



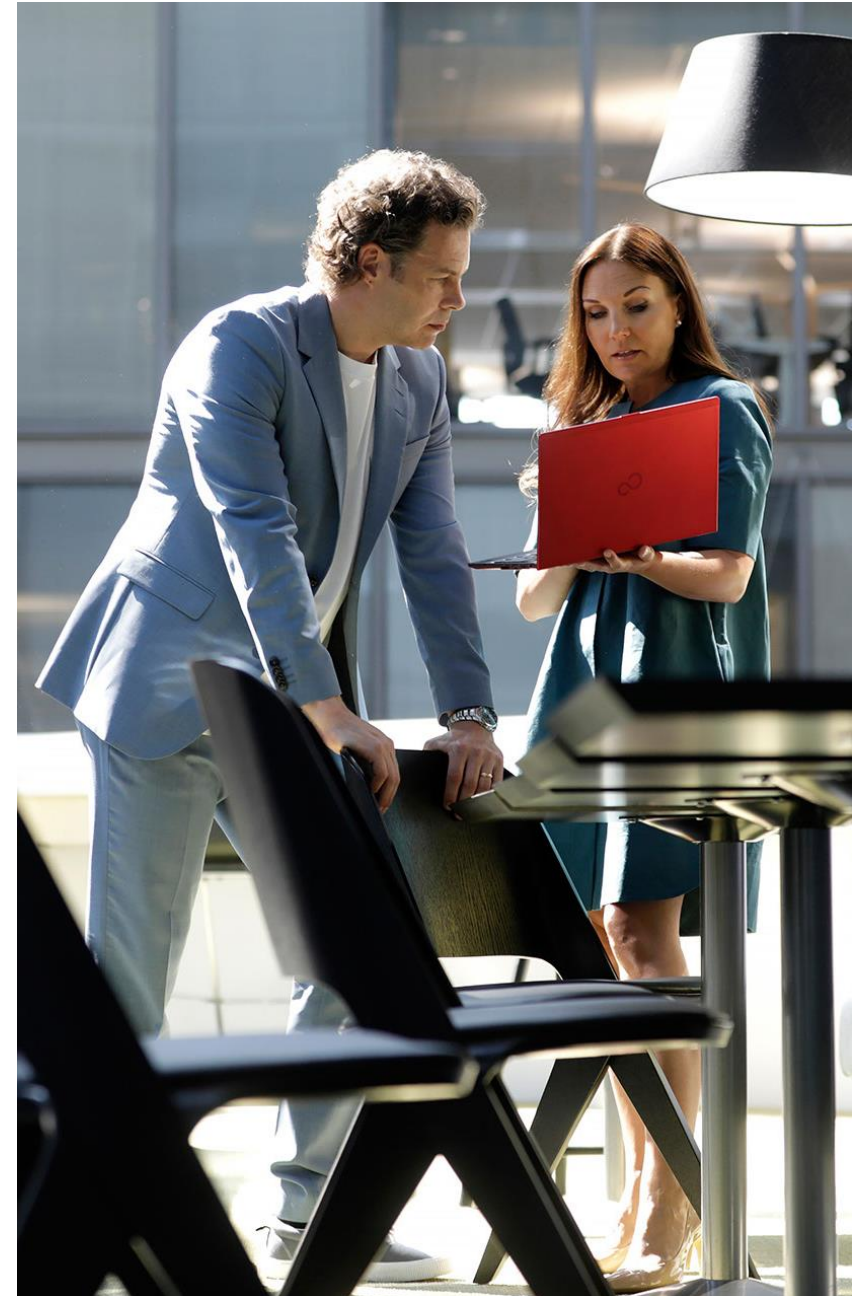
# Security for your pension

Ilmarinen's Interim Report  
January–June 2021

ILMARINEN

# Return on investments was 8.9 per cent, solvency capital rose to more than EUR 15 billion and customers' payrolls rose

- The return on Ilmarinen's investment portfolio was 8.9% (-2.0%) or EUR 4.7 billion thanks to the strong performance of the equity markets. The market value of investments grew to EUR 57.5 (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–June grew to EUR 2.6 (-1.1) billion.
- Premiums written grew to EUR 2.9 (2.7) billion as a result of the rise in customers' payrolls. EUR 3.2 (3.1) billion was paid in pensions.
- Net customer acquisition was EUR 116 (76) million thanks to excellent customer retention and successful customer acquisition.
- Loading profit improved to EUR 28 (21) million and the ratio of operating expenses to expense loading components to 66 (74) per cent. Improved cost-effectiveness reduced operating expenses to EUR 55 (61) million.
- Solvency capital strengthened to EUR 15.1 (12.5) billion, and the solvency ratio to 134.6 (130.2) per cent.



# Key figures January–June 2021

Premiums written

**2.92** (2.75)

€ bn



Loading profit\*

**28** (21)

€ mill.



Return on investments

**8.9** (-2.0)

%



Solvency ratio

**134.6** (130.2)

%



**3.15** (3.10)

€ bn

Pensions paid

**66** (74)

%

Ratio of operating expenses to  
expense loading components\*

**57.5** (53.3)

€ bn

Investment assets

**15.1** (12.5)

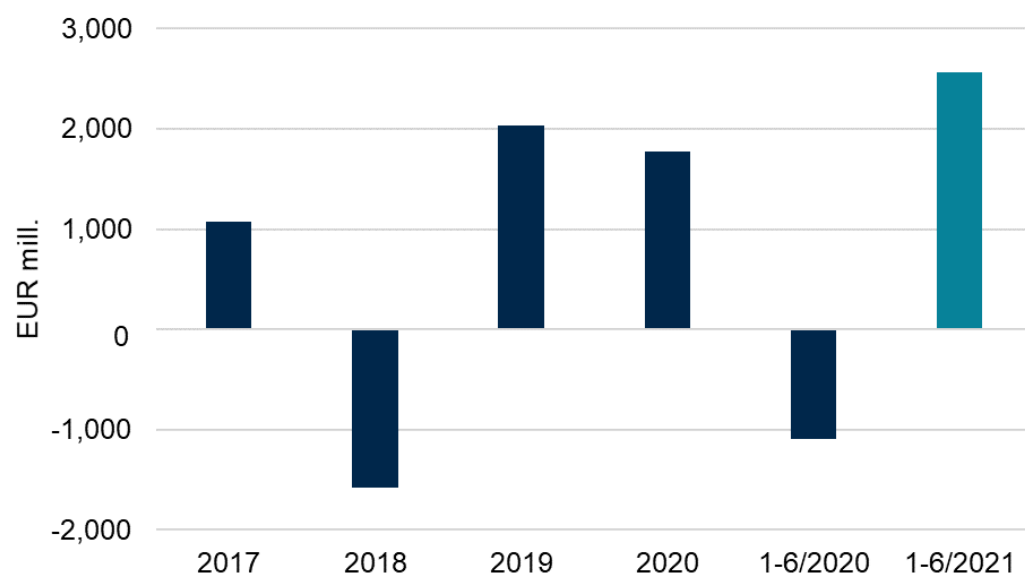
€ bn

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 2.6 (-1.1) billion thanks to a good return on investments

Total financial result, € mill.



Sources of profit, € mill.

Result analysis, EUR mill.	1 Jan–30 June 2021	1 Jan–30 June 2020	1 Jan–31 Dec 2020
Underwriting result	-2	-21	-3
<b>Return on investments at fair value</b>	<b>2,536</b>	<b>-1,099</b>	<b>1,726</b>
+ Net return on investments at fair value	4,730	-981	3,529
- Return requirement on technical provisions	-2,194	-118	-1,803
<b>Loading profit</b>	<b>28</b>	<b>21</b>	<b>43</b>
<b>Other profit</b>	<b>0</b>	<b>0</b>	<b>3</b>
<b>Total result</b>	<b>2,562</b>	<b>-1,099</b>	<b>1,769</b>





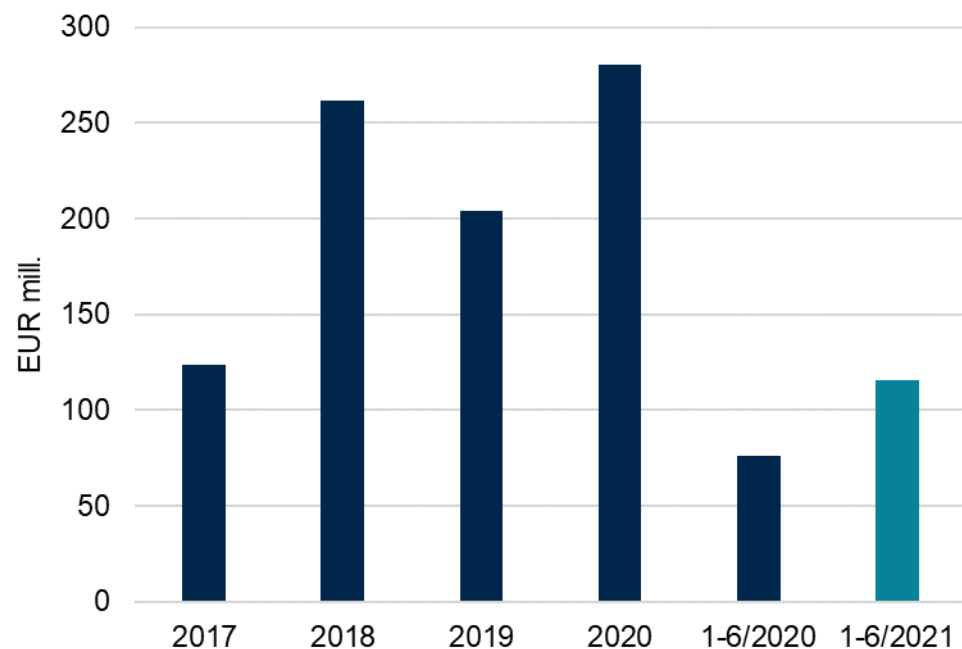
# Pension security for you

Insurance and pensions

ILMARINEN

# H1 customer acquisition rose to EUR 116 (76) million

Net customer acquisition 2017–2021, € mill.

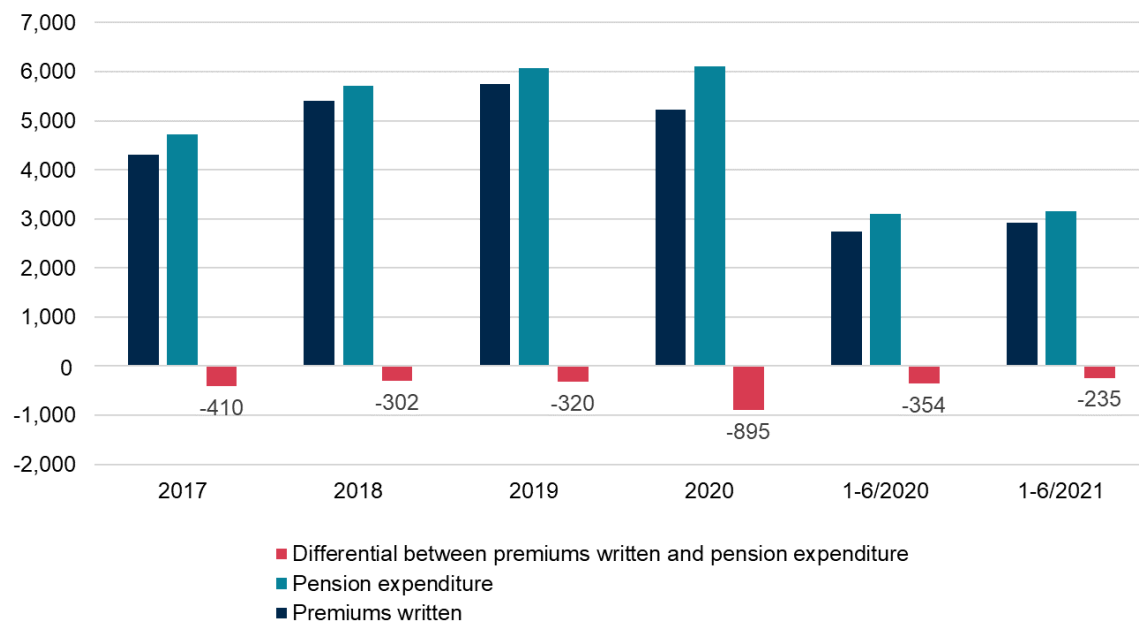


Net customer acquisition, € mill.

