



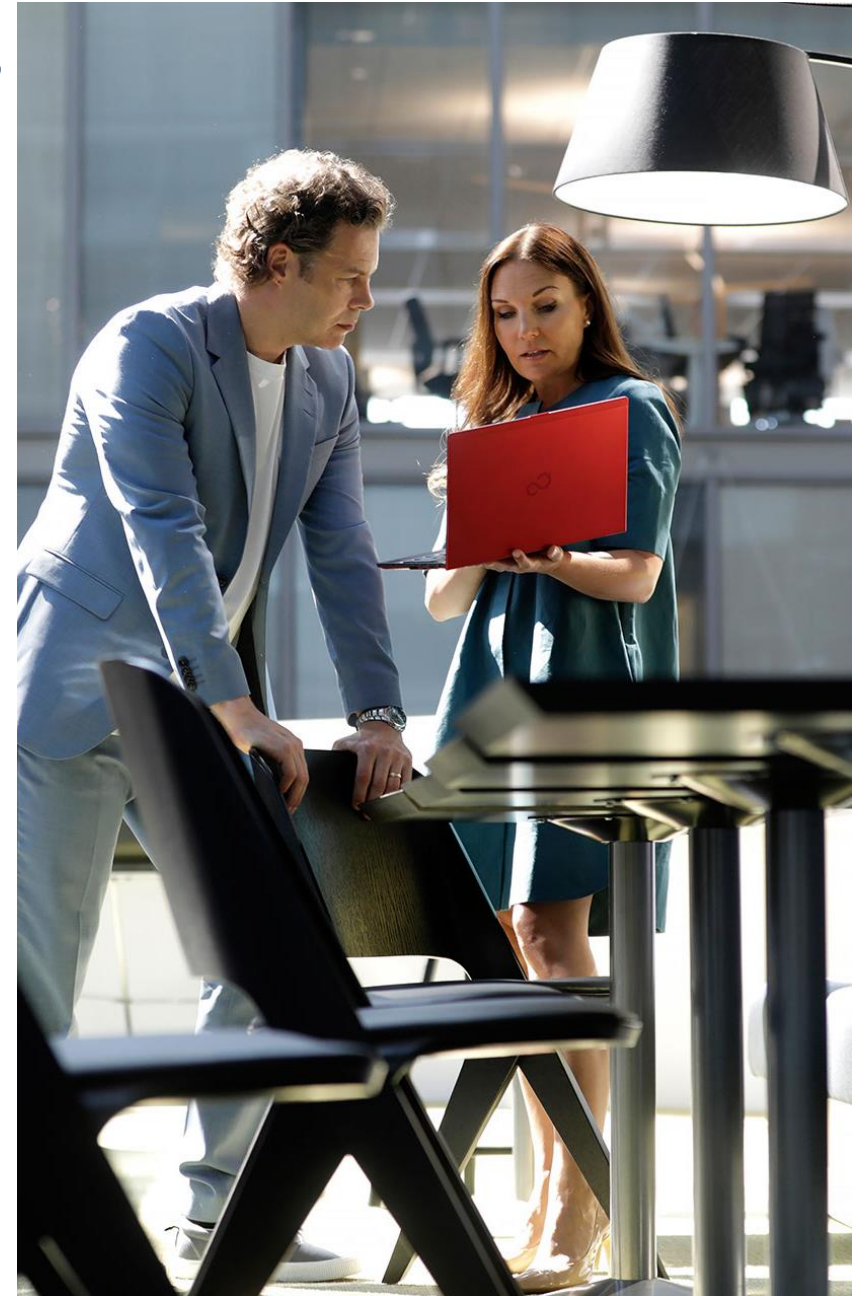
# Security for your pension

Ilmarinen's Interim Report  
January–March 2023





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# Positive return on investments, premiums written grew and cost-effectiveness improved further

- The return on Ilmarinen's investment portfolio was +2.2 (-2.2 per cent), i.e. EUR 1.3 billion positive, as a result of stock price development and falling interest rates. The market value of investments grew to EUR 57.5 (56.3) billion.
- Thanks to the good performance of investment activities, the total result for January–March grew to EUR 0.4 (-1.3) billion.
- Premiums written grew by 7 per cent to EUR 1.66 (1.56) billion. EUR 1.75 (1.63) billion was paid in pensions.
- Net customer acquisition was EUR 70 (55) million and customer retention was 97.1 (97.2) per cent.
- Operating expenses financed using loading income decreased by three per cent to EUR 25 (26) million and were 0.37 (0.40) per cent of the TyEL payroll and YEL income of the insured.
- Solvency capital was EUR 12.2 (11.8) billion and the solvency ratio was 126.3 (125.8) per cent.



# Key figures January–March 2023

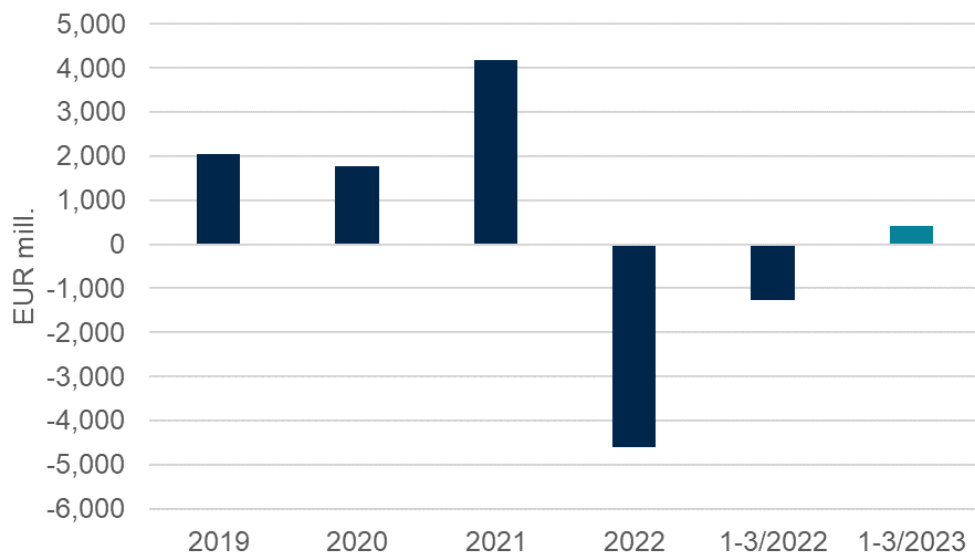
Premiums written	Operating expenses financed using loading income	Return on investments	Solvency ratio
<b>1.66</b> (1.56) € bn	<b>25</b> (26) € mill.	<b>2.2</b> (-2.2) %	<b>126.3</b> (125.8) %
			
<b>1.75</b> (1.63) € bn	<b>0.37</b> (0.40) %	<b>57.5</b> (56.3) € bn	<b>12.2</b> (11.8) € bn
Pensions paid	Operating expenses financed using loading income, % of payroll <sup>*)</sup>	Investment assets	Solvency capital

<sup>\*)</sup> Payroll is the sum of TyEL payroll and YEL income.

The result comparison figures are the figures for the corresponding period of 2022. The comparison figures for the balance sheet and other cross-sectional items are the figures for the end of 2022.

# Total result for January–March was EUR 0.4 bn thanks to positive return on investments

Total financial result, € mill.



Sources of profit, € mill.

Result analysis, EUR mill.	1 Jan– 31 March 2023	1 Jan– 31 March 2022	1 Jan– 31 Dec 2022
Underwriting result	3	20	132
Return on investments at fair value	403	-1,299	-4,801
+ Net return on investments at fair value	1,252	-1,352	-4,009
- Return requirement on technical provisions	-849	53	-792
Loading profit	1	12	58
Other profit	0	0	18
<b>Total result</b>	<b>407</b>	<b>-1,267</b>	<b>-4,592</b>

\*) As of 2023, a company-specific expense loading rate is applied to TyEL insurance, due to which the loading profit will be close to zero going forward.



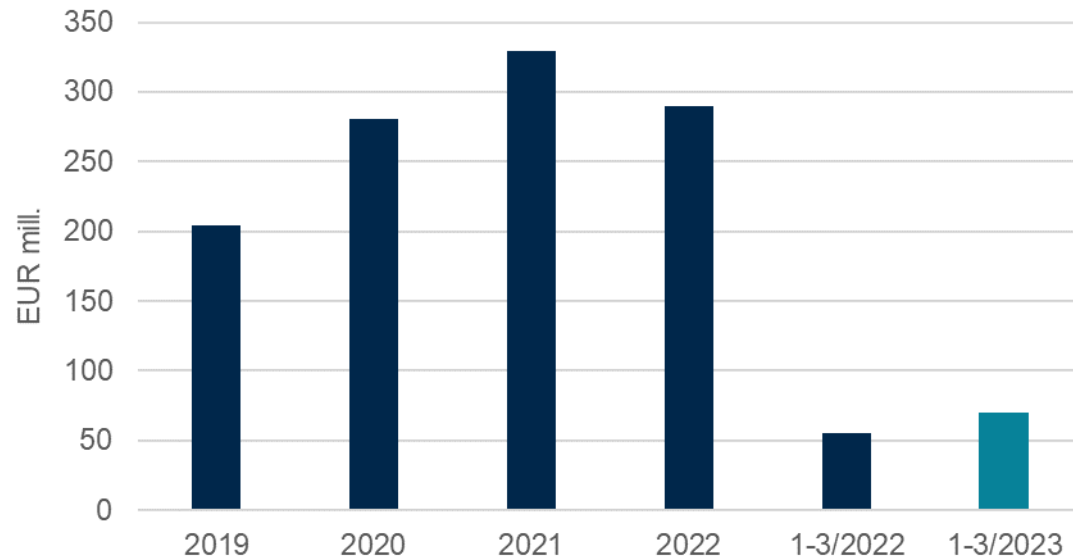
# Pension security for you

Insurance and pensions

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# Net customer acquisition for Q1 was EUR 70 million, customer retention was 97.1%

Net customer acquisition 2019–2023, € mill.

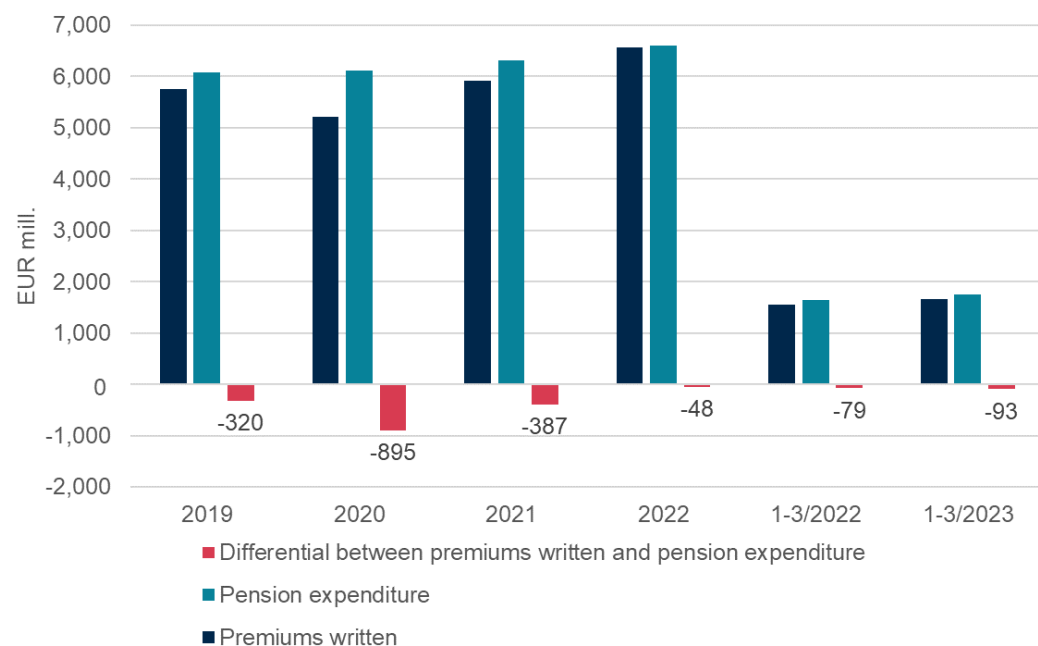


Net customer acquisition, € mill.

