

# ILMARINEN IN 2019

Financial Statements 14 February 2020

*The merger of Ilmarinen and Etera influences the comparability of the figures for different years. Only Ilmarinen's figures have been used as comparison figures in the material, unless otherwise indicated.*

ILMARINEN

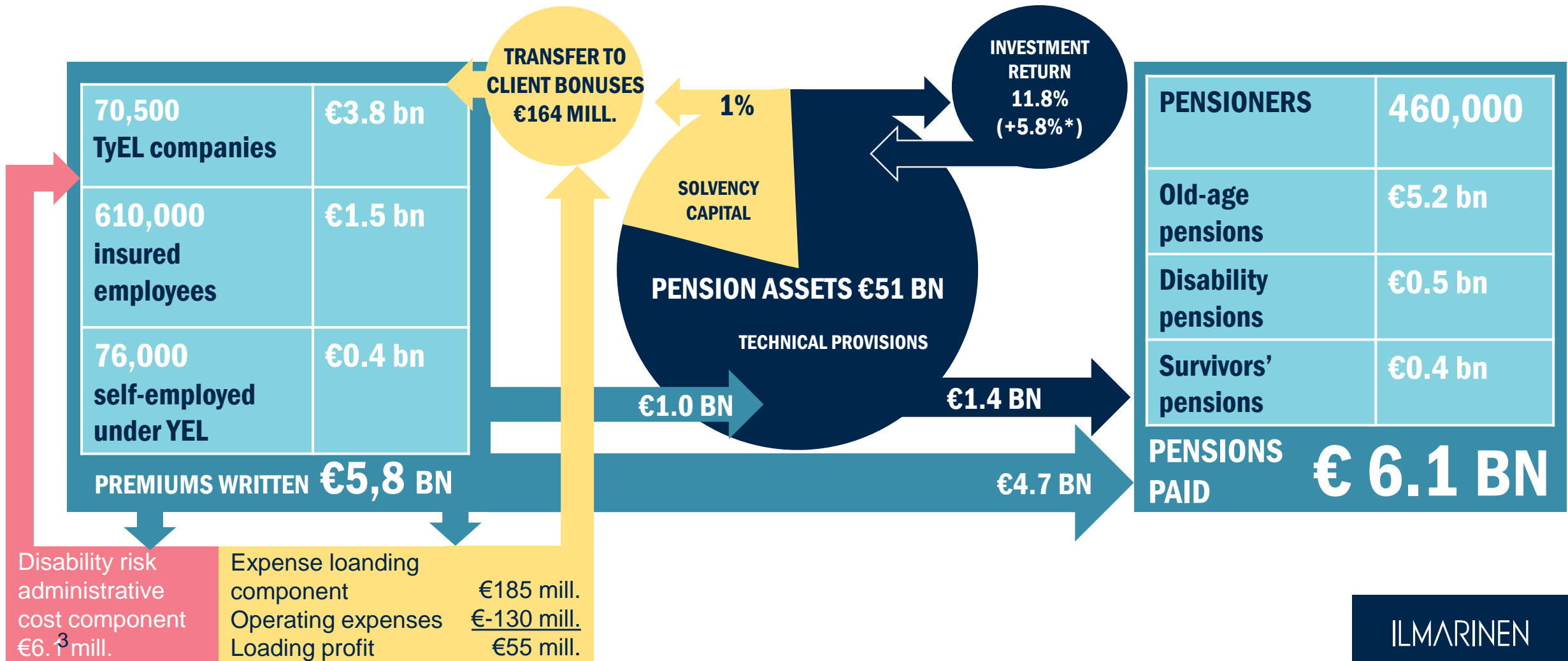
PAREMPAA  
ELÄMÄÄ,  
OLE HYVÄ.

# YEAR 2019: OPERATIONS RENEWED, RESULTS EXCELLENT

- We updated our strategy and renewed our organisation
- Integration work progressed as planned and the goals will be achieved
- We successfully introduced the Incomes Register
- In insurance sales, the year was one of the best ever
- Pension processing times shortened considerably and customer experience improved
- Increase in disability pensions continued, mental health disorders became the most common cause
- Operating expenses decreased, cost-effectiveness improved and loading profit increased to EUR 55 (30) million
- Return on investments 11.8%, investment assets rose to more than EUR 50 billion and solvency strengthened
- Client bonuses grew to a record level of EUR 164 million (120)
- Personnel's energy level was excellent (4.0/5.0)



# WE ARE RESPONSIBLE FOR THE PENSION COVER OF CLOSE TO 1.2 MILLION FINNS.



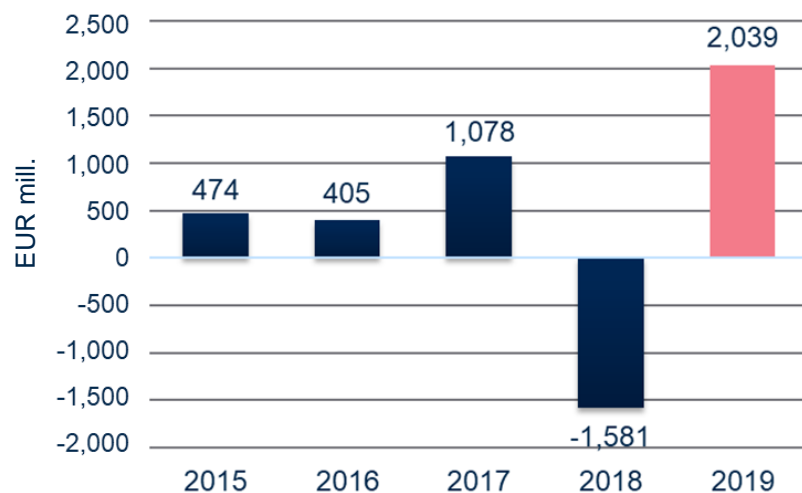
\*) Long-term (1997-2019) nominal return 5.8% pa. and real return for the same period 4.3% pa.

# KEY FIGURES JANUARY–DECEMBER 2019

Premiums written	€5.8 bn (€5.4 bn)	Pensions paid	€6.1 bn (€5.7 bn)
Loading profit	€54.5 mill. (€29.9 mill.)	Ratio of operating expenses to expense loading components	70.5% (83.2%)
Return on investments	11.8% (-1.4%)	Investment assets	€50.5 bn (€46.0 bn)
Solvency ratio	126.6% (123.7%)	Transfer to client bonuses	€164 mill. (€120 mill.)

# INVESTMENT RESULT RAISED TOTAL RESULT TO MORE THAN EUR 2 BILLION

Total financial result, € mill.



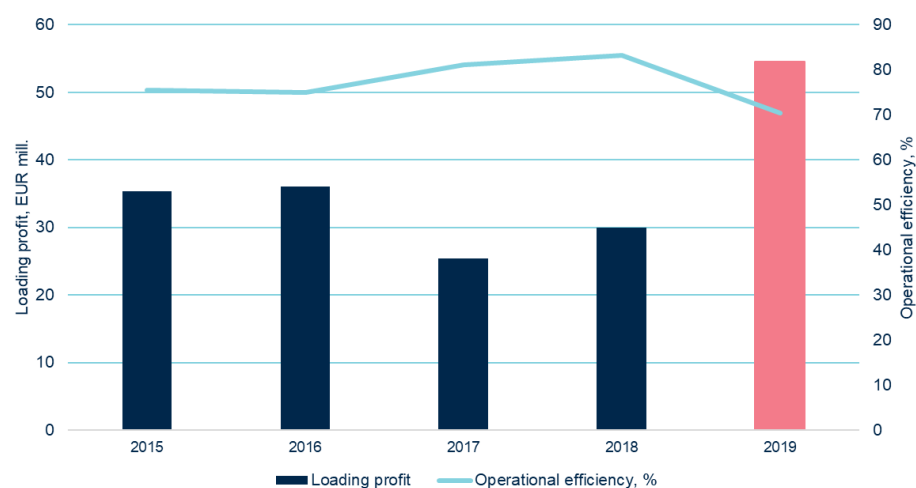
Source of profit, € mill.

EUR mill.	2015	2016	2017	2018	2019
Technical underwriting result	32	-36	13	-40	-50
Return on investments at fair value	407	411	1,039	-1,592	2,063
+ Net return on investments at fair value	2,071	1,743	2,693	-642	5,375
- Return requirement on technical provisions	-1,664	-1,333	-1,655	-950	-3,313
Loading profit	35	36	25	30	55
Other profit <sup>1)</sup>	-	-6	1	22	-27
<b>Total result</b>	<b>474</b>	<b>405</b>	<b>1,078</b>	<b>-1,581</b>	<b>2,039</b>

1) In 2015, the other result is included in the investment income.

# OPERATING EXPENSES DECREASED EUR 19 MILLION, RATIO OF OPERATING EXPENSES TO EXPENSE LOADING COMPONENTS IMPROVED TO 70 PER CENT AND LOADING PROFIT INCREASED TO EUR 55 MILLION

Loading profit, ratio of operating expenses to expense loading components and total operating expenses 2015–2019

