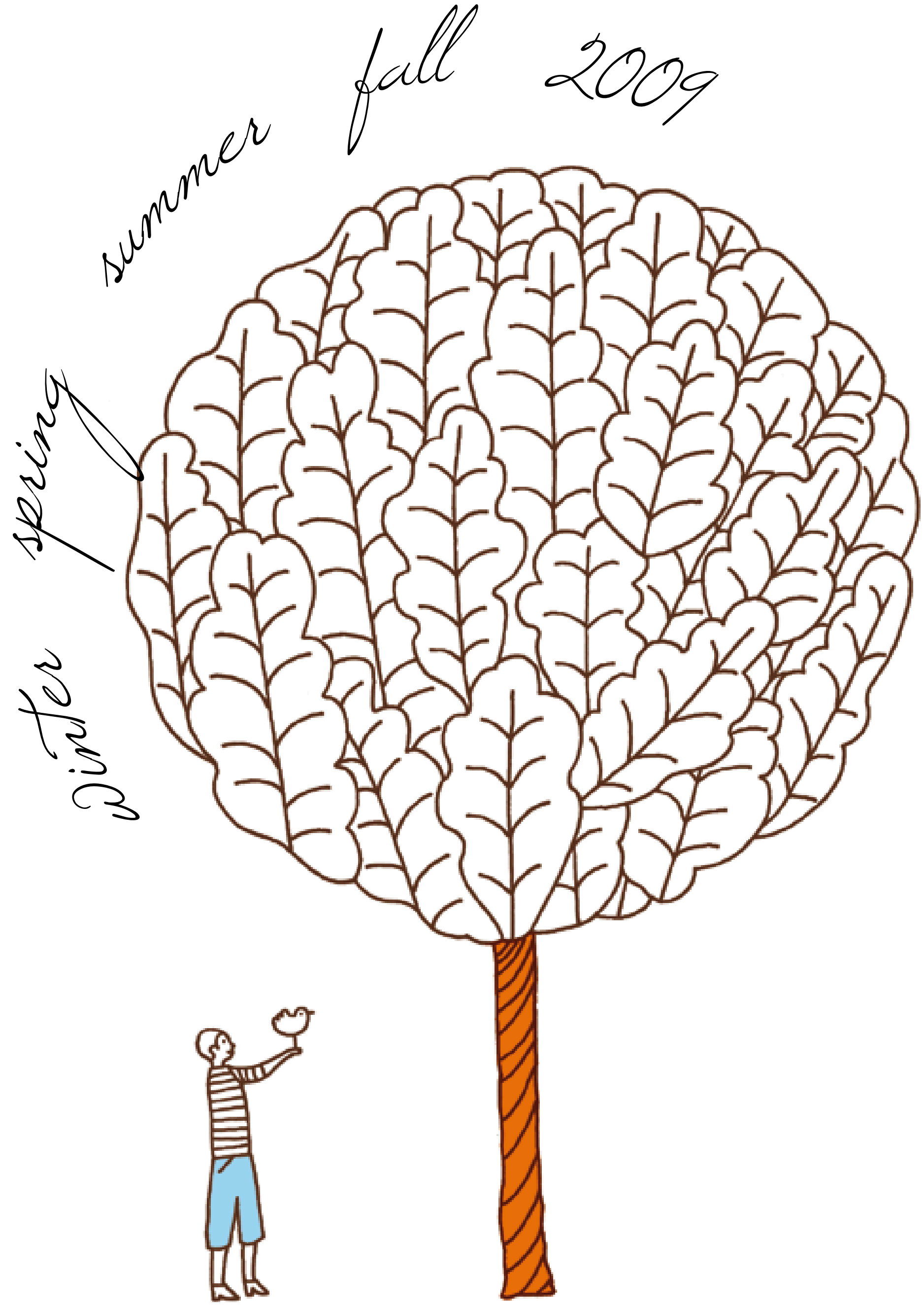
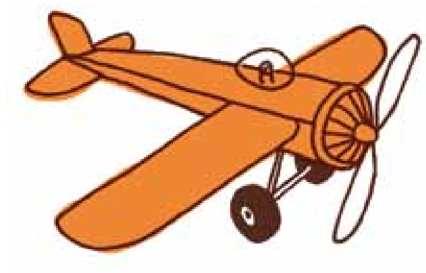
ILMARINEN IN 2009



ILMARINEN



THIS PUBLICATION
includes Ilmarinen's financial statements 2009 and describes company's operations, taking into account the perspectives of social, financial and environmental responsibility.

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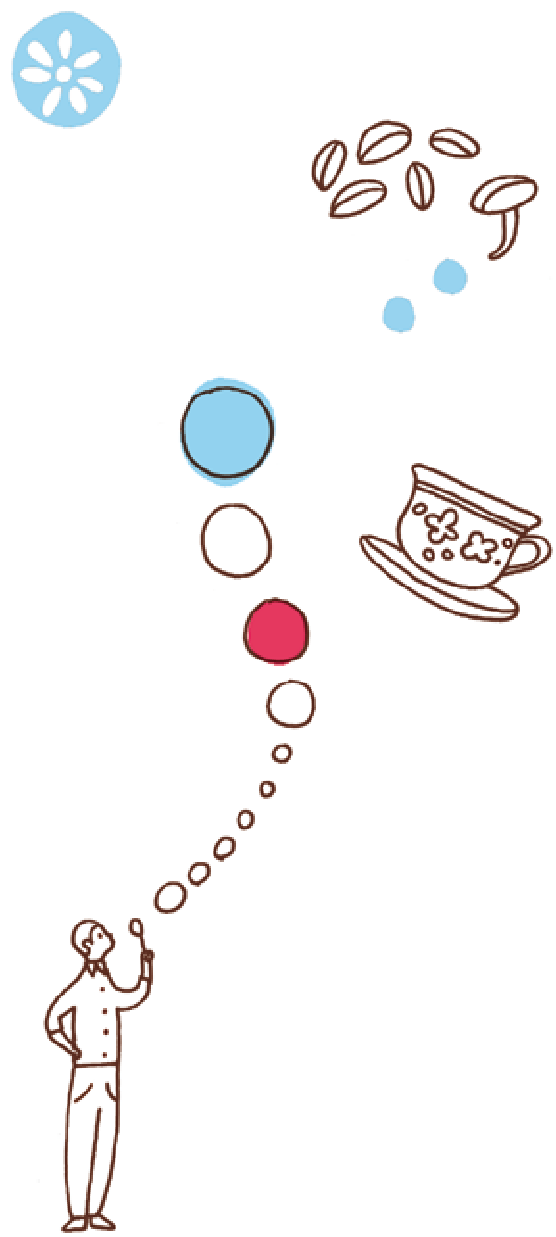
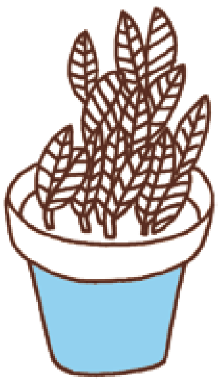


Ilmarinen in brief......



Ilmarinen's mission is to safeguard the statutory pension provision of employees and self-employed persons and to manage the investment assets that cover future pensions.

Ilmarinen is a mutual company owned by its policy holders, the persons insured and the owners of the guarantee capital.

RESPONSIBILITY
CORPORATE GOVERNANCE

> key figures

	2009	**Change-%**	2008	2007	2006	2005
Premiums written, EUR mill.	**3,184.1**	**–2.5**	3,264.4	2,772.5	2,652.6	2,346.0
Pensions paid out, EUR mill.	**3,059.1**	**13.2**	2,703.3	2,398.4	2,239.1	2,035.8
Operating expenses covered by loading profit, EUR mill.	**87.5**	**5.0**	83.3	85.6	71.8	74.4
Technical provisions, EUR mill.	**22,609.7**	**9.7**	20,612.8	22,661.1	20,917.2	18,891.3
Balance sheet total at current value, EUR mill.	**28,026.3**	**22.7**	22,840.9	25,964.0	23,635.4	21,553.0
Solvency capital, EUR mill.	**4,876.9**	**82.5**	2,673.0	6,068.8	5,828.0	5,090.1
% of technical provisions	**24.0**		14.0	32.5	33.7	32.0
in relation to solvency border	**2.7**		2.0	2.0	2.4	2.5
Investment, EUR mill.	**25,179.8**	**20.6**	20,871.7	23,663.6	22,994.9	20,983.2
Investment income at current value, %	**15.8**		–17.7	5.7	8.5	12.1
Pension recipients	**282,982**	**3.4**	273,605	262,971	257,884	243,775
TyEL policies	**35,840**	**0.1**	35,793	34,113	31,551	31,386
Employees insured under TyEL	**472,000**	**–1.7**	480,000	417,000	387,000	357,000
YEL policies	**52,243**	**–1.1**	52,814	51,289	49,898	49,495
Permanent personnel, December 31	**558**	**3.5**	539	545	543	541

ILMARINEN AS A PART OF SOCIETY

Responsibility is an integral part of Ilmarinen's daily activities as a provider of statutory pension insurance. Ilmarinen is a mutual company, owned by its clients. The company's corporate responsibility is guided by its values, good insurance practice guidelines, ownership policy, and risk management policy. Ilmarinen was also the first Finnish company to sign the UN's Principles for Responsible Investment in November 2006.

Ilmarinen participates in the development of the Finnish earnings-related pension system and its financing together with social parties and other stakeholder groups. In 2009, company representatives participated in, among others, the Pension Negotiation Group led by Jukka Rantala, Managing Director, Finnish Centre for Pensions, and the working group on working life headed by Jukka Ahtela, Director, Confederation of Finnish Industries, to assist in outlining the future of the Finnish pension system and working life.

Ilmarinen promotes the well-being at work and the capacity of its corporate clients' personnel to cope in working life through well-being at work services and related research and occupational rehabilitation.

Corporate responsibility also means interaction with different stakeholder groups and creating trust between them. The voices of customers, personnel, and other stakeholder groups are heard throughout Ilmarinen's operations in a variety of ways. Ilmarinen upholds a dialogue with its stakeholder groups in various co-operation forums, such as through the Advisory Committees for Insurance Clients and the Insured. Ilmarinen also researches and takes into account the viewpoints of clients and stakeholder groups using different types of studies and questionnaires.

Ilmarinen has a separate committee that co-ordinates the company's social responsibility activities, which includes experts from the company's various business areas.

Ilmarinen follows the Finnish Corporate Governance Code. Due to the legislation governing them, however, pension insurance companies must diverge from the recommendations in certain respects.

Ilmarinen's vision is to be Finland's leading earnings-related pension insurer. The company's strategic objectives are to be the number one choice in earnings-related pension insurance, the number one in long-term return on investment, in cost-efficiency and as a workplace.

In the near future, Ilmarinen's business development will focus on improving customer service and cost-efficiency, and accelerating partnership co-operation. The success of the Finnish pension system is dependent on the development of the country's national economy and Finnish companies. Ilmarinen strives to be an active investor in the Finnish business sector and to further Finnish entrepreneurship.

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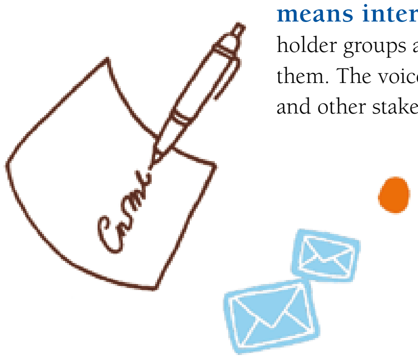


global reporting initiative

GRI COMPARISON Global Reporting Initiative (GRI) is an international community that develops guidelines on the reporting of sustainable development. At Ilmarinen, these guidelines have been used as a framework for developing reporting, although we do not report directly in accordance with them.

> Social income distribution calculation

EUR mill.

Income formation	2009	2008
Premiums written	**3,184.1**	3,264.4
TyEL employers' contribution	**2,334.6**	2,430.9
TyEL employees' contribution	**631.8**	628.8
YEL self-employed persons	**217.7**	204.7
Net investment income excluding operating expenses	**3,430.7**	−4,550.4
Other income and expenses	**0.7**	1.2
Total income	**6,615.6**	−1,284.8

Income distribution	2009	2008
To pensioners	**−3,056.7**	−2,701.2
TyEL pension recipients	**−2,837.4**	−2,495.3
YEL pension recipients	**−219.3**	−205.9
Provision for future pensions	**−667.9**	−1,089.2
Provision for future risks	**−2,745.1**	5,150.1
Buffering against fluctuations in investment income	**−2,767.6**	5,226.1
Buffering against fluctuations in underwriting result	**22.5**	−76.0
Client bonuses	**−20.9**	43.8
Carried forward to the next year for client bonuses	**−52.0**	−31.0
Client bonuses paid	**31.1**	74.8
Staff expenses	**−39.2**	−35.4
Other service providers	**−82.1**	−78.1
Taxes withheld at source	**−2.7**	−3.7
Interest on guarantee capital	**−0.9**	−1.5
Donations	**−0.1**	−0.1
Total income distribution	**−6,615.6**	1,284.8

The social income distribution calculation describes what items make up Ilmarinen's income and how they are distributed among the various stakeholder groups. Simultaneously, it illustrates Ilmarinen's effect as a social player.

STABILITY AND RESPONSIBILITY

Year 2009 was an exceptionally eventful for Ilmarinen, especially in terms of investments. Ilmarinen and the entire Finnish earnings-related pension model proved their endurance in the midst of a formidable financial crisis. This success story is unique on a global scale. The crisis failed to put pressure on us to raise pension contributions, nor was there any need to even consider cutting pensions.

This owes to two special characteristics of the Finnish earnings-related pension model. Firstly, the model takes as a starting point pension benefits and then securing sufficient funding for them, rather than letting pensions fluctuate according to the success of investment activities. Our second strength is that risk is allocated to a large number of owners as we are operating in the insurance sector.

This past year has proven even further that our unflinching belief in equities and shares is worthwhile. We were able to hold on to our Finnish equities and shares, even though the situation remained uncertain until late into the spring. This was possible due to a strong solvency at the onset of the crisis and the temporary solvency act which gave us more scope.

Despite the economic storm, Ilmarinen put its faith in Finnish companies and also participated in numerous equity issues. This ultimately benefited the Finnish national economy as a whole.

Another indication of our responsible approach is our support, through various payment arrangements, for viable companies which were temporarily in trouble due to the downturn. Also our premium lending was at a higher level than normal, only levelling off once financing from conventional sources started to become more easily available.

When the operating environment is uncertain, the time is ripe to think about the basics. During the course of the spring, we at Ilmarinen drew up an even clearer strategy and refined the company's values. The strategy's focus areas are our competitive position, investment income, cost-efficiency and Ilmarinen as a workplace.

The strategy work began to pay off surprisingly quickly. Especially delightful was that the single most significant improvement was related to the following statement in the personnel survey: "The company's strategy is clear."

The value discussion evolved into a shared journey, which everyone was free to take part in. We amassed hundreds of stories and

Ilmarinen's values: openness, responsibility,

%76

Good operational efficiency is also reflected in client bonuses.

the workshops attracted around a hundred Ilmarinen employees. I believe that through this process we grew into the new values even before they reached their final form.

Ilmarinen's new values are: "Openness, responsibility, success through teamwork." Of course, many other companies also have similar values. They could even use the exact same phrasing, but nobody could replicate our journey to reach these values. They need to be experienced first-hand.

In addition to the economic uncertainty, the **markets of 2009** were characterised by the incorporation of public services. This brought tens of thousands of people under the scope of private earnings-related pension systems. In addition, many employers dissolved their pension funds.

Ilmarinen's performance in this critical period varied: Its results were excellent in insuring state enterprises and moderate in funds, but poor in university tenders. What makes me happy is that in public tenders, the quality and contents of Ilmarinen's service offering were typically assessed to be the best.

Our co-operation partners OP-Pohjola Group and Pohjantähti enabled Ilmarinen's success, in particular with entrepreneurial and small and medium-sized customer acquisition.

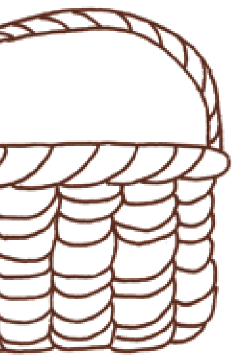
Our clients are naturally interested in how cost-efficiently we function. 2009's figures are a joy to report. Operational efficiency was 76 per cent, which can also be observed in client bonuses.

Behind our good cost-efficiency and other success are personnel who are proud of their work and their company. So a heartfelt thank-you goes out to the whole Ilmarinen team! This commitment was also visible in the Finland's Best Workplaces study, which showed that 93 out of a hundred employees felt that Ilmarinen, on the whole, is a really great place to work. Correspondingly, 93 per cent felt their own work input to be important.

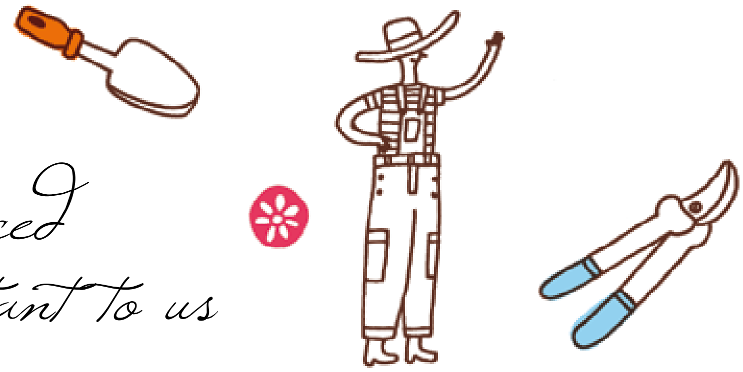
Finland's economy seems to be rising out of the downturn at a slower pace than others, and this economic uncertainty is eating away at people's belief in the future. Ilmarinen is ideally placed to meet these challenges head on. We want to do our part in bringing stability to the Finnish economy, to the everyday lives of both pension recipients and the employees insured with us.

Harri Sailas
President and CEO

success through teamwork.



stable and balanced growth is important to us



** A SOLVENT PENSION INSURANCE COMPANY HAS RISK BEARING CAPACITY

C

CASE

Neste Oil transferred the management of its statutory earnings-related pension insurance from its own pension fund to Ilmarinen. The key factors behind the decision were the company's good solvency and risk management, explains **Ilkka Salonen**, Neste Oil's CFO.

I.S: Our pension liability is over EUR 600 million, the future pensions of thousands of people. We came to a point where the only option was either to significantly reinforce our own fund's resources or to handle our pension insurance through a pension insurance company.

It is obvious that maintaining a pension fund is not part of Neste Oil's core business. It was a wise move to transfer our pension management to a party with the best possible resources to prepare for the future. Transferring to pension company was the best option for securing risk management and solvency. Other significant factors were actuarial and investment competence.

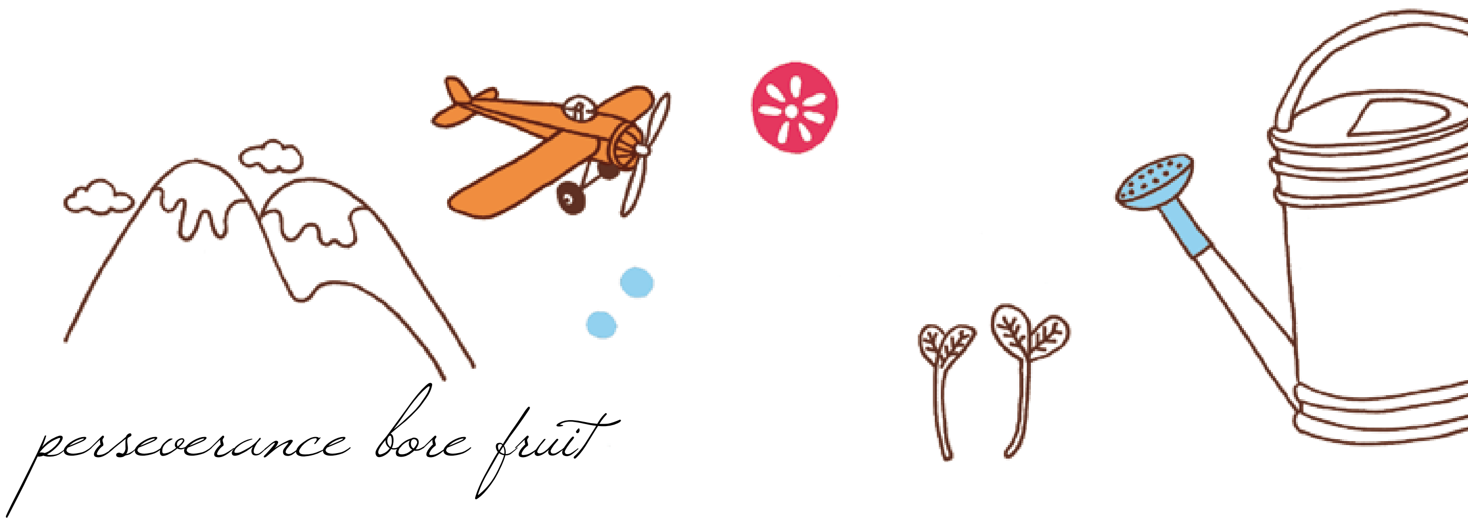
T.R: We constantly focus our efforts on investment activities and risk management by developing know-how and by investing in IT systems supporting these functions. More than 80 per cent of Ilmarinen's investment assets are handled internally, which is proof of solid, constantly maintained competence.

I.S: In our comparison of different companies, we paid special attention to solvency. Hundreds of millions of euro is no small amount, which is why a company managing our pensions needs to have a sufficient solvency buffer and expertise. These are things that we found in Ilmarinen.

In pension operations the time-span for financial monitoring is 30 to 40 years and decisions have far-reaching consequences. The key role is held by long-term activities which are not swayed by economic fluctuations.

T.R: Ilmarinen's long-term return on investment and client bonuses are the best of all the pension insurance companies. During the past 13 years the average real return on investments has been 4.1 per cent.

Interviewees: ILKKA SALONEN / Neste Oil
TIMO RITAKALLIO / Ilmarinen



RESULT-ORIENTED, RESPONSIBLE AND LONG-TERM INVESTMENT ACTIVITIES

The objective of Ilmarinen's investment activities is to achieve the highest possible return in the long term, while ensuring that the average risk of the investments is not too high in relation to the company's risk bearing ability. A long-term approach is essential in investing pension assets.

A good long-term level of returns can help to reduce the pressure for higher pension contributions in the future and allows Ilmarinen to offer competitive client bonuses. Short-term fluctuations in value are not significant in view of the basic task of investment activities as long as the targets set for solvency and an adequate solvency capital are achieved. The expected average long-term return on Ilmarinen's investment assets is 6 per cent, and the expected standard deviation of the return is 8 per cent.

Through its **active portfolio management**, Ilmarinen always strives for returns that exceed the overall market development. Ilmarinen aims to achieve high returns from investment activities with a well-diversified investment portfolio, professional evaluation of investment targets and management of investment risks. Ilmarinen carries investment risk in such a way that it balances out with risk bearing ability and, on the other hand, so that the expected returns on the investments are as high as possible.

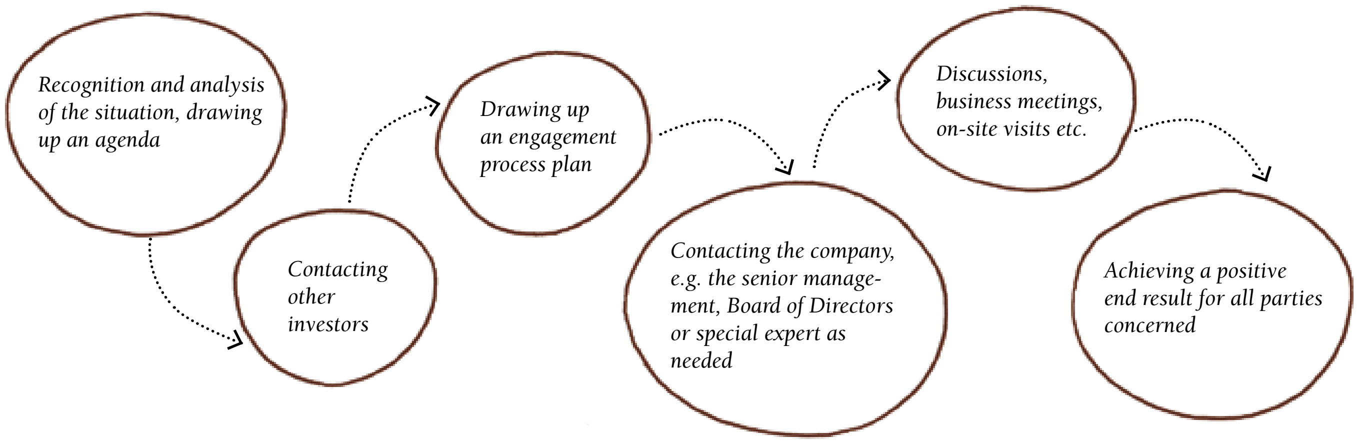
The possibility to pay client bonuses is based to a large extent on the result of investment activities. Ilmarinen's client bonuses have been the best in the industry over the last ten years.

Ilmarinen wants to continue to stand out from its competitors with its competitive investment returns, and for that reason is investing in strengthening the competitive factors of its investment activities. These include, for example, the continuous and diverse development of the investment organisation's competence to ensure timely allocation choices, the activeness and willingness for renewal in implementing new investment opportunities and instruments, pre-emptive risk management as well as reliable and efficient processes in investment activities.

The investment plan defines the weighting of asset classes, i.e. basic allocation, and the required return and risk level of investment activities. The company's Board of Directors approves the investment plan annually.

In addition to its own investment organisation, external investment service providers are utilised for certain investments such as

Engagement process stages:



emerging markets, private equity and hedge funds. The share of external asset managers is about 20 percent of the total assets.

Ilmarinen's ownership policy sets down the ownership principles approved by the company's Board of Directors. Ilmarinen believes that active ownership has a positive effect on the development of the value of holdings and lowers the risk inherent in investments. Ilmarinen promotes good corporate governance and management of the companies it owns by actively taking part in the selection of the members of the companies' Boards of Directors. In its public ownership policy memorandum, Ilmarinen offers its opinion on the management structure, dividend policy, and incentive programmes of the companies it owns.

Ilmarinen's representatives, as part of the company's active ownership policy, keep in regular contact with the managements of the companies it owns and take part in their Annual General Meetings. During 2009, Ilmarinen's participation rate in the Annual General Meetings of listed Finnish companies was 90 per cent.

The success of the Finnish pension system is dependent on the development of the country's national economy and Finnish companies. Ilmarinen wants to be an active and diverse investor in the Finnish economy. In 2009, 42 per cent of all of Ilmarinen's investments, or more than EUR 10.5 billion, were invested in Finnish society in one form or another.

Part of Ilmarinen's ownership policy consists of principles for **responsible investment**. The policy defines, for example, the noneconomic principles required by Ilmarinen, as an owner, from its investments. These principles include, e.g., ILO's principles concerning working life and the UN's Global Compact.

Ilmarinen was the first Finnish investor to have signed the UN's Principles for Responsible Investment (UNPRI). According to these principles, Ilmarinen commits to taking into account economic factors, as well as social responsibility, environmental responsibility and governance related issues in its investment activities.

The responsibility of Ilmarinen's investment activities has fared admirably in the annual surveys of the signatories. In practice, responsibility is monitored in various ways in the different asset classes. For example in the case of listed securities, an external assessor audits Ilmarinen's portfolios semi-annually. Between these audits, Ilmarinen's own portfolio managers ensure the implementation of the ownership policy in the company's own investments. An expert in responsible investment practices assists them in their work. When inadequacies are discovered, Ilmarinen starts up an engagement process and sells off its securities.

Over the past few years, engagement processes have shown positive results and it has been possible to reinstate companies into the investment universe. There can be a variety of reasons behind engagement processes. Discussions with the executive management have been held concerning, e.g. occupational and environmental safety or the procurement of natural resources from Western Sahara. Ilmarinen strives to co-operate with other investors in the engagement processes, ensuring a higher probability of success.

Ilmarinen's positive experiences with engagement processes have encouraged it to further strengthen its co-operation with institutional investors. Ilmarinen took part in establishing Nordic Engagement Cooperation (NEC), the purpose of which is to achieve better results through active collaboration.

* * *

For additional information concerning investments, see Ilmarinen's website (www.ilmarinen.fi).

PERSEVERANCE BROUGHT ILMARINEN RECORD RETURNS

Ilmarinen recovered from a historically difficult market situation faster than expected. The return on the company's investment assets in 2009 rose to 15.8 per cent, or around EUR 3.4 billion. In real terms, the investments brought in the all-time best result of 16.4 per cent.

The starting point for the year 2009, in the midst of a global financial and economic crisis, was anything but easy. Investors' belief in the future of the financing markets swayed as share prices dropped and credit risk margins grew. Faith in the ability of the international banking system to pull through was put to the test.

In March, the market situation began to gradually calm down. Share prices took an upward turn, the pricing of credit risk began to normalise and belief in the banking system began to improve. Additionally, a record-low interest level and a global, reinvigorating economic policy succeeded in turning the economy around again during the summer. During the latter part of the year the investment market continued to revive.

Both inflation and the price of oil followed the development of the economy and rose towards the end of the year. Europe's consumer price inflation even fell into the negative in summer but ended up at a final 0.9 per cent at year-end. The price of oil sank to less than 35 dollars in early 2009 but rose again to around 79 dollars at the end of the year.

In order to support the financial markets and economy, the Federal Reserve kept its key interest rate unchanged throughout the year at 0.25 per cent. The European Central Bank lowered its key interest rate during the early part of the year from 2.5 per cent to 1.0 per cent. In the U.S., long-term interest rates on government bonds rose during the year by about 1.6 percentage points to above 3.8 per cent. In Europe, long-term interest rates on government bonds rose more moderately, ending up at 3.4 per cent.

Equities and shares brought in good returns although the global index for the equity market decreased by 22 per cent from the year-end level. Following the turning point in March, share prices finally rose by 26 per cent by the end of the year. In Finland, share prices rose 45 per cent. The most significant investment incomes were achieved in equities and shares in the developing markets, for which the share price development index rose by 75 per cent during the year.

In 2009, Ilmarinen increased its investments in listed equities and shares. At the end of the year, listed equities and shares equalled 29 per cent of the total investment assets. The return on listed equities was 35 per cent. Private equity investments were burdened by value adjustments and their income was 18 per cent negative. EUR 105 million in new investments were made in private equity funds, equalling 2.2 per cent of the total investment assets at the end of the year.

Ilmarinen's absolute return funds, i.e. hedge funds, brought returns of 12 per cent. Hedge funds benefited from both the recovery of the value of risk-prone asset items and from the easing of liquidity pressure on the financing markets. The share of hedge funds of the investment assets at the end of 2009 was 2.2 per cent.

Returns from **Ilmarinen's bond holdings** were 17 per cent in 2009. Bonds with credit risk benefited from the decrease in required return in relation to government bonds, and their income rose to 20 per cent. The return on government bonds was 9 per cent.

Also the fluctuations in the currency markets continued in 2009. The dollar weakened by 3.4 per cent compared to the euro. The increase in the value of Ilmarinen's foreign currency denominated investments totalling EUR 5.3 billion was increased by currency hedging, which eliminated over half of Ilmarinen's currency risk. Currency hedging of foreign equities increased their returns by 0.9 percentage points to about 29 per cent.

Comment:
TIMO RITAKALLIO, Deputy CEO, Head of Investments:

"2009 was a double-edged sword for investors: in the early part of the year, the value development of different asset categories was weak, but beginning in March, returns on equities and shares as well as fixed-income investments were exceptionally good.

Ilmarinen continued its long-term, equity-oriented investment policy also in 2009. We were able to utilise the economic cycles effectively and due to our good solvency we did not find it necessary to sell off our shares in a panic. We were successful in both the choices we made in our investments, as well as in our timing, guaranteeing ourselves an excellent investment income.

Ilmarinen's solvency was at a strong level at year-end and the company's return on investment was clearly the best of all the Finnish pension insurance companies in 2009."

> figures

The strong interest in TyEL premium loans continued especially in the early part of the year when the global financial crisis had already created problems in the availability of financing for Finnish companies. However, corporate loans levelled off towards the end of the year.

The total corporate credit portfolio at the end of 2009 equalled EUR 3.2 billion, including EUR 516 million in growth, i.e. 19 per cent. The return on the loan portfolio equalled 4.0 per cent. New loans worth EUR 876 billion were taken out, their interest equalling 3.6 per cent.

Real estate activity remained quiet in 2009 as international investors withdrew from the Finnish real estate market due to the financial crisis. The rents for offices and flats rose and the regional and property-specific differences in rent increased. The volume of new construction and number of new projects, however, remained low.

Ilmarinen's real estate investments generated returns of -0.6 per cent, of which direct real estate investments accounted for 5.0 per cent and indirect real estate investments for -27.1 per cent. The current values of direct real estate investments depreciated by EUR 12.2 million.

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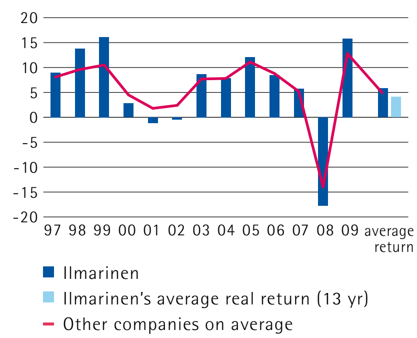
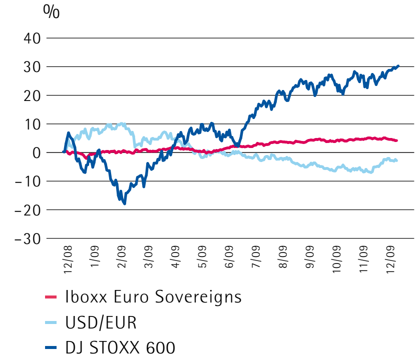
COMPARISON OF INVESTMENT INCOME



MARKET RETURNS IN 2009



> Ilmarinen's investments

31 December, 2009

	Risk breakdown EUR mill.	Risk breakdown %	Return %
Fixed-income investments	**13,160.6**	**52.3**	**12.6**
Loan receivables	3,211.8	12.8	4.0
Bonds	8,569.7	34.0	17.1
Other money market instruments and deposits	1,379.2	5.5	1.4
Equities and shares	**8,284.2**	**32.9**	**28.3**
Listed equities and shares	7,411.4	29.4	34.8
Private equity investments	556.4	2.2	−18.3
Unlisted equities and shares	316.4	1.3	1.5
Real estate investments	**2,577.9**	**10.2**	**−0.6**
Direct real estate investments	2,236.2	8.9	5.0
Real estate funds and joint investments	341.7	1.4	−27.1
Other	**1,157.1**	**4.6**	**13.5**
Hedge fund investments	565.1	2.2	11.8
Commodity investments	34.4	0,1	–
Other investments	557.6	2.2	–
Total investments	**25,179.8**	**100.0**	**15.8**

SOLVENCY ON A SOLID BASIS

Ilmarinen's solvency strengthened during 2009 due to good return on investments. Strong solvency together with anticipatory risk management enables long-term investment activities.

The company's solvency grew strongly over the three final quarters of the year due to the significant improvement in the value of equities and shares and corporate bonds which began in March. Even during the early months of the year, Ilmarinen's solvency in proportion to risk did not weaken, instead the company's solvency position remained higher than double the solvency border.