EUR mill.	1-6/2021	1-6/2020	2020
Net customer acquisition	116	76	281
Sales of new insurance	73	78	200
Net transfer of insurance	43	-2	81
Customer retention, % of premiums written	97.2	95.3	97.2

# January–June premiums written were €2.9 billion, pensions paid €3.2 billion

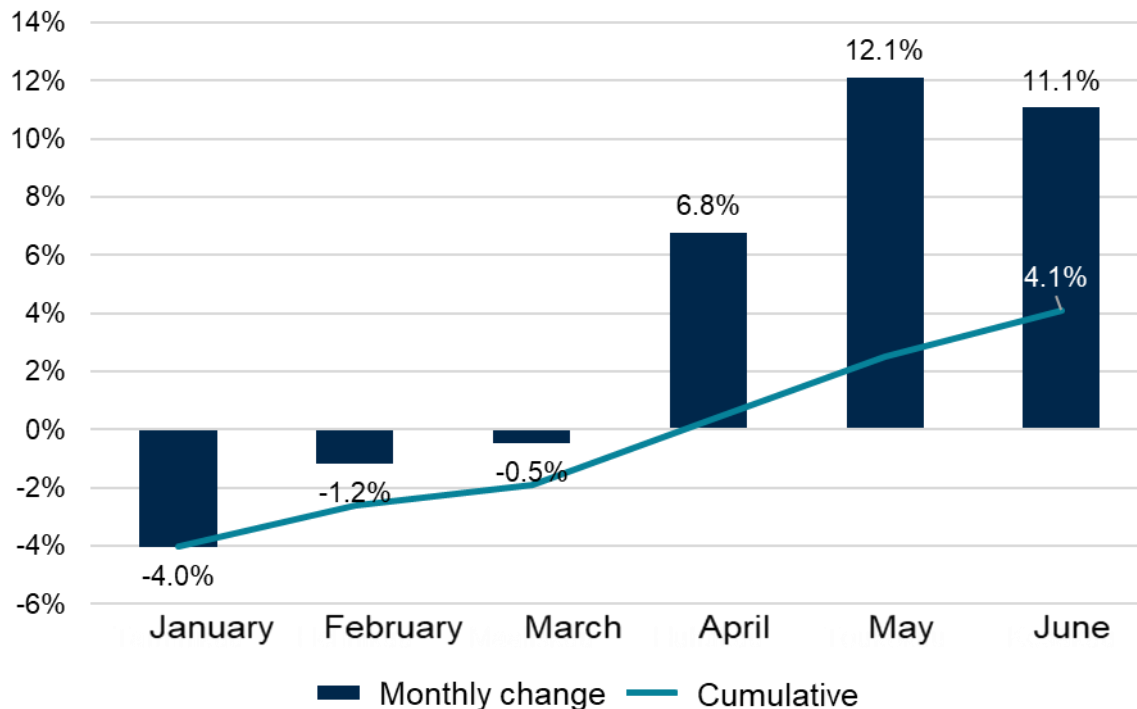
## Premiums written and pension expenditure January–June 2021



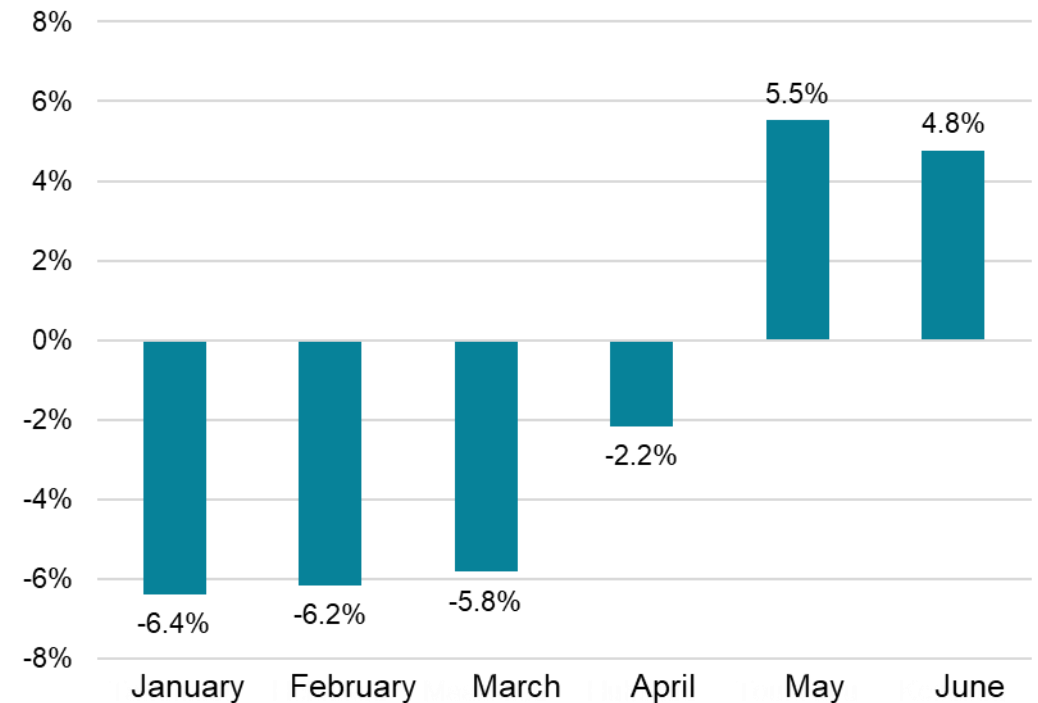
EUR mill.	2017	2018	2019	2020	1-6/2020	1-6/2021
Premiums written TyEL	3,969	5,026	5,364	4,833	2,540	2,711
Premiums written YEL	343	384	394	388	207	205
<b>Total premiums written</b>	<b>4,312</b>	<b>5,410</b>	<b>5,758</b>	<b>5,220</b>	<b>2,747</b>	<b>2,916</b>
Pensions paid TyEL	4,373	5,365	5,673	5,701	2,877	2,936
Pensions paid YEL	349	347	405	415	223	215
<b>Pension expenditure, total</b>	<b>4,722</b>	<b>5,712</b>	<b>6,078</b>	<b>6,116</b>	<b>3,100</b>	<b>3,151</b>

# Customer's payroll rose clearly in Q2 and the number of employees grew

Change in payroll of Ilmarinen's customers from previous year



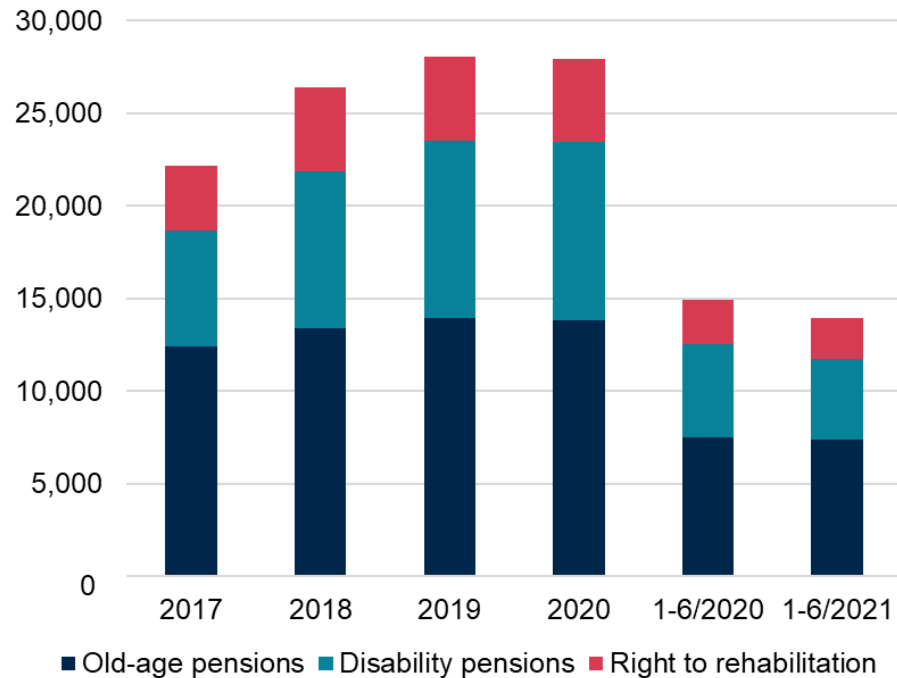
Change in number of employees in Ilmarinen's business cycle index



