



ILMARINEN JANUARY— SEPTEMBER 2018

Interim Report 1 January—30 September 2018

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PAREMPAA
ELÄMÄÄ,
OLE HYVÄ.

WHAT'S NEW AT ILMARINEN

- We are working to make Ilmarinen an even more customer-focused, efficient and attractive earnings-related pension partner.
- Work capacity risk management and rehabilitation became a single business division; three new members appointed to the Executive Group.
- The implementation of integration is moving forward as planned. Information system integration and preparations for the national Incomes Register will keep us busy during the rest of the year.





JANUARY- SEPTEMBER 2018 IN FIGURES

The 2017 comparison figures presented in the report are Ilmarinen's figures from before the merger with Etera.

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KEY FIGURES JANUARY–SEPTEMBER 2018

Premiums written	4.0 bn €	Pensions paid	4.2 bn €
Ratio of operating expenses to expense loading components	81.5%	Return on investments	3.0%
Investment assets	47.0 bn €	Solvency ratio	127.0%

BEST RETURN ON EQUITY INVESTMENTS

January–September 2018

- Return on investments **3.0%**
 - Return on equity investments **6.0%**
 - Return on fixed income investments **0.6%**
 - Return on real estate investments **3.9%**
- Long-term return at a good level
 - Nominal return **5.8%**
 - Real return **4.2%**



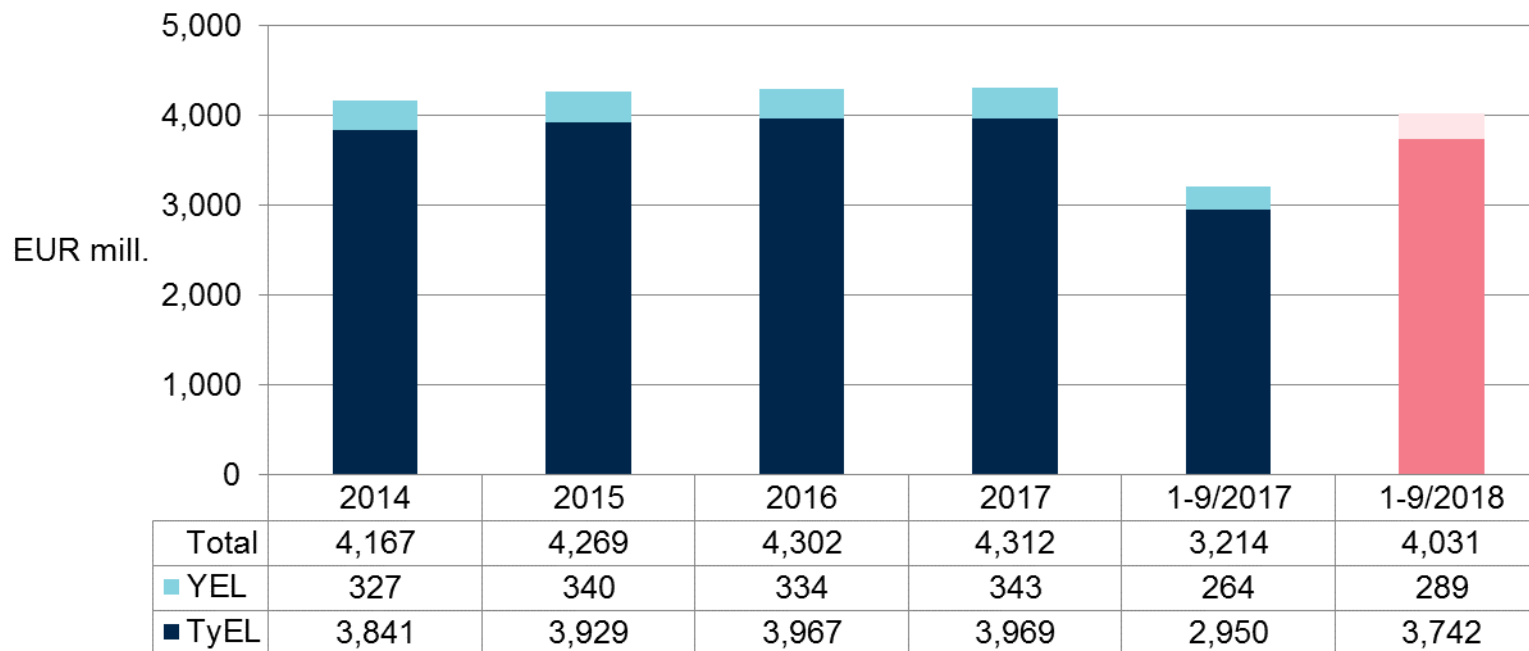


SALES AND TRANSFER RESULT

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PREMIUMS WRITTEN EUR 4 BILLION FROM THE START OF THE YEAR

Premiums written January–September 2018



NET CUSTOMER ACQUISITION EUR 78 MILLION

Net customer acquisition January–September 2018

EUR million	Q1–9/2018	Q1–9/2017
Net customer acquisition	78.4	95.9
Net sales of TyEL insurance (new policies and net transfer)	52.4	63.7
Sales of new TyEL insurance	76.8	66.8
Net transfer of TyEL insurance	-24.4	-3.0
Net sales of YEL insurance (new policies and net transfer)	26.0	32.2
Sales of new YEL insurance	27.9	26.9
Net transfer of YEL insurance	-1.9	5.3

