



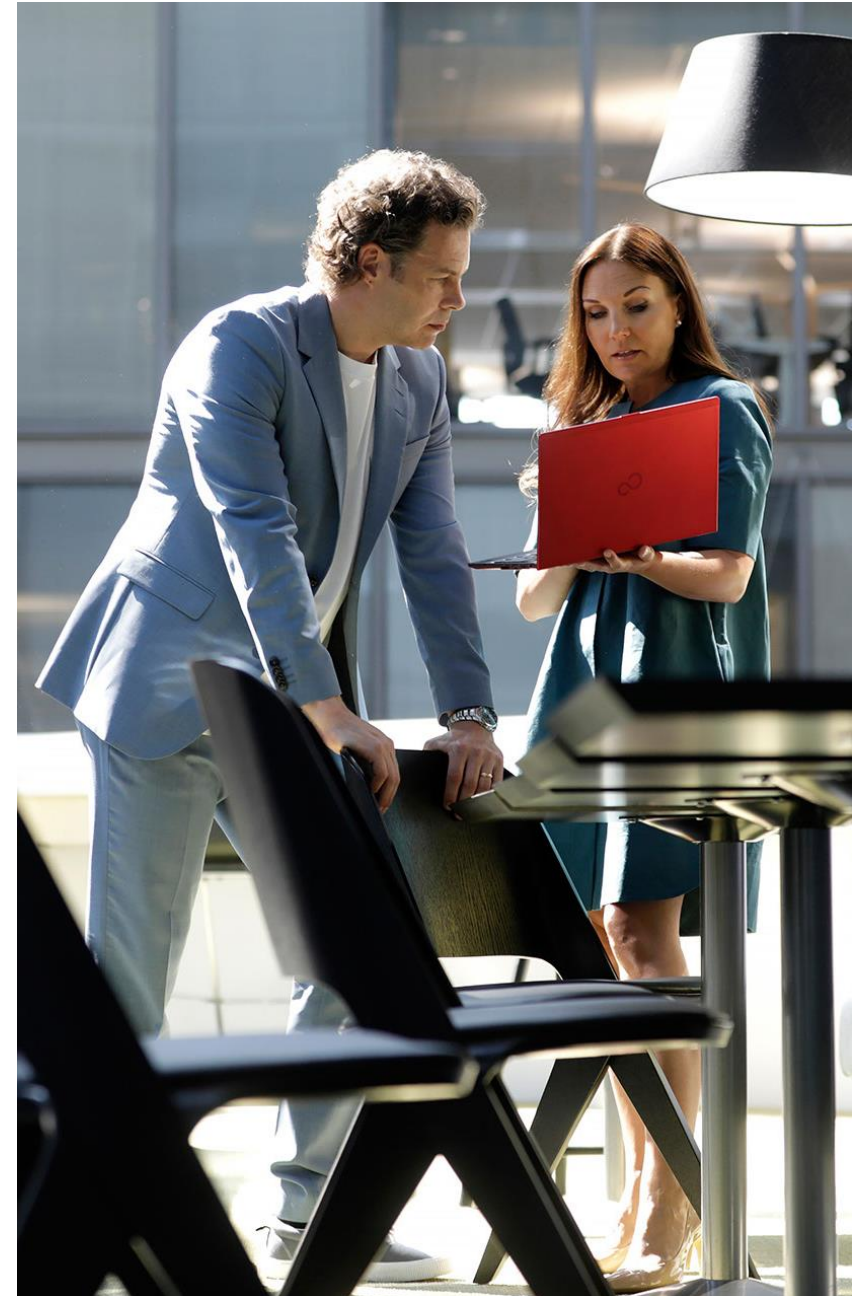
# Security for your pension

Ilmarinen's Interim Report  
January–June 2022

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# Premiums written growing strongly, return on investments negative, solvency remained good

- The return on Ilmarinen's investment portfolio was -6.2 (8.9 per cent), i.e. EUR 3.8 billion negative. The market value of investments fell to EUR 56.7 (60.8) billion.
- As a result of the negative return on investment operations, the total result for January–June fell to EUR -3.4 (2.6) billion.
- Premiums written rose by 13 per cent to EUR 3.3 (2.9) billion thanks to strong growth in payrolls and the 0.45 percentage point increase made in TyEL contributions. EUR 3.3 (3.2) billion was paid in pensions.
- Net customer acquisition was EUR 91 (116) million and customer retention was 97.1 (97.2) per cent.
- Loading profit was EUR 27 (28) million and the ratio of operating expenses to expense loading components was 66 (66) per cent, despite the 9.5 per cent reduction in the expense loading rate. Operating expenses financed using loading income fell by EUR 3 million to EUR 52 (55) million.
- Solvency capital was EUR 13.1 (16.5) billion and the solvency ratio was 129.3 (136.7)



# Key figures January–June 2022

Premiums written

**3.29** (2.92)

€ bn



**3.29** (3.15)

€ bn

Pensions paid

Loading profit\*

**27** (28)

€ mill.



**66** (66)

%

Ratio of operating expenses to expense loading components\*

Return on investments

**-6.2** (8.9)

%



**56.7** (60.8)

€ bn

Investment assets

Solvency ratio

**129.3** (136.7)

%



**13.1** (16.5)

€ bn

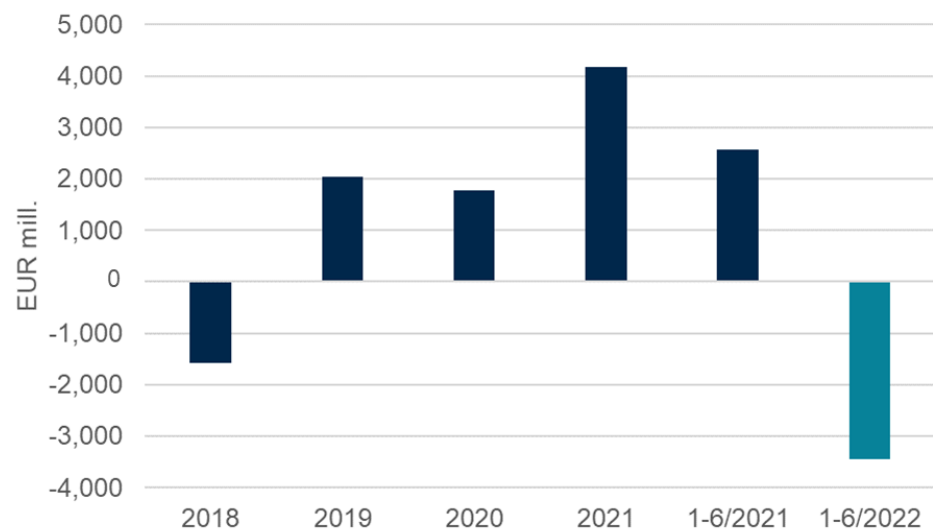
Solvency capital

The result comparison figures are the figures for the corresponding period of 2021. The comparison figures for the balance sheet and other cross-sectional items are the figures for the end of 2021.

\*) The loading profit is weakened, compared to 2021, by the 9.5 per cent discount made in rates affecting the TyEL administrative cost component. The comparable loading profit for 1–6/2022 was EUR 34 million and the ratio of operating expenses to expense loading components was 61 per cent.

# Due to the negative return on investment operations, the total result for January–June fell to EUR -3.4 billion

Total financial result, € mill.



Sources of profit, € mill.

Result analysis, EUR mill.	1 Jan–30 June 2022	1 Jan–30 June 2021	1 Jan–31 Dec 2021
Underwriting result	38	-2	44
<b>Return on investments at fair value</b>	-3,512	2,536	4,104
+ Net return on investments at fair value	-3,790	4,730	8,086
- Return requirement on technical provisions	278	-2,194	-3,982
<b>Loading profit</b>	27	28	42
<b>Other profit</b>	0	0	-11
<b>Total result</b>	<b>-3,447</b>	<b>2,562</b>	<b>4,179</b>



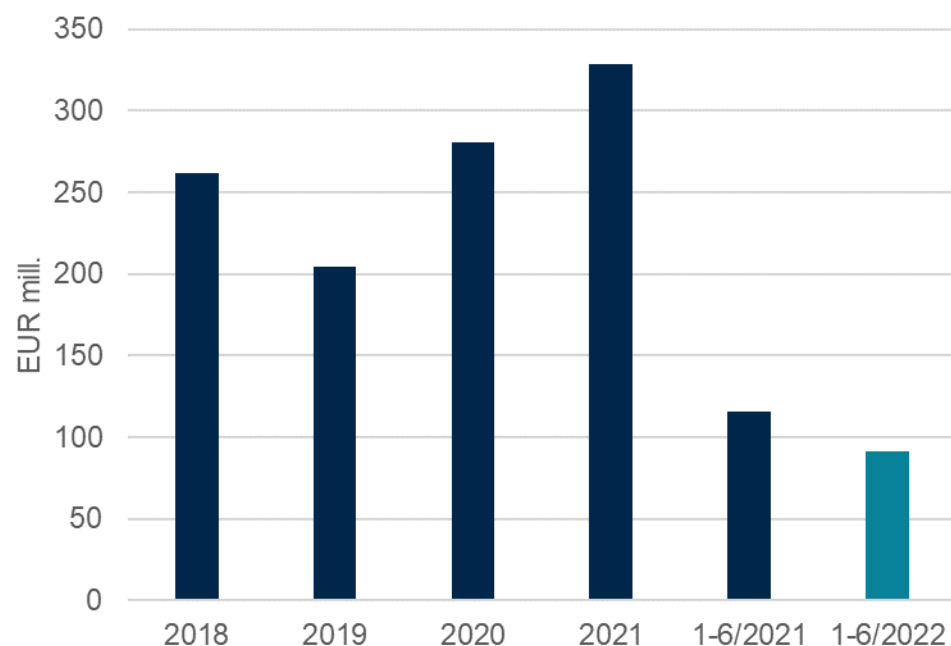
# Pension security for you

Insurance and pensions

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# Net customer acquisition for H1 was EUR 91 million, customer retention was 97.1%

Net customer acquisition 2018–2022, € mill.

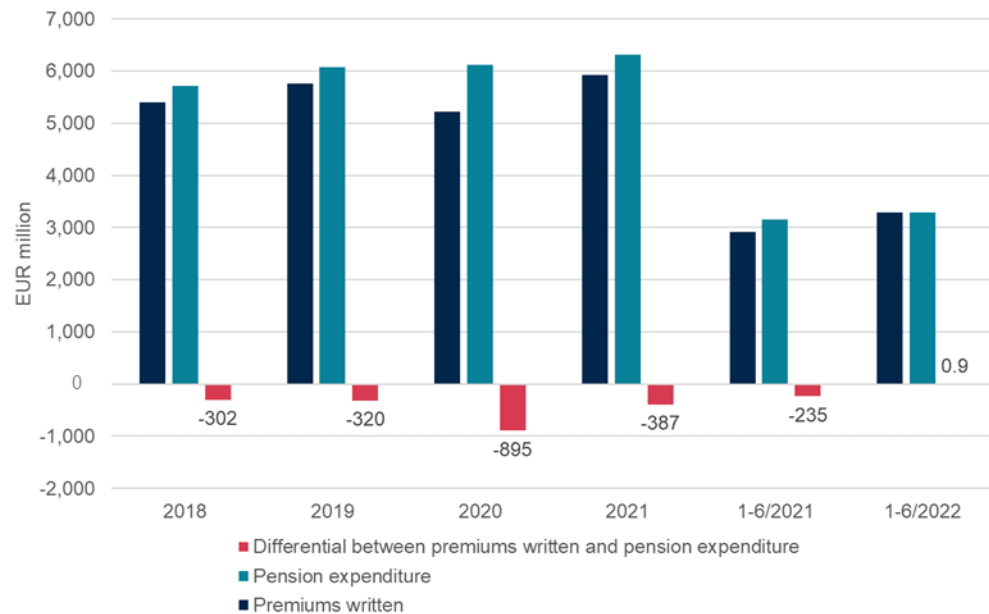


Net customer acquisition, € mill.

