



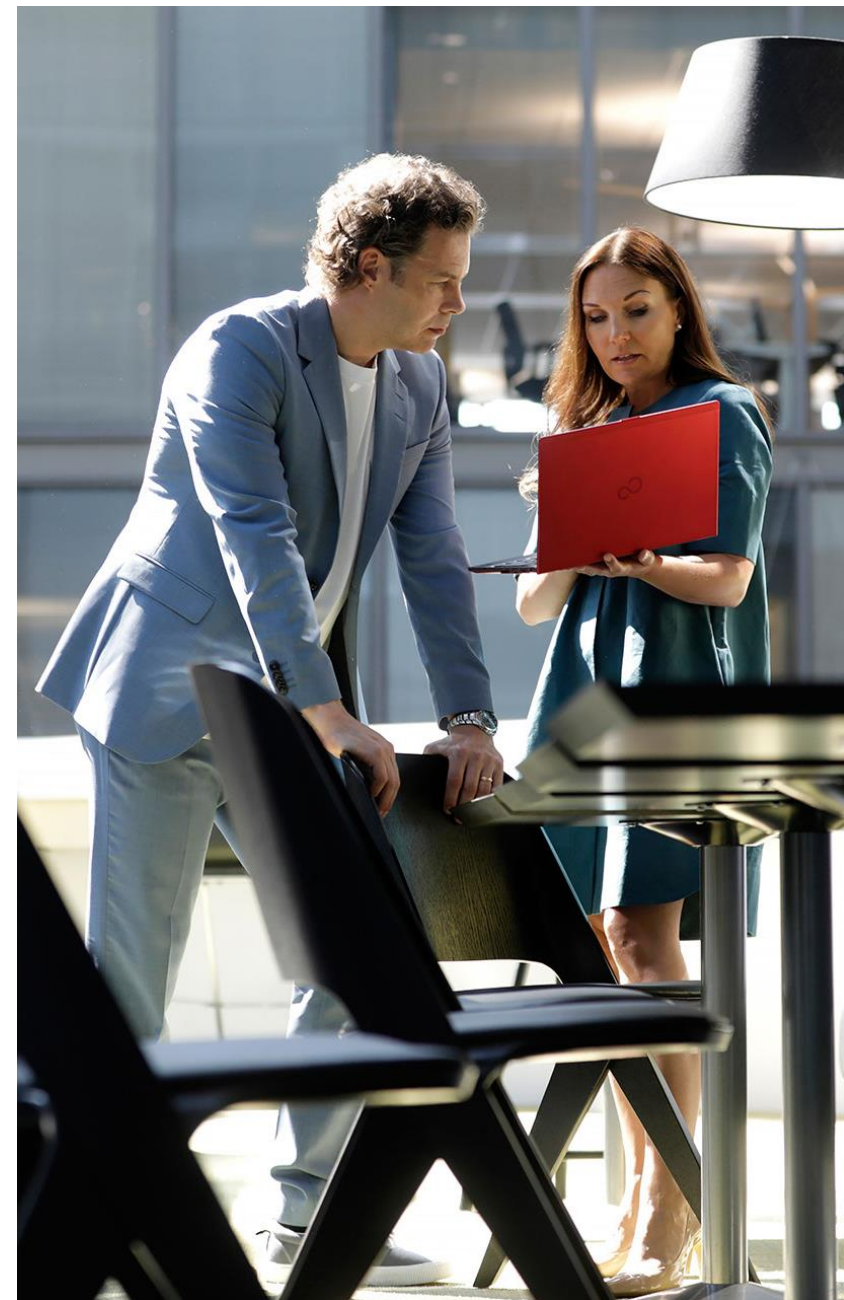
Security for your pension

Ilmarinen's Interim Report
January–March 2021

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Return on investments was 4.8 per cent, solvency and net customer acquisition strengthened

- The return on Ilmarinen's investment portfolio was +4.8% (-7.5%) or EUR 2.5 billion thanks to the positive performance of the equity markets. The market value of investments grew to EUR 55.4 (53.3) billion. The long-term average return on investments was 6.0 per cent. This corresponds to an annual real return of 4.5 per cent.
- Thanks to the good performance of investment activities, the total result for January–March grew to EUR 1.4 (-2.6) billion.
- Premiums written declined to EUR 1.4 (1.5) billion as customers' payrolls decreased due to the impacts of Covid-19. EUR 1.5 (1.6) billion was paid in pensions.
- Net customer acquisition was EUR 93 (35) million as the net transfer rose to an excellent level due to good customer retention and successful customer acquisition.
- The decline in Ilmarinen's customers' payrolls reduced loading income by EUR 2 million and the loading profit weakened to EUR 11 (13) million. Operating expenses financed using loading income amounted to EUR 29 (29) million.
- Solvency capital strengthened to EUR 13.9 (12.5) billion, and the solvency ratio to 132.8 (130.2) per cent.



Key figures January–March 2021

Premiums written

1.4 (1.5)

€ bn



Loading profit*

11 (13)

€ mill.



Return on investments

4.8 (-7.5)

%



Solvency ratio

132.8 (130.2)

%



1.5 (1.6)

€ bn

Pensions paid

72 (69)

%

Ratio of operating expenses to
expense loading components*

55.4 (53.3)

€ bn

Investment assets

13.9 (12.5)

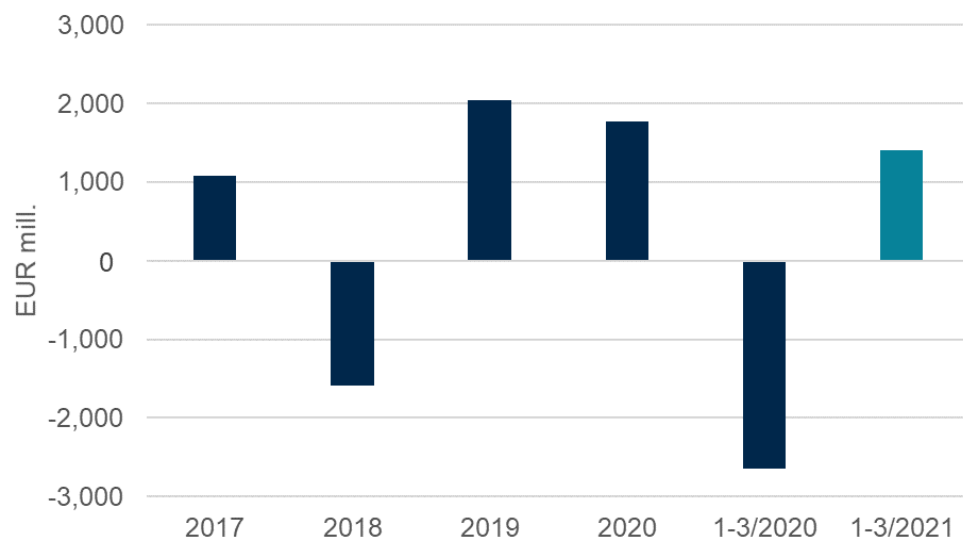
€ bn

Solvency capital

The result comparison figures are the figures for the corresponding period of 2020. The comparison figures for the balance sheet and other cross-sectional items are the figures for the end of 2020.

Total financial result improved to EUR 1.4 (-2.6) billion thanks to a good return on investments

Total financial result, € mill.



Sources of profit, € mill.

Result analysis, EUR mill.	1 Jan–31 Mar 2021	1 Jan–31 Mar 2020	1 Jan–31 Dec 2020
Underwriting result	-6	-8	-3
Return on investments at fair value	1,398	-2,654	1,726
+ Net return on investments at fair value	2,545	-3,786	3,529
- Return requirement on technical provisions	-1,147	1,131	-1,803
Loading profit	11	13	43
Other profit	0	0	3
Total result	1,403	-2,649	1,769



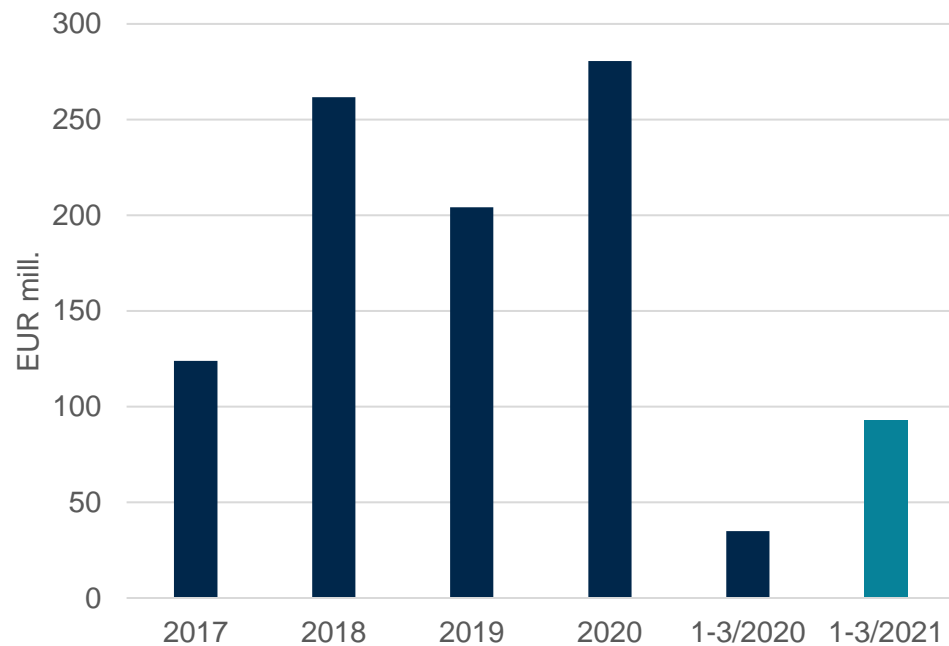
Pension security for you

Insurance and pensions

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Net customer acquisition in January-March strengthened to **EUR 93 (35) million**

Net customer acquisition 2017–2021, € mill.

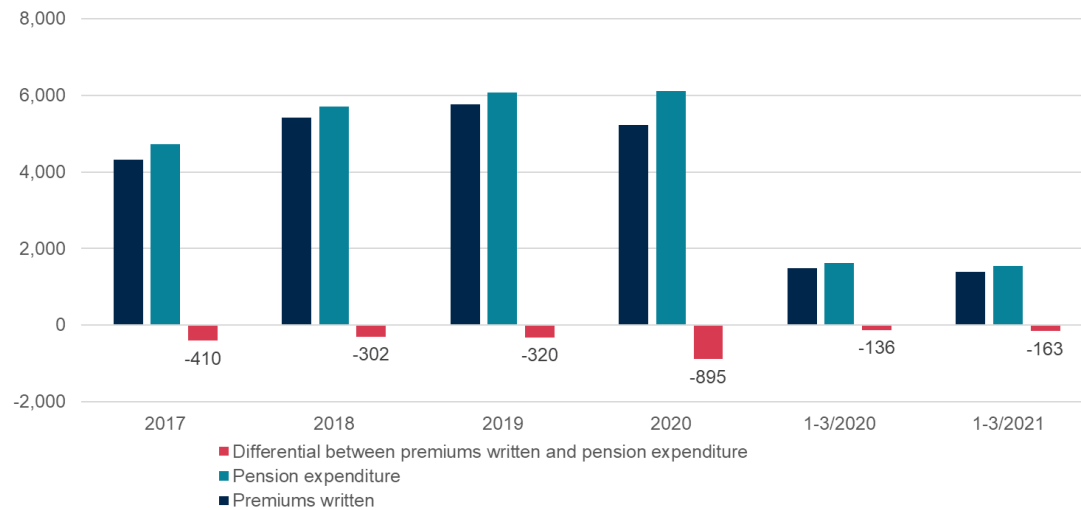


Net customer acquisition, € mill.

