

ILMARINEN

Well prepared for
tomorrow.

Ilmarinen's Interim Report
January–March 2024



Return on investments was 3.2 per cent, solvency strengthened and cost-effectiveness improved

- The return on Ilmarinen's investment portfolio was 3.2 (2.2) per cent, or EUR 1,875 million. The market value of investments grew to EUR 60.5 (58.9) billion. The long-term average return on investments was 5.8 per cent as of 1997. This corresponds to an annual real return of 3.8 per cent.
- The total result rose to EUR 778 (407) million.
- Premiums written rose by 2 per cent to EUR 1,690 (1,660). Pensions paid grew 8 per cent to EUR 1,885 (1,754) million.
- Net customer acquisition was EUR 29 (70) million and rolling customer retention for the previous 12 months was 96.3 (97.1) per cent.
- Operating expenses financed using loading income decreased 2 per cent to EUR 24 (25) million and were 0.35 (0.37) per cent of the TyEL payroll and YEL income of the insured.
- Solvency capital increased to EUR 13.0 (12.2) billion, and the solvency ratio strengthened to 126.6 (125.4) per cent.



Key figures January–March 2024

Premiums written

1.69 (1.66)
€ bn



Operating expenses financed
using loading income

24 (25)
€ mill.



Return on
investments

3.2 (2.2)
%



Solvency ratio

126.6 (125.4)
%



1.89 (1.75)
€ bn

Pensions paid

0.35 (0.37)
%

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

60.5 (58.9)
€ bn

Investment assets

13.0 (12.2)
€ bn

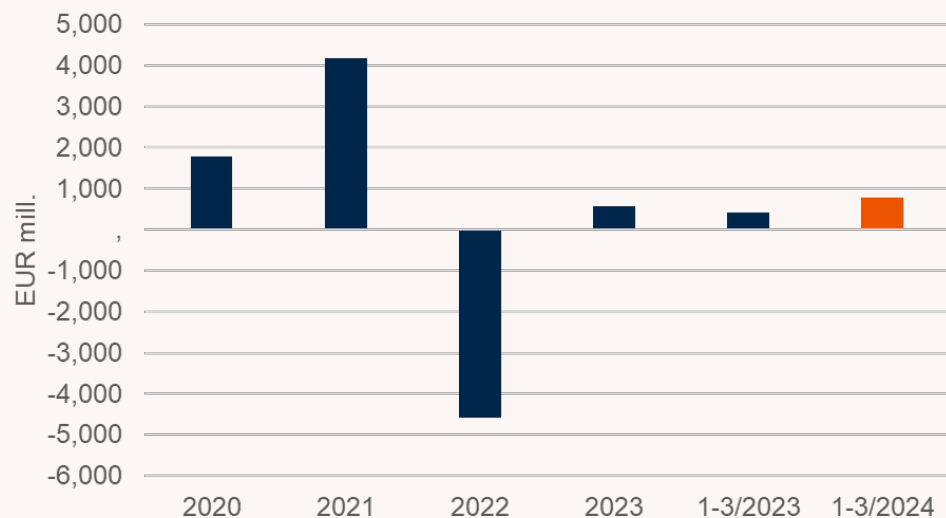
Solvency capital

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

The result comparison figures are the figures for the corresponding period of 2023. The comparison figures for the balance sheet and other cross-sectional figures are the figures for the end of 2023.

The total result for January–March rose to EUR 778 million

Total result, EUR mill.



Sources of profit, EUR mill.

Result analysis, EUR mill.	1.1.- 31.3.2024	1.1.- 31.3.2023	1.1.- 31.12.2023
Underwriting result	9	3	38
Return on investments at fair value	771	403	527
+ Net return on investments at fair value	1,875	1,252	3,272
- Return requirement on technical provisions	-1,104	-849	-2,744
Loading profit*)	-2	1	11
Other profit	0	0	3
Total result	778	407	579

*) 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.

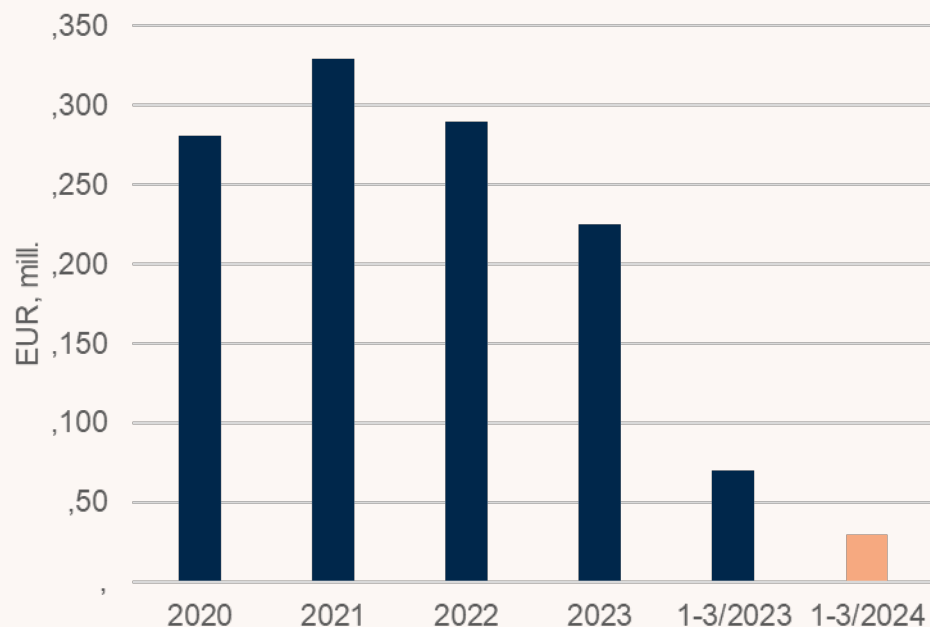


Pension security for you

Insurance and pensions

Net customer acquisition for Q1 was EUR 29 million, customer retention was 96.3 per cent

Net customer acquisition 2020–31 March 2024, Net customer acquisition, EUR mill.
EUR mill.



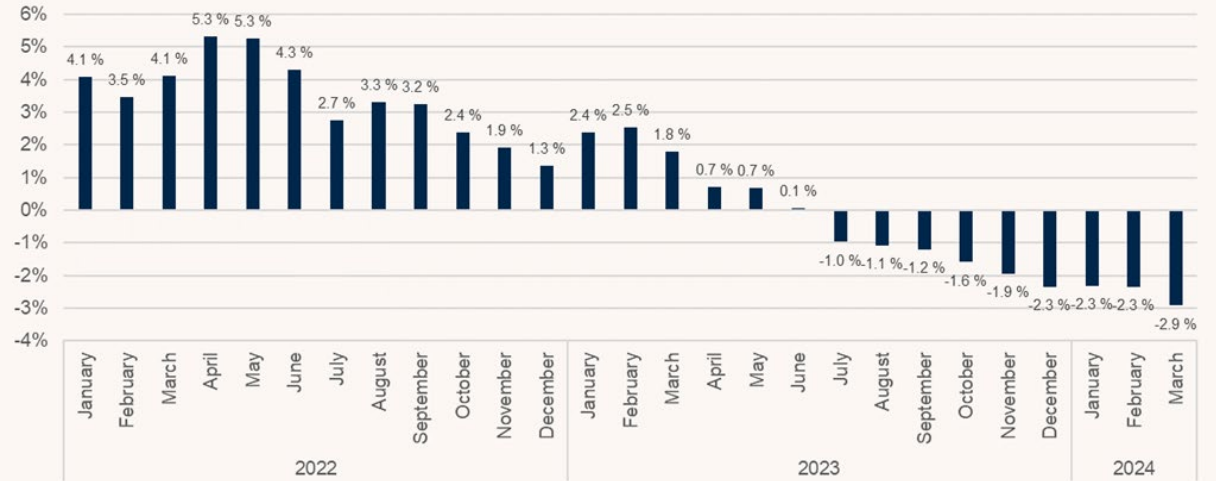
EUR, mill.	1-3/2024	1-3/2023	2023
Net customer acquisition	29	70	225
Sales of new insurance	30	70	155
Net transfer of insurance	-1	1	70
Customer retention, % of premiums written	96.3%	97.1%	96.5%

Customers' payroll increased 1.6 per cent and the number of employees fell by -2.5 per cent in January–March

Change in payroll of Ilmarinen's customers from previous year

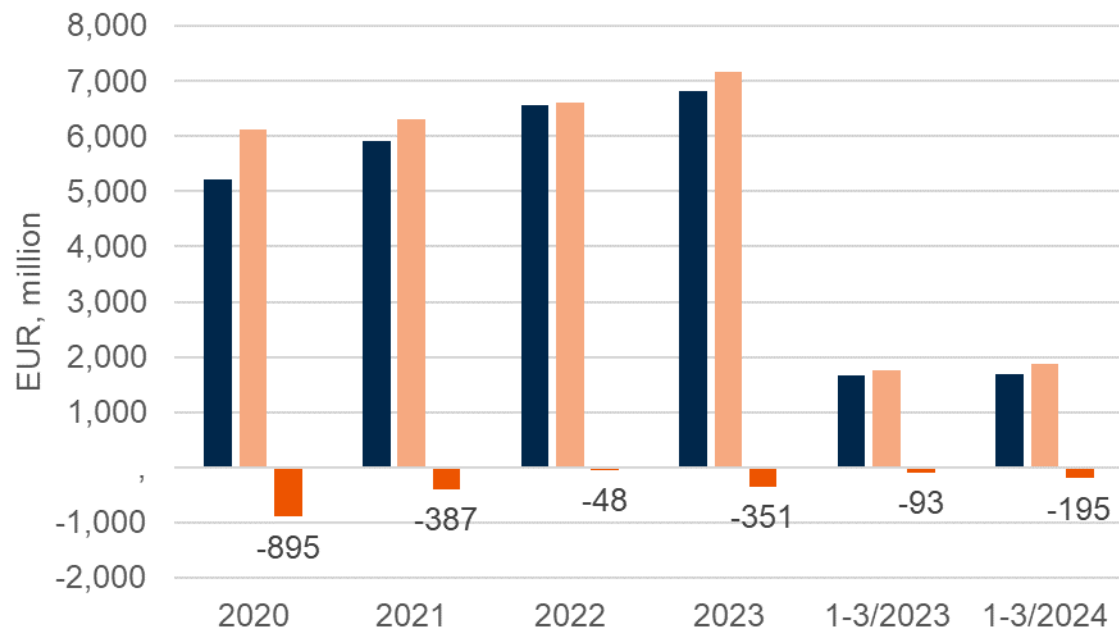


Change in number of employees in Ilmarinen's business cycle index



Premiums written grew 2 per cent to EUR 1.7 billion and pension expenditure grew 8 per cent to EUR 1.9 billion

