



ILMARINEN JANUARY— MARCH 2019

Interim Report 1 January—31 March 2019

ILMARINEN

PAREMPAA
ELÄMÄÄ,
OLE HYVÄ.

WHAT'S NEW AT ILMARINEN

- The Incomes Register was introduced at the turn of the year. Some customers had problems in reporting their income data, which caused a temporary backlog in our customer service.
- The updated strategy was adopted in April. The new strategy emphasises responsibility, customer focus and personnel experience.
- The organisation will focus on becoming more customer-oriented and the reorganisation is intended to make operating models more agile and create a flatter organisation while increasing efficiency.





JANUARY— MARCH 2019 IN FIGURES

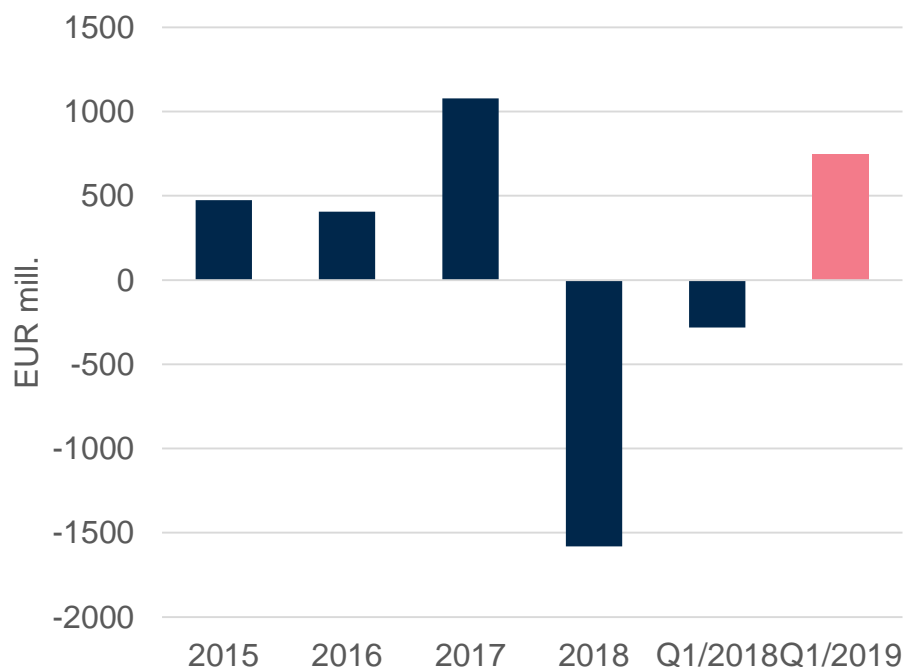
ILMARINEN

KEY FIGURES JANUARY–MARCH 2019

Premiums written	€1.5 bn (€1.3 bn)	Pensions paid	€1.5 bn (€1.4 bn)
Loading profit	€13 mill. (€10 mill.)	Ratio of operating expenses to expense loading components	71.5% (78.3%)
Return on investments	4.6% (-0.1%)	Investment assets	€47.4 bn (€46.0 bn)
Solvency ratio	124.8% (123.7%)	Solvency	€9.6 bn (€8.9 bn)

ILMARINEN'S Q1 TOTAL RESULT EUR 744 MILL., YEAR-ON-YEAR IMPROVEMENT OF SOME EUR 1 BN

Total financial result, € mill.



Source of profit, € mill.

RESULT ANALYSIS, EUR mill.	1.1.-31.3.2019	1.1.-31.3.2018	1.1.-31.12.2018
Source of profit			
Technical underwriting result	-11.1	0.4	-40.5
Return on investments at fair value	741.8	-291.8	-1,592.1
+ Net return on investments at fair value	2,098.9	-19.9	-641.6
- Return requirement on technical provision	-1,357.1	-271.9	-950.5
Loading profit	13.1	9.6	29.9
Other profit	0.0	0.8	21.6
Total result	743.8	-281.1	-1,581.0

