



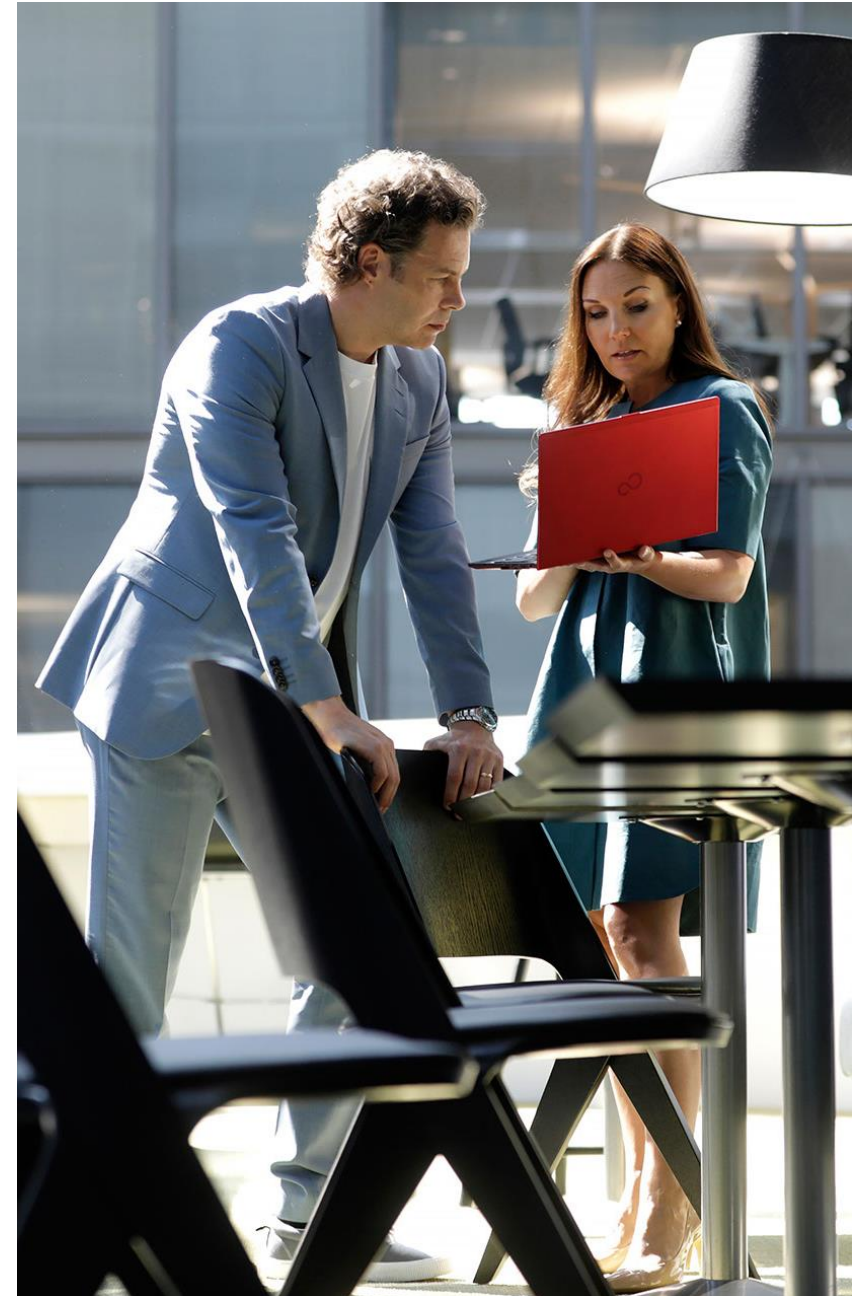
# Security for your pension

Ilmarinen's Interim Report  
January–September 2021

ILMARINEN

# The return on investments was 10.5 per cent, solvency capital strengthened to EUR 15.4 billion

- The return on Ilmarinen's investment portfolio rose to 10.5 (1.1) per cent, or EUR 5.6 billion, thanks to the strong performance of the equity markets. The market value of investments grew to EUR 58.4 (53.3) billion. The long-term average return on investments was 6.1 per cent. This corresponds to an annual real return of 4.6 per cent.
- Thanks to the good performance of investment activities, the total result for January–September grew to EUR 2.9 (-0.1) billion.
- Premiums written grew to EUR 4.4 (4.0) billion along with the rise in customers' payrolls and the expiry of the temporary reduction in the TyEL contribution. EUR 4.7 (4.6) billion was paid in pensions.
- Net customer acquisition rose to EUR 230 (149) million thanks to excellent customer retention and successful customer acquisition.
- Loading profit improved to EUR 45 (38) million and the ratio of operating expenses to expense loading components to 64 (69) per cent. Improved cost-effectiveness reduced operating expenses to EUR 81 (85) million.
- Solvency capital strengthened to EUR 15.4 (12.5) billion, and the solvency ratio to 135.0 (130.2) per cent.



# Key figures January–September 2021

Premiums written

**4.43** (3.98)

€ bn



Loading profit

**45** (38)

€ mill.



Return on investments

**10.5** (1.1)

%



Solvency ratio

**135.0** (130.2)

%



**4.74** (4.63)

€ bn

Pensions paid

**64** (69)

%

Ratio of operating expenses to  
expense loading components\*

**58.4** (53.3)

€ bn

Investment assets

**15.4** (12.5)

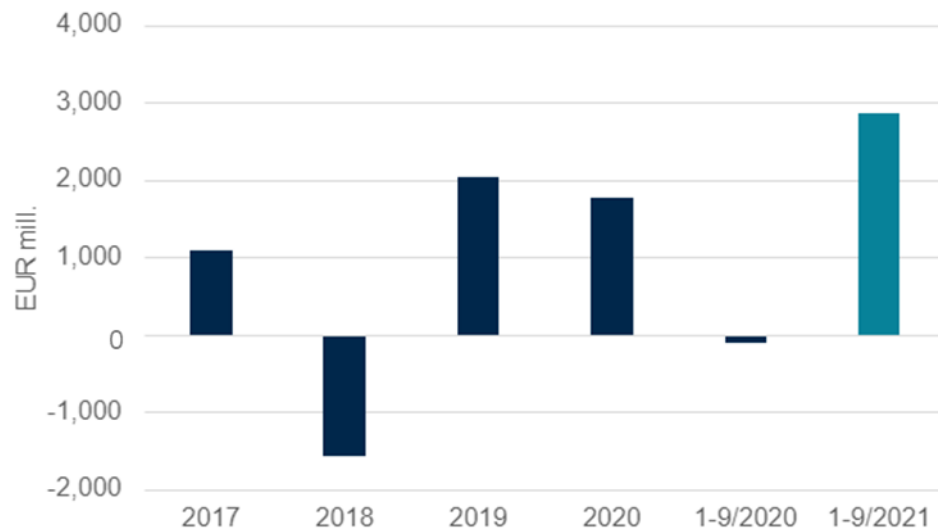
€ bn

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 2.9 (-0.1) billion thanks to good return on investments

Total financial result, € mill.



Sources of profit, € mill.

Result analysis, EUR mill.	1 Jan–30 Sep 2021	1 Jan–30 Sep 2020	1 Jan–31 Dec 2020
Underwriting result	14	-13	-3
<b>Return on investments at fair value</b>	<b>2,798</b>	<b>-132</b>	<b>1,726</b>
+ Net return on investments at fair value	5,567	575	3,529
- Return requirement on technical provisions	-2,769	-706	-1,803
<b>Loading profit</b>	<b>45</b>	<b>38</b>	<b>43</b>
<b>Other profit</b>	<b>0</b>	<b>0</b>	<b>3</b>
<b>Total result</b>	<b>2,856</b>	<b>-107</b>	<b>1,769</b>



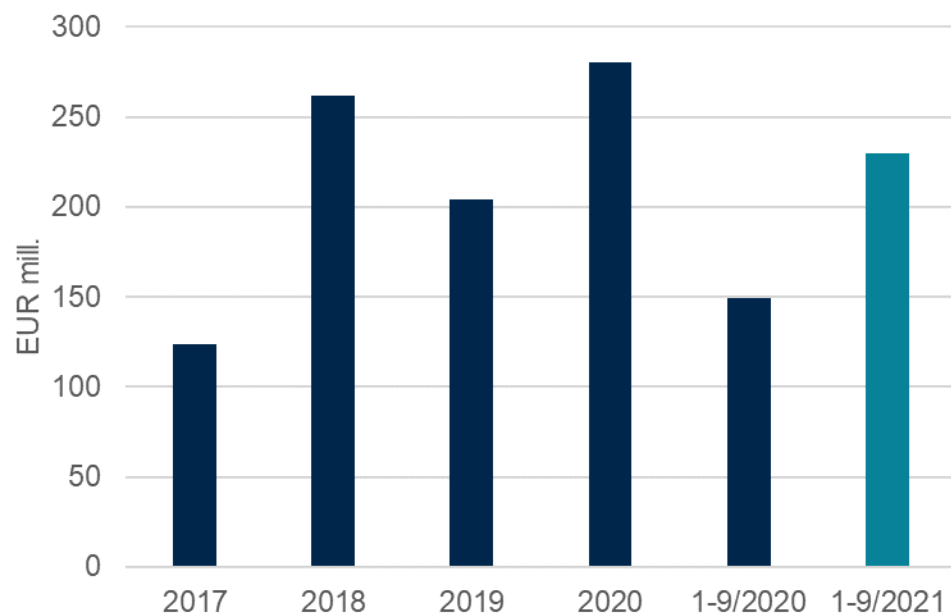
# Pension security for you

Insurance and pensions

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# Net customer acquisition rose to EUR 230 (149) million

Net customer acquisition 2017–2021, € mill.

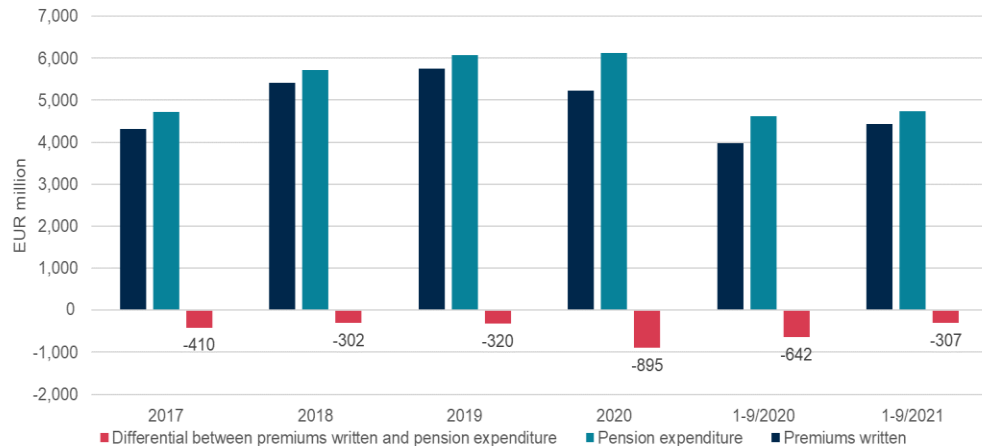


Net customer acquisition, € mill.

