



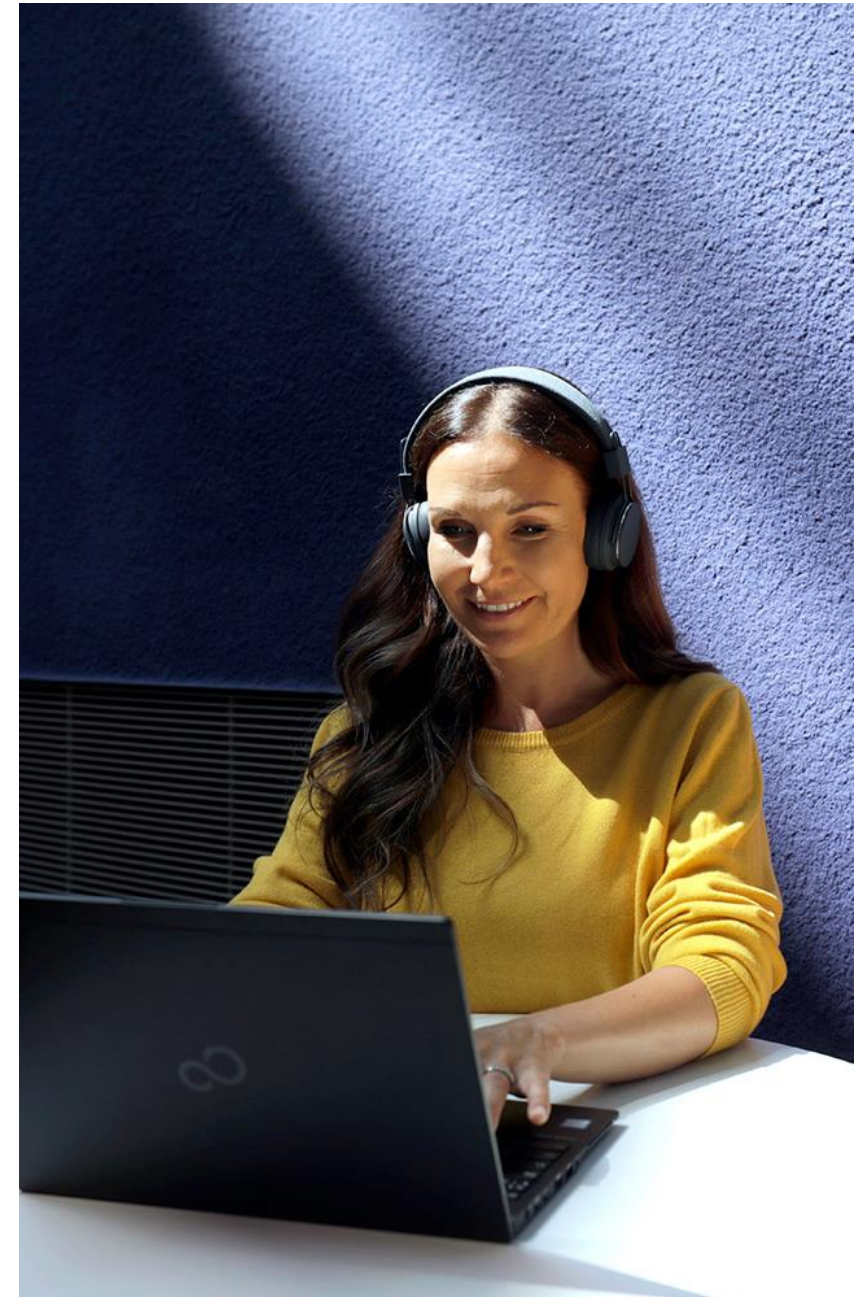
Security for your pension

Ilmarinen in
2022

ILMARINEN

Premiums written grew strongly and cost-effectiveness improved to a record level. Return on investments was 6.6 per cent negative.

- Premiums written grew by as much as 11 per cent to EUR 6.6 (5.9) billion. The number of employees insured with Ilmarinen grew by 3.4 per cent and the TyEL payroll by close to 9 per cent.
- EUR 6.6 billion was paid in pensions. The number of disability pension applications grew 5 per cent.
- Loading profit improved to a record level of EUR 58 (42) million and the ratio of operating expenses to expense loading components to 63 (75) per cent. Operating expenses covered with the administrative cost component decreased to EUR 99 (126) million.
- In the equity markets, most equity indices fell 10–20 per cent while fixed income investment returns declined by more than 10 per cent. In a challenging market, Ilmarinen's return on investments was negative, at -6.6 (15.3) per cent, and the total result was EUR -4.6 billion.
- Solvency capital was EUR 11.8 (16.5) billion and the solvency ratio was 125.8 (136.7) per cent.



Key figures 2022

Premiums written

6.56 (5.92)
€ bn



6.61 (6.31)
€ bn

Pensions paid

Loading profit*

58 (42)
€ mill.



63 (75)
%

Ratio of operating expenses to expense loading components*

Return on investments

-6.6 (15.3)
%



56.3 (60.8)
€ bn

Investment assets

Solvency ratio

125.8 (136.7)
%



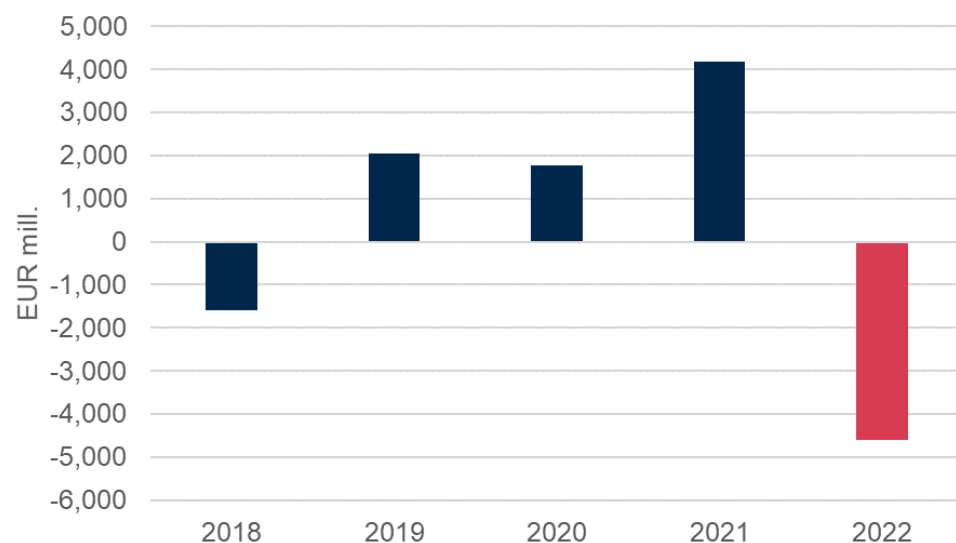
11.8 (16.5)
€ bn

Solvency capital

*) The loading profit is weakened, compared to 2021, by the 9.5 per cent discount made in rates affecting the TyEL administrative cost component, which has a profit impact of EUR 14 million. The profit for the comparison year was impacted by a one-time write-down of EUR 18 million in intangible assets.

Ilmarinen's total result was a loss of EUR -4.6 billion in a challenging investment market

Total financial result, € mill.



Sources of profit, € mill.

EUR mill.	2022	2021	2020	2019	2018
Underwriting result	132	44	-3	-50	-40
Return on investments at fair value	-4,801	4,104	1,726	2,063	-1,592
+ Net return on investments at fair value	-4,009	8,086	3,529	5,375	-642
- Return requirement on technical provisions	-792	-3,982	-1,803	-3,313	-950
Loading profit	58	42	43	55	30
Other profit	18	-11	3	-27	22
Total result	-4,592	4,179	1,769	2,039	-1,581



Operating environment

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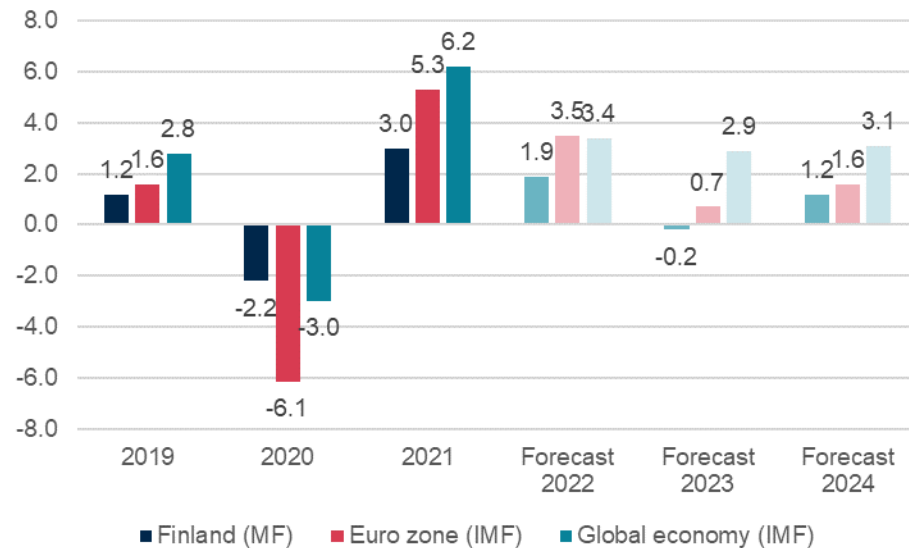
Economic operating environment and investment market

- Global economic growth was strong in the early part of the year with economies supported by recovery from the Covid-19 crisis. High inflation, tightening monetary policy and the impacts of Russia's war of aggression on the energy markets weakened the global economic outlook later in the year.
- Inflation has proven to be a more persistent problem than expected. Central banks have voiced their concerns over price stability, monetary policy has been significantly tightened and interest rates have been raised sharply.
- Finland's economy grew by around 2 per cent during the year and employment improved to some 74 per cent. In the future, economic growth will be set back by the negative impacts of inflation and higher-than-before interest rates on purchasing power and investment appetite.
- Capital market performance was largely negative during the year. Stock prices fell by 10–20 per cent and interest rates and credit risk margins rose.
- On the back of rising interest rates and widening credit risk margins, returns on fixed income investments remained historically low.
- The US dollar appreciated against the euro by around seven per cent during the year, which had a positive impact on dollar-denominated investment returns.

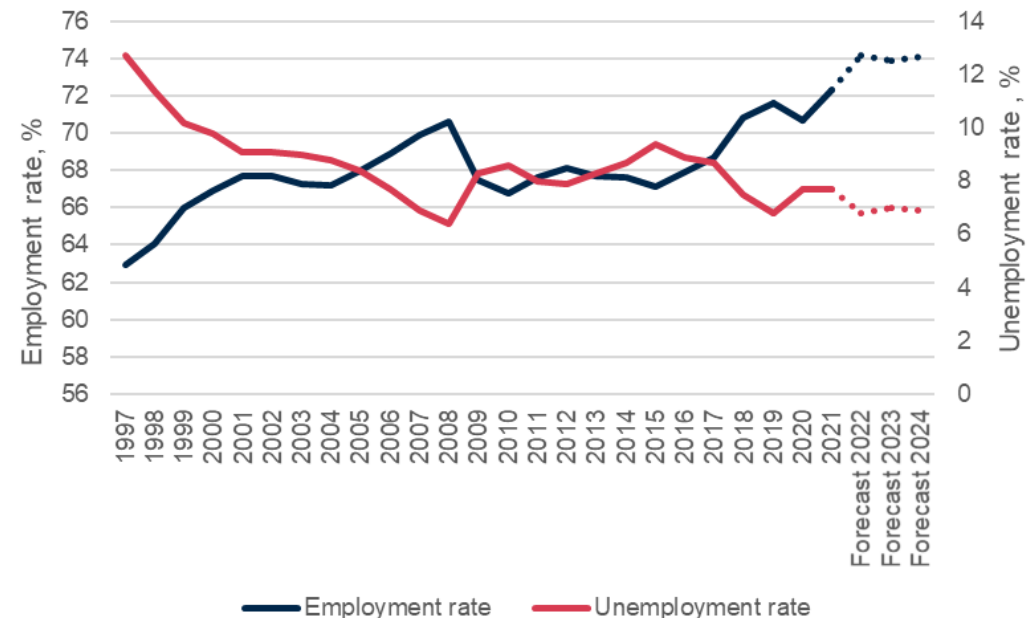


The global economic growth rate decreased to 3.4 per cent and Finland's growth rate to 1.9 per cent in 2022. The employment rate rose to 74.2 per cent.

GDP development, %



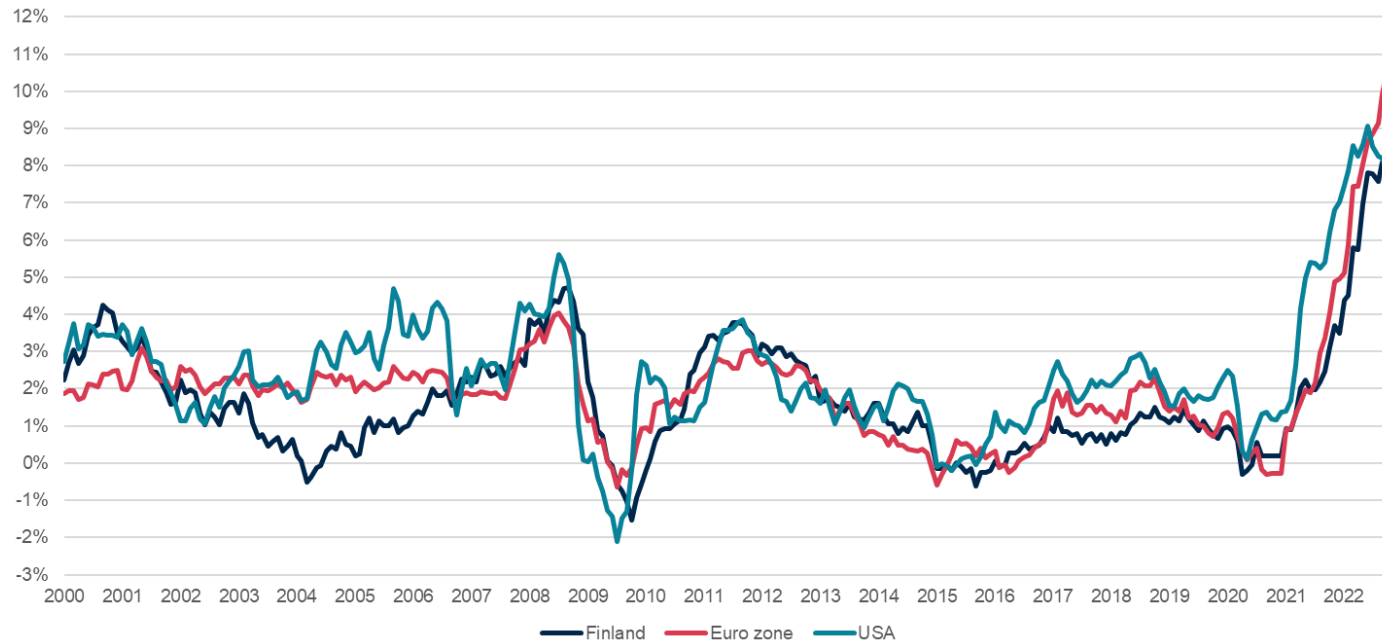
Development of Finland's employment and unemployment rates, %