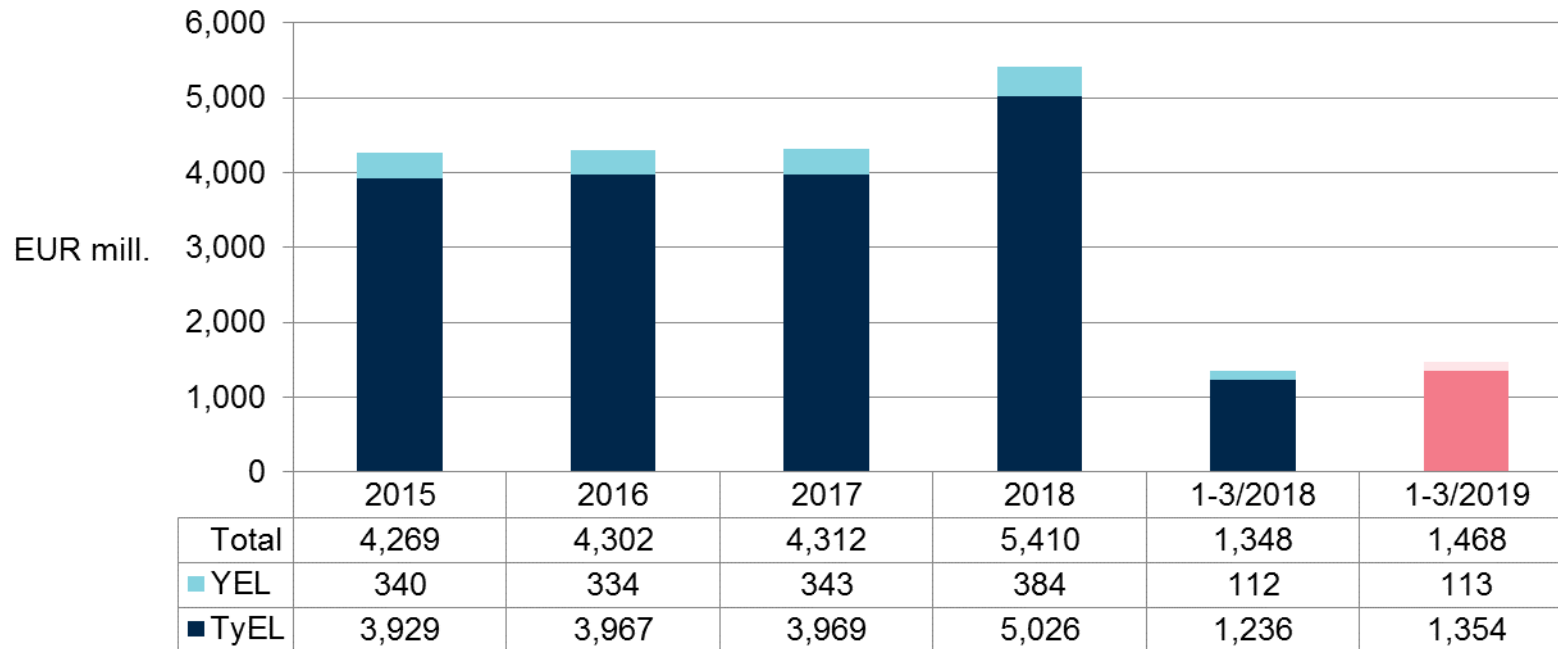


SALES AND TRANSFER RESULT

ILMARINEN

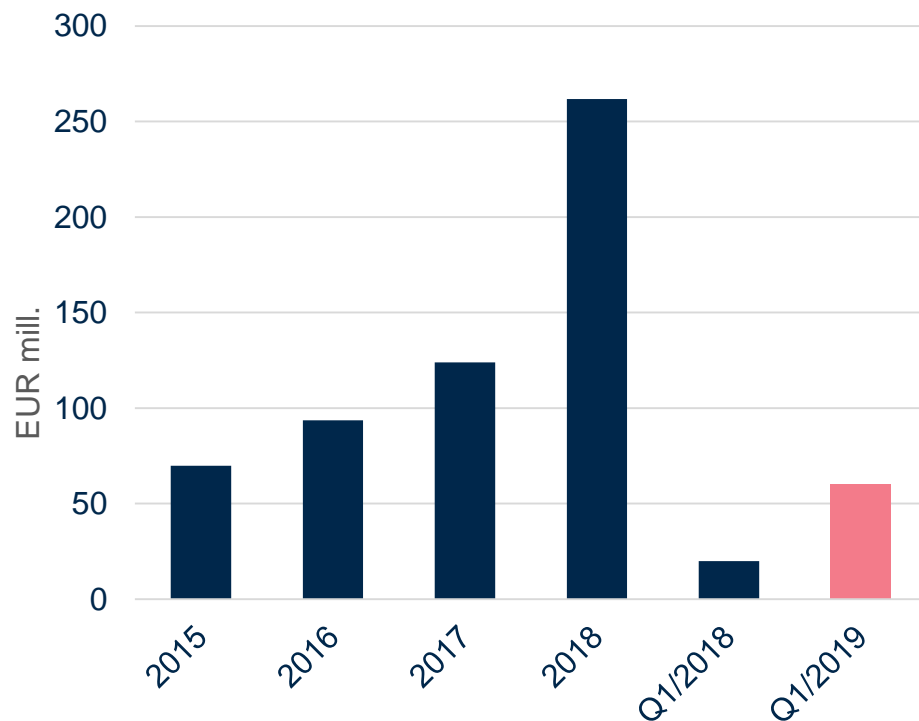
Q1 PREMIUMS WRITTEN EUR 120 MILL. LARGER THAN IN PREVIOUS YEAR

Premiums written January–March 2019



NET CUSTOMER ACQUISITION IMPROVED BY EUR 40 MILL., TRANSFER RESULT EUR 6 MILL. POSITIVE

Net customer acquisition 2015–Q1/2019,
€ mill.



Change in net customer acquisition Q1/2018–Q1/2019,
€ mill.

EUR mill.	Q1/2019	Q1/2018	Change
Net customer acquisition	60	20	40
Sales of new insurance	54	45	8
Net transfer of insurance	6	-26	32

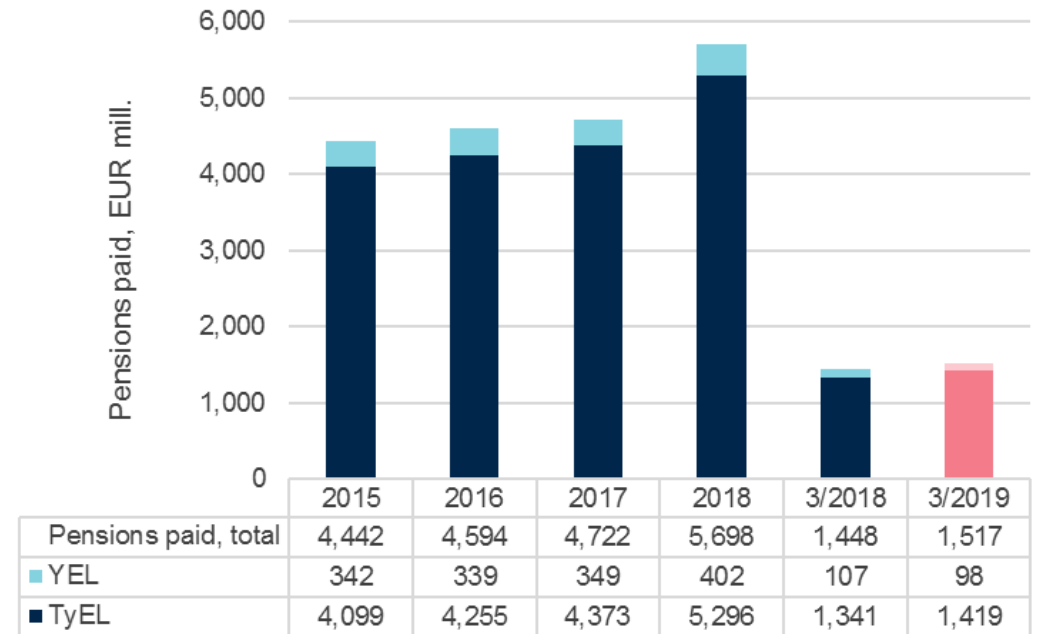
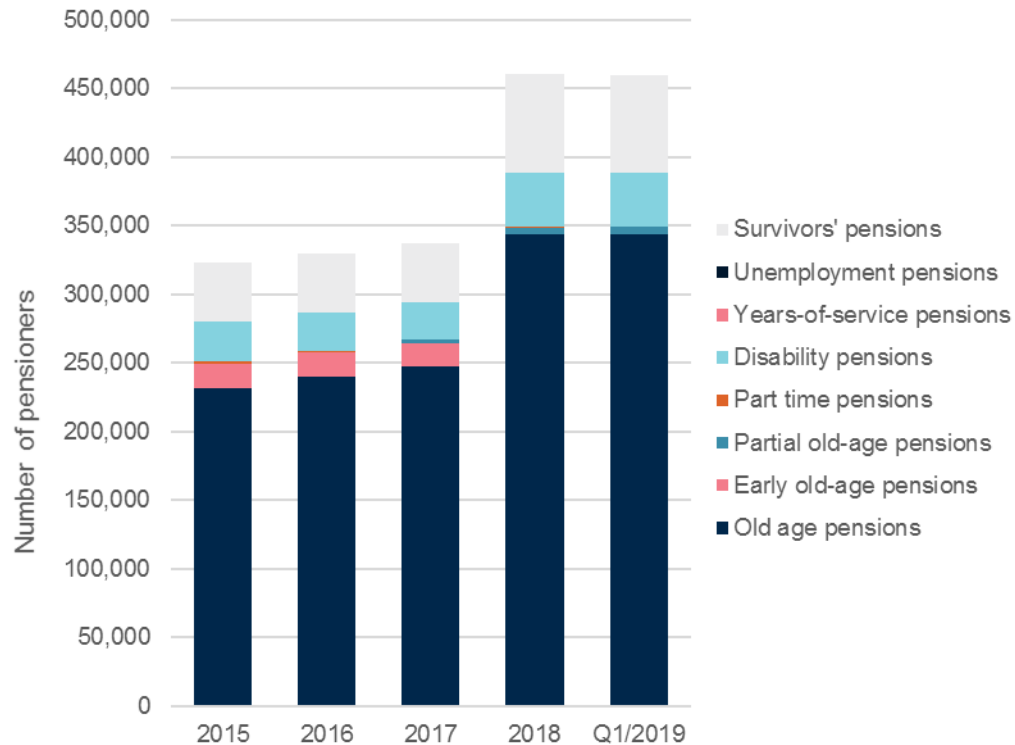


