



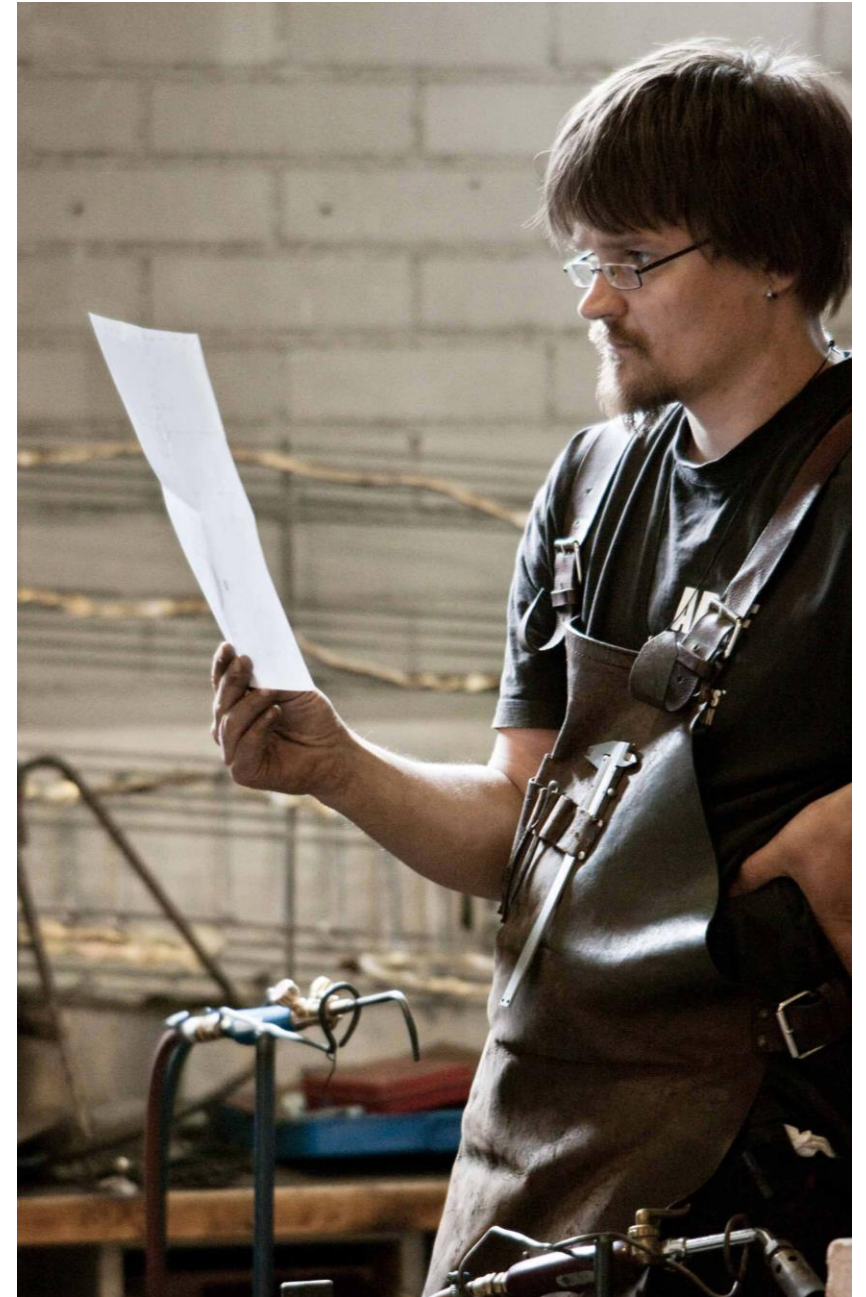
Security for your pension

Ilmarinen in 2023

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Return on investments was 5.8 per cent, or EUR 3.3 billion. Premiums written grew and cost-effectiveness improved further.

- The return on Ilmarinen's investment portfolio was 5.8 (-6.6) per cent, or EUR 3.3 billion, despite the write-downs worth around EUR 1.1 billion on real estate investments. The market value of investments rose to EUR 58.9 (56.3) billion, and the long-term average return since 1997 was 5.7 per cent, representing a real return of 3.8 per cent.
- The total result grew to EUR 0.6 (-4.6) billion.
- Premiums written grew 4 per cent to EUR 6.8 (6.6) billion. EUR 7.2 (6.6) billion was paid in pensions.
- Net customer acquisition was EUR 225 (290) million and rolling customer retention for the previous 12 months was 96.5 (96.7) per cent.
- Operating expenses financed using loading income decreased 5 per cent to EUR 94 (99) million and were 0.34 (0.37) per cent of the TyEL payroll and YEL income of the insured. With the improvement in efficiency, Ilmarinen's administrative cost component will decrease 20 per cent at the start of 2024.
- Solvency capital increased to EUR 12.2 (11.8) billion and the solvency ratio was 125.4 (125.8) per cent.



Key figures 2023

Premiums written

6.82 (6.56)

€ bn



Operating expenses financed
using loading income

94 (99)

€ mill.



Return on
investments

5.8 (-6.6)

%



Solvency ratio

125.4 (125.8)

%



7.17 (6.61)

€ bn

Pensions paid

0.34 (0.37)

%

Operating expenses
financed using loading
income, % of payroll^{*)}

58.9 (56.3)

€ bn

Investment assets

12.2 (11.8)

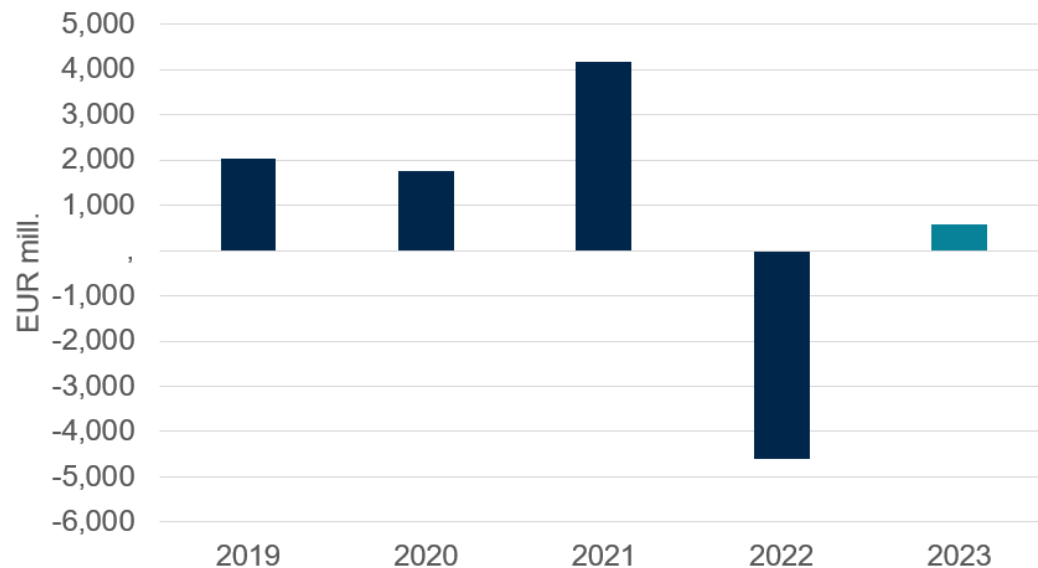
€ bn

Solvency capital

^{*)} Payroll is the sum of TyEL payroll and YEL income.

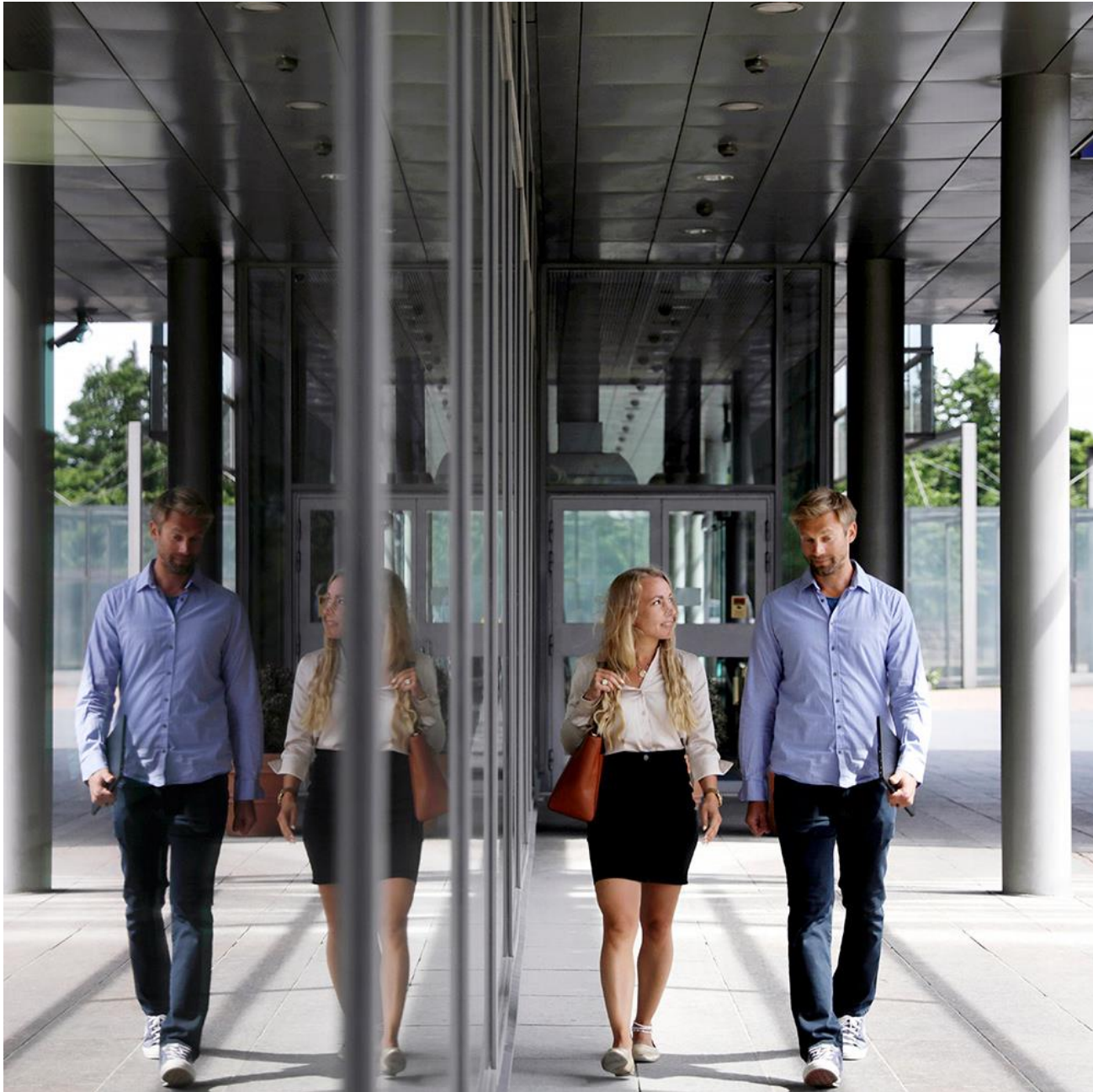
Ilmarinen's total result was EUR +0.6 billion

Total result, EUR mill.



Sources of profit, EUR mill.

Result analysis, EUR mill.	2023	2022	2021	2020	2019
Underwriting result	38	132	44	-3	-50
Return on investments at fair value	527	-4,801	4,104	1,726	2,063
+ Net return on investments at fair value	3,272	-4,009	8,086	3,529	5,375
- Return requirement on technical provisions	-2,744	-792	-3,982	-1,803	-3,313
Loading profit*)	11	58	42	43	55
Other profit	3	18	-11	3	-27
Total result	579	-4,592	4,179	1,769	2,040



Operating environment

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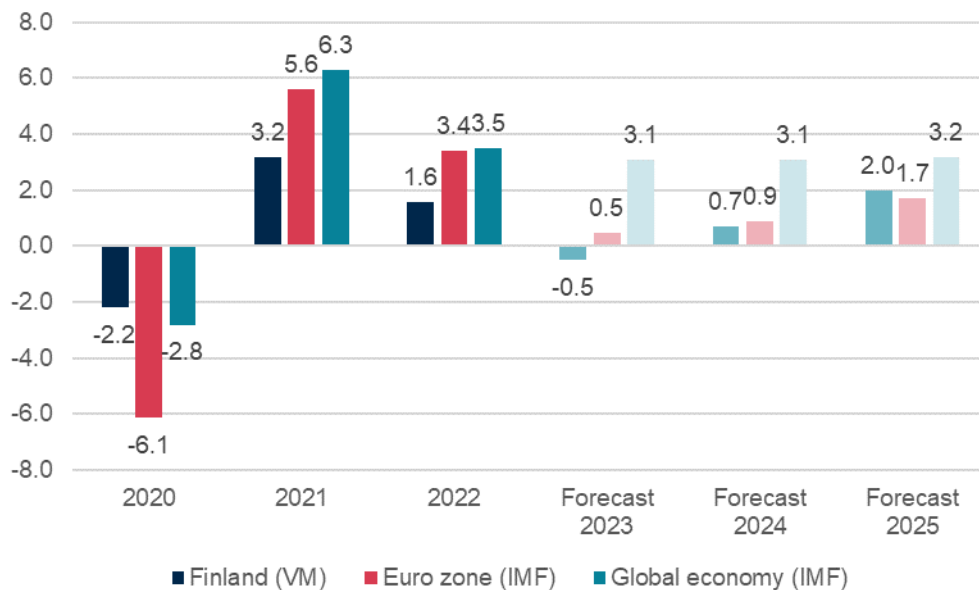
Economic operating environment and investment market

- As a result of core inflation exceeding the target level and tightening financing conditions, global economic growth slowed in 2023 to approximately 3 per cent. Economic growth has varied, especially from country to country. In the USA, economic growth and the labour market have remained stronger than expected, and in Europe, growth has been more subdued.
- Inflation has slowed. The year-on-year change in consumer prices in December was 2.9 per cent in the euro zone and 3.4 per cent in the USA.
- Finland's economy grew slightly in the early part of the year, but later in the year, the economy plunged into a recession. Employment is estimated to have weakened slightly. The real estate sector in particular faces challenges.
- Capital market development showed geographical variations. In the USA, the equity market (S&P 500 index) return was some 26 per cent and the annual return on the European STOXX 600 index was 17 per cent. The Finnish equity market (OMXH Helsinki Cap) fell one per cent.
- Interest rates rose in the early part of the year but long-term interest rates started to fall towards year-end, anticipating an easing of monetary policy in response to receding inflation. Credit spreads tightened in both low and high credit risk bonds.
- During the year, the US dollar depreciated by some three per cent, to 1.11, against the euro, which weakened the euro-denominated return on dollar-denominated investments without a currency hedge.

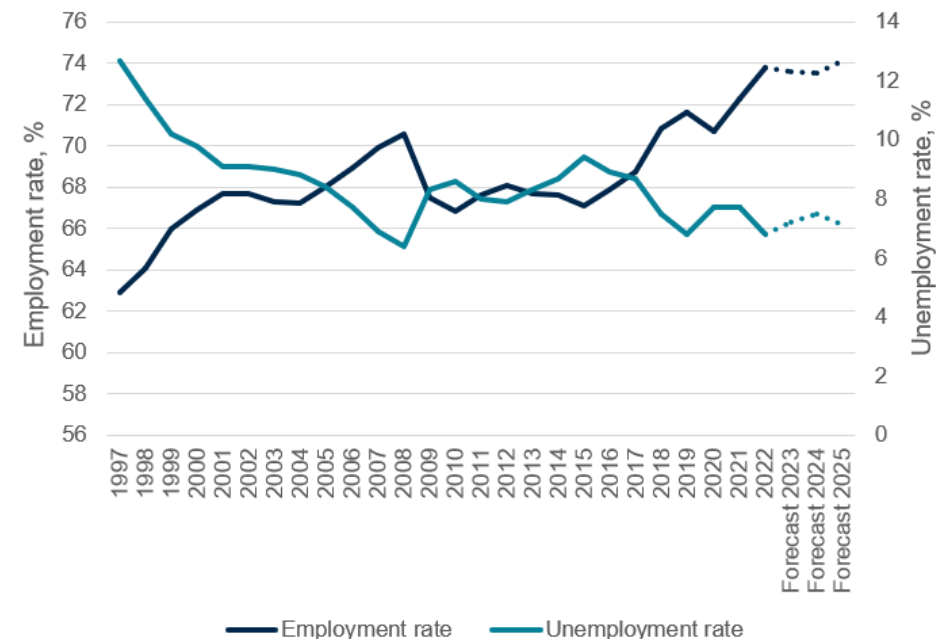


The global economic growth rate decreased to 3.1 per cent in 2023. Finland's economy plunged into a recession and the employment rate decreased to 73.6 per cent.

