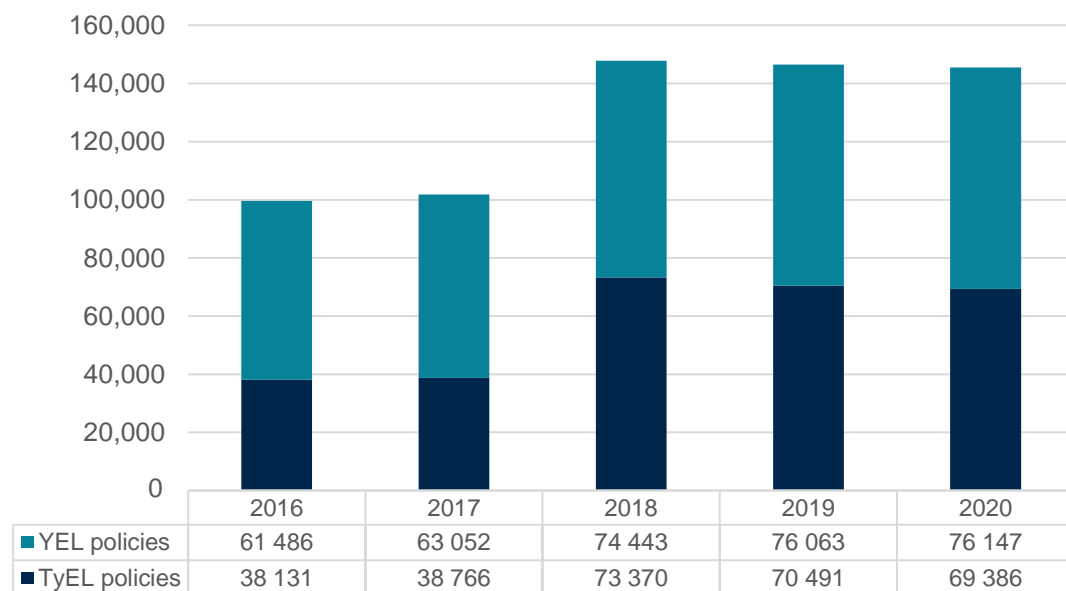
Credit losses on outstanding premiums and % of premiums written



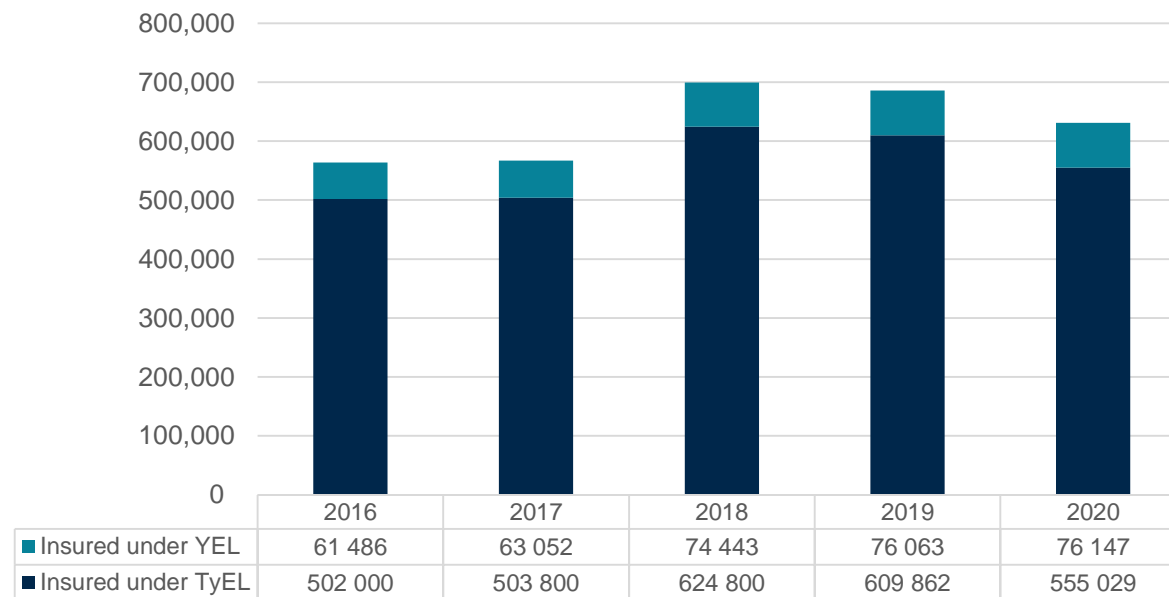
The temporary bankruptcy legislation adopted during the year has increased the premium loss risk related to outstanding premiums. For this reason, the accounting entry practice for credit losses was changed such that 40% of all receivables more than 90 days overdue are entered as credit losses.

The comparable number of insured declined 6% due to temporary lay-offs and dismissals resulting from Covid-19

Number of insurance policies



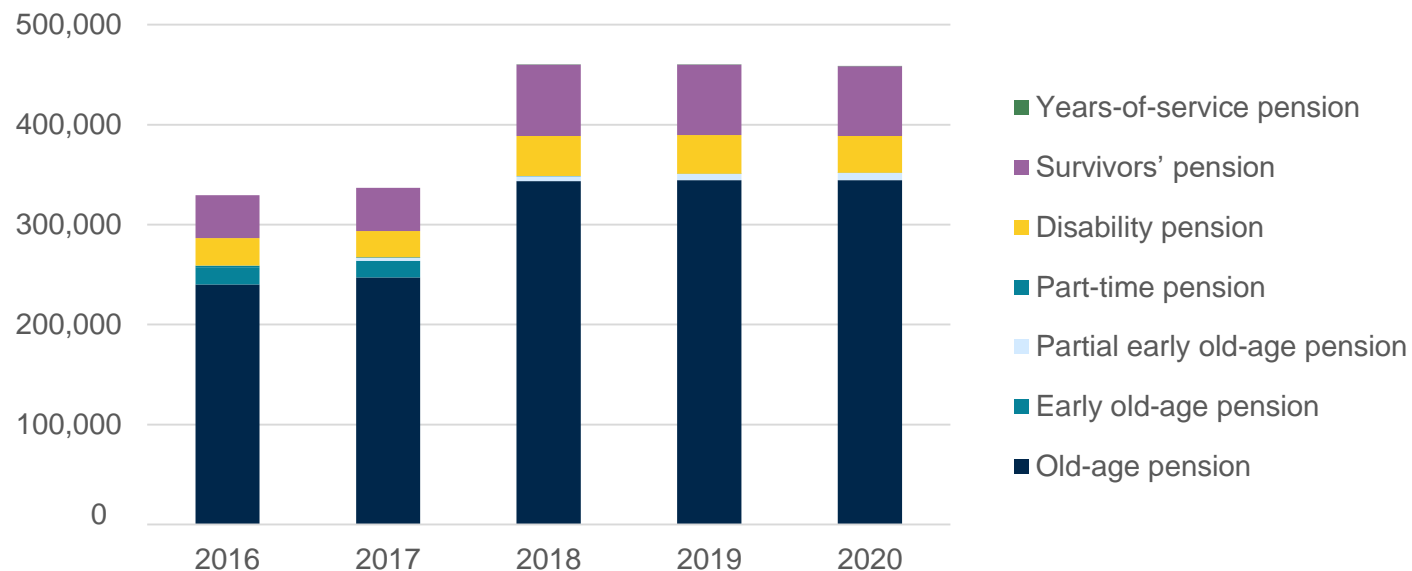
Number of insured



In 2019 and 2020, the number of insured only includes the insured persons for whom earnings were reported to the Incomes Register in December. For the previous years, the calculation has been based on the number of employment relationships. This has an impact on the comparability of the figures. The comparable number of insured in 2019 was 591,915.

The number of pensioners was at the previous year's level, at around 460,000

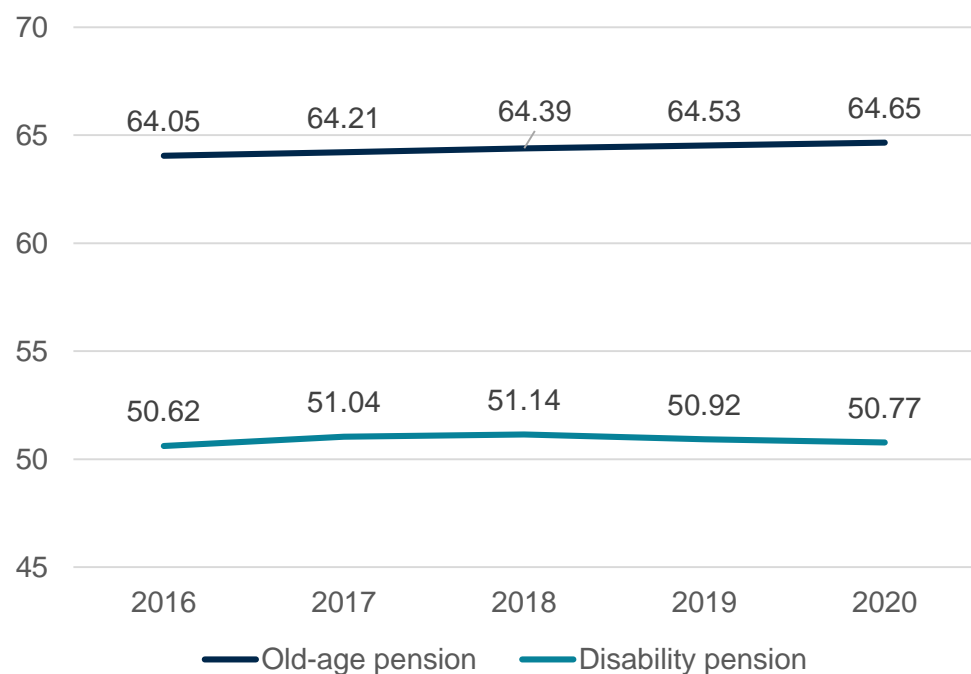
Ilmarinen's pensioners



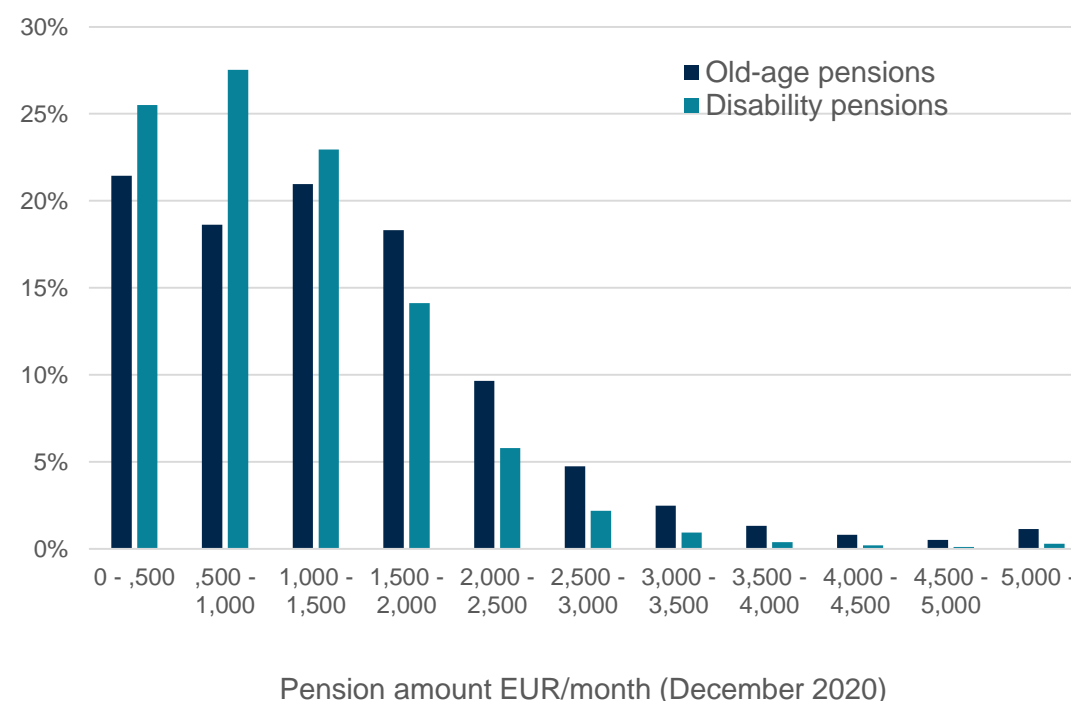
The economic downturn caused by the coronavirus did not lead to a significant increase in the volume of old-age pension applications.