PENSIONS

ILMARINEN

460,000 PENSIONERS AND PENSIONS PAID TOTALLING EUR 1.5 BN

Number of pensioners and pensions paid January–March 2019



CLOSE TO 10,000 NEW PENSION DECISIONS WERE MADE

New pension decisions January–March 2019

	1-3/2019	1-3/2018	Change, %
New pension decisions			
Old-age pensions	4,030	2,782	45
Early old-age pensions	1,164	856	36
Disability pensions	2,107	1,987	6
Survivors' pensions	1,322	1,142	16
Right to rehabilitation	1,132	1,172	-3
Years-of-service pension	4	1	
New pension decisions, total	9,759	7,940	23

In Q1, we made clearly more pension decisions than we received applications. Following Ilmarinen's and Etera's merger, the integration of the processing systems has sped up processing at the start of the year, which can be seen in the higher number of decisions. The introduction of the national Incomes Register also accelerated decision-making.

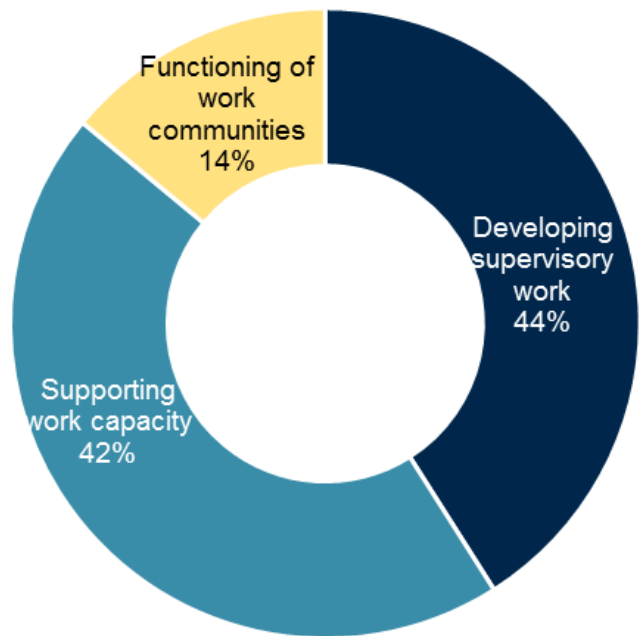


WORK ABILITY AND REHABILITATION

ILMARINEN

917 WORK ABILITY PROJECTS IMPLEMENTED, CUSTOMER EXPERIENCE AT A GOOD LEVEL

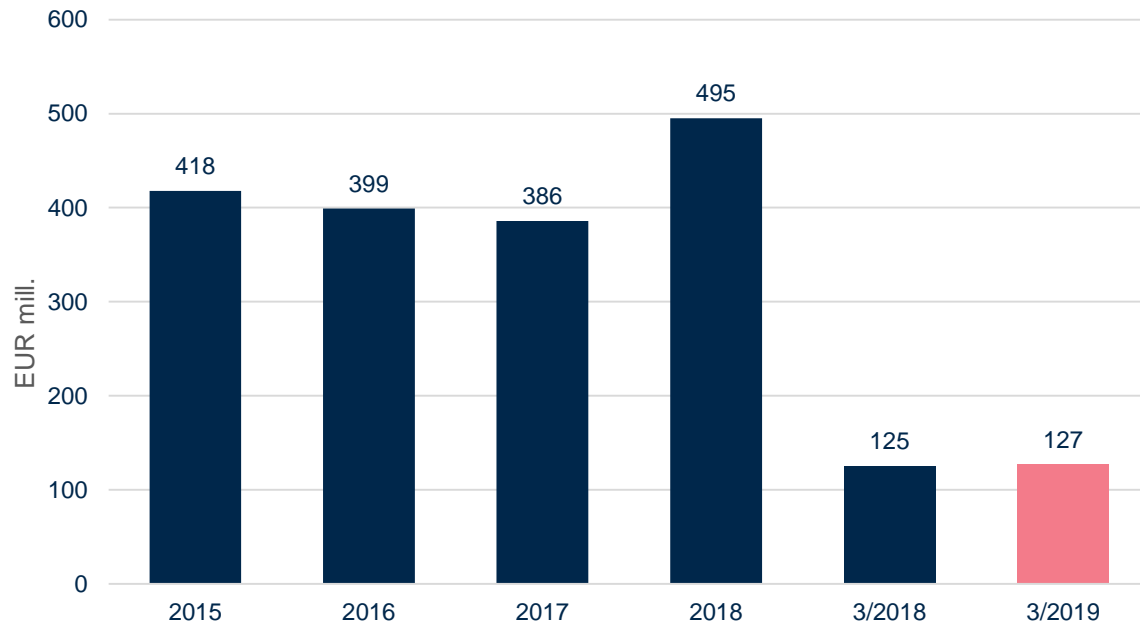
Work ability project themes and customer satisfaction January–March 2019



**Work capacity
services' NPS 80
(1–3/2019)**

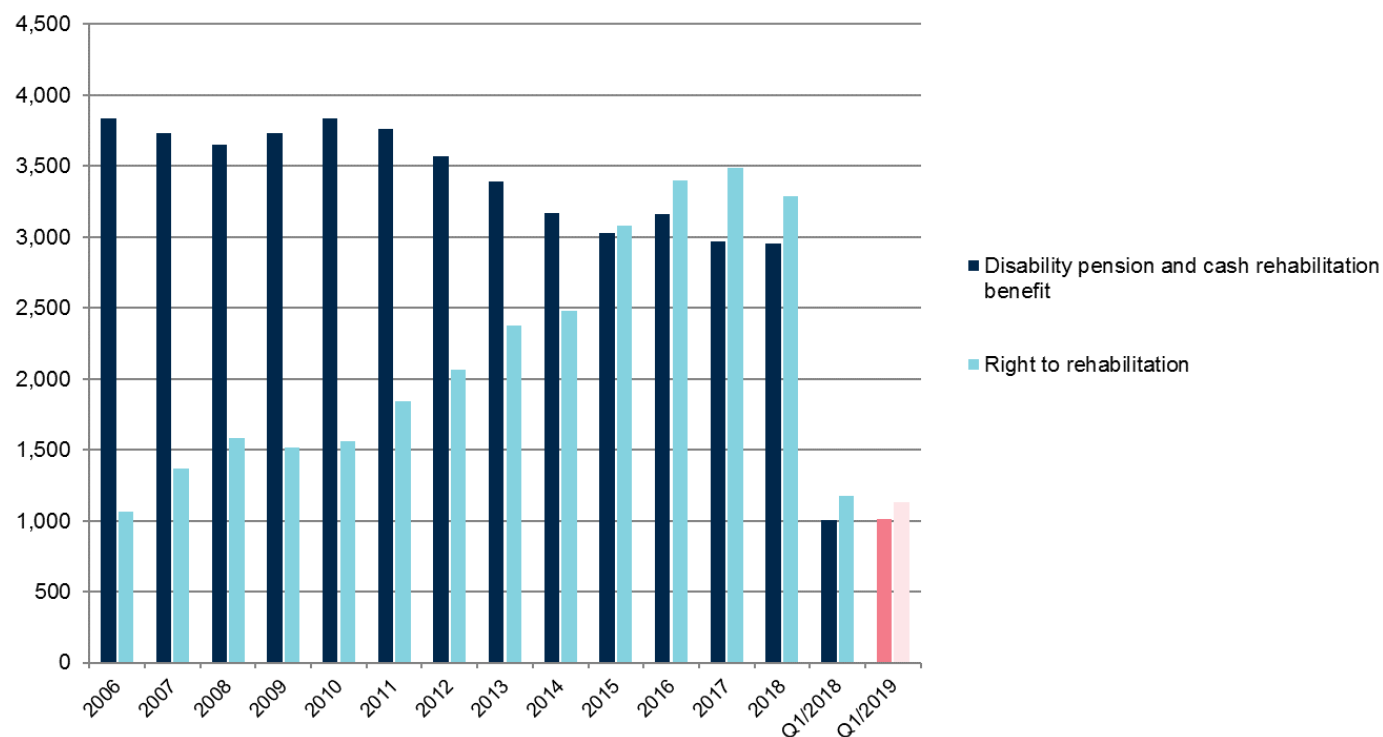
DISABILITY PENSION EXPENDITURE WAS EUR 127 MILL.