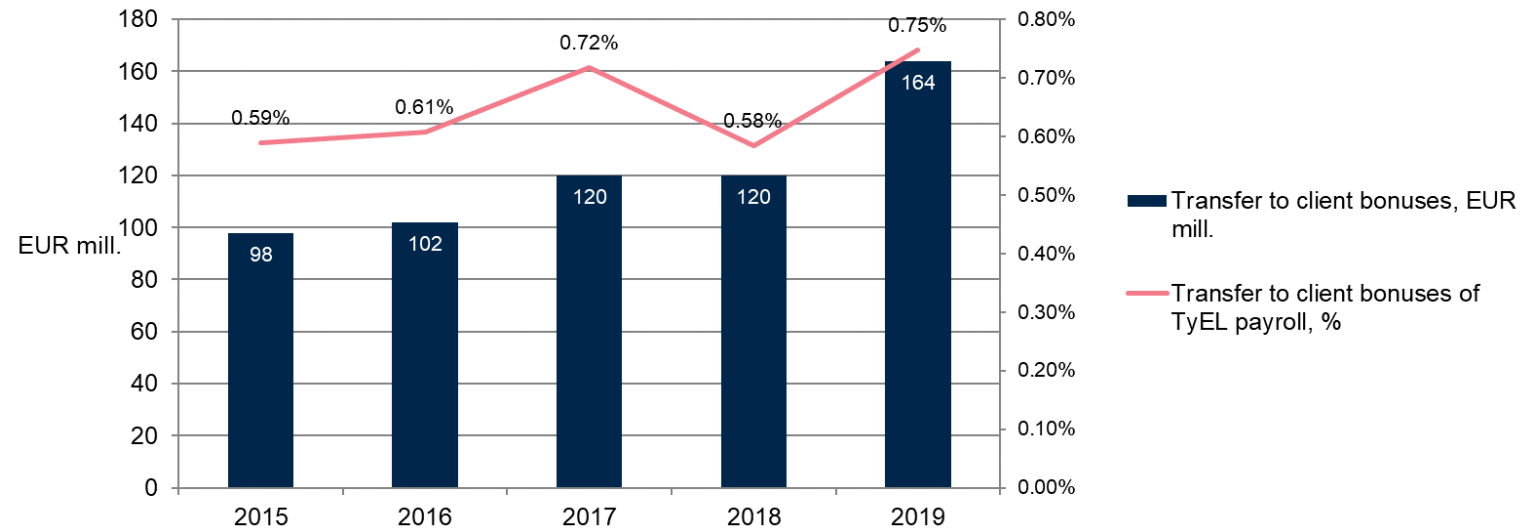


LOADING PROFIT AND RATIO OF OPERATING EXPENSES TO EXPENSE LOADING COMPONENTS	2015	2016	2017	2018	2019
Expense loading components and other similar income	144.5	143.7	134.3	178.7	184.7
Operating expenses covered by loading income	109.1	107.6	108.9	148.8	130.2
Loading profit	35.4	36.1	25.4	29.9	54.5
Ratio of operating expenses to expense loading components, %	75.5	74.9	81.1	83.2	70.5
Total operating expenses	150.7	147.2	150.3	194.6	175.2

Due to changes in premium rates affecting the administrative cost component, the ratio of operating expenses to expense loading components for 2017–2019 is not comparable with the figures of previous years. The figures for 2015–2017 do not include Etera’s figures. Operating expenses for 2018 included a total of €15.3 mill. in write-downs due to the merger.

# STRONG SOLVENCY AND IMPROVED COST-EFFECTIVENESS RAISED CLIENT BONUSES TO A RECORD **EUR 164 MILLION**

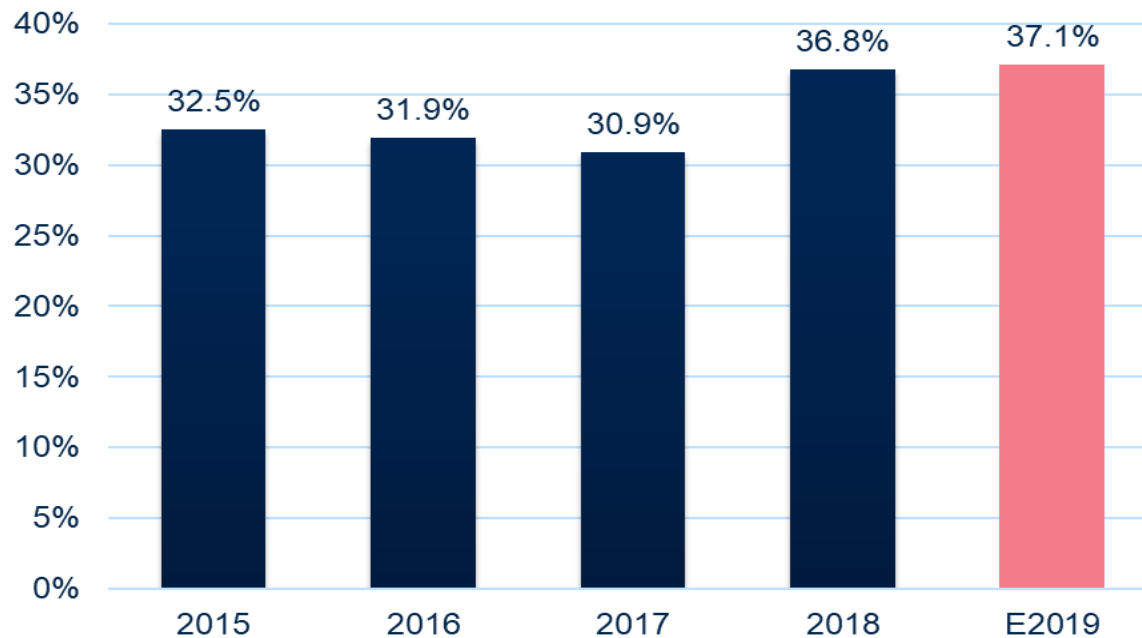
Client bonuses in relation to payroll, € mill.



	2015	2016	2017	2018	2019
Solvency capital, EUR mill.	8,244	8,460	9,421	8,918	10,792
Operational efficiency	35	36	25	30	55
Transfer to client bonuses, EUR mill.	98	102	120	120	164

# ILMARINEN'S MARKET SHARE ROSE TO MORE THAN 37 PER CENT

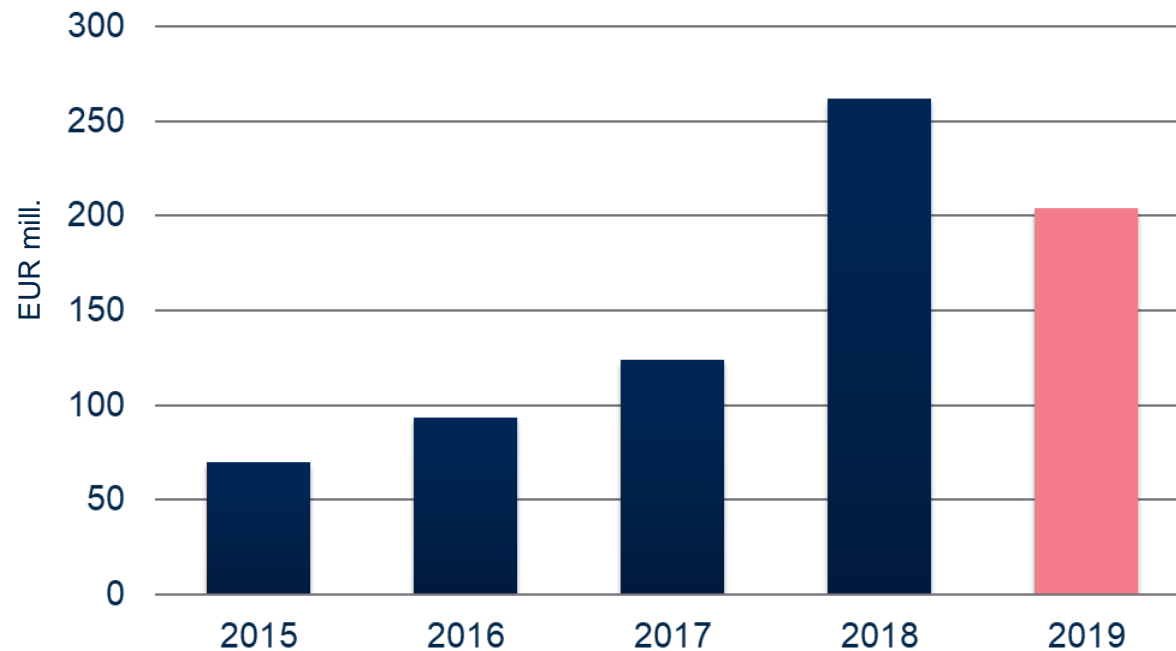
Market share % of total premiums written





# NET CUSTOMER ACQUISITION WAS €204 MILL.

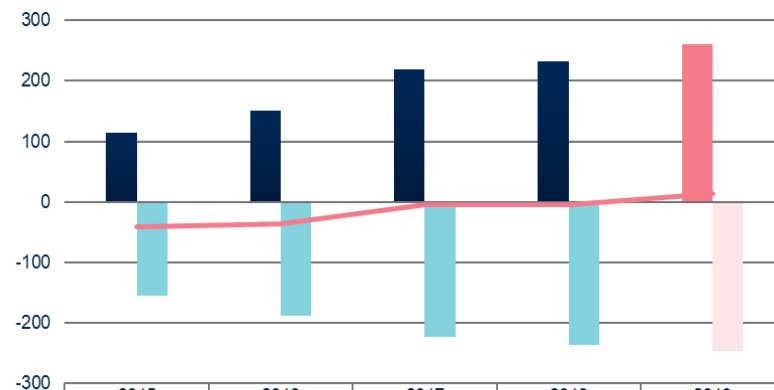
Net customer acquisition, premiums written



\*) The year 2018 includes the transfer of Op-Eläkekassa, €121 mill.

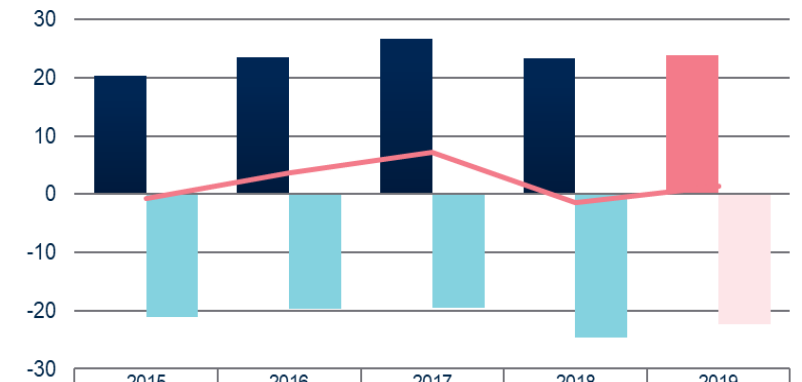
# NET TRANSFER RESULT IMPROVED TO €15 MILL.

TyEL transfers, premiums written (€ mill.)



