

ILMARINEN IN 2017

ILMARINEN

PAREMPAA
ELÄMÄÄ,
OLE HYVÄ.

ILMARINEN IN 2017

- We got ready to merge with Etera on 1 January 2018
- Reformed pension scheme off to a smooth start
- Excellent customer acquisition, work capacity management services proved attractive
- Development of digital services continued – also together with customers
- We collected 100 good deeds for a better working life



ILMARINEN IN 2017 KEY FIGURES



7.2%

Strong investment result,
backed by equity returns

131.2% Solvency
strengthened

EUR

In paid
pensions

**4.7
billion**

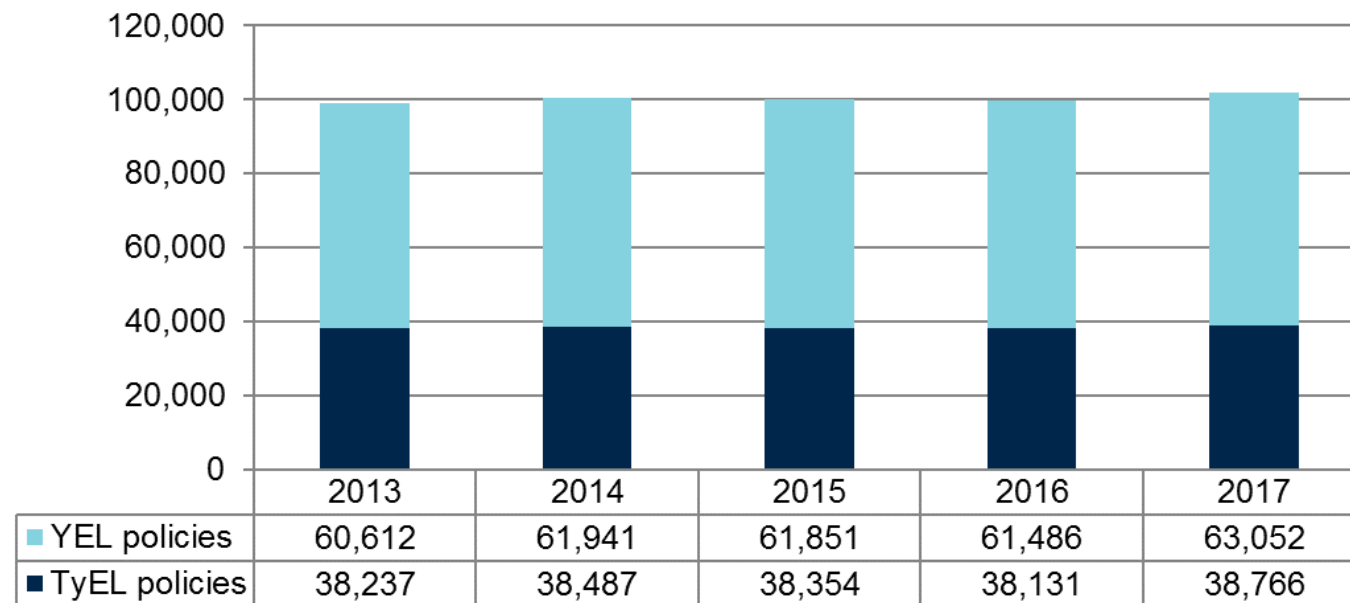
EUR

Record amount of client
bonuses

**120
mill.**

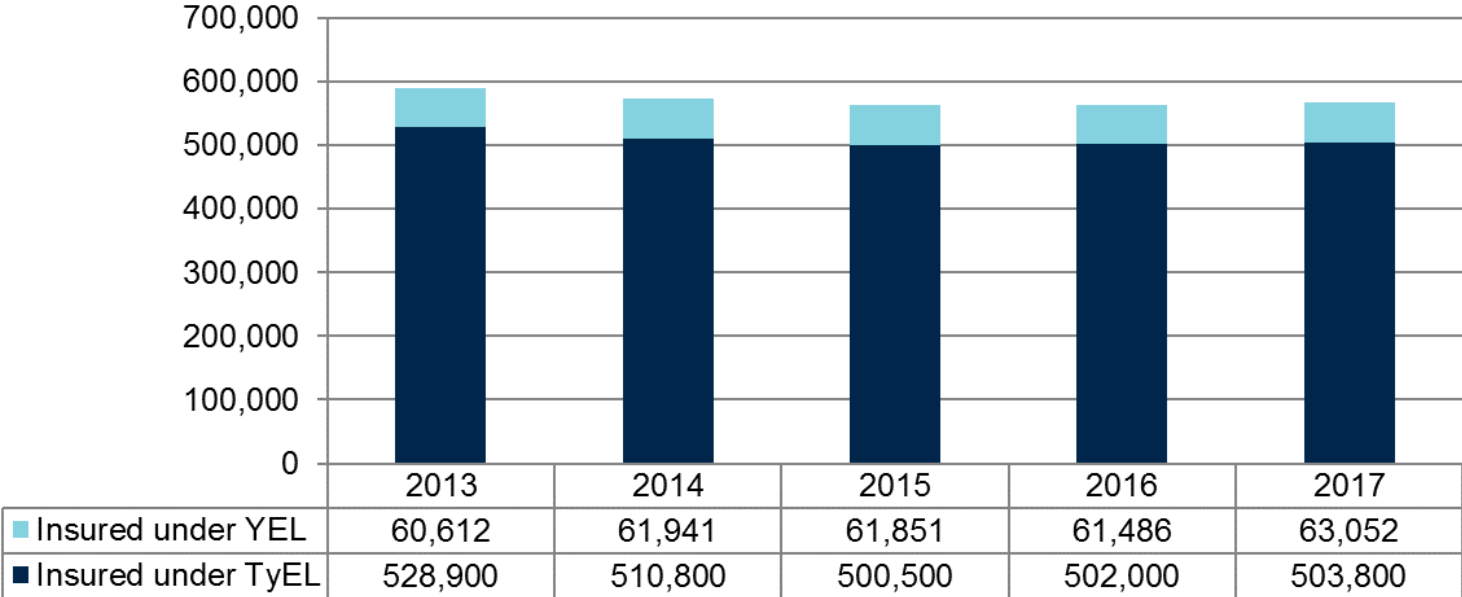
NUMBER OF INSURANCE POLICIES **GROWING**