The average old-age pension age is rising, the age of retiring on disability pension decreased for the second year in a row

Average age of retirement on old-age and disability pensions

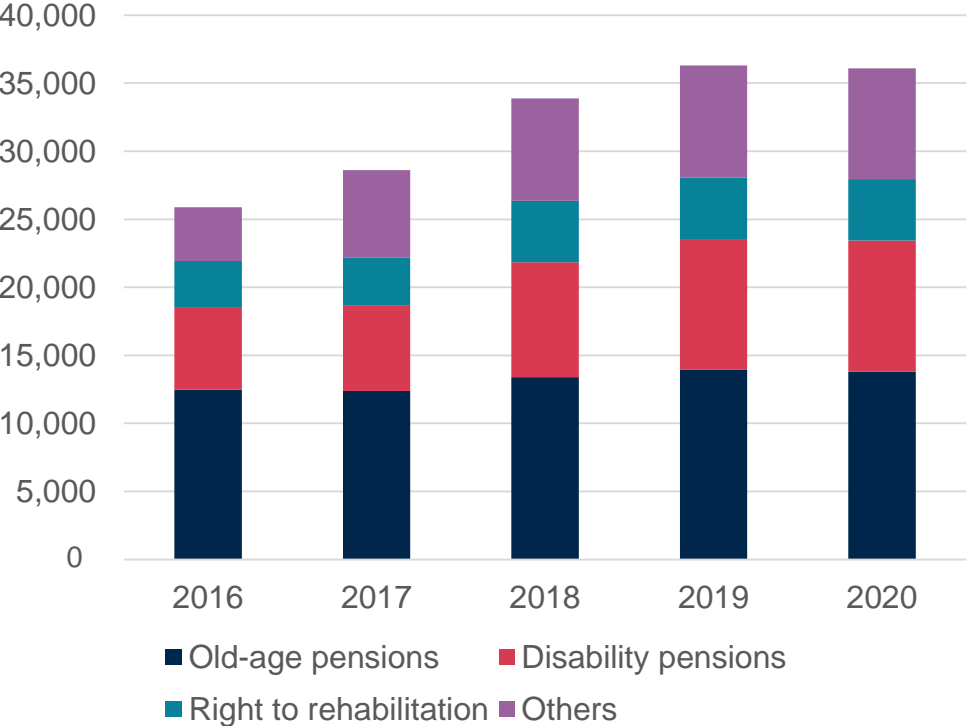


Distribution of paid old-age and disability pensions by size

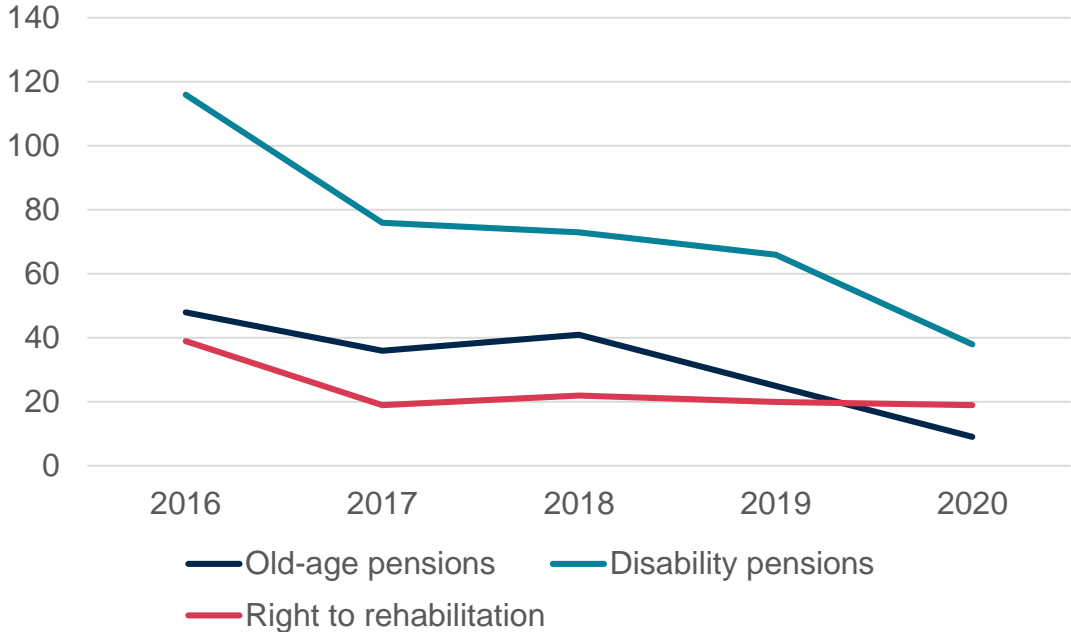


Processing of pensions sped up significantly

Number of pension decisions



Average application processing time, days





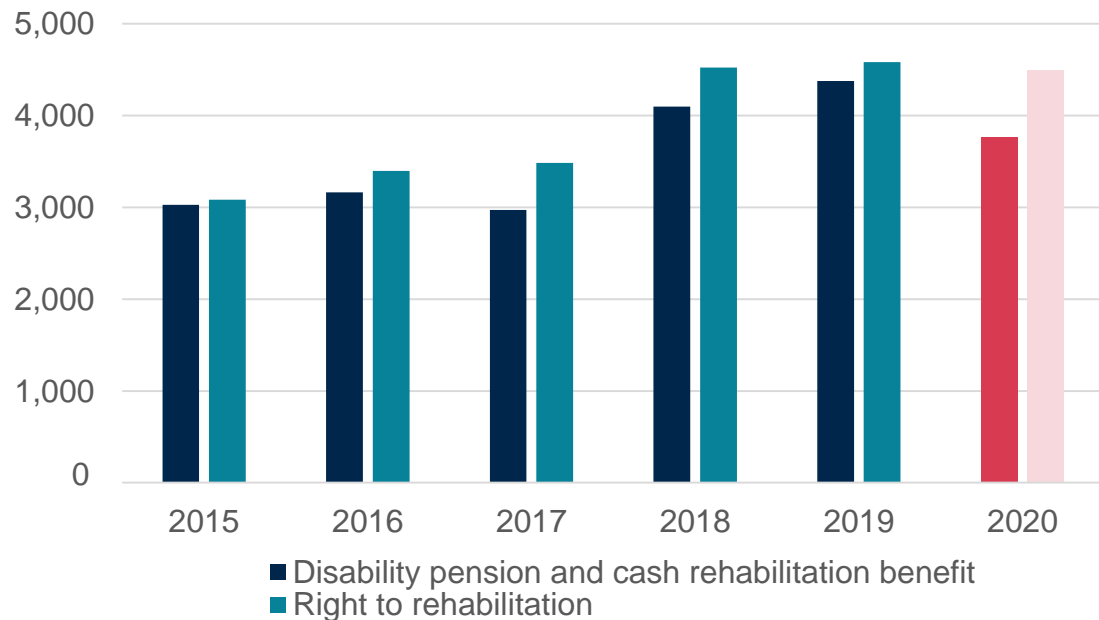
A Better Working Life

Work ability risk
management and
rehabilitation

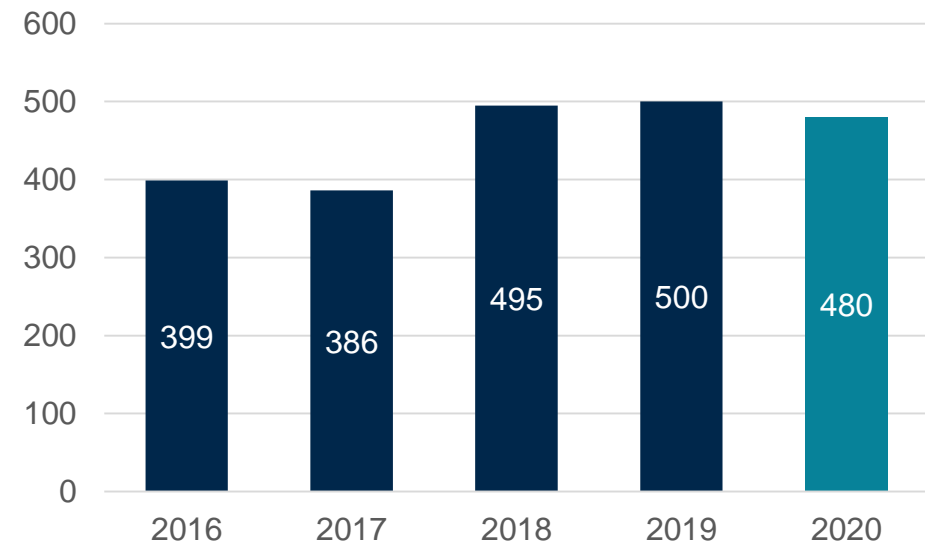
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The number of persons retiring on disability pension decreased by 14 per cent to 3,766 – disability pension expenditure declined by EUR 20 million

Decisions on the right to rehabilitation and persons retired on disability pension