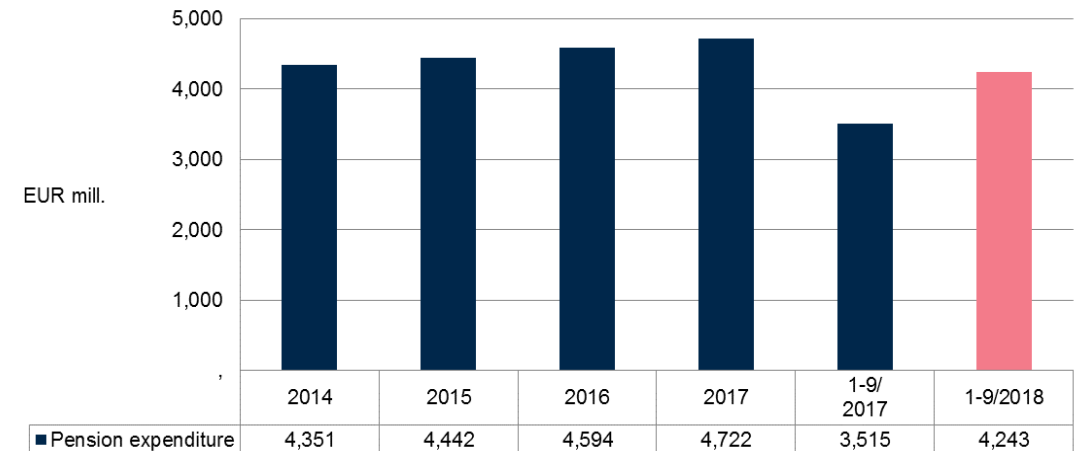
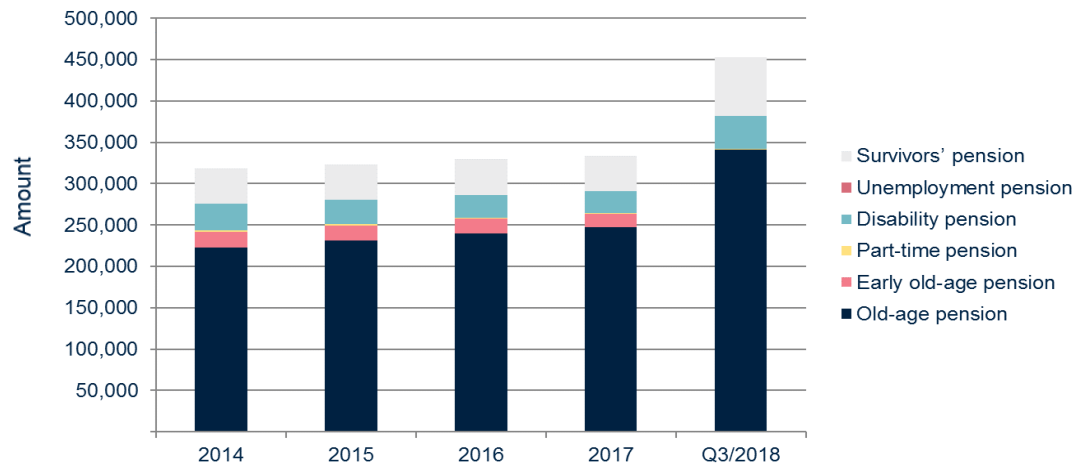


PENSIONS

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CLOSE TO HALF A MILLION PENSION RECIPIENTS, EUR 4.2 BILLION IN PAID PENSIONS

Current and paid pensions January–September 2018



MORE THAN 25,000 NEW PENSION DECISIONS

New pension decisions January–September 2018

	1-9/2018	1-9/2017	Change, %
New pension decisions			
Old-age pensions	9,767	9,594	2
Early old-age pensions	2,149	2,491	-
Part-time pensions	0	94	-100
Disability pensions	6,183	4,847	28
Survivors' pensions	3,725	2,490	50
Right to rehabilitation	3,287	2,574	28
Years-of-service pension	12	0	
Total	25,123	22,090	14

