

# ILMARINEN'S INTERIM REPORT Q2 / 2012

Press conference 23 August 2012

Harri Sailas, President and CEO



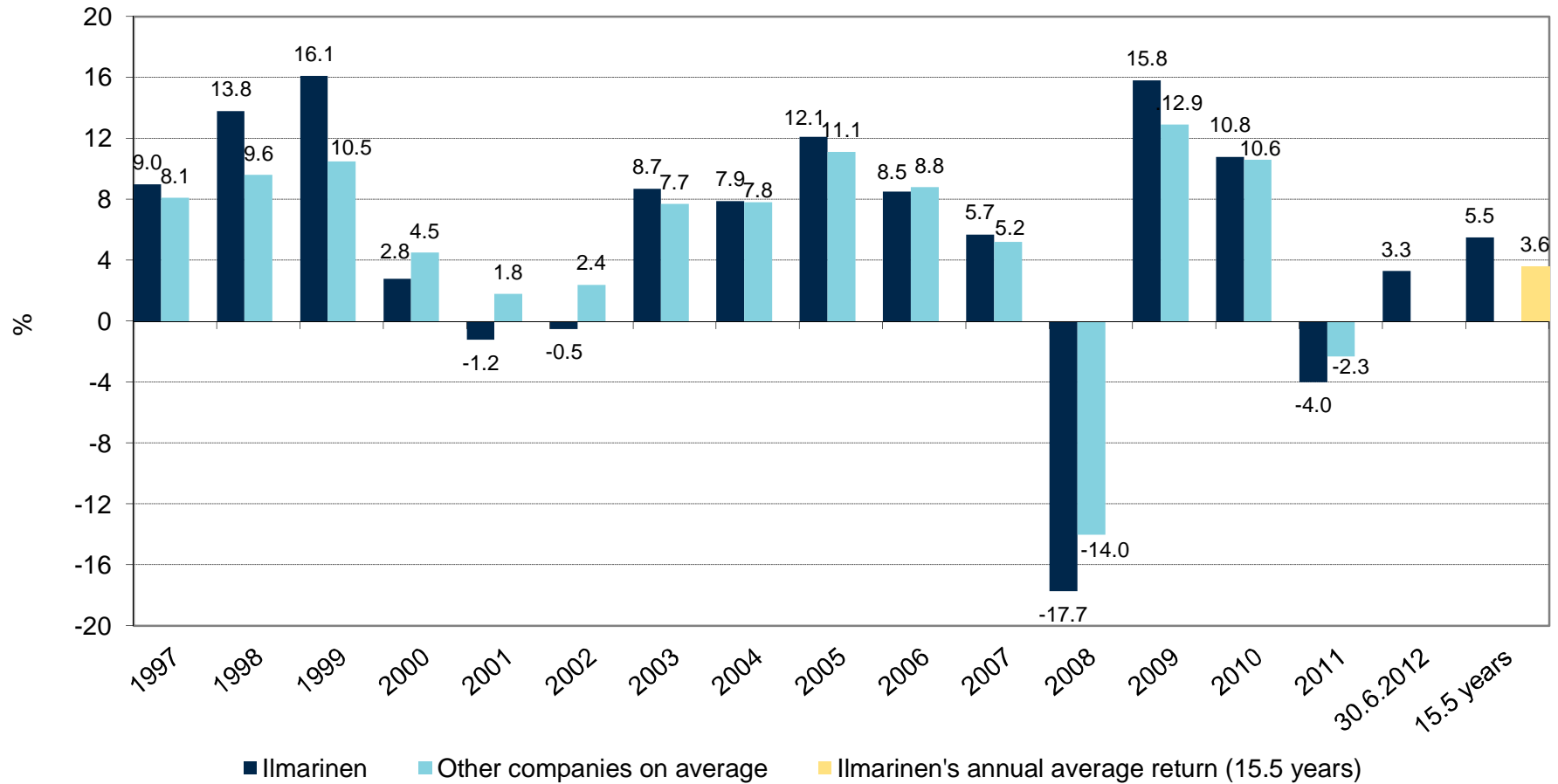
ILMARINEN



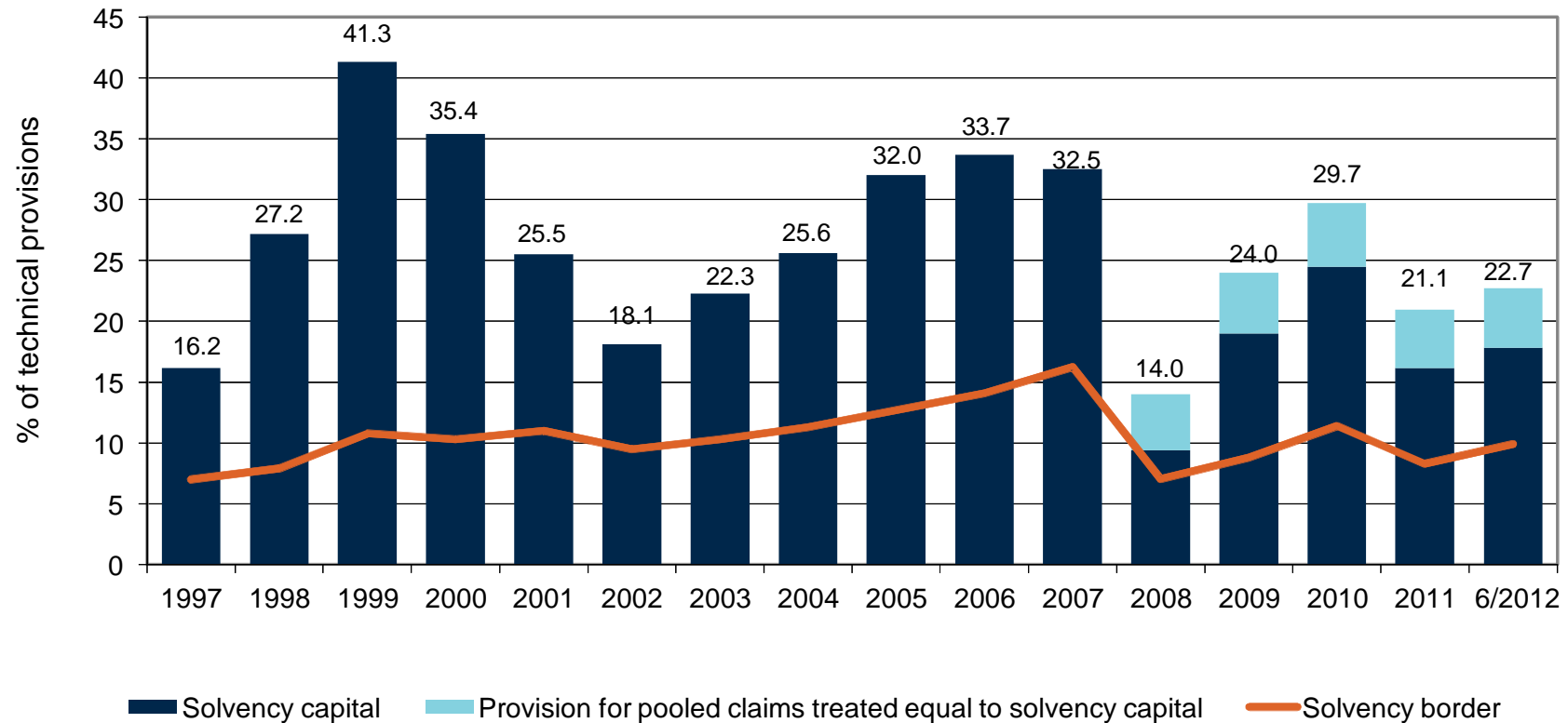
# **KEY OBSERVATIONS** **SINCE JANUARY 2012**

