



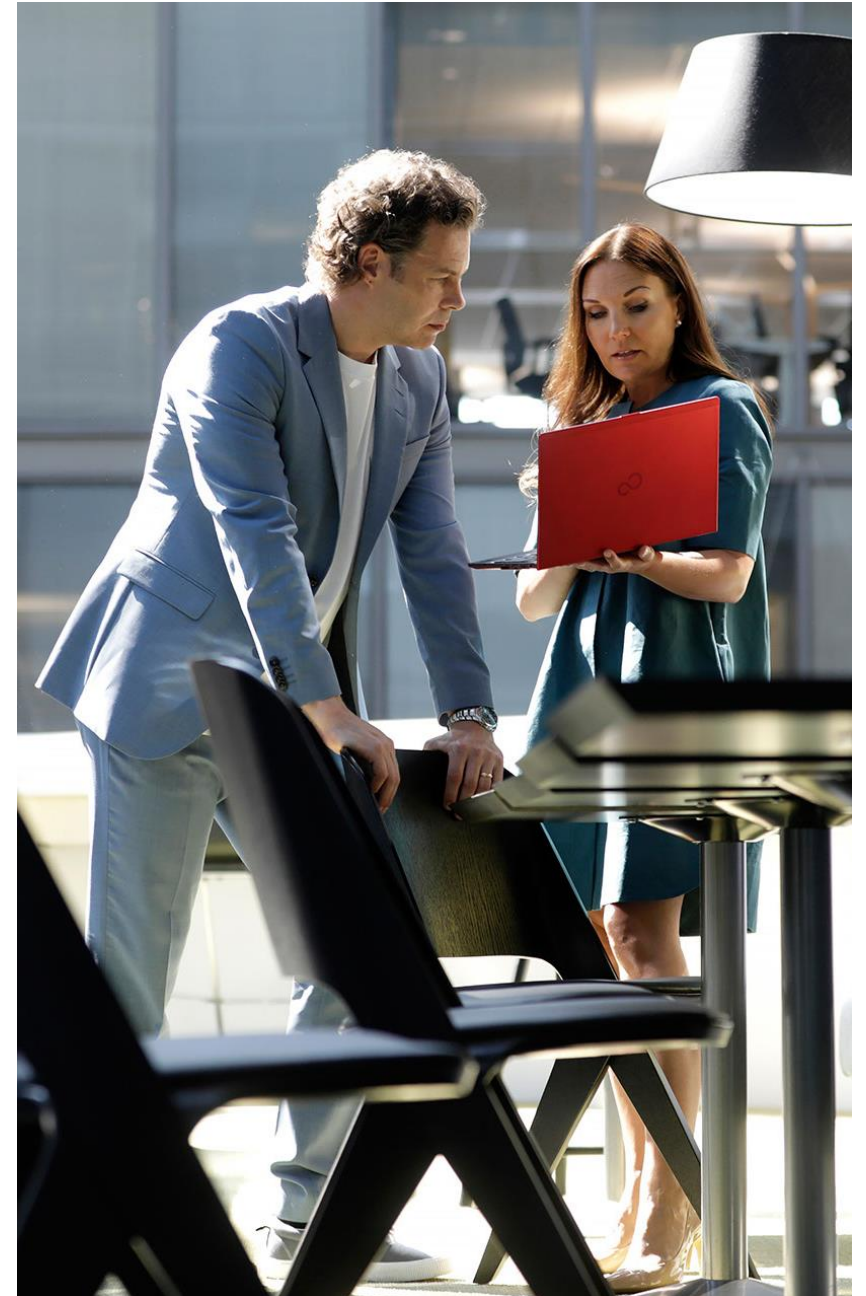
Security for your pension

Ilmarinen's Interim Report
January–June 2023

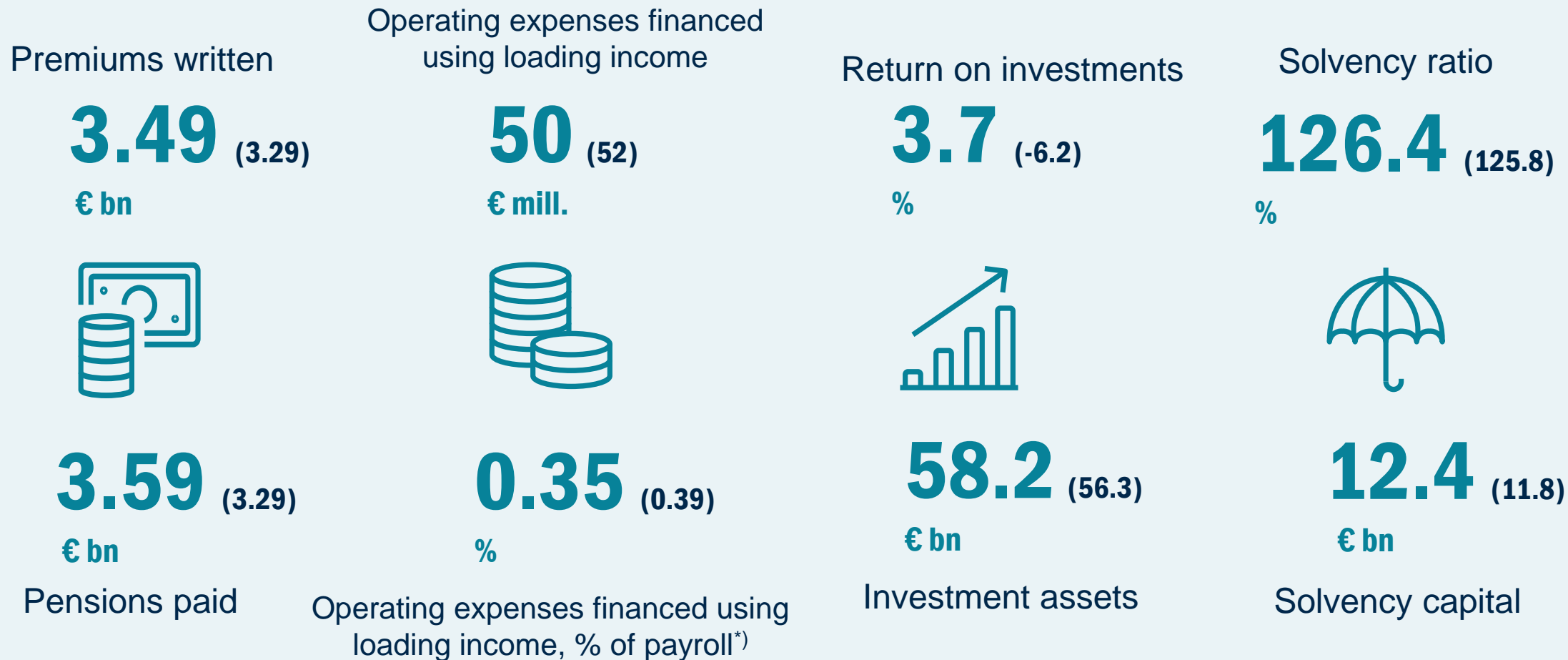
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Return on investments rose to 3.7 per cent, solvency strengthened and cost-effectiveness continued to improve

- The return on Ilmarinen's investment portfolio was 3.7 (-6.2) per cent, i.e. EUR 2.1 billion. The market value of investments grew to EUR 58.2 (56.3) billion. Returns grew especially thanks to the equity market's positive performance and fixed income and credit risk investments.
- Thanks to the good performance of investment activities, the total result for January–June grew to EUR 0.6 (-3.4) billion.
- Premiums written grew by 6 per cent to EUR 3.5 (3.3) billion. EUR 3.6 (3.3) billion was paid in pensions.
- Net customer acquisition was EUR 70 (91) million and rolling customer retention for the previous 12 months was 96.4 (97.1) per cent.
- Operating expenses financed using loading income decreased by 3 per cent to EUR 50 (52) million and were 0.35 (0.39) per cent of the TyEL payroll and YEL income of the insured.
- Solvency capital increased to EUR 12.4 (11.8) billion, and the solvency ratio strengthened to 126.4 (125.8) per cent.



Key figures January–June 2023

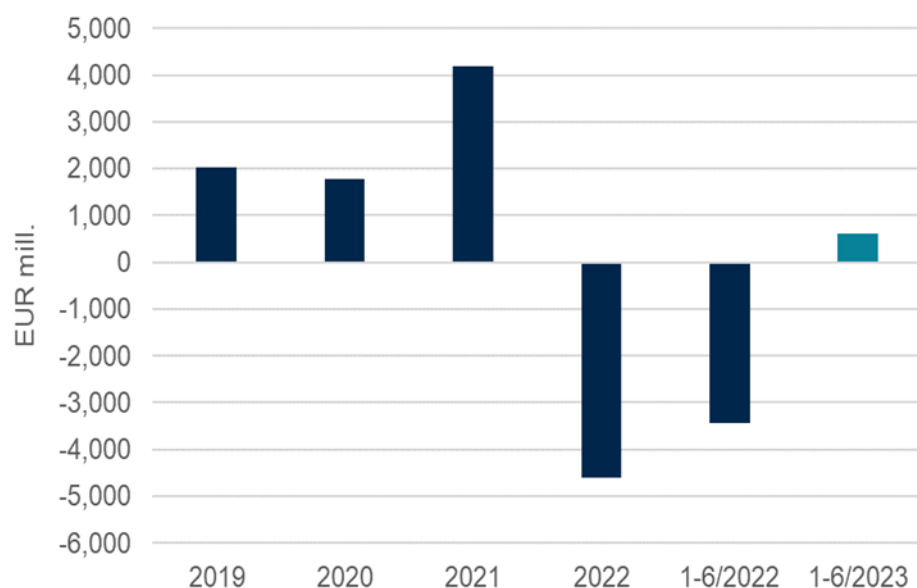


*) Payroll is the sum of TyEL payroll and YEL income.

The result comparison figures are the figures for the corresponding period of 2022. The comparison figures for the balance sheet and other cross-sectional items are the figures for the end of 2022.

Total result for January–June was EUR 605 million thanks to positive return on investments

Total financial result, € mill.



Sources of profit, € mill.

Result analysis, EUR mill.	1 Jan-30 June 2023	1 Jan-30 June 2022	1 Jan-31 Dec 2022
Underwriting result	16	38	132
Return on investments at fair value	587	-3,512	-4,801
+ Net return on investments at fair value	2,061	-3,790	-4,009
- Return requirement on technical provisions	-1,474	278	-792
Loading profit	2	27	58
Other profit	0	0	18
Total result	605	-3,447	-4,592

*) As of 2023, a company-specific expense loading rate is applied to TyEL insurance, due to which the loading profit will be close to zero going forward.



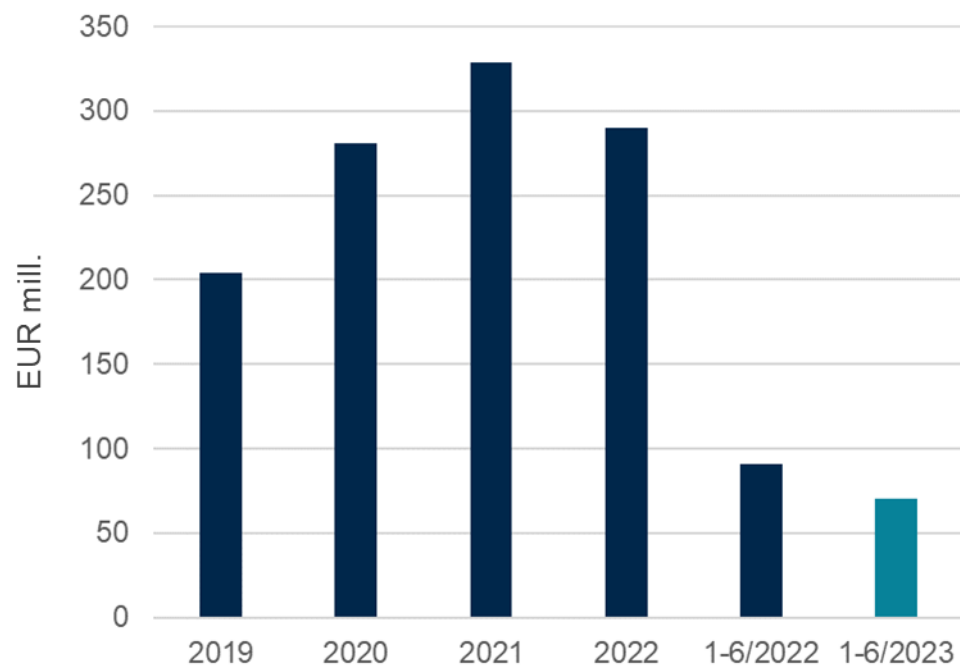
Pension security for you

Insurance and pensions

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Net customer acquisition for Q2 was EUR 70 million, customer retention was 96.4%

Net customer acquisition 2019–2023, € mill.