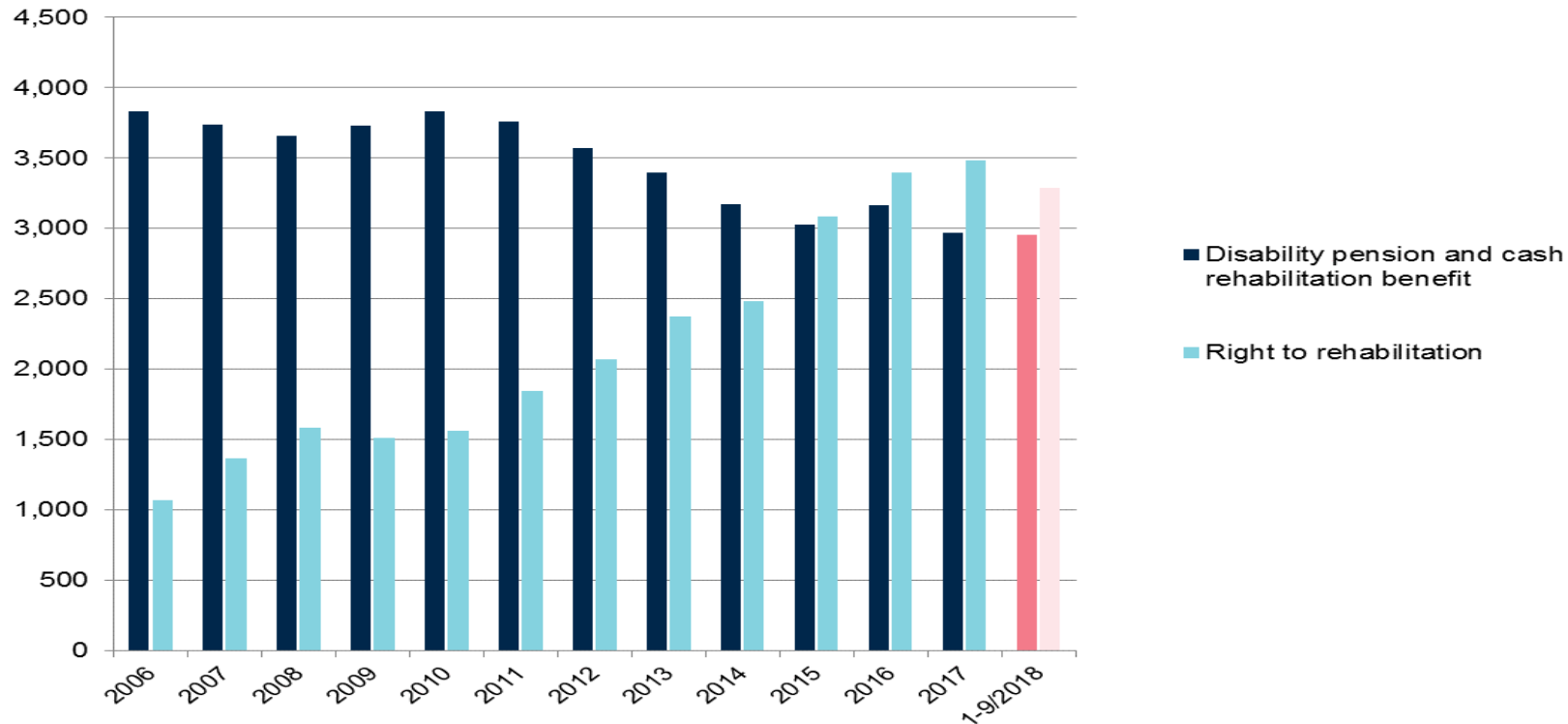


WORK CAPACITY AND REHABILITATION

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NUMBER OF REHABILITATION DECISIONS STILL GROWING, DISABILITY DECLINING

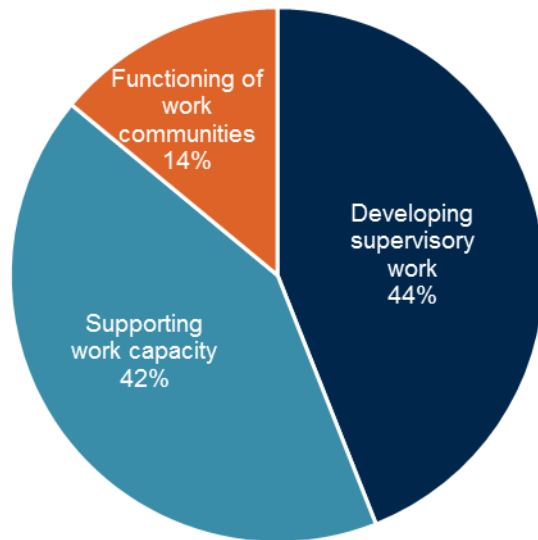
Rehabilitation and disability January–September 2018



MORE THAN 2,000 WORK CAPACITY PROJECTS IMPLEMENTED; CUSTOMER EXPERIENCE AT A GOOD LEVEL

Work capacity project themes and customer satisfaction January–September 2018

Themes of development projects carried out with customer companies



Work capacity services' NPS 75 (1-9/2018)



OPERATING EXPENSES

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LOADING PROFIT BURDENED BY COSTS ARISING FROM MERGER; SYNERGY BENEFITS WILL IMPROVE EFFICIENCY IN THE YEARS AHEAD

Loading profit, ratio of operating expenses to expense loading components and total operating expenses January–September 2018

EUR million	1-9/2018	2017	1-9/2017	2016	2015	2014
Expense loading components and other income	134.7	134,3	100.7	143.7	144.5	142.1
Total operating expenses	109.8	108,9	82.2	107.6	109.1	108.1
Loading profit, total	24.9	25,4	18.4	36.1	35.4	34.0
* Operating expenses as a percentage of loading income	81.5	81,1	81.7	74.9	75.5	76.0
Total operating expenses	147.9	150,3	114.8	147.2	150.7	149.8

* Due to the change in premium rates affecting the expense loading component, the expense loading for 2017 and 2018 will not be comparable with the figures of previous years.



