

# ILMARINEN IN 2016

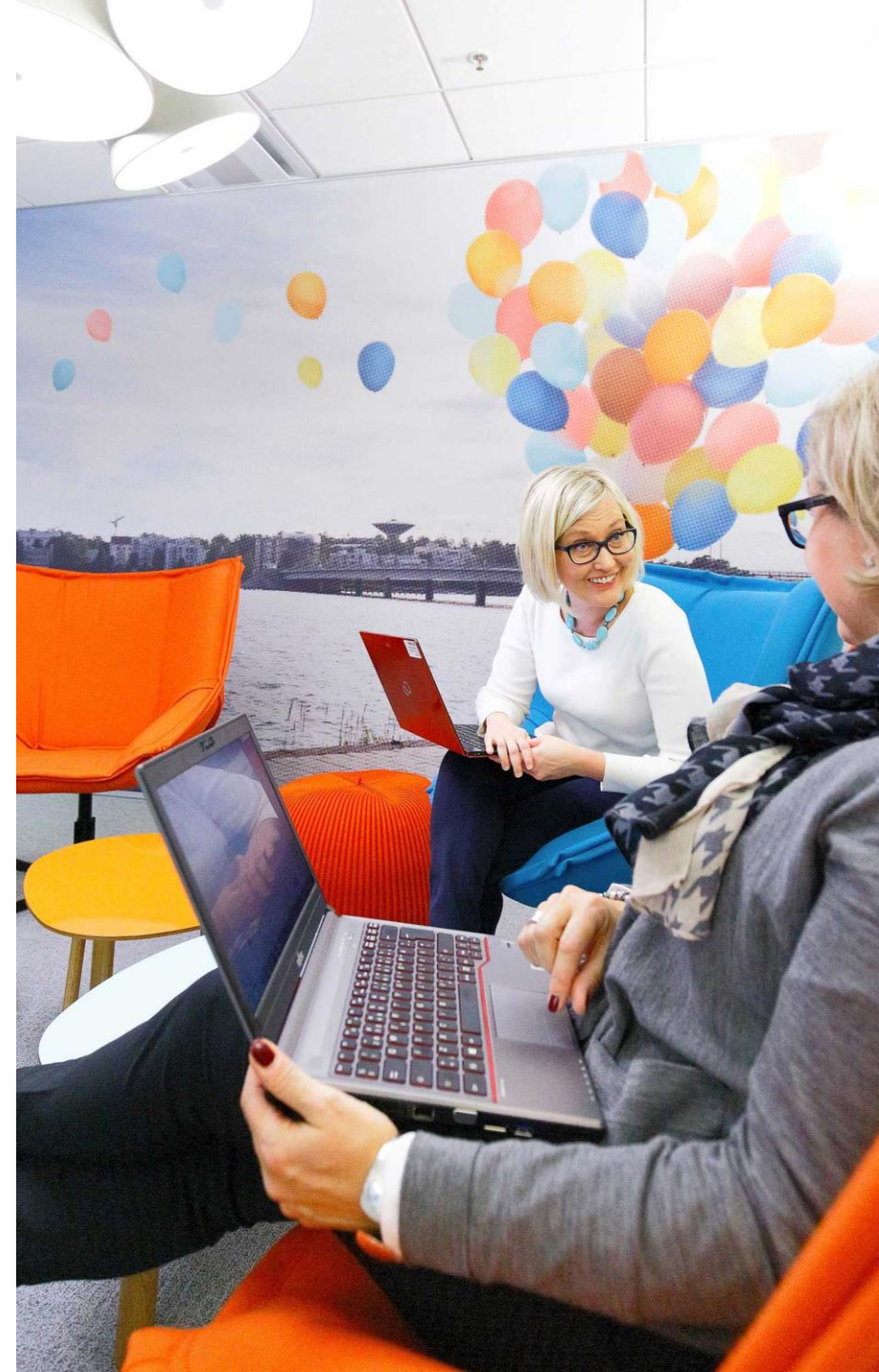


ILMARINEN

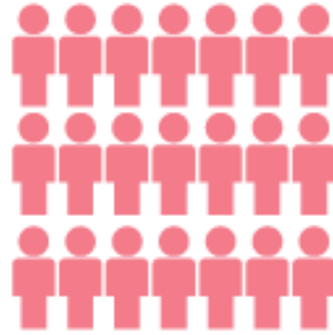
PAREMPAA  
ELÄMÄÄ,  
OLE HYVÄ.

# ILMARINEN IN 2016

- Good investment return in uncertain market conditions
- Solvency remained strong, cost-effectiveness improved  
Client bonuses at record-high
- Customer numbers and premiums written increased slightly
- Pension expenditure grew, 16% more pension decisions than a year ago
- New pension processing system taken into use, initially congested with applications but situation improved by year-end
- We accelerated development activities, launched new digital well-being at work and work capacity management services for customers
- Pension reform off to a smooth start