EUR mill.	1-6/2022	1-6/2021	2021
Net customer acquisition	91	116	329
Sales of new insurance	87	73	203
Net transfer of insurance	4	43	126
Customer retention, % of premiums written	97.1	97.2	97.3

# Premiums written grew to EUR 3.3 bn and was on a par with pension expenditure

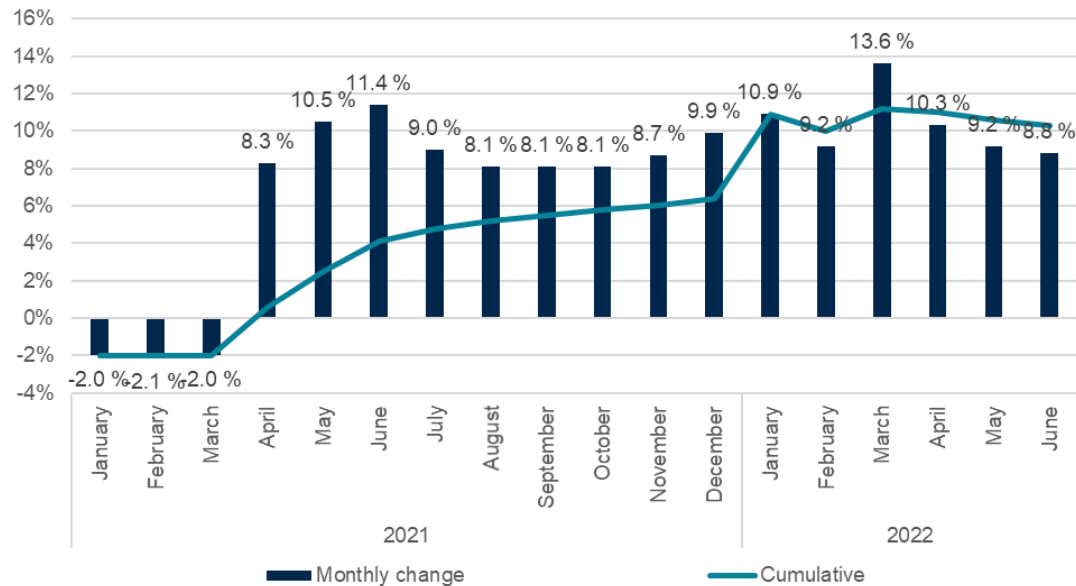
Premiums written and pension expenditure January–June 2022



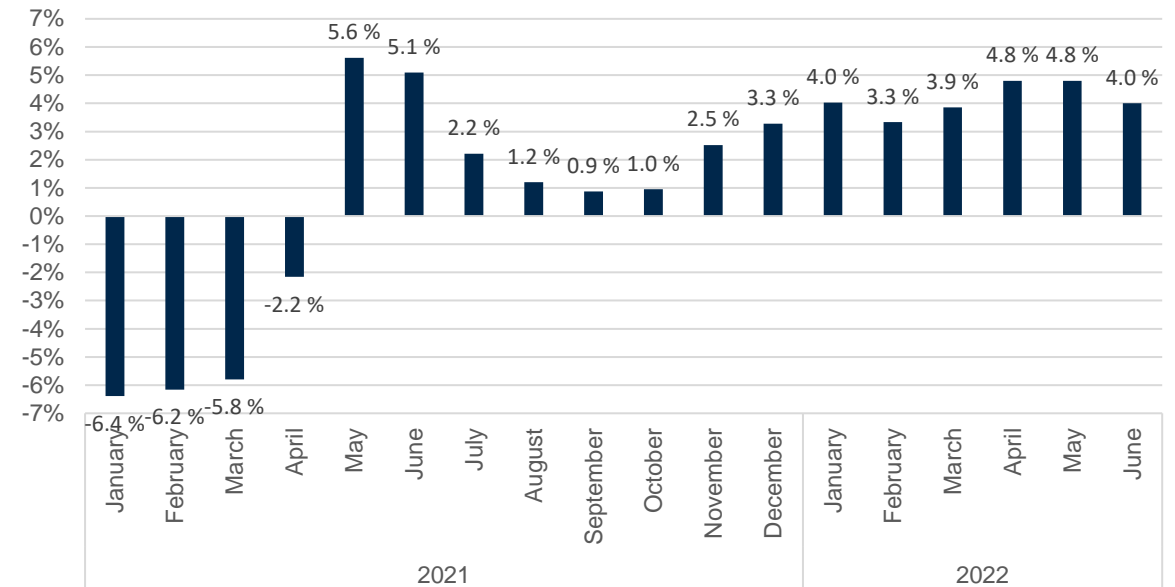
EUR mill.	2018	2019	2020	2021	1-6/2021	1-6/2022
Premiums written TyEL	5,026	5,364	4,833	5,534	2,711	3,078
Premiums written YEL	384	394	388	388	205	210
<b>Total premiums written</b>	<b>5,410</b>	<b>5,758</b>	<b>5,220</b>	<b>5,922</b>	<b>2,916</b>	<b>3,287</b>
Pensions paid TyEL	5,365	5,673	5,701	5,902	2,936	3,064
Pensions paid YEL	347	405	415	407	215	222
<b>Pension expenditure, total</b>	<b>5,712</b>	<b>6,078</b>	<b>6,116</b>	<b>6,309</b>	<b>3,151</b>	<b>3,287</b>

# Customers' payroll grew 10.3 per cent in January–June and the number of employees' grew 4.0 per cent

Change in payroll of Ilmarinen's customers from previous year



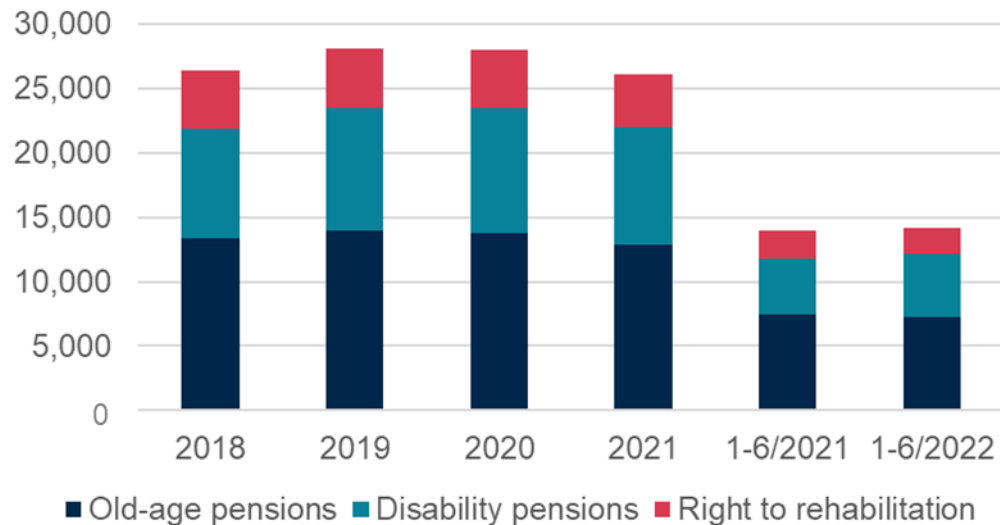
Change in number of employees in Ilmarinen's business cycle index