	2015	2016	2017	2018	2019
TyEL, premiums written, outgoing, € mill.	-156	-189	-224	-237	-247
TyEL, premiums written, incoming, € mill.	114	151	219	233	261
TyEL, premiums written, net, € mill.	-42	-37	-5	-5	14

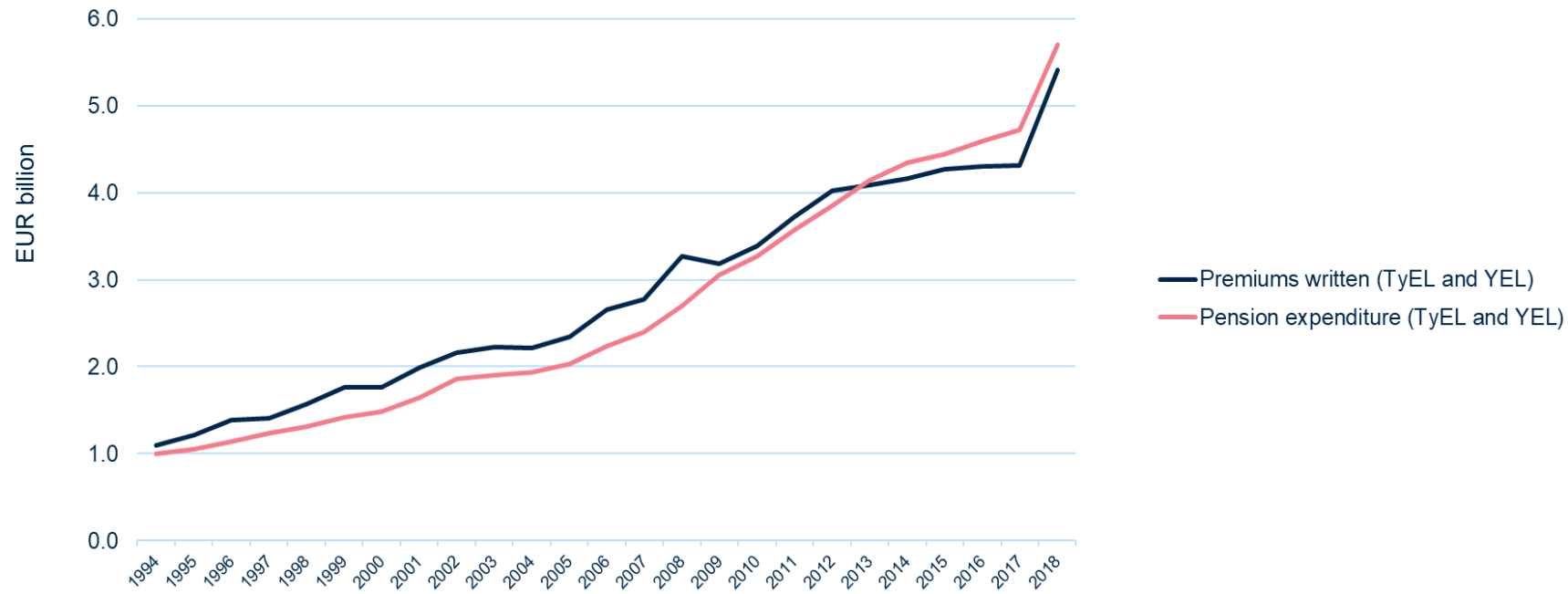
YEL transfers, premiums written (€ mill.)



	2015	2016	2017	2018	2019
YEL, premiums written, outgoing, € mill.	-21	-20	-19	-25	-22
YEL, premiums written, incoming, € mill.	20	23	27	23	24
YEL, premiums written, net, € mill.	-1	4	7	-1	1

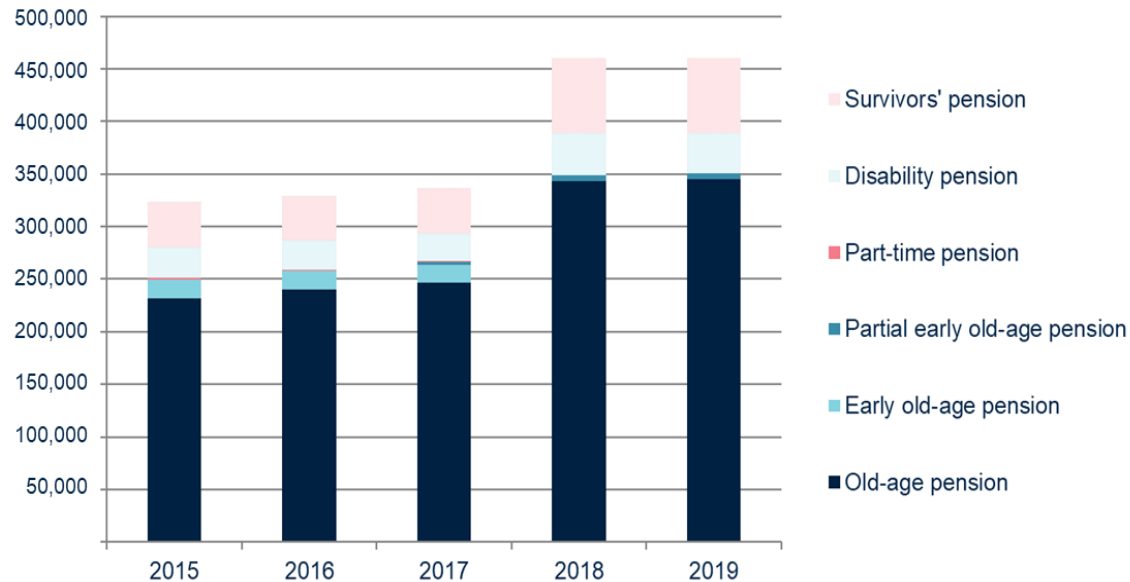
# PREMIUMS WRITTEN €58 BN, PENSIONS PAID €0.3 BN HIGHER THAN PREMIUMS WRITTEN

## Premiums written and pensions paid

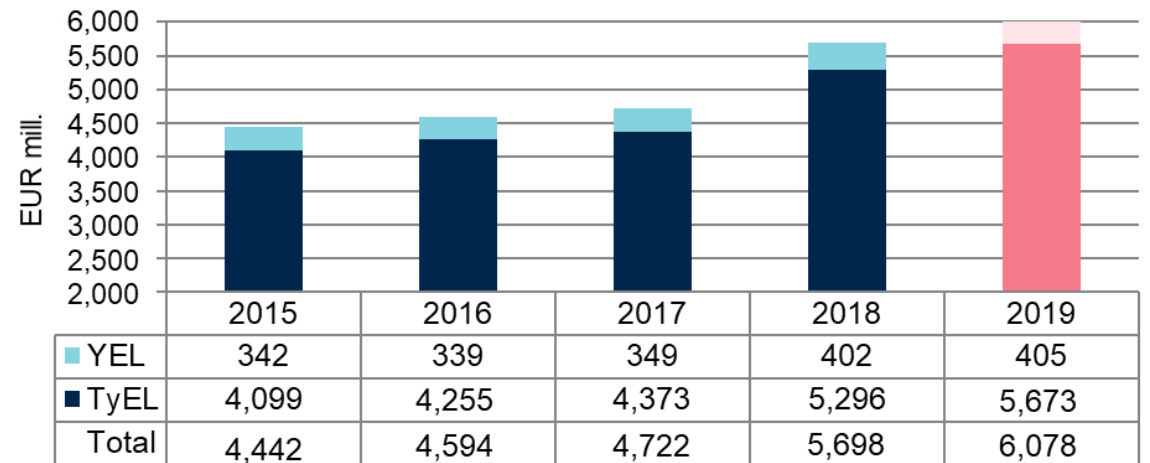


# CLOSE TO 460,000 PENSIONERS AND PENSIONS PAID TOTALLING €6.1 BN

## Number of pensioners



## Pensions paid, € mill.



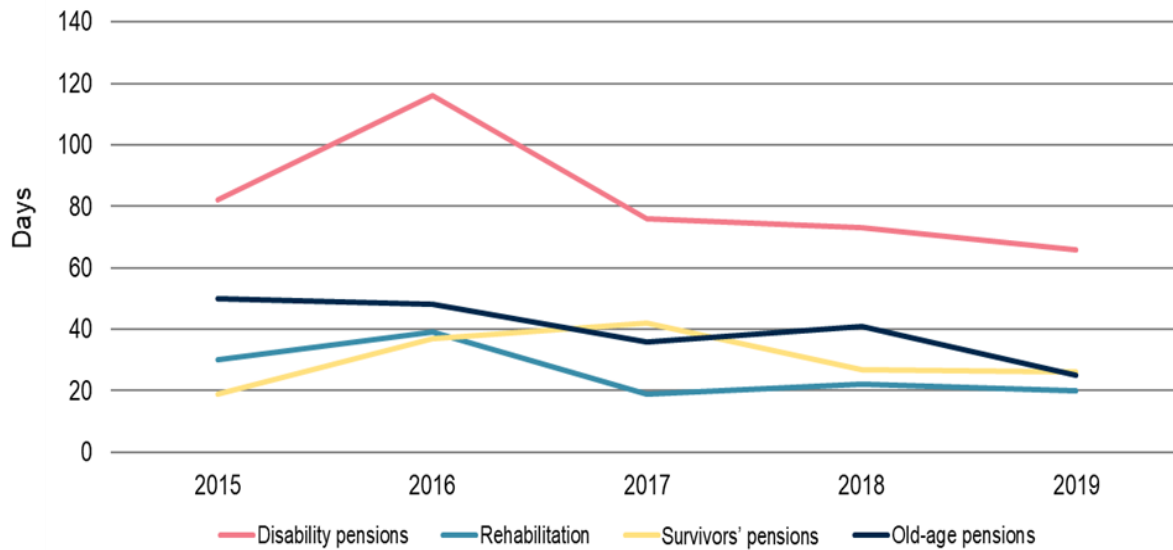
# MORE THAN 36,000 NEW PENSION DECISIONS ISSUED, NUMBER OF DISABILITY PENSIONS GROWING

## New pension decisions

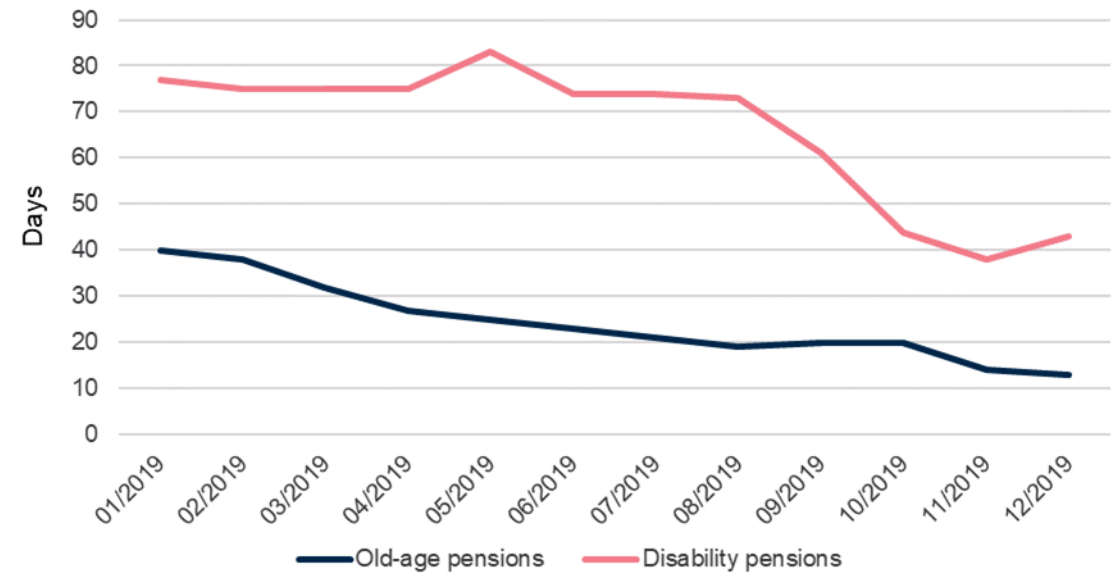
	2019	2018	Change %
New pension decisions			
Old-age pensions	13,972	13,396	4
Partial early old-age pensions	3,338	2,687	24
Disability pensions	9,525	8,446	13
Years-of-service pensions	19	16	19
Survivors' pensions	4,875	4,809	1
Right to rehabilitation	4,583	4,522	1
Total new pension decisions	36,312	33,876	7
Total pension decisions	68,397	55,973	22

