



# ILMARINEN JANUARY–JUNE 2015

Timo Ritakallio, President and CEO  
Press Conference 11 August 2015



ILMARINEN

# KEY OBSERVATIONS ABOUT THE OPERATING ENVIRONMENT

January–June 2015

- The investment environment became extremely challenging due to fluctuating stock prices and the fast growth of long-term interest rates
- European economic growth put out some positive signals
- Finland's economic outlook, however, remained modest
- The weakening of the euro against the US dollar came to a halt
- In domestic real estate investments the vacancy rate of office premises remained high





# GOOD INVESTMENT RETURN IN CHALLENGING ENVIRONMENT

January–June 2015

- Investment return **6.2%**
  - Return on equity investments **14.0%**
  - Return on fixed income investments **0.8%**
  - Return on real estate investments **3.0%**
- Long-term return at a good level
  - Nominal return **6.1%**
  - Real return **4.3%**
- Solvency at a good level

# ILMARINEN JANUARY–JUNE 2015

## Key figures

	1 Jan– 30 June 2015	1 Jan– 30 June 2014	1 Jan– 31 Dec 2014
Premiums written, EUR mill.	2,125	2,066	4,167
Net investment return at current value, EUR mill.	2,143	1,121	2,188
ROCE, %	6.2	3.4	6.8
	30 June 2015	30 June 2014	31 Dec 2014
Technical provisions, EUR mill.	30,614	27,990	28,402
Solvency capital, EUR mill.	9,087	7,536	7,904
% of technical provisions <sup>1)</sup>	33.2	29.0	29.8
in relation to solvency limit	2.4	1.9	2.0
Equalisation provision, EUR mill.	1,036	996	1,016
Pension assets, EUR mill. <sup>2)</sup>	36,411	33,469	34,388
TyEL payroll, EUR mill. <sup>3)</sup>	16,818	16,797	16,713
YEL payroll, EUR mill. <sup>3)</sup>	1,523	1,489	1,482

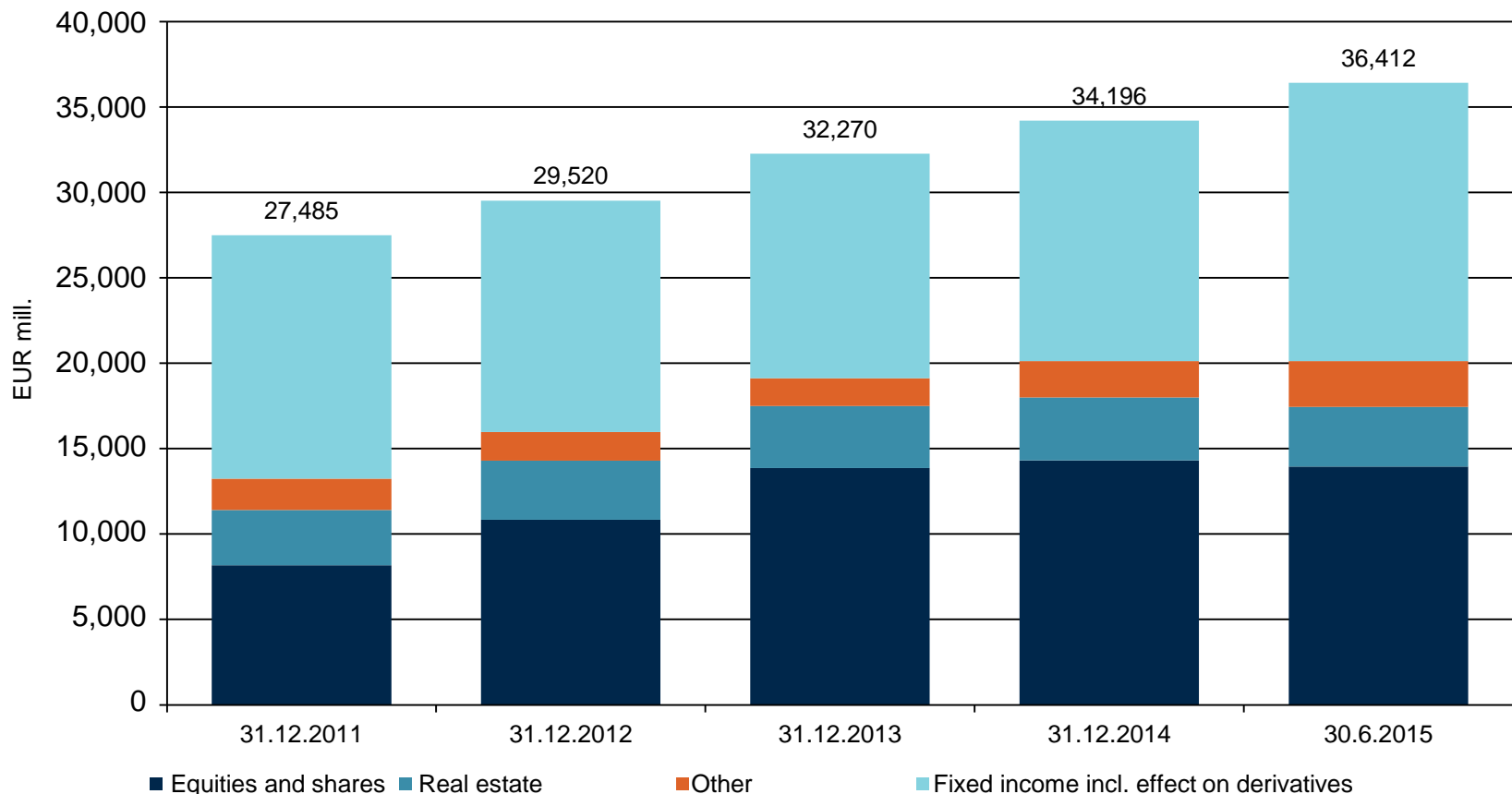
1) The ratio was computed as a percentage of the technical provisions used in calculating the solvency limit