- **Moderate return on investments – 3.3 per cent**
  - Long-term real return remained at a good level
- **Solvency remained strong**
- **Sales and retention of customers excellent**
- **Number of customers on the rise**
- **Number of pension recipients rising steadily**

# REAL RETURN ON INVESTMENTS IN THE LONG TERM 3.6%



# SOLVENCY REMAINED STRONG



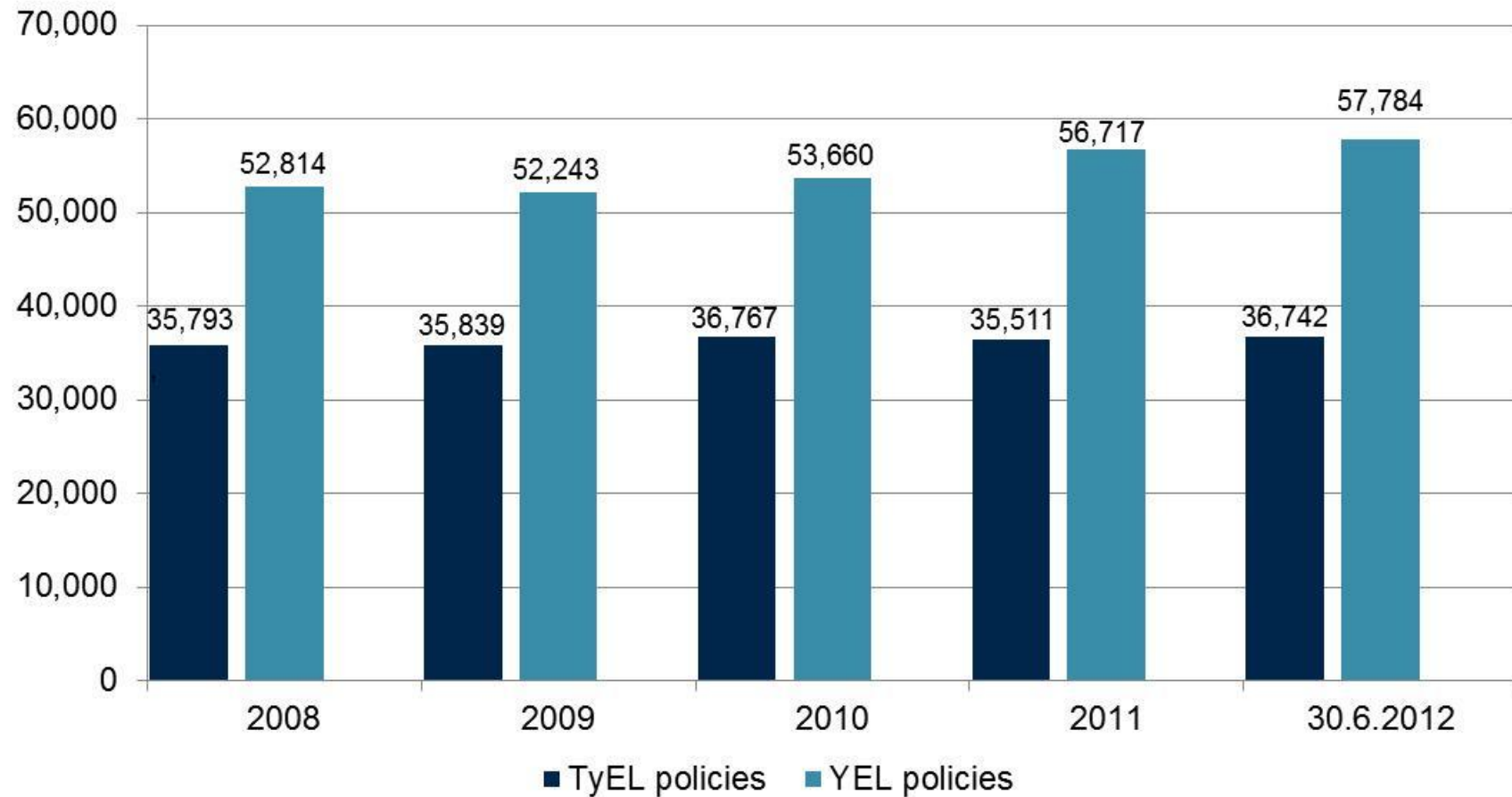
On 30 June 2012, the solvency ratio was 2.3 times the solvency border (31.12.2011: 2.5).



