



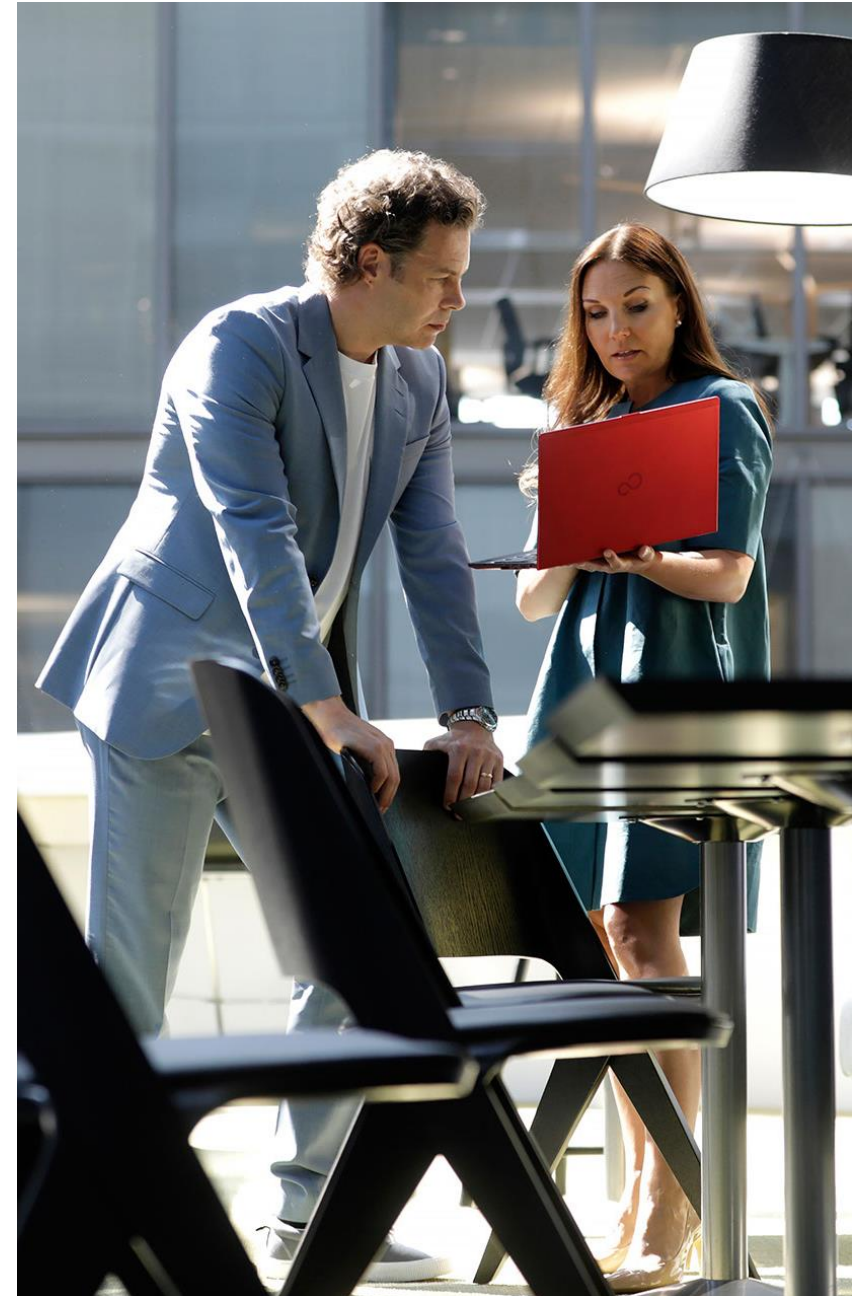
Security for your pension

Ilmarinen's Interim Report
January–September 2022

ILMARINEN

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

- The return on Ilmarinen's investment portfolio was -8.0 (10.5) per cent, i.e. EUR 4.9 billion negative due to falling stock prices and rising interest rates. The market value of investments fell to EUR 55.8 (60.8) billion.
- As a result of the negative return on investment operations, the total result for January–September fell to EUR 4.8 (2.9) billion.
- Premiums written rose by as much as 12 per cent to EUR 5.0 (4.4) billion thanks to strong growth in payrolls and the 0.45 percentage point increase made in TyEL contributions. EUR 4.9 (4.7) billion was paid in pensions.
- Net customer acquisition was EUR 159 (230) million and customer retention was 97.7 (97.9) per cent.
- Loading profit amounted to EUR 45 (45) million. The ratio of operating expenses to expense loading components improved to 62 (64) per cent, despite the 9.5 per cent reduction in the expense loading rate. Operating expenses financed using loading income fell by EUR 7 million to EUR 73 (81) million.
- Solvency capital was EUR 11.8 (16.5) billion and the solvency ratio was 126.3 (136.7)



Key figures January–September 2022

Premiums written

4.97 (4.43)

€ bn



4.95 (4.74)

€ bn

Pensions paid

Loading profit*

45 (45)

€ mill.



62 (64)

%

Ratio of operating expenses to
expense loading components*

Return on investments

-8.0 (10.5)

%



55.8 (60.8)

€ bn

Investment assets

Solvency ratio

126.3 (136.7)

%



11.8 (16.5)

€ bn

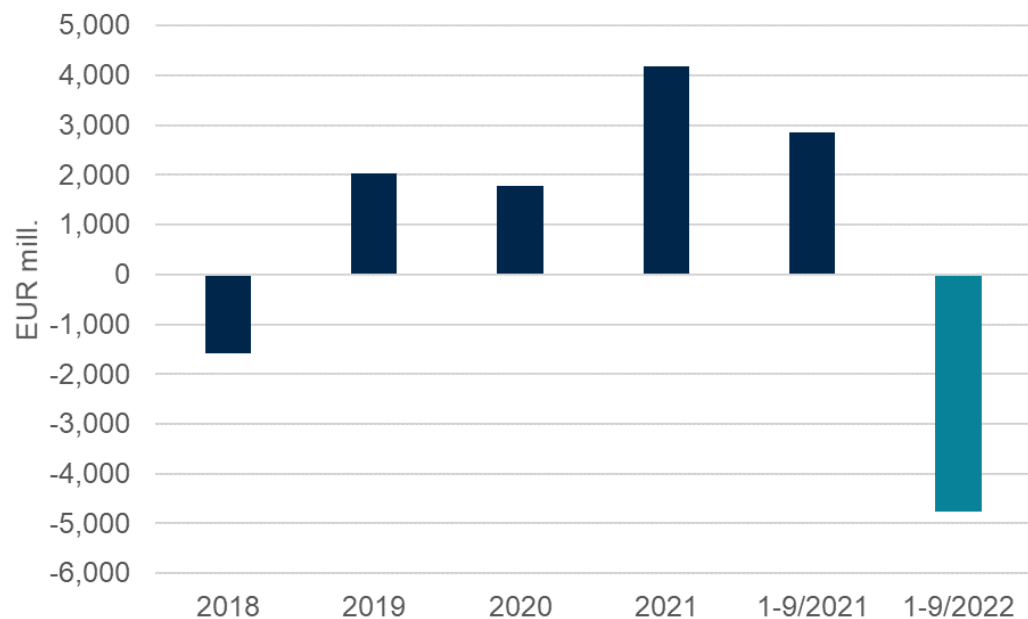
Solvency capital

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 1–9/2022 was EUR 56 million and the ratio of operating expenses to expense loading components was 57 per cent.

Due to the negative return on investment operations, the total result for January–September fell to EUR 4.8 billion

Total financial result, € mill.



Sources of profit, € mill.

Result analysis, EUR mill.	1 Jan-30 Sep 2022	1 Jan-30 Sep 2021	1 Jan-31 Dec 2021
Underwriting result	70	14	44
Return on investments at fair value	-4,865	2,798	4,104
+ Net return on investments at fair value	-4,868	5,567	8,086
- Return requirement on technical provisions	3	-2,769	-3,982
Loading profit	45	45	42
Other profit	0	0	-11
Total result	-4,751	2,856	4,179



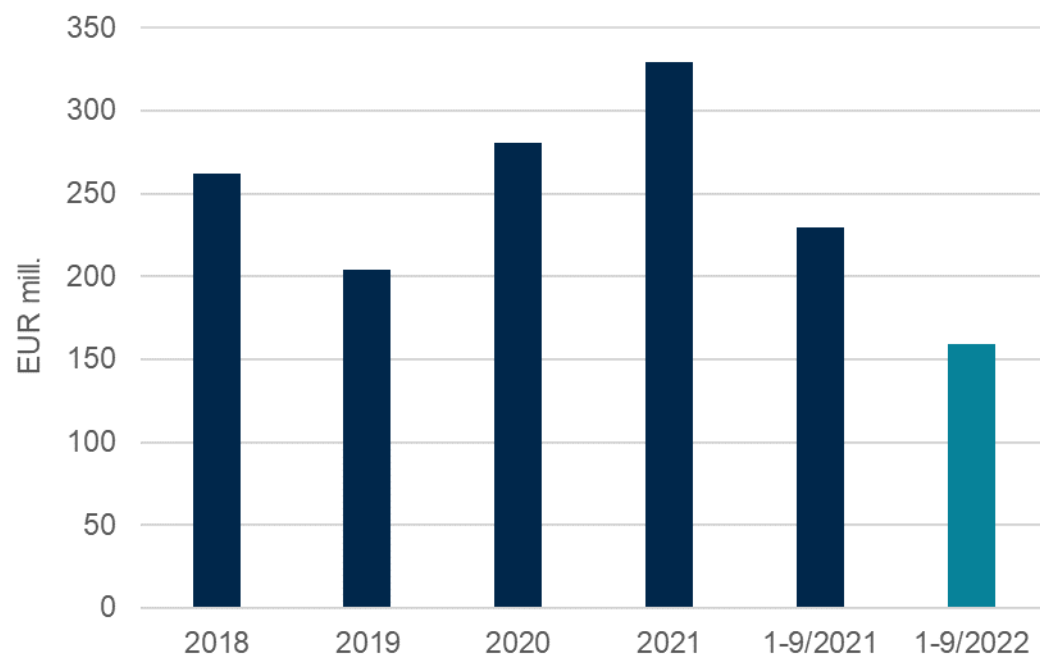
Pension security for you

Insurance and pensions

ILMARINEN

In January–September net customer acquisition was EUR 159 million, customer retention was 97.7 per cent

Net customer acquisition 2018–2022, € mill.

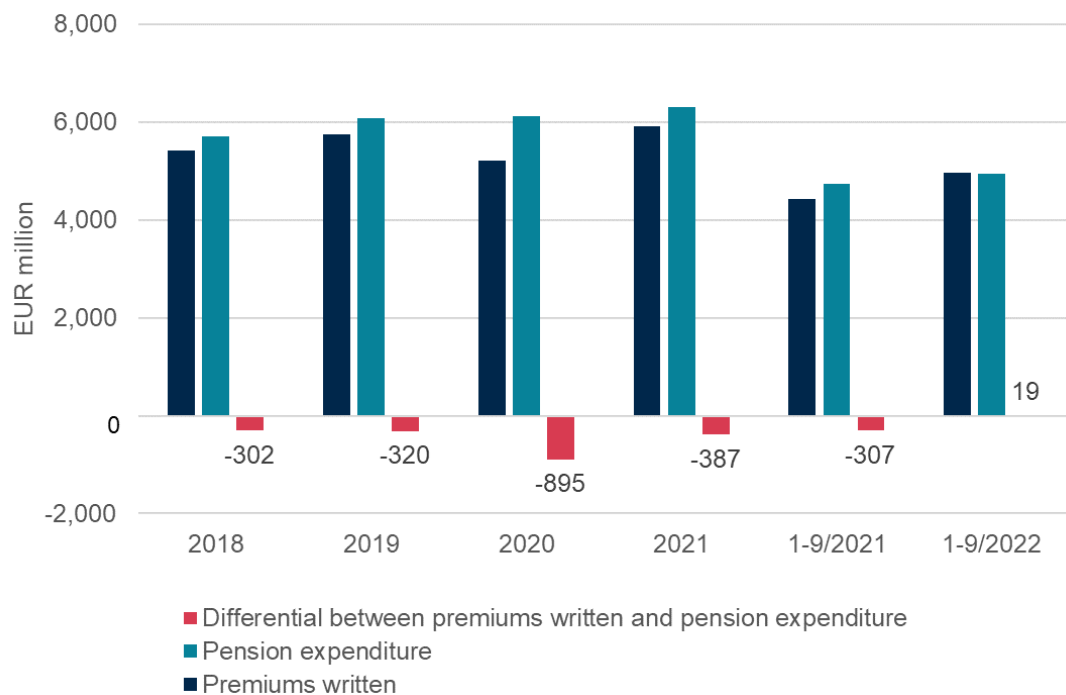


Net customer acquisition, € mill.