2) Technical provisions + differences between current and book value

3) Estimated TyEL and YEL payroll for the whole year

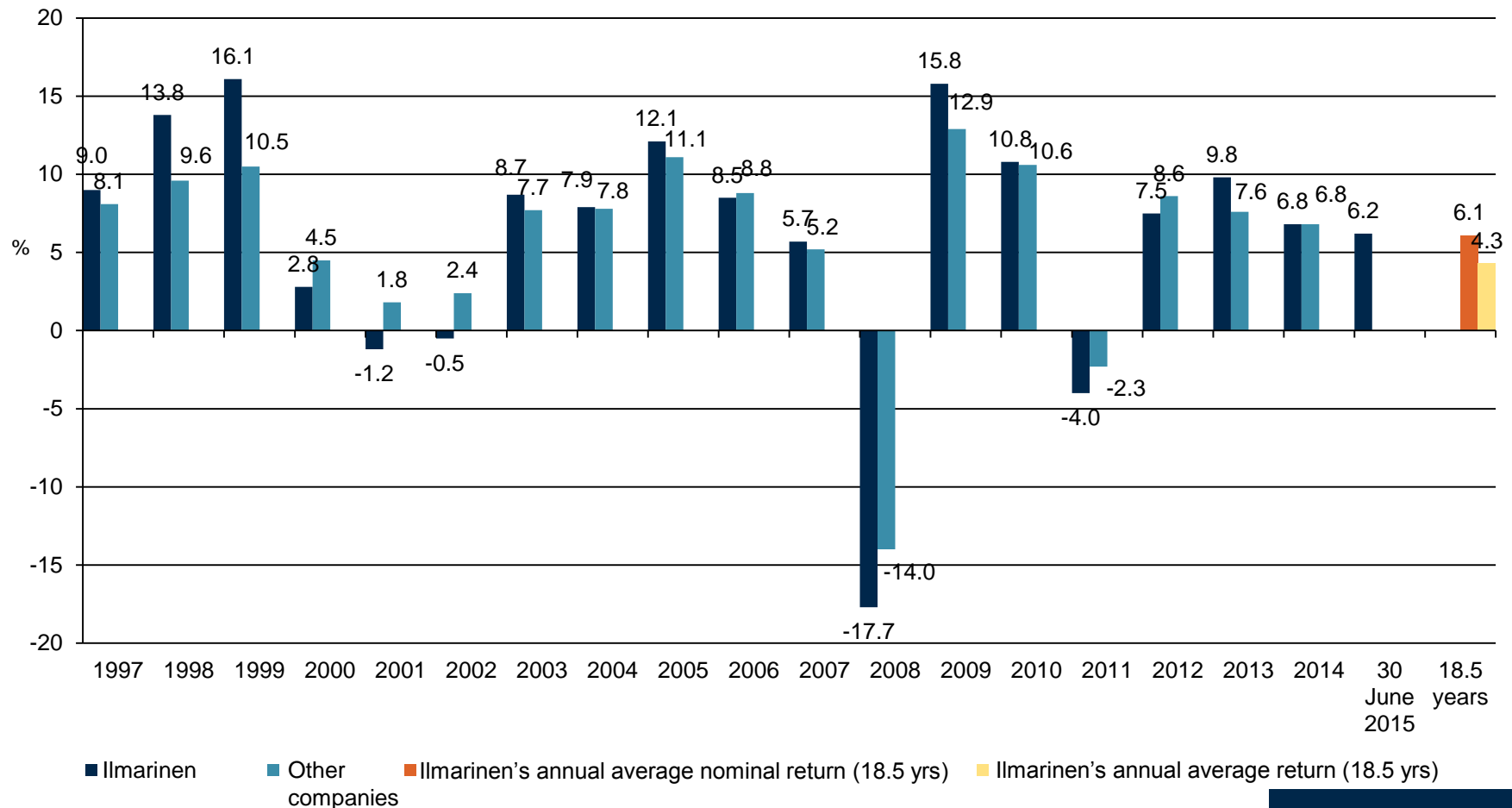
# MARKET VALUE OF INVESTMENTS **EUR 36.4 BILLION**

Asset allocation according to risk



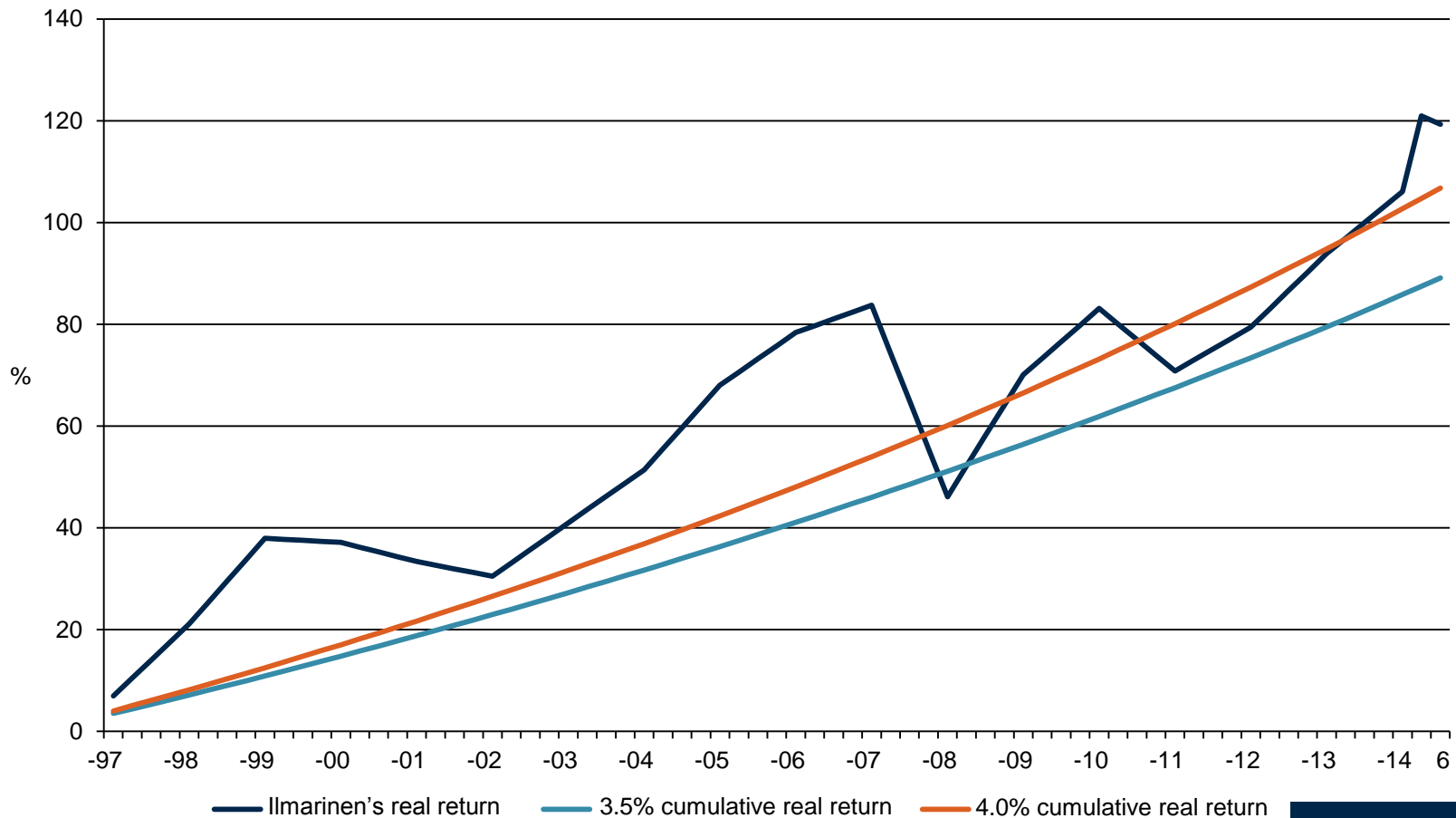
# REAL RETURN ON INVESTMENTS IN THE LONG TERM 4.3%