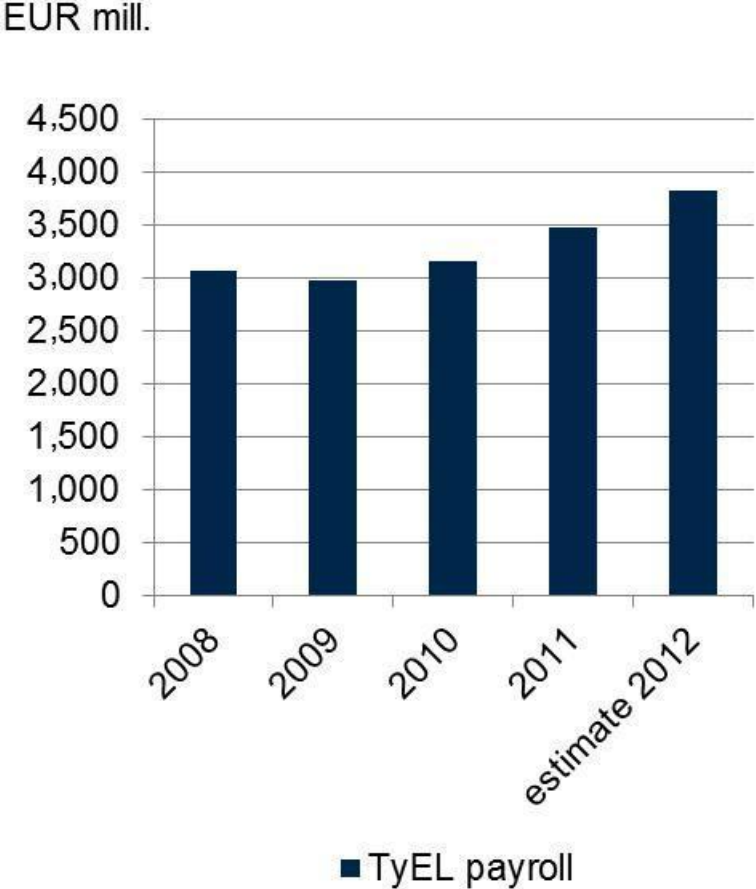
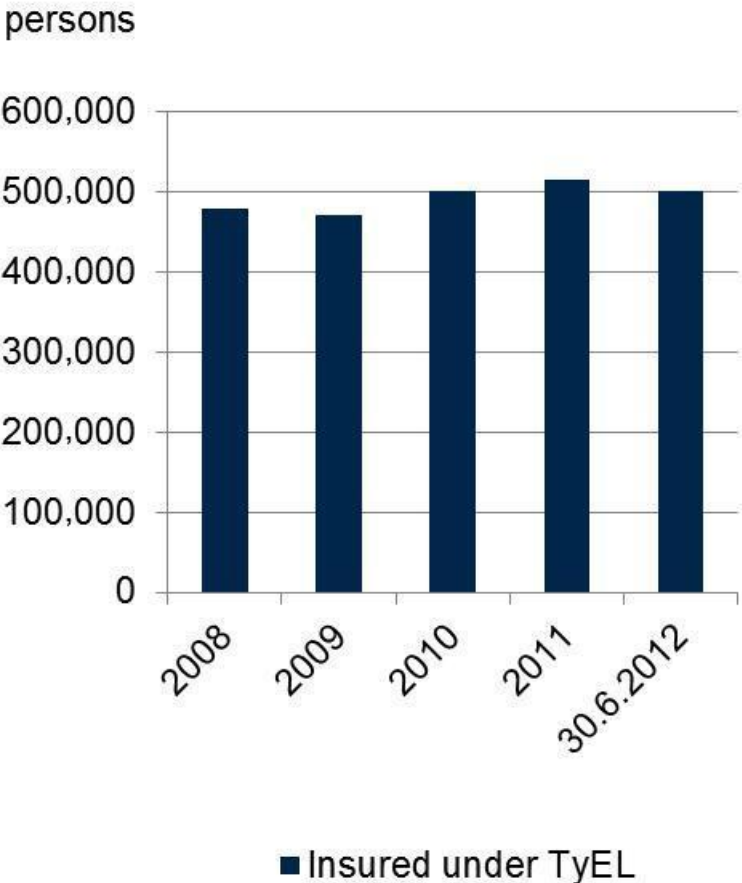
# EXCELLENT SALES FIGURES

- The sales figures for January–June boost the premiums written by some EUR 125 million
- The number of retained customers was higher compared to a year ago

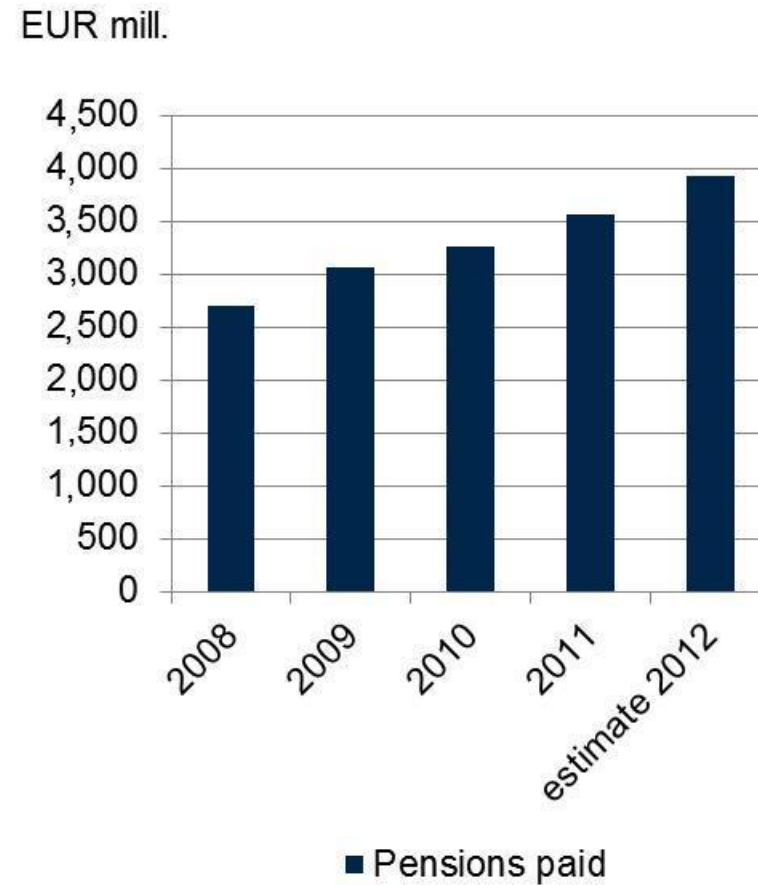
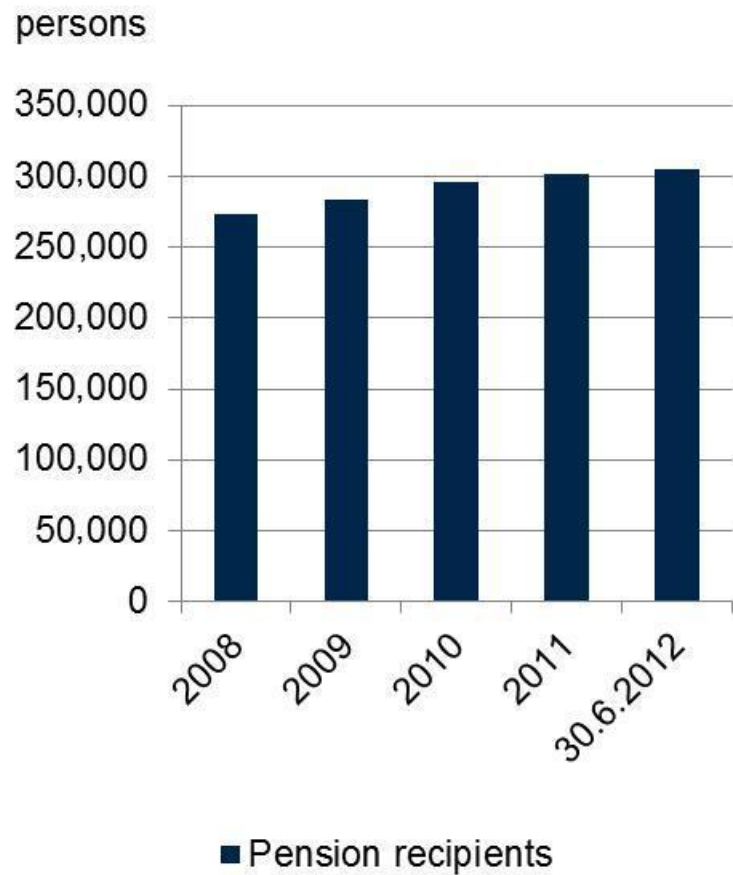
# NUMBER OF CUSTOMERS ON THE RISE