# CUSTOMERS RECEIVED THEIR PENSION DECISIONS **FASTER THAN BEFORE**

Processing times of pension applications 2015–2019



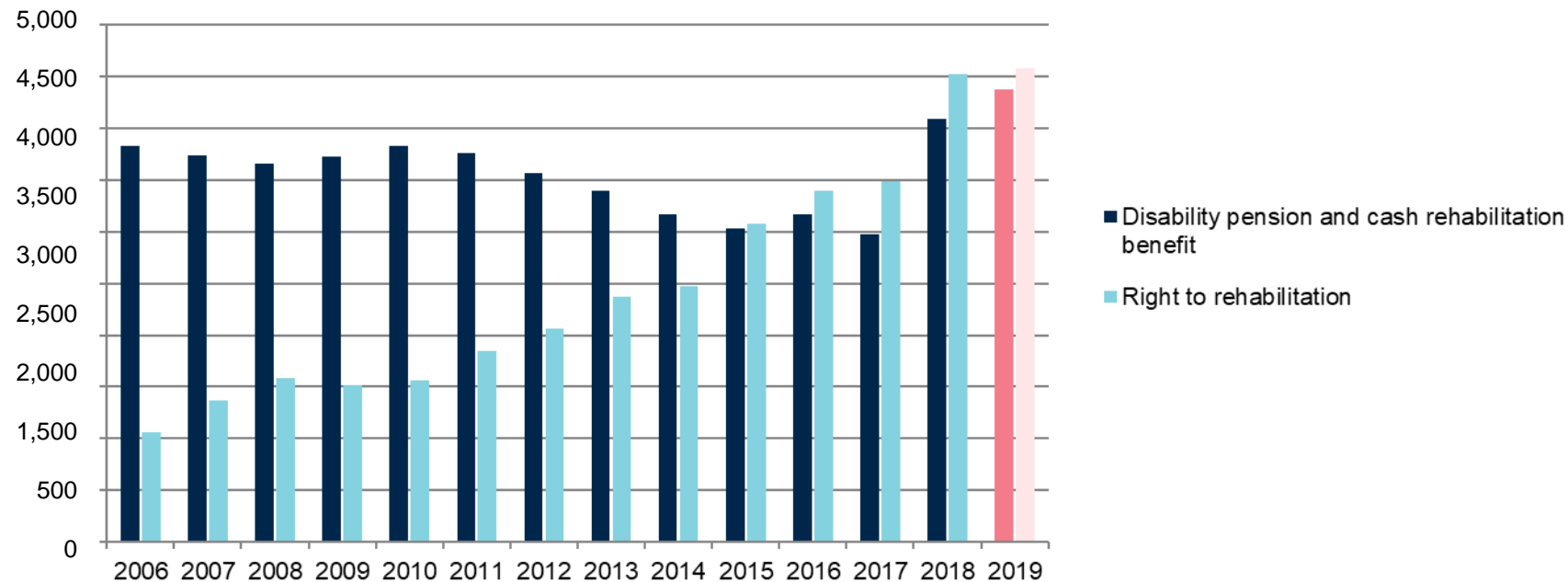
Processing time of old-age and disability pension applications 2019



Processing time from customer perspective

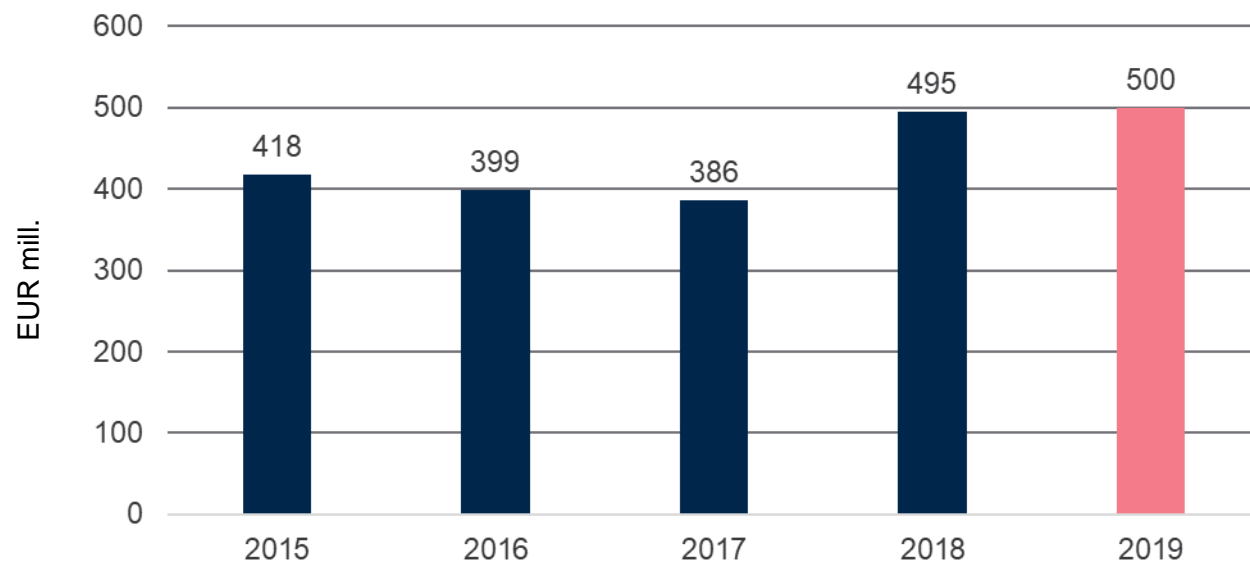
# THE NUMBER OF DISABILITY PENSIONS CONTINUED TO GROW

Development of disability pensions and cash rehabilitation benefits



# INCREASE IN DISABILITY PENSIONS CONTINUED – NUMBER OF APPLICATIONS GREW 7%, MENTAL HEALTH DISORDERS BECAME THE MOST COMMON CAUSE

Disability pensions paid, € mill.

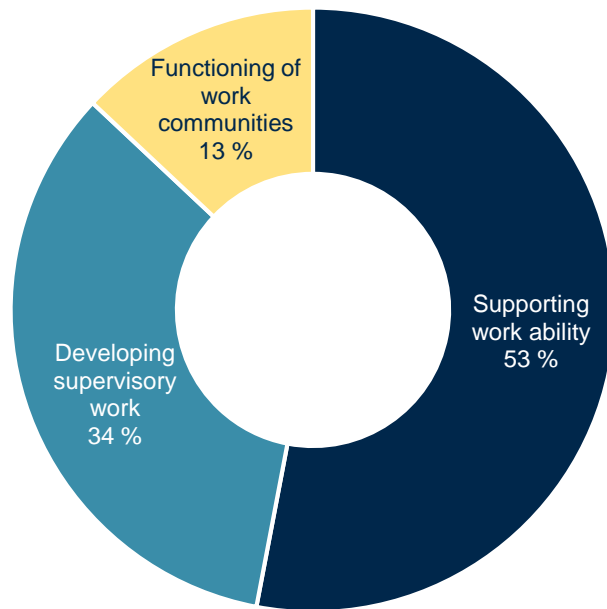


**DISABILITY PENSIONS  
GRANTED FOR MENTAL  
HEALTH REASONS GREW  
MOST, SHOWING A  
YEAR-ON-YEAR INCREASE  
OF APPROXIMATELY  
20 PER CENT.**



# MORE THAN 3,000 WORK ABILITY PROJECTS IMPLEMENTED; CUSTOMER EXPERIENCE AT A GOOD LEVEL

Work ability project themes and customers' satisfaction with the services



**Work ability services'**  
**NPS 72**

# ILMARINEN'S WORK ABILITY PROJECTS COVER 34% OF THE INSURED ANNUALLY

## 2018

**3,200** projects  
(€5.7 mill.)

**176,000** persons



Benefit perceived by customers: **4.6**  
(on a scale of 1–5)

## 2019

**3,000** projects  
(€5.1 mill.)

**235,000** persons

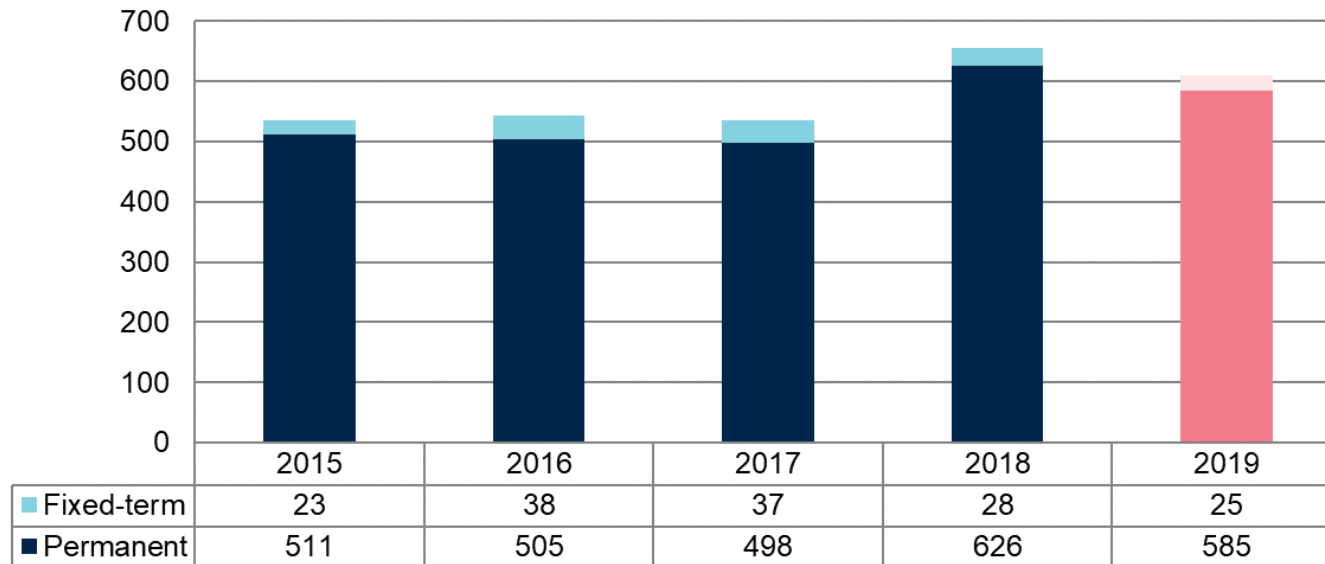


Benefit perceived by customers: **4.3**  
(on a scale of 1–5)