EUR mill.	1-9/2021	1-9/2020	2020
Net customer acquisition	230	149	281
Sales of new insurance	114	102	200
Net transfer of insurance	116	47	81
Customer retention, % of premiums written	97.9	97.7	97.2

# Premiums written €4.4 billion, pensions paid €4.7 billion

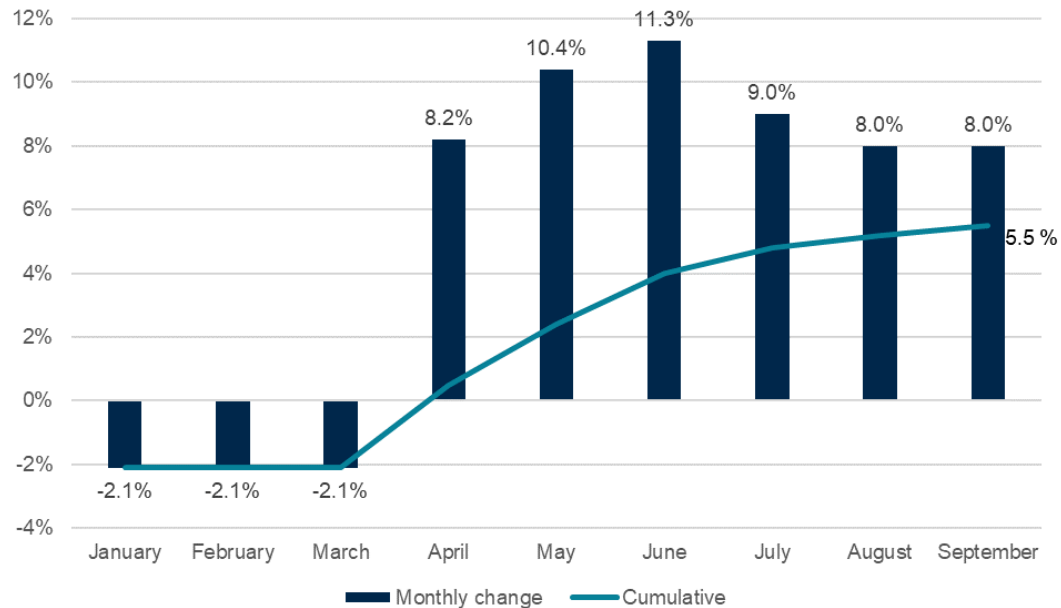
## Premiums written and pension expenditure January–September 2021



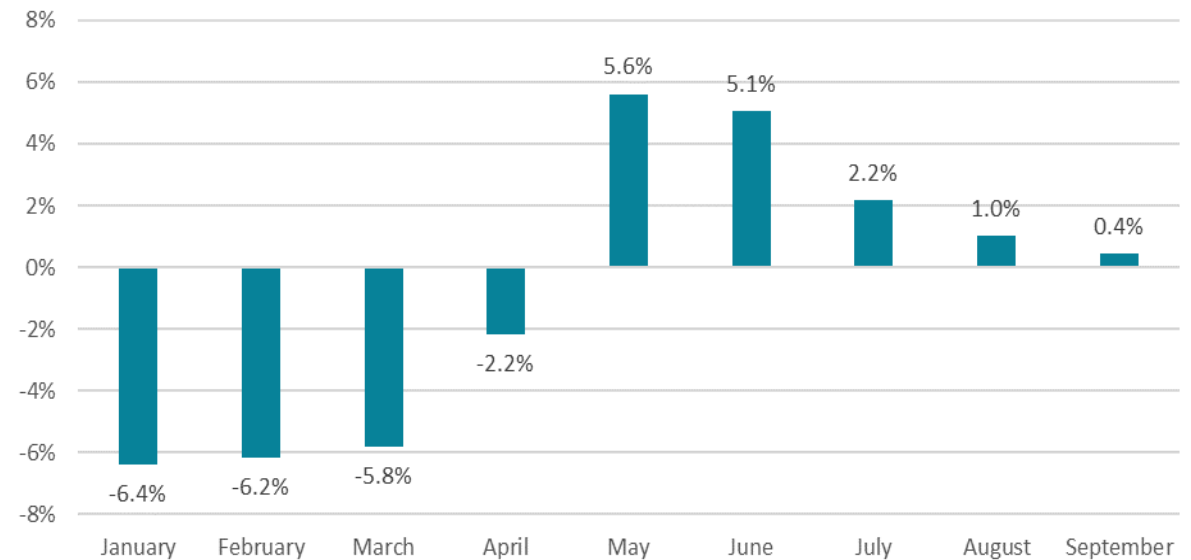
EUR mill.	2017	2018	2019	2020	1-9/2020	1-9/2021
Premiums written TyEL	3,969	5,026	5,364	4,833	3,681	4,127
Premiums written YEL	343	384	394	388	302	302
<b>Total premiums written</b>	<b>4,312</b>	<b>5,410</b>	<b>5,758</b>	<b>5,220</b>	<b>3,983</b>	<b>4,429</b>
Pensions paid TyEL	4,373	5,365	5,673	5,701	4,306	4,424
Pensions paid YEL	349	347	405	415	319	312
<b>Pension expenditure, total</b>	<b>4,722</b>	<b>5,712</b>	<b>6,078</b>	<b>6,116</b>	<b>4,625</b>	<b>4,736</b>

# Customers' payroll continued to rise in Q3, number of employees grew

Change in payroll of Ilmarinen's customers  
from previous year



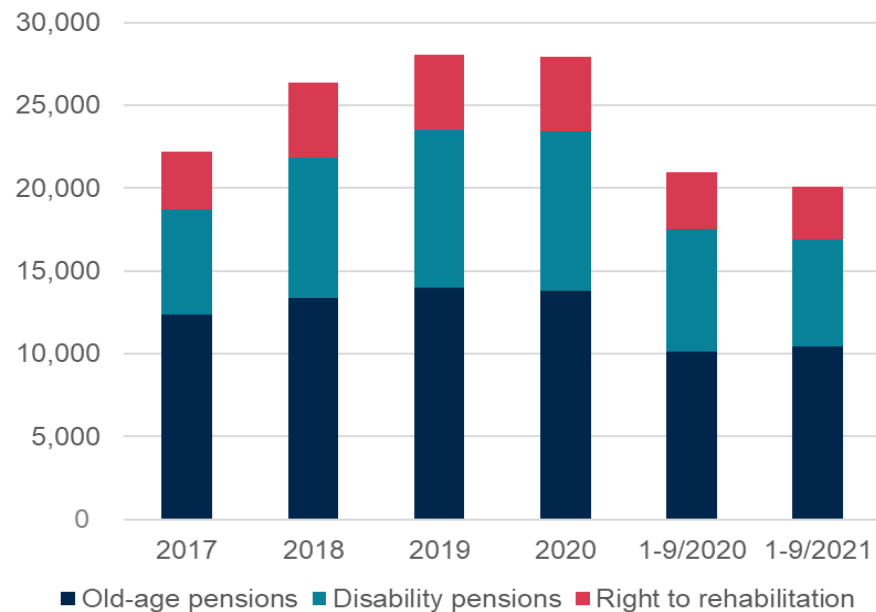
Change in number of employees in  
Ilmarinen's business cycle index





# Pension processing times have stabilised at a good level

## Number of pension decisions

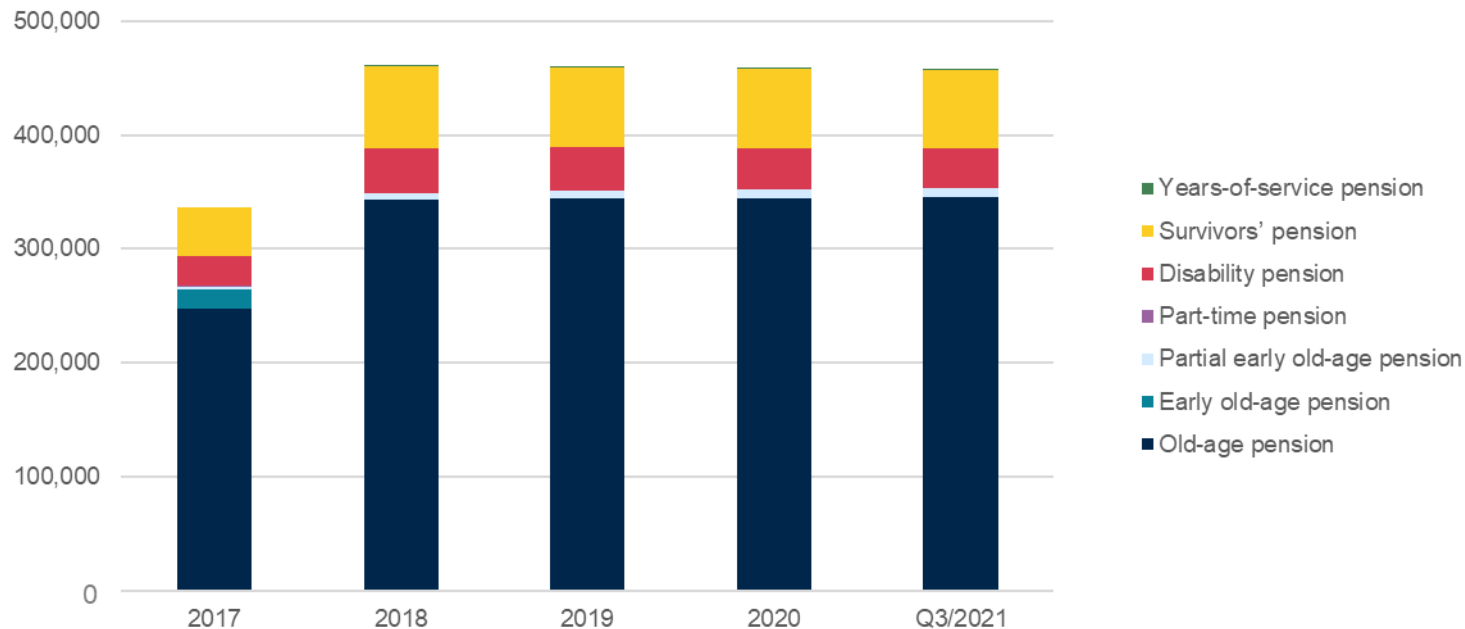


## Average application processing time, days



# Ilmarinen has around 457,000 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.**



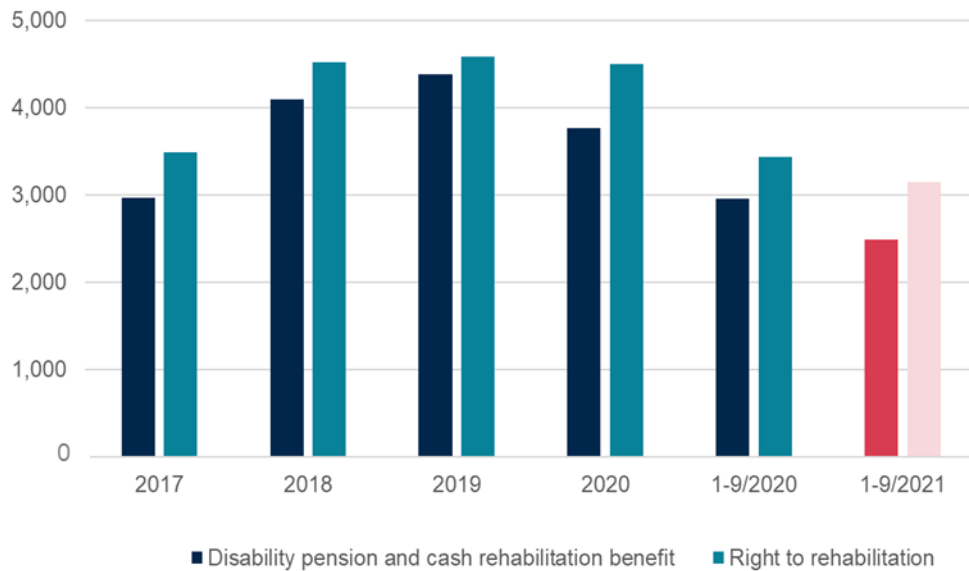
# A Better Working Life

Work ability risk  
management and  
rehabilitation

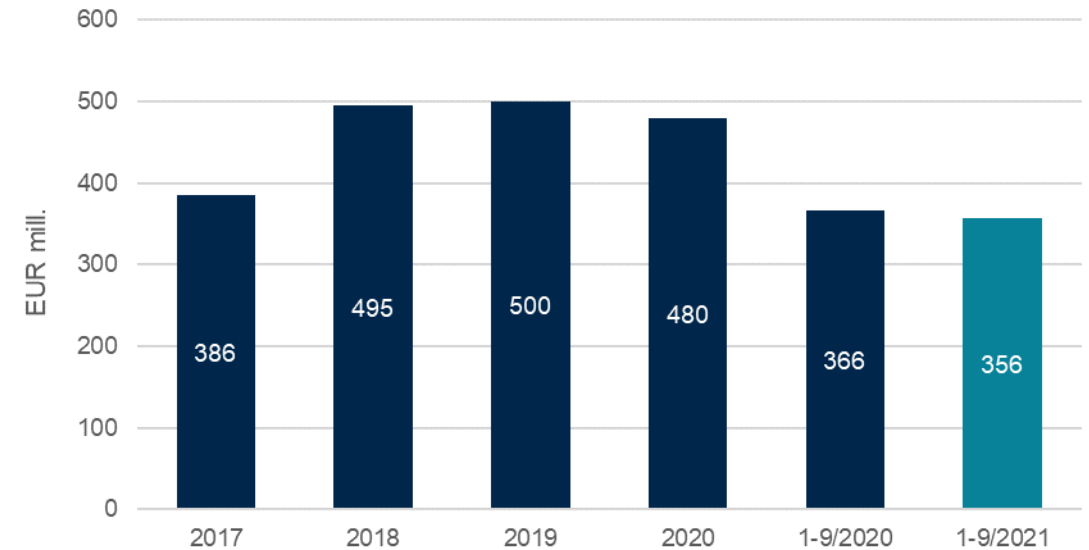
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# Disability pension decisions fell 12% and disability pension expenditure decreased by EUR 10 million