EUR mill.	1–3/2021	1–3/2020	2020
Net customer acquisition	93	35	281
Sales of new insurance	41	48	200
Net transfer of insurance	52	-13	81
Customer retention, % of premiums written	97.4	95.2	97.2

January–September premiums written **€1.4 billion**, pensions paid **€1.5 billion**

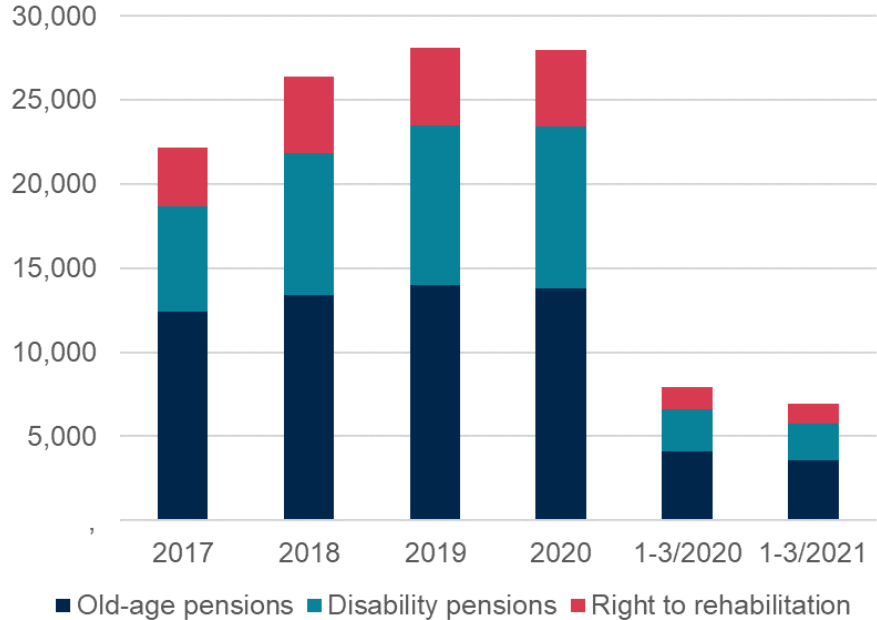
Premiums written and pension expenditure January–March 2021



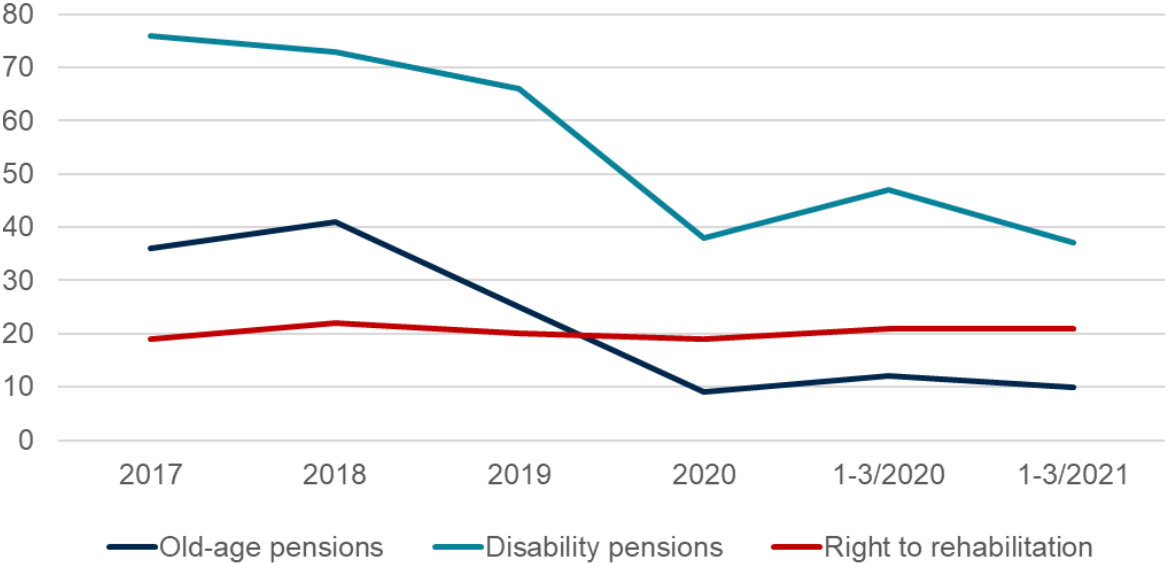
EUR mill.	2017	2018	2019	2020	1–3/2020	1–3/2021
Premiums written TyEL	3,969	5,026	5,364	4,833	1,369	1,266
Premiums written YEL	343	384	394	388	116	116
Total premiums written	4,312	5,410	5,758	5,220	1,485	1,382
Pensions paid TyEL	4,373	5,365	5,673	5,701	1,482	1,425
Pensions paid YEL	349	347	405	415	138	120
Pension expenditure, total	4,722	5,712	6,078	6,116	1,621	1,545

Pension processing times shortened further

Number of pension decisions

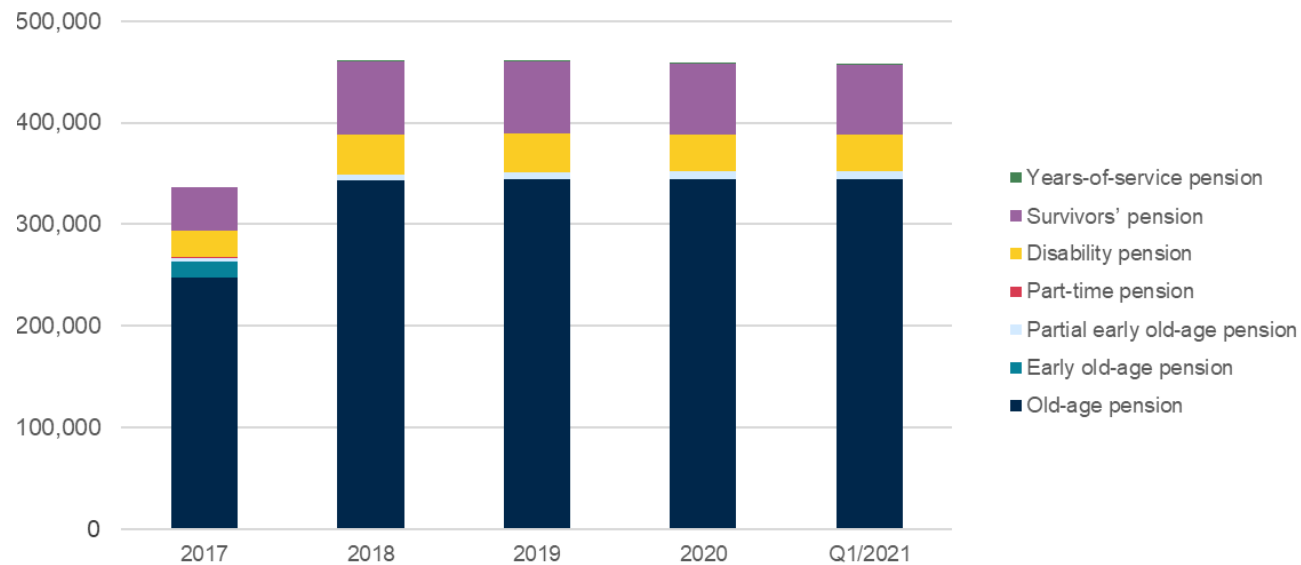


Average application processing time, days



Ilmarinen has around 458,000 pension recipients

Ilmarinen's pension recipients



It is a good idea to take an interest in one's pension security already during one's career and regularly check the pension record in our online service, which provides up-to-date information.



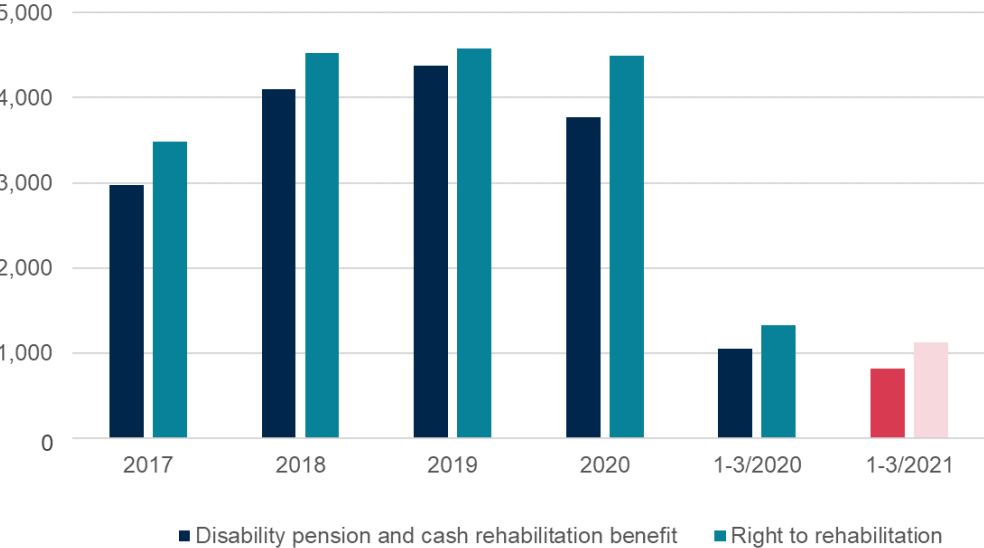
A Better Working Life

Work ability risk
management and
rehabilitation

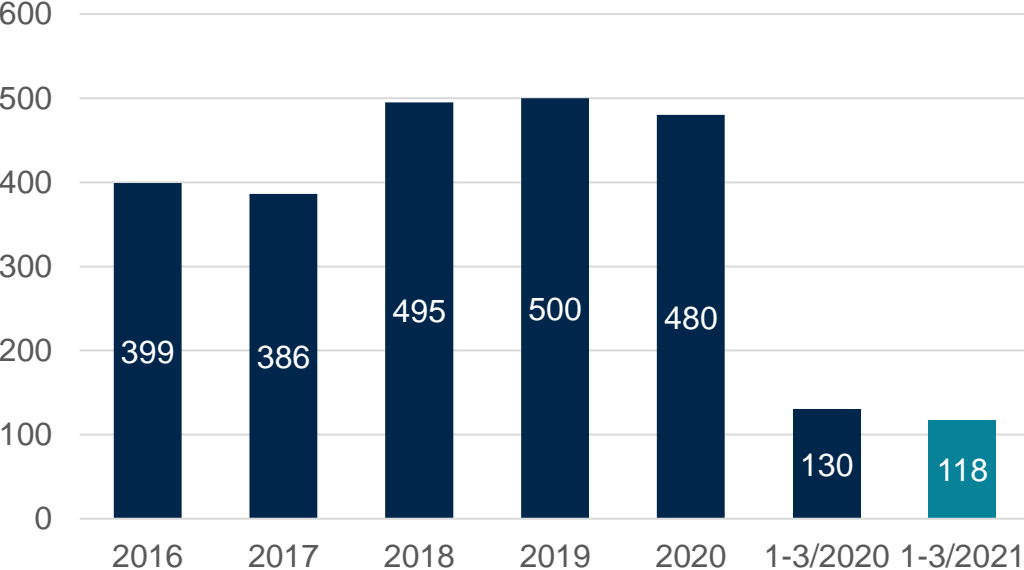
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The number of persons retiring on disability pension decreased and disability pension expenditure fell to EUR 118 million

Rehabilitation and persons retired on disability pension

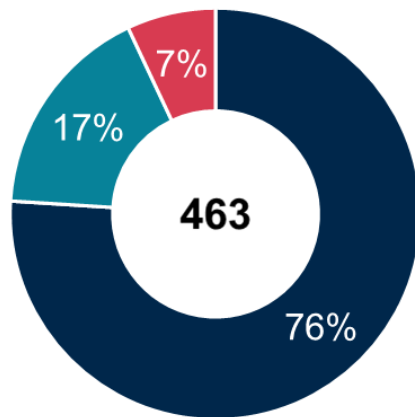


Disability pension expenditure, EUR mill.