# HALF A MILLION INSURED

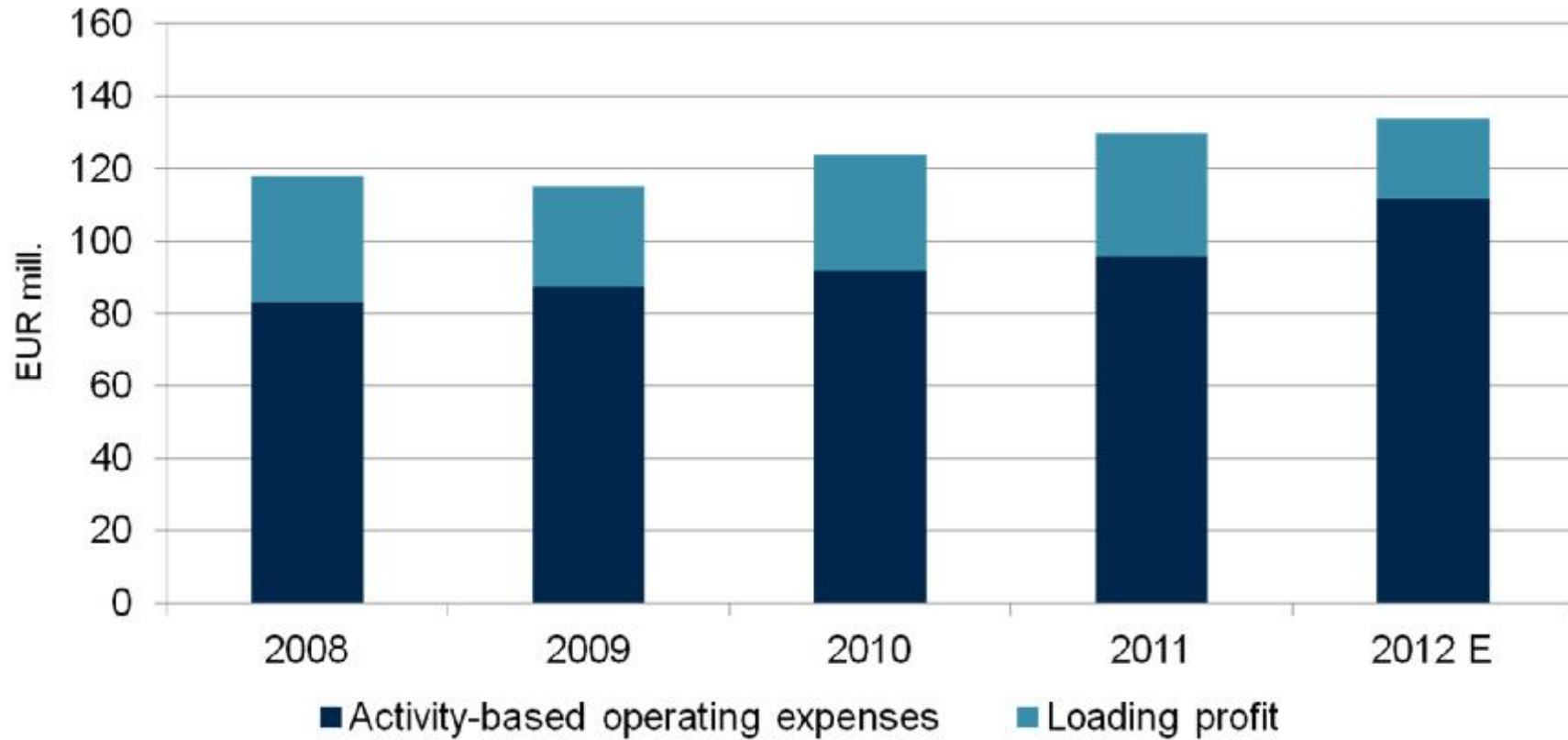


# NUMBER OF PENSION RECIPIENTS RISING STEADILY





# OPERATING EXPENSES AND LOADING PROFIT



Operating expenses  
as a percentage of  
loading profit =  
Operational efficiency

71%

76%

74%

74%

83%



*Ilmarinen's investment  
operations  
1.1–30.6.2012*

Timo Ritakallio, Deputy CEO



# **OBSERVATIONS IN INVESTMENTS JANUARY–JUNE 2012**

- **The culmination of the euro-zone debt crisis led to fluctuations in the equity and fixed-interest markets**
- **Return on investments 3.3 per cent**
- **Long-term real return 3.6 per cent**





# **OBSERVATIONS IN INVESTMENTS JANUARY–JUNE 2012**

- **Private equity investments generated the best returns, at 8.6 per cent**
- **Fixed-income investments generated a good 2.8 per cent**
- **Real-estate investments yielded a stable 2.6 per cent**
- **The return on equity investments was negative in April–June, but the return for the six-month reporting period was 2.9 per cent**