Ilmarinen's position as an insurance company providing statutory pension insurance requires the company to secure its financial position and manage the risks connected to it. Especially in early 2009 it was important in investment activities to simultaneously prepare for the possible decline of the investment markets and maintain the long-term approach of the investment strategy. Ilmarinen achieved both.

The significance of risk management has increased as a result of the financial crisis. At Ilmarinen, risk management has long been an area of continuous development. Only in this way can we guarantee the continuity of the company's operations and secure the pensions of the insured.

Ilmarinen is a long-term investor, having to meet, at any given time, the binding obligations under the solvency regulations. Therefore, risk management must, for its part, reconcile the need to implement a long-term investment strategy with the need to abide by short-term restrictions. It is essential to define the risk-taking level made possible by the company's solvency over the long and short terms as well as the necessary limits for risk-taking, however, in a manner that will not create any unnecessary restrictions on capturing opportunities.

Read more about risk management on page 44 of the Report on Operations and pages 76–80 in the notes to the financial accounts or on the company's website at www.ilmarinen.fi.

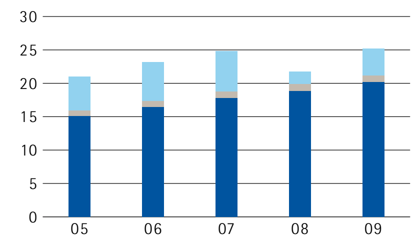
The risks in the underwriting business are related to the sufficiency of the insurance contribution and technical provisions in relation to the current and new pensions insured with Ilmarinen. Over the long term, the most central uncertainty factor is life expectancy; over the short term, the greatest uncertainty is related to the number and size of new pensions.

Risk management in Ilmarinen's underwriting business is based on the calculation bases meeting the prudence requirements of the law, according to which the insurance contribution and technical provisions are calculated, and on the company's own actuarial analyses. Contributions are identical for all employment pension insurance companies. In addition, according to the law, the company must grant all insurances applied for from it.

An equalisation provision is used to prepare for fluctuations in the annual underwriting result. This buffer, included in the technical provisions, has accrued from the underwriting surpluses of earlier years. The joint technical bases of pension insurance companies set limits for the equalisation provision according to risks in the under-

PENSION ASSETS

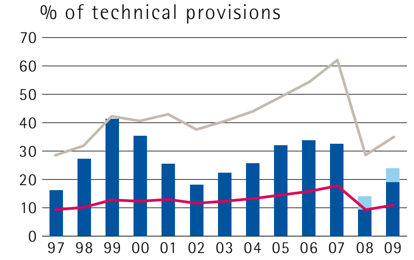
EUR billion



Solvency capital
Equalisation provision
Ordinary pension liabilities

SOLVENCY, ANNUAL

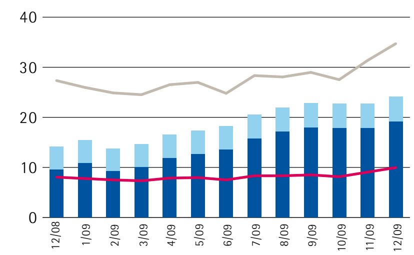
% of technical provisions



Provisions for pooled claims treated equal to solvency capital
Solvency capital
Maximum solvency capital
Solvency border

SOLVENCY, MONTHLY

% of technical provisions



Provision for pooled claims treated equal to solvency capital
Solvency capital
Maximum solvency capital
Solvency border

billion€ 2,2

Ilmarinen's investment result improved to an exceptionally good level.

writing business. Ilmarinen's equalisation provision is sufficient in relation to the extensiveness of the underwriting business.

The statutory solvency regulations create a framework for risk management in investment operations. At the end of 2008, the Finnish Parliament granted some relief on the solvency requirements for pension insurance companies. The Ministry of Social Affairs and Health has prepared on an extension of the temporary act which is in force until 2010.

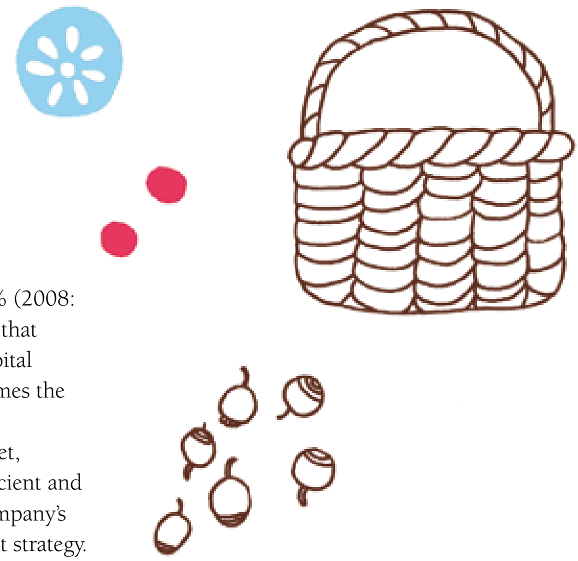
The solvency capital, comprising assets in excess of the company's pension liabilities and equalisation provision, serves as a buffer against investment risks. The monitoring limits set for solvency capital in legislation depend on the company's investment risk-taking so that the more risk-prone investment activity requires a larger solvency capital. The company's Board of Directors decides on the overall level of risk in investment activities.

An annual interest must be credited to technical provisions, which depends on the average level of solvency of pension insurance companies and the average return on their equity investments. Part of the share price risk of pension institutions is thus carried by the entire earnings-related pension system. If investment income

> Profit at current value

2009 EUR mill.

	Underwriting business	Other business	Investment	Loading profit	Total
Premiums written	548.1	2,519.8	1.8	114.4	3,184.1
Net investment income at current value			3,430.7		3,430.7
Claims paid	–645.2	–2,411.5			–3,056.7
Change in technical provisions	94.4	–108.4	–1,240.6		–1,254.5
Total operating expenses	–19.8		–14.1	–87.5	–121.4
Other income and expenses				0.7	0.7
Taxes			–2.7		–2.7
Profit at current value	**–22.5**	**0.0**	**2,175.2**	**27.7**	**2,180.4**
Change in equalisation provision					22.5
Change in provision for future bonuses					–685.0
Change in difference between current and book values					–1,462.5
Change in accelerated depreciation					0.5
Transfer to client bonuses					–52.0
Net income for the financial year in the official income statement					3.9



exceeds the interest credited to technical provisions, the difference is added to the solvency capital, and in the opposite situation, the capital is decreased. A better solvency position also means larger client bonuses.

Ilmarinen's total financial result in 2009 was EUR 2,180.4 million, and the balance sheet total at current value was EUR 28,026.3 million. Key figures and analyses contained in the official financial statements are presented on pages 71–75.

Ilmarinen's investment result improved to an exceptionally good level following the recovery of the financial markets from the previous year's crisis. The return on investments after the items credited to technical provisions was EUR 2,175.2 million. Solvency capital increased to EUR 4,876.9 million from EUR 2,673.0 million at the end of the previous year. The equity linked buffer rose to EUR –161.2 million as a result of increasing share prices.

Solvency capital equalled 24.0% (2008: 14.0%) of the technical provisions that define the basis of the solvency capital requirements, and was 2.7 (2.0) times the solvency border.

In view of the investment market, Ilmarinen's solvency capital is sufficient and enables the continuation of the company's long-term, equity-based investment strategy. Technical provisions, equalisation provision, and solvency capital each contribute to securing pensions. Technical provisions have been calculated prudently. Technical provisions increase at a steady rate in line with the increase of the insurance portfolio, unlike the equalisation provision and the solvency capital, which are subject to fluctuations in the underwriting result and investment result. The company meets its legal obligations.

* * *

> Balance sheet at current value

31 December, 2009 EUR mill.

ASSETS		LIABILITIES	
Investment at current value	25,179.8	Capital and reserves after proposed distribution of profits	97.9
		Depreciation difference	7.8
Receivables	2,749.6	Difference between future and book value	2,474.5
		Provision for future bonuses	1,454.2
Other assets	96.9	Other solvency capital items	–2.9
			4,031.5
		Provision for pooled claims treated equal to solvency capital	845.4
		Solvency capital	**4,876.9**
		Equalisation provision	971.4
		Capital base	**5,848.3**
		Provision for current bonuses (to client bonuses)	52.2
		Equity linked buffer	–161.2
		Technical provision *)	19,447.8
		Other liabilities**)	2,839.3
Assets total	**28,026.3**	**Liabilities, total**	**28,026.3**

*) technical provisions exluding provisions for current and future bonuses, provision for pooled claims treated equal to solvency capital and equalisation provision
**) includes the proposed distribution of profit deducted from the solvency capital, EUR 1.0 million, as well as other solvency capital items deducted from the solvency capital, EUR 2.9 million

CREATING GOOD SERVICE THROUGH CO-OPERATION

The entry of incorporated state enterprises and universities into the scope of the private sector earnings-related pension act at the start of 2010 brought some life to the earnings-related pension competition. After all, this turning point in the market meant significant new customer potential in the relatively stable pension fund market.

Preparing for this competitive bidding also put its stamp on the operations of Ilmarinen's Client Relations in 2009. Ilmarinen did well in the competitive bidding for enterprises, however not as well in acquiring universities as clients. Although a higher performance could have been achieved based on the client potential, Ilmarinen can still be satisfied with the result. Even those companies that chose otherwise gave Ilmarinen good feedback concerning its competitiveness, operating model and service offering.

All in all, the bidding process was an instructive and helpful experience for the personnel. As part of the bidding process, a customer service team was created which includes competence from throughout the company's service offering. It was essential for Ilmarinen to be seen as a single entity by its clients, providing easy-to-access services and assistance from a single source. In addition to improving its own operations, preparations for the bidding process gave birth to a new energetic team spirit within Ilmarinen, which will without doubt be helpful in the company's future sales efforts.

The dissolving of pension funds was another distinctive feature of 2009. This trend, although not a new one, accelerated especially among publicly reporting companies, for example among listed companies.

Companies which transferred their pension liabilities to pension insurance companies based the decision to dissolve their pension funds on the fact that they would no longer need to bear the risks related to pensions and investments in earnings-related pension insurance, and thus would be able to better focus on their own core competences.

By inviting tenders on the management of their pension funds from pension insurance companies, the companies are presented with a solution which serves their needs in the best way possible. On the other hand, the competitive bidding between pension insurance companies furthers the effort to achieve good return on investments and cost-efficiency. Altogether four pension funds and industry-wide pension funds decided to transfer to Ilmarinen in 2009.

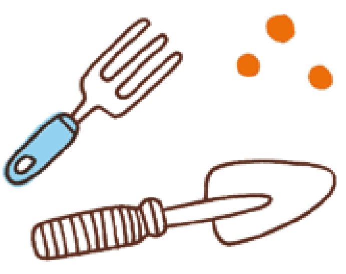
New business, in addition to existing companies, is an area in which pension insurance companies compete for clients. Ilmarinen's share of new company start-ups was good in 2009, although it did not quite reach the targets set for it. This resulted from the fact that the total number of new company start-ups remained lower than estimated due to the financial crisis, which meant that the target set for new business turned out to be rather demanding.

Ilmarinen's transfer result for the whole of 2009 was positive according to all indicators, both in euro and in quantity. Net transfers created an additional EUR 14 million in premiums written. Ilmarinen's insurance portfolio increased by 691 insurance policies. These included 357 TyEL clients and 334 YEL clients. The transfers strengthened Ilmarinen's market position especially in small and medium-sized companies, however, the transfer result also included some larger clients.

Despite successful customer acquisition, **Ilmarinen's premiums written** in 2009 were almost three per cent lower than in the previous year, which will probably maintain the company's present market share. The decline in premiums written resulted from the difficult economic situation following the transformation of the financial crisis into a global real economy crisis.

The effects of the economic crisis also reflected heavily on Finnish companies and they were forced to adjust their operations to the present economic situation. This was perceivable as temporary lay-offs and job terminations in many sectors.

Client bonuses are regaining their previous good level. This owes to last year's excellent investment result as well as the company's cost-efficiency. Ilmarinen will transfer around EUR 52 million of the previous year's result to client bonuses, equalling 0.4 per cent of the insured payroll.



Ilmarinen's flexible contributions. The economic downturn increased the credit losses on the company's insurance contributions fairly moderately in comparison with the recession in the 1990s. Although the company's premiums written have tripled since the previous downturn, the absolute volume of credit losses in 2009 still did not reach the previous recession's level. Many companies have now prepared better for the situation; companies have stronger balance sheets and are quicker to react to changes in the economic situation.

The accumulation of insurance contribution arrears and the resulting postponements in contribution payments may often lead to bankruptcy collection. Although the total number of bankruptcies grew across the country, bankruptcy applications processed by Ilmarinen did not increase to the same degree.

The threshold for bankruptcy applications was clearly defined by Ilmarinen's management, and alternative means for supporting companies in the difficult economic situation were discussed in the company's collection operations.

Measures included, among others, long-term payment plans for companies, which increased significantly in 2009. This required more detailed analysis of the corporate client's financial situation and survival possibilities. The aim was to avoid bankruptcy in viable companies, wherever possible. Ilmarinen was especially flexible with payments from companies which it felt had the potential to continue their operations once the economy has normalised.

* * *

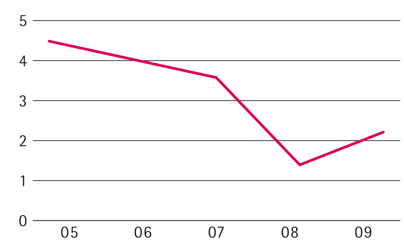
million€ 52

An outstanding investment result and cost-efficiency put client bonuses back on a good level.

> figures

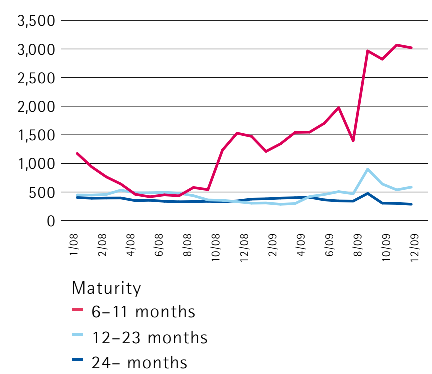
CLIENT BONUSES

Bonustransfer from employer contribution under TyEL, %

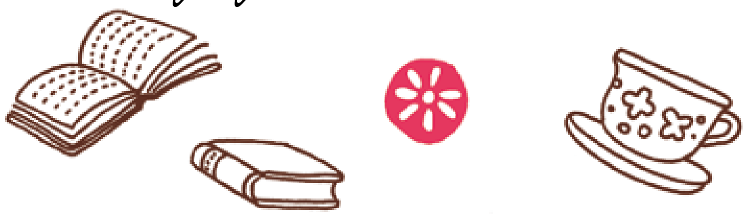


FLEXIBLE TYEL CONTRIBUTIONS 2008–2009

1,000 €



Engagement enables change



✱✱ NAKKILAN KONEPAJA REDUCED SICK-LEAVES TO THIRD

C
CASE

Nakkilan Konepaja Oy is a mechanical engineering company of 80 employees, manufacturing boiler plants and providing equipment and container solutions for the process industry. During a well-being at work theme day organised by Ilmarinen in 2007, the company realised that its sick leave rate was 7 per cent – way above the industry average, as Production Manager **Jussi Kivioja** recalls.

J.K: This prompted us to start improving well-being at work by reducing sick leaves. The development steps were defined together with Ilmarinen and Nakkilan Konepaja's occupational health care service. A model of early care was adopted in the company in late 2007.

M.L: The company was aware, right from the start, that it's the management's responsibility to develop well-being at work. Without the management's commitment, development efforts will not bear fruit.

The absence rate recorded for 2008 was 3.7 per cent – sick leaves had thus been nearly cut in half following the adoption of the model! This level was sustained even as the financial situation deteriorated, and in 2009, sick leaves continued to fall, down to 2.2. per cent.

J.K: We believe that the change is permanent. Our employees are more satisfied than before and sick leave costs have come down substantially with little effort.

The keys to success were the commitment of the occupational health care services, the follow-up of results and – above all – personnel engagement.

M.L: Engaging the personnel is a prerequisite for integrating a new operating practice into daily operations. Engagement enables change – and this applies to each and every project concerning well-being at work. At Nakkilan Konepaja, personnel were involved in decision making and a lot of effort was put into communication from day one. In particular, the rationales behind the project were discussed openly.

J.K: It is not about prohibiting people from being sick, but improving working conditions and the health care process to reduce illnesses.

Interviewees: JUSSI KIVIOJA / Nakkilan Konepaja Oy
MERJA LUUKKONEN / Ilmarinen

FINNISH EARNINGS-RELATED PENSIONS WERE DESIGNED TO LAST

The financial crisis and the subsequent downturn in the real economy severely tested the pension systems. The basic solutions adopted under the Finnish system have proved to be excellent.

There are two keys to the success. Firstly, pensions are defined benefit pensions, rather than being dependent on investment returns. Defined contribution pensions, which depend on the value of investments, have lost a substantial part of their value in many countries as a result of the financial crisis. Secondly, the Finnish earnings-related pension financing principles also allow for certain flexibility in terms of to what extent the required funds are raised beforehand, and how much of the pensions is financed through the current year's earnings-related pension contributions.

The earnings-related pension amount depends on earnings. This determines the pension expenditure, which is financed through investment returns and earnings-related pension contributions. The higher the investment returns, the less money needs to be raised in the form of contributions.

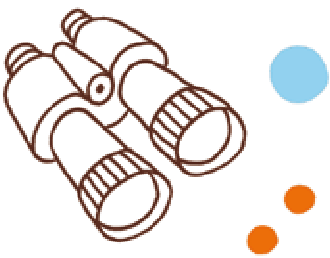
The larger the country's total payroll, the lower the contribution percentage that can be applied to collect the required amount of premiums written. Therefore, a high employment rate is important for financing earnings-related pensions.

Investment returns fell into the red as a result of the financial crisis, and the year 2008 saw nearly a fifth of Finland's pension funds melt away. However, there was a lot of uncertainty about how long it would take for the returns to recover.

To bracket the impacts, calculations were made based on the assumption that the return losses incurred in 2008 would be sustained. If this had been the case, the earnings-related pension contribution for the coming decades should, as a result of the financial crisis, have been adjusted higher by nearly one percentage point compared to previous forecasts.

Share prices took an upward trend in March, following a steeper curve than anyone dared expect. Over the course of 2009, Ilmarinen's long-term average return on investments exceeded inflation by more than four percentage points. When bracketing the dependence of the earnings-related pension contribution on investment returns, a real return of four per cent is most frequently applied.

The pension fund solvency regulations were be amended on a temporary basis in 2008 due to the financial crisis. Without these amendments, it would have been necessary to lower the risk level of pension funds. A reduced proportion of shares and equities in the investment portfolio would have accelerated the downward spiral of the prices of domestic equities and shares, making it impossible to capitalise in full on their subsequent rise.



In late spring 2009, the Ministry of Social Affairs and Health created two working groups to identify the needs for altering the framework conditions for pension funds. The working groups' term expires at the end of March 2010. The working groups proposed that the validity of the temporary relief measures provided for by the solvency regulations be extended by two years. This was considered to be necessary as long-term investment operations require knowledge of the regulations over a period longer than one year. Now that the situation in the investment markets has normalised, the opinion has gained ground that no radical changes are required after all. The current regulations only require a few more detailed specifications.

Earnings-related pension arises from work. A low employment rate leads to less entitlement to pension, which lowers the pension expenditure in the long term. The effect of this will, however, only be seen with a delay of several decades, which is why the development of employment is always important for the financing of earnings-related pensions. Even though the effects of the financial crisis on the contribution level have largely been set off, the poor development of the real economy puts a burden on the financing of earnings-related pensions. When considering the national economy as a whole, the employment situation is naturally the biggest problem in all sectors.

The Finnish Government announced its intention to raise the official retirement age in February 2009, on which the labour market organisations strongly disagreed. They based their position both on the contents of the bill and on the procedure applied. It is not the formal retirement age that is decisive for the financing of pensions, but the age at which people actually retire. On the other hand, a commitment had been made under the Government Programme to prepare changes to earnings-related pensions on a tripartite basis.

The State and the labour organisations agreed to co-operatively seek, by the end of 2009, the means that will enable raising the actual retirement age by three years from its 2008 level by the end of 2025. The implemented pension reforms and the ongoing demographic change would raise this key figure by about a year and a half – so a solution needs to be found to allow for another year and a half. This task has been assigned to two working groups, one of them looking at the pension system and the other trying to find the solution in the development of working life.

The task has proved to be more difficult than expected. Whatever solutions will be found, their effects will probably only be seen once demand for workforce has picked up after the recession. On the other hand, it is possible that at that time, the trend to retire later in life will gain momentum very quickly.

According to the latest contribution forecast, the contribution level depends on investment returns so that a rise of one percentage point in the return level corresponds to a decline of around two percentage points in the contribution in the long term. If investment returns exceed inflation by four percentage points, the contribution level will, at maximum, reach approximately 27 percent.

The forecast has thus been adjusted in a slightly more critical direction, but there is still a margin before the tolerance limit is reached. If the forecast is compared with the overall pension costs of other countries, the Finnish earnings-related pension still appears competitive also in terms of price.

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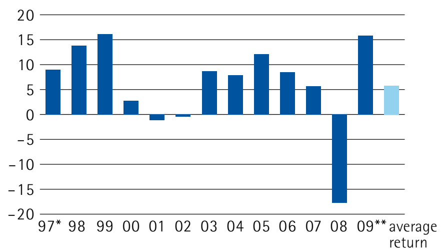
> figures

ANNUAL RETURN OF EMPLOYMENT PENSION FUNDS ON CAPITAL EMPLOYED

%



*Only contain information on the companies
** Preliminary estimate for 2009

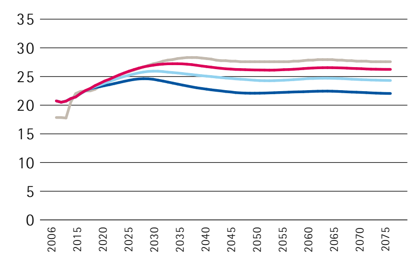
Average real return in 1997-2009 was 4.1%.

It has been possible, since 1997, to put more weight on equities and shares in pension insurance investment.

Source: The Finnish Pension Alliance TELA

TYEL CONTRIBUTION LEVEL

as % of payroll



- Real return 3%
- Real return 4%
- Real return 5%
- TyEL expenditure

Source: The Finnish Centre for pensions

A RECORD NUMBER OF PENSION DECISIONS ISSUED

The number of new pension decisions made by Ilmarinen in 2009 increased by 10.4 per cent from 2008, amounting to a total of 22,495. This increase can be explained by the higher number of employees insured with Ilmarinen and the larger volume of the age classes.

In old-age pensions and early old-age pensions, the increase from the previous year was 23.9 per cent. This is mainly due to the baby boomers born in 1946 reaching the old-age pension age. The attractiveness of the pension option is probably also a co-factor for people seeking to retire on old-age pension.

A substantial increase could also be observed in part-time pensions granted to those aged 58 and over. The number of part-time pension decisions made was 33 per cent higher than last year. The social debate concerning the conditions for part-time pensions and the raising of the age limit is expected to influence, to a certain extent, the growth in the number of part-time pensions.

Disability pensions were also on the rise. The number of applications increased, in line with the number of people insured with Ilmarinen, by nearly 10 per cent. Ilmarinen's disability pension decisions rose by 1.7 per cent from 2008. The higher-than expected number of applications caused congestion in the handling of the applications, resulting in extended lead times.

During this congestion in the handling of applications, Ilmarinen made every effort to ensure the continuity of income for its pension applicants. It largely reached this goal: 93 per cent of the pension decisions were issued during the first month of the pension.

The use of occupational rehabilitation in relation to the number of disability pension applications has constantly increased. In the late 1990s, the number of rehabilitation applications received corresponded to around 10 per cent of the number of disability pension applications, compared to the current 25 per cent.

Customer satisfaction among the insured and pensioners has remained on an excellent level despite the overall increase in the number of applications and the congestion occurring from time to time in their processing.

According to the customer satisfaction surveys carried out in the autumn of 2009, the service quality was considered excellent: pension decision recipients gave Ilmarinen a grade of 4.35 (scale 1–5). The grade received for advance advice on pension matters was 4.19.

During 2009, Ilmarinen received approximately 160,000 phone calls related to pension issues. Customers also frequently contact Ilmarinen through online services and by e-mail.

Online services have become an established communication and information channel for the insured and pensioners. Private customers used the online services over 140,000 times in 2009. In the customer satisfaction survey, the overall grade given to online services was 4.17 (scale 1–5).

The most frequently used online services offered by Ilmarinen are the employee pension record and the advance estimate of old-age pension.

Ilmarinen provided an employee pension record to a total of 727,000 employees and self-employed persons who were insured with Ilmarinen at the end of 2008, or whose latest private sector employment was insured with Ilmarinen. A total of 14,000 persons consulted their record online.

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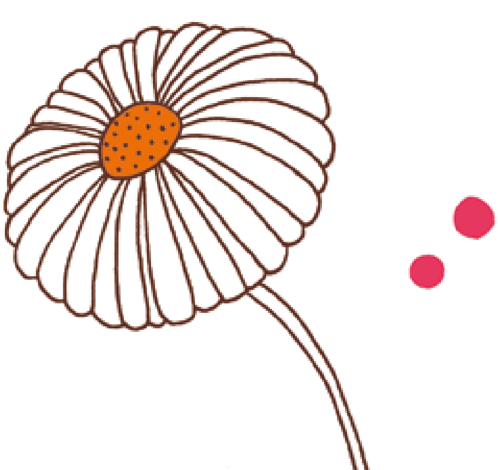


% 93

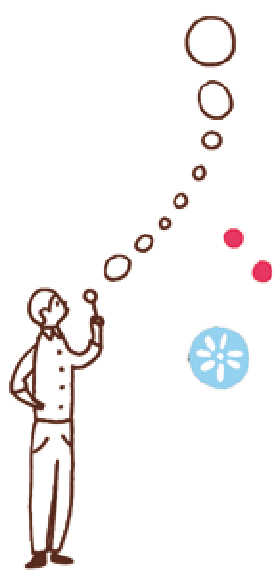
per cent of the pension decisions were issued during the first month of the pension.

OBJECTIVE: THE BEST PLACE TO WORK

In many ways, 2009 was about adjusting course from the personnel's point of view, too: both the company's strategy and values were refined. As a natural addition to these, the personnel strategy was also updated. Its priorities are mainly connected to good leadership, personnel planning and working community development.

As part of the strategy implementation, Ilmarinen participated for the first time in the Finland's Best Workplaces survey and performed very well: it was ranked second in the large organisations category. More importantly than achieving a good ranking, it received comparison data to identify the strengths and development areas in its own operations.

The most important section of the study is the personnel survey, in which a random sample of 250 Ilmarinen employees – representing nearly half of the personnel – had been selected.



Examples of Ilmarinen's strengths compared to other large organisations:

- The atmosphere is friendly and people feel they can be themselves.
- The opportunity to take time off work if necessary.
- The company has a positive impact on society.

Examples of areas in which Ilmarinen's score failed to reach its own average, even though they exceeded the peer group level:

- Everyone has the chance to receive special recognition.
- Management involves employees in decision making concerning their work and working environment.
- People feel comfortable even when relocating to other positions or units.

As many as 93 per cent answered affirmatively to the statement: "Overall, this is a great place to work". Satisfaction is also translated into the fact that Ilmarinen's employees retired at a much higher age than Finnish employees on average: at the age of 64.1.

Every organisation should check from time to time whether the recorded values continue to be engaging and whether they are still relevant in a changed operating environment. At Ilmarinen, this review and refining round was completed as a joint effort in spring 2009. The objective was to involve as many Ilmarinen employees as possible in reflecting on how the values translate into daily work and what kind of values inspire Ilmarinen's employees.

During the first round of the online survey, 360 stories were collected from the personnel, showing a choice made based on the set of values. The "value roots" extracted from these were processed further in three workshops involving around a hundred employees. The Board of Directors and the Advisory Committees provided valuable insight.

Openness plays a more important role than ever in the set of values. The workshops put a particularly strong emphasis

> figures

Key personnel figures	2009	2008
Employee turnover, % (incl. retirement)	**3.2**	6.6
Sick-leaves, %	**3.1**	3.2
Average age of retirement	**64**	63
Training days/person	**3.0**	3.5

64

Ilmarinen's employees retire at high age.

on Ilmarinen needing to be “open to new things”. Transparency and interaction, on the other hand, were highlighted in the phrasings “open to disclose” and “open to listen”.

Many of the traditional elements have been retained in the refined values, such as responsibility, which has now been defined in a broader sense: “responsibility for earnings-related pensions, responsibility for our own work and responsibility as a company”.

“Success through teamwork”, for its part, underlines the importance of co-operation both internally and with clients and partners.

Once Ilmarinen’s strategy was updated over the course of the spring, it became necessary to outline a new operating model to meet the new goals. In places, this also means major organisational changes. The “bearing structures” of the new model were disclosed to personnel in October.

Detailed planning will be continued in the various divisions during the spring so that as many people as possible have the opportunity to participate. According to the plan, the new operating model will be fully in place by August 2010. The latter half of the year 2009 was marked by the preparatory work geared towards supporting change management and the working communities.

Success in achieving long-term strategic goals has been identified as a priority in Ilmarinen’s remuneration system. The first step is a system targeted at key personnel, which will comprise around 50 persons and enter into force in 2010. The objective is to create a long-term remuneration model covering the entire personnel during 2010.

The number of personnel employed by Ilmarinen has remained relatively stable for the past five years despite the ever-growing scale of operations. In 2009, there was a slight increase in the number of personnel, as the baby-boomers reached retirement age, leading to a peak in the number of pension applications.

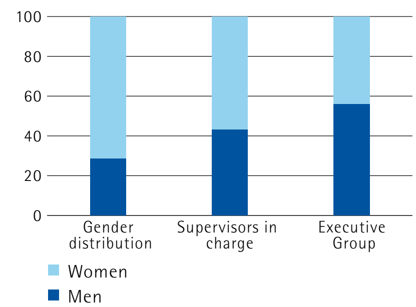
The number of temporary employees has remained low year after year.

Employee turnover continued to be on a low level, as did sick leaves. The proportion of women in supervisory and senior management positions is exceptionally high compared to the services sector as a whole, for example.

* * *

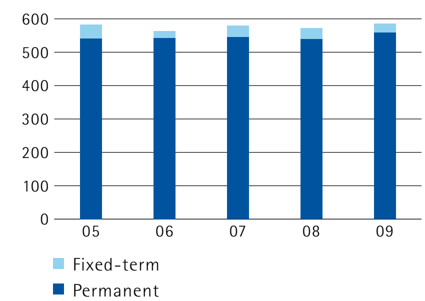
> figures

GENDER DISTRIBUTION IN DIFFERENT FUNCTIONS, %



TREND IN PERSONNEL NUMBERS

Amount



openness

- Open to new things
- Open to disclose
- Open to listen

responsibility

- Responsibility for pension cover
- Responsibility for our own work
- Responsibility as a company

Teamwork

- Together with partners
- As one Ilmarinen
- Together with clients

PROFITABILITY THROUGH WELL-BEING AT WORK

Well-being at work is in everyone's interest. It is not only about individual employees' quality of life and work satisfaction but also about the competitiveness and success of companies. What is more, investing in working conditions and working capacity is a way to reduce premature retirement and extend work careers. That explains why the well-being at work of Finns is in the interest of both the pension system and society as a whole.

In 2009, clients made very active use of Ilmarinen's well-being at work services.

% 98 **per cent of the respondents were ready to recommend Ilmarinen´s well-being at work services.**

Over 1,100 clients participated in seminars, which is substantially more than ever before. The number of visitors to the well-being at work online services site was several times higher than in previous years. Customers within the contribution categories model are also offered company-specific well-being at work services. Two thirds of major clients have been active users of these services during the past few years.

The development of well-being at work services is guided by clients' needs. Ilmarinen made significant investments in this area by creating complete service solutions for the most frequent situations and needs arising in the field of well-being at work. These include, among others, various challenges related to supervisory work, management of sick leaves, work satisfaction surveys and promoting the physical condition of risk groups.

As in 2008, demand for services continued to suffer from the economic downturn which was a source of change and uncertainty for many workplaces. Information events concerning pension and unemployment cover were organised for several clients with co-determination negotiations underway, and they were offered support in managing change.

The Duodecim Occupational Health Library was introduced as a new service in 2009. It provides the corporate clients' personnel up-to-date information on occupational health, safety and well-being. Ilmarinen also created a change manual and material to support talent management for its clients.

Ilmarinen is involved in various research projects related to the development of working life. New results were published in 2009 from a study conducted in co-operation with Evalua International Ltd. concerning the level of work satisfaction at Finnish workplaces. The results show that salaried employees enjoy a higher level of well-being than shop-floor workers. Those experiencing a certain level of stress are more uncertain about their working capacity.

Last year, a research project concerning the quality of life at work and productivity in the care sector was launched together with the Helsinki University Department of Economics and Management. Nine of Ilmarinen's clients are participating in this project.

Other events in 2009 included, for example, 50 lung check-up events organised together with the Pulmonary Association Heli for Ilmarinen's corporate clients and the tenth Ilmarinen Personnel Action of the Year award, organised together with HENRY ry (Finnish Association for Human Resource Management).

Clients again gave excellent feedback on Ilmarinen's well-being at work services. 98 per cent of the respondents were ready to recommend the services.

Occupational rehabilitation is support provided by an employment pension institution to those returning to work and to employees changing jobs or careers when they are no longer healthy enough to continue carrying out their current tasks. Trial work and re-training are examples of means provided for finding a job suitable to the health of an employee.

Following a successful rehabilitation programme, an employee can continue in working life despite his or her illness. The employer also saves on pension expenditure and retains the employee's professional skill and competence in its company. The objective of rehabilitation is to detect the potential risk of disability early enough to prevent or at least postpone the onset of the disability.

The number of rehabilitation applications continued to increase as in previous years. The occupational rehabilitation offered by Ilmarinen is efficient: over 80 per cent of the participants in rehabilitation programmes returned to work after completing the programme. It is important that rehabilitation applications are processed accurately and that the applicant is notified of the decision without delay. The objective is to issue the decisions granting the benefits immediately once the rehabilitation has started to ensure the continuity of the applicant's income.

New rehabilitation support forms have been developed at Ilmarinen and tested in co-operation with various service providers. The aim of this co-operation has been to offer employees seeking rehabilitation more active local and personal support in finding a trial workplace or drawing up a return to work plan.

Disability pensions are increasingly often granted on grounds of depression. In 2009, Ilmarinen has adopted a series of services aimed especially at facilitating returning to work for those recovering from a mental illness and preventing depression-based disability.

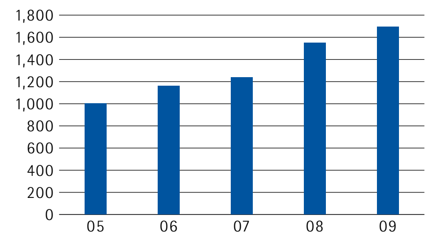
Ilmarinen seeks active communication with employers during the early stages of rehabilitation. This enables the employer to become aware of its role in the rehabilitation process.