Work ability projects numbered 463 and covered 134,000 employees

Work ability project themes and customer satisfaction in January–March 2021



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

**Work ability services'
NPS 67
(1–3/2021)**



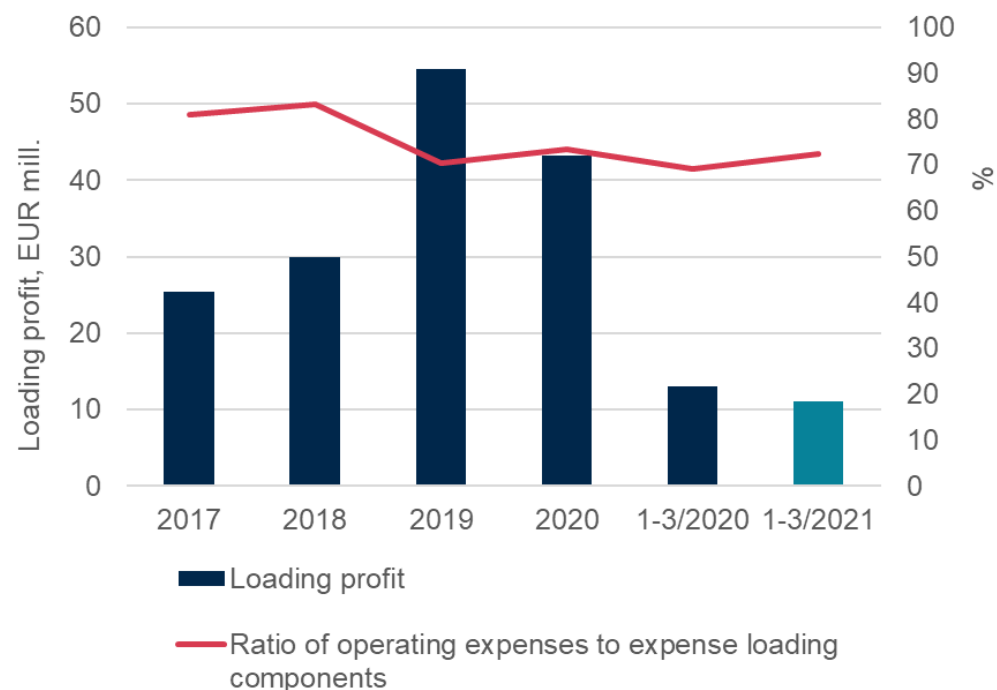
Cost-effective operations

Operating expenses and personnel

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Operating expenses financed using loading income were on the previous year's level and loading income decreased by EUR 2 million as a result of the declining payroll. The loading profit amounted to EUR 11 million.

Loading profit, ratio of operating expenses to expense loading components and total operating expenses 2017–2021*

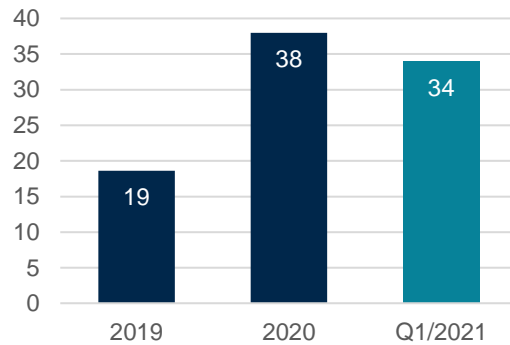


€ mill.	2017	2018	2019	2020	1–3/ 2020	1–3/ 2021
Expense loading components and other income	134	179	185	162	42	40
Operating expenses covered by loading income	109	149	130	119	29	29
Loading profit	25	30	55	43	13	11
Ratio of operating expenses to expense loading components, %	81	83	70	73	69	72
Total operating expenses	150	195	175	158	43	41

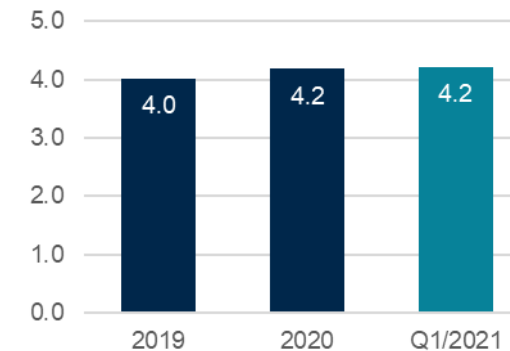
* The basis for the rates affecting the TyEL administrative cost component changed as of the beginning of 2020 and the rate was lowered by 6.9%. The figures for 2017 do not include the figures of Etera, which merged with Ilmarinen.

Personnel's work energy has remained on a good level despite Covid-19

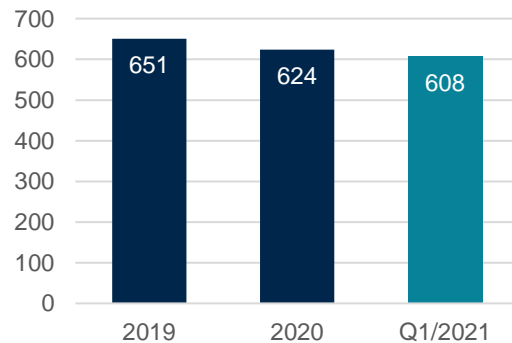
Employee Net Promoter Score (eNPS)



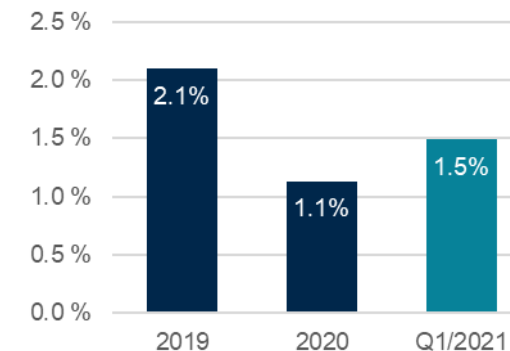
Personnel's average work energy (1–5)



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

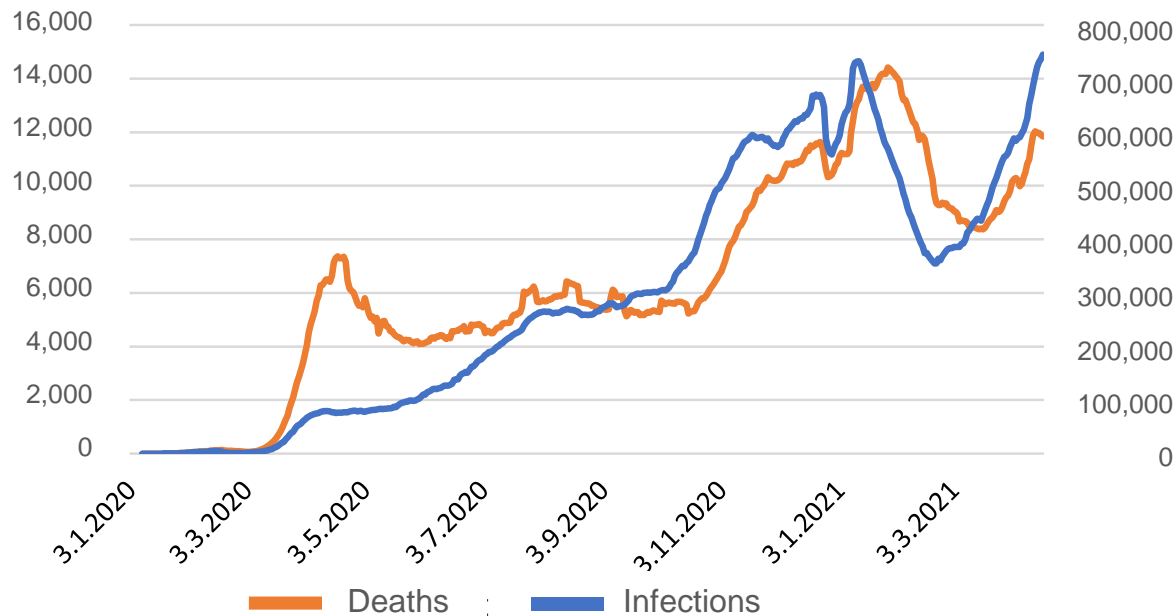
- Expansionary fiscal policy is supporting global economic recovery. The recovery of Finland's economy continued during the first quarter, although the acceleration of the spread of the coronavirus weakened economic growth during the winter.
- Companies' payroll in January–March was lower than in the corresponding period a year ago. The decrease in payroll reduces pension institutions' premiums written and loading income.
- The European Central Bank (ECB) and the US central bank, the Fed, have continued their exceptionally expansionary monetary policy measures adopted last year.
- However, accelerating inflation has already caused concern and long-term interest rates have risen especially in the United States.
- The capital markets' underlying sentiment has been favourable during the first months of the year. Stock prices (S&P500 index) rose by more than five per cent during the first quarter. The OMX Helsinki's portfolio index gained eight per cent in the period under review.
- The credit risk margins on corporate bonds remained on the same level as at the turn of the year.



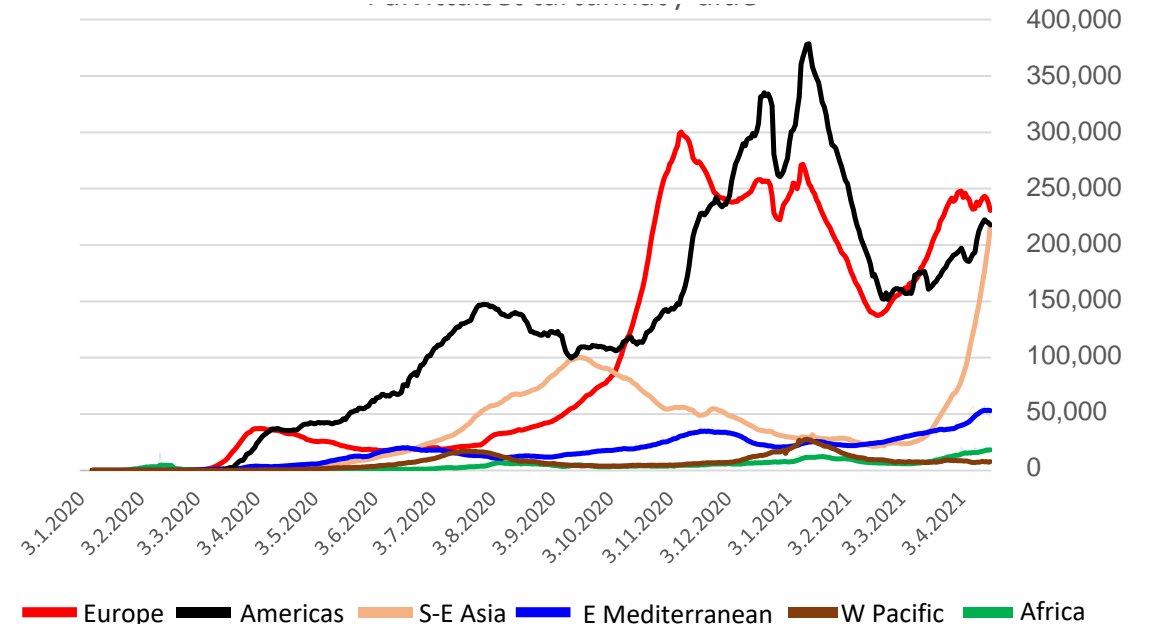
Covid-19 situation: Virus variants are accelerating infections globally

- More than 140 million cases have been confirmed worldwide and more than 3 million people have died (as per mid-April). The geographical differences are large; the situation is especially worrying in India and Brazil, for example.
- The pace of vaccinations has accelerated. More than 800 million doses of vaccine have already been administered. The differences in the vaccination coverage between countries are large (Israel 59%, Japan 0.2%).
- In Finland, the daily number of cases has started to decline. The total number of confirmed cases is about 85,000, and the number of deaths is around 900. Some 1.4 million people have been vaccinated, i.e. almost 30% of those over 16 years of age.