GDP development, %



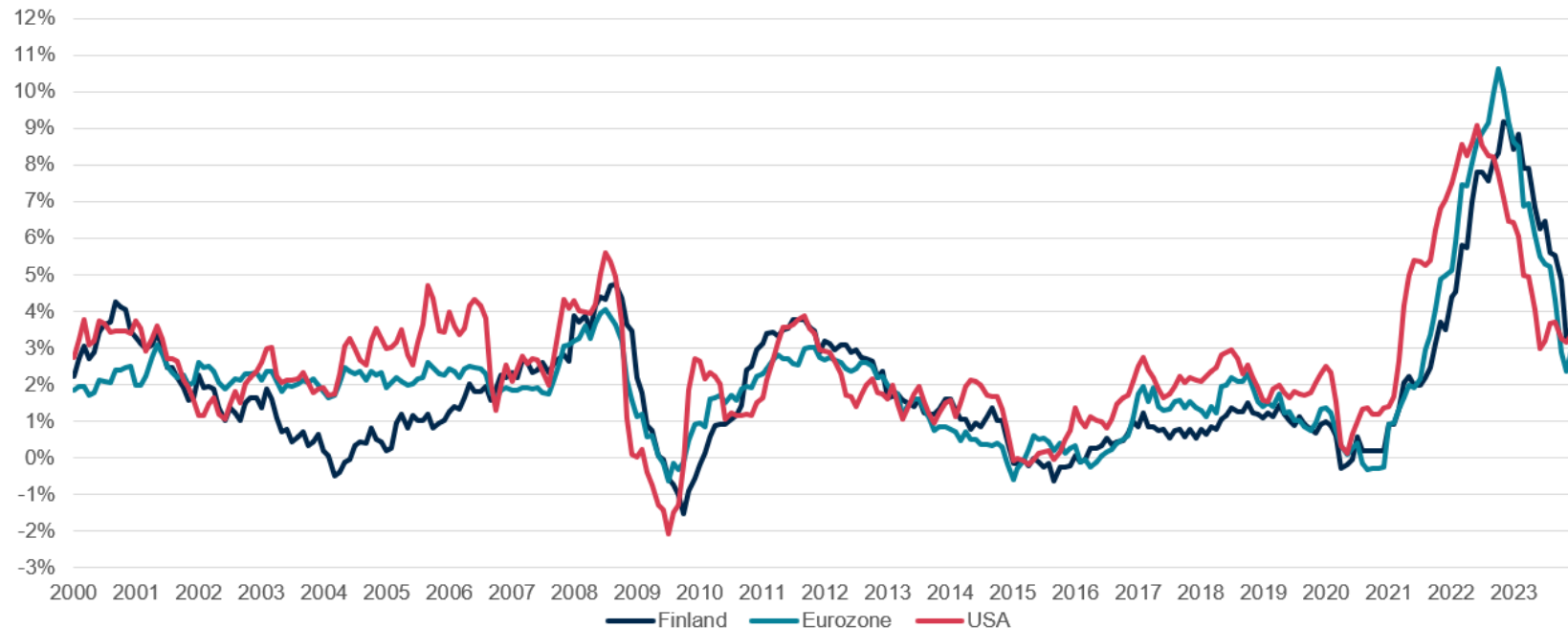
Development of Finland's employment and unemployment rates, %



Sources: VM 12/2023, IMF 1/2024

Inflation slowed towards year-end, driven by the base effects of energy prices and the slowdown in goods inflation

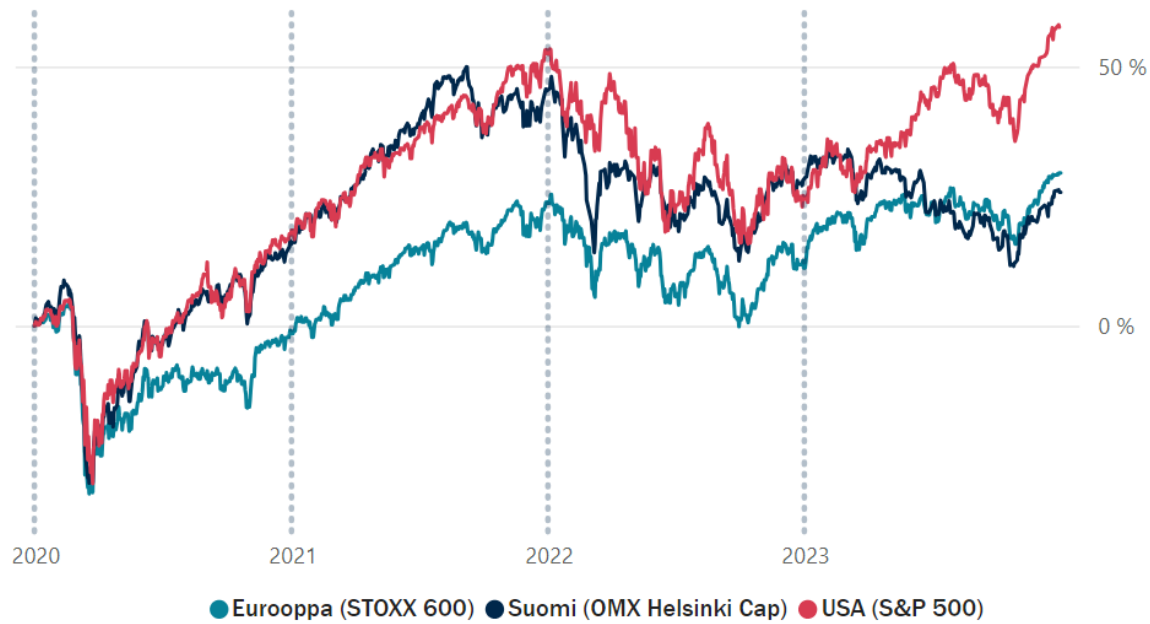
Year-on-year change in consumer prices



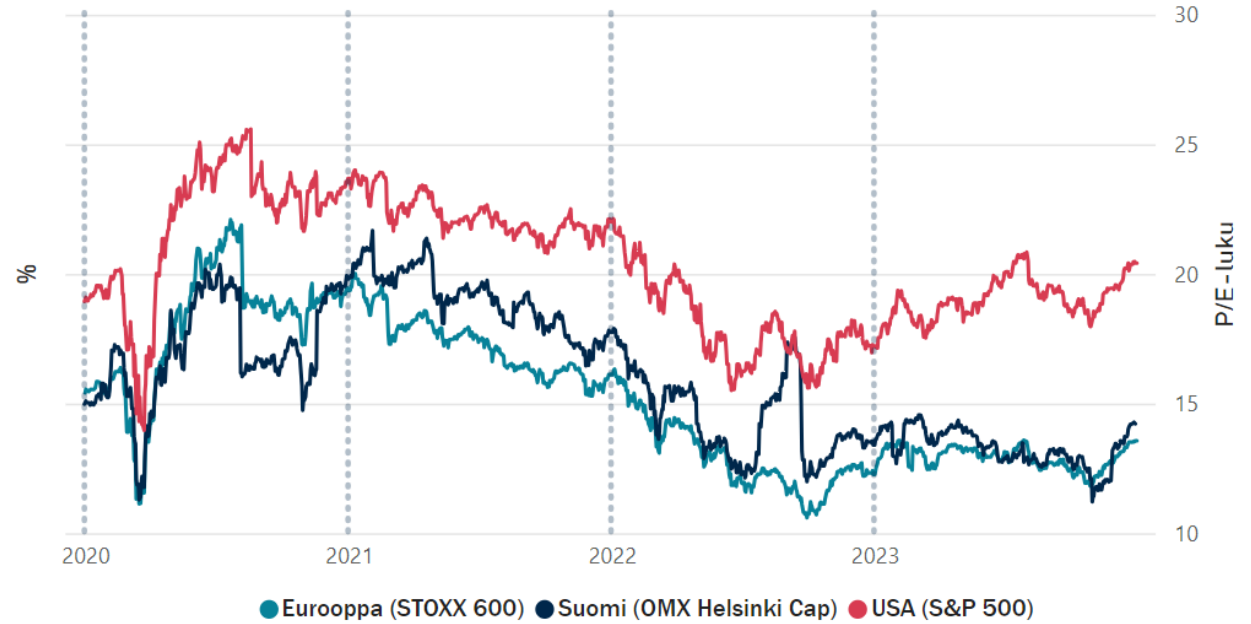
- In December, inflation was 3.4% in the USA, 2.9% in the euro zone and 3.6% in Finland.
- Towards year-end, however, the inflationary pressures showed clear signs of receding. The slowdown in inflation during the year was supported by the base effects of energy prices and the slowdown in goods inflation.

Performance in listed equity markets was mainly positive, but differences between geographical areas were significant

Equity market performance

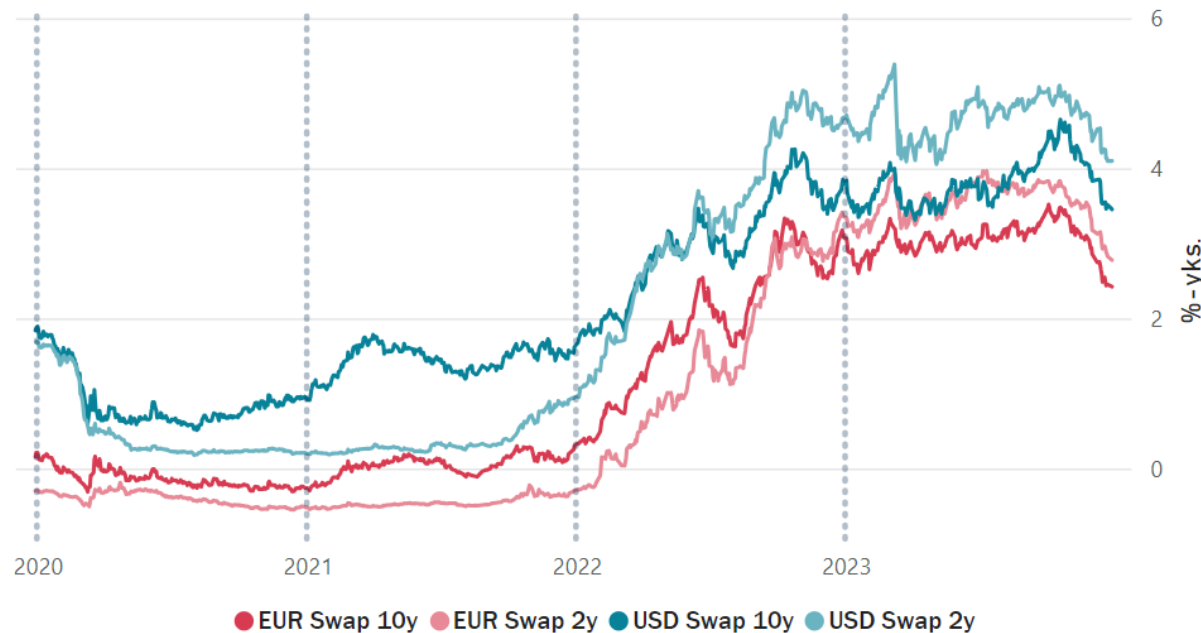


Stock valuation level

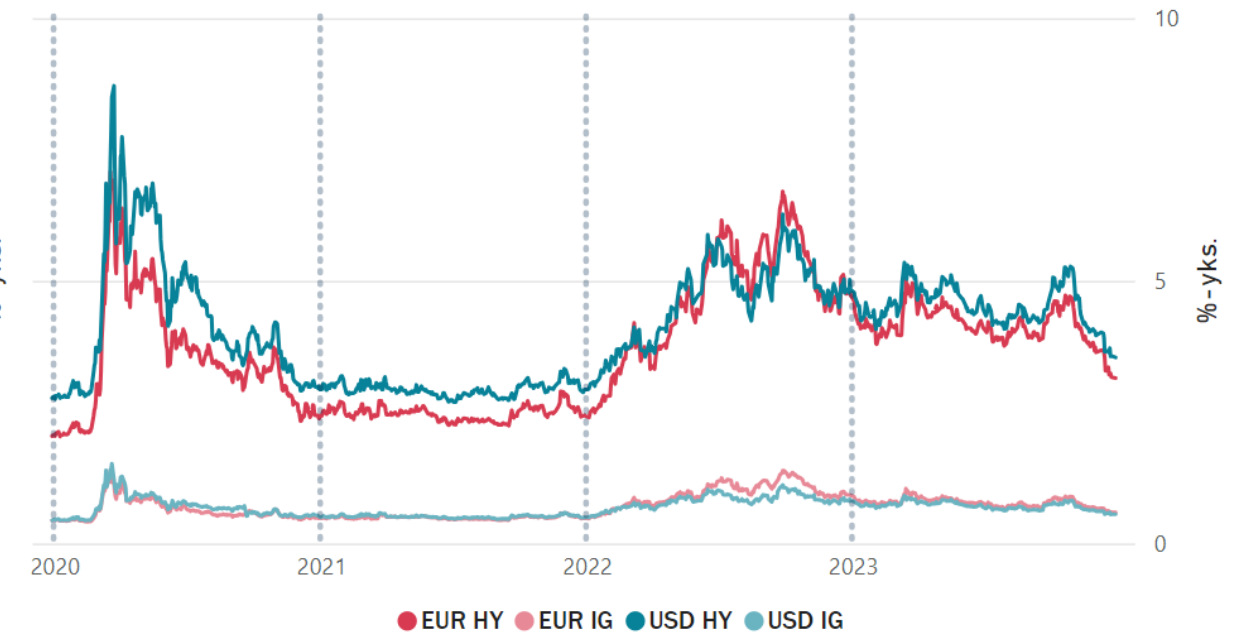


The fixed income markets' yield curves flattened due to rising key interest rates and decreasing inflation expectations. Credit spreads continued to narrow.

Development of interest rates



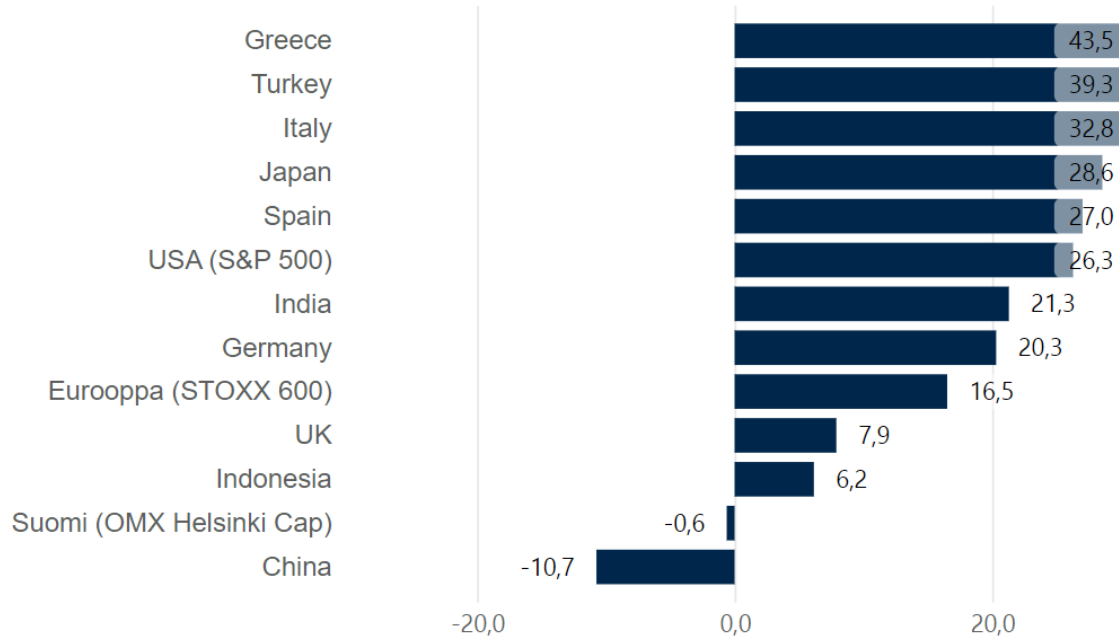
Development of credit risk premiums



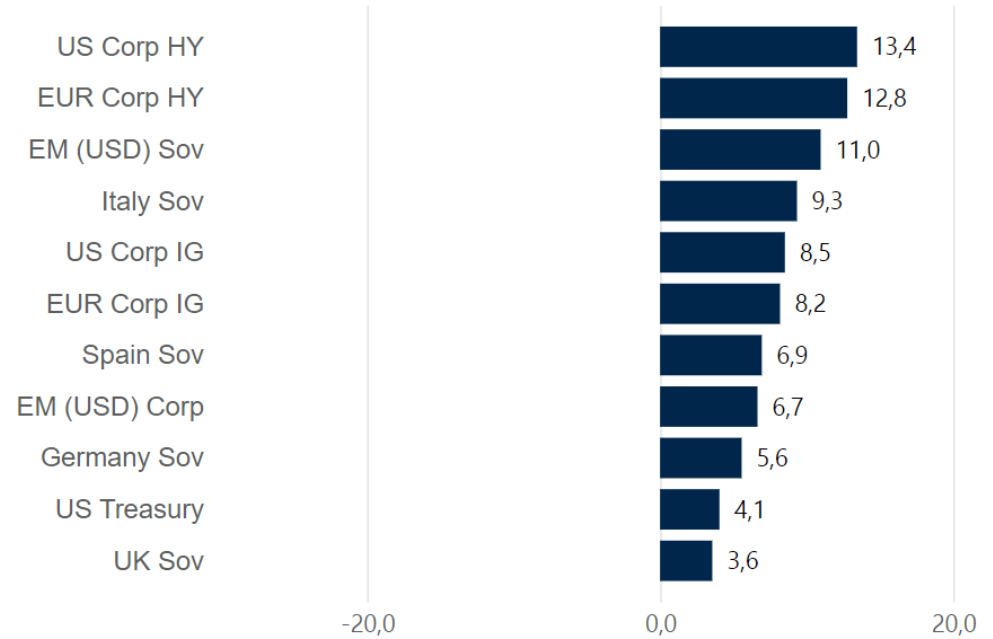
Interest rates rose due to accelerating inflation. Credit spreads widened as a result of increasing uncertainty in the markets.