EUR mill.	1-9/2022	1-9/2021	2021
Net customer acquisition	159	230	329
Sales of new insurance	123	114	203
Net transfer of insurance	36	116	126
Customer retention, % of premiums written	97.7	97.9	97.3

Premiums written grew to **EUR 5.0 bn** and was **EUR 19 mill.** larger than pension expenditure

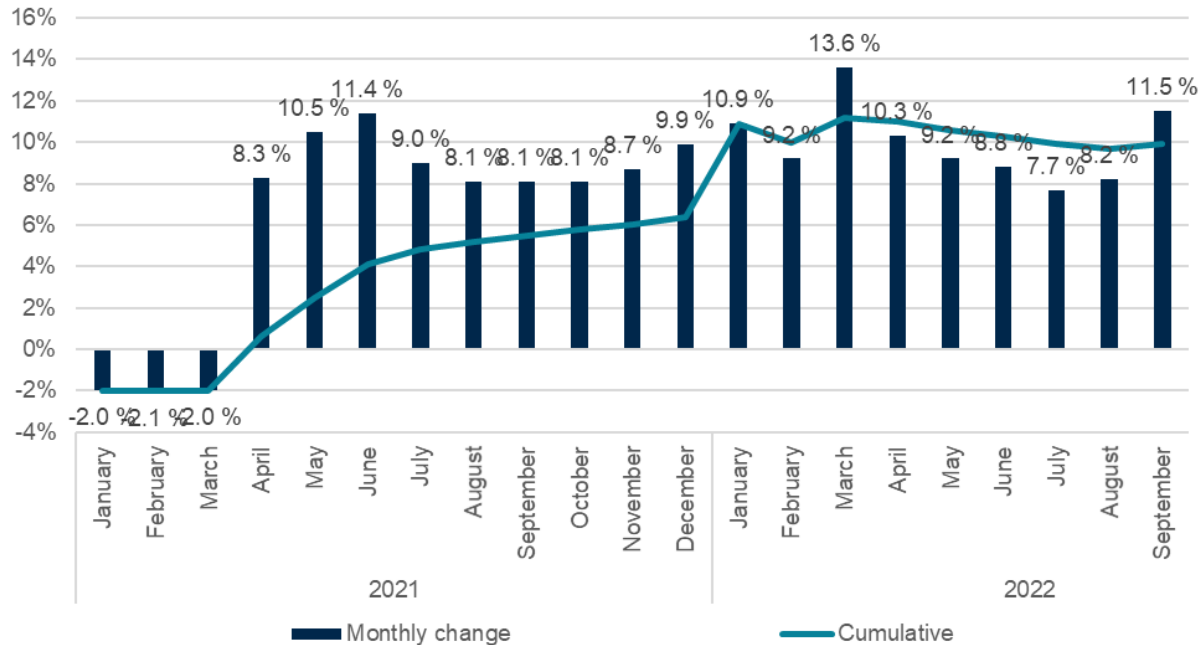
Premiums written and pension expenditure January–September 2022



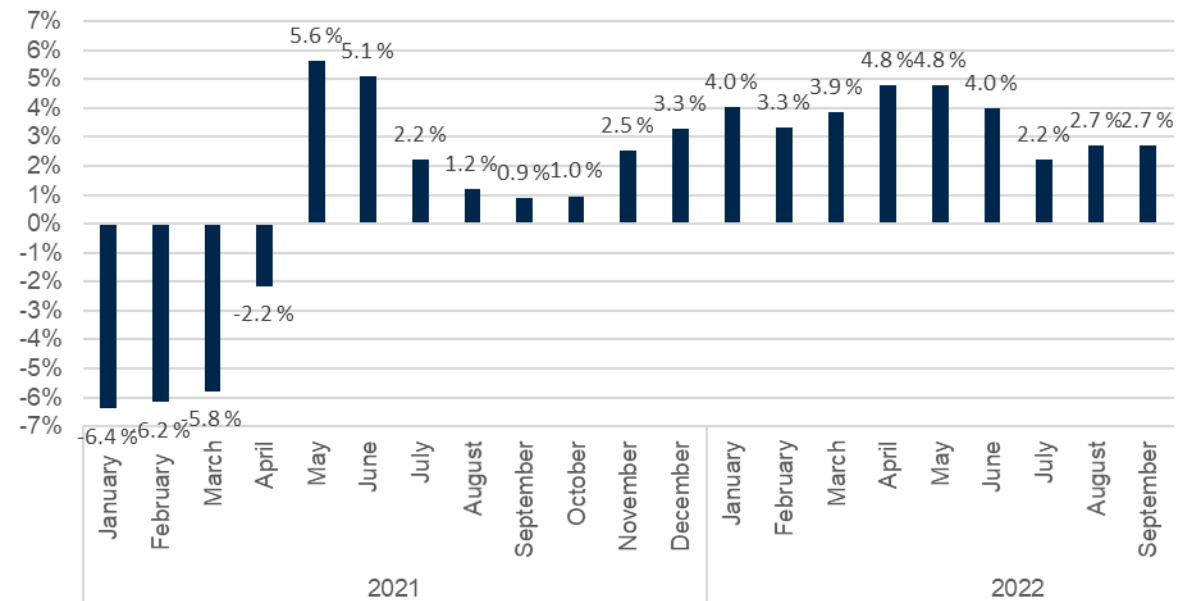
EUR mill.	2018	2019	2020	2021	1–9/2021	1-9/2022
Premiums written TyEL	5,026	5,364	4,833	5,534	4,127	4,659
Premiums written YEL	384	394	388	388	302	308
Total premiums written	5,410	5,758	5,220	5,922	4,429	4,967
Pensions paid TyEL	5,365	5,673	5,701	5,902	4,424	4,625
Pensions paid YEL	347	405	415	407	312	322
Pension expenditure, total	5,712	6,078	6,116	6,309	4,736	4,948

Customers' payroll grew 9.9 per cent in January–September and the number of employees grew 3.9 per cent

Change in payroll of Ilmarinen's customers from previous year

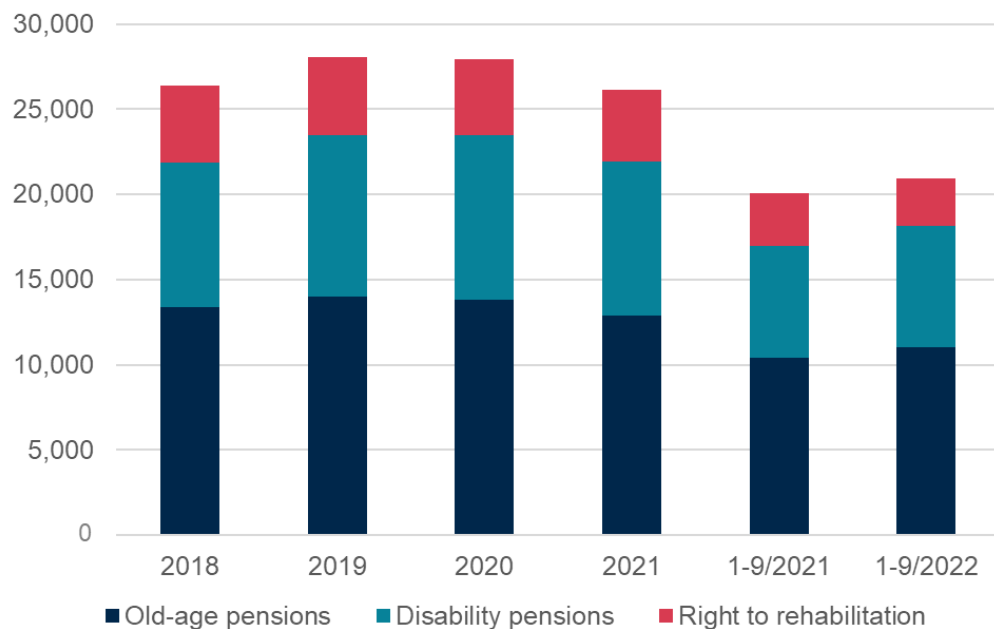


Change in number of employees in Ilmarinen's business cycle index

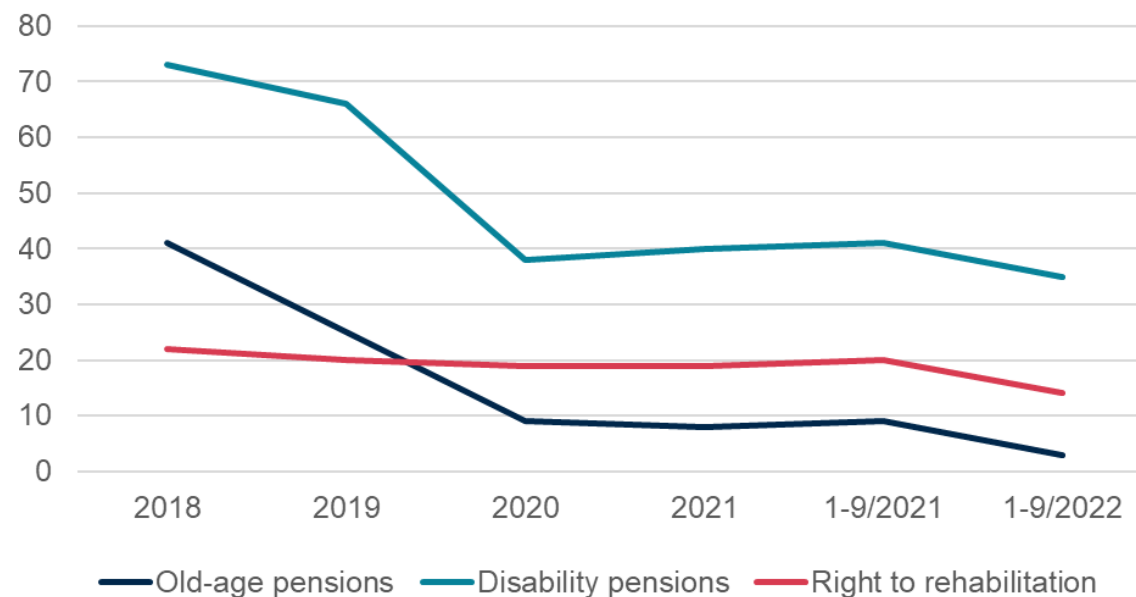


1,984 more new pension decisions were made year-on-year, processing time for old-age pension decisions reduced to 3 days