Sources: MF and IMF

Inflation reached the highest levels in decades, accelerating the tightening of monetary policy

Year-on-year change in consumer prices



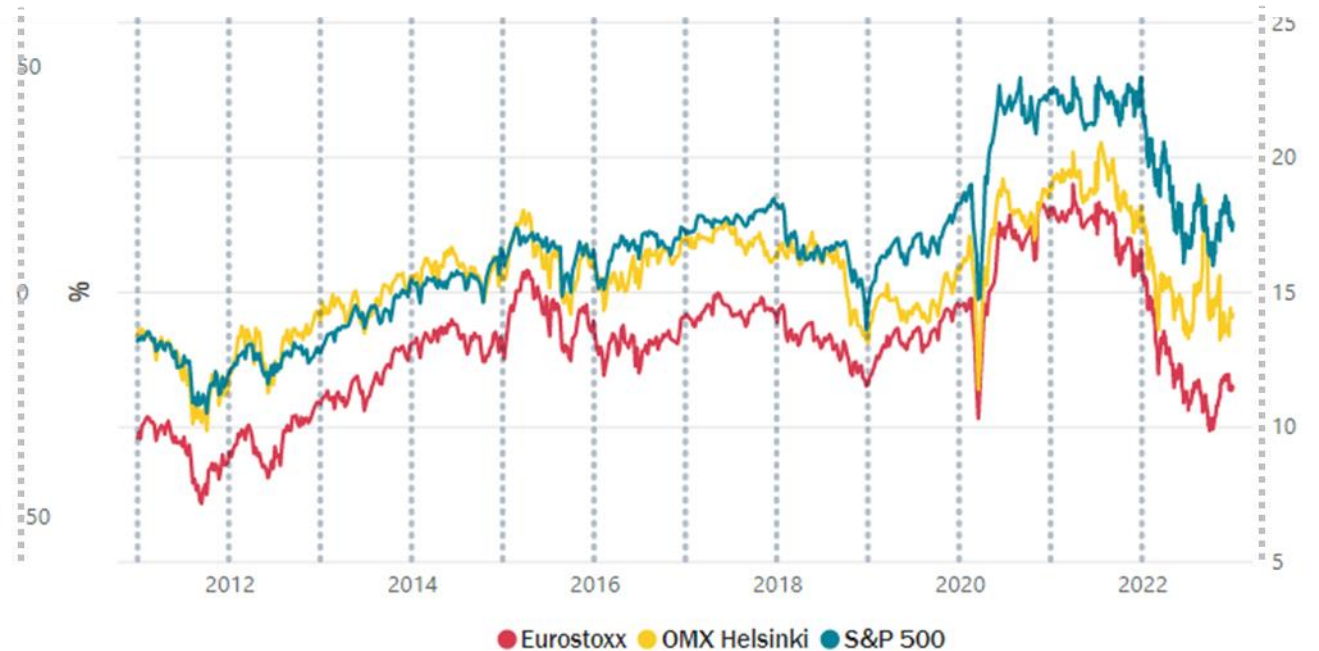
- In December, inflation was 6.5% in the USA, 9.2% in the euro zone and 9.1% in Finland.
- Inflation has increased economies' uncertainty and broadly contributed to the tightening of monetary policies.
- The acceleration of inflation has been driven by the rapid rise in energy and raw material prices and, especially in the USA, by a dramatic rise in wages resulting from labour shortage.

Rising inflation, tightening monetary policy and concerns over economic growth depressed the equity markets.

Equity market performance



Stock valuation level
(P/E based on 12-month forecasts)

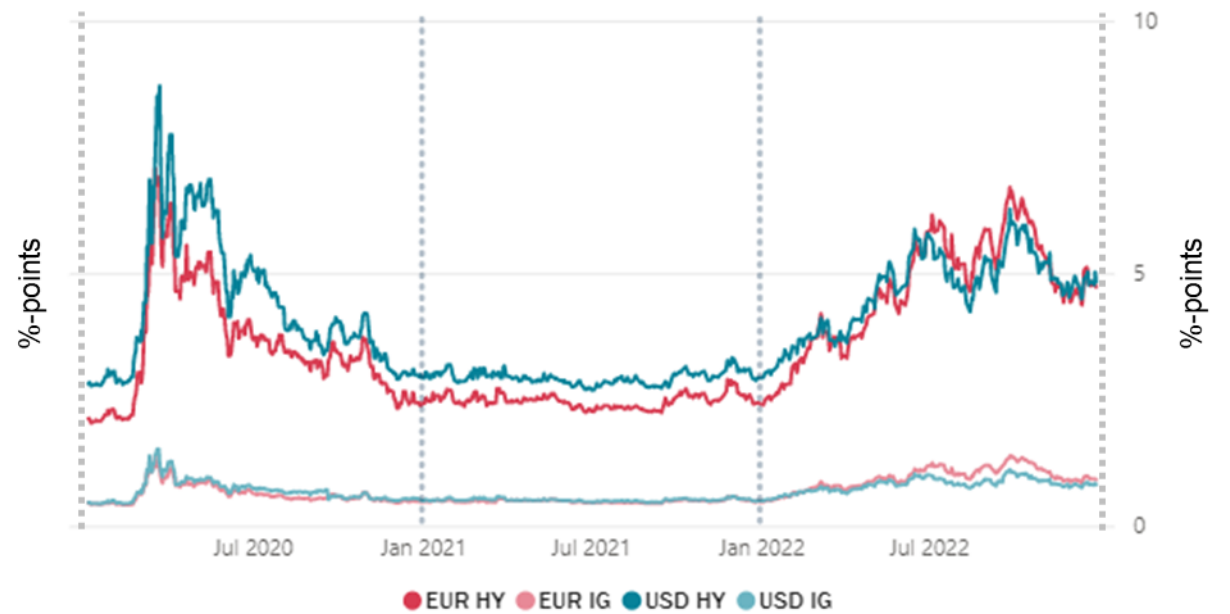


Interest rates rose due to accelerating inflation. Credit risk margins widened as a result of increasing uncertainty in the markets.

Development of interest rates

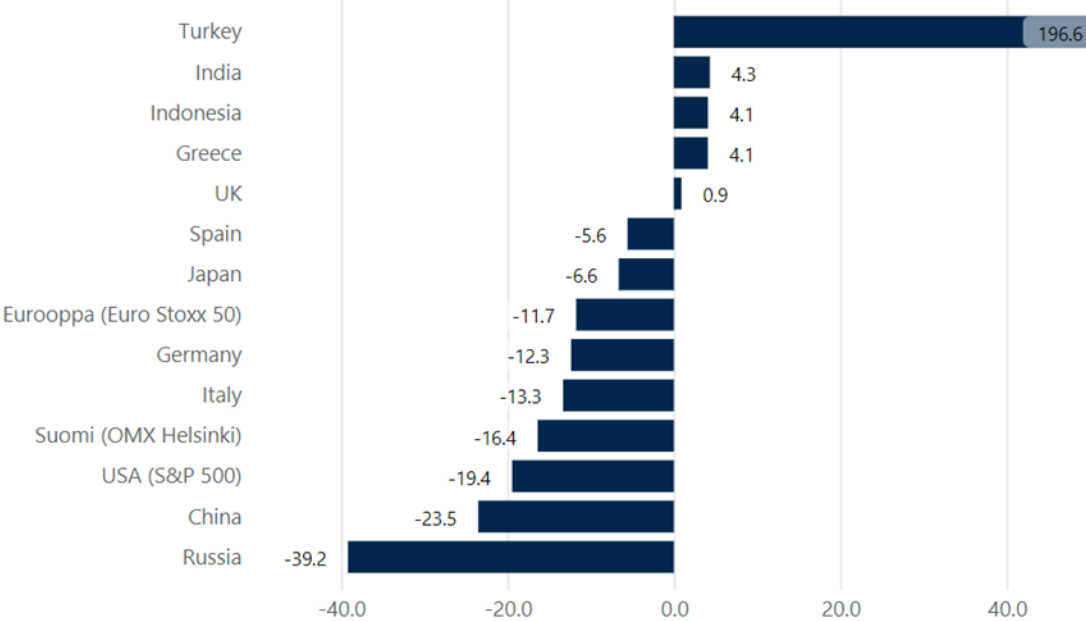


Development of credit risk premiums

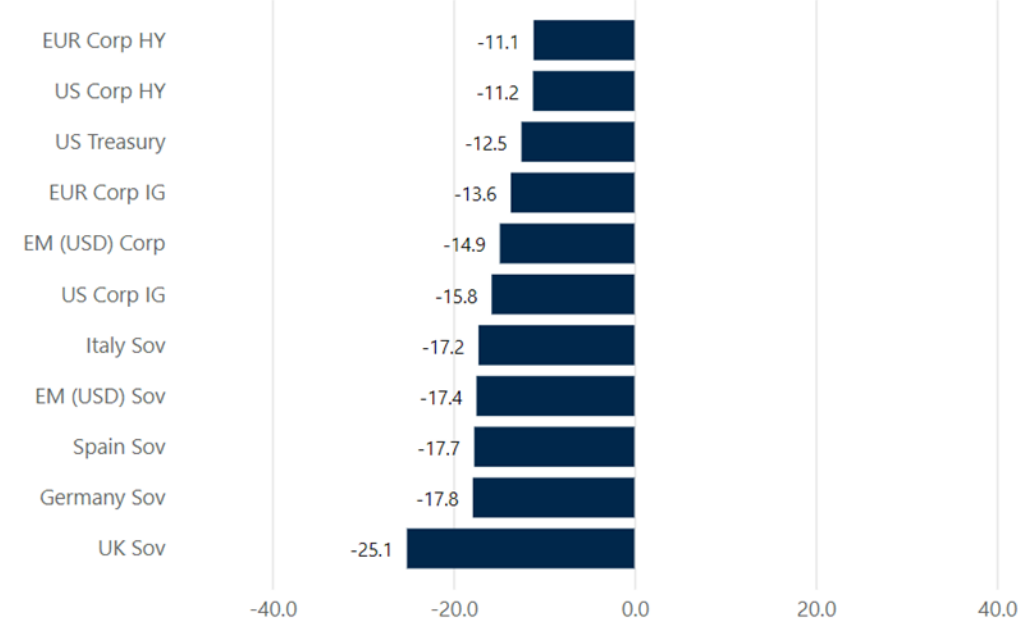


Market development (as per 31 December 2022)

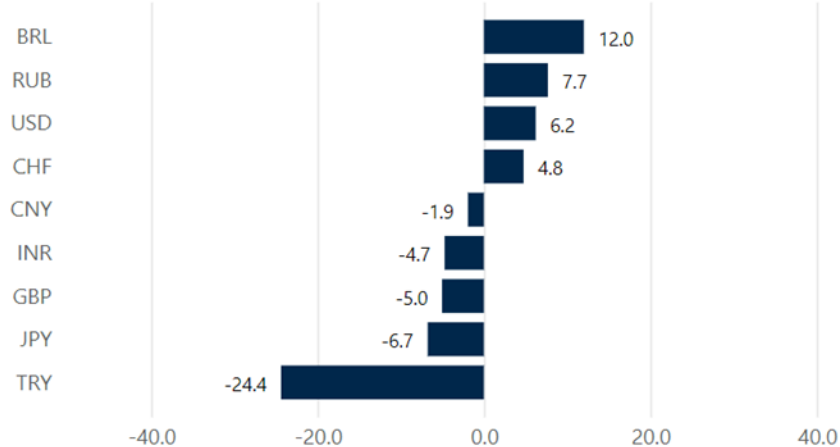
Equity market YTD %



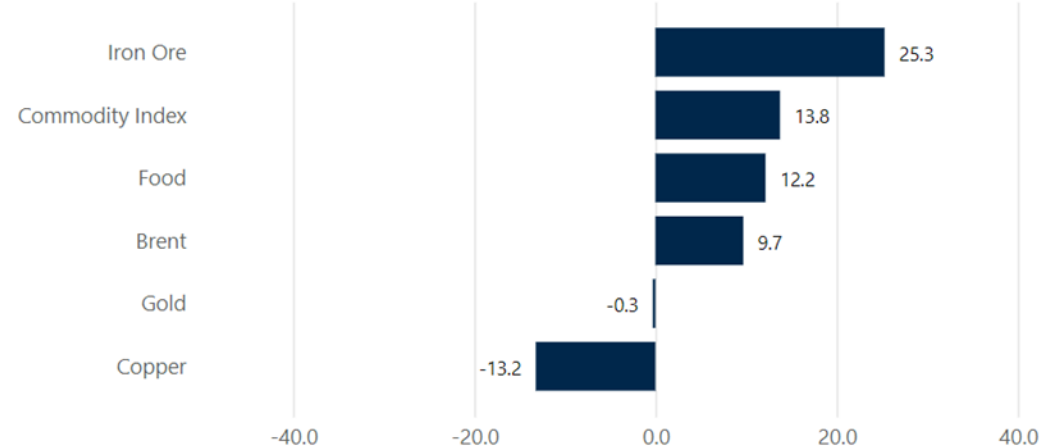
Fixed income YTD %



Currency against the euro YTD %



Commodities YTD %





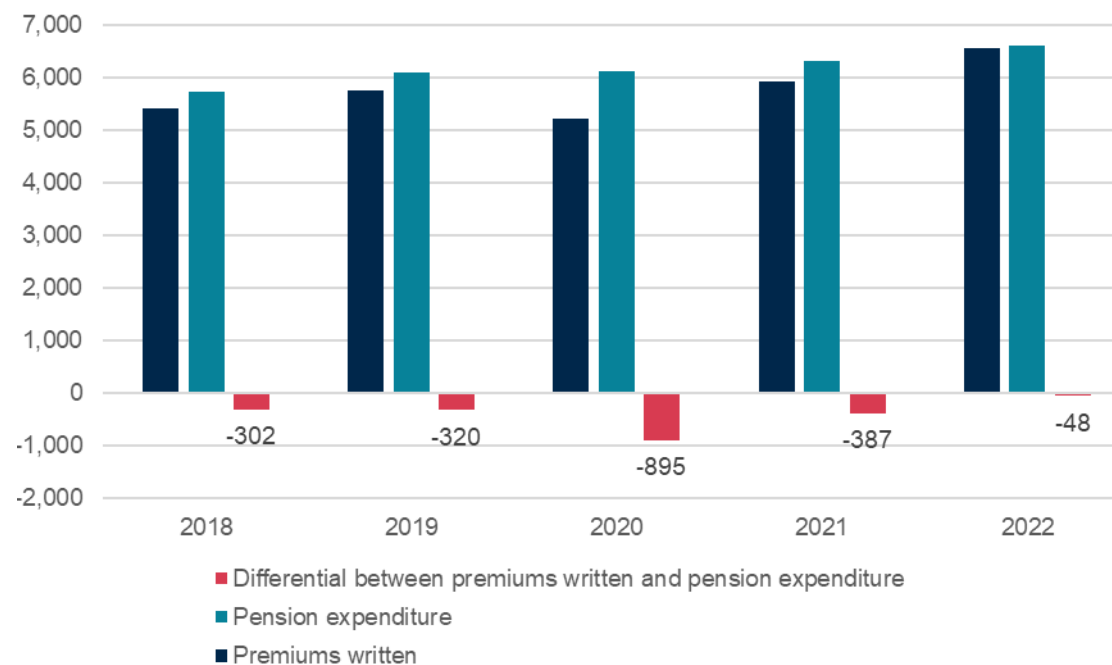
Pension security for you

Insurance and pensions

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Full-year premiums written rose to EUR 6.6 billion, also pensions paid EUR 6.6 billion