Market development (31 December 2023)

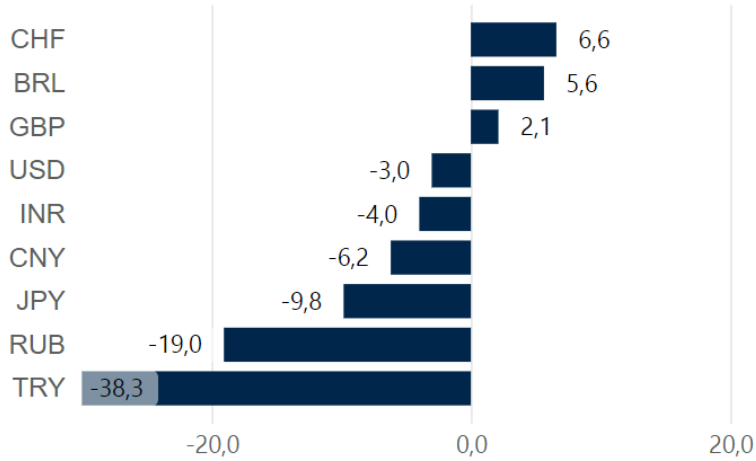
Equity market YTD %



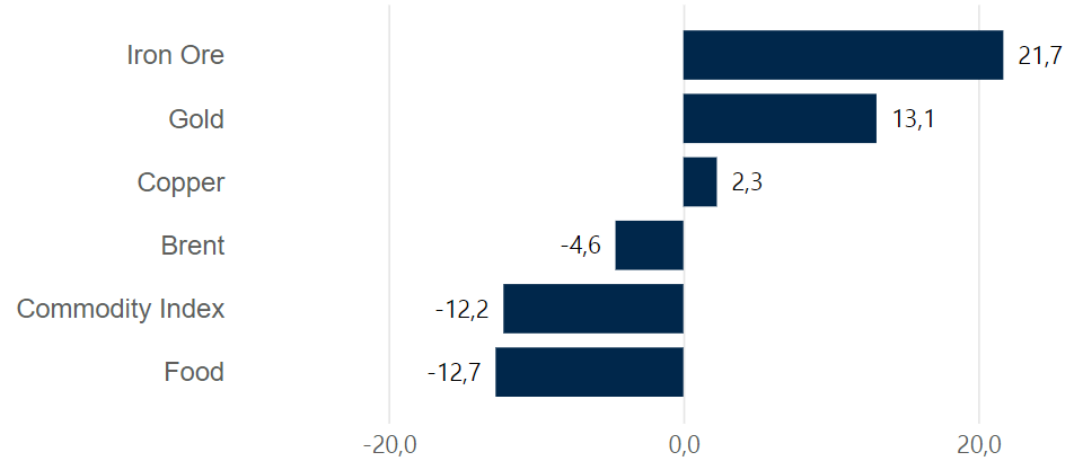
Fixed income YTD %



Currency against the euro YTD %



Commodities YTD %



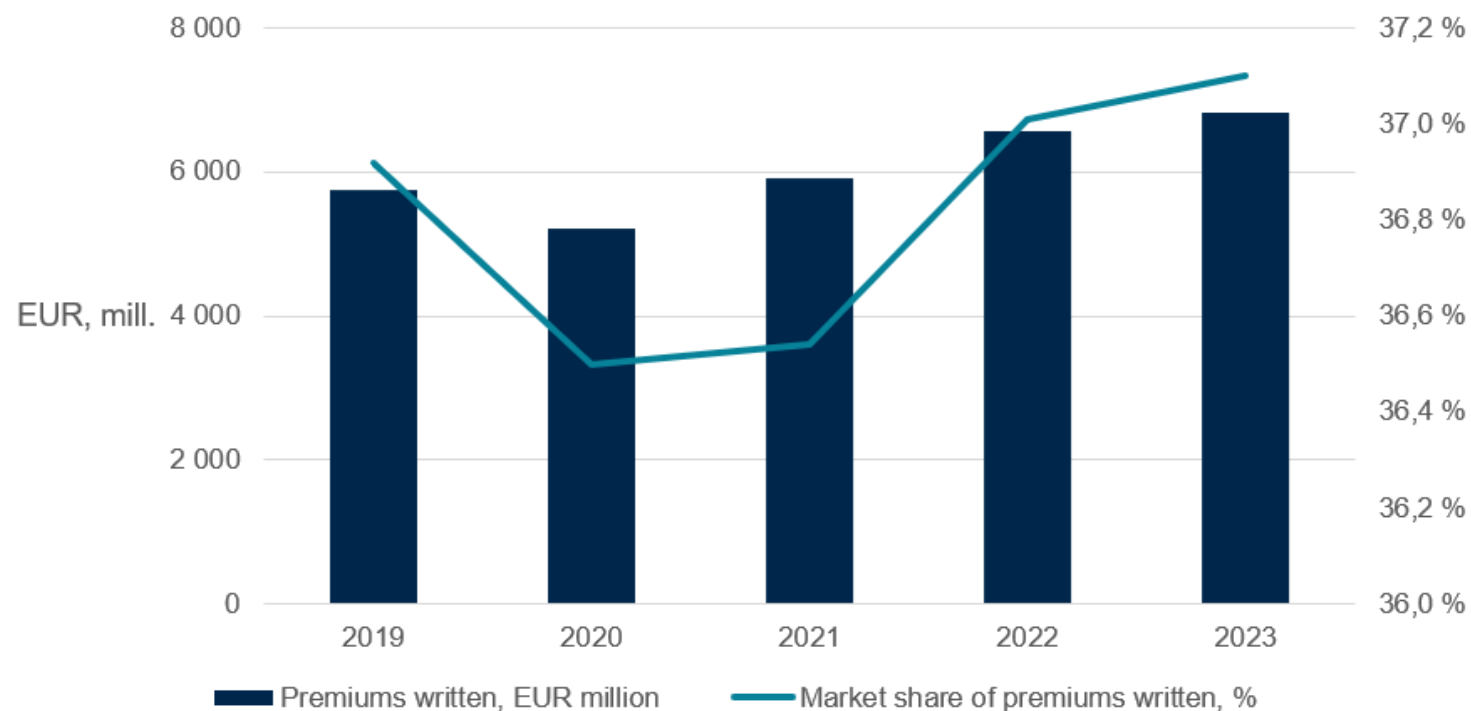


Pension security for you

Insurance and pensions

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Premiums written grew 4 per cent to EUR 6.8 billion



The market share for 2023 is a forecast

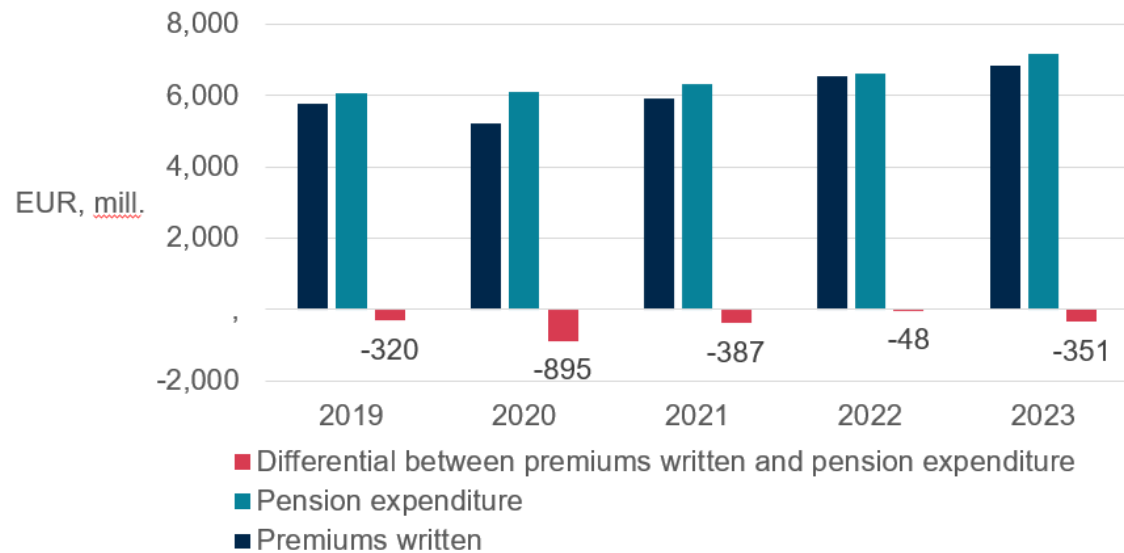


Growth in premiums written was driven by the 4.5 per cent increase in TyEL payroll and the 2.1 per cent increase in YEL income.

The contribution level was lowered by, among other things, the decrease in the administrative cost component.

Full-year premiums written grew to EUR 6.8 billion. EUR 7.2 billion was paid in pensions, i.e. EUR 351 million more than the amount of premiums written.

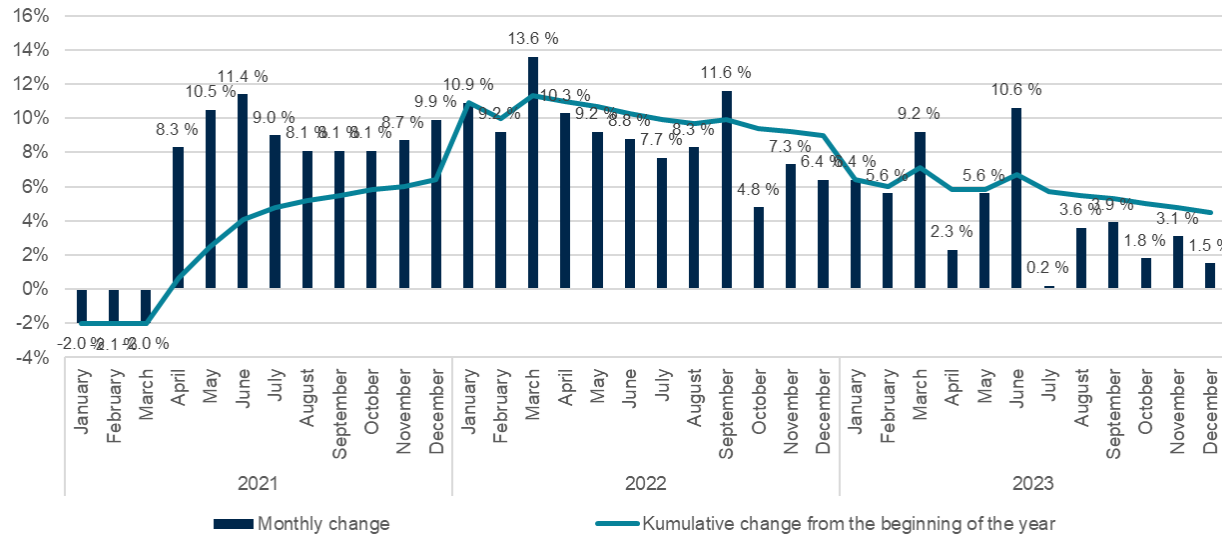
Premiums written and pension expenditure 2023



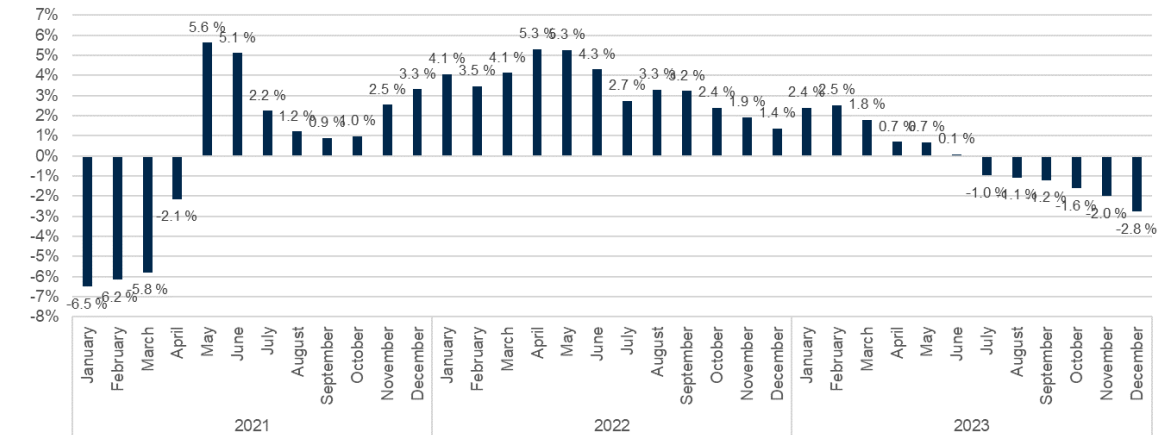
EUR million	2023	2022	2021	2020	2019
Premiums written TyEL	6,418	6,164	5,534	4,833	5,364
Premiums written YEL	404	394	388	388	394
Total premiums written	6,822	6,558	5,922	5,220	5,758
Pensions paid TyEL	6,744	6,189	5,902	5,701	5,673
Pensions paid YEL	429	417	407	415	405
Pension expenditure, total	7,173	6,606	6,309	6,116	6,078

Customers' TyEL payroll increased by 4.5%. The number of employees began to decline towards the end of the year, and the change for the full year was -0.1%.

Change in payroll of Ilmarinen's customers from previous year

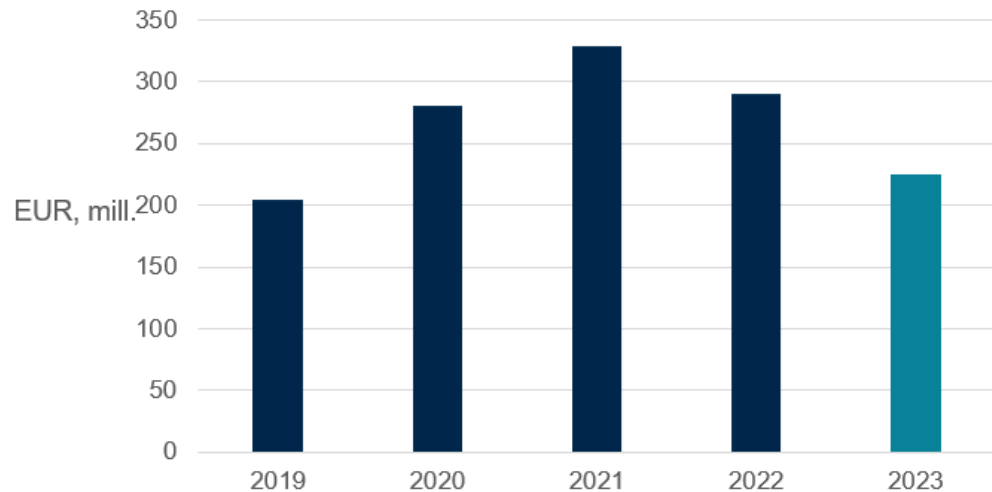


Change in number of employees in Ilmarinen's business cycle index



Net customer acquisition was EUR 225 million and customer retention was 96.5 per cent

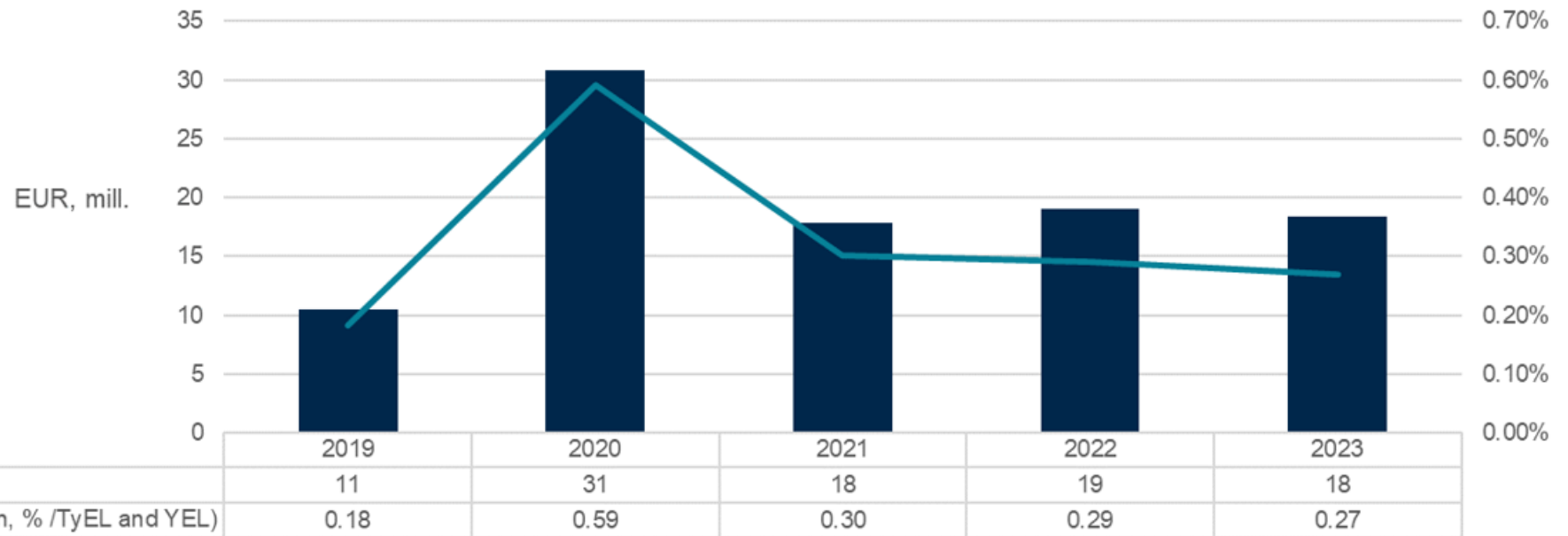
Net customer acquisition 2019–2023, € mill. Net customer acquisition, € mill.