Number of pension decisions



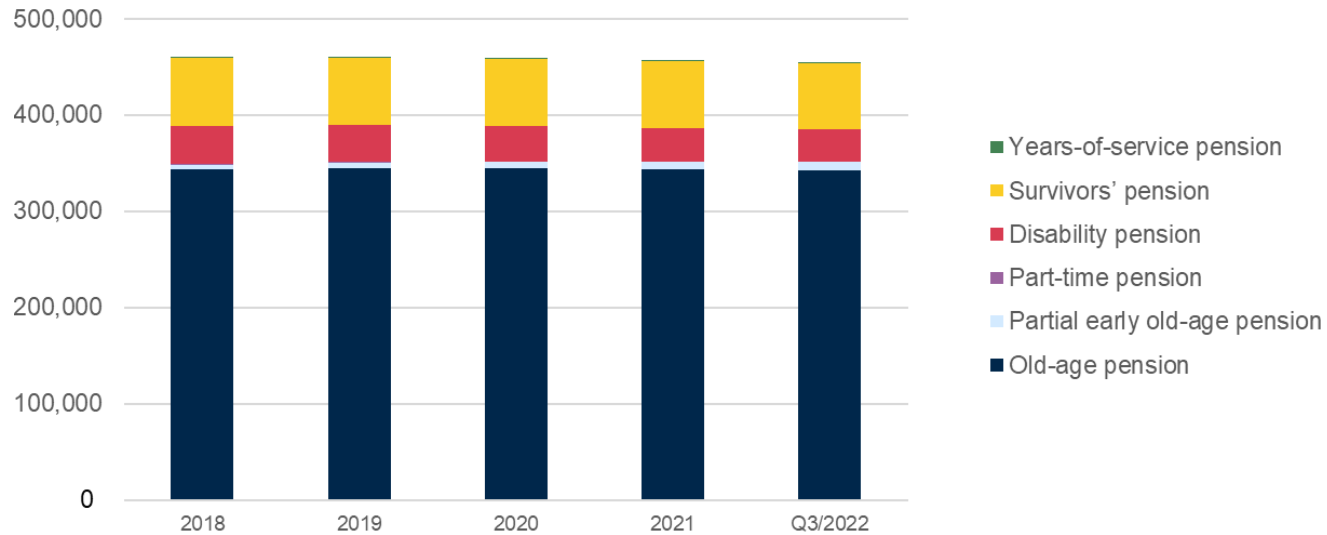
Average application processing time, days



* The figure does not include new decisions on partial early old-age pensions, year-of-service pensions and survivors' pensions (7,004).

The number of pension recipients fell by some 2,000 pensioners, 1,616 fewer people were on disability pension

Ilmarinen's pension recipients



We paid EUR 4.9 billion in pensions to 453,591 pensioners



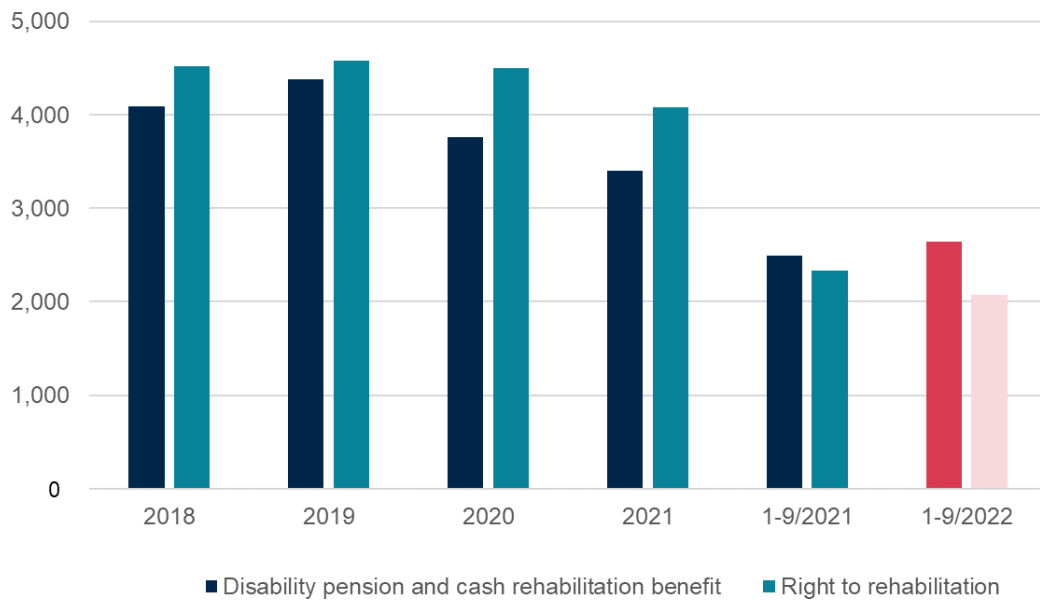
A Better Working Life

Work ability risk
management and
rehabilitation

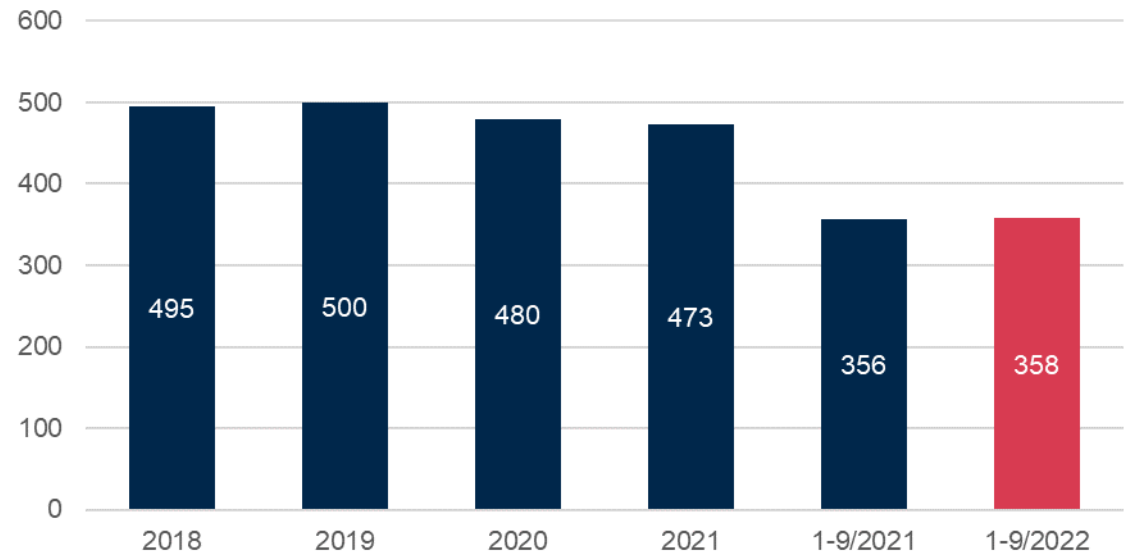
ILMARINEN

2,642 persons transitioned on a disability pension or cash rehabilitation benefit, which is 6 per cent more than in the previous year. Disability pension expenditure on a par with the previous year.

Rehabilitation and persons retired on disability pension

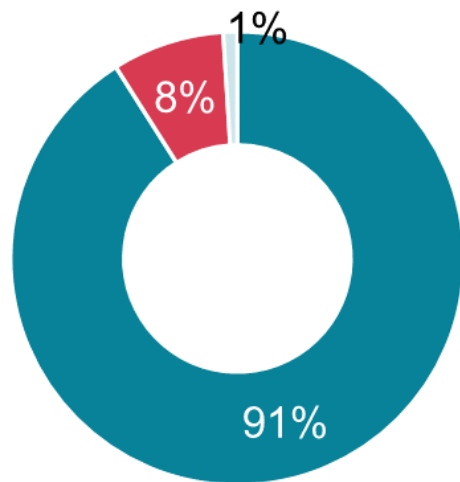


Disability pension expenditure, EUR mill.



Work ability projects numbered 947 and covered 131,700 employees

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



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

Work-ability services'
NPS 73
(1–9/2022)



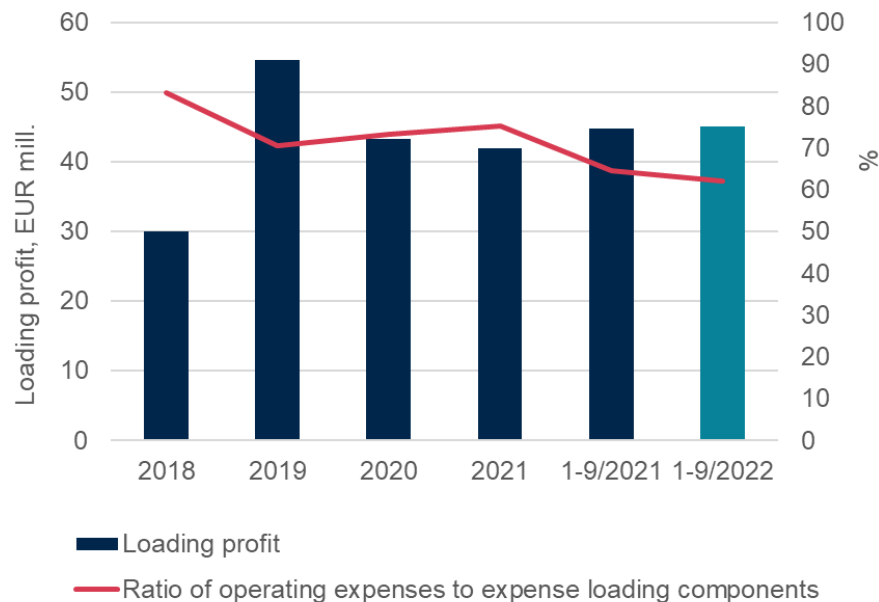
Cost-effective operations

Operating expenses and personnel

ILMARINEN

The loading profit was 45 million and the ratio of operating expenses to expense loading components was 62 per cent. Operating expenses financed using loading income fell by 7 million to EUR 73 million.

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

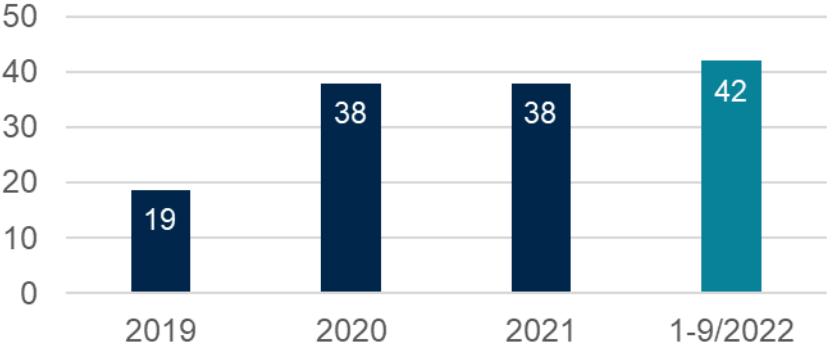


EUR mill.	2018	2019	2020	2021	1-9/2021	1-9/2022
Expense loading components and other income	179	185	162	168	126	119
Operating expenses covered by loading income	149	130	119	126	81	73
Loading profit	30	55	43	42	45	45
Ratio of operating expenses to expense loading components, %	83	70	73	75	64	62
Total operating expenses	195	175	158	176	116	107

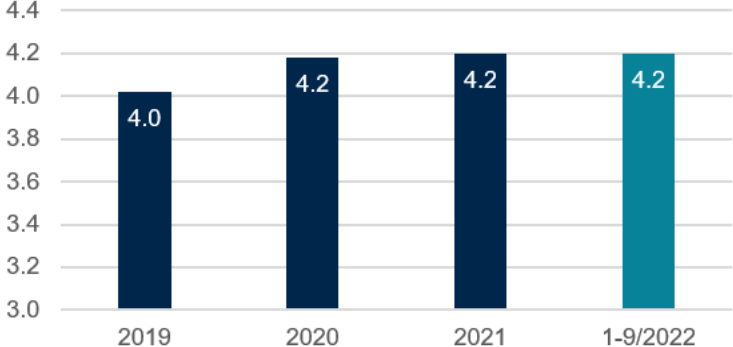
*) The loading profit is weakened, compared to 2021, by the 9.5 per cent discount made in rates affecting the TyEL administrative cost component. The comparable loading profit for 1–9/2022 was EUR 56 million and the ratio of operating expenses to expense loading components was 57 per cent. Similarly, 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

