



ILMARINEN JANUARY— SEPTEMBER 2019

Interim Report 1 January–30 September 2019

ILMARINEN

PAREMPAA
ELÄMÄÄ,
OLE HYVÄ.

ILMARINEN IN JANUARY–SEPTEMBER

- The strong performance earlier in the year continued in the third quarter. The total result grew to EUR 1.3 billion.
- In January–September, Ilmarinen’s return on investments was 8.2 per cent, or EUR 3.7 billion, and investment assets rose to a record EUR 49.1 billion.
- Measured in premiums written, the customer base grew by EUR 180 million.
- Cost-effectiveness improved further, costs decreased by EUR 9 million and loading profit increased to EUR 42 million.
- Liina Aulin was appointed EVP, Communications.





JANUARY— SEPTEMBER 2019 IN FIGURES

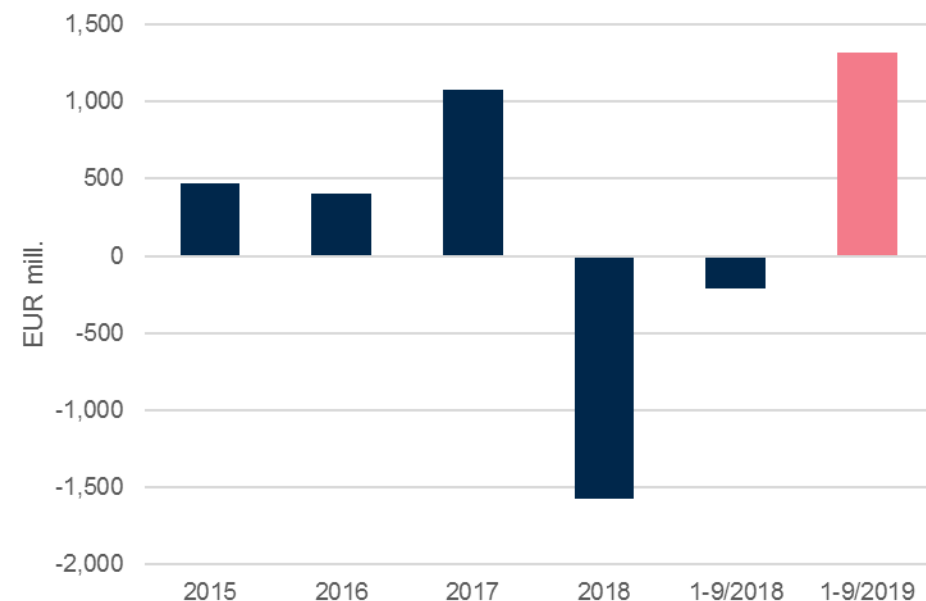
ILMARINEN

KEY FIGURES JANUARY–SEPTEMBER 2019

Premiums written	€4.3 bn (€4.0 bn)	Pensions paid	€4.5 bn (€4.2 bn)
Loading profit	€42.2 bn (€24.9 bn)	Ratio of operating expenses to expense loading components	70.5% (81.5%)
Return on investments	8.2% (3.0%)	Investment assets	€49.1 bn € (€46.0 bn)
Solvency ratio	125.4% (123.7%)	Solvency	€10.1 bn (€8.9 bn)

ILMARINEN'S Q3 TOTAL RESULT EUR 1.3 BN, YEAR-ON-YEAR IMPROVEMENT OF APPROX. EUR 1.5 BN

Total financial result, € mill.



Source of profit, € mill.

RESULT ANALYSIS	1.1.-30.9.2019	1.1.-30.9.2018	1.1.-31.12.2018
Source of profit			
Technical underwriting result	-40.8	-21.3	-40.5
Return on investments at fair value	1,322.0	-214.6	-1,592.1
+ Net return on investments at fair value	3,739.1	1,372.6	-641.6
- Return requirement on technical provision	-2,417.0	-1,587.2	-950.5
Loading profit	42.2	24.9	29.9
Other profit	0.4	0.0	21.6
Total result	1,323.7	-211.0	-1,581.0

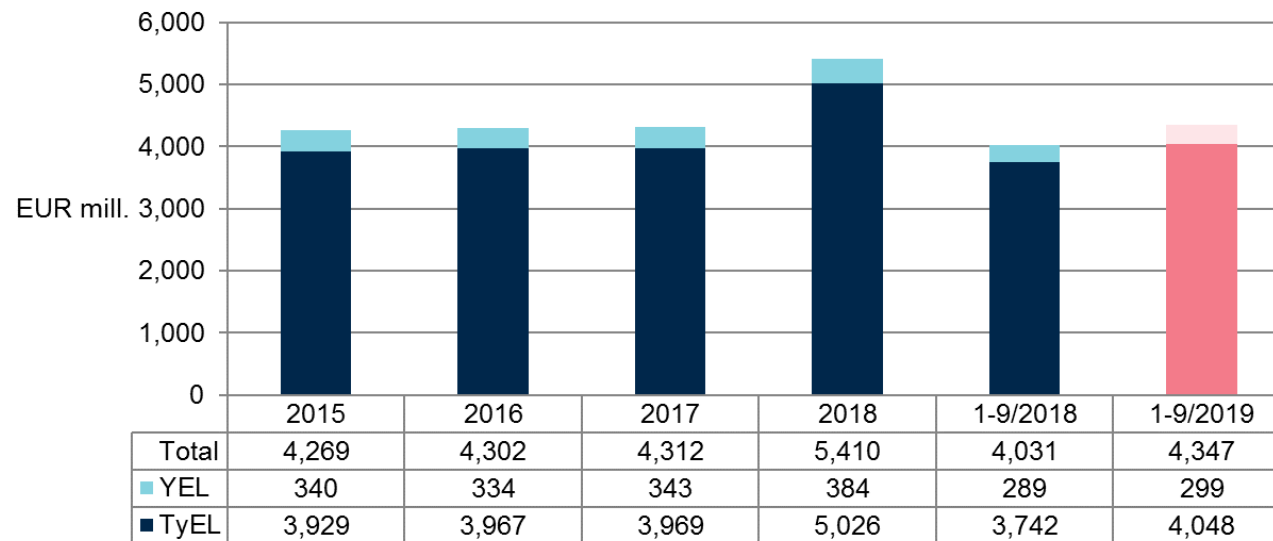


PREMIUMS WRITTEN AND CUSTOMER ACQUISITION

ILMARINEN

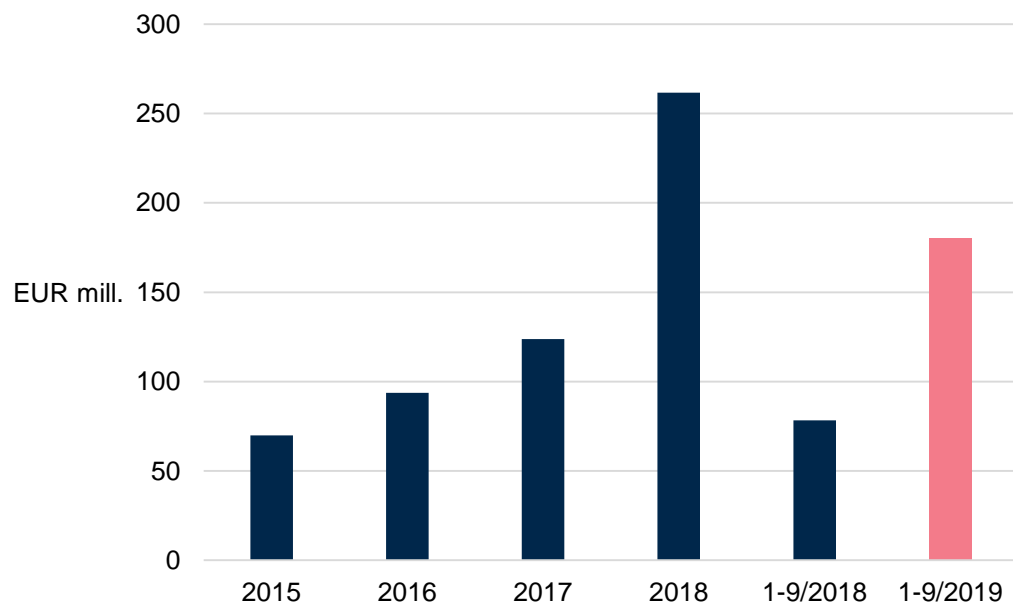
Q3 PREMIUMS WRITTEN EUR 300 MILL. MORE THAN IN THE PREVIOUS YEAR

Premiums written January–September 2019



STRONG GROWTH IN CUSTOMER BASE – NET CUSTOMER ACQUISITION SINCE START OF YEAR EUR 180 MILL.

