

# ILMARINEN JANUARY – JUNE 2017

28.7.2017

ILMARINEN

PAREMPAA  
ELÄMÄÄ,  
OLE HYVÄ.



# WHAT'S NEW AT ILMARINEN

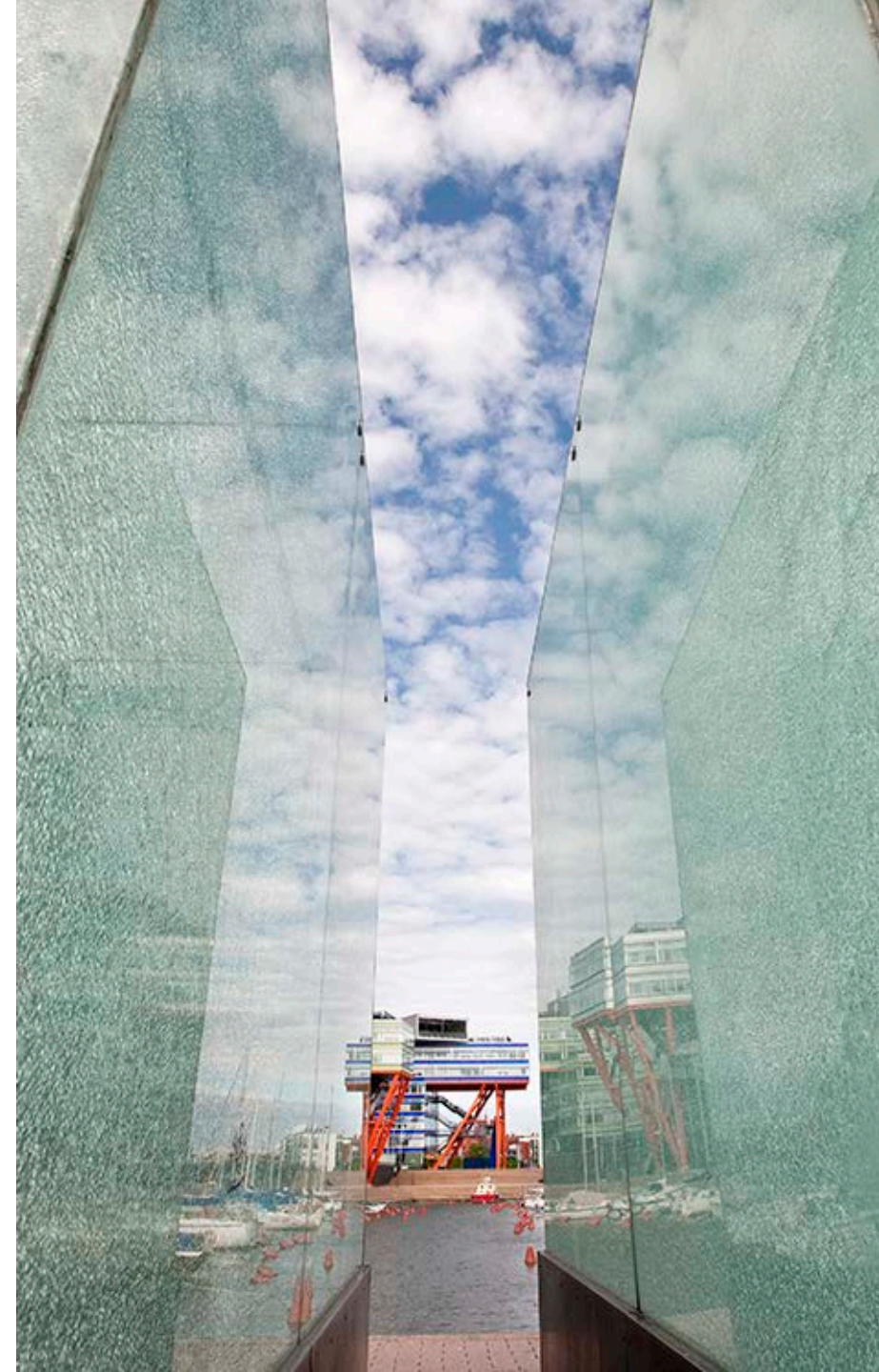
- Return on investments in January–June was 3.8%
- Good success in customer acquisition
- New ideas for customer services from the *Wauhdittamo* innovation programme
- High interest in partial early old-age pension: 1,766 pension decisions in the first half of the year
- New steps in responsibility work:
  - International recognition for climate efforts in investments
  - Environmental certification of properties expanded
- Agreement on Etera's merger with Ilmarinen was signed in June, awaiting approval from AGMs and authorities



# KEY OBSERVATIONS ABOUT THE OPERATING ENVIRONMENT

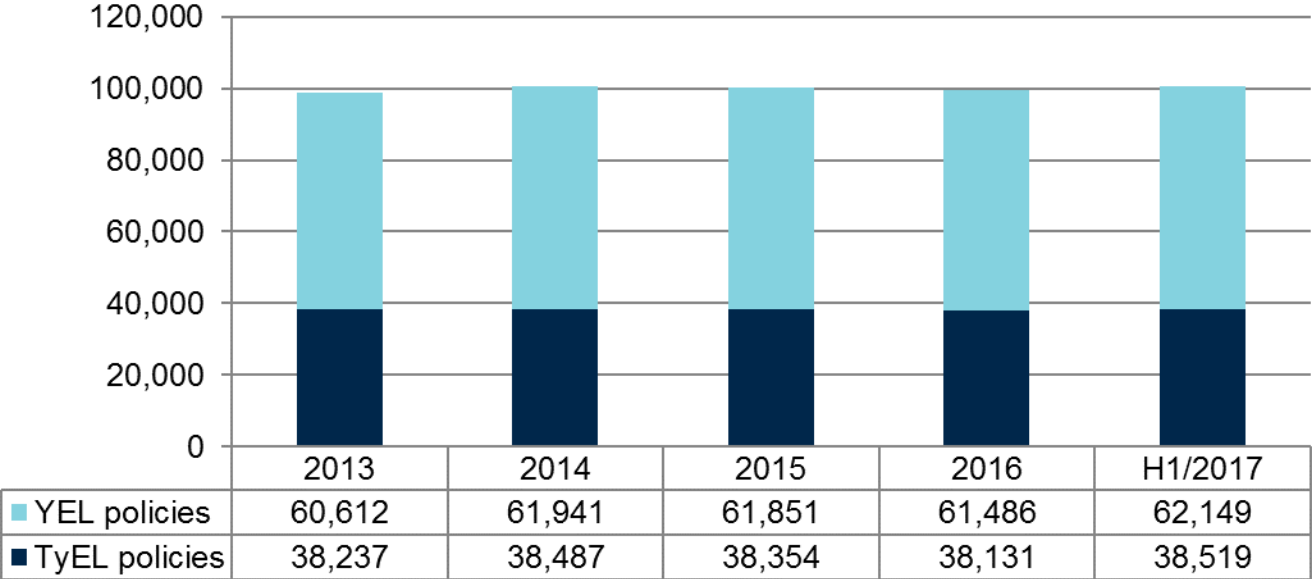
January–June 2017

- The rise in equity prices continued, thanks to unexpected positive results
- The U.S. central bank raised its key interest rate
- The European central bank continued its stimulus measures
- Growth forecasts for the global, European and Finnish economies were adjusted upwards
- The euro strengthened against the dollar and yen