EUR mill.	1–3/2023	1–3/2022	2022
Net customer acquisition	70	55	290
Sales of new insurance	70	38	251
Net transfer of insurance	1	17	40
Customer retention, % of premiums written	97.1	97.2	96.7

# Premiums written grew to EUR 1.7 billion and were EUR 93 million less than pension expenditure

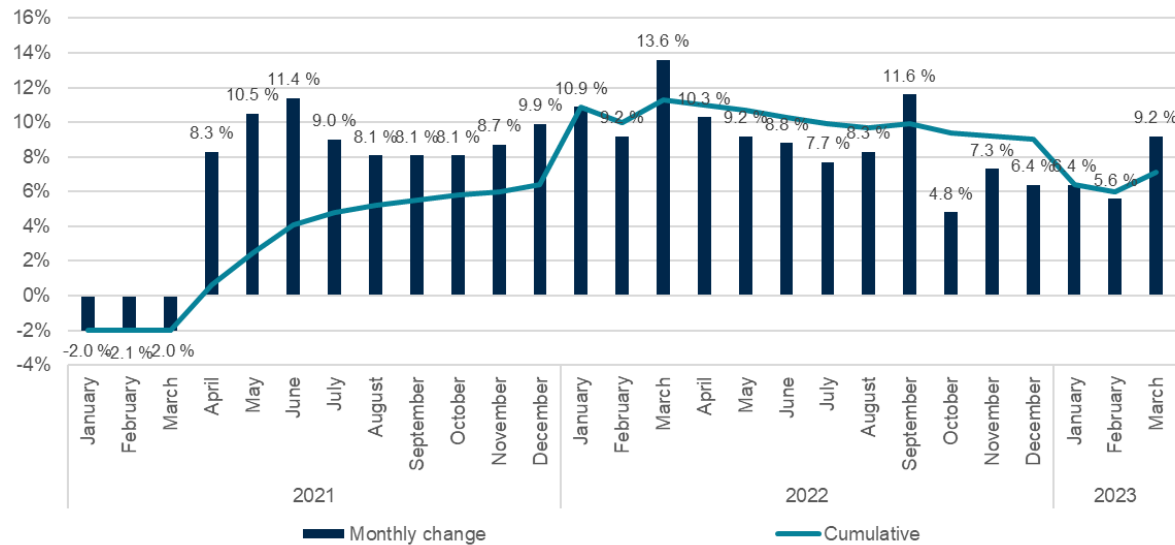
## Premiums written and pension expenditure January–March 2023



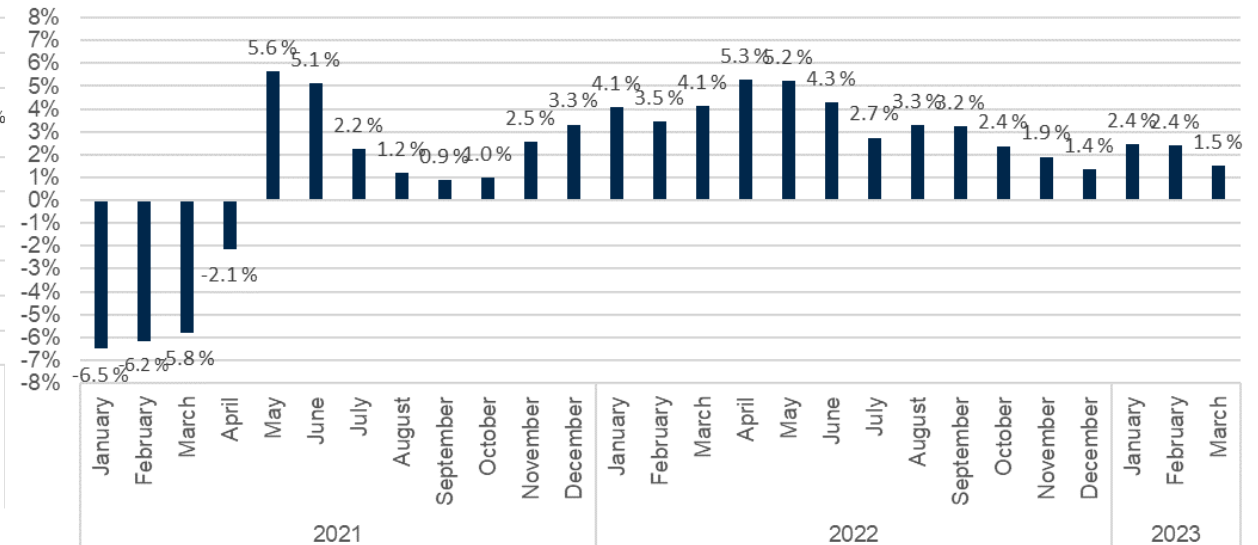
EUR mill.	1-3/2023	1-3/2022	2022	2021	2020	2019
Premiums written TyEL	1,540	1,437	6,164	5,534	4,833	5,364
Premiums written YEL	120	119	394	388	388	394
<b>Total premiums written</b>	<b>1,660</b>	<b>1,556</b>	<b>6,558</b>	<b>5,922</b>	<b>5,220</b>	<b>5,758</b>
Pensions paid TyEL	1,626	1,510	6,189	5,902	5,701	5,673
Pensions paid YEL	128	125	417	407	415	405
<b>Pension expenditure, total</b>	<b>1,754</b>	<b>1,635</b>	<b>6,606</b>	<b>6,309</b>	<b>6,116</b>	<b>6,078</b>

# Customers' payroll grew 7.1 per cent in Q1 and the number of employees' grew 2.1 per cent

## Change in payroll of Ilmarinen's customers from previous year



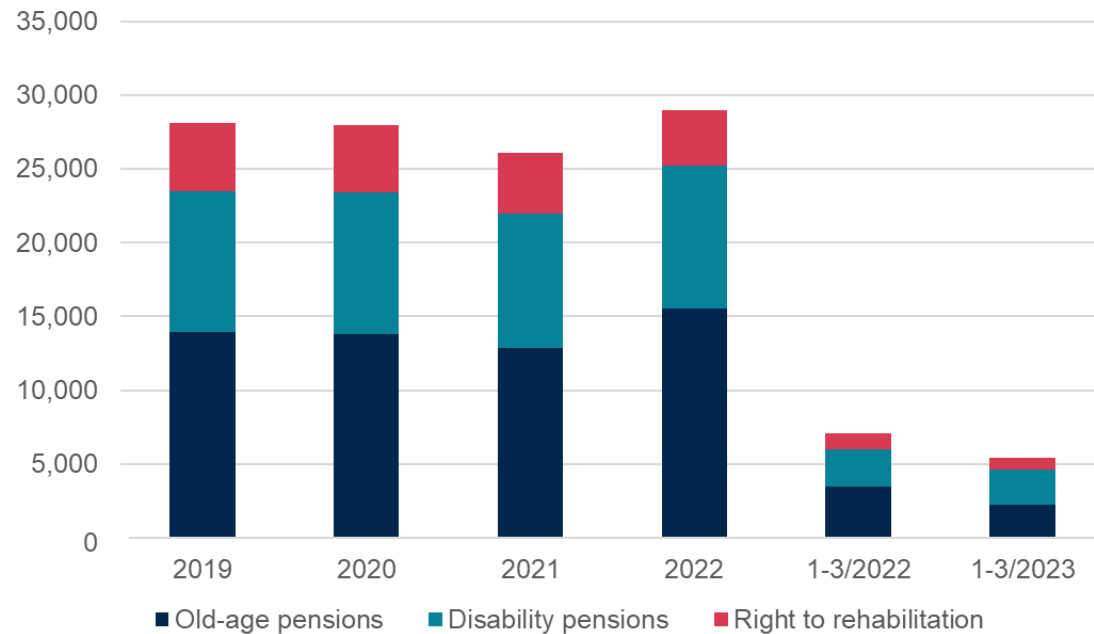
## Change in number of employees in Ilmarinen's business cycle index



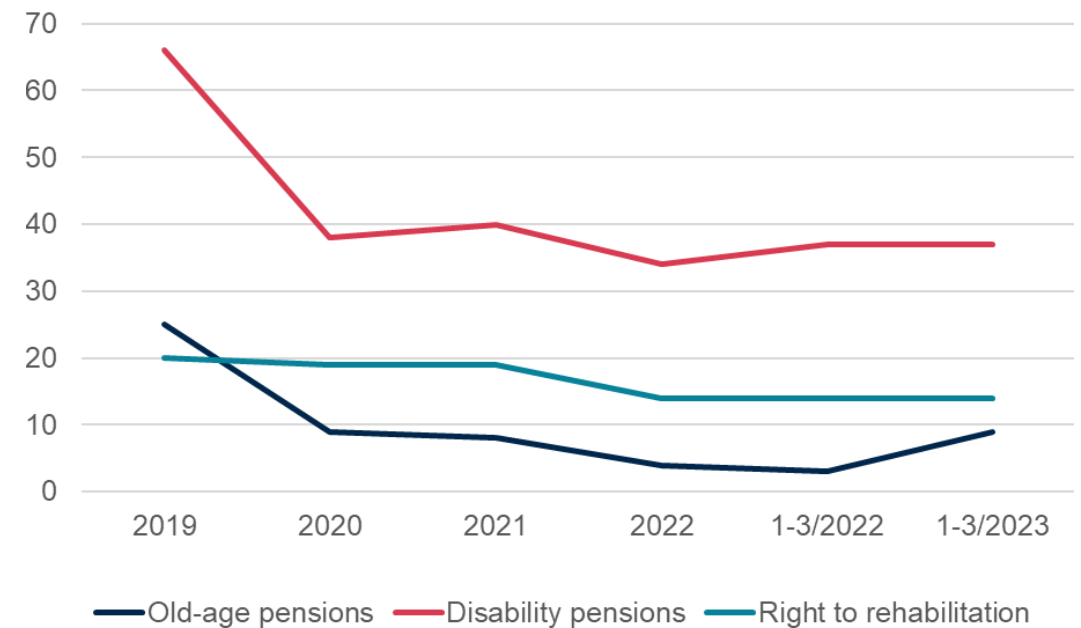


# In January–March 1,678 fewer new pension decisions were made compared to the previous year, old-age pension decisions were issued within 9 days

## Number of pension decisions\*



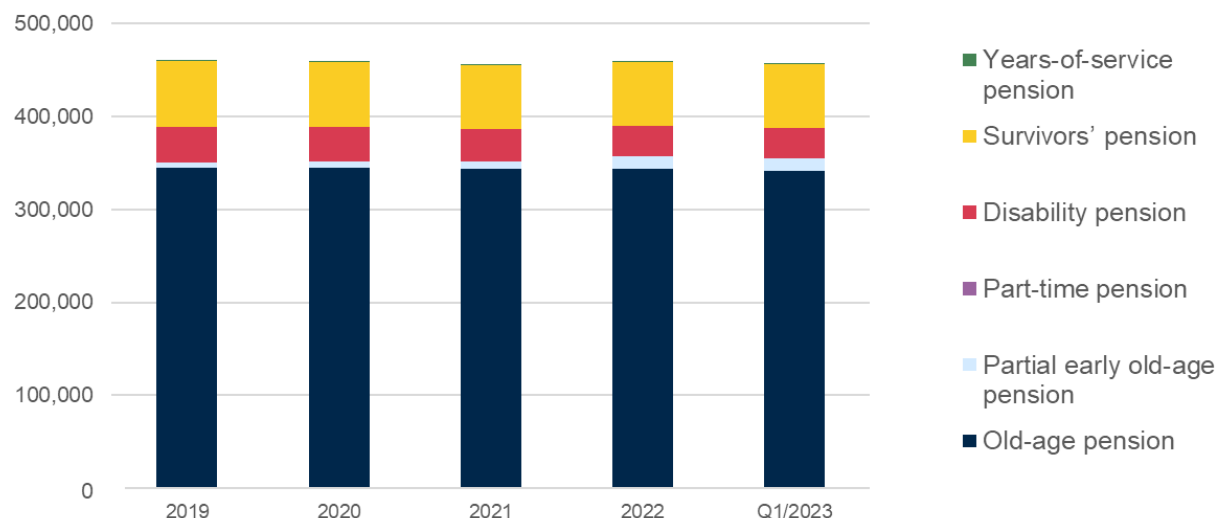
## Average application processing time, days



\* The figure does not include new decisions on partial early old-age pensions, year-of-service pensions and survivors' pensions (2,459).