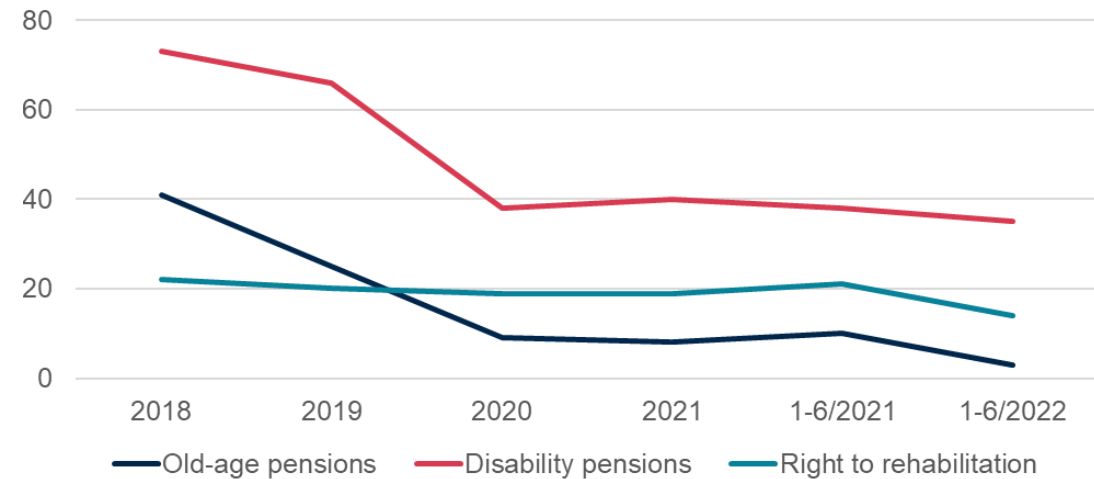


# 854 more new pension decisions were made year-on-year, processing time for old-age pension decisions reduced to 3 days

Number of pension decisions

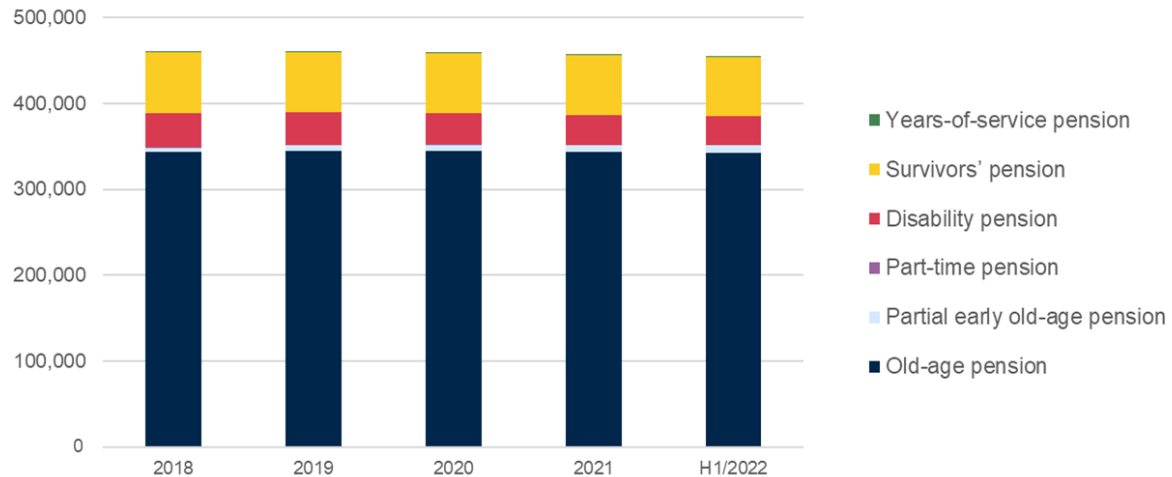


Average application processing time, days



# The number of pension recipients fell by some 2,000 pensioners

## Ilmarinen's pension recipients



**We paid EUR 3.3 billion in pensions to 453,938 pensioners**



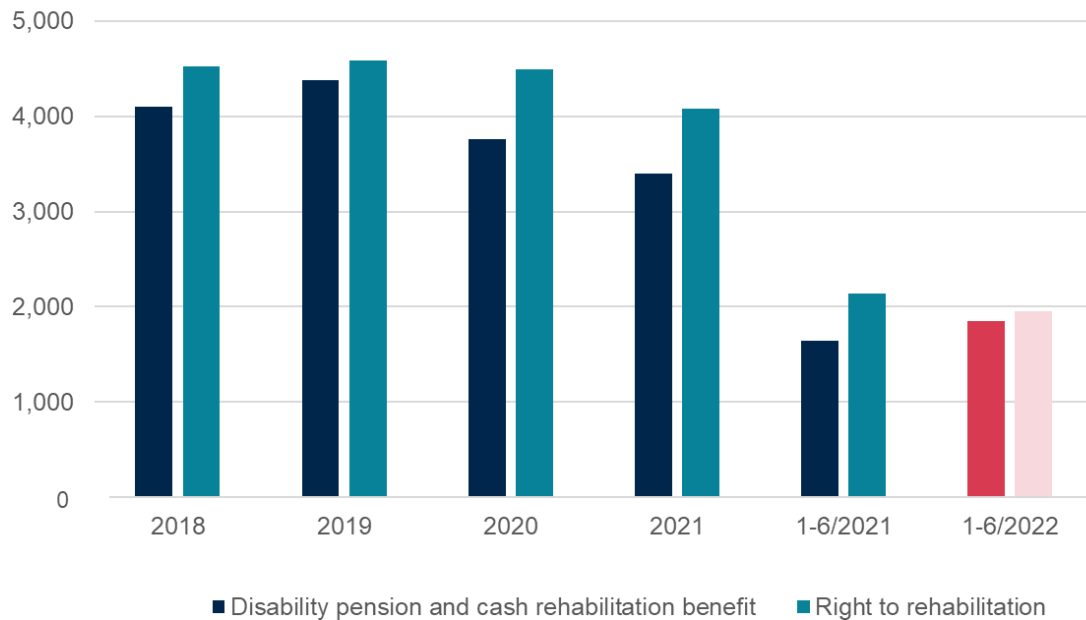
# A Better Working Life

Work ability risk  
management and  
rehabilitation

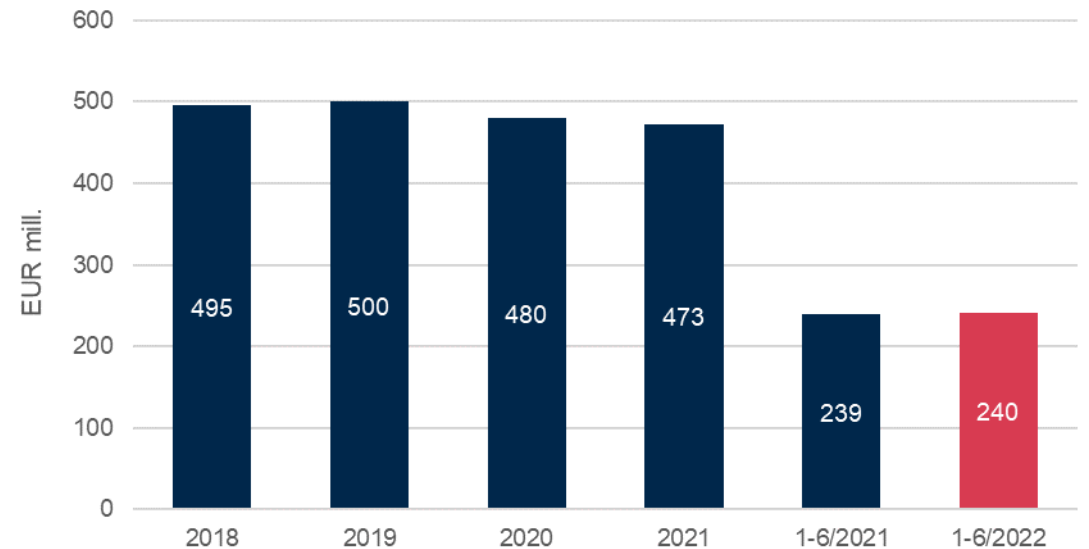
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# 1,847 persons transitioned on a disability pension or cash rehabilitation benefit, which is on a par with the previous year

## Rehabilitation and persons retired on disability pension

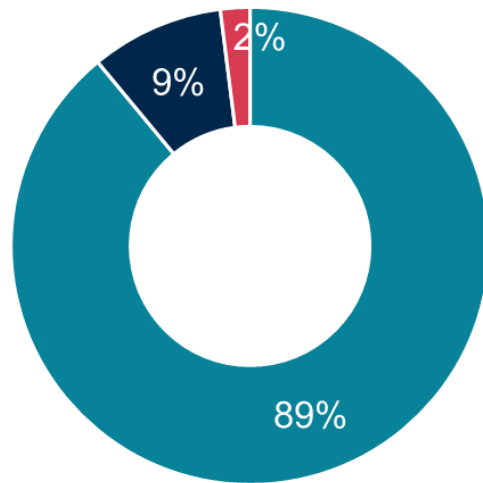


## Disability pension expenditure, EUR mill.



# Work ability projects numbered 844 and covered 126,000 employees

Work ability project themes and customer satisfaction in January–June 2022



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

**Work capacity  
services' NPS 77  
(1-6/2022)**



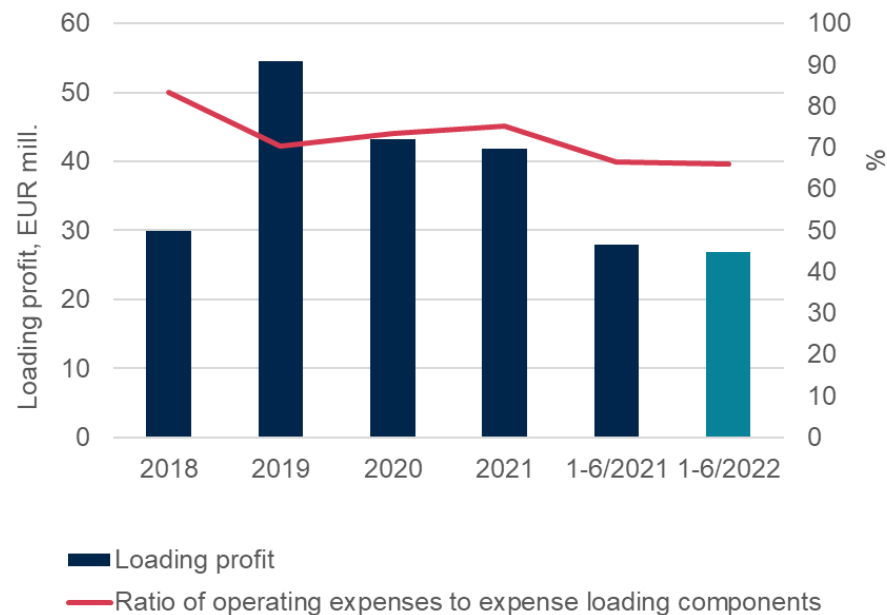
# Cost-effective operations

Operating expenses and personnel

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# The loading profit was EUR 27 million and the ratio of operating expenses to expense loading components was 66 per cent. Operating expenses financed using loading income fell by 3 million to EUR 52 million.

Loading profit, ratio of operating expenses to expense loading components and total operating expenses 2018–2022\*

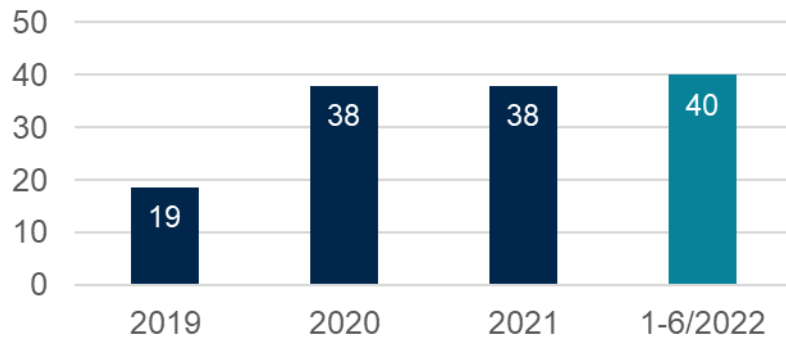


EUR mill.	2018	2019	2020	2021	1-6/2021	1-6/2022
Expense loading components and other income	179	185	162	168	83	79
Operating expenses covered by loading income	149	130	119	126	55	52
Loading profit	30	55	43	42	28	27
Ratio of operating expenses to expense loading components, %	83	70	73	75	66	66
Total operating expenses	195	175	158	176	79	77

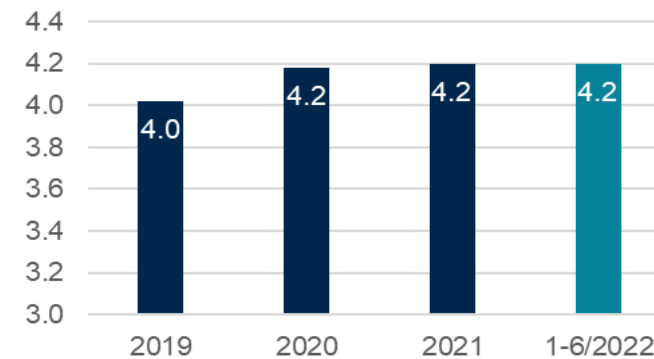
\*) The loading profit is weakened, compared to 2021, by the 9.5 per cent discount made in rates affecting the TyEL administrative cost component. The comparable loading profit for 1–6/2022 was EUR 34 million and the ratio of operating expenses to expense loading components was 61 per cent. Similarly, the rate affecting the TyEL administrative cost component was lowered by 6.9% from 2020.