# RETURN ON INVESTMENTS 3.3% IN JAN–JUN 2012

## Investment returns classified according to risk

	Market value EUR mill.	Market value %	Risk breakdown EUR mill.	Risk breakdown %	Return %	Volatility %
<b>Fixed-income investments</b>	<b>12,148.6</b>	<b>42.4</b>	<b>14,276.3</b>	<b>49.8</b>	<b>2.8</b>	
Loan receivables	2,709.0	9.4	2,709.0	9.4	1.8	
Public corporation bonds	3,791.4	13.2	3,514.4	12.3	0.7	2.6
Bonds	4,601.7	16.0	1,327.1	4.6	5.5	2.6
Other money market instruments and deposits (incl. investment receivables and payables)	1,046.5	3.6	6,725.8	23.5	-0.8	
<b>Equities and shares</b>	<b>11,239.6</b>	<b>39.2</b>	<b>8,962.6</b>	<b>31.3</b>	<b>3.5</b>	
Listed equities and shares	9,272.5	32.3	6,986.8	24.4	2.9	15.9
Private equity investments	1,281.9	4.5	1,281.9	4.5	8.6	
Unlisted equities and shares	685.2	2.4	693.9	2.4	3.9	
<b>Real estate investments</b>	<b>3,402.2</b>	<b>11.9</b>	<b>3,402.2</b>	<b>11.9</b>	<b>2.6</b>	
Direct real estate investments	2,886.4	10.1	2,886.4	10.1	2.9	
Real estate funds and joint investments	515.8	1.8	515.8	1.8	1.3	
<b>Other</b>	<b>1,886.8</b>	<b>6.6</b>	<b>2,036.2</b>	<b>7.1</b>	<b>6.6</b>	
Hedge fund investments	383.8	1.3	383.8	1.3	6.6	5.6
Commodity investments	0.9	0.0	24.1	0.1	-	
Other investments	1,502.1	5.2	1,628.3	5.7	-	
<b>Investment total</b>	<b>28,677.2</b>	<b>100.0</b>	<b>28,677.2</b>	<b>100.0</b>	<b>3.3</b>	<b>4.9</b>

The modified duration of bond investments is 0.0 years.

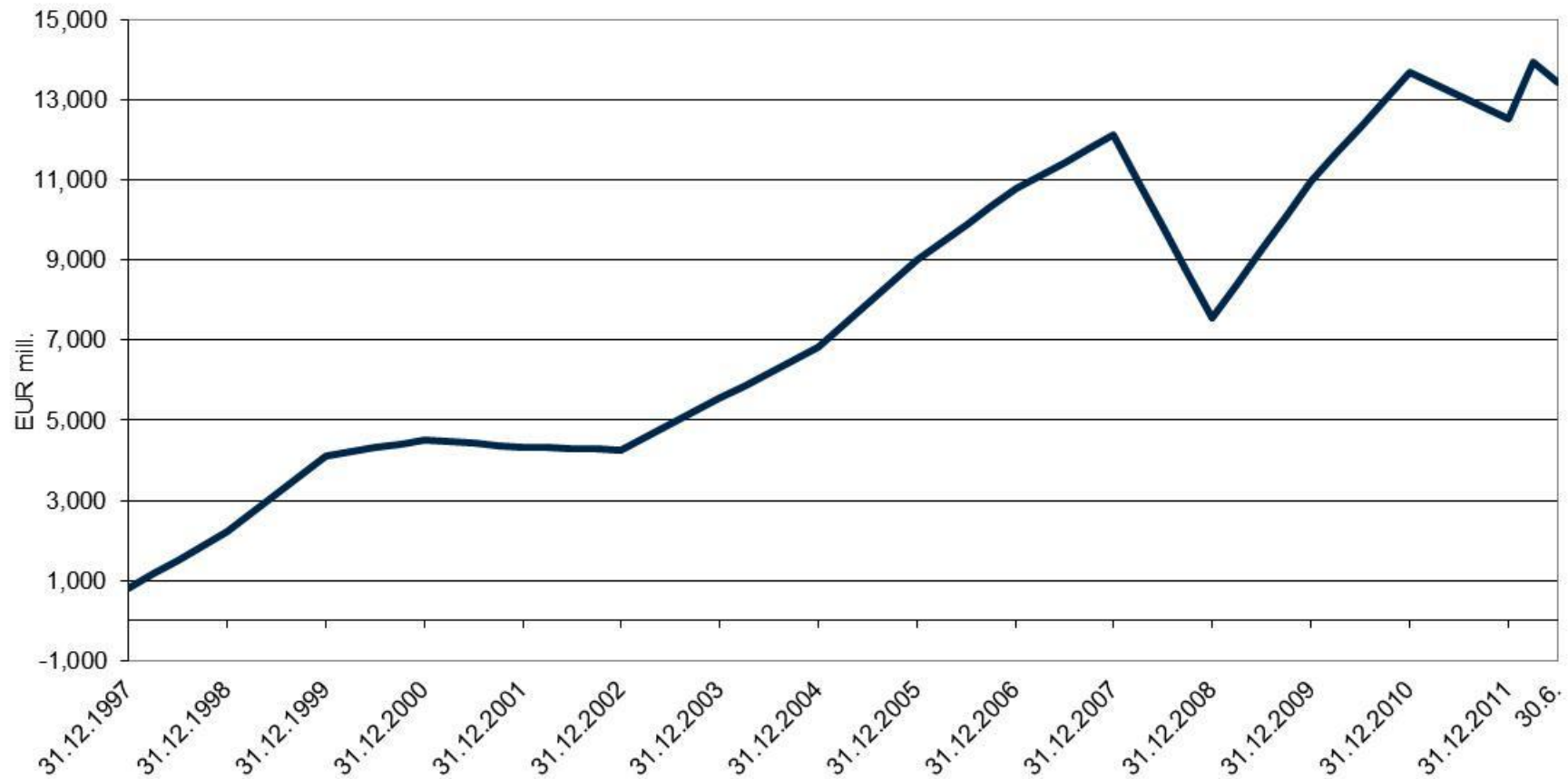
Volatility is calculated on the monthly logarithmic return over a period of two years.

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

The investments are presented according to the TELA income calculation team's recommendation.

