

ILMARINEN IN 2018

Financial Statements 15 February 2019

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

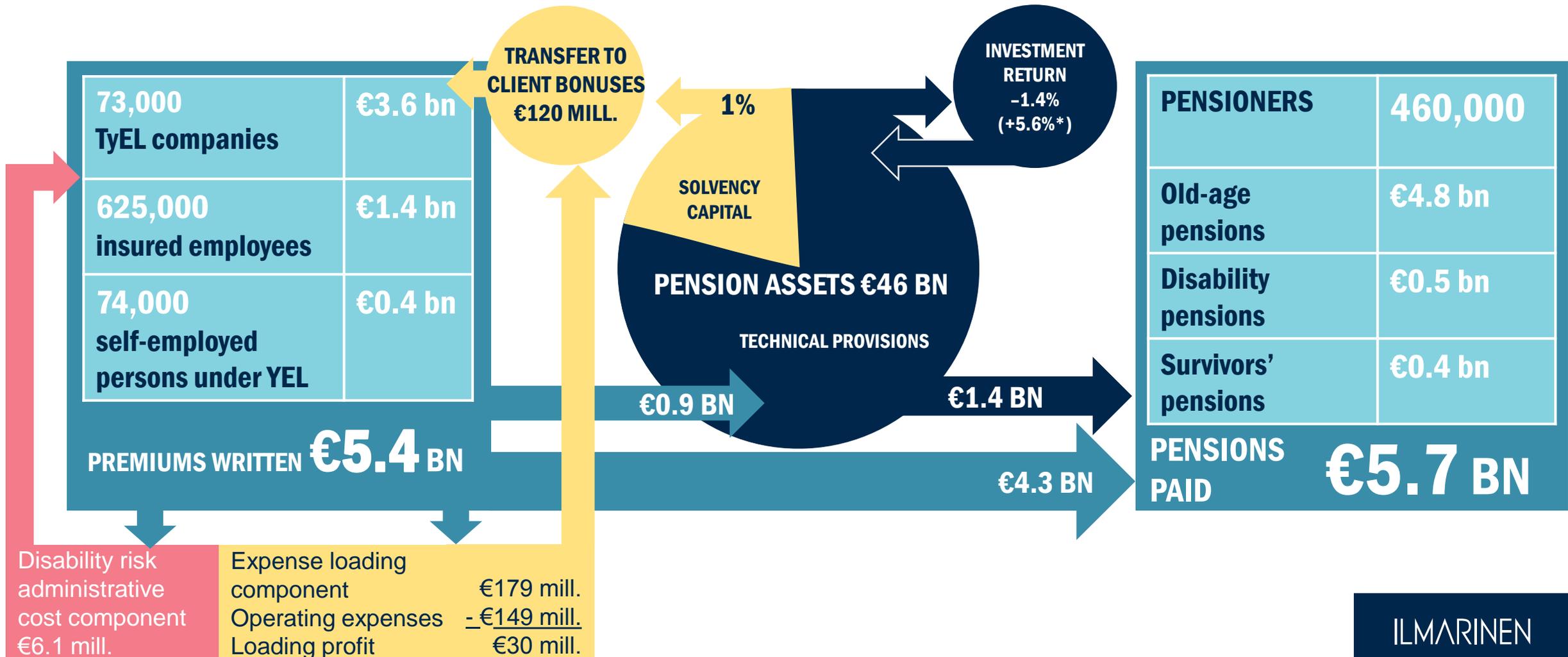
PAREMPAA
ELÄMÄÄ,
OLE HYVÄ.

ILMARINEN IN 2018

- We merged with Etera and became Finland's largest earnings-related pension company
- The integration was implemented as planned; we will achieve the synergy benefits in the upcoming years
- We implemented the national Incomes Register
- Total customer acquisition was at an excellent level, customer retention improved despite the merger and OP Financial Group chose Ilmarinen as its earnings-related pension insurance partner
- We renewed our organisation to meet our customers' needs and the requirements of future working life
- We built a common operating culture and harmonised, even more efficient operating models
- The investment year, especially the final quarter, was challenging



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



*) Long-term (1997–2018) nominal return 5.6% pa. and real return for the same period 4.0% pa.

KEY FIGURES JANUARY–DECEMBER 2018

Premiums written **€5.4 bn**
(€4.3 bn)

Pensions paid **€5.7 bn**
(€4.7 bn)

Loading profit **€29.9 mill.**
(€25.4 mill.)

Ratio of operating expenses to expense loading components **83.2%**
(81.1%)

Return on investments **-1.4%**
(7.2%)

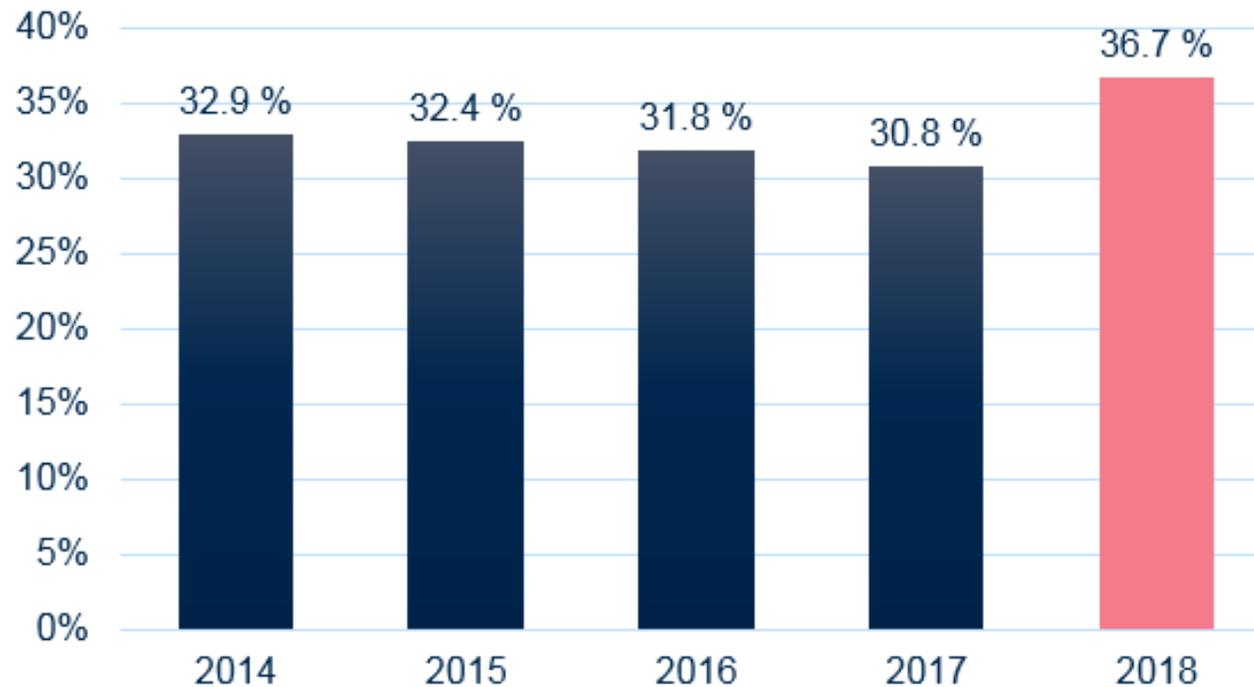
Investment assets **€46.0 bn**
(€39.4 bn)

Solvency ratio **123.7%**
(131.2%)

Transfer to client bonuses **€120 mill.**
(€120 mill.)