# THE NUMBER OF PERSON YEARS DECLINED TO 610 AT YEAR-END

Person years



# MEANINGFUL WORK IS PERFORMED AT ILMARINEN

- The number of personnel decreased during the year, and the number of people in an employment relationship totalled **644**.
- The personnel were closely involved in drawing up and implementing the strategy. As part of the strategy implementation, we started strengthening our common operating culture. The personnel nicknamed the transformation journey **Ilmaveivi (deke)**.
- Internal moves to support the reorganisation: **smoother daily work, better flow of information and more co-operation within the organisation**
- Despite the organisational changes and co-determination negotiations, the personnel's energy level remained excellent: **4.0 (1–5)**. The **Employee Net Promoter Score (eNPS)**, or employees' willingness to recommend Ilmarinen as an employer, was **23 (–100–100)** at year-end.



# RETURN ON INVESTMENTS 11.8% – ALL MAIN ASSET CLASSES PERFORMED WELL

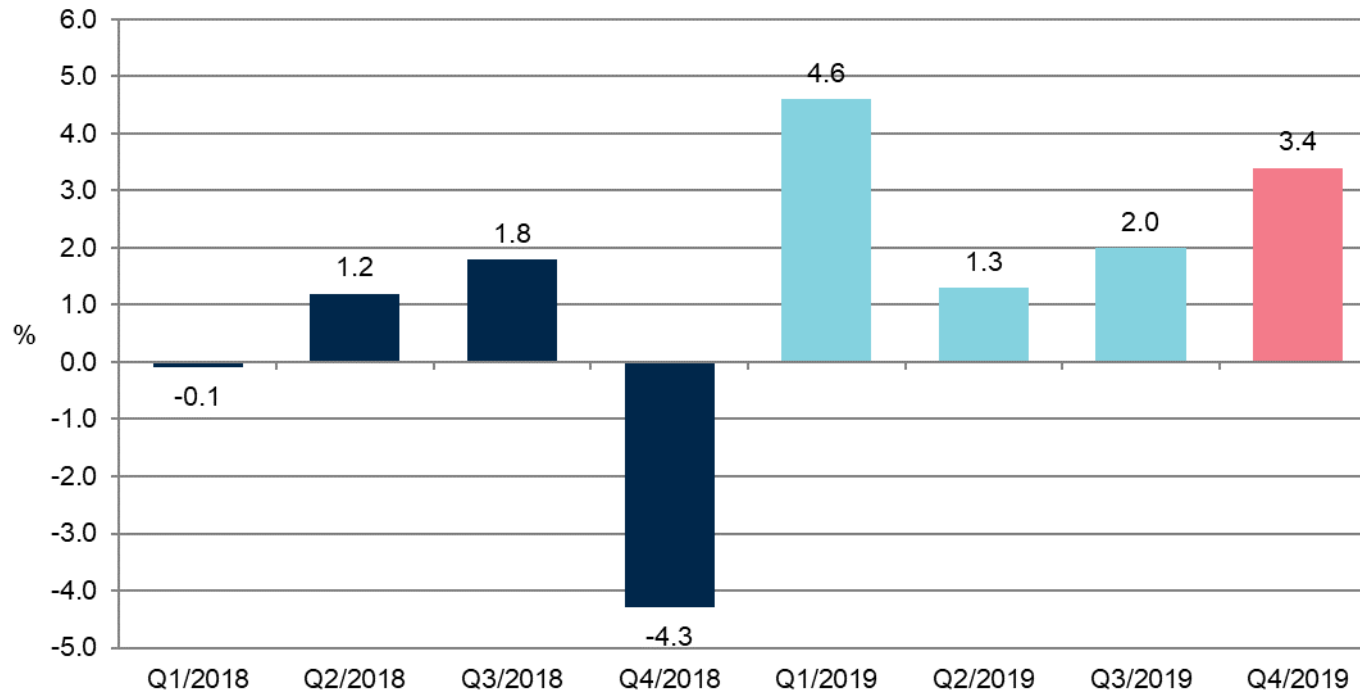
January–December 2019 (2018)

- Return on investments 11.8% (-1.4%)
  - Return on equity investments 20.8% (-3.6%)
  - Return on fixed income investments 4.7% (0.0%)
  - Return on real estate investments 8.4% (6.0%)
- Long-term return\* at a good level
  - Nominal return 5.8%
  - Real return 4.3%



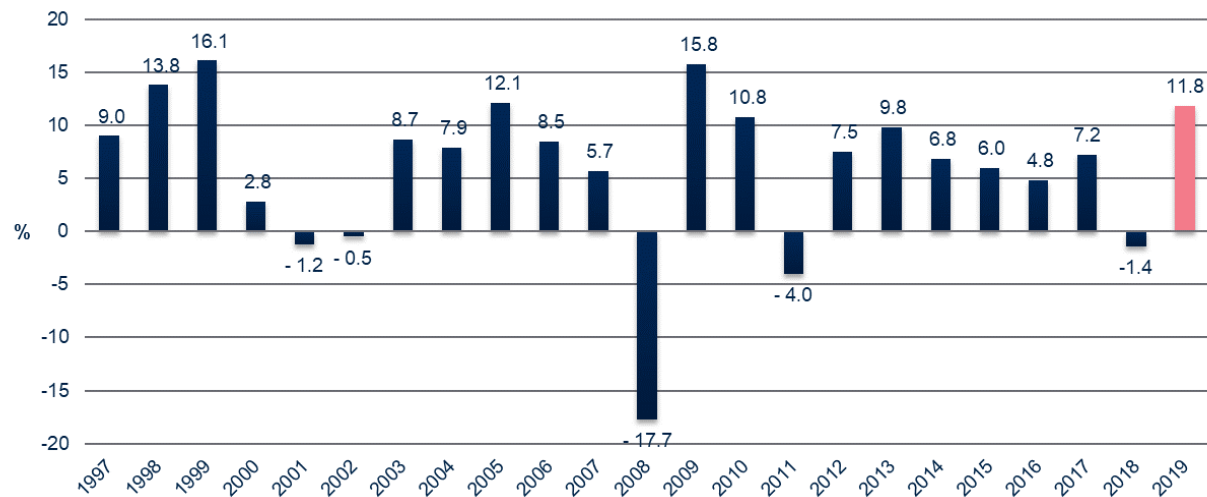
# Q4 RETURN 3.4% THANKS TO STRONG STOCK PRICE PERFORMANCE

## Quarterly investment returns

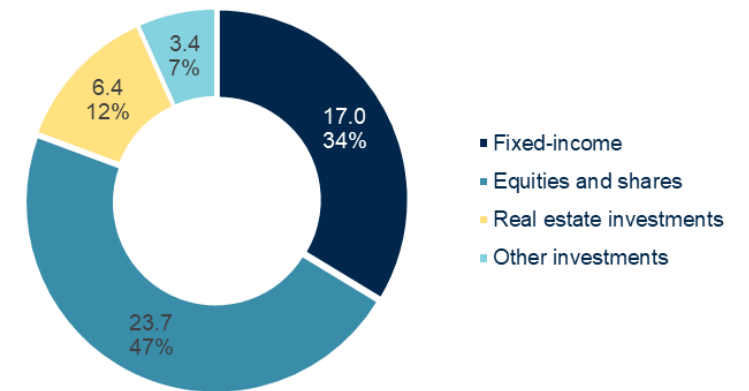


# ILMARINEN'S RETURN ON INVESTMENTS WAS THE BEST OF THE DECADE

Return on investments in 1997–2019 and investment allocation on 31 Dec 2019



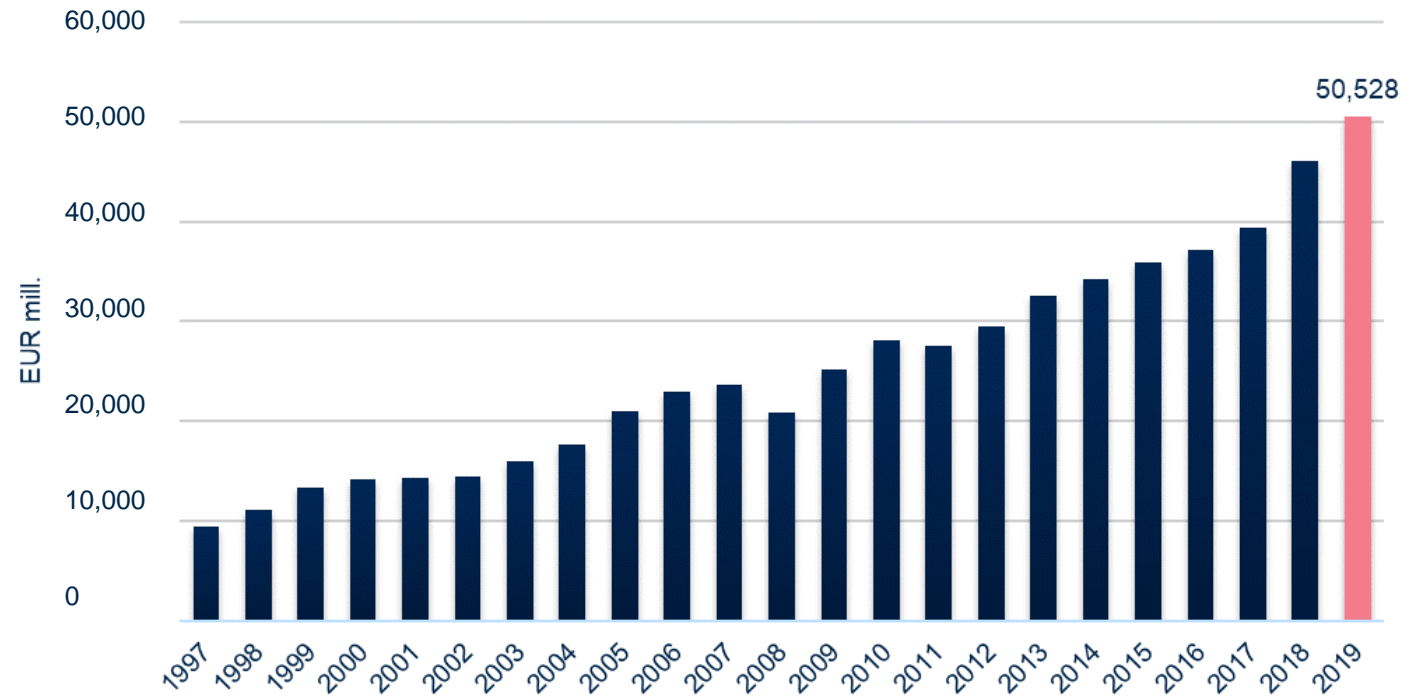
Market value of investment assets (EUR 50.5 billion) by asset class



Average nominal return on investments over 10 years 5.8% and real return 4.4%.