# WE TAKE CARE OF THE PENSION COVER OF CLOSE TO 900,000 FINNS



**502,000**  
EMPLOYEES



**38,100**  
TYEL  
COMPANIES



**61,500**  
SELF-EMPLOYED  
PERSONS

## PENSION CONTRIBUTIONS

FOR PENSION PAYMENTS  
TO 329,000  
PENSIONERS

FOR INVESTMENT IN FUTURE  
PENSIONS

# ILMARINEN IN 2016

**GOOD RETURN ON INVESTMENTS  
IN UNCERTAIN MARKET CONDITIONS**

**4.8%**

**MARKET VALUE  
OF INVESTMENTS**

**37.2**  
€ BILLION

**OUR SOLVENCY REMAINED STRONG**

SOLVENCY CAPITAL  
**8.5**  
€ BILLION

SOLVENCY RATIO  
**29.2%**

**WE PAID A RECORD  
AMOUNT OF CLIENT  
BONUSES**

**102**  
€ million

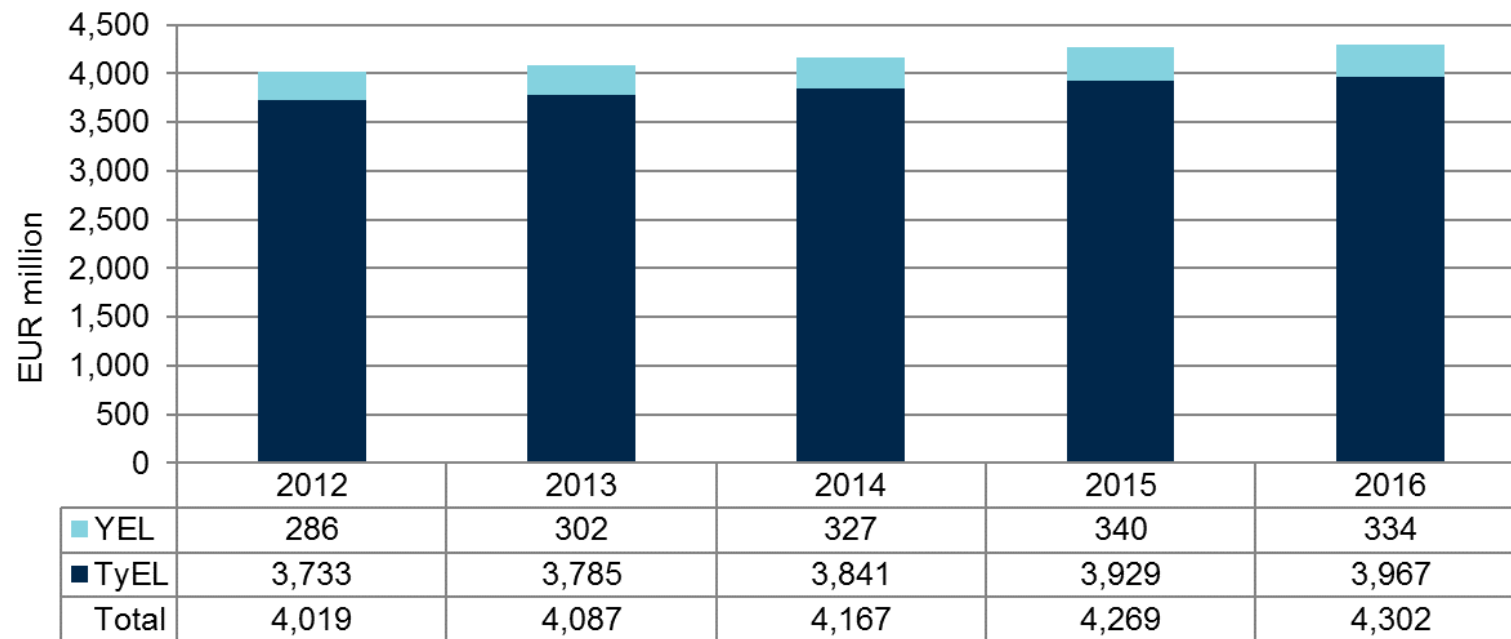
**(0.6% OF PAYROLL)**

**OUR COST-EFFICIENCY  
IMPROVED  
FURTHER**

OPERATIONAL  
EFFICIENCY  
**74.9%**

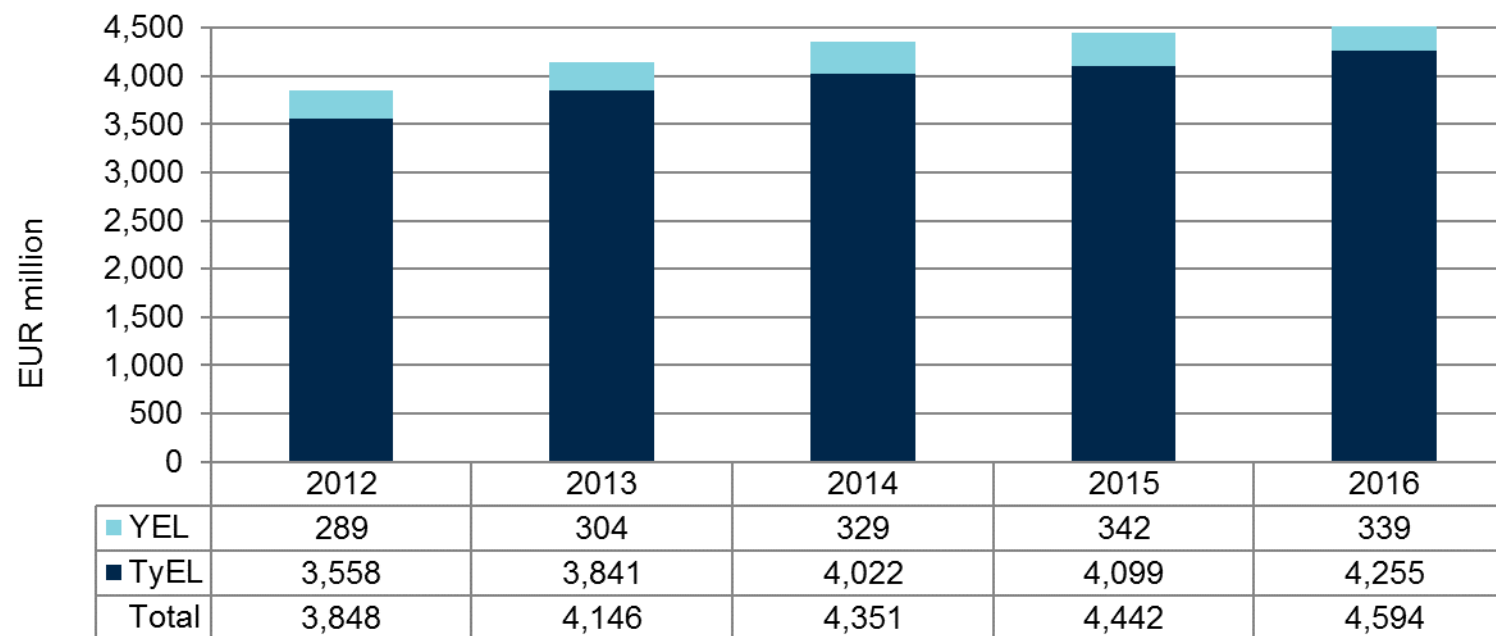
# GROWTH OF PREMIUMS WRITTEN DECELERATED

## Premiums written



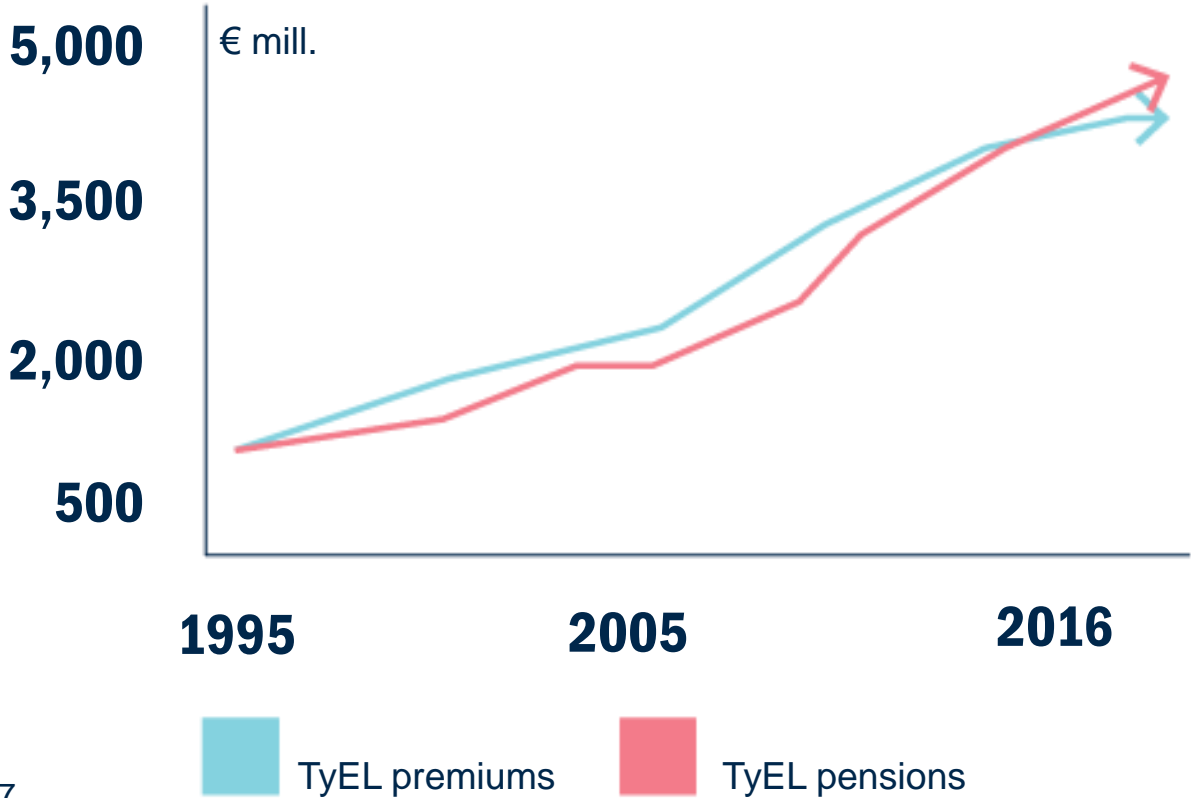
# PENSION EXPENDITURE CONTINUED TO INCREASE

