ILMARINEN IN 2010

★ People's *livelihood* is at
the heart of Ilmarinen's business.
In the end, it is all about our client
companies' *employees*.
Securing their *pensions* is
the reason for Ilmarinen's existence.

Ilmarinen's year 2010 presents the company's operations from the perspectives of financial, social and environmental responsibility.

contents:

Ilmarinen

IS LOOKING AHEAD

Ilmarinen started operations in 1961 at a time when an earnings-related pension system was being established in Finland. Over the past decades, the nation's economy has experienced ups and downs and the pension system has been altered every now and then, but Ilmarinen has never ceased to provide security for Finns. Ilmarinen has contributed its part to the Finnish earnings-related pension insurance system in an excellent manner. Today, the company provides pension cover for approximately 850,000 Finns. Ilmarinen has the highest number of clients in its industry and as a workplace, it ranks among the nation's best.

It is not often that all players in a given industry carry the same products and even the same prices. To stand out, you have to offer added value, which stems for doing the right things better than the others. You also have to communicate understandably and be an easy partner to work with.

For Ilmarinen, clients are people, not numbers. At the end of the day, the employees of our client companies are what this is all about. Securing their pensions is the raison d'être of Ilmarinen. That is why Ilmarinen works hard every day to gain an even better understanding of its clients.

With this in mind, Ilmarinen looks far into the future with great confidence. ■

★ *Ilmarinen's values are:*

Openness

open to new ideas
open to disclose
open to listen

Responsibility

responsibility for pension cover
responsibility for our own work
responsibility as a company

Co-operation

together with clients
together with partners
as one Ilmarinen

RESPONSIBILITY
is inherent in everything we do

Responsibility is one of Ilmarinen's values, and corporate responsibility has also been identified as one of the success factors in the company's strategy. By doing this, Ilmarinen has ensured that responsibility is an integral part of all of the company's operations. In addition to laws and regulations, Ilmarinen also commits to various voluntary responsibility principles.

In 2010, corporate responsibility issues were compiled into Ilmarinen's Corporate Responsibility Programme which was approved by the company's Executive Group. This work was preceded by a survey which consisted of consulting with the company's personnel and Advisory Committees to Insurance Clients and the Insured to identify the aspects that are important in Ilmarinen's activities from the corporate responsibility viewpoint.

Key Performance Indicators for corporate responsibility were also defined as part of the programme. Covering all aspects of corporate responsibility, they will be an essential tool to monitor and assess the sustainability of Ilmarinen's operations. The indicators are presented in this Annual Report in the sections dealing with the aspect of responsibility in question.

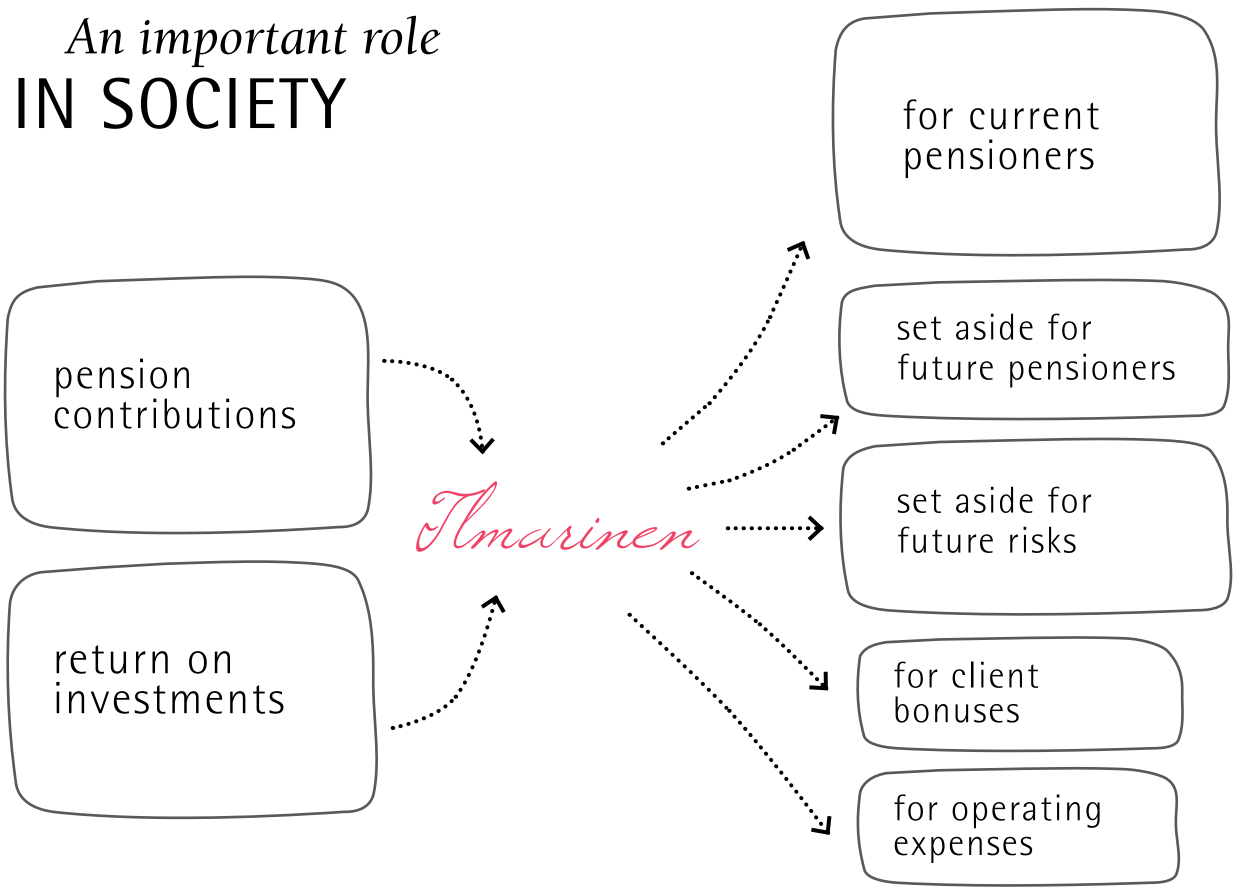
Ilmarinen's Code of conduct was also drawn up in 2010. According to the Code of Conduct, Ilmarinen is committed, among other things, to following good insurance practice, ensuring privacy in processing personal data and requiring responsible operating practices from its service providers. The Code of Conduct concerns the entire personnel. It is public and available on Ilmarinen's website.

In practice, corporate responsibility issues have been organised into a corporate responsibility committee headed by the Senior Vice President in charge of Corporate Communications and Human Resources. The committee includes representatives from all of the company's key operations. ■

★ KEY FIGURES

	2010	Change-%	2009	2008	2007	2006
Premiums written, EUR mill.	**3,383.2**	6.3	3,184.1	3,264.4	2,772.5	2,652.6
Pensions paid out, EUR mill.	**3,267.5**	6.8	3,059.1	2,703.3	2,398.4	2,239.1
Operating expenses covered by loading profit, EUR mill.	**92.1**	5.3	87.5	83.3	85.6	71.8
Technical provisions, EUR mill.	**24,657.4**	9.1	22,609.7	20,612.8	22,661.1	20,917.2
Balance sheet total at current value, EUR mill.	**31,301.0**	11.7	28,026.3	22,840.9	25,964.0	23,635.4
Solvency capital, EUR mill.	**6,578.2**	34.9	4,876.9	2,673.0	6,068.8	5,828.0
% of technical provisions	**29.7**		24.0	14.0	32.5	33.7
in relation to solvency border	**2.6**		2.7	2.0	2.0	2.4
Investment, EUR mill.	**28,121.7**	11.7	25,179.8	20,871.7	23,663.6	22,994.9
Investment return at current value, %	**10.8**		15.8	-17.7	5.7	8.5
Pension recipients	**295,827**	4.5	282,982	273,605	262,971	257,884
TyEL policies	**36,767**	2.6	35,840	35,793	34,113	31,551
Employees insured under TyEL	**501,000**	6.1	472,000	480,000	417,000	387,000
YEL policies	**53,660**	2.7	52,243	52,814	51,289	49,898
Permanent personnel, December 31	**573**	2.7	558	539	545	543

An important role
IN SOCIETY



★ SOCIAL INCOME DISTRIBUTION CALCULATION

Ilmarinen's income, EUR mill.

Income formation	2010	2009
Premiums written	**3,383.2**	3,184.1
TyEL employers' contribution	**2,461.0**	2,334.6
TyEL employees' contribution	**691.0**	631.8
YEL self-employed persons	**231.2**	217.7
Net investment return excluding operating expenses	**2,746.7**	3,430.7
Other income and expenses	**0.5**	0.7
Total income	**6,130.5**	6,615.6

Ilmarinen's income distribution, EUR mill.

Income distribution	2010	2009
To pensioners	**−3,266.3**	−3,056.7
TyEL pension recipients	**−3,031.9**	−2,837.4
YEL pension recipients	**−234.4**	−219.3
Provision for future pensions	**−717.3**	−667.9
Provision for future risks	**−1,996.7**	−2,745.1
Buffering against fluctuations in investment return	**−1,900.2**	−2,767.6
Buffering against fluctuations in underwriting result	**-96.6**	22.5
Client bonuses	**−18.9**	−20.9
Carried forward to the next year for client bonuses	**−71.0**	−52.0
Client bonuses paid	**52.1**	31.1
Staff expenses	**−40.3**	−39.2
Other service providers	**−87.7**	−82.1
Taxes withheld at source	**−1.8**	−2.7
Interest on guarantee capital	**−1.1**	−0.9
Donations	**−0.3**	−0.1
Total income distribution	**−6,130.5**	−6,615.6

A GOOD START
and the next 50 years

Ilmarinen's 49th year was favourable in many ways: Two excellent years after the financial crisis have compensated for the decline in investment assets, clients have shown their trust in us, we have improved our performance in cost-efficiency and continue to be among the top workplaces in Finland.

Equity markets strengthened during the year, which was good news for Ilmarinen, a believer in equities and shares. Government bonds, on the other hand, created uncertainty, as the Euro zone crisis struck in spring 2010.

Overall, it was a good investment year – Ilmarinen's second best since it has had a proper possibility to invest in equities and shares.

In the future, returns on investment will play an increasingly important role for the pension system. This stems from the fact that, due to an ageing population, the number of pension recipients in Finland will increase while the number of contributors will decrease. The pension expenditure will thus be higher than the premiums written. The better the returns on investment, less pressure there is to increase contributions.

The Finnish economy recovered better than expected in 2010 and even the employment rate took an upturn. For pension insurance companies, improving employment rates are important, as the active population pays a large part of the pensions that are currently being paid out. A particularly positive aspect was the rise in the employment rate of 60–64 year olds, which not even the downturn of 2009 could stop.

Despite the favourable develoment, Finland faces a challenging equation, the variables of which will need to be addressed by the country's next government. Extending work careers will be an essential part of the equation: it is a prerequisite for sufficient state funds and securing social services.

It is paramount to look into work careers as a whole. Recently, the human and national economic costs of disability have caught the public eye. If disability pensions are not taken into account, Finns retire at the age of 63.4. In that respect, we are already on track.

Finns also live longer than earlier generations, which is good news. However, we were not able to forecast this favourable development nor are we likely to know how to make more accurate forecasts in the future.

That is why the system needs to correct itself automatically. For this, we have the stick and the carrot – the life expectancy coefficient and the super accrual. The objective is to retain people at work at least half of the additional years of life. That will keep pension contributions and expenditures in balance.

Ilmarinen is in a position to influence certain parts of the equation. Over the years, we have built our competence in what makes a workplace a good one. One that makes people feel good to come to work. In our view, it has more to do with management than physical exercise, even though recreation and sports do play an important role in wellbeing.

Our way to operate is to help our clients to analyse how they could improve the quality of their workplace. It will pay for itself in reduced sick leaves, increased productivity and decreased disability risk.

We find ourselves in a good position and full of enthusiasm as we set out to celebrate Ilmarinen's jubilee year 2011.

In customer service, our partners OP-Pohjola group and Pohjantähti play a crucial role. All in all, 2010 was a very good year – we acquired a lot of new clients, which is also reflected in our premiums written.

I hope that competition in the pension insurance industry will continue to gain strength. That, too, will be in the hands of Finland's next government. We have prepared for the race by adopting a more customer-focused operational model. During 2010, several Ilmarinen employees took on new tasks and switched offices.

Major changes such as these always bring people out of their comfort zone. Ilmarinen employees showed readiness to change, ability to tolerate uncertainty and growth as the changes progressed, and I wish to thank them for that. My special thanks go to our supervisors who have been under the pressure of expectations from all sides. You have done a good job – your subordinates have scored you higher for supervisory work than in the previous year. And even then, the score was already high.

Another way to prepare for the future is to keep a close eye on what is essential. The trick about cost-efficiency is not to cut costs all over the place, but to do the right things in a smart way. We managed to improve our ratio of operating expenses to the expense loading components, which stood at 74 per cent.

We find ourselves in a good position and full of enthusiasm as we set out to celebrate Ilmarinen's jubilee year 2011. And we have every reason to do so. At least the first 49 years have been great for Ilmarinen! ■

Harri Sailas
President and CEO

FINANCIAL RESPONSIBILITY

mainly involves investments and internal finances

Ensuring the sustainability of the pension system is an important part of Ilmarinen's financial responsibility and operations. The objective is to maintain reasonable pension insurance contributions and the competitiveness of the Finnish national economy.

In 2010, 44 per cent of all of Ilmarinen's investments, or more than EUR 12.2 billion, was invested in Finnish society in one form or another. That represents a major contribution in support of Finnish business life.

What do we measure?

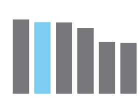
The metrics in place at Ilmarinen to measure financial responsibility include monitoring the return on investments, solvency and the cost efficiency of internal operations. The objective of investment operations is to achieve the highest possible return with controlled and allowable risk. This ensures that future pensions are safe. It is imperative that solvency remains at a sufficient level and liabilities are covered at all times, as required by law. A good ratio of operating expenses to the expense loading components indicates that Ilmarinen is keeping its operating costs in check. ■

indicator

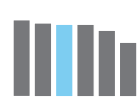
1. Solvency ratio
2. Return on investments
3. Ratio of operating expenses to expense loading components

*current situation**

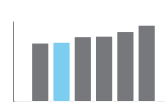
1. 2nd place in the industry (Solvency ratio 29.7%)



2. 3rd place in the industry (Return on investments 10.8%)



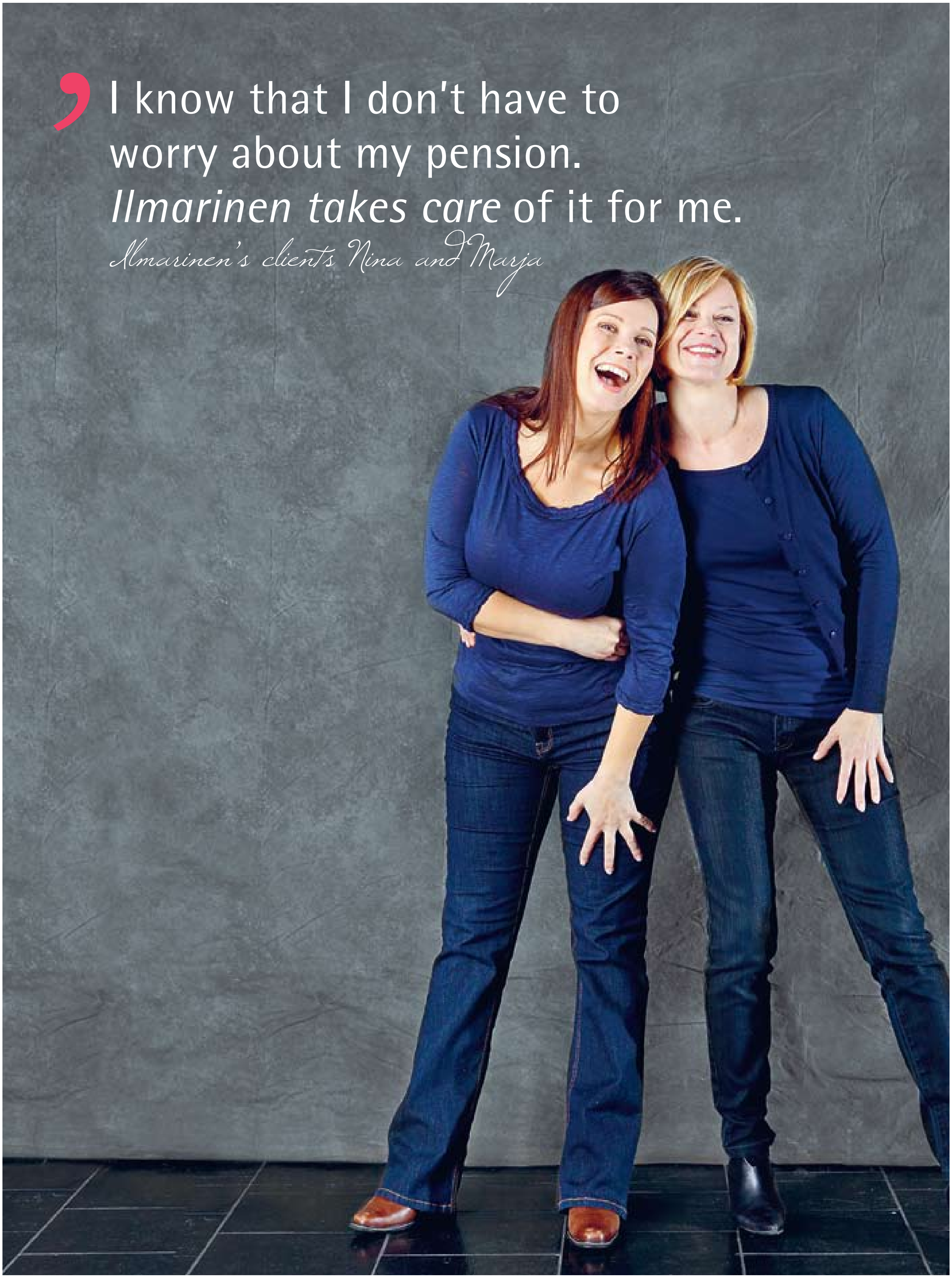
3. 2nd place in the industry (Ratio of operating expenses to expense loading components 74%)



* In comparison: Pension Fennia, Tapiola Pension, Veritas Pension, Etera, Ilmarinen and Varma

target

1. Best in the industry
2. Best in the industry
3. Best in the industry



Nina and Marja have been Ilmarinen's clients for a total of 37 years.

Return-oriented, responsible and long-term INVESTMENT OPERATIONS

The objective of Ilmarinen's investment operations is the highest possible return on investments in the long term. However, the average risk of the investments may not be 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 important for the basic task of investment operations as long as the targets set for solvency and adequate solvency capital are achieved. The average long-term expected return on Ilmarinen's investment assets is 6 per cent, and the expected standard deviation of the return is 8 per cent.

Through active portfolio management, Ilmarinen always strives for a better return than the overall market development. Ilmarinen aims to achieve high returns 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 largely based on the result of investment operations. 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 operations. These include, for example, 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 operations. Ilmarinen also continuously develops the competence of its investment professionals to ensure timely allocation choices.

The investment plan defines the weighting of asset classes and the required return and risk level of investment operations. The company's Board of Directors approves the plan annually.

In addition to its own investment organisation, external investment service providers are utilised for certain investments. Such investments include, among others, markets in emerging economies and private equity and hedge funds. The share of external asset managers is about 20 percent of the total assets.

Ilmarinen's ownership policy lays 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 professional administration 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 on companys website, Ilmarinen offers its opinion on the management structure, dividend policy, and incentive programmes of the companies it owns.

As part of the company's active ownership policy, Ilmarinen keeps in regular contact with the managements of the companies it owns and takes part in their Annual General Meetings. During 2010, Ilmarinen's participation rate in the Annual General Meetings of the listed companies it owns in Finland was 90 per cent.

The success of the Finnish pension system is dependent on the development of the Finnish national economy and Finnish companies. Ilmarinen wants to be an active and diverse investor in the Finnish economy. In 2010, 44 per cent of all of Ilmarinen's investments, or more than EUR 12.2 billion, were invested in Finnish society in one form or another.

Ilmarinen was the first Finnish investor to sign the UN's Principles for Responsible Investment (UNPRI) in 2006. With this signature, Ilmarinen has committed to paying attention to the environmental responsibility, social responsibility and good governance of its investment targets. The principles of responsible investment form an essential part of Ilmarinen's ownership policy and are reflected in the company's investment operations in many ways.

Appointing a dedicated responsible investment manager, whose task is to assist portfolio managers in analysing investment targets, is another way to ensure responsible investment operations at Ilmarinen. If any shortcomings are detected in the operations of the investment target, Ilmarinen is also ready to initiate engagement processes either alone or jointly with other investors. During 2010, Ilmarinen was involved in over 500 engagement processes.

Ilmarinen has been co-operating in corporate responsibility issues with other investors for a long time. In 2008, the company took part in establishing Nordic Engagement Co-operation (NEC), which has achieved good results in the implementation of international engagement processes. Ilmarinen is also involved in the Carbon Disclosure Project (CDP) and the Water Disclosure Project (WDP), aimed at providing investors with comparable information on companies' greenhouse gas emissions and water consumption.

Ilmarinen strives to promote the implementation of the principles for responsible investment in the entire investment sector. Ilmarinen has, among others, been one of the co-founders of Finsif – Finland's Sustainable Invest Forum, aimed at sharing information on responsible investment and strengthening co-operation among Finnish investors. The Responsible Investment 2010 event organised by Finsif in June 2010 attracted more than 400 participants. Ilmarinen also reports on and addresses responsibility issues in various publications and events and encourages research in this area.

The UN annually maps out the implementation of the principles of responsible investment. Ilmarinen's performance in 2010 was once again top class: the company was ranked in the top quarter in its peer group (168 investors). The survey is carried out in the form of a self-assessment and each year around one third of respondents will take part in verification phone interviews. ■

? How can investors, in practice, influence the approach of their investment targets in responsibility issues?

If problems arise in the operations of an investment target, the best means of engagement is to attempt to negotiate with the company to reach an agreement on improvements. Selling the shares is often a questionable means of engagement.

In 2010, Ilmarinen was engaged in improving the environmental and occupational safety risk reporting of the oil company BP, among others.

LONG-TERM APPROACH *paid off*

Buoyed up by the global economic recovery, Ilmarinen continued its strong progress. The return on the company's investment assets in 2010 rose to 10.8 per cent, or around EUR 2.7 billion. In real terms, the investments also brought in an excellent 7.7 per cent return.

Global economic growth continued in 2010, following the recovery path taken in the previous year. The emerging economies continued their strong economic rise. In Europe, economic development was twofold: the export-driven countries, such as Germany and Finland, continued their recovery, but on the other hand, economic development in the Euro zones countries struggling with financial problems was considerably more modest.

The European financial markets focused on governments' debts and financing needs. In May, the confidence of the markets in Greece's ability to pay back its loans deteriorated to such extent that it was no longer able to finance its public deficit in the financial markets. The situation calmed down with the help from rescue package and the central bank's support purchases. In November, it was Ireland's turn to ask for support in managing its bank crisis and public finance.

Both inflation and the oil price followed the economic development and rose towards the end of the year. Europe's consumer price inflation rose steadily, ending up at 2.2 per cent at year-end. The oil price sank to less than 65 dollars early in the year but rose again to around 91 dollars during the latter part of the year.

In order to support the financial markets and economy, the Federal Reserve kept its key interest rate at 0.25 per cent for the second year in a row. The European Central Bank kept its key interest unchanged, at 1.0 per cent. In the U.S., long-term interest rates on government bonds declined during the year by about 0.5 percentage points to above 3.3 per cent. In Europe, long-term interest rates on German government bonds rose more moderately, ending up at 3.0 per cent.

Equities and shares brought in good returns, although the global index for the equity market decreased by 8 per cent from the year-end level. Thanks to the upward trend that began in summer, share prices recorded a 10 per cent rise at year end. In Finland, share prices rose 23 per cent, which was considerably higher than the average rise of 12 per cent in Europe. The index for shares in emerging markets went up by 16 per cent.

In 2010, Ilmarinen increased its investments in listed equities and shares. At the end of the year, listed equities and shares equalled 38 per cent of the total investment assets. The return on listed equities was 21 per cent. Private equity investments benefited from value

★ *31.12.2010* ILMARINEN'S INVESTMENTS

	Risk breakdown, EUR mill.	Risk breakdown, %	Return, %
Fixed-income investments	**11,544.3**	**41.1**	**2.0**
Loan receivables	3,137.8	11.2	3.9
Public corporation bonds	3,749.7	13.3	-2.1
Bonds	8,832.2	31.4	5.0
Other money market instruments and deposits	-4,175.5	-14.8	-2.1
Equities and shares	**11,853.6**	**42.2**	**20.6**
Listed equities and shares	10,525.9	37.4	20.6
Private equity investments	937.5	3.3	20.0
Unlisted equities and shares	390.2	1.4	21.2
Real estate investments	**3,028.4**	**10.8**	**9.0**
Direct real estate investments	2,623.6	9.3	9.4
Real estate funds and joint investments	404.8	1.4	6.1
Other	**1,695.4**	**6.0**	**32.2**
Hedge fund investments	618.8	2.2	7.0
Commodity investments	69.2	0.2	-
Other investments	1,007.4	3.6	-
Total investments	**28,121.7**	**100.0**	**10.8**

recoveries, generating a 20 per cent return. New investments in private equity funds were made in the amount of EUR 279 million, representing 3.3 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 7 per cent. The share of hedge funds of the investment assets at the end of 2010 was 2.2 per cent.