# VALUE OF INVESTMENTS GREW TO **EUR 50.5 BN**

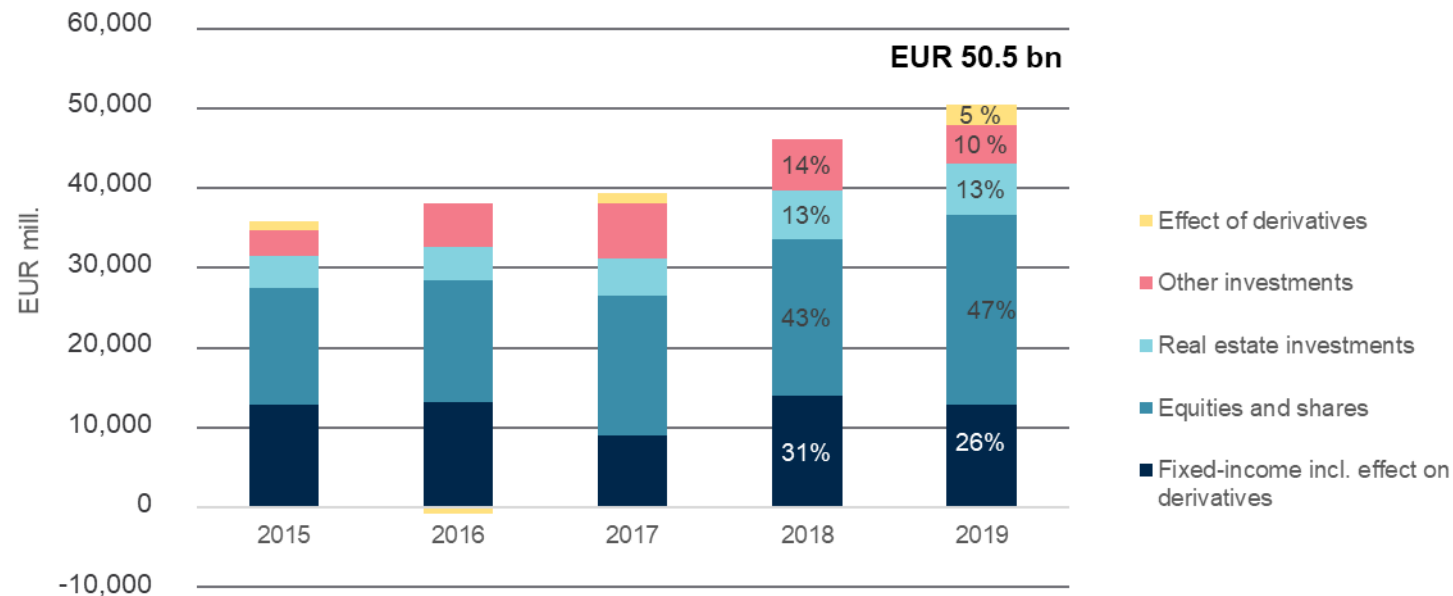
Value of investments, € mill.





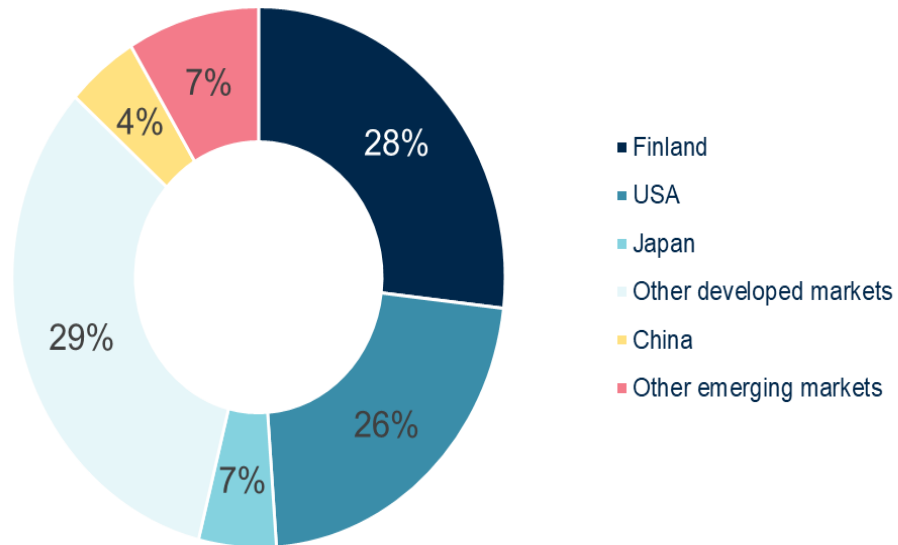
# IN THE INVESTMENT ALLOCATION, THE WEIGHT OF EQUITIES HAS GROWN TO 47%

## Breakdown of investment risks



# 28 PER CENT OF LISTED EQUITY INVESTMENTS IN FINLAND

Listed equities and shares (€18.5 bn) by area



# LARGEST FINNISH LISTED EQUITY HOLDINGS

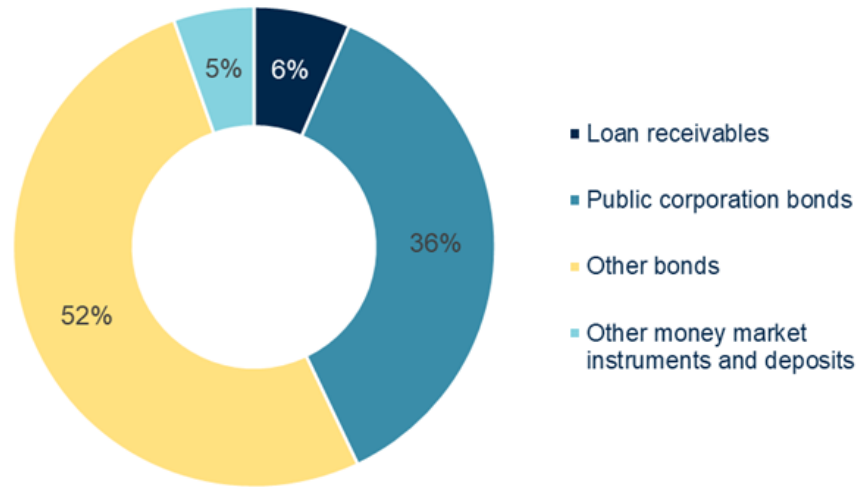
	EUR mill.	31 Dec 2019	31 Dec 2018
↑	Kojamo Plc	455	264
↑	Nordea Bank Abp	282	190
↑	Kesko Corporation	276	96
↑	Sampo Plc	269	155
	UPM-Kymmene Corporation	269	200
↓	Neste Corporation	264	274
↑	Fortum Corporation	259	170
↑	Kone Corporation	257	188
↑	Stora Enso Corporation	257	216
↑	Nokia Corporation	251	184

	Percentage	31 Dec 2019	31 Dec 2018
↓	Nurminen Logistics Plc	19.68	19.84
	Digia Plc	14.59	14.59
↓	Kojamo plc	11.34	13.09
↓	Talenom Oyj	11.30	17.19
	QT Group Plc	10.18	10.14
↑	Panostaja Oyj	8.11	8.11
	Martela Corporation	8.07	8.07
↑	Glaston Corporation	7.31	7.15
	Citycon Oyj	7.13	7.13
↓	Capman Plc	6.81	7.11

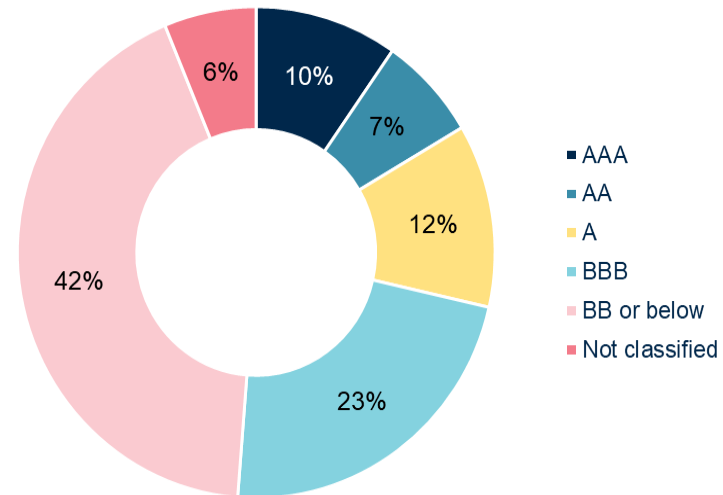
# OF THE BONDS, 54% HAVE A GOOD CREDIT RATING

## RATING

Fixed income investments (€17.0 bn)  
by investment category)