## Rehabilitation and persons retired on disability pension

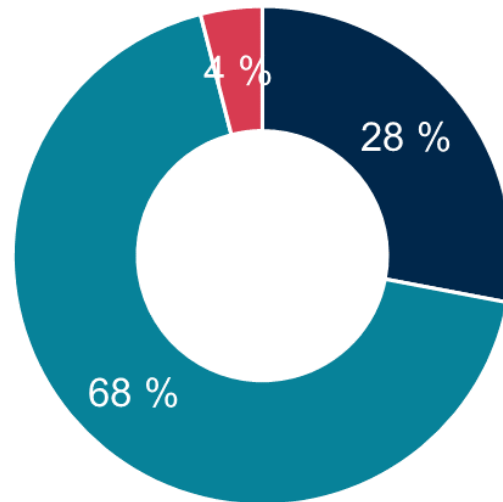


## Disability pension expenditure, EUR mill.



# Work ability projects numbered 962 and covered 176,000 employees

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



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

**Work ability services’  
NPS 66  
(1-9/2021)**



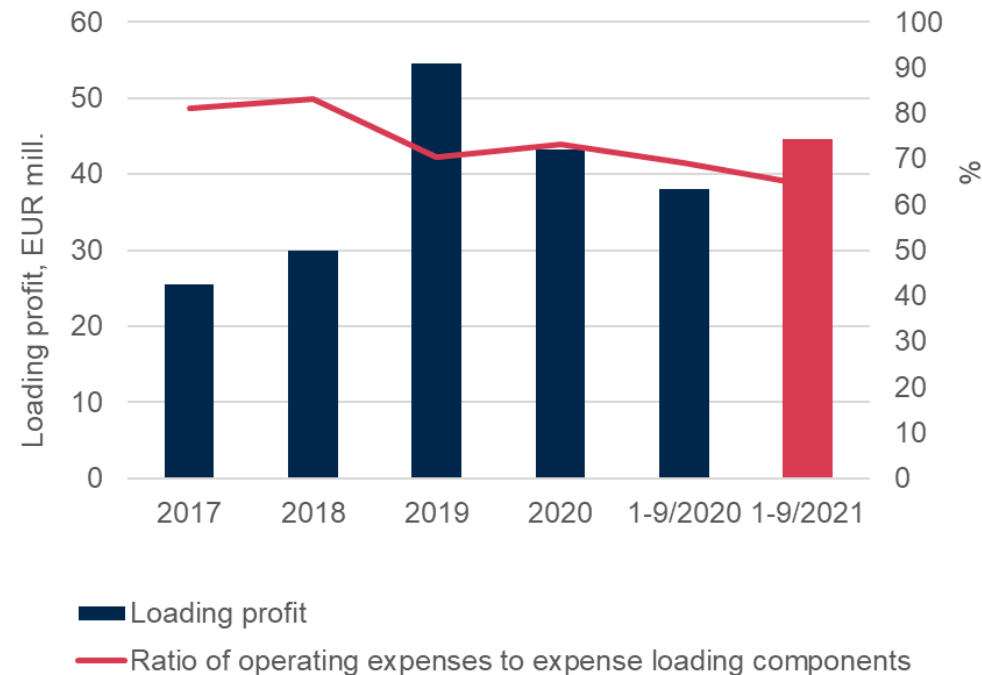
# Cost-effective operations

Operating expenses and personnel

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# Loading profit rose to EUR 45 million and the ratio of operating expenses to expense loading components improved to 64 per cent. Operating expenses financed using loading income fell by 4 million to EUR 81 million

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

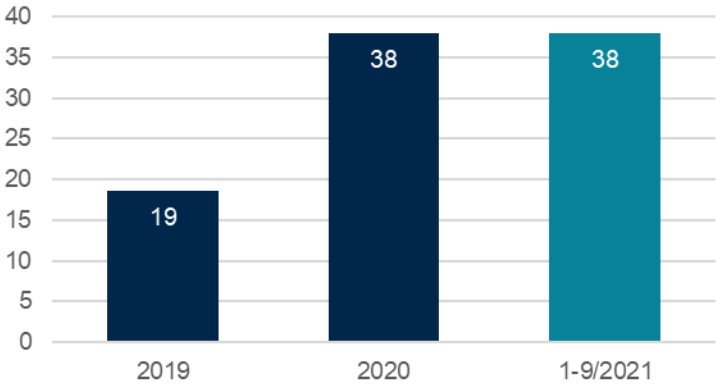


EUR mill.	2017	2018	2019	2020	1-9/2020	1-9/2021
Expense loading components and other income	134	179	185	162	123	126
Operating expenses covered by loading income	109	149	130	119	85	81
Loading profit	25	30	55	43	38	45
Ratio of operating expenses to expense loading components, %	81	83	70	73	69	64
Total operating expenses	150	195	175	158	115	116

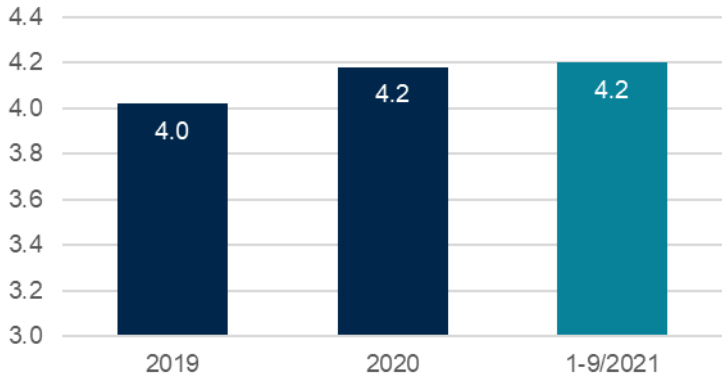
\* The basis for the rates affecting the TyEL administrative cost component changed as of the beginning of 2020, and the rate was lowered by 6.9%. The figures for 2017 do not include the figures of Etera, which merged with Ilmarinen.

# Personnel's work energy is excellent

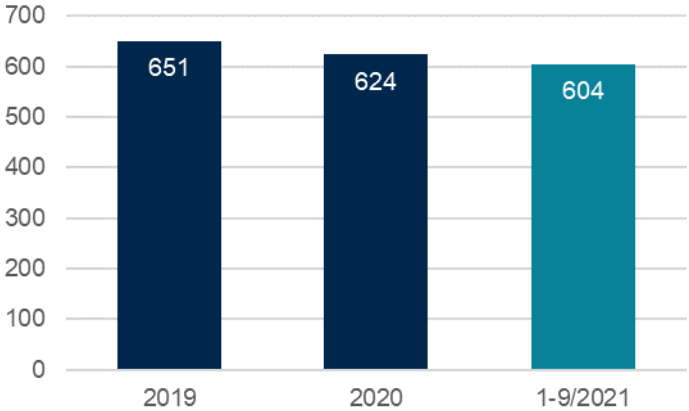
Employee Net Promoter Score (eNPS)



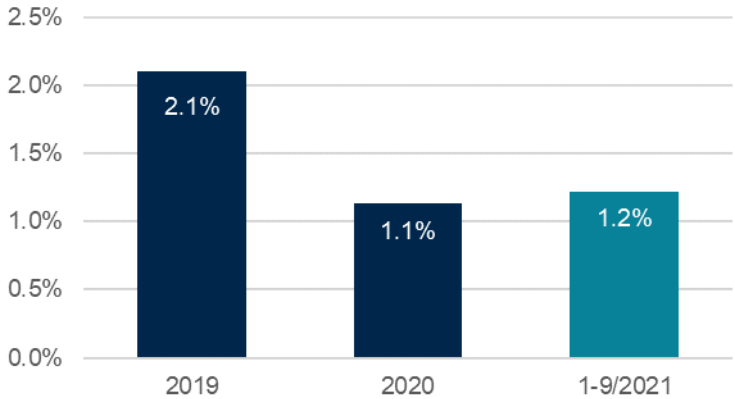
Personnel's average work energy (1–5)



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

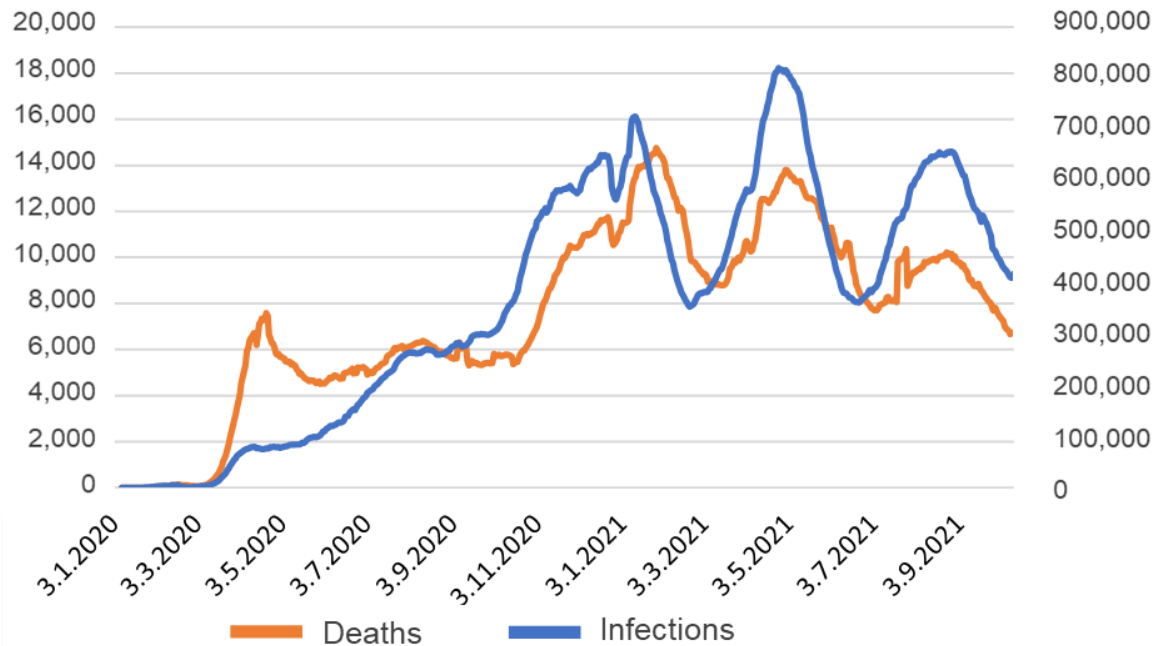
- In the third quarter of the year, the global economy continued to recover nicely, and concerns related to the coronavirus pandemic decreased. As a consequence of the quick recovery of economies, logistics chains have suffered some problems, which has been reflected in the rapid rise in freight prices and, at times, in the shortage of components in the manufacturing industry.
- The European and US central banks' monetary policy continued to be exceptionally stimulatory throughout the summer. As a result of the accelerating economic growth and rising inflation, the US Federal Reserve, i.e. the Fed, in particular has started sending clearer messages about the slow tightening of monetary policy at the end of this year or early next year.
- Inflation clearly increased in spring and summer of this year. In the US, inflation was more than five per cent in the summer months, and in the euro zone, it accelerated to more than three per cent.
- Finland's economy and employment rate began to pick up considerably in the second quarter of the year, and the brisk growth continued in the third quarter. So far, the payroll of Ilmarinen's customer base has increased by 5.5 per cent year-on-year. The strongest growth has levelled off already, however, and growth in the number of employees was moderate already in the third quarter. The balance of Finland's public finances has improved, but government debt has continued to grow considerably.
- The faster-than-expected hike in inflation and expectations of slowed economic growth have affected the capital markets. There has been more caution in the markets, and volatility has increased in many places. The positive underlying vibe in the capital markets levelled out during the third quarter, and the rise of the core equity markets ceased.
- The US dollar has continued to strengthen against the euro. While at the start of the year, the euro–USD exchange rate was around 1.22, at the end of the third quarter it was around 1.16. In the third quarter, the dollar strengthened by more than two per cent against the euro. The appreciation of the dollar has had a positive impact on dollar-denominated investment returns.