Ilmarinen's bonds generated a 1.5 per cent return in 2010. Government bonds suffered from the sovereign debt crisis in the euro-area, with returns remaining 2.1 per cent in the negative. The return on bonds rose to 5.0 per cent.

The fluctuations in the currency markets continued in 2010. The euro weakened by 6.6 per cent compared to the dollar. The currency risk involved in Ilmarinen's foreign currency denominated investments totalling around EUR 6.6 billion is reduced through currency hedging.

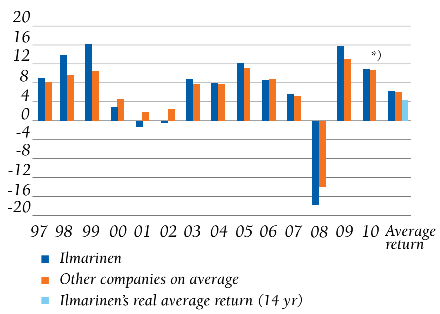
Companies' interest towards TyEL relending declined substantially as banks restored their normal financing capacity after the financial crisis.

The corporate credit portfolio at the end of 2010 totalled EUR 3.1 billion, slightly down from the previous year. New loans worth EUR 558 million were taken out, including EUR 110 million in TyEL loans. The return on the entire loan portfolio stood at 3.9 per cent.

Real estate markets picked up after a few years of low activity. Real estate values took an upward trend in submarkets where Ilmarinen is strong, such as in the central business district of Helsinki. In these submarkets, rent levels also developed positively and the vacancy rate was under control, although overall development for office premises was in the opposite direction.

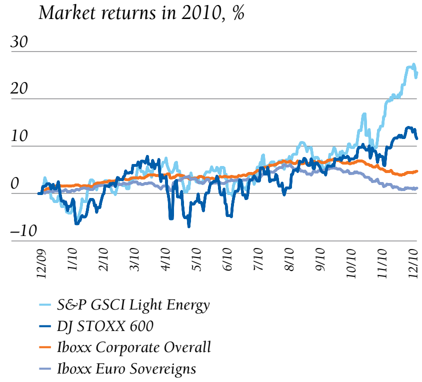
Ilmarinen's real estate investments generated returns of 9.0 per cent, of which direct real estate investments accounted for 9.4 per cent and indirect real estate investments for 6.1 per cent. The capital growth of direct real estate investments was EUR 88.0 million. ■

Comparison of investment income, %



*) Preliminary data on financial statements 2010

Market returns in 2010, %



? Timo Ritakallio, Deputy CEO, Head of Investments, comments on the investment result for 2010:

2010 was a challenging year for investors: the return on fixed-income investments was low and the sovereign debt crisis in the Euro zone created uncertainty in both the fixed-income and the equity. However, during the latter part of the year, share prices developed well as companies' results and economic outlook recovered.

Ilmarinen continued its long-term, equity-oriented investment policy also in 2010. Overall, we were successful in both the choices we made in our investments, as well as in our timing, guaranteeing us an excellent investment income in a challenging operating environment. Private equity and real estate investments also recorded very good return levels in 2010.

Ilmarinen's solvency was on an even more solid basis at the end of the year, and the company's long-term investment returns have been among the best in the industry.

A SOLID SOLVENCY RATIO

secures pensions now and in the future

The year 2010 was challenging for investors, but Ilmarinen performed well and strengthened further its solvency ratio. Solid solvency and pre-emptive risk management place Ilmarinen in a position to act as a long-term investor. This secures both current and future pensions.

Ilmarinen strengthened its solvency ratio during the first quarter as a result of a favourable development of the equity markets. The European sovereign debt crisis which was exacerbated in late spring drove down share prices in the summer, but the clear strengthening of the equity markets in December lifted Ilmarinen's solvency to its highest level in the year.

Due to the statutory nature and the social significance of earnings-related pension insurance, Ilmarinen needs to take particular care of its financial position and the management of risks involved in its operations. Ilmarinen is a long-term investor having to meet, at any given time, the solvency regulations imposed by law. In risk management it is important to define the level of risk-taking allowed by the company's solvency ratio over the long and short term, taking into consideration the relevant constraints on risk-taking. At the same time, it must be ensured that investment opportunities can be captured without unnecessary restrictions.

★ *2010* PROFIT AT CURRENT VALUE IN 2010

EUR mill.	Underwriting business	Other business	Investment	Loading profit	Total
Premiums written	559.5	2,691.2	9.3	123.2	3,383.2
Net investment return at current value			2,746.7		2,746.7
Claims paid	-696.5	-2,569.8			-3,266.3
Change in technical provisions	254.0	-121.5	-1,160.7		-1,028.2
Total operating expenses	-20.6		-15.4	-92.1	-128.0
Other income and expenses				0.5	0.5
Taxes			-1.8		-1.8
Profit at current value	**96.4**	**0.0**	**1,578.1**	**31.6**	**1,706.2**
Change in equalisation provision					-96.6
Change in provision for future bonuses					-6.9
Change in difference between current and book values					-1,532.2
Change in accelerated depreciation					5.4
Transfer to client bonuses					-71.0
Net income for the financial year in the official income statement					4.9

Risk management is being continuously developed at Ilmarinen. The company has developed pre-emptive risk management methods and drawn up its own scenario-based stress tests. In 2010, the company's risk bearing capacity was assessed, particularly with the sovereign debt crisis in mind. In addition to investment and insurance risks, the company has put a particular emphasis on the management of operational risks.

Pension liabilities of a pension insurance company are long-term and hence. It must be ensured that the company's assets will be sufficient to cover the expected pension expenditure also in future decades. The risks in the underwriting business are thus related to the sufficiency of insurance contributions and technical provisions in relation to the pensions insured by the company. Over the long term, the main factor of uncertainty is life expectancy and thus the duration of retirement. Over the short term, the biggest uncertainty is related to the starting rate of pensions. These risks are managed with statistical and actuarial methods.

For determining the insurance contributions and technical provisions, the company needs to have calculation bases that meet the prudence requirements of the law. For monitoring the underwriting business and establishing the calculation bases, the actuarial function carries out various analyses on realised and issues forecasts on future developments. The contribution bases are identical for all pension insurance companies. In addition, according to the law, the company must accept all insurance applications, which means that it cannot choose its clients to reduce insurance risk, for example.

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. Minimum and maximum limits have been defined for the equalisation provision based on the insurance risks.

The solvency capital, comprising assets in excess of the company's pension liabilities and equalisation provision, serves as a buffer against investment risks. The solvency regulations concerning solvency capital and technical provisions create the legislative framework for the company's investment operations. The solvency requirements depend on risk-taking in the company's investment operations: the riskier the

★ *31 December, 2010* BALANCE SHEET AT CURRENT VALUE

EUR mill.

ASSETS	
Investment at current value	28,121.7
Receivables	2,884.8
Other assets	294.5
Assets total	**31,301.0**

LIABILITIES	
Capital and reserves after proposed distribution of profits	101.4
Depreciation difference	2.4
Difference between current and book value	4,006.7
Provision for future bonuses	1,552.9
Other solvency capital items	–8.6
	5 654.8
Provision for pooled claims treated equal to solvency capital	923.4
Solvency capital	**6,578.2**
Equalisation provision	971.4
Capital base	**7,646.1**
Provision for current bonuses (to client bonuses)	71.1
Equity linked buffer	201.8
Technical provisions [*)]	20,840.3
Other liabilities	2,541.7
Liabilities, total	**31,301.0**

[*)] technical provisions excluding provisions for current and future bonuses, provision for pooled claims treated equal to solvency capital and equalisation provision investments, the more solvency capital it must have. The company's Board of Directors decides on the level of risk in investment activities.

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

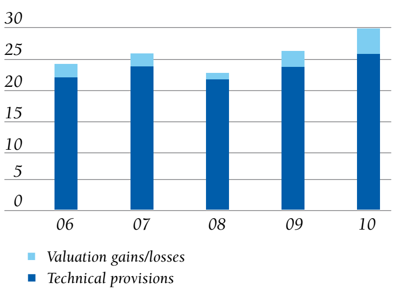
In spring 2010, the working groups set up by the Ministry of Social Affairs and Health completed their proposals on developing the solvency regulations. The temporary act enacted in 2008 was continued until the end of 2012 and the Government presented to the Parliament a bill concerning certain amendments to the solvency regulations, which would enter into force a the end of March 2011.

Ilmarinen's total financial result in 2010 was EUR 1,706.2 million, and the balance sheet total at current value was EUR 31,301.0 million. Key figures and analyses contained in the official financial statements are presented on pages 75–79.

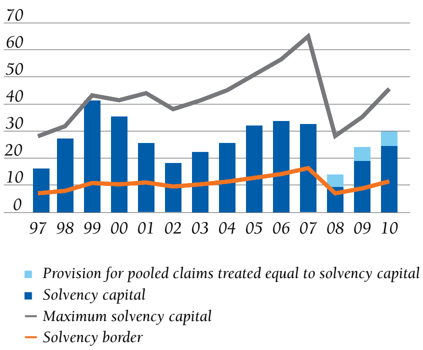
The return on investments after the items credited to technical provisions was EUR 1,578.1 million. Solvency capital increased to EUR 6,578.2 million from EUR 4,876.9 million at the end of the previous year. The equity linked buffer rose to EUR 201.8 million as a result of increasing share prices. Solvency capital was 29.7% (2009: 24.0%) of the technical provisions that define the basis of the solvency capital requirements, and was 2.6 (2.7) times the solvency border.

Ilmarinen's solvency capital is sufficient also when considering the status of the investment markets and enables the company to follow its long-term investment strategy. Technical provisions have been calculated prudently. They 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 and investment result. Ilmarinen's equalisation provision is sufficient in relation to the extensiveness of the underwriting business, and the company meets the obligations imposed on it by law. ■

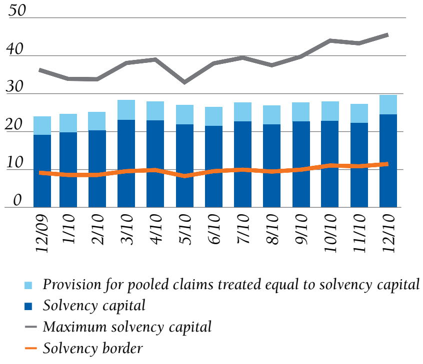
Pension assets, EUR billion



Solvency, annual, % of technical provisions



Solvency, monthly, % of technical provisions



Ilmarinen succesfull in CUSTOMER ACQUISITIONS

In 2010, Ilmarinen was very successful in both insuring new businesses and in the competition between pension insurance companies for customers. In addition, the markets offered pension insurance companies an opportunity for growth, as several major pension funds decided to transfer their pension portfolios to pension insurance companies. Several state enterprises were also privatised and their insurance was transferred to pension insurance companies.

Ilmarinen was successful in liability transfers and state enterprise insurance, and its success strengthened the company's position as an insurer of major customers. Now the pension portfolio transfers from the major pensions funds to pension insurance companies have already been completed, which means that the trend is not expected to continue.

Competence and good co-operation partners brought new clients to Ilmarinen.

The transfer of insurance policies, i.e. businesses and self-employed persons insured with other pension insurance companies becoming Ilmarinen's customers, increased the number of the company's customers considerably in 2010. Ilmarinen's performance in policy transfers was one of the best ever: its TyEL insurance portfolio increased by 686 policies and premiums written by EUR 72.6 million. 650 self-employed persons insured under YEL transferred their policies from other companies to Ilmarinen, which increased the premiums written from YEL insurance by EUR 2.9 million.

New businesses also increased Ilmarinen's premiums written. A total of 4,151 new TyEL policies were sold, increasing the company's annual TyEL premiums written by EUR 106.2 million. Ilmarinen acquired 5,700 new self-employed persons as customers, which increases the YEL premiums written by EUR 19.1 million.

Ilmarinen's share of the earnings-related pension insurance market is around one-third. Changes in market share are generally minor and they take place slowly. However, based on the success in new business and the good transfer result, Ilmarinen is expected to improve its market share. No accurate data is available yet, as the successful customer acquisition year 2010 will only be reflected in the market share statistics for 2011.

Ilmarinen's success in customer acquisition can primarily be explained by its competence and good partnership with OP-Pohjola Group and Pohjantähti. These good results also stem from the development of operations, in particular in supporting partners and the company's own customer account organisation.

Ilmarinen's success in portfolio transfers from pension funds was mainly attributable to its skills in serving large corporations and competence based on many years' experience. Another contributing factor was that the service solutions negotiated in well-being at work services and corporate financing persuaded customers that co-operation with Ilmarinen would benefit them most.

Successful co-operation with partners was yet another key factor to a good sales year 2010. In customer acquisition and customer relationship management, Ilmarinen co-operates with OP-Pohjola group and Pohjantähti. In 2010, a merger project was underway between OP-Pohjola Group and Pohjantähti, following the merger proposition made by Pohjola Insurance to Pohjantähti.

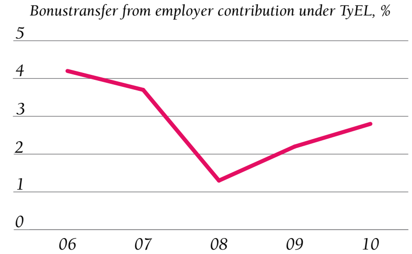
Pohjantähti's Board of Directors voted in favour of the proposition, but the extraordinary general meeting rejected the merger in December 2010. Ilmarinen's non-life insurance partners will thus continue operations as separate companies.

Traditional competitive assets are solvency, competitive client bonuses and cost efficiency, and Ilmarinen continues to be an industry leader in these areas. However, Ilmarinen firmly believes that even better management of the service concept and a customer-focused approach will play an ever more important role in building a competitive edge.

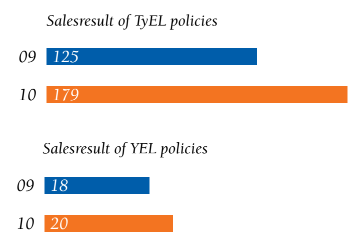
Investments in customer interaction and the development of a customer-focused approach were key objectives of the organisational change carried out last year. This development work is important for Ilmarinen's success in the future, too, because studies have identified customers' perception of the quality of service as one of the decisive criteria of customer loyalty.

In the customer satisfaction surveys conducted in 2010, Ilmarinen scored well – on client bonuses and solvency – as well as in services and interaction channels. ■

Client bonuses
Bonustransfer from employer contribution under TyEL, %



Sales of new policies and net transfers, premiums written, EUR million



TODAY'S AND FUTURE PENSION RECIPIENTS *value Ilmarinen's service*

In 2010, pension services ran smoothly overall, be it pension advice, processing of pension applications or managing the affairs of pensioners were concerned.

A total of 703,000 people received an employee pension record from Ilmarinen, 21,000 of them through the online service. In addition, Ilmarinen's customer service provided 12,000 individual pension estimates and 54,000 pension estimates were provided through the online service.

Customers' satisfaction in Ilmarinen's pension service remained excellent. In a customer satisfaction survey conducted among insured employees and self-employed persons, the customer service was graded 4.58 on a scale from 1 to 5, and up to 63 per cent of the respondents said that the service had exceeded their expectations. According to the survey, customers particularly value Ilmarinen's expertise, efficiency and service-oriented approach in the services it provides.

The number of pension applications received by Ilmarinen remained high due to the large volume of the age classes. The number of new pension decisions declined by 5.7 per cent from the record year 2009, but still stood at 22,000. One of the main reasons for the decline in the total number was the discontinuation of the unemployment pension for those born in 1950 or later. Other changes brought by legislation were, among others, the one-time increase to the pensions of disability pension recipients aged under 56 and the life expectancy coefficient applied to pension benefits for the first time in 2010.

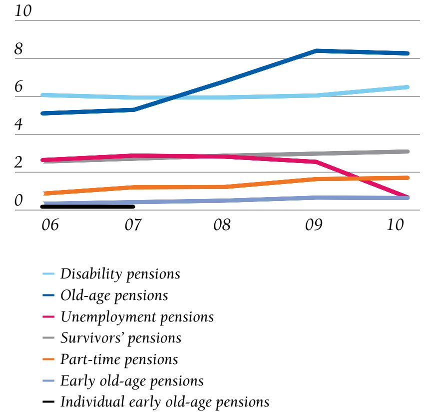
The surge recorded in the number of old-age pension decisions during the two previous years evened out somewhat; a total of 8,300 new old-age pension decisions was made. On the other hand, the number of disability pension decisions increased to 6,500, largely as a result of dissolving the congestion in the processing of the applications from the previous year.

Speed and quality are particular priorities when processing pension applications. Ilmarinen has traditionally processed pension applications in a shorter time than the industry average, and this was also the case in 2010. Only for the disability pension applications was the processing speed slightly below average, but even in this area, Ilmarinen managed to shorten the processing times by around 10 days during the year. As in 2009, 93 per cent of the pension applications in 2010 were processed so that the applicant's income continued without disruption.

The percentage of disability pension decisions upheld by the appeals of court descripes the quality of the processing of pension applications. Ilmarinen has an established high level of perfomance in this area.

Ilmarinen paid out pensions to 296,000 pensioners in 2010. In serving pensioners, the company prepared for the Single Euro Payments Area (SEPA). This meant that the pension recipients' payment account numbers were converted into IBAN numbers and extensive modifications were made to Ilmarinen's information systems. ■

New pension decisions, amount in thousands



The figures do not include pension decisions for persons who have already received a pension.

SOCIAL RESPONSIBILITY
is caring

For Ilmarinen, social responsibility means providing earnings-related pension cover for more than 800,000 Finns.

The matters of both current and future pensioners are handled with great care and high quality – something Ilmarinen's clients repeatedly thank the company for.

Responsibility for the company's employees is also an important part of Ilmarinen's social responsibility. The cornerstones of Ilmarinen's operations are a good working environment and respect for the individual, which has paid off: Ilmarinen has been ranked among the top workplaces in Finland for two years in a row. Ilmarinen is also a forerunner in developing well-being at work services offered to clients.

What do we measure?

Timely pension decisions are paramount to Ilmarinen. It means that the applicant's income is not disrupted. Ilmarinen also monitors the effectiveness of vocational rehabilitation, the retirement age of its own personnel and the company's ranking in the Great Place to Work survey.

indicator	current situation	target
1. Proportion of pension applications processed with no disruptions to the applicant's income.	1. 93%	1. Maintain the current good level.
2. Proportion of people reintegrated into working life of all participants in rehabilitation programmes.	2. 71%	2. Maintain the current good level.
3. Great Place to Work survey.	3. 2nd place in the large corporations category	3. First place in our own category in 2012.
4. Retirement age of Ilmarinen's employees (three-year average) including disability pensions.	4. 62,7 years (2008–2010)	4. At minimum the statutory old-age retirement age (63 years).

For us, well-being at work means that it *feels good* to come to work in the morning.

Ilmarinen's employees Anita, Merja and Heikki

Anita, Merja and Heikki have been employed by Ilmarinen for a total of 87 years.

EARNINGS-RELATED PENSIONS ADAPT
to changes in society

The ability to adapt is key to sustainable social security. Social security has, during its history of more than a century, survived two world wars, one big recession and one financial crisis with all their consequences. This had been made possible by its ability to adapt, which does not mean bargaining on its basic principles, but adapting to prevailing conditions.

Adaptation is possible if decision-making works. The Finnish earnings-related pension system turns half a century in 2011. Key to its ability to adapt is the tripartite decision making. During the growth period of the earnings-related pension system which lasted up into the 1990s and the subsequent adaptation period, a high number of far-reaching decisions have been made, some of them remarkably painful. These have not eroded the goal or the basic structure of earnings-related pension provision.

The financial crisis, even though of short duration, severely tested the Finnish earnings-related pension system's ability to adapt. The system survived the crisis with flying colours: no cuts had to be made in pension benefits, and pension contributions did not have to be increased. This was exceptional on a global scale.

The extremely difficult investment year 2008 has already been followed by two years of excellent returns (see page 21). They have raised the average long-term return of investments clearly over the level used by the Finnish Centre for Pensions as a basis for its long-term forecasts. Ilmarinen's annual return on investments has, since 1997, exceeded inflation by 4.4 per cent on average. The returns have a considerable impact on the earnings-related pension contribution level (see page 21).

In autumn 2008, the Government and Parliament considered that the financial crisis required temporary reliefs to solvency regulations. Their validity was extended by two more years in 2010. The working groups headed by the Ministry of Social Affairs and Health are developing regulations to better meet future conditions, capitalising on the lessons learned from the crisis and development work carried out elsewhere in the insurance industry.

An ageing population is a permanent challenge. Already before the financial crisis, it was clear that the change in demographic structure would put the economic sustainability of earnings-related pension insurance to the test. In a creative response to the challenge of a rapidly increasing life expectancy, the level of new pensions was adjusted to the increased life expectancy with the life expectancy coefficient. Pension starts to accrue very fast from the age of 63, which helps to compensate the effect of the coefficient. These reforms, which are essential for the economic sustainability of the earnings-related pension insurance, entered into force at the beginning of 2005.

According to a large consensus in our society, reaching the goals of the pension reform carried out in 2005 is not enough: careers must be extended further. This is made necessary by the maintenance of the national economy and public finances, the level of earnings-related pensions and the sustainability of the earnings-related pensions. However, no consensus has been reached concerning the means to reach this goal.

The tripartite co-operation between the social partners and the government, which has been working well up to date, has so far not proven its ability to solve the career issue. For a long time, the discussions only focused on the retirement age. In spring 2010, the discussion was extended to the preparation of a programme of sustainable economic growth and employment. Several working groups have produced promising results.

The career working group is at the core of the matter, with a mission to set the table for future decision-making. Not by making proposals, but by bringing together the various alternatives that meet the requirements set concerning the level of pension cover, the sustainability of the earnings-related pension system's finances and the deferral of retirement.

How to overcome the difficult challenge? The fact that the employment rate of senior employees has been on a rise for a long time is promising. The key issues are to determine the lowest possible retirement age and how much the actual retirement age should rise in order for pensioners to receive full pension. When the intention is for the earnings-related pension cover to respond to the development of society, it is indispensable to maintain the flexibility of retirement introduced in 2005.

Continuing in working life requires that there is work and that people are capable of and willing to work. Demand for senior workforce is driven by the ageing population. The management of working capacity has been a shared success story of pension insurance companies and many corporate clients, proving that it is possible to reduce disability if there is a desire to do so.

As far as the willingness to work is concerned, the quality of working life is key: the content of work and management. Measures related to these aspects, which often may seem "soft", should not be undervalued.

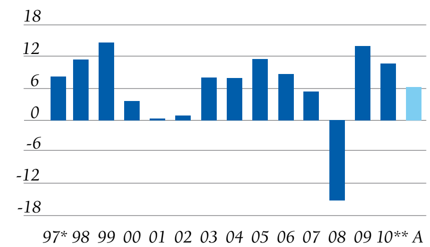
Pension provision is a whole determined by the starting level of pension and the index cover. Choices regarding these factors will have to be made in the future as well, and careful thought needs to be given to what targets are weighted.

Reinstating the halfway index has been under discussion for a long time. The cost from this change would be negligible during the first year, but would accumulate from year to year. It would permanently increase the level of the pension contribution by a couple of percentage points, i.e. by as much as would returns on investments remaining permanently one percentage point lower. To compensate this, cuts would have to be made to the starting pension amounts. The consequences of removing or reducing the life expectancy coefficient would be even more problematic.

The adaptation is still in progress. In spring 2011, a new Parliament will be elected in Finland. The future changes in pension cover will become tangible as labour market organisations conclude their agreements, the results of the parliamentary election are available and the contents of the future government programme are defined.

Considering the high social impact of pension policy solutions, it is justifiable for them to be in the spotlight during the preparations leading up to the election. It numerous preconditions are set during the election debate, they will considerably restrict the construction of the future concept. ■

Annual investment return of TyEL pension institutions, %

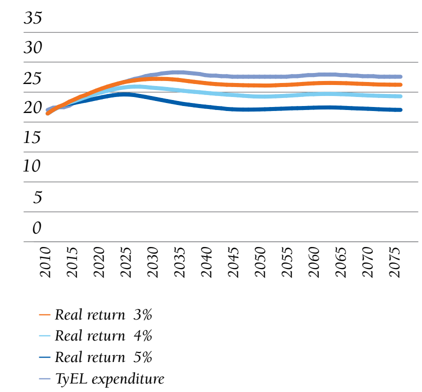


* Only contain information on the companies
** preliminary estimate for 2010
A average return

Average real return in 1997 - 2010 was 4.4%.
Since 1997, it has been possible to put more weight on equities and shares in pension insurance investment.