Net customer acquisition 2015–2019, € mill.



Change in net customer acquisition, € mill.

EUR mill.	1-9/2019	1-9/2018	Change
Net customer acquisition	180	78	102
Sales of new insurance	126	105	21
Net transfer of insurance	55	-26	81

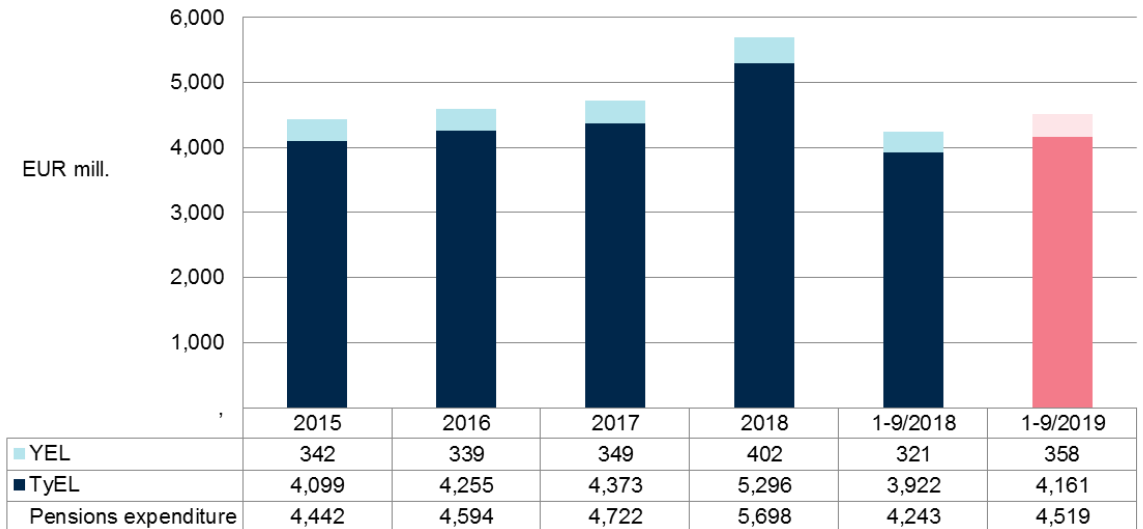
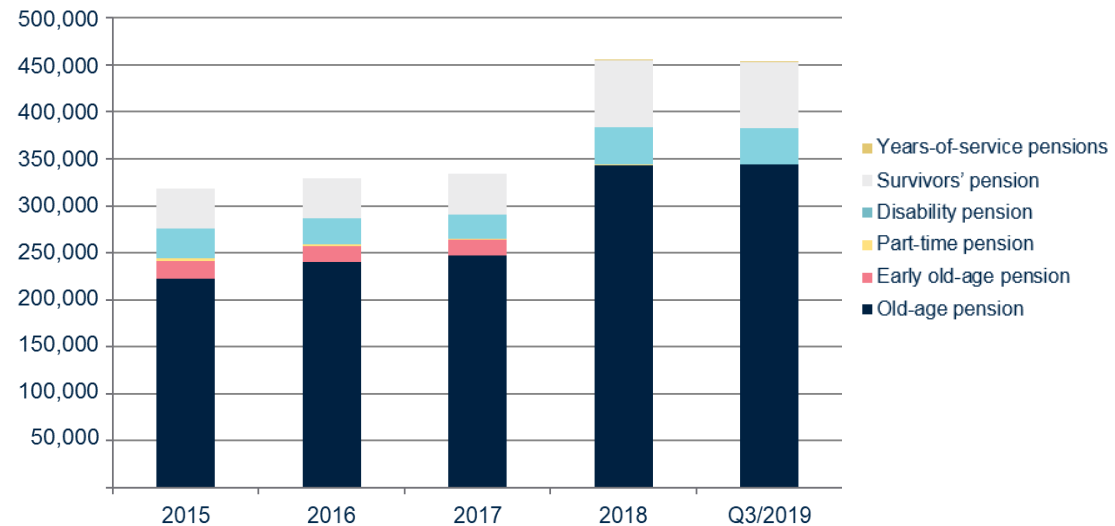


PENSIONS

ILMARINEN

CLOSE TO 460,000 PENSIONERS AND PENSIONS PAID TOTALLING EUR 4.5 BN

Number of pensioners and pensions paid January–September 2019



NEARLY 27,000 NEW PENSION DECISIONS WERE ISSUED, FASTER PROCESSING TIMES

- In January–September, 26,787 new pension decisions were issued, i.e. 7 per cent more than in the previous year.
 - The number of decisions increased due to faster pension processing, among other reasons.
- Old-age pension decisions amounted to 10,158
 - The number of old-age pension applications declined, which can be attributed to the rise in the pensionable age.
- Increase in disability pensions continues
 - Number of new disability pension applications grew 3.5%
- Number of new rehabilitation applications decreased 8.4%



