Pohjola Bank plc´s
Financial Statements Bulletin for
1 January - 31 December 2012

Pohjola

Pohjola Group in 2012

- Consolidated earnings before tax came to EUR 374 million (258) and consolidated earnings before tax at fair value amounted to EUR 792 million (78). Return on equity stood at 11.2% (9.2) and return on equity at fair value was 23.3% (3.1). Core Tier 1 ratio stood at 10.6% (10.3).
- Earnings before tax recorded by Banking improved to EUR 222 million (199). These included EUR 54 million (49) in impairment charges on receivables. The loan portfolio increased by 9% from its level on 31 December 2011. The average corporate loan portfolio margin stood at 1.52% (1.34).
- Within Non-life Insurance, insurance premium revenue rose by 10%. The combined ratio was 97.1% (97.7). Excluding the changes in reserving bases and amortisation on intangible assets arising from company acquisition, the operating combined ratio stood at 90.5% (89.8). Return on investments at fair value was 10.8% (–0.4).
- Earnings before tax posted by Asset Management amounted to EUR 32 million (27) and assets under management were EUR 32.7 billion (31.3) at the end of the financial year.
- The Board of Directors proposes that a per-share dividend of EUR 0.46 (0.41) be paid on Series A shares and EUR 0.43 (0.38) on Series K shares. This means a dividend payout ratio of 51%.
- Outlook for 2013: Consolidated earnings before tax in 2013 are expected to be higher than in 2012. It is estimated that Non-life Insurance's operating combined ratio will vary between 89 and 93%. For more detailed information on the outlook, see "Outlook for 2013" below.

October–December

- Consolidated earnings before tax came to EUR 92 million (13) and consolidated earnings before tax at fair value amounted to EUR 186 million (13). Return on equity was 10.1% (5.6).
- Earnings of EUR 59 million (64) before tax posted by Banking included EUR 20 million (13) in impairment charges on receivables. The loan portfolio increased by 2% and the average margin of the corporate loan portfolio rose by 4 basis points.
- Within Non-life Insurance, insurance premium revenue rose by 13%. The combined ratio stood at 97.2% (116.9) while the operating combined ratio was 95.3% (91.0). Return on investments at fair value was 2.0% (1.4).
- Earnings before tax reported by Asset Management improved to EUR 16 million (8) as a result of vigorous growth in performance-based fees.
- As a result of the procedures of information and consultation of employees under the Finnish Act on Co-operation within Undertakings, Pohjola decided to cut 281 jobs, outsource 22 jobs and 618 employees will join the payroll of other companies within OP-Pohjola Group Central Cooperative Consolidated.

Earnings before tax, € million	**2012**	**2011**	**Change, %**	**Q4/ 2012**	**Q4/ 2011**	**Change, %**
Banking	222	199	12	59	64	-7
Non-life Insurance	92	8		10	-63	
Asset Management	32	27	19	16	8	104
Group Functions	28	24	15	8	5	62
Total	**374**	**258**	**45**	**92**	**13**	**611**
Change in fair value reserve	418	-180		94	0	
Earnings before tax at fair value	**792**	**78**		**186**	**13**	
Earnings per share, €	0.89	0.67		0.22	0.10	
Equity per share, €	8.67	7.22				
Average personnel	3,421	3,189		3,353	3,411	

Financial targets	**2012**	**2011**	**Q4/ 2012**	**Q4/ 2011**	**Target**
Return on equity, %	11.2	9.2	10.1	5.6	13.0
Core Tier 1 ratio, %	10.6	10.3			≥ 11.0
Operating cost/income ratio by Banking, %	34	35	29	32	< 35
Operating combined ratio by Non-life Insurance, %	90.5	89.8	95.3	91.0	< 92
Operating expense ratio by Non-life Insurance, %	21.5	21.8	20.6	25.6	18
Solvency ratio by Non-life Insurance, %	81	77			70
Operating cost/income ratio by Asset Management, %	47	49	36	49	< 45
AA rating affirmed by at least two credit rating agencies or credit ratings at least at the main competitors' level	2	2			2
Dividend payout ratio at least 50%, provided that Core Tier 1 ratio remains at least 10%	51 *)	60			≥ 50

*) Board proposal

President and CEO Mikael Silvennoinen:

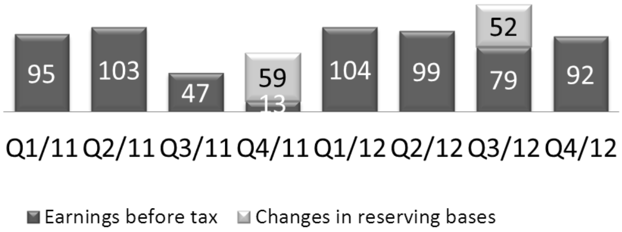
Pohjola Group showed record earnings for 2012 – much better than a year ago. Consolidated earnings before tax amounted to EUR 374 million and at fair value to almost EUR 800 million. Group earnings grew most in Non-life Insurance, aided by good investment performance. Banking and Asset Management reported better financial results than a year ago, rising to record levels.

Our fourth-quarter consolidated earnings before tax came to EUR 92 million. Fourth-quarter net interest income decreased over the previous year and over the previous quarters of 2012. Our solid profit performance during the fourth quarter was based on strong growth in net commissions and fees and the levelling off of the upward trend in Group costs.

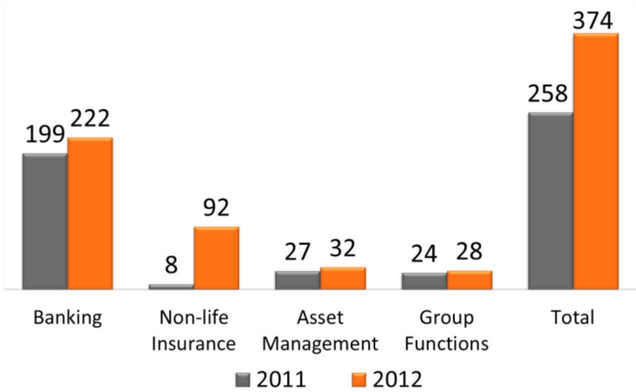
Pohjola Group strengthened its market position during 2012. Annual growth in the corporate loan portfolio was brisk. The average corporate loan portfolio margin increased, standing at 1.52% at the turn of the year. Insurance premium revenue showed a strong increase, accelerating during the fourth quarter. Asset Management was successful in investment operations in terms of both institutional clients and mutual funds.

During the fourth quarter, the Group completed the procedures for Information and Consultation of Employees initiated in the early autumn and related to the reorganisation programme of OP-Pohjola Group Central Cooperative Consolidated. As a result, the number of Pohjola Group's employees will reduce considerably. The reorganisation will enable us to significantly improve the Group's cost-efficiency, with a view to ensuring our competitiveness and service capabilities in the future too.

Consolidated earnings before tax by quarter, € million



Earnings before tax by business line



Pohjola Group's Financial Statements Bulletin for 1 January–31 December 2012

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Operating environment

Global economic growth slowed down in 2012, showing a slower growth rate than the last decade's average. Economic development was characterised by great uncertainty and was uneven. The US economy grew at a moderate pace and employment improved, whereas the euro area headed for a mild recession.

The European sovereign debt crisis continued to weigh on financial markets. In the early summer, uncertainties mounted as a result of Greece's parliamentary elections. During the second half, the greatest worries about the crisis faded after the European Central Bank (ECB) announced its government bond-purchase programme.

The ECB cut its key interest rate to 0.75% and in the first half increased market liquidity significantly through its extraordinary long-term refinancing operations. Market interest rates fell to record low during 2012.

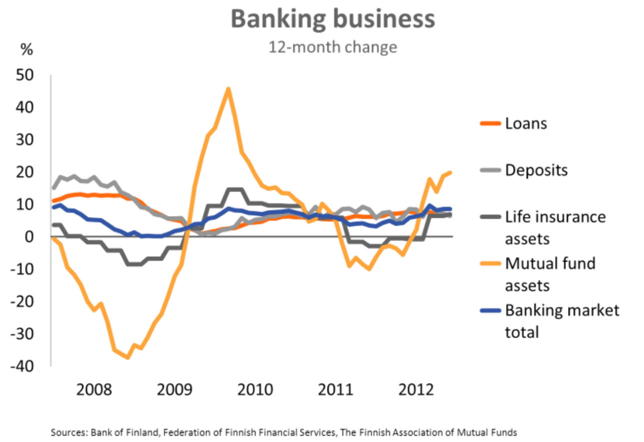
Economic growth in Finland remained weak in 2012. Following the favourable first quarter, economic growth faded towards the year end. Economic growth was supported by consumer spending, whereas exports and capital spending were subdued. The slower economic growth made unemployment increase during the second half of the year. Home prices rose by a few per cent but home sales and residential building decreased slightly.

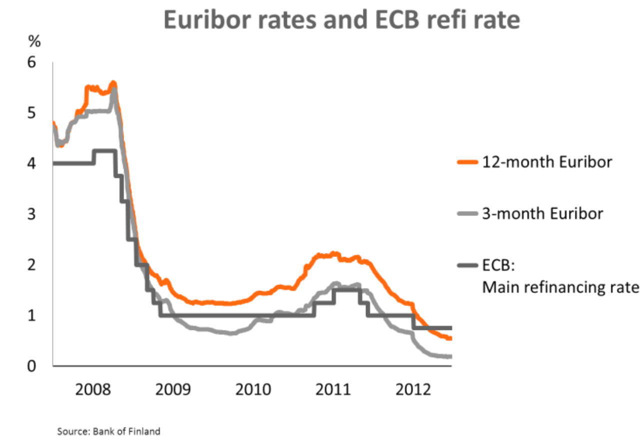
The global economic growth outlook for 2013 is still weaker than on average. Economic growth in the euro area will remain weak. The Finnish economy will at its best grow slowly. The ECB will keep its key interest rate low and, if required, take extraordinary measures to support financial stability. Euribor rates will remain record low.

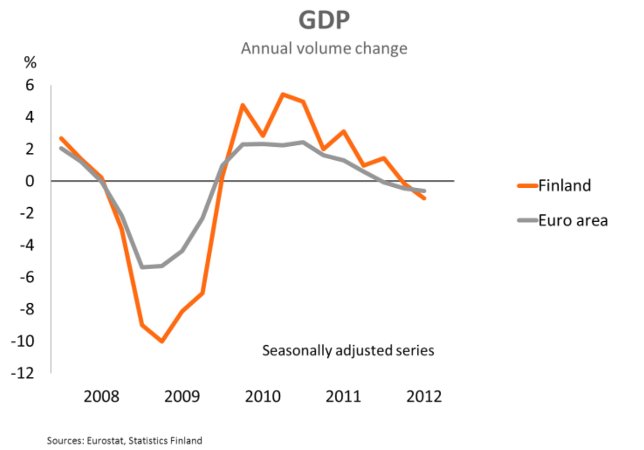
Last year, total loans in the Finnish banking sector increased by 7%, which was markedly above the average growth rate in the euro area. Loans to households continued their relatively steady growth, supported by lower market rates, whereas demand for corporate loans subsided in the second half as a result of the weaker economic outlook. Growth prospects on total loans for 2013 are dimmer than last year.

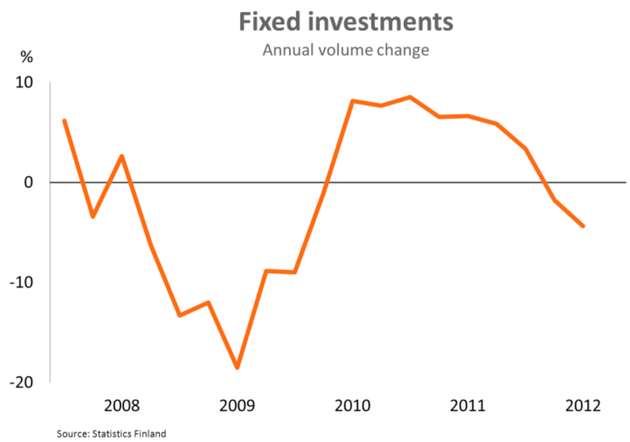
As a result of favourable developments in financial markets, mutual fund and insurance assets grew during the second half of 2012. Stock prices in Finland rose by an average of around 10% in 2012. Mutual funds' net asset inflows increased. The growth rate of deposits slowed down slightly towards the year end as a result of a decline in market interest rates and the restored risk appetite. The year-end total deposits were 6% higher than the year before.

The total premiums written by the non-life insurance sector still grew at a steady annual rate of around 6%. The total claims paid increased at a slower pace than earlier, or by 4% This can be specifically attributed to the better weather conditions than the year before.









Consolidated earnings

Earnings analysis

€ million	2012	2011	Change %	2012 Q4	2011 Q4	Change %
Net interest income						
Corporate and Baltic Banking	199	180	11	51	50	2
Markets	31	58	-47	6	11	-43
Other operations	33	38	-13	4	9	-61
Total	263	276	-5	62	71	-13
Net commissions and fees	169	161	5	53	41	28
Net trading income	79	26		19	30	
Net investment income	13	23		14	6	
Net income from Non-life Insurance						
Insurance operations	367	332	11	90	45	101
Investment operations	115	32		21	-11	
Other items	-45	-46	3	-11	-12	9
Total	438	318	38	100	22	
Other operating income	37	41	-8	8	10	-19
Total income	**998**	**843**	**18**	**256**	**181**	**41**
Personnel costs	230	212	9	54	57	-5
ICT costs	87	81	7	24	23	4
Depreciation and amortisation	50	57	-12	13	15	-15
Other expenses	200	177	13	52	54	-3
Total expenses	**567**	**527**	**8**	**142**	**148**	**-4**
Earnings before impairment loss on receivables	**431**	**316**	**36**	**114**	**33**	**241**
Impairment loss on receivables	57	60	-5	21	21	1
Share of associates' profit/loss	1	2		0	0	
Earnings before tax	**374**	**258**	**45**	**92**	**13**	
Change in fair value reserve	418	-180		94	0	
Earnings before tax at fair value	**792**	**78**		**186**	**13**	

Full-year 2012 earnings

Consolidated earnings before tax amounted to EUR 374 million (258). Total income and total expenses rose by 18% and 8%, respectively. Non-recurring expenses of EUR 7 million resulting from the reorganisation programme added to expenses. Impairment loss on receivables was slightly lower than a year earlier, standing at EUR 57 million (60).