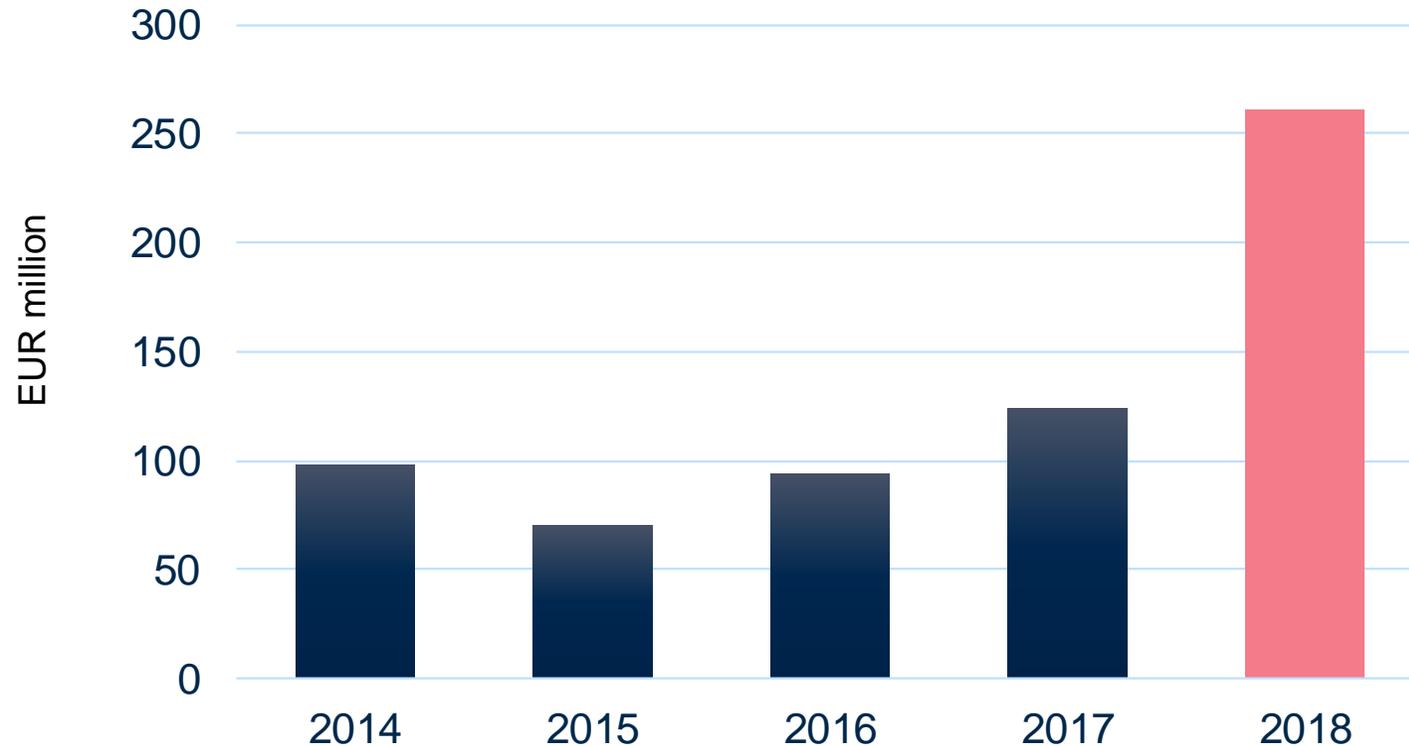
ILMARINEN'S MARKET SHARE ROSE TO 36.7 PER CENT FOLLOWING THE MERGER

Market share* % of total premiums written



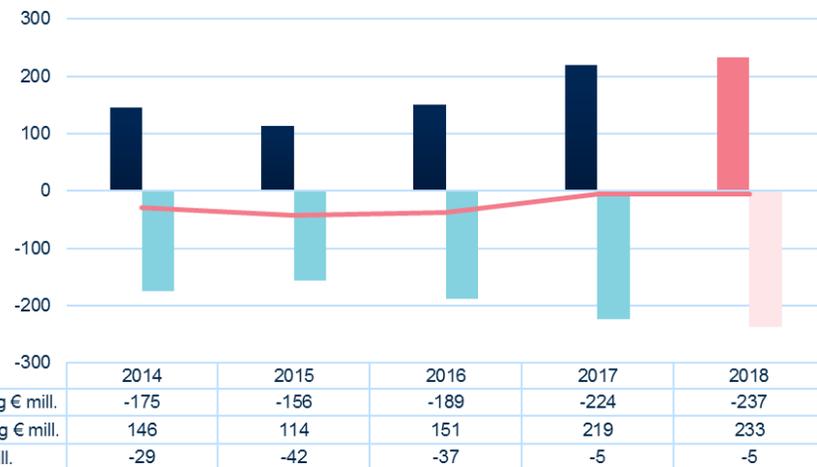
NET CUSTOMER ACQUISITION WAS €262 MILL., OF WHICH THE TRANSFER OF OP-ELÄKEKASSA'S PORTFOLIO ACCOUNTED FOR €121 MILL.

Net customer acquisition, premiums written

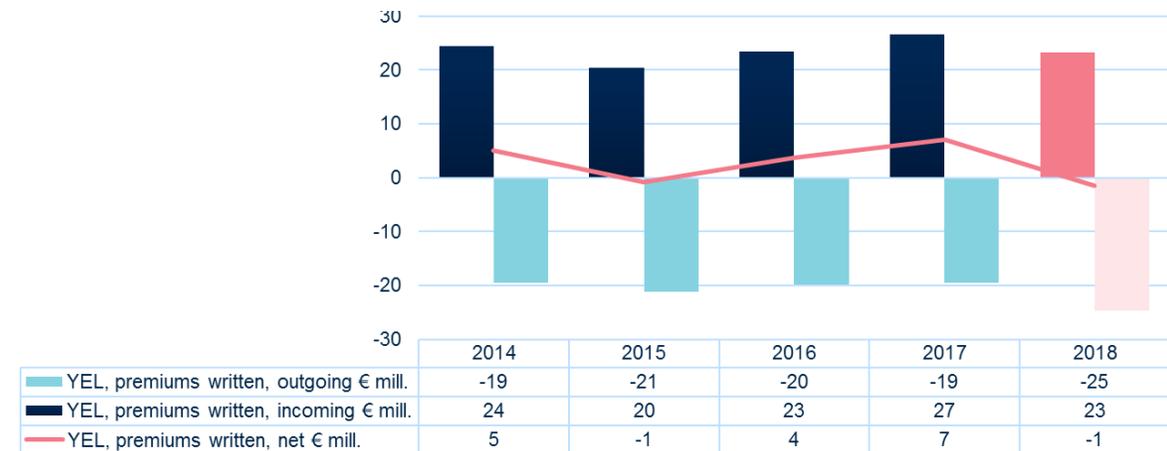


NET TRANSFER RESULT € -6 MILL.

TyEL transfers, premiums written (€ mill.)

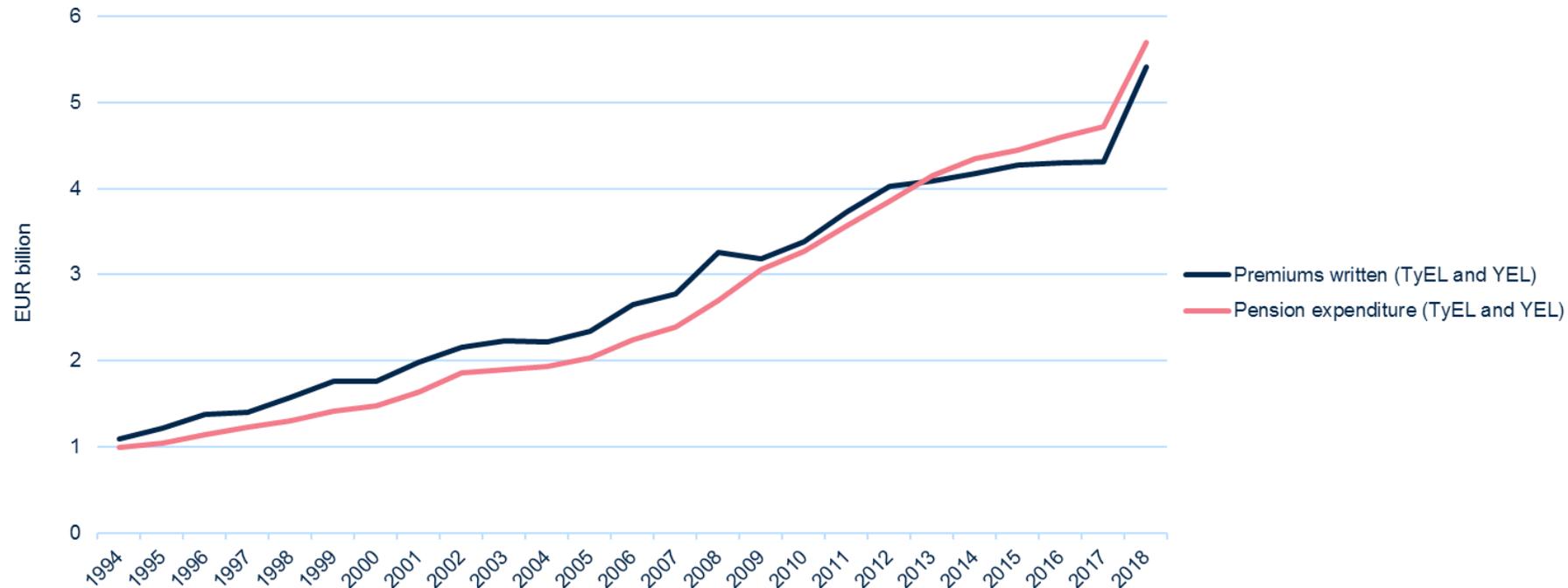


YEL transfers, premiums written (€ mill.)



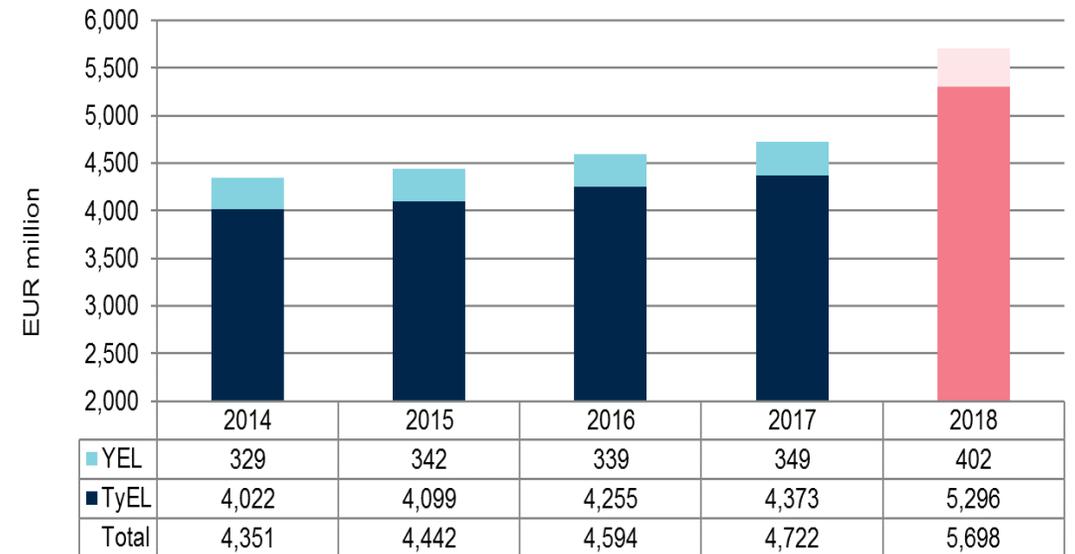
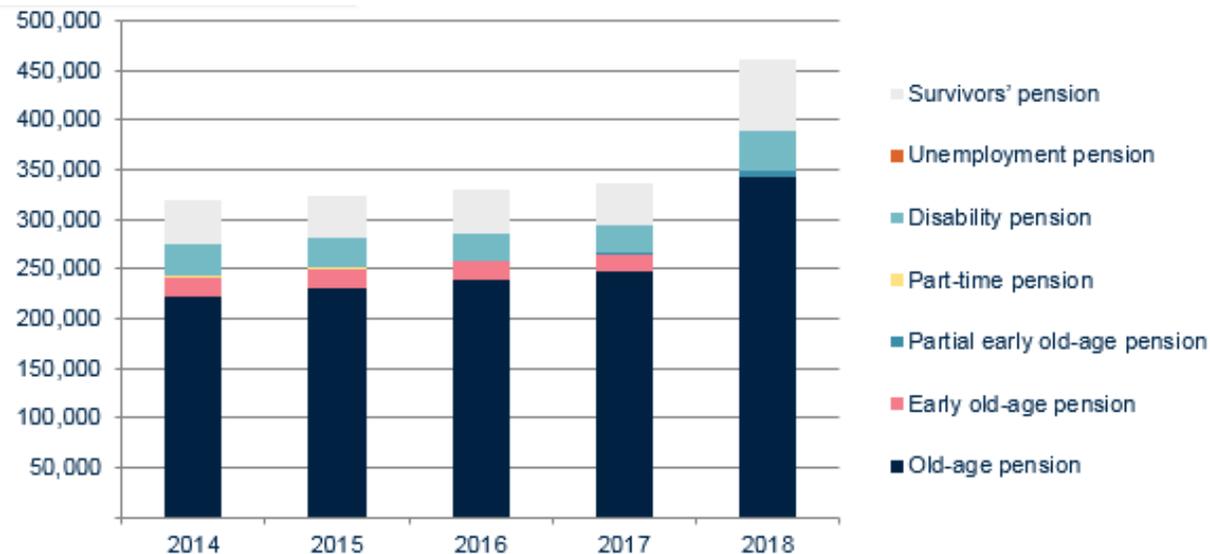
PREMIUMS WRITTEN, €5.4 BN, PENSIONS PAID €0.3 BN HIGHER THAN PREMIUMS WRITTEN

