

ILMARINEN JANUARY–JUNE 2016

Timo Ritakallio, President and CEO



ILMARINEN

KEY OBSERVATIONS ABOUT THE OPERATING ENVIRONMENT

January–June 2016

- Finland's economic and employment development were modest, which was reflected in Ilmarinen's premiums written and the number of insured
- Share prices fell in Europe and Japan
- The interest rate level continued to fall, closing at a record-low level
- The recovery of the global economy is still weak
- The result of the Brexit referendum increased uncertainty



INVESTMENT RETURN IMPROVES IN Q2

January–June 2016

- Investment return **-0.6%**
 - Return on equity investments **-3.6%**
 - Return on fixed-income investments **0.3%**
 - Return on real estate investments **1.7%**
- Return in Q1 **-1.4%**, in Q2 **+0.8%**
- Long-term return at a good level
 - Nominal return **5.7%**
 - Real return **4.0%**
- Solvency at a good level

ILMARINEN JANUARY–JUNE 2015

Key figures in brief

	1 Jan– 30 June 2016	1 Jan– 30 June 2015	1 Jan– 31 Dec 2015
Premiums written, EUR mill.	2,131	2,125	4,268
Pensions and other payments made, EUR mill.	2,263	2,198	4,442
Net return on investments at fair value, EUR mill.	-213	2,143	2,071
ROCE, %	-0.6	6.2	6.0
	30 June 2016	30 June 2015	31 Dec 2015
Technical provisions, EUR mill.	30,204	30,614	30,630
Solvency capital, EUR mill.	7,386	9,087	8,244
% of technical provisions ¹⁾	26.1	33.2	29.6
in relation to solvency limit	2.2	2.4	2.0
Equalisation provision, EUR mill.	1,025	1,036	1,049
Pension assets, EUR mill. ²⁾	35,692	36,411	36,099
TyEL payroll, EUR mill. ³⁾	16,604	16,818	16,651
YEL payroll, EUR mill. ³⁾	1,492	1,523	1,485

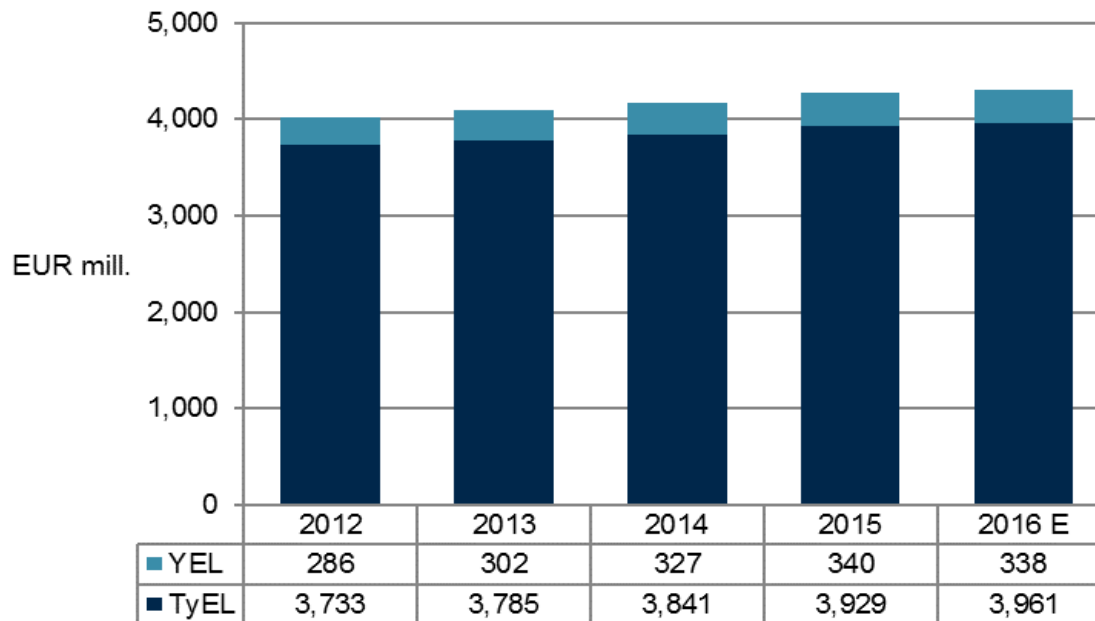
1) The ratio was computed as a percentage of the technical provisions used in calculating the solvency limit