The fair value reserve before tax grew by EUR 418 million, reaching EUR 221 million on 31 December. Earnings before tax at fair value amounted to EUR 792 million (78).

Corporate Banking continued to increase its net interest income considerably, thanks to growth in the loan portfolio and a rise in the average margin of the corporate loan portfolio. The loan portfolio grew by 9% year on year. The corporate loan portfolio's average margin rose by 18 basis points to 1.52% (1.34). The Markets division's net interest income decreased but then again net trading income increased considerably. The Group's combined net interest income decreased by 5%.

Net commissions and fees rose by 5%, thanks to an increase in lending and asset management fees. Net commissions and fees resulting from securities brokerage decreased.

Net investment income was EUR 10 million lower than a year ago. Dividend income was EUR 4 million higher than a year ago. Net capital gains were EUR 15 million lower than the year before.

Net income from Non-life Insurance improved by 38% year on year. A reduction in the discount rate for technical provisions related to pension liabilities from 3.3% to 3.0% decreased income by EUR 52 million. Changes in reserving bases reduced earnings by EUR 59 million last year. Insurance premium revenue increased by 10% and claims paid by 12%, excluding the change in the discount rate. Operating profitability remained at almost the previous year's level. Investment income recognised in the income statement was over EUR 80 million higher than the year before. Impairment charges recognised on investments totalled EUR 13 million (42). Return on investments at fair value was 10.8% (–0.4).

Other operating income fell by 8%, mainly as a result of lower maintenance lease income.

Personnel costs rose by 9% year on year. Personnel costs include EUR 7 million in non-recurring expenses related to the reorganisation programme. On 31 December 2012, the Group had a staff of 3,404, up by 24 from 31 December 2011.

ICT costs rose as a result of capital expenditure on system development. Growth in insurance sales commissions and higher personnel-related expenses increased other expenses.
Depreciation and amortisation were lower as a result of lower depreciation on leases.

October–December earnings

Earnings before tax amounted to EUR 92 million (13). Earnings a year ago included EUR 59 million in changes in reserving bases that reduce the earnings figure. Income increased by 41% and expenses decreased by 4% over the same period a year ago. Impairment charges were at the same level as a year ago.

The fair value reserve grew by EUR 94 million. Earnings before tax at fair value amounted to EUR 186 million (13).When Suomen Luotto-osuuskunta, a cooperative, sold Luottokunta Oy shares, the value of the cooperative shares held by Pohjola was increased by EUR 31 million. In addition, net investment income includes EUR 11 million in interest on cooperative capital from Suomen Luotto-osuuskunta.

Net interest income from Corporate Banking was up by 2%. The loan portfolio increased by 2% and the average margin of the corporate loan portfolio rose by 4 basis points. Net interest income from other operations was weakened by a decrease in notes and bonds within the liquidity buffer and an increase in cash within the liquidity buffer. The Group's combined net interest income decreased by 13%.

Net commissions and fees showed a sharp rise during the reporting period. In particular, commission income from lending and payment transaction services plus performance-based fees in Asset Management were higher than the year before

Net income from Non-life Insurance increased over the same period a year earlier. Changes in reserving bases reduced earnings by EUR 59 million during the same period a year ago. Insurance premium revenue increased by 13% and claims incurred by 29% excluding changes in reserving bases. Operating profitability was slightly weaker than the year before as a result of a larger number of large claims. Return on investments at fair value was 2.0% (1.4).

Expenses began to decline. Personnel costs were down by 5%. Provision for personnel-related expenses related to the reorganisation programme was already recognised in September. Growth in ICT costs slowed and other expenses decreased slightly.

Earnings analysis by quarter

	2011				2012			
€ million	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Net interest income								
Corporate and Baltic Banking	43	44	43	50	50	48	50	51
Markets	12	18	16	11	10	9	5	6
Other operations	13	9	6	9	14	8	8	4
Total	68	72	65	71	74	65	63	62
Net commissions and fees	41	40	39	41	42	40	34	53
Net trading income	14	5	-24	30	30	15	15	19
Net investment income	11	2	3	6	5	-7	1	14
Net income from Non-life Insurance								
Insurance operations	68	115	105	45	82	123	73	90
Investment operations	37	23	-17	-11	31	18	45	21
Other items	-12	-12	-12	-12	-12	-11	-11	-11
Total	94	126	76	22	101	130	107	100
Other operating income	11	10	10	10	9	10	10	8
Total income	**239**	**254**	**170**	**181**	**261**	**253**	**229**	**256**
Personnel costs	55	55	46	57	62	58	56	54
ICT costs	19	20	19	23	22	21	21	24
Depreciation and amortisation	15	14	14	15	13	13	12	13
Other expenses	41	43	40	54	51	51	46	52
Total expenses	**129**	**132**	**118**	**148**	**147**	**143**	**135**	**142**
Earnings before impairment loss on receivables	**110**	**122**	**51**	**33**	**113**	**110**	**94**	**114**
Impairment loss on receivables	15	20	4	21	10	12	15	21
Share of associates' profit/loss	0	1	1	0	0	0	0	0
Earnings before tax	**95**	**103**	**47**	**13**	**104**	**99**	**79**	**92**
Change in fair value reserve	-21	-11	-148	0	233	-2	94	94
Earnings before tax at fair value	**74**	**92**	**-101**	**13**	**337**	**97**	**173**	**186**

Group risk exposure

The Group's risk exposure has remained stable despite the weak economic development in the euro area. The Group has a good risk-bearing capacity sufficient to secure business continuity even if economic growth remained weak. No major changes took place in credit risk exposure. Investment-grade exposure remained high while doubtful receivables and past due payments declined from their level on 31 December 2011. Impairment loss and final loan losses decreased slightly year on year.

Net loan losses and net impairment losses recognised for 2012 amounted to EUR 57 million (60), accounting for 0.35% (0.40) of the loan and guarantee portfolio. Final loan losses recognised for the financial year totalled EUR 35 million (47) and impairment losses EUR 62 million (84). Loan loss recoveries and allowances for impairment losses totalled EUR 40 million (71). The majority of the net loan losses and impairment losses were those recognised on an individual basis.

Doubtful receivables fell by EUR 28 million from their level a year ago. On 31 December 2012, doubtful receivables came to EUR 34 million (62), accounting for 0.21% (0.41) of the loan and guarantee portfolio. Past due payments came to EUR 21 million (23), representing 0.13% (0.15) of the loan and guarantee portfolio.

	2012	2011
Net loan losses and impairment losses, € million	57	60
% of the loan and guarantee portfolio	0.35	0.40
Doubtful receivables, € million	34	62
% of the loan and guarantee portfolio	0.21	0.41
Past due payments, € million	21	23
% of the loan and guarantee portfolio	0.13	0.15

No major changes took place in Non-life Insurance's underwriting risks. Risk exposure was affected by a reduction of the discount rate for pension liabilities in the third quarter. No major changes took place in the investment portfolio risk.

The funding and liquidity position remained strong. The Group had good access to short-term funding. The year 2012 saw improved long-term wholesale funding markets. In particular, the ECBs long-term refinancing operations bolstered the market in the first half. Pohjola Bank plc was not involved in such operations.

As OP-Pohjola Group's central bank, Pohjola maintains a liquidity buffer which consists mainly of deposits with central banks and notes, bonds and loans eligible for central bank refinancing. The liquidity buffer comprises notes and bonds issued by governments, municipalities, financial institutions and companies with all showing good credit ratings, securitised assets and corporate loans eligible as collateral.

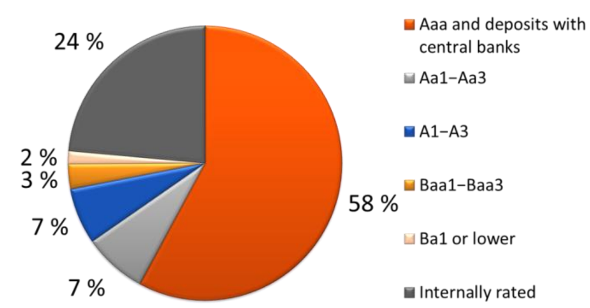
Measurement of the notes and bonds included in the liquidity buffer table on this page is based on mark-to-market valuations.

Liquidity buffer

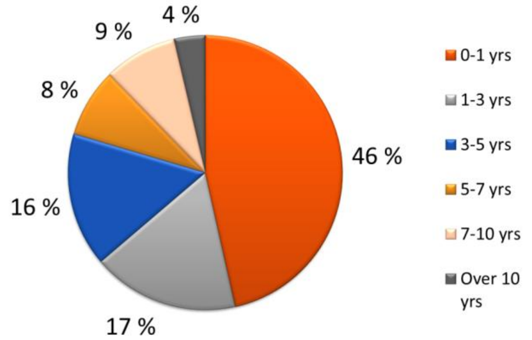
€ billion, based on market values	31 Dec. 2012	31 Dec. 2011	Change, %
Deposits with central banks	5.6	4.2	32.5
Notes and bonds eligible as collateral	5.4	7.5	-27.9
Corporate loans eligible as collateral	3.0	2.6	14.5
Total	14.0	14.4	-2.4
Receivables ineligible as collateral	0.6	0.6	-2.5
Liquidity buffer at market value	14.6	15.0	-2.4
Collateral haircut	-0.9	-1.0	-7.6
Liquidity portfolio at collateral value	13.7	14.0	-2.0

The liquidity buffer maintained by Pohjola plus other items based on OP-Pohjola Group's contingency funding plan can be used to cover wholesale funding for at least 24 months in the event wholesale funding becomes unavailable and total deposits decrease at a moderate rate.

Financial assets included in the liquidity buffer by credit rating 31 December 2012, %



Financial assets included in the liquidity buffer by maturity on 31 December 2012, %



The liquidity buffer's (excl. deposits with central banks) residual term to maturity averaged 4.6 years.

Major risks related to the Group's business are associated with developments in the overall economic environment and capital markets, as well as upcoming regulatory changes in the financial sector.

Capital adequacy

Capital base and capital adequacy

€ million	31 Dec. 2012	30 Sept. 2012	31 Dec. 2011
Core Tier 1 capital	1,631	1,573	1,486
Tier 1 capital	1,904	1,847	1,521
Tier 2 capital	103	384	0
Total capital	2,007	2,231	1,521
Risk-weighted assets			
Credit and counterparty risk	13,576	13,049	12,890
Market risk	723	654	606
Operational risk	1,020	1,020	913
Total	15,320	14,724	14,409
Core Tier 1 ratio, %	10.6	10.7	10.3
Tier 1 ratio, %	12.4	12.5	10.6
Capital adequacy ratio, %	13.1	15.2	10.6

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

€ million	31 Dec. 2012	30 Sept. 2012	31 Dec. 2011
Conglomerate's capital base	2,432	2,619	1,891
Conglomerate's minimum capital base	1,429	1,379	1,339
Conglomerate's capital adequacy	1,004	1,240	552
Conglomerate's capital adequacy ratio	1.70	1.90	1.41

Pohjola Group's Core Tier 1 ratio improved to 10.6% (10.3) and Tier 1 ratio to 12.4% (10.6). The Core Tier 1 ratio decreased by 0.1 percentage points in the fourth quarter.

Risk-weighted assets increased by 6% and the loan portfolio by 9% from their 2011-end level. During the fourth quarter, risk-weighted assets increased by 4% mainly as a result of an increase in the loan portfolio and binding loan commitments.

The capital adequacy ratio under the Act on Credit Institutions stood at 13.1% (10.6), as against the statutory minimum requirement of 8%, up by 2.5 percentage points from the level of 31 December 2011.

Pohjola Bank plc's issue in late February of Lower Tier 2 subordinated notes of EUR 500 million increased Tier 2 capital. In the fourth quarter, Pohjola redeemed Upper Tier 2 perpetual subordinated notes of EUR 150 million and GBP 100 million.

Pohjola Group belongs to OP-Pohjola Group whose capital adequacy is supervised in accordance with the Act on the Supervision of Financial and Insurance Conglomerates. Pohjola Group's capital adequacy ratio under the Act, measured using the consolidation method, showed an improvement, standing at 1.70 (1.41) on 31 December.

As a result of the financial crisis, the regulatory framework for banks' capital requirements is becoming more rigorous in an effort, for example, to improve the quality of their capital base, to reduce the cyclic nature of capital requirements, to decrease banks' indebtedness and to set quantitative limits to liquidity risk. As things look now, these changes are due to be effective between 2014 and 2019. The Capital Adequacy Directive and regulation related to the changes are still under preparation. From Pohjola Group's viewpoint, the most significant changes in the new regulations are related to the treatment of insurance company investments with respect to capital adequacy requirements and liquidity risk requirements whose treatment is most likely to be finalised only in national legislation.
On the basis of calculations based on the most recently available draft regulation, Pohjola estimates that its Core Tier 1 ratios (pro forma) will remain unchanged or improve, provided that insurance company investments are treated as risk-weighted assets and dependent on the risk weight used.

The solvency regulations of the insurance sector are changing, too. Changes in the insurance sector's Solvency II regulations aim to improve the quality of insurance companies' capital base, improve their risk management, increase the risk-based solvency requirements and harmonise insurance-sector solvency requirements in Europe. The regulations are still being processed, and it is not known when they will come into effect. According to current interpretations, Solvency II will tighten solvency capital requirements but also increase the capital base. Pohjola estimates that its Non-life Insurance business already fulfils the solvency requirement under the proposed Solvency II. The solvency capital requirement (SCR) for Non-life Insurance under Solvency II would have amounted to EUR 685 million (pro forma) based on underwriting and investment risks on 31 December 2012. Non-life Insurance's solvency capital amounted to EUR 916 million on 31 December 2012 under the existing regulatory framework (Solvency I).

Credit ratings

Pohjola Bank plc's credit ratings on 31 December 2012

Rating agency	Short-term debt	Outlook	Long-term debt	Outlook
Standard & Poor's Credit Market Services Europe Limited	A-1+	Stable	AA-	Negative
Moody's Investors Service Ltd	P-1	Stable	Aa3	Stable
Fitch Ratings Limited	F1	Stable	A+	Stable

Pohjola Insurance Ltd's financial strength ratings on 31 December 2012

Rating agency	Rating	Outlook
Standard & Poor's Credit Market Services Europe Limited	AA-	Negative
Moody's Investors Service Ltd	A3	Stable

Pohjola Bank plc's credit rating and Pohjola Insurance Ltd's financial strength rating were updated in 2012 as shown below.