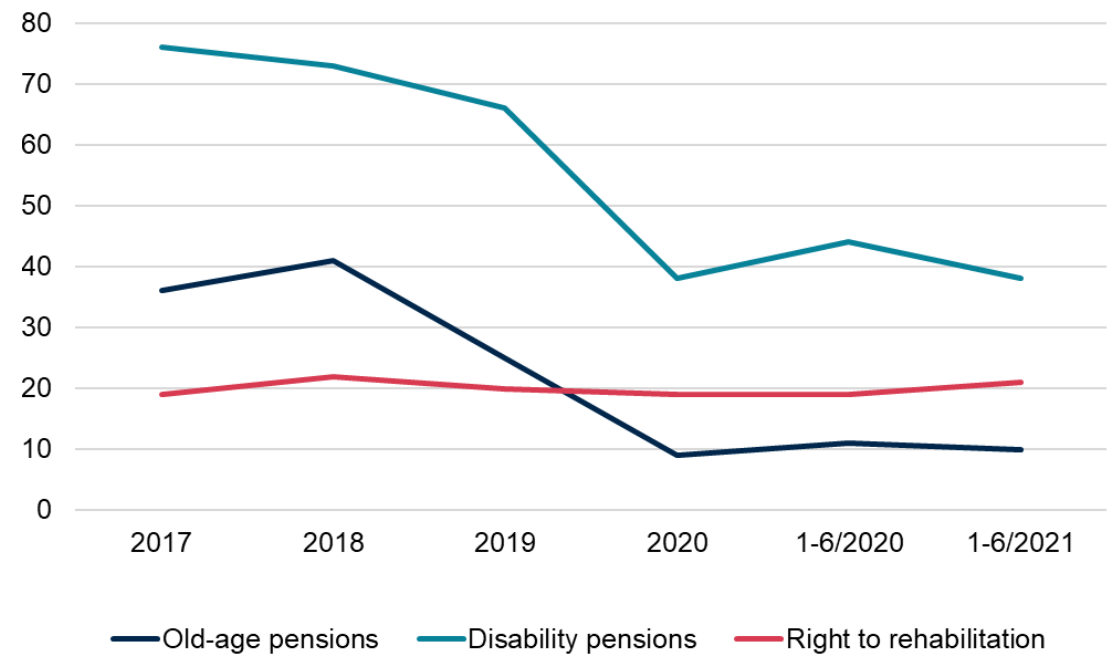


# Pension processing times have stabilised at a good level

## Number of pension decisions

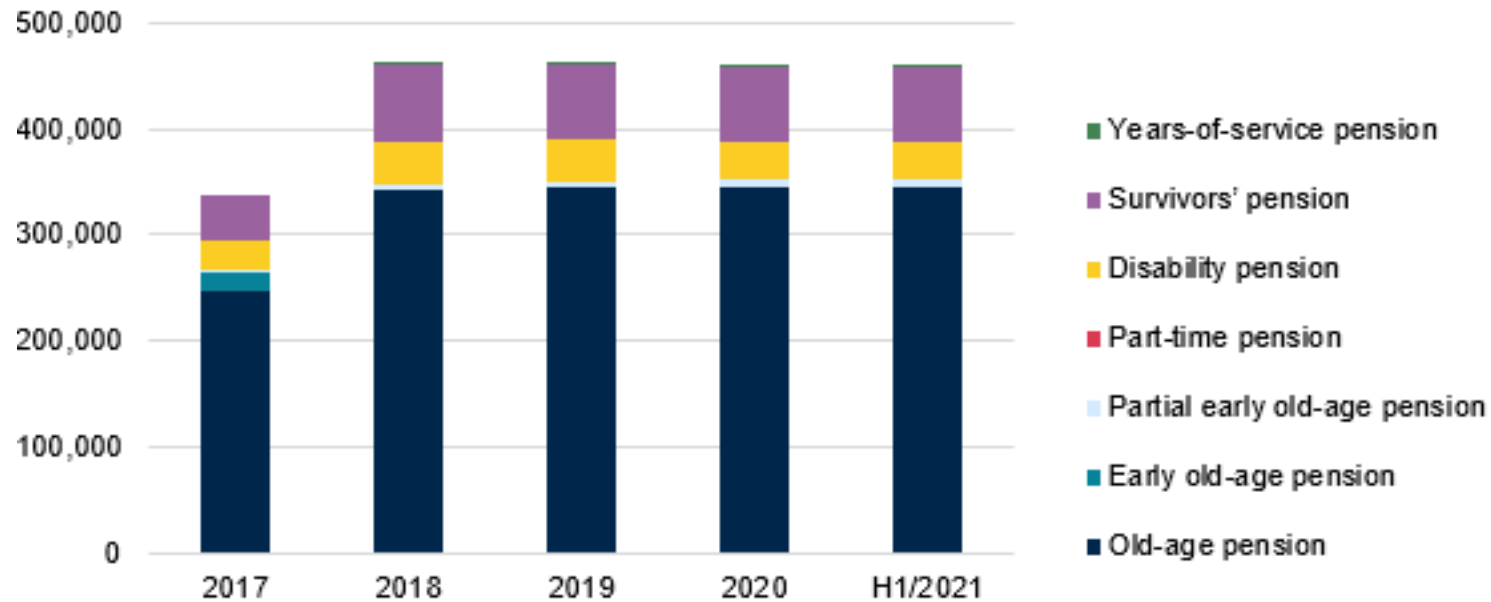


## Average application processing time, days



# Ilmarinen has around 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

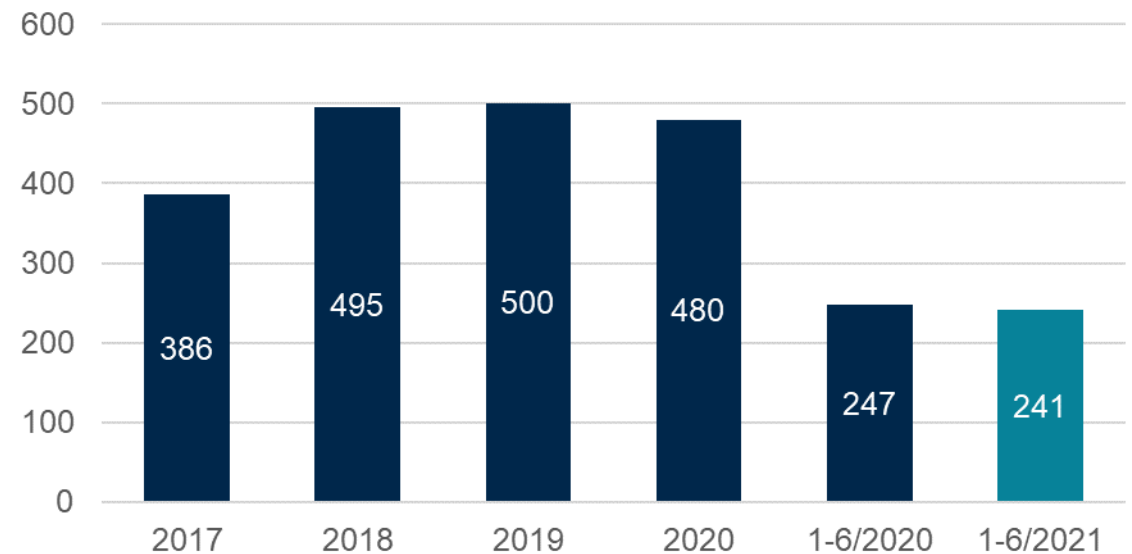
ILMARINEN

# Disability pension decisions fell 13% and disability pension expenditure fell EUR 6 million

## Rehabilitation and persons retired on disability pension

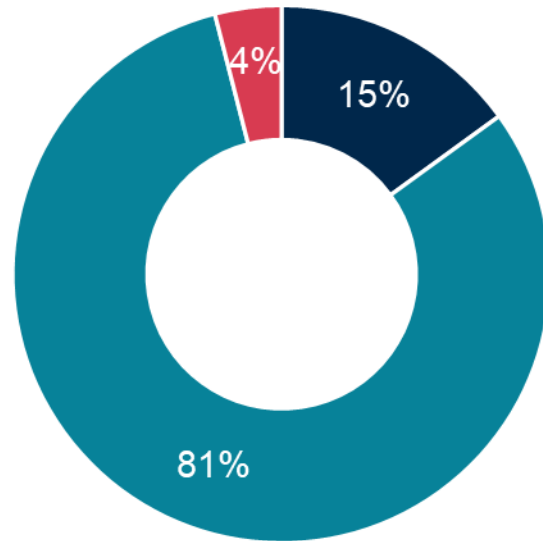


## Disability pension expenditure, EUR mill.



# Work ability projects numbered 768 and covered 158,000 employees

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



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

**Work capacity  
services' NPS 66  
(1-6/2021)**





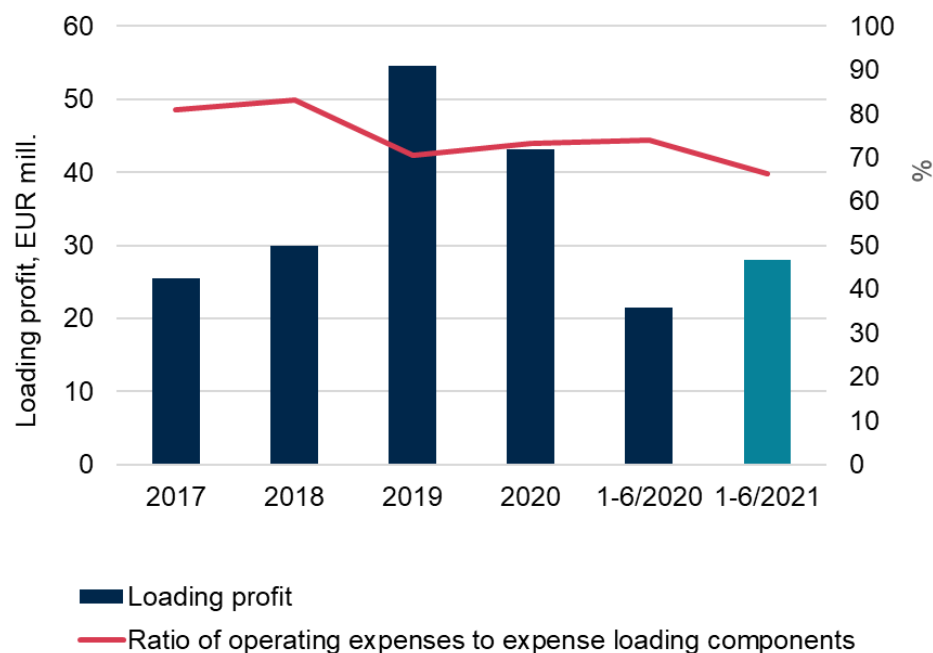
# Cost-effective operations

Operating expenses and personnel

ILMARINEN

# The loading profit rose to EUR 28 million and the ratio of operating expenses to expense loading components improved to 66 per cent. Operating expenses financed using loading income fell by 6 million to EUR 55 million.

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

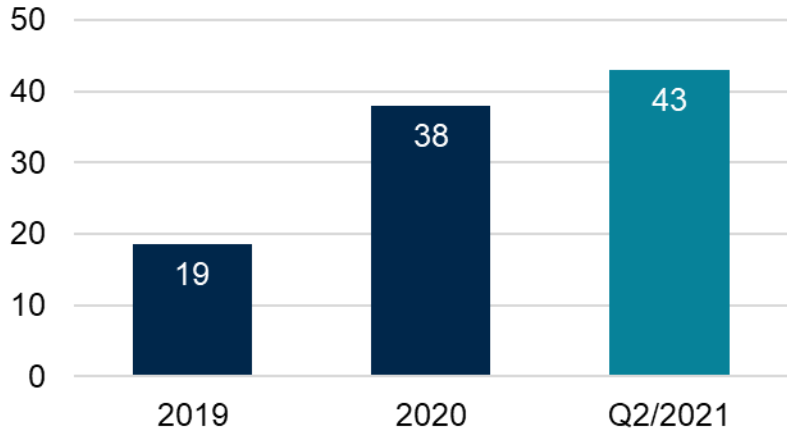


EUR mill.	2017	2018	2019	2020	1-6/2020	1-6/2021
Expense loading components and other income	134	179	185	162	82	83
Operating expenses covered by loading income	109	149	130	119	61	55
Loading profit	25	30	55	43	21	28
Ratio of operating expenses to expense loading components, %	81	83	70	73	74	66
Total operating expenses	150	195	175	158	79	79

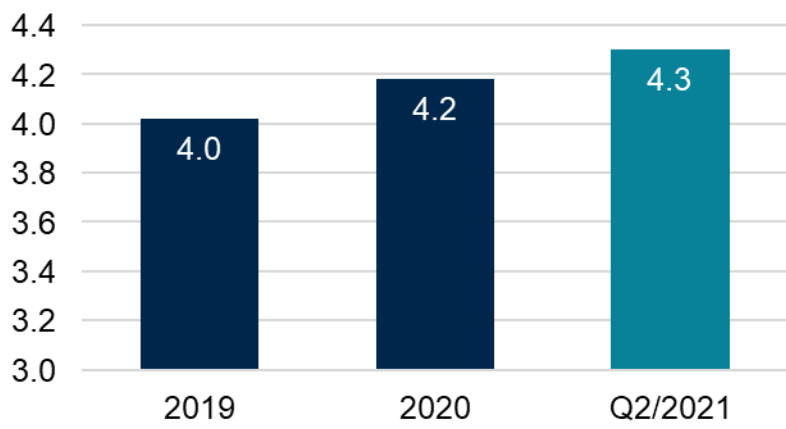
\* The basis for the rates affecting the TyEL administrative cost component changed as of the beginning of 2020 and the rate was lowered by 6.9%. The figures for 2017 do not include the figures of Etera, which merged with Ilmarinen.

# Personnel's work energy is excellent

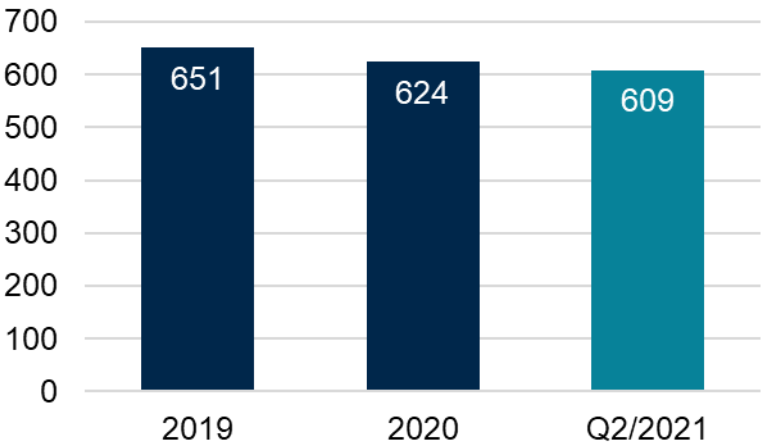
Employee Net Promoter Score (eNPS)



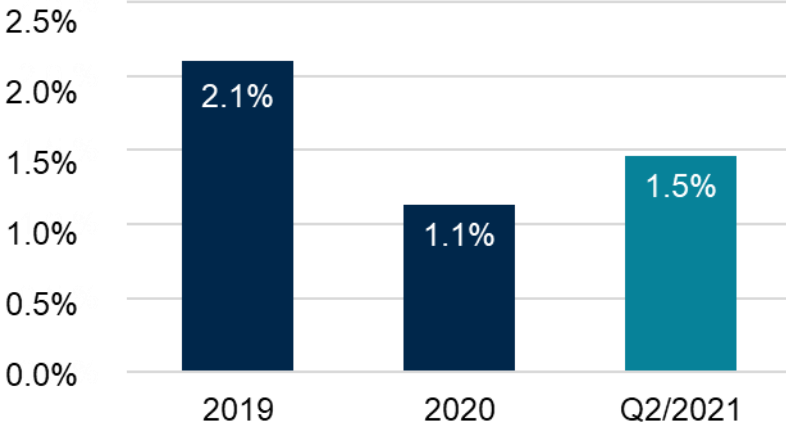
Personnel's average work energy (1–5)



Average number of employees (person years)



Lost time due to sick leave



# Back to the future – combining the best parts of in-office and remote work

## Trust



The long exceptional period has proven that our work runs smoothly. We trust each other and trust that each of us is the best expert in our work and that we know how to reach our goals. This trust is the foundation when we define, together, what our new working life will look like.

## Sense of community



One of our values is succeeding together and everyone's job is part of a bigger whole. We believe that meeting face-to-face regularly gives birth to the best ideas and innovations, improves co-operation, allows tacit knowledge to transfer and allows us to take the best care of each others' well-being.

## 50:50



In order to guarantee a sense of community and well-being we will carry out at least half of our work in-office, for the most part. We will agree together with our teams and supervisors on which tasks are best carried out in-office and when each of us can select our place of work. Studies reveal that when employees have the opportunity to impact how their work is arranged their well-being increases. We want to continue to support this.

## Shared ground rules



As a team, we agree on how to achieve our goals and how to arrange our work and meetings. The person booking a meeting must indicate in the invite whether the participants are expected to appear in person or if remote participation is possible. Each of us must record our in-office and remote days in our calendars.

We are jointly creating the future to which we are now returning, while taking care of well-being and safety. The whole personnel has been given the chance to express their views on, for example, remote work practices through surveys and workshops. We are implementing a new survey in the autumn to assess the success of the measures. We will start looking into the need to alter our office premises once we gain more experience of our new working life.