2) Technical provisions + differences between current and book value

3) Estimated TyEL and YEL payroll for the whole year

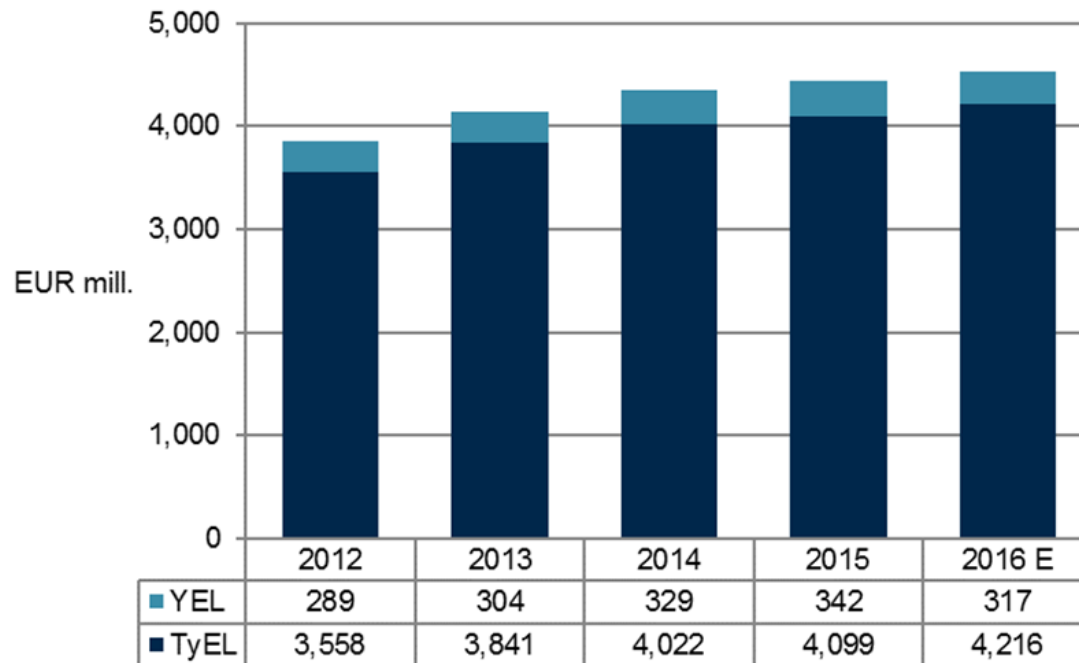
PREMIUMS WRITTEN AT LAST YEAR'S LEVEL

Estimate of premiums written



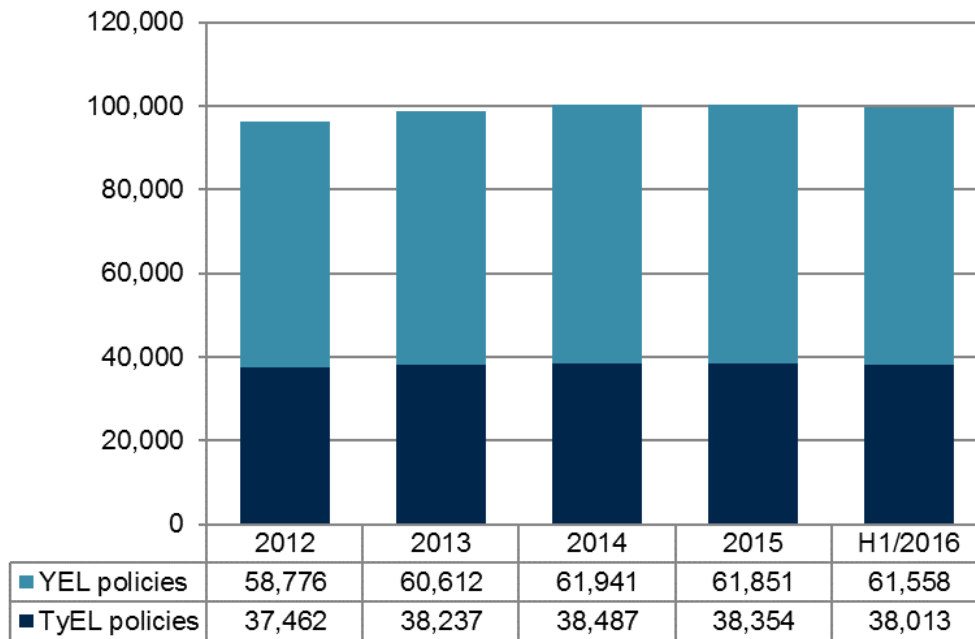
PENSION EXPENDITURE STILL GROWING

Paid pensions, estimate



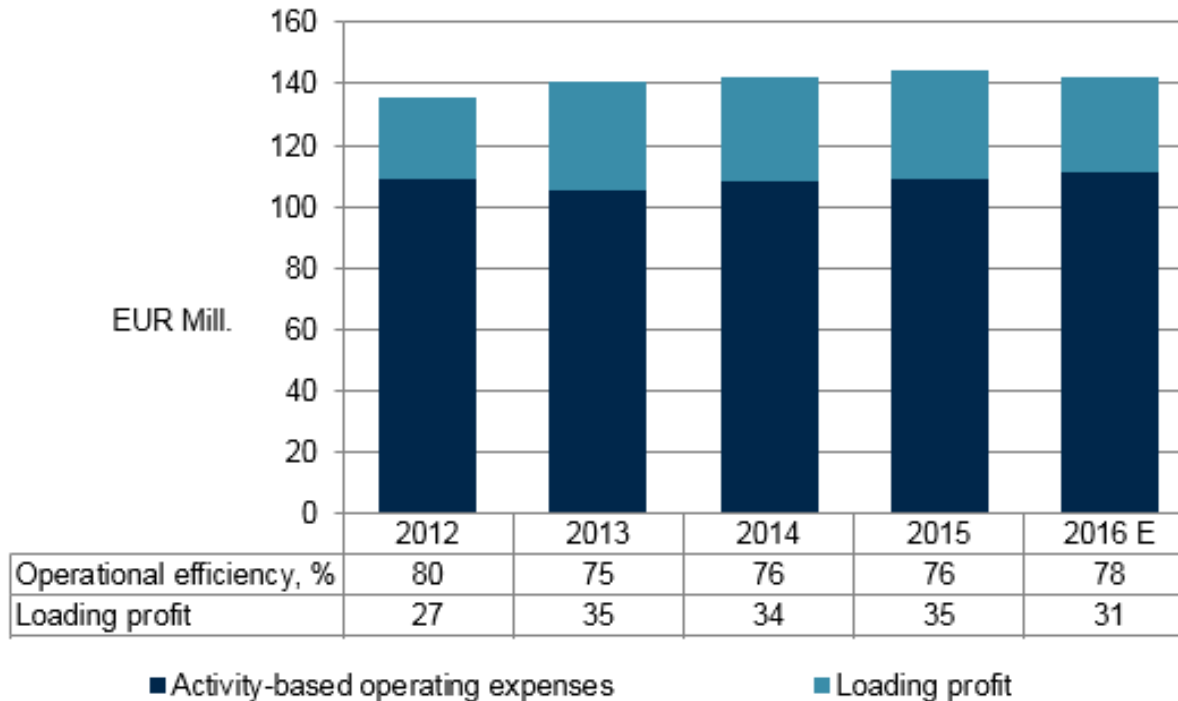
NUMBER OF INSURANCE POLICIES ALMOST UNCHANGED