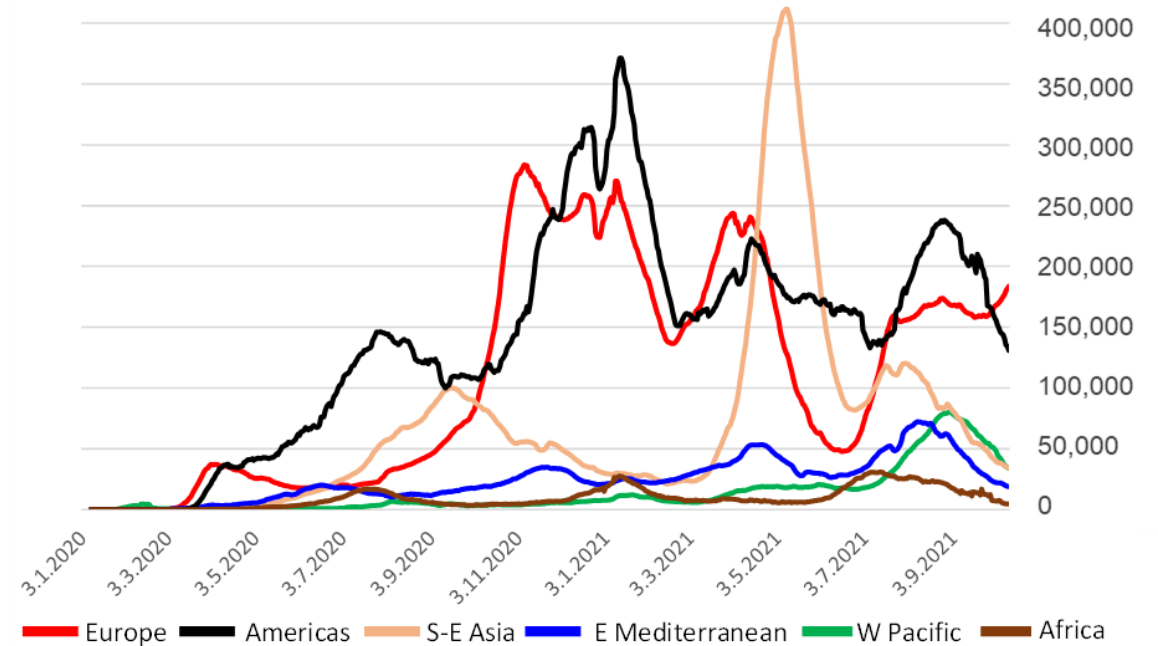
# Coronavirus situation: The pandemic is easing thanks to vaccinations, regional differences are great, and restrictions are being lifted

- Globally, infection rates and deaths are declining. The situation is concerning in Russia, the Baltics and the Balkans.
- As vaccination rates rise, Covid-19-related restrictions are being lifted.
- Globally, 238 million cases and 4.9 million deaths have been confirmed. Of the global population, 48% have received at least one vaccination and 35% have full vaccine protection.
- In Finland, the infection rate has not decreased over the past month. The total number of confirmed cases is 148,700, and the number of deaths is 1,107. Around 85% of the population over the age of 12 has received one vaccination and around 74% has received two. Altogether 7.8 million vaccinations have been given.

## Global development

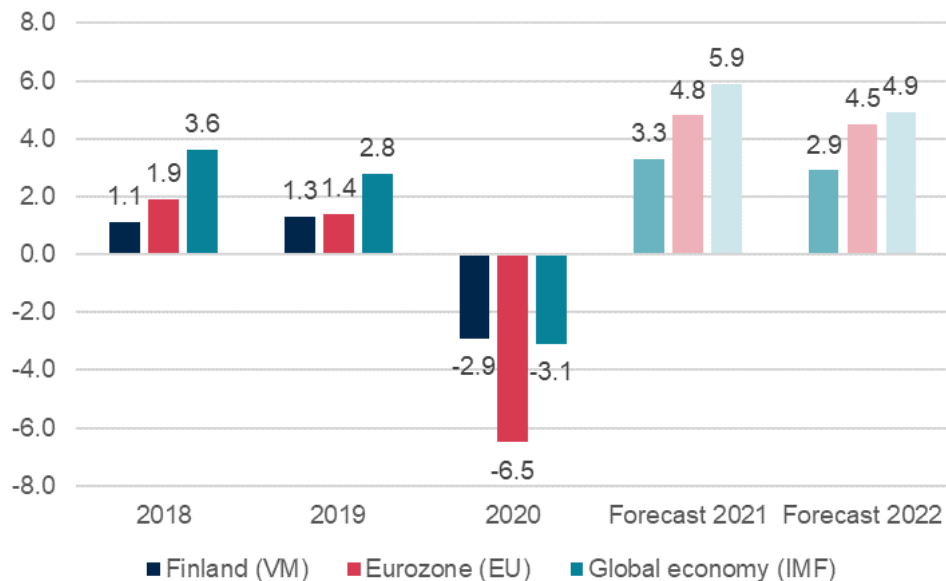


## Daily infections/area

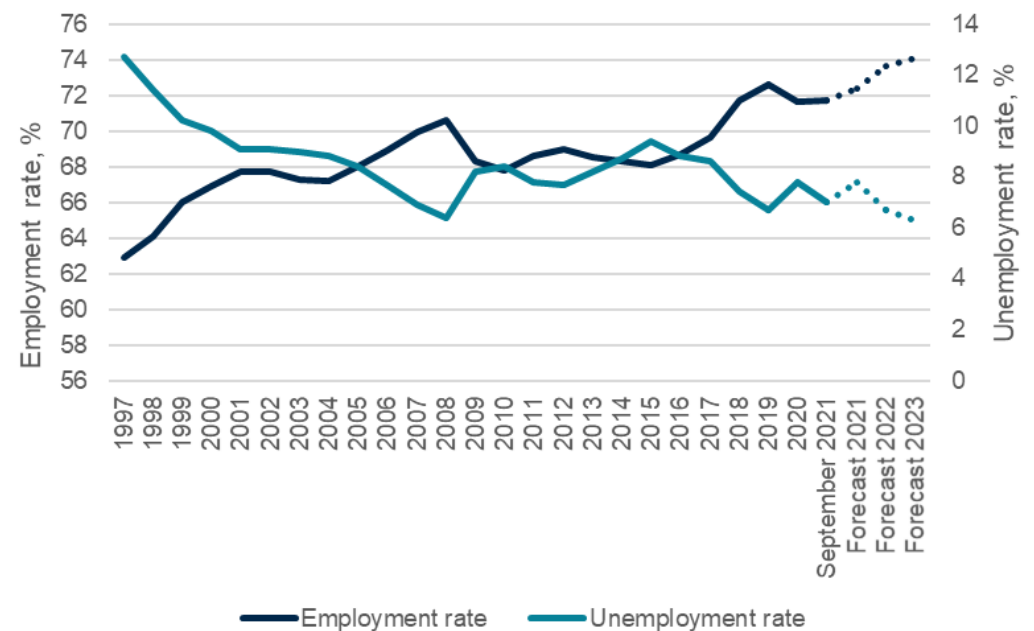


# The global economy is expected to grow strongly in 2021; the IMF's growth forecast is 6 per cent. Finland's growth forecast is around 3 per cent and employment is improving.

## GDP development, %



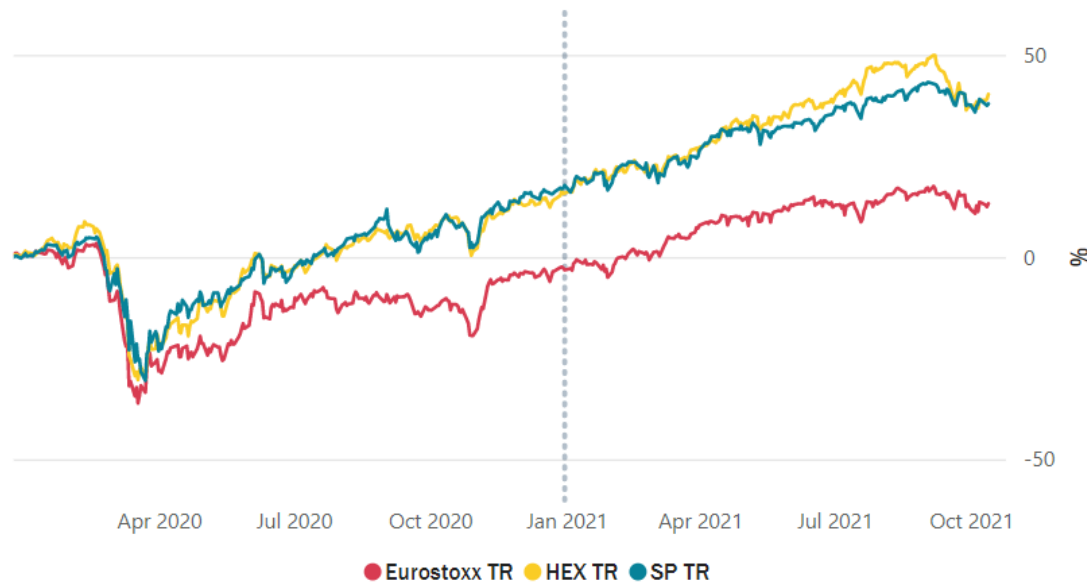
## Development of Finland's employment and unemployment rates, %



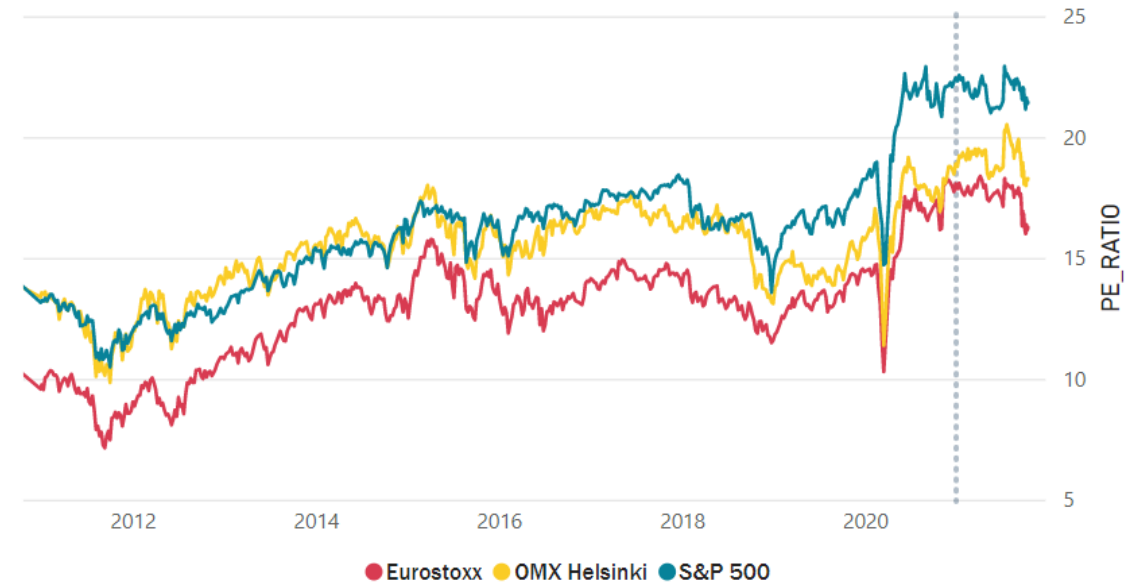
Sources: Statistics Finland, World Bank (EU) and IMF

