



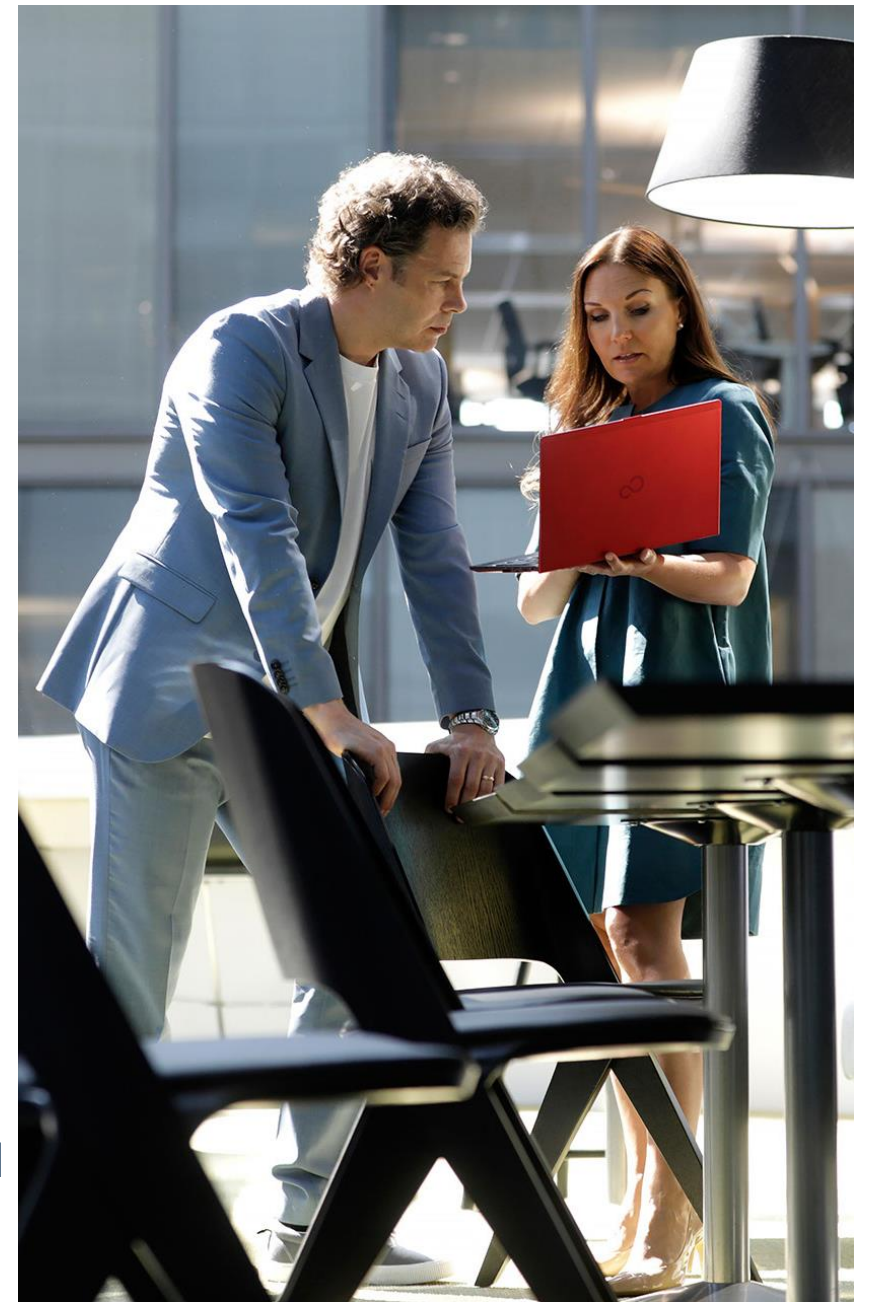
# Security for your pension

Ilmarinen's Interim Report  
January–March 2022

ILMARINEN

# Premiums written grew, cost-effectiveness improved and solvency remained strong in a challenging market

- The return on Ilmarinen's investment portfolio was -2.2 per cent (4.8 per cent), i.e. EUR -1.4 billion negative. The market value of investments fell to EUR 59.1 (60.8) billion.
- As a result of the negative return on investment operations, the total result for January–March fell to EUR -1.3 (1.4) billion.
- Premiums written rose by 13 per cent to EUR 1.6 (1.4) billion thanks to strong growth in payrolls and the 0.45 percentage point increase made in TyEL contributions. EUR 1.6 (1.5) billion was paid in pensions.
- Net customer acquisition was EUR 55 (93) million and customer retention was 97.2 (97.4) per cent.
- Loading profit improved to EUR 12 (11) million and the ratio of operating expenses to expense loading components to 67 (72) per cent, despite the 9.5 per cent reduction in the expense loading rate. Operating expenses financed using loading income amounted to EUR 26 (29) million.
- Solvency capital was EUR 15.3 (16.5) billion and the solvency ratio was 134.0 (136.7) per cent.



# Key figures January–March 2022

Premiums written

**1.56** (1.38)

€ bn



**1.63** (1.54)

€ bn

Pensions paid

Loading profit\*

**12** (11)

€ mill.



**67** (72)

%

Ratio of operating expenses to expense loading components \*

Return on investments

**-2.2** (4.8)

%



**59.1** (60.8)

€ bn

Investment assets

Solvency ratio

**134.0** (136.7)

%



**15.3** (16.5)

bn

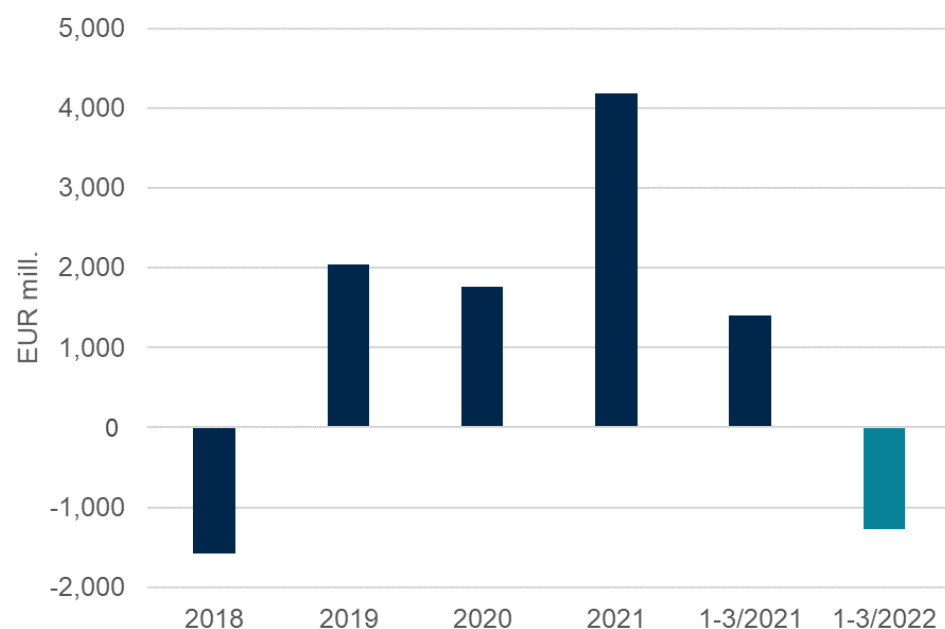
Solvency capital

The result comparison figures are the figures for the corresponding period of 2021. The comparison figures for the balance sheet and other cross-sectional items are the figures for the end of 2021.

\*) The loading profit is weakened, compared to 2021, by the 9.5 per cent discount made in rates affecting the TyEL administrative cost component. The comparable loading profit for 1–3/2022 was EUR 16 million and the ratio of operating expenses to expense loading components was 62 per cent.

# Due to the negative return on investment operations, the total result for January–March fell to EUR -1.3 billion

Total financial result, € mill.



Sources of profit, € mill.

Result analysis, EUR mill.	1 Jan–31 March 2021	1 Jan–31 March 2020	1 Jan–31 Dec 2020
Underwriting result	20	-6	44
Return on investments at fair value	-1,299	1,398	4,104
+ Net return on investments at fair value	-1,352	2,545	8,086
- Return requirement on technical provisions	53	-1,147	-3,982
Loading profit	12	11	42
Other profit	0	0	-11
<b>Total result</b>	<b>-1,267</b>	<b>1,403</b>	<b>4,179</b>





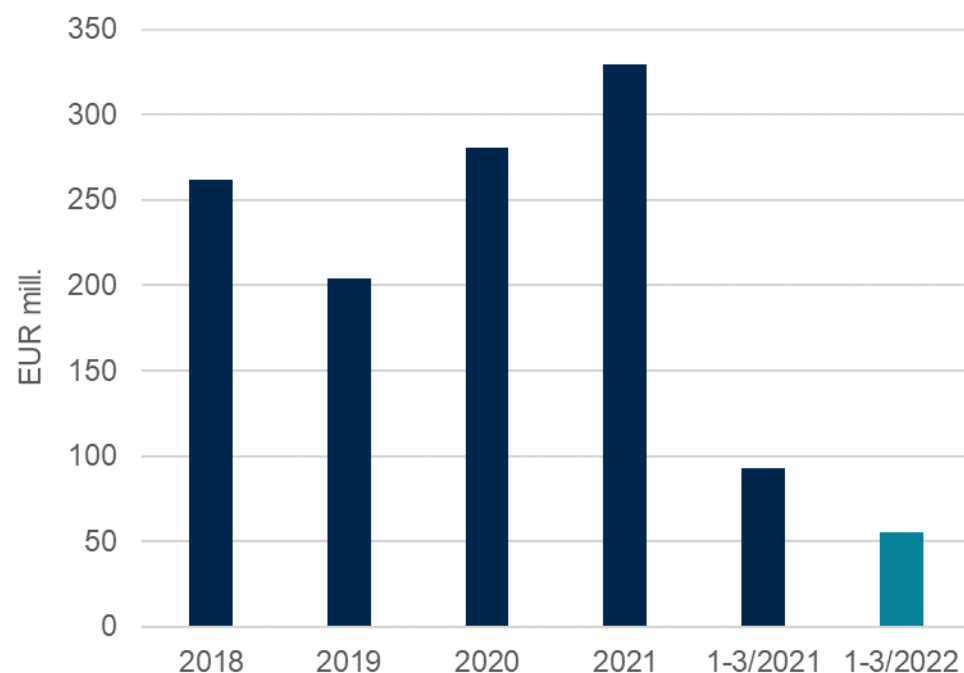
# Pension security for you

Insurance and pensions

ILMARINEN

# Net customer acquisition for Q1 was EUR 55 million, customer retention was 97.2%

Net customer acquisition 2018–2022, € mill.

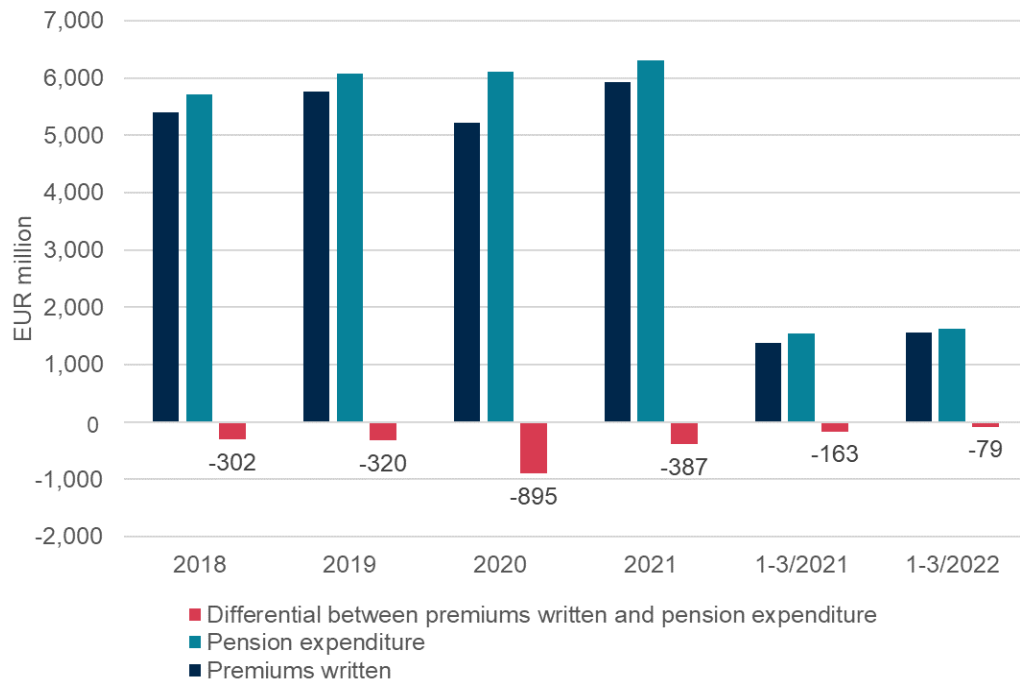


Net customer acquisition, € mill.