# The personnel's energy level was excellent at 4.2, Covid-19 increased sick leave rates slightly higher than normal in H1

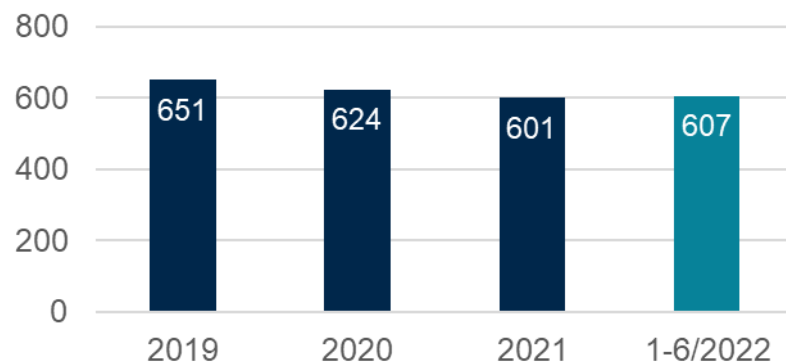
### Employee Net Promoter Score (eNPS)



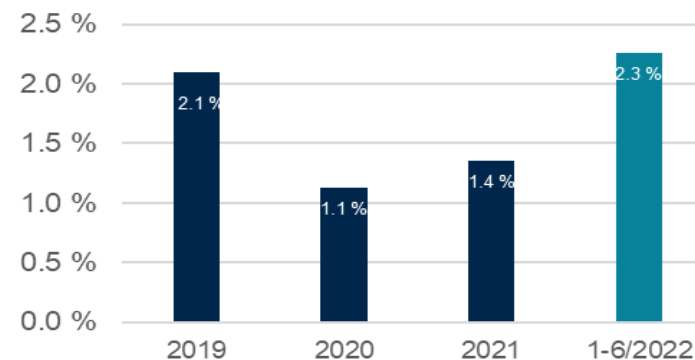
### Personnel's average work energy (1–5)



### Average number of employees (person years)



### Lost time due to sick leave







**Profitably,  
securely and  
responsibly**

Investment activities

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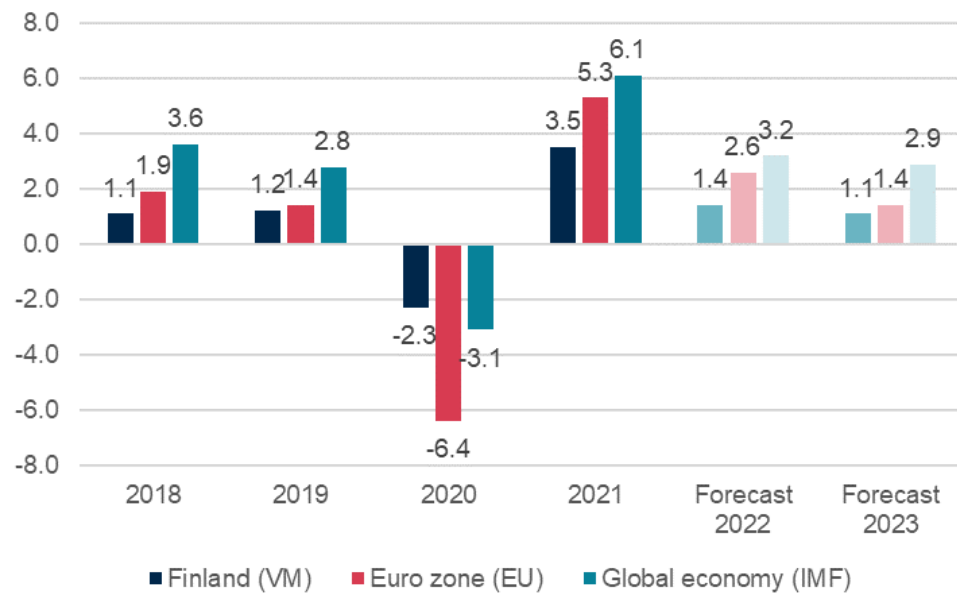
# Key observations about the operating environment

- Global economic growth was brisk in H1, supported by recovery from the Covid-19 crisis.
- Inflation accelerated, which has led to a significant tightening of monetary policies and a rise in the interest rate level.
- The rise in consumer prices year-on-year accelerated to close to nine per cent in both the euro zone and USA, which is the highest level in decades.
- The US equity markets (S&P 500 index) fell by 20 per cent in January–June. The broad European stock index (Stoxx Europe 600) fell by 14 per cent, and the Finnish equity market fell 18 per cent.
- Interest rates rose rapidly in both the USA and the euro zone, and yield curves have flattened. Additionally, credit risk premiums widened significantly.
- The US dollar appreciated by around 9 per cent against the euro.

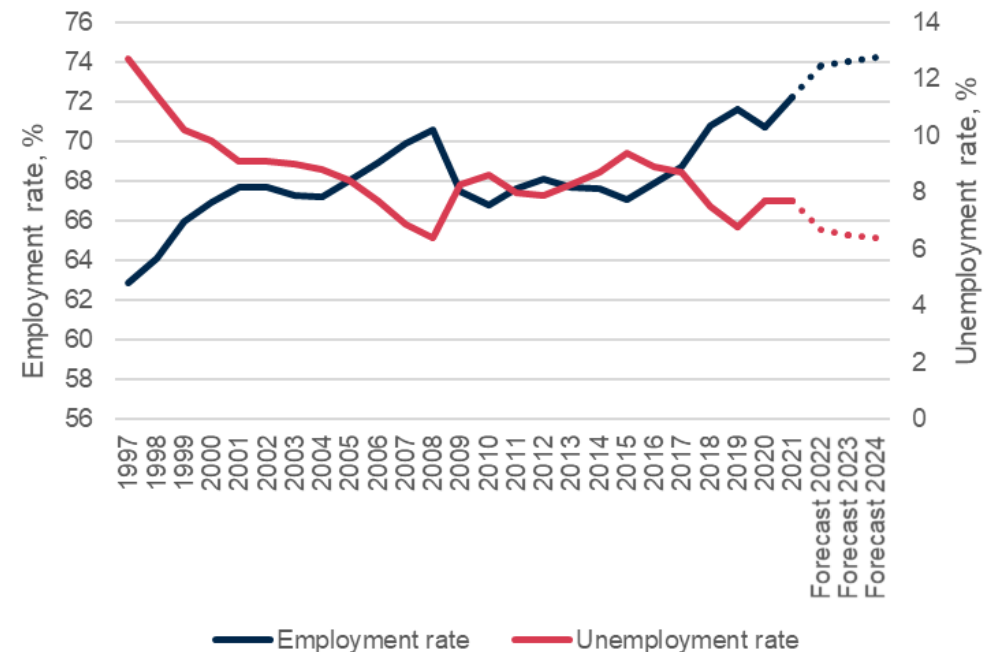


# Economic growth forecasts have been cut during H1. The global growth forecast is 3.2 per cent for 2022, Finland's growth forecast is 1.4 per cent

GDP development, %



Development of Finland's employment and unemployment rates, %



Sources: Statistics Finland, Ministry of Finance (forecast 17 Jun 2022), EU (forecast 14 Jul 2022), IMF (forecast 26 Jul 2022)

# Inflation has increased to the highest levels in decades and accelerated the tightening of monetary policy

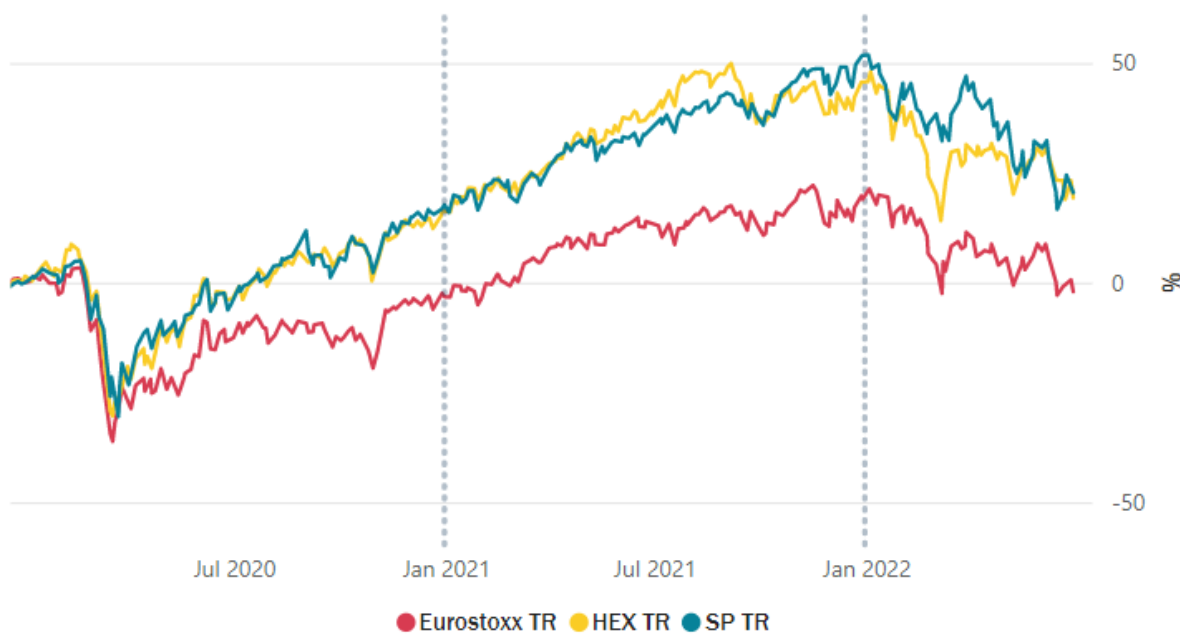
## Year-on-year change in consumer prices



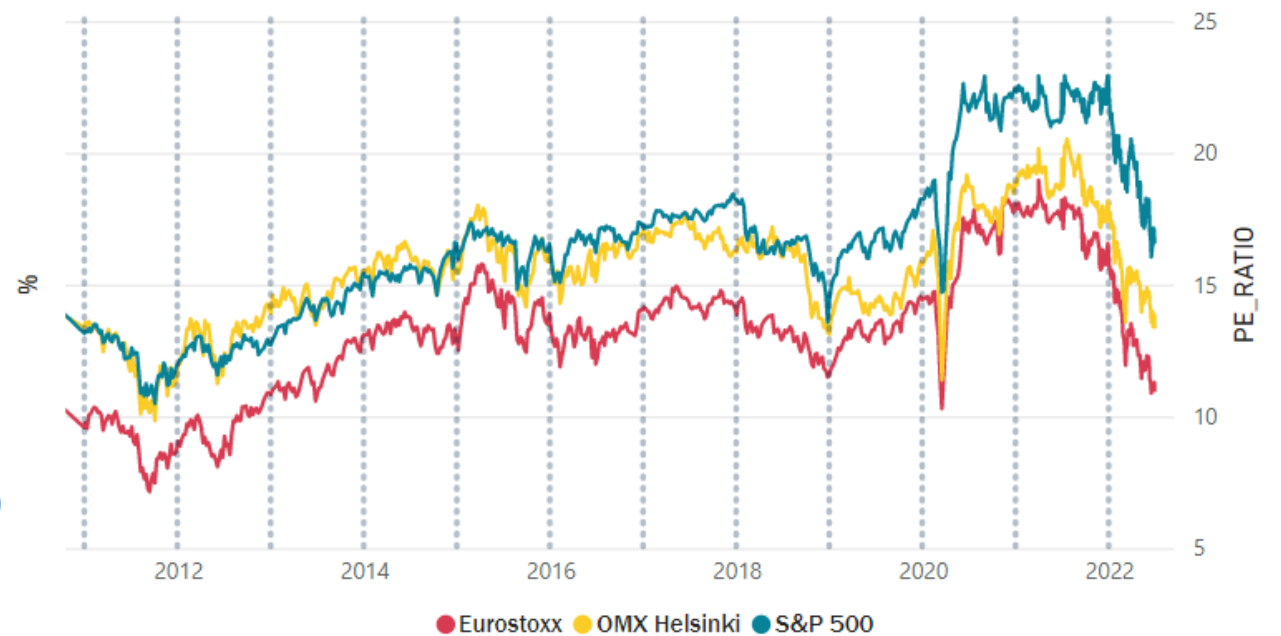
- In June, inflation was 9.1% in the USA, 8.6% in the euro zone and 7.8% in Finland.
- Inflation has increased economies' uncertainty and accelerated the tightening of monetary policies across the board.
- The acceleration of inflation has been impacted by the rapid rise in energy and raw material prices and especially the dramatic rise in wages resulting from the US labour shortage.