## Pensions paid



# PENSION EXPENDITURE HIGHER THAN PREMIUMS WRITTEN

Development of TyEL premiums written and pensions



**4.6**  
€ billion

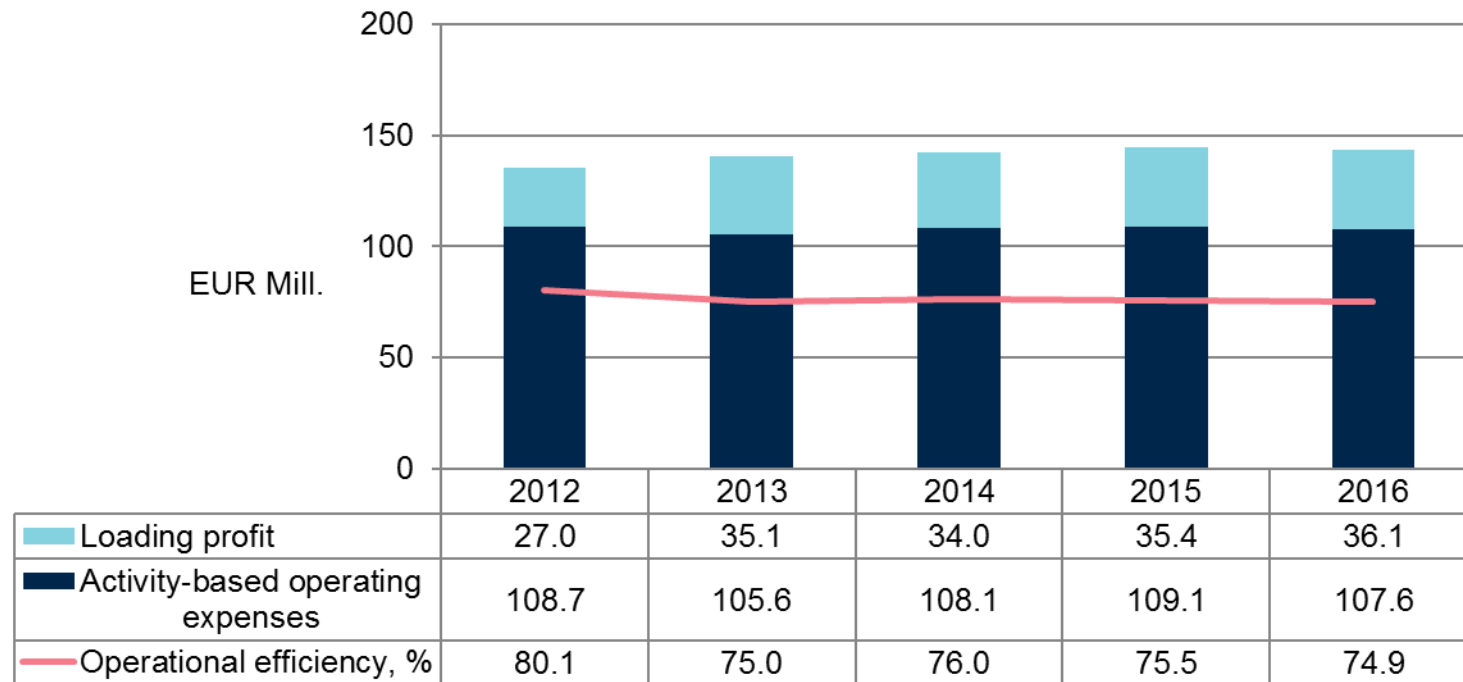
Pensions paid by us

**4.3**  
€ billion

Pension contributions received by us

# COST-EFFECTIVENESS IMPROVED

## Loading profit and operational efficiency





# CLIENT BONUSES AT A RECORD LEVEL

## Client bonuses

	2016	2015	2014	2013	2012
Solvency capital, EUR mill.	8,460	8,244	7,904	7,123	5,752
Loading profit, EUR mill.	36	35	34	35	27
Transfer to client bonuses, EUR mill.	102	98	93	86	62
Transfer to client bonuses of TyEL payroll, %	0.6	0.6	0.6	0.5	0.4
Transfer to client bonuses per continuous TyEL employment contract, EUR	205	196	182	163	117



# EFFECTIVE WELL-BEING AT WORK CO-OPERATION IN 2016

- More than **2,100** well-being at work projects carried out together with clients
- Projects covered **150,000** people
- **43** national Better Working Life seminars, attracting more than **2,500** participants
- **High customer satisfaction:**
  - Willingness to recommend 9 (on a scale of 1–10)
  - Benefit gained from co-operation 4 (on a scale of 1–5)

# ILMARINEN AND FINLAND100: A HUNDRED DEEDS FOR A BETTER WORKING LIFE



- During Finland's centennial, Ilmarinen wishes to honour Finland's workers and bring success, productivity and work capacity to Finnish working life – **to make our working life the best in the world!**
- Through the official Finland100 centennial corporate partner project, we challenge companies to share deeds for a better working life that

**create positive energy and improve employees' ability to cope**

**increase employees' well-being and energy levels**

**represent a collective effort**

- The deeds are being collected on the campaign website [www.ilmarinen.fi/100tekoa](http://www.ilmarinen.fi/100tekoa). Good deeds are highlighted monthly and the best ones will be awarded at the end of the year.
- The campaign website will function as an open portal for improving working life, available to all, that will contain tips on developing working life and well-being at work.
- Ilmarinen's own deed is recruiting an **activation coach** for a year
- The campaign also involves a donation for research on Finnish working life

# PENSION REFORM IN A NUTSHELL

## What will change



### RETIREMENT AGE

The retirement age will gradually rise to 65

As of 2030: A retirement age will be calculated for every age group.