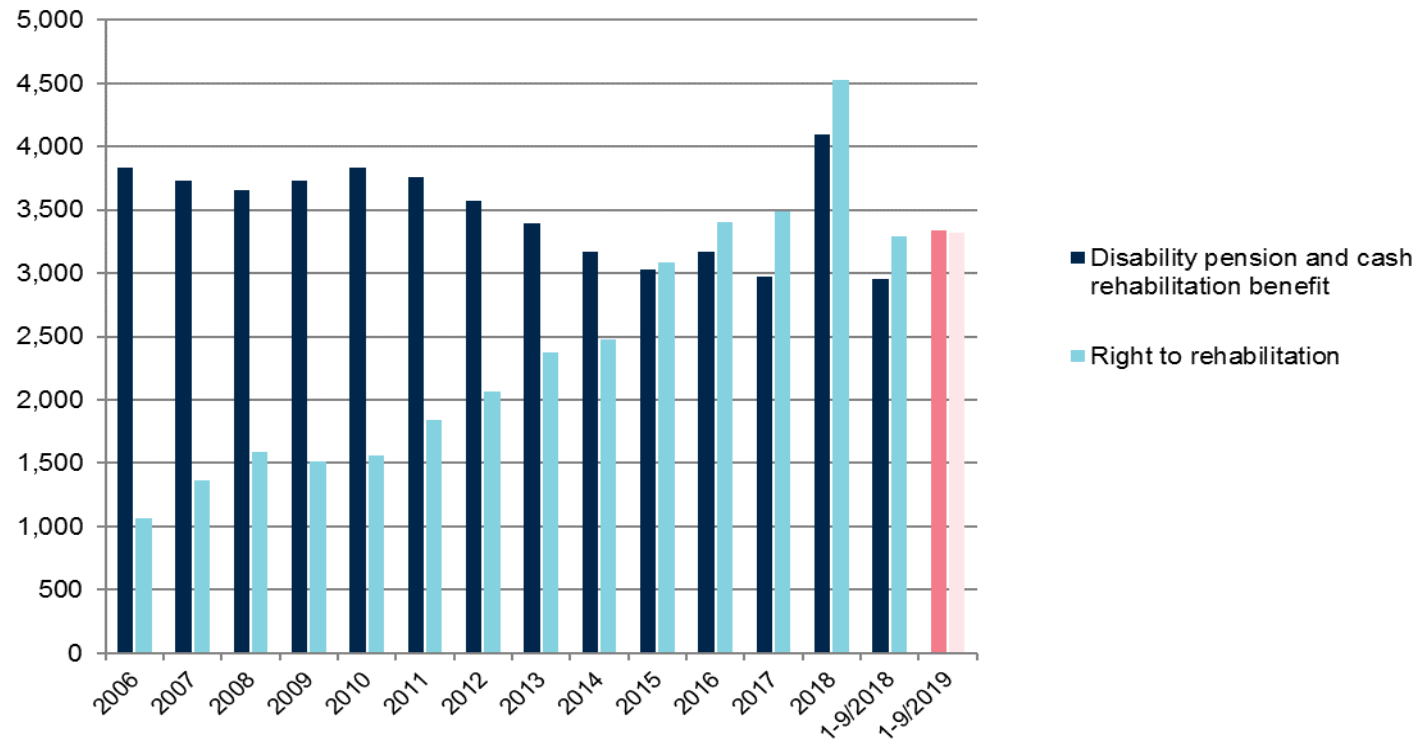


WORK ABILITY AND REHABILITATION

ILMARINEN

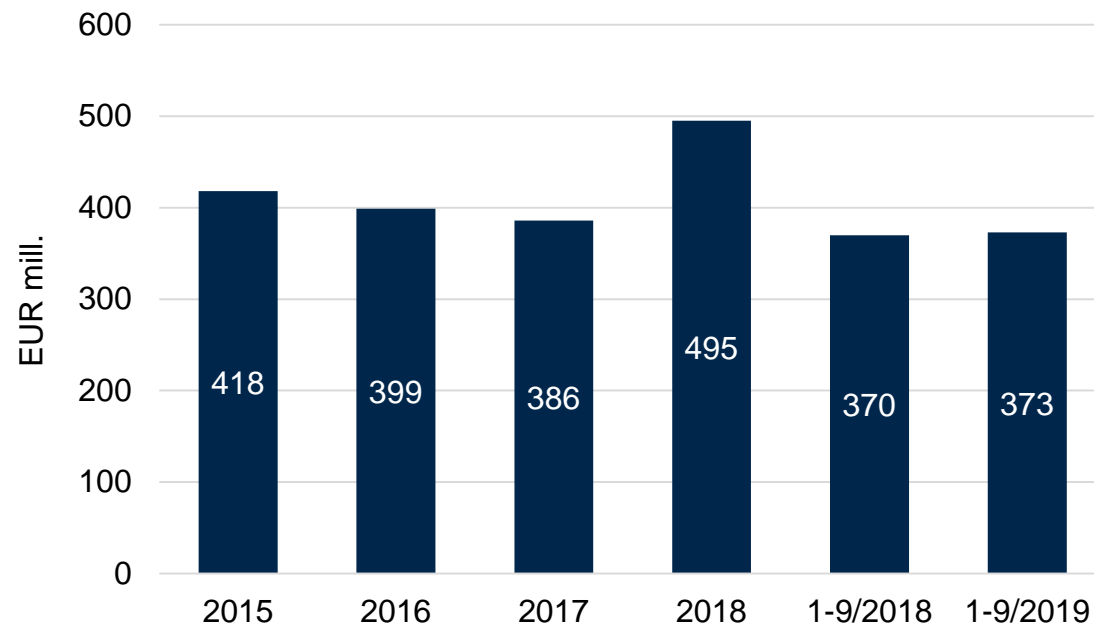
FURTHER INCREASE IN NUMBER OF PEOPLE RETIRING ON DISABILITY PENSION

Rehabilitation and disability January–September 2019



DISABILITY PENSION EXPENDITURE €373 MILL., WORK-ABILITY PROJECTS €2 MILL.

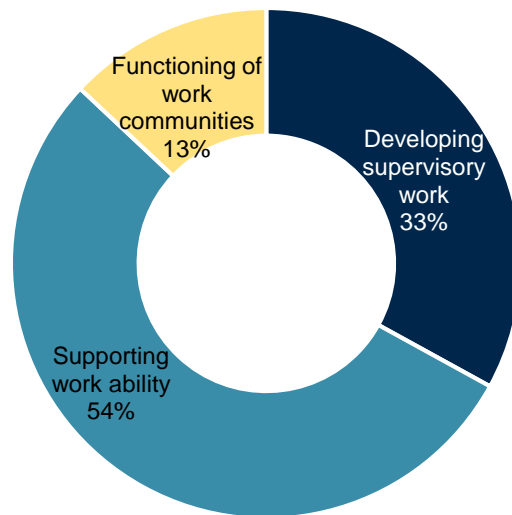
Disability pension expenditure



1,816 WORK-ABILITY PROJECTS IMPLEMENTED, CUSTOMER EXPERIENCE AT A GOOD LEVEL

Work-ability project themes and customer satisfaction in January–September 2019

Themes of development projects carried out
with customer companies



**Work-ability
services' NPS 77
(1–9/2019)**

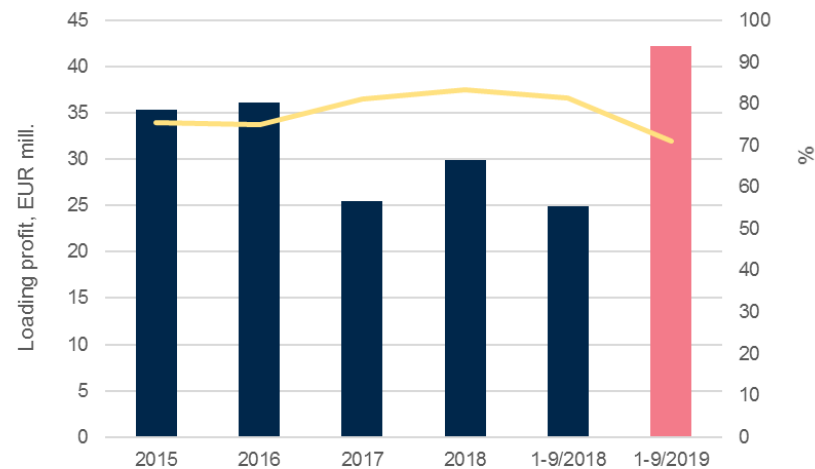


OPERATING EXPENSES

ILMARINEN

OPERATING EXPENSES DECREASED BY EUR 9 MILL. AND RATIO OF OPERATING EXPENSES TO EXPENSE LOADING COMPONENTS IMPROVED BY 11% POINTS COMPARED TO THE PREVIOUS YEAR

Loading profit, ratio of operating expenses to expense loading components and total operating expenses 2015–Q3/2019



LOADING PROFIT AND RATIO OF OPERATING EXPENSES	2015	2016	2017	2018	1-9/2018	1-9/2019
Expense loading components and other income	145	144	134	179	135	143
Total operating expenses	109	108	109	149	110	101
Loading profit, total	35	36	25	30	25	42
Operating expenses as a percentage of loading income	76	75	81	83	82	71
Total operating expenses	151	147	150	195	148	137

■ Loading profit, total — Operating expenses as a percentage of loading income

* 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 mill. in write-downs due to the merger. Write-downs in 1–9/2018 amounted to €11 mill.