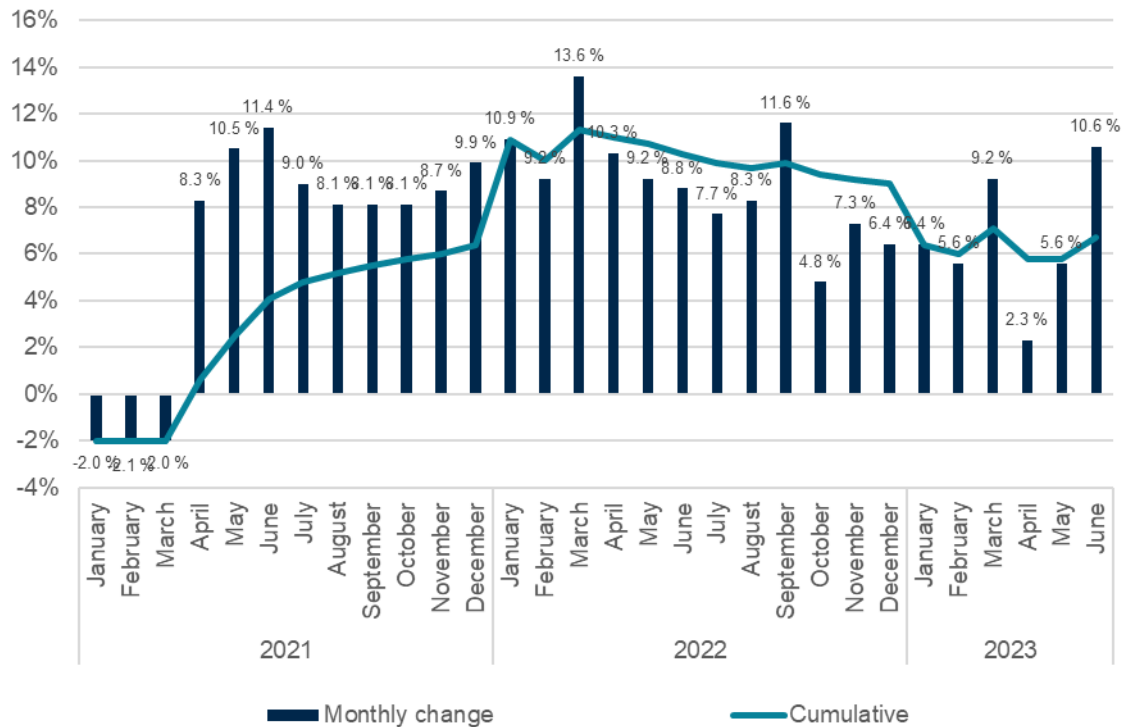
Net customer acquisition, € mill.

EUR mill.	1-6/2023	1-6/2022	2022
Net customer acquisition	70	91	290
Sales of new insurance	100	88	251
Net transfer of insurance	-30	4	40
Customer retention, % of premiums written	96.4	97.1	96.7

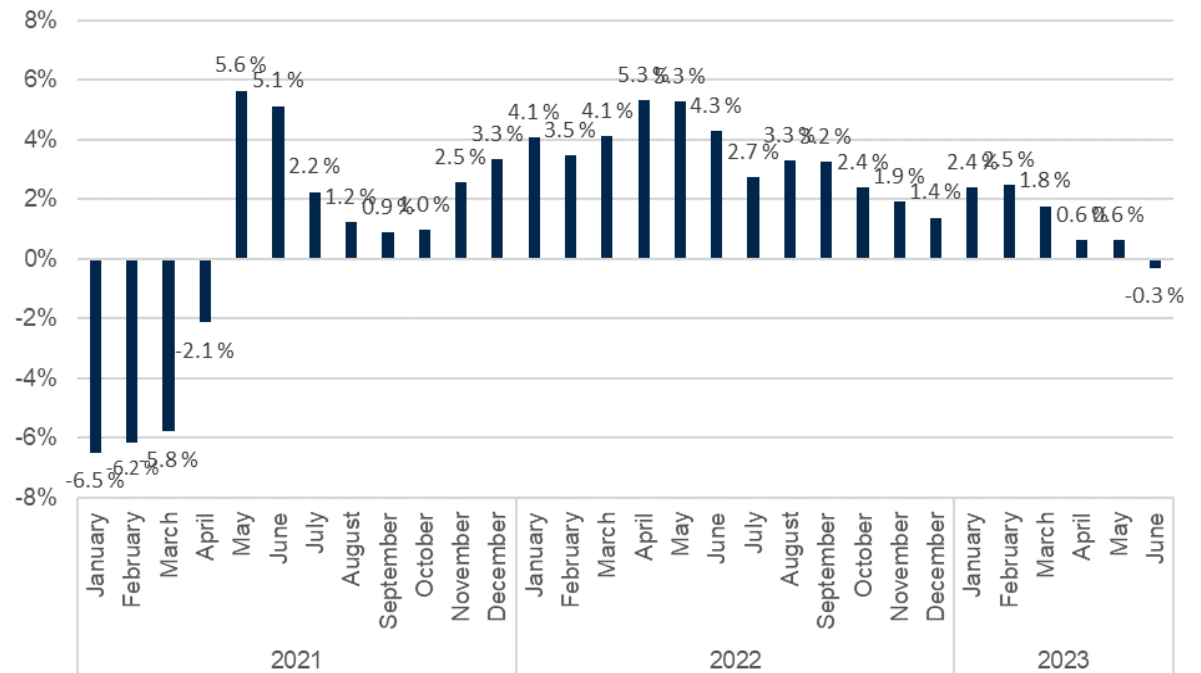
Customers' payroll grew 6.7 per cent in Q2 and the number of employees' grew 1.3 per cent

The growth in the number of employees fell in June

Change in payroll of Ilmarinen's customers from previous year

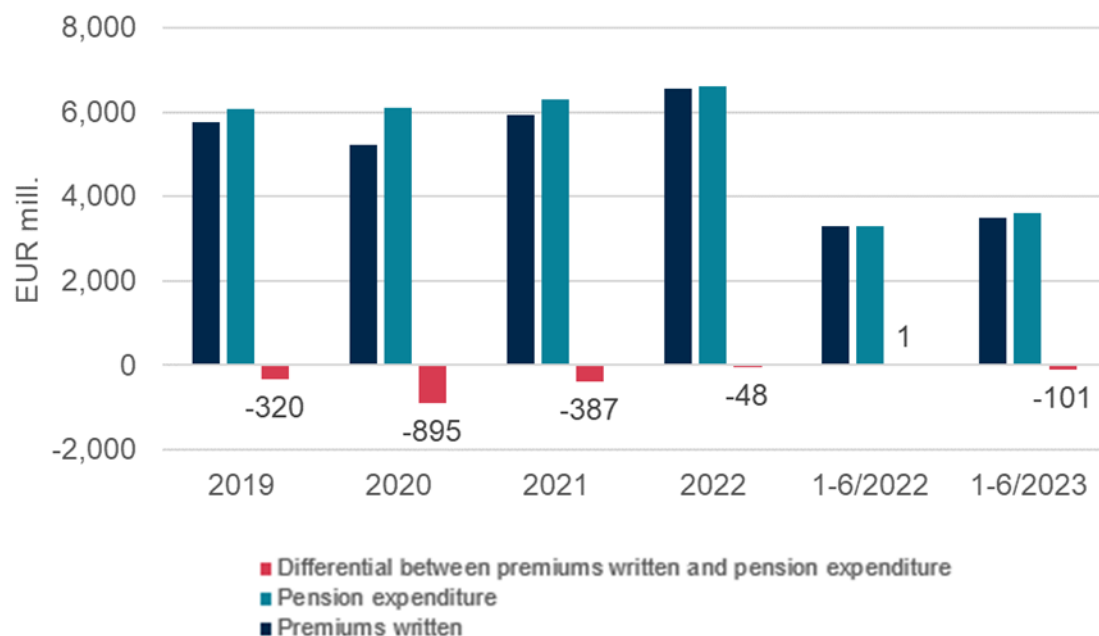


Change in number of employees in Ilmarinen's business cycle index



Premiums written grew 6 per cent to **EUR 3.5 bn** and was **EUR 101 million smaller than pension expenditure**

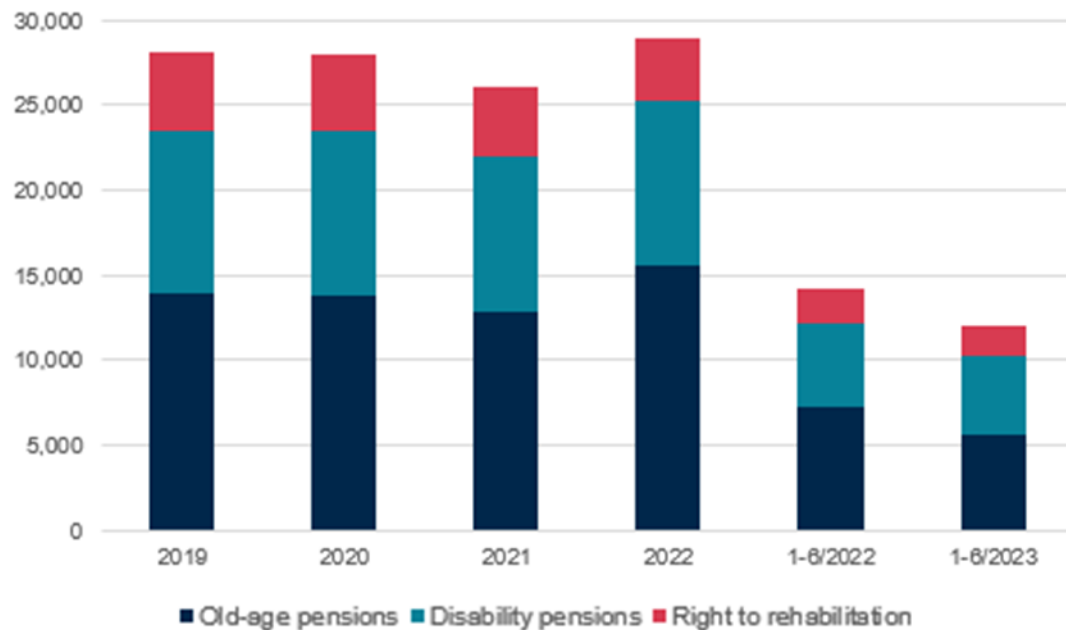
Premiums written and pension expenditure January–June 2023



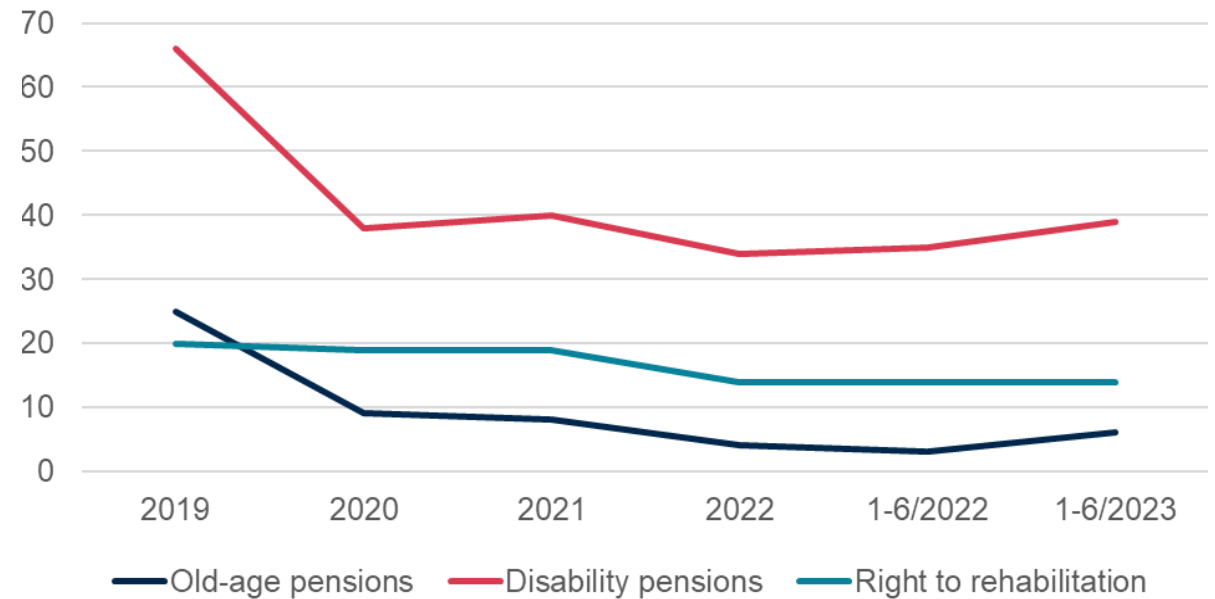
EUR mill.	1-6/2023	1-6/2022	2022	2021	2020	2019
Premiums written TyEL	3,280	3,078	6,164	5,534	4,833	5,364
Premiums written YEL	213	210	394	388	388	394
Total premiums written	3,493	3,287	6,558	5,922	5,220	5,758
Pensions paid TyEL	3,367	3,064	6,189	5,902	5,701	5,673
Pensions paid YEL	227	222	417	407	415	405
Pension expenditure, total	3,594	3,287	6,606	6,309	6,116	6,078