# The number of pension recipients grew by ca. 1,500, the number of people on disability pension decreased by 1,273

## Ilmarinen's pension recipients



We paid EUR 1.75 billion in pensions to 456,120 pensioners



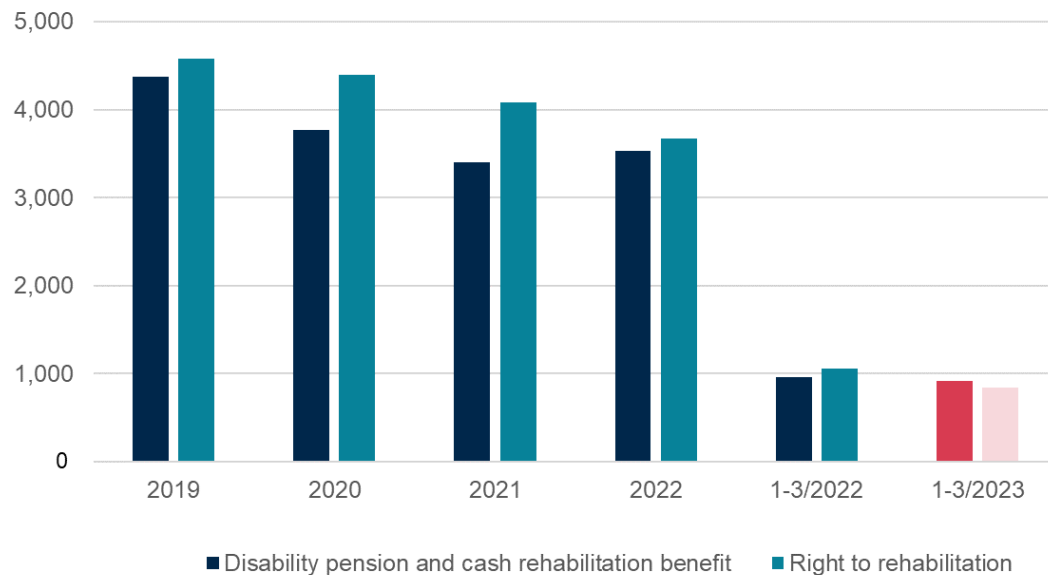
# A Better Working Life

Work ability risk  
management and  
rehabilitation

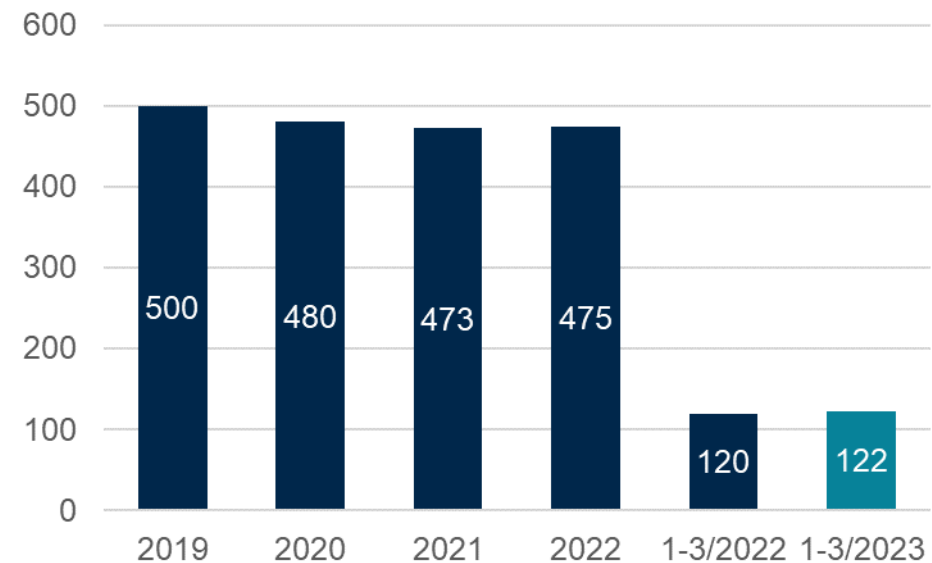
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# 916 persons transitioned on a disability pension or cash rehabilitation benefit, which is 4 per cent less than in the previous year. Disability pension expenditure rose by EUR 2 million from the previous year.

## Rehabilitation and persons retired on disability pension

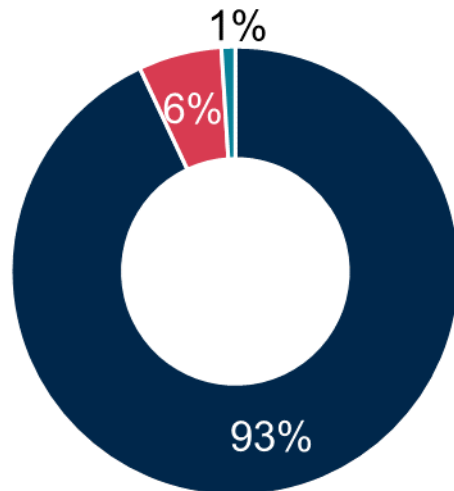


## Disability pension expenditure, EUR mill.



# Work ability projects numbered 540 and covered 98,212 employees

Work ability project themes and customer satisfaction in January–March 2023



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

**Work ability services'**  
**NPS 80**  
**(1–3/2023)**



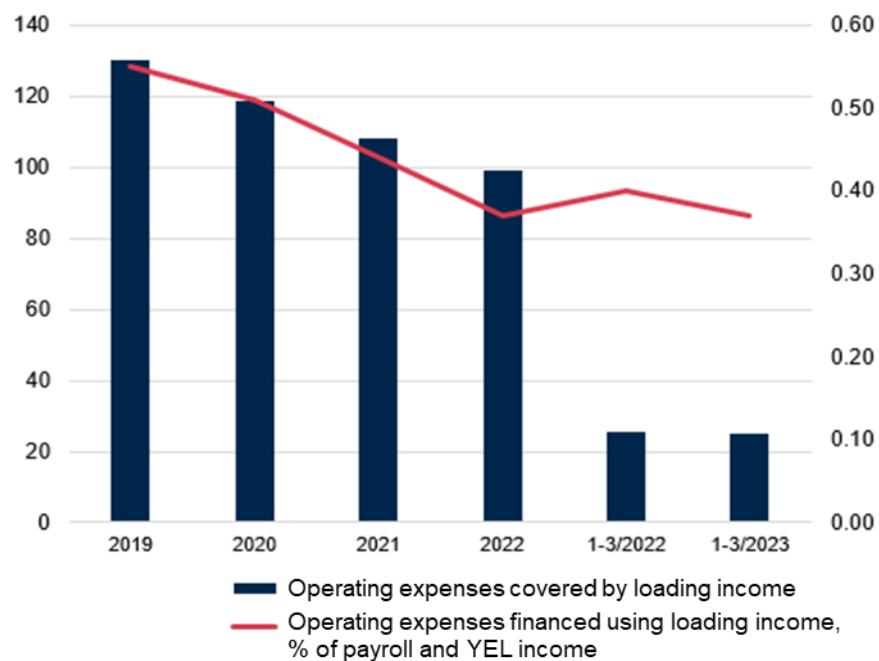
# Cost-effective operations

Operating expenses and personnel

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# Operating expenses financed using loading income decreased 3 per cent to EUR 25 mill. and were 0.37% of payroll

Loading profit, ratio of operating expenses to expense loading components and total operating expenses 2019–2023 \*) \*\*)



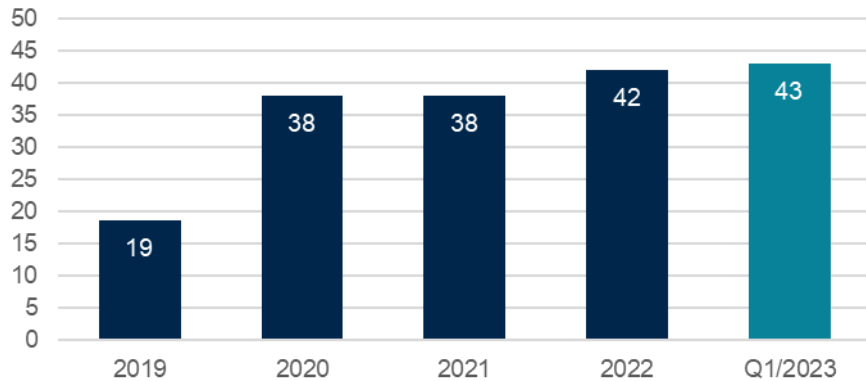
EUR mill.	1-3/2023	1-3/2022	2022	2021	2020	2019
Total operating expenses	38	37	151	157	158	175
Operating expenses covered by loading income	25	26	99	108	119	130
Operating expenses financed using loading income, % of payroll**)	0.37	0.40	0.37	0.44	0.51	0.55
Operating expenses financed using loading income per pensioners and insured, EUR	22	23	87	96	109	114

\*) Operating expenses and operating expenses financed using loading income are presented above without the one-time write-down of EUR 18.2 million for intangible assets made in the financial statements for 2021

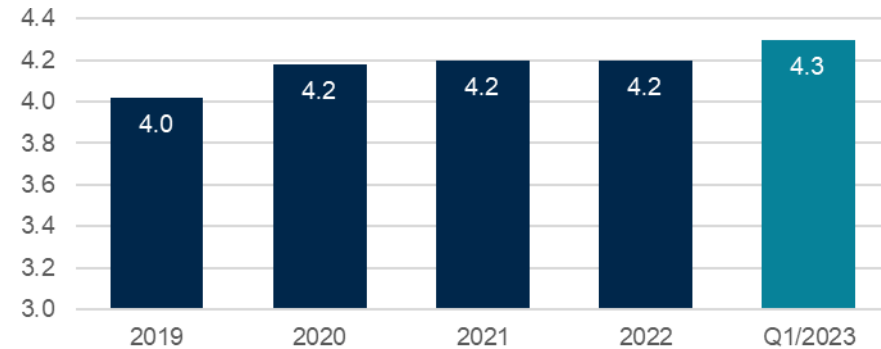
\*\*) The payroll is the sum of TyEL payroll and YEL income

# Personnel's work energy is excellent at 4.3, number of absences due to illness is declining

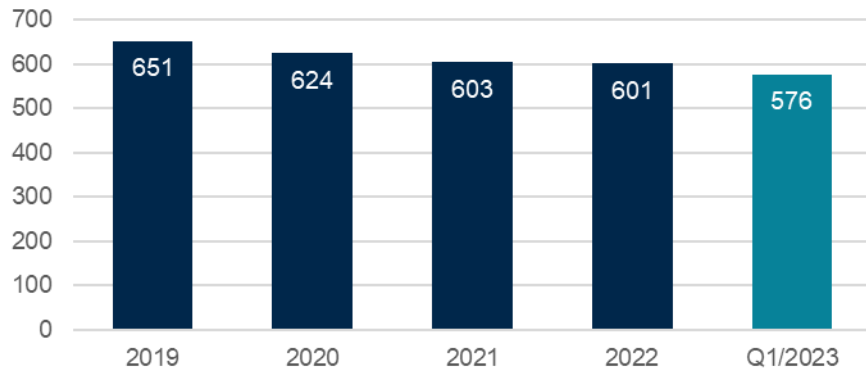
### Employee Net Promoter Score (eNPS)