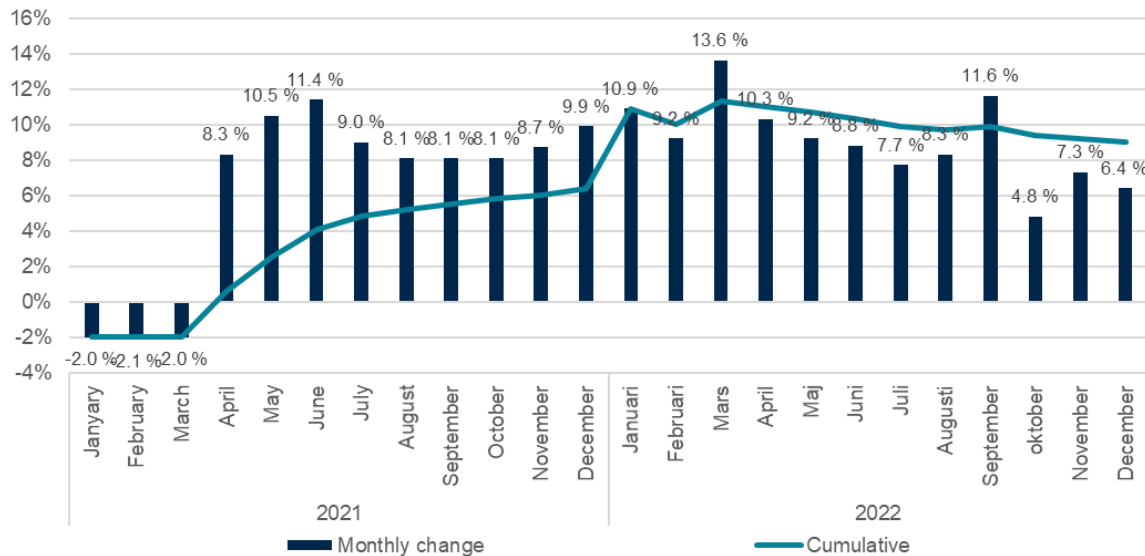
Premiums written and pension expenditure 2022



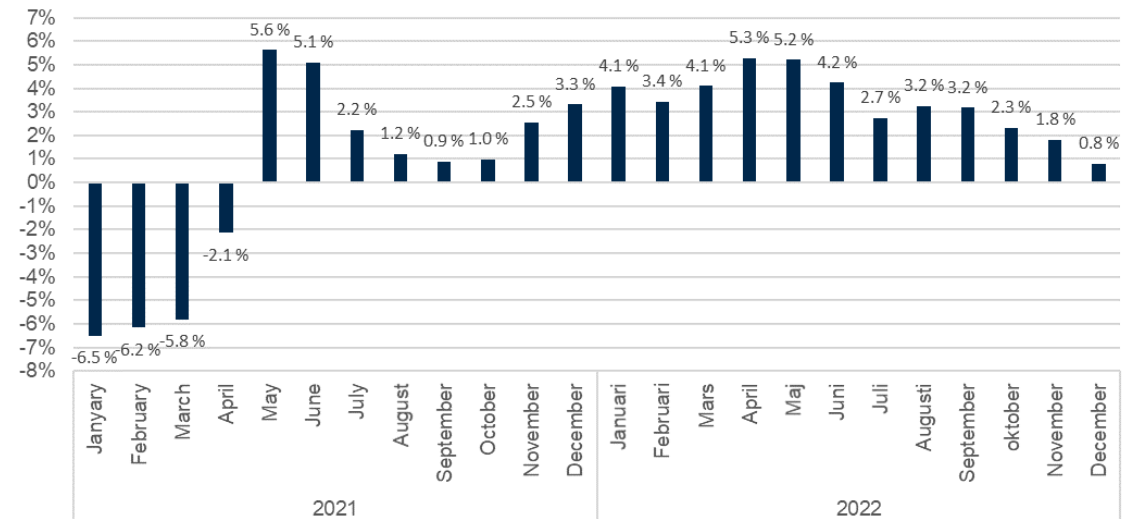
EUR mill.	2022	2021	2020	2019	2018
Premiums written TyEL	6,164	5,534	4,833	5,364	5,026
Premiums written YEL	394	388	388	394	384
Total premiums written	6,558	5,922	5,220	5,758	5,410
Pensions paid TyEL	6,189	5,902	5,701	5,673	5,365
Pensions paid YEL	417	407	415	405	347
Pension expenditure, total	6,606	6,309	6,116	6,078	5,712

Customers' payroll increased by 9% and the number of employees by 3.4%. The growth slowed towards year-end.

Change in payroll of Ilmarinen's customers from previous year

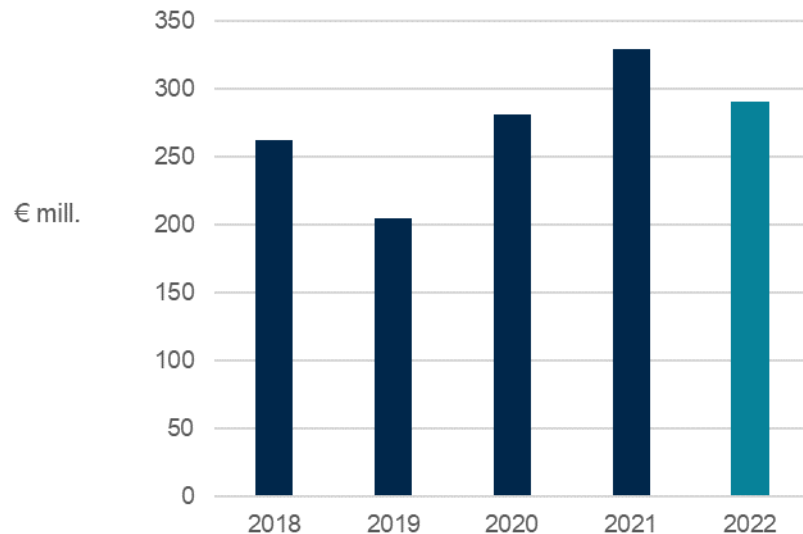


Change in number of employees in Ilmarinen's business cycle index



Strong net customer acquisition and excellent customer retention increased the premiums written by EUR 290 million

Net customer acquisition 2018–2022, € mill.

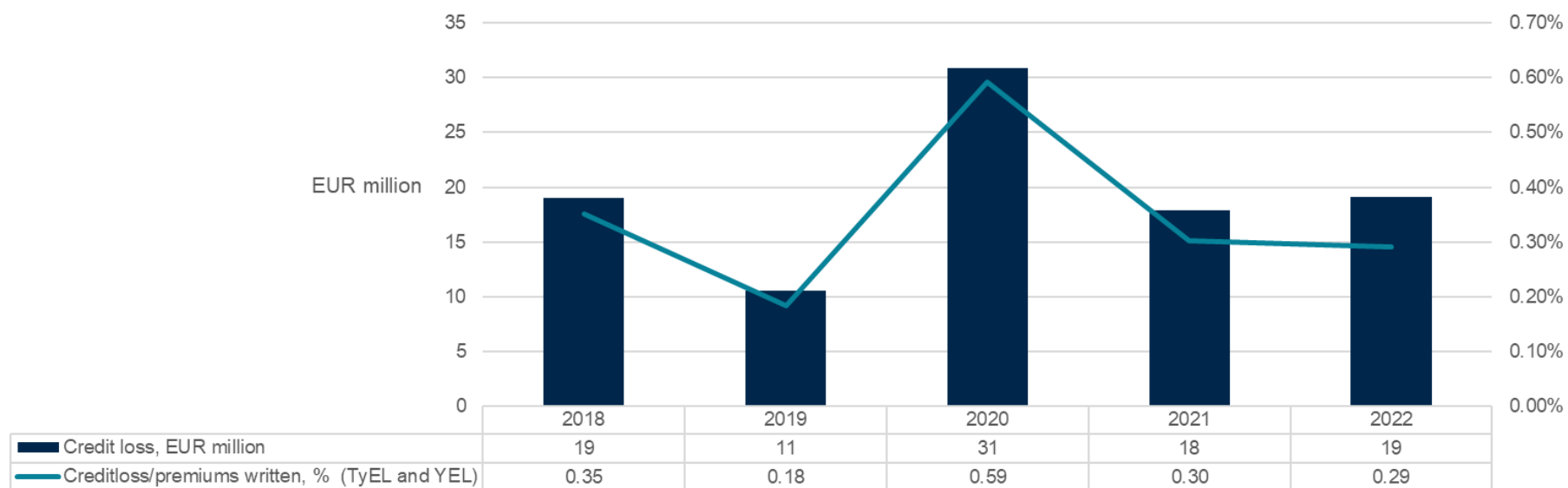


Net customer acquisition, € mill.

EUR mill.	2022	2021	Change
Net customer acquisition	290	329	-39
Sales of new insurance	251	203	47
Net transfer of insurance and other losses	40	126	-86
Customer retention, % of premiums written	96.7%	97.3%	-0.6 %-points

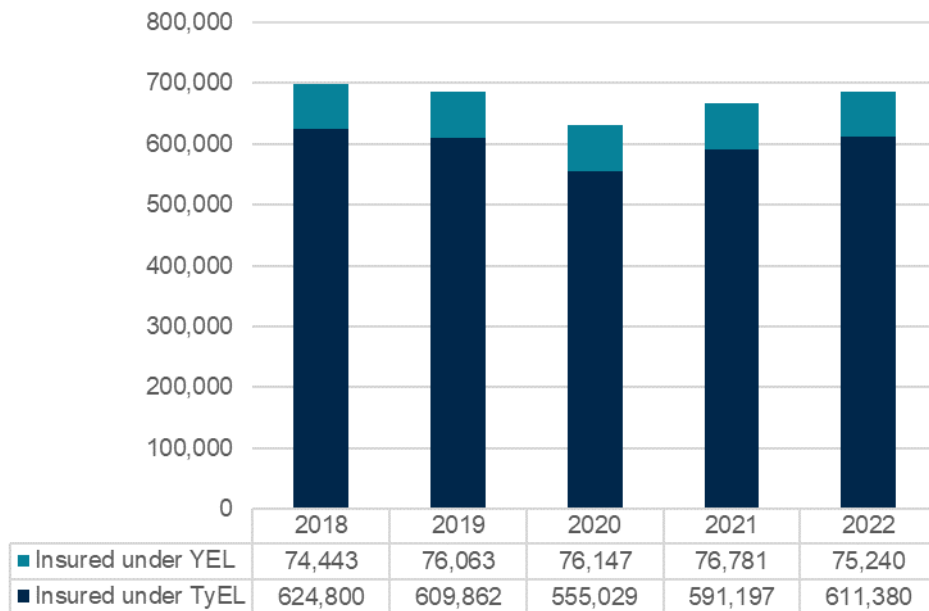
Credit losses were EUR 19 million, or 0.29% of premiums written

Credit losses on outstanding premiums and % of premiums written

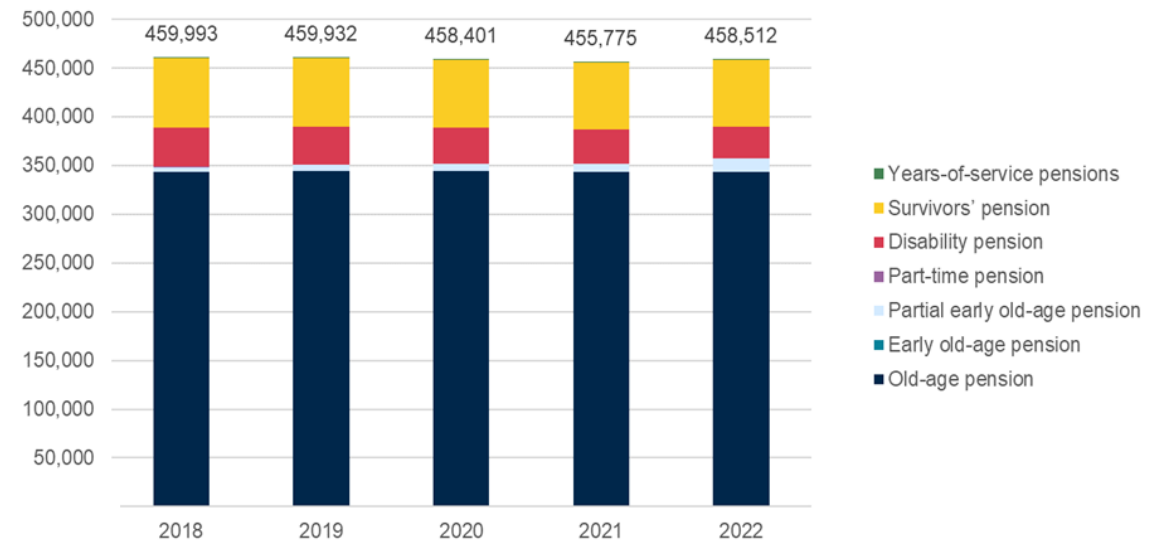


The number of insured grew by approximately 2.8 per cent. The number of pensioners grew by three thousand. An exceptionally large index increment increased the popularity of partial early old-age pension.