In January–June 2,151 fewer new pension decisions were made compared to the previous year, old-age pension decisions were issued within 6 days

Number of pension decisions*



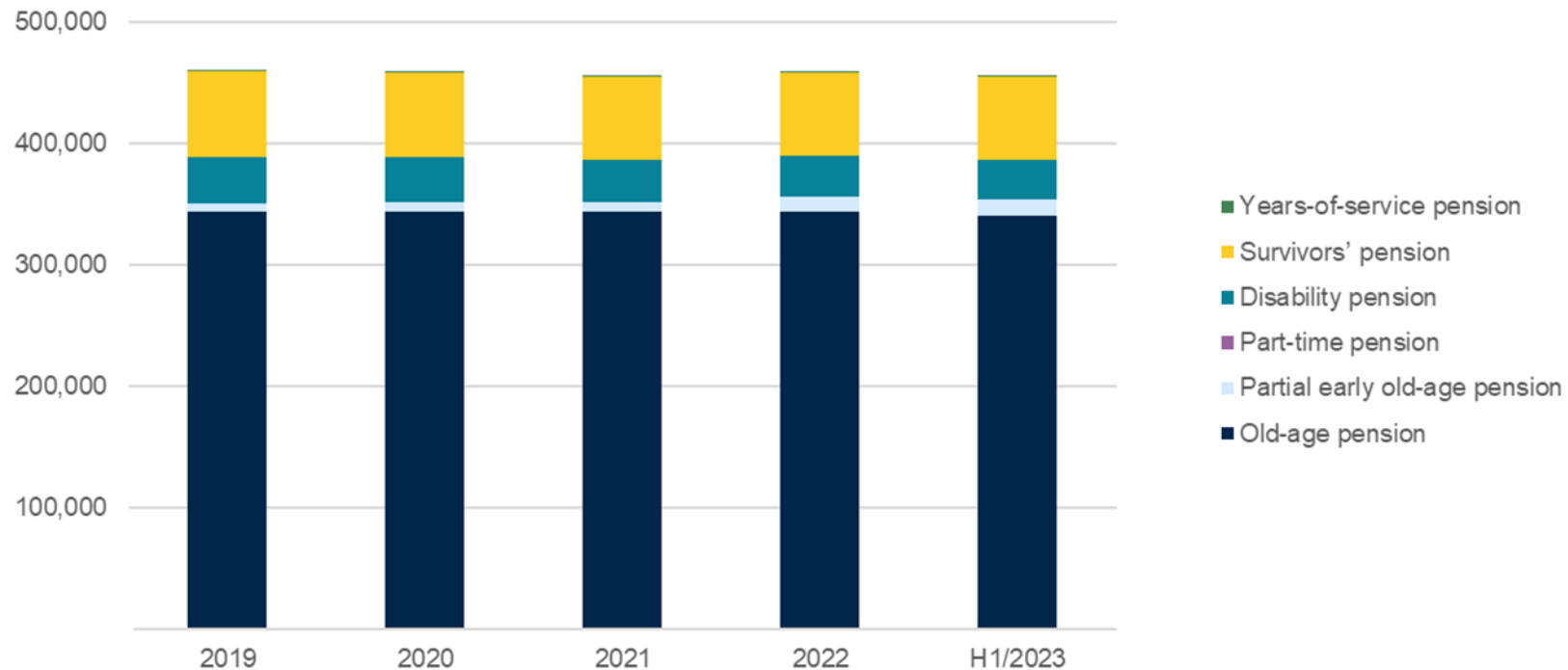
Average application processing time, days



* The figure does not include new decisions on partial early old-age pensions, years-of-service pensions and survivors' pensions (4,671).

We paid EUR 3.6 billion in pensions to 455,000 pensioners

Ilmarinen's pension recipients





A Better Working Life

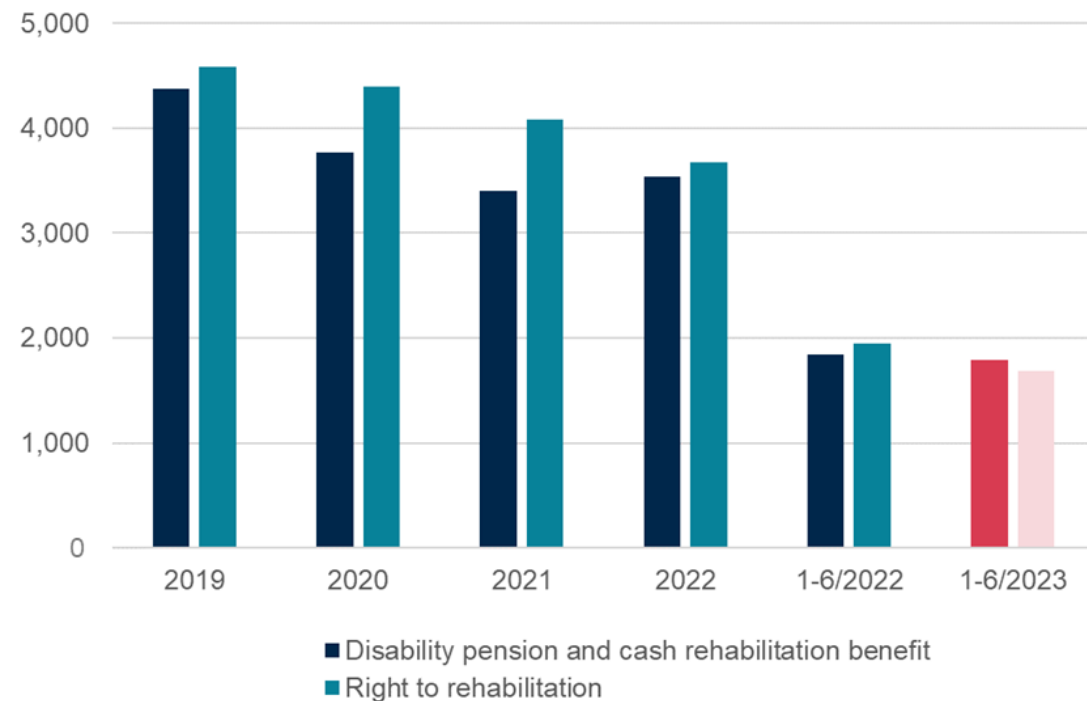
Work ability risk
management and
rehabilitation

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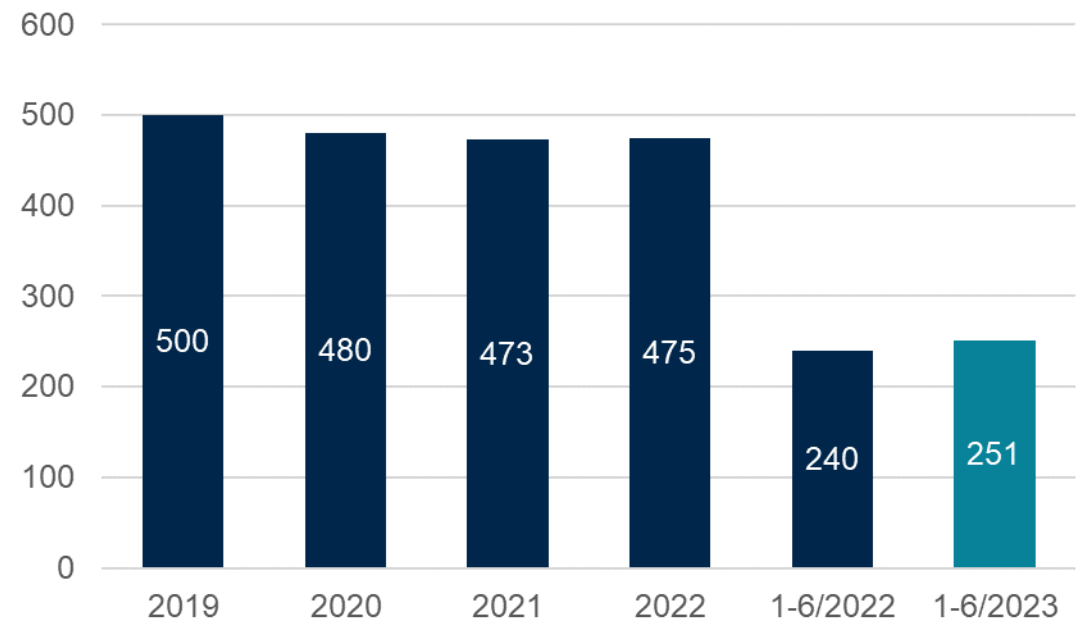
1,791 persons transitioned on a disability pension or cash rehabilitation benefit, which is 3 per cent less than in the previous year

Disability pension expenditure rose by EUR 11 million owing to the development of the expenditure for previously granted pensions.

Rehabilitation and persons retired on disability pension

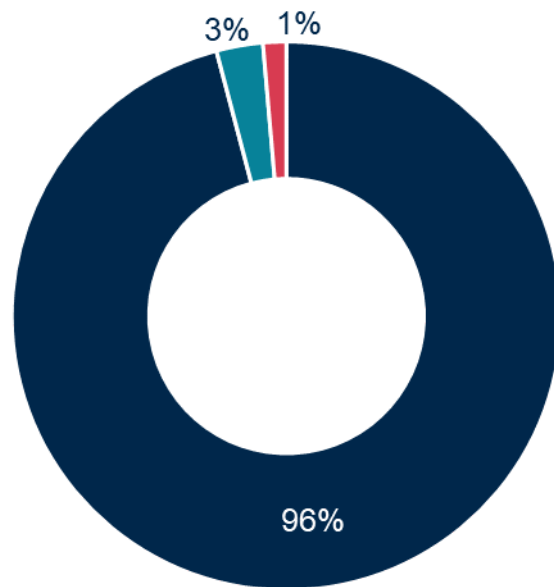


Disability pension expenditure, EUR mill.