Standard & Poor's

Standard & Poor's affirmed on 16 May and 20 November Pohjola Bank plc's long-term debt rating at AA- and short-term debt rating at A-1+, and Pohjola Insurance Ltd's financial strength rating at AA-. On 20 November, S&P revised the outlook on Pohjola Bank plc and Pohjola Insurance Ltd from stable to negative.

Fitch Ratings

On 10 October 2012, Fitch Ratings affirmed Pohjola Bank plc's long-term debt rating at A+ and short-term rating at F1 while keeping the outlook stable.

Moody's

Moody's Investors Service downgraded on 31 May 2012 Pohjola Bank plc's long-term debt rating by one notch from Aa2 to Aa3, still affirming the rating as very strong, and confirmed Pohjola Bank plc's Prime-1 short-term rating. The insurance financial strength rating of Pohjola Insurance Ltd was downgraded from A2 to A3, with a stable outlook for these ratings.

Pohjola updates its strategy

On 31 October 2012, Pohjola's Board of Directors adopted Pohjola Group's updated strategy and revised financial targets.

The strategic theme is entitled "Value and efficiency through integration". The updated strategy highlights the following: improving customer experience, seeking more targeted growth in order to improve return on capital, making more efficient use of OP-Pohjola Group's competitive advantages and strengths, improving efficiency and increasing capital adequacy ratios.

Banking will concentrate on deepening customer relationships by focusing growth on business and products with high capital efficiency. Non-life Insurance aims to continue its successful cross-selling and improve efficiency. Within Asset Management, the key objective is to raise investment returns of OP Mutual Funds to a competitive level and to intensify OP-Pohjola Group's integration.

Pohjola's mission, vision and core values have remained unchanged. Pohjola's mission is to promote the sustainable prosperity, security and wellbeing of its customers. Pohjola's vision is to be the most preferred financial services partner and the key objectives include increasing company value and strengthening the market position profitably. Pohjola's core values are a People-first Approach, Responsibility, and Prospering Together.

Pohjola provides its corporate and institutional customers with a diverse range of top-quality banking, asset management and non-life insurance services, and private individuals with an extensive range of non-life insurance and Private Banking services.

Pohjola is in close interaction with its customers, knowing customer needs and risks and creating solutions ideal for customers. It builds customer relationships on a long-term basis with the aim of establishing total customer relationships.

Finland and its neighbouring regions constitute Pohjola's key market area where Pohjola invests in the development of its service network. In other market areas, Pohjola's service capabilities are based on cooperation with high-profile local or international partners.

As part of OP-Pohjola Group, Pohjola has the most extensive and diversified service network within the sector and the largest clientele in Finland. OP-Pohjola Group's logo is the most recognisable one in the Finnish financial sector. Pohjola secures business continuity by maintaining a strong capital base. Joint liability with OP-Pohjola Group's member credit institutions strengthens Pohjola's creditworthiness.

Highly skilled and motivated employees are a prerequisite for providing comprehensive solutions and the best service within the sector. Pohjola enhances its intellectual capital systematically as part of business development.

Revised financial targets

The Board of Directors also adopted the Group's new financial targets aiming at higher profitability and efficiency and a stronger capital base.

Pohjola abandoned its target for the return on equity (13.0%) calculated at fair value and set a new return-on-equity target at 13.0% calculated on earnings after tax. It raised its capital adequacy target by replacing the Tier 1 ratio target of 9.5% with the Core Tier 1 ratio target of 11%. Pohjola also revised its dividend policy in such a way that it aims to distribute a minimum of 50% of its earnings for the financial year in dividends, provided that Core Tier 1 remains at least 10% (previously: Tier 1 ratio of at least 9.5%).

Pohjola set a target level for its total expenses: the Group's total expenses at the end of 2015 will be at the same level as at the end of 2012. It also revised down the operating cost/income ratio target for Banking from 40% to 35% and for Asset Management from 50% to 45%. Pohjola revised its Non-life Insurance target for the operating combined ratio from 92% to less than 92% and for the operating expense ratio from 20% to 18%. The financial targets are set over the economic cycle, with the exception of the target for total expenses.

Financial targets over the economic cycle

	Target	2012	2011
Group			
Return on equity, %	13.0	11.2	9.2
Core Tier 1 ratio, %	>= 11	10.6	10.3
Banking			
Operating cost/income ratio, %	< 35	34	35
Non-life Insurance			
Operating combined ratio, %	< 92.0	90.5	89.8
Operating expense ratio, %	18	21,5	21,8
Solvency ratio, %	70	81	77
Asset Management			
Operating cost/income ratio, %	< 45	47	49

In addition, Pohjola still aims at an AA credit rating affirmed by at least two credit rating agencies or at credit ratings that are at least at the level of its main competitors.

Pohjola's reorganisation programme

As a result of the completed procedures for Information and Consultation of Employees, under the Finnish Act on Co-operation within Undertakings, covering all personnel groups as part of Pohjola Group's reorganisation programme, Pohjola Group decided to cut a total of 281 jobs. In addition, 22 jobs will be outsourced to service providers outside OP-Pohjola Group. When the process began on 24 September 2012, the estimated layoffs amounted to a maximum of 310 and the estimated number of outsourced jobs was around 90.

Centralising processes and operations within OP-Pohjola Group Central Cooperative Consolidated forms an integral part of this reorganisation programme, whereby 618 employees will transfer from Pohjola Group to other companies within OP-Pohjola Group Central Cooperative Consolidated. The original proposal involved internal transfers of 580 Pohjola Group's employees to other companies within OP-Pohjola Group Central Cooperative Consolidated.

Reasons for initiating the reorganisation included a more rigorous regulatory framework in the financial sector, tightening capital adequacy requirements set for banks, higher costs, and the preparation for new fiscal charges, such as a bank tax. In addition, the prolongation of the European sovereign debt crisis and the low interest rate environment will be strongly reflected in banks' and insurers' revenues.

The programme is aimed at achieving annual cost savings of around EUR 50 million by the end of 2015, job cuts accounting for 40% of the estimated cost savings. The remaining cost savings will arise from eliminating overlapping activities and standardising practices within the framework of OP-Pohjola Group Central Cooperative Consolidated's reorganisation programme. The programme aims at annual cost savings of EUR 150 million by the end of 2015.

Pohjola expects to achieve an estimated 50% of the total annual cost savings of EUR 50 million in 2013, 30% in 2014 and the rest by the end of 2015. Non-life Insurance is anticipated to account for over 60% of the source of the cost savings, Banking for slightly over 30% and Asset Management for the rest.

Pohjola Group recognised most of the non-recurring personnel-related expenses of around EUR 7 million, associated with Pohjola Group under the reorganisation programme, in the third quarter of 2012.

Financial performance and risk exposure by business segment

Banking

2012 in brief

- Earnings before tax improved to EUR 222 million (199).
- Net interest income from Corporate Banking was up by 11%.
- The loan portfolio grew by 9% to EUR 13.5 billion from its level on 31 December 2011 (12.4).
- The average corporate loan portfolio margin increased to 1.52% (1.34).
- Net trading income added to earnings posted by Markets.
- Impairment losses on receivables increased to EUR 54 million (49), accounting for 0.34% of the loan and guarantee portfolio.
- Operating cost/income ratio was 34% (35).

Banking: financial results and key figures and ratios

€ million	2012	2011	Change, %	Q4/2012	Q4/2011	Change, %
Net interest income						
Corporate and Baltic Banking	199	180	11	51	50	2
Markets	31	58	-47	6	11	-43
Total	230	238	-3	58	61	-6
Net commissions and fees	96	97	-1	28	23	20
Net trading income	72	18		21	17	24
Other income	21	31	-33	6	10	-36
Total income	**418**	**384**	**9**	**113**	**112**	**2**
Expenses						
Personnel costs	62	56	11	13	14	-9
ICT costs	27	26	3	7	7	8
Depreciation and amortisation	15	21	-28	4	5	-24
Other expenses	37	32	15	10	9	11
Total expenses	**142**	**135**	**5**	**34**	**35**	**-2**
Earnings before impairment loss on receivables	**277**	**248**	**11**	**79**	**77**	**3**
Impairment loss on receivables	54	49	11	20	13	54
Earnings before tax	**222**	**199**	**12**	**59**	**64**	**-7**
Earnings before tax at fair value	228	189	21	61	54	14
Loan portfolio, € billion	13.5	12.4	9			
Guarantee portfolio, € billion	2.7	2.6	5			
Risk-weighted assets, € billion	13.4	12.0	11			
Margin on corporate loan portfolio, %	1.52	1.34	13			
Ratio of doubtful receivables to loan and guarantee portfolio, %	0.21	0.41				
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.34	0.33				
Operating cost/income ratio, %	34	35		29	32	
Personnel	745	748	0			

January–December earnings

Earnings before tax amounted to EUR 222 million (199). This figure includes EUR 54 million (49) in impairment loss on receivables.

The loan portfolio grew by 9% from its level on 31 December 2011, standing at EUR 13.5 billion on 31 December 2012. The average margin on the corporate loan portfolio rose by 18 basis points in the year to December. The market share of euro-denominated corporate loans increased further.

The guarantee portfolio grew by EUR 0.1 billion to EUR 2.7 billion, year on year. Committed standby credit facilities amounted to EUR 3.4 billion (3.3) on 31 December.

The combined net interest income from Corporate Banking and Baltic Banking improved by 11% over the previous year, as a result growth in the loan portfolio and a rise in the average margin.

Net commissions and fees fell by EUR 1 million, year on year. Commission income related to lending rose by EUR 6 million whereas commission income from securities brokerage fell by EUR 5 million as a result of lower equity trading volumes.

Other operating income decreased by EUR 10 million as a result of a reduction in the maintenance lease portfolio.

Banking reported a 5% increase in expenses, mainly as a result of higher personnel costs. A decrease in depreciation/amortisation was due mainly to a reduction in the maintenance lease portfolio.

Earnings before tax by division

€ million	2012	2011	Change, %
Corporate Banking	153	141	9
Markets	71	60	18
Baltic Banking	-2	-2	-1
Total	**222**	**199**	**12**

An improvement in earnings posted by Corporate Banking was due to a rise in net interest income and commission income related to financing. Corporate Banking net commissions and fees improved by 10% year on year. Impairment losses increased by EUR 5 million.

The Markets division was successful in managing risk exposures. Client income rose by EUR 1 million year on year.

October–December earnings

Due to higher impairment losses, fourth-quarter earnings before tax were lower than a year ago, amounting to EUR 59 million, or EUR 4 million lower than the year before.

Net interest income from Corporate Banking was at the previous year's level. The loan portfolio increased by EUR 0.2 billion and the average corporate loan portfolio margin by 4 basis points. Net commissions and fees increased by EUR 5 million, thanks to higher commission income from lending and payment transaction services.

Earnings before tax by division

€ million	Q4/2012	Q4/2011	Change, %
Corporate Banking	37	44	-16
Markets	23	21	9
Baltic Banking	-1	-1	-36
Total	**59**	**64**	**-7**

Risk exposure by Banking

Within Banking, key risks are associated with credit risk arising from customer business, and market risks. During January–December, total exposure increased by EUR 2.0 billion to EUR 24.4 billion. The ratio of investment-grade exposure – i.e. rating categories 1–5 – to total exposure, excluding households, remained at a healthy level, standing at 63% (65). The share of rating categories 11–12 was 1.4% (1.3).

Corporate exposure (including housing corporations) accounted for 81% (82) of total exposure within Banking. Of corporate exposure, the share of investment-grade exposure stood at 59% (61) and the exposure of the lowest two rating categories amounted to EUR 331 million (274), accounting for 1.7% (1.5) of the total corporate exposure.

Major corporate customer exposures amounted to EUR 3.4 billion (4.5) on 31 December. The Group's capital base for the purpose of calculating major customer exposure totalled EUR 2.1 billion (1.6).

Corporate exposure by industry remained highly diversified. The most significant industries included Renting and Operating of Residential Real Estate representing 10.3% (10.5), Wholesale and Retail Trade 9.6% (9.1) and Manufacture of Machinery and Equipment 8.9% (9.9). A total of 51% of exposures within Renting and Operating of Residential Real Estate and 15% of exposures within Renting and Operating of Other Real Estate were guaranteed by general government.

Net loan losses and impairment losses reduced Banking earnings by EUR 54 million (49) in 2012, accounting for 0.34% (0.33) of the loan and guarantee portfolio. The final loan losses recognised amounted to EUR 7 million EUR (47) and impairment losses to EUR 59 million (72). Loan loss recoveries and reversal of allowances for impairment losses totalled EUR 11 million (71).

On 31 December 2012, Baltic Banking exposures totalled EUR 0.5 billion (0.3), accounting for 2.2% (1.5) of total Banking exposures. The Baltic Banking net loan losses and impairment losses for 2012 amounted to EUR –1 million (–1).

January–December interest rate risk exposure averaged EUR 8.0 million (8.1), based on the 1-percentage-point change in the interest rate.

Non-life Insurance

2012 in brief

- Earnings before tax amounted to EUR 92 million (8). Earnings before tax at fair value were EUR 283 million (–39). Changes in technical bases reduced earnings by EUR 52 million (59).
- Insurance premium revenue increased by 10% (6).
- The number of loyal customer households grew by 46,658 (42,731).
- The operating combined ratio stood at 90.5% (89.8).
- Return on investments at fair value was 10.8% (–0.4).