Premiums written and pensions paid



CLOSE TO 460,000 PENSIONERS AND PENSIONS PAID TOTALLING €5.7 BN

Number of pensioners and pensions paid



A TOTAL OF **CLOSE TO 34,000** NEW PENSION DECISIONS WERE MADE

Pension decisions

	2018	2017	Change-%
New pension decisions			
Old-age pensions	13,396	12,393	8
Partial early old-age pensions	2,687	2,996	-10
Part-time pensions	0	94	
Disability pensions	8,446	6,302	34
Years-of-service pensions	16	2	700
Survivors' pensions	4,809	3,332	44
Right to rehabilitation	4,522	3,485	30
New pension decisions, total	33,876	28,604	18
Pension decisions, total	55,973	46,028	22

THE DISABILITY PENSION EXPENDITURE WAS €495 MILL. AND THE NUMBER OF APPLICATIONS GREW BY MORE THAN 9%

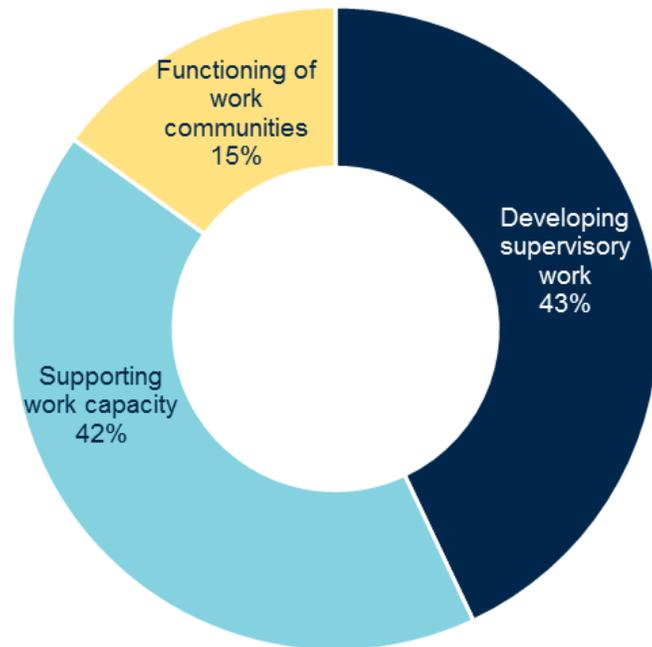
Disability pension expenditure, € mill.



New disability pension applications received by Ilmarinen grew by 9.4 per cent in 2018 (compared to Ilmarinen's and Etera's total number of applications in 2017). Disability pension applications based on mental health problems increased most among those under 40.

MORE THAN 3,200 WORK CAPACITY PROJECTS IMPLEMENTED; CUSTOMER EXPERIENCE AT A GOOD LEVEL

Work capacity project themes and customers' satisfaction with the services



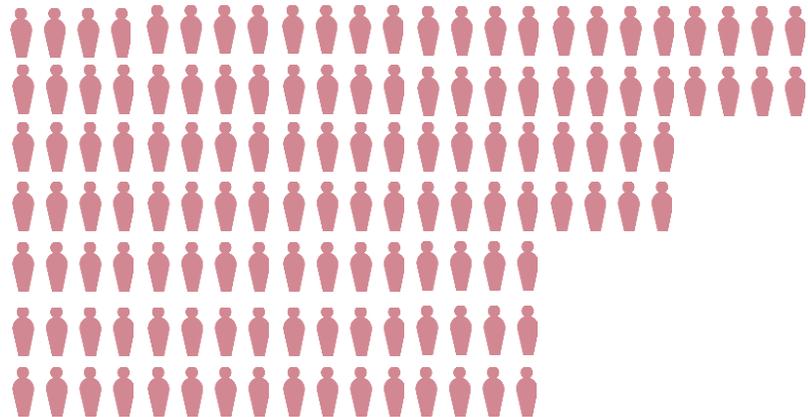
Work capacity services' NPS 75

ILMARINEN'S WORK CAPACITY PROJECTS COVER 25–30% OF THE INSURED ANNUALLY

2017

2,300 projects
(€6.8 mill.)

135,000 persons

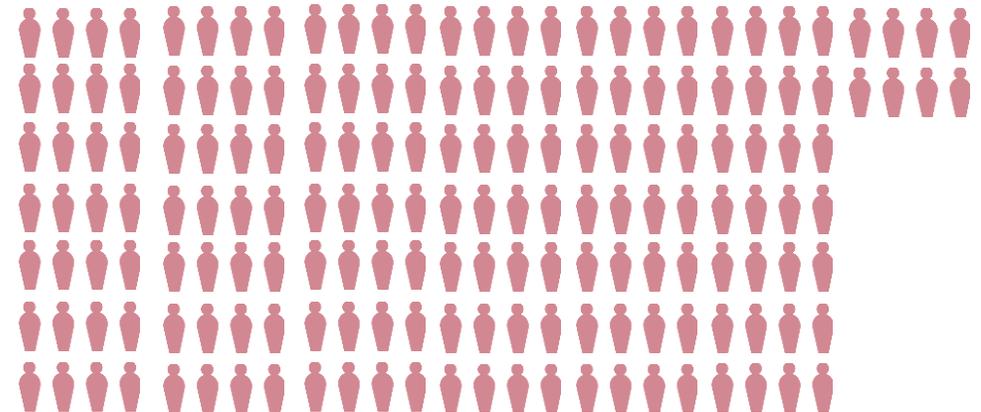


Benefit perceived by customers: **4.5**
(on a scale of 1–5)

2018

3,200 projects
(€5.9 mill.)

176,000 persons

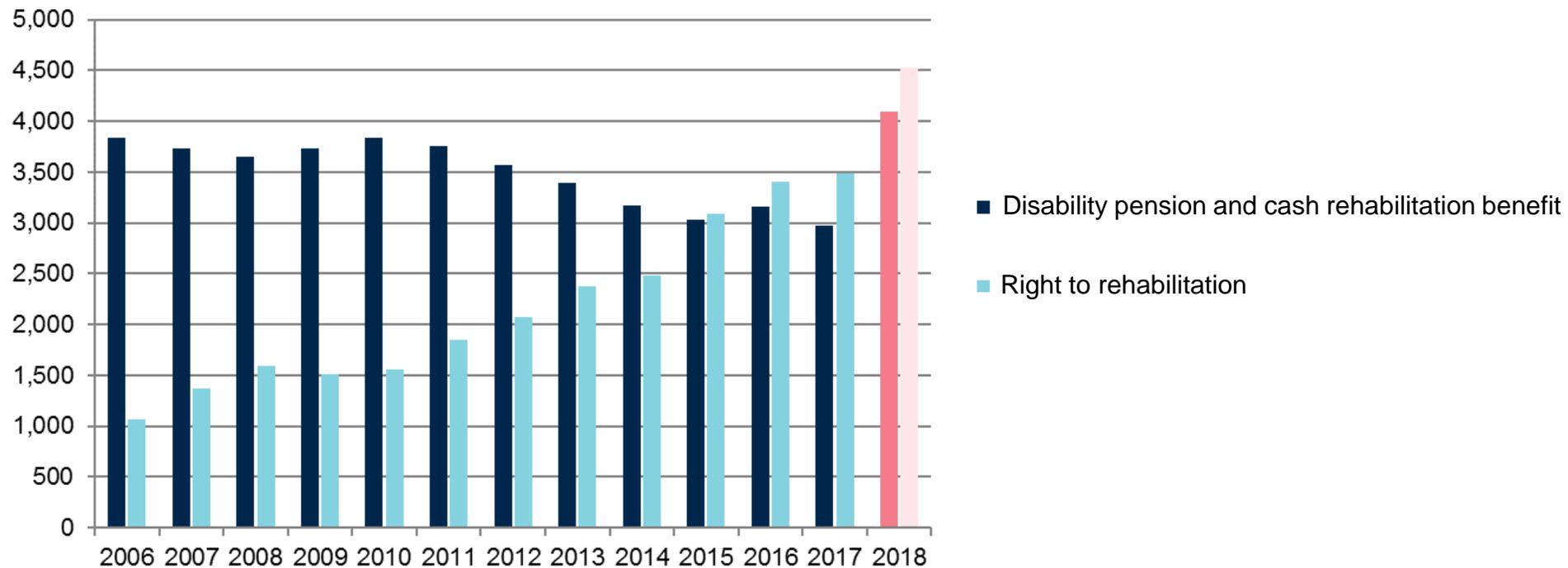


Benefit perceived by customers: **4.6**
(on a scale of 1–5)