Work ability projects numbered 1,075 and covered 121,931 employees

Work ability project themes and customer satisfaction in January–June 2023



- Developing work ability models with knowledge
- Supporting psychological and physical work ability
- Functioning of work communities

**Work ability
services' NPS 76
(1-6/2023)**



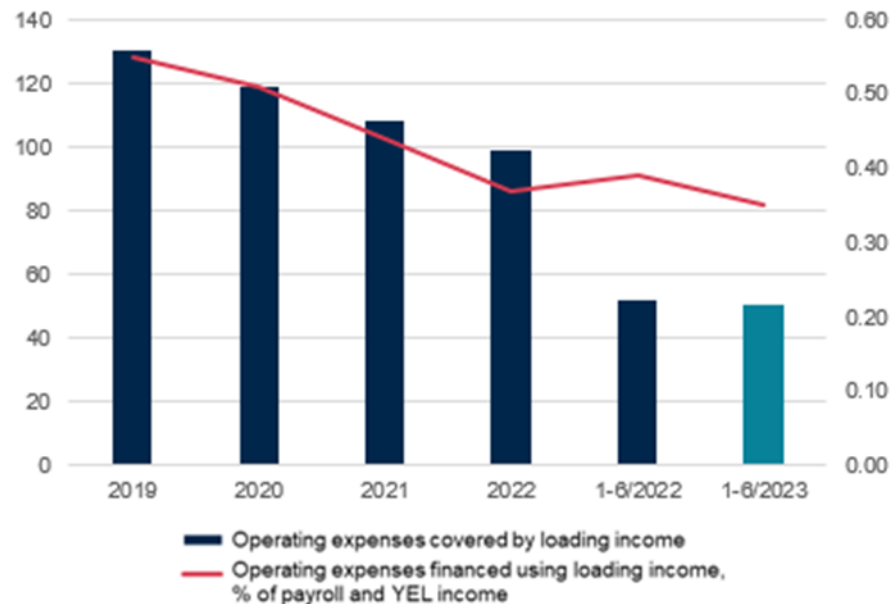
Cost-effective operations

Operating expenses and personnel

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Operating expenses financed using loading income decreased 3 per cent to EUR 50 mill. and were 0.35 per cent of payroll

Loading profit, ratio of operating expenses to expense loading components and total operating expenses 2019–2023 *) **)



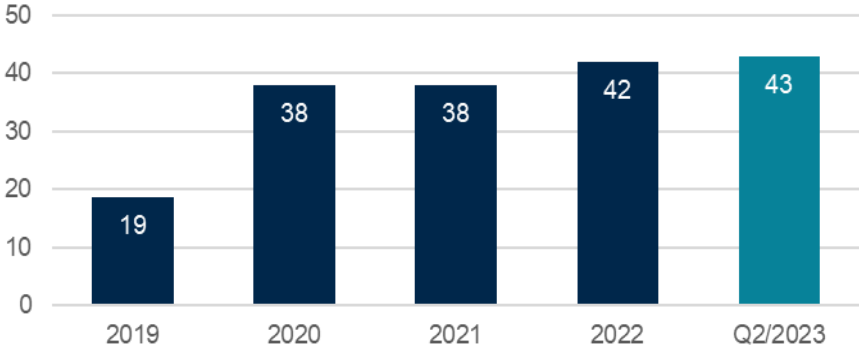
EUR mill.	1-6/2023	1-6/2022	2022	2021	2020	2019
Total operating expenses	76	77	151	157	158	175
Operating expenses covered by loading income	50	52	99	108	119	130
Operating expenses financed using loading income, % of payroll**)	0.35	0.39	0.37	0.44	0.51	0.55
Operating expenses financed using loading income per pensioners and insured, EUR	43	45	87	96	109	114

*) Operating expenses and operating expenses financed using loading income are presented above without the one-time write-down of EUR 18.2 million for intangible assets made in the financial statements for 2021

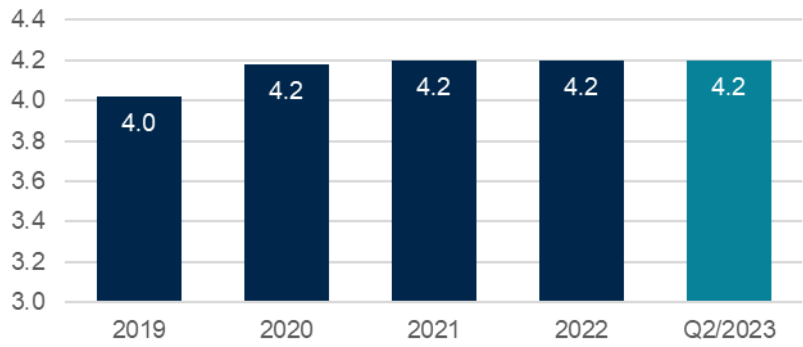
***) The payroll is the sum of TyEL payroll and YEL income

Personnel's work energy is excellent at 4.2, number of absences due to illness is declining

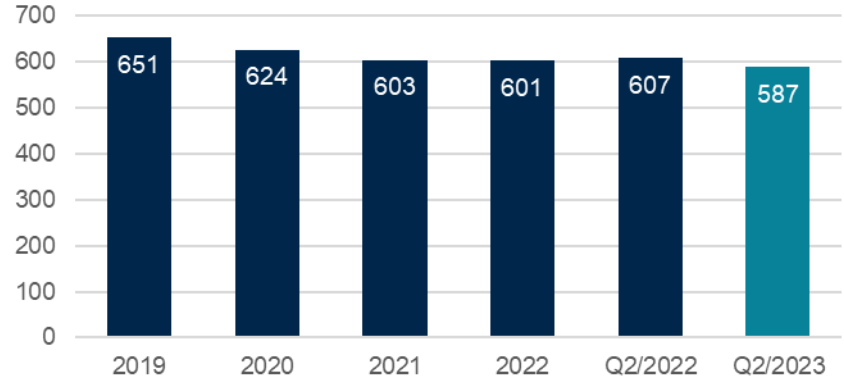
Employee Net Promoter Score (eNPS)



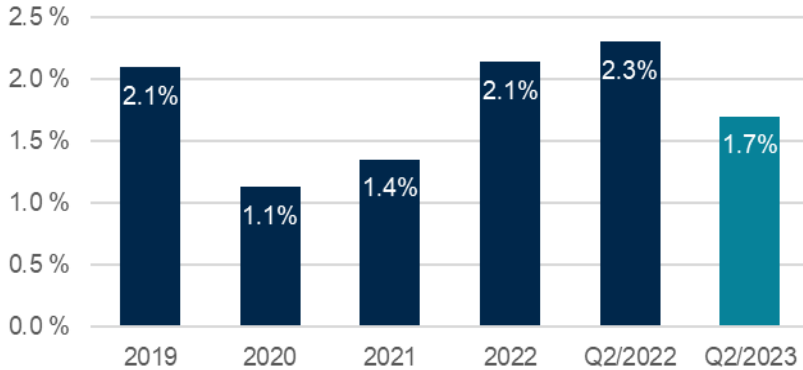
Personnel's average work energy (1–5)



Average number of employees (person years)



Lost time due to sick leave





**Profitably,
securely and
responsibly**

Investment activities

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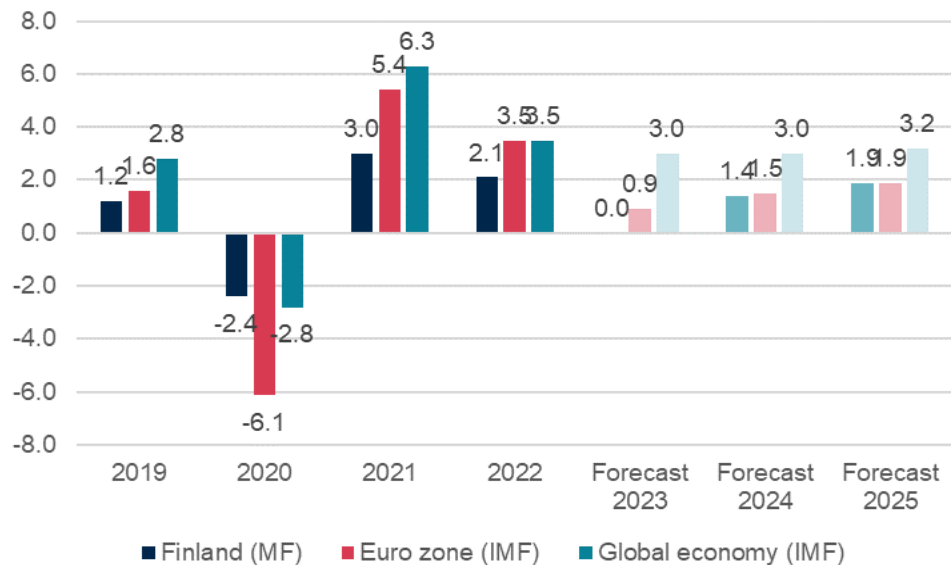
Key observations about the operating environment

- Global economic growth has shown signs of slowing. Economic growth for January–June was softer especially in the euro zone and the economic area also experienced a slight downturn early on in the year. Conversely, in the USA, economic growth has been faster than expected during the first part of the year.
- Inflation continued to decelerate during Q2. The year-on-year change in consumer prices in June was 5.5 per cent in the euro zone and 3 per cent in the USA.
- In the USA, the equity market (S&P 500 index) return for January–June was some 17 per cent, especially due to the positive performance of the largest tech companies. Similarly, following the strong performance in Q1, Europe’s equity market return was clearly more subdued than the United States’ with the broad STOXX Europe 600 index return for January–June at around 12 per cent.
- In Finland, the equity markets fell in the second quarter by some five per cent, pushing the return for the entire current year to around three per cent negative.

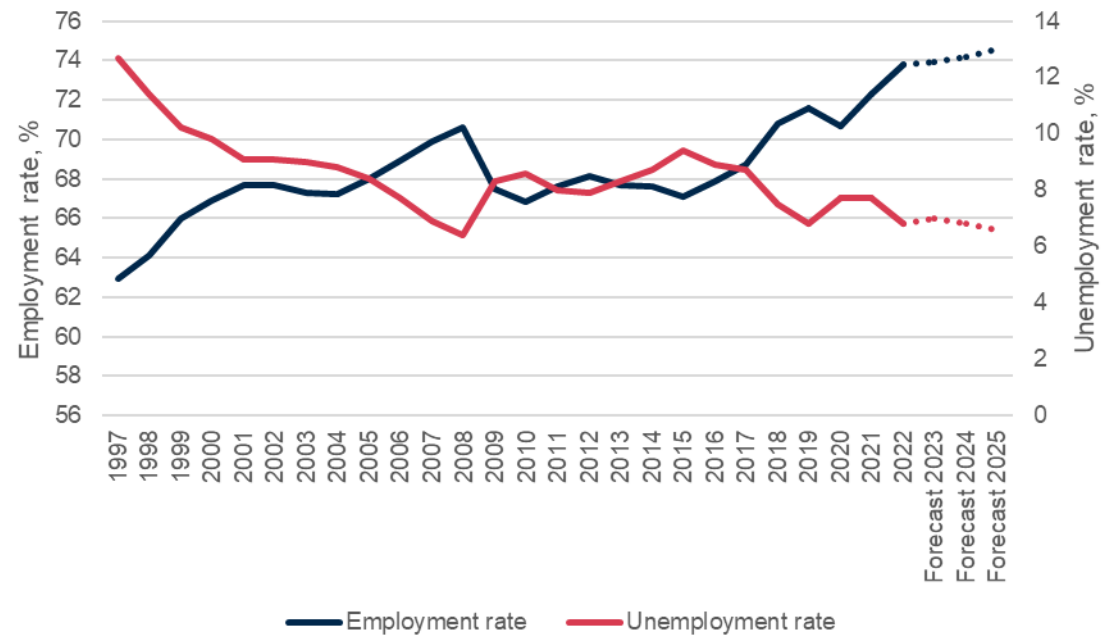


The global growth forecast is 3.0 per cent for 2023, Finland's growth forecast is 0.0 per cent

GDP development, %



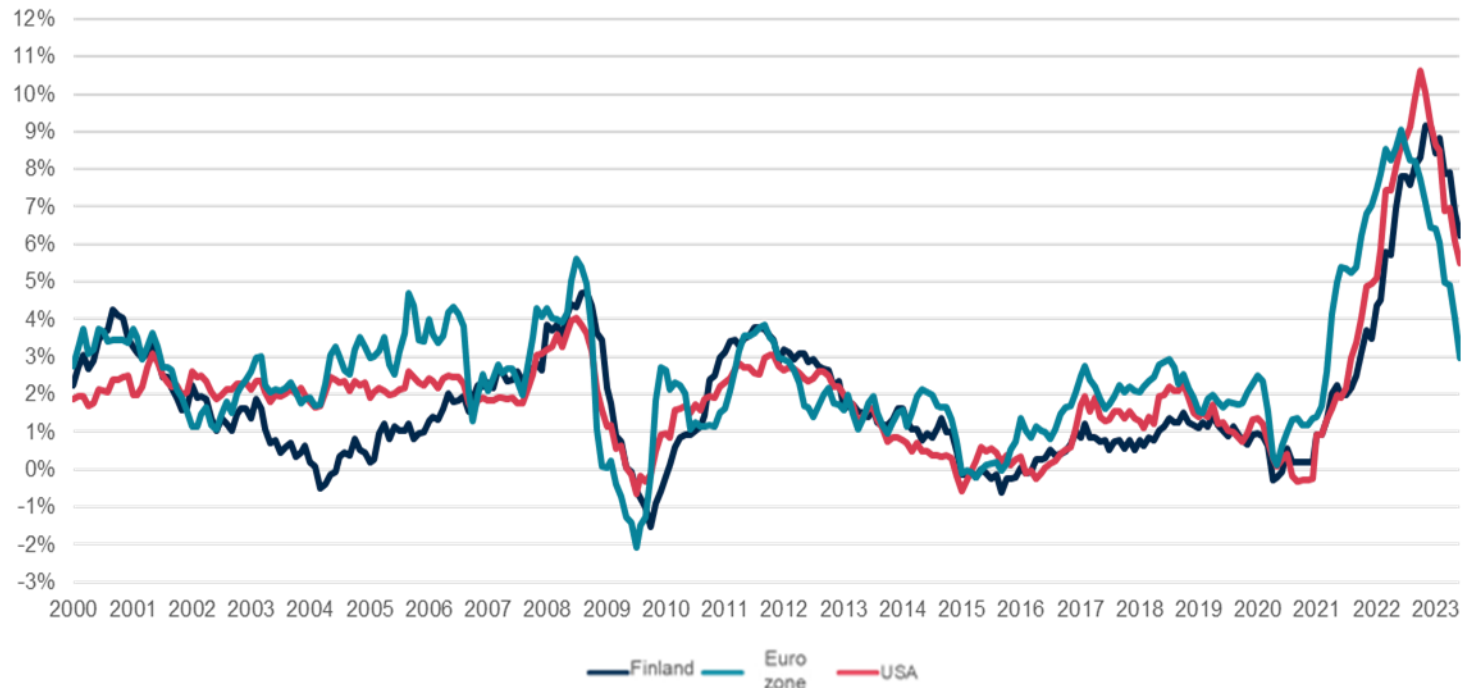
Development of Finland's employment and unemployment rates, %