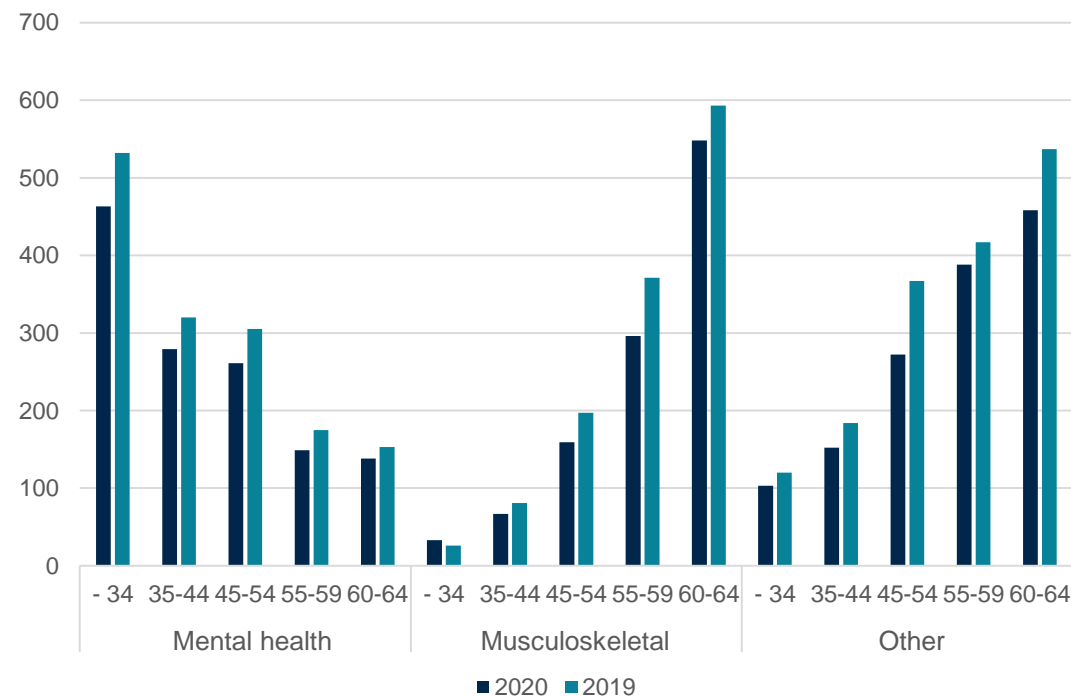
Disability pensions paid, € mill.



Mental health reasons the most significant cause of disability, number of persons retiring on disability pension decreasing in all age groups

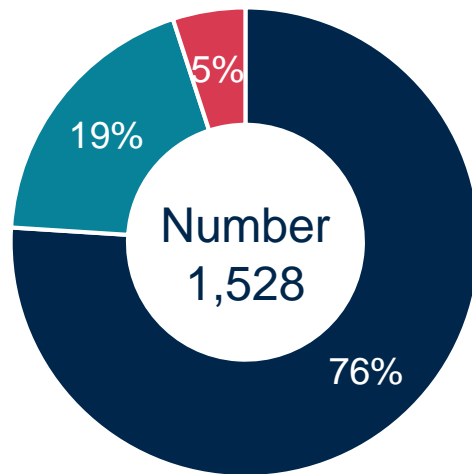
- Mental disorders were, for the second year in a row, the single biggest diagnosis group in disability pensions granted by Ilmarinen.
- Overall, the number of persons retiring on disability pension decreased year-on-year. The decline could be observed broadly across the various age and diagnosis groups.
- In terms of numbers, a key change was the decrease in disability pensions granted to young people for mental health reasons.
- Depression was the most common individual condition that caused people to retire on disability pension last year.

Persons transitioning to disability pension or cash rehabilitation benefit by diagnosis and age group



Work ability projects numbered 1,528 and covered 198,000 employees

Work ability project themes and customer satisfaction 2020



- Developing supervisory work
- Supporting work capacity
- Functioning of work communities

**Work ability services'
NPS 63**



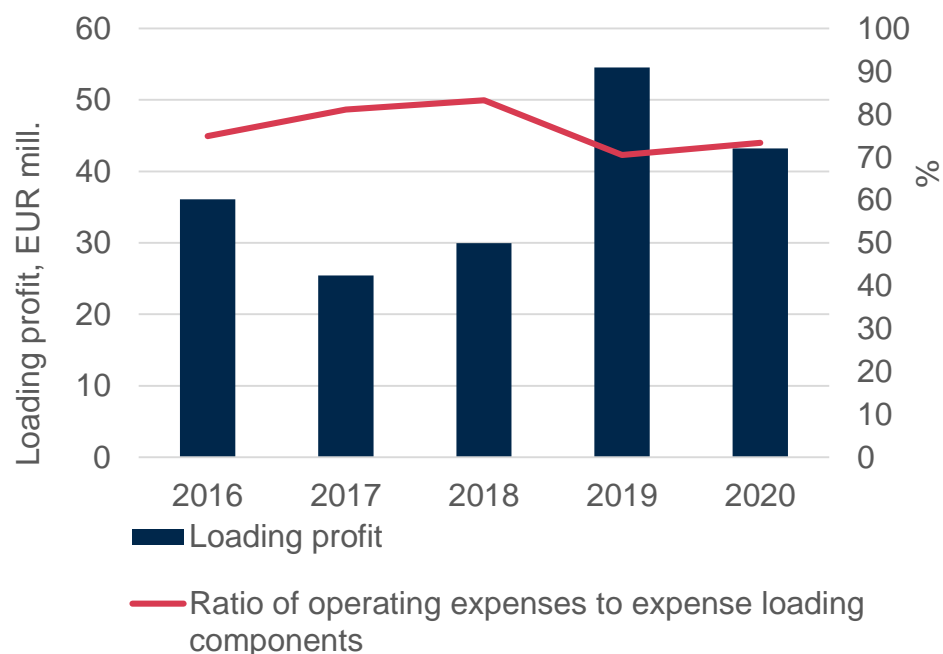
Cost-effective operations

Operating expenses and loading profit

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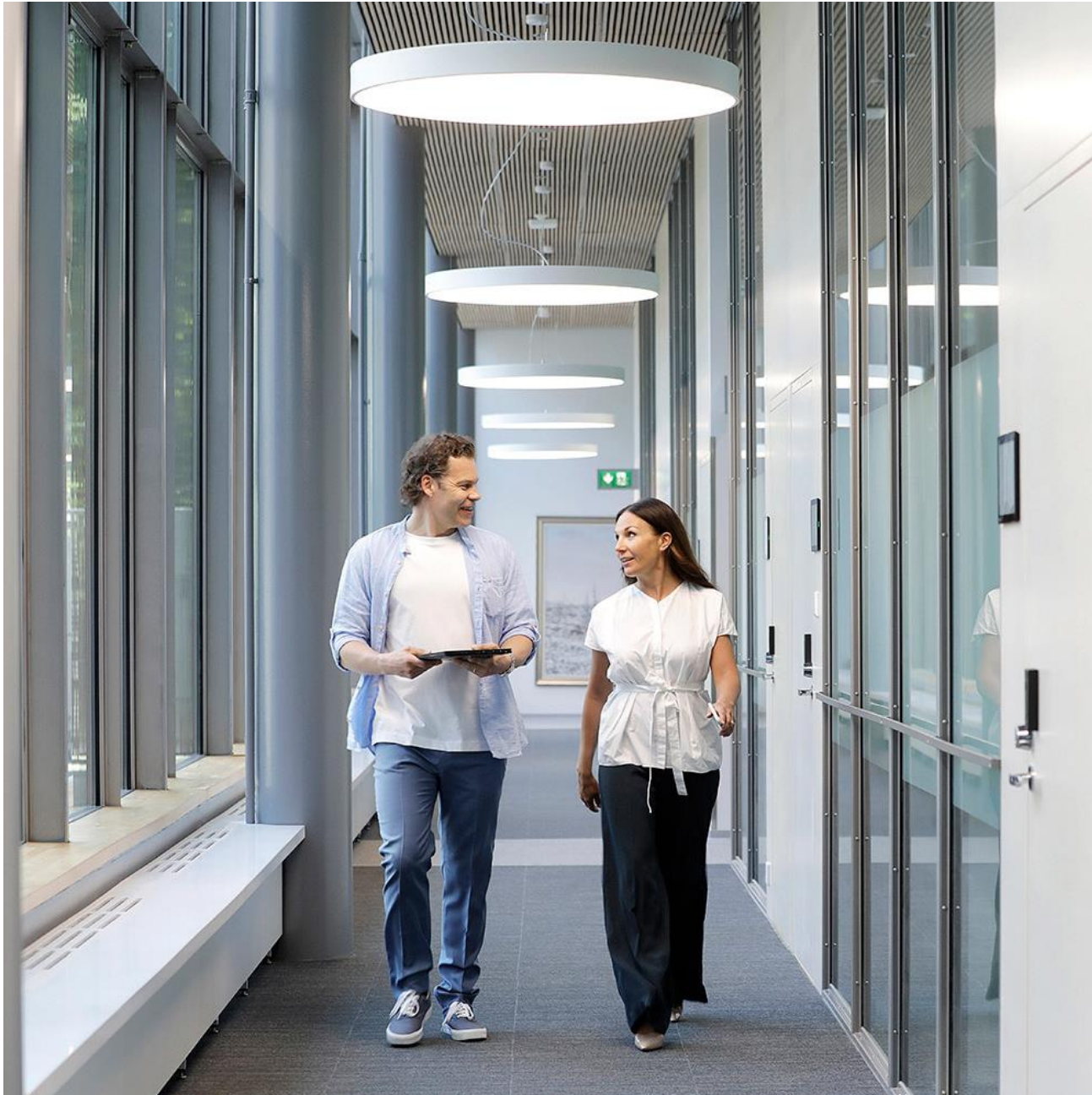
Operating expenses financed using loading income fell EUR 11 million and the loading income was EUR 23 million. The loading profit amounted to EUR 43 million. The comparable loading profit improved by EUR 1.4 million*.

Loading profit, ratio of operating expenses to expense loading components and total operating expenses 2016–2020*



	2016	2017	2018	2019	2020
Expense loading components and other similar income	144	134	179	185	162
Operating expenses covered by loading income	108	109	149	130	119
Loading profit	36	25	30	55	43
Ratio of operating expenses to expense loading components, %	75	81	83	70	73
Total operating expenses	147	150	195	175	158

*) The rates affecting the TyEL administrative cost component changed as of the beginning of 2017 and 2020. The expense loading rate was lowered by 6.9% at the beginning of 2020. The comparable loading profit is €1.4 mill. higher than a year earlier and the comparable ratio of operating expenses to expense loading components improved by 2.4 percentage points. The figures for 2016–2017 do not include the figures of Etera, which merged with Ilmarinen.