Number of insurance policies



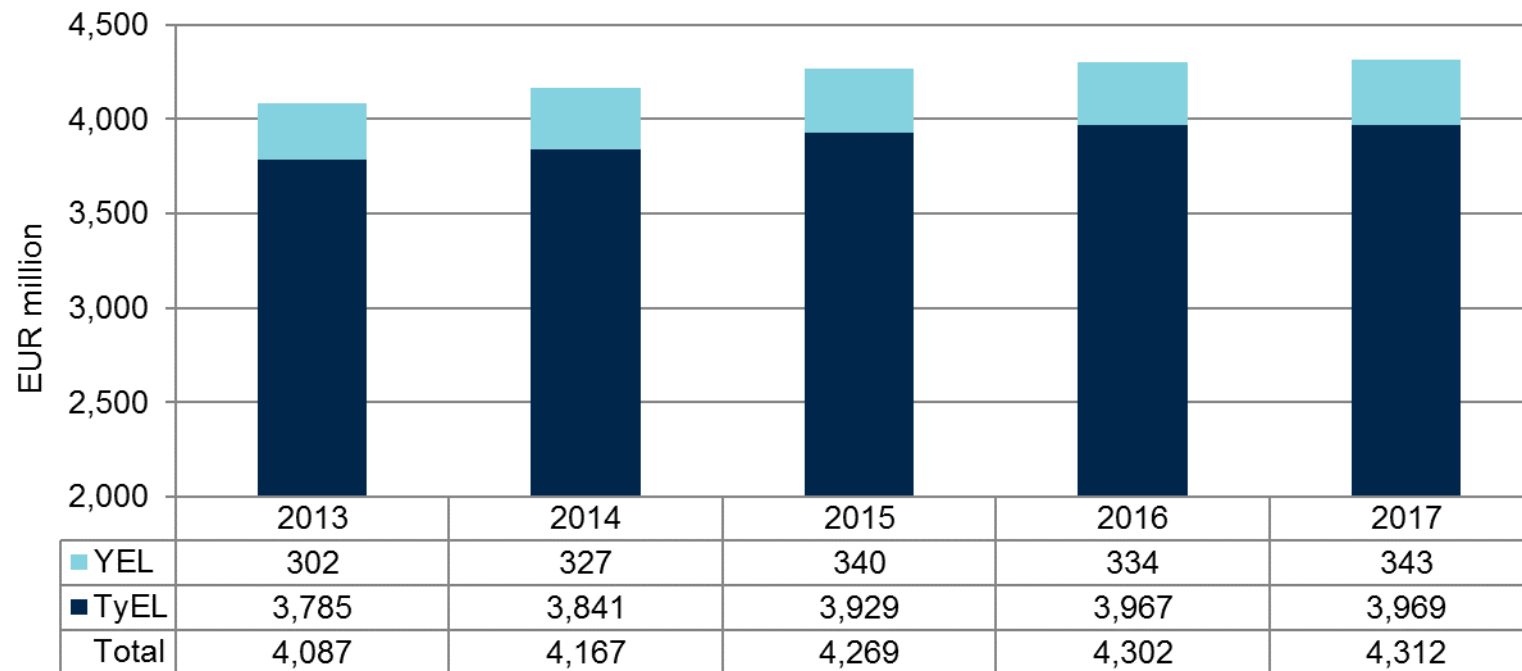
NUMBER OF PERSONS INSURED UNDER TYEL INCREASED SLIGHTLY FROM PREVIOUS YEAR

Number of insured



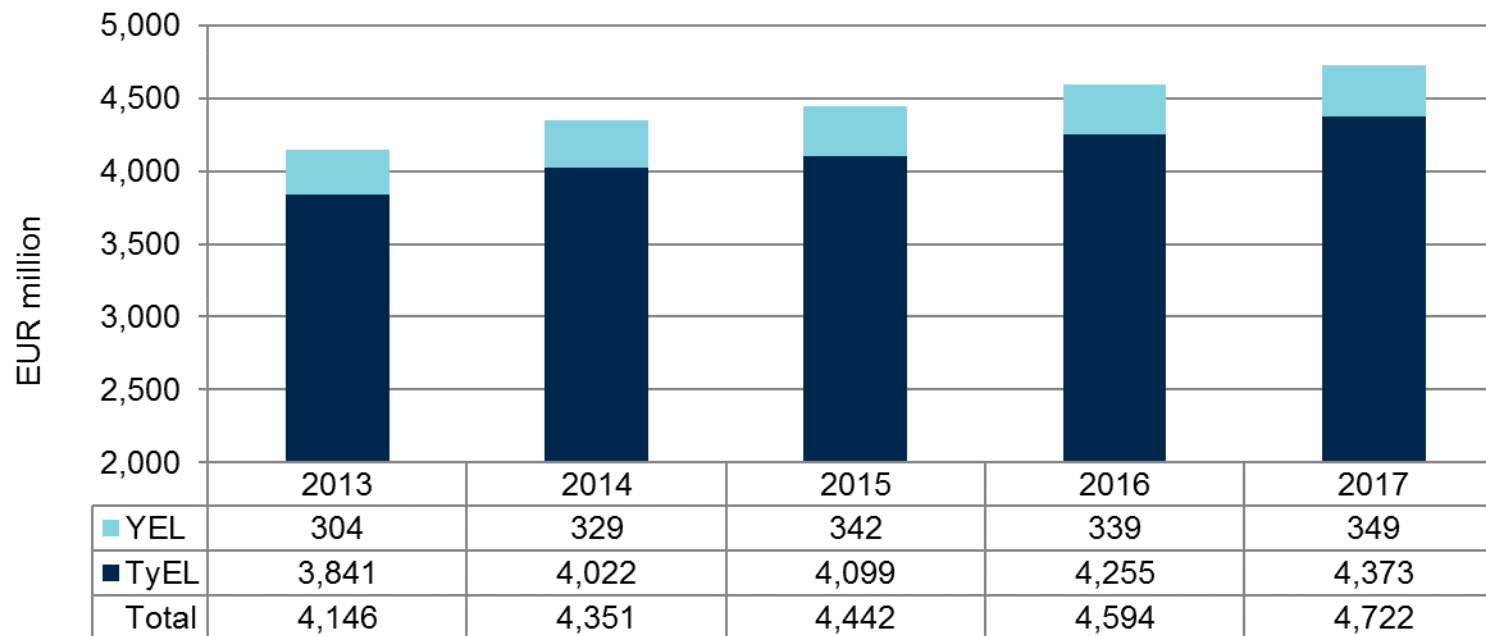
PREMIUMS WRITTEN AT PREVIOUS YEAR'S LEVEL