Sources: Statistics Finland, Ministry of Finance (forecast 15 June 2023), IMF (forecast 7/2023)

Inflation has continued to decelerate, but core inflation has fallen slower than the target

Year-on-year change in consumer prices



- In June, inflation was 3% in the USA, 5.5% in the euro zone and 6.2% in Finland.
- Inflation continued to decelerate during Q2. However, core inflation, less energy and food prices, has fallen slower than the target, especially in services.
- In Finland, the rise in consumer prices year-on-year was mitigated most by falling gas and diesel prices.

Capital market performance varied by area in H1

- Stock prices rose in the USA and Europe.
- In Finland, the H1 return for the equity market was 3 per cent negative.

Equity market performance



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



The two-year interest rate for the fixed income market was clearly higher than the ten-year rate. Credit risk margins fell moderately in January–June.

Development of interest rates

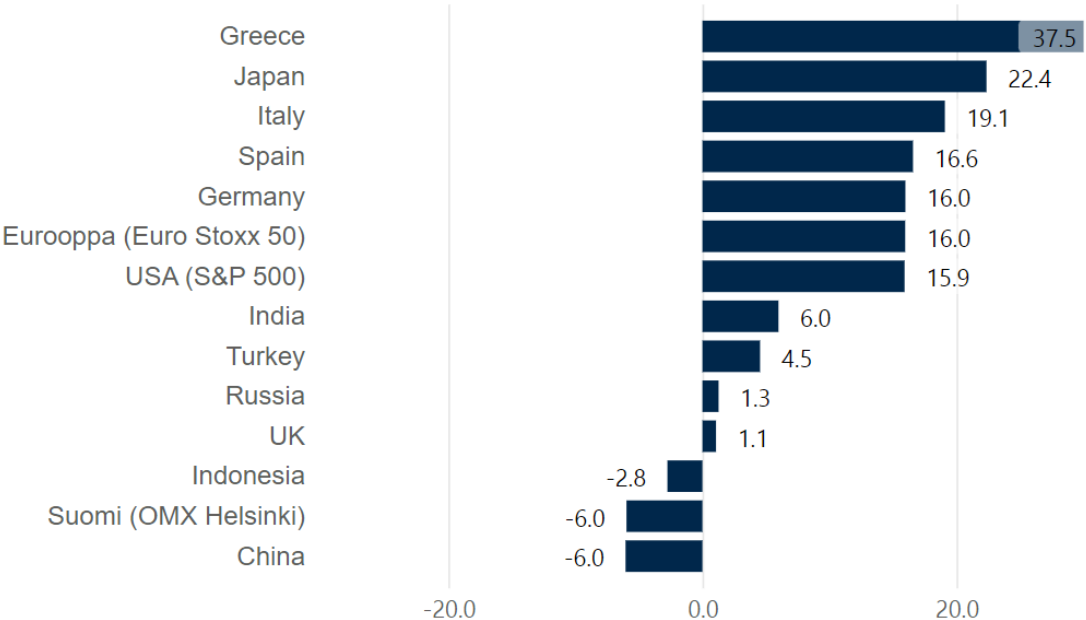


Development of credit spreads

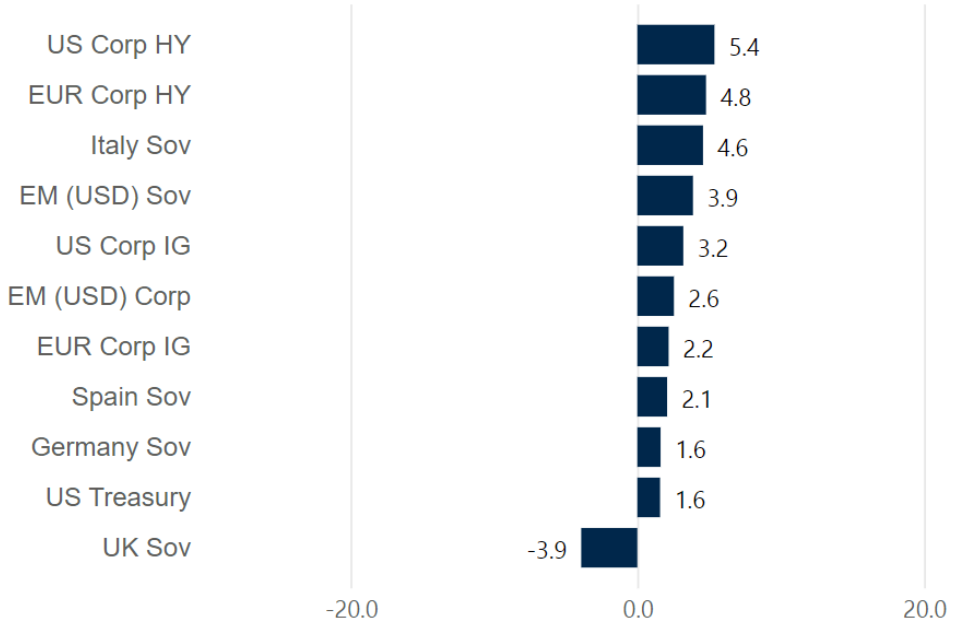


Market development (per 30 June 2023)

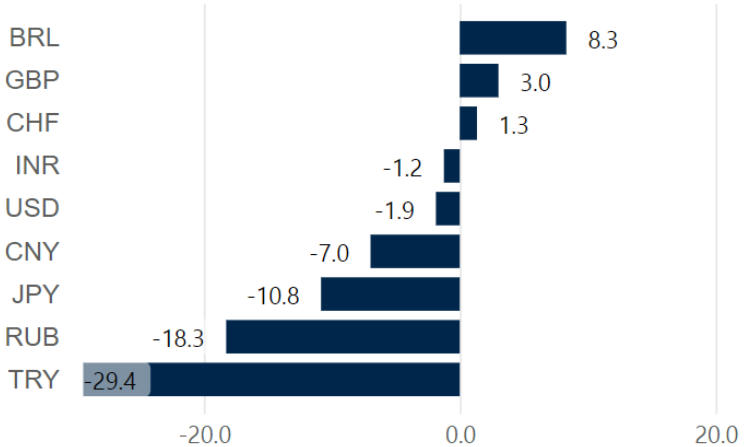
Equity market YTD %



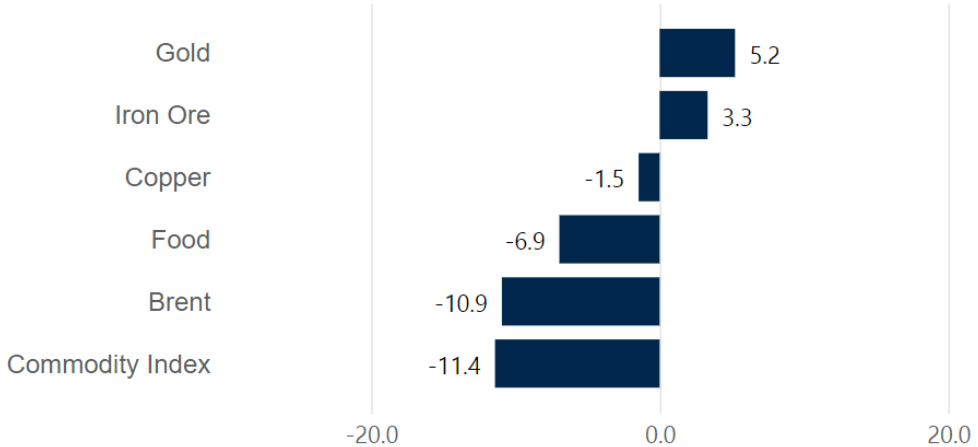
Fixed income YTD %



Currency against the euro YTD %

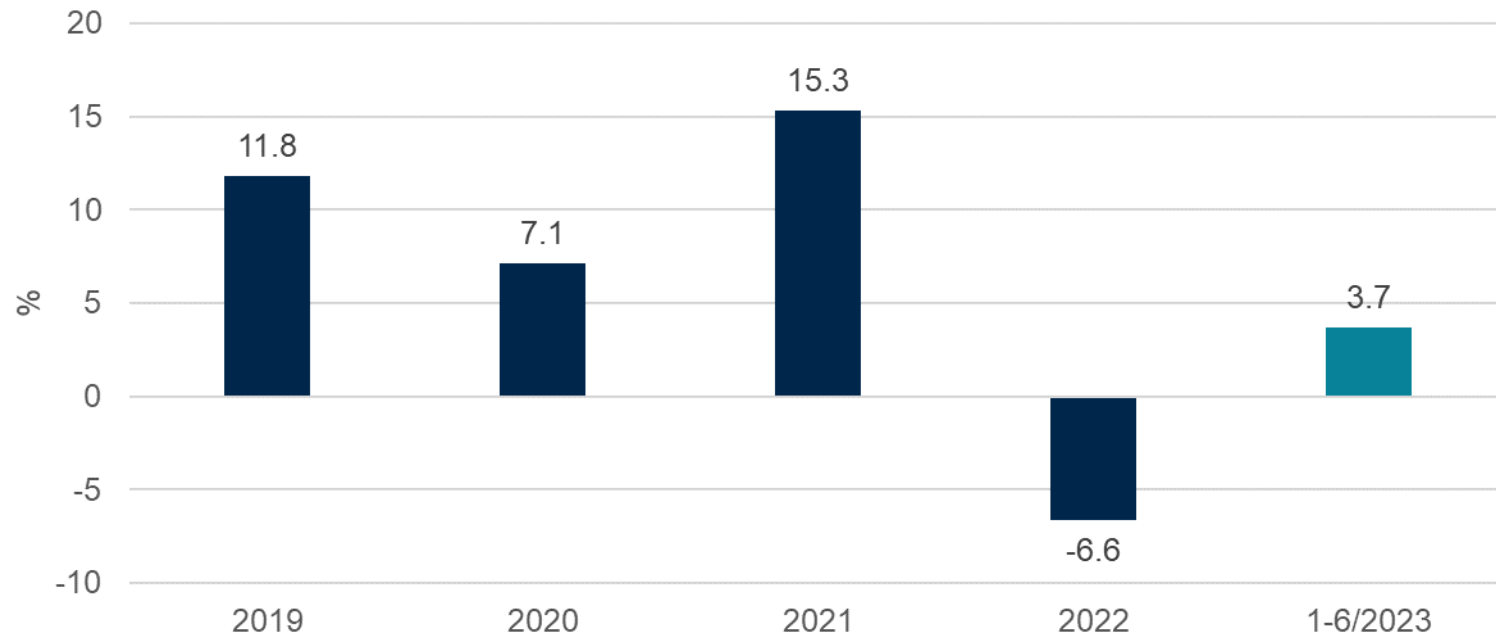


Commodities YTD %



The return on the investment portfolio rose to 3.7 per cent, i.e. EUR 2.1 billion