Number of insured



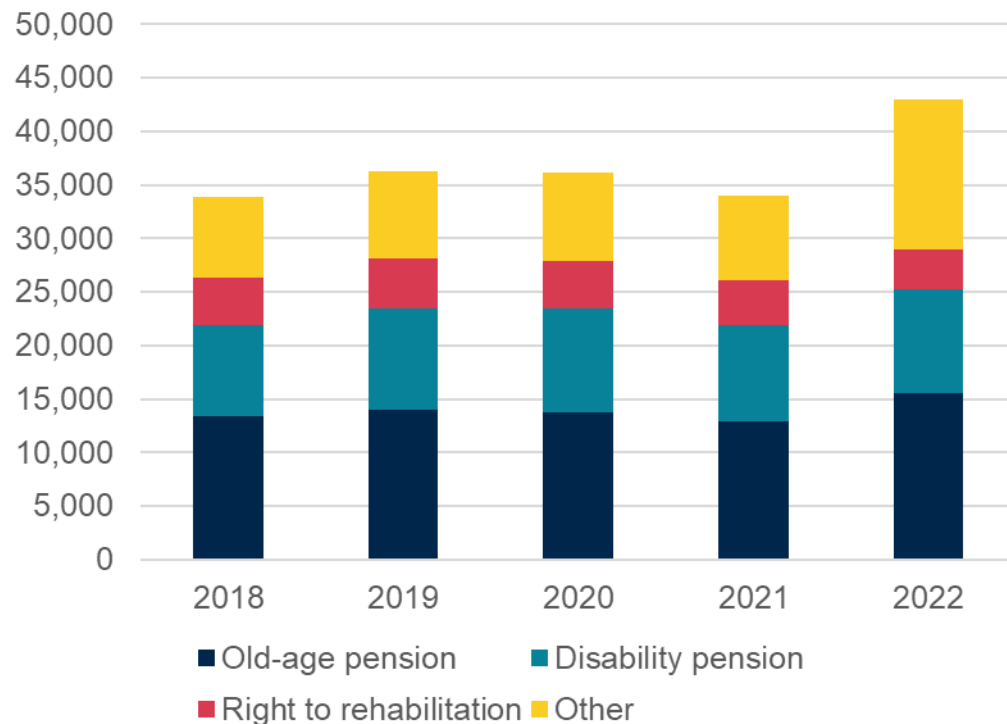
Number of pension recipients



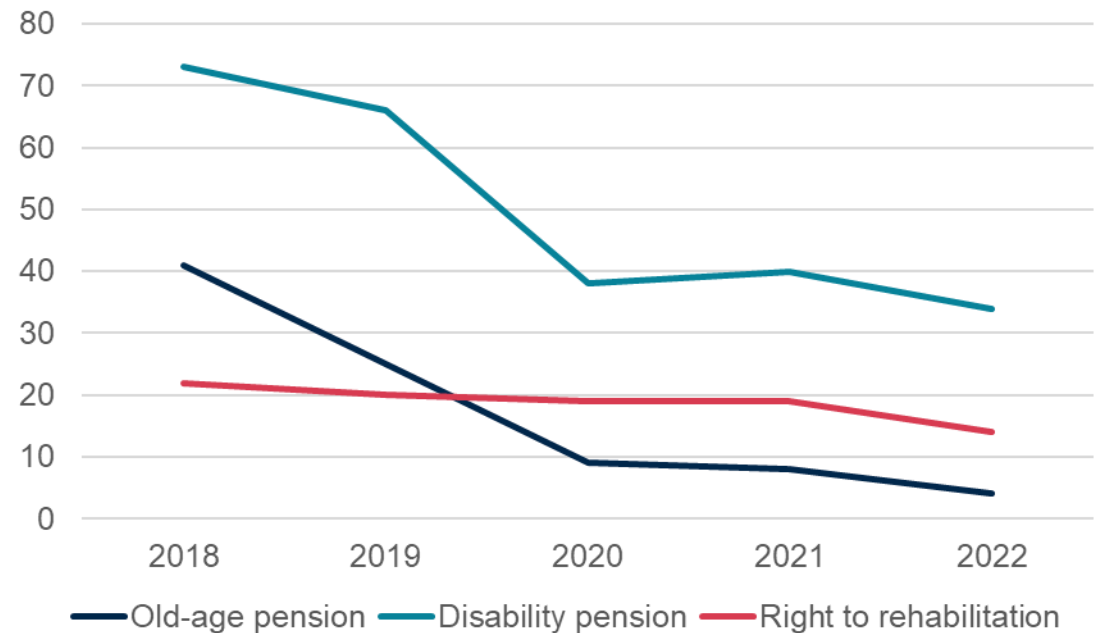
As of 2019, the number of insured only includes the insured persons for whom earnings were reported to the Incomes Register in December. For the previous years, the calculation has been based on the number of employment relationships. This has an impact on the comparability of the figures.

The number of new pension decisions decreased by 9,000 compared to the previous year, more than 80% of old-age pension applications were submitted electronically through the MyPension service

Number of pension decisions

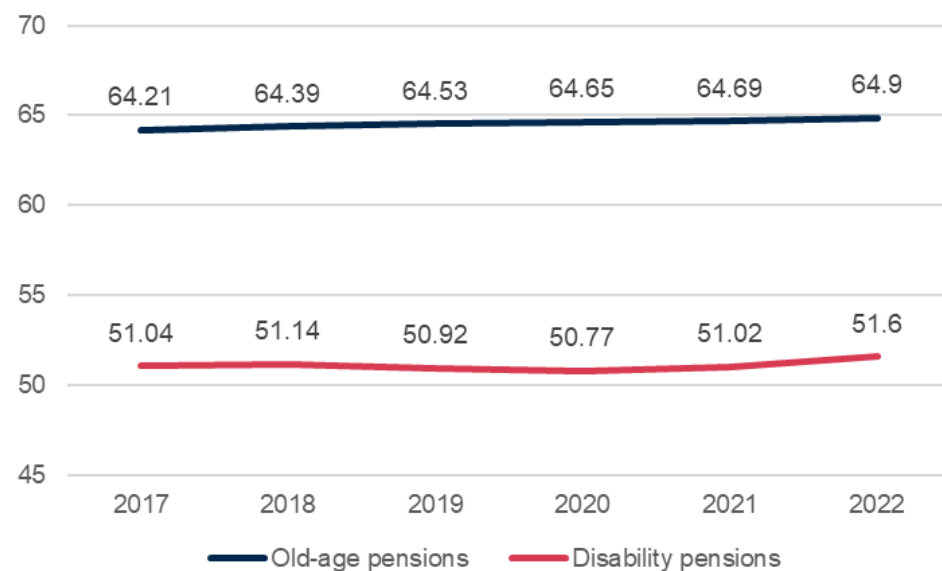


Average application processing time, days

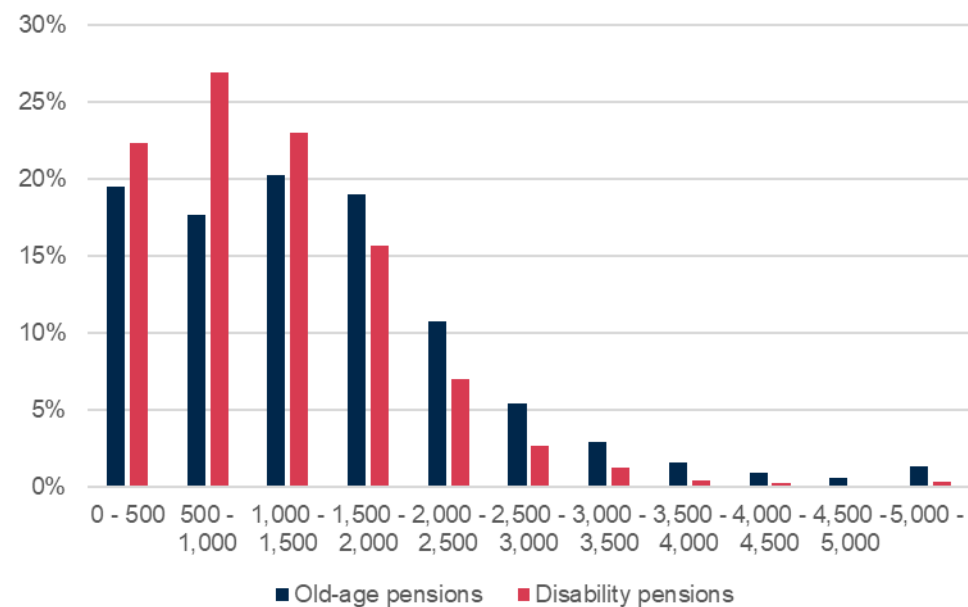


The average age of retirement on old-age pension and disability pension rose. 76 per cent of the old-age pensions paid are below EUR 2,000 per month. The average old-age pension is EUR 1,459 per month.

Average age of retirement on old-age and disability pensions



Distribution of paid old-age and disability pensions by size



Pension amount EUR/month (December 2022)



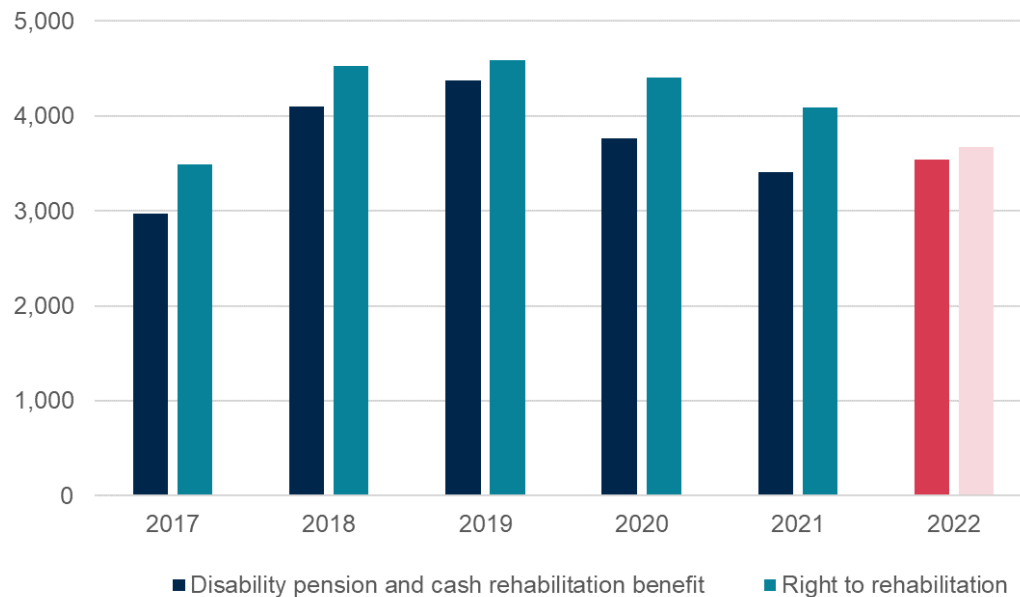
A Better Working Life

Work ability risk
management and
rehabilitation

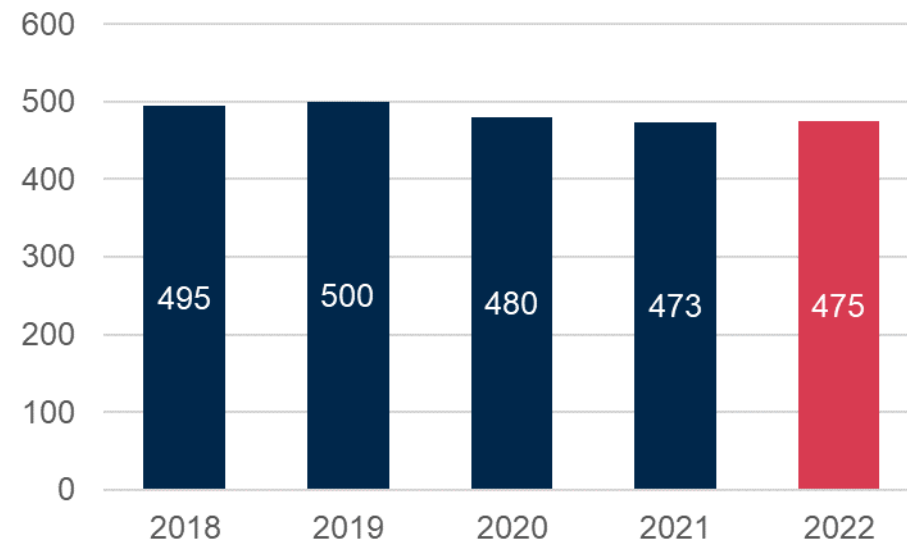
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The number of persons retiring on disability pension increased by 4 per cent to 3,536 – disability pension expenditure rose by EUR 2 million

Rehabilitation and persons retired on disability pension



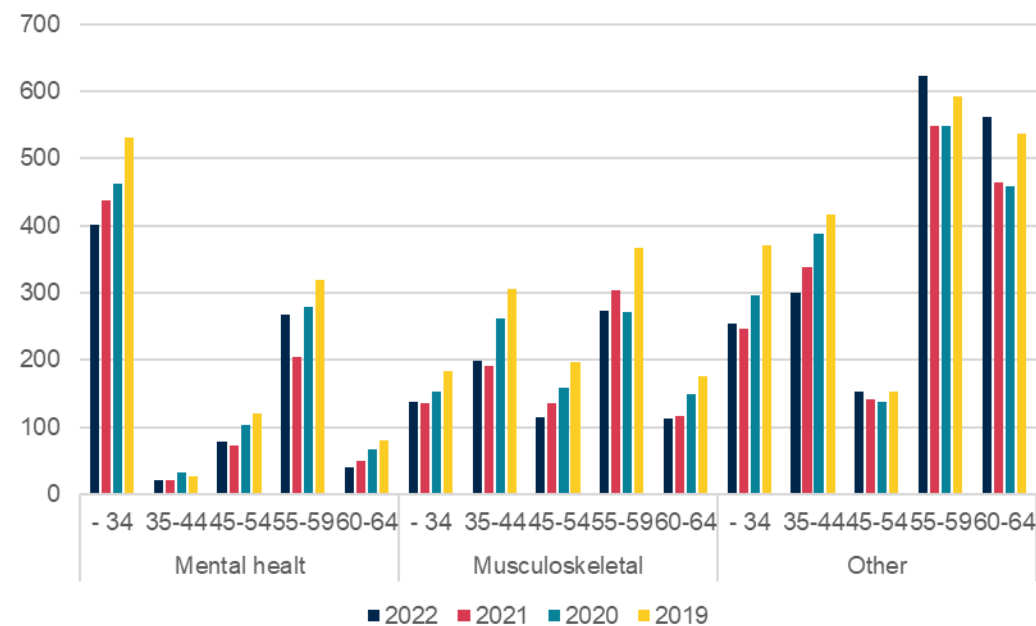
Disability pension expenditure, EUR mill.