Lower age of retirement



**Target retirement age**



### PENSION TYPES

Partial old-age pension will replace part-time pension (25%–50%)

Years-of-service pension for performing strenuous work (38 yrs of strenuous work)

Disability pension will improve somewhat



### PENSION ACCRUAL

Pension accrual will be the same for everyone (1.5% annually)

Working for longer will be rewarded with an increase for deferred retirement (4.8% annually)



### COVERAGE, SECURITY FOR ALL

Earnings-related pension is built on work. More pay means more pension

Flexibility of retirement age

Level of pension contributions

# PARTIAL EARLY OLD-AGE PENSION IS SPARKING INTEREST

- Close to **700** new partial early old-age pension applications were received by mid-February
- In 2016, 873 part-time pension applications were made during the whole year
- Of the first applicants:
  - **48%** have a continuous employment contract
  - **25%** are self-employed persons
  - **27%** are unemployed
- Partial early old-age pension brings **flexibility to the end of a career**. It is **possible to continue working full-time or part-time**
- **The reduction for early retirement** has a permanent effect on the final old-age pension (reduction 0.4%/month of early retirement)



# INVESTMENT RESULT 2016

# KEY OBSERVATIONS ABOUT THE OPERATING ENVIRONMENT

- Investment year twofold: weak start, very good remainder of the year
- Political uncertainty caused share price volatility in both Europe and the US
- Interest rate level historically low, long-term interest rates also negative for the first time ever
- Global economic growth was modest
- The recovery of the Finnish economy slightly gained momentum
- The situation of European banks was a cause for concern



# GOOD INVESTMENT RESULT IN AN UNCERTAIN MARKET ENVIRONMENT

January–December 2016

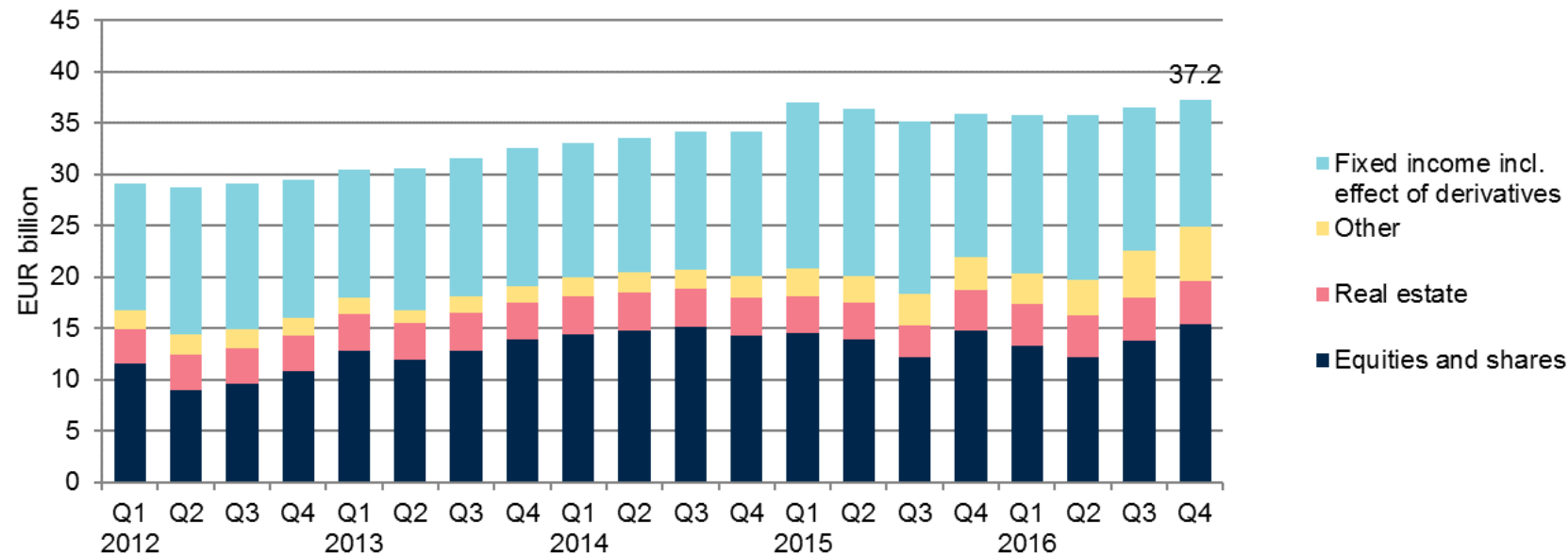
- Investment return **4.8%**
  - Return on equity investments **6.5%**
  - Return on fixed-income investments **3.6%**
  - Return on real estate investments **6.4%**
- Long-term return at a good level
  - Nominal return **5.8%**
  - Real return **4.2%**
- Strong solvency
  - Solvency **29.2%**





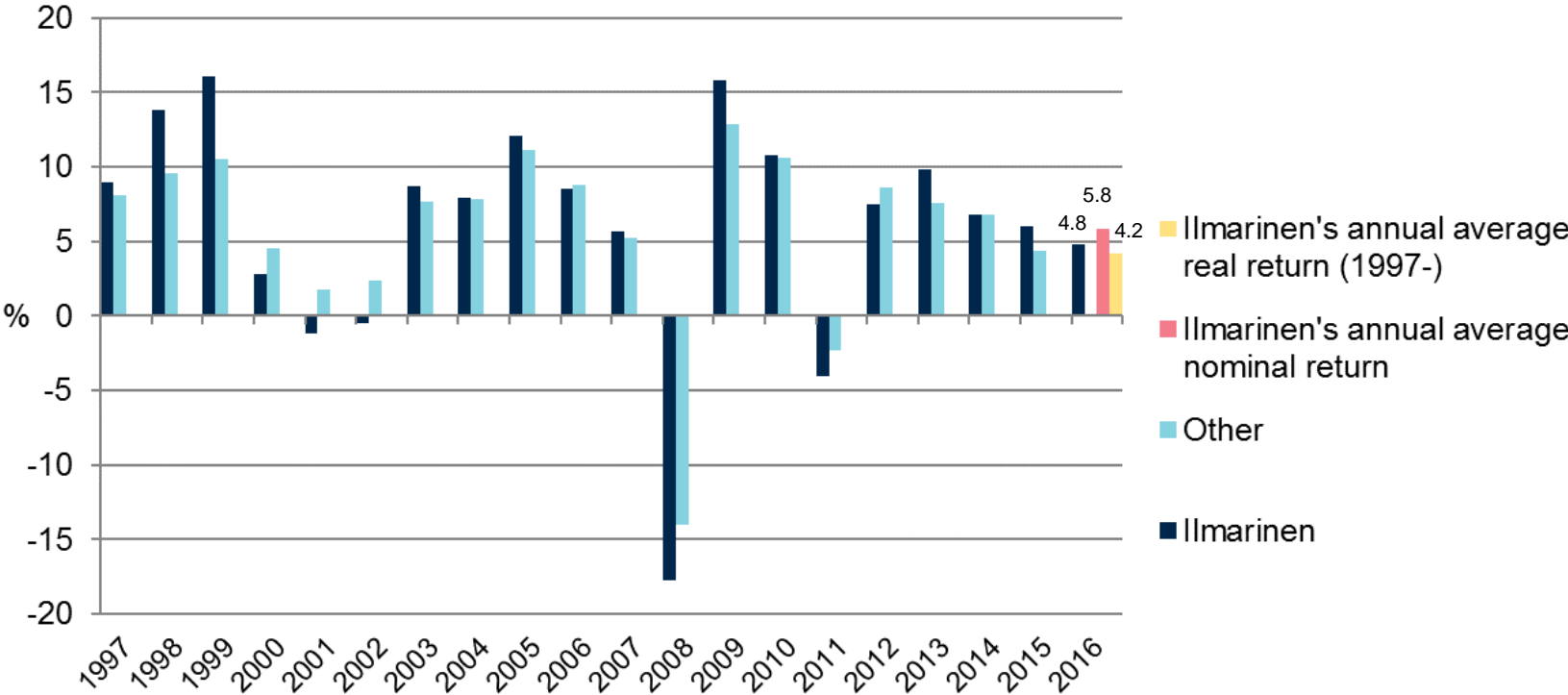
# THE MARKET VALUE OF INVESTMENTS GREW TO EUR 37.2 BILLION