Premiums written



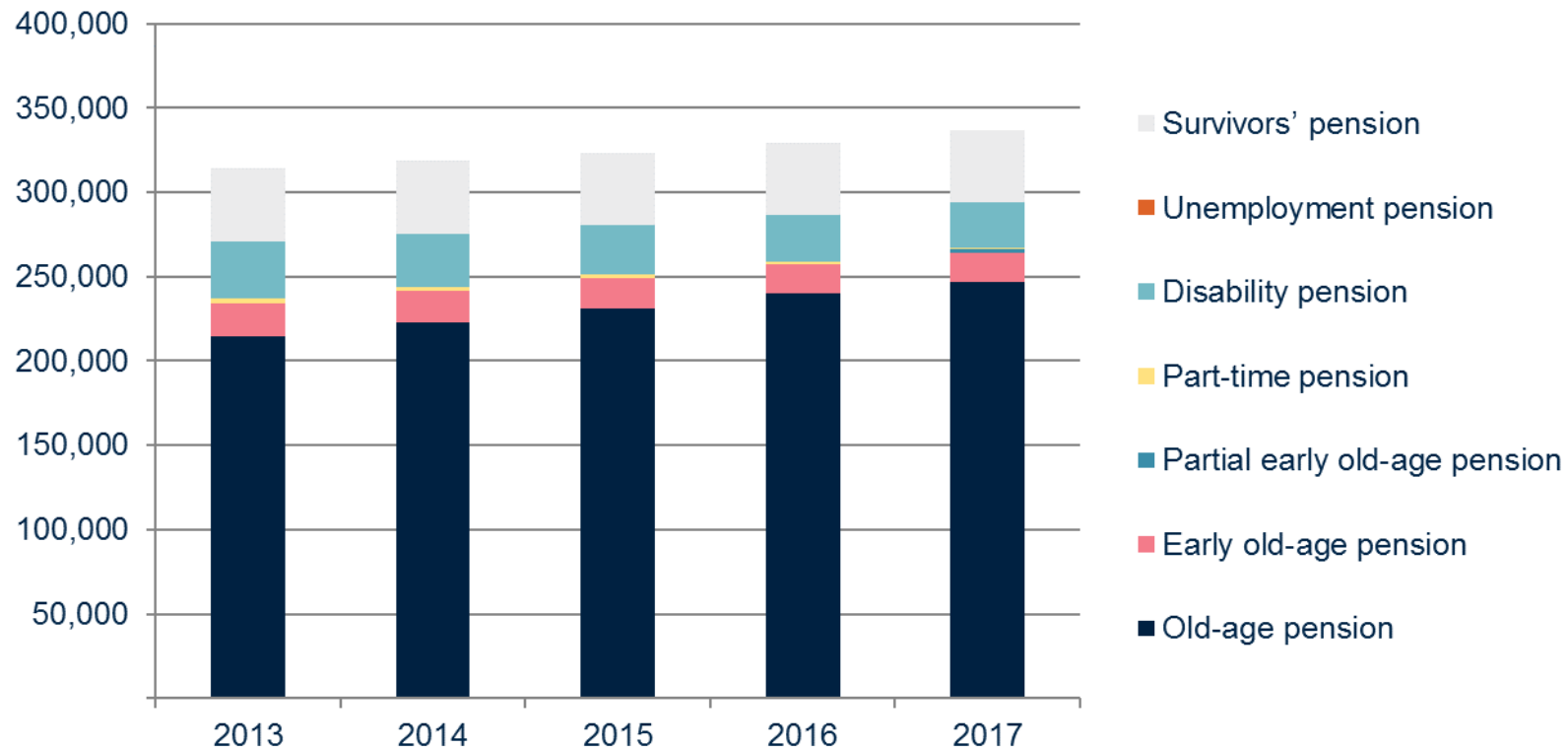
GROWTH IN PENSION EXPENDITURE CONTINUED

Pensions paid



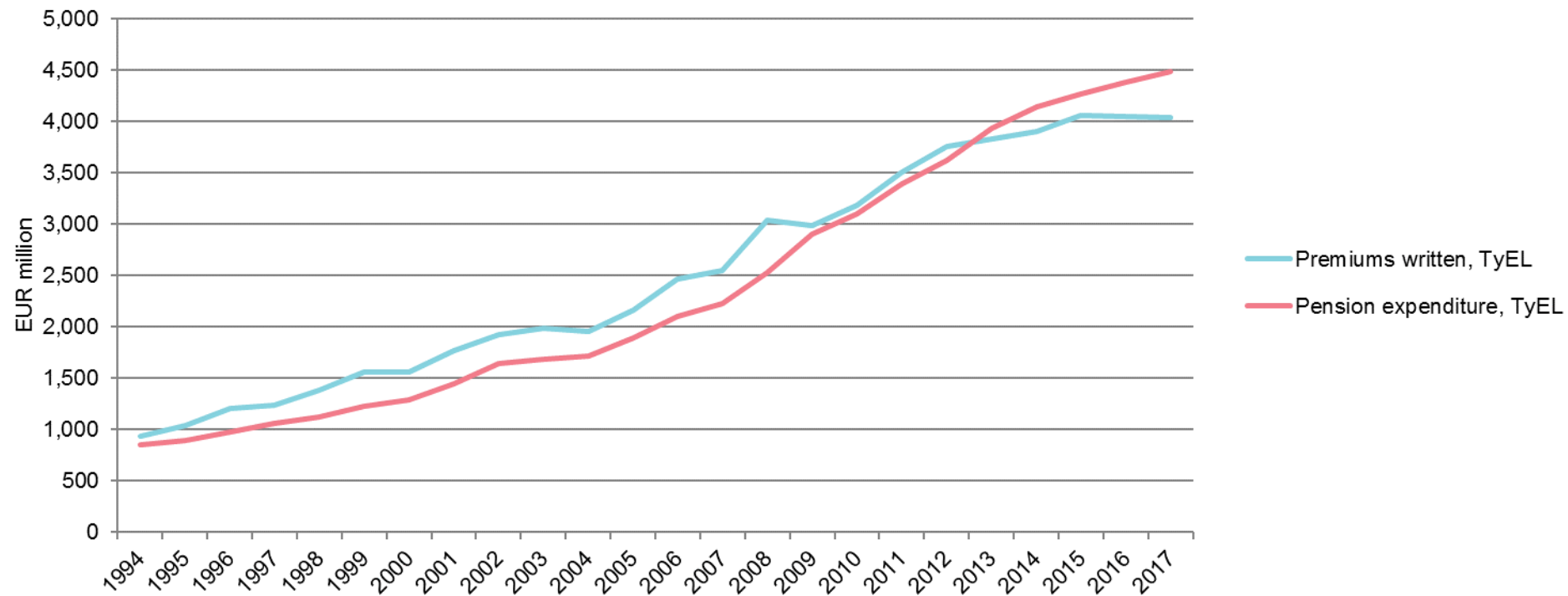
NUMBER OF OLD-AGE PENSION CONTINUED TO GROW STEADILY