Number of policies



OPERATING EXPENSES RATIO PREDICTED TO REMAIN ALMOST UNCHANGED

Operating expenses and loading profit



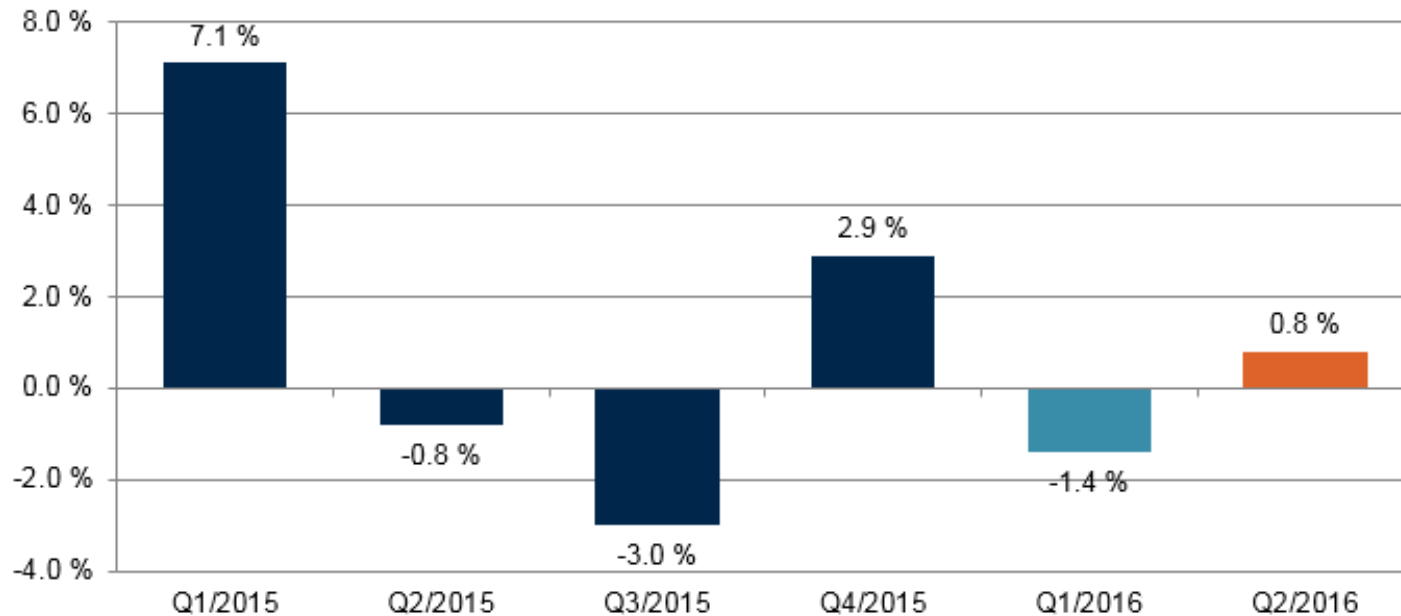
MARKET VALUE OF INVESTMENTS REMAINED CLOSE TO EUR 36 BILLION

Asset allocation according to risk



POSITIVE SECOND QUARTER

Quarterly investment returns



RETURN ON INVESTMENTS

JANUARY–JUNE 2016 **-0.6%**

Asset allocation and return

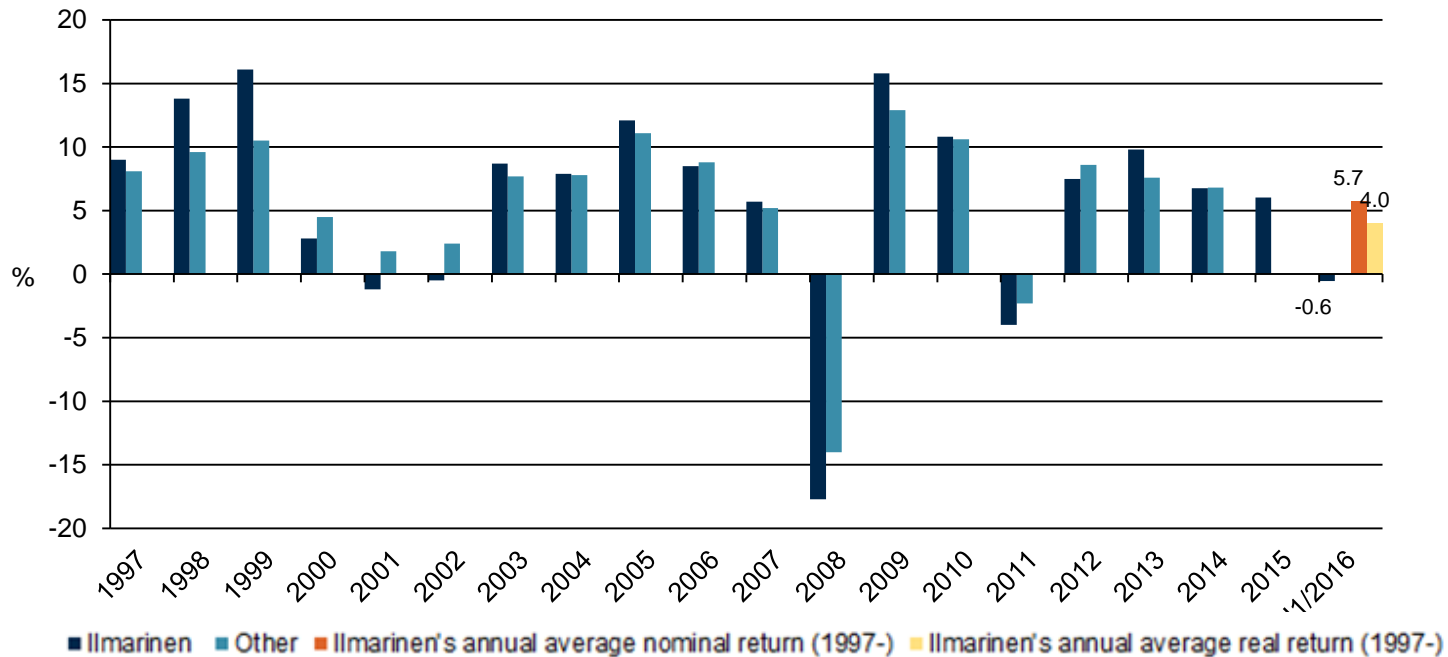
	Basic breakdown		Risk breakdown		Return	Volatility
	EUR mill.	%	EUR mill.	%	%	
Fixed-income investments	15,995.3	44.7	17,000.4	47.6	0.3	
Loan receivables	1,193.1	3.3	1,193.1	3.3	1.9	
Bonds	14,522.2	40.6	7,439.8	20.8	0.0	1.6
Public corporation bonds	4,512.3	12.6	4,519.5	12.6	2.7	
Other bonds	10,009.9	28.0	2,920.3	8.2	-1.1	
Other money market instruments and deposits (incl. investment receivables and payables)	280.0	0.8	8,367.5	23.4	3.3	
Equities and shares	13,806.7	38.6	12,221.7	34.2	-3.6	
Listed equities and shares	10,740.9	30.0	9,155.9	25.6	-5.8	14.4
Private equity investments	2,079.9	5.8	2,079.9	5.8	5.5	
Non-listed equities and shares	985.9	2.8	985.9	2.8	3.5	
Real estate investments	4,042.8	11.3	4,042.8	11.3	1.7	
Real estate investments	3,558.2	10.0	3,558.2	10.0	1.8	
Real estate funds and joint investments	484.6	1.4	484.6	1.4	0.9	
Other	1,899.6	5.3	3,483.1	9.7	10.6	
Hedge fund investments	811.0	2.3	811.0	2.3	-1.3	7.7
Commodity investments	-1.4	0.0	-81.8	-0.2	-	
Other investments	1,090.0	3.0	2,753.9	7.7	18.4	
Investments total	35,744.5	100.0	36,748.1	102.8	-0.6	4.9
Effect of derivatives			-1,003.6	-2.8		
Investments at current value	35,744.5		35,744.5	100.0		