Disability pension expenditure, € mill.



REHABILITATION DECISIONS AND DISABILITY PENSIONS AT PREVIOUS YEAR'S LEVEL

Rehabilitation and disability January–March 2019



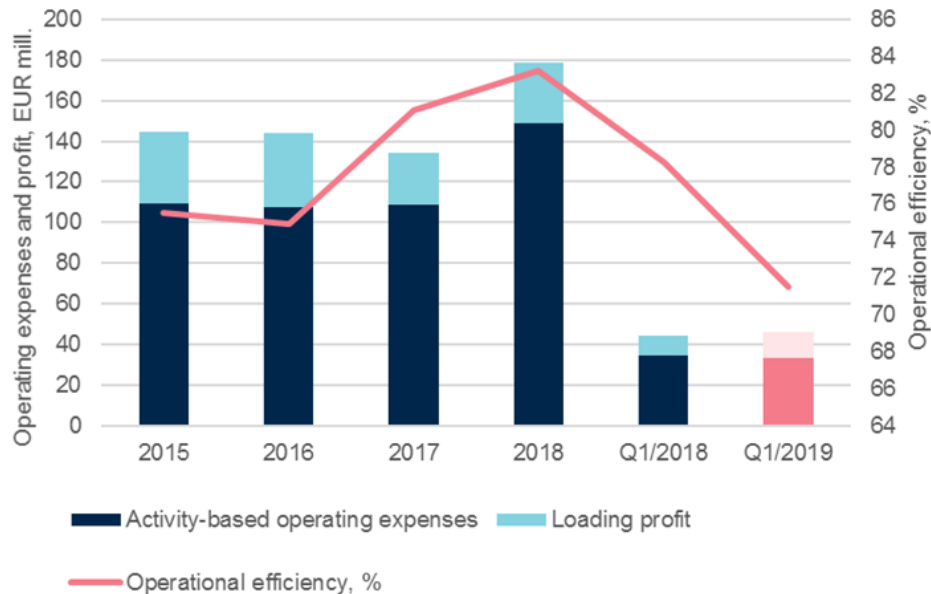


OPERATING EXPENSES

ILMARINEN

OPERATIONAL EFFICIENCY UP BY 7% POINTS, SYNERGIES APPEARING

Loading profit, ratio of operating expenses to expense loading components and total operating expenses 2015–Q1/2019



EUR million	2015	2016	2017	2018	1-3/ 2018	1-3/ 2019
Expense loading components and other income	144.5	143.7	134.3	178.7	44.3	46.1
Total operating expenses	109.1	107.6	108.9	148.8	34.7	33.0
Loading profit	35.4	36.1	25.4	29.9	9.6	13.1
Operating expenses as a percentage of loading income, %^{*)}	75.5	74.9	81.1	83.2	78.3	71.5
Total operating expenses	150.7	147.2	150.3	194.6	47.7	43.7

* Due to the change in premium rates affecting the administrative cost component, the ratio of operating expenses to expense loading components for 2015–2017 is not comparable with the figures of previous years. The figures for 2015–2017 do not include Etera's figures.



INVESTMENTS

ILMARINEN

RETURN ON INVESTMENTS 4.6%

– BEST RETURN ON EQUITY INVESTMENTS

January–March 2019

- Return on investments 4.6% (–0.1%)
 - Return on equity investments 8.8% (–0.8%)
 - Return on fixed income investments 2.0% (0.4%)
 - Return on real estate investments 1.0% (1.3%)
- Long-term return at a good level
 - Nominal return 5.7%
 - Real return 4.1%



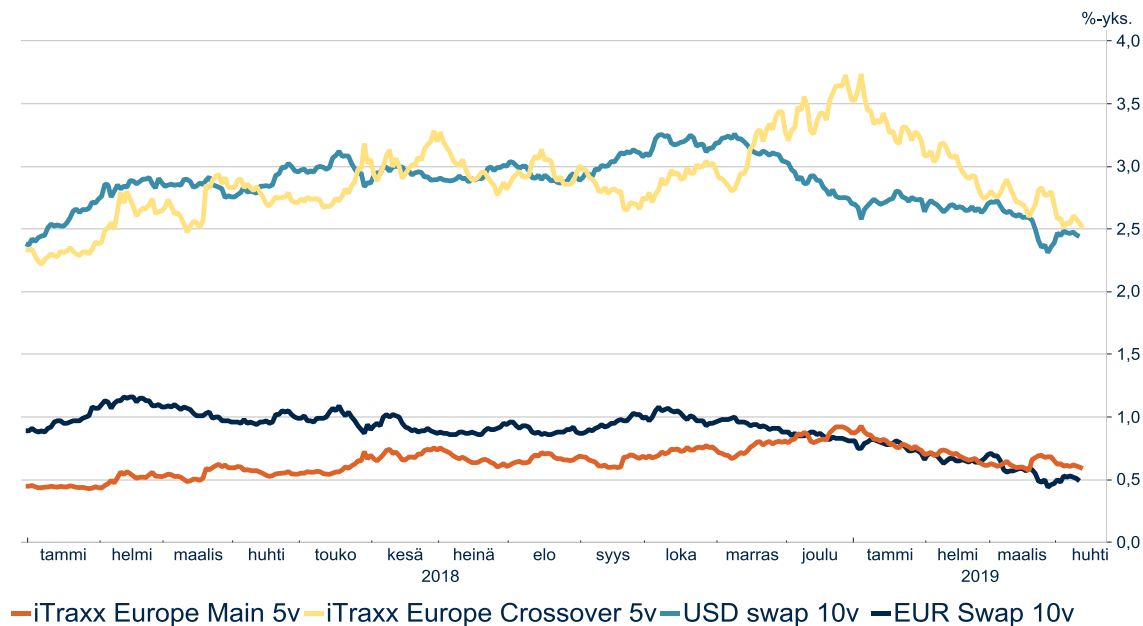
EQUITY MARKET ROSE STRONGLY IN Q1 – INTEREST RATES AND CREDIT RISK MARGINS DECLINED