ILMARINEN

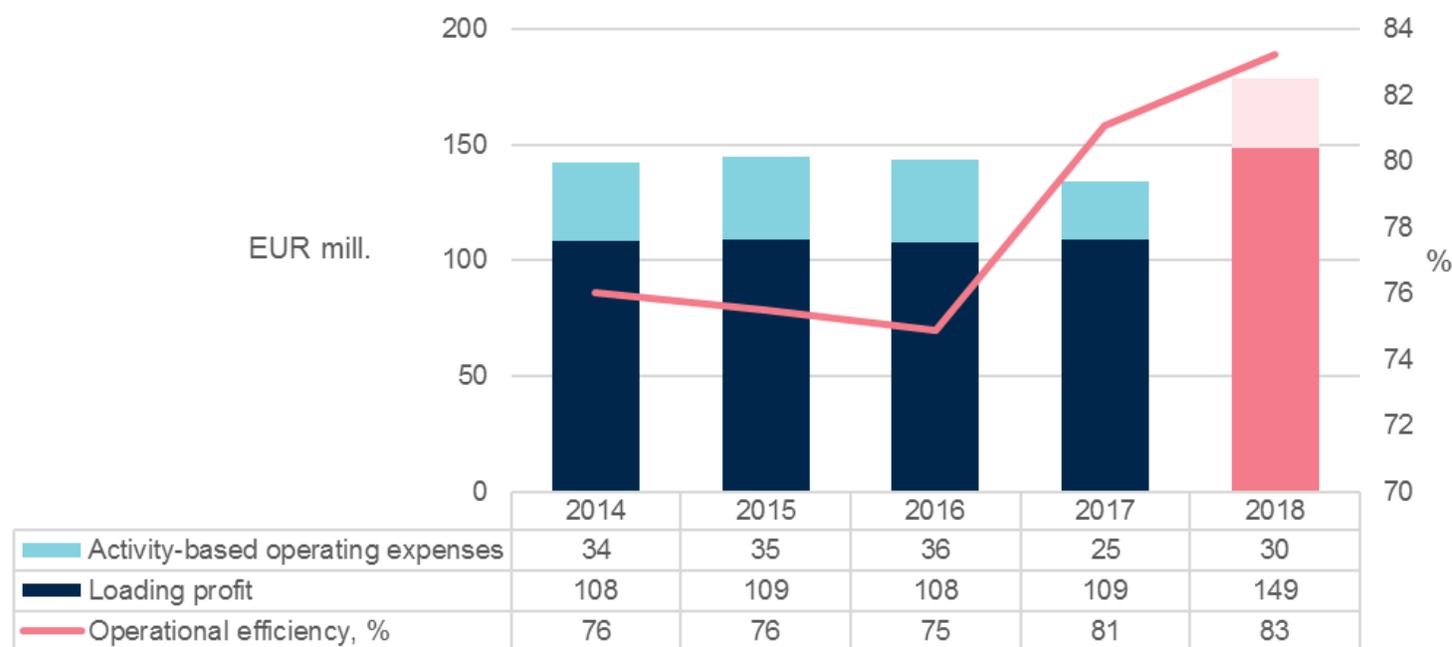
MORE THAN 4,500 REHABILITATION DECISIONS WERE MADE

Disability and rehabilitation



RATIO OF OPERATING EXPENSES TO EXPENSE LOADING COMPONENTS 83% – RESULT BURDENED BY MERGER COSTS AND WRITE-DOWNS

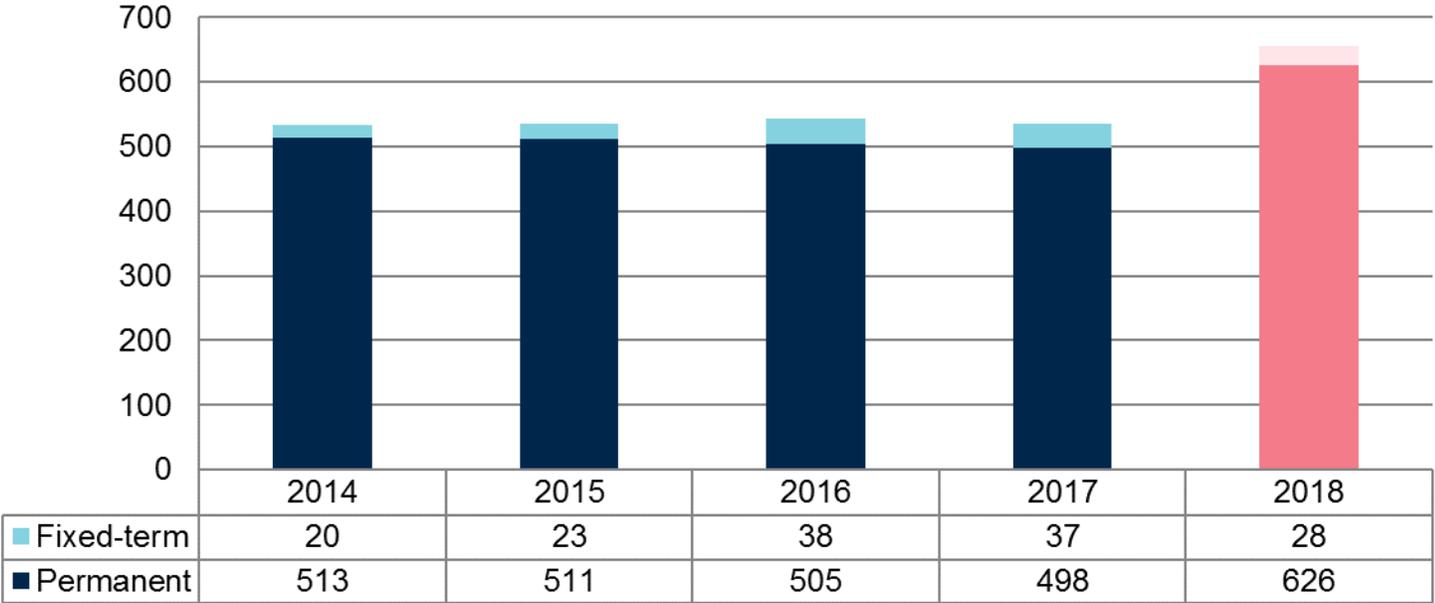
Operating expenses and loading profit



The 2018 result was burdened by write-downs of duplicative systems (€15 mill.), without which the loading profit would have been €45 mill. and the ratio of operating expenses to expense loading components would have been 75%.

NUMBER OF PERSON YEARS **655 AT YEAR-END**

Person years



DUE TO A WEAK Q4 INVESTMENT MARKET RETURN ON INVESTMENTS

-1.4%

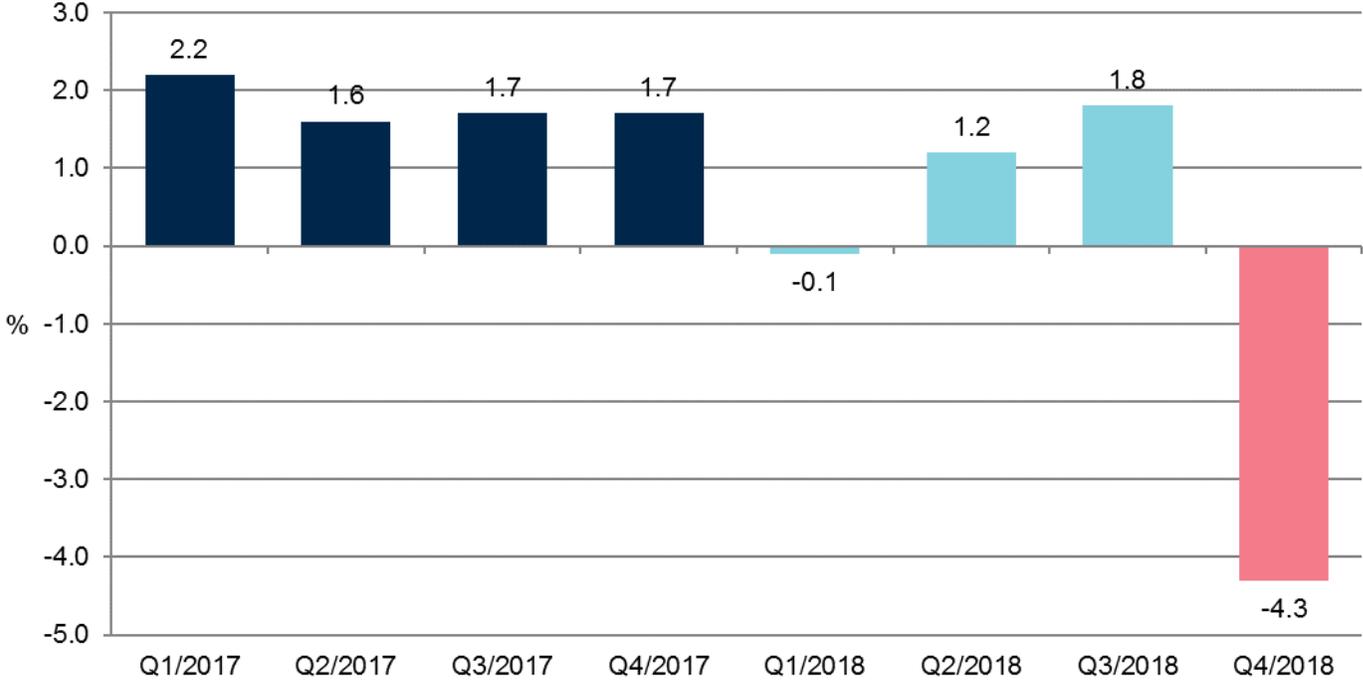
January–December 2018 (2017)