Pensions paid



PENSION EXPENDITURE HIGHER THAN PREMIUMS WRITTEN

Development of TyEL premiums written and pensions



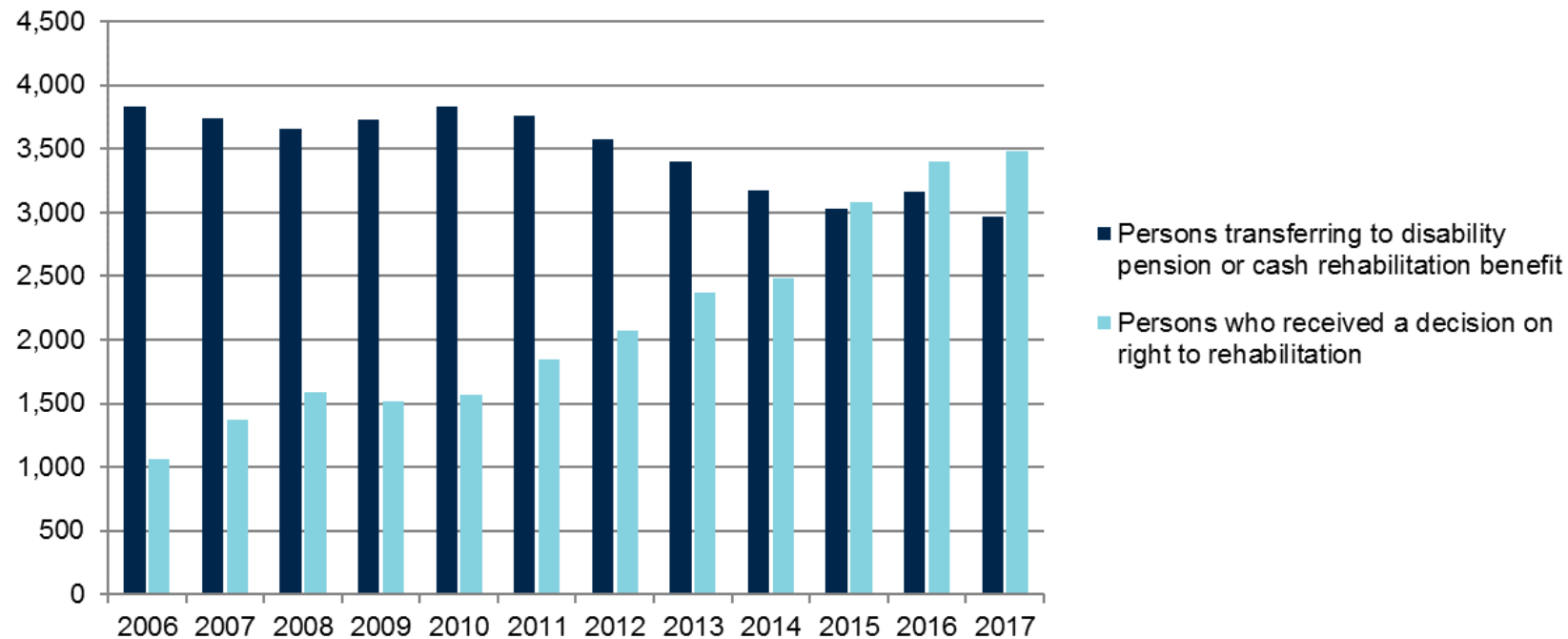
11% GROWTH IN NEW PENSION DECISIONS THANKS TO PARTIAL EARLY OLD-AGE PENSION

Pension decisions

	2017	2016	Change, %
New pension decisions			
Old-age pensions	12,393	12,482	-1
Early old-age pensions	0	1	-100
Partial early old-age pensions	2,996	0	
Part-time pensions	94	821	-89
Disability pensions	6,302	6,054	4
Years-of-service pensions	2	0	
Survivors' pensions	3,332	3,126	7
Right to rehabilitation	3,485	3,399	3
New pension decisions, total	28,604	25,883	11
Pension decisions, total	46,028	42,986	7

NUMBER OF REHABILITATION DECISIONS STILL GROWING, DISABILITY DECLINING

Disability and rehabilitation



OPERATING EXPENSES FELL IF MERGER EXPENSES ARE DISCOUNTED

Total operating expenses by financing source

EUR million	2017	2016	2015	2014	2013
Covered by loading profit	105.6	107.6	109.1	108.1	105.6
Covered by investment returns	23.8	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	10.3	10.3	11.1	12.5	11.4
Total operating expenses less merger expenses	144.7	147.2	150.7	149.8	143.4
Merger expenses	5.6				
Total operating expenses	150.3	147.2	150.7	149.8	143.4
Total realised operating expenses, % of premiums written	3.5	3.4	3.5	3.6	3.5

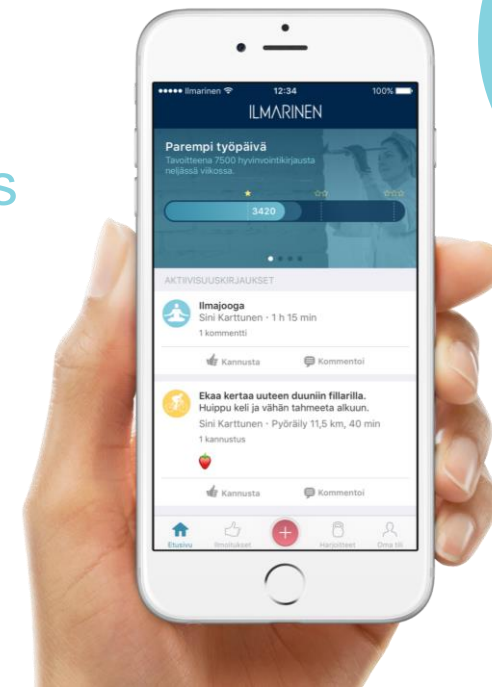
CLIENT BONUSES AT RECORD LEVEL

Client bonuses

	2017	2016	2015	2014	2013
Solvency capital, EUR mill.	9,421	8,460	8,244	7,904	7,123
Loading profit, EUR mill.	25	36	35	34	35
Transfer to client bonuses, EUR mill.	120	102	98	93	86
Transfer to client bonuses of TyEL payroll, %	0.7	0.6	0.6	0.6	0.5
Transfer to client bonuses per continuous TyEL employment contract, EUR	238	203	196	182	163

WORK CAPACITY MANAGEMENT PIONEERS

- Innovative and agile service company that efficiently utilises the opportunities created by digitalisation
- High-quality better working life and work capacity management services will become available to all customers
- Together we can take on an even stronger role in supporting work capacity and productivity in Finnish companies
- We renew and develop services based on best practices
- Solid expertise in insurance for companies of all sizes and self-employed persons, as well as special expertise in a number of sectors
- We will develop the company's distribution network based on digital channels and regional presence



More than
40,000
users

ILMARINEN



INVESTMENT RESULT 2017

KEY OBSERVATIONS ABOUT THE OPERATING ENVIRONMENT

- Global economic development positive, companies' earnings improved and stock prices rose in all the main markets
- Central banks continued their stimulating monetary policies, interest rates remained historically low
- The Finnish economy developed better than expected, economic growth also made its mark on the labour markets



STRONG INVESTMENT RESULT, BACKED BY EQUITY RETURNS

January–December 2017

- Return on investments **7.2%**
 - Return on equity investments **14.8%**
 - Return on fixed income investments **1.8%**
 - Return on real estate investments **5.0%**
- Long-term return at a good level
 - Nominal return **5.9%**
 - Real return **4.3%**
- Strong solvency
 - Solvency ratio **131.2%**



RETURN ON INVESTMENTS 7.2%

Asset allocation and return

	12/2017 Basic breakdown		12/2017 Risk breakdown		12/2017 Return		Volatility
	EUR mill.	%	EUR mill.	%	%		
Fixed-income investments	15,158.4	38.5	9,007.0	22.9	1.6		
Loan receivables	833.1	2.1	833.1	2.1	3.4		
Bonds	13,980.8	35.5	4,539.7	11.5	1.2	1.3	
Public corporation bonds	5,199.4	13.2	3,322.8	8.4	0.2		
Other bonds	8,781.4	22.3	1,216.9	3.1	1.7		
Other money market instruments and deposits (incl. investment receivables and payables)	344.6	0.9	3,634.3	9.2	5.4		
Equities and shares	17,755.9	45.1	17,482.9	44.4	14.8		
Listed equities and shares	14,017.8	35.6	13,744.8	34.9	13.9	8.0	
Private equity investments	2,600.6	6.6	2,600.6	6.6	14.7		
Non-listed equities and shares	1,137.4	2.9	1,137.4	2.9	26.8		
Real estate investments	4,682.9	11.9	4,682.9	11.9	5.0		
Real estate investments	4,308.4	10.9	4,308.4	10.9	4.7		
Real estate funds and joint investments	374.6	1.0	374.6	1.0	7.4		
Other	1,757.9	4.5	6,916.6	17.6	-2.2		
Hedge fund investments	748.6	1.9	748.6	1.9	-1.0	4.9	
Commodity investments	-15.2	0.0	37.3	0.1			
Other investments	1,024.4	2.6	6,130.6	15.6	-2.7		
Investments total	39,355.1	100.0	38,089.4	96.8	7.2	2.8	
Effect of derivatives			1,265.7	3.2			
Investments at current value	39,355.1		39,355.1	100.0			

