OP-Pohjola Group's Financial Statements Bulletin 1 January–31 December 2011



Q4

OP-Pohjola

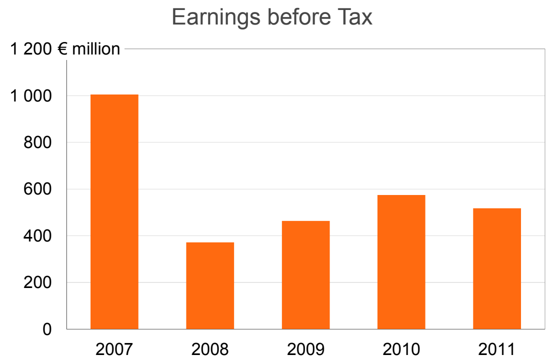
OP-Pohjola Group's pre-tax earnings EUR 518 million – Banking's result improved markedly

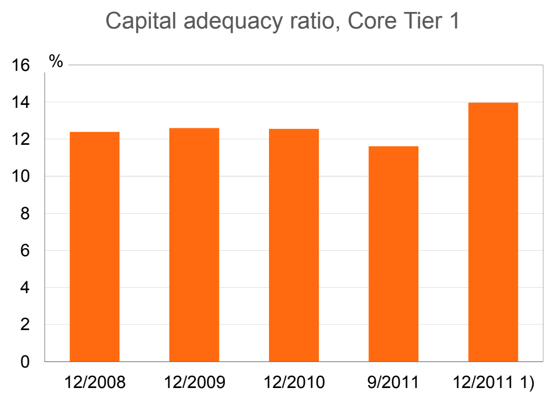
- The Group's earnings before tax amounted to EUR 518 million.
- Earnings in Q4 were eroded by the changes in reserving bases of technical provisions concerning insurance operations that were already reported earlier. Excluding these items, the Group's full-year earnings before tax would have been somewhat better than the year before (575).
- Banking's earnings before tax grew strongly and were 30% higher year on year. Results for Non-life and Life Insurance segments shrank clearly.
- Net interest income continued on a good growth path and was 12%, while expenses increased by 6%.
- Impairment losses on receivables shrank by EUR 47 million, amounting to 0.16% of the loan and guarantee portfolio.
- Deposits increased notably faster than the market average. Non-life Insurance's premiums written and both home mortgage and corporate loan portfolios grew at a rate higher than the market average.
- Good progress was made in the strategic focus areas: OP-Pohjola Group's joint banking and insurance customers increased in the report period by 102,000, corporate deposits by 22% and the corporate loan portfolio by 11%.
- OP-Pohjola Group was for the first time chosen as the primary intermediary of the Finnish state's payment transfers, effective as of 1 December 2012.
- OP-Pohjola Group's capital adequacy is very strong. The Core Tier 1 ratio stood at 14.0%. The Group's capital base exceeded the statutory minimum by EUR 2.5 billion.
- Subject to there being no material weakening of the operating environment and no new turn for the worse in the management of the debt crisis in the euro area, OP-Pohjola Group's 2012 results are expected to be at the same or even a better level than the year before.

OP-Pohjola Group's key indicators

	2011	2010	Change, %
Earnings before tax, € million	518	575	-9.9
Banking	478	367	30.0
Non-life Insurance	8	83	-90.5
Life Insurance	10	43	-76.4
Returns to owner-members and OP bonus customers	176	163	8.1
	31 Dec 2011	**31 Dec 2010**	**Change, %**
Ratio of capital base to minimum amount of capital base (under the Act on the Supervision of Financial and Insurance Conglomerates)	1.80	1.70	0.10*
Tier I ratio, % Core Tier 1, %	14.0	12.6	1.4*
Non-performing receivables within loan and guarantee portfolio, %	0.47	0.34	0.13*
Joint banking and insurance customers (1,000)	1,299	1,197	8.5

* Change in ratio





1) The effect of the transition to IRBA is about 2.6 percentage points

Comments by Reijo Karhinen, Executive Chairman

The euro area crisis has not deteriorated OP-Pohjola Group's form. We are going against the current. Our solid capital adequacy and good funding has been a winning combination amid this crisis.

OP-Pohjola Group continued in 2011 on a steady path in an extremely demanding market environment. Thanks to a major improvement in earnings by Banking, the whole Group's earnings reached 518 million euros – which is a good result. We are pleased to record an improvement in net interest income while being able to reduce credit losses.

While Banking did well, the entire Group's performance was nevertheless eroded by previously reported major technical provisions concerning insurance operations in the fourth quarter.

The fact that our deposits increased markedly under such conditions is a clear indication that we have our customer's trust. There is a heated debate in Europe about capitalisation by banks and about tighter capital adequacy limits. Meanwhile, we decided on our own to raise our capital adequacy target to 15 per cent, which is well over the statutory requirement. We want to continue to provide a safe haven in the financial sector.

We must not exaggerate the effect of the euro area sovereign debt crisis on the personal finances of ordinary Finns. It is my estimate that demand for financial services will remain high in 2012. For most households in Finland, 2012 will be financially better than 2011. Low interest rates will favour housing sales, and as households have more money available, there will be more demand for savings and investment services.

In the middle of all this market turmoil, we at OP-Pohjola Group nevertheless see a bright future ahead. Last year we started an exceptional number of major investments. We set up a development unit of mobile services in Oulu, started the Vallila 2015 office premises project that will last over four years, and created more than 700 jobs around Finland.

The first signs of economic stabilisation are emerging. These will help to alleviate the worst fears, but we are only beginning a long journey to recover from the debt crisis. It is still a balancing act, though: we may be cautiously optimistic, but major setbacks are still possible, depending on how the debt crisis is handled.

Finnish decision-makers must now quickly focus on Finland and less on Europe. We have little by little eroded our financial buffers and public debt is growing at a high rate. At the same time our external competitiveness has weakened. Decision-makers should now boldly and with determination focus on structural solutions that support growth. Long-term reforms are vitally important both in order to retain Finland's credit rating and to boost competitiveness.

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Operating environment

On average, the world economy grew at a fairly brisk rate in 2011. However, economic growth characterised by uncertainty slowed down clearly during the year and was uneven. The European sovereign debt crisis escalated during the second half, which substantially deteriorated the operating environment.

The Finnish economy showed fair growth in 2011. Following the favourable first half of the year, economic sentiment worsened dramatically during the second half due to the euro-area debt crisis. Nevertheless, this was not so strongly reflected in spending or investment decisions among consumers although exports slowed down markedly in the second half.

The euro-area sovereign debt crisis weighed on financial markets in 2011. After their rise in the first half of the year, market rates began to fall in the summer. The European Central Bank (ECB) cut its benchmark interest rate to 1.00 per cent in December 2011 and also supported markets by providing banks with additional enhanced credit support and by buying government bonds in the market.

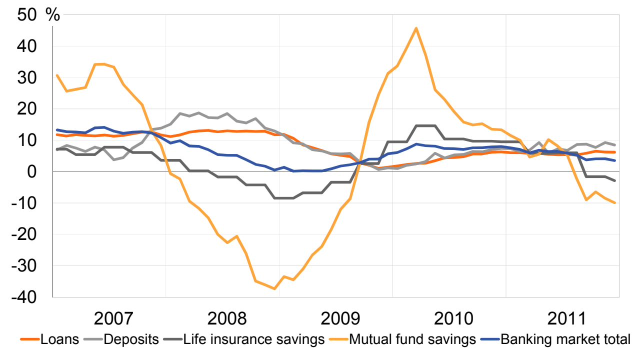
The world economic outlook for 2012 is uneven. The debt crisis will continue to cast a shadow over the euro-area outlook, and economic growth is likely to remain feeble. The Finnish economic prospects for 2012 look weak. The ECB is still supporting economic development by increasing market liquidity. The Euribor rates are exceptionally low.

The euro-area sovereign debt crisis had only a minor effect on bank lending in Finland in 2011, as evidenced by lending growing at an annual rate of 6%. Despite weaker consumer confidence, home sales remained brisk and consumer loans showed a steady growth rate. Growth in corporate loans accelerated somewhat towards the year end because companies sought to secure their liquidity in the face of unstable financial markets.

In 2011, the combined assets invested in mutual funds and insurance declined by 7% in Finland as a result of weak developments in capital markets. Share prices fell by an average of around 10% globally and by almost 30% in Finland. Mutual funds and the sale of new life insurance policies experienced a decline in their net asset inflows. However, growth in deposits rose to an annual rate of 8%. The term deposit growth rate decelerated slightly towards the year end because money market rates turned down.

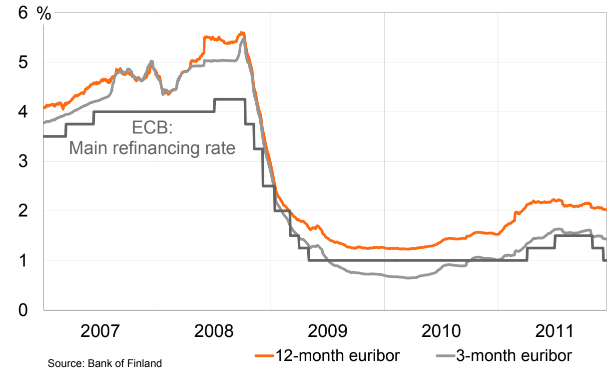
Non-life insurance premiums written rose at an annual steady rate of around 4%. Claims expenditure increased much more than premiums written, or by well over 10%. For the second year in a row, unusually heavy storms and a snowy winter led to higher claims expenditure. The uncertain outlook in capital markets and low interest rates will continue to present challenges to insurance companies' investment operations.

Banking business volumes
Sector total



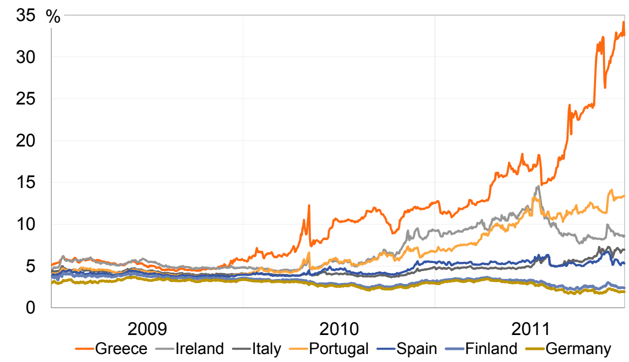
Sources: Bank of Finland, Federation of Finnish Financial Services, The Finnish Association of Mutual Funds

Euribor rates and ECB refi rate



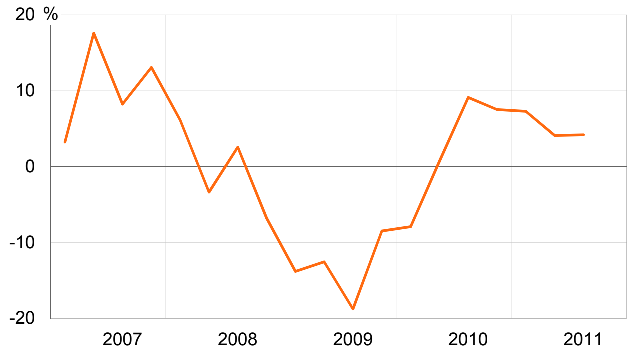
Source: Bank of Finland

Long-term interest rates
Government bonds (10 years)