* * *

> figures

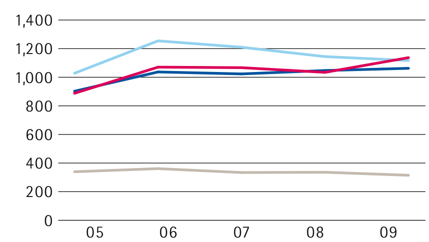
REHABILITION APPLICATIONS VIA ILMARINEN

Amount



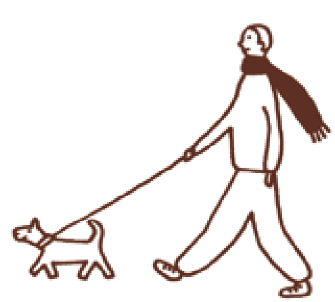
GROUNS FOR GRANTING DISABILITY PENSIONS

Amount



- Musculoskeletal diseases
- Mental disorders
- Other diseases
- Cardiovascular diseases

Source: The Finnish Centre for Pensions



We are co-operating to decrease the load on the environment

** HANSEL WISHES TO BE A FORERUNNER IN ENVIRONMENTAL ISSUES

Hansel Ltd is the central procurement unit of the Finnish Government, which carries out competitive bidding and maintains framework arrangements concerning services and products for the Government's procurement units. "The company has paid special attention to the assessment of environmental impacts during the past few years," says **Janne Liljavuori**, consultant in competitive bidding.

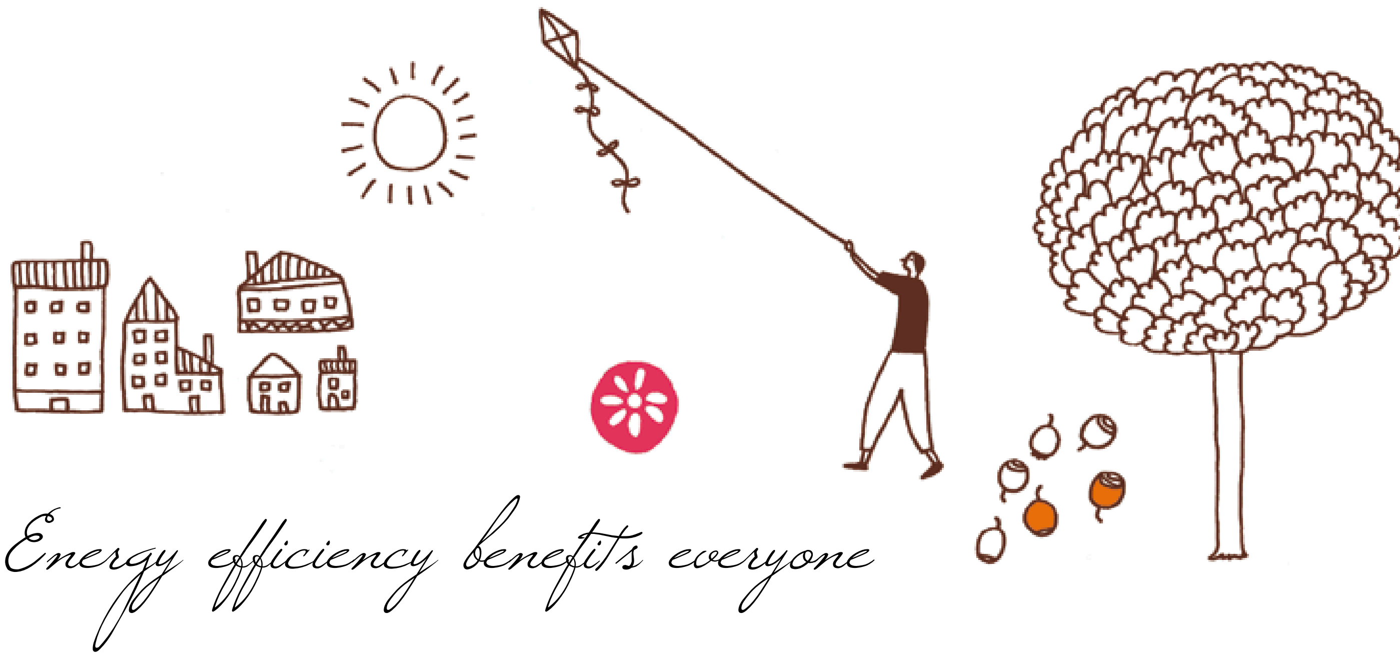
J.L: Hansel wishes to be a forerunner in taking into account and developing the environmental aspects in public procurement. Hansel's main environmental impacts stem from our primary mission: the products and services we put out to tender to clients. Our objective is to enable the procurement of as environmentally friendly products and services as possible for our clients, who naturally have the final decision.

N.N: Hansel operates in the Helsinki main post office building owned by Ilmarinen in the centre of Helsinki, where an extensive renovation project was completed in 2009 in the premises occupied by the company. Our tenant wished to enhance the overall look, cooling and lighting of its premises, among other things. In connection with the renovation, the cooling system of the premises was modernised and its energy efficiency increased. In addition, the lighting control system was upgraded to allow for energy-efficient control according to use.

Ilmarinen wants to impact the management of the energy and environmental issues related to its real estate. Hansel has cooperated intensively with Ilmarinen but it has also done a lot on its own to reduce environmental load and energy consumption.

J.L: We have adopted WWF's Green Office environmental management system to influence the environmental impacts from our own premises. Hansel was granted the right to use the Green Office label in May 2009. We require, for example, that all of our pieces of office equipment meet the set energy efficiency requirements and we monitor electricity consumption on a permanent basis. Hansel has also switched to the use of 100 per cent renewable electricity. Personnel are encouraged to save energy through an environmental programme.

Interviewees: JANNE LILJAVUORI / Hansel Ltd
NIINA NURMINEN / Ilmarinen



REAL ESTATE OWNERSHIP HIGHLIGHTS ENVIRONMENTAL RESPONSIBILITY

Ilmarinen's environmental responsibility comes to the forefront when assessing the environmental impact of real estate and other investment objects owned by the company. As a major real estate investor, Ilmarinen wishes to influence the management of its real estate's environmental and energy issues and to be a forerunner in energy management.

Ilmarinen is also an active player in promoting life-cycle solutions for construction in the real estate sector. The operating procedures required by Ilmarinen are included in maintenance and construction contracts. These procedures include basic principles for technical solutions, material selection, monitoring of energy and water consumption, development of operations, etc.

Ilmarinen is involved in the Carbon Disclosure Project (CDP), an organisation of global investors which examines the effects of climate change from an investor's viewpoint. The organisation currently represents 475 institutional investors, with a combined USD 55,000 billion under management.

The global reports published annually by the CDP disclose how large companies are prepared for the challenges and opportunities created by climate change. The reports consist of information compiled from a survey sent to the world's largest companies.

Environmental responsibility is one of the aspects taken into account by Ilmarinen when making real estate investment decisions and maintaining its real estate. Ilmarinen requires that its investment objects comply with environmental legislation and international norms. The UN's Global Compact and OECD's guidelines for multinational companies, among others, adopt a position concerning companies' environment-burdening factors.

Ilmarinen's own direct environmental impacts are mainly related to its own premises and real estate base. Ilmarinen has a clear vision concerning the management of energy issues. Energy efficient operations combat the rise of energy costs and mitigate climate change by reducing energy consumption. Ilmarinen co-operates with tenant clients and service providers to control energy consumption.

In 2008, Ilmarinen joined the energy efficiency agreement of the Confederation of Finnish Industries EK, which requires that energy consumption be cut by 9 per cent from the 2005 level by the end of 2015. In 2010, Ilmarinen will establish a longer-term savings programme together with Ovenia Oy, the company managing Ilmarinen's real estate. To this end, the real estate's energy savings potential was inventoried during 2009 and energy surveys and certificates were finalised so as to cover the real estate base in its entirety.

The energy savings measures implemented in Ilmarinen's real estate produced savings of 2.7 per cent by the end of 2009, and 1.5 per cent savings are targeted in the action plan for 2010. Through these measures, a total of 4.2 per cent of the 9 per cent target has been materialised.

The conversion to district cooling aims at energy efficiency and environmental soundness. Ilmarinen is one of Helsinki's most significant users of district cooling for its real estate. In district cooling, the cooling energy is produced centrally similarly to district heating and distributed to buildings through the district cooling network. The energy efficiency of district cooling is five times that of a building-specific cooling system; and the carbon dioxide emissions are only a fraction of those of alternative cooling solutions.

The cooling needs for Ilmarinen's own premises have been cut by around 30 per cent from their level in 2006. Savings have been achieved through various measures, such as changes in the cooling operating times and adjustments to the system. Ilmarinen purchases the electricity used by its real estate. Approximately 17 per cent of the electricity purchased by Ilmarinen comes from renewable energy sources, about 81 per cent of which is carbon dioxide free.

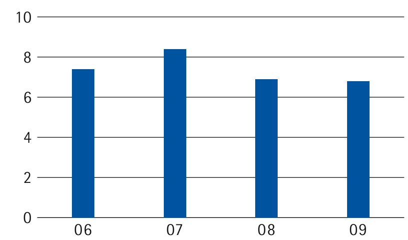
Ilmarinen has a waste sorting system in place which maximises the amount of waste recovered. Paper waste from high security shredding is used for energy production, and waste sorting into different fractions has been broadened together with the service provider as the handling of the fractions has been enabled. Ilmarinen launched in 2009 WWF's Green Office project to further enhance the company's environmentally friendly operating procedures, for which Green Office certification will be applied for in 2010.

* * *

> figures

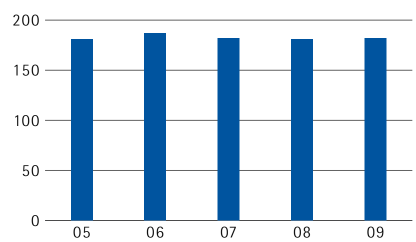
DISTRICT COOLING CONSUMPTION

KWh/m³/year



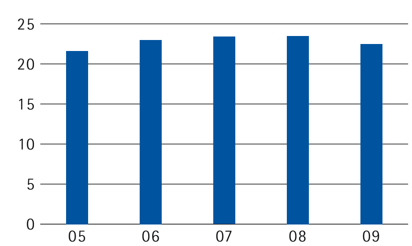
WATER CONSUMPTION

L/m³/year



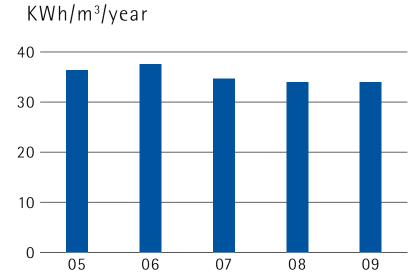
ELECTRICITY CONSUMPTION

KWh/m³/year



HEAT CONSUMPTION

KWh/m³/year



ILMARINEN'S GOVERNANCE AND CONTROL

General Ilmarinen is a mutual pension insurance company owned (subject to the conditions set out in the Articles of Association) by its clients, i.e. policyholders, employees insured with Ilmarinen, and the owners of Ilmarinen's guarantee capital.

The governance and control of employment pension insurance companies are subject to the Companies Act, the Insurance Companies Act, the Act on Employment Pension Insurance Companies, and each company's Articles of Association. In addition to these laws, Ilmarinen follows the Corporate Governance Code 2008 for Listed Companies. However, legislative provisions require pension insurance companies to deviate from this recommendation in some respects.

A Corporate Governance Statement according to recommendation 51 of the Corporate Governance Code has been published in a separate report and is available on pages 83–85. The statement includes a list of the exceptions to the recommendations of the Corporate Governance Code which have resulted from legislation concerning Ilmarinen.

Shareholders' meeting Ultimate corporate control rests with the Annual General Meeting of Ilmarinen's shareholders. Shareholders can exercise their voting power at Annual General Meetings in person or through authorised representatives.

Detailed information concerning the principles for the allocation of votes can be found in Ilmarinen's Articles of Association on the company's website at www.ilmarinen.fi.

The agenda of the Annual General Meeting includes discussion of measures connected to the financial statements required by legislation and other matters listed in the invitation to the meeting.

The 2009 Annual General Meeting was held on 1 April 2009 at Ilmarinen's headquarters. The meeting discussed the matters required by the Articles of Association, and also heard the President and CEO's review of 2008.

Supervisory board Under the Act on Employment Pension Insurance Companies, Ilmarinen is required to have a Supervisory Board whose duties are based on applicable legislation and the company's Articles of Association. Ilmarinen's Supervisory Board is responsible for supervising the corporate governance actions undertaken by the company's Board of Directors and Chief Executive Officer. The Supervisory Board also implements its supervisory role in choosing the necessary number of its members at a time to familiarise themselves with the company's investment and pension operations. Additionally, the Supervisory Board selects the members of the Board of Directors and the Election Committee and decides on the members' remunerations and compensation for travel costs.

The Supervisory Board consists of 28 members elected at the Annual General Meeting for a term of two years. At least half of the members are elected from among individuals nominated by the most important central organisations representing employers and employees, so that seven of these individuals were nominated by employers and seven by employees.

One-half of the members of the Supervisory Board are elected each year. The Supervisory Board elects its Chairman from among its members once every calendar year. The Supervisory Board met twice in 2009. The average meeting attendance rate of the Supervisory Board members was 80 per cent.

The annual fee of the Chairman of the Supervisory Board is EUR 5,000, fee of the Deputy Chairman is EUR 3,800, and other Board members fee is EUR 2,500. The Chairman's meeting fee and review fee are EUR 500 per board meeting. The members' meeting fee and review fee are EUR 500 per board meeting. The members of the Supervisory Board are presented on page 30.

Election committee The Election Committee prepares a proposal for the Annual General Meeting on the members of the Supervisory Board and a proposal on the remuneration of the members and the basis of travel costs.

Similarly, the Election Committee prepares a proposal for the Supervisory Board on the members of the Board of Directors, and a proposal on the remuneration of the members and the basis of travel costs. The Committee's proposals are not binding on the Annual General Meeting or the Supervisory Board; these administrative bodies retain the right to decide on appointments pursuant to company law.

Once each calendar year, in its last

meeting of the year, the Supervisory Board elects six members to the Election Committee. The members must be members of either the company's Supervisory Board or the Board of Directors. The Election Committee has a Chairman and a Deputy Chairman; the Supervisory Board must elect the person nominated by the representatives of the insured to one or the other of these positions.

Half of the members are elected from among the individuals nominated by the representatives of the policyholders and half from among individuals nominated by representatives of the insured.

The members' meeting fee is EUR 500. The members of the Election Committee are presented on page 31.

Board of directors The Board of Directors is responsible for the administration of the company and for the appropriate organisation of operations as well as for ensuring that the monitoring of the company's accounting and finance is organised appropriately. In addition, the Board prepares issues to be discussed at Annual General Meetings, draws up the company's investment and risk management plans and decides on the company's general strategic policies. The Board of Directors has a Nomination Committee, Compensation Committee and Audit Committee.

The Supervisory Board elects 12 members and four deputy members to the Board of Directors for a term of four years. At least one-half of the members and deputy members of the Board of Directors will be elected from persons nominated by central labour market organisations representing employers and employees so that the candidates of both the employer and employee organisations are equally represented.

The term of office of the members and deputy members of the Board of Directors begins at the start of the financial year following their election and expires at the end of the fourth financial year following their election. The term of office of the present members of the Board of Directors started in 2010 and ends in 2013. The Board of Directors elects its Chairman from among its members at the start of each calendar year. In 2009, the Board met 10 times. The average meeting attendance rate of the Board members was 91.3 per cent.

As decided by the Supervisory Board on 19 November 2009, as of 1 January 2010 the annual fee of the Chairman of the Board of Directors is EUR 38,000, the fee of the Deputy Chairman is EUR 27,000, the members' fee is EUR 16,000 and the deputy members' fee is EUR 13,000. The meeting fee of all members of the Board of Directors is EUR 500 per meeting. The members of the Board of Directors are presented on pages 30-31.

President and CEO and Deputy CEO Ilmarinen has a President and CEO appointed by the Board of Directors and a Deputy CEO who stands in for the President and CEO as needed.

Harri Sailas has served as the President and CEO since 1 January 2007. The company's Deputy CEO is Jaakko Tuomikoski.

Other organisational aspects and responsibilities Ilmarinen has Senior Vice Presidents appointed by the Board of Directors who are responsible for operations in their respective sectors and make decisions on related matters within the framework of the approved strategy, corporate scorecards and budgets.

The company's Executive Group meets regularly for the purpose of assisting the President and CEO in his decision-making. The Executive Group takes part in the preparation of solutions that affect all of Ilmarinen, and in guiding and monitoring their implementation. The members of the

Executive Group are presented on pages 32–33.

Management remuneration and retirement age The salary of Ilmarinen's President and CEO consists of the basic salary and an annual performance-based bonus. The President and CEO's basic salary in 2009 was EUR 398,269.15 and performance-based bonus EUR 99,406.00. The President and CEO's bonus is determined according to the actual percentage of Ilmarinen's corporate scorecard approved by the Board of Directors. The maximum bonus is six times the monthly earnings. The performance-based bonus is the share of the maximum bonus according to the actual percentage.

The retirement age of the President and CEO is 62 years. The total pension level is 60 per cent of the salary on which the supplementary pension is based. The salary on which the supplementary pension is based is calculated according to the annual earnings for the past five full years in the present employment relationship. If the company terminates the President and CEO's contract, the period of notice is 12 months; if the President and CEO hands in his notice, the period of notice is six months.

The incentive systems for Ilmarinen's personnel are handled by the Board's Compensation and Nomination Committees and is approved by the Board.

The retirement age of Deputy CEOs is 62 years. The retirement age for Senior Vice Presidents who have been named Senior Vice Presidents before 1 July 1992, is 60 years.

The earnings of Ilmarinen's Executive Group consist of a basic salary and a performance-based bonus. Annual remunerations for the Executive Group depend on how well Ilmarinen, the division or department and the Senior Vice President have achieved the set annual targets. The maximum number of bonuses requires excellent verifiable results.

In future, success in achieving long-term strategic goals has also been identified as a priority in Ilmarinen's incentive system. The first step is the system for key personnel, which was still being finalised at the beginning of the year. On 21 January 2010, the Board of Directors decided to take it into use during this year.

The system contains three earnings periods which are each three years in length. The possible reward from the system for the earnings period 2010–2012 is based on Ilmarinen's strategic goals. The maximum reward and the amount of reward paid for the earnings period are increased or decreased annually according to the success of the company's investment activities.

The possible reward for the earnings period 2010–2012 is paid in four instalments so that 25 per cent of the reward is paid by the end of April during 2013 to 2016. The reward will not be paid, however, if the employment relationship with Ilmarinen ends before the payment of the reward.

Around 50 people are included in the incentive system for key personnel. During 2010, the aim is to construct a long-term incentive model involving the entire personnel.

Corporate insiders Ilmarinen complies with the insider guidelines of NASDAQ OMX Helsinki (Helsinki Stock Exchange) as far as it is possible for an unlisted, mutual pension insurance company. Ilmarinen has corporate insider guidelines, which were last approved by the Board of Directors on 26 May 2009. The purpose of these guidelines is to promote public confidence in Ilmarinen's investment operations. The objective is also to increase awareness of insider regulations and to prevent any violations, including inadvertent ones. Persons who by virtue of their position or duties have regular access to inside information are considered permanent insiders. These insider guidelines also apply to temporary insiders who may receive inside information on a specific project.

Risk management and control systems Ilmarinen's risk management and control systems are described on pages 76–80. Auditors, supervisors of pension decision and investment operations, and members of committees are listed on page 31.

Ilmarinen paid its auditors Ernst & Young Oy a total of EUR 172,531 for audit services, EUR 29,858 for tax advice and EUR 66,809 for other advisory services in the course of 2009, including VAT.

* * *

SUPERVISORY BOARD, BOARD OF DIRECTORS AND INSPECTORS

BOARD OF DIRECTORS starting from the left: Hannu Syrjänen, Riku Aalto, Leila Kostiainen, George Berner, Markku Vesterinen, Lauri Lyly and Anne Berner

SUPERVISORY BOARD

Jorma Eloranta, Chairman
President and CEO of Metso Corporation,
due to resign in 2010

Merja Strengell, Deputy Chairman
Board Chairman of The Finnish Association of Graduate Engineers TEK,
due to resign in 2010

Antti Herlin, Deputy Chairman
Board Chairman of Kone Corporation,
due to resign in 2011

Kim Gran
President and CEO of Nokian Tyres plc,
due to resign in 2010

Ilkka Hämälä
President and CEO of Oy Metsä-Botnia Ab,
due to resign in 2010

Liisa Joronen
Board Chairman of SOL Palvelut Oy,
due to resign in 2010

Pasi Kallio
Glassworker of Pilkington Automotive Finland Oy,
due to resign in 2011

Kari Kauniskangas,
Deputy CEO of YIT Corporation,
due to resign in 2011

Timo Kohtamäki
Managing Director of Lemminkäinen Corporation,
due to resign in 2011

Veikko Kuusakoski
Board Chairman of Kuusakoski Group Oy,
due to resign in 2010

Tarja Lankila
President of the Trade Union Suora,
due to resign in 2011

Kalle Leinonen
Logistic coordinator of JohnsonDiversey Finland,
due to resign in 2010

Matti Lievonen
President and CEO of Neste Oil Corporation,
due to resign in 2010

Jarmo Mikkonen
Country President of Securitas Oy,
due to resign in 2011

Sinikka Mönkäre
Managing Director of RAY (Finland's Slot Machine Association),
due to resign in 2011

Jaakko Nevanlinna
Managing Director of Aina Group Oyj,
due to resign in 2011

Krister Olsson
President of The Finnish Taxi Owners Federation,
due to resign in 2010

Jussi Pesonen
President and CEO of UPM-Kymmene Corporation,
due to resign in 2011

Veli-Matti Puutio
President of Osuuskauppa Arina,
due to resign in 2011

Timo Räty
President of the Finnish Transport Workers' Union (AKT),
due to resign in 2010

Jari Sarjo
President and CEO of Lassila & Tikanoja Plc,
due to resign in 2010

Riitta Tiuraniemi
CEO of DNA Ltd,
due to resign in 2011

Juha Vanhainen
Country Manager Finland of Stora Enso,
due to resign in 2010

Kalevi Vanhala
due to resign in 2011

Esa Vilkuna
President of the Finnish Post and Logistics Union (PAU),
due to resign 2010

BOARD OF DIRECTORS

The term of office of all Board members and deputy members will expire on December 31, 2013.

Hannu Syrjänen, Chairman
President and CEO of Sanoma Corporation
b. 1951, B.Sc (Econ), Master of Laws

Leif Fagernäs, Deputy Chairman
Director General of Confederation of Finnish Industries, EK
b. 1947, LLM

Lauri Lyly, Deputy Chairman
President of the Central Organization of Finnish Trade Unions (SAK)
b. 1953

starting from the left: Hannu Rautiainen, Reijo Karhinen, Matti Viljanen, Kristian Pullola, Leena Niemistö, Jukka Alho, Timo Parmasuo and Leif Fagernäs

Jukka Alho
President and CEO of Itella Corporation
b. 1952, M.Sc (Tech)

George Berner
Managing Director of Berner Ltd.
b. 1948, MS in Civil Engineering

Reijo Karhinen
Executive Chairman of OP-Pohjola Group
b. 1955, M.Sc (Econ)

Leila Kostiainen
General Secretary of the Finnish Confederation of Salaride Employees (STTK)
b. 1950, LLM

Leena Niemistö
Managing Director of Oy Dextra Ab
b. 1963, MD

Kristian Pullola
Vice President, Head of Treasury and Investor Relations of Nokia Corporation
s. 1973, M.Sc (Econ)

Markku Vesterinen
President and CEO of Suomi Mutual Life Assurance Company
b. 1951, Lic.Phil., FASF

Matti Viljanen
President of the Confederation of Unions for Academic Professionals (AKAVA)
b. 1949, ME

Deputy members

Riku Aalto
President of the Metalworkers' Union
b. 1965, M.Sc (Admin)

Anne Berner
Managing Director of Oy Vallila Interior Ab
b. 1964, M.Sc (Econ)

Timo Parmasuo
Board Chairman of Meconet Ltd
b. 1950, ME

Hannu Rautiainen
Director, Business Law of the Confederation of Finnish Industries (EK)
b. 1952, LLM, B.Sc (Econ)

SUPERVISORS OF PENSION DESICION OPERATIONS

Supervisors
Antti Herlin
Kari Kauniskangas
Jarmo Mikkonen
Jaakko Nevanlinna
Jari Sarjo
Merja Strengell

Deputies
Liisa Joronen
Pasi Kallio
Timo Kohtamäki
Tarja Lankila
Krister Olsson
Kalevi Vanhala

SUPERVISORS OF INVESTMENT OPERATIONS

Supervisors
Ilkka Hämälä
Veikko Kuusakoski
Sinikka Mönkäre
Veli-Matti Puutio
Timo Räty
Juha Vanhainen

Deputies
Kim Gran
Kalle Leinonen
Matti Lievonen
Jussi Pesonen
Riitta Tiuraniemi
Esa Vilkuna

APPOINTMENT AND COMPENSATION COMMITTEE
Hannu Syrjänen, chairman
Leif Fagernäs
Lauri Lyly

AUDIT COMMITTEE
George Berner, chairman
Leila Kostiainen
Hannu Rautiainen

ELECTION COMMITTEE
Jorma Eloranta, chairman
Esa Vilkuna, deputy chairman
Antti Herlin
Leila Kostiainen
Hannu Syrjänen
Matti Viljanen

AUDITORS
Ernst & Young Oy
Auditor-in-charge:
Tomi Englund, APA
Harri Pärssinen, APA

Deputy auditors
Tuomas Rahkamaa, APA
Päivi Virtanen, APA

EXECUTIVE GROUP AND OTHER MANAGEMENT

EXECUTIVE GROUP from the left: Harri Sailas, Hillevi Mannonen, Jaakko Tuomikoski, Sini Kivihuhta and Timo Ritakallio

EXECUTIVE GROUP

Harri Sailas
President and CEO
b. 1951, M.Sc
He has worked for Ilmarinen since 2006

Jaakko Tuomikoski
Deputy CEO, Head of Finance
b. 1950, M.A., FASF
He has worked for Ilmarinen since 1981

Timo Ritakallio
Deputy CEO, Head of Investments
b. 1962, LLM, MBA
He has worked for Ilmarinen since 2008

Timo Aro
Senior Vice President, Customer Accounts
b. 1955, MD, PhD, M.Sc
He has worked for Ilmarinen since 1994

Pirkko Auvinen
Senior Vice President, Legal Matters
b. 1950, LLM
She has worked for Ilmarinen since 1974

Juhani Karjasilta
Senior Vice President, ICT
b. 1959, Grad. Eng.
He has worked for Ilmarinen since 2002

Sini Kivihuhta
Senior Vice President, Pension Insurance
b. 1959, LLM
She has worked for Ilmarinen since 1983

Tuula Kosonen
Personnel representative
b. 1959, BBA (tradenomi)
She has worked for Ilmarinen since 1999

Hillevi Mannonen
Senior Vice President, Acturial Services and Risk Management
b. 1958, M.Sc (Math), FASF
She has worked for Ilmarinen since 1997

Päivi Sihvola
Senior Vice President, Corporate Communications and Human Resources
b.1957, M.Sc
She has worked for Ilmarinen since 2008

OTHER MANAGEMENT

CUSTOMER ACCOUNTS

Major Customers and Brokers
Sales Director Ilari Jämsen

Corporate Customers and Partners
Sales Director Jorma Hokkanen

Partner and Sale Support
Department Manager Jukka Welling

Marketing
Marketing Director Jouni Saarinen

Customer Solutions
Director Timo Aro

Well-being at at work Services
Department Manager Kati Huoponen

Development
Service Development Manager Soili Flygar

PENSION INSURANCE

Customer Service
Customer Service Director Mika Paananen

Customer Services
Department Manager Paula Ojala-Ruuth

Pension Advisor Services
Department Manager Jari Matveinen

Insurance
Insurance Director Tiina Nurmi
Kirsti Koponen (acting)

Major Customer Services
Department Manager Minna Hakkarainen

Payroll Register
Department Manager Mika Paananen

Collection and Payments
Department Manager Markku Riikonen

from the left: Pirkko Auvinen, Timo Aro, Päivi Sihvola, Juhani Karjasilta and Tuula Kosonen

Pensions
Pension Director Anne Koivula

Disability and Rehabilitation Services
Department Manager Tuire Hakonen

Pension Payments
Department Manager Tarja Hurskainen

Medical Insurance Specialists
Chief Physician Seppo Kettunen

Pension Payments
Department Manager Eeva-Liisa Rahikainen

Development
Development Manager Irmeli Kesonen

INVESTMENTS

Listed Securities
Head of Listed Securities Mikko Mursula

Fixed Income
Head of Fixed Income Jari Eskelinen

Allocation and Alternative Investments
Head of Allocation and Alternative Investments Ville Helske

Equities
Head of Equities Matti Rusanen

Non-listed Investments
Head of Non-listed Investments Esko Torsti

Direct Real Estate Investments
Head of Direct Real Estate Investments Tomi Aimonen

Private Equity and Non-listed Investments
Private Equity Director Mikko Räsänen

Corporate Finance
Corporate Lending Director Vesa Pohjankoski

Investment Administration
Investment Administration Director Heidi Koskinen

Securites Administration
Securities Administration Manager Annika Lucander

FINANCE

Finance
Director of Accounting Pirjo Pohjankoski

Business Controllership
Department Manager Anu Kallio

Internal Services
Department Manager Olli-Veikko Kurvinen

Research
Research Manager Yrjö Norilo

ACTUARIAL SERVICES AND RISK MANAGEMENT

Acturial Services
Department Manager Barbara D'Ambrogi-Ola

Risk Management
Head of Risk Management Kai Sotamaa

CORPORATE COMMUNICATIONS AND HUMAN RESOURCES

Corporate Communications
Communications Manager Vappu Aura

Human Recources Development
Human Resource Development Manager Barbro Björkestam-Bärlund

Human Resources
Human Resources Manager Arja Savolainen

ICT

ICT Services
Department Manager Juha Junnelin

ICT Management
Department Manager Jukka Hirvinen

Business Planning
Development Manager Toni Äikäs

LEGAL MATTERS

Department Manager Pirkko Auvinen

INTERNAL AUDITING

Internal Audit Manager Heidi Weissmann

ADVISORY COMMITTEE FOR INSURANCE CLIENTS

The term of office of all members will expire in 2010.

Juha Ahvenniemi,
The Association of Finnish Accounting Firms

Martti Ala-Härkönen,
Cramo Plc

Marjo Berglund,
HYY – Student Union of the University of Helsinki

Petri Heino,
TukkuHeino Oy

Arto Herranen,
Enfo Oyj

Irene Hämäläinen,
IU TEAM

Ari Impivaara,
Union of Professional Engineers in Finland

Mikko Isotalo,
Lujabetoni Oy

Katriina Jaakkola,
The Finnish Book Publishers' Association

Vesa Juola,
The Association of Finnish Architects' Offices (ATL)

Jarkko Järvinen,
Modelia Oy

Eija Karivaara,
Kanta-Hämeen Hengitys ry

Aku Keltto,
Länsi-Suomen Diakonialaitoksen Säätiö

Sauli Kiuru,
Barona Group Oy

Petri Kupiainen,
Petri Kupiainen Oy

Ritva Laakso-Manninen,
Haaga-Helia University of Applied Sciences

Seppo Lahti,
I-Print Oy

Kaarina Laine-Häikiö,
Finnish Rheumatism Association

Ilkka Lantto,
Katri Antell Oy

Marjut Laurikka-Routti,
The Finnish Medical Association (FMA)

Johanna Lehtonen,
Pohjolan Matka

Tuomas M S Lehtonen,
Finnish Literature Society

Jorma Lehtovuori,
Novart Oy

Jari Lemmetyinen,
The Finnish Taxi Owners Federation

Pekka Lerkkanen,
Hotelli Kumpeli Oy

Kimmo J. Lipponen,
Football Association of Finland

Jari Mellas,
The Finnish Association of Graduate Engineers TEK

Ahti Myllys,
SKAL Finnish Transport and Logistics

Harri Mäkinen,
Konepaja Laaksonen Oy

Jyrki Mäkynen,
Federation of Finnish Enterprises

Jukka Niemi,
Sanmina-SCI Corporation

Jukka-Pekka Nikula,
Komas Oy

Harri Nordström,
Container Finance Ltd Oy

Hannu Nyyssölä,
Haaga Yhtymä

Tahvo Pekkinen,
Infra ry

Katri Pietilä,
Aina Group Oyj

Pertti Purovesi,
Rakennusosakeyhtiö Hartela

Matti Pöyry,
Finnish Dental Association

Eeva Rantala,
Finnish Union of University Researchers and Teachers

Antti Rantalainen,
Rantalainen Oy IA International

Taisto Riski,
Kaleva Kustannus Oy

Ilkka Ruohola,
Kultakeskus Oy

Seppo Saarelainen,
Betonimestarit Oy

Pekka Sahamies,
Urheilutavarain varastomyynti Urtava Oy

Ossi Saksman,
Carlson Ltd

Ari Sandberg,
Finnish Hairdressers' Association

Magnus Sjöblom,
Sitra

Janne Skogberg,
The Electrical Contractors´ Association of Finland STUL

Riitta Smolander,
Kyyhkylä-säätiö

Aimo Takala,
Kemijoki Oy

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The Finnish Goldsmith Association

Eija Tolvanen,
Miinan Hoitolat Oy

Jorma Turunen,
Finpro ry

Harry Viiala,
HyXo Oy

Markku Vähä-Mustajärvi,
Mikkelin Betoni Oy

Ritva Välimäki,
The Association of Finnish Lawyers

Helena Ylikylä-Leiva,
Suomen MS-Liitto Ry

Antti Zitting,
Sacotec Components Oy

ADVISORY COMMITTEE FOR THE INSURED AND ON PENSION AFFAIRS

ADVISORY COMMITTEE FOR THE INSURED

The term of office of all members will expire in 2010.

Seija Pyökeri, National Union of University Students in Finland, STTK, chairman

Eila Ahonen, Lindström Oy, SAK

Erik Bussman, TietoEnator Corporation, AKAVA

Katja Eriksson, Componenta Pietarsaari MS Oy, SAK

Seppo Fahlström, Vantaan Sähkö-Jope Oy, SAK

Anne Gärding, Kaleva Kustannus Oy, SAK

Kari Halminen, Teollisuuden Voima Oy, SAK

Arto Halonen, RAY (Finland's Slot Machine Association), SAK

Inkeri Hanki, Lassila & Tikanoja Plc, SAK

Heikki Harakka, Lassila & Tikanoja Plc, SAK

Piri Harju, Pöyry Infra Oy, AKAVA

Hannu Juppi, Finnair Plc, AKAVA

Markku Kankainen, UPM-Kymmene Corporation, SAK

Kari Koivisto, Yrjö Wigren Oy, SAK

Esa Koskinen, Tietokarhu Oy, STTK

Reija Koskinen, Federation of Special Service and Clerical Employees ERTO, STTK

Hanna Laitila, Joutsen Finland Oy, SAK

Tarja Malén, Oy Rauma Stevedoring Ltd, STTK

Esa Mäenpää, Kuntopolku Oy, SAK

Juha Nevalainen, Yara Suomi, AKAVA

Maritta Niemelä, Kemijoki Oy, STTK

Lars Pekkanen, Metso Paper Oy, SAK

Irmeli Perälä, Fenestra Oy, STTK

Tiina Rakennuskoski, POHTO - The Institute for Management and Technological Training, STTK

Pekka Rissanen, UPM-Kymmene Corporation, AKAVA

Raino Salmi, Ekokem Oy Ab, STTK

Kari Salminen, Atria Finland Ltd, SAK

Tarja Savolainen, Sokos Helsinki, SAK

Rauno Seppänen, Imatran Seudun Sähkörakennus Oy, STTK

Risto Tikka, Kuljetusliike A. Teräs Oy, SAK

Vesa Vauhkala, Metso Paper Oy, AKAVA

ADVISORY COMMITTEE ON PENSION AFFAIRS

Representatives of employees

Pauliina Juntunen, Union of Salaried Employees - TU

Saana Siekkinen, The Central Organisation of Finnish Trade Unions - SAK

Aleksei Solovjew, IAET-kassa

Jaana Ylitalo, Service Union United PAM

Representatives of employer

Timo Höykinpuro, Federation of Finnish Financial Services

Hannu Rautiainen, Confederation of Finnish Industries EK

Representatives of Ilmarinen

Sini Kivihuhta, chairman

Anne Koivula, deputy chairman

Presenting officers

Seppo Kettunen

Petri Järvinen

Ilkka Käppi

Pauliina Ripatti

REPORT ON OPERATIONS AND FINANCIAL STATEMENTS 2009

The Finnish-language official financial statements of Ilmarinen and the Group are on display on the company's website at www.ilmarinen.fi and at Ilmarinen's offices at Porkkalankatu 1, Helsinki.