# Equity markets performed strongly during the year, driven especially by rising earnings expectations

## Equity market performance

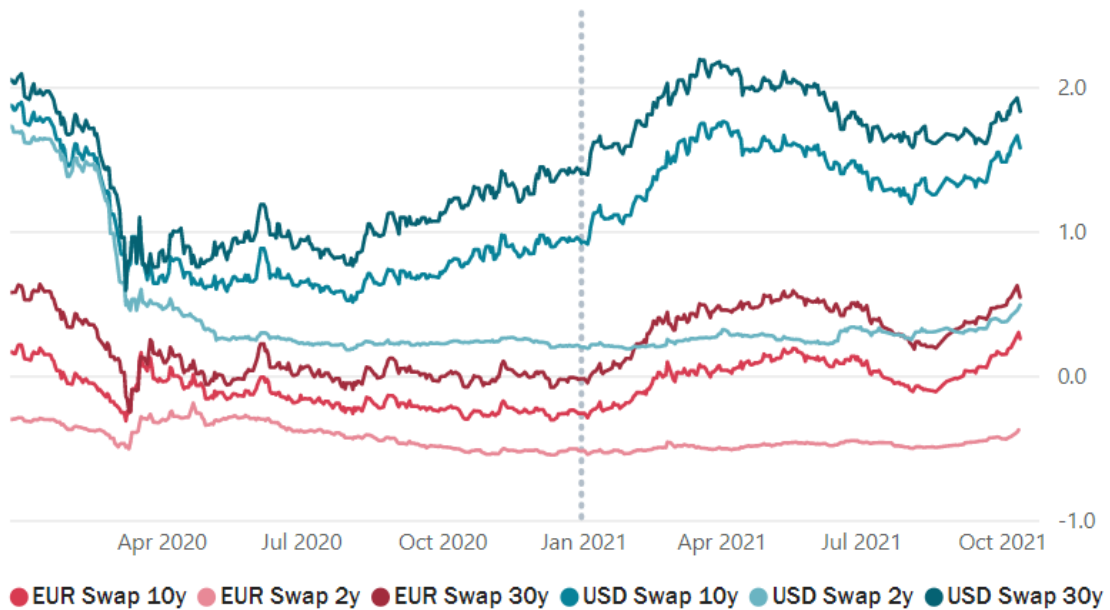


## Stock valuation level (P/E based on 12-month forecasts)

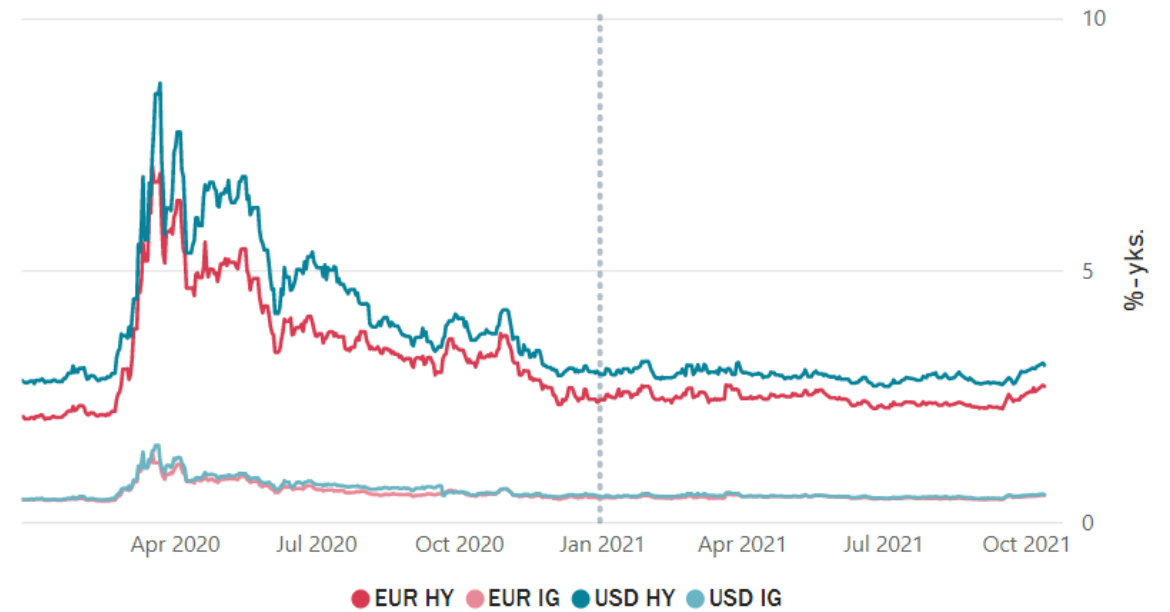


# Concerns over returning inflation have moderately boosted interest rate levels; no significant changes in credit risk premiums