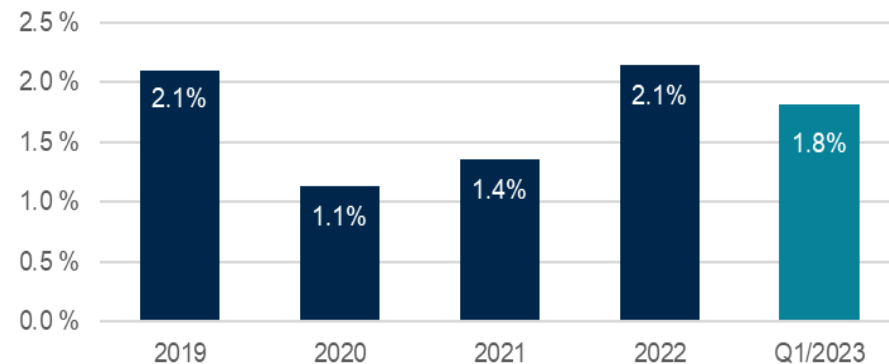
### Personnel's average work energy (1–5)



### Average number of employees (person years)



### Lost time due to sick leave







**Profitably,  
securely and  
responsibly**

Investment activities

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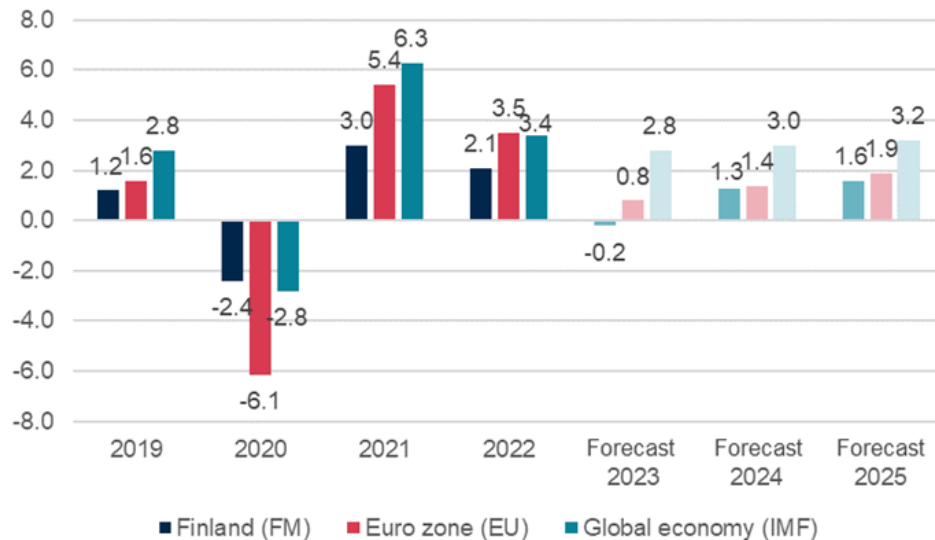
# Key observations about the operating environment

- The global economic growth outlook is muted due to high inflation and the central banks' tightened monetary policy.
- Isolated problems were seen in the banking sector, with Silicon Valley Bank collapsing and Credit Suisse being taken over by UBS.
- The tightening of monetary policy and the problems in the banking sector have increased concerns over economic growth, and the rising interest rates are causing challenges for many sectors that use a lot of debt, such as the real estate sector.
- The US equity markets (S&P 500 index) rose in January–March by around 7.5 per cent, and the broad European stock index (Stoxx Europe 600) rose by 8.5 per cent. The rise in the Finnish equity market was more moderate, at around two per cent.
- The short-term two-year interest rates fell in the USA, whereas in the euro zone, interest rates changed very little in the end. The yield curves in the fixed income markets have remained inverted in both US and euro zone government bonds.

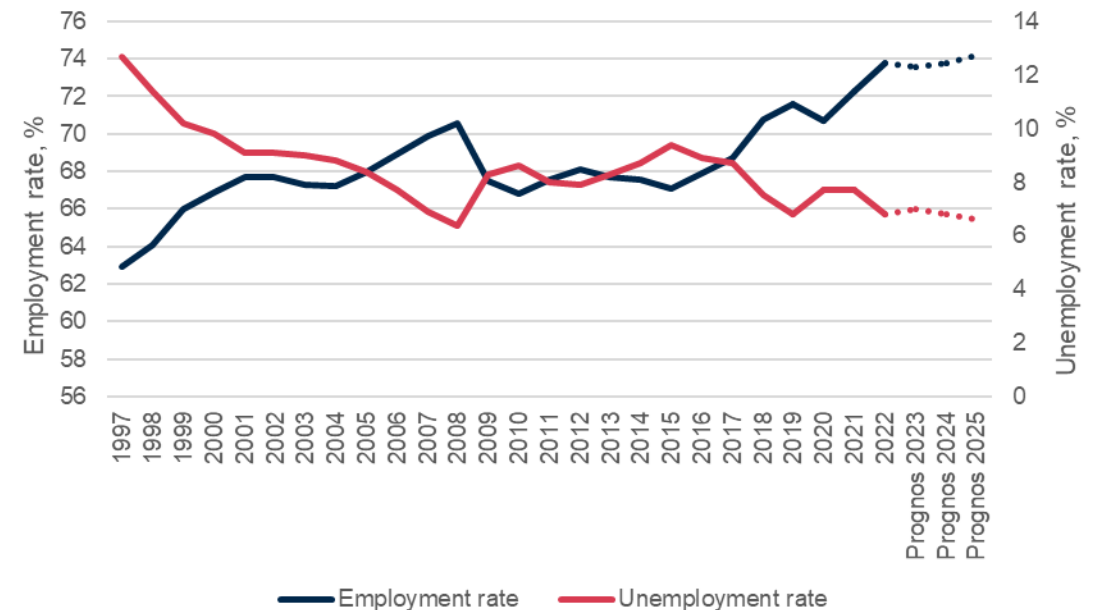


# Economic growth forecasts have been cut during the beginning of the year. The global growth forecast is 2.8 per cent for 2023, Finland's growth forecast is -0.2 per cent.

GDP development, %



Development of Finland's employment and unemployment rates, %



Sources: Statistics Finland, Ministry of Finance (forecast 23 March 2023), IMF (forecast 4/2023)

# Inflation has slowed during Q1 but core inflation in particular is still high

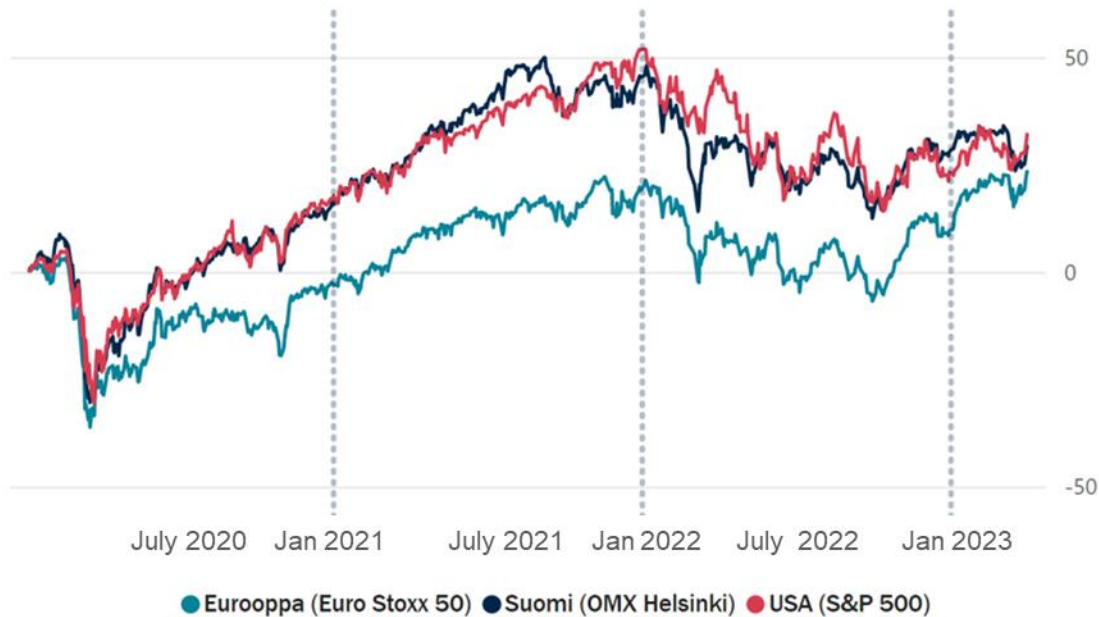
## Year-on-year change in consumer prices



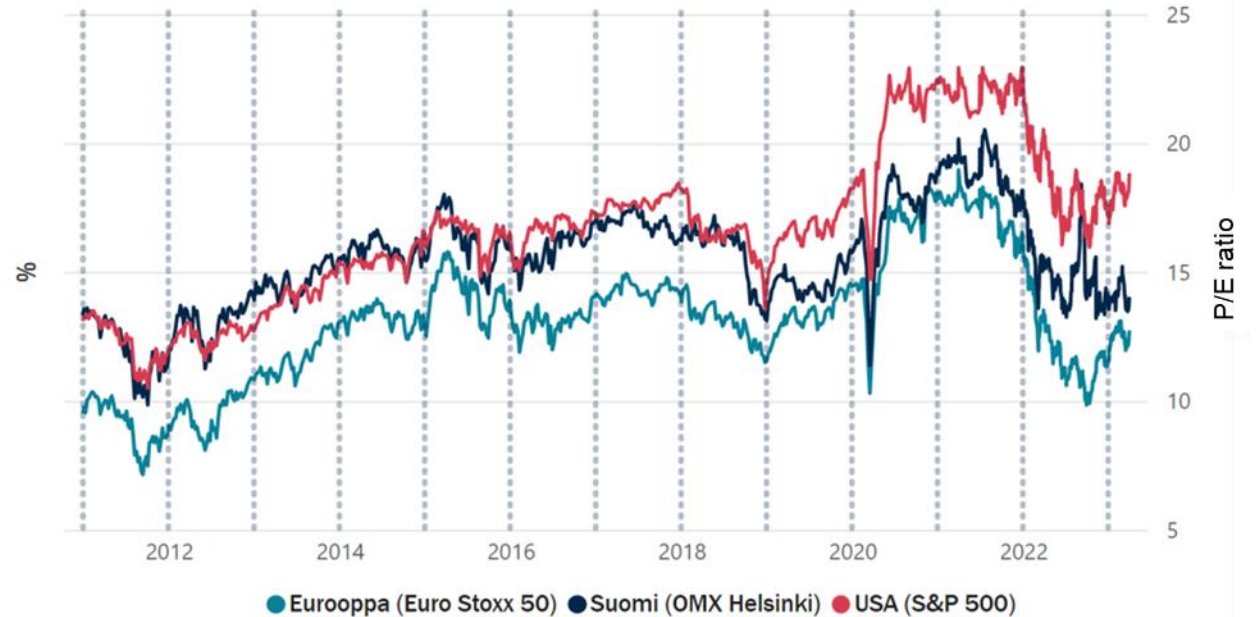
- In the USA, inflation was 5% in March, in the euro zone 7% (forecast) and in Finland 8%.
- Inflation has slowed during the early part of the year as the impact of the rapid rise in energy prices seen in the previous year has gradually diminished. Core inflation, which means inflation less energy and food prices, has turned out to be persistently high, however.
- In Finland, consumer confidence improved in the early part of the year but continues to be very weak in relation to the long-term average.