# INSURANCE PORTFOLIO GREW

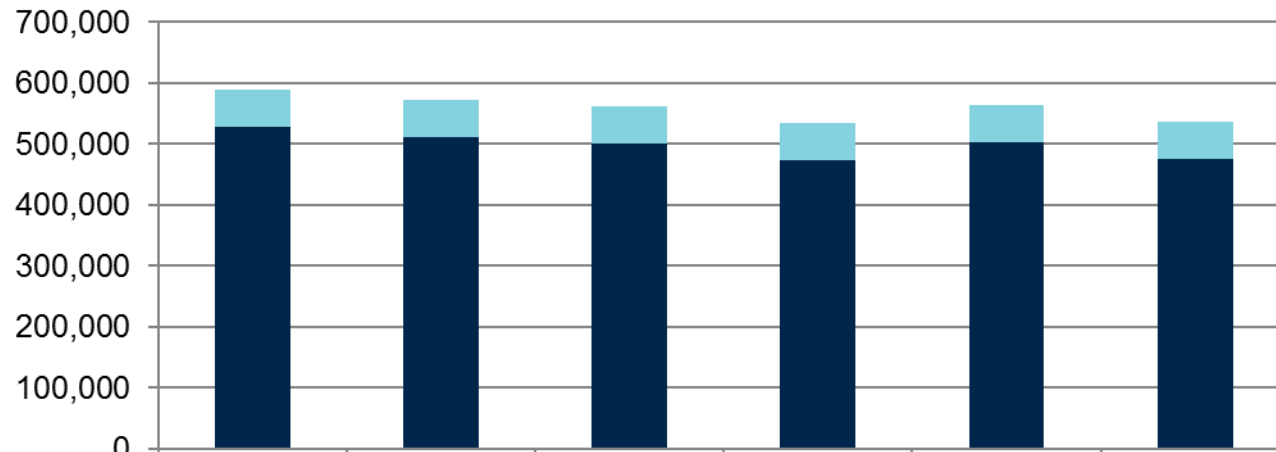
## Number of insurance policies





# NUMBER OF INSURED SIMILAR TO PREVIOUS YEAR'S LEVEL

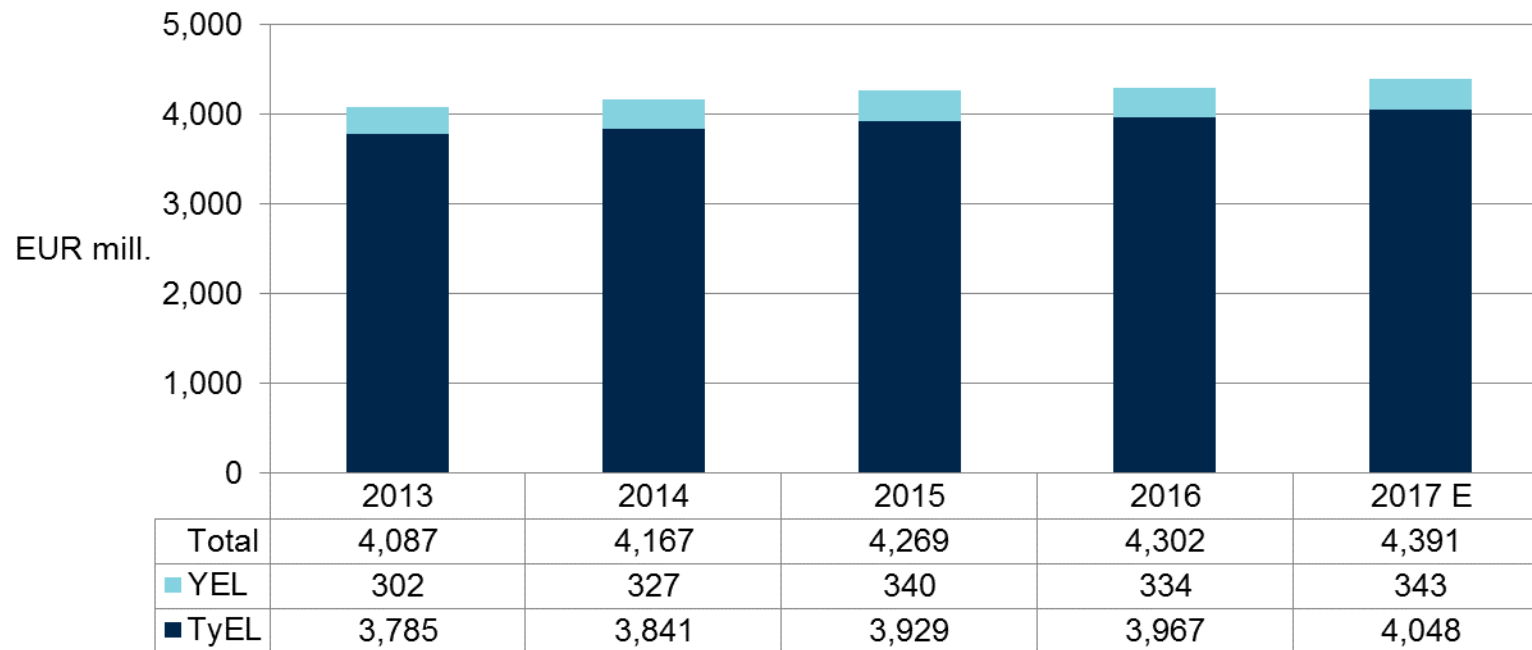
Number of insured



	2013	2014	2015	H1/2016	2016	H1/2017
Insured under YEL	60,612	61,941	61,851	61,851	61,486	62,149
Insured under TyEL	528,900	510,800	500,500	473,200	502,000	475,000