# NET RETURN ON INVESTMENTS SINCE 1997

1997–30.6.2012

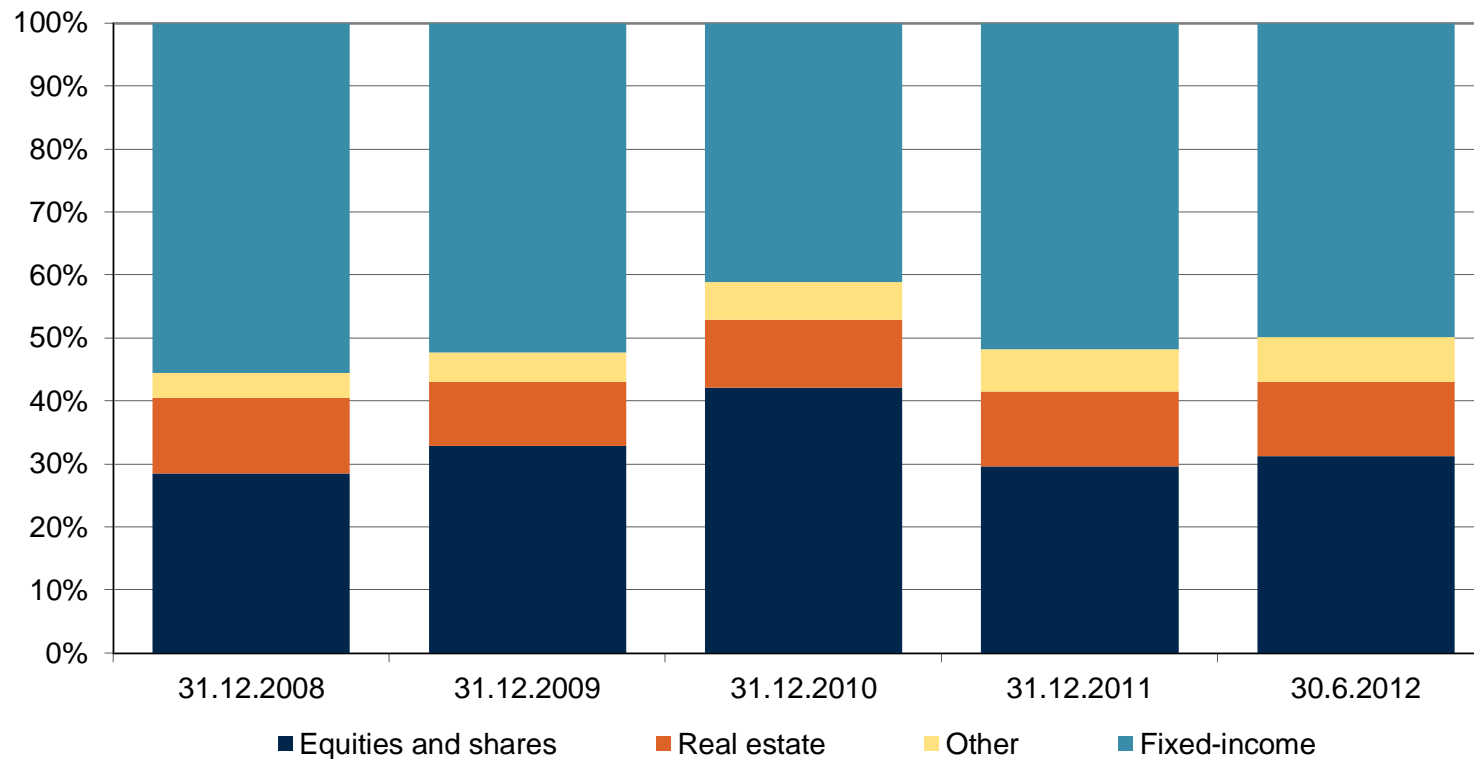


Cumulative return corresponds to an annual return of 5.5% and average real return of 3.6%.

# ILMARINEN'S AND MARKETS' INVESTMENT RETURNS

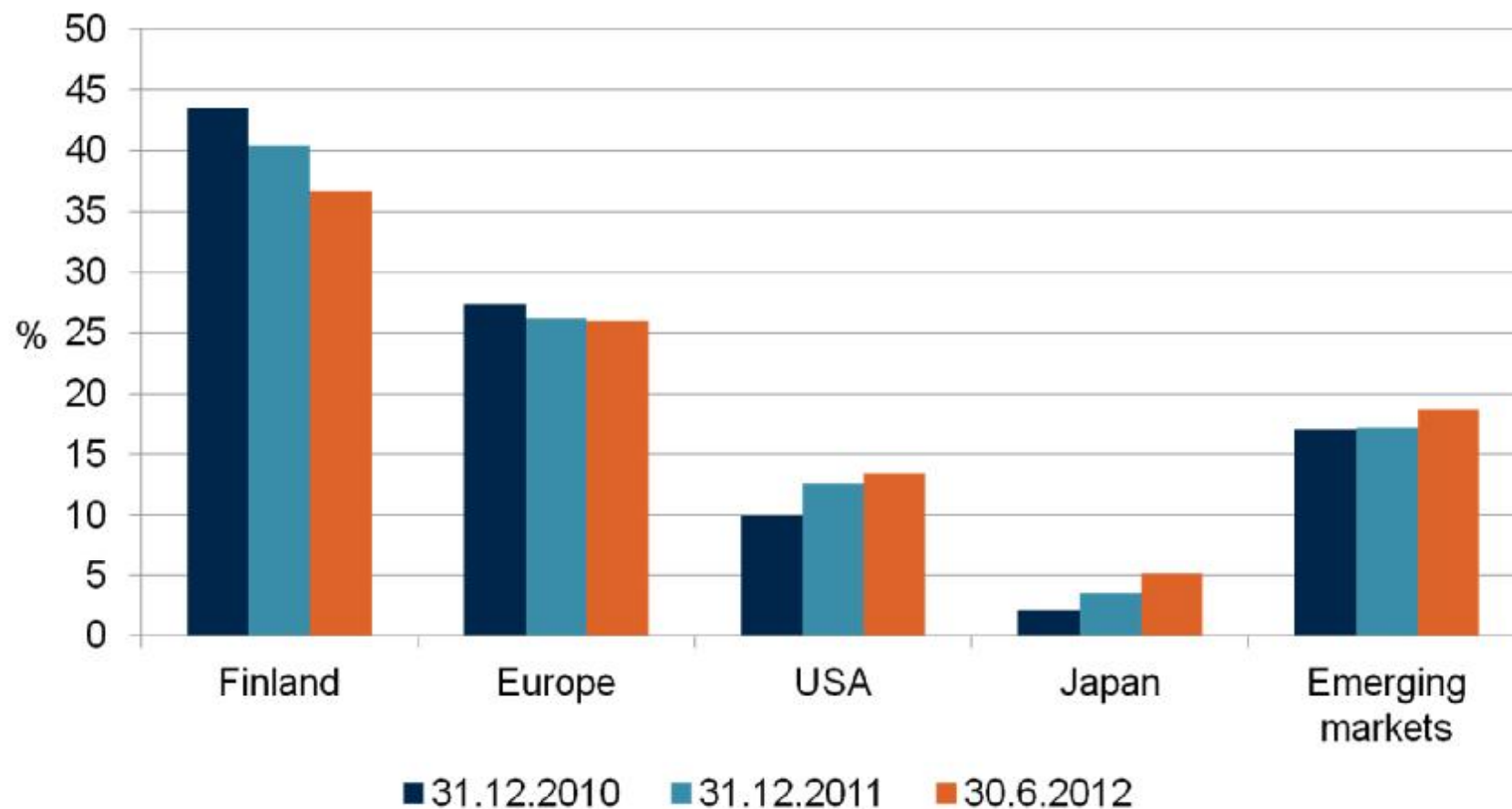
%	Ilmarinen	Finnish equities and shares	European equities and shares	Euro government bonds	Euro corporate bonds
6 / 2012	3.3	0.2	5.2	3.9	5.8
2011	-4.0	-24.9	-8.6	3.4	1.7
2010	10.8	29.8	11.6	1.2	4.7
2009	15.8	44.5	32.4	4.3	16.0
2008	-17.7	-47.3	-43.8	9.1	-4.0
2007	5.7	8.1	2.4	1.9	-0.2
2006	8.5	29.9	20.8	-0.4	0.4
2005	12.1	34.5	26.7	5.3	4.0
2004	7.8	21.4	12.2	7.6	7.8
2003	8.7	22.7	16.8	4.1	7.5
2002	-0.5	-13.5	-31.0	9.4	8.0
2001	-1.2	-18.2	-15.5	6.1	7.1
2000	2.8	-21.5	-3.8	7.1	6.0
1999	16.1	71.8	38.2	-2.4	-3.7
1998	14.1	17.1	21.0	13.2	11.4
1997	9.0	31.4	41.2	5.9	6.6
Average return over 5 years	1.0	-7.4	-5.7	5.1	4.7
Average return over 10 years	4.7	6.5	2.8	4.7	4.9
Average return since 1997	5.5	7.5	5.1	5.1	5.0
Real average return over 5 years	-1.3	-9.5	-7.8	2.7	2.4
Real average return over 10 years	2.8	4.7	1.0	2.9	3.1
Real average return since 1997	3.6	5.6	3.3	3.2	3.1