# Capital market performance was varied during the first quarter, but positive overall, and stock prices rose.

## Equity market performance



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



**The yield curves in the fixed income markets have remained inverted in both US and euro zone government bonds. Credit spreads were more or less on a par with the level at the beginning of the year.**

Development of interest rates

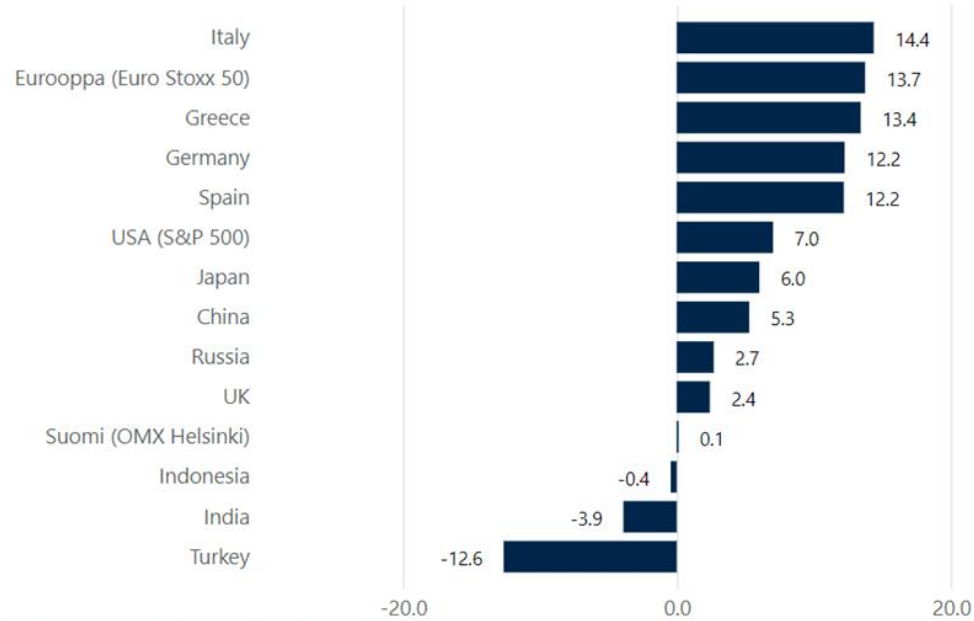


Development of credit spreads

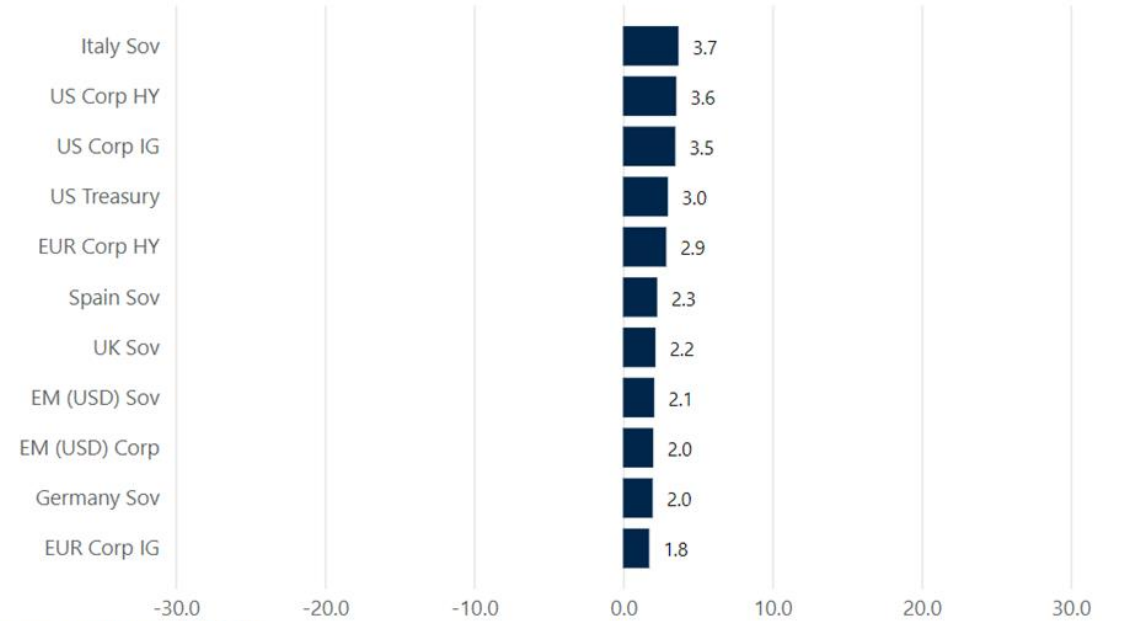


# Market development (per 31 March 2023)

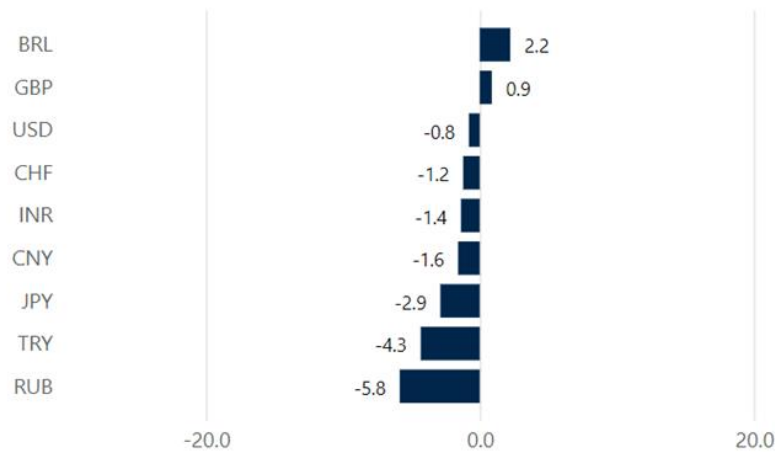
## Equity market YTD %



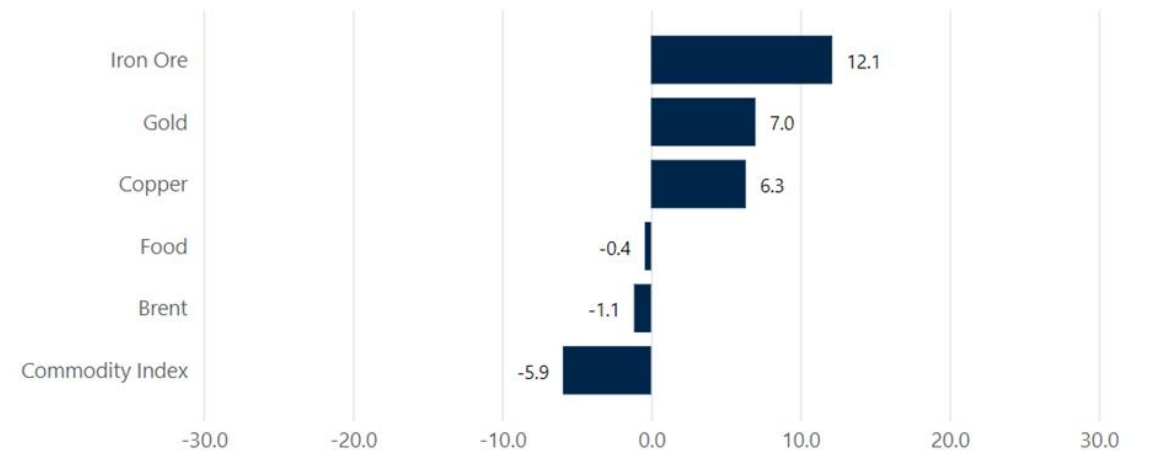
## Fixed income YTD %



## Currency against the euro YTD %

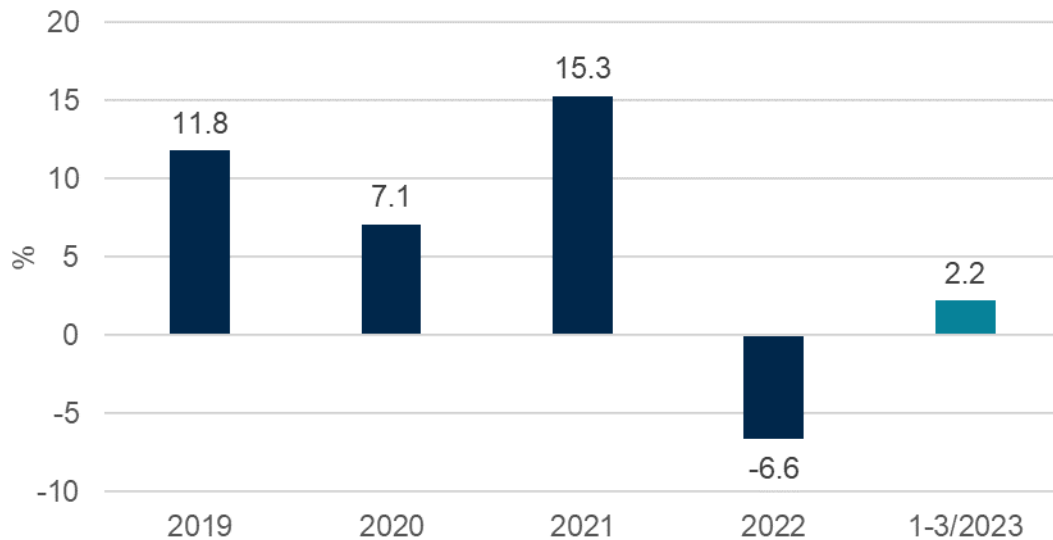


## Commodities YTD %



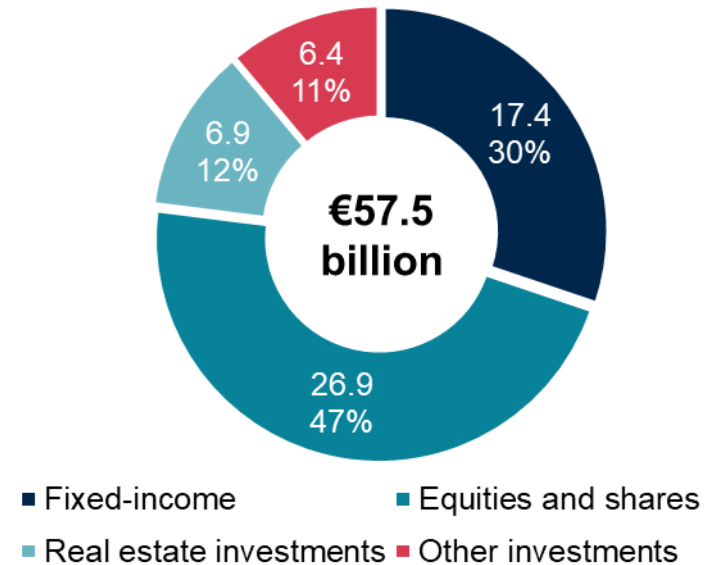
# The return on the investment portfolio rose to 2.2 per cent, i.e. EUR 1.3 billion