Premiums written and pension expenditure, January–March 2024



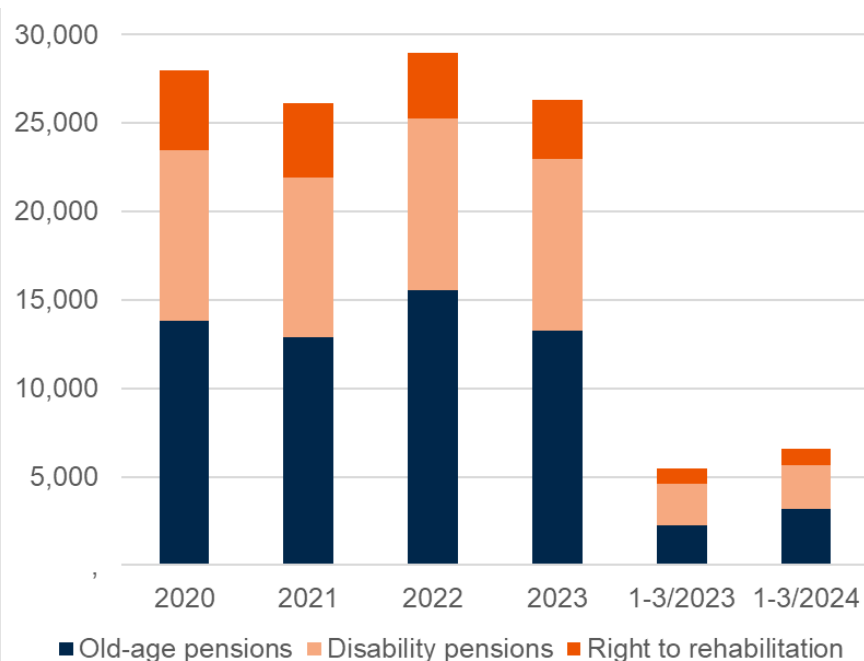
- Differential between premiums written and pension expenditure
- Pension expenditure
- Premiums written

	1-3/2024	1-3/2023	2023	2022	2021	2020
Premiums written TyEL	1,562	1,540	6,418	6,164	5,534	4,833
Premiums written YEL	128	120	404	394	388	388
Total premiums written	1,690	1,660	6,822	6,558	5,922	5,220
Pensions paid TyEL	1,748	1,626	6,744	6,189	5,902	5,701
Pensions paid YEL	137	128	429	417	407	415
Pension expenditure, total	1,885	1,754	7,173	6,606	6,309	6,116

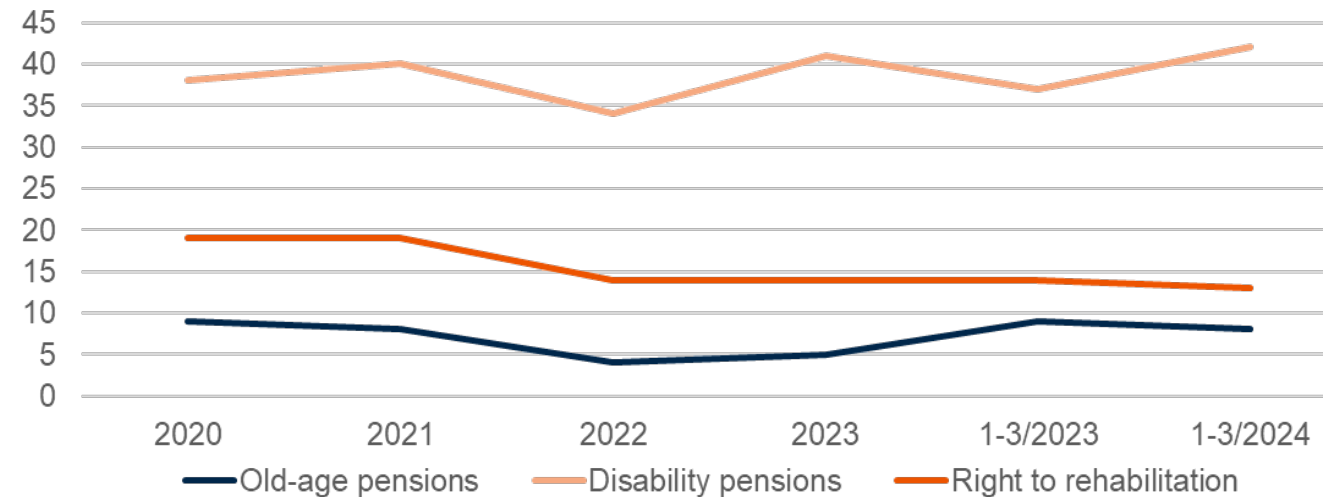
Ilmarinen made 1,789 more new pension decisions in January–March compared to the previous year

Old-age pension decisions were issued in eight days on average

Number of pension decisions*



Average application processing time, days

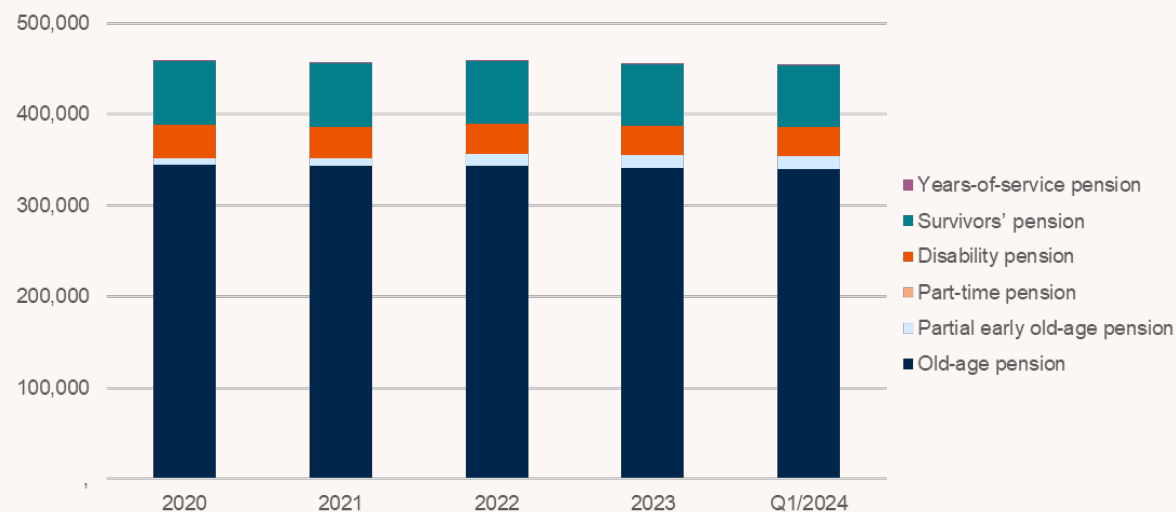


* The figure does not include new decisions on partial early old-age pensions, year-of-service pensions and survivors' pensions (3,125).

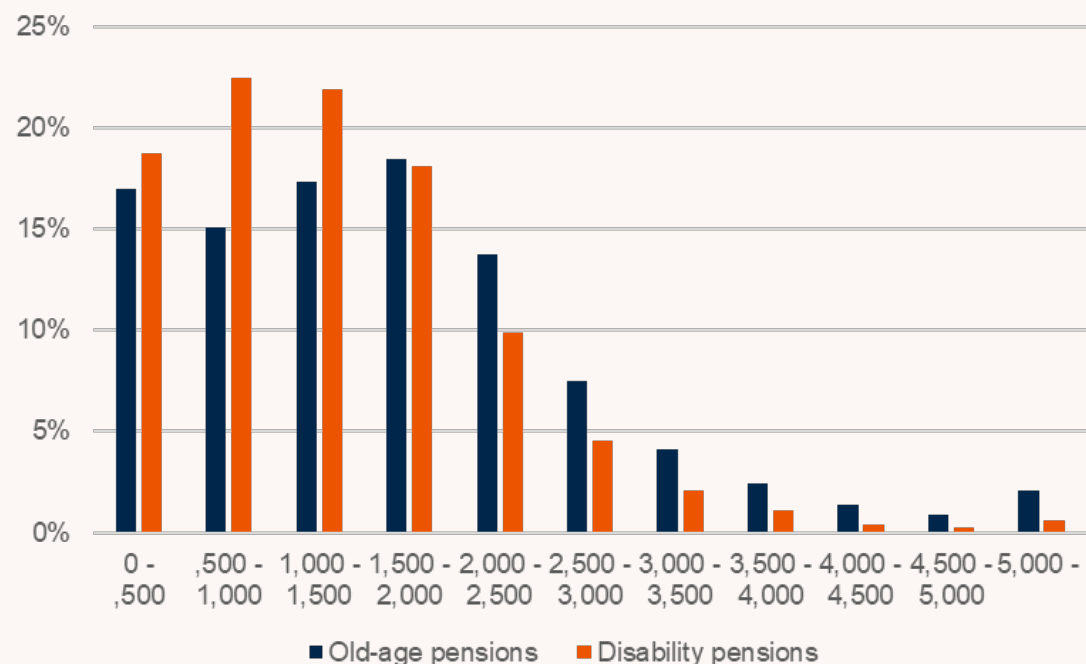
We paid EUR 1.9 billion in pensions to 454,000 pensioners