Non-life Insurance: financial results and key figures and ratios

€ million	2012	2011	Change, %	Q4/2012	Q4/ 2011	Change, %
Insurance premium revenue	1,126	1,024	10	283	251	13
Claims incurred	-830	-754	10	-211	-223	-5
Operating expenses	-242	-223	8	-58	-64	-9
Amortisation adjustment of intangible assets	-21	-22	-4	-5	-6	-14
Balance on technical account	**33**	**24**	**40**	**8**	**-42**	
Net investment income	115	36	221	17	-6	
Other income and expenses	-56	-52	9	-15	-14	4
Earnings before tax	**92**	**8**		**10**	**-63**	
Earnings before tax at fair value	283	-39		48	-18	
Combined ratio, %	97.1	97.7		97.2	116.9	
Operating combined ratio, %	90.5	89.8		95.3	91.0	
Operating loss ratio, %	69.1	68.0		74.7	65.4	
Operating expense ratio, %	21.5	21.8		20.6	25.6	
Operating risk ratio, %	62.8	61.9		68.3	58.8	
Operating cost ratio, %	27.8	27.9		27.0	32.2	
Return on investments at fair value, %	10.8	-0.4		2.0	1.4	
Solvency ratio , %	81	77				
Personnel	2,384	2,355	1			

January–December earnings

Earnings before tax improved to EUR 92 million (8), mainly because of good investment performance. Changes in reserving bases reduced the balance on technical account by EUR 52 million (59). The discount rate for technical provisions related to pension liabilities was revised down from 3.3% to 3.0%, which increased insurance liabilities by EUR 52 million. During the same period a year ago, a reduction of the discount rate for technical provisions related to pension liabilities from 3.5% to 3.3% increased insurance liabilities by EUR 32 million and higher life expectancy by EUR 27 million.

Insurance premium revenue continued to grow strongly, and the operating balance on technical account remained good. Total insurance premium revenue was up by 10% (6). The operating balance on technical account totalled EUR 106 million (104) and the operating combined ratio stood at 90.5% (89.8). These operating figures exclude changes in reserving bases and amortisation on intangible assets arising from the corporate acquisition. The combined ratio, including the abovementioned items, was 97.1% (97.7).

Insurance premium revenue

€ million	2012	2011	Change, %
Private Customers	566	503	13
Corporate Customers	513	472	9
Baltic States	46	48	-3
Total	**1,126**	**1,024**	**10**

Insurance premium revenue from both Private and Corporate Customers grew strongly. In the Baltic States, insurance premium revenue remained lower than a year ago although it began to rise towards the end of the financial year.

The number of loyal customer households grew by a record 46,658 (42,731). Their year-end number totalled 569,994, of whom 69% also use OP-Pohjola Group member cooperative banks as their main bank. OP-Pohjola Group member cooperative banks' and Helsinki OP Bank's customers used OP bonuses that they had earned through the use of banking and insurance services to pay 1,629,000 insurance bills (1,391,000) with 251,000 (209,000) paid in full using bonuses. Insurance premiums paid using bonuses totalled EUR 82 million (66).

Sales of policies increased by a total of 12%, with sales of policies to Private Customers rising by 13% and to Corporate Customers by 10% year on year.

Claims incurred, excluding changes in reserving bases, increased by 12%. The number of losses reported increased by 8% as a result of a larger number of customers. Claims incurred due to new large claims were higher than a year ago. The reported number of large or medium-sized claims (in excess of EUR 0.1 million and over EUR 0.5 million in pension liabilities) came to 291 (234) in 2012, with their claims incurred retained for own account totalling EUR 120 million (92). In 2012, claims incurred were reduced by a year-on-year increase of EUR 2 million released from technical provisions relating to prior year claims, the amount released coming to EUR 27 million (25).

Higher commissions arising from sales growth and higher personnel costs added to operating expenses. In 2011, Pohjola recruited more personnel for sales and claims services with a view to improving services for its growing customer base, which was reflected in 2012 costs.

Operating balance on technical account and combined ratio (CR)

	2012		2011	
	Balance, € million	CR, %	Balance, € million	CR, %
Private Customers	67	88.2	60	88.1
Corporate Customers	34	93.3	47	90.0
Baltic States	6	87.9	-3	105.3
Total	**106**	**90.5**	**105**	**89.8**

Within Private Customers, profitability was at the same level as a year ago. Corporate Customers recorded a slightly weaker profitability as a result of unfavourable claims developments, whereas favourable claims developments improved profitability considerably in the Baltic States.

Investment

Return on investments at fair value was 10.8% (–0.4). A sharp fall in interest rates and higher stock prices formed the key components behind the good investment performance. Net investment income recognised in the income statement amounted to EUR 115 million (36). Impairment charges recognised in the income statement totalled EUR 13 million (42). Net investment income at fair value was EUR 306 million (–11).

Investment portfolio by asset class

%	31 Dec. 2012	30 Sept. 2012	31 Dec. 2011
Bonds and bond funds	75	75	70
Alternative investments	3	3	5
Equities	9	8	10
Private equity	3	3	3
Real property	9	9	9
Money market instruments	1	3	3
Total	**100**	**100**	**100**

On 31 December 2012, the investment portfolio totalled EUR 3,149 million (2,863). The fixed-income portfolio by credit rating remained healthy, considering that investments under the "investment-grade" represented 92% (91), and 73% of the investments were rated at least A–. The average residual term to maturity of the fixed-income portfolio was 4.2 years (4.8) and the duration 4.2 years (3.9).

October–December earnings

The balance on technical account, excluding changes in reserving bases, weakened from the exceptionally good level a year ago. The operating balance on technical account totalled EUR 13 million (23) and the operating combined ratio stood at 95.3% (91.0). The combined ratio, which includes changes in reserving bases and amortisation on intangible assets arising from the corporate acquisition, was 97.2% (116.9). Changes in reserving bases reduced the balance on technical account by EUR 59 million during the same period a year ago.

Total insurance premium revenue was up by 13% (4). Growth in premium revenue from Private Customers was boosted by the revision of accounting for the provision for unearned premiums at the end of 2011, which at that time decreased premium revenue by EUR 6 million. Accordingly, the total adjusted premium revenue increased by 10% and the adjusted premium revenue from Private Customers by 14%. Insurance premium revenue began to increase in the Baltic States. The number of loyal customer households continued to grow steadily, increasing by 11,514 (15,588).

Sales of policies increased by a total of 2%. Sales to Corporate Customers rose by 9% year on year, whereas sales to Private Customers were down by 1% from the good level reported a year ago.

Insurance premium revenue

€ million	Q4/2012	Q4/2011	Change, %
Private Customers	144	120	20
Corporate Customers	127	119	6
Baltic States	12	11	9
Total	**283**	**251**	**13**

Claims incurred, excluding changes in reserving bases, were up by 29% due especially to the occurrence of large claims. October–December saw 72 (59) large or medium-sized claims, with their claims incurred retained for own account totalling EUR 37 million (16). Technical provisions relating to prior year claims, increased by EUR 9 million, which increased Q4/2012 claims incurred (EUR 4 million was released in Q4/2011).

Operating expenses were lower than a year ago because sales commissions decreased and growth in personnel costs levelled off.

Operating balance on technical account and combined ratio (CR)

	Q4/2012		Q4/2011	
	Balance, € million	CR, %	Balance, € million	CR, %
Private Customers	6	95.7	2	98.2
Corporate Customers	9	93.0	20	83.1
Baltic States	-2	112.8	0	97.9
Total	**13**	**95.3**	**22**	**91.0**

Private Customer profitability was slightly better, whereas Corporate Customer profitability was weaker due to higher claims incurred arising from the occurrence of large claims. The number of large claims was larger in the Baltic States than a year ago.

Investment

Return on investments at fair value stood at 2.0% (1.4). Net investment income recognised in the income statement amounted to EUR 17 million (–6). Impairment charges recognised in the income statement totalled EUR 4 million (21). Net investment income at fair value was EUR 55 million (39).

Risk exposure by Non-life Insurance

Major risks within Non-life Insurance include underwriting risks associated with claims developments and market risks associated with investment portfolios covering insurance liabilities. On 31 December 2012, Non-life Insurance solvency capital totalled EUR 914 million (787) and the ratio of solvency capital to insurance premium revenue (solvency ratio) stood at 81% (77). Equalisation provisions decreased to EUR 273 million (353).

The reduction in August 2012 of the discount rate for technical provisions related to pension liabilities from 3.3% to 3.0% had an impact on Non-life Insurance risk exposure.

No major changes took place in the investment portfolio risk level.

Asset Management

2012 in brief

- Earnings before tax were up by 19% to EUR 32 million (27).
- Assets under management increased by 5% to EUR 32.7 billion (31.3).
- Good investment performance was reflected in an increase in performance-based fees.

Asset Management: financial results and key figures and ratios

€ million	2012	2011	Change, %	Q4/2012	Q4/2011	Change, %
Net commissions and fees	60	50	20	25	14	81
Other income	5	6	-15	1	2	-48
Total income	**65**	**56**	**16**	**26**	**16**	**62**
Personnel costs	19	18	7	6	5	14
Other expenses	14	13	7	4	4	16
Total expenses	**33**	**31**	**7**	**10**	**9**	**15**
Share of associate's profit/loss	1	2	-76	0	0	-179
Earnings before tax	**32**	**27**	**19**	**16**	**8**	**104**
Earnings before tax at fair value	32	27	19	16	8	104
Assets under management, € billion	32.7	31.3	5			
Operating cost/income ratio, %	47	49		36	49	
Personnel	153	149	3			

January–December earnings

Earnings before tax came to EUR 32 million (27). The operating cost/income ratio stood at 47% (49). As a result of the good performance of investment operations, performance-based management fees included in earnings climbed to EUR 15.2 million (0.8). Earnings before tax include net profit shown by Access Capital Partners Group SA, an associated company, in proportion to Pohjola's shareholding.

Assets under management made positive progress from their 2011-end level, totalling EUR 32.7 billion. Institutional Client and Private Client assets grew from their 2011-end level, whereas OP Mutual Funds' assets under management were down. A total of 68% of OP Mutual Funds included in Asset Management portfolio management outperformed their benchmark index in 2012.

October–December earnings

Earnings before tax amounted to EUR 16 million (8). The operating cost/income ratio stood at 36% (49). Performance-based management fees worth EUR 13.4 million (0.0) were included in earnings. Earnings before tax include net profit shown by Access Capital Partners Group SA, an associated company, in proportion to Pohjola's shareholding.

Assets under management increased by EUR 0.7 billion to EUR 32.7 billion.

Assets under management

€ billion	31 Dec. 2012	30 Sept. 2012	31 Dec. 2011
Institutional Clients	19.5	19.2	18.5
OP Mutual Funds	9.5	9.3	9.9
Private	3.7	3.5	2.8
Total	**32.7**	**32.0**	**31.3**

Assets under management by asset class

%	31 Dec. 2012	30 Sept. 2012	31 Dec. 2011
Money market investments	16	17	17
Notes and bonds	40	39	39
Equities	27	26	26
Other	18	19	19
Total	**100**	**100**	**100**

Group Functions

2012 in brief

- Earnings before tax came to EUR 28 million, or EUR 4 million higher than the year before.
- Net investment income was substantially lower than a year ago.
- Earnings before tax at fair value improved by EUR 348 million year on year to EUR 250 million (–98).
- Liquidity and access to funding remained good.

Group Functions: financial results and key figures and ratios

€ million	2012	2011	Change, %	Q4/2012	Q4/2011	Change, %
Net interest income	36	35	4	5	8	-35
Net trading income	1	3	-58	-3	8	-140
Net investment income	11	18	-37	12	2	508
Other income	16	11	45	3	4	-8
Total income	**65**	**67**	**-3**	**17**	**22**	**-20**
Personnel costs	14	13	10	3	4	-14
Other expenses	20	18	9	6	6	3
Total expenses	**34**	**31**	**9**	**9**	**9**	**-4**
Earnings before impairment loss on receivables	**31**	**36**	**-13**	**9**	**12**	**-31**
Impairment loss on receivables	3	11	-74	1	8	-86
Earnings before tax	**28**	**24**	**15**	**8**	**5**	**62**
Earnings before tax at fair value	**250**	**-98**		**61**	**-39**	
Liquidity buffer, € billion	14.6	15.0	-3			
Risk-weighted assets, € billion	1.7	2.3	-26			
Receivables and liabilities from/to OP-Pohjola Group entities, net position, € billion	3.2	1.7	90			
Central Banking earnings, € million	8	13	-35	2	3	-33
Personnel	123	129	-5			

January–December earnings

Earnings before tax came to EUR 28 million, or EUR 4 million higher than the year before. Earnings before tax at fair value amounted to EUR 250 million (–98). In the wake of the ECB's liquidity-providing long-term refinancing operations, markets calmed down and credit spreads narrowed.

Net investment income includes EUR 4 million in capital losses on notes and bonds. Capital gains a year ago totalled EUR 7 million. Dividend income was EUR 15 million (10). Impairment charges recognised on bonds totalled EUR 3 million (11).

Pohjola's access to funding remained good. In 2012, OP-Pohjola Group issued long-term bonds worth EUR 4.5 billion used to cover long-term bonds maturing during the year, with senior bonds issued by Pohjola accounting for EUR 2.4 billion, Lower Tier 2 Subordinated Notes for EUR 0.5 billion and covered bonds issued by OP Mortgage Bank accounting for EUR 1.6 billion.
No new benchmark-size senior bonds or covered bonds were issued in the fourth quarter. Long-term funding was based on issuing private placement bonds.

On 31 December, the average wholesale funding margin of senior bonds was 40 basis points (27).
A reduction in short-term wholesale funding and the renewal of long-term debt with higher margins have increased average funding costs.

October–December earnings

Earnings before tax amounted to EUR 8 million, or EUR 3 million higher than a year ago.

Net interest income from the Group Functions was weakened by a decrease in notes and bonds within the liquidity buffer and an increase in cash within the liquidity buffer.

When Suomen Luotto-osuuskunta, a cooperative, sold Luottokunta Oy shares, the value of the cooperative shares held by Pohjola was increased by EUR 31 million. In addition, net investment income includes EUR 11 million in interest on cooperative capital from Suomen Luotto-osuuskunta.

Risk exposure by Group Functions

Major risks exposed by the Group Functions include credit and market risks associated with the liquidity buffer, and liquidity risks.

The Group Functions exposure totalled EUR 20.4 billion (20.1), consisting of notes and bonds to secure OP-Pohjola Group's liquidity, deposits with central banks and receivables from OP-Pohjola Group member cooperative banks.

Interest rate risk exposure averaged EUR 16.1 million (17.3) in 2012, based on the 1-percentage-point change in the interest rate.

Personnel and remuneration

On 31 December 2012, the Group had a staff of 3,404, up by 24 from 31 December 2011.