Net investment return at current value



# LONG-TERM REAL RETURN AT A GOOD LEVEL

Cumulative return on investments 1997–30 June 2015

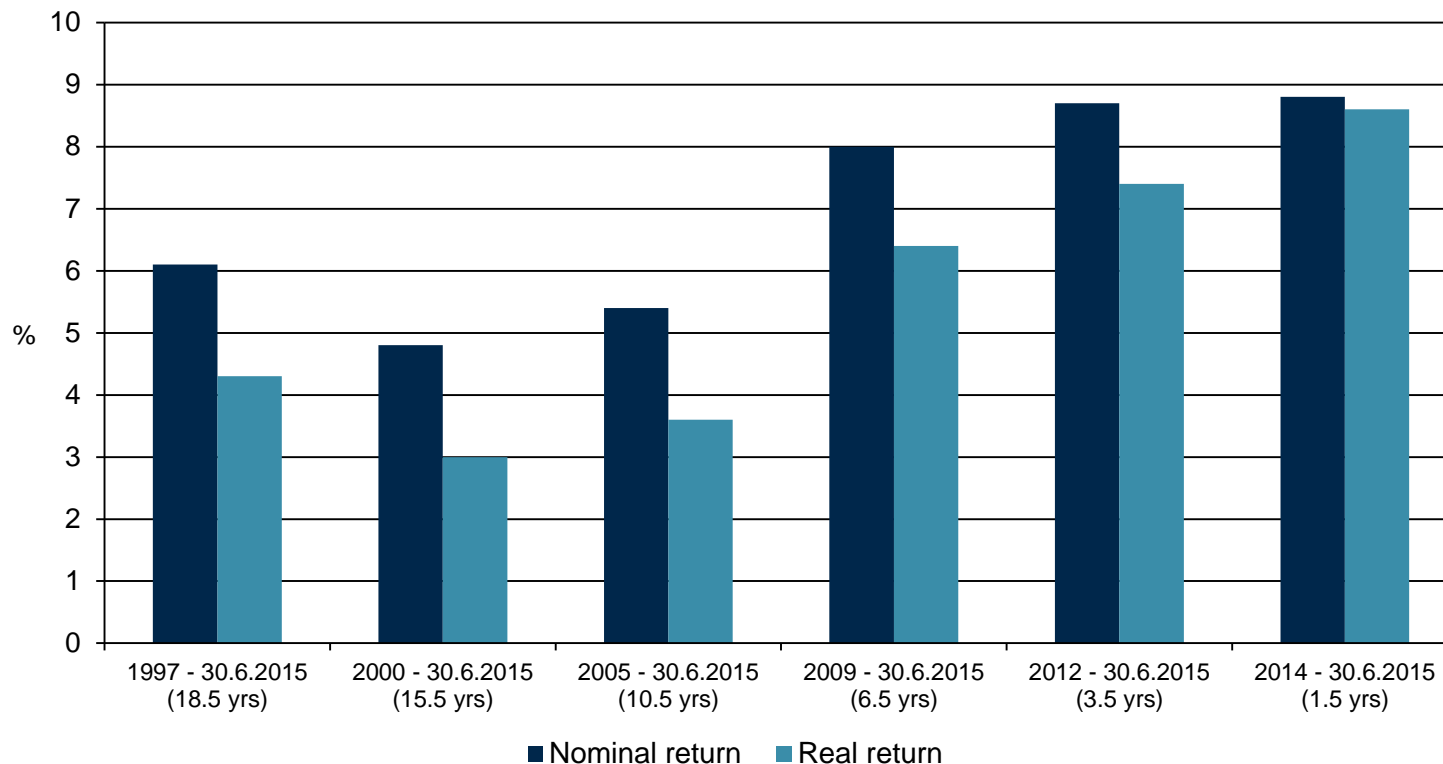


# REAL RETURN FOR PAST FIVE YEARS 4.8 PER CENT

%	Ilmarinen	Finnish equities and shares	European equities and shares	Euro government bonds	Euro corporate bonds
6/2015	6.2	11.9	13.4	-1.4	-1.5
2014	6.8	10.6	7.2	13.0	8.2
Average return over five years	6.5	11.8	12.6	5.3	4.9
Average return over 10 years	5.0	8.3	6.3	4.4	3.9
Average return since 1997	6.1	9.9	7.1	5.3	5.0
Real average return over five years	4.8	9.9	10.7	3.5	3.2
Real average return over 10 years	3.2	6.4	4.4	2.5	2.1
Real average return since 1997	4.3	8.1	5.4	3.6	3.3