- Return on investments **-1.4%** (**-7.2%**)
 - Return on equity investments **-3.6%** (**14.8%**)
 - Return on fixed income investments **0.0%** (**1.6%**)
 - Return on real estate investments **6.0%** (**5.0%**)
- Long-term return* at a good level
 - Nominal return **5.6%**
 - Real return **4.0 %**



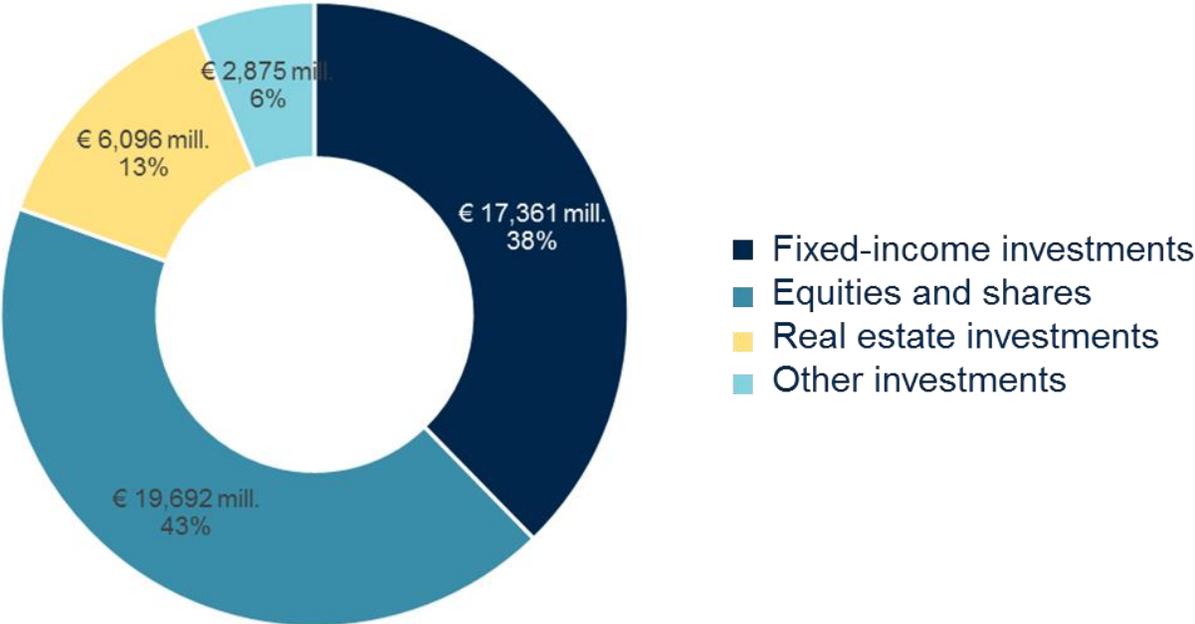
Q4 RETURN DOWN TO -4.3% DUE TO DECLINING STOCK PRICES

Quarterly investment returns



INVESTMENT ASSETS €46 BILLION

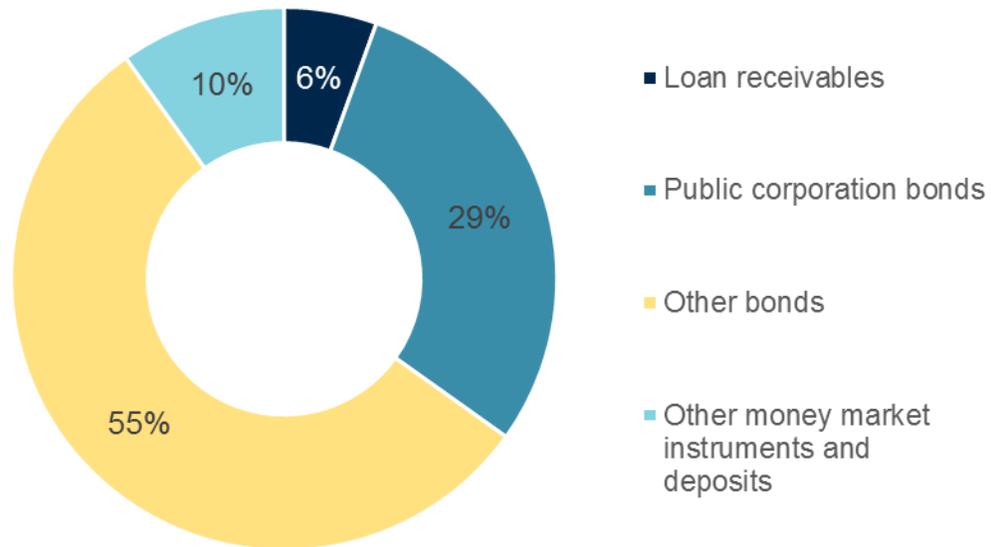
Market value of investment assets (€46.0 billion) by asset class



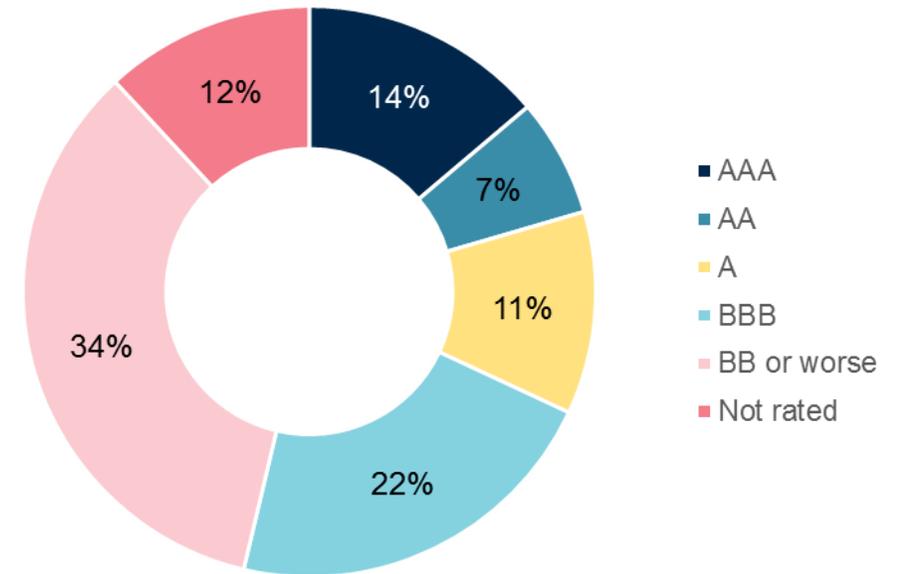
OF THE BONDS, 54% HAVE A GOOD CREDIT RATING

RATING

Fixed income investments (€17.4 bn) by investment category

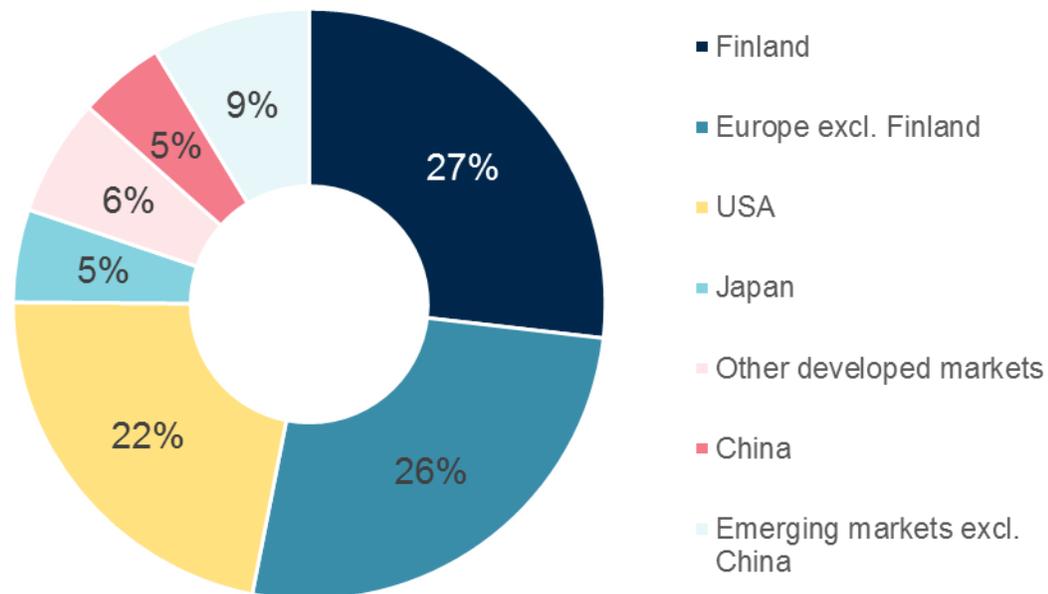


Bonds (€14.3 bn) by credit rating



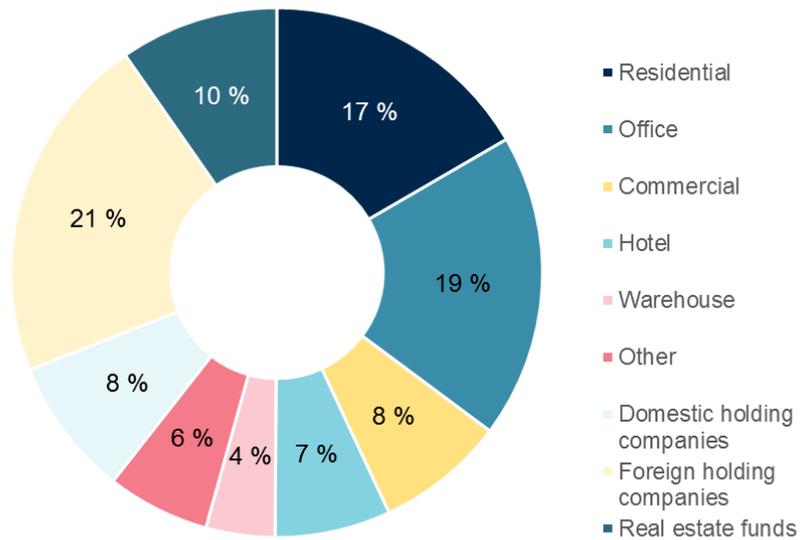
27 PER CENT OF LISTED EQUITY INVESTMENTS IN FINLAND