# Concerns around rising inflation, tightening monetary policy and economic growth depressed the equity markets in H1.

Equity market performance



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



# Interest rates have risen due to accelerating inflation. Credit risk margins have widened as economic uncertainty increases.

## Development of interest rates

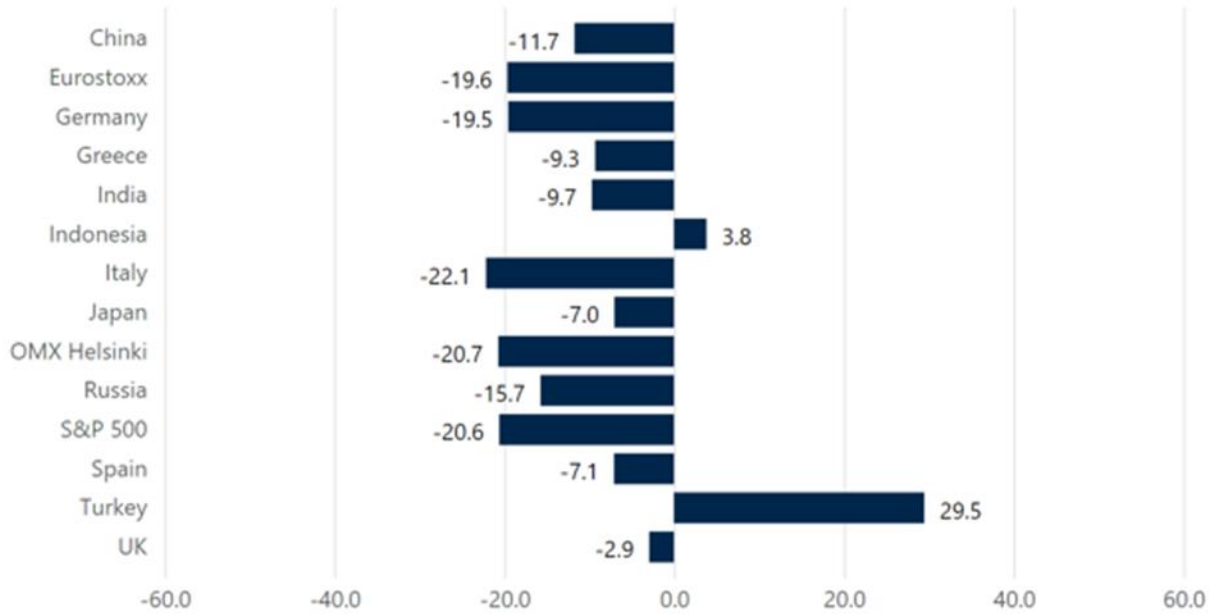


## Development of credit risk premiums

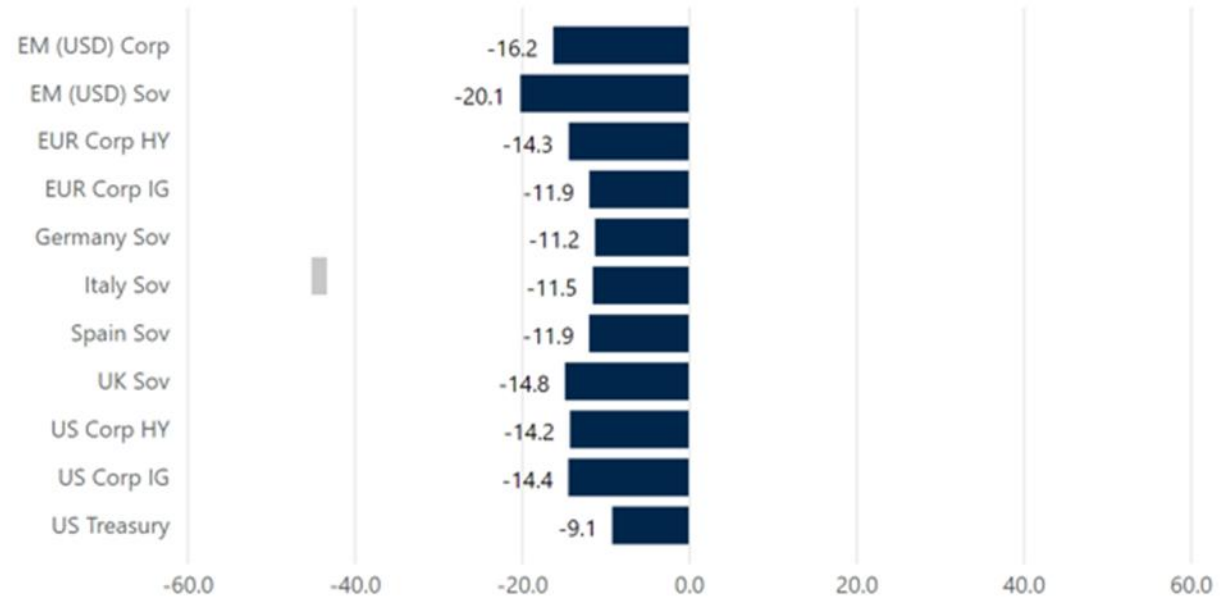


# Market development (as per 30 June 2022)

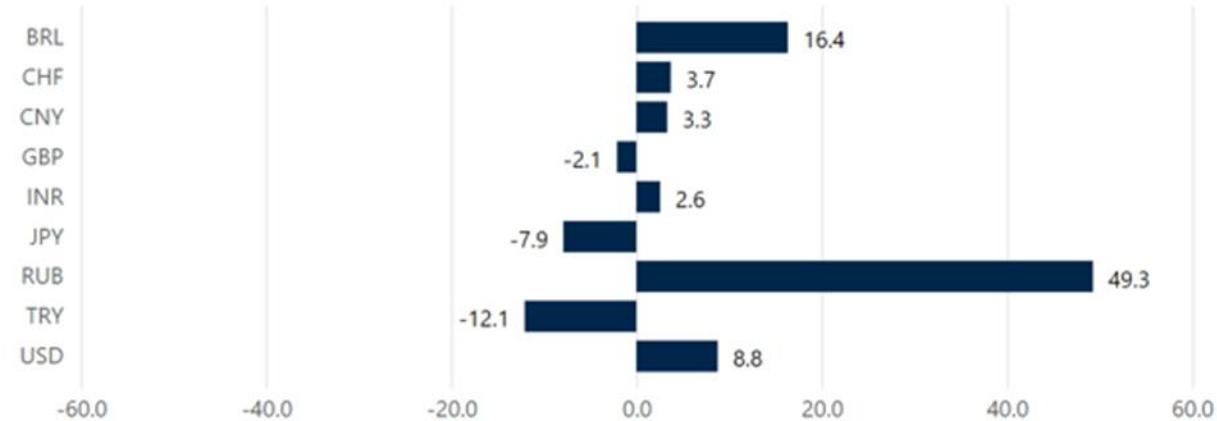
## Equity market YTD %



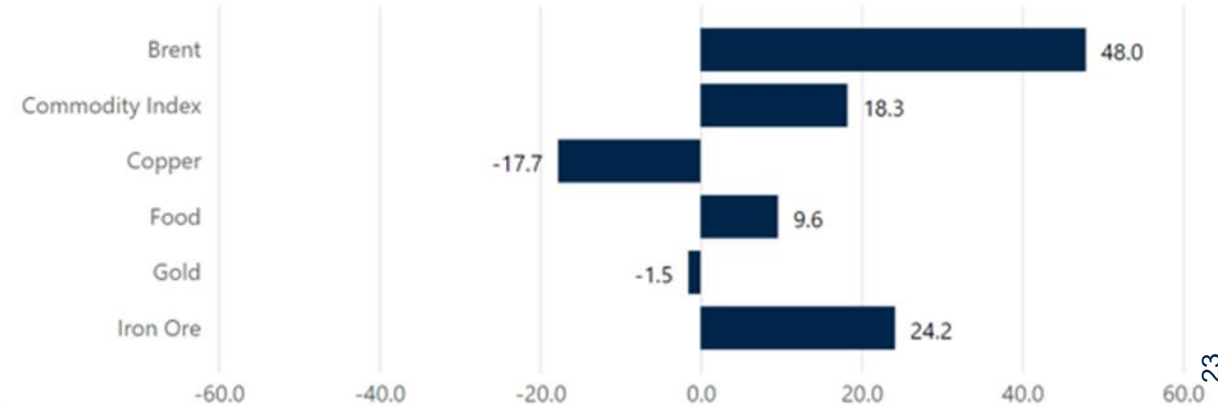
## Fixed income YTD %



## Currency YTD %



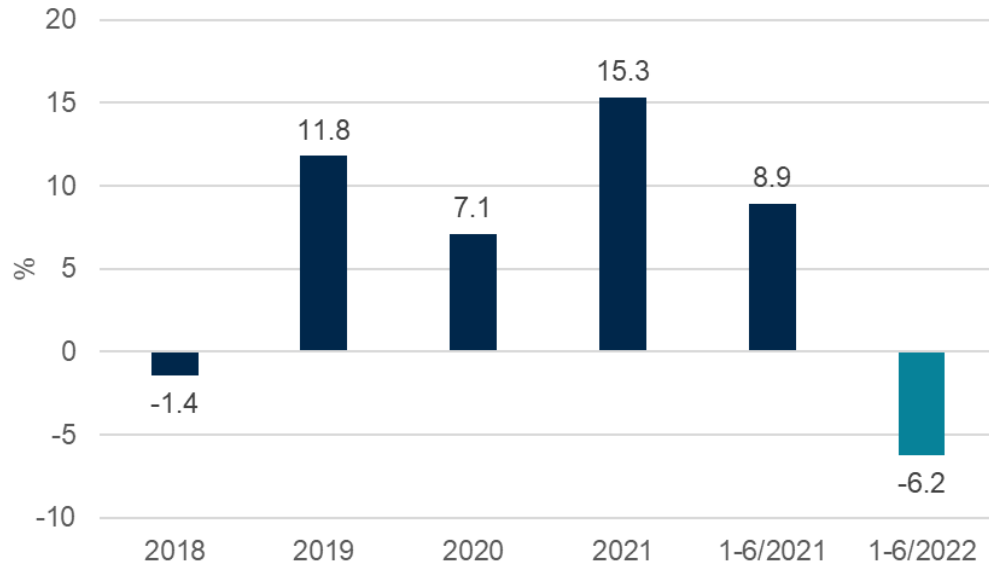
## Commodities YTD %



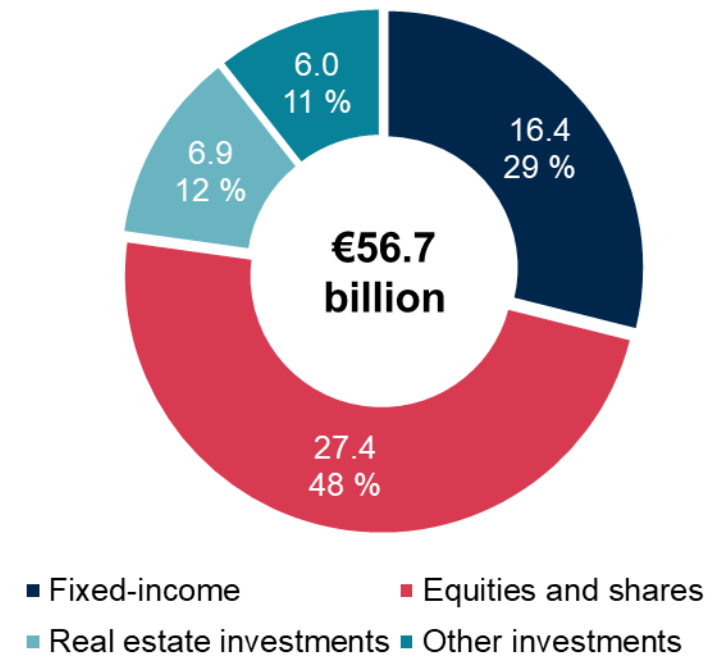
# The return on the investment portfolio fell to -6.2 per cent, i.e. EUR -3.8 billion

Breakdown of investments,  
30 June 2022

## Return on investments



Average nominal return on investments over 5 years 5.7% and real return 3.3%.