Source: Reuters EcoWin

Fixed investments
Annual change in volume



Source: Statistics Finland

OP-Pohjola Group's earnings analysis and some balance sheet key indicators

Earnings analysis, € mill.	**2011**	**2010**	**Change, %**	**Q4/ 2011**	**Q4/ 2010**	**Change, %**	**Q3/ 2011**
Banking	478	367	30.0	121	100	20.7	131
Non-life Insurance	8	83	-90.5	-63	-2		3
Life Insurance	10	43	-76.4	-25	20		-17
Earnings before tax	**518**	**575**	**-9.9**	**35**	**137**	**-74.2**	**120**
Gross change in fair value reserve	-400	225		55	-31		-340
Earnings/loss before tax at fair value	**117**	**800**	**-85.3**	**91**	**106**	**-14.3**	**-220**
Return on economic capital, % *)	13.6	14.4	-0.8*				
Return on economic value at fair value, % *)	6.2	18.7	-12.6*				
Income							
Net interest income	1,030	917	12.3	275	238	15.5	261
Net income from Non-life Insurance	312	382	-18.5	20	73	-71.9	75
Net income from Life Insurance	72	100	-28.7	-6	39		0
Net commissions and fees	574	563	1.9	138	146	-5.1	138
Net trading and investment income	80	109	-26.5	38	37	3.4	-19
Other operating income	93	101	-7.7	25	32	-22.5	20
Other income, total	**1,131**	**1,256**	**-10.0**	**215**	**326**	**-34.0**	**214**
Total income	**2,160**	**2,172**	**-0.6**	**490**	**564**	**-13.1**	**476**
Expenses							
Personnel costs	696	643	8.2	181	166	9.3	149
Other administrative expenses	351	319	10.0	104	94	9.9	79
Other operating expenses	318	324	-1.8	88	85	4.6	75
Total expenses	**1,365**	**1,286**	**6.1**	**374**	**345**	**8.3**	**303**
Impairment losses on receivables	**101**	**149**	**-31.7**	**37**	**41**	**-8.3**	**10**
Returns to owner-members and OP bonus customers							
Bonuses	163	151	7.4	42	39	6.6	41
Interest on ordinary and supplementary cooperative capital	14	12	16.9	2	3	-0.5	2
Total returns	**176**	**163**	**8.1**	**44**	**42**	**6.2**	**43**

*) 12-month rolling, change in percentage

Other key indicators, € mill.	**31 Dec 2011**	**31 Dec 2010**	**Change, %**
Receivables from customers	60,331	56,834	6.2
Life Insurance assets	7,006	7,544	-7.1
Non-life Insurance assets	3,205	3,164	1.3
Liabilities to customers	45,974	39,205	17.3
Debt securities issued to the public	20,005	19,577	2.2
Equity capital	6,531	6,726	-2.9
Balance sheet total	92,287	83,969	9.9
Tier 1 capital	4,753	5,454	-12.8

January–December

The Group's earnings before tax amounted to EUR 518 million (575). In 2011, the changes in reservation bases recorded in non-life and life insurance weakened the Group's earnings by EUR 74 million. In 2010, similar changes in reservation bases were recorded by EUR 50 million in net terms. Pre-tax earnings adjusted for changes in reserving bases contracted in the challenging operating environment by 5.3% year on year.

The result made in the report period was boosted by increased net interest income and net commissions and fees in Banking as well as by decreased impairment losses on receivables. Earnings were eroded by falling investment income and the changes in reserving bases referred to above. Bonuses to owner-members and OP bonus customers that were recognised in the profit and loss grew by 7.4% year on year to EUR 163 million.

Earnings before tax at fair value were eroded by falling market prices owing to the uncertainty in the investment market.

Pre-tax earnings by Banking went up by 30% and income by 6.9%. Net commissions and fees increased by 1.7% year on year owing to the favourable development of commissions and fees related to lending and payment transfer services in the first half of the year.

Earnings before taxes for the Group's non-life insurance segment were eroded as a result of increased life expectancy among policyholders and a technical provision of EUR 59 million (35) made due to the lower discount rate used for calculation of technical provisions and also as a result of lower investment income than the year before. The operating combined ratio of Non-life Insurance was 89.8% (89.7). Earnings for the life insurance segment were eroded by EUR 15 million owing to increased life expectancy among policyholders.

Expenses increased year on year by 6.1% mainly because of higher ICT and personnel costs. The personnel increased by some 700, increasing personnel costs considerably.

Impairment losses recognised under various income statement items that eroded the report period's performance amounted to EUR 178 million (298), of which EUR 101 million (149) concerned loans and other receivables. The greatest single impairment, EUR 45 million, concerned the Group's direct Greek government exposure. At the end of the year, the Group's balance sheet contained a total of EUR 16 million in direct Greek government exposure. Net impairment losses on loans and other receivables were 0.16% (0.25) of the loan and guarantee portfolio.

Equity capital stood at EUR 6,531 million on 31 December. Equity capital was on the one hand boosted by the report period's performance but on the other hand eroded by a shrunken fair value reserve, a higher percentage of ownership by the central institution in Pohjola Bank plc, and dividend payments.

On 31 December, the cooperative capital investments and supplementary cooperative capital investments of the member cooperative banks' owner-members totalled EUR 756 million (778).

The Board of Directors of Pohjola Bank plc proposes that a per-share dividend of EUR 0.41 (0.40) be paid on Series A shares and EUR 0.38 (0.37) on Series K shares, which would total EUR 129 million (126), of which the Group's internal divided would account for 52%.

OP-Pohjola Group had 4,163,000 customers in Finland at the end of December. Private customers totalled 3,733,000 and corporate customers 430,000. Year on year, the number of joint banking and non-life insurance customers in Finland increased by 102,000 to 1,299,000 as a result of cross-selling.

October–December

Earnings before tax in the last quarter amounted to EUR 35 million (137). For the fourth quarter, changes in reserving bases for non-life insurance decreased earnings by EUR 69 million (50). The majority of these changes were recognised under the non-life insurance segment.

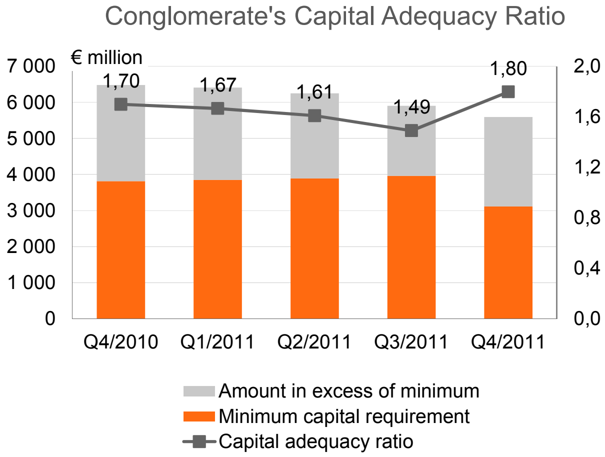
The performance by Banking improved year on year as a result of higher net interest income and lower impairments of receivables. Net interest income was 16% higher year on year and 5.3% higher than in Q4. Impairment losses on receivables shrank by 8% year on year. In addition to changes in the reserving bases concerning technical interest, Non-life and life insurance net earnings were reduced as a result of falling investment income.

OP-Pohjola Group's long-term financial targets	31 Dec 2011	31 Dec 2010	Target
Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates	1.80	1.70	1.5
Return on economic capital, % (12-month rolling)	13.6	14.4	17
Growth differential between income and expenses, percentage points (12-month rolling)	-6.7	2.9	> 0

Capital adequacy, risk exposure and credit ratings

Capital adequacy

On 31 December, OP-Pohjola Group's capital resources calculated according to the Act on the Supervision of Financial and Insurance Conglomerates exceeded the minimum amount specified in the Act by EUR 2,486 million (2,666).The permission we received from the Financial Supervisory Authority in October 2011 enabled us to extend the use of the Internal Ratings-based Approach (IRBA) to the capital requirement calculation concerning credit risk by Banking. The capital buffer increased mainly as a result of the extended use of IRBA in capital adequacy measurement under the Act on Credit Institutions. The Group's higher percentage of holdings in Pohjola Bank plc and changes in debenture loans decreased the capital buffer. During the report period, debenture loans classified as Tier 2 capital were redeemed for a total of EUR 396 million and issued for a total of EUR 184 million. The effect of the above carried out by the Group itself on the capital adequacy ratio was about 0.2 points.



As a result of the financial crisis, banks' capital adequacy requirements will be tightened, in an effort to improve the quality of their capital base, to increase capital conservation buffers, to reduce the cyclic nature of capital requirements, to decrease banks' indebtedness and to set quantitative limits to liquidity risk. These changes have been planned to be implemented in 2013–2019. According to OP-Pohjola Group's analysis based on the current interpretations, the Group can fulfil the capital adequacy requirements in any eventuality. From OP-Pohjola Group's viewpoint, the major changes in the new regulations are related to how insurance company investments and supplementary cooperative capital are treated in terms of capital base calculation concerning capital adequacy, to the leverage ratio and to liquidity risk requirements.

Risk exposure

Despite the weakened economic situation, OP-Pohjola Group's risk exposure has remained stable. The Group's risk-bearing capacity is high and sufficient to safeguard that we can continue operating even if the market jitters continue.

Credit risk exposure remained stable although economic growth in Finland slowed down towards the end of the year. See below in the part dealing with business segments for details on Banking's credit risk exposure.

No significant changes took place in Non-life Insurance's or Life Insurance's underwriting risks. The insurance companies' solvency has remained good, albeit that the unfavourable investment markets have eroded return on investments. See below in the part dealing with business segments for details on insurance companies' credit risk exposure.

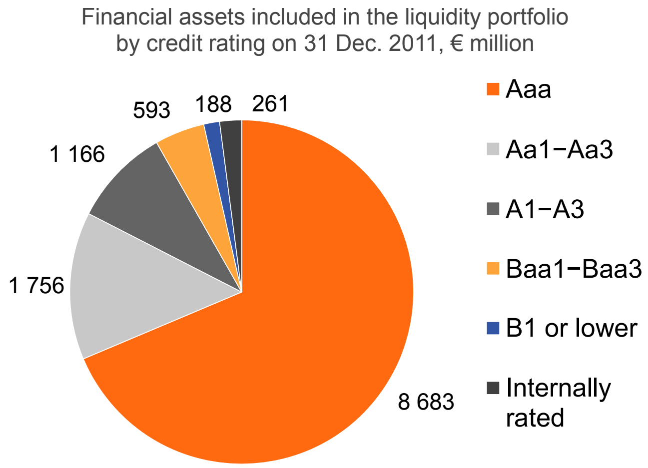
The Group's funding and liquidity position is good. The share of deposits in funding has increased to a little over two-thirds. Short-term wholesale funding worked well throughout the year.

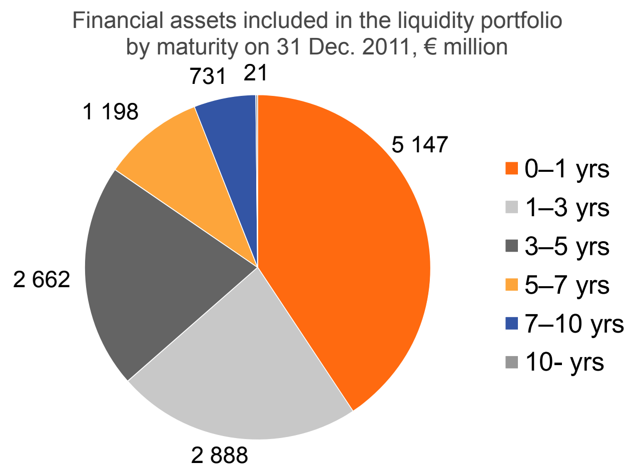
Although long-term funding markets were tense, especially during the second half of the year, the Group issued long-term bonds totalling EUR 2.6 billion. Of this amount, bonds issued by OP Mortgage Bank account for EUR 2.0 billion while Pohjola Bank plc, which acts as the Group's central bank, accounts for EUR 0.6 billion.