Asset allocation according to risk, EUR billion



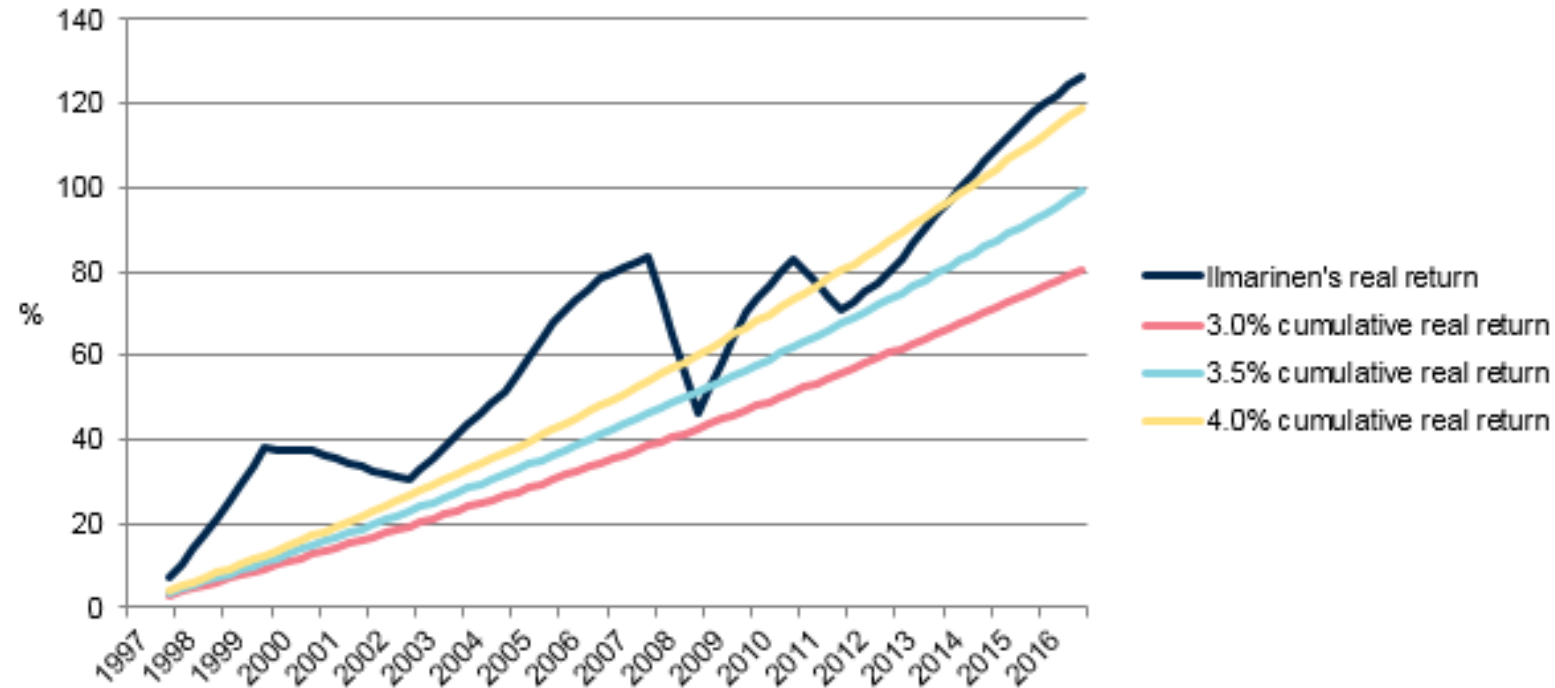
# LONG-TERM AVERAGE REAL RETURN 4.2%

## Net investment return at current value



# LONG-TERM AVERAGE REAL RETURN DEVELOPMENT

Cumulative net return on investments 1997–31 Dec 2016



# COMPARISON BETWEEN ILMARINEN'S AND MARKETS' INVESTMENT RETURNS

## Long-term average returns

%	Ilmarinen	Finnish equities and shares <sup>1)</sup>	European equities and shares <sup>2)</sup>	Euro government bonds <sup>3)</sup>	Euro corporate bonds <sup>4)</sup>
Q4/2016	2.4	4.2	5.8	-2.9	-1.2
2016	4.8	13.3	1.7	3.3	4.7
2015	6.0	15.9	9.6	1.6	-0.7
Average return over 5 years	7.0	17.2	11.3	6.1	5.5
Average return over 10 years	4.1	5.9	2.9	5.0	4.5
Average return since 1997	5.8	10.0	6.5	5.3	4.9
Real average return over 5 years	5.9	15.9	10.1	5.0	4.4
Real average return over 10 years	2.5	4.2	1.2	3.3	2.8
Real average return since 1997	4.2	8.3	4.8	3.6	3.3

<sup>1)</sup> Finland, OMX Helsinki Cap Index GI, Total Return, Close

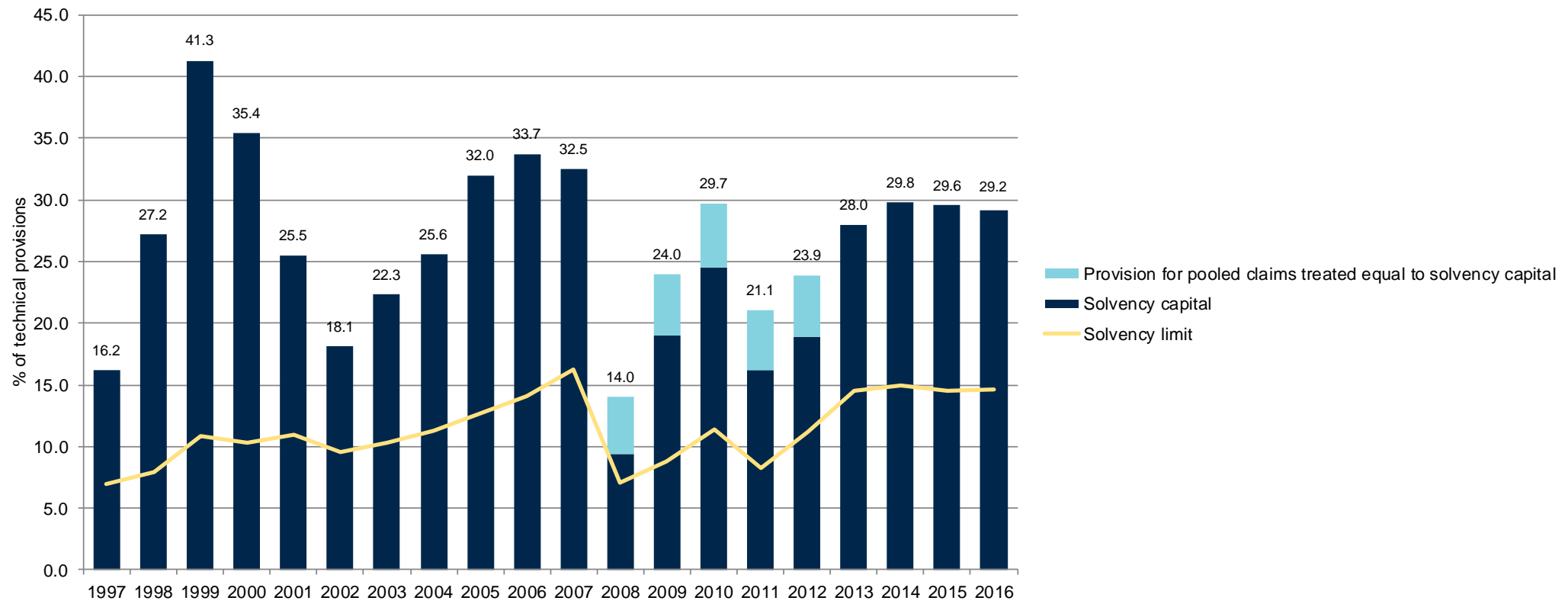
<sup>2)</sup> Europe, STOXX, 600 Index, Total Return, Close