The modified duration of bond investments is 0.9 years

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

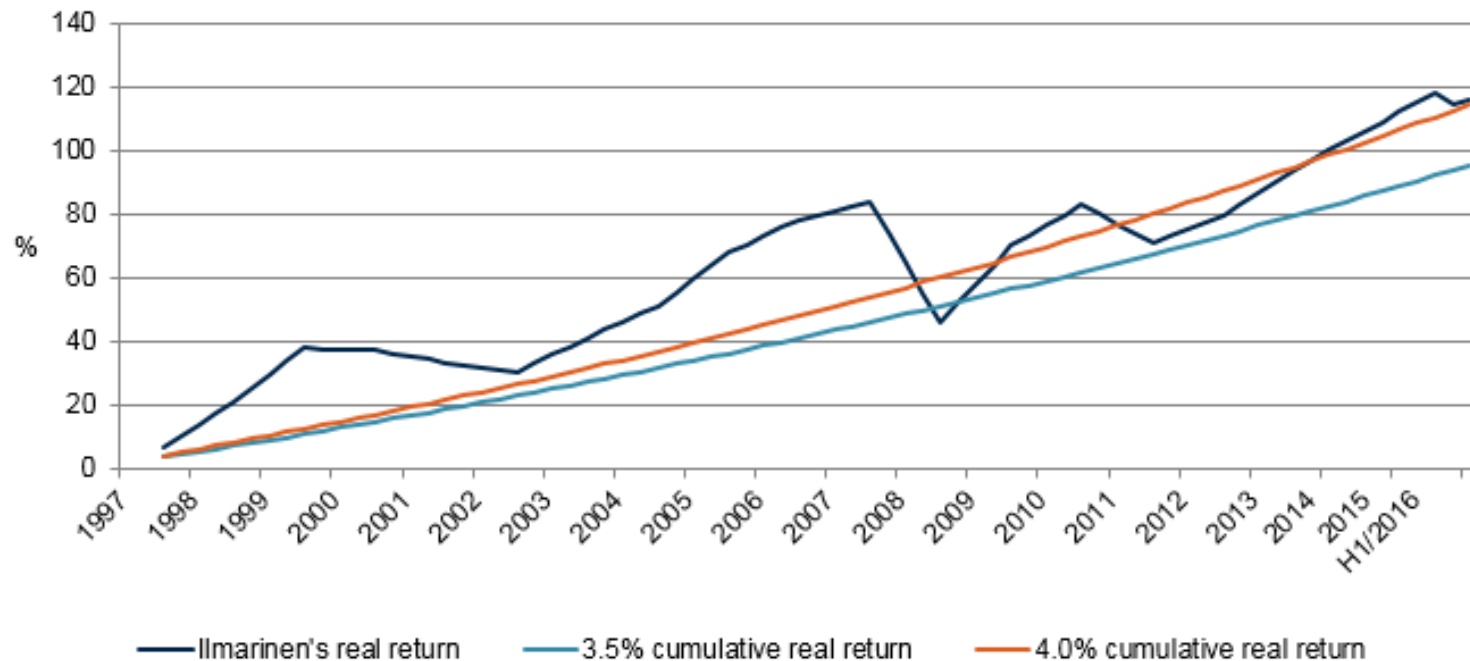
REAL RETURN ON INVESTMENTS IN THE LONG TERM 4.0%