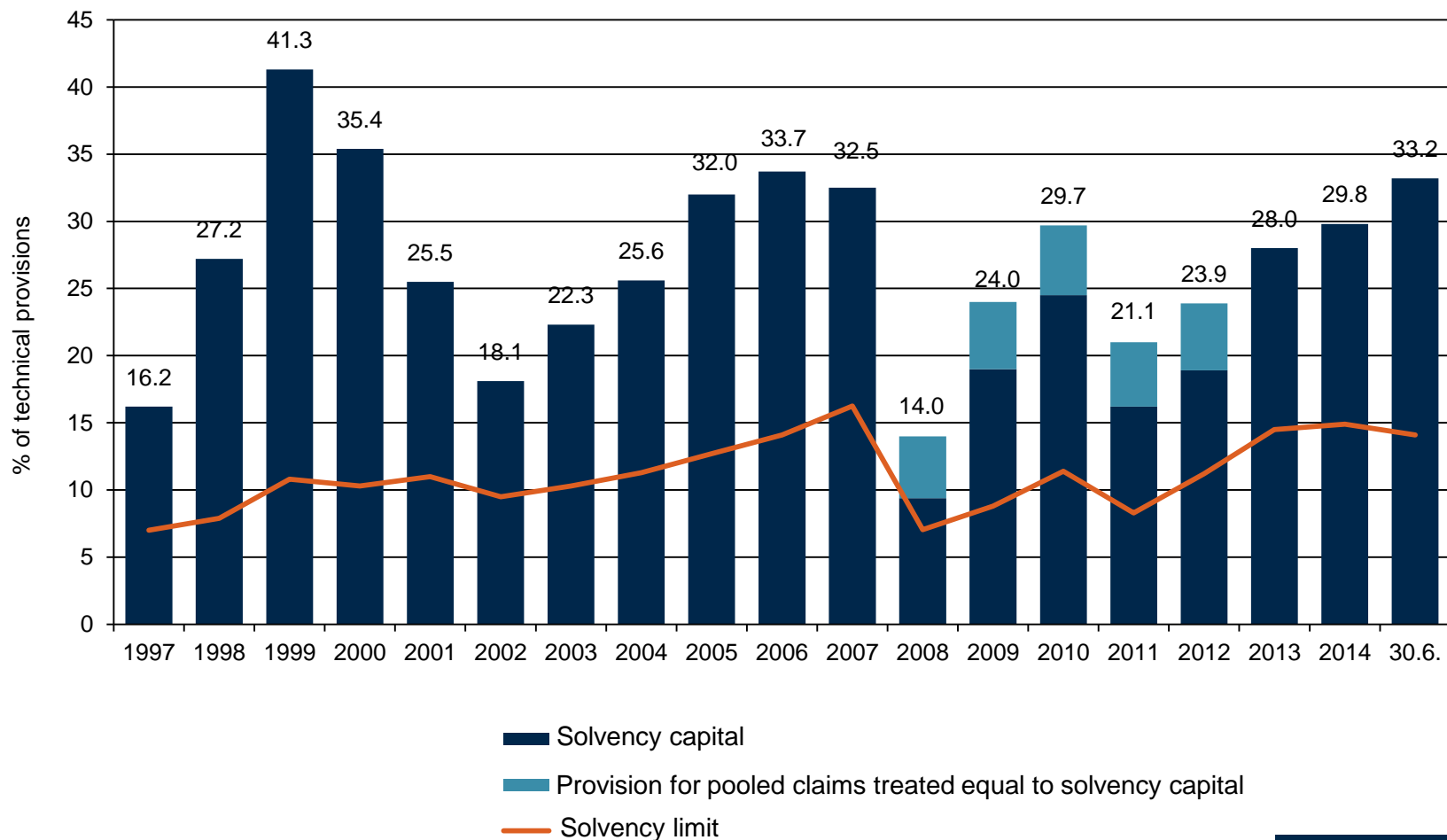


# VARYING INVESTMENT RETURNS DEPENDING ON PERIOD



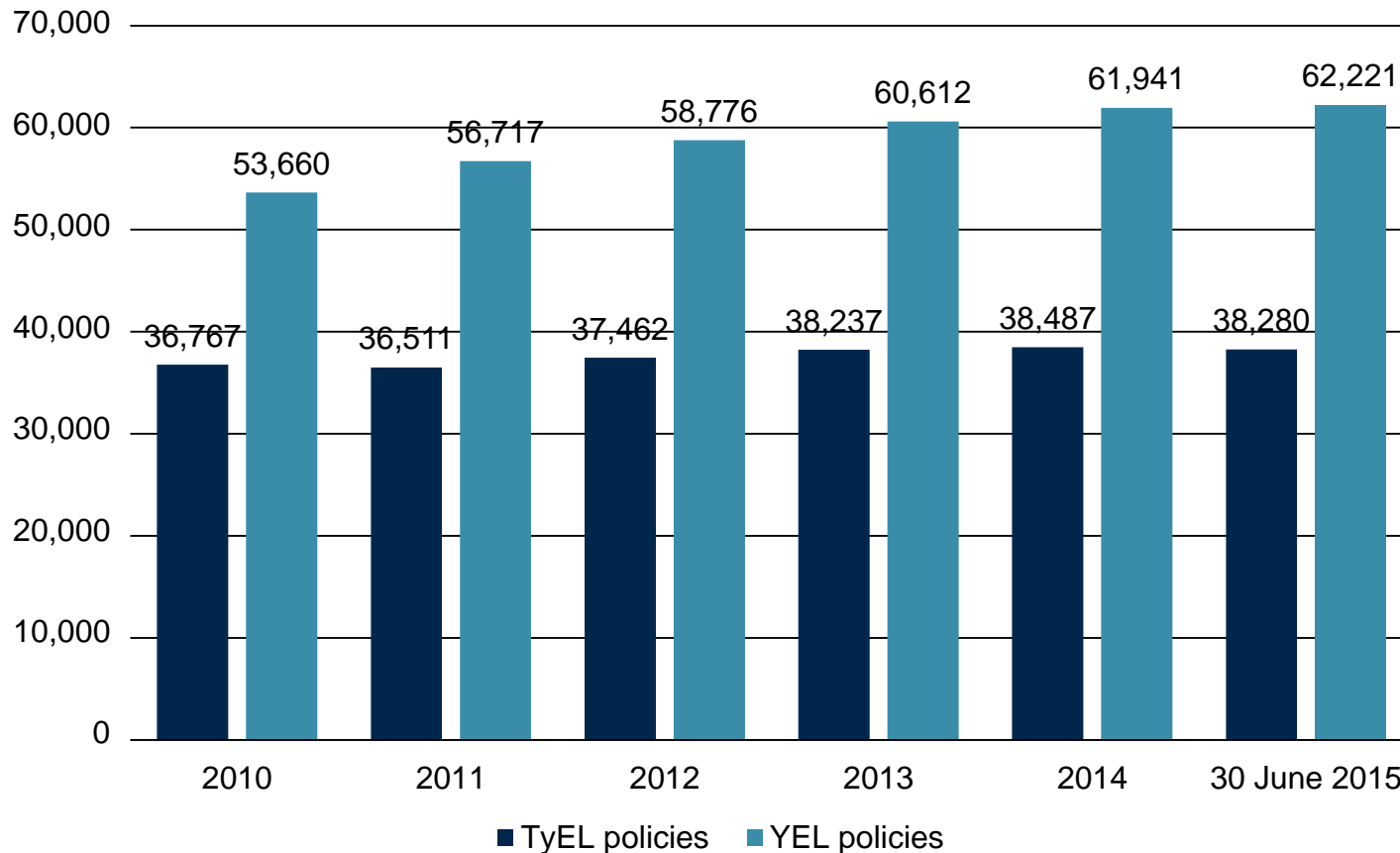
# SOLVENCY AT A GOOD LEVEL

## Solvency development



# NO MAJOR CHANGES IN NUMBER OF CLIENTS

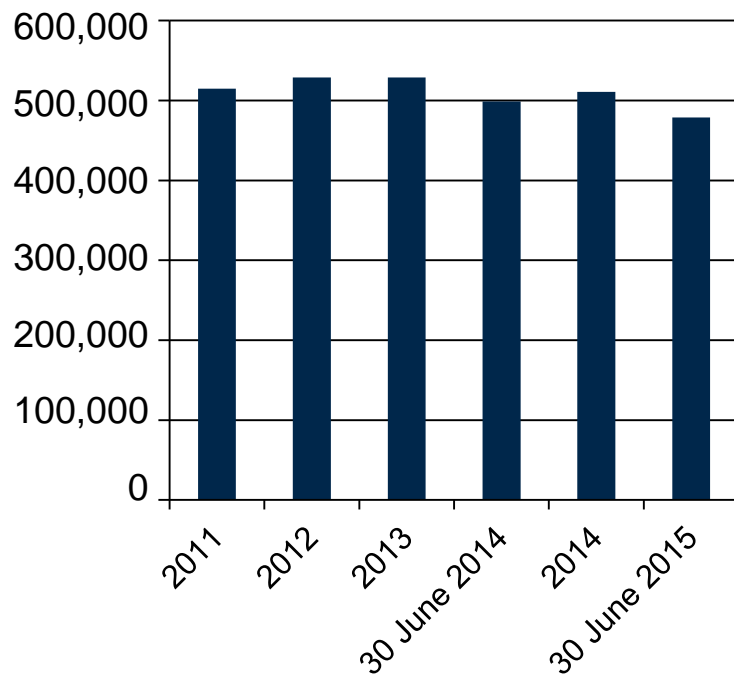
Number of policies



# CLOSE TO HALF A MILLION INSURED EMPLOYEES

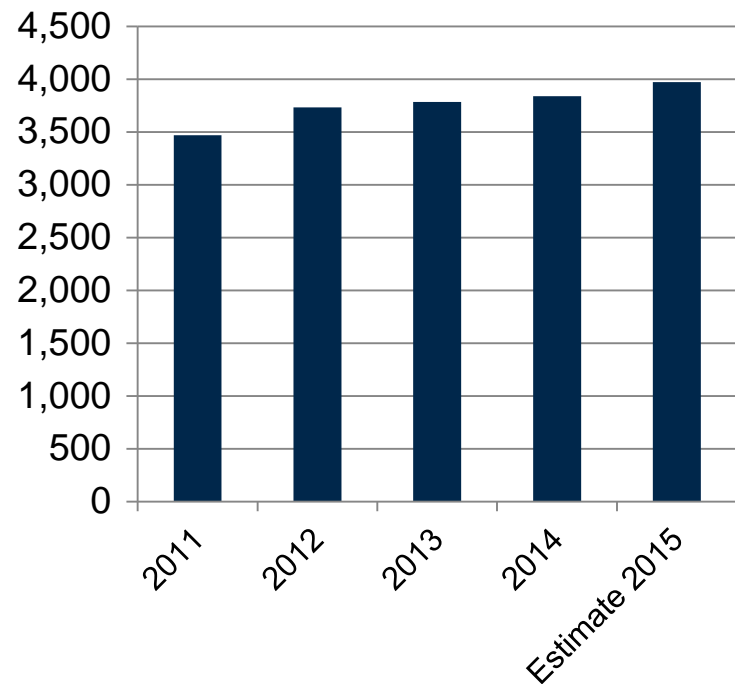
## Number of TyEL insured and payroll

Persons