Part of the notes to the official financial statements have been omitted since they are almost identical in both the parent company and the Group, or they are otherwise of minor importance, or because the same information is apparent from the Report on Operations.

THE FOLLOWING NOTES WERE OMITTED:

- investment in real estate
- specification of investment in group companies and participating interests
- changes in tangible and intangible assets
- specification of receivables
- specification of debts other than technical provisions
- notes to consolidated accounts excluding specification of net investment income,
- operating expenses and capital and reserves plus specification of costs of staff members and corporate organs.

The concepts and terms used in the financial statements are explained in the readers´ guide on pages 86–87.

CONTENTS:

REPORT ON OPERATIONS

Economic development

In 2009, the global economy was marked by the gradual easing of the financial crisis and a shift into a downturn in the real economy. Share prices declined further in January and February with no visible normalisation in the level of credit risk premiums. Share prices hit bottom in early March. Following this, share prices showed a brisk increase which continued for several months in all markets, while credit risk premiums for corporate loans took a downward trend. In autumn, share price development no longer showed a clear trend.

The strong undervaluation of securities, which had weighed down investment activities in late 2008, slowly yielded as a result of this development. The percentages for return on investments at current value were high and the calculated losses suffered by earnings-related pension investors during the previous year were compensated for the most part.

The forceful economic stimulus measures implemented on a global scale prevented the downturn from becoming a full-scale recession, but were incapable of preventing broad-reaching negative effects on the real economy. The real economy only began to recover slowly at the end of 2009, first in Asia and the US, then at a somewhat slower pace in Europe. The increase in the number of unemployed is only just beginning to take a turn for the better in developed countries.

According to preliminary data, Finland's real gross domestic product for 2009 was over 7 per cent lower than for the previous year. The slump in world trade resulting from the downturn in the global economy, in addition to the significant decline in Finnish exports destined for Russia, have weakened the country's export demand more than for other Euro countries. The pension insurance market was marked by a reduction in insured total payroll. The deterioration of the economic situation was also apparent in the reduced number of new business start-ups. Generally, the country's economy is expected to begin its ascent with a delay of several months in comparison to other European countries. Unemployment is expected to continue to rise even in 2010.

The interest rate level, on the whole, is very low following the implemented stimulus measures. Consumer prices were at a lower level at the end of 2009 than a year earlier, as a result of which real return on investments was even higher than nominal return in 2009.

Developments in the earnings-related pension system

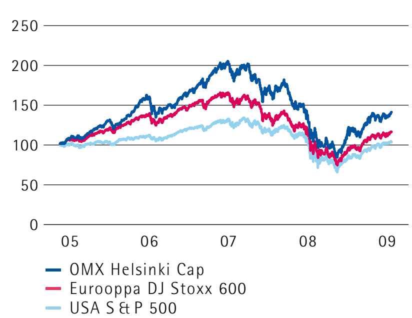
Only minor changes were made to the determination of earnings-related pensions in 2009. The most noteworthy of these was the mitigation of the total effect of the life expectancy coefficient on disability pensions and the subsequent old-age pensions. It was decided that the composition of the total pension insurance would be altered according to a proposal by the SATA Committee for social security reform by adding a guaranteed pension to the total pension. Additional work, in the case of the smallest accrued pensions, will no longer increase the total pension amount following this change taking effect in 2011. In addition to the smallest pensions, also the largest pensions fostered debate over pension policies. The Ministry of Social Affairs and Health requested that the Finnish Centre for Pensions investigate the possibilities for limiting the largest pensions through the addition of a pension ceiling in the earnings-related pension system. The investigation proved that this method would be inefficient in achieving the set goal and would be poorly suited to the statutory earnings-related pension system.

On 22 January 2009, the central labour market organisations announced their proposal concerning changes to pension insurance contributions, certain earnings-related pension benefits and unemployment benefits over the next few years. Based on the proposal, the employment pension contribution would remain at the same level in 2010 as in 2009 but would rise between 2011 and 2014 by 0.4 percentage points annually, i.e. by a total of 1.6 percentage points. Abolishing the employer's national pension contribution was defined as a prerequisite for the proposal, and the labour organisations also required that the increase in the employee's pension contribution be recognisably compensated in income taxation in all income classes. The legislation governing the employer's national pension contribution and the pension insurance contribution for 2010 materialised according to the proposal.

This proposal, for its part, secures the long-term financing of earnings-related pension cover. The age structure of the Finnish population is increasingly shifting toward the elderly, this development being accelerated by the quickly rising average life expectancy. Over the next few years, the conditions for managing financial balance will continue to be impaired by a low employment rate resulting from the economic downturn. In November,

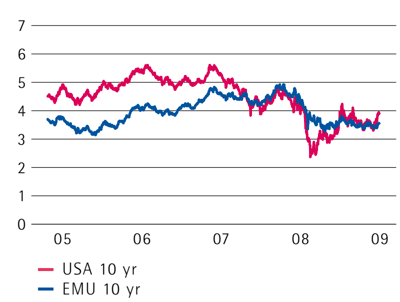
STOCK MARKET PERFORMANCE

(Dec. 31, 2004 = 100)



LONG-TERM INTEREST RATES

%



the Finnish Centre for Pensions published new estimates concerning the development of the earnings-related pension system's costs, contributions and funds. The contribution level is expected to increase over the next twenty years to a somewhat higher level than predicted by earlier forecasts.

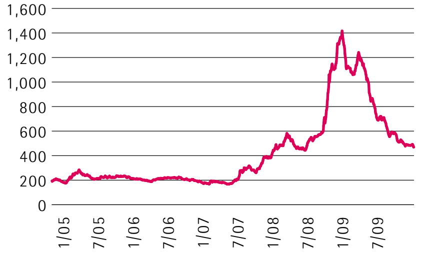
As a result, a broad consensus exists that it is necessary, from both the entire national economy's perspective and to finance earnings-related pensions, to extend work careers at both ends. There are, however, differences in opinion concerning the methods needed to achieve this goal. These differences surfaced in February when Prime Minister Matti Vanhanen made his proposal to raise the formal retirement age. Social partners felt that the proposal was unsuccessful both in its effects and its approach.

The dispute was resolved through an agreement between the social partners and Finnish Government signed on 11 March 2009. According to it, measures will be sought during 2009 to raise the expected retirement age by three years by the year 2025. It was agreed that the task would be taken up by two working groups consisting of labour market organisation members, in co-operation with State representatives. The change in age distribution and the incentives for delaying retirement which were included in the 2005 Pension Reform will create approximately half of the desired increase. The deadline for the working groups was extended until the end of January 2010. The working group handling the development of working life reached consensus on the measures. The working group investigating measures related to the pension scheme were unable to agree on to what extent other measures would be required to achieve the set goals. Following this, the Government reserved a month in which to commission assessments and to itself assess how far the agreed measures would carry. In any case, they can only be expected to bear fruit in a few years' time once the economic downturn's effect on employment levels has receded.

In November 2008, an act, in effect until the end of 2010, was passed which brought temporary relief to the solvency requirements on employment pension institutions. Its main rationale was that this would prevent the enforced sale of Finnish shares in employment pension institutions' investment portfolios, which would have accelerated the decline in share prices. Once the financial crisis began to ease up in the early months of 2009, it was possible to determine that the amendment had achieved the objectives set for it.

INTEREST DIFFERENCE BETWEEN CREDIT RISK BONDS AND STATE LOANS

Basis points per annum



Solvency regulations had worked well during normal fluctuations in the investment markets. They were not, however, designed to bear exceptional share price declines such as those observed in 2008. In May, the Ministry of Social Affairs and Health created a broad-based working group and expert working group to investigate the long-term need for reforming solvency regulations. The working groups' deadline was set at the end of March 2010. The expert working group is expected to present concrete suggestions which the broad-based working group will then assess from the national economy's point of view, among other things. In autumn 2009, the expert working group presented a proposal for extending the validity of the temporary act by two years, i.e. until the end of 2012. The extension was viewed as necessary to ensure that the authorised pension providers, in order to plan investment operations, would have information on the framework conditions for investment operations far enough into the future. A bill according to this was presented to the Finnish Parliament on 12 February 2010. As the preparatory work has progressed, various views have been presented on whether the most appropriate way forward is a change in the structure of the solvency regulations or developing the existing solvency framework.

The investigation of the earnings-related pension system's competitive landscape continued during the course of 2009. The civil servants' working group led by the Ministry of Social Affairs and Health put together a proposal package related to the matter. Its proposals were discussed in consultation procedures during autumn 2009, in which few of the proposals received any significant support. The problem in several places was seen to be that the presented measures would not increase cost-effectiveness or create the conditions for positive return on investment. Thus they would not be able to strengthen the system's ability to secure people's pension cover either. All in all, the investigation of the competitive landscape will probably eventually lead to legislative measures, the contents of which cannot be predicted as of yet.

Ilmarinen's result and solvency

2009 was a double-edged sword for Ilmarinen. On one hand, the receding of the financial crisis led to the speedy improvement of return on investment, but, on the other hand, the increasingly difficult real economy crisis occurring simultaneously caused a slight drop in the number of insured and the insured payroll.

The net return on Ilmarinen's investments, calculated at current value, was –15.8 per cent in 2009 (–17.7 per cent in 2008). Solvency capital, i.e. the difference between the company's assets and liabilities measured at current value, increased to EUR 4,876.9 million from EUR 2,673.0 million in the previous year. At the end of 2009, solvency capital amounted to 24.0 (14.0) per cent of technical provisions used in the calculation of solvency. The solvency capital was increased by the amount of provision for pooled claims comparable to solvency capital EUR 845.4 (792.9) million. Without this item, the solvency capital would have equalled EUR 4,031.5 (1,880.1) million and the company's solvency ratio 19.1 (9.5) per cent.

The solvency capital is intended to cover the risks inherent in investments. The solvency capital monitoring limits of authorised pension companies are determined by the level of risk inherent in the company's investments, which is estimated by dividing the investments into classes according to risk and by calculating the solvency border based on the classification. From the beginning of 2007, the classification has been made on the basis of the actual risk of the investment when this clearly deviates from the risk of the investment estimated according to its judicial nature. Ilmarinen's solvency capital at the end of the reporting period was 2.7 times the solvency border, compared to 2.0 a year earlier. Without the amount of provision for pooled claims comparable to solvency capital according to temporary legislation, the solvency position would have equalled 2.2 (1.3).

Ilmarinen's total financial result in 2009 was EUR 2,180.4 (–4,338.1) million. The underwriting result under the company's own responsibility was EUR –22.5 (76.4) million and its loading profit amounted to EUR 27.7 (34.7) million. The underwriting result is the difference between contribution components intended to cover risks and claims incurred. The loading profit shows the amount by which the expense loading components and other similar income exceed the operating expenses to be covered by them.

Net income from investment activities calculated at current value was EUR 3,410.4 (–4,571.5) million. The interest refunded on technical provisions was EUR 617.6 (660.2) million and the change in the equity linked buffer was EUR 617.7 (–782.5) million. The equity linked buffer ties the interest refunded on the technical provisions to the return on listed equities for ten per cent throughout the earnings-related pension system and thus transfers the equity risk to be covered by the entire earnings-related pension system. Thus the surplus from investment operations was EUR 2,175.2 million. The previous year's deficit from investment operations was EUR 4,449.2 million. The interest refunded on technical provisions in 2009 only corresponded to a three per cent discount rate because the pension liability supplementary coefficient was 0.

The underwriting result under the company's own responsibility will be transferred to the equalisation provision according to the criteria prescribed by the Ministry of Social Affairs and Health.

The amount allocated for discounts on TyEL insurance contributions, i.e. client bonuses, is determined based on the company's solvency capital and the loading profit. EUR 52.0 (31.0) million will be allocated for client bonuses. The transfer is 0.37 (0.21) per cent of the insured payroll and EUR 110 (65) per employee insured at Ilmarinen. The remainder of the total financial result will be used to strengthen the company's solvency capital, excluding the interest paid on guarantee capital following the adoption of the financial statements.

The above information concerning the result and solvency are based on the key figures and analyses calculated at current value presented in the notes to the financial statements. They show the company's financial result and position more clearly than the profit and loss account and balance sheet. The valuation of investments in official accounting is based on acquisition cost and the amount of profit in the profit and loss account is determined by the calculation base approved in advance by the Ministry of Social Affairs and Health. In 2009, the result in the profit and loss account was EUR 3.9 (6.0) million.

The following calculation depicts the connection of the result in the profit and loss account to the total financial result according to current value.

	2009	2008
Profit at current value	**2,180.4**	–4,338.1
Change in the difference between current value and book value i.e. valuation gain/loss	**–1,462.5**	1,088.2
Change in depreciation difference	**0.5**	1.9
Change in technical provisions		
Change in equalisation provision	**22.5**	–76
Change in provision for future bonuses	**–685.0**	3,361.1
Transfer to client bonuses	**–52.0**	–31.0
Result in the profit and loss account	**3.9**	6.0

Insurance portfolio and premiums written

The majority of employers that have insured their employees through Ilmarinen have signed an insurance contract with the company. Employers only employing temporary employees can, however, pay their employer contributions to authorised pension insurance companies without signing an actual insurance contract.

In 2009, the economic downturn affected the development of Ilmarinen's insurance portfolio which had been extremely positive during the previous year. The number of TyEL insurance policies at the end of 2009 was 35,840 (35,793), thus in practice the number of policies remained unaffected. In addition to employers with insurance contracts with Ilmarinen, 2,484 (2,054) temporary employers paid TyEL contributions to the company. At the end of the year, 472,000 (480,000) insured were covered by TyEL insurance policies, which was 1.7 per cent less than at the end of the previous year. The average size of TyEL insurance policies in 2009 was 13 persons, remaining unchanged from 2008.

The TyEL payroll insured at Ilmarinen was EUR 14,041.0 (14,623.0) million. This was 4.0 per cent less than the payroll insured in the previous year. The market share calculated from the insured TyEL payroll amount is estimated to have remained unchanged, at minimum, in 2009.

Ilmarinen had 52,243 (52,814) YEL (Self-Employed Persons' Pension Act) insurance policies at the end of the year. Ilmarinen is clearly the largest insurer of self-employed persons, and its market share, measured in premiums written, has ranged from 30 to 31 per cent in recent years. The average annual reported income for YEL insurance policies was EUR 20,832 (19,866). It increased by about 4.9 per cent from the previous year, or by less than the wage coefficient to which YEL reported income is tied and which increased by 6.0 per cent.

In 2009, Ilmarinen's premiums written stood at EUR 3,184.1 (3,264.4) million.

EUR 2,966.4 (3,059.7) million in TyEL insurance contributions were received, i.e. TyEL premiums written decreased by 3.1 per cent compared to the previous year. In 2009, discounts in TyEL contributions, i.e. client bonuses, totalled EUR 31.1 million, compared with EUR 74.8 million in the previous year.

YEL premiums written stood at EUR 217.7 (204.7) million, an increase of 6.3 per cent.

Credit losses on unpaid TyEL insurance contributions equalled EUR 12.0 (8.7) million. No significant increase occurred in these despite the more difficult economic conditions. Credit losses on unpaid YEL insurance contributions were EUR 2.9 (3.3) million. Ilmarinen will not, however, incur losses on the YEL credit losses due to the fact that the State's share in the financing system for YEL pensions compensates for insurance contributions not received from policyholders.

Ilmarinen's co-operation partners OP-Pohjola Group and Pohjantähti enabled Ilmarinen's success, in particular in the acquisition of entrepreneurial customers and small and medium-sized company customers. The transfer of insurance policies between Ilmarinen and other authorised pension companies increased Ilmarinen's customer numbers and premiums written for both entrepreneurs and small and medium-sized companies and Ilmarinen strengthened its position as market leader in terms of customer numbers. During the year, several pension funds decided to transfer their pension portfolios to authorised pension companies. Three noteworthy liability transfer decisions strengthened Ilmarinen's position as an insurer of major customers.

A total of 3,886 new TyEL insurances were sold. This increases the annual TyEL premiums written by EUR 113.4 million. EUR 4 million of this amount came directly from customers who signed up for insurance through Ilmarinen's online and telephone services. Ilmarinen also achieved good results in TyEL insurance transfers from other pension companies. The result of these transfers, measured as net change, was positive, with 357 new policies and EUR 12.1 million.

A total of 4,797 new YEL insurance policies were sold. This increases the YEL premiums written by EUR 16.4 (16.8) million. Some EUR 2.7 million of the annual premiums written in new YEL insurance policies came from customers who signed up for insurance directly through Ilmarinen's online service. Ilmarinen was successful in the transfer of YEL insurance policies, the transfer resulting in 334 new policies and a gain of EUR 1.9 million.

Contribution level

The confirmed average TyEL contribution for 2009 was 22.0 per cent of an employee's salary or wages, i.e. 0.2 percentage points higher than in 2008. The share of contribution for employees under 53 years of age was 4.3 per cent and 5.4 per cent for those aged 53 and over. The average contribution for employers was 17.5 per cent of the payroll. The employer contribution level varies according to insurance policy as well as the client bonuses paid by authorised pension companies. Ilmarinen's client bonuses are on average 1.3 (3.1) per cent of the employer contribution. Small and medium-sized employers were additionally granted a discount, which equalled 1.0 percentage points at maximum, to reduce the equalisation provision relating to disability pensions. When this discount is taken into account, the employer contribution is on average 16.8 per cent.

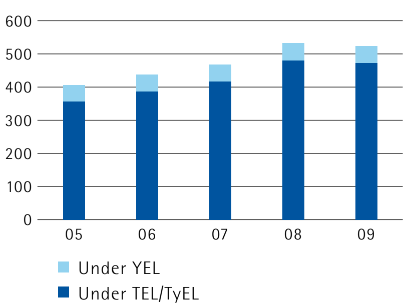
The average confirmed TyEL contribution for 2010 is 22.0 per cent of an employee's salary or wages, i.e. the same as in 2009. Small and medium-sized employers are given a discount in order to decrease the financing surplus for unemployment pensions, which depends on the size of the employer and is at most 0.6 per cent. When this discount is smaller than in 2009, the employer's average contribution rises by 0.1 percentage points to 16.9 per cent. Also the employees' pension insurance contribution percentages increase. The share of contribution for employees under 53 years of age is 4.5 per cent in 2010, which is 0.2 percentage points higher than in the previous year. The share of contribution for employees who have turned 53 is 5.7 per cent, an increase of 0.3 percentage points.

The YEL contribution for 2009 was 20.8 per cent of confirmed income. The YEL contribution of self-employed persons who turned 53 before the start of the accounting year was, however, 21.9 per cent. In 2010, the YEL contribution is 22.4 per cent for self-employed persons who have turned 53 before the start of the accounting year and 21.2 per cent for other self-employed persons. The former includes an increase of 0.5 and the latter 0.4 per cent.

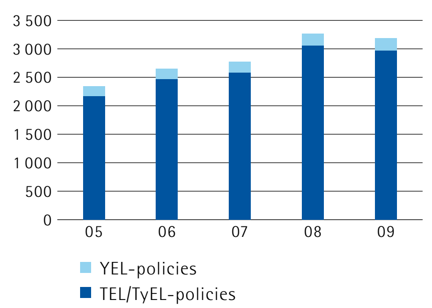
Pensions and maintaining working capacity

In 2009, Ilmarinen paid a total of EUR 3,059.1 (2,703.3) million in pensions.

NUMBER OF PEOPLE INSURED
In thousands



PREMIUMS WRITTEN
EUR mill.



Pension expenditure according to type in 2009, EUR million

	TyEL	YEL	Total	% of total pension expenditure
Old-age pensions	1,806.0	138.6	1,944.6	63.6
Early old-age pensions	183.9	17.6	201.5	6.6
Part-time pensions	29.2	7.2	36.4	1.2
Disability pensions	423.2	29.1	452.4	14.8
Individual early retirement pensions	0.0	0.0	0.0	0.0
Unemployment pensions	157.2	2.6	159.8	5.2
Survivors' pensions	240.3	24.2	264.5	8.6
Total	**2,839.8**	**219,3**	**3,059.1**	**100.0**

The figures in the table contain both items paid directly to pension recipients and items paid through the pay-as-you-go pool.

Number of pension recipients on 31 December 2009

Pensions in accordance with basic protection				
Type of pension	**TyEL**	**YEL**	**Total**	**%**
Old-age pensions	151,975	18,984	170,959	60.4
Early old-age pensions	13,626	3,083	16,709	5.9
Part-time pensions	3,519	1,010	4,529	1.6
Disability pensions	35,893	4,252	40,145	14.2
Unemployment pensions	8,717	217	8,934	3.2
Survivors' pensions	35,143	6,563	41,706	14.7
Total	**248,873**	**34,109**	**282,982**	**100.0**

At year-end the number of pension recipients equalled 282,982, which is 3.4 per cent more than a year earlier when they numbered 273,605. At the end of 2009, 248,873 (240,522) pension recipients received TyEL pensions and 34,109 (33,083) received YEL pensions.

The majority of pension recipients, 66 per cent, were old-age pensioners. This share grew around two percentage points from the previous year. The proportions of pensioners on disability pensions and unemployment pensions both decreased by around one percentage point while the other pension recipient proportions remained unchanged.

Pension decisions in 2009

	2009	2008	Change %
New pension decisions			
Old-age pensions	8,446	6,842	23.4
Early old-age pensions	693	534	29.8
Part-time pensions	1,673	1,258	33.0
Disability pensions	6,086	5,985	1.7
Unemployment pensions	2,582	2,857	–9.6
Survivors' pensions	3,015	2,907	3.7
Total new pension decisions	**22,495**	**20,383**	**10.4**
Total pension decisions	**37,993**	**35,183**	**8.0**

During 2009, Ilmarinen made a total of 37,993 pension decisions, or 8.0 per cent more than during the previous year. The number of new pension decisions grew by 10.4 per cent and stood at a total of 22,495. The increase in the number of old-age pension decisions resulted from the fact that one of the baby boomer age groups reached the age of 63.

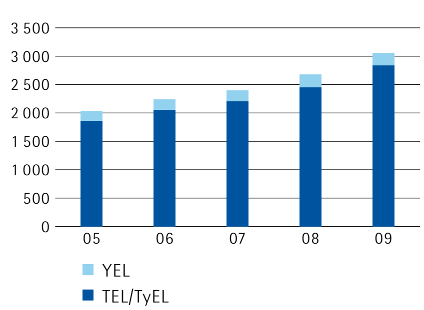
Ilmarinen measures the quality of the processing of pension applications by ensuring that no interruptions occur in the applicant's income, as well as based on the permanence of decisions in appeal instances. 93 per cent of pension decisions met the first criterion. The share of negative decisions among disability pension decisions was 22.6 (23.7) per cent. Of the Ilmarinen decisions sent to appeal bodies, 7.9 (6.1) per cent of the decisions sent to the Pension Appeal Court (Työeläkeasioiden muutoksenhakulautakunta TELK) were amended against Ilmarinen's position, and 11.0 (12.3) per cent of the decisions sent to the Insurance Court were amended against Ilmarinen's position.

Year after year, the permanence of decisions has remained on a better level than on average with TyEL and YEL pension providers. Ilmarinen had faster processing times for pension applications in 2009 than on average in the peer group, excluding the processing time for disability pension decisions.

Ilmarinen remains the only pension company that offers its customers receiving negative disability pension decisions a guidance service on issues such as securing a livelihood and continuing in working life. The service is provided by rehabilitation research institutes and work clinics throughout Finland that have concluded co-operation agreements. Feedback received from customers, employers and service providers has been positive.

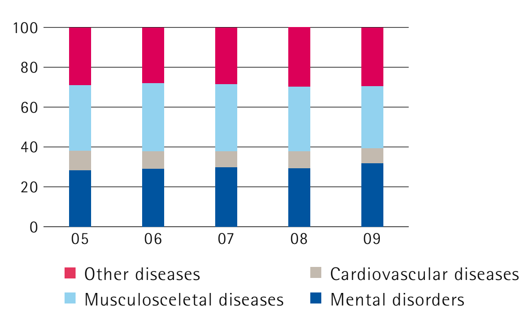
BENEFITS PAID OUT 2009

EUR mill.



DISABILITY PENSIONS

%



Ilmarinen is responsible for mailing pension records to approximately 727,000 insured persons. The records were mailed between April and October. Ilmarinen is the only Finnish pension company profiled through its own pension record service. Other companies rely on the työeläke.fi portal.

A total of 13,995 (17,856) individual pension insurances were reviewed in response to customer queries.

In 2009, Ilmarinen held a total of 25 seminars on well-being at work throughout Finland for individuals responsible for the operations, staff and development of its corporate clients. In addition to these events, numerous training sessions were held for corporate clients.

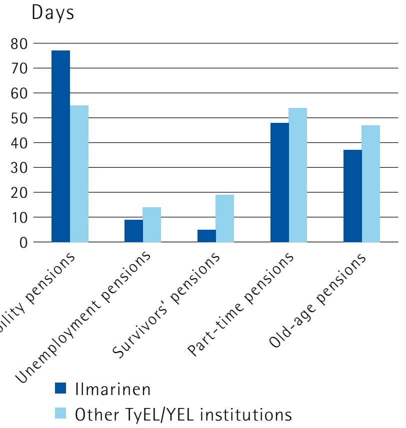
Ilmarinen continued to support the occupational rehabilitation of the personnel of its corporate clients by offering training in occupational rehabilitation and, during the rehabilitation planning stage, guidance and expert support for both employees seeking occupational rehabilitation and the staff of the corporate clients. During the actual rehabilitation period, the company pays benefits pursuant to earnings-related pension legislation, which support the individual's income during the rehabilitation and compensate for the costs resulting from the training. In 2009, Ilmarinen paid a rehabilitation allowance or a rehabilitation increment tied to a pension during occupational rehabilitation in 1,551 (1,457) cases. The number of these payments increased by 8 per cent from the previous year.

Underwriting business, technical provisions, portfolio transfers and fund transfers

At the end of 2009, technical provisions stood at a total of EUR 22,609.7 (20,612.8) million. Provision for future bonuses decreased by net EUR 688.3 million and stood at EUR 1,454.2 (765.9) million at the end of the year. The equity linked buffer increased by net EUR 617.7 million and stood at EUR –161.2 (–779.0) million at the end of the year. Otherwise, the increase in technical provisions was 3.4 per cent.

The underwriting result under the company's own responsibility was EUR –22.5 (76.4) million. The equalisation provision decreased by EUR 22.5 million to EUR 971.4 million.

PROCESSING TIMES OF PENSION APPLICATIONS 2009



Source: The Finnish Centre for Pensions

A share of the return on investment, determined by the technical bases, is credited to technical provisions. Part of the yield requirement on technical provisions of authorised pension companies is tied to the average solvency of pension institutions, and the rest, 10 per cent from 2008 onwards, is tied to the average return on the listed equities owned by the pension institutions.

The share of the yield requirement determined on the basis of the average solvency of pension institutions is calculated by adding the pension liability supplementary coefficient, given in the technical bases, to the three per cent discount rate. In 2009, the pension liability supplementary coefficient was 0. The average return on the listed equities of pension institutions was 35.6 per cent. The interest refunded on technical provisions equalled 5.7 per cent.

The technical rate of interest used in calculating insurance contributions was 3.0 per cent.

Assets covering technical provisions stood at EUR 25,137.5 (21,597.8) million.

In 2009, one pension fund transferred its liabilities according to TyEL and YEL to Ilmarinen and a money transfer was made from Ilmarinen to one pension fund. The transferred liability was net EUR 26.1 million, of which provision for future bonuses made up EUR 3.0 million. Additionally, three pension funds made the decision to transfer their liabilities to Ilmarinen in 2010.

Investment activities

The objective of Ilmarinen's investment activities is to achieve the highest possible income in the long-term within the risk level defined by the Board of Directors. The basis for evaluating the risk level is the company's average solvency across business cycles. The recovery of asset values and decrease in risk premiums, following the exceptionally difficult investment environment in 2008, led to an extremely positive development during the accounting year.

At the end of 2009, Ilmarinen's total investments calculated at current value were EUR 25,179.8 (20,871.7) million. The return on investments at current value was 15.8 per cent. With the negative inflation, Ilmarinen's real return on investments equalled 16.4 per cent in 2009. This real return is the best in the company's history. In 2008, investment portfolio returns were –17.7 per cent, or –20.5 per cent in real terms. Calculated at current value, the average annual returns over the last five years have been 4.1 per cent, which corresponds to average annual real returns of 2.4 per cent. Calculated from 1997, the average annual returns at current value for Ilmarinen's investments have been 5.8 per cent per annum. This corresponds to an annual real return of 4.1 per cent.

The following breakdown of Ilmarinen's asset allocation and returns abides by the Finnish Pension Alliance TELA's income calculation working group's recommendations for the classification of investments according to market value. The breakdown according to the recommendations strives to increase the transparency of authorised pension companies' investment data by allocating assets according to real risk and presenting a risk allocation taking into account the effect of derivates in addition to allocation by market value. Both the allocation of assets and their returns into different investment types according to official regulations, as well as the table according to the recommendations, are included in the notes to the financial statements.

Bonds, fixed-income funds and other money market instruments formed 37.8 (41.7) per cent of the total value of Ilmarinen's investment assets. Their total market value, taking into account market value derivatives, was EUR 9,533.4 (8,697.2) million and return at current value was 15.5 (–4.8) per cent. A total of EUR 3,477.4 (1,940.9) or 36.5 (22.3) per cent was invested in government bonds. Ilmarinen had EUR 579.1 (122.4) million or about 6.1 (1.4) per cent in money market investments, yielding 1.4 (4.6) per cent. The remaining 57.4 per cent were corporate bonds, emerging market bonds and investments in fixed-income funds. Most of the corporate bonds had a high credit rating. At the end of the year, the modified duration of the bond portfolio was 3.2 (3.6) years.

The portfolio for the loans granted by Ilmarinen's Corporate Finance department increased further in 2009; however the growth was significantly slower than during the previous year. At the end of the year, loan receivables made up 12.8 (12.9) per cent of investment assets. New loans equalling EUR 876.4 (1,687.9) million were drawn down during 2009. At the end of the year, the total loan portfolio was EUR 3,211.8 (2,695.6) million including accrued interest. The return on loan receivables was 4.0 (4.9) per cent.

Corporate financing loan portfolio, EUR million

	1999	2004	**2009**	Return %
Premium loans	1,456.8	710.2	**1,762.7**	4.1
Lending other than premium loans	234.0	400.6	**1,449.0**	3.8
Total (includes accumulated interest)	1,690.8	1,110.9	**3,211.8**	4.0
Share of total portfolio, %	13	6	**13**	

The above-mentioned investments together make up the fixed-interest investment class. The investment portfolio share of all of these investments was 50.6 (54.6) per cent and their returns were 12.6 (–3.6) per cent.

The investment share of listed and unlisted equities and shares as well as private equity investments was 34.7 (30) per cent. Their value increased to EUR 8,730.8 (6,168.8) million in 2009 as a result of rising share prices and share acquisitions. Investments in domestic equities made up about 41.1 (35.3) per cent of this, or EUR 3,218.2 (2,463.0) million. Domestic equities made up 40.9 (39.5) per cent of investments in listed equities and shares. The return on equities, calculated at current value, rose to 28.3 (–39.3) per cent.

Share, currency and interest derivatives are used both for hedging and for shaping asset allocation. As a result of using derivatives, the amount of equities and shares according to risk deviated at the end of the year from their amount according to market value. Calculated using the method agreed on by the employment pension institutions, their amount according to risk was EUR 8,133.3 million, i.e. 32.3 per cent of investments. The effect of interest derivatives is included in the modified duration of the bond portfolio reported above.

Ilmarinen's Ownership Policy also takes into account responsible investment principles. According to this policy, Ilmarinen will start an engagement process with a company if it fails to meet the criteria set forth in the policy. If the engagement process does not lead to the desired end result, the investment is sold. Additionally, Ilmarinen refrains from acquiring investments whose operations do not fulfil the required criteria. In 2009, Ilmarinen was involved in active engagement processes with twelve different companies of which two were completed during the year.

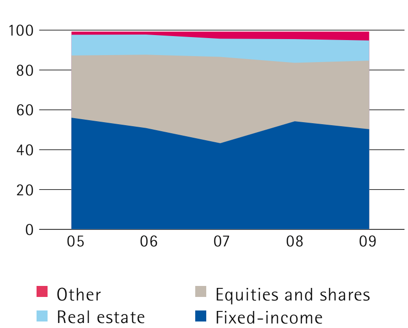
Real estate investments at the end of 2009 equalled EUR 2,577.9 (2,509.5) million, a 2.7 per cent change from the previous year. The share of real estate investments was 10.2 (12) per cent, of which indirect investments made up 1.4 percentage points. The value of direct real estate investments was EUR 2,236.2 million. Despite the economic downturn, the utilisation rate of real estate owned by Ilmarinen remained high, equalling 95.8 (94.9) per cent at year-end.

The total return on the company's real estate investments was –0.6 (6.1) per cent. The return on direct real estate investments was 5.0 (8.3) per cent which includes a EUR –12.2 million adjustment to the real estate's current values. The return on indirect real estate investments was –27.1 (–5.2) per cent.

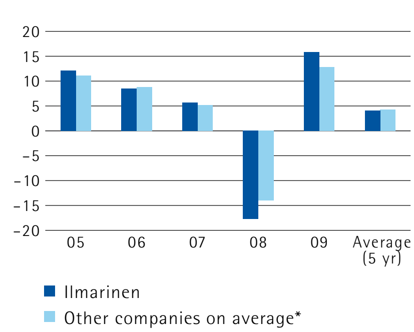
Commodity investments and investments in absolute return funds are classified as "other investments" according to TELA's income calculation working group's recommendations. At the end

STRUCTURE OF ILMARINEN'S ASSETS

%



NET INVESTMENT INCOME AT FAIR VALUE, %



*) Source: Preliminary data on financial statements 2009

of the year, other investments made up about 4.5 (3.8) per cent of the market value of investment assets. The share of absolute return funds was EUR 2.2 million and commodity investments accounted for EUR 3.2 million. Absolute return funds yielded an average of 11.8 per cent on capital employed.

Risk management

The objective of Ilmarinen's risk management is to prevent the realisation of risks threatening the company's operations, minimise the financial and other damage caused by realised risks and to ensure the continuity of operations. On the other hand, the objective is to enable the company to capture the opportunities offered by controlled risk-taking in business operations, especially in investment activities. It is important above all that the rights of the insured, pensioners and policyholders are secured in all situations.