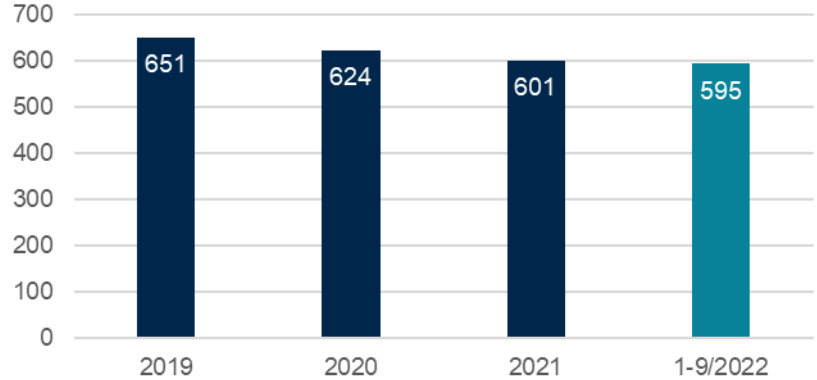
Employee Net Promoter Score (eNPS)



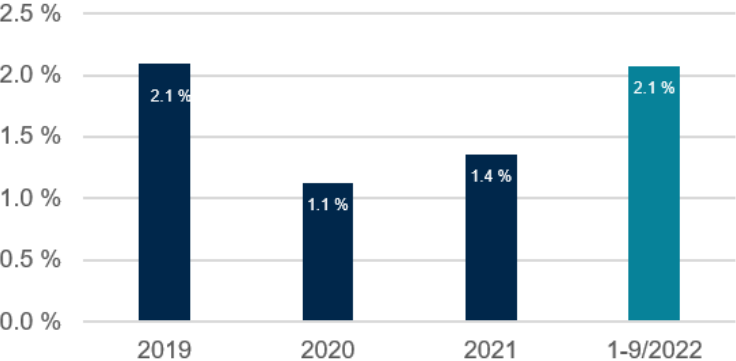
Personnel's average work energy (1–5)



Average number of employees (person years)



Lost time due to sick leave





**Profitably,
securely and
responsibly**

Investment activities

ILMARINEN

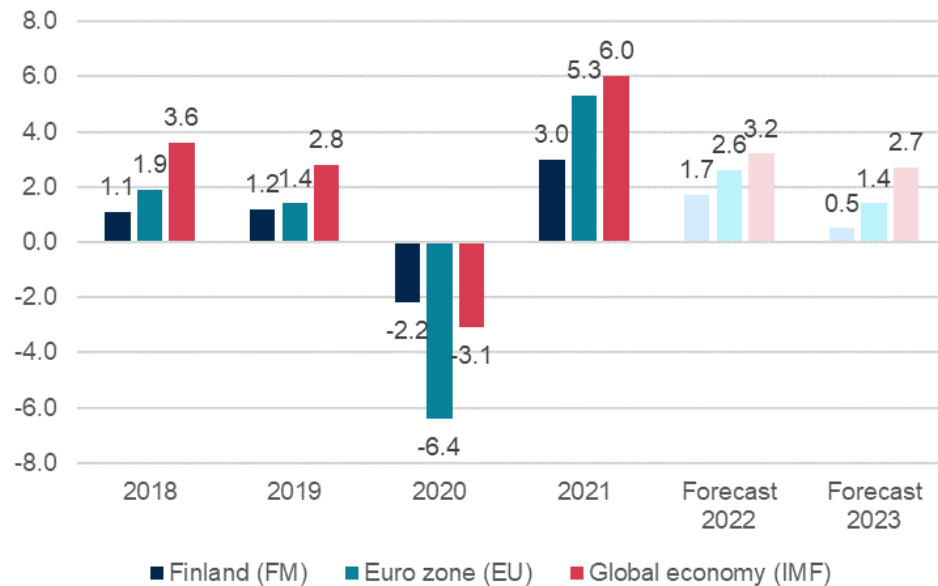
Key observations about the operating environment

- High inflation, tightening monetary policy and high energy prices are weakening the global economic outlook.
- Inflation has been faster than predicted during the summer and autumn in both the euro zone and the USA, which has maintained the need to tighten monetary policy.
- Economic growth has slowed and it appears likely that economies will slide into a recession.
- The US equity markets (S&P 500 index) fell in January–September by 24 per cent, the broad European stock index (Stoxx Europe 600) fell by 18 per cent, and the Finnish equity market fell 22 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 16 per cent against the euro in January–September.

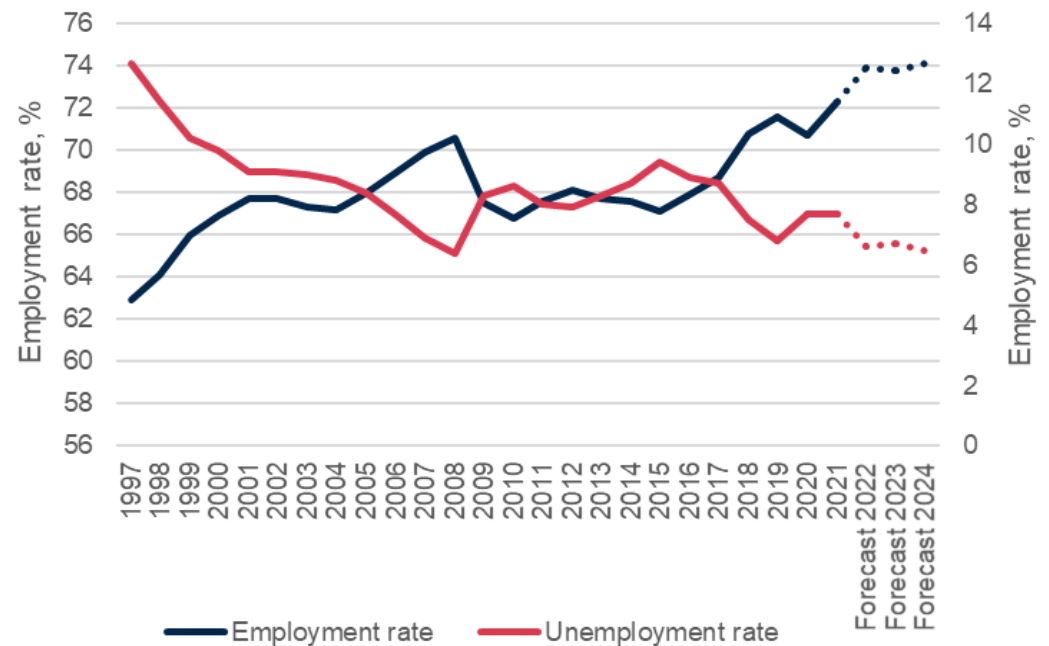


Economic growth forecasts have been cut during January–September. The global growth forecast is 3.2 per cent for 2022, Finland’s growth forecast is 1.7 per cent.

GDP development, %



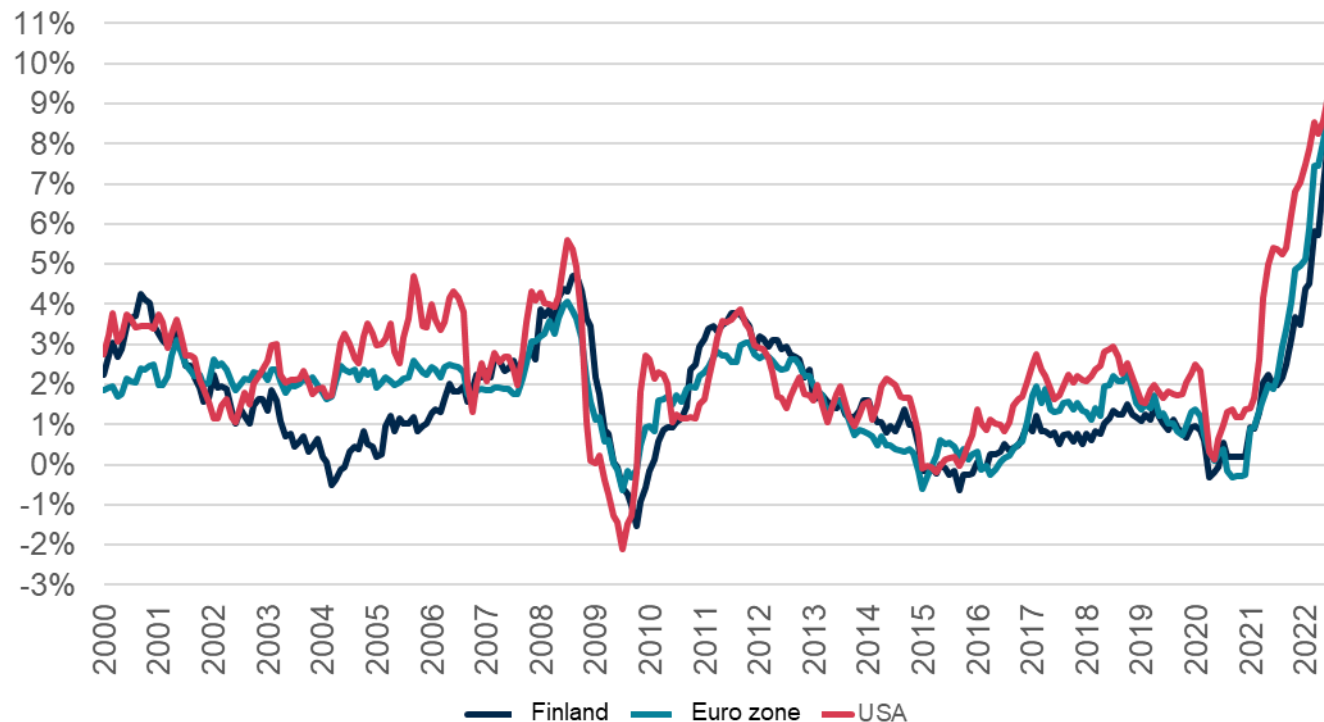
Development of Finland’s employment and unemployment rates, %



Sources: Statistics Finland, Ministry of Finance (forecast 19 September 2022), EU (forecast 14 July 2022), IMF (forecast 11 October 2022)