**Profitably,  
securely and  
responsibly**

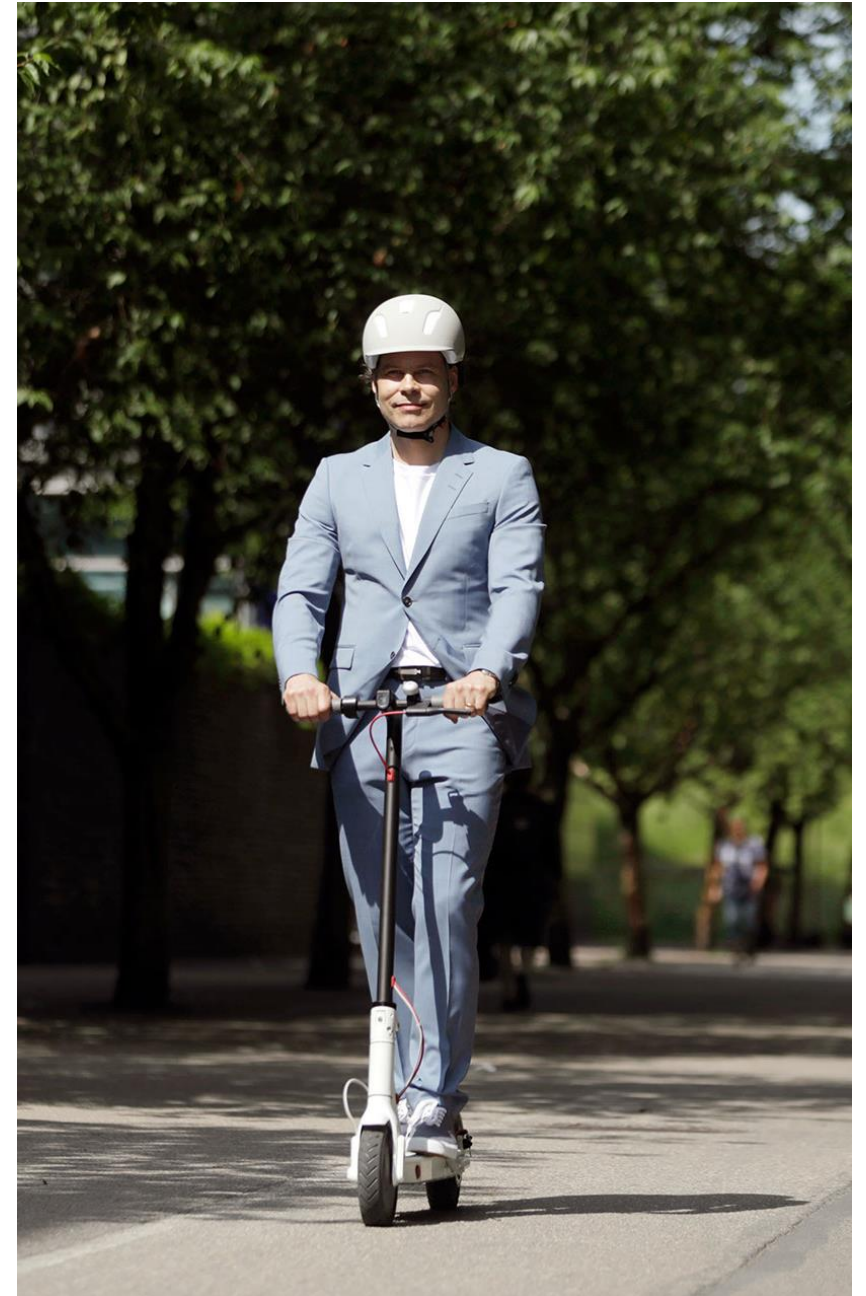
Investment activities

ILMARINEN



# Key observations about the operating environment

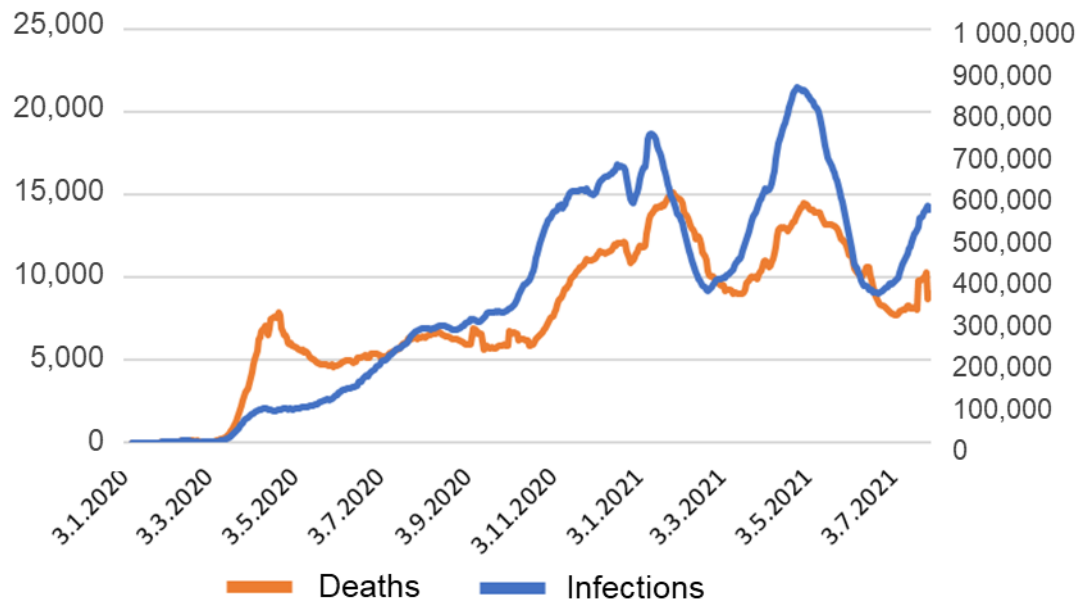
- The recovery of economies' activity, the increase in vaccination coverage, and significant monetary and fiscal policy stimulus measures have propelled global economic growth to near-record levels, and earnings development has been strong.
- The European Central Bank (ECB) and the US central bank, the Fed, have continued their exceptionally expansionary monetary policy measures. Inflation has surged more than expected in the USA.
- Finland's economy is recovering from last year's recession and economic growth and employment have both improved, and in the second quarter, companies' payrolls took a strong growth trajectory compared to the previous year.
- The underlying sentiment on the equity markets has been positive in H1 thanks to economic growth, companies' earnings performance and stimulus measures. The acceleration of inflation and rapid recovery of economies have, however, at times, increased concerns about the possible tightening of monetary policies.
- The dramatic increase in long-term interest rates has died down and during the second quarter, the United States' 10-year government bond rate fell. The accelerating inflation suppressed the real interest rate to a record-low level.
- On the equity markets, development has been extremely strong in the first half of the year. In the USA, stock prices have risen 20 per cent in H1. In Europe, the rise in stock prices remained a few percentage points below this.
- During the year, the US dollar has appreciated against the euro. While at the start of the year, the euro–US dollar exchange rate was around 1.22, at the end of the second quarter it was around 1.19.



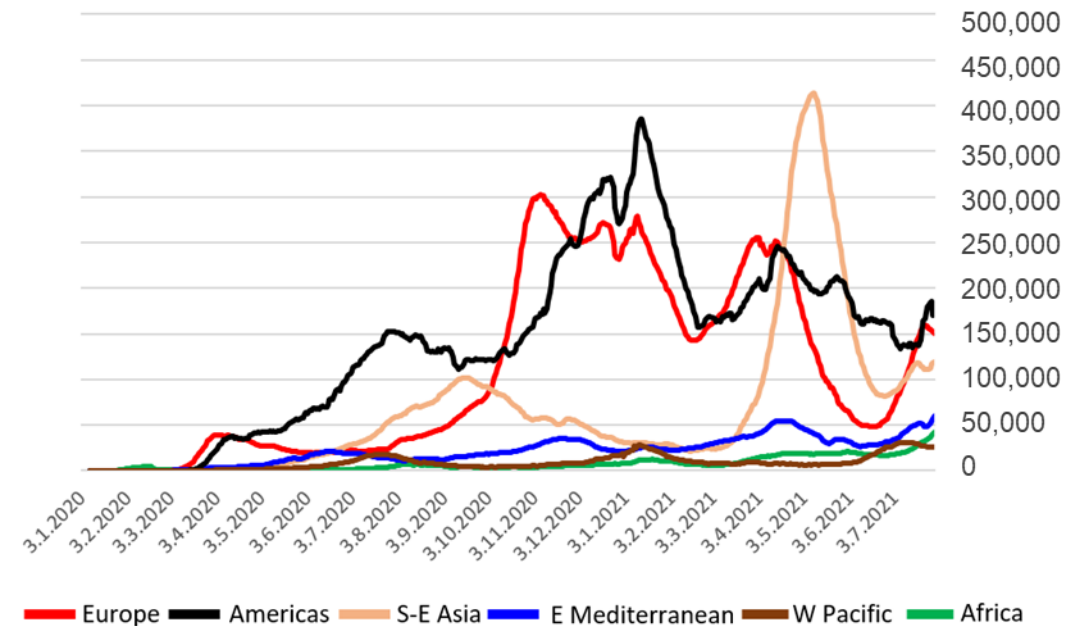
# Covid-19 situation: Infections growing again due to delta variant

- Globally, close to 200 million cases and more than 4.0 million deaths have been confirmed. The rate of infection is accelerating again due to the delta variant. The number of deaths remains low in countries with high vaccination coverage.
- Of the global population, almost 30% has received at least one dose of vaccine and close to 15% have received two. The differences in the vaccination coverage between countries are large and vaccinations are advancing slower in poorer countries.
- Also in Finland, the daily number of new cases has started to rise. There have been close to 110,000 confirmed cases and just under one thousand deaths. Around 66% of the population has received one vaccination and around 35% has received two.

## Global development

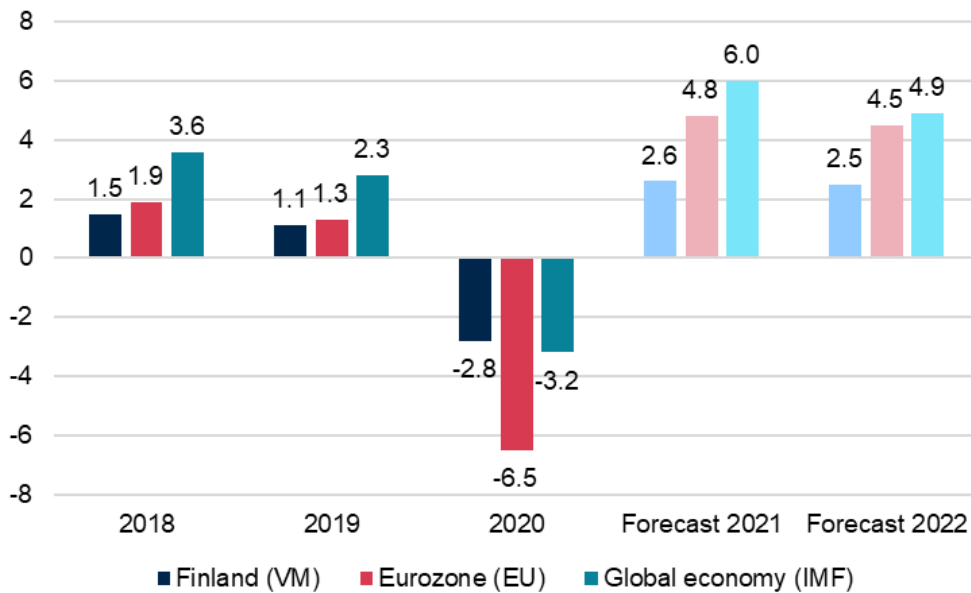


## Daily infections/area

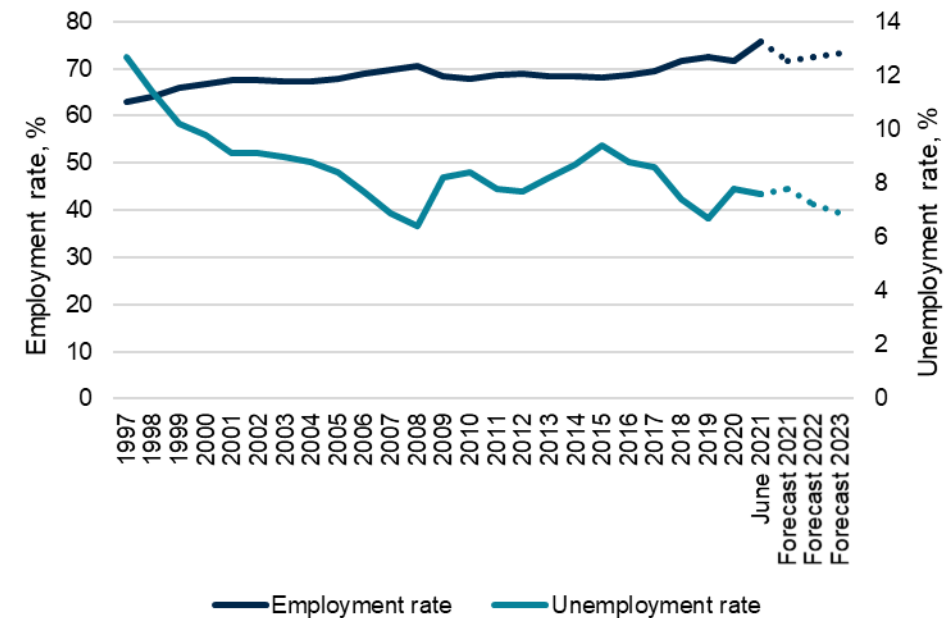


# The global economy is expected to grow strongly in 2021, Finland's growth forecast is some 3 per cent and employment is improving.