## Return on investments



Average nominal return on investments over five years 5.4% and real return 2.0%

## Breakdown of investments, 31 March 2023



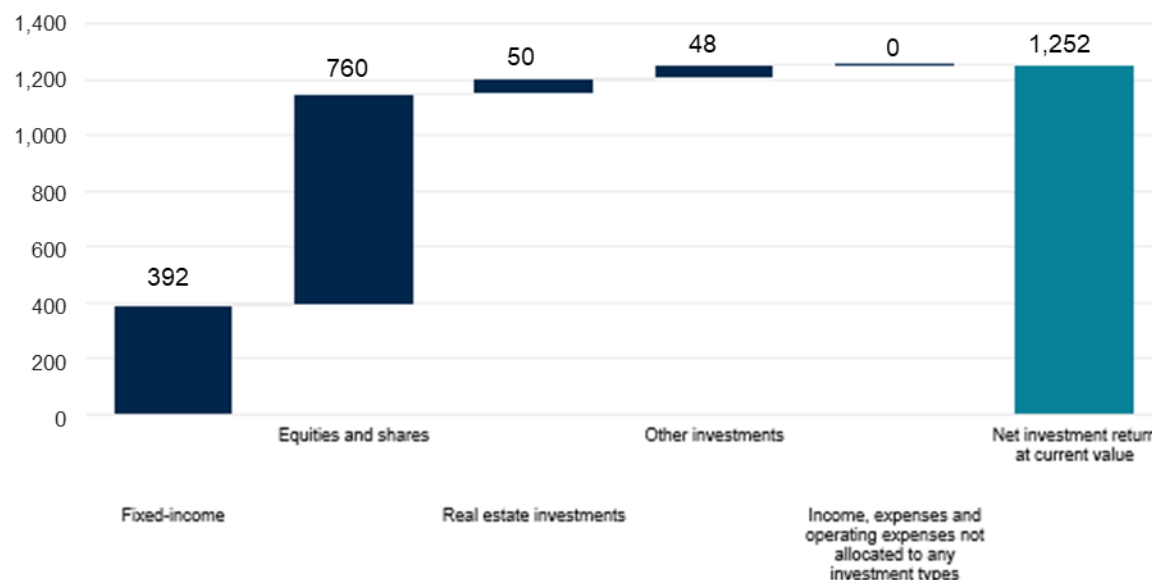


# The return on Ilmarinen's investment portfolio was positive as a result of stock price development and falling interest rates

Return January–March, %

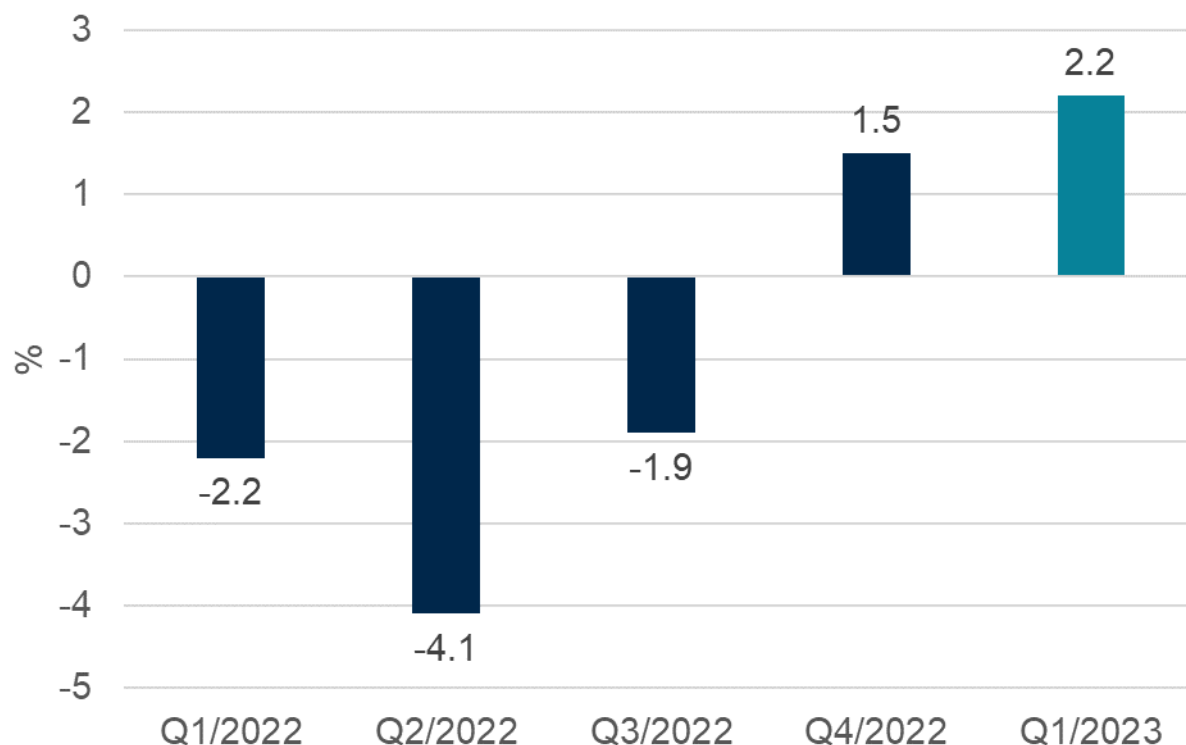
Return by type	1–3/2023	1–3/2022	2022
Return on investments	2.2	-2.2	-6.6
Fixed income	2.3	-1.7	-5.2
Equities and shares	2.9	-3.5	-10.2
Real estate	0.8	0.6	1.3
Other investments	0.8	-0.5	-1.1

Return by type of investment, € mill.



Long-term return on investments (since 1997):  
nominal return 5.8% and real return 3.8%

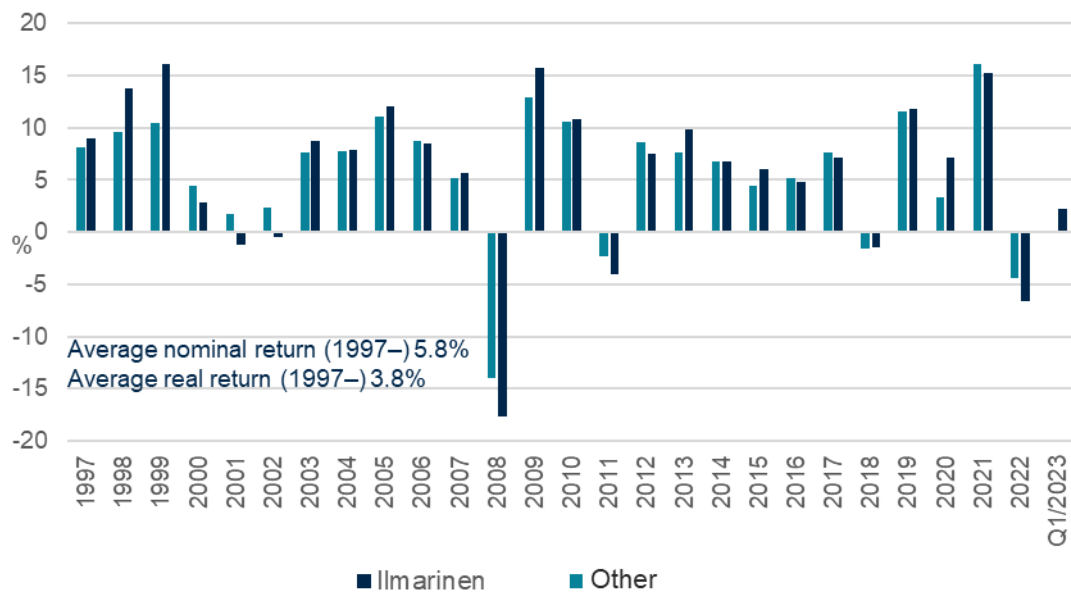
## The return on investments in Q1 was 2.2 per cent, i.e. EUR 1.3 billion positive



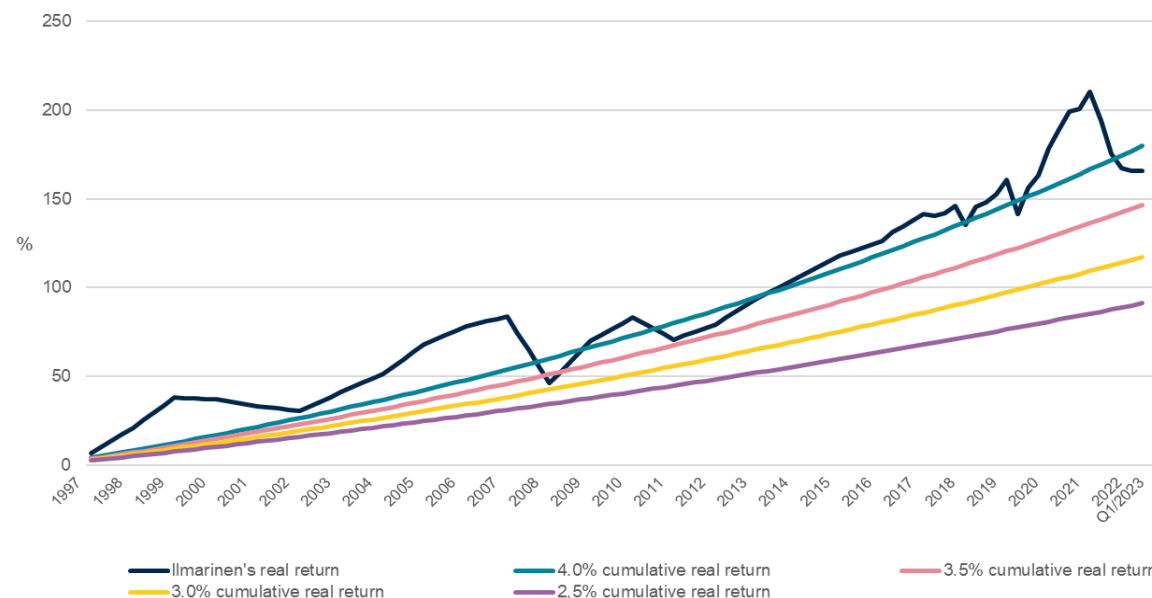
Capital market performance was varied during the first quarter, but positive overall, and stock prices rose. The US equity markets rose in January–March by around 7.5 per cent, and the broad European stock index rose by 8.5 per cent.