The assets covering technical provisions are calculated at current value and the main objective of the regulations governing the assets is to avoid concentrations of risk. The classification of investments is carried out, both in these regulations and when calculating solvency requirements, according to the same principles and based on the actual risk of the investments. Ilmarinen carries the investment risk inherent to covering its technical provisions and return requirement. However, a share of the price risk for equity investments is carried at the level of the whole earnings-related pension system. From 22 December 2008 onwards, this share has corresponded to 10 per cent of all investments. The joint solvency rules for pension companies provide the framework for risk management of investment operations.

Ilmarinen has a risk management plan that covers the entire operations of the company and is approved annually by the Board of Directors. A Risk Management Committee is in place for the company-level co-ordination and development of risk management, made up of business unit and support function representatives. The Risk Management Committee semi-annually updates the survey and evaluation of the risks facing the company with respect to its operations. The Board of Directors' Audit Committee and the Board of Directors discussed the risk analysis and approved the risk management plan in January 2010.

The monitoring of investment risks and reporting to the Board of Directors fall under the responsibility of the Senior Vice President in charge of the company's actuarial services and risk management. This ensures the independence of investment activity reporting and risk management from risk-taking functions. In order to develop company-level risk management, a comprehensive plan has been developed for the following years.

Risk management is described in more detail in the notes to the financial statements.

Personnel

An average of 658 people worked for Ilmarinen Group in 2009 compared to 655 in 2008. The average number of employees in the parent company Ilmarinen was 536 (529). This figure includes 72 (65) part-time employees, whose work contribution has been adjusted to correspond with the average working hours of full-time employees. An average of 52 (62) persons were on family leave or other unpaid leave during the year. At the end of the year, the parent company Ilmarinen employed 586 (573) persons, of whom 558 (539) were permanent employees.

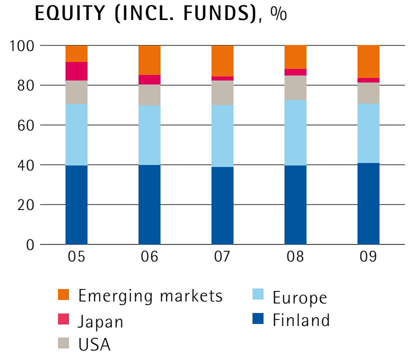
Ilmarinen's values were updated in a value process in which the majority of personnel took part. The process was also augmented by Ilmarinen's Board of Directors and the Advisory Committees for Insurance Clients and the Insured. The new values are: openness, responsibility, success through teamwork.

The company's personnel strategy was updated and the implementation of its objectives was begun already in 2009. The central objectives of the strategy are good leadership, strategic personnel planning, remuneration in support of success, high awareness of the company and attractiveness as an employer as well as an innovative and evolving workplace community. Ilmarinen took part for the first time in the Great Place to Work study and was ranked second in the large corporation category. The development areas for 2010 have been identified based on the results from the study.

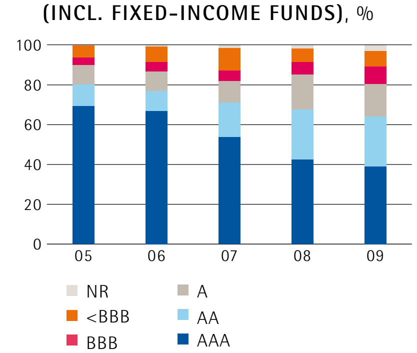
Information technology

During early 2009, options for developing pension decision activities and advice services were assessed and decisions were made on how to proceed with the preparations for the changes taking place in the operating and information systems in 2012. The first phase of the insurance production system renewal was completed and rolled out. A development programme for the operating and information systems, based on the strategic objectives, was completed in late 2009. The programme provides the basic framework for improvement projects and the controlled development of

GEOGRAPHICAL BREAKDOWN OF LISTED EQUITY (INCL. FUNDS), %



CREDIT RATING CLASSES OF BONDS (INCL. FIXED-INCOME FUNDS), %



information technology in the future. The management and organisation of information technology were improved with an eye to company-wide development and the management of total costs by starting up an IT division serving the business units in early 2009. Simultaneously, new internal leadership practices and practices for service management and supplier guidance were implemented.

The joint operating services change project of OP-Pohjola Group, Ilmarinen and Tieto reached completion. Ilmarinen's operating services are now produced by joint venture Finanssidata, together with Tieto. The new arrangement has improved the reliability of Ilmarinen's IT services and brought cost savings, as planned. The co-operation with Tieto, involving the development and maintenance of IT systems, was assessed based on the basic contract period and in light of the changed market situation for IT services. In the autumn, a decision was made to create a new sourcing model which would make use of the market offering. The principles for continuing co-operation with Tieto and the future operations of TietoIlmarinen were decided based on the guidelines provided by the model.

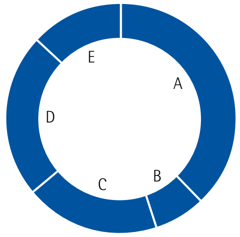
Operating expenses

Ilmarinen's cost-efficiency during the reporting period remained good. The operating expenses financed using the loading profit increased by EUR 4.2 million, or 5.0 per cent. The ratio of the above-mentioned operating expenses to the expense loading components available for them was 76 (71) per cent. The efficiency of operations benefits Ilmarinen's customers in the form of client bonuses and rebates.

Ilmarinen's total operating expenses were EUR 121.4 (113.5) million, up 6.9 per cent from the previous year. Personnel expenses and IT service expenses both increased by approximately EUR 4 million, which explains the rise in total operating expenses. IT expenses were increased significantly by the expenses consumed by AREK, which rose to EUR 9.6 million, or 26 per cent. The statutory fees are financed through a separate part of the insurance contributions allocated to statutory fees. These fees include the share of the costs of the Finnish Centre for Pensions, the supervision fee of the Insurance Supervisory Authority and the judicial administration fee.

REAL ESTATE INVESTMENT STUCTURE ON DEC. 31, 2009

Total 2,577.9 EUR mill.



a. Office	38%
b. Commercial	7%
c. Residential	19%
d. Other direct investment	23%
e. Incirect investment	13%

Operating expenses for investment activities were EUR 14.1 (11.2) million, or 0.6 per mille of the total investment amount. They are financed using the return on investments. The costs of maintaining work capacity, which are financed from the administration part of disability risk contained in the insurance contribution, were EUR 6.9 (4.9) million. The rise in this expense item is explained by the investments made in maintaining the work capacity of clients, for example training.

Corporate governance and organisation

In its meeting on 19 November 2009, Imarinen's Supervisory Board re-elected its Chairman and Deputy Chairmen for the term of office 2010. Jorma Eloranta, President and CEO, Metso Corporation, continues as Chairman of the Supervisory Board and the Deputy Chairmen will be Merja Strengell, Chairman of the Board of the Finnish Association of Graduate Engineers, and Antti Herlin, Chairman of the Board of KONE Corporation. Strengell will function as the primary Deputy Chairman.

Ilmarinen's Board of Directors' four-year term expired on 31 December 2009. The Supervisory Board, in its meeting on 19 November 2009, elected as new members Lauri Lyly, Chairman of the Board, Central Organisation of Finnish Trade Unions, Kristian Pullola, Vice President, Head of Treasury and Investor Relations, Nokia Corporation, and Anne Berner, Managing Director, Vallila Interior, as deputy member. Lauri Ihalainen and Jukka Hienonen left the Board of Directors. Arto Hiltunen resigned from the Board starting on 1 January 2010. Otherwise, the Board of Directors' composition remains as before.

The composition of the Board of Directors beginning 1 January 2010 is as follows: Jukka Alho, President and CEO (Itella Group), George Berner, Managing Director (Berner Ltd), Leif Fagernäs, Director General (Confederation of Finnish Industries EK), Reijo Karhinen, Executive Chairman (OP-Pohjola Group), Leila Kostiainen, General Secretary (Finnish Confederation of Professionals STTK), Lauri Lyly, Chairman of the Board (Central Organisation of Finnish Trade Unions), Leena Niemistö, Managing Director (Dextra Medical Center), Kristian Pullola, Vice President, Head of Treasury and Investor Relations (Nokia Corporation), Hannu Syrjänen, President and CEO (Sanoma Corporation), Markku Vesterinen, President and CEO (Suomi Mutual) and Matti Viljanen, Chairman (AKAVA Confederation of Unions for Professional and Managerial Staff in Finland).

The Board's deputy members for the four-year term of office are Riku Aalto, Chairman (Finnish Metalworkers' Union), Anne Berner, Managing Director (Vallila Interior), Timo Parmasuo, Chairman (Meconet Ltd) and Hannu Rautiainen, Director, Business Law (Confederation of Finnish Industries EK). The deputy members of the Board of Directors are always invited to the Board meetings but they only have voting rights when the corresponding member is not present.

The Board of Directors re-elected Hannu Syrjänen, President and CEO, Sanoma Corporation, as its Chairman in its meeting on 27 January 2010. The Board elected Chairman Lauri Lyly and Director General Leif Fagernäs as its Deputy Chairmen. Lauri Lyly is the primary Deputy Chairman. The Chairman and Deputy Chairmen also function as the Board's Nomination and Compensation Committee.

The members of the Audit Committee are Managing Director George Berner as Chairman, Managing Director Leila Kostiainen and Director Hannu Rautiainen.

In its meeting on 19 November 2009, Ilmarinen's Supervisory Board elected the members of the Election Committee. The term of the Election Committee began immediately and will end following the final Supervisory Board meeting of 2009.

Jorma Eloranta was re-elected as the Chairman of the Election Committee and Esa Vilkuna as the Deputy Chairman. The other Election Committee members are Chairman Antti Herlin, General Secretary Leila Kostiainen, President and CEO Hannu Syrjänen and Chairman Matti Viljanen. Of the six members of the Election Committee, half are individuals nominated by representatives of policyholders on the Supervisory Board, and the other half are individuals nominated by representatives of the insured on the Supervisory Board.

Ilmarinen presents, in connection with the financial statements and the Report of the Board of Directors, a separate corporate governance statement.

Ernst & Young Oy and Harri Pärssinen, Authorised Public Accountant, have functioned as Ilmarinen's auditors.

Ilmarinen's organisation was altered beginning 1 January 2010. Insurance and claims operations as well as their related customer services were centralised in the Pension Insurance division and customer accounts in the Customer Accounts division. The Actuarial Services function and Risk Management were separated from the old Finance and Risk Management division to form their own division. The position of marketing has been strengthened by centralising functions related to it in the Customer Accounts division, which also handles issues related to well-being at work development for corporate clients. The development of personnel, on the other hand, was focused on through internal changes in the Corporate Communication and Human Resources division.

The organisational change aims at creating a clearer connection to Ilmarinen's strategy. It also led to changes in areas of responsibility between certain members of the company's Executive Group. Work towards shaping the new operating model will continue in the various divisions during the spring. The aim is to have the final details in place by August 2010.

Group

In addition to the parent company Ilmarinen, Ilmarinen Group mainly includes real estate companies. Based on voting rights, TietoIlmarinen belongs to Ilmarinen Group as Ilmarinen's ownership of TietoIlmarinen's shares gives it control of 70 per cent of the votes, although Ilmarinen only owns 30 per cent of the share capital. The number of subsidiaries on 31 December 2009 was 151. Non-life insurance company Garantia is Ilmarinen's associated company.

Suomi Mutual Life Assurance Company and Pohjantähti Mutual Insurance Company are participating interests of Ilmarinen.

Guarantee capital

Ilmarinen has guarantee capital of EUR 22,994,653.31, which is divided into 13,672 guarantee shares. On 31 December 2009, the owners of the guarantee capital and their shares of the guarantee capital were as follows:

	Guarantee shares	% share
Suomi Mutual Life Assurance Company	13,412	98.1
Pohjantähti Mutual Insurance Company	260	1.9
Total	**13,672**	**100.0**

Outlook

Economies in most market areas have taken a positive upward turn. The starting level is, however, low due to the downturn and there is uncertainty related to whether the growth will be sustained or whether it will die down once the stimulus measures have been finalised. It is also difficult to predict how long it will take the Finnish national economy to catch up with this positive development. The rise in employment figures, vital for the finances of the earnings-related pension system, will probably only initiate once clear economic growth is achieved. The effects of the efforts to improve the ability to cope at work, the length of careers and well-being at work on delaying retirement depend on how quickly the economy recovers from the downturn.

Also the operating environment for investment activities is burdened with significant uncertainty factors. In 2010 so far, no significant changes have occurred in share prices, and Ilmarinen's solvency ratio has alternated between the year-end level and slightly above it. Share performance over the next few months will depend on how well confidence in the company's business growth and profitability in the aftermath of the economic downturn will be sustained in the markets. New fixed-income investments are weighed down by a low nominal interest level and investments in bonds are threatened by the possible escalation of inflation once attempts to bring state budgets back into balance are initiated. If growth does not gain momentum, companies' operating environments will remain difficult. This entails the risk that credit losses resulting from insurance contributions will increase and the demand for real estate will subside.

In the present difficult operating environment, the company's success depends especially on its competitiveness. The company's key trump cards, in addition to the development of its own operations, include the partnership with OP-Pohjola Group which has a nationwide service network and an extensive selection of finance sector services.

Ilmarinen has honed its strategy and strengthened its systematic implementation, as well as adapted its organisation to support it. As one of the most solvent authorised pension companies, it has the capacity to continue its long-term investment activities which aim for good returns. One of the central objectives for the near future is further improving the company's cost-efficiency. Investment activities and improved cost-efficiency support the company's ability to grant significant client bonuses. Ilmarinen therefore believes that its relative position in the bonus competition between pension companies will remain good over the long term.

PROFIT AND LOSS ACCOUNT

EUR mill.	PARENT COMPANY 2009	2008	GROUP 2009	2008
Technical account				
Premiums written	**3,184.1**	3,264.4	**3,184.1**	3,264.4
Investment income	**5,759.8**	5,820.7	**5,744.4**	5,801.3
Claims incurred				
Claims paid	**−3,089.7**	−2,727.6	**−3,088.9**	−2,726.4
Change in provision for claims outstanding				
Total change	**−324.1**	−842.1	**−324.1**	−842.1
Porfolio transfers	**14.1**	281.8	**14.1**	281.8
Insurance portfolio transfers	**−3.9**	–	**−3.9**	–
	−313.9	−560.3	**−313.9**	−560.3
	−3,403.6	−3,287.9	**−3,402.8**	−3,286.6
Change in provision for unearned premiums				
Total change	**−1,672.8**	2,890.3	**−1,672.8**	2,890.3
Porfolio transfers	**23.3**	689.0	**23.3**	689.0
Insurance portfolio transfers	**−5.6**	–	**−5.6**	–
	−1,655.0	3,579.4	**−1,655.0**	3,579.4
Operating expenses	**−72.9**	−74.4	**−71.4**	−72.8
Investment charges	**−3,805.8**	−9,294.1	**−3,797.3**	−9,290.3
Balance on technical account	**6.7**	8.1	**2.0**	−4.7
Non-technical account				
Balance on technical account	**6.7**	8.1	**2.0**	−4.7
Other income	**0.7**	1.2	**2.0**	1.9
Other expenses	**−1.4**	−1.5	**−1.3**	−1.4
Income taxes on ordinary activities	**−2.7**	−3.7	**−3.4**	−4.3
Profit/loss on ordinary activities	**3.4**	4.1	**−0.7**	−8.5
Appropriations				
Change in depreciation difference	**0.5**	1.9	**–**	–
	0.5	1.9	**–**	–
Minority interest	**–**	–	**−0.8**	−0.8
Profit/loss for the financial year	**3.9**	6.0	**−1.5**	−9.3

BALANCE SHEET

EUR mill.	PARENT COMPANY 2009	PARENT COMPANY 2008	GROUP 2009	GROUP 2008
Assets				
Intangible assets				
Intangible rights	**0.8**	1.0	**0.8**	1.1
Prepayments	**2.1**	–	**2.1**	–
	2.9	1.0	**2.9**	1.1
Investments				
Real estate				
Real estate and real estate shares	**1,205.0**	1,178.9	**1,752.4**	1,644.3
Loans to group companies	**605.9**	521.1	**–**	–
Loans to participating interests	**7.0**	7.4	**7.0**	7.4
	1,817.8	1,707.4	**1,759.4**	1,651.6
Investments in group companies and participating interests				
Shares and participations in group companies	**0.2**	0.2	**–**	–
Shares and participations in participating interests	**16.0**	16.0	**15.6**	14.8
Loans to participating interests	**13.5**	15.1	**13.5**	15.1
	29.6	31.3	**29.0**	29.9
Other investments				
Shares and participations	**9,617.8**	6,950.4	**9,617.8**	6,950.4
Money market instruments	**8,117.0**	7,688.1	**8,117.0**	7,688.1
Loans guaranteed by mortgages	**1,206.5**	1,048.6	**1,206.5**	1,048.6
Other loans	**1,967.0**	1,610.4	**1,967.0**	1,610.4
Deposits	**169.0**	30.6	**173.7**	35.7
	21,077.3	17,328.1	**21,082.0**	17,333.1
	22,924.8	19,066.8	**22,870.5**	19,014.7
Receivables				
Direct insurance operations				
Policyholders	**77.6**	117.9	**77.6**	117.9
Other receivables	**2,245.0**	2,181.7	**2,240.6**	2,178.8
	2,322.5	2,299.6	**2,318.2**	2,296.7
Other assets				
Tangible assets				
Furniture and fixtures	**1.6**	2.4	**1.8**	2.7
Other tangible assets	**1.7**	1.8	**1.7**	1.8
	3.4	4.2	**3.5**	4.4
Cash at bank and in hand	**90.7**	120.3	**91.8**	121.0
	94.0	124.4	**95.3**	125.4
Prepayments and accrued income				
Accrued interests and rent	**195.4**	170.1	**195.6**	170.3
Other prepayments and accrued income	**12.2**	166.9	**12.5**	167.2
	207.6	337.0	**208.0**	337.5
Total assets	**25,551.8**	21,828.9	**25,494.9**	21,775.3

EUR mill.	PARENT COMPANY 2009	2008	GROUP 2009	2008
Liabilities				
Capital and reserves				
Guarantee capital	**23.0**	23.0	**23.0**	23.0
Other reserves				
Funds and reserves under the Articles of Association	**72.0**	67.5	**72.0**	67.5
Other reserves	**–**	–	**0.6**	0.6
	72.0	67.5	**72.6**	68.1
Profit/loss brought forward	**–**	–	**–36.0**	-20.7
Profit/loss for the financial year	**3.9**	6.0	**–1.5**	-9.3
	98.9	96.5	**58.0**	61.1
Minority interest	**–**	–	**21.4**	22.0
Accumulated appropriations				
Depreciation difference	**7.8**	8.3	**–**	-
	7.8	8.3	**–**	-
Technical provisions				
Provision for unearned premiums	**13,827.9**	12,155.1	**13,827.9**	12,155.1
Provision for claims outstanding	**8,781.8**	8,457.7	**8,781.8**	8,457.7
	22,609.7	20,612.8	**22,609.7**	20,612.8
Liabilities				
Direct insurance operations	**29.4**	18.6	**29.4**	18.6
Loans from financial institutions	**–**	–	**0.2**	0.2
Other liabilities	**2,360.4**	831.4	**2,329.7**	798.1
	2,389.8	850.1	**2,359.3**	816.9
Accruals and deferred income	**445.6**	261.2	**446.4**	262.5
Total liabilities	**25,551.8**	21,828.9	**25,494.9**	21,775.3

CASH FLOW STATEMENT

	PARENT COMPANY		GROUP	
EUR mill.	**2009**	2008	**2009**	2008
Cash flow from operations				
Profit /loss on ordinary activities	**3.4**	4.1	**–0.7**	–8.5
Adjustments				
Change in technical provisions	**1,996.9**	–2,048.3	**1,996.9**	–2,048.3
Impairments and revaluations on investments	**–328.3**	3,848.3	**–330.6**	3,848.0
Planned depreciations	**11.3**	12.5	**45.5**	45.4
Other adjustments	**–891.1**	1,030.8	**–890.3**	1,032.9
Cash flow before change in working capital	**792.1**	2,847.5	**820.7**	2,869.5
Change in working capital				
Short-term non-interest-bearing receivables increase (-) / decrease (+)	**106.5**	85.8	**108.0**	84.4
Short-term non-interest-bearing liabilities increase (-) / decrease (+)	**1,724.1**	10.9	**1,726.4**	7.1
Cash flow from operations before financial items and taxes	**2,622.7**	2,944.1	**2,655.1**	2,961.0
Direct taxes paid	**–2.7**	–3.7	**–3.4**	–4.3
Cash flow before exceptional items	**2,620.1**	2,940.4	**2,651.7**	2,956.6
Cash flow from operations	**2,620.1**	2,940.4	**2,651.7**	2,956.6
Cash flow from investments				
Asset purchase (exl. financial assets)	**–20,064.2**	–22,838.0	**–20,048.3**	–22,781.1
Capital gains on investments (exl. financial assets)	**17,418.4**	19,963.5	**17,370.7**	19,890.3
Investments and capital gains (net) on intangible, tangible and other assets	**–2.4**	–0.2	**–1.7**	–0.2
Cash flow from investments	**–2,648.2**	–2,874.8	**–2,679.3**	–2,890.9
Cash flow from financing				
Interests paid on guarantee capital and other profit distribution	**–1.5**	–1.6	**–1.5**	–1.6
Cash flow from financing	**–1.5**	–1.6	**–1.5**	–1.6
Change in financial resources	**–29.6**	64.0	**–29.1**	64.1
Financial resources at the start of the financial year	**120.3**	56.2	**121.0**	56.8
Financial resources at the end of the financial year	**90.7**	120.3	**91.8**	121.0

NOTES TO THE ACCOUNTS
Accounting principles

Ilmarinen's financial statements are prepared in accordance with the Accounting Act, the Companies Act, the Insurance Companies Act, and the Act on Employment Pension Insurance Companies. Ilmarinen's financial statements also comply with the Ministry of Social Affairs and Health decree on the financial statements of insurance companies and related consolidated financial statements, the calculation principles and regulations approved by the Ministry of Social Affairs and Health, and with the regulations and guidelines of the Insurance Supervision Authority.

Consolidated financial statements

The consolidated financial statements cover the parent company and all subsidiaries in which the parent company, directly or indirectly, controls more than one-half of the voting rights. With the exception of the subsidiary that provides IT services for Ilmarinen, the company's subsidiaries are real estate companies.

The consolidated financial statements are drawn up by combining the income statements, balance sheets and notes of the parent company with those of its subsidiaries and eliminating inter-company receivables and payables, revenues and expenses, profit distributions and equity ownerships. Subsidiaries acquired during the year are consolidated as of their acquisition date, and companies sold during the year are consolidated up to their date of sale. Minority interests are segregated from net income and from capital and reserves.

Inter-company equity ownership is eliminated, based on the purchase method. Consolidation goodwill is allocated to the assets of subsidiaries and expensed in accordance with their respective amortisation schedules.

Impairments, related reversals and write-ups relating to real estate subsidiary shares have been reversed in the consolidated financial statements. In the consolidated balance sheet, the corresponding entries are allocated to the real estate holdings of subsidiaries at fair value.

Associated undertakings, i.e. undertakings in which the Ilmarinen Group holds 20 per cent to 50 per cent of the voting rights, are included in the consolidated financial statements using the equity method.

Ownership interests of 20–50 per cent in housing companies and real estate companies are not consolidated. The effect of this on consolidated net income and distributable reserves is not significant.

The consolidated income statement includes the Group's equity in the income of associated undertakings. In the consolidated balance sheet, the Group's share of an associated undertaking's cumulative income since acquisition is added to or deducted from the cost of the associated undertaking.

Book value of investments

Buildings and structures are shown in the balance sheet at the lower of cost less scheduled depreciation or fair value. The acquisition cost includes purchase-related variable costs. Shares in real estate entities and land and water areas are shown in the balance sheet at the lower of cost or fair value. The values of some real estate investments have been written up in previous years. Scheduled depreciation is also deducted from the written-up portion of buildings, if recognised as income.

Other shares and equity interests classified as investment assets are shown in the balance sheet at the lower of cost or fair value. The book value of some shares has been written up in previous years.

Debt securities are reported at the lower of cost or market. However, any changes in value caused by fluctuations in interest rates are not recognised. The difference between the amount repayable at maturity and the acquisition cost of debt securities is recognised as interest income or deducted from interest income over the remaining life of instruments. The offsetting entry is an increase or a decrease in the cost of the instrument in question.

The acquisition cost is based on asset class averages.

Shares and equity interests regarded as fixed assets are reported in the balance sheet at cost less permanent value impairments. The cost basis of assets is calculated using the FIFO method.

Investments regarded as receivables are reported in the balance sheet at the lower of nominal value or current value.

Previously recorded impairments on investments are reversed through the income statement in cases where the current value of investments has risen.

Equity, fixed-income, credit risk, raw material and currency derivatives were used during the accounting period. Hedging accounting is applied to derivatives only in the case of currency swaps, although some of the other derivatives transactions also function as effective hedging. All currency derivatives that constituted effective hedges are treated as hedges for solvency and coverage purposes. Derivative financial instruments are recognised in the balance sheet at the lower of cost or fair value, separately for each instrument or as instrument entities if the individual instruments have been defined to belong to the same derivative strategy. Any income/losses on closed and mature derivatives positions are recognised in full.

The changes made to the accounting principles applicable to derivative contracts beginning 1 January 2009 altered the content of the profit and loss account items. The figures for the comparison year were altered correspondingly.

Liabilities resulting from derivative contracts and securities given as collateral in derivatives trading and received securities not included in the balance sheet have been listed in the notes to the financial statements. In a transfer according to the Act on Financial Collateral Arrangements, the security received in cash is recognised as liabilities in the balance sheet. Any securities received have not been resold.

Book value of non-investment assets

Intangible assets and equipment are reported in the balance sheet at cost less accumulated scheduled depreciation and amortisation. The acquisition cost includes purchase- and manufacturing-related variable costs.

Contribution receivable and other receivables are recognised in the balance sheet at the lower of nominal value or their likely realisable value.

Scheduled depreciation

Depreciation follows a predefined depreciation schedule. Scheduled depreciation on buildings and structures is calculated on the cost of individual buildings and on recognised write-ups. Depreciation is based on the estimated useful life of buildings and the straight-line method. Depreciation periods for new buildings and structures are as follows:

Depreciation periods for new buildings and structures are as follows:	
Residential and office buildings	50 years
Hotels, commercial and industrial properties	40 years
Building components	10 years
Other assets	Business Taxation Act
Write-ups	same as buildings

A 20% salvage value has been fixed for some buildings and structures.

Scheduled amortisation on intangible assets and equipment has been calculated on the mean cost of specified groups of assets. Amortisation is based on the estimated useful life of asset groups and the straight-line method.

The amortisation periods are as follows:	
Intangible rights (user licences for software)	5 years
Other capitalised expenditures	5 years
Vehicles and computer hardware	5 years
Other equipment	10 years

Write-ups of investments

The book values of land and water areas, buildings and securities can be written up. Write-ups of assets classified as investments are recognised in the income statement, and write-ups of items classified as fixed assets are entered in the revaluation reserve. If a write-up proves unfounded, a related loss is recognised in the income statement or the revaluation reserve is adjusted accordingly.

Write-ups on buildings are expensed in accordance with the applicable depreciation schedule.

Current value of investments and measurement differences

The notes to the financial statements itemise the remaining acquisition cost, book value and current value of investments and derivatives reported in the balance sheet. The difference between the first two values above consists of write-ups of investments. The difference between the last two values above indicates measurement differences that are unrecognised in the balance sheet.

The current value of real estate investments has been defined on a property-by-property basis, primarily utilising the income approach. The market value method, based on regional market price statistics, has also been used to supplement this approach. Valuations also consider the purpose and condition, together with existing lease agreements and the current level of market rents. External real estate valuers and the company's own experts participate in the annual determination of the current value of real estate investments.

The year's last bid quotation, or in the absence of this the last trading price, is used as the current value of listed shares. The last available fund unit value reported by the management company is taken as the market value of investment fund units. Private equity funds are valued at the management company's estimate of current value or, if unavailable, at acquisition cost. The current value of other shares and equity interests is their remaining cost basis, likely realisable value, or net asset value.

The current value of debt securities is primarily based on market prices. If no market price is available or the investment's current value cannot be reliably determined, valuations by external parties are used or the current value is calculated using commonly accepted calculation models for market prices or the purchase price is used as the current value.

The current value of derivative financial instruments is generally the market price or the likely realisable value estimated by the counterparty. A more detailed description of the method of determining the current value of derivatives is presented in the notes to the financial statements in the section "Off-balance sheet guarantee engagements and liabilities".

Receivables are valued at the lower of nominal value or net realisable value.

Technical provisions

The liability resulting from insurance contracts is reported in the balance sheet under technical provisions. It consists of provisions for unearned premiums and claims outstanding. The provision for unearned premiums relates to the company's future liability for pension contingencies, and the provision for claims outstanding relates to its liability for pensions already being paid out.

The technical provisions have been calculated using the calculation principles approved by the Ministry of Social Affairs and Health.

The provision for unearned premiums comprises a provision for future bonuses, which is counted in the solvency capital, and a provision for current bonuses, which includes the amount intended for distribution as contribution discounts to policyholders.

As of 2007, the provision for unearned premiums contains an equity linked buffer, which depends on the average return of the share investments of pension institutions. In 2007, the share in technical provisions tied to return on shares was two per cent, and from 2008 onwards ten per cent.

The provision for claims outstanding also incorporates an equalisation provision, the purpose of which is to balance random fluctuations during years where contributions fail to meet total payouts.

Profit for the period and capital and reserves

The calculation principles confirmed by the Ministry of Social Affairs and Health specify the allocation of pension insurance companies' earnings between changes in the equalisation provision, provisions for future and current bonuses, and reported net income.

The notes to the financial statements include details on the distribution of the company's capital and reserves among the owners of the guarantee capital and the policyholders, and the calculation of distributable profits.

Solvency capital

Financial supervision monitors the solvency of insurance companies. One of the main indicators used is the solvency capital, which refers to the difference between assets and liabilities at current value. Technical provisions do not include provision for future bonuses in this context, which provides a buffer against investment risks. In addition, based on the emergency legislation enacted due to the financial crisis, part of the provision for pooled claims included in technical reserves is treated equal to solvency capital in the financial statements for 2008–2010. The solvency capital and reserves have to meet the requirements laid down in the Act on Employment Pension Insurance Companies.

The solvency capital is presented in the notes to the financial statements.

Any change in the difference between current and book values compared to the previous year, i.e. change in valuation differences, forms part of the overall result for the financial year and is shown as a change in solvency capital.

Deferred tax liabilities and assets

Taxes for the accounting period and previous accounting periods are recognised in the income statement on an accrual basis.

Discretionary provisions and accelerated depreciation and amortisation are included in capital and reserves in the consolidated balance sheet, after deduction for minority interest; changes in these items are included in the reported consolidated net income for the accounting period.

Ilmarinen does not include deferred tax liabilities and assets in the parent company's balance sheet or in the consolidated balance sheet, and does not deduct deferred tax liabilities from the company's solvency capital because the realisation of these liabilities and receivables cannot be considered likely in relation to the financial statements or consolidated financial statements of an insurance company engaged in the statutory earnings-related pension insurance business.

Foreign currency-denominated items

Transactions in foreign currencies have been recognised at the rate quoted on the day of the transaction. Receivables and liabilities denominated in foreign currencies that are not settled at the end of the accounting period and the current values of investments are translated into Finnish currency at the rate quoted by the European Central Bank on the balance sheet date. Foreign exchange gains or losses arising during the accounting period and at year-end are recognised as adjustments to related income and charges, or as investment income and charges if such gains or losses pertain to financing transactions.

Function-specific operating expenses and depreciation and amortisation expenses

Operating expenses and depreciation and amortisation expenses on equipment and capitalised expenditures are reported as function-specific items in the income statement. Expenses related to claims administration and the maintenance of employees' capacity for work are included in claims paid, and expenses related to investment management are treated as investment expenses. Only expenses related to the origination and administration of policies and administrative overhead charges are presented as operating expenses. The statutory fees are included in administration costs. Expenses incurred in other activities are defined as other expenses. Scheduled depreciation on buildings is reported as an investment expense.

Staff pension arrangements

The pension insurance of personnel and members of the Board of Directors and the Supervisory Board is covered through TyEL insurance. It has been supplemented with voluntary additional insurances. The management's pension arrangements are explained in the notes. Pensions paid during the year under review have been paid on an accrual basis.

Key figures and analyses

All key figures and analyses concerning the company's financial performance are calculated and presented in accordance with regulations issued by the Insurance Supervision Authority regarding notes to the financial statements.

In the case of investment operations and solvency, key figures and analyses are given at current values.

The ratio of net income from investments at current value to capital employed is calculated separately for each type and also on the total investment portfolio, taking into account the weighting of cash flows on a daily or monthly basis. The modified Dietz formula is used for calculation purposes, where the capital employed is calculated by taking the market value at the start of the period and adding to it each period's cash flows, weighted by the relative time remaining from the transaction date or middle of the transaction month to the end of the period.