Global development

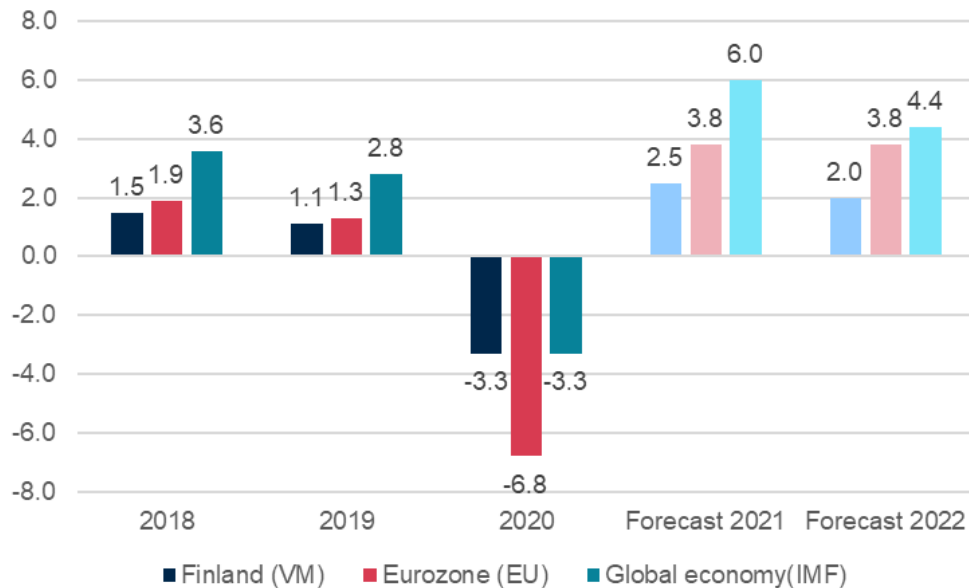


Daily infections/area

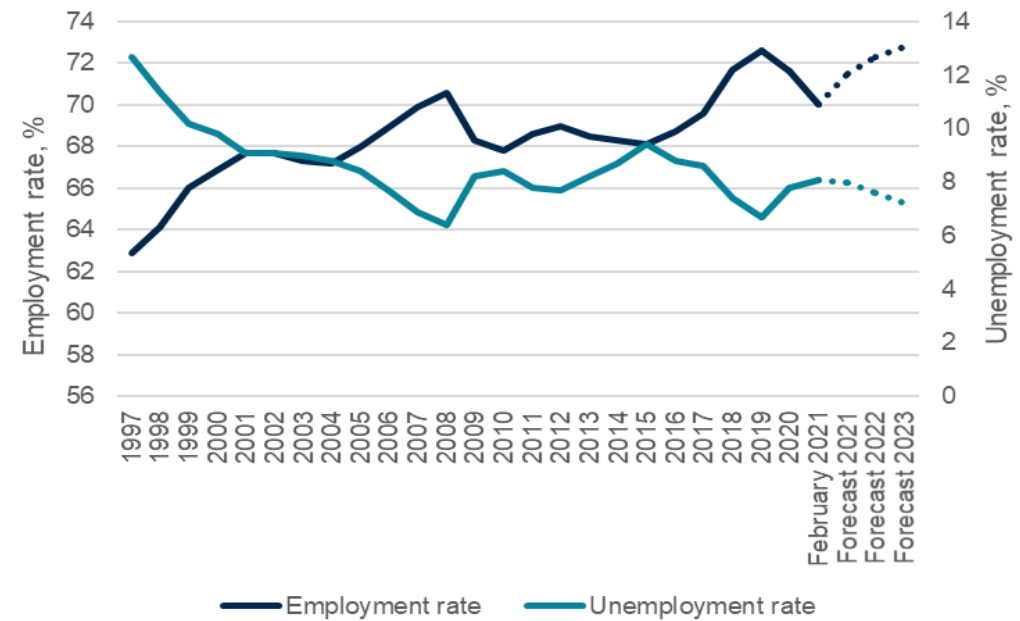


The global economy is expected to recover in 2021, the IMF raised its growth projection from 5.5 per cent to 6.0 per cent

GDP development, %



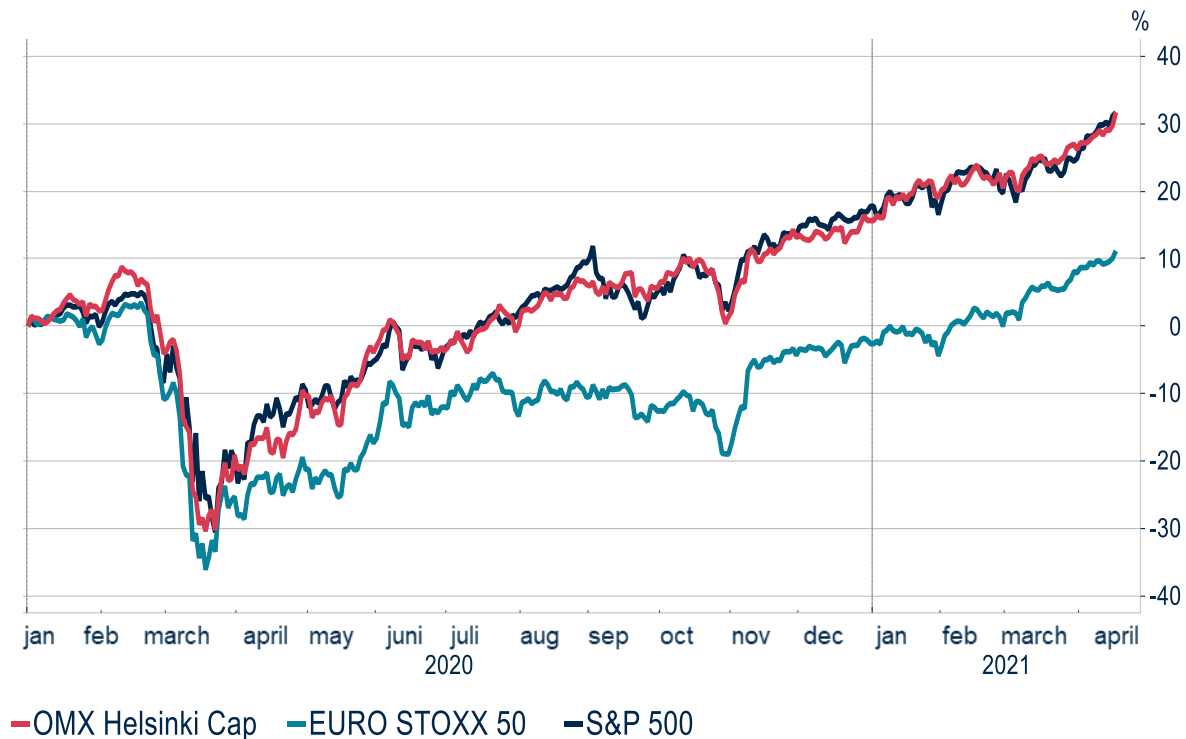
Development of Finland's employment and unemployment rates, %



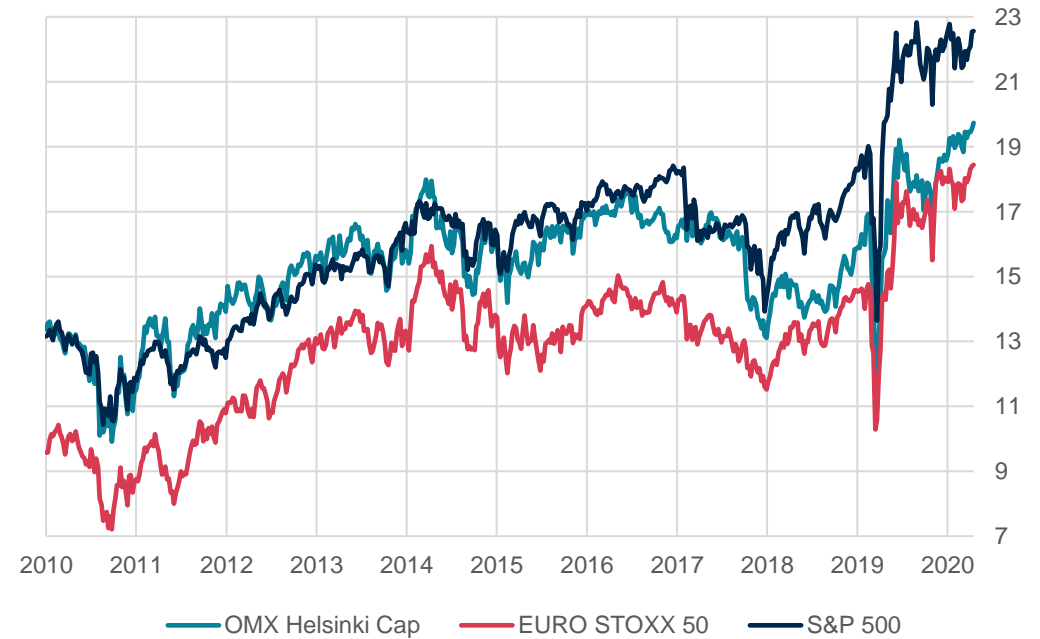
Sources: Statistics Finland, World Bank (EU) and IMF

Stock prices developed favourably in Q1 as earnings expectations grew

Equity market performance

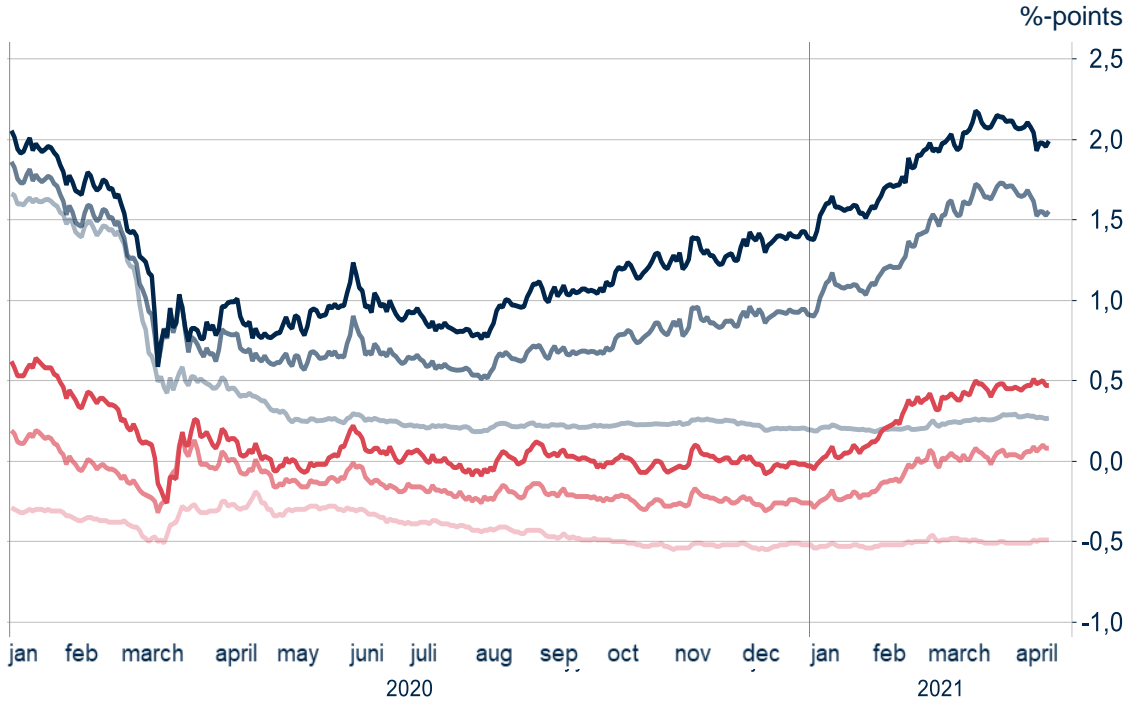


Stock valuation level (P/E based on 12-month forecasts)