Net investment return at current value



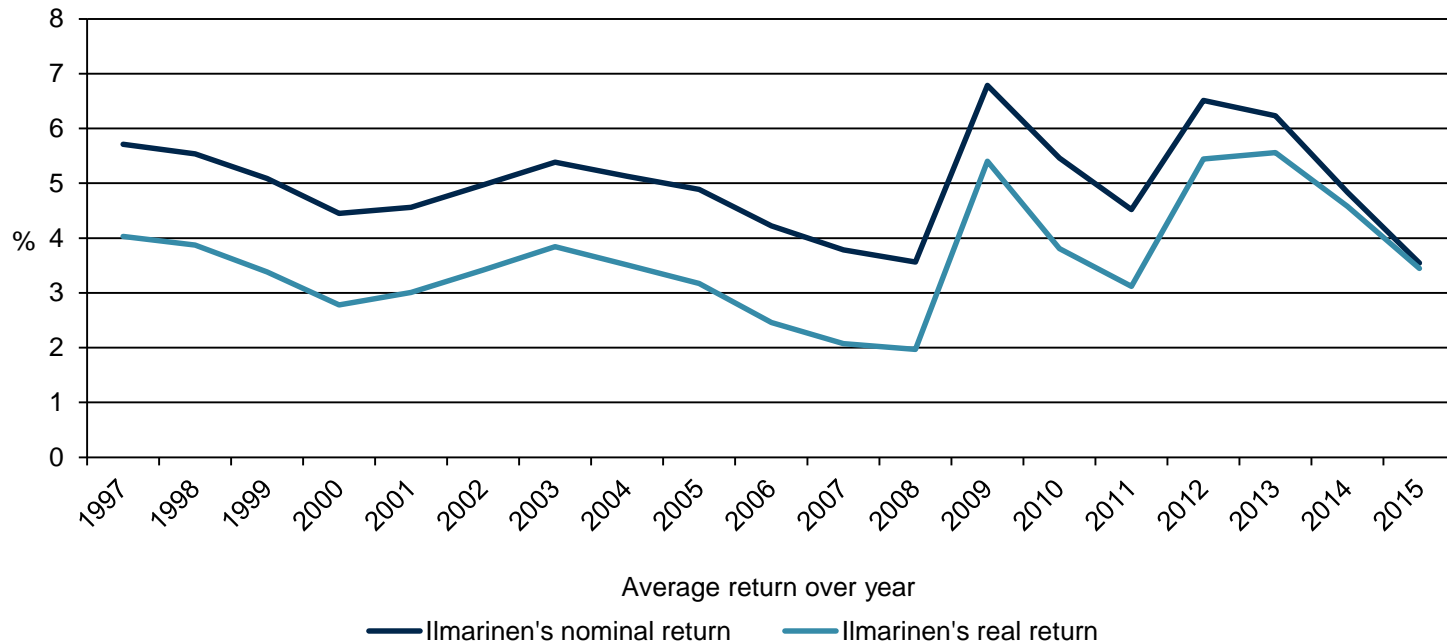
REAL RETURN CONTINUES ON A 4-PER-CENT TREND

Cumulative return on investments 1997–30 June 2016



VARYING INVESTMENT RETURNS DEPENDING ON PERIOD

Return on investments in different periods



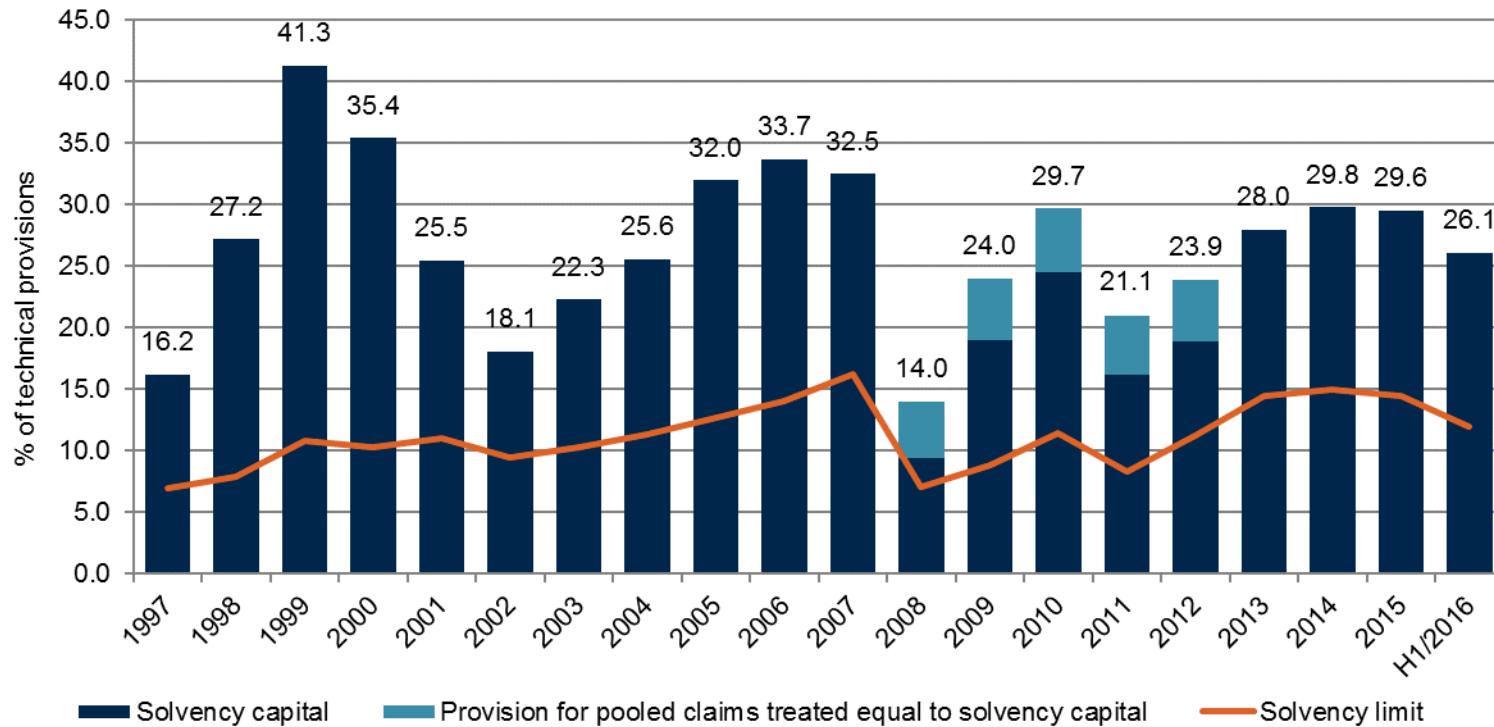
COMPARISON BETWEEN ILMARINEN'S AND MARKETS' INVESTMENT RETURNS

Long-term average returns

%	Ilmarinen	Finnish equities and shares	European equities and shares	Euro government bonds	Euro corporate bonds
H1/2016	-0.6	-1.0	-7.8	5.7	4.1
2015	6.0	15.9	9.6	1.6	-0.7
Average return over 5 years	5.0	9.0	6.9	7.3	5.4
Average return over 10 years	4.3	6.2	3.3	5.5	4.7
Average return since 1997	5.7	9.5	6.1	5.5	5.0
Real average return over 5 years	3.8	7.9	5.8	6.2	4.3
Real average return over 10 years	2.6	4.5	1.6	3.8	3.0
Real average return since 1997	4.0	7.8	4.4	3.8	3.4

SOLVENCY REMAINED STRONG

Solvency development



The solvency ratio was 2.2 times the solvency limit.