Personnel by segment

	31 Dec. 2012	31 Dec. 2011
Banking	745	748
Non-life Insurance	2,384	2,355
Asset Management	153	149
Group Functions	123	129
Total	**3,404**	**3,380**

A total of 387 (360) of the Group's employees worked abroad. Information on the effects of the reorganisation programme on the number of employees can be found on page 11 above.

The scheme for variable remuneration within OP-Pohjola Group and Pohjola consists of short-term, company-specific incentives and OP-Pohjola Group-wide long-term incentives. More detailed information on remuneration can be found in the Notes to the Financial Statements 2012.

Pohjola Group subsidiaries – Pohjola Asset Management Ltd and Pohjola Corporate Finance Ltd – had a shareholding scheme in place, under which each company's key employees have held some shares in the company. These share-based schemes were terminated in 2012.

Shares and shareholders

The total number of Pohjola Series A shares, quoted on the NASDAQ OMX Helsinki, and unquoted Series K shares underwent the following change in 2012.

A total of 773,028 Series K shares held by OP-Pohjola Group member cooperative banks were converted into Series A shares, with the resulting changes registered in the Trade Register on 10 April 2012. Trading in the converted Series A shares began on the NASDAQ OMX Helsinki on 11 April 2012. As a result of the conversion, the number of Series K shares decreased from 68,381,645 to 67,608,617 while that of Series A shares quoted on the NASDAQ OMX Helsinki increased from 251,169,770 to 251,942,798. The conversions have not changed the total number of shares outstanding, amounting to 319,551,415 shares. The post-conversion number of votes conferred by the shares totals 589,985,883.

Number of shares

Share series 31 Dec. 2012	No. of shares	% of all shares	% of votes
Pohjola A (POH1S)	251,942,798	78.84	42.70
Pohjola K (POHKS)	67,608,617	21.16	57.30
Total	319,551,415	100.00	100.00

On the last trading date of the financial year, 28 December 2012, one Series A share closed at EUR 11.27 (30 Dec. 2012: 7.51). In 2012, the share price reached a high of EUR 11.42 (18 and 20 December) and a low of EUR 7.34 (9 January).

Pohjola's market capitalisation amounted to EUR 3,601 million (2,400) at the end of 2012. In calculating the market capitalisation, Series K shares were valued at the price of Series A shares.

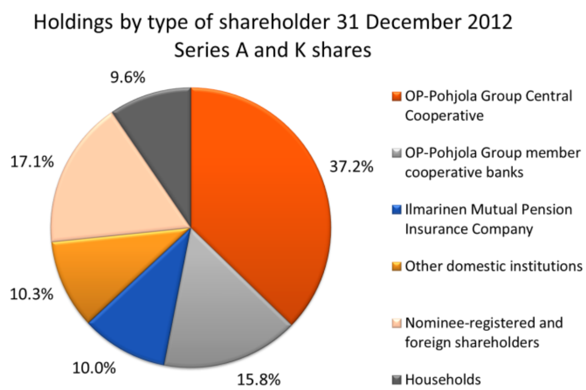
Trading in Series A shares in euro terms amounted to EUR 1,133 million in 2012 as against EUR 1,514 million a year earlier, while in volume terms it came to 126 million shares (174).

Number of shareholders

	31 Dec. 2012	31 Dec. 2011	Change
Holders of Series A shares	32,272	33,956	-1,684
Holders of Series K shares	109	114	-5
Total*	32,278	33,962	-1,684

*The combined number of the holders of Series A and K shares differs from the total number of the holders of Series A and K shares, because some holders of Series K shares also hold Series A shares.

On 31 December 2012, Pohjola had 32,278 shareholders, private individuals accounting for 95.3%. The number of nominee-registered shares totalled 51.4 million on 31 December 2012, increasing by over 600,000 shares from their level on 31 December 2012. On 31 December 2012, these shares accounted for 20.4% (20.2) of all Series A shares.



Major shareholders

31 Dec. 2012	% of all shares	% of Series A shares	% of votes
1. OP-Pohjola Group Central Cooperative	37.24	23.16	61.28
2. Ilmarinen Mutual Pension Insurance Company	10.00	12.68	5.42
3. Oulun Osuuspankki	1.37	1.10	1.82
4. OP Bank Group Pension Fund	1.08	1.37	0.59
5. Varma Mutual Pension Insurance Company	0.90	1.14	0.49
6. OP Bank Group Pension Foundation	0.73	0.92	0.39
7. State Pension Fund	0.69	0.87	0.37
8. Turun Seudun Osuuspankki	0.57	0.71	0.33
9. Tampereen Seudun Osuuspankki	0.51	0.60	0.34
10. Sijoitusrahasto Nordea Suomi	0.48	0.61	0.26
Nominee-registered shares, total	16.09	20.40	8.71
Other	30.34	36.41	19.99
Total	100.00	100.00	100.00

In 2012, 72.2% of euro-denominated trading in Series A shares took place on NASDAQ OMX (79.5) and over a quarter on multilateral trading facilities (MTF).

Trading venues for Pohjola shares

Trading venue	% of euro-denominated trading in 2012
NASDAQ OMX	72.2
BATS Chi-X CXE (Chi-X)	20.5
BATS Chi-X BXE (Bats)	4.5
Turquoise	2.7
Burgundy	0.1
EuroNext Arca	0.0

Source: Fidessa Fragmentation Index

Pohjola Bank plc's Board proposal for the allocation of distributable funds

On 31 December 2012, the shareholders' equity of Pohjola Bank plc totalled EUR 1,719,758,901.82, EUR 570,537,192.60 of which represented distributable equity.

The following funds are at the AGM's disposal for profit distribution:

	€
Profit for 2012	194,506,607.98
Retained earnings	44,649,747.56
Reserve for invested non-restricted equity	307,931,364.75
Other non-restricted reserves	23,449,472.31
Total	**570,537,192.60**

The Board of Directors proposes that the Company's distributable funds be distributed to shareholders as follows: EUR 0.46 payable on 251,942.798 Series A shares, totalling EUR 115,893,687.08, and EUR 0.43 payable on 67,608,617 Series K shares, totalling EUR 29,071,705.31, i.e. the total proposed dividend distribution amounts to EUR 144,965,392.39.

The Board of Directors proposes that EUR 144,965,392.39 out of the profit for 2012 be allocated to dividend distribution. Accordingly, EUR 425,571,800.21 remains in the Company's distributable equity.

In addition, the Board of Directors proposes that a maximum of EUR 150,000 be available to the Board of Directors reserved from the distributable funds for donations and other charitable contributions.

The Company's financial position has not undergone any material changes since the end of the financial year 2012. The Company's liquidity is good and will not be jeopardised by the proposed profit distribution, in the Board of Directors' view.

The Board of Directors proposes that the dividend be paid to shareholders who have been entered in the Shareholder Register, maintained by Euroclear Finland Ltd, by the dividend record date on 27 March 2013 and that the dividend be paid on 5 April 2013.

Outlook for 2013

Within Banking, growth prospects on the loan portfolio are dimmer than last year. The operating environment for the corporate sector will remain challenging. The greatest uncertainties related to Banking's financial performance in 2013 are associated with future impairment loss on the loan portfolio.

On 28 December 2012, the Finnish Parliament passed a bill on a temporary bank tax. This tax accounts for 0.125% of risk-weighted assets, which means that Pohjola will incur additional non-deductible expenses of around EUR 19 million in 2013.
Insurance premium revenue is expected to increase at an above-the-market-average rate. The operating combined ratio for the full year 2013 is estimated to vary between 89%

and 93% if the number of large claims is not much higher than in 2012. Expected investment returns are largely dependent on developments in the investment environment. The most significant uncertainties related to Pohjola Insurance's financial performance in 2013 pertain to the investment environment and the effect of large claims on claims expenditure.

The greatest uncertainties related to Asset Management's financial performance in 2013 are associated with the actual performance-based fees tied to the success of investments and the amount of assets under management.

The key determinants affecting the Group Functions' financial performance include net interest income arising from assets in the liquidity buffer, any capital gains or losses on notes and bonds and any impairment charges that may be recognised on notes and bonds in the income statement. It is estimated that the Group Functions' net interest income will be lower than in 2012.

Consolidated earnings before tax in 2013 are expected to be higher than in 2012.

There is still great uncertainty about the economic outlook and the operating environment.

All forward-looking statements in this report expressing the management's expectations, beliefs, estimates, forecasts, projections and assumptions are based on the current view of the future development in the operating environment and the future financial performance of Pohjola Group and its various functions, and actual results may differ materially from those expressed in the forward-looking statements.

Consolidated income statement

EUR million	Note	Q4/ 2012	Q4/ 2011	Q1–4/ 2012	Q1–4/ 2011
Net interest income	3	62	71	263	276
Impairments of receivables	4	21	21	57	60
Net interest income after impairments		**40**	**50**	**206**	**215**
Net income from Non-life Insurance	5	100	22	438	318
Net commissions and fees	6	53	41	169	161
Net trading income	7	19	30	79	26
Net investment income	8	14	6	13	23
Other operating income	9	8	10	37	41
Total income		**235**	**160**	**941**	**783**
Personnel costs		54	57	230	212
ICT costs		24	23	87	81
Depreciation/amortisation		13	15	50	57
Other expenses		52	54	200	177
Total expenses		**142**	**148**	**567**	**527**
Share of associates' profits/losses		0	0	1	2
Earnings before tax		**92**	**13**	**374**	**258**
Income tax expense		23	-19	89	43
Profit for the period		**69**	**32**	**285**	**216**
Attributable to owners of the Parent		69	32	285	216
Total		**69**	**32**	**285**	**216**
Earnings per share (EPS), EUR					
Series A		0.22	0.11	0.90	0.68
Series K		0.19	0.08	0.87	0.65

Consolidated statement of comprehensive income

EUR million	Q4/ 2012	Q4/ 2011	Q1–4/ 2012	Q1–4/ 2011
Profit for the period	**69**	**32**	**285**	**216**
Change in fair value reserve				
Measurement at fair value	93	-6	401	-202
Cash flow hedge	0	6	17	22
Actuarial gains/losses on post-employment benefit obligations	-15	0	-12	-10
Translation differences	0	1	0	1
Income tax on other comprehensive income				
Measurement at fair value	23	2	98	-49
Cash flow hedge	0	1	4	5
Actuarial gains/losses on post-employment benefit obligations	-4	0	-3	-2
Total comprehensive income for the period	**128**	**30**	**592**	**72**
Total comprehensive income attributable to owners of the Parent	128	30	592	72
Total	**128**	**30**	**592**	**72**

Consolidated balance sheet

EUR million	Note	31 Dec 2012	31 Dec 2011
Cash and cash equivalents		5,643	4,247
Receivables from credit institutions		8,815	7,367
Financial assets at fair value through profit or loss			
Financial assets held for trading		246	170
Financial assets at fair value through profit or loss at inception		9	13
Derivative contracts		4,462	3,326
Receivables from customers		13,839	12,701
Non-life Insurance assets	12	3,523	3,256
Investment assets		5,431	7,341
Investment in associates		26	27
Intangible assets	13	922	920
Property, plant and equipment (PPE)		69	82
Other assets		1,600	1,572
Tax assets		36	87
Total assets		**44,623**	**41,111**
Liabilities to credit institutions		5,840	5,935
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading		3	1
Derivative contracts		4,557	3,460
Liabilities to customers		10,775	8,025
Non-life Insurance liabilities	14	2,592	2,508
Debt securities issued to the public	15	13,769	15,179
Provisions and other liabilities		2,556	2,235
Tax liabilities		485	411
Subordinated liabilities		1,275	1,050
Total liabilities		**41,854**	**38,804**
Shareholders' equity			
Capital and reserves attributable to owners of the Parent			
Share capital		428	428
Fair value reserve	16	167	-149
Other reserves		1,093	1,093
Retained earnings		1,081	934
Total shareholders' equity		**2,769**	**2,306**
Total liabilities and shareholders' equity		**44,623**	**41,111**

Consolidated statement of changes in equity

EUR million	Share capital	Fair value reserve: Measure-ment at fair value	Fair value reserve: Cash flow hedge	Other reserves	Retained earnings	Total equity
Balance at 1 January 2011	**428**	**-6**	**-6**	**1,093**	**868**	**2,377**
Change in accounting policy under IAS 19					-17	-17
Balance at 1 January 2011, new accounting policy	**428**	**-6**	**-6**	**1,093**	**851**	**2,359**
Total comprehensive income for the period		-152	16	0	216	80
Effect of change in accounting policy on comprehensive income for the period					-8	-8
Profit distribution					-126	-126
EUR 0.40 per Series A share					-100	-100
EUR 0.37 per Series K share					-25	-25
Equity-settled share-based payment					1	1
Other					0	0
Balance at 31 December 2011	**428**	**-159**	**10**	**1,093**	**934**	**2,306**

EUR million	Share capital	Fair value reserve: Measure-ment at fair value	Fair value reserve: Cash flow hedge	Other reserves	Retained earnings	Total equity
Balance at 1 January 2012	**428**	**-159**	**10**	**1,093**	**934**	**2,306**
Total comprehensive income for the period		303	13	0	276	592
Profit distribution					-129	-129
EUR 0.41 per Series A share					-103	-103
EUR 0.38 per Series K share					-26	-26
Equity-settled share-based payment					0	0
Other					0	0
Balance at 31 December 2012	**428**	**144**	**23**	**1,093**	**1,081**	**2,769**

Consolidated cash flow statement

EUR million	Q4/ 2012	Q4/ 2011
Cash flow from operating activities		
Profit for the period	285	216
Adjustments to profit for the period	260	238
Increase (-) or decrease (+) in operating assets	**-668**	**-1,101**
Receivables from credit institutions	-1,284	771
Financial assets at fair value through profit or loss	167	181
Derivative contracts	27	-9
Receivables from customers	-1,190	-320
Non-life Insurance assets	-185	-189
Investment assets	1,810	-1,141
Other assets	-14	-394
Increase (+) or decrease (-) in operating liabilities	**2,913**	**5,294**
Liabilities to credit institutions	-124	954
Financial liabilities at fair value through profit or loss	2	1
Derivative contracts	-22	34
Liabilities to customers	2,750	3,794
Non-life Insurance liabilities	10	95
Provisions and other liabilities	298	416
Income tax paid	-65	-83
Dividends received	45	40
A. Net cash from operating activities	**2,770**	**4,604**
Cash flow from investing activities		
Decreases in held-to-maturity financial assets	320	217
Acquisition of subsidiaries and associates, net of cash acquired	-3	-4
Disposal of subsidiaries and associates, net of cash disposed		0
Proceeds from sale of investment securities		0
Purchase of PPE and intangible assets	-44	-34
Proceeds from sale of PPE and intangible assets	2	1
B. Net cash used in investing activities	**275**	**180**
Cash flow from financing activities		
Increases in subordinated liabilities	502	181
Decreases in subordinated liabilities	-274	-388
Increases in debt securities issued to the public	22,516	36,482
Decreases in debt securities issued to the public	-24,095	-38,081
Dividends paid	-129	-126
Other decreases in equity items	0	0
C. Net cash used in financing activities	**-1,479**	**-1,931**
Net increase/decrease in cash and cash equivalents (A+B+C)	**1,565**	**2,853**
Cash and cash equivalents at period-start	**4,612**	**1,758**
Cash and cash equivalents at period-end	**6,177**	**4,612**
Cash and cash equivalents		
Liquid assets*	5,654	4,253
Receivables from credit institutions payable on demand	523	359
Total	**6,177**	**4,612**

* Of which EUR 10 million (6) consists of Non-life Insurance cash and cash equivalents.