Equity market performance



MACROBOND

Development of interest rates and credit risk premiums



MACROBOND

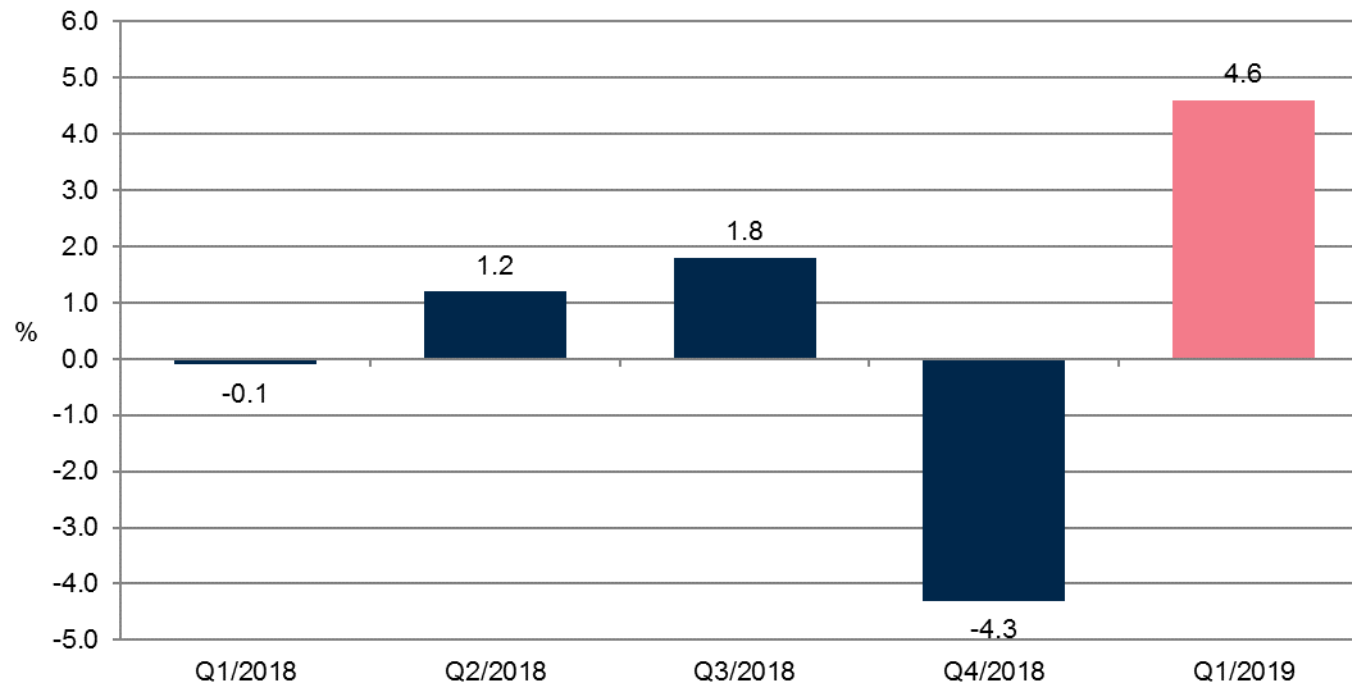
KEY OBSERVATIONS ABOUT THE OPERATING ENVIRONMENT

- Economic growth forecasts have been adjusted downwards globally, but the worst period of slowing growth seems to be behind us.
- The return on risky asset classes made a sharp course correction upwards in Q1.
- Q1 equity market returns have been excellent, for instance, Finland's equity market returned some 12 per cent in the first quarter.
- In terms of monetary policy, central banks seem to be expectant.
- Inflation development is very moderate.
- There are still several political risk factors: Brexit, the European Parliament election and news related to the trade war continue to be the focus of the markets.



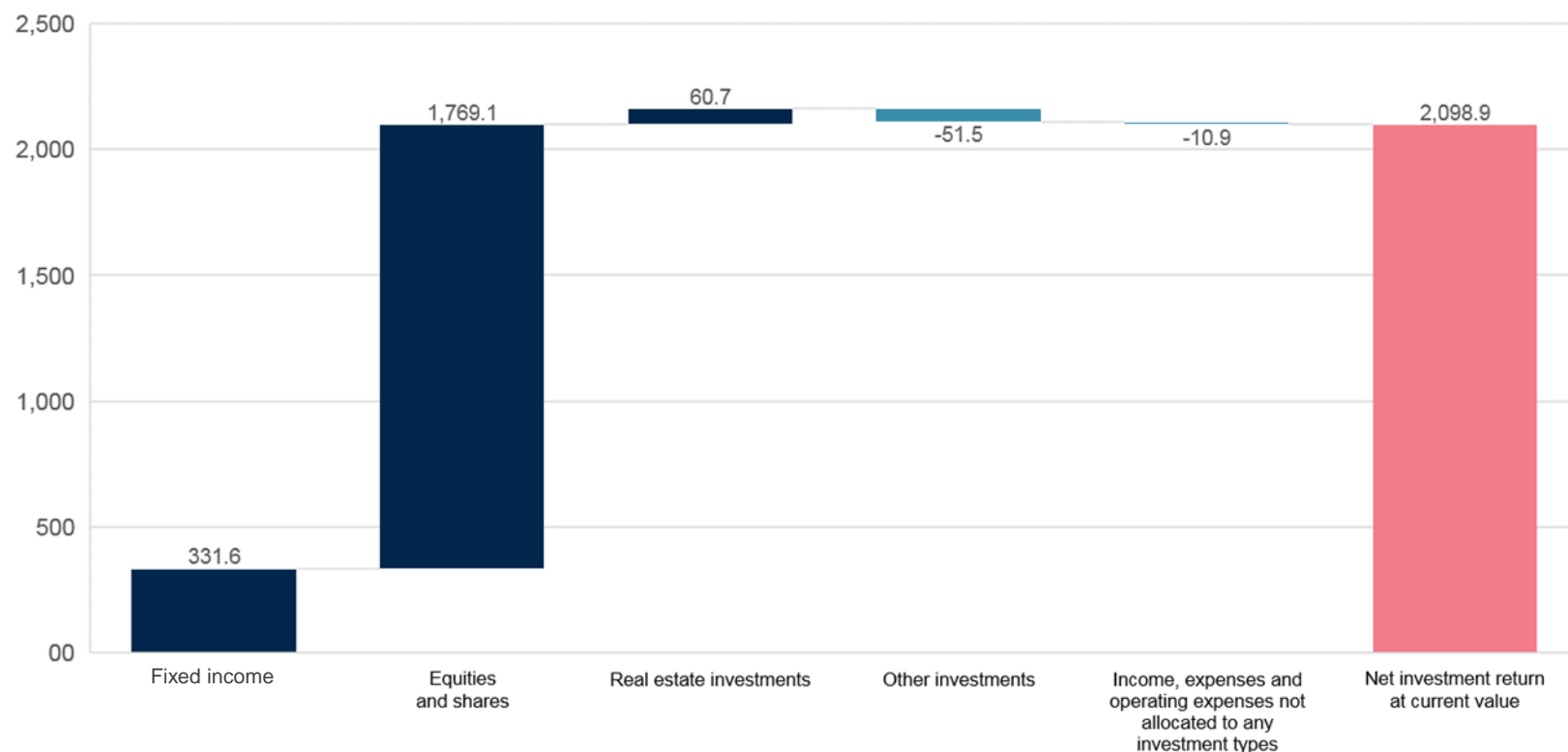
Q1 RETURN ON INVESTMENTS WAS 4.6% AND 12-MONTH RETURN ROSE TO 3.2%