A renewing and attractive workplace

Personnel

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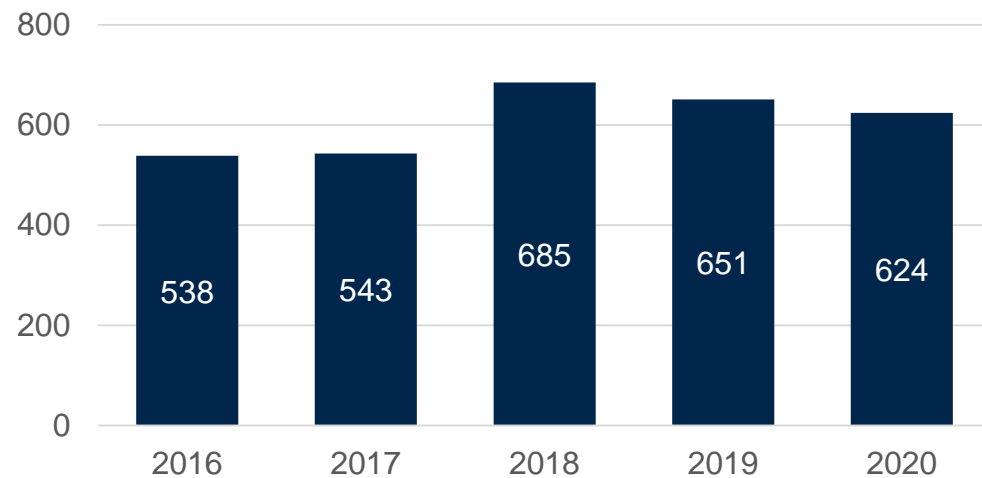
The number of personnel declined and energy remained good despite exceptional circumstances

- When the coronavirus pandemic broke out in March 2020, most of Ilmarinen's employees started to work from home. Teleworking was supported during the year through measures related to ergonomics, meals, childcare and physical activity. The working hour rules were also applied more flexibly than usual.
- Sick leave rates remained lower than usual during the year.
- In 2020, Ilmarinen's organisation was renewed and a total of three co-determination negotiations were conducted during the year.
- The number of personnel decreased during the year. The average number of employees in the parent company Ilmarinen during the year was 624 (651), measured in person years.
- Despite the organisational changes and co-determination negotiations, the personnel's energy level remained excellent and Ilmarinen's employee Net Promoter Score (eNPS) during the year was +38 (-100–100) on average.

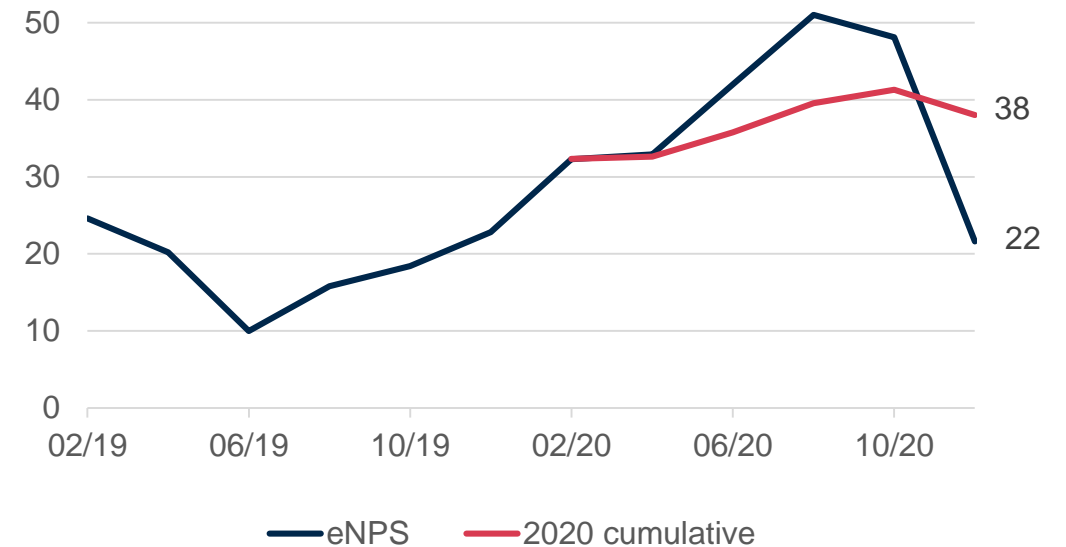


Employee experience was at a good level during the year

Average person years



Employee experience, employee Net Promoter Score (eNPS)





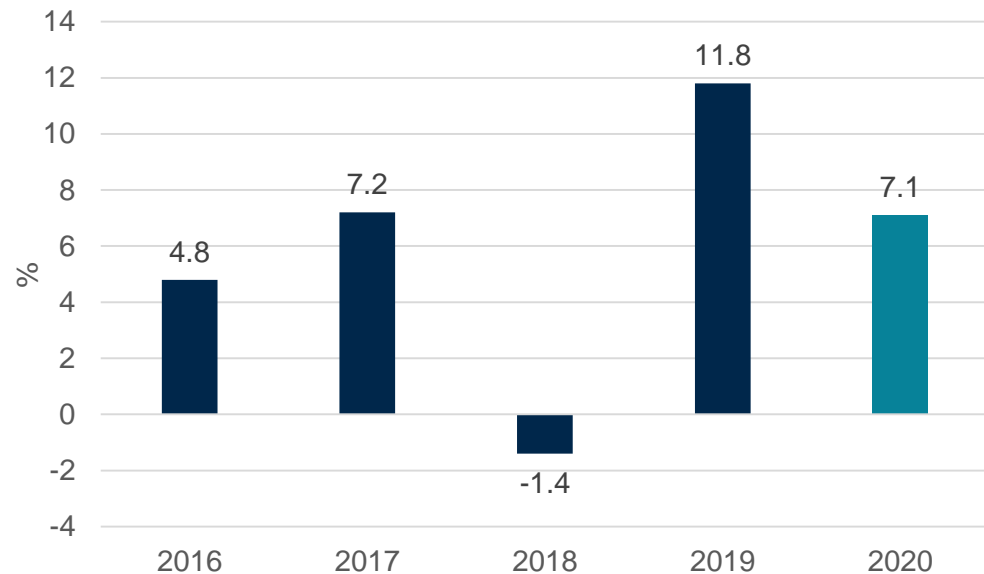
**Profitably,
securely and
responsibly**

Investment operations

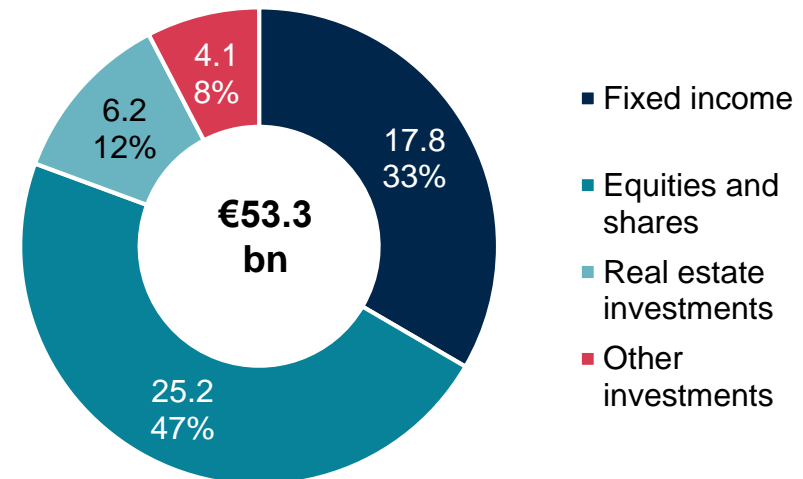
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The investment market rebounded from the drop early in the year and return on investments rose to 7.1 per cent and investment assets to EUR 53.3 billion

Return on investments, five years



Investment allocation, 31 Dec 2020



Average nominal return on investments over 5 years 5.8% and real return 5.0%.

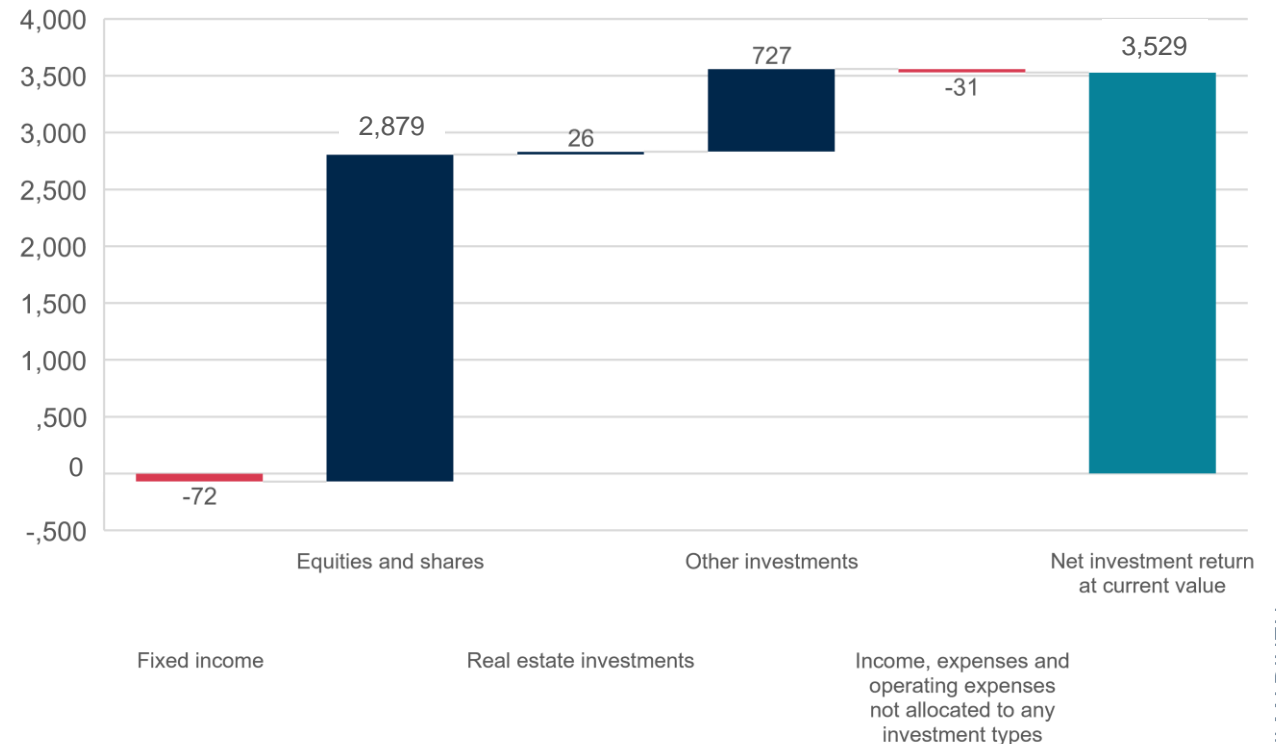
The return on investments was 7.1 per cent, or EUR 3.5 billion, thanks to the good performance of equity and other investments