■ Insured under TyEL

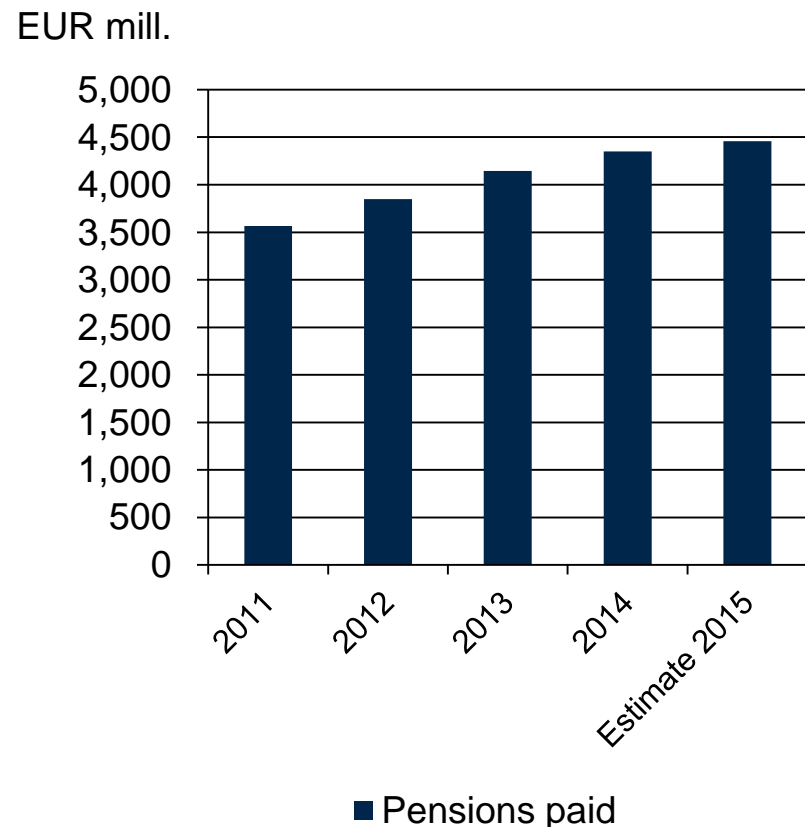
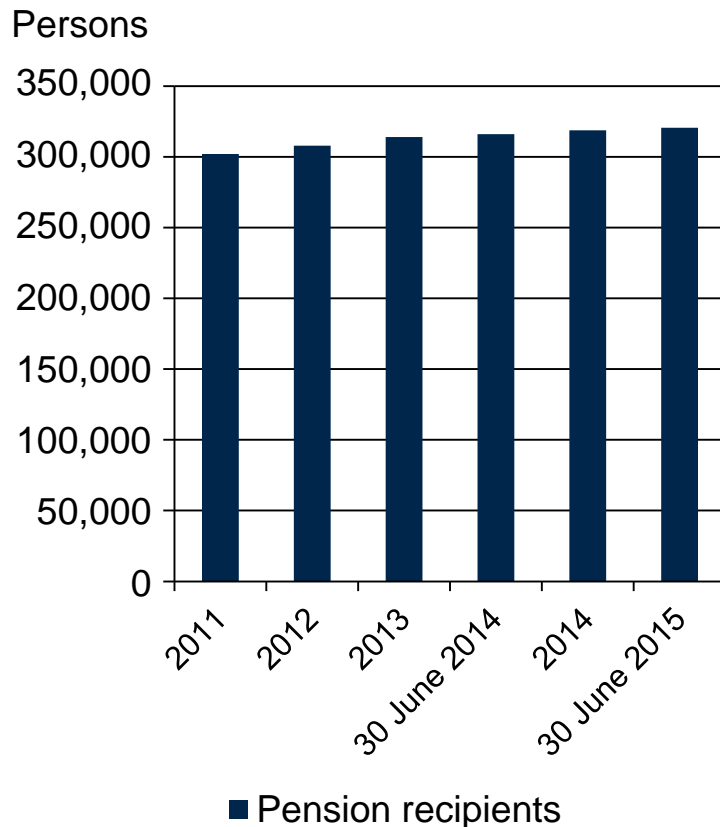
EUR mill.



■ TyEL payroll

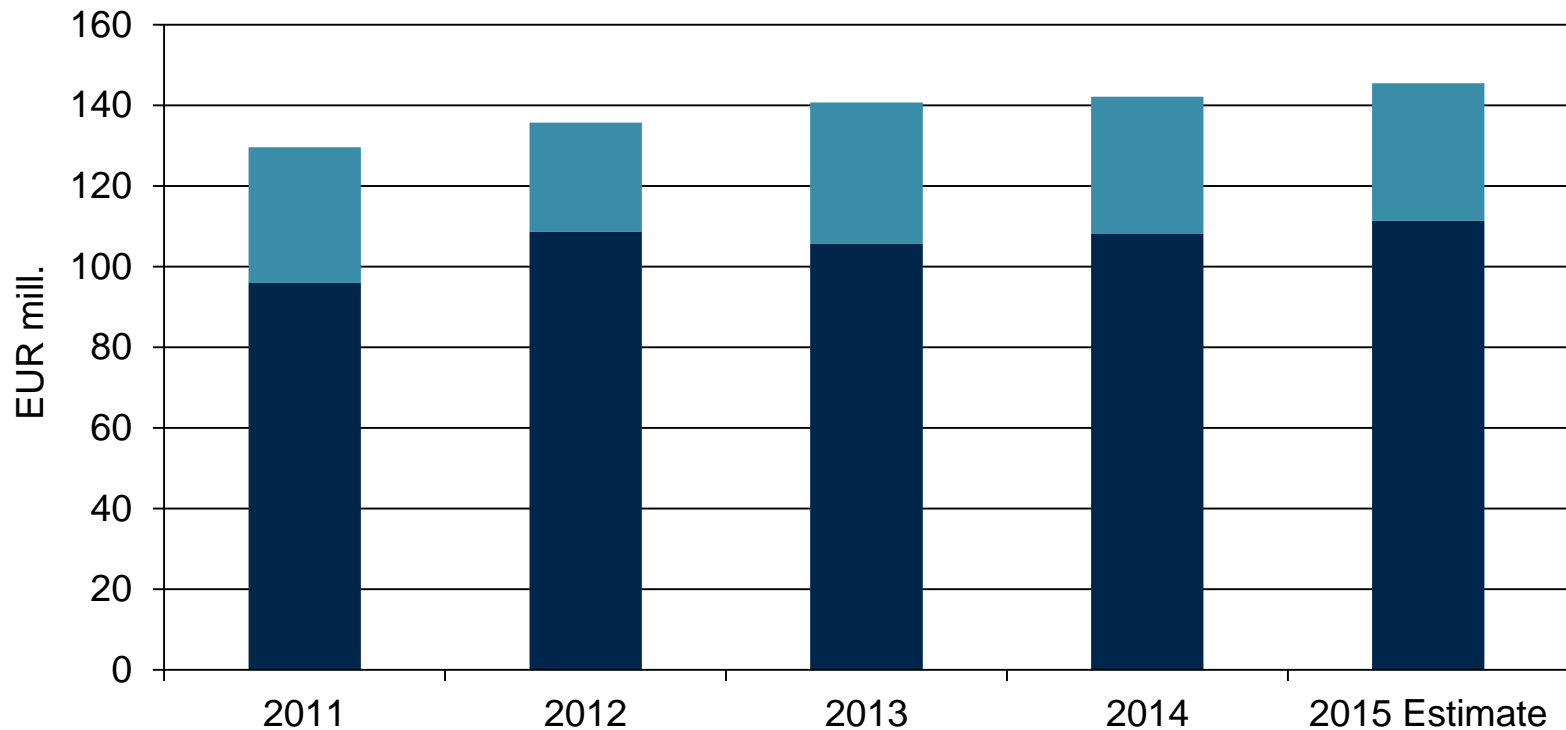
# NUMBER OF PENSION RECIPIENTS RISING STEADILY

## Pension recipients and pensions paid





# OPERATING EXPENSES AND LOADING PROFIT



Operating expenses  
as a percentage of  
loading profit =  
Operational efficiency