Quarterly investment returns



NET RETURN ON INVESTMENTS ROSE TO EUR 2.1 BILLION DUE TO RISE IN EQUITY MARKET

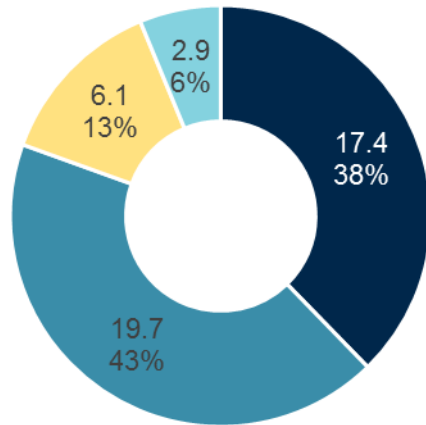
Returns by asset class, € mill.



INVESTMENT ASSETS GREW BY EUR 1.4 BILLION TO EUR 47.4 BILLION

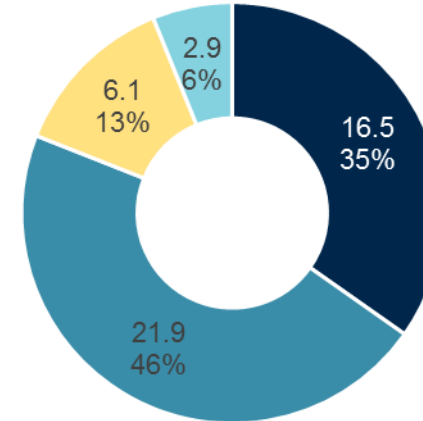
Market value of investment assets by asset class 31 Dec 2018 and 31 March 2019