# PREMIUMS WRITTEN FOR FULL YEAR PROJECTED TO GROW

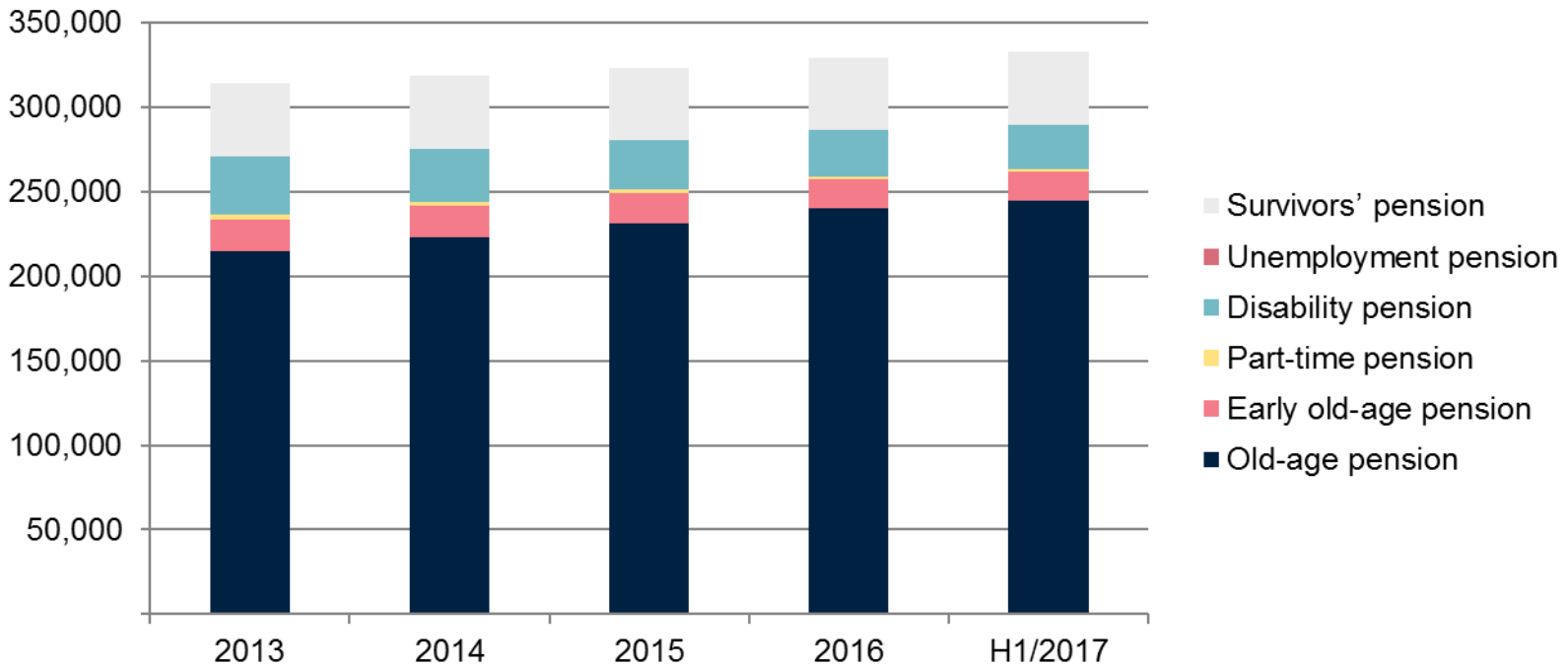
Premiums written, estimated





# MORE THAN 330,000 PENSIONERS

## Pensions paid



# PARTIAL EARLY OLD-AGE PENSION GAINS INTEREST

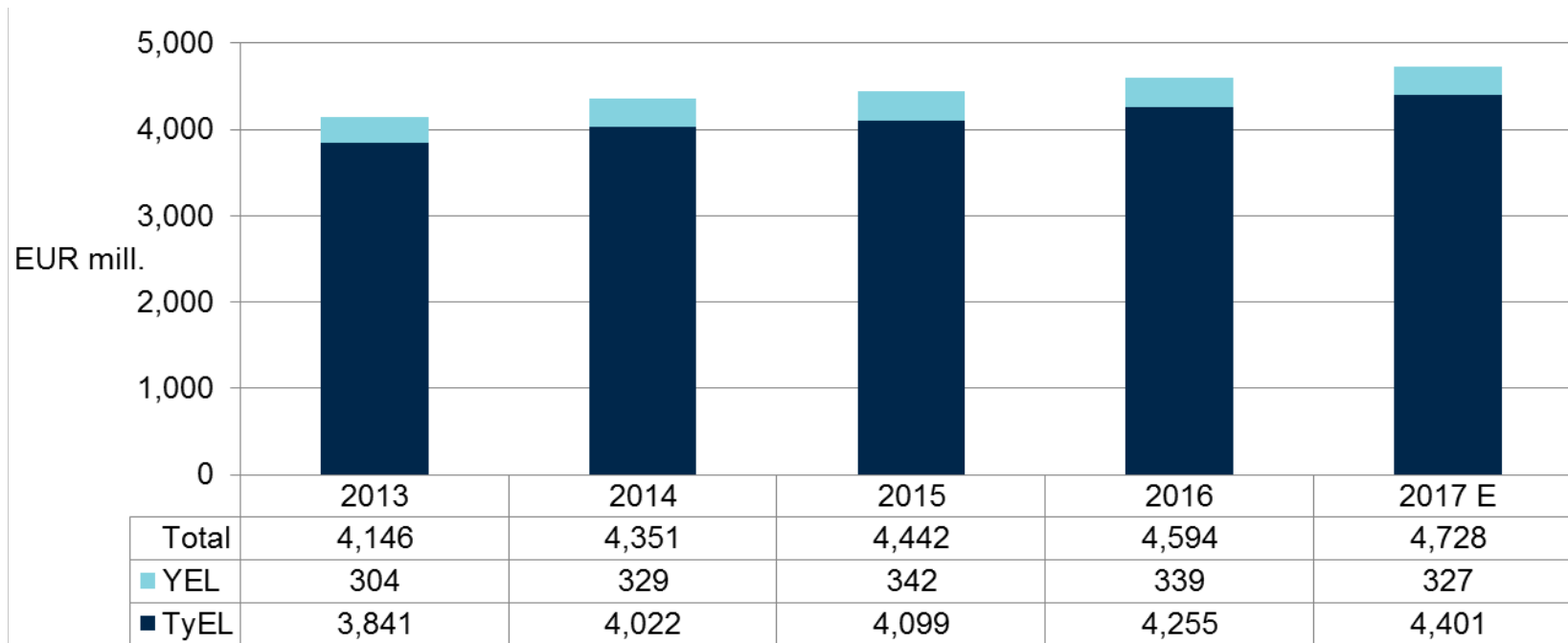
## Number of pension decisions

	H1/2017	H1/2016	Change, %
New pension decisions			
Old-age pensions	6,191	5,978	3.6
Early old-age pensions	1,766	-	-
Part-time pensions	93	303	-69.3
Disability pensions	2,424	2,317	4.6
Survivors' pensions	1,814	1,750	3.7
Right to rehabilitation	1,771	1,574	12.5
Total	14,059	11,922	17.9



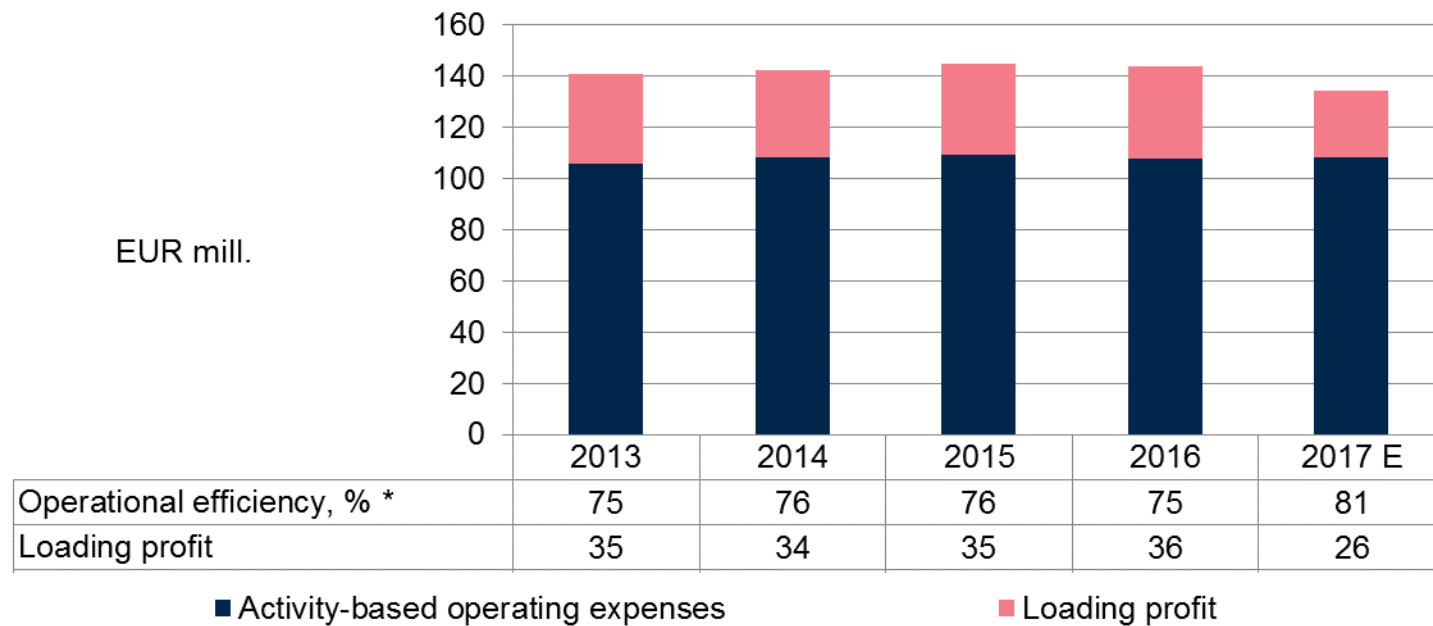
# PENSION EXPENDITURE CONTINUES TO INCREASE