INVESTMENTS

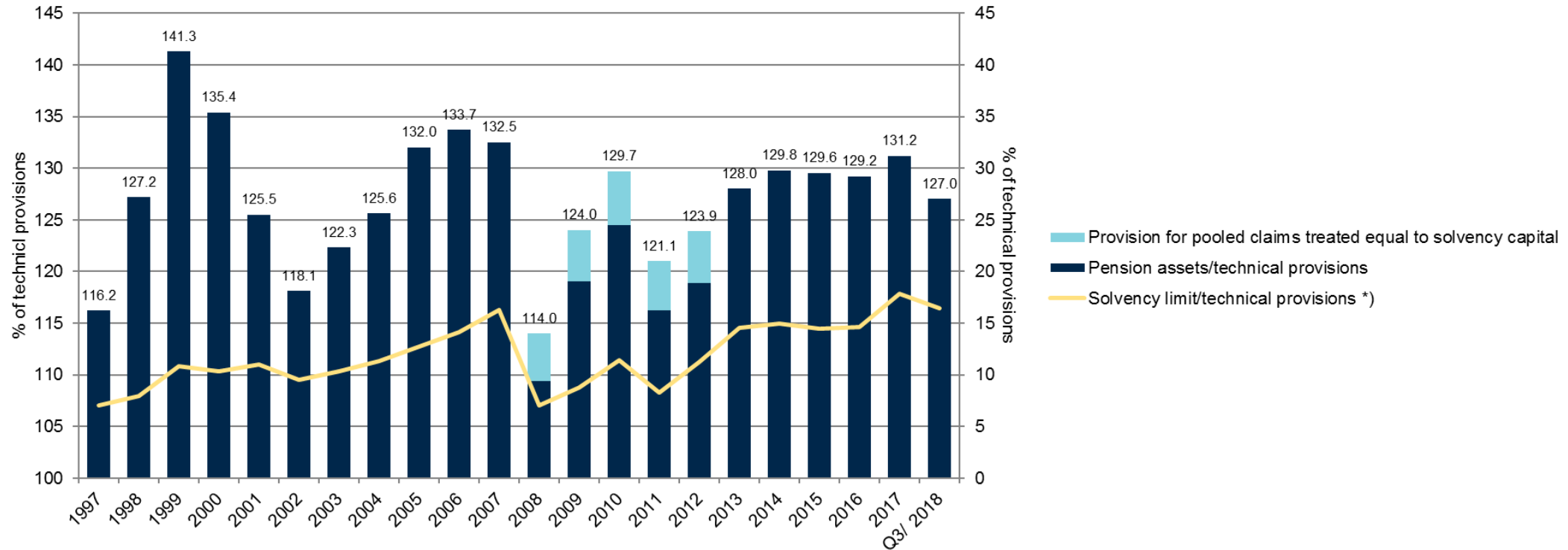
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KEY OBSERVATIONS ABOUT THE OPERATING ENVIRONMENT

- During the third quarter of the year, companies' earnings growth and expectations remained on a high level and inflation was moderate. Unemployment rates are declining worldwide. However, the escalation of the trade war and increasing uncertainty are reducing growth expectations; the economic environment in itself seems stable, but the political environment is creating threat scenarios.
- During the third quarter, rising US interest rates weighed down emerging market returns in fixed income, currency and equity investments alike. Finland's equity market continued to yield well.
- At this point, the ability of the markets to tolerate negative surprises is weak.
- The Finnish economy will grow at a relatively brisk rate this year, but we expect the growth rate to slow down next year.



SOLVENCY STRENGTHENED FROM THE PREVIOUS QUARTER



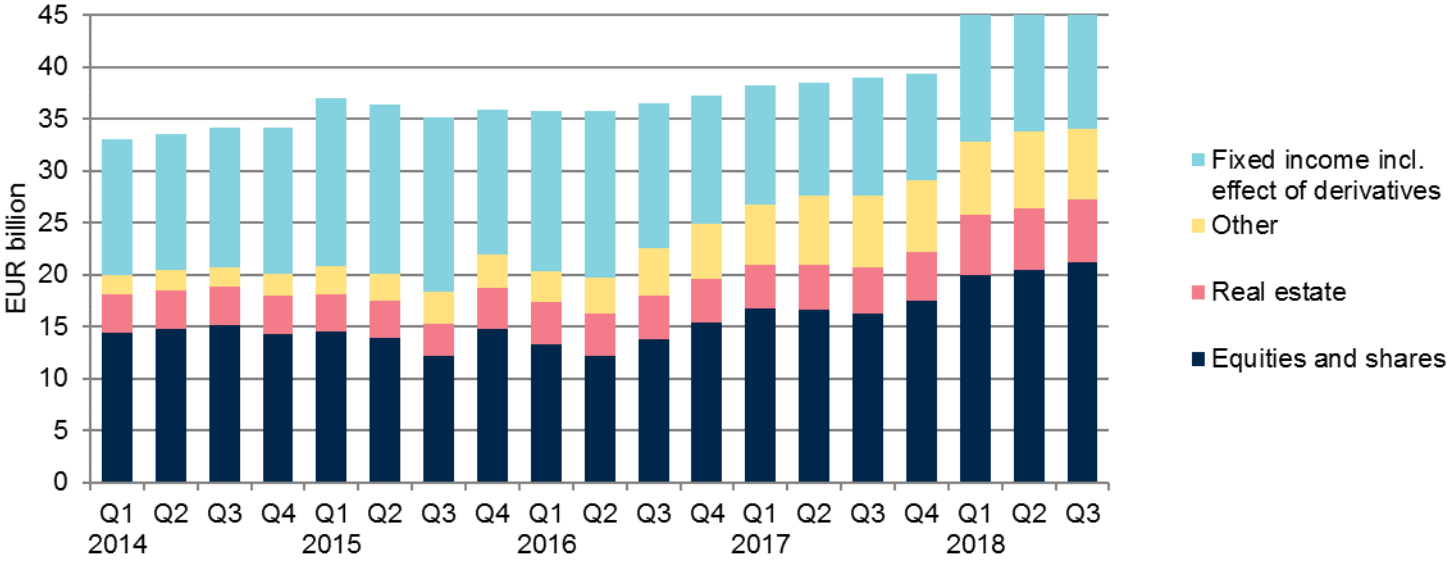
Solvency position was 1.6 (1.9).