EUR mill.	1-3/2022	1-3/2021	2021
Net customer acquisition	55	93	329
Sales of new insurance	38	41	203
Net transfer of insurance	17	52	126
Customer retention, % of premiums written	97.2	97.43	97.2

# Premiums written rose to EUR 1.6 billion thanks to strong growth in payroll and the 0.45%-point increase in the TyEL contribution

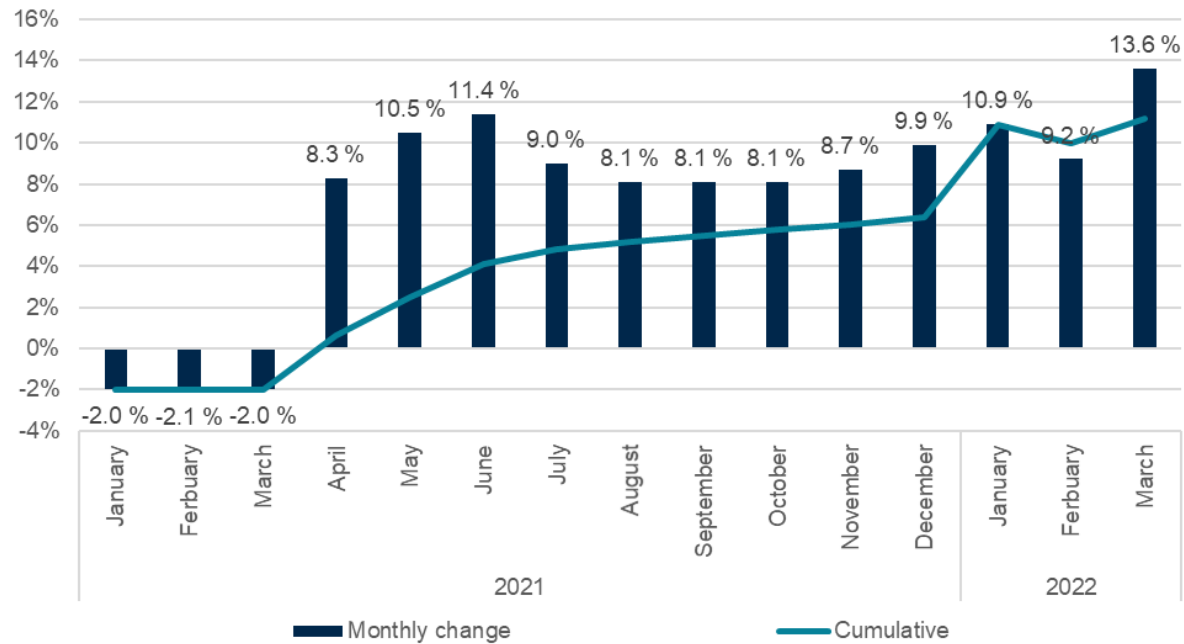
## Premiums written and pension expenditure January–March 2022



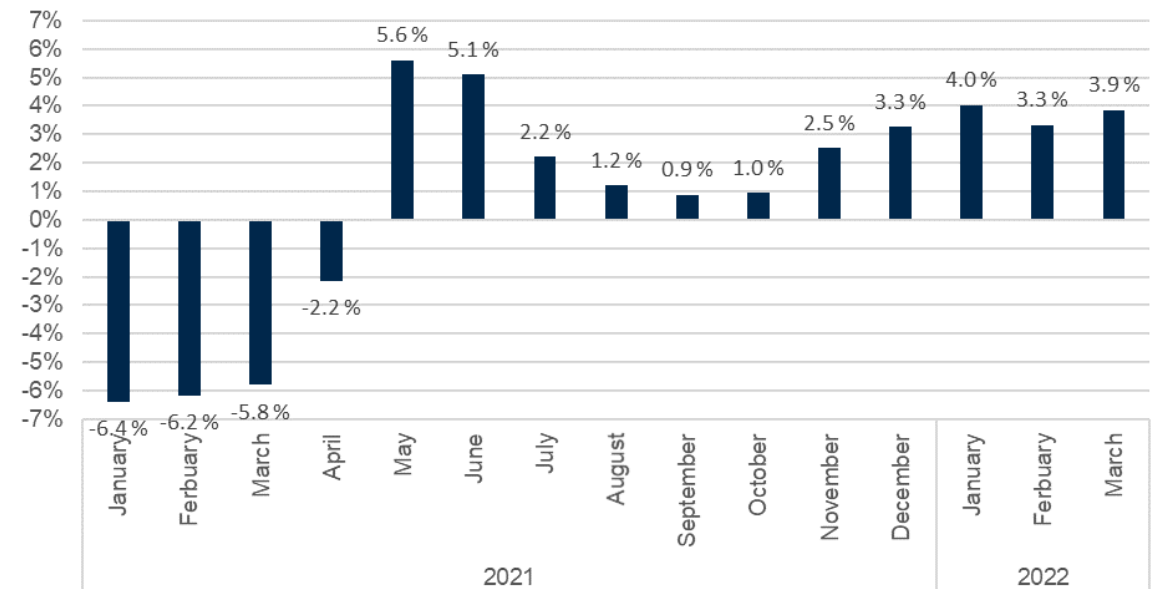
EUR mill.	2018	2019	2020	2021	1-3/2021	1-3/2022
Premiums written TyEL	5,026	5,364	4,833	5,534	1,266	1,437
Premiums written YEL	384	394	388	388	116	119
<b>Total premiums written</b>	<b>5,410</b>	<b>5,758</b>	<b>5,220</b>	<b>5,922</b>	<b>1,382</b>	<b>1,556</b>
Pensions paid TyEL	5,365	5,673	5,701	5,902	1,425	1,510
Pensions paid YEL	347	405	415	407	120	125
<b>Pension expenditure, total</b>	<b>5,712</b>	<b>6,078</b>	<b>6,116</b>	<b>6,309</b>	<b>1,545</b>	<b>1,635</b>

# Customers' payroll grew 11 per cent in Q1 and the number of employees' grew 3.7 per cent

Change in payroll of Ilmarinen's customers from previous year



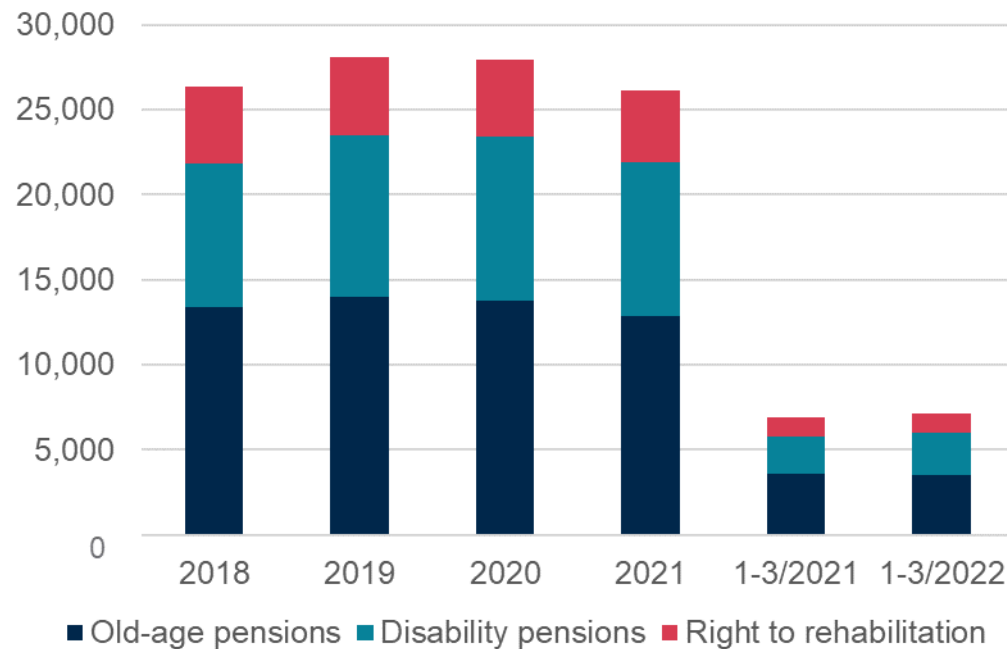
Change in number of employees in Ilmarinen's business cycle index