The average old-age pension was EUR 1,672/month

Ilmarinen's pension recipients



Distribution of paid old-age and disability pensions by size





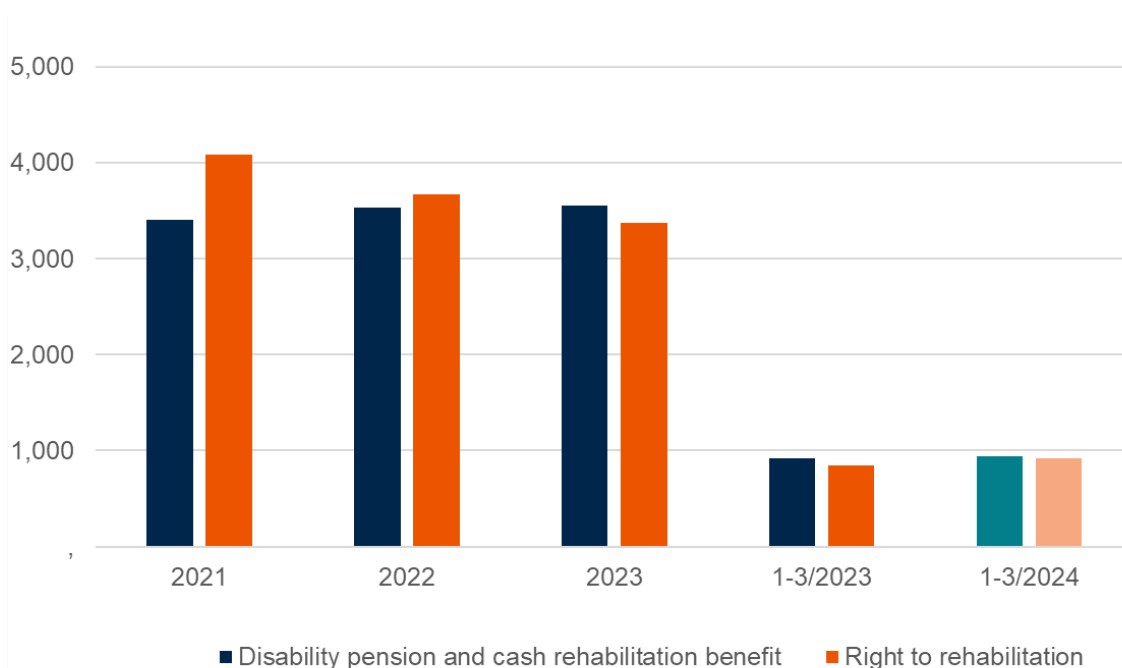
For a better working life

Work ability risk management
and rehabilitation

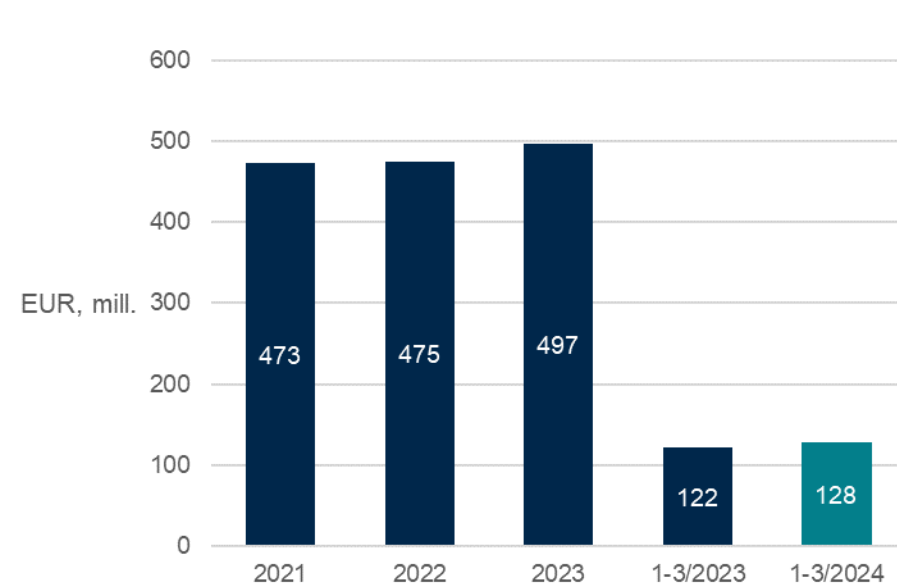
939 persons transitioned to a disability benefit, which is 3 per cent more than in the previous year

Disability pension expenditure rose by EUR 5.4 million.

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



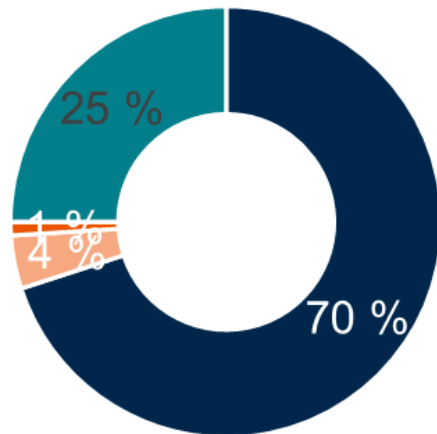
Disability pension expenditure, EUR mill.



Work ability projects numbered 506 and covered 65,766 employees

Work ability project themes and customer satisfaction in January–March 2024

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 (1-3/2024)

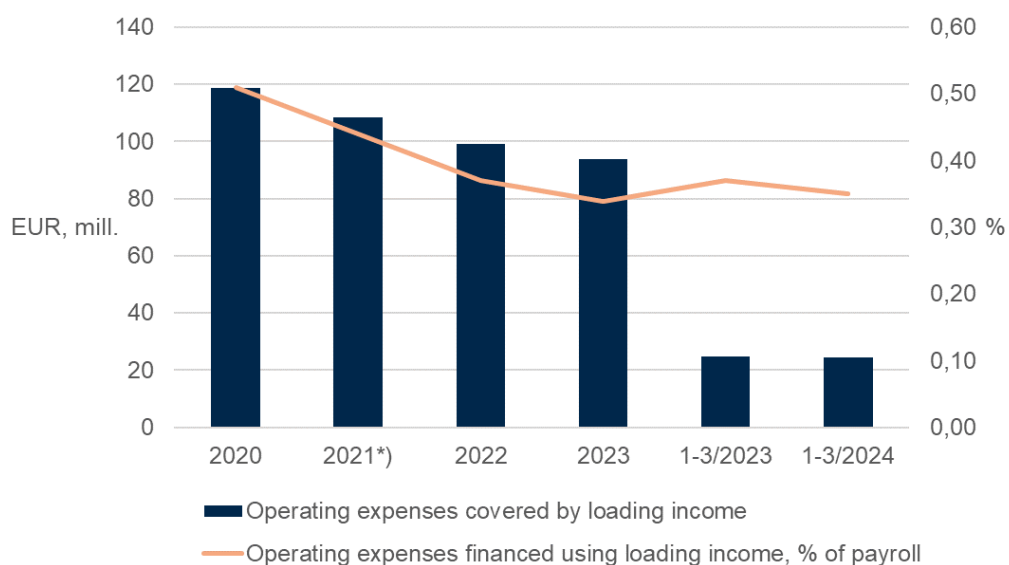


Cost-effective operations

Operating expenses and personnel

Operating expenses financed using loading income decreased 2 per cent to EUR 24 million and were 0.35 per cent of the payroll

Total operating expenses, operating expenses financed using loading income and operating expenses using loading income of payroll 2020–31 March 2024 *) **)



	1–3/ 2024	1–3/ 2023	2023	2022	2021	2020
Total operating expenses, EUR mill.	38	38	146	151	157	158
Operating expenses covered by loading income, EUR mill.	24	25	94	99	108	119
Operating expenses financed using loading income, % of payroll**)	0.35	0.37	0.34	0.37	0.44	0.51
Operating expenses financed using loading income per pensioners and insured, EUR	22	22	83	87	96	109

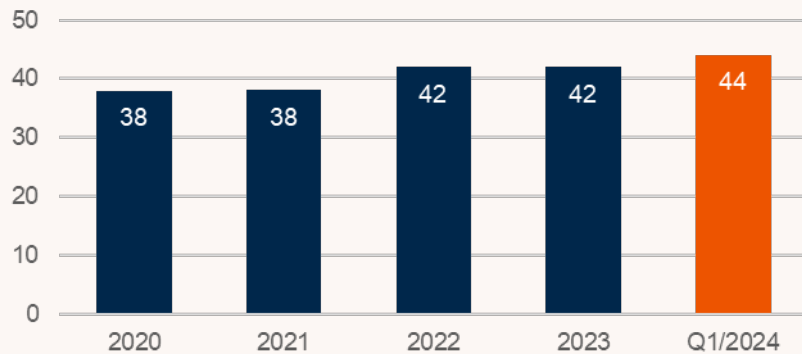
*) Operating expenses and operating expenses financed using loading income are presented above without the one-time write-down of EUR 18.2 million for intangible assets made in the financial statements for 2021

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

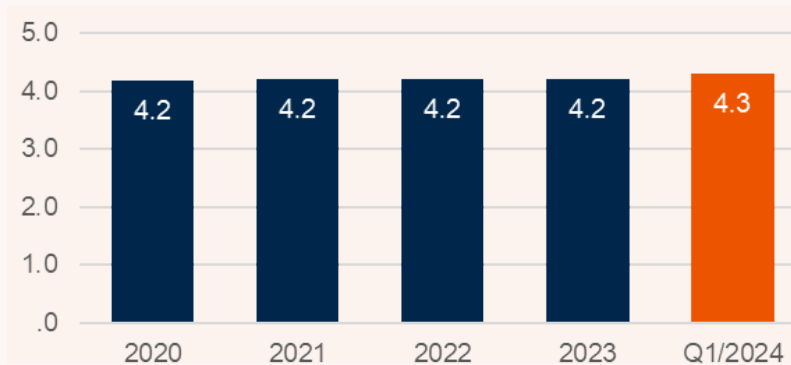
Personnel's work energy level rose slightly to an excellent 4.3

Number of absences due to illness falling

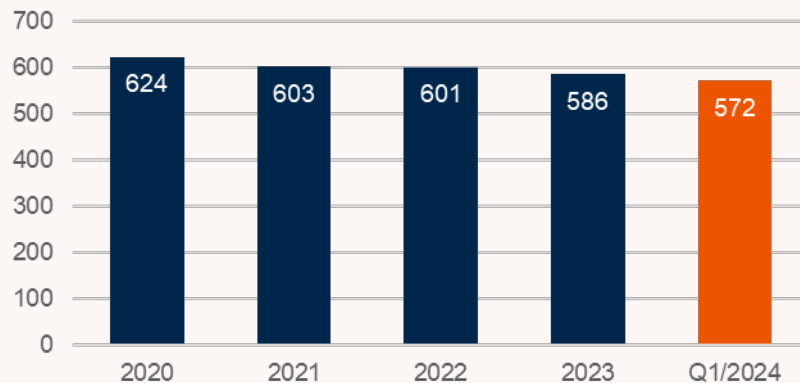
Employee Net Promoter Score (eNPS)