Pension assets according to the scale on the left and solvency limit according to the scale on the right. For previous years, the method of presentation for 2017 is applied.

*) The solvency limit changed on 1 January 2017 with the introduction of new legislation. The amount of solvency capital remained almost unchanged, but the principles for calculating the solvency limit changed. Consequently, the ratio of solvency capital to the solvency limit, which illustrates the solvency position, decreased.

INVESTMENT ASSETS EUR 47 BILLION

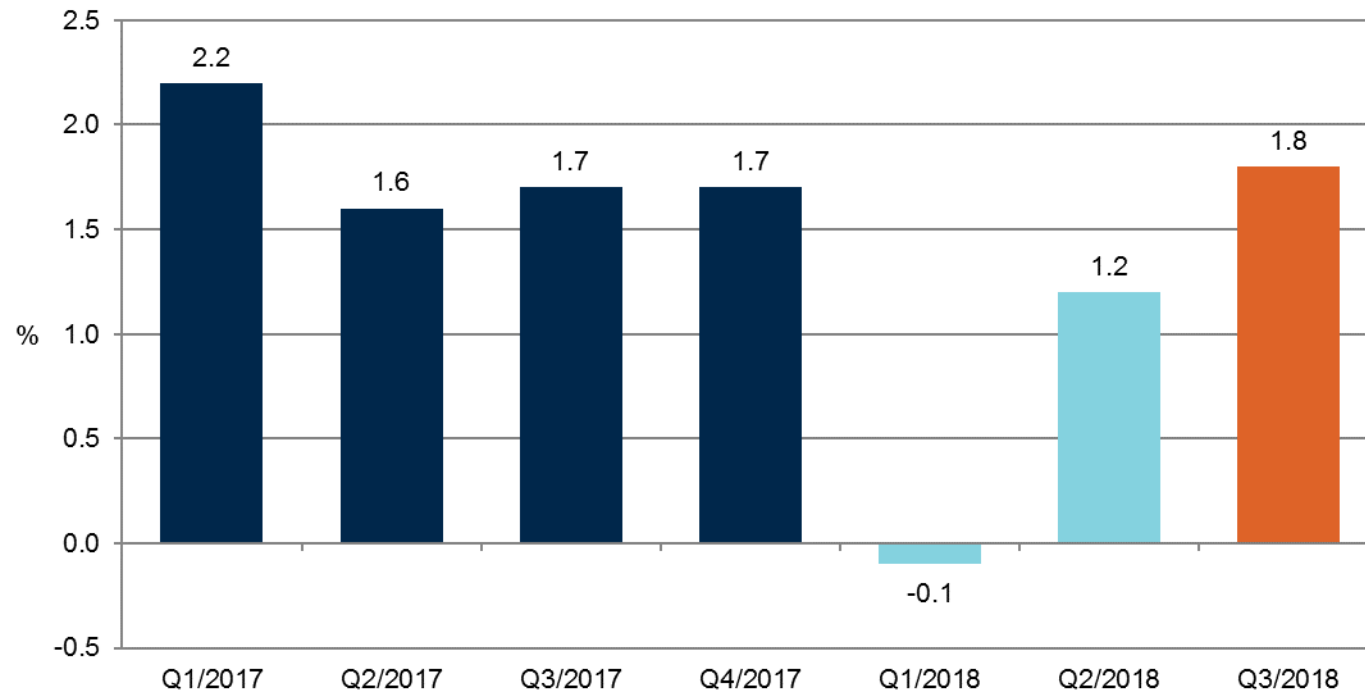
Asset allocation according to risk



THIRD QUARTER RETURN 1.8%

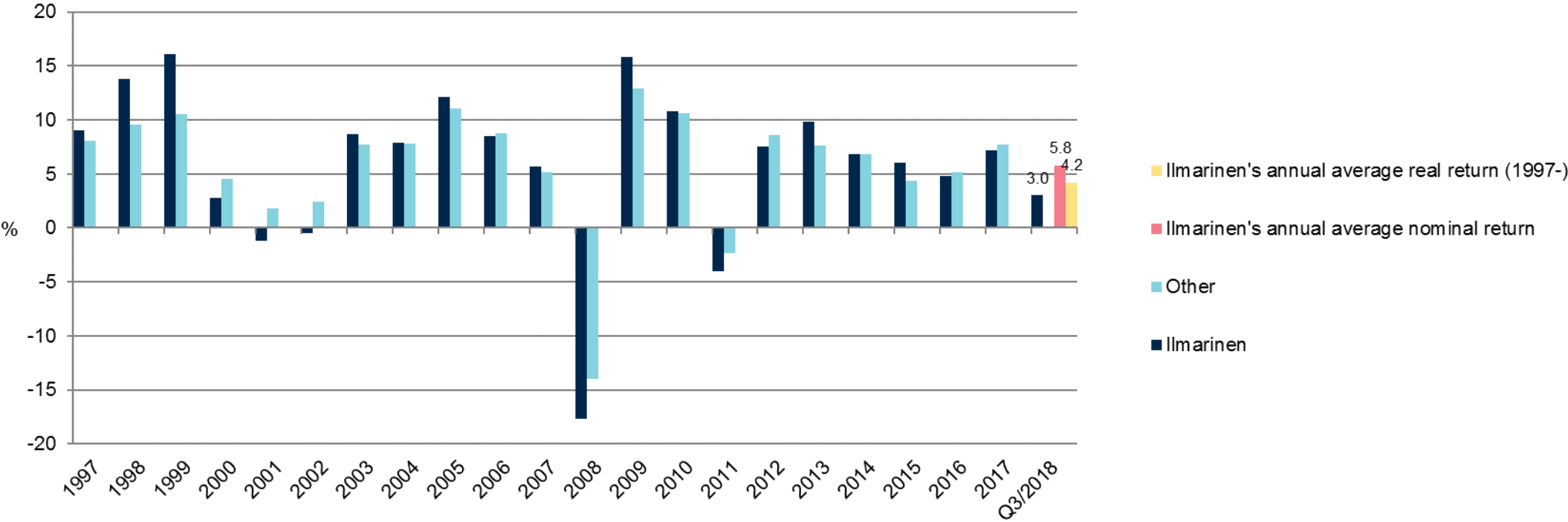
12-MONTH RETURN 4.7%

Quarterly investment returns