31 Dec 2018, €46.0 billion



■ Fixed income ■ Equities and shares ■ Real estate ■ Other

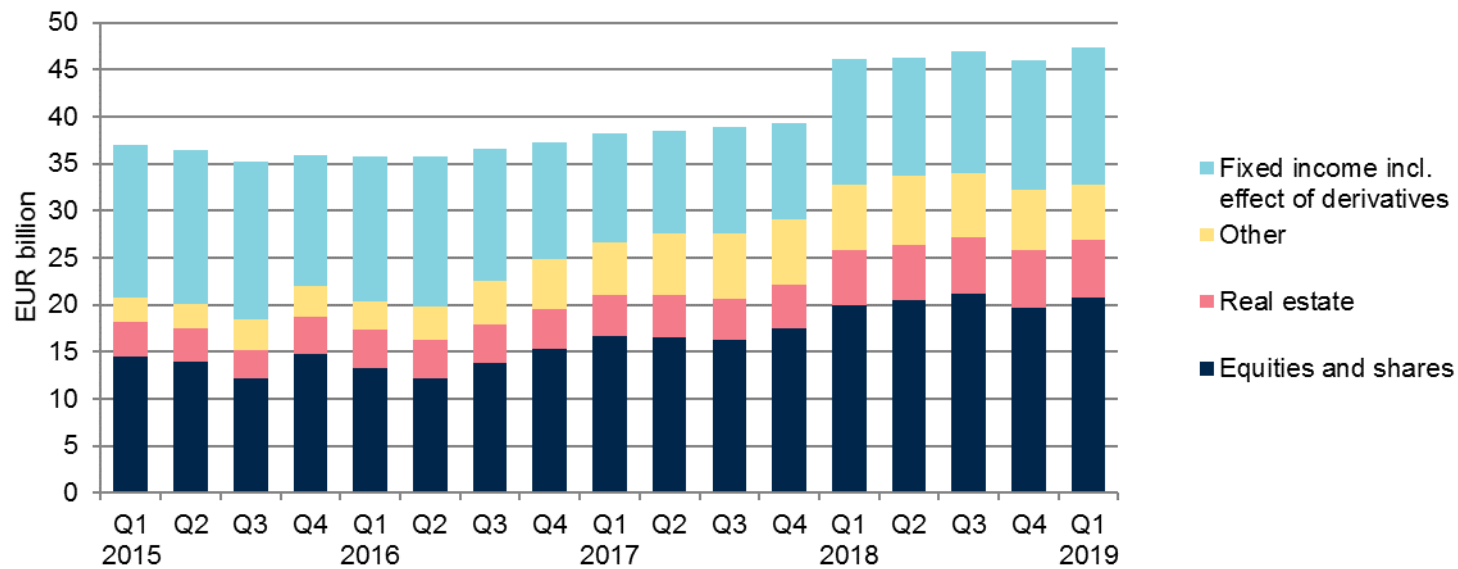
31 March 2019, €47.4 billion



■ Fixed income ■ Equities and shares ■ Real estate ■ Other

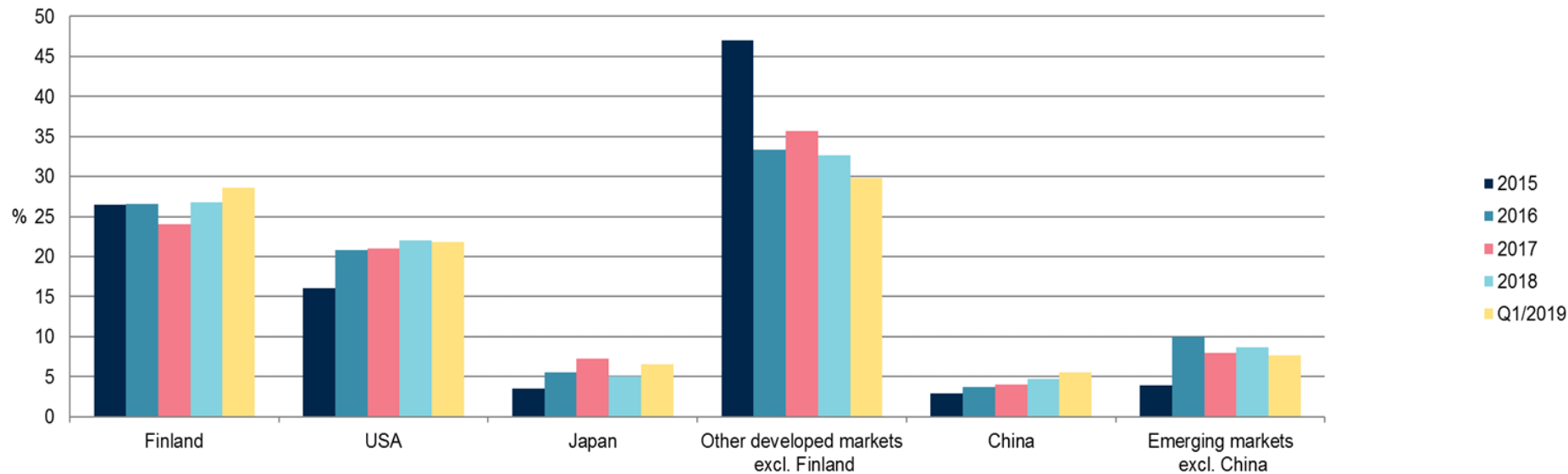
SHARE OF EQUITY EXPOSURE IN PORTFOLIO ROSE TO 44 % DUE TO STOCK PRICE SURGE

Asset allocation according to risk



SHARE OF FINNISH LISTED EQUITY INVESTMENTS CONTINUED TO GROW

Geographical breakdown of listed equities



ILMARINEN'S INVESTMENTS IN FINLAND

MORE THAN EUR 12 BN

Equity investments in
Finnish companies

Listed **€4.9 bn**

Non-listed **€1.1 bn**



Real estate investments
in Finland **€4.2 bn**



Loans to Finnish
companies **€1.0 bn**



Bonds
€1.2 bn



HOLDINGS IN FINNISH LISTED COMPANIES

EUR 4.9 BILLION

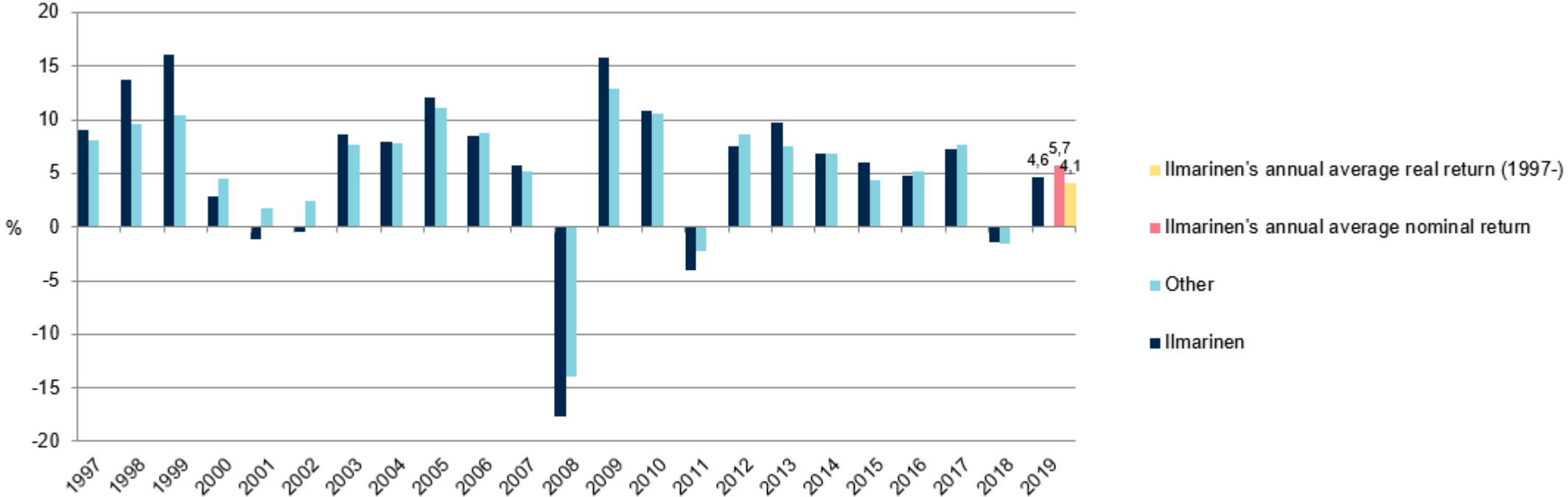
Largest Finnish listed equity holdings

	EUR mill.	30 Mar 2019	31 Dec 2018
↑	Neste Corporation	345	274
↑	Kojamo Plc	340	264
↑	UMP-Kymmene Corporation	301	200
↑	Fortum Corporation	282	170
↑	Sampo Plc	267	155
↑	Kone Corporation	266	188
↑	Nokia Corporation	259	184
↑	Stora Enso Corporation	241	216
↑	Nordea Bank Abp	239	190
↑	Wärtsilä Oyj Abp	231	166

	Percentage	30 Mar 2019	31 Dec 2018
	Nurminen Logistics Plc	19.8	19.8
↓	Talenom Oyj	15.6	17.2
	Digia Plc	14.6	14.6
	Kojamo Plc	13.1	13.1
↑	QT Group Plc	10.4	10.1
↑	Glaston Corporation	8.7	7.2
	Panostaja Oyj	8.1	8.1
	Martela Corporation	8.1	8.1
↓	Consti Plc	7.2	9.9
	Citycon Corporation	7.1	7.1

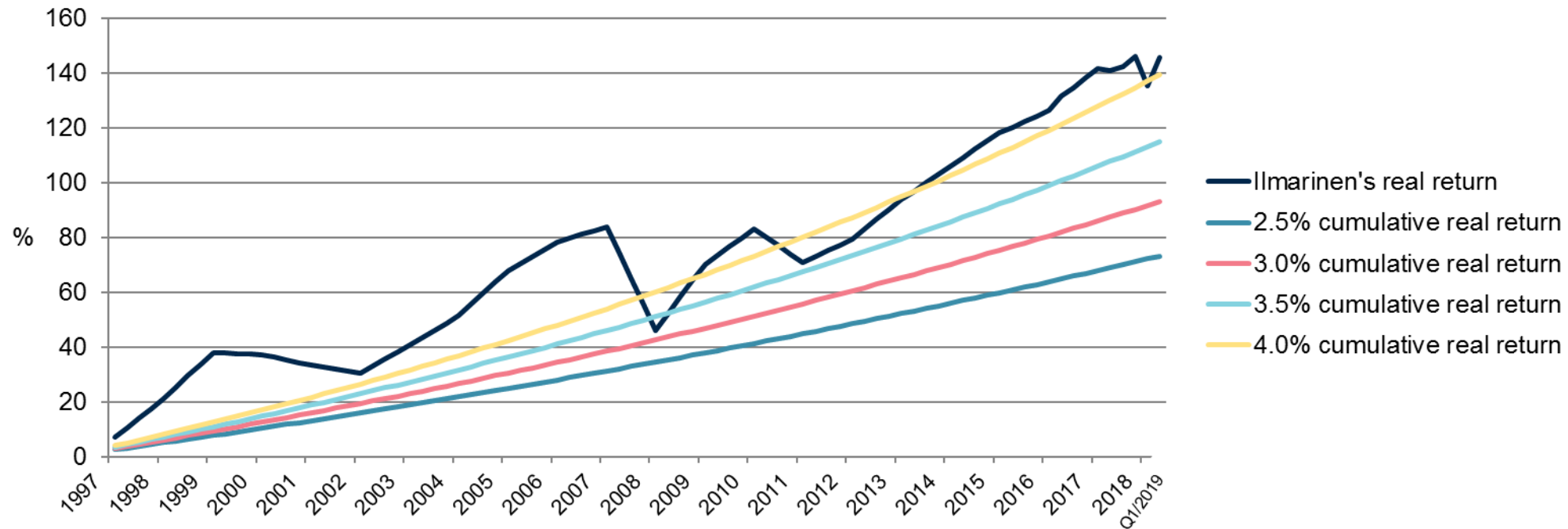
LONG-TERM AVERAGE NOMINAL RETURN 5.7% PER ANNUM