■ Activity-based operating expenses ■ Loading profit

74% 80% 75% 76% 77%

# INVESTMENT OPERATIONS H1/2015

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Mikko Mursula, CIO

# RETURN ON INVESTMENTS

## JANUARY-JUNE 2015 6.2%

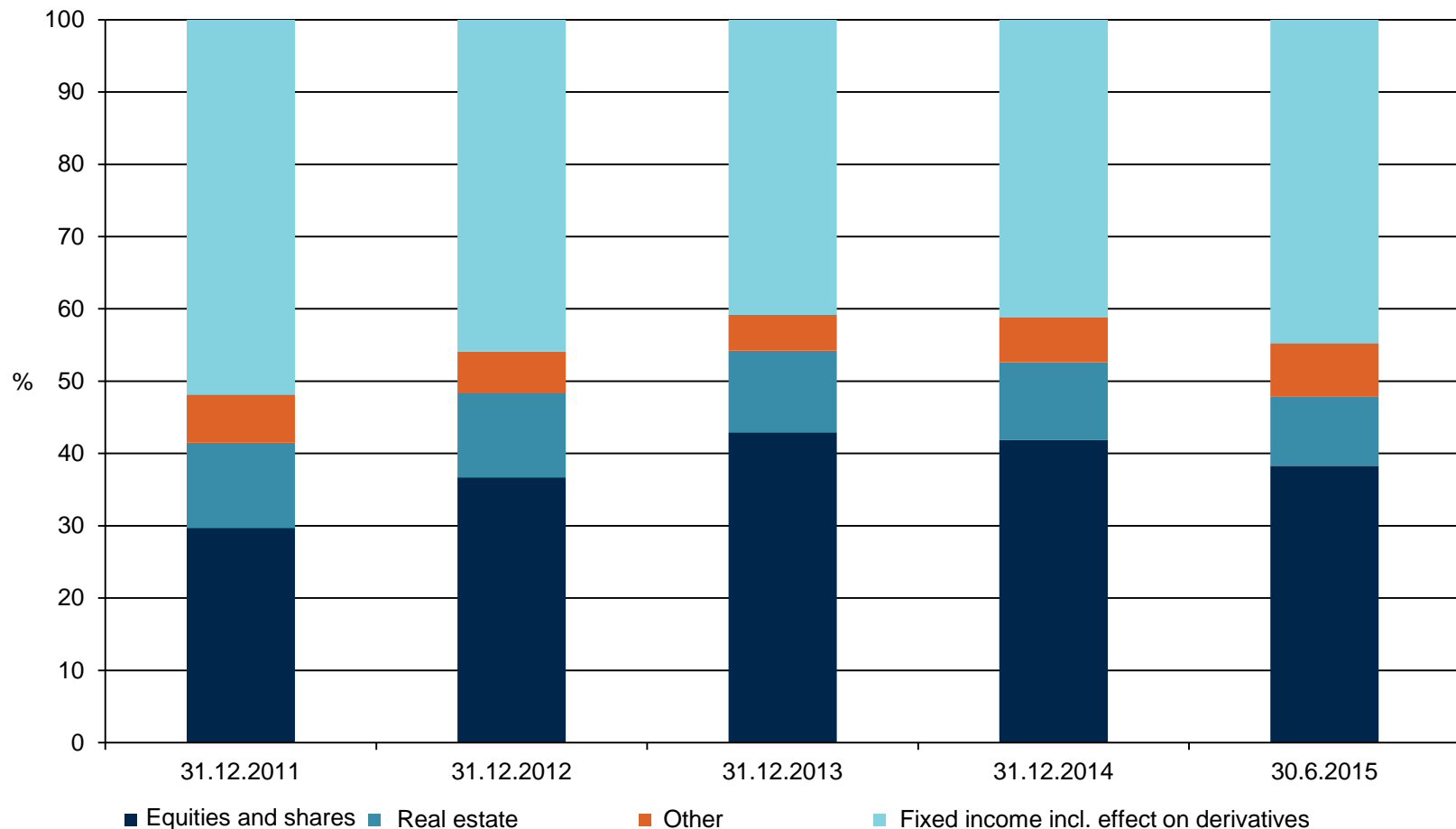
### Asset allocation and return

	Basic breakdown		Risk breakdown		Return	Volatility
	EUR mill.	%	EUR mill.	%	%	
<b>Fixed-income investments</b>	<b>17,751.4</b>	<b>48.8</b>	<b>20,021.0</b>	<b>55.0</b>	<b>0.8</b>	
Loan receivables	1,466.8	4.0	1,466.8	4.0	2.1	
Bonds	14,832.3	40.7	13,474.9	37.0	0.7	1.4
Public corporation bonds	4,976.5	13.7	4,564.2	12.5	-0.8	
Other bonds	9,855.8	27.1	8,910.7	24.5	1.5	
Other money market instruments and deposits	1,452.3	4.0	5,079.3	13.9	1.1	
(incl. Investment receivables and payables)						
<b>Equities and shares</b>	<b>13,414.5</b>	<b>36.8</b>	<b>13,949.4</b>	<b>38.3</b>	<b>14.0</b>	
Listed equities and shares	10,430.7	28.6	10,965.5	30.1	15.4	9.2
Private equity investments	1,919.1	5.3	1,919.1	5.3	13.2	
Non-listed equities and shares	1,064.7	2.9	1,064.7	2.9	2.5	
<b>Real estate investments</b>	<b>3,500.4</b>	<b>9.6</b>	<b>3,500.4</b>	<b>9.6</b>	<b>3.0</b>	
Direct real estate investments	3,004.0	8.2	3,004.0	8.2	2.6	
Real estate fund and joint investments	496.5	1.4	496.5	1.4	5.5	
<b>Other</b>	<b>1,745.9</b>	<b>4.8</b>	<b>2,673.2</b>	<b>7.3</b>	<b>7.8</b>	
Hedge fund investments	631.7	1.7	622.6	1.7	9.7	6.5
Commodity investments	-2.3	0.0	74.5	0.2	-	
Other investments	1,116.5	3.1	1,976.1	5.4	8.1	
Investments total		<b>100.0</b>	<b>40,144.0</b>	<b>110.2</b>	<b>6.2</b>	<b>3.2</b>
Effect of derivatives			-3,731.7	-10.2		
Investments at current value	<b>36,412.3</b>		<b>36,412.3</b>	<b>100.0</b>		

The modified duration of bond investments is 1.5 year. The total return percentage includes income, expenses and operating expenses not allocated to any investment types.