Pensions paid, estimated



# CHANGE IN PREMIUM RATES WILL REDUCE THE EXPENSE LOADING COMPONENT IN 2017

## Operating expenses and loading profit





# OPERATING EXPENSES PROJECTED TO BE AT LAST YEAR'S LEVEL

## Total operating expenses by financing source

EUR mill.	2017 E	2016	2015	2014	2013
Covered by loading profit	108.0	107.6	109.1	108.1	105.6
Covered by investment returns	26.4	24.5	25.3	23.5	22.0
Covered by the administrative cost component of the disability risk	5.0	4.7	5.1	5.7	4.3
Covered by insurance contributions allocated to statutory charges	10.5	10.3	11.1	12.5	11.4
Total operating expenses	149.9	147.2	150.7	149.8	143.4
Total realised operating expenses, % of premiums written	3.4	3.4	3.5	3.6	3.5

# BEST RETURNS FROM EQUITY MARKETS

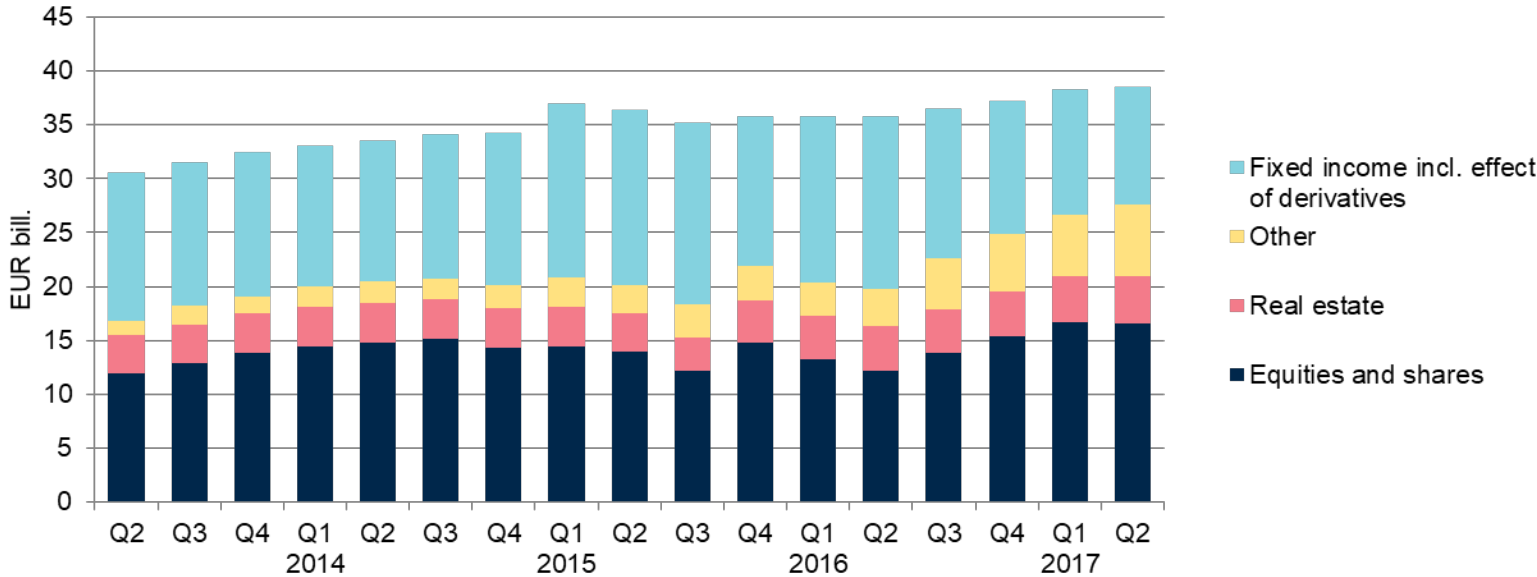
January–June 2017

- Return on investments **3.8%**
  - Return on equity investments **8.0%**
  - Return on fixed income investments **1.0%**
  - Return on real estate investments **1.6%**
- Long-term return at a good level
  - Nominal return **5.9%**
  - Real return **4.2%**
- Solvency remained strong
  - Solvency ratio **130.1%**



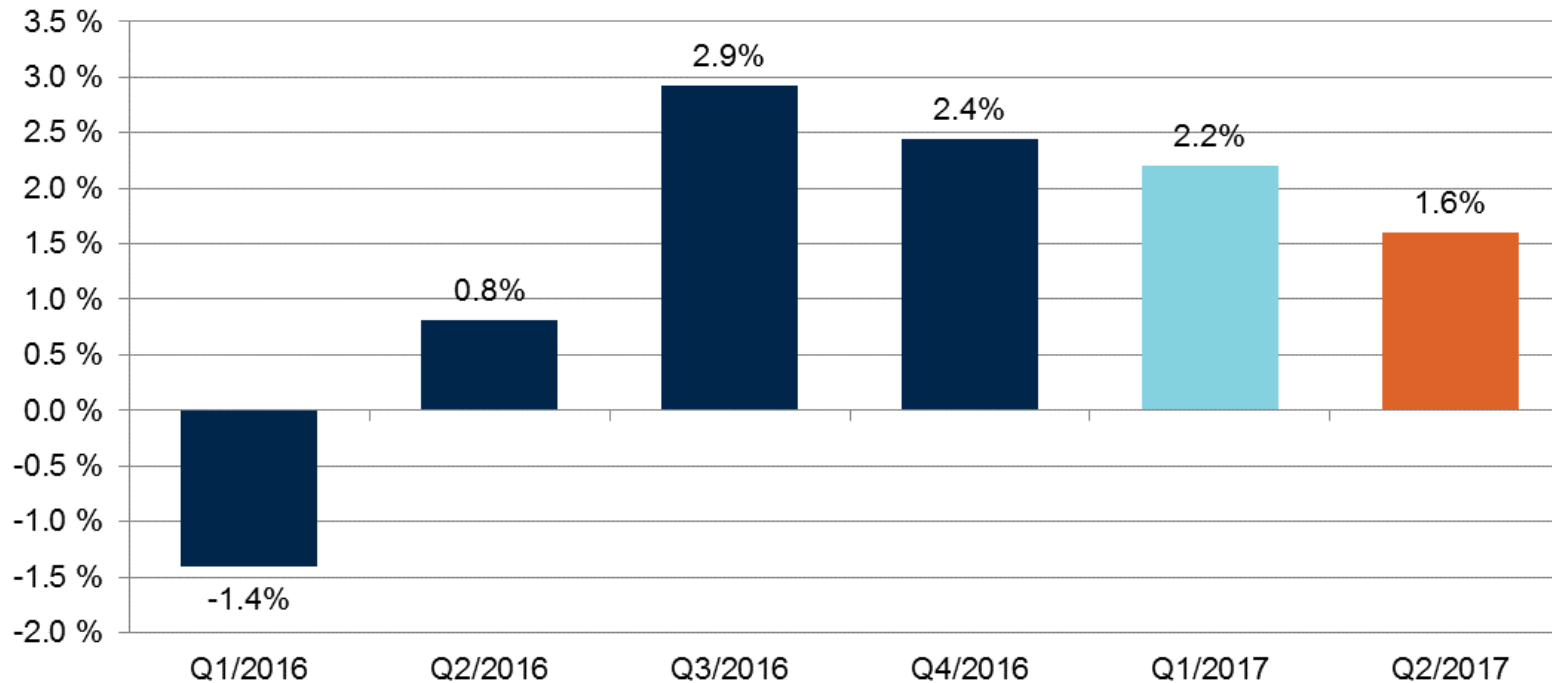
# MARKET VALUE OF INVESTMENTS MORE THAN EUR 38 BILLION