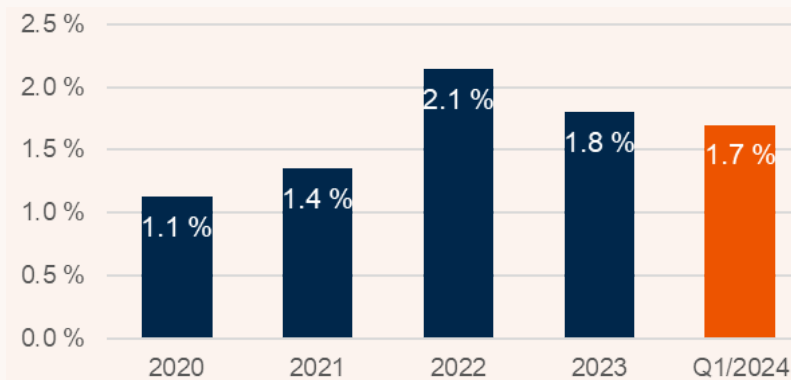
Personnel's average work energy (1–5)



Average number of employees (person years)



Lost time due to sick leave





Profitably, securely and responsibly

Investment activities

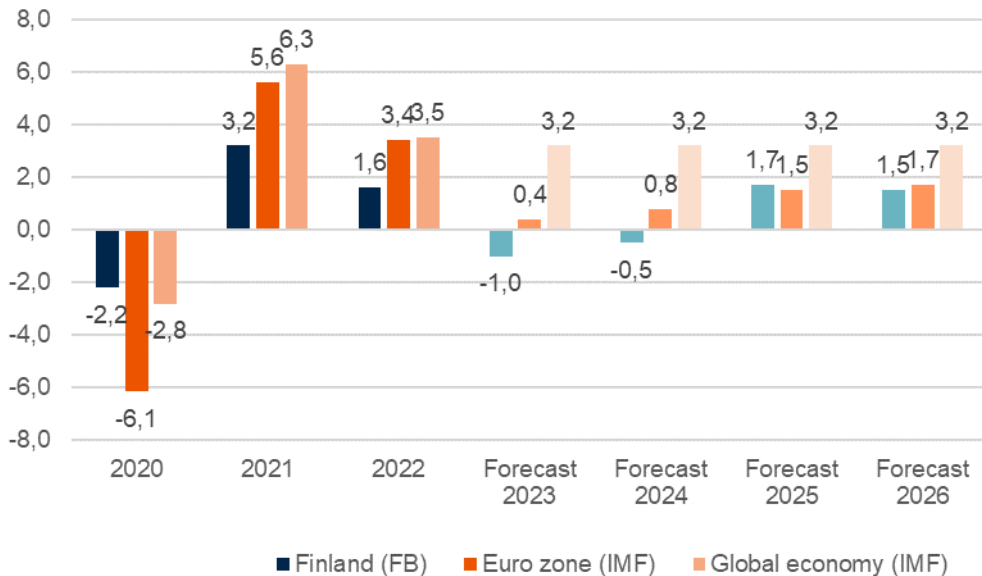
Key observations about the operating environment

- Decelerating inflation and a stronger growth outlook have reduced the risk of a deep recession. The global growth forecast for 2024 rose to 3.2 per cent. In the USA, economic development has been stronger than expected, at the same time slowing the decline of inflation. In Europe, economic growth is predicted to improve to 0.8 per cent during 2024. Finland's economy is in a downturn and it is likely that a growth trajectory will be reached late in the year.
- Inflation slowed in the first quarter of the year. The year-on-year change in consumer prices in March was 2.4 per cent in the euro zone and 3.5 per cent in the USA. Government bond rates rose from their level at the turn of the year in the USA and the euro zone owing to the deferment of the central banks' interest rate cut expectations.
- In the USA, the equity market (S&P 500 index) return was some 10.6 per cent in January–March, driven by the technology sector. Europe's STOXX 600 index's return for January–March was 7.7 per cent.
- The Helsinki stock exchange's return on investments was 0.3 per cent for Q1.

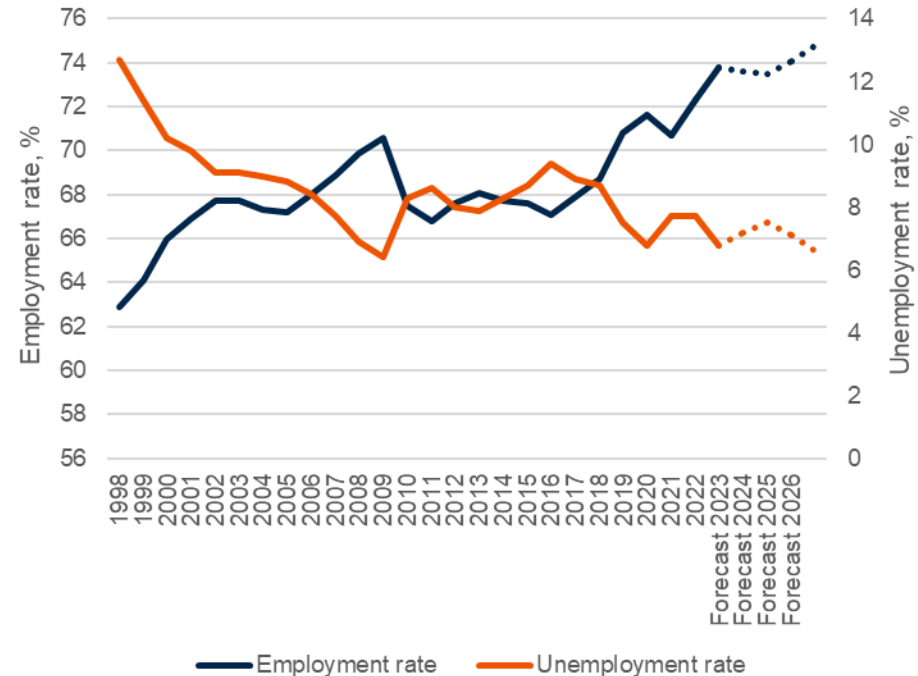


The global economic growth forecast is 3.2 per cent for 2024, Finland's economy is expected to contract by 0.5 per cent

GDP development, %



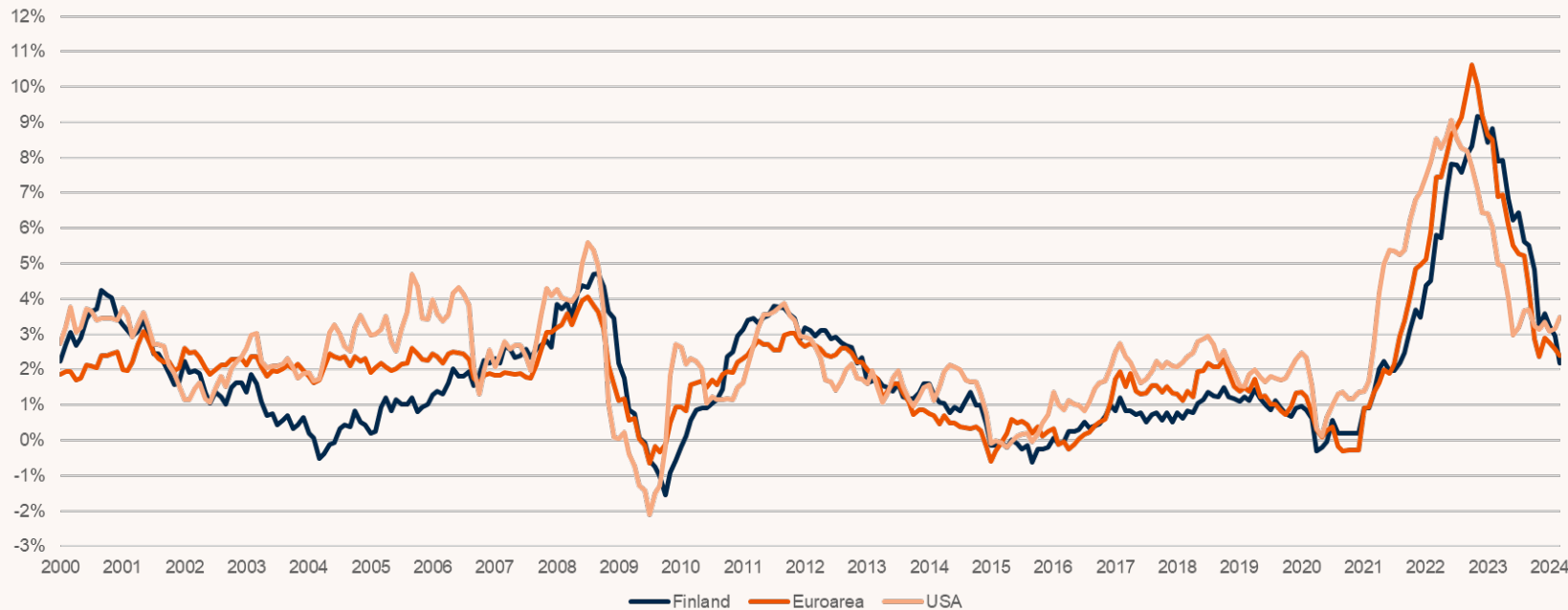
Development of Finland's employment and unemployment rates, %



Sources: Statistics Finland, Bank of Finland (3/2024), IMF (estimate 4/2024)

Slowing inflation and the moderate improvement in the growth outlook have reduced the risk of a deep recession

Year-on-year change in consumer prices

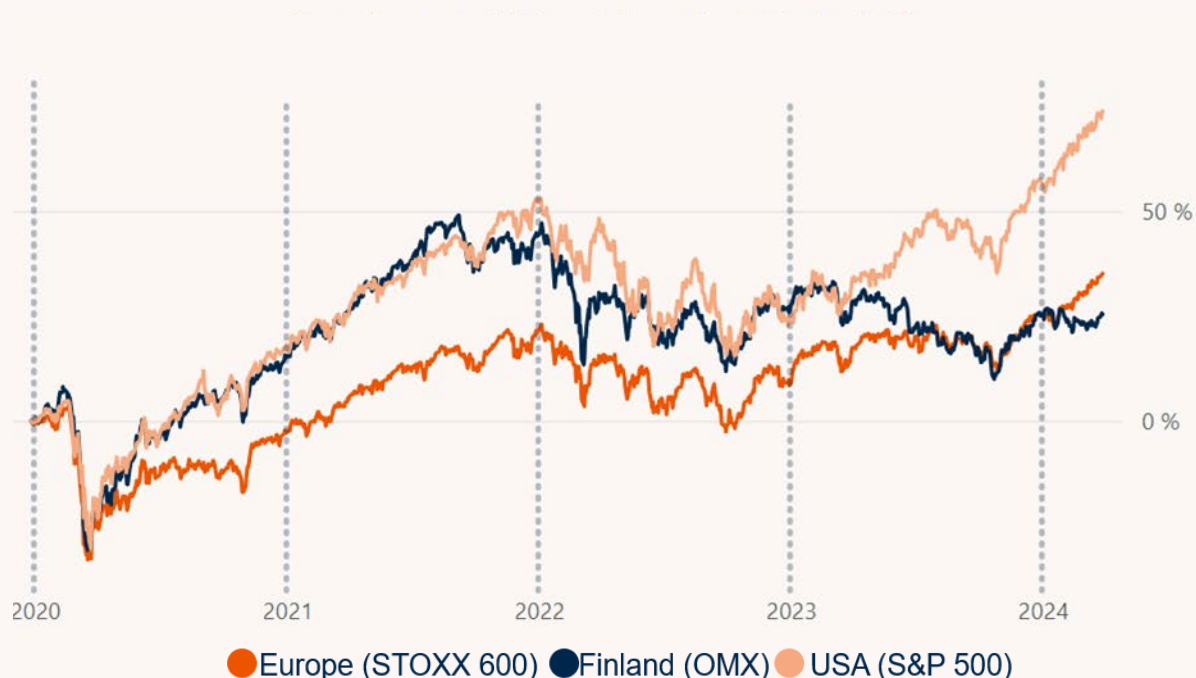


- In March, inflation was 3.5 per cent in the USA, 2.4 per cent in the euro zone and 2.2 per cent in Finland.
- The drop in inflation closer to the central banks' target levels has continued globally as supply bottlenecks are easing up and as a result of a monetary policy designed to slow down economic activity.
- The curbing of the energy shock in the euro zone and lower inflation support the growth of real income.