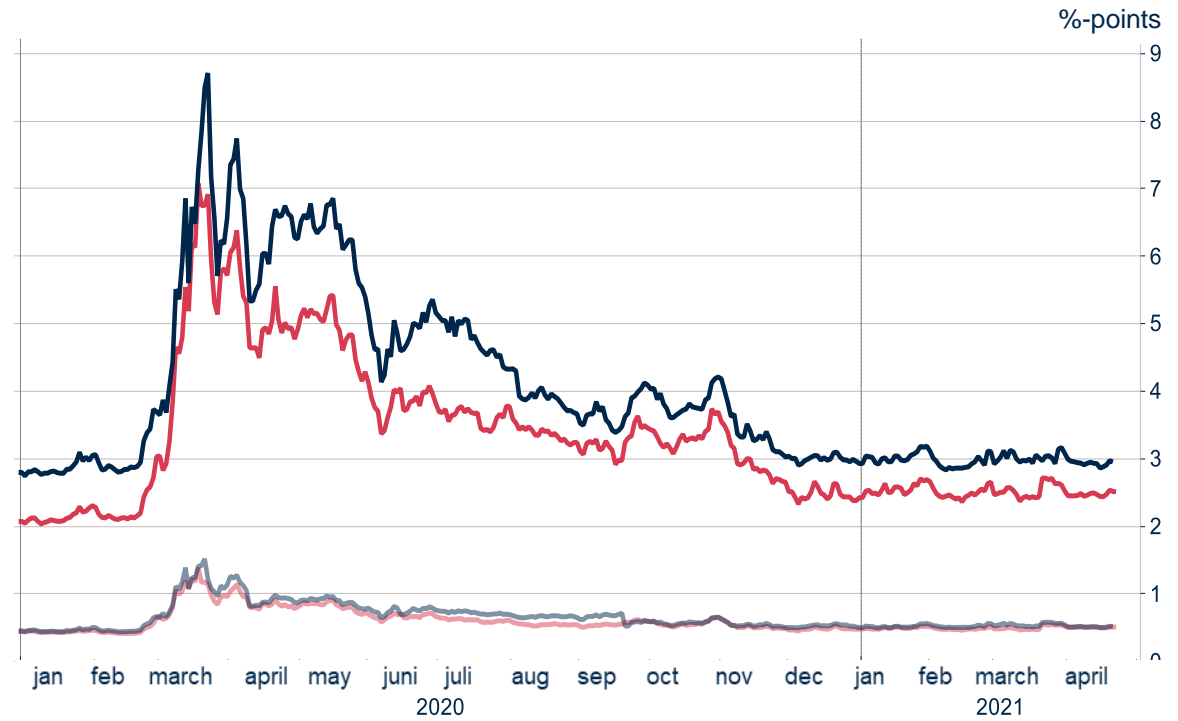
Long-term interest rates rose, driven by the USA; credit risk margins remained on the same level as at the turn of the year

Development of interest rates



- US Swap 30v —US Swap 10v —US Swap 2v
- EUR Swap 30v —EUR Swap 10v —EUR Swap 2v

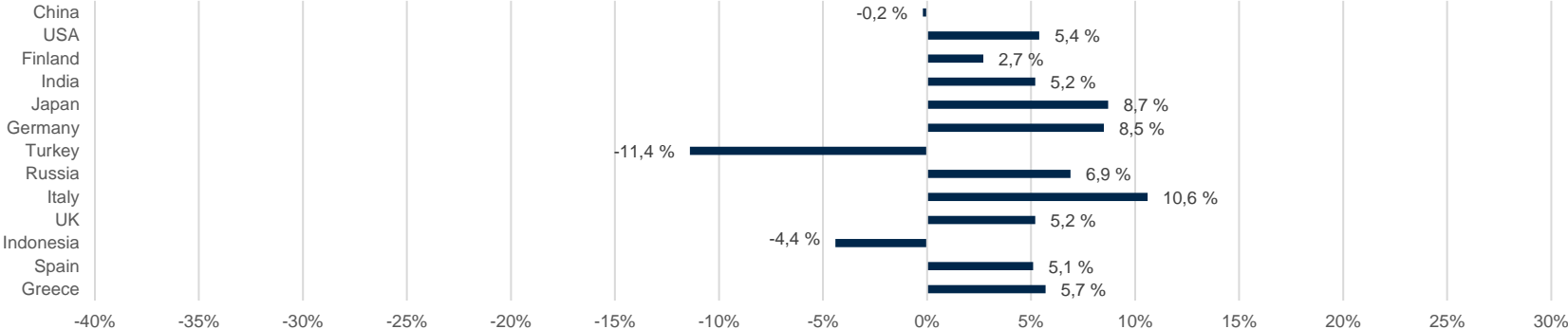
Development of credit risk premiums



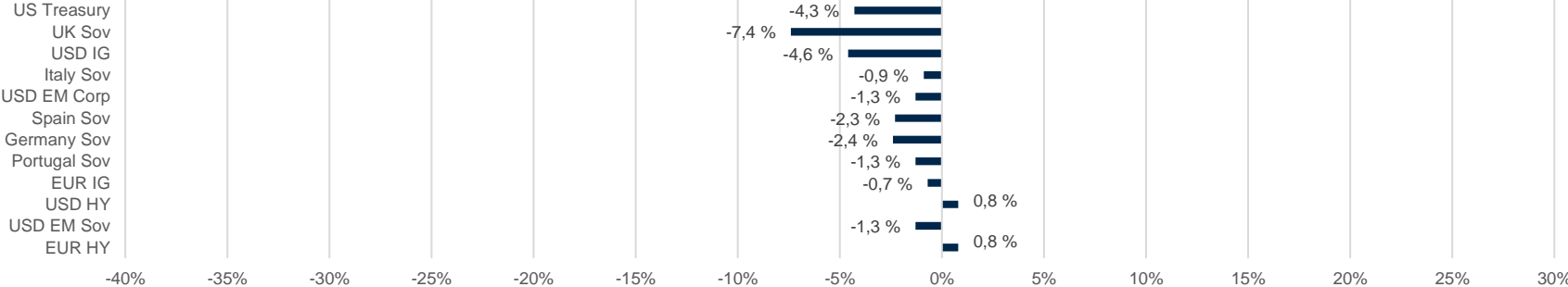
- CDX US High Yield 5v —CDX US Investment Grade 5v
- iTraxx Europe Crossover 5v —iTraxx Europe Main 5v

Market development (as per 31 March 2021)

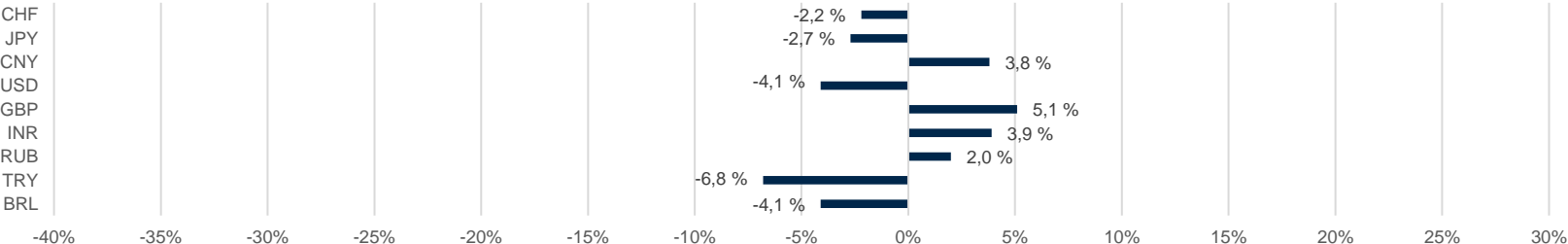
Equities and shares



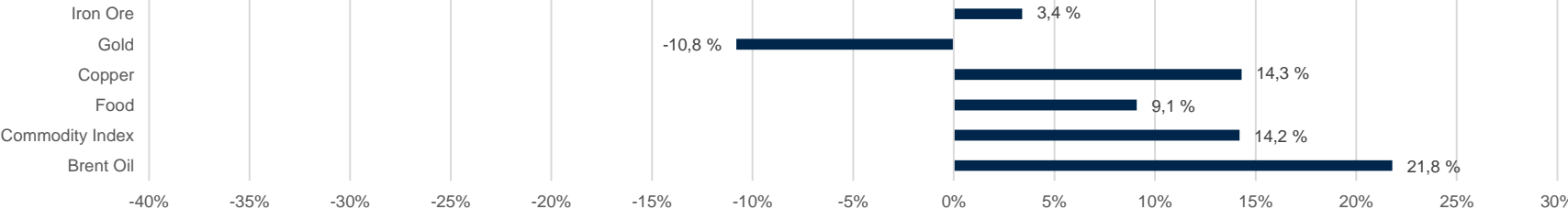
Fixed income markets



Currencies



Commodities



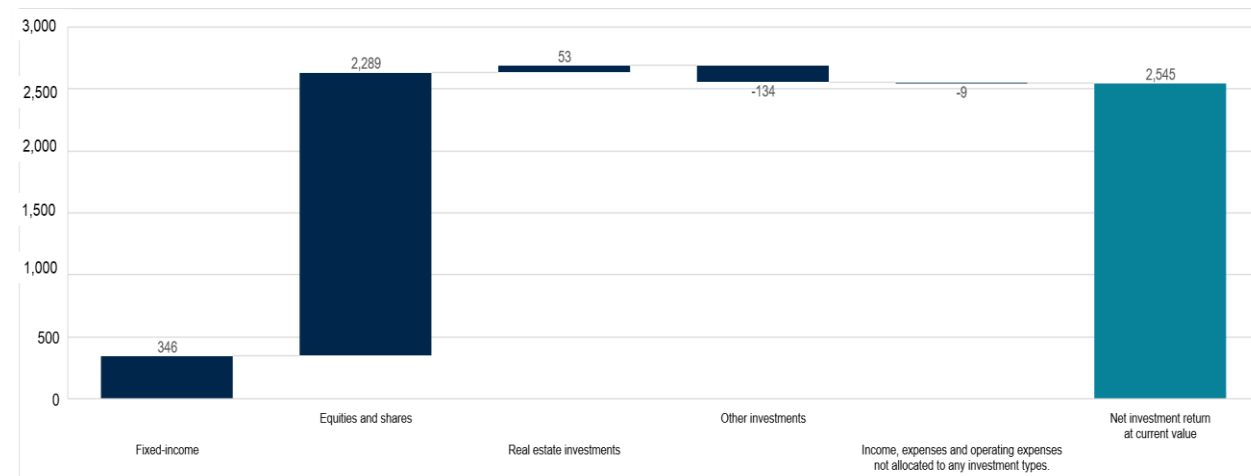
Early-year return on investments rose to 4.8 per cent, or to EUR 2.5 billion, thanks to the strong performance of equity investments