Mental health issues main cause of disability

- The number of persons retiring on disability pension increased especially in the older age groups.
- Mental disorders were the single biggest diagnosis group in disability pensions granted by Ilmarinen. Of the pensions, 32% were granted based on mental health reasons.
- For many years already, depression has been the most important single diagnosis leading to disability pension.
- The satisfaction of disability pension applicants with the length of the benefit processing time remained on a high level.

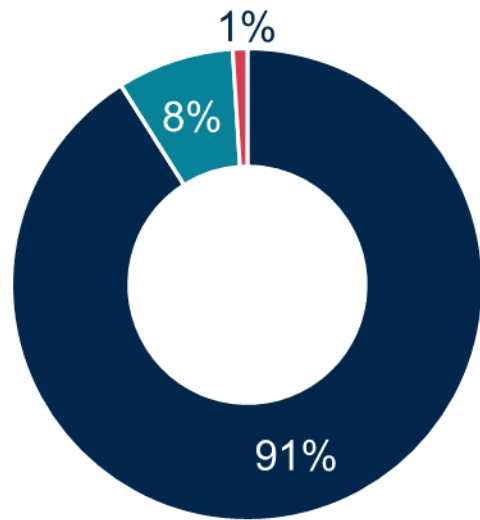
Persons transitioning to disability pension or cash rehabilitation benefit by diagnosis and age group



The Finnish Centre for Pensions' disability pension decision statistics.

Work ability projects numbered 1,482 and covered 127,661 employees

Work ability project themes and customer satisfaction in 2022



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

Work capacity services' NPS 77



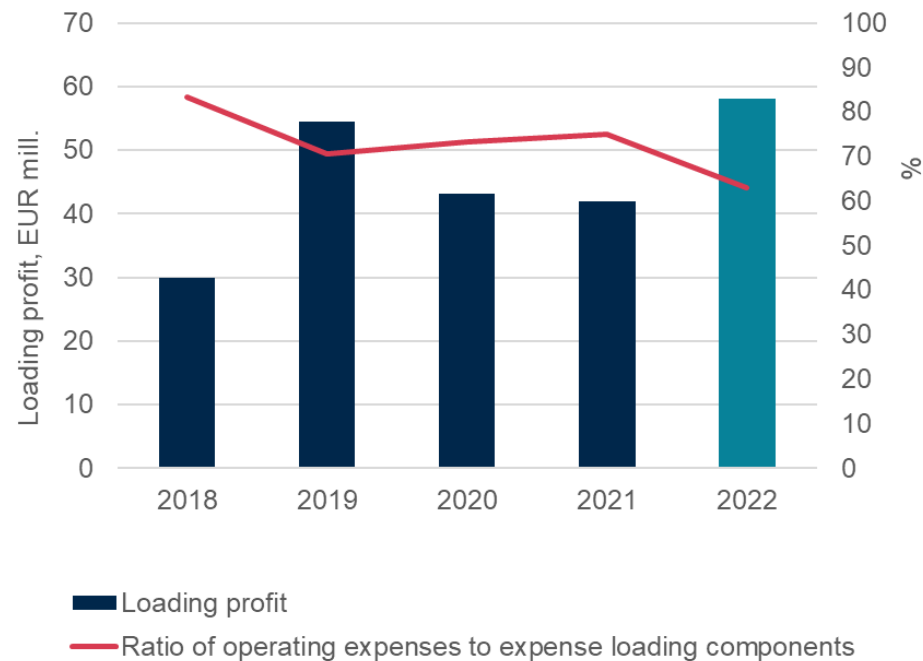
Cost-effective operations

Operating expenses and personnel

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The loading profit rose to a record level of EUR 58 million, the ratio of operating expenses to expense loading components improved to 63 per cent and operating expenses financed using loading income decreased to EUR 99 million

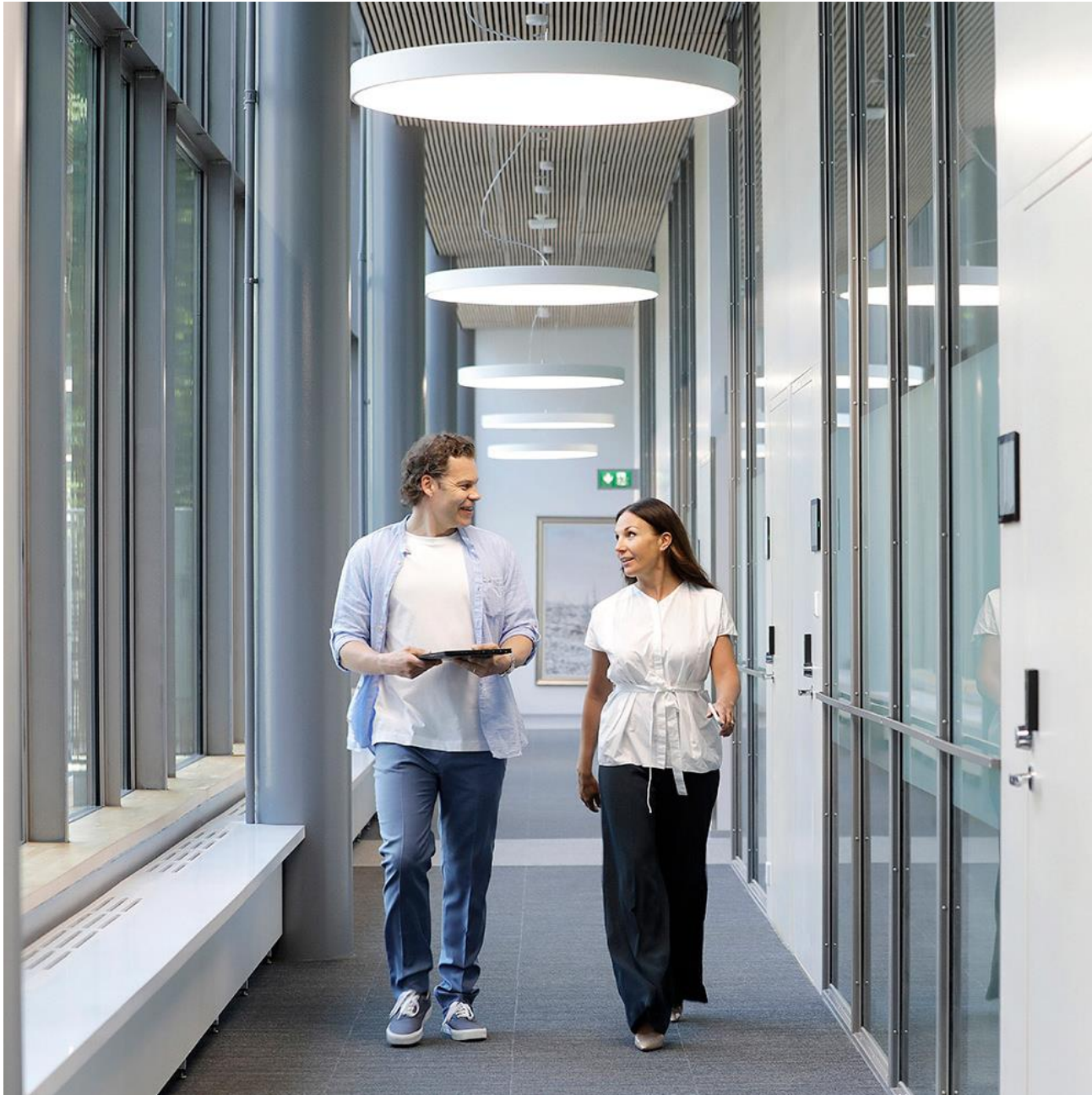
Loading profit, ratio of operating expenses to expense loading components and total operating expenses 2017–2022



EUR mill.	2022	2021	2020	2019	2018
Expense loading components and other income	157	168	162	185	179
Operating expenses covered by loading income	99	126	119	130	149
Loading profit*	58	42	43	55	30
Ratio of operating expenses to expense loading components, %*	63	75	73	70	83
Total operating expenses*	151	176	158	175	195

* The loading profit is weakened, compared to 2021, by the 9.5 per cent discount made in rates affecting the TyEL administrative cost component, which has a profit impact of EUR 14 million.

The profit for the comparison year was impacted by a one-time write-down of EUR 18 million in intangible assets. The rates affecting the TyEL administrative cost component were also reduced by 6.9% as of the beginning of 2020.



A renewing and attractive workplace

Personnel

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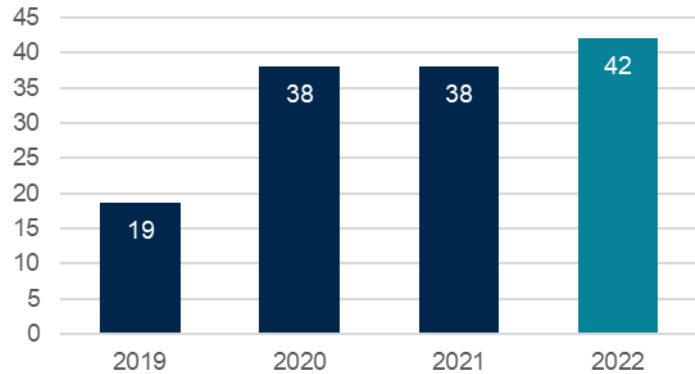
Personnel's work energy remained excellent and absences due to illness remained at a low level despite Covid-19

- The average number of employees at Ilmarinen was 601 (603) measured in person years.
- Eleven (16) persons retired from Ilmarinen in 2022. The average retirement age was 65.0 years (64.1).
- Absences due to illness remained at a low level, at 2.1 (1.5) per cent, despite Covid-19. Forty-three (67) per cent of personnel had no absences due to illness.
- The employee experience was monitored through pulse surveys carried out every second month. The cumulative employee Net Promoter Score was 42 (38). The eNPS can range from -100 to 100. Personnel's work energy level remained excellent, at 4.2 (4.2).
- The exceptional arrangements caused by the Covid-19 pandemic were lifted in May 2022. In the future, Ilmarinen's goal is to utilise the best aspects of in-office and remote work. To ensure a sense of community and co-operation, the main rule is that employees should do in-office work at least two days a week on average. Each team agrees on the practicalities to meet the targets.

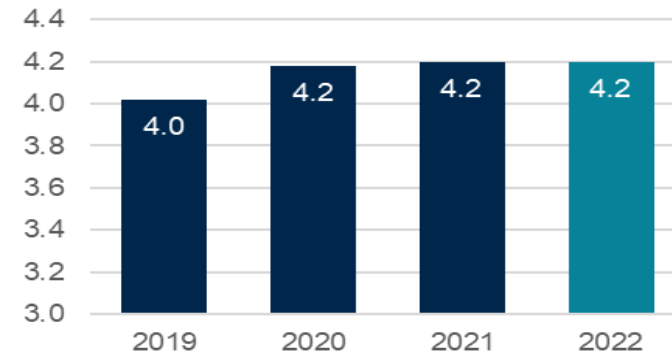


Personnel's work energy was excellent, eNPS rose and absences due to illness remained at a low level

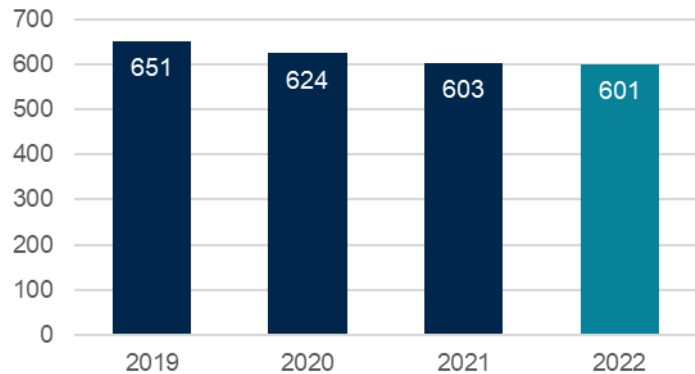
Employee Net Promoter Score (eNPS)



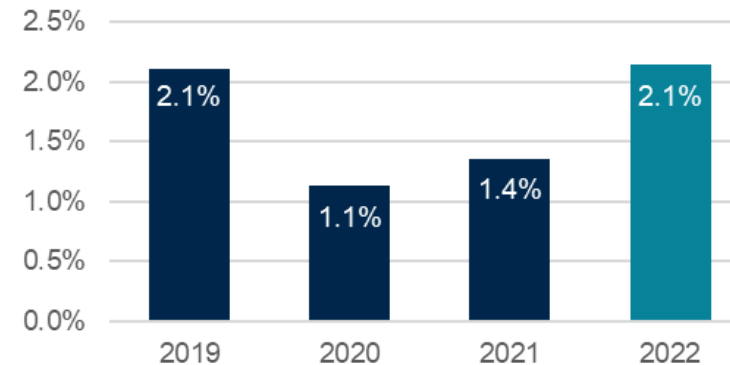
Personnel's average work energy (1–5)



Average number of employees (person years)



Lost time due to sick leave





**Profitably,
securely and
responsibly**

Investment activities

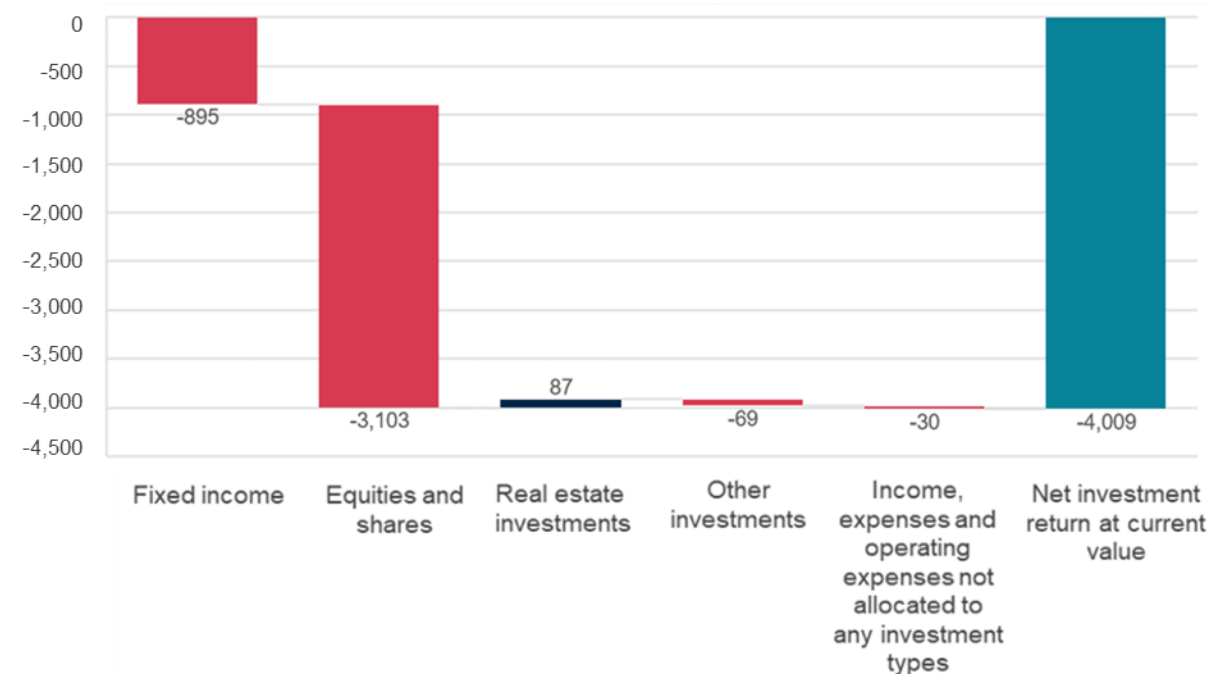
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Return on investments was -6.6 per cent, i.e. EUR -4.0 billion, and returns in the main asset classes were negative