The weaker return on the Finnish equity market in Q1 was the result of muted earnings performance

- The return on equity investments in the USA was 10.6 per cent and in Europe 7.7 per cent.
- In Finland, the return on the equity market was just 0.3 per cent in January–March.

Equity market performance



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



Market rates rose in January–March when bets on the number and timing of central bank interest rate cuts were dialed back

Spreads tightened slightly in Q1

Development of interest rates

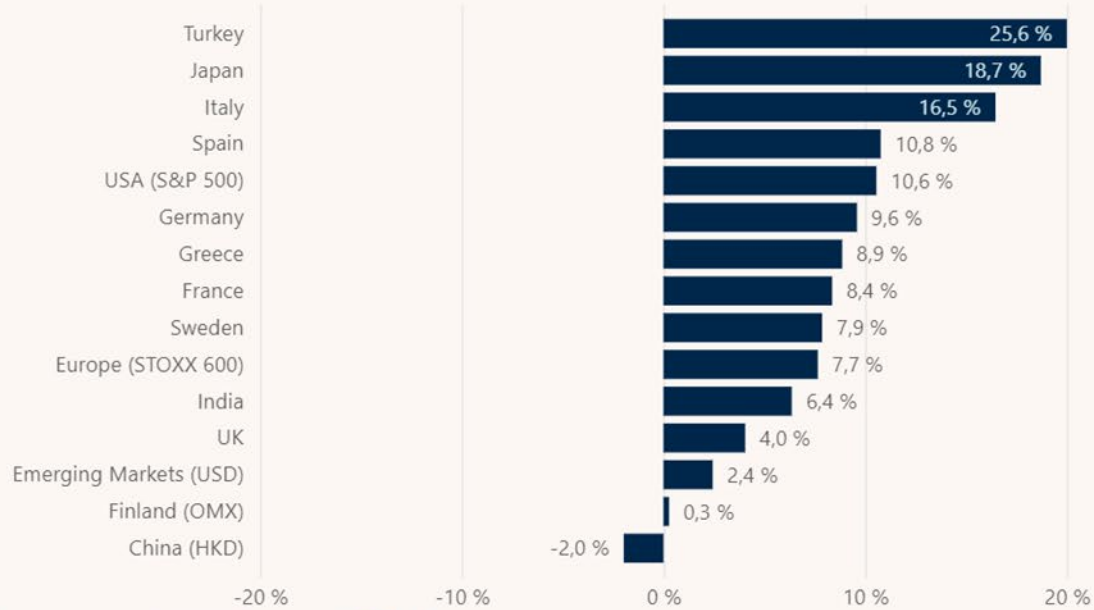


Development of credit risk premiums

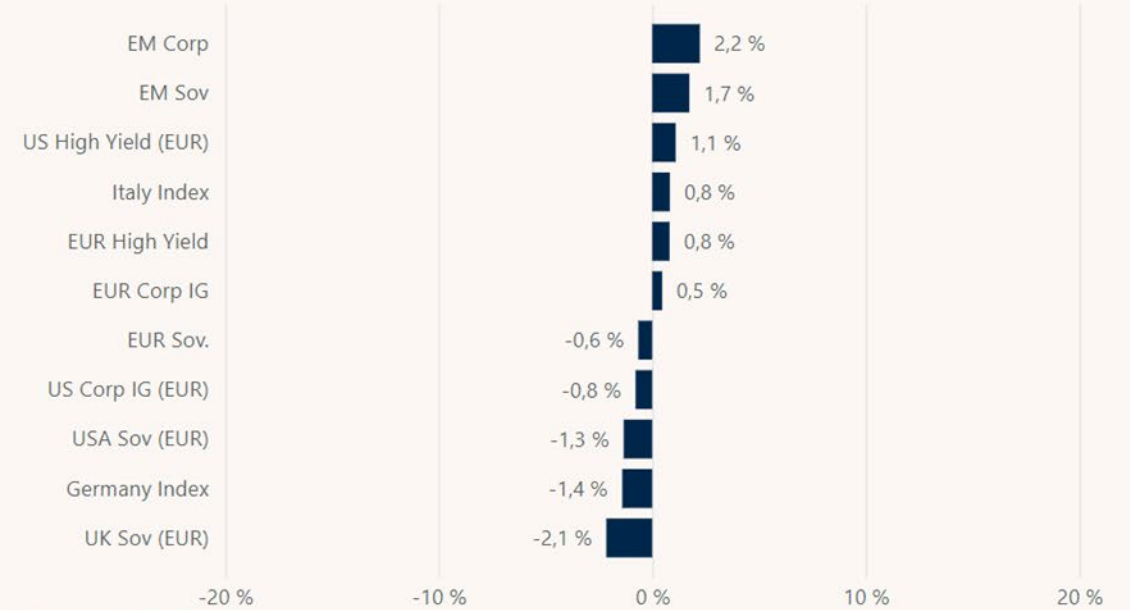


Market development (31 March 2024)