Return, per cent

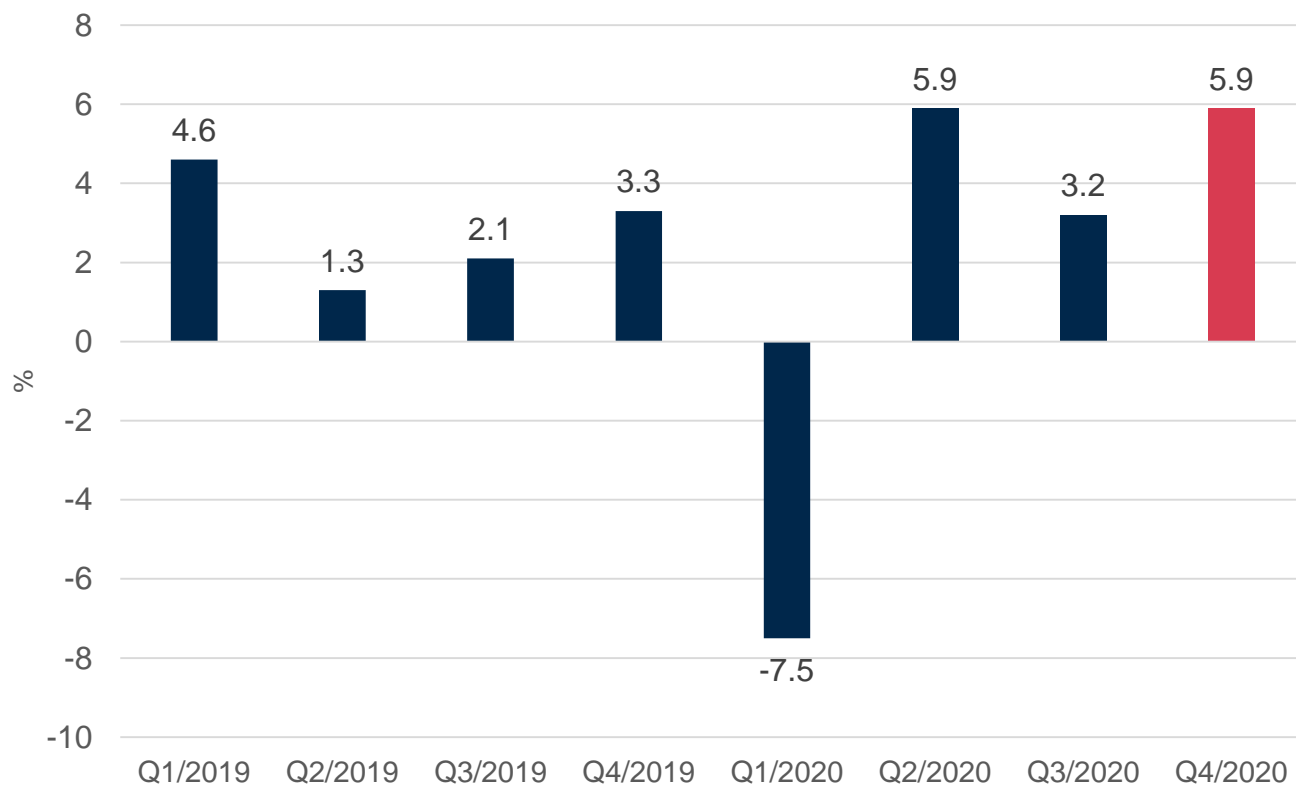
	2020	2019
Return on investments	7.1	11.8
Fixed income	-0.4	4.7
Equities and shares	12.4	20.8
Real estate	0.4	8.4
Other investments	20.2	-2.1

Long-term return on investments (since 1997): nominal return 5.9% and real return 4.4%

Return per type of investment, € mill.



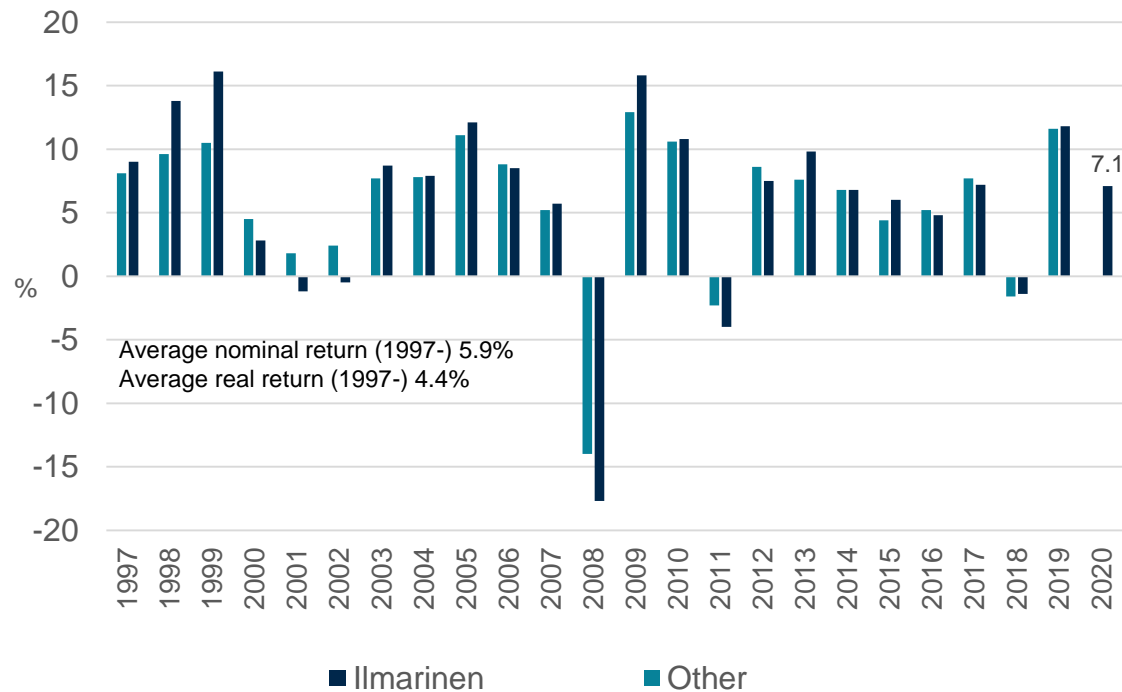
The Q4 return on investments was 5.9 per cent, or EUR 3.0 billion



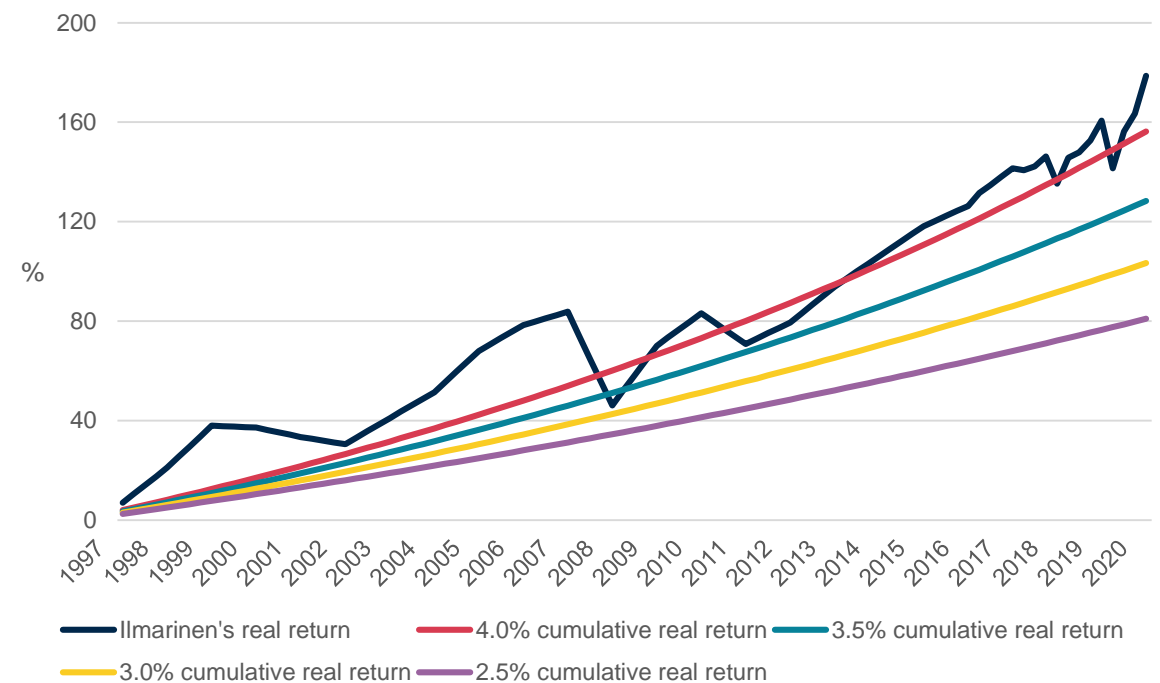
The Q4 return was excellent thanks to the positive momentum in the equity markets

Long-term average nominal return 5.9 per cent per annum, real return 4.4 per cent

Net return on investments at current value

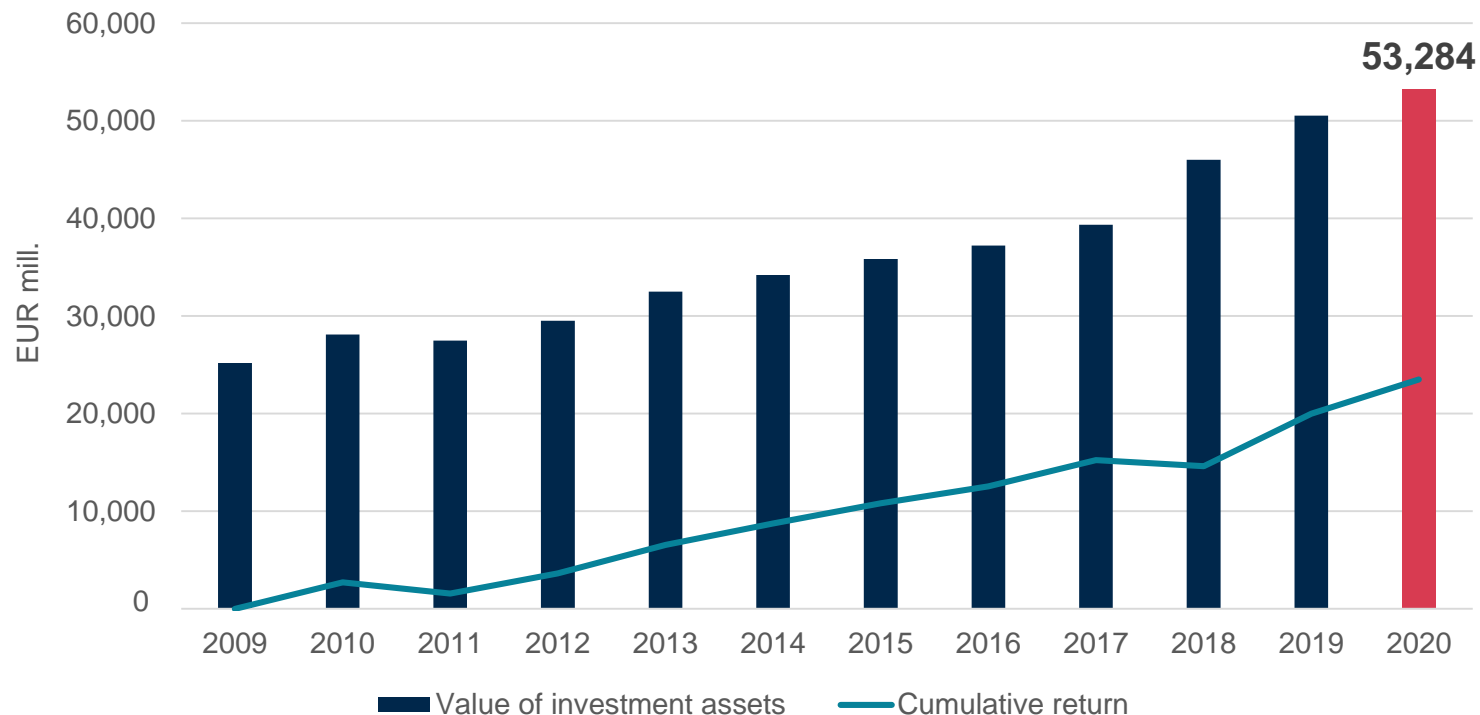


Cumulative net return on investments 1997–2020



Value of investments EUR 53.3 billion, cumulative return on investments from start of 2010, some EUR 24 billion