Source: The Finnish Pension Alliance TELA

TyEL contribution level and expenditure
as % of payroll, depending on investment return



Source: The Finnish Centre for pensions

WELL-BEING AT WORK
extends work careers

Well-being at work is in the interest of society, individual companies and employees alike. The well-being of employees can also be seen in the company's financial result. Thriving employees are motivated to perform high-quality work.

Around one third of new pension recipients are forced to put an end to their career due to disability. The risk of reduced working capacity can be managed and prevented through systematic and goal-oriented measures to develop well-being at work. Companies can achieve cost savings in terms of sick leaves and disability pensions, for example, by paying attention to well-being and coping at work. Investments in well-being at work can produce returns that exceed many times over the initial investment.

For Ilmarinen's well-being at work services, 2010 was the most active year ever. The seminars organised in this field for customers attracted a record number of participants, 1,500 people learning tips from Finnish top experts on how to develop well-being at work. Ilmarinen's own well-being at work managers also consulted and coached a high number of customers in aspects relating to various service themes. In 2010, Ilmarinen had 485 distinct well-being at work projects underway in co-operation with customers.

The lung check-up events organised with the Pulmonary Association Heli for corporate clients continued to be highly popular. In total, 50 such events were organised. The Ilmarinen Personnel Action of the Year award was granted for the eleventh time, and the development projects awarded and otherwise acknowledged over the previous years were compiled into a book with the title "Results from well-being at work".

Well-being at work services are developed on the basis of customers' needs. In 2010, service solutions were created on the basis of customers' wishes for work community skills and the transfer of competence and tacit knowledge, to complement Ilmarinen's service offering. New calculators were also developed to facilitate the work of corporate decision-makers, helping them to assess the effectiveness of well-being at work activities. In addition, a manual for supervisors was published in Ilmarinen's well-being-at-work online service to support supervisory work especially in small and medium-sized client companies.

The well-being of employees can be seen in the company's financial result.

Ilmarinen co-operates with the Helsinki

University Department of Economics and Management within a research project concerning the quality of life at work and productivity in the care sector. Several of Ilmarinen's clients are participating in this project. The project made good progress in 2010, and the mid-term results showed positive development in the key figures measuring well-being at work in the companies involved.

Through vocational rehabilitation Ilmarinen supports employees returning to work and 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 the 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 the 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.

Vocational rehabilitation continued to gain popularity, following the trend observed during the past few years, with the number of applications up by more than 11 per cent. The effectiveness of rehabilitation has remained at a high level: over 70 per cent of the participants in Ilmarinen's rehabilitation programmes return to labor market after completing the programme. Successful rehabilitation programmes extend the employees' careers, which is in the common interest of the employee, the employer and society.

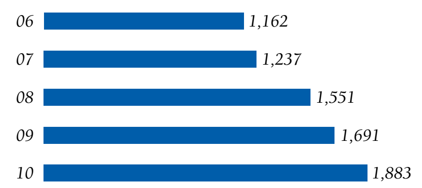
In a joint effort with employers, their knowledge on rehabilitation is updated and deepened to make it easier for the employer to recognise the opportunities provided by rehabilitation. Co-operation between employers and Ilmarinen was developed and re-organised in 2010. As a result, the processes of rehabilitation at the workplace now run more smoothly than ever.

Particular attention has been paid at Ilmarinen to the speed of application processing and the timeliness of the benefit decisions, so that rehabilitation takes place in a timely manner, without disrupting the applicant's income.

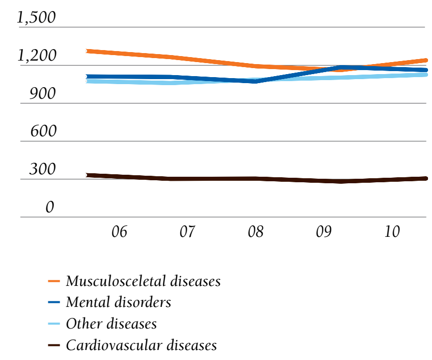
The development of rehabilitation support forms continued during the year, together with rehabilitation service providers, with the objective to cater to customers' needs even better than before. As a result of this development work, employees have benefited from broader personal and local support to find a new trial work place, to establish a plan for returning to work or to re-train for a new suitable job.

Among the various rehabilitation measures, trial work and job coaching are still the most frequently implemented. However, changes in society and working life have increased the need to focus on re-training. ■

Rehabilition applications via Ilmarinen, amount



Grounds for granting disability pensions, amount



A GREAT PLACE *to work*

For several decades, Ilmarinen has been rated a good employer in internal personnel surveys. The company participated in the Great Place to Work survey also in 2010 and was for the second time one of the best ones. The results show that Ilmarinen's employees are proud of their work and have a good team spirit.

The year brought major changes from both the organisation's and the personnel's perspectives. The values and strategy clarified in 2009 were put to a test when new operating models were introduced in most parts of the organisation.

The changes in the organisation and the operational models were driven by the desire to adopt a customer-focused approach and to increase the efficiency of operations. The framework for the change had already been created during 2009, but practical implementation and learning the ropes continued throughout 2010 and will continue during the years to come.

The personnel were involved in the implementation of the changes in many ways, including participation in various workshops.

The change directly concerned about 300 Ilmarinen employees, who switched organisations, tasks or work stations or got a new supervisor. Everyone had to learn new ways and give up some of the old ones. The new units, departments and teams were provided with coaching sessions according to their needs and supervisors were also trained. Learning the new tasks still continues.

The personnel's satisfaction with management and daily leadership improved, even though the year was challenging in many respects because of the major changes. The trend has been positive in two successive surveys concerning supervisory work. In the latest survey, grades improved in all areas, with an average of nearly 4 for all statements on a scale from 1 to 5.

Share of women high in top management.

In 2010, Ilmarinen participated in the Great Place to Work survey for the second time. Even though its grades slightly declined from the previous year, Ilmarinen still ranked second in the category for large organisations.

Ilmarinen developed a new incentive system for long-term remuneration, which is important in the financial sector in general. A long-term remuneration system was also developed for management, with targets and earnings criteria stemming from Ilmarinen's business strategy.

The system for management consists of successive three-year earnings periods during which bonuses are earned on the basis of predefined criteria. At the end of each earnings period, the bonus earned is paid out to the target group in four instalments over three years.

As regards the long-term remuneration of personnel, Ilmarinen's Board of Directors decided to introduce a profit-sharing system which allowed the creation of a personnel fund. The constitutive meeting of the personnel fund took place in 2010 and the first earnings period under the profit-sharing system starts in 2011.

Ilmarinen also discussed its annual performance management and the related short-term remuneration. Target-setting was reworked to show a clearer link between objectives and company success. Short-term remuneration will be developed further during 2011.

New personnel management models were adopted in 2010. The focus was particularily on competence development. A new competence philosophy covering also a new model for individual development discussions was piloted in 2010. The actual implementation will take place during 2011.

Ilmarinen's new competence map will guide supervisors and employees to focus, on the one hand, on strategic competences that bring competitive advantages to Ilmarinen and, on the other hand, on professional competences during the individual development discussions. The discussions are increasingly oriented towards seeking the employee's strengths and discussing how they could be put to broader use.

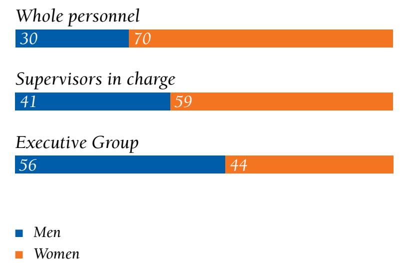
One of Ilmarinen's future focus areas will be learning on the job. An efficient approach to learning consists of 70 per cent of learning on the job, 20 per cent of learning from feedback or from peers and 10 per cent of traditional training.

The number of personnel employed by Ilmarinen has remained stable for the past few years despite the growing scale of operations. In 2010, the number of personnel remained on par with the previous year's level.

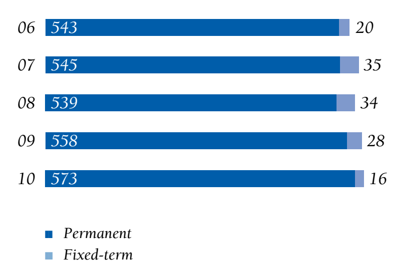
Sick leaves and employee turnover have slightly increased from 2009, but they still remain at a low level. The increase in employee turnover can be explained by the retirement of employees.

The proportion of women in supervisory and senior management positions is exceptionally high compared to e.g. the services sector as a whole.

Gender distribution in different functions, %



Trend in personnel numbers, amount



KEY PERSONNEL FIGURES

	2010	2009
Employee turnover, % (incl. retirement)	5.1	3.2
Sick-leaves, %	3.6	3.1
Average age of retirement	61.5	64

ENVIRONMENTAL RESPONSIBILITY
is a major aspect of real estate investments

Ilmarinen operates in an industry where the direct environmental impacts of the company's operations are relatively minor. Ilmarinen still, however, wants to bear its responsibility for the environment and pays attention to environmental issues in all of its operations. This is highlighted particularly when assessing the environmental impacts of real estate and other investment objects owned by the company. In its own premises, Ilmarinen complies with WWF's Green Office environmental management system. The company also requires a good level of environmental performance from its service providers.

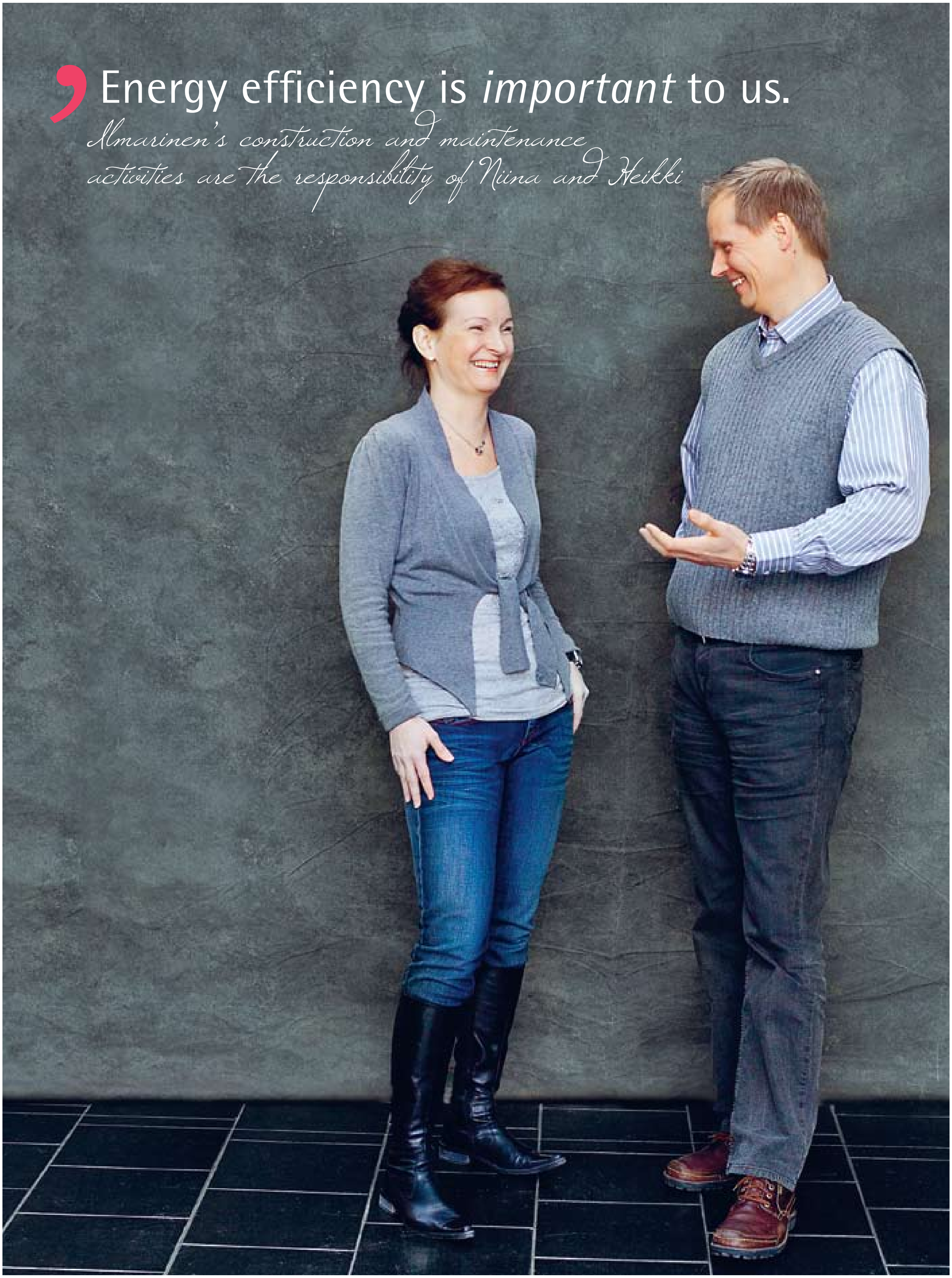
What do we measure?

Assessment of Ilmarinen's environmental responsibility mainly focuses on responsible investment operations. To that end, the company committed to the UN Principles for Responsible Investment in 2006. In real estate investments, Ilmarinen also monitors the energy efficiency of the properties it owns and constantly seeks to reduce energy consumption in accordance with the energy efficiency agreement of the Confederation of Finnish Industries EK. In addition, the company wishes to minimise the environmental impacts of its own operations and those of its customer contacts. ■

indicator	*current situation*	*target*
1. UN Principles for Responsible Investment.	1. The number of ongoing major engagement processes and successfully completed processes has been reported.	1. Continue reporting in the same way.
2. Reduction of energy consumption in properties owned by Ilmarinen in accordance with the energy efficiency agreement of the Confederation of Finnish Industries EK.	2. Energy savings of 3.3% by the end of 2010 compared to 2005.	2. Energy savings of 9% by the end of 2016 compared to 2005.
3. Conditions of WWF's Green Office certification.	3. Conditions of WWF's Green Office certification met.	3. Maintain WWF's Green Office certification.
4. Increasing use of online services in certain services.	4. 4.0%-points in 2010.	4. 4%-point increase in the use of online services annually.

Energy efficiency is *important* to us.

Ilmarinen's construction and maintenance activities are the responsibility of Niina and Heikki



★ Niina and Heikki have been employed by Ilmarinen for a total of 14 years.

ILMARINEN'S CONSTRUCTION ACTIVITIES *respect the environment*

Ilmarinen's environmental responsibility is particularly highlighted in construction. New developments are taking place in this area, as climate change and tightening energy regulations have altered traditional construction. Ilmarinen has embraced the new challenges in its own real estate investment activities. Ilmarinen's objective is to be involved in the development of construction. The company strives to anticipate changing user needs when planning a new building and to construct versatile buildings that offer a long service life.

As an owner and client, Ilmarinen is more strongly involved in planning the projects, developing the contracts and setting targets. In 2010, Ilmarinen drew up guidelines concerning construction requirements, which are applied by the company in its construction projects. These requirements address, for example, the energy class required for the projects, energy architecture considerations and plan reviewing process.

The project to update design guidelines is aimed at ensuring that the design guidelines meet current requirements, while also addressing the future tightening energy regulations and preparing for the zero energy standards for 2020.

Environmental certifications have become part of the construction process. Ilmarinen looks into the possibility of executing each project according to international environmental ratings. One of the best-known international certifications is LEED.

LEED® (Leadership in Energy and Environmental Design) is an environmental rating for the design, construction, operation and maintenance of buildings. The LEED Green Building Rating SystemTM is an internationally recognised eco-efficiency rating for buildings. The project to be certified is assessed based on six criteria: sustainable site development, water savings, energy efficiency, materials selection and recycling, indoor environmental quality and innovations in the design process. Ilmarinen currently has two LEED development projects underway, with the objective of reaching the Gold and Platinum certification levels.

> Climate change and tightening energy regulations shape Ilmarinen's construction activities.

Ilmarinen joined the Confederation of Finnish Industries' energy efficiency agreement in 2008. Under the agreement, Ilmarinen committed to cutting energy consumption by 9 per cent from the 2005 level by the end of 2016. The energy savings achieved in Ilmarinen's properties by the end of 2010 amount to 3.3 per cent. That means that over one-third of the target has been achieved. The next interim target is to achieve 7 per cent savings by the end of 2014.

The energy savings achieved are the result of the energy audits carried out in the buildings. Most of the saving measures proposed in the audits were so called zero investments, i.e. the savings have been achieved by using the property correctly. A total of around 130 measures proposed in the energy audits have been implemented in 20 properties. Energy-saving investments worth around EUR 800,000 have been carried out in the properties.

In addition to energy audits, Ilmarinen is constantly looking for new solutions to manage energy consumption. Developments in the industry are followed up actively and new solutions are implemented through pilot sites.

International co-operation is part of environmental responsibility. Since 2006, Ilmarinen has been part of the Carbon Disclosure Project (CDP), an international organisation that addresses climate change issues from the investor's perspective. Alongside CDP, Water Disclosure Project (WDP) was launched to understand companies' use of water and their dependence on water in their operations.

Water consumption is expected to greatly exceed supply and it is believed that various availability problems will increase. Thus the investor also needs to take into account the risks and opportunities related to water and its availability when making investments decisions. In collecting data, organisations such as the CDP and the WDP are important for making comparable information available.

The direct environmental impacts of Ilmarinen's own operations are mainly limited to its own premises. Ilmarinen has implemented a number of measures to reduce its environmental impact, and as proof of its systematic efforts, the company was granted the WWF's Green Office certification for its own premises in 2010.

The environmental impacts of Ilmarinen's head office are mainly caused by water, paper and energy consumption and carbon dioxide emissions from the company's vehicles. In its environmental programme, Ilmarinen commits, among other things, to reducing the negative effects caused by these factors on the environment. The implementation of the measures included in the environmental programme is monitored on a yearly basis, which encourages continuous improvement. ■

District cooling consumption, KWh/m³/year

Heat consumption, KWh/m³/year

Electricity consumption, KWh/m³/year

Water consumption, l/m³/year

The monitoring includes all real estate fully maintained by Ilmarinen.

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 2010 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 54 of the Corporate Governance Code has been published in a separate report and is available on pages 87–89. 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 on the principles concerning the allocation of votes can be found in Ilmarinen's Articles of Association on the company's website.

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 2010 Annual General Meeting was held on 14 April 2010 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 2009.

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 2010. The average meeting attendance rate of the Supervisory Board members was 71.7 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 meeting fee and review fee for all members of the Supervisory Board are EUR 500 per meeting. Pension accrues on the work of the Supervisory Board members in accordance with TyEL. The members of the Supervisory Board are presented on page 34.

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 meeting fee for the members of the Election Committee is EUR 500 per meeting. The members of the Election Committee are presented on page 35.

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 2010, the Board met 10 times. The average meeting attendance rate of the Board members was 89.4 per cent.

The Supervisory Board decided in its meeting on 16 November 2010 that the fees would remain unchanged. As of 1 January 2011, 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 for all members of the Board of Directors is EUR 500 per meeting. Pension accrues on the work of the Board of Directors' members in accordance with TyEL. The members of the Board of Directors are presented on pages 34–35.

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 Timo Ritakallio.

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 includes, in addition to the President and CEO, nine management representatives and one employee representative. 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 36–37.

Remuneration

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 2010 was EUR 463,012.93 and performance-based bonus EUR 131,903.00. 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. In addition, the President and CEO is covered by the long-term remuneration system for key personnel.

The earnings of Ilmarinen's Executive Group also consist of a basic salary, an annual performance-based bonus and, in future, also of long-term remuneration of key personnel. Annual remunerations for the Executive Group depend on how well Ilmarinen, the division and the Senior Vice President have achieved the set annual targets. The maximum number of bonuses requires achieving a challenging target level and verifiable results.

The long-term remuneration system for key personnel was adopted at Ilmarinen in 2010. Success in achieving long-term strategic goals has been identified as a priority in the system. Around 50 people are covered by the system, including the President and CEO and the Executive Group.

The amount of the bonuses paid under the long-term remuneration system for key personnel depends on achieving the criteria set in advance by the Board of Directors during the earnings period of three consecutive years. The possible bonus is paid during the following four years. The first earnings period is from 1 January 2010 to 31 December 2012. The maximum bonus and the amount of bonus paid for the earnings period are increased or decreased annually according to the success of the company's investment operations. The Board of Directors has the right to alter the targets set for the earnings criteria due to a major change occurring during the earnings period. The Board of Directors decides the maximum bonus amount for each key person included in the target group for the earnings period. The maximum annual bonus amounts to about 15–30 per cent of the annual salary.

The earnings of Ilmarinen's personnel also consist of a basic salary, an annual performance-based bonus and, in future, also of long-term remuneration of key personnel. The annual performance-based bonuses are tied to the achievement of company, department and personal level targets. The Investment division and separately agreed account managers of the Customer Accounts division have their own perfomance-based bonus system which is reviewed annually.

Long-term remuneration for personnel is based on a profit-sharing system, based on which the personnel established a personnel fund in 2010. It covers all of Ilmarinen's employees who have been employed by the company for at least six months and who are not covered by the remuneration system for key personnel. The criteria are the same as those for the long-term remuneration system for key personnel. The Board of Directors annually decides on the amount of profit sharing to be transferred to the personnel fund based on how well the targets have been reached. The maximum amount of profit sharing is a sum equal to two weeks' salary. .

The remuneration systems for

Ilmarinen's management and personnel are handled by the Board's Compensation and Nomination Committee and approved by the Board.

Retirement age for executives

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 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 retirement age for other executives is the general old-age retirement age, i.e. 63–68 years.

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 80–84. Auditors, supervisors of pension decision and investment operations, and members of committees are listed on page 35.

Ilmarinen paid its auditors Ernst & Young Oy a total of EUR 258,509 for audit services, EUR 46,457 for tax advice and EUR 31,521 for other advisory services in the course of 2010, including VAT. ■

Supervisory Board, Board of Directors *and Supervisors*

Mikko Pukkinen, Leila Kostiainen, Reijo Karhinen and Matti Halmesmäki

George Berner, Lauri Lyly and Riku Aalto

SUPERVISORY BOARD

Jorma Eloranta, Chairman
Chairman of Ilmarinen's Supervisory Board, due to resign in 2012

Merja Strengell, Deputy Chairman
Board Chairman of The Finnish Association of Graduate Engineers TEK, due to resign in 2012

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 2012

Ilkka Hämälä
President and CEO of Oy Metsä-Botnia Ab, due to resign in 2012

Liisa Joronen
Board Chairman of SOL Palvelut Oy, due to resign in 2012

Pasi Kallio
Steward 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 2012

Tarja Lankila
Director of Membership Support of the Trade Union Pro, due to resign in 2011

Sakari Lepola
President of the Wood and Allied Worker' Union, due to resign in 2011

Matti Lievonen
President and CEO of Neste Oil Corporation, due to resign in 2012

Jarmo Mikkonen
Country President of Securitas Group, 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

Matti Niemi
Managing Director and CEO of HOK-Elanto, due to resign in 2012

Krister Olsson
President of The Finnish Taxi Owners Federation, due to resign in 2011

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 2012

Jari Sarjo
President and CEO of Lassila & Tikanoja Plc, due to resign in 2012

Pirjo Terilehto
Financial Director of the Trade Union Pro, due to resign in 2012

Riitta Tiuraniemi
CEO of DNA Ltd, due to resign in 2012

Maarit Toivanen-Koivisto
Chair of the Board of Onvest Oy, due to resign in 2011

Juha Vanhainen
Country Manager Finland of Stora Enso, due to resign in 2012

Mika Vehviläinen
President and DEO of Finnair Plc, due to resign in 2012

Esa Vilkuna
President of the Finnish Post and Logistics Union (PAU), due to resign 2012

BOARD OF DIRECTORS

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

Hannu Syrjänen, Chairman
Chairman of Ilmarinen's Board of Directors
b. 1951, B.Sc (Econ), Master of Laws

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

Mikko Pukkinen, Deputy Chairman
Director General of Confederation of Finnish Industries, EK
b. 1954, LLM

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

Hannu Syrjänen, Kristian Pullola, Leena Niemistö and Markku Vesterinen

Hannu Rautiainen, Matti Viljanen, Timo Parmasuo, Anne Berner and Jukka Alho

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

Matti Halmesmäki
President and CEO of Kesko Corporation
b. 1952, M.Sc. (Econ.), LL.M.