Return January–March, per cent

Return by type	1–3/2021	1–3/2020	2020
Return on investments	4.8	-7.5	7.1
Fixed income	2.0	-6.9	-0.4
Equities and shares	9.1	-12.8	12.4
Real estate	0.8	1.7	0.7
Other investments	-3.2	8.1	20.2

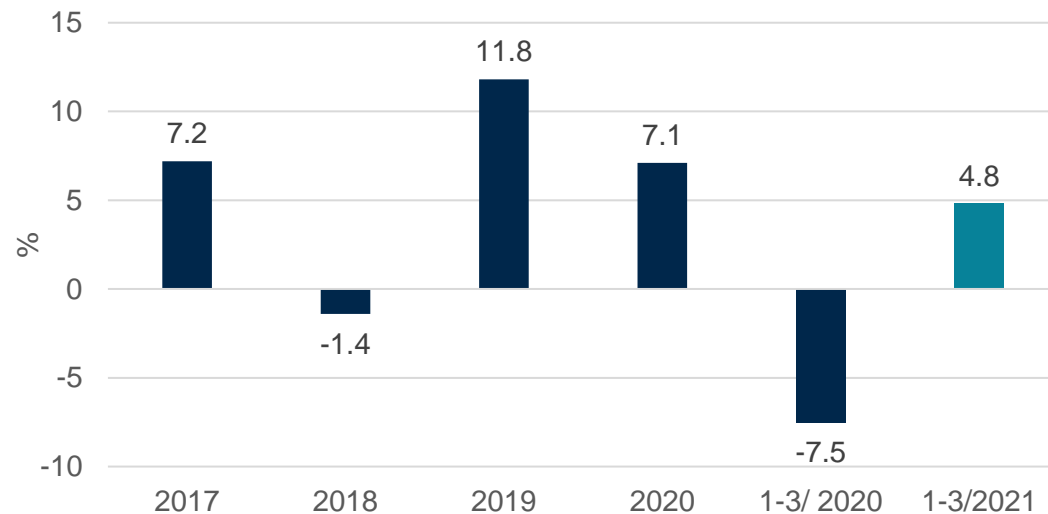
Long-term return on investments (since 1997): nominal return 6.0% and real return 4.5%.

Return by type of investment, € mill.



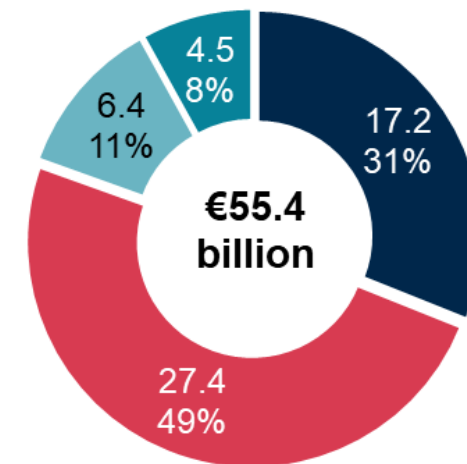
Strong momentum in the investment market continued and return on investments rose to 4.8 per cent

Return on investments, five years



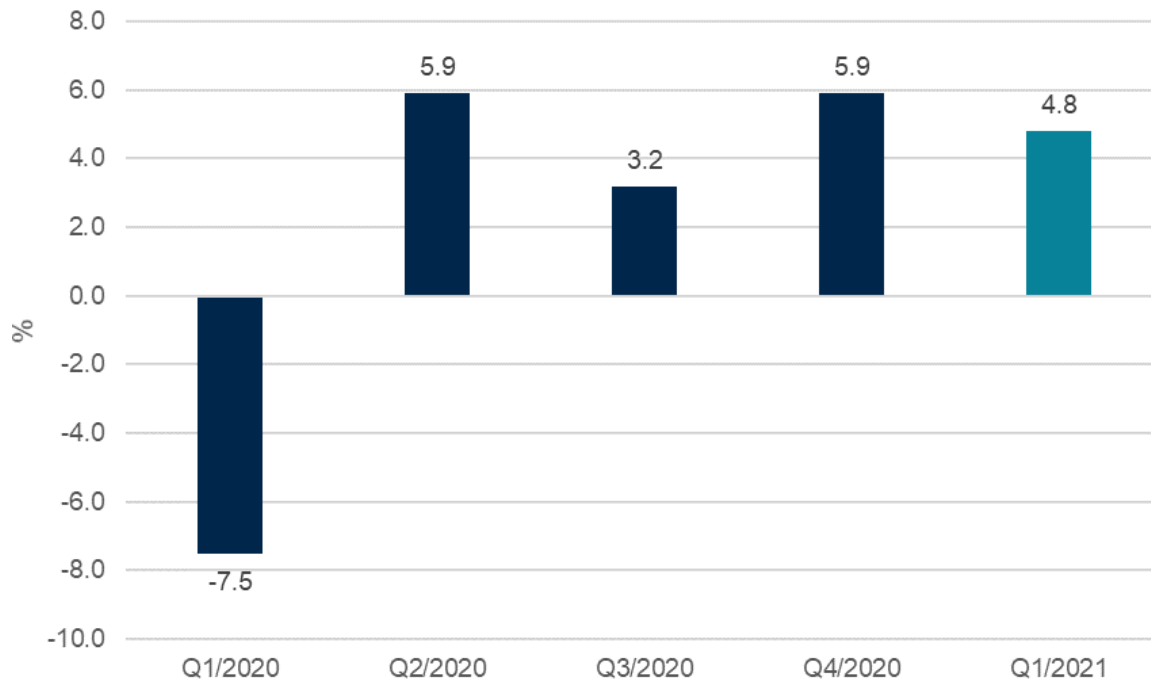
Average nominal return on investments over 5 years 7.1% and real return 6.1%.

Breakdown of investments, 31 Mar 2021



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

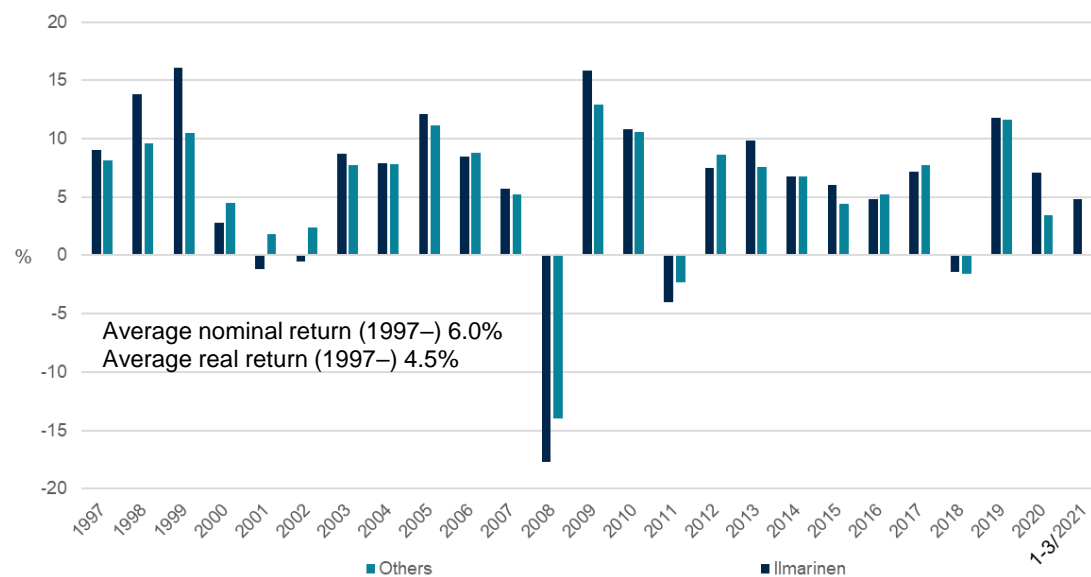
The Q1 return on investments was 4.8 per cent, or EUR 2.5 billion



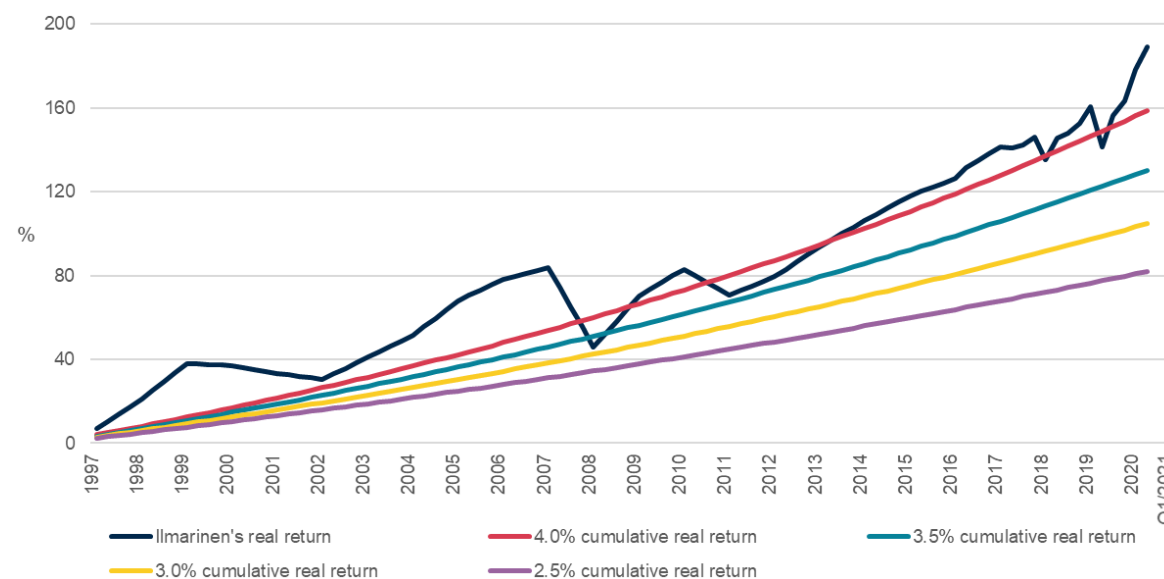
The expansionary monetary policy of central banks has kept key interest rates at a low level, and stock prices in both the USA and Europe rose sharply during the first months of the year.