Asset allocation according to risk



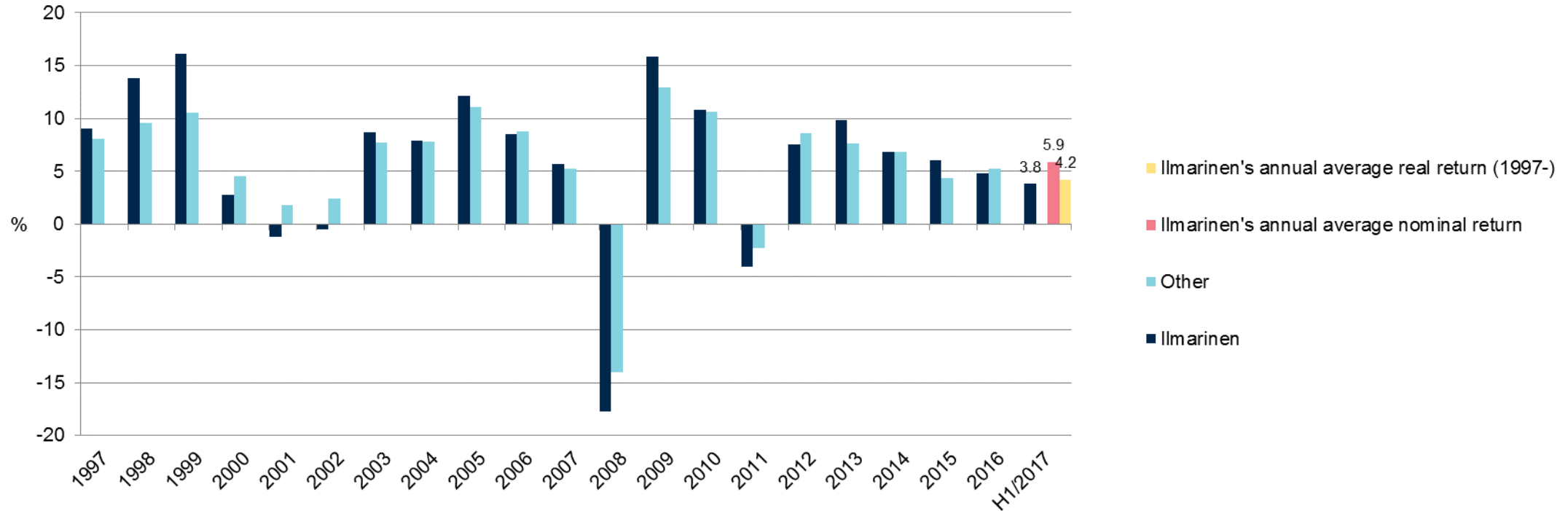
# 12-MONTH RETURN ON INVESTMENTS 9.1%

## Quarterly investment returns



# REAL RETURN ON INVESTMENTS IN THE LONG TERM 4.2%

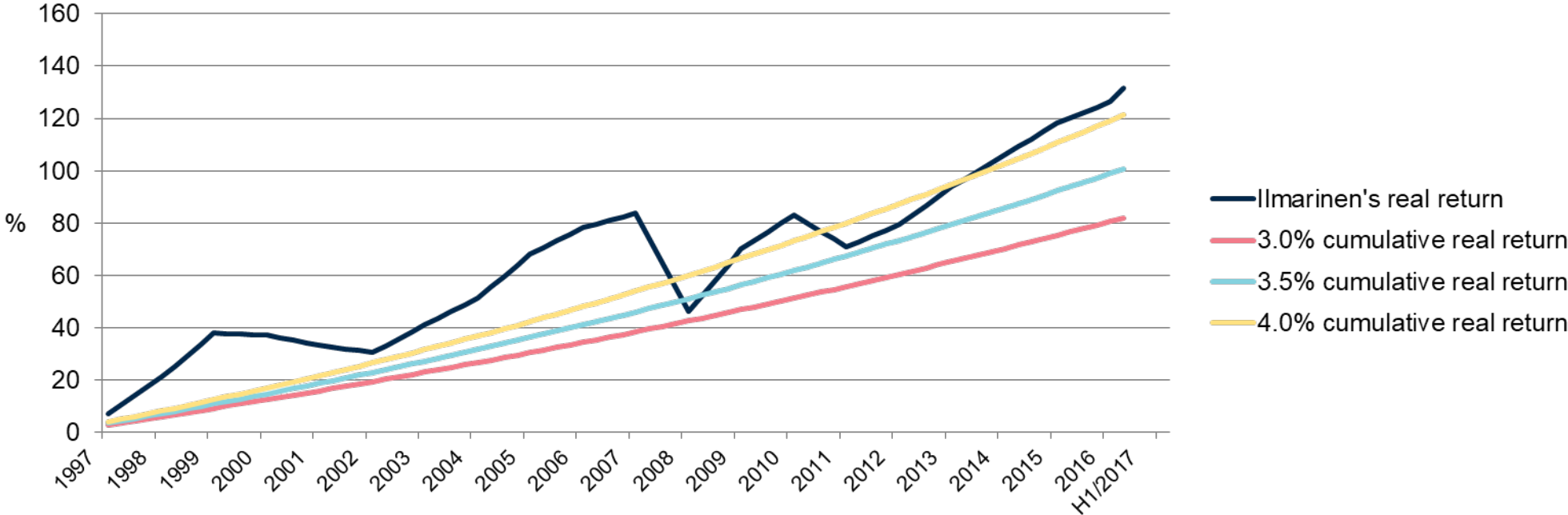
## Net investment return at current value





# REAL RETURN EXCEEDS 4% LEVEL

Cumulative net return on investments 1997–30 June 2017



# 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>
Q2	1.6	6.7	0.8	0.5	0.3
2017	3.8	11.4	7.0	-1.1	0.6
2016	4.8	13.3	1.7	3.3	4.7
Average return over 5 years	7.1	19.7	11.7	5.1	4.5
Average return over 10 years	4.0	5.3	2.6	5.1	4.6
Average return since 1997	5.9	10.4	6.7	5.1	4.9
Real average return over 5 years	6.4	18.9	10.9	4.4	3.8
Real average return over 10 years	2.5	3.7	1.1	3.6	3.1
Real average return since 1997	4.2	8.6	5.0	3.4	3.2

<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)

# RETURN ON INVESTMENTS IN JAN–JUN 3.8%

## Asset allocation and return

	Basic breakdown		Risk breakdown		Return	Volatility
	eur mill.	%	eur mill.	%	%	
<b>Fixed-income investments</b>	<b>15,606.9</b>	<b>40.5</b>	<b>10,200.1</b>	<b>26.5</b>	<b>1.0</b>	
Loan receivables	898.7	2.3	898.7	2.3	1.7	
Bonds	13,407.1	34.8	6,069.0	15.8	1.0	1.6
Public corporation bonds	4,094.3	10.6	3,477.4	9.0	0.2	
Other bonds	9,312.8	24.2	2,591.6	6.7	1.4	
Other money market instruments and deposits (incl. investment receivables and payables)	1,301.1	3.4	3,232.3	8.4	0.4	
<b>Equities and shares</b>	<b>16,696.7</b>	<b>43.4</b>	<b>16,587.0</b>	<b>43.1</b>	<b>8.0</b>	
Listed equities and shares	13,336.8	34.6	13,227.1	34.3	8.3	13.0
Private equity investments	2,392.9	6.2	2,392.9	6.2	6.9	
Non-listed equities and shares	967.0	2.5	967.0	2.5	5.7	
<b>Real estate investments</b>	<b>4,384.7</b>	<b>11.4</b>	<b>4,384.7</b>	<b>11.4</b>	<b>1.6</b>	
Real estate investments	3,954.3	10.3	3,954.3	10.3	1.3	
Real estate funds and joint investments	430.4	1.1	430.4	1.1	4.5	
<b>Other</b>	<b>1,818.9</b>	<b>4.7</b>	<b>6,661.6</b>	<b>17.3</b>	<b>-2.9</b>	
Hedge fund investments	774.7	2.0	774.7	2.0	-1.8	5.6
Commodity investments	7.2	0.0	93.6	0.2	-	
Other investments	1,037.0	2.7	5,793.4	15.0	-2.3	
<b>Investments total</b>	<b>38,507.2</b>	<b>100.0</b>	<b>37,833.4</b>	<b>98.3</b>	<b>3.8</b>	<b>4.5</b>
Effect of derivatives			673.8	1.7		
<b>Investments at current value</b>	<b>38,507.2</b>		<b>38,507.2</b>	<b>100.0</b>		