EUR million	2023	2022	Change
Net customer acquisition	225	290	-65
Sales of new insurance	155	251	-96
Net transfer of insurance and other losses	70	40	30
Customer retention, % of premiums written	96.5%	96.7%	-0.2 %-points

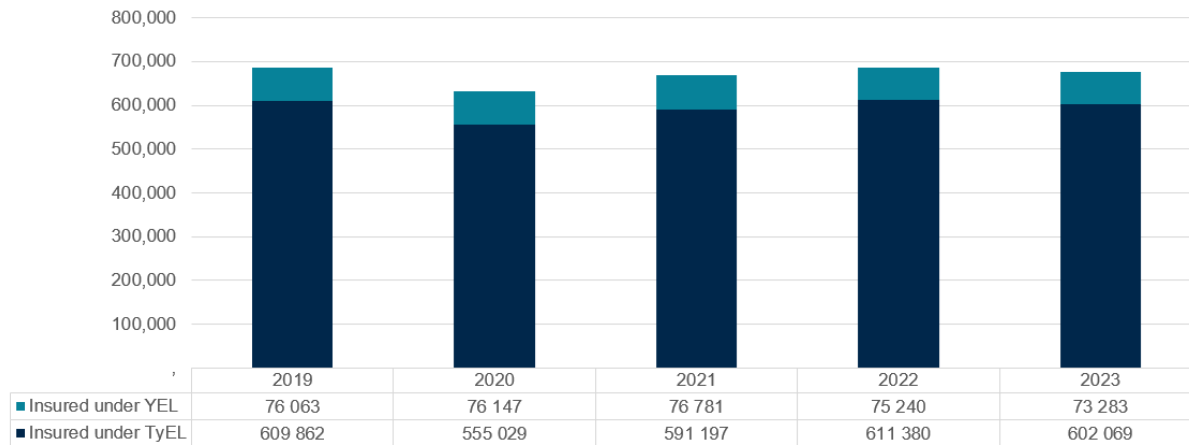
Credit losses were EUR 18 million, or 0.27 per cent of premiums written

Credit losses on outstanding premiums and % of premiums written

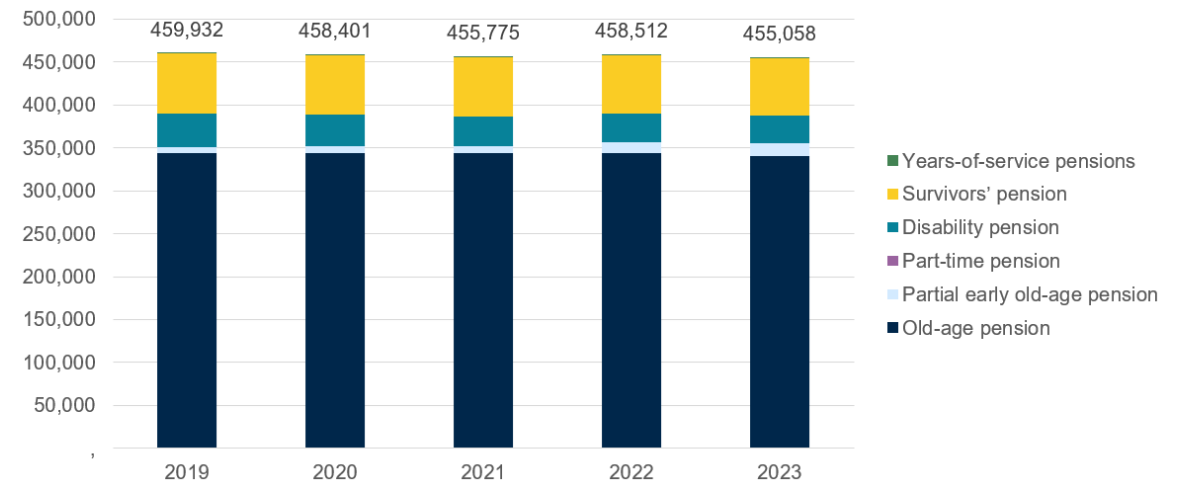


The number of insured was 675 thousand. The number of pension recipients was 455 thousand.

Number of insured

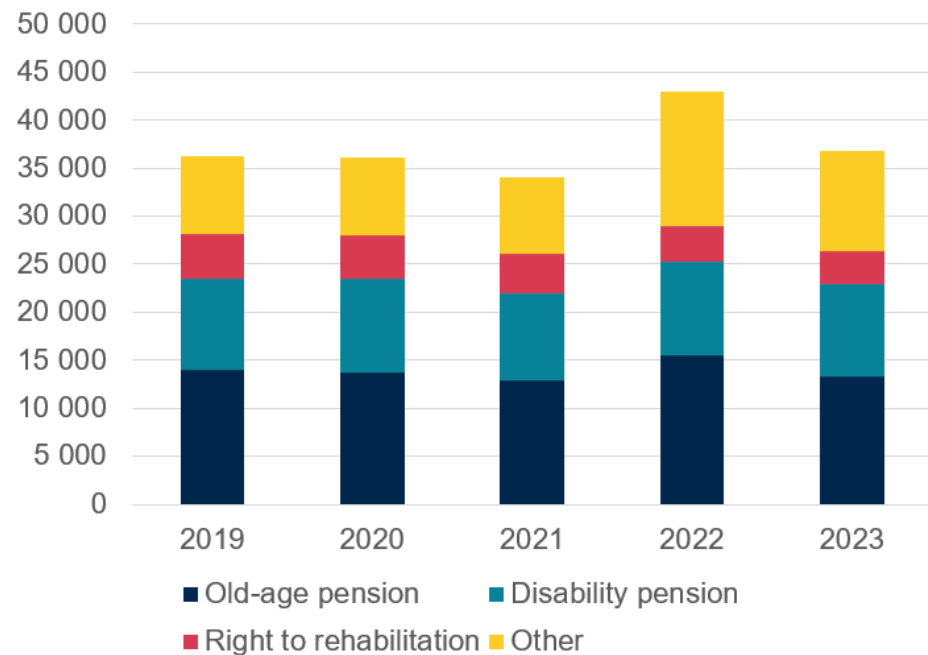


Number of pension recipients

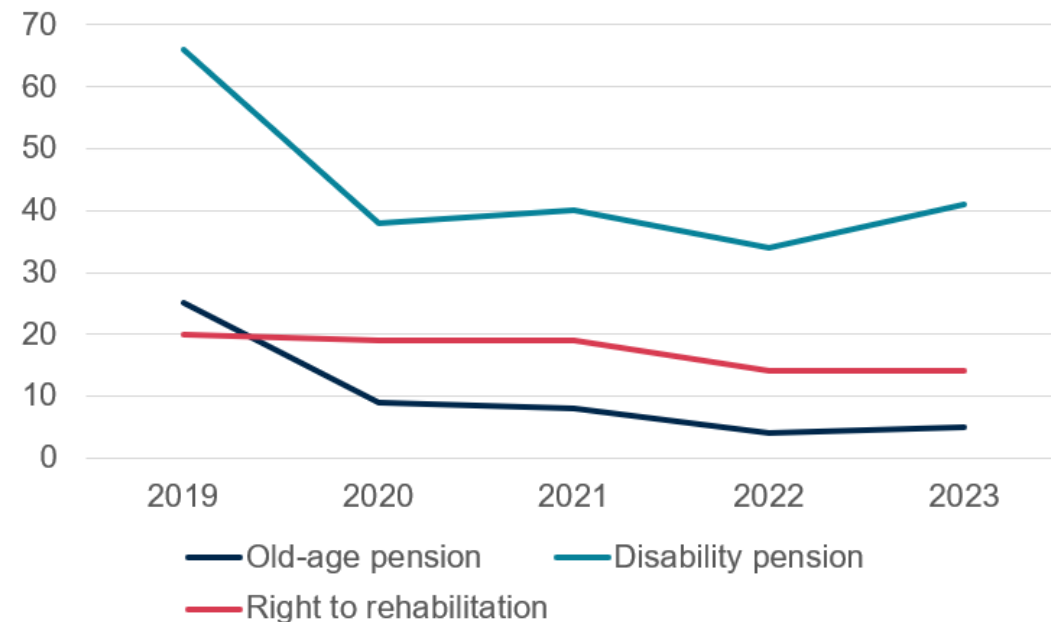


The number of new pension decisions decreased by 9,500 compared to the previous year. More than 73% of old-age pension applications were submitted electronically through the MyPension service.

Number of pension decisions



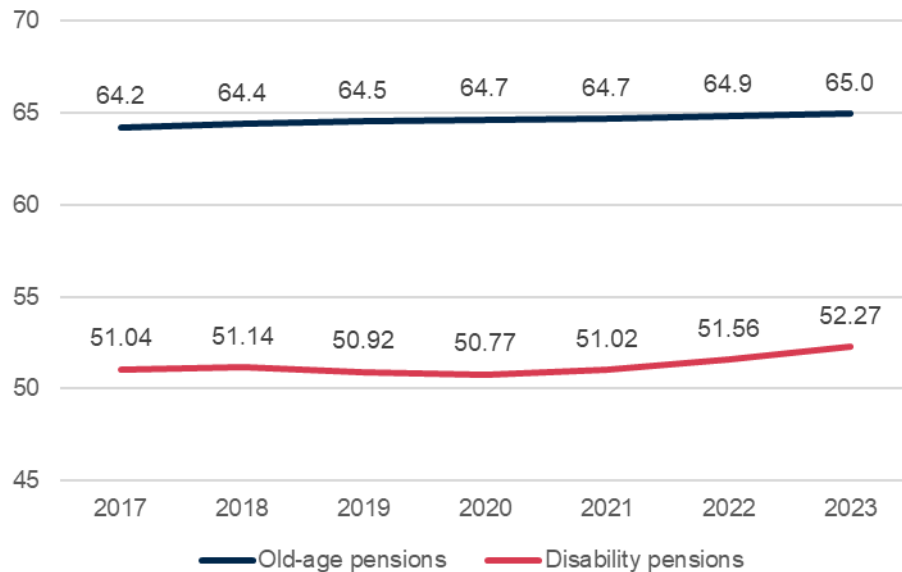
Average application processing time, days



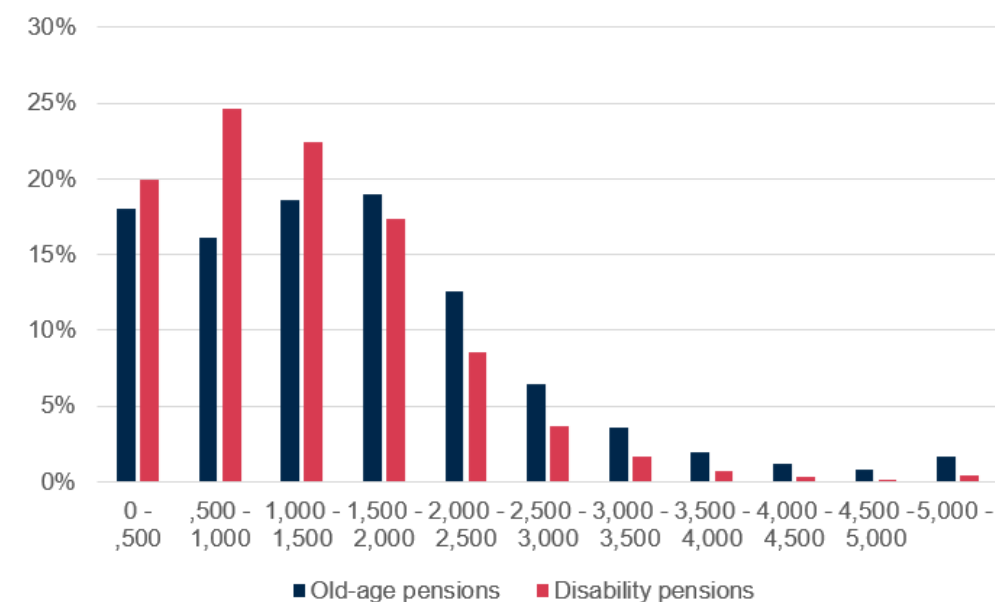
The average age of retirement on old-age pension and disability pension rose

72 per cent of the old-age pensions paid are below EUR 2,000 per month. The average old-age pension is EUR 1,577 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 2023)

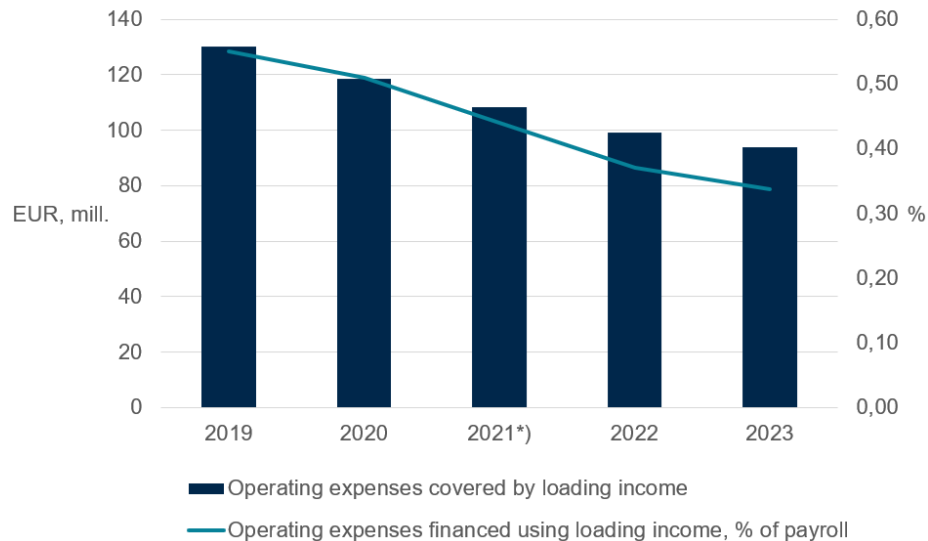


**Customers benefit
from Ilmarinen's
efficiency and
solvency**

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Operating expenses financed using loading income decreased 5 per cent to EUR 94 million and were 0.34 per cent of the payroll

Total operating expenses, operating expenses financed using loading income and operating expenses using loading income of payroll 2019–2023 *) **)