Equity market YTD %



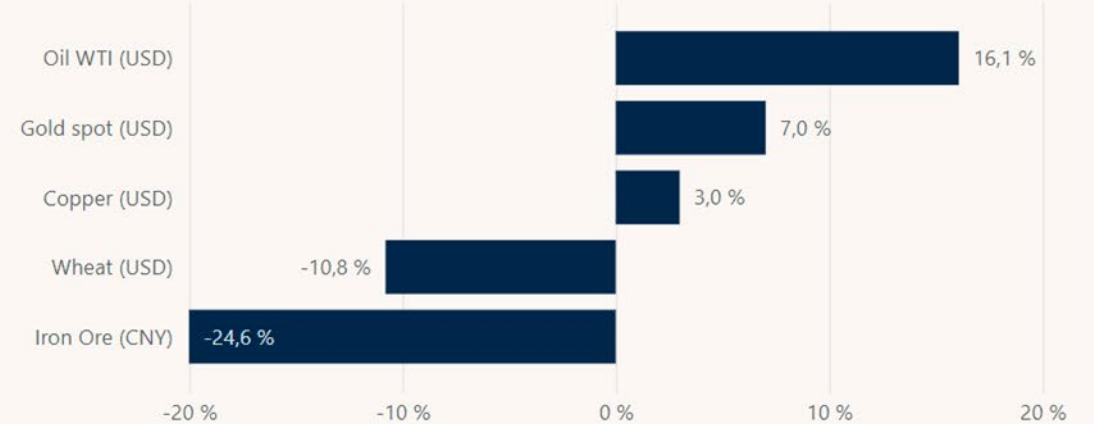
Fixed income YTD %



Currency against the euro YTD %

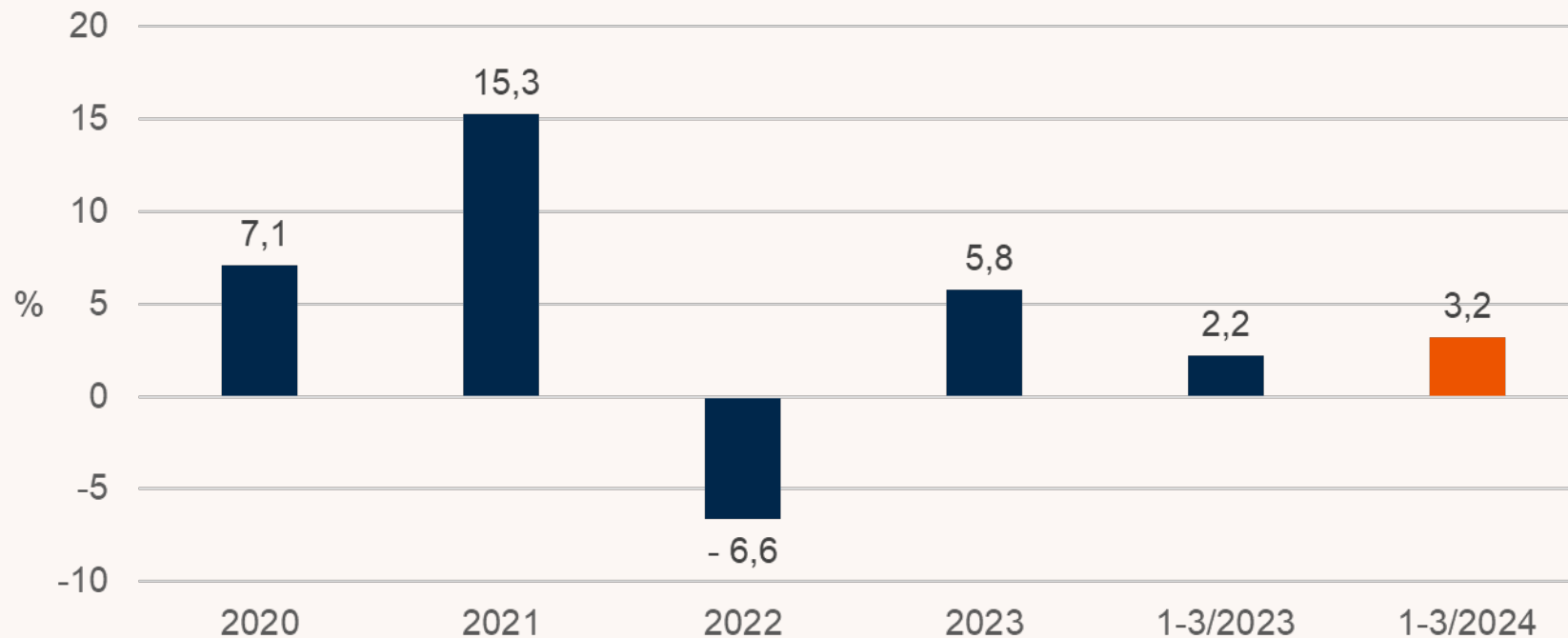


Commodities YTD %



The return on the investment portfolio was 3.2 per cent, or EUR 1.9 billion

Return on investments



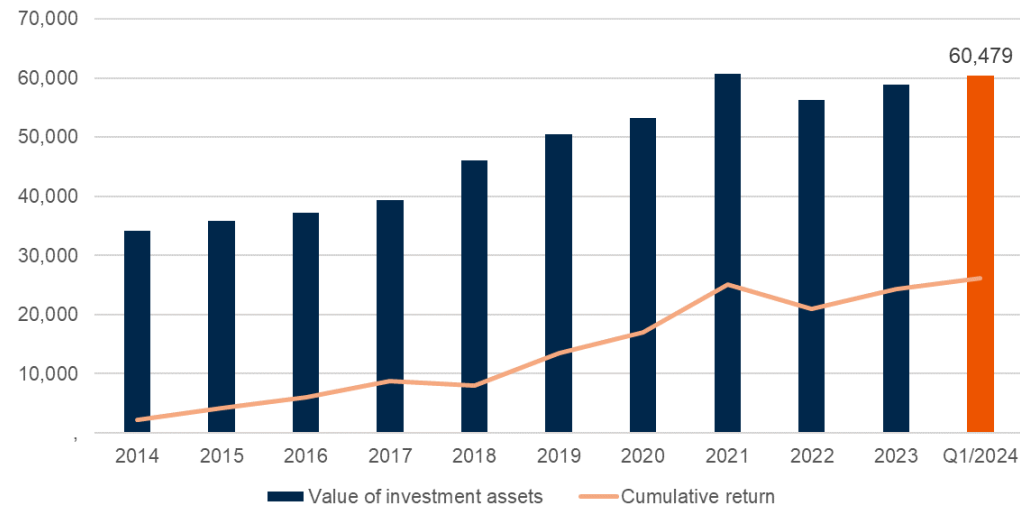
Average nominal return on investments over 5 years 6.1 per cent and real return 2.5 per cent

Value of investments EUR 60.5 billion, long-term nominal return 5.8 per cent per annum

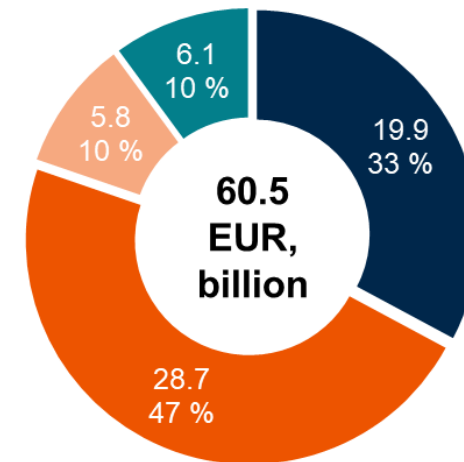
The cumulative return on investments from the start of 2014 was EUR 26.2 billion

Value of investments and cumulative return 2014–31 March 2024, EUR mill.

Investment allocation, 31 March 2024



Average nominal return on investments over 10 years 5.7 per cent and real return 3.6 per cent.



- Fixed-income
- Equities and shares
- Real estate investments
- Other investments

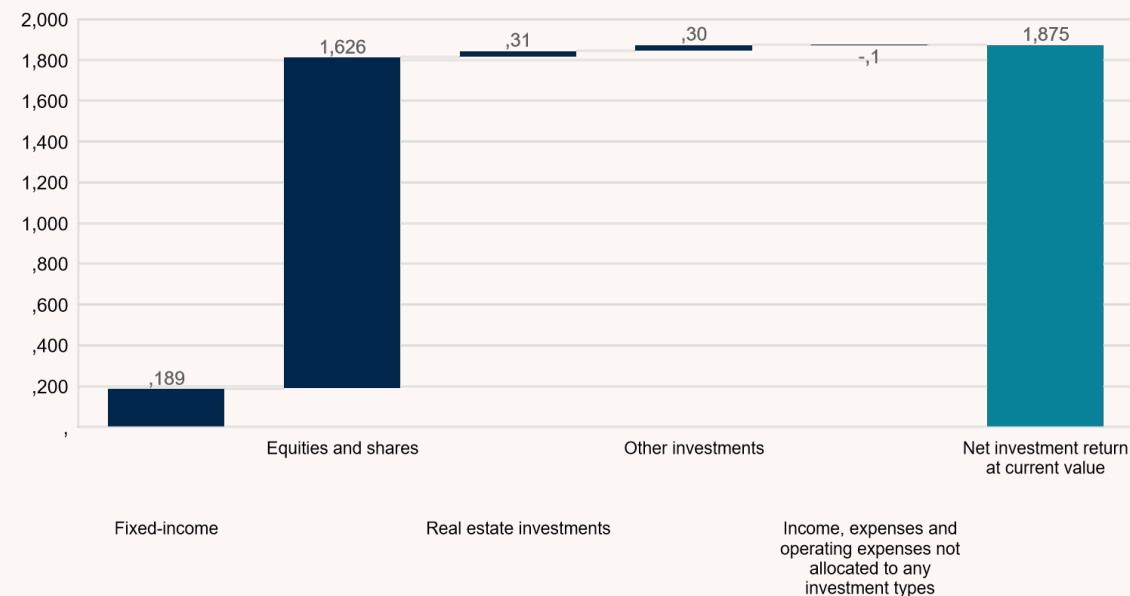
Return on Ilmarinen's investment portfolio 3.2 per cent

Positive investment returns were driven by the listed equity market

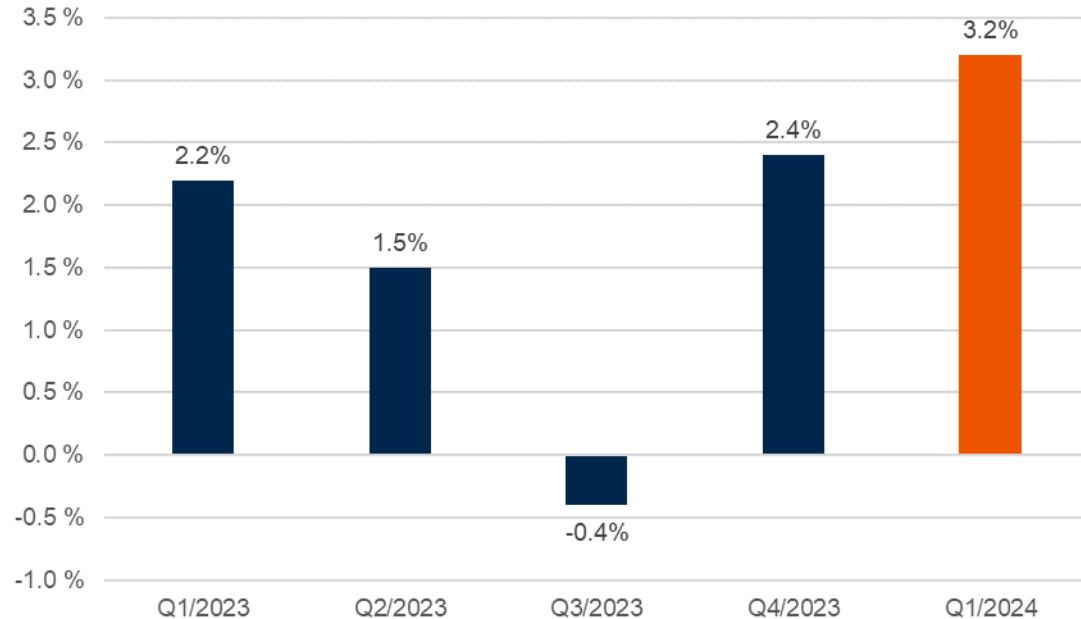
Return January–March, per cent

	1–3/2024	1–3/2023	2023
Return on investments	3.2	2.2	5.8
Fixed income	0.9	2.3	8.4
Equities and shares	6.0	2.9	10.1
Real estate	0.5	0.8	-13.5
Other investments	0.5	0.8	1.8
Long-term return on investments (since 1997): nominal return 5.8 per cent and real return 3.8 per cent			

Return by type of investment, EUR mill.