Return, %

Return by type	2022	2021
Return on investments	-6.6	15.3
Fixed income	-5.2	3.9
Equities and shares	-10.2	28.0
Real estate	1.3	8.8
Other investments	-1.1	-2.0

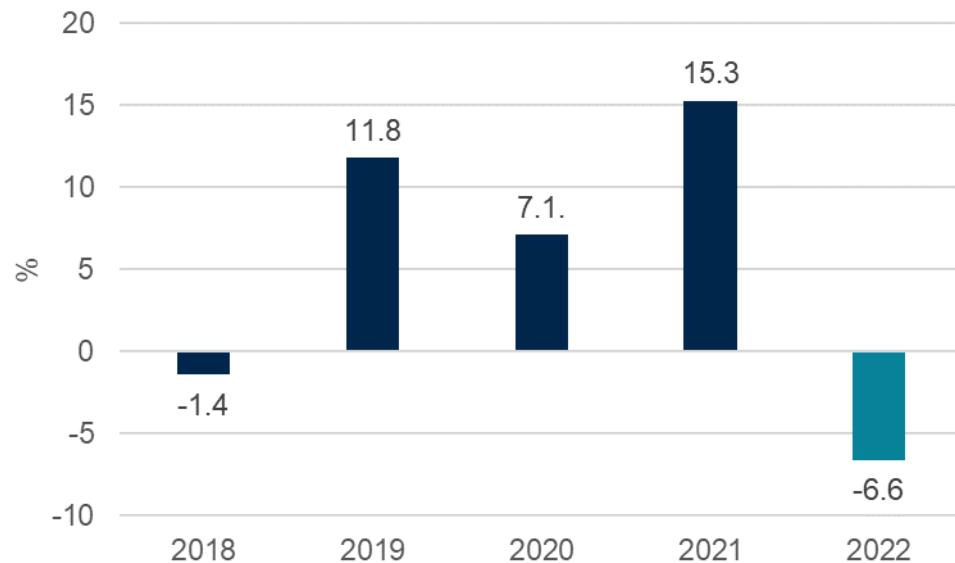
Return by type of investment, € mill.



Long-term return on investments (since 1997): nominal return 5.7% and real return 3.8%.

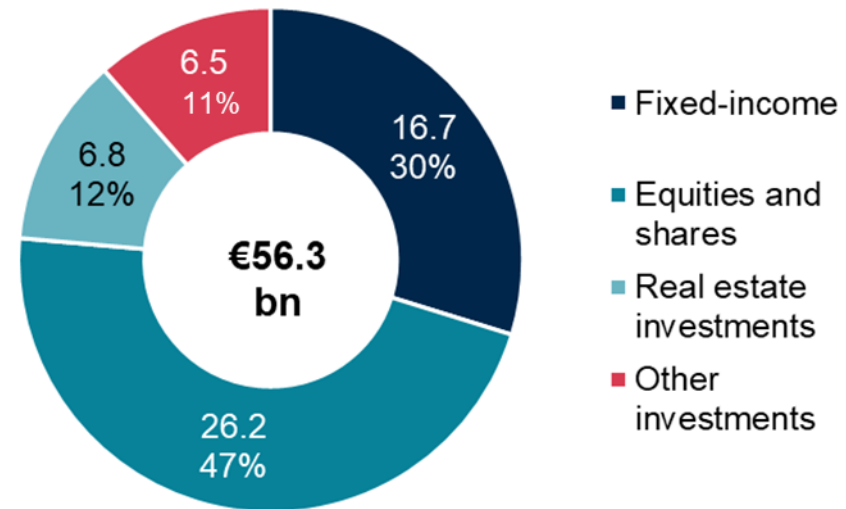
Return on investments was -6.6 per cent and investment assets decreased to EUR 56.3 billion

Return on investments, 5 years

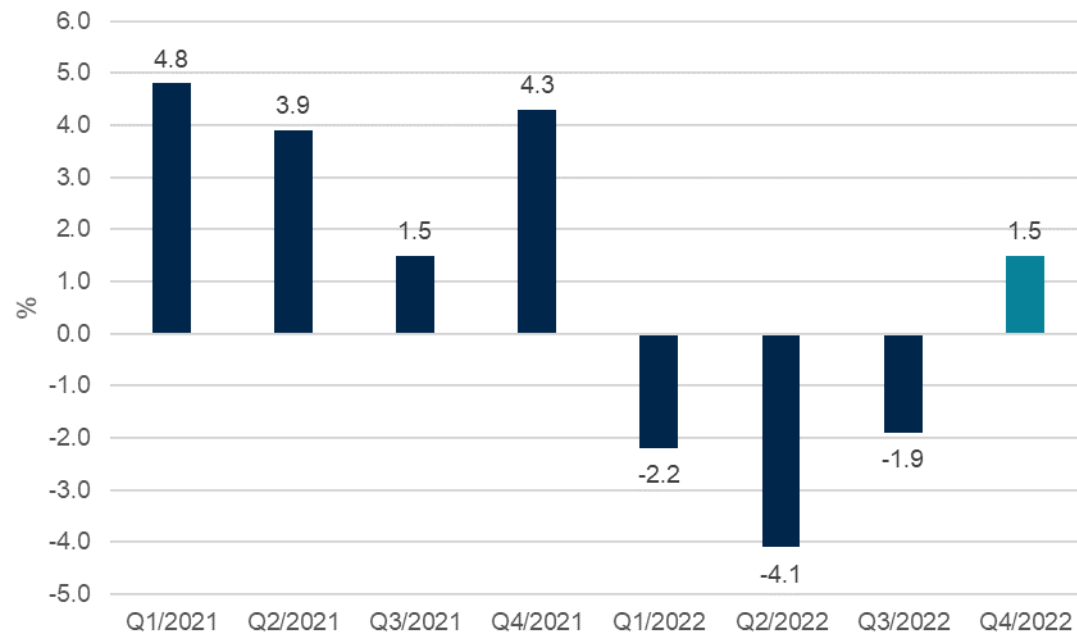


Average nominal return on investments over 5 years 4.9% and real return 1.9%.

Investment allocation, 31 Dec 2022



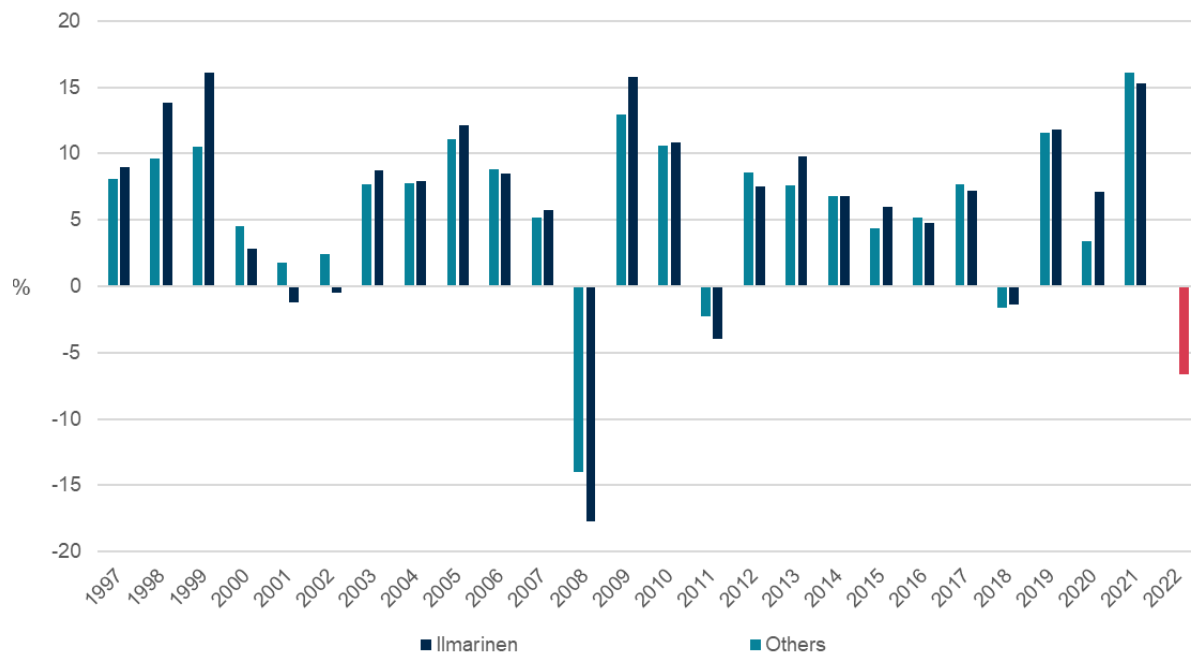
Return on investments for the final quarter was 1.5%



During the final quarter of the year, stock prices recovered from the bottom and return on investments reached positive territory

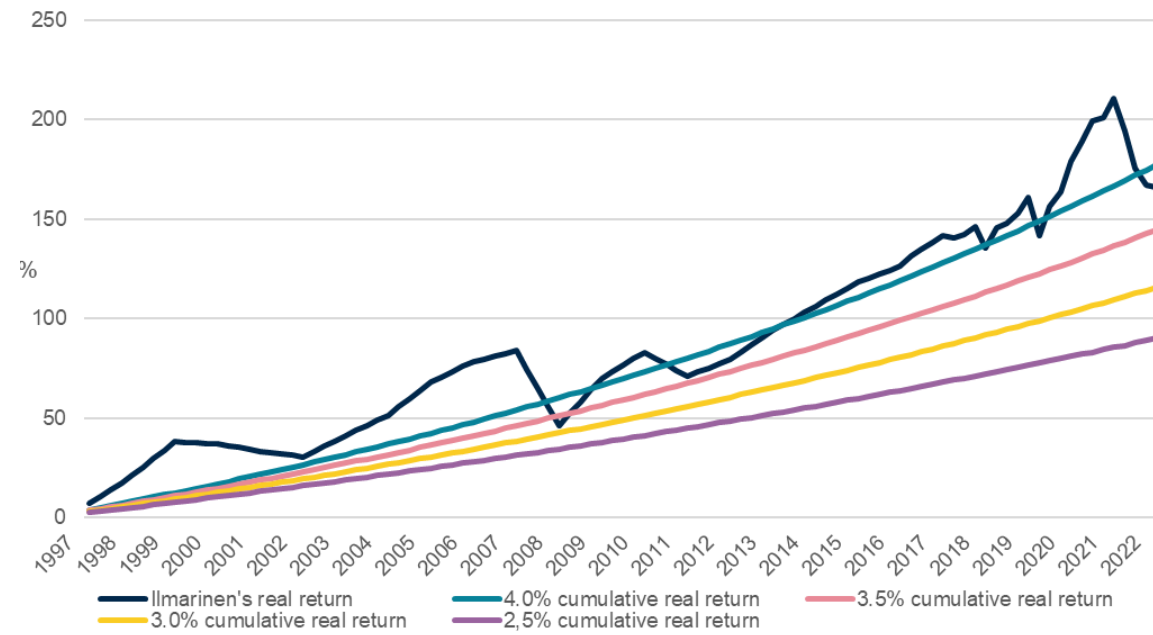
Long-term average nominal return 5.7 per cent, real return 3.8 per cent per annum

Net return on investments at current value



Average nominal return (1997–) 5.7%
Average real return (1997–) 3.8%

Cumulative net return on investments 1997–2022



Value of investments EUR 56.3 billion, cumulative return on investments from start of 2012, EUR 26 billion

Value of investments and cumulative return 2012–2022, € bn



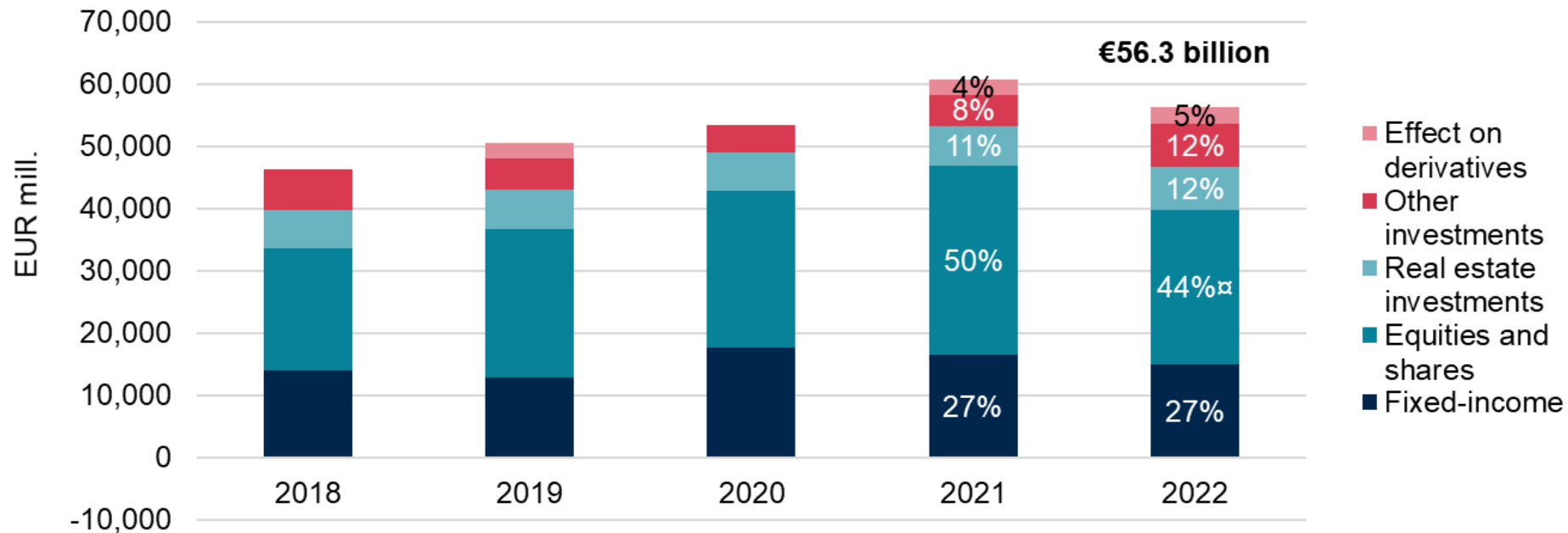
Long-term return at a good level. Higher inflation weakens short-term real return.