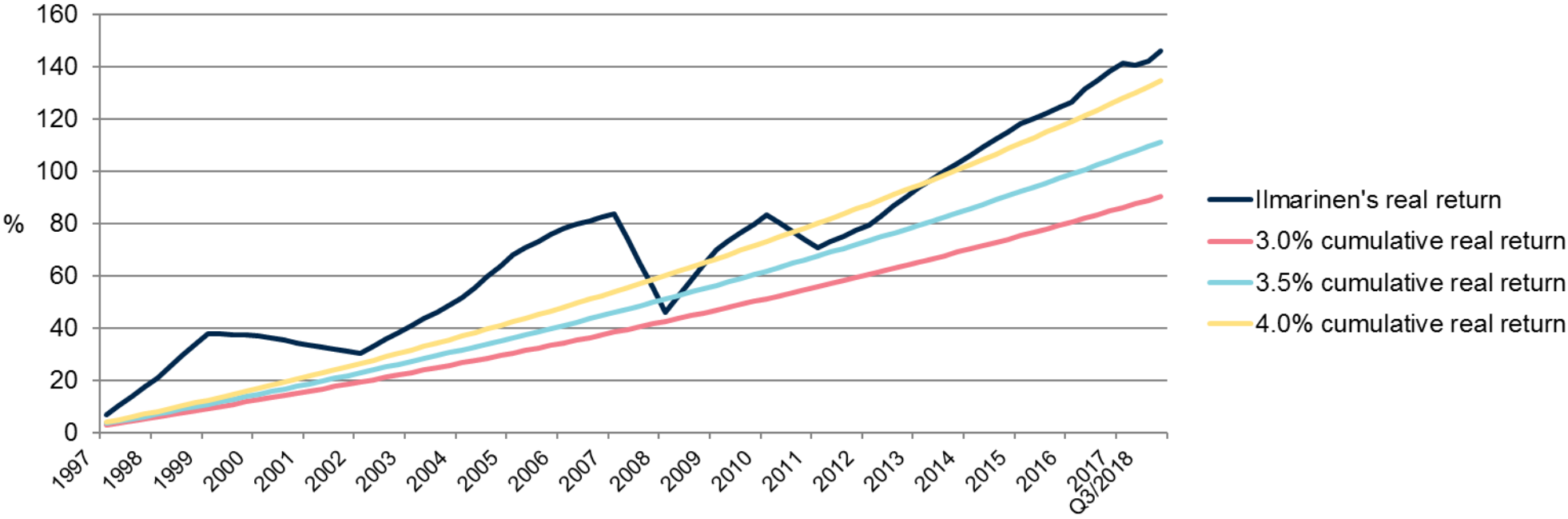
LONG-TERM AVERAGE REAL RETURN 4.2%

Net investment return at current value



LONG-TERM RETURN AT A GOOD LEVEL

Cumulative net return on investments 1997–30 September 2018



LONG-TERM AVERAGE RETURNS

%	Ilmarinen	Finnish equities and shares	European equities and shares	Euro government bonds	Euro corporate bonds
Q3	1.8	2.4	1.3	-1.0	0.0
2018	3.0	12.3	0.9	-0.5	-0.7
2017	7.2	11.5	10.6	0.1	2.4
Average return over 5 years	6.2	14.2	7.2	3.6	2.9
Average return over 10 years	5.6	11.5	7.2	4.5	5.1
Average return since 1997	5.8	10.3	6.5	4.8	4.6
Real average return over 5 years	5.5	13.5	6.5	3.0	2.3
Real average return over 10 years	4.5	10.3	6.0	3.3	4.0
Real average return since 1997	4.2	8.6	4.9	3.2	3.0