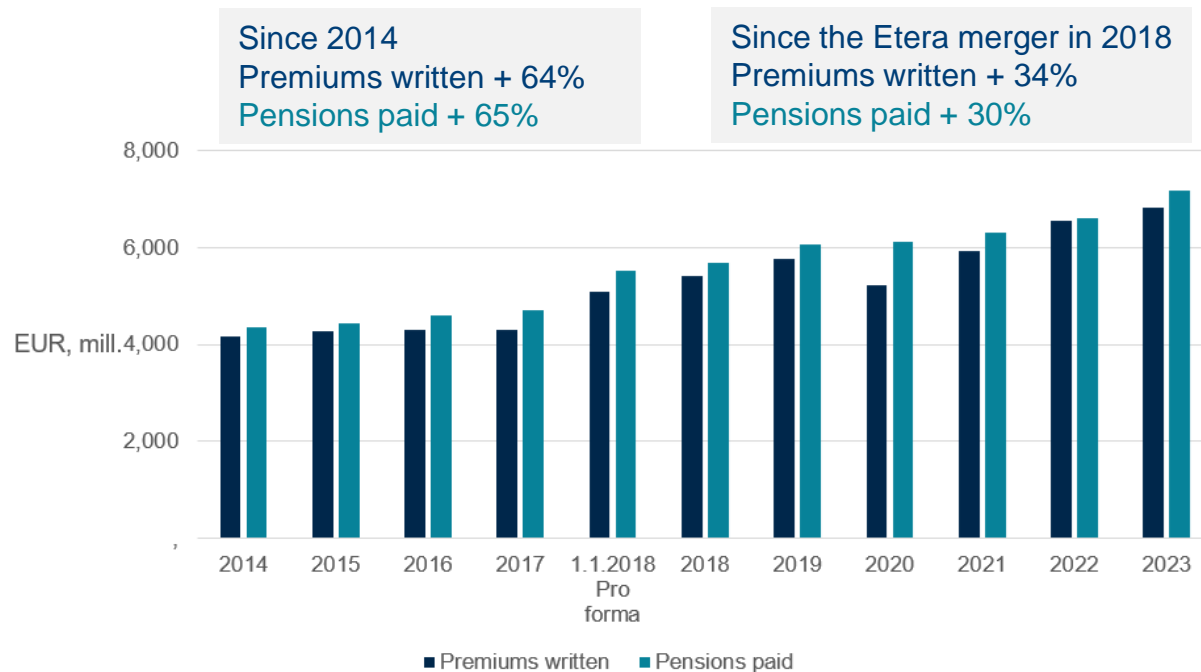
	2023	2022	2021	2020	2019
Total operating expenses, EUR mill.	146	151	157	158	175
Operating expenses covered by loading income, EUR mill.	94	99	108	119	130
Operating expenses financed using loading income, % of payroll **)	0.34	0.37	0.44	0.51	0.55
Operating expenses financed using loading income per pensioners and insured, EUR	83	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

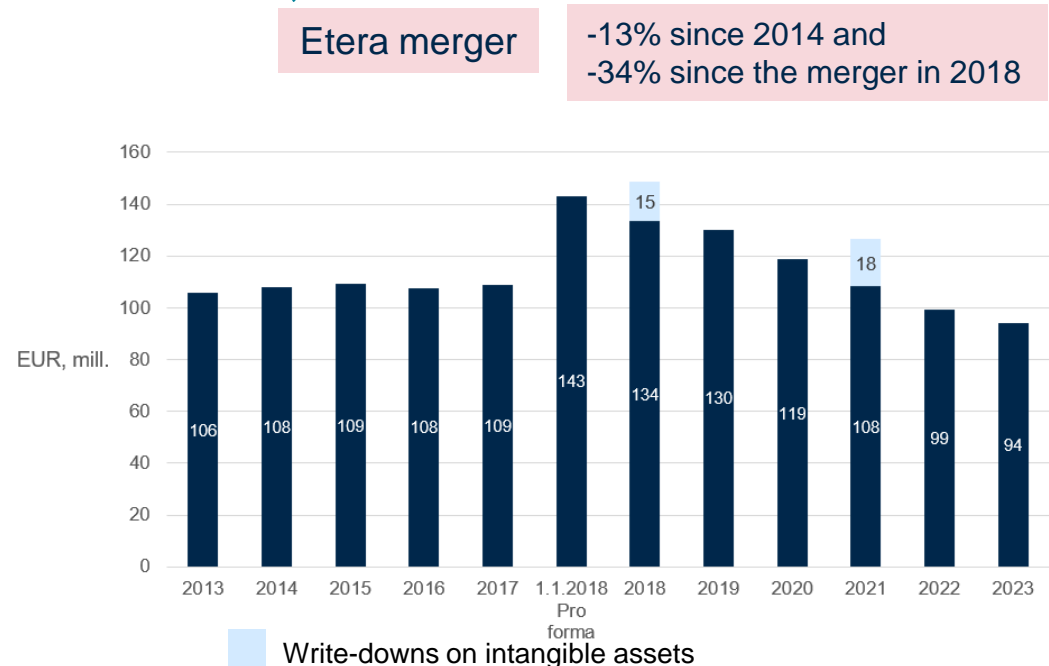
**) The payroll is the sum of TyEL payroll and YEL income

Ilmarinen's cost-effectiveness has improved significantly since the start of 2018, with operating expenses financed using loading income decreasing 34 per cent and premiums written growing 34 per cent

Premiums written and pensions paid, EUR mill.



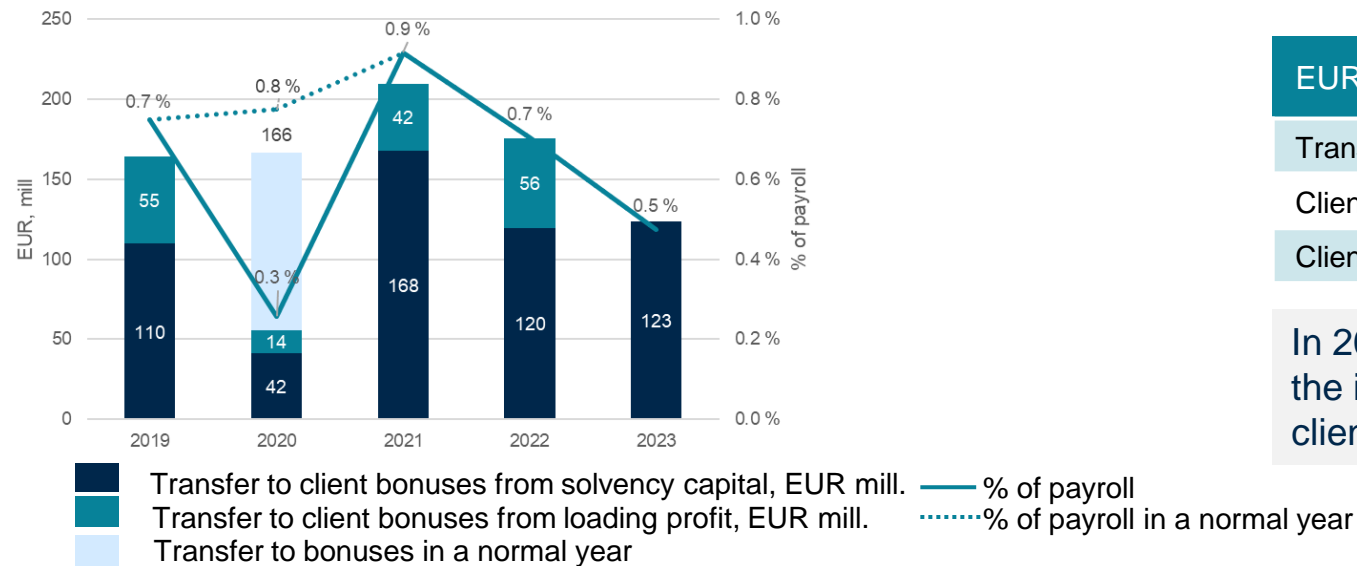
Operating expenses covered by loading income, EUR mill.



One per cent of solvency capital, i.e. EUR 123 million, is paid in client bonuses

Customers benefit from Ilmarinen's cost-effectiveness in the form of lower insurance contributions. Previously, the loading profit was paid as client bonuses retrospectively.

Client bonuses, EUR million and in relation to payroll



EUR mill.	2023	2022	2021	2020	2019
Transfer to client bonuses	123	175	209	55	164
Client bonuses from solvency capital	123	120	168	42	110
Client bonuses from loading profit		56	42	14	55

In 2023, the loading profit was EUR 11 million, which will lower the insurance contributions for the next years. Going forward, client bonuses will be based on solvency capital.

2019–2022: 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 accumulated in 2020 was only a third of a normal year's client bonus. In a normal year, the amount of client bonuses would have been EUR 166 million based on the 2020 result and solvency development.



For a better working life

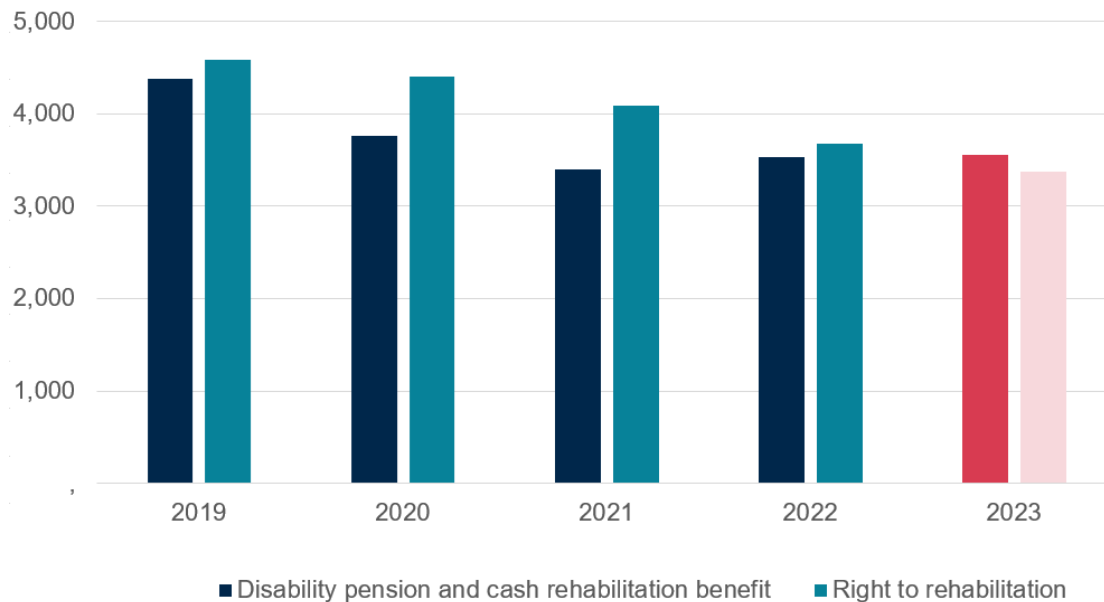
Work ability risk
management and
rehabilitation

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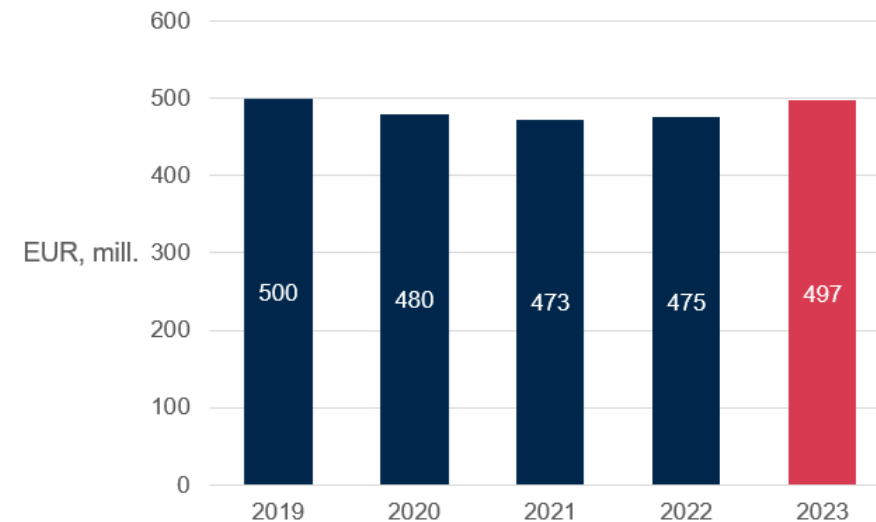
The number of persons retiring on disability pension increased 1 per cent to 3,556 people

The disability pensions paid increased 5 per cent to EUR 497 million.

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



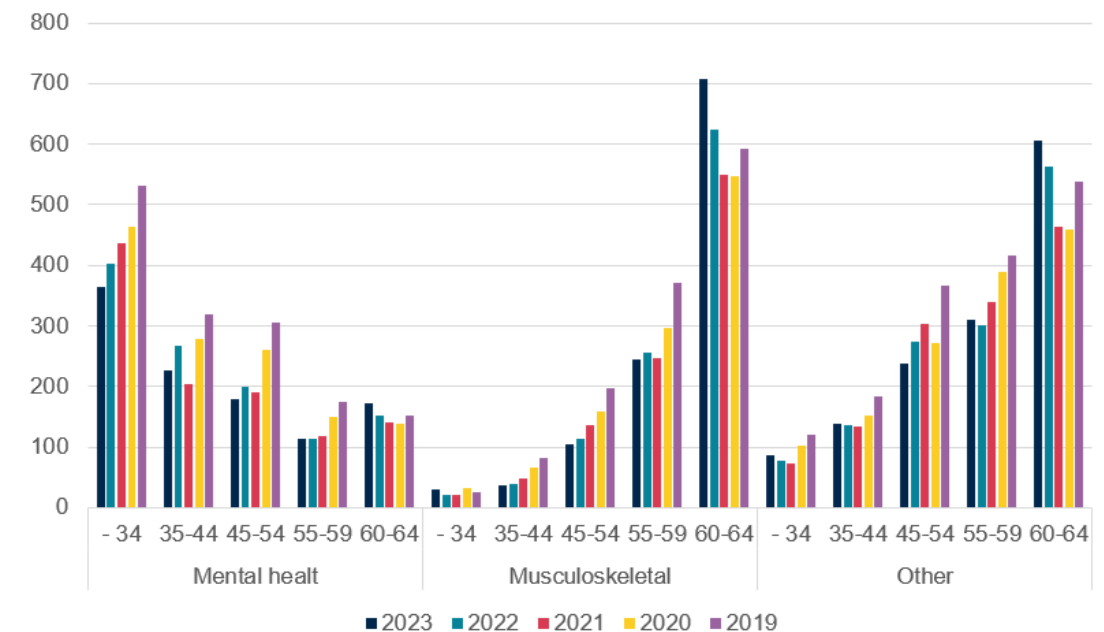
Disability pensions paid, EUR mill.



Musculoskeletal diseases were the most common reason for new disability pensions

- The reasons behind disability are strongly correlated with age. For those under 55, the most common reason was mental disorders and for those over 55, musculoskeletal diseases.
- In 2023, the majority of disability pensions granted by Ilmarinen were based on musculoskeletal diseases.
- In 2019–2023, mental disorders were the biggest diagnosis group in disability pensions granted by Ilmarinen. Depression has long been the single biggest reason for retiring on a disability pension.

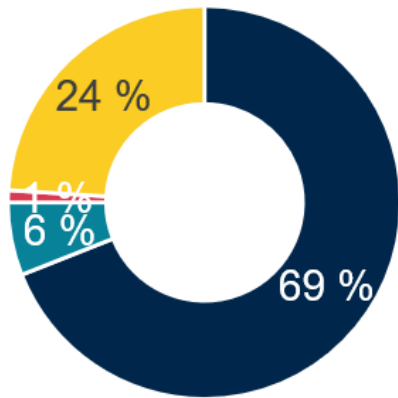
Persons transitioning to disability pension or cash rehabilitation benefit by diagnosis and age group



Work ability projects numbered 1,706 and covered 124,570 employees

Work ability project themes and customer satisfaction 2023

Themes of development projects carried out with customer companies



- Developing work ability models with knowledge
- Supporting psychological and physical work ability
- Functioning of work communities
- Developing supervisors' leadership skills in work ability

Work ability services'
NPS 74



**Profitably,
securely and
responsibly**

Investment activities

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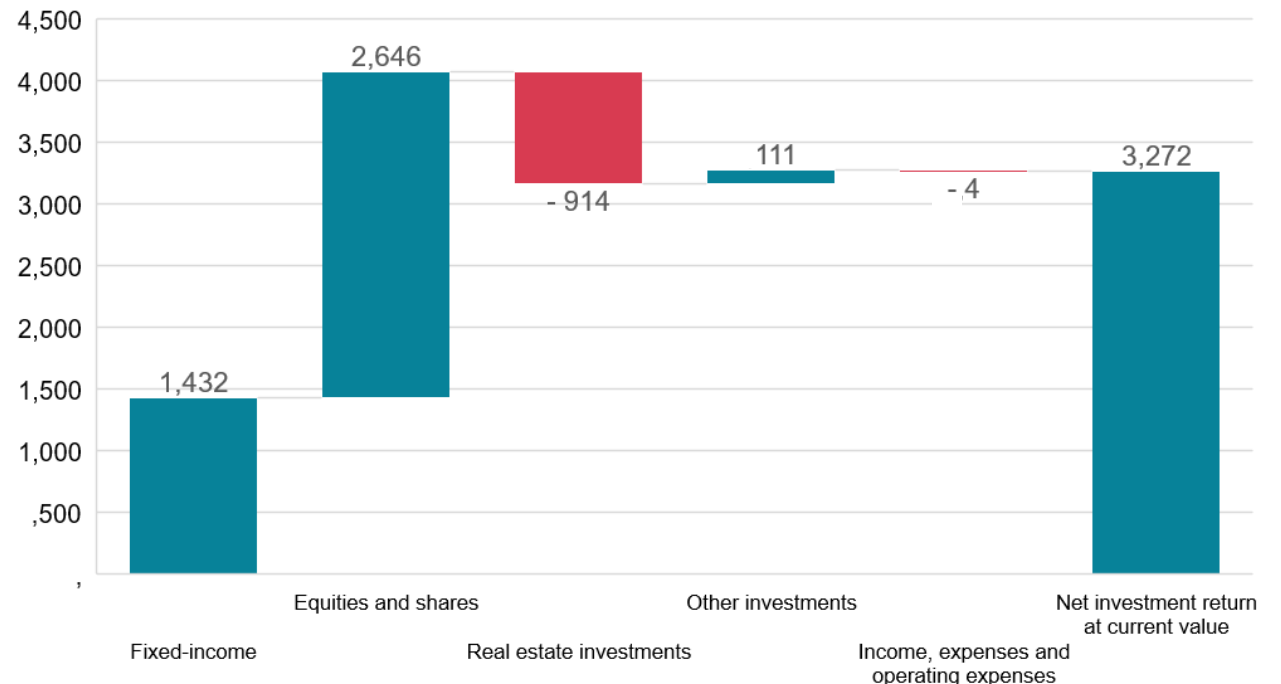
Return on investments was 5.8 per cent, or EUR 3.3 billion, driven by the strong return on equities and shares and fixed income investments and despite the write-downs worth EUR 1.1 billion on real estate investments