OP-Pohjola Group ensures its liquidity with a liquidity reserve and other sources of finance referred to in the contingency plan. The liquidity reserve mainly comprises notes and bonds, securitised assets and loans eligible as collateral issued by governments, municipalities, financial institutions and companies in the euro area all showing good credit ratings. The liquidity reserve can be used as collateral for central bank funding. The liquidity reserve portfolio's interest rate and currency risks have been hedged.

Liquidity reserve, € mill.	**31 Dec 2011**	**31 Dec 2010**	**Change**
Collateral value	9,983	10,324	-341

The liquidity reserve and other sources of additional funding included in the Group's contingency funding plan ensure the Group's liquidity for at least two years should wholesale funding become unavailable and deposits fall moderately.





OP-Pohjola Group's market risk exposure was, despite the increasing uncertainty in the markets, within the set limits in the report period. The interest income risk related to net interest income in Banking remained stable throughout the year. Credit spread risk related to Banking remained unchanged, because uncertainty continued in the bond market. The equity risk related to investments was mitigated through hedging, as was the interest rate risk for technical provisions of life insurance operations.

OP-Pohjola Group's investment assets totalled EUR 20.3 billion on 31 December 2011. In Banking, the strong liquidity boosted money-market investments' share of investment assets.

Investment assets, € mill.	31 Dec 2011	31 Dec 2010	Change
Pohjola Bank plc	12,560	9,487	3,073
Non-life Insurance	2,830	2,893	-63
Life Insurance	3,671	4,500	-829
Group member banks	911	991	-81
OP-Pohjola Group Mutual Insurance Company	364	375	-11
Total	20,336	18,246	2,089

On 31 December, OP-Pohjola Group's direct investments in bonds issued by GIIPS governments had a market value of EUR 141 million, representing 0.2 % of the Group's balance sheet. These investments have been made by Non-life and Life Insurance to cover technical provisions.

Receivables from GIIPS countries

€ million	Life Insurance	Non-life Insurance	Banking and other operations
Greece	3	12	0
Italy	27	29	0
Ireland	0	5	0
Portugal	0	17	0
Spain	31	17	0
Total	61	79	0

Credit ratings

Rating agency	Short-term funding	Long-term funding
Fitch Ratings (OP-Pohjola Group and Pohjola Bank plc)	F1	A+
Standard & Poor's (Pohjola Bank plc)	A-1+	AA-
Moody's (Pohjola Bank plc)	P-1	Aa2

Fitch Ratings issues a rating for both OP-Pohjola Group and Pohjola Bank plc. OP-Pohjola Group's financial position also affects credit ratings issued for just Pohjola Bank plc.

As part of its extensive review of the global and European banking sector, Fitch Ratings has reduced OP-Pohjola Group's and Pohjola Bank plc's long-term IDR from 'AA-' to 'A+' and short-term IDR from 'F1+' to 'F1', with a stable outlook for these ratings.

Standard & Poor's Ratings Services affirmed on 8 December 2011 Pohjola Bank plc's long-term counterparty rating at 'AA-' and short-term counterparty rating at 'A-1+', considering the outlook as stable.

In August, Moody's placed OP-Pohjola Group and Pohjola Bank plc on review for a possible credit rating downgrade.

Operations and earnings by business segment

OP-Pohjola Group's business segments are Banking, Non-life Insurance and Life Insurance. Non-segment operations are presented under 'Other Operations'. OP-Pohjola Group's segment reporting is based on accounting policies applied in its financial statements.

Summary of performance by business segment

€ million	Income	Expenses	Other items *)	Earnings before tax 2011	Earnings before tax 2010	Change, %
Banking	1,708	964	-267	478	367	30.0
Non-life Insurance	344	336	0	8	83	-90.5
Life Insurance	105	94	0	10	43	-76.4
Other Operations	421	379	-11	31	86	-63.7
Eliminations	-417	-408	0	-9	-4	119.8
Total	**2,160**	**1,365**	**-278**	**518**	**575**	**-9.9**

*) Other items contain returns to owner-members and OP bonus customers, and impairment losses on receivables

Banking

- Earnings before tax grew by 30% to EUR 478 million.
- Income increased by a total of 6.9%. Net interest income increased by 16% and net commissions and fees by 1.7%.
- Impairment losses on receivables reduced even more, by 40%, in the report period.
- Banking's performance continued to grow at a good rate. Growth was particularly brisk in deposits and corporate loans.
- Capital adequacy improved further: on 31 December, the Core Tier 1 ratio stood at 14%.
- OP-Pohjola Group was for the first time chosen as the primary intermediary of the Finnish state's payment transfers as of 1 December 2012.

Banking, key figures

€ million	2011	2010	Change, %
Net interest income	988	852	15.9
Impairment losses on receivables	90	149	-39.5
Other income	721	745	-3.2
Personnel costs	430	405	6.4
Other expenses	533	513	4.0
Returns to owner-members and OP bonus customers	176	163	8.1
Earnings before tax	**478**	**367**	**30.0**
€ million			
Home mortgages drawn down	7,435	6,651	11.8
Corporate loans drawn down	6,699	6,554	2.2
Net subscriptions to mutual funds	-1,709	497	-444.3
No. of brokered property transactions	17,240	17,009	1.4
€ billion	**31 Dec 2011**	**31 Dec 2010**	**Change, %**
Loan portfolio			
Home mortgages	29.3	27.3	7.3
Corporate loans	15.6	14.0	11.3
Other loans	15.2	15.2	0.0
Total	**60.1**	**56.5**	**6.3**
Guarantee portfolio	2.7	2.8	-5.2
Deposits			
Current and payment transfer	21.6	19.2	12.4
Investment deposits	19.7	17.2	14.4
Total deposits	**41.3**	**36.4**	**13.3**
Market share, %			
Of loan portfolio	32.9	33.0	-0.1
Of deposits	34.4	32.5	1.9
Of capital invested in mutual funds	20.7	23.4	-2.7

The effects of the protracted sovereign debt crisis in the euro area on Banking's operating environment started to materialise towards the end of the year mainly in the form of lower interest rates. The fall in short-term market rates accelerated after the European Central Bank cut its main refinancing rate twice in late 2011. Competition continued to be tough especially in the deposits market. The key factors heating up competition for deposits are the general capital market jitters on the one hand and tightening of banks' liquidity regulations on the other. The additional measures in support of banks' liquidity and ability to provide credit announced by ECB in December have had a positive effect on capital markets.

OP-Pohjola Group's deposits increased in the year to December by 13.3%. Payment transfer accounts increased by 12.4% and investment deposits by 14.4%. The growth of deposits in euro terms exceeded credit growth, thereby reducing the Group's need to acquire funding from the wholesale market.

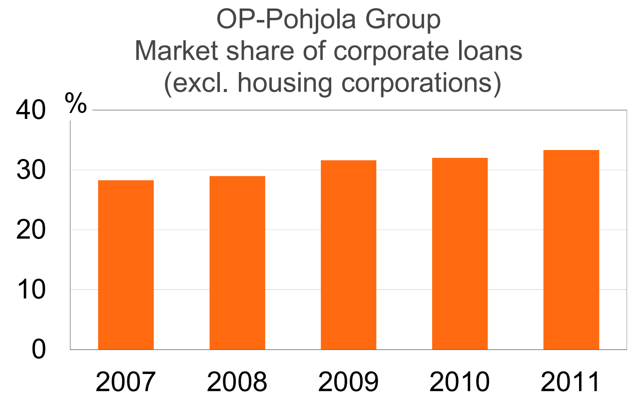
The number of housing deals brokered by OP-Kiinteistökeskus real estate agents in 2011 reached a record high. The deals totalled 17,200, thus exceeding last year's figures by about 200, and this despite the uncertainties in the operating environment.

The volume of home mortgages issued in 2011 increased by 11.8% year on year. The margins of new home mortgages turned upward towards the end of the year and are forecast to continue increasing owing to tighter capital adequacy regulations and higher funding costs. On 31 December, the Group held 36.0% (35.8) of the home mortgage portfolio. The consumer loan portfolio grew by 3.7% from last year's figure.

The volume of payment transfers intermediated by OP-Pohjola Group increased somewhat. Pohjola Bank plc was chosen as the primary intermediary of the Finnish state's payment transfers as of 1 December 2012 having been acting as a secondary intermediary until now.

The corporate loan portfolio grew in the year to December by 11.3%. The Group's market share of the loan portfolio by businesses and housing corporations increased in the year to December from 29.2% to 29.7%.

Capital invested in mutual funds managed by OP-Pohjola Group decreased in the year to December to EUR 11.5 billion (14.4) as a result of a lower volume of net subscriptions and lower market values.



Net subscriptions to OP-Pohjola Group's mutual funds were EUR 1,709 million in the negative, while a year ago they increased by EUR 497 million.

On 31 December, assets managed by OP-Pohjola Group's Asset Management were worth EUR 31.3 billion (35.0), of which EUR 9.9 billion (12.0) was invested in the Group's mutual funds. OP-Pohjola Group companies accounted for EUR 7.9 billion of the managed assets.

The cooperative member banks had 1.3 million owner-members on 31 December, or 28,000 more than a year earlier. Group member banks and Helsinki OP Bank plc, which operates in the Greater Helsinki area, had a total of 1,243,000 OP bonus customers at the end of December.

Loyal customer bonuses earned by OP bonus customers totalled EUR 163 million, up by 7.4% year on year. In 2011, OP bonus customers used a total of EUR 78 million (74) of bonuses on banking services and EUR 66 million (56) on Pohjola non-life insurance premiums. Bonuses were used for the payment of 1,434,000 insurance premium bills, and 15% of these were paid using solely OP bonuses.

At the end of 2011, the Tax Administration changed its guidelines concerning corporate bonus practices. Following changes in taxation law, OP-Pohjola Group has changed its bonus system so that customers no longer have the option of selecting what their bonuses are used for and neither can they take out their bonuses as cash.

Earnings and risk exposure

The Banking result improved clearly and earnings before tax rose by 30% to EUR 478 million (367). Banking income grew by 6.9 per cent, reaching EUR 1,708 million. Net interest income increased by 16% (-13). Rising market rates on the previous year along with a growth of business volumes pushed up net interest income. Growth in net commissions and fees slowed down to 1.7% (10.6) mainly resulting from a fall in the growth in Asset Management net commissions and fees brought on by the debt crisis. Net trading and investment income contracted by a total of EUR 23 million, or almost 28% year on year. Banking had a cost/income ratio of 56 (57).

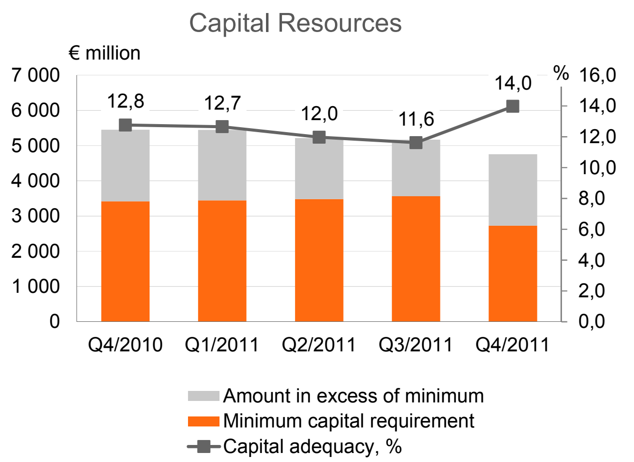
Banking retained a stable credit risk exposure, because the debt crisis has not reflected on our customers' financial situation. Impairment losses on receivables for the whole Group shrank by EUR 47 million year on year and accounted for just 0.16% of the loan and guarantee portfolio. Non-performing and zero-interest receivables were also low in relation to the loan and guarantee portfolio, even though they increased somewhat. Of the growth in non-performing receivables, over half was technical, resulting from a change in the recognition principles for collective impairments. 46% of OP-Pohjola Group's corporate exposures, divided into 12 main categories, fell into the top five corporate loan portfolios, also known as investment grade.