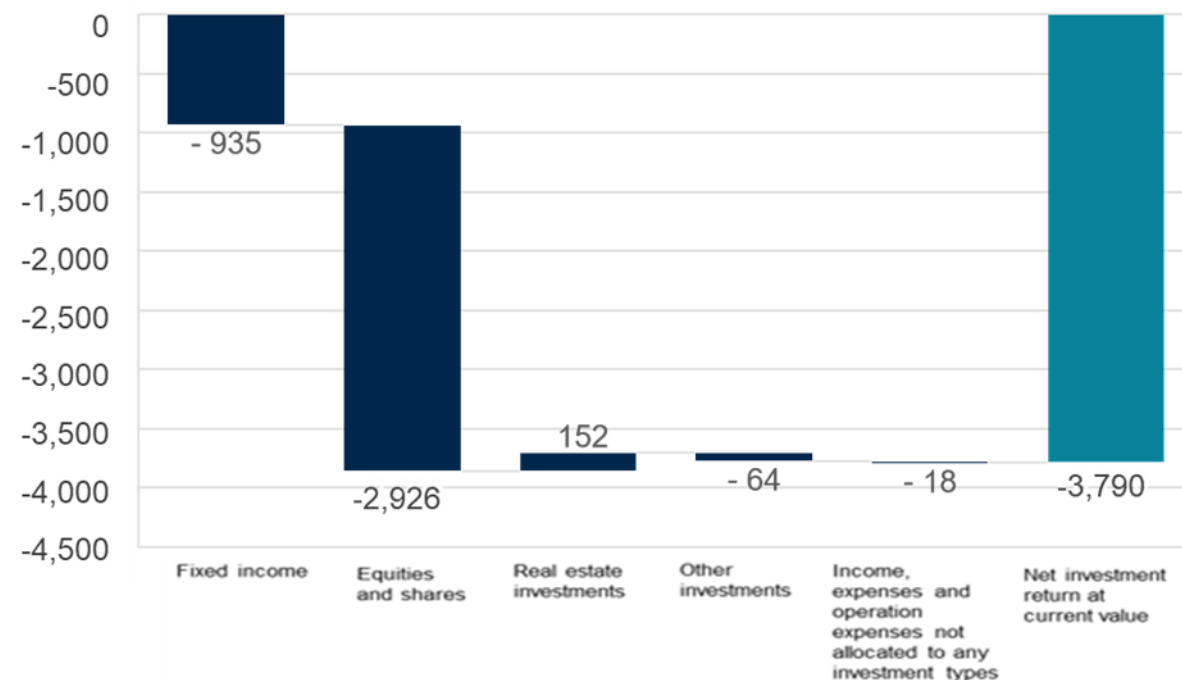
# Return on investments was negative due to weak equity and fixed income market performance

Return January–June, per cent

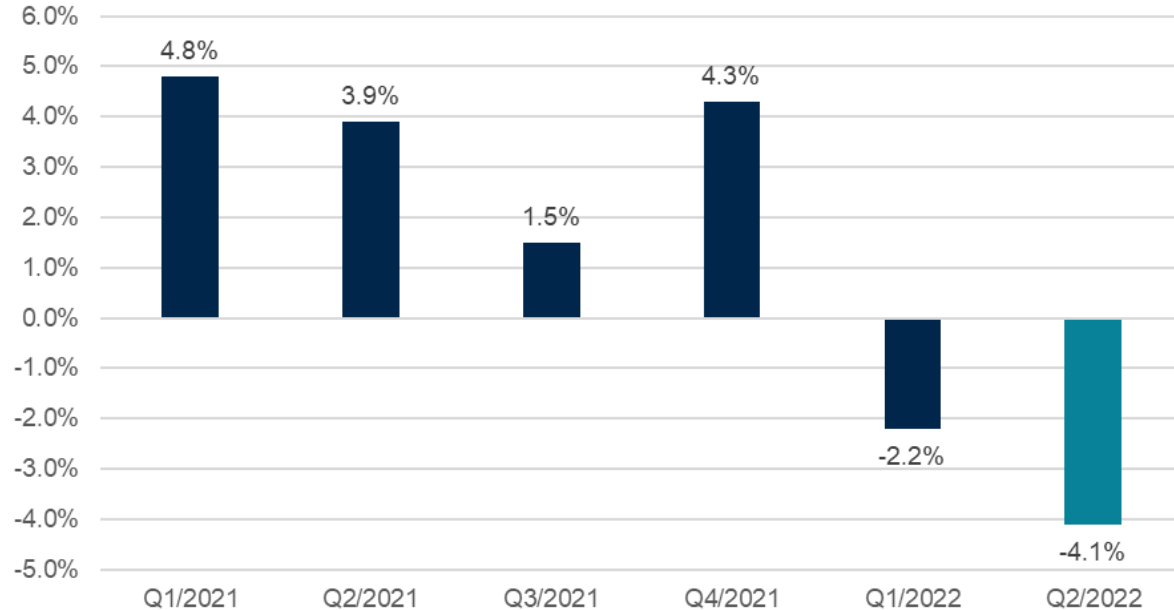
Return by type	1-6/2022	1-6/2021	2021
<b>Return on investments</b>	<b>-6.2</b>	<b>8.9</b>	<b>15.3</b>
Fixed income	-5.2	2.6	3.9
Equities and shares	-9.6	16.7	28.0
Real estate	2.3	2.1	8.8
Other investments	-1.1	-0.5	-2.0

Long-term return on investments (since 1997): nominal return 5.9% and real return 4.1%.

Return by type of investment, € mill.



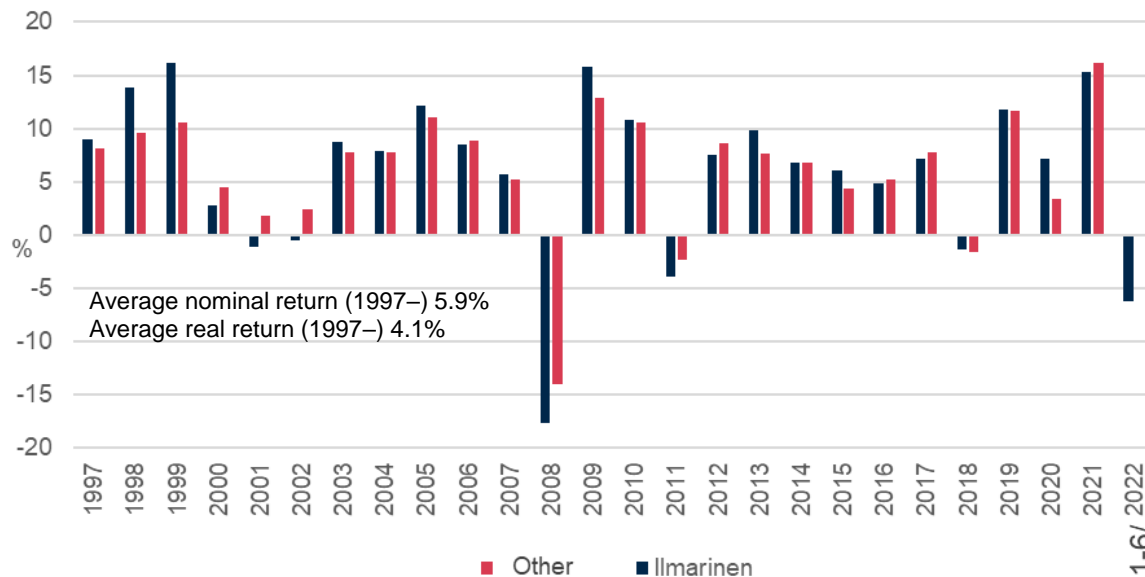
# The return on investments in Q2 was -4.1 per cent, i.e. EUR -2.4 billion negative



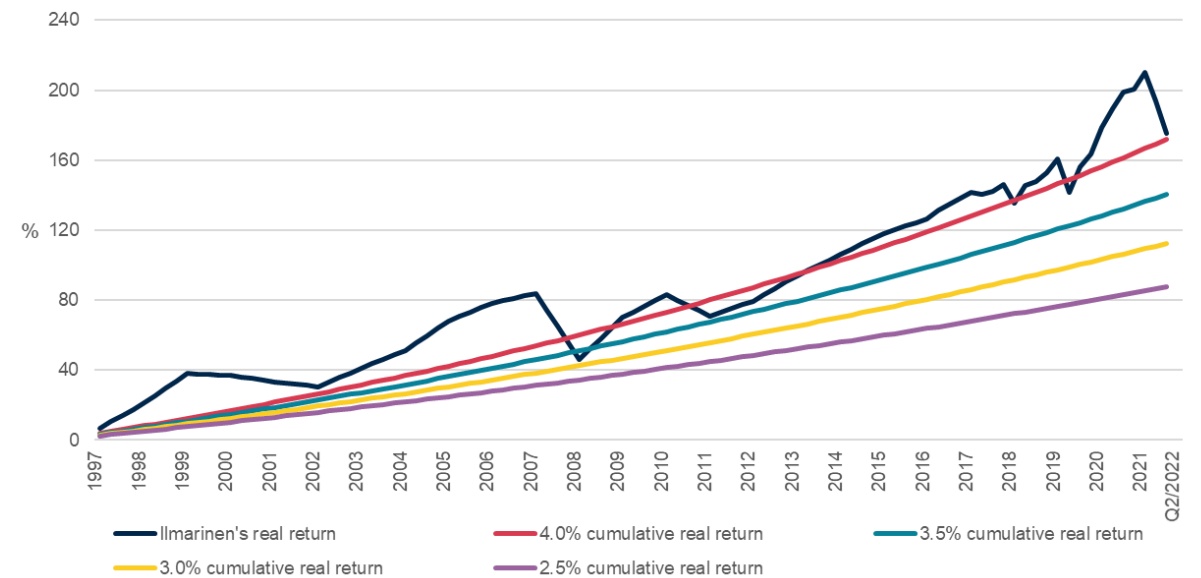
Capital market development has been subdued. Stock prices have fallen and interest rates have risen significantly. Inflation accelerated during spring and proved to be faster than expected.