Listed equities and shares (€15.9 bn) by area

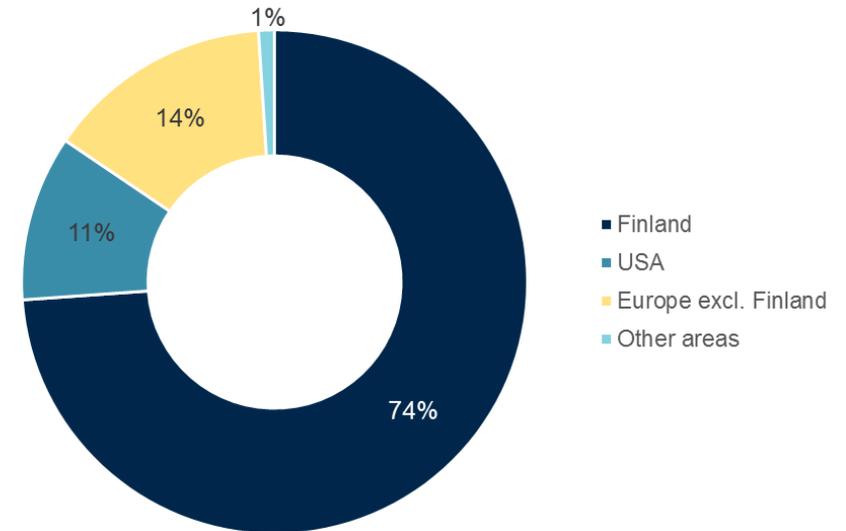


74 PER CENT OF REAL ESTATE IN FINLAND

Real estate investments (€6.1 bn) by property type



Real estate investments (€6.1 bn) by area



ILMARINEN'S INVESTMENTS IN FINLAND

MORE THAN €11 BN

Equity investments in
Finnish companies

- Listed **€4.0 bn**
- Non-listed **€1.0 bn**



Real estate investments
in Finland **€4.5 bn**



Loans to Finnish
companies **€0.9 bn**



Bonds
€1.0 bn



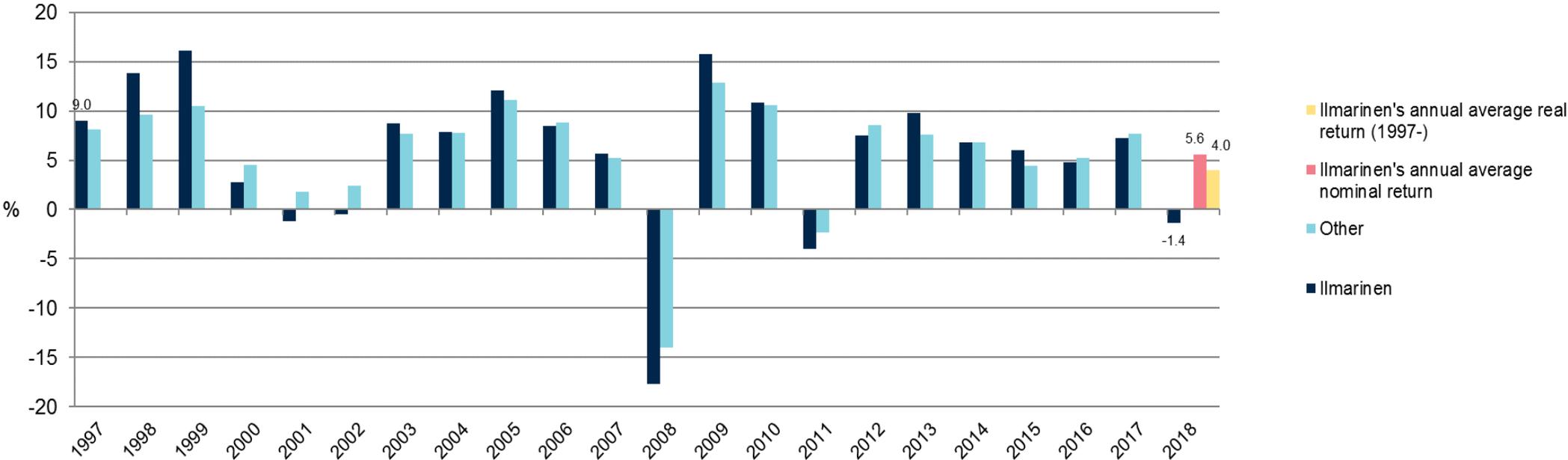
LARGEST FINNISH LISTED EQUITY HOLDINGS

	EUR mill.	31 Dec 2018	31 Dec 2017
↑	Neste Corporation	274	250
↓	Kojamo Plc	264	Listed on 19 June 2018
↓	Stora Enso Corporation	216	246
↑	UPM-Kymmene Corporation	200	182
↑	Nordea Bank Abp	190	128
↑	Kone Corporation	188	187
↑	Nokia Corporation	184	123
↑	Fortum Corporation	170	102
↑	Wärtsilä Oyj Abp	166	157
↓	Sampo Plc	155	169

	Percentage	31 Dec 2018	31 Dec 2017
	Nurminen Logistics Plc	19.84	19.84
↑	Talenom Oyj	17.19	0.00
	Digia Plc	14.59	14.59
↓	Kojamo Plc	13.09	Listed on 19 June 2018
↓	QT Group Plc	10.14	14.28
↑	Costi Plc	9.93	3.96
↑	Panostaja Oyj	8.11	0.00
	Martela Corporation	8.07	8.07
↑	Glaston Corporation	7.15	0.00
	Citycon Oyj	7.13	7.13

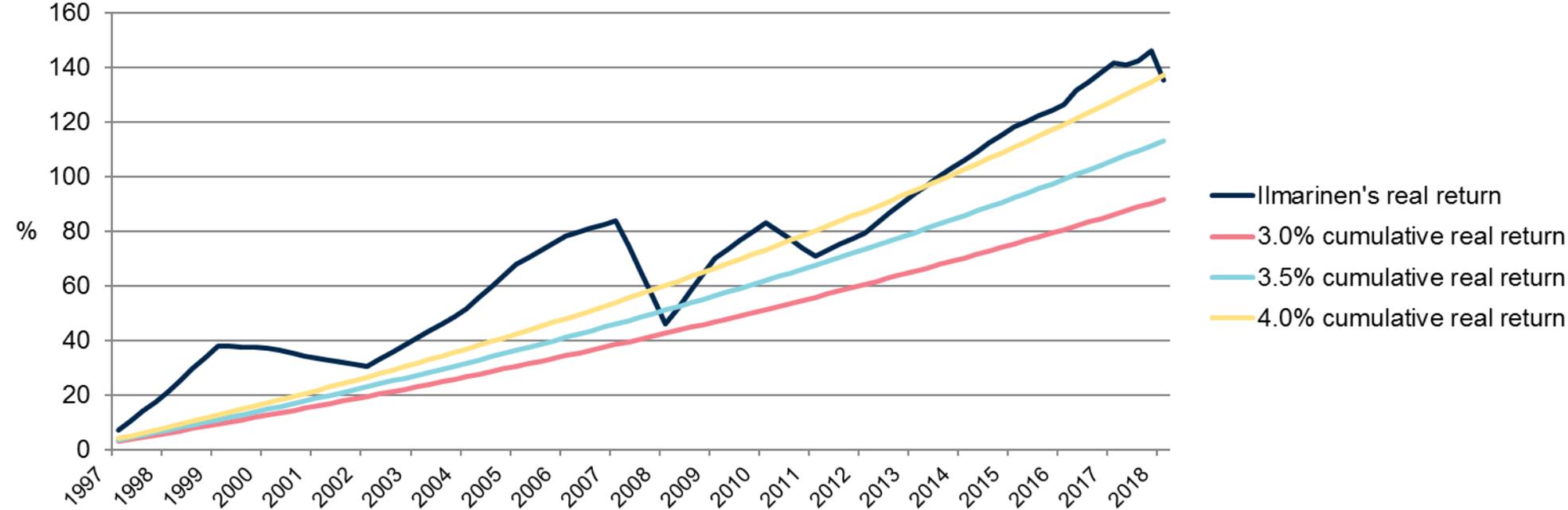
LONG-TERM AVERAGE NOMINAL RETURN 5.6% AND REAL RETURN 4.0%

Net investment return at current value



LONG-TERM REAL RETURN DEVELOPMENT

Cumulative net return on investments 1997–2011



INVESTMENT RETURN WAS -1.4%

Asset allocation and return

	12/2018 Basic breakdown		12/2018 Risk breakdown		12/2018 Return		Volatility
	EUR mill.	%	EUR mill.	%	%		
Fixed-income investments	17,360.7	37.7	14,035.1	30.5	0.0		
Loan receivables	954.0	2.1	954.0	2.1	3.4		
Bonds	14,695.0	31.9	3,652.1	7.9	-0.3	1.6	
Public corporation bonds	5,101.2	11.1	4,209.0	9.1	-1.5		
Other bonds	9,593.8	20.8	-556.9	-1.2	0.4		
Other money market instruments and deposits (incl. investment receivables and payables)	1,711.7	3.7	9,429.0	20.5	1.3		
Equities and shares	19,692.1	42.8	19,632.3	42.7	-3.6		
Listed equities and shares	14,997.4	32.6	14,937.5	32.5	-9.7	8.9	
Private equity investments	3,752.3	8.2	3,752.3	8.2	18.0		
Non-listed equities and shares	942.4	2.0	942.4	2.0	28.8		
Real estate investments	6,096.4	13.2	6,113.5	13.3	6.0		
Real estate investments	5,508.0	12.0	5,508.0	12.0	5.3		
Real estate funds and joint investments	588.4	1.3	605.5	1.3	11.8		
Other	2,874.8	6.2	6,424.8	14.0	-10.1		
Hedge fund investments	2,000.2	4.3	2,000.2	4.3	2.9	3.9	
Commodity investments	20.1	0.0	99.8	0.2			
Other investments	854.6	1.9	4,324.8	9.4	-26.6		
Investments total	46,024.0	100.0	46,205.7	100.4	-1.4		3.1
Effect of derivatives			-181.7	-0.4			
Investments at current value	46,024.0		46,024.0	100.0			

The modified duration of bond investments is 0.3 years

The open currency position is 20.6% of the market value of the investments.