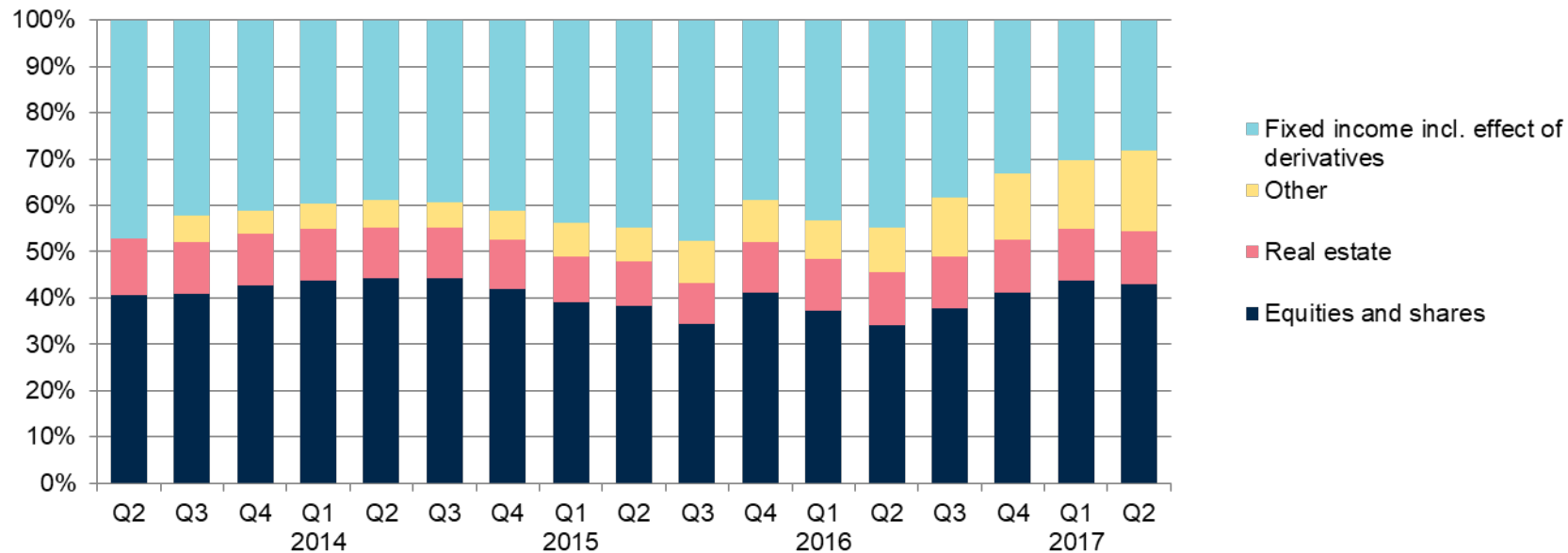
The modified duration of bond investments is 0.3 years

The open currency position is 22.7% of the market value of the investments.

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

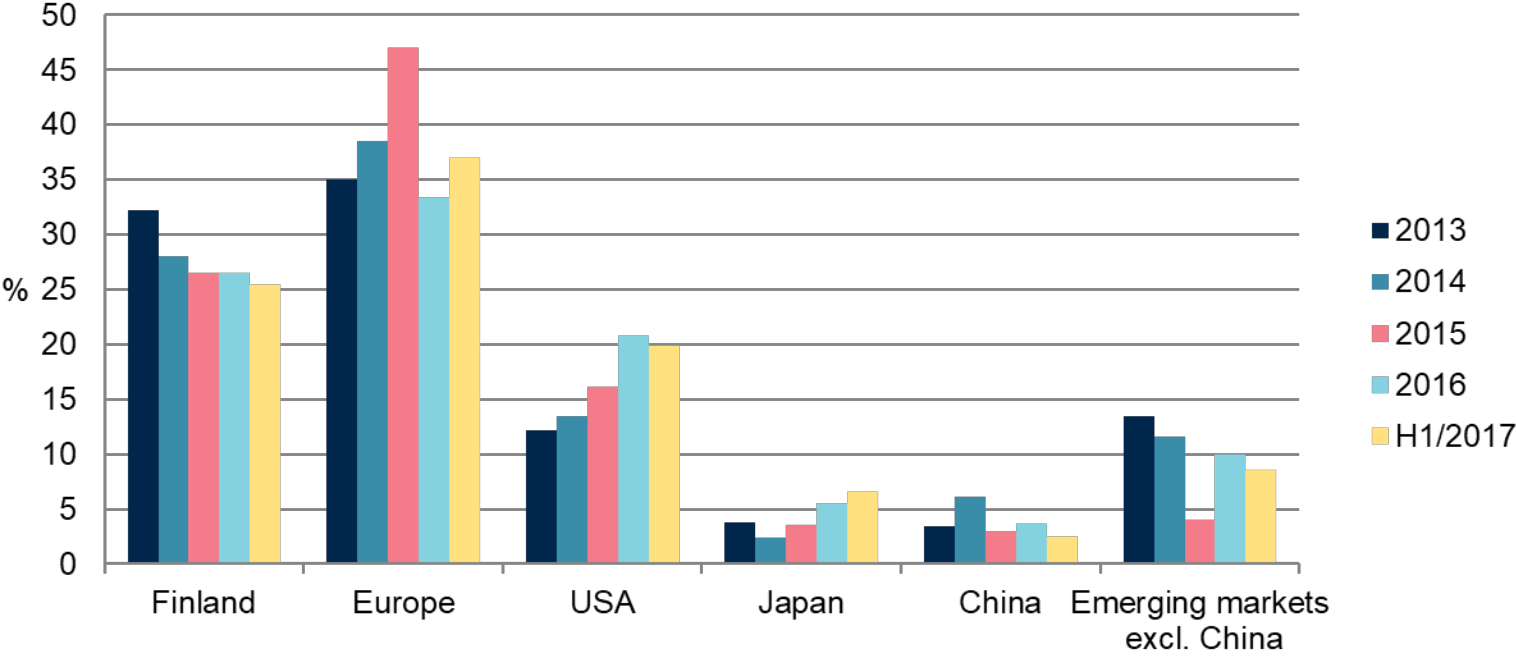
# FIXED INCOME INVESTMENTS DECREASING IN VOLUME