# The long-term average nominal return is 5.9 per cent per annum, or 4.1 per cent in real terms

Net return on investments at current value

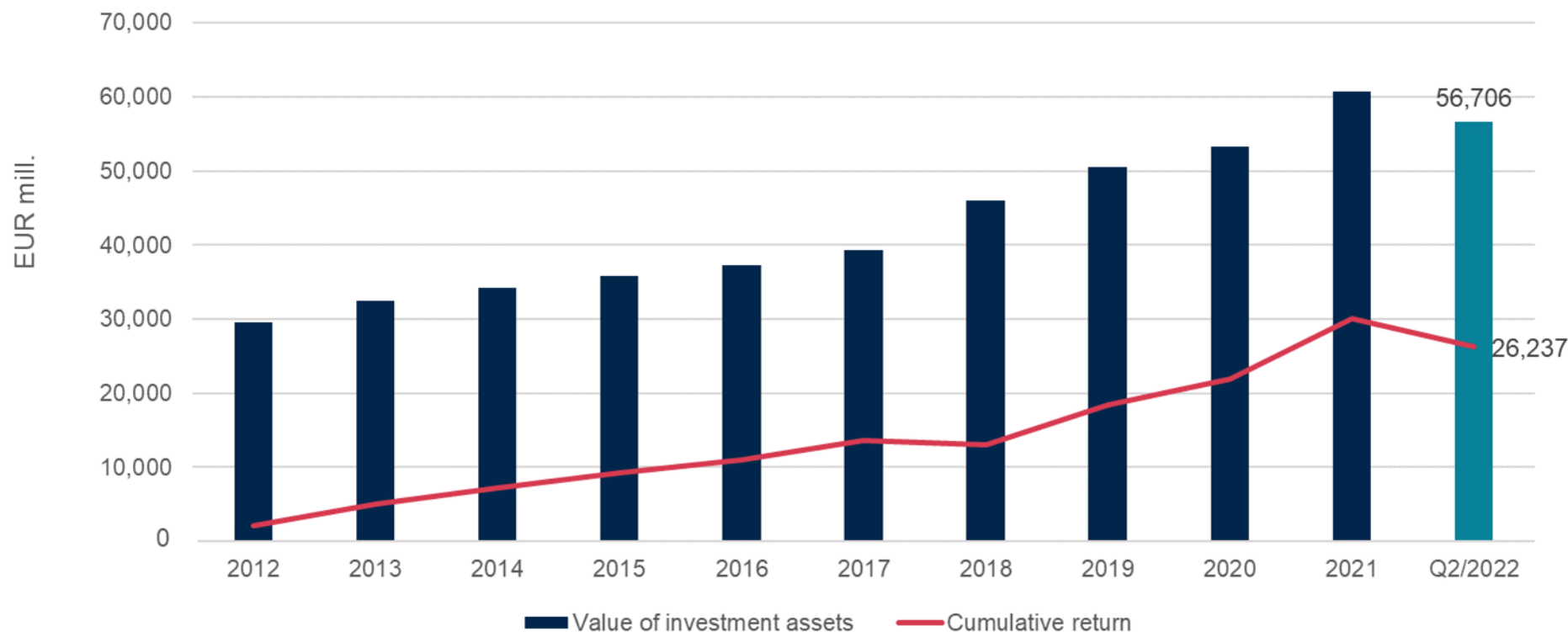


Cumulative net return on investments 1997–30 June 2022



# Value of investments EUR 56.7 billion, cumulative return on investments from start of 2012, EUR 26.2 billion

Value of investments and cumulative return 2010–30 June 2022, € mill.



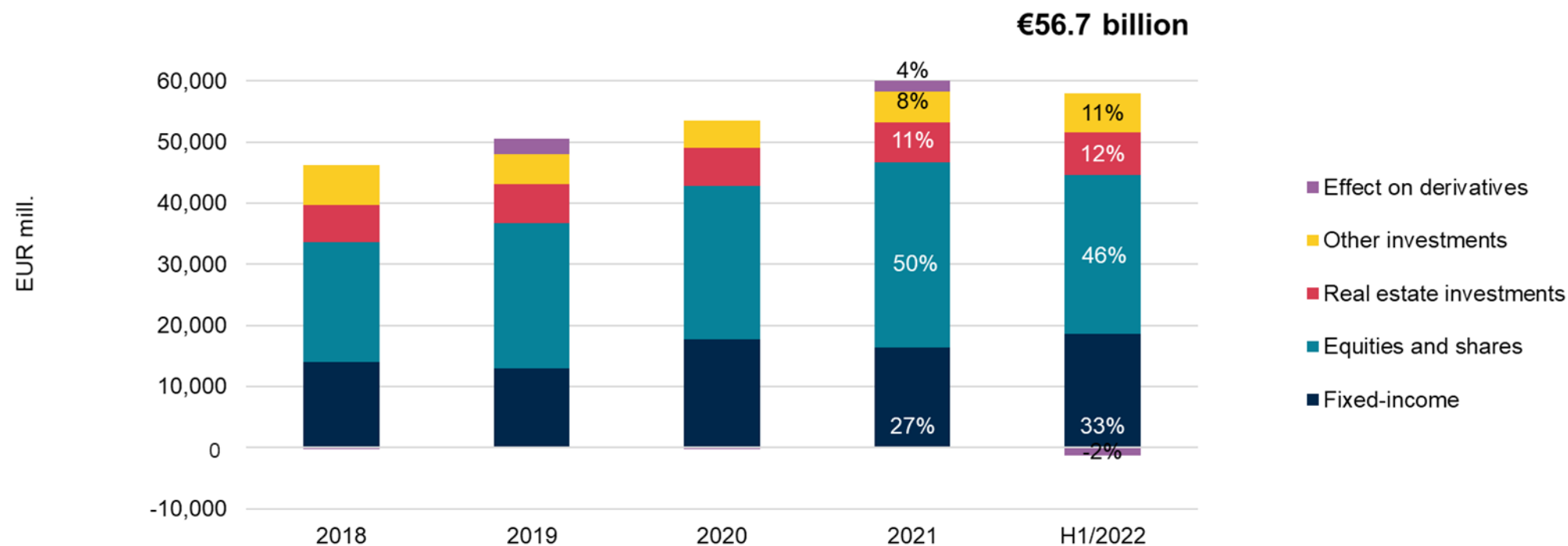
# Long-term return remains at a good level

Average return of different markets:

%	Ilmarinen	Finnish equities and shares	European equities and shares	Euro Government bonds	Euro Corporate bonds
Q2/2022	-4.1	-8.0	-9.5	-7.4	-7.5
2022	-6.2	-17.7	-15.0	-12.3	-12.4
2021	15.3	25.3	24.9	-3.4	-1.1
Average return over 5 years	5.7	6.7	4.0	-0.6	-1.0
Average return over 10 years	6.4	13.0	7.8	2.2	1.7
Average return over 20 years	5.5	9.7	5.2	3.4	3.3
Average return since 1997	5.9	9.6	6.2	3.9	3.7
Real average return over 5 years	3.3	4.3	1.6	-2.9	-3.3
Real average return over 10 years	4.8	11.3	6.2	0.7	0.2
Real average return over 20 years	3.8	7.9	3.5	1.8	1.6
Real average return since 1997	4.1	7.8	4.4	2.2	1.9

# In the investment allocation, the share of equity investments fell to 46% and the share of fixed income investments rose to 33%