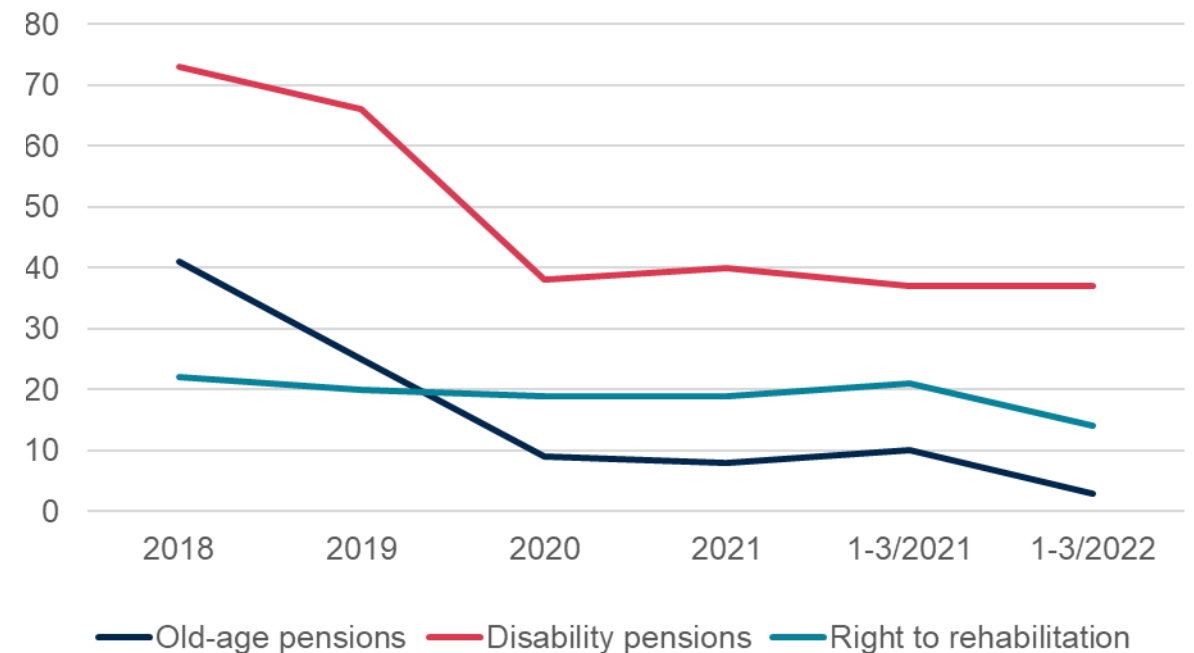


# 500 more new pension decisions year-on-year, processing time for old-age pension decisions reduced to 3 days

## Number of pension decisions

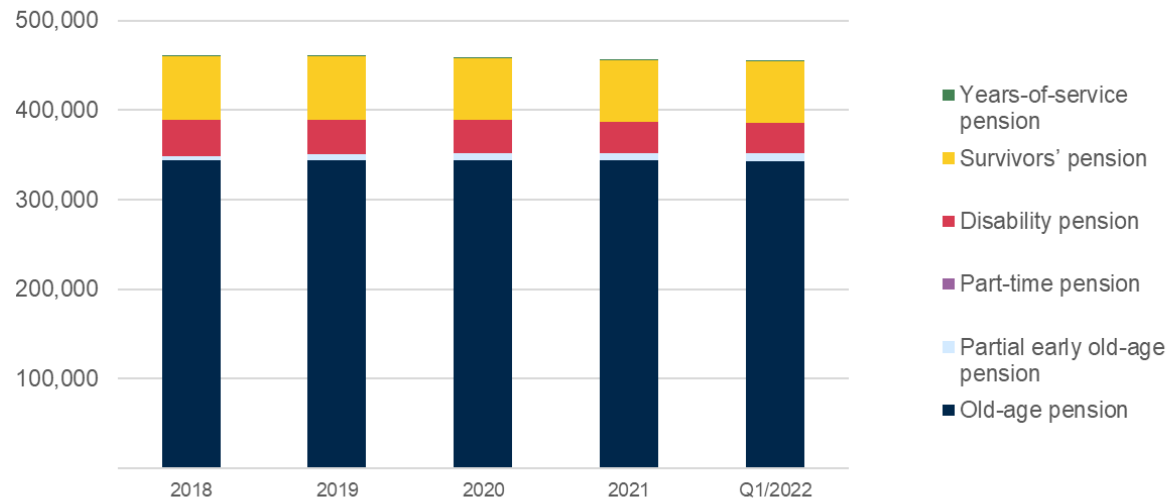


## Average application processing time, days



# Number of pension recipients fell slightly

## Ilmarinen's pension recipients



**We paid EUR 1.6 billion in pensions to 455,000 pensioners**



# A Better Working Life

Work ability risk  
management and  
rehabilitation

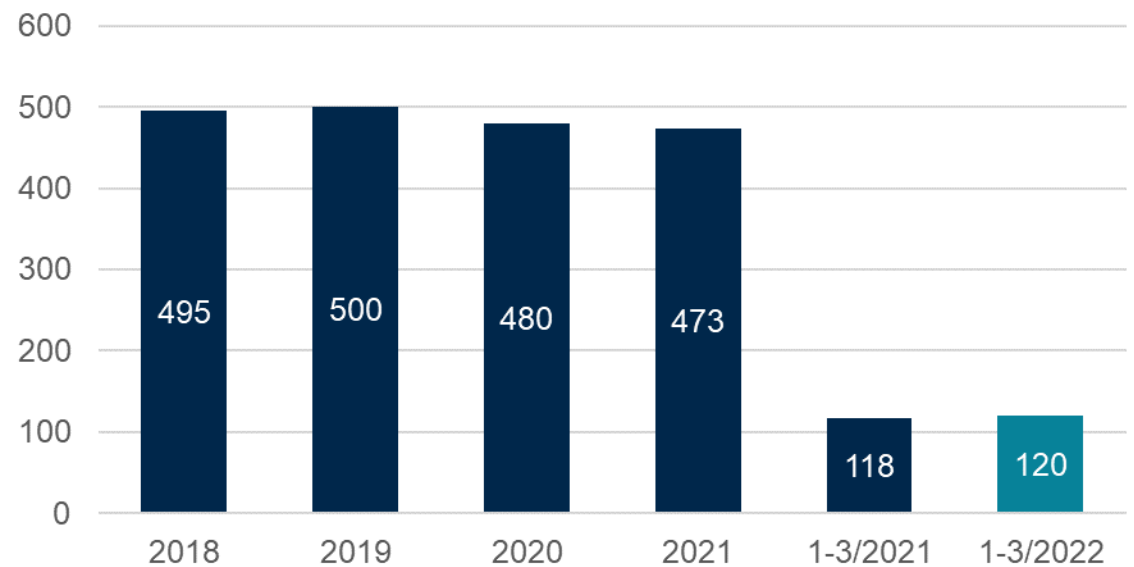
ILMARINEN

# 959 persons transitioned to a disability pension or cash rehabilitation benefit, disability pension expenditure grew EUR 2 billion

Rehabilitation and persons retired on disability pension



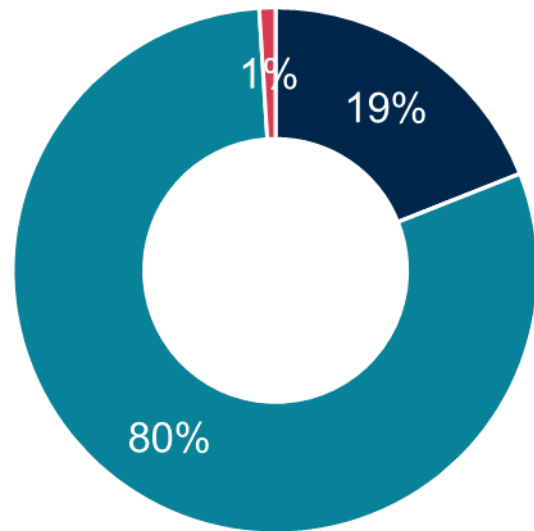
Disability pension expenditure, EUR mill.





# Work ability projects numbered 435 and covered 94,000 employees

Work ability project themes and customer satisfaction in January–March 2022



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

**Work ability services'**  
**NPS 79**  
**(1-3/2022)**



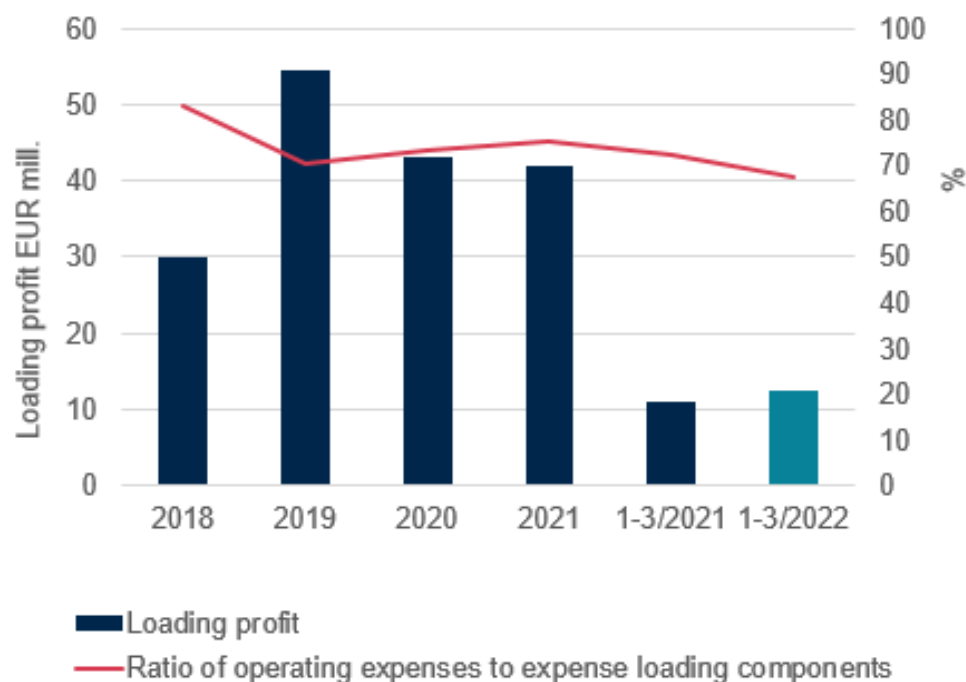
# Cost-effective operations

Operating expenses and personnel

ILMARINEN

# Loading profit rose to EUR 12 million and the ratio of operating expenses to expense loading components improved to 67 per cent. Operating expenses financed using loading income decreased by EUR 3.6 million to EUR 26 million.

Loading profit, ratio of operating expenses to expense loading components and total operating expenses 2018–2021\*

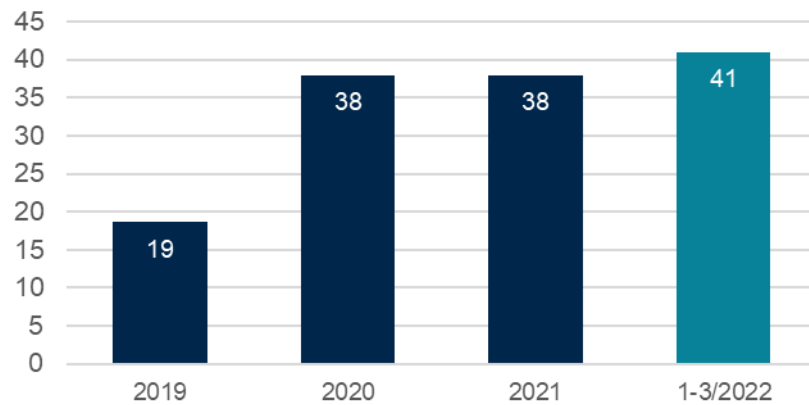


EUR mill.	2018	2019	2020	2021	1-3/ 2021	1-3/ 2022
Expense loading components and other income	179	185	162	168	40	38
Operating expenses covered by loading income	149	130	119	126	29	26
Loading profit	30	55	43	42	11	12
Ratio of operating expenses to expense loading components, %	83	70	73	75	72	67
Total operating expenses	195	175	158	176	41	37

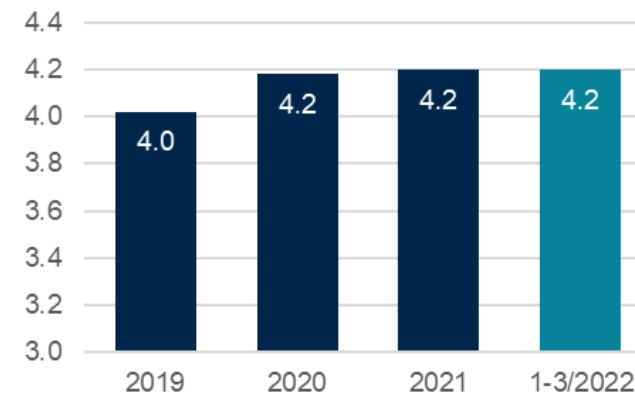
\*) The loading profit is weakened, compared to 2021, by the 9.5 per cent discount made in rates affecting the TyEL administrative cost component. The comparable loading profit for 1–3/2022 was EUR 16 million and the ratio of operating expenses to expense loading components was 62 per cent. In addition, the rate affecting the TyEL administrative cost component was lowered by 6.9% from 2020.

# Personnel's work energy is excellent at 4.2, absences due to illness grew as Omicron spread

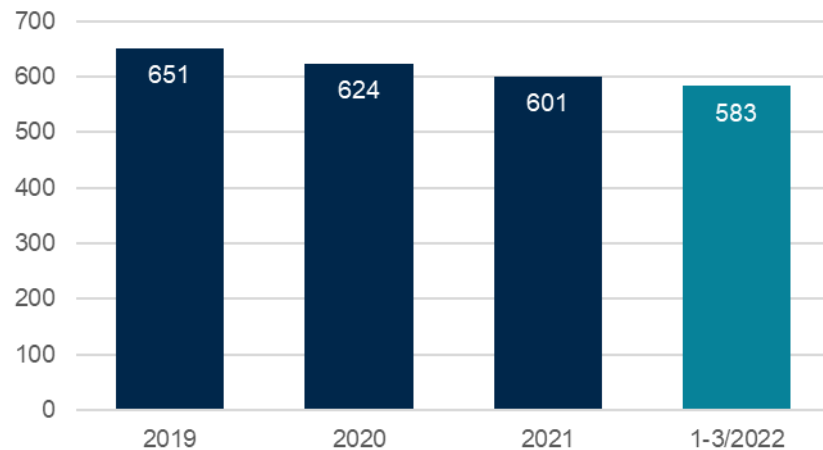
## Employee Net Promoter Score (eNPS)



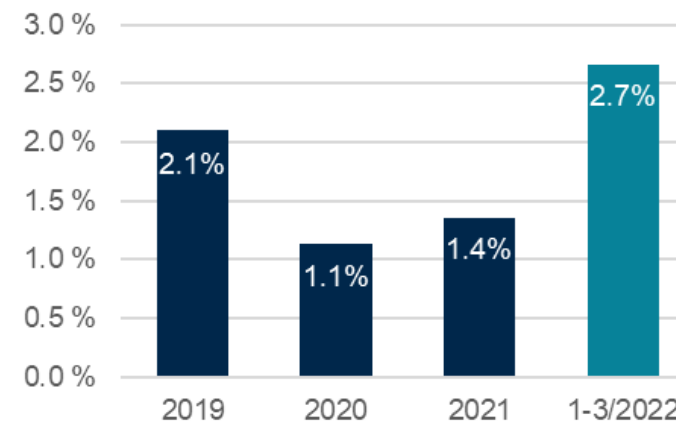
## Personnel's average work energy (1–5)