GDP development, %



Development of Finland's employment and unemployment rates, %



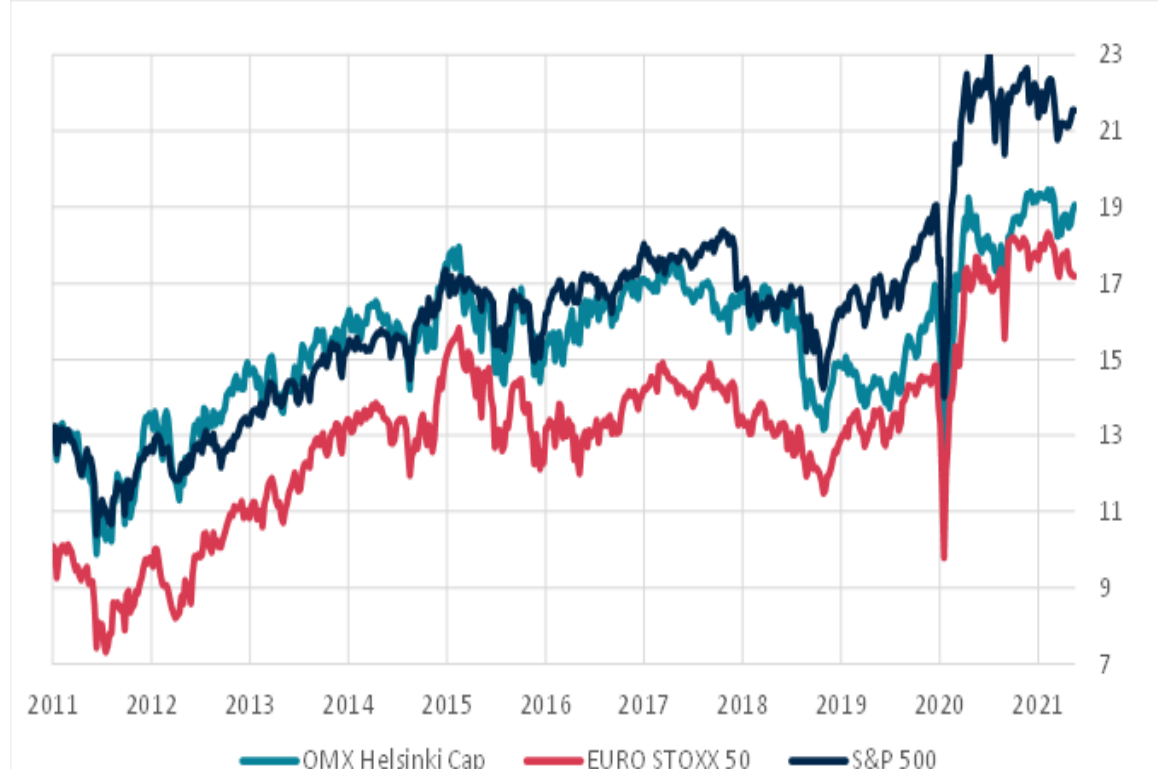
Sources: Statistics Finland, World Bank (EU) and IMF

# Equity markets developed strongly during H1, supported by rising earnings expectations

## Equity market performance



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

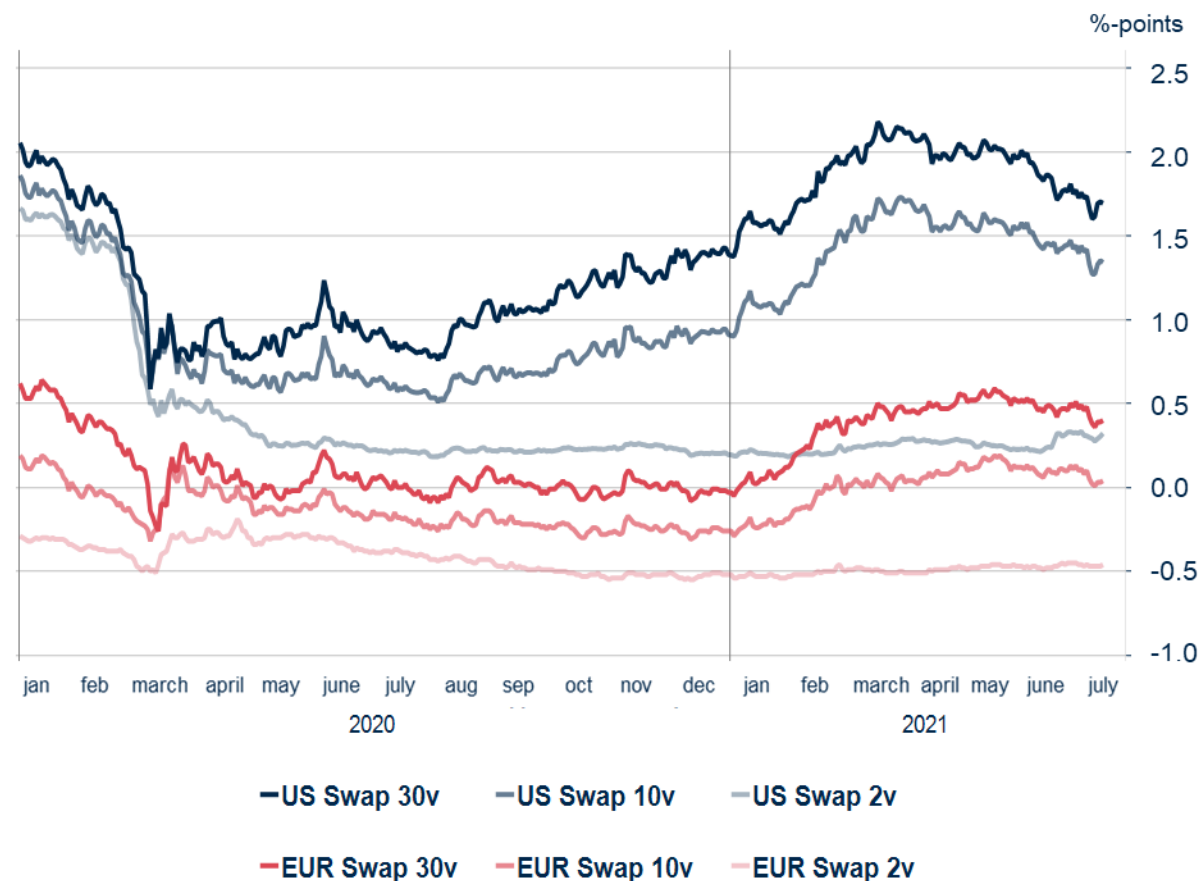


MACROBOND



# Inflation concerns increased interest rates in H1, credit risk premiums tightened moderately

## Development of interest rates



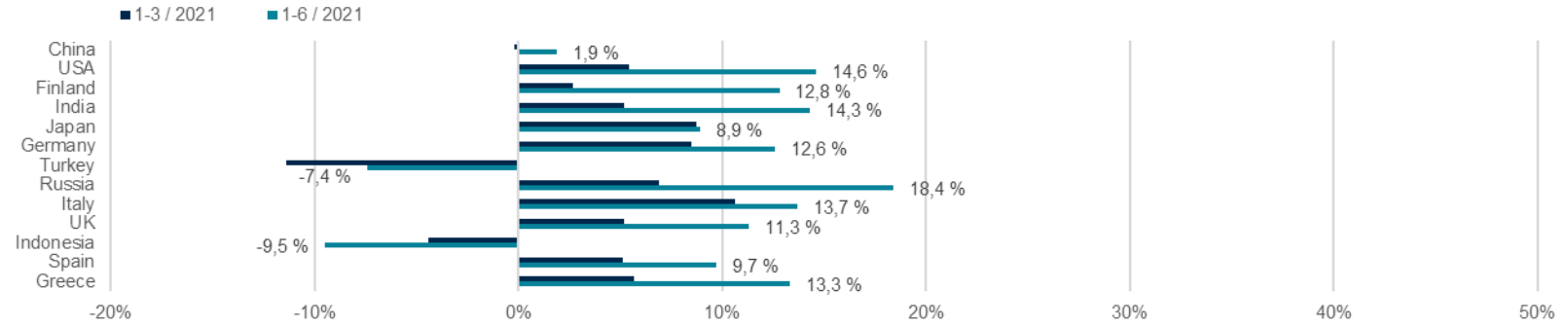
## Development of credit risk premiums



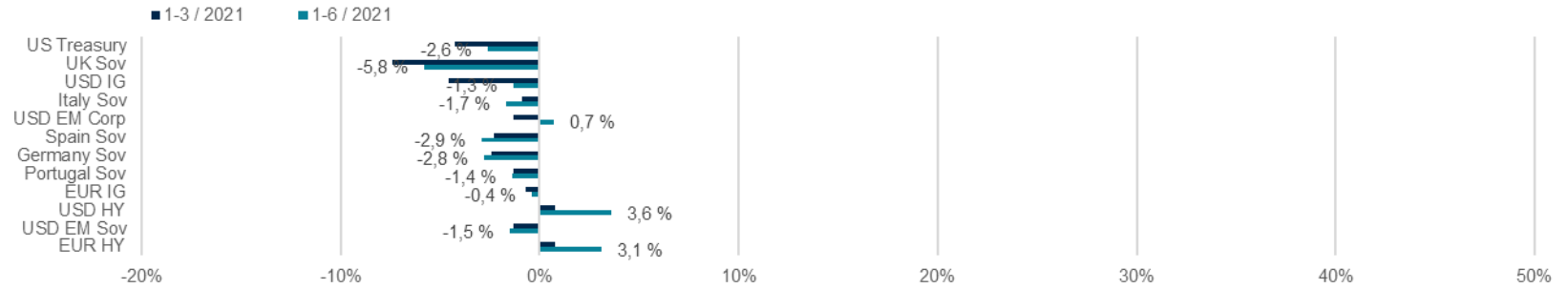


# Market development (as per 31 March and 30 June 2021)

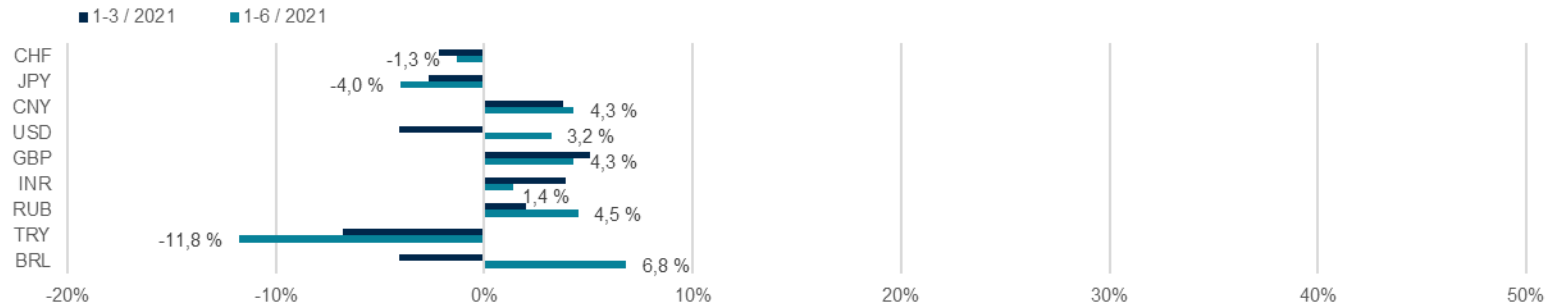
## Equities and shares



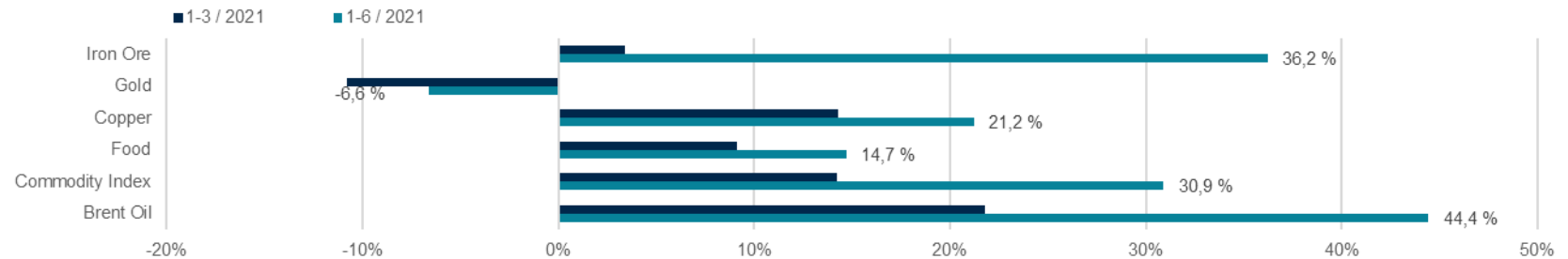
## Fixed income markets



## Currencies



## Commodities



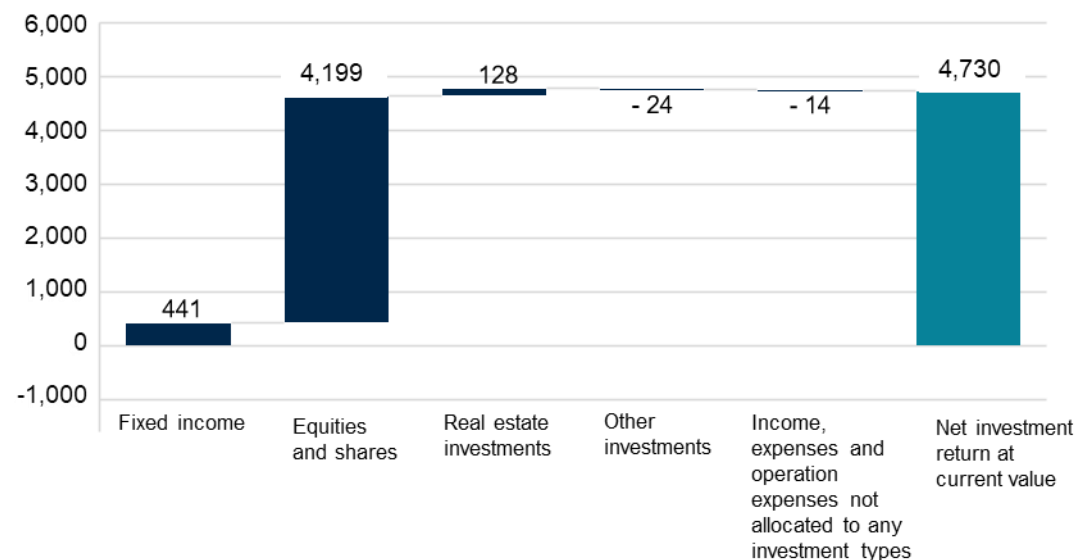
# Return on investments rose to 8.9 per cent, or to EUR 4.7 billion, thanks to the strong performance of equity investments