# EQUITIES' SHARE LESS THAN A THIRD OF THE WHOLE PORTFOLIO





# EQUITY INVESTMENTS OUTSIDE EUROZONE MARKETS ON THE RISE



# MOST SIGNIFICANT OWNERSHIPS IN FINNISH COMPANIES

## Ilmarinen's ownerships in listed companies

EUR mill.	30 June 2012	Percentage, %	30 June 2012
Pohjola Bank Plc	293.7	Basware Corporation	12.84
Kone Corporation	193.5	Suominen Corporation	10.97
Sampo Plc	190.2	PKC Group Oyj	10.72
Fortum Corporation	187.4	Finnlines plc	10.58
Wärtsilä Corporation	165.7	Technopolis Plc	10.48
Nokian Tyres Plc	152.4	Tikkurila Oyj	10.33
Nokia Oyj	152.0	Pohjola Bank Plc	10.00
Metso Oyj	136.7	Talentum Plc	9.73
UPM-Kymmene Corp.	129.6	Pöyry Plc	9.58
Elisa Corporation	104.9	Sponda Plc	9.56

# OUTLOOK FOR THE SECOND HALF OF 2012

- **The continued debt crisis in the euro zone is creating uncertainty**
- **The investment outlook is overshadowed by Europe's weak financial outlook and a slowdown in China's economy**
- **The interest rate level will remain low**



*Key figures and tables*

# ILMARINEN 1 JANUARY–30 JUNE 2012

	1.1– 30.6.2012	1.1– 30.6.2011	1.1– 31.12.2011
Premiums written, EUR mill.	2,026	1,873	3,725
Net investment return at current value, EUR mill.	901	24	- 1,153
ROCE, %	3.3 <sup>*)</sup>	0.1 <sup>*)</sup>	-4.0
Technical provisions, EUR mill.	24,598	25,118	24,205
Solvency capital, EUR mill. <sup>1)</sup>	5,306	6,174	4,809
Solvency capital / technical provisions <sup>2)</sup>	22.7	27.3	21.1
Solvency capital / solvency border	2.3	2.1	2.5
Pension assets, EUR mill. <sup>3)</sup>	28,620	28,713	27,584
TyEL payroll, EUR mill. <sup>4)</sup>	16,773	15,909	15,924
YEL payroll, EUR mill. <sup>4)</sup>	1,351	1,252	1,269

\* Rate of return for 6 months

1) Includes provision for pooled claims treated equal to solvency capital

2) The ratio was computed as a percentage of the technical provisions used in calculating the solvency border following the calculation rules valid on the reporting date

3) Technical provisions + differences between current and book value

4) Estimated TyEL and YEL payroll for the whole year

# PERFORMANCE ANALYSIS

EUR mill.	1.1– 30.6.2012	1.1– 30.6.2011	1.1– 31.12.2011
Source of profits			
Technical underwriting result	-14.1	-60.1	-69.4
Investment return at current value			
+ Net investment return at current value	480.0	-375.6	-1,756.2
- Return requirement on technical provisions	901.2	24.1	-1,153.0
	-421.2	-399.7	-603.2
Loading profit	11.1	15.1	33.7
Total result	476.9	-420.6	-1,791.9

# PROFIT AT CURRENT VALUE 1 JANUARY–30 JUNE 2012

EUR mill.	Underwriting business	Investment	Loading profit	Total
Premiums written	1,959.2		67.9	2,026.2
Net investment return at current value		911.4		911.4
Claims paid	-1,913.8			-1,913.8
Change in technical provisions *)	-49.6	-421.2		-470.9
Total operating expenses	-9.9	-10.2	-55.9	-75.9
Other income and expenses				0.0
<b>Profit at current value</b>	<b>-14.1</b>	<b>480.0</b>	<b>11.1</b>	<b>476.9</b>