SOLVENCY REMAINED STRONG

Solvency capital

% of the technical provisions used in calculating the solvency limit	30 June 2016	30 June 2015	31 Dec 2015
Solvency limit	12.0	14.1	14.5
Maximum solvency capital	48.0	56.2	58.0
Solvency capital before equalisation provision	22.9	29.4	25.9
Solvency capital (solvency ratio)	26.1	33.2	29.6

WHAT'S NEW AT ILMARINEN

- Implementation of strategy moving forward: investments in improving customer service and energising own personnel
 - **Wauhdittamo** uses customers' and personnel's ideas to create new digital services for customers
- New digital well-being at work services for customers revealed and more on the way
 - For example, a service launched in the spring enables customers to manage work capacity based on real-time information



MARKET DEVELOPMENT, INVESTMENT PORTFOLIO STRUCTURE AND MARKET OUTLOOK

Mikko Mursula, CIO



ILMARINEN

RETURN ON INVESTMENTS

JANUARY–JUNE 2016 **-0.6%**

Asset allocation and return

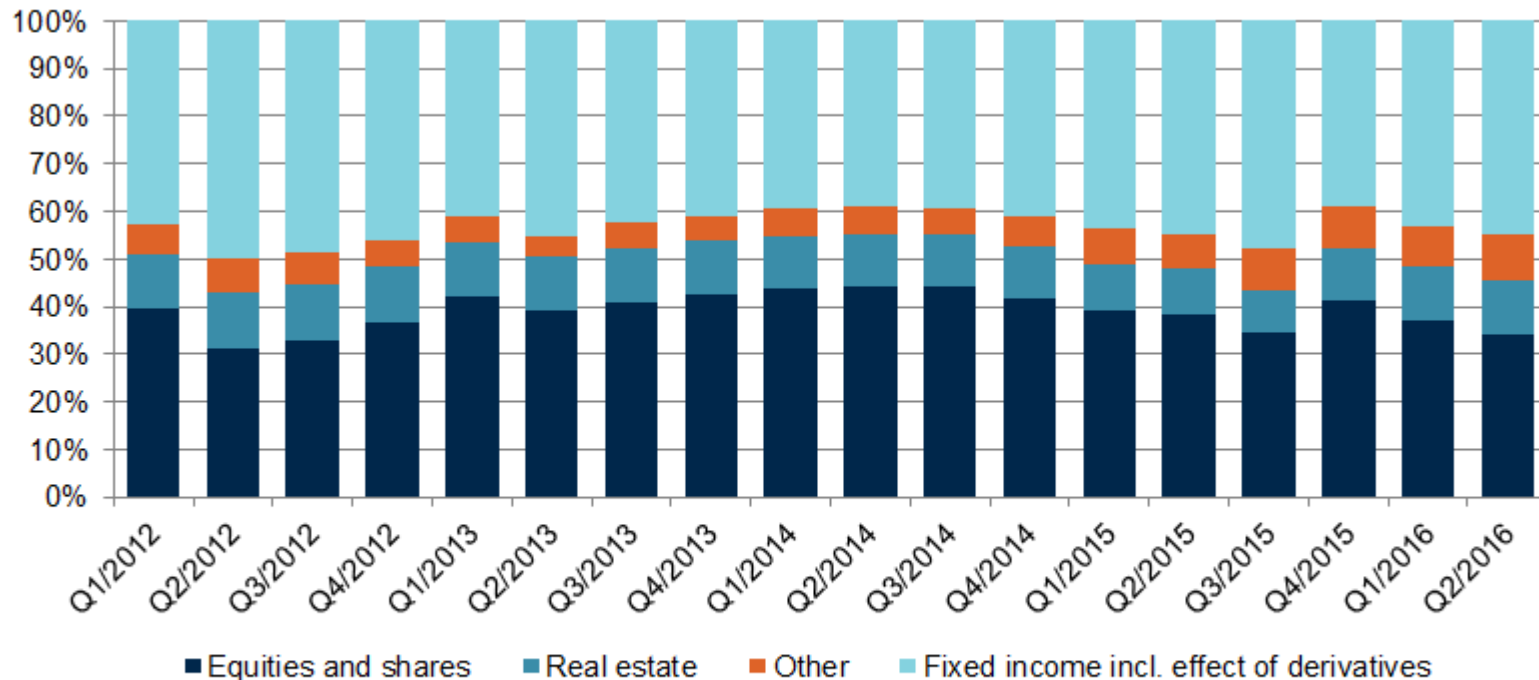
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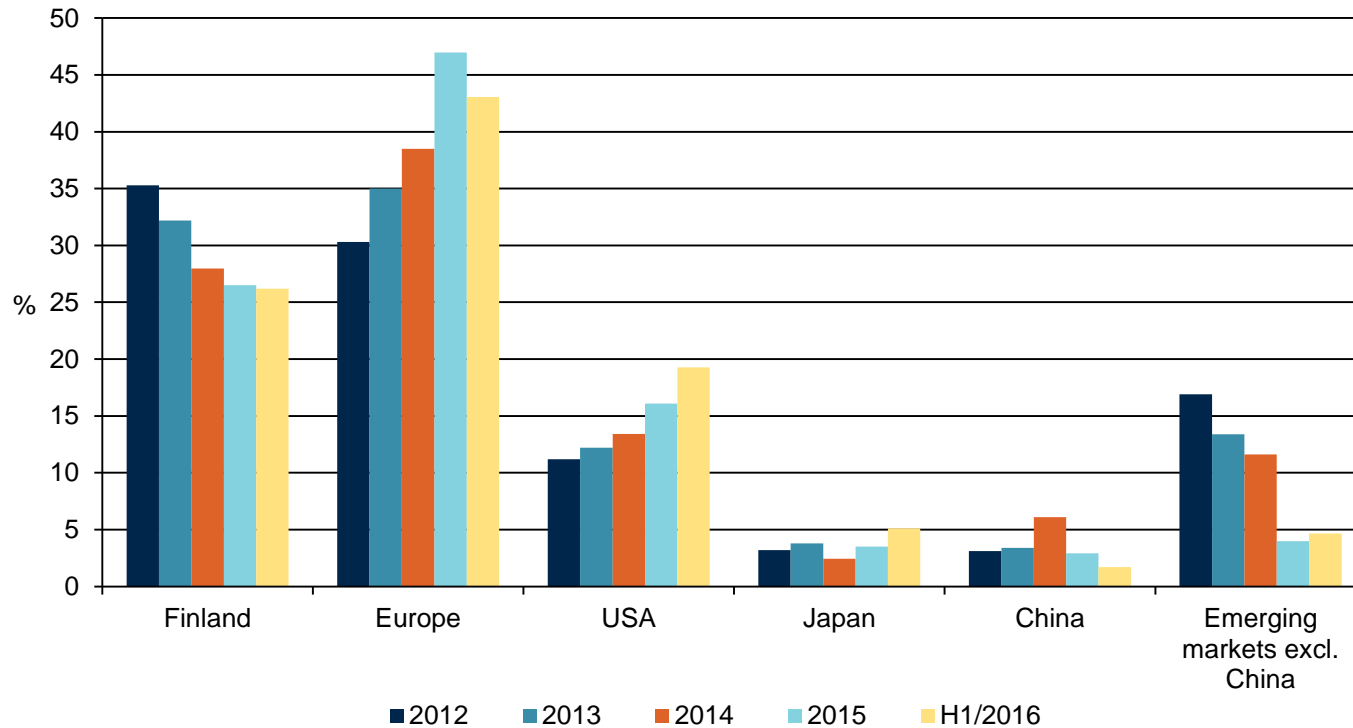
PROPORTION OF EQUITIES AND SHARES DECLINING