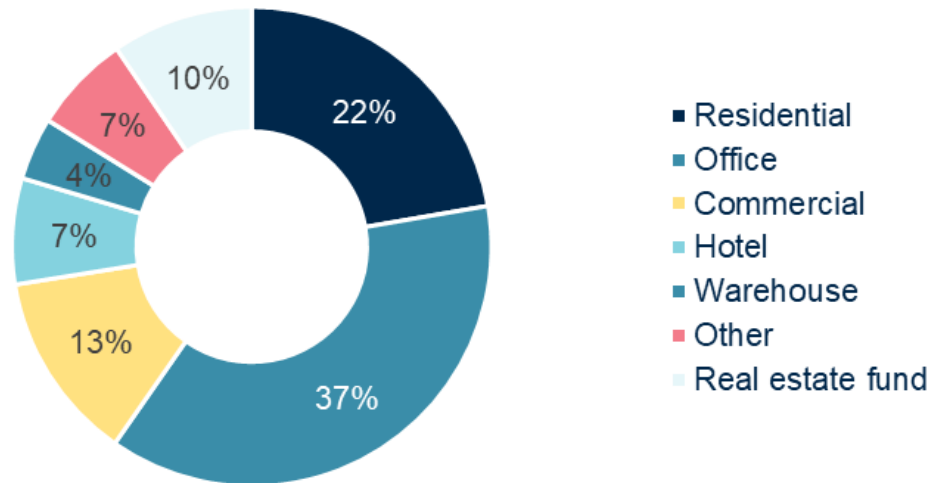
Bonds (€13.7 bn<sup>1)</sup>) by credit rating



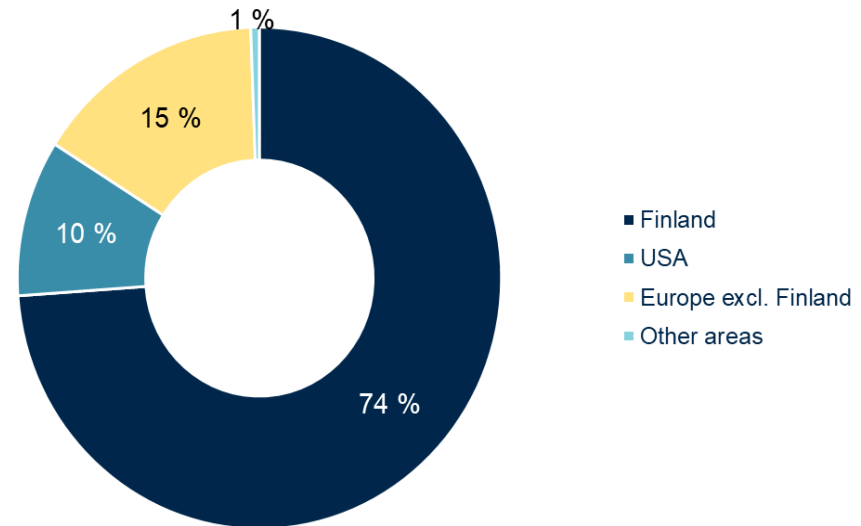
<sup>1)</sup> Does not include the market value of derivatives or non-listed equities.

# 74 PER CENT OF REAL ESTATE IN FINLAND

Real estate investments (€6.4 bn)  
by property type



Real estate investments (€6.4 bn)  
by area



# ILMARINEN'S INVESTMENTS IN FINLAND

## MORE THAN €12 BN

Equity investments in  
Finnish companies

- Listed €5.2 bn
- Non-listed €1.1 bn



Real estate investments  
in Finland €4.4 bn



Loans to Finnish  
companies €0.8 bn

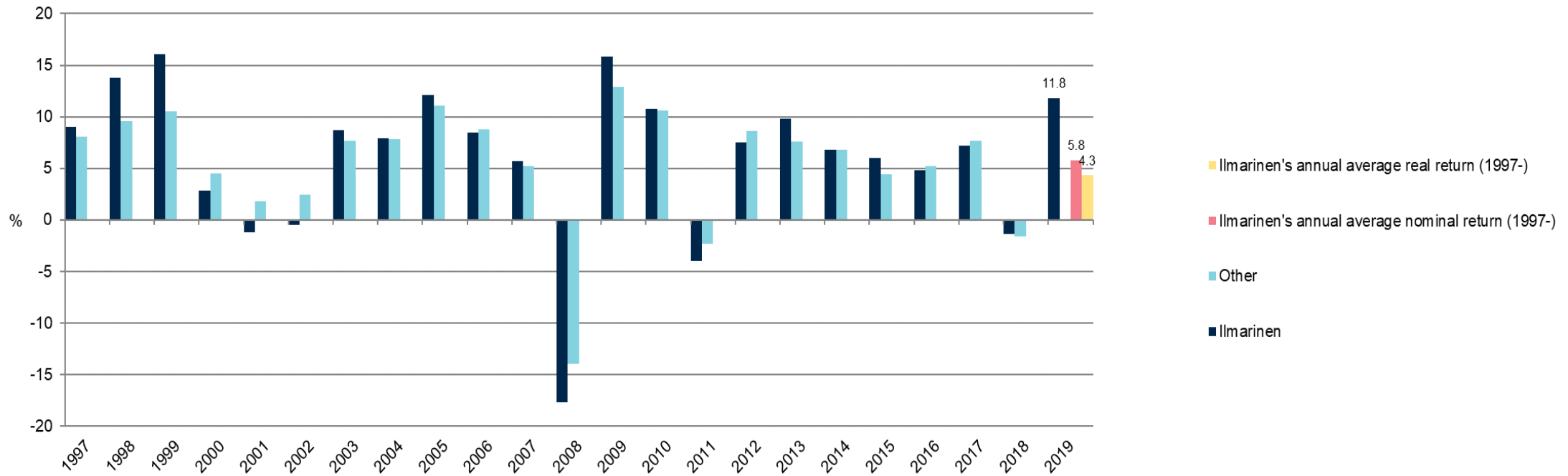


Bonds  
€1.0 bn



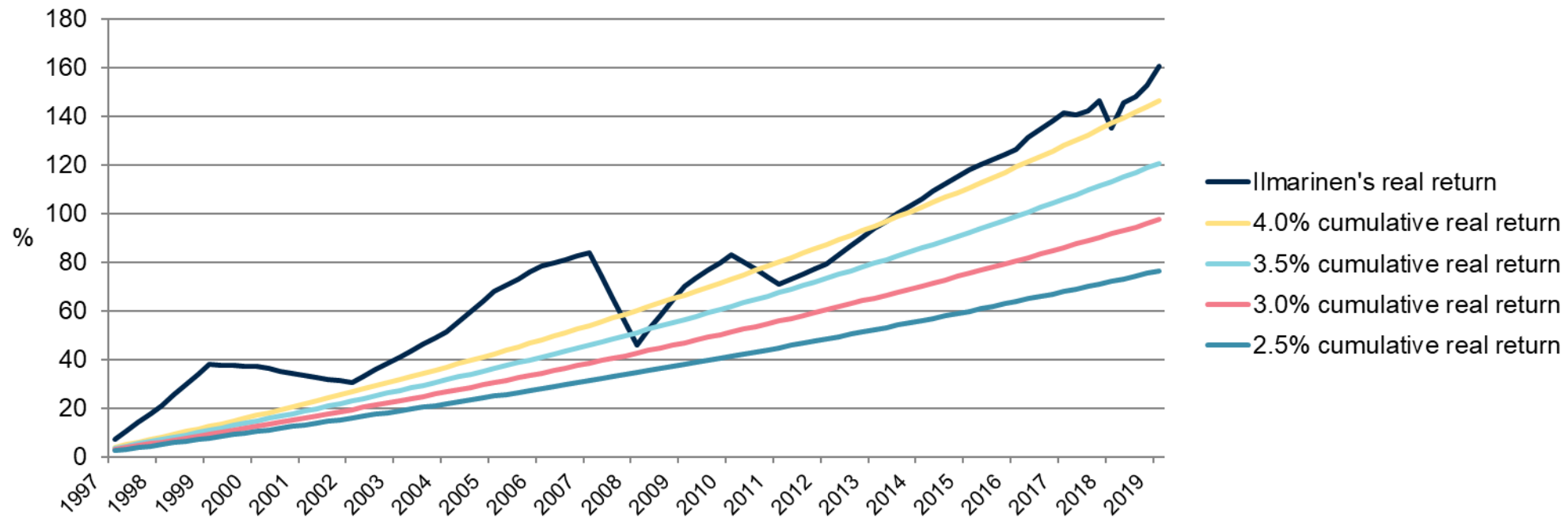
# LONG-TERM AVERAGE NOMINAL RETURN 5.8% AND REAL RETURN 4.3%

Net investment return at current value



# LONG-TERM REAL RETURN DEVELOPMENT ON TRACK

Cumulative net return on investments 1997-2019





# COMPARISON BETWEEN ILMARINEN'S AND MARKETS' INVESTMENT 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>
Q4/2019	3.4	4.5	6.1	-3.0	-0.5
2019	11.8	20.4	26.8	6.7	6.3
2018	-1.4	-3.9	-10.8	1.0	-1.3
Average return over 5 years	5.6	11.1	6.9	2.5	2.2
Average return over 10 years	5.8	10.7	8.1	4.3	4.1
Average return over 20 years	4.8	6.2	3.2	4.8	4.6
Average return since 1997	5.8	9.9	6.7	4.9	4.6
Real average return over 5 years	4.9	10.4	6.2	1.8	1.6
Real average return over 10 years	4.4	9.3	6.6	2.9	2.7
Real average return over 20 years	3.3	4.6	1.6	3.3	3.1
Real average return since 1997	4.3	8.2	5.1	3.3	3.1

<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)

# 2019 RETURN ON INVESTMENTS 11.8%

	2019 Basic breakdown		2019 Risk breakdown		2019 Return	
	EUR mill.	%	EUR mill.	%	%	Volatility
<b>Fixed-income investments</b>	<b>17,014.6</b>	<b>33.7</b>	<b>12,917.1</b>	<b>25.6</b>	<b>4.7</b>	
Loan receivables	1,096.5	2.2	1,096.5	2.2	2.5	
Bonds	14,998.9	29.7	9,070.5	18.0	5.0	2.3
Public corporation bonds	6,208.8	12.3	5,353.6	10.6	7.9	
Other bonds	8,790.2	17.4	3,716.8	7.4	3.6	
Other money market instruments and deposits (incl. investment receivables and payables)	919.1	1.8	2,750.2	5.4	2.6	
<b>Equities and shares</b>	<b>23,736.1</b>	<b>47.0</b>	<b>23,765.0</b>	<b>47.0</b>	<b>20.8</b>	
Listed equities and shares	18,485.3	36.6	18,514.3	36.6	22.5	11.4
Private equity investments	4,305.6	8.5	4,305.6	8.5	15.6	
Non-listed equities and shares	945.2	1.9	945.2	1.9	13.2	
<b>Real estate investments</b>	<b>6,385.7</b>	<b>12.6</b>	<b>6,403.4</b>	<b>12.7</b>	<b>8.4</b>	
Real estate investments	5,777.5	11.4	5,778.5	11.4	8.8	
Real estate funds and joint investments	608.2	1.2	624.9	1.2	4.4	
<b>Other</b>	<b>3,391.3</b>	<b>6.7</b>	<b>4,906.7</b>	<b>9.7</b>	<b>-2.1</b>	
Hedge fund investments	2,481.9	4.9	2,481.9	4.9	5.3	3.6
Commodity investments	20.4	0.0	33.4	0.1		
Other investments	889.1	1.8	2,391.4	4.7	-19.6	
<b>Investments total</b>	<b>50,527.8</b>	<b>100.0</b>	<b>47,992.2</b>	<b>95.0</b>	<b>11.8</b>	<b>4.1</b>
Effect of derivatives			2,535.6	5.0		
<b>Investments at current value</b>	<b>50,527.8</b>		<b>50,527.8</b>	<b>100.0</b>		

The modified duration of bond investments is 1.7 years

The open currency position is 23.4 of the market value of the investments.