<sup>3)</sup> IBOXX Euro Sovereign Overall Total Return Index

<sup>4)</sup> IBOXX Euro Corporates Overall Total Return Index (investment grade)

# SOLVENCY REMAINED STRONG

## Solvency development





# INVESTMENT PORTFOLIO STRUCTURE

# RETURN ON INVESTMENTS 4.8%

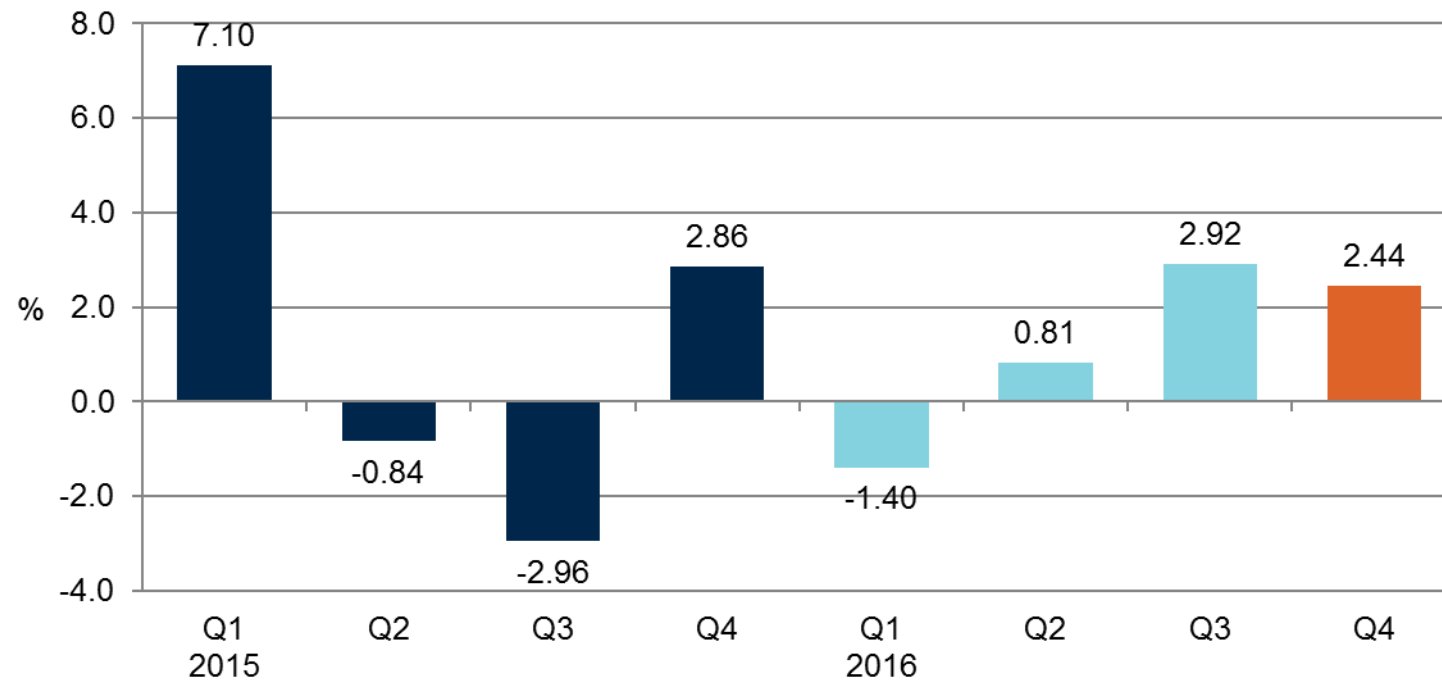
	Basic breakdown		Risk breakdown		Return	Volatility
	EUR mill.	%	EUR mill.	%	%	
<b>Fixed-income investments</b>	<b>15,720.7</b>	<b>42.2</b>	<b>13,161.1</b>	<b>35.4</b>	<b>3.6</b>	
Loan receivables	1,007.4	2.7	1,007.4	2.7	3.3	
Bonds	13,722.0	36.9	7,146.1	19.2	3.6	1.8
Public corporation bonds	4,139.8	11.1	3,081.8	8.3	1.7	
Other bonds	9,582.3	25.7	4,064.3	10.9	4.3	
Other money market instruments and deposits (incl. investment receivables and payables)	991.3	2.7	5,007.6	13.5	5.8	
<b>Equities and shares</b>	<b>15,321.8</b>	<b>41.2</b>	<b>15,326.8</b>	<b>41.2</b>	<b>6.5</b>	
Listed equities and shares	12,053.5	32.4	12,058.4	32.4	3.5	14.7
Private equity investments	2,303.5	6.2	2,303.5	6.2	16.9	
Non-listed equities and shares	964.8	2.6	964.8	2.6	20.5	
<b>Real estate investments</b>	<b>4,199.6</b>	<b>11.3</b>	<b>4,199.6</b>	<b>11.3</b>	<b>6.4</b>	
Real estate investments	3,744.0	10.1	3,744.0	10.1	6.7	
Real estate funds and joint investments	455.6	1.2	455.6	1.2	3.6	
<b>Other</b>	<b>1,972.2</b>	<b>5.3</b>	<b>5,392.4</b>	<b>14.5</b>	<b>-0.9</b>	
Hedge fund investments	1,063.0	2.9	1,063.0	2.9	5.6	7.9
Commodity investments	-9.9	0.0	136.5	0.4	-	
Other investments	919.1	2.5	4,193.0	11.3	-6.0	
<b>Investments total</b>	<b>37,214.4</b>	<b>100.0</b>	<b>38,079.9</b>	<b>102.3</b>	<b>4.8</b>	<b>5.1</b>
Effect of derivatives			-865.5	-2.3		
<b>Investments at current value</b>	<b>37,214.4</b>		<b>37,214.4</b>	<b>100.0</b>		

The modified duration of bond investments is 0.6 year.