## Asset allocation development



# UPWARD TREND IN INVESTMENTS IN EUROPE

## Geographical breakdown of listed equities





# FINNISH EQUITY HOLDINGS EUR 3.4 BILLION

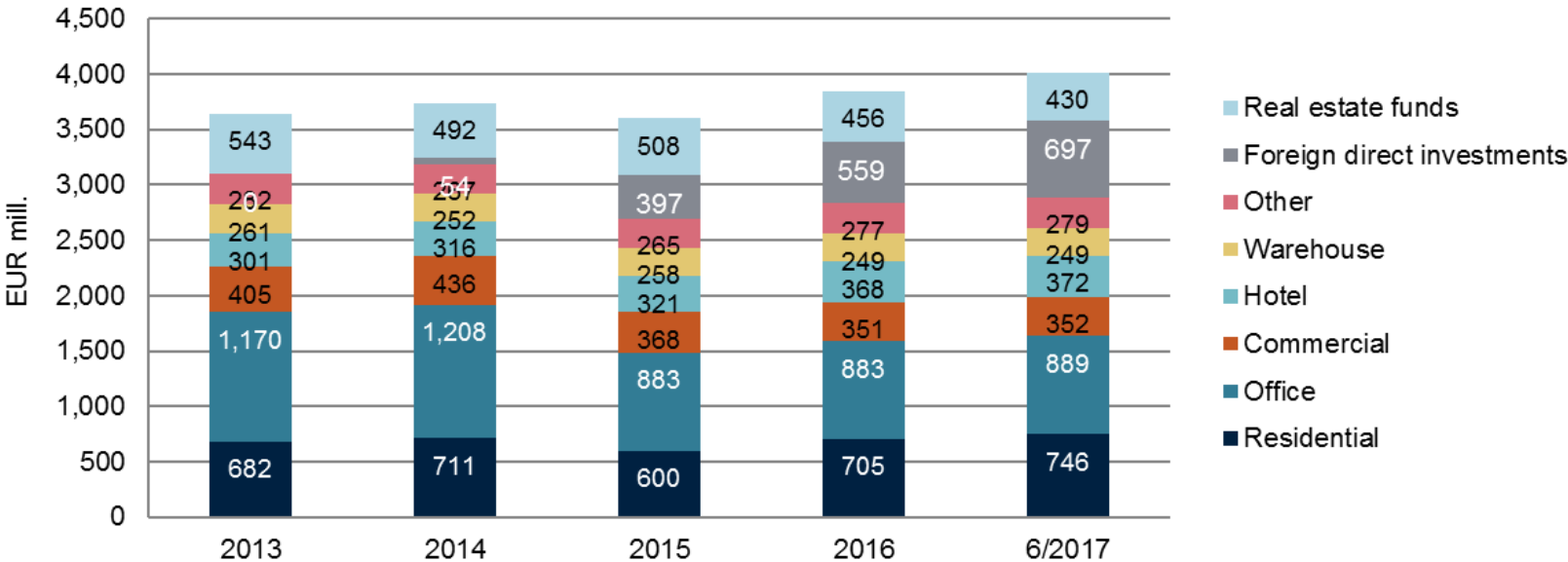
## Most significant Finnish listed equity holdings

	EUR mill.	30 Jun 2017	31 Dec 2016
↑	Stora Enso Oyj	205	177
↑	KONE Corporation	196	183
↑	UMP-Kymmene Corporation	190	171
↑	Nokia Corporation	167	136
↓	Neste Corporation	166	176
↑	Sampo plc	164	161
↓	Citycon Oyj	146	148
↑	Wärtsilä Oyj Abp	132	94
↑	Orion Corporation	114	83
↓	Nokian Tyres plc	99	100

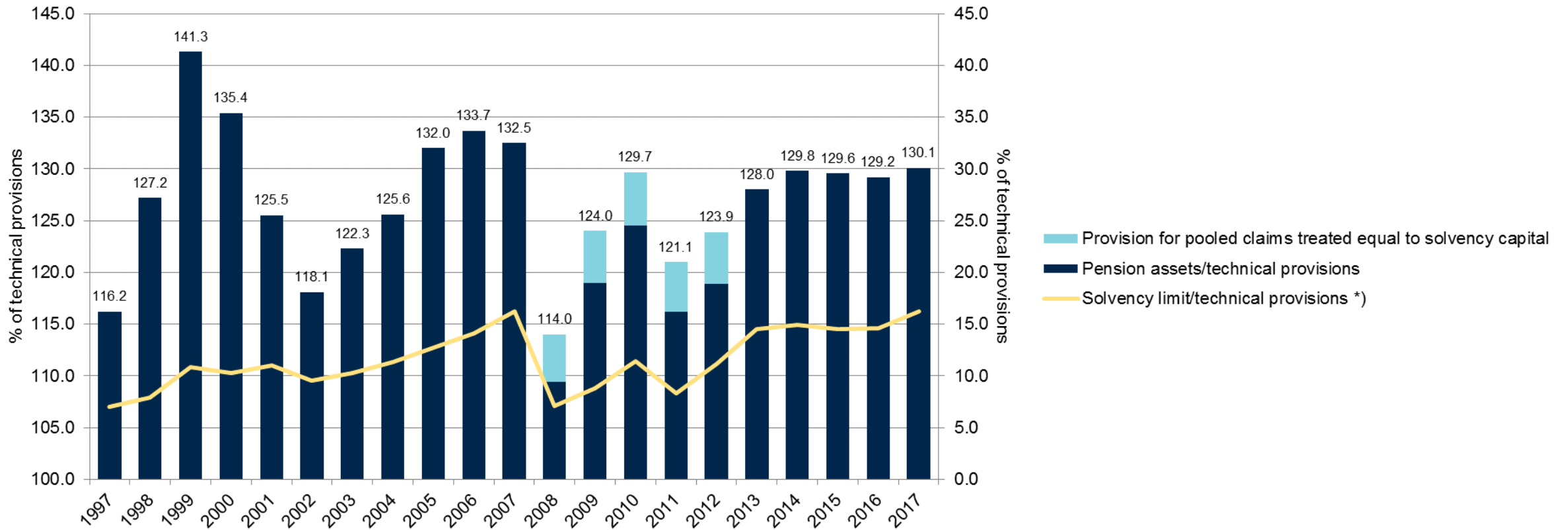
	Percentage	30 Jun 2017	31 Dec 2016
	Qt Group Plc	14.62	14.62
↑	Digia Plc	14.59	14.58
	Technopolis Plc	10.48	10.48
↑	Basware Corporation	9.56	11.18
	Martela Corporation	8.07	8.07
↓	Componenta Corporation	7.87	7.92
	Incap Corporation	7.61	7.61
↓	CapMan Plc	7.52	7.60
	Citycon Oyj	7.13	7.13
	Tulikivi Corporation	6.21	6.21

# FOREIGN REAL ESTATE INVESTMENTS INCREASING

## Allocation of real estate investments



# SOLVENCY CONTINUES TO BE AT A GOOD LEVEL



Solvency position was 1.9 (2.2).

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.

A photograph of two men in business attire standing on a balcony, looking at a document held by the man on the left. The man on the right is pointing at the document. The background shows a modern building with large windows and a glass railing. The entire image is overlaid with a semi-transparent blue filter.