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

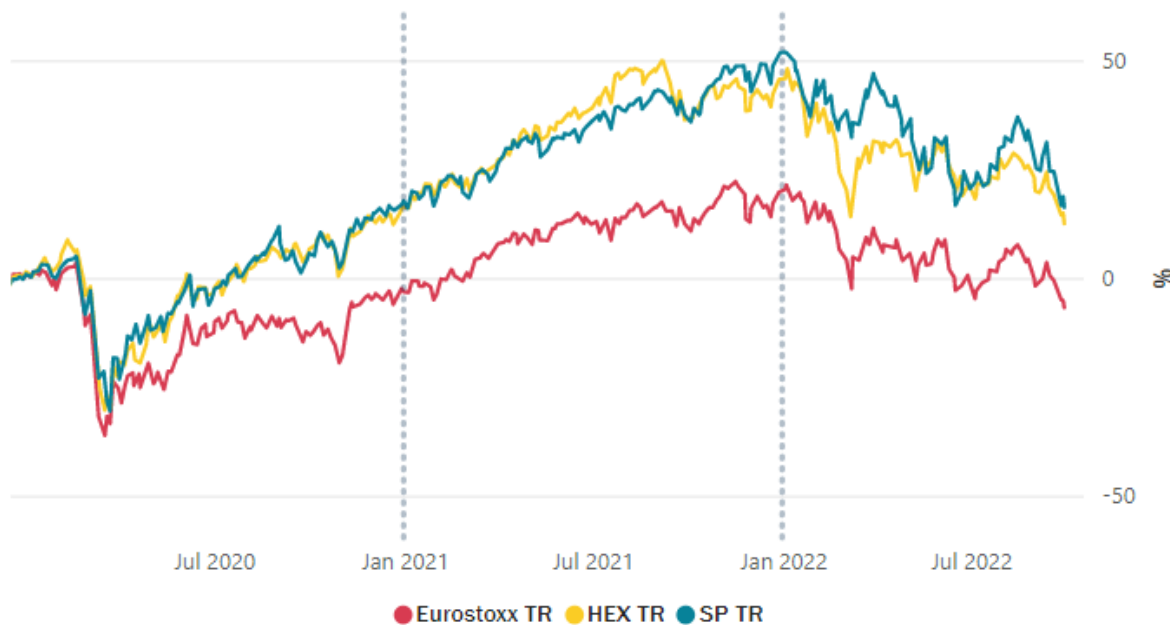
Year-on-year change in consumer prices



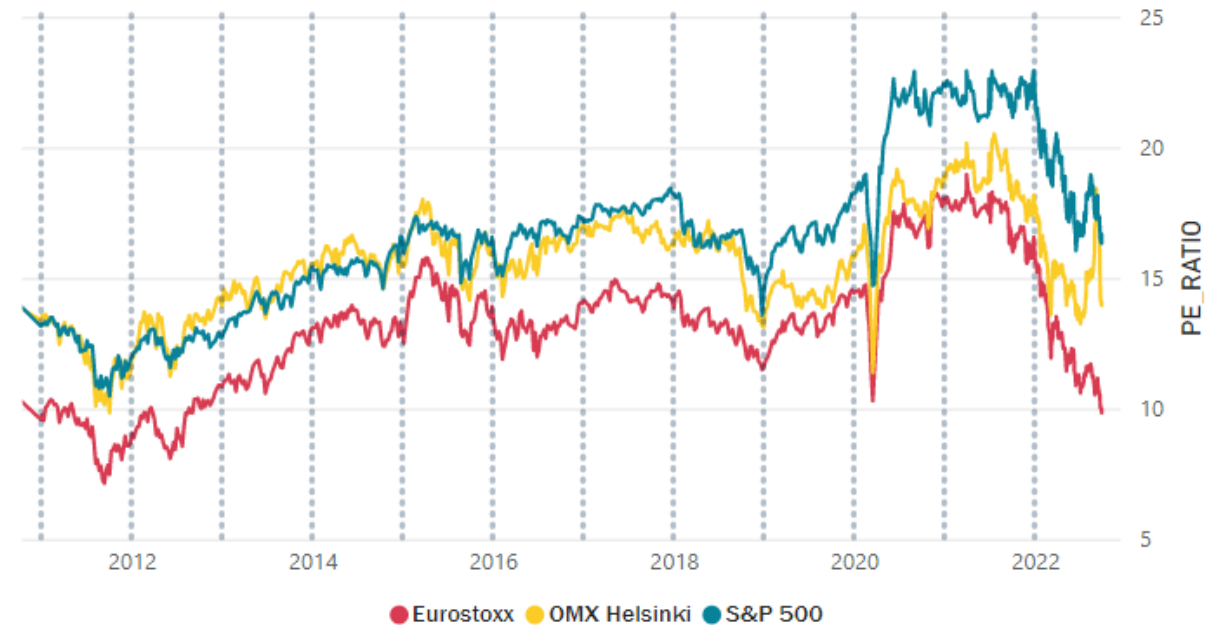
- In September, inflation was 8.2% in the USA, 10.0% in the euro zone and 8.1% in Finland.
- Inflation has increased economies' uncertainty and accelerated the tightening of monetary policies across the board.
- The acceleration of inflation has been impacted by the rapid rise in energy and raw material 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

Equity market performance



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

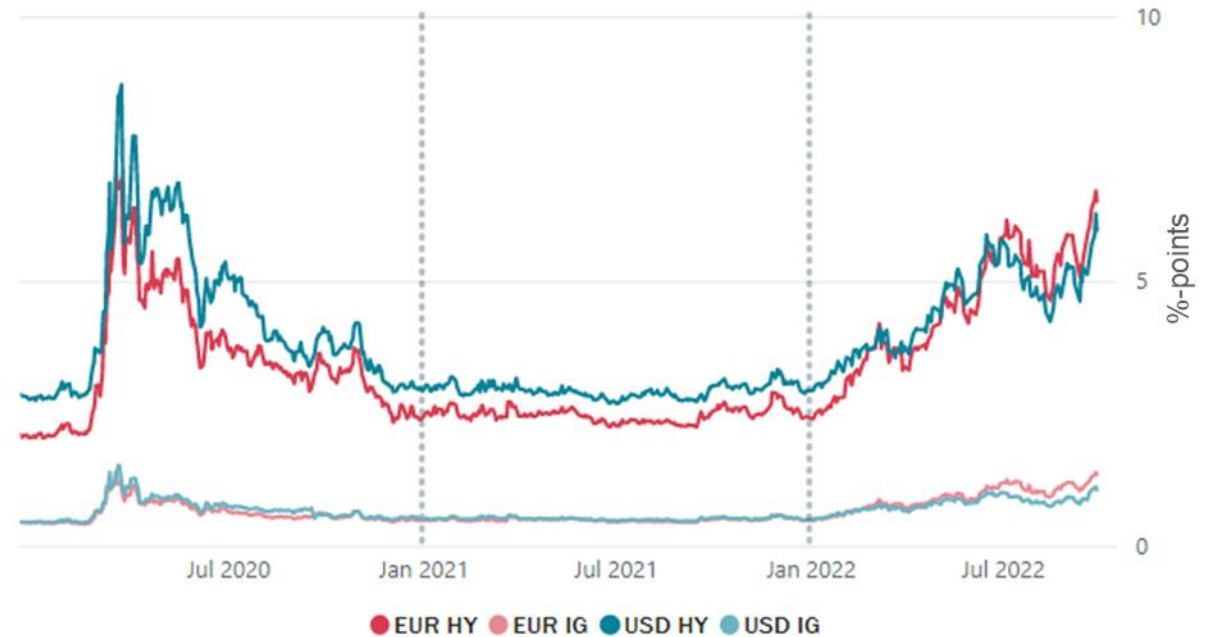


Interest rates have risen due to accelerating inflation. Credit risk margins have widened as economic uncertainty increases.

Development of interest rates

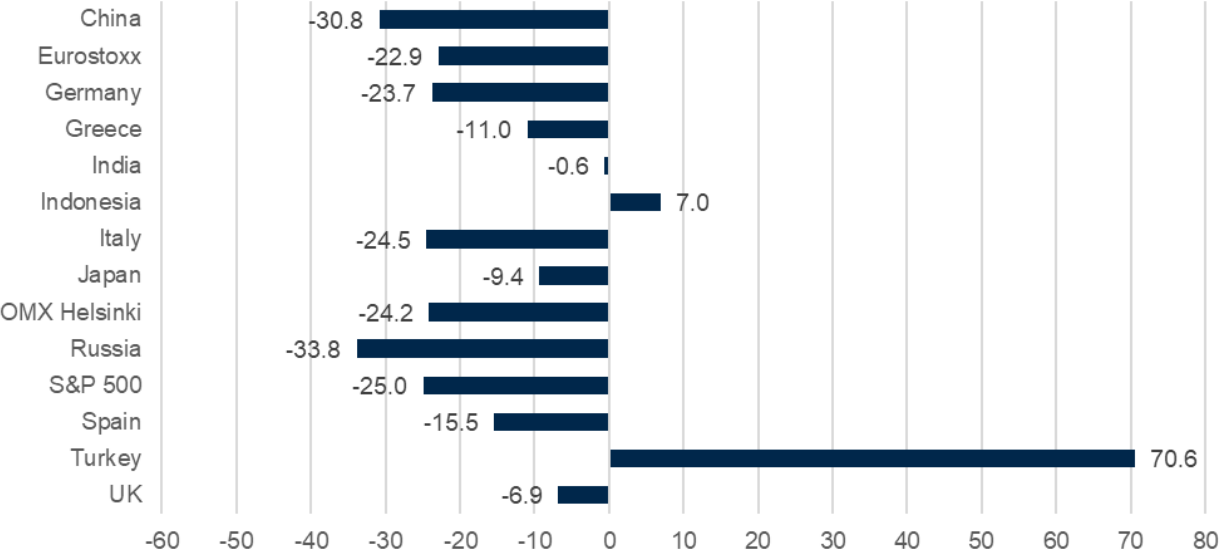


Development of credit risk premiums

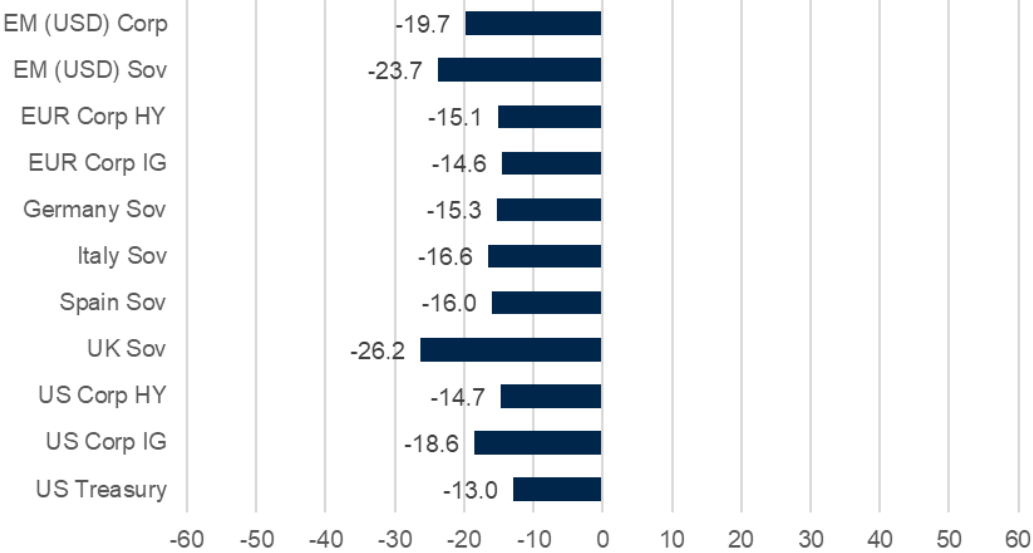


Market development (as per 30 September 2022)