## Average number of employees (person years)



## Lost time due to sick leave







**Profitably,  
securely and  
responsibly**

Investment activities

ILMARINEN

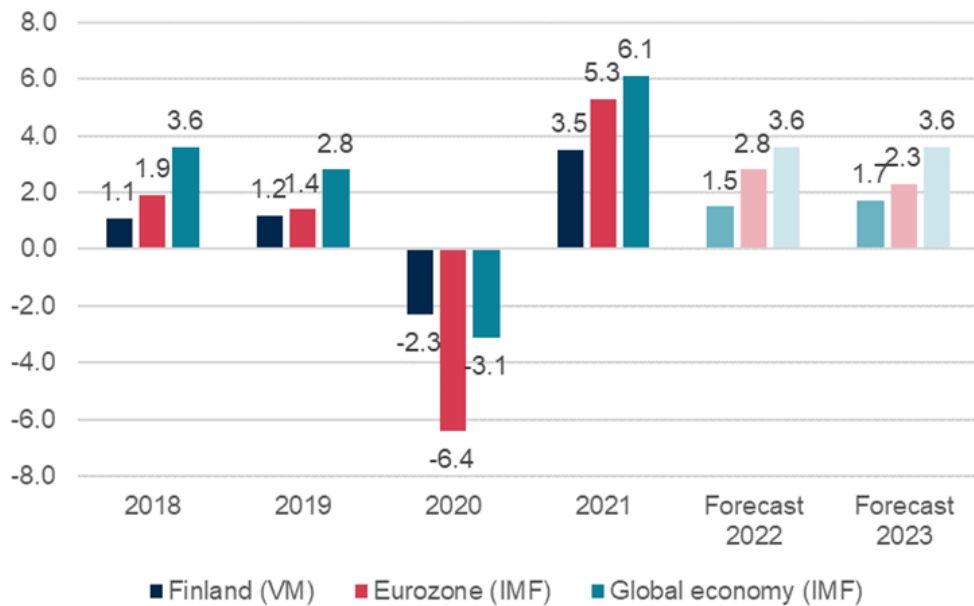
# Key observations about the operating environment

- Global economic growth was strong at the start of the year with economic growth supported by recovery from the Covid-19 crisis.
- Nevertheless, accelerating inflation has raised concerns related to tightening monetary policy.
- Russia's attack on Ukraine and Covid-related challenges in China have weakened the global economic outlook.
- In the USA, consumer prices rose more than eight per cent year-on-year in March, and in the euro zone, inflation accelerated to more than seven per cent.
- Finland's economy was on a strong growth path prior to Russia's attack, but since the attack, the growth forecasts for Finland's economy have also been downgraded and uncertainty has increased.
- The US equity markets (S&P 500 index) fell by five per cent. The broad European stock index (Stoxx Europe 600) fell by close to six per cent. Finland's equity markets, on the other hand, plummeted by more than 12 per cent.
- Interest rates have risen rapidly in both the USA and the euro zone, and yield curves have flattened.
- The US dollar appreciated by around three per cent against the euro.

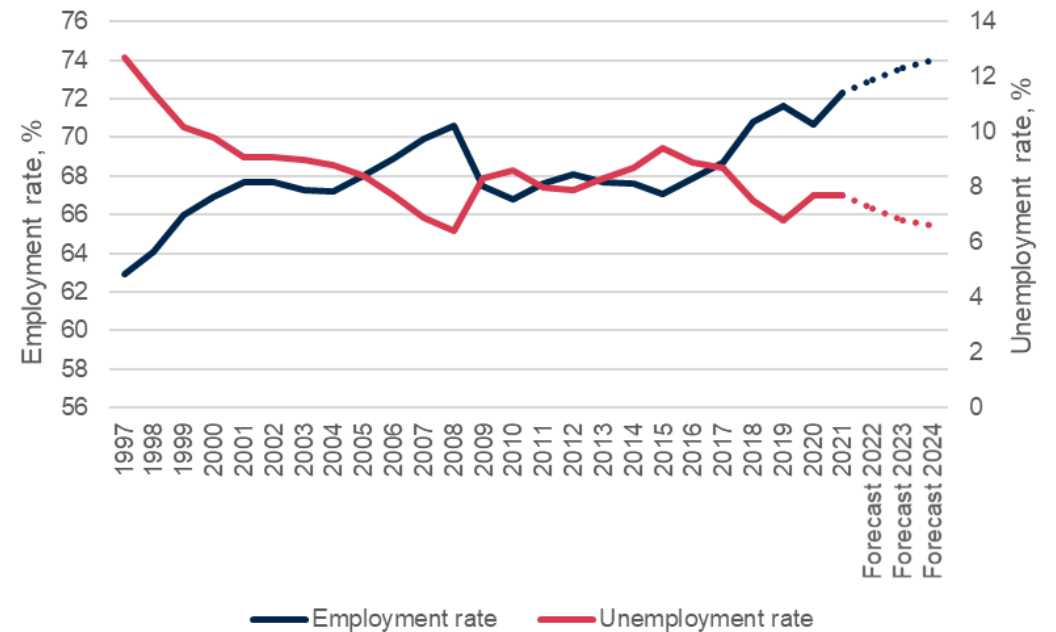


# Economic growth forecasts have been cut since Russia's attack. The global growth forecast is 3.6 per cent for 2022, Finland's growth forecast is 1.5 per cent.

## GDP development, %



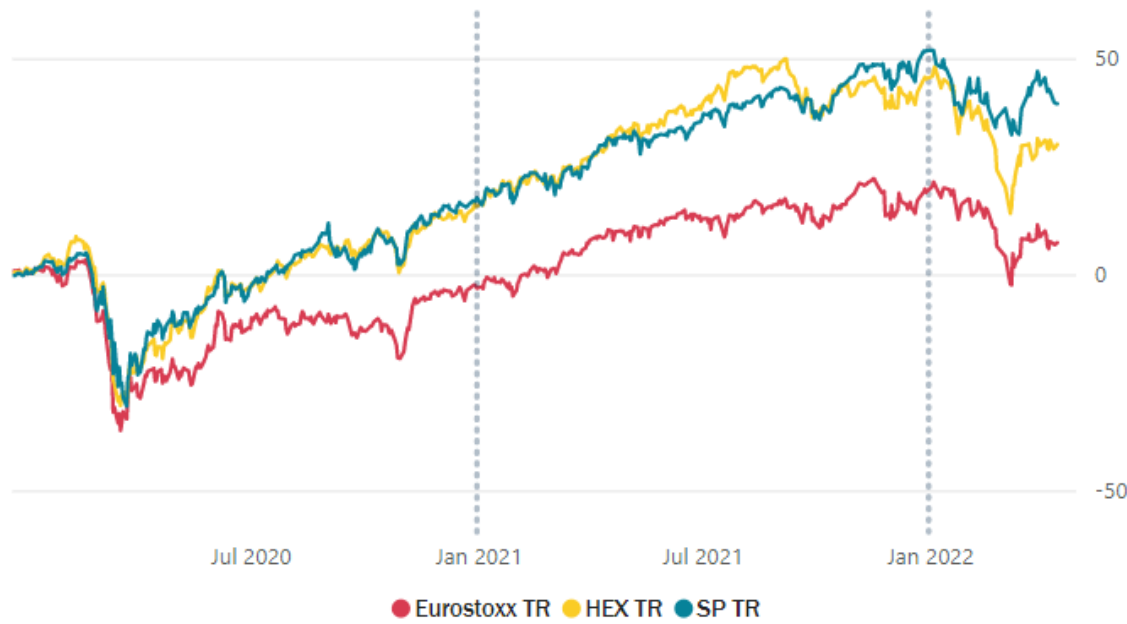
## Development of Finland's employment and unemployment rates, %



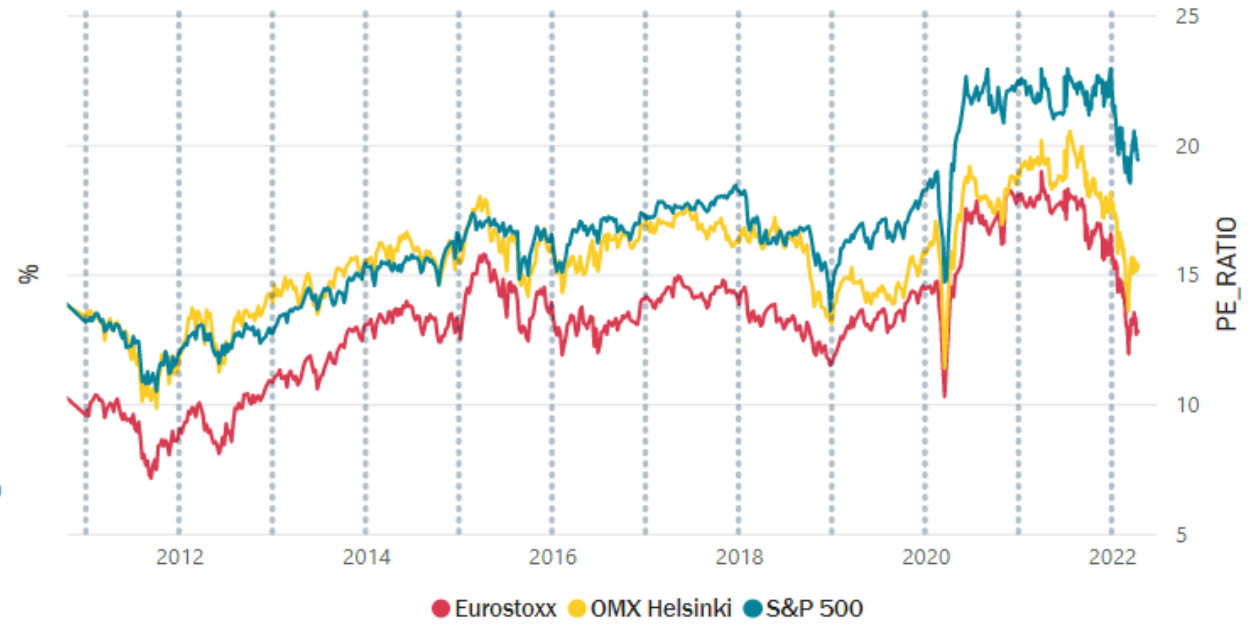
Sources: Statistics Finland, World Bank (EU) and IMF

# Concerns around inflation and tightening monetary policy depressed the equity markets in Q1

## Equity market performance



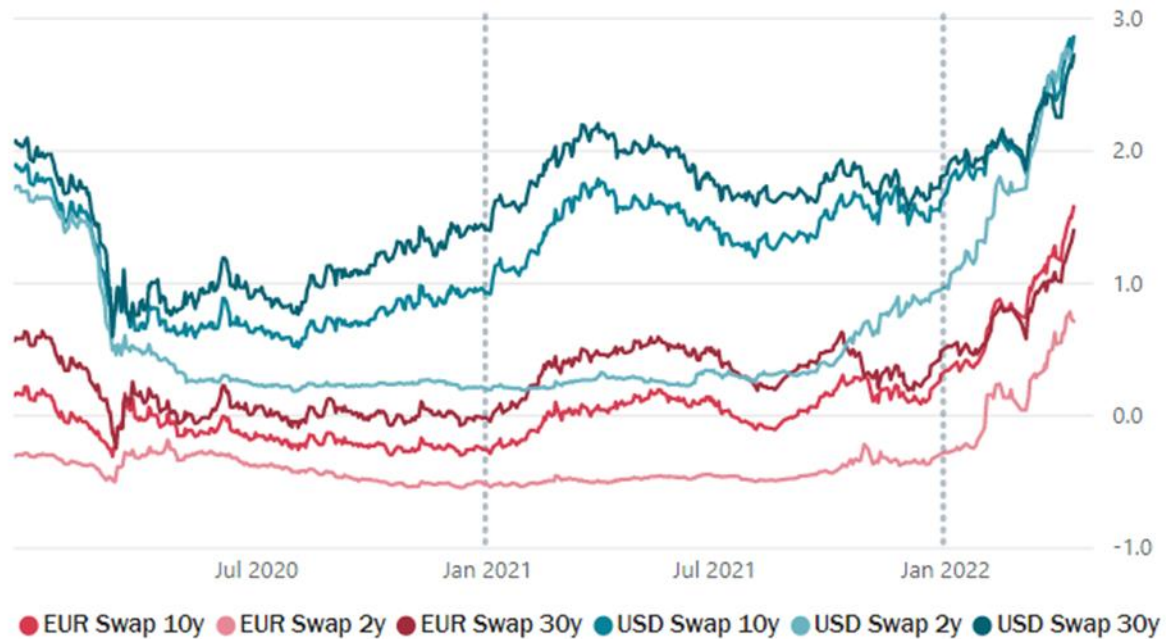
## Stock valuation level (P/E based on 12-month forecasts)