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

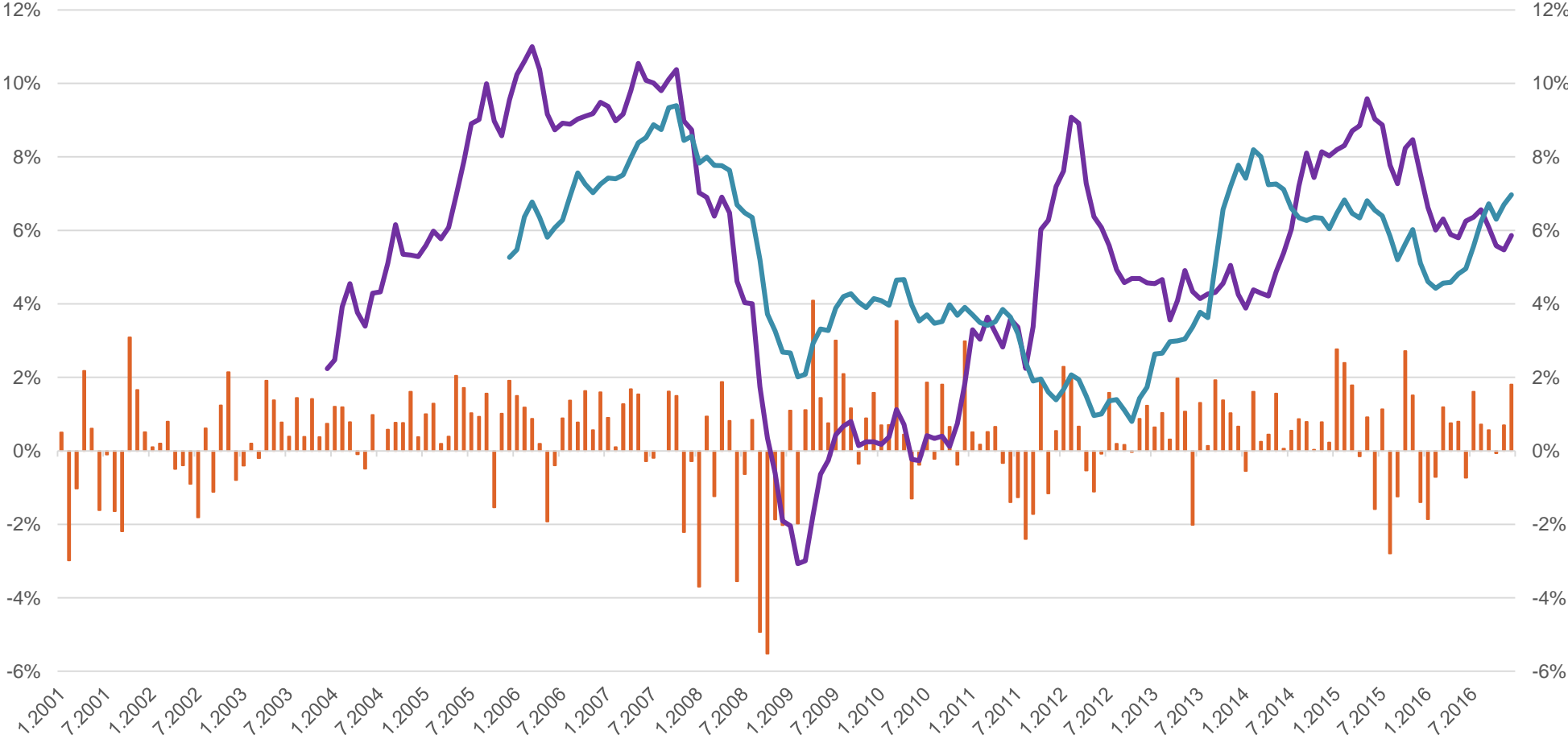
# Q4 RETURN 2.4%

## Quarterly investment returns





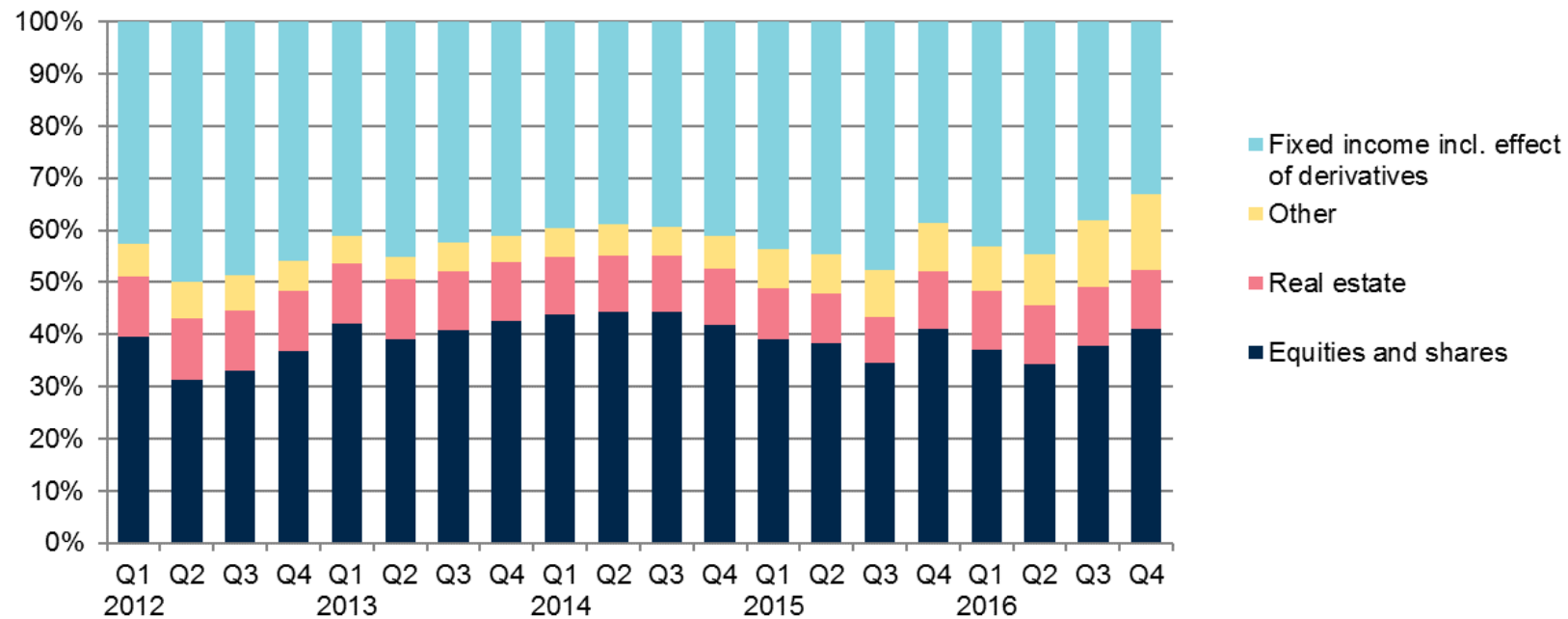
# ROLLING LONGER-TERM RETURNS



monthly return      average rolling return for 3 yrs p.a.      average rolling return for 5 yrs p.a.