Average return of different markets:

%	Ilmarinen	Finnish equities and shares	European equities and shares	Euro government bonds	Euro corporate bonds
Q4/2022	1.5	10.5	9.8	-2.1	1.2
2022	-6.6	-12.7	-10.6	-18.4	-14.2
2021	15.3	25.3	24.9	-3.4	-1.1
Average return over 5 years	4.9	7.9	4.4	-2.3	-1.8
Average return over 10 years	5.9	12.1	7.0	0.8	0.8
Average return over 20 years	5.5	10.6	6.7	2.7	2.9
Average return since 1997	5.7	9.7	6.2	3.6	3.5
Real average return over 5 years	1.9	4.9	1.4	-5.1	-4.6
Real average return over 10 years	4.0	10.1	5.2	-1.0	-1.0
Real average return over 20 years	3.6	8.7	4.8	0.9	1.0
Real average return since 1997	3.8	7.7	4.3	1.7	1.7

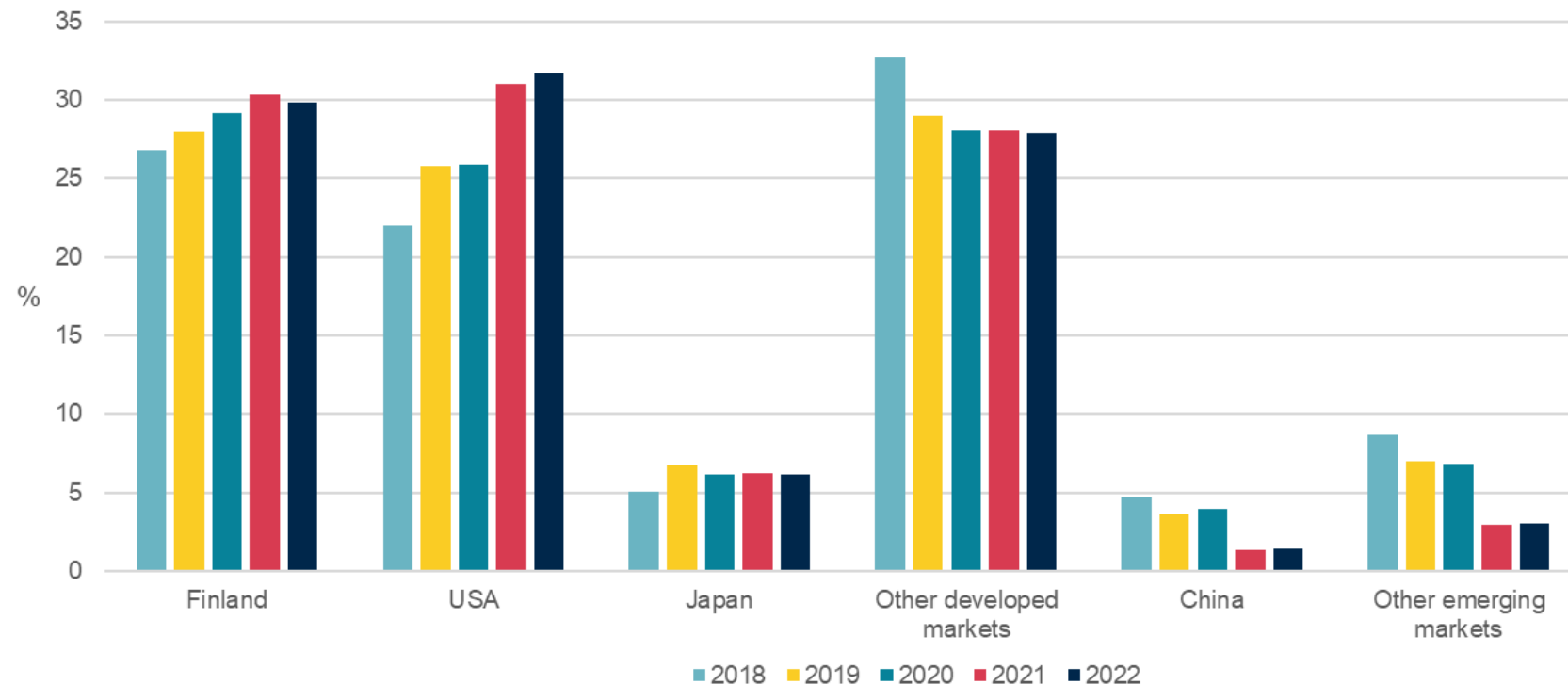
In the investment allocation, equity weight dropped to 44 per cent

Breakdown of investment risks



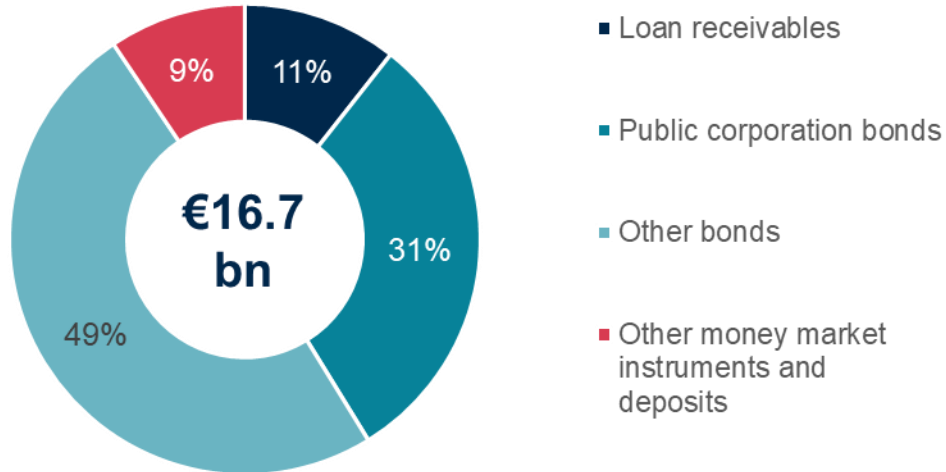
The share of Finnish listed equity investments of the equity portfolio remained at 30 per cent

Geographical breakdown of listed equities

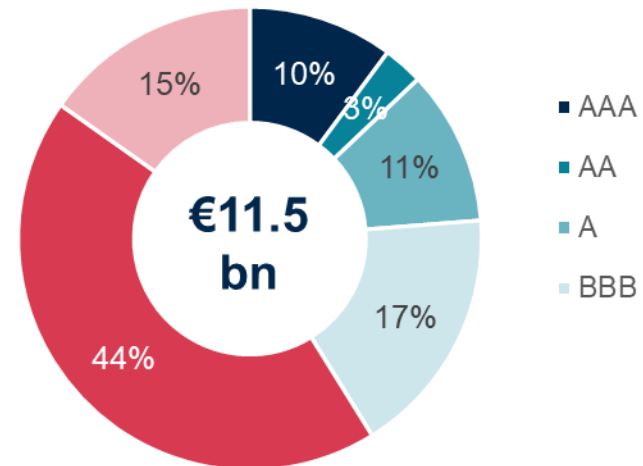


Of the bonds, 41 per cent have an investment grade credit rating

Fixed income investments by type of investment



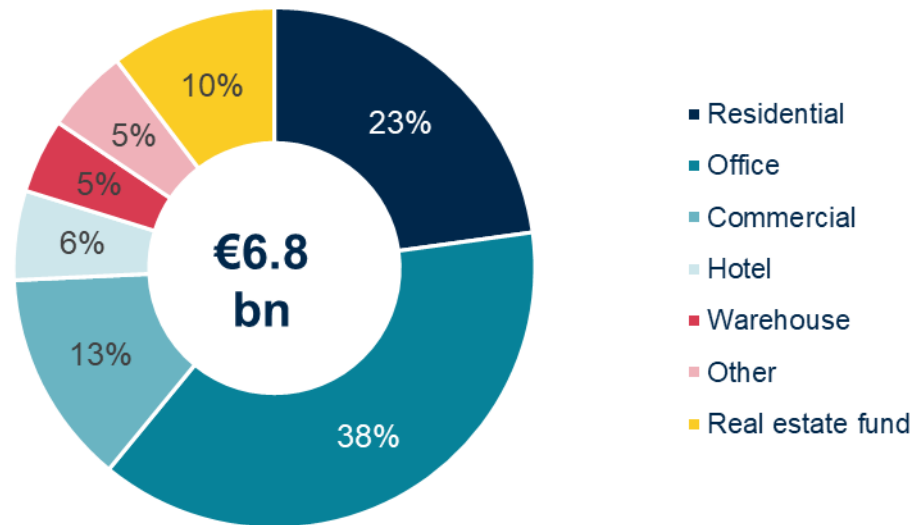
Bonds* by credit rating



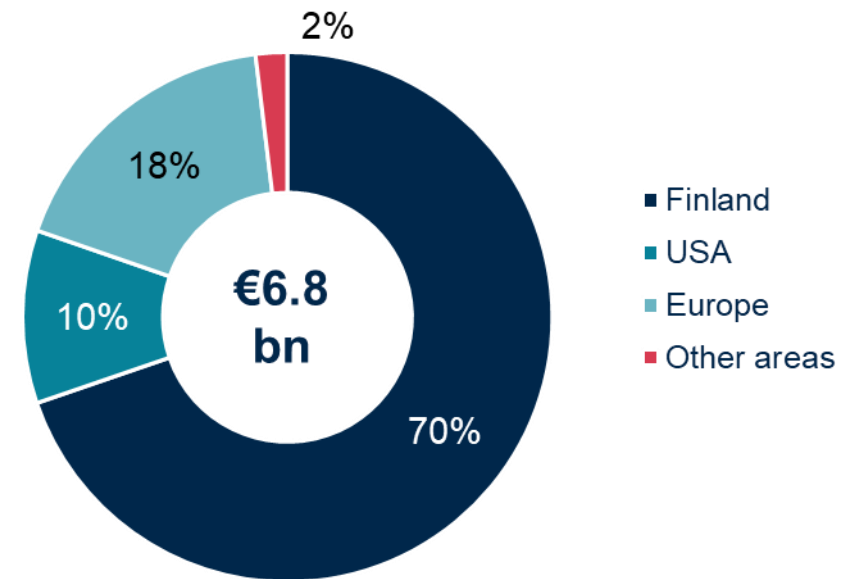
* Does not include the market value of derivatives or non-listed equities.

Of real estate investments, 70% or EUR 4.8 billion in Finland

Real estate investments by property type

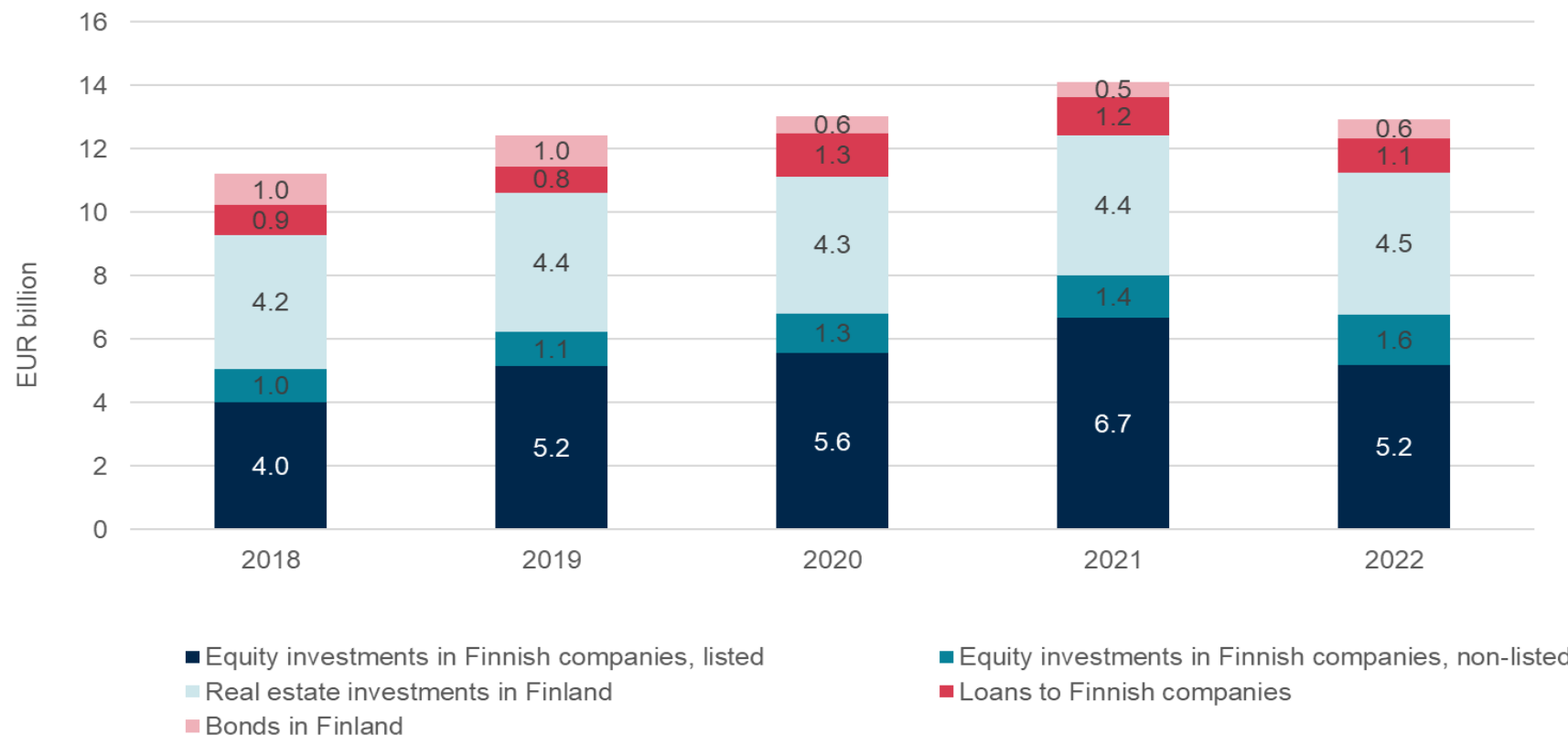


Real estate investments by geographical area



Ilmarinen's investments in Finland were close to EUR 13 billion, i.e. 23% of the investment portfolio

Investments in Finland 2018–2022, € bn



Holdings in Finnish listed companies decreased by EUR 1.5 bn to EUR 5.2 bn, mainly driven by falling stock prices