OP-Pohjola Group's doubtful receivables as percentage of loan and guarantee portfolio	31 Dec 2011		31 Dec 2010	
	€ million	%	€ million	%
Non-performing and zero-interest receivables, net	296	0.47	204	0.34
Impairments on receivables since 1 January, net	101	0.16	149	0.25

Capital adequacy

Following permission from the Financial Supervisory Authority, IRBA has been applied to the conglomerate's retail, corporate and credit institution exposures as of December 2011. As regards credit risk for corporate and credit institution exposures, Pohjola uses the Foundations Internal Ratings Based Approach (FIRBA). The capital requirement a year ago was calculated using the Standardised Approach, except for Pohjola Bank plc's capital requirement for credit risks related to corporate exposure which was calculated using IRBA.

On 31 December, OP-Pohjola Group's capital adequacy ratio under the Act on Credit Institutions and the Tier 1 capital adequacy ratio both stood at 14,0% (12.8). The Core Tier 1 capital adequacy ratio stood at 14%. The statutory minimum for capital adequacy ratio is 8%, and for Tier 1 ratio 4%. In autumn 2011, The European Banking Authority (EBA) set a 9% minimum requirement for Core Tier 1 adequacy for significant European banks.



The Group's Tier 1 capital amounted to EUR 4,753 million (5,454) on 31 December. The fall in this capital was primarily caused by the fact that OP-Pohjola Group Central Cooperative bought Pohjola Bank plc shares from Suomi Mutual, by the early redemption of debenture loans and by an increase in the shortfall of expected losses and impairments deducted from the capital base.

Insurance company investments, deducted in equal proportions from Tier 1 and 2 capital, came to EUR 2,314 million (2,330). EUR 542 million (131) have been deducted from equity capital as a shortfall of expected losses and impairments. The increase was a result of the extended use of IRBA. Deductions on Tier 2 capital exceeded Tier 2 capital by EUR 706 million (135), which were deducted from Tier 1 capital.

The minimum capital requirement was EUR 2,722 million on 31 December (3,418), decreasing by 20.4% in the report period. The extended use of IRBA was the most significant factor contributing to the decrease in minimum capital requirement. The increased loan portfolio, on the other hand, led to a higher minimum capital requirement. Credit and counterparty risk accounted for 89.8% (92.2) of the capital requirement. Operational risk accounts for 8.5% (6.7) of the capital requirement, and market risk for 1.7% (1.1).

The use of IRBA reduces the Group's capital requirement, but, compared to the Standardised Approach, makes it more susceptible to market fluctuations. The Standardised Approach will continue to be used for exposure related to governments and public-sector entities. As to market risks, OP-Pohjola Group will continue to use the Standardised Approach. The Standardised Approach will also be used for operational risks.

Non-life Insurance

- Earnings before tax amounted to EUR 8 million (83). Excluding changes in the calculation bases for technical provisions which affected comparability, earnings before tax would have been EUR 66 million (103).
- Insurance premium revenue increased by 6.2% (2.3).
- The balance on technical account, excluding changes in the calculation bases for technical provisions, was at about the same level as reported a year earlier. The operating combined ratio stood at 89.8% (89.7).
- Owing to the difficult investment environment, return on investments at fair value was -0.4% (5.1).
- There were 523,000 loyal customer households on 31 December, increasing by 42,700 (46,500) in the report period.

Non-life Insurance, key figures and ratios

€ million	2011	2010	Change, %
Insurance premium revenue	1,024	964	6.2
Insurance claims and benefits	692	637	8.5
Net investment income	36	87	-58.6
Unwinding of discount and other items included in net income	-46	-30	-52.8
Net income from Non-life Insurance	**321**	**383**	**-16.1**
Other net income	22	16	38.8
Personnel costs	125	109	15.5
Other expenses	211	208	1.4
Earnings before tax	**8**	**83**	**-90.5**
Gross change in fair value reserve	-47	56	
Earnings/loss before tax at fair value	**-39**	**139**	
Insurance premium revenue			
Private Customers	503	470	7.1
Corporate customers	472	445	6.2
Baltic States	48	49	-2.1
Total insurance premium revenue	**1,024**	**964**	**6.2**
Key ratios for Non-life Insurance			
Return on investments at fair value*, %	-0.4	5.1	
Operating combined ratio*, %	89.8	89.7	
Operating expense ratio*, %	21.8	21.3	
Operating loss ratio*, %	68,0	68,4	

* These operating figures exclude changes in reserving bases and amortisation of intangible assets arising from corporate acquisition.

Non-Life Insurance continued to perform favourably in the report period. We enjoyed growth in terms of private customers, and premium revenue from corporate customers rebounded as well, the strongest growth coming from SMEs.

At the end of the report period, the number of loyal customer households was 523,300, increasing by 42,700 (46,500). Up to 66% of these loyal customer households also use OP-Pohjola Group member cooperative banks as their main bank. OP-Pohjola Group member banks' owner-members and Helsinki OP Bank's bonus customers can use their OP bonuses earned through banking transactions to pay Pohjola non-life insurance premiums. Bonuses were used in the report period to pay 1,391,000 insurance bills, with 209,000 of them paid in full using bonuses. Insurance premiums paid using bonuses totalled EUR 66 million.

In terms of premiums written, OP-Pohjola Group is the non-life insurance market leader in Finland. Its market position improved among private customers during the report period. The Group became the market leader during the report period as insurer of private customers' vehicles.

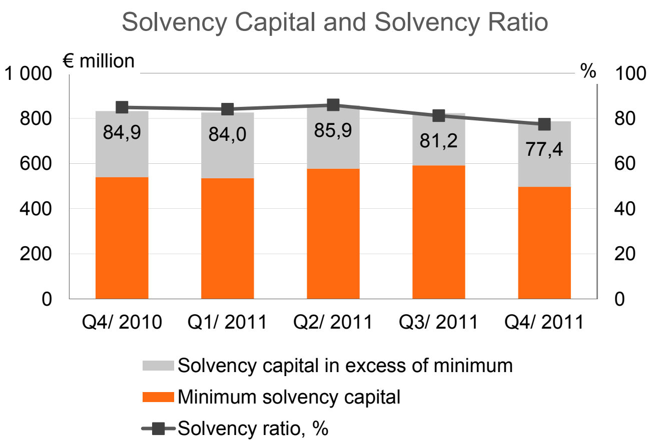
Earnings and risk exposure

Insurance premium revenue continued to grow and the balance on technical account excluding the change in the mortality model and the lower discount rate was on a par with last year. Within Private Customers, profitability remained good despite higher claims incurred. The operating combined ratio of corporate customers improved year on year.

The growth of the insurance portfolio and especially the higher number of property damage increased claims expenditure. As a result of the lower discount rate and the change in the mortality model, claims incurred increased totalling EUR 59 million. The year before, the change in the mortality model and the removal of provision for the joint guarantee system eroded earnings by EUR 20 million, in net terms. The number of losses reported increased by 8%. Thanks to reinsurance, the effect on the result by the damage caused by the violent storm at the end of December was no more than EUR 8 million. The risk ratio excluding loss adjustment expenses stood at 61.9% (62.5).The reported number of major or medium-sized losses (in excess of EUR 0.1 million and over EUR 0.5 million in pension liabilities) came to 234 (224) in January–December, with their claims incurred retained for own account totalling EUR 92 million (109).

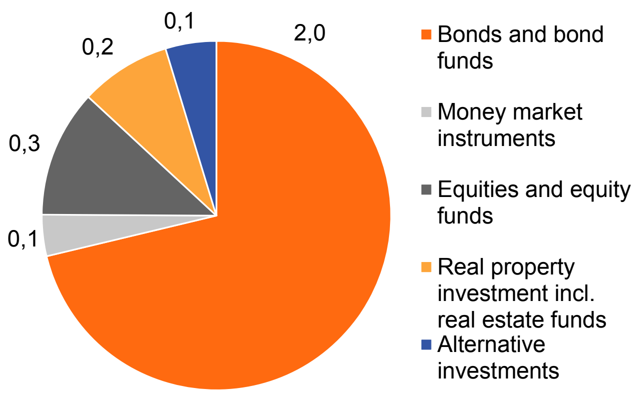
Return on investments at fair value was -0.4% (5.1). Impairment charges recognised from the fair value reserve in the income statement totalled EUR 42 million (40), of which EUR 34 million were related to Greek government bonds.

Non-life Insurance's risk-bearing capacity was still good. Non-life Insurance's solvency capital stood at EUR 787 million (832) on 31 December. The equalisation provision that is included under capital adequacy decreased to EUR 353 million (424).



On 31 December, the Non-life Insurance investment portfolio totalled EUR 2.9 billion (2.9), being divided as follows:

Investment assets EUR 2.9 billion 31 Dec 2011



The fixed-income portfolio by credit rating was healthy, with investment-grade exposure accounting for 91% (91), and 75% of the exposure being receivables in at least category A–. The average residual term to maturity of the fixed-income portfolio was 4.8 years (5.3) and the duration 3.9 years (4.1).

Life Insurance

- Earnings before tax were EUR 10 million (43); earnings at fair value turned negative owing to investment market instability.
- Market share in unit-linked insurance savings improved year on year by 0.9 percentage points.
- The share of unit-linked insurance of insurance savings increased to 48.0% (44.0).
- Owing to the challenging operating environment, return on investments at fair value was -1.5% (9.5).
- The acquisition of Skandia Life Finland's life insurance business makes OP-Pohjola Group the major provider of unit-linked insurance in Finland.

Life Insurance, key figures

€ million	2011	2010	Change, %
Premiums written from insurance contracts	721	1 287	-44.0
Unit-linked	507	508	-0.2
Other premiums written	214	779	-72.5
Net investment income	-203	539	-137.6
Unit-linked	-395	374	-205.7
Other	192	166	16.1
Change in insurance contract liabilities	-270	1 119	-124.1
Unit-linked	121	755	-84.0
Other change	-391	365	-207.1
Claims incurred	701	588	19.3
Other items	0	-11	104.5
Net income from Life Insurance	87	109	-19.7
Other income	17	16	7.2
Personnel costs	10	9	12.8
Other expenses	84	72	16.2
Earnings before tax	**10**	**43**	**-76.4**
Gross change in fair value reserve	-191	220	
Earnings/loss before tax at fair value	**-181**	**263**	
	31 Dec 2011	**31 Dec 2010**	**Change, %**
Market share of insurance savings, %	20.9	21.3	
Market share of unit-linked insurance savings, %	25.3	24.5	
€ billion			
Insurance savings	6.7	7.1	-4.9
Unit-linked	3.3	3.1	3.6

Non-life insurance has the strategic goal of increasing unit-linked insurance savings. Unit-linked insurance now account for 48.0% of the insurance portfolio, up by 4.0 percentage points year on year. Interest-bearing insurance savings were transferred to unit-linked savings to a total of EUR 302 million (84), in net terms.

In order to strengthen unit-linked insurance business, OP-Pohjola Group acquired Skandia Life Finland's business in December 2011. As a result, unit-linked insurance savings are expected to increase by over EUR 1 billion, and OP-Pohjola Group is expected to become the largest provider of unit-linked insurance in Finland.

Unit-linked premiums written were at the level reported a year earlier. Unit-linked insurance savings increased by 3.6%.