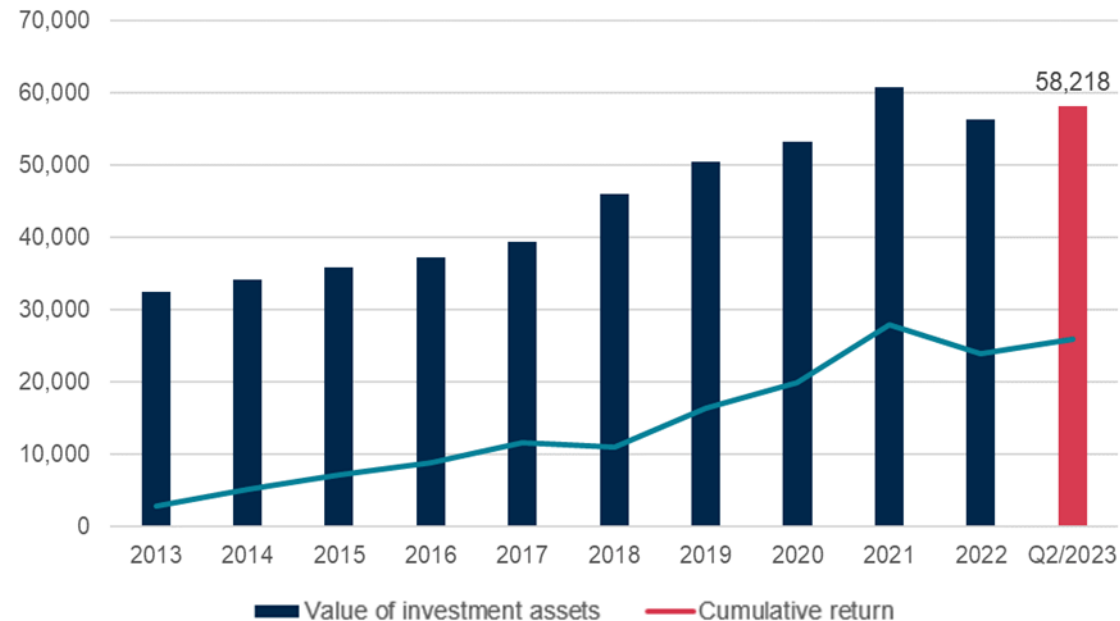
Return on investments



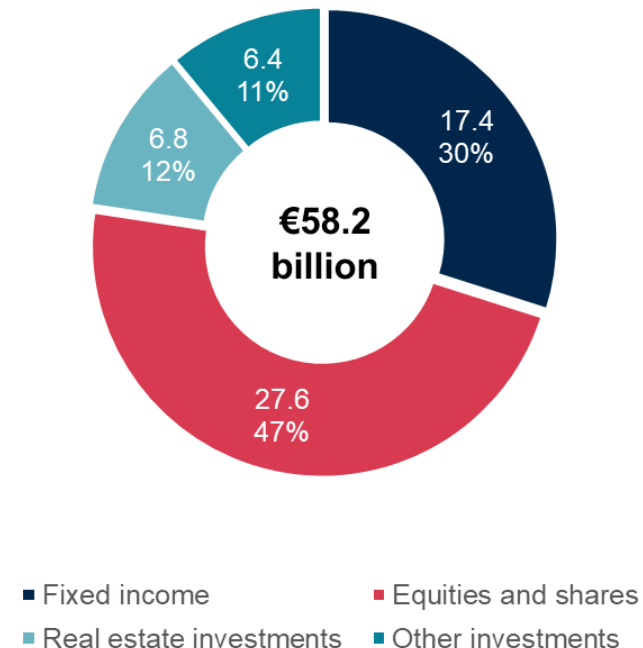
Average nominal return on investments over five years 5.5% and real return 2.0%

Value of investments EUR 58.2 billion, long-term nominal return on investments 5.8% and cumulative return on investments from the start of 2013, EUR 26 billion

Value of investments and cumulative return 2013–30 June 2023, € mill.



Breakdown of investments, 30 June 2023



Average nominal return on investments over ten years 6.0% and real return 3.9%

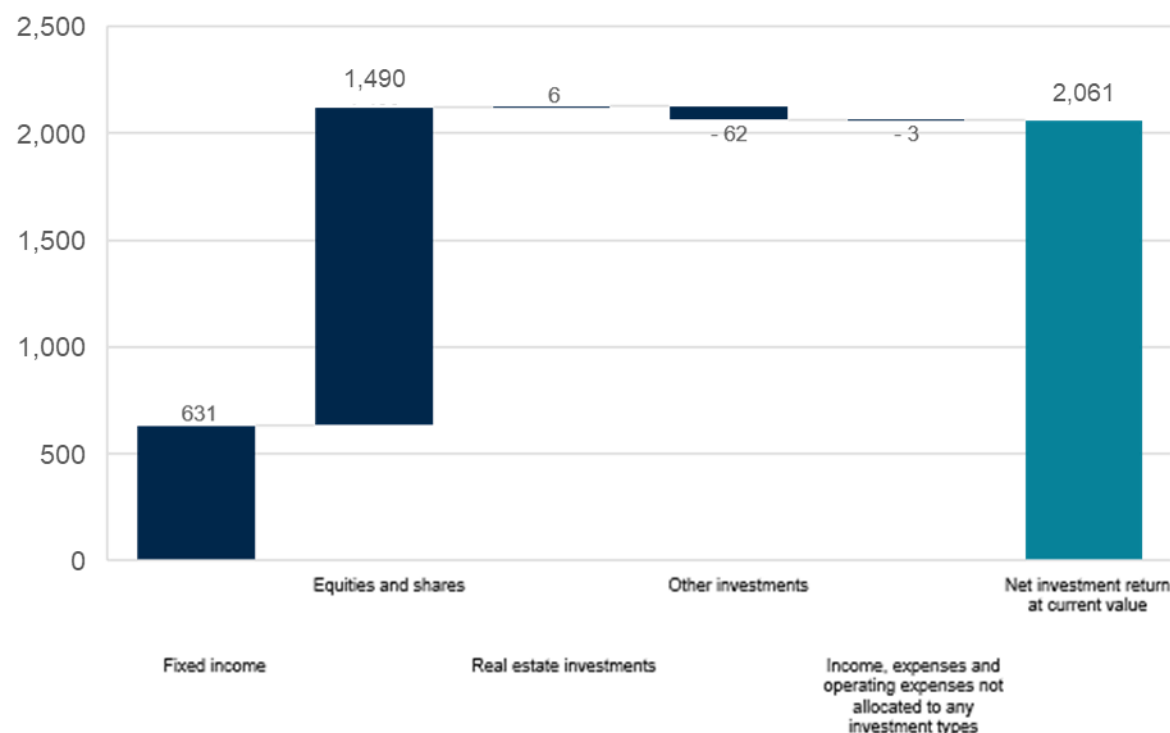
Return on Ilmarinen's investment portfolio 3.7 per cent, driven by the equity market's positive performance and fixed income and credit risk investments

Return January–June, %

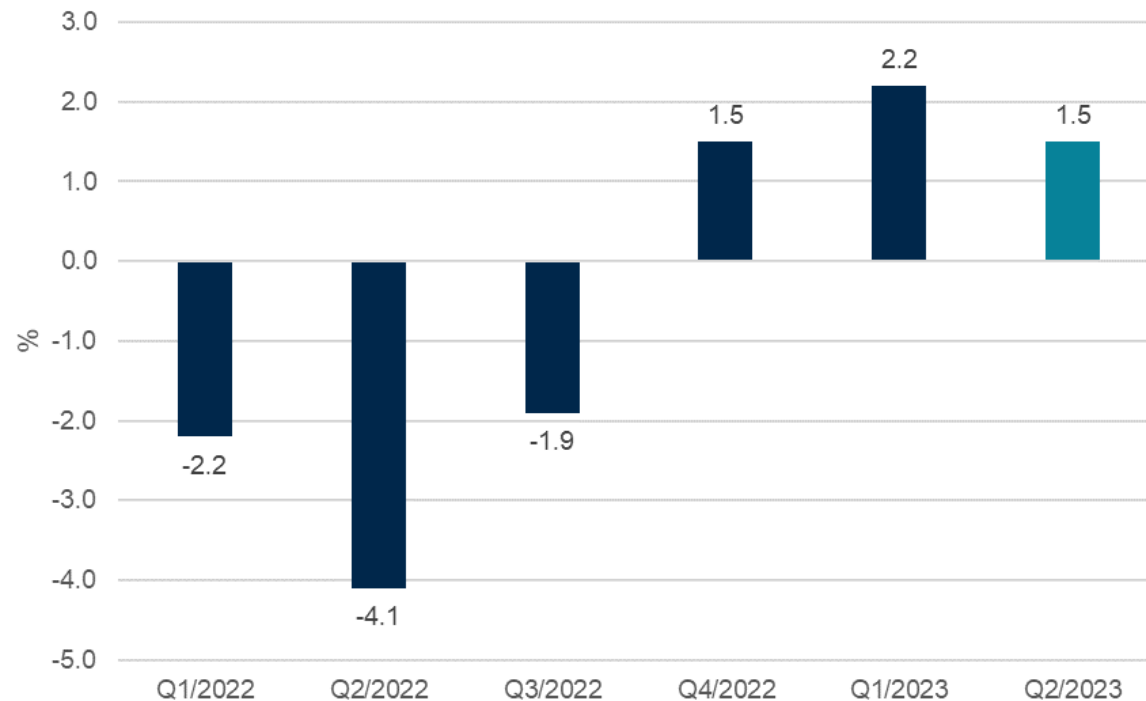
Return by type	1-6/2023	1-6/2022	2022
Return on investments	3.7	-6.2	-6.6
Fixed income	3.7	-5.2	-5.2
Equities and shares	5.7	-9.6	-10.2
Real estate	0.1	2.3	1.3
Other investments	-1.0	-1.1	-1.1

Long-term return on investments (since 1997):
nominal return 5.8% and real return 3.8%

Return by type of investment, € mill.



The return on investments in Q2 was 1.5 per cent, i.e. EUR 0.8 billion positive



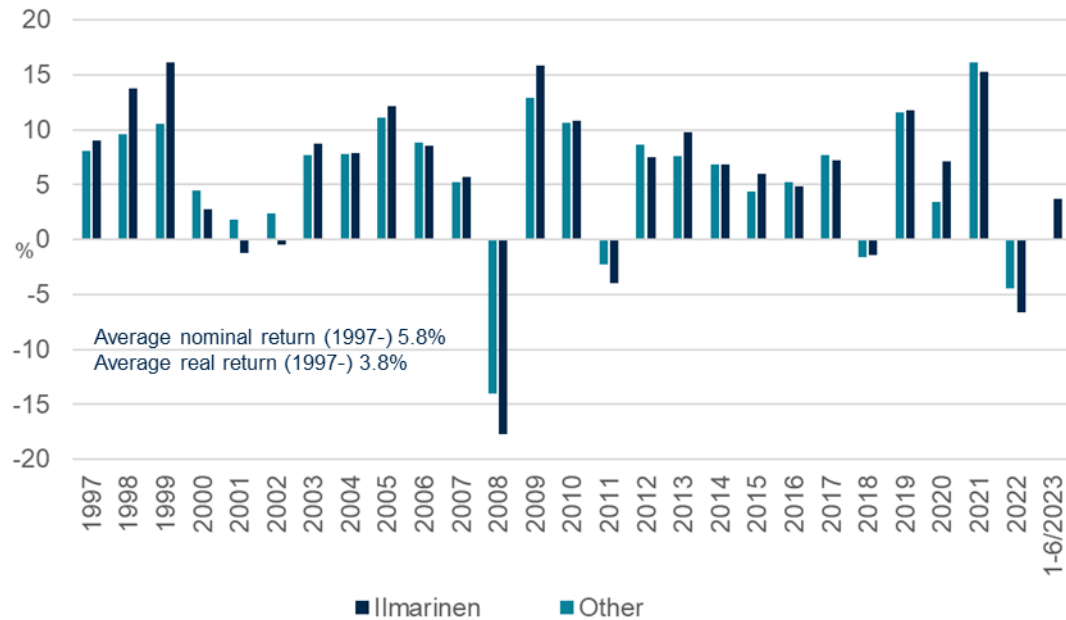
Capital market performance varied by area in H1.

Inflation slowed down in the first half of the year.