Return, per cent

%	2023	2022
Return on investments	5.8	-6.6
Fixed income	8.4	-5.2
Equities and shares	10.1	-10.2
Real estate	-13.5	1.3
Other investments	1.8	-1.1

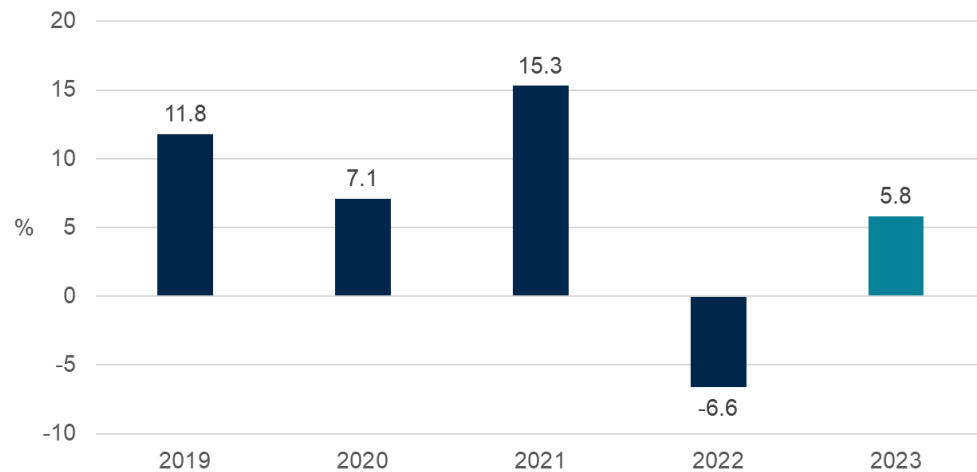
Long-term return on investments (since 1997): nominal return 5.7% and real return 3.8%

Return by type of investment, EUR mill.

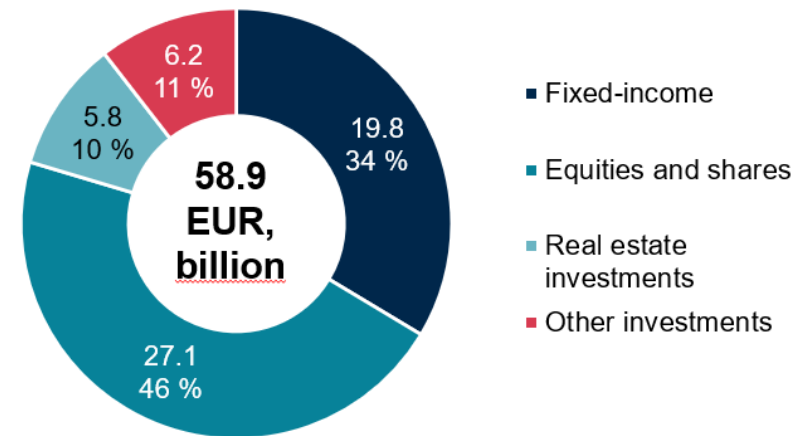


Return on investments was 5.8 per cent and investment assets increased to EUR 58.9 billion

Return on investments, five years

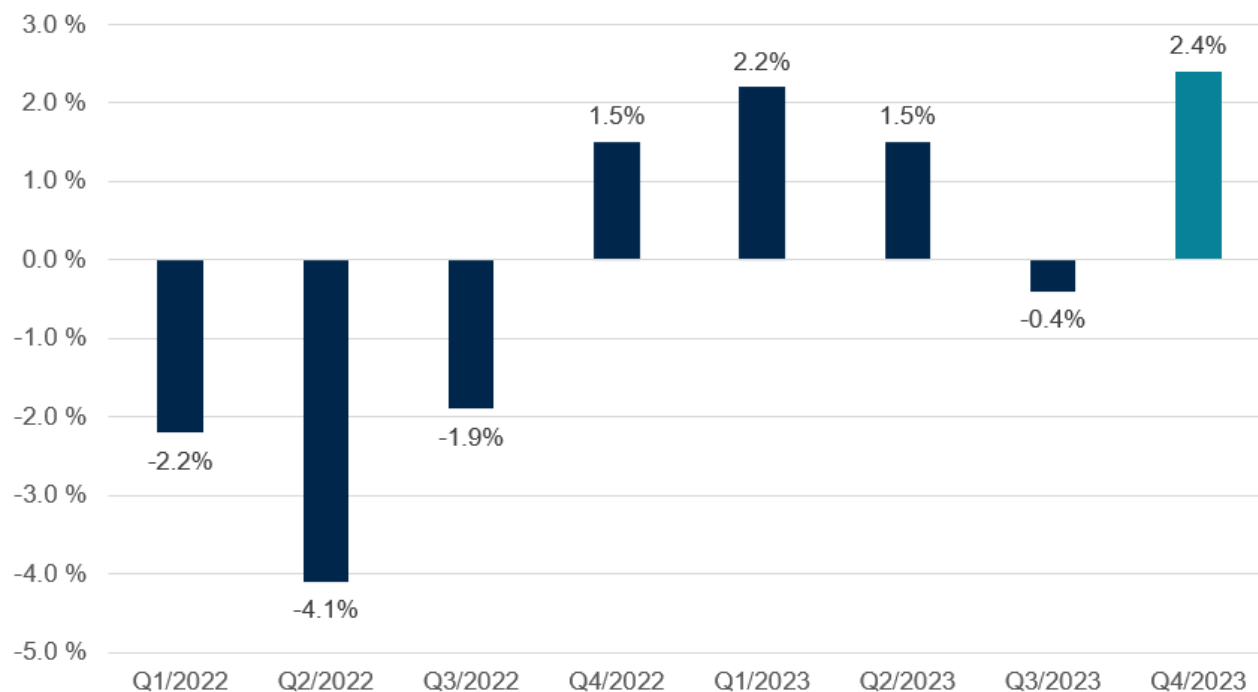


Investment allocation, 31 December 2023



Average nominal return on investments over 5 years 6.4 per cent and real return 2.9 per cent

Return on investments for the final quarter was 2.4 per cent positive

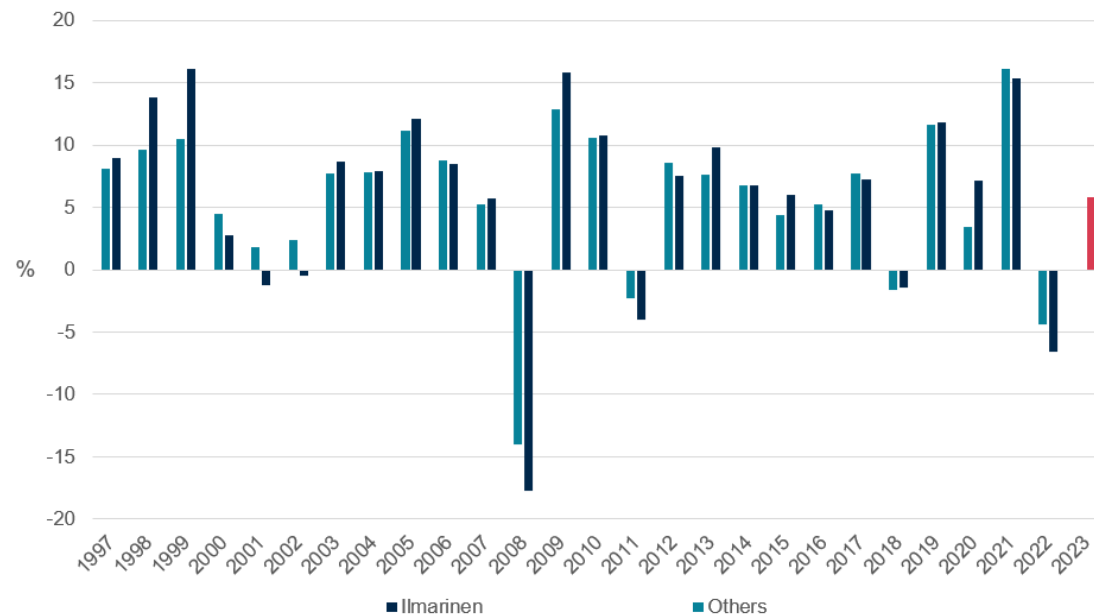


The return on investments for the final quarter of the year was increased by the positive performance of the equity market, the fall in long-term interest rates and the tightening of credit spreads.

The return was weakened by write-downs on the current value of real estate investments.

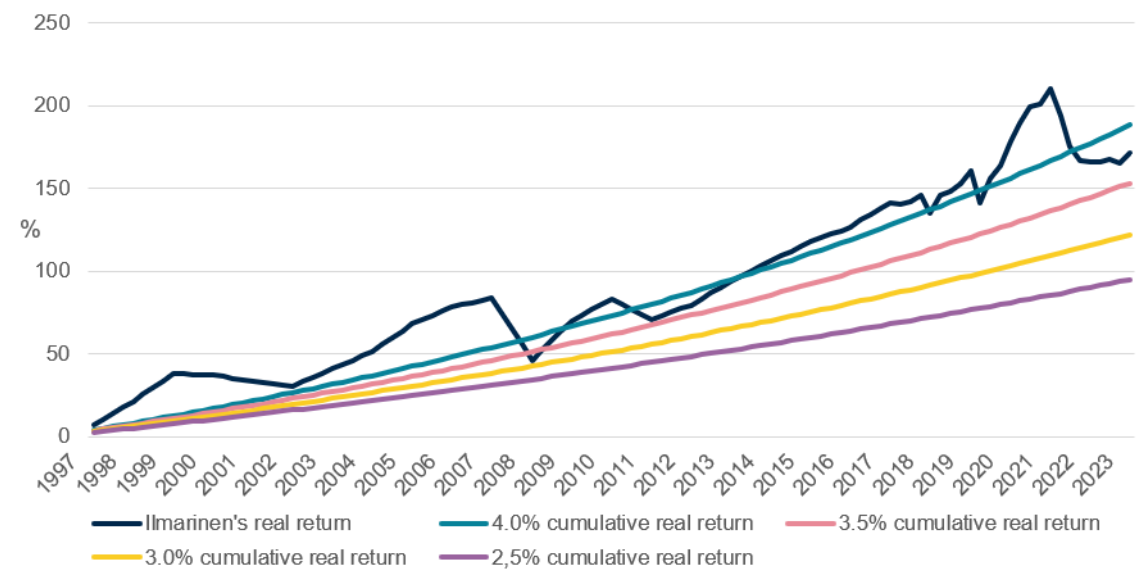
Long-term average nominal return 5.7 per cent, real return 3.8 per cent per annum

Net return on investments at current value



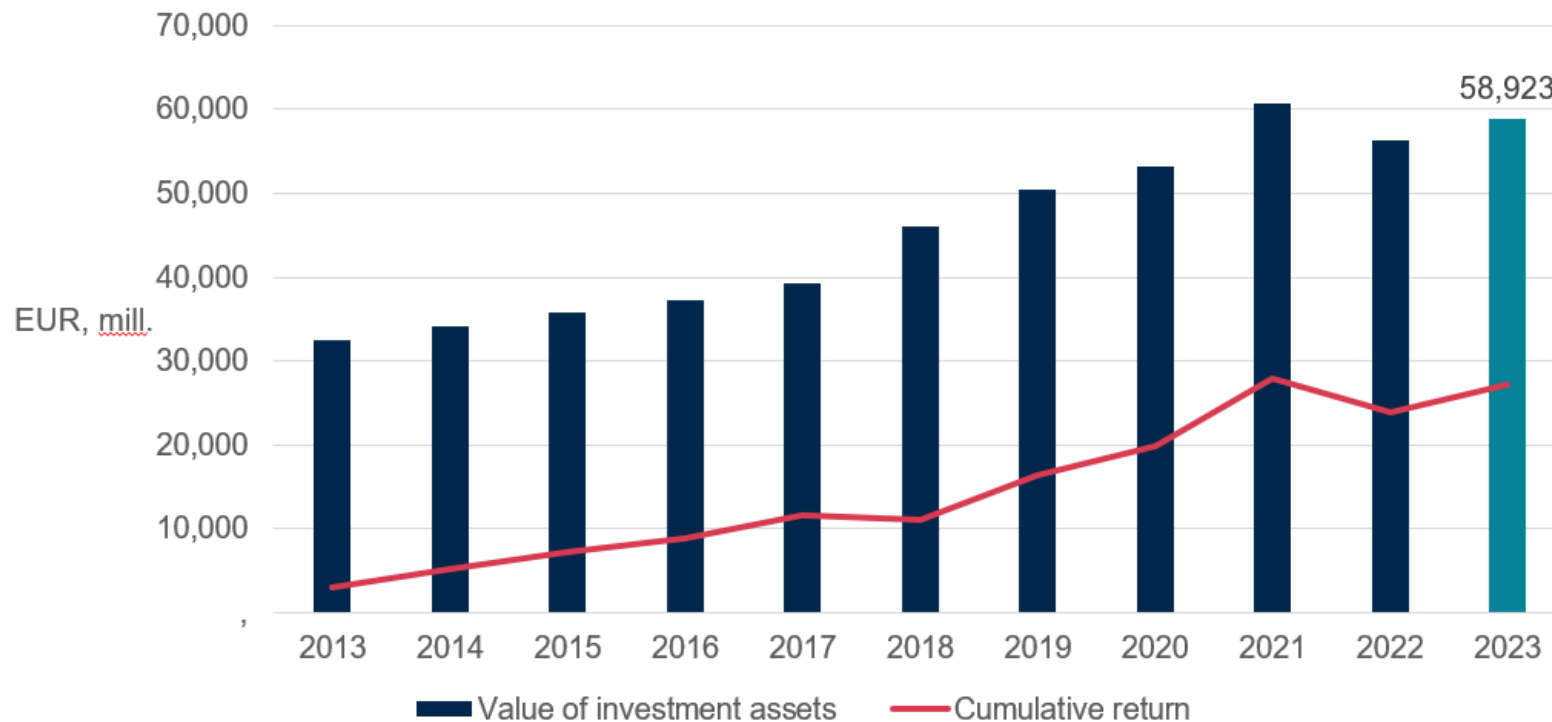
Average nominal return (1997–) 5.7%
Average real return (1997–) 3.8%

Cumulative net return on investments 1997–2023



Value of investments EUR 58.9 billion, cumulative return on investments from start of 2013, EUR 27.2 billion

Value of investments and cumulative return 2013–2023, EUR mill.