RETURN ON INVESTMENTS 3.0% FROM START OF YEAR

	Basic breakdown		Risk breakdown		Return	Volatility
	EUR mill.	%	EUR mill.	%	%	
Fixed-income investments	17,522.4	37.3	18,811.5	40.0	0.6	
Loan receivables	975.1	2.1	975.1	2.1	2.6	
Bonds	15,339.8	32.7	5,993.0	12.8	0.5	1.7
Public corporation bonds	5,704.3	12.1	4,138.7	8.8	-2.1	
Other bonds	9,635.5	20.5	1,854.4	3.9	2.1	
Other money market instruments and deposits (incl. investment receivables and payables)	1,207.5	2.6	11,843.4	25.2	0.2	
Equities and shares	20,910.6	44.5	21,190.7	45.1	6.0	
Listed equities and shares	16,567.0	35.3	16,847.2	35.9	4.1	5.8
Private equity investments	3,580.5	7.6	3,580.5	7.6	14.1	
Non-listed equities and shares	763.1	1.6	763.1	1.6	12.6	
Real estate investments	6,009.3	12.8	6,026.4	12.8	3.9	
Real estate investments	5,415.9	11.5	5,415.9	11.5	3.3	
Real estate funds and joint investments	593.4	1.3	610.6	1.3	9.4	
Other	2,532.6	5.4	6,752.8	14.4	-5.4	
Hedge fund investments	1,732.2	3.7	1,732.2	3.7	3.7	4.3
Commodity investments	-2.1	0.0	-20.5	0.0	-	
Other investments	802.5	1.7	5,041.1	10.7	-18.8	
Investments total	46,974.8	100.0	52,781.5	112.4	3.0	2.1
Effect of derivatives			-5,806.7	-12.4		
Investments at current value	46,974.8		46,974.8	100.0		

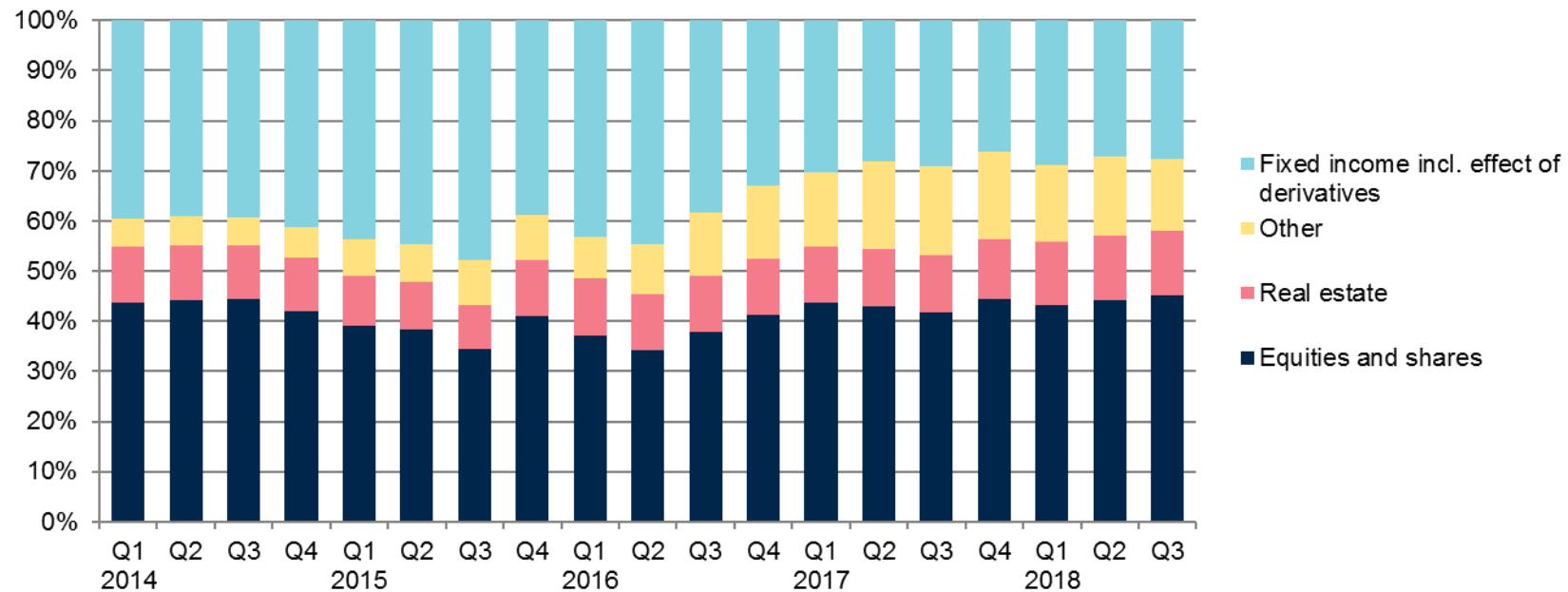
The modified duration of bond investments is 0.8 years.

The open currency position is 24.5% of the market value of the investments.