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

Leila Kostiainen
General Secretary of the Finnish Confederation of Salaried 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
b. 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 DECISION OPERATIONS

Supervisors
Kim Gran
Pasi Kallio
Timo Kohtamäki
Sakari Lepola
Krister Olsson
Mika Vehviläinen

Deputies
Ilkka Hämälä
Veikko Kuusakoski
Sinikka Mönkäre
Matti Niemi
Timo Räty
Juha Vanhainen

SUPERVISORS OF INVESTMENT OPERATIONS

Supervisors
Matti Lievonen
Jussi Pesonen
Pirjo Terilehto
Riitta Tiuraniemi
Maarit Toivanen-Koivisto
Esa Vilkuna

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

NOMINATION AND COMPENSATION COMMITTEE

Hannu Syrjänen, chairman
Lauri Lyly
Mikko Pukkinen

AUDIT COMMITTEE

George Berner, chairman
Leila Kostiainen
Hannu Rautiainen
Kristian Pullola

ELECTION COMMITTEE

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

AUDITORS

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

Executive Group *and other management*

Timo Ritakallio, Harri Sailas, Sini Kivihuhta and Timo Aro

Jaakko Tuomikoski, Hillevi Mannonen and Jaakko Kiander

EXECUTIVE GROUP

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

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

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

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

Jaakko Kiander
Senior Vice President, Finance and Pension Policy
b. 1963, Dr. sc. pol.
He has worked for Ilmarinen since 2010

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

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

Mika Mononen
Personnel representative
b. 1975, BBA (tradenomi),
He has worked for Ilmarinen since 2003

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 Customer Support
Contact Director Jukka Welling

Marketing
Marketing Director Jouni Saarinen

Well-Being at Work Services
Well-Being at Work Director Kati Huoponen

Development
Development Director Soili Flygar

PENSION INSURANCE

Customer Service
Customer Director Mika Paananen

Major Customer Services
Department Manager Minna Hakkarainen

Customer Services
Department Manager Jari Matveinen

Pensions
Pension Director Anne Koivula

Pension Benefits
Department Manager Tarja Hurskainen

Capacity assessment and rehabilitation services
Department Manager Tuire Hakonen

Pension Payments
Department Manager Tarja Lamminmäki

Development
Development Director Irmeli Kesonen

Insurance
Insurance Director Tiina Nurmi

Insurance services
Department Manager Eeva-Liisa Rahikainen

Insurance Technics
Department Manager Kirsti Koponen

Collection and Payments
Department Manager Markku Riikonen

Medical Insurance Specialists
Chief Medical Officer Seppo Kettunen

Juhani Karjasilta, Päivi Sihvola, Mika Mononen and Pirkko Auvinen

INVESTMENTS

Listed Securities
Head of Listed Securities Matti Rusanen

Finnish Equity Investments
Head of Listed Securities Matti Rusanen

International Equity Investments
Head of Equities Juha Venäläinen

Fixed Income
Head of Fixe Income Jari Eskelinen

Non-Listed Investments
Director Esko Torsti

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

Non-listed Equities
Senior Portfolio Manager Timo Kärkkäinen

Private Equity and Hedge Funds
Private Equity Director Mikko Räsänen

Corporate Finance
Corporate Lending Director Vesa Pohjankoski

Allocation and Ilmarinen Alpha
Director Ville Helske

Alpha 1
Director Laura Männistö

Alpha 2
Director Teemu Ahonen

Investment Administration
Investment Administration Director Heidi Koskinen

Securities 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

Actuarial 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 Resources Development
HRD Manager Barbro Björkestam-Bärlund

Human Resources
Human Resources Manager Arja Savolainen

ICT

ICT Services
Department Manager Juha Junnelin

ICT Management
Department Manager Jukka Hirvinen

LEGAL MATTERS

Director Pirkko Auvinen

INTERNAL AUDITING

Internal Audit Manager Heidi Weissmann

Advisory committee *for insurance clients*

The term of office of all members will expire in 2013.

Juha Ahvenniemi,
The Association of Finnish Accounting Firms

Martti Ala-Härkönen,
Cramo Plc

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

Markku Eloranta,
Bayer Oy

Ari Haapanen,
Finavia Corporation

Petri Heino,
TukkuHeino Oy

Mika Heinonen,
Suomen Sulkapalloliito ry

Heikki Helkavuori,
TEAM Teollisuusalojen ammattiliitto ry

Arto Herranen,
Enfo Oyj

Kari Häyrinen,
Finpro ry

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

Mauri Kontu,
Vahterus Oy

Pauli Korpi-Tassi,
Pohjanmaan Puhelinosuuskunta PPO

Petri Kupiainen,
Petri Kupiainen Oy

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

Seppo Lahti,
I-Print Oy

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

Jouni Lintunen,
Vaisala Corporation

Jari Mellas,
The Finnish Association of Graduate Engineers TEK

Ahti Myllys,
SKAL Finnish Transport and Logistics

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

Jukka Ottela,
Esan Kirjapaino Oy

Päivikki Palosaari,
Hullu Poro -yhtymä

Tahvo Pekkinen,
E.M. Pekkinen Oy

Katri Pietilä,
Aina Group Oyj

Tom Pippinsköld,
Fingrid Oyj

Pertti Purovesi,
Rakennusosakeyhtiö Hartela

Matti Pöyry,
Finnish Dental Association

Eeva Rantala,
Finnish Union of University Researchers and Teachers

Seppo Rantala,
Helprint Oy

Antti Rantalainen,
Rantalainen Oy IA International

Ilkka Ruohola,
Kultakeskus Oy

Seppo Saarelainen,
Betonimestarit Oy

Pekka Sahamies,
Urtava Oy

Ari Sandberg,
Finnish Hairdressers' Association

Lauri Sipponen,
Lidl Suomi Ky

Magnus Sjöblom,
Sitra

Janne Skogberg,
Voltmen Oy

Riitta Smolander,
Kyyhkylä-säätiö

Aimo Takala,
Kemijoki Oy

Kari Tarkiainen,
The Finnish Goldsmith Association

Reijo Tauriainen,
Technopolis Oyj

Pentti Tiainen,
Suomen Yrittäjät ry

Harry Viiala,
HyXo Oy

Pasi Vilhunen,
Barona Group Oy

Ville Vähälä,
Vähälä Logistics Oy

Markku Vähä-Mustajärvi,
Mikkelin Betoni Oy

Ritva Välimäki,
The Association of Finnish Lawyers

Antti Zitting,
Sacotec Components Oy

Advisory committee *for the insured* and *on pension affairs*

Advisory committee for the insured

The term of office of alla members will expire in 2013.

Kim Englund, F-Secure Oyj, AKAVA

Seppo Fahlström, Vantaan Sähkö-Jope Oy, SAK

Anne Gärding, Kaleva Kustannus Oy, SAK

Kari Halminen, Teollisuuden Voima Oyj, 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

Tyyne Hirvonen, Atria, Elintarvike, STTK

Hannu Juppi, Finnair Plc, AKAVA

Markku Järvinen, Ramboll, STTK

Markku Kankainen, UPM-Kymmene Corporation, SAK

Kari Koivisto, Yrjö Wigren Oy, SAK

Marko Koivisto, Comforta Oy, SAK

Leo Kolari, WSOY, STTK

Esa Koskinen, Tietokarhu Oy, STTK

Hanna Laitila, Joutsen Finland Oy, SAK

Hannele Lehdonkivi, Suomen Matkatoimisto, SAK

Katja Lundell, Componenta Finland Oy, SAK

Juha Nevalainen, Yara Suomi Oy, AKAVA

Mika Oja, DNA, STTK

Lars Pekkanen, Metso Paper Oy, SAK

Irmeli Perälä, Fenestra Oy, STTK

Tanja Puttonen, Kuntopolku Oy, SAK

Pekka A. Rantala, UPM-Kymmene Corporation, AKAVA

Jukka Rautalin, Santen Oy, STTK

Risto Ruissalo, Logica Suomi Oy, STTK

Kari Salminen, Atria Finland Ltd, SAK

Timo Salonen, Tieto Corporation, STTK

Tarja Savolainen, Sokos Helsinki, SAK

Vesa Vauhkala, Metso Paper Oy, AKAVA

Mikko Väisänen, Metso Automation Oy, STTK

Advisory committee on pension affairs

Representatives of employees

Pauliina Juntunen, Trade Union Pro

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

Aleksei Solovjew, IAET-kassa

Antti Veirto, 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 2010*

The Finnish-language official financial statements of Ilmarinen and the Group are on display on the company's website: 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 guide for readers on pages 90–91.

Contents:

Report on operations *2010*

Economic development

The financial markets recovered surprisingly fast from the global crisis that erupted in autumn 2008: they practically returned to normal already during 2009. Recovery from the global problems in the real economy following the financial crisis also started earlier than expected. However, total production in 2010 still remained below the 2008 level in several industrialised countries. At the same time, the massive increase in public debt became an ever more serious problem in the Euro zone. Against this background, the future still remains uncertain, even though the fear of another collapse has given way to expectations of slow growth, marked by uncertainty and minor fluctuations. One of the primary factors of uncertainty is whether the growth is based on a sustainable foundation or whether it only is a result of strong stimulus measures. The financial markets are burdened by the problems that the Euro zone countries face in their public finances.

The Finnish national economy took an upturn earlier than expected in 2010. Despite rapid growth, total production at the end of 2010 still remained at a markedly lower level than before the crisis. Even during the downturn, unemployment remained lower than feared, and the average employment rate in 2010 stood at 8.4 per cent. The employment rates of both 55–59 and 60–64-year-olds has been on the rise throughout the 2000s, and did not decline even during the 2009 downturn. The private sector payroll amount increased by 1.2 per cent in 2010. However, the financial crisis created a major sustainability deficit in Finland's public finances. Focus of economic and social-political debate is on finding the means to solve it.

Share prices developed favourably on the annual level, but with considerable variations from quarter to quarter. Key interest rates remained low, but the threats related to the Euro zone countries' public debt, which culminated at times, resulted in heavy fluctuations in credit risk premiums. Consumer prices in 2010 were on average 1.2 per cent higher than in the previous year, but the rise gained momentum towards the year-end, reaching 2.9 per cent. Pension institutions percentages of return on investments at current value were high, with a long-term real average return of over 4 per cent.

Developments in the earnings-related pension system

A change has been going on in the Finnish population age structure for a long time, with an ever growing increase in the proportion of senior citizens. A rapidly increasing average life expectancy is also contributing to this development. The change in age structure poses a permanent challenge to the pension system. The conditions for managing the financial balance of the earnings-related pension system will continue to be impaired by a low employment rate resulting from the economic downturn.

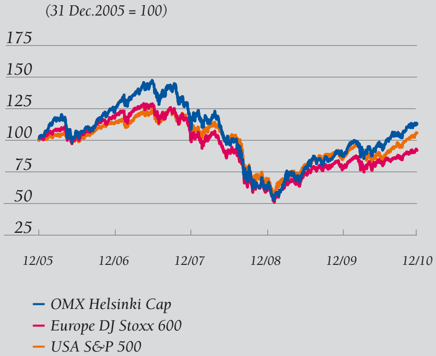
The development experienced in 2010 as such was positive: the employment rate of senior workers, which is important in terms of earnings-related pensions, remained positive. The number of people retiring on earnings-related pension was over 10 per cent lower than in the previous year, and the retirement age expectancy rose by over six months to 60.4 years from the 2009 level. Half of this change resulted from the discontinuation of unemployment pension as a pension form and half from the general decline in the pension starting rate. The retirement age expectancy has increased more rapidly than expected when the target was set during the pension reform in 2005.

A broad consensus exists in the Finnish society that extending work careers further at both ends is necessary for the entire national economy and public finances and to ensure the level and financing of earnings-related pensions. There are, however, differences in opinion concerning the methods needed to achieve this goal.

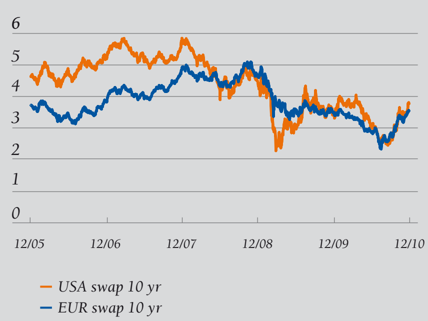
Initially, attempts were made to reconcile the different opinions by setting up two working groups with a term of about one year. In January 2010, the working group in charge of the development of working life reached a consensus on measures

Stock market performance

(31 Dec.2005 = 100)



Long-term interest rates, %



to promote coping at work. However, the working group looking for solutions from the pension scheme was unable to agree on the extent to which measures other than those related to the development of working life would be required to achieve the set goals.

In spring 2010, the Government and labour market organisations agreed that the work should focus on preparing a programme for sustainable economic growth and employment. Five of the six sub-working groups issued their reports in early autumn 2010, but the career working group, for which no term had been specified, continued its work. It had not been assigned to make proposals. Its mission was to bring together the various alternatives that meet the requirements set concerning the level of pension cover, the sustainability of the earnings-related pension system's finances and the deferral of retirement.

Following the financial crisis, the Finnish Government and Parliament deemed it necessary to enact a temporary act in autumn 2008, amending the solvency regulations of pension insurance companies on a temporary basis until the end of 2010. In spring 2010, the validity of the act was extended by another two years. The two working groups set up by the Ministry of Social Affairs and Health to examine the possible needs to make permanent or long-term amendments to the solvency regulations issued their reports in April 2010. The working groups made numerous proposals to be implemented in three phases. The first-phase amendment proposals to clarify the current act were submitted to Parliament in late 2010 and they are meant to take effect at the end of March 2011. The second and third phase amendments concern a more far-reaching development of the solvency regulations and, among other things, the governance, reporting and taxation of pension institutions.

The long-term work to examine the earnings-relation pension system's competitive landscape has still not led to concrete proposals. According to available data, the Ministry of Social Affairs and Health considers that the studies conducted so far are sufficient and that it is time to move to the implementation phase. A starting point in this is to maintain the special characteristics of the various pension institution types.

Interest difference between credit risk bonds and government bonds, % basis points per annum

Reducing regulation concerning the insurance contribution calculation bases is one of the key elements in the area of developing the competitive arena. A shift towards company-specific calculation bases is likely, but will take place slowly. The proposal made by pension insurance companies in 2008 to provide the option to make the regulations concerning the expense loading and the allocation of client bonuses to clients company-specific is still waiting to be taken forward. At the moment, it is expected that a possible amendment could take effect in 2014 at the earliest. The policies adopted by pension insurance companies in projects aimed at maintaining working capacity have gained more attention and are also expected to be subject to stricter regulations.

Ilmarinen's result and solvency

2010 was a year of positive development for Ilmarinen. The high return on investments further improved the long-term average return on investments, and the increase in customer base is proof of the trust customers place in the company.

The net return on Ilmarinen's investments, calculated at current value, was 10.8 per cent in 2010 (15.8 per cent in 2009). Solvency capital, i.e. the difference between the company's assets and liabilities measured at current value, increased to EUR 6,578.2 million from EUR 4,876.9 million in the previous year. At the end of 2010, solvency capital amounted to 29.7 (24.0) 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 923.4 (845.4) million. Without this item, the solvency capital would have amounted to EUR 5,654.8 (4,031.5) million and the company's solvency ratio to 24.5 (19.1) per cent.

The solvency capital is intended to cover the risks inherent in investments. The monitoring limits for the solvency capital of pension insurance 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. The classification is 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 financial period was 2.6 times the solvency border, compared to 2.7 a year earlier. Without the amount of provision for pooled claims comparable to solvency capital according to temporary legislation, the solvency position would have been 2.1 (2.2).

Ilmarinen's total financial result in 2010 at current value stood at EUR 1,706.2 (2,180.4) million. The underwriting result under the company's own responsibility was EUR 96.4 (-22.5) million and its loading profit was EUR 31.6 (27.7) 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 2,738.8 (3,410.4) million. The interest refunded on technical provisions was EUR 797.6 (617.6) million and the change in the equity linked buffer was EUR 363.1 (617.7) million. The equity linked buffer ties, for ten per cent, the interest refunded on the technical provisions to the average return on listed equities of pension funds and thus transfers the equity risk to be covered by the entire earnings-related pension system. The surplus from investment operations was EUR 1,578.1 (2,175.2) million.

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 loading profit. EUR 71.0 (52.0) million will be allocated for client bonuses. The transfer is 0.48 (0.37) per cent of the insured payroll and EUR 142 (110) 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. The difference between the book value and the total result is entered as technical provisions, excluding the change in depreciation difference. In 2010, the result in the profit and loss account was EUR 4.9 (3.9) million.

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

EUR mill.	**2010**	2009
Result in the profit and loss account	**4.9**	3.9
Change in technical provisions		
Change in equalisation provision	**96.6**	−22,5
Change in provision for future bonuses	**6.9**	685.0
Transfer to client bonuses	**71.0**	52.0
Change in depreciation difference	**−5.4**	−0.5
Change in the difference between current value and book value, i.e. valuation gain/loss	**1,532.2**	1,462.5
Profit at current value	**1,706.2**	2,180.4

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 pension insurance companies without signing an actual insurance contract.

Ilmarinen's insurance portfolio again took an upturn after the previous year's decline due to the economic downturn. The number of TyEL insurance policies at the end of 2010 stood at 36,767 (35,840), up by 2.6 per cent. In addition to employers with insurance contracts with Ilmarinen, 3,224 (2,484) temporary employers paid TyEL contributions to the company. At the end of the year, 501,000 (472,000) insured were covered by TyEL insurance policies, which was 6.1 per cent more than at the end of the previous year. The average size of TyEL insurance policies in 2010 was almost 14 persons, slightly up from 13 in 2009.

The TyEL payroll insured at Ilmarinen was EUR 14,702.0 (14,041.0) million. This was 4.7 per cent more than the payrolls insured in the previous year. The market share calculated from the insured TyEL payroll amount is estimated to have remained unchanged in 2010.

Ilmarinen had 53,660 (52,243) 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 21,305 (20,832). It increased by about 2.3 per cent from the previous year, or by less than the wage coefficient to which YEL reported income is tied and which increased by 3.3 per cent.

In 2010, Ilmarinen's premiums written stood at EUR 3,383.2 (3,184.1) million.

EUR 3,152.0 (2,966.4) million in TyEL insurance premiums were received, i.e. TyEL premiums written increased by 6.3 per cent compared to the premiums written in the previous year. In 2010, discounts in TyEL contributions, i.e. client bonuses, totalled EUR 52.1 million, compared with EUR 31.1 million in the previous year.

YEL premiums written stood at EUR 231.2 (217.7) million, an increase of 6.2 per cent.

Credit losses on unpaid TyEL insurance contributions amounted to EUR 11.0 (12.0) million. The decline in credit losses reflects the improved financial situation of corporate clients on average. Credit losses on unpaid YEL insurance contributions were EUR 2.8 (2.9) 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 was successful in customer acquisition together with its partners OP-Pohjola Group and Pohjantähti. In 2010, a merger project was underway between these partners, following the merger proposition made by Pohjola Insurance to Pohjantähti. Pohjantähti's Board of Directors voted in favour of the proposition, but the extraordinary general meeting rejected it on 8 December 2010. Ilmarinen's non-life insurance partners will thus continue operations as separate companies.

During the year, several pension funds transferred their pension portfolios to pension insurance companies. Several state enterprises were also privatised and their insurance was transferred to pension insurance companies. Ilmarinen's success in liability transfers and state enterprise insurance strengthened the company's position as an insurer of major customers.

The transfer of insurance policies between Ilmarinen and other pension insurance companies increased Ilmarinen's customer numbers and premiums written considerably.

A total of 4,151 new TyEL insurance policies were sold. This increases the annual TyEL premiums written by EUR 106.2 million. Ilmarinen's performance in transfers of TyEL insurance from other pension insurance companies was excellent. Its TyEL insurance portfolio increased by 686 policies and premiums written by EUR 72.6 million.

A total of 5,700 new YEL insurance policies were sold. This increases the YEL premiums written by EUR 19.1 million. Ilmarinen also performed excellently in the transfer of YEL insurance policies, the transfer resulting in 650 new policies and a gain of EUR 2.9 million.

Contribution level

The confirmed average TyEL contribution for 2010 was 22.0 per cent of an employee's salary or wage, i.e. the same as in the previous year. The share of contribution for employees under 53 years of age was 4.5 per cent and 5.7 per cent for those aged 53 and over. The average contribution for employers was 17.3 per cent of payroll. The employer contribution level varies according to insurance policy as well as the client bonuses paid by pension insurance companies. Ilmarinen's client bonuses were on average 2.1 (1.3) per cent of the employer contribution. Small and medium-sized employers were additionally granted a discount, which was 0.6 percentage points at maximum, to reduce the equalisation provision relating to unemployment pensions. Taking into account this discount, the employer contribution was on average 16.9 per cent.

The average confirmed TyEL contribution for 2011 is 22.4 per cent of an employee's salary or wage, i.e. 0.4 percentage points higher than in 2010. This rise is based on the agreement concluded by the social partners in early 2009. Small and medium-sized employers are granted a discount in order to decrease the financing surplus for unemployment pensions, which depends on the size of the employer and is at most 0.5 percentage points. The average contribution for employers is 17.1 per cent, up by 0.2 percentage points. The employees' pension insurance contribution percentages also increased. The share of contribution for employees under 53 years of age is 4.7 per cent in 2011, which is 0.2 percentage points higher than in the previous year. The share of contribution for employees aged 53 and over is 6.0 per cent, an increase of 0.3 percentage points.

The YEL contribution for 2010 was 21.2 per cent of confirmed income. The YEL contribution for self-employed persons who had turned 53 before the start of the financial year was, however, 22.4 per cent. In 2011, the YEL contribution is 22.9 per cent for self-employed persons who have turned 53 before the start of the financial year and 21.6 per cent for other self-employed persons. The former includes an increase of 0.5 and the latter 0.4 percentage points.

Pensions and activities to maintain working capacity

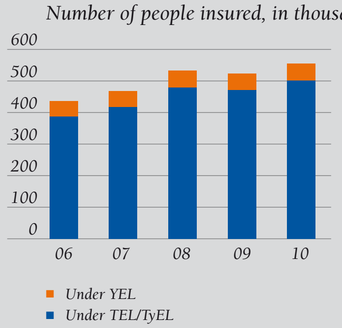
In 2010, Ilmarinen paid a total of EUR 3,267.5 (3,059.1) million in pensions.

Pension expenditure according to type in 2010, EUR million

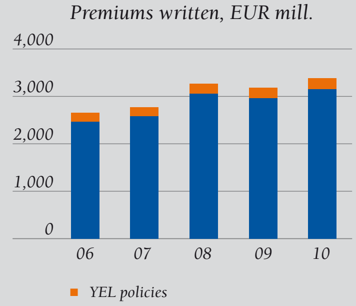
	TyEL	YEL	Total	% of total pension expenditure
Old-age pensions	2,008.6	152.7	2,161.3	66.1
Early old-age pensions	202.7	18.2	221.0	6.8
Part-time pensions	29.6	7.0	36.6	1.1
Disability pensions	427.1	29.4	456.5	14.0
Unemployment pensions	118.0	1.9	119.9	3.7
Survivors' pensions	247.1	25.2	272.2	8.3
Total	**3,033.1**	**234.4**	**3,267.5**	**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.

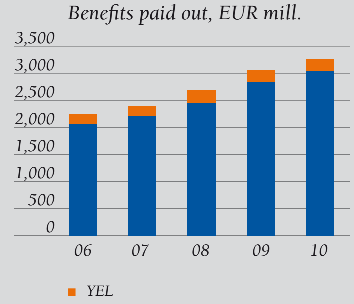
Number of people insured, in thousands



Premiums written, EUR mill.



Benefits paid out, EUR mill.



Number of pension recipients on 31 December 2010

Pensions in accordance with basic protection

Type of pension	TyEL	YEL	Total	%
Old-age pensions	164,033	20,871	184,904	62.5
Early old-age pensions	15,490	3,186	18,676	6.3
Part-time pensions	3,775	999	4,774	1.6
Disability pensions	35,264	4,037	39,301	13.3
Unemployment pensions	5,005	139	5,144	1.7
Survivors' pensions	36,110	6,918	43,028	14.6
Total	**259,677**	**36,150**	**295,827**	**100**

At year-end the number of pension recipients was 295,827, which is 4.5 per cent more than a year earlier, when they numbered 282,982 At the end of the year, 259,677 (248,873) pension recipients received TyEL pensions and 36,150 (34,109) received YEL pensions.

The majority of pension recipients, 69 per cent, were old-age pensioners. This share grew around two percentage points from the previous year. The proportion of pensioners on disability pension decreased by almost one percentage point, and that of pensioners on unemployment pension by half as this pension type was gradually phased out. The other pension recipient proportions remained unchanged.

Pension decisions in 2010

	2010	2009	Change %
New pension decisions			
Old-age pensions	**8,311**	8,446	–1.6
Early old-age pensions	**674**	693	–2.7
Part-time pensions	**1,740**	1,673	4.0
Disability pensions	**6,530**	6,086	7.3
Unemployment pensions	**706**	2,582	–72.7
Survivors' pensions	**3,127**	3,015	3.7
Total new pension decisions	**21,088**	22,495	–6.3
Total pension decisions	**36,930**	37,993	–2.8

Retirement in Ilmarinen's client base continued as expected. During 2010, Ilmarinen made a total of 36,930 pension decisions, which is 2.8 per cent less than during the previous year. The number of new pension decisions, which stood at an exceptionally high level in 2009 in the company, decreased by 6.3 per cent in 2010. A total of 21,088 new pension decisions were made. The substantial decline in the number of new unemployment pensions results from the gradual phase-out of this type of pension. The increase in the number of disability pension decisions is linked to the higher speed of application processing.