Investment return for the first quarter was 3.2 per cent, or EUR 1.9 billion

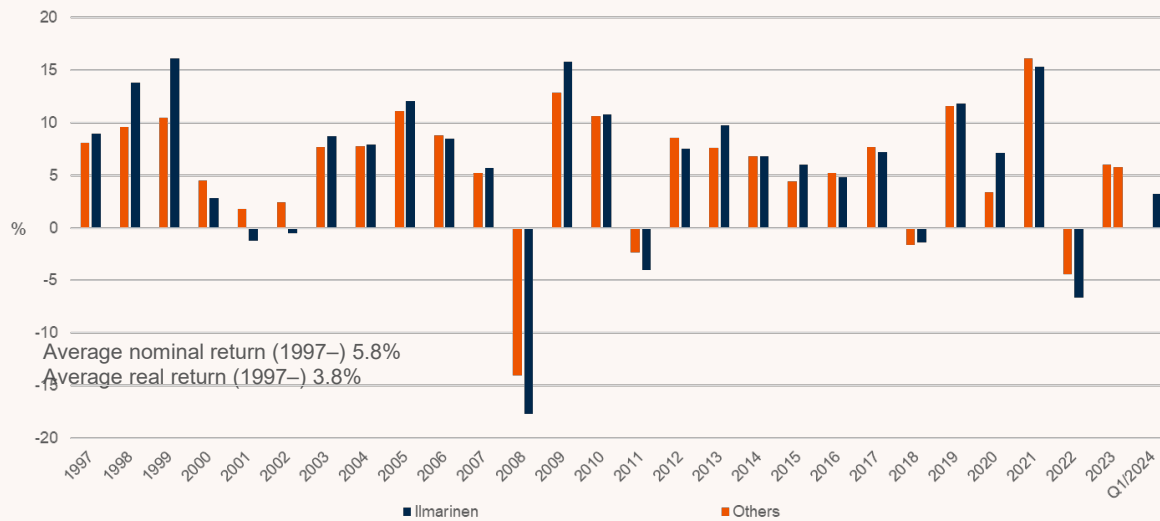


Positive investment returns were driven by the listed equity market

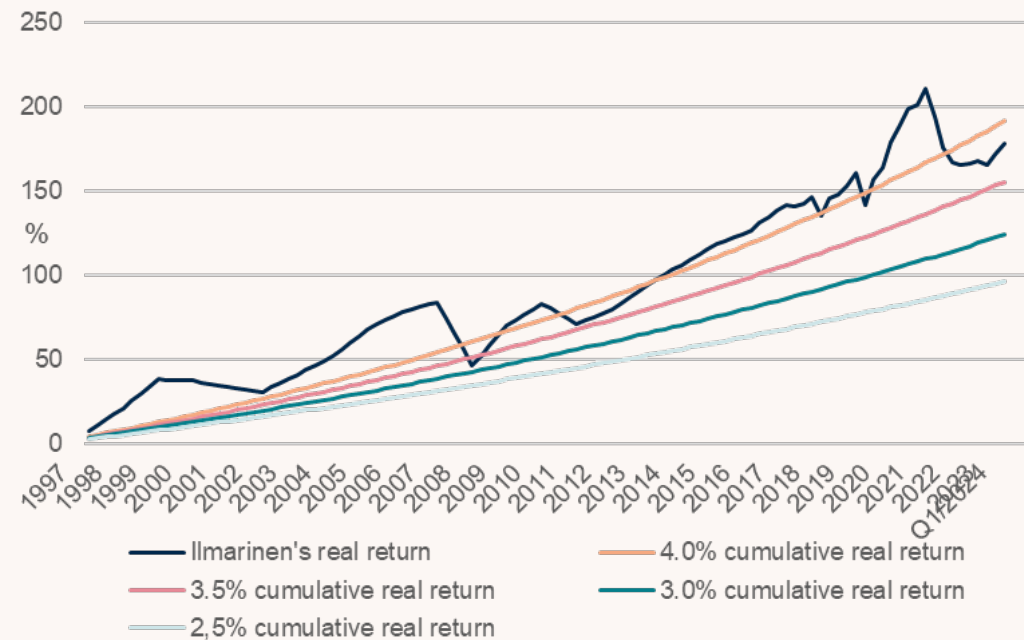
Equity market returns were mostly positive globally, with, however, significant return differences between regions and sectors.

Long-term average nominal return 5.8 per cent per annum, or 3.8 per cent in real terms

Net return on investments at current value



Cumulative return on investments 1997-31 March 2024



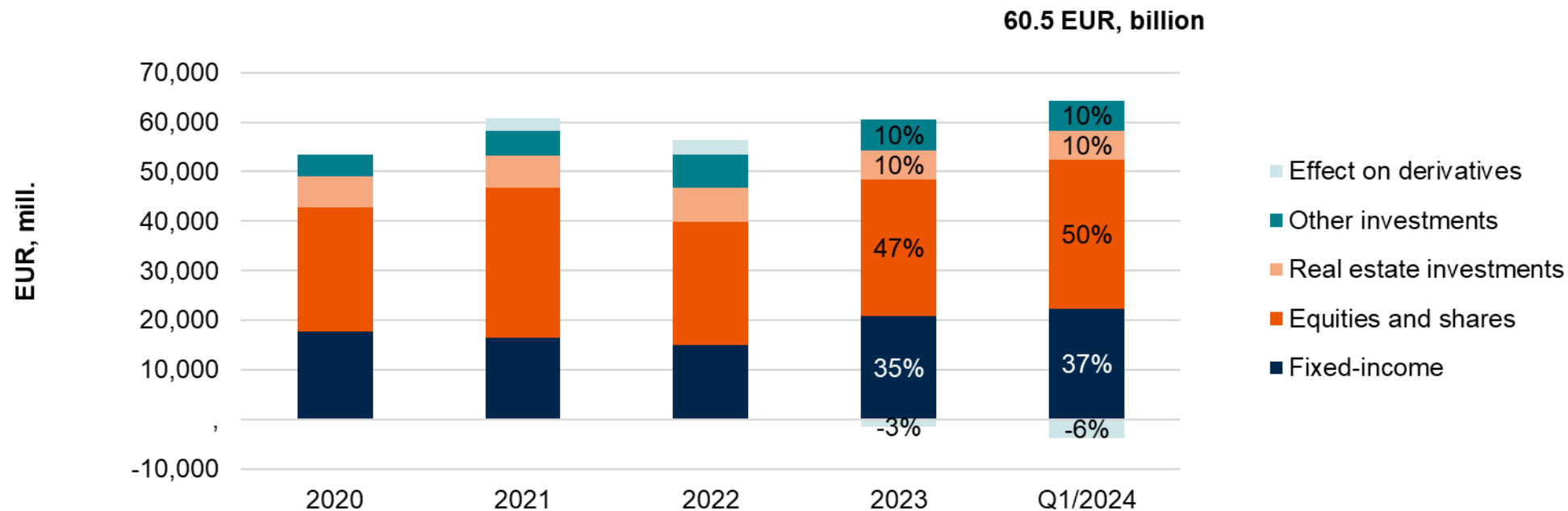
Long-term return at a good level

Average return of different markets

%	Ilmarinen	Finnish equities and shares	European equities and shares	Euro government bonds	Euro corporate bonds
Q1/2024	3.2	0.3	7.7	-0.7	0.4
2023	5.8	-0.6	15.8	7.2	8.2
Average return over five years	6.1	6.3	8.9	-1.7	-0.5
Average return over 10 years	5.7	8.8	7.1	0.8	1.1
Average return over 20 years	5.4	9.1	6.8	2.7	2.8
Average return since 1997	5.8	9.2	6.8	3.6	3.7
Real average return over 5 years	2.5	2.7	5.2	-5.1	-3.9
Real average return over 10 years	3.6	6.6	5.0	-1.2	-0.9
Real average return over 20 years	3.3	7.0	4.8	0.7	0.8
Real average return since 1997	3.8	7.2	4.8	1.7	1.7

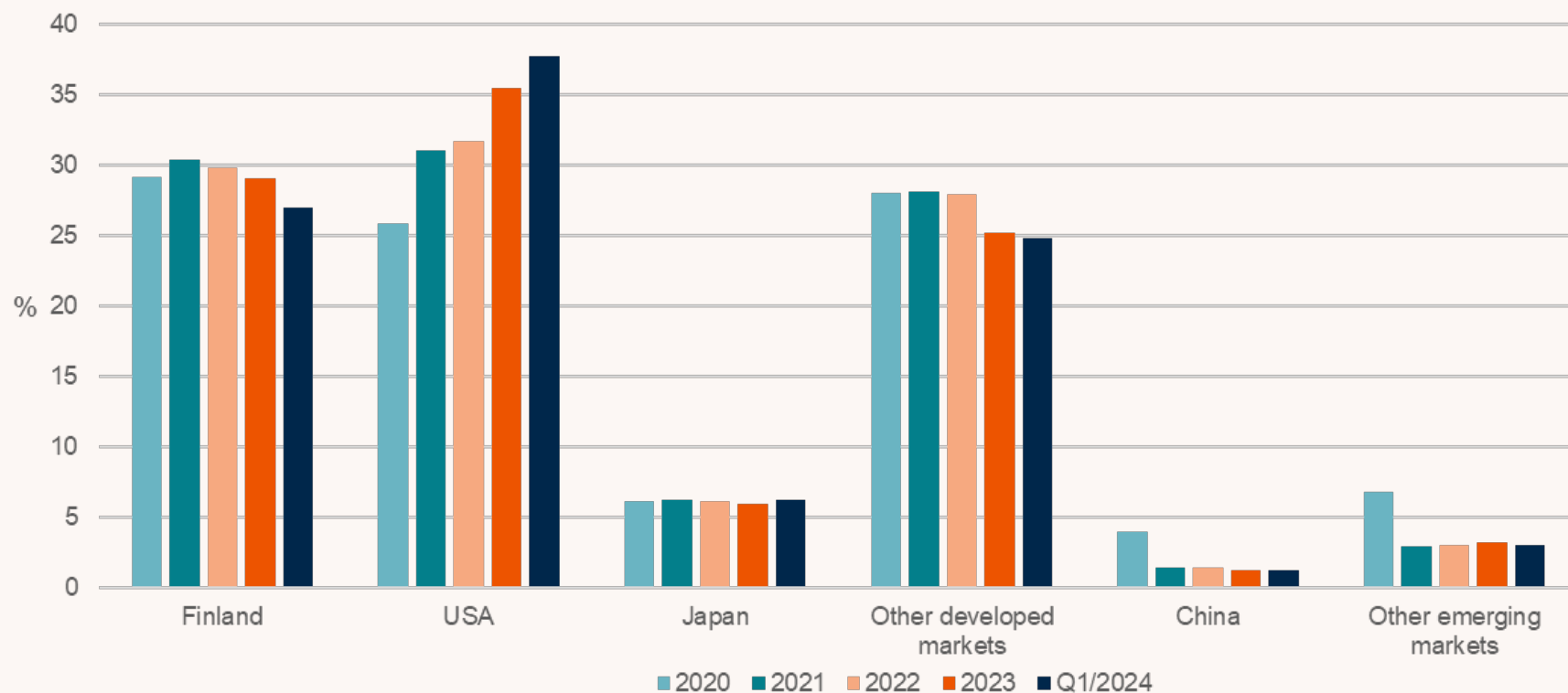
The share of equity investments increased to 50 per cent and that of fixed income investment to 37 per cent