NOTES TO THE ACCOUNTS

Notes to profit and loss account and balance sheet

EUR mill.	2009	2008

Specification of premiums written

Direct insurance		
TyEL basic coverage		
Employer contribution	**2,346.5**	2,439.1
Employee contribution	**631.8**	628.8
	2,978.3	3,067.8
TyEL supplementary coverage	**4.3**	5.2
YEL minimum coverage	**217.7**	204.7
YEL supplementary coverage	**0.0**	0.0
	3,200.3	3,277.7
Transition contribution to the State Pension Fund	**−13.7**	−11.2
Reinsurance	**0.0**	0.0
Premiums written before reinsurers' share	**3,186.6**	3,266.5
Reinsurers' share	**−2.5**	−2.1
Premiums written	**3,184.1**	3,264.4
Items deducted from premiums written		
Credit loss on outstandig premiums		
TyEL	**−12.0**	−8.7
YEL	**−2.9**	−3.3
	−14.9	−11.9

Specification of claims paid, parent company

Direct insurance		
Paid to pensioners		
TyEL basic coverage	**2,729.6**	2,441.5
TEL supplementary coverage	**59.1**	55.7
YEL minimum coverage	**252.2**	230.7
YEL supplementary coverage	**1.5**	1.4
	3,042.3	2,729.3
Payments to/refunds from the provision for clearing PAYG pensions		
TyEL pensions	**178.6**	87.2
YEL pensions	**−7.9**	−9.2
Share of the unemployment insurance fund insurance contrbution and division of the costs of pension compoments accrued on the basis of unsalaried periods	**−127.4**	−86.9
YEL government share	**−26.6**	−17.0
State compensation pursuant to VEKL	**−0.0**	−0.0
	16.7	−26.0
	3,059.1	2,703.3
Reinsurance	**0.0**	–
Claims handling expenses	**26.1**	21.5
Working capacity maintenance costs	**6.9**	4.9
Claims before reinsures' share	**3,092.1**	2,729.7
Reinsures' share	**−2.4**	−2.1
Total claims paid	**3,089.7**	2,727.6

EUR mill.	PARENT COMPANY 2009	2008	GROUP 2009	2008

Specification of net investment income

Investment income				
Income from group companies				
Dividend income	**0.6**	0.7	**–**	–
	0.6	0.7	**–**	–
Income from participating interests				
Share of the profit of associated companies	**–**	–	**0.8**	0.1
Dividend income form other participating interests	**0.5**	1.4	**0.5**	0.6
Interest income from other participating interests	**0.4**	0.8	**0.4**	0.8
	1.0	2.2	**1.8**	1.5
Income from investments in real estate				
Interest income				
From group companies	**18.2**	19.4	**–**	–
From other than group companies	**2.7**	2.7	**2.7**	2.7
Other income				
From group companies	**1.8**	2.0	**–**	–
From other than group companies	**155.8**	144.9	**160.2**	149.3
	178.4	169.0	**162.9**	152.0
Income from other investments				
Dividend income from other than group companies	**190.2**	301.0	**190.2**	301.0
Interest income from other than group companies	**464.0**	565.7	**464.0**	565.7
Other income from other than group companies	**1,008.8**	1,055.1	**1,008.8**	1,055.1
	1,663.0	1,921.8	**1,663.0**	1,921.8
Total	**1,843.0**	2,093.7	**1,827.7**	2,075.3
Value readjustments	**1,042.1**	21.0	**1,042.0**	21.3
Capital gains	**2,874.8**	3,706.0	**2,874.7**	3,704.6
Total	**5,759.8**	5,820.7	**5,744.4**	5,801.3
Investment charges				
Charges on real estate investments	**–89.7**	–88.6	**–50.0**	–49.4
Charges on other investments	**–923.6**	–481.4	**–923.5**	–481.3
Interest charges and other charges on liabilities				
To group companies	**–1.1**	–1.3	**–**	–
To other than group companies	**–86.7**	–110.4	**–86.7**	–114.4
	–87.9	–111.7	**–86.7**	–114.4
Total	**–1,101.2**	–681.6	**–1,060.2**	–645.1
Value adjustments and depreciation				
Value adjustments	**–713.7**	–3,869.3	**–711.4**	–3,869.3
Planned depreciation on buildings	**–9.9**	–9.9	**–44.7**	–42.7
	–723.6	–3,879.3	**–756.1**	–3,912.0
Capital loss	**–1,981.0**	–4,733.2	**–1,981.0**	–4,733.2
Total	**–3,805.8**	–9,294.1	**–3,797.3**	–9,290.3
Net investment income before revaluations and their adjustments	**1,954.1**	–3,473.3	**1,947.1**	–3,489.0
Net investment income in the profit and loss account	**1,954.1**	–3,473.3	**1,947.1**	–3,489.0

NOTES TO THE ACCOUNTS

Notes to profit and loss account and balance sheet

	PARENT COMPANY		GROUP	
EUR mill.	**2009**	2008	**2009**	2008
Specification of operating expenses				
Total operating expenses by activity				
Claims paid				
Claims handling expenses	**26.1**	21.5	**25.5**	20.4
Working capacity maintenance costs	**6.9**	4.9	**6.8**	4.8
	33.0	26.4	**32.3**	25.2
Operating expenses				
Acquisition costs:				
Commissions, direct insurance	**0.7**	0.8	**0.7**	0.8
Other policy acquisition costs	**10.8**	8.5	**10.4**	8.4
	11.5	9.3	**11.1**	9.2
Portfolio administration expenses	**32.8**	34.8	**31.9**	33.7
Administrative expenses;				
Statutory charges:				
Cost compoment of the Finnish Pension Centre	**11.4**	12.9	**11.4**	12.9
Judicial administration charge	**0.9**	0.8	**0.9**	0.8
Supervision charge of the Insurance Supervisory Authory	**0.6**	0.5	**0.6**	0.5
	12.9	14.2	**12.9**	14.2
Other administrative expenses	**15.7**	16.1	**15.5**	15.8
	72.9	74.4	**71.4**	72.8
Investment charges				
Costs on real estate investment	**1.8**	1.8	**1.7**	1.7
Other	**12.3**	9.4	**12.2**	9.3
	14.1	11.2	**13.9**	11.0
Other expenses	**1.4**	1.5	**1.3**	1.4
Total operating expenses	**121.4**	113.5	**118.9**	110.4

Specification of staff expenses and members of corporate organs

Staff expenses				
Salaries and bonuses	**31.5**	28.1	**38.2**	35.6
Pension expenditure	**6.1**	5.6	**7.4**	7.0
Other social security expenses	**1.6**	1.7	**2.0**	2.1
Total	**39.2**	35.4	**47.6**	44.7
Salaries and bonuses to the management				
Managing director and deputies	**0.7**	0.8	**0.8**	0.9
Board members and deputy members	**0.3**	0.3	**0.3**	0.3
Members of Supervisory Board and deputy members	**0.1**	0.1	**0.1**	0.1
Total	**1.1**	1.1	**1.2**	1.3

Pension commitments for the benefit of the executive management

Members of Ilmarinen's management who were appointed before 1 July 1992 have a retirement age of 60, which differs from the statutory retirement age. The retirement age of CEO and Deputy CEOs appointed after 2007 is 62 years. The retirement age of TietoIlmarinen's CEO is 63 years.

Average staff number during the financial period	**536**	529	**658**	655
Auditor's fee				
Auditing	**0.1**	0.2	**0.2**	0.3
Tax advice	**0.0**	0.0	**0.0**	0.0
Other services	**0.1**	0.1	**0.1**	0.1

EUR mill.	Dec. 31, 2009			Dec. 31, 2008		

Investment

FAIR VALUE OF INVESTMENTS AND DIFFERENCE BETWEEN CURRENT AND BOOK VALUE, PARENT COMPANY	Remaining acquisition cost	Book value	Fair value	Remaining acquisition cost	Book value	Fair value
Investments in real estate						
Real estate	**426.7**	**426.7**	**586.2**	424.1	424.1	574.0
Shares in group companies	**756.2**	**760.5**	**1,044.7**	739.2	743.4	1,007.5
Shares in participating interests	**13.0**	**13.0**	**14.0**	6.6	6.6	7.2
Other shares in real estate	**4.8**	**4.8**	**5.4**	4.8	4.8	5.4
Loans to group companies	**605.9**	**605.9**	**605.9**	521.1	521.1	521.1
Loans to participating interests	**7.0**	**7.0**	**7.0**	7.4	7.4	7.4
Investments in group companies						
Shares and participations	**0.2**	**0.2**	**0.2**	0.2	0.2	0.2
Investments in participating interests						
Shares and participations	**16.0**	**16.0**	**16.0**	16.0	16.0	16.0
Loan receivables	**13.5**	**13.5**	**13.5**	15.1	15.1	15.1
Other investments						
Shares and participations	**9,617.5**	**9,617.8**	**10,729.9**	6,950.1	6,950.4	7,177.3
Money market instruments	**8,117.0**	**8,117.0**	**8,218.2**	7,688.1	7,688.1	7,480.5
Loans guaranteed by mortgages	**1,206.5**	**1,206.5**	**1,206.5**	1,048.6	1,048.6	1,048.6
Other loan receivables	**1,967.0**	**1,967.0**	**1,967.0**	1,610.4	1,610.4	1,610.4
Deposits	**169.0**	**169.0**	**169.0**	30.6	30.6	30.6
	22,920.2	**22,924.8**	**24,583.3**	19,062.2	19,066.8	19,501.1
Remaining acquisition cost of money market instruments includes:						
the difference between the nominal value and acquisition cost, released to interest income (+) or charged to interest income (-)			**–0.3**			–5.4
Book value comprises						
Revaluations entered as income			**4.6**			4.6
Difference between current and book value			**1,658.6**			434.3

FAIR VALUE OF DERIVATIVES AND VALUATION DIFFERENCE, PARENT COMPANY	Book value	Fair value	Book value	Fair value
Fair value of non-hedging derivatives and valuation items				
Other receivables				
Prepayments for option contracts	**936.3**	**1,103.3**	906.4	994.3
Other debts				
Prepayments for option contracts	**–443.3**	**–355.1**	–339.7	–330.4
Other prepayments and debts				
Future and forward contracts and total return swaps	**–218.3**	**342.5**	91.3	571.8
	274.8	**1,090.7**	658.1	1,235.7
Difference between current and book value		**815.9**		577.7

NOTES TO THE ACCOUNTS

Notes to profit and loss account and balance sheet

Shares and participations, parent company, Dec. 31, 2009	Number of shares	Percentage of shares/votes	Book value EUR mill.	Fair value EUR mill.
SHARES IN GROUP COMPANIES				
TietoIlmarinen Oy	1,530	30.00/70.00	0.2	0.2
Total			**0.2**	**0.2**
PARTICIPANTING INTERESTS				
Garantia Insurance Company	3	100.00/0.00	0.5	0.5
Pohjantähti Mutual Insurance Company	96	100.00/13.91	8.2	8.2
Suomi Mutual Life Assurance Company	15,777	26.30	7.3	7.3
Total			**16.0**	**16.0**
OTHER INVESTMENTS				
Shares and participations				
Domestic companies, listed				
Affecto Plc	849,000	3.95	1.9	1.9
Ahlstrom Corporation	332,674	0.71	3.1	3.1
Aldata Solution Oyj	6,616,800	9.63	2.9	2.9
Alma Media Corporation	1,270,000	1.70	7.5	9.4
Amer Sports Corporation	4,191,668	3.45	24.3	29.0
Aspo Plc	291,006	1.10	1.7	1.7
Atria Plc	217,480	0.77/0.20	2.4	2.4
Basware Corporation	440,850	3.84	4.1	6.4
CapMan Plc	548,500	0.65/0.40	0.7	0.7
Cargotec Corporation	914,455	1.42/0.61	17.4	17.7
Citycon Corporation	1,868,914	0.85	3.5	5.5
Componenta Corporation	724,266	4.15	3.0	3.0
Comptel Corporation	683,591	0.64	0.5	0.5
Cramo Plc	352,256	1.15	4.2	4.2
Elisa Corporation	4,845,788	2.91	71.1	77.0
Exel Composites Plc	689,400	5.79	2.3	3.7
F-Secure Corporation	8,417,167	5.35	18.5	23.1
Finnair Plc	3,025,564	2.36	11.3	11.3
Finnlines Plc	4,953,667	10.58	34.2	34.2
Fiskars Corporation	1,940,950	2.37	20.6	20.6
Fortum Corporation	16,830,664	1.89	319.3	319.3
HKScan Corporation	400,798	0.74/0.26	3.1	3.1
Huhtamäki Oyj	3,231,800	3.05	20.1	31.3
Ilkka-Yhtymä Oyj	512,628	2.00/2.28	2.1	3.4
Kemira Oyj	9,153,495	5.89	95.1	95.1
Kesko Corporation	1,938,980	1.97/1.02	43.8	44.6
Kone Corporation	6,965,143	2.70/1.16	134.6	208.6
Konecranes Plc	1,509,978	2.44	23.3	28.8
Lassila & Tikanoja Plc	2,854,858	7.36	33.7	45.6
Lemminkäinen Corporation	120,000	0.71	2.5	2.9
Lännen Tehtaat plc	153,800	2.43	1.8	2.4
Marimekko Corporation	265,419	3.30	2.7	2.7
Martela Oyj	335,400	8.07/2.14	2.4	2.4
Metso Corporation	4,503,689	3.00	104.4	110.8

Shares and participations, parent company, Dec. 31, 2009

	Number of shares	Percentage of shares/votes	Book value EUR mill.	Fair value EUR mill.
M-real Corporation	6,562,541	2.00/7.24	11.3	11.3
Neste Oil Corporation	6,956,590	2.71	86.4	86.4
Nokia Corporation	30,876,443	0.82	275.4	275.4
Nokian Tyres plc	3,255,654	2.61	43.5	55.2
Okmetic Oyj	1,533,626	9.08	4.7	4.7
Olvi plc	450,000	4.34/0.98	2.7	11.7
Oral Hammaslääkärit Plc	228,000	3.67	0.7	0.7
Oriola-KD Corporation	3,685,792	2.44/4.78	7.9	16.1
Orion Corporation	1,752,890	1.24/2.84	17.0	26.4
Outokumpu Oyj	5,521,927	3.03	73.2	73.2
Outotec Oyj	2,527,448	5.65	47.1	62.5
PKC Group Oyj	848,535	4.77	3.9	5.6
Pohjola Bank plc	31,955,142	10.00/5.39	239.9	240.9
Ponsse Plc	152,000	0.54	1.1	1.1
Pöyry Plc	2,022,583	3.43	22.6	22.6
Raisio plc	1,735,245	1.05/0.21	3.7	4.6
Ramirent Plc	4,160,214	3.83	26.8	28.3
Rapala VMC Corporation	429,417	1.09	2.1	2.1
Rautaruukki Corporation	3,453,417	2.46	55.6	55.6
Sampo plc	16,007,445	2.85/2.83	248.4	271.5
Sanoma Corporation	3,240,795	2.01	44.9	50.8
Scanfil plc	580,000	0.96	1.6	1.6
Sponda Plc	12,052,730	4.34	28.4	32.8
SRV Group Plc	225,000	0.61	1.3	1.3
Stockmann plc	1,263,184	1.78/0.91	24.1	24.1
Stonesoft Coporation	724,900	1.27	0.5	0.5
Stora Enso Oyj	18,836,848	2.39/2.11	95.3	95.3
Suominen Corporation	1,911,552	8.06	2.9	2.9
Talentum Oyj	3,457,173	7.80	6.2	6.2
Talvivaara Minig Company Plc	8,639,905	3.52	33.2	37.2
Technopolis Plc	3,737,725	6.52	11.6	11.6
Tekla Corporation	800,625	3.54	4.6	5.0
Teleste Corporation	894,776	5.03	3.2	3.2
Tieto Corporation	2,872,367	3.99	37.1	41.6
Tiimari Oyj Plc	789,221	4.79	1.0	1.0
Trainers' House Plc	2,048,288	3.01	0.9	0.9
Tulikivi Corporation	1,902,380	5.12/1.55	2.0	2.0
Turvatiimi Corporation	3,100,000	2.74	0.7	0.7
UPM-Kymmene Corporation	15,185,401	2.92	126.2	126.2
Uponor Corporation	1,349,773	1.84	15.5	20.2
Vacon Plc	563,230	3.68	9.8	14.6
Vaisala Corporation	798,429	4.38/0.96	20.0	20.0
Wärtsilä Corporation	1,850,309	1.88	51.9	51.9
YIT Corporation	4,636,785	3.64	34.0	67.0
Bank of Åland Plc	23,000	0.20/0.02	0.5	0.5
Other	2,196,750		1.2	1.2
Total			**2,757.1**	**3,035.8**

NOTES TO THE ACCOUNTS

Notes to profit and loss account and balance sheet

Shares and participations, parent company, Dec. 31, 2009	Number of shares	Percentage of shares/votes	Book value EUR mill.	Fair value EUR mill.
Domestic companies, non-listed				
Aloitusrahasto Vera Oy	1 500	3,12	3,0	3,0
Arek Oy	2 520 000	18,00	2,5	2,5
DNA Oy	227 423	3,00	22,4	22,4
EcoStream Oy	147 315	10,46	7,5	7,5
Ekokem Oy Ab	4 166	11,83	17,1	17,1
Enfo Oyj	11 202	1,99	0,8	0,8
Fingrid Oyj	350	10,53/4,68	11,8	11,8
GreenStream Network Oyj	1 200 000	19,87	3,0	3,0
Mainio Vire Holding Oy	38 150	9,70/9,70	0,2	2,4
OneMed Group Oy	2 623 786	8,25	2,3	2,3
Osuuskunta KPY	761 900	13,73	12,1	12,1
PHP Holding Oy	3 568	1,81/0,22	3,7	3,7
Pohjolan Voima Oy	1 500 000	4,13	82,0	82,0
Porasto Oy	2 080	12,82	0,6	0,6
PRT-Forest Oy	6 000	10,02	3,6	3,6
SATO Oyj	7 231 240	15,94	24,4	32,5
Tornator Oy	375 000	7,50	6,0	27,3
VVO-yhtymä Oyj	1 203 960	17,53	31,7	48,2
Other	1 671 766		2,2	2,2
Total			**236,8**	**284,9**

Shares and participations, parent company, Dec. 31, 2009	Book value EUR mill.	Fair value EUR mill.
Foreign companies, listed		
Austria		
Erste Group Bank AG	1.8	1.8
OMV AG	1.9	2.2
Belgium		
Dexia	0.9	0.9
Groupe Bruxelles Lambert S.A.	2.1	2.1
KBC Bankverzekerings NPV	1.7	1.7
Other	0.0	0.0
Denmark		
Den Danske Bank A/S	1.4	2.8
Novo Nordisk A/S	4.9	5.1
Vestas Wind Systems A/S	3.0	3.5
Other	0.0	0.0
Estonia		
Tallinna Vesi AS	0.8	0.8
France		
Accor SA	1.8	1.8
Air Liquide SA	4.2	4.3
AXA SA	13.0	13.7
BNP Paribas SA	20.3	23.4
Bouygues SA	11.1	11.7
Carrefour SA	44.4	51.8

Shares and participations, parent company, Dec. 31, 2009	Book value EUR mill.	Fair value EUR mill.
Cie Generale de Geophysique Veritas	1.6	1.6
CNP Assurances	0.7	1.0
Compagnie de Saint-Gobain	5.7	5.7
Credit Agricole SA	3.9	4.3
Danone Group	9.2	9.4
Electricite De France	5.6	5.6
France Telecom	12.5	12.5
GDF Suez	15.1	15.1
Lafarge SA	2.1	2.7
Lagardere S.C.A.	2.1	2.1
LVMH Moet Hennessy Louis Vuitton SA	2.5	3.2
Michelin	2.9	2.9
Renault SA	2.5	2.5
Sanofi-Aventis SA	23.2	25.3
Schneider Electric SA	7.2	7.2
Societe Generale SA	9.3	11.0
Suez Environnement SA	1.4	1.4
TotalFinaElf SA	37.5	39.7
Vallourec SA	3.3	3.3
Veolia Environnement	4.7	5.2
Vinci SA	9.5	9.5
Vivendi SA	22.6	22.7
Other	0.8	1.6

Shares and participations, parent company, Dec. 31, 2009	Book value EUR mill.	Fair value EUR mill.
Germany		
Allianz SE	13.1	16.1
BASF SE	17.4	22.8
Bayer AG	12.2	17.3
Bayerische Motoren Werke AG	5.2	6.3
Daimler AG	12.3	16.3
Deutche Boerse AG	4.6	4.6
Deutsche Bank AG	6.9	11.7
Deutsche Post AG	16.7	16.7
Deutsche Telekom AG	19.8	24.1
E.On AG	17.2	20.2
Fresenius Medical Care	2.4	2.7
Heidelberger Zement AG	1.0	1.0
Linde AG	3.1	4.3
MAN SE	4.1	5.3
Merck KGaA	1.7	1.7
Metro AG	1.7	1.9
Münchener Rückversicherungs-Gesellschaft AG	12.9	13.7
Porsche Automobil Holding SE	1.3	1.3
RWE Ag	9.4	10.7
SAP AG	17.5	18.1
Siemens AG	18.1	24.8
Thyssen Krupp AG	5.0	6.6
Volkswagen AG	5.2	5.2
Great Britain		
Anglo American Plc	12.6	12.6
Astra Zeneca Group Plc	14.9	14.9
Aviva Plc	5.8	6.7
BAE Systems Plc	10.3	10.3
Barclays Plc	5.3	5.3
BG Group Plc	16.7	17.2
BHP Billiton Plc	12.2	19.5
BP Plc	51.3	51.3
British Airways Plc	4.9	4.9
BT Group Plc	3.8	4.9
Centrica Plc	3.9	4.4
Compass Group Plc	2.4	3.3
Dana Petroleum plc	0.7	0.7
Diageo Plc	3.2	3.7
Eurasian Natural Resources Corporation	0.6	1.1
GlaxoSmithKline Plc	30.9	30.9
HSBC Holding Plc	36.2	55.6
Lloyds Banking Group plc	4.2	4.2
Marks & Spencer	3.3	4.2
National Grid Plc	8.1	8.1
Prudential Corporation Plc	3.1	4.7
Punch Taverns Plc	0.8	0.8
Rio Tinto Plc	7.0	8.6
Rolls-Royce Group Plc	3.8	4.9
Royal Dutch Shell	53.2	53.2

Shares and participations, parent company, Dec. 31,2009	Book value EUR mill.	Fair value EUR mill.
Sainsbury Plc	2.6	2.6
Scottish & Southern Energy Plc	3.4	3.4
Standard Chartered Plc	8.5	14.0
Tesco Plc	16.5	17.5
Tullow Oil plc	4.0	4.3
Unilever Plc	14.1	14.1
Vodafone Group Plc	39.9	39.9
Volga Gas	4.3	4.3
Other	0.1	0.1
Greece		
National Bank of Greece S.A.	4.4	4.4
Ireland		
CRH Plc	5.3	5.3
Italy		
Assicurazioni Generali S.p.A	8.6	8.6
Banca Monte dei Paschi di Siena S.p.A	1.0	1.1
Enel S.p.A.	10.2	10.2
ENI S.p.A	18.3	18.3
Fiat S.p.A	2.1	2.1
Finmeccanica S.p.A	1.5	1.6
Intesa Sanpaolo	10.6	10.6
Mediobanca S.p.A	1.5	1.6
Saipem S.p.A	2.0	2.2
Snam Rete Gas S.p.A	1.1	1.2
Telecom Italia S.p.A	15.3	15.3
Unicredit S.p.A	13.6	13.6
Luxemburg		
ArcelorMittal	10.9	12.2
Tenaris S.A.	1.2	2.3
Netherlands		
Aegon N.V.	2.9	2.9
Akzo Nobel N.V.	2.7	3.2
EADS European Aeronautic Defence and Space Company	2.5	2.5
ING Groep N.V.	9.9	9.9
Koninklijke Ahold N.V.	2.3	2.5
Koninklijke Philips Electronics N.V	7.6	7.6
Reed Elsevier N.V.	6.5	6.9
TNT N.V.	4.4	4.6
Unilever N.V.	3.8	4.9
Norway		
Orkla ASA	1.7	1.8
Statoil ASA	9.9	10.6
Yara International ASA	3.4	4.2
Other	0.1	0.1
Portugal		
EDP - Energias de Portugal, S.A.	0.9	1.0

NOTES TO THE ACCOUNTS

Notes to profit and loss account and balance sheet

Shares and participations, parent company, Dec. 31, 2009	Book value EUR mill.	Fair value EUR mill.
Russia		
Bank Saint Petersburg	4.4	4.5
Centrenergogaz JSC	2.8	3.0
HydroOGK	5.0	5.0
IDGC North-West	28.6	70.7
Inter-Regional Distribution Network Center OAO	32.5	55.7
MRSK Holding of Interregional Distribution Network	4.4	13.3
OGK 1	5.9	10.7
OGK3	6.4	9.0
OGK4	2.6	7.8
Rusgrain Holding OAO	4.8	4.8
Seligdar	13.5	13.9
Surgutneftegaz	7.9	10.4
Volga Inter-Regional Distribution Network	4.9	5.0
Other	0.3	0.3
Spain		
ACS, Actividades de Construccion y Servicios, S.A.	1.2	1.2
Banco Bilbao Vizcaya Argenta	9.9	17.8
Banco Popular Espanol S.A.	1.5	1.5
Banco Santander S.A.	22.9	36.4
Criteria Caixacorp S.A.	1.0	1.1
Gas Natural SDG, S.A.	0.9	1.3
Iberdrola Renovables	1.1	1.1
Iberdrola S.A.	9.3	9.3
Repsol YPF S.A.	7.0	7.0
Telefonica S.A.	34.0	43.5
Sweden		
Astra Zeneca	9.0	9.5
Atlas Copco AB	2.8	3.9
EOS-Russia	7.9	13.5
Intrum Justitia AB	18.7	19.2
Investor AB	2.0	2.4
Nordea Bank AB	54.6	57.1
Nordea Bank AB	68.3	107.4
Sandvik AB	2.1	3.4
Swedish Match AB	2.0	2.8
Tele2 AB	6.6	6.6
TeliaSonera AB	51.7	61.5
TeliaSonera AB	36.1	52.8
Volvo AB	2.9	2.9
Switzerland		
ABB AG	12.0	12.0
Compagnie Financiere Richemont	4.3	5.3
Credit Suisse Group AG	15.9	18.1
Holcim Ltd	5.0	5.4
Nestle SA	33.6	40.7
Novartis AG	28.6	31.4

Shares and participations, parent company, Dec. 31, 2009	Book value EUR mill.	Fair value EUR mill.
Roche Holdings SA	27.9	32.0
Swiss Reinsurance AG	4.7	4.7
Syngenta AG	3.8	5.3
UBS AG	15.1	15.1
Xstrata Plc	7.5	12.0
Zurich Financial Services AG	9.2	9.2
United States		
Dell Inc.	12.1	14.9
Goldman Sachs Group Inc.	2.3	2.3
Google Inc.	11.2	17.0
Intel Corporation	2.9	4.3
Omnicom Group	11.9	12.5
Qualcomm Inc.	16.8	17.8
Synthes Inc.	2.1	2.1
Texas Instruments	3.9	4.0
Total	**1,775.1**	**2,129.8**

Foreign companies, non-listed		
United States		
Other	0.1	0.1

Holding percentage in foreign companies 0.005–6.150%.

Holding higher than 1%:	
IDGC North-West	13.79 %
Rusgrain Holding OAO	9.88 %
Seligdar	7.99 %
Inter-Regional Distribution Network Center OAO	7.10 %
EOS-Russia	6.24 %
Intrum Justitia AB	2.75 %
Dicentia A/S	2.51 %
Volga Gas	2.34 %
Centrenergogaz JSC	2.04 %
OGK 1	1.41 %

Fixed-income funds		
AXA IM US Short Duration High Yield $ A-class	72.2	78.8
AXA WF US High Yield Bonds USD 1 CAP	59.4	70.6
Barclays Global Investors Euro Liq First/P	164.3	164.3
Fidelity Funds – US High Yield	25.9	25.9
Goldman Sach Global High Yield Portfolio Class I	139.0	139.0
GS Euro Liquid Reserves Fund (inst.Dist)	151.4	151.4
ING International (II) / Emerging Markets (USD) C	54.0	70.6
JPMorgan Euro Liquidity Fund (Institutional)	167.6	167.6
Julius Baer Local Emerging Bond Fund	52.5	59.6
McDonnell Loan Opportunity Fund (Offshore) class A	1.6	1.6
McDonnell Loan Opportunity Fund (Offshore) class B	2.4	2.4

Shares and participations, parent company, Dec. 31, 2009	Book value EUR mill.	Fair value EUR mill.
Morgan Stanley Euro Liquidity Fund (Institutional)	166.9	166.9
New Amsterdam Capital European Credit Fund Cl. SC	1.1	1.1
New Amsterdam Capital European Credit Fund Class D	1.7	1.7
OP Vaihtovelkakirjalaina A osuudet	10.0	12.9
OP-High Yield Fund A	20.0	21.5
OP-Kehittyvät Korkomarkkinat A	21.5	24.1
OP-Local Emerging Markets Dept -erikoissij. rah. A	45.6	45.6
PEMBA European Loan Opportunities Fund Class A	5.5	5.5
Stone Tower Offshore Credit Fund A-Initial Series	4.6	4.6
Stone Tower Offshore Credit Fund Ltd A-02-07	4.4	4.4
T.Rowe Global high Yield Bond Fund	31.4	38.4
Total	**1,203.0**	**1,258.4**
Equity funds		
Aberdeen Global Asia Pacific Fund A2	34.2	60.3
Aberdeen Global Asian Smaller Companies Fund A2	34.9	62.4
Aberdeen Global China Opportunities Fund A2	36.3	68.2
Alfred Berg Small Cap Finland B (kasvu)	6.0	16.1
AXA Pan-European Small Cap Alpha Fund	42.2	42.2
AXA Rosenberg Japan Small Cap Alpha Fund	19.9	19.9
CAF Asian Growth Institutional Fund Class VII	40.8	43.4
Carnegie Global Health Care Fund	24.7	28.1
Carnegie Medical	47.0	49.8
CIP Emerging Markets Equity Fund I	120.8	152.9
DB X-trackers MCSI Healthcare ETF	11.9	13.3
DB X-trackers MCSI Pan Euro ETF	47.6	56.5
DB X-trackers MSCI ETF	159.2	161.6
DCF Baltic States Cap. Fund	3.7	9.0
East Capital Balkan Fund	8.8	8.8
East Capital Bering Balkan Fund USD	3.1	3.1
East Capital Bering Russia Fund class A	9.8	9.8
East Capital Bering Ukraine Fund class A Master	8.1	8.1
EFG-Hermes Middle East and Developing Africa Fund	6.7	6.7
Evli Greater Russia B	11.0	15.7
FC Global Climate Opportunities	4.1	4.1
FIM Fenno	4.5	8.9
Fortis Investments Equity Latin America	20.2	38.6
Fourton Hannibal	3.1	3.1
Fourton Odysseus A	15.0	16.1
Fourton Stamina A	30.0	37.7
GS Europe Core Equity Portfolio Class I Shares	34.9	34.9
Health Care Select Sector SPDR ETF Fund	37.0	40.2
Icecapital European Property Fund B	4.8	4.8
Investec Pan Africa Fund I S6 USD	17.0	17.0
Investec Pan Africa Fund I S6-1 USD	7.7	7.7

Shares and participations, parent company, Dec. 31, 2009	Book value EUR mill.	Fair value EUR mill.
JP Morgan Fleming Funds Europe Small Cap Fund s.A	24.6	24.6
Lyxor MSCI Emerging Mkts ETF	20.0	22.2
Montanaro European Smaller Companies, Accum. Class	43.9	43.9
Nordea Pro European	34.9	34.9
Seligson & Co OMX Helsinki 25	45.1	46.9
OP Kehittyvä Aasia A	46.1	46.1
OP-Latinalainen Amerikka A	40.0	48.6
OP-Suomi Arvo A	3.3	5.6
OP-Suomi Pienyhtiöt A	20.9	22.2
PF (Lux) Small Cap Europe-Z	40.0	50.3
Prosperity New Russian Generation	8.1	19.1
Prosperity Russia Domestic Fund Limited	19.5	19.5
Prosperity Voskhod Fund Limited	32.5	32.5
Relational Investors XX L.P.	44.8	44.8
Russel Japan Equity Fund A Accum	127.0	127.0
Russell Emerging Equity Fund A	117.7	147.1
Seligson & Co Russian Prosperity Fund Euro K	46.0	46.0
SPDR Trust series 1 ETF	606.8	606.8
Timber Capital Forest Fund	7.3	7.9
Topix ETF	53.7	53.7
UBS Global Innovators	7.5	7.5
Total	**2,244.5**	**2,506.3**
Real estate funds		
Aberdeen Indirect Property Partners Asia	10.9	10.9
Aberdeen Real Estate Fund Finland L.P.	51.7	51.7
AEW Value Investors Asia, L.P.	12.6	12.6
Alternative Property Income Venture Fund, L.P.	11.4	11.4
Arcus European Infrastructure Fund 1 L.P.	13.9	13.9
CapMan Hotels RE Ky	29.1	29.1
Capman Re II KY	8.0	8.0
Carlyle Europe Real Estate Partners II, L.P.	12.5	12.5
Carlyle Europe Real Estate Partners III, L.P.	8.7	8.7
Dasos Timberland Fund I	2.1	2.1
Enfia Infrastructure Fund I Ky	1.3	1.3
European Office Income Venture	17.5	17.5
European Property Investors Special Opportunities	11.5	11.5
European Property Investors, L.P.	8.9	8.9
European Retail Income Venture	13.1	13.1
Franklin Templeton Asian Real Estate Fund	14.4	14.4
Frogmore Real Estate Partners, L.P.	4.5	4.5
Goodman European Logistics Fund	16.8	16.8
Logistis II	8.8	9.8
Partners Group Real Estate Secondary 2009, L.P.	3.4	3.4
Pradera European Retail Fund	15.7	15.7
Real Estate Fund Finland I Ky	6.7	6.7
Rockspring German Retail Box Fund LP	19.9	19.9

NOTES TO THE ACCOUNTS

Notes to profit and loss account and balance sheet

Shares and participations, parent company, Dec. 31, 2009	Book value EUR mill.	Fair value EUR mill.
Sierra Portugal Fund	22.0	22.0
The Archstone German Fund	30.2	30.2
Total	**355.6**	**356.7**
Private equity funds *)		
Access Capital LP	0.6	1.7
Advent Private Equity Fund III D	1.7	1.7
Alpha Private Equity Fund V	17.5	17.6
Apax Europe V - D, L.P.	7.7	7.7
Apax Europe VI - A, L.P.	16.8	16.8
Apax Europe VII - B, L.P.	25.8	25.8
Apollo Investment Fund VII, L.P.	12.0	12.0
Arcadia II Beteiligungen BT GmbH & Co. KG	1.5	1.5
Atlas Venture Fund VI, L.P.	1.2	1.2
Axa Secondary Fund IV L.P.	10.8	10.8
Baltic Investment Fund III L.P.	1.4	1.4
BC European Capital VII	7.7	9.2
BC European Capital VIII	16.0	17.0
Bio Fund Ventures II Jatkosijoitusrahasto Ky	0.5	0.5
Bio Fund Ventures II Ky	1.3	1.3
Bridgepoint Europe II B	6.8	6.8
Bridgepoint Europe III 'C' L.P.	17.3	17.3
Bridgepoint Europe IV 'E' L.P.	2.6	2.6
CapMan Buyout IX Fund A L.P.	2.6	2.6
CapMan Buyout VIII Fund A L.P.	9.6	9.6
Capman Equity VII B L.P.	2.1	7.5
Capman Public Market Fund FCP-SIF Class A	19.0	26.8
Coller International Partners IV-FD, L.P.	0.8	5.6
Coller International Partners V-B, L.P.	19.5	19.5
CVC European Equity Partners V (B) L.P.	6.6	6.6
Darwin Private Equity I LP	3.7	3.7
Doughty Hanson & Co IV, Limited Partnership 4	9.6	9.6
Doughty Hanson & Co V, Limited Partnership 2	18.8	19.9
Eqvitec Teknologiarahasto II Ky	3.8	3.8
Eqvitec Teknologiarahasto III Ky	2.8	2.8
European Mid-Market Secondary Fund I LP	1.5	1.5
European Strategic Partners	6.5	6.5
Finnventure Rahasto IV	0.7	0.8
GrowHow I Ky	0.8	0.8
HarbourVest Partners VI-Buyout Partnership Fund L.P.	2.4	2.4
HarbourVest Partners VI-Partnership Fund L.P.	5.4	5.4

Shares and participations, parent company, Dec. 31, 2009	Book value EUR mill.	Fair value EUR mill.
HgCapital 5 L.P.	7.6	7.6
HgCapital 6 D L.P.	2.7	2.7
Ilmarisen Suomi-Rahasto 1 KY	6.7	6.7
Industri Kapital 1997 L.P. II	1.2	1.2
Industri Kapital 2000 L.P. I	5.6	5.6
Intera Fund I Ky	3.9	4.0
Isis IV L.P.	2.7	2.7
Kasvurahastojen Rahasto Ky	0.9	0.9
KKR 2006 Fund L.P.	17.9	17.9
KKR Asian Fund L.P.	8.1	8.1
KKR European Fund II, L.P.	12.1	12.1
KKR European Fund III, L.P.	1.6	1.6
MB Equity Fund III Ky	4.0	4.0
MB Equity Fund IV	1.1	1.1
Midinvest Fund II Ky	0.8	0.8
Nordic Capital Fund V	17.5	25.0
Nordic Capital Fund VI	31.6	31.6
Nordic Capital Fund VII	19.3	19.3
PAI Europe V FCPR	3.0	3.0
PAI Europe V LP	3.5	3.5
Partners Group European Mezzanine 2008, L.P.	8.9	8.9
Permira Europe II L.P. 2	2.9	2.9
Permira Europe III L.P. 2	7.1	7.1
Permira IV L.P. 2	22.4	22.4
Proventure & Partners Scottish Limited Partnership	1.3	1.3
Seedcap Ky	1.3	1.3
Selected Mezzanine Funds I Ky	6.1	6.1
Sentica Buyout III Ky	2.2	2.2
Sentica Kasvurahasto II Ky	3.3	3.3
Silver Lake Partners III L.P.	12.6	12.6
Sponsor Fund II Ky	3.6	3.6
Sponsor Fund III Ky	1.7	1.7
Suomi Yritysjärjestelyrahasto I Ky	0.9	0.9
Teknoventure II Ky	0.5	0.6
The First European Fund Investments UK LP	3.7	3.7
The Fourth Cinven Fund Limited Partnership	24.8	24.8
The Third Cinven Fund Limited Partnership	6.7	6.7
TowerBrook Investors III, L.P.	4.8	4.8
VSS Communications Partners IV, L.P.	4.7	4.7
Other	2.9	16.9
Total	**539.4**	**584.4**

Shares and participations, parent company, Dec. 31, 2009	Book value EUR mill.	Fair value EUR mill.
Other funds		
Absolute Alpha Fund PCC Ltd Diversified Euro	46.5	48.8
AlphaGen Crusis Fund	17.8	17.8
BGI Global Ascent (Euro), Ltd.	21.0	23.2
Black River Global Multi Strategy Fund Ltd B	1.8	1.8
Bluecrest Capital Int'l Ltd, Class F Euro	10.0	17.7
Brevan Howard Fund B Class Limited	20.0	29.6
Citadel Kensington Global Strategies LTD	23.0	23.0
D.E Shaw Composite International Fund s. New Issue	28.1	31.6
Davidson Kempner Int. Ltd. new issue class C	17.8	20.0
Davidson Kempner Int. Ltd. new issue class S (C&D)	0.5	0.5
FRM Sigma Fund Limited	20.3	24.6
HBK Offshore Fund Ltd class C	22.1	22.1
Highbridge Asia Opportunities Fund, Ltd. Class C	20.0	21.5
Lydian Overseas Partners Ltd. H-13	5.1	5.1
Mount Kellett Capital Partners (Cayman), L.P.	13.7	13.7
Och Ziff Europe Overseas Fund Ltd	18.6	20.8
Och-Ziff Asia Overseas Fund, Ltd	9.5	9.5
Palmetto Catastrophe Fund, Ltd class A 01Jan2008	13.3	16.1
Palmetto Universus Recovery Fund Ltd	1.0	1.2
Paulson Credit Opportunities Ltd.	2.7	29.1
Polygon Global Opportunities Fund	8.7	8.7
QVT Global L.P. Fund	18.9	18.9
QVT Overseas Holdings Ltd. Special Liq. Vehicle	0.6	0.6
RMF Absolute Return Strategies I Limited Class B	17.2	17.2
RMF Absolute Return Strategies I Ltd.	59.5	59.5
Shepherd Investments International, Ltd. Class C-3	18.4	18.4
Solon Capital Ltd Class S	2.6	2.6
Solon Capital, Ltd	37.3	39.5
Ursus International Ltd. B/1	9.3	9.6
Vicis Capital Fund (International)	20.3	20.3
Other	0.4	0.5
Total	**506.1**	**573.4**
Total	**9,617.8**	**10,729.9**

*) Real estate funs are not included

The book value of shares and holdings listed here exceed EUR 500,000.