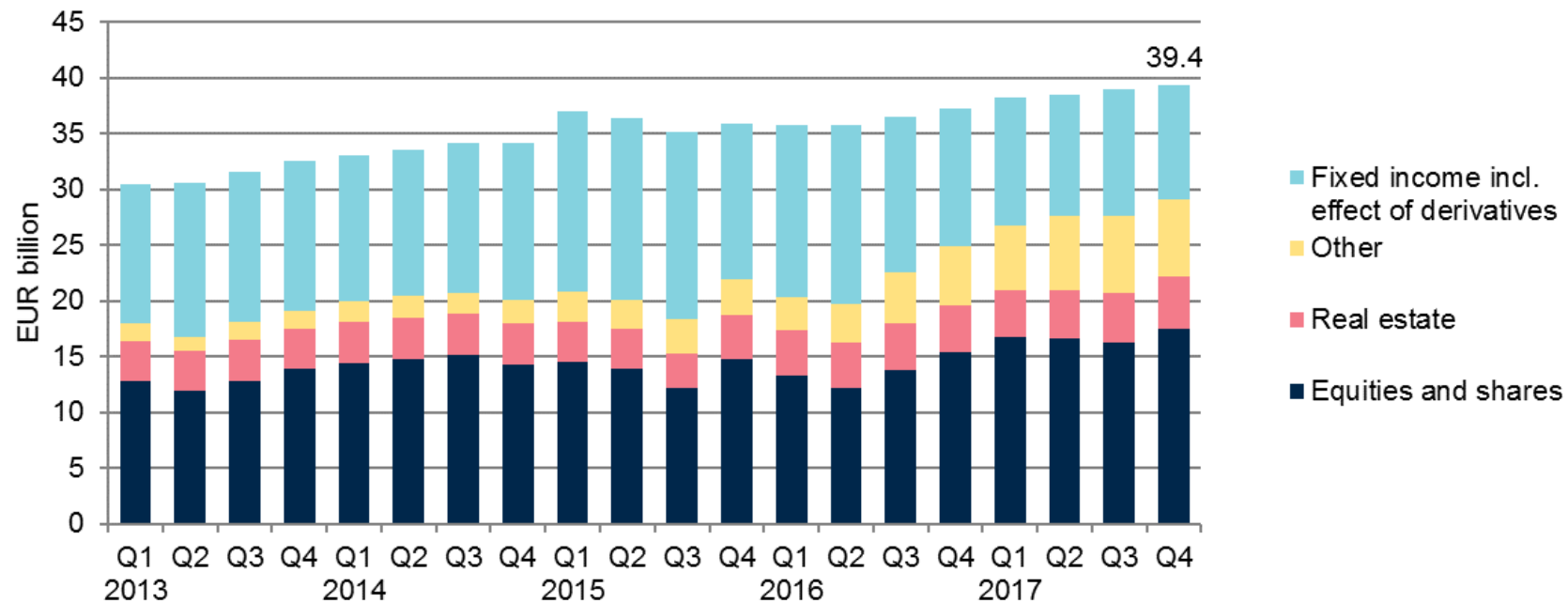
The modified duration of bond investments is 0.4 years

The open currency position is 20.3% of the market value of the investments.

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

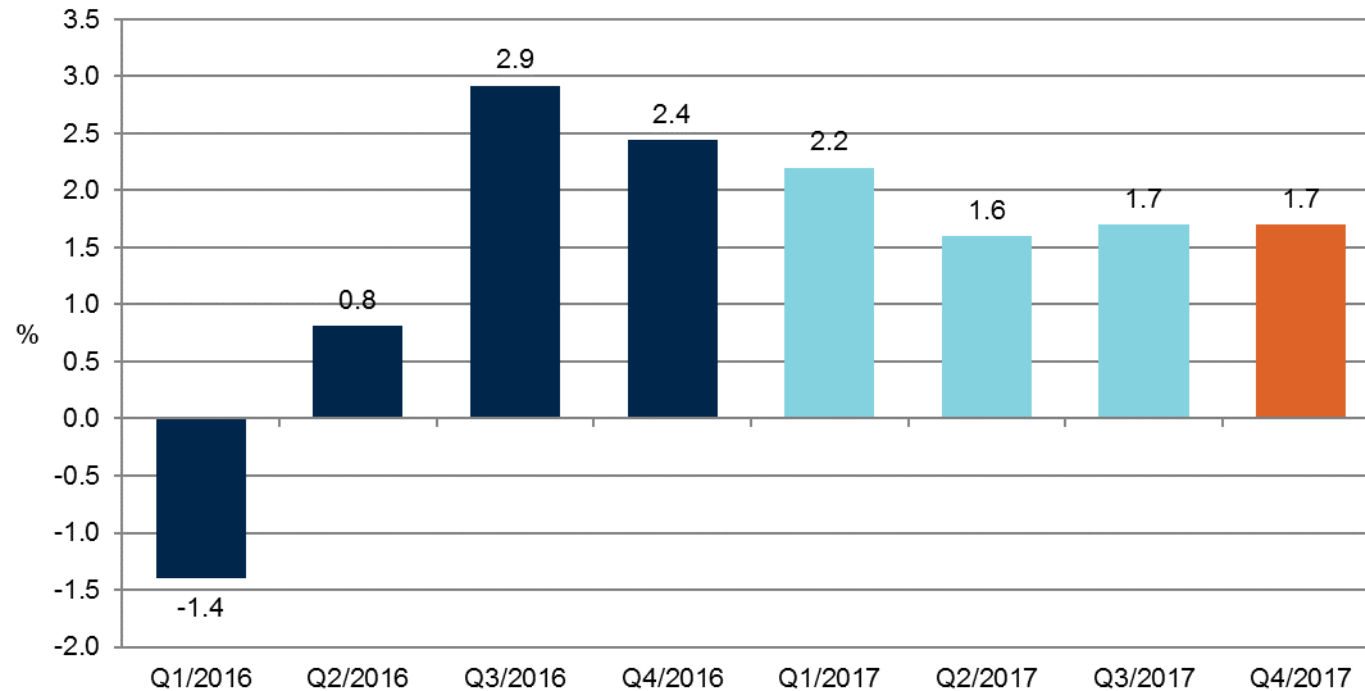
INVESTMENT ASSETS AT YEAR-END MORE THAN EUR 39 BILLION