# The long-term average nominal return was 5.8 per cent per annum, or 3.8 per cent in real terms

## Net return on investments at current value

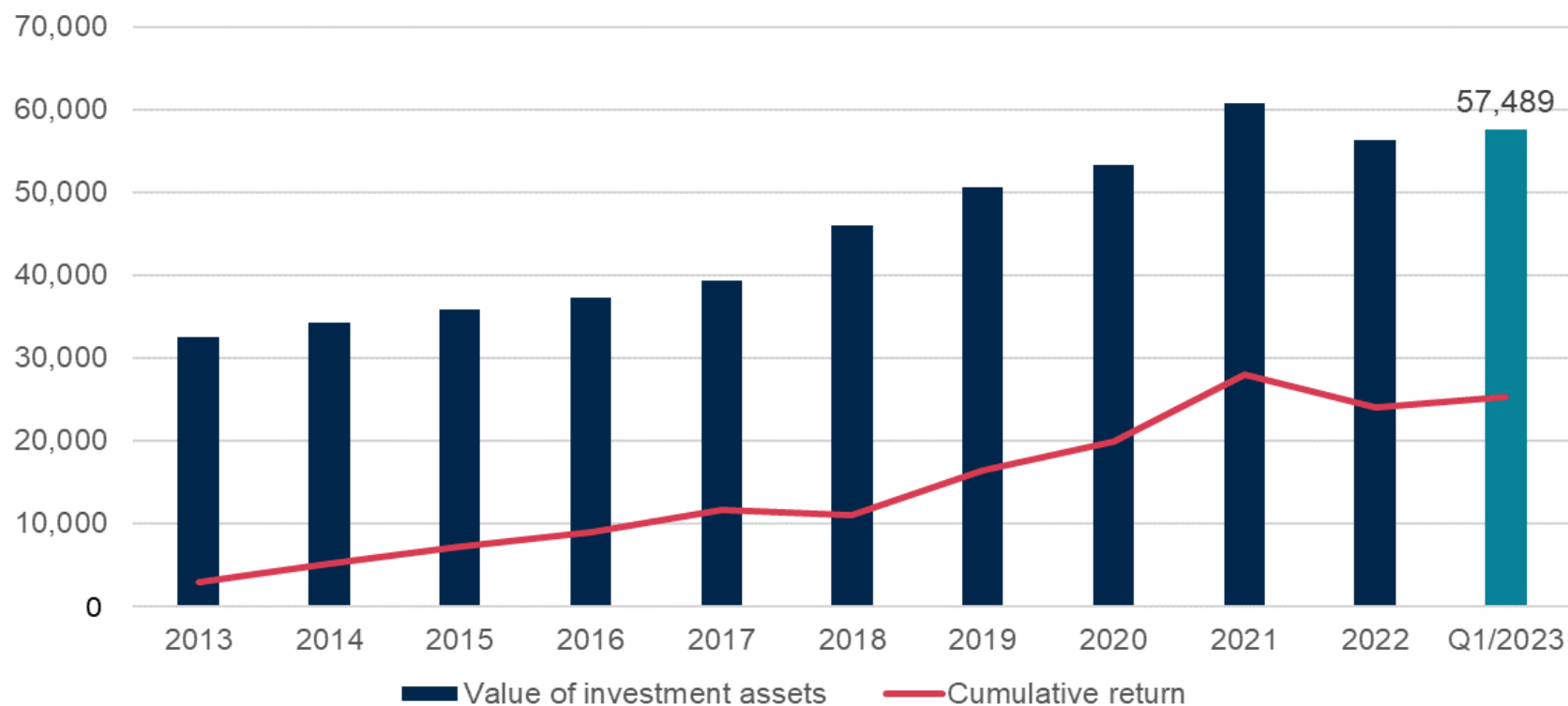


## Cumulative net return on investments 1997–31 March 2023



# Value of investments EUR 57.5 billion, cumulative return on investments from start of 2013, EUR 24 billion

Value of investments and cumulative return 2013–31 March 2023, € bn

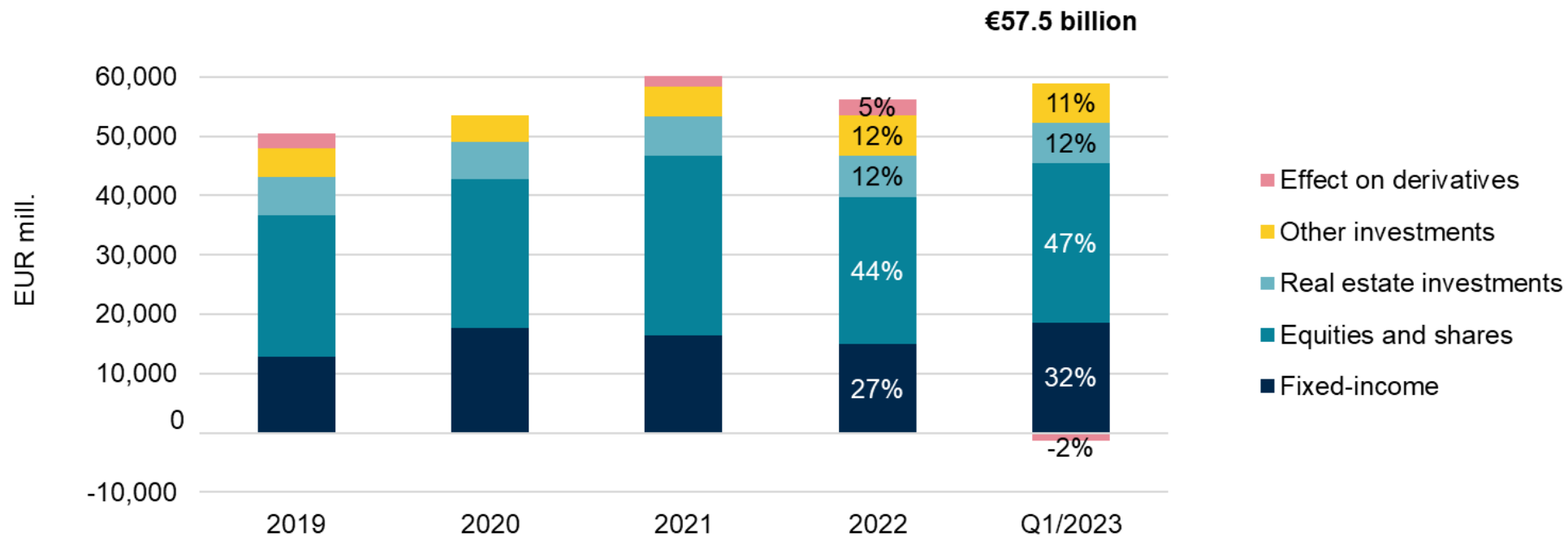


# Long-term return remains at a good level

Average return of different markets:

%	Ilmarinen	Finnish equities and shares	European equities and shares	Euro government bonds	Euro corporate bonds
Q1/2023	2.2	2.1	8.4	2.4	1.7
2022	-6.6	-12.7	-10.6	-18.4	-14.2
Average return over 5 years	5.4	7.7	7.0	-2.1	-1.3
Average return over 10 years	5.9	11.5	7.3	1.0	0.9
Average return over 20 years	5.6	11.4	7.8	2.7	2.8
Average return since 1997	5.8	9.7	6.5	3.6	3.6
Real average return over 5 years	2.0	4.3	3.5	-5.2	-4.5
Real average return over 10 years	3.9	9.4	5.3	-0.9	-1.0
Real average return over 20 years	3.7	9.3	5.8	0.9	1.0
Real average return since 1997	3.8	7.7	4.5	1.7	1.6

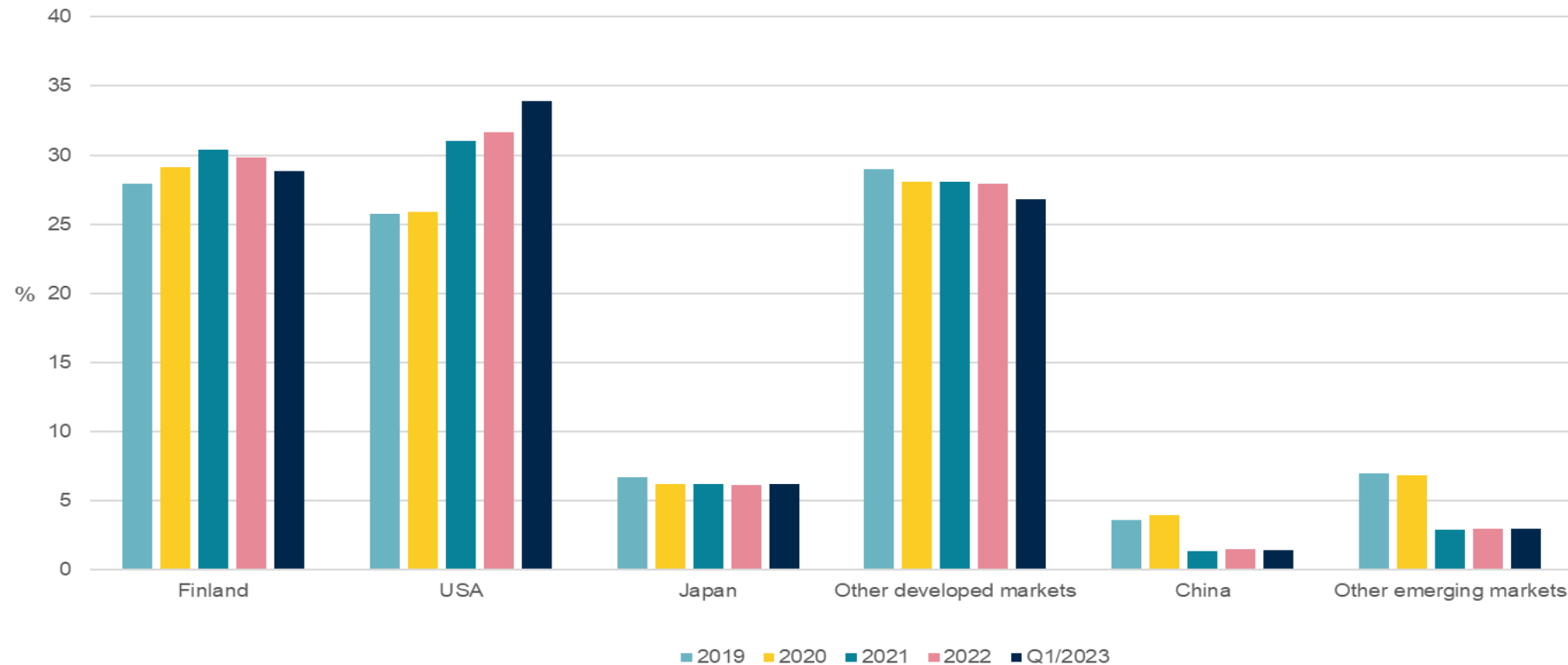
# In the investment allocation, the share of equity investments rose to 47% and the share of fixed income investments rose to 32%



# Share of Finnish listed equity investments

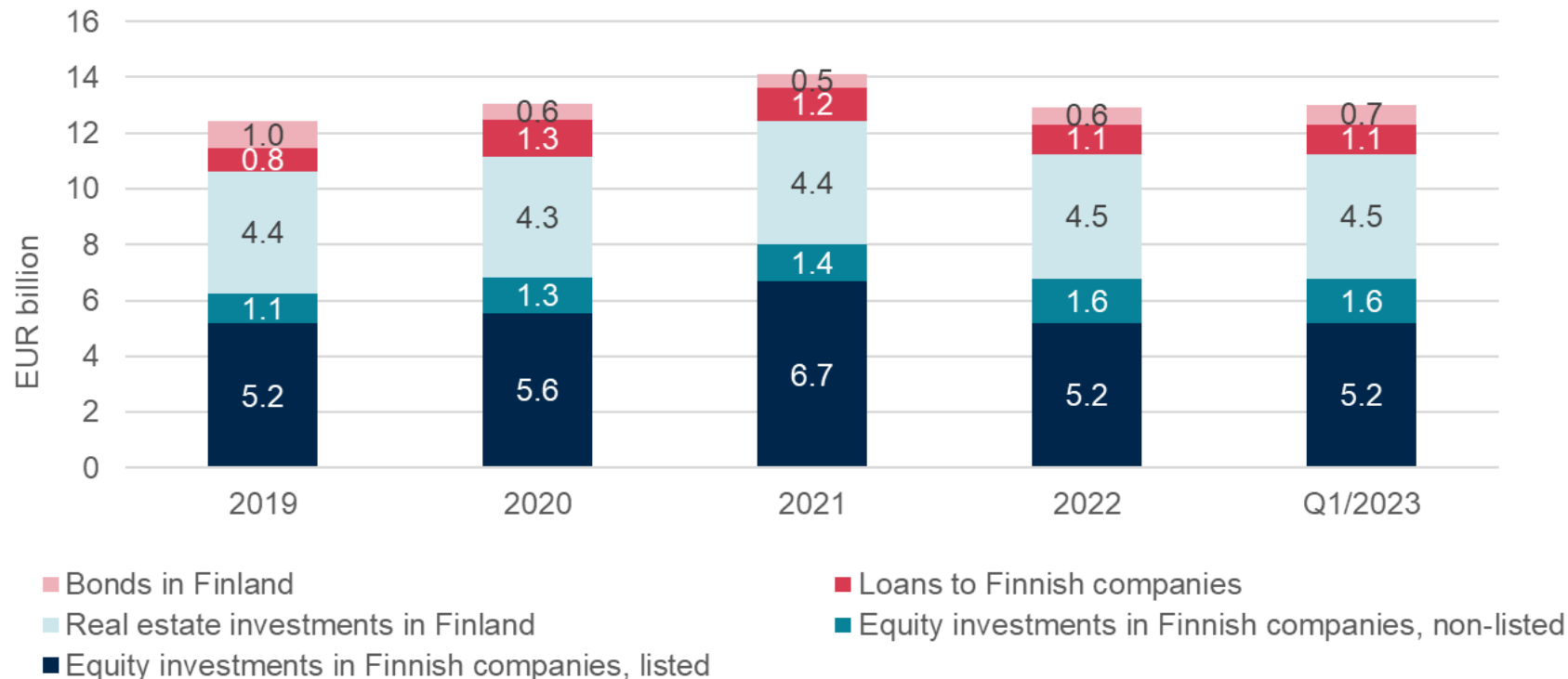
## 29 per cent

### Geographical breakdown of listed equities



# Ilmarinen's investments in Finland were EUR 13.0 billion, i.e. 23 per cent of the investment portfolio

Investments in Finland 2019–31 March 2023, € bn





# Holdings in Finnish publicly quoted companies

## EUR 5.2 bn

### Largest Finnish listed equity holdings

	EUR mill.	31 March 2023	31 Dec 2022
↑	Neste Corporation	336	285
↑	Nokia Corporation	324	286
↑	Fortum Corporation	293	275
↓	Kesko Plc	289	297
↓	Sampo Plc	285	310
↓	Kone Corporation	281	286
↓	Nordea Bank Abp	265	306
↓	UPM-Kymmene Corporation	259	289
↑	Elisa Corporation	251	201
↓	Metso Outotec Oyj	229	236