Largest Finnish listed equity holdings

	EUR million	31 Dec 2022	31 Dec 2021
↓	Sampo Plc	310	363
↓	Nordea Bank Abp	306	385
↓	Kesko Corporation	297	408
↓	UPM-Kymmene Corporation	289	389
↓	Nokia Corporation	286	389
↓	Kone Corporation	286	305
↓	Neste Corporation	285	348
↓	Kojamo Plc	284	435
↓	Fortum Corporation	275	382
↓	Stora Enso Oyj	253	355

	Per cent	31 Dec 2022	31 Dec 2021
↓	Nurminen Logistics Plc	14.9	15.1
↑	Digia Plc	12.5	11.2
↓	SRV Group Plc	11.4	12.7
↓	Administer Plc	8.7	8.8
	Solteq Plc	8.5	8.5
	Kojamo Plc	8.3	8.3
↑	Citycon Corporation	7.6	7.5
↑	Siili Solutions Plc	7.4	6.1
	Glaston Corporation	7.3	7.3
	Panostaja Oyj	6.9	6.9

Summary of the investment allocation and returns in 2022

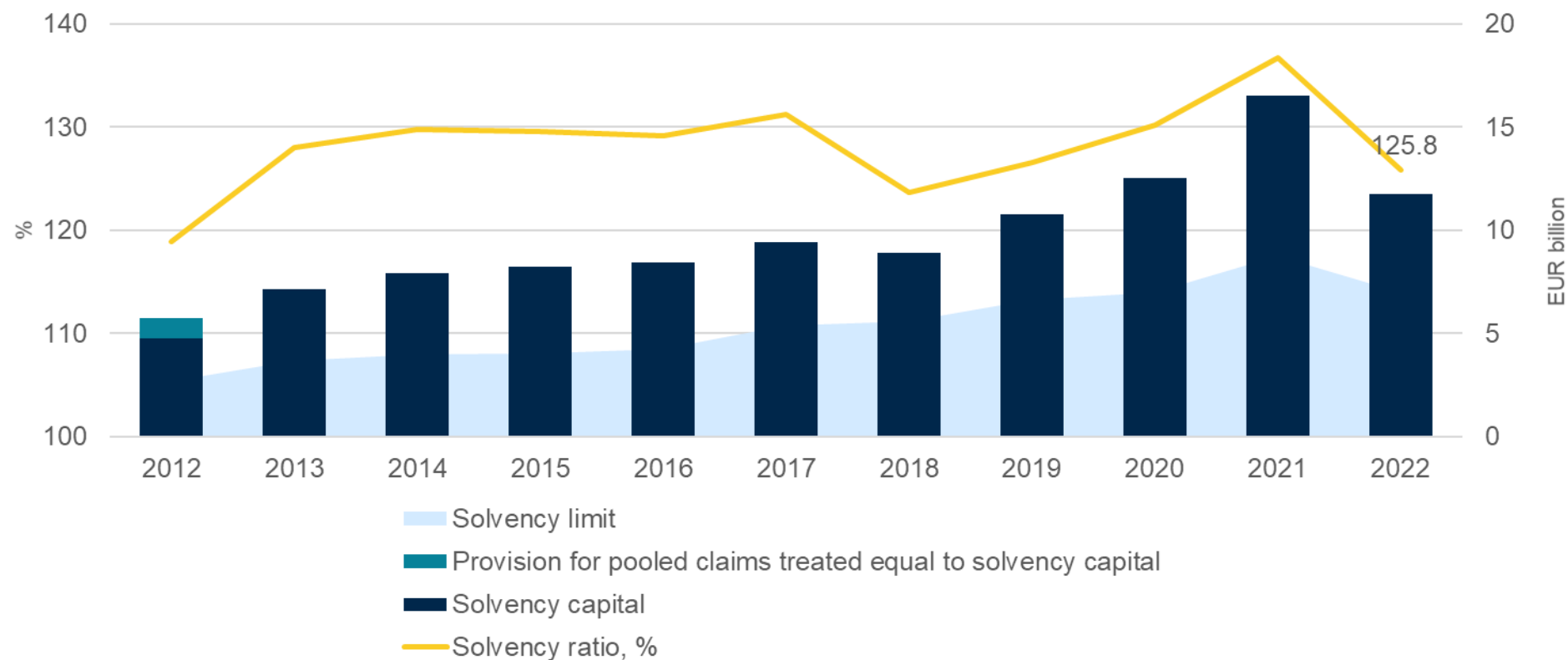
	Basic breakdown		Risk breakdown		Return	Volatility
	EUR mill.	%	EUR mill.	%	%	
Fixed-income investments	16,748.2	29.8	14,943.2	26.6	-5.2	
Loan receivables	1,778.3	3.2	1,778.3	3.2	3.2	
Bonds	13,390.5	23.8	17,724.3	31.5	-6.4	5.2
Public corporation bonds	5,126.9	9.1	4,524.9	8.0	-10.3	
Other bonds	8,263.6	14.7	13,199.4	23.5	-3.8	
Other money market instruments and deposits(inc)	1,579.4	2.8	-4,559.4	-8.1	-3.5	
Equities and shares	26,231.9	46.6	24,834.3	44.1	-10.2	
Listed equities and shares	17,419.5	31.0	16,021.9	28.5	-14.5	14.7
Private equity investments	7,329.0	13.0	7,329.0	13.0	-2.7	
Non-listed equities and shares	1,483.4	2.6	1,483.4	2.6	21.3	
Real estate investments	6,834.0	12.1	6,875.2	12.2	1.3	
Real estate investments	6,127.4	10.9	6,156.0	10.9	0.8	
Real estate funds and joint investments	706.6	1.3	719.2	1.3	6.3	
Other	6,450.1	11.5	6,874.7	12.2	-1.1	
Hedge fund investments	4,817.6	8.6	4,817.6	8.6	8.2	6.7
Commodity investments	70.3	0.1	383.1	0.7	-	
Other investments	1,562.3	2.8	1,673.9	3.0	-22.0	
Investments total	56,264.2	100.0	53,527.4	95.1	-6.6	5.9
Effect of derivatives			2,736.9	4.9		
Investments at current value	56,264.2		56,264.2	100.0		

The modified duration of bond investments is 4.4 years.

The open currency position is 20.9% of the market value of the investments.

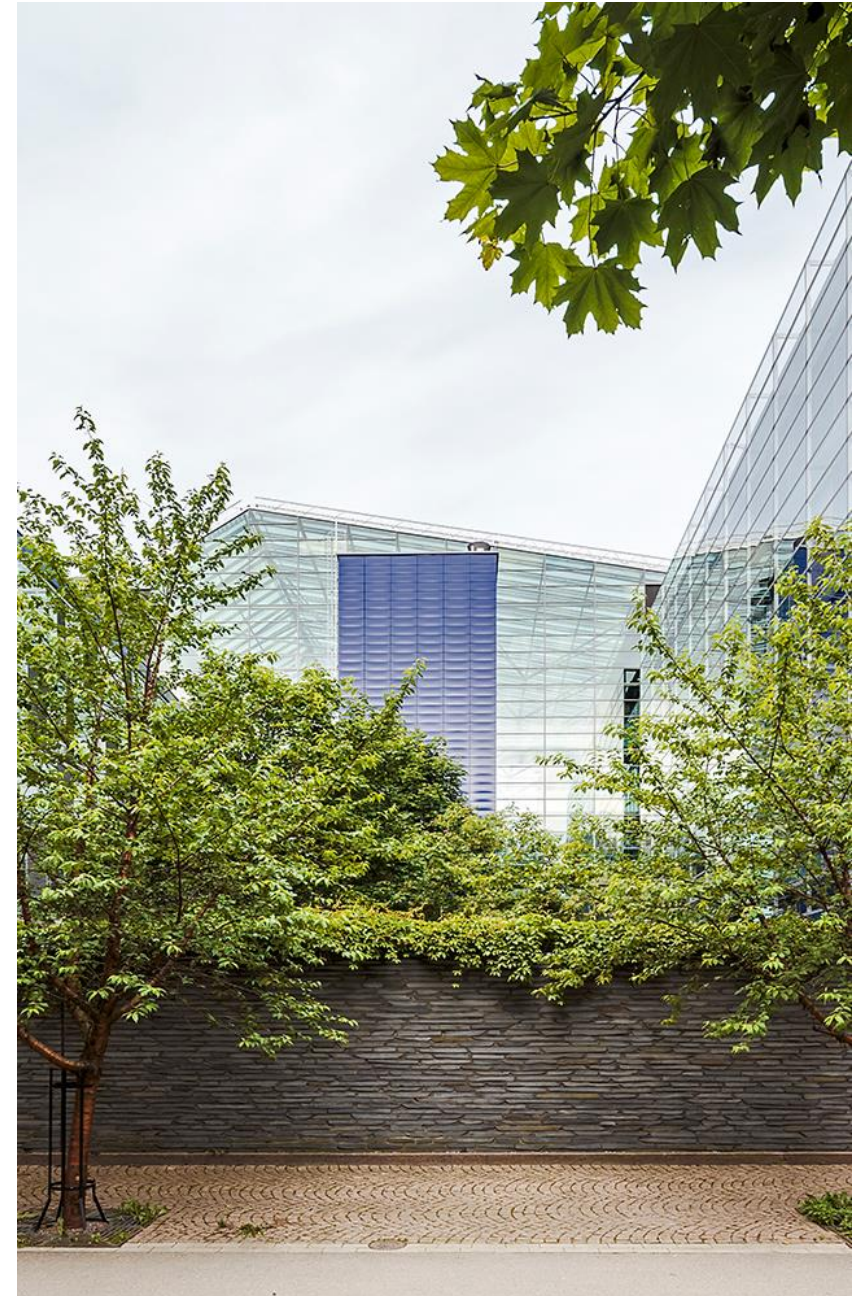
The total return percentage includes income, expenses and operating expenses not allocated to any investment types.

Solvency capital weakened to EUR 11.8 billion and the solvency ratio to 125.8, solvency capital was 1.7 times the solvency limit



The Climate Roadmap shows the direction towards carbon neutral pension assets 2035

- Ilmarinen seeks to achieve carbon neutrality in the investment of pension assets in 2035. **The updated Climate Roadmap now covers four asset classes:** direct listed equities and shares, Finnish real estate and, more recently, corporate bonds and foreign real estate.
- Alongside climate change, accelerating biodiversity loss impacts the economy and thus also investment operations. Ilmarinen published a **Biodiversity Roadmap**, describing how the impacts on biodiversity and risks related to biodiversity loss are taken into account in investment operations.





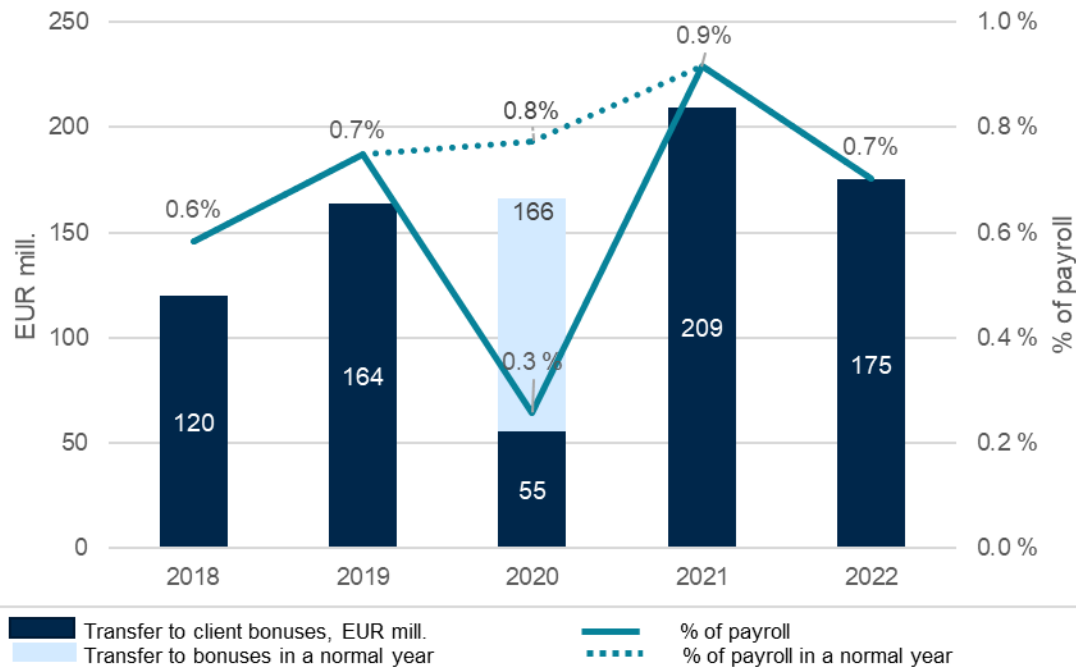
**As our customer
you benefit from
Ilmarinen's
success**

Client bonuses

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EUR 175 million are paid in client bonuses The bonuses were increased by the record loading profit and reduced by the decrease in solvency capital.

Client bonuses EUR million and in relation to payroll



€ mill.	2022	2021	2020	2019	2018
Solvency capital	11,777	16,539	12,542	10,792	8,918
Loading profit	58	42	43	55	30
Transfer to client bonuses	175	209	55	164	120

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. Therefore, the client bonus for 2020 was only 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 2020 result and solvency development.



Future prospects

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Future prospects

- Prolonged inflation, the weakening of consumers' purchasing power and Russia's war in Ukraine are casting a shadow over the global economic growth outlook. The global economic growth rate is expected to be 2.9 per cent and Finland's economy is projected to contract by 0.2 per cent in 2023.
- Ilmarinen's premiums written are expected to grow on the back of payroll growth, but the growth pace is expected to slow down.
- Prolonged inflation, the tightening of central bank monetary policy and a possible weakening of companies' earnings prospects are causing uncertainty in the markets. The prolongation of Russia's war of aggression and the possible escalation of other geopolitical tensions are increasing market restlessness.
- 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, the development of demographics, and the birth rate. The birth rate has been exceptionally low in recent years.



Current information about the pension system

- Thanks to the survivors' pension reform that entered into force at the start of 2022, the earnings-related pension gives families with children more security than before.
- The amendments to the Self-Employed Persons Pensions Act entered into force at the start of 2023. In future, entrepreneurs' YEL income will be determined more accurately and reviewed more often to match the value of the entrepreneur's work input.
- Earnings-related pensions were increased by an exceptionally large index increment of 6.8 per cent as of the beginning of 2023. The exceptionally large index increment considerably increased interest in applying for old-age pension and especially partial early old-age pension in late 2022.
- Based on the long-term calculations released by the Finnish Centre for Pensions in October, the long-term outlook for financing pensions has improved from the previous projection made in 2019.
- Finland's pension system was rated as the fifth best in the international Mercer CFA Institute Global Pension Index comparison published in the autumn. Finnish pension cover was selected as the most reliable and transparent for the ninth consecutive time.