Value of investments and cumulative return 2010–2020, € bn



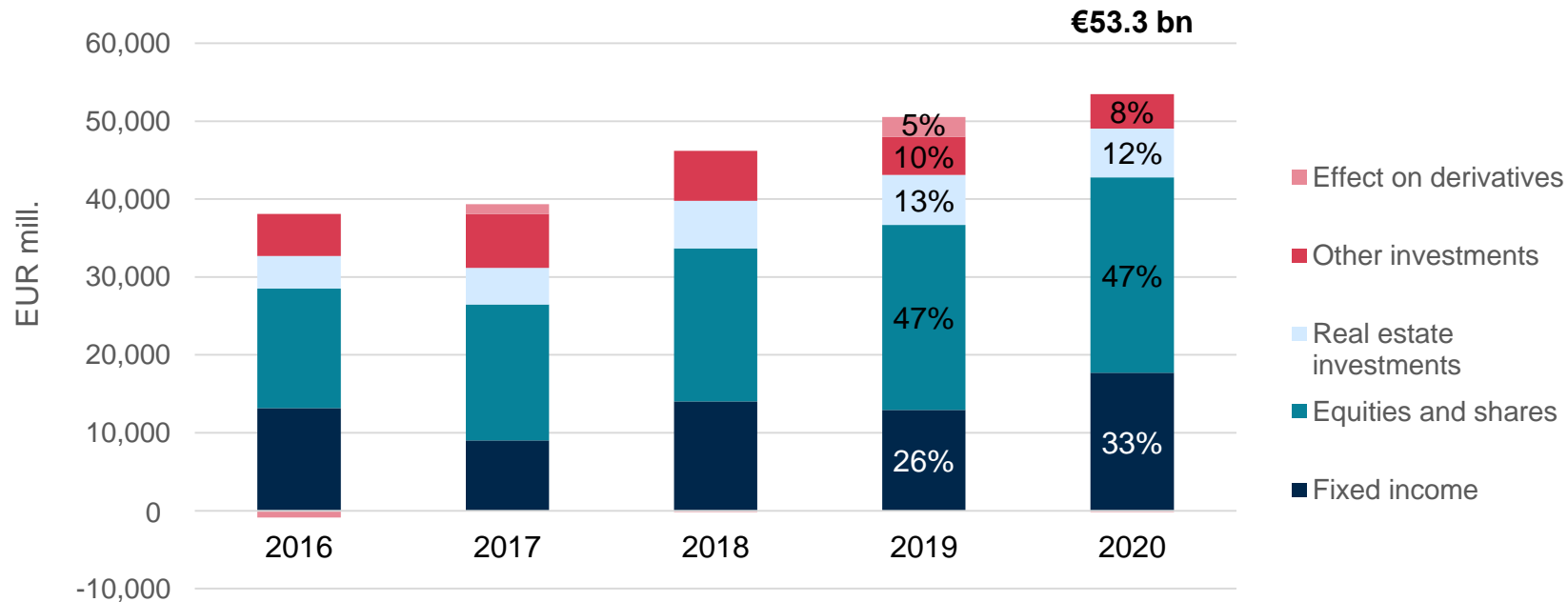
Long-term return at a good level

Average return of different markets:

%	Ilmarinen	Finnish equities and shares	European equities and shares	Euro government bonds	Euro corporate bonds
Q4/2020	5.9	9.5	10.8	1.2	2.0
2020	7.1	15.7	-2.0	5.0	2.7
2019	11.8	20.4	26.8	6.7	6.3
Average return over five years	5.8	11.1	4.5	3.2	2.9
Average return over 10 years	5.5	9.5	6.7	4.7	3.9
Average return over 20 years	5.0	8.2	3.3	4.7	4.5
Average return since 1997	5.9	10.1	6.3	4.9	4.5
Real average return over 5 years	5.0	10.2	3.7	2.4	2.2
Real average return over 10 years	4.3	8.3	5.6	3.5	2.8
Real average return over 20 years	3.6	6.8	1.9	3.3	3.1
Real average return since 1997	4.4	8.5	4.8	3.4	3.0

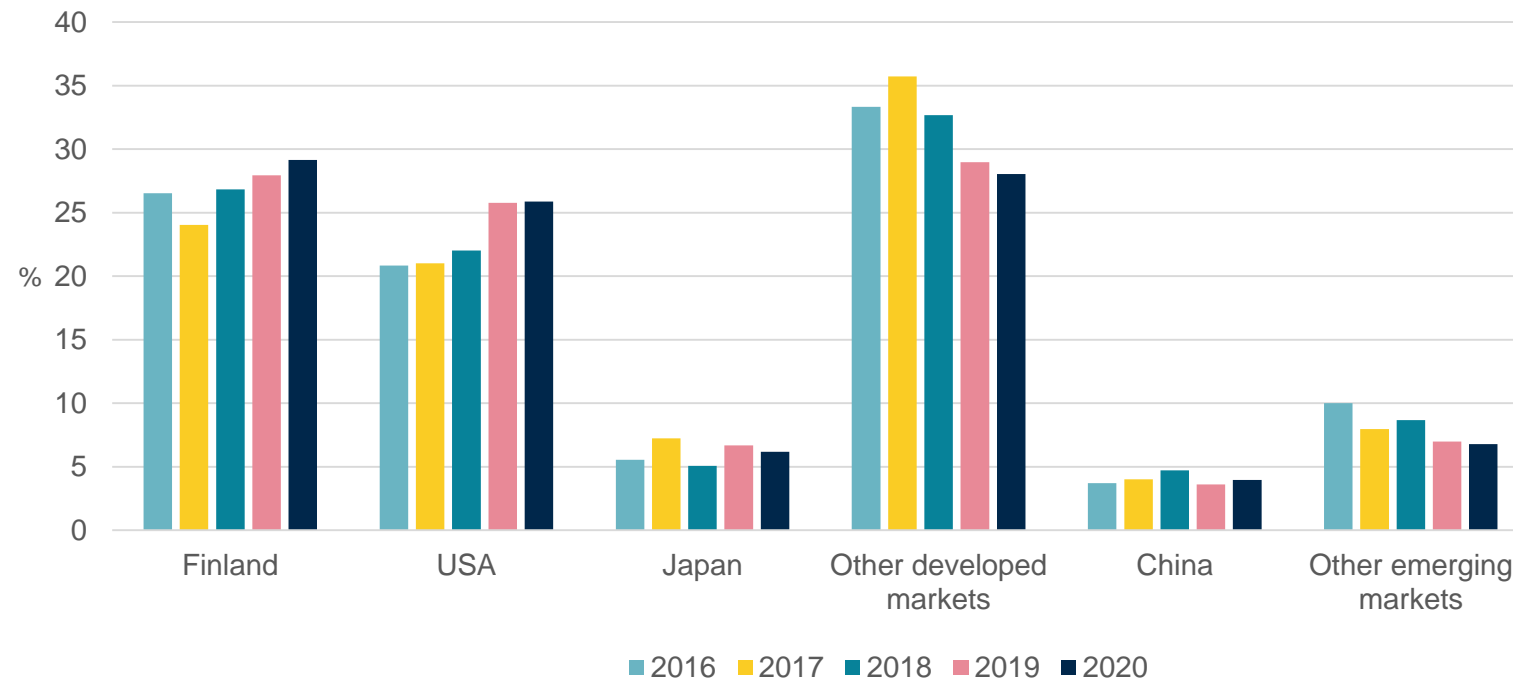
In the investment allocation, equity weight remained at 47 per cent

Breakdown of investment risks



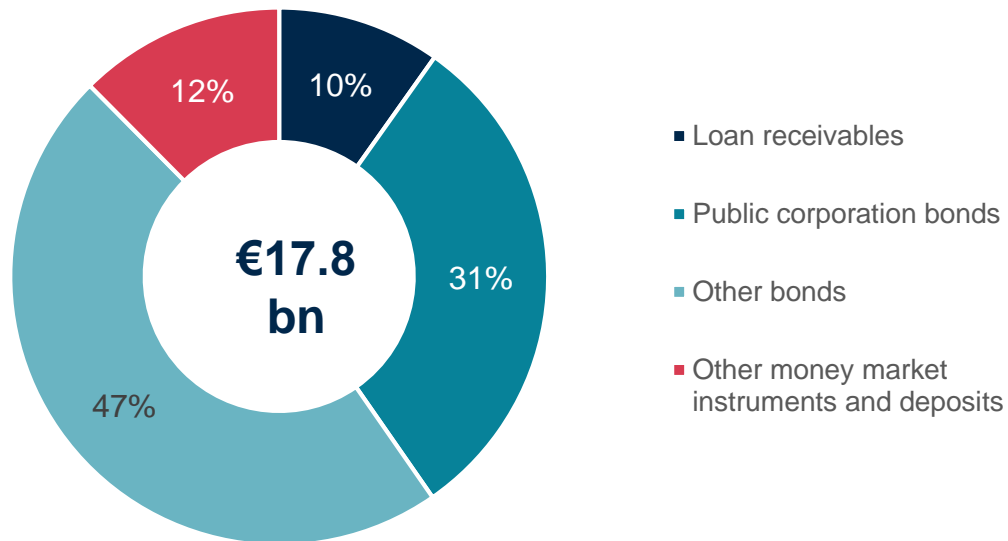
The share of Finnish listed equity investments grew to 29 per cent