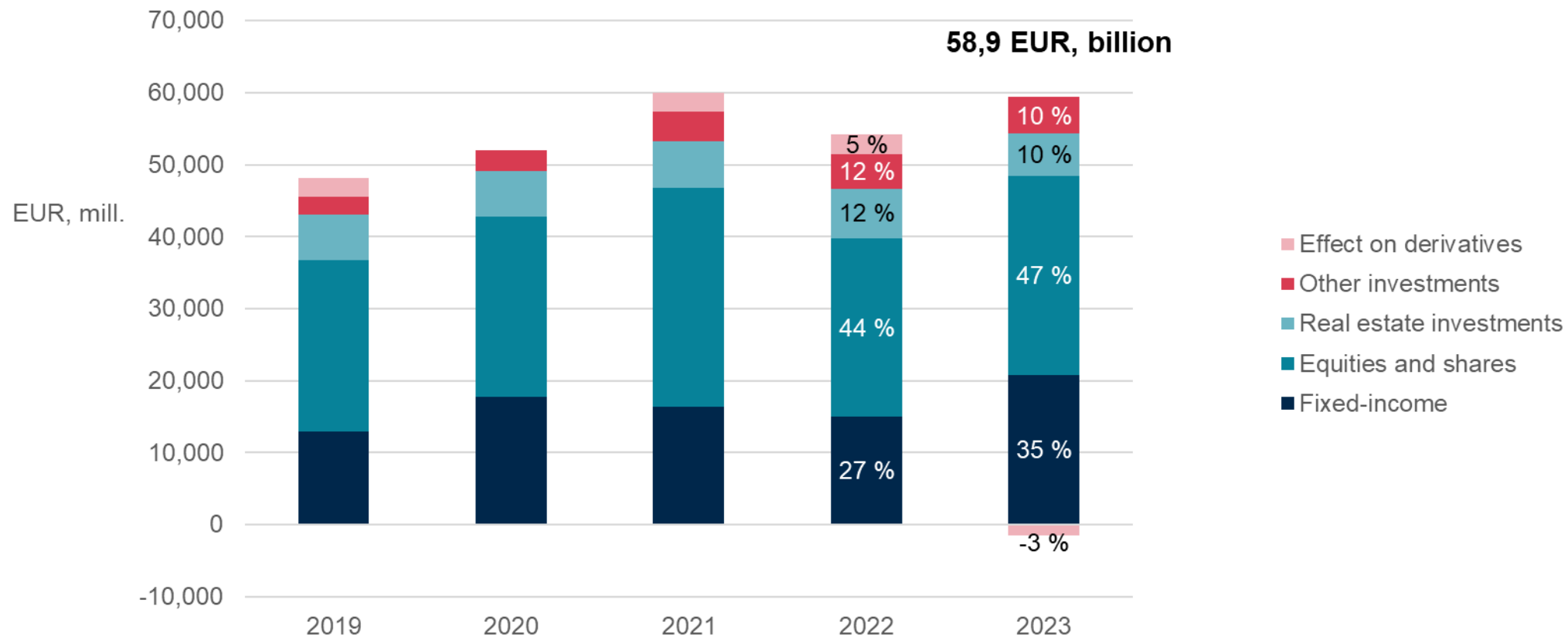
Long-term return at a good level

Average return of different markets:

%	Ilmarinen	Finnish equities and shares	European equities and shares	Euro government bonds	Euro corporate bonds
Q4/2023	2.4	6.4	6.7	7.2	5.6
2023	5.8	-0.6	15.8	7.2	8.2
2022	-6.6	-12.7	-10.6	-18.4	-14.2
Average return over five years	6.4	8.7	9.9	-1.1	0.1
Average return over 10 years	5.5	9.0	6.6	1.3	1.3
Average return over 20 years	5.4	9.5	6.6	2.9	2.9
Average return since 1997	5.7	9.3	6.6	3.7	3.7
Real average return over 5 years	2.9	5.1	6.3	-4.4	-3.2
Real average return over 10 years	3.5	6.8	4.5	-0.7	-0.7
Real average return over 20 years	3.4	7.4	4.6	0.9	0.9
Real average return since 1997	3.8	7.3	4.6	1.8	1.8

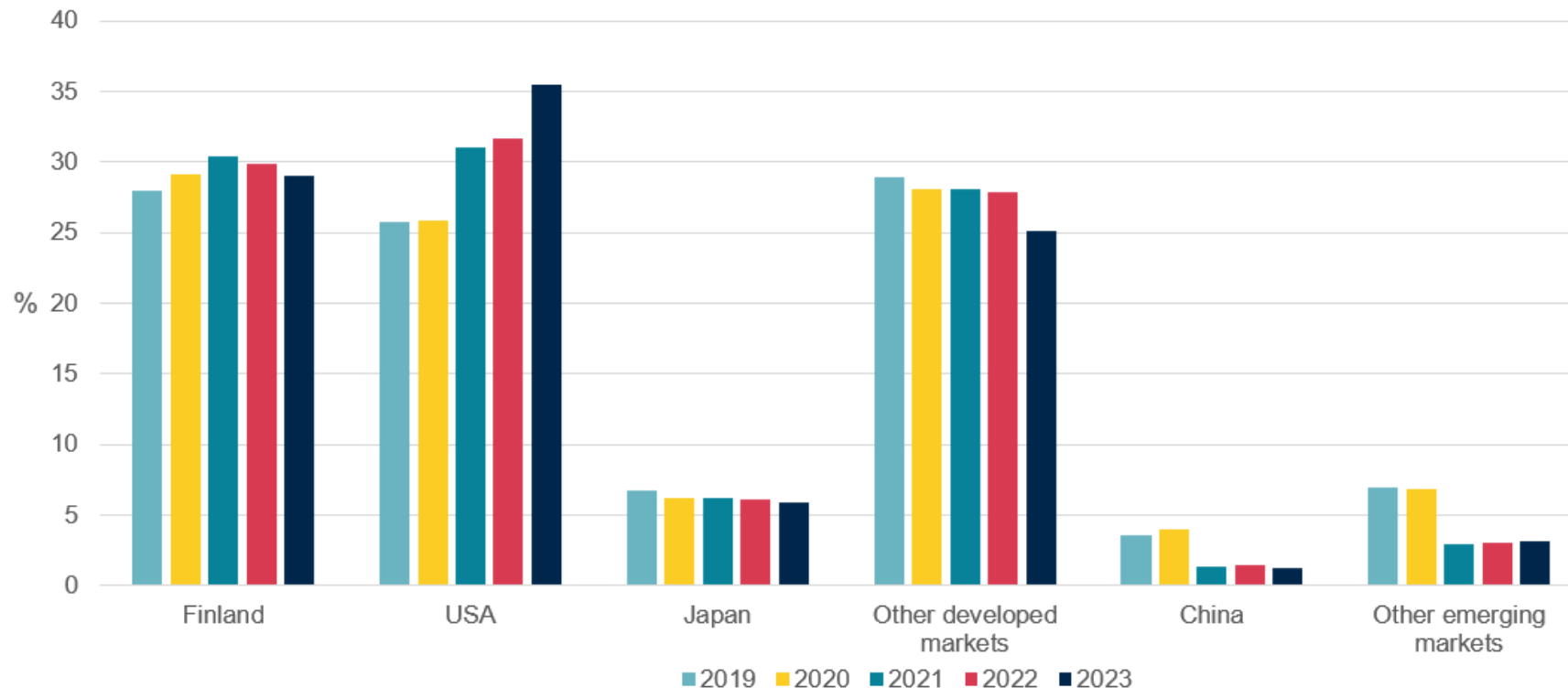
In the investment risk breakdown, the weight of fixed income rose to 35 per cent and that of equities and shares to 47 per cent

Investment risk breakdown



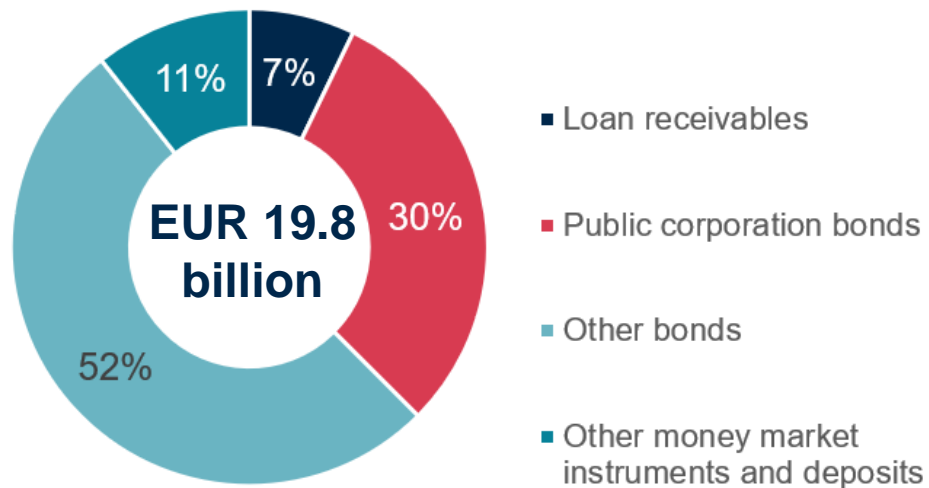
The share of Finnish listed equity investments of the equity portfolio decreased to 29 per cent

Geographical breakdown of listed equities

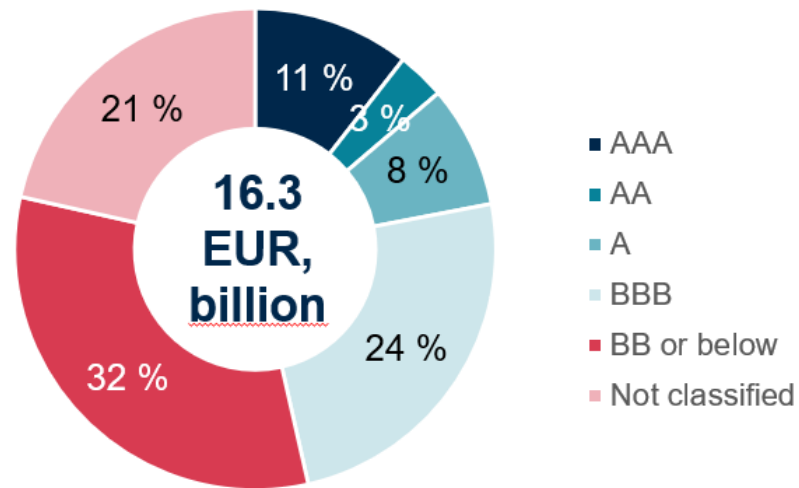


Of the bonds, 46 per cent have an investment grade credit rating

Fixed income investments by type of investment

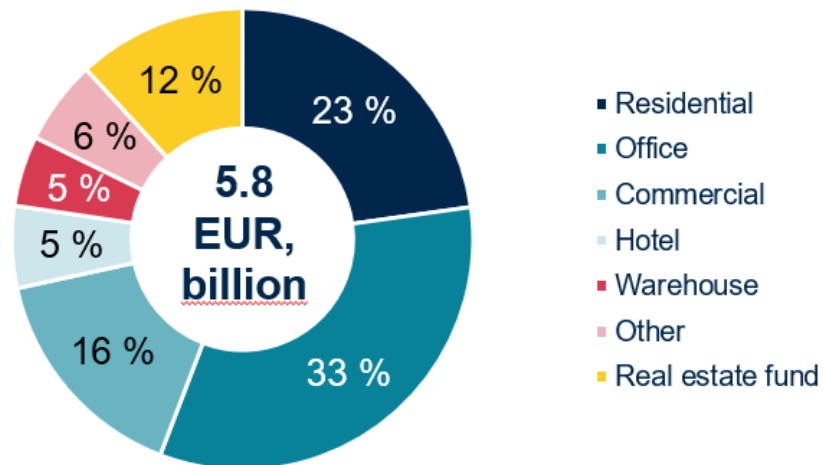


Bonds by credit rating

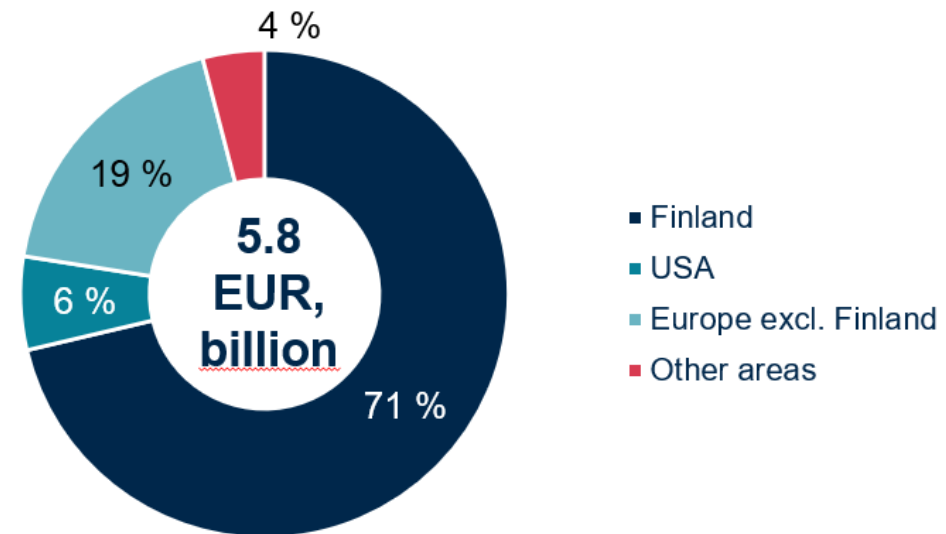


Of real estate investments, 71 per cent, or 4.2 billion was in Finland

Real estate investments by property type

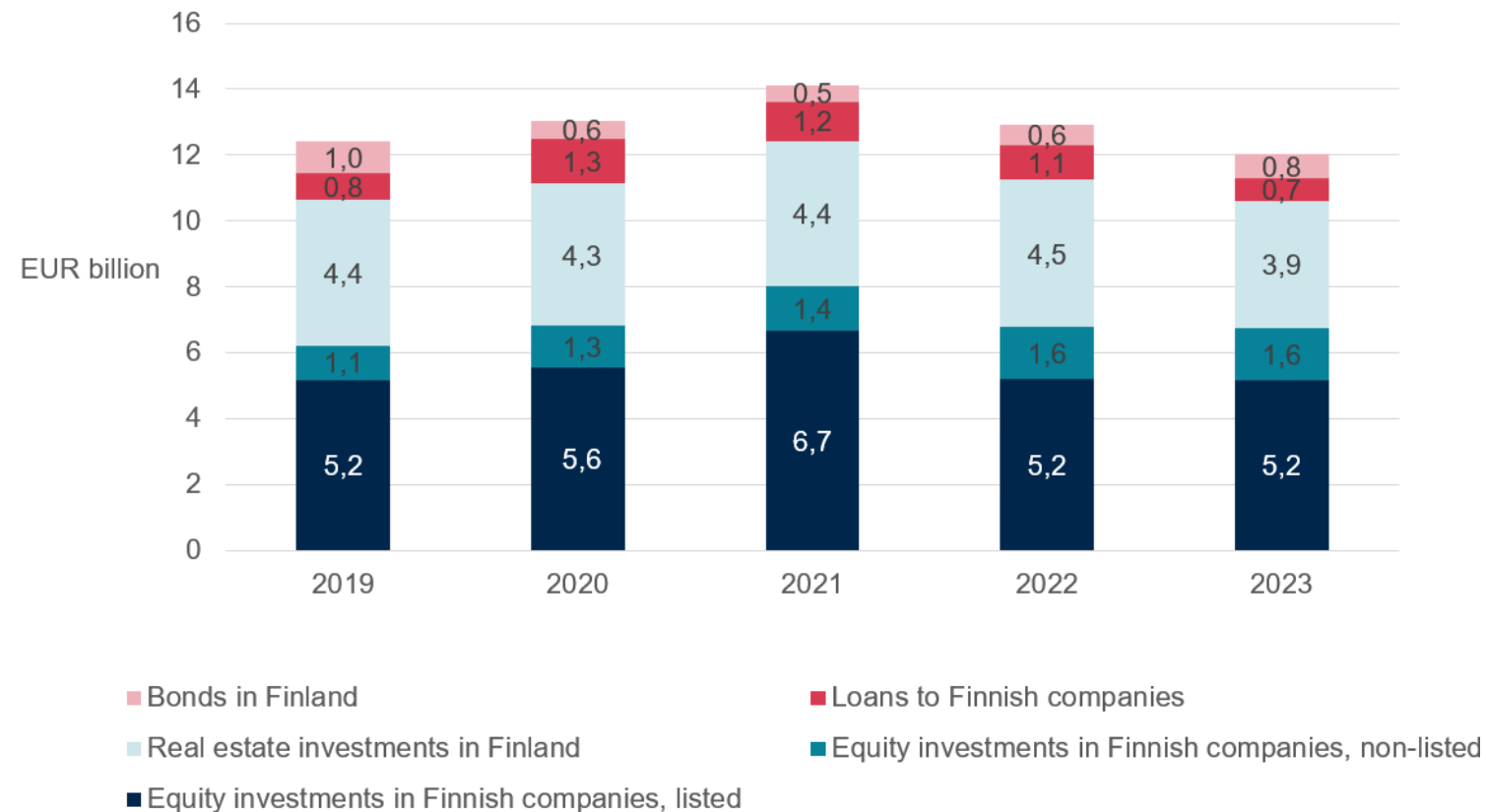


Real estate investments by geographical area



Ilmarinen's investments in Finland were close to EUR 12 billion, i.e. 20 per cent of the investment portfolio

Investments in Finland 2019–2023, EUR billion



Holdings in Finnish listed companies remained at EUR 5.2 billion

Largest Finnish listed equity holdings

	EUR mill.	31 Dec 2023	31 Dec 2022
↑	Nordea Bank Abp	321	306
↑	Kone Corporation	318	286
↑	UPM-Kymmene Corporation	305	289
↑	Neste Corporation	302	285
↓	Kesko Corporation	263	297
↓	Fortum Corporation	262	275
↓	Kojamo Plc	244	284
↓	Stora Enso Oyj	243	253
↓	Sampo Plc	239	310
↓	Nokia Corporation	232	286