Long-term average nominal return 6.0 per cent per annum, or 4.5 per cent in real terms

Net return on investments at current value

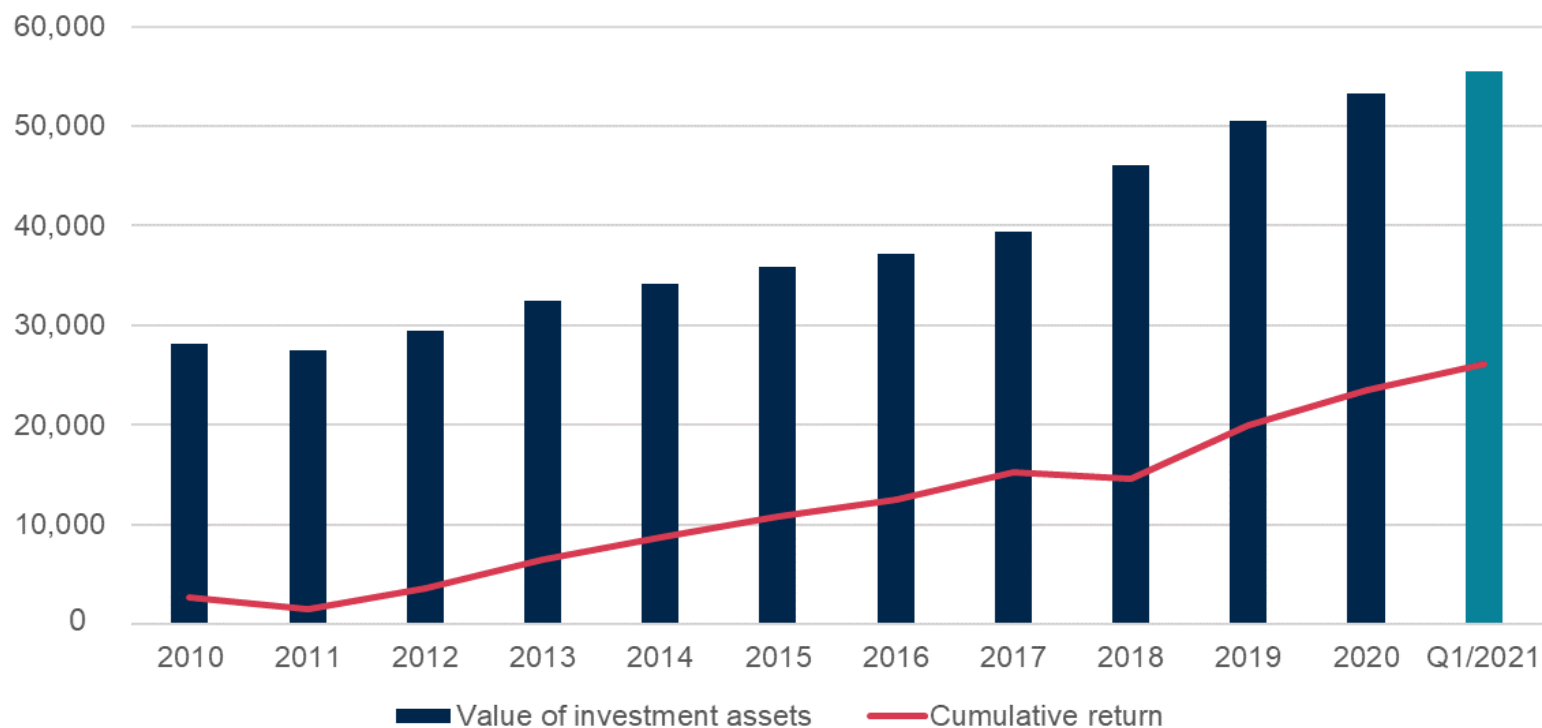


Cumulative net return on investments 1997–31 Mar 2021



Value of investments EUR 55 billion, cumulative return on investments from start of 2010, some EUR 26 billion

Value of investments and cumulative return 2010–31 Mar 2021, € bn



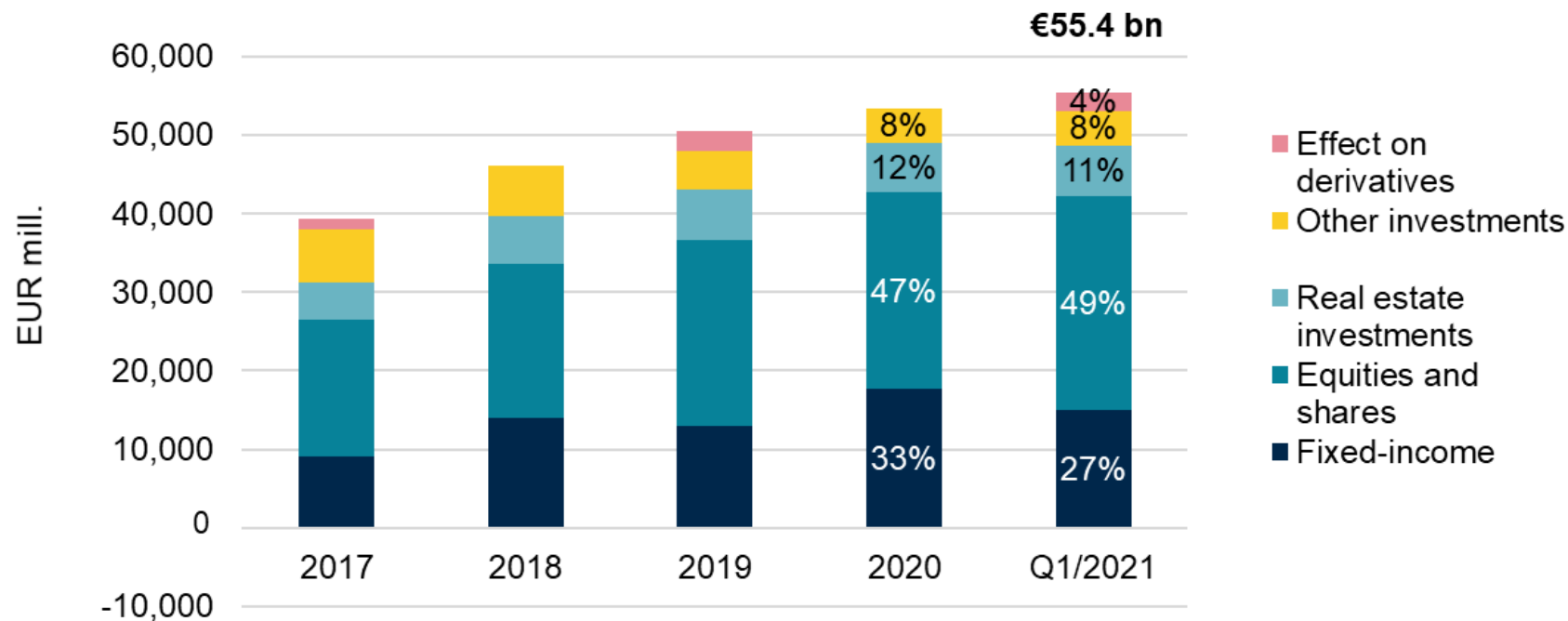
Long-term return remains at a good level

Average return of different markets:

%	Ilmarinen	Finnish equities and shares	European equities and shares	Euro government bonds	Euro corporate bonds
Q1/2021	4.8	9.1	8.2	-2.3	-0.8
2020	7.1	15.7	-2.0	5.0	2.7
Average return over five years	7.1	13.8	7.8	2.0	2.3
Average return over 10 years	5.8	10.3	7.5	4.5	3.8
Average return over 20 years	5.5	10.0	4.2	4.5	4.3
Average return since 1997	6.0	10.4	6.6	4.8	4.5
Real average return over 5 years	6.1	12.7	6.8	1.0	1.3
Real average return over 10 years	4.7	9.2	6.4	3.5	2.8
Real average return over 20 years	4.0	8.6	2.8	3.1	2.9
Real average return since 1997	4.5	8.8	5.0	3.2	2.9