Net investment return at current value



LONG-TERM AVERAGE REAL RETURN 4.1% PER ANNUM

Cumulative net return on investments 1997–31 March 2019



AVERAGE RETURN OF DIFFERENT MARKETS

%	Ilmarinen	Finnish equities and shares	European equities and shares	Euro government bonds	Euro corporate bonds
Q1/2019	4.6	11.9	13.0	2.5	3.2
2018	-1.4	-3.9	-10.8	1.0	-1.3
Average return over 5 years	5.3	11.3	5.4	3.4	2.8
Average return over 10 years	6.6	15.3	11.1	4.2	5.5
Average return over 20 years	5.2	8.4	3.9	4.5	4.2
Average return since 1997	5.7	9.9	6.3	4.9	4.6
Real average return over 5 years	4.7	10.7	4.8	2.9	2.2
Real average return over 10 years	5.3	13.9	9.8	2.9	4.2
Real average return over 20 years	3.6	6.7	2.3	2.9	2.6
Real average return since 1997	4.1	8.2	4.7	3.3	3.1

Q1/2019 RETURN ON INVESTMENTS 4.6%

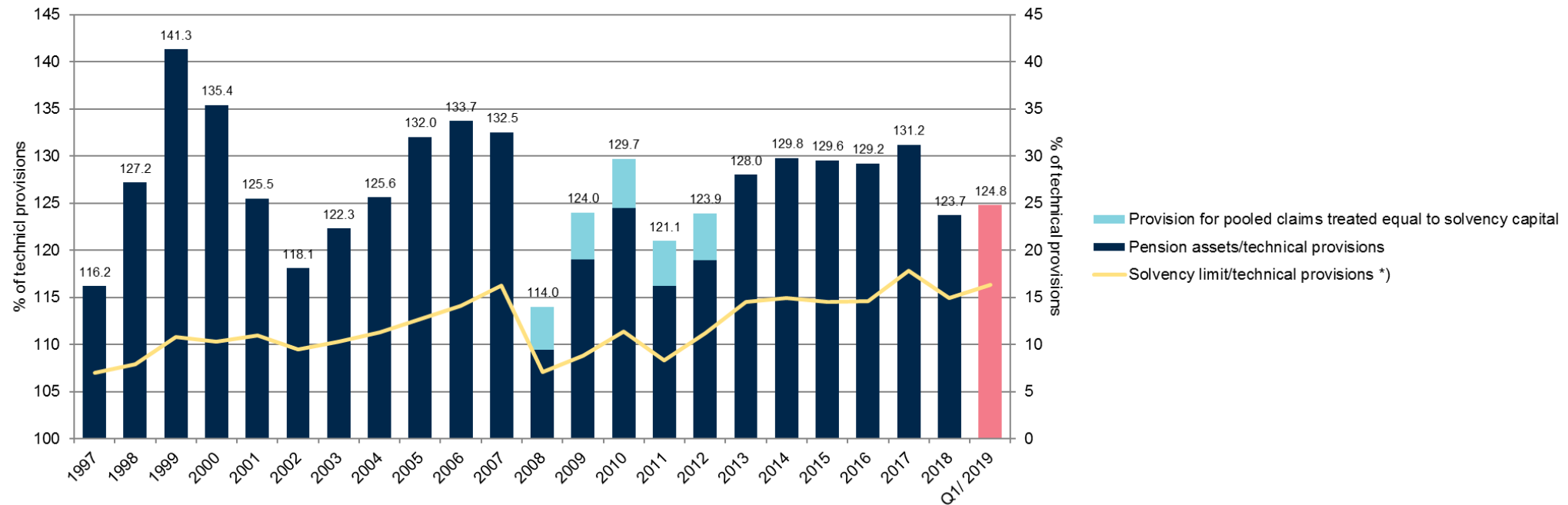
	Basic breakdown EUR mill.	%	Risk breakdown EUR mill.	%	Return %	Volatility
Fixed-income investments	16,469.1	34.8	12,677.9	26.8	2.0	
Loan receivables	976.6	2.1	976.6	2.1	0.8	
Bonds	14,198.8	30.0	6,812.7	14.4	2.1	2.0
Public corporation bonds	4,588.2	9.7	3,699.7	7.8	2.8	
Other bonds	9,610.6	20.3	3,113.1	6.6	1.8	
Other money market instruments and deposits (incl. investment receivables and payables)	1,293.7	2.7	4,888.5	10.3	1.4	
Equities and shares	21,902.7	46.2	20,824.9	44.0	8.8	
Listed equities and shares	17,108.7	36.1	16,030.8	33.8	11.0	10.0
Private equity investments	3,858.1	8.1	3,858.1	8.1	1.3	
Non-listed equities and shares	935.9	2.0	935.9	2.0	3.1	
Real estate investments	6,105.5	12.9	6,122.7	12.9	1.0	
Real estate investments	5,516.8	11.6	5,516.8	11.6	1.0	
Real estate funds and joint investments	588.7	1.2	605.8	1.3	1.4	
Other	2,903.4	6.1	5,761.9	12.2	-1.8	
Hedge fund investments	2,093.6	4.4	2,093.6	4.4	2.9	3.7
Commodity investments	1.8	0.0	30.2	0.1	-	
Other investments	808.0	1.7	3,638.1	7.7	-12.6	
Total investments	47,380.8	100.0	45,387.4	95.8	4.6	3.1
Effect of derivatives			1,993.4	4.2		
Investments at fair value	47,380.8		47,380.8	100.0		

The modified duration of bond investments is 0.9 years.

The open currency position is 24.2% of the market value of the investments.

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

GOOD RETURN ON INVESTMENTS STRENGTHENED THE SOLVENCY RATIO BY 1.1% POINTS TO 124.8 PER CENT



Solvency position was 1.5 (1.6).

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.



FUTURE PROSPECTS

ILMARINEN

FUTURE PROSPECTS

- Economic growth is expected to continue, but slow down in 2019 in both Finland and other industrialised countries compared to 2018.
- Despite slower growth, employment and payroll in Finland are expected to continue to develop favourably. This will have a positive impact on pension providers' premiums written in 2019.
- 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. In terms of monetary policy, central banks seem to be expectant. Inflation development is still moderate.
- There are several political risk factors, including Brexit, the European Parliament election and the uncertainties related to the trade war, that will increase market nervousness.
- 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.