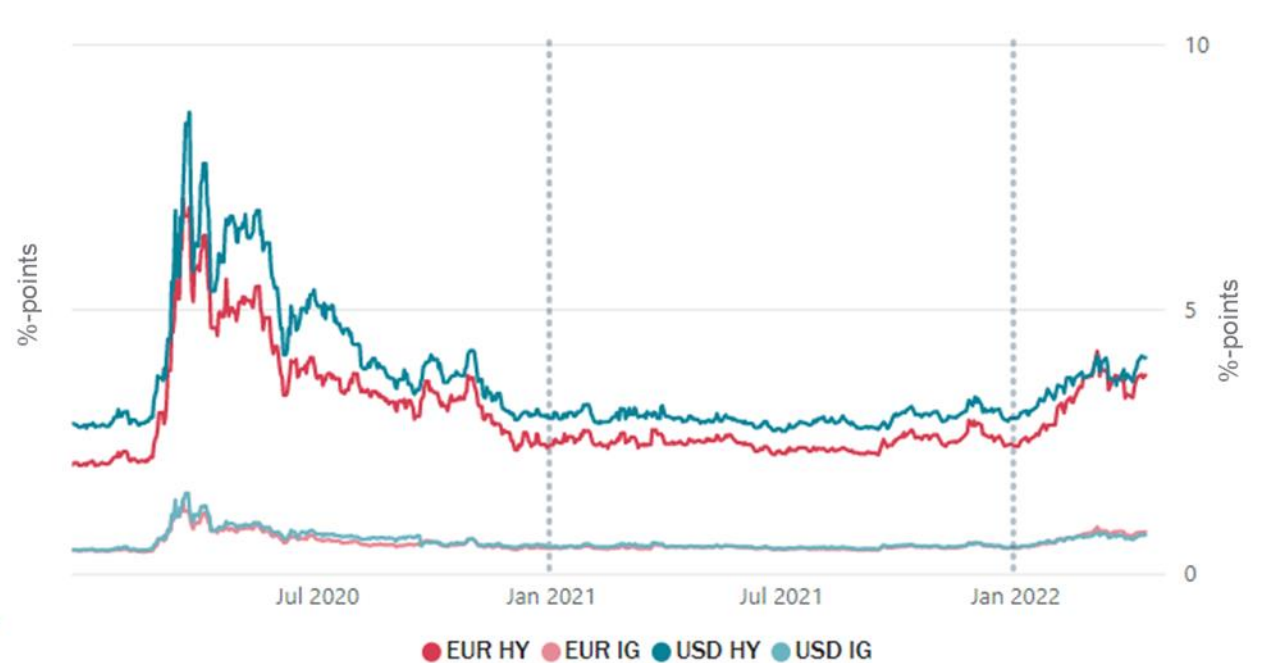


# Interest rates haven't risen due to accelerating inflation. Credit risk margins have widened as economic uncertainty increases.

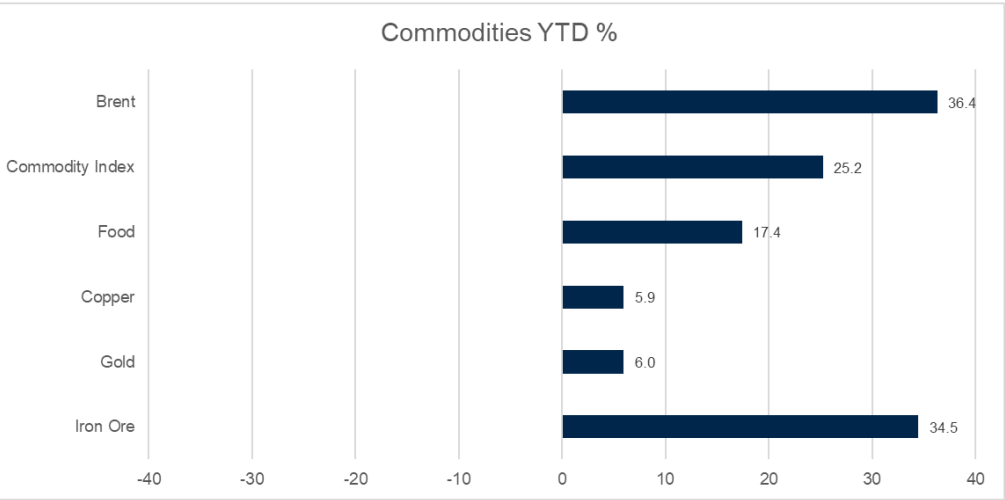
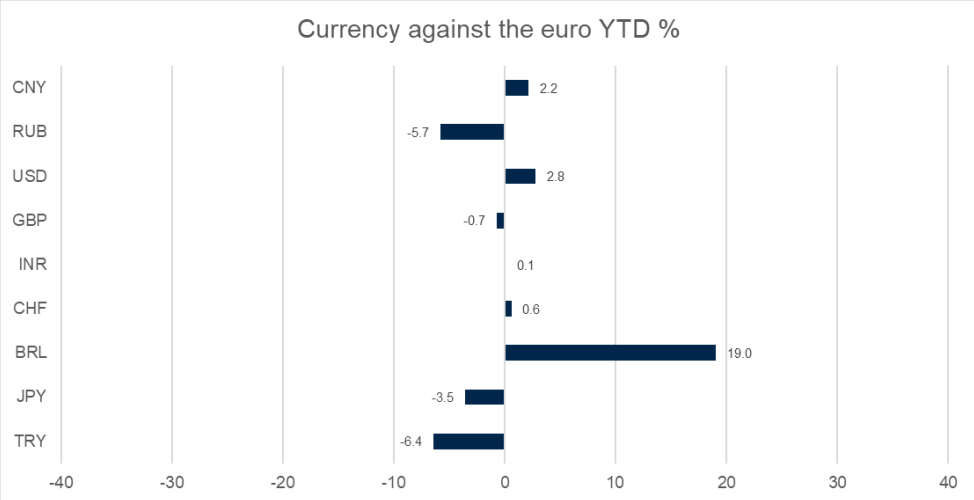
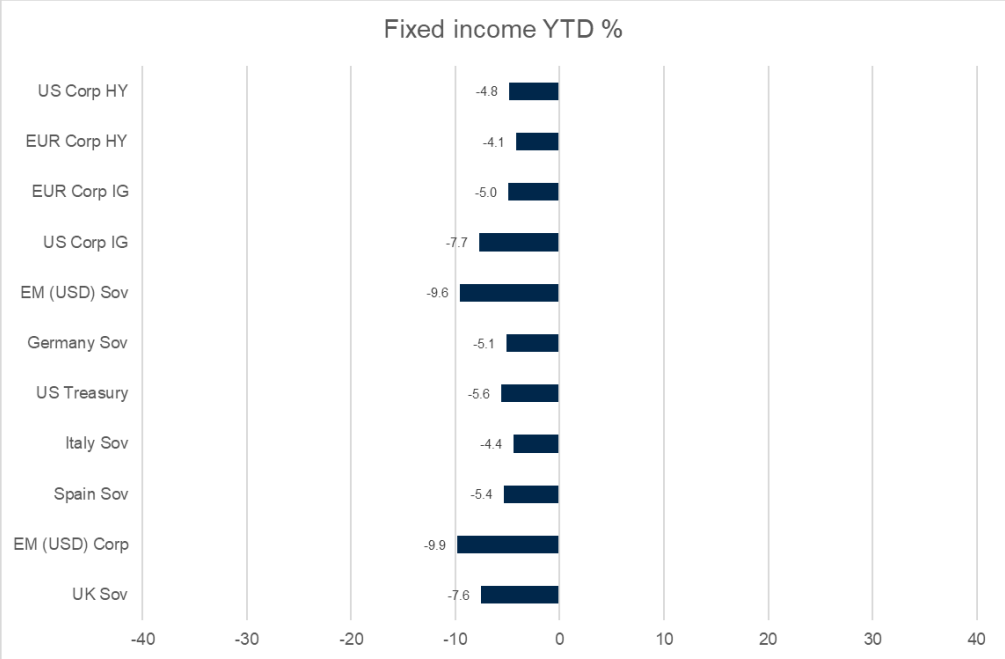
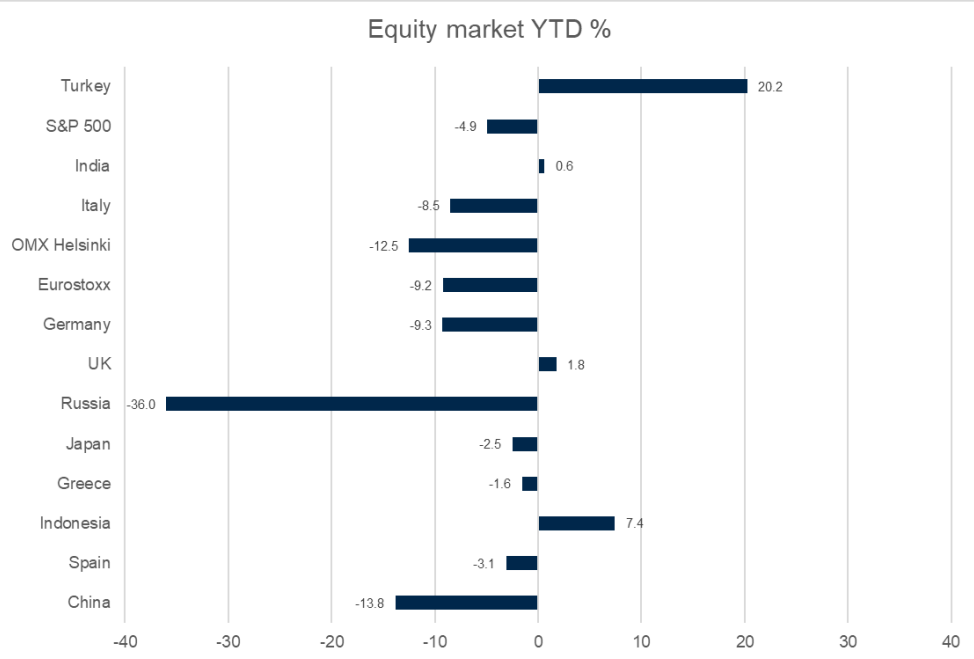
## Development of interest rates



## Development of credit risk premiums

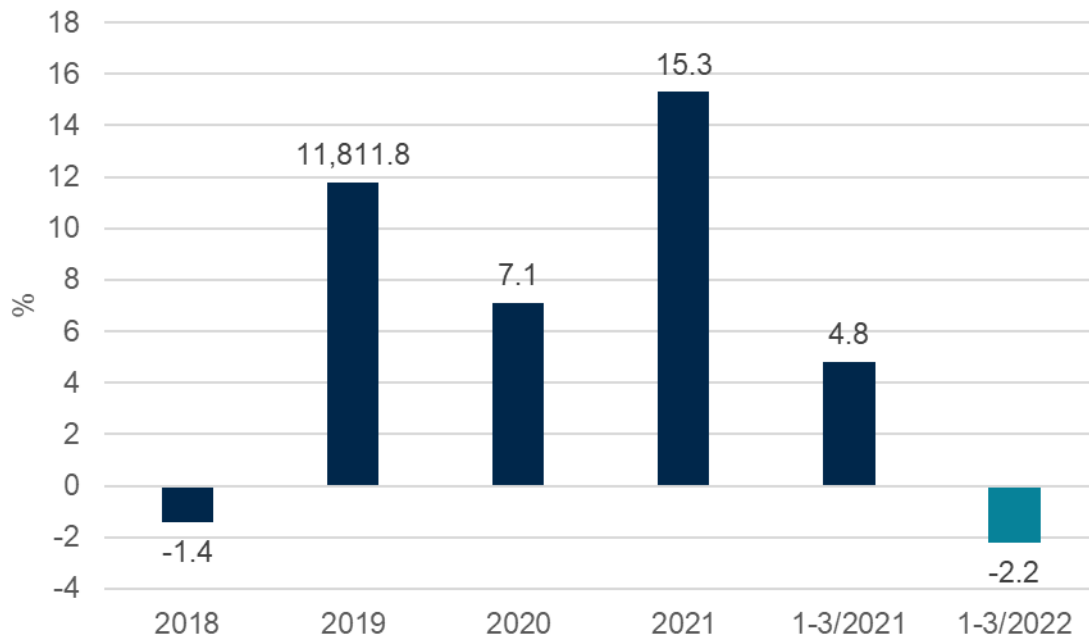


# Market development (per 31 March 2022)



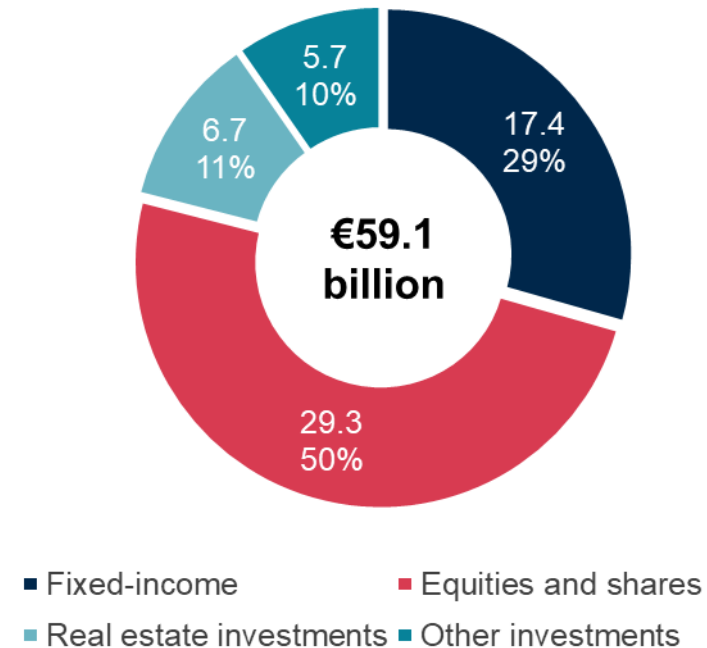
# The return on the investment portfolio was -2.2 per cent, i.e. EUR -1.4 billion

## Return on investments



Average nominal return on investments over 5 years 6.9% and real return 4.9%.