INVESTMENTS

ILMARINEN

RETURN ON INVESTMENTS **8.2%** ALL MAIN ASSET CLASSES PERFORMED WELL

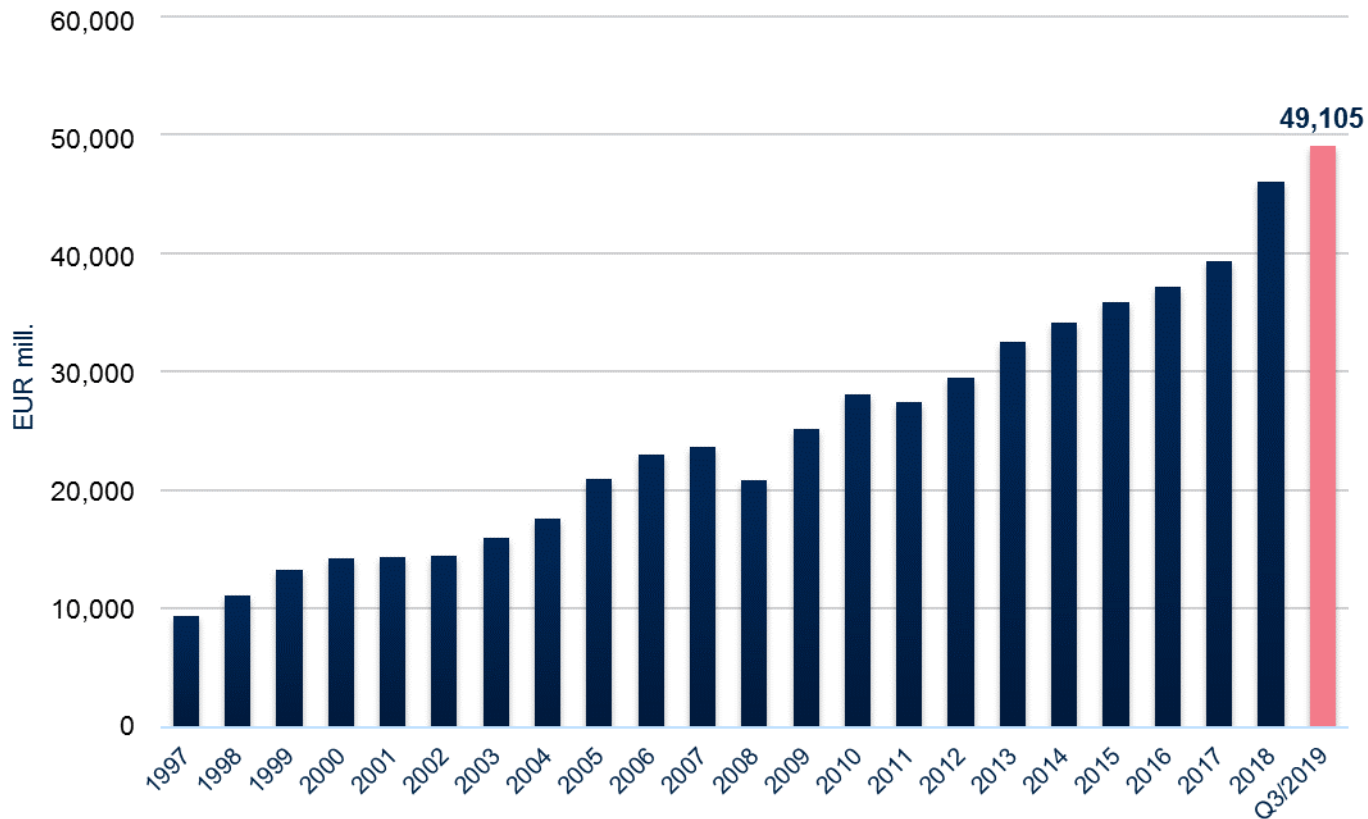
January–September 2019

- Return on investments **8.2%** (3.0%)
 - Return on equity investments **14.4%** (6.0%)
 - Return on fixed income investments **4.2%** (0.6%)
 - Return on real estate investments **3.4%** (3.9%)
- Long-term return* at a good level
 - Nominal return **5.7%**
 - Real return **4.2%**



VALUE OF INVESTMENTS GREW TO €49.1 BILL.

Value of investments, € mill.

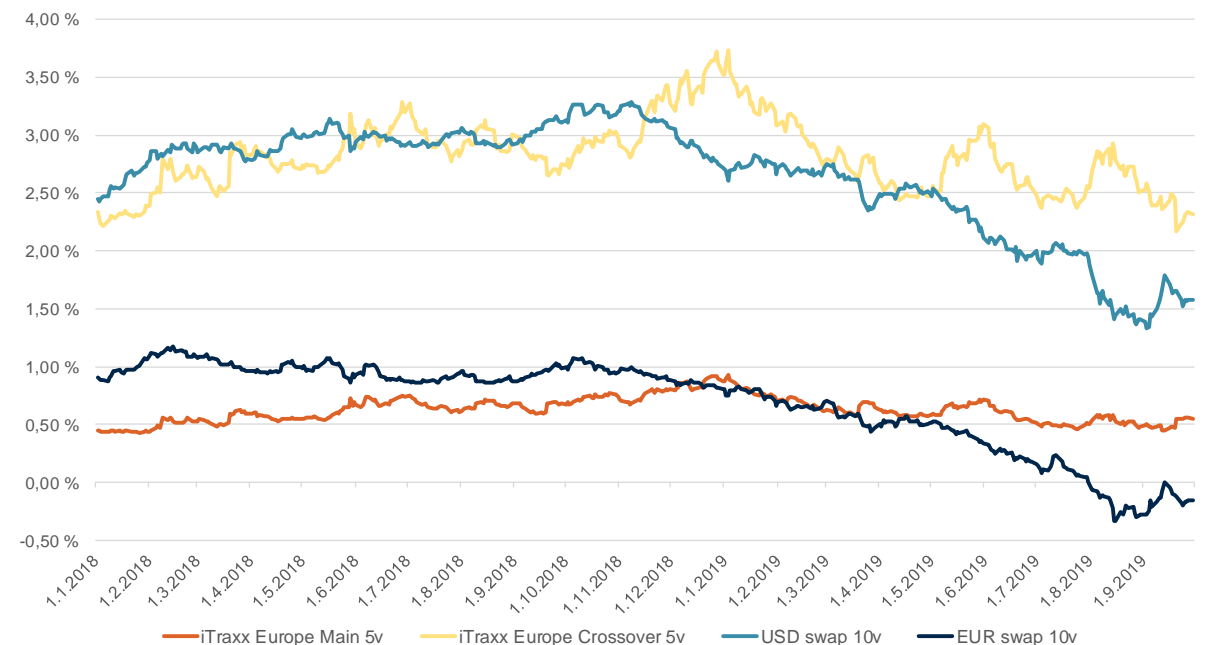


EQUITY MARKET ROSE STRONGLY – INTEREST RATES AND CREDIT RISK MARGINS DECLINED

Equity market performance



Development of interest rates and credit risk premiums



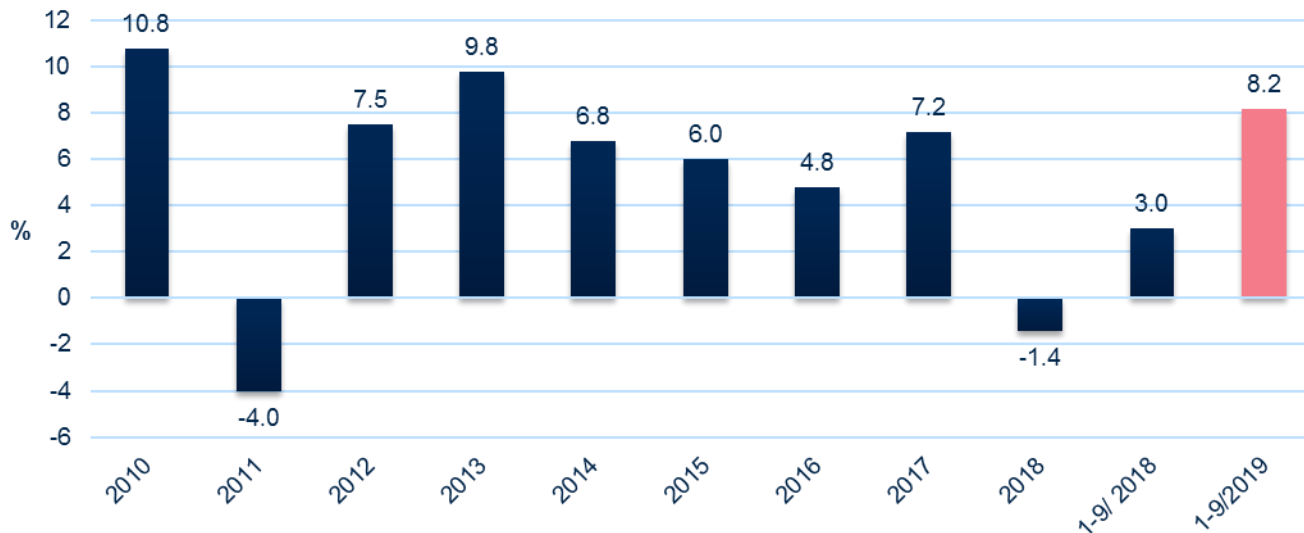
KEY OBSERVATIONS ABOUT THE OPERATING ENVIRONMENT

- After a long period of expansion, the economic cycle is now showing signs of decline. Germany's economic outlook, in particular, has deteriorated rapidly, especially as a consequence of the automotive industry's decline in demand. Also in the US, expectations of continued economic growth have diminished. Expectations of continued very light monetary policy have increased further.
- The US–China trade war has contributed to the uncertainty in the financial markets, and China's economic growth has slumped.
- The interest rate level has continued to decline in Europe. The European equity markets rose slightly during the third quarter. Despite the slowdown in economic growth, expectations of a persistent very low interest rate level have supported the markets.