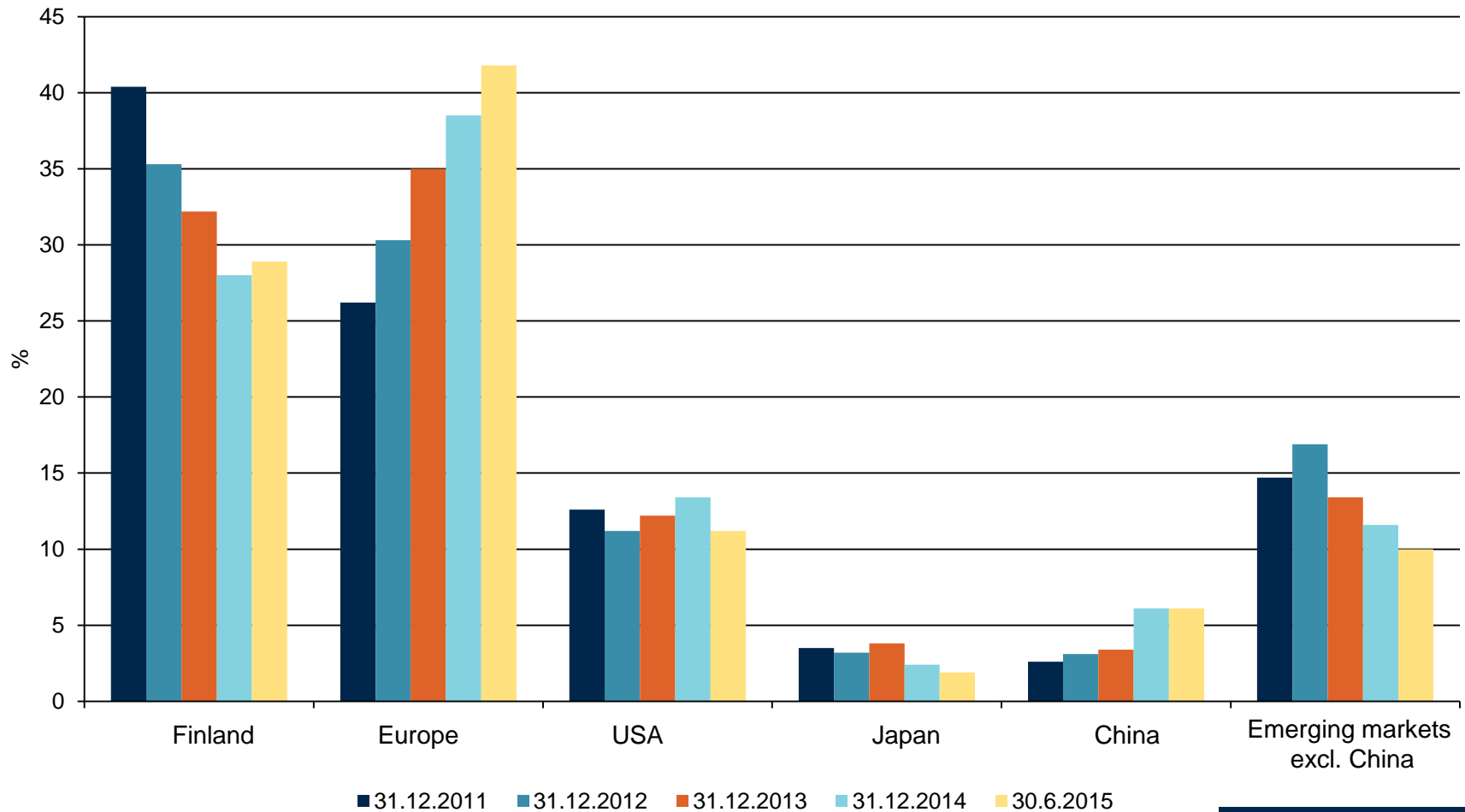
# PROPORTION OF EQUITIES & SHARES FALLING SLIGHTLY

Asset allocation development



# EUROPEAN EQUITIES AND SHARES INCREASED

## Geographical breakdown of equity investments





# FINNISH EQUITY HOLDINGS

## EUR 3.0 BILLION

### Most significant Finnish equity holdings

EUR mill.	30 June 2015	31 Dec 2014
↓ Sampo plc A	201	223
↓ Kone Corporation	188	212
↓ Nokia Corporation	183	359
↑ Stora Enso Oyj	172	79
↑ Wärtsilä Corporation	167	148
UPM-Kymmene Corporation	160	176
↓ Metso Corporation	110	124
↑ Neste Corporation	96	73
↑ Metsä Board Oyj	95	70
↓ Citycon Oyj	95	117

Percentage	30 June 2015	31 Dec 2014
Digia Plc	14.58	14.58
↓ PKC Group Plc	12.19	12.23
↓ Basware Corporation	10.76	10.7
Finnlines Oyj	10.58	10.58
Technopolis Plc	10.41	10.41
Talentum Plc	9.73	9.73
Sotkamo Silver Ab	8.72	8.72
CapMan Plc	8.32	8.32
Martela Corporation	8.07	8.07
↑ Munksjö Oyj	8.03	5.98

# WE ARE EXPANDING OUR REAL ESTATE PORTFOLIO

More domestic and foreign investments expected in upcoming years

Real estate investments

- compliment the securities portfolio
- improve the risk-return ratio of the entire investment portfolio

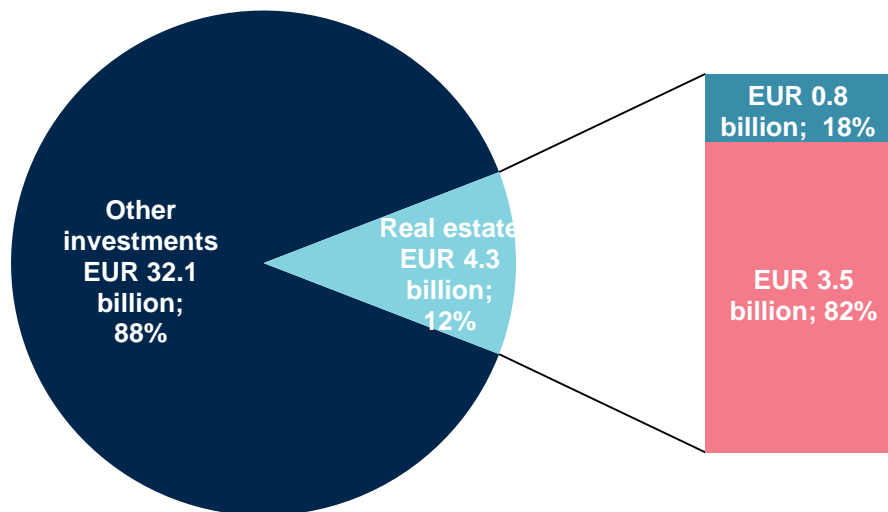
# REAL ESTATE STRATEGY FOR NEAR FUTURE

- The objective is to **increase direct Finnish real estate holdings** by some EUR 150 million each year, over approx. five years.
- **The focus of the growth in real estate investments is on foreign real estate investments**, where our growth target is some EUR 200 million annually.
- **Current domestic projects** include the REDI shopping centre and Stockmann's logistics centre.

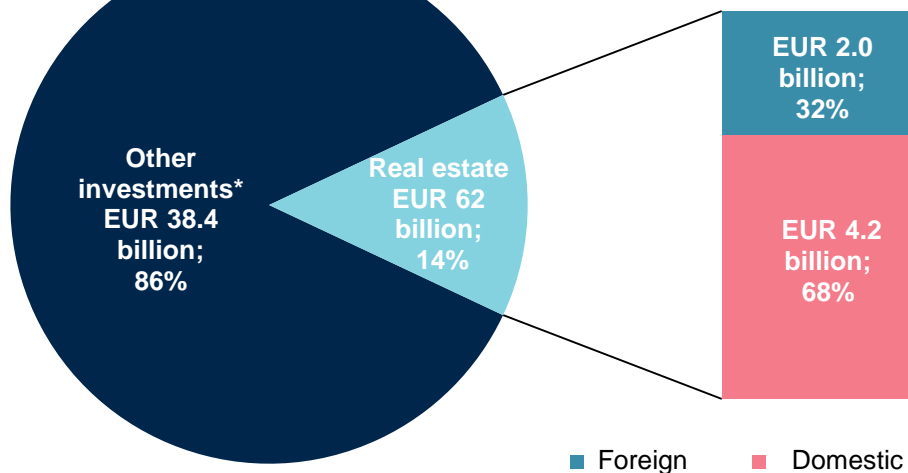


# TARGETED ALLOCATION OF REAL ESTATE INVESTMENTS

JUNE/2015



VISION 2020



■ Foreign ■ Domestic

\* Assumption 4.5% nominal growth incl. TyEL cash flow





## *Investment markets and economic outlook*



A woman with brown hair tied back, wearing an orange top, is sitting and looking down at a tablet computer. She is holding the tablet with both hands. The background is slightly blurred, showing what appears to be a window with vertical blinds.

# HOT TOPICS IN THE MARKETS **TODAY**

- Companies' H1/2015 results on average **better than market projections**
- China's economic growth **is slowing down**
- Negotiations on Greece's bailout package continue
- The US Federal Reserve **is expected to raise its key interest rate**



# OUTLOOK FOR THE REST OF 2015

- The European central bank **is continuing with its asset-purchase programme**. Interest rates will remain low.
- Share price volatility will continue. A more permanent rise **will require clear earnings growth**.
- The US Federal Reserve's **assumed interest rate hike will contribute to the volatility** in EM equities and currencies.
- **The low interest rate level** will continue to guide investors to seek alternatives to fixed income investments.