Segment information

Q4 earnings 2012, EUR million	Banking	Non-life Insurance	Asset Manage-ment	Group Functions	Elimi-nations	Group total
Net interest income						
Corporate Banking and Baltic Banking	51					51
Markets	6					6
Other operations		-2	1	5	0	4
Total	58	-2	1	5	0	62
Net commissions and fees	28	6	25	0	-5	53
Net trading income	21		0	-3	0	19
Net investment income	2			12		14
Net income from Non-life Insurance						
From insurance operations		90				90
From investment operations		17			4	21
From other items		-11				-11
Total		96			4	100
Other operating income	4	1	1	4	-2	8
Total income	**113**	**101**	**26**	**17**	**-2**	**256**
Personnel costs	13	32	6	3		54
ICT costs	7	14	1	2	0	24
Amortisation on intangible assets related to company acquisitions		5	1			6
Other depreciation/amortisation and impairments	4	2	0	0		7
Other expenses	10	38	2	4	-2	52
Total expenses	**34**	**91**	**10**	**9**	**-2**	**142**
Earnings/loss before impairment of receivables	**79**	**10**	**16**	**9**	**0**	**114**
Impairments of receivables	20			1		21
Share of associates' profits/losses		0	0		0	0
Earnings before tax	**59**	**10**	**16**	**8**	**0**	**92**
Change in fair value reserve	2	39	0	53	0	94
Actuarial gains/losses on post-employment benefit obligations	-11	-1	0	-3		-15
Total comprehensive income for the period, before tax	**50**	**48**	**16**	**58**	**0**	**171**

Q4 earnings 2011, EUR million	Banking	Non-life Insurance	Asset Manage-ment	Group Functions	Elimi-nations	Group total
Net interest income						
Corporate Banking and Baltic Banking	50					50
Markets	11					11
Other operations		0	2	8	0	9
Total	61	0	2	8	0	71
Net commissions and fees	23	5	14	0	-1	41
Net trading income	17		0	8	5	30
Net investment income	4	0		2		6
Net income from Non-life Insurance						
From insurance operations		45				45
From investment operations		-6			-5	-11
From other items		-12				-12
Total		27			-5	22
Other operating income	6	1	1	3	-1	10
Total income	**112**	**33**	**16**	**22**	**-1**	**181**
Personnel costs	14	33	5	4		57
ICT costs	7	13	1	2	1	23
Amortisation on intangible assets related to company acquisitions		5	1			6
Other depreciation/amortisation and impairments	5	3	0	0		9
Other expenses	9	40	2	4	-2	54
Total expenses	**35**	**96**	**9**	**9**	**-1**	**148**
Earnings/loss before impairment of receivables	**77**	**-63**	**7**	**12**	**0**	**33**
Impairments of receivables	13	0		8		21
Share of associates' profits/losses		0	0		0	0
Earnings before tax	**64**	**-63**	**8**	**5**	**0**	**13**
Change in fair value reserve	-1	45	0	-43	0	0
Actuarial gains/losses on post-employment benefit obligations	0			0		0
Total comprehensive income for the period, before tax	**62**	**-18**	**8**	**-39**	**0**	**13**

Q1–4 earnings 2012, EUR million	Banking	Non-life Insurance	Asset Manage-ment	Group Functions	Elimi-nations	Group total
Net interest income						
Corporate Banking and Baltic Banking	199					199
Markets	31					31
Other operations		-8	3	36	2	33
Total	230	-8	3	36	2	263
Net commissions and fees	96	23	60	-2	-8	169
Net trading income	72	0	0	1	5	79
Net investment income	2		0	11		13
Net income from Non-life Insurance						
From insurance operations		367				367
From investment operations		115			0	115
From other items		-45				-45
Total		438			0	438
Other operating income	19	5	2	18	-7	37
Total income	**418**	**458**	**65**	**65**	**-7**	**998**
Personnel costs	62	135	19	14		230
ICT costs	27	51	3	6	1	87
Amortisation on intangible assets related to company acquisitions		21	2			24
Other depreciation/amortisation and impairments	15	9	1	1		27
Other expenses	37	150	8	13	-8	200
Total expenses	**142**	**366**	**33**	**34**	**-7**	**567**
Earnings/loss before impairment of receivables	**277**	**92**	**32**	**31**	**0**	**431**
Impairments of receivables	54			3		57
Share of associates' profits/losses		0	0		0	1
Earnings before tax	**222**	**92**	**32**	**28**	**0**	**374**
Change in fair value reserve	6	191	0	222	-1	418
Actuarial gains/losses on post-employment benefit obligations	-8	-1	0	-3		-12
Total comprehensive income for the period, before tax	**220**	**282**	**32**	**247**	**-1**	**780**

Q1–4 earnings 2011, EUR million	Banking	Non-life Insurance	Asset Manage-ment	Group Functions	Elimi-nations	Group total
Net interest income						
Corporate Banking and Baltic Banking	180					180
Markets	58					58
Other operations		-2	3	35	2	38
Total	238	-2	3	35	2	276
Net commissions and fees	97	20	50	-2	-4	161
Net trading income	18		0	3	4	26
Net investment income	5	0	0	18		23
Net income from Non-life Insurance						
From insurance operations		332				332
From investment operations		36			-3	32
From other items		-46				-46
Total		321			-3	318
Other operating income	25	5	2	13	-5	41
Total income	**384**	**344**	**56**	**67**	**-6**	**843**
Personnel costs	56	125	18	13		212
ICT costs	26	46	2	6	0	81
Amortisation on intangible assets related to company acquisitions		21	2			24
Other depreciation/amortisation and impairments	21	10	1	1		33
Other expenses	32	133	7	11	-6	177
Total expenses	**135**	**336**	**31**	**31**	**-6**	**527**
Earnings/loss before impairment of receivables	**248**	**8**	**25**	**36**	**0**	**316**
Impairments of receivables	49			11		60
Share of associates' profits/losses		0	2		0	2
Earnings before tax	**199**	**8**	**27**	**24**	**0**	**258**
Change in fair value reserve	-10	-47	0	-122	-1	-180
benefit obligations	-7	-1	0	-2		-10
Total comprehensive income for the period, before tax	**182**	**-40**	**27**	**-100**	**-1**	**68**

Balance sheet 31 Dec 2012, EUR million	Banking	Non-life Insurance	Asset Manage-ment	Group Functions	Elimi-nations	Group total
Receivables from customers	13,723			286	-169	13,839
Receivables from credit institutions	433	5	3	14,037	-19	14,458
Financial assets at fair value through profit or loss	360			-104		256
Non-life Insurance assets		3,627			-104	3,523
Investment assets	457	16	23	4,943	-9	5,431
Investments in associates		2	24			26
Other assets	4,681	773	127	1,585	-77	7,090
Total assets	**19,653**	**4,423**	**178**	**20,748**	**-378**	**44,623**
Liabilities to customers	6,786			4,055	-66	10,775
Liabilities to credit institutions	1,225			4,784	-169	5,840
Non-life Insurance liabilities		2,595			-3	2,592
Debt securities issued to the public				13,817	-48	13,769
Subordinated liabilities		50		1,225		1,275
Other liabilities	5,573	124	12	1,985	-91	7,602
Total liabilities	**13,583**	**2,769**	**12**	**25,867**	**-377**	**41,854**
Shareholders' equity						**2,769**
Average personnel	745	2,384	153	123		3,404
Capital expenditure, EUR million	19	22	1	2		43

Balance sheet 31 Dec 2011, EUR million	Banking	Non-life Insurance	Asset Manage-ment	Group Functions	Elimi-nations	Group total
Receivables from customers	12,627			207	-132	12,701
Receivables from credit institutions	363	0	3	11,261	-13	11,614
Financial assets at fair value through profit or loss	250			-67		183
Non-life Insurance assets		3,352			-97	3,256
Investment assets	281	16	28	7,026	-11	7,341
Investments in associates		2	25			27
Other assets	3,850	780	115	1,297	-53	5,988
Total assets	**17,371**	**4,150**	**171**	**19,723**	**-306**	**41,111**
Liabilities to customers	3,084			4,989	-48	8,025
Liabilities to credit institutions	924			5,143	-132	5,935
Non-life Insurance liabilities		2,543			-36	2,508
Debt securities issued to the public				15,202	-23	15,179
Subordinated liabilities		50		1,005	-5	1,050
Other liabilities	4,252	69	14	1,834	-61	6,107
Total liabilities	**8,261**	**2,662**	**14**	**28,173**	**-305**	**38,804**
Shareholders' equity						**2,306**
Average personnel	748	2,355	149	129		3,380
Capital expenditure, EUR million	12	20	1	1		33

Notes

Note 1. Accounting policies

The Financial Statements Bulletin for 1 January–31 December 2012 has been prepared in accordance with IAS 34 (Interim Financial Reporting).

The Financial Statements 2012 contain a description of the accounting policies, which have been applied in the preparation of this Financial Statements Bulletin.

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.

Change in accounting policies

Pohjola Group decided to voluntarily abandon as of the beginning of 2012 the so-called corridor method in the recognition of actuarial gains and losses on defined benefit pension plans. On transition to IFRS in 2005, Pohjola Group elected to recognise actuarial gains and losses in the income statement over the expected average remaining working lives of the active employees in the plan to the extent that they exceed 10% of the present value of the defined benefit obligation or the fair value of the plan assets. In accordance with the revised recognition method under IAS 19, actuarial gains and losses are recognised in other comprehensive income in the period in which they occur. When recognising actuarial gains and losses in other comprehensive income, these gains and losses cannot be reclassified through profit or loss in subsequent periods.

This change in the accounting policies results in faster recognition of actuarial gains and losses than in the previously applied corridor method. By adopting this method, Pohjola is also preparing for the requirements of the revised IAS 19 effective for financial years starting on or after 1 January 2013. Pohjola has applied the change in the accounting policy retrospectively. The change has no effect on the earnings per share (EPS) ratio. The effects of the changed accounting policy on the comparatives of the consolidated balance sheet, income statement and statement of comprehensive income shown in this Financial Statements Bulletin are as follows:

EUR million	Previous accounting policy	New accounting policy	Effect of change in accounting policy
Balance sheet 1 Jan 2011			
Assets			
Other assets	1,208	1,185	-24
Tax assets	40	40	0
Liabilities			
Provisions and other liabilities	1,816	1,815	0
Tax liabilities	455	449	-6
Shareholders' equity			
Retained earnings	868	851	-17

EUR million	Previous accounting policy	New accounting policy	Effect of change in accounting policy
Balance sheet 31 Dec 2011			
Assets			
Other assets	1,604	1,572	-32
Tax assets	87	87	0
Liabilities			
Provisions and other liabilities	2,234	2,235	1
Tax liabilities	418	411	-8
Shareholders' equity			
Retained earnings	959	934	-25
Income statement 2011			
Personnel costs	213	212	-1
Income tax expense	42	43	0

Statement of comprehensive income 2011

Actuarial gains/losses on post-employment benefit obligations	-10	-10
Income tax on actuarial gains/losses on post-employment benefit obligations	-2	-2

Note 2. Formulas for key figures and ratios

Return on equity (ROE) at fair value, %
Total comprehensive income for the period /
Shareholders' equity (average of the beginning and end of period) x 100

Earnings/share (EPS)
Profit for the period attributable to owners of the Parent / Average share-issue adjusted number of shares during the period

Equity/share
Shareholders' equity / Share-issue adjusted number of shares on the balance sheet date

Dividend per share (DPS)
Dividends paid for the financial year/ Share-issue adjusted number of shares on the balance sheet date

Market capitalisation
Number of shares x closing price on the balance sheet date

Capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates
Conglomerate's total capital / Conglomerate's total minimum capital requirement

Capital adequacy ratio, %
Total capital / Total minimum capital requirement x 8

Tier 1 ratio, %
Total Tier 1 capital / Total minimum capital requirement x 8

Core Tier 1, %
Total Tier 1 capital, excl. hybrid capital and shortfall of Tier 2 capital covered by hybrid capital /
Total minimum capital requirement x 8

KEY RATIOS FOR NON-LIFE INSURANCE

The key ratio formulas for Non-life Insurance are based on regulations issued by the Finnish Financial Supervisory Authority, using the corresponding IFRS sections to the extent applicable. The ratios are calculated using expenses by function applied by non-life insurance companies, which are not presented on the same principle as in the Consolidated Income Statement.