Asset allocation development



DECLINE IN PROPORTION OF EUROPEAN EQUITY INVESTMENTS

Geographical breakdown of equity investments



FINNISH EQUITY HOLDINGS

EUR 2.8 BILLION

Most significant Finnish equity holdings

	EUR mill.	30 June 2016	31 Dec 2015
↑	Nokia Corporation	221	184
↑	Neste Corporation	197	181
↓	Kone Corporation	185	188
↓	Fortum Corporation	134	143
↓	Citycon Plc	130	152
↓	Stora Enso	126	143
↓	Sampo Plc A	120	218
↓	UMP-Kymmene Corporation	119	123
↓	Wärtsilä Corporation	92	168
↓	Nokian Tyres Plc	88	105

	Percentage	30 June 2016	31 Dec 2015
↑	QT Group Plc	14.62	
	Digia Plc	14.58	14.58
↓	PKC Group Plc	12.15	12.16
↑	Basware Corporation	12.15	10.76
	Technopolis Plc	10.41	10.41
↑	Componenta Plc	9.86	7.15
	CapMan Plc	8.32	8.32
	Martela Corporation	8.07	8.07
	Munksjö Plc	8.03	8.03
	Incap Corporation	7.61	7.61



*Investment markets and
economic outlook*

CURRENT MARKET TOPICS

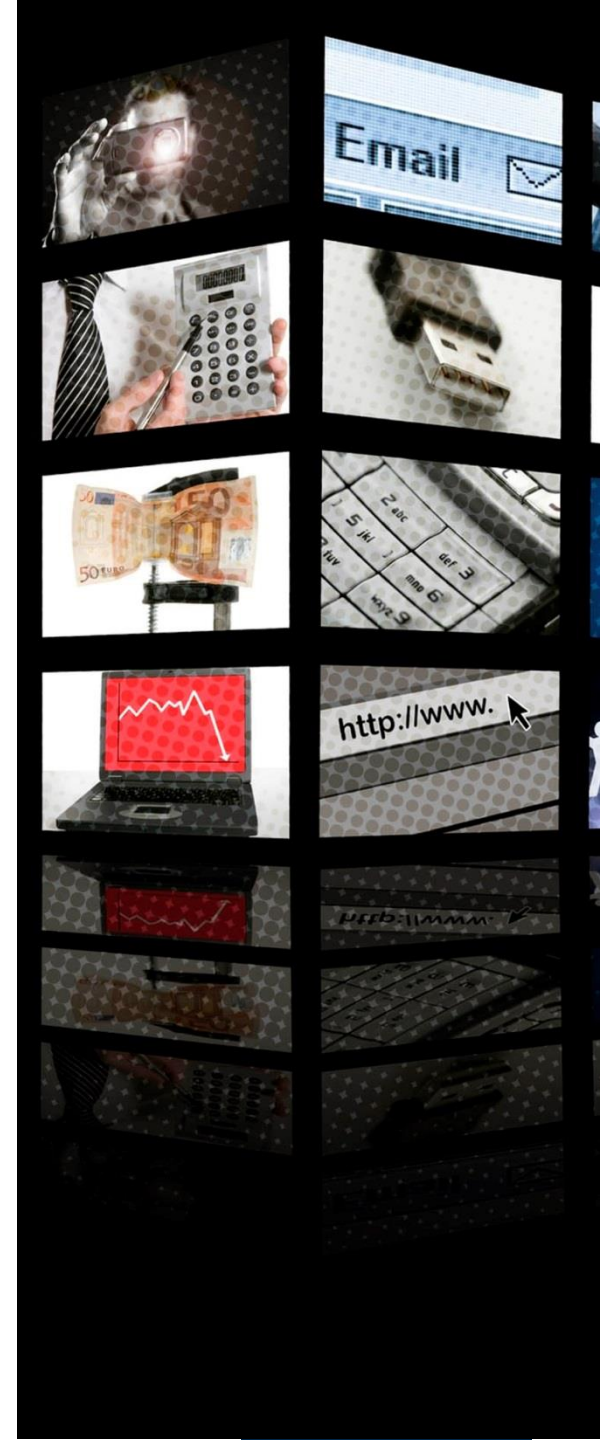
- Consequences and economic impacts of Brexit referendum
- Actions of central banks
 - Fed's interest rate hikes
 - UK: post-Brexit recovery
 - JCB and strong yen
 - ECB's corporate and government bond purchases
- Negative interest rates and financial sector
 - Long-term impacts of low interest-rate level
 - Italian banks