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. The share of negative decisions among disability pension decisions was 23.6 (22.6) per cent. Of the Ilmarinen decisions sent to appeal bodies, 8.2 (7.9) per cent of the decisions sent to the Pension Appeal Court (Työeläkeasioiden muutoksenhakulautakunta TELK) were amended against Ilmarinen's position, and 13.9 (11.0) per cent of the decisions sent to the Insurance Court were amended against Ilmarinen's position.

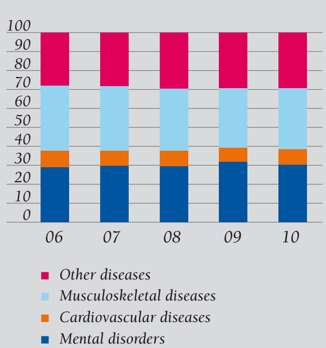
Year after year, the permanence of decisions has remained on a better level than on average with TyEL and YEL pension providers. In general, Ilmarinen had faster processing times for pension applications in 2010 than on average in the peer group. The congested processing of disability pension applications was speeded up in 2010, and the gap to the peer group narrowed to five days.

Ilmarinen remains the only pension insurance 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.

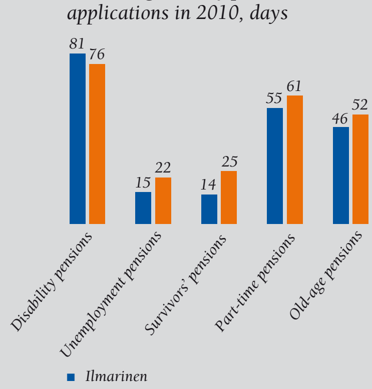
Ilmarinen was responsible for mailing pension records to approximately 703,500 insured persons. During July–November, around 681,000 pension records were mailed and in April–November, around 22,000 insured persons retrieved their pension records from the online service.

A total of 12,340 (13,995) individual pension insurance policies were reviewed in response to customers' queries.

Disability pensions, %



Processing times of pension applications in 2010, days



Source: The Finnish Centre for Pensions

For Ilmarinen's well-being-at-work services, 2010 was the most active year ever. Ilmarinen organised 31 seminars on well-being at work throughout Finland, which attracted 1,500 participants. During the year, Ilmarinen also had 485 distinct well-being-at-work projects underway in co-operation with clients. Co-operation with clients is systematic and goal-oriented and the projects are always targeted at jointly identified challenges related to well-being at work. As a general rule, co-operation is based on written agreements and the results produced by the services are monitored through customer surveys, for example. This monitoring shows that the services have improved well-being at work and reduced disability risk in client companies.

Ilmarinen continued to support the vocational rehabilitation of the personnel of its corporate clients by offering training in vocational rehabilitation and, during the rehabilitation planning stage, guidance and expert support for both employees seeking rehabilitation and the staff of the client companies. 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 2010, Ilmarinen paid a rehabilitation allowance or a rehabilitation increment tied to a pension during vocational rehabilitation in 1,697 (1,571) cases. The amount of these payments increased by 11.4 per cent from the previous year.

Underwriting business, technical provisions, portfolio transfers and fund transfers

At the end of 2010, technical provisions stood at a total of EUR 24,657.4 (22,609.7) million. Provision for future bonuses increased by net EUR 98.7 million and stood at EUR 1,552.9 (1,454.2) million at the end of the year. The equity linked buffer increased by net EUR 363.0 million and stood at EUR 201.8 (-161.2) million at the end of the year. Otherwise, the increase in technical provisions was 7.4 per cent.

The underwriting result under the company's own responsibility was EUR 96.4 (-22.5) million. The equalisation provision grew by EUR 96.6 million to EUR 1,067.9 million. The difference between the underwriting result and the equalisation provision resulted from adjustment items for previous portfolio transfers.

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 pension insurance companies is determined on the basis of the average solvency of pension institutions, and the remainder, 10 per cent, 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. The interest refunded on technical provisions equalled 4.8 per cent.

The technical rate of interest use to calculate insurance contributions was 3.50 per cent in the first half of the year and 4.50 per cent in the second half.

Assets that cover technical provisions stood at EUR 26,171.1 (25,137.5) million.

In 2010, one industry-wide pension fund and four company pension funds transferred part or all of their portfolios to Ilmarinen. The transferred liability was net EUR 844.9 million, of which provision for future bonuses made up EUR 91.8 million.

Investment operations

The objective of Ilmarinen's investment operations is the highest possible return on investments in the long term. However, the average risk of the investments may not be too high in relation to the company's risk bearing ability. A long-term approach is essential in investing pension assets. The average long-term expected return on Ilmarinen's investment assets is 6 per cent, and the expected standard deviation of the return is 8 per cent. Despite the nervousness provoked by the sovereign debt crisis in the Euro zone in the markets, the good result development of companies led to a positive development of asset values and thus also a positive development for Ilmarinen during the financial year.

At the end of 2010, Ilmarinen's total investments calculated at current value were EUR 28,121.7 (25,179.8) million. The return on investments at current value was 10.8 per cent. With an inflation rate of 2.9 per cent during the year, the real return on Ilmarinen's investments in 2010 was 7.7 per cent. In the previous year, the return on the investment portfolio was 15.8 per cent, i.e. 16.4 in real terms with negative inflation. Calculated at current value, the average annual return over the last five years has been 3.9 per cent, which corresponds to an average annual return of 1.7 per cent in real terms. Calculated from 1997, the average annual return at current value for Ilmarinen's investments has been 6.2 per cent per annum. This corresponded to an annual real return of 4.4 per cent.

The following breakdown of Ilmarinen's investment asset allocation and returns abides by the Finnish Pension Alliance TELA's recommendations for the classification of investments according to market value. Both the classification of investments 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 30.3 (37.8) per cent of the total value of Ilmarinen's investment assets. Their total market value, taking into account derivatives, was EUR 8,530.8 (9,533.4) million and return at current value was 1.4 (15.5) per cent. A total of EUR 3,935.0 (3,477.4) or 46.1 (36.5) per cent was invested in bonds issued by governments or other similar issuers. The return on government bonds suffered from the sovereign debt crisis in the Euro zone. Ilmarinen had EUR 196.9 (579.1) million or about 2.3 (6.1) per cent in money market investments, yielding -2.1 (1.4) per cent. The remaining 51.6 per cent were corporate bonds, most of which had a high credit rating. The return on bonds with credit risk rose to 5.0 per cent. At the end of the year, the modified duration of the bond portfolio was 3.1

(3.2) years.

Ilmarinen's corporate credit portfolio decreased in 2010 by more than 2 per cent, because companies' interest towards TyEL relending declined substantially as banks restored their normal financing capacity after the financial crisis. At the end of the year, loan receivables made up 11.2 (12.8) per cent of investment assets. New loans amounting to EUR 557.6 (876.4) million were drawn down during 2010. At the end of the year, the total loan portfolio was EUR 3,137.8 (3,211.8) million including accrued interest. The return on loan receivables was 3.9 (4.0) per cent.

Corporate credit portfolio, EUR million

	2000	2005	**2010**	Return %
Premium loans	1,269.1	534.9	**1,684.9**	4.1
Lending other than premium loans	305.2	541.0	**1,453.0**	3.7
Total (includes accumulated interest)	1,574.3	1,076.0	**3,137.8**	3.9
Share of total portfolio, %	11	5	**11**	

The above-mentioned investments together make up the fixed-interest investment class. The investment portfolio share of all of these investments was 41.5 (50.6) per cent and their returns were 2.0 (12.6) per cent.

The investment share of listed and unlisted equities and shares as well as private equity investments was 42.7 (34.7) per cent. Their value increased to EUR 12,011.8 (8,730.8) million in 2010 as a result of rising share prices and share acquisitions. Investments in domestic shares made up about 42.7 (41.1) per cent of total equity investments, or EUR 5,134.0 (3,218.2) million. Domestic equities made up 43.5 (40.9) per cent of investments in listed equities and shares. The return on equities, calculated at current value, rose to 20.6 (28.3) per cent.

Equity, currency and interest derivatives are used both for hedging and for shaping investment 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 11,853.6 million, i.e. 42.2 per cent of investments. The effect of interest derivatives is included in the modified duration of the bond portfolio reported above.

In line with the responsible investment principles included in Ilmarinen's Ownership Policy, Ilmarinen will start an engagement process with a company that fails to fulfil 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. During 2010, Ilmarinen was involved in 283 engagement processes.

Real estate investments at the end of 2010 stood at EUR 3,028.4 (2,575.6) million, a 17.6 per cent increase from the previous year. The share of real estate investments was 10.8 (10.2) per cent, of which indirect investments made up 1.4 percentage points. The value of directly-owned properties was EUR 2,623.6 million. The occupancy rate of real estate owned by Ilmarinen remained high, at 94.7 (95.8) per cent at year-end.

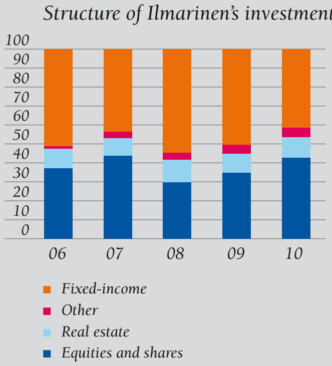
Real estate values took an upward trend in submarkets where Ilmarinen is strong, such as in the central business district of Helsinki. In these submarkets, rent levels also developed positively. The total return on the company's real estate investments was 9.0 (-0.6) per cent. The return on direct real estate investments was 9.4 (5.0) per cent. The return on direct real estate investments was increased by a capital growth of EUR 88.0 million. The net return on direct real estate investments before changes in value was 5.7 per cent. The return on indirect real estate investments was 6.1 (-27.1) per cent.

Commodity investments and investments in absolute return funds are classified as "other investments" according to TELA's recommendations. At the end of the year, other investments made up about 5.0 (4.5) per cent of the market value of investment assets. The share of absolute return funds was EUR 618.8 million and commodity investments accounted for EUR 1.9 million. Absolute return funds yielded an average of 7.0 per cent on capital employed.

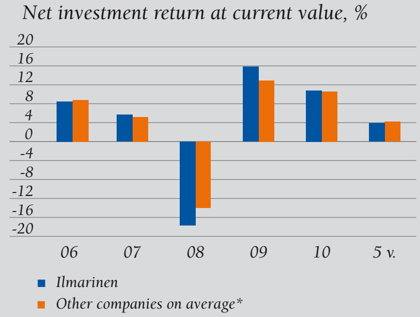
Risk management

The objective of Ilmarinen's risk management is to prevent the

Structure of Ilmarinen's investment assets, %



Net investment return at current value, %



*) Source: Preliminary data on financial statements 2010

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 that the company can utilise 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 solvency rules for pension insurance companies and the regulations governing the assets to cover technical provisions provide the framework for risk management of investment operations. The solvency requirements depend on the level of risk inherent in the investments. The main objective of the regulations governing the assets to cover technical provisions 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, corresponding to 10 per cent of the technical provisions used as a basis for solvency calculation, is carried at the level of the whole earnings-related pension system.

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 monitoring, assessment and development of risk management, made up of organisational unit representatives. The Committee semi-annually updates the evaluation of risks facing the company. The Board of Directors' Audit Committee and the Board of Directors discussed the risk analysis and approved the risk management plan in January 2010.

Risk management within the company, including 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 monitoring from risk-taking functions. Work to develop company-level risk management continued according to the approved overall plan. In 2010, the development of operative risk management has been a special focus area.

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

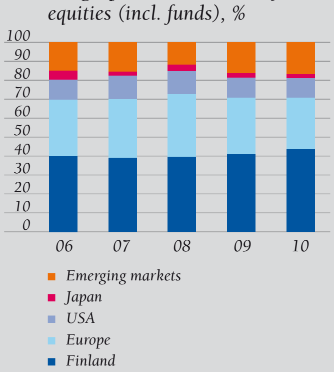
Personnel

An average of 634 people worked for Ilmarinen Group in 2010 compared to 658 in 2009. The average number of employees in the Ilmarinen parent company Ilmarinen was 545 (536). This figure includes 76 (72) part-time employees, whose work contribution has been adjusted to correspond with the average working hours of full-time employees. An average of 54 (52) persons were on family leave or other unpaid leave during the year. At the end of the year, the parent company Ilmarinen employed 589 (586) persons, of whom 573 (558) were permanent employees.

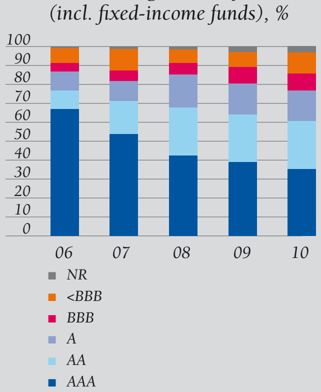
Priorities in Ilmarinen's operating culture in 2010 included change management and support to work communities, as parts of Ilmarinen's organisation underwent a profound restructuring. The objective of the new operating model is for the organisation to have an even stronger customer focus than before. The changes directly affected around half and indirectly practically all of the employees.

Key development areas were identified based on the results of Great Place to Work study and entered in the scorecards of the departments and supervisors. The objectives primarily focused on communication and interaction skills. The results of the survey concerning supervisory work showed positive development for a second time in a row. The results of Great Place to Work study, on the other hand, declined but still remained at a high level. Ilmarinen was ranked second in the large corporations category.

Geographical breakdown of listed equities (incl. funds), %



Credit rating classes of bonds (incl. fixed-income funds), %



Long-term remuneration for both the management and personnel was developed at Ilmarinen. The Board of Directors decided in January 2010 on the creation of a long-term remuneration system for the company's management and key personnel. Around 50 people are included in the system. The bonus amount depends on achieving the criteria set in advance by the Board of Directors during an earnings period of three years and is paid during the following four years. Ilmarinen's personnel fund was established at the end of 2010. The fund includes the entire personnel, except for those covered by the long-term remuneration system for management. The fund is managed by a council and a board elected by the personnel. Ilmarinen's Board of Directors annually decides on the amount of profit sharing transferred to the fund. The criteria are the same as those for the remuneration system for management.

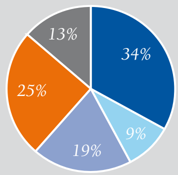
The entire personnel is covered by a short-term remuneration system. These annual performance-based bonuses are based on the achievement of company, unit and personal level targets.

Information technology

Work to modify the pension IT systems was started in view of the legislative amendments coming into force at the beginning of 2012. According to the business and information system development plan completed in late 2010, actual modifications on the claims handling and insurance production processes will be started in 2011. In investment operations, the most significant project was the reform of the loan system. During the autumn, decisions were made concerning the architecture and software for the future workstation services. This represents the most extensive reform of the 2000s concerning workstations, office software and communication services, making new tools available to all Ilmarinen employees during 2011.

In accordance with the new information system purchasing model based on competitive bidding, an agreement was made with Tieto to continue cooperation so that the parent company will assume responsibility for the account and information system deliveries, while TietoIlmarinen focuses on maintaining the existing systems and providing expert service in the pension industry. In view of future information system purchases, framework agreements based on consistent conditions have also been negotiated with some other major information system providers. The operations of Arek, which manages the joint information systems and registers of the earnings-related pension system, have developed according to targets.

Real estate investment structure on 31 Dec. 2010, total EUR 3,028.4 mill.



Operating expenses

Ilmarinen's cost-efficiency during the financial year remained good. The operating expenses financed using the loading profit increased by EUR 4.6 million, or 5.3 per cent. The ratio of the above-mentioned operating expenses to the expense loading components available for them was 74 (76) per cent. The efficiency of operations benefits Ilmarinen's customers in the form of client bonuses.

Ilmarinen's total operating expenses were EUR 128.0 (121.4) million, up 5.5 per cent from the previous year. Among single expense items, the Arek expenses included in IT expenses increased significantly, rising to EUR 14.8 million, or 47 per cent. For 2010, a total of EUR 5.8 million were capitalised in licence and development costs for information systems. These capitalisations also include EUR 2.8 million in advance payments to Arek.

The statutory charges, EUR 13.2 million, are financed through a separate part of the insurance contributions allocated to statutory charges. These charges include the share of the costs of the Finnish Centre for Pensions, the supervision charge of the Insurance Supervisory Authority and the judicial administration charge.

Operating expenses for investment activities were EUR 15.4 (14.1) million, or 0.05 per cent of the total investment amount. They are financed using the return on investments. The costs of activities to maintain working capacity, which are financed from the administration part of disability risk contained in the insurance contribution, were EUR 7.4 (6.9) 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 16 November 2010, Ilmarinen's Supervisory Board re-elected its Chairman and Deputy Chairmen for the 2011 term of office. Jorma Eloranta continues as Chairman of the Supervisory Board in 2011 and the Deputy Chairmen will be Merja Strengell and Antti Herlin. Strengell is the primary Deputy Chairman.

In its meeting on 16 November 2010, the Supervisory Board appointed Mikko Pukkinen as a new member of the Board of Directors. Leif Fagernäs left the Board of Directors. Otherwise, the Board of Directors' composition remains as before. 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 as its Chairman in its meeting on 26 January 2011. The Board elected Lauri Lyly and Mikko Pukkinen as its Deputy Chairmen. 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 George Berner, Leila Kostiainen, Hannu Rautiainen and Kristian Pullola.

In its meeting on 16 November 2010, Ilmarinen's Supervisory Board also elected the members of the Election Committee. The term of the Election Committee began immediately and will end following the final Supervisory Board meeting in 2011.

Jorma Eloranta was re-elected as the Chairman of the Election Committee and Esa Vilkuna as the Deputy Chairman. The other Election Board members are Antti Herlin, Leila Kostiainen, Hannu Syrjänen and 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 on Operations, a separate corporate governance statement.

Ilmarinen's auditor is Ernst & Young Oy.

Ilmarinen's organisation was altered with effect from 1 January 2010. The organisational change aims at creating a clearer connection to the company's strategy. It also led to changes in areas of responsibility between certain members of the company's Executive Group.

Insurance and claims operations and 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 Resource division.

Group

In addition to the Ilmarinen parent company, 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 2010 was 168. Garantia Insurance Company Ltd and Kruunuvuoren Satama Oy are Ilmarinen's associated companies.

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 2010, 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**

The company's Board of Directors decided, in its meeting on 26 January 2011, to propose to the Annual General Meeting of spring 2011 that the entire guarantee be repaid. If the Annual General Meeting accepts the proposal, the guarantee capital with accrued interest will be repaid once the amendments to the Articles of Association concerning the guarantee capital have been registered and the necessary authority permits have been received.

Events after the financial year

The economic operating environment is burdened by significant uncertainty factors which, at the same time, pose challenges to investment activities. Overall, the return on securities investments in early 2011 has been slightly positive, and the company's solvency has been on the rise.

In early 2011, negotiations were conducted concerning Fingrid Oyj's ownership arrangements. As a result of the negotiations, Ilmarinen will substantially increase its holding in the company. Based on the valuation carried out during the negotiations, the value of the Fingrid shares already held by Ilmarinen was considerably higher than the acquisition value used in the financial statements on 31 December 2010. The current value of these shares will only be taken into account once the ownership arrangement has been completed.

Future prospects

Based on the current debate in society, it is likely that some changes will be made to the bases for determining earnings-related pension benefits, with the objective of generally extending careers by deferring retirement. The effects of the efforts to improve the ability to cope at work, the length of careers and well-being at work on deferring retirement will, however, also depend on whether the rapid economic growth will be sustained after the downturn or whether it will even out quickly.

In the continued challenging operating environment, the company's success will essentially depend on its competitiveness. The company's key competitive assets, 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 will systematically pursue the strategy adopted for the three-year period that ends in 2012. The reform of the company's operating model in 2009–2010 primarily aims at improving Ilmarinen's ability to respond to customers' needs. The same objective is set for the customer strategy adopted in 2010, which is supported by strengthening the corporate image.

As one of the most solvent pension insurance companies, Ilmarinen is in a position to continue its long-term investment activities which aim for good returns. In addition to this, improving the company's cost-efficiency will remain a high priority over the next few years. Ilmarinen therefore believes that its relative position in the bonus competition between pension insurance companies will remain good over the long term.

Profit and loss account

EUR mill.	PARENT COMPANY 2010	2009	GROUP 2010	2009
Technical account				
Premiums written	**3,383.2**	3,184.1	**3,383.2**	3,184.1
Investment income	**5,174.5**	5,759.8	**5,159.2**	5,744.4
Claims incurred				
Claims paid	**–3,301.9**	–3,089.7	**–3,302.1**	–3,088.9
Change in provision for claims outstanding				
Total change	**–1,409.1**	–324.1	**–1,409.1**	–324.1
Porfolio transfers	**318.7**	14.1	**318.7**	14.1
Insurance portfolio transfers	**–**	–3.9	**–**	–3.9
	–1,090.4	–313.9	**–1,090.4**	–313.9
	–4,392.3	–3,403.6	**–4,392.5**	–3,402.8
Change in provision for unearned premiums				
Total change	**–638.5**	–1,672.8	**–638.5**	–1,672.8
Porfolio transfers	**526.4**	23.3	**526.4**	23.3
Insurance portfolio transfers	**–**	–5.6	**–**	–5.6
	–112.2	–1,655.0	**–112.2**	–1,655.0
Operating expenses	**–75.9**	–72.9	**–76.1**	–71.4
Investment charges	**–3,975.4**	–3,805.8	**–3,966.1**	–3,797.3
Balance on technical account	**2.0**	6.7	**–4.4**	2.0

Non-technical account

Balance on technical account	**2.0**	6.7	**–4.4**	2.0
Other income	**0.5**	0.7	**2.7**	2.0
Other expenses	**–1.2**	–1.4	**–1.2**	–1.3
Income taxes on ordinary activities	**–1.8**	–2.7	**–2.3**	–3.4
Profit/loss on ordinary activities	**–0.5**	3.4	**–5.3**	–0.7
Appropriations				
Change in depreciation difference	**5.4**	0.5	**–**	–
	5.4	0.5	**–**	–
Minority interest	**–**	–	**–0.4**	–0.8
Profit/loss for the financial year	**4.9**	3.9	**–5.6**	–1.5

Balance sheet

EUR mill.	PARENT COMPANY 2010	2009	GROUP 2010	2009
Assets				
Intangible assets				
Intangible rights	**1.4**	0.8	**1.4**	0.8
Prepayments	**7.3**	2.1	**6.5**	2.1
	8.6	2.9	**7.8**	2.9
Investments				
Real estate				
Real estate and real estate shares	**1,280.5**	1,205.0	**2,013.4**	1,752.4
Loans to group companies	**768.6**	605.9	**–**	-
Loans to participating interests	**13.7**	7.0	**13.7**	7.0
	2,062.9	1,817.8	**2,027.1**	1,759.4
Investments in group companies and participating interests				
Shares and participations in group companies	**0.2**	0.2	**–**	-
Shares and participations in participating interests	**38.0**	16.0	**35.0**	15.6
Loans to participating interests	**199.2**	13.5	**199.2**	13.5
	237.3	29.6	**234.2**	29.0
Other investments				
Shares and participations	**12,337.9**	9,617.8	**12,337.9**	9,617.8
Money market instruments	**7,299.4**	8,117.0	**7,299.4**	8,117.0
Loans quaranteed by mortgages	**1,011.4**	1,206.5	**1,011.4**	1,206.5
Other loans	**1,901.6**	1,967.0	**1,901.6**	1,967.0
Deposits	**–**	169.0	**3.7**	173.7
	22,550.3	21,077.3	**22,554.1**	21,082.0
	24,850.6	22,924.8	**24,815.4**	22,870.5
Receivables				
Direct insurance operations				
Policyholders	**135.2**	77.6	**135.2**	77.6
Other receivables	**1,785.1**	2,245.0	**1,754.1**	2,240.6
	1,920.3	2,322.5	**1,889.2**	2,318.2
Other assets				
Tangible assets				
Furniture and fixtures	**1.3**	1.6	**1.3**	1.8
Other tangible assets	**1.7**	1.7	**1.7**	1.7
	3.0	3.4	**3.0**	3.5
Cash at bank and in hand	**282.8**	90.7	**283.6**	91.8
	285.8	94.0	**286.6**	95.3
Prepayments and accrued income				
Accrued interests and rent	**204.3**	195.4	**204.8**	195.6
Other prepayments and accrued income	**24.7**	12.2	**24.0**	12.5
	229.0	207.6	**228.7**	208.0
Total assets	**27,294.3**	25,551.8	**27,227.8**	25,494.9