Earnings and risk exposure

Earnings before tax amounted to EUR 10 million (43).The supplementation of technical provisions owing to increased life expectancy and the change in provisions for future supplementary benefits eroded earnings by EUR 15 million (28), in net terms. Net investment income excluding the income from unit-linked insurance came to EUR 192 million (166). Investment income was improved particularly by income from derivatives, smaller impartments on investments (by EUR 64 million), and higher dividends.

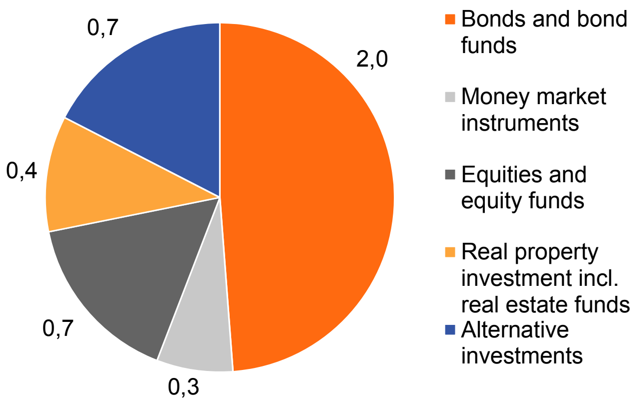
The company's balance sheet management was intensified during the report period by hedging interest rate risk associated with technical provisions by means of interest rate swaps. The hedging has no significant impact on earnings, but it increases both investment income and the change in insurance contract liabilities by about EUR 62 million.

Operating efficiency decreased somewhat as investment income shrunk. The cost ratio, which includes all income to cover business expenses and in which sales channel fees are excluded, was 29.4% (28.6).

However, jittery investment markets created a negative result at fair value. Investment income at fair value excluding that from derivatives designated as hedging instruments was 1.5% negative (9.5).

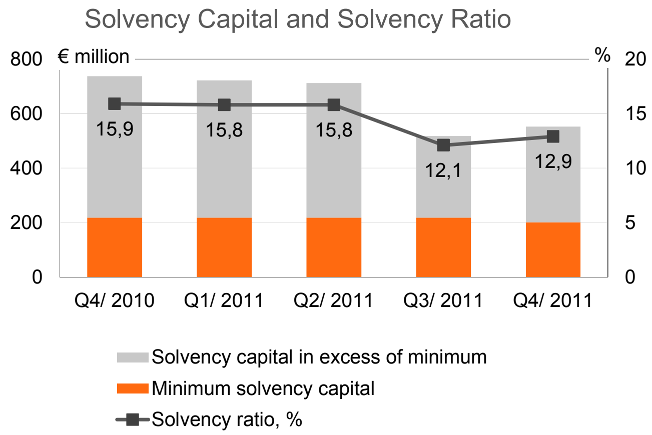
Life insurance investment assets, excluding assets covering unit-linked insurance, amounted to EUR 4.1 billion (4.7), divided as follows:

Investment assets EUR 4.1 billion 31 Dec 2011



Investments under the 'investment grade' accounted for 76% (72) of the fixed-income portfolio. The portfolio's modified duration was 3.0 (3.8) on 31 December.

Life Insurance's solvency declined as the market values of investment assets fell, but was nevertheless at a good level: its solvency margin was EUR 552 million, which was 2.7-fold the required minimum. The solvency ratio, meaning the ratio of solvency capital to weighted technical provisions, was 12.9% (15.9).



Other Operations

Other Operations, key figures

€ million	2011	2010	Change, %
Net interest income	31	61	-48.7
Net trading income	2	-8	
Net investment income	22	40	-43.7
Other income	365	342	6.8
Expenses	379	349	8.5
Impairment losses on receivables	11	-1	
Earnings before tax	**31**	**86**	**-63.7**
€ billion	**31 Dec 2011**	**31 Dec 2010**	**Change, %**
Receivables from financial institutions	7.0	7.8	-9.9
Financial assets held for trading	-0.1	-0.1	-11.3
Investment assets	8.5	7.3	15.5
Liabilities to credit institutions	5.2	4.0	27.7
Debt securities issued to the public	15.7	17.0	-8.0

Other Operations' pre-tax earnings for January–December were EUR 31 million (86).

Net interest income decreased as a result of funding costs. Investment income included EUR 8.7 million (28.8) in capital gains on notes and bonds. EUR 1.2 (4.3) million in impairment charges were recognised on shares and participations included in available-for-sale financial assets in the report period.

Most of the other income in Other Operations came from within the Group as internal service charges, which are recorded as business segment expenses. Of the Other Operations expenses, EUR 130 million (120) were personnel costs and EUR 109 million (91) ICT costs.

The Executive Board has decided to launch a project for rebuilding OP-Pohjola Group’s Vallila premises. The project will be finished in 2015.

Outlook for 2012

The world economic outlook for 2012 is uneven. Economic growth in the euro area is likely to remain feeble. The Finnish economic prospects for 2012 also look weak. Economic growth in the euro area and in Finland is significantly affected by the euro-area debt crisis, which has a considerable impact on the financial sector’s operating environment, too. Low market rates, the general uncertainty in investment markets and weak economic growth in combination with tighter regulation concerning the financial sector increase the uncertainties related to the outlook.

The uncertainty related to economic growth and the euro-area debt crisis also significantly hamper any forecasts about OP-Pohjola Group’s financial performance in 2012. Subject to there being no material weakening of the operating environment and no new turn for the worse in the management of the debt crisis in the euro area, OP-Pohjola Group’s results are expected to be at the same or even a better level than the year before.

All forward-looking statements in this report expressing the management's expectations, beliefs, estimates, forecasts, projections and assumptions are based on the current view on developments in the economy and actual results may differ materially from those expressed in the forward-looking statements.

Events after the balance sheet date

In January, the Finnish Competition Authority approved OP-Pohjola Group Central Cooperative’s acquisition of Skandia Life Finland’s business. This regulatory approval was a major step forward in the implementation of the acquisition although its completion will require other regulatory approvals too.

Changes in OP-Pohjola Group's structure

OP-Pohjola Group's consolidated financial statements include the accounts of 205 member cooperative banks (213), OP-Pohjola Group Central Cooperative Consolidated and OP Bank Group Mutual Insurance Company.

OP-Pohjola Group's central institution, OP-Pohjola Group Central Cooperative, has decided to acquire Skandia Life Finland's business from Skandia Life Assurance Company Ltd, a subsidiary of Old Mutual plc. The target date of the acquisition is 30 June 2012, provided that all the required regulatory approvals can be gained within these timescales. The acquisition will involve the transfer to OP-Pohjola of some 100,000 customers' unit-linked life and pension policies with unaudited total assets of around EUR 1.3 billion as at 30 September 2011.

OP-Pohjola Group Central Cooperative (OP-Pohjola) bought in May all Pohjola Bank plc (Pohjola) Series A shares held by Suomi Mutual Life Assurance Company, these shares accounting for 7.26% of all Pohjola shares and 3.91% of all votes conferred by the shares. As a result of this transaction, holding by OP-Pohjola, the central institution of OP-Pohjola Group, in Pohjola shares increased from 29.98% to 37.24% and votes conferred by the shares from 57.05% to 60.96%.

In May, Pohjola Insurance Ltd acquired Excenta, a strategic corporate wellness services provider, from its management and Elisa Corporation.

Kestilän Osuuspankki and Rantsilan Osuuspankki merged on 31 March 2011 to create Siikalatvan Osuuspankki. Pieksämäen Osuuspankki, Etelä-Savon Osuuspankki, Juvan Osuuspankki and Savonlinnan Osuuspankki merged and became Suur-Savon Osuuspankki on 31 May 2011. Varpaisjärven Osuuspankki merged with Koillis-Savon Osuuspankki on 31 August 2011. The bank changed its name to Koillis-Savon Seudun Osuuspankki.

Kokemäen Osuuspankki and Harjavallan Osuuspankki merged with Huittisten Osuuspankki on 31 December 2011. The bank's name was changed to Satakunnan Osuuspankki. Haapajärven Osuuspankki merged with Pyhäjärven Osuuspankki on 31 December 2011, changing its name to Suomenselän Osuuspankki.

Luvian Osuuspankki has decided to merge with Nakkilan Osuuspankki on 31 March 2012, changing its name to Nakkila-Luvian Osuuspankki. Haminan Seudun Osuuspankki, Kotkan Seudun Osuuspankki, Kouvolan Seudun Osuuspankki, Kymijoen Osuuspankki and Virolahden Osuuspankki have decided to merge on 31 May 2012 to create Kymenlaakson Osuuspankki. Maskun Osuuspankki has decided to merge with Vakka-Suomen osuuspankki on 31 March 2012. The bank's name will be changed to Lounaisrannikon Osuuspankki. Huhtamon Osuuspankki has decided to merge with Vampulan Osuuspankki on 30 April 2012.

Personnel and remuneration

At the end of December, OP-Pohjola Group had 13,229 employees (12,504). The staff averaged 12,858 employees (12,468). 370 employees (336) retired from the Group during the report period at an average age of 61.5 years (61.4).

OP-Pohjola Group's scheme for variable remuneration comprises short-term company-specific short-term incentives and long-term Group-wide incentives. In the financial statements 2011, provisions for variable bonuses payable for the year that ended have been made for a total of EUR 56 million (53). Of this amount, the share of short-term schemes concerning the whole personnel was EUR 35 million (37).

A new long-term incentive system for the entire OP-Pohjola Group consists of a management incentive scheme, and a personnel fund for other staff. Deferred bonuses for 2011 in accordance with the long-term management incentive scheme amount to EUR 5 million (5) and the deferred bonus to OP-Pohjola Personnel Fund comes to EUR 15 million (11).

The management incentive scheme has a three-year performance period, the first one of which is 2011–13. The share-based scheme covers 372 people within OP-Pohjola Group. Those covered by the scheme will be entitled to receiving a certain number of Pohjola Bank plc Series A shares, if OP-Pohjola Group attains its strategy-based targets set for the performance period in question. The bonus based on the scheme will be paid out to the beneficiary in terms of shares and cash and in three instalments in 2015, 2016 and 2017 after the vesting period, provided that the Group's capital adequacy is higher than the internal minimum requirements on the payout date. Conditions related to employment or executive contracts have been attached to the bonus payout. For more detailed information on remuneration schemes, please see Note 55 to the Financial Statements 2011 (will be published on 5 March 2012).

Senior management of OP-Pohjola Group Central Cooperative

OP-Pohjola Group Central Cooperative's Annual Cooperative Meeting was held on 29 March 2011. Of the members who were due to resign, Senior Nursing Officer Marita Marttila, Professor Jaakko Pehkonen and Chairman of the Board of Directors Timo Parmasuo, were re-appointed for the term ending 2014 as Supervisory Board members. New members appointed for the Board were Managing Director Ari Kakkori, Principal Seppo Laaninen and Managing Director Vesa Lehikoinen. In addition, the Meeting elected Managing Director Juha Pullinen for the term ending 2012. The Supervisory Board comprises 33 members.

At is first meeting after the Annual Cooperative Meeting, the Supervisory Board re-elected Paavo Haapakoski Chairman. Professor Jaakko Pehkonen was re-elected Vice Chairman, and Managing Director Vesa Lehikoinen was elected as a new Vice Chairman.

Capital expenditure and service development

The Central Cooperative and its subsidiaries are responsible for developing OP-Pohjola Group's services. ICT investments and related specifications make up a significant portion of costs of developing these services. EUR 54 million (40) of these expenses consisted of ICT procurement capitalised in the balance sheet in the accounting period. Of these investments, EUR 30 million (28) was allocated to banking operations, EUR 18 million (8) to non-life insurance operations and EUR 6 million (3) to life insurance operations.