## Development of interest rates

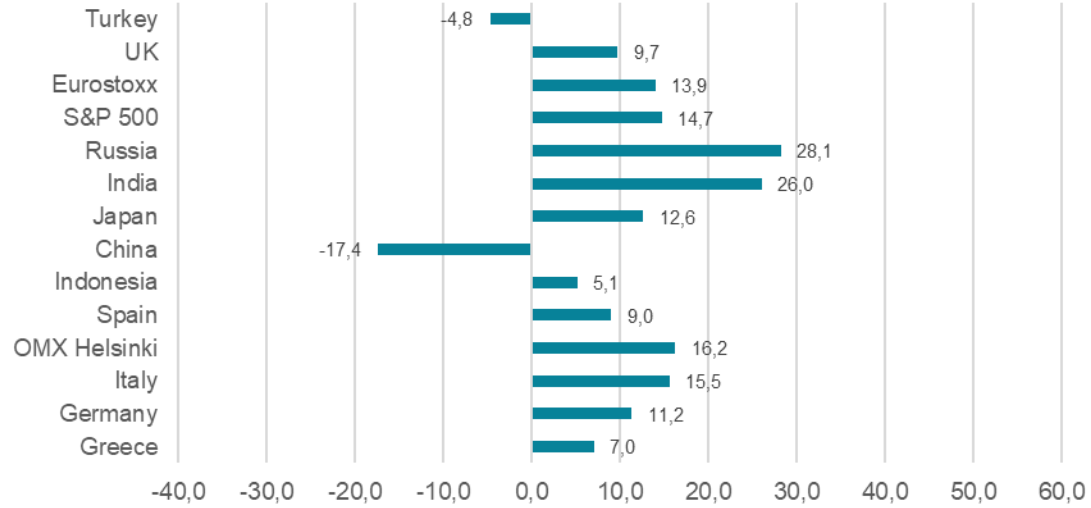


## Development of credit risk premiums

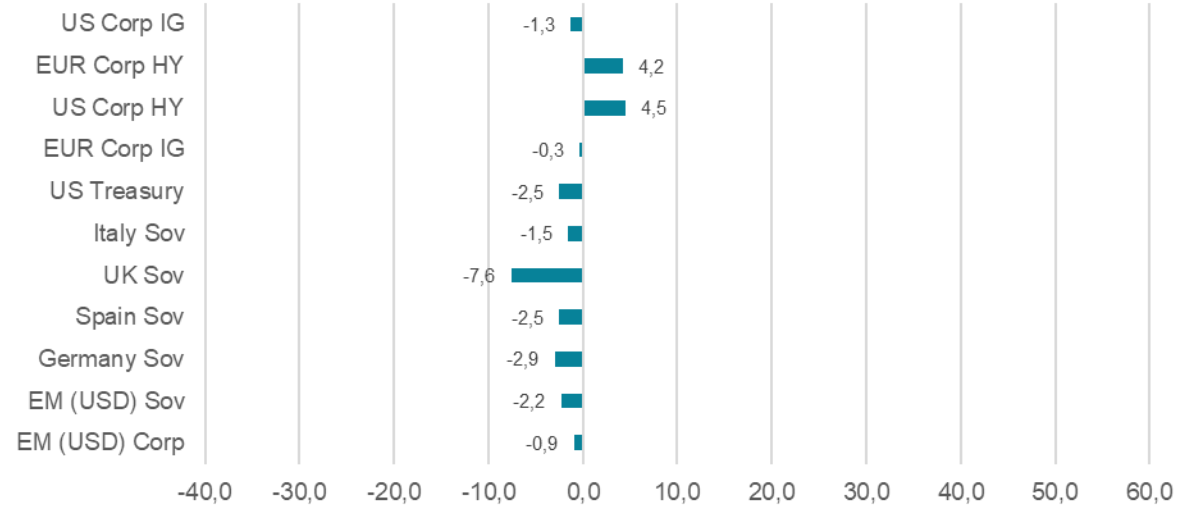


# Market development (per 30 September 2021)

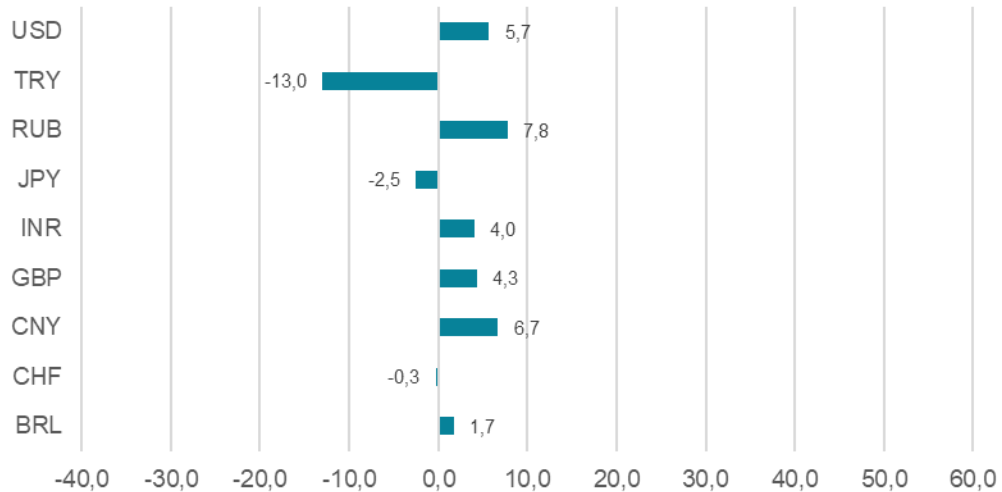
## Equity markets YTD %



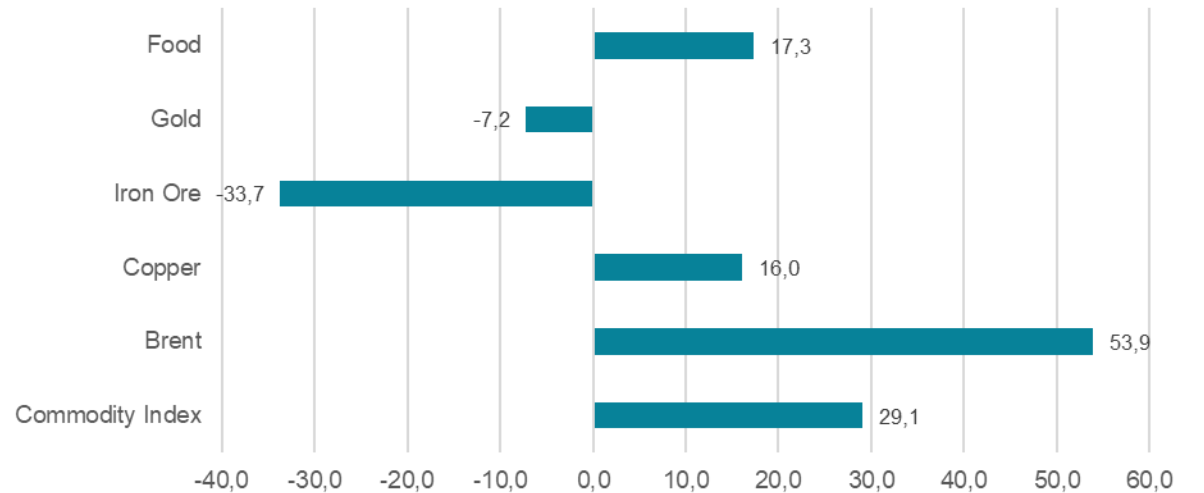
## Fixed income markets YTD %



## Currency change against the euro YTD %



## Commodities YTD %



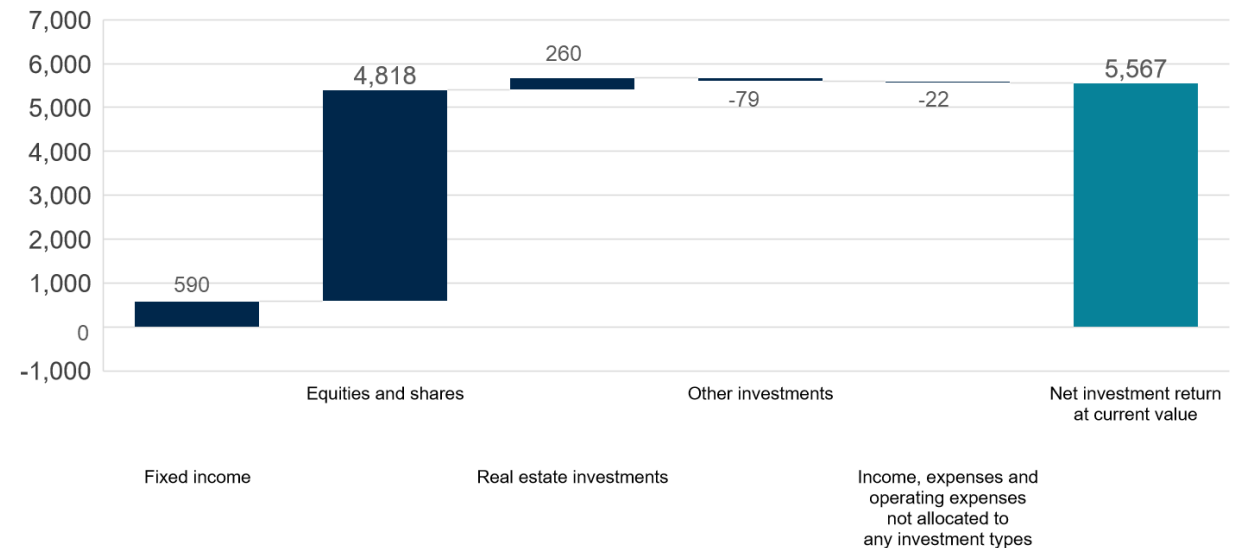
# Return on investments rose to 10.5 per cent, i.e. to EUR 5.6 billion, thanks to the strong performance of equity investments

Return January–September, %

Return by type	1–9/2021	1–9/2020	2020
<b>Return on investments</b>	<b>10.5</b>	<b>1.1</b>	<b>7.1</b>
Fixed Income	3.5	-2.1	-0.4
Equities and shares	19.2	1.4	12.4
Real estate	4.2	1.1	0.4
Other investments	-1.7	14.9	20.2

Long-term return on investments (since 1997): nominal return 6.1% and real return 4.6%.

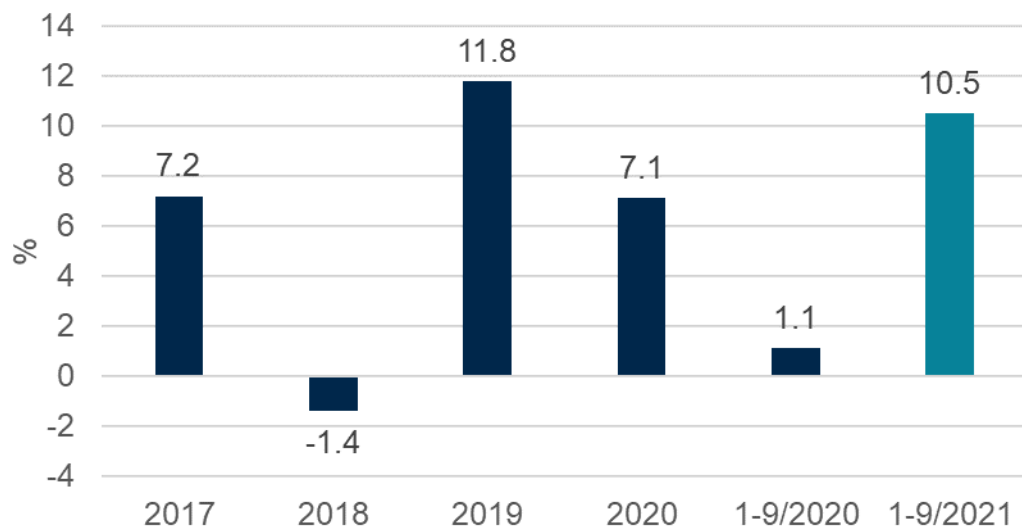
Return by type of investment, € mill.





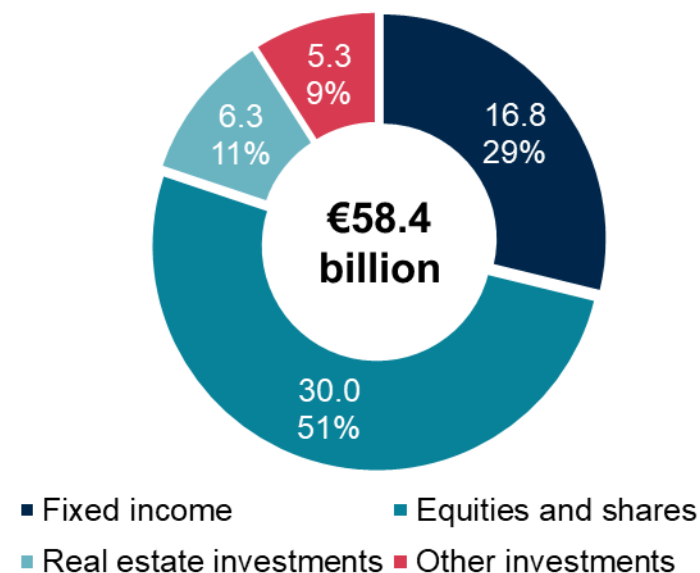
# Strong momentum in the investment market continued and return on investments rose to 10.5 per cent

## Return on investments

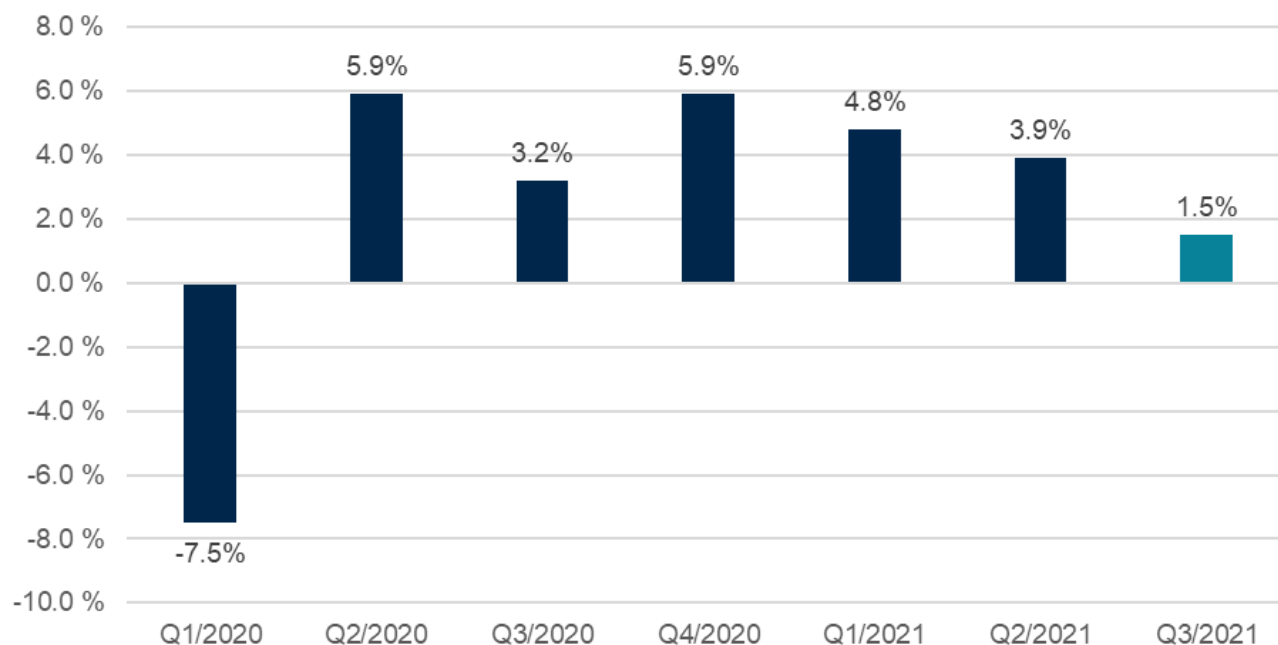


Average nominal return on investments over 5 years 7.5% and real return 6.3%.

## Breakdown of investments, 30 September 2021



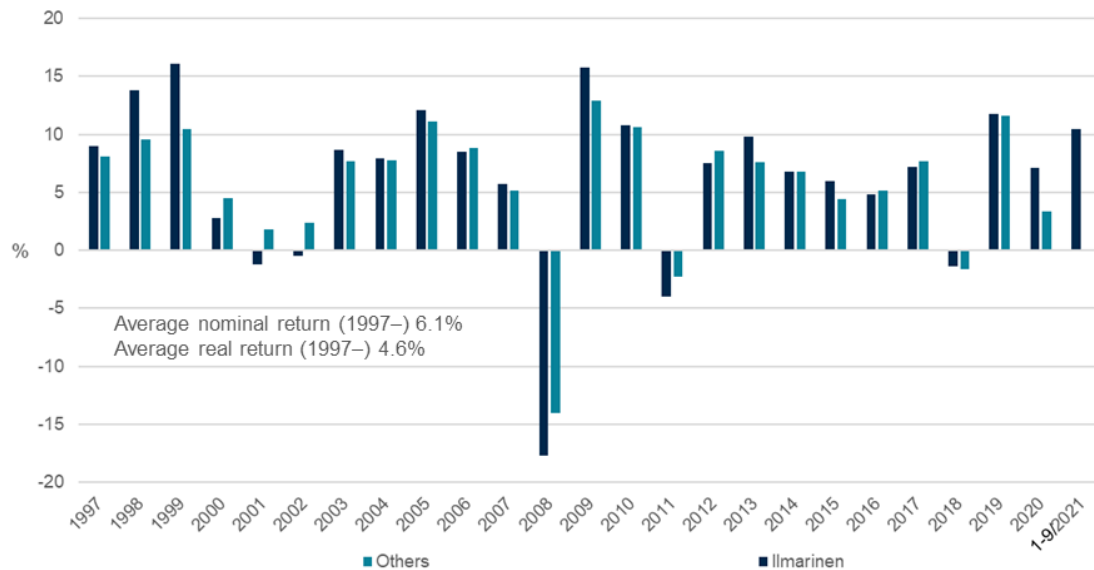
# The Q3 return on investments was 1.5 per cent, or EUR 0.8 billion



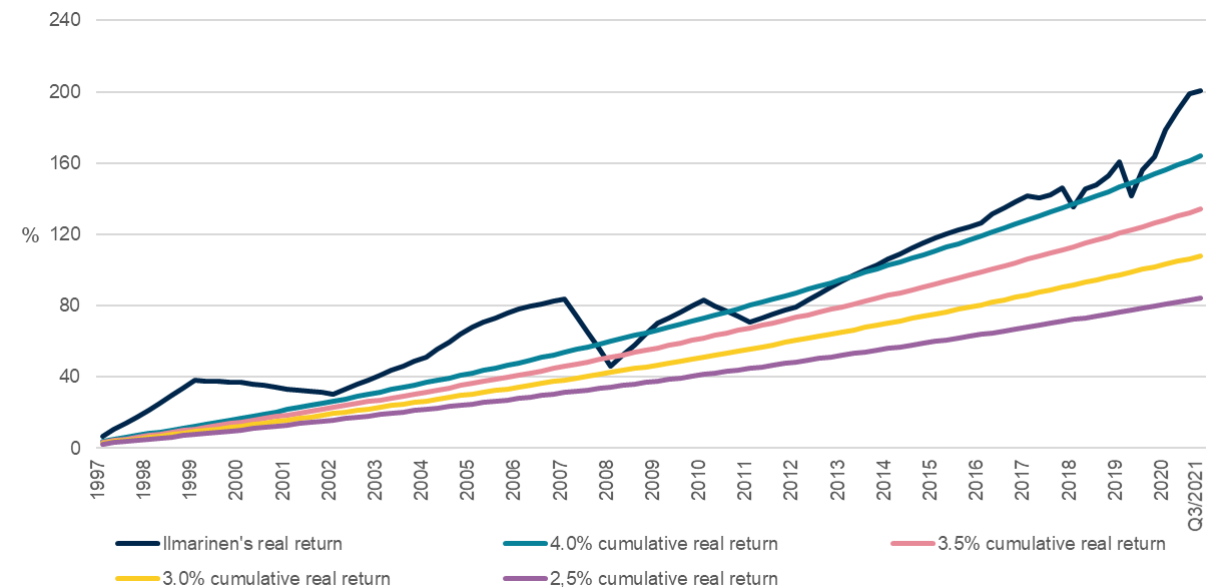
The positive underlying vibe in the capital markets levelled out during the third quarter, and the rise of the core equity markets ceased.