Geographical breakdown of listed equities

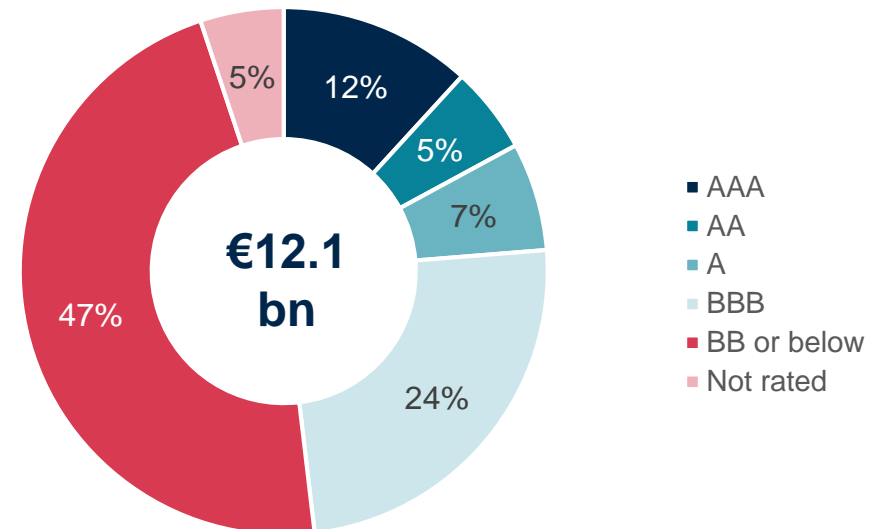


Of the bonds, 48% have a good credit rating

Fixed income investments by type of investment



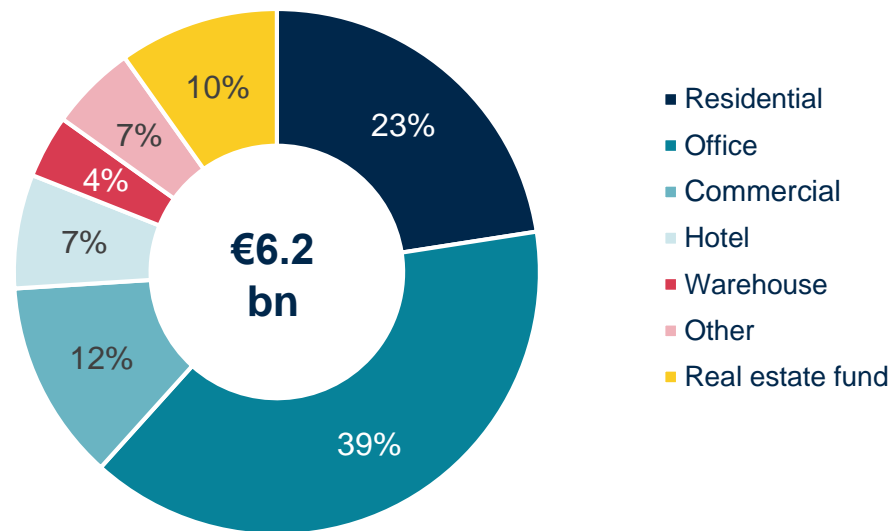
Bonds¹⁾ by credit rating



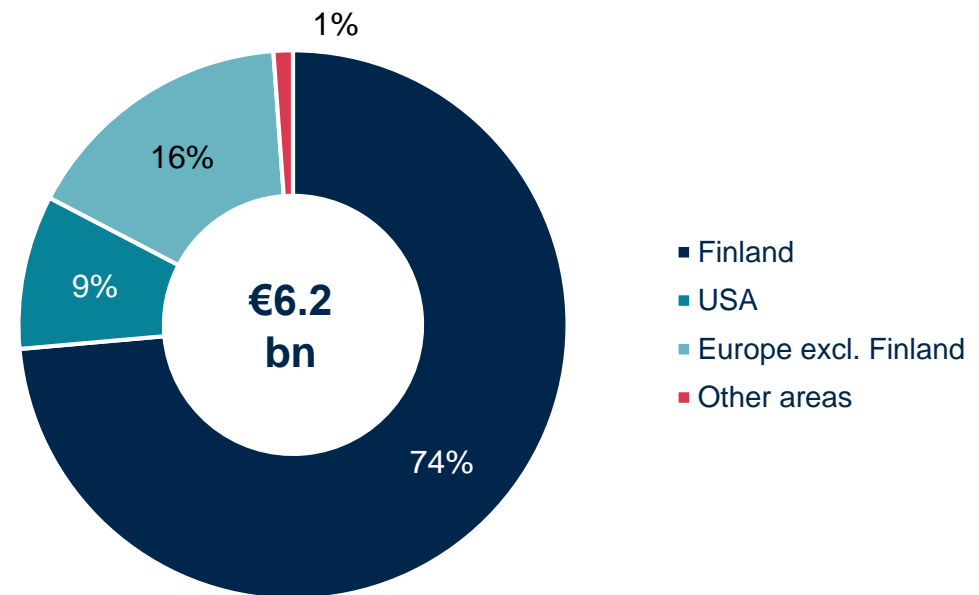
¹⁾ Does not include the market value of derivatives or non-listed equities.

Of real estate investments, 74% or EUR 4.6 billion in Finland

Real estate investments by property type

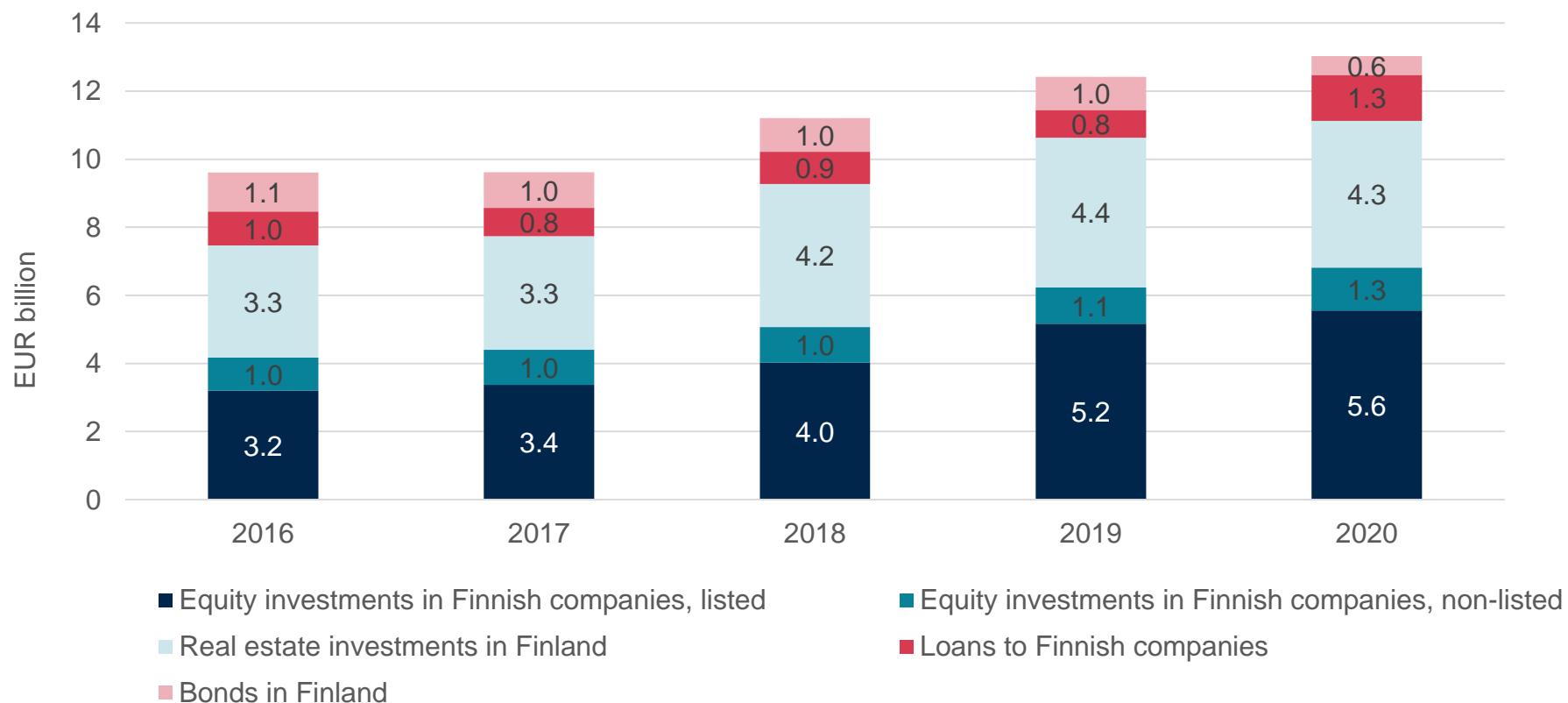


Real estate investments by geographical area



Ilmarinen's investments in Finland were more than **EUR 13 billion** or a quarter of the investment portfolio

Investments in Finland 2016–2020, € bn



Holdings in Finnish listed companies grew to EUR 5.6 bn

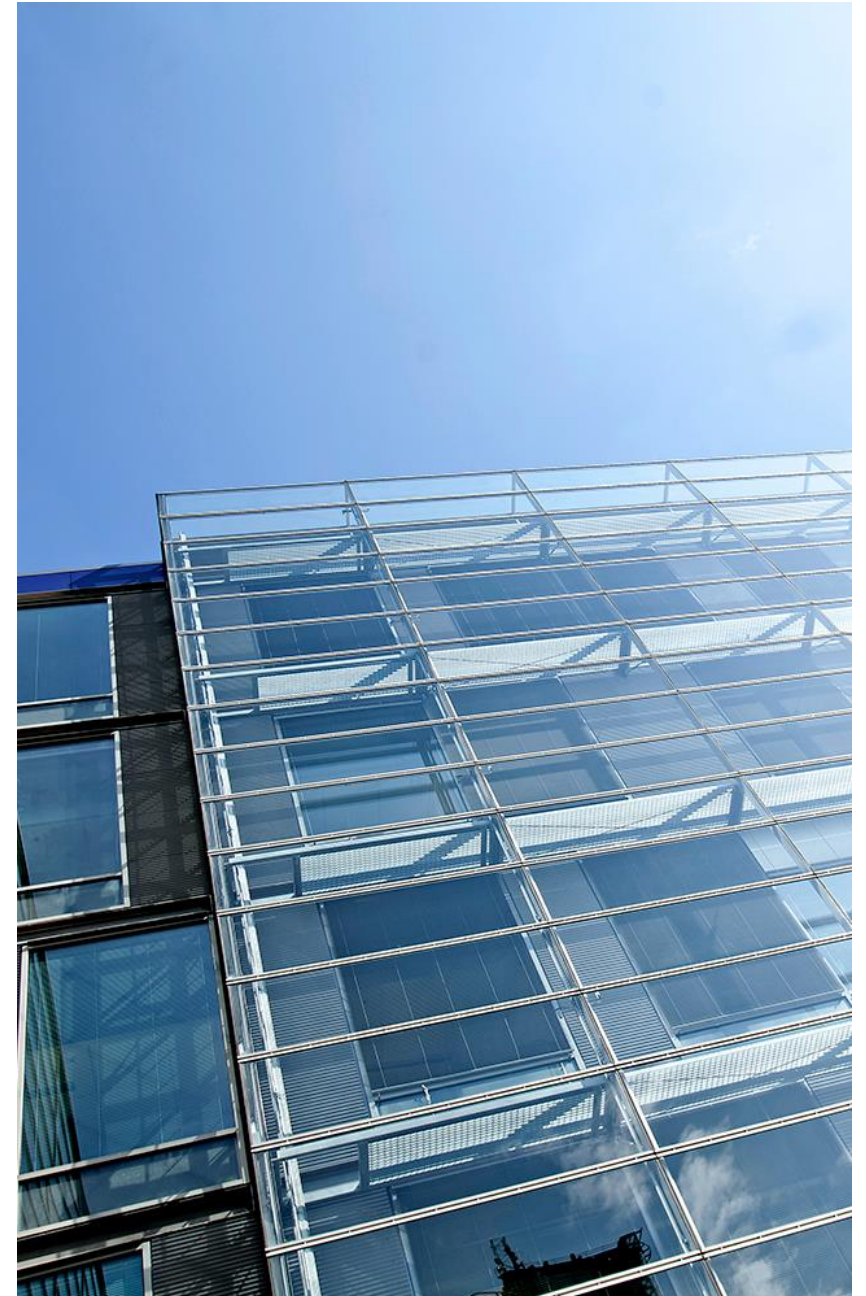
Largest Finnish listed equity holdings

	€ mill.	31 Dec 2020	31 Dec 2019
↓	Kojamo Plc	371	455
↑	UPM-Kymmene Corporation	342	269
↑	Neste Corporation	330	264
↑	Stora Enso Oyj	328	257
↑	Kesko Corporation	325	276
↑	Fortum Corporation	290	259
↑	Sampo Plc	278	269
↓	Nordea Bank Abp	257	282
↓	Kone Corporation	255	257
↑	Nokia Corporation	252	251