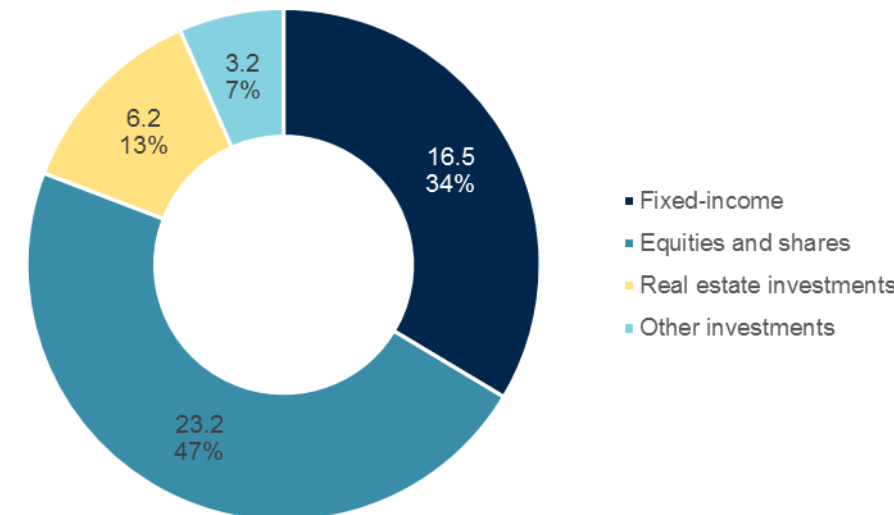
STRONG DEVELOPMENT OF INVESTMENT RETURNS CONTINUED

Return on investments in 2010–2019 and investment allocation on 30 September 2019



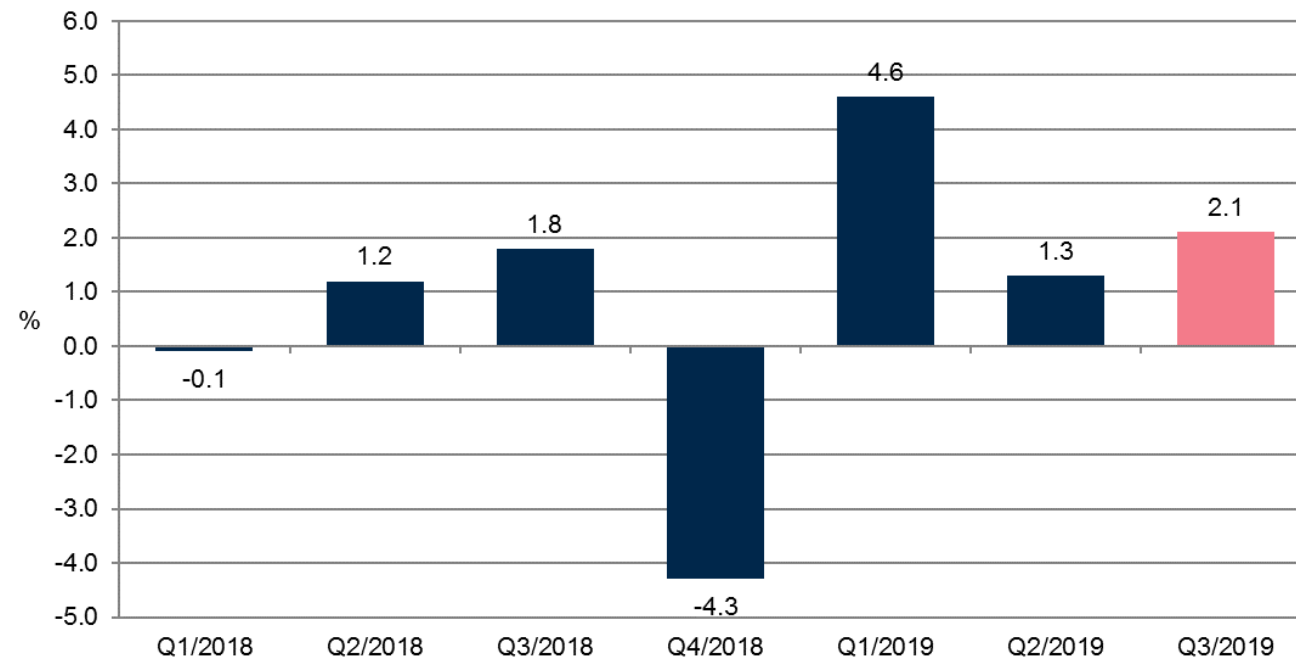
Average nominal return on investments over 10 years 5.7% and real return 4.3%.

30 September 2019, €49.1 bn



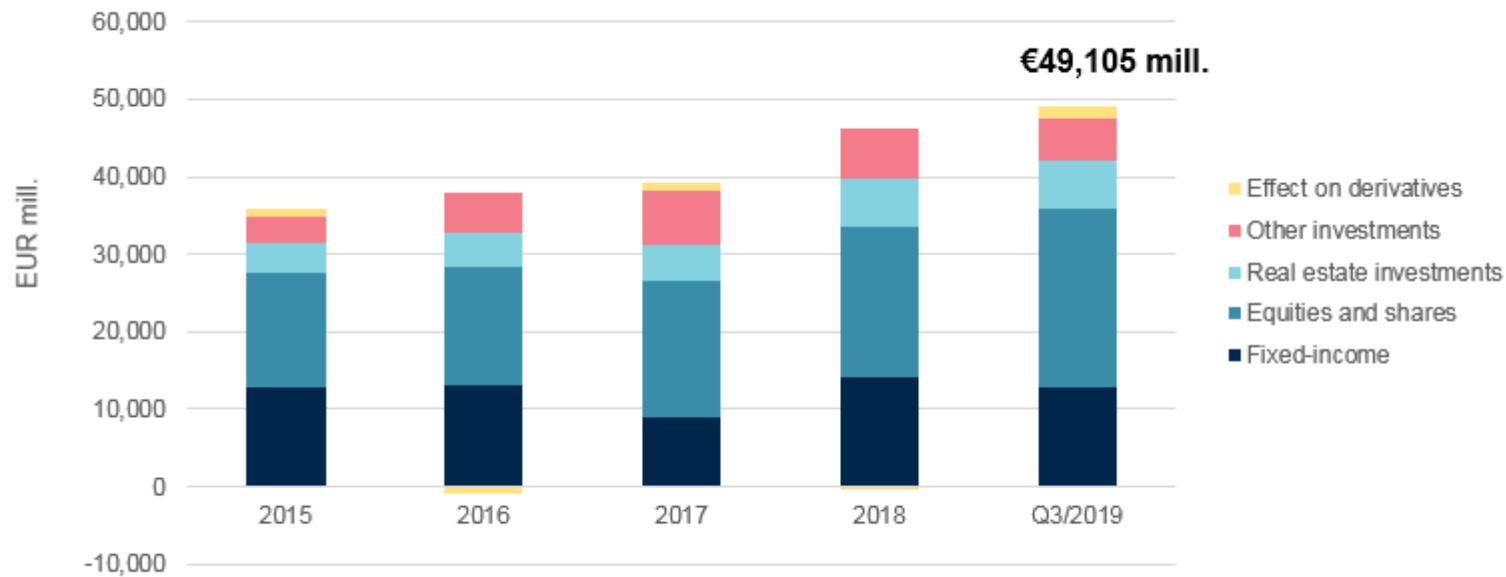
Q3 RETURN ON INVESTMENTS WAS 2.1% AND 12-MONTH RETURN 3.6%