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

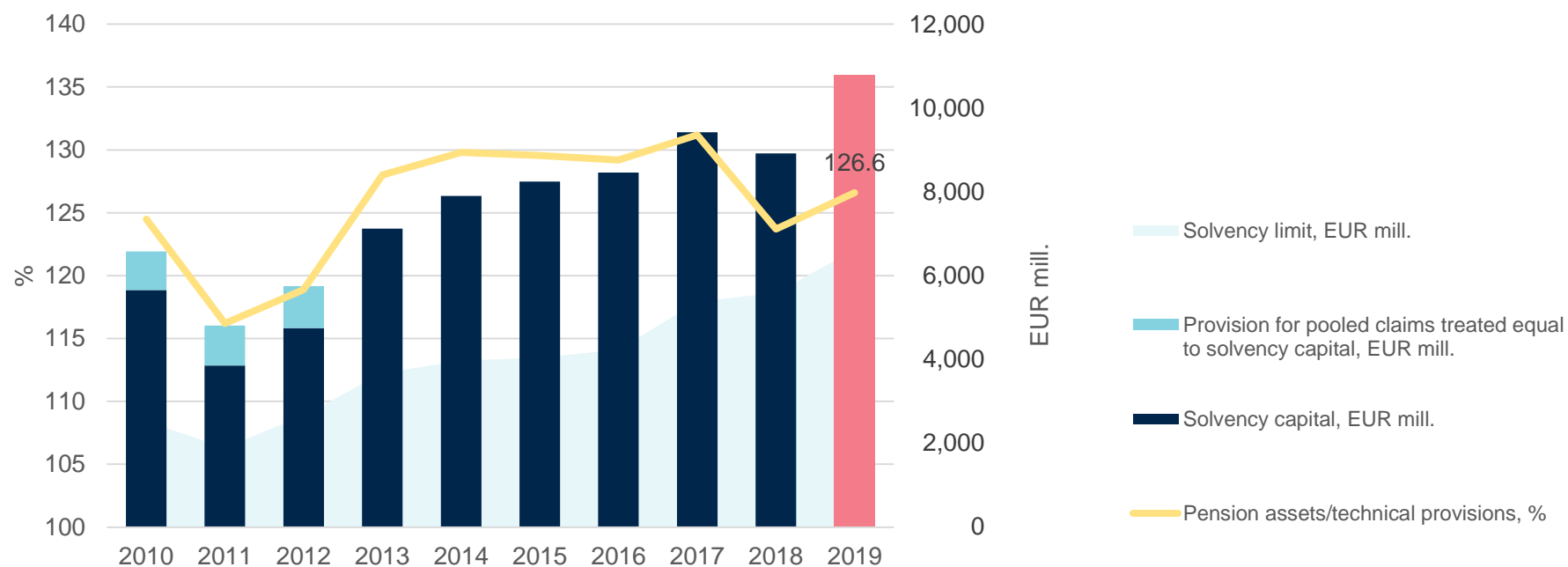
# RESPONSIBLE INVESTMENT RECOGNISED

- Long-term development of durable construction: **Developer of the Year 2019** award from RAKLI.
- Ilmarinen's actions **excellent on a global scale**: the PRI (*Principles of Responsible Investment*) investor network gave its responsible investment strategy and direct equity investments particularly high ratings.
- In passive investments, a major shift towards products that integrate ESG issues: **Ilmarinen contributed to the largest ETF listing in the history of the USA** by investing in a fund that tracks a sustainability index. The same shift is also taking place in Europe and Japan.
- **Goal: a carbon-neutral investment portfolio by the end of 2035** – aiming for real emission reductions.
- A data tool for a comprehensive in-house ESG analysis was introduced.



A solar plant on the roof of Ilmarinen's office building

# SOLVENCY RATIO STRENGTHENED TO 126.6 PER CENT THANKS TO GOOD EQUITY RETURNS



The solvency position was 1.6 (1.6).

# FUTURE PROSPECTS

- The global economy is expected to grow slightly faster than in the previous year. The trade war between the USA and China and the concerns over the coronavirus epidemic are fuelling uncertainty.
- Finland's economy is believed to continue growing, but at a slower pace than in 2019. The positive payroll development will continue, although the positive trend in the employment ratio will level out.
- The sustained decline in interest rates has channeled and will continue to channel investors' money into asset classes with weaker liquidity, which will raise valuation levels, lowering medium- and long-term return expectations.
- The key risks affecting Ilmarinen's operations and the earnings-related pension system are related to the development of employment and payroll, the ascending trend in disability prevalence, uncertainty in the investment market and the development of demographics and the birth rate, which has been exceptionally low in recent years.



A woman with long hair, wearing a light-colored hospital gown and large earrings, is looking out of a window. The scene is overlaid with a teal color. In the background, another person is visible, and there are shelves with various items.

**THANK YOU!**

# ATTACHMENTS

# KEY FIGURES

	2019	2018	2017	2016	2015
Insurance contributions, EUR million	5,758.3	5,409.9	4,311.6	4,301.8	4,268.7
Pensions paid, EUR million	6,077.8	5,698.4	4,721.8	4,594.1	4,441.6
Operating expenses covered by loading income, EUR million	130.2	148.8	108.9	107.6	109.1
Ratio of operating expenses to expense loading components, % <sup>1)</sup>	70.5	83.2	81.1	74.9	75.5
Technical provisions, EUR mill.	42,150.1	40,625.7	33,390.9	31,458.7	30,630.2
Solvency capital, EUR mill. <sup>2)</sup>	10,791.8	8,917.7	9,420.7	8,460.0	8,244.2
in relation to solvency limit	1.6	1.6	1.8	2.0	2.0
Pension assets, EUR million <sup>3)</sup>	51,342.1	46,473.8	39,76.4	37,422.9	36,098.7
% of technical provisions <sup>3)</sup>	126.6	123.7	131.2	129.2	129.6
Investments at current value, EUR million	50,527.8	46,024.0	39,355.1	37,214.4	35,841.0
Net return on investments, EUR mill.	5,375.4	-641.6	2,693.4	1,743.3	2,070.6
ROCE, %	11.8	-1.4	7.2	4.8	6.0
Pensioners	459,932	459,993	336,654	329,323	323,172
TyEL payroll, EUR mill.	21,923.2	20,568.0	16,708.6	16,788.0	16,651.0
YEL confirmed income, EUR mill.	1,678.2	1,682.5	1,483.6	1,470.6	1,484.6
TyEL policies <sup>4)</sup>	70,491	73,370	38,766	38,131	38,354
Insured under TyEL	609,862	624,800	503,800	502,000	500,500
YEL policies	76,063	74,443	63,052	61,486	61,851
Permanent personnel 31 Dec	616	649	520	540	542

1) Due to the change in premium rates affecting the expense loading component, the ratio of operating expenses to expense loading components for 2015–2016 is not comparable with the figures of previous years. In addition, Ilmarinen and Etera merged in the beginning of 2018; the comparison data for 2015–2017 only includes Ilmarinen's figures.

2) Calculated according to the regulations in force at any given time.

3) Technical provisions + solvency capital in accordance with section 11, item 10, of the Ministry of Social Affairs and Health's decree (614/2008.) Until 2016, technical provisions + valuation differences.

4) Insurance policies of employers with insurance contracts

Ilmarinen and Etera merged in the beginning of 2018. The figures for 2015–2017 do not include Etera's figures.



# PROFIT AND LOSS ACCOUNT AT CURRENT VALUE

EUR million	2019	2018
Premiums written	5,758.3	5,409.9
Net investment income at current value	5,401.9	-613.2
Claims paid	-6,077.8	-5,711.7
Change in technical provision	-2,854.8	-458.0
Total operating expenses	-175.2	-194.6
Taxes	0.0	0.0
Profit at current value	-12.7	-13.4
	2,039.7	-1,581.0
Change in equalisation provision included in the solvency capital entered in the profit and loss account		0.0
Change in provision for future bonuses	0.0	0.0
Change in difference between current and book value	1,466.5	543.0
Change in depreciation difference	-3,333.6	1,163.8
Transfer to client bonuses	0.3	0.2
<b>Profit for the financial year in the official profit and loss account</b>	0.0	0.0
Premiums written	-164.0	-120.0
Net investment income at current value	8.9	6.0

# BALANCE SHEET AT CURRENT VALUE

EUR million	2019	2018
<b>Assets</b>		
Investments	49,642.0	44,294.6
Receivables	4,421.3	6,782.1
Other assets	3.7	4.2
<b>Assets total</b>	<b>54,067.1</b>	<b>51,080.8</b>
<b>Liabilities</b>		
Capital and reserves after proposed distribution of profits on 31.12.2018	182.9	174.1
Depreciation difference	5.3	5.7
Valuation differences	9,084.2	5,750.5
Provision for future bonuses	1 573.3	3,043.6
Other items	-53.5	-56.1
Equalisation provision included in the solvency capital	0.0	0.0
Solvency capital total	10,792.3	8,917.7
Provision for current bonusess (to client bonusess)	0.0	0.0
Equity linked buffer	327.4	119.2
Actual technical provision <sup>1)</sup>	1,537.7	-262.9
Other liabilities	38,873.9	37,725.8
<b>Liabilities total</b>	<b>2,535.7</b>	<b>4,581.0</b>
<b>Assets</b>	<b>54,067.1</b>	<b>51,080.8</b>

1) Technical provisions excluding provisions for current and future bonusess