## Breakdown of investments, 31 March 2022



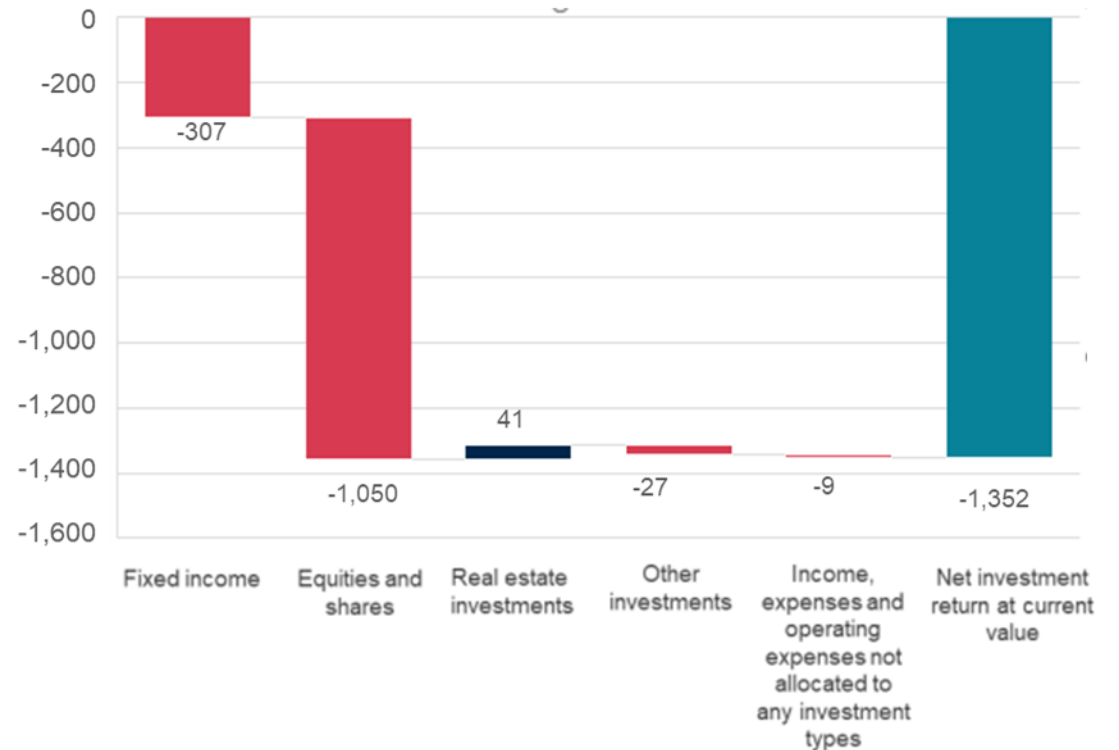
# Return on investments was negative due to weak equity and fixed income market performance

Return January–March, %

Return by type	1-3/2022	1-3/2021	2021
Return on investments	-2.2	4.8	15.3
Fixed income	-1.7	2.0	3.9
Equities and shares	-3.5	9.1	28.0
Real estate	0.6	0.8	8.8
Other investments	-0.5	-3.2	-2.0

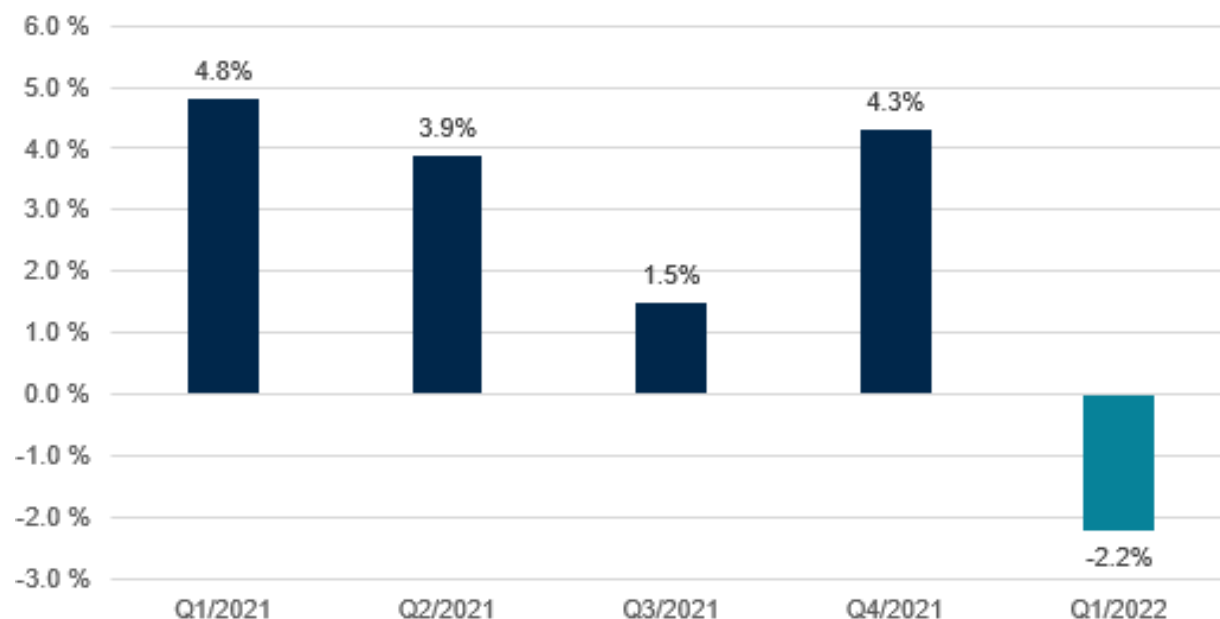
Long-term return on investments (since 1997): nominal return 6.1% and real return 4.4%.

Return by type of investment, € mill.





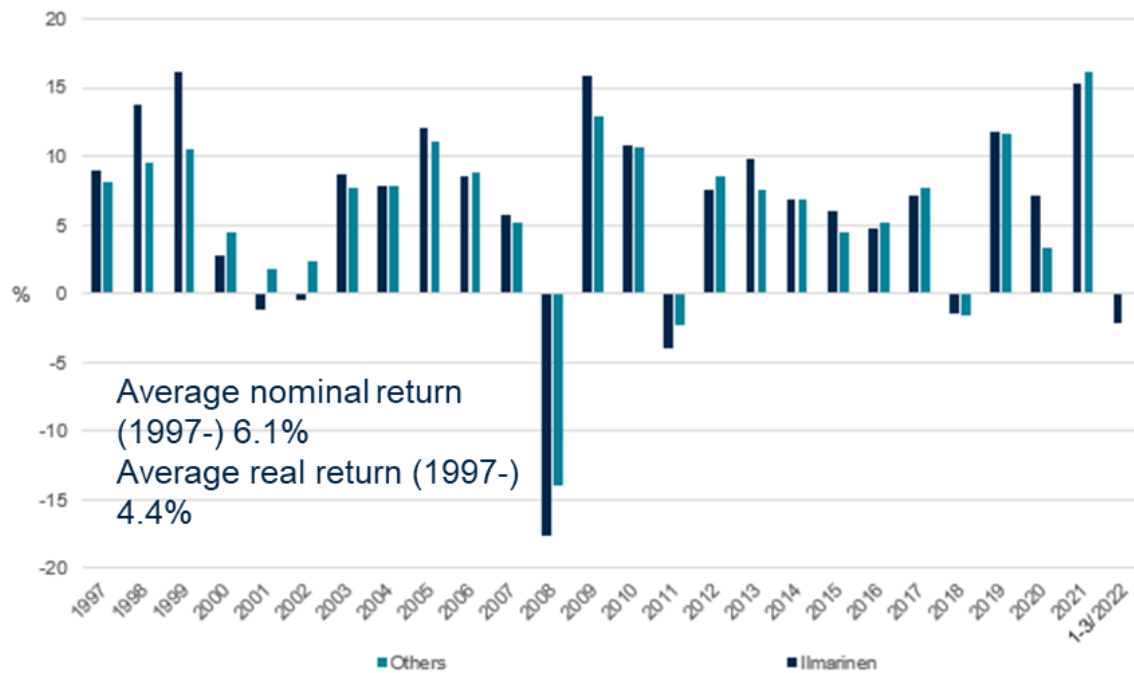
# The return on investments in Q1 was -2.2 per cent, i.e. EUR -1.4 billion negative



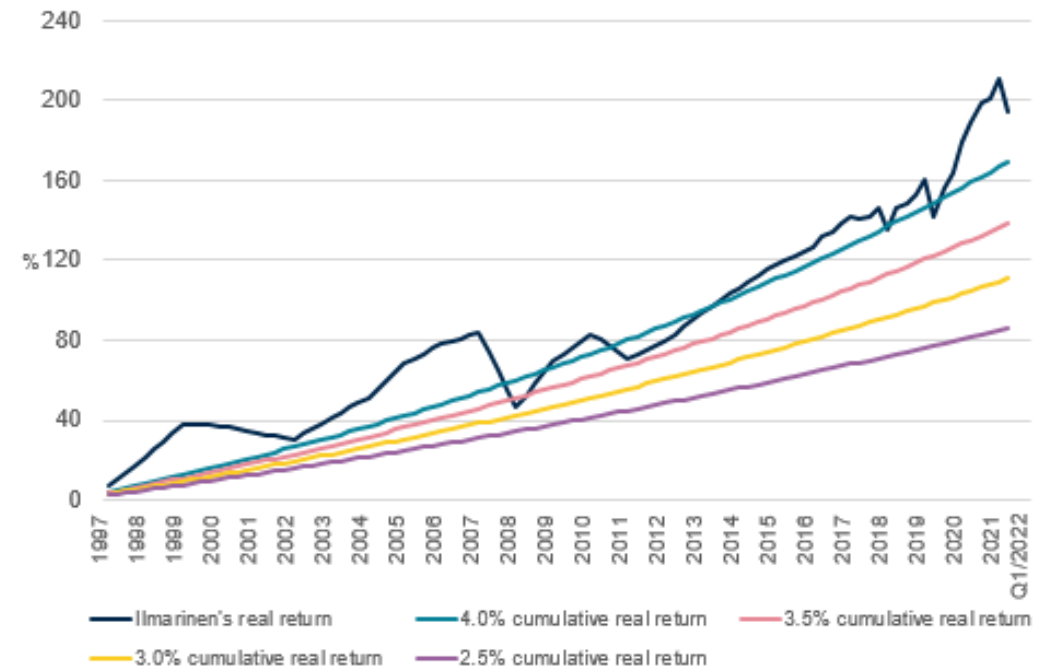
The capital markets' performance was soft in Q1. Stock prices fell and interest rates rose. A key factor behind the capital markets' performance was accelerating inflation and the tightening of monetary policy, especially in the USA.