	Per cent	31 Dec 2020	31 Dec 2019
↓	Nurminen Logistics Plc	19.6	19.7
↑	SRV Group Plc	12.7	1.6
↓	Digia Plc	12.6	14.6
↓	Kojamo Plc	8.3	11.3
	Panostaja Oyj	8.1	8.1
	Martela Corporation	8.1	8.1
	Glaston Corporation	7.3	7.3
	Citycon Corporation	7.1	7.1
↓	Capman Plc	6.6	6.8
↓	Gofore Plc	6.0	6.2

Progress in responsible investment

- Our goal is to achieve a carbon-neutral investment portfolio by the end of 2035.
 - We initiated the implementation of a new climate policy: we have a comprehensive approach to carbon risk instead of focusing solely on coal
- We were ranked at the top in the world in climate reporting (PRI Leaders' Group)
- In real estate investments we promoted energy efficiency; targets exceeded
 - Commercial properties (TETS): 277% of the 2020 interim target and 184% of the 2025 total target
 - Residential properties (TETS): 148% of the interim target and 99% of the 2025 total target
- We participated in the development of two new ETFs tracking a sustainability index. Up to 90% of Ilmarinen's passive ETF investments are tracking an ESG index.



Summary of return on investments 2020

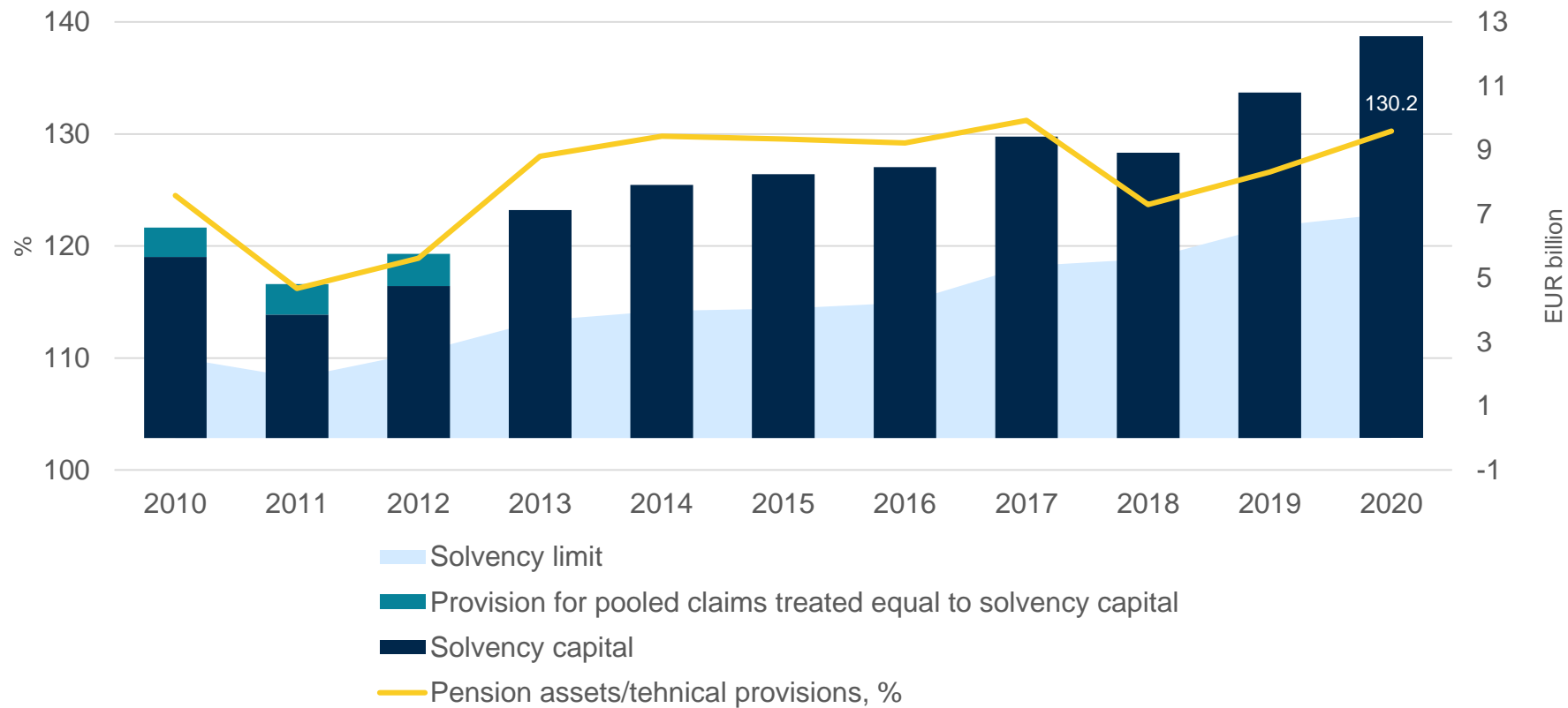
	Basic breakdown		Risk breakdown		Return		Volatility
	€ mill.	%	€ mill.	%	%	%	
Fixed income investments	17,799	33.4	17,701	33.2	-0.4		
Loan receivables	1,747	3.3	1,747	3.3	-0.9		
Bonds	13,838	26.0	14,469	27.2	0.0	7.0	
Public corporation bonds	5,433	10.2	5,135	9.6	0.2		
Other bonds	8,406	15.8	9,334	17.5	-0.2		
Other money market instruments and deposits (incl. investment receivables and payables)	2,214	4.2	1,485	2.8	-3.7		
Equities and shares	25,162	47.2	25,095	47.1	12.4		
Listed equities and shares	19,052	35.8	18,985	35.6	11.9	18.0	
Private equity investments	4,985	9.4	4,985	9.4	12.9		
Non-listed equities and shares	1,125	2.1	1,125	2.1	19.0		
Real estate investments	6,246	11.7	6,264	11.8	0.4		
Direct real estate investments	5,657	10.6	5,659	10.6	0.7		
Real estate funds and joint investments	589	1.1	606	1.1	-2.1		
Other investments	4,076	7.7	4,407	8.3	20.2		
Hedge fund investments	2,952	5.5	2,952	5.5	3.7	4.9	
Commodity investments	93	0.2	-12	0.0	-		
Other investments	1,031	1.9	1,467	2.8	71.7		
Investments total	53,284	100	53,468	100.3	7.1		7.1
Effect of derivatives			-184	-0.3			
Total investments at current value	53,284		53,284	100.0			

The modified duration of bonds is 2.1 years.

The open currency position is 16.1% of the market value of the investments.

The total return percentage includes income, expenses and operating expenses not allocated to any investment types.

Solvency capital rose to a record level, at EUR 12.5 billion, and the solvency ratio to 130.2, the solvency position was 1.8





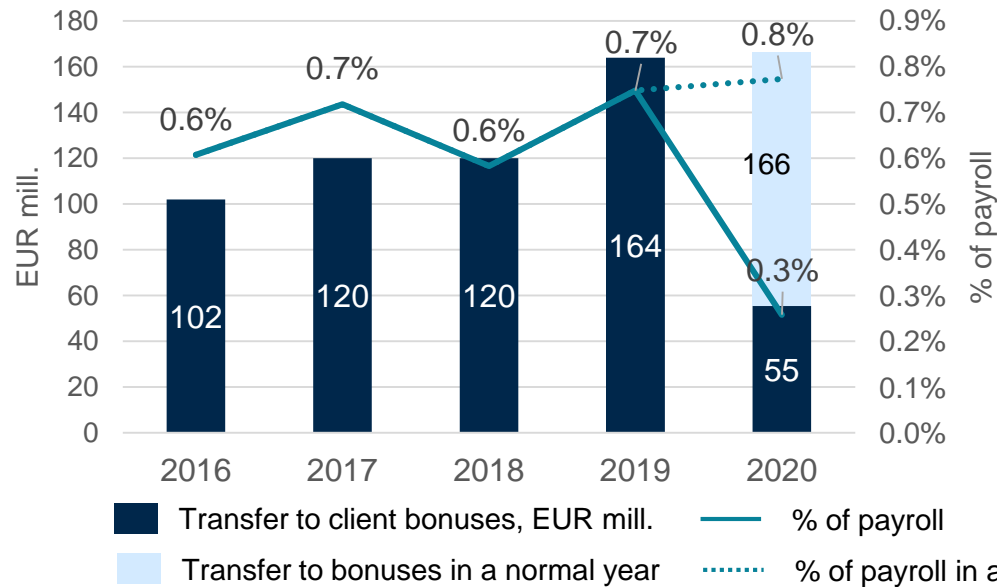
**As our customer
you benefit from
Ilmarinen's
success**

Client bonuses

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Client bonuses EUR 55 million, or a third of their normal amount, as a result of the reduction in employers' TyEL contribution

Client bonuses EUR million and in relation to payroll



€ mill.	2016	2017	2018	2019	2020
Solvency capital	8,460	9,421	8,918	10,792	12,542
Loading profit	36	25	30	55	43
Transfer to client bonuses	102	120	120	164	55

Normally, 1% of the solvency capital and the loading profit in its entirety are transferred to client bonuses, less the calculated loading profit from YEL insurance business. In 2020, employment pension insurance companies refrained from paying client bonuses to customer companies for the period in which the employers' contribution was reduced. The client bonus for 2020 will thus only be a third of a normal year's client bonus. In a normal year, the amount of bonuses would have been EUR 166 million based on the actual result and solvency development.



Future prospects

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Future prospects

- The global economy is recovering from the deep recession of 2020, and recovery from the crisis takes time. However, the global economy is expected to grow by roughly 5 per cent in 2021. Finland's economic growth is expected to settle at around 3 per cent.
- Following the recovery of the economy and the expiry of the temporary reduction in TyEL contributions, Ilmarinen's premiums written are expected to increase clearly in 2021. The rise in payroll is expected to improve loading income and the loading profit compared to last year.
- Central banks and governments are expected to continue their stimulus measures to support markets, and inflation is expected to remain low, although positive, despite an exceptionally light monetary policy. The economic outlook is still uncertain and unrest in the markets can quickly increase if the vaccines and prevention of the spread of the coronavirus do not bring the desired results. The long-term return expectation on investment assets is low, especially due to a low interest rate level and the high valuation level of risky asset classes.
- The key risks affecting Ilmarinen's operations and the earnings-related pension system are related to the development of employment and payroll, changes in disability pension incidence, uncertainty in the investment markets and the development of demographics and the birth rate. The birth rate has been exceptionally low in recent years.



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