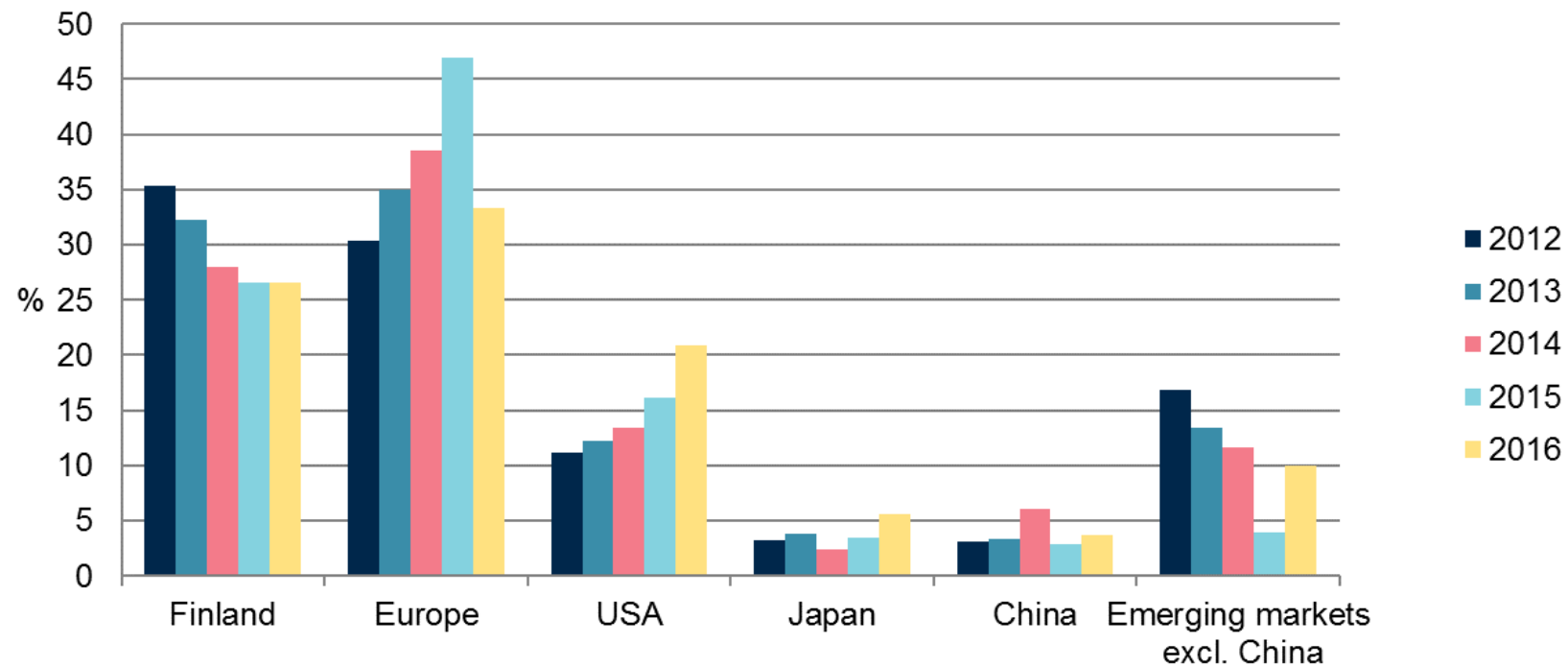
# SHARE OF FIXED-INCOME INVESTMENTS DECREASED

Asset allocation according to risk, %



# PROPORTION OF EUROPEAN EQUITIES AND SHARES FELL

Geographical breakdown of listed equities by market values



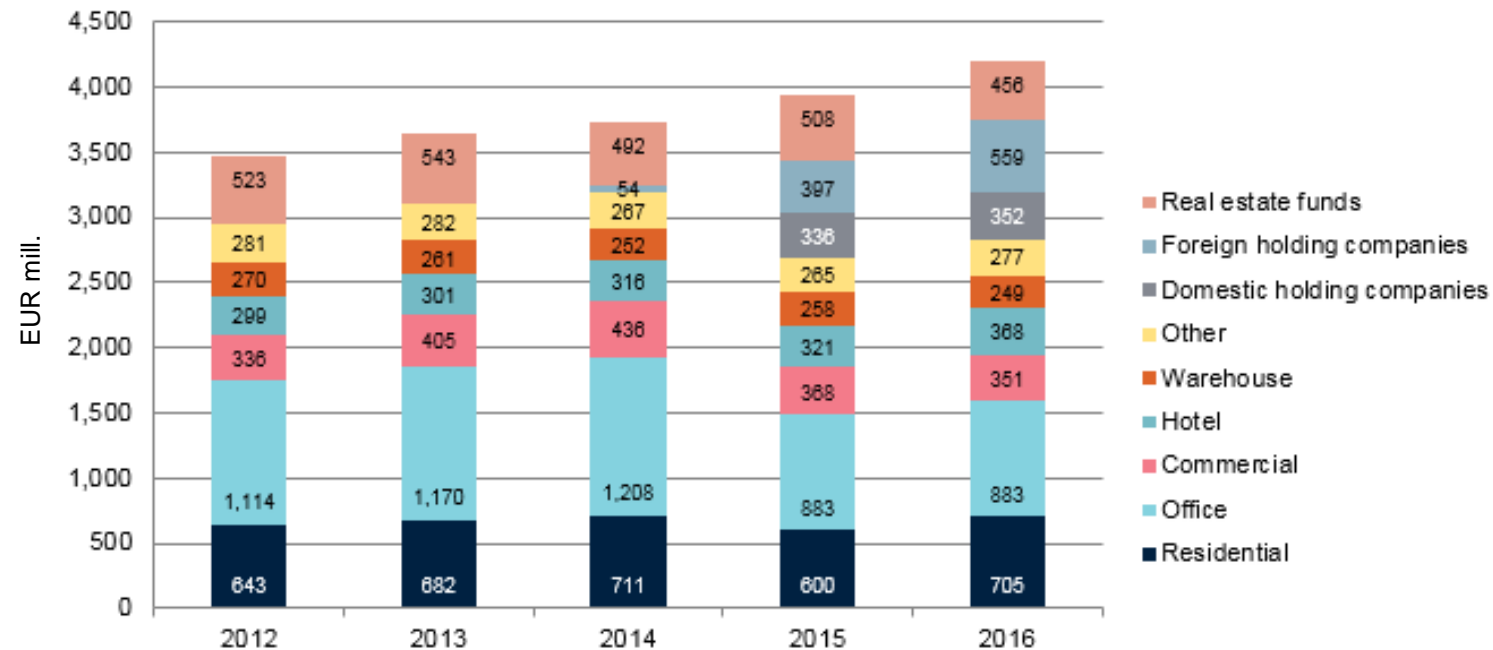
# MOST SIGNIFICANT FINNISH EQUITY HOLDINGS

	EUR mill.	31 Dec 2016	31 Dec 2015
↓	Kone Corporation	183	188
↑	Stora Enso Oyj	177	143
↓	Neste Corporation	176	181
↑	UPM-Kymmene Corporation	171	123
↓	Sampo plc	161	218
↓	Citycon Oyj	148	152
↓	Nokia Corporation	136	184
↓	Fortum Corporation	116	143
↓	Metsä Board Corporation	111	112
↓	Nokian Tyres plc	100	105

	Percentage	31 Dec 2016	31 Dec 2016
↑	QT Group Plc	14.62	
	Digia Plc	14.58	14.58
↓	PKC Group Oyj	12.15	12.16
↑	Basware Corporation	11.18	10.76
↑	Technopolis Plc	10.48	10.41
	Martela Corporation	8.07	8.07
	Munksjö Oyj	8.03	8.03
↑	Componenta Corporation	7.92	7.15
	Incap Corporation	7.61	7.61
↓	CapMan Plc	7.60	8.32

# FOREIGN REAL ESTATE INVESTMENTS STILL GROWING

## Structure of real estate investments



# OUTLOOK FOR INVESTMENT YEAR 2017

- The low interest rate level supports equity and real asset classes
  - The expected return/risk ratio of European long-term government bonds is still record-low
- The improved economic outlook raises earnings expectations and supports the equity market
- The ECB is stimulating; the FED is tightening
- The US administration's policies in the spotlight; economic growth vs. protectionism
- European elections and Brexit negotiations



**THANK YOU!**

ILMARINEN

PAREMPAA  
ELÄMÄÄ,  
OLE HYVÄ.