# The long-term average nominal return was 6.1 per cent per annum, or 4.4 per cent in real terms

Net return on investments at current value

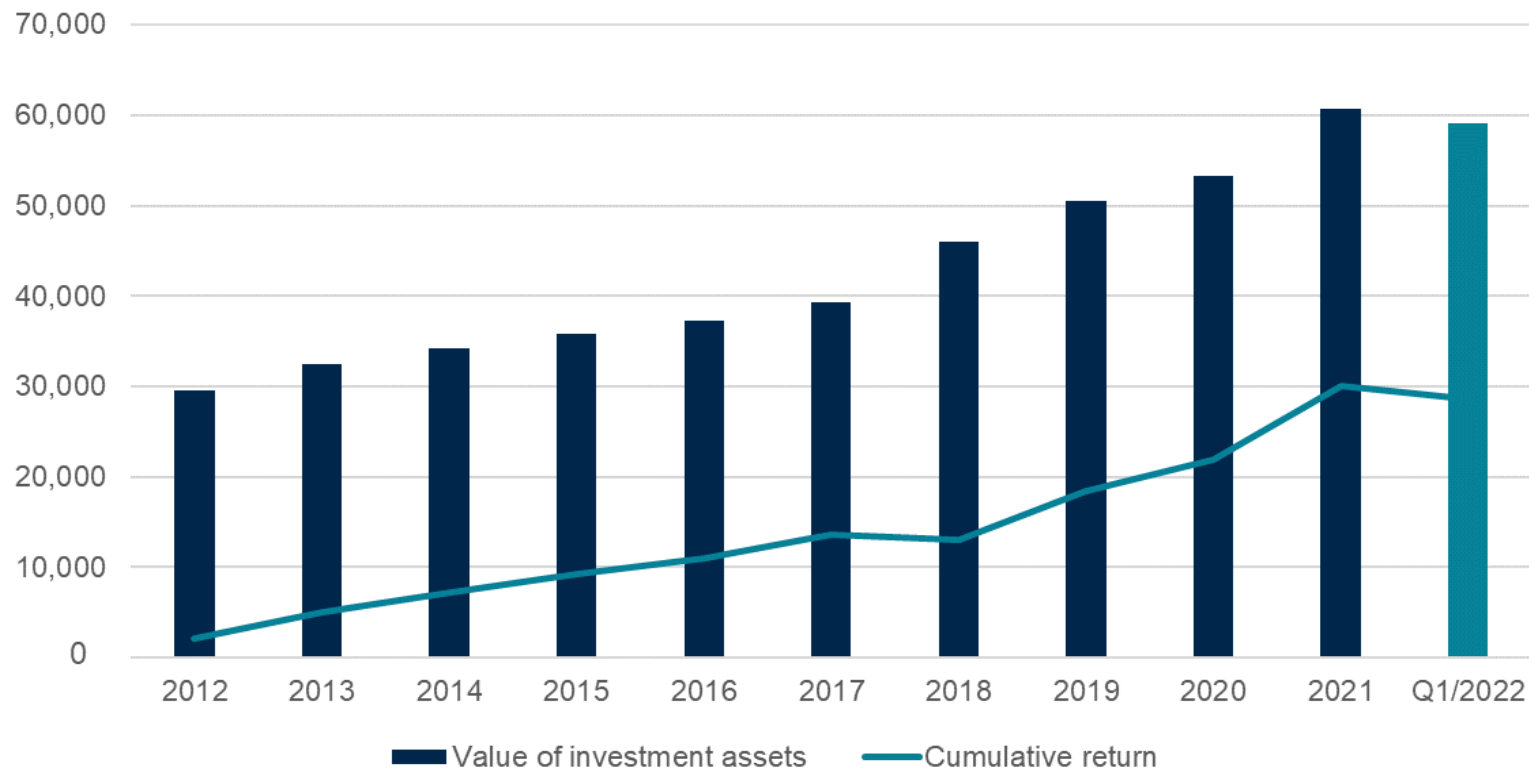


Cumulative net return on investments 1997–31 March 2022



# Value of investments EUR 59 billion, cumulative return on investments from start of 2012, EUR 29 billion

Value of investments and cumulative return 2010–31 March 2022, € bn



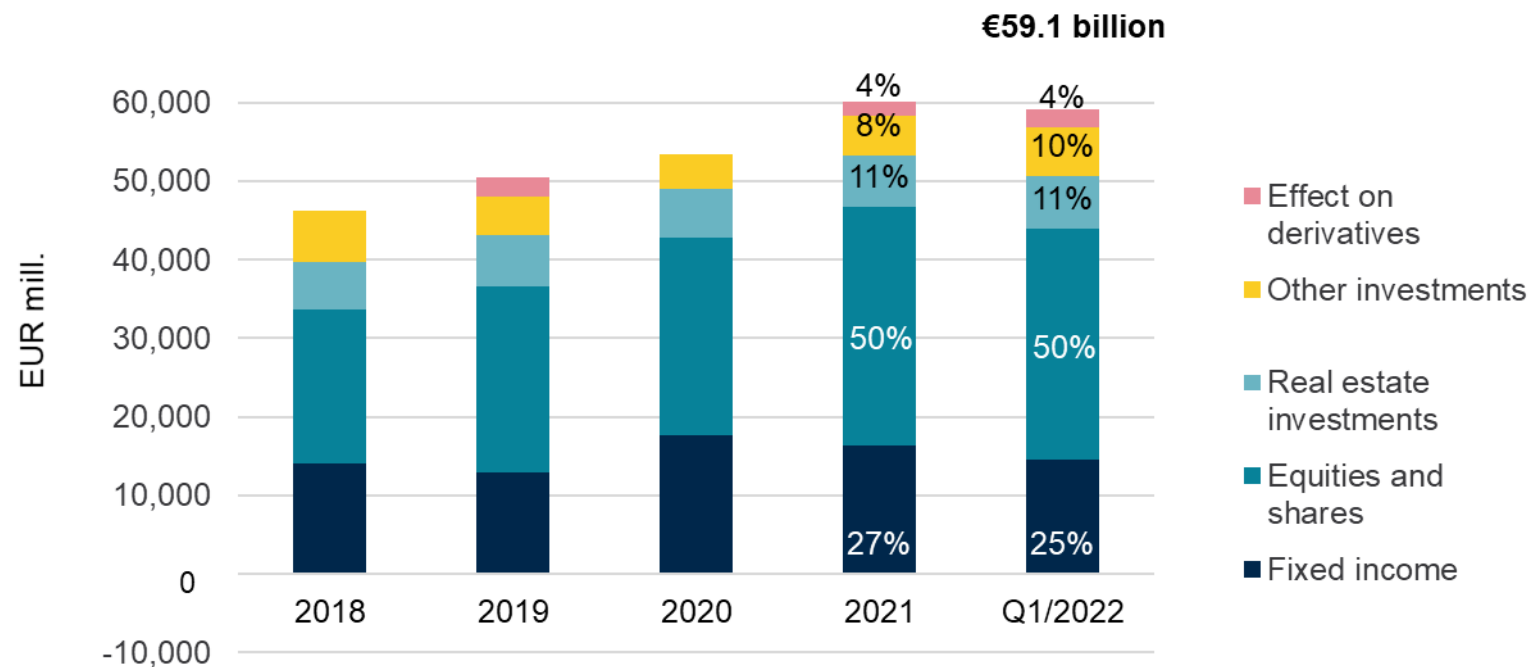
# Long-term return remains at a good level

Average return of different markets:

%	Ilmarinen	Finnish equities and shares	European equities and shares	Euro Government bonds	Euro Corporate bonds
Q1/2022	-2.2	-10.5	-6.0	-5.3	-5.4
2021	15.3	25.3	24.9	-3.4	-1.1
Average return over 5 years	6.9	9.9	6.3	1.0	0.6
Average return over 10 years	6.6	12.4	8.5	3.0	2.5
Average return over 20 years	5.7	9.6	4.9	4.0	3.8
Average return since 1997	6.1	10.1	6.6	4.3	4.0
Real average return over 5 years	4.9	7.8	4.3	-0.9	-1.3
Real average return over 10 years	5.3	10.9	7.1	1.7	1.2
Real average return over 20 years	4.1	7.9	3.3	2.4	2.2
Real average return since 1997	4.4	8.3	4.9	2.6	2.3