	Percentage	31 March 2023	31 Dec 2022
	Nurminen Logistics Plc	14.9	14.9
	SRV Group Plc	11.4	11.4
↓	Digia Plc	10.6	12.5
	Administer Plc	8.7	8.7
	Solteq plc	8.5	8.5
	Kojamo Plc	8.3	8.3
	Citycon Oyj	7.6	7.6
	Siili Solutions Plc	7.4	7.4
	Glaston Corporation	7.3	7.3
	Panostaja Oyj	6.9	6.9

# Summary of return on investments for January–March

	Basic breakdown		Risk breakdown		Return	Volatility
	EUR mill.	%	EUR mill.	%	%	
<b>Fixed-income investments</b>	<b>17,355</b>	<b>30.2</b>	<b>18,608</b>	<b>32.4</b>	<b>2.3</b>	
Loan receivables	1,775	3.1	1,775	3.1	1.1	
Bonds	14,759	25.7	18,287	31.8	2.5	5.7
Public corporation bonds	5,881	10.2	5,728	10.0	2.1	
Other bonds	8,878	15.4	12,559	21.8	2.8	
Other money market instruments and deposits(ir	821	1.4	-1,453	-2.5	1.4	
<b>Equities and shares</b>	<b>26,905</b>	<b>46.8</b>	<b>26,820</b>	<b>46.7</b>	<b>2.9</b>	
Listed equities and shares	17,991	31.3	17,907	31.1	4.3	14.5
Private equity investments	7,433	12.9	7,433	12.9	-0.2	
Non-listed equities and shares	1,481	2.6	1,481	2.6	1.8	
<b>Real estate investments</b>	<b>6,850</b>	<b>11.9</b>	<b>6,879</b>	<b>12.0</b>	<b>0.8</b>	
Real estate investments	6,135	10.7	6,164	10.7	0.8	
Real estate funds and joint investments	715	1.2	715	1.2	0.2	
<b>Other</b>	<b>6,380</b>	<b>11.1</b>	<b>6,519</b>	<b>11.3</b>	<b>0.8</b>	
Hedge fund investments	4,843	8.4	4,843	8.4	0.5	7.1
Commodity investments	12	0.0	94	0.2	-	
Other investments	1,525	2.7	1,582	2.8	1.4	
<b>Investments total</b>	<b>57,489</b>	<b>100.0</b>	<b>58,826</b>	<b>102.3</b>	<b>2.2</b>	<b>5.7</b>
Effect of derivatives	0		-1,337	-2.3		
<b>Investments at current value</b>	<b>57,489</b>		<b>57,489</b>	<b>100.0</b>		

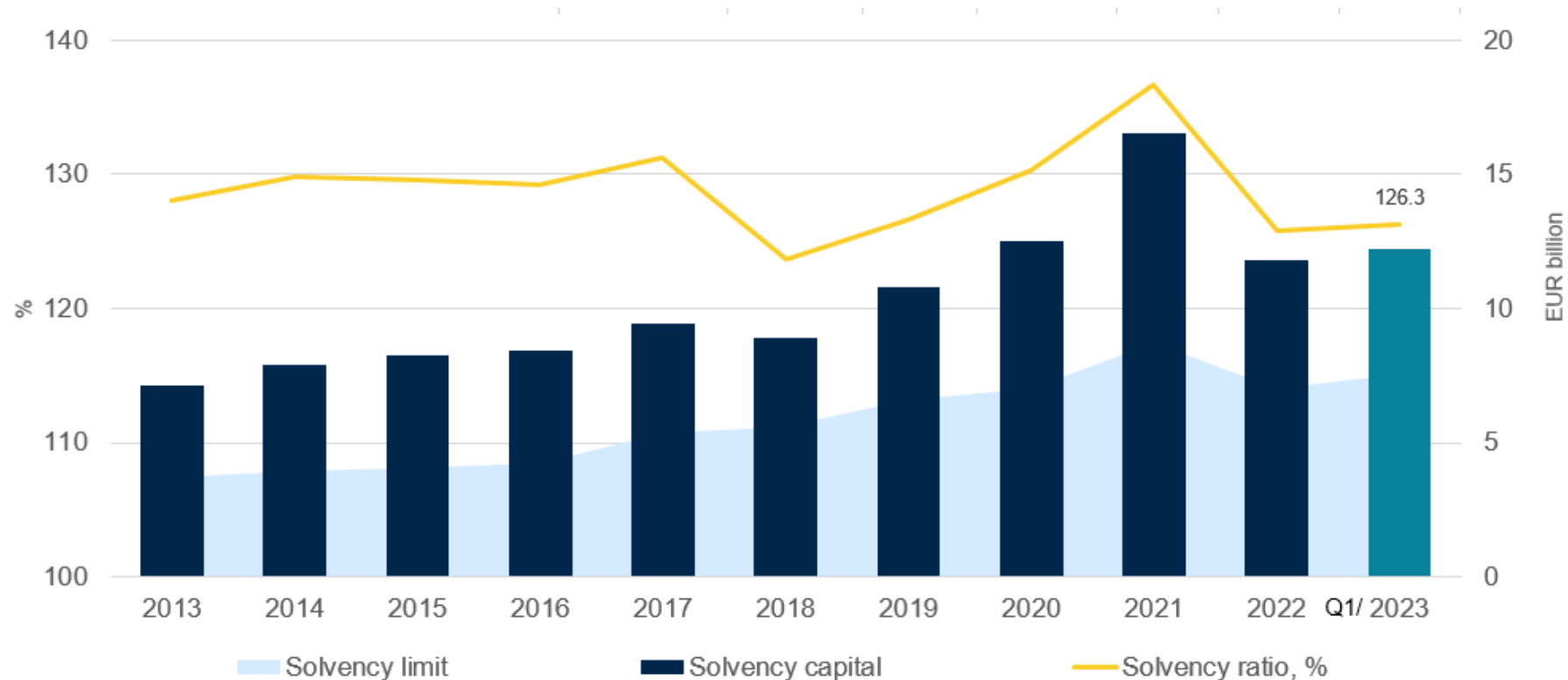
The modified duration of bond investments is 4.1 years

The open currency position is 21.8% 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 EUR 12.2 billion and the solvency ratio to 126.3 per cent, with the solvency position being 1.6

Solvency capital, solvency ratio and solvency limit 2013–31 March 2023



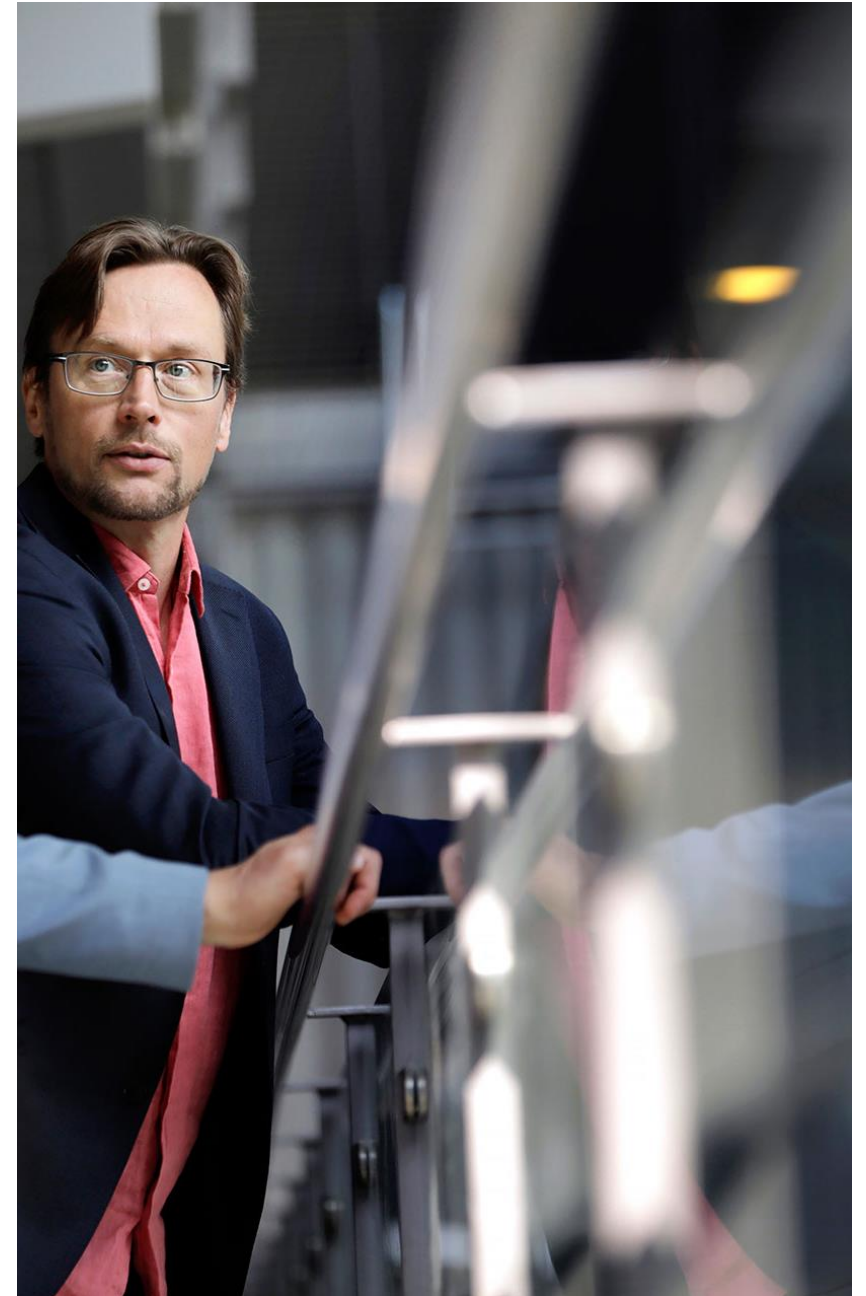


# Future prospects and current information about the pension system

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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 2.8 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 from the previous year.
- Prolonged inflation, the tightening of central bank monetary policy and the 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

- Retirement on old-age pension has been significantly delayed after the 2017 pension reform. An exceptional index increase of 6.8 per cent to earnings-related pensions led to a large influx of applications, which meant that retirement took place a couple of months earlier than before on average. Finns retired on earnings-related pension at the age of 62.2 years on average in 2022. The average pension in 2022 rose to EUR 1,845.
- The administrative cost component included in the earnings-related pension insurance contribution became company-specific as of the start of 2023. Now every pension company has its own contribution criteria for the administrative cost component. The amendment is expected to increase competition between pension institutions, creating even stronger incentives to increase operational efficiency.
- The act on more detailed specifications on determining entrepreneurs' YEL income and reviewing the YEL income for existing insurance policies came into force as of the start of 2023. In 2023, the earnings-related pension insurance providers will review the YEL incomes of entrepreneurs with an annual YEL income of less than EUR 15,000. The objective of the amendment is to improve entrepreneurs' pension and social security and to support the implementation of the Self-Employed Persons Pensions Act. There is still a need for a more substantial renewal of the pension and social security system for the self-employed.