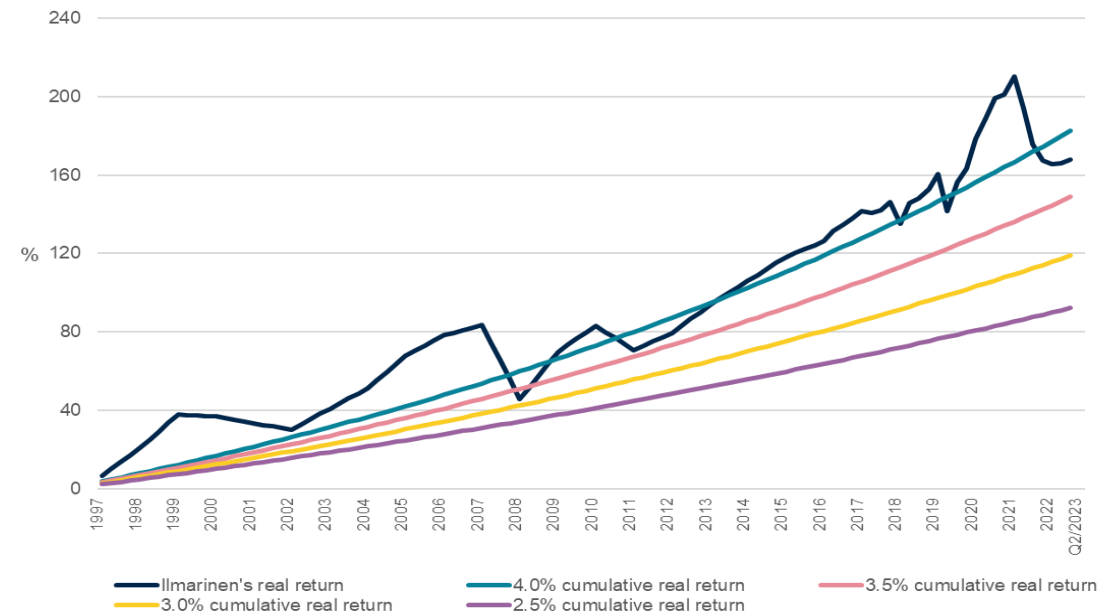
The rate of key interest hikes slowed down.

The long-term average nominal return was 5.8 per cent per annum, or 3.8 per cent in real terms

Net return on investments at current value



Cumulative net return on investments 1997–30 June 2023



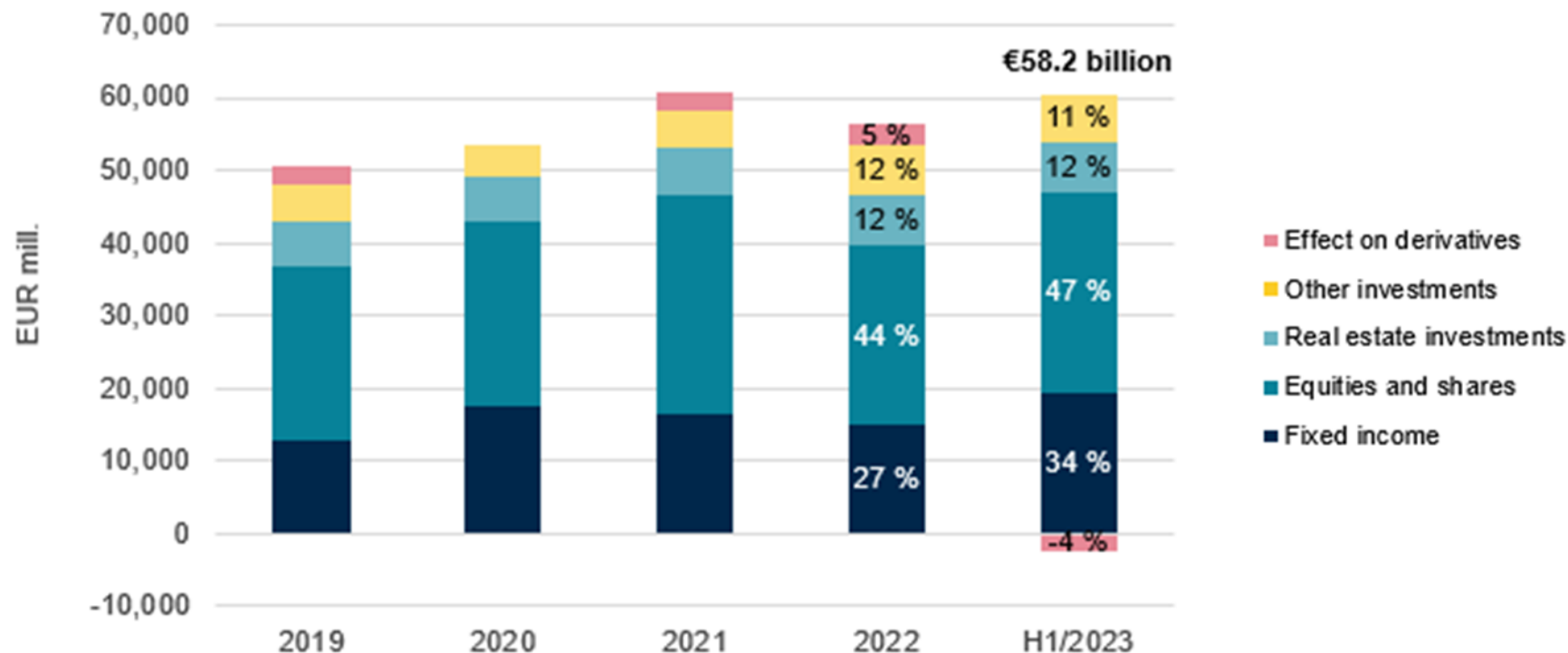
Long-term return remains at a good level

Average return of different markets:

%	Ilmarinen	Finnish equities and shares	European equities and shares	Euro government bonds	Euro corporate bonds
H1/2023	3.7	-2.8	10.9	2.5	2.2
2022	-6.6	-12.7	-10.6	-18.4	-14.2
Average return over 5 years	5.5	5.4	6.6	-1.9	-1.2
Average return over 10 years	6.0	11.1	7.7	1.0	1.0
Average return over 20 years	5.5	10.4	7.1	2.6	2.7
Average return since 1997	5.8	9.4	6.5	3.6	3.5
Real average return over 5 years	2.0	2.0	3.1	-5.1	-4.4
Real average return over 10 years	3.9	9.0	5.6	-0.9	-1.0
Real average return over 20 years	3.5	8.4	5.1	0.7	0.7
Real average return since 1997	3.8	7.3	4.6	1.7	1.6

In the investment allocation, the share of equity investments rose to 47% and the share of fixed income investments rose to 34%

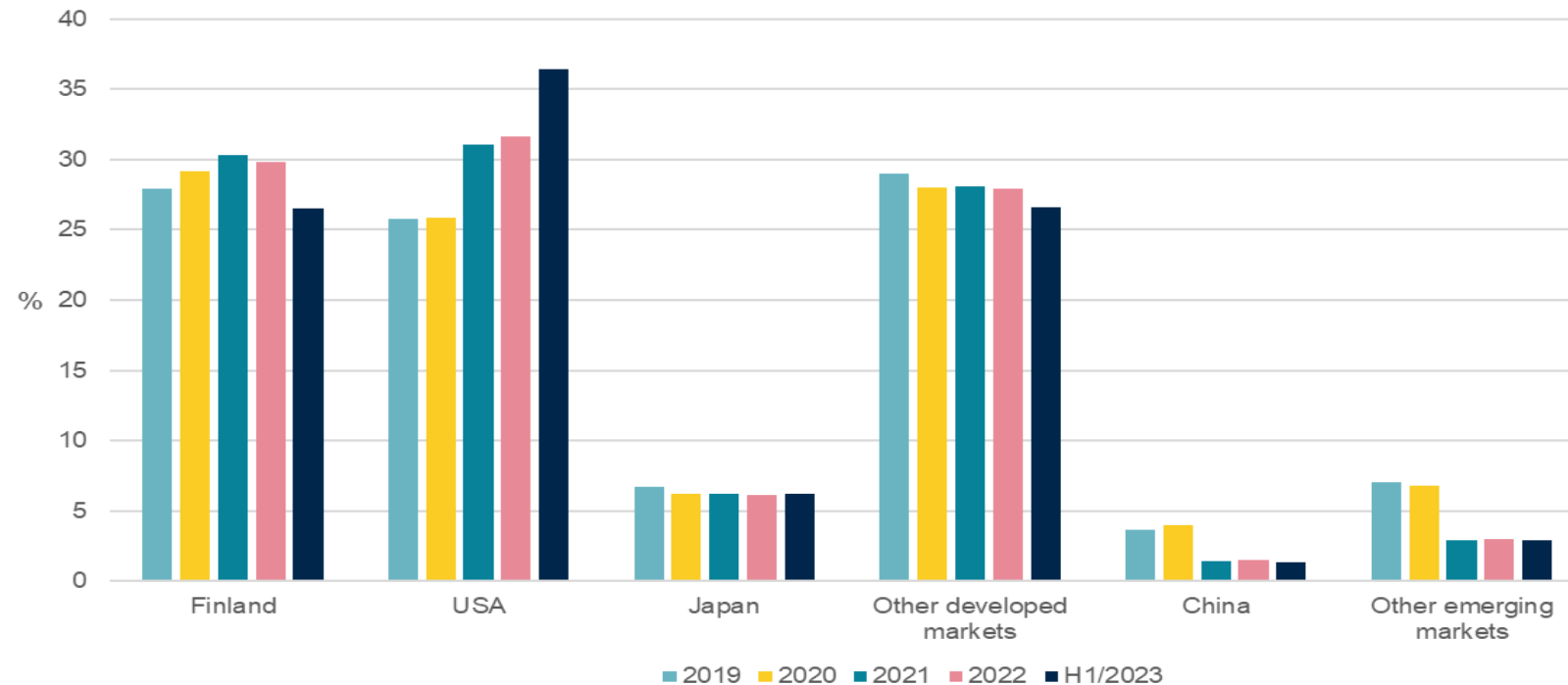
Risk breakdown of investments



Share of Finnish listed equity investments

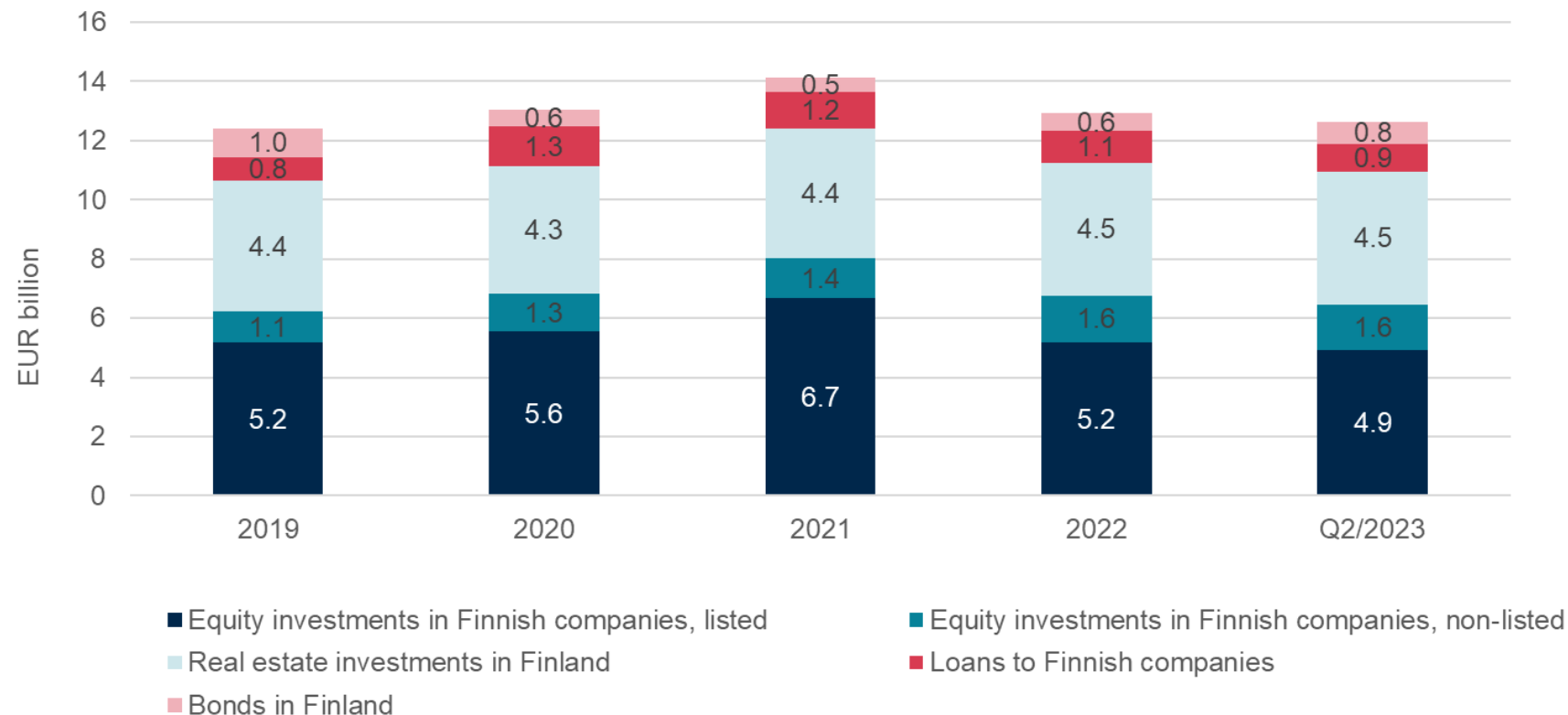
27 per cent

Geographical breakdown of listed equities



Ilmarinen's investments in Finland were EUR 12.6 billion, i.e. 22 per cent of the investment portfolio