# The long-term average nominal return was 6.1 per cent per annum, or 4.6 per cent in real terms

## Net return on investments at current value

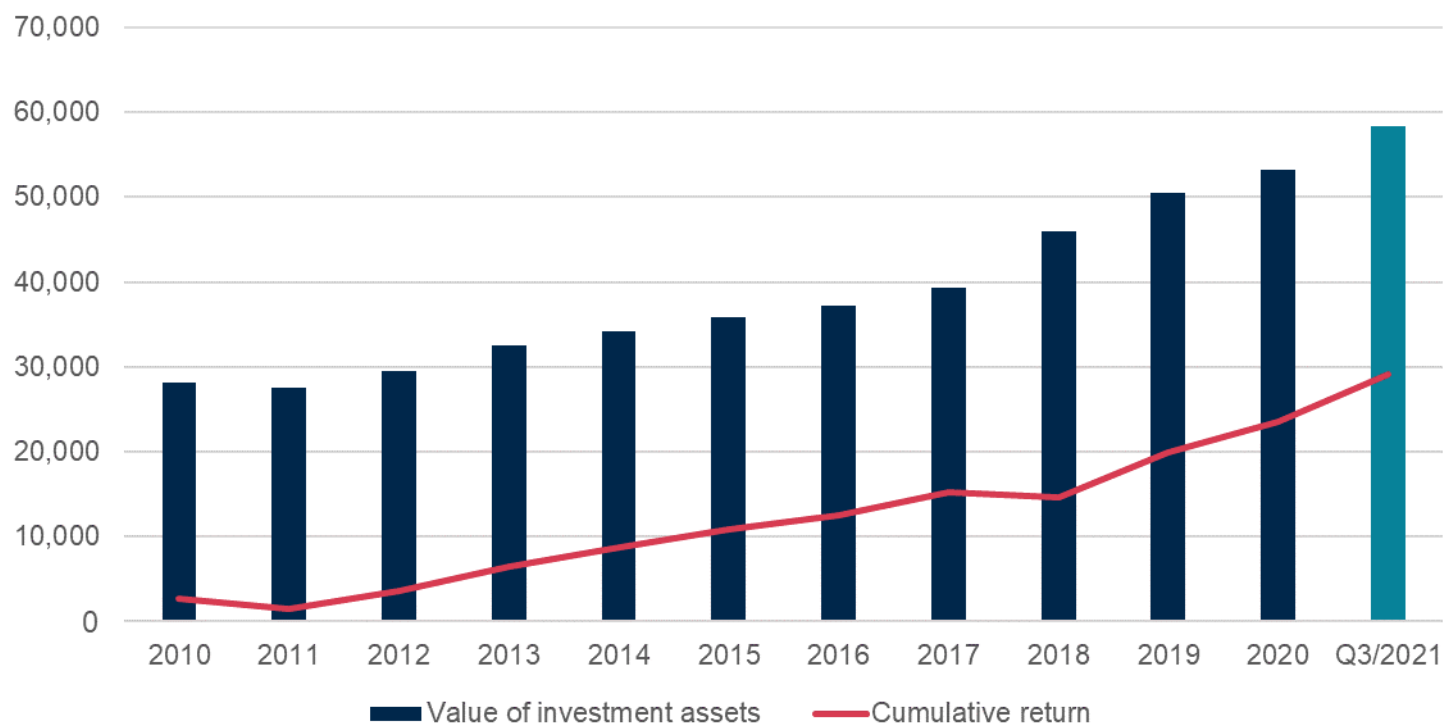


## Cumulative net return on investments 1997–30 September 2021



# Value of investments EUR 58.4 billion, cumulative return on investments from start of 2010, EUR 29.1 billion

Value of investments and cumulative return 2010–30 September 2021, € bn



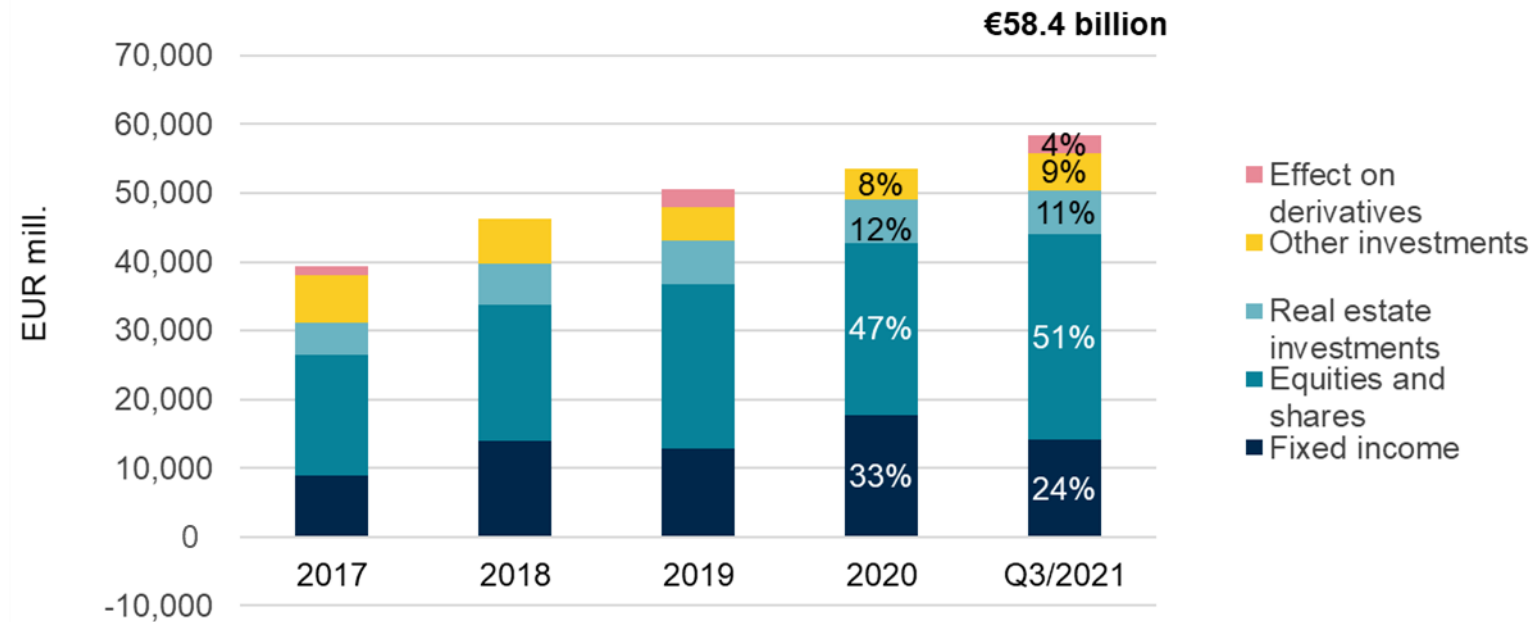
# Long-term return remains at a good level

Average return of different markets:

%	Ilmarinen	Finnish equities and shares	European equities and shares	Euro Government bonds	Euro Corporate bonds
Q3/2021	1.5	-0.5	0.8	0.0	0.1
2021	10.5	19.0	16.1	-2.9	-0.4
2020	7.1	15.7	-2.0	5.0	2.7
Average return over 5 years	7.5	13.1	8.5	1.3	1.7
Average return over 10 years	7.1	15.0	10.2	4.0	3.8
Average return over 20 years	5.9	11.4	5.5	4.3	4.2
Average return since 1997	6.1	10.6	6.7	4.6	4.4
Real average return over 5 years	6.3	11.8	7.3	0.2	0.5
Real average return over 10 years	6.0	13.7	9.0	2.9	2.7
Real average return over 20 years	4.5	10.0	4.1	2.9	2.8
Real average return since 1997	4.6	8.9	5.1	3.1	2.8