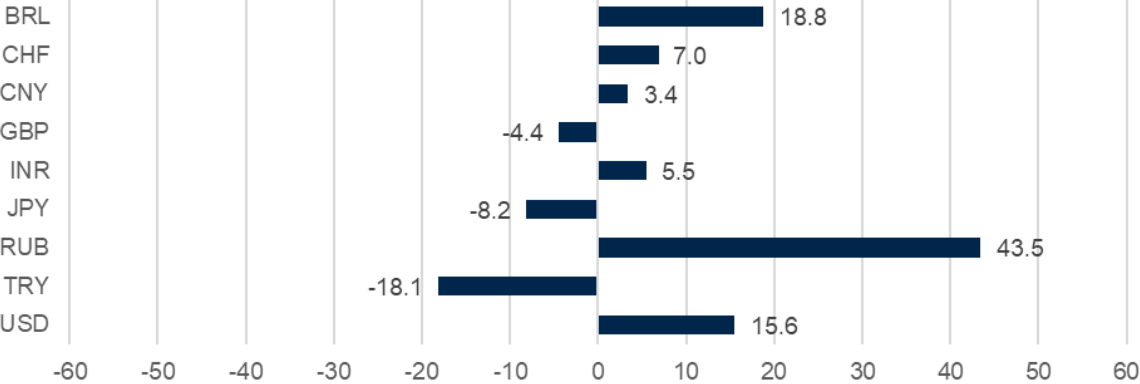
Equity market YTD %



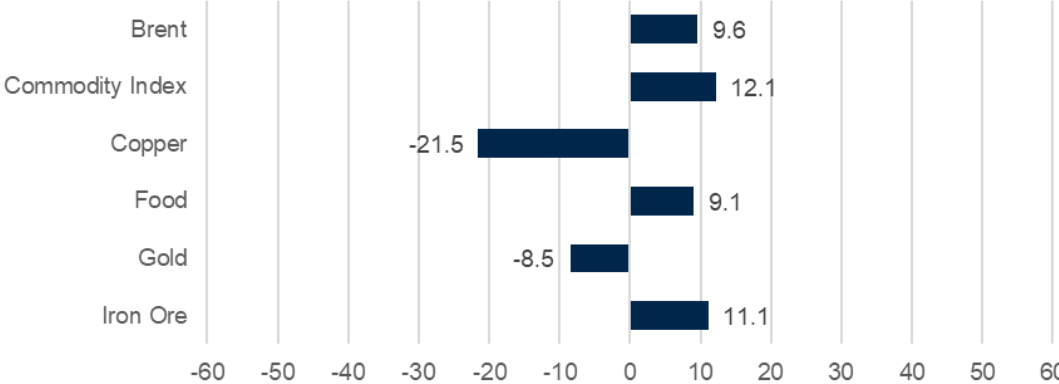
Fixed income YTD %



Currency against the euro YTD %

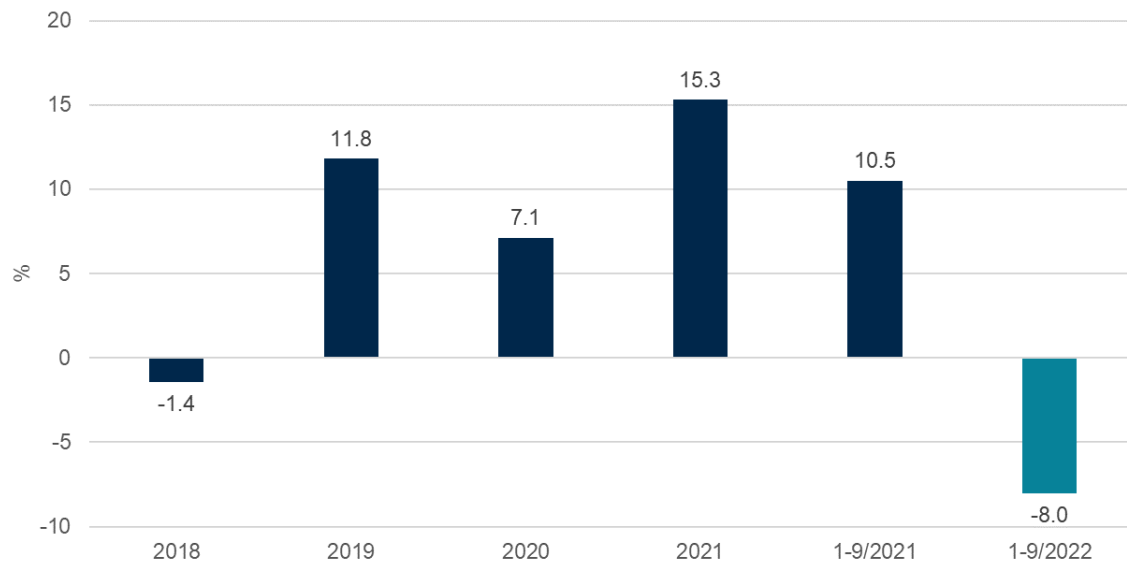


Commodities YTD %



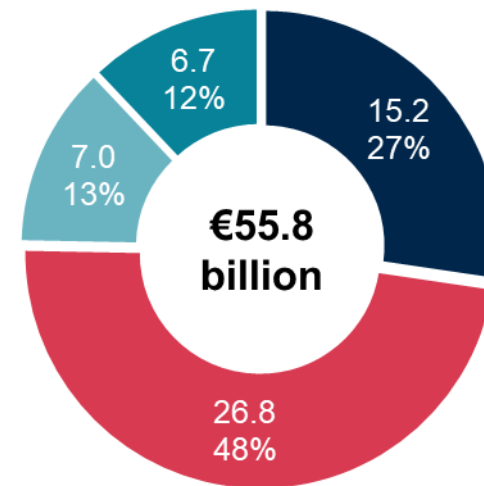
The return on the investment portfolio fell to -8.0 per cent, i.e. EUR -4.9 billion

Return on investments



Average nominal return on investments over 5 years 4.9% and real return 2.3%.

Breakdown of investments, 30 September 2022

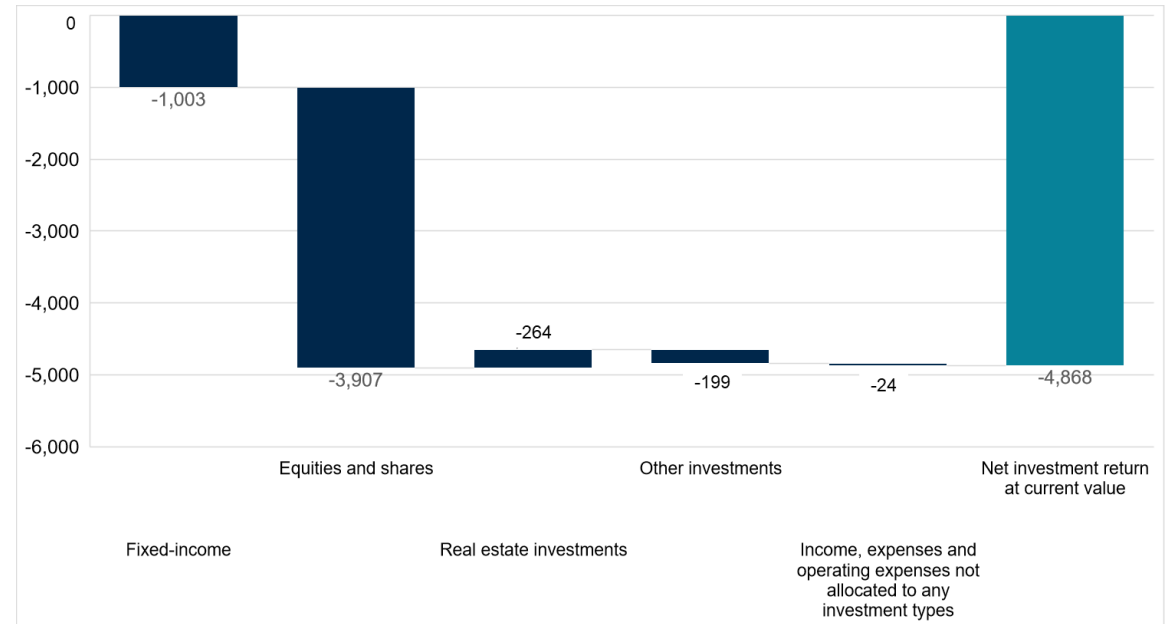


- Fixed-income
- Equities and shares
- Real estate investments
- Other investments

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

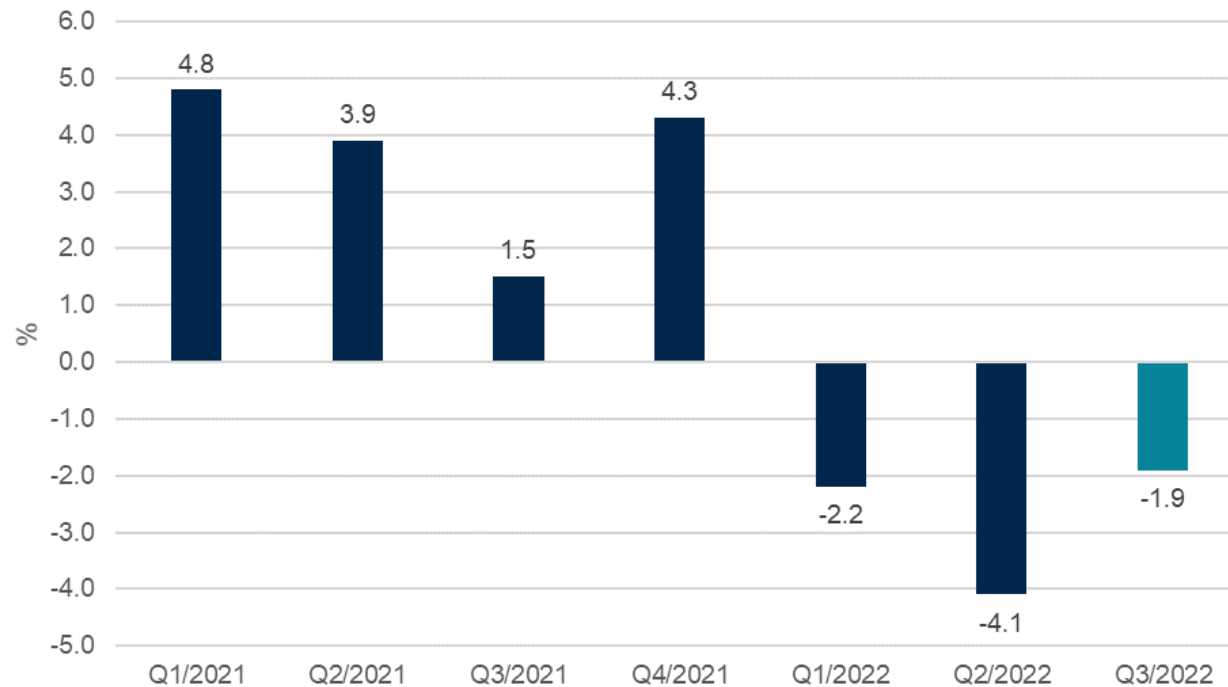
Return January–September, per cent Return by type of investment, € mill.

Return by type	1-9/2022	1-9/2021	2021
Return on investments	-8.0	10.5	15.3
Fixed income	-5.7	3.5	3.9
Equities and shares	-12.8	19.2	28.0
Real estate	4.0	4.2	8.8
Other investments	-3.3	-1.7	-2.0



Long-term return on investments (since 1997): nominal return 5.7% and real return 3.9%.

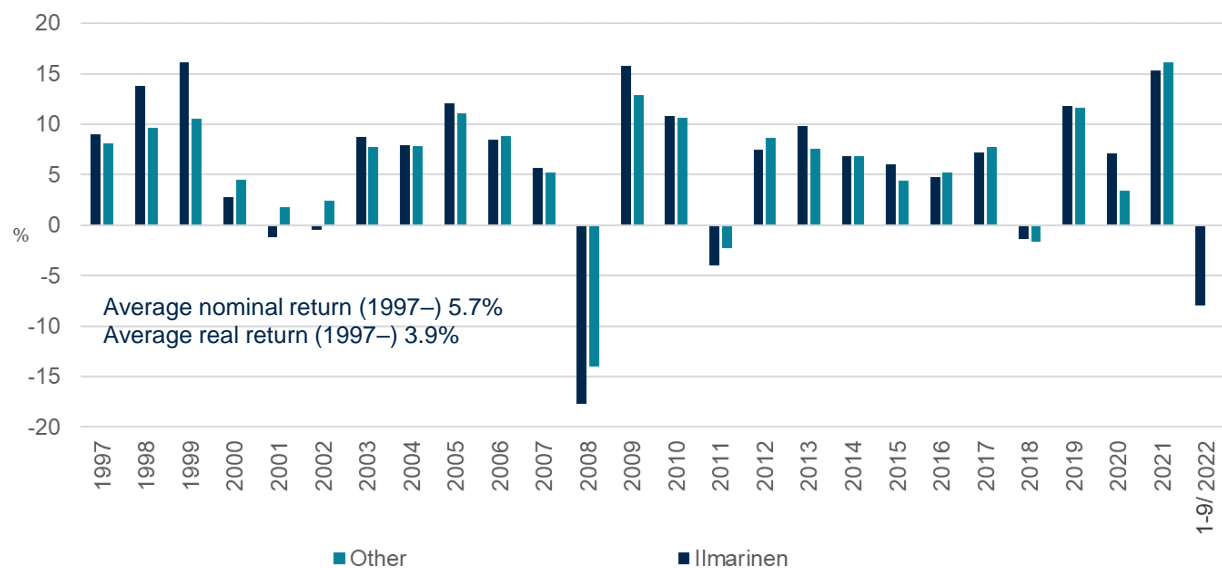
The return on investments in Q3 was -1.9 per cent, i.e. EUR 1.1 billion negative