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

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⁾
Q4/2018	-4.3	-14.4	-11.6	1.5	-0.6
2018	-1.4	-3.9	-10.8	1.0	-1.3
2017	7.2	11.5	10.6	0.1	2.4
Average return over 5 years	4.6	9.3	3.4	3.7	2.6
Average return over 10 years	6.2	12.8	8.6	4.0	5.0
Average return since 1997	5.6	9.4	5.8	4.8	4.5
Real average return over 5 years	4.0	8.6	2.7	3.1	2.0
Real average return over 10 years	4.9	11.4	7.3	2.8	3.8
Real average return since 1997	4.0	7.8	4.2	3.2	3.0

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

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

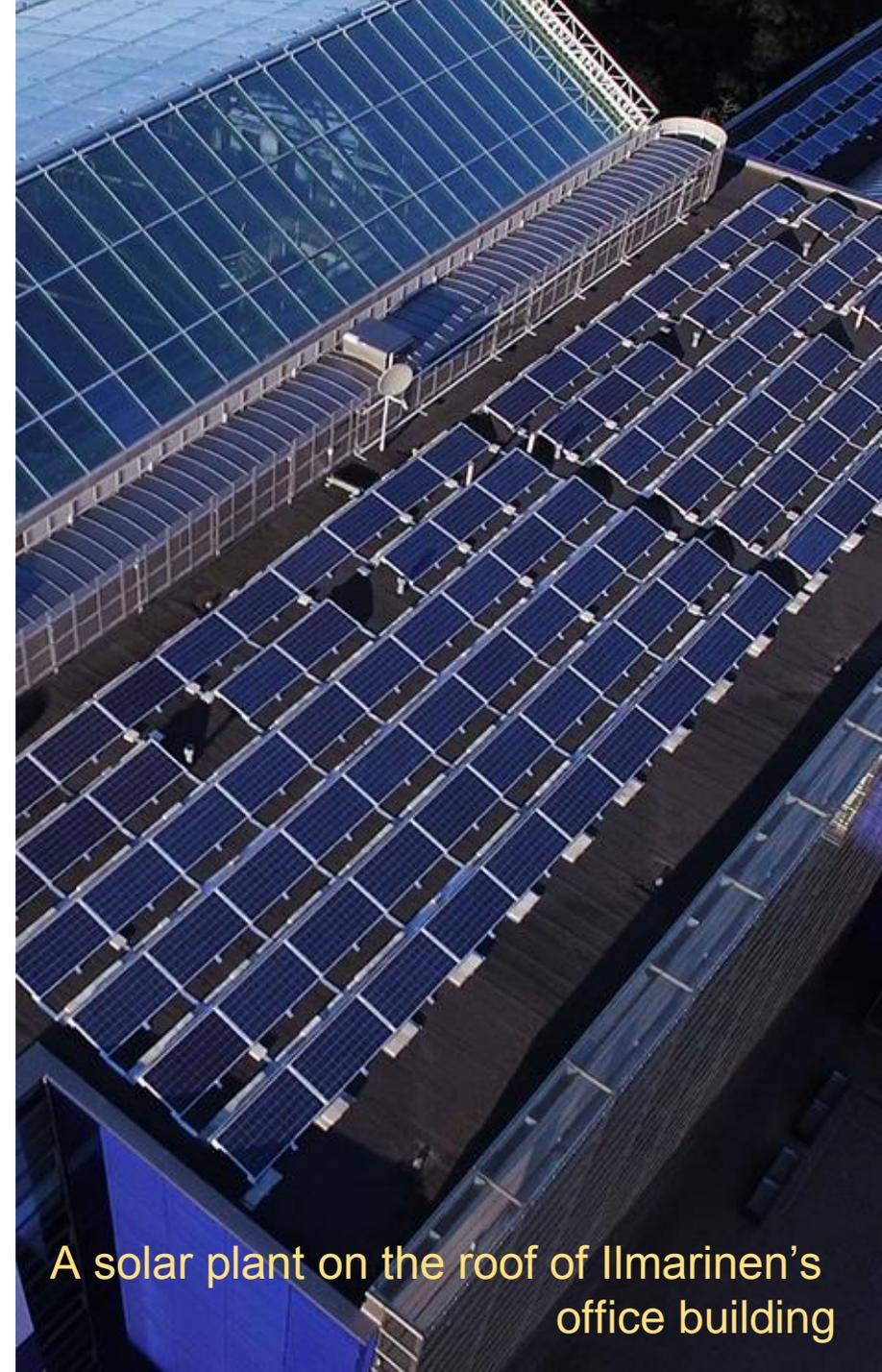
³⁾ IBOXX Euro Sovereign Overall Total Return Index

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

RESPONSIBLE INVESTMENT

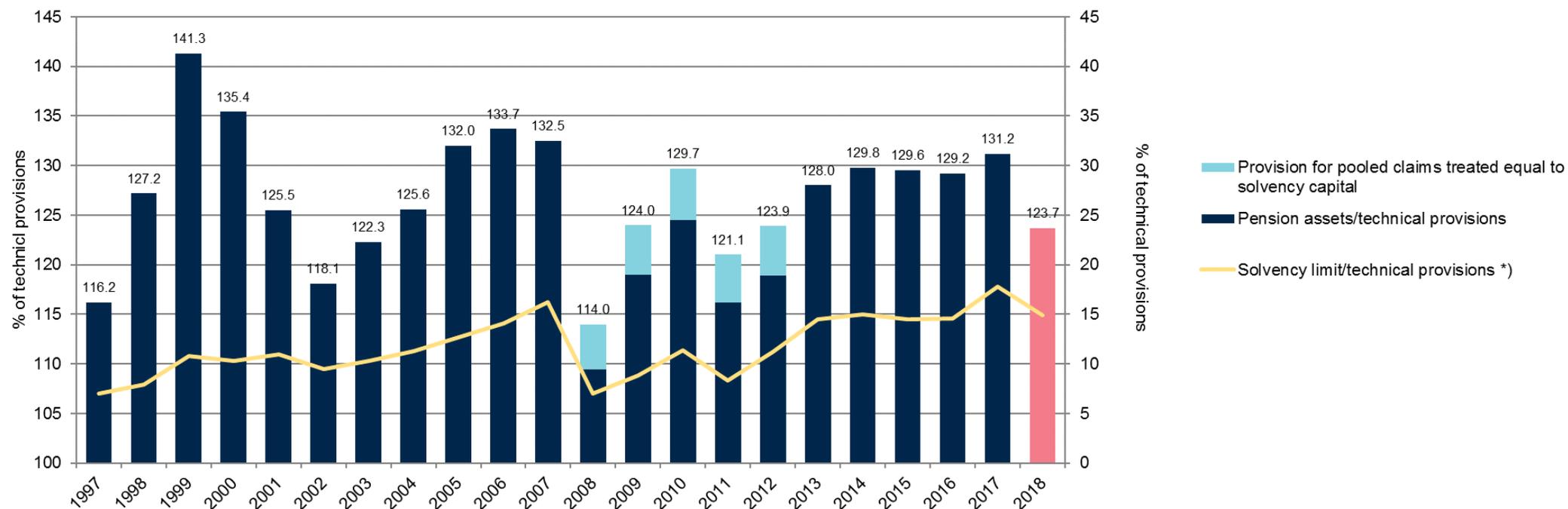
RECOGNISED

- Equity portfolio's carbon footprint 30% lower than the benchmark index
- Sustainable development (SDG) solutions account for 7.9% of direct equity investments' net sales
- Two new properties were granted LEED environmental certification
- We received the A rating and were ranked in the top 10 in the AODP climate organisation's international comparison. The Winning Climate Strategies report published by AODP highlighted Ilmarinen's climate actions as a good example.
- Our Sustainability Report came second in the competition organised by the international publication Responsible Investor



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

THE SOLVENCY RATIO DECREASED TO 124 PER CENT DUE TO THE MERGER AND A WEAK EQUITY MARKET



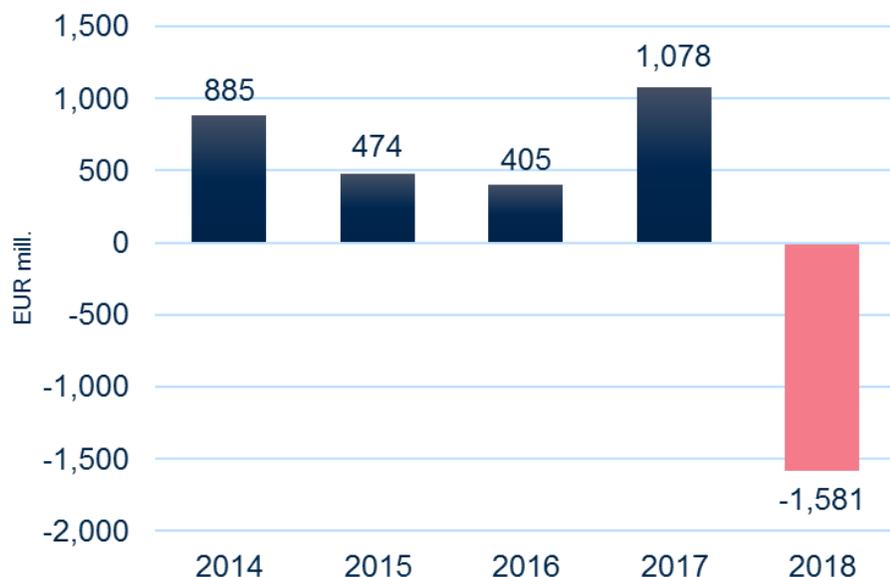
The solvency position was 1.6 (1.8).