Breakdown of investment risks



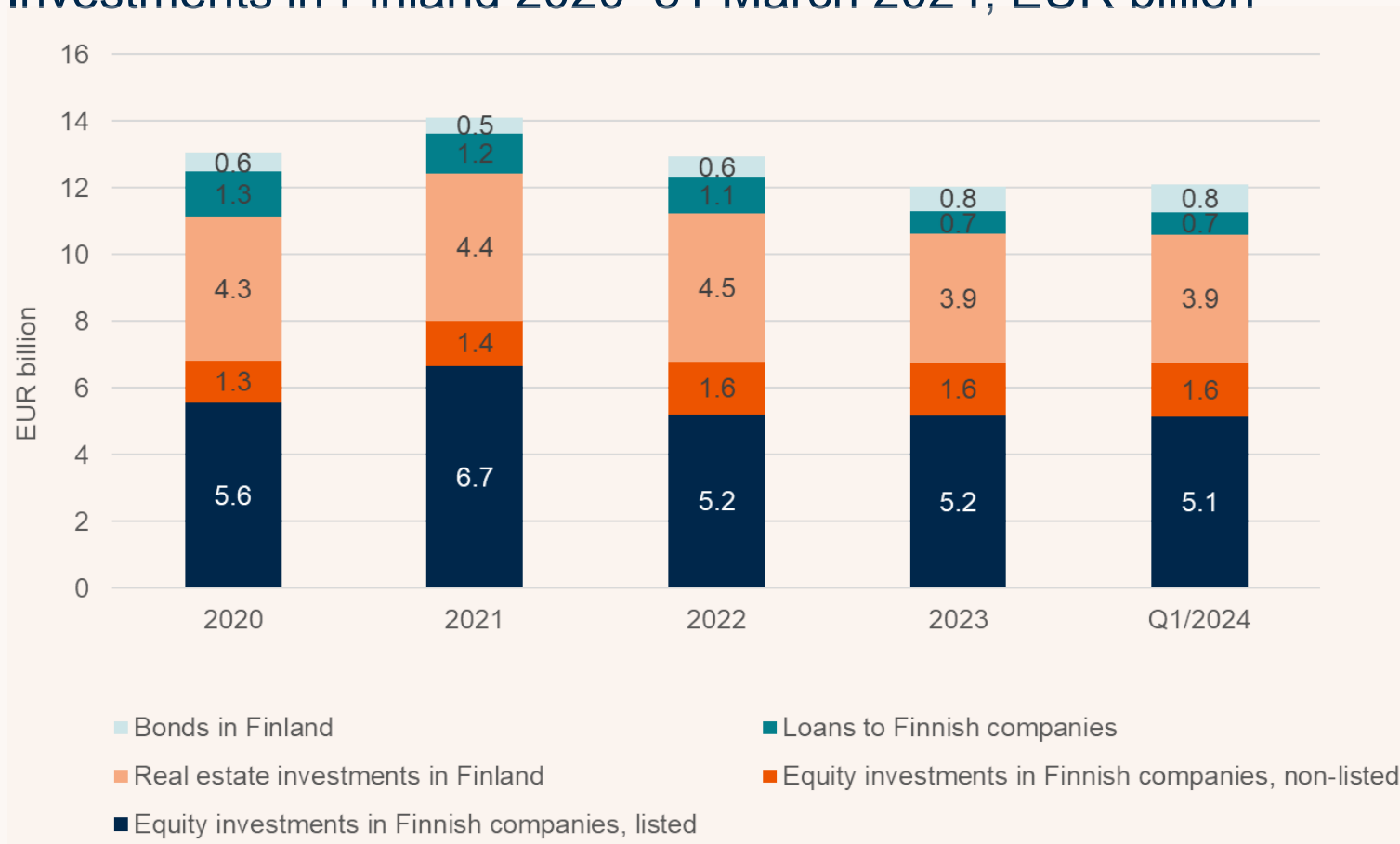
Share of Finnish listed equity investments 27 per cent

Geographical breakdown of listed equities



Ilmarinen's investments in Finland were EUR 12.1 billion, or 20 per cent of the investment portfolio

Investments in Finland 2020–31 March 2024, EUR billion



Holdings in Finnish publicly listed companies EUR 5.1 billion

Largest Finnish listed equity holdings

	EUR mill.	31 Mar 2024	31 Dec 2023		Ownership percentage	31 Mar 2024	31 Dec 2023
↑	UPM-Kymmene Corporation	323	305		Nurminen Logistics Oyj	14.9	14.9
↓	Nordea Bank Abp	279	321		SRV Yhtiöt Oyj	11.4	11.4
↓	Kone Corporation	275	318		Digia Oyj	9.9	9.9
↓	Neste Corporation	272	302	↓	Administer Oyj	8.7	8.7
↑	Metso Corporation	271	215		Solteq Oyj	8.5	8.5
↑	Nokia Corporation	256	232		Kojamo Oyj	8.3	8.3
↑	Wärtsilä Corporation	251	197	↓	Siili Solutions Oyj	7.5	7.5
↑	Stora Enso Corporation	247	243	↑	Citycon Oyj	7.4	7.4
↓	Kesko Corporation	244	263		Glaston Oyj	7.3	7.3
↑	Sampo Plc	242	239		Panostaja Oyj	6.9	6.9

Summary of return on investments for January–March

	Basic breakdown EUR mill.	%	Risk breakdown EUR mill.	%	Return %	Volatility
Fixed-income investments	19,855	33	22,246	37	0.9	
Loan receivables	1,430	2	1,430	2	1.9	
Bonds	17,565	29	22,584	37	0.8	6.4
Public corporation bonds	7,013	12	9,297	15	-0.4	
Other bonds	10,552	17	13,287	22	1.6	
Other money market instruments and deposits (incl. investment receivables and payables)	860	1	-1,768	-3	1.6	
Equities and shares	28,687	47	30,137	50	6.0	
Listed equities and shares	18,993	31	20,444	34	7.5	13.7
Private equity investments	8,098	13	8,098	13	3.4	
Non-listed equities and shares	1,595	3	1,595	3	2.0	
Real estate investments	5,836	10	5,836	10	0.5	
Direct real estate investments	5,155	9	5,155	9	0.8	
Real estate funds and joint investments	681	1	681	1	-1.5	
Other investments	6,102	10	6,072	10	0.5	
Hedge fund investments	5,194	9	5,194	9	3.0	7.6
Commodity investments	0	0	0	0	-	
Other investments	908	2	879	1	-10.8	
Total investments	60,479	100	64,291	106	3.2	5.1
Effect of derivatives			-3,812	-6		
Investments at current value total	60,479		60,479	100		

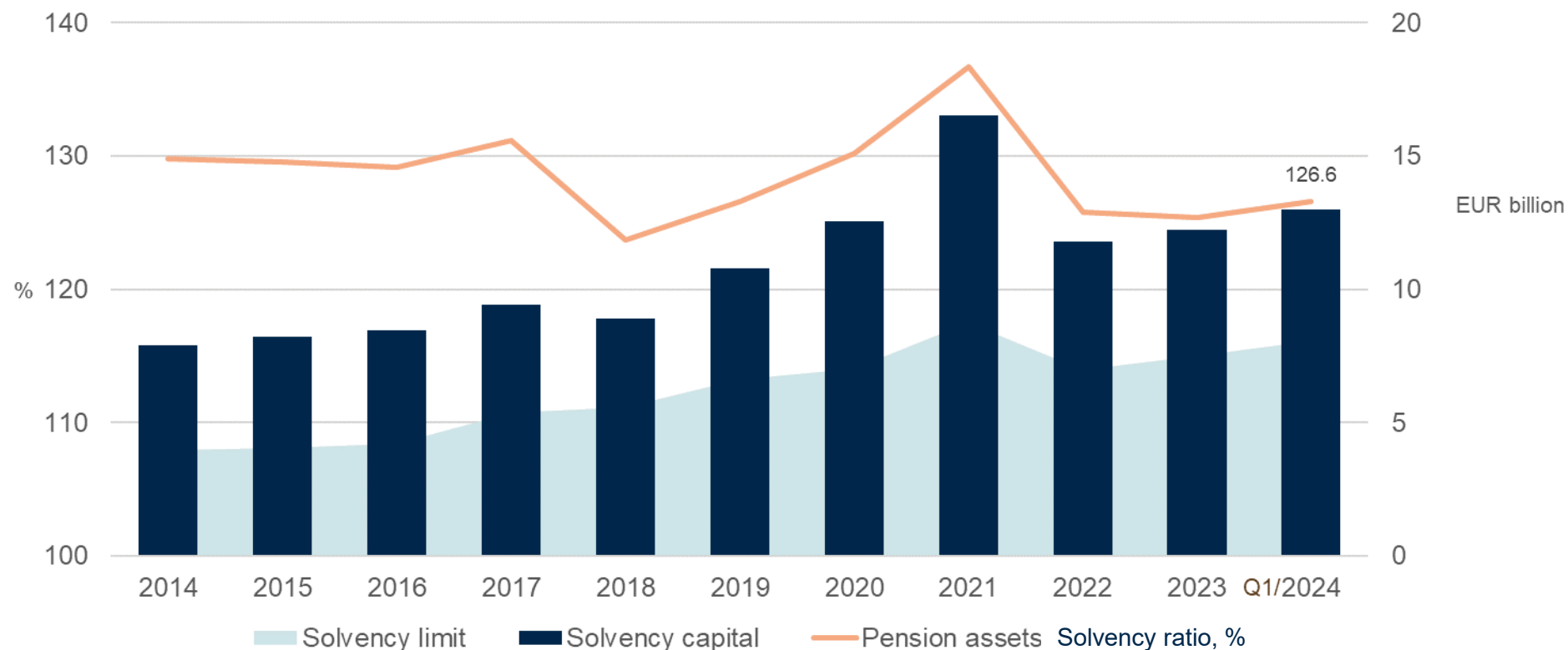
The modified duration of bonds is 4.8 years.

The open currency position is 26.2 per cent 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 13.0 billion and the solvency ratio rose 1.2 percentage points to 126.6 per cent, while the solvency position stood at 1.6

Solvency capital, solvency ratio and solvency limit 2014–31 March 2024





Future prospects and current information about the pension system

Future prospects

- Geopolitical tensions are casting a shadow over the global economic growth outlook. Global economic growth is anticipated to remain at approximately 3.2 per cent this year. Finland's economy is in a downturn and forecasts show that we will be back on the growth trajectory at the end of the year.
- The speed at which inflation will slow and the pace at which central banks will ease their monetary policies are a source of uncertainty in the markets. The possible escalation of geopolitical tensions and armed conflicts is adding to nervousness in the markets.
- Ilmarinen's premiums written are expected to grow as the earnings level rises.
- 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 exceptionally low birth rate.



Current information about the pension system

- The average pension of Finns rose to EUR 1,977 in 2023, compared to EUR 1,845 in the previous year.
- The contribution category model for disability pensions was reformed at the start of 2024. The changes are aimed at improving, among other things, access to employment for older people and people who have difficulty finding employment.
- Reviews of self-employed persons' YEL income levels in line with the new legislation continue. 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 pension reform will be prepared in accordance with the Government Programme with key labour market organisations in tripartite negotiations by the end of January 2025. The goal is to ensure the financial sustainability of the pension system and to secure an adequate level of benefits. The amendments must strengthen public finances in the long term by approximately 0.4 percentage points in relation to the GDP, representing some one billion euros.



ILMARINEN

Well prepared for tomorrow.