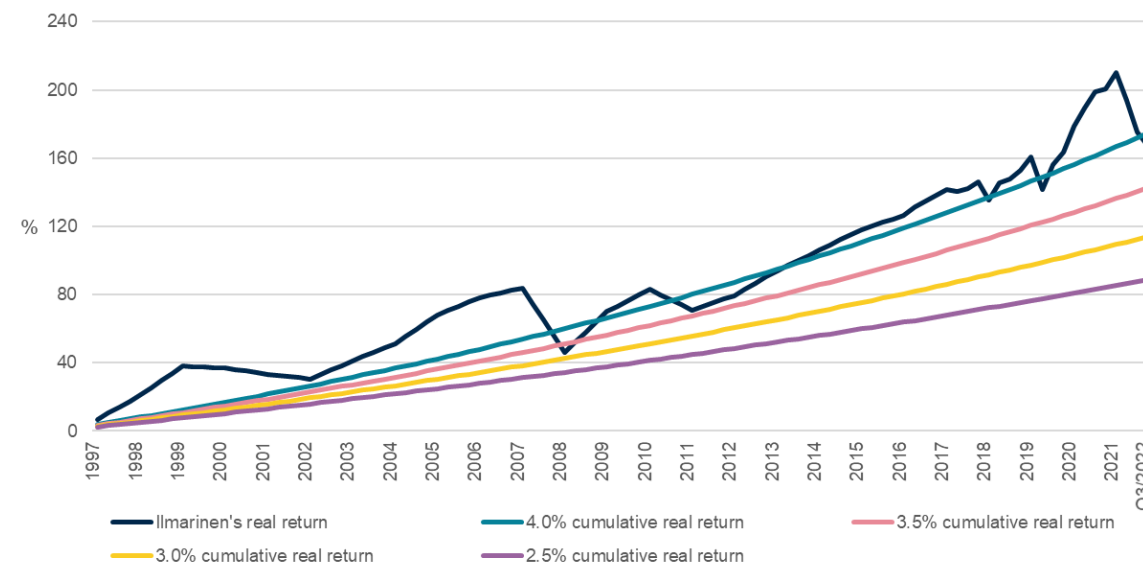
Capital market development continued to be soft. The decline in stock prices and rise in interest rates continued and inflation has proven to be a more persistent problem than expected. Inflation has been faster than predicted during the summer and autumn in both the euro zone and the USA.

The long-term average nominal return is 5.7 per cent per annum, or 3.9 per cent in real terms

Net return on investments at current value

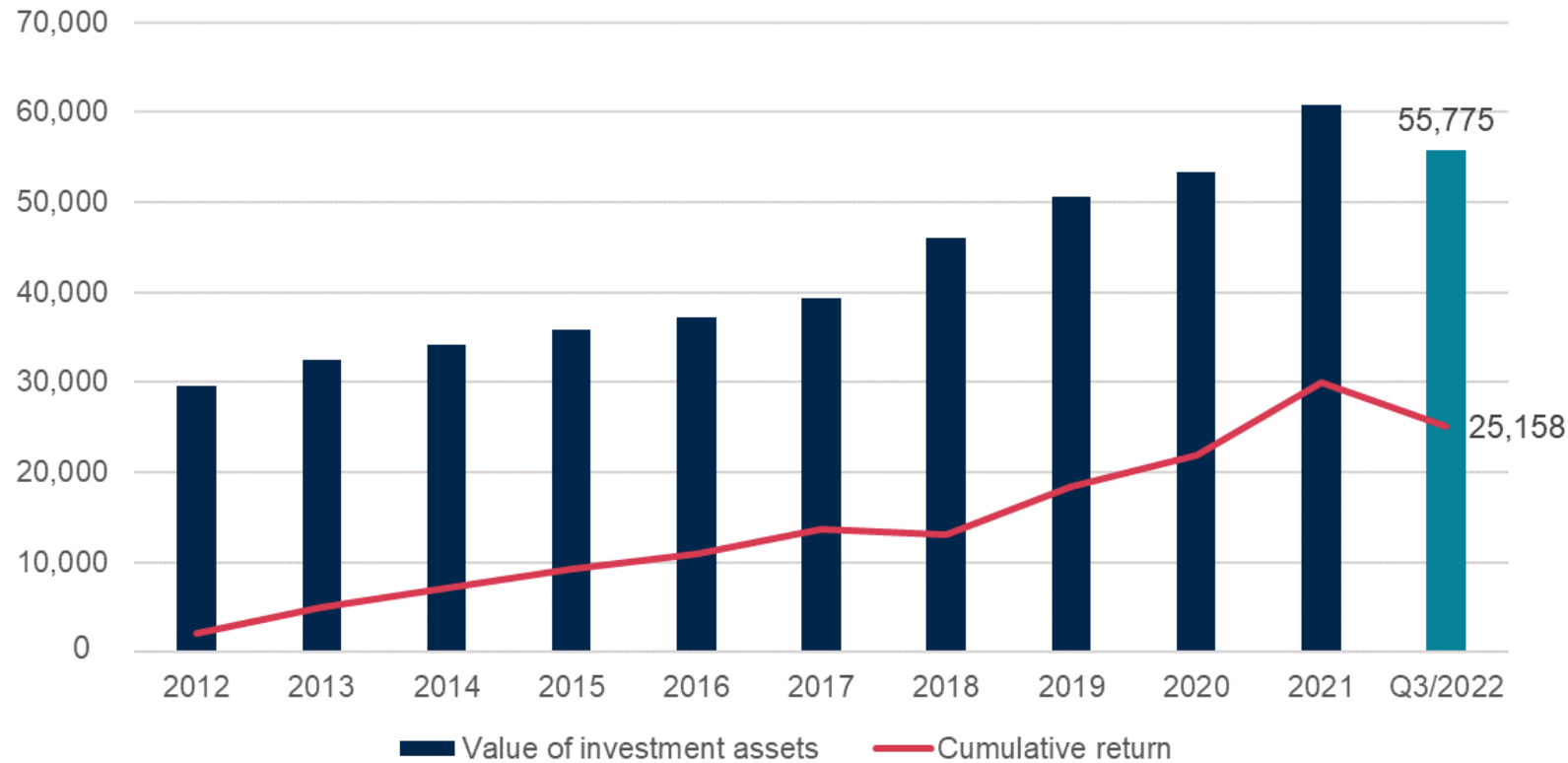


Cumulative net return on investments 1997–30 September 2022



Value of investments EUR 55.8 billion, cumulative return on investments from start of 2012, EUR 25.2 billion

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



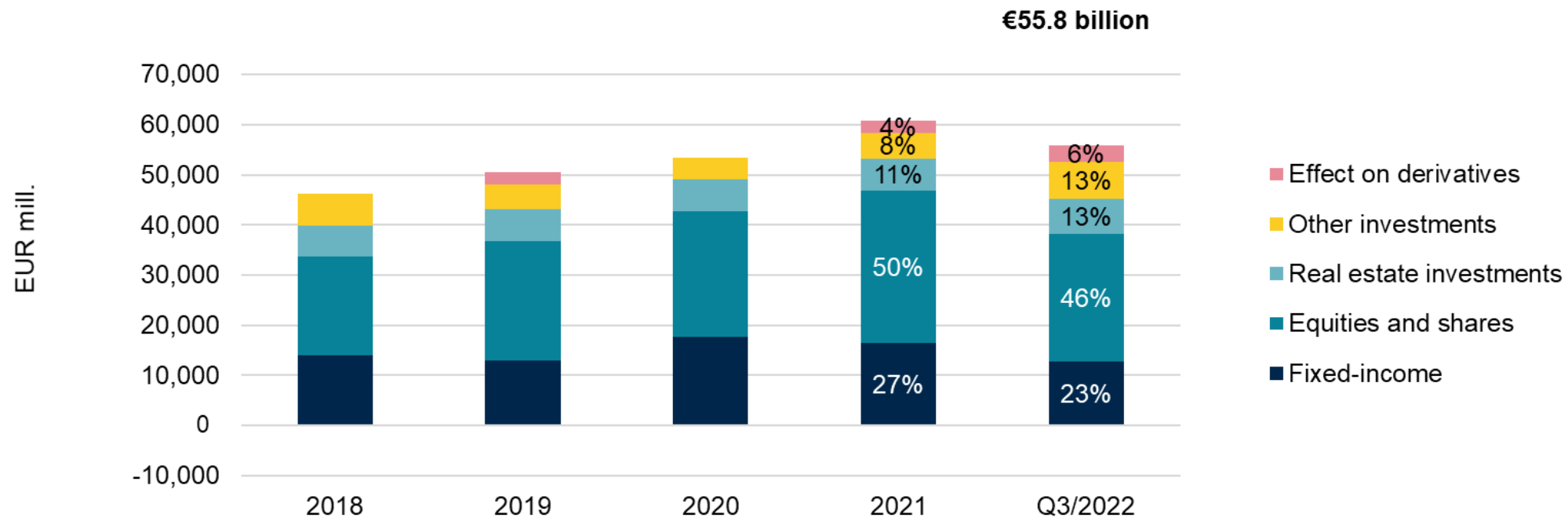
Long-term return remains at a good level

Average return of different markets:

%	Ilmarinen	Finnish equities and shares	European equities and shares	Euro Government bonds	Euro Corporate bonds
Q3/2022	-1.9	-4.0	-4.3	-5.1	-3.1
2022	-8.0	-21.0	-18.6	-16.7	-15.2
2021	15.3	25.3	24.9	-3.4	-1.1
Average return over 5 years	4.9	5.5	2.5	-1.8	-1.9
Average return over 10 years	6.0	11.7	6.5	1.3	0.9
Average return over 20 years	5.6	10.6	6.4	2.9	2.9
Average return since 1997	5.7	9.4	5.9	3.7	3.5
Real average return over 5 years	2.3	2.9	0.0	-4.2	-4.3
Real average return over 10 years	4.3	9.9	4.9	-0.3	-0.6
Real average return over 20 years	3.8	8.7	4.6	1.2	1.2
Real average return since 1997	3.9	7.5	4.1	1.9	1.7

In the investment allocation, the share of equity investments fell to 46% and the share of fixed income investments rose to 23%