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

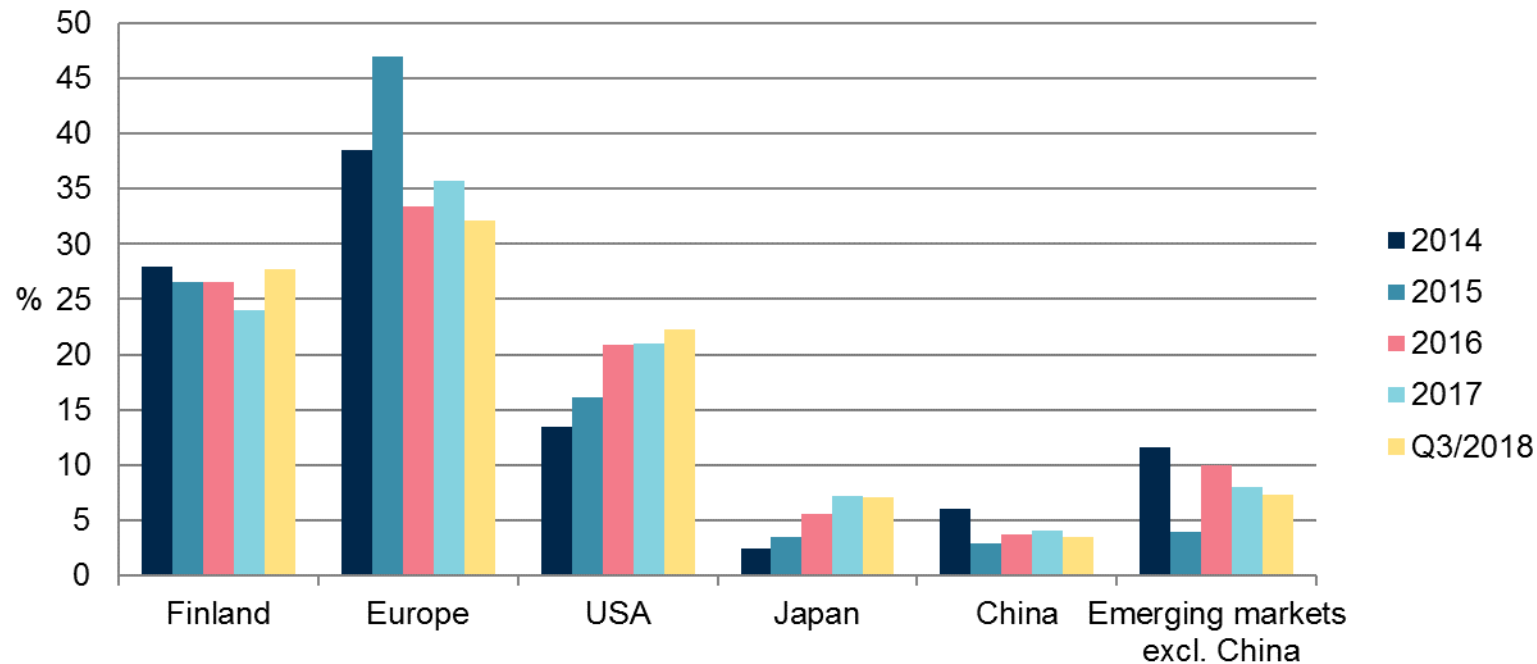
NO MAJOR CHANGES IN ASSET ALLOCATION

Asset allocation development



SHARE OF FINNISH LISTED EQUITY INVESTMENTS GREW

Geographical breakdown of listed equities



HOLDINGS IN FINNISH LISTED COMPANIES

EUR 4.6 BILLION

Most significant Finnish listed equity holdings

	EUR mill.	30 Sep 2018	31 Dec 2017
↑	Stora Enso Corporation	346	246
↑	Neste Corporation	324	250
	Kojamo plc	304	listed on 19 June 2018
↑	UMP-Kymmene Corporation	293	182
↑	Kone Corporation	221	187
↑	Wärtsilä Corporation	209	157
↑	Fortum Corporation	194	102
↑	Sampo plc	184	169
↑	Nokia Corporation	167	123
↑	Nokian Tyres Plc	125	111

	Percentage	30 Sep 2018	31 Dec 2017
	Nurminen Logistics Plc	19.8	19.8
↑	Talenom Plc.	17.2	0.0
	Digia Plc	14.6	14.6
	Kojamo plc	13.1	listed on 19 June 2018
↓	Qt Group Plc	10.1	14.3
↑	Consti Group Plc	9.9	4.0
↑	Panostaja Oyj	8.1	0.0
	Martela Corporation	8.1	8.1
↑	Glaston Corporation	7.2	0.0
	Citycon Oyj	7.1	7.1



ATTACHMENTS

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KEY FIGURES

	1 Jan-30 Sep 2018	1 Jan-30 Sep 2017	1 Jan-31 Dec 2017	1 Jan-31 Dec 2016	1 Jan-31 Dec 2015	1 Jan-31 Dec 2014
Premiums written, EUR mill.	4,031	3,214	4,312	4,302	4,269	4,167
Pension expenditure, EUR mill.	4,243	3,515	4,722	4,594	4,442	4,351
Operating expenses as a percentage of loading profit	81.5	81.7	81.1	74.9	75.5	76.0
ROCE, %	3.0	5.5	7.2	4.8	6.0	6.8
	30 Sep 2018	30 Sep 2017	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014
Value of investment assets, EUR mill.	46,975	38,920	39,355	37,214	35,841	34,196
Solvency capital, EUR mill.	10,044	9,158	9,421	8,460	8,244	7,905
Solvency limit, %	16.4	16.5	17.8	14.6	14.5	15.0
Maximum solvency capital, %	49.2	49.5	53.3	58.3	58.0	59.8
Solvency ratio	127.0	130.6	131.2	129.2	129.6	129.8
Solvency capital/Solvency limit	1.6	1.9	1.8	2.0	2.0	2.0