# ATTACHMENTS



# ILMARINEN IN JANUARY–JUNE 2017

## Key figures in brief

	1 Jan- 30 June 2017	1 Jan- 30 June 2016	1 Jan- 31 Dec 2016
Premiums written, EUR mill.	2,123.6	2,131.0	4,301.8
Net return on investments at fair value, EUR mill.	1,405.3	-213.0	1,743.3
ROCE, %	3.8	-0.6	4.8
	30 June 2017	30 June 2016	31 Dec 2016
Technical provisions, EUR mill.	32,555.1	30,204.0	31,458.7
Solvency capital, EUR mill. <sup>1</sup>	8,948.6	7,386.0	8,460.0
in relation to solvency limit	1.9	2.2	2.0
Pension assets, EUR mill. <sup>2</sup>	38,636.4	35,692.0	37,422.8
% of pension assets	130.1	126.1	129.2
TyEL payroll, EUR mill. <sup>3</sup>	16,675.3	16,604.0	16,788.0
YEL payroll, EUR mill. <sup>3</sup>	1,462.3	1,492.0	1,470.6

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



# NET RETURN ON INVESTMENTS

	Net investment return market value	Capital employed	ROCE, %	ROCE, %	ROCE, %
	30 June 2017	30 June 2017	30 June 2017	30 June 2016	31 Dec 2016
	EUR mill.	EUR mill.	%	%	%
<b>Fixed-income investments total</b>	<b>159.2</b>	<b>15,624.6</b>	<b>1.0</b>	<b>0.3</b>	<b>3.6</b>
Loan receivables <sup>1</sup>	16.2	967.2	1.7	1.9	3.3
Bonds	137.7	13,420.3	1.0	0.0	3.6
Other money market instruments and deposits <sup>1 2</sup>	5.3	1,237.2	0.4	3.3	5.8
<b>Equities and shares total</b>	<b>1,246.1</b>	<b>15,666.3</b>	<b>8.0</b>	<b>-3.6</b>	<b>6.5</b>
Listed equities and shares <sup>3</sup>	1,034.9	12,437.9	8.3	-5.8	3.5
Private equity investments <sup>4</sup>	156.8	2,279.2	6.9	5.5	16.9
Non-listed equities and shares <sup>5</sup>	54.4	949.2	5.7	3.5	20.5
<b>Real estate investments total</b>	<b>68.7</b>	<b>4,205.1</b>	<b>1.6</b>	<b>1.7</b>	<b>6.4</b>
Direct real estate investments	49.1	3,767.4	1.3	1.8	6.7
Real estate funds and joint investments	19.6	437.8	4.5	0.9	3.6
<b>Other investments total</b>	<b>-56.5</b>	<b>1,946.1</b>	<b>-2.9</b>	<b>10.6</b>	<b>-0.9</b>
Hedge fund investments <sup>6</sup>	-14.6	791.1	-1.8	-1.3	5.6
Commodity investments	-16.1	13.3	-121.1	-14.3	-159.8
Other investments <sup>7</sup>	-25.8	1,141.7	-2.3	18.4	-6.0
<b>Investments total</b>	<b>1,417.5</b>	<b>37,442.2</b>	<b>3.8</b>	<b>-0.6</b>	<b>4.9</b>
Unallocated income, costs and operating expenses	-12.2	0.0	0.0	0.0	0.0
<b>Investment return at current value total</b>	<b>1,405.3</b>	<b>37,442.2</b>	<b>3.8</b>	<b>-0.6</b>	<b>4.8</b>

<sup>1</sup> Includes accrued interest

<sup>2</sup> Includes cash at bank and in hand and consideration receivables and debt

<sup>3</sup> Also includes mixed funds unless they can be allocated elsewhere

<sup>4</sup> Includes private equity funds, mezzanine funds and infrastructure investments

<sup>5</sup> Also includes unlisted real estate investment companies

<sup>6</sup> Includes all types of hedge fund units regardless of the fund's strategy

<sup>7</sup> Includes items that cannot be allocated to other investment classes

<sup>8</sup> 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

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

# ASSET ALLOCATION AT CURRENT VALUE

BREAKDOWN OF INVESTMENTS (CURRENT VALUE)	Basic breakdown					Risk breakdown			
	30 June 2017	30 June 2017	30 June 2016	30 June 2016	31 Dec 2016	30 June 2017	30 June 2017	30 June 2016	31 Dec 2016
	EUR mill.	%	EUR mill.	%	EUR mill.	EUR mill.	%	%	%
<b>Fixed-income investments total</b>	<b>15,606.9</b>	<b>40.5</b>	<b>15,995.3</b>	<b>44.7</b>	<b>15,720.7</b>	<b>10 200,1</b>	<b>26.5</b>	<b>47.6</b>	<b>35.4</b>
Loan receivables <sup>1)</sup>	898.7	2.3	1,193.1	3.3	1,007.4	898,7	2.3	3.3	2.7
Bonds	13,407.1	34.8	14,522.2	40.6	13,722.0	6 069,0	15.8	20.8	19.2
Other money market instruments and deposits <sup>1 2)</sup>	1,301.1	3.4	280.0	0.8	991.3	3 232,3	8.4	23.4	13.5
<b>Equities and shares total</b>	<b>16,696.7</b>	<b>43.4</b>	<b>13,806.7</b>	<b>38.6</b>	<b>15,321.8</b>	<b>16 587,0</b>	<b>43.1</b>	<b>34.2</b>	<b>41.2</b>
Listed equities and shares <sup>3)</sup>	13,336.8	34.6	10,740.9	30.0	12,053.5	13 227,1	34.3	25.6	32.4
Private equity investments <sup>4)</sup>	2,392.9	6.2	2,079.9	5.8	2,303.5	2 392,9	6.2	5.8	6.2
Non-listed equities and shares <sup>5)</sup>	967.0	2.5	985.9	2.8	964.8	967,0	2.5	2.8	2.6
<b>Real estate investments total</b>	<b>4,384.7</b>	<b>11.4</b>	<b>4,042.8</b>	<b>11.3</b>	<b>4,199.6</b>	<b>4 384,7</b>	<b>11.4</b>	<b>11.3</b>	<b>11.3</b>
Direct real estate investments	3,954.3	10.3	3,558.2	10.0	3,744.0	3 954,3	10.3	10.0	10.1
Real estate funds and joint investments	430.4	1.1	484.6	1.4	455.6	430,4	1.1	1.4	1.2
<b>Other investments total</b>	<b>1,818.9</b>	<b>4.7</b>	<b>1,899.6</b>	<b>5.3</b>	<b>1,972.2</b>	<b>6 661,6</b>	<b>17.3</b>	<b>9.7</b>	<b>14.5</b>
Hedge fund investments <sup>6)</sup>	774.7	2.0	811.0	2.3	1,063.0	774,7	2.0	2.3	2.9
Commodity investments	7.2	0.0	-1.4	0.0	-9.9	93,6	0.2	-0.2	0.4
Other investments <sup>7)</sup>	1,037.0	2.7	1,090.0	3.0	919.1	5 793,4	15.0	7.7	11.3
<b>Investments total</b>	<b>38,507.2</b>	<b>100.0</b>	<b>35,744.5</b>	<b>100.0</b>	<b>37,214.4</b>	<b>37 833,4</b>	<b>98.3</b>	<b>102.8</b>	<b>102.3</b>
<b>Effect of derivatives</b>						<b>673,8</b>	<b>1.7</b>	<b>-2.8</b>	<b>-2.3</b>
<b>Investment return at current value total</b>	<b>38,507.2</b>	<b>100.0</b>	<b>35,744.5</b>	<b>100.0</b>	<b>37,214.4</b>	<b>38 507,2</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

The modified duration of bond investments was 0,3 year.

<sup>1)</sup> Includes accrued interest

<sup>2)</sup> Includes cash at bank and in hand and consideration receivables and debt

<sup>3)</sup> Also includes mixed funds unless they can be allocated elsewhere

<sup>4)</sup> Includes private equity funds, mezzanine funds and infrastructure investments

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<sup>7)</sup> Includes items that cannot be allocated to other investment classes

# SOLVENCY CAPITAL

## Solvency capital and limits

	30 June 2017	30 June 2016	31 Dec 2016
Solvency limit, EUR mill.	4,796.9	3,404.0	4,228.5
Maximum amount of solvency capital, EUR mill.	19,187.7	13,616.2	16,914.1
Solvency capital , EUR mill.	8,948.6	7,386.2	8,460.0
Solvency ratio % <sup>1</sup>	130.1	126.1	129.2
Solvency capital/Solvency limit <sup>2</sup>	1.9	2.2	2.0

<sup>1</sup> Pension assets in relation to technical provisions as referred to in Section 11, item 10, of the Ministry of Social Affairs and Health's decree 614/2008. All years are presented according to the new presentation method.

<sup>2</sup> Solvency capital in relation to solvency limit