OP-Pohjola Group income statement

EUR million	Note	Q1–Q4/ 2011	Q1–Q4/ 2010	Change, %
Interest income		3,294	2,412	37
Interest expenses		2,264	1,495	51
Net interest income before impairment losses	4	**1,030**	**917**	**12**
Impairments of receivables	5	101	149	-32
Net interest income after impairments		**928**	**768**	**21**
Net income from Non-life Insurance operations	6	312	382	-18
Net income from Life Insurance operations	7	72	100	-29
Net commissions and fees	8	574	563	2
Net trading income	9	17	46	-63
Net investment income	10	63	62	0
Other operating income	11	90	99	-10
Personnel costs		696	643	8
Other administrative expenses		351	319	10
Other operating expenses		318	324	-2
Returns to owner-members		176	163	8
Share of associates' profits/losses		4	2	99
Earnings before tax for the period		**518**	**575**	**-10**
Income tax expense		87	135	-35
Profit for the period		**430**	**440**	**-2**
Attributable to, €mill.				
Profit for the period attributable to owners		430	440	-2
Profit for the period attributable to non-controlling interest		0	-	
Total		**430**	**440**	**-2**

OP-Pohjola Group statement of comprehensive income

EUR million	Q1–Q4/ 2011	Q1–Q4/ 2010	Change, %
Profit for the period	**430**	**440**	**-2**
Change in fair value reserve			
Measurement at fair value	-422	234	
Cash flow hedge	22	-8	
Translation differences	1	0	
Income tax on other comprehensive income			
Measurement at fair value	-106	61	
Cash flow hedge	5	-2	
Total comprehensive income for the period	**131**	**606**	**-78**
Attributable to, €mill.			
Profit for the period attributable to owners	131	606	-78
Profit for the period attributable to non-controlling interest	0	-	
Total	**131**	**606**	**-78**

OP-Pohjola Group balance sheet

EUR million	Liite	31 Dec 2011	31 Dec 2010	Change, %
Cash and cash equivalents		4,376	1,628	
Receivables from credit institutions		1,104	1,121	-1
Financial assets at fair value through profit or loss		281	519	-46
Derivative contracts		3,307	1,933	71
Receivables from customers		60,331	56,834	6
Non-life Insurance assets	14	3,205	3,164	1
Life Insurance assets	15	7,006	7,544	-7
Investment assets		8,343	7,438	12
Investments in associates		40	38	4
Intangible assets		1,169	1,159	1
Property, plant and equipment (PPE)		702	716	-2
Other assets		2,266	1,749	30
Tax assets		158	125	27
Total assets		**92,287**	**83,969**	**10**
Liabilities to credit institutions		1,783	1,696	5
Financial liabilities at fair value through profit or loss		1	0	
Derivative contracts		3,232	1,951	66
Liabilities to customers		45,974	39,205	17
Non-life Insurance liabilities	16	2,508	2,350	7
Life Insurance liabilities	17	6,932	7,290	-5
Debt securities issued to the public	18	20,005	19,577	2
Provisions and other liabilities		2,839	2,333	22
Tax liabilities		928	1,014	-9
Cooperative capital		624	647	-3
Subordinated liabilities		931	1,178	-21
Total liabilities		**85,756**	**77,243**	**11**
Equity capital				
Share of OP-Pohjola Group's owners				
Share and cooperative capital		333	368	-9
Fair value reserve	19	-188	112	
Other reserves		2,621	2,656	-1
Retained earnings		3,763	3,590	5
Non-controlling interests		3	-	
Total equity capital		**6,531**	**6,726**	**-3**
Total liabilities and equity capital		**92,287**	**83,969**	**10**

Changes in OP-Pohjola Group's equity capital

EUR million	Share and cooperative capital	Fair value reserve: Fair value measure-ment	Fair value reserve: Cash flow hedging	Other reserves	Retained earnings	Non-control-ling interests	Total equity capital
Balance at 1 January 2010	**358**	**-54**	**-**	**2,604**	**3,280**	**-**	**6,187**
Transfer of cooperative capital to equity capital	4	-	-	-	-	-	**4**
Issue expenses	-	-	-	-	-	-	
Transfer of reserves	-	-	-	57	-57	-	**-**
Profit distribution	-	-	-	-	-62	-	**-62**
Total comprehensive income for the period	-	173	**-6**	-	440	-	**606**
Share-based payments	-	-	-	-	1	-	**1**
Other	6	-	-	-5	**-11**	-	**-10**
Balance at 31 Dec 2010	**368**	**118**	**-6**	**2,656**	**3,590**	**-**	**6,726**

EUR million	Share and cooperative capital	Fair value reserve: Fair value measure-ment	Fair value reserve: Cash flow hedging	Other reserves	Retained earnings	Non-control-ling interests	Total equity capital
Balance at 1 January 2011	**368**	**118**	**-6**	**2,656**	**3,590**	**-**	**6,726**
Transfer of cooperative capital to equity capital	1	-	-	-	-	-	**1**
Holdings in Pohjola Bank plc purchased from non-controlling interests [1)]	-31	-	-	-79	-117	-	**-227**
Transfer of reserves	-	-	-	43	-43	-	**-**
Profit distribution	-	-	-	-	-74	-	**-74**
Total comprehensive income for the period	-	-316	**16**	1	430	-	**131**
Share-based payments	-	-	-	-	2	-	**2**
Other	-4	-	-	2	-26	**3**	**-26**
Balance at 31 Dec 2011	**333**	**-198**	**10**	**2,621**	**3,763**	**3**	**6,531**

[1)] OP-Pohjola Group Central Cooperative bought all Pohjola Bank plc Series A shares held by Suomi Mutual Life Assurance Company on 6 May 2011. These shares accounted for 7.26% of all Pohjola shares and 3.91% of all votes conferred by the shares.

Cash flow statement

EUR million	Q1–Q4/ 2011	Q1–Q4/ 2010
Cash flow from operating activities		
Profit for the period	430	440
Adjustments to profit for the period	432	1,440
Increase (-) or decrease (+) in operating assets	**-4,751**	**-4,576**
Receivables from credit institutions	40	869
Financial assets at fair value through profit or loss	161	865
Derivative contracts	-8	-89
Receivables from customers	-3,581	-4,037
Non-life Insurance assets	-181	-113
Life Insurance assets	419	-715
Investment assets	-1,070	-1,177
Other assets	-531	-180
Increase (+) or decrease (-) in operating liabilities	**6,936**	**1,520**
Liabilities to credit institutions	66	-482
Financial liabilities at fair value through profit or loss	1	-71
Derivative contracts	33	91
Liabilities to customers	6,769	1,598
Non-life Insurance liabilities	102	54
Life Insurance liabilities	-358	-8
Provisions and other liabilities	323	337
Income tax paid	-108	-120
Dividends received	131	88
A. Net cash from operating activities	**3,071**	**-1,210**
Cash flow from investing activities		
Increases in held-to-maturity financial assets	-66	-53
Decreases in held-to-maturity financial assets	297	244
Acquisition of subsidiaries, net of cash acquired	-6	-28
Disposal of subsidiaries, net of cash disposed	1	17
Purchase of PPE and intangible assets	-109	-83
Proceeds from sale of PPE and intangible assets	3	7
B. Net cash used in investing activities	**119**	**104**
Cash flow from financing activities		
Increases in subordinated liabilities	181	82
Decreases in subordinated liabilities	-430	-163
Increases in debt securities issued to the public	39,026	47,351
Decreases in debt securities issued to the public	-38,837	-47,704
Increases in cooperative and share capital	216	248
Decreases in cooperative and share capital	-238	-220
Dividends paid and interest on cooperative capital	-84	-75
Returns to owner-members	-22	-8
Holdings in Pohjola Bank plc purchased from non-controlling interests	-227	-
Other	-	-
C. Net cash from financing activities	**-415**	**-488**
Net change in cash and cash equivalents (A+B+C)	**2,776**	**-1,593**
Cash and cash equivalents at period-start	**1,689**	**3,282**
Cash and cash equivalents at period-end	**4,465**	**1,689**
Interest received	**2,979**	**2,324**
Interest paid	**-1,927**	**-1,435**
Cash and cash equivalents		
Liquid assets	136	132
Receivables from credit institutions payable on demand	4,329	1,557
Total	**4,465**	**1,689**

Notes

Note 1. Accounting policies

The Financial Statements Bulletin for 1 January–31 December 2011 has been prepared in accordance with IAS 34 (Interim Financial Reporting).

In the preparation of its Financial Statements Bulletin, OP-Pohjola Group applied essentially the same accounting policies as in the preparation of its Financial Statements 2010 with the exception of the valuation and recognition of life insurance contracts. During 2011, the Group has shifted towards a more market-based calculation of technical provisions in terms of insurance contracts. This means that strategically hedged and secured interest rate swaps (IAS39's hedge accounting is not applied) are valued at fair value as part of technical provisions.

The Financial Statements 2011 contain a description of the accounting policies, which have been applied in the preparation of this Financial Statements.

The Financial Statements Bulletin is based on unaudited information. Since all figures in the Bulletin have been rounded off, the sum of single figures may differ from the presented sum total.

Note 2. OP-Pohjola Group's formulas for key figures and ratios

	Q1–Q4/ 2011	Q1–Q4/ 2010
Return on equity, %	6.5	6.8
Return on equity at fair value, %	2.0	9.4
Return on assets, %	0.49	0.53
Cost/income ratio, %	63	59
Average personnel	12,858	12,468
Full-time	11,701	11,394
Part-time	1,157	1,074

Return on equity (ROE), %

$$\frac{\text{Profit for the period}}{\text{Shareholders' equity (average of the beginning and end of the period)}} \times 100$$

Return on equity at fair value, %

$$\frac{\text{Profit for the period + change in fair value reserve less deferred tax liability}}{\text{Shareholders' equity (average of the beginning and end of the period)}} \times 100$$

Return on assets (ROA), %

$$\frac{\text{Profit for the period}}{\text{Balance sheet total (average of the beginning and end of the period)}} \times 100$$

Cost/income ratio, %

$$\frac{\text{(Personnel costs + other administrative expenses + other operating expenses)}}{\text{(Net interest income + net income from Non-life Insurance operations + net income from Life Insurance operations + net commissions and fees + net trading income + net investment income + other operating income + share of associates' profits/losses)}} \times 100$$

Return on economic capital, %

$$\frac{\text{Earnings + customer bonuses after tax (value rolling 12 month)}}{\text{Average economic capital}} \times 100$$

Operating loss ratio

$$\frac{\text{Claims incurred excl. Change in technical interest}}{\text{Insurance premium revenue excl. Change in technical interest (net)}} \times 100$$

Operating expense ratio

$$\frac{\text{Operating expenses}}{\text{Insurance premium revenue excl. Change in technical interest (net)}} \times 100$$

Operating combined ratio, %

Operating loss ratio + operating expense ratio

Risk ratio (excl. unwinding of discount), %

$$\frac{\text{Claims excl. loss adjustment expenses}}{\text{Net insurance premium revenue}} \times 100$$

Cost ratio, %

$$\frac{\text{Operating expenses and loss adjustment expenses}}{\text{Net insurance premium revenue}} \times 100$$

Operating cost ratio, %

$$\frac{\text{Operating expenses before change in deferred acquisitions costs + loss adjustment expenses}}{\text{Expense loading x 100}} \times 100$$