Quarterly investment returns



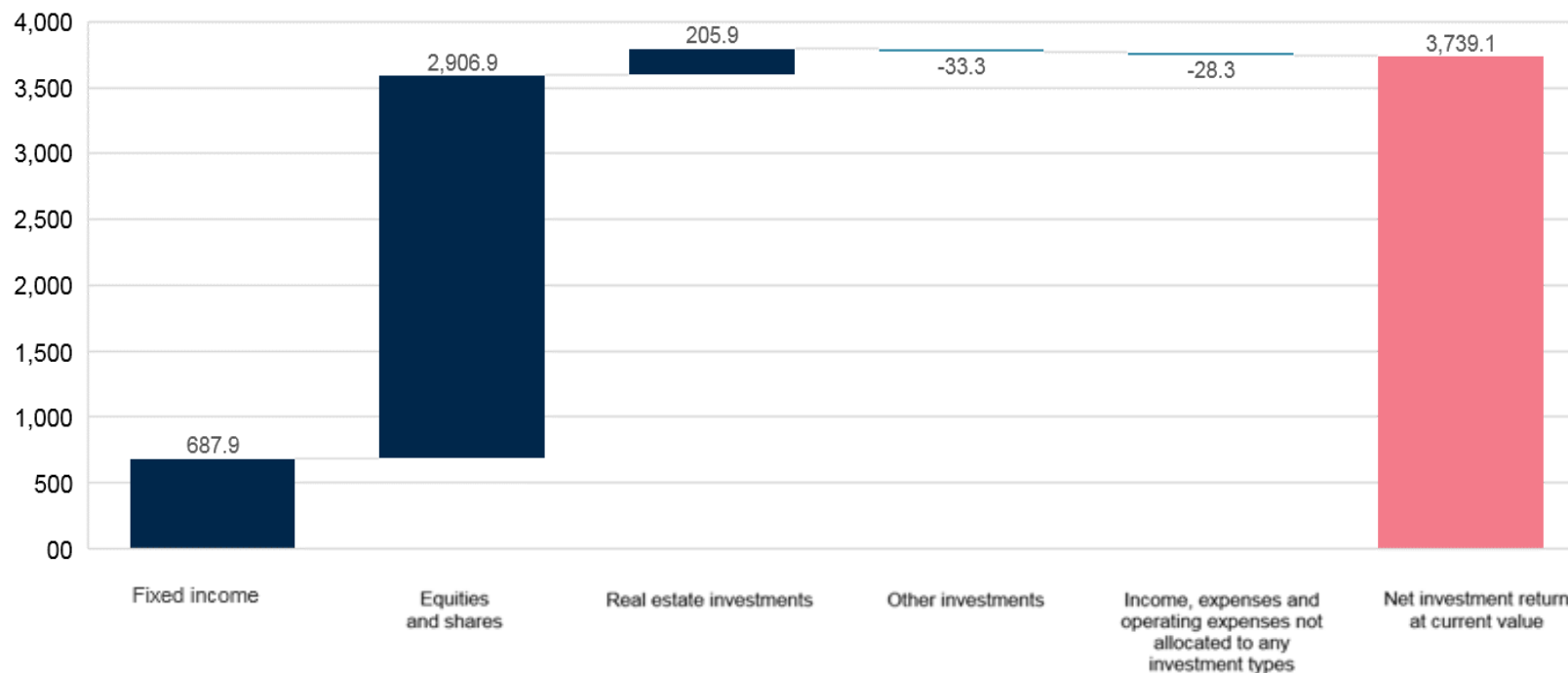
IN THE INVESTMENT ALLOCATION, THE WEIGHT OF EQUITIES HAS GROWN TO 47%

Breakdown of investment risks



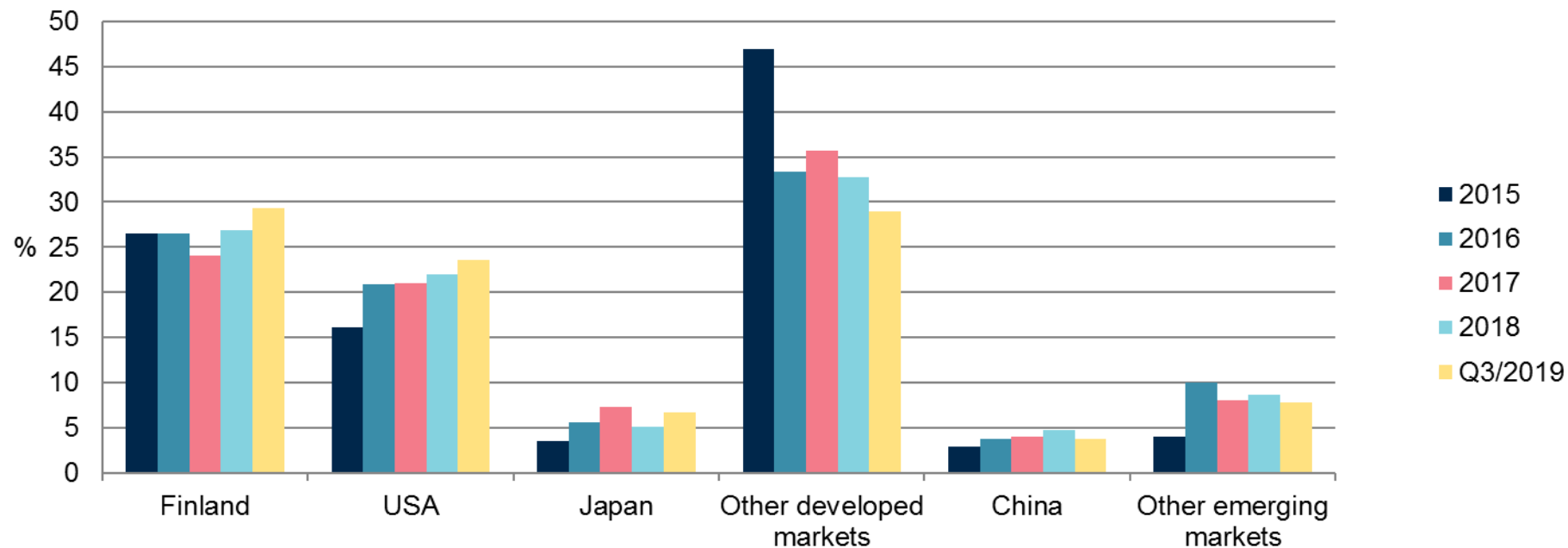
NET RETURN ON INVESTMENTS MORE THAN 3.7 BILLION

Returns by asset class, € mill.