Development of investments' risk-based allocation



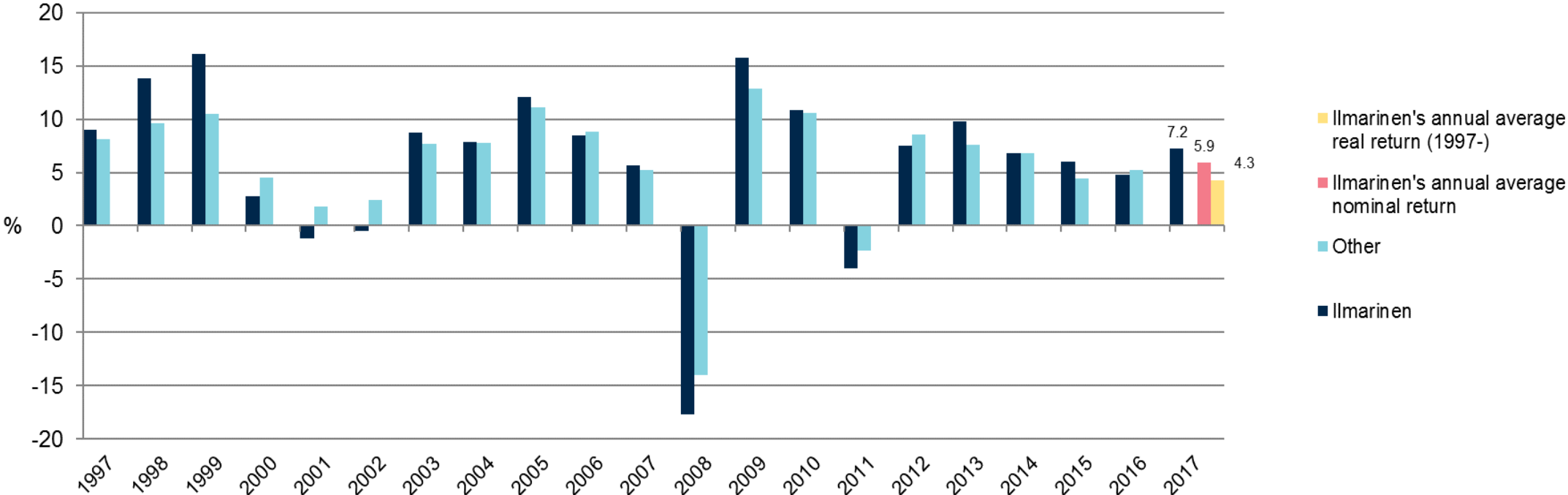
Q4 RETURN 1.7%

Quarterly investment returns



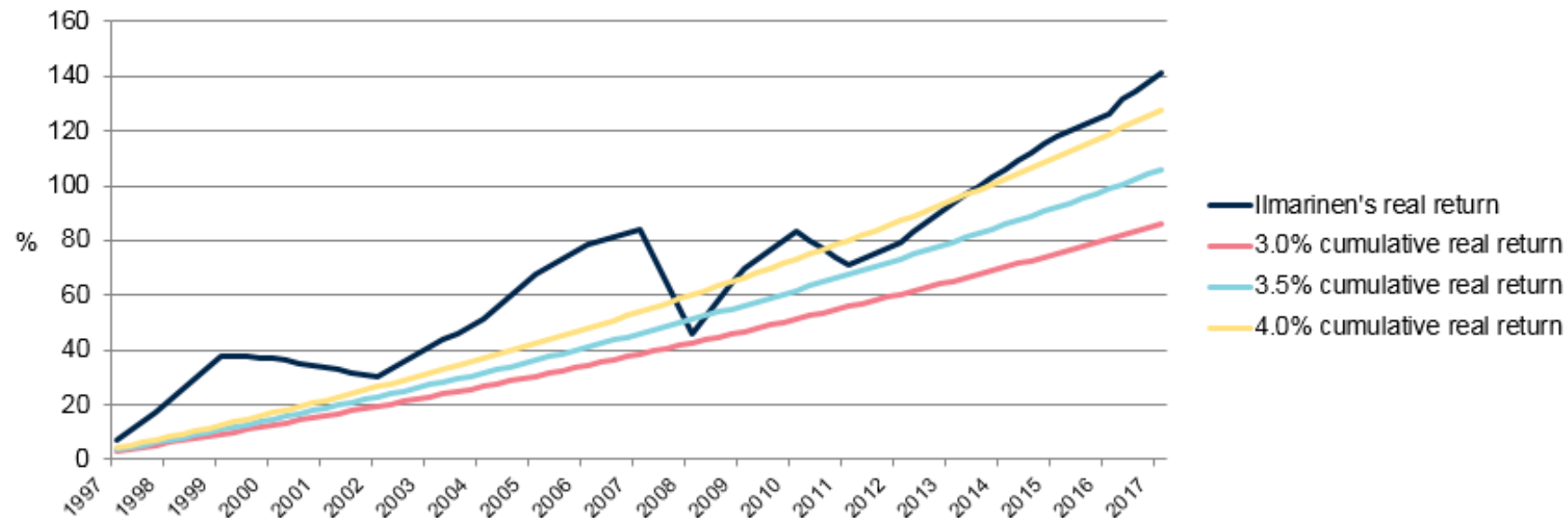
LONG-TERM AVERAGE REAL RETURN 4.3%

Net investment return at current value



LONG-TERM AVERAGE REAL RETURN DEVELOPMENT

Cumulative net return on investments 1997–31.12.2017



COMPARISON BETWEEN ILMARINEN'S AND MARKETS' INVESTMENT RETURNS

Long-term average returns

%	Ilmarinen	Finnish equities and shares ¹⁾	European equities and shares ²⁾	Euro government bonds ³⁾	Euro corporate bonds ⁴⁾
Q4/2017	1.7	-1.2	0.6	0.5	0.6
2017	7.2	11.5	10.6	0.1	2.4
2016	4.8	13.3	1.7	3.3	4.7
Average return over 5 years	6.9	16.3	9.8	3.9	3.3
Average return over 10 years	4.3	6.2	3.7	4.8	4.7
Average return since 1997	5.9	10.1	6.7	5.0	4.8
Real average return over 5 years	6.2	15.6	9.1	3.3	2.7
Real average return over 10 years	2.8	4.7	2.2	3.4	3.3
Real average return since 1997	4.3	8.4	5.1	3.4	3.2

¹⁾ Finland, OMX Helsinki Cap Index GI, Total Return, Close

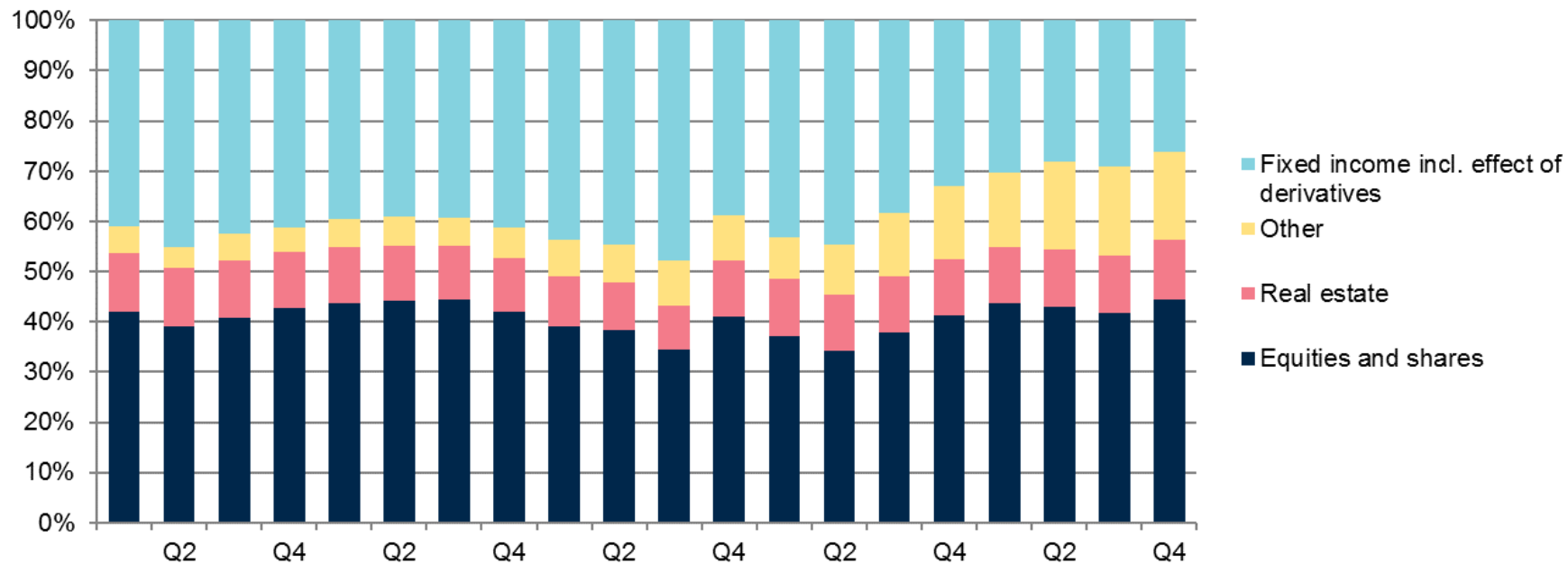
²⁾ Europe, STOXX, 600 Index, Total Return, Close