Solvency ratio, %

$$\frac{\text{Solvency capital}}{\text{Insurance premium revenue}} \times 100$$

Note 3. OP-Pohjola Group quarterly performance

EUR million	2010 Q4	2011 Q1	Q2	Q3	Q4
Interest income	641	697	779	892	927
Interest expenses	403	458	524	631	652
Net interest income	**238**	**238**	**255**	**261**	**275**
Impairments of receivables	41	23	31	10	37
Net interest income after impairments	**198**	**215**	**224**	**252**	**238**
Net income from Non-life Insurance operations	73	92	124	75	20
Net income from Life Insurance operations	39	50	28	0	-6
Net commissions and fees	146	156	141	138	138
Net trading income	8	19	2	-35	31
Net investment income	28	26	13	16	7
Other operating income	31	26	20	19	24
Personnel costs	166	178	188	149	181
Other administrative expenses	94	80	88	79	104
Other operating expenses	85	78	76	75	88
Returns to owner-members	42	42	47	43	44
Share of associates' profits/losses	0	1	1	1	1
Earnings before tax for the period	**137**	**208**	**155**	**120**	**35**
Income tax expense	20	54	41	30	-37
Profit for the period	**117**	**154**	**113**	**90**	**73**
Other comprehensive income					
Change in fair value reserve					
Measurement at fair value	-24	-68	-42	-362	49
Cash flow hedge	-7	-14	8	22	6
Translation differences	0	0	0	0	1
Income tax on other comprehensive income					
Measurement at fair value	-6	-18	-11	-94	17
Cash flow hedge	-2	-4	2	6	1
Total comprehensive income for the period	**94**	**94**	**88**	**-162**	**111**

Note 4. Net interest income

EUR million	Q1–Q4/ 2011	Q1–Q4/ 2010	Change, %
Loans and other receivables	1,593	1,285	24
Receivables from credit institutions and central banks	37	23	61
Notes and bonds	269	243	11
Derivatives (net)			
Derivatives held for trading	79	86	-7
Derivatives under hedge accounting	-19	-35	-45
Liabilities to credit institutions	-17	-16	12
Liabilities to customers	-397	-270	47
Debt securities issued to the public	-473	-350	35
Subordinated debt	-31	-32	-3
Hybrid capital	-9	-8	9
Financial liabilities held for trading	0	-1	-52
Other (net)	2	-3	
Net interest income before fair value adjustment under hedge accounting	**1,033**	**921**	**12**
Hedging derivatives	19	-75	
Value change of hedged items	-23	70	
Total net interest income	**1,030**	**917**	**12**

Note 5. Impairments of receivables

EUR million	Q1–Q4/ 2011	Q1–Q4/ 2010	Change, %
Receivables eliminated as loan or guarantee losses	85	89	-4
Receoveries of eliminated receivables	-11	-10	-14
Increase in impairment losses	115	141	-19
Decrease in impairment losses	-88	-72	-21
Total	**101**	**149**	**-32**

Note 6. Net income from Non-life Insurance

EUR million	Q1–Q4/ 2011	Q1–Q4/ 2010	Change, %
Net insurance premium revenue			
Premiums written	1,120	1,023	9
Insurance premiums ceded to reinsurers	-55	-40	-39
Change in provision for unearned premiums	-44	-13	
Reinsurers' share	3	-6	
Total	**1,024**	**964**	**6**
Net Non-life Insurance claims			
Claims paid	703	655	7
Insurance claims recovered from reinsurers	-33	-29	-12
Change in provision for unpaid claims	51	19	
Reinsurers' share	-29	-8	
Total	**692**	**637**	**9**
Net investment income, Non-life Insurance			
Interest income	60	64	-6
Dividend income	30	21	41
Property	3	1	
Capital gains and losses			
Notes and bonds	-8	53	
Shares and participations	0	-2	86
Loans and receivables	0	1	
Property	0	3	
Derivatives	-18	-20	7
Fair value gains and losses			
Notes and bonds	-34	0	
Shares and participations	-10	-33	71
Loans and receivables	-1	-4	70
Property	3	1	
Derivatives	0	0	
Other	2	1	
Total	**26**	**86**	**-69**
Unwinding of discount	-46	-45	-3
Other	0	14	
Net income from Non-life Insurance	**312**	**382**	**-18**

Note 7. Net income from Life Insurance

EUR million	Q1–Q4/ 2011	Q1–Q4/ 2010	Change, %
Premiums written	748	1,315	-43
Reinsurers' share	-27	-28	2
Total	**721**	**1,287**	**-44**
Claims incurred			
Benefits paid	-711	-595	-19
Change in provision for unpaid claims	15	-414	
Reinsurers' share	9	7	31
Change in insurance contract liabilities			
Change in life insurance provision	218	-698	
Reinsurers' share	11	10	3
Total	**-458**	**-1,689**	73
Other	28	-29	
Total	**290**	**-431**	
Net investment income, Llife Insurance			
Interest income	56	47	19
Dividend income	73	49	48
Property	3	2	64
Capital gains and losses			
Notes and bonds	6	6	7
Shares and participations	27	128	-79
Loans and receivables	4	1	
Property	1	0	
Derivatives	-38	-43	11
Fair value gains and losses			
Notes and bonds	56	17	
Shares and participations	-6	-58	89
Loans and receivables	-8	-3	
Property	-1	-1	
Derivatives	-1	2	
Other	6	11	
Assets serving as cover for unit-linked policies			
Shares and participations			
Capital gains and losses	-123	53	
Fair value gains and losses	-296	297	
Other	24	23	4
Total	**-219**	**531**	
Net income from Non-life Insurance	**72**	**100**	**-29**

Note 8. Net commissions and fees

EUR million	Q1–Q4/ 2011	Q1–Q4/ 2010	Change, %
Commission income			
Lending	160	153	4
Deposits	5	5	-1
Payment transfers	160	150	7
Securities brokerage	31	30	2
Securities issuance	13	13	-2
Mutual funds brokerage	88	89	-1
Asset management and legal services	64	65	-1
Insurance brokerage	53	57	-7
Guarantees	22	23	-3
Other	42	39	8
Total	**638**	**624**	**2**
Commission expenses	64	61	5
Net commissions and fees	**574**	**563**	**2**

Note 9. Net trading income

EUR million	Q1–Q4/ 2011	Q1–Q4/ 2010	Change, %
Capital gains and losses			
Notes and bonds	7	20	-65
Shares and participations	1	2	-38
Derivatives	28	-13	
Changes in fair value			
Notes and bonds	2	3	-45
Shares and participations	-9	5	
Derivatives	-12	12	
Financial assets and liabilities amortised at cost			
Capital gains and losses			
Loans and other receivables	-	-	
Dividend income	1	1	-4
Net income from foreign exchange operations	-1	17	
Total	**17**	**46**	**-63**

Note 10. Net investment income

EUR million	Q1–Q4/ 2011	Q1–Q4/ 2010	Change, %
Available-for-sale financial assets			
Capital gains and losses			
Notes and bonds	12	32	-62
Shares and participations	17	13	32
Financial assets and liabilities amortised at cost			
Capital gains and losses			
Loans and other receivables	1	1	
Other	-	-	
Dividend income	26	15	78
Impairment losses	-5	-17	-70
Total	**51**	**44**	**16**
Investment property			
Rental income	40	45	-12
Maintenance charges and expenses	-27	-29	7
losses	-2	1	
Other	1	0	73
Total	**11**	**18**	**-38**
Other	-	-	
Net investment income	**63**	**62**	

Note 11. Other operating income

EUR million	Q1–Q4/ 2011	Q1–Q4/ 2010	Change, %
Income from property and business premises in own use	15	15	3
Rental income from assets rented under operating lease	16	22	-26
Other	58	63	-7
Total	**90**	**99**	**-10**

Note 12. Classification of financial instruments

EUR million	Loans and other receivables	Invest-ments held to maturity	Financial assets at fair value through profit or loss*	Available-for-sale financial assets	Hedging derivatives	Total
Assets						
Cash and balances with central banks	4,376	-	-	-	-	4,376
Receivables from credit institutions and central banks	1,104	-	-	-	-	1,104
Derivative contracts	-	-	2,897	-	410	3,307
Receivables from customers	60,331	-	-	-	-	60,331
Non-life Insurance assets**	567	-	104	2,534	-	3,205
Life Insurance assets***	342	-	3,525	3,139	-	7,006
Notes and bonds	-	753	212	6,923	-	7,888
Shares and participations	-	-	69	256	-	325
Other receivables	4,335	-	411	-	-	4,746
Total 31 December 2011	**71,054**	**753**	**7,219**	**12,852**	**410**	**92,287**
Total 31 December 2010	**64,512**	**978**	**6,177**	**12,104**	**199**	**83,969**

EUR million			Financial liabilities at fair value through profit or loss******	Other liabilities	Hedging derivatives	Total
Liabilities						
Liabilities to credit institutions	-	-	-	1,783	-	1,783
Financial liabilities held for trading (excl. derivatives)	-	-	1	-	-	1
Derivative contracts	-	-	2,837	-	395	3,232
Liabilities to customers	-	-	-	45,974	-	45,974
Non-life Insurance liabilities****	-	-	1	2,507	-	2,508
Life Insurance liabilities*****	-	-	3,211	3,721	-	6,932
Debt securities issued to the public	-	-	-	20,005	-	20,005
Subordinated loans	-	-	-	931	-	931
Other liabilities	-	-	-	4,391	-	4,391
Total 31 December 2011	-	-	**6,050**	**79,311**	**395**	**85,756**
Total 31 December 2010	-	-	**4,815**	**72,200**	**228**	**77,243**

*Assets at fair value through profit or loss include financial assets for trading, financial assets at fair value through profit or loss at inception, and investments and investment property covering unit-linked insurance policies.
**Non-life Insurance assets are specified in Note 14.
***Life Insurance assets are specified in Note 15.
****Non-life Insurance liabilities are specified in Note 16.
*****Life Insurance liabilities are specified in Note 17.
******Includes the balance sheet value of technical provisions related to unit-linked insurance policies.

Debt securities issued to the public are carried at amortised cost.

On 31 December 2011, the fair value of these debt instruments was approximately EUR 198 million higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques.

Subordinated liabilities are carried at amortised cost.

Note 13. Financial instruments recognised at fair value, grouped by valuation technique

Fair value of assets on 31 Dec 2011, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	105	164	13	281
Non-life Insurance	-	-	6	6
Life Insurance	-	-	93	93
Derivative financial instruments				
Banking	15	3,267	25	3,307
Non-life Insurance	0	0	-	0
Life Insurance	-	50	-	50
Available-for-sale				
Banking	5,869	1,262	47	7,179
Non-life Insurance	1,725	552	257	2,534
Life Insurance	2,011	392	737	3,139
Total	**9,725**	**5,687**	**1,177**	**16,590**

Fair value of assets on 31 Dec 2010, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	307	199	14	519
Non-life Insurance	-	-	8	8
Life Insurance	-	-	116	116
Derivative financial instruments				
Banking	32	1,836	65	1,933
Non-life Insurance	-	1	-	1
Life Insurance	-	0	-	0
Available-for-sale				
Banking	5,379	592	61	6,032
Non-life Insurance	1,563	648	231	2,442
Life Insurance	2,428	496	705	3,629
Total	**9,709**	**3,772**	**1,199**	**14,681**

Fair value of liabilities on 31 Dec 2011, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	1	-	-	1
Non-life Insurance	-	-	-	-
Life Insurance	-	-	-	-
Derivative financial instruments				
Banking	23	3,113	96	3,232
Non-life Insurance	0	0	-	1
Life Insurance	-	0	-	0
Total	**24**	**3,114**	**96**	**3,234**

Fair value of liabilities on 31 Dec 2010, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	0	-	-	0
Non-life Insurance	-	-	-	-
Life Insurance	-	-	-	-
Derivative financial instruments				
Banking	22	1,873	56	1,951
Non-life Insurance	1	0	-	2
Life Insurance	-	-	-	0
Total	**24**	**1,873**	**56**	**1,953**

* This level includes equities listed on major stock exchanges, quoted corporate debt instruments, bonds issued by governments and financial institutions with credit rating of at least A-, and exchange-traded derivatives. The fair value of these instruments is determined on the basis of market quotes.