Return January–March, per cent

Return by type	1-6/2021	1-6/2020	2020
<b>Return on investments</b>	<b>8.9</b>	<b>-2.0</b>	<b>7.1</b>
Fixed income	2.6	-2.9	-0.4
Equities and shares	16.7	-4.2	12.4
Real estate	2.1	2.1	0.7
Other investments	-0.5	10.6	20.2

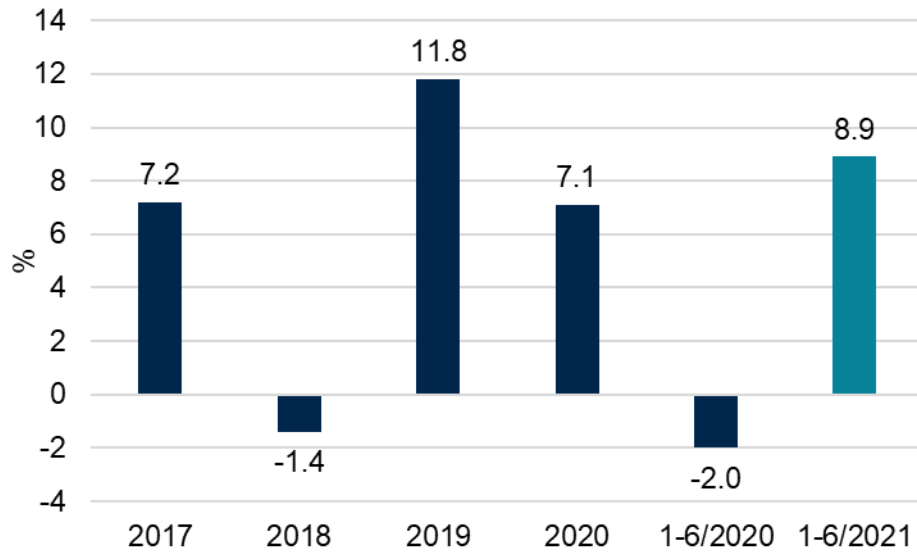
Long-term return on investments (since 1997): nominal return 6.1% and real return 4.6%.

Return by type of investment, € mill.



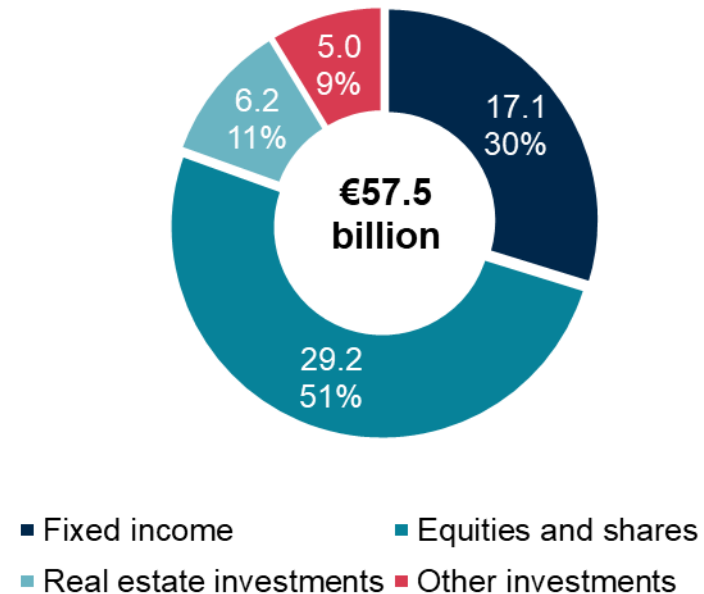
# Strong momentum in the investment market continued and return on investments rose to 8.9%

## Return on investments

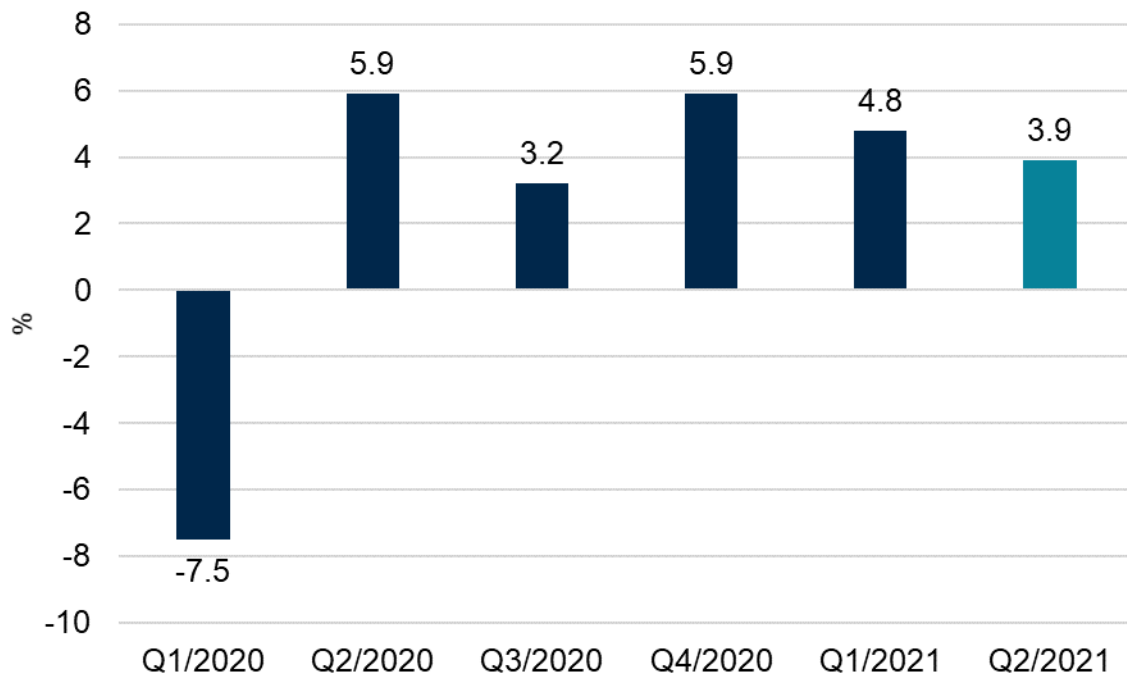


Average nominal return on investments over 5 years 7.8% and real return 6.7%.

## Breakdown of investments, 30 June 2021



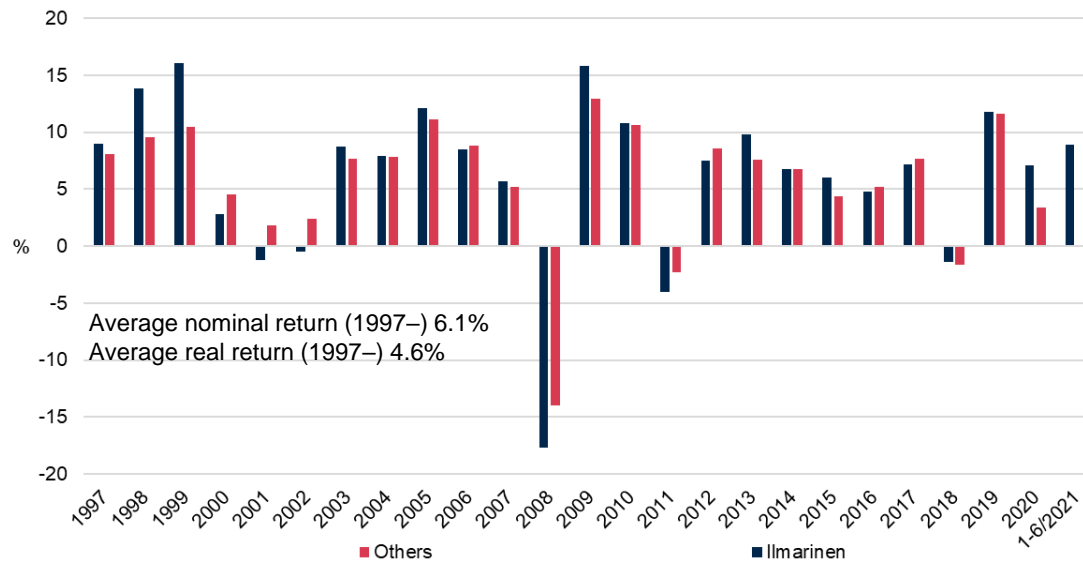
# The Q2 return on investments was 3.9 per cent or EUR 2.2 billion



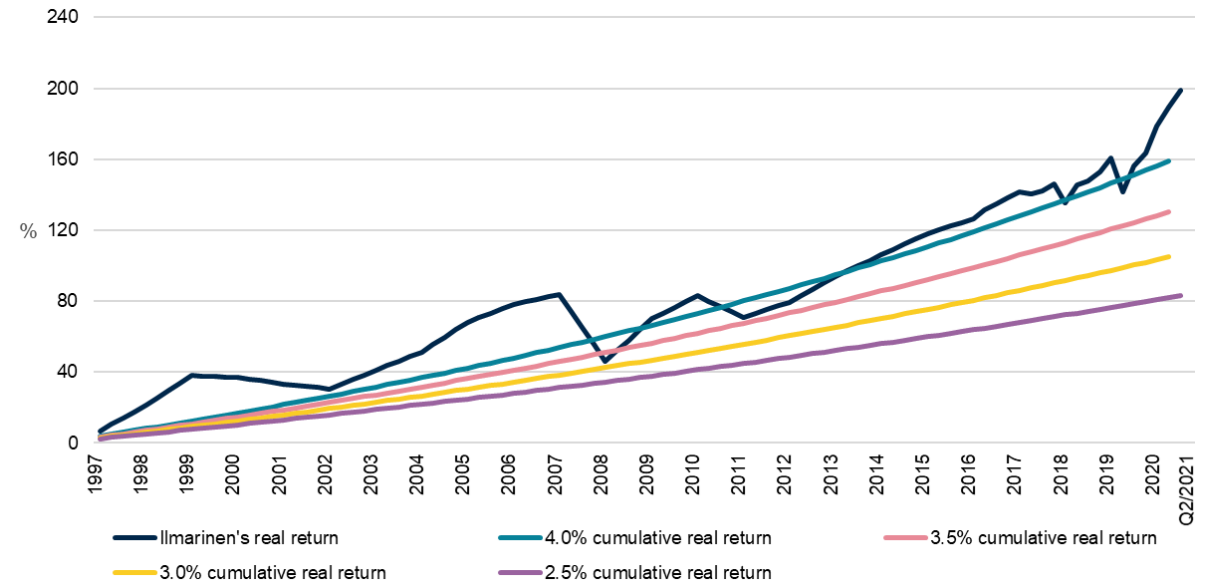
The underlying sentiment on the equity markets has been positive in H1 thanks to economic growth, companies' earnings performance and stimulus measures.