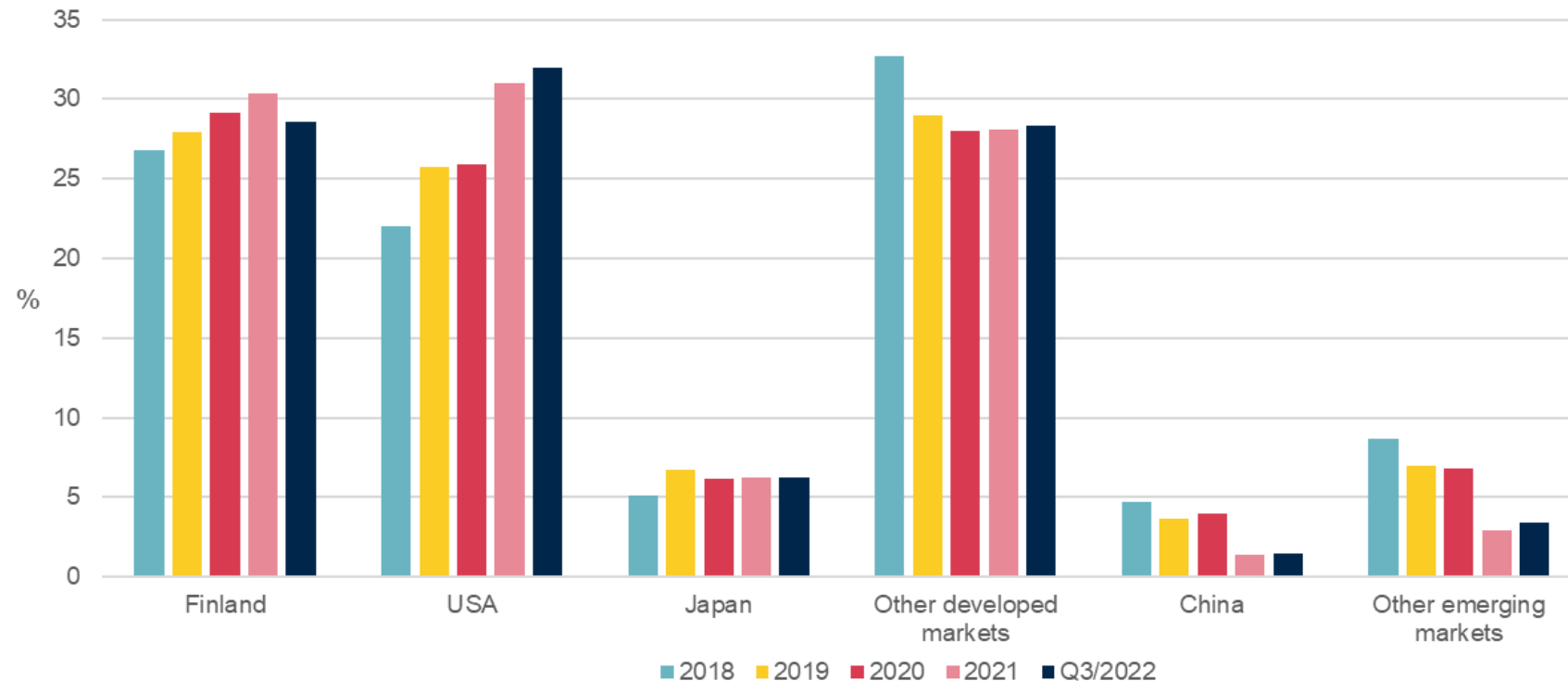
Breakdown of investment risks



Share of Finnish listed equity investments

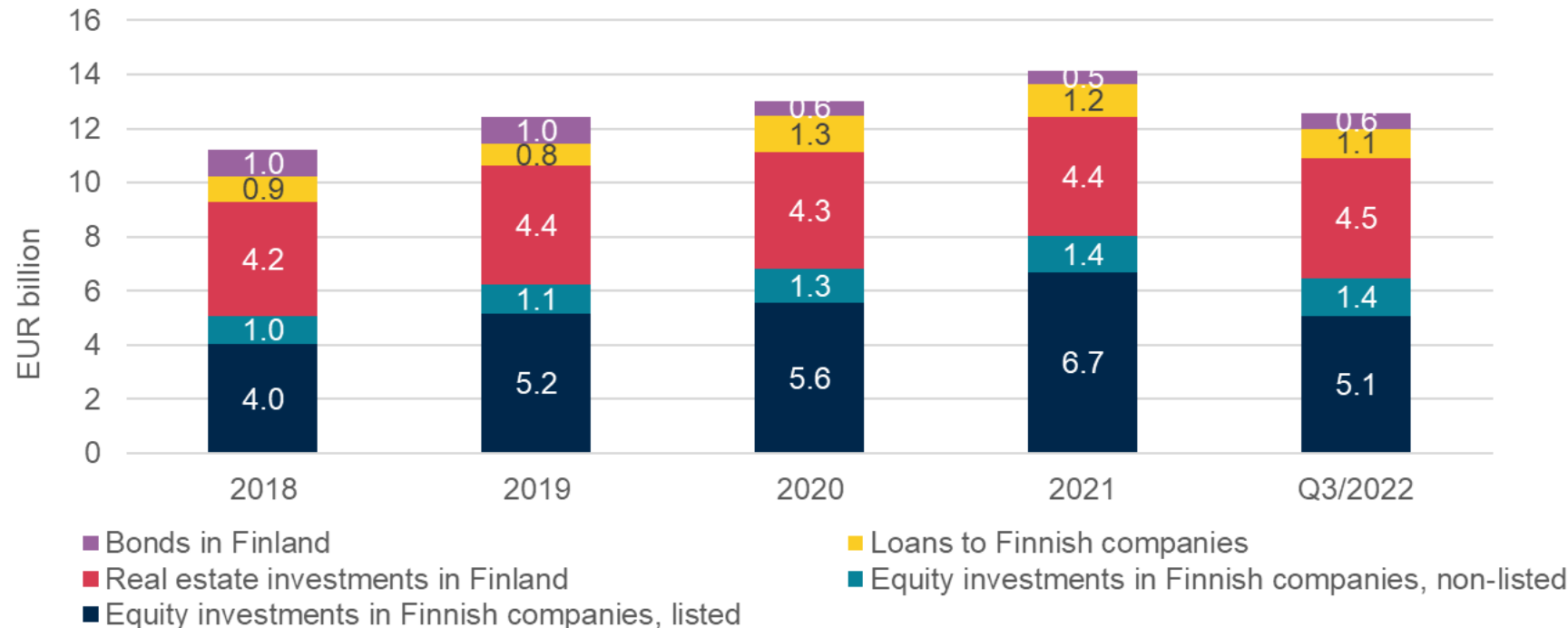
29 per cent

Geographical breakdown of listed equities



Ilmarinen's investments in Finland were EUR 12.6 billion, i.e. 23 per cent of the investment portfolio

Investments in Finland 2017–30 September 2022, € bn



Holdings in Finnish publicly listed companies

EUR 5.1 bn

Largest Finnish listed equity holdings

	EUR mill.	30 Sep 2022	31 Dec 2021
↑	Sampo Plc	374	363
↓	Nordea Bank Abp	329	385
↓	Nokia Corporation	324	389
↓	UPM-Kymmene Corporation	323	389
↓	Stora Enso Corporation	289	355
↓	Neste Corporation	288	348
↓	Kesko Oyj	270	408
↓	Kojamo Plc	268	435
↓	Kone Corporation	254	305
↓	Fortum Corporation	218	382

	Percentage	30 Sep 2022	31 Dec 2021
↓	Nurminen Logistics Plc	14.9	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–September

	Basic breakdown		Risk breakdown		Return	Volatility
	EUR mill.	%	EUR mill.	%	%	
Fixed-income investments	15,248	27.3	12,782	22.9	-5.7	
Loan receivables	1,892	3.4	1,892	3.4	3.2	
Bonds	12,904	23.1	11,679	20.9	-7.2	5.1
Public corporation bonds	4,596	8.2	3,254	5.8	-10.9	
Other bonds	8,308	14.9	8,425	15.1	-4.8	
Other money market instruments and deposits(inc	452	0.8	-789	-1.4	-0.7	
Equities and shares	26,761	48.0	25,379	45.5	-12.8	
Listed equities and shares	17,730	31.8	16,349	29.3	-18.6	15.1
Private equity investments	7,731	13.9	7,731	13.9	0.8	
Non-listed equities and shares	1,299	2.3	1,299	2.3	6.6	
Real estate investments	7,048	12.6	7,108	12.7	4.0	
Real estate investments	6,339	11.4	6,382	11.4	3.4	
Real estate funds and joint investments	709	1.3	726	1.3	9.2	
Other	6,719	12.0	7,218	12.9	-3.3	
Hedge fund investments	4,899	8.8	4,899	8.8	8.8	5.3
Commodity investments	34	0.1	403	0.7	-	
Other investments	1,786	3.2	1,915	3.4	-32.8	
Investments total	55,775	100.0	52,487	94.1	-8.0	6.5
Effect of derivatives	0		3,289	5.9		
Investments at current value	55,775		55,775	100.0		

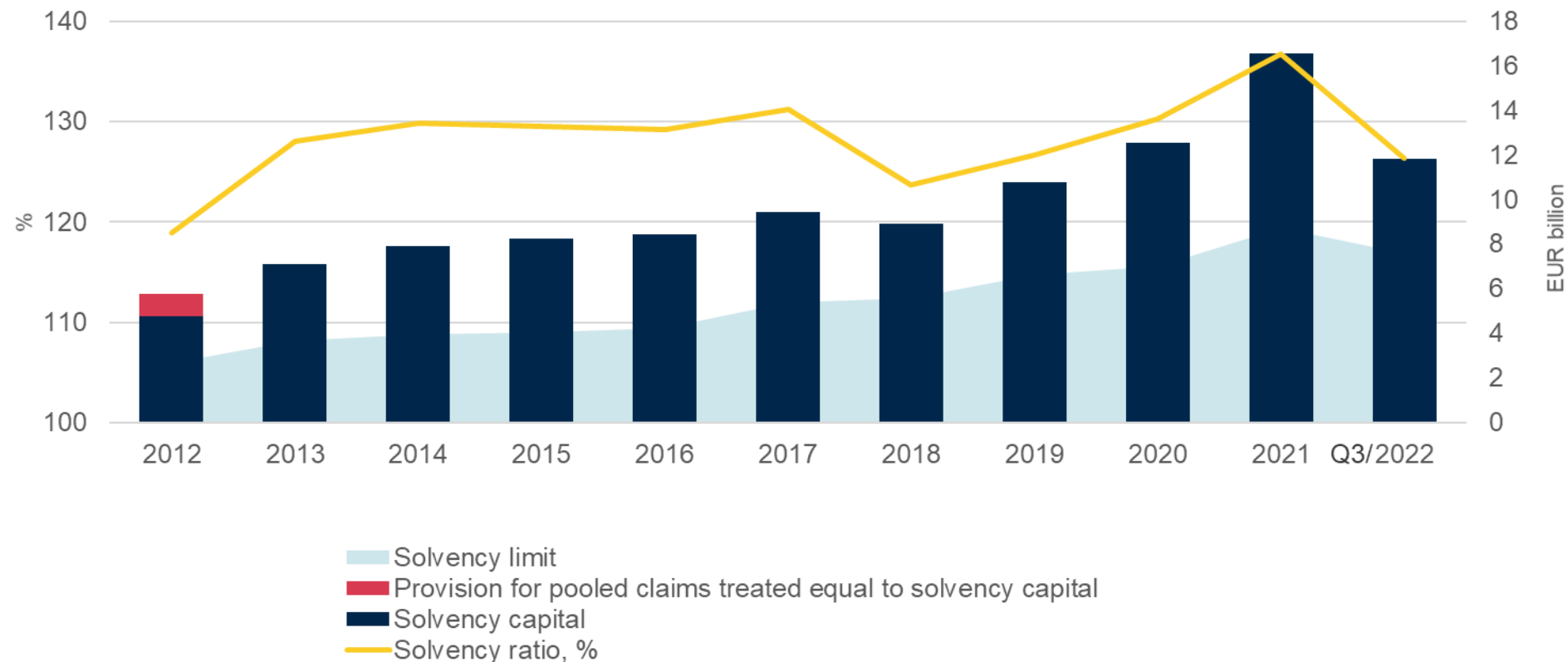
The modified duration of bond investments is 2.5 years

The open currency position is 23.3% 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 11.8 billion and the solvency ratio to 126.3 per cent, with the solvency position being 1.6

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





Future prospects and current information about the pension system

ILMARINEN

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 1.7 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 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

- An exceptionally large 6.8 per cent index increment will be made to earnings-related pensions at the start of next year, in order to protect the purchasing power of pensions from accelerating inflation. The exceptionally large index increment has awakened people's interest in applying for pension.
- The reform of pension legislation concerning self-employed persons has been undergoing parliamentary proceedings since June. The government proposal includes clarifications on the determination and adjustment of YEL income. The goal of the reform is for a self-employed person's YEL income to correspond more closely to the value of the entrepreneur's work input, both at the start of the self-employment and when the activities continue.
- Based on the long-term calculations released by the Finnish Centre for Pensions in October, the long-term outlook for financing pensions has improved from the previous projection made in 2019. Based on the calculations, the long-term pressure on pension insurance contributions to rise has eased. This change is largely a consequence of the unusually strong performance of pension investments in recent years. However, the shrinking of the working-age population and the low birth rate further complicate the financing of the pension system and the entire welfare state.
- Finland's pension system was rated as the fifth best in the international Mercer CFA Institute Global Pension Index comparison published on 11 October 2022. Forty-four countries were included in the comparison. Finnish pension cover was selected as the most reliable and transparent for the ninth consecutive time.



ILMARINEN

Parempaa työelämää

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