NOTES TO THE ACCOUNTS
Notes to profit and loss account and balance sheet

EUR mill.	2009	2008

Loan receivables, parent company

Other loans itemised by guarantee

Bank guarantee	**915.8**	657.0
Guarantee insurance	**234.1**	240.3
Other	**172.6**	126.4
Unsecured loans to		
banks and finance companies	**2.0**	–
other	**642.4**	586.7
Remaining acquisition cost, total	**1,967.0**	1,610.4

Total premium loan receivables itemised by balance sheet item

Loans guaranteed by mortgages	**635.5**	553.5
Loans to participating interests	**13.5**	15.1
Other loans	**1,095.8**	809.6
Remaining acquisition cost, total	**1,744.8**	1,378.2

Inner circle loans

Loans granted to companies belonging to the Group	**477.7**	473.2

The loan period is 10-29 years. The interest is mainly tied either to the fixed or variable TyEL referance rate.

Other inner circle loans	**0.1**	0.1

Loan period is 1-15 years. The interest rate is a contract rate that is at least equal to the basic rate.

EUR mill.	PARENT COMPANY 2009	2008	GROUP 2009	2008

Specification of capital and reserves

Capital and reserves				
Guarantee capital	**23.0**	23.0	**23.0**	23.0
Other reserves				
Reserves under the Articles of Association				
Jan. 1	**67.5**	63.2	**67.5**	63.2
Transfer from unused donation funds	**0.0**	–	**0.0**	–
Transfer from previous year's profit	**4.4**	4.3	**4.4**	4.3
Other reserves	**–**	–	**0.6**	0.6
	72.0	67.5	**72.6**	68.1
Profit/loss brought forward				
Jan. 1	**6.0**	5.9	**–30.0**	–14.8
Distributed interests on guarantee capital	**–1.5**	–1.6	**–1.5**	–1.6
Transfer to donations	**–0.1**	–0.1	**–0.1**	–0.1
Transfer to reserves under the Articles of Association	**–4.4**	–4.3	**–4.4**	–4.3
	–	–	**–36.0**	–20.7
Profit/loss for the financial year	**3.9**	6.0	**–1.5**	–9.3
	98.9	96.5	**58.0**	61.1
Breakdown of capital and reserves after proposed distribution of profits:				
Owners guarantee capital				
Guarantee capital	**23.0**	23.0	**23.0**	23.0
Proposed distribution of profits to owners	**0.9**	1.5	**0.9**	1.5
Policyholders' share	**74.9**	72.0	**34.1**	36.6
Total	**98.9**	96.5	**58.0**	61.1

Main principles of the Articles of Association governig guarantee shares:

The guarantee capital is divided into 13,672 guarantee shares. The guarantee shares carry equal rights to company's assets and distribution of profits.

In connection with the arrangement relative to the distribution of assets, the holders of the guarantee shares shall be entitled to a proportion of the company's assets in excess of debts equal to the guarantee capital, and to a reasonable return calculated on its as defined in the Articles of Association. The remaining assets in excess of debts shall belong to the policyholders as part of the insurance portfolio. The interest left unpaid as a consequence of the restrictions imposed by law on the distirbution of profits will be paid out in the first year in which no restrictions on profit distribution affect the company.

The company and the guarantee share holders have the right to redeem shares that have been transferred elsewhere than to an owner of a guarantee share in the company.

Distributable profits, parent company:

Profit/loss for the financial year	**3.9**	6.0
+ Other funds		
Reserves under the Articles of Association	**72.0**	67.5
Distributable profits, total	**75.9**	73.5

FINANCIAL STATEMENTS

NOTES TO THE ACCOUNTS
Notes to profit and loss account and balance sheet

EUR mill.		2009	2008
Specification of technical provisions			
Provision for unearned premiums			
Future pensions		**12,482.7**	12,136.9
Provision for future bonuses		**1,454.2**	765.9
Provision for current bonuses		**52.2**	31.3
Supplementary insurance liability tied to income from shares		**–161.2**	–779.0
Total		**13,827.9**	12,155.1
Provision for claims outstanding			
New pension awarded		**7,810.4**	7,463.8
Equalisation provision		**971.4**	993.9
Total		**8,781.8**	8,457.7
Total technical provisions		**22,609.7**	20,612.8
Securities and financial commitments, parent company			
As security for own debts			
Mortgaged as security for rents		**0.3**	0.3
Assets pledged as security for derivative contracts		**132.5**	356.2
Off-balance-sheet commitments and liabilities			
Investment commitments			
Private equity funds		**1,190.5**	1,172.8
Other		**23.2**	5.1
Derivative contracts			
Non-hedging			
Interest derivatives			
Future and forward contracts			
Open,	underlying instrument	**–888.6**	–560.5
	fair value	**0.0**	0.0
Option contracts			
Open, bought,	underlying instrument	**440.2**	13.4
	fair value	**127.0**	8.9
Open, written,	underlying instrument	**–24.4**	–
	fair value	**–58.7**	–
Interest rate and credit default swaps			
Open,	underlying instrument	**–229.4**	289.9
	fair value	**321.6**	430.7
Currency derivatives			
Forward contracts			
Open,	underlying instrument	**1,829.3**	3,046.5
	fair value	**13.5**	–22.1
Closed,	fair value	**–13.2**	140.0

EUR mill.		2009	2008
Option contracts			
Open, bought,	underlying instrument	**9,923.5**	5,600.9
	fair value	**724.4**	531.6
Open, written,	underlying instrument	**–3,937.1**	–4,353.6
	fair value	**–222.5**	–330.4
Currency swaps			
Open,	underlying instrument	**65.8**	108.7
	fair value	**24.1**	10.5
Equity derivatives			
Future and forward contracts			
Open,	underlying instrument	**–441.5**	–254.2
	fair value	**–15.6**	0.0
Option contracts			
Open, bought,	underlying instrument	**9,178.9**	612.4
	fair value	**309.3**	452.3
Open, written,	underlying instrument	**–6,218.6**	–
	fair value	**–132.6**	–
Total returns swaps			
Open,	underlying instrument	**–40.2**	105.3
	fair value	**9.2**	16.6
Commodity derivatives			
Future and forward contracts			
Open,	underlying instrument	**–49.3**	55.3
	fair value	**0.0**	0.0
Option contracts			
Open, bought,	underlying instrument	**80.0**	85.2
	fair value	**1.4**	1.5
Total returns swaps			
Open,	underlying instrument	**47.8**	–75.6
	fair value	**1.8**	1.8

Profits on closed and mature derivatives have been recognised in full in profit and loss account.

Valuation principles

The fair values of listed derivatives are calculated using the price quoted on the stock exchange.
The fair values of unlisted equity and commodity derivatives are based on the market prices of similar listed instruments or estimates of fair values by external parties. The fair values of interests and currency derivatives are based on market quotes, estimates of fair values by external parties or they are determined using generally known theoretical pricing models.

Securities received in a transfer according to the Act on Financial Collateral Arrangements

Securities for derivatives trading	**228.7**	503.3

Amount of joint and several liability

The company belongs to a tax liability group represented by OKO Bank Group Central Cooperative. Group members are collectively responsible for the value-added tax payable by the Group.

VAT deduction refund liabilities	**5.7**	5.9

Leasing and rent liabilities

Due in the next year	**0.9**	0.7
Due in subsequent years	**1.0**	0.7

Other financial commitments	**2.1**	2.2

NOTES TO THE ACCOUNTS
Notes to profit and loss account and balance sheet

EUR mill.	2009	2008

Solvency capital

Capital and reserves after proposed distribution of profits	**97.9**	95.0
Accumulated appropriations	**7.8**	8.3
Difference between current value and book value of assets	**2,474.5**	1,012.0
Provision for future bonuses	**1,454.2**	765.9
Other items	**−2.9**	−1.0
Amount of provision for pooled claims treated equal to solvency capital	**845.4**	792.9
	4,876.9	2,673.0
Minimum solvency capital required under the Employee Pension Insurance Companies Act (TVYL), sector 17	**405.8**	380.6
The equalisation provision for years with heavy losses is included in the technical provision	**971.4**	993.9
In accordance with 16 § of the Act on Employment Pension Insurance Companies, the solvency capital excluding the amount of provision for pooled claims treated equal to working capital is	**4,031.5**	1,880.1
The minimum amount of solvency capital for employment pension insurance companies excluding the temporary relief for 2008-2010 in accordance with the Act 853/2008	**1,241.1**	931.0

Key figures and analyses

Key figures in brief

Key figures in brief	2009	2008	2007	2006	2005
Premiums written, EUR mill.	**3,184.1**	3,264.4	2,772.5	2,652.6	2,346.0
Pensions and other payments made, EUR mill. [1]	**3,056.7**	2,701.2	2,396.1	2,237.1	2,033.8
Net investment income at current value, EUR mill.	**3,410.4**	−4,571.5	1,325.0	1,803.0	2,174.1
ROCE, %	**15.8**	−17.7	5.7	8.5	12.1
Turnover, EUR mill.	**5,156.3**	−193.7	4,200.9	4,368.0	3,727.1
Total operating expenses, EUR mill.	**121.4**	113.5	103.5	98.6	98.2
Total operating expenses, % of turnover	**2.4**	neg.	2.5	2.3	2.6
Opertating expenses covered by loading profit	**87.5**	83.3	85.6	71.8	74.4
% of TyEL and YEL payroll	**0.6**	0.5	0.6	0.6	0.7
Total profit, EUR mill.	**2,180.4**	−4,338.1	344.6	850.3	1,514.9
Technical provisions, EUR mill.	**22,609.7**	20,612.8	22,661.1	20,917.2	18,891.3
Solvency capital, EUR mill.	**4,876.9**	2,673.0	6,068.8	5,828.0	5,090.1
% of technical provisions [2]	**24.0**	14.0	32.5	33.7	32.0
in relation to solvency border	**2.73**	1.99	2.00	2.38	2.52
Equalisation provision, EUR mill.	**971.4**	993.9	917.9	909.9	893.6
Pension assets, EUR mill. [3]	**25,084.2**	21,624.8	24,761.2	23,095.1	20,972.5
Transfer to client bonuses, % of TyEL payroll	**0.37**	0.21	0.60	0.70	0.76
TyEL payroll, EUR mill.	**14,041.0**	14,623.0	12,425.5	11,505.6	10,268.0
YEL payroll, EUR mill.	**1,088.3**	1,049.2	989.1	923.6	879.0
TyEL policies [4]	**35,840**	35,793	34,113	31,551	31,386
Employees insured under TyEL	**472,000**	480,000	417,000	387,000	357,000
YEL policies	**52,243**	52,814	51,289	49,898	49,495
Pensioners	**282,982**	273,605	262,971	257,884	243,775

1) Claims paid in profit and loss account exluding costs for claims handling and working capacity maintenance
2) The ratio was calculated as a percentage of the technical provisions used in calculating the solvency border
3) Technical provisions + differences between current and book values
4) Insurance policies of employers that have concluded insurance contracts

NOTES TO THE ACCOUNTS
Key figures and analyses

EUR mill.	2009	2008	2007	2006	2005

Performance analysis

Source of profits					
Technical underwriting result	**–22.5**	76.4	9.0	19.9	51.2
Investment income at fair value	**2,175.2**	–4,449.2	321.6	807.6	1,452.0
+ Net investment income at fair value	**3,410.4**	–4,571.5	1,325.0	1,803.0	2,174.1
- Return requirement on technical provisions	**–1,235.3**	122.3	–1,003.4	–995.5	–722.1
Loading profit	**27.7**	34.7	14.0	22.9	11.7
Total result	**2,180.4**	–4,338.1	344.6	850.3	1,514.9

Distribution of profits					
Increase/decrease solvency (+/-)	**2,128.4**	–4,369.1	270.6	769.3	1,436.9
Equalisation provision (+/-)	**–22.5**	76.0	8.0	16.3	50.8
Solvency capital (+/-)	**2,150.9**	–4,445.1	262.7	753.0	1,386.1
Change in provision for future bonuses	**685.0**	–3,361.1	339.0	647.7	573.0
Change in difference between current and book values	**1,462.5**	–1,088.2	–77.7	96.6	807.7
Change in accumulated appropriations	**–0.5**	–1.9	–4.6	–0.8	–2.0
Profit for the financial year	**3.9**	6.0	5.9	9.4	7.4
Transfer to client bonuses	**52.0**	31.0	74.0	81.0	78.0
To augment the provision for current bonuses [1]					
Total	**2,180.4**	–4,338.1	344.6	850.3	1,514.9

[1] On Dec. 31, 2009, EUR 3.0 million of the transfer to augment the provision for current bonuses remained unamortised

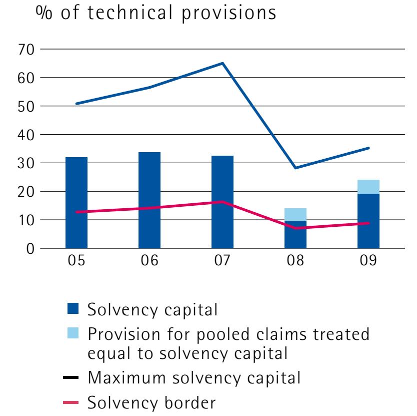
Solvency

Solvency capital and limits
(% of the technical provision used in calculating the solvency border)

	2009	2008	2007	2006	2005
Solvency border	**8.8**	7.0	16.3	14.1	12.7
Maximum solvency capital [1]	**35.2**	28.2	65.0	56.5	50.8
Solvency capital [2]	**24.0**	14.0	32.5	33.7	32.0

[1] For the period before 2007 the upper limit of the target zone
[2] For 2008-2010 includes the following amount of provision for pooled claims treated equal to solvency capital

SOLVENCY
% of technical provisions



	2009		2008		2007		2006		2005	
	EUR mill.	**%**	EUR mill.	%	EUR mill.	%	EUR mill.	%	EUR mill.	%

Breakdown of investments (fair value)

	2009 EUR mill.	2009 %	2008 EUR mill.	2008 %	2007 EUR mill.	2007 %	2006 EUR mill.	2006 %	2005 EUR mill.	2005 %
Loan receivables [1]	**3,211.8**	**12.8**	2,695.6	12.9	1,239.3	5.2	1,139.1	5.0	1,076.0	5.1
Bonds [1] [2]	**8,954.3**	**35.6**	8,574.8	41.1	8,611.1	36.4	10,387.2	45.2	10,317.5	49.2
incl. fixed-income funds	**595.8**	**2.4**	598.6	2.9	984.4	4.2	871.4	3.8	596.6	2.8
Other money market instruments and deposits [1] [2] [3]	**579.1**	**2.3**	122.4	0.6	447.2	1.9	155.9	0.7	398.3	1.9
incl. fixed-income funds	**650.2**	**2.6**								
Shares and participations	**9,856.8**	**39.1**	6,969.4	33.4	11,200.7	47.3	9,053.1	39.4	7,133.3	34.0
Real estate [4]	**2,577.9**	**10.2**	2,509.5	12.0	2,165.3	9.2	2,259.5	9.8	2,058.1	9.8
incl. investment funds and joint ventures	**341.7**	**1.4**	418.1	2.0	249.3	1.1	137.5	0.6	38.8	0.2
Investment total	**25,179.8**	**100.0**	20,871.7	100.0	23,663.6	100.0	22,994.9	100.0	20,983.2	100.0
Motified duration of the bond portfolio	**3.2**		3.6		4.3		4.2		4.7	

[1] Accrued interest included

[2] Of the fixed-income funds, long-term fixed-income funds are included in bonds and short-term fixed-income funds in other money market instruments and deposits

[3] Including deposits classified as investments on the balance sheet

[4] Including shares in mutual funds that invest in real estate or real estate corporations, and similar investments in collective investment funds

NOTES TO THE ACCOUNTS
Key figures and analyses

EUR mill.	2009	2008	2007	2006	2005

Breakdown of investment income and investment result

	2009	2008	2007	2006	2005
Direct net income	**735.6**	374.6	1,068.2	822.2	498.8
Loan receivables	**123.2**	76.0	51.5	44.8	46.5
Bonds	**251.9**	365.5	356.1	314.7	283.7
Other debt securities and money market instruments	**10.9**	46.4	17.4	19.0	29.7
Shares and participations	**265.8**	–182.4	597.5	375.2	82.9
Real estate	**90.0**	81.1	68.0	75.0	59.6
Unallocated income, costs and operating expenses	**–6.2**	–11.9	–22.2	–6.4	–3.7
Changes in book value [1]	**1,212.3**	–3,857.9	334.4	884.2	867.6
Shares and participations	**687.3**	–2,994.2	424.4	913.2	661.7
Bonds	**547.6**	–872.4	–145.3	–24.6	169.8
Real estate	**–16.9**	8.7	55.3	–4.2	36.3
Other	**–5.8**	0.0	0.0	–0.2	–0.2
Net investment incomet at book value	**1,947.9**	–3,483.3	1,402.7	1,706.4	1,366.5
Change in difference between fair and book value [2]	**1,462.5**	–1,088.2	–77.7	96.6	807.7
Shares and participations	**1,082.2**	–1,390.4	–86.5	271.2	899.6
Bonds	**350.1**	232.9	–29.3	–246.7	–87.1
Real estate	**30.2**	69.1	38.1	72.1	–4.8
Other	**0.0**	0.1	0.0	0.0	0.0
Net investment income at fair value	**3,410.4**	–4,571.5	1,325.0	1,803.0	2,174.1
Yield requirement on technical provisions [3]	**–1,235.3**	122.3	–1,003.4	–995.5	–722.1
Investment income at book value	**712.6**	–3,361.0	399.3	711.0	644.3
Investment income at fair value	**2,175.2**	–4,449.2	321.6	807.6	1,452.0
The proportion of derivatives in the net investment income	**202.2**	–703.3	277.5	164.7	–190.7

[1] Capital gains and losses and other costs in book values

[2] Changes in value not included in the balance sheet

[3] In 2008, the interest requirement in accordance with the supplementary multiplier for pension liabilities was not included in the total required rate of return on technical provisions

Net investment income at fair value, January 1–December 31, 2009

	2009 Fair value [1] EUR mill.	2009 Capital employed [2] EUR mill.	2009 ROCE, %	2008 ROCE, %	2007 ROCE, %	2006 ROCE, %	2005 ROCE, %
Loan receivables	**117.3**	**2,966.0**	**4.0**	4.9	4.5	4.4	4.6
Bonds [3]	**1,327.1**	**7,742.3**	**17.1**	–5.8	2.0	1.0	4.3
incl. fixed-income funds	**177.4**	**463.3**	**38.3**	–28.6	1.3	9.1	4.3
Other money market instruments and deposits	**11.5**	**865.2**	**1.3**	4.6	4.0		
incl. fixed-income funds	**0.6**	**220.4**	**0.3**				
Shares and participations	**1,975.4**	**7,466.7**	**26.5**	–36.9	9.1	20.3	30.7
Real estate [4]	**–14.7**	**2,522.1**	**–0.6**	6.1	9.5	7.3	4.7
inc. investment funds and joint ventures [*]	**–118.1**	**434.9**	**–27.1**	–5.2	14.5	11.2	10.3
Investment total	**3,416.6**	**21,562.4**	**15.8**	–17.7	5.8	8.6	12.1
Unallocated income, costs and operating expenses	**–6.2**	**21,562.4**	**0.0**	0.0	–0.1	0.0	0.0
Net investment income, total	**3,410.4**	**21,562.4**	**15.8**	–17.7	5.7	8.5	12.1

[1] Net investment income at fair value = Change in market value between the beginning and end of the reporting period less cash flows during the period. Cash flow means the difference between purchases/costs and sales/revenues

[2] Capital employed = market value at the beginning of the reporting period + daily/monthly time-weighted cash flows

[3] Including income from fixed-income funds appearing in the statistics under the investment type at issue

[4] Including income from investment funs and joint ventures listed in the statistic under real estate investments

Loading profit

EUR mill.	2009	2008	2007	2006	2005
Expense loading components	**109.0**	111.7	93.6	92.9	84.2
Premium components available to be used to cover operating expenses resulting from claims settlements	**5.3**	5.0	4.4		
Other income	**0.9**	1.3	1.7	1.8	1.8
Total loading profit	**115.2**	118.0	99.7	94.6	86.0
Activity-based operating expenses 1)	**–87.5**	–83.3	–85.6	–71.8	–74.4
Other expenses	**0.0**	0.0	0.0	0.0	0.0
Total operating expenses	**–87.5**	–83.3	–85.6	–71.8	–74.4
Loading profit, total	**27.7**	34.7	14.0	22.9	11.7
Operating expenses as a percentage of loading profit	**75.9**	70.6	85.9	75.8	86.4

[1] Excluding operating expenses from investment activities and activities to maintain ability to work and statutory charges

NOTES TO THE ACCOUNTS
Risk management

The purpose of risk management is to manage especially the risks that may affect the appropriate performance of the company's statutory responsibilities, the achievement of the state of will stated in the company's operating plan for the next few years, and the main goals for the near future as well as the key areas of development of the business. This requires the identification and assessment of significant risk factors.

The purpose of risk management is to prevent the risks identified as threats to the company from materialising, minimise the financial and other loss arising from any risks that may have materialised, safeguard the continuity of the company's operations, and to help the company benefit from the opportunities offered by different business models without taking inappropriate risks. Another aim is to set limits for risk-taking in a way that will leave the company enough room for manoeuvre if a controlled rise in the risk level could increase the company's profitability. Risk management also involves comparing the costs of risk management measures against the potential costs of materialised risks, and thus ensures cost-effectiveness.

Risks in the underwriting business

In the underwriting business, the risks are related to the sufficiency of contributions and technical provisions, where uncertainty relating to life expectancies, the starting rate of pensions and the amount of claims play an important part. The following review is limited to TyEL insurance because YEL insurance is the joint responsibility of the pension institutions and ultimately the State, and the volume of other types of insurance is of minor importance The technical provisions of TyEL insurance represented 98% of Ilmarinen's total technical provisions in the financial statements for 2009.

The underwriting business in question is divided into business under the responsibility of the company itself and business under the joint responsibility of pension institutions. The most significant risks financially concern the uncertainty related to the mortality rate and the starting rate of disability and unemployment pensions, as well as the amount of credit losses from insurance contributions. These risks are managed by choosing insurance contributions and calculation bases for technical provisions.

Because the calculation bases are common to all pension insurance companies, a deviation in the average insurance portfolio in an unfavourable direction poses a risk for an individual company. In Ilmarinen's insurance portfolio, this risk is minor. If the technical provisions according to the calculation bases prove generally insufficient, the calculation bases must be changed and the technical provisions must be supplemented. However, the supplementation does not pose a risk to individual pension institutions because, according to the Employees' Pensions Act, the pension institutions pay for the supplementation jointly.

The company prepares for fluctuations in the result of the underwriting business under the company's responsibility by means of a buffer, the equalisation provision included in the technical provisions for this purpose. The equalisation provision has a lower and an upper limit calculated according to the insurance risks. At the end of 2009, Ilmarinen's equalisation provision was around 87 per cent of the upper limit.

The aim of risk management in the underwriting business is to ensure the solvency of the calculation bases in accordance with the requirements of the law, for which the actuary of the company is responsible. In the case of the underwriting business under the company's responsibility, safeguarding solvency is based on monitoring the trends in the equalisation provision, other analyses and reports concerning the underwriting business required by the authorities or considered necessary by the actuary, and forecasts on the development of the company's underwriting business. This requires the development and maintenance of forecasting models and analysis methods.

In pension insurance, uncertainty factors relating to pension expenditure under the joint responsibility of the pension institutions and its financing (the pay-as-you-go pool) must be taken into account, in addition to the underwriting business under the responsibility of the company itself. The unfunded pension expenditure (pooled pension expenditure) is under joint responsibility, of which the share of the pensions being paid out is financed by an annually collected part of the TyEL contribution, the pooled component. In 2009, pooled pension expenditure accounted for around 73 per cent of Ilmarinen's TyEL insurance pension expenditure, and the pooled component of the contribution was around 79 per cent of the total premiums written for TyEL insurance. The provision for pooled claims included in the technical provisions of each pension institution serves as a buffer for the underwriting business under the joint responsibility of the pension institutions. In 2009, Ilmarinen's provision for pooled claims corresponded to about 13 months' pooled pension expenditure.

The pensions paid out of a pool and pooled premiums written are pooled between all the pension institutions, so these pensions do not pose a pension-institution-specific risk. In this respect, a common risk to the pension institutions is created by a deterioration in the ratio between the pension expenditure in question and the total payroll of the private sector, with respect to the assumptions used in the setting of insurance contributions. The life expectancy coefficient included in the pension scheme from 2010 eliminates the majority of the risk relating to life expectancy. An unexpected increase in index increases related to real earnings due to increased inflation or the work contribution, proving to be smaller than expected due to demographic factors or unemployment, may lead to the materialisation of risk. The law requires that the pooled component of the contribution is calculated so that it is sufficient with respect to the jointly financed expenses. Therefore, the risk concerning pensions that are jointly financed is directed towards the payers of employment pension contributions. In 2009 the payroll proved to be smaller than expected. The pooled component of the contribution was, however, sufficient, making it possible to manage the joint risk of the pension insurance companies.

The company's technical provisions (excluding provision for future bonuses and an equity linked buffer are expected to increase by about 3–4 per cent annually during the next few years. 70 per cent of the technical provisions are of a duration of more than 10 years and around 40 per cent of a duration of more than 20 years. The technical provisions must be covered at all times. There was a total of EUR 25,137 million in assets suitable for covering the technical provisions on the basis of legislation and lower regulations, which exceeded the amount of technical provisions to be covered by around 11 per cent. In the long term, investments must deliver at least a return, formed as the weighted average of the return on investments in equity and the technical rate of interest specified in the calculation bases for TyEL, so that the return on investments has a 10 per cent weight.

Investment risks

Because authorised pension insurance companies must maintain their ability to pay current and future pensions under their responsibility, investment activities must be safe and profitable. Profitable investing necessitates exposure to investment risks, which are limited to safeguard the solvency requirements. Market risks arising from fluctuations in economic cycles in the financial market are managed both through solvency rules and by ensuring the investment portfolio is sufficiently diversified. Other risks from investment activities that are managed are counter-party risk, liquidity risk and derivative risk.

The solvency mechanism used by authorised pension insurance companies

Pension insurance companies, industry-wide pension funds and company pension funds conduct their investment operations independently but in accordance with common solvency requirements. Provision is made for risks related to investment activities in each pension institution through the solvency capital, which is the difference between the company's assets and liabilities. The most important items in the solvency capital are the company's capital and reserves, provision for future bonuses and the valuation gains/losses on investments. If investment income exceeds the interest credited to technical provisions, the difference is added to the solvency capital. In the opposite scenario, the necessary amount is deducted from the solvency capital. Part of the price risk of the shares is carried jointly. This reduces the share-price risk of pension institutions with an amount corresponding to 10 per cent of the technical provisions. There is an equity linked buffer for this, included in the technical provisions.

The basic quantity of the solvency requirements is the solvency border. The solvency border is calculated to establish the amount of safe solvency capital that will meet the risks of the pension institution's investments for one year. The upper limit of the solvency capital is quadruple the solvency border and the minimum is two-thirds of the solvency border. Rules have been set for the calculation of the solvency border that are binding on all companies through a Decree.

When calculating the solvency border, the assets are divided into five main groups that each have several sub-classes. The aim is that the groups and sub-classes form clear overall entities that essentially have the same return and risk characteristics. Regulations have been laid down in law on classifications, which are based on the legal form of the investments.

In addition to this, the pension institution is obligated to monitor its investments according to the actual risks. If the investment clearly belongs to a different group or sub-class on the basis of the actual risk than according to the legal form, then it must be classified in a manner that best corresponds to the actual risk. The solvency border of the pension institution is thus calculated in accordance with the classification that is arrived at.

The solvency border is calculated by multiplying the pension institution's solvency technical provisions using the formula in the Decree by the calculated value, which is in any case a minimum of 5.0 per cent. The Decree specifies the return and risk parameters for the sub-classes of assets. In the calculation, the yield expectations and risk contents are determined by weighting the sub-classes. The correlations between the yields of the various main groups are taken into account in line with the Decree. When calculating the solvency border, the share of the equity linked buffer is subtracted from the share investments.

Due to the financial crisis that deepened in the autumn of 2008, the solvency regulations of employment pension institutions were widened with a change in legislation. These changes strengthened the solvency capital and loosened the solvency requirements. For 2008, the supplementary multiplier of the pension liability was dropped to zero, the amount of technical provisions tied to yield from shares was raised from 4 per cent to 10 per cent and until the end of 2010 part of the provision for pooled claims is treated equal to solvency capital. In addition, the minimum for the solvency capital is 2 per cent of technical provisions until the end of 2010. Parliament has been presented a bill by the Government to extend the above-mentioned deadline until the end of 2012.

NOTES TO THE ACCOUNTS
Risk management

The table below shows the distribution of Ilmarinen's investments into solvency groups pursuant to the Solvency Decree as of 31 December 2009.

Group	Expected yield %	Volatility %	Investments, % 31 Dec 2009
I	3.3	1.6	2.7
II	5.4	4.9	48.4
III	6.8	9.4	10.5
IV	8.6	20.1	32.7
V	8.5	18.6	5.6

The solvency border pursuant to the investment distribution was, as of 31 December 2009, 8.8 per cent (7.0% in 2008) of the technical provisions, i.e. the solvency capital's ratio to technical provisions, used in the solvency calculation. When Ilmarinen's solvency ratio was 24.0 (14.0) per cent, the company's solvency position, i.e. the solvency capital ratio to the solvency border, was 2.73 times (1.99) that of the solvency border.

Composition of the investment portfolio

Ilmarinen's investment portfolio has been optimised based on the expected yield from the various investment classes, fluctuations in yield and dependencies between asset classes. The calculations allow a maximum 5 per cent likelihood of a reduction in the solvency capital to the solvency border within two years. The risk level of the investment portfolio is chosen on the basis of an investment market simulation model developed in the company.

In the optimisation, the following long-term yield expectations and volatilities are used for the main assets (weighting of 10% or above):

	Expected yield	Volatility
Listed shares	7.5%	17.5%
Bonds	4.5%	3.6%
Real estate	5.7%	8.4%
Corporate lending	4.3%	2.7%

The expected yield from the 2009 allocation, based on the optimisation, was 5.7 per cent and the volatility was 7.0 per cent. In this "basic allocation", the weightings of the main assets were as follows: listed shares 30.0 per cent, bonds 35.0 per cent, investments in real estate 12.0 per cent, loans receivable 12.0 per cent and other asset classes 11.0 per cent. The basic allocation weightings include dynamic range due to market risks since the beginning or the year.

The basic allocation of the investment assets will also change midway through the year, if this is required by the market conditions. It includes dynamic range based on possible needs to reduce risk and, on the other hand, the optimisation of basic allocation is linked to a strategy based on long-term correlations. Basic allocation thus means a long-term approach to investing while simultaneously hedging short-term solvency restrictions.

Securities (equities and shares, bonds and cash investments) are given a basic allocation weightings as well as benchmark indexes. Investment risks are managed both in absolute terms and in relation to the benchmark index.

Investment portfolio on 31 December 2009

The breakdown of investments into main asset classes and the income from these investments are presented in the notes to the accounts under "Key figures and analyses". The table below follows the method agreed together with the pension institutions on describing investment returns and risks.

	Market value EUR mill.	Market value %	Risk breakdown EUR mill.	Risk breakdown %	Return %	Volatility %
Fixed-income investments	12,745.1	50.6	13,160.6	52.3	12.6	
Loan receivables	3,211.8	12.8	3,211.8	12.8	4.0	
Bonds	8,954.3	35.6	8,569.7	34.0	17.1	4.0
Other money market instruments and deposits	579.1	2.3	1,379.2	5.5	1.4	
Equities and shares	8,730.8	34.7	8,284.2	32.9	28.3	
Listed equities and shares	7,858.1	31.2	7,411.4	29.4	34.8	26.7
Private equity investments	556.4	2.2	556.4	2.2	–18.3	
Unlisted equities and shares	316.4	1.3	316.4	1.3	1.5	
Real estate investments	2,577.9	10.2	2,577.9	10.2	–0.6	
Direct real estate investments	2,236.2	8.9	2,236.2	8.9	5.0	
Real estate funds and joint investments	341.7	1.4	341.7	1.4	–27.1	
Other	1,125.9	4.5	1,157.1	4.6	13.5	
Hedge fund investments	565.1	2.2	565.1	2.2	11.8	7.7
Commodity investments	3.2	0.0	34.4	0.1	–	
Other investments	557.6	2.2	557.6	2.2	–	
Total investments	25,179.8	100.0	25,179.8	100.0	15.8	8.6

The motified duration of bonds on 31 December 2009 was 3.2 (3.6) years.