*Key figures and tables*

# SOLVENCY CAPITAL

% of the technical provisions used in calculating the solvency limit	30 June 2015	30 June 2014	31 Dec 2014
Solvency limit	14.1	15.5	15.0
Maximum solvency capital	56.2	61.9	59.8
Solvency before equalisation provision	29.4	25.2	26.0
Solvency capital (solvency ratio)	33.2	29.0	29.8



# BREAKDOWN OF INVESTMENTS AT CURRENT VALUE

	Basic breakdown						Risk breakdown			
	30 June 2015		30 June 2014		31 Dec 2014		30 June 2015		30 June 2014	31 Dec 2014
	EUR mill.	%	EUR mill.	%	EUR mill.	%	EUR mill.	%	%	%
<b>Fixed income investments</b>	<b>17,751.4</b>	<b>48.8</b>	<b>14,637.7</b>	<b>43.7</b>	<b>15,109.9</b>	<b>44.2</b>	<b>20,021.0</b>	<b>55.0</b>	<b>37.7</b>	<b>40.4</b>
Loan receivables <sup>1)</sup>	1,466.8	4.0	1,587.1	4.7	1,473.8	4.3	1,466.8	4.0	4.7	4.3
Bonds	14,832.3	40.7	12,655.5	37.8	12,714.1	37.2	13,474.9	37.0	16.9	13.7
Other money market instruments and deposits <sup>1) 2)</sup>	1,452.3	4.0	395.1	1.2	922.0	2.7	5,079.3	13.9	16.1	22.4
<b>Equity investments</b>	<b>13,414.5</b>	<b>36.8</b>	<b>13,597.1</b>	<b>40.6</b>	<b>13,568.3</b>	<b>39.7</b>	<b>13,949.4</b>	<b>38.3</b>	<b>44.3</b>	<b>41.9</b>
Listed equities and shares <sup>3)</sup>	10,430.7	28.6	10,898.3	32.6	10,708.1	31.3	10,965.5	30.1	36.2	33.5
Private equity <sup>4)</sup>	1,919.1	5.3	1,582.0	4.7	1,677.6	4.9	1,919.1	5.3	4.7	4.9
Non-listed equities and shares <sup>5)</sup>	1,064.7	2.9	1,116.7	3.3	1,182.6	3.5	1,064.7	2.9	3.3	3.5
<b>Real estate investments</b>	<b>3,500.4</b>	<b>9.6</b>	<b>3,654.6</b>	<b>10.9</b>	<b>3,681.3</b>	<b>10.8</b>	<b>3,500.4</b>	<b>9.6</b>	<b>10.9</b>	<b>10.8</b>
Direct estate investments	3,004.0	8.2	3,140.7	9.4	3,189.6	9.3	3,004.0	8.2	9.4	9.3
Real estate funds and joint investments	496.5	1.4	513.9	1.5	491.8	1.4	496.5	1.4	1.5	1.4
<b>Other investments</b>	<b>1,745.9</b>	<b>4.8</b>	<b>1,588.9</b>	<b>4.7</b>	<b>1,836.0</b>	<b>5.4</b>	<b>2,673.2</b>	<b>7.3</b>	<b>5.9</b>	<b>6.2</b>
Hedge fund investments <sup>6)</sup>	631.7	1.7	435.6	1.3	522.3	1.5	622.6	1.7	1.3	1.5
Commodity investments	-2.3	0.0	2.9	0.0	-0.2	0.0	74.5	0.2	0.0	0.2
Other investments <sup>7)</sup>	1,116.5	3.1	1,150.4	3.4	1,313.9	3.8	1,976.1	5.4	4.6	4.5
<b>Investments total</b>	<b>36,412.3</b>	<b>100.0</b>	<b>33,478.3</b>	<b>100.0</b>	<b>34,195.5</b>	<b>100.0</b>	<b>40,144.0</b>	<b>110.2</b>	<b>98.8</b>	<b>99.2</b>
<b>Effect of derivatives</b>							<b>-3,731.7</b>	<b>-10.2</b>	<b>1.2</b>	<b>0.8</b>
<b>Investment at current value</b>	<b>36,412.3</b>	<b>100.0</b>	<b>33,478.3</b>	<b>100.0</b>	<b>34,195.5</b>	<b>100.0</b>	<b>36,412.3</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

The modified duration of bond investments on 30 June 2015 was 1.5 year.

1) Includes accrued interest

2) Includes cash at bank and in hand and consideration receivables and debt

3) Also includes mixed funds unless they can be allocated elsewhere

4) Includes private equity funds, mezzanine funds and infrastructure investments

5) Also includes unlisted real estate investment companies

6) Includes all types of hedge fund units regardless of the fund's strategy

7) Includes items that cannot be allocated to other investment classes



# NET RETURN ON CAPITAL EMPLOYED

## 1 JANUARY–30 JUNE 2015

	Net investment return market value <sup>8)</sup>	Capital employed <sup>9)</sup>	ROCE	ROCE	ROCE
		30 June 2015		30 June 2014	31 Dec 2014
	EUR mill.	EUR mill.	%	%	%
<b>Fixed-income investments total</b>	<b>135.0</b>	<b>16,396.7</b>	<b>0.8</b>	<b>2.2</b>	<b>2.4</b>
Loan receivables <sup>1)</sup>	30.5	1,460.8	2.1	2.1	4.3
Bonds	91.8	13,775.0	0.7	2.2	1.7
Other money market instruments and deposits <sup>1) 2)</sup>	12.8	1,160.9	1.1	2.8	9.0
<b>Equity investments total</b>	<b>1,775.1</b>	<b>12,697.2</b>	<b>14.0</b>	<b>5.5</b>	<b>10.9</b>
Listed equities and shares <sup>3)</sup>	1,523.1	9,882.5	15.4	5.2	9.8
Private equity <sup>4)</sup>	224.6	1,701.9	13.2	6.0	16.3
Non-listed equities and shares <sup>5)</sup>	27.4	1,112.8	2.5	7.9	14.0
<b>Real estate investments</b>	<b>106.3</b>	<b>3,596.2</b>	<b>3.0</b>	<b>2.5</b>	<b>5.4</b>
Direct real estate investments	80.0	3,115.9	2.6	2.4	4.9
Real estate funds and joint investments	26.3	480.3	5.5	2.9	8.5
<b>Other investments</b>	<b>142.5</b>	<b>1,824.5</b>	<b>7.8</b>	<b>0.8</b>	<b>17.7</b>
Hedge fund investments <sup>6)</sup>	54.5	563.0	9.7	3.5	6.8
Commodity investments	-14.0	4.9			
Other investments <sup>7)</sup>	101.9	1,256.6	8.1	-0.3	21.8
<b>Investments total</b>	<b>2,158.9</b>	<b>34,514.6</b>	<b>6.3</b>	<b>3.5</b>	<b>6.8</b>
Unallocated income, costs and operating expenses	-16.2				
<b>Net investment return at current value</b>	<b>2,142.6</b>	<b>34,514.6</b>	<b>6.2</b>	<b>3.4</b>	<b>6.8</b>

1) Includes accrued interest

2) Includes cash at bank and in hand and consideration receivables and debt

3) Also includes mixed funds unless they can be allocated elsewhere

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5) Also includes unlisted real estate investment companies

6) Includes all types of hedge fund units regardless of the fund's strategy

7) Includes items that cannot be allocated to other investment classes

8) Changes in the market values between the end and beginning of the reporting period – cash flows during the period.

Cash flow means the difference between sales/returns and purchases/costs

9) Capital employed = Market value at the beginning of the reporting period + time-weighted cash-flows on a daily/monthly basis.

FOR A BETTER  
LIFE



ILMARINEN