Pension assets/technical provisions according to the scale on the left and solvency limit according to the scale on the right.

*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. For 1997–2016, the method of presentation in accordance with the legislation in force is applied.

DUE TO LOW INVESTMENT INCOME, THE TOTAL FINANCIAL RESULT WAS €1.6 BN NEGATIVE

Total financial result, € mill.



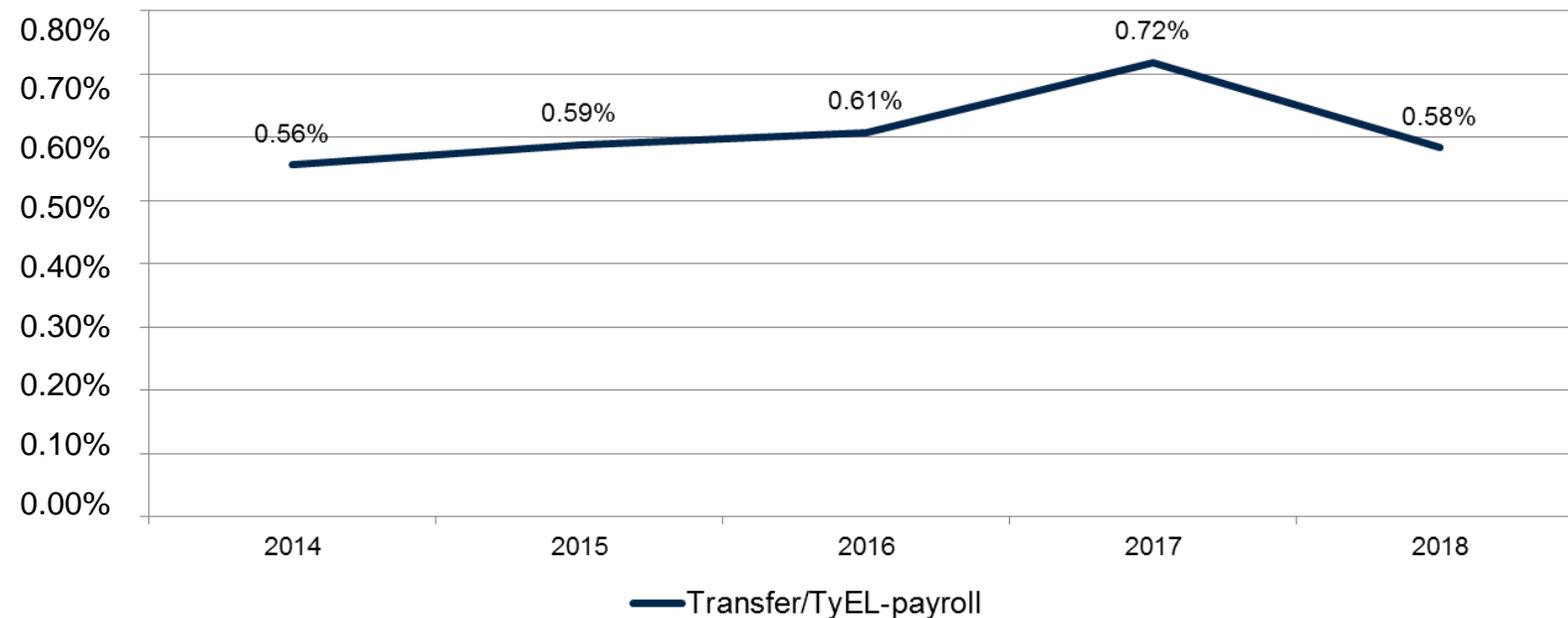
Source of profit, € mill.

EUR mill.	2014	2015	2016	2017	2018
Technical underwriting result	46	32	-36	13	-40
Return on investments at fair value	805	407	411	1 039	-1 592
+ Net return on investments at fair value	2,188	2,071	1,743	2,693	-642
- Return requirement on technical provision	-1,384	-1,664	-1 333	-1,655	-950
Loading profit	34	35	36	25	30
Other profit ¹⁾	-	-	-6	1	22
Total result	885	474	405	1,078	-1,581

¹⁾ Other result includes an item of around €14 million due to a change in the accounting entry practice related to the release of advance entries of credit losses. This item weakens the underwriting result. Other result also includes other interest items and other income and expenses, among other things. In 2014–2015 the other result is included in the investment income.

€120 MILL. WAS TRANSFERRED TO CLIENT BONUSES

Client bonuses in relation to payroll



	2014	2015	2016	2017	2018
Solvency capital, EUR mill.	7,904	8,244	8,460	9,421	8,918
Operational efficiency	34	35	36	25	30
Transfer to client bonuses, EUR mill.	93	98	102	120	120

FUTURE PROSPECTS

- The outlook for the global economy became more uncertain during the latter half of 2018.
- In recent forecasts, economic growth is expected to continue, but slow down in 2019 in both Finland and other industrialised countries compared to 2018.
- Decisive for the investment markets will be the extent to which the decelerating growth will be reflected in companies' earnings and how the central banks will respond to the situation.
- The uncertainties related to the economic growth rate, monetary policy, Brexit negotiations and trade war are still fuelling market nervousness.
- Despite slower growth, employment and payroll in Finland are expected to continue to develop favourably. This will have a positive impact on earnings-related pension institutions' premiums written also in 2019.
- The key risks affecting Ilmarinen's operations and the earnings-related pension system are related to the development of employment and payroll, uncertainty in the investment market and the development of demographics and the birth rate, which has been exceptionally low in recent years.

ATTACHMENTS

COMPARABLE CHANGE IN KEY FIGURES

	2018	2017	2017 Pro forma
Premiums written, EUR mill.	5,409.9	4,311.6	5,105.6
Pensions paid, EUR mill.	5,698.4	4,721.8	5,535.8
Total operating expenses, EUR mill.	194.6	150.3	199.6
Total profit at fair value, EUR mill.	-1,581.0	1,078.4	1,167.2
Operating expenses covered by loading income	148.8	108.9	143.2
Loading profit, EUR mill.	29.9	25.4	31.5
Operational efficiency, %	83.2	81.1	82.0
Technical provisions, EUR mill.	40,625.7	33,390.9	39,219.1
Solvency capital, EUR mill.	8,917.7	9,420.7	10,350.3
in relation to solvency border	1.6	1.8	1.7
Pension assets, EUR mill	46,473.8	39,633.6	46,232.6
% of technical provisions	123.7	131.2	128.8
Investments at fair value, EUR mill.	46,024.0	39,355.1	45,825.1
Net return on investments at fair value, EUR mill.	-641.6	2,693.4	3,062.4
ROCE, %	-1.4	7.2	7.1
Investment result at fair value, EUR mill.	-1,592.1	1,038.8	780.3
Pensioners	459,993	336,654	469,531
TyEL payroll, EUR mill.	20,568.0	16,708.6	19,718.6
YEL payroll, EUR mill.	1,682.5	1,483.6	1,674.6
TyEL policies	73,370	38,766	67,766
Insured under TyEL	624,800	503,800	615,800
YEL policies	74,443	63,052	72,922
Permanent personnel 31 Dec	649	520	741

PROFIT AND LOSS ACCOUNT AT CURRENT VALUE

EUR million	2018	2017
Premiums written	5,409.9	4,311.6
Net investment income at current value	-613.2	2,730.7
Claims paid	-5,711.7	-4,721.8
Change in technical provision	-458.0	-1,080.6
Total operating expenses	-194.6	-150.3
Taxes	-13.4	-11.1
Profit at current value	-1,581.0	1,078.4
Change in equalisation provision included in the solvency capital entered in the profit and loss account	0.0	0.0
Change in provision for future bonuses	543.0	-731.6
Change in difference between current and book value	1,163.8	-221.4
Change in depreciation difference	0.2	-0.3
Transfer to client bonuses	-120.0	-120.0
Profit for the financial year in the official profit and loss account	6.0	5.2

BALANCE SHEET AT CURRENT VALUE

EUR million	2018	2017
Assets		
Investments	44,294.6	39,355.1
Receivables	6,782.1	9,401.6
Other assets	4.2	3.8
Assets total	51,080.8	48,760.5
Liabilities		
Capital and reserves after proposed distribution of profits on 31.12.2018	174.1	10.0
Depreciation difference	5.7	5.4
Valuation differences	5,750.5	6,185.6
Provision for future bonuses	3,043.6	3,159.7
Other items	-56.1	-39.0
Equalisation provision included in the solvency capital	0.0	0.0
Solvency capital total	8,917.7	9,420.7
Provision for current bonuses (to client bonuses)	119.2	119.9
Equity linked buffer	-262.9	676.4
Actual technical provision ¹⁾	37,725.8	29,434.8
Other liabilities	4,581.0	9,108.7
Liabilities total	51,080.8	48,760.5

1) Technical provisions excluding provisions for current and future bonuses