# Long-term average nominal return 6.10 per cent per annum, or 4.6 per cent in real terms

Net return on investments at current value



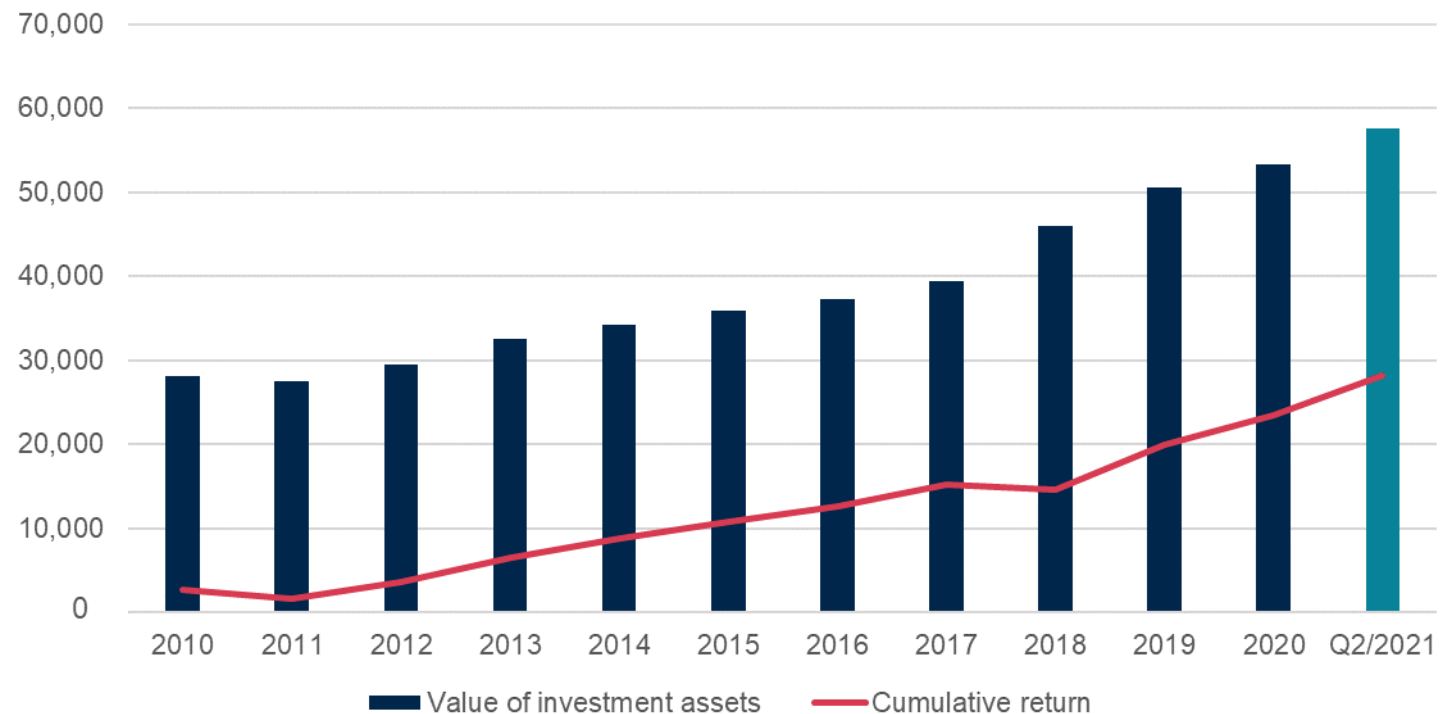
Cumulative net return on investments 1997–30 June 2021





# Value of investments EUR 57.5 billion, cumulative return on investments from start of 2010, EUR 28.2 billion

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



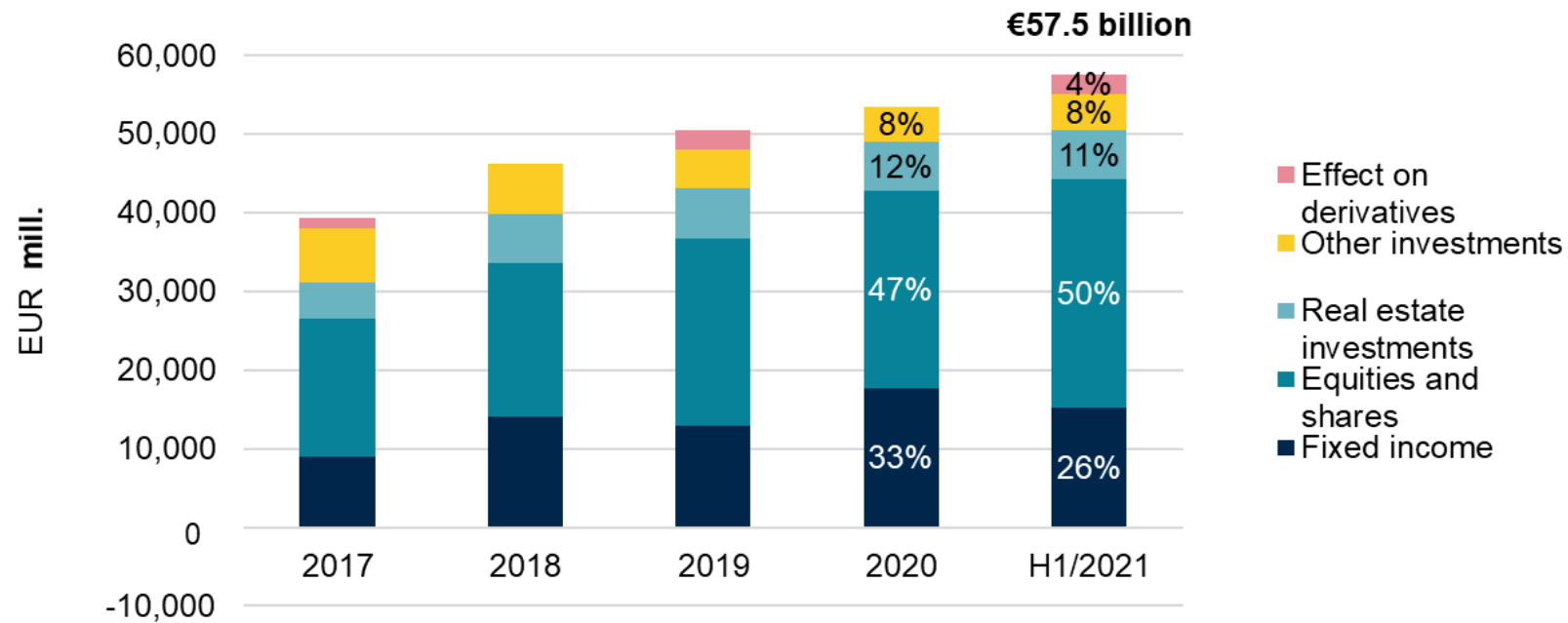
# Long-term return remains at a good level

Average return of different markets:

%	Ilmarinen	Finnish equities and shares	European equities and shares	Euro government bonds	Euro corporate bonds
Q2/2021	3.9	9.6	6.4	-0.7	0.3
2021	8.9	19.5	15.2	-3.0	-0.5
2020	7.1	15.7	-2.0	5.0	2.7
Average return over 5 years	7.8	15.4	9.3	1.4	2.0
Average return over 10 years	6.4	12.2	8.1	4.3	3.7
Average return over 20 years	5.6	10.2	4.4	4.5	4.2
Average return since 1997	6.1	10.7	6.8	4.7	4.4
Real average return over 5 years	6.7	14.2	8.2	0.5	1.0
Real average return over 10 years	5.3	11.0	7.0	3.3	2.7
Real average return over 20 years	4.2	8.8	3.1	3.1	2.9
Real average return since 1997	4.6	9.1	5.2	3.1	2.9

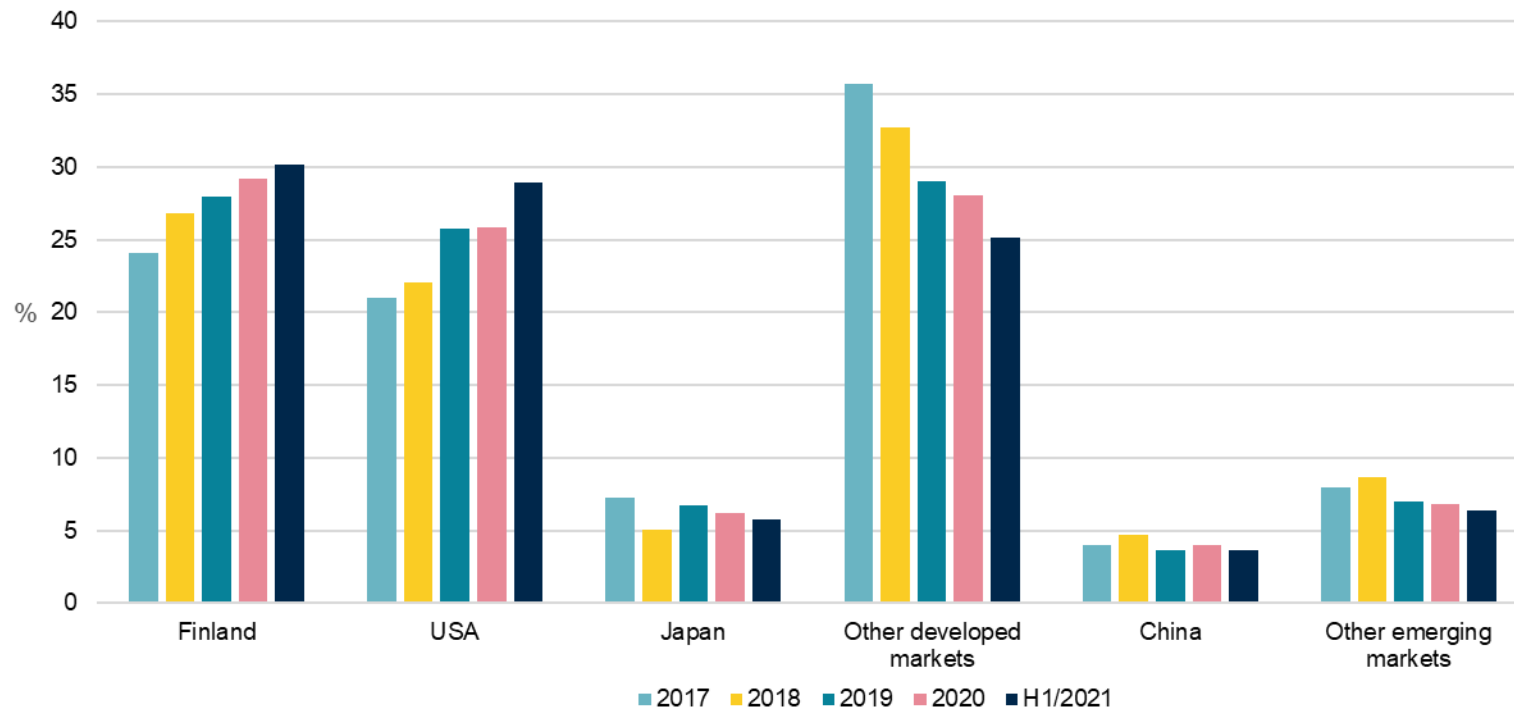
# Equities and shares account for half of the investment allocation

## Breakdown of investment risks



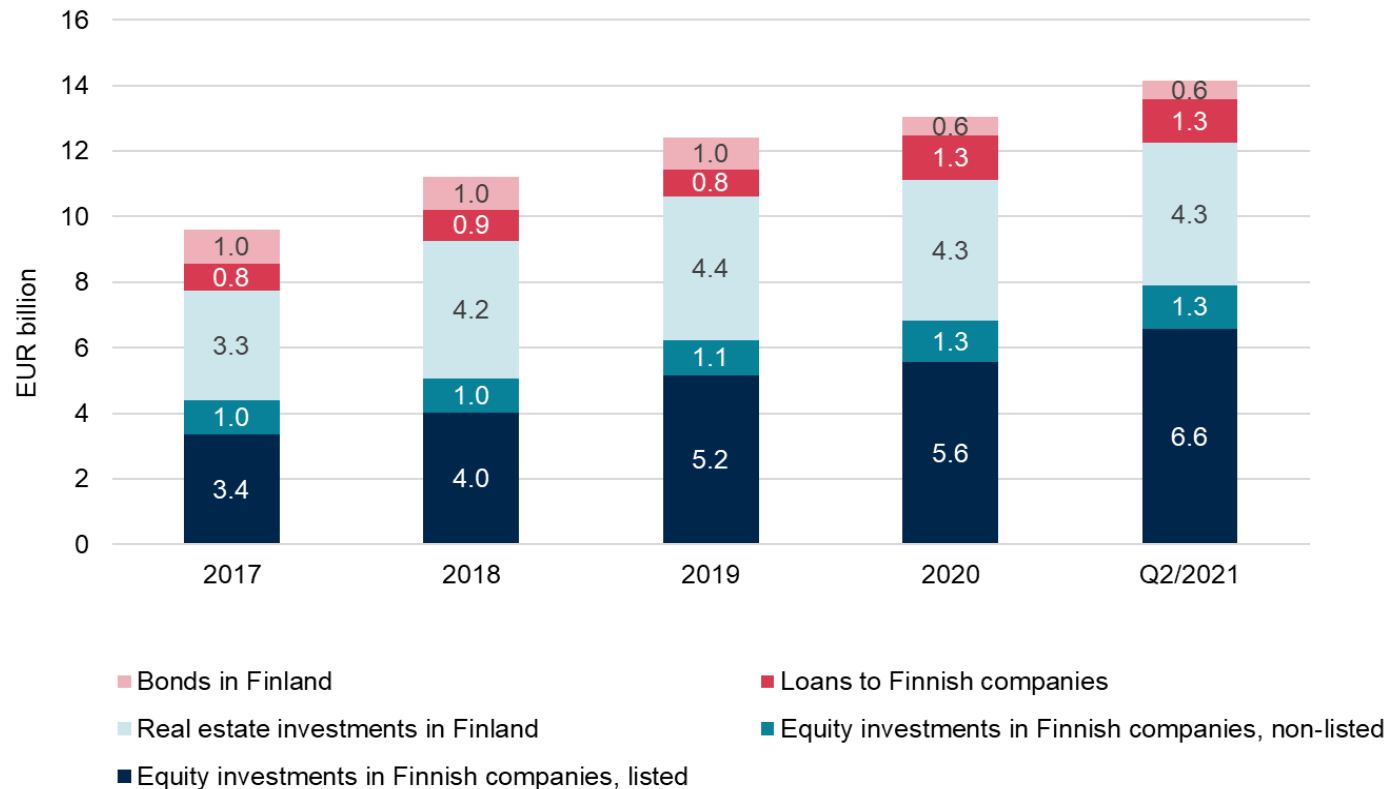
# Share of Finnish listed equity investments 30 per cent