EUR mill.	PARENT COMPANY 2010	2009	GROUP 2010	2009
Liabilities				
Capital and reserves				
Guarantee capital	**23.0**	23.0	**23.0**	23.0
Other reserves				
Funds and reserves under the Articles of Association	**74.9**	72.0	**74.9**	72.0
Other reserves	**–**	–	**0.6**	0.6
	74.9	72.0	**75.5**	72.6
Profit/loss brought forward	**–**	–	**–41.4**	–36.0
Profit/loss for the financial year	**4.9**	3.9	**–5.6**	–1.5
	102.9	98.9	**51.5**	58.0
Minority interest	**–**	–	**20.5**	21.4
Accumulated appropriations				
Depreciation difference	**2.4**	7.8	**–**	–
	2.4	7.8	**–**	–
Technical provisions				
Provision for unearned premiums	**14,466.4**	13,827.9	**14,466.4**	13,827.9
Provision for claims outstanding	**10,191.0**	8,781.8	**10,191.0**	8,781.8
	24,657.4	22,609.7	**24,657.4**	22,609.7
Liabilities				
Direct insurance operations	**16.8**	29.4	**16.8**	29.4
Loans from financial institutions	**–**	–	**–**	0.2
Other liabilities	**2,106.0**	2,360.4	**2,069.8**	2,329.7
	2,122.7	2,389.8	**2,086.6**	2,359.3
Accruals and deferred income	**408.9**	445.6	**411.9**	446.4
Total liabilities	**27,294.3**	25,551.8	**27,227.8**	25,494.9

Cash flow statement

	PARENT COMPANY		GROUP	
EUR mill.	**2010**	2009	**2010**	2009
Cash flow from operations				
Profit /loss on ordinary activities	**–0.5**	3.4	**–5.3**	–0.7
Adjustments				
Change in technical provisions	**2,047.7**	1,996.9	**2,047.7**	1,996.9
Impairments and revaluations on investments	**97.7**	–328.3	**90.9**	–330.6
Planned depreciations	**10.8**	11.3	**51.8**	45.5
Other adjustments	**–758.0**	–891.1	**–757.5**	–890.3
Cash flow before change in working capital	**1,397.7**	792.1	**1,427.6**	820.7
Change in working capital				
Short-term non-interest-bearing receivables increase (-) / decrease (+)	**380.9**	106.5	**408.2**	108.0
Short-term non-interest-bearing liabilities increase (-) / decrease (+)	**–303.8**	1,724.1	**–307.2**	1,726.4
Cash flow from operations before financial items and taxes	**1,474.8**	2,622.7	**1,528.7**	2,655.1
Direct taxes paid	**–1.8**	–2.7	**–2.3**	–3.4
Cash flow before exceptional items	**1,473.0**	2,620.1	**1,526.3**	2,651.7
Cash flow from operations	**1,473.0**	2,620.1	**1,526.3**	2,651.7
Cash flow from investments				
Asset purchase (exl. financial assets)	**–17,117.0**	–20,064.2	**–17,026.8**	–20,048.3
Capital gains on investments (exl. financial assets)	**15,843.7**	17,418.4	**15,699.0**	17,370.7
Investments and capital gains (net) on intangible, tangible and other assets	**–6.7**	–2.4	**–5.8**	–1.7
Cash flow from investments	**–1,279.9**	–2,648.2	**–1,333.6**	–2,679.3
Cash flow from financing				
Interests paid on quarantee capital and other profit distribution	**-1.0**	-1.5	**-1.0**	-1.5
Cash flow from financing	**-1.0**	-1.5	**-1.0**	-1.5
Change in financial resources	**192.2**	–29.6	**191.8**	–29.1
Financial resources at the start of the financial year	**90.7**	120.3	**91.8**	121.0
Financial resources at the end of the financial year	**282.8**	90.7	**283.6**	91.8

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's 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 and, from 2010 onwards, on derivatives whose change in value has been paid or received during the maturity (e.g. futures), have been recognized in full.

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 recognized 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:

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 temporary legislation, part of the provision for pooled claims included in technical provisions is treated equal to solvency capital in 2008–2012. 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.	2010	2009
Specification fo premiums written		
Direct insurance		
TyEL basic coverage		
Employer contribution	**2,483.5**	2,346.5
Employee contribution	**691.0**	631.8
	3,174.5	2,978.3
TyEL supplementary coverage	**4.0**	4.3
YEL minimum coverage	**231.2**	217.7
YEL supplementary coverage	**–**	0.0
	3,409.6	3,200.3
Transition contribution to the State Pension Fund	**–25.2**	–13.7
Reinsurance	**0.0**	0.0
Premiums written before reinsurers' share	**3,384.5**	3,186.6
Reinsurers' share	**–1.3**	–2.5
Premiums written	**3,383.2**	3,184.1
Items deducted from premiums written		
Credit loss on outstandig premiums		
TyEL	**–11.0**	–12.0
YEL	**–2.8**	–2.9
	–13.8	–14.9
Specification of claims paid, parent company		
Direct insurance		
Paid to pensioners		
TyEL basic coverage	**2,957.1**	2,729.6
TEL supplementary coverage	**59.2**	59.1
YEL minimum coverage	**272.7**	252.2
YEL supplementary coverage	**1.5**	1.5
	3,290.5	3,042.3
Payments to/refunds from the provision for clearing PAYG pensions		
TyEL pensions	**148.8**	178.6
YEL pensions	**–8.3**	–7.9
Share of the unemployment insurance fund insurance contrbution and division of the costs of pension compoments accrued on the basis of unsalaried periods	**–131.9**	–127.4
YEL government share	**–31.5**	–26.6
State compensation pursuant to VEKL	**–0.1**	–0.0
	–23.0	16.7
	3,267.5	3,059.1
Reinsurance	**–**	0.0
Claims handling expenses	**28.2**	26.1
Working capacity maintenance costs	**7.4**	6.9
Claims before reinsures' share	**3,303.1**	3,092.1
Reinsures' share	**–1.2**	–2.4
Total claims paid	**3,301.9**	3,089.7

EUR mill.	PARENT COMPANY 2010	2009	GROUP 2010	2009
Specification of net investment income				
Investment income				
Income from group companies				
Dividend income	**0.6**	0.6	**–**	–
	0.6	0.6	**–**	–
Income from participating interests				
Share of the profit/loss of associated companies	**–**	–	**–2.2**	0.8
Dividend income form other participating interests	**0.7**	0.5	**0.4**	0.5
Interest income from other participating interests	**3.1**	0.4	**3.1**	0.4
	3.8	1.0	**1.3**	1.8
Income from investments in real estate				
Interest income				
From group companies	**15.2**	18.2	**–**	–
From other than group companies	**2.7**	2.7	**2.7**	2.7
Other income				
From group companies	**1.5**	1.8	**–**	–
From other than group companies	**173.1**	155.8	**178.2**	160.2
	192.5	178.4	**180.9**	162.9
Income from other investments				
Dividend income from other than group companies	**270.8**	190.2	**270.8**	190.2
Interest income from other than group companies	**316.3**	464.0	**316.3**	464.0
Other income from other than group companies	**789.6**	1,008.8	**789.6**	1,008.8
	1,376.7	1,663.0	**1,376.7**	1,663.0
Total	**1,573.7**	1,843.0	**1,558.9**	1,827.7
Value readjustments	**535.1**	1,042.1	**534.5**	1,042.0
Capital gains	**3,065.8**	2,874.8	**3,065.8**	2,874.7
Total	**5,174.5**	5,759.8	**5,159.2**	5,744.4
Investment charges				
Charges on real estate investments	**–96.9**	–89.7	**–54.3**	–50.0
Charges on other investments	**–916.8**	–923.6	**–916.8**	–923.5
Interest charges and other charges on liabilities				
To group companies	**–0.4**	–1.1	**–**	–
To other than group companies	**–13.0**	–86.7	**–13.1**	–86.7
	–13.3	–87.9	**–13.1**	–86.7
Total	**–1,027.1**	–1,101.2	**–984.2**	–1,060.2
Value adjustments and depreciation				
Value adjustments	**–632.8**	–713.7	**–625.4**	–711.4
Planned depreciation on buildings	**–9.6**	–9.9	**–50.5**	–44.7
	–642.4	–723.6	**–675.9**	–756.1
Capital loss	**–2,305.9**	–1,981.0	**–2,305.9**	–1,981.0
Total	**–3,975.4**	–3,805.8	**–3,966.1**	–3,797.3
Net investment income before revaluations and their adjustments	**1,199.1**	1,954.1	**1,193.1**	1,947.1
Net investment income in the profit and loss account	**1,199.1**	1,954.1	**1,193.1**	1,947.1

Notes to the accounts

Notes to profit and loss account and balance sheet

	PARENT COMPANY		GROUP	
EUR mill.	**2010**	2009	**2010**	2009
Specification of operating expenses				
Total operating expenses by activity				
Claims paid				
Claims handling expenses	**28.2**	26.1	**28.4**	25.5
Working capacity maintenance costs	**7.4**	6.9	**7.4**	6.8
	35.6	33.0	**35.8**	32.3
Operating expenses				
Acquisition costs:				
Commissions, direct insurance	**0.8**	0.7	**0.8**	0.7
Other policy acquisition costs	**14.3**	10.8	**14.3**	10.4
	15.1	11.5	**15.1**	11.1
Portfolio administration expenses	**31.3**	32.8	**31.4**	31.9
Administrative expenses;				
Statutory charges:				
Cost compoment of the Finnish Pension Centre	**11.6**	11.4	**11.6**	11.4
Judicial administration charge	**0.9**	0.9	**0.9**	0.9
Supervision charge of the Insurance Supervisory Authory	**0.7**	0.6	**0.7**	0.6
	13.2	12.9	**13.2**	12.9
Other administrative expenses	**16.3**	15.7	**16.3**	15.5
	75.9	72.9	**76.1**	71.4
Investment charges				
Costs on real estate investment	**1.8**	1.8	**1.7**	1.7
Other	**13.6**	12.3	**13.6**	12.2
	15.4	14.1	**15.3**	13.9
Other expenses	**1.1**	1.4	**1.2**	1.3
Total operating expenses	**128.0**	121.4	**128.4**	118.9
Specification of staff expenses and members of corprate organs				
Staff expenses				
Salaries and bonuses	**32.3**	31.5	**37.9**	38.2
Pension expenditure	**6.2**	6.1	**6.2**	7.4
Other social security expenses	**1.8**	1.6	**2.0**	2.0
Total	**40.3**	39.2	**46.1**	47.6
Salaries and bonuses to the management				
Managing director and deputies	**0.8**	0.7	**0.9**	0.8
Board members and deputy members	**0.4**	0.3	**0.4**	0.3
Members of Supervisory Board and deputy members	**0.1**	0.1	**0.1**	0.1
Total	**1.2**	1.1	**1.4**	1.2
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	**545**	536	**641**	658
Auditor's fee				
Auditing	**0.2**	0.1	**0.3**	0.2
Tax advice	**0.0**	0.0	**0.0**	0.0
Other services	**0.0**	0.1	**0.0**	0.1

EUR mill.	Dec. 31, 2010			Dec. 31, 2009		
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	**437.7**	**437.7**	**609.6**	426.7	426.7	586.2
Shares in group companies	**821.0**	**825.2**	**1,215.0**	756.2	760.5	1,044.7
Shares in participating interests	**12.5**	**12.5**	**16.8**	13.0	13.0	14.0
Other shares in real estate	**5.1**	**5.1**	**5.5**	4.8	4.8	5.4
Loans to group companies	**768.6**	**768.6**	**768.6**	605.9	605.9	605.9
Loans to participating interests	**13.7**	**13.7**	**13.7**	7.0	7.0	7.0
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	**38.0**	**38.0**	**38.0**	16.0	16.0	16.0
Loan receivables	**199.2**	**199.2**	**199.2**	13.5	13.5	13.5
Other investments						
Shares and participations	**12,337.6**	**12,337.9**	**14,742.0**	9,617.5	9,617.8	10,729.9
Money market instruments	**7,299.4**	**7,299.4**	**7,283.3**	8,117.0	8,117.0	8,218.2
Loans guaranteed by mortgages	**1,011.4**	**1,011.4**	**1,011.4**	1,206.5	1,206.5	1,206.5
Other loan receivables	**1,901.6**	**1,901.6**	**1,901.6**	1,967.0	1,967.0	1,967.0
Deposits	**–**	**–**	**–**	169.0	169.0	169.0
	24,846.0	**24,850.6**	**27,804.9**	22,920.2	22,924.8	24,583.3
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 (–)			**–15.4**			–0.3
Book value comprises						
Revaluations entered as income			**4.6**			4.6
Difference between current and book value			**2,954.4**			1,658.6

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	**983.1**	**1,336.7**	936.3	1,103.3
Other debts				
Prepayments for option contracts	**–599.4**	**–402.5**	–443.3	–355.1
Other prepayments and debts				
Future and forward contracts and total return swaps	**–348.7**	**153.1**	–218.3	342.5
	35.0	**1,087.4**	274.8	1,090.7
Difference between current and book value		**1,052.4**		815.9

Notes to the accounts

Notes to profit and loss account and balance sheet

Shares and participations, parent company, Dec. 31, 2010	Number of shares	Percentage of shares/votes	Book value EUR mill.	Fair value EUR mill.
SHARES IN GROUP COMPANIES				
Tietollmarinen Oy	1,530	30.00 / 70.00	0.2	0.2
Total			**0.2**	**0.2**
PARTICIPANTING INTERESTS				
Garantia Insurance Company	15,777	26.30	7.3	7.3
Kruunuvuoren Satama Oy	330	33.00 / 33.00	22.0	22.0
Pohjantähti Mutual Insurance Company	96	100.00 / 11.20	8.2	8.2
Suomi Mutual Life Assurance Company	3	100.00 / 0.00	0.5	0.5
Total			**38.0**	**38.0**
OTHER INVESTMENTS				
Shares and participations				
Domestic companies, listed				
Affecto Plc	849,000	3.95	2.0	2.0
Ahlstrom Corporation	332,674	0.71	4.9	4.9
Aldata Solution Oyj	6,616,800	9.63	3.3	3.3
Alma Media Corporation	1,269,117	1.69	7.5	10.5
Amer Sports Corporation	5,740,464	4.72	36.7	59.9
Aspo Plc	1,127,526	4.20	8.5	9.3
Atria Plc	217,480	0.77 / 0.20	1.9	1.9
Basware Corporation	1,048,713	8.97	15.4	26.0
CapMan Plc	548,500	0.65 / 0.40	1.0	1.0
Cargotec Corporation	1,465,153	2.28 / 0.98	35.5	57.2
Citycon Corporation	9,403,914	3.85	24.4	29.0
Componenta Corporation	724,266	4.15	3.6	4.3
Cramo Plc	352,256	1.15	6.7	6.7
Elisa Corporation	5,010,334	3.01	70.9	81.5
Exel Composites Plc	689,400	5.79	2.3	4.9
F-Secure Corporation	9,977,338	6.33	20.0	20.0
Finnair Plc	3,025,564	2.36	15.2	15.2
Finnlines Plc	4,953,667	10.58	39.5	39.5
Fiskars Corporation	2,718,807	3.31	31.8	47.1
Fortum Corporation	13,956,250	1.57	269.9	314.4
HKScan Corporation	400,798	0.73 / 0.25	2.9	2.9
Huhtamäki Oyj	2,731,224	2.58	18.6	28.2
Ilkka-Yhtymä Oyj	512,628	2.00 / 2.28	2.1	4.3
Kemira Oyj	8,073,495	5.20	94.1	94.1
Kesko Corporation	2,043,050	2.07 / 1.08	53.6	71.3
Kone Corporation	6,745,417	2.59 / 1.12	141.3	280.6
Konecranes Plc	2,074,522	3.35	45.9	63.7
Lassila & Tikanoja Plc	2,854,858	7.36	33.7	42.1
Lemminkäinen Corporation	520,000	2.65	11.8	13.4
Lännen Tehtaat plc	153,800	2.43	1.8	2.7
Marimekko Corporation	265,419	3.30	2.9	3.8
Martela Oyj	335,400	8.07 / 2.14	2.6	2.6
Metso Corporation	5,165,943	3.44	145.3	215.8
M-real Corporation	6,562,541	2.00 / 7.24	17.7	17.7

Shares and participations, parent company, Dec. 31, 2010

	Number of shares	Percentage of shares/votes	Book value EUR mill.	Fair value EUR mill.
Neste Oil Corporation	6,876,590	2.68	82.2	82.2
Nokia Corporation	48,656,443	1.30	376.4	376.4
Nokian Tyres plc	4,693,813	3.68	97.1	128.8
Okmetic Oyj	1,651,626	9.55	7.0	8.7
Olvi plc	415,000	4.00 / 0.91	2.5	12.7
Oral Hammaslääkärit Plc	228,000	3.51	0.8	1.1
Oriola-KD Corporation	3,685,792	2.44 / 4.78	7.9	11.8
Orion Corporation	1,727,440	1.22 / 3.03	16.5	28.3
Outokumpu Oyj	8,661,927	4.73	120.2	120.2
Outotec Oyj	2,628,343	5.74	51.3	121.5
PKC Group Oyj	1,442,608	7.38	10.4	22.2
Pohjola Bank plc	31,955,142	10.00 / 5.39	239.9	286.6
Ponsse Plc	152,000	0.54	1.6	1.6
Pöyry Plc	2,923,920	4.92	26.8	26.8
Raisio plc	2,235,245	1.35 / 0.27	5.1	6.2
Ramirent Plc	5,537,214	5.09	37.4	54.3
Rapala VMC Corporation	914,487	2.32	5.5	6.2
Rautaruukki Corporation	2,694,210	1.92	44.4	47.2
Sampo plc	13,978,068	2.49 / 2.47	227.4	280.3
Sanoma Corporation	3,455,795	2.13	48.7	56.0
Scanfil plc	580,000	0.96	1.7	1.7
Sponda Plc	27,052,730	9.75	78.4	104.4
SRV Group Plc	225,000	0.61	1.5	1.5
Stockmann plc	2,495,586	3.51 / 1.33	65.0	70.8
Stora Enso Oyj	23,839,848	3.02 / 2.32	156.6	183.9
Suominen Corporation	3,823,104	8.07	1.9	1.9
Talentum Oyj	4,098,173	9.25	8.0	8.0
Talvivaara Minig Company Plc	9,939,905	4.05	39.0	70.3
Technopolis Plc	5,272,725	8.32	17.5	21.3
Tekla Corporation	1,979,116	8.76	14.7	18.5
Teleste Corporation	936,776	5.15	4.1	4.1
Tieto Corporation	3,154,367	4.38	42.5	44.5
Tiimari Oyj Plc	789,221	4.79	0.7	0.7
Tikkurila Oyj	4,160,823	9.43	64.7	68.7
Tulikivi Corporation	1,902,380	5.12 / 1.55	2.0	2.2
UPM-Kymmene Corporation	18,343,560	3.53	201.7	242.3
Uponor Corporation	2,711,142	3.70	32.6	37.4
Vacon Plc	699,877	4.58	13.7	27.2
Vaisala Corporation	725,000	3.98 / 0.88	14.8	14.8
Wärtsilä Corporation	1,799,993	1.83	62.4	102.8
YIT Corporation	4,433,685	3.48	38.7	82.4
Other	6,591,394		3.1	3.3
Total			**3,449.3**	**4,373.2**

Notes to the accounts

Notes to profit and loss account and balance sheet

Shares and participations, parent company, Dec. 31, 2010	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 Ltd	227,423	2.37	22.4	22.4
EcoStream Oy	147,315	10.46	2.2	2.2
Ekokem Oy Ab	416,600	11.83	17.1	17.1
Enfo Oyj	11,202	1.91	0.7	0.7
Fingrid Oyj	350	10.53 / 4.68	11.8	11.8
GreenStream Network Plc	1,200,000	19.87	2.0	2.0
Mainio Vire Holding Oy	38,150	9.65 / 9.65	0.2	2.4
OneMed Group Oy	2,623,786	8.25	2.3	6.2
Osuuskunta KPY	761,900	13.73	12.1	12.1
PHP Holding Oy	3,568	1.81 / 0.22	3.7	3.7
PRT-Forest Oy	6,000	10.02	3.6	3.6
Northern Power Company Ltd.	1,500,000	4.13	82.0	82.0
Porasto Oy	2,080	12.82	0.6	0.6
SATO Corporation	8,135,145	15.95	30.2	77.3
Tornator Oy	375,000	7.50	6.0	31.2
VVO-group plc	1,332,330	18.00	36.2	67.0
Other	1,717,016		2.3	2.3
Total			**240.9**	**350.1**

Shares and participations, parent company, Dec. 31, 2010	Book value EUR mill.	Fair value EUR mill.
Foreign companies, listed		
Austria		
OMV AG	1.2	1.4
Belgium		
Dexia	0.6	0.6
Groupe Bruxelles Lambert S.A.	1.9	1.9
KBC Bankverzekerings NPV	1.5	1.5
Other	0.0	0.0
Denmark		
A P Moller - Maersk A/S, B share	10.3	10.8
Den Danske Bank A/S	2.0	3.9
Novo Nordisk A/S s.B	8.3	10.1
TDC A/S	1.8	1.8
Other	0.0	0.0
Estonia		
Tallinna Vesi AS	0.6	0.6
France		
Accor SA	1.7	1.7
Alcatel-Lucent SA	24.7	24.7
AXA SA	17.6	17.6
BNP Paribas SA	20.5	20.5
Bouygues SA	8.9	8.9
Carrefour	169.3	169.3
CNP Assurances	0.7	0.8

Shares and participations, parent company, Dec. 31, 2010	Book value EUR mill.	Fair value EUR mill.
Compagnie de Saint-Gobain	5.4	5.4
Credit Agricole SA	3.3	3.3
Danone	10.3	11.2
Electricite De France	5.8	5.8
Essilor International SA	2.8	2.8
France Telecom	6.8	6.8
GDF Suez (Gaz de France)	13.5	13.5
Klepierre	5.2	5.9
LVMH Moet Hennessy Louis Vuitton SA	2.5	5.1
Michelin	3.2	3.2
Renault SA	4.3	4.3
Sanofi-Aventis SA	30.3	30.3
Schneider Electric SA	9.5	12.1
Societe Generale s.A	12.1	12.1
Suez Environnement SA	1.1	1.1
TotalFinaElf SA	37.5	37.5
Unibail-Rodamco SE	5.2	5.5
Veolia Environnement	2.5	2.6
Vinci S. A.	6.9	6.9
Vivendi SA	12.6	13.7
Other	1.4	2.4
Germany		
Allianz SE (Societas Europeae), registered shares	17.8	20.0
BASF SE	8.3	9.8

Shares and participations, parent company, Dec. 31, 2010	Book value EUR mill.	Fair value EUR mill.
Bayer AG	15.7	19.8
Bayerische Motoren Werke AG	3.8	7.6
Continental AG (Acq)	1.1	1.1
Daimler Ag ordinary registered	13.7	22.3
Deutsche Bank Ag, registered shares	7.7	7.7
Deutsche Boerse Ag	4.0	4.0
Deutsche Lufthansa NPV registered	9.7	11.5
Deutsche Post AG	8.5	8.5
Deutsche Telekom Ag, registered shares	5.7	6.4
E.On AG	15.4	15.4
Heidelberger Zement AG	1.0	1.0
Linde AG	4.9	7.9
MAN SE	1.9	3.6
Merck KGaA	1.5	1.5
Metro AG	4.0	5.4
Münchener Rückversicherungs-Gesellschaft AG	8.4	9.1
Porsche Automobil Holding SE	1.3	1.3
RWE Ag	7.6	7.6
SAP Ag ordinary shares	11.3	12.9
Siemens AG	23.7	31.8
Thyssen Krupp Ag	19.5	22.3
Volkswagen AG, ORDINARY SHARE	0.6	0.6
Volkswagen AG, PREFERRED SHARE	4.6	7.4
Great Britain		
Anglo American Plc	23.6	28.1
Aviva Plc.	0.9	0.9
BAE Systems Plc	9.3	9.3
Barclays Plc	6.2	6.2
BG Group Plc ordinary	17.2	20.7
BHP Billiton Plc ordinary	51.2	63.1
BP P.l.c. ordinary UK listing	41.9	41.9
British Airways Plc	12.2	14.2
BT Group Plc	4.4	7.5
Centrica Plc	5.2	7.1
Compass Group Plc	2.8	4.9
Diageo Plc ordinary	3.7	4.6
Eurasian Natural Resources Corporation	9.5	10.6
GlaxoSmithKline Plc ordinary	32.1	32.1
HSBC Holding Plc ordinary	40.6	53.3
ITV Plc	4.9	5.0
Lloyds Banking Group plc	5.9	7.2
National Grid Plc.	8.2	8.2
Prudential Corporation Plc ordinary	6.9	8.5
Reckitt Benckiser Group Plc	9.7	9.8
Rio Tinto Plc	7.0	11.8
Rolls-Royce Group Plc	9.7	12.7
Royal Dutch Shell Class A	63.5	64.1
Sainsbury Plc	2.0	2.3
Scottish & Southern Energy Plc	4.2	4.2