INVESTMENT OUTLOOK FOR 2016

- Brexit aftermath will continue
- Interest rate level will remain low and central banks will continue to stimulate
- Impacts of negative interest rates will begin to show more clearly
- Investment outlook remains foggy and uncertain

→ The record-low interest rate level will continue to guide investors to seek alternatives!





Key figures and tables

NET INVESTMENT INCOME

	Net investment return market value ⁸⁾	Capital employed ⁹⁾	ROCE, %	ROCE, %	ROCE, %
	30 June 2016	30 June 2016	30 June 2016	30 June 2015	31 Dec 2015
	EUR mill.	EUR mill.	%	%	%
Fixed-income investments total	51.8	16,254.9	0.3	0.8	1.2
Loan receivables 1)	21.3	1,136.0	1.9	2.1	3.7
Bonds	4.7	14,337.3	0.0	0.7	0.9
Other money market instruments and deposits 1) 2)	25.9	781.6	3.3	1.1	3.5
Equities and shares total	-510.8	14,251.4	-3.6	14.0	11.6
Listed equities and shares 3)	-655.0	11,272.8	-5.8	15.4	10.6
Private equity investments 4)	109.7	2,002.1	5.5	13.2	21.3
Non-listed equities and shares 5)	34.4	976.5	3.5	2.5	4.8
Real estate investments total	65.9	3,984.9	1.7	3.0	7.8
Direct real estate investments	61.6	3,491.1	1.8	2.6	7.0
Real estate funds and joint investments	4.3	493.9	0.9	5.5	13.0
Other investments total	182.3	1,724.6	10.6	7.8	10.3
Hedge fund investments 6)	-8.8	687.1	-1.3	9.7	12.8
Commodity investments	0.1	-0.5	-14.3	-287.5	-344.0
Other investments 7)	191.1	1,038.0	18.4	8.1	13.0
Investments total	-210.7	36,215.9	-0.6	6.3	6.1
Unallocated income, costs and operating expenses	-2.8	0.0	0.0	0.0	0.0
Investment return at current value total	-213.5	36,215.9	-0.6	6.2	6.0

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 non-listed 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) Change in market value between the beginning and end of the reporting period less cash flows during the period.

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

9) Capital employed = market value at the beginning of the reporting period + daily/monthly time-weighted cash flows

BREAKDOWN OF INVESTMENTS AT CURRENT VALUE

BREAKDOWN OF INVESTMENTS (CURRENT VALUE)	Basic breakdown					Risk breakdown				
	30 June 2016	30 June 2016	30 June 2015	30 June 2015	31 Dec 2015	30 June 2016	30 June 2016	30 June 2015	31 Dec 2015	
	EUR mill.	%	EUR mill.	%	EUR mill.	EUR mill.	%	%	%	
Fixed-income investments total	15,995.3	44.7	17,751.4	48.8	15,564.3	17 000,4	47.6	55.0	35.8	
Loan receivables ¹⁾	1,193.1	3.3	1,466.8	4.0	1,088.5	1 193,1	3.3	4.0	3.0	
Bonds	14,522.2	40.6	14,832.3	40.7	14,006.6	7 439,8	20.8	37.0	27.2	
Other money market instruments and deposits ^{1) 2)}	280.0	0.8	1,452.3	4.0	469.3	8 367,5	23.4	13.9	5.5	
Equities and shares total	13,806.7	38.6	13,414.5	36.8	14,398.6	12 221,7	34.2	38.3	41.1	
Listed equities and shares ³⁾	10,740.9	30.0	10,430.7	28.6	11,393.6	9 155,9	25.6	30.1	32.7	
Private equity investments ⁴⁾	2,079.9	5.8	1,919.1	5.3	2,003.1	2 079,9	5.8	5.3	5.6	
Non-listed equities and shares ⁵⁾	985.9	2.8	1,064.7	2.9	1,001.9	985,9	2.8	2.9	2.8	
Real estate investments total	4,042.8	11.3	3,500.4	9.6	3,935.5	4 042,8	11.3	9.6	11.0	
Direct real estate investments	3,558.2	10.0	3,004.0	8.2	3,427.8	3 558,2	10.0	8.2	9.6	
Real estate funds and joint investments	484.6	1.4	496.5	1.4	507.7	484,6	1.4	1.4	1.4	
Other investments total	1,899.6	5.3	1,745.9	4.8	1,942.5	3 483,1	9.7	7.3	9.2	
Hedge fund investments ⁶⁾	811.0	2.3	631.7	1.7	670.8	811,0	2.3	1.7	1.9	
Commodity investments	-1.4	0.0	-2.3	0.0	-7.8	-81,8	-0.2	0.2	0.2	
Other investments ⁷⁾	1,090.0	3.0	1,116.5	3.1	1,279.6	2 753,9	7.7	5.4	7.1	
Investments total	35,744.5	100.0	36,412.3	100.0	35,841.0	36 748,1	102.8	110.2	97.0	
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The modified duration of bond investments was 0.9 year.

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FOR A BETTER LIFE!

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