\*) Before transfer to current and future bonuses and to equalisation provision

# BALANCE SHEET AT CURRENT VALUE 30 JUNE 2012

Assets, EUR mill.		Liabilities, EUR mill.	
Investment at current value	28,421.8	Capital and reserves	84.6
		Depreciation difference	2.5
Receivables	4,108.0	Difference between current and book value	4,021.0
		Provision for future bonuses	237.8
Other assets	232.9	Other solvency capital items	-14.5
		Provision for pooled claims treated equal to solvency capital	973.6
		<b>Solvency capital</b>	<b>5,305.0</b>
		Equalisation provision	982.8
		<b>Capital base</b>	<b>6,287.8</b>
		Provision for current bonuses (to client bonuses)	52.2
		Equity linked buffer	-100.1
		Technical provision *)	22,451.6
		Other liabilities	4,071.3
<b>Assets total</b>	<b>32,762.7</b>	<b>Liabilities total</b>	<b>32,762.7</b>

\*) technical provisions excluding provisions for current and future bonuses, provision for pooled claims treated equal to solvency capital and equalisation provision



# NET INVESTMENT RETURN AT CURRENT VALUE

Grouped according to the provisions

	30.6.2012		31.12.2011		30.6.2011	
	EUR mill.	%	EUR mill.	%	EUR mill.	%
Loan receivables <sup>1)</sup>	2,709.0	9.5	2,796.6	10.3	3,006.9	10.6
Bonds <sup>1)</sup>	8,723.4	30.7	8,716.5	32.1	8,384.8	29.5
incl. fixed-income funds	551.8	1.9	458.7	1.7	691.7	2.4
Other money market instruments and deposits <sup>1)</sup>	528.2	1.9	150.3	0.6	746.6	2.6
incl. fixed-income funds	-0.4	0.0	-53.1	-0.2	-0.8	0.0
Shares and participations	13,099.0	46.0	12,228.0	45.1	13,112.1	46.2
Real estate	3,412.5	12.0	3,237.1	11.9	3,127.6	11.0
incl. investment funds	515.8	1.8	500.5	1.8	477.9	1.7
<b>Total investments</b>	<b>28,421.8</b>	<b>100.0</b>	<b>27,128.4</b>	<b>100.0</b>	<b>28,378.0</b>	<b>100.0</b>

1) Accrued interest included

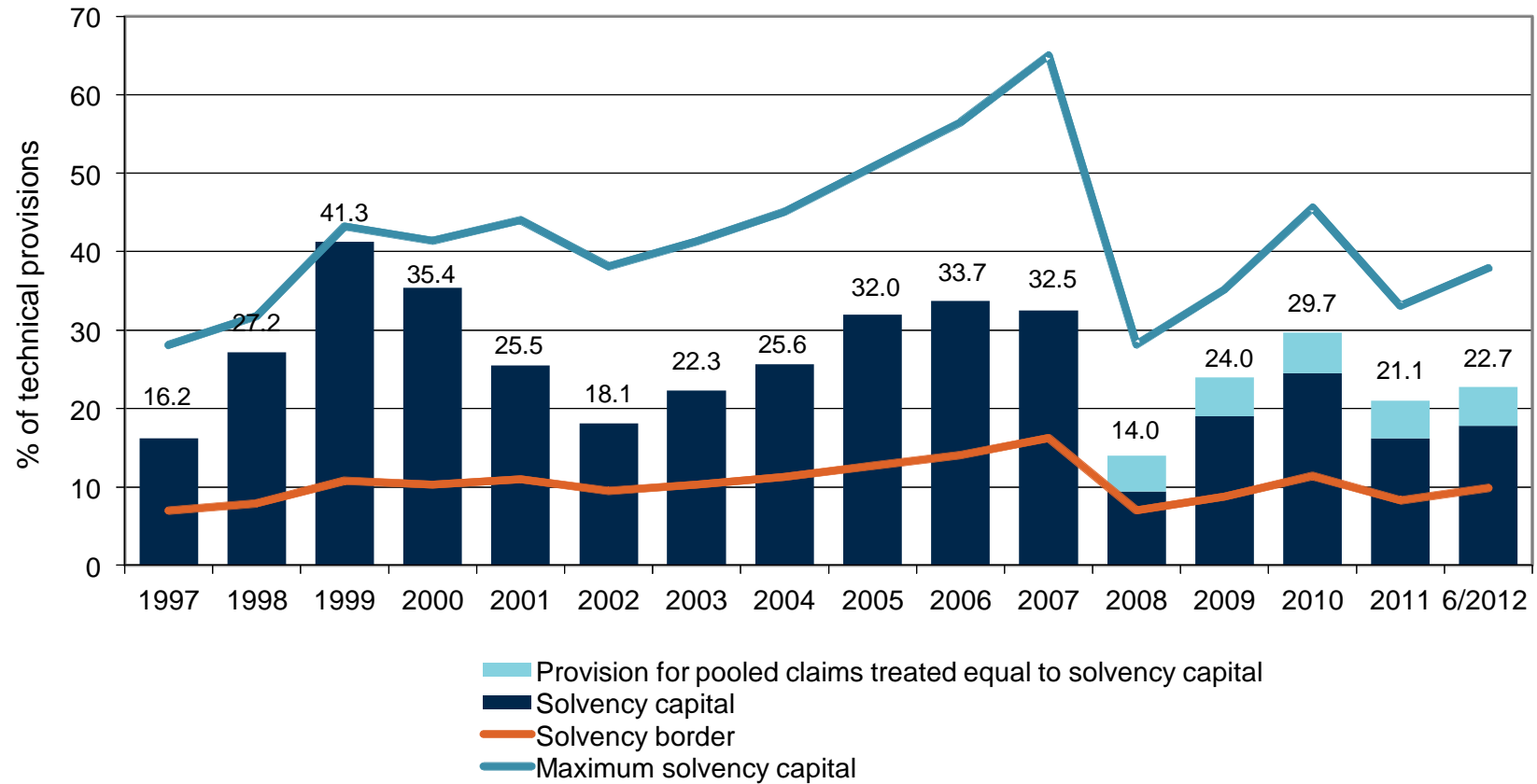
The portfolio structure does not include investment assets and liabilities.

# SOLVENCY

% of the technical provision used in calculating the solvency border	30.6.2012	31.12.2011	30.6.2011
Solvency border	9.9	8.3	12.2
Maximum solvency capital	39.5	33.1	48.7
Solvency capital <sup>1)</sup>	22.7	21.1	27.3

<sup>1)</sup> Includes provision for pooled claims treated equal to solvency capital

# SOLVENCY



On 30 June 2012, the solvency ratio was 2.3 times the solvency border (31.12.2011: 2.5).