Loss ratio (excl. unwinding of discount)
Claims and loss adjustment expenses / Net insurance premium revenue x 100

Expense ratio
Operating expenses + Amortisation/adjustment of intangible assets related to company acquisition /
Net insurance premium revenue x 100

Combined ratio (excl. unwinding of discount)
Loss ratio + expense ratio
Risk ratio + cost ratio

Solvency ratio
(+ Non-life Insurance net assets
+ Subordinated loans
+ Net tax liability for the period
- Deferred tax to be realised in the near future and other items deducted from the solvency margin
- Intangible assets)/
Insurance premium revenue x 100

OPERATING KEY RATIOS

Operating cost/income ratio
(+ Personnel costs
+ Other administrative expenses
+ Other operating expenses excl. amortisation on intangible assets and goodwill related to Pohjola acquisition) /
(+ Net interest income
+ Net income from Non-life Insurance
+ Net commissions and fees
+ Net trading income
+ Net investment income
+ Other operating income) x 100

Operating loss ratio, %
Claims incurred, excl. changes in reserving bases/
Insurance premium revenue, excl. net changes in reserving bases x 100

Operating expense ratio
Operating expenses / Insurance premium revenue, excl. net changes in reserving bases x 100

Operating combined ratio, %
Operating loss ratio + Operating expense ratio
Operating risk ratio + operating cost ratio

Operating risk ratio (excl. unwinding of discount)
Claims excl. loss adjustment expenses and changes in reserving bases / Net insurance premium revenue excl. changes in reserving bases x 100

Operating cost ratio
Operating expenses and loss adjustment expenses / Net insurance premium revenue excl. changes in reserving bases x 100

Values used in calculating the ratios

EUR million	31 Dec 2012	31 Dec 2011
Non-life Insurance		
Non-life Insurance net assets	1,654	1,490
Net tax liabilities for the period	-49	4
Own subordinated loans	50	50
Deferred tax to be realised in the near future and other items deducted from the solvency margin of the companies	-6	-5
Intangible assets	747	756

EUR million	31 Dec 2012	31 Dec 2011
Changes in reserving bases and other non-recurring items		
Increase in technical provisions related to higher life expectancy		-27
Change in discount rate	-52	-32

Note 3. Net interest income

EUR million	Q4/ 2012	Q4/ 2011	Q1–4/ 2012	Q1–4/ 2011
Loans and other receivables	78	103	346	376
Receivables from credit institutions and central banks	16	38	93	144
Notes and bonds	38	63	200	241
Derivatives (net)				
Derivatives held for trading	-2	7	39	29
Derivatives under hedge accounting	19	-4	46	-18
Liabilities to credit institutions	-21	-27	-90	-90
Liabilities to customers	-8	-18	-44	-53
Debt securities issued to the public	-43	-80	-258	-305
Subordinated debt	-16	-9	-62	-32
Hybrid capital	-2	-3	-10	-11
Financial liabilities held for trading	0	0	0	0
Other (net)	2	1	2	0
Net interest income before fair value adjustment under hedge accounting	**61**	**70**	**263**	**279**
Hedging derivatives	11	-19	152	-111
Value change of hedged items	-10	19	-152	108
Total net interest income	**62**	**71**	**263**	**276**

Note 4. Impairments of receivables

EUR million	Q4/ 2012	Q4/ 2011	Q1–4/ 2012	Q1–4/ 2011
Receivables eliminated as loan or guarantee losses	2	1	35	47
Receoveries of eliminated receivables	0	0	-2	-1
Increase in impairment losses	23	31	62	84
Decrease in impairment losses	-4	-11	-38	-70
Total impairments of receivables	**21**	**21**	**57**	**60**

Note 5. Net income from Non-life Insurance

EUR million	Q4/ 2012	Q4/ 2011	Q1–4/ 2012	Q1–4/ 2011
Net insurance premium revenue				
Premiums written	211	190	1,215	1,120
Insurance premiums ceded to reinsurers	-5	-4	-49	-55
Change in provision for unearned premiums	87	77	-32	-44
Reinsurers' share	-11	-12	-7	3
Total	**283**	**251**	**1,126**	**1,024**
Net Non-life Insurance claims				
Claims paid	207	176	786	703
Insurance claims recovered from reinsurers	-27	-4	-61	-33
Change in provision for unpaid claims	-6	86	6	51
Reinsurers' share	19	-52	28	-29
Total	**193**	**206**	**759**	**692**

Net investment income, Non-life Insurance				
Interest income	15	15	61	61
Dividend income	5	1	29	30
Investment property	-1	1	3	5
Capital gains and losses				
Notes and bonds	5	-3	27	-8
Shares and participations	2	-1	14	0
Loans and receivables			-2	0
Investment property	0	0	0	0
Derivatives	-1	-9	-11	-18
Fair value gains and losses				
Notes and bonds	2	-18	0	-34
Shares and participations	-4	-1	-11	-10
Loans and receivables	0	0	0	-1
Investment property	1	2	3	3
Derivatives	-2	0	-2	0
Other	1	1	4	5
Total	**21**	**-11**	**115**	**32**
Unwinding of discount	-11	-12	-44	-46
Other	0	0	0	0
Total net income from Non-life Insurance	**100**	**22**	**438**	**318**

Note 6. Net commissions and fees

EUR million	Q4/ 2012	Q4/ 2011	Q1–4/ 2012	Q1–4/ 2011
Commission income				
Lending	12	11	43	37
Payment transfers	6	4	17	14
Securities brokerage	4	5	20	29
Securities issuance	4	3	10	9
Asset management and legal services	21	15	61	56
Insurance operations	7	6	24	20
Guarantees	4	4	16	16
Other	2	2	6	6
Total commission income	**60**	**48**	**196**	**187**
Commission expenses				
Payment transfers	2	1	4	2
Securities brokerage	1	2	7	10
Securities issuance	1	2	7	5
Asset management and legal services	2	2	7	7
Other	1	0	3	2
Total commission expenses	**7**	**7**	**27**	**27**
Total net commissions and fees	**53**	**41**	**169**	**161**

Note 7. Net trading income

EUR million	Q4/ 2012	Q4/ 2011	Q1–4/ 2012	Q1–4/ 2011
Financial assets and liabilities held for trading				
Capital gains and losses				
Notes and bonds	2	4	12	5
Shares and participations	0	0	0	0
Derivatives	-41	27	-30	9
Fair value gains and losses				
Notes and bonds	-1	-2	-1	2
Shares and participations	0	0	0	0
Derivatives	53	0	84	10
Financial assets and liabilities at fair value through profit or loss				
Capital gains and losses				
Notes and bonds			-1	
Fair value gains and losses				
Notes and bonds	0	0	1	0
Net income from foreign exchange operations	6	2	13	-1
Total net trading income	**19**	**30**	**79**	**26**

Note 8. Net investment income

EUR million	Q4/ 2012	Q4/ 2011	Q1–4/ 2012	Q1–4/ 2011
Available-for-sale financial assets				
Capital gains and losses				
Notes and bonds	0		14	10
Shares and participations	1	5	1	5
Dividend income	11	0	15	10
Impairments	0	0	0	-1
Carried at amortised cost				
Capital gains and losses	2	0	-17	-1
Total	**14**	**6**	**12**	**23**
Investment property	0	0	1	0
Total net investment income	**14**	**6**	**13**	**23**

Note 9. Other operating income

EUR million	Q4/ 2012	Q4/ 2011	Q1–4/ 2012	Q1–4/ 2011
Central banking service fees	2	2	8	8
Rental income from assets rented under operating lease	3	3	12	17
Other	3	5	17	15
Total	**8**	**10**	**37**	**41**

Note 10. Classification of financial instruments

Assets, EUR million	Loans and receivables	Held to maturity	At fair value through profit or loss*	Available for sale	Hedging derivatives	Total
Cash and balances with central banks	5,643					5,643
Receivables from credit institutions and central banks	8,815					8,815
Derivative contracts			4,084		379	4,462
Receivables from customers	13,839					13,839
Non-life Insurance assets**	558		132	2,832		3,523
Notes and bonds***		330	255	4,971		5,555
Shares and participations			1	105		107
Other receivables	2,654		25			2,678
Total 31 December 2012	**31,509**	**330**	**4,496**	**7,909**	**379**	**44,623**
Total 31 December 2011	**27,597**	**716**	**3,439**	**9,159**	**200**	**41,111**

Liabilities, EUR million	At fair value through profit or loss	Other liabilities	Hedging derivatives	Total
Liabilities to credit institutions		5,840		5,840
Financial liabilities held for trading (excl. derivatives)	3			3
Derivative conctracts	4,161		396	4,557
Liabilities to customers		10,775		10,775
Non-life Insurance liabilities	3	2,589		2,592
Debt instruments issued to the public		13,769		13,769
Subordinated liabilities		1,275		1,275
Other liabilities		3,042		3,042
Total 31 December 2012	**4,167**	**37,291**	**396**	**41,854**
Total 31 December 2011	**3,084**	**35,342**	**378**	**38,804**

* Assets at fair value through profit or loss include financial assets held for trading, financial assets at fair value through profit or loss at inception and investment property.
** Non-life Insurance assets are specified in Note 12.
*** On 31 December 2012, notes and bonds included EUR 9 million (13) in notes and bonds recognised using the fair value option.

Debt securities issued to the public are carried at amortised cost. On 31 December 2012, the fair value of these debt instruments was EUR 243 million (14) higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair values are higher than their carrying amount, but determining reliable fair values involves uncertainty.

Note 11. Financial instruments recognised at fair value, grouped by valuation technique

Fair value of assets on 31 December 2012, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	125	115	16	256
Non-life Insurance		13	6	19
Derivative financial instruments				
Banking	7	4,427	28	4,462
Non-life Insurance	1	0		1
Available-for-sale				
Banking	4,060	1,001	16	5,076
Non-life Insurance	1,822	759	251	2,832
Total	**6,015**	**6,315**	**317**	**12,647**

Fair value of assets on 31 December 2011, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	105	74	4	183
Non-life Insurance			6	6
Derivative financial instruments				
Banking	15	3,303	9	3,326
Non-life Insurance	0	0		0
Available-for-sale				
Banking	5,516	1,070	14	6,600
Non-life Insurance	1,743	557	259	2,559
Total	**7,379**	**5,004**	**292**	**12,675**

Fair value of liabilities on 31 December 2012, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking		3		3
Derivative financial instruments				
Banking	21	4,452	85	4,557
Non-life Insurance	3	0		3
Total	**23**	**4,455**	**85**	**4,563**

Fair value of liabilities on 31 December 2011, EUR million	Level 1*	Level 2**	Level 3***	Total
Recognised at fair value through profit or loss				
Banking	1			1
Derivative financial instruments				
Banking	23	3,353	85	3,460
Non-life Insurance	0	0		1
Total	**24**	**3,353**	**85**	**3,462**

* 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 2012, EUR 121 million in bonds were transferred from level 1 to level 2, due to changes in credit ratings.

Note 12. Non-life Insurance assets

EUR million	31 Dec 2012	31 Dec 2011
Investments		
Loans and other receivables	104	141
Shares and participations	409	435
Property	112	98
Notes and bonds	1,983	1,562
Derivatives	1	0
Other participations	459	568
Total	**3,069**	**2,805**
Other assets		
Prepayments and accrued income	42	36
Other		
From direct insurance	290	262
From reinsurance	91	121
Cash in hand and at bank	10	6
Other receivables	20	26
Total	**454**	**451**
Total Non-life insurance assets	**3,523**	**3,256**

Note 13. Intangible assets

EUR million	31 Dec 2012	31 Dec 2011
Goodwill	519	519
Brands	172	172
Customer relationships	131	155
Other	99	74
Total	**922**	**920**

Note 14. Non-life Insurance liabilities

EUR million	31 Dec 2012	31 Dec 2011
Provision for unpaid claims		
Provision for unpaid claims for annuities	1,205	1,155
Other provision for unpaid claims	788	789
Total	1,993	1,944
Provision for unearned premiums	455	422
Derivatives	3	1
Other liabilities	141	141
Total	**2,592**	**2,508**

Note 15. Debt securities issued to the public

EUR million	31 Dec 2012	31 Dec 2011
Bonds	8,130	6,769
Certificates of deposit, commercial papers and ECPs	5,495	8,113
Other	144	297
Total	**13,769**	**15,179**

Note 16. Fair value reserve after income tax

EUR million	31 Dec 2012	31 Dec 2011
Loans and other receivables		
Reclassified notes and bonds	-2	-4
Available-for-sale financial assets		
Notes and bonds	52	-162
Equities and mutual funds with equity risk	72	7
Other funds	22	0
Derivatives		
Cash flow hedge	23	10
Total	**167**	**-149**

The negative fair value reserve may recover by means of asset appreciation, capital losses and recognised impairments.

The fair value reserve before tax totalled EUR 221 million (–197) and the related deferred tax liability amounted to EUR 54 million (deferred tax asset of 48). On 31 December, positive mark-to-market valuations of equity instruments before tax in the fair value reserve totalled EUR 121 million (66) and negative mark-to-market valuations EUR 8 million (58). In January–December, impairment charges recognised from the fair value reserve in the income statement totalled EUR 8 million (31), of which equity instruments accounted for EUR 7 million (3).

Note 17. Risk exposure by Banking

Total exposure by rating category*, EUR billion

Rating category	31 Dec 2012	31 Dec 2011	Change
1–2	2.5	2.3	0.2
3–5	12.3	11.6	0.7
6–7	5.8	5.1	0.7
8–9	2.2	2.1	0.1
10	0.2	0.1	0.1
11–12	0.3	0.3	0.1
Total	**23.4**	**21.6**	**1.8**

* excl. private customers

Sensitivity analysis of market risk

			31 Dec 2012		31 Dec 2011	
Banking, EUR million	Risk parameter	Change	Effect on results	Effect on share-holders' equity	Effect on results	Effect on share-holders' equity
Interest-rate risk	Interest	1 percen-tage point	8		4	
Currency risk	Market value	10 %	2		4	
Volatility risk						
Interest-rate volatility	Volatility	10 percen-tage points	1		1	
Currency volatility	Volatility	10 percen-tage points	0		0	
Credit risk premium*	Credit spread	0.1 percen-tage points	1	2	0	1

Sensitivity figures have been calculated as the sum of the currencies' intrinsic value.
* The credit risk premium has been calculated on notes and bonds at fair value through profit or loss and available for sale, included in liquidity buffer.