	Holding, %	31 Dec 2023	31 Dec 2022
	Nurminen Logistics Plc	14.9	14.9
	SRV Group Plc	11.4	11.4
↓	Digia Plc	9.9	12.5
	Administer Plc	8.7	8.7
	Solteq Plc	8.5	8.5
	Kojamo Plc	8.3	8.3
↑	Siili Solutions Plc	7.5	7.4
↓	Citycon Corporation	7.4	7.6
	Glaston Corporation	7.3	7.3
	Panostaja Oyj	6.9	6.9

Summary of the investment allocation and returns in 2023

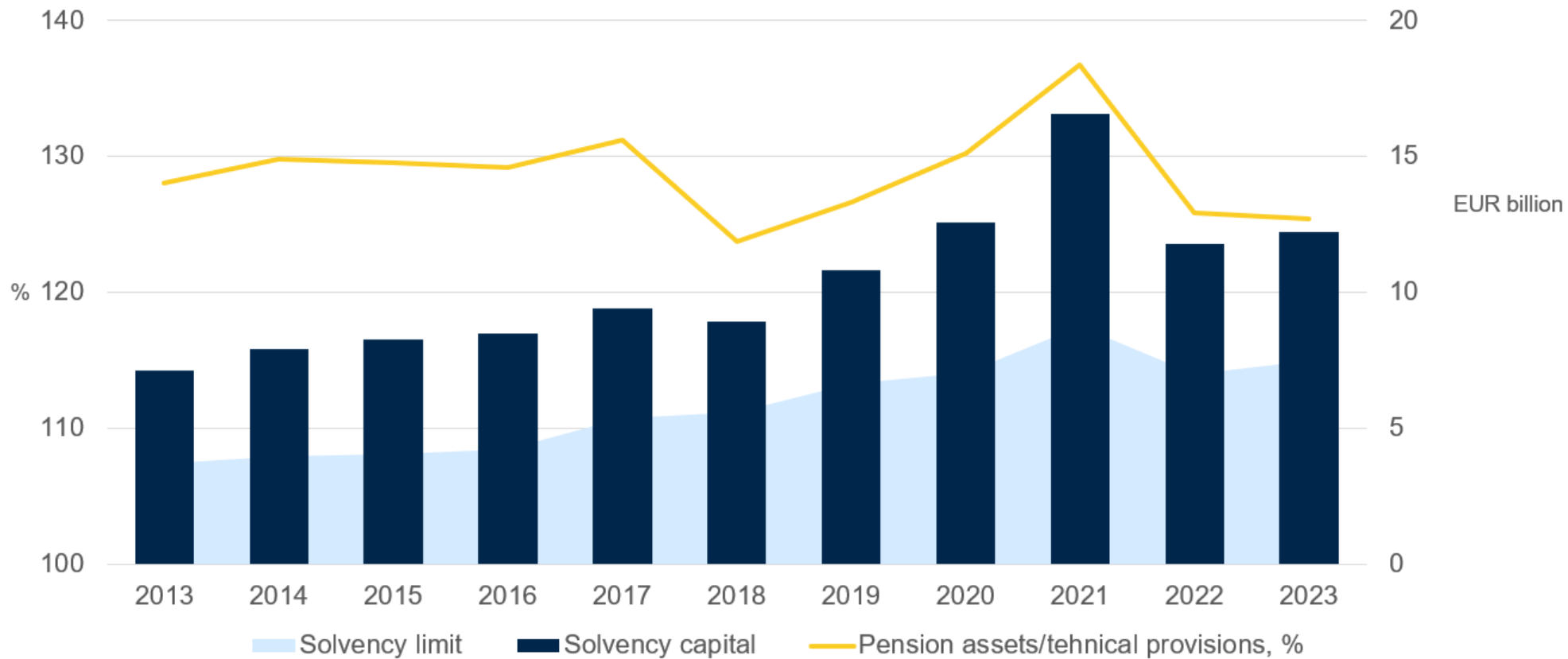
	Basic breakdown		Risk breakdown		Return	Volatility
	EUR mill.	%	EUR mill.	%	%	
Fixed income investments	19,803	34	20,773	35	8.4	
Loan receivables	1,422	2	1,422	2	5.3	
Bonds	16,269	28	20,980	36	9.5	6.6
Public corporation bonds	6,003	10	7,402	13	7.2	
Other bonds	10,266	17	13,578	23	10.9	
Other money market instruments and deposits (incl. investment receivables and payables)	2,111	4	-1,629	-3	-0.3	
Equities and shares	27,113	46	27,691	47	10.1	
Listed equities and shares	17,761	30	18,339	31	13.5	14.4
Private equity investments	7,766	13	7,766	13	2.8	
Non-listed equities and shares	1,587	3	1,587	3	7.2	
Real estate investments	5,816	10	5,816	10	-13.5	
Direct real estate investments	5,122	9	5,122	9	-15.0	
Real estate funds and joint investments	694	1	694	1	-0.7	
Other investments	6,192	11	6,158	10	1.8	
Hedge fund investments	5,092	9	5,092	9	4.5	7.6
Commodity investments	0	0	0	0	-	
Other investments	1,100	2	1,066	2	-7.5	
Investments total	58,923	100	60,438	103	5.8	5.3
Effect of derivatives			-1,514	-3		
Investments at current value total	58,923		58,923	100		

The modified duration of bonds is 4.5 years.

The open currency position is 22.2% 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 strengthened to EUR 12.2 billion, the solvency ratio was 125.4 per cent and the solvency capital was 1.6 times the solvency limit



Roadmaps show the direction towards carbon neutral pension assets 2035 and a sustainable future

- Ilmarinen seeks to achieve carbon neutrality in the investment of pension assets in 2035.
- Ilmarinen's 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's Biodiversity Roadmap describes how the impacts on biodiversity and risks related to biodiversity loss are taken into account in investment operations.





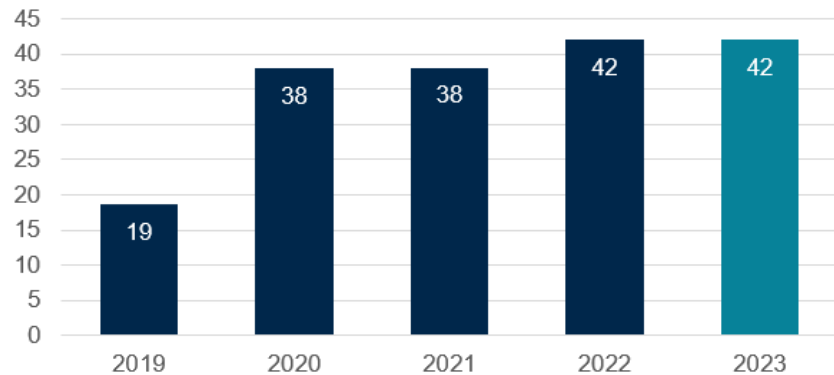
An evolving and attractive Ilmarinen

Personnel and responsibility

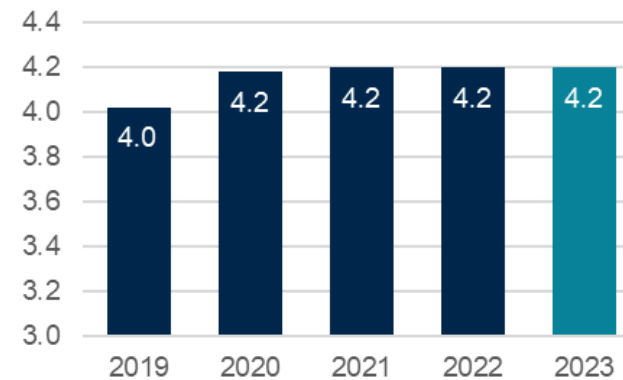
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Personnel's work energy level remained excellent, at 4.2, number of absences due to illness declining

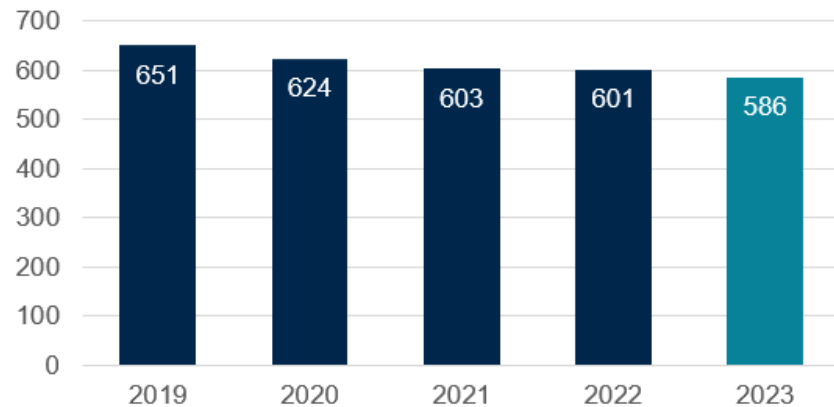
Employee Net Promoter Score (eNPS)



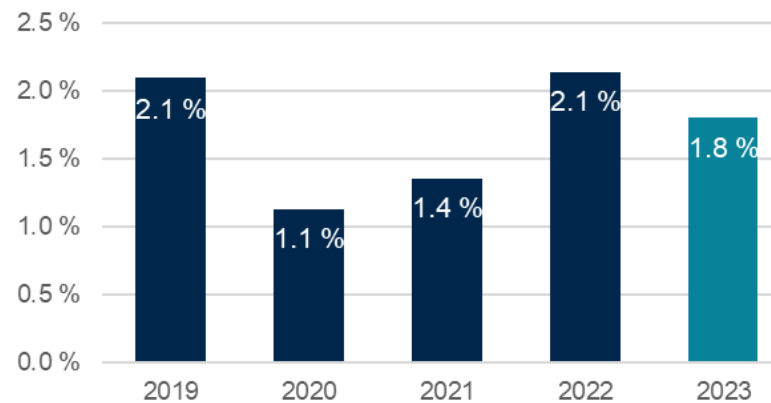
Personnel's average work energy (1–5)



Average number of employees (person years)



Lost time due to sick leave



We want to be a responsible and caring employer

- In 2023, Ilmarinen was awarded the 'A feel-good workplace' label (Hyvän mielen työpaikka), and in early autumn, we launched a mental well-being mentor network.
- Diversity and equality are important values for us. In 2023, we organised a series of coaching sessions for all Ilmarinen employees.
- In autumn, we initiated an age management pilot programme that will continue until 2024. We want to be sure that people of all ages are happy working at Ilmarinen, as well as find ways to support a positive entry into working life, maintaining work ability and continuing in working life.
- Ilmarinen supports the work–family life balance of its personnel. Based on a public vote, Ilmarinen's childcare centre came second in Oikotie's Sustainable deed in working life campaign.
- Ilmarinen has long been part of the Responsible Summer Job campaign. The objective is to offer more high-quality summer jobs to young people.



Responsibility at Ilmarinen in 2023



People and society S

- Personnel's work energy level remained excellent, at 4.2 (on a scale of 1–5).
- We processed pension applications fast: more than half received an old-age pension decision in less than 2 days; the average processing time was 5 days.
- We initiated a human rights due diligence process.



Environment E

- We made an anchor investment in 4 climate ETFs worth a total of EUR 5.1 billion.
- The carbon footprint decreased from 2022:
 - Listed direct equity investments -12%
 - Direct listed bonds -60%
- We report according to the TNFD framework.
- We joined the Nature Action 100 investor initiative.



Good governance G

- We became the most cost-effective earnings-related pension company in 2022. In 2023, our efficiency improved further.
- We prepared for the implementation of the sustainability reporting directive and new reporting standards.



Future prospects

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Future prospects

- Geopolitical tensions are casting a shadow over the global economic growth outlook. The global economic growth rate is expected to remain at around 3 per cent in 2024 and Finland's economy is projected to slowly recover from the recession.
- Ilmarinen's premiums written are expected to grow as the earnings level rises.
- The speed at which inflation will slow and the pace at which central banks will ease their monetary policies are causing uncertainty in the markets. The possible escalation of geopolitical tensions and armed conflicts is adding to nervousness in the markets.
- 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.



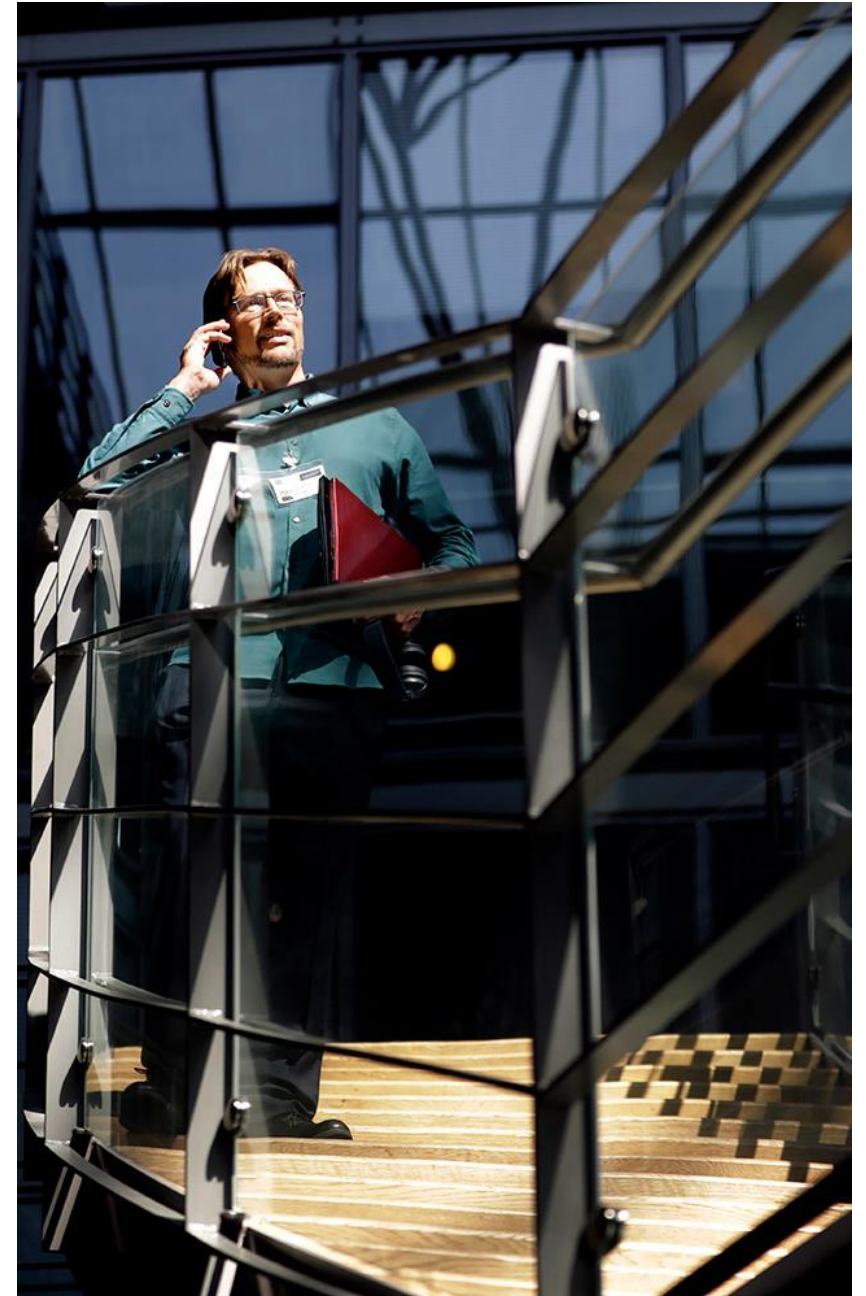
Current information about the pension system

- In the beginning of 2024, earnings-related pensions were increased by an index increment of 5.7 per cent, which is slightly more moderate than the previous year. The number of applications grew in the autumn of 2023, but not as much as the year before.
- The administrative cost component included in the earnings-related pension insurance contribution became company specific as of the start of 2023. Every pension company has its own contribution criteria for the administrative cost component.
- The act on more detailed specifications on determining entrepreneurs' YEL income and reviewing the YEL income for existing insurance policies came into force at the start of 2023. In 2023, the review applied to entrepreneurs with an annual YEL income of less than EUR 15,000, if no material changes had been made to the YEL income in three years. In 2024, the review will target entrepreneurs whose YEL income is below EUR 24,000 per year and has not been adjusted in three years.
- The disability pension contribution category model was reformed at the start of 2024. The reform will be implemented gradually and will be fully in force in 2029. The changes are aimed at improving, among other things, access to employment for older people and people who have difficulty finding employment. The reform encourages employers to anticipate work ability risks and take care of their employees' work ability.



The pension reform will be prepared by January 2025

- The amendments to the earnings-related pension legislation that, according to the Government Programme, are necessary for securing the system's sustainable financing and an adequate level of benefits will be prepared on a tripartite basis.
- The objective is to find methods for the concrete long-term stabilisation of the pension insurance contribution level, with the earnings-related pension system adapting to possible shocks using a rule-based stabilisation system.
- The financial goal is to strengthen public finances in the long term by approximately 0.4 percentage points in relation to the GDP, representing some one billion euros.



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Parempaa työelämää

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