SHARE OF FINNISH LISTED EQUITY INVESTMENTS 29%

Geographical breakdown of listed equities



ILMARINEN'S INVESTMENTS IN FINLAND

MORE THAN EUR 12 BN

Equity investments in
Finnish companies

Listed €5.3 bn
Unlisted €1.0 bn



Real estate investments
in Finland €4.3 bn



Loans to Finnish
companies €0.8 bn



Bonds €1.0 bn



HOLDINGS IN FINNISH LISTED COMPANIES

EUR 5 BILLION

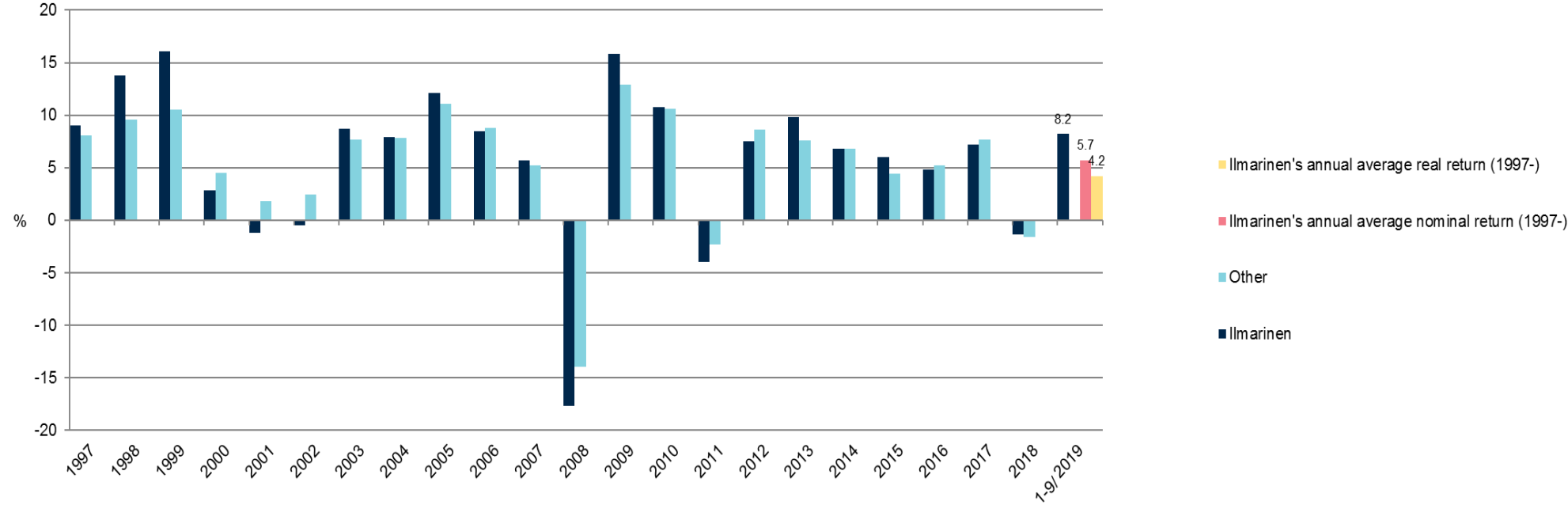
Largest Finnish listed equity holdings

	EUR mill.	30 Sept 2019	31 Dec 2018
↑	Kojamo Plc	484	264
↑	Sampo Plc	327	200
	Neste Corporation	301	190
↑	UMP-Kymmene Corporation	299	96
↑	Fortum Corporation	298	170
↑	Kone Corporation	296	274
↑	Nordea Bank Abp	278	188
↑	Kesko Corporation	270	155
↑	Nokia Corporation	264	184
↑	Stora Enso Corporation	250	216

	Percentage	30 Sept 2019	31 Dec 2018
	Nurminen Logistics Plc	19.8	19.8
	Digia Plc	14.6	14.6
	Kojamo Plc	13.1	13.1
	Talenom Oyj	12.1	17.2
↑	QT Group Plc	10.2	10.1
	Panostaja Oyj	8.1	8.1
	Martela Corporation	8.1	8.1
↑	Glaston Corporation	7.3	7.2
	Citycon Corporation	7.1	7.1
↓	Capman Plc	6.8	7.1

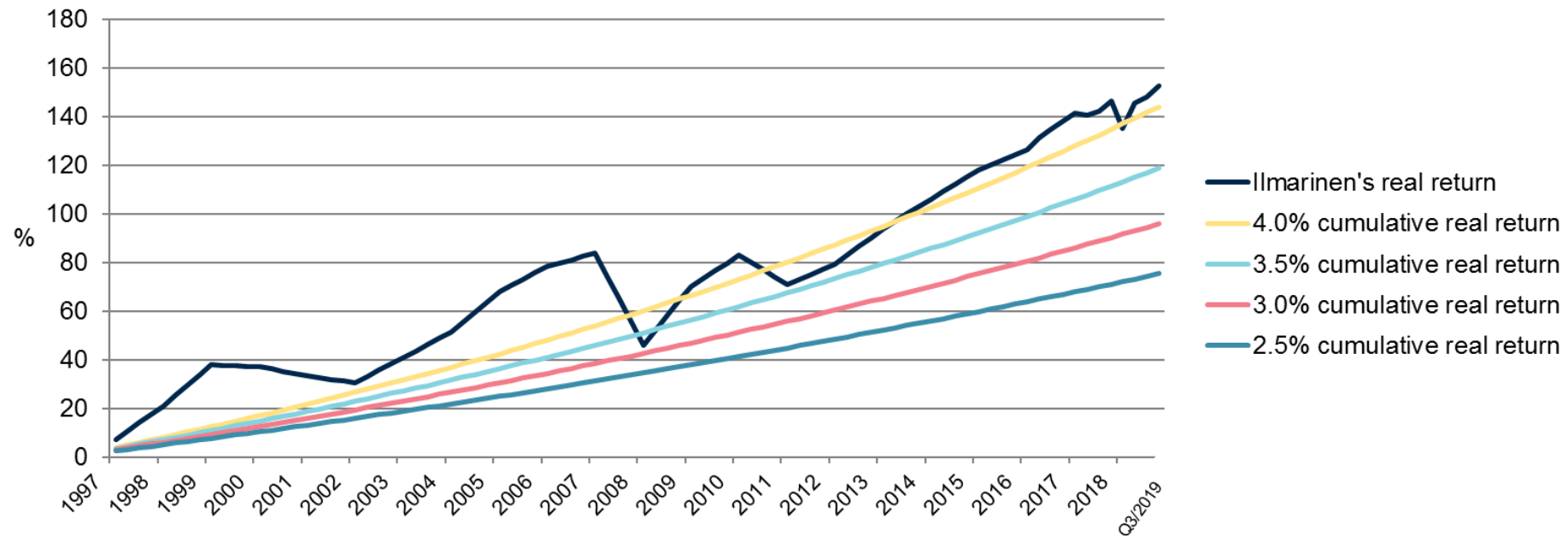
LONG-TERM AVERAGE NOMINAL RETURN 5.7% PER ANNUM

Net investment return at current value



LONG-TERM AVERAGE REAL RETURN 4.2% PER ANNUM

Cumulative net return on investments 1997–30 September 2019



AVERAGE RETURN OF DIFFERENT MARKETS

%	Ilmarinen	Finnish equities and shares	European equities and shares	Euro government bonds	Euro corporate bonds
Q3/2019	2.1	1.9	2.6	3.8	1.3
2018	-1.4	-3.9	-10.8	1.0	-1.3
Average return over 5 years	5.1	10.5	5.7	3.7	2.6
Average return over 10 years	5.7	10.7	8.0	4.6	4.3
Average return over 20 years	5.4	7.9	4.0	5.0	4.6
Average return since 1997	5.7	9.8	6.5	5.1	4.7
Real average return over 5 years	4.6	9.9	5.1	3.1	2.1
Real average return over 10 years	4.3	9.3	6.6	3.2	3.0
Real average return over 20 years	3.8	6.3	2.5	3.4	3.1
Real average return since 1997	4.2	8.1	4.9	3.5	3.1