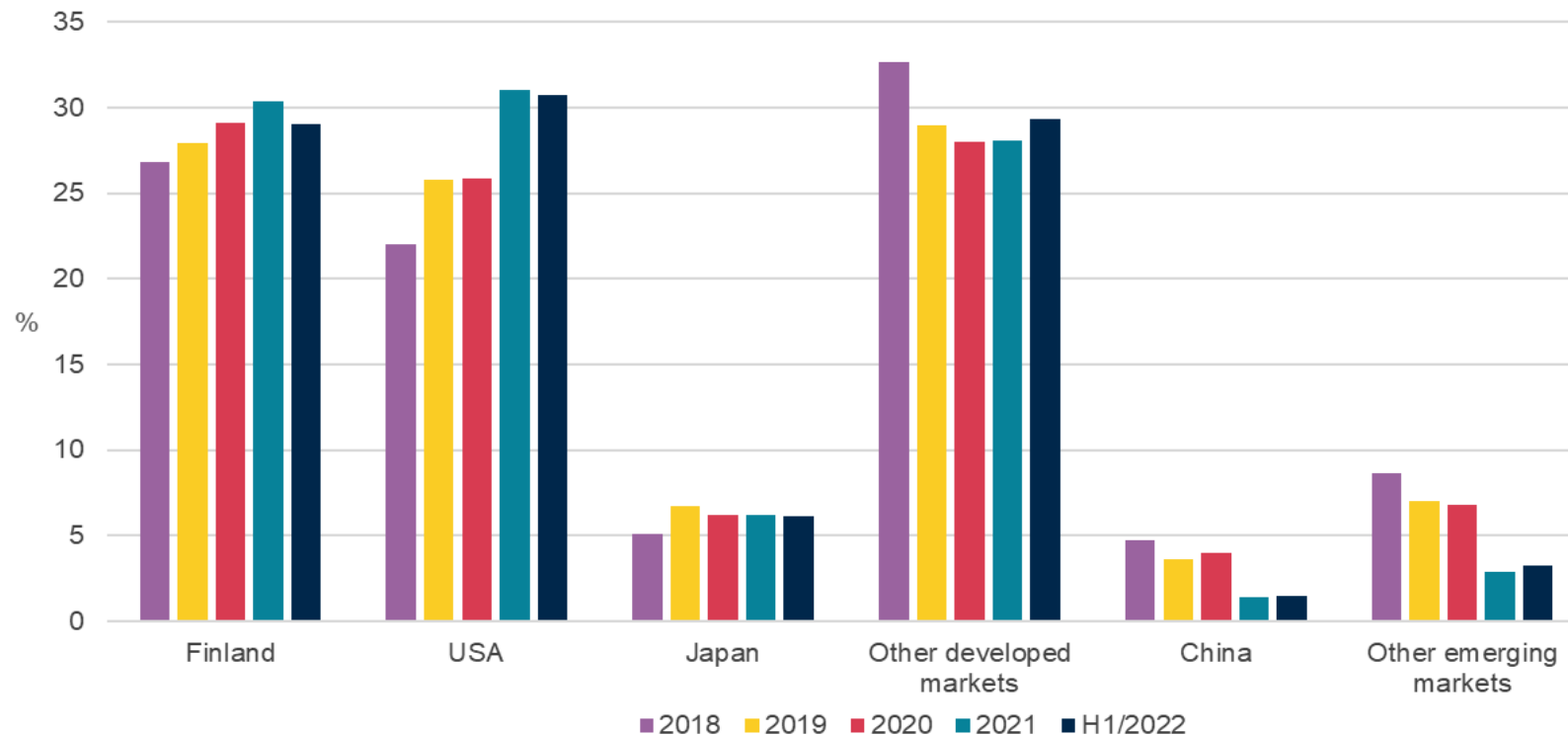
Breakdown of investment risks



# Share of Finnish listed equity investments

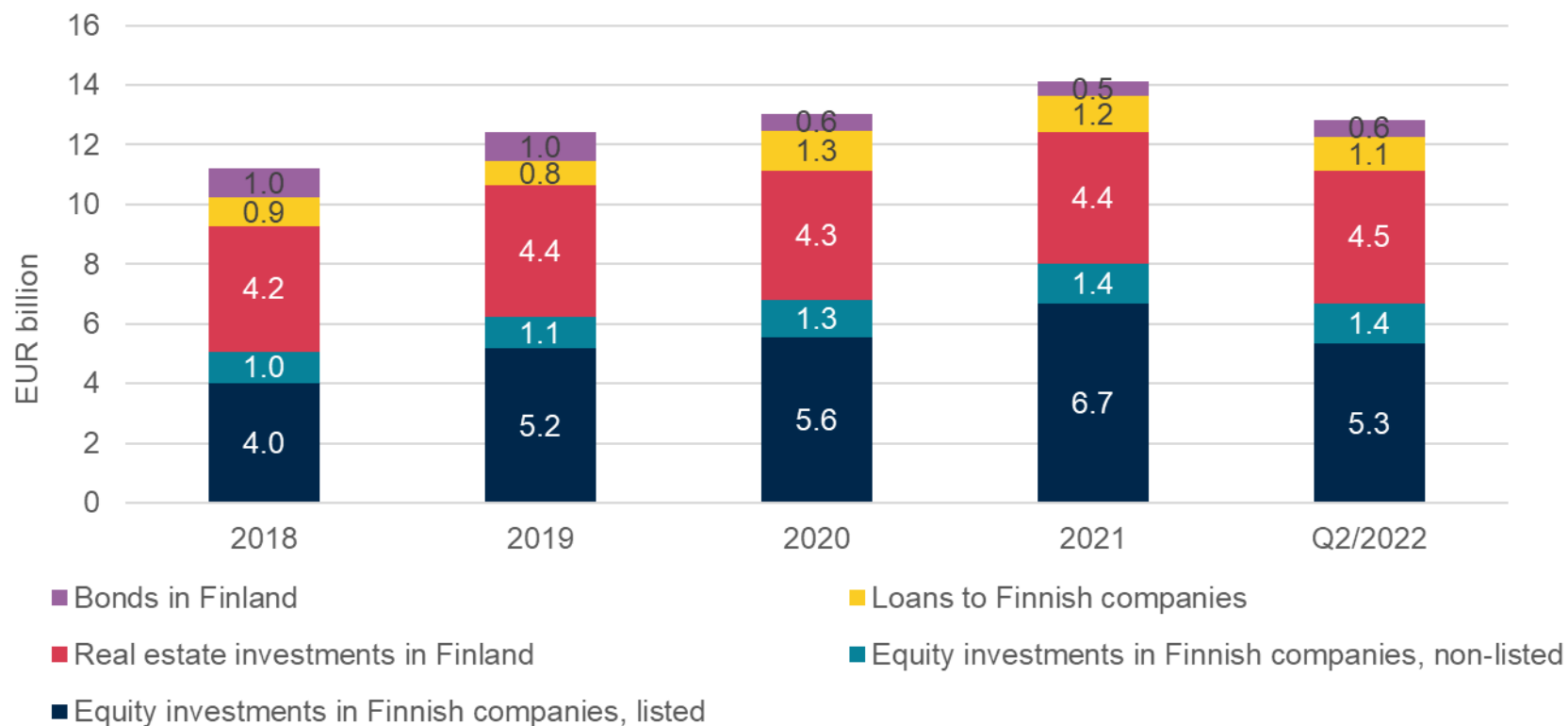
## 29 per cent

Geographical breakdown of listed equities



# Ilmarinen's investments in Finland were EUR 12.8 billion, i.e. 23 per cent of the investment portfolio

Investments in Finland 2017–30 June 2022, € bn





# Holdings in Finnish publicly listed companies

## EUR 5.3 bn

### Largest Finnish listed equity holdings

	EUR mill.	30 June 2022	31 Dec 2021
↑	Neste Corporation	365	348
↓	Nokia Corporation	346	389
↓	Sampo Plc	343	363
↓	Kojamo Plc	336	435
↓	Stora Enso Corporation	322	355
↓	UPM-Kymmene Corporation	307	389
↓	Kesko Oyj	302	408
↓	Nordea Bank Abp	297	385
↓	Kone Corporation	245	305
↓	Fortum Corporation	212	382

	Percentage	30 June 2022	31 Dec 2021
↓	Nurminen Logistics Plc	15.0	15.1
↑	Digia Plc	12.5	11.2
↓	SRV Group Plc	11.4	12.7
↓	Administer Plc	8.7	8.8
	Solteq plc	8.5	8.5
	Kojamo Plc	8.3	8.3
↑	Citycon Oyj	7.6	7.5
↑	Siili Solutions Plc	7.4	6.1
	Glaston Oyj	7.3	7.3
	Panostaja Oyj	6.9	6.9

# Summary of return on investments for January–June

	Basic breakdown		Risk breakdown		Return	Volatility
	EUR mill.	%	EUR mill.	%	%	
<b>Fixed-income investments</b>	<b>16,392</b>	<b>28.9</b>	<b>18,615</b>	<b>32.8</b>	<b>-5.2</b>	
Loan receivables	1,885	3.3	1,885	3.3	1.9	
Bonds	13,595	24.0	13,404	23.6	-6.5	4.4
Public corporation bonds	5,200	9.2	4,450	7.8	-9.9	
Other bonds	8,394	14.8	8,954	15.8	-4.2	
Other money market instruments and deposits(ir	913	1.6	3,326	5.9	-1.5	
<b>Equities and shares</b>	<b>27,389</b>	<b>48.3</b>	<b>26,045</b>	<b>45.9</b>	<b>-9.6</b>	
Listed equities and shares	18,355	32.4	17,011	30.0	-15.3	12.8
Private equity investments	7,758	13.7	7,758	13.7	4.8	
Non-listed equities and shares	1,276	2.3	1,276	2.3	4.6	
<b>Real estate investments</b>	<b>6,920</b>	<b>12.2</b>	<b>6,953</b>	<b>12.3</b>	<b>2.3</b>	
Real estate investments	6,213	11.0	6,230	11.0	1.8	
Real estate funds and joint investments	706	1.2	723	1.3	6.9	
<b>Other</b>	<b>6,004</b>	<b>10.6</b>	<b>6,322</b>	<b>11.1</b>	<b>-1.1</b>	
Hedge fund investments	4,394	7.7	4,394	7.7	6.2	5.8
Commodity investments	91	0.2	183	0.3	-	
Other investments	1,519	2.7	1,744	3.1	-22.0	
<b>Investments total</b>	<b>56,706</b>	<b>100.0</b>	<b>57,935</b>	<b>102.2</b>	<b>-6.2</b>	<b>5.8</b>
Effect of derivatives	0		-1,229	-2.2		
<b>Investments at current value</b>	<b>56,706</b>		<b>56,706</b>	<b>100.0</b>		

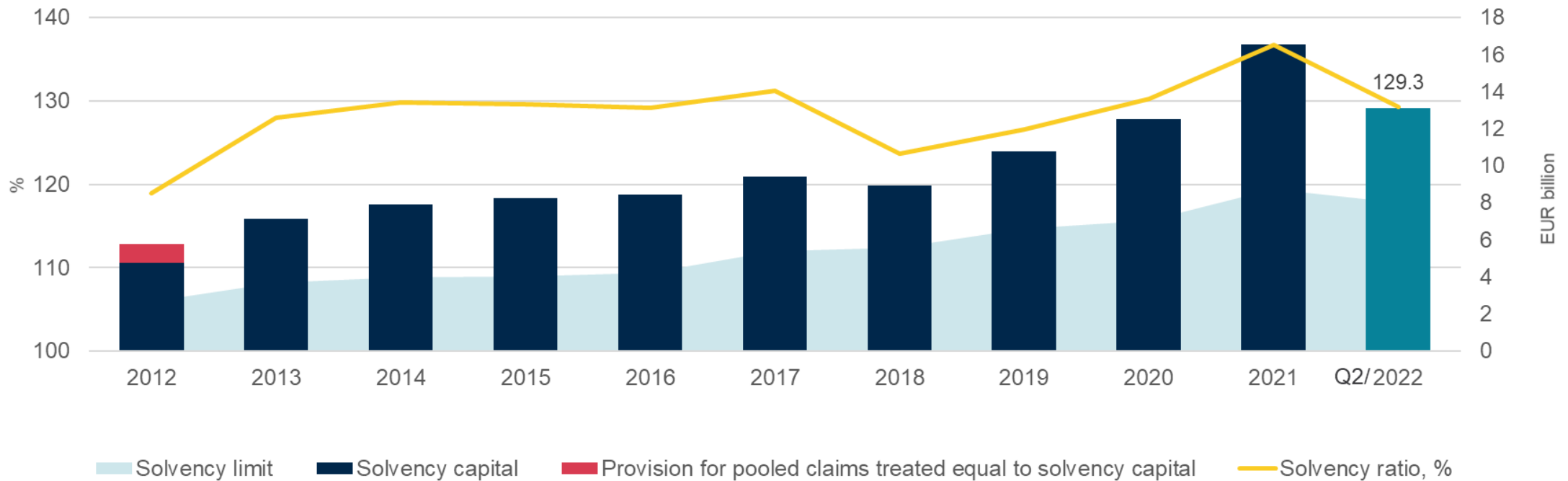
The modified duration of bond investments is 2.7 years

The open currency position is 23.8% of the market value of the investments.

The total return percentage includes income, expenses and operating expenses not allocated to any investment types

# Solvency capital fell to EUR 13.1 billion and the solvency ratio to 129.3 per cent, with the solvency position being 1.6

Solvency capital, solvency ratio and solvency limit 2010–30 June 2022





# Future prospects and current information about the pension system

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# Future prospects

- The faster-than-expected hike in inflation, expectations of slowing economic growth and Russia's assault on Ukraine are clouding the growth prospects of the global economy, and growth forecasts have been downgraded. The global economic growth rate is expected to be 3.2 per cent and Finland's growth 1.4 per cent in 2022.
- Ilmarinen's premiums written are expected to grow in 2022, due to higher payrolls and the 0.45 percentage point increase in the TyEL contribution.
- Loading income will decrease as a result of the lowering of the premium rate in the insurance contribution's administrative cost component. The loading profit is nevertheless expected to grow thanks to increasing cost-effectiveness.
- Faster than expected acceleration of inflation, tightening central bank policies, rising interest rates and companies' increasing cost pressures all contribute to increasing uncertainty on the markets. The exacerbation of the economic impacts and impacts related to the availability and price of energy stemming from Russia's war on Ukraine and the escalation of other geopolitical tensions are fuelling market restlessness.
- The long-term real return expectation on investment assets is low, especially due to the low real 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. The birth rate has been exceptionally low in recent years.



# Current information about the pension system

- At the start of June, a legislative amendment entered into force stating that the administrative cost component included in the earnings-related pension insurance contribution will be determined on a company-specific basis as of the start of 2023. The change is expected to increase cost competition between pension institutions, creating even stronger incentives to increase operational efficiency.
- At the same time, the regulation concerning the financing of earnings-related pensions was changed so that old-age pension liabilities can be adjusted downwards, making it possible to seek better return on investments in an exceptionally weak market environment.
- In June, parliamentary proceedings began for the reform of pension legislation concerning self-employed persons. The government proposal includes clarifications on the determination and adjustment of YEL income.
- Due to accelerating inflation, an extra index increment was made on 1 August 2022 to the national pension, survivors' pension and guarantee pension paid by Kela. Earnings-related pensions will be raised according to the normal schedule at the start of the year. The earnings-related pension index is made up of the consumer price index (80 per cent) and the earnings level index (20 per cent). This will secure pensioners' purchasing power as prices rise.
- According to the Pension Barometer survey released by the Finnish Centre for Pensions, approx. 70 per cent of Finns trust in the pension system and that pension assets are managed reliably. However, around half are concerned that the younger generations will be forced to pay too much to cover pensions. The most popular method for strengthening the financing of pensions is increasing labour immigration.



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