Breakdown of investments in listed shares			Breakdown of credit rating of bonds including fixed-income funds		
	Share (%)			Share (%)	
	2009	2008		**2009**	2008
Finland	**41**	40	AAA	**39**	42
Europe	**30**	33	AA	**25**	25
USA	**11**	12	A	**16**	18
Japan	**2**	3	BBB or worse	**17***	13*
Others	**16**	12	Not rated	**3**	2

* the share of fixed-income funds is 7 (7) percentage units

A breakdown of the loan portfolio by collateral is presented in the notes to the accounts under "Loan receivables".

The structure of real estate investments		
	Share (%)	
	2009	2008
Residential	**19**	19
Office	**38**	39
Commercial	**7**	6
Hotel	**9**	9
Warehouse	**5**	3
Others	**9**	7
Indirect investments	**13**	17

The occupancy rate of the real estate portfolio (locations under renovation excluded) was 95.8 per cent (94.9%).

Market risk

Market risk arises as a consequence of the daily changes in prices and values on the financial market. The types of risks directed at Ilmarinen's investment assets are equity risks, interest-rate risks, real estate risks, currency risks, commodity risks, volatility risks and credit risks. Market risk is measured using the RiskMetrics® risk management software and managed by monitoring the maximum loss at a certain probability (VAR, value at risk) and analysing the financial effects of various risk scenarios.

The attached table illustrates the effects of market changes on Ilmarinen's solvency:

	Change in the interest level +1% point	**Change in share prices -10%**	**Fair value of real estate -10%**
Effect			
– solvency capital (EUR mill.)	–208.6	–181.6	–267.8
– solvency position	–0.13	0.04	–0.17
– yield percentage (percentage points)	–1.0	-3.7	–1.3
– solvency ratio (percentage points)	–1.0	–0.9	–1.3

If the investments at the end of the year are taken as the starting point, there was a 2.5 per cent possibility that the value of the investments could drop by at least EUR 921 million (EUR 698) within one month, constituting a value at risk (VAR) of 3.7 (3.3) per cent of the amount of investments and 18.9 (26.1) per cent of the solvency capital at the end of the year. If such a risk had actually materialised, the solvency capital would have dropped to 20.8 (11.6) per cent of the technical provisions.

Investments outside the euro zone pose a currency risk. As a rule, the currency risk of fixed-income investments is hedged using derivatives. The hedging policy is more proactive for equity investments.

Risk concentrations

The prevention of risk concentrations is governed at a basic level by the regulations on assets covering technical provisions, but the company also takes action to prevent them. The largest concentration of risks with regard to investments of all the various types in a single object, excluding governments, accounted for 3.5 (2.9) per cent of the investment assets in Ilmarinen's 2009 financial statements.

Counterparty risk

Counterparty risks relating to bonds are managed through analyses of the issuers' credit ratings and by restricting both the total amount of investments in bonds of specific credit ratings and the percentage of bonds issued by a single issuer.

The primary means of managing credit risks in direct lending are company analyses and lending in proportion to companies' future solvency. The risk is also managed through collateral arrangements.

The counterparty risks of OTC derivatives are managed both in accordance with risk reporting under regulations issued by the authorities and through more detailed counterparty-specific market risk simulations. Counterparty risks relating to non-standard derivatives are also managed by using international standard agreements approved by the International Swaps and Derivatives Association (ISDA) with all parties.

Liquidity risk

In an employment pension insurance company, liquidity risks in relation to the liabilities of the company are easily managed, as estimates of the amount of future pension expenditure are quite accurate and more than 71 (67) per cent of the assets consist of liquid investments in securities. Short-term liquidity risks based on the poor convertibility of investment instruments are managed by making the company's own investments proportional to their average daily turnover in the market by investment object.

Derivatives

The equity risk incurred from equity derivatives stood at EUR –446.6 (–218.6) million at year-end, which changed the equity risks on the company's investments by –1.8 (–1.0) percentage points. Fixed-income derivatives were used to increase the average maturity of fixed-income investments by –1.1 (+0.1) years.

NOTES TO THE ACCOUNTS
Risk management

Operational risks
Managing the majority of the risks from the company's operations is carried out as part of the normal management of the operations of the business units, with the head of each unit being in charge of the risk management. The aim is that the operations of each unit are carefully performed, maintain a high quality, and are economical and efficient. The most important risk factors relating to the operations have been assessed and identified, and they are managed under the company's separate risk management operations.

The most serious operational risks in terms of the company's core responsibilities are errors and disturbances that could prevent the correct calculation or timely payment of pensions. These include disturbances to the operational data systems and the service provision of online services that are growing in importance, which compromise their performance, management or security.

The management of operational risks has been taken care of by ensuring the personnel's expertise and employing a range of means relating to information technology and operating practices, such as backup systems and backup communication connections, as well as the use of benchmark data and monitoring systems.

In order to ensure operations free from disturbance under both normal and exceptional conditions, the company has drawn up plans for ensuring the continuity of operations and for controlling operations in exceptional circumstances, and they are monitored and maintained every year to keep them up-to-date. The critical functions to be safeguarded have been chosen from the critical functions mentioned in the Insurance Industry Preparedness Guidelines.

Risk management processes
The overall responsibility for ensuring that the company has a functioning control and risk management system in place lies with the Board of Directors and the President and CEO. In its investment plan, the Board of Directors annually goes through the management of the most significant risks concerning investment operations and specifies the risk level to be adopted. Similar matters are dealt with in the risk management plan of the Board of Directors with regard to strategic risks to the company's business operations. The Board of Directors has an audit committee that assists the whole Board of Directors in supervision tasks that concern the company's financial reporting, risks and internal control system and the work of the internal audit unit and external auditors.

The Supervisory Board is responsible for supervising the corporate governance actions undertaken by the company's Board of Directors and President and CEO. Supervision of decision-making on pensions and investment operations is carried out on behalf of the Supervisory Board by supervisors appointed by the Supervisory Board from among its members.

In accordance with the general principles of internal auditing, internal audit at Ilmarinen is an independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes. In addition to the internal audit unit, the effectiveness of the internal control system and the adequacy of the risk management operations are evaluated by external auditors. At the same time, the external auditors evaluate the effectiveness of the internal auditing and the relevance of its results to their own work.

A Risk Management Committee, consisting of representatives from Ilmarinen's various business units, is responsible for co-ordinating, developing and monitoring the company's risk management system. Its operations are the responsibility of the head of Risk Management. The committee's work is also part of the internal control system included in the normal management work in the company. The committee supports the business units to improve operating methods to comply with good risk management practices.

The Board of Directors confirms the powers for operational investment activities annually in conjunction with the investment plan. The management, within the framework of its investments powers, may deviate from the weightings for the asset classes specified under the basic allocation.

The extent of the risk related to the basic allocation and investment operations is monitored by the Asset Management Group, whose members represent the Investments, Finance and Actuarial Services and Risk Management divisions. In its monitoring, the group takes into account the requirements set for the underwriting business and proposes adjustments to the risk level of the basic allocation or to the investment authorisations, if necessary.

The chosen operative risk level (including derivatives) and the company's solvency situation are evaluated at the weekly meetings of the risk management group of the Investments division, in which the risk management function is also represented.

The Board of Directors is presented with a monthly report on the investment operations, which is used for the supervision of the company's compliance with the risk-taking limits laid down in the investment plan, and the achievement of the goals of the investment activities. The company's solvency is monitored on a monthly basis by the risk management function; if necessary, information on the company's solvency position on any given day is available almost immediately. The correctness of the information is ensured by sufficiently frequent real-time reporting, regular matching routines and the organisational separation of decision-making on investments and reporting. The securities portfolio is matched regularly with the accounting and bookkeeping function and external custodians. The pricing of securities and decision-making on valuations are carried out independently of the portfolio management. Fraud and misconduct risks are prevented by avoiding dangerous combinations of duties, issuing internal instructions, granting written powers and continuously monitoring the trading. Payment operations are separated from decision-making on investments.

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE DISPOSAL OF PROFIT

According to the Articles of Association, the rate of interest on the guarantee capital is the technical rate of interest plus one percentage point. For 2009, the rate of return calculated in this fashion is 4.0 and the interest on the guarantee capital is EUR 919,786.13.

The parent company's distributable reserves in the financial statements for 31 December 2009 equal EUR 75,869,191.19, of which the profit for the accounting period is EUR 3,861,053.81.

The Board of Directors proposes that EUR 919,786.13 be distributed as interest on the guarantee capital for 2009, EUR 50,000.00 be reserved for use by the Board of Directors as donations for purposes of general interest and the remainder of the profit, EUR 2,891,267.68, be transferred into the contingency fund.

Helsinki, 23 February 2010

Hannu Syrjänen

Lauri Lyly	Leif Fagernäs	Jukka Alho
George Berner	Reijo Karhinen	Leila Kostiainen
Leena Niemistö	Kristian Pullola	Markku Vesterinen
Matti Viljanen	Harri Sailas President and CEO	

AUDITOR'S REPORT

To the Annual General Meeting of Ilmarinen Mutual Pension Insurance Company

We have audited the accounting records, the financial statements, the Report on Operations, and the administration of Ilmarinen Mutual Pension Insurance Company for the financial period 1.1.2009–31.12.2009. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

The responsibility of the Board of Directors and the President and CEO

The Board of Directors and the President and CEO are responsible for the preparation and fair presentation of the financial statements and the Report on Operations in accordance with the laws and regulations governing the preparation of the financial statements and the Report on Operations in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the Report on Operations based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the Report on Operations are free from material misstatement and whether the members of the Supervisory Board as well as of the Board of Directors of the parent company and the President and CEO have complied with the Employee Pension Insurance Companies Act, the Insurance Companies Act and the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the Report on Operations. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements or of the report of the Board of Directors, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the Report on Operations in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the Report on Operations.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the Report on Operations give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the Report on Operations in Finland. The information in the Report on Operations is consistent with the information in the financial statements.

Opinions based on assignment of the Board of Directors

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the law. We support that the members of the Supervisory Board as well as of the Board of Directors of the parent company and the President and CEO should be discharged from liability for the financial period audited by us.

Helsinki 10 March 2010

Ernst & Young Oy
Authorized Public Accountant Firm

Tomi Englund
Authorized Public Accountant

Harri Pärssinen
Authorized Public Accountant

CORPORATE GOVERNANCE STATEMENT
1 January–31 December 2009

This Corporate Governance Statement has been drawn up according to the Finnish Corporate Governance Code's Recommendation 51 and it is presented separately from the company's Report on Operations. The Corporate Governance Code is available on the Securities Market Association's website www.cgfinland.fi.

1. Compliance with the Corporate Governance Code 2008 and deviations from it

Ilmarinen, for the most part, complies with the Finnish Corporate Governance Code although Ilmarinen is not a listed company according to the Code. However, legislative provisions require pension insurance companies to deviate from this recommendation in some respects.

Deviations from the Corporate Governance Code's recommendations:

Recommendation 1: The deadline for the publication of the notice of a general meeting depends on the publication dates of the newspapers.
Recommendations 4, 8 and **11–12**: According to the Act on Employment Pension Insurance Companies (TVYL), the Board of Directors is selected by the Supervisory Board, not the Annual General Meeting. The Election Committee's proposal to the members of the Supervisory Board is, however, reported in the notice of the Annual General Meeting.
Recommendation 10: The term of office of the members of the Board of Directors is four years according to the Articles of Association.
Recommendations 14–15, **26**, **29** and **32**: The number of independent members of the Board of Directors and its committees and the assessment of their independence are based on the regulations of TVYL.
Recommendations 16, **35** and **38–39**: Cannot be complied with for share holdings as mutual pension insurance companies do not have shares.
Recommendations 18 and **25**: TVYL's regulations are implemented in determining the number of members on the committees and their expertise requirements. Ilmarinen's committees had three members in 2009.
Recommendations 40, **42** and **44**: Cannot be complied with as mutual pension insurance companies do not have shares.
Recommendation 48: Insider guidelines are complied with as applicable to mutual pension insurance companies.
Recommendation 52: Complied with as applicable to pension insurance companies, with the above-mentioned exceptions.

2. Description of the composition and activities of the Board of Directors and Committees set up by the Board

Composition of Ilmarinen's Board of Directors 2009

Chairman
Hannu Syrjänen, b. 1951,
President and CEO, Sanoma Corporation

Deputy Chairmen
Lauri Ihalainen, b. 1947,
Chairman, Central Organisation of Finnish Trade Unions SAK
Leif Fagernäs, b. 1947,
Director General, Confederation of Finnish Industries EK

Members
Jukka Alho, b. 1952, President and CEO, Itella Corporation
George Berner, b. 1948, Managing Director, Berner Corporation Ltd
Jukka Hienonen, b. 1961, President and CEO, Finnair Plc
Arto Hiltunen, b. 1958, CEO, SOK
Reijo Karhinen, b. 1955, Executive Chairman, OP-Pohjola Group
Leila Kostiainen, b. 1950, General Secretary, Finnish Confederation of Salaried Employees STTK
Leena Niemistö, b. 1963, Managing Director, Dextra Medical Center
Markku Vesterinen, b. 1951, President and CEO, Suomi Mutual Life Assurance Company
Matti Viljanen, b. 1949, President, Confederation of Unions for Academic Professionals AKAVA

Deputy members
Riku Aalto, b. 1965, President, Metalworkers' Union
Timo Parmasuo, b. 1950, Board Chairman, Meconet Ltd
Hannu Rautiainen, b. 1952, Director of Business Law, Confederation of Finnish Industries EK

The Supervisory Board elects 12 members and four deputy members to the Board of Directors for a term of four years. At least one-half of the members and deputy members of the Board of Directors will be elected from persons nominated by central labour market organisations representing employers and employees so that the candidates of both the employer and employee organisations are equally represented.

Activities of the Board of Directors:

It is the purpose of the Board of Directors to diligently further the company's interests, to represent the company, to take care of the company's administration and ensure the appropriate organisation of the company's operations. The Board is responsible for the appropriate organisation of the control of the company's accounting and finance. In addition, the Board of Directors prepares the issues to be discussed at Annual General Meetings, elects preparatory committees at least for the nomination, compensation and auditing issues it handles and draws up the company's investment plan.

The Board of Directors shall head the pension insurance company in a professional manner, according to sound and prudent business principles and sound administrative principles. The Board's responsibilities thus include the definition and approval of the company's basic operational policies especially in the long term, the monitoring and control of the company's business operations as well as the selection and dismissal of the President and CEO, the Deputy CEO and other direct subordinates of the President and CEO.

The Board of Directors takes care of the company's organisation, monitors and controls the company's operations, represents the company in addition to the President and CEO, makes decisions concerning important and far-reaching matters concerning the company and prepares and implements the decisions handled by the Annual General Meeting and Supervisory Board.

The Board's term of office is four years. The Board of Directors met ten times in 2009 and the annual attendance rate of the members was 91.3 per cent.

Board of Directors' Committees

Nomination and Compensation Committee
Hannu Syrjänen (Chairman)
Leif Fagernäs
Lauri Ihalainen

The task of the Nomination and Compensation Committee is the preparation of the nomination, employment and compensation matters for the executive management. The committee also has the power of decision, in deviation to the Corporate Governance recommendations for listed companies. It can independently decide on the usual insurance sector collective-agreement-level increases in salary for the management. In addition it prepares all of the corporate scorecard and incentive system principles for the Board of Directors to decide on.

The Nomination and Compensation Committee met twice in 2009. The members' attendance rate was 100.

Audit Committee
George Berner (Chairman)
Leila Kostiainen
Hannu Rautiainen

The Audit Committee assists the Board of Directors in its control responsibilities which focus on financial reporting, risks, the internal control system as well as internal audits and the work of the auditors. The committee's tasks include the preparation and examination of the following matters, among others, for the whole Board of Directors:
- financial statements
- financial statement reports concerning the company, especially the monitoring of the investment plan and using investment authorisations as well as the treatment of assets reporting
- risk management plan
- the internal auditor's proposal on the annual audit plan and the annual internal auditing report and
- handling the changes to regulations and instructions concerning the sector as well as their contents

The Audit Committee met six times during 2009.

All of the members took part in five meetings and one member was absent from one meeting.

3. Supervisory Board 2009

Chairman
Jorma Eloranta, b. 1951, President and CEO, Metso Corporation

Deputy Chairmen
Merja Strengell, b. 1959, Board Chairman, Finnish Association of Graduate Engineers TEK
Antti Herlin, b. 1956, Board Chairman, KONE Corporation
Members
Anne Berner, b. 1964, Managing Director, Vallila Interior
Kim Gran, b. 1954, President and CEO, Nokian Tyres Plc
Ilkka Hämälä, b. 1961, President and CEO, Oy Metsä-Botnia Ab
Liisa Joronen, b. 1944, Board Chairman, SOL Palvelut Oy
Pasi Kallio, b. 1963, Glassworker, Pilkington Automotive Finland Oy
Kari Kauniskangas, b. 1974, Deputy CEO, YIT Corporation
Timo Kohtamäki, b. 1963, Managing Director, Lemminkäinen Corporation
Veikko Kuusakoski, b. 1945, Board Chairman, Kuusakoski Group Oy
Tarja Lankila, b. 1958, President, Trade Union Suora (Finland)
Kalle Leinonen, b. 1960, Logistic Coordinator, JohnsonDiversey, Finland
Matti Lievonen, b. 1958, President and CEO, Neste Oil Corporation
Jarmo Mikkonen, b. 1963, Country President, Securitas Group
Sinikka Mönkäre, b. 1947, Managing Director, RAY (Finland's Slot Machine Association)
Jaakko Nevanlinna, b. 1956, Managing Director, Aina Group Oyj
Krister Olsson, b. 1947, President, Finnish Taxi Owners Federation
Jussi Pesonen, b. 1960, President and CEO, UPM-Kymmene Corporation
Kristian Pullola, b. 1973, Vice President, Head of Treasury and Investor Relations, Nokia Corporation
Veli-Matti Puutio, b. 1961, President, Osuuskauppa Arina
Jari Sarjo, b. 1957, President and CEO, Lassila & Tikanoja plc
Riitta Tiuraniemi, b. 1962, CEO, DNA Ltd
Juha Vanhainen, b. 1961, Country Manager Finland, Stora Enso
Kalevi Vanhala, b. 1948
Esa Vilkuna, b. 1960, President, Finnish Post and Logistics Union (PAU)

According to the Act on Employment Pension Insurance Companies, a pension insurance company must have a Supervisory Board. Ilmarinen's Supervisory Board is responsible for supervising the corporate governance undertaken by the company's Board of Directors and President and CEO. The Supervisory Board elects the members of the Board of Directors and the Nomination Committee and decides on the members' remunerations and compensation for travel costs. The Supervisory Board consists of 28 members elected at the Annual General Meeting for a term of two years. At least half of the members are elected from among individuals nominated by the central organisations representing employers and employees, so that seven of these individuals have been nominated by employers and seven by employees. One-half of the members of the Supervisory Board are elected each year.

The Supervisory Board met twice in 2009 and the annual attendance rate of the members was 80 per cent.

4. President and CEO

Harri Sailas, b. 1951
The President and CEO shall lead the pension insurance company in a professional manner, according to sound and prudent business principles and the principles of sound administration.

It is the President and CEO's responsibility to, among other things, diligently further the interests of the company, handle the everyday management of the company according to the instructions and provisions of the Board of Directors as well as to answer for the legality of the company's accounting and for the organisation of its finances in a reliable manner. The President and CEO is entitled to represent the company in matters which are part of his responsibility according to the law.

5. Description of the main features of the internal control and risk management systems relating to financial reporting

Publishing financial information and the regulations governing it

The objective of the financial information published by Ilmarinen is to give a true and sufficient picture of the company's and the Group's financial position and result. The aim of the internal control related to the reporting process is to ensure relative certainty concerning the achievement of this objective.

The form and content of the financial statements and financial information to be published are determined by the Accounting Act, Limited Liability Companies Act, Act on Employment Pension Insurance Companies and the act on the calculation of the solvency border and the covering of technical provisions for the pension providers as well as the decree of the Ministry of Social Affairs and Health's insurance undertaking on financial statements and consolidated financial statements, the accounting decree, the technical bases approved by the Ministry of Social Affairs and Health and the regulations of the Financial Supervisory Authority. The official key figures for the investment operations are supplemented with key figures according to the recommendations of the Finnish Pension Alliance TELA and information decided by the company itself. There is a systematic practice in place within the company for the monitoring of changes to laws, regulations and recommendations.

Ilmarinen publishes its entire official financial statements on its website. Halfway through the year an interim report is published, describing the company's activities during the first six months of the year. In addition, a more condensed report, concentrating on the company's investment activities and solvency, is published semi-annually concerning the situations at the end of March and September.

Control system, organisation and responsibilities

The Board of Directors and the President and CEO hold the overall responsibility for the company's control and risk management as well as the existence and functioning of financial reporting. The Board of Directors assesses the state of the entire internal control system annually based on the preliminary work of the Audit Committee.

The heads of the business divisions are in charge of the internal control within their areas of responsibility.

Decision-making authority and responsibilities are defined as part of Ilmarinen's management system which has been documented and communicated to the entire personnel. This system and the principles and values it defines, including the culture of due diligence in the company, form the basis for Ilmarinen's control system. In order to avoid violations, the organisation has been constructed based on avoiding dangerous work combinations.

A Risk Management Committee, consisting of representatives from Ilmarinen's various business divisions, is responsible for co-ordinating, developing and monitoring the company's risk management system. The Actuarial Services and Risk Management division is responsible for the appropriateness of the company's risk management system and developing it in co-operation with the Risk Management Committee.

The main responsibility for producing financial reporting lies with the Finance division. The Finance division's main task is to ensure that true and sufficient information is available on the company's result and financial position. This includes both the financial information required by statutory needs (accounting and bookkeeping) and up-to-date and important information supporting and steering the company's decision-making. The Actuarial and Risk Management division, which is responsible for the risk management of Imarinen's investment activities, takes care of the income and risk reporting for investment activities as well as for solvency monitoring.

Producing financial information independently of the process, cost or income item being reported on ensures the objectivity of the information.

Internal auditing is part of Ilmarinen's steering and control system, which is utilised by the company's Board and President and CEO in implementing their duty of surveillance. Internal auditing is an independent function falling under the scope of the President and CEO. The internal auditing function is in charge of auditing the financial reporting processes and internal control.

Risk management and internal control relating to the financial reporting process

Ilmarinen has a risk management plan, annually approved by the Board of Directors, which encompasses the company's entire operations as well as the risks inherent in financial reporting.

The accuracy of the financial statements is ensured by a well-functioning and reliable accounting process and by securing its interfaces. The processes related to accounting and bookkeeping, including the necessary control measures, have been described, and the inherent work flows have been scheduled, assigned to their owners and documented. For the parts of the process which are not automated, the accuracy of the results is ensured through matching. Analyses according to regulations issued by the authorities ensure the integrity of the financial reporting.

The single most important figure in describing the financial position of employment pension insurance companies is the solvency ratio, the definition of which requires information on the current value of investments and the amount of technical provisions. In the financial statements, the values used for investments are defined by investment category according to the systematic practice presented in the accounting principles. Uncertainty factors related to valuation only have a minor effect on key solvency figures.

Technical provisions, which describe the liability resulting from the company's insurance contracts, are the largest item in the balance sheet's liabilities. The company's actuary is responsible for the accuracy of the liability calculation and for the interpretation of the calculation bases. In order to ensure the accuracy of the information produced by the liability calculation applications, the Actuarial and Risk Management division provides those responsible for the maintenance of the applications with the necessary information on the technical provisions and their application as well as checks the accuracy of the calculation results. In addition to the company's own IT systems and registers, the calculation of the technical provisions is affected by the earnings-related pension system's shared earnings register and the information provided by other TyEL and YEL institutions through an account of the pay-as-you-go pool presented by the Finnish Centre for Pensions. Technical provisions are calculated from the register information once a year and their development is approximated as the year progresses. The TyEL insurance's premiums written and technical provisions are affected by the change percentage for the insured's payroll amount, which, at the financial statement date, is only partly based on the company's own insurance register information. The inaccuracy of the used estimate does not affect the company's total result nor does it affect the components of the total financial result as the prediction error affects both sides of the balance sheet equally.

The Board of Directors is presented with a monthly report on investment activities and solvency, which is used for the supervision of the company's compliance with the risk-taking limits laid down in the investment plan, and the achievement of the goals of the investment activities. Investment income and solvency are monitored weekly and, if necessary, detailed information concerning the solvency situation is available during the same day. The quality and accuracy of the income and risk reporting for investment activities are ensured through sufficiently timely and frequent reporting as well as regular matching routines. The reporting is independent of the risk-taking activities and the monitoring of indicators for these activities is independent of the activities whose performance-based bonuses are based on the values of the indicators.

READER'S GUIDE

The financial statements of a pension insurance company and the related key ratios contain numerous concepts and calculations that differ from conventional business terminology. Some of the key concepts are explained below.

Equity linked buffer Through the equity linked buffer the earnings-related pension system jointly carries part of the risk caused by share price fluctuations. The amount of the equity linked buffer depends on the average return on pensions institutions' equities and shares. In 2007, two per cent of technical provisions were tied to the return on shares and from 2008 onwards ten per cent will be tied to the return. The amount of the equity linked buffer can increase the technical provisions by a maximum of five per cent or decrease it by a maximum of ten per cent.

Assets covering technical provisions An insurance company must cover its technical provisions with its investments; certain requirements have been set on the diversification of these investments. The assets covering technical provisions are calculated at fair value.

Client bonuses Client bonuses are paid to TyEL policyholders in the form of discounts on contributions. They are distributed from the provision for current bonuses.

Equalisation provision Equalisation provision is a buffer accumulated from the technical underwriting result; it is used in years when an above-average number of new pensions are granted.

Expense loading component One of the components of the insurance contribution intended to cover the company's operating expenses.

Investment result The investment result at current value is obtained by deducting the yield requirement on technical provisions from the company's net investment income and the change in valuation gains/losses. The resulting surplus from investment is part of Ilmarinen's total financial result.

Loading profit The loading profit shows how much the expense loading components and other similar income exceed the operating expenses to be covered by them. The management charges incurred from investment are covered out of the return on investment. The management charges incurred in maintaining working capacity that are included in claims incurred are deducted from the underwriting result. The loading profit is part of Ilmarinen's total financial result.

Operational efficiency For a pension insurance company, operational efficiency is the percentage of operating expenses of the expense loading components included in insurance contributions and of other similar income. The smaller the percentage – that is, the smaller the amount of the above-mentioned income used – the more efficient the operations.

Provision for current bonuses The provision for current bonuses is that portion of the technical provisions accumulated from the investment result and loading profit, which is distributed to policyholders in the form of a client bonus the following year.

Provision for future bonuses The provision for future bonuses is that part of the technical provisions included in the solvency capital which is used to balance out the impact of fluctuations in the value of investments.

Provision for pooled claims The provision for pooled claims is a buffer included in the technical provision that consists of the difference between the share of pension contributions collected to finance the pension expenditures under the joint responsibility of the pension institutions and the claims incurred under the joint responsibility.

Solvency capital Solvency capital is the difference between the company's assets, calculated at current value, and its liabilities. In accordance with the emergency legislation, part of the provision for pooled claims included in technical reserves is treated equal to solvency capital in 2008–2010. Solvency capital is intended to cover the risks inherent in investments.

Solvency requirements The risk level of investment operations affects the required amount of solvency, or solvency capital. The requirement is determined on the basis of solvency capital limits, which comprise the solvency border and the upper and lower limits of the solvency capital derived from it. The solvency border is the figure expressing the limit within which yearly fluctuations in the value of investments should in all probability remain. It is calculated on the basis of the structure of the company's investment portfolio and the amount of technical provisions. The upper limit of the solvency capital is four times the solvency border and the lower limit of the solvency capital is two-thirds of the solvency border. In 2008–2010 the minimum amount for the solvency capital is, however, two per cent of the solvency technical provisions. The company's solvency capital is expected to remain between the solvency border and the upper limit of the solvency capital.

Statutory charges Statutory charges include the pension institution's contribution to financing the operations of the Finnish Centre for Pensions which functions as the central organisation of the system, the judicial administration charge which pays for the costs of the Pension Appeal Court and the insurance supervision charge. As of 2007, statutory charges are included in operating expenses in the financial statements and they are covered by a part of the insurance premium included in it for this purpose.

Technical provisions Technical provisions are the estimate of the pre-funded portion of future pension expenditure, which is entered in the financial statements. Technical provisions are divided into a provision for unearned premiums and a provision for outstanding claims. The provision for unearned premiums pertains to the liability of the company for future pension contingencies for pensions accrued by the end of the accounting period. The provision for outstanding claims is an estimate of future expenditure on pension contingencies already occurred. The provision for unearned premiums includes the provisions for current and future bonuses and the equity linked buffer, and the provision for outstanding claims includes an equalisation provision and provision for pooled claims.

Technical provisions to be covered Technical provisions to be covered are the technical provisions in the financial statements, to which are added liabilities to the pay-as-you go pool and policyholders.

Turnover Turnover means premiums written before credit losses and the reinsurers' share + net income from investment in the accounts + other income.

Underwriting result The underwriting result is the difference between premium components intended to cover risks and claims incurred. A positive underwriting result increases the equalisation provision and a negative one reduces it. In related analyses, the underwriting result includes 3 per cent assumed interest on the equalisation provision.

Valuation gains/losses The difference between the current value and book value of assets.

Yield requirement on technical provisions The yield requirement on technical provisions is an amount refunded on technical provisions under liabilities and shareholders' equity in the balance sheet, which is determined primarily by the discount rate (3 per cent) used in the calculation of technical provisions and the supplementary multiplier derived from the average solvency of pension institutions. In 2009, the pension liability supplementary coefficient was zero. For part of the technical provisions, the yield requirement is determined by the average return from equities and shares of pension institutions.

* * *

FINLAND'S STATUTORY EARNINGS-RELATED PENSION SYSTEM

Pension benefits The statutory earnings-related pension is the most important part of the Finnish pension system. It is a defined benefit pension with a level equalling roughly 60 per cent of the average career earnings for full years of service.

Coverage The statutory earnings-related pension system applies to all employees and all self-employed persons. Earnings-related pensions are governed by a number of laws. The most important of these is the Employees Pensions Act, TyEL. It covers over 50 per cent of the employed labour force.

Administration and supervision
The Finnish earning-related pension system is a decentralised system. TyEL pension coverage is managed by seven pension insurance companies (including Ilmarinen), seven industry-wide pension funds and 19 company pension funds. Pension benefits are independent of the managing institutions. The pension institutions that carry out pension laws are supervised by the Financial Supervisory Authority (FIN-FSA).

Funding TyEL pensions are partially funded in advance. The funding of each type of pension is defined by law and the degree of funding does not depend on the pension institution. For employees under 55 years of age, the pre-funded portion of their old-age pension is increased each year by 0.5 per cent of the employee's earnings. The disability pension is pre-funded when the pension benefits start, except when the person's earnings have been small in the years preceding retirement. Unemployment pensions are also pre-funded when the pension benefits start, except for pensions that are based on paid-up policies only. For persons over the age of 54, the funded parts of retirement pensions are increased each year from investment income. The return on technical provisions in accordance with the supplementary multiplier for pension liabilities is used to fund the increase, as well as the amount by which the buffer tied to income from shares, accrued as of the start of 2007, eventually exceeds its upper limit. The supplementary multiplier for pension liabilities is contained in joint calculation bases and it is determined every six months by the average solvency of TyEL pension institutions. In all, the funding rate is approximately one quarter.

The remaining three-quarters, including all index adjustments, is financed on a pay-as-you-go basis and pooled between all TyEL institutions.

Arrangements under other Finnish pension laws, including those affecting the public sector, also involve advance funding to varying degrees. At the end of 2009, employee pension fund assets totalled EUR 125 billion, which represented roughly 72 per cent of Finland's GDP.

Technical provisions Technical provisions are based on principles approved by the Ministry of Social Affairs and Health that cover all TyEL institutions. At the individual level, technical provisions equal the discounted present value of pre-funded pension obligations. A 3 per cent discount rate is used and the present value calculation also takes into account life expectancy, disability incidence and the likelihood of re-employment after recovery from disability. In addition to these funds at the individual level, technical provisions contain a provision for pension cases that have already occurred but are not yet known, a provision for future disability pensions, the equalisation provision, and a provision that functions as a buffer for jointly-funded pensions.

Premiums written In 2010, the total TyEL contribution averages 22.0 per cent of earnings. The employee contributes 4.5 per cent (5.7% from 53 years of age) and the employer an average of 16.9 per cent. This figure takes into consideration that small and medium-sized employers are also granted a maximum discount of 0.6 percentage points to reduce the equalisation provision relating to disability pensions. The total contribution is expected to increase by about 5 percentage points over the next 25 years. This increase will be borne equally by employers and employees.

An employer with its own TyEL pension fund bears the full related insurance and investment risk. For employers whose TyEL insurance is managed by a pension insurance company, these risks are transferred to the insurer against the payment of TyEL contributions. For large employers, the contribution for disability pensions is determined by the premium category, which depends on the disability expenditure. For large employers, the contribution for unemployment pensions is determined by an experience rating. TyEL pensions handled through insurance arrangements are treated as defined contribution plans under IFRS.

Estimates of future pension costs can be based on long-term contribution-level forecasts (see page 17). As of 2010, growing average life expectancies will affect the size of new pensions, which will largely eliminate the effect of longer life expectancy on future contribution levels.

Investment activities
TyEL pension insurance companies, industry-wide pension funds and company pension funds conduct their investment operations independently but in accordance with common solvency requirements. Part of the price risk from shares is carried by the entire earnings-related pension system. Solvency requirements depend on the risk level of investments and take into account differences between pension institutions vis-à-vis the structure of investment assets. Due to the financial crisis, the solvency requirements were changed for some parts for 2008–2010. Successful investment activities improve solvency and client bonuses.

Guarantee scheme
If a pension institution becomes insolvent, the benefits of insured persons are covered under a statutory joint liability system and any shortfall will be financed through higher future employer and employee contributions.

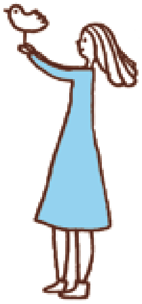
annual general meeting

Ilmarinen's Annual General Meeting will take place at 10.00 a.m. on 14 April, 2010 at the following address: Ilmarinen Mutual Pension Insurance Company, Porkkalankatu 1, Helsinki, Finland.

interim report

Ilmarinen will publish an interim report in August 2010.

Additional information on the Internet: The Finnish and English versions and a Swedish summary are also available on the company's website, at www.ilmarinen.fi. You will also find Ilmarinen's earlier interim reports plus other financial information on the same site.



YMPÄRISTÖMERKKI MILJÖMÄRKT 441 089 Painotuote

Design: Kreab Gavin Anderson Oy
Photographs: Tomi Parkkonen
Illustrations: Terhi Ekebom
Printed in Esa Print Oy 2010

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