Equities and shares account for almost half of the investment allocation

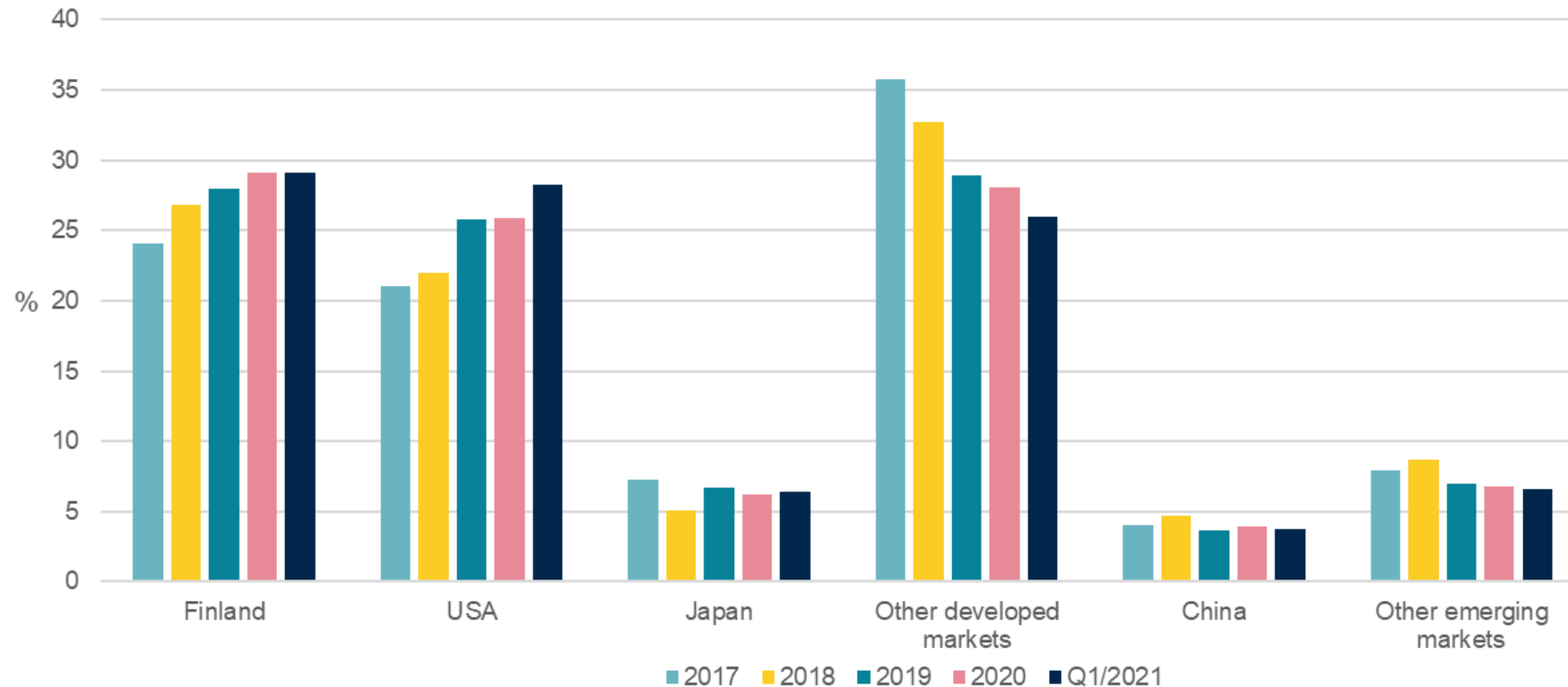
Breakdown of investment risks



Share of Finnish listed equity investments

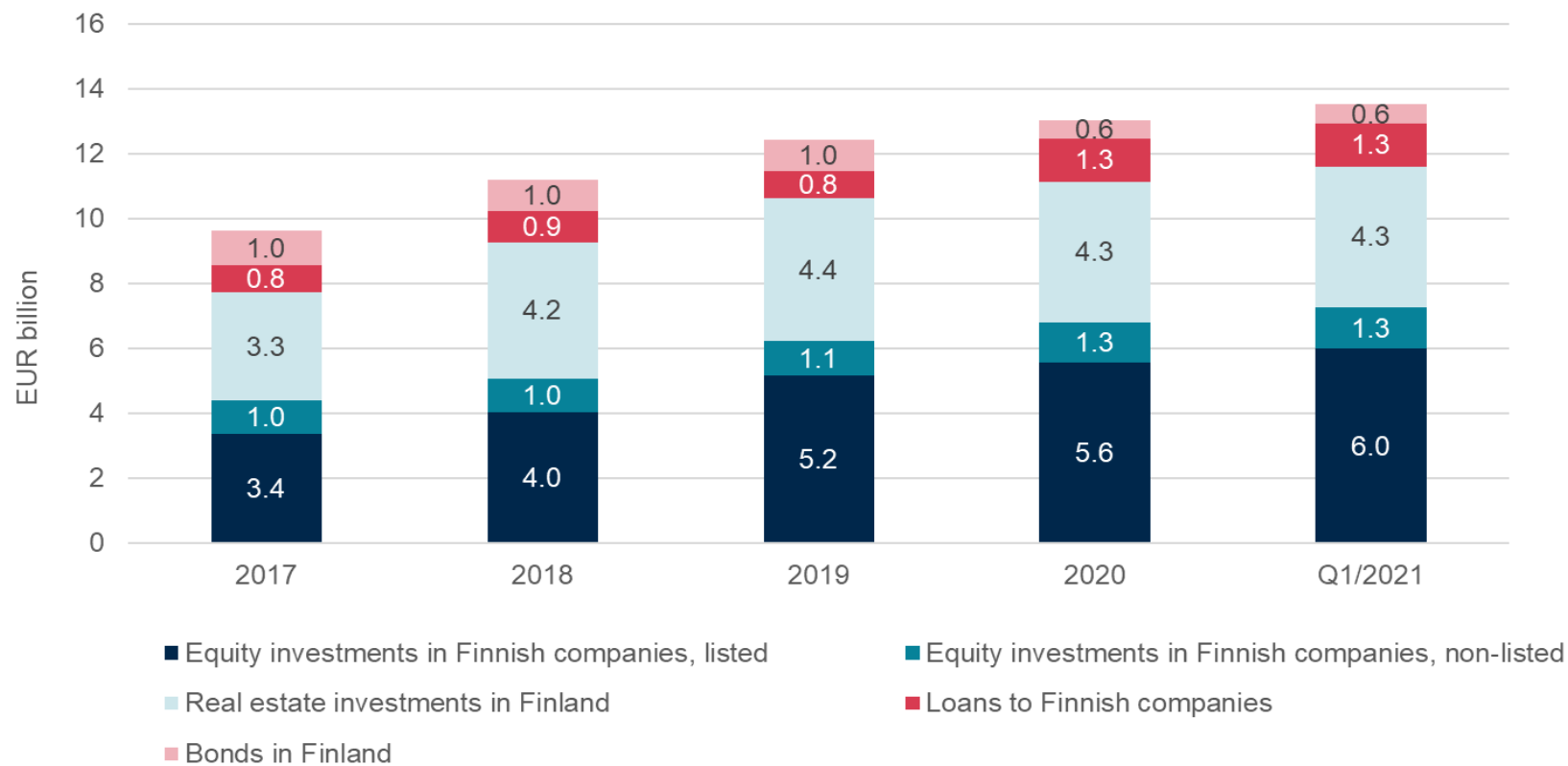
29 per cent

Geographical breakdown of listed equities



Ilmarinen's investments in Finland were more than **EUR 13.5 billion** or a quarter of the investment portfolio

Investments in Finland 2017–31 Mar 2021, € bn



Holdings in Finnish publicly quoted companies

EUR 6 bn

Largest Finnish listed equity holdings

	€ mill.	31 Mar 2021	31 Dec 2020
↑	Kesko Corporation	385	325
↑	Nordea Bank Abp	355	257
↓	Kojamo plc	342	371
↑	Sampo Plc	336	278
	UPM-Kymmene Corporation	330	342
↓	Fortum Corporation	324	290
↑	Kone Corporation	310	255
↑	Nokia Corporation	310	252
↓	Stora Enso Oyj	310	328
↓	Neste Corporation	266	330

	Per cent	31 Mar 2021	31 Dec 2020
	SRV Group Plc	12.7	12.7
	Digia Plc	12.6	12.6
↓	Nurminen Logistics Plc	11.8	19.6
	Kojamo Plc	8.3	8.3
	Martela Corporation	8.1	8.1
↓	Panostaja Oyj	8.0	8.1
	Glaston Corporation	7.3	7.3
	Citycon Oyj	7.1	7.1
	Capman Plc	6.6	6.6
	Tulikivi Corporation	5.7	5.7

Summary of return on investments for January–March

	Basic breakdown		Risk breakdown		Return	Volatility
	EUR mill.	%	EUR mill.	%	%	
Fixed-income investments	17,212	31.1	15,018	27.1	2.0	
Loan receivables	1,832	3.3	1,832	3.3	1.5	
Bonds	14,091	25.4	8,766	15.8	2.1	6.9
Public corporation bonds	5,598	10.1	4,847	8.7	-0.7	
Other bonds	8,492	15.3	3,919	7.1	4.0	
Other money market instruments and deposits(in	1,289	2.3	4,419	8.0	1.4	
Equities and shares	27,392	49.4	27,302	49.3	9.1	
Listed equities and shares	20,564	37.1	20,475	36.9	8.2	17.7
Private equity investments	5,774	10.4	5,774	10.4	13.7	
Non-listed equities and shares	1,054	1.9	1,054	1.9	2.1	
Real estate investments	6,352	11.5	6,370	11.5	0.8	
Real estate investments	5,762	10.4	5,764	10.4	0.9	
Real estate funds and joint investments	590	1.1	606	1.1	0.7	
Other	4,469	8.1	4,448	8.0	-3.2	
Hedge fund investments	3,368	6.1	3,368	6.1	4.1	5.4
Commodity investments	72	0.1	327	0.6	-	
Other investments	1,030	1.9	753	1.4	-23.8	
Investments total	55,425	100.0	53,137	95.9	4.8	7.1
Effect of derivatives	0		2,287	4.1		
Investments at current value	55,425		55,425	100.0		

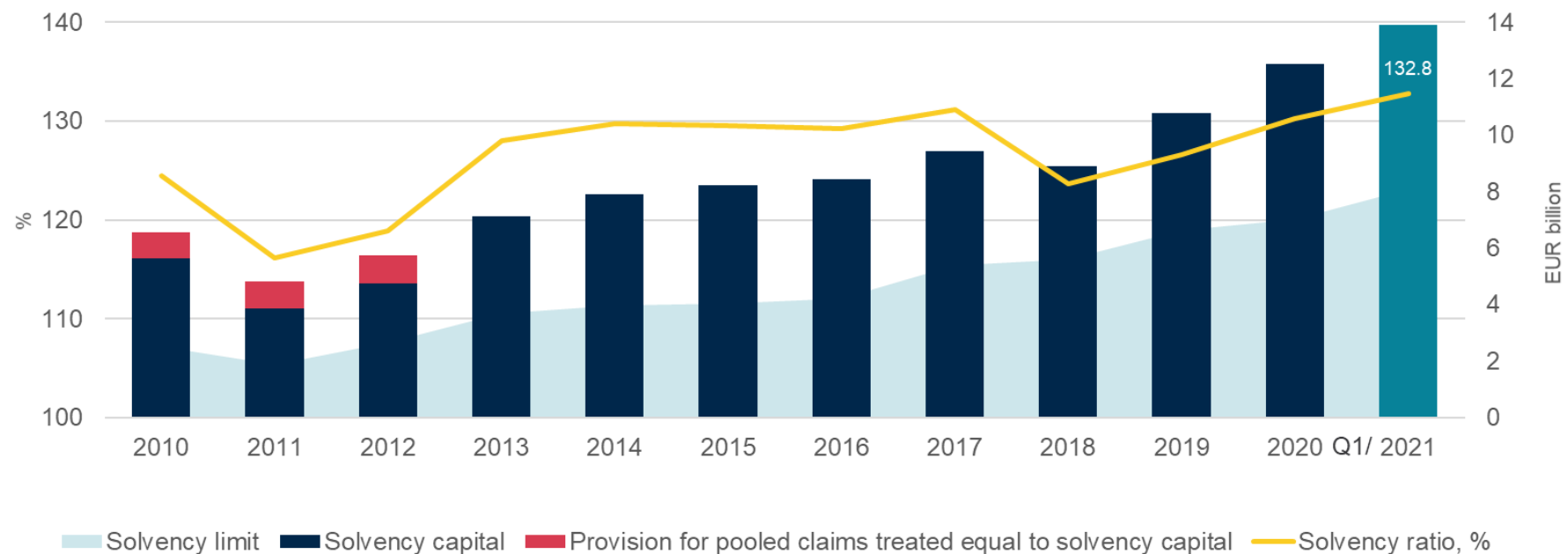
The modified duration of bond investments is 0.5 years

The open currency position is 21.6% 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 13.9 billion and the solvency ratio to 132.8 per cent, while the solvency position stood at 1.7

Solvency capital, solvency ratio and solvency limit 2010–31 Mar 2021





Future prospects and current information about the pension system

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Future prospects

- The global economy is recovering from the deep recession of 2020, and recovery from the crisis takes time. However, the global economy is expected to grow by roughly 6 per cent in 2021. Finland's economic growth is expected to settle at around 3 per cent.
- Following the recovery of the economy and the expiry of the temporary reduction in TyEL contributions, Ilmarinen's premiums written are expected to increase clearly in 2021. The rise in payroll is expected to improve loading income and the loading profit compared to last year.
- Central banks and governments are expected to continue their stimulus measures to support markets, and inflation is expected to remain low, although positive, despite an exceptionally light monetary policy. The economic outlook is still uncertain and unrest in the markets can quickly increase if the vaccinations and prevention of the spread of the coronavirus do not bring the desired results. Other key uncertainties include the escalation of geopolitical crises or the faster-than-expected acceleration of inflation. The long-term return expectation on investment assets is low, especially due to a low 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 and 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 2020, EUR 29.7 billion was paid in the Finnish pension system and around EUR 22.1 was collected in pension contributions.
- The return on pension assets was EUR 10.2 billion and the value of pension assets grew to EUR 225 billion. Since the Finnish pension system is based on partial funding, however, the amount of accumulated pension liabilities is significantly larger than the amount of collected pension assets, approximately EUR 800 billion.
- The nominal return on pension institutions' investment assets in 2020 was 4.8 per cent. The earnings-related sector is working on alternatives to strengthen the risk-bearing capacity of pension institutions and improve the expected return on investments. The objective is for the risk-bearing capacity to be sufficient even in economic crisis situations, which would eliminate the need to realise the riskiest investments in the portfolio at an adverse time.
- The possibility for a company-specific expense loading rate and the renewal of the contribution category model are also being discussed.
- The Ministry of Social Affairs and Health's working group is planning a reform of the pension system for the self-employed. This is driven by the transformation of how work is performed and the objective is to find solutions for, among other things, underinsurance and reducing the share of the state. Regarding underinsurance, solutions are being sought in the area of the YEL income that determines a self-employed person's pension security. It should be possible to calculate it in real time based on the unambiguous work input of the self-employed person, which would make it easier to keep it on the correct level.
- Last year, the average monthly pension of Finns rose by close to EUR 50 to EUR 1,762. Women's average pension was a fifth smaller than men's. Men's average pension was EUR 1,983 while women's was EUR 1,579.



Partial transfer of pension liabilities of a pension fund that has been declared bankrupt

- The situation related to Viabek, which was declared bankrupt, has been resolved and Viabek's pension liabilities have been agreed to be transferred to private sector employment pension insurance companies.
- The current pensions paid by Viabek and the pension benefits earned by employees and self-employed persons will transfer to employment pension insurance companies.
- The agreement will have no impact on pensioners' and insured persons' benefits.
- As a result of the arrangement, EUR 63 million in liabilities will transfer to Ilmarinen, weakening its solvency ratio by 0.05 per cent.
- To cover the liabilities, the undisputed assets will be transferred from Viabek and the missing part of the assets will be provided by all private sector earnings-related pension insurers together based on joint liability in a bankruptcy.
- Any assets that will be recovered from Viabek's outstanding disputed receivables will be paid to the earnings-related pension providers through joint liability.



The earnings-related pension sector wishes that the legislation governing the liquidation and bankruptcy of earnings-related pension insurance providers be clarified for future reference.

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