# Equities and shares account for 51% of the investment allocation

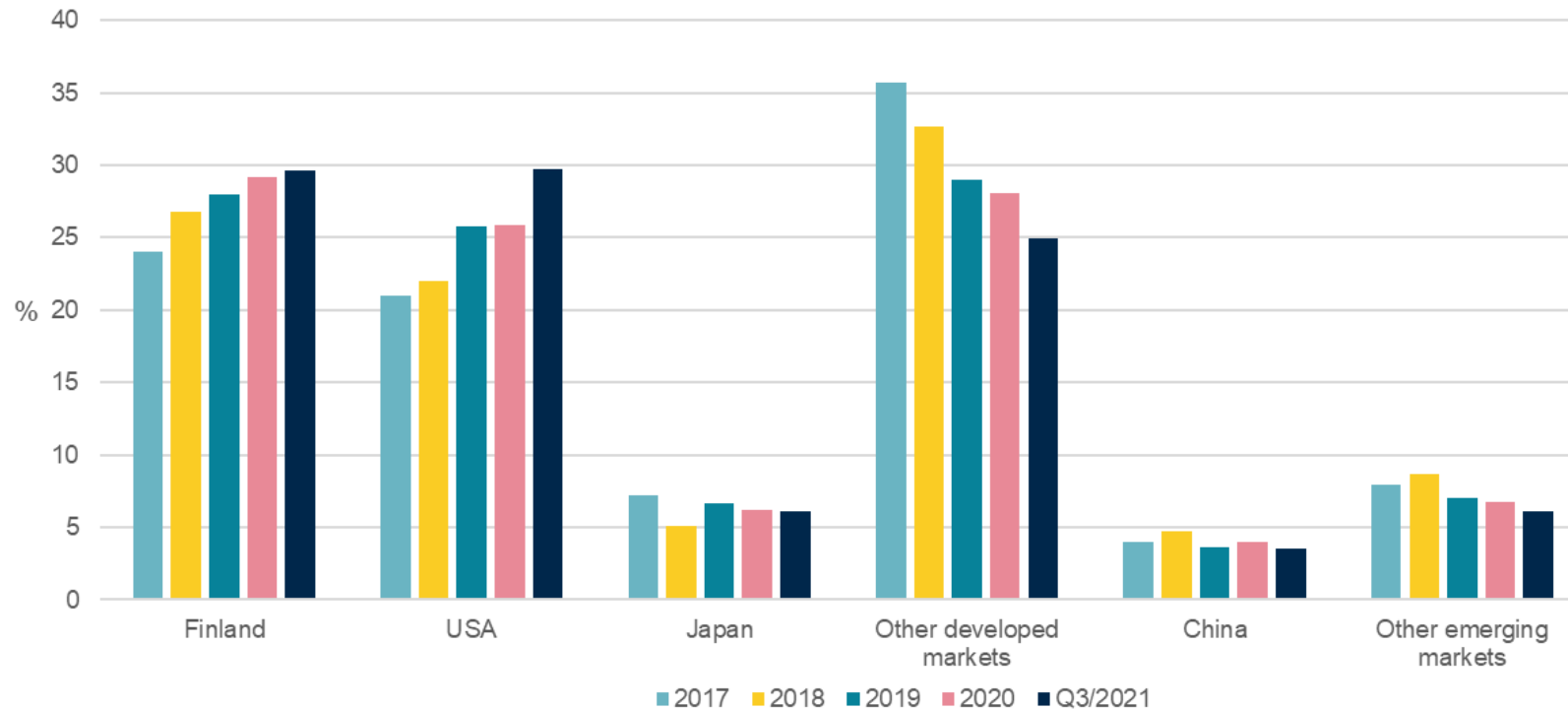
## Breakdown of investment risks



# Share of Finnish listed equity investments

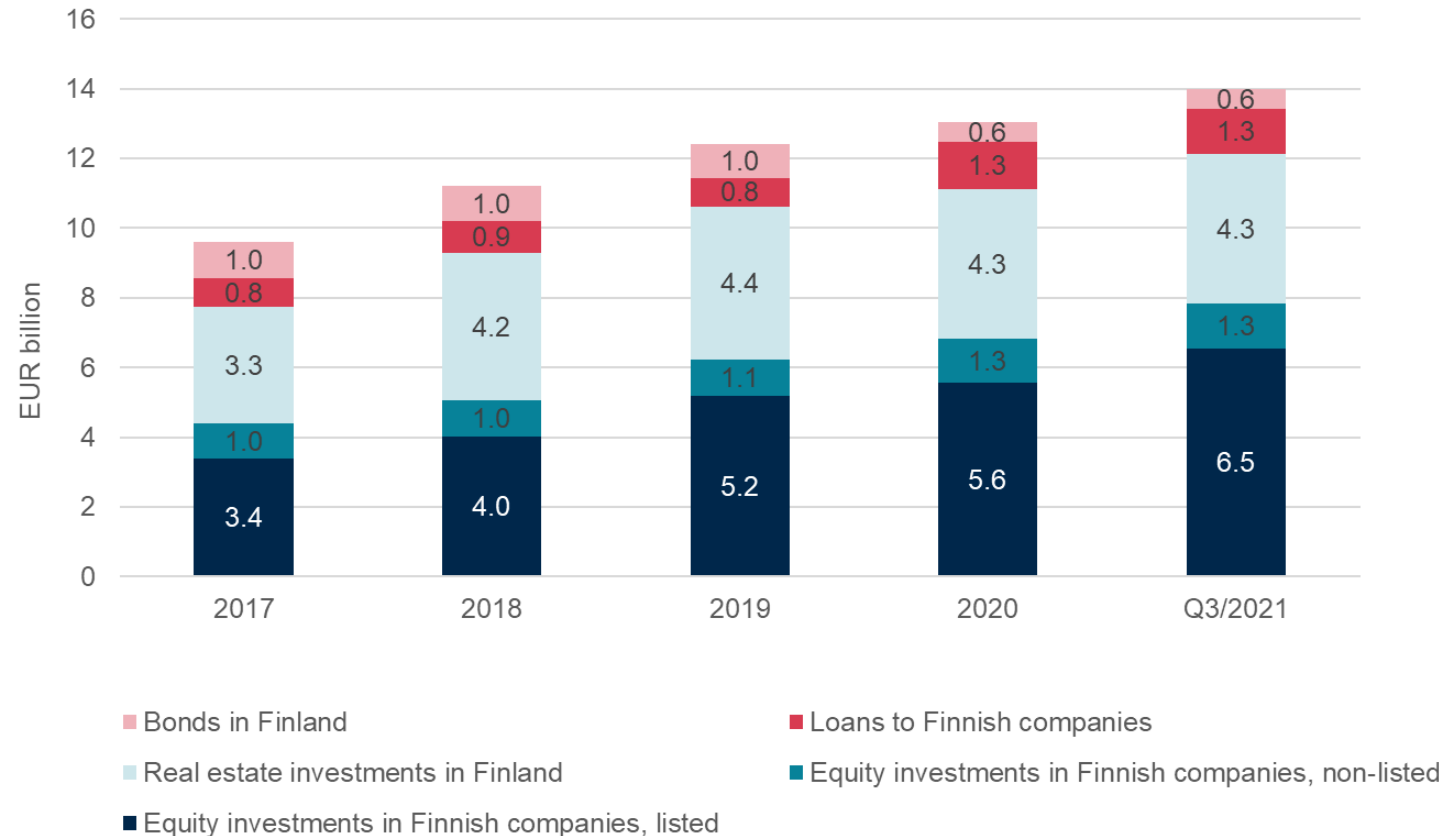
## 30 per cent

Geographical breakdown of listed equities



# Ilmarinen's investments in Finland were EUR 14.0 billion, i.e. a quarter of the investment portfolio

Investments in Finland 2017–30 September 2021, € bn





# Holdings in Finnish publicly quoted companies

## EUR 6.5 bn

### Largest Finnish listed equity holdings

	EUR mill.	30Sept 2021	31 Dec 2020
↑	Nordea Bank Abp	496	257
↑	Kesko Corporation	405	325
↑	Sampo Plc	397	278
↑	Nokia Corporation	383	252
↑	Fortum Corporation	380	290
↑	UPM-Kymmene Corporator	371	342
↓	Kojamo Plc	368	371
↑	Neste Corporation	361	330
↑	Stora Enso Corporation	345	328
↑	Kone Corporation	291	255

	Percentage	30Sept 2021	31 Dec 2019
↓	Nurminen Logistics Plc	15.1	19.6
	SRV	12.7	12.7
↓	Digia Plc	10.9	12.6
	Kojamo Plc	8.3	8.3
↑	Solteq Plc	8.0	0.0
↓	Martela Corporation	7.4	8.1
	Glaston Corporation	7.3	7.3
	Citycon Oyj	7.1	7.1
↓	Panostaja Oyj	6.9	8.1
	Capman Plc	6.6	6.6

# Summary of return on investments for January–September

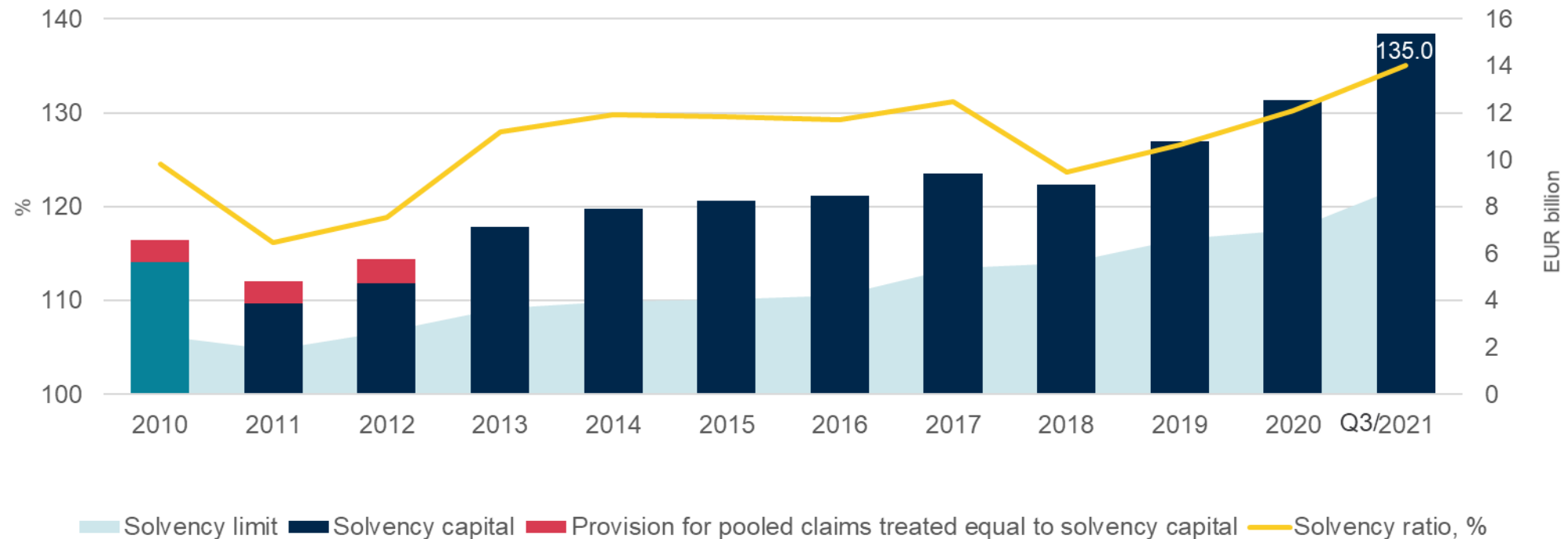
	Basic breakdown		Risk breakdown		Return	Volatility
	EUR mill.	%	EUR mill.	%	%	
<b>Fixed-income investments</b>	<b>16,814</b>	<b>28.8</b>	<b>14,096</b>	<b>24.1</b>	<b>3.5</b>	
Loan receivables	1,910	3.3	1,910	3.3	2.8	
Bonds	14,070	24.1	12,503	21.4	3.8	6.9
Public corporation bonds	5,567	9.5	4,064	7.0	0.4	
Other bonds	8,503	14.6	8,439	14.5	6.2	
Other money market instruments and deposits(inc	834	1.4	-316	-0.5	0.8	
<b>Equities and shares</b>	<b>29,966</b>	<b>51.3</b>	<b>29,863</b>	<b>51.2</b>	<b>19.2</b>	
Listed equities and shares	22,071	37.8	21,967	37.6	15.7	17.2
Private equity investments	6,828	11.7	6,828	11.7	34.6	
Non-listed equities and shares	1,068	1.8	1,068	1.8	7.7	
<b>Real estate investments</b>	<b>6,314</b>	<b>10.8</b>	<b>6,332</b>	<b>10.8</b>	<b>4.2</b>	
Real estate investments	5,726	9.8	5,728	9.8	4.0	
Real estate funds and joint investments	587	1.0	604	1.0	6.5	
<b>Other</b>	<b>5,277</b>	<b>9.0</b>	<b>5,479</b>	<b>9.4</b>	<b>-1.7</b>	
Hedge fund investments	3,926	6.7	3,926	6.7	6.7	5.5
Commodity investments	123	0.2	-79	-0.1	-	
Other investments	1,228	2.1	1,632	2.8	-24.6	
<b>Investments total</b>	<b>58,371</b>	<b>100.0</b>	<b>55,770</b>	<b>95.5</b>	<b>10.5</b>	<b>7.1</b>
Effect of derivatives	0		2,601	4.5		
<b>Investments at current value</b>	<b>58,371</b>		<b>58,371</b>	<b>100.0</b>		

The modified duration of bond investments is 0.6 years

The open currency position is 21.0% 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 15.4 billion and the solvency ratio to 135.0 per cent, with the solvency position being 1.7



Solvency capital, solvency ratio and solvency limit 2010–30 September 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 will take time. However, the global economy is expected to grow by roughly 6 per cent in 2021. Finland's economic growth is forecast 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 the loading income and loading profit compared to last year.
- The stimulus measures of the central banks and governments have supported the markets. The faster-than-expected hike in inflation and concerns over an increase in long-term inflationary pressures, slowing economic growth and tightening central bank monetary policy are causing uncertainty in the markets.
- The long-term return expectation on investment assets is low, especially due to the 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, the development of demographics, and the birth rate, which has been exceptionally low in recent years.



# Current information about the pension system

- According to a global study published by the Finnish Centre for Pensions, Finland has one of the best pension systems in the world. Its strengths are, among other things, a reasonable level of pensions and, from a citizen's perspective, the principle of a one-stop-shop. According to the report, pension financing will, however, face challenges in the medium and long term. There is reason to prepare for these challenges either by raising pension contributions in advance or by strengthening the adjustment mechanisms to ensure that the burden on future generations is not too great. The report also emphasises the need to reform investment operations and solvency regulation, keeping the long-term nature of pension investments in mind. Further development areas are the under-insurance of the self-employed and the combination of various contribution schemes.
- According to Statistics Finland's September population forecast, the average total fertility rate has slightly increased in just the last few years, but the birth rate is still too low in terms of the sustainability of the age structure. According to the forecast, Finland's population would begin to decline in 2034 and the decrease in the working aged population would accelerate from the 2040s on, further weakening the age dependency ratio.
- The pension sector's project to merge the municipal and private sector pension systems was suspended in September. The working group established by the Ministry of Social Affairs and Health could not find a solution that would be unanimously accepted by all parties. The most difficult issue proved to be implementing the merger in a cost-neutral way, and especially a method and schedule for implementing a neutralisation fee.



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