# Equities and shares account for 50% of the investment allocation

## Breakdown of investment risks

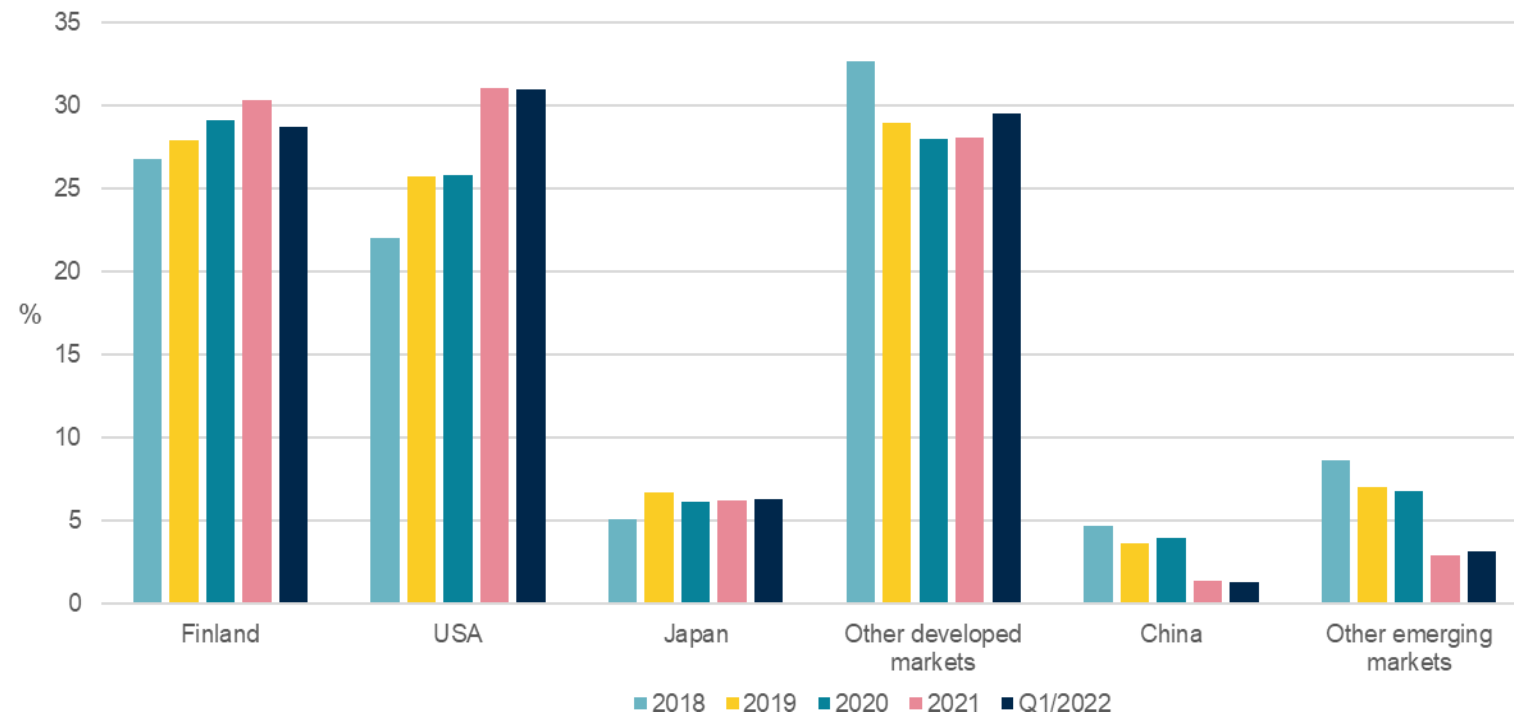




# Share of Finnish listed equity investments

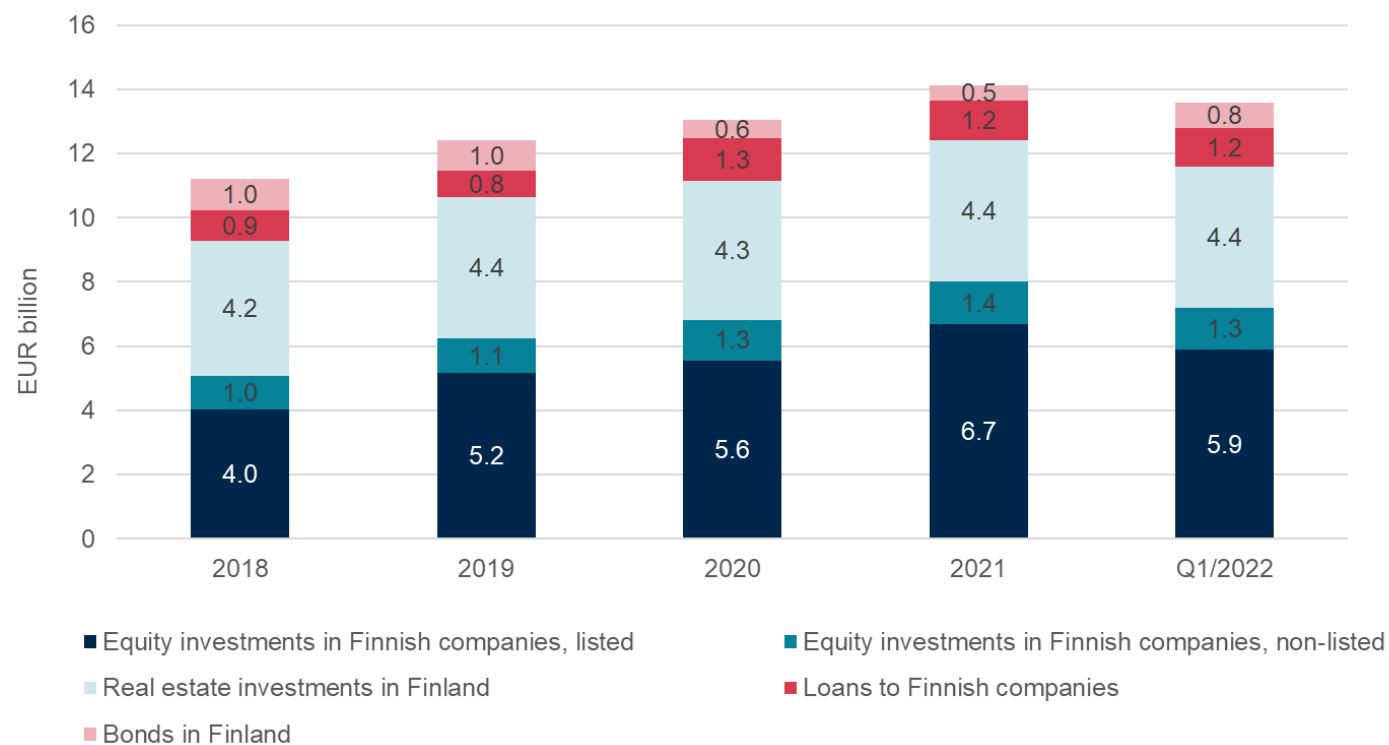
## 29 per cent

Geographical breakdown of listed equities



# Ilmarinen's investments in Finland were EUR 13.6 billion, i.e. 23 per cent of the investment portfolio

Investments in Finland 2018–31 March 2022, € bn



# Holdings in Finnish publicly quoted companies

## EUR 6.5 bn

### Largest Finnish listed equity holdings

	EUR mill.	31 Mar 2022	31 Dec 2021
↑	Kojamo Plc	447	435
↑	Stora Enso Corporation	404	355
↑	Neste Corporation	399	348
↓	Nokia Corporation	363	389
↓	Kesko Plc	351	408
↓	Sampo Plc	329	363
↓	Nordea Bank Abp	326	385
↓	UPM-Kymmene Corporation	315	389
↓	Kone Corporation	236	305
↓	Microsoft Corporation	236	258

	Percentage	31 Mar 2022	31 Dec 2021
↓	Nurminen Logistics Plc	15.0	15.1
	SRV Group Plc	12.7	12.7
↑	Digia Plc	12.5	11.2
↓	Administer Plc	8.7	8.8
	Solteq plc	8.5	8.5
	Kojamo Plc	8.3	8.3
↑	Citycon Oyj	7.6	7.5
	Glaston Corporation	7.3	7.3
	Panostaja Oyj	6.9	6.9
↑	Siili Solutions Plc	6.9	6.1

# Summary of return on investments for January–March

	Basic breakdown		Risk breakdown		Return	Volatility
	EUR mill.	%	EUR mill.	%	%	
<b>Fixed-income investments</b>	<b>17,406</b>	<b>29.4</b>	<b>14,509</b>	<b>24.5</b>	<b>-1.7</b>	
Loan receivables	2,078	3.5	2,078	3.5	0.8	
Bonds	14,782	25.0	16,104	27.2	-2.1	3.6
Public corporation bonds	5,754	9.7	4,050	6.8	-4.7	
Other bonds	9,027	15.3	12,054	20.4	-0.4	
Other money market instruments and deposits(inc	547	0.9	-3,673	-6.2	-1.1	
<b>Equities and shares</b>	<b>29,315</b>	<b>49.6</b>	<b>29,417</b>	<b>49.7</b>	<b>-3.5</b>	
Listed equities and shares	20,478	34.6	20,580	34.8	-6.4	12.6
Private equity investments	7,591	12.8	7,591	12.8	4.3	
Non-listed equities and shares	1,246	2.1	1,246	2.1	2.6	
<b>Real estate investments</b>	<b>6,706</b>	<b>11.3</b>	<b>6,739</b>	<b>11.4</b>	<b>0.6</b>	
Real estate investments	6,000	10.1	6,016	10.2	0.4	
Real estate funds and joint investments	706	1.2	722	1.2	2.3	
<b>Other</b>	<b>5,722</b>	<b>9.7</b>	<b>6,149</b>	<b>10.4</b>	<b>-0.5</b>	
Hedge fund investments	4,156	7.0	4,156	7.0	2.6	4.3
Commodity investments	153	0.3	312	0.5	-	
Other investments	1,414	2.4	1,681	2.8	-10.3	
<b>Investments total</b>	<b>59,149</b>	<b>100.0</b>	<b>56,814</b>	<b>96.1</b>	<b>-2.2</b>	<b>5.3</b>
Effect of derivatives	0		2,335	3.9		
<b>Investments at current value</b>	<b>59,149</b>		<b>59,149</b>	<b>100.0</b>		

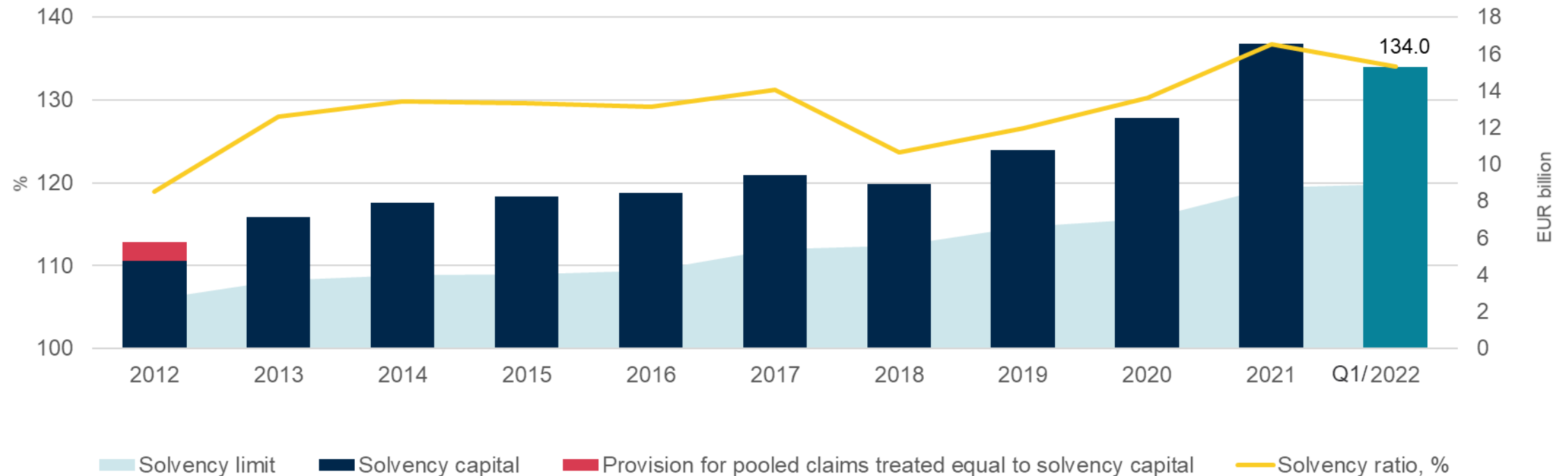
The modified duration of bond investments is 2.1 years

The open currency position is ,25% 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 fell to EUR 15.3 billion and the solvency ratio to 134.0 per cent, with the solvency position being 1.7

Solvency capital, solvency ratio and solvency limit 2012–31 March 2022





# We invest in a sustainable future – Net zero carbon pension assets 2035

2021

2025

2030

2035

Direct Listed Equity

No companies in portfolio **planning new thermal coal power investments**

Carbon footprint **-30%**  
 Aligned with **Paris Agreement 2° scenario**  
 Climate solutions portfolio exposure **1.5 times**

Carbon footprint **-50%**  
 Aligned with **Paris Agreement 1.5° scenario**  
 Thermal coal **excluded**

Finnish Real Estate

**CO<sub>2</sub>-free electricity**

Carbon footprint, operational phase **-50%**  
 Carbon footprint, construction **-15%**  
 Building and demolishing waste recycling **80%**

**CO<sub>2</sub>-free power**  
 Carbon footprint, operational phase **-80 %**  
 Carbon footprint, construction **-30 %**  
 Building and demolishing waste recycling **90 %**



**Net Zero Carbon Pension Assets**



## CLIMATE ROADMAP 2021–2035

**Principles for Responsible Investment 2006**

**Climate Roadmap 2016–2020**

- Investments in sustainable development doubled
- The carbon footprint of real estate -14%

TCFD-reporting 2019

Joining IIGCC's **Paris Aligned Investment Net Zero Asset Owner** -alignment  
 Two asset specific roadmaps

Advocacy, collaboration, and engagement to **support transition**

**Increasing internal knowledge** about climate issues, integrating climate targets **as part of remuneration**

Integrating climate risk to **long term return and solvency scenarios**

**Continuous development** of climate roadmaps  
**New asset specific roadmaps**



# Future prospects and current information about the pension system

ILMARINEN



# Future prospects

- The faster-than-expected hike in inflation, expectations of slowing economic growth and Russia's assault on Ukraine are clouding the growth prospects of the global economy. The global economic growth rate is expected to be 3.6 per cent and Finland's growth 1.5 per cent in 2022.
- Ilmarinen's premiums written are expected to grow in 2022, due to higher payrolls and the 0.45-percentage-point increase in the TyEL contribution.
- Loading income will decrease as a result of the lowering of the premium rate in the insurance contribution's administrative cost component. The loading profit is nevertheless expected to grow thanks to increasing cost-effectiveness.
- The stimulus measures of the central banks and governments have supported the markets. The faster-than-expected hike in inflation and concerns over an increase in long-term inflationary pressures, tightening central bank monetary policy and slowing economic growth are causing uncertainty in the markets. The escalation of Russia's attack and other geopolitical tensions are serving to increase market restlessness.
- The long-term real return expectation on investment assets is low, especially due to the low real 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, the development of demographics, and the birth rate. The birth rate has been exceptionally low in recent years.



# Current information about the pension system

- During 2021, earnings-related pension assets grew by EUR 33 billion thanks to excellent investment returns, and pension assets came to EUR 258 billion at the end of 2021.
- The average overall pension rose year-on-year by EUR 20, coming to EUR 1,784 per month in 2021.
- A survivors' pension reform entered into force at the start of the year, as a result of which earnings-related pension provides better security for families with children. At the same time, the surviving spouse's pension became fixed term: it is paid for 10 years or until the youngest child turns 18. The fixed term applies to surviving spouses born in 1975 or thereafter. Surviving spouse's pensions granted before the entry into force of the reform will not change.
- It has been proposed that the administrative cost component included in the earnings-related pension insurance contribution be determined on a company-specific basis starting in 2023. The change will improve the transparency and clarity of insurance management costs.
- A change has been proposed for the provisions concerning earnings-related pension financing, which would enable downward flexibility in old-age pension liabilities, and thus better investment returns in an exceptionally weak investment market situation.
- The Ministry of Social Affairs and Health's working group evaluating the need to reform pension legislation concerning self-employed persons focussed during the start of the year on possible changes proposed for the regulation of self-employed persons' YEL income. The goal is for a self-employed person's YEL income to correspond more closely to the value of the entrepreneur's work input, both at the start of the self-employment and when the activities continue.



# ILMARINEN

For a better working life

[Ilmarinen.fi](https://ilmarinen.fi)