Geographical breakdown of listed equities



# Ilmarinen's investments in Finland were more than **EUR 14.2 billion** or a quarter of the investment portfolio

Investments in Finland 2017–30 June 2021, € bn





# Holdings in Finnish publicly quoted companies

## EUR 6.6 bn

### Largest Finnish listed equity holdings

	EUR mill.	30 Jun 2021	31 Dec 2020
↑	Kesko Corporation	441	325
↑	Nordea Bank Abp	413	257
↑	Nokia Corporation	408	252
↑	Kojamo Plc	394	371
↑	Neste Corporation	367	330
↑	UPM-Kymmene Corporation	362	342
↑	Sampo Plc	352	278
↑	Kone Corporation	327	255
↑	Fortum Corporation	320	290
↓	Stora Enso Corporation	315	328

	Percentage	30 Jun 2021	31 Dec 2019
	SRV	12.7	12.7
↓	Digia Plc	12.5	12.6
↓	Nurminen Logistics Plc	11.8	19.6
	Kojamo Plc	8.3	8.3
↓	Panostaja Oyj	8.0	8.1
↓	Martela Corporation	7.4	8.1
	Glaston Corporation	7.3	7.3
↑	Soltec Plc	7.2	0.0
	Citycon Oyj	7.1	7.1
	Capman Plc	6.6	6.6

# Summary of return on investments for January–June

	Basic breakdown		Risk breakdown		Return	Volatility
	EUR mill.	%	EUR mill.	%	%	
<b>Fixed income investments</b>	<b>17,134</b>	<b>29.8</b>	<b>15,210</b>	<b>26.4</b>	<b>2.6</b>	
Loan receivables	1,890	3.3	1,890	3.3	2.3	
Bonds	14,038	24.4	11,217	19.5	2.8	6.9
Public corporation bonds	5,729	10.0	4,731	8.2	0.1	
Other bonds	8,308	14.4	6,486	11.3	4.7	
Other money market instruments and deposits(ir	1,206	2.1	2,103	3.7	0.8	
<b>Equities and shares</b>	<b>29,180</b>	<b>50.7</b>	<b>29,032</b>	<b>50.5</b>	<b>16.7</b>	
Listed equities and shares	21,866	38.0	21,718	37.7	15.4	17.0
Private equity investments	6,246	10.9	6,246	10.9	23.7	
Non-listed equities and shares	1,068	1.9	1,068	1.9	6.1	
<b>Real estate investments</b>	<b>6,213</b>	<b>10.8</b>	<b>6,231</b>	<b>10.8</b>	<b>2.1</b>	
Real estate investments	5,642	9.8	5,644	9.8	1.9	
Real estate funds and joint investments	571	1.0	587	1.0	3.7	
<b>Other</b>	<b>5,010</b>	<b>8.7</b>	<b>4,677</b>	<b>8.1</b>	<b>-0.5</b>	
Hedge fund investments	3,758	6.5	3,758	6.5	5.1	5.5
Commodity investments	151	0.3	34	0.1	-	
Other investments	1,101	1.9	886	1.5	-16.9	
<b>Investments total</b>	<b>57,536</b>	<b>100.0</b>	<b>55,150</b>	<b>95.9</b>	<b>8.9</b>	<b>6.9</b>
Effect of derivatives	0		2,386	4.1		
<b>Investments at current value</b>	<b>57,536</b>		<b>57,536</b>	<b>100.0</b>		

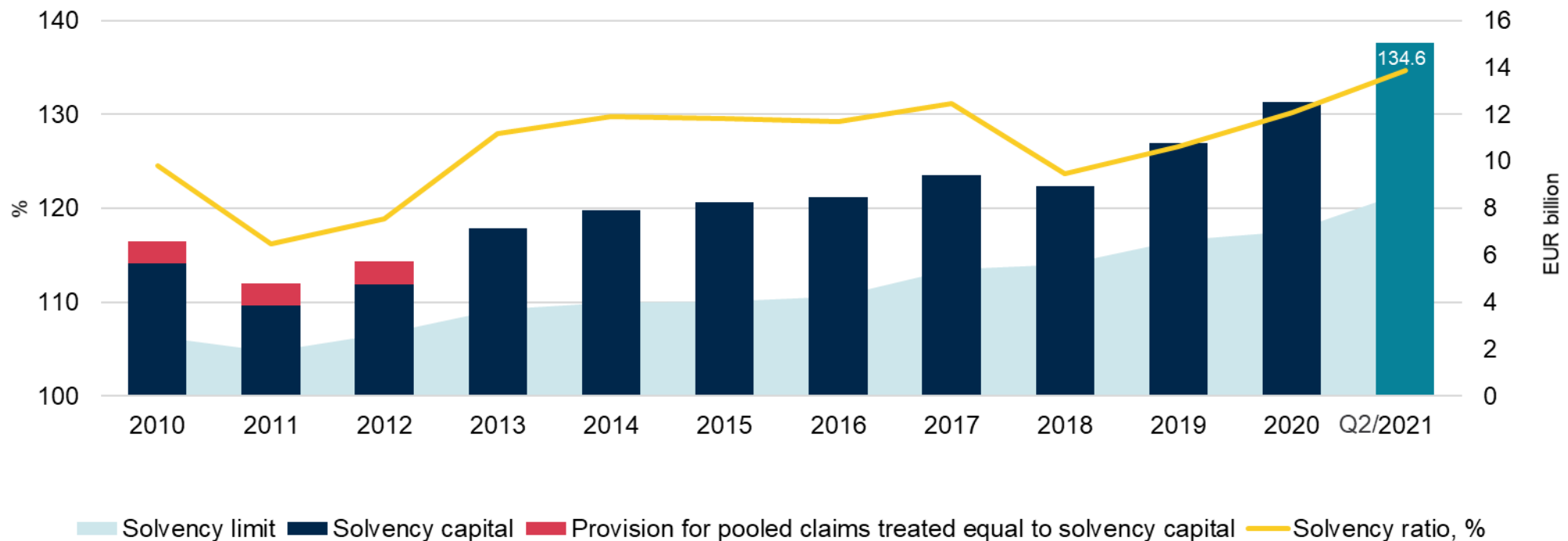
The modified duration of bond investments is 0.4 years

The open currency position is 20.7% of the market value of the investments.

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

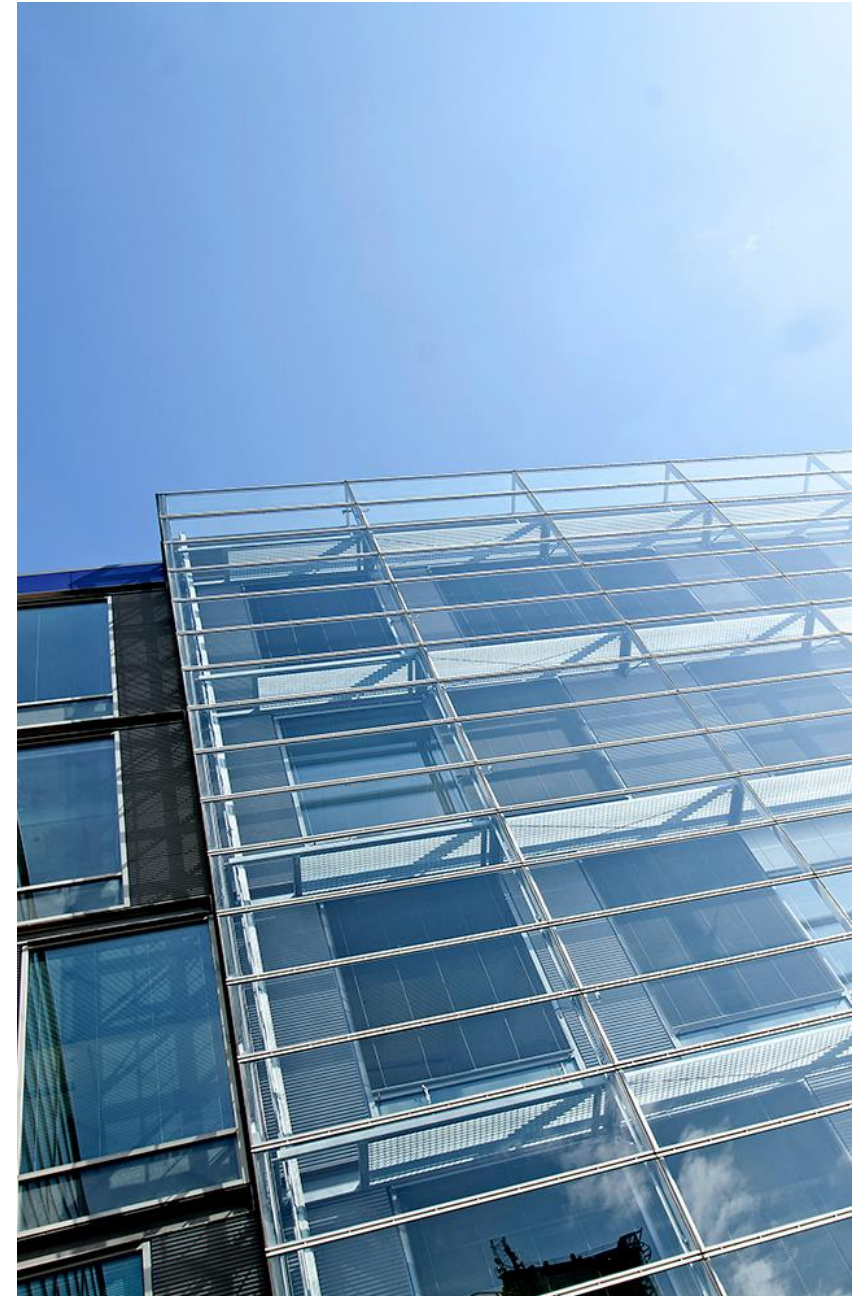
# Solvency capital strengthened to EUR 15.1 billion and the solvency ratio to 134.6 per cent, while the solvency position stood at 1.7

Solvency capital, solvency ratio and solvency limit 2010–30 June 2021



# Towards a carbon-neutral investment portfolio 2035

- Our goal is a carbon-neutral investment portfolio by the end of 2035.
- Ilmarinen joined the international Institutional Investors Group on Climate Change (IIGCC) network.
- Ilmarinen is also involved in the following:
  - Climate Leadership Coalition (CLC) initiative related to the global pricing of carbon
  - Signatory in an investors' call to ramp up governments' climate measures
  - CDP's campaign in which companies are encouraged to set science-based climate targets
- In April, Ilmarinen joined its asset management partner in a new low-carbon corporate bond fund as a pioneer investor with a sum of EUR 170 million.





# Future prospects and current information about the pension system

ILMARINEN



# Future prospects

- 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. The faster-than-expected acceleration of inflation is believed to be temporary and inflation is expected to remain moderate.
- The economic outlook is still uncertain and unrest in the markets can quickly increase if the risks related to the spread of the coronavirus and its new variants materialise. Other key uncertainties on the equity markets include the escalation of geopolitical crises, and the faster-than-expected acceleration of inflation or rapid rise in real interest rates.
- 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

- The government's proposal on reforming survivors' pension was submitted to the Parliament on 22 April 2021 and is intended to enter into force at the start of 2022. Survivors' pension will become fixed-term for those born after 1975. The standing of common law spouses and families with children will improve.
- The working group of the Ministry of Social Affairs and Health is preparing a reform involving self-employed persons' pension insurance. Underlying this is the transformation taking place in working life and entrepreneurship, self-employed persons' low confidence in the pension system and the growing share of state financing. A key problem is determining entrepreneurs' YEL income and the related underinsurance. FIN-FSA's thematic evaluation of the YEL income confirmation process was completed on 24 June 2021. The earnings-related pension sector is hoping for legislative adjustments to achieve an unambiguous definition of YEL income.
- Reviews of solvency regulation development and opportunities to improve return on investments are moving ahead. The pension negotiation group decided to propose to the Ministry of Social Affairs and Health that a working group for increasing the flexibility of funding regulation should be launched.
- The pension liabilities of the pension fund for the traffic services sector, Liikennepalvelualojen eläkekassa Viabek, which was declared bankrupt, were transferred to private sector employment pension insurance companies on 30 June 2021. Around EUR 64 million in pension liabilities, 773 current pension, and pension benefits earned by employees and entrepreneurs transferred to Ilmarinen. The agreement will have no impact on pensioners' and insured persons' benefits. The impact on Ilmarinen's solvency ratio was -0.06 percentage points.



# ILMARINEN

For a better working life

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