JAN-SEP RETURN ON INVESTMENTS 8.2%

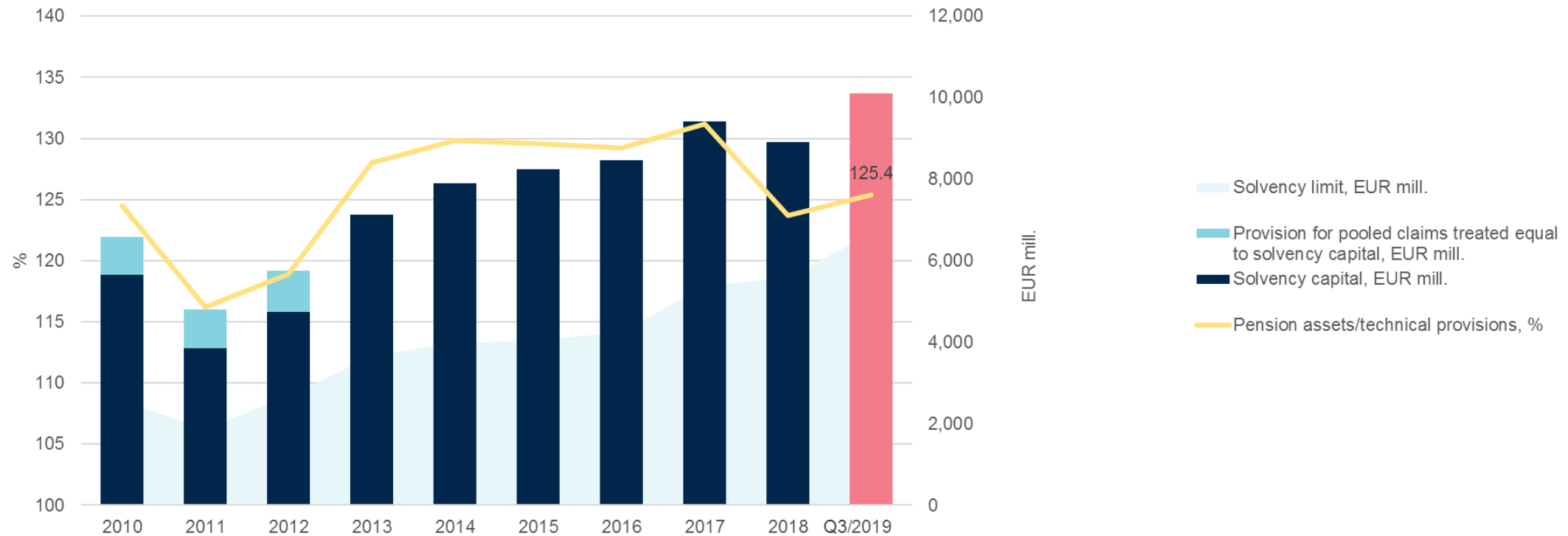
	Basic breakdown		Risk breakdown		Return	Volatility
	EUR mill.	%	EUR mill.	%	%	
Fixed-income investments	16,508.5	33.6	12,772.0	26.0	4.2	
Loan receivables	1,008.8	2.1	1,008.8	2.1	2.8	
Bonds	14,230.4	29.0	9,634.7	19.6	4.5	2.2
Public corporation bonds	4,719.6	9.6	3,724.9	7.6	8.1	
Other bonds	9,510.8	19.4	5,909.8	12.0	2.7	
Other money market instruments and deposits (incl. investment receivables and payables)	1,269.4	2.6	2,128.6	4.3	3.0	
Equities and shares	23,178.2	47.2	23,025.4	46.9	14.4	
Listed equities and shares	18,115.7	36.9	17,962.9	36.6	15.3	11.5
Private equity investments	4,191.0	8.5	4,191.0	8.5	12.6	
Non-listed equities and shares	871.5	1.8	871.5	1.8	5.6	
Real estate investments	6,173.9	12.6	6,192.1	12.6	3.4	
Real estate investments	5,621.3	11.4	5,622.2	11.4	3.5	
Real estate funds and joint investments	552.7	1.1	569.8	1.2	2.7	
Other	3,244.6	6.6	5,458.9	11.1	-1.1	
Hedge fund investments	2,420.9	4.9	2,420.9	4.9	7.7	3.6
Commodity investments	30.7	0.1	91.9	0.2	-	
Other investments	793.0	1.6	2,946.2	6.0	-21.5	
Investments total	49,105.3	100.0	47,448.4	96.6	8.2	4.0
Effect of derivatives			1,656.9	3.4		
Investments at current value	49,105.3		49,105.3	100.0		

The modified duration of bond investments is 2.0 years

The open currency position is 23.2% of the market value of the investments.

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

SOLVENCY STRENGTHENED TO 125.4% AND SOLVENCY CAPITAL GREW TO €10.1 BN





FUTURE PROSPECTS

ILMARINEN

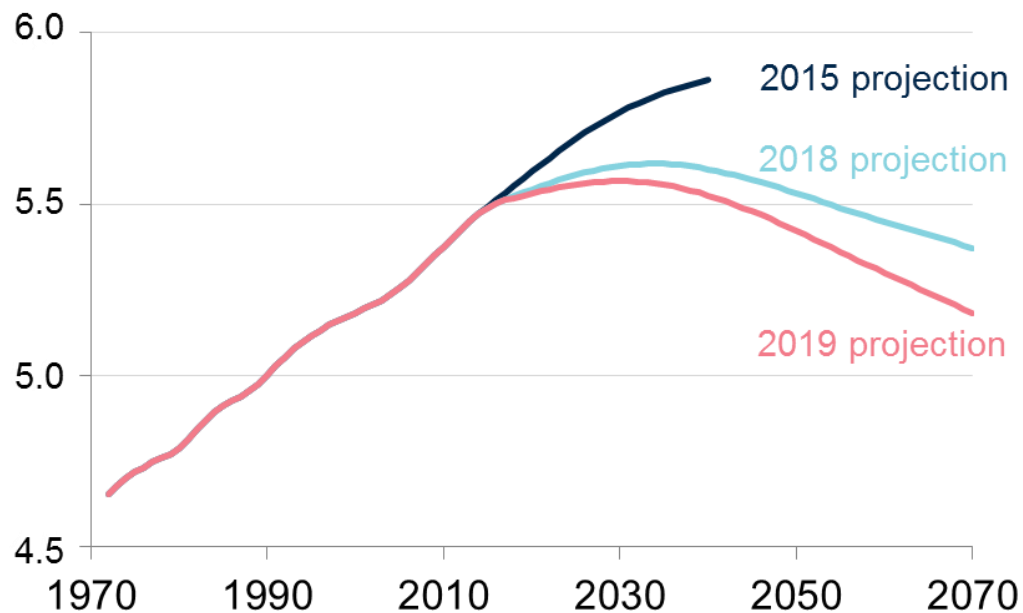
FUTURE PROSPECTS

- Economic growth is expected to continue but slow down both in Finland and in other industrialised countries.
- The low interest rate level will support the financial markets also in the near future.
- Monetary policy will remain light in the euro zone, but the chances of extremely light monetary policy contributing to a rise in share prices are beginning to be limited.
- It is likely that companies' earnings development will weaken in the near future as global economic growth wanes.
- 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.

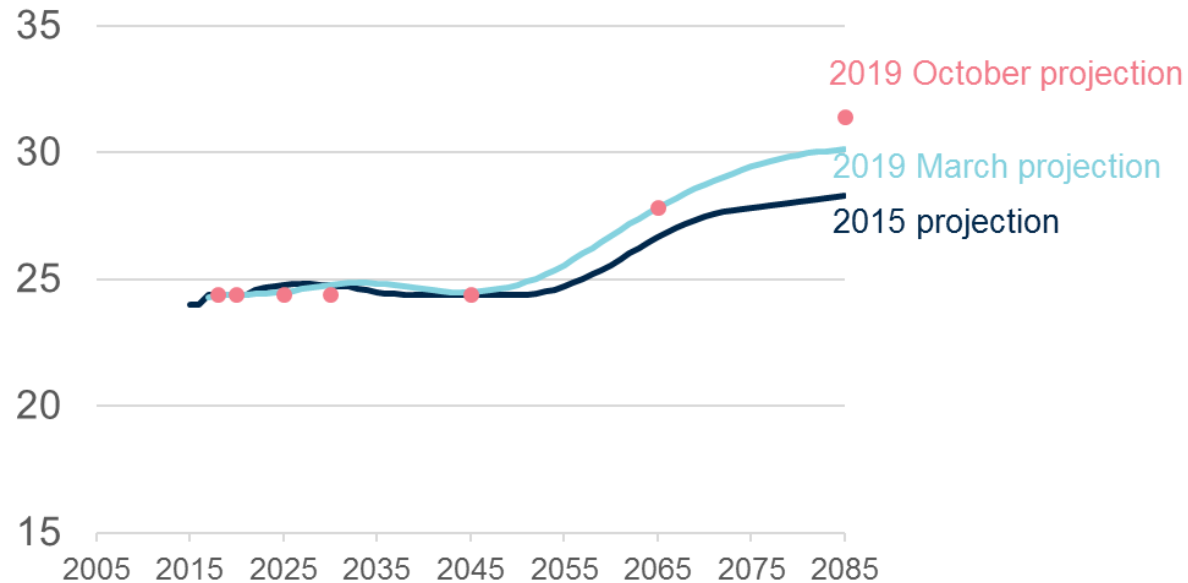


FINNISH CENTRE FOR PENSIONS' (ETK) LONG-TERM CALCULATION: INCREASED PRESSURE FOR TYEL CONTRIBUTIONS TO RISE

Population and long-term projection, in millions of people (Statistics Finland)



TyEL contribution development (ETK's calculation)



KEY CHANGES IN ETK'S CALCULATION

- Birth rate 1.45 (earlier assumption 1.7)
- Net immigration 15,000 people per annum (earlier assumption 17,000)
- Real return on investments assumption 2.5% for 2019–2028 (earlier assumption 3.0%) and 3.5% as of 2029