Note 18. Risk exposure by Non-life Insurance

Risk parameter	Total amount 31 Dec 2012, EUR million	Change in risk parameter	Effect on combined ratio	Effect on share-holders' equity, EUR million
Insurance portfolio or insurance premium revenue*	1,126	Up 1%	Up 0.9 percentage points	11
Claims incurred*	830	Up 1%	Down 0.7 percentage points	-8
Major loss of over EUR 5 million		1 loss	Down 0.4 percentage points	-5
Personnel costs*	129	Up 8%	Down 0.9 percentage points	-10
Expenses by function*/**	306	Up 4%	Down 1.1 percentage points	-12
Inflation for collective liability	550	Up 0.25 percentage points	Down 0.3 percentage points	-4
Life expectancy for discounted insurance liability	1,483	Up 1 year	Down 3.0 percentage points	-34
Discount rate for discounted insurance liability	1,483	Down 0.1 percentage point	Down 1.6 percentage points	-18

* Moving 12-month
** Expenses by function in Non-life Insurance excluding expenses for investment management and expenses for other services rendered

Non-life Insurance investment portfolio by allocation

Portfolio allocation, EUR million	Fair value 31 Dec 2012	%	Fair value 31 Dec 2011	%
Money market instruments	42	1 %	99	3 %
Bonds and bond funds	2,369	75 %	1,999	70 %
Public sector	615	20 %	675	24 %
Financial institutions	989	31 %	502	18 %
Corporate	628	20 %	434	15 %
Bond funds	120	4 %	383	13 %
Other	17	1 %	6	0 %
Equities	268	9 %	287	10 %
Private equity investments	99	3 %	91	3 %
Alternative investments	82	3 %	132	5 %
Real property	290	9 %	254	9 %
Total	**3,149**	**100 %**	**2,863**	**100 %**

Non-life Insurance fixed-income portfolio by maturity and credit rating on 31 December 2012*, EUR million

Year(s)	0–1	1–3	3–5	5–7	7–10	10–	Total	%
Aaa	14	145	323	187	106	77	853	36 %
Aa1−Aa3	27	47	142	23	12	27	278	12 %
A1−A3	37	194	220	88	38	1	578	25 %
Baa1−Baa3	25	80	176	68	74	26	448	19 %
Ba1 or lower	32	79	47	26	6	8	198	8 %
Internally rated	1	0	0		0		1	0 %
Total	**135**	**545**	**909**	**392**	**236**	**139**	**2,356**	**100 %**

* Excludes credit derivatives.

The table below shows the sensitivity of investment risks and their effect on shareholders' equity:

Non-life Insurance	Risk parameter	Change	Effect on shareholders' equity, EUR million 31 Dec 2012	31 Dec 2011
Bonds and bond funds1)	Interest rate	1 percentage point	72	84
Equities 2)	Market value	10 %	30	35
Venture capital funds and unquoted equities	Market value	10 %	10	10
Commodities	Market value	10 %	1	
Real property	Market value	10 %	29	25
Currency	Value of currency	10 %	25	20
Credit risk premium 3)	Credit spread	0.1 percentage points	9	8
Derivatives 4)	Volatility	10 percentage points	2	4

1) Include money-market investments, convertible bonds and interest-rate derivatives
2) Include hedge funds and equity derivatives
3) Includes bonds and money-market investments, including government bonds and interest-rate derivatives issued by developed countries
4) 20 percentage points for equity derivatives, 10 percentage points for interest-rate derivatives and 5 percentage points for currency derivatives.

Note 19. Risk exposure by Group Functions

Total exposure by rating category, EUR billion

Rating category	31 Dec 2012	31 Dec 2011	Change
1–2	17.1	14.9	2.2
3–5	3.0	4.7	-1.7
6–7	0.2	0.3	-0.1
8–9	0.1	0.1	0.1
10	0.0	0.1	-0.1
11–12		0.0	0.0
Total	**20.4**	**20.1**	**0.4**

Sensitivity analysis of market risk

Group Functions, EUR million	Risk parameter	Change	31 Dec 2012 Effect on results	31 Dec 2012 Effect on share-holders' equity	31 Dec 2011 Effect on results	31 Dec 2011 Effect on share-holders' equity
Interest-rate risk	Interest rate	1 percen-tage point	22		25	0
Interest-rate volatility	Volatility	10 percen-tage points	0		0	
Credit risk premium*	Credit spread	0.1 percen-tage points		19	0	23
Price risk						
Equity portfolio	Market value	10 %		0		0
Private equity funds	Market value	10 %		3		3
Property risk	Market value	10 %	3		3	

Sensitivity figures have been calculated as the sum of the currencies' intrinsic value.
* The credit risk premium has been calculated on notes and bonds at fair value through profit or loss and available for sale, included in liquidity buffer.

Note 20. Liquidity buffer

Liquidity buffer by maturity and credit rating on 31 December 2012, EUR million

Year	0–1	1–3	3–5	5–7	7–10	10–	Total	%
Aaa*	5,721	868	683	409	751	22	8,452	58 %
Aa1−Aa3	86	270	156	315	254	11	1,092	7 %
A1−A3	244	458	234	14	13	1	964	7 %
Baa1−Baa3	106	192	123	4	7		432	3 %
Ba1 or lower	55	33	67	31	36	0	221	2 %
Internally rated**	575	707	1,047	408	203	504	3,443	24 %
Total	**6,787**	**2,527**	**2,308**	**1,181**	**1,264**	**538**	**14,605**	**100 %**

* incl. deposits with the central bank
** PD </= 0.40%
The liquidity buffer's (excl. deposits with the central bank) residual term to maturity averages 4.6 years.

Note 21. Capital base and capital adequacy

EUR million	31 Dec 2012	31 Dec 2011
Tier 1 capital		
Equity capital	2,769	2,306
Elimination of insurance companies' effect in equity capital (equity capital and Group eliminations)	-6	112
Fair value reserve, transfer to Tier 2	-36	136
Core Tier 1 capital before deductions and hybrid capital	**2,728**	**2,554**
Intangible assets	-182	-171
Excess funding of pension liability and fair value measurement of investment property	-7	-8
Dividend distribution proposed by Board of Directors	-145	-129
Investments in insurance companies and financial institutions	-703	-704
Shortfall of impairments – expected losses	-60	-56
Core Tier 1 capital	**1,631**	**1,486**
Hybrid capital	274	274
Shortfall of Tier 2 capital		-238
Tier 1 capital	**1,904**	**1,521**
Tier 2 capital		
Fair value reserve	13	-146
Perpetual bonds		294
Debenture loans	853	375
Investments in insurance companies and financial institutions	-703	-704
Shortfall of impairments – expected losses	-60	-56
Transfer to Tier 1 capital		238
Tier 2 capital	**103**	
Total capital base	**2,007**	**1,521**
Deductions from Tier 1 and 2 capital		
Investments in insurance companies and financial institutions	-1,406	-1,408
Impairments – shortfall of expected losses	-121	-112
Total	**-1,527**	**-1,521**

EUR million	31 Dec 2012 Risk-weighted assets	31 Dec 2012 Minimum capital requirement	31 Dec 2011 Risk-weighted assets	31 Dec 2011 Minimum capital requirement
Credit and counterparty risk				
Central government and central banks exposure	41	3	170	14
Credit institution exposure	1,193	95	1,434	115
Corporate exposure	10,814	865	9,804	784
Retail exposure	636	51	468	37
Other	893	71	1,014	81
Market risk	723	58	606	48
Operational risk	1,020	82	913	73
Total	**15,320**	**1,226**	**14,409**	**1,153**

	31 Dec 2012	31 Dec 2011
Ratios, %		
Capital adequacy ratio	13.1	10.6
Tier 1 capital ratio	12.4	10.6
Core Tier 1 capital ratio	10.6	10.3
Capital base*, EUR million	781	369

* Capital base above the minimum capital requirement

The IRBA transitional provision (Basel 1 floor) has no effect on capital adequacy ratios.

Capital base and capital adequacy measurement is based on approaches under Basel II. Pohjola has used the Internal Ratings Based Approach (IRBA) for corporate, credit institution and retail exposures as well as equity investments. Pohjola has used the Standardised Approach (SA) to measure credit risk for government exposures.

OP-Pohjola Group's capital adequacy ratio under the Act on Credit Institutions, Tier 1 ratio and Core Tier 1 ratio all stood at 14.1% (14.0).

Note 22. Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates

EUR million	31 Dec 2012	31 Dec 2011
Pohjola Group's equity capital	2,769	2,306
Hybrid instruments, perpetual bonds and debenture bonds	1,177	992
Other sector-specific items excluded from capital base	-121	-2
Goodwill and intangible assets	-876	-869
Equalisation provision	-206	-266
Proposed profit distribution	-145	-129
Items under IFRS deducted from capital base*	-45	-28
Shortfall of impairments – expected losses	-121	-112
Conglomerate's capital base, total	**2,432**	**1,891**
Regulatory capital requirement for credit institutions**	1,226	1,153
Regulatory capital requirement for insurance operations***	203	186
Conglomerate's total minimum capital requirement	**1,429**	**1,339**
Conglomerate's capital adequacy	**1,004**	**552**
Conglomerate's capital adequacy ratio (capital resources/minimum of capital resources)	**1.70**	**1.41**

* 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

OP-Pohjola Group's capital adequacy ratio was 1.90.

Note 23. Collateral given

EUR million	31 Dec 2012	31 Dec 2011
Given on behalf of own liabilities and commitments		
Mortgages	1	1
Pledges	4,630	6,832
Other	583	492
Total collateral given	**5,214**	**7,325**
Total collateralised liabilities	**592**	**765**

Note 24. Off-balance-sheet commitments

EUR million	31 Dec 2012	31 Dec 2011
Guarantees	882	1,004
Other guarantee liabilities	1,359	1,303
Loan commitments	5,342	4,952
Commitments related to short-term trade transactions	435	225
Other	301	359
Total off-balance-sheet commitments	**8,319**	**7,844**

Note 25. Derivative contracts

31 Dec 2012, EUR million	Nominal values/residual term to maturity <1 year	1–5 years	>5 years	Total	Fair values* Assets	Liabilities
Interest rate derivatives	45,199	91,926	39,553	176,678	4,293	4,168
Currency derivatives	19,844	2,747	517	23,107	294	340
Equity and index derivatives	303	819	6	1,127	50	0
Credit derivatives	122	92		214	10	2
Other derivatives	288	585	78	952	37	37
Total derivatives	**65,757**	**96,168**	**40,154**	**202,079**	**4,684**	**4,547**

31 Dec 2011, EUR million	Nominal values/residual term to maturity <1 year	1–5 years	>5 years	Total	Fair values* Assets	Liabilities
Interest rate derivatives	49,703	94,395	39,747	183,845	2,777	2,939
Currency derivatives	18,104	2,339	732	21,174	626	419
Equity and index derivatives	161	1,110	6	1,277	55	1
Credit derivatives	45	191		236	2	2
Other derivatives	239	360	22	621	27	26
Total derivatives	**68,252**	**98,394**	**40,507**	**207,153**	**3,487**	**3,388**

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

In capital adequacy measurement, Pohjola Group applies netting of derivatives. However, derivative contracts are presented in gross amounts in accounting and in this note.

Note 26. Other contingent liabilities and commitments

On 31 December 2012, the Group Functions commitments to venture capital funds amounted to EUR 12 million and Non-Life Insurance commitments to EUR 107 million. They are included in the section 'Off-balance-sheet

Note 27. Related-party transactions

Pohjola Group's related parties comprise its parent company OP-Pohjola Group Central Cooperative, subsidiaries consolidated into the Group, associates and administrative personnel and other related-party entities. Pohjola Group's administrative personnel comprises Pohjola Bank plc's President and CEO, members of the Board of Directors and their close family members. Related parties also include companies over which a person among administrative personnel or his close family member exercises significant influence. Other related-party entities include OP Pension Fund, OP Pension Foundation and sister companies within OP-Pohjola Group Central Cooperative Consolidated.

Normal loan terms and conditions apply to loans granted to related parties. These loans are tied to generally used reference rates.

Related-party transactions have not undergone any substantial changes since 31 December 2011.

Helsinki, 6 February 2013

Pohjola Bank plc
Board of Directors

This Financial Statements Bulletin is available at www.pohjola.com > Media > Releases, where background information on the Bulletin can also be found.

Analyst meeting, conference call and live webcast

Pohjola will hold a briefing in English for analysts and investors on 6 February starting at 3.00 pm Finnish time, EET (2.00 pm CET, 1.00 pm UK time, 8am US EST). The briefing is a combined analyst meeting, conference call and live webcast.

Analysts and investors may attend the briefing in one of the following two ways:
1) By viewing the briefing as live webcast via the internet. The link will be available on the IR website before the briefing begins. Questions on the internet are welcome via a question button available in the webcast window. An on-demand webcast of the briefing can be viewed via the IR website afterwards.

2) By dialling one of the regional conference call numbers shown below. Questions are welcome by telephone in the Q&A session according to instructions. To participate via a conference call, please dial in 5−10 minutes before the beginning of the event:
FI: 09 23 11 328
US: 1 86 6682 8490
UK: 08 445 718 957
International: +44 (0) 1452 555131
Password: Pohjola

Press conference

Mikael Silvennoinen, Pohjola Bank plc's President and CEO, will present the financial results in a press conference on OP-Pohjola Group's premises (Vääksyntie 4, Vallila, Helsinki), on 6 February, starting at noon.

Annual General Meeting

Pohjola Bank plc will hold its Annual General Meeting (AGM) in the Congress Wing of the Helsinki Exhibition & Convention Centre (Messuaukio 1, Helsinki) on Friday 22 March 2013, starting at 2.00 pm. Proposals by the Board of Directors to the AGM will be published as a company release on 6 February 2013 and notice of the Meeting on 18 February 2013. The notice will also appear in Helsingin Sanomat and Hufvudstadsbladet on 19 February 2013. Thereafter, the Report by the Board of Directors and the Financial Statements and other AGM documentation will also be available on the company's website at www.pohjola.com.

Financial reporting in 2013

Schedule for Interim Reports in 2013:

Interim Report Q1/2013	2 May 2013
Interim Report H1/2013	31 July 2013
Interim Report Q1−3/2013	30 October 2013

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www.pohjola.com, www.op.fi

For additional information, please contact
Mikael Silvennoinen, President and CEO, tel. +358 (0)10 252 2549
Vesa Aho, CFO, tel. +358 (0)10 252 2336
Niina Pullinen, Senior Vice President, Investor Relations, tel. +358 (0)10 252 4494