Shares and participations, parent company, Dec. 31, 2010	Book value EUR mill.	Fair value EUR mill.
Tesco Plc	11.1	11.8
Tullow Oil plc	4.2	4.5
Unilever Plc. UK listing	14.3	14.3
Vodafone Group Plc ordinary	26.1	29.0
Volga Gas	1.7	1.7
Other	0.6	0.6
Ireland		
Other	0.0	0.0
Italy		
Assicurazioni Generali Spa	6.5	6.5
Banca Monte dei Paschi di Siena S.p.A.	0.7	0.7
Enel S.p.A.	9.5	9.5
ENI Spa registered	19.8	19.8
Fiat Spa	2.7	4.2
Intesa Sanpaolo	8.0	8.0
Mediobanca Spa	1.3	1.3
Saipem S.p.A.	2.7	3.6
Snam Rete Gas S.p.A	1.1	1.3
Telecom Italia Spa	11.0	11.0
Unicredit S.p.A	87.5	87.5
Jersey		
WPP Group Plc	4.8	6.0
Luxemburg		
ArcelorMittal	4.5	4.5
Tenaris S.A.	2.1	3.3
Netherlands		
Aegon N.V.	3.0	3.0
Akzo Nobel N.V.	7.0	7.1
Corio NV	3.2	3.6
EADS European Aeronautic Defence and Space Company	8.4	9.1
ING Groep N.V. ordinary	12.6	12.6
Koninklijke Ahold N.V.	3.4	3.5
Koninklijke Philips Electronics N.V	9.8	9.8
TNT N.V.	4.7	4.7
Unilever NA	4.9	5.8
Norway		
DnB NOR ASA	3.6	4.0
Orkla ASA	1.9	2.0
Statoil ASA	17.5	18.6
Yara International ASA	21.7	25.6
Portugal		
EDP - Energias de Portugal, S.A.	0.8	0.8
Galp Energia, SGPS, S.A	1.0	1.1
Russia		
AFK Sistema	4.8	4.9
Bank Saint Petersburg Pref A	4.4	9.1
Centrenergogaz JSC	1.5	1.5
IDGC North-West	25.3	50.1

Notes to the accounts

Notes to profit and loss account and balance sheet

Shares and participations, parent company, Dec. 31, 2010	Book value EUR mill.	Fair value EUR mill.
Inter-Regional Distribution Network Center OAO	51.2	110.8
Mechel Pref ADR	2.2	2.6
Mosinzhstroy	5.1	5.1
MRSK Holding of Interregional Distribution Network	2.0	10.3
Nizhnekamskshina	1.2	1.2
Rusgrain Holding OAO	12.1	12.3
Seligdar	13.5	17.7
Surgutneftegaz Preferred	10.1	12.7
Spain		
ACS, Actividades de Construccion y Servicios, S.A.	1.3	1.3
Banco Bilbao Vizcaya Argentaria, S.A.	14.3	14.7
Banco Popular Espanol S.A.	1.2	1.2
Banco Santander S.A.	28.0	28.7
Criteria Caixacorp S.A.	1.0	1.3
Gas Natural SDG, S.A.	0.6	0.6
Iberdrola S.A. ordinary	8.6	8.6
Repsol YPF SA	8.3	8.5
Telefonica S.A.	40.1	43.3
Other	0.4	0.4
Sweden		
Astra Zeneca	19.5	19.5
Atlas Copco AB	2.6	2.6
Castellum AB	2.0	2.6
EOS-Russia	7.7	19.4
Ericsson LM AB s.B	10.5	10.7
Intrum Justitia AB	18.7	25.4
Investor AB, B	9.9	10.8
Nordea Bank AB	58.9	65.5
Nordea Bank AB SEK	74.6	76.6
Q-Med AB	2.5	2.6
Sandvik Ab	13.1	17.5
Scania AB s.B	1.2	1.2
Skandinaviska Enskilda Banken s.A	1.1	1.2
Swedbank AB	57.9	78.5
Svenska Stål AB s. A	10.2	11.3
Tele2 AB	4.4	6.4
TeliaSonera AB	56.2	66.3
TeliaSonera AB	119.1	126.5
Volvo Ab s.A	2.0	2.6
Volvo Ab s.B	3.7	4.5
Switzerland		
ABB Ag	16.9	19.9
Compagnie Financiere Richemont Units A	2.4	5.5
Credit Suisse Group AG	15.2	15.2
Holcim Ltd	4.0	4.5

Shares and participations, parent company, Dec. 31, 2010	Book value EUR mill.	Fair value EUR mill.
Nestle SA registered	30.7	45.8
Novartis AG registered	34.2	39.5
Roche Holdings SA Genusscheine	33.7	34.2
STMicroelectronics N.V.	9.3	10.4
Swiss Reinsurance AG	6.4	6.4
Syngenta Ag, Zürich	7.7	9.2
Transocean Ltd.	6.7	6.7
UBS AG registered	20.0	20.6
Xstrata Plc	36.5	49.0
Zurich Financial Services AG	13.3	14.0
United States		
Cisco Systems, Inc.	16.3	16.3
Dell Inc.	9.3	11.6
Google Inc.	8.7	11.2
NVIDIA Corporation	6.3	6.3
Qualcomm Inc	21.2	26.0
Synthes Inc	2.1	2.4
Total	**2,375.6**	**2,746.2**
Foreign companies, non-listed		
United States		
Other	0.1	0.1

Holding percentage in foreign companies 0.005-6.150%.

Holding higher than 1%:	
Rusgrain Holding OAO	17.62
IDGC North-West	9.44
Seligdar	7.99
Inter-Regional Distribution Network Center OAO	7.94
EOS-Russia	6.08
Mosinzhstroy	4.05
Nizhnekamskshina	2.98
Intrum Justitia AB	2.75
Dicentia A/S	2.51
Volga Gas	2.34
Centrenergogaz JSC	2.16

Fixed-income funds		
AXA IM US Short Duration High Yield $ A-class	45.8	58.9
AXA WF US High Yield Bonds USD 1 CAP	59.4	87.2
BlackRock Eur Instl Cash Series	275.7	275.7
Fidelity Funds - US High Yield	30.5	32.2
Goldman Sach Global High Yield Portfolio Class I	152.6	152.6

Shares and participations, parent company, Dec. 31, 2010	Book value EUR mill.	Fair value EUR mill.
GS Euro Liquid Reserves Fund (inst.Dist)	250.2	250.2
ING International (II) / Emerging Markets (USD) C	54.0	87.9
JPMorgan Euro Liquidity Fund (Institutional)	232.8	232.8
Julius Baer Local Emerging Bond Fund	52.5	74.1
McDonnell Loan Opportunity Fund (Offshore) class A	2.5	2.5
McDonnell Loan Opportunity Fund (Offshore) class B	3.8	3.8
Morgan Stanley Euro Liquidity Fund (Institutional)	187.2	187.2
New Amsterdam Capital European Credit Fund Cl. SC	1.6	1.6
New Amsterdam Capital European Credit Fund Class D	1.8	1.8
OP Vaihtovelkakirjalaina A osuudet	10.0	13.5
OP-EMD Hard Currency A-osuudet	21.5	27.0
OP-EMD Local Currency A	25.0	29.9
OP-High Yield Fund A	20.0	23.6
OP-Local Currency Short Term A-osuudet	46.0	52.8
Stone Tower Offshore Credit Fund A-Initial Series	5.8	5.8
Stone Tower Offshore Credit Fund Ltd A-02-07	5.6	5.6
T.Rowe Global high Yield Bond Fund	31.4	47.5
Total	**1,516.0**	**1,654.4**
Equity funds		
Aberdeen Global Asian Smaller Companies Fund A2	19.1	52.1
Aberdeen Global China Equity	46.2	104.7
Aberdeen Global Sicav Asia Pacific Equity A2/C	44.1	92.7
Alfred Berg Small Cap Finland B (kasvu)	6.0	20.3
Amundi Asian Growth Institutional Fund Class VII	40.8	54.7
AXA Pan-European Small Cap Alpha Fund	29.2	33.4
AXA Rosenberg Japan Small Cap Alpha Fund	25.2	25.2
Bosera China Fund Plc	2.9	3.0
Carnegie Global Health Care Fund	24.7	33.2
Carnegie Medical	47.0	55.5
CIP Emerging Markets Equity Fund I	120.8	191.3
DB X TRACKERS MSCI EM LATIN ETF	30.0	30.1
DB X-tracker Asia x-JP	49.7	50.9
DB X-trackers MCSI Healthcare ETF	22.0	24.6

Shares and participations, parent company, Dec. 31, 2010	Book value EUR mill.	Fair value EUR mill.
DB X-trackers MCSI Pan Euro ETF	64.2	74.6
DB X-trackers MCSI Small Cap ETF	42.9	50.8
DB X-trackers MCSI Value ETF	96.6	102.5
DB X-trackers MSCI ETF	151.7	169.6
East Capital Balkan Fund	9.1	9.7
East Capital Bering Balkan Fund USD	3.3	3.3
East Capital Bering Russia Fund class A	13.1	13.1
East Capital Bering Ukraine Fund class A Master	3.7	3.7
East Capital Bering Ukraine Fund Class R	7.4	7.4
EFG-Hermes Middle East and Developing Africa Fund	8.2	8.2
Evli Greater Russia B	23.1	27.0
FC Global Climate Opportunities	4.8	4.8
FIM Fenno	4.5	11.4
Fortis Investments Equity Latin America	20.2	47.8
Fourton Fokus Suomi	5.0	5.8
Fourton Hannibal	3.9	3.9
Fourton Odysseus A	15.0	22.3
Fourton Stamina A	30.0	49.9
GS Europe Core Equity Portfolio Class I Shares	45.0	48.6
Health Care Select Sector SPDR ETF Fund	61.4	65.9
Icecapital European Property Fund B	5.7	5.7
Investec Pan Africa Fund I S6 USD	29.6	33.2
JP Morgan Fleming Funds Europe Small Cap Fund s.A	18.4	21.1
KJK Fund Baltic States B1 C	1.8	6.8
KJK Fund Baltic States B2 C	1.8	6.8
Montanaro European Smaller Companies, Accum. Class	63.5	65.7
Nordea Pro European	45.0	47.6
Seligson & Co OMX Helsinki 25	71.0	85.4
OP Kehittyvä Aasia A	80.0	100.7
OP-Latinalainen Amerikka A	75.0	98.6
OP-Suomi Arvo A	3.3	7.4
OP-Suomi Pienyhtiöt A	12.7	16.1
PF (Lux) Small Cap Europe-Z	32.8	55.4
Prosperity New Russian Generation	8.4	31.9
Prosperity Quest II Unlisted Limited	23.1	24.9
Prosperity Russia Domestic Fund Limited	28.6	35.6
Prosperity Voskhod Fund Limited	52.9	65.7
Relational Investors XX L.P.	47.5	61.9
Russel Japan Equity Fund A Accum	156.2	156.2
Russell Emerging Equity Fund A	147.3	219.4
Seligson & Co Russian Prosperity Fund Euro K	48.8	59.2
SPDR S&P 500 ETF Trust	795.7	811.4

Notes to the accounts

Notes to profit and loss account and balance sheet

Shares and participations, parent company, Dec. 31, 2010	Book value EUR mill.	Fair value EUR mill.
Taaleritehdas Lyydian Leijona Osake Kasvu	9.9	9.9
Timber Capital Forest Fund	28.3	29.6
Topix ETF	73.1	84.0
UBS Global Innovators	6.9	6.9
Total	**2,987.8**	**3,649.2**
Real estate funds		
Aberdeen Indirect Property Partners Asia	15.4	15.4
Aberdeen Real Estate Fund Finland L.P.	51.4	51.4
AEW Value Investors Asia, LP	26.5	27.8
Alternative Property Income Venture Fund, L.P.	19.7	19.7
CapMan Hotels RE Ky	35.9	35.9
Capman Re II KY	10.7	10.7
Carlyle Europe Real Estate Partners II, L.P.	9.4	9.4
Carlyle Europe Real Estate Partners III, L.P.	16.4	16.4
European Office Income Venture	14.5	14.5
European Property Investors Special Opportunities	15.0	15.0
European Property Investors, LP	7.9	7.9
European Retail Income Venture	15.0	15.0
Fosca II	6.7	6.7
Franklin Templeton Asian Real Estate Fund	22.5	22.8
Frogmore Real Estate Partners, L.P	6.9	6.9
Goodman European Logistics Fund	15.9	15.9
Logistis II	8.1	8.1
Partners Group Real Estate Secondary 2009, LP	7.5	7.5
Pradera European Retail Fund	15.4	15.4
Real Estate Fund Finland I Ky	7.3	7.3
Rockspring German Retail Box Fund	19.5	19.5
Sierra Portugal Fund	25.0	25.0
The Archstone German Fund	30.6	30.6
Total	**403.1**	**404.8**
Private equity funds *)		
Access Capital LP	0.6	2.1
Advent Private Equity Fund III D	1.5	1.5
Alpha Private Equity Fund V	20.5	31.4
Antin Infrastructure Partners FCPR	13.2	13.2
Apax Europe V - D, L.P.	7.6	7.6
Apax Europe VI - A, L.P.	16.0	16.0
Apax Europe VII -B, L.P.	46.0	46.0
Apollo Overseas Partners VII, L.P.	23.8	26.4
Arcadia II Beteiligungen BT GmbH & Co. KG	3.1	3.1
Arcus European Infrastructure Fund 1 L.P.	13.8	13.8

Shares and participations, parent company, Dec. 31, 2010	Book value EUR mill.	Fair value EUR mill.
Atlas Venture Fund VI, L.P.	1.2	1.2
Axa Secondary Fund IV L.P.	26.1	28.4
Baltic Investment Fund III L.P	1.4	1.4
BC European Capital VII	4.7	4.7
BC European Capital VIII	18.9	21.8
Bridgepoint Europe II B	3.6	3.6
Bridgepoint Europe III 'C' L.P.	21.2	21.2
Bridgepoint Europe IV 'E' L.P.	12.7	12.7
CapMan Buyout IX Fund A L.P.	16.8	16.8
CapMan Buyout VIII Fund A L.P.	16.4	16.4
Capman Equity VII B L.P.	1.0	6.8
CapMan Mezzanine V Fund FCP-SIF	2.5	2.5
Capman Public Market Fund FCP-SIF Class A	23.3	23.5
Capman Technology Fund 2007 L.P.	2.0	2.0
Coller International Partners IV-FD, L.P.	0.8	6.6
Coller International Partners V-B, L.P.	21.9	25.6
CVC European Equity Partners V (B) L.P.	18.8	20.7
Darwin Private Equity I	8.7	8.7
Dasos Timberland Fund I	8.2	9.0
Doughty Hanson & Co IV, Limited Partnership 4	11.7	11.7
Doughty Hanson & Co V, Limited Partnership 2	24.1	25.9
ETF III K/S	2.0	2.0
European Mid-Market Secondary Fund I	14.0	16.3
European Strategic Partners	6.3	6.3
GrowHow I Ky	0.8	0.8
HarbourVest Partners VI-Buyout Partnership Fund L.P.	2.3	2.3
HarbourVest Partners VI-Partnership Fund L.P.	5.4	5.4
HG Capital 5	7.8	7.8
HgCapital 6	14.4	14.4
Ilmarisen Suomi-Rahasto I Ky	11.7	11.7
Industri Kapital 1997 L.P. II	1.1	1.1
Industri Kapital 2000 L.P. I	5.7	5.7
Intera Fund I Ky	6.5	8.7
Inveni Secondaries Fund II Ky	0.9	0.9
Isis IV L.P.	4.3	4.3
Kasvurahastojen Rahasto Ky	1.4	1.4
KKR 2006 Fund L.P.	22.1	22.5
KKR Asian Fund L.P.	14.7	16.2
KKR E2 Investors L.P.	0.7	0.9
KKR European Fund II, L.P.	15.6	15.6
KKR European Fund III, L.P	19.6	19.6
MB Equity Fund III Ky	7.4	9.4
MB Equity Fund IV Ky	6.5	6.5
Midinvest Fund II Ky	0.8	0.8

Shares and participations, parent company, Dec. 31, 2010	Book value EUR mill.	Fair value EUR mill.
Mount Kellett Capital Partners (Cayman), L.P.	31.3	32.6
Nordic Capital Fund V	17.5	30.3
Nordic Capital Fund VI	34.5	34.5
Nordic Capital Fund VII	32.5	32.5
PAI Europe V FCPR	4.6	4.6
PAI Europe V LP	3.2	3.2
Partners Group European Mezzanine 2008, L.P.	21.9	21.9
Permira Europe II L.P. 2	2.6	2.6
Permira Europe III L.P. 2	9.8	9.8
Permira IV L.P. 2	36.5	36.5
Proventure & Partners Scottish Limited Partnership	1.6	1.6
Seedcap Ky	1.3	1.3
Selected Mezzanine Funds I Ky	10.3	10.3
Selected Private Equity Funds I Ky	1.8	1.8
Sentica Buyout III Ky	4.7	4.9
Sentica Kasvurahasto II Ky	3.7	3.7
Silver Lake Partners III L.P.	24.2	27.0
Sponsor Fund II Ky	3.0	3.0
Sponsor Fund III Ky	3.1	3.1
Suomi Yritysjärjestelyrahasto I Ky	1.7	2.1
Teknoventure Rahasto II Ky	0.5	0.7
The First European Fund Investment UK LP	3.4	3.4
The Fourth Cinven Fund Limited Partnership	34.1	35.8
The Third Cinven Fund Limited Partnership	8.8	9.0
TowerBrook Investors III, L.P.	7.3	7.8
Valhalla Co-Invest L.P.	10.1	10.4
Verdane ETF II SPV Ky	2.5	2.5
VSS Communications Partners IV, L.P.	5.5	5.5
Other	2.8	16.6
Total	**888.5**	**971.4**
Other funds		
Absolute Alpha Fund PCC Ltd Diversified Euro	46.5	51.5
AlphaGen Crusis Fund	18.5	18.5
BGI Global Ascent (Euro), Ltd.	21.0	25.7
Bluecrest Capital Int'l Ltd, Class F Euro	10.0	20.0
Brevan Howard Fund B Class Limited	20.0	29.8
Citadel Kensington Global Strategies LTD	27.6	27.6
D.E Shaw Composite International Fund s. New Issue	26.4	32.5
Davidson Kempner Int. Ltd. new issue class C	18.4	24.3
FRM Sigma Fund Limited Class D	20.3	31.5

Shares and participations, parent company, Dec. 31, 2010	Book value EUR mill.	Fair value EUR mill.
HBK Offshore Fund Ltd class C	24.7	26.6
Highbridge Asia Opportunities Fund, Ltd. Class C	20.0	24.9
Man Absolute Return Strategies I Ltd: Class ARS1|1	72.1	72.1
Man Absolute Return Strategies I Ltd: Class ARS1|2	9.2	9.2
Och Ziff Europe Overseas Fund Ltd	18.6	23.0
Och-Ziff Asia Overseas Fund, Ltd	10.2	11.3
Palmetto Concisus Recovery Fund Ltd Class APR10	0.8	1.2
Palmetto Fund, Ltd. Class D 01Feb2010	1.2	1.3
Palmetto Fund, Ltd. Class D 01Jan2008	12.6	17.6
Paulson Credit Opportunities Ltd.	2.7	37.7
Polygon Global Opportunities Fund	4.7	4.7
QVT International L.P. Fund	16.1	16.1
QVT Overseas Holdings Ltd. Special Liq. Vehicle	1.8	1.8
SEB Institutional Portfolio I1 Hedge Fund of Funds	1.1	1.1
Shepherd Investments International, Ltd. Class BQ	15.0	15.2
Shepherd Select Asset Ltd.	0.6	0.6
Solon Capital Ltd Class S	1.5	1.8
Solon Capital, Ltd	38.4	48.4
Ursus International Ltd. B/1	8.0	8.0
Vicis Capital Fund (International)	8.3	8.3
Other	0.4	0.4
Total	**476.5**	**592.7**
Total	**12,337.9**	**14,742.0**

*) 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.	2010	2009
Loan receivables, parent company		
Other loans itemised by guarantee		
Bank guarantee	**808.7**	915.8
Guarantee insurance	**214.1**	234.1
Other	**210.1**	172.6
	1,232.9	1 322.5
Unsecured loans, remaining acquistion cost	**668.7**	644.4
Remaining acquisition cost, total	**1,901.6**	1,967.0
Total premium loan receivables itemised by balance sheet item		
Loans guaranteed by mortgages	**631.7**	635.5
Loans to participating interests	**0.9**	13.5
Other loans	**1,035.2**	1,095.8
Remaining acquisition cost, total	**1,667.8**	1,744.8
Inner circle loans		
Loans granted to companies belonging to the Group	**529.8**	477.7
Loans granted to associated companies	**198.3**	-

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

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 2010	2009	GROUP 2010	2009

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	**72.0**	67.5	**72.0**	67.5
Transfer from unused donation funds	**0.0**	0.0	**0.0**	0.0
Transfer from previous year's profit	**2.9**	4.4	**2.9**	4.4
Other reserves	**–**	–	**0.6**	0.6
	74.9	72.0	**75.5**	72.6
Profit/loss brought forward				
Jan. 1	**3.9**	6.0	**–37.5**	–30.0
Distributed interests on guarantee capital	**–0.9**	–1.5	**–0.9**	–1.5
Transfer to donations	**–0.1**	–0.1	**–0.1**	–0.1
Transfer to reserves under the Articles of Association	**–2.9**	–4.4	**–2.9**	–4.4
	–	–	**–41.4**	–36.0
Profit/loss for the financial year	**4.9**	3.9	**–5.6**	–1.5
	102.9	98.9	**51.5**	58.0
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	**1.1**	0.9	**1.1**	0.9
Policyholders' share	**78.7**	74.9	**27.3**	34.1
Total	**102.9**	98.9	**51.5**	58.0

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 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:

	2010	2009
Profit/loss for the financial year	**4.9**	3.9
+ Other funds		
Reserves under the Articles of Association	**74.9**	72.0
Distributable profits, total	**79.9**	75.9

Notes to the accounts

Notes to profit and loss account and balance sheet

EUR mill.		2010	2009
Specification of technical provisions			
Provision for unearned premiums			
Future pensions		**12,640.7**	12,482.7
Provision for future bonuses		**1,552.9**	1,454.2
Provision for current bonuses		**71.1**	52.2
Supplementary insurance liability tied to income from shares		**201.8**	–161.2
Total		**14,466.4**	13,827.9
Provision for claims outstanding			
New pension awarded		**9,123.0**	7,810.4
Equalisation provision		**1,067.9**	971.4
Total		**10,191.0**	8,781.8
Total technical porvisions		**24,657.4**	22,609.7
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		**273.8**	132.5
Assets pledged as security for equity lending		**55.5**	-
Off-balance-sheet commitments and liabilities			
Investment commitments			
Private equity funds		**1,011.6**	1,190.5
Other		**0.2**	23.2
Derivative contracts			
Non-hedging			
Interest derivatives			
Future and forward contracts			
Open, bought,	underlying instrument	**–560.1**	–888.6
	fair value	**0.0**	0.0
Option contracts			
Open, bought,	underlying instrument	**14,002.4**	440.2
	fair value	**332.1**	127.0
Open, written,	underlying instrument	**–8,019.5**	–24.4
	fair value	**–106.8**	–58.7
Interest rate and credit default swaps			
Open,	underlying instrument	**–42,376.0**	–229.4
	fair value	**175.1**	321.6
Currency derivatives			
Forward contracts			
Open,	underlying instrument	**3,135.2**	1,829.3
	fair value	**6.3**	13.5
Closed,	fair value	**–40.7**	–13.2

EUR mill.		2010	2009
Option contracts			
Open, bought,	underlying instrument	**10,466.1**	9,923.5
	fair value	**901.5**	724.4
Open, written,	underlying instrument	**–3,652.6**	–3,937.1
	fair value	**–173.2**	–222.5
Currency swaps			
Open,	underlying instrument	**–**	65.8
	fair value	**–**	24.1
Equity derivatives			
Future and forward contracts			
Open,	underlying instrument	**–233.9**	–441.5
	fair value	**–9.7**	–15.6
Option contracts			
Open, bought,	underlying instrument	**7,162.6**	9,178.9
	fair value	**181.5**	309.3
Open, written,	underlying instrument	**–6,315.4**	–6,218.6
	fair value	**–218.4**	–132.6
Total returns swaps			
Open,	underlying instrument	**10.5**	–40.2
	fair value	**–11.0**	9.2
Other derivatives			
Future and forward contracts			
Open,	underlying instrument	**104.2**	–49.3
	fair value	**40.6**	0.0
Option contracts			
Open, bought,	underlying instrument	**288.9**	80.0
	fair value	**28.4**	1.4
Open, written,	underlying instrument	**–227.6**	-
	fair value	**–10.9**	-
Total returns swaps			
Open,	underlying instrument	**145.4**	47.8
	fair value	**–7.5**	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.