³⁾ IBOXX Euro Sovereign Overall Total Return Index

⁴⁾ IBOXX Euro Corporates Overall Total Return Index (investment grade)

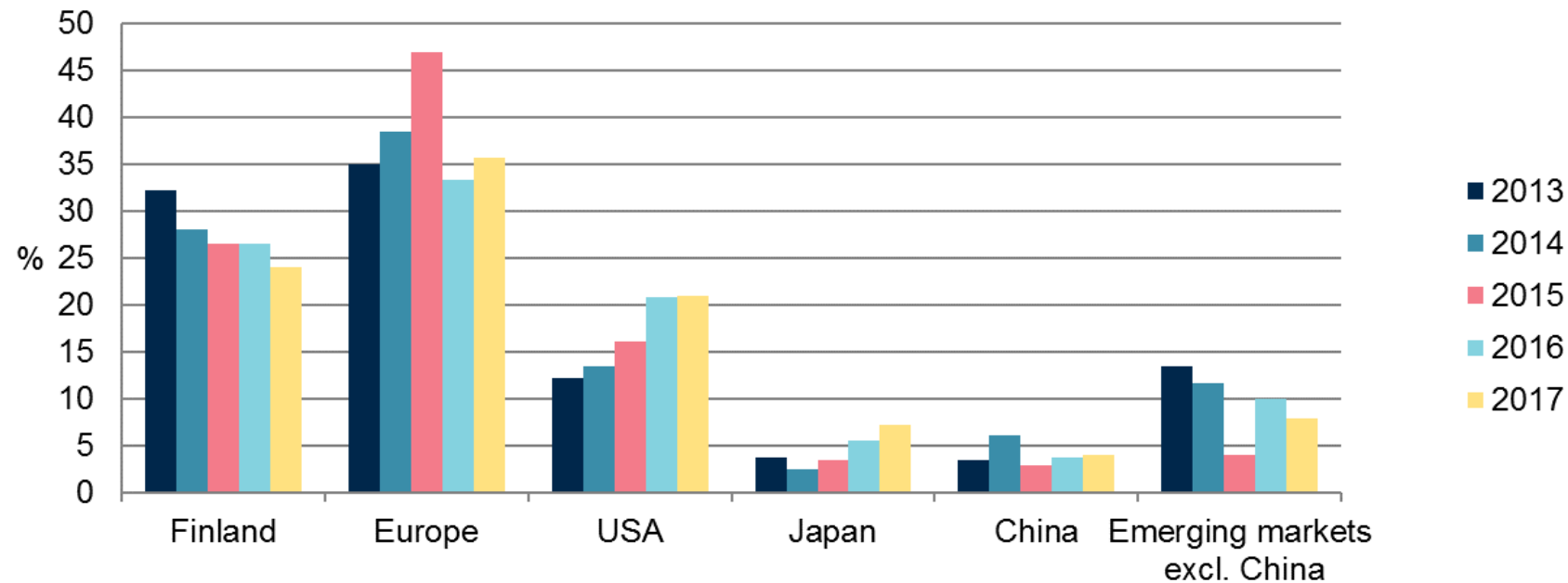
PROPORTION OF EQUITIES & SHARES GROWING

Investments' risk-based allocation



MORE THAN HALF OF LISTED EQUITY INVESTMENTS IN EUROPE

Geographical breakdown of listed equities



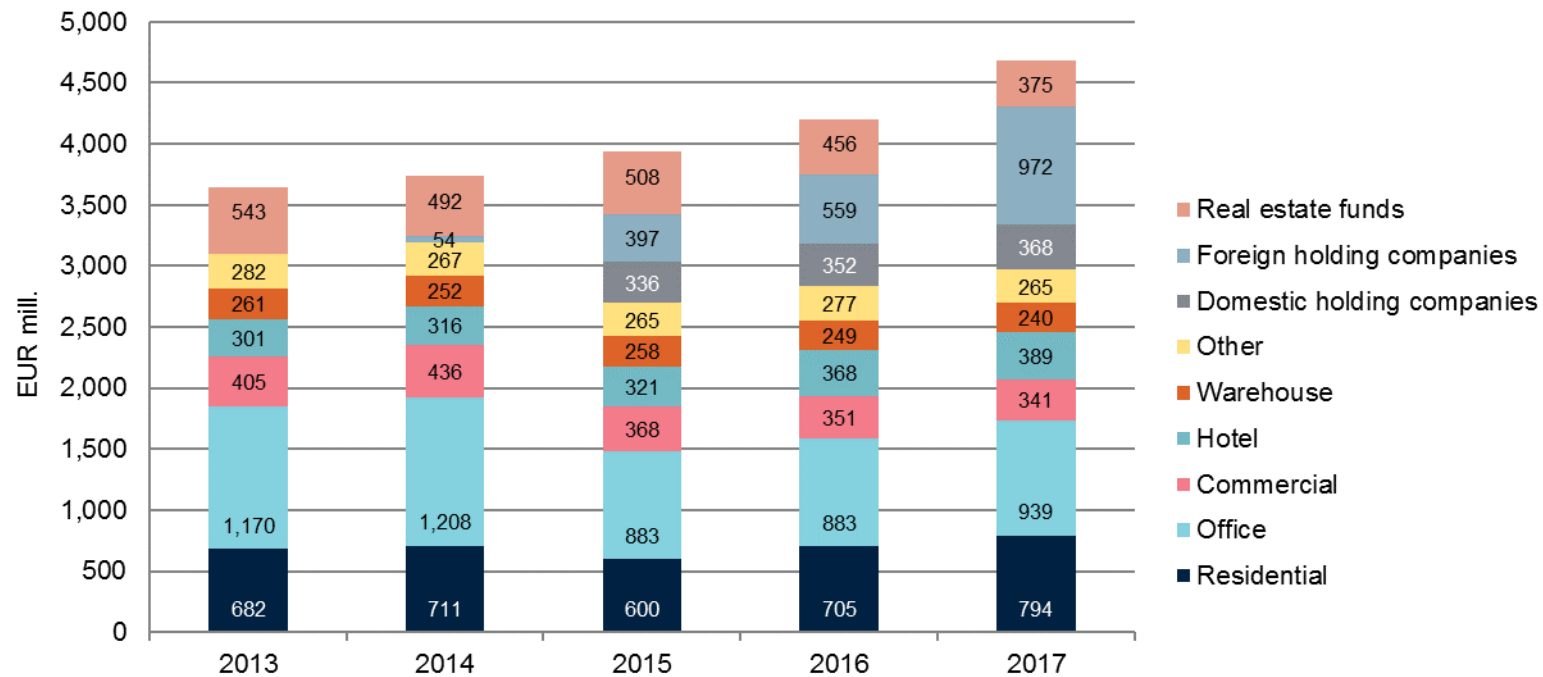
MOST SIGNIFICANT FINNISH LISTED EQUITY HOLDINGS