Investments in Finland 2019–30 June 2023, € bn



Holdings in Finnish publicly quoted companies

EUR 4.9 bn

Largest Finnish listed equity holdings

	EUR mill.	30 June 2023	31 Dec 2022
↓	Nordea Bank Abp	298	306
↑	Neste Corporation	296	285
↓	Sampo Plc	286	310
↓	Nokia Corporation	285	286
	UPM-Kymmene Corporation	267	289
↓	Kone Corporation	258	286
↓	Kesko Plc	255	297
↑	Metso Corporation	251	236
↓	Fortum Corporation	248	275
↑	Elisa Corporation	206	201

	Percentage	30 June 2023	31 Dec 2022
	Nurminen Logistics Plc	14.9	14.9
	SRV Group Plc	11.4	11.4
↓	Digia Plc	10.2	12.5
↑	Bioretec Ltd	7.1	0.0
	Administer Plc	8.7	8.7
	Solteq plc	8.5	8.5
	Kojamo Plc	8.3	8.3
	Citycon Oyj	7.6	7.6
	Siili Solutions Plc	7.4	7.4
	Glaston Corporation	7.3	7.3

Summary of return on investments for January–June

	Basic breakdown		Risk breakdown		Return	Volatility
	EUR mill.	%	EUR mill.	%	%	
Fixed-income investments	17,416	29.9	19,532	33.5	3.7	
Loan receivables	1,678	2.9	1,678	2.9	2.5	
Bonds	14,866	25.5	18,432	31.7	4.1	5.7
Public corporation bonds	5,573	9.6	5,672	9.7	2.9	
Other bonds	9,294	16.0	12,759	21.9	4.9	
Other money market instruments and deposits (incl. investment receivables and payables)	871	1.5	-578	-1.0	0.6	
Equities and shares	27,645	47.5	27,596	47.4	5.7	
Listed equities and shares	18,497	31.8	18,448	31.7	7.6	14.3
Private equity investments	7,641	13.1	7,641	13.1	2.0	
Non-listed equities and shares	1,507	2.6	1,507	2.6	2.3	
Real estate investments	6,756	11.6	6,776	11.6	0.1	
Real estate investments	6,042	10.4	6,063	10.4	0.0	
Real estate funds and joint investments	714	1.2	714	1.2	0.5	
Other	6,402	11.0	6,562	11.3	-1.0	
Hedge fund investments	5,088	8.7	5,088	8.7	1.5	7.3
Commodity investments	4	0.0	17	0.0	-	
Other investments	1,311	2.3	1,458	2.5	-8.5	
Investments total	58,218	100.0	60,467	103.9	3.7	5.5
Effect of derivatives	0		-2,249	-3.9		
Investments at current value	58,218		58,218	100.0		

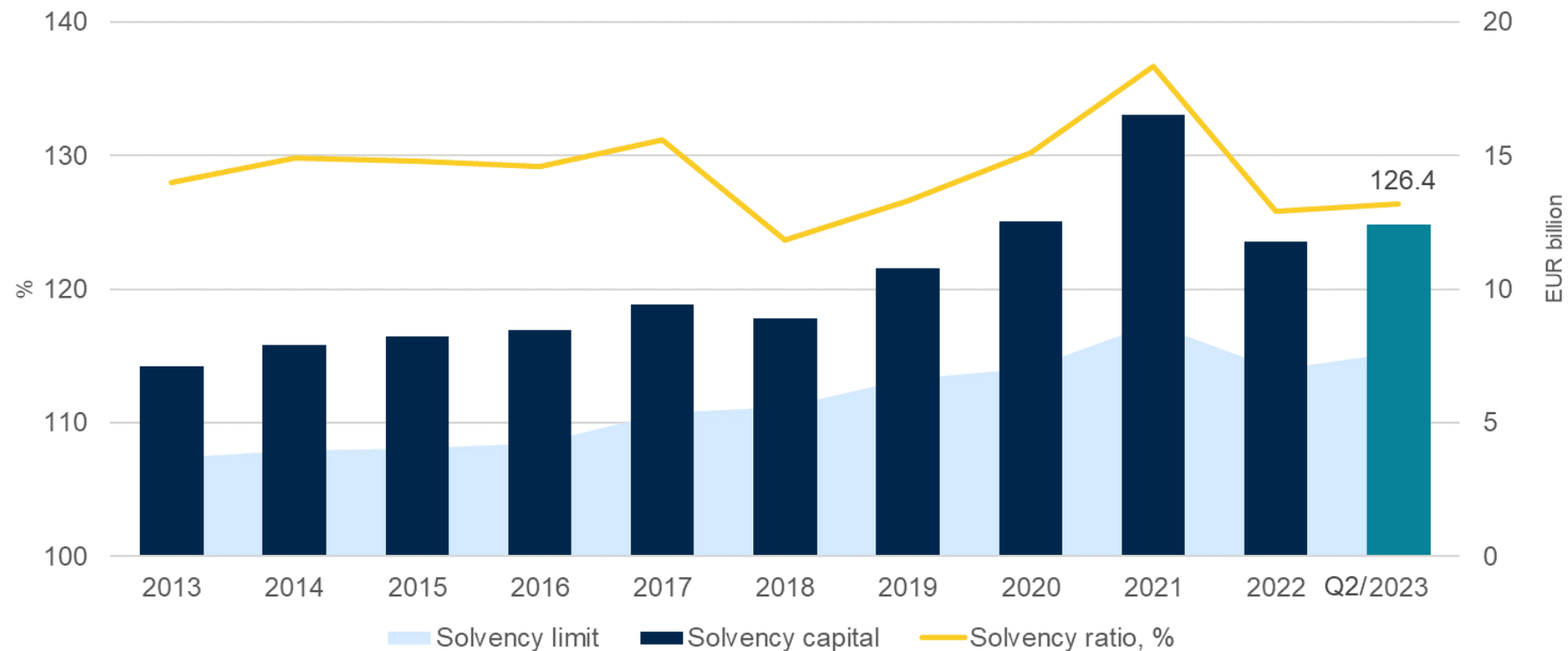
The modified duration of bond investments is 4.0 years.

The open currency position is 23.1% of the market value of the investments.

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

Solvency capital rose to EUR 12.4 billion and the solvency ratio to 126.4 per cent, with the solvency position being 1.6

Solvency capital, solvency ratio and solvency limit 2013–30 June 2023



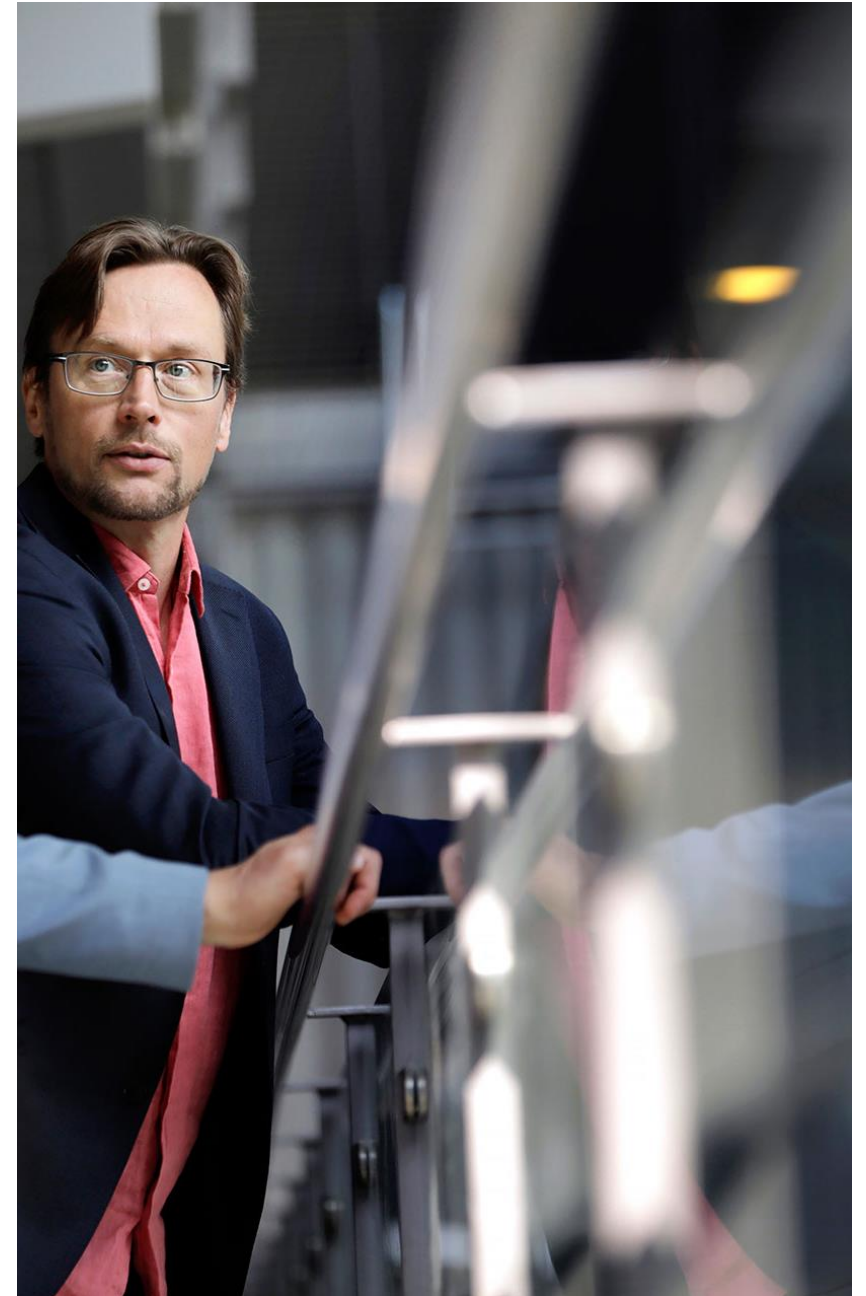


Future prospects and current information about the pension system

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Future prospects

- Prolonged inflation, the weakening of consumers' purchasing power and Russia's war in Ukraine are casting a shadow over the global economic growth outlook. Global economic growth is anticipated to decelerate this year by approximately 3 per cent and Finland's economy is expected to weaken to zero growth.
- Ilmarinen's premiums written are expected to grow on the back of payroll growth, but the growth pace is expected to slow down from the previous year.
- The longer-than-expected duration of inflationary pressure and the resulting prolonged tighter monetary policy are key risk factors, in addition to geopolitical tensions, for economic growth and the capital markets. Furthermore, the weakening of companies' earnings outlook is causing uncertainty on the markets. The real estate sector in particular and the problems of indebted companies and households threaten to pile up owing to the prolonged tight monetary policy.
- 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 exceptionally low birth rate.



Current information about the pension system

- At the start of 2023, an exceptional index increase of 6.8 per cent was made to earnings-related pensions, which led to a large influx of applications. A more moderate index increment is expected also in 2024.
- The administrative cost component included in the earnings-related pension insurance contribution became company-specific as of the start of 2023. Every pension company has its own contribution criteria for the administrative cost component.
- The act on more detailed specifications on determining entrepreneurs' YEL income and reviewing the YEL income for existing insurance policies came into force as of the start of 2023. Ilmarinen has begun its reviews in accordance with the act.
- Finns' confidence in the pension system has remained high, according to the 2023 Pension Barometer survey released by the Finnish Centre for Pensions.
- The Government Programme states that tripartite preparatory work will take place by 2025 to ensure the necessary earnings-related pension legislation amendments for securing sustainable financing and an adequate level of benefits.