** Valuation techniques based on observable input parameters. The fair value of the instruments included within this level means value derived from the market price of a financial instrument's components or similar financial instruments; or value which can be determined using commonly used valuation models and techniques if the inputs significant to the fair value measurement are based on observable market data. The fair value hierarchy level at Pohjola Group includes OTC derivatives, treasury bills/notes, debt instruments issued by companies and financial institutions, repo agreements, and securities lent or borrowed.

*** Valuation techniques whose input parameters involve special uncertainty. The fair value determination of the financial instruments included within this level contains inputs not based on observable market data (unobservable inputs). This level includes the most complex OTC derivatives, certain private equity investments, and illiquid bonds, structured bonds, including securitised bonds and structured debt securities, and hedge funds.

Transfers between levels of the fair value hierarchy

During 2011, EUR 47 million in bonds were transferred from level 1 to level 2, due to changes in credit ratings.

Note 14. Non-life Insurance assets

EUR million	31 Dec 2011	31 Dec 2010	Change, %
Investments			
Loan and other receivables	117	229	-49
Shares and participations	435	400	9
Property	98	87	12
Notes and bonds	1,540	1,490	3
Derivatives	0	1	-48
Other participations	565	561	1
Total	**2,754**	**2,768**	**0**
Other assets			
Prepayments and accrued income	35	38	-8
Other			
Arising from direct insurance operations	262	228	15
Arising from reinsurance operations	121	87	40
Cash in hand and at bank	6	4	37
Other receivables	26	39	-33
Total	**451**	**396**	**14**
Non-life Insurance assets	**3,205**	**3,164**	**1**

Note 15. Life Insurance assets

EUR million	31 Dec 2011	31 Dec 2010	Change, %
Investments			
Loan and other receivables	226	418	-46
Shares and participations	2,470	2,818	-12
Property	120	135	-11
Notes and bonds	762	927	-18
Other	50	0	
Total	**3,628**	**4,298**	**-16**
Assets covering unit-linked insurance contracts			
Shares and participations	3,262	3,147	4
Other assets			
Prepayments and accrued income	32	32	2
Other			
Arising from direct insurance operations	12	7	87
Arising from reinsurance operations	71	61	17
Cash in hand and at bank	0	0	
Total	**115**	**99**	**17**
Life Insurance assets	**7,006**	**7,544**	**-7**

Note 16. Non-life Insurance liabilities

EUR million	31 Dec 2011	31 Dec 2010	Change, %
Provision for unpaid claims			
Provision for unpaid claims for annuities	1,155	1,108	4
Other provision for unpaid claims	789	739	7
Total	1,944	1,847	5
Provisions for unearned premiums	422	377	12
Other liabilities	142	127	12
Total	**2,508**	**2,350**	**7**

Note 17. Life Insurance liabilities

EUR million	31 Dec 2011	31 Dec 2010	Change, %
Technical provisions	3,644	4,024	-9
Insurance contract liabilities for unit-linked insurance policies	3,210	3,090	4
Other liabilities	78	176	-56
Total	**6,932**	**7,290**	-5

Technical provisions on 31 December 2011 contain €62 million as a result of a change in the fair value of secured interest rate swaps.

Note 18. Debt securities issued to the public

EUR million	31 Dec 2011	31 Dec 2010	Change, %
Bonds	11,525	9,693	19
Certificates of deposit, commercial papers and ECPs	8,183	9,623	-15
Other	297	262	14
Total	**20,005**	**19,577**	**2**

Note 19. Fair value reserve after income tax

EUR million	31 Dec 2011	31 Dec 2010	Change, %
Notes and bonds	-181	-75	
Shares and participations	-17	194	
Other	10	-6	
Total	**-188**	**112**	

A negative fair value reserve may recover by means of asset appreciation and recognised impairments.

The fair value reserve before tax amounted to EUR -249 million (151) and the related deferred tax liability to EUR 61 million (deferred tax asset EUR 39 million). On 31 December, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 198 million (287) million and negative mark-to-market valuations EUR 211 million (24). During 2007–11, impairment charges recognised from the fair value reserve in the income statement totalled EUR 577 million, of which EUR 68 million were recognised in 2011.

Note 20. Capital structure and capital adequacy

Capital structure and capital adequacy, € m	31 Dec 2011	31 Dec 2010	Change, %
Tier 1 capital			
OP-Pohjola Group's equity capital	6,531	6,726	-3
The effect of insurance companies on the Group’s shareholders’ equity is excluded (incl. OVY's technical provisions)	173	-28	
Fair value reserve, transfer to Tier 2	144	21	
Supplementary cooperative capital not included in equity capital	622	644	-3
Core Tier 1 capital before deductions and hybrid capital	7,471	7,363	1
Intangible assets	-342	-323	6
Excess funding of pension liability and fair value measurement of investment property and deferred tax assets on previous losses	-403	-373	8
Planned profit distribution / profit distribution as proposed by the Board	-61	-69	-12
Investment in insurance companies and financial institutions	-1,157	-1,165	-1
Impairments – shortfall of expected losses	-271	-65	
Shortfall of other Tier 1 capital	-484	-	
Core Tier 1 capital	**4,753**	**5,367**	**-11**
Pääomalainat	223	222	
Shortfall of Tier 2 capital	-706	-135	
Transfer to Core Tier 1 capital	484 -		
Total Tier 1 capital for calculating capital adequacy	**4,753**	**5,454**	
Tier 2 capital			
Fair value reserve (excl. cash flow hedge valuation)	-154	-15	
Perpetual bonds	285	295	-3
OVY's equalisation provision	215	207	
Debenture loans	375	609	-38
Investment in insurance companies and financial institutions	-1,157	-1,165	-1
Impairments – shortfall of expected losses	-271	-65	
Transfer to Tier 1 capital	706	135	
Net Tier 2 capital	-	-	
Total capital base	**4,753**	**5,454**	**-13**
Minimum capital requirement			
Credit and counterparty risk	2,445	3,153	-22
Market risk	46	37	23
Operational risk	232	228	2
Total	**2,722**	**3,418**	**-20**
Capital adequacy ratio, %	14.0	12.8	
Tier 1 ratio, %	14.0	12.8	
Core Tier 1 ratio, %	14.0	12.6	
Capital adequacy, €mill.	2,031	2,035	
Tier 1 capital adequacy, €mill.	2,031	2,035	
Core Tier 1 capital adequacy, €mill.	2,031	1,948	

Capital base and capital adequacy measurement is based on approaches under Basel II. Pohjola Bank plc has used the Internal Ratings Based Approach (IRBA) for corporate, credit institution and retail exposures since 31 December 2011. On 31 December 2010, Pohjola Bank plc used IRBA for corporate exposures and equity investments and the Standardised Approach (SA) for other exposure classes.

Note 21. Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates

€ million	31 Dec 2011	31 Dec 2010	Change, %
OP-Pohjola Group's equity capital	6,531	6,726	-3
Cooperative capital, hybrid instruments, perpetual bonds and debenture bonds	1,518	1,783	-15
Other sector-specific items excluded from capital base	-12	-	
Goodwill and intangible assets	-1,114	-1,094	2
Equalisation provisions	-271	-331	-18
Proposed profit distribution	-61	-69	-13
Items under IFRS deducted from capital base*	-453	-403	12
Impairments – shortfall of expected losses	-542	-131	
Conglomerate's capital base, total	**5,596**	**6,480**	**-14**
Regulatory capital requirement for credit institutions**	2,722	3,418	-20
Regulatory capital requirement for insurance operations***	388	396	-2
Conglomerate’s total minimum capital base	**3,111**	**3,814**	**-18**
Conglomerate’s capital adequacy	**2,486**	**2,666**	**-7**
Conglomerate’s capital adequacy ratio (capital base/minimum of capital base)	**1.80**	**1.70**	

* Excess funding of pension liability, Fair value measurement of investment property, Portion of cash flow hedge of fair value reserve

** Risk-weighted assets x 8%

*** Minimum solvency margin

Note 22. Collateral given

EUR million	31 Dec 2011	31 Dec 2010	Change, %
Given on behalf of own liabilities and commitments			
Mortgages	1	1	
Pledges	6,834	6,027	13
Other	492	349	41
Total	**7,327**	**6,377**	**15**

Note 23. Off-balance-sheet items

EUR million	31 Dec 2011	31 Dec 2010	Change, %
Guarantees	1,084	1,223	-11
Other guarantee liabilities	1,612	1,621	-1
Pledges	2	1	
Loan commitments	10,363	8,805	18
Commitments related to short-term trade transactions	248	164	52
Other	606	783	-23
Total off-balance-sheet items	**13,914**	**12,595**	**10**

Note 24. Derivative contracts

31 December 2011, EUR million	Nominal values / remaining term to maturity <1 year	1-5 years	>5 years	Total	Fair values* Assets	Liabilities
Interest rate derivatives	42,080	86,886	37,628	166,593	2,798	2,648
Currency derivatives	17,995	2,338	732	21,065	625	419
Equity and index-linked derivatives	213	1,110	6	1,328	55	1
Credit derivatives	45	191	-	236	2	2
Other derivatives	2,929	358	22	3,309	27	37
Total derivatives	**63,261**	**90,882**	**38,388**	**192,531**	**3,507**	**3,108**

31 December 2010, EUR million	Nominal values / remaining term to maturity <1 year	1-5 years	>5 years	Total	Fair values* Assets	Liabilities
Interest rate derivatives	45,568	57,161	28,059	130,788	1,461	1,400
Currency derivatives	16,143	2,081	675	18,898	324	409
Equity and index-linked derivatives	160	967	29	1,156	128	0
Credit derivatives	13	162	-	175	5	0
Other derivatives	3,561	261	-	3,822	30	44
Total derivatives	**65,445**	**60,632**	**28,763**	**154,840**	**1,948**	**1,854**

*Fair values include accrued interest which is shown under other assets or provisions and other liabilities in the balance sheet.

Pohjola Group’s derivatives business adopted netting of derivatives during 2011. However, derivative contracts are presented in gross amounts in this note.

Note 25. Related-party transactions

The related parties of OP-Pohjola Group include associates, administrative personnel and other related party companies. The administrative personnel comprise OP-Pohjola Group's Executive Chairman (Chairman of the Executive Board of OP-Pohjola Group Central Cooperative), President of OP-Pohjola Group Central Cooperative, members and deputy members of the Executive and Supervisory Boards and their close relatives. Related parties also include companies over which a person among administrative personnel or his close family member exercises significant influence. Other communities considered as related parties include OP Bank Group Pension Fund and OP Bank Group Pension Foundation.

Standard terms and conditions for credit are applied to loans granted to the related parties. Loans are tied to generally used reference rates.

Related-party transactions have not undergone any substantial changes since 31 December 2010.

OP-Pohjola Group's financial performance will be presented to the media by Executive Chairman Reijo Karhinen in a press conference on 8 February 2012 at 12 noon at Teollisuuskatu 1 b, Vallila, Helsinki.

Pohjola Bank plc will publish its own interim report.

Financial reporting in 2012

Schedule for Interim Reports in 2012:

Interim Report Q1/2012	3 May 2012
Interim Report H1/2012	1 August 2012
Interim Report Q1−3/2012	31 October 2012

Helsinki, 8 February 2012.

OP-Pohjola Group Central Cooperative
Executive Board

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