	EUR mill.	31 Dec 2017	31 Dec 2016
↑	Neste Corporation	250	176
↑	Stora Enso Oyj	246	177
↑	KONE Corporation	187	183
	UPM-Kymmene Corporation	182	171
↑	Sampo Plc	169	161
↑	Wärtsilä Oyj Abp	157	94
↓	Citycon Oyj	136	148
↓	Nokia Corporation	123	136
↓	Nokian Tyres Plc	111	111
↓	Fortum Corporation	102	110

	Percentage	31 Dec 2017	31 Dec 2016
↑	Nurminen Logistics Plc	19.84	0.00
↑	Digia Plc	14.59	14.58
↓	QT Group Plc	14.28	14.62
	Martela Corporation	8.07	8.07
	Incap Corporation	7.61	7.61
↓	CapManPlc	7.48	7.60
	Citycon Oyj	7.13	7.13
↑	Suominen Corporation	6.99	6.29
↑	Gofore Plc	6.73	0.00
	Tulikivi Corporation	6.21	6.21

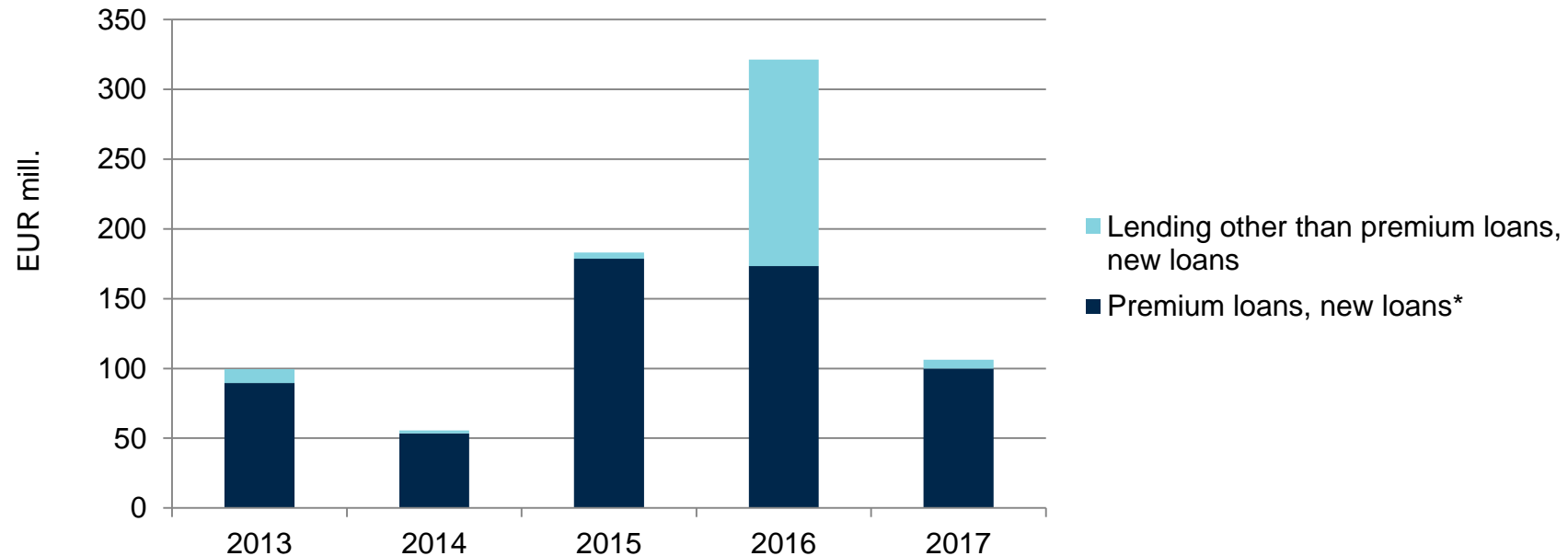
AMOUNT OF DIRECT FOREIGN REAL ESTATE INVESTMENTS CLOSE TO A BILLION EUROS

Allocation of real estate investments



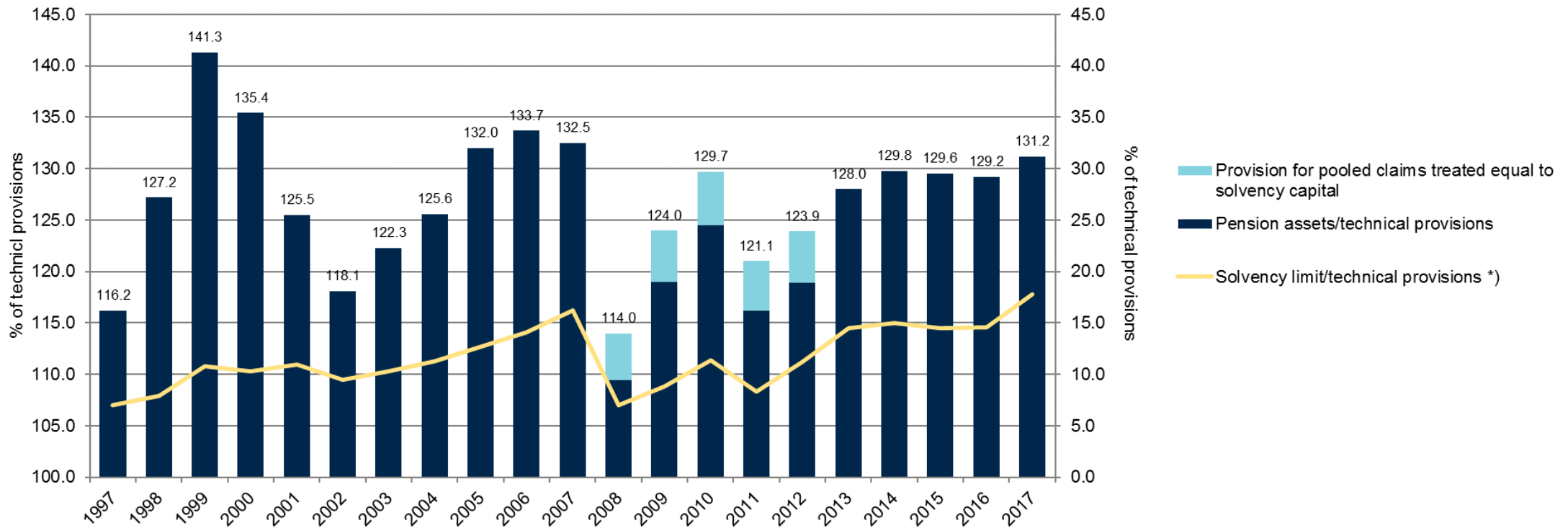
FEWER NEW LOANS WERE DRAWN DOWN THAN IN PREVIOUS YEARS

New loans



*Does not include loans granted for real estate investments treated as participating interests.

SOLVENCY RATIO AT ITS HIGHEST IN 10 YEARS



Solvency position was 1.8 (2.0).

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.