	2010	2009
Securities received in a transfer according to the Act on Financial Collateral Arrangements		
Securities for derivatives trading, fair value	**0.7**	228.7
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.

	2010	2009
VAT deduction refund liabilities	**4.0**	5.7
Leasing and rent liabilities		
Due in the next year	**1.0**	0.9
Due in subsequent years	**0.8**	1.0
Other financial commitments	**2.1**	2.1

Notes to the accounts

Notes to profit and loss account and balance sheet

EUR mill.	2010	2009
Solvency capital		
Capital and reserves after proposed distribution of profits	**101.4**	97.9
Accumulated appropriations	**2.4**	7.8
Difference between current value and book value of assets	**4,006.7**	2,474.5
Provision for future bonuses	**1,552.9**	1,454.2
Other items	**–8.6**	–2.9
Amount of provision for pooled claims treated egual to solvency capital	**923.4**	845.4
	6,578.2	4,876.9
Minimum solvency capital required under the Employee Pension Insurance Companies Act (TVYL), sector 17	**443.2**	405.8
The equalisation provision for years with heavy losses is included in the technical provision	**1,067.9**	971.4
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	**5,654.8**	4,031.5
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	**1,754.9**	1,241.1

Key figures and analyses

Key figures in brief	**2010**	2009	2008	2007	2006
Premiums written, EUR mill.	**3,383.2**	3,184.1	3,264.4	2,772.5	2,652.6
Pensions and other payments made, EUR mill. [1)]	**3,266.3**	3,056.7	2,701.2	2,396.1	2,237.1
Net investment income at fair value, EUR mill.	**2,738.8**	3,410.4	–4,571.5	1,325.0	1,803.0
ROCE, %	**10.8**	15.8	–17.7	5.7	8.5
Turnover, EUR mill.	**4,597.9**	5,156.3	–193.7	4,200.9	4,368.0
Total operating expenses, EUR mill.	**128.0**	121.4	113.5	103.5	98.6
Total operating expenses, % of turnover	**2.8**	2.4	neg.	2.5	2.3
Operating expenses covered by loading profit	**92.1**	87.5	83.3	85.6	71.8
% of TyEL and YEL payroll	**0.6**	0.6	0.5	0.6	0.6
Total profit, EUR mill.	**1,706.2**	2,180.4	–4,338.1	344.6	850.3
Technical provisions, EUR mill.	**24,657.4**	22,609.7	20,612.8	22,661.1	20,917.2
Solvency capital, EUR mill.	**6,578.2**	4,876.9	2,673.0	6,068.8	5,828.0
% of technical provisions [2)]	**29.7**	24.0	14.0	32.5	33.7
in relation to solvency border	**2.60**	2.73	1.99	2.00	2.38
Equalisation provision, EUR mill.	**1,067.9**	971.4	993.9	917.9	909.9
Pension assets, EUR mill. [3)]	**28,664.1**	25,084.2	21,624.8	24,761.2	23,095.1
Transfer to client bonuses, % of TyEL payroll	**0.48**	0.37	0.21	0.60	0.70
TyEL payroll, EUR mill.	**14,702.0**	14,041.0	14,623.0	12,425.5	11,505.6
YEL payroll, EUR mill.	**1,142.8**	1,088.3	1,049.2	989.1	923.6
TyEL policies	**36,767**	35,840	35,793	34,113	31,551
Employees insured under TyEL	**501,000**	472,000	480,000	417,000	387,000
YEL policies	**53,660**	52,243	52,814	51,289	49,898
Pensioners	**295,827**	282,982	273,605	262,971	257,884

[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.	**2010**	2009	2008	2007	2006
Performance Analysis					
Source of profits					
Technical underwriting result	**96.4**	–22.5	76.4	9.0	19.9
Investment income at fair value	**1,578.1**	2,175.2	–4,449.2	321.6	807.6
+ Net investment income at fair value	**2,738.8**	3,410.4	–4,571.5	1,325.0	1,803.0
-Return requirement on technical provisions	**–1,160.7**	–1,235.3	122.3	–1,003.4	–995.5
Loading profit	**31.6**	27.7	34.7	14.0	22.9
Total result	**1,706.2**	2,180.4	–4,338.1	344.6	850.3
Distribution of profits					
Increase/decrease solvency (+/-)	**1,635.2**	2,128.4	–4,369.1	270.6	769.3
Equalisation provision (+/-)	**96.6**	–22.5	76.0	8.0	16.3
Solvency capital (+/-)	**1,538.6**	2,150.9	–4,445.1	262.7	753.0
Change in provision for future bonuses	**6.9**	685.0	–3,361.1	339.0	647.7
Change in difference between current and book values	**1,532.2**	1,462.5	–1,088.2	–77.7	96.6
Change in accumulated appropriations	**–5.4**	–0.5	–1.9	–4.6	–0.8
Profit for the financial year	**4.9**	3.9	6.0	5.9	9.4
Transfer to client bonuses	**71.0**	52.0	31.0	74.0	81.0
Total	**1,706.2**	2,180.4	–4,338.1	344.6	850.3

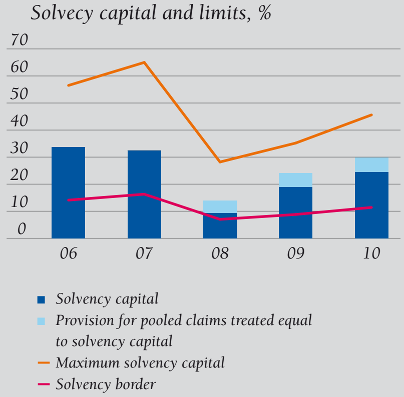
Sovency

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

Solvency border	**11.4**	8.8	7.0	16.3	14.1
Maximum solvency capital [1]	**45.6**	35.2	28.2	65.0	56.5
Solvency capital [2]	**29.7**	24.0	14.0	32.5	33.7

[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

Solvecy capital and limits, %



Breakdown of Investments (fair value)

	2010		2009		2008		2007		2006	
	EUR mill.	**%**	EUR mill.	%	EUR mill.	%	EUR mill.	%	EUR mill.	%
Loan receivables [1]	**3,137.8**	**11.2**	3,211.8	12.8	2,695.6	12.9	1,239.3	5.2	1,139.1	5.0
Bonds [1] [2]	**8,328.2**	**29.6**	8,954.3	35.6	8,574.8	41.1	8,611.1	36.4	10,387.2	45.2
incl. fixed-income funds	**696.6**	**2.5**	595.8	2.4	598.6	2.9	984.4	4.2	871.4	3.8
Other money market instruments and deposits [1] [2] [3] *	**202.2**	**0.7**	579.1	2.3	122.4	0.6	447.2	1.9	155.9	0.7
incl. fixed-income funds *	**–0.4**	**0.0**	–0.2	0.0						
Shares and participations	**13,425.0**	**47.7**	9,856.8	39.1	6,969.4	33.4	11,200.7	47.3	9,053.1	39.4
Real estate [4]	**3,028.4**	**10.8**	2,577.9	10.2	2,509.5	12.0	2,165.3	9.2	2,259.5	9.8
incl. investment funds and joint ventures	**404.8**	**1.4**	341.7	1.4	418.1	2.0	249.3	1.1	137.5	0.6
Investment total	**28,121.7**	**100.0**	25,179.8	100.0	20,871.7	100.0	23,663.6	100.0	22,994.9	100.0
Motified duration of the bond portfolio	**3.1**		3.2		3.6		4.3		4.2	

[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

* After deduction of debt relates to cash securites received

Notes to the accounts

Key figures and analyses

EUR mill.	2010	2009	2008	2007	2006
Breakdown of Investment Income and Investment Result					
Direct net income	**554.1**	735.6	374.6	1,068.2	822.2
Loan receivables	**125.0**	123.2	76.0	51.5	44.8
Bonds	**162.6**	251.9	365.5	356.1	314.7
Other debt securities and money market instruments	**–1.8**	10.9	46.4	17.4	19.0
Shares and participations	**159.8**	265.8	–182.4	597.5	375.2
Real estate	**100.2**	90.0	81.1	68.0	75.0
Unallocated income, costs and operating expenses	**8.3**	–6.2	–11.9	–22.2	–6.4
Changes in book value [1]	**652.5**	1,212.3	–3,857.9	334.4	884.2
Shares and participations	**706.8**	687.3	–2,994.2	424.4	913.2
Bonds	**–50.3**	547.6	–872.4	–145.3	–24.6
Real estate	**–1.7**	–16.9	8.7	55.3	–4.2
Other	**–2.2**	–5.8	0.0	0.0	–0.2
Net investment incomet at book value	**1,206.6**	1,947.9	–3,483.3	1,402.7	1,706.4
Change in difference between fair and book value [2]	**1,532.2**	1,462.5	–1,088.2	–77.7	96.6
Shares and participations	**1,477.2**	1,082.2	–1,390.4	–86.5	271.2
Bonds	**–66.1**	350.1	232.9	–29.3	–246.7
Real estate	**121.1**	30.2	69.1	38.1	72.1
Other	**0.0**	0.0	0.1	0.0	0.0
Net investment income at fair value	**2,738.8**	3,410.4	–4,571.5	1,325.0	1,803.0
Yield requirement on technical provisions [3]	**–1,160.7**	–1,235.3	122.3	–1,003.4	–995.5
Investment income at book value	**45.9**	712.6	–3,361.0	399.3	711.0
Investment income at fair value	**1,578.1**	2,175.2	–4,449.2	321.6	807.6
The proportion of derivatives in the net investment income	**–228.5**	202.2	–703.3	277.5	164.7

[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

EUR mill.	2010	2010	2010	2009	2008	2007	2006

Net Investment Income at fair Value, January 1-December 31, 2010

	Fair value [1] EUR mill.	Capital employed [2] EUR mill.	ROCE, %	ROCE, %	ROCE, %	ROCE, %	ROCE, %
Loan receivables	**122.7**	**3,140.2**	**3.9**	4.0	4.9	4.5	4.4
Bonds [3]	**141.5**	**9,024.7**	**1.6**	17.1	–5.8	2.0	1.0
incl. fixed- income funds	**95.3**	**669.4**	**14.2**	38.3	–28.6	1.3	9.1
Other money market instruments and deposits*	**0.8**	**263.9**	**0.3**	1.3	4.6	4.0	3.8
incl. fixed-income funds*	**–1.1**	**–0.3**					
Shares and participations	**2,223.6**	**10,230.3**	**21.7**	26.5	–36.9	9.1	20.3
Real estate [4]	**241.8**	**2,698.6**	**9.0**	–0.6	6.1	9.5	7.3
inc. investment funds and joint ventures	**22.2**	**363.4**	**6.1**	–27.1	–5.2	14.5	11.2
Investment total	**2,730.5**	**25,357.8**	**10.8**	15.8	–17.7	5.8	8.6
Unallocated income, costs and operating expenses	**8.3**	**25,357.8**	**0.0**	0.0	0.0	–0.1	0.0
Net investment income, total	**2,738.8**	**25,357.8**	**10.8**	15.8	–17.7	5.7	8.5

[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 ans 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

* After deduction of debt related to cash securites received

EUR mill.	2010	2009	2008	2007	2006

Loading Profit

Expense loading components	**117.5**	109.0	111.7	93.6	92.9
Premium components available to be used to cover operating expenses resulting from claims settlements	**5.6**	5.3	5.0	4.4	
Other income	**0.5**	0.9	1.3	1.7	1.8
Total loading profit	**123.7**	115.2	118.0	99.7	94.6
Activity-based operating expenses [1]	**–92.1**	–87.5	–83.3	–85.6	–71.8
Other expenses	**0.0**	0.0	0.0	0.0	0.0
Total operating expenses	**–92.1**	–87.5	–83.3	–85.6	–71.8
Loading profit, total	**31.6**	27.7	34.7	14.0	22.9
Operating expenses as a percentage of loading profit	**74.5**	75.9	70.6	85.9	75.8

[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, to minimize the financial and other loss arising from any risks that may have materialised, to 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 on risk-taking in a way that will leave the company enough room to manoeuvre when controlled risk-taking could increase the company's profitability. Risk management also involves comparing the costs of risk management measures against the potential costs of materialized risks, and thus ensures cost-effectiveness.

Risks in the underwriting business

In the underwriting business, the risks are related to whether the contributions and technical provisions are sufficient to cover the costs arising from future pensions. 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 99% of Ilmarinen's total technical provisions in the financial statements for 2010.

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 law, 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 2010, Ilmarinen's TyEL insurance equalisation provision was EUR 1,049 million, i.e. about 93 per cent of the upper limit, and the total equalisation provision was EUR 1,068 million.

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 2010, pooled pension expenditure accounted for around 74 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 2010, Ilmarinen's provision for pooled claims corresponded to about 14 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.

The company's technical provisions (excluding the provision for future bonuses and an equity linked buffer) are expected to increase by about 4–5 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 26,171 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 6 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 counterparty risk, liquidity risk and derivative risk.

The solvency mechanism used by authorized 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. A 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 intensified 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 the yield from shares was raised from 4 per cent to 10 per cent and until the end of 2012 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 2012.

A proposal has been made to amend the solvency regulations of pension institutions providing statutory pension insurance beginning on 31 March 2011. According to the proposal, the pension institutions would, among other things, report their solvency to the Financial Supervisory Authority exclusively according to the actual risk of the investments. The other essential changes included in the proposal are the establishment of a solvency rating for bonds in credit ratings and a more detailed specification of the restrictions concerning the use of derivatives. In addition, more detailed specifications have been proposed to the regulations on assets covering technical provisions. The estimated impact of the amendment on Ilmarinen's solvency border on 31 December 2010 was +0.9 percentage points.

The table below shows the distribution of Ilmarinen's investments into solvency groups pursuant to the Solvency Decree as of 31 December 2010.

Group	Expected yield %	Volatility %	Investements, % 31 Dec 2010
I	3.5	1.8	3.1
II	5.6	5.4	35.6
III	7.1	10.3	11.6
IV	8.7	20.2	28.5
V	5.6	10.0	11.3

Notes to the accounts
Risk Management

The solvency border pursuant to the investment distribution was, as of 31 December 2010, 11.4 per cent (8.8% in 2009) 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 29.7 (24.0) per cent, the company's solvency position, i.e. the solvency capital ratio to the solvency border, was 2.60 times (2.73) 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.

The expected return from the 2010 basic allocation was 5.4 per cent and the volatility was 7.1 per cent. In this "basic allocation", the weightings of the main assets were as follows: listed shares 30.0 per cent, bonds 33.0 per cent, investments in real estate 11.0 per cent, loans receivable 14.0 per cent and other asset classes 12.0 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, while 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 weighting 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 2010

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.

Breakdown of investments in listed shares	Share % 2010	Share % 2009	Breakdown of credit rating of bonds including fixed-income funds	Share % 2010	Share % 2009
Finland	**44**	41	AAA	**35**	39
Europe	**27**	30	AA	**26**	25
USA	**10**	11	A	**16**	16
Japan	**2**	2	BBB or worse	**20***	17*
Others	**17**	16	Not rated	**3**	3

* the share of fixed-income funds is 9 (7) percentage units

	Market value EUR mill.	Market value %	Risk breakdown EUR mill.	Risk breakdown %	Return %	Volatility %
Fixed-income investments	11 668.7	41.5	11 544.3	41.1	2.0	
Loan receivables	3 137.8	11.2	3 137.8	11.2	3.9	
Public corporation bonds	3 935.0	14.0	3 749.7	13.3	-2.1	3.0
Bonds	4 398.9	15.6	8 832.2	31.4	5.0	3.0
Other money market instruments	196.9	0.7	-4 175.5	-14.8	-2.1	
Equities and shares	12 011.8	42.7	11 853.6	42.2	20.6	
Listed equities and shares	10 686.0	38.0	10 525.9	37.4	20.6	0.0
Private equity investments	937.5	3.3	937.5	3.3	20.0	
Unlisted equities and shares	388.3	1.4	390.2	1.4	21.2	
Real estate investments	3 028.4	10.8	3 028.4	10.8	9.0	
Direct real estate investments	2 623.6	9.3	2 623.6	9.3	9.4	
Real estate funds	404.8	1.4	404.8	1.4	6.1	
Other	1 412.8	5.0	1 695.4	6.0	32.2	
Hedge fund investments	618.8	2.2	618.8	2.2	7.0	3.4
Commodity investments	1.9	0.0	69.2	0.2	-	
Other investments	792.1	2.8	1 007.4	3.6	-	
Investments total	28 121.7	100.0	28 121.7	100.0	10.8	5.0

The modified duration of bonds on 31 December 2010 was 3.1 (3.2) years.

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 %	
	2010	2009
Residential	**19**	19
Office	**33**	38
Commercial	**9**	7
Hotel	**8**	9
Warehouse	**9**	6
Others	**9**	9
Indirect investments	**13**	13

The occupancy rate of the real estate portfolio (locations under renovation excluded) was 95.2 per cent (95.8%).

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 RiskMetrics® risk management software and is 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.)	–340.1	–887.6	–331.7
solvency position	–0.16	–0.23	–0.15
yield percentage (percentage points)	–1.4	–4.4	–1.3
solvency ratio (percentage points)	–1.5	–4.0	–1.5

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 1,328 million (EUR 921) within one month, constituting a value at risk (VAR) of 4.7 (3.7) per cent of the amount of investments and 20.2 (18.9) 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 25.2 (20.8) 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 2.2 (3.5) per cent of the investment assets in Ilmarinen's 2010 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 (71) 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 -160.1 (-446.6) million at year-end, which changed the equity risks on the company's investments by -0.6 (-1.8) percentage points. Fixed-income derivatives were used to increase the average maturity of fixed-income investments by -0.1 (-1.1) years.

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 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

Notes to the accounts
Risk Management

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 that operations are 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. The plans 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, Ilmarinen's internal audit 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 authorisations in 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 trading. Payment operations are separated from decision-making on investments.

Proposal of the Board of Directors for the disposal of profit *and distribution of other non-restricted equity*

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 2010, the rate of return calculated in this fashion is 5.0 and the interest on the guarantee capital is EUR 1,149,732.67.

The parent company's distributable non-restricted equity in the financial statements for 31 December 2010 amount to EUR 79,861,896.95, of which the profit for the financial year is EUR 4,943,191.89.

The Board of Directors proposes that EUR 1,149,732.67 be distributed as interest on the guarantee capital for 2010, EUR 250,000.00 be reserved for use by the Board of Directors as donations for universities and other establishments of higher education, EUR 50,000.00 as donations for purposes of general interest and the remainder of the profit, EUR 3,493,459.22, be transferred into the contingency fund.

As a separate proposal, the Board of Directors proposes that the company's guarantee capital amounting to EUR 22,994,653.31 be repaid using the distributable funds by establishing a base fund corresponding to the amount to be repaid.

The Board of Directors proposes that if the Annual General Meeting accepts the proposal of the Board of Directors to repay the guarantee capital, the interest accrued to the guarantee capital for 2011 until the repayment date will be paid from non-restricted equity on the repayment date.

Helsinki, 23 February 2011

Hannu Syrjänen

Lauri Lyly	Mikko Pukkinen	Jukka Alho
George Berner	Matti Halmesmäki	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.–31.12.2010. The financial statements comprise the consolidated balance sheet, income statement and 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.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and Report on Operations that give a true and fair view 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 Managing Director 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 express an opinion on the financial statements, on the consolidated financial statements and on the Report on Operations based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about 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 Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act, the Employee Pension Insurance Companies Act, the Insurance Companies Act or the articles of association of the company.

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, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and Report on Operations that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. 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.

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.

Helsinki 9 March, 2011

Ernst & Young Oy
Authorized Public Accountant Firm

Tomi Englund
Authorized Public Accountant

Corporate Governance Statement
1 January–31 December 2010

This Corporate Governance Statement has been drawn up according to the Finnish Corporate Governance Code's Recommendation 54 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 2010 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:

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 and 26: 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, 38, 41 and 45–47: Complied with, with the exception of share holdings, as mutual pension insurance companies do not have shares.
Recommendations 29 and 32: Complied with, with the exception of independence, which is based on the regulations of TVYL.
Recommendation 40: Complied with, with the exception of the remunerations paid to the members of the Board of Directors and committees. According to the Act on Employment Pension Insurance Companies (TVYL), they are decided by the Supervisory Board.
Recommendations 42–44: Cannot be complied with as mutual pension insurance companies do not have shares.
Recommendation 51: Insider guidelines are complied with where applicable to mutual pension insurance companies.
Recommendation 55: Complied with where 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 2010

Chairman
Hannu Syrjänen, b. 1951, President and CEO, Sanoma Corporation
Deputy Chairmen
Leif Fagernäs, b. 1947, Director General, Confederation of Finnish Industries EK
Lauri Lyly, b. 1953, President of the Central Organization of Finnish Trade Unions (SAK)
Members
Jukka Alho, b. 1952, President and CEO, Itella Corporation
George Berner, b. 1948, Managing Director, Berner Corporation Ltd
Matti Halmesmäki, b. 1952, President and CEO, Kesko Corporation (member as of 12 March 2010)
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
Kristian Pullola, b. 1973, Vice President, Head of Treasury and Investor Relations, Nokia Corporation
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
Anne Berner, b. 1964, Managing Director, Oy Vallila Interior Ab
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 2010 and the annual attendance rate, including deputy members, was 89.4 per cent.

Board of Directors' Committees

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

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 from 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 2010. 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 2010. All of the members took part in five meetings and one member was absent from one meeting.

3. Supervisory Board according to the decision of the General Annual Meeting 2010

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
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, Steward, 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, Director of Membership Support, Trade Union Pro
Sakari Lepola, b.1956, President, The Wood and Allied Workers' Union
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
Matti Niemi, b. 1955, Managing Director and CEO, HOK-Elanto
Krister Olsson, b. 1947, President, Finnish Taxi Owners Federation
Jussi Pesonen, b. 1960, President and CEO, UPM-Kymmene Corporation
Veli-Matti Puutio, b. 1961, President, Osuuskauppa Arina
Timo Räty, b. 1964 President, the Finnish Transport Workers' Union (AKT)
Jari Sarjo, b. 1957, President and CEO, Lassila & Tikanoja Plc
Pirjo Terilehto, b. 1953, Financial Director, Trade Union Pro
Riitta Tiuraniemi, b. 1962, CEO, DNA Ltd
Maarit Toivanen-Koivisto, b. 1954, Managing Director, Onvest Oy
Juha Vanhainen, b. 1961, Country Manager Finland, Stora Enso
Mika Vehviläinen, b. 1961, President and CEO, Finnair Plc
Esa Vilkuna, b. 1960, President, Finnish Post and Logistics Union (PAU)

Kalle Leinonen's and Kalevi Vanhala's membership in the Supervisory Board ended on 13 April 2010.

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 2010 and the annual attendance rate of the members was 71.7 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 and handle the everyday management of the company according to the instructions and provisions of the Board of Directors as well as 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.

The head of the Actuarial Services and Risk Management division is responsible for the appropriateness and the development of the company's risk management system and heads the Risk Management Committee comprised of representatives of the business divisions. The Risk Management Committee is responsible for co-ordinating, developing and monitoring the company's risk management system, with the assistance of the Actuarial Services and Risk Management division.

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 Services and Risk Management division, which is responsible for the risk management of Ilmarinen'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 pension institutions' equities and shares. From 2008 onwards, ten per cent of technical provisions have been tied to the return on shares. 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. If its amount exceeds 5 per cent of technical provisions, the portion exceeding the limit is used to strengthen old-age pension funding.

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. Under the temporary legislation, part of the provision for pooled claims included in technical provisions is treated equal to solvency capital in 2008–2012. 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 2008–2012 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 equalization 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 2010, the pension liability supplementary coefficient was 0.61 per cent on average. 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 15 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 from now on quarterly 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 2010, employee pension fund assets totalled EUR 139 billion, which represented roughly 77 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 2011, the total TyEL contribution averages 22.4 per cent of earnings. The employee contributes 4.7 per cent (6.0% from 53 years of age) and the employer an average of 17.1 per cent. This figure takes into consideration that small and medium-sized employers are also granted a maximum discount of 0.5 percentage points to reduce the equalisation provision relating to disability pensions. The total contribution is expected to increase by about 4 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 21). As of 2010, growing average life expectancies has affected 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 2008–2012. 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 6 April, 2011 at the following address: Ilmarinen Mutual Pension Insurance Company, Porkkalankatu 1, Helsinki, Finland.

Interim report

Ilmarinen will publish an interim report in August 2011.

Additional information on the Internet

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

NORDIC ENVIRONMENTAL LABEL
441 089
Printed Matter

Design: Kreab Gavin Anderson Oy
Photographs: Tomi Parkkonen
Printed in Esa Print Oy 2011

ILMARINEN

Porkkalankatu 1, Helsinki, 00018 Ilmarinen, Finland
Telephone: Nat. 010 284 11, Int. +358 10 284 11
Fax: Nat. 010 284 3445, Int. +358 10 284 3445
www.ilmarinen.fi